

INVESTING & WEALTH



In the healthcare space, Mr Nicandrou sees opportunity in Asia's growing consumption of health services, estimated at US\$941 billion in 2017.

Wealth and health businesses to power Prudential growth

Asia, for one, is growing in affluence and has a relatively low penetration of mutual funds and health coverage. **By Genevieve Cua**

A

SSET management and health protection are expected to be key pillars of Prudential's expansion in Asia over the next five years, says Nic Nicandrou, Prudential Corp Asia's chief executive.

Adding ballast to Prudential's ambitions are Asia's growing affluence and the relatively low penetration of mutual funds and health insurance. In asset management under Eastspring Investments, the group has secured a licence in China to set up a wholly owned unit to manage non-retail funds. It is also gearing up to expand its multi-asset offerings. In health, it will leverage its partnership with UK-based healthtech firm Babylon Health, which uses AI to serve as a virtual doctor. Mr Nicandrou says Babylon could accelerate the adoption of insurance. "We think we can bring under the insurance net those who are uninsurable such as diabetics."

Earlier this year, Eastspring completed the purchase of Thai asset management company TMB Asset Management. More recently, it obtained a licence to operate as a private fund manager in China, which enables it to offer onshore products such as equities and multi-asset funds to high net worth and institutional investors.

Mutual fund penetration

Eastspring has assets under management of about US\$195 billion, of which around 60 per cent is fund management on behalf of Prudential's life business. "The strength of the US dollar and rising rates in the US saw people allocate out of emerging-market assets into US or global strategies. We're just building out our multi-asset, quantitative and global asset allocation strategies. We weren't able to recapture some of the money allocated out. But the momentum remains significant."

Mutual fund penetration across Asia is generally about 13 per cent, compared to 96 per cent and 70 per cent in the US and Europe respectively. The multi-asset segment of funds globally has US\$10.2 trillion in assets and is growing 14 per cent a year. Only a fraction is sourced from Asia.

"We increasingly find that... simply investing in a fund that may give above-benchmark performance is essential, but not sufficient. If despite being above benchmark, the fund has lost value, it can be seen as a hollow victory.

"People are saying that we're less interested in whether we beat the benchmark. We're more in-

"With lifestyle changes, it should be possible to insure even diagnosed diabetics. This helps in customer loyalty, and helps to moderate consumption of medical services and expenditure either by prevention or the postponement of the onset of a condition."

Nic Nicandrou,
Prudential Corp Asia's CEO

terested in a solution that can deliver a return in a certain corridor... People think more about retirement. Knowing they can invest in something with yield decoupled from market volatility will be more important as they head towards retirement."

Multi-asset funds have seen a surge in demand since the 2008 crisis. Unlike traditional balanced funds which invest in stocks and bonds, a multi-asset fund has leeway to invest in more types of assets, including real estate and commodities. The funds are also typically positioned as "outcome-oriented", targeting a pre-defined yield or even an absolute return.

Eastspring is deepening its multi-asset capabilities with the hire earlier this year of Colin Graham as chief investment officer for multi-asset solutions.

Growing consumption

In the healthcare space, Mr Nicandrou sees opportunity in Asia's growing consumption of health services, estimated at US\$941 billion in 2017. Asia's out-of-pocket health expenditure is around 42 per cent, or US\$400 million based on World Health Organisation and World Bank data, compared to 12 per cent in the US.

"We are one of the biggest healthcare providers. We estimate (Prudential has) a 9 per cent share of the (health) profit pool across Asia. We only have five million customers who insure for health, and collect US\$1.6 billion in premiums. Yet people pay out-of-pocket by US\$400 million. The opportunity for risk pooling is huge. If the insurance sector can accelerate awareness, and increase the level of trust that the insurer will stand behind their claims, then we can accelerate the adoption of insurance."

Of the three business segments of wealth management, life and health, health is expected to have the greatest potential. In 2017, health generated net profits of about £4 billion (S\$6.99 billion). It is expected to post an annual compounded growth rate of 18 per cent from 2017 to 2022. In 2022, it is expected to generate profits of £9 billion.

In Singapore, Prudential claims to be the top provider of Shield products, with around 580,000 clients.

Wealth or asset management generated net profits of £2.9 billion last year. It is projected to grow at annual compounded rate of 8 per cent from 2017 to 2022.

The group has signed a multi-year agreement with Babylon Health for 12 countries in Asia. The service will also be available to non-customers. Prudential is developing an app, powered by Babylon AI technology, to host health value-add services. The app is expected to be able to field common health questions and perform health assessments.

"We have an ambitious launch plan across the lifestyle and wellness space, in disease management and recovery, coaching people to stick to their medications, performing triage-system diagnosis and looking to dispense telemedicine and fulfil prescriptions."

One of the benefits is the ability to reach rural areas, where it could take hours or even days to reach to the nearest doctor or hospital. Babylon has been soft launched in Malaysia.

"With lifestyle changes, it should be possible to insure even diagnosed diabetics. This helps in customer loyalty, and helps to moderate consumption of medical services and expenditure either by prevention or the postponement of the onset of a condition," said Mr Nicandrou.

gen@sph.com.sg
@GenCuaBT

////////////////////////////////////