



FOREWORD

In Asian countries, income levels have been rising against the backdrop of high economic growth, and household savings have been increasing. As more people have become able to allocate funds to investment, mutual funds are becoming increasingly important. Mutual funds can be purchased in small amounts and provide opportunities for efficient diversification, making an investment easier for inexperienced and novice investors. In ASEAN countries where capital markets are generally still in the developing stage, assets under management and the number of investors in mutual fund markets are steadily increasing. Although the history of the mutual fund markets is still short in the region, the several changes have occurred in recent years.

The first is the expansion of the types of mutual funds. Mutual funds have been mainly focused on domestic assets. However, the diversification and sophistication of investors' investment needs, with the easing of relevant financial regulations, have led to an increase of investments in foreign assets by mutual funds. In addition, although open-end mutual funds have been mainly offered in this region, the number of closed-end real estate investment trusts and exchange-traded funds is gradually increasing with stock exchanges' efforts to expand a range of their products for investors.

The second change is the diversification of sales channels for mutual funds. One trend is "open architecture". In countries where mutual funds have been sold mainly by asset management companies' affiliated banks and/or sales agents, distributors have started to handle products of various asset management companies. Another trend is the emergence of non-financial online mutual fund distributors. Investors' access to mutual funds has improved, as players outside banks, insurance companies and securities firms have begun to sell them on online platforms. Robo-advisors that enable effective diversification at lower costs are also expected to promote investment in mutual funds, particularly among IT-savvy millennials.

For the mutual fund markets in ASEAN countries to achieve sustainable development, promoting the financial literacy of the people is a major challenge. Generally, mutual funds play an important role of "democratizing" investments in capital markets, but they have not been widely recognized in each country yet. In particular, in some countries where the aging of society is rapidly progressing and the importance of retirement planning is increasing, governments' and financial regulators' policies and initiatives to encourage investment in mutual funds are attracting attention as an effective means of asset formation in the medium and long term.

This issue of Nomura Journal of Asian Capital Markets features articles that discuss the efforts, challenges, and future prospects for the development of the mutual fund markets in ASEAN countries.