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## New report delivers wake-up call for active management industry globally

### Key takeaways

- Report outlines what investors expect of their investment managers, and what managers must do to rebuild trust
- While only 23% of global investors surveyed believe active portfolios are worth the cost, only active managers can deliver on their needs. For APAC, it is slightly higher at 29%
- In the region, 63% prefer fee structures that are aligned with performance, lower than the global peers at 68%
- ESG investing, alternatives, innovative risk approaches and disruptive technology identified as areas where active managers can generate value

**Hong Kong:** The active asset management industry must work harder in a number of critical areas to convince investors of its value proposition, according to a major new report released today by Allianz Global Investors ("AllianzGI").

Incorporating the views of 500 institutional investors from around the world with USD 15 trillion in Assets under Management<sup>1</sup>, the report, "Staying Active: how to regain trust in active management" outlines that while active managers are best placed to help investors overcome challenging market conditions, overall confidence in active managers is low.

Of the investors in the APAC region surveyed which constitute around a quarter (24%) of the overall respondents, 29% said they thought active portfolios were worth the cost, with less than a quarter (23%) of overall respondents agreeing. By contrast, 55% of investors in APAC said they thought active management was the best investment option when the underlying components of markets show little correlation and 70% said they thought active managers were best placed to capitalise on the investment opportunities presented by digital transformation.

While important, the report found that performance is not the only factor influencing investors' choice of managers, with 48% global and 51% APAC investors saying it was one of their top 3 priorities in manager selection. Those in APAC surveyed also expressed a clear preference for long-term relationships with firms that understand their business goals and challenges (40%), and have specialist expertise in a particular asset class or strategy (37%). The results vary in different locations. For example, 70% of Taiwan investors rate performance as the most important, while performance and managers' understanding of their business objectives and challenges are as equally top priorities for Hong Kong investors (50%) followed by brand reputation (43%), and investors in Japan rank specialist expertise in a particular asset class or strategy (42%) more important than performance (40%) or their own business goals (24%).

The report identifies five key areas where asset managers should focus on elevating their services to win greater confidence and long-term commitment from investors including those in APAC.

- Offer innovative risk approaches – 49% of the investors overall, and 51% in APAC, feel they have the appropriate tools/solutions to deal with tail risk
- Facilitate ESG investing – 51% in the region, far less than the global peers at 61%, say active managers are better stewards than passive. For Japan, this even dropped to 42%. However, comparatively less in APAC (53%) than global (61%) report that they are confused by different approaches to ESG. While 72% of overall institutions plan to manage all of their assets in an ESG-conscious way by 2030, only 63% of institutions in APAC have this plan. For

Japan, the number is more encouraging - 84%, with 60% planning to do so by 2025, vs 38% globally or 37% regionally.

- Inform investors on Alternatives – 52% in the region are deterred by an overabundance of new products (vs 45% globally) and 50% (vs 42% globally) say there is lack of tools for measuring and managing risk. 64% of the investors in the region respond that they would allocate more to Alternatives if the strategies were clearer
- Adopt technology to enhance client outcomes – 61% of institutional investors regionally and globally believe active managers are better able to capture market opportunities by taking advantage of AI and big data
- Champion innovative fee models – 63% in APAC want fee structures that adjust with performance

Desmond Ng, Head of Asia Pacific, Allianz Global Investors, said:

*"This report identifies how the active asset management industry in general should keep abreast of and address investors' evolving challenges and expectations. For Asia Pacific, the variants of the findings among different markets prove again the importance of customised solutions supported by on-the-ground professionals who know the markets and clients well; and only active managers are able to deliver such solutions that are meaningful with value to clients, and hence stand out in the current environment."*

Philip Tso, Head of Institutional Business Hong Kong and Head of Consultant Relations Management and Client Advisory Asia Pacific, at Allianz Global Investors, said:

*"Understanding and listening to investors is all important, as every investor has its unique challenges and constraints. We always engage with our clients about emerging trends in the markets and focus on how they can capture the opportunities amidst uncertainties. Topics such as risk management, ESG, and innovative fee structure are areas which we have taken extra steps to apply our ideas to clients' portfolios. As we continue to grow our offering, we will remain relentlessly focused on deepening long-term relationships with investors and ensuring our business is aligned with what they expect from us as a leading active asset manager."*

The report also asked investors about their top concerns for 2019. In APAC, 80% (slightly higher than 79% globally) said they were most worried by monetary policy – with Hong Kong and Japan reaching 88% and 84% respectively – 77% by market volatility (while it's 84% for Japan), and 76% by inflation (which is quite aligned with global data at 75%, with the exception of Hong Kong which has 85% showing concerns).

The full report is available for download at: [www.allianzgi.com/stayingactive](http://www.allianzgi.com/stayingactive)

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#### For further information please contact

**Angie Tang**, Tel. +852 2238 8588, Email: [Angie.Tang@allianzgi.com](mailto:Angie.Tang@allianzgi.com)

**Kimsten Law**, Tel. +852 2238 8847, Email: [Kimsten.Law@allianzgi.com](mailto:Kimsten.Law@allianzgi.com)

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#### Notes to editors

<sup>1</sup>The findings of "Staying Active: how to regain trust in active management" are based on responses from 490 global institutional investors from across 13 markets, who together represent USD 15 trillion of Assets under Management. They were interviewed via a comprehensive global survey facilitated by Oxford Economics during November and December 2018.

The survey was fielded anonymously; AllianzGI did not specifically target its clients, although respondents may include clients.

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#### About Allianz Global Investors

Allianz Global Investors is a leading active asset manager with over 730 investment professionals in 24 offices worldwide and managing more than EUR 500 billion in assets for individuals, families and institutions\*.

Active is the most important word in our vocabulary. Active is how we create and share value with clients. We believe in solving, not selling, and in adding value beyond pure economic gain. We invest for the long term, employing our innovative investment expertise and global resources. Our goal is to ensure a superior experience for our clients, wherever they are based and whatever their investment needs.

#### Disclaimer

This survey involved 490 institutional investors in the following markets: US (70 respondents), UK (50), Germany (40), France (30), Italy (30), Switzerland (30), Nordics (30), Belgium (30), Netherlands (30), Middle East (30), Taiwan (30), Hong Kong (40) & Japan (50). Allianz Global Investors commissioned this research from Oxford Economics, who selected respondents across markets and institution types that reflect our client base. Respondents may include AllianzGI clients, but clients were not specifically targeted so any such overlap would be coincidental. The survey was fielded anonymously and was conducted in November and December 2018.

Investing involves risk. The value of an investment and the income from it will fluctuate and investors may not get back the principal invested. Environmental, Social and Governance (ESG) strategies consider factors beyond traditional financial information to select securities or eliminate exposure which could result in relative investment performance deviating from other strategies or broad market benchmarks. Diversification does not ensure a profit or protect against a loss. Past performance is not indicative of future performance. This document is for informational purposes only and does not constitute investment advice or a recommendation to buy, sell or hold any security and shall not be deemed an offer to sell or a solicitation of an offer to buy any security.

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