A Bloomberg Professional Services Offering

Journey case study

Driving growth in a specialized market.

BEA Union Investment &
Bloomberg Buy-Side Solutions

Investment Management

Asset Manager

Bloomberg

Location
Hong Kong

Industry
Asset management

Customer profile
- Asset management
- Pension, institutional, investment advisory and retail fund distribution
- Manages the Mandatory Provident Fund (MPF)
- US $13 billion AUM

Target operating model ambitions
- Specialize in Asian equities and fixed-income assets
- Stimulate growth across asset classes
- Comply with tightening regulatory requirements
- Eliminate issues caused by shared infrastructure
- Gain agility from hosted solutions with local support

Bloomberg buy-side solutions utilized
- Bloomberg Asset & Investment Manager (AIM)
- Bloomberg Portfolio & Risk Analytics (PORT+)
- Bloomberg Professional Terminal®

BEA Union Investment

BEA Union Investment, a unique joint venture between the Bank of East Asia, Limited of Hong Kong and Union Asset Management Holding AG of Germany, is following a path of specialization by focusing on local Asian assets. To spur growth after a change in executive leadership, the firm invested in Bloomberg buy-side solutions.* As the firm celebrates its tenth anniversary, its AUM has grown to more than US $13 billion.

How buy-side firms achieve total transformation

To sustain a competitive advantage and help ensure long-term success, buy-side leaders need to develop a well-defined Target Operating Model (TOM). The TOM clarifies the firm's key operational goals and the changes that are necessary to achieve them.

Bloomberg has helped asset management firms around the world meet a wide variety of operational objectives. Based on our experience, we have identified four paths that firms can take on their road to transformation:

1. Specialization
The asset manager specializes in a particular strategy, seeking to be nimble as a primary TOM focus but needing to upgrade technology systems to support rapid growth.

2. Expansion
This asset manager has a TOM centered on local clients, but is expanding into overseas markets and needs a global order management platform for visibility of operations at a group level.

3. Front-to-middle consolidation
This firm aspires to align its investment professionals across the investment life cycle through a single front and middle office, with a TOM of achieving a centralized model for data consistency.

4. Firm-wide alignment
The manager seeking to centralize and overhaul all operating systems as part of business transformation, with the TOM of securing the golden source of data powering a global OMS, a single Accounting book of record and data utility across all locations, centralized middle office and/or execution desks.

*For more information about the four paths, please read our white paper: "The journey to tomorrow's buy-side operating model."

> "It was my intention to build up Asian fixed-income assets as our core investment competency. Bloomberg buy-side technology is very strong in fixed-income and has really helped us. From research, portfolio construction, trading, and compliance monitoring to connections with fund administrators, Bloomberg provides a convenient solution that fits in well to our scale and our journey to growth."

Eleanor Wan, CEO, BEA Union Investment

1. Synergy from the start

BEA Union Investment was founded in 2007, the result of a unique relationship between two companies with perfectly aligned needs.

The first is The Bank of East Asia, Limited (BEA) of Hong Kong, a family-owned local bank with more than a century of history. At the time, the bank was exploring the possibility of offering asset management services for its clients but knew it did not have the resources to do this internally. The second is Union Asset Management Holding AG (Union Investment) of Germany, a leading European asset manager that was looking to establish a presence in Asia.

"The partnership works well for both sides and the synergy was easy to identify," said BEA Union Investment CEO Eleanor Wan. "Union Investment needed our help penetrating into Asia and BEA needed the investment expertise from Union Investment. In addition, both companies are quite conservative in the approach to investing and to this business in general. The only question was how the new firm would grow."

When Wan was asked to join the company as CEO, four years into the joint venture, her task was clear: focus on how to build the business.

"When I joined, the company was very healthy but it just wasn't growing and nobody could understand why," Wan said. "They knew it would be a big challenge. I requested a tenure of five years to turn it around. That was seven years ago."

2. Understanding the challenge

Wan spent the first six months of her tenure in conversations with nearly all of the firm's 50 employees. What emerged was a picture of a company that had a solid strategy but an inefficient process for executing it.

"It became clear that the front office and the back office were not communicating very well," Wan said. "We had inherited the same front office systems that Union Investment was already using in their European offices. The system itself was not the problem. It was simply not set up to serve our more highly specialized needs remotely."

