

Taking Thai investment solutions to the next level

The securities regulator has been progressive in facilitating a more open and international investment landscape. Key components of success in the wealth business today are quality of advice and breadth of solutions to match clients' needs, says Sornchai Suneta of Siam Commercial Bank.

With more access for the wealthy, Thai investors now seek advice and a wider range of investment products.

Finally a reality, bank platforms and advisory capabilities can develop to the next level.

“Rather than just be able to offer clients more product, we need to make sure we offer the right quality of advice,” says Sornchai Suneta, first senior vice president, CIO office, at Siam Commercial Bank (SCB).

This also correlates with the growing importance of managing risk in a much more fluid way amid the current returns-starved environment.

Such an evolution also ties in to the desire among local institutions to be able to quickly move beyond plain-vanilla products, to deliver tailor-made solutions also.

“We are pursuing the direction of open-architecture platforms,” says Suneta.

At the moment, the bank offers a wide and deep product range, from simple money market instruments to structured notes, and a wide range of bonds from plain to perpetual.

It also has complex products such as alternative assets and hedge funds; and through its hedge funds, it gives investors access to many strategies.

FINDING A PRODUCT EDGE

SCB already provides a certain level of advice to its wealthy clients on the market outlook and investment options.

It then seeks to propose tailor-made strategies for them.

“It is important to offer [clients] a good mix between strategy and solution,” explains Suneta.



SORNCHAI SUNETA
Siam Commercial Bank

This year, Thai investors are on the lookout for strategies which give them a stable and consistent cash flow over the

long term. “They don’t view fixed income as a viable option in the current market environment of low yield,” he adds.

SCB’s approach to this over the past 12 to 18 months has included focusing on the alternatives spaces and absolute return, mixed-asset strategies.

“We gave advice to clients to consider more REITs, both listed and unlisted, infrastructure, and a mix of onshore and offshore asset allocation with absolute return targets,” explains Suneta.

“We add this to strategies in the portfolio which can create a higher cash flow, like high dividend-paying stocks or preferred shares.”

More broadly, the current absolute return platform provides a range of mixed assets to offer diversification – for example, local and foreign equities, high-yield products, asset-backed securities, local and foreign REITs, and also infrastructure.

For physical assets, the bank can refer clients to overseas partners, but it offers some advisory services for direct investments in property.

To fill the product gap, private equity and Lombard loans are still a work-in-progress and in the pipeline.

“Although, some Thai HNWs already hold offshore private banking accounts, we have our edge in Baht-denominated products, which is the major part of HNW allocations,” says Suneta.

A MORE MANAGED APPROACH

SCB also has a keen focus on doing discretionary portfolios for clients. In the same way as this works offshore,

clients give a mandate with specific guidelines. SCB’s portfolio managers then make the relevant investment decisions on behalf of these clients.

“For the upper segment, which is private banking in Thailand, already a reasonably large proportion of portfolios is held as deposits in bank accounts, fixed income, mutual funds, REITs, insurance and equities,” explains Suneta.

For the affluent population, the majority of their allocations is still held in a mix of deposit accounts and low-risk assets such as money market instruments.

Yet this is where SCB eyes a big opportunity, given the need of these investors for more diversification and higher returns.

SET FOR GROWTH

There are certainly good reasons for optimism in terms of the potential for developing a broader product offering in Thailand.

The Securities and Exchange Commission, for example, has been quite progressive over the past two to three years, says Suneta,

It has been opening up the market a bit wider as it brings it more in line with international standards.

“We have seen lots of developments in terms of more products and greater offshore access,” he adds.

And by allowing investments in hedge funds as of last year, there are a lot more opportunities in the market.

These are not only for investors, but also for collaboration between local and offshore asset managers, and therefore in the wealth management business.

“More variety means more scope to create higher returns and more diversification for clients,” explains Suneta.

GETTING UP-TO-SPEED

What’s important now, he says, is the required widening and deepening of education for the mass segment of retail

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investors. This aspect of the market is still lacking.

“If you look at the key issues that regulators are always concerned about, these relate to mis-selling,” explains Suneta.

“This is both from the seller’s side as well as from the buyer’s side.”

A knowledgeable investor base would reduce the number of such situations, he adds. ■