



Asset & Wealth Management Market Intelligence Digest Thailand



Asset & Wealth Management
Market Research Centre
Asia Pacific

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Key takeaways



Investors seeking more diversified portfolios

- Thai investors are seeking more diversified portfolios – they are investing more in foreign investment funds, and own more holistic portfolios which span across asset classes including equities and allocation funds.



Thai distribution channels likely to become more open

- While some banks remain closed in terms of distribution, they will inevitably have to shift towards a more open architecture as the market matures. With the introduction of direct distribution for qualified investors, foreign asset manager can also access the market with greater ease.



Thai high net worth investors becoming a draw

- Though small, high net worth investors in Thailand hold a significant amount of wealth. Given the entry of Bank A including Bank B and Bank C in the country, it is evident that these investors will become heavily sought after in the coming years.



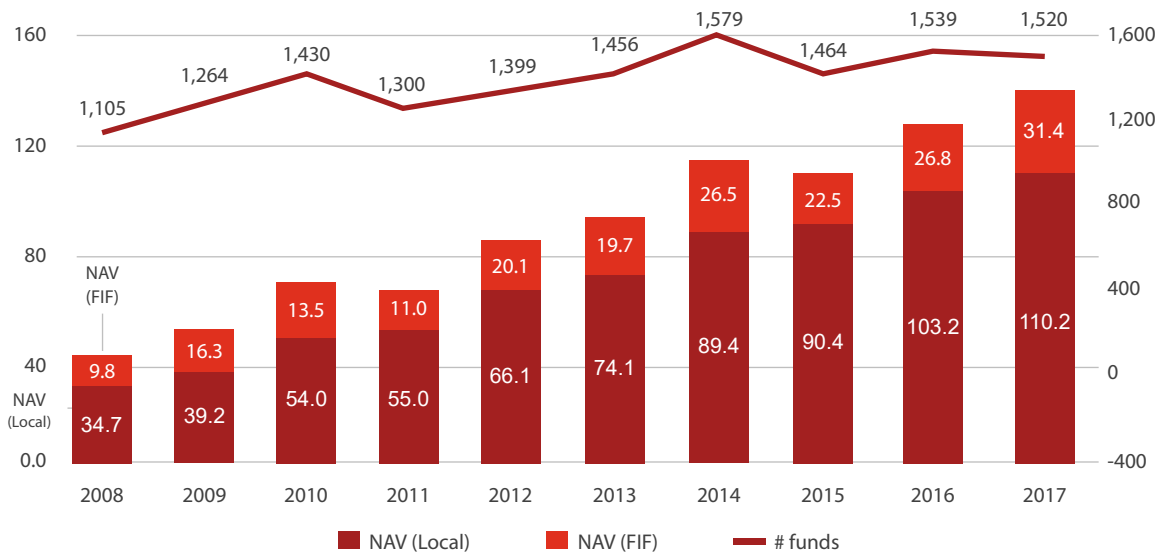
Provident funds set for growth

- The introduction of mandatory provident funds in 2018 is likely to boost assets in the provident fund space. Incidentally, the allocation to investment funds by provident funds have increased significantly in the last five years – signalling fresh opportunities for asset managers.

Market landscape

Mutual funds – Overview

Mutual fund market by NAV (USD bn) and number of funds, 2008 – 2017



Mutual fund market remained the largest fund market

Traditionally, Thailand's mutual fund market is built on a closed network of local asset managers. Most of these local asset managers are typically asset management arms of large local banks in Thailand and dominate the mutual fund space.

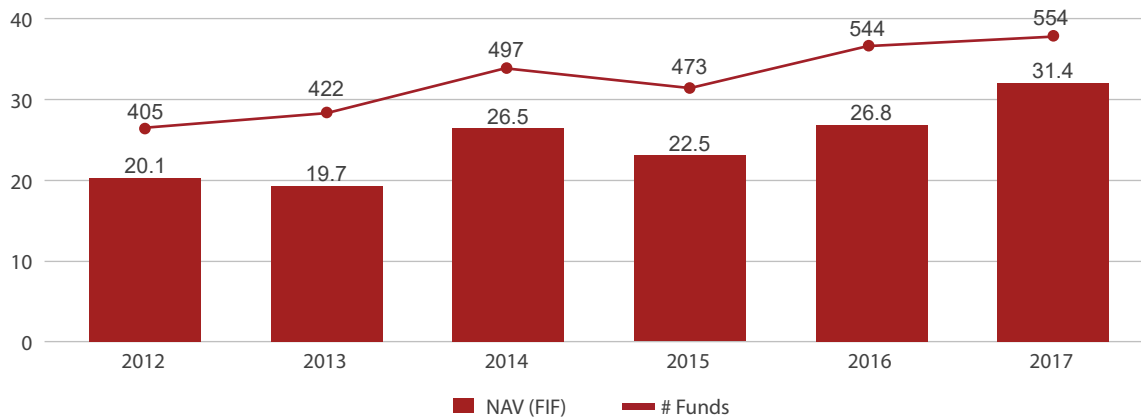
Mutual fund assets recorded an average year-on-year growth of 11.5% between 2008 and 2016. Interestingly, Thailand saw the largest year-on-year growth in 2012 at 30.6%. In the first half of 2017, the mutual fund market also grew by 8.9% to \$141.6 billion in assets from \$130.0 billion in 2016.

