Thailand: Interesting and Relevant Investment Solutions for the Wealth Management Market

A diverse panel of investment and markets experts at the Hubbis Thailand Wealth Management Forum picked their way through various strategies that investors might consider, from multi-asset to China, to precious metals and resources. The overall impression

These were the topics discussed:

- *How do investors make money in markets that today are more volatile and unpredictable?*
- *Are investors interested in thematic equity ideas, infrastructure, environment, or other? Is the demand for Gold on the rise? What role should it play in a client's portfolio? Physical gold or paper gold?*
- *Options in money market alternatives?*
- *Are HNW clients increasing their engagement of ETFs and passive funds?*
- *Is China a key focus for investors in Thailand?*
- *Opportunities in fixed income and credit.*
- *Are structured products growing in prominence?*
- *The outlook for Asian and for global capital markets.*

PANEL SPEAKERS

- **Christophe Numa**, Director, Bunker Gold & Silver
- **Mehak Dua**, Business Development, GMO
- **Carmen Cheung**, Head of ETF & Index Team, Samsung Asset Management
- **Tony Wong**, Head of Wealth Solutions, Sales & Product Strategy, CSOP Asset Management
- **Frank Benzimra**, Head of Asia Equity Strategy, Societe Generale

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THE KEY TAKEAWAYS

The "barbell" approach of yield and shield

One approach to the world of higher valuations and higher volatility is the barbell strategy seeking some yield with moderate volatility, which is available in some emerging market bonds, and selectively on the credit and equity markets. "Shield" or protection is available in US Treasuries, but with 10-year yields at about 2.5% it is expensive. Gold is appealing as it is dollar-denominated. Selectively, Chinese government bonds are an attractive alternative.

Precious metals shine

The world of precious metals has produced solid returns for investors, including gold, platinum and palladium, and silver. The buyers are traders and those who look at value on a longer-term basis, especially in physical gold, in other words holding bullion.

Gold as a portfolio protector

Gold as a portion of the portfolio - in the region of 5% to 10% of holdings - acts as a non-correlator diversification that also therefore protects portfolio performance when traditional, mainstream financial markets weaken.

Moving multi-asset and multi-strategy

An expert whose firm was founded back in 1997 and is based on the premise of intrinsic value argued that multi-asset mitigates risk via diversification. Some of the portfolio in equities, a portion in fixed income, some alternatives and also spread across different countries and regions. In one particular fund, this expert highlighted, the allocation is 40% in equities, but zero in the US due to high valuations, and overweight in Europe and emerging markets. Fixed income is skewed towards the US and there is a large slice of alternatives. The investor with a longer-term horizon is most appropriate for this type of approach.

The Chinese money magnet

As China's capital markets open and as more foreign money flows in, an expert noted that Thai investors have a growing interest in active and passive strategies, including ETFs, to access this world of Chinese opportunity.

China in the spotlight

An expert highlighted how the equity risk premium investors are demanding to hold the Chinese equity is amongst the highest in the world, but it has been compressing as the economic and earnings cycle are more encouraging and therefore positive as a diversification play. However, the trade conflicts resonate and confuse investors, although if it appears that the US stance is simply a means of extracting further concessions, then China is a buy.

China's policies: encouraging participation

Whatever the trade or other headwinds, China has policy at its hands and plenty of firepower. They are pushing infrastructure, 5G, energy network, the lithium battery network, the railway network, and consumption is driving the new economy. Moreover, the pace is dramatic, for example, Shenzhen s GDP overtook Hong Kong in just two decades. There are tax and liberalisation moves in the capital markets to further encourage foreign participation.

Eyes on China's 5G development

The 5G infrastructure will be fascinating to watch in China, according to one expert. All the biggest names, such as Alibaba, Baidu.com and many others are deeply involved and the implications are there to see for so many industry sectors, from communications to healthcare, logistics and many others. The development of the New Economy means the Chinese internet companies are no longer just technology subsector, they are ever more deeply embedded in the whole economy.

