

2015 SINGAPORE ASSET MANAGEMENT SURVEY

SINGAPORE – GLOBAL CITY, WORLD OF OPPORTUNITIES



Monetary Authority of Singapore

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Foreword

Globally, assets under management (“AUM”) grew just 1% to US\$71.4 trillion¹, compared to 8% in 2014, weighed down by slower growth in emerging markets and fears of monetary policy normalization in the US. However, Asia (excluding Japan and Australia) remained a bright spot for sourcing, with AUM growing 10% to US\$5.2 trillion.

Against this backdrop, Singapore’s AUM grew by 9% to S\$2.6 trillion (US\$1.8 trillion), accounted for almost entirely by new assets under management. However, trends in different segments were mixed. Whereas private equity/venture capital and real estate grew by over 40% and 80% to S\$136 billion and S\$69 billion respectively, AUM managed by traditional asset managers increased at a modest pace of 4%. Several emerging market managers also saw outflows from their equity and bond funds.

These trends illustrate the crossroads facing the asset management industry: Interest rates, which have been low for several years, look likely to remain low for longer. This continues to have implications for yields and cost, and the industry needs to re-think how it can balance between investor demands for stable returns net of fees. As public market returns disappoint, more investors are seeking excess returns from illiquidity and credit risk premia in private markets. This has

¹ Source: BCG Global Asset Management 2016 “Doubling Down on Data”

caused managers to search for new sources of value to deploy capital.

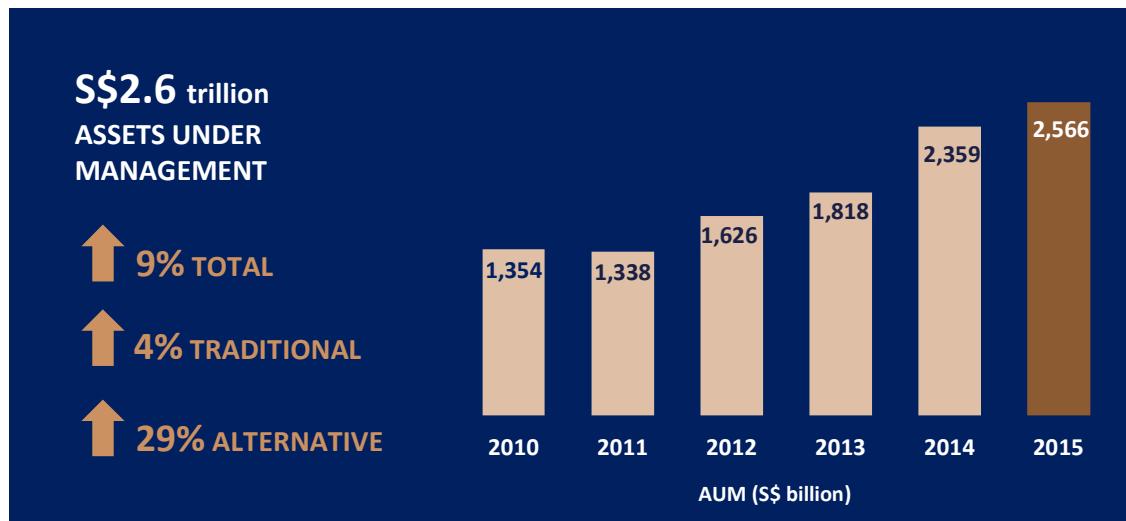
The fast-growing private market segment offers an opportunity for Asia's entrepreneurs to keep their companies private for longer, and to grow with their companies for as long as they can. This change in market structure has important implications for Singapore as an international capital market, and how Singapore can support Asian companies throughout their life cycle.

Increasingly, asset managers are leveraging on FinTech as a source of competitive advantage, such as to test-bed new ideas, transform client experience, gather investment insights and reap operational efficiencies.

MAS is committed to partner the industry to strengthen the ecosystem, deepen and broaden investment capabilities and develop local talent. Singapore will also introduce a new corporate and regulatory framework, the Singapore Variable Capital Company (S-VACC) Act, to facilitate fund domiciliation in Singapore and build up fund administration capabilities.

Through these initiatives, MAS aims to support the development of the sector for sustained growth.

