



# Investment standouts

*AsianInvestor reveals the  
leading fund houses and  
asset service providers of  
the region for 2018*

BY EDITORIAL TEAM



John Popp leads a six-person team in running the fund, and he and Andrew Marshak and Thomas Flannery, two other members of the team, have managed portfolios together for 20 years.

#### GLOBAL FIXED INCOME, UNHEDGED PGIM GLOBAL CORE FIXED INCOME STRATEGY

PGIM's Global Core Fixed Income Strategy consistently outperformed its peers' information ratios in the category of unhedged global fixed income. It ranked top by that measure over one, three and five years, according to Evestment.

The fund aims to generate an average annual excess return of 100 basis points over the Bloomberg Barclays Global Aggregate Index by investing primarily in investment-grade global bonds, interest rates, currencies and derivatives.

It employs a risk-budgeting approach that places thresholds on country, sector, security, quality and currency exposures.

Research and relative value are the core of the investing process of PGIM, the asset management arm of US life insurer Prudential Financial. It starts by assessing global risk, and then country and term structure, currency and sector positioning, securities selection and risk management.

The fund is run by a 22-member global bond team led by Robert Tipp, chief investment strategist and head of global bonds, and Michael Collins, senior portfolio manager. The duo have co-managed the strategy since 2012.

#### GLOBAL REITS PRINCIPAL GLOBAL INVESTORS GLOBAL REAL ESTATE SECURITIES INCOME PREFERENCE FUND

Principal Global's Global Real Estate Securities Income Preference strategy took the prize in the global real estate investment trust (reit) category with its strong, consistent performance.

Over three and five years the fund recorded the highest information ratio and ranked in the top three by Sharpe ratio,

according to Mercer.

The strategy aims to both deliver consistent risk-adjusted excess total returns and excess income return over the FTSE Epra/Nareit Developed NTR index through bottom-up stock selection.

Portfolio construction is driven by a barbell approach, combining high-yield holdings with high-growth holdings to create a portfolio that aims to be highly differentiated from the benchmark, said US-based Principal Global. The US firm's Reit capability was developed in 1998 by Kelly Rush, chief investment officer for global real estate securities, who continues to lead-manage the product today, along with Tony Kenkel and Simon Hedger. All three have managed the product since inception, supported by a 16-member global reits team.

#### JAPAN EQUITY MITSUBISHI UFJ DEDICATED SMALL CAP37 (JAPANESE ONLY) FUND

Mitsubishi UFJ's Dedicated Small Cap37 (Japanese only) fund posted consistently outstanding overall and risk-adjusted performance over several years, earning it our Japan equity award this year.

According to Evestment, the fund produced the best returns in its category over one, three and five years. It was also top ranked for both Sharpe and information ratios over three and five years.

The management team generally targets small-cap firms in their early stages, investing in 100 to 120 stocks with a maximum weight of 3% per name.

It seeks out idiosyncratic business models and structural growth themes at reasonable valuations, maintaining continual contact with a large number of small companies, said Mitsubishi UFJ.

Japan's small-cap market is often inefficient because sell-side coverage is poor, added the firm, and each of the five team members interviews 250 to 300 companies annually to identify attractive investment themes quickly.

Chief fund manager Yoshiro Mizukami has led the strategy for 13 years and is supported by four small-cap analysts.

#### JAPAN FIXED INCOME MEIJI YASUDA ASSET MANAGEMENT JAPAN BOND FUND

Meiji Yasuda Asset Management's Japan Bond fund was the clear frontrunner in the Japan fixed income category thanks to the consistency of both its overall and risk-adjusted performance.

It posted the highest Sharpe ratio in its category over one, three and five years, and the highest information ratio over three and five years, according to Mercer. It also recorded the highest overall return over one year and the second highest returns over three and five years.

The Bank of Japan's yield curve control policies over the last few years have proved challenging for the fund, Meiji Yasuda AM said, but it has found opportunities through going overweight on credit to generate returns from earning higher carry.

The management team has also sought out alpha opportunities by tracking price behaviour over a much shorter time frame, the firm added, and increasing both the frequency and volume of transactions.

Yasuhiro Suga lead-manages the fund, alongside five portfolio managers and five credit analysts.

#### SMART BETA ENHANCED INVESTMENT PARTNERS ENHANCED DYNAMIC MODERATE ACTIVE FUND

Enhanced Investment Partners' Enhanced Dynamic Moderate Active fund was the outstanding performer in its smart beta category, according to Evestment figures.

The product produced the highest overall returns versus its category rivals over three and five years, while ranking top by Sharpe ratio over five years, and second and third by information ratio over five and three years, respectively.