Playing the themes

One guest highlighted thematic plays on climate change, the environment, clean energy, electric vehicles and other alternative strategies as a key secular trend. As money managers, he said they seek stocks to play these themes but with appropriate valuations, including in early-stage private companies and pre-IPO firms. But he advised that investors taking up these themes should be patient as the true value will only emerge over time.

Resource-based strategies to the fore

An expert highlighted the value of buying into publicly listed resources, including metals and mining and commodities, as a portion of the portfolio. Most people, he said, tend to obtain resource exposure through the private sector because public assets are so volatile, but as a bolt-on to a well-constructed, multi-asset portfolio and based on buying value when available, it is well worth considering.

Stay invested in equities, but diversify

A solidly diversified portfolio is advisable, with one expert noting that the outlook for equities is sufficiently positive to keep 40% of his firm's global allocation in stocks. But there are issues out there, including the maturity of the US investment cycle, the lack of visibility on the next US presidential cycle, the sustainability of China growth beyond 2020.

FRANK BENZIMRA
Societe Generale

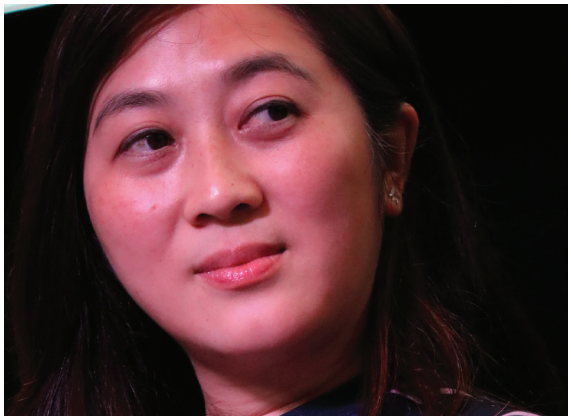
AN EXPERT BEGAN THE DISCUSSION BY explaining that his global asset allocation team propose what he called 'barbell' strategies to cope with the current environment.

"We are proposing a strategy of seeking yield with some moderate volatility, so we look at the carried volatility and we find this assertively on some emerging market bonds, we find it selectively on the credit and on the equity market as well. We also seek what we call 'shield', to be protected, but where do we find that? In a large part in US Treasuries, but at around 2.5%, it starts to be expensive. We also include because of the view that we are taking on the US dollar and because of the economic readings that we are making today, and we have some more selective assets, for example Chinese government bonds is one of them and we have long volatility."

Gold still a play despite low/no inflation

He added that although inflation has been missing recently and the dollar strong it does not mean investors should ignore gold. "On the contrary," he said, "we have gold in our model allocation portfolio, and we are even overweight gold given the long-term challenges that we see for the dollar and fiscal deficits in the US."

Another guest highlighted the appeal of gold, observing that precious metals had produced solid returns for investors, including gold, platinum and palladium, and silver. The buyers



CARMEN CHEUNG
Samsung Asset Management

CHRISTOPHE NUMA
Bunker Gold & Silver

are traders and those who look at value on a longer-term basis, especially in physical gold, in other words by holding bullion.

Gold as a portion of the portfolio - in the region of 5% to 10% of holdings - acts as a non-correlator diversification that also therefore protects portfolio performance when traditional, mainstream financial markets weaken.

China: some compelling reasons to participate

The discussion turned to China. "Growth is stabilising there due to an effective mix of fiscal and monetary policy easing," opined one expert. "The equity risk premium, the additional premium investors demand to hold China equities, is among the highest in the world. But it is a downward trend since the start of the decade, and now stands at just 7%, which is a positive. From an allocation perspective, mainland equities are a great diversifier due to their low correlation to world markets and also due to the enormous size and liquidity of the market."

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He noted that there are risk events potentially, including the trade war. "But trade war or not," he commented, "the big story in China is the rebalancing from investment to consumption. It has a lot of implication for China assets, because although they are often expensive, they offer growth. Government bonds appeal in the context of a loosening monetary policy, a softer economy beyond 2020 and more foreign participation."

MEHAK DUA
GMO

China for diversification

He also highlighted the view that for the foreign investor, the Chinese market offers excellent diversification. "When you observe the beta compared to global markets, compared to the S&P 500," he commented, "what you find is that you have some South Asian markets, the Philippines and China, as examples, having this kind of very low beta and given the massive investment opportunity set and the openings that we are seeing for the non-Mainland investor, this diversification benefit is something that we like."

