Krungsri Asset Management holds a seminar weighing on healthcare stocks ripping for a turnaround in their stock prices on the back of pharmaceutical industry policies

Krungsri Asset Management organized the seminar on **"Checking up the Healthcare Industry – Is it Still Healthy?"** to provide investors with crucial updates and reiterate that the timing is right for investment in the healthcare sector, given their proper stock prices. These stocks have sound fundamentals and prices are relatively cheap, especially the biotechnology sector which KF-HEALTHD's master fund emphasizes foremost in its investment portfolio. Beside, the stock market also tends to make improvement from its bottom in 2016. U.S. President Mr. Donald Trump's policies on drug pricing and tax reform will become the main factor to support the growth of the healthcare industry in the United States, while facilitating mergers and acquisitions (M&As) as a strategy to grow the overall industry in the short and longer term.

In its seminar held at InterContinental Hotel, Bangkok on Thursday 23 February 2017, KSAM invited **Ms. Elvina Lee, Portfolio Manager for JPM Global Healthcare Fund of J.P. Morgan Asset Management**, and **Mr. Kiattisak Preecha-anusorn, KSAM's Assistant Vice President for Alternative Investment Department**, to provide the overall picture of the healthcare industry, factors to promote the industry growth, the fund's investment policy, risk management, past performances, and industry outlook.

Mr. Kiattisak said that the healthcare stock prices plunged to their bottoms in 2016 due to the political impacts prior to the U.S presidential election when the U.S. drug prices have been attacked with too-high prices in particular on the campaign trail. These stocks, as a result, slid in their prices. Given these factors, healthcare stocks particularly pharmaceuticals and biotechnology sectors dived to their trough. However, Mr. Trump's victory in the U.S. presidential election marked a turning point for this healthcare industry believing his new policies will make it a positive turnaround. Mr. Trump's tax reform policy will support the bottom line and would help bring in trapped overseas cash. In the meantime, his rule relaxation for faster approval of special drugs will entice healthcare companies to move back and invest more in the country, which will provide positive impact to the overall industry. The healthcare industry consists of four main groups: pharmaceuticals; biotechnology concerning biotech drugs and prescription drugs; healthcare services involving hospitals; and medical technology.

Having shared the similar thread, Ms. Lee, fund manager for JPM Global Healthcare Fund, noted that the healthcare fund hits the bottom in 2016 when it plunged by 16% as a result of volatile market sentiment especially in the biotechnology sector over the past year. However, the year 2017 is believed to be a good year for healthcare industry. Three months after Mr. Trump's announcement of new policy, it prompts the market to pick up. It is believed the policy will bring positive impacts on the industry both in the short and long term. In the short term, the tax reform will lure companies to invest more in the U.S. The relaxation of regulations on drug production approval will expand the market for innovative drugs for special diseases. Besides, there's a frenzy of mergers and acquisitions activity in the industry which will expand the market. In the long term, rising consumers' spending in this industry will boost the industry growth continuously. The healthcare industry is expected to grow by 5.6% per annum from 2017 to 2025 as most of healthcare firms have sound fundamentals with large amounts of cash.

Global Healthcare Strategy positioning

Characteristics

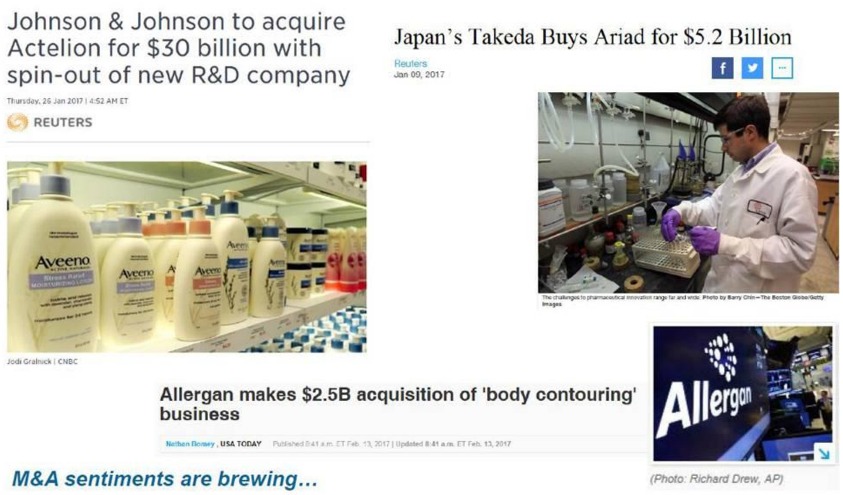
Number of holdings:	84
Off-benchmark (%):	23
Predicted tracking error (%):	4.1
Predicted beta (x):	1.13

	Strategy	Benchmark
PE FY1	16.2x	16.0x
PB	3.7x	3.5x
ROE	18.9%	17.6%
Est 3-5Y EPS Growth	13.2%	9.5%
5Y Hist. Sales Growth	16.6%	7.6%

Source: J.P. Morgan Asset Management, Factset. The strategy an actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the Investment Manager without notice. Strategy characteristics are as at 31 January 2017.

