



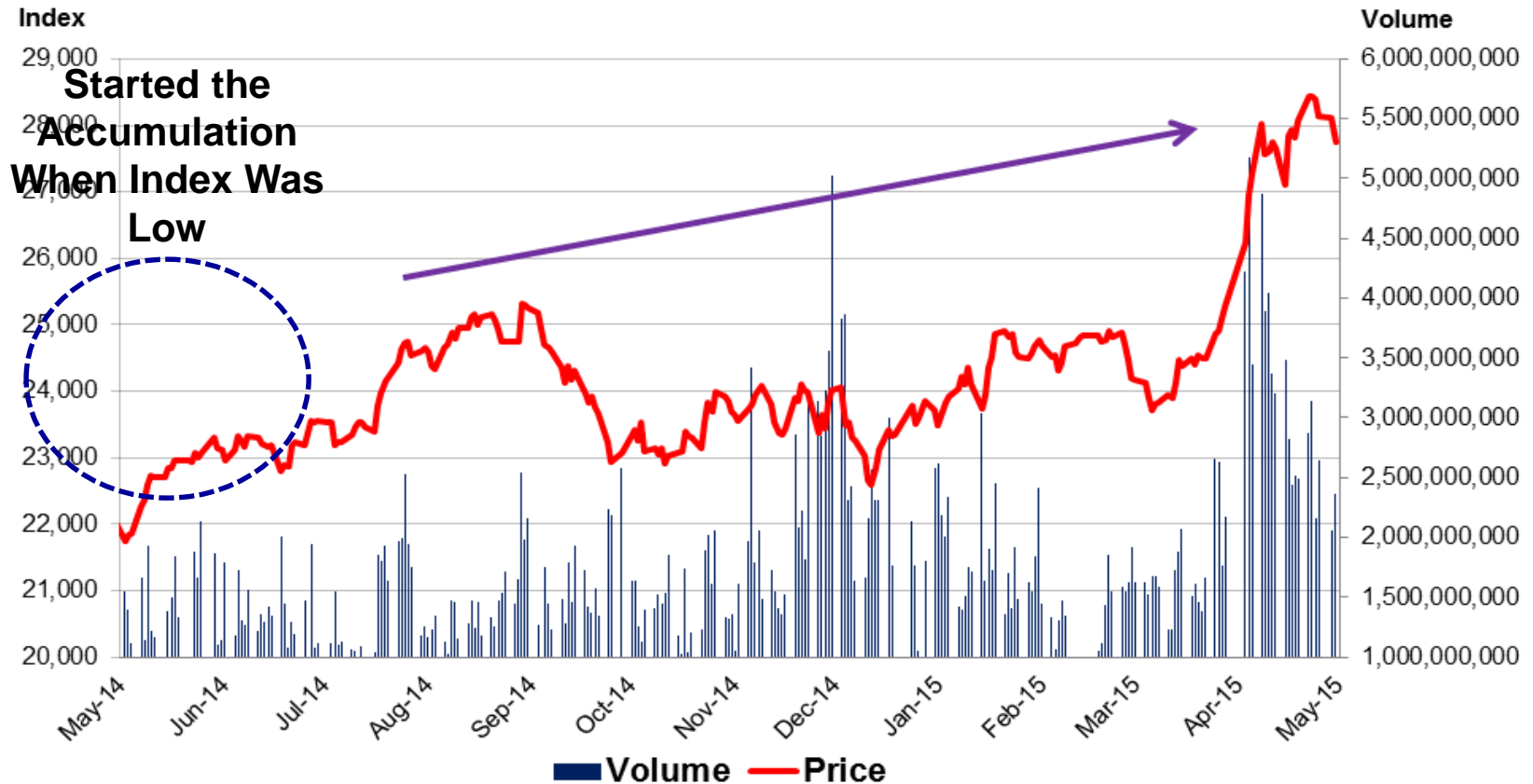
ASIA FOCUS

PHILLIP CAPITAL MANAGEMENT SDN BHD

9TH MAY 2015

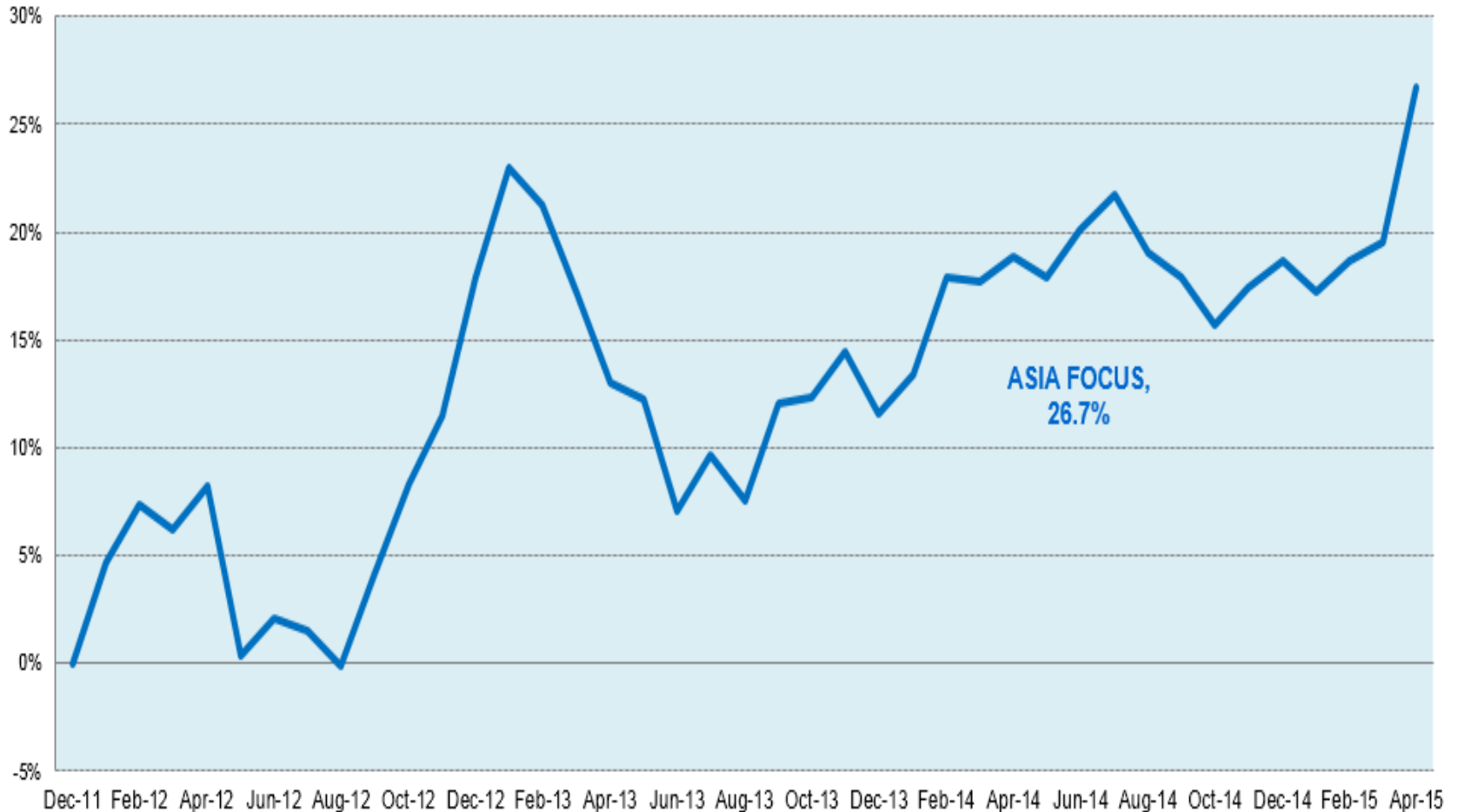
PORTFOLIO REVIEW

- Started to position in Hong Kong/China market in late Y2014, which has the largest exposure among the four countries invested, at 35-40%



