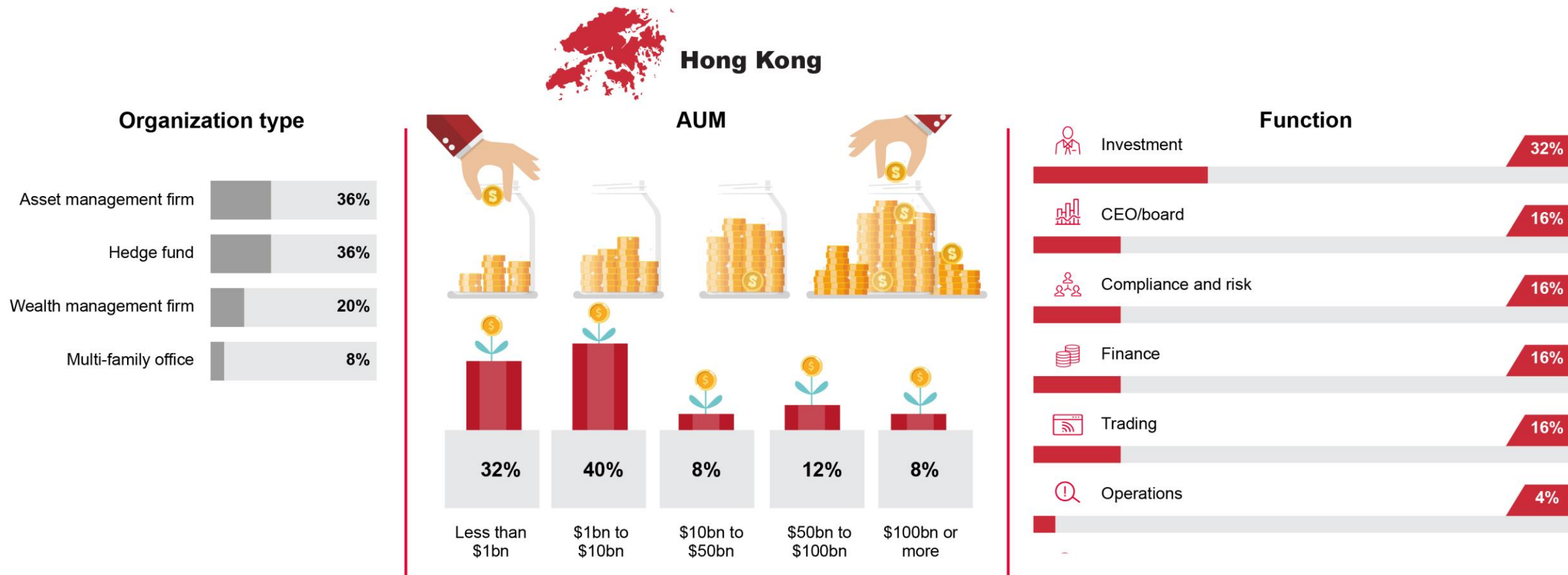# LINEDATA GLOBAL ASSET MANAGEMENT SURVEY 2023

Hong Kong and Singapore Insights Deck

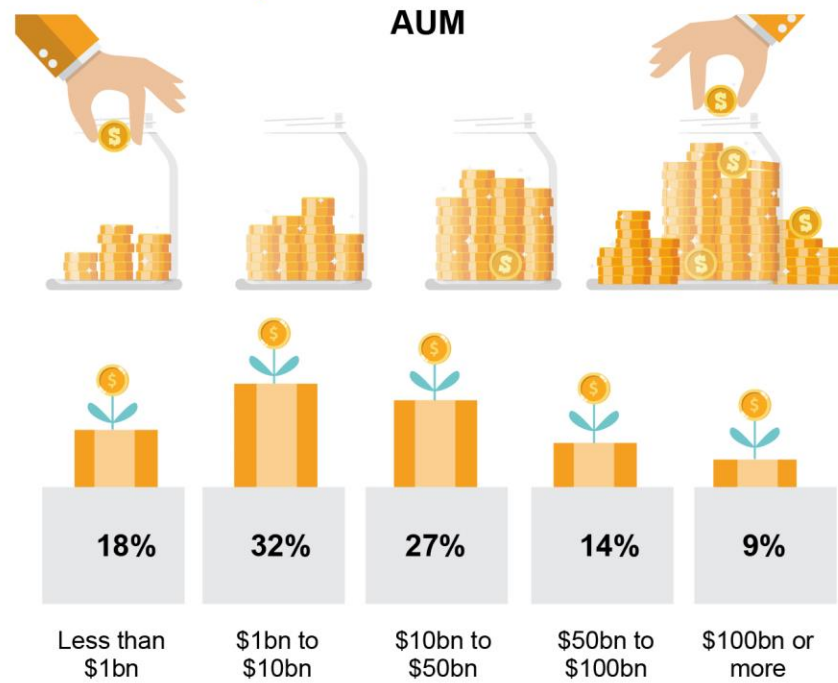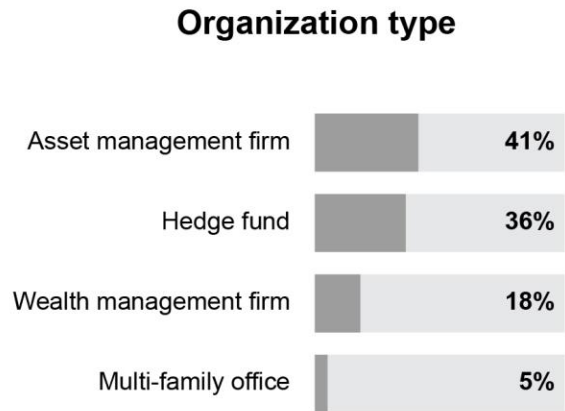Linedata

Survey demographics – Hong Kong

We surveyed 25 buy-side firms in Hong Kong and 22 firms in Singapore during March 2023 as part of the Global Asset Management Survey, which included 265 firms across Europe, North America and Asia. The sample represents views from senior decision makers across the front, middle and back office.

