## FMC strategy: Keeping up with the Alibabas

AMAC's July numbers show how asset flows into MMFs indicate changing investor behavior. China's public mutual fund industry AUM dropped to RMB6.9tr, down $2.4 \%$ from end-2Q15. Current flows into MMFs also suggest how FMCs are altering their strategies to retain AUM when times are tough. These significant strategic shifts represent the development of a more comprehensive FMC service ecosystem. Z-Ben Advisors believes these competing ecosystems will be critical to FMCs' effectiveness as domestic agents in the MRF scheme. More importantly, foreign managers should look to emulate this model when building their onshore presence.

Top 70 FMCs by market share (including all funds, 2Q15 - July data not yet available)


- Pure online MMF
- Tier one for mobile service ( $>15 \%$ AUM on mobile)

Tier two for mobile service ( $10 \%-15 \%$ AUM on mobile) Tier three for mobile service ( $<10 \%$ AUM on mobile)

In tandem to readjusting product design, FMCs are transforming their back office and service infrastructure. and mobile platforms. China Universal is in a class of its own: we estimate that up to $30 \%$ of its AUM comes via its mobile application (app) Xianjin Bao, which even allows users to pay their credit card bills.

China Nature is the only mid-low tier fund currently leveraging a mobile service platform. In ideal partner for MRF would be a top-tier have this on offer. Z-Ben Advisors believes the efficient in directing (and redirecting) capital flows. Tapping into this ecosystem will be the first step to overcoming Chinese investors' home bias.

