

2014 SINGAPORE ASSET MANAGEMENT SURVEY

SINGAPORE – GLOBAL CITY, WORLD OF OPPORTUNITIES



Monetary Authority of Singapore

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Foreword

Singapore's assets under management ("AUM") rose to S\$2.4 trillion in 2014, a strong showing of about 30% year-on-year growth. The robust growth was derived largely from positive asset inflows arising from Asia's growth dynamism and Singapore's position as a pan-Asian asset management hub. Looking ahead, growth opportunities abound although there are also structural trends that could potentially transform the asset management industry.

Asia's long-term economic prospects remain underpinned by rising urbanisation, policy-led reforms and increasing financial integration. The ensuing wealth accumulation also leads to greater demand for investment solutions. At the same time, Asia's economic development continues to be attractive to international investors.

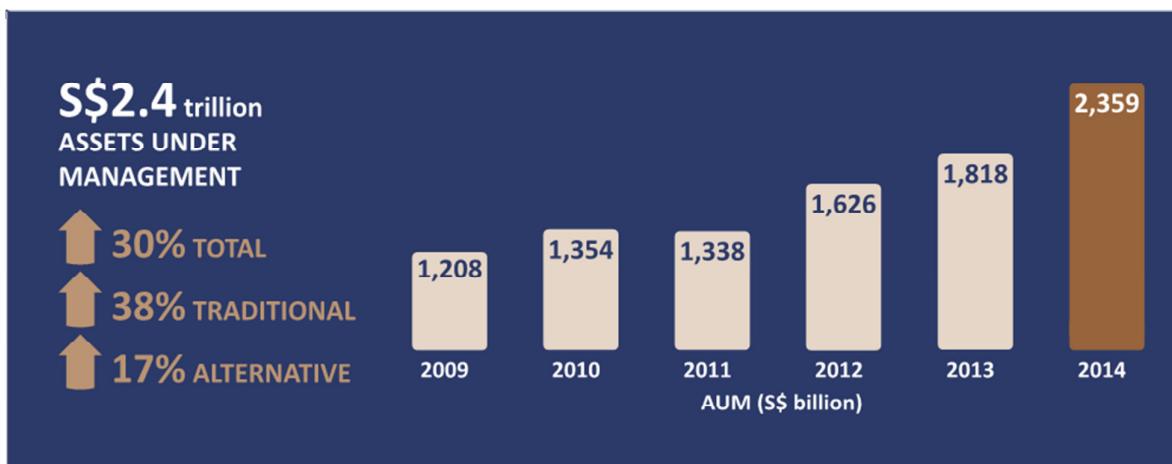
On the other hand, investors' risk return expectations have evolved. For instance, the low yield environment has contributed to an increasing popularity of multi-asset or outcome-oriented strategies. Investors' demand for cost-effective and diversified portfolios offering returns with reduced volatility has also resulted in the growth of passive investments and smart beta portfolios.

Financial technology has emerged to be a potential game changer for the industry – as an enabler by enhancing client interface and investment decisions, or as a disruptor by unleashing new entrants with more superior business models.

The shifting sands of industry dynamics will demand greater attention, agility and adaptability by asset managers in order to overcome challenges and seize opportunities. This may necessitate changes to business models, in terms of client relationships, distribution, investment capabilities, and other operational processes. How asset managers act on these trends will determine the winners or losers of tomorrow.

MAS pays close heed to major trends affecting the industry and has embarked on initiatives to strengthen the asset management industry. For instance, Singapore participates in two fund passporting schemes (ASEAN CIS and Asia Region Funds Passport) to enhance access to regional markets. MAS also supports the talent development of the industry by identifying core competencies and promoting leadership capabilities. In addition, MAS will partner the industry to create a vibrant ecosystem for innovation and new technologies.