Hong Kong

Organization type

Asset management firm	36%
Hedge fund	36%
Wealth management firm	20%
Multi-family office	8%

AUM

Less than $1bn	$1bn to $10bn	$10bn to $50bn	$50bn to $100bn	$100bn or more
32%	40%	8%	12%	8%

Data may not sum to 100% due to rounding

Function

Investment	32%
CEO/board	16%
Compliance and risk	16%
Finance	16%
Trading	16%
Operations	4%

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Singapore

Organization type

Asset management firm	41%
Hedge fund	36%
Wealth management firm	18%
Multi-family office	5%

AUM

Less than $1bn	$1bn to $10bn	$10bn to $50bn	$50bn to $100bn	$100bn or more
18%	32%	27%	14%	9%

Data may not sum to 100% due to rounding

Function

Investment	23%
Technology	23%
Compliance and risk	18%
Trading	14%
Finance	9%
Operations	9%
CEO/board	5%

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3

Margin pressures dominate the short-term agenda as firms in both markets prioritize cost-cutting and increased automation

Singapore firms say scaling-up operations is a key driver of outsourcing while increasing resilience is the main driver in Hong Kong

Hong kong + Singapore

More Hong Kong firms are accelerating digital transformation initiatives than in any other market

Firms in Hong Kong and Singapore have stronger appetite for public cloud than most of their global peers

Singapore firms say inadequate data management holding back adoption of new tools and processes is their biggest operational challenge

Firms in both markets lead global peers on deploying AI in the investment process but lag behind in other areas

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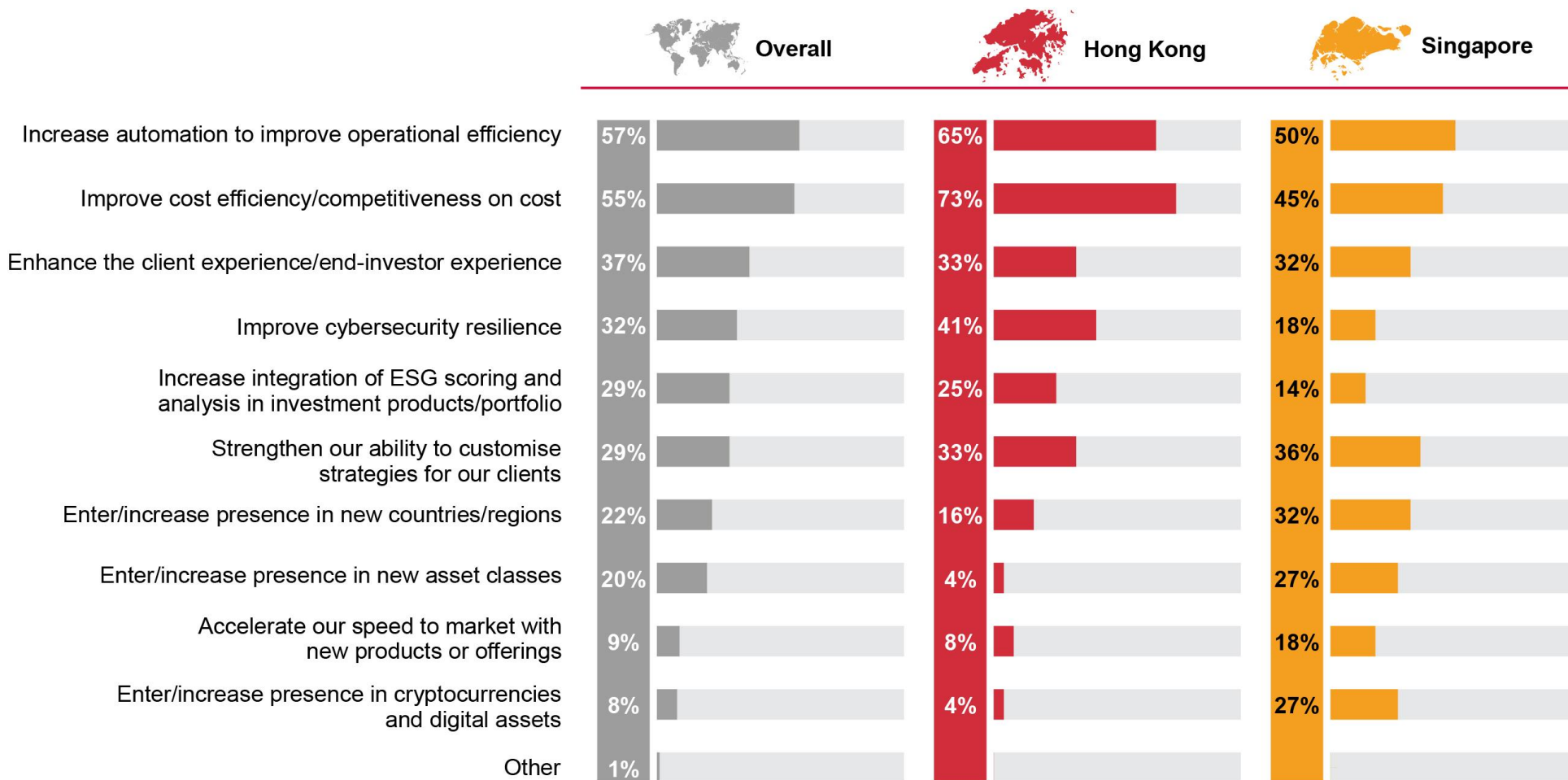
COST CUTTING DOMINATES THE SHORT-TERM STRATEGIC AGENDA

Organizational priorities to drive business growth and performance

	Overall	Hong Kong	Singapore
Increase automation to improve operational efficiency	57%	65%	50%
Improve cost efficiency/competitiveness on cost	55%	73%	45%
Enhance the client experience/end-investor experience	37%	33%	32%
Improve cybersecurity resilience	32%	41%	18%
Increase integration of ESG scoring and analysis in investment products/portfolio	29%	25%	14%
Strengthen our ability to customise strategies for our clients	29%	33%	36%
Enter/increase presence in new countries/regions	22%	16%	32%
Enter/increase presence in new asset classes	20%	4%	27%
Accelerate our speed to market with new products or offerings	9%	8%	18%
Enter/increase presence in cryptocurrencies and digital assets	8%	4%	27%
Other	1%		

% Rank 1 + 2 + 3

➢ Hong Kong and Singapore firms are seeking ways to get leaner after falling markets hit management and performance fees last year. Cost-cutting initiatives and deeper automation are firmly at the top of their agenda to drive business results over the next 12 months.

