

Products for the Thai wealth market in current market conditions

For the final panel discussion of the Hubbis Thailand Wealth Management Forum, a group of experts took a bird's eye view of the world of investment ideas to promote products that might best suit the current market conditions and the uncertain financial and geopolitical outlook.

These were the topics discussed:

- *What products do you have that you feel would be most valuable to clients in Thailand?*
- *What are your best and worst predications for this year?*
- *Multi asset, Income generation and liquid alternatives - what will be the main themes for 2018? What strategies will enable investors get higher returns today?*
- *Where do you now turn to drive long-term returns for a portfolio?*
- *What alternative investments are there for HNW clients and why are they relevant?*
- *What's the increasing role of Physical Gold?*
- *How will you help clients shift mindset, investing style and portfolio holdings as the market transitions to a more volatile end-of-cycle phase?*
- *Active vs passive*
- *Opportunities in structured products?*
- *How do you access China?*

THE DISCUSSION BEGAN WITH A PANEL MEMBER highlighting that the global ETF market is now valued at some US\$4.6 trillion and is the fastest growing financial instrument globally. He explained that the mutual fund market was worth roughly \$20 trillion and total fixed income assets around \$150 trillion.

“The ETF market is already substantial,” he said, “but as you can see it still has a lot of room for expansion.”

ETFs increasingly in vogue in Asia

He added that the ETF market is becoming ever more transparent, as is the wealth management market glob-

PANEL SPEAKERS

- **Terry Tsang**, Director, Financial Institutions Marketing Sales Asia, Commerzbank
- **Heena Mayani**, Business Development Manager, Global Precious Metals
- **Robert Hordon**, Senior Fund Manager, J O Hambro Capital Management
- **Tony Wong**, Head of Intermediary Sales, CSOP Asset Management
- **Rory Caines**, iShares Capital Markets, Asia Pacific, BlackRock
- **Leon Mirochnik**, Head of Business Development, Enhanced Investment Products
- **Joanne Siu**, ETF Sales Director, Samsung Asset Management



ally, due to tighter regulation as well as end-customer expectations. Moreover, fees will tighten, and this will help the ETF market in Asia, where thus far it represents only about 1% of assets under management (AUM) at the private banks, whereas the adoption rate in the global private banks is now in the range of 5% to 10%.

Another expert noted that fixed income ETFs have been growing in appeal for Asia's sovereign wealth funds and large portfolio holders, as well as smaller investors at the other end of the spectrum. "The large institutional clients look to fixed income ETFs because they can manage their fixed income inventory by moving bonds into the ETFs, exchange with ETFs shares and vice versa in and out. They can benefit from the secondary market liquidity to move in and out quickly and at a lower cost," he explained.

One panel member highlighted emerging market equities, accessed via hedge funds and long-only strategies and also an ETF platform on the Hong Kong Exchange. He noted that for his firm this was the fastest growing area, already accounting for between 20% and 30% of their AUM.

China in ever sharper focus

Another panellist highlighted the appeals of Asia-focused ETFs, especially those with a strong focus

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HEENA MAYANI
Global Precious Metals

on China. “China’s capital markets are opening up,” he said, “to give wider access to the world’s second-largest economy. ETFs are one of the most efficient means to access the China market.”

One specialist indicated that the focus on ETFs for China should be on diversified ETF asset allocation such as consumer stocks, US-listed Chinese firms, while steering away from the financial sector exposure, which has underperformed for several years.

The new China economy is an exciting concept, as consumer demand accelerates with the increasing wealth and urbanisation.

Numerous sectors are enjoying rapid expansion, from education to healthcare, financial institutions, and basic consumer spending.

“Education and healthcare is our main focus over the next quarter,” explained one China watcher. “We have active funds which have been running for more than seven years focussing on China’s new economy sectors. Even in 2015 when the MSCI China index was down by almost 8% the fund was actually up by 12%.”

“We have the only China ETF that exclusively tracks the US listed names,” another expert noted. “The inclusion of ‘N’ shares [Chinese stocks listed on the NYSE or Nasdaq] into the MSCI China Emerging market Index for the past 2-1/2 years has been a great development. Developments taking place mean that we will have ‘N’ shares listed across multiple exchanges. We think by having more direct and indirect access to these stocks their valuations should move closer to the US peers and could even surpass them in the next couple of years.”

The allure of gold

Precious metals such as gold are always higher on investors’ shopping lists in times of increasing volatility or uncertainty. “Access to the institutional bullion market helps investors employ gold as a hedge against their portfolio, or for estate planning, or simply as a liquid, hard asset,” one expert reported.



ROBERT HORDON
J O Hambro Capital Management



RORY CAINES
BlackRock

“It also allows for liquidity in other countries, perhaps for relocation, and also the gold is held outside the global banking system. Solutions can be tailored to suit all client needs.”

A gold ETF remains within the financial system and requires financial institution infrastructure to buy in and to trade out of it. And for those who want to play gold’s volatility, ETFs are more appropriate. Physical gold, in whatever quantity, is tangible and it can be delivered.

There are tried and trusted purchase, logistics and storage options now available across Asia Pacific and globally. Custody, trading, insurance and all other facets of buying, holding or trading physical gold are all in place.

As to location, clients prefer stable environments such as Hong Kong, Singapore, Switzerland, London. Storage can be in maximum security vaults that are segregated, or in passive high capacity safes. In the Asia region, the role of the Singapore FreePort has been increasing steadily in prominence.

Fixed income a stalwart

A panel member pointed to rising interest rates, increasing the relative appeal of duration-sensitive fixed income instruments. “The risk-reward is not yet fully there for owning an instrument such as a 10-year US treasury or a long-dated investment-grade bond, so we think the best rewards are in the high yield market, with our advice to buy specific issues where the investor can be appropriately compensated for the fundamental risks taken on.”

At the shorter end of the curve, he noted that cash reserves can be held for example in two-year US Treasuries rather than simply overnight commercial paper and money market instruments.

“With specialist funds and ETFs, individual investors can build fixed income diversity with relatively small investments. That was previously not possible for anyone other than a larger fund. Moreover, the diversity can be geographic, duration, corporate, sovereign and so forth. This gives these investors access to quality and diversity.”



TONY WONG
CSOP Asset Management

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LEON MIROCHNIK
Enhanced Investment Products



TERRY TSANG
Commerzbank

Data to mine out opportunities

The discussion closed with a panel member highlighting the role of big data technology to identify patterns and therefore opportunities. “We see that those stocks with lower overall media coverage perform less well than those with a more positive media coverage. In short, new technology will increasingly help investors.” ■

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JOANNE SIU
Samsung Asset Management