

A Shining Spot on Long-term Growth Investment in Asia

Krungsri Asset Management says Asia the most attractive region for investment amid the global economic recovery and introduces open-ended “Krungsri Asian Equity Hedged FX Fund – A” which gathers top Asian stock picks with high growth potential and sustainability.

21st March 2018 – Krungsri Asset Management Co., Ltd held a seminar to introduce “Krungsri Asian Equity Hedged FX Fund – Accumulation” (KFHASIA-A), a new foreign mutual fund focusing on top plays with high growth potential in Asia (Ex. Japan). The fund will invest through Vontobel Fund – mtx Sustainable Asian Leaders (Ex. Japan), a leading Swiss fund with Morningstar’s five-star rating* and the fund outperformance against MSCI AC Asia Ex Japan since its establishment. The initial public offering for KFHASIA-A’s units is scheduled during 16-27 March, 2018.

*Source: Morningstar rating from Vontobel as of 31 December 2017, which is not relevant with AIMC’s rating

In a recent seminar, **Ms. Chatkaew Krohthong, Krungsri Asset Management’s Vice President for Alternative Investment**, and **Ms. Suzanna Wong, Head of Intermediary Distribution at Asia Vontobel Asset Management**, explained the current situations of the global economy, its growth, support factors and risks for stock investment in Asia, while presenting details of the master fund, its investment strategy and stock selection criteria, its current investment portfolio and expectations.

Ms. Chatkaew said that in the overall, the global economy started recovering since 2017 with the synchronized growth but Asia (ex. Japan) recorded the highest GDP growth at 5.2% on an annual average, followed with China and India at 6.5% and 7.5%, respectively. Support factors to the Asian growth spanned from the global economic recovery which helped boost Asian trade and export to increases in domestic consumption in light of increased population at the working-age range with high demand for consumption. Besides, several Asian countries like Thailand, Indonesia and India have made more investment in infrastructure projects. The economic recoveries have led to rises in stock markets worldwide, led by technology stocks. In Asia, technology stocks have dominated MSCI AC Asia Ex Japan, instead of energy stocks which used to be the major plays in stock markets. Presently, technology stocks capture over 30% of total market capitalization. Other like consumer products, and banking and finance sectors tend to expand in line with economic situations.

Source: Factset, MSCI, Vontobel Asset Management as of 31 Jan 18.

Solid corporate profits and attractive valuations are luring investors to Asian stocks. In 2017, listed companies in Asia registered as high as 20% in EPS growth, higher than an annual average at 13%-15%, due to the 2015 low base. This year, the growth is expected to return to the normal growth rate of 12%-13% which will be relatively good and attractive for investment. Despite of the high growth rate, stock prices remain much cheaper than those in developed economies. MSCI Asia Ex Japan's price to earnings ratio (P/E ratio) stays at 12-13 times, lower than MSCI World Index's of 15 times. Stock markets of some developed countries record the P/E ratio at 18 times. Therefore, Asian stocks are cheaper, based on valuations.

Besides, MSCI stocks in this region are traded at discount and become not expensive, compared to stocks in other regions. After good Asian performance last year, foreign investors have stormed back into Asian stocks and, thus, capital has flown into Asian countries like China, Hong Kong, India, Korea and Taiwan and technology stocks in particular. This is the first time for Asian technology stock - Tencent Holdings of China to become one of top five global stocks in terms of market capitalization, while several Asian stocks moved up to top 30 of the global stocks, reflecting Asian stocks' much higher growth potential.

Source: Goldman Sachs Asia Pacific Weekly Kickstart as of 9 Feb 18 and MSCI, Factsheet, Vontobel Asset Management as of 31 Jan 18

However, risks to the overall economy remains with likely higher inflation. Krungsri Asset Management estimates inflation to rise within each central bank's target framework and at a controllable level and that is not a big concern.

The master fund, Vontobel Fund - mtX Sustainable Asian Leaders (Ex Japan), stands out in its performance since its establishment in 2008. The fund has outperformed MSCI AC Asia Ex Japan consistently. In 2017, the fund made profit of 56%, compared to a market return of 42%.

Although stock markets around the world fell in 2015, Vontobel Fund had less negative return than the index then, mirroring the fund's capability to pick stocks which could make profit with lower risks. The fund has the proactive investment policy and with profitability as the main goal. The fund's teams of analysts specialize in each sector, assessing and selecting stocks according to its policy.

Source: Vontobel Asset Management as of 31 Dec 17.

Ms. Wong said that the stock selection criteria is the key behind the fund's success. Four factors are considered before stock selection, ranging from high return on investment capital (ROIC), leading positions in an industry, prices with upside risk of 25% to corporate governance for sustainability.

Currently, Vontobel Fund invests 7.01% of its portfolio, the highest among all assets held, in China's largest tech company Tencent Holdings which owns messaging and social media app "WeChat" and online games. Tencent Holdings has over 800 million customers in China with great business opportunities.

The next stock the fund holds 6.63% is Korea's IT giant Samsung Electr-gdr. The fund also invests 3.15% in PTT Plc. due to business growth potential as a result of several businesses. The fund also invests in other industries with high growth rates such as financial sectors in China, India and Indonesia.

Customers who are interested in Asian stocks with growth potential are able to invest through KFHASIA-A which will invest no less than 80% in the master fund - Vontobel Fund - mtX Sustainable Asian Leaders (Ex Japan). Krungsri Asset Management will hedge no less than 90% of the fund's assets against FX risks.

Please study fund features, performance, and risk before investing. Past performance is not an indicative of future performance.

KFHASIA-A will enter into a forward contract to hedge against the exchange rate risk for the value of at least 90% of the foreign investment value. The fund risk level is 6 – high risk.

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

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