



Institute  
and Faculty  
of Actuaries

# PENETRATING THE NEXT DECADE OF WEALTH MANAGEMENT

Redington/Yuyuan Technology



Chengdu IFoA Asia Conference 2019  
9-10 May, Chengdu, China



Institute  
and Faculty  
of Actuaries

## CONTENT

- THE BACKGROUND OF WEALTH MANAGEMENT
- TREND OF WEALTH MANAGEMENT INDUSTRY IN CHINA
- CASE STUDIES—WEALTH MANAGEMENT IN UK
- CASE STUDIES—DC PLATFORM
- SUMMARY AND ROLES OF ACTUARIES IN THE FUTURE



Institute  
and Faculty  
of Actuaries

## THE BACKGROUND OF WEALTH MANAGEMENT



## WHAT IS WEALTH MANAGEMENT ?

*Wealth management is a high-level professional service which utilizes the spectrum of financial disciplines available, such as financial and investment advice, legal or estate planning, accounting and tax services, and retirement planning, to manage an affluent client's wealth for one set fee.*

—Investopedia

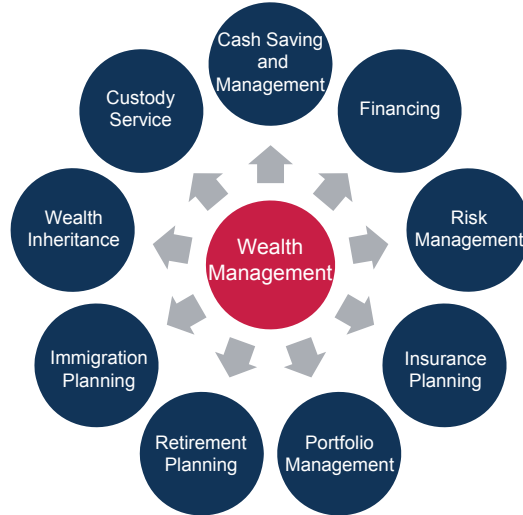
*以客户为中心设计出一套全面的财务规划，通过向客户提供现金、信用、保险、投资组合等一系列的金融服务，将客户的资产、负债、流动性进行管理，以满足客户不同阶段的财务需求，帮助客户达到降低风险、实现财富增值的目的。*

——《2015年中国财富管理行业研究报告》



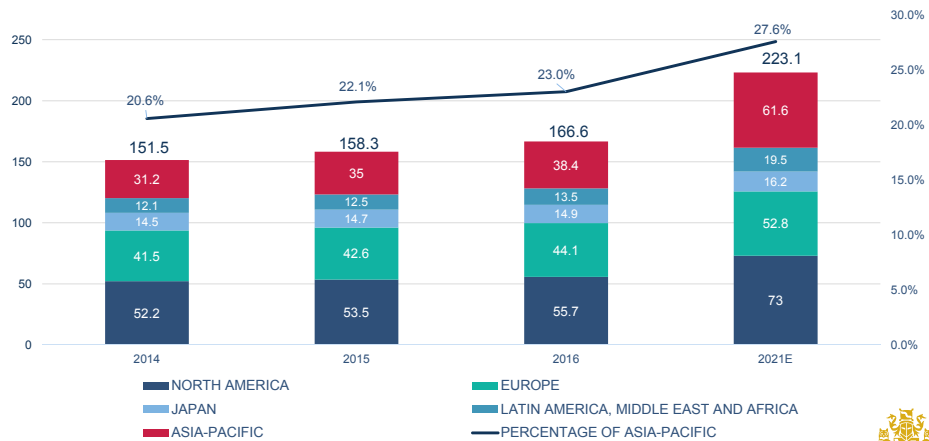
Institute  
and Faculty  
of Actuaries

## WEALTH MANAGEMENT SERVICES



## THE RISE IN GLOBAL WEALTH

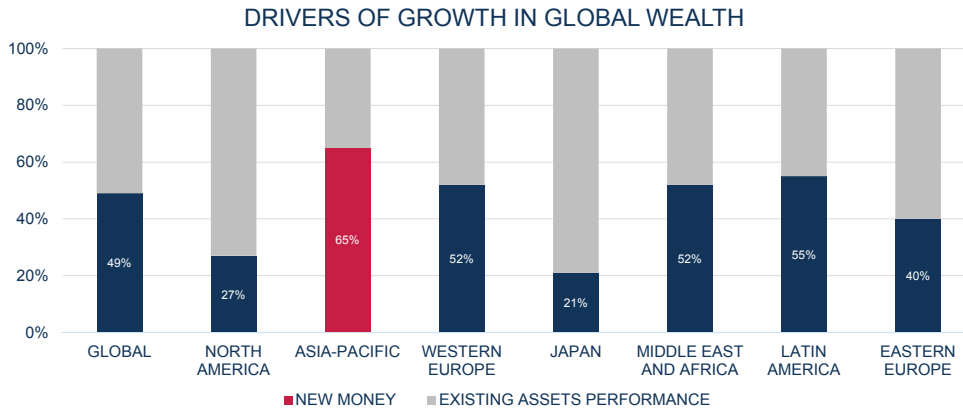
2014-2021E GLOBAL PRIVATE WEALTH (\$TRILLIONS)



