

Thailand Market Strategy

Vayupak Fund 1 returns

- The MoF plans to bring VAYU1 back to the market within September 2024.
- We think it should be positive for the SET index and provide an upside of c100-200 points.
- Large-cap stocks with strong dividend yields could be targets of the fund.

Summary of the preliminary details from the return of the Vayupak Fund 1

On 13 August 2024, the Ministry of Finance (MoF) and the Securities and Exchange Commission (SEC) held a press conference after the cabinet approved in principle the establishment of the Vayupak Fund 1 (VAYU1). Details below:

- Fundraising target: THB100b-150b.
- Investment focus: Emphasizes investment in highly secure securities, with a significant focus on ESG.
- Investment duration: 10 years.
- Investment strategy: The fund will invest in the SET through both active and passive strategies.
- Return: Investors will receive actual returns, but not less than a specified minimum guarantee rate and not exceeding a maximum rate.
- Investment protection mechanism: Type A units will have investment protection with preferential rights.
- Fund managers: KTAM and MFC will remain as the fund managers.
- Specifics for each condition will be clarified in the prospectus, expected in September 2024.

Based on the latest record from SETSMART, the existing Vayupak Fund 1 (VAYU1) currently holds shares in ADVANC, AOT, BBGI, BBL, BCP, BKIH, BSRC, CENTEL, GLOBAL, HMPRO, INTUCH, IVL, KBANK, KCE, KTB, KWC, PTT, SCB, SCC, SCCC, SCGP, TFFIF, THAI, and TTB. The top 5 holdings are PTT, SCB, TTB, KTB, and BCP.

SET index could potentially have a c100-200 point upside

Based on our regression analysis between the LTF's NAV and the SET index during 2013-19 when local investors bought the LTF consistently, our analysis shows that every THB10b NAV increase could benefit the index by 25-27 points. Currently, VAYU1 has an 88.58% allocation of its NAV in common stocks. Hence, we assume that most of the potential new money of cTHB100b-150b should provide an upside to the SET of c100-200 points. Note that in December 2003, the SET index jumped by 20% after VAYU1 started listing in the market, before retreating to +11% in the first three months. Moreover, during the first ten years of VAYU1, the SET index went up by 112%, equivalent to 7.8% CAGR.

Target should be large-cap stocks with strong dividend yields

We view this development positively, as it should support a significant recovery in the SET Index. In addition, with a minimum guarantee rate for type A units, we expect that large-cap stocks that offer strong dividend yields of at least 3-4% or above could be the fund's target, such as the banking, energy, telecommunications, and retail sectors, i.e. PTT, BCP, SCB, TTB, KTB, ADVANC, INTUCH, CPALL, HMPRO, and AOT.



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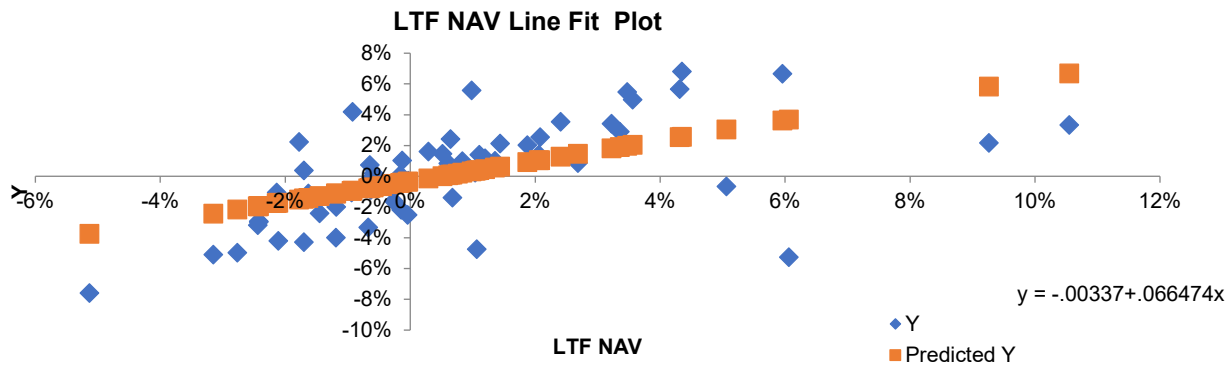
The Chairman of The Audit Committee and Independent Director of Finansia Syrus Securities PCL is also AOT's Chairman of Board of Directors

