Look to China for investment growth: Cerulli

By Editorial Staff *Thu, Aug 12, 2021*

Cerulli, the global research firm, expects Asia ex-Japan retirement funds to continue to lead in terms of growth, rising at a compound annual growth rate (CAGR) of 11.9% between 2020 and 2025.

China represents a significant opportunity for asset managers, according to Cerulli Associates' latest report, Global Markets 2021: Continued Growth in Uncertain Times. Assets under management in China grew 34.0% in 2020 and net inflows increased 21.8% year-on-year, the report said.

The Chinese fund market had an impressive 2020, with net revenues rising 37% year-on-year, Cerulli's research shows. This growth was supported by strong local equities—the MSCI China recorded a 29.7% return last year, exceeding its 23.7% return in 2019.

The COVID-19 pandemic has not dampened investors' enthusiasm for the Chinese mutual fund industry. Chinese regulators are pushing for the development of funds investing in equities, including fast-track approval for equity-related fund applications submitted by fund management companies that score higher under the scorecard method introduced in late 2019.

"We expect investors to show continued interest in Chinese equities in 2021 and beyond, based on the country's earlier recovery from the pandemic and its growth prospects relative to other markets," said André Schnurrenberger, managing director, Europe at Cerulli Associates. "As for bonds, investors are set to favor Asian fixed income because it currently offers better yields than bonds in developed markets."

Cerulli expects Asia ex-Japan retirement funds to continue to lead in terms of growth, rising at a compound annual growth rate (CAGR) of 11.9% between 2020 and 2025. Although all markets in the Asia-Pacific region will likely exceed the global CAGR, China and Korea stand out, with their CAGRs expected to reach double digits.

At least 1,300 funds were launched in China in 2020, amassing RMB3.1 trillion (US$475 billion) in assets from their initial public offerings. In India, the second wave of the pandemic, which hit the country in March 2021, could see cautious investors favoring safe and liquid assets; other investors may use market corrections as opportunities to allocate to mutual funds. COVID-19 may also encourage increased saving.

In non-Asian developed markets, pension funds are looking to opportunities in Asia. Canadian pension funds, including the Canada Pension Plan Investment Board and Ontario Municipal Employees’ Retirement System, have been growing their Asia-focused teams to match their expanding investments in the region. In addition, the Nationwide Pension Fund in the UK and the Iowa Public Employees’ Retirement System in the US have indicated their interest in including more Asian private debt in their portfolios.

“Investors around the world believe that emerging markets, particularly in Asia, are making better progress in their economic recovery from COVID-19. As a result, they are keen to increase their exposure to such markets,” Schnurrenberger said.