Source : BCG «GLOBAL WEALTH 2017: TRANSFORMING THE CLIENT EXPERIENCE»



## THE RISE IN GLOBAL WEALTH



Source : BCG (GLOBAL WEALTH 2017: TRANSFORMING THE CLIENT EXPERIENCE)



22 May 2019

7

## WEALTH INCREASES FASTER IN CHINA



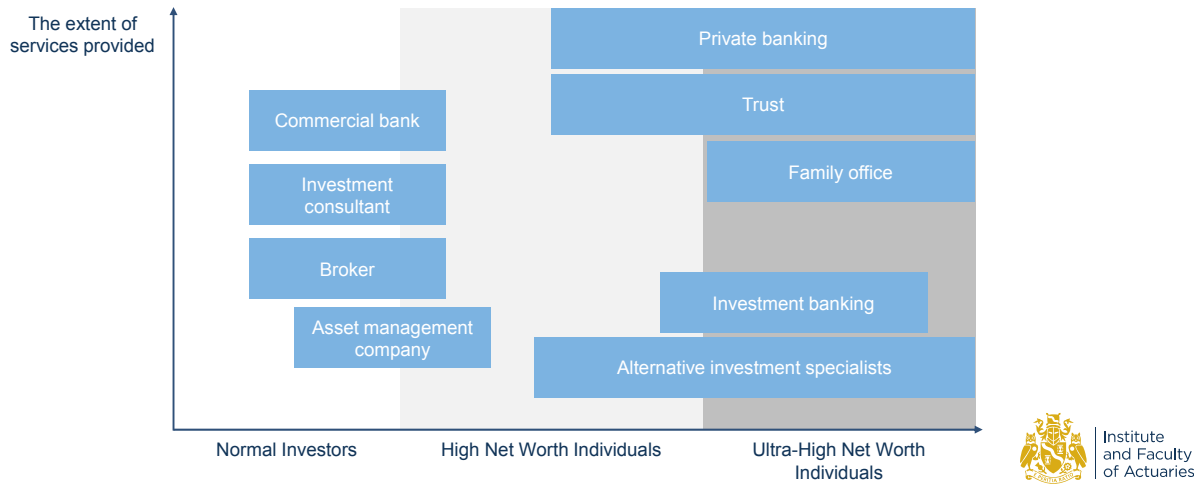
Source : BCG



22 May 2019

8

## WEALTH MANAGEMENT INSTITUTIONS – U.S.

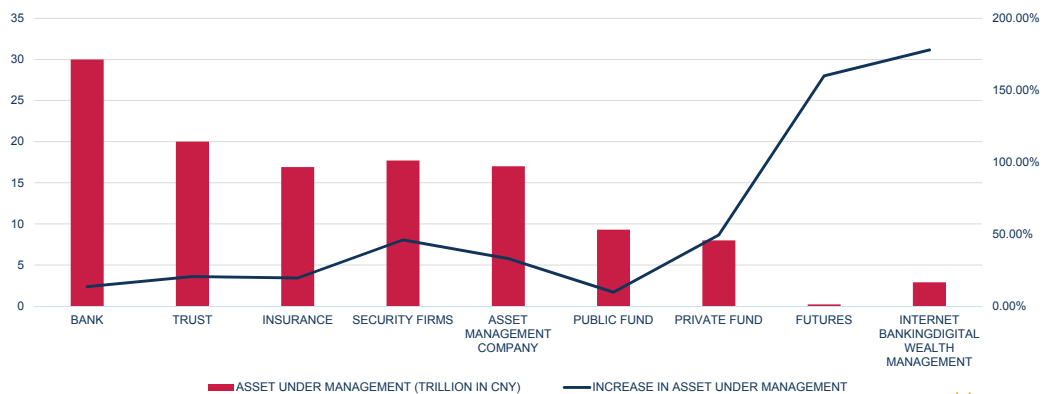


22 May 2019

9

## WEALTH MANAGEMENT INSTITUTIONS – CHINA

ASSET MANAGEMENT INDUSTRY IN CHINA 2016 (TRILLION IN CNY)



