



Asset & Wealth Management Market Intelligence Digest Malaysia



Asset & Wealth Management
Market Research Centre
Asia Pacific

Summary table of contents

Executive summary

- 1.1 Malaysia strength snapshots
- 1.2 Macroeconomic overview

Market landscape

- 2.1 Fund types classifications
- 2.2 Overall fund landscape - Overview
- 2.3 Overall fund landscape - Asset breakdown
- 2.4 Mutual funds - Overview
- 2.5 Mutual funds - Asset breakdown of private sector funds
- 2.6 Mutual funds - Unit trusts
- 2.7 Mutual funds - Wholesale funds
- 2.8 Mutual funds - Fund flows
- 2.9 Mutual funds - Fund flows by strategies
- 2.10 Mutual funds - Top asset managers by assets
- 2.11 Mutual funds - Fees
- 2.12 ETFs
- 2.13 REITs

Islamic market landscape

- 3.1 Global Islamic fund industry
- 3.2 Southeast Asia Takaful industry
- 3.3 Cross-border fund initiatives
- 3.4 Overall Islamic fund management - Overview
- 3.5 Overall Islamic fund management - Foreign exposure
- 3.6 Overall Islamic fund management - Asset breakdown
- 3.7 Overall Islamic fund management - Fund types
- 3.8 Shariah mutual funds - Overview
- 3.9 Shariah mutual funds - Top asset managers by Shariah fund assets
- 3.10 Shariah mutual funds - Fund flows
- 3.11 Shariah mutual funds - Fund flows by strategies
- 3.12 Takaful - Overview
- 3.13 Takaful - Family Takaful

Retail investors

- 4.1 Investor profile - Overview
- 4.2 Household wealth
- 4.3 HNW and UHNW population

Institutional investors

- 5.1 Institutional investors - Overview
- 5.2 Sovereign wealth fund - Khazanah Nasional
- 5.3 Pension funds - Overview
- 5.4 Pension funds - Private Retirement Schemes (PRS)
- 5.5 Pension funds - Employees Provident Fund (EPF)
- 5.6 Pension funds - Kumpulan Wang Persaraan (KWAP)
- 5.7 Life insurance - Overview
- 5.8 Life insurance - Conventional life insurance
- 5.9 Life insurance - Investment-linked funds

Market entry for foreign asset managers

- 6.1 Overview
- 6.2 Onshore presence
- 6.3 Local partners
- 6.4 Subadvisory partnerships

Distribution

- 7.1 Distribution channels
- 7.2 Internal distribution - Direct distribution
- 7.3 External distribution - Local asset managers
- 7.4 External distribution - Foreign asset managers
- 7.5 Online fund platforms
- 7.6 ASEAN CIS

Competitive analysis

- 8.1 Asset managers by total fund assets
- 8.2 Mutual funds - Comparison by assets
- 8.3 Mutual funds - Comparison by flows
- 8.4 Case studies of selected asset managers

Regulations

- 9.1 Regulatory bodies
- 9.2 Regulatory framework and key legislative texts
- 9.3 Foreign fund distribution
- 9.4 Taxes
- 9.5 Recent regulatory developments

Costs

- 10.1 Office costs
- 10.2 Salaries comparison

Key takeaways



Islamic investments outpacing conventional funds

- Islamic investments have been on the rise, and grew by 80.8% between 2012 and 2017, outpacing that of conventional products. Islamic fund products are likely to continue to flourish, given the government's emphasis on making Malaysia a global Islamic hub.



Institutional investors looking abroad

- Institutional investors including Khazanah, the country's sovereign wealth fund, and key pensions such as Kumpulan Wang Persaraan (KWAP) and Employees Provident Fund (EPF) have been shifting allocation gradually. These key investors are looking for greater overseas exposure, presenting asset managers with a wider pool of opportunities to tap on.



