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Asia's appetite for alternatives on the rise: Cerulli

By Kerry Pechter *Thu, Nov 21, 2013*

"*Managers that start engaging institutions early, even when the latter are not ready to allocate to alternatives, will stand a better chance of winning mandates when an institution is ready to invest," says a new report from Cerulli Associates.*

Growing appetite for alternative investments will likely drive institutional outsourcing across Asia, according to Cerulli Associates. This could spell good news for managers that offer alternatives as options in variable annuity products.

In a new report, Institutional Asset Management in Asia 2013, Cerulli forecasts that total assets in the region will continue to grow between 2013 and 2017 and hit $17 trillion by 2017. Private equity, commodities, hedge funds, and other alternative investments could play a large role in that.

The report, which examines Asia's institutional landscape and outsourcing opportunities for external managers, found that allocations to alternatives still remain small at most institutions, often accounting for less than 10% of their overall portfolios. However, these allocations are said to be increasing steadily.

Investable assets of Asian institutions topped $10 trillion for the first time in 2012, rising 9.6% year-over-year. Stronger increases are expected from Southeast Asia, as institutions in those markets are relatively underdeveloped and are growing their assets from low bases.

"Managers that start engaging institutions early, even when the latter are not ready to allocate to alternatives, will stand a better chance of winning mandates when an institution is ready to invest," says Cerulli senior analyst Chin Chin Quah, an author of the report.

Additionally, deregulation is welcome news to some institutions. China has been at the forefront with a series of deregulations, especially for insurers. This past June, insurers have been allowed to set up fund management units to offer mutual funds to retail and institutional investors.