Seminar Event: SEC Working Papers Forum #10/2015

Date: November 18, 2015. Registration and refreshments from 14.00 p.m. Presentation and discussion from 14.15 to 16.45 p.m.

Venue: Meeting Room 1601, 16th floor, the office of Securities and Exchange Commission, 333/3 Vibhavadi-Rangsit Road, Chatuchak, Bangkok, Thailand

Contact for registration:

http://market.sec.or.th/public/event/eventpublic.aspx

(now open for online registration)

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Free of charge

Topic: Investment Expectation & Reality

SEC will be holding a seminar on Wednesday, Nov 18, 2015 at the Office of Securities and Exchange Commission to present research works and open discussion, related to investment and behavioral finance. (Conducted in Thai)

14.00: Registration

14.15: Thai Investor Clusters and Their Financial Literacy

14.55: Investor Return – Mind the Gap

15.25: Break

15.35: Trigger Funds: Trick or Treat

16.15: Open Discussion

Thai Investor Clusters and Their Financial Literacy

Arnond Sakworawich, Ph.D., Graduate School of Applied Statistics, NIDA
Tanakorn Likhitapiwat, Ph.D., Chulalongkorn Business School, Chulalongkorn University
Thanyachatra Rungsrisawat, MS., Graduate School of Applied Statistics, NIDA

This research aims at clustering Thai investor based on their behavior. Specifically, Thai investors are classified into three clusters using investment proportions (Proportions of their money allocated to each investment type e.g. cash deposit, stock market, real estate, gold, TFEX, and T-bond) as clustering variables. Three investor clusters are uncovered, namely, cash holders, old-fashioned investors, and modern investors. Cash holders almost keep all their money as cash deposit in a saving account. Old-fashioned investors tend to invest larger proportion of their money into old-fashioned investment options such as real estate, cooperative, and lending money. Modern investors prefer to invest in modern investment options such as common stock, TFEX, RMF, and LTF. We further investigate the association between Thai investor cluster membership and their financial literacy. Thai investor clusters differ considerably in their financial literacy such that modern investors tend to possess financial knowledge better than both old-fashioned investors and cash holders. Three clusters also perceive risk, return, ease and accessibility of investment for each investment option very different. Last but not least, modern investors have highest subjective financial knowledge among three clusters of Thai investors. Public policy on financial education are discussed based on these research findings.

Investor Return – Mind the Gap

Kittikun Tanaratpattanakit, Senior Research Analyst, Morningstar Research (Thailand) Ltd.

When it comes to investment decision, fund investors often suffer from poor timing and poor planning. Although they know they should hold diversified portfolios, many chase past performance and end up buying and selling funds at the wrong times. A fund's published total return reflects a buy and hold strategy. This information is widely available on fund company's web sites, in marketing material such as Fund Factsheet. But, not all investors buy and hold. Investors move their money in and out of funds as they search for the best return and the net assets of funds rise and fall over time. Investor return measures the experience of the average investor in a fund. It is not one specific investor's experience, but rather a measure of the return earned collectively by all the investors in the fund. Investor returns are not a substitute for total returns but can be used in combination with total returns. The gap between investor return and total return indicates how well investors timed their fund purchases and sales.

Trigger Funds: Trick or Treat

Polpatt Vinaibodee, Research Department, Capital Market Policy Division, Securities and Exchange Commission
Chatchai Thisadoldilok, CFA, FRM, Research Department, Capital Market Policy Division, Securities and Exchange Commission

Trigger funds are a relatively new investment product, recently gaining popularity among Thai investors. Its alluring advertisement "X% within Y months" seems to be the key message capturing attention of many investors. In fact, they may deliver below X% or last beyond Y months. Up to the end of Sep 2015, over half of the funds give below 5% or last beyond 12 months. Around one third of the funds give negative returns – some of these were terminated. Although the funds are charging relatively high fees with various fee structures, their X% targets are set below the prevailing long-term market total returns. Due to the unique product design and representativeness bias in performance presentation, investors might be subject to framing bias and loss aversion when interpreting the product values.