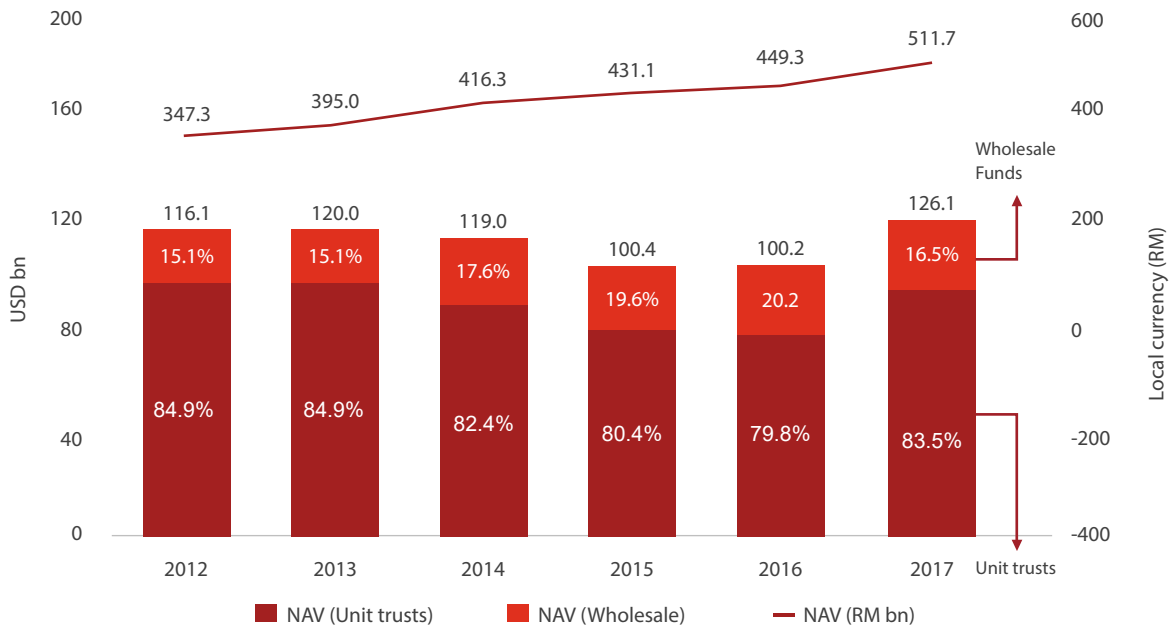
Master-feeder partnership most common for foreign managers

- Most foreign asset managers, which are looking to enter the Malaysian market, continue to do so through master-feeder partnerships with local asset managers.

Market landscape

Mutual funds – Overview

NAV of mutual fund market (USD bn), 2012 - 2017



Mutual fund assets grew by 25.8% in 2017

As of end 2017, there were 939 funds in the market comprising of 644 unit trusts which are offered to retail investors, and 295 wholesale funds which are made available only to high net worth and institutional clients.

In local currency terms, the mutual fund assets recorded positive growth annually, represented by a five-year CAGR of 8.1% between 2012 and 2017. In USD terms however, the mutual fund market saw a 25.8% growth to \$126.1 billion in 2017. This was largely driven by unit trusts, which grew by \$25.3 billion.

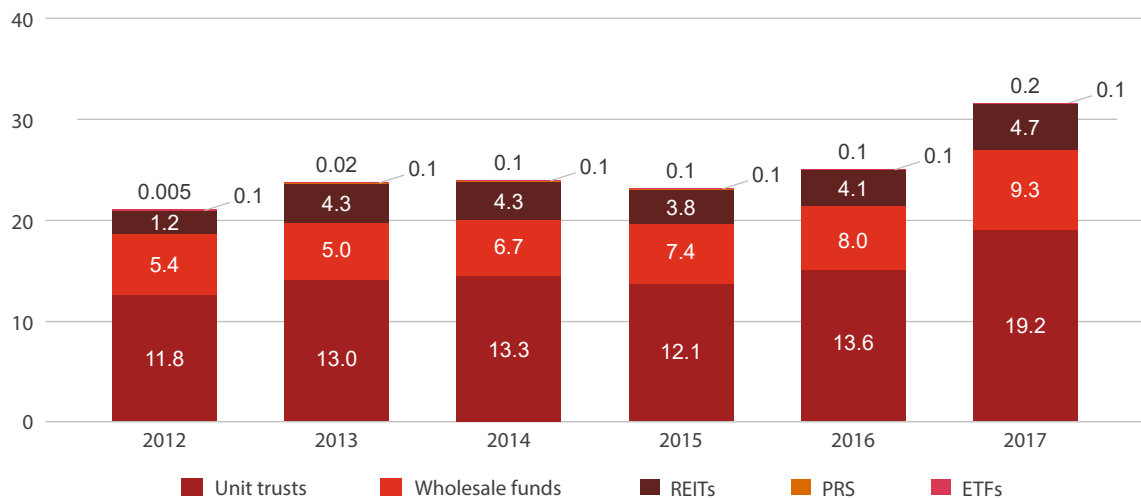
Unit trusts continued to occupy the bulk of mutual fund assets, at \$105.2 billion in 2017, compared to \$80.0 billion in 2016. On the other hand, wholesale fund assets grew by only 3.0% from \$20.3 billion to \$20.9 billion in the same period.

