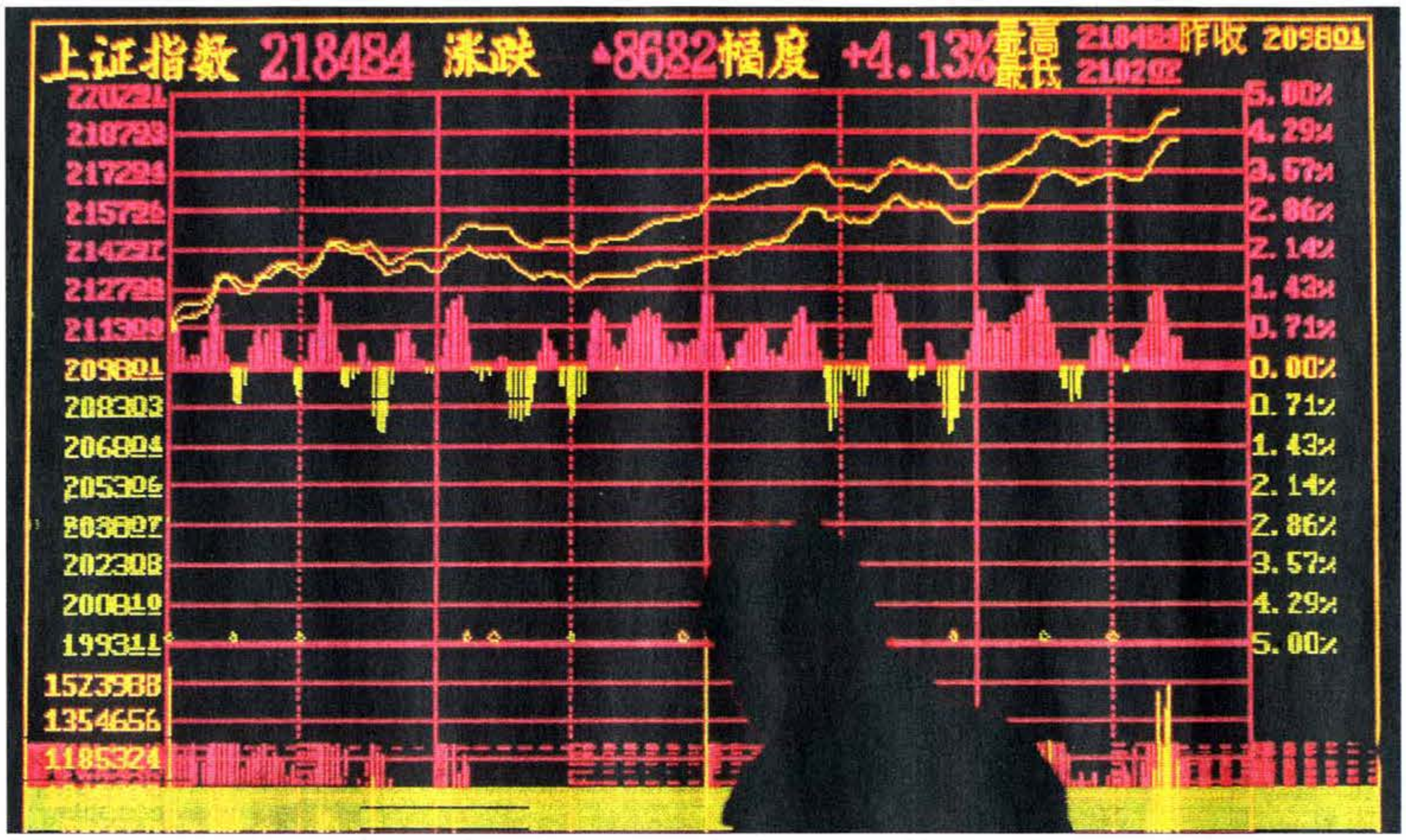
**Publication: Financial Times, FT Special Report, p 3**
**Date: 24 June 2013**
**Headline: Off-the-peg model does not suit**

# Off-the-peg model does not suit

Asia-Pacific

## Hands-on experience and training tailored to the region are needed as investment opportunities grow, writes *Emma Boyde*




**Asia specific: a stock exchange board in China. Calls are mounting for courses with a local slant** ChinaFotoPress

Asia is growing richer at a startling rate, in theory creating opportunities for those in the fund management industry. In practice, many would-be managers lack the expertise to invest in Asian markets or to deal with the region's investors and this knowledge gap presents an opening for those in business education.