For example, BEA Union Investment was given only one license for its front line, which meant that only one trader could enter all the day's deals. Fixed-income managers had to reenter all the trades after the trades were confirmed with brokers, which was done manually. On the back end, BEA Union Investment did not own any of the data it needed to perform business development. Every time a team needed a specific data set, it had to request it. Often, the data itself was full of errors, which required a great deal of effort to verify. Support for the firm's shared infrastructure also became an issue, according to Lawrence Wong, Senior Manager, Business Applications & Projects.

"I realized that every Tuesday and Thursday at 10 a.m. we were losing our connection," Wong said. "When I investigated further, I learned that this was the time when the German office scheduled system maintenance because it was the middle of their night."

Eventually, the BEA Union Investment team realized that sharing infrastructure was hindering the company's growth. What the firm needed was a system that could handle the Asian equities and fixed-income assets that were its specialty, as well as provide local support.

"We were searching for a system that would help us synchronize our efforts," Wan said. "We needed a front office system that would be cost-effective for a team with a small headcount. It needed to be hosted, because we did not want to be responsible for maintaining servers. At the same time, when we needed help, it needed to come from within our own time zone."

3. Enabling specialization

After an extensive RFP process, BEA Union Investment selected Bloomberg buy-side technology to meet its specialized asset management needs.

One of the most important criteria was to handle portfolios under the Mandatory Provident Fund (MPF), a pension system that supports Hong Kong residents in retirement. BEA Union Investment manages these assets using Bloomberg Asset and Investment Manager (AIM). The MPF has many unique investment strategies and compliance workflows, which are set by a local authority known as the Mandatory Provident Fund Schemes Authority. Bloomberg AIM covers the vast majority of these fund-specific needs, making it a valuable component of BEA Union Investment's overall specialization strategy.

"It was my intention to build up Asian fixed-income assets as our core investment competency," Wan said. "Bloomberg buy-side technology is very strong in fixed-income and has really helped us. From research, portfolio construction, trading, and compliance monitoring to connections with fund administrators, Bloomberg provides a convenient solution that fits in well to our scale and our journey to growth."

Wan was careful to note that fixed-income is a relatively new asset class for the Asian market, one that has only gained in popularity in the last six or seven years. This is just one example of how experience with local markets is vital for strong growth in Asia, and why BEA Union Investment is happy to continue specializing in the Asian market.

"In terms of investment, Union Investment is a strong supporter to us with their global coverage," Wan said. "However, our positioning as an Asian investment specialist gives us a competitive advantage. We will continue building out our core competency in the Asian market."

4. Improving efficiency and convenience

One of the firm's original challenges was that the front and back office were not communicating as well as they could be. With Bloomberg buy-side technology, this challenge has been overcome, according to Wong.

"Bloomberg systems facilitate straight-through processing with connections to local providers for fund administration," he said. "That is a definite improvement."

Wong also cited the advantages of buy-side technology that can handle the full scope of asset management workflow.

"In the past, we used different systems for portfolio management, trading, and back office tasks," he said. "That means you're often seeing inconsistent numbers, depending on which system you're using. Now, we have just one system for everything."

Greater consistency is a natural result of a buy-side platform that integrates directly with the Bloomberg Terminal, which means all buy-side tools are nurtured with the same data.

"Now that we are expanding our use of Bloomberg buy-side technology to include PORT+ as well as AIM, it is very convenient," Wan said. "The PORT+ module makes it much easier to analyze fixed-income instruments than other systems we have tried. Plus, it's very efficient to choose PORT+ because it is already part of Bloomberg."

In addition, PORT+ covers a majority of attribution and risk reporting needs across the firm's front office, business intelligence and performance teams, helping to synchronize communication through consistent, timely and reliable reports.

Of course, it also helps that Bloomberg provides local technical support, within the same time zone. Wan noted that when she first met the firm's dedicated Bloomberg service representative, she thought he was an employee of BEA Union Investment – and to this day he seems like one.

Overall, choosing Bloomberg buy-side technology has given BEA Union Investment the flexibility and stability it needed to grow. The firm has not finished growing, either. With China opening up the onshore market, with Chinese onshore bonds, for example, it is expected that Bloomberg technology can help the firm achieve this objective.

"We've been using Bloomberg buy-side technology as our trading system for six years," Wan said. "Again, it is not that our previous system was bad. It just wasn't the right fit for our highly specialized workflows. We feel more comfortable with Bloomberg."

Learn more

Bloomberg provides multi-asset execution and order management solutions and investment cycle analytics that enable buy-side and sell-side firms to turn their trade and order data into a competitive advantage. As a result, firms can create more efficient workflows, connect to the global capital markets, drive regulatory compliance and lower their total cost of ownership.