➢ Singapore firms are also prioritizing their ability to customize investment strategies for clients.

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"

We're currently using AI in a few different ways within the investment research process. One use case is to scan online forums, such as Reddit, to track how much a particular stock might be getting discussed and test our investment theses. We're also developing an in-house trading model that tracks signals like moving averages of stocks. Our developers are using a machine learning tool to accelerate the programming of that model, so they can incorporate different trading signals much faster.

"

Chief Investment Officer, Hong Kong-based Wealth Manager & Multi-family Office

"

I would like to have AI assist more when it comes to data collection and analysis. For example, if we're evaluating a Chinese manufacturing company, we might want to check and verify its sales numbers across eCommerce platforms – AI may be able to assist with that. Longer term, I'm interested in whether we could deploy it to help us identify new market signals, but I'm not sure the sophistication is there just yet.

"

Profile

Hong Kong Wealth Manager focused on 30% private markets mainly private equity, 50% equities, 20% fixed income

$2B USD AUM

Linedata

" *I'd like more advanced analytics tools that can give us a deeper understanding of the correlations between different stocks and asset classes. We can look at beta calculations and benchmarks, but I don't think that provides the full picture.* "
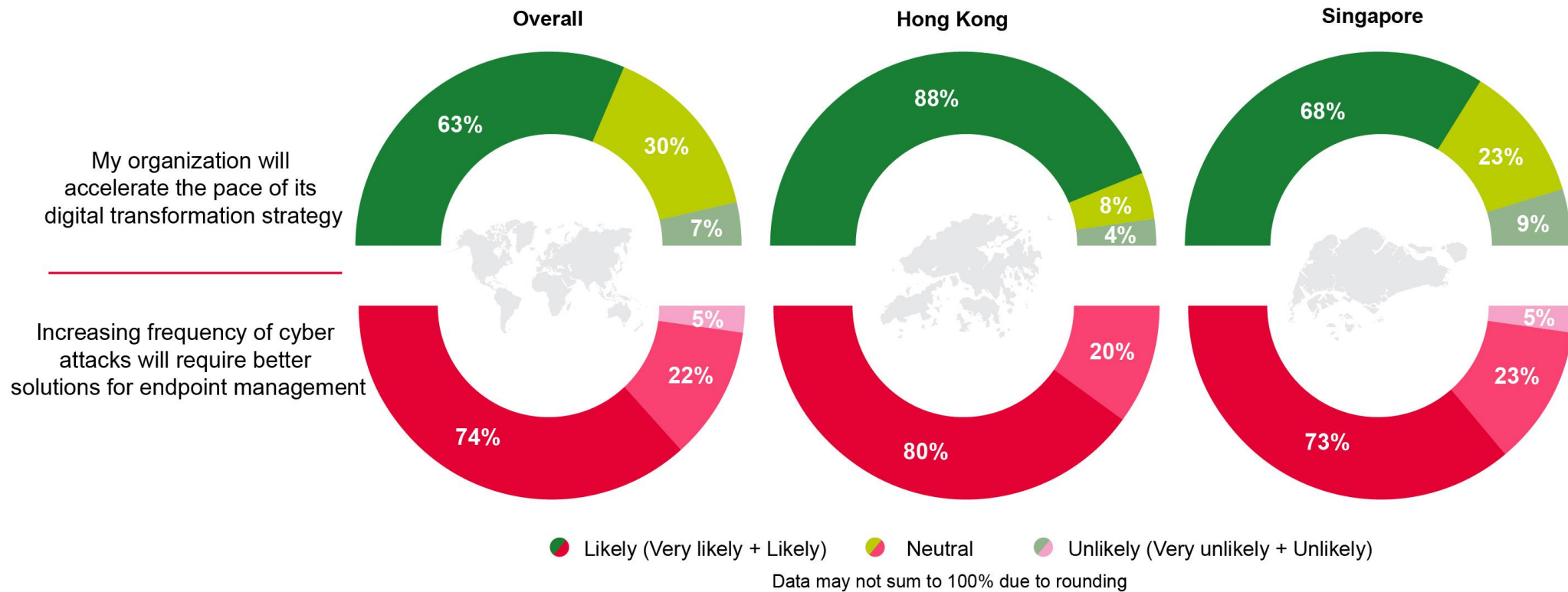
Chief Investment Officer, Hong Kong-based MFO

Profile

Hong Kong Wealth Manager focused on 30% private markets mainly private equity, 50% equities, 20% fixed income

$2B USD AUM

MORE FIRMS IN HONG KONG ARE ACCELERATING DIGITAL TRANSFORMATION PROGRAMS THAN IN ANY OTHER MARKET

- Cost-cutting initiatives top the strategic agenda for Hong Kong firms but they are also the most likely to say they are accelerating digital transformation programs – a sign that digitalization is seen as a key solution to the competitive challenges they are facing.

Overall · **Hong Kong** · **Singapore**

My organization will accelerate the pace of its digital transformation strategy

- Overall: 63%, 30%, 7%
- Hong Kong: 88%, 8%, 4%
- Singapore: 68%, 23%, 9%

Increasing frequency of cyber attacks will require better solutions for endpoint management

- Overall: 74%, 22%, 5%
- Hong Kong: 80%, 20%
- Singapore: 73%, 23%, 5%

● Likely (Very likely + Likely)   ◐ Neutral   ◑ Unlikely (Very unlikely + Unlikely)

