Investors: Adapting to the needs of an evolving investor base

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Panellists
Denise Hu, Archer Asia - Rockhampton Management
Richard Johnston, Albourne Partners
John Knox, LGT Capital Partners
Arjun Raghavan, Partners Capital

Moderator
Colin Lunn, UBS

L to r: Denise Hu, Richard Johnston, John Knox, Arjun Raghavan and Colin Lunn

Attracting institutional capital continues to be an uphill task for most Asian managers even as the overall industry continues to grow. The four panellists in this session were candid in giving their assessment of managers in Asia, citing a few trends and ideas managers can use to secure investment.

"The big change we've seen post crisis is that the industry has become more America-dominated, [which means] ticket sizes are bigger than they used to be," said Richard Johnston, managing partner at Albourne Partners. This could be the toughest challenge for 80% of regional managers. "You may need to be in the $350 million size to get on the institutional radar and few [managers] get themselves in the right size and frame to be relevant."

The threshold for institutional money has been set high and Arjun Raghavan, partner at Partners Capital, explained that getting institutions to invest requires a certain mindset.

Transparency and willingness to build a deep relationship with the investor community goes a long way, he added. Alpha per unit of fees also needs to stack up. "Managers should think hard about product innovation and fee structure. A lot of endowments and foundations are open to accepting more illiquidity in exchange for better fees."

Investors are also looking for specialisation. "What we see in Asia is a mix of macro and fundamental worlds where you go to a typical long/short fund and learn that they do a bit of market timing, a bit of beta timing, country rotation and stock selection. It becomes difficult to invest in such funds as they cannot credibly be good at so many things," noted Raghavan. Hence, macro managers should avoid picking securities and fundamental managers should shun playing the market-timing game, he said.

Not compromising on high quality back office infrastructure and operations is just as important, said John Knox, partner at LGT Capital. "The model of setting up a fund with a couple

KEYNOTE: Hugh Sloane, founder and CEO, Sloane Robinson Asia
Macro: Where to find opportunity in Asia?

of people and a terminal is long gone. Yet, there are a number of managers in China and Japan that haven't really thought about transparency or governance."

With the exception of some, Asian hedge fund managers have by and large succeeded in getting their structure and operations right. This is encouraging in the light of an emerging group of Asian investors exploring the region for strong managers to handle investments.

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"Recently, we have seen a growth in the number of instances where Asian investors, such as corporates, private equity groups or family offices, are providing the cornerstone capital to enable new managers to get off the ground. In particular, this is happening in the Greater China space," said Denise Hu, CIO of Archer Asia - Rockhampton Management.

The ticket size for these regional investors ranges from $25-100 million. "It's not as huge as the North Americans, but it is a significant and crucial help for the Asian start-ups," she concluded.