



CERULLI QUANTITATIVE UPDATE SUBSCRIPTION

ASSET MANAGEMENT IN SOUTHEAST ASIA 2009

Has your firm considered expanding into the Southeast Asian region? Or is your firm currently there, but contemplating whether to increase your focus? This region was not hit as hard as others by the market downturn, and there are indicators that it will recover more quickly. With few competitors currently in this region, there is a significant first-mover advantage. This report provides you with an in-depth analysis of institutional and retail opportunities in this region and give tactical recommendations for firms looking to expand.

This report examines institutional and retail distribution dynamics, fee trends, product development, competitive landscape, and marketsizing in each country covered.

INSIDE LOOK:

This report allows firms to:

- Understand the bank channel and other distribution opportunities
- Evaluate the revenue and fee trends in each market
- Identify crossborder opportunities and entry strategies
- Determine the addressability of retail and institutional assets
- Consider alternative entry strategies such as feeder funds and subadvisory
- Benchmark marketshare

Key findings:

- Southeast Asia proves to be resilient amidst a global market downturn—regional mutual fund assets ended 2008 just 18% lower than a year ago.
- Successful distribution hinges on the banks, as 54% of assets are within this channel.
- The region's institutional marketplace addressable to third-party managers is projected to grow at a slower rate—5% CAGR—over the next five years.

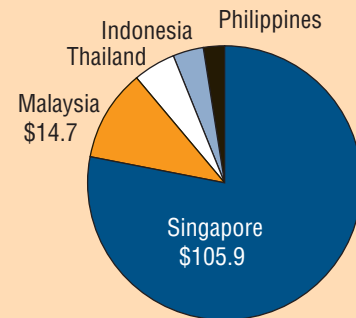
Exclusive data:

- Size and projected growth of both retail and institutional markets in Southeast Asia
- Asset breakdown by distribution channels
- Fee structure of key asset classes across the region
- Evaluation of important product developments in Asia

This report is delivered in two volumes and contains 174 exhibits and 270 pages. It includes the following chapters:

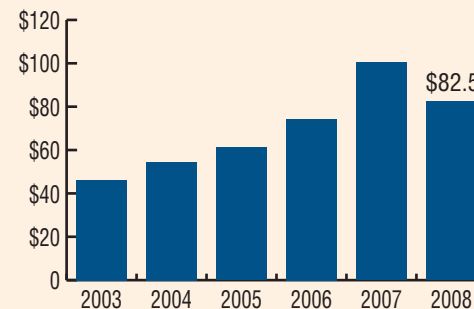
1. Regional Analysis
2. Malaysia
3. Thailand
4. Indonesia
5. Philippines
6. Vietnam

Southeast Asian Addressable Institutional Assets by Country, 2008E (US\$ billions)



Source: Cerulli Associates

Southeast Asian Mutual Fund Assets Under Management, 2003-2008 (US\$ billions)



Sources: Bapepam-LK (Indonesia), Lipper FERI, Federation of Malaysian Unit Trust Managers, Association of Investment Management Companies (Thailand), Bangko Sentral ng Pilipinas, Investment Company Association of the Philippines, Monetary Authority of Singapore, Company prospectuses, Cerulli Associates



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See page 3 for more details.

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June 2009

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



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ASSET MANAGEMENT IN SOUTHEAST ASIA 2009

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 and Singapore with a primary focus on the retail offshore business. As part of their regional expansion review, they are considering entry into the Southeast Asian markets. They are also evaluating the viability of targeting the onshore segment. *Asset Management in Southeast Asia 2009* provides insights into the following:

- Historical and projected mutual fund assets on a regional and country level. (Exhibits 1.1.01, 1.1.02, 1.6.01, 1.6.02)
- What are the onshore vs. offshore opportunities in the mutual fund business? (Exhibits 2.01, 2.02)
- What is the mutual fund penetration rate as a percentage of Asian household financial assets? (Exhibit 1.1.03)

Scenario 2: In light of diminishing asset gathering opportunities back home, a **large U.S.-based asset management firm** is conducting a revenue-cost analysis to determine if this could be an opportune time to expand into Asia. *Asset Management in Southeast Asia 2009* provides the following metrics:

- A fee schedule detailing the range of front-end fees, management fees, and trailer fees in each country. (Exhibits 1.5.01, 1.5.02, 1.5.03)
- Revenue growth potential for distributors and fund managers, and analysis of most lucrative markets. (Exhibits 1.5.04, 1.5.05, 1.5.06)

Scenario 3: A **large global asset management firm** is exploring asset management opportunities in Southeast Asia's institutional marketplace. Before they make any serious time commitments, they need to assess the institutional opportunities. *Asset Management in Southeast Asia* provides insight into the following questions:

- How big is the institutional marketplace in Southeast Asia, and what are historical and projected growth trends? (Exhibits 1.1.01, 1.1.05)
- Which are the major institutional segments? (Exhibit 1.1.04)
- What is the addressability of institutional assets for third-party fund managers? (Exhibits 1.1.02, 1.1.03, 1.1.04, 1.1.06)

Scenario 4: A **large global asset management firm** has been operating in Southeast Asia, but has predominantly focused on the retail fund business to date. As part of a strategic review, they are evaluating the institutional market, with a focus on the pension segment. *Asset Management in Southeast Asia* provides the following metrics:

