# Product Update

As of January - March 2018

By Product Management

## Bualuang Global Equity Fund (B-GLOBAL)
## Bualuang Global Equity RMF (B-GLOBALRMF)

Global Equity Market Review Q4 2017

The MSCI all-country world index gained 22% or 9 trillion USD to an all-time high of 514.53 in 2017, their best annual performance since the post-crisis recovery supported by a globally strong economic growth.

**US equities** closed the year 2017 with the S&P 500 gaining 6.6% in the 4th quarter. The strong advance was supported by rallies from the news of the tax reform bill which promised big cuts for corporations, supportive monetary policy, and generally good economic figures including the GDP growth of 3.0% (annualised) in the 3rd quarter which exceeded expectations. Robust corporate earnings of a handful of tech large stocks were the other main contributors of the market's gain in 2017.

**European equities** have benefited from the region's economic recovery albeit the MSCI EMU ending at a negative 0.5% in the 4th quarter, which was due to the stronger Euro and the profit-taking of the year's gains. The region's GDP grew by 0.6% in the 3rd quarter, while inflation rose to 1.5% in November 2017 compared to the previous year's 0.6% in the same month. Concerning Eurozone politics in 2017, coalition talks in Germany dragged on, Catalonia regional election failed to resolve the Spanish independence issue, and Macron's victory in France marked an important reversal on the populist movement in the Eurozone.

**UK equities**, supported by a sustained recovery of the global economy, rose 5.0% in the FTSE All-Share index over the 4th quarter. The BoE monetary policy raised interest rates from 0.25% to 0.50%, the first time since 2007, while inflation breached BoE's upper target with CPI reaching 3.1% in November 2017. Progress with Brexit negotiations remains uncertain, although sentiment in general has been hopeful for talks on future trade agreements.

**Japanese equities** gained 8.7% for Q4 2017. The market was on the rise for the majority of 2017 with support mainly from strong overseas demand, relative stability of the yen/dollar exchange rate, and the corporate management reforms to focus on profitability and shareholder returns. Some of the main concerns affecting the market in the past year have been about Abe's standing with the Japanese voters—at least until the LDP's election victory in October—and the wider global geo-political issues such as the North Korean weapon testing programs, uncertainty in global interest rates, the Chinese economy's slowdown outlook and tension from the US politics.

**Emerging Market equities**, particularly in developing Asia, rallied strongly with support from good corporate earnings with the MSCI Asia ex Japan index rising 8.2% in the 4th quarter. A solid global economic expansion, the lack of direct disruption from the Trump administration and falling bond yields in several markets were the main drivers of the market in 2017. Strong gains were evident in India, Korea, Thailand, Indonesia, Hong Kong and China, with several outperforming the market. India outperformance benefited from the strong reform momentum, particularly from the good progress on the Goods & Service Tax, the approval of the Bankruptcy Code and recapitalisation of state-owned banks, despite earnings growth underperforming

Master Fund

Name: Wellington Management Portfolios (Luxembourg) — Global Opportunities Equity Portfolio

Investment Policy: An overseas fund under Wellington Management Portfolios (Luxembourg) listed in Luxembourg as a UCITS and managed by Wellington Management Company LLP. The fund has an investment policy of investing in equity and other securities with equity characteristics including, for example, shares, preferred stock, warrants, shares of REITs and depository receipts issued by companies worldwide.

Registered Date: 19 February 2010

Registered Country: Luxembourg

Currency: USD

Benchmark: MSCI All Country Word Index Net

Morningstar Category: Global large cap growth

Bloomberg Code: WLLGOAU LX

Fund Size: USD 577.7 million

NAV: USD 22.60

Number of Holdings: 114

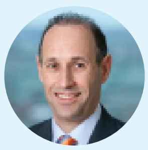
Source: Wellington Management Company LLP, as of January 31, 2018

