

K-Asset's Executive Chairman: Ready for the Challenges and Opportunities Ahead

Vasin Vanichvoranun is Executive Chairman of Kasikorn Asset Management, which in 2019 was the market leader in mutual funds in Thailand and which today has more than USD44 billion of total assets under management. Vasin met with Hubbis recently to offer his invaluable insights into the wealth management industry in Thailand and how K-Asset is positioning itself to remain at the cutting edge of the business in the decade ahead.

Vasin first addresses

the evolution of the Thai wealth management industry, as he sees it from his vantage point. "My first comment is that penetration rates here remain actually rather low," he observes. We estimate there are around 1.5 million active mutual fund investors in the country, even though the number of accounts is, in fact, closer to 6 million. Similarly, we have about 16 million people in the workforce, but only 3.3 million enrolled in the country's provident fund scheme. So, as you can surmise, there is much to do to improve the position of Thai people regarding future planning, proper investment and wealth management in general."

Nevertheless, at the upper levels of wealth, those individuals who would qualify for some level of private banking coverage, they are well incorporated and well covered, he adds. "Accordingly," he comments, "we need to boost the number of investors generally in the mutual fund industry here, using all means at our disposal, including digital channels, especially as the number of physical outlets, the branches, are generally being trimmed down across our competition. Digital is the lowest cost access to the clients, while the physical route is of course more expensive."

Vasin highlights the National Digital ID Project, which is forthcoming, and that should mean a dramatically improved onboarding process and time in the future. "This," he says, "will, we believe, help the mutual fund industry, as it will make it that much easier for customers to open accounts and for the banks to authenticate and so forth."

Vasin's Key Priorities

"Our overriding priority is to win more customers, to increase our market penetration," Vasin reports. "There are two key elements, first the provident fund, where we are aiming to accelerate customer onboarding. For example, if we approach one company, we might bring in 50 new clients, which is far more efficient than trying to win customers one by one. We are also pushing the mutual funds segment, which is the largest portion of our business and where we are the market leader in Thailand. To achieve these goals, we are moving ahead with more physical and digital marketing and delivery."

Vasin elaborates on this, remarking that the overall mission is to pitch these developments to customers against the backdrop of being a solutions provider for clients, and to help Thais achieve financial security and freedom at the earliest possible time. "The combination of well-devised provident and mutual funds can help them achieve exactly that – financial stability and security for their futures," he reports. "It is all about the right ways to penetrate the market and address the customers' needs."

Another priority is to enhance multi-assets capability using quantitative models in order to create effective solutions rapidly. "Using the latest information technology tools such as AI and analytics will help us build an even more robust fund management operation," he says.

CONSERVATISM RULES

Another factor he points to is that, in general, Thai investors are quite conservative, and the wealth industry has for some years been attempting to migrate funds away from the deeply embedded preference for deposits, he says.

"There is a shift taking place towards the formation of more balanced portfolios for investors here, but it is a very gradual process," he observes. "There is also a shift from fixed income, or very defensive products, more towards wealth creation investments such as the provident fund and mutual funds, but also gradual. There should also be more diversification to offshore

investments, as the local stock and bond markets are not sufficient enough to generate proper risk adjusted return, largely due to slow growth of Thai economy."

TAILORED FOR THE MARKET

He highlights some products the firm has been trying to tailor to draw more investment money into funds. He refers, for example, to the award-winning K-Guarantee-Fund-A, which closed in February 2019. "It was the first multi-asset guaranteed fund, with Amundi and Credit Agricole, their parent bank, as the guarantor," Vasin notes. "It performed very well among local investors as it catered to their risk appetite."



VASIN VANICHVORANUN
Kasikorn Asset Management

Vasin has a very clear perspective on financial literacy in Thailand and the ways in which this can be enhanced in the years ahead. “I feel that financial literacy has to go in tandem with investment,” he comments. “The private banks and the asset management firms can work well through the relationship managers to educate customers and to build the customers’ investment and financial understanding hand-in-hand, as this is a very good way. However, we must also do this omnichannel, as the physical channel via the RMs is, of course, limited in numbers and reach.”

GOING OMNICHANNEL

Omnichannel, he elucidates, should be delivered in such a way that it is relatively personalised to everyone, so, for example, the digital channel would allow for that segment of customers to also dial into a call centre if they need more information or specific advice.