2014 Key Highlights



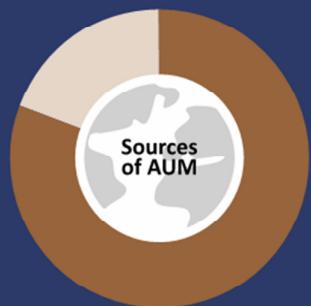
591
REGISTERED & LICENSED
FUND MANAGERS



ALTERNATIVE ASSETS UNDER MANAGEMENT

Hedge Fund		108 (S\$ billion)	↑21%
Private Equity		93 (S\$ billion)	↑24%
Real Estate Investment Trust		80 (S\$ billion)	↑9%
Real Estate		38 (S\$ billion)	↑10%

SERVING GLOBAL INVESTORS



81%
FUNDS
SOURCED
OUTSIDE
SINGAPORE

PAN-ASIAN ASSET MANAGEMENT CENTRE



68%
FUNDS
INVESTED IN
ASIA PACIFIC

About the Survey

The Monetary Authority of Singapore conducted its annual survey of the Singapore asset management industry, for the year ending 31 December 2014.

Financial institutions surveyed comprise Banks, Capital Markets Services licensees (including REIT managers), Financial Advisers, Insurance companies, Operational Headquarters and exempt entities, but excludes direct investments by government-related entities. 735 participants contributed to the 2014 survey.

Survey Findings

Assets Under Management

At the end of 2014, total assets managed by Singapore-based asset managers grew by 30% to S\$2,359 billion, compared to S\$1,818 billion as at end-2013. Over the last five years, the industry assets under management ("AUM") have expanded at a 14% compound annual growth rate ("CAGR").

The Singapore asset management industry has maintained a high level of discretionary AUM, which stood at 52% of total AUM at the end of 2014.

