

1998 Survey of Fund Management Activities in Singapore

The Monetary Authority of Singapore (MAS) conducted a survey of the fund management industry as of December 1998. The survey covered 159 financial institutions conducting fund management activities in Singapore. These include licensed and exempt investment advisers, approved fund managers as well as finance and treasury centres engaged in fund management activities. The survey covered both discretionary and non-discretionary fund management activities.

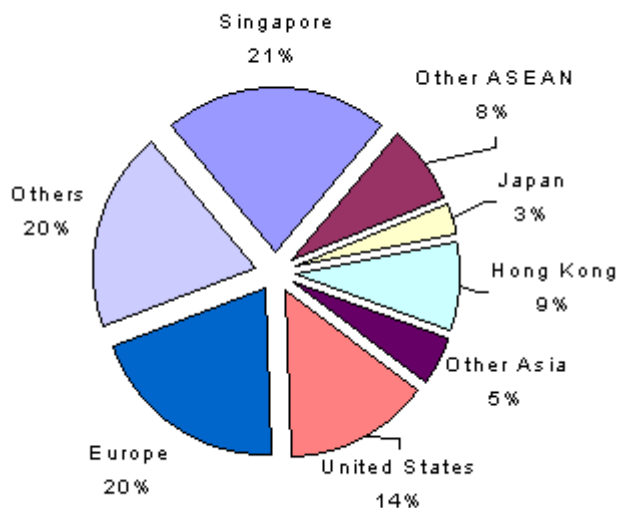
KEY FINDINGS OF SURVEY

- Total funds under management at end-1998 amounted to S\$150.6bn. This comprises S\$111.9 bn of discretionary funds and S\$38.7 bn of non-discretionary funds *.
- The Asian financial turmoil has led to a decline in asset values, resulting in a 9.8% fall in the total discretionary funds under management. This was in line with the downward movements of regional stock markets between end 1997 and end 1998. For example, the STI fell by 19%, Nikkei dropped by 9% whilst the other regional indices such as the Hang Seng, SET and KLCI also dropped by 6%, 5% and 4%, respectively.
- The industry continued to show healthy employment growth. The number of fund management professionals employed increased to 822 at end-1998.
- Notably, the amount of discretionary funds invested in equities and bonds has increased. Significantly, the proportion of fixed income investments has increased by 18% to S\$17.6 bn. This trend is in line with the Government's efforts to promote the fixed income markets.
- The number of CPF-approved unit trusts has also increased significantly from 18 at end-1997 to 43 at end-1998. The 43 CPF-approved unit trusts managed an aggregate of S\$1.5 bn, reflecting a three-fold increase from an aggregate of S\$517.5 mn at end-1997.
- Outlook for 1999 is sanguine and total funds under management is expected to increase in 1999. Initiatives adopted to promote the fund management industry are expected to encourage the growth of funds managed in Singapore as existing fund management companies continue to grow their local operations and new fund management companies set up offices in Singapore. The vibrancy of the industry would also be enhanced as the breadth and depth of the industry develops further with the introduction of new activities and players.

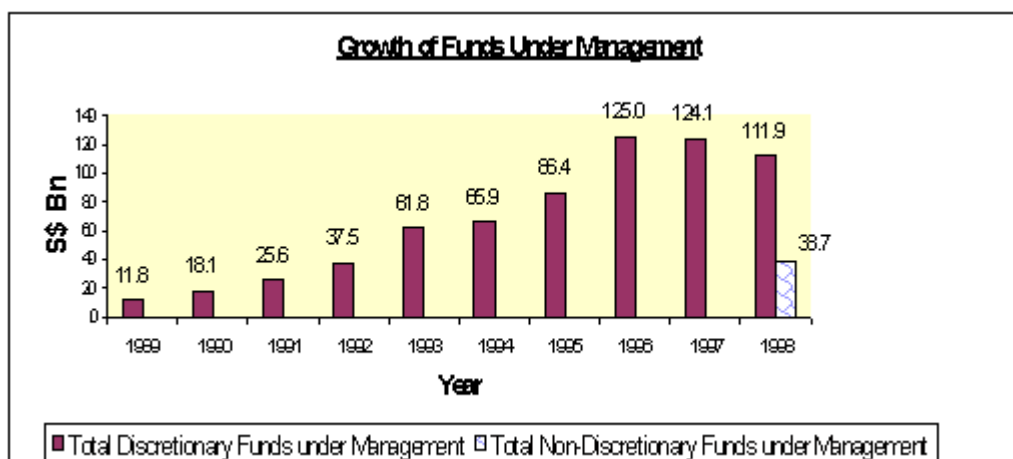
FUNDS UNDER MANAGEMENT

Total funds under management in Singapore at end-1998 amounted to S\$150.6bn, comprising S\$111.9 bn of discretionary funds and S\$38.7 bn of non-discretionary funds.