On average, each unit trust had assets of \$163.4 million, while each wholesale fund had assets of \$70.7 million at the end of 2017.

Islamic Market Landscape

Overall Islamic fund management - Fund types

NAV of Shariah fund assets by fund types, (USD bn), 2012-2017



Unit trusts continue to dominate the Shariah market landscape

Shariah funds comprise of unit trusts, wholesale funds, REITs, PRS and ETFs. Between 2012 and 2017, the number of Shariah fund products has also increased from 227 to 325 fund products. During the same period, Shariah fund assets grew by 80.8% from \$18.5 billion to \$33.5 billion between 2012 and 2017.

Shariah wholesale funds and REITs saw the most significant growth in assets over the five year period between 2012 and 2017. Shariah wholesale funds, which are funds sold to sophisticated investors, saw assets rose from \$5.4 billion to \$9.3 billion, while Shariah REITs have grown from a small base of \$1.2 billion to over \$4.7 billion.

Although Shariah unit trusts occupy the largest proportion of Shariah fund assets, its dominance has eroded by 6.7 percentage points from 64.2% to 57.5% between 2012 and 2017. Correspondingly, Shariah REITs saw its market share grew by 7.8 percentage points from 6.3% to 14.1% during the same period.

Institutional investors

1 *Sovereign wealth fund*

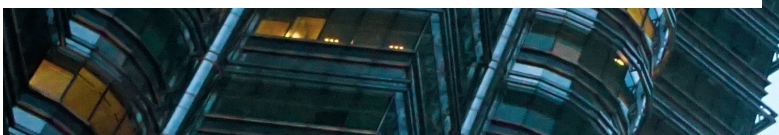
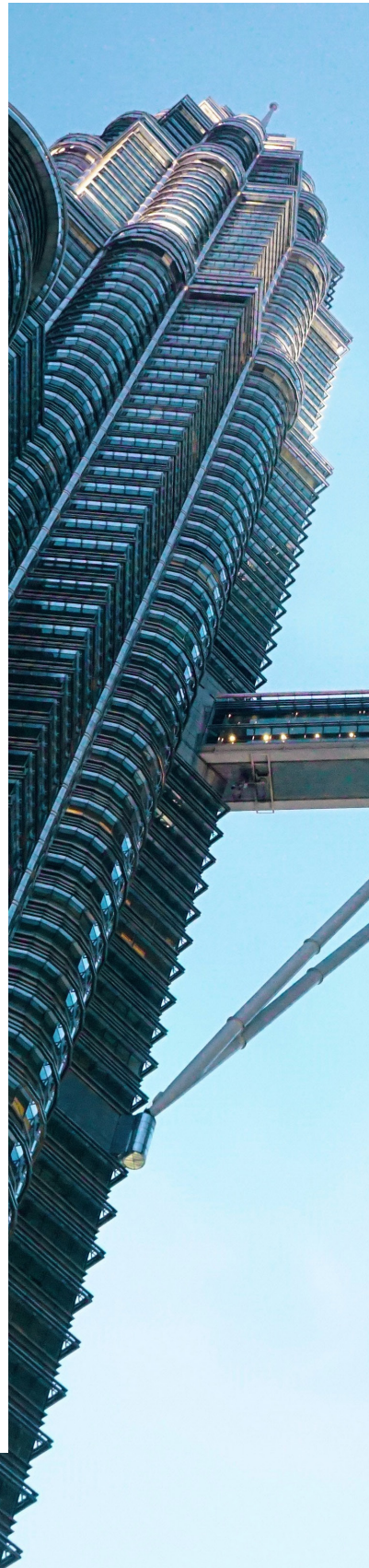
- As of end 2017, Khazanah's assets stood at \$38.7 billion, representing a 19.5% year-on-year increase in assets.
- Khazanah has been actively diversifying its portfolio in recent years by increasing foreign exposure, particularly to Singapore and China. It has increased its investments in the technology sector through private equity investments.