- A detailed analysis of the retirement landscape in each country. (Exhibits 3.2.01, 4.2.01, 5.2.01, 5.6.01)
- Pension assets in each country. (Exhibits 2.1.01, 3.1.01, 3.3.01, 3.4.01, 3.5.01, 4.1.01, 4.2.02, 4.2.04, 5.1.01, 5.2.02, 5.2.03, 5.5.01, 5.6.02)
- Investment trends of pension funds in the region. (Exhibits 2.1.02, 2.2.01, 2.2.02, 3.3.03, 3.4.02, 3.5.02, 4.2.03, 5.2.04)
- An overview of outsourced assets and managers managing pension assets in each country. (Exhibits 2.1.02, 3.3.01, 3.3.02, 3.5.03)

MORE INFORMATION:

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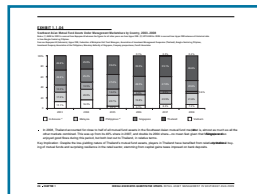
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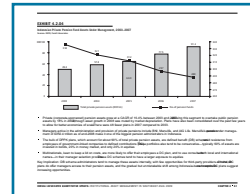
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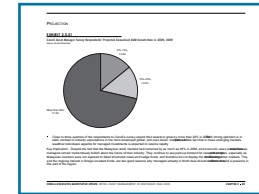
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Page 26



Page 61



Page 83

Page 193

TABLE OF CONTENTS - INSTITUTIONAL

TABLE OF CONTENTS – OVERVIEW

INTRODUCTION & METHODOLOGY	7
KEY THEMES & PROGNOSIS	9
EXCHANGE RATES	15
CHAPTER 1: REGIONAL ANALYSIS	16
CHAPTER 2: MALAYSIA	29
CHAPTER 3: THAILAND	41
CHAPTER 4: INDONESIA	55
CHAPTER 5: PHILIPPINES AND VIETNAM	65
GLOSSARY	84
INDEX OF COMPANIES	86

TABLE OF CONTENTS – EXPANDED

CHAPTER 1: REGIONAL ANALYSIS	16
Exhibit 1.1.01: Southeast Asian Institutional Investable Assets, 2003–2007	18
Exhibit 1.1.02: Southeast Asian Addressable Institutional Assets by Country, 2008E	19
Exhibit 1.1.03: Southeast Asian Percentage of Institutional Assets Outsourced by Country, 2007	20
Exhibit 1.1.04: Southeast Asian Addressable Institutional Assets by Institutional Sector, 2008E	21
Exhibit 1.1.05: Southeast Asian Institutional Investable Assets, 2008E–2013E	22
Exhibit 1.1.06: Southeast Asian Addressable Institutional Assets, 2008E–2013E	23
Exhibit 1.1.07: Top Life Insurance Companies in Southeast Asia by Investable Insurance Assets, 2007 (Part 1)	24
Exhibit 1.1.07: Top Life Insurance Companies in Southeast Asia by Investable Insurance Assets, 2007 (Part 2)	25
Exhibit 1.1.07: Top Life Insurance Companies in Southeast Asia by Investable Insurance Assets, 2007 (Part 3)	26
Exhibit 1.1.08: Largest Institutions in Southeast Asia, 2008 (Part 1)	27
Exhibit 1.1.08: Largest Institutions in Southeast Asia, 2008 (Part 2)	28

CHAPTER 2: MALAYSIA	29
MARKET SIZING	32
Exhibit 2.1.01: Malaysian Investable Institutional Assets, 2008	32
Exhibit 2.1.02: Malaysian Domestically Invested Addressable Institutional Assets Managed by Local Fund Managers by Institution Type, 2005–June 2008	33
EPF	34
Exhibit 2.2.01: Employees Provident Fund Invested Assets by Investment Channel, 2007E ..	34
Exhibit 2.2.02: Employees Provident Fund Invested Assets Under Management Marketshare by Investment Objective, 2003–September 2008	35
TABUNG HAJI	36
Exhibit 2.3.01: Tabung Haji Assets Under Management, 2006–2008E	36
Exhibit 2.3.02: Tabung Haji Assets by Investment Objective, 2007	37
INSURANCE	38
Exhibit 2.4.01: Life Premiums in Malaysia, 2003–2007	38
Exhibit 2.4.02: Investable Life Insurance Assets by Investment Objective in Malaysia, 2003–2007	39
PROJECTION	40
Exhibit 2.5.01: Malaysian Projected Addressable Institutional Assets, 2008–2013	40
CHAPTER 3: THAILAND	41
MARKET SIZING	43
Exhibit 3.1.01: Thai Investable Institutional Assets, 2007	43
PENSION	44
Exhibit 3.2.01: Thai Pension Fund Overview	44
GPF	45
Exhibit 3.3.01: Government Pension Fund Assets Under Management by Management Type, 2004–2008E	45
Exhibit 3.3.02: Government Pension Fund’s External Managers, 2007	46
Exhibit 3.3.03: Government Pension Fund Assets Under Management by Investment Objective, 2004–2007	47
SSF	48
Exhibit 3.4.01: Social Security Fund Assets Under Management, 2003–2007	48
Exhibit 3.4.02: Social Security Fund Assets Under Management by Investment Objective, 2004–2007	49

