

# Thailand Market Strategy

## Rate cuts and political confidence to support rally

- Interest rate cut from Fed is coming in September 2024, while the BoT has widened the door. Our study finds the SET index often rallied during lower interest rates.
- Absence of Thai political uncertainty, on-track 2Q24 TH GDP and companies' earnings recovery limit the downside.
- We maintain our SET target of 1,470 with a more positive outlook. The return of VAYU1 to enhance the market in 4Q24.

### Interest rate cuts are coming to town

The Fed gave a clear signal that rate cuts are likely to start in September 2024, as the inflation rate has declined significantly, while the labor market is no longer overheated. The market currently expects the US central bank to cut its rate by 100 bps this year. We think the key focus is the upcoming August 2024 non-farm payrolls and unemployment rate. If the data comes in much lower than expectations, it could spark recession fears again. For Thailand, the BoT is holding its policy rate at 2.50%, but has opened the door for cuts in the future, as they mentioned monitoring the downside risks from private investment and consumption, as well as tightened financial conditions for SMEs and vulnerable households.

### How has the SET index reacted during rate cuts?

Since the SET index opened to trading in 1987, the Fed implemented seven series of interest rate cuts, while the BoT had five since 2000. Our study finds that the Thai stock market often went up during the periods when rate cuts were implemented, especially from the BoT. The index rose by 7% on average for one month after the first cut, and extended its gains to +23.6% and +25.1% for the six-month and twelve-month periods, respectively. We think the market should refer to the 2001-03 and 2012-14 periods, as the economic recovery outlook seems similar. We expect that the SET index could have a strong rally of c10-20% from its previous bottom in the next twelve months.

### Resolved Thai political issues and economic recovery limit EPS downside

Recently, the Thai political uncertainty was resolved after Miss Paetongtarn Shinawatra was elected as the 31<sup>st</sup> prime minister, bolstering the market's confidence amid huge expectations of upcoming stimulus packages from the new cabinet. The THB10,000 digital wallet handout scheme will likely to start injecting money for the 14.5m fragile and disabled people earlier than previously planned, and could provide an upside for 4Q24-2025 GDP growth. In addition, TH GDP and corporates' earnings in 2Q24 were not below expectations and remain on track for a recovery, which should limit the downside for 2024E EPS.

### More positive outlook for SET index throughout this year

We stand by our 2024 SET target of 1,470 with a more positive outlook thanks to the absence of political uncertainty. We think the market should turn their focus to the economic outlook, while the return of VAYU1 could enhance the index's rally in 4Q24 from new money worth cTHB100-150b coming into the market. We still prefer domestic-related stocks with high ESG ratings, which should outperform global-related stocks. Our top picks are AOT, CHG, CPALL, CPN, GPSC, KCG, KTB, MTC, NSL, SHR, and TU.



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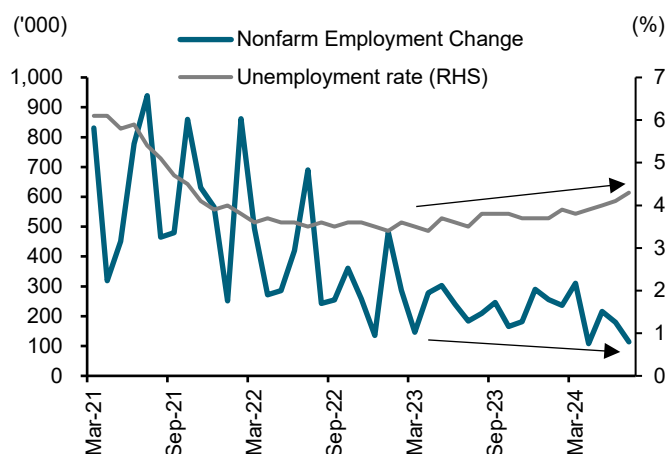
The Chairman of The Audit Committee and  
 Independent Director of Finansia Syrus Securities  
 PCL is also AOT's Chairman of Board of Directors.

## The FED's rate cuts are coming to town in September

At the Jackson Hole Symposium, Mr. Jerome Powell, Chair of the Federal Reserve of the United States (Fed), gave a clear signal that the US central bank is likely to start its rate cuts in September 2024. He mentioned that the inflation rate has declined significantly, while the labor market is no longer overheated and conditions are less tight than what had prevailed before the pandemic. As a result, the US2Y and US10Y bond yields dropped by another c10bps to 3.88% and 3.78%, respectively, and the 10Y-2Y inverted yield gap has narrowed to 0.10% currently from 0.5% in June 2024. However, there are some questions regarding, "how much interest rate the FED would cut this year?" and "where is the terminal or neutral rate for the Fed's rate cut this time?"

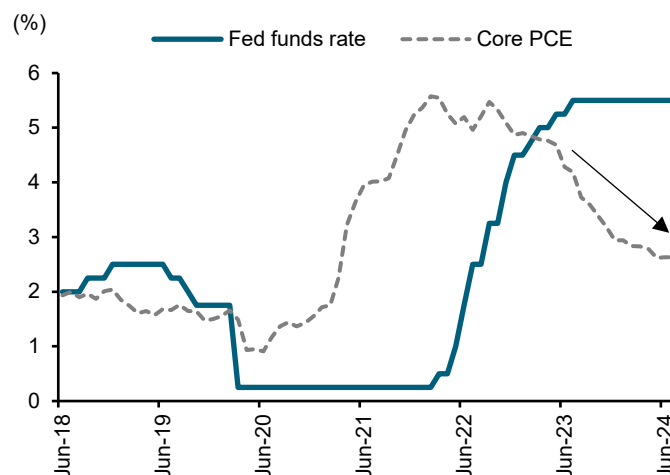
We think the key focus for the short-term is the upcoming August 2024 non-farm payrolls and unemployment rate, which disappointed the market the last time. If the number comes in stronger than the market anticipates, it could prompt the Fed's rate cuts to be lower than the current c100 bps. On the other hand, if the data comes in much lower than expected, it could spark recession concerns in the same manner as in early August 2024.