Data may not sum to 100% due to rounding

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Profile

Singapore-based Asset Manager investing in equities, fixed income and direct real estate
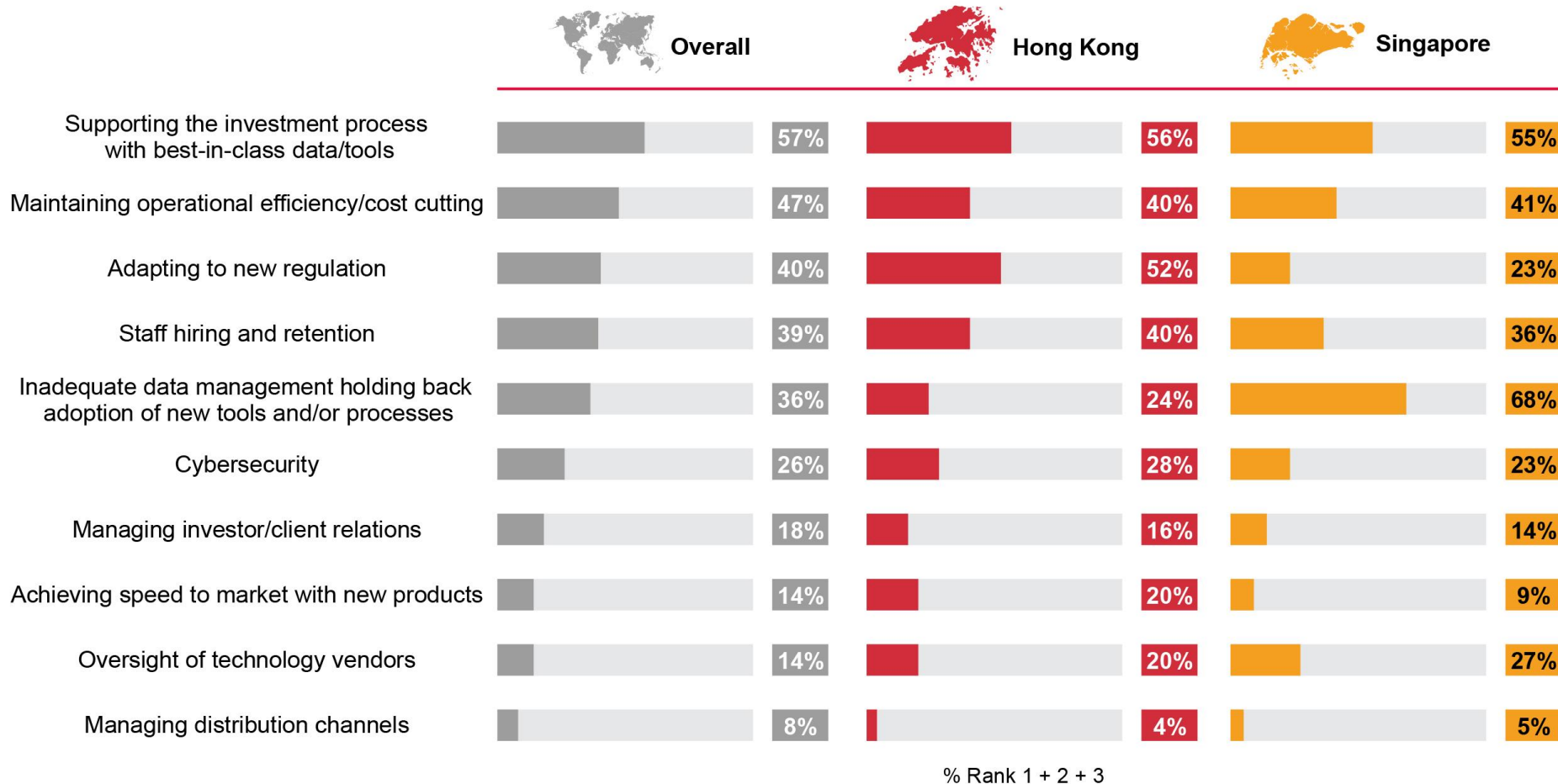
$3B USD AUM

" *Our trade reconciliation and accounting processes are manual and quite labor intensive. We're looking at external solutions to help us automate those, not just for efficiency, but also to reduce errors and improve accuracy.*

The hope is that our middle office team could then spend more time responding to requests from our counterparties so the investment team could be removed from that process. "

Portfolio manager, Singapore-based asset manager

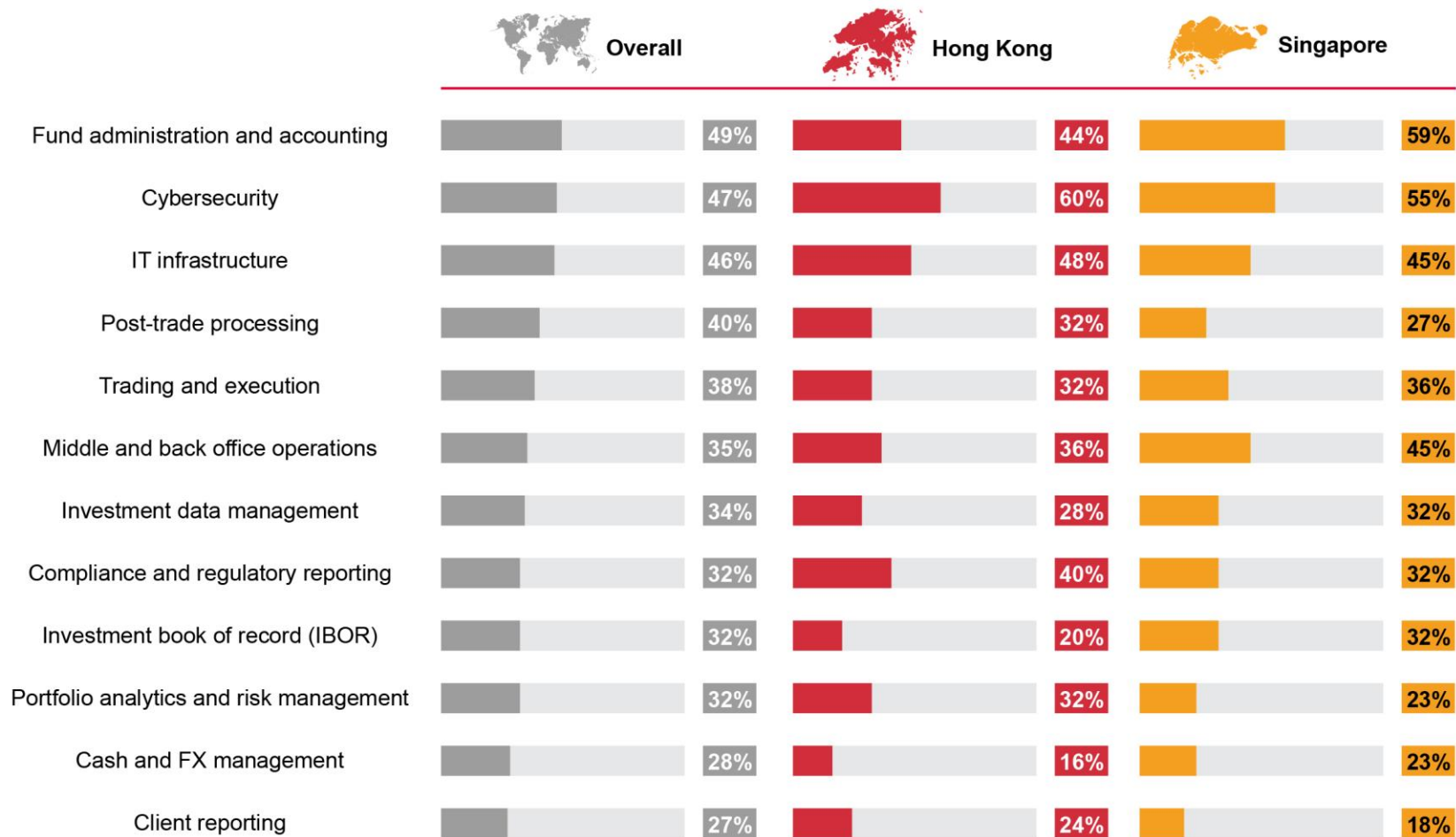# DATA MANAGEMENT SHORTCOMINGS ARE HOLDING SINGAPORE FIRMS BACK IN THE ADOPTION OF NEW TOOLS AND PROCESSES

