



# Did you miss the APAC Forum 2019?

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## Celebrating 20 years of AIMA in Asia-Pacific

AIMA's fifth Asia Pacific (APAC) Forum kicked off in an anniversary mood, marking 20 years for the association in the region. Two heavyweight keynote speakers underlined the importance of the occasion: Hong Kong SAR Government's Financial Secretary, the Hon Paul Chan Mo-po, and Ashley Alder, CEO of the Hong Kong Securities and Futures Commission.



Equally significant were the themes tackled at the Forum. These ranged from the investment implications of the US-China economic relationship to high-level advice directed at young professionals in the industry.

All of these themes can be grouped under one of two headings: diversity, and collaboration.

Running through all the different speeches, events and gatherings at the Forum was an eagerness to understand better the challenges and opportunities that face the alternative investment industry in a complex and changing world.

### Keynote Speeches

Paul Chan Mo-po set an upbeat tone by assuring the industry of a warm welcome in Hong Kong, underlining the region's continuing role as a major financial centre and pledging its government's commitment to creating and maintaining a conducive climate for firms thinking of basing themselves there.



The Hon Paul Chan Mo-po, Financial Secretary, The Government of the HKSAR

The Financial Secretary rolled out the welcome mat for private equity funds, calling for healthy and orderly development of the sector and proposing more competitive taxation arrangements to address industry concerns in this area. He reminded those present of the region's special attraction for investment firms, offering, as it does, cross-border access to the mainland Chinese market.

Ashley Alder told the Forum of a continuous effort to enhance and refine Hong Kong's regulatory regime, with unceasing work on cross-border financial solutions, on the development of new

fund structures and on the fine-tuning of regulations as they affect asset managers.



Ashley Alder, JP, CEO SFC Hong Kong

The mutual recognition of funds (MRF) scheme - an established feature of investment traffic between Hong Kong and mainland China - has been extended, he said, to markets in the European Union. He reiterated the unique position held by Hong Kong in the global financial market, benefiting, as it does, from the continuing process of reform in mainland China, a market for which it remains the key gateway, while at the same time enjoying both the highest international standards of market conduct and an attractive tax regime.

## The Founders Chat

Jack Inglis, AIMA's CEO, chaired a discussion involving notable hedge-fund managers from the APAC region. All participants agreed that the industry is seeing both "push" and "pull" factors attract investors to APAC. In the "push" category is the strongly held view that US assets are overpriced, and this is causing western investors to seek Asian opportunities as an alternative that offers better value.



AIMA CEO Jack Inglis on the Founders Panel

The "pull" factor was identified by the participants as being the continuing liberalisation of China, the world's second-largest economy, which creates myriad and diverse investment opportunities.

Looking further ahead, all agreed that "Millennial" investors are focusing less on returns than has traditionally been the case and giving a higher priority to environment and sustainability concerns. Money managers, it was said, are increasingly likely to be asked about their contribution to these issues.

## Diversity

The topics covered under this broad heading were themselves diverse, underlining the importance of the issue. One of the sessions asked of environment, social and governance (ESG) issues: "Why should you care?"

The answer from panellists was that ESG awareness is ceasing to be an add-on feature that is "nice to have". It is developing into a long-term investment strategy in its own right. The traditional focus on returns is now giving way to an

appreciation that sustainable companies may prove more valuable over the longer term.



The nature of ESG awareness among investors is changing. Where once they considered issues such as climate change and rising sea levels and then tried to calculate how these could affect the market, now they are more interested in investing in companies that offer solutions to these problems, such as “clean tech” businesses.

The panel added that investors would like to see a more standardised method of measuring ESG investment, an issue that has been picked up by regulators in Europe although not yet to the same extent in Asia.

The many and diverse opportunities available in China were discussed by another panel. All agreed that expansion in China is a long-term prospect, not a short-term dash, as the launching and implementing of growth strategies will take time.

Also, investor education has a big role to play, given the need to manage assumptions as to what can be expected from investments. Parallel to this, investors should initially be offered strategies that are understandable, rather than ones that are complex.

The Chinese investment outlook is bright, according to the participants, with an increasing number of channels through which two-way flows of capital will increasingly bring China into the global financial mainstream.

That investors in China may have been spoiled in the past was also discussed, alongside the global challenges and opportunities when raising funds for alternative investments. Recent market volatility, the panel heard, has taught such investors that past successes were caused largely by a rosy market, and this, in turn, has led them to look more



closely at the track record of foreign managers.

Furthermore, as the “alternatives” market place has become more crowded and brought in less sophisticated investors, fund raising has become more challenging. Uncertainty about Asian economic growth coupled with investor demands for more transparency have exacerbated this.

Hong Kong remains one of the easier places in which to raise funds, and, with European investors becoming increasingly knowledgeable about Asian investment, the opportunity is there for Asian fund managers to pitch for their business.

