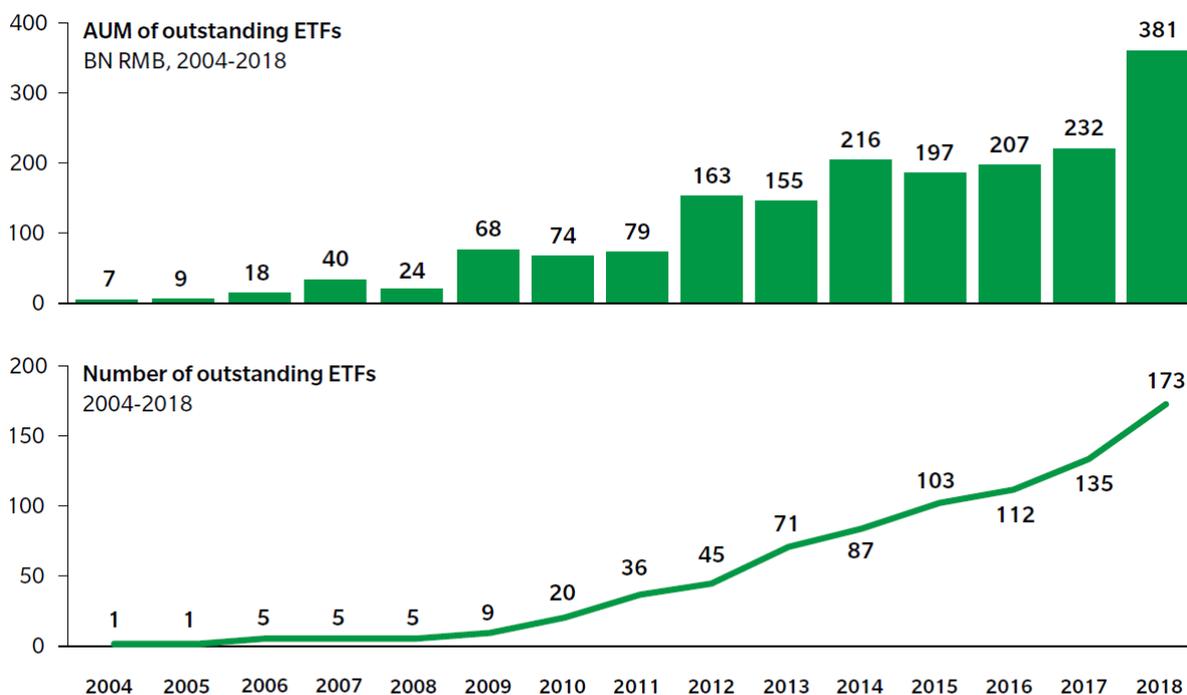


## Oliver Wyman Report Suggests ETFs Ride on the Growth in Pension Market, with the AUM of China's ETFs Hitting Record High

**SHANGHAI, JULY 24, 2019** – Assets under management (AUM) of China's outstanding exchange traded fund (ETF) products reached RMB 381 BN (or USD 56 BN) in 2018, hitting a historical high, a new Oliver Wyman report reveals. The consultancy suggests Chinese fund management companies (FMCs) to take advantage of the growth in pension fund-of-funds (pension FOFs) providers and work closely to develop more ETF products to tap into longer-term retail wealth. Oliver Wyman expects that with the further opening-up of China's financial sector, the country's asset management market will see more competition from foreign players, and ETFs are expected to become an important strategic business of asset managers.

The report, titled ***China Asset Management: ETF as Next Wave of Growth***, identifies the year of 2018 as the inflection point for China's ETF market, where assets under management (AUM) rapidly grew with close to 40 new funds launched during the year. Research suggests that institutional investors are beginning to take positions in ETFs to take advantage of the low-and-attractive valuation of China's major indices, as Chinese stock market slumped in 2018.

Exhibit 1: Number and AUM of outstanding ETFs in China



Source: Wind, Oliver Wyman analysis

ETFs are gaining popularity among both retail and institutional investors with increasing adoption. As an example, the E Fund ChiNext ETF, the biggest ETF that tracks the start-up board in China, has seen jumps in its number of holding shares by both institutional and retail investors, with more than 480% and 340% growth from 2017 to 2018, respectively.

