

Increasing its weighting in international markets

Yingyong Chiaravutthi, Head of Investments, Prudential Life Assurance Thailand tells Hubbis why his firm is looking outside the country for real returns.

PRUDENTIAL LIFE ASSURANCE THAILAND is increasing its weighting in international markets, according to Chiaravutthi. “What we can get for yield in the local market is about 3.5%,” he reasons. “And we think in the international space we could get a higher yield, maybe around 4% plus/minus.”

“As a plus, in overseas markets, you could get a longer dated bond,” he adds.



YINGYONG CHIARAVUTTHI
Prudential Life Assurance Thailand

Whereas in the Thai market, the choices are between a short-term corporate bond or a very long-term government bond, he laments.

Locally, the firm does not really invest in any funds locally. “For offshore market, we usually prefer ETF at this point, because it’s pretty quick concerning our strategy to get in and out,” he says. “And we can get the approval pretty quickly as well because it’s a very passive mandate.”

Prudential Life Assurance in Thailand currently has USD2.5 billion in managed assets, predominantly in the local fixed income markets.

“We have about 5% in local equities, and within the remaining 95% of the fixed income, we have about 5% of it invested offshore,” he says. “The remaining 90% is in the government bonds and local corporate bonds.”

Within that offshore space, the firm is looking for investment grade bonds that actually can offer attractive returns versus what the firm can get locally, according to him. “We plan to continue to expand offshore investments from 5% to around 15% within the regulatory remits that we have,” he says. “We are looking at Asian investment-grade bonds and globally diversified investment grade fixed income funds.”

According to him, Thailand’s local market has a lot of structural problems. “For example, in the local corporate bond market we are facing very limited issuances of long-dated corporate bonds,” he explains.

“This segment is dominated by banks, telecom, and energy,” he adds, pointing out how the banking sector, for example, is not really in the high growth stage, and banks are thus not really in a hurry to raise a lot of long-term capital.

Similar challenges exist with the telecom and energy sectors, and so firms like Prudential are “facing a limitation of supply,” he says. ■