Fund Selector Asia
BMO GAM plans more local funds
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By Drew Wilson

After launching three Hong Kong-domiciled ETFs last year, BMO Global Asset Management plans more Asia products, according to Rajiv Silgardo, co-chief executive officer.

The firm currently has both ETFs and mutual funds going through the local regulatory approval process.

"We want to be relevant in this market and we can't be with just a handful of products," Silgardo told *Fund Selector Asia* on a recent trip to Hong Kong. He declined to give further details about the funds.

Also under consideration is product development with BMOs China-based partners.

In China, BMO GAM holds an undisclosed stake in Shanghai-based Fullgoal Fund Management, which manages $40bn.

The firm also owns 20% of Cofco Trust, a subsidiary of Cofco Group, a large state-owned enterprise working in various sectors such as agriculture and financial services.

"We could partner with [the Chinese firms] and bring some investment expertise and marry it to their reach," he said.

"There's nothing concrete we can talk about now. But we will accelerate and or expand plans with Chinese partnerships in the mainland market if we can come to some arrangements."

ETF opportunity

BMO GAM's Hong Kong-domiciled ETFs were launched in November 2014. The firm intends to market them to mainland investors through the mutual recognition of funds initiative after the products hit the one-year-in-market requirement, he said.

The asset management firm has also been developing ETF-only portfolio strategies using both its own and third-party products to offer to private banks and investment managers.

ETFs make up about $22bn of BMO GAM's $300bn in global AUM, he said. The products, however, have little investor interest in Asia compared to the US and Europe.

Silgardo believes locally-domiciled ETFs have appeal despite the value proposition offered by far more larger and liquid counterparts in listed in the US.

Tax efficiency is a key reason, he said. Hong Kong residents will find a better tax rate on dividends in Hong Kong than on those listed in the US.

Another reason is time zone efficiencies. "It's absolutely an advantage to create ETFs in the investor's time zone. In the US, you may access ETFs at a better spread but you have to be overly confident that the order will be executed at the price you want it executed at."

Asia competition

The biggest challenge for the firm in Asia is the crowded competitive landscape, Silgardo said.

"It's a very competitive market for asset management and will only get more so. We'll continue to build our brand, which is not yet well recognised in the market. In Asia, we're focusing on the client experience – product and client support, education, reporting.

"Within ETFs we still have opportunity because the competition is fragmented. We want to bring something additive to what's already here. We don't want to be imitative."