Source: 凤凰国际智库



22 May 2019

10

## INDEPENDENT WEALTH MANAGEMENT FIRMS

The development of independent wealth management firms in China

公司名称	成立时间	资管规模	客户数量	资管规模增长率
诺亚财富	2003年	3808亿元	135396名	同比增长36.3%
宜信财富	2006年	超过千亿元	超过10万名	-
钜派投资	2010年	361.4亿元	10218名	同比增长189.3%
北京恒天	2011年	4600亿元	6.8万名	2016年同比增长39.1%
海银财富	2006年	-	10余万名	截止到2016年三季度末，海银财富的资管规模同比增长78.9%，与二季度相比，环比增长29.7%。

*\*market share of independent wealth management firms in China is around 5% compared with over 60% in US and Europe and 30% in HK and Taiwan*



Institute  
and Faculty  
of Actuaries

22 May 2019

11

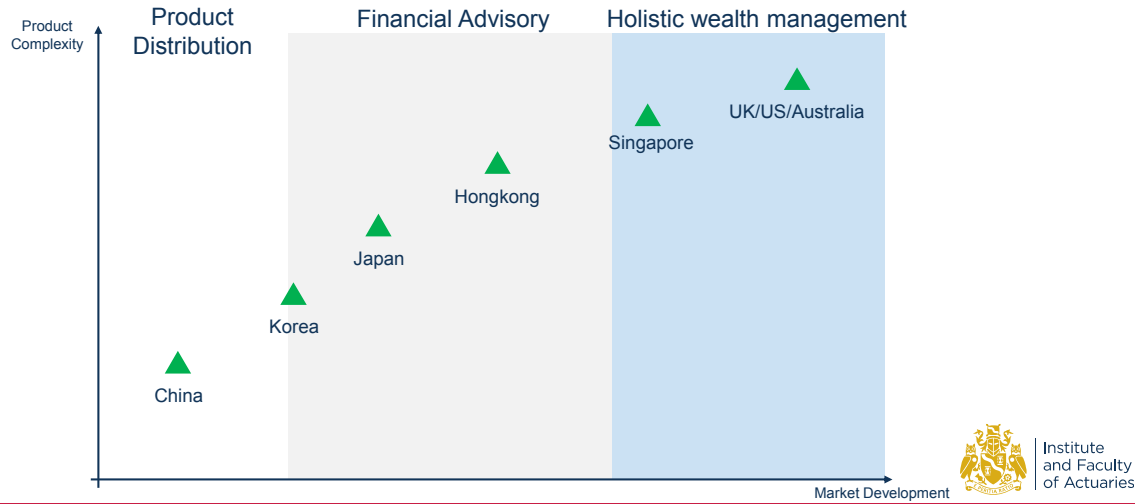


Institute  
and Faculty  
of Actuaries

## TREND OF WEALTH MANAGEMENT INDUSTRY IN CHINA



# 1. COMPREHENSIVE AND DIFFERENTIATED SERVICE OFFERING



22 May 2019

13



# 1. COMPREHENSIVE AND DIFFERENTIATED SERVICE OFFERING

	1.0 Product Distribution	2.0 Portfolio Advisory	3.0 Comprehensive Service
Service content	Relatively simple, no portfolio management	Asset allocation design, product recommendation	The highest level of wealth management
Charging method	Sales commission	Advisory fee	Advisory and management fee
Customer return	Gaining return of the single product during the investment period	Gaining diversified returns from a range of asset classes	Deep understanding of different customers' needs, and develop a wealth management plan throughout the whole life