PORTFOLIO REVIEW

PMA ASIA FOCUS Performance



HANG SENG NOT EXPENSIVE

- We believe the easing policies would drive liquidity into the equity market as valuation is relatively inexpensive in the region
- The WSJ's article, "In Stock Market Stampede, China Welcomes Slow Bulls and Mad Cows"

Leading PE Band of HSCEI <2005 - Present>



HONG KONG / CHINA MARKET

- ❑ Portfolio reaped the fruit in late March 2015 due to the easing by the Government.
- ❑ The real economic activities are slowing down very quickly.
- ❑ Continuously pouring capital into industrial, manufacturing and property to help the economy.
- ❑ **Labor wages has rising** and the wealth effect is accumulating.
- ❑ So, all the **excess liquidity** is pouring into the equity market.
- ❑ Liquidity conundrum of **Hong Kong – Shanghai Stock Connect**.

EASING MONETARY POLICY TO BE SUSTAINED

- Given the expectations of slowing GDP growth and increasing disinflation risk, monetary policies will remain loose



SOURCE: PBOC, CIMB

INVESTMENT THESIS FOR CHINA RAILWAY & CONSTRUCTION SECTORS

- End of corruption probing for railway and construction sectors.
- Benefactor of real policy measures to maintain growth via infrastructure stimulus and social housing (to replace shantytowns).
- Compelling valuations.

Stock Name	% Invested
China Railway Construction	5.0
China CNR	3.5
China State Construction	4.0

