

Wealthtech Platform Jitta Aims to Remove the Jitters for Wealthy Thai Investors

In mid-February, the corporate venture capital arm of Thailand's Kasikornbank announced that it had led a USD6.5 million pre-Series A financing for wealthtech start-up Jitta to support its global expansion. Hubbis met with CEO and co-founder Trawut Luangsomboon to mine down into the detail of its offerings, its value proposition and the firm's objectives for the future.

THE USD6.5 MILLION FINANCING WAS the largest pre-series A round for any Thai startup to date, according to a release from Beacon VC, the Kasikornbank venture capital arm. For Beacon and its fellow investors to have put that much faith in a start-up speaks volumes for the proposition that Trawut has devised and created. Beacon's managing director Thanapong Na Ranong was quoted at the time as stating that Jitta is one of the very few Thai startups with a highly scalable product, meaning it can launch and solve the same problems in any foreign market in a very quick and efficient manner.

No fee for expert data

Jitta.com, founded in January 2014, uses Big Data to analyse business financials and automate portfolio management. It is available free of charge to customers and the concept is to then build out fee-paying clients who become familiar with the brand, the concept, the processes and the data.

Jitta.com is therefore a stock analysis platform that takes all the financial statements of all the companies in the stock market and then uses its proprietary algorithm to calculate a Jitta Score, which represents the quality of the company and Jitta Line which represents the value of the company.

There is also Jitta Ranking to rank the stocks based on the high quality but still undervalued stocks. All these elements are free to customers accessing the site.

The fee-for-service model evolves

To generate fee income, the company in 2017 launched the new platform called Jitta Wealth, as a

fee-charging wealth management platform using the Jitta algorithm to manage money for people. It uses the Jitta Ranking strategy and aims to provide index-beating returns in the long run. The company says it already manages assets worth around THB2.2 billion using this strategy.

Jitta Wealth draws on the company's proprietary algorithm called Jitta Ranking to make investment decisions. The algorithm analyses stocks and ranks high-quality companies that are either trading at fair value or that are undervalued. Jitta Wealth will then invest in the top 30 stocks for clients. Initially, the algorithm will only invest in stocks in three countries: Thailand, Vietnam and the US.

USD1 million to invest. "We aim to close this gap," he says, "by offering a lower starting point."

Low upfront fees, sharing the upside

Trawut explains that the Jitta Wealth platform is differentiating itself from competitors by charging only 0.5% in management fees and an additional 10% in performance fees when clients make profits. He says that history proves that most active funds cannot outperform the market or index funds in the long run, despite charging high, or sometimes exorbitant fees. Lower fees and superior selection and investment technology should, over time, produce reliably higher returns.

"If people come to Jitta.com they have to use our information and invest in stock market by themselves, but if they come to the Jitta Wealth platform, they are offered something like a private fund whereby they pass us money to manage for them using our algorithm. In essence, Jitta Wealth is a private fund that invests only in equities."

Clients will have to invest a minimum of USD30,000 in the Thai market, while those investing in Vietnam and the US will have to shell out at least USD100,000.

Trawut adds that starting at USD30,000 equivalent means that Jitta's target market ranges from the mass affluent up to HNWIs, thereby differentiating the firm from competitors who target HNWIs for the private fund services with assets of more than

"Jitta.com offers analysis of single stocks without any charge to users," Trawut explains. "If people come to Jitta.com they have to use our information and invest in stock market by themselves, but if they come to the Jitta Wealth platform, they are offered something like a private fund whereby they pass us money to manage for them using our algorithm. In essence, Jitta Wealth is a private fund that invests only in equities."

Trawut adds that Jitta Wealth is now registered as an Asset Management Company and is expecting full regulatory approvals in the second quarter of this year to begin active operations. The firm has thus far been running this service through asset management partners.

Looking under the hood

Trawut delves into more detail of the original Jitta offerings. Jitta Score, he says, covers 16 markets, equivalent to 95% of the stocks in the world, based on market cap. Jitta Score represents the quality of the company, based on rankings from zero to 10.