2015 Key Highlights



628
REGISTERED & LICENSED
FUND MANAGERS

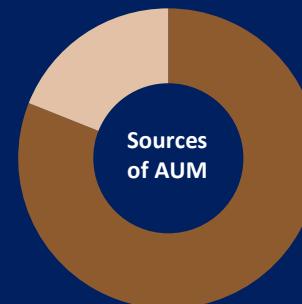
↑ 37



ALTERNATIVE ASSETS UNDER MANAGEMENT

| | | | |
|------------------------------------|--|---------------------|------|
| Private Equity/ Venture Capital | | 136 (\$ billion) | ↑47% |
| Hedge Fund | | 119 (\$ billion) | ↑11% |
| Real Estate Investment Trust | | 85 (\$ billion) | ↑7% |
| Real Estate | | 69 (\$ billion) | ↑80% |

SERVING GLOBAL INVESTORS



80%
OF FUNDS
SOURCED
OUTSIDE
SINGAPORE

PAN-ASIAN ASSET MANAGEMENT CENTRE



68%
OF 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 2015.

Financial institutions surveyed comprise Banks, Finance and Treasury Centres, Capital Markets Services licensees (including REIT managers), Financial Advisers, Insurance companies, Operational Headquarters and exempt entities, but excludes direct investments by government-related entities. 776 participants contributed to the 2015 survey results.

Survey Findings

Assets Under Management

At the end of 2015, total assets managed by Singapore-based asset managers grew by 9% to S\$2.6 trillion, compared to S\$2.4 trillion as at end-2014. Over the last five years, the industry's assets under management ("AUM") expanded at a 14% compound annual growth rate ("CAGR").

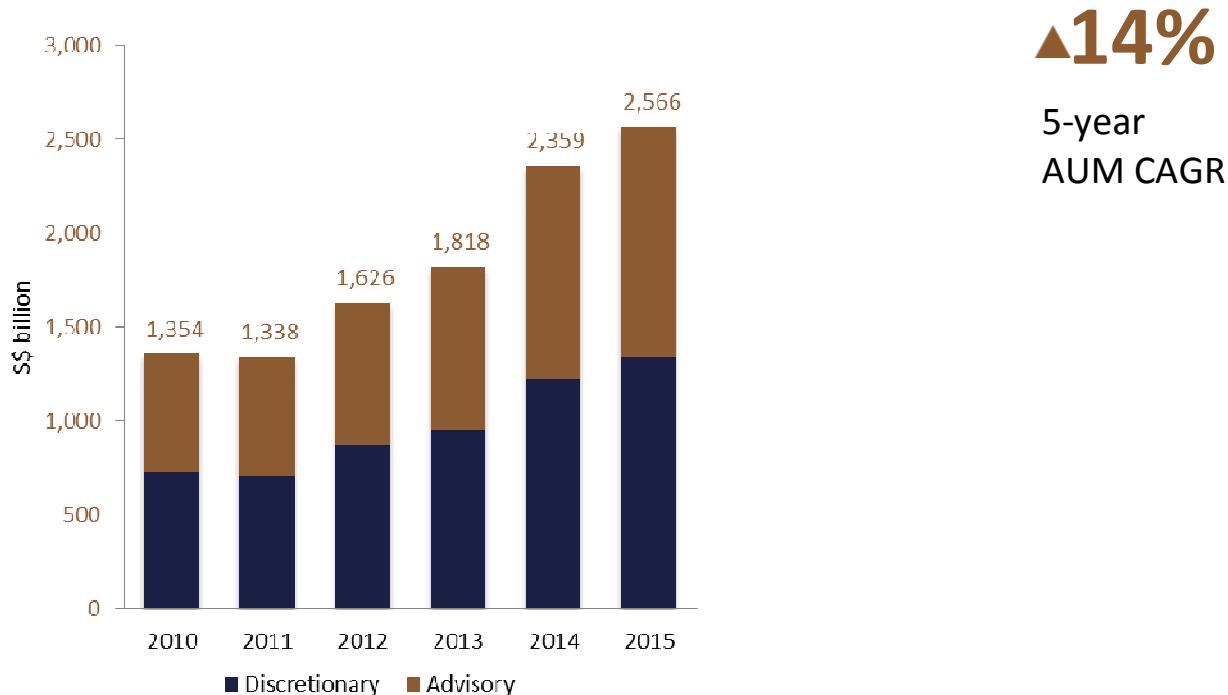
The Singapore asset management industry has maintained a high level of discretionary AUM, which stood at 52% of total AUM at the end of 2015. This reflected the industry's depth of expertise in higher value-added activities such as portfolio management.

