Guide to Asia-Pacific Markets 2022

ASIAN CENTURY STOCKS

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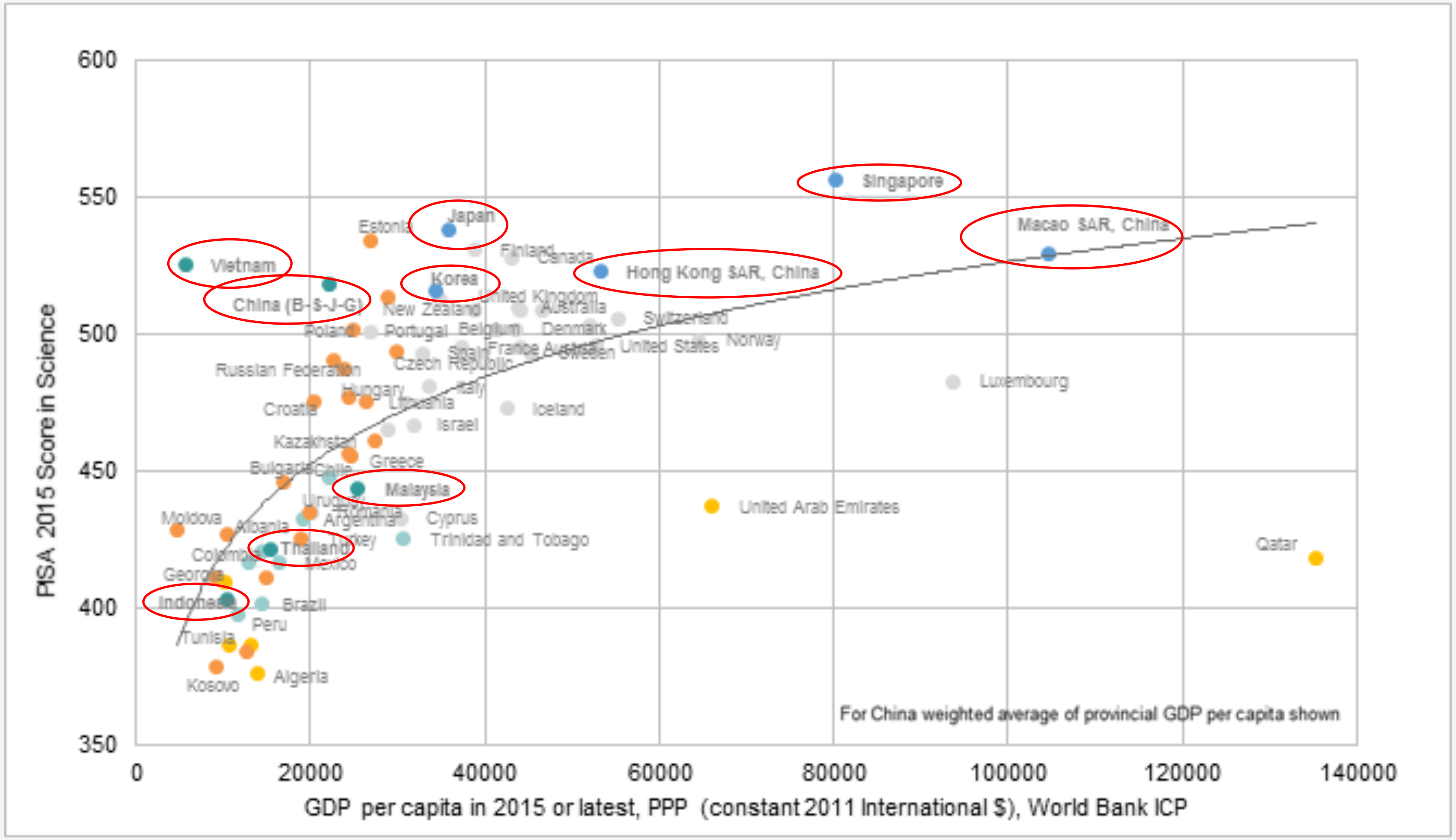
Why invest in Asia?

