

Asset Management in China 2021

Seizing Opportunities Across Diverse Segments

OVERVIEW & METHODOLOGY

In its 16th iteration, this report focuses on one of the biggest and most dynamic asset management markets in Asia—China. It starts with an overview of key asset management trends in China, including distribution initiatives to reduce fund churning, outsourcing from banks' wealth management subsidiaries, and opportunities stemming from foreign participation and market liberalization. The report also discusses organizational considerations for fund management companies and the new Guangdong-Hong Kong-Macau Greater Bay Area Wealth Management Connect (GBA WMC). These are followed by chapters examining the retail business, competing products, retirement business, institutional business, and cross-border schemes in detail.

Data and qualitative information are derived from proprietary surveys of asset managers in China, regulators, third-party industry associations, and local databases, as well as around 20 interviews with asset managers, distributors, regulators, and other industry executives.

USE THIS REPORT TO

- Leverage key trends from 2020 and 2021 to build a strategic plan, as the asset management industry grows more competitive and diversified
- Review fund houses' talent acquisition and retention strategies, as well as other human capital considerations such as tax treatment for foreign workers
- Analyze key regulations, eligible products, targeted investors, participants' business activities, strategic considerations, and the outlook for the GBA WMC, which offers huge long-term growth potential for offshore managers

QUESTIONS ANSWERED

- What key trends in China should asset managers take note of in 2020 and 2021?
- What are the emerging trends for mutual fund distribution in China?
- How have global managers responded so far to the lifting of foreign investment limits on various financial institutions conducting the asset management business?
- What should foreign asset managers take note of when building and maintaining onshore teams?
- What are the opportunities and challenges arising from the GBA WMC?

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- **Chinese Mutual Fund Market Overview:** Assess mutual fund and exchange-traded fund (ETF) assets under management (AUM) over the past few years, open-end mutual fund net new flows and AUM by investment objective, mutual fund AUM by distribution channel, and asset managers' views on distribution channels that they plan to expand the use of over the next three years and plans for fund strategies to be promoted to distributors over the next two years.
- **Chinese Institutional Market Overview:** Gain insight into institutional investable assets, discretionary assets, and their breakdowns over the past five years. Additionally, review a forecast of institutional addressable assets and addressable assets as a percentage of investable assets with customizable user projections.
- **Chinese Financial Products Landscape:** Analyze a detailed analysis of market sizing and AUM for various products targeted at mass retail and affluent investors, as well as products targeted at institutions and high-net-worth individuals.



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Exhibit 4.10**Asset Managers' Plans for Fund Strategies to Promote to Distributors Over the Next Two Years, 2021****Source:** Cerulli Associates**Analyst Note:** This exhibit shows the proportion of respondents who will most likely promote these fund strategies to distributors.

Fund Strategy	Proportion of Repondents
Technology, media, telecom, big data	100.0%
Environmental-themed, clean energy	85.7%
Healthcare/retirement	
Traditional equity funds	71.4%
Consumption	
ESG	
Target-risk funds (FoFs)	
Stock Connect	57.1%
Periodically open funds	
Traditional balanced funds	
Index funds	42.9%
QDII - Developed markets	
QDII - Hong Kong	
Industrials/manufacturing	
Short-term bond funds	
QDII - Overseas bonds issued by China-related corporates	
QDII - Global multi-asset	
Target-date funds (FoFs)/lifecycle funds	

- Following the “Made in China 2025” program to advance China’s technology sectors, technology, media, telecom, and big data have become the strategies that 100% of surveyed managers intend to promote to distributors over the next two years. This is followed by environmental-themed, clean energy, and healthcare/retirement strategies, as indicated by 85.7% of the respondents.
- Among the least-preferred strategies are various Qualified Domestic Institutional Investor (QDII) strategies, industrials/manufacturing, short-term bonds, and target-date or lifecycle funds. Cerulli notes that QDII funds target a smaller group of retail investors, usually the mass affluent, or those wishing to diversify their portfolios to gain global exposure.

Key Implication: Managers’ product promotion plans largely coincide with retail investors’ current demand, as both technology and healthcare-themed new funds were quite popular in 2020 amid the COVID-19 pandemic. Retirement is another popular theme, given the country’s plans to develop its third-pillar pension system in an aging society. Meanwhile, an AMAC environmental, social, and governance (ESG) study conducted in 2019 showed that the “E” factor was the most commonly incorporated factor among ESG thematic strategies, accounting for 44.4% of surveyed funds.

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