Risk Statistics:

| | Fund | Benchmark |
|---|---|---|
| Market Cap-Asset Weighted | USD 135 billion | USD 142 billion |
| Number of Equity Names | 114 | 2454 |
| Number of Countries | 15 | 47 |
| Turnover | 112% | - |
| EPS Growth (Next 3-5 years) | 14.6% | 13.2% |
| P/E Projected | 16.0x | 16.2x |
| P/B | 2.4x | 2.3x |
| Tracking Risk | 2.9% | - |
| Beta | 1.4 | - |
| R-Squared | 0.93 | - |

Source: Wellington Management Company LLP, as of 31 January 2018

Fund Manager



Nicolas M Choumenkovitch

26 years of experience



Bualuang Fund
BBL Asset Management

against expectations. Hong Kong and China, although finishing slightly behind the index, showed robust consumption with retail sales growing around 10% over the past year, stable GDP growth of 6.8% in the 3rd quarter and strong politics after the 19th Communist Party Congress in October.

Source: Morningstar, Invesco Ltd., Nomura Asset Management Singapore Limited, Nomura Asset Management UK Ltd., Bloomberg, Schroders Investment Management Ltd.

Global Economic Outlook for 2018

Global economic growth in 2018 has been revised up from the fall forecast by 0.2 percentage point to 3.9%. The forecast reflects the carryover positive momentum from the generally favourable global financial conditions continuing from the cyclical upswing since mid-2016 as around 120 economies—accounting for three quarters of the world GDP—have been seeing positive yoy growth in 2017. The strong sentiment should maintain the global investment growth in response to the acceleration in major economies' growing demands. By major markets, the projections of 2018's growth and consumer prices according to the IMF are as follow:

| | US | EU (ex. UK) | UK | Japan | Emerging Asia |
|---|---|---|---|---|---|
| Output (yoy) | 2.7% | 2.2% | 1.5% | 1.2% | 6.5% |

| | Advanced Economics | Emerging Market and Developing Economies |
|---|---|---|
| Consumer Prices (yoy) | 1.9% | 4.5% |

Key drivers:

1. **US tax policy**—the tax reform, particularly on the reduction of corporate tax rates and the temporary allowance for full expensing of investment, is expected to stimulate activities in the United States. Positive implications include a stronger domestic demand as a by-product, which leads to an increase in imports that would result in positive spillover effects to its global trading partners.
2. **Strong demands in advanced economies**—Other than the United States, growth rates for many EU countries have been revised upwards, particularly for Germany, Italy and the Netherlands according to their forecasts for strong momentum in both domestic and external demands. Growth in Spain, even with the revised down figures due to the political tension, still exceed potential forecast. Advanced Asian economies, with their heavy reliance on global trade and investment, also went through a revised up to reflect strong external demands.
3. **Consistent growth of Asian emerging market**—emerging and developing Asia is expected to grow around 6.5%, the same pace as last year. Growth is expected to gradually slowdown in China but picks up in India. ASEAN-5 is expected to grow at a stable rate. The region in total currently accounts for half of the world's growth.

Key risks:

1. **Inward-looking policies**—multiple long-standing multilateral agreements are being renegotiated towards a more inward-looking theme, with trade barriers and regulatory realignments increasing (i.e. NAFTA, Brexit, etc.). Negative implications from these renegotiations could include a damper on global investment, reduced production efficiency and delayed potential growths in the global market. Inequality in growth levels and income gap in multiple countries, United States included, are the main catalysts toward inward-looking policies.
2. **Geopolitical tensions**—tensions in East Asia, particularly from North Korea, and the Middle East may damper market sentiments. Upcoming elections in several countries could be affected by political uncertainty, where possibilities of reoriented policies and reform implementations remain high.
3. **Market Distortions from the Search for Yield**—with the period of low interest rates and low volatility in asset prices protracting, yield-seeking investors may increase exposure into lower-rated and less credit-worthy borrowers while driving spreads lower. This behaviour is reported in the IMF's Global Financial Stability Report (October 2017) as shares of low investment-grade rating companies are increasing in the advanced economy bond indices in the past few years, not to mention the growth of non-financial corporate debt in emerging markets. The current global growth momentum may be giving cover to the real credit risks from these exposures, possibly allowing for the accumulation of financial vulnerabilities from yield-seeking behaviours.