It is a quantitative US equity overlay strategy developed to complement institutional investment portfolios, and employs a variety of US active equity managers.



The fund is designed to identify performance cycles for stocks by style (growth and value) and capitalisation size. Its allocation strategy indicates when it is time to tilt away from an underperforming style or cap size and into an outperforming one, said Enhanced Investment Partners.

Equity portfolios are expected to remain fully invested throughout all market cycles, added the firm, stressing that it does not employ tactical asset allocation or market timing.

Investment portfolios using the Enhanced Dynamic fund are expected to derive positive risk-adjusted returns against all relevant domestic equity benchmarks over a full market cycle, said Enhanced Investment Partners.

*The Best Asian Hedge Fund, Best Asian Private Equity Fund and Best Asian Real Estate Fund awards will be announced at AsianInvestor's Asset Management Awards dinner on May 31.*

## MARKET AWARDS

### AUSTRALIA

#### PLATINUM ASSET MANAGEMENT

Platinum Asset Management's experienced team of fund managers put some sophisticated investment strategies to work in 2017 to deliver table-topping performance. Five of Platinum's investment funds returned above 30% last year with its flagship International Fund returning 27.4%.

In the year to end-January 2018 funds under management rose by A\$4.8 billion (\$3.7 billion) or 21%, owing to a mix of net inflows and strong performance in equities. Total assets now stand at A\$28 billion. The year saw Platinum announce plans to launch exchange-traded versions of its international and Asian funds, and cut management fees across several of its products—moves aimed at capturing the increasing popularity of ETFs.

In July this year the Platinum Group's long-standing chief executive Kerr Neilson will reduce his role to executive director and hand over the top job to

co-founder and current chief investment officer Andrew Clifford. Both men carry the DNA of the firm in their blood, suggesting the transition will be effortless.

### CHINA

#### PING AN ASSET MANAGEMENT

Ping An Asset Management has made great efforts to expand its business and serve institutional investors other than its parent company Ping An. It is now the biggest insurance asset management firm in China.

Established in 2005 as the asset management arm of insurance giant Ping An, it was one of the first asset managers approved by the now-defunct China Insurance Regulatory Commission. The company had Rmb2.67 trillion (\$423.23 billion) in assets under management (AUM) as of the end of June 2017, up 18.1% from the previous year.

The AUM of its third party asset management business, which come from sovereign wealth funds, pension funds, endowments, insurers, banks and other enterprise customers, is now over Rmb800 billion, ranking first among insurance asset managers.

The asset manager has also evolved into one with a complete research and investment decision system, instead of passively implementing mandates from its parent company. It offers customised products and services to a variety of overseas clients on the basis of diversified models, helping these institutional investors improve their understanding and allocation of the Chinese market, among them a global top five sovereign wealth fund in China.

In 2017, the fund house established 58 new products, further enriching the comprehensive layout of the product line.

### CHINA OFFSHORE

#### HAITONG INTERNATIONAL ASSET MANAGEMENT

Haitong International Asset Management is one of the largest mainland asset managers in Hong Kong. It managed

HK\$66 billion (\$8.41 billion) of assets as of end-December 2017, a big jump from HK\$5.8 billion five years ago. The company successfully leveraged the network and resources of its parent company Haitong Securities to expand its business in the city.

Through its three entities, the fund house has a comprehensive suite of product offerings, including Hong Kong-authorized funds, ETFs, Mandatory Provident Fund (MPF) offerings, private funds, high-yield bonds and others. In 2017 alone, Haitong launched 10 new private and public funds. One innovative solution that it created last year was the Haitong Freedom Multi-Tranche Bond Fund, which gathered \$1.7 billion in assets in a year and a half, making it one of the largest offshore funds investing in China's high yield bond market.

The fund house is also the only mainland asset manager in Hong Kong with registered schemes under the MPF, Hong Kong's compulsory retirement savings plan. Its Haitong Hong Kong SAR Fund gained a strong investment return of 50% in 2017, compared with the 34.4% on average for the equity funds and beating the 22% on average for the 469 MPF products.

### HONG KONG

#### JP MORGAN ASSET MANAGEMENT

JP Morgan Asset Management (JPMAM) continued enhancing its investment and advisory services to Hong Kong institutional clients through innovative and thoughtful solutions in 2017.

Risk assets, especially emerging market and Asian equities, saw strong growth last year on the back of accelerated global growth and continuously improving fundamentals. JPMAM products delivered superior performance in such areas, creating considerable value in client portfolios. These include the JP Morgan China Income Fund, which recorded a 30.7% annual return in 2017 and had its assets under management (AUM) grow more than sixfold from \$60.1 million as of end-2016 to \$384.3 million as of end-2017.