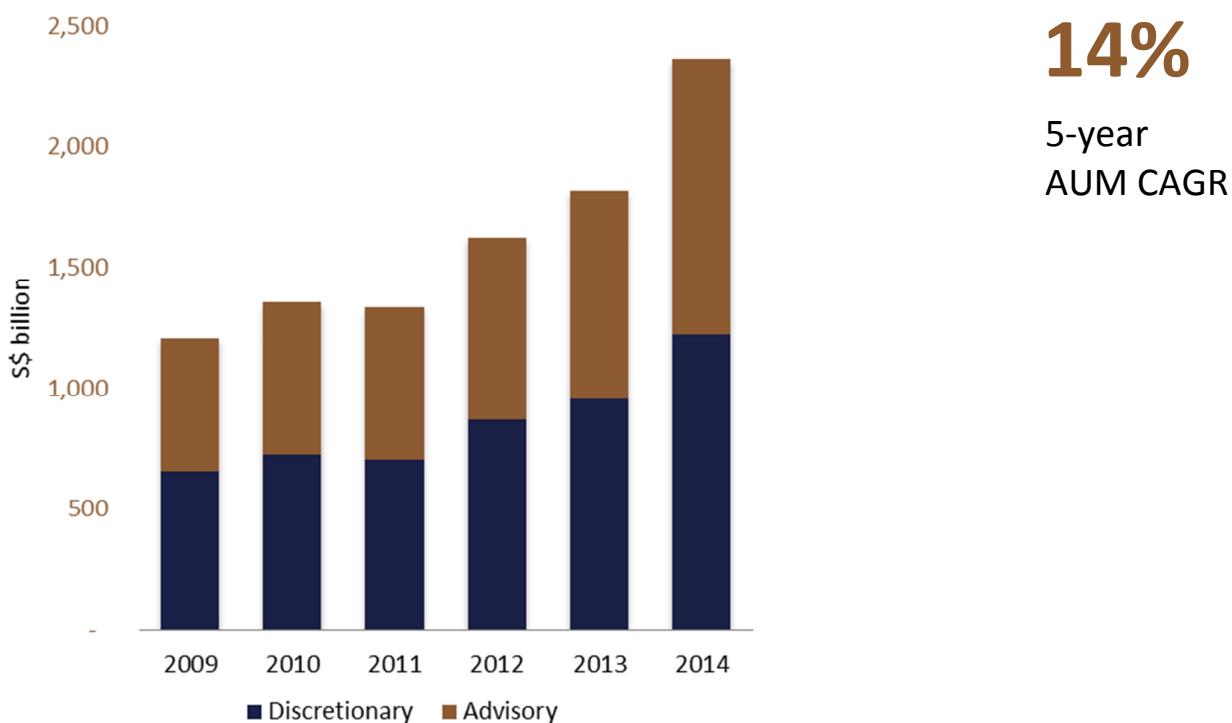
**S\$2.4
trillion**

AUM

▲30%

2014 AUM
growth

Chart 1: Assets Under Management



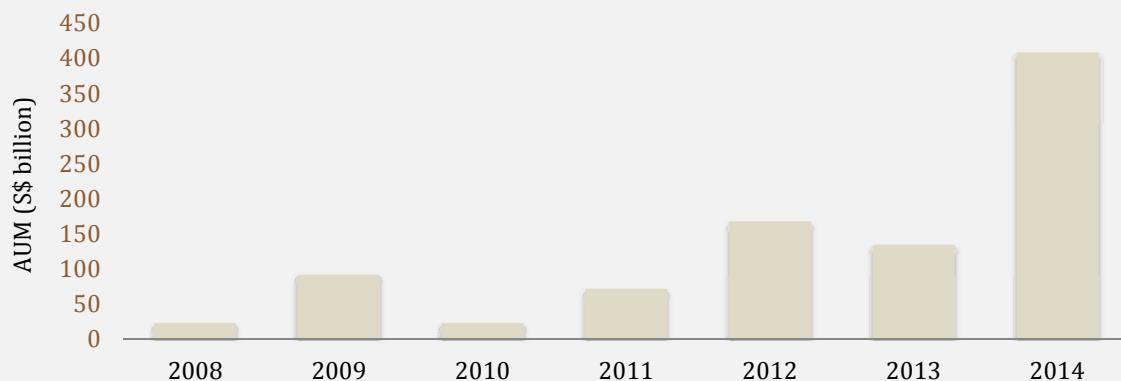
In 2014, there was a net increase of 38 registered and licensed fund managers. This brings the total number of fund managers registered and licensed with MAS to 591.

Attracting Asset Flows

Singapore's asset management industry has consistently attracted net inflows even through periods of market volatility, such as during the Global Financial Crisis in 2008. Asset managers based in Singapore have a strong pan-Asian coverage and offer a broad and diversified range of investment capabilities, spanning traditional and alternative strategies. This has attracted investors who are keen to participate in the region's growth.

In 2014, Singapore asset managers attracted S\$408 billion of net inflows. Both the Traditional and Alternative sectors enjoyed positive net flows. Traditional asset managers were the biggest contributors and accounted for 76% of the net flows.

Chart 2: Net AUM Inflow



Traditional AUM grew by 38%, driven largely by global asset managers which had expanded their scale of investment activities in Singapore.

▲38%
Traditional
AUM growth

Alternative AUM expanded by 17% to S\$318 billion. Private Equity showed the strongest growth of 24%, underpinned by a favourable environment for fund raising and investments. Hedge fund AUM grew by 21% to reach S\$108 billion. The growth was supported by strong net flows and new hedge fund managers setting up in Singapore. AUM of REIT and Real Estate asset managers grew by 9% and 10% to S\$80 billion and S\$38 billion respectively.

