A matter of trust to tap Indonesian funds appetite

Clear and disciplined investment policies and processes will create the type of trust needed for a stickier relationship with the country's investor base, says Antony Dirga of Trimegah Asset Management.

As Antony Dirga looks to prepare Trimegah Asset Management to deliver consistent performance within an ever-evolving and liberalising Indonesian investment landscape, his priority is to craft a disciplined investment process.

The chief executive officer of the country's 10th largest fund house, which has around USD1 billion in AUM, believes this is the key to engendering the required trust among investors.

Given that Trimegah Asset Management is growing its asset base at around 30% a year, he has clearly been doing something right.

"It is simply about what clients would want to hear in any business – that we do what we say we will do," he says.

"This is a lot to do with trust, for people to actually trust us with an amount of money, no matter how big or small it is," he adds.

GETTING THE BASICS RIGHT

Dirga's focus has initially been on what he calls 'low hanging fruit' – creating an investment process in a disciplined manner and ensuring this gets communicated to clients.

"By doing this, we have been producing funds that are getting awards," he adds.

"Our clients like that, and they expand their existing relationships [with us] by giving us more money. In turn, this helps us to win more clients."

The kind of trust he is striving for has also come about as a result of him making some tweaks to how the firm does business.

For example, an important thing he has done differently to his competitors has been to shift the sales approach from talking to clients about products to discussing their investment portfolios and objectives in a more holistic way.

ANTONY DIRGA
Trimegah Asset Management

"We chat with [clients], we discuss their needs and we tell them that we want to provide solutions, not products."

Being a 26-year old firm has a lot of pluses in being able to encourage clients to take the firm seriously, he believes.

It has also meant it can learn from past experiences. "Most people used to go to clients just to sell them products, and if they bought the wrong one, they would complain," explains Dirga.

To ensure the relationship doesn't turn sour in this way, "Now, we make sure that when we talk to clients, we discuss their challenges and make sure that we have their trust first."

PROCESS-LED CHANGE

To help achieve his objectives in this way, Dirga has placed a lot of importance on putting the correct processes in place. Indeed, he says this has been one of his priorities since taking the helm two years ago.

"The first thing I did was to align ourselves correctly in terms of the investment process," he says.

After all, his experience in fund management has taught him that for whatever return he produces for his clients, this has got to be repeatable and sustainable.

"To be able to do that, one needs a process," he explains, "rather than act like a bunch of cowboys and hope to get lucky, like in the casino. We don't do that."

The first step Dirga tool was to create a screening process.

"We actually ring-fence ourselves. We only want to focus on the liquid space, and although this makes it harder to outperform, we want to make sure our clients can get in and out of the fund, which is part of the DNA of investing in Indonesia."

His investment team also meets every week to discuss macro issues, both global and domestic, geo-politics and then a sector-specific outlook.

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After this, they then pick the stocks and customise the mandates according to the portfolio.

"This sounds very boring, but in my experience a good fund manager doesn't need to be the smartest in the class; they surely need to have discipline," he explains. "And if they are wrong, they need to admit it and cut their loss."

In institutionalising Trimegah Asset Management in this way, it also makes each individual more relevant to the operation. He is also trying to make sure he doesn't have key-man risk.

OPENING UP OPPORTUNITIES

Dirga believes that this will stand his firm in good stead as reforms look set – eventually – to broaden the range of investments available in Indonesia.

The last big change he saw was allowing global Shariah funds to enable investors to get exposure overseas within the Shariah universe. The market continues to wait for something similar in terms of allowing conventional funds to invest offshore.

Dirga doubts whether this will happen any time soon, given that the government has talked more about bringing money into the country. And if they introduce regulations to open up the market, money might well flow in the opposite direction.

"The government has wanted to bring money into the country ever since the tax amnesty," he adds. This highlights the investors' dilemma – while facilitating overseas investing is good from the perspective of creating diversification for investors, it incurs a heavy tax rate.

"When you invest abroad you have to pay capital gains tax, which is going to be aligned to whatever tax rate that investors are currently subject to," explains Dirga. "If it is individual tax, then it is a maximum of 30%, and 25% for corporations.

He believes that the government, although it is seeking tax money, should look at lowering the capital gain tax thresholds. "Sometimes you have to take the leap of faith because lowering tax might actually kick-start something and produce new growth momentum in the capital market." ■