



Alex Zeeh is the Chief Executive Officer of S.E.A. Asset Management in Singapore and Chairman of the Board of S.E.A. Alex has more than 20 years of industry experience both in investment banking as well as in private banking. He gained his work experience in the USA, Switzerland and Germany before moving to Singapore. Alex and his colleague Gallen Tay (Chief Investment Officer of S.E.A. Asset Management) look after the funds' investments and monitor its asset allocation.

ASSET MANAGEMENT

ALEX ZEEH, CEO - S.E.A. ASSET MANAGEMENT

What are the key sectors that S.E.A. Asset Management provides asset management services to? What are the unique challenges of each sector from an asset management perspective?

S.E.A. primarily manages two Luxembourg UCITS compliant SICAV funds besides segregated accounts. Our speciality are Asian small midcap equities as well as Asian short duration high yield bonds. It is always a challenge to discover under-researched and overlooked equities that have quality management and strong market positions or niche products. Bonds require even more in-depth research including company visits and thorough scrutiny of financial reports given that many of the issues we look at do not even bother to obtain credit ratings. Hence looking at secondary research reports is often not an option which is a particular obstacle since with Asian credits in particular you need to do a lot of fundamental analysis. That also the reason why our approach to credit selection is fundamentals driven. We buy to hold until maturity so repayment ability at maturity is the top priority. We try to avoid defaults at all costs and have had none so far. However as defaults can still occur for reasons beyond our control we maintain a high level of portfolio diversification to lessen potential impacts and to still achieve positive absolute returns on an annualised basis. Investors like alternative investments since they tend to be uncorrelated to more traditional asset classes.

As a thought leader, what strategies do you implement to ensure that your clients' goals and objectives are achieved?

Clients today struggle to protect their capital, let alone get decent returns given low or even negative interest rate environments in many parts of the world. I personally believe that large parts of the world's economy will continue to linger in a "lower for longer" interest rate environment. Often the low rates have driven them into long-dated investment grade bonds or even high-yield bonds. The risk is now that US interest rates rise and investments in longer dated bonds - including high-yield bonds - will suffer price declines that may not be compensated by their respective coupon

payments anymore. The only choice investors really have is to retreat into short duration bonds that are protected from rate hikes in terms of price volatility. This is where our short duration high-yield strategy comes into play. We target 6-10% net returns p.a. which is achievable less so from credit spread tightening but more from oversold bond price levels and high coupons as well as special situations. With such high absolute return potential we do not add FX risk and always hedge non-USD currencies back into the fund's reference currency. Underlying fundamentals in Asian economies are also good. Over the past 10 years many Asian economies have seen rating upgrades from the major credit rating agencies and have achieved investment grade while many developed nations have dropped dangerously close to being downgraded to non-investment grade ratings.

What cost improvement initiatives does your company offer and work on with your asset clients?

Regulations and costs involved with implementing them are on the rise not only in Singapore. This impacts us as well in areas such as AML/KYC or outsourcing only to name a few. We are trying to keep compliance costs as low as possible without compromising strength of internal policies and procedures. We do so by outsourcing to highly competent external providers to keep non-core know-how outside of the firm as we want to run a lean cost structure. This is the most efficient way to do what we are best at in-house and keeping costs for clients in check.

What lies on the horizon for S.E.A. Asset Management in 2017?

We are continuing to increase assets under management organically from internal sources and seeders to reach a more significant level of at least 50 mln USD on an individual fund level at which smaller institutions, wealth managers and family offices can make allocations. Our first three year track record will be completed in roughly a year and we plan to market the fund more broadly thereafter.



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