## Collaboration

As with the “diversity” theme, the notion of collaboration took many different forms.

Young professionals were subsequently urged to “own the space when they can”. Rather than apologise for being late, one should say: “Thanks for waiting.” Never say: “Thanks for having me”, given that you wouldn’t be in the room in the first place if they didn’t want you.

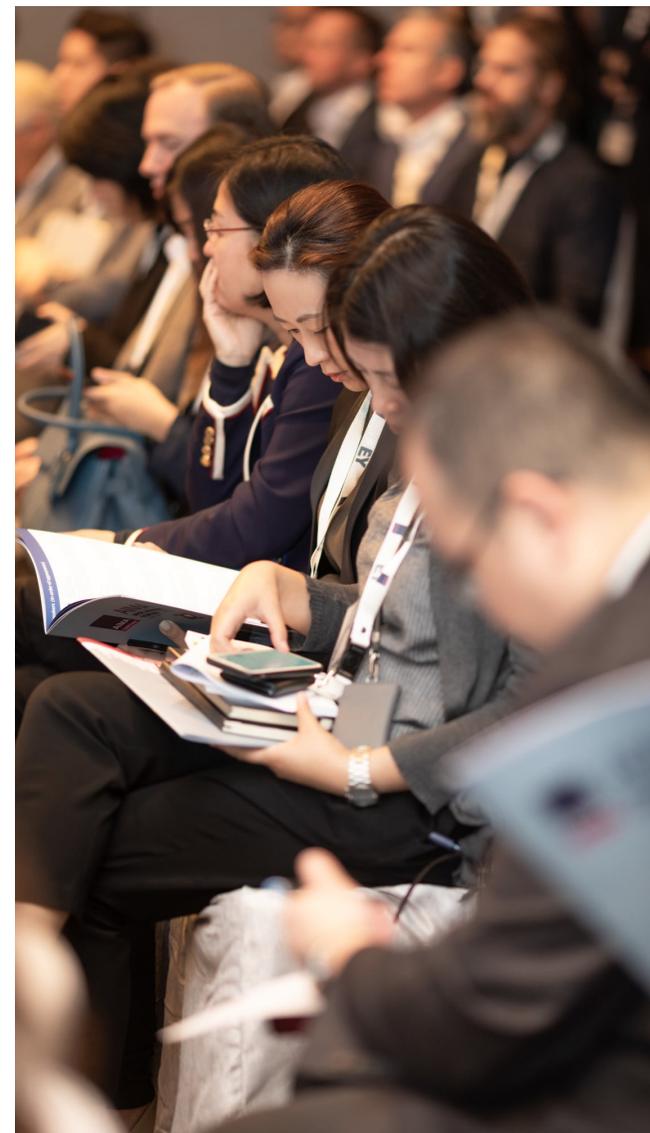
It was also suggested that, when recruiting top talent, the industry should explain more clearly what it does. This included being responsible for millions of pension plans covering the retirements of public servants around the globe.



The Forum also discussed softer but still important issues for the investment industry. These included talent development and staff well-being. Reinventing the talent recruitment process could also enable companies to expand their talent search pool and identify candidates without preconceived prerequisites for the role. However, helping your employees stay healthy mentally and physically is the way to retain them, and employers should explore the soft skills and tools that can help employees sharpen their focus, build self-compassion, know how to be safe psychologically and be more aware of their health conditions by knowing their own biomarkers.

A separate panel looked at an increasingly hot topic – the collaboration between humans and technology in the investment world.

Those involved agreed that emerging technology fits well with the alternative investment industry, given many of the firms involved don’t have the manpower and resources to find and analyse large amounts of data. So, while the front-office demands ever-more data to inform their investment decisions, the middle and back office frequently lack the capacity to meet this demand.



Technology can help fill this gap.

A very different kind of collaboration was featured in a discussion on the interaction between China and the US, and the fact that this will be a key factor in global investment strategy. As such, it was concluded that major drivers of China's innovation-driven growth will include defence spending, research and development, science and mathematics students and entrepreneurship.

Dollar depreciation could drive emerging-market growth, they said, but there may be dangers from US wage inflation.

Finally, a collaboration between AIMA and the Standards Board for Alternative Investments saw an industry discussion under the title "a meeting of minds". Panellists including AIMA's CEO Jack Inglis, CPPIB's Ted Lee and Enoch Fung of the Hong Kong Monetary Authority examined ways in which investors and asset managers work together to improve the hedge fund industry.

## Conclusion

As befitted this milestone Forum, marking 20 years of AIMA in the APAC region, those present discussed weighty and sometimes-critical issues, bringing an unrivalled collection of experience and expertise to bear on the big questions facing the industry. Much of the deliberations concerned the next 20 years – and beyond.

But while looking into the future, the Forum found time to remember those who have contributed so much in the past. At the post-event drinks, glasses were raised to the past chairs of AIMA.



THANK YOU FOR READING

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