

Thailand Update



Market Overview

- Thai equities recorded solid gains in December, led by local institutional buying. Most major sectors rose, although the construction materials, petrochemicals and property sectors lagged after a court injunction upheld a ban on new developments in the industrial zone of Map Ta Phut.
- November data continued to indicate an improvement in economic activity. Exports grew for the first time since October 2008, while higher demand for durable goods eased the contraction in imports.
- Inflation rose for a second straight month but remained largely benign, allowing the Bank of Thailand to keep the benchmark interest rate unchanged at a five-year low of 1.25%.
- Government revenue exceeded its target for a second consecutive month, suggesting continuing recovery in domestic demand during the fourth quarter. Consumer confidence rose as the outlook for the economy and employment improved.

Model Portfolio News

There were no major changes to the portfolio during the month.

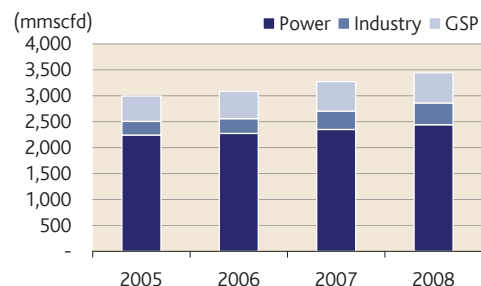
Corporate News

The Supreme Court upheld the suspension of 65 industrial projects, including investments by **Siam Cement** and **PTT Exploration & Production**, which were halted earlier because of pollution concerns. Nevertheless, the court's decision does not affect current operations at Siam Cement's new petrochemical complex, which are expected to start in the second quarter.

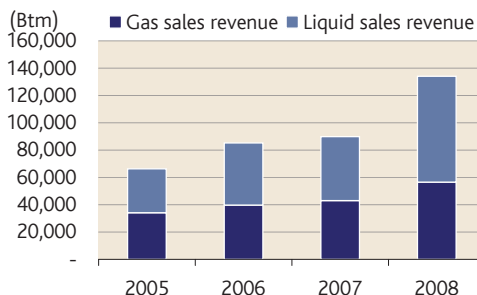
We hold all the companies highlighted.

Focus – PTTEP - minimal exposure to Map Ta Phut

Gas separation plants is a small part of gas demand



Half of PTTEP's earnings also come from liquid sales



Source: CLSA Asia-Pacific Markets, PTT, PTTEP

The court injunction against the Map Ta Phut pollution cases has resulted in a challenging situation for Thai energy stocks. Our portfolio is relatively underweight to the energy sector, although we do have a position in PTTEP. But, PTTEP's gas and oil operations are mostly elsewhere. As such, we expect the impact on the company's earnings to be minimal.

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