“And if they also want to see the relationship managers, they can just come to the branch or outlet,” he elaborates. “Actually, we are remodelling our business to be

Getting Personal with Vasin Vanichvoranun

Vasin Vanichvoranun is Executive Chairman of Kasikorn Asset Management Company (K-Asset). He is CFA Charter holder with diverse experiences as a mechanical engineer, an investment banker, and, prior to assuming his leadership with K-Asset, an Executive Vice President responsible for Corporate Business at Kasikornbank PCL.

He even finds time to act as Chairperson of the Association of Investment Management Companies in Thailand a role he took on first in September 2018. Since then, he attempts to accelerate sustainable industry growth in promoting ESG investment adoption, ease of access for retail investors, and centralized infrastructure, which, in turn, will be translated to benefit of investors.

Vasin has been in his current role at K-Asset since January 2015. Before he set out on his impressive career path, he received his Master of Business Administration in Finance and Banking from Sasin Graduate Institute of Business Administration. His pastimes have shifted away from golf to cycling and running. Due to the serious accident whilst cycling 3 years ago, running, especially marathons, are now taking his most free time. According to Khun Vasin, running a business is similar to running in a marathon - they both need passion and determination.

able to provide omnichannel in the future and to be more proactive. However, we have to be careful if this approach will be successful, largely because the customers below the private banking segment or the affluent segment clearly have less to invest and the cost-to-benefit ratio must be carefully monitored, as it will not be a one-to-one ratio.”

BUILDING THE BRIDGES

Last year, when Hubbis met with K-Asset’s First Senior Vice President of the Strategic Planning Division at the time (this individual has since changed role), it became clear just how much effort and investment K-Asset was making to target middle-income customers in particular

via digital channels, including the mobile app for transacting, and even for the advisory service. “We have been continuing to invest in digital, and making good progress,” Vasin reports.

Vasin explains that with the firm’s enhanced advisory proposition, the clients are risk profiled, and then they would be guided towards investment in certain types of products and models, as a result of their preferences.

“We then follow-up and give them advice, for example on a quarterly basis they would be provided with some alert, through the app, to report the IRR they have achieved, what they might have expected, or suggestions for higher returns based on their risk profile and

our advice,” he clarifies. “This is all about the mass customisation of advisory on wealth planning.”

MAKING RETURNS

He adds that the advice is free, but fees are then embedded with the management fee for products they buy, with trailer fees divided appropriately amongst the distributors as well, for example KBank itself, or TMB.

mutual fund mobile application, K-My Funds, and the pension/provident fund app, K-My Provident Fund.

“Using these apps,” Vasin reports, “our mutual fund and provident fund members can log in, see their statements, their returns and even switch between funds. As there is a retirement calculator built-in, they can make a continuous assessment of their

“We are certainly making every effort to boost our proposition and to be ever more focused on the client needs and the market’s evolution. And as explained, we will boost our capacity via digital and physical channels and launch new general and alternative funds, such as private equity funds, with a total of more than six funds covering all target customer groups in the coming months, including bond funds, Thai equity funds, foreign equity funds and mixed-asset funds.”

K-Asset is also enhancing its use of data analytics to mine more deeply and accurately into the client’s financial activities and then tailor ideas and solutions to their needs as well as to their patterns. Ongoing monitoring of investments and activity, aided by digital, then helps K-Asset keep on top of the clients’ latest situations.

“This all leads to greater sensitivity to the clients, and greater loyalty from them,” Vasin reports. “Moreover, it often helps us achieve enhanced revenues as loyal customers come back for new products more often.”

‘APPY DAYS

Vasin also highlights how the firm has been working hard on its

needs and how their investments are helping them achieve their personal goals.”

Vasin addresses the issue of driving more revenues via needs-based conversations and then the delivery of relevant advice, products and solutions. “This is a very important matter to address,” he comments, “and this is a discussion we often have with the SEC, which is trying to promote the practice of payment for advice rather than transaction-driven revenues dominating. But realistically, it remains debatable which model is better, as Thai people historically do not greatly want to pay for advice, even though it might be good advice.”