Exhibit 5.2.04: Social Security System Assets Under Management by Investment Objective, 2005–2007	73
Exhibit 5.2.05: Philippine Investment Management Account Assets Under Management, 2003–September 2008	74
INSURANCE	75
Exhibit 5.3.01: Investable Life Insurance Assets in the Philippines, 2005–2007	75
Exhibit 5.3.02: Largest 10 Life Insurance Companies by Investable Insurance Assets, 2006–2007	76
PROJECTION	77
Exhibit 5.4.01: Philippine Projected Addressable Institutional Assets, 2008E–2013E	77
MARKET SIZING (VIETNAM)	78
Exhibit 5.5.01: Vietnamese Institutional Investable Assets, 2007	78
PENSION (VIETNAM)	79
Exhibit 5.6.01: Pension Fund Overview in Vietnam	79
Exhibit 5.6.02: Vietnamese Social Security Fund Assets Under Management, 2003–2007 ...	80
Exhibit 5.6.03: Investment Portfolio of the Vietnam Life Insurance Industry, 2007	81
Exhibit 5.6.04: List of Selected Member Funds in Vietnam, 2008	82
APPENDIX	83
Exhibit 5.7.01: Philippine Government Service Insurance System RFP Details in 2008	83

TABLE OF CONTENTS - RETAIL

TABLE OF CONTENTS – OVERVIEW

INTRODUCTION & METHODOLOGY	10
KEY THEMES & PROGNOSIS	12
EXCHANGE RATES	19
CHAPTER 1: REGIONAL ANALYSIS	20
CHAPTER 2: MALAYSIA	48
CHAPTER 3: THAILAND	85
CHAPTER 4: INDONESIA	117
CHAPTER 5: PHILIPPINES	141
CHAPTER 6: VIETNAM	161
GLOSSARY	180
INDEX OF COMPANIES	182

TABLE OF CONTENTS – EXPANDED

CHAPTER 1: REGIONAL ANALYSIS	20
MARKET SIZING	23
Exhibit 1.1.01: Southeast Asian Mutual Fund Assets Under Management, 2003–2008	23
Exhibit 1.1.02: Southeast Asian Mutual Fund Assets Under Management by Country, 2003–2008	24
Exhibit 1.1.03: Southeast Asian Household Financial Assets (HHFA) and Mutual Fund Penetration Rate, 2003E–2007E	25
Exhibit 1.1.04: Southeast Asian Mutual Fund Assets Under Management Marketshare by Country, 2003–2008	26
PRODUCT	27
Exhibit 1.2.01: Southeast Asian Mutual Fund Net New Inflows, 2006–2008	27
Exhibit 1.2.02: Southeast Asian Mutual Fund Assets Under Management Marketshare by Investment Objective, 2003–2008	28
Exhibit 1.2.03: Foreign Invested Fund Assets as a Percentage of Total Fund Assets by Country, 2006–2008	29
Exhibit 1.2.04: Cross-Border Opportunities in Southeast Asia – Facts and Figures	30
Exhibit 1.2.05: Cerulli Survey Respondents’ Views on the Sales Potential of Products in 2009 and 2012, 2009	31

Exhibit 1.2.06: Cerulli Asset Manager Survey Respondents' Views on the Importance of the Following Product Strategies to their Business in Light of the Current Economic Situation, 2009	32
DISTRIBUTION	33
Exhibit 1.3.01: Southeast Asian Mutual Fund Assets Under Management by Distribution Channel, 2007E–2008E	33
Exhibit 1.3.02: Cerulli Asset Manager Survey Respondents' Views on the Importance of Distribution Channels to their Business in 2012, 2009	34
Exhibit 1.3.03: Cerulli Survey Respondents' Views on the Importance of Various Investor Segments to Their Current and Future Assets, 2009	35
PLAYERS	36
Exhibit 1.4.01: Southeast Asian Mutual Fund Assets Under Management by Manager Type, 2008E	36
Exhibit 1.4.02: Largest 20 Managers in Southeast Asia ex-Singapore, 2008	37
FEES AND REVENUE	38
Exhibit 1.5.01: Front-End/Trailer Fee Analysis for Southeast Asia, 2008	38
Exhibit 1.5.02: Minimum, Maximum, and Simple Average Management Fees for Equity and Bond Funds by Country, 2008	39
Exhibit 1.5.03: Southeast Asia Management Fee Analysis, 2008 (Part 1)	40
Exhibit 1.5.03: Southeast Asia Management Fee Analysis, 2008 (Part 2)	41
Exhibit 1.5.04: Southeast Asian Mutual Fund Revenues by Country, 2008	42
Exhibit 1.5.05: Southeast Asian Mutual Fund Revenues by Asset Class, 2008	43
Exhibit 1.5.06: Southeast Asian Mutual Fund Revenue per US\$1,000 AUM by Country, 2008	44
PROJECTION	45
Exhibit 1.6.01: Projected Southeast Asian Mutual Fund Assets Under Management, 2008–2013E	45
Exhibit 1.6.02: Projected Southeast Asian Mutual Fund Assets Under Management by Country, 2008–2013E	46
APPENDIX	47
Exhibit 1.5.07: Southeast Asian Mutual Fund Industry Growth by Source, 2004–2008	47
CHAPTER 2: MALAYSIA	48
MARKET SIZING	54
Exhibit 2.1.01: Malaysian Mutual Fund Assets Under Management, 2003–2008	54
Exhibit 2.1.02: Malaysian Shariah Mutual Fund Assets Under Management, 2003–2008	55