**Exhibit 1: US non-farm employment change and unemployment rate**



Sources: US Bureau of Labor Statistics and Bloomberg

**Exhibit 2: US Core PCE and Fed funds rate based on latest dot plot**

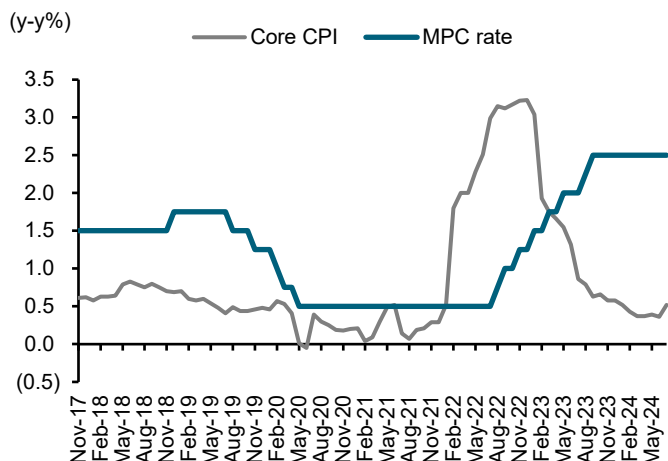


Sources: US Bureau of Economic Analysis, FOMC, and Bloomberg

## The BoT continues to hold rate but has opened the door for cuts

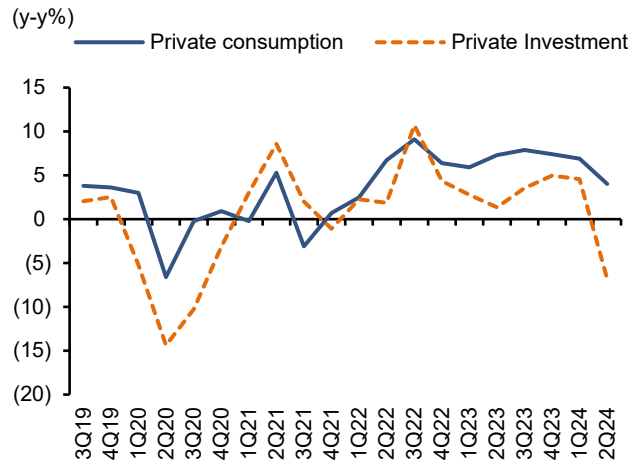
Domestically, the Bank of Thailand (BoT) has maintained its policy rate of 2.5%, extending its pause for the fifth straight meeting. The reason behind this is that the Thai economy has gradually recovered in line with expectations in 1H24, increasing by 1.2% q-q per quarter on average. However, we see some signs that the BoT is less hawkish on its monetary policy, as the central bank expects TH GDP to grow at a slower pace of +0.7% q-q per quarter in 2H24. Moreover, the statement noted that it is crucial to monitor downside risks from private investment and consumption, as well as the financial conditions for SMEs and vulnerable households, which have tightened somewhat. Hence, we maintain our assumption that the BoT will hold its rate at 2.5% throughout this year, but the door for interest rate cuts is wider, especially if the economy recovers more slowly than anticipated.

Exhibit 3: Core CPI vs MPC rate



Sources: Ministry of Commerce and BoT

Exhibit 4: Private consumption and investment



Source: NESDC

### How has the SET index moved during rate cuts?

Based on our study, since the SET index opened to trading in 1987, the Fed implemented seven series of interest rate cuts. We found that almost every interest rate cut from the Fed was followed by a recession or crisis, i.e. early 1990s recession, Dot-Com bubble in 2000-02, Sub-Prime in 2008, and Covid-19 in 2020. For the BoT, we found that the central bank often cuts rates after the Fed by 12-15 months, such as in 2001 and 2008, but made cuts at the same time in 2020 during the Covid pandemic. We think this is because the Thai economy took a hit after the US recession started. There are two occasions when the MPC cut rates while the Fed maintained them, which were in early 2007 and 2011-15.

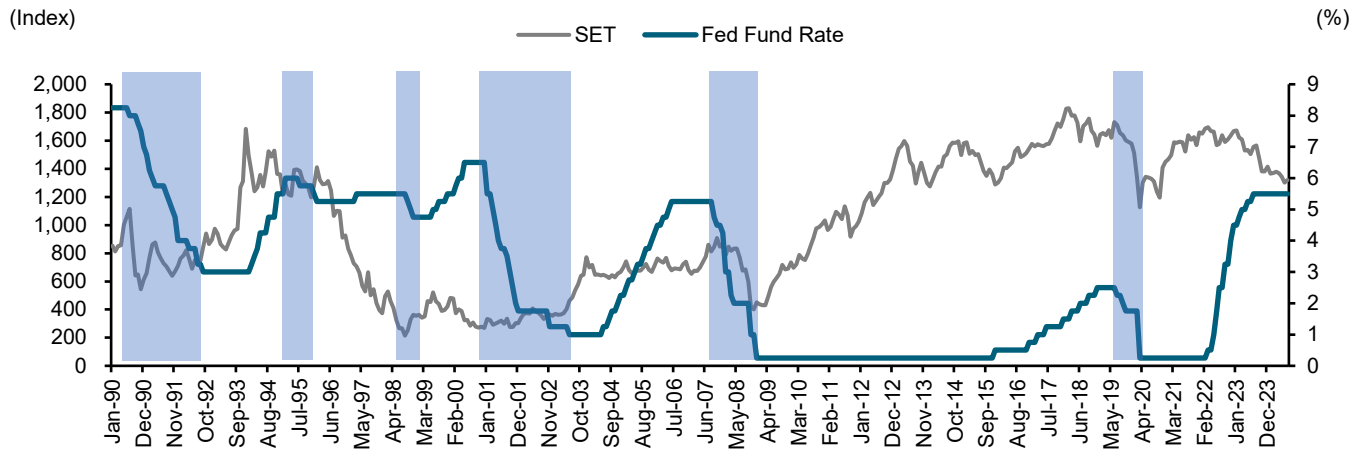
In the wake of the Fed's rate cuts, we found that the SET index increased by 3.9% on average during the one-month period after the first cut, and extended its rally to +9.7% and +11.1% during the six-month and twelve-month periods, respectively, with a probability of 57% (4 out of 7 times).