Exhibit 1: VAYU1 shareholdings

Symbol	Shareholders	# Shares (shares)	% Shares (%)	Shareholder as of
ADVANC	Vayupak Fund 1	25,542,400	0.86	20/02/2024 - XM
AOT	Vayupak Fund 1 by KTAM	51,687,400	0.36	12/12/2023 - XM
AOT	Vayupak Fund 1 by MFC	51,687,400	0.36	12/12/2023 - XM
BBGI	Vayupak Fund 1 by KTAM	6,615,213	0.46	05/03/2024 - XM
BBGI	Vayupak Fund 1 by MFC	6,615,213	0.46	05/03/2024 - XM
BBL	Vayupak Fund 1	10,000,000	0.52	24/04/2024 - XD
BCP	Vayupak Fund 1	188,200,000	13.67	07/03/2024 - XM
BCP	Vayupak Fund 1 by KTAM	42,486,300	3.09	07/03/2024 - XM
BCP	Vayupak Fund 1 by MFC	42,486,300	3.09	07/03/2024 - XM
BKIH	Vayupak Fund 1 by KTAM	1,589,203	1.53	13/06/2024 - IPO
BKIH	Vayupak Fund 1 by MFC	1,589,203	1.53	13/06/2024 - IPO
BSRC	Vayupak Fund 1	25,000,000	0.72	12/03/2024 - XM
BSRC	Vayupak Fund 1 by KTAM	132,311,700	3.82	12/03/2024 - XM
BSRC	Vayupak Fund 1 by MFC	132,311,700	3.82	12/03/2024 - XM
CENTEL	Vayupak Fund 1 by KTAM	7,649,700	0.57	09/05/2024 - XD
CENTEL	Vayupak Fund 1 by MFC	7,649,700	0.57	09/05/2024 - XD
GLOBAL	Vayupak Fund 1	26,000,000	0.52	27/02/2024 - XM
HMPRO	Vayupak Fund 1	72,000,000	0.55	23/04/2024 - XD
INTUCH	Vayupak Fund 1	12,141,600	0.38	21/02/2024 - XM
IVL	Vayupak Fund 1 by KTAM	20,963,200	0.37	27/05/2024 - XD
IVL	Vayupak Fund 1 by MFC	20,963,200	0.37	27/05/2024 - XD
KBANK	Vayupak Fund 1	12,600,000	0.53	23/04/2024 - XD
KCE	Vayupak Fund 1 by KTAM	7,548,750	0.64	26/03/2024 - XM
KCE	Vayupak Fund 1 by MFC	7,548,750	0.64	26/03/2024 - XM
KTB	Vayupak Fund 1 by KTAM	273,548,657	1.96	18/04/2024 - XD
KTB	Vayupak Fund 1 by MFC	273,548,658	1.96	18/04/2024 - XD
KTB-P	Vayupak Fund 1 by KTAM	2,726,095	49.57	18/04/2024 - XD
KTB-P	Vayupak Fund 1 by MFC	2,726,095	49.57	18/04/2024 - XD
KWC	Vayupak Fund 1 by KTAM	250,833	4.18	22/04/2024 - XD
KWC	Vayupak Fund 1 by MFC	250,834	4.18	22/04/2024 - XD
PTT	Vayupak Fund 1 by KTAM	1,736,895,500	6.08	01/03/2024 - XM
PTT	Vayupak Fund 1 by MFC	1,736,895,500	6.08	01/03/2024 - XM
SCB	Vayupak Fund 1	549,600,000	16.32	18/04/2024 - XD
SCB	Vayupak Fund 1 by KTAM	117,849,100	3.5	18/04/2024 - XD
SCB	Vayupak Fund 1 by MFC	117,849,100	3.5	18/04/2024 - XD
SCC	Vayupak Fund 1	6,200,000	0.52	05/04/2024 - XD
SCCC	Vayupak Fund 1 by KTAM	2,920,399	0.98	23/02/2024 - XM
SCCC	Vayupak Fund 1 by MFC	2,920,399	0.98	23/02/2024 - XM
SCGP	Vayupak Fund 1	22,200,000	0.52	03/04/2024 - XD
TFFIF	Vayupak Fund 1 by KTAM	46,817,800	1.02	30/05/2024 - XD
TFFIF	Vayupak Fund 1 by MFC	46,817,800	1.02	30/05/2024 - XD
THAI	Vayupak Fund 1 by KTAM	186,513,817	8.54	03/07/2020 - XM
THAI	Vayupak Fund 1 by MFC	186,513,817	8.54	03/07/2020 - XM
TTB	Vayupak Fund 1	6,673,600,000	6.86	18/04/2024 - XD
TTB	Vayupak Fund 1 by KTAM	1,687,009,408	1.73	18/04/2024 - XD
TTB	Vayupak Fund 1 by MFC	1,687,009,407	1.73	18/04/2024 - XD

