



OVERVIEW

Global stock markets were generally positive in August. The FTSE All World Index rose 2.26% month-over-month led by strong US stock market performance, with the S&P 500 advancing 4.00% and the Dow Jones Industrial Average gaining 3.60%. Year-to-date, both indices have gained 9.89% and 4.84%, respectively. In line with global stock market performance, the MSCI Emerging Markets Index rose 2.25% during the month. The ASEAN stock markets, however, bucked the trend with the Dow Jones ASEAN Islamic Total Return Index (MYR denominated) declining -0.65% over the month mainly due to strengthening of the ringgit.

Malaysia

Second quarter GDP growth accelerated to 6.4% year-over-year (from 6.2% in the first quarter), beating market expectations of 5.8%. The stronger-than-expected growth was boosted by solid export performance amid resilient domestic demand. Exports jumped 8.8% year-over-year as the country continued to benefit from stronger overseas demand amid recovery in global semiconductor sales. International reserves, however, fell marginally to US\$131.8 billion on 31 July from US\$131.9 billion a fortnight ago. This was largely attributed to net outflow from the financial market as foreign investors sold a net RM0.3 billion worth of Malaysian equities in July. Current reserves declined to RM423.5 billion, which is sufficient to finance nine months of retained imports and is equal to 1.3 times the short-term external debt.

Indonesia

The Constitutional Court on 21 August upheld the victory of Joko Widodo in last month's presidential election, rejecting claims of widespread cheating from Prabowo and ending weeks of political uncertainty in Indonesia. Since the verdict cannot be appealed, the Joko-Kalla government will be sworn in on 20 October. Outgoing president, Susilo Bambang, in his last budget speech made no change in the fuel subsidy scheme, thus leaving the burden to the new government. Nevertheless, the budget deficit is estimated to be 2.3%, which is well below the 3.0% limit. Foreign investors were net sellers for the month, disposing of US\$112 million worth of equity after the market rallied 4.5% in July.

Philippines

Second quarter GDP growth came in at 6.4% year-over-year, beating consensus expectations of 6.1%. Gains were seen in most subsegments: consumption gained 5.3%, exports rose 10.3%, and foreign income (i.e., remittances) increased

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Neoh Boon Sing
Equity Analyst

Malaysia's stronger-than-expected growth was boosted by solid export performance amid resilient domestic demand.

Market Indicators	Current Value	1 Month	YTD	1 Year
FBM EMAS Shariah (RM)	13,220	-0.99% ▼	3.14% ▲	12.98% ▲
FBM KLCI (RM)	1,866	0.11% ▲	2.00% ▲	11.54% ▲
Dow Jones ASEAN Islamic (RM)	8,035	-0.65% ▼	10.83% ▲	8.82% ▲
S&P 500 (US\$)	3,643	4.00% ▲	9.89% ▲	25.25% ▲
Dow Jones Industrial Average (US\$)	17,098	3.60% ▲	4.84% ▲	18.18% ▲
FTSE All World (US\$)	284	2.26% ▲	7.67% ▲	21.71% ▲
MSCI All Country World Index	432	2.26% ▲	7.67% ▲	21.73% ▲
MSCI Emerging Markets (US\$)	454	2.25% ▲	10.63% ▲	19.98% ▲

	Current	1 Month Ago	1 Year Ago
Ringgit per US\$	3.16	3.21	3.30
Crude oil (US\$)	\$95.96	\$98.17	\$107.65
Crude palm oil (RM)	RM 1,937	RM 2,328	RM 2,407



12%. Construction activity also rose in the second quarter, with the number of approved building permits increasing 11.2% year-over-year. Meanwhile, inflation remained stable at 4.9% in August after gaining one-half of one percent in July, with food, utilities, and clothing all ticking higher. Supported by strong economic performance, the Philippine stock market performed well for the month, rising 3.0% on the back of US\$278 million in foreign fund inflows.

Singapore

Second quarter GDP growth was up 2.4% year-over-year, beating advance estimates of 2.1%, helped by a 1.5% year-over-year increase in the manufacturing sector. In line with the improving global economy, the country released a slew of positive economic data in August: 1) July manufacturing PMI expanded to 51.5 from 50.5 in June; 2) industrial production increased 3.3%; and 3) non-oil domestic exports grew 2.5% month-over-month, following a 1.5% increase a month ago.

Thailand

The king of Thailand officially endorsed the army chief and coup leader General Prayuth Chan-ocha as prime minister three months after the military took control of the nation in a bloodless coup. The royal endorsement will allow Prayuth to establish an interim government until elections are held in late 2015. The economy, meanwhile, rebounded to gain 0.4% year-over-year in the second quarter after contracting -0.5% in the first quarter. The main contributor was net exports, which added 5.2% to overall growth thanks to a large drop in imports. Domestic consumption has shown signs of recovery, with household consumption expanding 0.2% after three straight quarters of declines. As a result, Thailand's stock market rallied 4.5% in August, with a US\$75 million inflow of foreign funds.

COMPANY REVIEW

KPJ Healthcare (KPJ MK) posted solid 2Q results, beating consensus earnings estimates with a 34% jump in net profit. The favorable performance was driven by increased inpatient volume, higher revenue intensity per patient, and contributions from new hospitals.

Universal Robina (URC PM) surprised positively on its quarterly performance, with net profit surging 20% year-over-year on new product launches, market share gains, and a favorable product mix. Outlook for the company remains bright, given the management's plan to scale up the company's international presence.

PORTFOLIO TACTICS

ASEAN countries have reported good economic growth in the second quarter, with Malaysia, the Philippines, and Thailand surprising on the upside. As the US economy continues to strengthen, coupled with a recovery in China, the outlook for ASEAN looks promising. We will remain selective in picking stocks, focusing on companies that have solid and long-term growth profiles, such as Consumers (e.g., Universal Robina and Jollibee Foods), Health Care (e.g., Bangkok Dusit and Bumrungrad), Building Materials (e.g., Semen Indonesia) and Telcos (e.g., Advanced Info Service).

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