Following the MPC's rate cuts, we found a stronger relation with the SET index, often rallying during the period of easing monetary policy. The index went up by 7% on average for one month after the first cut, and extended its gains to +23.6% and +25.1% during the six-month and twelve-month periods, respectively.

Based on the current economic recovery outlook in 2H24-2025, we think the market should refer to the 2001-03 and 2012-14 periods, as the economic situations were moving in the same direction, with the government led by the Thai Rak Thai and Pheu Thai parties. We saw a strong foreign inflow for six months during those periods. However, there are some differences in the economic conditions. To elaborate, in 2001-03, Thailand's potential GDP growth was higher at 5-6% thanks to a younger workforce and lower debt to GDP levels. For 2012-14, there were other factors that drove the equity market, i.e. the Fed's quantitative easing, minimum wage hike, and lower corporate tax rates.

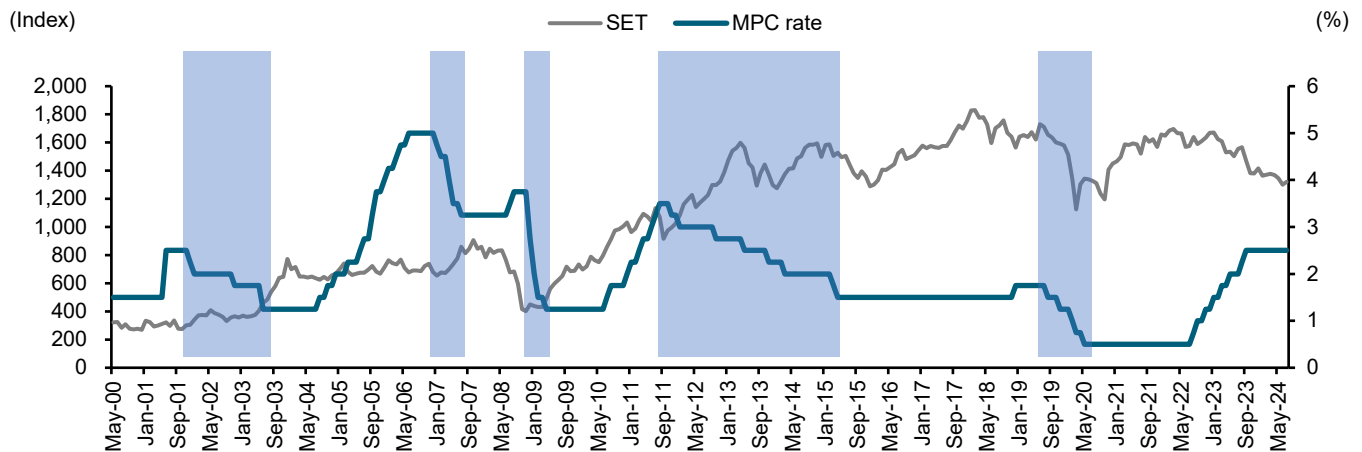
Assuming the Fed starts cutting its rate in September 2024 and the BoT cuts its rate in late 2024 or early 2025, we expect the SET index to potentially have a strong rally of c10-20% from its previous low for the next twelve months.

