

## WEALTH REPORT THAILAND 2019

The below text provides the background and key findings of the Wealth Report Thailand 2019

### BACKGROUND

- To celebrate the launch of SCB Julius Baer, Siam Commercial Bank and Julius Baer collaborated on the Wealth Report Thailand 2019. The report explores the Thai wealth market landscape.
- A survey on over 350 Thai High Net Worth Individuals (HNWI) was conducted, and the report explores their attitudes towards wealth and their corresponding profiles.
- The publication also showcases the Julius Baer Lifestyle Index, and compares the prices of luxury items between Bangkok and key Asian cities.

### MACROECONOMIC REVIEW & OUTLOOK

- The global forecast for Asian markets is decent following the encouraging outlook for interest rates and the global investment climate.
- We remain positive on the Thai stock market on the back of decent economic activity, healthy domestic demand and easing macroeconomic pressure. The SET Index is forecast to reach 1,800 points by the third quarter of this year.<sup>1</sup>
- The THB has been one of the top-performing Asian currencies for the year to date. We estimate that the baht could appreciate slightly against the USD by the end of 2019, mainly due to a possible weakening in the USD.
- The baht is likely to remain in the 31-32 THB/USD range, which is stronger than the average of 32.3 THB/USD in the previous year.<sup>2</sup>

### THE THAI WEALTH MARKET

- Asia's pool of investable assets held by HNWI is on track to reach USD 14.5 trn by 2020, representing growth of 160% in the current decade.<sup>3</sup>
- It is estimated that Thai HNWI wealth will grow at a five-year CAGR of 9.9% from 2015-2020E to USD 401.2 bn.<sup>4</sup> The drivers behind this growth are steadily growing household wealth,

economic development and a buoyant property and stock market.

- Thailand's economy is predominantly driven by its private sector. Family-run businesses play an important role in the Thai economy and are amongst the nation's biggest employers.<sup>5</sup>
- As these family businesses mature (22% of business owners in our survey are >60 years of age), they will need to understand and implement effective succession planning for the next generation.
- There has been a historical preference for the majority of Thai consumers to keep their wealth in simple financial products such as deposits and insurance. In recent years, this is slowly changing as investors have shifted away from deposits into mutual funds.
- Investors were encouraged by the government's easing of regulations which made it easier for them to diversify their portfolios.
- The majority (58%) of mutual fund assets held onshore are in fixed income or yield products while around a fifth (21%) are in equity funds.<sup>6</sup>
- Foreign investment funds (FIFs) have been particularly successful and account for around a quarter of Thailand's THB 4.9 trn mutual fund industry.<sup>7</sup>
- Wealth managers have taken different approaches to tapping the wealth potential in Thailand, choosing to operationalise their business onshore, offshore or through a partnership. Each presents its own benefits.
- For HNWI globally, investing in offshore jurisdictions is attractive due to political stability, property rights and offerings of high-quality, reliable financial services.
- Onshore wealth management is also an increasingly attractive proposition to HNWI worldwide with the globalisation of regulations and subsequent repatriation of assets.

<sup>1</sup> Siam Commercial Bank

<sup>2</sup> Siam Commercial Bank

<sup>3</sup> Julius Baer - Wealth Report Asia 2018

<sup>4</sup> Bloomberg Finance L.P., MSCI, Julius Baer

<sup>5</sup> Akira, S. and Wailerssak, N. (2004) - Family Business in Thailand: Its Management, Governance and Future Challenges

<sup>6</sup> SEC Annual Report 2017

<sup>7</sup> Bank of Thailand - Financial Stability Report 2017

- Developing partnerships provide mutual benefits. Foreign firms gain better access to the opportunities in Thailand. On the other side, local firms gain from the value added services of training and education which helps to raise their overall investment service standards.

## SURVEY FINDINGS

- Thai HNWI are more invested in liquid assets (stocks, bonds and funds) than Global, Hong Kong and Singapore HNWI. They have the largest exposure to Cash (21.5%), followed by Fixed Income (20.4%), Stocks (19.5%) and Funds (15.3%). In aggregate, Thai HNWI have a 55% allocation to liquid assets vs 47% for Global HNWI and 42% for Hong Kong and Singapore HNWI.<sup>8</sup> However, the majority of their liquid assets are in onshore investment products.
- Thai HNWI are under-invested compared to their Global counterparts in Real Estate and Alternatives. Global HNWI hold 17% of their portfolios in Real estate, well above the holdings of Thai HNWI (7%). A similar pattern exists for Alternatives, with Thai HNWI owning 6% in the asset class, against 9% for Global HNWI.
- Thai clients are more geared towards wealth creation than wealth preservation (56% vs 41%). This is augmented for the up to 40 age group (71% vs 27%).
- The top advisor for clients when making investment decisions is Family and Friends (43%) followed by their Private Banker (27%). 13% of clients indicated that their top source for advice when making a decision was online research, demonstrating high digital demonstrating high digital savviness. This is in alignment with studies showing high digital usage in the nation.
- Thai clients have high return expectations, with only 27% of clients indicating they are satisfied with their current returns matching their expectation, whereas 13% indicated, “not-at-all satisfied”. The underperformance of Thai equities to Global markets over the past few years could have contributed to this perception.
- Awareness of offshore investment providers is relatively low with 74% unable to name an offshore investment provider. Those (26% of mentions) that did cited US firms the highest number of times (25%), followed by Swiss firms (20%), and Domestic firms (19%). Asian firms were well-featured especially Singapore firms, which received 15% of the mentions.
- 40% of respondents currently hold at least one offshore investment. Of these, equities and fixed income are most widely held in investment portfolios (80%) followed by funds (75%) and direct real estate (51%).
- Naturally, a high number of non-users (73%) indicated no familiarity with the concept of offshore investments, while 65% of these individuals indicated a lack of understanding when it came to accessing offshore investments.
- 52% of Thai clients first held offshore investments because it was a unique opportunity found offshore. However, since then their driver (50%) has shifted to looking for an investment return to match their expectation for future offshore investments as their key motivator.
- When it comes to investing offshore, our Thai HNWI survey group reported Singapore as their premier offshore destination, followed by the US then Hong Kong.