Exhibit 2.1.03: Fund Approvals in Malaysia by Year, 2004–2008	56
Exhibit 2.1.04: Employees Provident Fund Members’ Investment Scheme, 2003–2007	57
PRODUCT	58
Exhibit 2.2.01: Malaysian Mutual Fund Net New Inflows, 2006–2008	58
Exhibit 2.2.02: Malaysian Mutual Fund Assets Under Management Marketshare by Investment Objective, 2003–2008	59
Exhibit 2.2.03: Malaysian Mutual Fund Assets Under Management by Geographical Focus, 2006–2008	60
Exhibit 2.2.04: Number and AUM of Foreign-Invested Funds by Structure in Malaysia, 2006–2008	61
Exhibit 2.2.05: Top Foreign-Invested Funds in Malaysia, December 2008	62
Exhibit 2.2.06: Largest 10 Subadvised Funds and Largest 10 Feeder Funds in Malaysia, December 2008 (Part 1)	63
Exhibit 2.2.06: Largest 10 Subadvised Funds and Largest 10 Feeder Funds in Malaysia, December 2008 (Part 2)	64
Exhibit 2.2.07: Malaysian Islamic Assets by Fund Type, 2003–2008	65
Exhibit 2.2.08: Cerulli Asset Manager Survey Respondents’ Views on the Sales Potential of Products in 2009 and 2012, 2009	66
Exhibit 2.2.09: Cerulli Asset Manager Survey Respondents’ Views on the Sales Opportunity of Shariah Products in 2011, 2009	67
Exhibit 2.2.10: Cerulli Asset Manager Survey Respondents’ Views on the Proportion of Islamic Assets in Their Firm’s Total AUM by 2012, 2009	68
Exhibit 2.2.11: Cerulli Asset Manager Survey Respondents’ Views on the Importance of the Following in Promoting Mutual Fund Sales Over the Next 2 Years, 2009	69
Exhibit 2.2.12: List of Funds Under the Restricted Investment Scheme in Malaysia, 2008	70
Exhibit 2.2.13: Investment-Linked Premiums in Malaysia, 2003–2007	71
Exhibit 2.2.14: Malaysia Fee Analysis, 2008	72
Exhibit 2.2.15: Percentage of Annual Management Fee Given as Trail to Distributor, 2009	73
PLAYERS	74
Exhibit 2.3.01: Largest 10 Mutual Fund Managers in Malaysia, 2007–2008	74
Exhibit 2.3.02: Manager Ranking for Malaysia-Domiciled Islamic Funds, October 2008 (Part 1)	75
Exhibit 2.3.02: Manager Ranking for Malaysia-Domiciled Islamic Funds, October 2008 (Part 2)	76
DISTRIBUTION	77
Exhibit 2.4.01: Malaysian Mutual Fund Assets Under Management by Distribution Channel, 2006–2008	77

Exhibit 2.4.02: Cerulli Asset Manager Survey Respondents' Views on the Importance of Distribution Channels for Assets Sourced from EPF and non-EPF Funds in 2012, 2009	78
Exhibit 2.4.03: Cerulli Asset Manager Survey Respondents' Views on the Importance of Distribution Channels for Shariah Funds in 2012, 2009	79
Exhibit 2.4.04: Cerulli Bank Survey Respondents' Views on Factors Important to Their Manager Selection Process, 2009	80
Exhibit 2.4.05: Cerulli Bank Survey Respondents' Views on Features Important for Wealth Management Offerings to HNW Clients, 2009	81
Exhibit 2.4.06: Cerulli Bank Survey Respondents' Views on the Mutual Fund Industry, 2009	82
PROJECTION	83
Exhibit 2.5.01: Cerulli Asset Manager Survey Respondents' Projected Annualised AUM Growth Rate in 2009, 2009	83
Exhibit 2.5.02: Projected Malaysian Mutual Fund Assets Under Management, 2008–2013E	84
CHAPTER 3: THAILAND	85
MARKET SIZING	92
Exhibit 3.1.01: Thai Mutual Fund Assets Under Management, 2003–2008	92
Exhibit 3.1.02: Thai Private Fund Assets Under Management, 2003–2008	93
PRODUCT	94
Exhibit 3.2.01: Thai Mutual Fund Net New Inflows by Investment Objective, 2003–2008	94
Exhibit 3.2.02: Thai Mutual Fund Assets Under Management Marketshare by Investment Objective, 2003–2008	95
Exhibit 3.2.03: Thai Mutual Fund Assets Under Management by Geographical Focus, 2003–2008	96
Exhibit 3.2.04: Asset Allocation of Foreign Investment Fund Assets by Number of Funds and AUM, 2007–2008	97
Exhibit 3.2.05: Number of Foreign Investment Funds by Structure, 2003–2008	98
Exhibit 3.2.06: Largest 10 Foreign Investment Funds Through Feeders in Thailand, December 2008	99
Exhibit 3.2.07: Retirement Mutual Funds and Long-Term Equity Funds, 2006–2008	100
Exhibit 3.2.08: Private Fund Investments by Type, 2003–2008	101
Exhibit 3.2.09: Cerulli Survey Respondents' Views on Sales Potential of Products in 2009 and 2012, 2009	102
Exhibit 3.2.10: Thai Mutual Fund Fees, 2007	103
PLAYERS	104
Exhibit 3.3.01: Largest 10 Fund Managers in Thailand, 2006–2008 (Part 1)	104

