

Why Careful Scrutiny and Rigorous Judgement are Crucial Elements for Private Asset Investments

Thiyachai Chong is Managing Director at Phillip Asset Management in Bangkok. He offered delegates his views on the evolution of private assets for Thai clients during a panel discussion Hubbis held on May 25, at the Hubbis Thailand Wealth Management Forum in Bangkok. A lively debate took place amongst the experts, analysing some of the risks and rewards of adopting a greater allocation to private assets. His core message was that while there are some excellent private asset opportunities out in the market, advisors and investors must have their eyes wide open to the right deals with the right partners and fully understand what they are buying into and why. We have summarised some of his observations in this brief report.

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Thiyachai Chong
Phillip Asset Management

Thiyachai Chong is MD and Head of Phillip Asset Management in Bangkok, and is a believer in the power of innovation in wealth management. He has in recent years been 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. Thiyachai is half Malaysian and half Thai and first moved to Bangkok from New York City in 2017 to work initially with Phillip Securities.

A strong presence

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 a presence in 17 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 USD35 billion, with shareholders' funds of more than USD1.5 billion.

Three core drivers for private assets

"We view private investments in three ways as to how they can

complement a client's portfolio," he told delegates. "The first is the opportunity of achieving returns above and beyond the usual returns found in public markets. The second is the opportunity to participate in what I can call persistent outperformance - you see this especially in the private equity area, and particularly in venture capital, where if you invest in a VC strategy that is profitable, the chances are the next cycle it could continue to be profitable. This contrasts with public markets that tend to have a mean reversion. And third, there is the opportunity of lower correlation to the mainstream public asset classes, either through investing in private equity or private debt."

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In summary, he said that for clients who are able to especially lock up their funds and handle the lack of liquidity, there are some significant opportunities available.

Finding the right deals

He also observed that the key to such investments is access to the right deals. "Clearly, this is not a standardised segment of the markets like the public markets," he said. "Are you finding the right deals? Are you buying in on the right terms? Is the right due diligence in place on the managers and the funds? You need the right approach and the right structures to participate effectively in the many opportunities in the private markets."

He explained that the interests of the various parties involved must

align. "Theoretically, private markets can actually provide a greater choice of customisation," he said. "For example, in the private debt space, which is also a huge untapped area, the covenants can be set up so that there is better alignment of interests, whether to meet certain specific risk conditions or certain return requirements, so much depends on how this is structured."

Finding the right partners

Accordingly, he concluded that it pays to have a good partner with a good investment process and a strong team behind them to walk clients through these opportunities, structures and all these issues. "There is a lot of choice,

so education is a vital part of the process of curating the right deals for clients," he stated.

Democratisation of information as well as access

Thiyachai also addressed the topic of democratisation of access to private markets, noting that this is not only in terms of the opportunities but also the democratisation of information, to ensure that the clients truly understand what they are getting into; that this is in line with their tolerance, their liquidity expectations and so forth.

"Democratisation is not only about just access, but also information flows, to ensure that this is a transparent and professional process taking place between the best partners, the best platforms and of course, the investors," he concluded. ■