Asset & Wealth Management Market Intelligence Digest
Singapore

Asset & Wealth Management
Market Research Centre
Asia Pacific

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Key takeaways

1

Alternatives on the rise

- As of end 2016, the Singapore asset management market had $1.9 trillion in assets.
- Across the various asset classes, alternative assets exhibited the largest growth of 14.0% year-on- year, hitting a total of $330.6 billion during the year.
- Private equity and hedge funds made up the bulk of alternative investments, at 31.7%, and 28.8%, respectively.

2

Local funds continue to grow

- Authorised funds, which are products registered locally, have also been growing in tandem.
- As of end 2016, authorised funds assets stood at $29.7 billion, or 52.4% of the retail market.

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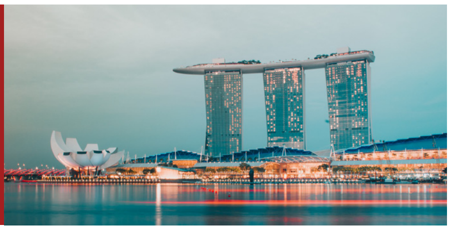


Offshore wealth set to grow in Singapore

- Singapore continues to be a key attraction for high net worth investors thanks to its low-tax rates and strong financial infrastructure.
- While the competitive environment has resulted in a slew of mergers and acquisitions in the last few years, it has not discouraged new entrants. A number of Chinese banks have set up private banking arms to tap on the growing offshore wealth in the country.
- Besides global banks, all three local banks have also launched private banking businesses to capture the full spectrum of investors, from retail to high net worth clients.

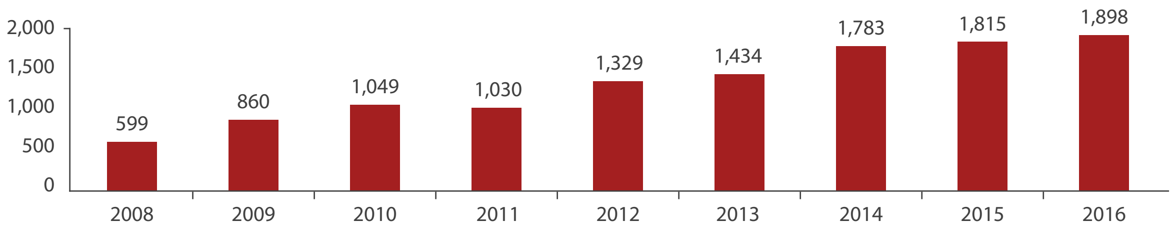
4

Singapore continues on the path to becoming an asset management hub

- The recent introduction of S-VACC by MAS represents the country's continued efforts in liberalising its asset management landscape.
- This, coupled with the city-state's strategic position in Asia and its reputation as a financial hub, will see more asset managers eyeing the country as a location to do business.

Market landscape

AuM in Singapore, including discretionary and advisory assets (USD bn), 2008-2016



Before the financial crisis

- Prior to 2002, Singapore was a relatively closed fund market, with only domestic funds allowed to market to Singapore investors.
- In 2002, the Monetary Authority of Singapore decided to liberalise the regulatory environment, making it easier and more attractive for foreign asset managers to access and market their products in Singapore.
- Since then the Singaporean asset management industry has experienced a rapid and continued growth of assets under management, as well as the number of foreign funds entering the market.

Strong recovery continued

- As at end-2016, total assets managed by Singapore-based asset managers grew by 4.6% to $1.9 trillion. This include AuM of both discretionary and advisory management.
- Growth was broad-based, with alternative managers registering positive increases in AuM. Despite the strong performance of the alternatives sector, the growth in 2016 was smaller than that of the previous year, marking a slight slowdown in the sector's growth rate.
- The 3 year average AUM growth rate of 10.2% p.a. reflected a strong confidence level and sustained interest of regional and global investors to invest in Asia's market through Singapore.

Looking forward

- With regard to cross-border mobility within ASEAN, MAS, SC Malaysia and SEC Thailand launched the ASEAN CIS Framework to facilitate cross-border offers of CIS to retail investors. The ASEAN CIS Framework is one of the initiatives undertaken by the ASEAN Capital Market Forum as part of the regional capital market integration plan.

- In March 2016, the Singapore Variable Capital Company (S-VACC) was introduced, representing the country's latest innovation in the investment fund landscape. A year later, MAS issued a public consultation on various features of the S-VACC

