



CERULLI QUANTITATIVE UPDATE SUBSCRIPTION

ASIAN DISTRIBUTION DYNAMICS 2009

By the close of 2008, Asian mutual fund assets shrunk by one-third compared to a year ago. However, the first half of 2009 saw assets recover by 21%. This rebound gives asset managers and distributors an opportunity to assess their current positions or planned Asian entry strategies.

In its eighth iteration, this report focuses on market sizing, product development, distribution strategies, and revenues and fees in the mutual fund markets of **China, Korea, India, Taiwan, Hong Kong, and Singapore.**

This report helps asset managers:

- Assess market size of target markets
- Understand product development trends
- Determine the state of play of the bank channel and alternative channels
- Analyze revenue margins at the country level to determine entry and expansion strategies

This report helps mutual fund distributors:

- Benchmark marketshare
- Examine product development trends across multiple markets
- Consider competitive threats posed by various distribution channels

This report contains 184 exhibits and 264 pages. It includes the following chapters:

1. Regional Analysis
2. China
3. Korea
4. India
5. Taiwan
6. Hong Kong SAR
7. Singapore

Table of contents, user examples, and sample exhibits are included in this attachment.

INSIDE LOOK:

Key findings:

By the close of 2008, Asian mutual fund assets had shrunk by one-third compared to a year ago. However, Cerulli expects 2009 year-end results to show assets close to 2007 levels.

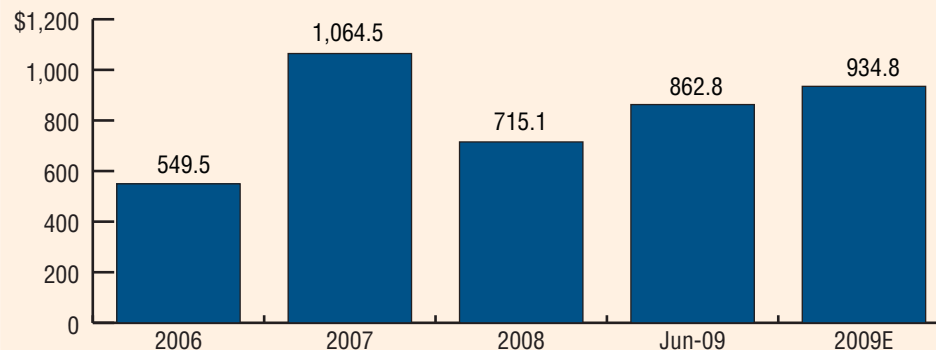
While tougher investor protection rules will dampen demand for investment products in the short term, a more level playing field now exists between structured products and mutual funds.

Over the next few years, asset growth is expected to stay positive but not mirror the strong pace shown in 2009. Cerulli estimates average Asian mutual fund assets will reach US\$1.5 trillion in 2013.

Exclusive data:

- Size of the mutual fund markets in Asia and addressability
- Past and projected AUM growth rates
- Fund manager marketshare analysis by country
- Fee structure of key asset classes and revenue analysis
- Distribution breakdown by banks and alternative channels in Asia
- Proprietary data from asset managers, bank distributors, and financial advisors

Sample Exhibit: Asia Ex-Japan Mutual Fund Assets Under Management, 2006–2009E (US\$ billions)



Source: Cerulli Associates



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New in 2009: Quantitative Updates are now subscription-based and include online access to a database of prior annual releases of this report, related Thematic Reports, and a data supplement updating select exhibits.

See page 3 for more details.

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November 2009



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USER EXAMPLES:

The following are examples of how this report can be applied to business planning and strategic decision-making:

Scenario 1: A global asset management firm has been operating in Hong Kong, Singapore, and Taiwan for the past three years, with a primary focus on the retail offshore business. As part of their regional expansion review, they are examining market entry strategies for other Asian asset management markets - with a focus on the onshore retail and retirement markets. *Cerulli Quantitative Update: Asian Distribution Dynamics 2009* provides insight to the following questions:

- What are the historical growth trends of pension assets? (Exhibits 1.05, 2.06, 3.04, 5.04, 6.04, 7.03)
- What are the onshore vs. offshore opportunities in the mutual fund business on both a regional and country level? (Exhibits 1.06, 2.14, 3.05, 5.05, 6.06, 7.04)
- What is the mutual fund penetration rate as a percentage of Asian household financial assets? (Exhibit 1.04)