**S\$2.6
trillion**

AUM

▲9%
2015 AUM
growth

Chart 1: Assets Under Management

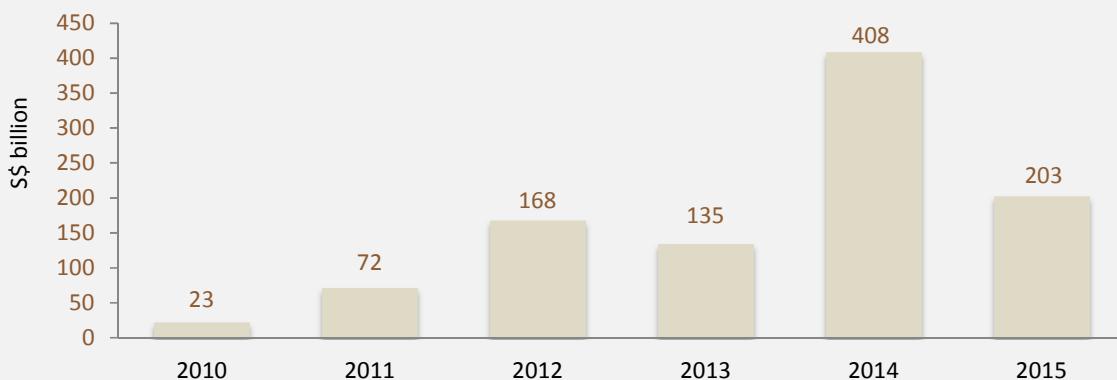


In 2015, there was a net increase of 37 registered and licensed fund managers. This brings the total number of fund managers registered and licensed with MAS to 628.

Attracting Asset Flows

In 2015, Singapore asset managers attracted S\$203 billion of net inflow of funds², with broad-based net inflows across the traditional and alternative sectors. Despite an uncertain global macroeconomic backdrop, investors continued to show interest in Asia investment strategies. The Alternative sector was a major contributor to fund inflows last year. Alternative asset managers garnered 41% share of the net inflow of funds, led by private equity/venture capital and real estate.

Chart 2: Net Inflow of Funds



² Net inflow of funds is equal to incoming funds less outgoing funds.

Traditional AUM grew by 4%, while Alternative AUM expanded by 29% to S\$410 billion. Within the Alternative sector, private equity/venture capital and real estate AUM recorded robust growth rates of 47% to S\$136 billion and 80% to S\$69 billion respectively. AUM of hedge fund and REIT asset managers also grew, albeit at a more modest pace of 11% to S\$119 billion and 7% to S\$85 billion respectively.

▲4%
Traditional
AUM growth

▲29%
Alternative
AUM growth

Chart 3: Alternative AUM

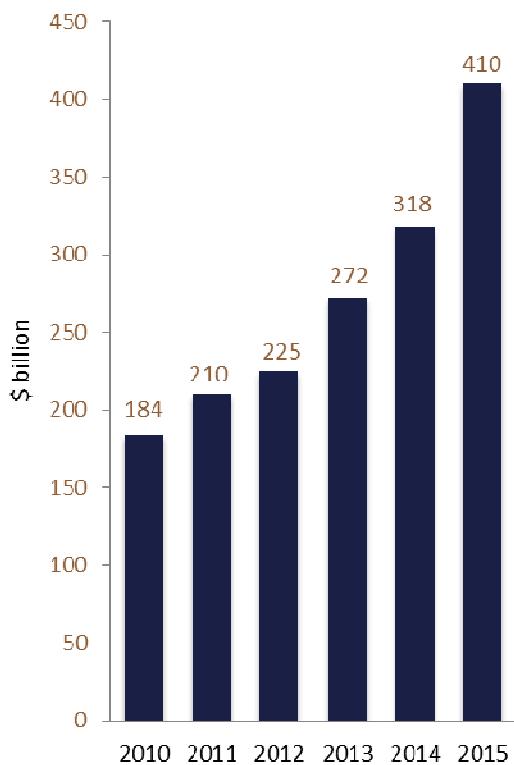
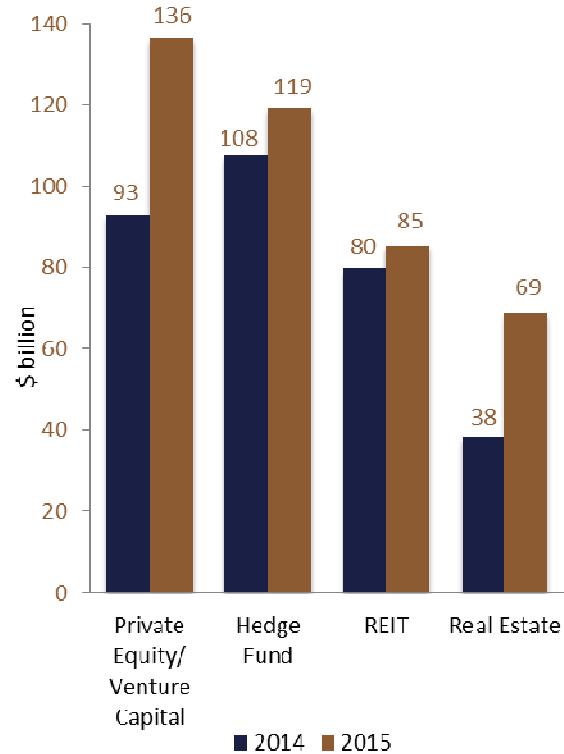