22 May 2019

14



## 2. GLOBAL AND DIVERSIFIED ASSET ALLOCATION

### U.S.

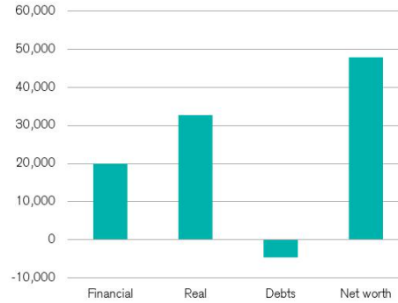
Composition of wealth per adult



Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018

### CHINA

Composition of wealth per adult



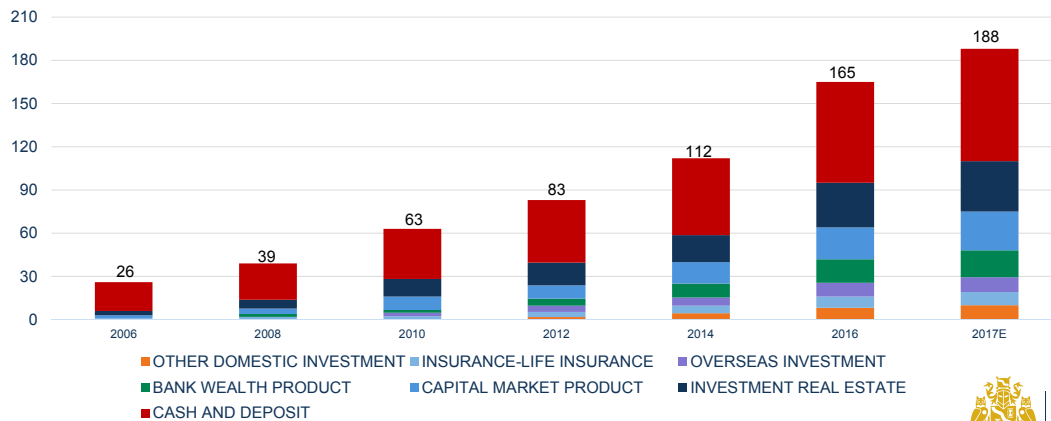
Source: James Davies, Rodrigo Lluberas and Anthony Shorrocks, Credit Suisse Global Wealth Databook 2018



Institute and Faculty of Actuaries

## 2. GLOBAL AND DIVERSIFIED ASSET ALLOCATION

THE INVESTABLE ASSET HELD BY INDIVIDUAL IN CHINA FROM 2006 TO 2017  
(Trillion in CNY)



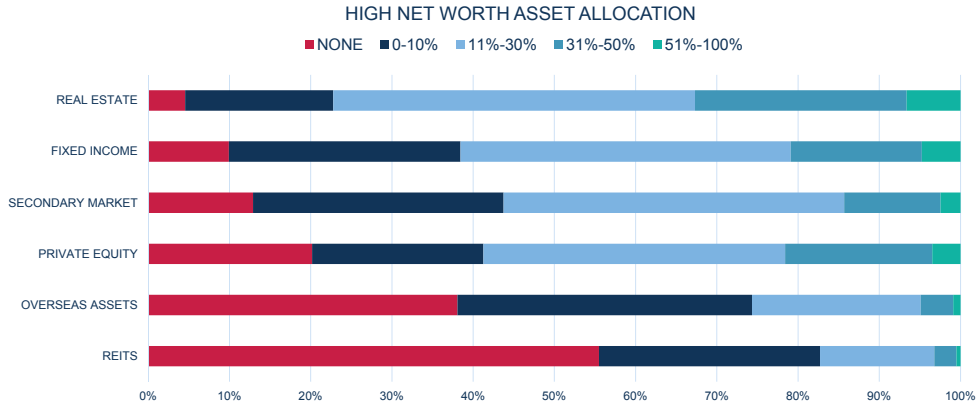
Source : China Merchants Bank, Bain company (China Private Wealth Report)



Institute and Faculty of Actuaries



## 2. GLOBAL AND DIVERSIFIED ASSET ALLOCATION



Source : NOAH HOLDINGS

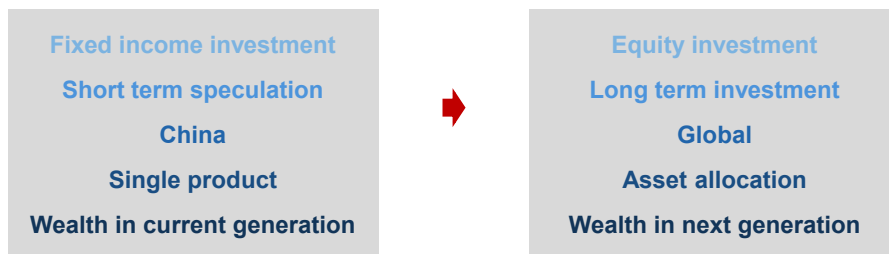


Institute and Faculty of Actuaries

## 2. GLOBAL AND DIVERSIFIED ASSET ALLOCATION

Trend of wealth allocation in China

-----Tang Ning, Founder and CEO of Credit Ease



Institute and Faculty of Actuaries

### 3. DISCIPLINED REGULATORY ENVIRONMENT



#### New Asset Management Regulations

- Forbidding guarantee of fixed-yield returns
- Limiting leverage ratios
- Market based valuation – NAV
- Private fund regulation
- Transparency and disclosure

.....



Institute  
and Faculty  
of Actuaries

22 May 2019

19

### 4. PROFESSIONAL EXPERTISE AND FINANCIAL EDUCATION



US/Europe

Registered Investment Advisory  
Registered reps  
Broker Dealer Qualification

90%

Have deep experiences in related area, like finance, legal, accounting, etc.