Another panellist who is a keen proponent of China investments focused on the appeals of directing the foreign investor into China. "As you all may know, China is a complicated and complex market, it's hard to understand," he said, "so our role is as a helping hand to just navigate the market through. We not only offer actively managed funds but we also have passive investment as well, and we are one of the top ETF issuers in Hong Kong."

ETFs offer tidy entry points

Another guest picked up on the ETF theme, noting that her firm offers six ETF strategies in Hong Kong, some of which can provide short-term tactical solutions to trade on the volatility and we also have long-only product.

Whatever the trade or other headwinds, a guest noted how China has policy at its hands and plenty of firepower. They are pushing infrastructure, 5G, energy network, the lithium battery network, the railway network, and consumption is driving the new economy. Moreover, the pace is dramatic, for example, Shenzhen's GDP overtook Hong Kong in just two decades. There are tax and liberalisation moves in the capital markets to further encourage foreign participation.

Here comes China's 5G

The 5G infrastructure will be fascinating to watch in China, according to one expert. All the biggest names, such as Alibaba, Baidu.com and many others are deeply involved and the implications are there to see for so many industry sectors, from communications to healthcare, logistics and many others. The development of the New Economy means the Chinese internet companies are no longer just technology subsector, they are ever more deeply embedded in the whole economy.

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The right time for multi-strategies

Turning to the value of a multi-strategy, multi-assets approach, an expert whose firm was founded back in 1997 and is based on the premise of intrinsic value argued that multi-asset mitigates risk via diversification. Some of the portfolio in equities, a portion in fixed income, some alternatives and also spread across different countries and regions. In one particular fund, it was highlighted that the allocation is 40% in equities, but zero in the US due to high valuations, and overweight in Europe and emerging markets. Fixed income is skewed towards the US and there is a large slice of alternatives. The investor with a longer-term horizon is most appropriate for this type of approach.

TONY WONG
CSOP Asset Management

Another expert commented: "Yes, investors can make money via a multi-asset strategy as volatility and market uncertainty increases. This is precisely in this kind of environment that multi-asset investing makes sense. Today, the market is short VIX and the volatility is at a record low. We need to be prepared, as I said earlier, with the barbell strategy between yield and shield."

Thematic plays

The discussion moved on naturally to thematic and secular strategies, with a value investor stating that environmental themes offer value opportunity as their growth should exceed normal averages. He highlighted thematic plays on climate change, the environment, clean energy, electric vehicles and other alternative strategies as a key secular trend. As money managers, he said they seek

stocks to play these themes but with appropriate valuations, including in early-stage private companies and pre-IPO firms. But he advised that investors taking up these themes should be patient as the theme is in fact more secular - true value will only emerge over time.

Another expert pointed to robots as an interesting thematic play, not only at the manufacturing level but in a broader sense such as AI application in mainstream businesses. "And in Asia," he commented, "the G of ESG, in other words governance, is also a long term idea that we like, especially in Japan, but on a longer-term view also in Korea, one of the cheapest markets in the world."

Resource-based strategies

An expert highlighted the value of buying into publicly listed resources, including metals and mining and commodities, as a portion of the portfolio. Most people, he said, tend to obtain resource exposure through the private sector because public assets are so volatile, but as a bolt-on to a well-constructed, multi-asset portfolio and based on buying value when available, it is well worth considering.

Stay invested

Closing the discussion, an expert commented on the global equity market. "The good thing about global equity markets," he noted, "is that the market positioning has been low, so especially in Europe, but even in the US we have seen a 'flowless recovery' and in emerging markets the positioning has been much stronger on the debt than the equity market. Another positive is the fact that US-Treasury yields have fallen a lot, hence improving the equity valuation in the US. Nevertheless, you have big challenges, such as the maturity of the US investment cycle, the lack of visibility on the next US presidential cycle, the sustainability of China growth beyond 2020." And with that he concluded that his firm's position is to hold 40% of global asset allocation in equities. ■