

Thiyachai Chong on a Vision of Financial Inclusion in Thailand's Wealth Management Market

Thiyachai Chong, Head of Phillip Asset Management in Bangkok, is a believer in the power of innovation in wealth management. Although small, he is directing his firm to the cutting edge of fund management, devising some unique, high-profile funds that offer private clients in Thailand diversification and a well-balanced approach to risk and return. In the populous SE Asian country where his 95-year-old Thai grandmother lives – she was his inspiration to return to Thailand – and who is still fit and well to this day, Thiyachai has a living example of smart financial planning and its effect on well-being. He met with Hubbis to offer his insights into the wealth market's evolution and his corporate and personal missions.

PhillipCapital is an international integrated Asian financial institution that offers a full range of financial services to corporate, retail and high net worth individual and family offices. Founded in 1975, it has presence in 15 markets globally in Australia, Cambodia, China (and Hong Kong), France, India, Indonesia, Japan, Malaysia Singapore, Thailand, Turkey, United Kingdom, United Arab Emirates, USA and Vietnam. The firm has assets under custody and management in excess of US\$35 billion, with shareholders' funds of more than US\$1.5 billion.

Thiyachai Chong is head of the group's Thai asset management business, having first moved to Bangkok – he is half Malaysian and half Thai – in 2017 to work initially with Phillip Securities.

He is clearly relishing the role he has today. He explains that PhillipCapital is highly focused, integrated financial services company, both worldwide and in Thailand, where aside from his asset management arm, it also operates a well-established securities brokerage business. The group also offers insurance through Phillip Life Assurance, as well as controlling a leasing/factoring businesses, and an IT company.

Thiyachai reports that the firm has 3,895 financial advisers in Thailand, all of whom work through the Phillip Securities business, some on payroll and many as commission-only agents in the form of independent financial advisers, or IFAs. In addition, Phillip Life Assurance also has 3,571 licensed insurance agents. As to distribution, the firm also partners with some 24 different distributors, including other brokerages, robo-

advisors, financial advisors, and bank linked distributors.

“My role here encompasses the asset management business Phillip Asset Management Company,” Thiyachai explains, “which is primarily mutual funds, while I also sit on the board and investment committee of Phillip Life Assurance, manufacturing and selling life insurance. As a group, we have been particularly diversifying towards such growth areas as needs-based wealth management in Thailand, and digital banking in Singapore.”

“But we are competitive,” he states, “and believe we offer some valuable products and solutions, tailored to the needs of the wealth market as it evolves here. Moreover, through this role, I can fulfil one of my ambitions, which is to help the spread of financial education, financial planning and financial inclusion across more and more people in Thailand.”

He explains that the asset management business in Thailand is a small player in a market utterly dominated by the big Thai banks here. “But we are competitive,” he states, “and believe we offer some valuable products and solutions, tailored to the needs of the wealth market as it evolves here. Moreover, through this role, I can fulfil one of my ambitions, which is to help the spread of financial education, financial planning and financial inclusion across more and more people in Thailand.”

For Phillip Asset Management Thailand, he reports, his product strategy is to create best-in-class investment products, leveraging the firm's global know-how and network. This strategy, he says,

is evidenced in microcosm by the success of the Phillip World Innovation Fund (PWIN), a fund of funds that was launched on the 5th of October 2018 and that is listed locally.

“Part of the reason why we are one of the best performing Global Equity Fund in Thailand this year,” he says, “is due to PWIN's investments in Biotechnology, Genome Sequencing and Cloud Computing, which we believe in as core strategic themes, and which have held up very well, even during the Covid-19 market correction. This is typical of our

approach to offer something more unique, more tailored, and we will be following up with more such funds and funds of funds in the months ahead.”

He elaborates on the concept, explain that the firm had long been focusing on the FAANG bets - Facebook, Apple, Amazon, Netflix, and Google. “And the next step was what we saw as the next cycle,” he explains, “so we wanted to bring into the Thai market some innovative themes that investors had still not quite caught onto.”