Concerning valuations, the 2018 forecasts for each key equity markets can be summarised as follow:

| | US | EU (incl. UK) | Japan | Emerging Asia |
|---|---|---|---|---|
| Emergings Growth | 9.2% | 11.7% | 10.4% | 12.8% |
| Return on Equity | 17.1% | 12.4% | 10.6% | 11.9% |
| Dividend Yield | 2.1% | 3.5% | 2.2% | 2.7% |
| P/E Valuation | 17.4x | 15.3x | 13.9x | 15.1x |
| P/B Valuation | 2.9x | 1.8x | 1.4x | 1.7x |

Source: Wellington Management Singapore Pte Ltd., International Monetary Fund, Fidelity Insight as of September 2017

Positive and Negative Catalysts for the Global Equities in 1H2018

US

(+) Tech stock momentum should carryover onto 1H2018 as the sector main gainers continue to beat earning targets and provide defensiveness with their lower implied volatility than market and consumer staples stocks and quantitative strategies, a dynamic entirely from the opposite spectrum of the speculative nature of the tech boom in the 1990s.

(-) The positive impact of the US Tax Bill on the market may have already been fully priced in.

(-) Volatility normalisation could have an impact on the market, as the current market's volatility has been too low by historical standards and corrections are expected to take place.

EU

(+) The ECB also announced the extension of quantitative easing—with reduced pace of purchase from 60 billion Euro per month to 30 billion Euro per month—until September 2018. Outlook for ECB's QE programme is expected to be stable throughout 1H 2018.

(-) Politics in the Eurozone continue to haunt headlines into early 2018 as coalition talks between Angela Merkel's conservatives (CDU/CSU) and the centre-left Social Democrats (SPD) in Germany drags on and Catalonia secession dispute simmers in Spain.

UK

(+) Multinational companies in the UK which are less reliant on domestic economy should continue to benefit from the cyclical recovery in Europe and the momentum from the strong global economic performance that should carry over into 2018.

(-) As inflation data is accelerating and the current account deficit widening, the UK is in a vulnerable position entering Brexit negotiation. The Brexit negotiation itself also continues to create uncertainty domestically as views concerning Brexit within the UK remain contentious.

Japan

(+) Japanese stocks continue with good momentum, ending the year 2017 at highest year-end level since 1991 with the 225-issue Nikkei average at 22,764.94. Throughout 2017, the Nikkei average gained 3,650.57 points (19.1%), marking its winning streak consecutively for the 6th year.

(+) BOJ is expected to maintain its monetary easing policy and weak inflation through the purchase of exchange-traded funds, providing opportunities for Japanese companies to continue posting record profit in 2018 with the weak yen (forecast trading at between 95 to 120 Yen compared to 113 Yen in late December 2017).

(-) The slowdown in the Chinese economy may come earlier than expected, which can affect corporate earnings of Japanese companies that rely heavily on the Chinese market.

(-) Missile tests by North Korea, if continued to be conducted throughout 1H2018, could damper the positive sentiment of investors.

Emerging Markets

(+) India reform momentum should continue, particularly with the implementation of the Bankruptcy Code and the recapitalisation of the state-owned banks in place, as the actions would provide a significant step towards cleaning up banks' balance sheet and enabling banks to accelerate loan growth, respectively. The reforms should keep investors' confidence in the economy growth rate strong, support higher earnings, and also possibly help with inflation control and fiscal and current account deficits.

(+) The inclusion of China A-Share in MSCI Emerging Markets Index beginning May 2018 should pull attention towards the market. China A-Share market is still inefficient with low historical correlations to global equity, making it a good destination for diversification.

(-) India announced the 4th annual budget that will end a longstanding exemption for equity investment from long-term capital gains tax. The regime will impose long-term capital gains tax on equities as well as a 0.1 per cent transactions tax——tougher than those implemented in other Asian emerging markets.

(-) The threat of an eventual Chinese economic slowdown continues to loom over investors and markets with heavy reliance on China.

