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PwC: Assets under management in Asia Pacific to rise to USD29.6 trillion by 2025, faster than any other region

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Singapore, 22 January 2019 – The Asia Pacific (APAC) asset and wealth management industry is expected to be the centre for global Assets under management (AuM) growth in the coming years.

According to the PwC report 'Asset and Wealth Management 2025: The Asia Awakening', APAC AuM will grow at a total compound annual growth rate (CAGR) of 8.7%, from USD 15.1 trillion in 2017 to USD 16.9 trillion in 2020 and to USD 29.6 trillion by 2025, if protectionism remains limited and geopolitical activity remains relatively sanguine.

Retail (mutual) funds including exchange-traded funds estimated AuM is expected to more than double to USD 11.9 trillion, and institutional mandates are expected to grow at a similar rate. Alternative asset popularity among Asian investors is also expected to boom from USD 2 trillion in 2017 to USD 6.9 trillion by 2025 (at a staggering CAGR of 11.7%), especially in Real Estate and Infrastructure investments.

The burgeoning wealth of the mass affluent and high-net worth individuals in the APAC region also provide opportunities for asset managers to service these growing segments, propelling huge growth in the AWM industry and far outpacing the more developed regions of Europe and North America.

The demands of APAC investors are also shifting as they look for specific outcomes and shape their investment habits accordingly. According to the report, active strategies are losing ground to passive strategies as their lower cost is attractive to many investors. While popular in more developed markets such as Europe and the US, passive strategies remain mainly an institutional play in Asia.

Justin Ong, Asia-Pacific Asset & Wealth Management Leader said:

"APAC investors tend to be more active and focused on returns, and are prepared to take risks to reach their targeted returns. Passive products therefore might not provide the incentives they are looking for.

"However, the introduction of robo advisers and more digitalised fund advice will play a large role in paving the way for passive growth in the region, opening up new distribution channels and disintermediating current ones. This new order will further be bolstered as pension reforms in countries such as China continue, allowing pensions to invest in passive assets and sharply driving APAC AuM from 12% in 2017 to 17% in 2025."

Millennials playing a larger role in the market with increased focus on sustainability investing

In addition to the growth in real assets, the report found that intuitional and retail investors across APAC are more aware of sustainable investing in the forms of Environmental, Social and Governance (ESG) and Socially Responsible Investing (SRI) products.

These forms of investing are gaining in popularity across the region, with investors demanding more clarity and transparency in their investments. Development in the region will increasingly be related to environmental trends, as such, more 'green financial systems' will arise promoting infrastructure projects financed by green bonds. Last year, Singapore produced its first international green bond.

The demand for sustainable investments is also driven in part by millennials who prefer to invest in alignment with their personal values.

Justin Ong, Asia-Pacific Asset & Wealth Management Leader said:

"Millennials' preferences are more digitally orientated and financially literate, and want to engage across 'digital-by default' platforms as compared to older investors. Asset managers will need to increase their offerings and access across research, transactions, and client servicing if they wish to capture their attention and business.

"In line with millennials playing a larger role in the market over the next decade, the rise of online distribution has also been particularly pronounced in the region. The challenge in the coming years will be the ability of such platforms to offer more sophisticated products, especially as the region's markets develop."

Regulatory pressure and technology disrupting the industry

Additional regulations are already being introduced and disrupting the established norm of the financial industry. Despite the heterogeneity of regulatory systems in the region, the outcome of these pressures is similar, with transparency surrounding fees and services increasing, and pressures on revenues being felt.

Regionally, this shift towards transparency surrounding fees and services, coupled with younger, tech-savvy investors turning to lower cost alternatives such as robo advisors are set to increase pressure on fees and decrease margins.

For the AWM industry to realise the growth that the report predicts, **Justin Ong**, Asia-Pacific Asset & Wealth Management Leader said:

“Going forward, asset and wealth managers that achieve success will be those that beat the market. As new investors enter the market, the industry will become increasingly digitalised and investors will look to managers who can tailor portfolios to their needs. Firms will need to combat fee pressure by reducing costs and gaining new investors.

As such, asset and wealth managers should reorganise their business structure to support their priorities and specific capabilities and cut costs elsewhere. Firms must also embrace technology and nurture and retain talent as the industry reinvents itself to reflect its widening customer base.”

Other findings in the report include:

- With regional pension fund AuM expected to grow in the APAC region from USD 7 trillion in 2017 to USD 11.9 trillion by 2025, it is likely that more governments in the region will turn to defined contribution (DC) plans and individual retirement accounts.
- Venture capital is one of the fastest growing opportunities in APAC. In terms of deals, the region ranks just below the US, with China leading the market and accounting for five of the top ten largest VC investments at the end of 2017.

- Shifting client preferences will alter the face of AWM across APAC. The popularity of multi-assets solutions is likely to continue and will alter the product mix on offer.

- While the APAC region will remain largely fragmented in the medium term, this is starting to change. By 2025, we believe that there will be a realisation that regionalisation will be necessary for APAC to truly compete.
- The current asset management hubs of the region, Singapore and Hong Kong, will be joined by a third, namely Shanghai.
- Asia will be one of the largest infrastructure investment regions globally. This will be driven by the massive growth expected from the China's Belt and Road Initiative (BRI) and other initiatives across the region.

Notes to Editor

Read the full Asset & Wealth Management 2025: The Asian Awakening here: www.pwc.com/sg/awm2025-apac

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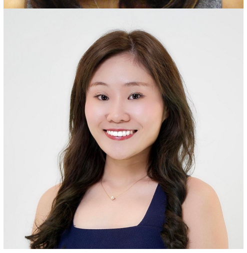

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