Accordingly, PWIN filters and captures five megatrends they identified, namely internet innovation, industrial innovation (including robotics and automation),



THIYACHAI CHONG
Phillip Asset Management

biotech and genomics, as in genome sequencing, biopharmaceuticals, cybersecurity and e-sports and video games. "It's an active fund of fund, which means we are constantly adjusting it according to market conditions," Thiyachai notes.

Thiyachai explains that the focus of the asset management business is primarily mutual funds, largely fixed income and equities, with some alternatives as well. "And PWIN, he says, is a core example of what we have been aiming to create, some flagship funds with some real specialisation, differentiation and innovation. The asset management segment outside of the banks in Thailand is rather small, the banks have what is almost a monopoly, so when I took this role on, my mandate was to differentiate ourselves in this challenging environment, and I believe we are well on the way to achieving that."

He adds that creating a strong family of best-in-class funds, especially in the recent market environment in the past year or more, is allowing the firm to build an ecosystem of products that can

Getting Personal with Khun Thiyachai

Born in Kuala Lumpur, his father is Malaysian, and his mother is Thai. After high school, he moved to Canada to complete his Bachelor of Finance at the University of British Columbia. He later completed a postgraduate exchange at the University of Cape Town in South Africa, in Developmental Economics under Nelson Mandela's original economic development team.

After that, he began his career at Abu Dhabi Investment Authority (ADIA), handling emerging markets equity investments. That was followed by a move to New York with Thomson Reuters for 7 years, working with the largest global banks, hedge funds and institutions such as the World Bank and the US Department of Treasury for them.

He then moved to Bangkok in 2017 to begin a new role with Phillip Securities, first heading product and business development, and then in April 2018 took up his current role in charge of Phillip Asset Management.

"Financial inclusion is a key driver for me," he remarks, "and I saw the move back here as both fascinating professionally and also from the perspective of being able to help in that regard. As an aside, for example, the PhillipCapital Group owns one of the largest microfinance institutions in Cambodia, which is another area dear to my heart as these emerging economies develop."

Still single, he loves the outdoors, spending a lot of time in his earlier years enjoying mountain sports such as snowboarding in Canada and surfing in South Africa. In Asia, he enjoys scuba diving and free diving, and is still working on achieving a maximum depth of over 10 metres in freediving.

"It is almost like a meditative experience," he explains, "as it involves specialised breathing techniques. As you know, the financial industry can be quite stressful, especially recently, so this is a great sport and a good discipline. Part of the challenge is slowing the heartbeat down before the dive, so you use up oxygen less quickly."

Back on dry land, he also tries to meditate when he has time. "I learned from my Thai grandmother originally," he explains, "she is a World War II survivor, who despite having only primary 3 education, was determined to send my mother for her Ph.D., and at 95 years old is still pretty strong, living deep in the south near the Malaysian border."

be packaged into a needs-based wealth management solution, in conjunction with both internal and external partners.

Linking this back to the critical motivations for his working life today in Thailand, he explains that after many years overseas working for the Sovereign Wealth Fund of the Abu Dhabi Investment Authority and then for Thomson Reuters in New York, he had seen a great opportunity for financial inclusion. "PWIN and some other funds we are planning give people here exactly that, easy access to themes and concepts that they might not otherwise have been able to directly access," he comments.

"Banks might have all the branches on every street corner, and the critical mass to cover that high overhead, but technology can help us compete," he says. "Let's face it, using your smartphone for transactions is generally a much more pleasant customer experience than going anywhere near the average bank branch, and meeting their people, who may have little knowledge, or interest, or both."

He adds that this mission is in line with some of the key aims of the Thailand SEC. "We try to align our goal to theirs," he reports, "and they are quite clear in their objectives in terms of increasing financial inclusion, increasing transparency in the process."

But the fact remains that the market in Thailand is still very much controlled by the small cadre of powerful distributors – the big banks - who based on the Association of Investment Management Companies Thailand report on the 28th of February 2020 control somewhere around 90.23% of the market.

But there is some hope this will change, they explain. "Banks might have all the branches on every street corner, and the critical mass to cover that high overhead, but technology can help us compete," he says. "Let's face it, using your smartphone for transactions is generally a much more pleasant customer experience than going anywhere near the average bank branch, and meeting their people, who may have little knowledge, or interest, or both."

