

Asia Investment Forum: the World's Growth Engine



8 August 2018 – Krungsri Asset Management Company Limited held a seminar on “Asia Investment Forum: the World’s Growth Engine,” inviting six fund managers from world’s leading fund houses who have expertise in Asian markets to share their opinions in investment in these regional countries. In the seminar, their growth potential, investment opportunities and risk factors were listed, while fund management to mitigate risks and build up each fund’s return were drawn up for investors to have several diverse options in Asian markets where record the highest growth rate in the world.

Asian Market Outlook: Delivering through Diversification in Asia for Better Return Opportunities



In the past nine months, two key factors – the US interest rate hikes and trade war tension, have been pressuring Asian markets, prompting foreign capital to flee. Pang Kin Weng, Portfolio Manager, Multi-Asset Solutions of Schrodgers Investment Management and Suzanna Wong, Executive

Director, Head of Intermediary, Distribution Asia, Vontobel Asset Management, agreed that although the overall emerging markets remain relatively negative from early 2018 as a result of continuous capital outflow, corporate profit combined is expected to touch 14% this year and continue to be at



this level in 2019. Combined these profit estimates with robust market fundamentals, Asia appears attractive for investment. The key support factors for the economic growth are urbanization and massive population which would bring about infrastructure investment, higher employment, higher income and more spending. Therefore, the future of Asia is believed to look bright for long-term investment and markets have been signaling rebounds through return of foreign capital.

Vontobel Asset Management focuses on its stock selection process in Asia, while its fund, Vontobel Fund - mtX Sustainable Asian Leaders (ex Japan) that is the master fund of KFHASIA-A currently holds 39 intensively-selected stocks based on qualitative and quantitative analysis, focusing on high return on investment capital (ROIC). The fund currently weighs 55% of its investment portfolio in the Chinese market, focusing on the highest-growth industries - IT and technology, and oil and energy stocks with attractive valuations. Compared with the MSCI, the fund has outperformed the market.

Schroders Investment Management also shared its additional view, noting that prices of Asian stocks are relatively low, compared to the regional economic growth. Meanwhile, Schroder Asian Income Funds, the master fund of KFAINCOM-A and KFAINCOM-R strategically makes both defensive and diversified investment in lower-risk utilities such as water, power or insurance with regular dividend payment. Besides, Schroders Investment Management diversifies its investment into diverse financial products. Aside from equities, the fund also puts its money into bonds, and futures & options to help mitigate its portfolio risk when markets are on the downward trend. Given this strategy, the fund still maintains its satisfactory return.

The Rising Stars in Asia

- **Vietnam:** Alex Treves, APAC Head of Investment Specialists for EM/AP Equities, J.P. Morgan Asset Management, said that Vietnam stands out as a country to most attract foreign direct investment now due to its comparatively low wages and the Vietnamese government's investment promotion policy. Relaxing its regulations permitting foreigners to hold shares lures more foreign investors to come to Vietnam and the country's economy will grow as a result. Vietnam has a large population at working ages. Earning higher income leads to more domestic spending and a change of taste to branded products. Attractive investment



sectors include steel used for utilities development, banking and retail. Moreover, the Vietnamese currency is more stable than several Asian currencies. The country's foreign reserve improves. On the corporate side, although companies have high price-to-book value (P/BV), their returns on equities (ROE) are very high. Particularly, consumer products and energy stocks are still cheap with high profit growth.

JPMorgan Vietnam Opportunities Fund is the fund investing in Vietnam and one of the foreign investment funds KFVIET-A had invested.

- **Thailand: Chatkaew Groatong, Head of Alternative Investment Department, Krungsri Asset Management Co., Ltd.,** said that both external and internal factors have impacted Thai stock market. At home, pressure has come from inflation and interest rates which are set to rise. Meanwhile, several positive factors continue to support Thai stocks to



move on. From early 2019, the SET Index has moved with high volatility, sliding 13% from its high at 1,839 points to a record low at 1,595 points. However, the movements are minor corrections, still normal for investment. The SET Index is believed to have been through its trough. Thailand will start to see continuous improvement in its economic recovery. The country's GDP is forecast to rise from 3.9% in 2017 to 4.8% this year. The GDP figures are expected to stay at 4.5-5% throughout the year.