Source: SETSMART

Exhibit 2: Regression between LTF NAV and SET index



Sources: AIMC, SET and FSSIA estimates

Exhibit 3: SET index during VAYU1 in December 2003-November 2013



Sources: Bloomberg and FSSIA

Disclaimer for ESG scoring

ESG score	Methodology	Rating																				
The Dow Jones Sustainability Indices (DJSI) By S&P Global	The DJSI World applies a transparent, rules-based component selection process based on the companies' Total Sustainability Scores resulting from the annual S&P Global Corporate Sustainability Assessment (CSA). Only the top-ranked companies within each industry are selected for inclusion.	Be a member and invited to the annual S&P Global Corporate Sustainability Assessment (CSA) for DJSI. Companies with an S&P Global ESG Score of less than 45% of the S&P Global ESG Score of the highest scoring company are disqualified. The constituents of the DJSI indices are selected from the Eligible Universe.																				
Sustainability Investment List (THSI) by The Stock Exchange of Thailand (SET)	THSI quantifies responsibility in Environmental and Social issues by managing business with transparency in Governance, updated annually. Candidates must pass the preemptive criteria, with two crucial conditions: 1) no irregular trading of the board members and executives; and 2) free float of >150 shareholders, and combined holding must be >15% of paid-up capital. Some key disqualifying criteria include: 1) CG score of below 70%; 2) independent directors and free float violation; 3) executives' wrongdoing related to CG, social & environmental impacts; 4) equity in negative territory; and 5) earnings in red for > 3 years in the last 5 years.	To be eligible for THSI inclusion , verified data must be scored at a minimum of 50% for each indicator, unless the company is a part of DJSI during the assessment year. The scoring will be fairly weighted against the nature of the relevant industry and materiality. SETTHSI Index is extended from the THSI companies whose 1) market capitalization > THB5b (~USD150b); 2) free float >20%; and 3) liquidity >0.5% of paid-up capital for at least 9 out of 12 months. The SETTHSI Index is a market capitalisation-weighted index, cap 5% quarterly weight at maximum, and no cap for number of stocks.																				
CG Score by Thai Institute of Directors Association (Thai IOD)	An indicator of CG strength in sustainable development, measured annually by the Thai IOD, with support from the Stock Exchange of Thailand (SET). The results are from the perspective of a third party, not an evaluation of operations.	Scores are rated in six categories: 5 for Excellent (90-100), 4 for Very Good (80-89), 3 for Good (70-79), 2 for Fair (60-69), 1 for Pass (60-69), and not rated for scores below 50. Weightings include: 1) the rights; 2) and equitable treatment of shareholders (weight 25% combined); 3) the role of stakeholders (25%); 4) disclosure & transparency (15%); and 5) board responsibilities (35%).																				
AGM level By Thai Investors Association (TIA) with support from the SEC	It quantifies the extent to which shareholders' rights and equitable treatment are incorporated into business operations and information is transparent and sufficiently disclosed. All form important elements of two out of five the CG components to be evaluated annually. The assessment criteria cover AGM procedures before the meeting (45%), at the meeting date (45%), and after the meeting (10%). <i>(The first assesses 1) advance circulation of sufficient information for voting; and 2) facilitating how voting rights can be exercised. The second assesses 1) the ease of attending meetings; 2) transparency and verifiability; and 3) openness for Q&A. The third involves the meeting minutes that should contain discussion issues, resolutions and voting results.)</i>	The scores are classified into four categories: 5 for Excellent (100), 4 for Very Good (90-99), 3 for Fair (80-89), and not rated for scores below 79.																				
Thai CAC By Thai Private Sector Collective Action Against Corruption (CAC)	The core elements of the Checklist include corruption risk assessment, establishment of key controls, and the monitoring and developing of policies. The Certification is good for three years. <i>(Companies deciding to become a CAC certified member start by submitting a Declaration of Intent to kick off an 18-month deadline to submit the CAC Checklist for Certification, including risk assessment, in place of policy and control, training of managers and employees, establishment of whistleblowing channels, and communication of policies to all stakeholders.)</i>	The document will be reviewed by a committee of nine professionals. A passed Checklist will move for granting certification by the CAC Council approvals whose members are twelve highly respected individuals in professionalism and ethical achievements.																				