"So as we see it," he continues, "technology can significantly upscale the expertise available and so easily. The customer onboarding process can also

be conducted more efficiently and more rapidly, portfolios can be constructed efficiently and tailored more suitably to the client needs, we can tap more into the customer behaviour, we can target solutions and products more directly to the customer's pain point and needs. We can therefore compete, but not by building physical distribution, only by understanding the customer and anticipating the evolution of their needs and behaviour."

He underlines how receptive the Thai regulators – both the central bank and the SEC are to dialogue with the industry. "They



are taking good steps in the right direction by realising where they are in terms of the evolution of the wealth management industry in Thailand versus the rest of the world, be it Singapore, the UK, the US, Australia, and so forth," he observes. "At a basic level, for example, why does it take two days of processing before the customer can actually redeem his fund? Of course, it is because when we buy certain securities with our counterparties or traders, it requires two days for them to process it and do the trade reconciliation."

"Nevertheless," he elaborates, "that can change, so we are working with the regulators on these kinds of upstream issues that often hinder the market's efficiency and

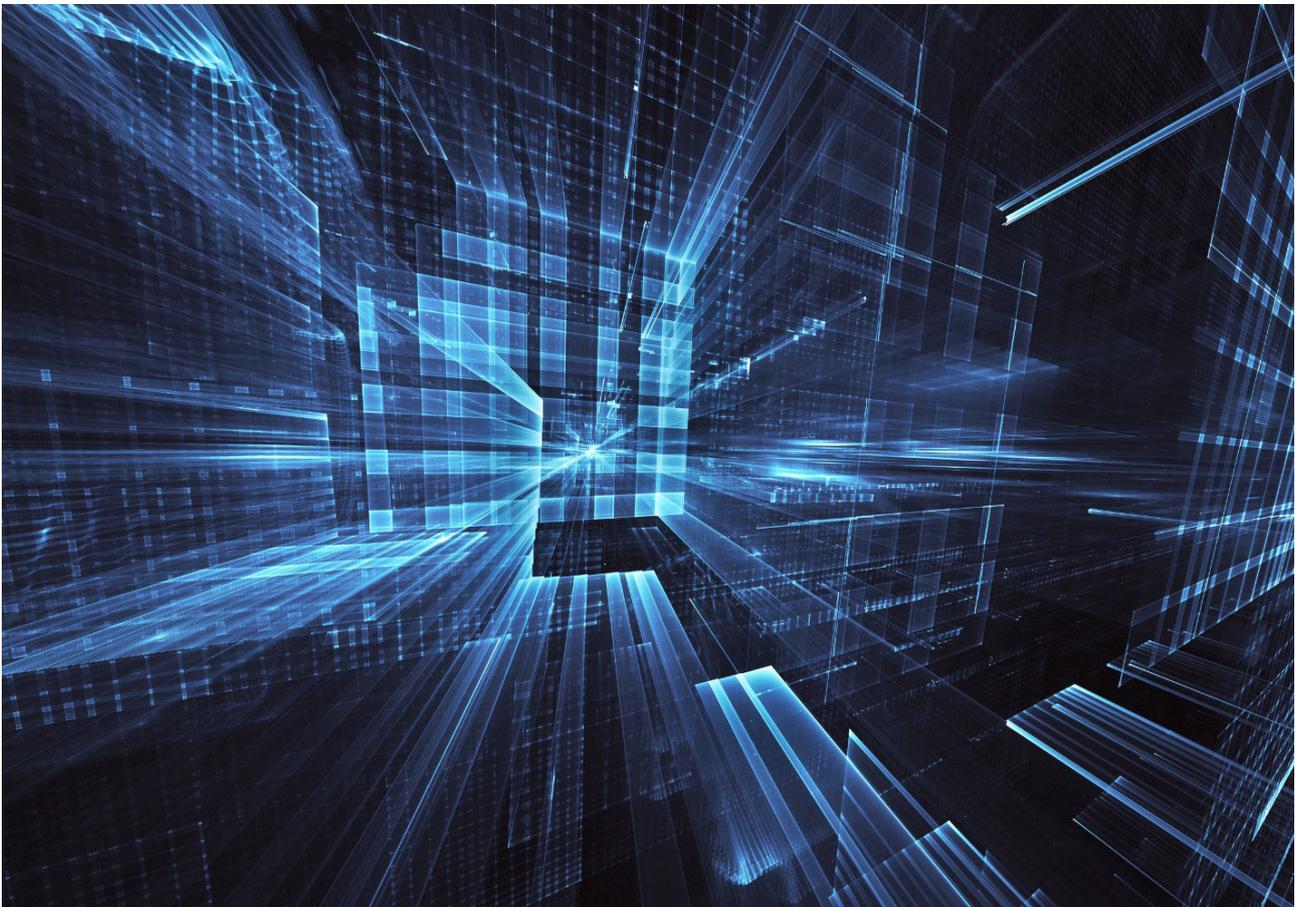
user-friendliness. We know, for example, that distributed ledger or blockchain protocols can change this dramatically, whereby these transactions could be essentially instantaneous. But the big point is that throughout the ecosystem there are just inefficiencies that could be greatly improved."