Biggest operational challenges

	Overall	Hong Kong	Singapore
Supporting the investment process with best-in-class data/tools	57%	56%	55%
Maintaining operational efficiency/cost cutting	47%	40%	41%
Adapting to new regulation	40%	52%	23%
Staff hiring and retention	39%	40%	36%
Inadequate data management holding back adoption of new tools and/or processes	36%	24%	68%
Cybersecurity	26%	28%	23%
Managing investor/client relations	18%	16%	14%
Achieving speed to market with new products	14%	20%	9%
Oversight of technology vendors	14%	20%	27%
Managing distribution channels	8%	4%	5%

% Rank 1 + 2 + 3

➢ Asset managers in Singapore are more likely than those in other markets to see their data management infrastructure as a barrier to deploying new tools and transforming processes.

➢ The scalability of data infrastructure appears to be a pain point for Singapore firms, as only 18% think their firm is highly effective in this area.

➢ Hong Kong firms see new regulatory requirements as a much more prominent operational challenge than those in Singapore.

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Where firms are outsourcing or planning to outsource

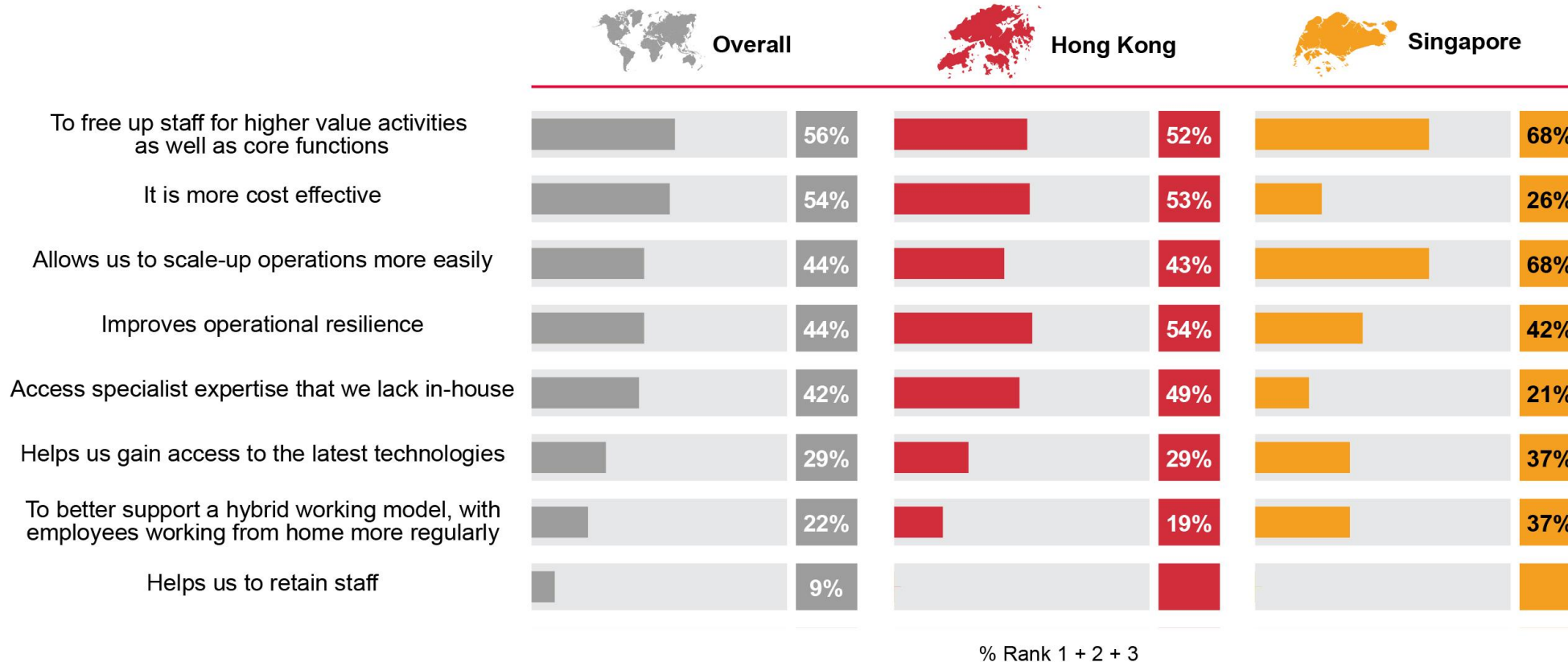|	Overall	Hong Kong	Singapore
Fund administration and accounting	49%	44%	59%
Cybersecurity	47%	60%	55%
IT infrastructure	46%	48%	45%
Post-trade processing	40%	32%	27%
Trading and execution	38%	32%	36%
Middle and back office operations	35%	36%	45%
Investment data management	34%	28%	32%
Compliance and regulatory reporting	32%	40%	32%
Investment book of record (IBOR)	32%	20%	32%
Portfolio analytics and risk management	32%	32%	23%
Cash and FX management	28%	16%	23%
Client reporting	27%	24%	18%

% Outsourcing + Already outsourced

➤ Hong Kong and Singapore firms are turning to outsourcing providers to manage their cyber security in even greater numbers than their global peers. Nearly half of firms in each market are doing so for IT infrastructure, in line with the global trend.