## THAI HNWI PROFILES

- Through our analysis, we identified three distinct investor profiles: The Millennial Entrepreneur (19%), the Mature Investor (59%) and the Techie Retiree (22%).
- **Millennial Entrepreneur (up to 40 years old):**
  - She is well educated with 87% holding a Bachelor’s degree or higher.
  - 51% of Millennial Entrepreneurs are business owners.
  - 71% of Millennial Entrepreneurs prioritise Wealth Creation over Wealth Preservation.
  - The Millennial Entrepreneur prefers a provider with good performance, and who understands her personal requirements.
  - She relies primarily on Family and Friends when it comes to making investment decisions.
  - She holds a diversified portfolio of investments, but is currently underinvested for Wealth Creation. She is digitally savvy and has a good relationship with her relationship manager.
  - Digital financial services are relatively more important to her.
  - She is a highly-engaged client who would like monthly reviews of her portfolio.
- **Mature Investor: (41 to 60 years old)**

<sup>8</sup> Scorpio, Capgemini - World Wealth Report 2018

- The Mature Investor is the most highly educated, with 96% holding at least a Bachelor's degree.
- The Mature Investor has a balanced attitude towards Wealth Creation (55%) and Wealth Preservation (39%), recognising the need to stay protected.
- He heavily prioritises the growth of his investments (70%) over the growth of his business/ career.
- He takes a holistic approach to selecting a financial provider: he wants a provider with a good track record of returns, good reputation, and who can provide tailored solutions.
- He has a greater understanding of how to access offshore investments and has exposure to a more diverse range of offshore assets.
- He is an investor who values advice not just from Family and Friends, but also his Relationship Manager.
- Stability and security are greatly prized when choosing an offshore investment provider and he sees offshore investments as a means to diversify his portfolio.
- Portfolio review once every quarter is ideal.
- The Mature Investor has a higher capital allocation rate than the other age groups (79.8%).
- **Techie Retiree (61 years old and above):**
  - 17% of Techie Retirees hold Doctorates, the highest proportion amongst our profiles. In total 89% hold Bachelor's degrees or higher.
  - 50% of Techie Retirees found out about the JV through social media, and 30% make investment decisions based on online research that he does himself
  - The Techie Retiree prefers Wealth Preservation (58%) over Wealth Creation (39%).
  - Like the Mature Investor, the Techie Retiree prioritises the growth of his investments (68%) over the growth of his business/ career (32%).
  - He takes a holistic approach to selecting a financial provider and wants a provider with a good track record of returns, good reputation, and can provide tailored solutions.
- The Techie Retiree is the group least familiar with offshore investments, with 73% stating they are unfamiliar.
- Amongst the different profiles, the Techie Retiree expresses the greatest desire to have his money professionally managed (26%).
- Like the Mature Investor, the Techie Retiree values advice from Family and Friends and his Relationship Manager.
- When considering offshore investments, the Techie Retiree prefers to a greater extent investments that align with his risk profile than the other age groups.
- The Techie Retiree wishes to have portfolio reviews once a month or whenever he wants.

#### THAILAND'S LUXURY MARKET & INTRODUCING THE JULIUS BAER LIFESTYLE INDEX

- Thai spending in luxury goods is expected to reach a retail value of USD 2.2 bn in 2019.<sup>9</sup>
- In the 2018 findings of the Julius Baer Lifestyle Index, Bangkok maintained its status as a relatively inexpensive city for shoppers, keeping at 7<sup>th</sup> place from 2016 to 2018 in USD terms.
- Between 2017 and 2018, on a weighted-average basis, prices in Bangkok were flat y/y in local currency terms (+1.0%). However, the baht's appreciation translated into prices in USD being higher by 4.9%.
- The price of a degustation dinner rose by 44.4% in baht terms due to the inclusion of Bangkok in the Michelin Guide.
- Prices of cigars, men's suits and luxury residences also rose by 28.6%, 8.3%, and 4.9% respectively. In contrast, prices of botox, a luxury hotel stay, ladies shoes, and legal consultation fees fell by 29.8%, 28.0%, 17.7%, and 17.0% respectively.
- The Julius Baer Lifestyle Index shows that Bangkok remains the 7<sup>th</sup> most expensive city out of 11 cities in Asia.
- Luxury goods are pricier in Thailand due to excise taxes, whereas luxury services are generally well-priced due to lower operating costs.<sup>10</sup>

<sup>9</sup> EOS Intelligence - Thailand: Endeavouring to Become Asia's Next Luxury Shopping Stop

<sup>10</sup> Julius Baer

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