Both local funds and Foreign Investment Funds (FIFs) have been growing in tandem but FIFs grew more rapidly than local funds. Between 2008 and 2017, while FIFs saw a higher average year-on-year growth 18.7%, as opposed to the average year-on-year growth of local funds at 14.2%. In particular, year-on-year growth for FIFs spiked at 83.2% in 2012.

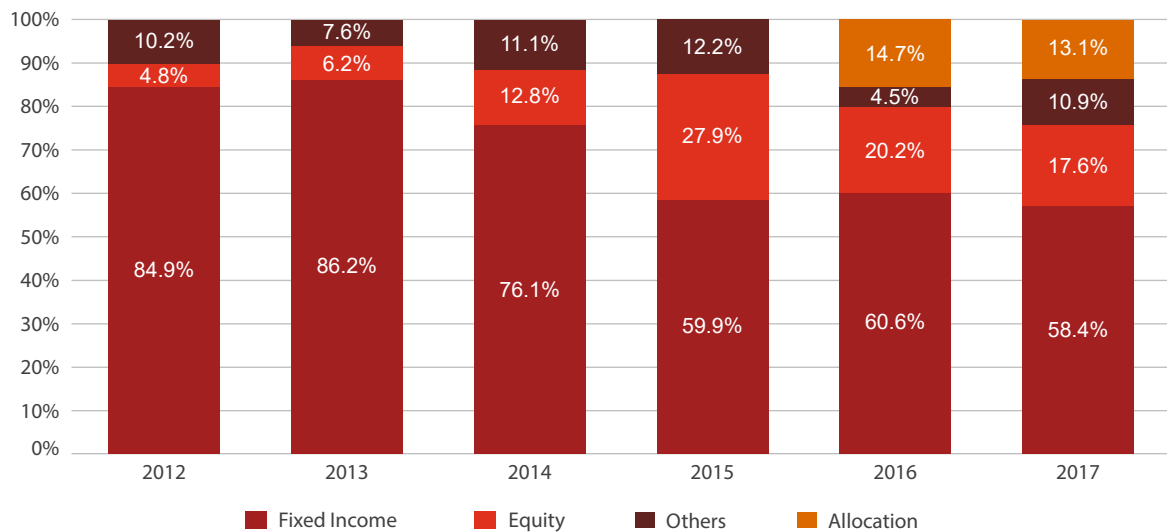
Market landscape

Mutual funds – Foreign Investment Funds (FIFs)

NAV of FIFs, 2012 – 2017



FIF assets by asset classes (%), 2012 – 2017



FIFs took up a fifth of the mutual fund market

Between 2012 and 2016, FIF assets registered a CAGR of 7.5%. While FIF assets fell in 2015, it has been seeing a steady rise since. In the first half of 2017, however, FIF assets grew by 17.3% to \$31.4 billion from \$26.8 billion. At the same time, the number of FIFs has also been increasing. Between 2012 and 2017, the number of FIFs increased by 149 to 554, accounting for 36.4% of the number of mutual funds available in Thailand.

While the majority of FIF assets remains in fixed income investments, investors have been actively diversifying their portfolios – the proportion of fixed income investments has declined by 26.5 percentage points from 2012 to 58.4% in 2017. Thai investors have instead been investing in equity and allocation FIFs. Between 2012 and 2017, the proportion of equity FIFs grew 12.8 percentage points. Likewise, allocation FIFs, which were introduced in 2016, have also become a key part of investors' portfolios. In the first half of 2017, allocation funds saw a 4.6% growth, and accounted for \$4.1 billion in assets.

Institutional investors

1 State pensions

- The largest pension funds in the country include the Social Security Fund (SSF) and Government Pension Fund (GPF), which had assets of \$38.5 billion and \$21.0 billion, respectively.

2 Employer-provided pensions

- There are also additional retirement schemes, including employer-provided pensions, which are known as provident funds in the country. In 2017, provident fund assets stood at \$30.0 billion.
- While provident funds were voluntary, they have become compulsory since 2018. With provident funds becoming mandatory, provident fund assets are expected to increase exponentially over the next few years.

3 Insurance companies

- As of end 2016, there were 22 life insurance companies in Thailand, consisting of nine local insurers, 10 foreign insurers, and three joint ventures.
- Collectively, life insurers in the market invested a total of \$77.6 billion, up from \$68.5 billion in 2015.



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