Scenario 2: A Europe-based private bank would like to explore the wealth management opportunities in Asia. Besides targeting the offshore wealth segment, this institution is also interested in setting up a local unit. *Cerulli Quantitative Update: Asian Distribution Dynamics 2009* answers the following questions:

- What are regional and country distribution trends? (Exhibits 1.13, 2.24, 3.17, 4.16, 5.17, 5.18, 6.14, 6.15, 7.15, 7.16)
- What is the breakdown of bank investment assets? (Exhibits 1.17, 1.18)
- What are some qualitative distribution trends? (Exhibits 1.14, 2.24, 3.19, 4.17, 4.21, 5.18, 6.16, 7.17, 7.19)

Scenario 3: In light of diminishing asset-gathering opportunities in the more developed markets, a large U.S.-based asset management firm is conducting a revenue-cost analysis to determine if now is an opportune time to expand into Asia. *Cerulli Quantitative Update: Asian Distribution Dynamics 2009* provides the following data metrics and Cerulli's assessment:

- A fee schedule detailing the range of management fees and trailer fees charged in each country. (Exhibit 1.12)
- Average fee-sharing agreement between the distributor and fund manager across the region. (Exhibit 1.12)
- Most lucrative markets in terms of volume and margins (Exhibits 1.19, 1.20)

MORE INFORMATION:

To learn how to apply this report to your firm's unique needs, please contact:

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A subscription to *Cerulli Quantitative Update: Asian Distribution Dynamics 2009* remains active through 1/30/2011 and includes online access to the seven related reports below at no cost. See the green Purchase tab on www.cerulli.com for more information on these reports.

- Cerulli Quantitative Update: Asian Distribution Dynamics 2008
- Cerulli Quantitative Update: Asian Distribution Dynamics 2007
- Asian Insurance: Outsourcing Opportunities for Asset Managers 2007
- Cerulli Quantitative Update: Asian Distribution Dynamics 2006
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- Market Update: Asian Distribution Dynamics 2003

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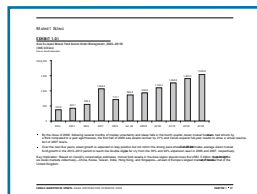
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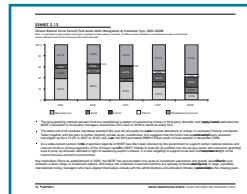
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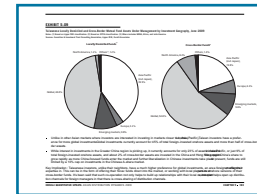
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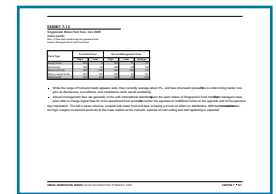
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INTRODUCTION & METHODOLOGY

Cerulli Quantitative Update: Asian Distribution Dynamics' analyses and coverage of mutual funds in Asia is central to the firm's research coverage in the Far East, and an important part of our ongoing coverage of the world's main asset management marketplaces. After all, in the long term, Asia probably will represent the largest asset management marketplace in the world outside of the United States. In 2005, we introduced this research in the **Cerulli Quantitative Update** format in response to clients' demand for granular, quantitative information about how funds are distributed across the various channels. The Asian Distribution and Dynamics report—now in its eighth year—forms the basis of our Asian research and complements all our other Asian publications.

Report format

Our report retains its focus on market sizing, product development, and distribution strategies in Asia's mutual fund and asset management industry, including an analysis of revenues, fees, and costs. Following the regional chapter are six country sections, covering China, Korea, India, Taiwan, Hong Kong, and Singapore, in which detailed market and industry trends are captured in both chart and text form. Each section also includes a summary of key points and recent industry developments.

Proprietary research

Central to achieving the goal of providing useful quantitative information are our proprietary surveys of asset managers in the region. These are *bottom-up* surveys to understand the relationship between asset management firms and their primary intermediaries. The analysis includes information on assets under management, product prioritization, fee structures, and sales process.