➤ A significant number of Hong Kong firms are also turning to outsourcing for compliance and regulatory reporting, as they struggle to adapt to new regulation.

➤ There is also a significant shift towards outsourcing middle and back-office operations among Singapore firms.

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Q15. WHAT IS THE STATUS OF THE FOLLOWING ASPECTS OF YOUR OPERATIONS WITH REGARD TO OUTSOURCING?

11

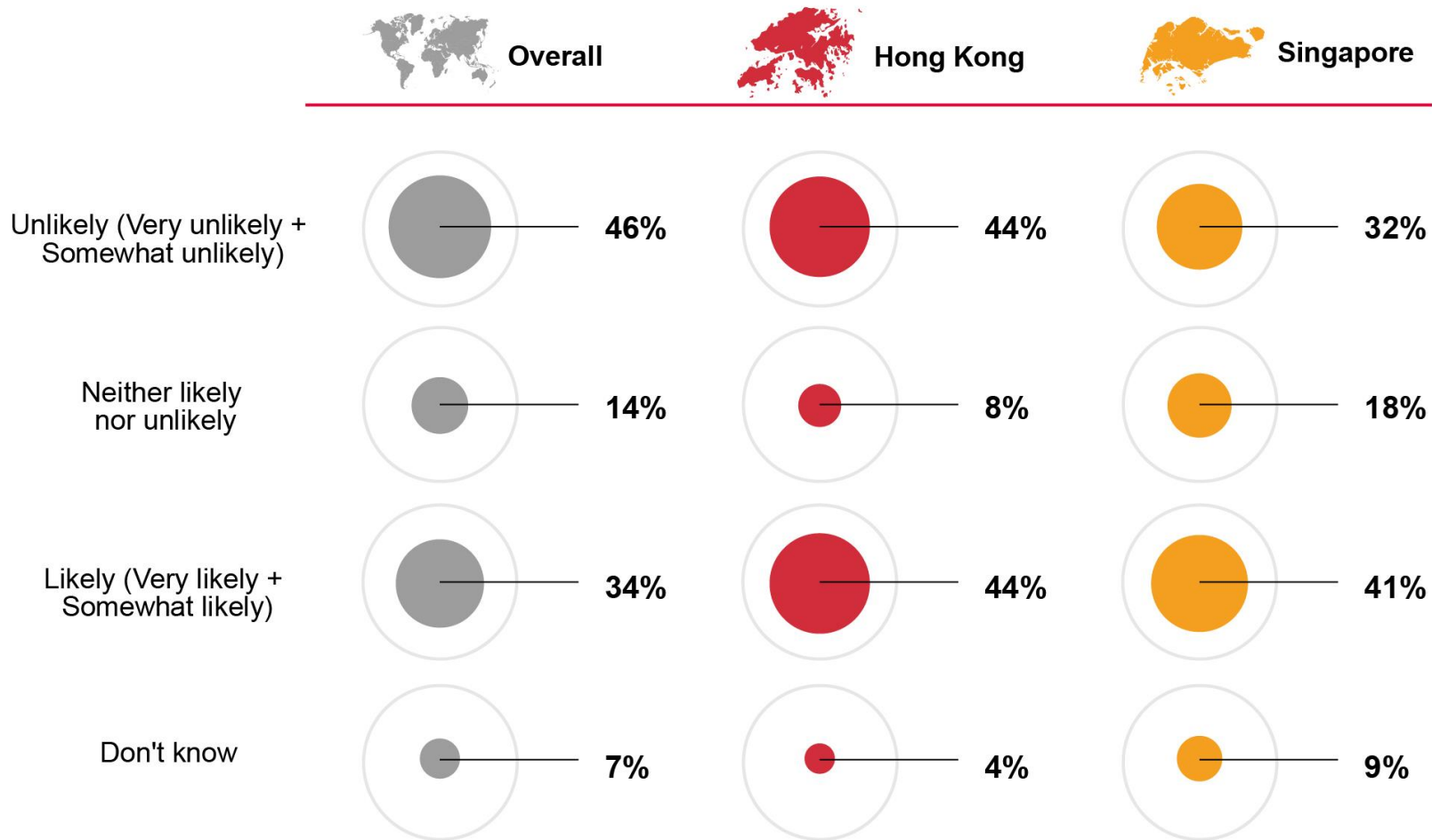# SINGAPORE FIRMS SEE OUTSOURCING AS KEY TO ENABLING THEM TO SCALE THEIR OPERATIONS AND SUPPORT GROWTH

➢ Against a backdrop of accelerated digital transformation, rising cyber threats and ever-growing compliance demands, we see that outsourcing strategy is moving beyond a cost and resourcing play.

➢ Singapore firms say support scaling operations is a key driver of outsourcing decisions, while Hong Kong firms cite operational resilience and access to specialist expertise as important motivations.