To learn more, email our AIM team at bbaim@bloomberg.net.

Key moments from the journey

Here are some key insights from the fund's transformation journey:

- Shared infrastructure can create issues if it does not conform to specialized assets or workflows
- Specialty asset managers often require hosted, locally supported solutions
- Focusing on a core competency gives firms an increasingly strong competitive advantage
- Buy-side technology that nurtures all activities with consistent data is highly valuable

How BEA Union Investment follows the specialty-focused path

- Specialized regional assets backed by local market expertise
- Slow initial growth due to mismatch between system and unique workflows
- Growth in core competency enabled by more flexible technology workflow from front office to back

Expansion-focused path

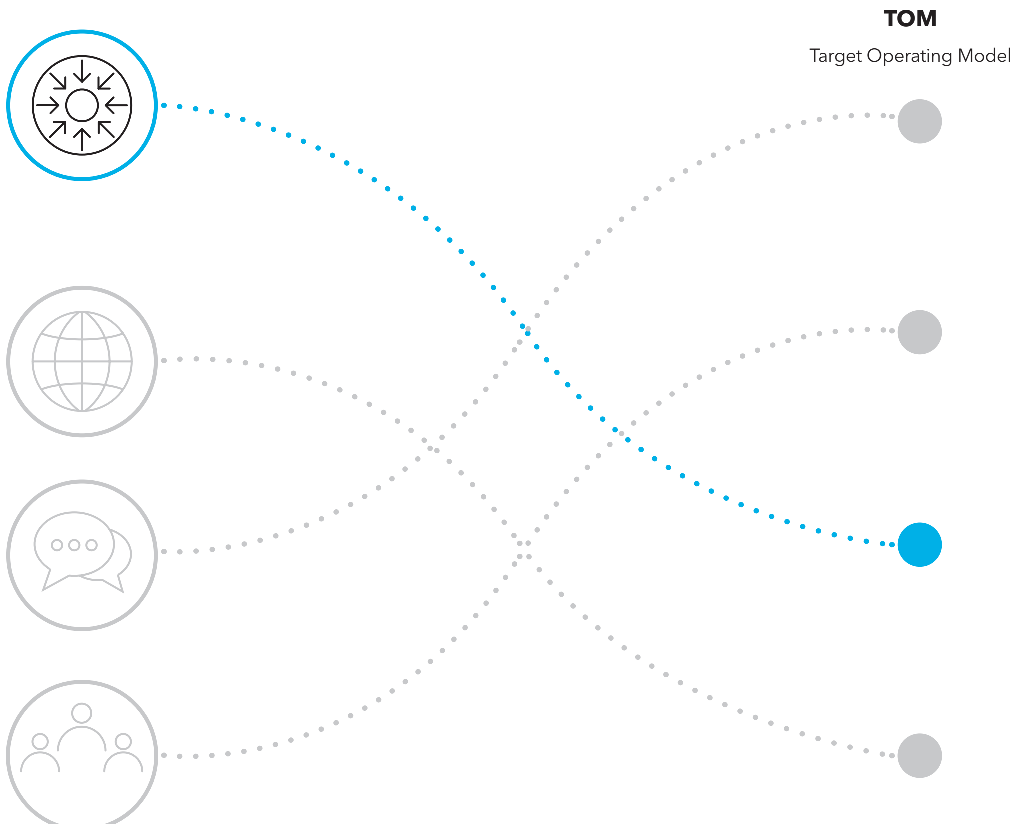
This asset manager has a TOM centered on local clients, but is expanding into overseas markets and needs a global order management platform for visibility of operations at a group level.

Front-to-middle consolidation path

This firm aspires to align its investment professionals across the investment lifecycle, through a single front and middle office, with a TOM of achieving a centralized model for data consistency.

Firm-wide alignment path

The manager seeking to centralize and overhaul all operating systems as part of business transformation, with the TOM of securing the golden source of data powering a global OMS, a single accounting book of record and data utility across all locations, centralized middle office and/or execution desks.



BEA Union Investment has followed a specialty-focused journey since the firm's inception in 2007, overcoming an initially slow growth period to reach AUM of around US$10 billion. The firm specializes in Asian equities and fixed-income instruments for its asset management clients.

"In terms of investment, Union Investment is a strong supporter to us with their global coverage. However, our positioning as an Asian investment specialist gives us a competitive advantage. We will continue building out our core competency in the Asian market."

Eleanor Wan, CEO, BEA Union Investment

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