Thailand Update

Monthly Commentary

January 2012

Market Overview

- Thai equities fell marginally in Singapore dollar terms in December. Concerns about the macroeconomic effects of the floods and anxieties over the Eurozone's economic health triggered a sell off by retail investors, which was counterbalanced by foreign buying. Nevertheless, the SET Index significantly outperformed the region's broader MSCI Asia Pacific ex Japan Index.
- On the economic front, there was a general slowdown in activity, in November, reflecting the impact of the floods and softer external demand. Car sales dropped; advertising expenditure fell, while exports weakened for the first time in two years.
- Although inflation remains high, driven by food prices, the Bank of Thailand cut its benchmark interest rate by 25 basis points to 3.25% to stimulate the economy.

Model Portfolio News

In December, we added to Hana Microelectronics. Against this, we pared Home Product Center following its outperformance.

Note:
Any changes refer to those of our model portfolio, which is the basis for actual portfolios we manage that have similar investment objectives. However, there might be minor variations, so the comments may not apply to all portfolios.

Corporate News

PTTEP will delay the start-up of the Montara field until the third quarter owing to slow approvals, though the impact on earnings is minimal; it was also granted two onshore oil concessions in Myanmar. In merger and acquisitions, **Siam Cement** will invest 6.2 billion baht to raise its stake in Thai Plastic & Chemical to 69%, with another 8 billion baht earmarked for the remaining shares. **Minor International** bought the remaining 30% stake in Thai Express Concept for S$16.8 million. In third-quarter earnings, **Amarin Printing** was supported by good advertising income, whereas **AEON Thana Sinsap** suffered from flood-related provisions.

We hold all the companies highlighted.

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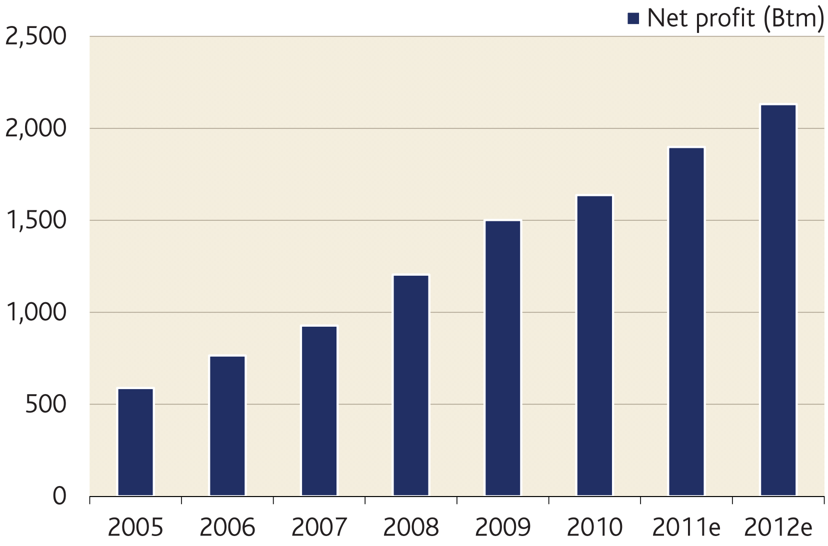
Focus: LPN Development – solid earnings outlook



Source: Company data, Bualuang Research, 14 Dec 11

Despite the massive flooding in the country, low-end condominium developer LPN Development has emerged relatively unscathed compared to its sector peers. Notably, its earnings outlook has brightened following three new condominium launches in December and an increased preference for condominiums nearer to the city. With one of the strongest balance sheets among local residential developers, LPN's net cash position allows it to support more new launches which are expected to boost earnings this year.

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