Total Funds Under Management (By Source of Funds)



As a sign of the impact of the regional financial turmoil on the Singapore fund management industry, the total amount of discretionary funds under management in Singapore continued to show a decline. Discretionary funds under management at end-1998 decreased to S\$111.9 bn from S\$124.1 bn a year ago. The 9.8% drop was mainly attributed to the decline in asset values as a result of the Asian turmoil. This is in line with the downward movements of regional stock markets between end-1997 and end-1998. For example, the STI fell by 19%, the Nikkei dropped by 9% whilst the other regional indices such as the Hang Seng, SET and KLCI also dropped by 6%, 5% and 4%, respectively.



The number of financial institutions managing discretionary funds also declined from 160 at end-1997 to 141 at end-1998. Most of the attrition in the industry was concentrated in fund managers with portfolios less than S\$100mn.

EMPLOYMENT GROWTH

Despite the regional financial crisis and the consolidation in the fund management industry in 1998, the industry continued to show healthy employment growth. The number of fund management professionals employed increased to 822 at end-1998 compared with 814 at end-1997.

Singapore Fund Management Industry : Manpower Growth

	At end-1997	At end-1998
Fund Managers	617	555
Investment Analysts	197	217
Total professionals	814	772

INVESTMENT OF DISCRETIONARY FUNDS

The bulk of the discretionary funds continued to be invested in equities. As at end-1998, investments in equities accounted for S\$71.2bn or 64% of total funds. Following a trend that began in 1997 due to the Asian crisis, investments in the stock markets of Singapore and other ASEAN countries continued to decline in 1998. While investment in Asian equities fell, the sustained bull-run on Wall Street drew a sharp increase in investment funds into American equities. On balance, amount of discretionary funds invested in equities increased by about 4% to S\$71.2bn at end-1998.

In line with Government's efforts to promote the debt markets, the proportion of funds invested in fixed income investments increased this year. As at end-1998, the proportion of funds invested in fixed income investments increased by 18% to S\$17.6bn, representing 16% of total discretionary funds. This compares with the S\$14.9bn or 12% of total discretionary funds invested in bonds at end-1997.

Investment of Funds as at 31 Dec 98

Asset/Country	Discretionary		Non-Discretionary	
	Amt (S\$bn)	% share	Amt (S\$bn)	% share
Equities	71.2	63.6	9.4	24.3
Bonds	17.6	15.7	10.0	25.9
Derivatives	0.4	0.4	0.3	0.7
Other investments (mainly deposits and cash)	22.7	20.3	19.0	49.2
Total	111.9	100	38.7	100

UNIT TRUSTS

As at end-1998, there were 23 unit trust managers managing a total of 127 unit trusts, compared to 22 managers managing 101 unit trusts at end-1997. The total assets under management have however, declined marginally to S\$3.2bn at end-1998, due to the fall in asset values of unit trusts which invested in the regional markets.

Notably, the number of CPF-approved unit trusts has increased significantly from 18 at end-1997 to 43 at end-1998. The 43 CPF-approved unit trusts managed an aggregate of S\$1.5bn, reflecting a three-fold increase over the amount managed under CPF-approved schemes at end-1997.

Number of Unit Trusts and their Assets under Management

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	At end-1997		At end-1998	
	Number	Amt of Assets (S\$mn)	Number	Amt of Assets (S\$mn)
CPF-approved unit trusts	18	517.5	43	1,520.6
Non-CPF approved unit trusts	83	2,813.3	84	1,693.1
Total	101	3,329.9	127	3,213.7

Distribution of Unit Trusts by Asset Size

	Number	Amount of assets (S\$mn)
CPF Investment Scheme (CPFIS)	43	1,520.5
asset size < S\$10mn	8	31.9
S\$10mn < asset size < S\$50mn	26	676.7
S\$50mn < asset size < S\$100mn	6	445.6
asset size > S\$100mn	3	366.4
Non-CPFIS	84	1,693.2
asset size < S\$10mn	39	142.4
S\$10mn < asset size < S\$50mn	38	964.9
S\$50mn < asset size < S\$100mn	5	326.4
asset size > S\$100mn	2	259.5
Total	127	3,213.7

OUTLOOK

The outlook for 1999 is sanguine. There are some signs of return of foreign funds to regional financial markets in the first quarter of 1999. Regional stockmarkets have rallied by 40% in the case of Taiwan to as much as 180% for Korea from their lows in August-September 1998. Total funds under management is expected to grow in 1999. Initiatives adopted recently to promote the fund management industry such as the placement of MAS and GIC funds with external fund managers as well as the relaxation in guidelines for licensing Boutique Fund Managers are expected to encourage the expansion of funds managed in Singapore, as existing fund management companies continue to grow their local operations and as new fund management companies set up offices in Singapore. The vibrancy of the industry would also be enhanced as the breadth and depth of the industry develops further with the introduction of new activities and players.

Monetary Authority of Singapore
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For more information, contact MAS Press Office at Tel : 6229-9203

*: To note that previous fund management surveys did not cover non-discretionary funds. Comparison with past survey findings should thus cover only discretionary funds under management.

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