

# A Life in Private Wealth in Thailand

## Views from Phatra Wealth Management

Is Thailand potentially the poster child of wealth management in Southeast Asia outside Singapore? Narit Kosalathip, Assistant Managing Director and Head of Sales for Private Wealth Management at Phatra Securities believes it is on the way to being so, as the market matures and diversifies. He met with Hubbis to survey the evolution of the business in Thailand, to map out some of the main directions and tributaries the wealth industry might take, and how Phatra plans to remain a leader in the industry.



**N**ARIT HAS SPENT HIS ENTIRE WORKING life at Phatra since 1995, aside from a two-year sabbatical to obtain his MBA in the US. In over two decades since Narit joined Phatra, the firm has evolved from an equity brokerage firm to become ever more focused on investment and private banking. Phatra Wealth Management is the brand under which the firm offers these services for Phatra Securities, itself ultimately held under small-size universal bank, Kiatnakin Bank.

Some ten years ago, in the aftermath of the global financial crisis, Narit recalls that the firm was still predominantly a brokerage business but has continued to rapidly transform itself into a private banking model.

“Back then,” he recalls, “more than half of Phatra’s business was the brokerage model, it was transaction-driven with equity commissions then accounting for nearly three-quarters of revenues. But that has been changing apace since the global crisis.”

The firm, he reports, has, for example, ventured into more sophisticated products in order to elevate the offering for its traditional brokerage clients, as the company seeks to leverage those relationships into a wealth management model. For example, the firm began offerings structured products and moved into the mutual fund space, including bringing in some of the first foreign investment funds introduced to the market.

“Over the past decade,” he adds, “we have seen all sorts of new types of products added to our repertoire, such as more varieties of structured products, and more asset classes offer in the form of mutual funds. The result is that today, our equity broker-

## Getting Personal

Narit was born in Bangkok and studied finance at Chulalongkorn University, which he described as undoubtedly the best university in Thailand.

Narit’s entire career to date since graduating from Chulalongkorn in 1995 has been with Phatra. He first worked in the asset management division, focusing on private fund, and provident fund mandates for clients. “Back then,” he recalls, “the government tried to encourage private companies and state enterprises to convert from pension plans into provident funds.”

He worked there for four years and then went off for two years to obtain his MBA at The University of North Carolina at Chapel Hill in the US, and while there did an internship in private wealth with Goldman Sachs in New York and in Hong Kong. When he returned to Thailand, he immediately re-joined Phatra, working in private wealth, where he has been ever since.

Married, but with no children, his wife works for Exxon Mobil and for the past four years has been posted overseas, first for three years in Houston, Texas and now in Singapore. “I flew in and out of Texas to report to her,” he jokes, “but now she is in Singapore it is a lot easier. Anyway, she will be returning home soon, so no more long-distance marriage.”

Work and travel take much of Narit’s time but at home quietly he is a YouTube aficionado. “You can do anything from finding new car reviews, to fascinating blogs about places to visit, all sorts of research. I gave up regular TV some time ago, as there is so much to enjoy on YouTube. Whenever I find time, maybe half an hour, one hour, YouTube is the place I go.”

age business is less than 40% of our income, and we expect that to drop to less than 20% in the future as we continue our thrust into wealth management.”

The focus on private wealth is replicated in the financial sector at large. “At the same time, competition has intensified, and we have seen more players entering this

space, predominantly the big local universal banks pushing into private banking.”

Narit adds that more of the firm’s assets under management are gradually becoming diversified into FIFs, or foreign investment funds, today whereas some 10 or so years ago almost all investments were local. The Thai regulators



NARIT KOSALATHIP  
Phatra Securities

have encouraged the growth of local feeder funds, which are locally approved entities housing foreign assets and with the NAV generally expressed in Thai baht, even though the real exposure that the client obtains is largely US dollar based, or perhaps based in other leading currencies.

Narit reports that of the roughly THB500 billion AUM held by Phatra, a figure equivalent to roughly USD15.6 billion, perhaps one third is mutual funds and of that one-third roughly 10% are exposed to global investments.

“Still to this day, only about 10% of our client assets in mutual funds are focused on the international investment market,” he comments. “This means that despite our rapid growth in the world of FIFs, it is from a meagre base a decade ago. We are really just at the start, there is far more to achieve and the trend is still towards diversification.”

He adds that many of Phatra’s more prominent clients - the top tier or HNWIs and ultra-HNWIs - already have global private

banking accounts in Singapore, or in Hong Kong, so they do not tend to use local firms such as Phatra to diversify overseas. “These clients see us as a local player, with particular local expertise,” he comments. But while these types of clients are small in number, their assets are huge, so we continue to seek to diversify from local products to offer them an enhanced platform with greater choice and thereby boost our capabilities to serve these and other clients with a global perspective.”

Narit says that, quite simply, Phatra wants to be the best global private bank for Thai clients.

Phatra has an arrangement with a global private bank, whereby a client of Phatra seeking offshore investment will become a global private bank client if they want to open a global account. “But,” Narit explains, “it is Phatra who advises them, so essentially we are leveraging the global private bank platform to serve global investment for our clients who want to use their Thai baht onshore and target foreign investments.”

Although there are tight exchange controls on the country, the Bank of Thailand regulations for qualified investors allow for firms to obtain approval of the outward remittance of money for the client. “It is all totally transparent and easy to handle,” Narit adds.