Bank distribution remains at the heart of this analysis, and Cerulli is grateful for the ongoing support of local and foreign banks, but particularly the regional banks that operate across multiple marketplaces. The responses we received have helped enhance our understanding of the banking channel, one of the most important for mutual fund sales in Asia today.

In 2004, Cerulli became the first international research firm to conduct proprietary surveys of asset managers in China, and in 2005 we extended this survey to India. We have continued to build on the very strong participation we have received in both countries, and our results can be found in the respective country sections, as well as aggregated along with the rest of the region in the regional chapter. Meanwhile, given the intense interest in the Chinese and Indian markets, we have two reports, titled *Asset Management in India: Revenue, Cost, and Profitability 2009* and *Asset Management Opportunities in China 2009*, both due out in the fourth quarter, which address these markets in even greater detail.

Completing the analyses is the qualitative input our research efforts bring to bear and, as in previous years, this relies on as many as 100 highly focused and in-depth research meetings and conference calls with asset managers, distributors, fund associations, and regulators across all six countries in the region.

In addition to *Asian Distribution Dynamics*, the following is a list of Asia-focused research led from our regional base in Singapore:

- ***Cerulli Quantitative Update: Institutional Asset Management in Asia 2009*** focuses on asset management opportunities offered by some of Asia's most important institutions and provides a sizing of outsourced assets. The report leverages proprietary surveys and interviews with institutional investors and managers active in the region.
- ***Asset Management in India: Revenue, Cost, and Profitability 2009*** focuses on cost and revenue trends among key industry segments in India. This report also puts the spotlight on asset manager margins and profitability, which will be of particular relevance to foreign asset management firms.
- ***Cerulli Quantitative Update: Asset Management Opportunities in China 2009*** focuses on foreign manager opportunities in China.
- ***Asset Management in Southeast Asia 2009*** analyses the asset management industry in Malaysia, Thailand, Indonesia, the Philippines, and Vietnam, covering market sizing, product development, domestic and cross-border opportunities, and distribution trends in one of the fastest growing sub-regions in the world. This report is now in its third iteration.
- ***The Cerulli Edge—Asia Pacific Edition***: A quarterly research notes publication that highlights recent proprietary research initiatives and provides the most current Cerulli viewpoints on developments in the region's asset management industries, focusing on the marketplaces of Australia, China, Korea, Hong Kong, India, Japan, Singapore, and Taiwan.

The information in this report was obtained from public and non-confidential sources, as well as proprietary surveys. Cerulli believes that the data herein is reliable and has made every reasonable effort to verify statistics presented; however, Cerulli does not guarantee its accuracy or completeness. All data in this report is calculated and presented in U.S. dollars to allow for easy comparison. Exchange rates from June 2009 have been used.

Cerulli benefited from the cooperation of a number of regulators and trade industry associations in the region, and is especially grateful for assistance from the following:

- Monetary Authority of Singapore
- Securities and Futures Commission, Hong Kong
- Hong Kong Investment Funds Association, Hong Kong
- Asset Management Association of Korea, Seoul
- Financial Supervisory Service, Korea
- National Pension Service, Korea
- Securities Investment Trust & Consulting Association, Taipei
- Securities and Futures Commission, Taipei
- Association of Mutual Funds in India, Mumbai
- China Securities Regulatory Commission, Beijing
- China Banking Regulatory Commission, Beijing
- Ministry of Human Resources and Social Security of the People's Republic of China, Beijing
- National Council for Social Security Fund, Beijing
- State Administration of Foreign Exchange, Beijing