Source: Wellington Management Singapore Pte Ltd., Japan Times, Nomura Asset Management Singapore Limited, Financial Times

Wellington Global Opportunities Fund Strategy

To seek returns from global equities with a focus on the following philosophy and process:

- On the short run, to focus on markets with excessively on growth.
- On the long run, to focus on markets with improving/sustainable return on capital.
- To look for companies with change and competitive advantage through opportunistic stock selection—"Global Value Chain" and construct a balanced portfolio.

Historical return vs benchmark (as of January 2018)

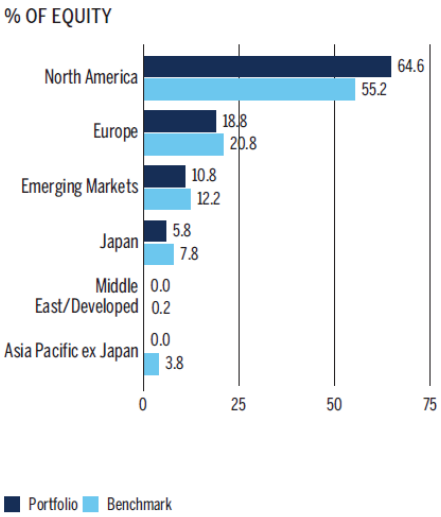
| | 3 M accumulated | 6 M accumulated | 1 Y p.a. | 3 Y p.a. | 5 Y p.a. | YTD accumulated | Since Inception |
|---|---|---|---|---|---|---|---|
| B-GLOBAL | 4.94% | 8.12% | 16.02% | - | - | 3.86% | 9.15% |
| Benchmark[1] | 3.16% | 7.56% | 13.43% | - | - | 1.57% | - |
| Master fund | 9.1% | 13.09% | 27.7% | 11.8% | 13.1% | 6.6% | 14.0% |
| Benchmark[2] | 9.4% | 14.29% | 27.5% | 11.9% | 11.0% | 5.6% | 11.8% |

Benchmark[1] is MSCI all country world index net in USD adjusted by the exchange rate to calculate the returns in Baht as of the date of calculation

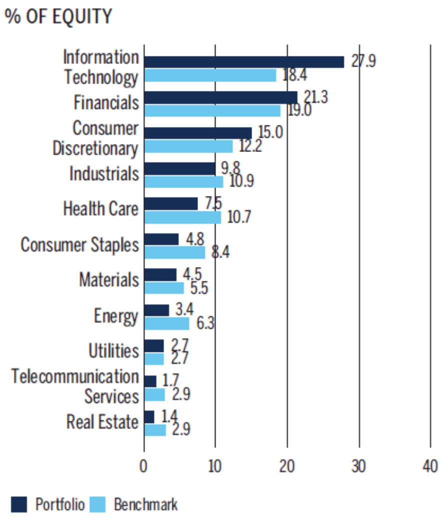
Benchmark[2] is MSCI all country world Index Net

Weight of Investment Holdings of master Fund by Region and sector, as of 31 January 2018

## REGIONAL DISTRIBUTION (%)




## SECTOR DISTRIBUTION (%)




Top Five Active Weight Holdings, as of 31 December 2017

1. Apple Inc. designs, manufactures, and markets personal computers and related personal computing and mobile communication devices along with a variety of related software, services, peripherals, and networking solutions. The Company sells its products worldwide through its online stores, its retail stores, its direct sales force, third-party wholesalers, and resellers.
2. Bank of America Corporation accepts deposits and offers banking, investing, asset management, and other financial and risk-management products and services. The Company has a mortgage lending subsidiary, and an investment banking and securities brokerage subsidiary.
3. Facebook, Inc. operates a social networking website. The Company website allows people to communicate with their family, friends, and coworkers. Facebook develops technologies that facilitate the sharing of information, photographs, website links, and videos. Facebook users have the ability to share and restrict information based on their own specific criteria.
4. UBS Group AG provides financial services to private, corporate, and institutional clients. The Company offers investment, retail, and corporate and institutional banking, as well as holistic wealth management planning and asset management services. UBS Group also offers securities services such as fund administration and third-party fund management.
5. British American Tobacco P.L.C. operates as a holding company for a group of companies that manufactures, markets, and sells cigarettes and other tobacco products including cigars and roll-your-own tobacco.