The other option Phatra offers its onshore clients seeking international exposure is via direct investment. In order to buy specific overseas shares, for example an ETF or a single stock, the firm offers a basic trading low-cost platform sourced from Saxo Capital, and white labelled as Phatra’s own platform.

“And on top of this,” Narit

## Key Priorities

To stay ahead of the wealth management competition in Thailand, Phatra Wealth Management has some key priorities for the year or two ahead. “First,” says Narit, “the firm needs to bridge the gap with the global players in terms of product and service capabilities. We are not going to be able to close the gap entirely, but we do need to bridge the gap in order to reassure the clients we have that we can help them in their global investment as well.”

Secondly, he reports the firm want to further build the capabilities of its people, especially the RMs. “As we have a broader platform with a more universal product, we need a more comprehensive product and service skill set, not just being able to explain the key product features, but also to really offer advice, be able to detect the client preferences, objectives, and come up with a proper solution.”

And the third priority is the platform and systems. “We might be very good at onboarding, working with product partners, and in other areas,” he says, “but we must upgrade the platform that will then be able to support our team in working very productively and efficiently, especially as we expand our range of products and services.”

notes, “we can offer the clients research papers where possible on individual stock and markets, whether it is from our partner Bank of America Merrill Lynch or through another third-party.”

To broaden the range and to enhance the quality of the firm’s mutual fund offerings, Phatra has in the recent past formed direct distribution agreements with six major fund houses namely Blackrock, J.P. Morgan, Goldman Sachs, PIMCO, Franklin Templeton, and Wellington.

“This,” Narit reports, “gives us direct access to their funds at lower cost for our clients and offers the clients a very wide

can now compete very well in the pricing and diversity of products we can offer to our clients.”

Another area the firm is increasingly focusing on is private equity. “Here,” he remarks, “we might be a bit handicapped relative to the global private banks who have a direct connection with many more funds than we have, but at least we are working directly with one of the top three private equity firms, driven by some personal relationships of our top management. In the third quarter this year, we should be able to offer considerably more private equity opportunities to our clients.”

**“We now offer very considerable capabilities in this space,” he reports. “As Phatra is also one of the leading investment banking firms, we work on many listings of family businesses and we can take a view of the whole of a family’s wealth and succession plans. And for those smaller private businesses we can help the families with their organisation, their family constitution, and other key areas.”**

universe of opportunities, even with just these six houses. In the future, it might perhaps be 10 houses, but as you might imagine it takes considerable time to organise the arrangements with each of them.”

In a similar vein, Phatra is expanding the structured products range. Narit reports the firm has distribution agreements with active players in the region such as J.P. Morgan, Societe Generale, and others. “In this space, we

Narit explains that Phatra is also soon to upgrade its platform. The firm has thus far used its own proprietary platform, but for the next phase, Phatra plans to buy the core wealth platform which can offer the latest speed of onboarding new products and the latest technologies. “That is quite a big investment,” he says, “and a big project that should emerge in the second half of this year.”

Narit also explains that the range of advice and services is increas-

ing all the time. He zooms in, for example, on the family wealth side of the private banking equation.

“We now offer very considerable capabilities in this space,” he reports. “As Phatra is also one of the leading investment banking firms, we work on many listings of family businesses and we can take a view of the whole of a family’s wealth and succession plans. And for those smaller private businesses we can help the families with their organisation, their family constitution, and other key areas.”

He adds that parent company, Kiatnakin Bank, also has a specialisation in property development and boasts many SME property developers as their clients. “So,” he says, “you can see that we have broad advisory capacity beyond the normal financial investments, and we recruited some experts who specialise on the family structure and all those important areas.”

As to growth potential in Thailand, Narit is not worried about any ongoing political instability, or confusion. “Wealth creation in the country has been remarkably strong despite 10 years or more of relative instability,” he observes. “The leading business families here are very smart, not just at surviving, but in creating new business opportunities, whether locally or overseas. I therefore do not see any real interruption to the wealth creation among Thai HNWIs.”

Wealth transitioning to younger generations offers further opportunities, even if it will produce some strains for wealth businesses and their historical relationships with the founder or second generation business leaders.

“The key here,” Narit says, “is to maintain relationships at the

family level, not just the key person who holds the wealth today.”

He also notes the firm’s summer internship programme for university students. “Many of those who take up this popular programme will later inherit or receive the money from their parents, take over or become involved in leading businesses and so forth.”

He adds that the programme is aimed at anyone, whether they eventually want to be a doctor or architect, to learn about finance, about managing money.

“At the end of five weeks,” he explains, “our structured training programme should have helped them comprehend the key concepts of money managing

and asset allocation.”

Narit believes Phatra is in an advantageous position as one of the biggest local players. “We have a leading brand and strong and expanding presence,” he says. “We are very forward-thinking. Looking at the big picture here, we can observe there is no more onshore/offshore debate in more mature markets such as Singapore. It is one proposition, and we can provide clients here a complete wealth management offering. We want to be that kind of mature private bank for local people as they grow through their lives.”

He adds that Phatra’s stability derives from its position as one of the three strategic, core pillars

or Kiatnakin Phatra Financial Group, the other two legs of which are credit businesses and investment banking. “Our private banking pillar is very significant within our group, whereas if you look at the universal banks, private banking may be only 10% to 15% of their business.”

Narit concludes by adding that Phatra therefore has the scale, reach and ambition to compete not only with any of the global private banks in Thailand, but also with the heavyweight local universal banks as they continue their thrust into wealth management. “We are not only an established and large local player in this space,” he says, “but we are also experienced enough to be smart and nimble.” ■

