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S'pore fund managers are on a roll

Industry assets up a robust 35%, private banks' business rises 27%

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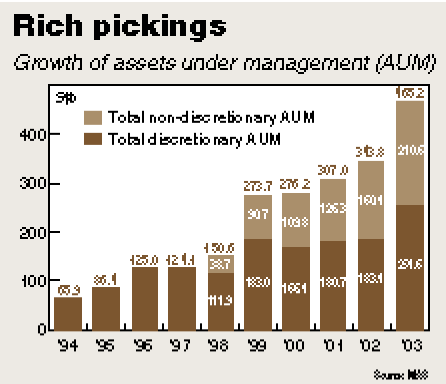
(SINGAPORE) Good times are here again for the fund management industry, as strong equity markets coupled with a surge in fresh inflows boosted the industry's assets by 35 per cent to $465.2 billion at end-2003.



The Monetary Authority of Singapore yesterday released a report on its asset management survey for 2003, showing a sharp rise in both discretionary and non-discretionary funds, which grew 39 and 31 per cent, respectively.

Discretionary funds are vehicles where the fund manager controls the investment decision. Non-discretionary funds include assets under advisory services and contracted by financial institutions here.

While this is the sharpest growth recorded since 2000, it is still slower than the 82 per cent clip reflected between 1998 and 1999.

Meanwhile, private banks advised some US$142 billion in private client assets last year, representing a rise of 27 per cent from 2002. The data, disclosed for the first time by the MAS, is based on a separate survey of around 35 private banks. The assets comprise mostly offshore wealth.

The number of professionals employed in asset management dropped to 986 from 1,012. In contrast, those employed by the private wealth management industry rose by 800 to 3,000.

Fund managers themselves report a sharp rise in assets, thanks partly to renewed interest in Asian equities. MAS' survey showed that 66 per cent of $254.6 billion in discretionary assets were invested in the Asia-Pacific.

Aberdeen Asset Management Asia, for instance, doubled its assets to $12.23 billion over the 12 months ended-April. Half of the growth was due to market appreciation, and the rest from fresh inflows.

UOB Asset Management's assets expanded to $21.5 billion from $15 billion for 2003.

Derivatives like collateralised debt obligations (CDO) also fuelled growth. It was earlier reported that Straits Lion Asset Management's funds swelled to $15.8 billion at end-2003 from $10.5 billion at end-2002, thanks partly to its first $1 billion CDO deal.

Based on data compiled by EmergingPortfolio.com Fund Research (EPFR), which tracks institutional fund flows, record sums were invested in Asian stock markets last year.

At end-2003, Asia ex-Japan funds tracked by EPFR had assets of over US$40 billion, up from US$22 billion at the start of the year.

Through most of this year, however, EPFR recorded outflows from emerging markets equity, as investors have been rotating into global equities, and shying away from any concentrated exposures to emerging markets.

Assets in unit trusts rose 35 per cent to $19.19 billion, thanks largely to inflows into guaranteed or protected funds. The latter, with $7.6 billion in assets, is now the top unit trust.

Equity funds rose 24 per cent to $6.9 billion, a jump that is likely to comprise just market appreciation rather than any substantial fresh inflows. Fixed income funds, however, enjoyed fresh inflows. Assets rose 75 per cent to $2.4 billion.

As for foreign or offshore unit trusts registered for sale here, they raised some $206.9 million in assets, again mostly for protected funds. Offshore funds haven't taken off partly due to investor reluctance to invest in a foreign currency.