Exhibit 5: SET index vs Fed funds rate



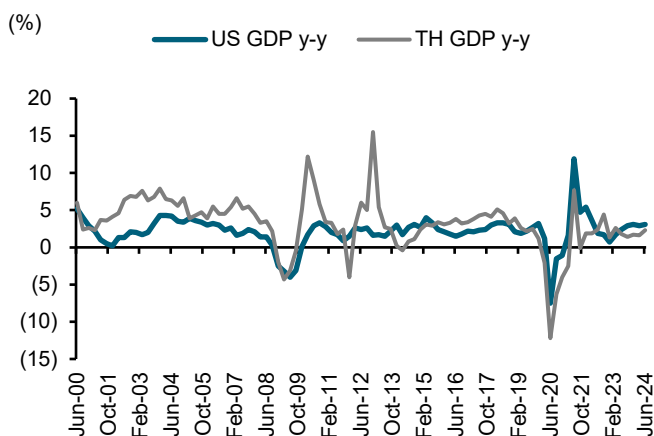
Sources: Bloomberg and FSSIA

Exhibit 6: SET index vs MPC rate



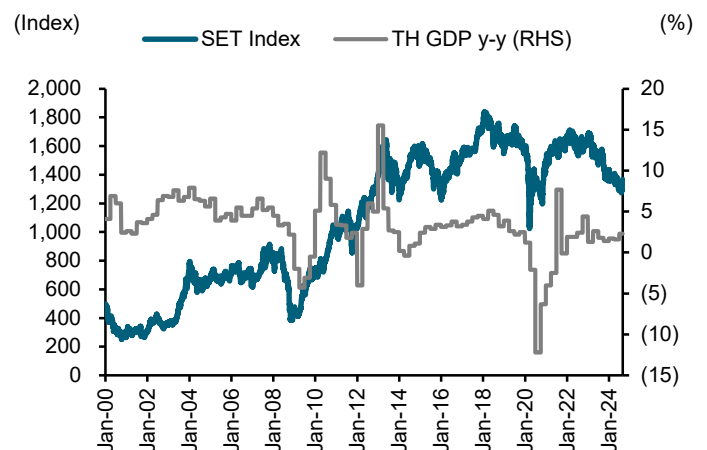
Sources: Bloomberg and FSSIA

Exhibit 7: Quarterly US vs TH GDP growth



Source: Bloomberg

Exhibit 8: SET index vs TH GDP growth



Source: Bloomberg

Exhibit 9: SET index and fund flow vs Fed's rate cuts

Interest rate			SET index						Fund flow (USD m)					
Start date	From	To	+1D	+1W	+1M	+3M	+6M	+12M	+1D	+1W	+1M	+3M	+6M	+12M
31-Jul-19	2.50%	0.25%	0.3%	-2.1%	-3.0%	-6.1%	-10.7%	-22.9%	(5.8)	(360.5)	(1,817.5)	(2,340.3)	(4,121.0)	(18,017.4)
18-Sep-07	5.25%	0.25%	0.0%	4.2%	10.2%	1.9%	0.5%	-24.6%	(25.4)	100.4	455.4	(834.5)	(1,425.5)	(4,857.0)
3-Jan-01	6.50%	1.00%	1.1%	10.8%	24.1%	7.8%	19.8%	13.4%	(5.8)	49.5	155.4	(42.9)	(33.4)	(166.9)
29-Sep-98	5.50%	4.75%	-0.1%	-3.6%	29.3%	41.0%	43.6%	50.8%	-	-	-	-	(40.0)	25.6
6-Jul-95	6.00%	5.25%	-0.2%	2.6%	-5.1%	-8.1%	-4.6%	-12.1%	-	-	-	-	-	-
5-Jun-89	9.75%	3.00%	-1.8%	1.0%	7.3%	21.5%	36.2%	79.3%	-	-	-	-	-	-
19-Oct-87	7.25%	6.50%	-2.9%	-15.5%	-35.7%	-34.0%	-16.5%	-6.3%	-	-	-	-	-	-
<b>Average</b>			<b>-0.5%</b>	<b>-0.4%</b>	<b>3.9%</b>	<b>3.4%</b>	<b>9.7%</b>	<b>11.1%</b>	-	-	-	-	-	-

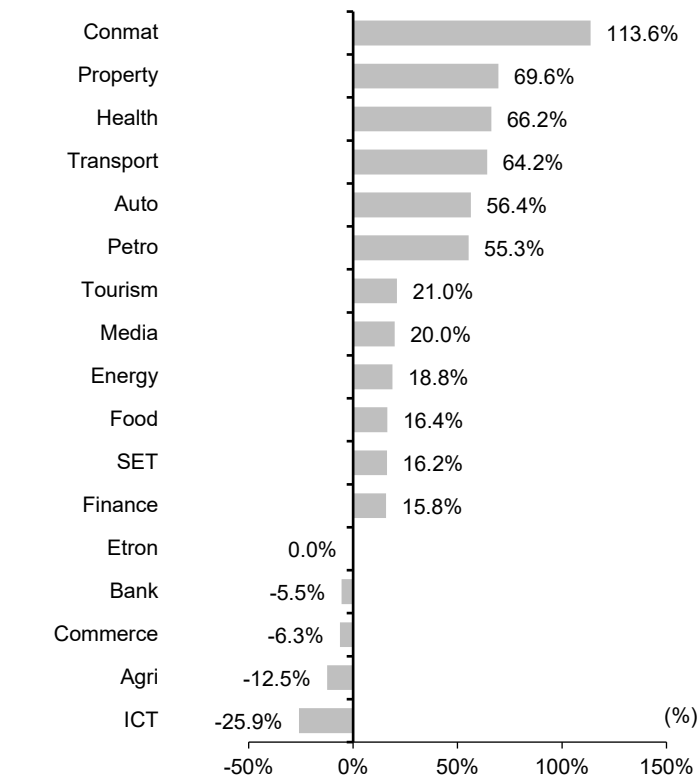
Sources: Bloomberg and FSSIA

Exhibit 10: SET index and fund flow vs BoT's rate cuts

Interest rate			SET index						Fund flow (USD m)					
Start date	From	To	+1D	+1W	+1M	+3M	+6M	+12M	+1D	+1W	+1M	+3M	+6M	+12M
7-Aug-19	1.75%	0.50%	-0.1%	-3.1%	-0.1%	-2.8%	-8.1%	-20.2%	(117.0)	(457.2)	(1,569.9)	(2,185.6)	(4,059.7)	(11,054.6)
30-Nov-11	3.00%	1.50%	0.7%	4.3%	3.6%	17.5%	16.8%	32.5%	25.4	309.4	442.4	2,099.3	2,732.2	2,095.4
3-Dec-08	3.75%	1.25%	1.4%	9.4%	16.2%	7.5%	48.3%	79.1%	(38.0)	(253.9)	(398.3)	(603.7)	90.3	1,096.3
17-Jan-07	5.00%	3.25%	-0.7%	-0.8%	4.9%	5.6%	30.7%	18.0%	33.3	96.5	630.0	1,012.2	3,719.0	528.9
25-Dec-01	2.50%	1.25%	-0.1%	0.6%	10.6%	28.9%	30.4%	16.2%	1.0	(9.5)	162.2	429.1	699.5	338.4
<b>Average</b>			<b>0.3%</b>	<b>2.1%</b>	<b>7.0%</b>	<b>11.3%</b>	<b>23.6%</b>	<b>25.1%</b>						