▲17%
Alternative
AUM growth

Chart 3: Alternative AUM

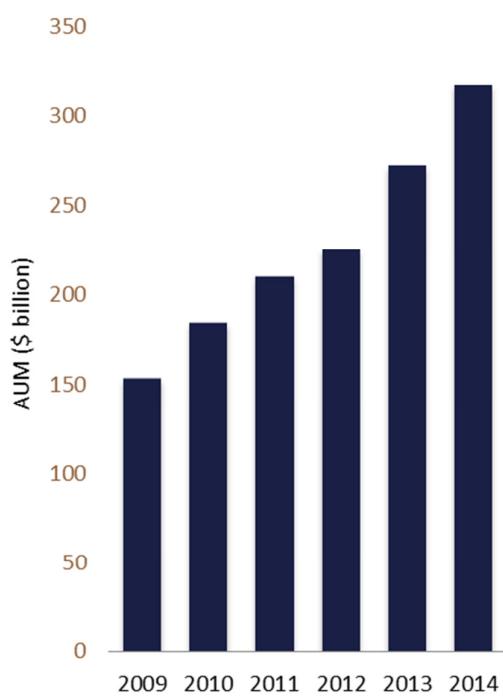
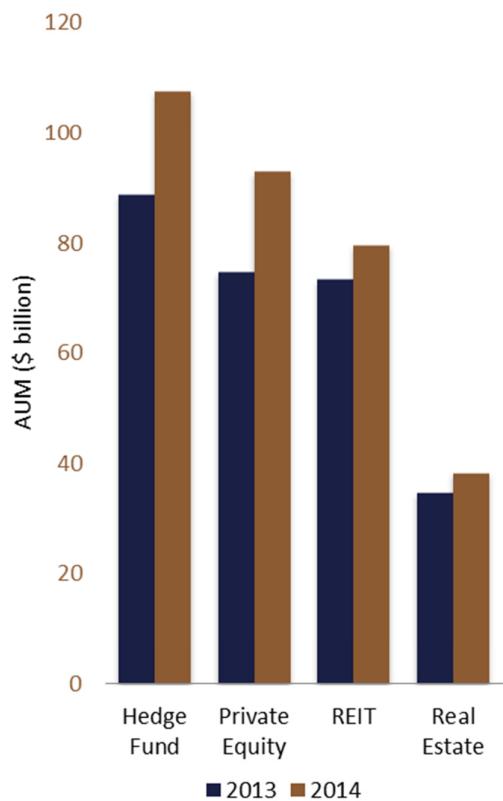


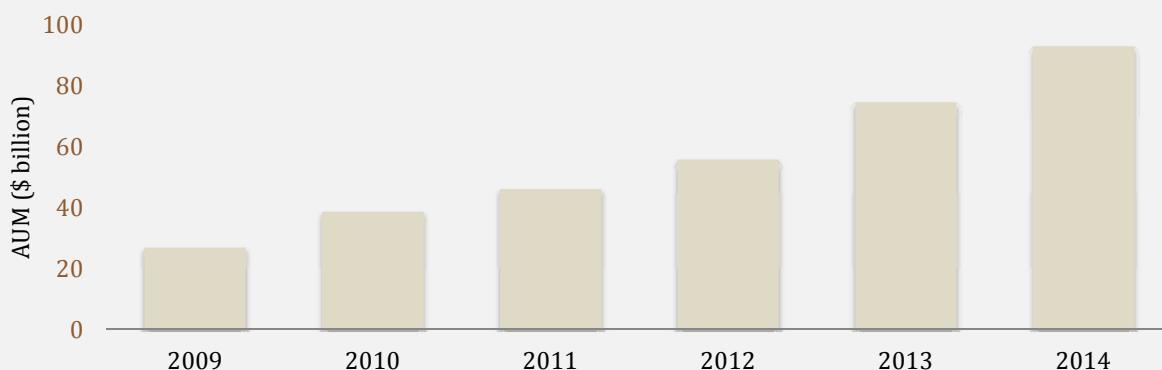
Chart 4: Alternative Sectors



Private Equity

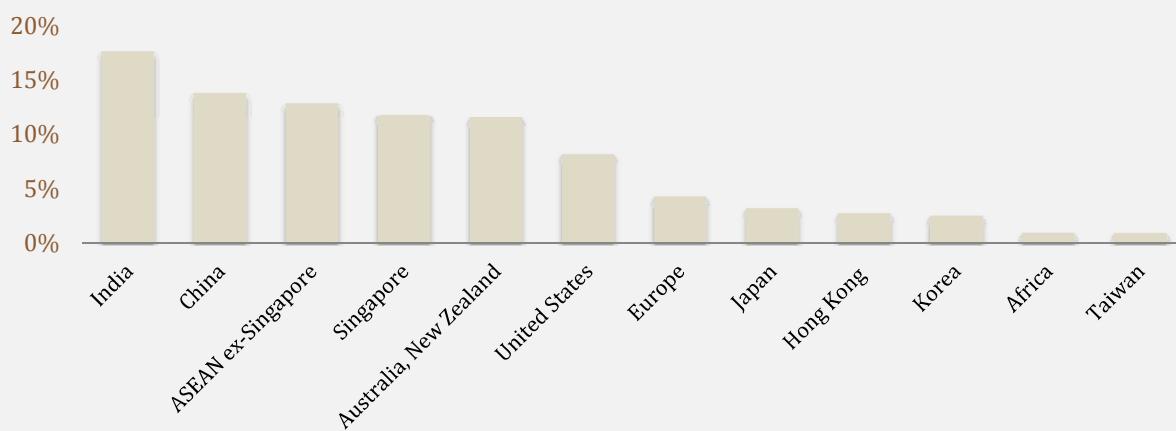
In 2014, AUM managed by Singapore-based private equity (including venture capital) managers grew by 24% to S\$93 billion. Private equity funds benefitted from a buoyant deal making environment, as well as valuation gains. Over the last five years, PE AUM has grown at 28% compound annual growth rate.