“If a particular share has a Jitta Score of 8,” he explains, “that is a great company based on their revenue or net profit or debt or financial ratio. The proprietary algorithm takes 10 years of financial statements from S&P Global. We publish this on YouTube and on our website so people can take a good look at how we come up with the score.”

Jitta Line, he explains, represents the fair value of the stock based on the same algorithm. “If the stock price is under Jitta Line that means you have got a lot of margin of safety to invest in that stock,” he reports. “In the concept of Warren Buffett you should invest in a wonderful company at a fair price, so that is equivalent to investing in the stock with a high Jitta Score, combined with selection in Jitta Line.”

The original concept for Jitta.com was to educate people in the hope that people can invest by themselves if they know how to invest, but Trawut reports that since the founding of the firm it has expanded apace into new areas, often driven by enquiries from clients who do not have the capability or discipline to invest by themselves.

Key Priorities

Trawut highlights his three core priorities for the foreseeable future, now that the new round of funding has been completed. “First, we want to expand the team,” Trawut reports. “We are now around 25 people, of which almost 20 are software engineers, and we plan to recruit more engineers who are expert in deep technology like machine learning and AI to continuously improve our algorithm.”

Secondly, he explains, the firm wants to recruit business originators to expand Jitta Wealth. “We have a lot of demand,” he says, “because there are some six million people in Thailand out of 70 million that currently have the mutual fund account, which means there is a big market for the six million and a huge potential market for the other roughly 25 million people of working age.”

His other priority is to expand the stock analysis service Jitta.com to other countries such as Singapore and India. He says that the firm is also looking for local partners who are interested to take its advanced technology and fund model to add the value to their local clients as derived from adding Jitta’s range of products and services to their offerings.

“We already have a customer base in Singapore for Jitta.com,” he notes, “which is free for use, so in fact we have people from the world over using our platform already and we then want to set up locally in other countries, such as the US, Singapore, India and other countries, to educate people about Jitta.”

“Hence the creation of Jitta Wealth,” he explains, “for which investors pay only the 0.5% management fee and then the 10% profit share. We think this model works well for our company and for investors.”

Trawut reports that the company now has more than 10,000 people signed up in and on the waiting list. “We grew from zero to the equivalent of USD60 million assets under management within about 18 months, so we clearly

have the model that will work in the B2C arena. First, we attract the clients to the website, which is free, then we educate and then we bring them in as paying clients once they no longer have the fear of investing with us.”

Trawut further explains that once these individuals become Jitta Wealth clients, they are statistically likely to remain with Jitta for the longer term. “This model means that we can sustain ourselves and achieve the necessary

economy of scale,” he comments. “I think most of the robo-advisors do business as the middleman, so it is very tough to differentiate themselves from each other, and people can easily switch around between them. But Jitta offers the change to invest using our algorithm and there is no choice other than us for that.”

Buying into the concept

The model is clearly one that Kasikornbank’s venture capital arm, Beacon VC, believes in. “We have the same vision as the Beacon VC team,” Trawut reports, “namely that we would like to add more value to investors, we believe that the passive fund trend is coming to Thailand and we want to be the pioneer in building and setting up the passive fund using our algorithm. And for KBank they would like to add our offering to their customer base, so there are natural synergies. However, Jitta is not a private label platform for KBank - we work to jointly educate the customer base, but we operate completely independently.”

Positioning is everything

Trawut widens his angle of vision to scan the broader Thai wealth management market. “There is clearly improving knowledge and financial literacy here,” he observes, “and many people, especially younger adults, are very interested to invest in the stock market, perhaps because for the past 10 years the local market has ranked in the top 10 in the world and there are many millionaires and billionaires investing in equities here.”

But many people, he notes, cannot invest by themselves, so will turn to the wealth management industry. “The Thai asset management sector is growing by roughly 6% to 8% per year for the past 10 years and I think that the number will be going up soon.”

Trawut believes that Jitta, as a wealthtech, will have a chance to tap into faster growth than the overall market because most young adults or first-job people want to invest using a platform rather than talking to the bank representative. And he notes they

want to invest in the funds that can produce higher returns with lower fees.