Main drivers for outsourcing

	Overall	Hong Kong	Singapore
To free up staff for higher value activities as well as core functions	56%	52%	68%
It is more cost effective	54%	53%	26%
Allows us to scale-up operations more easily	44%	43%	68%
Improves operational resilience	44%	54%	42%
Access specialist expertise that we lack in-house	42%	49%	21%
Helps us gain access to the latest technologies	29%	29%	37%
To better support a hybrid working model, with employees working from home more regularly	22%	19%	37%
Helps us to retain staff	9%		

% Rank 1 + 2 + 3

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FIRMS IN BOTH MARKETS ARE MORE LIKELY THAN GLOBAL PEERS TO SEE THEIR TECH STACK MOVING TO PUBLIC CLOUD IN THE LONG TERM

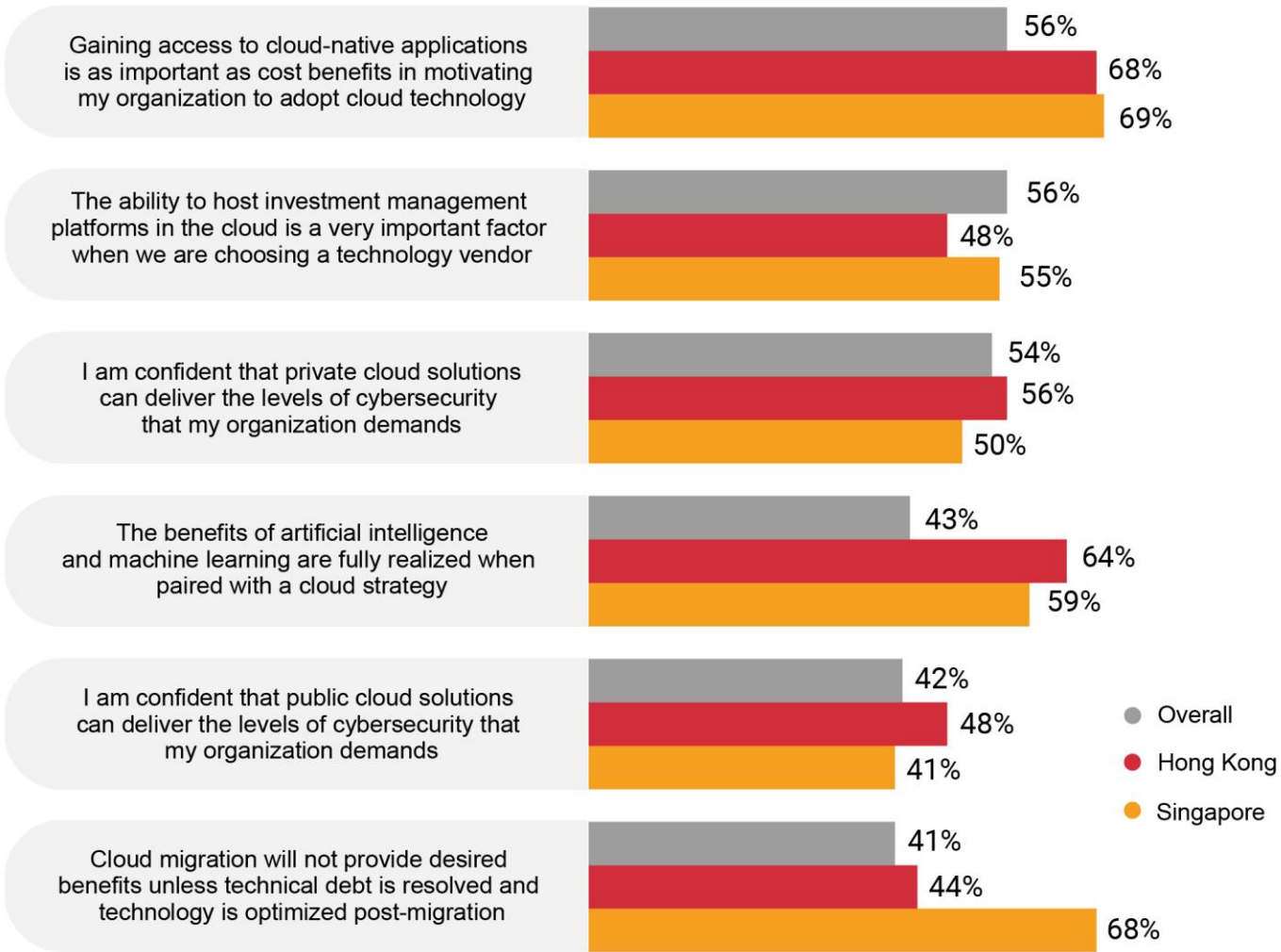**Likelihood of migrating entire tech stack to public cloud**

	Overall	Hong Kong	Singapore
Unlikely (Very unlikely + Somewhat unlikely)	46%	44%	32%
Neither likely nor unlikely	14%	8%	18%
Likely (Very likely + Somewhat likely)	34%	44%	41%
Don't know	7%	4%	9%

Data may not sum to 100% due to rounding

➤ Hong Kong and Singapore firms are the most likely to envisage a full shift to public cloud in future.

➤ However, only 24% of Hong Kong respondents, and 32% of Singapore respondents, say that public cloud is the primary cloud model used in their business function today.

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Q18. HOW LIKELY IS IT THAT YOUR ORGANIZATION WILL MIGRATE ITS ENTIRE IT/TECHNOLOGY STACK TO THE PUBLIC CLOUD AT SOME STAGE IN THE FUTURE?

13

AI AMBITIONS ARE A KEY DRIVER FOR HONG KONG AND SINGAPORE FIRMS' RACE TO GET AHEAD ON CLOUD

Gaining access to cloud-native applications is as important as cost benefits in motivating my organization to adopt cloud technology
- 56%
- 68%
- 69%

The ability to host investment management platforms in the cloud is a very important factor when we are choosing a technology vendor
- 56%
- 48%
- 55%

I am confident that private cloud solutions can deliver the levels of cybersecurity that my organization demands
- 54%
- 56%
- 50%

The benefits of artificial intelligence and machine learning are fully realized when paired with a cloud strategy
- 43%
- 64%
- 59%

I am confident that public cloud solutions can deliver the levels of cybersecurity that my organization demands
- 42%
- 48%
- 41%

Cloud migration will not provide desired benefits unless technical debt is resolved and technology is optimized post-migration
- 41%
- 44%
- 68%