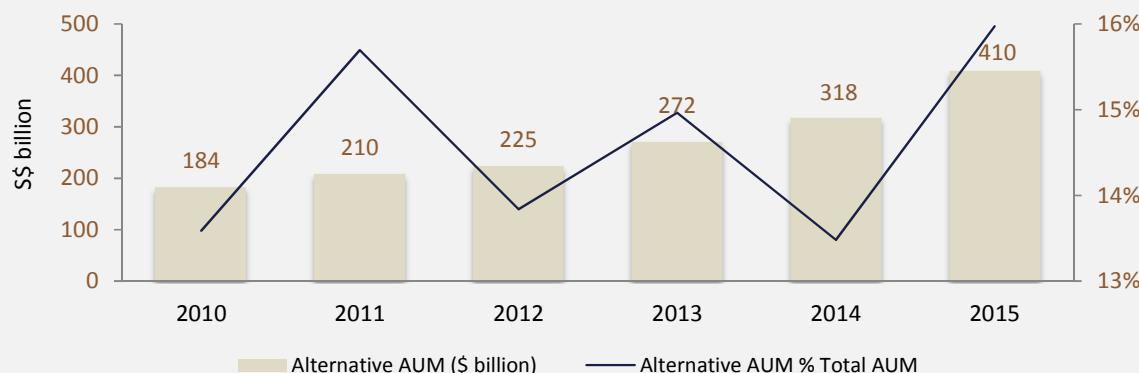
Chart 4: Alternative Sectors



Alternative AUM

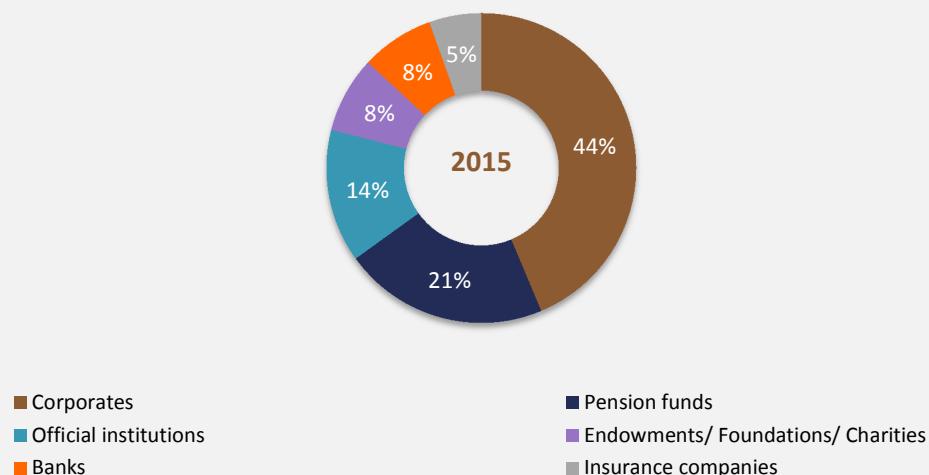
Since 2010, the Alternative sector has grown both in absolute amounts of assets and as a share of total assets under management. The sector represented 16% of AUM in 2015, compared to 14% in 2010, and is made up of private equity/venture capital, hedge fund, REIT and real estate managers. Since 2010, the sector has grown at 17% CAGR, outpacing Singapore industry AUM's 14% CAGR.