40-50

Most of those are 40 to 50 years old, some of them is even much older.



China

Associate Financial Planner  
Certified Financial Planner

15%

Only 15% of them are qualified by the Certified Financial Planner (CFP).

30

Most of those are around 30 years old, lack of experiences and professional skills.



Institute  
and Faculty  
of Actuaries

22 May 2019

20

## 5. EMBRACING TECHNOLOGY INNOVATION



## 5. EMBRACING TECHNOLOGY INNOVATION

Fintech industry for wealth management



## 5. EMBRACING TECHNOLOGY INNOVATION

### DIGITAL WEALTH MANAGEMENT

Larger segmentation of clients, especially the mass market



SEGMENT

### TRADITIONAL WEALTH MANAGEMENT

Focus on high net worth

Combination of digital services and human services



SERVICE MODEL

Mainly human services

Digital and diversified asset allocation



ASSET ALLOCATION

Diversified asset allocation

Design risk budget based on individuals



RISK MANAGEMENT

Minimise risk

Simple end-to-end processes



USER EXPERIENCE

Complicated process, face to face meetings, lots of iterations

Improved efficiency and service mass market



TECHNOLOGY

Traditional technology

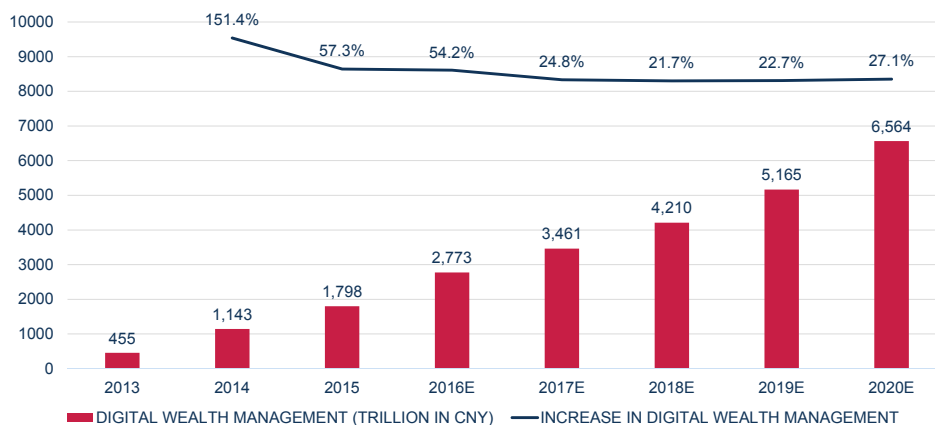


22 May 2019

23

## 5. EMBRACING TECHNOLOGY INNOVATION

DIGITAL WEALTH MANAGEMENT FROM 2013 TO 2020E



Source : NOAH HOLDINGS



22 May 2019

24



Institute  
and Faculty  
of Actuaries

## CASE STUDIES—PERSONALIZED WEALTH MANAGEMENT



## CHANGING ENVIRONMENT – TECHNOLOGY



Institute  
and Faculty  
of Actuaries

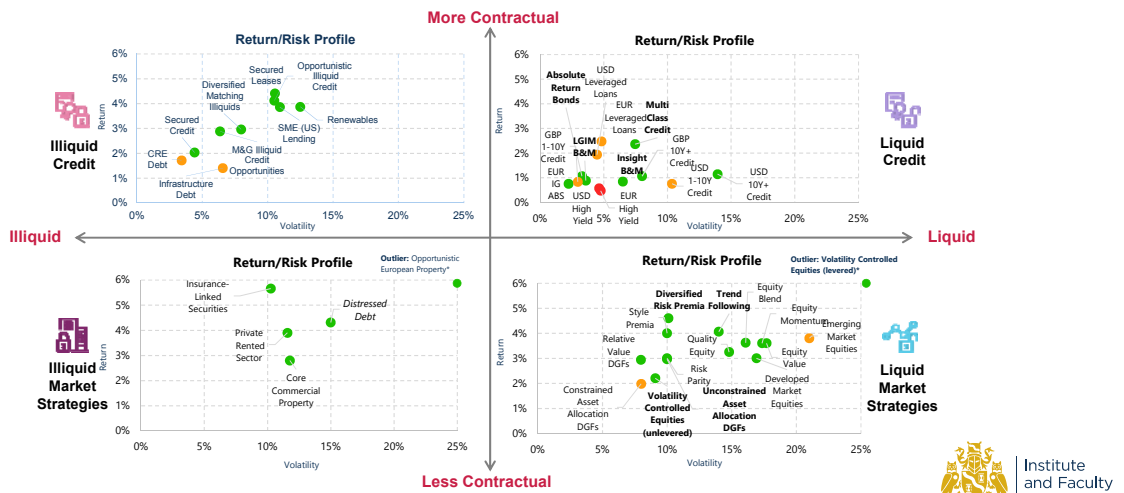
# SETTING UP THE INFRASTRUCTURE

	1	2	3
预期年化收益率			
资产配置 1			
资产配置 2			
资产配置 3			
总资产	10,000,000		
净资产	8,000,000		
总仓位	100.00%	0.00%	0.00%
流动性资产占比 (未选)	4.50%	100.00%	
权益类占比 (未选)	7.00%		
固定收益类占比 (未选)	4.50%		
另类资产占比 (未选)	3.33%		

22 May 2019

27

# SETTING UP THE INFRASTRUCTURE

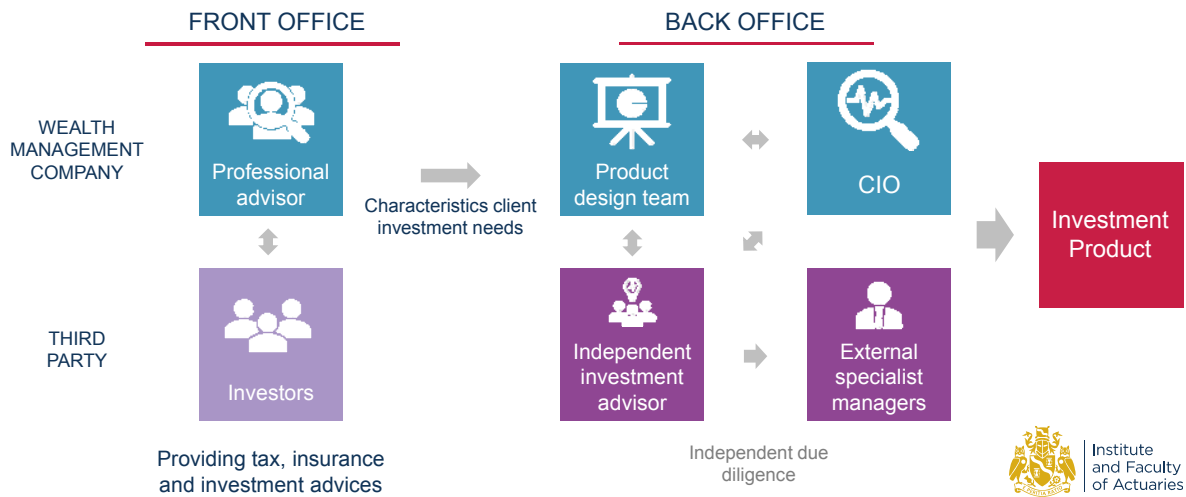


Allocate / Maintain / Remove = asset class view of Redington's Investment Committee. Bold = assets that the Schemes are currently invested in. \*Denotes Opportunistic European Property with Redington Expected Return of 7.72% and Volatility of 36.32%. \*\* Denotes Volatility Controlled Equities (levered) with Redington Expected Return of 8.80% and Volatility of 36.36%.