Thai export is cited to drive the Thai economic expansion with the former's growth of 11%. The country's utilities development for more government spending, higher farm income, continuous growth in tourism, the general election and ease of other external factors will lead to upside of the Thai bourse. Now is the right time for long-term investment. Investing in Thai stocks is expected to yield a return of 8-10% this year.

Giants of Asia: China – India - Japan

- **China: Phojit Chatterjee, Equity Strategist, Global Emerging Markets and Asia Pacific Equities, UBS Asset Management,** said that China is interesting as the world's largest economic size. The Chinese economy shares 15% of world's total economy, while the US markets manage to capture 25%. While the index, Chinese stock market has a share of only

3% and the US stock markets have a combined share of 52%. The largest Asian country contains a large economic size with high population. The Chinese government's policy to promote and invest in research and development for innovations in several past years has led to enormous changes in the economy and industries spanning from IT, technology, and health care to insurance. Chinese innovations with patents have increased to the world's top list after the United States, which will extensively drive China's expansion. Now, the Chinese stock market is still small and prices of Chinese stocks are not high. In the A-Share market, Chinese stocks have P/E of only 11 times, giving a room for the China's stock market to grow in the future. This is appropriate for long-term investment. A fund with active management will make good return in the long term.

UBS (Lux) Investment SICAV - China A Opportunity Fund is the fund **KFACHINA-A** had invested and focuses on investing in A-Share stocks trading on the Shanghai Stock Exchange and the Shenzhen Stock Exchange.

- **India: Vinay Agarwal, Portfolio Manager, First State Indian Subcontinent Fund, First State Investments**, said that India stays as one among top-5 stock markets with the highest economic growth rates in the world. Domestic consumption is the growth driver. Now, the Indian stock market contains over 1,000 listed companies, about 300 of which have relatively stable financial status. Although valuation is not cheap, there remains an investment opportunity due to their high profitability. Previously, the impact factors to Indian stock market were depreciating rupee and more expensive crude prices. Several listed companies which have high profitability have suffered these situations and their stock prices dropped. Therefore, this time is the opportunity to make investment due to attractive stock valuations. The fund manages risks by selecting stocks with good corporate governance and prudent financial management policy. **KF-INDIA** is the fund that invests in First State Indian Subcontinent Fund.



- **Japan: Michael Woolley, Client Portfolio Manager, Eastspring Investments**, said that Japan has been in a sluggish mode for a long time. But many years ago, Japanese companies have restructured





and refocused their businesses and the results have begun to be materialized for higher profits and returns. The stock market has not yet fully priced in and stock prices remain low. Simultaneously, the Japan's easing monetary for higher wages and more spending will lead to Japan's economic expansion and more domestic consumption. In addition, pension funds have flocked into Japanese companies with good corporate governance, regular dividend payment and low debt, which will lead to Japan's economic expansion. This marks an interesting opportunity and start to make investment in the Japanese stock market. The fund's investment philosophy is seeking value stocks with low prices for an opportunity for high returns in the future. Being the master fund of KF-HJAPAND, Eastspring Investments - Japan Dynamic Fund focuses to seek low-priced stocks for higher return opportunities in the future.

Disclaimer

Should study fund features, returns, and risk before making an investment decision. Past performance of the mutual funds is not indicative of future performance. | This fund may be exposed to risk from changes in economies, society and/or politics of the countries where the master fund has invested in.