Chart 5: Alternative AUM



Alternative asset managers add diversity of asset classes, target markets, source capital and expertise to the Singapore asset management industry. The strong growth, over the years, speaks of investors' appetite for investment strategies that offer low correlations to traditional investment strategies resulting in enhanced portfolio diversification, as well as the more recent shift to undertake more credit and liquidity risk amidst low global yields. Institutional investors accounted for more than 60% of source of funds for alternative asset managers, with corporates, pension funds and official institutions representing the main group of investors.

Chart 6: Source of Institutional Funds for Alternative Asset Managers



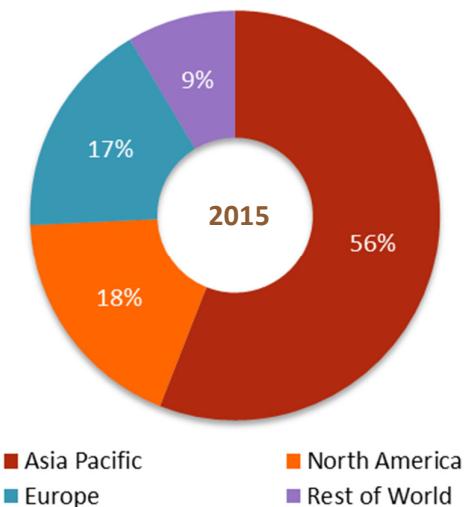
Sources of Funds

In 2015, 80% of total AUM was sourced from outside Singapore. Of the total AUM, 56% was sourced from the Asia-Pacific, 18% from North America and 17% from Europe, demonstrating Singapore's role in serving regional and international investors.

80%
AUM sourced
from outside
Singapore

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

Chart 7: Source of Funds by Region

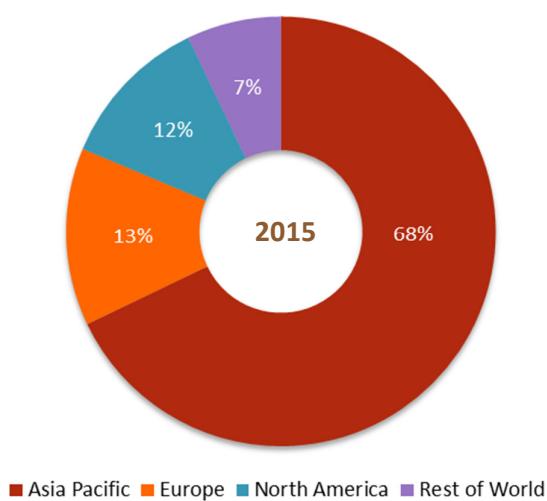


Investment of Funds

The Asia-Pacific region continued to be a key investment destination for Singapore-based asset managers, accounting for approximately 68% of total AUM in 2015, in-line with 2014. Within the Asia-Pacific, 39% of AUM was invested in ASEAN.