MOVING THE MODEL ALONG

He expands on this, adding that the ongoing debate in Thailand also focuses on whether the market shifts more to a solutions-based model rather than product by product, transaction by transaction.

“I do think the market will evolve to include more advice-based revenues and more solutions-based income, it really has to be both elements,” he comments. “At the same time, the providers offer products and solutions that encompass a broader risk protection element, especially in highly volatile market conditions. But it is challenging for the providers and distributors to offer the right products and solutions that blend return and risk management, and they are often more complex for the customers to understand.”

BUILDING DIVERSIFICATION

Vasin explains that the general market conditions – even before the March 9 global sell-off – have been difficult, resulting in a lot more caution amongst Thai investors. “They have been looking for less volatile products, including fixed income related products, and we see some gradual willingness to move more towards a multi-asset portfolio approach in order control the overall volatility of the fund and in order to obtain more predictable returns. I think that will persist for the next year at least.”

“Even before the virus chaos around the world and the oil price collapse, we predicted investments were poised to deliver lacklustre returns in 2020 because of the many uncertainties obscuring prospects,” he adds. “There are many negative factors globally, and meanwhile even low interest rates are expected and for longer, while Thailand’s economic slowdown

will put pressure on outflows in the equity market, especially with the collapse in tourism due to this virus. Leading economies will continue to maintain their loose monetary policy in the form of low policy rates and liquidity injections via bond purchases, even more so now, with the aim of sustaining economic growth over the near term. With all these uncertainties in the backdrop, the need for investment diversification becomes even more important, we feel.”

RISING TO THE CHALLENGES

Fixed income funds, moreover, have been hampered by changes to the tax treatment, whereby they are nowadays subject to a 15% withholding tax. This represents a challenge because in the low yield environment and amidst global anxieties, yields are compressing all the time. Vasin maintains that this all makes investing in balanced mutual funds containing stock, bond and sometimes money-market components, or multi-asset funds even more compelling as the right way forward to manage risks and adjusted returns at this time.

He also highlights the new Super Savings Fund (SSF) that has been created to supplement the LTF, which stands for the Long-Term Equity Mutual Fund and the RMF, or the Retirement Mutual Fund.

“When the market has been so volatile, we normally see investors subscribe to an LTF, and the SSF will add another tax-incentivised product from the government to help investors take a long-term perspective on their investments. This aligns generally with the trend we are gradually seeing towards longer-term investment horizons and a more diversified approach to portfolios.”

OPENING MORE DOORS

Vasin notes that K-Asset has since 2017 also been working on distribution outside K-Bank via external parties, most notably TMB Bank. He explains that the firm is in principle receptive to work with third-party distributors, provided they are professional and committed to K-Asset's products, which he believes are both very competitive and well suited to the market. "We see a future in which our competitors adopt an increasingly positive view of open architecture, as we are ourselves," he says.

K-Asset predicted in late 2019 that its AUM for 2020 should rise by about 6% in 2020, although that was before the Covid-19 crisis struck Asia and then the world with such force.

Regarding K-Asset's 2019 operating performance, total assets under management (AUM) reached THB1.36 trillion, the equivalent of almost USD44 billion. Of the total, THB1.02 trillion was the investment in mutual funds, THB177 billion in provident funds and THB163 billion in private funds. K-Asset ranked in the top spot in the mutual fund market in 2019.

READY FOR THE NEXT STEPS

"We had hoped to raise AUM by 6% in 2020," Vasin reports, "but with these global events taking place we will just have to hope and wait and see. We are certainly making every effort to boost our proposition and to be ever more focused on the client needs and the market's evolution. And as explained, we will boost our capacity via digital and

physical channels and launch new general and alternative funds, such as private equity funds, with a total of more than six funds covering all target customer groups in the coming months, including bond funds, Thai equity funds, foreign equity funds and mixed-asset funds."

The rapid expansion of private wealth at the upper levels in Thailand and the continuing rise of the mass affluent market offer firms such as K-Asset great opportunities ahead, once the global volatility caused by Covid-19 and the oil price collapse dissipate. Competition is clearly intensifying, but listening to Vasin's insights, K-Asset appears to be well-positioned to benefit from the continuing rise of Thailand's economic power and private wealth generation for the foreseeable years ahead. ■