Funds investing in Asia

KFHASIA-A (Krungsri Asian Equity Hedged FX Fund-A)

- Minimum 80% of Funds assets in average of fund accounting year are invested in the Master Fund named, Vontobel Fund - mtX Sustainable Asian Leaders (ex Japan) (Class I)
- Risk level 6 – high risk | Hedge against foreign exchange rate risk at least 90% of foreign investment value

KFAINCOM-A (Krungsri Global Multi Asset Income Hedged FX Fund-A)

KFAINCOM-R (Krungsri Global Multi Asset Income Hedged FX Fund-R)

- The Fund allocates at least 80% of NAV in each accounting year in a foreign fund titled Fidelity Funds
- Global Multi Asset Income Fund (Class A-MINC(G))
- Risk level 5 – Moderate to high risk | Hedge against foreign exchange rate risk at least 90% of foreign investment value



KFVIET-A (Krungsri Vietnam Equity Fund-A)

- The fund will invest in units of foreign equity funds and/or Exchange Traded Fund (ETF) in average in any accounting period, no less than 80% of its NAV. Foreign Investment Funds in which the fund shall invest include JPMorgan Vietnam Opportunities Fund with not over 79% of NAV, VanEck Vectors Vietnam ETF at about 0% - 30% of NAV, and Xtrackers FTSE Vietnam Swap UCITS ETF at about 0% - 30% of NAV.

- Risk level 6 – high risk | The fund may enter into a currency swap within discretion of fund manager. The fund manager may consider hedging against currency risk depending upon market situation and fund manager's discretion. However, the fund is hedged against foreign exchange rate risk at least 90% of foreign investment value.

KFACHINA-A (Krungsri China A Shares Equity Fund-A)

- Minimum 80% of Funds assets in average of fund accounting year are invested in the Master Fund named, UBS (Lux) Investment SICAV - China A Opportunity (USD) (Class P - acc)

- Risk level 6 – high risk | The fund may enter into a currency swap within discretion of fund manager. The fund manager may consider hedging against currency risk depending upon market situation and fund manager's discretion. However, the fund is hedged against foreign exchange rate risk at least 90% of foreign investment value.

KF-HCHINAD (Krungsri Greater China Equity Hedged Dividend Fund)

- This fund allocates at least 80% of NAV in each accounting year in a foreign fund titled First State Greater China Growth Fund (Master Fund).

- Risk level 6 – high risk | Hedge against foreign exchange rate risk at least 90% of foreign investment value

KF-INDIA (Krungsri India Equity Fund)

- The Fund mainly invest in units of a foreign fund, First State Indian Subcontinent Fund (Class III USD) (Master Fund), with net exposure at least 80%, in average of its NAV in any accounting period.



- Risk level 6 – high risk | The fund manager may consider hedging against currency risk depending upon market situation and fund manager's discretion.

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.

KF-HJAPAND (Krungsri Japan Hedged Dividend Fund)

- This fund allocates at least 80% of NAV in each accounting year in a foreign fund titled Eastspring Investments - Japan Dynamic Fund (Master Fund).

- Risk level 6 – high risk | Hedge against foreign exchange rate risk at least 90% of foreign investment value

KF-JPSCAP (Krungsri Japan Small Cap Equity Fund)

KF-JPSCAPD (Krungsri Japan Small Cap Equity Dividend Fund)

- The Fund allocates at least 80% of NAV in each accounting year in a foreign fund titled MUFG Japan Equity Small Cap Fund (Class I) (master fund), which invests in stocks of small-cap companies with pioneering business models and long-term growth potential through economic cycles, which listed in Japanese Stock Exchange.

- Risk level 6 – high risk | The fund manager may consider hedging against currency risk depending upon market situation and fund manager's discretion.

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.

KF-HJPINDX (Krungsri Japan Equity Index Hedged FX Fund)

- The Fund allocates at least 80% of NAV in each accounting year in a foreign fund titled Nikkei 225 Exchange Traded Fund (master fund).

- Risk level 6 – high risk | Hedge against foreign exchange rate risk at least 90% of foreign investment value



For more information or fund prospectus, please contact:

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