Exhibit 3.3.01: Largest 10 Fund Managers in Thailand, 2006–2008 (Part 2)	105
Exhibit 3.3.02: Thai Mutual Fund Managers and Their Ownership Structures, 2008 (Part 1)	106
Exhibit 3.3.02: Thai Mutual Fund Managers and Their Ownership Structures, 2008 (Part 2)	107
Exhibit 3.3.03: Largest 10 Mutual Fund Managers in Thailand, 2006–2008	108
Exhibit 3.3.04: Thai Overseas Fund Assets Under Management by Fund Manager, 2006–2008	109
Exhibit 3.3.05: Largest 10 Private Fund Managers in Thailand, 2006–2008	110
DISTRIBUTION	111
Exhibit 3.4.01: Cerulli Survey Respondents’ Views on the Importance of the Various Investor Segments to Current and Future Assets, 2009	111
Exhibit 3.4.02: Thai Mutual Fund Assets Under Management by Distribution Channel, 2006–2008	112
Exhibit 3.4.03: Number of Full Branches (Including Head Offices) of Commercial Banks, 2006–March 2009E	113
BUSINESS STRATEGIES	114
Exhibit 3.5.01: Cerulli Survey Respondents’ Views on the Factors Promoting Mutual Fund Sales Over the Next Two Years, 2009	114
Exhibit 3.5.02: Cerulli Survey Respondents’ Views on the Factors Important to Their Firm’s Strategy, 2009	115
PROJECTION	116
Exhibit 3.6.01: Projected Thai Mutual Fund Assets Under Management, 2008–2013E	116
CHAPTER 4: INDONESIA	117
MARKET SIZING	123
Exhibit 4.1.01: Indonesian Mutual Fund Assets Under Management, 2004–2008	123
Exhibit 4.1.02: Shariah Fund Assets Under Management and Penetration Rate, 2004–2008	124
PRODUCT	125
Exhibit 4.2.01: Indonesian Mutual Fund Net New Inflows, 2004–September 2008	125
Exhibit 4.2.02: Indonesian Mutual Fund Assets Under Management Marketshare by Investment Objective, 2004–2008	126
Exhibit 4.2.03: Indonesian Total Assets Under Management by Foreign Exposure, 2004–2008	127
Exhibit 4.2.04: Indonesia Shariah Asset Breakdown, 2007–2008	128
Exhibit 4.2.05: Life Insurance Premiums and Investable Assets in Indonesia, 2003–2007	129
Exhibit 4.2.06: Indonesian Mutual Fund Fees, 2008	130
Exhibit 4.2.07: Cerulli Survey Respondents’ Views on Promoting Mutual Fund Sales Over the Next Two Years, 2009	131

PLAYERS	132
Exhibit 4.3.01: Largest 10 Managers in Indonesia by Total Assets Under Management, October 2008	132
Exhibit 4.3.02: Largest 10 Mutual Fund Managers in Indonesia, 2006–2008	133
Exhibit 4.3.03: Foreign-Owned Indonesian Fund Manager Assets Under Management, 2006–2008	134
Exhibit 4.3.04: Largest 10 Fund Managers in Indonesia by Segregated Mandates, October 2008	135
Exhibit 4.3.05: Top Shariah Managers in Indonesia, October 2008	136
DISTRIBUTION	137
Exhibit 4.4.01: Indonesian Mutual Fund Assets Under Management Marketshare by Distribution Channel, 2007E–2008E	137
Exhibit 4.4.02: Largest 10 Commercial Banks in Indonesia by Assets and Third Party Funds, 2006–2008	138
Exhibit 4.4.03: Total Islamic Banking Assets in Indonesia, 2003–2008	139
PROJECTION	140
Exhibit 4.5.01: Projected Indonesian Mutual Fund Assets Under Management, 2008–2013E	140
CHAPTER 5: PHILIPPINES	141
MARKET SIZING	146
Exhibit 5.1.01: Philippine Total Investment Assets Under Management, 2003–2008	146
Exhibit 5.1.02: Philippine UITF and Mutual Fund Assets Under Management, 2003–2008 ..	147
PRODUCT	148
Exhibit 5.2.01: Philippine Mutual Fund Net New Inflows by Investment Objective, 2004–2008	148
Exhibit 5.2.02: Philippine Mutual Fund Assets Under Management Marketshare by Investment Objective, 2003–2008	149
Exhibit 5.2.03: List of Funds in the Philippines Ranked by Assets, 2006–2008	150
Exhibit 5.2.04: Philippine UITF Net New Inflows by Investment Objective, 2006–2008 ..	151
Exhibit 5.2.05: Philippine UITF Assets Under Management Marketshare by Investment Objective, 2006–2008	152
Exhibit 5.2.06: Unit-Linked vs. Traditional Life Insurance Premium in the Philippines, 2003–2007	153
FEES	154
Exhibit 5.3.01: Philippine Investment Fund Fees, 2008	154