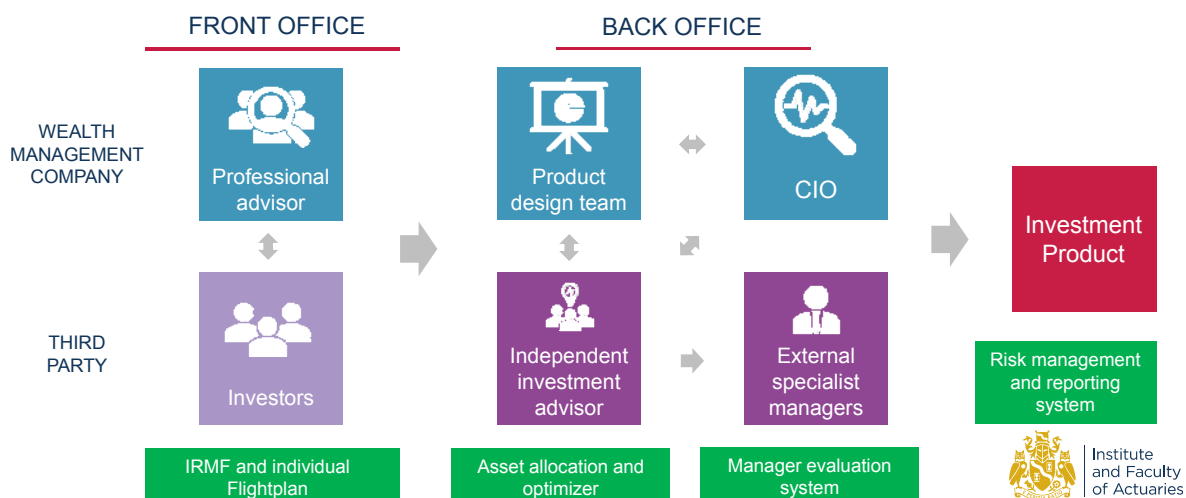
22 May 2019

28

## CHANGING ENVIRONMENT – SPECIALIZATION

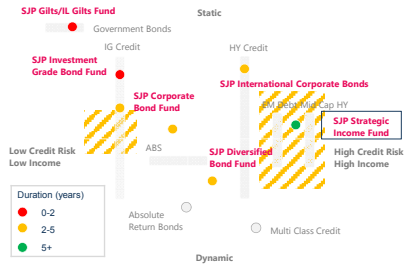


## CHANGING ENVIRONMENT – SPECIALIZATION

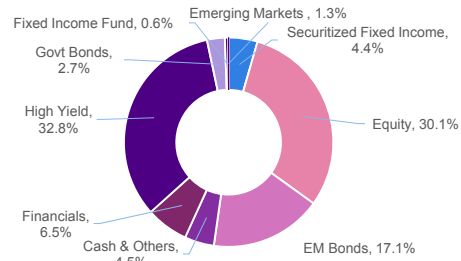


# PORTFOLIO CONSTRUCTION – SJP STRATEGIC INCOME FUND

## Gap Analysis of Retail Fixed Income Range



## Asset Allocation by Asset Class



## SJP Strategic Income Fund

Fund Objectives	
Target Return (net of manager fees, gross of SJP product and advice costs)	Cash + 3.0%
Expected Volatility (%p.a.)	<11%
Drawdown - VaR (%)	<16%
Sharpe (Gross of fees)	>0.3
Equity beta	<0.3
Fees (bps)	<60bp

Schroders – Systematic Equity Income, 30%

MidOcean – US Focus High Income Credit, 30%



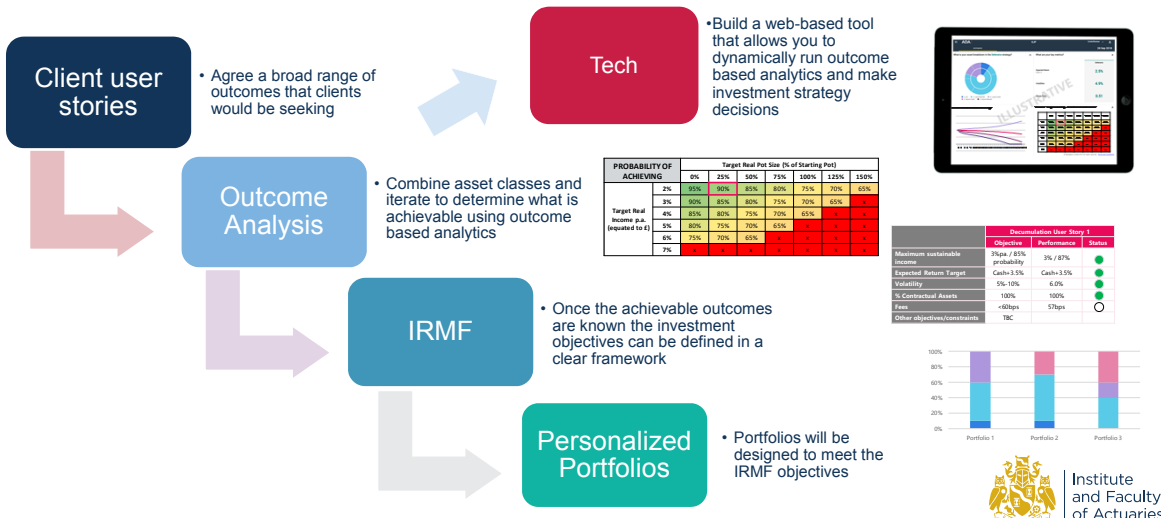
TwentyFour – European Focus High Income Credit, 20%

Bluebay – Emerging Market High Yield, 20%



Institute and Faculty of Actuaries

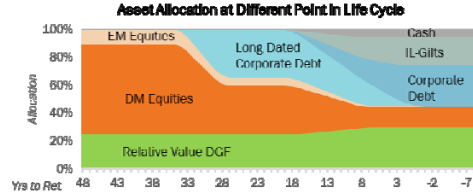
# CHANGING ENVIRONMENT - PERSONALIZATION