Chart 5: Private Equity AUM



As a gateway to Asia, Singapore offers a vibrant ecosystem for sourcing capital, making deals, and hiring talent. For early stage capital, government support (e.g. SPRING Singapore, Economic Development Board, National Research Foundation) has also contributed to a thriving start-up environment. These include incubator and accelerators programs, as well as public-private sector R&D collaborations. Eight of the top ten global PE firms have an office in Singapore. PE firms have used Singapore as a base to scout for investment opportunities in the Asia-Pacific. Top investment destinations last year included India, China, ASEAN, Australia and New Zealand.

Chart 6: Top Investment Destinations by PE Firms



Sources of Funds

In 2014, 81% of total AUM was sourced from outside Singapore, compared to 77% in 2013. Of this, 54% was sourced from the Asia-Pacific, 19% from Europe and 18% from North America, demonstrating Singapore's role in serving regional and international investors.

Singapore also serves as the regional hub for a growing pool of institutional investors. In 2014, La Caisse de dépôt et placement du Québec set up an office in Singapore, joining the Investment Company of People's Republic of China, Norges Bank Investment Management, and the Swiss National Bank. The Korean National Pension Service has also decided to set up an office in Singapore in 2015.

81%
AUM sourced
from outside
Singapore

Chart 7: Source of Funds

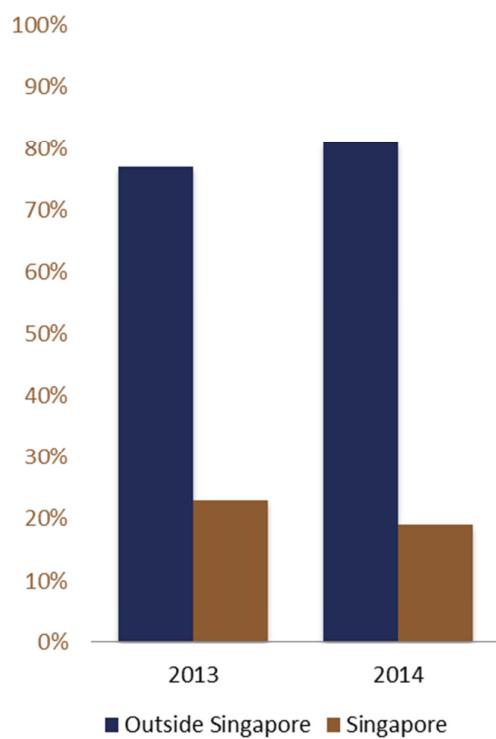
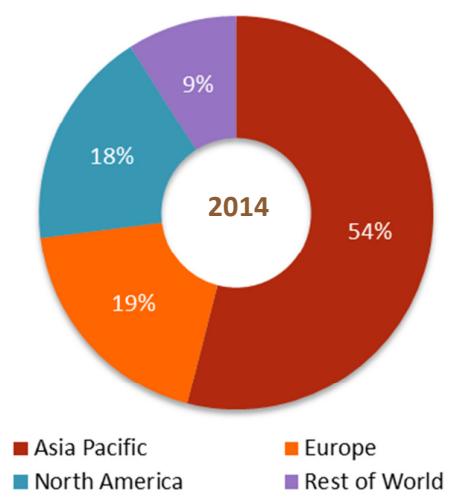