SAMPLE SECTION

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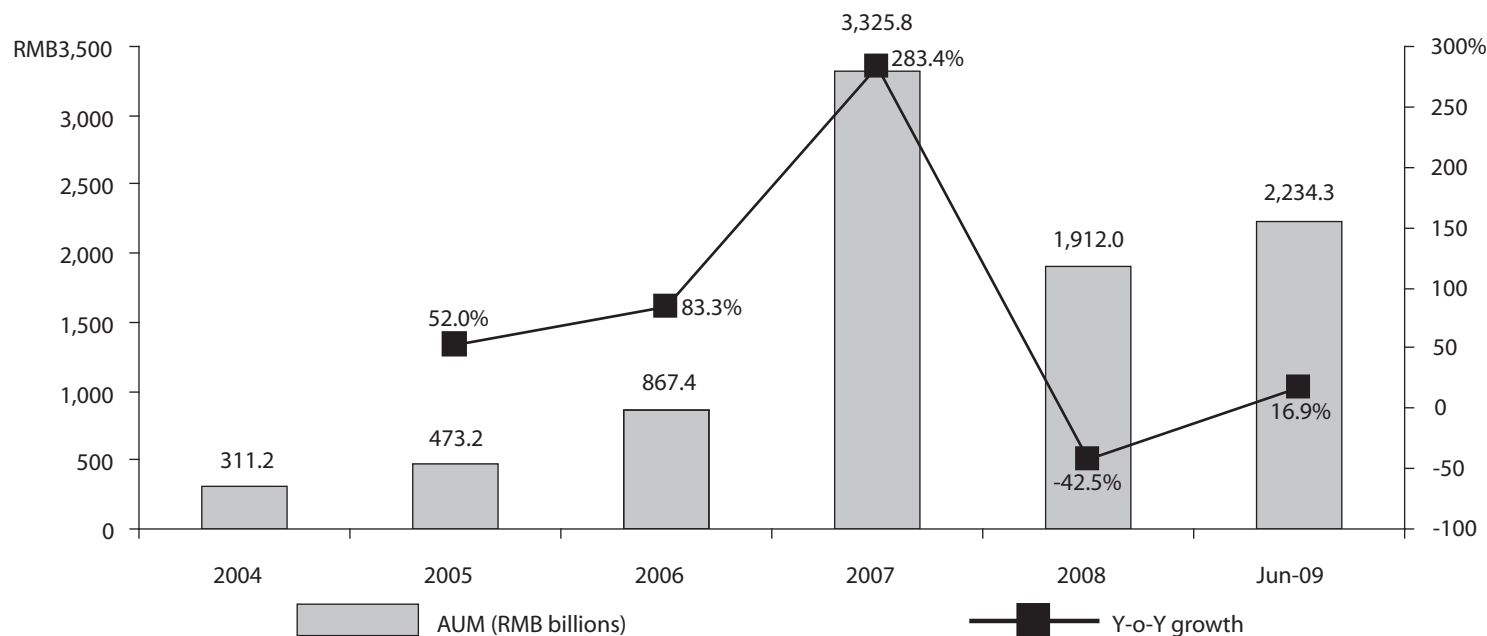
**CERULLI QUANTITATIVE UPDATE:
ASIAN DISTRIBUTION DYNAMICS 2009**

MARKET SIZING

EXHIBIT 2.01

Chinese Mutual Fund Assets Under Management, 2004–June 2009

Sources: Morningstar Direct, Wind Financial Database, Cerulli Associates



- After losing almost half of its assets under management in 2008, **the Chinese asset management industry managed to recover some lost ground, posting 17% growth in the first half of 2009 to climb back to RMB2.2 trillion.**
- The precipitous decline last year was largely attributable to depreciation in market values as net flows, albeit significantly smaller, remained in positive territory. Conversely, market appreciation accounted for the increase in AUM this year as the industry witnessed net redemptions in the first six months.
- Large fluctuations in year-on-year growth are symptomatic of a developing industry, but **China still managed to post a very commendable CAGR of 55% between 2004 and June 2009.**