2 *Pension funds*

- Pension assets have been growing steadily in Malaysia. EPF and KWAP, the country's largest pension funds, had assets of \$165.6 billion and \$27.9 billion, respectively.
- In 2017, EPF introduced a segregated Shariah account – the new Simpanan Shariah fund – in August 2016 and it was officially launched in January 2017. Looking forward, EPF's Shariah-compliant assets are expected to grow by at least \$6.2 billion (RM 25 billion) on average each year.
- On the other hand, KWAP is also active in socially responsible investments and aims to be fully Shariah-compliant in the long run.

3 *Insurance companies*

- In 2017, Bank Negara Malaysia mandated a reduction in foreign ownership in the local establishments of foreign insurance companies from 100% to 70% by end June 2018. At present, both EPF and KWAP are looking to acquire stakes in Prudential and Great Eastern – the only two foreign insurers with 100% foreign ownership currently.



Distribution trends

Rank	Company Name	Number of unit trust consultants, 2016
1	Asset Manager A	28,951
2	Asset Manager B	6,169
3	Asset Manager C	1,926
4	Asset Manager D	1,875
5	Asset Manager E	1,266
6	Asset Manager F	1,010
7	Asset Manager G	961
8	Asset Manager H	640
9	Asset Manager I	511
10	Asset Manager F	340
	Others	1,404
Total		45,053

Direct sales force dominated by Asset Manager A

As of 2017, there were 36 registered asset managers, 49 banks, and 14 independent financial planners eligible for fund distribution in the country. Across these entities, there were over 54,000 consultants – 83% of them work for asset management companies, while the remaining 17% work for banks and independent financial advisors.

Asset Manager A, the country's largest asset manager, also had the largest sales force of 28,951 consultants as of 2016. Asset managers B and C, on the other hand, occupied 14% and 4% of the asset management sales force.

Asia Pacific Market Intelligence Digest

Our structured, research-based analysis sheds light on the multiple factors affecting your asset & wealth management business.

Each market intelligence digest report provides you with insight on:

- The state of the asset & wealth management industry
- The key trends shaping the future of the industry
- Products that are in demand
- Your competitors
- Various types of investors and their asset allocations
- Fund selectors and the asset classes that interest them
- The distribution channels and how they are evolving
- High level regulatory information to get you started or access the market place
- Prevailing market strategies

(These are non-standardised reports that will be customised to your business needs by focusing on any specific aspect of the market place to suit your market-entry need.)



PwC's Asia Pacific Asset & Wealth Management team tracks the APAC Asset & Wealth management landscape. Our market intelligence digests are refreshed frequently and updated with the latest in the regulatory & market developments. Current markets include:



Australia



Malaysia



China



New Zealand



Hong Kong



Philippines



India



Singapore



Indonesia



South Korea



Japan



Taiwan



Thailand

Asian Investment Fund Centre

The Asian Investment Fund Centre, headquartered in Singapore, is part of PwC's network of Asset & Wealth Management industry specialists in Asia Pacific that delivers to its client a one-stop-shop cross border service offering.



Operational
& Investment
due diligence
on asset
managers



Distribution
strategy



Market entry



Jurisdiction
analysis



Fund
structuring



Market
publications



Asian Fund
Passport
readiness



Investment
fund fees
analysis



ESG/SRI for
investment
funds



Country
reports



Fund
distribution &
registration



Market
Intelligence
and Newsflash



Armin Choksey

Partner, Asian Investment Fund Centre and
Asia Pacific Market Research Centre Leader
PwC Singapore

T: + 65 6236 4648
armin.p.choksey@sg.pwc.com