Institutional investors

1 *Sovereign wealth funds*

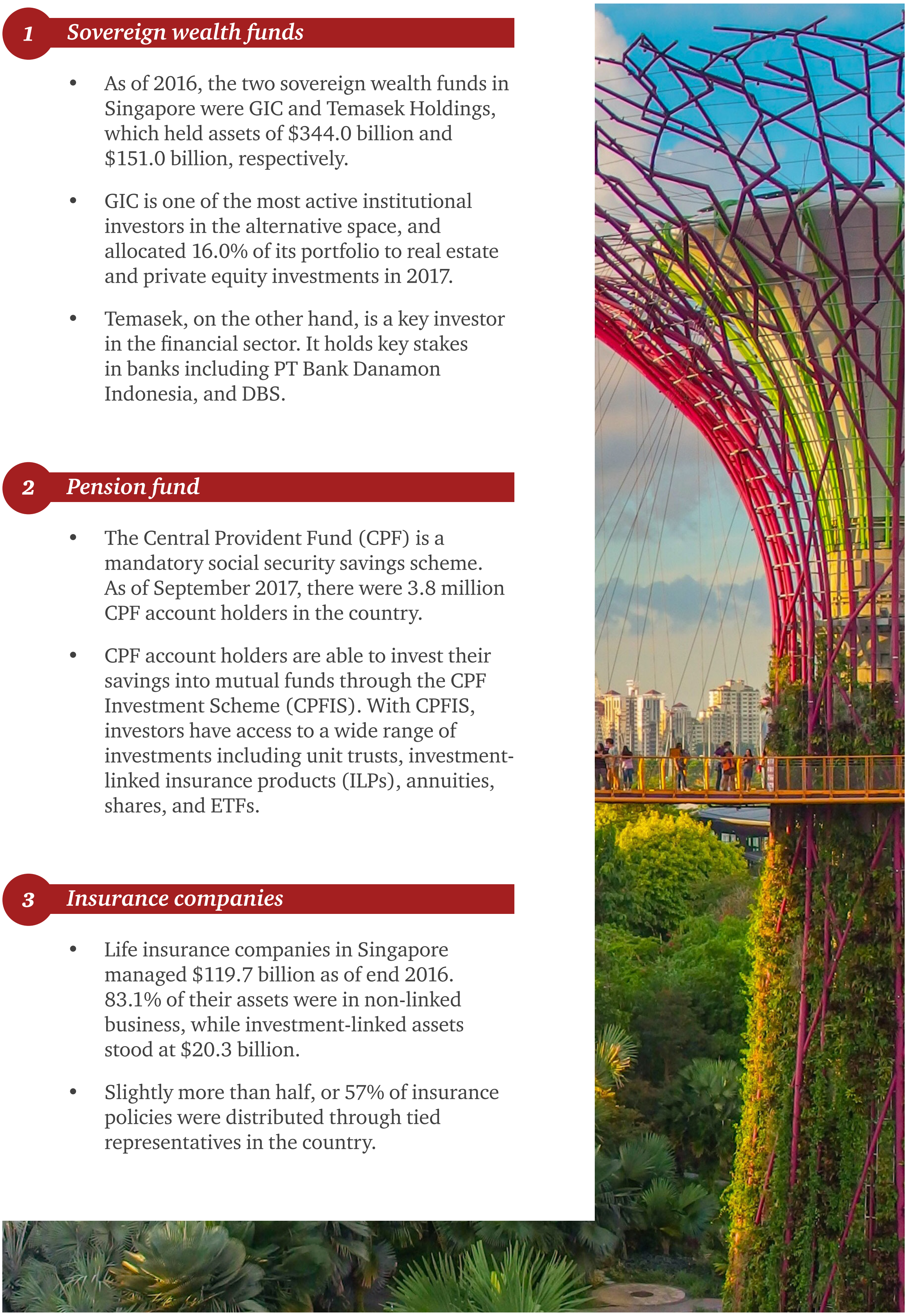
- As of 2016, the two sovereign wealth funds in Singapore were GIC and Temasek Holdings, which held assets of $344.0 billion and $151.0 billion, respectively.
- GIC is one of the most active institutional investors in the alternative space, and allocated 16.0% of its portfolio to real estate and private equity investments in 2017.
- Temasek, on the other hand, is a key investor in the financial sector. It holds key stakes in banks including PT Bank Danamon Indonesia, and DBS.

2 *Pension fund*

- The Central Provident Fund (CPF) is a mandatory social security savings scheme. As of September 2017, there were 3.8 million CPF account holders in the country.
- CPF account holders are able to invest their savings into mutual funds through the CPF Investment Scheme (CPFIS). With CPFIS, investors have access to a wide range of investments including unit trusts, investment-linked insurance products (ILPs), annuities, shares, and ETFs.

3 *Insurance companies*

- Life insurance companies in Singapore managed $119.7 billion as of end 2016. 83.1% of their assets were in non-linked business, while investment-linked assets stood at $20.3 billion.
- Slightly more than half, or 57% of insurance policies were distributed through tied representatives in the country.



Distribution trends

Number of funds distributed by asset classes, Q3 2017

	Bank A	Bank B	Bank C	Bank D	Bank E	Bank F	Average
Equity	87	154	94	139	129	223	138
Bond	22	30	20	46	36	49	34
Balanced	-	21	18	20	28	27	23
Others	3	38	-	5	7	9	10
Total	112	243	132	210	200	308	201

- Across all six banks, equity funds were the most widely distributed, accounting for more than 60.0% of the number of funds distributed by each bank. In particular, Bank A focused on selling equity funds as the 87 equity funds distributed made up 77.7% of its funds distributed.
- On average, while each bank distributed about 201 funds in total, 138 were equity funds. Bond funds formed the second largest proportion of offerings, at an average of 34 funds.
- While other banks had distributed 23 balanced funds on average, Bank A had yet to offer any balanced funds. Instead, Bank A is only focused on distributing equity and bond funds and others (including alternatives and ETFs).

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