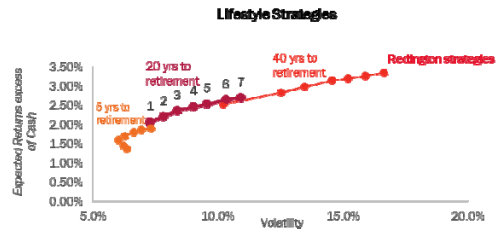
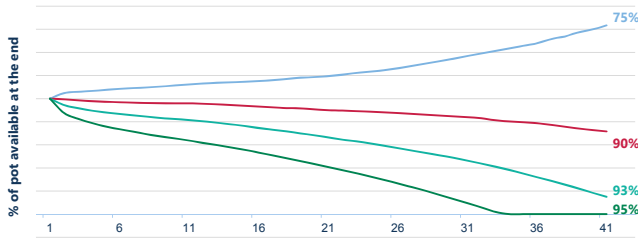


# IRMF – YOUR PORTFOLIOS ON A PAGE

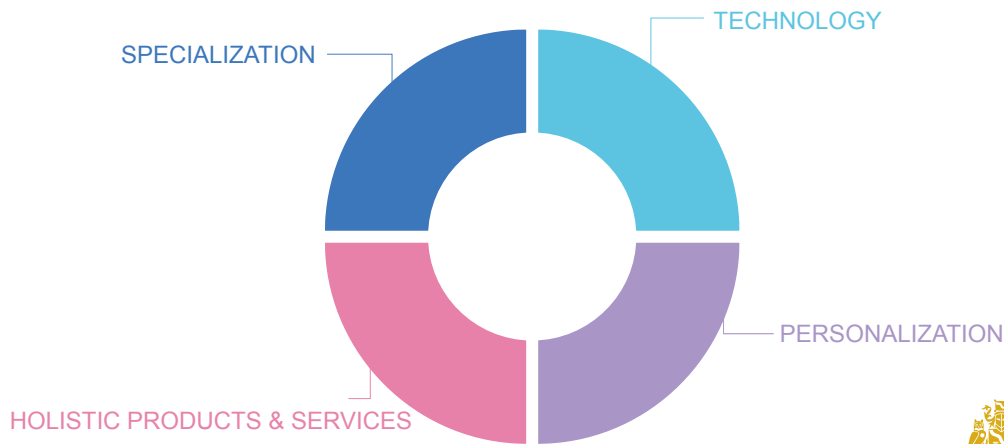
	Decumulation User Story 1		
	Objective	Performance	Status
Maximum sustainable income	3%pa. / 85% probability	3% / 87%	●
Expected Return Target	Cash+3.5%	Cash+3.5%	●
Volatility	5%-10%	6.0%	●
% Contractual Assets	100%	100%	●
Fees	<60bps	57bps	○
Other objectives/constraints	TBC		



Interrogation of the outcomes



# SUMMARY – CHANGING LANDSCAPE





Institute  
and Faculty  
of Actuaries

## SUMMARY AND ROLES OF ACTUARIES IN THE FUTURE



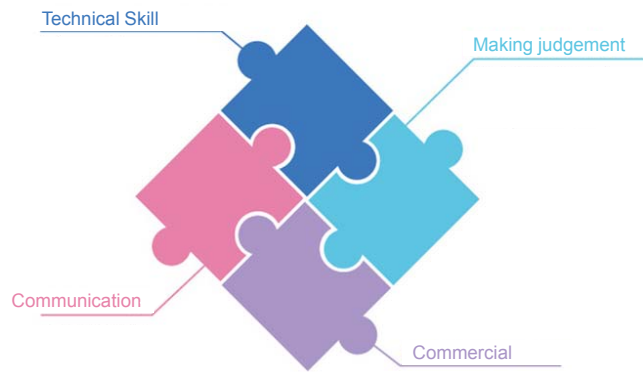
### SUMMARY

- Wealth management industry growing rapidly in China
- Rise of independent wealth management firms
- 5 growing trends
  - Comprehensive and differentiated service offering
  - Global and diversified asset allocation
  - Disciplined regulatory environment
  - Professional expertise and financial education
  - Technology innovation
- Improve customer experience and investment outcome



Institute  
and Faculty  
of Actuaries

# ROLES OF ACTUARIES



22 May 2019

37



Institute  
and Faculty  
of Actuaries



**于扬**

预远科技 - 董事会副主席

+86 133 8756 3479  
yang.yu@yuyuantech.com.cn



**刘沐秋**

预远科技 - 总经理

+86 199 1983 0833  
muqiu.liu@yuyuantech.com.cn



22 May 2019

38