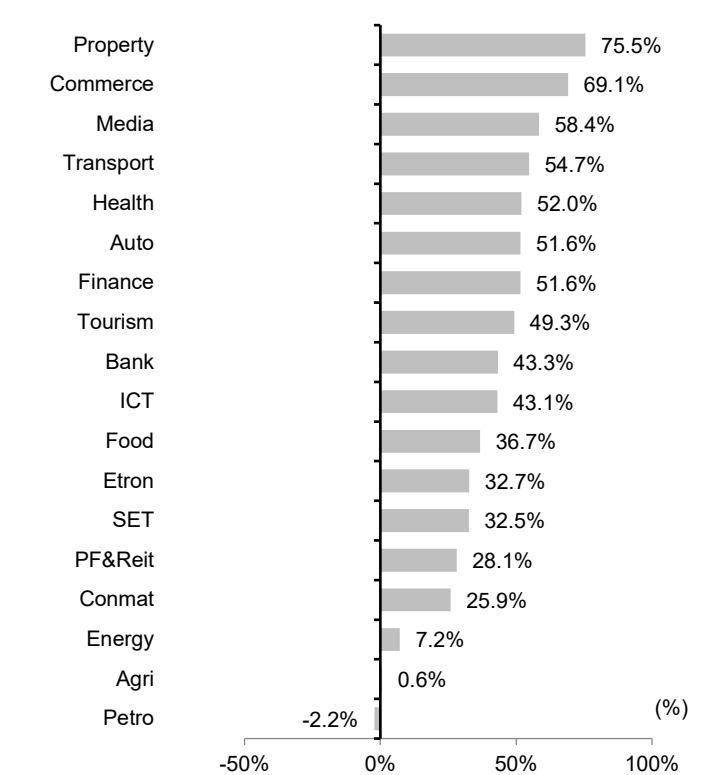
Sources: Bloomberg and FSSIA

Exhibit 11: One-year returns since the BoT's first rate cut in 2001



Sources: Bloomberg and FSSIA

Exhibit 12: One-year returns since the BoT's first rate cut in 2011



Sources: Bloomberg and FSSIA

## Thailand's political issues resolved, with stimulus packages ahead

After several months of political uncertainty overhanging and pressuring the stock market, Thailand's Constitutional Court finally made decisions on two political court cases in August 2024. The court decided to dissolve the Move Forward Party. This event did not have a significant impact on the Thai stock market, as we expected. The party already has a backup plan by setting up the People Party to replace the old one.

On 14 August 2024, the court decided to remove Prime Minister Srettha Thavisin from the position on ethical grounds. The market reacted negatively in the short term, as we expected. However, the parliament promptly elected Miss Paetongtarn Shinawatra, a daughter of the former PM Mr. Thaksin Shinawatra, to be the 31st PM two days after the court's decision. This is the key factor for the market turning around, with a huge expectation of stimulus packages from the new cabinet, which is likely to be sworn in and start working within September 2024.

## Digital wallet scheme likely to inject money for the first 14.5m people in Sept

Recently, Mr. Thaksin Shinawatra unveiled that the government is likely to change some conditions for the digital wallet handout scheme. This stimulus program is likely to be separated into two parts. First, the first group of 14.5m people, including fragile and disabled Thai citizens, will receive THB10,000 per person in cash within September 2024 with funding of THB122b from the 2024 additional fiscal budget and cTHB23b from the central fund budget. Second, the remaining c30-35m people will likely receive the money in 4Q24 via digital wallet, funded by the 2025 fiscal budget, which is still in the approval process in the parliament.

We think the market will continue to expect positive impacts on the Thai economy, as the scheme is likely to start slightly earlier than previously planned. The government expects that the THB450b handout will provide a 1.2-1.8% boost to GDP, while the BoT expects that it should add growth of only c0.6% on a full-year basis.

## Exhibit 13: NESDC and BoT economic projections

	2018	2019	2020	2021	2022	2023	--- NESDC --- 2024E	--- Bank of Thailand --- 2024E	2025E
	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)	(y-y%)
Real GDP growth	4.2	2.3	(6.4)	1.5	2.6	1.9	2.3-2.8	<b>2.6</b>	<b>3.0</b>
Private consumption	4.6	4.0	(0.8)	0.6	6.3	7.1	4.5	<b>4.2</b>	<b>2.5</b>
Private investment	4.1	2.7	(8.1)	3.0	5.1	3.2	0.3	<b>3.3</b>	<b>3.2</b>
Public consumption	2.6	1.7	1.4	3.7	(0.0)	(4.6)	1.7	<b>1.8</b>	<b>3.3</b>
Public investment	2.8	0.1	5.1	3.4	(4.9)	(4.6)	(0.7)	<b>3.6</b>	<b>2.6</b>
Export value growth (USD b)	7.5	(3.3)	(6.5)	19.2	5.5	(1.7)	2.0	<b>1.8</b>	<b>2.6</b>
Headline inflation	1.1	0.7	(0.8)	1.2	6.1	1.2	0.4-0.9	<b>0.6</b>	<b>1.3</b>
Current account to GDP (%)	5.6	7.0	4.2	(2.0)	(3.2)	1.3	2.3	-	-
Number of tourist arrivals (m)	38.2	39.9	0.0	0.4	11.2	28.1	36.5	<b>35.5</b>	<b>39.5</b>

Note: 2024 NESDC and BoT projections do not include the digital wallet scheme

Sources: NESDC and BoT

## Decent 2Q24 company earnings limit 2024E EPS downside

Based on 160 companies in our study that have already reported 2Q24 earnings results, the aggregate net profit came in at THB211b (-4% q-q, +23% y-y), slightly below expectations. However, if we exclude energy and petrochemical, which had some extra items, overall net profit was slightly above expectations by 2%. In particular, if we exclude only IVL, which had a big impairment loss, the aggregate net profit would be above expectations by 6%.

The best performer in 2Q24 was the food sector (especially upstream), which had a jump in net profit of 82% q-q and 291% y-y, beating expectations by 16%. Energy, commerce, ICT (excluding extra items from TRUE), property, and electronics are sectors, which had better-than-expected net profits. On the other hand, sectors which reported lower-than-expected earnings are petrochemical, transportation, financial services, construction materials, tourism, and automotive. Overall, 2Q24 earnings are in line with the macro economy, as domestic consumption remains resilient, particularly in consumer staples, while manufacturing sectors were affected by the global economic slowdown and Thailand's structural change.

During the last 2-3 months, we have seen some minor downward revisions by 2% to our current 2024 EPS forecast of THB91.50 to THB89.30. However, we think the earnings downside is still limited, as 1H24 aggregate net profit accounts for 50% of our full-year forecast. In addition, we think 2H24 could have both h-h and y-y growth, in line with Thai GDP growth, and many service sectors are entering the high season.