Private wealth in Asia, excluding Japan, increased to $28tn in 2012, an increase of 17 per cent over the previous year, according to a recently released report from Boston Consulting Group. A similar report issued by Bain in association with China Merchants Bank in May estimated that the number of Chinese with at least $1.6m in investable assets would grow by 20 per cent this year, and that their investment management demands were growing more sophisticated.

Regional business schools offering fund management training are seeing the benefits. Annie Koh, vice-president of business development at Singapore Management University, says she has noticed a growth in interest over the past five years in those seeking fund management education. This is evident in the growing numbers sitting the CFA (Chartered Financial Analyst) and CAIA (Chartered Alternative Investment Analyst) examinations, she says.

The CFA Institute says paid registrations at the end of the 2012 financial year for the CFA programme from the Asia-Pacific region accounted for 44 per cent of global registration. There has been a 50 per cent increase in the number of candidates from the Asia-Pacific region since 2008.

Prof Koh has also noticed an increase in the number of Asian universities offering masters programmes in finance. "But the fund management industry only sees formal qualifications as a first step – on-the-job training is very much needed," she adds.

Zhao Xinge, professor of finance and accounting and associate dean at Ceibs, in Shanghai, agrees. "Courses like investments and portfolio management would certainly give people the basic framework of fund management, but fund management is a business you can really learn only by getting your hands dirty, that is by actually engaging in the business."

Prof Zhao says more and more business schools in the region are starting student-run real-money funds to help with fund management education.

There is some discussion about whether education should be tailored. Some educators say it is not possible to simply bring over a US or European model and apply it in Asia.

"We do need some kind of Asian flavour, or at least an emerging market flavour to fund management education in the region because there are number of differences between emerging markets and developed markets," says Hong Zhang, assistant professor of finance at Insead Singapore.

Prof Zhang explains that in countries he has studied, such as China, governance structures are immature and "publicly available information is not very reliable". Consequently, he says, "in China, fund managers have to build up very good connections".

For anyone who thinks this lack of transparency is simply a developmental stage, Prof Zhang has bad news. "The accepted theory is that China will convert over the long term to a more open model. But we don't have solid evidence that they will convert to being more open with information."

Prof Zhang says he found, after teaching in China, that students there thought standard ways of researching companies and investments were valuable practices in developed countries but that they worried about how applicable they were to circumstances in China. "There is a lack of trust on the client side too," Prof Zhang adds.

Even when regulators in developing markets introduce changes intended to bring trading more in line with the west, Prof Zhang says this can still backfire. He points to the recent decision to introduce short selling in China, which requires some investors to "lend" out stock for others to sell.

While long-term investors in the US are prepared to lend stock for a typical fee of less than 1 per cent, in China stock lenders are so worried that the value of the stock will be driven down by short sellers that they are demanding as much as 7 per cent, he says. "In class my students tell me this kind of detail – regarding the differences between a developed-world market and the difficulties in Asia – will be very helpful for them to design a future strategy," he says.

Business schools in Asia are not the only ones positioned to benefit from increased interest in fund management and fund management training. The University of Exeter Business School in the UK, which offers an MSc in financial analysis and fund management, and has partner status with the CFA Institute, is seeing healthy interest from students from Asia.

This year its programme has students from China, Vietnam, Taiwan, Thailand and Malaysia. It is oversubscribed and attracts about 1,000 applications per year, mainly from abroad, for its 60-70 places, according to Claire Lavers, programme director.

However, despite the appeal of international qualifications such as the CFA, Asian-based educators emphasise that local knowledge is a must. "Without that customisation to understanding local investment regulations or local culture, no funds professional can add value for their investors," says Prof Koh.