

# Thailand Update



## Market Overview

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- Intense street battles brought Bangkok to a standstill in May, triggering net foreign outflows totalling 58.75 billion baht, the largest monthly volume in a decade. Yet, the SET Index outperformed the rest of Asia. Local buying partly mitigated the losses.
- The breakdown in negotiations between prime minister Abhisit Vejjajiva and the protestors came to a head after the assassination of a former army general. The military prevailed, resulting in the surrender of key red-shirt leaders but retaliatory attacks soon followed, with several buildings in the commercial district set ablaze. One of the worst hit was the Central World shopping mall.
- Data on the economic front largely ignored political developments: first-quarter GDP rose 12% year-on-year, driven by exports and private consumption. Inflation cooled in May, easing pressure on the central bank to raise interest rates.

## Model Portfolio News

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During the month, we added to retail property developer Central Pattana on relative price weakness.

*Note: The changes mentioned in this part refer to our model portfolio, which is the basis for actual portfolios we manage that have similar investment objectives. However, there might be minor variations among these, so the above descriptions might not apply to the actual portfolios.*

## Corporate News

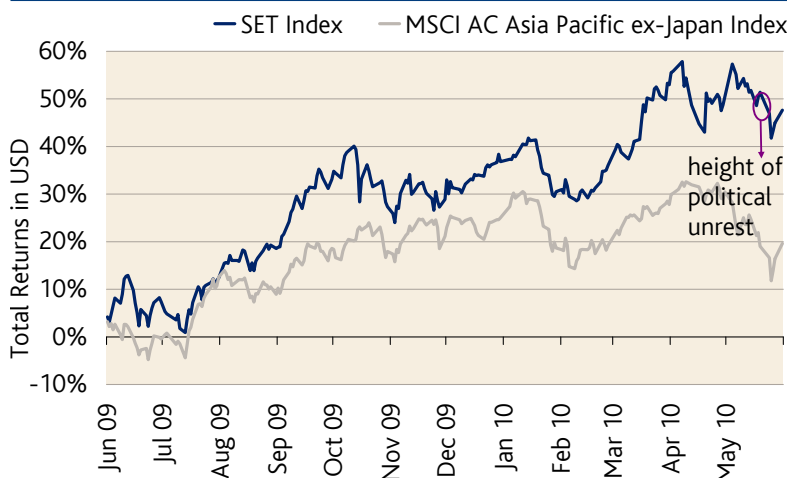
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Our holdings continue to post solid first-quarter results: **Advanced Info Services**, **Hana Microelectronics**, **BEC World**, **Big C Supercenter** and **Siam Makro** reported better net profits. Conversely, **Thai Stanley Electric** released lower fiscal 2010 results, while **Bangkok Insurance** and **Thai Reinsurance** reported minimal losses. **Regional Container Lines'** net loss narrowed from a year earlier as trade volumes improved and costs were slashed. Separately, **Central Pattana** can claim up to 16.5 billion baht-worth of compensation for damage to Central World; it will postpone renovations at Central Ladprao until next February.

We hold all the companies highlighted.

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### Focus – SET for stellar performance?



Source: Bloomberg, 11 Jun 10

Thai equities have rallied strongly over the last 12 months, outperforming the MSCI AC Asia Pacific ex Japan index by 28-percentage points. This despite the recent riots that threatened to push Thailand to the brink of civil war. Indeed in the 12 months up until 19 May, the height of the unrest, Thai equities had outperformed the regional index by about 32-percentage points, which might come as a surprise to many. Why was this? To some extent, political risk was already factored into the price of Thai equities. Second, though the television pictures may have been dramatic, most businesses remained unaffected by the protests. Third, Thailand's recovery over the last year or so was more robust than that of others in the region. Despite the political volatility, there are plenty of good investment opportunities to be had in Thailand.

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