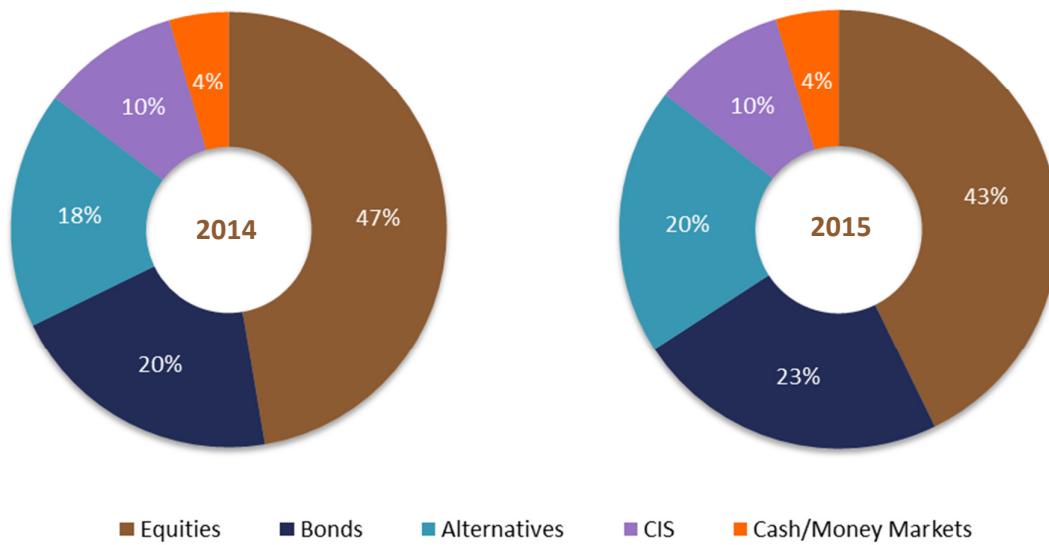
68%
AUM
Invested in the
Asia-Pacific

Chart 8: Investment of Funds by Region



In 2015, investors' allocation to bonds and alternatives³ rose from 20% to 23% of AUM and from 18% to 20% of AUM respectively, reflecting investors' appetite for stable and uncorrelated returns respectively in the low yield environment. On the other hand, allocation to equities⁴ declined from 47% to 43% of AUM.

Chart 9: Investment by Asset Class



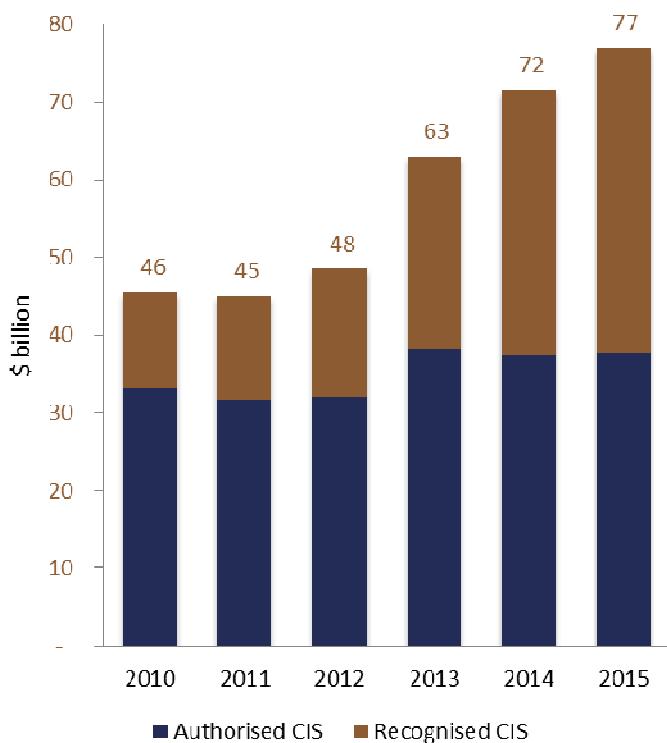
^{3,4} Investments in alternatives include unlisted/private equity/venture capital investments, which were classified as equity investments in previous Asset Management Surveys. Accordingly, the 2014 investment allocation is adjusted to reflect the change in classification.

Retail Investment Funds

In 2015, the funds size of Authorised Collective Investment Schemes⁵ ("CIS") and Recognised CIS⁶ offered in Singapore grew by 7% to S\$77 billion. The increase in CIS funds size was led by Recognised CIS which rose by 15% to S\$39 billion.

