

Seminar on
“Managing Funds Against Bond Index”

Opening Remarks by Dr. Bandid Nijathaworn
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It is a pleasure to be here at the opening of the seminar on “Managing Funds Against Bond Index”. I would like first to extend a warm welcome to all participants, especially to express my sincere appreciation to our distinguished guest speakers who have kindly accepted the invitation to join us today to share with us their expertise and experience.

It is clear that the rapid growth of assets managed by the local fund management industry has been one of the key factors supporting the growth of our bond market in recent years. However, judging from the size of the market, we recognize that the role of index bond funds, as well as bond indices in the Thai market are still limited. Therefore, the goal of today’s seminar is very clear: to promote greater use of bond indices by market participants, especially the bond

managers, as well as to build a better understanding among investors about the management and evaluation of funds' performance against indices.

At present, most of the funds in Thailand are actively managed, managers buy and sell securities in an attempt to outperform market returns. More often, such strategies reflect their views on short-term rather than longer-term returns. While such strategies are popular, sometimes they create unnecessary volatilities in the market as short-term view is by nature associated with higher volatilities.

Indexing is one of the investment strategies that attempts to closely match the investment returns of a specified group of securities, represented by a recognized index. Unlike an active fund manager, an

index fund manager does not analyze the changes in value of each individual bonds or securities. Rather, an index fund manager builds a portfolio that comprises all classes of the assets in an index. Indexing is not a short-term investment strategy as index funds' manager typically buys assets named in an index and then holds them for the long term. Moreover, a well-functioning bond market needs a diverse set of market participants, both active fund managers and index fund managers. However, in the Thai market, the number of index fund managers is still minimal.

The objective of our meeting today, therefore, is to promote a greater understanding of the use of bond indices in fund management.

There are many benefits in managing bond funds against an index which I will not go into details. As we have with us today many

experts in this field who will present and discuss with you on these points through out the Seminar.

Ladies and Gentlemen

As the local bond market is entering an important phase of growth and development, close cooperative efforts between the public sector and private sector have been instrumental for many important initiatives that are being pursued.

As a result, one of the new products that is expected to be launched early next year is the second phase of the ABF Thailand Bond Index Fund, of the Asia Bond Fund 2-family, which currently is a passively managed private fund.

In the second phase, the ABF2 private fund will be transformed into an exchanged traded bond index fund (ETF) and will be sold to the public. The fund will be the first bond ETF in Thailand and will be listed on the stock market. At present, we are at the stage of finalizing the fund documents and in the process of appointing market makers, whose function will be essential in the creation and redemption of units via the in-kind mechanism, which is a prominent feature of this type of fund. All parties involved are putting on their best efforts to launch this second phase ABF Thailand-Bond Index Fund as soon as practicable, possibly by early next year, subject to the market conditions.

As part of the ongoing process to develop the market, many other activities in the Thai bond market can also be expected to

emerge next year. The Thai bond market, in my view, is moving forward with considerable momentum, and its development reflects a close cooperation and contributions of the private and the public sectors.

Ladies and gentlemen, without further ado, let me now declare the opening of the seminar on “Managing Funds Against Bond Index”. I wish you all a rewarding and fruitful seminar.

Thank you.