Morningstar Sustainabilitys	The Sustainabilitys' ESG risk rating provides an overall company score based on an assessment of how much of a company's exposure to ESG risk is unmanaged. <i>Sources to be reviewed include corporate publications and regulatory filings, news and other media, NGO reports/websites, multi-sector information, company feedback, ESG controversies, issuer feedback on draft ESG reports, and quality & peer reviews.</i>	A company's ESG risk rating score is the sum of unmanaged risk. The more risk is unmanaged, the higher ESG risk is scored. <table><tr><th>NEGL</th><th>Low</th><th>Medium</th><th>High</th><th>Severe</th></tr><tr><td>0-10</td><td>10-20</td><td>20-30</td><td>30-40</td><td>40+</td></tr></table>	NEGL	Low	Medium	High	Severe	0-10	10-20	20-30	30-40	40+										
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ESG Book	The ESG score identifies sustainable companies that are better positioned to outperform over the long term. The methodology considers the principle of financial materiality including information that significantly helps explain future risk-adjusted performance. Materiality is applied by over-weighting features with higher materiality and rebalancing these weights on a rolling quarterly basis.	The total ESG score is calculated as a weighted sum of the features scores using materiality-based weights. The score is scaled between 0 and 100 with higher scores indicating better performance.																				
MSCI	MSCI ESG ratings aim to measure a company's management of financially relevant ESG risks and opportunities. It uses a rules-based methodology to identify industry leaders and laggards according to their exposure to ESG risks and how well they manage those risks relative to peers. <table><tr><td>AAA</td><td>8.571-10.000</td><td rowspan="3">Leader:</td><td rowspan="3">leading its industry in managing the most significant ESG risks and opportunities</td></tr><tr><td>AA</td><td>7.143-8.570</td></tr><tr><td>A</td><td>5.714-7.142</td></tr><tr><td>BBB</td><td>4.286-5.713</td><td rowspan="3">Average:</td><td rowspan="3">a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers</td></tr><tr><td>BB</td><td>2.857-4.285</td></tr><tr><td>B</td><td>1.429-2.856</td></tr><tr><td>CCC</td><td>0.000-1.428</td><td>Laggard:</td><td>lagging its industry based on its high exposure and failure to manage significant ESG risks</td></tr></table>		AAA	8.571-10.000	Leader:	leading its industry in managing the most significant ESG risks and opportunities	AA	7.143-8.570	A	5.714-7.142	BBB	4.286-5.713	Average:	a mixed or unexceptional track record of managing the most significant ESG risks and opportunities relative to industry peers	BB	2.857-4.285	B	1.429-2.856	CCC	0.000-1.428	Laggard:	lagging its industry based on its high exposure and failure to manage significant ESG risks
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Moody's ESG solutions	Moody's assesses the degree to which companies take into account ESG objectives in the definition and implementation of their strategy policies. It believes that a company integrating ESG factors into its business model and relatively outperforming its peers is better positioned to mitigate risks and create sustainable value for shareholders over the medium to long term.																					
Refinitiv ESG rating	Designed to transparently and objectively measure a company's relative ESG performance, commitment and effectiveness across 10 main themes, based on publicly available and auditable data. The score ranges from 0 to 100 on relative ESG performance and insufficient degree of transparency in reporting material ESG data publicly. <i>(Score ratings are 0 to 25 = poor; >25 to 50 = satisfactory; >50 to 75 = good; and >75 to 100 = excellent.)</i>																					
S&P Global	The S&P Global ESG Score is a relative score measuring a company's performance on and management of ESG risks, opportunities, and impacts compared to its peers within the same industry classification. The score ranges from 0 to 100.																					
Bloomberg	ESG Score	Bloomberg score evaluating the company's aggregated Environmental, Social and Governance (ESG) performance. The score is based on Bloomberg's view of ESG financial materiality. The score is a weighted generalized mean (power mean) of Pillar Scores, where the weights are determined by the pillar priority ranking. Values range from 0 to 10; 10 is the best.																				
Bloomberg	ESG Disclosure Score	Disclosure of a company's ESG used for Bloomberg ESG score. The score ranges from 0 for none to 100 for disclosure of every data point, measuring the amount of ESG data reported publicly, and not the performance on any data point.																				