“The trend,” he elucidates, “is for technology to allow for the search and comparison of stocks and funds. Just as an e-commerce website allows you to compare products, offers reviews and even comparative pricing, Jitta will tap into that space. We are also a pioneer in the passive investment strategy as well, and we have an established track record for several years and we are building trust amongst our clients.”

Forging the B2C trail

Trawut explains that Jitta chose the B2C route because building out the brand is the most important of creating a sustainable business. “But a challenge is that it is very hard to recruit people, I mean new clients on the website. People need to first understand how Jitta works, as in the financial world we must prove ourselves, which is what we have been achieving, especially since we launched Jitta Wealth in 2017.”





TRAWUT LUANGSOMBOON
Jitta

The aim now is to convert more and more fee-paying clients to the Jitta Wealth concept. “If we educate more and more people, for example out of one million people if we can educate

them and convert between 1% to 5% of them, we will be well protected from competition, as those customers tend to remain with us, in our experience. And Jitta Wealth operates as a private fund, so we seek only the wealth affluent with at least one million Baht to invest with us, whereas for many robo-advisors they maybe start at a few hundred dollars equivalent.”

Growth for a reason

Trawut cites three core reasons for Jitta’s growth. “We are proving over time that we can perform better than the market. Currently we have 16 markets in Jitta and our clients can choose from three markets, Thailand, Vietnam and the US for the mo-

ment through Jitta Wealth, and for each they would then have a separate account, a separate fund, but all the money must originate from Thailand, through a Thai bank account as the point of origin.”

Better performance is one vital element, he explains. Lower fees are a further appeal, with the 0.5% flat fee plus 10% of any profit at the end of the year, but not benchmarked against any index. “A typical hedge fund in the US might charge a 2% fee plus 20% of the upside in performance fees,” he reports. “And the final part of the equation is the convenience, so people can sign up with us and then see all their investments on the mobile app, it is very easy to understand what is going on.” ■



Getting Personal

Trawut is a serial entrepreneur and a self-taught value investor. He started his first online business when he was a graduate student and armed with a more than eight-year experience in the US stock market, he has specialised in value investment and a simple investment strategy such as that pioneered by Warren Buffett, in short to buy into a wonderful company at a fair price.

Born in Bangkok, he was raised in Samut Sakhon, a one and a half hour drive from Bangkok and he studied at the King Mongkut Institute of Technology in Ladkrabang near Bangkok.

He then studied for his Master's degree at University of Southern California (USC) in Los Angeles, studying for Master of Science in Electrical Engineering. "After I graduated, I started my first business in online marketing as an affiliate marketer, offering online ads that direct people to other people's websites, perhaps eBay or Amazon and when people buy through those sites, I earned commission from Amazon. It was fully automated because you place an ad on Google or another website and when the traffic comes through your ad, bingo you earn the commission."

After that, he returned to Thailand and started a company focusing on online advertising consultancy and a website studio. "I then became really focused on personal investing, as a value investor by myself, investing my own funds, teaching myself how to read and interpret the financial statements and invest in the stock markets, both in US and Thailand, and then I started Jitta."

Married with a two-year-old daughter, Trawut is plenty busy enough with the business and family and enjoys quiet moments with a good book. His first interest is to read about investing theories, to sharpen his stock picking theories, and he also enjoys books on business, management, self-development, talent management, and similar.

A recent read was *The Principle*, by Ray Dalio, the founder of the Bridgewater Associates. "He owns the biggest hedge fund in the world right now, and the book recounts the principles of how he became so ultra-successful. It explains his career path and how he manages his 15000 people in the company. It is really insightful."

For example, Trawut elucidates, every employee in Bridgewater has something like a baseball scorecard so that he knows their weaknesses and the strengths. "So, if for example there is a meeting to discuss ideas, those people who have created and realised ideas before will get higher weightings, while some people with less track record will have less acumen about which idea is best. Dalio believes in the investment, the numbers, the track record, so everything has to be proven with reference to data, to the numbers, even the people."