Chart 8: Source of Funds by Region

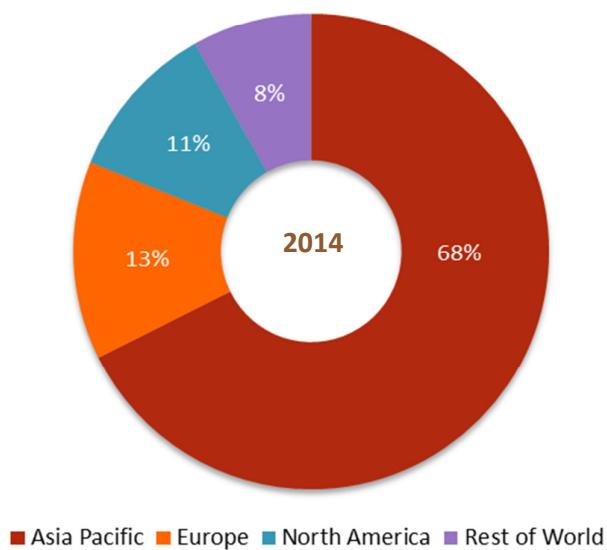


Investment of Funds

The Asia-Pacific region continued to be a key investment destination for Singapore-based asset managers, accounting for approximately 68% of total AUM in 2014, about the same as 2013. Within the Asia-Pacific, 41% of AUM was invested in ASEAN.

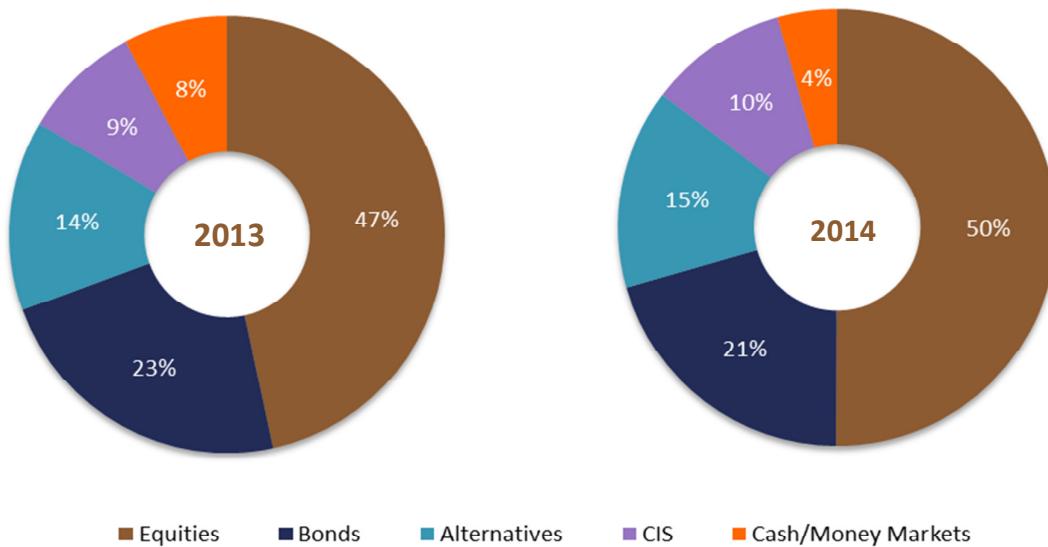
68%
AUM
Invested in the
Asia-Pacific

Chart 9: Investment of Funds by Region



In 2014, investors' allocation to equities and alternatives rose from 47% to 50% and from 14% to 15% respectively, as investors favored investment strategies that offered relatively higher and uncorrelated returns in the low yield environment. On the other hand, allocation to relatively lower yielding asset classes declined. Bond investments accounted for 21% of AUM, down from 23% in 2013, while cash holdings were also reduced from 8% to 4%.