In 2018, 20 FMCs have together issued 38 ETFs, compared to only 9 ETFs issued by 6 FMCs in 2016. Different from the previous focus where most new issuances were equity ETFs, there was a greater variety of product offerings among the newly issued ETFs in 2018, including several bond ETFs, smart-beta ETFs and SOE reform themed ETFs.

“Maturing retail investors and the broadening of institutional investors, gradual proliferation of product development, and initial signs of fee reductions have been driving the future growth of China ETF market. These drivers are coupled with active market development advocacy by both the regulators and exchanges”, said **Ray Chou, Partner with Oliver Wyman and co-author of the report**. “However, China’s ETF market is still at a nascent stage compared to other markets. FMCs should develop differentiated propositions to address investors’ needs” He added.

For example, FMCs could ride on the pension angle to access long-term retail investors and meet their long-term investment objectives. In fact, several prominent pension FOF providers, such as HuaAn Funds and Bosera Funds, have publicly highlighted the use of passive funds, including ETFs, for portfolio construction, due to the high efficiency and low transaction cost.

Oliver Wyman further indicates that FMCs offering ETFs should capitalize on the trend and work under an open architecture with various pension FOFs providers to develop more ETF products to meet the demand for pension FOFs with different mandates, and to collectively advocate and educate investors on the benefits of pension FOFs as a packaged solution.

For active/short-term retail investors, FMCs could provide and position sector or thematic ETFs as cheaper substitutes. The report pointed out there has already been a rapid growth in narrow-based index ETFs in recent years. To name one, the eight Growth Enterprise Board ETFs recorded about 6 times’ growth in terms of their number of shares in 2018, driven by the market hype around emerging industries in China. Oliver Wyman anticipates more innovation in thematic products to capture upcoming hot topics.

The Chinese ETF market is set to grow rapidly in the next few years. “China has recently unveiled a number of measures for the opening-up of its financial sector to more foreign investment and has also kicked off trading in new SSE STAR market. We believe that as more and more foreign players enter China’s asset management market, ETF business is expected to become an important strategic deployment of asset managers. It is also expected that FMCs will develop SSE STAR Board ETF as it offers access to unique exposure to investors. To capture the opportunity, we suggest FMCs elevate ETF business into their overall strategic plan, as moving fast and with a long-term commitment is required to develop meaningful scale and liquidity advantages”, said **Jasper Yip, Principal at Oliver Wyman and co-author of the report**. “FMCs would need to work closely with other financial institutions, including index companies and alternative data providers, market makers, and distributors to advance the maturity of the broader ETF ecosystem. They should also explore how to better mobilize resources across the group while balancing compliance and governance requirements.”

**ENDS**

**Media Contact:**

Eva Tong, Oliver Wyman  
Tel: +86 21 8036 9313  
Email: [eva.tong@oliverwyman.com](mailto:eva.tong@oliverwyman.com)

Sophie Liu, Oliver Wyman

Tel: +852 2201 1717

Email: [sophie.liu@oliverwyman.com](mailto:sophie.liu@oliverwyman.com)

**Official account of Oliver Wyman:**



#### **About the report**

The report titled *China Asset Management: ETF as Next Wave of Growth* aims to discuss how the ETF market has evolved and gained momentum in China, and to help asset managers to understand the opportunities that lie ahead in order to capitalize on the growing demand for such products while smoothly navigating through China's unique yet challenging market.

Link to download the full report:

<https://www.oliverwyman.com/our-expertise/insights/2019/jul/china-asset-management-etf-as-next-wave-of-growth.html>

#### **About Oliver Wyman**

Oliver Wyman is a global leader in management consulting. With offices in 60 cities across 29 countries, Oliver Wyman combines deep industry knowledge with specialized expertise in strategy, operations, risk management, and organization transformation. The firm has more than 5,000 professionals around the world who work with clients to optimize their business, improve their operations and risk profile, and accelerate their organizational performance to seize the most attractive opportunities. Oliver Wyman is a wholly owned subsidiary of Marsh & McLennan Companies [NYSE: MMC]. For more information, visit [www.oliverwyman.com](http://www.oliverwyman.com). Follow Oliver Wyman on Twitter @OliverWyman.