

GLOBAL CAPITAL RAISING OPPORTUNITIES FOR ASSET MANAGERS



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There is increasing opportunity for local investment managers to raise capital in overseas markets as investors globally seek real returns in a low growth world. Perpetual's Rupert Smoker looks at this trend.

At a recent event in Sydney, Tapping into the World's Capital, Perpetual brought together select global fund specialists to share insights with local asset managers into what today's retail and institutional investors are looking for, and strategies for attracting capital from offshore markets.

A consistent trend with investors locally and across offshore markets is the rise of alternatives as investors look for ways to secure above inflation returns in a low growth world.

"The average global cash rate has fallen from 4.5% in 2007 to 0.5% today and the 10 year bond yield from 4.5% to 1.5%," said Matt Sherwood, Head of Investment Strategy, Multi Assets. "In this environment investors need to move away from the benchmark and focus on investment opportunities. This is the very definition of real return investing."

A number of global investment specialists reinforced this theme as they discussed current trends for local managers in Europe, US, Latin America and Asia. Their key observations were as follows:

- In the United States there has been a definite shift to alternative assets, with flows into alternative strategies tripling in the past five years and assets under management now totalling over US\$2 trillion as investors are increasingly looking for alternative, non-correlated assets.
- European investors have already shown appetite for investing in the region, with a quarter of all offshore investment from Europe directed to the Asia-Pacific.

- Conversely, Latin American allocation to Australia is today less than one per cent of total AUM, representing significant opportunities for local investment managers, especially for strategies targeting “Instaviduals” - HNW and family offices that are individuals but act like institutions.
- Regionally, the Asia Funds Passport is an important development in helping to eliminate legislative barriers and making investing across borders in the region more seamless.

While Australian investment managers are increasingly looking to global markets, Perpetual is also seeing significant growth in global fund managers entering the Australian market - especially in alternatives - as local investors look to diversify beyond traditional asset classes.

“The hedge fund industry has doubled since the global financial crisis and in 2014 we saw more flows into hedge funds than in any year since 2008,” said Rupert Smoker, Acting General Manager, Regulated Fiduciary Services for Perpetual.

“Local investors are looking to increase their allocations to multi-asset strategies that perform in good and difficult market conditions. While global investment managers recognise our mature market and are looking for the right partners to tap into this investor demand.”

Perpetual, which provides Responsible Entity and Trustee services for global asset managers, said eight of its 15 mandates over the past 18 months came from global alternative managers with global alternatives now accounting for a third of Perpetual’s total FUA within its responsible entity business compared to less than a quarter at the start of 2014.