Singapore's Lion Global looks to 'big' fund firms for curated portfolios

By Ernest Chan October 21, 2020

Lion Global Investors has turned to using mutual funds and exchange-traded funds from large global managers for a new private-banking type curated portfolio solution aimed at Singapore's retail investors at traditional banks and digital platforms, even as it faces increasing competition from these big-name firms.

The Singapore-based fund firm announced the completion of its curated portfolios team on Tuesday, including S.K. Selvan as senior director and team head, Benedict Yap as team director, Gregory Ng as team analyst, Lim Jing Kai as associate, and Wong Yuet Eng as team advisor.

Rather than creating a portfolio line-up of its own in-house funds, the new team will act more like consultants or portfolio advisors to traditional banks and insurance companies on the funds of larger global asset managers.

The aim is to assist these traditional distributors as they move into the online wealth management space by selecting the best range of funds from the biggest international asset managers for digital platforms and robo-advisors.

Gerard Lee, Lion Global Investors

Asset management is being disrupted by the increasing dominance of large global managers where "the big has become bigger", according to Gerard Lee, CEO of Lion Global.

These large asset managers are able to take advantage of economies of scale to deliver investment products and services cheaply and efficiently in a way that smaller managers like Lion Global will not be able to replicate, Lee said in a webinar on Tuesday.

The Singapore firm's response is to move into the curated portfolio business, where it can leverage technology and data, as well as the expertise of the team, to select best-in-class mutual funds and ETFs managed by other asset management firms to create risk-adjusted and thematic portfolios.

Current assets under the curated portfolio team are about S$3 billion (US$2.21 billion).

"There will be a place under the sun for the Lion Global Investors of the world," Lee said during the webinar.

"But we have to pick and choose how we play the game, we have to pick and choose the tools that we use, and we cannot just blindly follow the herd, which is what by and large the industry has been doing over the years," he added.

Lee told Ignites Asia last November that asset management was increasingly a game of scale, with the likes of BlackRock, Vanguard, and State Street able to leverage their global businesses to lower expense ratios.

Smaller regional players like Lion Global are forced to be a lot more niche in how they run a funds business, he said last year, mentioning the firm's plans to create low-cost fund-of-funds portfolios through its online sales platform, LGI Direct.

That focus on democratisation of investment offerings and making private-banking type solutions available to retail investors is the impetus behind the curated portfolios business, which offers retail and mass affluent investors access to high-net-worth investment features like asset allocation, active fund selection, portfolio monitoring and rebalancing.

Wealth management is also being challenged by the rise of digital platforms such as robo-advisory firms and digital banks, according to Selvan.

"There's a need for a team like ours to partner with traditional banks and traditional insurance companies [that] are finally trying to make that leap into the digital world," he said in the webinar.

"We've got multi-asset experience, we've got asset allocation experience and we've got fund research experience," he added. "All of this ties in very nicely with some of these incumbents [that] are trying to make that digital leap into the world."

Lion Global did not specify which banks and insurance companies it has been partnering with for curated portfolios.

The firm's parent company, OCBC Group, reported a boost in wealth management income in the first half of this year, partly driven by its efforts to move its wealth advisory service completely online.

Lion Global also saw an increase in online sales this year, seeing around S$200 million in net online inflows through digital distribution partners such as iFast, StashAway and Endowus.

Steven Chua, the firm's head of distribution business and marketing, told Ignites Asia last month that it was aiming to double the percentage of its online fund sales in the next three to five years, as well as grow the number of its online platform partners from six or seven to 10 within the next

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The current challenge for risk-averse investors is finding positive returns in a low-yielding environment, which is where curated portfolios can step in, according to Selvan.

A recent OCBC survey of Singaporeans found that 64% of participants were unable to sustain a retirement lifestyle, and 52% aged 55 and older had no passive income, while 33% thought that investment was akin to gambling, he said. This illustrates the wealth management needs of Singaporeans while also highlighting misconceptions around putting money in anything other than a bank deposit.

“The reality is that we live in a zero-interest-rate world, so if you don’t want to take any risk, or if you’re looking for risk-free investments, your returns are close to zero,” he said. “This is something that we have to educate clients on.”

With curated portfolios, investors can access investments that fit their risk profiles and return expectations, and that draw upon a select group of more than 100 mutual funds and ETFs across equities, fixed income and real assets.

The firm did not specify which asset managers had funds included in these curated portfolios.

Lion Global hopes to differentiate its curated portfolio service from robo-advisors through its use of active funds, said Selvan, which most robo-advisors do not use yet.

The amount of excess return that can be achieved through an active fund can be in the range of 3% to 5%, with some managers beating global equities by 8% this year, he said.

“If you compare that with a pure ETF low-cost solution, why not get that kind of a fund manager in your asset allocation and in your portfolio?” he added. “So what if I pay them 1.5% [management fee]? I still get a good value add.”