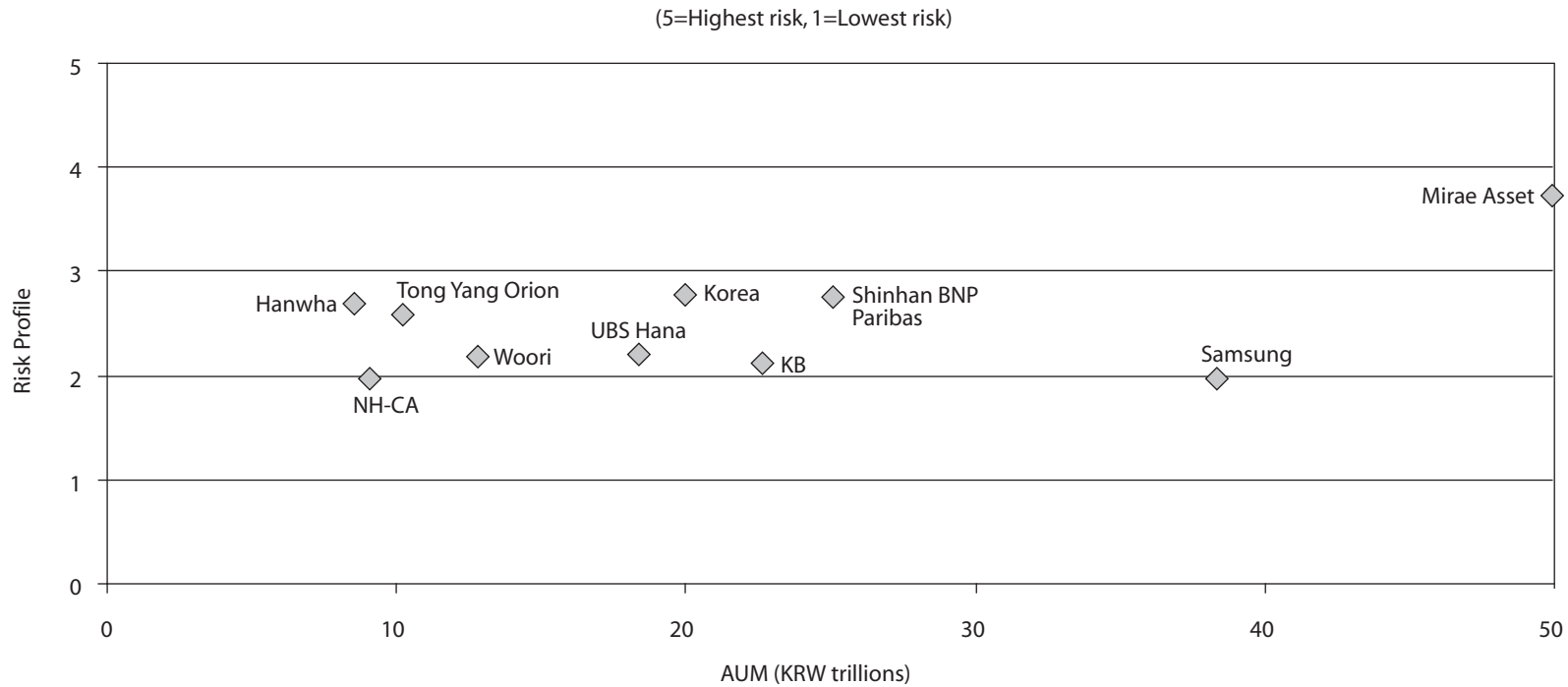
Key Implication: The long-term potential of the Chinese asset management industry remains intact despite the stumble in 2008. While several problems persist, particularly those pertaining to regulations, China will continue to be the key engine of asset management growth in Asia as the retail market regains its footing and the institutional segment further opens up to discretionary fund management.

EXHIBIT 3.24

Korean Local Mutual Fund Managers' Risk Profile, June 2009

Note: Risk profile is measured by multiplying managers' asset mix with the following asset risk scale: money market=1, bond=2, balanced=3, equity=4, others=5.

Source: Cerulli Associates



- Using a risk point system for each asset class this chart gives a graphic representation of the competitive landscape occupied by the top 10 asset managers in Korea. Assets in the Others category, typically funds with more than 10% invested in derivatives, are assigned the highest risk rating, followed by equities, balanced, bond, and lastly, money market.
- **Two managers stand out in terms of their asset size and product positioning. Mirae is well outside the pack in terms of its large assets but also large base of higher-risk assets. Samsung, on the other hand, is unusual both in terms of its asset size and its low-risk asset base.**
- **The remaining eight managers are grouped fairly closely together.** Of these, NH-CA is one of the smallest and also most conservative, while Shinhan BNP Paribas most closely approaches Mirae in terms of its size and asset exposure.

Key Implication: New and existing players need to decide where they stand in this schematic, and understand who their closet competitors are. The participation of the corporates and institutions in the mutual fund marketplace can greatly skew the picture, such that large managers can suffer from low margins, and vice versa.