### Exhibit 14: 2Q24 earnings results by sector (160 companies in our study)

Sector	2Q24	1Q24	2Q23	----- Change -----		2Q24E	Beat / Missed	2024E	% to 2024E
	(THB m)	(THB m)	(THB m)	(q-q %)	(y-y %)	(THB m)	(%)	(THB m)	(%)
Energy	78,351	72,629	43,586	8	80	67,897	15	252,710	60
Bank	55,473	56,704	53,918	(2)	3	54,911	1	205,288	55
Commerce	15,704	15,735	10,179	(0)	54	14,793	6	64,273	49
Property	15,407	13,594	16,060	13	(4)	14,169	9	60,821	48
ICT	10,905	11,953	7,918	(9)	38	12,641	(14)	53,116	43
Food	14,463	6,855	3,187	111	354	12,475	16	41,815	51
Transportation	8,404	10,632	4,684	(21)	79	8,743	(4)	39,028	49
Financial	7,568	8,202	7,695	(8)	(2)	7,842	(3)	33,655	47
Healthcare	6,261	7,226	6,027	(13)	4	6,326	(1)	30,190	45
Electronics	7,576	5,136	5,680	48	33	6,089	24	25,903	49
Cons. Mat	4,821	3,648	9,873	32	(51)	5,658	(15)	23,218	36
Tourism	3,078	2,620	3,419	17	(10)	3,592	(14)	11,103	51
Packaging	1,732	1,987	1,712	(13)	1	1,669	4	6,415	58
Auto	551	1,010	948	(45)	(42)	733	(25)	4,415	35
Construction	519	166	652	212	(20)	566	(8)	2,279	30
Media	728	413	563	76	29	554	31	870	131
Agri	583	466	349	25	67	534	9	1,803	58
Professional	267	267	207	(0)	29	262	2	920	58
Petro	(21,150)	527	(5,180)	(4,114)	(308)	(60)	(35,150)	12,155	(170)
<b>Grand Total</b>	<b>211,241</b>	<b>219,769</b>	<b>171,478</b>	<b>(4)</b>	<b>23</b>	<b>219,394</b>	<b>(4)</b>	<b>869,976</b>	<b>50</b>
Excl. Energy & Petro	154,040	146,613	133,072	5	16	151,558	2	605,111	50
Excl. Banking	155,767	163,065	117,560	(4)	33	164,483	(5)	664,687	48
Excl. Energy & Petro and Banking	98,566	89,909	79,154	10	25	96,647	2	399,823	47

Sources: SETSMART, Bloomberg and FSSIA estimates



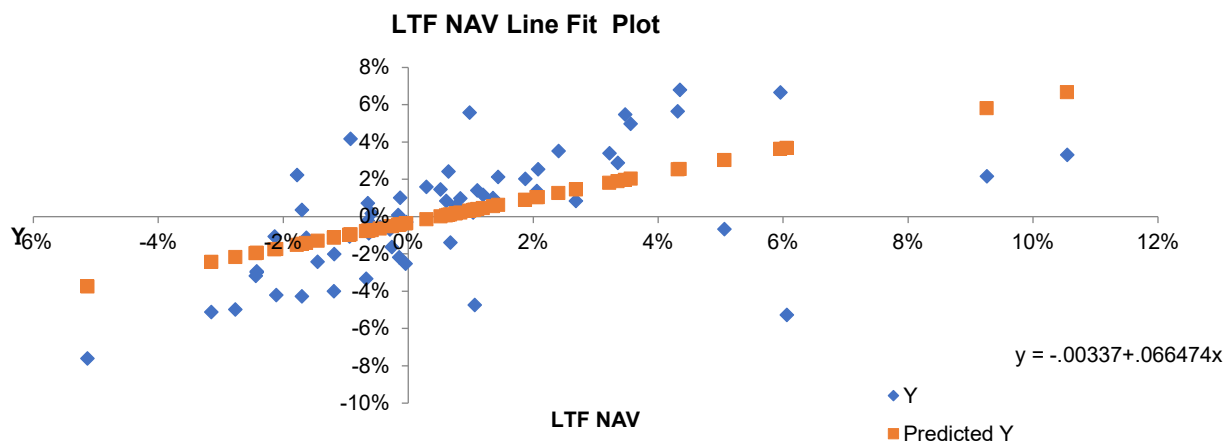
## Vayupak Fund 1 returns to enhance SET index in 4Q24

In August 2024, the cabinet approved in principle the establishment of the Vayupak Fund 1 (VAYU1) with a fundraising target of THB100-150b and an aim to invest in highly secure securities, with a significant focus on ESG (more details are in our research paper published on 14 August 2024). Currently, VAYU1 has an 88.58% allocation of its NAV in common stocks.

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. Hence, we expect the new money 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.

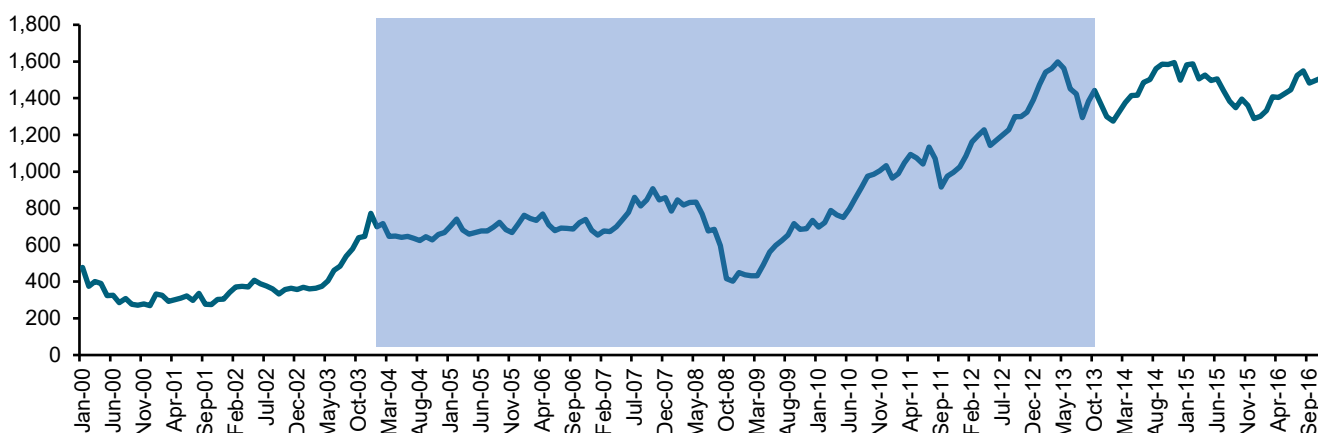
We view this development positively, as it should support a significant recovery in the SET Index. In addition, with a minimum guarantee rate for type A units, we expect that large-cap stocks that offer strong dividend yields of at least 3-4% or above, and also have a high ESG rating of AAA and AA, could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