Chart 10: Investment by Asset Class

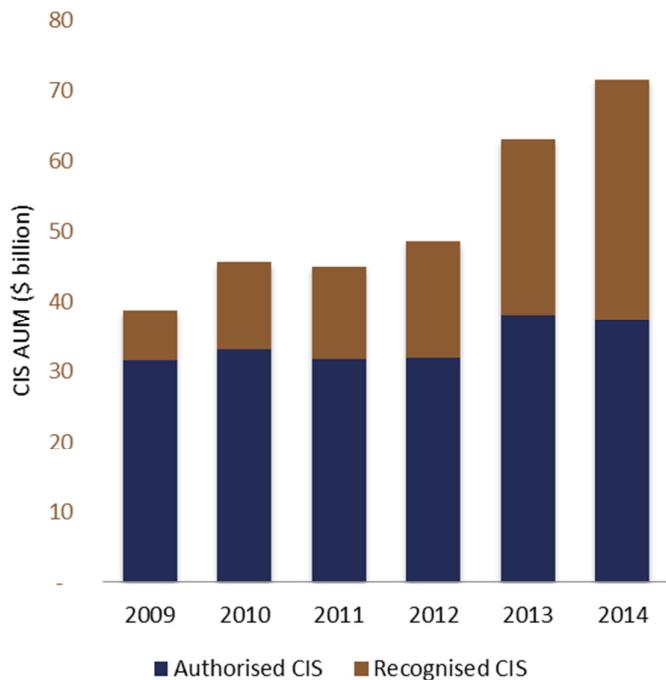


Retail Investment Funds

In 2014, the AUM of authorised Collective Investment Schemes (“CIS”) and recognized CIS sourced from Singapore grew by 14% to S\$72 billion. The increase in CIS AUM was led by Recognised CIS which rose by 37% to S\$34 billion.

13%
5-year
Total CIS
AUM CAGR

Chart 11: CIS Investments

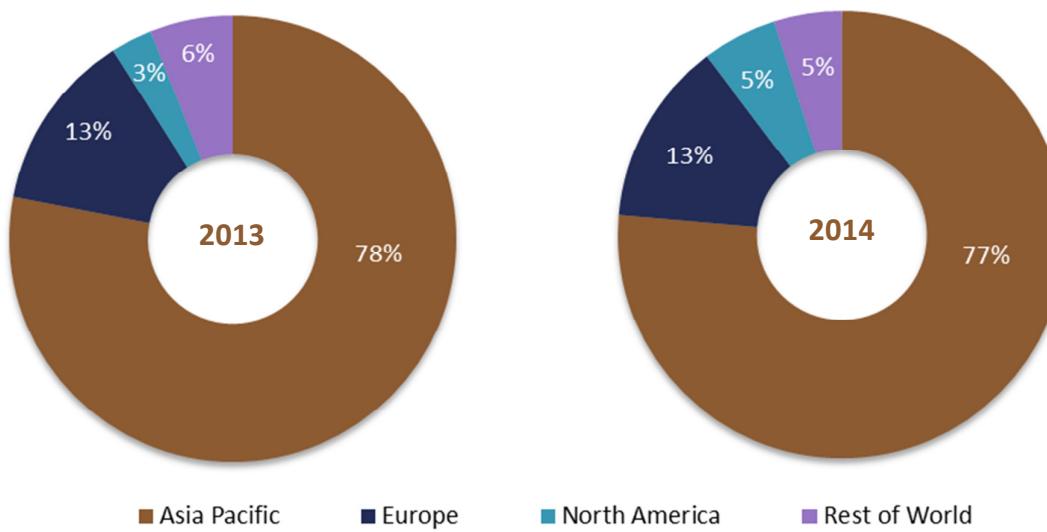


Expanding Investment Options for Retail Investors

MAS has made it easier for retail investors to access a wider range of investments, including exchange-traded funds (ETF). This enhancement is part of the broader MAS’ effort to expand the range of simple, low-cost investment options available to retail investors. Previously, all CIS which used derivatives were classified as Specified Investment Products (SIP). SIP are more complex products and could only be sold to retail investors with enhanced safeguards. With the refinement of rules allowing less complex CIS (which make limited use of derivatives) to be reclassified as Excluded Investment Products (EIP), fund managers will be able to reclassify such CIS and retail investors can then access them more easily.

For Authorised CIS, investment to the Asia-Pacific continued to dominate at 77% of AUM, while allocation to Europe was stable at 13%. Investment to US rose from 3% to 5% in 2014.

Chart 12: Investment of Authorised CIS by region



Areas of Development

Enhancing Market Access

The ASEAN CIS Framework was launched in August 2014. It allows fund managers based in Singapore, Malaysia and Thailand to offer funds constituted and authorised in their home jurisdictions directly to retail investors in each other's countries through a streamlined authorisation process. As of July 2015, five Singapore funds (from three managers) have been authorised by MAS under the ASEAN CIS framework.

