

Why an investor-led funds focus works in Thailand

The priority for Manulife Asset Management's local business in 2017 is to launch targeted funds that have been designed with the needs of customers in mind, says Michael Reed.

Manulife Asset Management is trying to doing things differently in Thailand. Instead of simply adding more funds in the local market, the Canadian fund house has chosen to focus on providing bespoke solutions to deliver on what investors actually need and want.

“Rather than simply offering an ever-widening range of funds, we want to engage with distributors to analyse what the specific needs are of their clients and develop more outcome-orientated products, which we believe will gain more traction,” says Michael Reed, who was appointed chief executive officer of Manulife Asset Management's Thai business at the start of 2017.

He was previously country head of Fidelity Asset Management (Korea), before which he held senior management positions with financial firms in Australia, China, Hong Kong, Japan and Taiwan.

The financial services veteran acknowledges that there has been some disappointment among mainstream Thai investors about mutual funds in recent years. The issue is that many of them don't fully understand the risks involved in mutual fund investing, don't have fund attributes fully explained by distributors and, combined with the fact that some fund houses failed to deliver on their promises, investors are frustrated.

“Investors want to buy a fund for which they have a clear understanding about what the outcome is, rather than just put money into the next ‘hot’ product,” explains Reed. “If we create a fund that has an income component and clearly explains the volatility levels around that fund, I believe clients will be much happier.”

REGIONAL IMPORTANCE

Despite the relatively small size of Thailand's funds market, the country remains



MICHAEL REED
Manulife Asset Management

an important component in the overall South-east Asia strategy for Manulife Asset Management – alongside Malay-

sia, Vietnam, Indonesia, Singapore and the Philippines. “These regional markets are forecast to see significant population and economic growth in the coming decades,” says Reed. “As economies develop, the need to save will increase, along with the requirement to place these savings in investment vehicles.”

Indonesia, for example, is expected to become one of the largest economies in the near future. “By being present in such markets now, we are making a commitment that should help us lead the savings and investment wave when it happens,” he adds.

At the same time, he acknowledges that unless an asset manager has a globally-recognised brand and is prepared to invest significant resources into these markets, it will be tough to raise assets.

What’s needed in Thailand, in particular, for instance, is education of investors and distributors alike; these remain crucial to boosting the country’s prospects of seeing a booming funds market.

“There needs to be more technical training by fund houses for distribution partners, so that relationship managers or client advisers can improve their own knowledge,” says Reed. “A better informed adviser can provide recommendations and advice to clients instead of just picking the latest fund or hottest trend.”

Equally, Thai investors need a better understanding of why they are investing in a fund. “There needs to be a plan around why they are investing, and the amount of money they need in the short, medium and long term,” he explains. “That rarely happens.”

CLEAR STRATEGY

In terms of fund distribution, Thailand is similar to most other Asian countries; local banks dominate, with up to 85% of all funds sold through the top five to eight players.

When assessing funds, Reed says large distributors generally prefer using asset management firms who provide training that goes beyond explaining the basics of bond or equity investing.

“They also want fund houses with good brand equity,” adds Reed. “If a brand has been in the market for some years, it makes it easier for an adviser to sell its product relative to a completely unknown brand.”

He also believes that international managers need to be specific about strategies they want to promote in Thailand. “If a global fund house decides to promote local equity or debt strategies, it will likely be competing against domestic fund houses with a broader understanding of the local market dynamics. Global managers would be better served by concentrating on strategies that local firms are not so good at, such as global equities, global bonds or outcome-orientated strategies.”

Indeed, with outcome-oriented solutions expected to gain traction in the coming years, Reed thinks groups such as Manulife Asset Management will stand out. “If an investor wants an agreed income yield per year and a targeted outcome at the end of five years, it will require a combination of various strategies – absolute return, multi-asset, LDI, etc – to produce such an outcome.” Manulife Asset Management, for example, has a long history in managing its own assets, engaging in liability-

driven investing for a long time. “It understands very well what investors need in the future,” he adds.

In 2017, therefore, the firm’s key priority is to launch at least one fund with a leading distributor which has been designed with the bespoke needs of clients in mind. “The next step will be to roll out a strong marketing campaign to promote the fund,” says Reed. “We are looking to introduce an evolutionary change in this market and increase the impact of Manulife Asset Management in Thailand in the process.”

In doing so, the goal is to leverage relationships with domestic banks as well as broaden them with universal institutions which are potentially more sophisticated in understanding fund options, and have the ability to explain them to local investors. ■

After hours with Michael Reed

- Lives in Phuket with his family, but works in Bangkok during the week
- His wife is Japanese and they have three children – twins (a boy and a girl, 14 years) and a second daughter (12 years)
- Enjoys cycling – previously participated in triathlons, where he would do the cycling and two friends would do the swimming and running
- Is an avid wine collector, with collections spread across the UK, Australia and Hong Kong; his favourite white wine is Condrieu – the northern-most white wine appellation in the Rhône Valley