Legend:
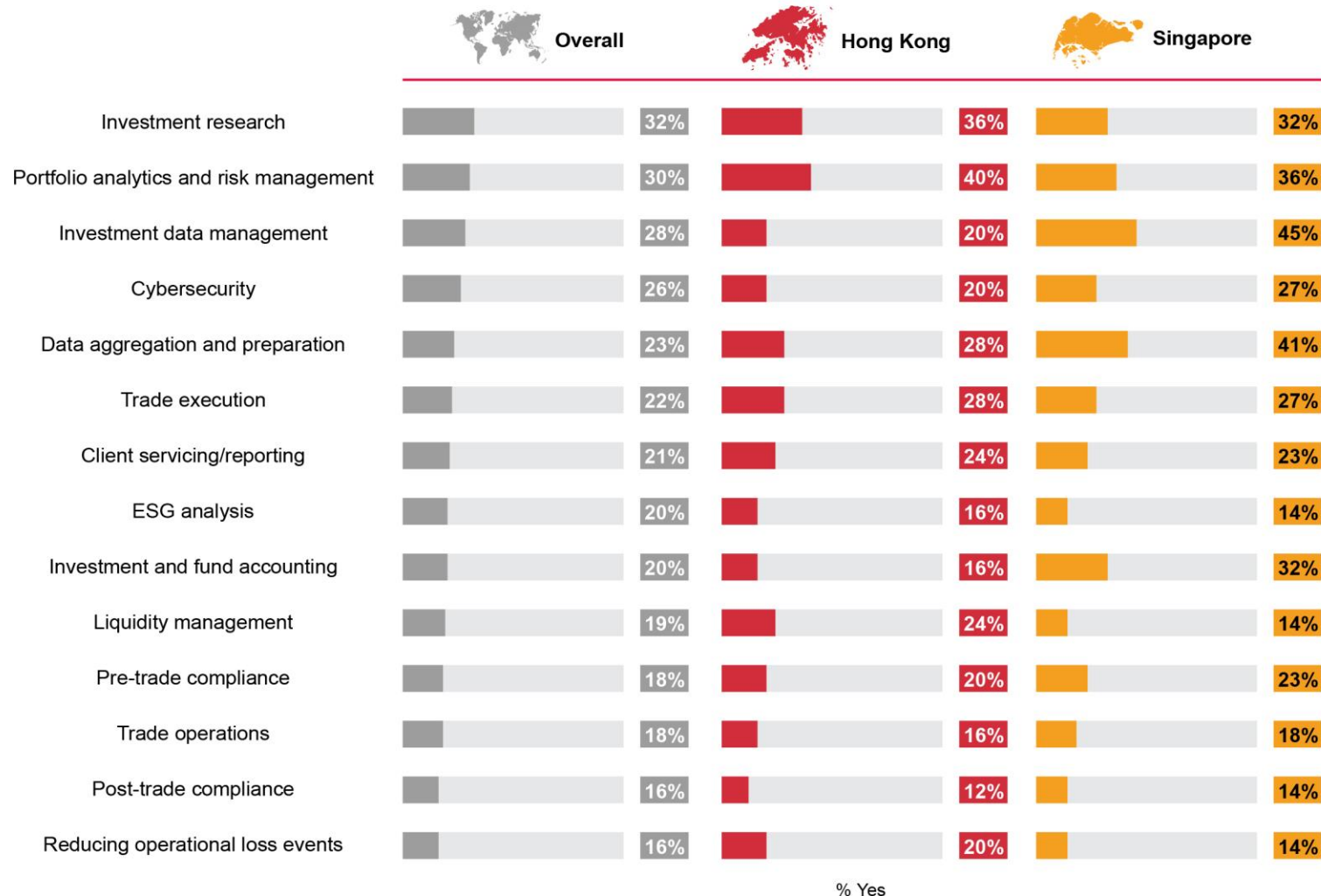- Overall
- Hong Kong
- Singapore

% Agree (Strongly agree + Somewhat agree)

➢ Hong Kong and Singapore firms have stronger convictions about the importance of cloud strategy to complement AI adoption and drive greater performance gains from it.

➢ Gaining access to cloud-native applications is also of greater importance to firms in Hong Kong and Singapore.

➢ This may be influencing more firms in these markets to anticipate full-scale migrations to public cloud over the long term.

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Q20. TO WHAT EXTENT DO YOU AGREE OR DISAGREE WITH THE FOLLOWING STATEMENTS ABOUT CLOUD ADOPTION?

14

HONG KONG AND SINGAPORE FIRMS ARE OUTPACING GLOBAL PEERS ON AI ADOPTION IN THE INVESTMENT PROCESS

Global Asset Management
Survey 2023

Percentage of firms deploying AI

	Overall	Hong Kong	Singapore
Investment research	32%	36%	32%
Portfolio analytics and risk management	30%	40%	36%
Investment data management	28%	20%	45%
Cybersecurity	26%	20%	27%
Data aggregation and preparation	23%	28%	41%
Trade execution	22%	28%	27%
Client servicing/reporting	21%	24%	23%
ESG analysis	20%	16%	14%
Investment and fund accounting	20%	16%	32%
Liquidity management	19%	24%	14%
Pre-trade compliance	18%	20%	23%
Trade operations	18%	16%	18%
Post-trade compliance	16%	12%	14%
Reducing operational loss events	16%	20%	14%

% Yes

➢ A greater number of Hong Kong and Singapore firms have deployed AI and machine learning tools in the investment process, such as within portfolio analytics and investment research.

➢ When it comes to middle and back-office activities, however, only a limited number of firms have adopted these tools, suggesting they are encountering greater challenges embedding AI in these areas.

➢ For instance, Singapore firms are behind the global average when it comes to using predictive analytics to reduce operational loss events, and Hong Kong firms lag behind on the use of AI within fund accounting processes.

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Profile

Singapore-based Asset Manager investing in equities, fixed income and direct real estate

$3B USD AUM

" *We've started using generative AI to digest transcripts from earnings calls and other company releases. We've had mixed results so far but we're continuing to explore its application.*

We're a small team, so the ideal goal would be to automate that part of the research process that involves data gathering and data processing. And focus our time on deeper thinking about the data, the rationale behind what companies are doing, speaking to companies and their competitors. Those are the things that I don't think a machine can replace. "

Portfolio manager, Singapore-based asset manager