PLAYERS	155
Exhibit 5.4.01: List of Foreign-Owned Philippine Managers Offering UITFs and Mutual Funds, 2008	155
Exhibit 5.4.02: Largest 10 Mutual Fund Managers in the Philippines, 2006–2008	156
Exhibit 5.4.03: Largest 10 UITF Managers in the Philippines, 2006–2008	157
DISTRIBUTION	158
Exhibit 5.5.01: Philippines Distribution Landscape, 2008	158
Exhibit 5.5.02: Largest 10 Banks in the Philippines, 2008	159
PROJECTION	160
Exhibit 5.6.01: Projected Philippine UITF and Mutual Fund Assets Under Management, 2008–2013E	160
CHAPTER 6: VIETNAM	161
MARKET SIZING	168
Exhibit 6.1.01: List of Funds Investing in Vietnam, 2008 (Part 1)	168
Exhibit 6.1.01: List of Funds Investing in Vietnam, 2008 (Part 2)	169
Exhibit 6.1.02: List of Public Funds in Vietnam, 2008 (Part 1)	170
Exhibit 6.1.02: List of Public Funds in Vietnam, 2008 (Part 2)	171
Exhibit 6.1.03: Life Insurance Premiums in Vietnam, 2006 and 2007	172
Exhibit 6.1.04: List of Fund Management Companies in Vietnam, March 2009 (Part 1)	173
Exhibit 6.1.04: List of Fund Management Companies in Vietnam, March 2009 (Part 2)	174
DISTRIBUTION	175
Exhibit 6.2.01: Number of Banks in Vietnam, 2007 and 2008	175
Exhibit 6.2.02: Foreign Ownership of Banks in Vietnam, 2008	176
INSURANCE	177
Exhibit 6.3.01: Life Insurance Companies by Investment Assets in Vietnam, 2006 and 2007	177
APPENDIX	178
Exhibit 6.4.01: Insurance Regulations (Part 1)	178
Exhibit 6.4.01: Insurance Regulations (Part 2)	179

INTRODUCTION & METHODOLOGY - INSTITUTIONAL

Cerulli Quantitative Update: Institutional Asset Management in Southeast Asia is an analysis of the institutional marketplace in Malaysia, Thailand, Indonesia, the Philippines, and Vietnam. Singapore data has been included in the regional chapter for purposes of comparison and completeness.

Over the past decade, there has been a great deal of time and attention paid to the retail mutual fund marketplace, but increasingly managers are turning their attention to the institutional client segment. This is our first effort at a comprehensive examination of the institutional landscape in Southeast Asia. It examines the outsourcing opportunities for asset managers, building on our previous research on the Asian insurance and retirement industries.

Complementing this report is the *Cerulli Quantitative Update: Retail Asset Management in Southeast Asia* publication, which analyzes the corresponding mutual fund marketplaces.

Report Focus

The following pages focus on market sizing and addressability, manager selection, and market trends in Southeast Asia's institutional asset management industry. The regional chapter also includes a discussion of region-wide outsourcing trends.

Proprietary Research

While anecdotal information on the Southeast Asian markets abounds, quality and reliability of information remains sketchy. Our firm, however, is striving to sort through the anecdotes and disparate statistics and begin assembling more actionable data in two forms:

- *Granular quantitative information* designed to help clients determine the size of the institutional investable assets accessible to third-party asset managers, thereby providing a better picture of the current and potential opportunities.
- *Consultative qualitative information* designed to help clients understand how to tap these opportunities via an informed assessment of the various institutional groups and current outsourcing behavior.

Central to achieving the goal of providing useful quantitative information are our proprietary surveys of asset managers in the region. This is a *bottom-up* survey to understand the relationship between asset management firms and their clients. Cerulli is pleased to say that more than 60 highly focused and in-depth research meetings and conference calls were conducted with asset managers, distributors, fund associations, insurance companies, pension funds, and regulators in the region. In addition, Cerulli surveyed a number of asset managers in Malaysia, Thailand and Indonesia, and banks in Malaysia.

INTRODUCTION & METHODOLOGY - RETAIL

Cerulli Quantitative Update: Retail Asset Management in Southeast Asia is an analysis of mutual fund trends in Malaysia, Thailand, Indonesia, the Philippines, and Vietnam. Singapore data has been included in the regional chapter for purposes of comparison and completeness.

An extension of the firm's research coverage in Asia, this report forms an important part of our ongoing coverage of the world's developed and developing asset management marketplaces. Cerulli believes that Southeast Asian countries will continue to extend their influence within Asia, a region which, in the long run, will probably represent the largest mutual fund marketplace in the world outside of the United States.

Complementing this report is the *Cerulli Quantitative Update: Institutional Asset Management in Southeast Asia* publication, which analyzes the corresponding institutional marketplaces.