### Exhibit 15: Regression between LTF NAV and SET index



Sources: AIMC, SET and FSSIA estimates

### Exhibit 16: SET index during VAYU1 in December 2003-November 2013



Sources: Bloomberg and FSSIA

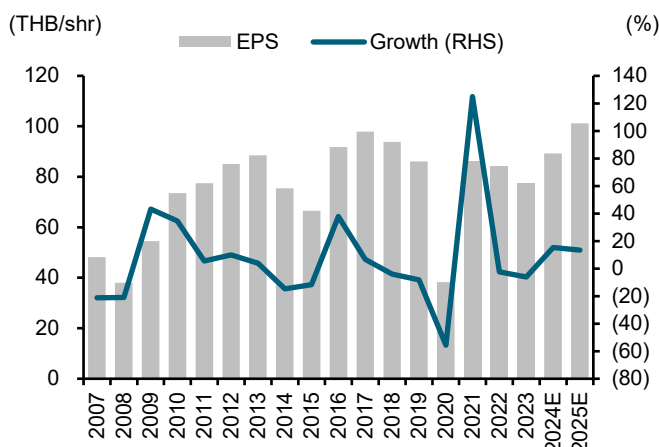


## The bottom has passed; same index target of 1,470

We maintain our 2024 SET target of 1,470 due to the limited downside risks. The index still has an attractive valuation and is cheaper than its historical average, trading at a 2024 PER of c15x with an earnings yield gap of 4%. We think the SET index has passed its bottom at 1,273.17 in early August 2024. We expect the index to continue its rally, potentially hitting our target in 4Q24, enhanced by the upward economic outlook and VAYU1. We prefer domestic-related sectors such as banking, commerce, food, financial services, property, tourism, and healthcare.

In August 2024, we added KTB, NSL and MTC to our portfolio and removed TIDLOR and SJWD. Hence, our top picks are AOT, CHG, CPALL, CPN, GPSC, KCG, KTB, MTC, NSL, SHR, and TU. We think it is a plus if stocks have high ESG ratings and are likely to outperform ones that do not.

### Exhibit 17: SET EPS



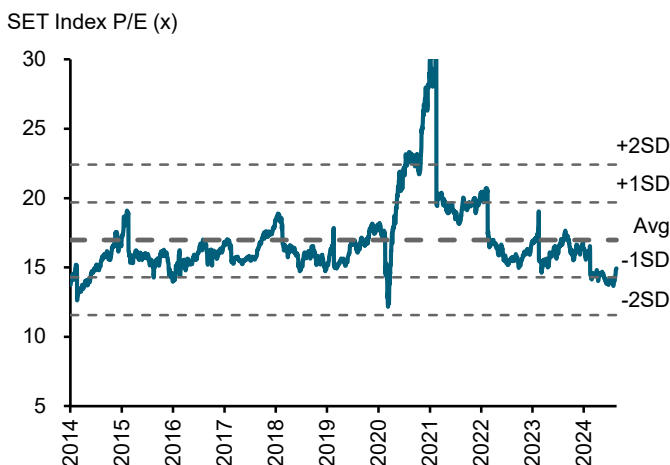
Sources: Bloomberg; FSSIA estimates

### Exhibit 18: SET target sensitivity

----- Earnings per share -----			
		2024E	2025E
EPS		89.3	101.2
- Target index based on FSSIA estimates -			
	P/E (x)	2024E	2025E
SD+0.5	18.3	1,632	1,849
SD+0.25	17.6	1,572	1,781
10-year average	16.9	1,512	1,713
SD-0.25	16.3	1,452	1,646
SD-0.5	15.6	1,392	1,578
SD-1.0	14.3	1,273	1,442
SD-1.5	12.9	1,153	1,306