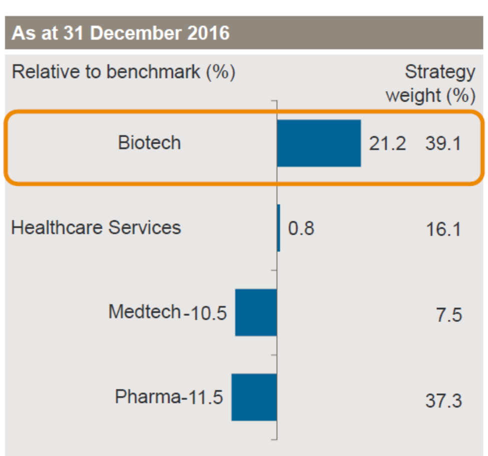
Ms. Lee said that the biotechnology sector will gain from the U.S. healthcare policy, given the most innovation for drugs for special diseases extending from Alzheimer, Cancer, and Hepatitis to other epidemics. These firms have a large number of special drugs waiting for approval. The rule relaxation policy is believed to greatly affect the market expansion for specially controlled drugs or prescription drugs due to high market demand. Furthermore, most of companies with drug innovation are mainly in small and medium sizes, becoming targets for mergers and acquisitions of large-sized companies with high investment and, as a result, growing businesses swiftly. Therefore, JPM Global Healthcare Fund overweighs its investment in these companies which are likely to benefit from the new policy.

Mergers & Acquisitions ("M&A") – likely to be an important catalyst in 2017



Regarding the stock selection strategies, the fund usually studies and analyzes detailed fundamentals and growth prospect of each company it will make investment. Ms. Lee said the fund would consider and select companies with sound fundamentals and strong growth potential. Such the strategies have proven that when the market has recovered, the fund will quickly resume its profitability.

Presently, the fund still overweighs its investment in biotechnology sector with 39.1% in its portfolio citing its strong growth potential, followed by healthcare services sector which it holds 15.2%. Among the top five stocks in its portfolio include Roche – one of Europe's largest drug firms, UnitedHealth Group- the U.S. health insurance giant, Bristol-Myers Squibb - the U.S.'s leading drug firm, Gilead Sciences and Celgene - the U.S.'s leading biotechnology drug manufacturers. Besides, there are other supporting factors, namely investment diversification in small-cap stocks and growth and revenue potential of the companies in which the master fund has invested. These companies are expected to grow and make profits consistently in light of the new healthcare policy.



Source: J.P. Morgan Asset Management. The strategy is actively managed. Holdings, sector weights, allocations and leverage, as applicable, are subject to change at the discretion of the Investment Manager without notice ("M&A") – likely to be an important catalyst in 2017

Mr. Kiattisak of KSAM added that the healthcare stock prices now become attractive for investment, compared to those in two to three years earlier when the market's price to earnings ratio (P/E ratio) was relatively high at 20 times. Its P/E ratio is currently 16 times which is quite attractive, compared to those of other industries. The growth of healthcare stocks is also quite high with an upside of 9%. Its profit also continues growing.

Investors who are interested in healthcare stocks can invest through Krungsri Global Healthcare Equity Dividend Fund (KF-HEALTHD) and Krungsri Global Healthcare Equity RMF (KFHCARERMF) which will make investment through the master fund - JPM Global Healthcare Fund.

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1. KF-HEALTHD and KFHCARERMF invest at least 80% of NAV in each accounting year in a foreign fund titled JPM Global Healthcare Fund (Master Fund).
2. Risk level 6 – high risk
3. The fund may enter into a currency swap to hedge against foreign exchange risk within discretion of the fund manager.
4. The fund may enter into a currency swap within discretion of the fund manager which may incur transaction costs. The increased costs will reduce overall return. In absence of a currency swap, investors may lose or gain from foreign exchange or receive lower return than the amount initially invested.
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6. Investors should study fund features, return, risk, and tax benefits in the fund's prospectus before investing. Past performance is not an indicative of future performance.

For more information or request for funds' prospectus, please contact:

Krungsri Asset Management Company Limited
1st-2nd Zone A, 12th, 18th Zone B Floor, Ploenchit Tower 898 Ploenchit Road,
Lumpini Pathumwan, Bangkok 10330
Tel. 0 2657 5757 I Fax 0 2657 5777
E-mail: krungsriasset.mktg@krungsri.com | Website: www.krungsriasset.com