▲11%
5-year
Total CIS
AUM CAGR

Chart 10: CIS Funds Size

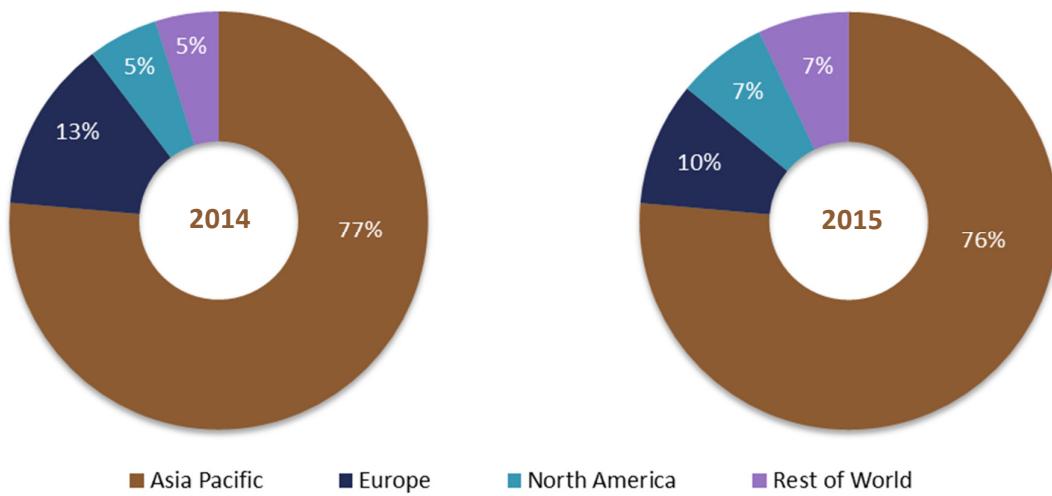


⁵ Authorised CIS are schemes constituted in Singapore and offered to retail investors in Singapore.

⁶ Recognised CIS are schemes constituted outside Singapore and offered to retail investors in Singapore.

For Authorised CIS, investment to the Asia-Pacific continued to dominate at 76% of AUM, while allocation to Europe declined from 13% to 10%. Investment to US rose from 5% to 7% in 2015.

Chart 11: Investment of Authorised CIS by region



Areas of Development

Enhancing the RMB Ecosystem

At the 12th Joint Council for Bilateral Cooperation in October 2015 and President Xi Jinping's visit to Singapore in November 2015, MAS announced key RMB initiatives to further strengthen RMB cooperation with China. These initiatives include:

- Extending existing cross-border RMB initiatives⁷ to the cities of Chongqing, Suzhou and Tianjin;
- Allowing companies in the three cities that issue RMB bonds in Singapore to fully repatriate the proceeds raised; and
- Doubling Singapore's quota under the RMB Qualified Foreign Institutional Investor (RQFII) scheme from RMB 50 billion to RMB 100 billion.

As of end of September 2016, 26 financial institutions have been approved for an aggregate quota of RMB 59 billion. Since Singapore was awarded the RQFII quota in January 2014, local and global asset managers as well as other financial institutions have utilised the quota to launch dedicated China strategies and/or invest within pan-Asia portfolios for global and regional investors.

MAS will continue to work with the industry to broaden and deepen Singapore's RMB asset management capabilities.

⁷ The existing cross-border RMB initiatives include allowing:

- a. banks in Singapore to lend RMB to corporates in Suzhou, Tianjin and Chongqing;
- b. corporates in Suzhou, Tianjin and Chongqing to issue RMB bonds in Singapore and to repatriate the proceeds onshore;
- c. equity investment funds in Suzhou, Tianjin and Chongqing to make direct investment in Singapore and the ASEAN region; and
- d. individuals in Suzhou, Tianjin and Chongqing to conduct RMB remittances to settle current account transactions and direct investment in corporates in Singapore.

Deepening the Talent Pool

MAS supports talent development of the asset management industry. Asset managers have benefitted from manpower schemes to train a pipeline of talent in areas ranging from business development, investment management to operations & IT.

With new technologies likely to disrupt the asset management industry, in areas such as client servicing, distribution, investment, risk management and back-end processing, job roles are expected to be impacted. As part of the national SkillsFuture initiative, MAS has embarked on several initiatives to develop a strong pool of future-ready talent. For instance, MAS has launched the Financial Sector Study Awards to help finance professionals develop and deepen their skills through a wide range of specialist programmes, such as cybersecurity management, data analytics and risk & compliance management.

MAS will continue to partner the industry to further strengthen the pool of financial sector expertise in Singapore.

Harnessing Technology and Innovation

Technology and innovation is changing how asset managers conduct their business, such as the use of data analytics and machine learning in the investment process. MAS is strengthening the FinTech ecosystem to facilitate the use of technology and innovation to enhance the competitiveness of the financial sector.

In June 2015, MAS launched the Financial Sector Technology & Innovation (FSTI) scheme, which would commit S\$225 million over five years to support the creation of a vibrant ecosystem for innovation. The scheme can be used for funding innovation centres, institution-level projects to catalyst the development of innovation centres, and industry-wide projects to support the building of industry-wide technology infrastructure.

New incentive schemes will also be made available to encourage more experimentation such as proof-of-concept projects and to recognise innovative solutions to industry challenges. As the FinTech ecosystem in Singapore grows and attracts venture capital, there will be more funding options available for start-ups.

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