India … Golden Era for Growth

Krungsri Asset Management launches a new equity fund (KF-INDIA),

paving way for Thais' investment in companies with spectacular and sustainable returns in India and Indian Subcontinent – the land that has caught global investors' attention through its bright prospects in the short and long term.

15 September 2017 – Krungsri Asset Management Company Limited (KSAM) hosted a seminar titled **"India…Golden era for economic growth and investment"**, where **Mr. Kiattisak Preecha-anusorn, Assistant Vice President, KSAM's Director of Alternative Investment Department; and Mr. Vinay Agarwal, fund manager of First State Indian Subcontinent Fund** – the master fund of KF-INDIA, shared insights on India and the subcontinent's economic prospects as well as the investment policy that has continuously generated above-market returns.

Mr. Kiattisak expressed his confidence in the long-term economic prospects of India. India's GDP is expected to average 8% in the next 5-6 years, relatively high compared to other emerging markets. Its share of the world's GDP is anticipated to jump from 7% to 15% by 2050. The prospects are bright because of increasing population, youthful demographics and urbanization. Its population, about 1,340 million at present, could surpass China's by 2025, creating an economy of scale to new businesses and a chance to become a center of any kind. The median age of workforce is also young at 27, compared to 37 in China and 38 in Thailand, showing a potential increase in consumption. Lastly, only 32% of population is urbanized, against 58% in China and 51% in Thailand, indicating new investments in infrastructure.

Source: Central Statistics Organisation; and OECD Economic Outlook 100 database., OECD Economic Surveys: India, February 2017. | IMF for 2016 estimates, PwC analysis for projections to 2050, The long view: how will the global economic order change by 2050, PwC, Feb 2017 | worldometers.info | IMF and Nomura Global Economics

“India will remain an investible destination for 10 years,” he told the audience.

He stressed 2 drivers that will keep the short and medium-term outlook buoyant - easing of internal issues and massive reforms initiated by President Narendra Modi. India’s current account and budget deficits, approximately 5 per cent of GDP in 2013, have dropped to 0.7% and 3%, respectively. Inflation, near 14% in 2012, has eased to 2-3%, allowing interest rate cuts and the improved environment for the economy and the stock market. Modi secures majority supports from the Congress, leading to political stability unseen in decades and policy continuity. Meanwhile, Modi’s 10-year vision to turn India into a global economic power adds positive impacts to the economy. The newly-introduced Goods and Services Tax in particular brings about a unified system in the 28-state country and is expected to boost GDP by 1 percentage point through cheaper logistics cost and higher consumption. Modi also envisions mobile phones for all Indians, the improvement of infrastructure (electricity, railways and roads), and legal reforms which have so far led to the abolishment of more than 1,000 laws.

“Reforms always win investors’ attention, as they tend to lift up the country’s GDP without much dependence on global movements. The significant investment in infrastructure, once completed, will improve the country’s economic fundamentals and hence boost GDP and draw more investment,” Kiattisak said. “India is a very good choice for investors seeking long-term investment returns.”

Source: tradingeconomics.com | ndtv.com 26 May 2017, loksabha.nic.in | India – Transforming through radical reforms, EY, February 2017

KF-INDIA will invest in First State Indian Subcontinent, a member of Commonwealth Bank of Australia Group that is the only winner of Morningstar’s 5-star rating for overall performance as of 31 July 2017. The fund actively sources growth stocks and conservatively plugs downside risks, allowing it to outperform the market and generate sustainable returns.

Source: Morningstar rating from Morningstar as of 31 July 2017. Fund information and Lipper ratings from First State Investment as of 31 July 2017. This ranking is not relevant to the AIMC. KF-INDIA will invest in Class III.

According to Mr. Agarwal, the fund manager, his team consisting of 20 generalists in different areas has regular meetings to debate every investment idea. The fund’s portfolio leans towards mid-sized companies with corporate governance, right business models and bright outlook. A bottom-up stock selection approach is being employed to get the right business. In focus are companies with strong brand and pricing power, which allows them to maintain steady and high margins as well as returns on capital across business cycles. The emphasis is also placed on the owners who must be ambitious yet conservative in expanding business. Acting like long-term partners, the fund is ready to put a brake on any company in the portfolio should it embark on unjustified plans. The fund's 10-year cumulative return is 234.26%, compared to MSCI India's 40.47%.

"Our investment philosophy is getting the right business and right people, to find long-term conservative business with pricing power," he said.

Source: Team structure from First State Investments | First State Investments as of 31 Aug 17. The performance shown belongs to the performance of the master fund, so it is not complied to AIMC's standard | Please study fund features, performance, and risk before investing. Past performance is not an indicative of future performance.

Mr. Agarwal is of the view that the subcontinent possesses huge growth opportunities in the next 10-15 years, as it contributes 4% of global GDP though accommodating 23% of global population. The region also offers a big pool of investible companies, like Healthcare Global – a franchise of 25 cancer-oriented hospitals which can generate 25-30% in returns in the next 5-10 years as 1.1 million Indians are diagnosed with cancers per annum in India. Bombay Stock Exchange houses 5,820 listed companies including a number of multinational companies like Colgate, Nestle and Unilever which boast corporate governance, innovation and high product penetration.

"Growth will be driven by increasing penetration of products like shampoos, soaps and cars as compared to other emerging markets," he said, expecting greater investment in infrastructure chiefly electrification to change the way people generate income and consume.

More than 95% of the assets are now invested in Indian companies and the rest in promising companies in neighboring countries – Sri Lanka, Pakistan and Bangladesh.

Source: First State Investments as at 30 June 2017.

Disclaimer

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2. Krungsri India Equity Fund ("The Fund") invests in First State Indian Subcontinent Fund (Class III USD) ("The Master Fund") with policy that will comprise a diversified portfolio of companies of the Indian

subcontinent. Countries of the Indian subcontinent include India, Pakistan, Sri Lanka and Bangladesh, therefore the Fund may have risks from economic and/or political and/or social changes in the country where the master fund invested in.

3. The fund may enter into a currency swap within discretion of 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. Before remitting in money, please carefully study fund features, performance, and risk. Past performance is not a guarantee of future results. This document is not the fund's prospectus, produced for general information only. Shall you have any queries, please contact the Management Company.

7. The Management Company is a Thai registered asset management company regulated by the Securities and Exchange Commission of Thailand ("SEC"). The SEC authorizes and registers the Fund, but takes no responsibility for the soundness of the Fund and does not guarantee any of its price.

For more details or to request for the Fund Prospectus, please contact:

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