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HD **Wealth surges in Asia-Pacific as region closes on America**

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A recent survey by BCG found that, on a regional basis, the Asia-Pacific region continues to post the strongest growth in private wealth globally (up 30.5 per cent to $37.0 trillion last year).

A key driver in the rise of private wealth in the Asia-Pacific region has been strong gross domestic product growth over the past five years, especially in **China**, India, and Indonesia. Nominal GDP growth in **China** (9.6 per cent) and India (14.2 per cent), as well as high savings rates in those countries - 16.8 per cent and 19.2 per cent of GDP, respectively - were the principal drivers.

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The Asia-Pacific region (excluding Japan) is expected to overtake Western Europe as the second-wealthiest region this year and North America as the wealthiest in 2018. According to BCG, wealth managers globally had another year of excellent growth in 2013, with assets under management rising by 11 per cent. This performance, which followed assets under management growth of 13 per cent in 2012, was driven mainly by asset appreciation owing to rising **equity** markets.

In other words, wealth management in Australia should be a growth sector for decades to come. Biased or otherwise, local asset consultants say that Australia already has some world-class investment houses based here with compliance standards that are not always on offer in other parts of Asia.

Over the past five years, the most successful wealth manager in Australia must surely have been Magellan Financial Group. In the mid-2000s, Chris Mackay, a former chairman of UBS in Australia, and Hamish Douglass, who once ran the local mergers and acquisitions operation at Deutsche Bank, saw a gap in the asset management market.

There were only five global asset managers in Australia that were catering to retail investors and the two bankers believed they had the requisite **company** research and risk management skills, and an understanding of the world economy. The **company** listed on December 19, 2006, through a recapitalisation of Pengana Hedge Funds.

Five-and-a-half years ago, Magellan's global fund was getting between $5000 and $10,000 a day from retail investors. On some days, there were no cheques at all. Three years after launch, the Magellan Global Fund had only attracted $280 **million** into the vehicle.

Fast forward to this year and retail investors are pumping in $140 **million** a month and Magellan now has $24.9 **billion** of funds under management.

These days, it is a very different business to the one that was floated. For instance, in 2007, Magellan had a 13-strong investment team, while today Magellan has a 25-strong investment team and says it is still hiring.

By some estimates, Australia's investment fund asset pool is now the third-biggest globally, behind Luxembourg and the US, and is the biggest in the Asia-Pacific region ahead of Singapore. But funds invested directly now eclipse those invested through fund managers.

Assets in self-managed superannuation funds (SMSF) have risen more than fourfold in the past decade, from $127 **billion** to $560 **billion** of assets. Managed funds are still getting only a fraction of SMSF inflows, sharing in less than 14 per cent of SMSF assets while cash and term deposits sit at just under 30 per cent and overseas shares represent less than 1 per cent of total assets. Of late, there have been a string of floats targeting the fast-growing SMSF sector.

Property play Elanor Investors Group and listed equities play Global Value Fund have already listed while small cap investment funds Barrack Street Investments and QV Equities are not far away. The SMSF market is surely one of the great opportunities for the local funds management industry.

But professional managers need to demonstrate sustained outperformance and navigate the complexities involved in distributing managed funds into that sector before they get to tap that pot of **gold**.

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