He expands on this theme, adding that the regulator is also proactive in considering a move towards a prototype of distributed ledgers, to see if it truly works in practice, rather than dismissing the parties that wish to promote it.

"We are keen to explore the applicability of blockchain to this market," he reports, "and we are also working on the account opening processes, which are a crucial pain point, to underscore to

the regulator how there are already better onboarding processes overseas, and to ask them to consider with the industry how they might actually be tailored to the Thai model. The regulator is again receptive, but at the same time, they do not want to compromise what it feels the integrity of the customer protection, which is of course, paramount."

Thiyachai is evidently not phased by the immense task ahead of him to build the asset management operations amidst such intense and growing competition. Through specialisation and innovation throughout all aspects of the business, Thiyachai and his colleagues are ready for the next phase of the Thai wealth market's evolution. ■



Key Priorities

Thiyachai's first priority is to tailor products and solutions to the needs of the market, which the firm understands well, with its end-to-end manufacturing in both asset management and life insurance.

"For example, right now," he reports, "we know clients are seeking protection from volatility, as well as some yield, especially after the surprise 50 basis points cut by the Fed. So the PWIN fund is a major example for us, and this has performed relatively well despite the COVID-19 concerns. In short, we try to be nimble enough to get ahead of the curve, so the first priority is to show our value, and with the markets so worried currently, this is an opportunity for us. We are achieving diversified products, lower correlation to the main indices, outperformance, and an improvement in risk exposures."

He adds that the next fund in the pipeline is a longer duration Thai Bond fund. "In this market," he explains, "there is typically a gap because usually, the average duration tends to be two to three years, anything beyond five years is quite unheard of, but now we see an opportunity because of the interest rate path in Thailand. And of course, people need a safer haven, but at the same time, they still need yield, hence a combination of duration at the same time limiting the downside risk by having highly disciplined criteria in selecting the bonds for the fund. We assess this by applying five specific criteria, namely financial quality analysis, operating risks & leverage, management strategy, industry positioning, and also earnings persistence."

He comments that in his work at the Abu Dhabi Investment Authority (ADIA) sovereign wealth fund, he had learned this discipline in terms of tactical asset allocation and strategic asset allocation and is applying these principles to the Thai market. "Beyond the duration bond fund, we are then looking at the pipeline that will include a fund with a mixed portfolio that invests in bonds, in high dividend stocks and also in gold to balance between different market conditions. In short, a relatively safe haven, but with current income both from the yield of the dividend stocks and also from the coupons of the global bond portfolio."

His second priority is to continue to work with the industry and the regulators to help drive a more diverse and innovative product mix.

The drive towards transparency in terms of fees and charges is a third priority area he would like to see improved. "Generally, as with most things in life, transparency is the first step towards having an honest conversation about what your value proposition is," he comments. And he would like to see a more professionalised approach to wealth management, with advisors and the clients both spending less time and effort on trading and more on genuine financial management. "And we must help improve distribution, which includes accessing the customers directly, understanding them, solving their pain points and really helping them with their future needs, even when they are just beginning their working lives and are more focused of course on their next smartphone, or car. We must always cater to their needs first even before you talk about any of your products and deliver the information and products in the best medium for particular customers."