SHARE PRICE PERFORMANCE



■ Volume — Price



■ Volume — Price



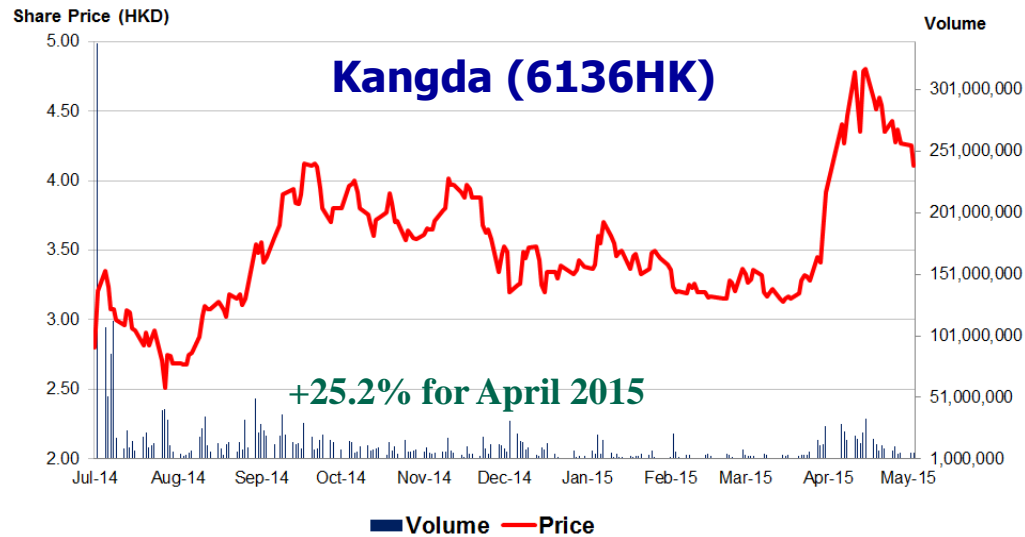
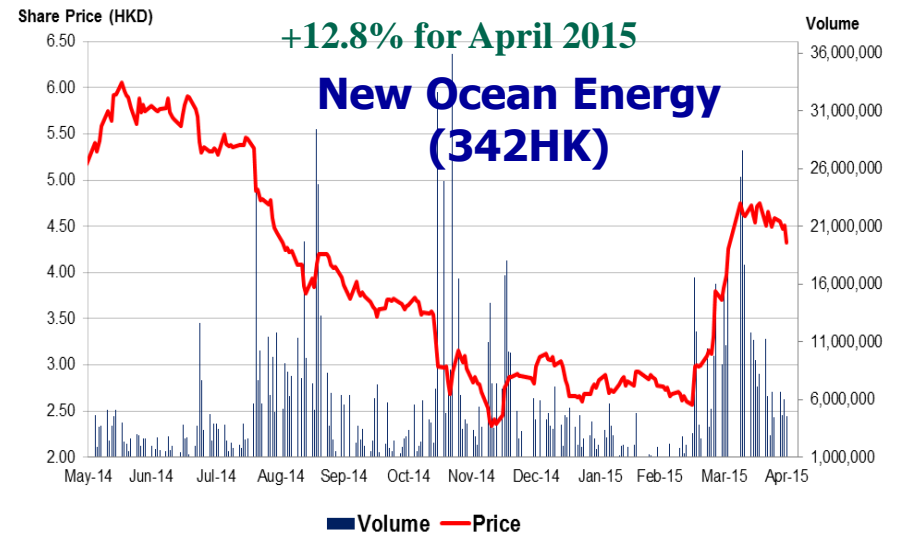
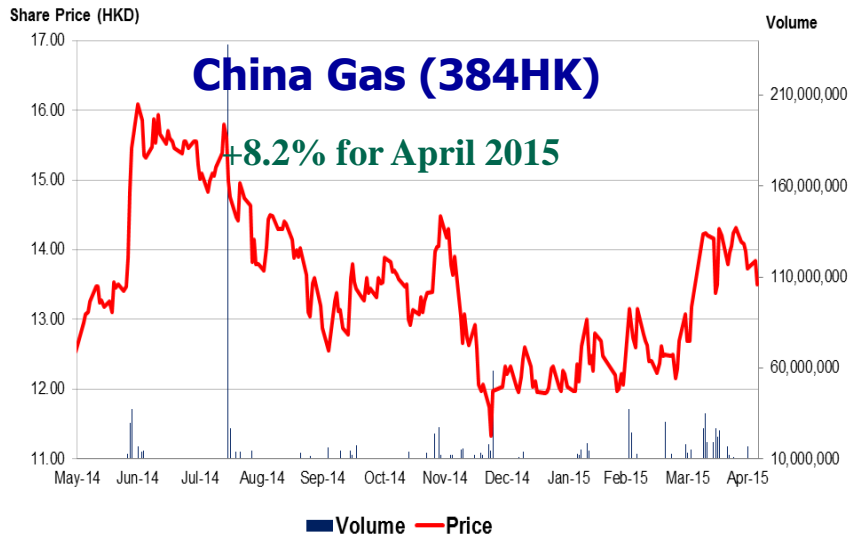
■ Volume — Price

CHINA REFORM

- Government push for green policies/ measures e.g.
 - Environmental protection tax
 - Energy Conservation
 - Pollutant Emission Reduction
 - Clean Energy
 - Renewable Energy
 - Waste-to-Energy
 - Industrial Solid Waste and Hazardous waste treatment
 - Water Resources Management
 - Waste Water Treatment

Stock Name	% Invested
China Gas	3.0
New Ocean Energy	5.0
Kangda Int'l Environmental	3.0

SHARE PRICE PERFORMANCE



MARKET VIEW

- ❑ Bullish on the Hang Seng market which is supported by:-
 - ❑ Attractive valuation at 11x P/E 15
 - ❑ Ample liquidity – multiple expansion driven by liquidity
 - ❑ Potential earnings upgrade following the monetary easing in China
- ❑ **Lowly invested in Indonesia** due to relatively expensive valuation at 16.7x P/E 2015F and market all time high at over 5,200 level
- ❑ We believe Indonesia is due for a correction as the Indonesian government has been unable to boost economic growth (yet) through government spending. Foreigners have been net seller
- ❑ We are **neutral in Thailand** as we invest in selective companies with long term earnings growth
- ❑ **Country Allocation** :- 41% in Hong Kong, 7% in Indonesia, 12% in Singapore and 12% in Thailand