Tapping into moneyed hearts and minds

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By Duan Ting |   
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As China's growing pool of newfound rich joins the world's billionaire ranks, asset managers have been dancing to their tune.  
"We're in an extraordinarily promising business," says Sun Xinrong, founding partner, chairman and chief investment officer of BC Capital — a budding financial house specializing in asset and wealth management, as well as investment banking, in China.  
"I think we're much better off than other global markets, including the US, and the business is more challenging than traditional banking," he says.  
Sun is inspired by the fact that since the mainland's opening-up more than three decades ago, the country has accumulated a respectable pool of wealth, with a bulging class of high-net-worth individuals (HNWIs) in pursuit of professional investment services, channeling abundant opportunities to the asset management business.  
The trend is fueled by the growing internationalization of the yuan and a litany of high-profile Chinese economic master plans like the Belt and Road Initiative.  
Sun recalls that when they launched BC Capital four years ago, the private equity business had just got off the ground on the mainland after a period of unrestrained growth. The industry's rapid development led to the creation of the Asset Management Association of China in mid-2012, based on the provisions of the Securities Investment Funds Law and the Regulations on the Registration and Administration of Social Organizations.  
"The market is there, but the percentage of high-net-worth people investing overseas is still relatively small compared with that of developed countries," Sun tells China Daily.  
In developed nations, for instance, the overseas portfolio takes up an average of 15 percent of households' total investments while, in China, the figure in the same category is merely 5 percent.  
A report by asset management consultancy Bain & Company in 2017 showed that overseas investments by the mainland's HNWIs accounted for an impressive 56 percent of their total portfolio — up from 19 percent in 2011.  
The size of investable assets of Chinese individuals and HNWIs hit a staggering 165 trillion yuan and 31 trillion yuan, respectively, in 2016, and are projected to surge to 188 trillion yuan and 58 trillion yuan by the end of 2017.  
"But, China has been facing an asset shortage problem since 2015 in terms of high-return and low-risk products," notes Sun, adding that developing competitive and innovative products with stable returns and low risks, plus educating investors, are crucial for asset management companies.  
"The private equity business is highly commercialized which needs constant innovation and integration," says Sun, and global asset allocation and risk diversification are important to investors.  
Sun prefers to call himself an "asset manager of Chinese people's overseas investments" providing one-stop wealth management services. The longterm plan is to build a bridge to help foreigners invest in China as overseas investors' interest in the mainland market has escalated following indexing giant MSCI's plan to include more than 200 "A" shares in its benchmark emerging markets index from mid-2018, and the kick-off of the milestone stock and bond connect schemes between the Chinese mainland and Hong Kong.  
Sun says his company's asset management adroitness has been given much impetus through its Chinese background, and it knows China well. He co-founded BC Capital with Allen Feng who's now its president and was formerly managing director at Morgan Stanley Asia Pacific, with over 30 years' experience in the fixed-income business.  
Sun believes the mainland's private equity sector will grow fast and dramatically in terms of size in the coming years although, at present, the mainland still relies heavily on traditional asset investment. The private equity business in the United States is 10 times larger than the mainland's.  
Talking about the areas his company has confidence in, Sun lists four — energy conservation and environmental protection, new energy, biological medicine and new services industry — which are also on China's list for future development.  
"Financial technology is a big future trend," says Sun. BC Capital had invested in Zhong An Online P&C Insurance in 2015. When investing in fintech enterprises at an early stage, it's vital to know their investors, the management's background and business model.  
Not to be left out are artificial intelligence, robotic process automation and blockchain technology.  
As for its current offshore operations, BC Capital focuses on three areas — overseas mergers and acquisitions, fixedincome funds and fund of funds.  
The company's assets under management has touched $700 million with a Hong Kong branch operating in the city for more than two years. Its Hangzhou and Hong Kong affiliates have been granted "Private Investment Fund Manager" certificates by the Asset Management Association of China, as well of Types 1, 4 and 9 regulated licenses by Hong Kong's Securities and Futures Commission in 2015. "It won't be long before our fund management scale tops $1 billion," predicts Sun.  
"The shortage of professional talents in private equity is a big issue we faced in the beginning," Sun recalls. It isn't easy to find good projects to invest in and, after fundraising and investments are decided upon, they have to manage the projects well.  
With Hong Kong as the company's offshore head office, Sun is confident the city still has a big role to play, and the next five years would be another golden period for the SAR with the unreserved backing of the central government.  
Hong Kong, Sun says, does have the potential to be southern China's innovation and technology center, apart from Shenzhen.

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