Report Focus

The following pages focus on several key areas in Southeast Asia's retail asset management industry: market sizing, product development, players, distribution strategies, and projections. The regional chapter also includes a discussion of region-wide trends, fees, and revenues.

Proprietary Research

While anecdotal information on the Southeast Asian markets abounds, quality and reliability of information remains sketchy. Our firm, however, is striving to sort through the anecdotes and disparate statistics and begin assembling more actionable data in two forms:

- *Granular quantitative information* designed to help clients determine the size of publicly available investment assets, thereby providing a better picture of the current and potential opportunities in the various customer and product segments.
- *Consultative qualitative information* designed to help clients understand how to tap these opportunities via an informed assessment of the latest product, distribution, and regulatory trends.

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 clients. Cerulli is pleased to say that more than 60 highly focused and in-depth research meetings and conference calls were conducted with asset managers, distributors, fund associations, insurance companies, pension funds, and regulators in the region. In addition, Cerulli surveyed a number of asset managers in Malaysia, Thailand, and Indonesia, and banks in Malaysia.

SAMPLE SECTION

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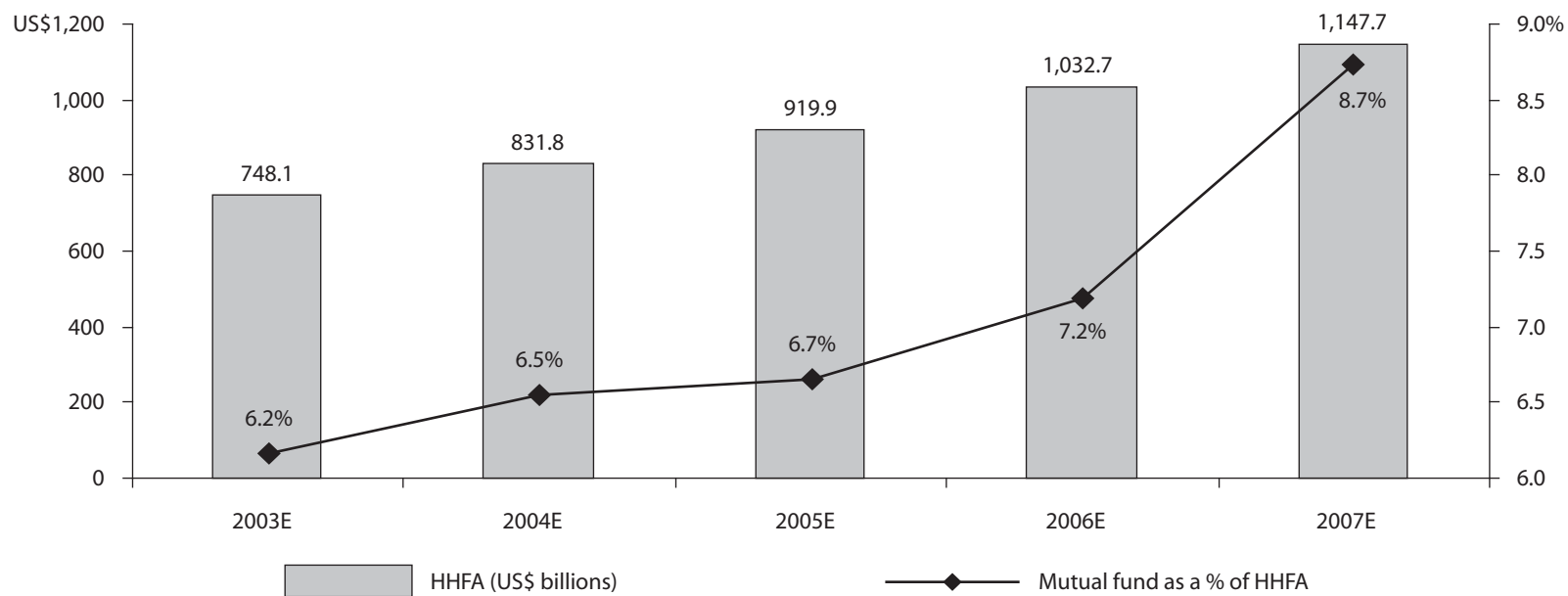
**CERULLI QUANTITATIVE UPDATE:
ASSET MANAGEMENT IN SOUTHEAST ASIA 2009**

EXHIBIT 1.1.03

Southeast Asian Household Financial Assets (HHFA) and Mutual Fund Penetration Rate, 2003E–2007E

Note: Countries included in the calculation are Malaysia, Indonesia, Thailand, Philippines, Vietnam, and Singapore.