[Rating](#) regarding the sustainable development of Thai listed companies, both on the SET and MAI, are publicly available on the website of the Securities and Exchange Commission of Thailand (SEC). Currently, ratings available are 1) **"CG Score"**; 2) **"AGM Level"**; 3) **"Thai CAC"**; and 4) **THSI**. The ratings are updated on an annual basis. FSSIA does not confirm nor certify the accuracy of such ratings.

Source: FSSIA's compilation

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All share prices are as at market close on unless otherwise stated.

RECOMMENDATION STRUCTURE

Stock ratings

Stock ratings are based on absolute upside or downside, which we define as $(\text{target price}^* - \text{current price}) / \text{current price}$.

BUY (B). The upside is 10% or more.

HOLD (H). The upside or downside is less than 10%.

REDUCE (R). The downside is 10% or more.

Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on market price and the formal recommendation.

* In most cases, the target price will equal the analyst's assessment of the current fair value of the stock. However, if the analyst doesn't think the market will reassess the stock over the specified time horizon due to a lack of events or catalysts, then the target price may differ from fair value. In most cases, therefore, our recommendation is an assessment of the mismatch between current market price and our assessment of current fair value.

Industry Recommendations

Overweight. The analyst expects the fundamental conditions of the sector to be positive over the next 12 months.

Neutral. The analyst expects the fundamental conditions of the sector to be maintained over the next 12 months.

Underweight. The analyst expects the fundamental conditions of the sector to be negative over the next 12 months.

Country (Strategy) Recommendations

Overweight (O). Over the next 12 months, the analyst expects the market to score positively on two or more of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Neutral (N). Over the next 12 months, the analyst expects the market to score positively on one of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.

Underweight (U). Over the next 12 months, the analyst does not expect the market to score positively on any of the criteria used to determine market recommendations: index returns relative to the regional benchmark, index sharpe ratio relative to the regional benchmark and index returns relative to the market cost of equity.