

MRF: The first movers

CSRC has finally revealed the product lodgings for Hong Kong managers wishing to sell into China under the Mutual Recognition of Funds (MRF) scheme. Nine products had been lodged as of August 7 between seven managers, by our estimates there are two notable omissions that may follow shortly. While Z-Ben Advisors maintains its firm belief that MRF is a long-term play with little scope for short-term gains, movements by these initial participants and those that follow thereafter will set the tone for pragmatic entry into China under one's own brand.

MRF lodgings with CSRC (Hong Kong-domiciled funds selling into the Mainland)

Fund name	Asset type	Parent company	Fund inception date	Date of application	AUM (USD m)	Geographical focus
Amundi HK-New Guaranteed APAC Eq Div C USD Acc	Equity	Amundi Hong Kong Ltd	2013-07-03	2015-07-31	69	Asia Pacific ex-Japan
BOCHK All Weather China High Yield Bond A RMB	Bond	BOCHK Asset Mgt Ltd	2013-03-25	2015-07-01	174	Hong Kong
BOCHK All Weather HK & China Equity A HKD	Equity	BOCHK Asset Mgt Ltd	2013-07-19	2015-07-01	103	Greater China
BOCHK Global Equity Fund A	Equity	BOCI-Prud Asset Mgt Ltd	2002-07-12	2015-07-01	93	Global
JPMorgan Multi Income (mth) - USD	Mixed Assets	JPMorgan Funds (Asia)	2011-09-09	2015-07-01	4,303	Global
JPMorgan Pacific Securities (acc) - USD	Equity	JPMorgan Funds (Asia)	1978-05-26	2015-07-01	374	Asia Pacific
Schroder Asian Asset Income Fund A Acc HKD	Mixed Assets	Schroder Invst Mgt (HK)	2011-06-27	2015-07-03	5,233	Asia Pacific
ZEAL Voyage China Fund HKD	Equity	Zeal Asset Mgt Ltd	2010-09-17	2015-07-01	300	Hong Kong
Hang Seng China H-Share Index Fund	Equity	Hang Seng Invst Mgt Ltd	2003-07-25	2015-07-01	7,200*	Hong Kong

Amundi lodged one month after the first round opened. We believe this may point to the manager gauging peers' movements prior to applying.

Notable omissions include Invesco, and HSBC although we believe their participation will be a matter of when as opposed to if.

We believe JP Morgan AM remains a standout from peers due to a strong existing mainland presence through broader operations (QDLP) and its fund management joint venture China International.

Global equity remains light with only a BOCI Prudential offering, and we believe initial managers are playing to mainland familiarity with H-shares and BOC is leveraging its already-established brand name to aim wide. Another stand-out among all initial lodgings is BOC HK's second offering of a high-yield bond fund.

The only non-joint venture lodging (and perhaps the only surprise) was Hong Kong specialist house Zeal AM. The firm has paired with MMF titan Tianhong as its domestic agent which may suggest potential collaboration with Alibaba.

Source: Z-Ben Advisors

*Primary fund AUM – may differ from lodged feeder fund AUM