

Thailand Update



Market Overview

- The SET index posted its highest monthly gain since December 2007 in July, supported by increased confidence in the economic outlook. Foreign inflows lifted the market, with net buying worth 6.88 billion baht.
- Although inflation remained subdued, the Bank of Thailand raised interest rates by 0.25-percentage points to 1.50%, its first rate hike in two years.
- June economic data remained largely robust: exports surpassed expectations, rising 46% year-on-year, while imports increased 38%. Tourist arrivals rebounded by 13.7% from a year earlier to reach 7.5 million visitors during the first half.
- Consumer confidence strengthened for a second month in June. As a result, the Finance Ministry upgraded its full-year growth forecast to 5-6%.
- Following May's fatal protests in Bangkok, many provinces are still under a state of emergency, as the government continues to round up 'red-shirt' leaders under emergency detention powers.

Model Portfolio News

During the month, we took profits in Hana Microelectronics and Siam Makro following strong share price rises. We introduced property developer LPN Development, which focuses on mid to low-end housing, on the back of an attractive valuation and solid fundamentals.

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.

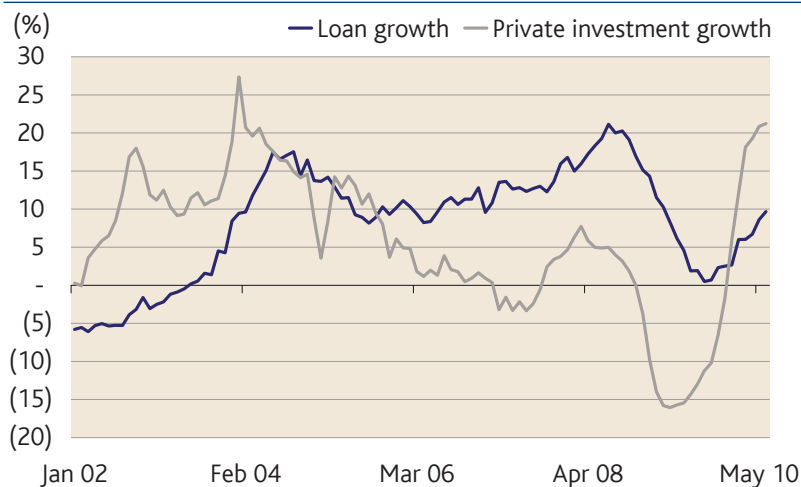
Corporate News

In general, our holdings reported robust second-quarter results: **Siam Cement** was aided by its paper business and volume growth from its new chemicals complex; **PTTEP** benefited from increased sales volume and prices, while **Phatra Securities** and **Siam City Cement** also saw improved earnings. Meanwhile, **Kasikornbank**, **Siam Commercial Bank** and **TISCO Financial Group** expect loan growth to meet full-year targets. In other news, Toyota Motor's plan to invest up to four billion baht to expand capacity bodes well for parts suppliers **Goodyear (Thailand)** and **Thai Stanley Electric**.

We hold all the companies highlighted.

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Focus: KBANK / SCB – Where investors bank their hopes on



Source: Company data, CLSA Asia Pacific Markets, Aug 2010

Our holdings Kasikornbank (KBANK) and Siam Commercial Bank (SCB) continued to see loan growth accelerate, driven by a recovery in exports and a sharp pick-up in investment growth. These positive factors led both banks to post healthy profit growth during the second quarter. Large banks are not only primed to profit from the strong economy via loan growth and improving asset quality, but they are also prime beneficiaries of a rising interest-rate environment.

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