Sources: Asian Development Bank, Federation of Malaysian Unit Trust Managers, Employees Provident Fund (Malaysia), Bapepam-LK (Indonesia), Asabri (Indonesia), Jamsostek (Indonesia), Lipper FERI, OECD, World Bank, Bank of Thailand, Securities and Exchange Commission (Thailand), Association of Investment Management Companies (Thailand), Government Pension Fund (Thailand), Social Security Office (Thailand), Bangko Sentral ng Pilipinas, Investment Company Association of the Philippines, Government Service Insurance System (Philippines), Social Security System (Philippines), Vietnam Social Security, Company prospectuses, Cerulli Associates



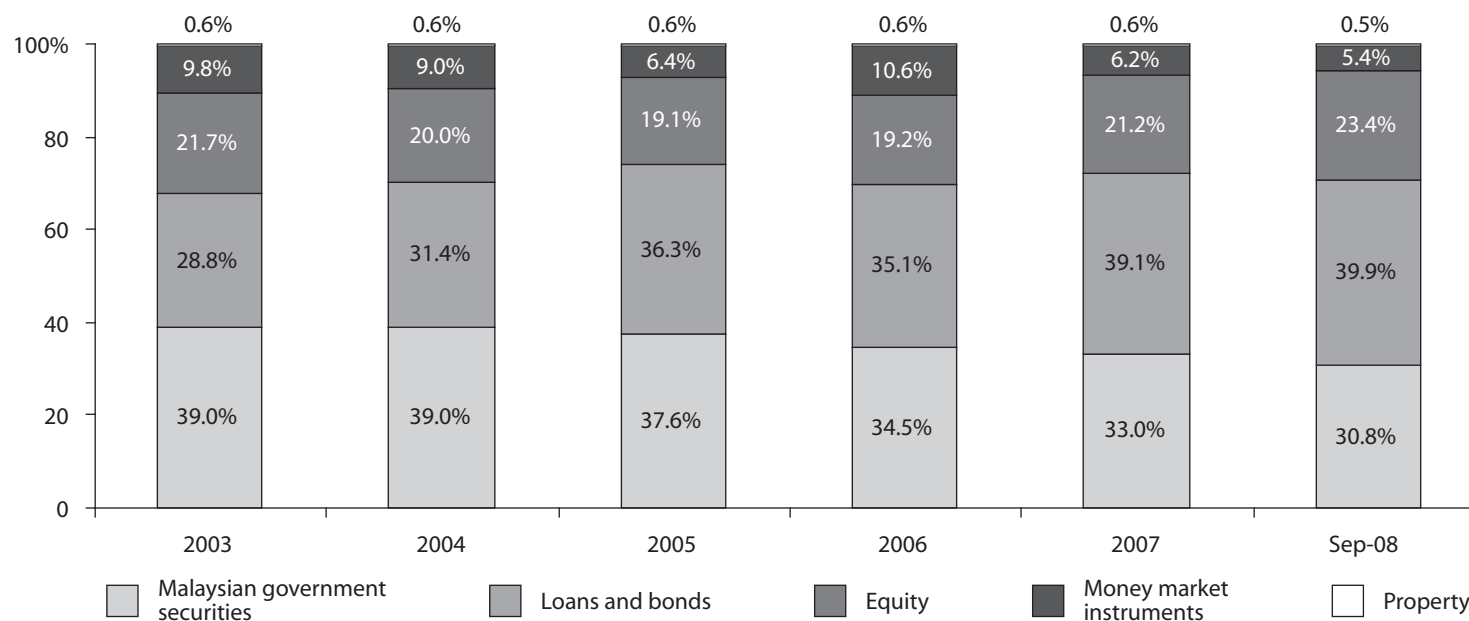
- **Thanks to the pre-crisis bull markets, mutual fund penetration of household financial assets in the region averaged just less than 9% in 2007.** This figure is somewhat higher than might be expected (Singapore's penetration, for example, is just 6.9%) due to institutional buying of mutual funds in many Southeast Asian markets.
- **Southeast Asia's jump in penetration from 6% just four years ago can be attributed to greater investor awareness, economic stability, and strong markets. However, financial deregulation was clearly the prime catalyst for industry development, leading to the phenomenal rise of local fund providers and distributors.**

Key Implication: In the period from 2003 to 2007, the 21% per annum expansion in mutual fund assets was well ahead of the 11% growth in household financial assets (HHFA). It would be reasonable to expect mutual fund assets to continue to outpace HHFA growth in 2008 and 2009, given that the industry is continuing to develop, despite the current recessionary conditions. However, HHFA assets are expected to pick up steam in 2010, thereby causing the uptick in penetration rates to slow down.

EXHIBIT 2.2.02

Employees Provident Fund Invested Assets Under Management Marketshare by Investment Objective, 2003–September 2008

Sources: Employees Provident Fund, Cerulli Associates



- **The EPF's investment allocation has shown only marginal modifications over the past few years**, with a small contraction in its allocation to money market and government securities over the past five years, offset by a slight expansion in loans and corporate bonds.
- **The fund is also said to be seeking ways to increase its investment in real estate**, currently standing at below 1%, well below the 3% strategic allocation recommended by consultants.
- **The fund has indicated a shift in its strategy with regard to direct stock holdings—from one of medium-term capital gains to the pursuit of regular dividends. However, this will require a substantial rebalancing toward foreign investments**—much of its equities portfolio is currently invested in local securities, which offer low dividend yields.

Key Implication: The EPF's 3Q 2008 investment income fell 60% from the previous quarter. If this continues into 2009, the EPF will be under strong pressure to review both its asset allocation and the recipients of these assets. This opens the door to new players, but not for long, as the EPF settles on longer-term partnerships with a more select group of managers.