

# Invesco, Schrodgers lead in Taiwan's target-maturity fund space

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By [Wong Wei Han](#) February 8, 2019

[Invesco](#) and [Schrodgers](#) are leading the way in Taiwan's target-maturity bond fund space, which has seen exponential growth less than three years after the first product appeared in the market.

While the two companies command over half the total market share, more firms and products are expected to join the fray as investor demand for such products remains high.

Target-maturity bond funds invest in a portfolio of corporate or sovereign bonds that mature at the same time. The funds can pay out dividends regularly, such as monthly or quarterly. They can also accumulate the returns to distribute back to investors as part of the fund assets upon maturity.

Schrodgers was the first mover on this front in Taiwan, launching the Schroder Four-Year Maturity Sovereign Bond Fund (施羅德四年到期主權債券基金) in August 2016 and raising NT\$3.79 billion (US\$120 million).

From just that one product in 2016, the number of target-maturity bond funds grew to 13 in 2017, with the combined asset size rising to NT\$32.68 billion. As of end-2018, there were 38 target-maturity bond funds in Taiwan with NT\$142.07 billion in combined assets, Lipper data show.

Schrodgers has nine products and 24.9% of the AUM share, while Invesco – which entered the space in 2017 – has a 28.9% share through six funds, according to Keystone Intelligence.

This puts the duo far ahead of the other 14 fund houses that have launched target-maturity bond funds in Taiwan. The third largest, [CTBC Investments](#), only has two products and a 9.6% AUM share.

## Front runners in action

The popularity of target-maturity bond funds can be put down to investors' flight for safety amid market headwinds.

"The market turbulence in 2016 had spooked people off investing, but their need for income was still strong. Between the shift towards more defensive investment and the growing preference for income products, we saw a market gap and have been at it ever since," a Taipei-based Schrodgers spokesperson says.

As of end-2018, Schrodgers has launched nine target-maturity bond funds in Taiwan. The funds' combined asset size of NT\$35.44 billion formed the bulk of the firm's NT\$38.46 billion onshore asset base.

Just weeks into 2019, the company already launched its 10th product. The Schroder 2025 Maturity Emerging Market First Sovereign Bond Fund (施羅德 2025 到期新興市場首選主權債券基金) was launched for fundraising last month and has pulled in around NT\$3.4 billion.

Meanwhile, Invesco launched two new products in January. The Invesco Fixed Maturity Selective Emerging Market Bonds 2025 (景順 2025 到期優選新興債券基金) has raised over US\$200 million, while

the Invesco Laddered Maturity Selective Emerging Market Bonds 2025 (景順 2025 階梯到期優選新興債券基金) is still in its fundraising period.

Excluding the two new launches, Invesco had six products with around US\$1.34 billion of assets as of end-December, slightly overtaking Schroders to become the largest target-maturity bond fund provider in Taiwan.



Terry Pan, Invesco

Terry Pan, Invesco's Hong Kong-based CEO of Greater China, Southeast Asia and South Korea, says the target-maturity bond market has been "one of the stronger growth segments" for the firm in Taiwan.

"Of the around 90 onshore funds launched last year across the market, our target-maturity bond funds acquired around 12% of the assets," he says.

U.S.-headquartered Invesco has a global team managing fixed-income strategies, but the Taiwan team added one more fixed-income portfolio manager last year to make a total of two managers in response to the growth, Pan adds.

Both Invesco and Schroders are not taking their foot off the gas. Pan notes that after the two products rolled out in January, Invesco is planning at least a couple more potential launches in the coming months.

For Schroders, with a proprietary survey showing that over 80% of local investors are willing to consider investing in target-maturity bond funds, the conviction to keep growing its product suite is high.

"We will work with our distribution partners, including both banks and insurers, to develop more products as investors turn even more defensive in 2019," the spokesperson says.

### **Low-hanging fruit**

While the segment is something of a two-horse race at the moment, market watchers believe competition will further heat up with more fund houses joining the space.



Donna Chen, Keystone Intelligence

“Growth has been strong in the past three years but I don’t think it has peaked, not with fixed deposit rates at below 1.2% while target-date bond funds can offer 3% on average,” Keystone Intelligence’s Taipei-based president and founder Donna Chen says.

From the fund manager’s perspective, the products are also considered to be low-hanging fruit as target-maturity bond funds are both easy to design and manage.

“These funds won’t have cash flow and liquidity issues, the redemption fee means most investors hold till maturity. There’s little management to be done compared with active funds, and fund houses can expect steady AUM levels. All these mean stable business and revenue in this difficult environment,” Chen explains.

**PineBridge Investments** has become the latest entrant. Its 2025 Fixed Maturity Emerging Market Corporate Bond fund (柏瑞 2025 目標到期新興市場債券基金) was approved by the regulator on December 19. Fundraising has not yet started.

The **Manulife** Six-Year Maturity Emerging Market Bond fund (宏利六年到期新興市場債券基金) was approved on December 21. When launched, it will be the company’s second target-maturity bond fund in Taiwan.

Invesco’s Pan acknowledges that competition is fierce as many are rushing to launch products and successful strategies are easily replicated. But he does not think there will be room for many more launches.

“Companies that are just jumping in now may find it difficult to gain scale. We have seen companies opting to launch more funds with smaller AUM each, but from a break-even standpoint that’ll be increasingly hard to do,” Pan says.

Target-maturity bond funds in Taiwan as of end-2018

Securities investment trust companies	Launches	AUM (US\$m)	Market share
Invesco	6	1,335	28.90%
Schroders	9	1,152	24.90%
CTBC	2	443	9.60%
KGI	2	276	6.00%
Fuh Hwa	2	272	5.90%
Nomura	4	272	5.90%
DWS	1	195	4.20%
Paradigm	3	152	3.30%
Taiwan Cooperative Bank	1	121	2.60%
Fubon	1	100	2.20%
Yuanta	1	90	1.90%
Mega	2	81	1.80%
Union	1	54	1.20%

Target-maturity bond funds in Taiwan as of end-2018

Manulife	1	33	0.70%
Shin Kong	1	28	0.60%
Hua Nan	1	14	0.30%
Total	38	4,617	100.00%