Singapore also participates in the Asia Region Funds Passport ("ARFP"), which allows fund managers operating in a passport member economy to offer their funds in other passport member economies through a streamlined authorisation process. On 27 February 2015, Singapore, Australia, Korea, New Zealand, Philippines and Thailand released a second joint consultation paper on the proposed rules and arrangements that will govern the operation of the ARFP. The framework is slated for implementation in 2016.

The two schemes provide asset managers with enhanced access to regional markets. Investors will also benefit from a broader range of investment products at lower cost.

Singapore – Enhancing Regional Access



Broadening China Capabilities

Singapore was awarded an RMB 50 billion RMB Qualified Institutional Investor (“RQFII”) quota in January 2014, allowing portfolio investments into China’s securities markets. Since then, there has been strong take-up from Singapore-based financial institutions. As of July 2015, 19 financial institutions have been approved for an aggregate quota of RMB 29 billion, with a robust pipeline of applications. Local and global asset managers have launched China-focused investment products, attracting demand from not just Singapore investors, but also those from Europe, US and other parts of the world.

Underpinning the growing RMB investment landscape in Singapore is the thriving RMB financial ecosystem which took root with the launch of RMB clearing services in May 2013. Today, Singapore is the second largest RMB centre in the world, with total RMB deposits of RMB 257 billion as at March 2015. Reflecting Singapore’s status as Asia’s largest foreign exchange centre, RMB foreign exchange recorded an average daily turnover of about US\$60 billion in March 2015, making the RMB one of the top five most traded currencies in Singapore.

Complementing these:

- SGX launched RMB futures (USD/CNH and CNY/USD) in October 2014.
- Total outstanding RMB bonds in Singapore (“Lion City Bonds”) exceeded RMB 50 billion in Q1 2015. There were good-sized issuances from both financial institutions and corporates, which were oversubscribed by international investors.

Growing trade and investment flows between China and ASEAN will facilitate the adoption of RMB as a trading, investment, and financing currency internationally. Singapore will continue to leverage on our role as an international financial centre and gateway to ASEAN to catalyse the international use of the RMB. MAS will continue to work with the industry to:

- Increase RMB bond issuances;
- Enhance RMB asset management capabilities, leveraging on RQFII; and
- Promote cross-border RMB financing building on the RMB pilots for the Singapore-Suzhou Industrial Park and Singapore-Tianjin Eco-city.

Deepening Talent Pool

MAS continued to work with the Institute of Banking and Finance (“IBF”) to put in place programmes to promote development and leadership capabilities of professionals in the financial sector. In 2014, IBF further rolled out practice-development roadmaps through revised competency standards for Risk Management, Technology and Operations. By 2016, IBF aims to complete the revised standards across 13 major job segments in the financial sector, ranging from Compliance to Fund Management and Private Equity.

To enhance the leadership capabilities of Singaporean finance professionals at senior management levels, a new Asian Financial Leaders Programme was launched in 2015. The programme seeks to provide participants with opportunities to engage regional policy-makers and corporate leaders, and develop keener insights into key markets in Asia.

Looking ahead, MAS will engage the industry to anticipate how job roles in the financial sector will evolve as technological developments impact the financial landscape.

Harnessing Technology and Innovation

Technology and innovation will increasingly be a critical driver for the asset management industry. Asset managers are embracing data analytics to gain better insights on investors' needs, strengthen investment decision making and risk management. Financial technology also has the potential to disrupt existing distribution channel on how investment solutions are delivered, resulting in enhanced client experience and cost savings.

In June 2015, MAS announced the commitment of S\$225 million over the next five years under the Financial Sector Technology and Innovation Scheme. MAS is working with the industry to identify innovative uses of technology. These include the setting up of R&D and innovation labs, as well as industry-wide or firm-level projects that seek to enhance market efficiency, risk management capabilities, growth or competitiveness through the adoption of technology, data analytics or innovative market solutions.

Through these initiatives, MAS seeks to create a vibrant innovation ecosystem in Singapore's financial sector.



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