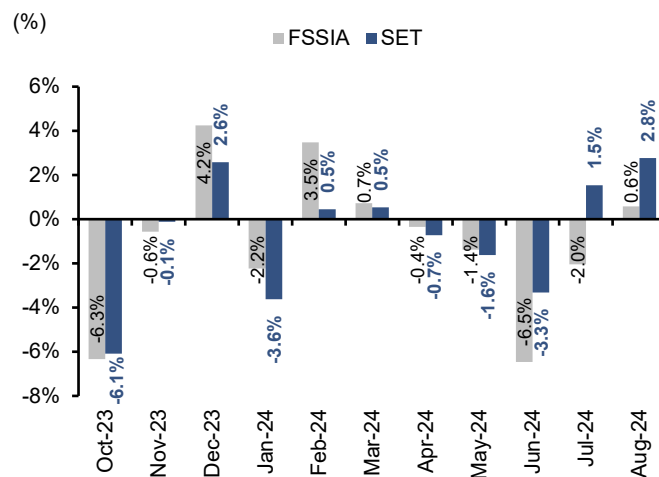
Sources: Bloomberg; FSSIA estimates

### Exhibit 19: SET historical forward PER



Sources: Bloomberg and FSSIA

### Exhibit 20: Monthly return of FSSIA's portfolio vs SET index



Sources: SETSMART and FSSIA

## Exhibit 21: Summary of key valuations for FSSIA's top picks

Company	BBG code	-- Share price --		Up side	Recurring net profit		-- NP growth --		----- P/E -----			PBV	DivYld	ROE	SET ESG Rating	FSSIA ESG Rating
		Current	Target		24E	25E	24E	25E	24E	25E	26E					
		(THB)	(THB)		(THB m)	(THB m)	(y-y%)	(y-y%)	(x)	(x)	(x)		(%)	(%)	(x)	
Airports of Thailand	AOT TB	60.25	65.00	8	19,192	25,172	107.5	31.2	44.8	34.2	28.0	6.6	1.0	16.0	A	★★★★★
Chularat Hospital	CHG TB	2.58	3.60	40	1,203	1,388	15.0	15.4	23.6	20.4	18.6	3.6	2.5	15.5	-	★★
CP All	CPALL TB	60.25	79.00	31	23,640	27,447	30.3	16.1	22.9	19.7	17.5	4.8	2.2	20.2	AAA	★★★★★
Central Pattana	CPN TB	59.50	83.00	39	16,807	17,997	12.1	7.1	15.9	14.8	14.1	2.7	3.1	17.4	AA	★★★★★
Global Power Synergy	GPSC TB	41.00	59.00	44	4,938	6,866	27.9	39.0	23.4	16.8	0.0	1.1	3.7	4.6	AA	★★★★★
KCG Corporation	KCG TB	10.30	13.00	26	369	428	25.8	16.1	15.2	13.1	11.3	1.9	3.5	13.2	-	-
Krung Thai Bank	KTB TB	18.60	19.90	7	37,621	38,760	2.7	3.0	6.9	6.7	5.4	0.6	4.8	9.1	AAA	★★★★★
Muangthai Capital	MTC TB	45.00	50.00	11	6,292	7,858	28.2	24.9	15.2	12.1	10.4	2.5	0.6	18.1	A	★★★★★
NSL Foods	NSL TB	28.00	36.00	29	434	508	30.2	17.1	19.4	16.5	14.3	4.8	3.0	26.3	-	-
S Hotels and Resorts	SHR TB	2.02	3.80	88	271	457	239.6	68.5	26.8	15.9	12.8	0.4	1.5	1.7	A	★★
Thai Union Group	TU TB	15.60	17.30	11	5,043	5,593	nm	10.9	14.4	13.0	11.8	1.3	3.8	8.7	-	★★★★★

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

Share prices as of 28 Aug 2024

Source: FSSIA estimates

## 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 <b>THSI inclusion</b> , 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. <b>SETTHSI Index</b> 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&amp;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 Sustainability	The Sustainability's 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 &amp; 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+										
NEGL	Low	Medium	High	Severe																		
0-10	10-20	20-30	30-40	40+																		
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; &gt;25 to 50 = satisfactory; &gt;50 to 75 = good; and &gt;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

## GENERAL DISCLAIMER

### ANALYST(S) CERTIFICATION

#### Veeravat Virochpoka FSS International Investment Advisory Securities Co., Ltd

The individual(s) identified above certify(ies) that (i) all views expressed in this report accurately reflect the personal view of the analyst(s) with regard to any and all of the subject securities, companies or issuers mentioned in this report; and (ii) no part of the compensation of the analyst(s) was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed herein.

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Company	Ticker	Price	Rating	Valuation & Risks
Airports of Thailand	AOT TB	THB 60.25	BUY	Downside risks to our DCF-based target price include 1) a slowdown in the recovery of international passengers; 2) delays in the Suvarnabhumi Airport expansions (satellite terminal and northern expansion); and 3) the termination of the duty-free concession contracts from King Power.
Chularat Hospital	CHG TB	THB 2.58	BUY	Downside risks to our DCF-based target price include 1) a slowdown in Thai patient volume due to economic concerns; 2) regulatory risks from drug price and medical bill controls; and 3) SSO provision expenses following limited budgets from the SSO.
CP All	CPALL TB	THB 60.25	BUY	The key downside risks to our DCF-derived TP include 1) lower-than-expected SSSG, 2) lower-than-expected gross margin, and 3) higher-than-expected SG&A to sales ratio.
Central Pattana	CPN TB	THB 59.50	BUY	Key downside risks to our DCF-derived TP are deviations from our estimates on rental and occupancy rates, returns on its new investments, capex, and interest rates.
Global Power Synergy	GPSC TB	THB 41.00	BUY	The downside risks to our DCF-based TP on GPSC include 1) lower-than-expected demand for electricity in Thailand; 2) higher-than-expected energy price (i.e. coal and gas); and 3) lower-than-expected demand from industrial users.
KCG Corporation	KCG TB	THB 10.30	BUY	Key downside risks to our target PER-based TP include 1) higher-than-expected raw material prices; 2) THB depreciation; and 3) capacity expansion not going as planned.
Krung Thai Bank	KTB TB	THB 18.60	BUY	Downside risks to our GGM-based TP are 1) prolonged economic sluggishness affecting loan growth and asset quality; and 2) the impact of new regulations from the Bank of Thailand.
Muangthai Capital	MTC TB	THB 45.00	BUY	Downside risks to our GGM-based TP include 1) a further weakening of asset quality that could potentially hit both loan yield and credit cost; and 2) changes in financial regulations by the Bank of Thailand and the Office of Consumer Protection Board.
NSL Foods	NSL TB	THB 28.00	BUY	Downside risks to our DCF-based TP include 1) a slower-than-expected consumption recovery; 2) high volatility in raw material prices; 3) the failure of new products; and 4) changing consumer demand and lifestyles.
S Hotels and Resorts	SHR TB	THB 2.02	BUY	Downside risks to our DCF-based target price include 1) extraordinary events such as political turmoil and natural disasters; 2) a higher hotel room supply, which may result in price competition; and 3) the slower-than-expected recovery of international tourist numbers.
Thai Union Group	TU TB	THB 15.60	BUY	Downside risks to our SoTP-based 2024 TP include 1) a slower-than-expected revenue recovery; 2) a disruption on shipping routes, resulting in higher-than-expected freight costs; 3) a slower decrease in raw material costs than expected; 4) higher-than-expected labor costs and labor shortages; and 5) stronger Baht than expected.

Source: FSSIA estimates

#### Additional Disclosures

Target price history, stock price charts, valuation and risk details, and equity rating histories applicable to each company rated in this report is available in our most recently published reports. You can contact the analyst named on the front of this note or your representative at Finansia Syrus Securities Public Company Limited.

All share prices are as at market close on 28-Aug-2024 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.