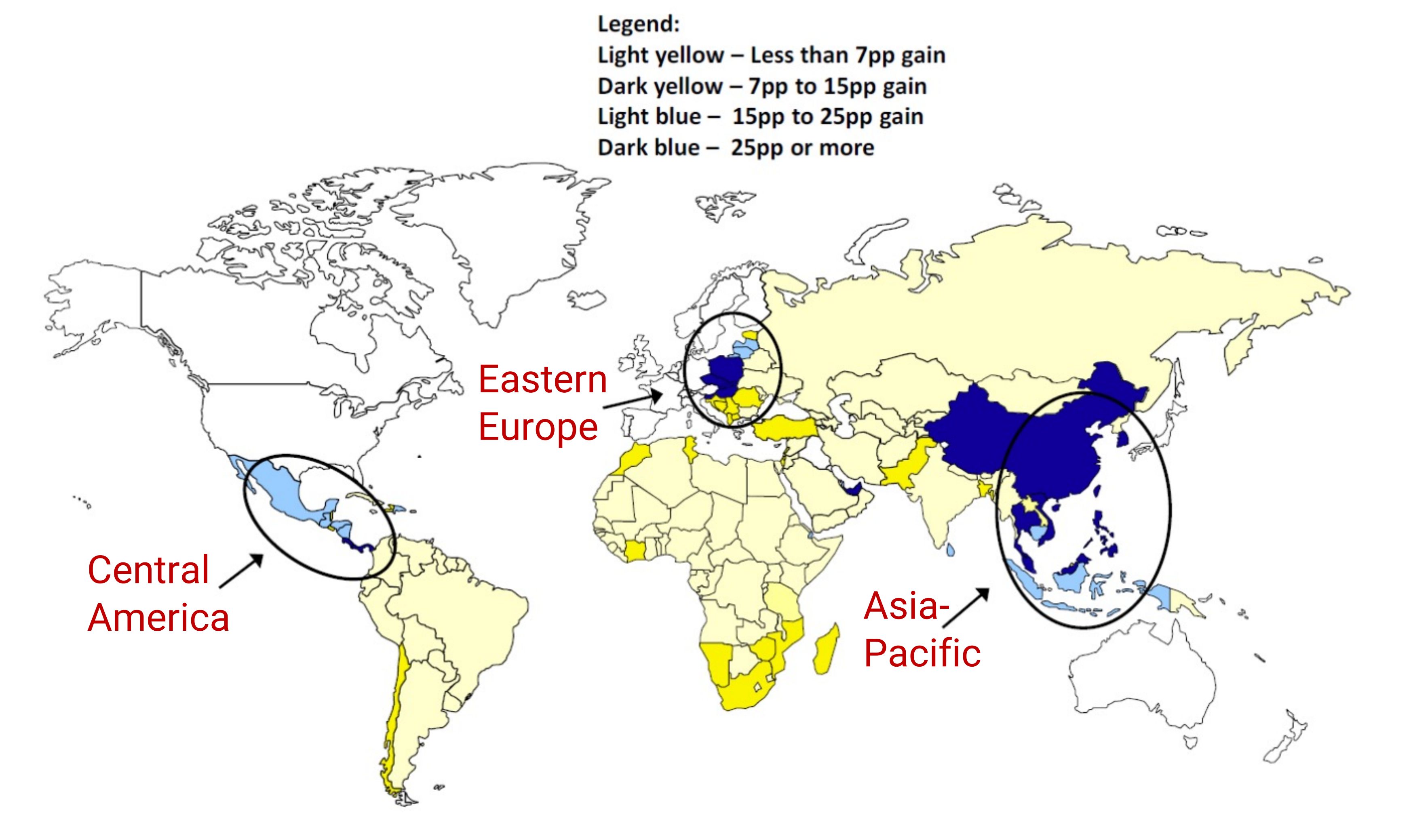
1. **An educated and hard-working population**: Education and work ethic provide companies with competitive advantages vs their Western peers.
2. **A gradual shift of manufacturing towards Asia**: Companies may be diversifying away from mainland China but manufacturing stays within Asia. Light manufacturing exports drive middle-class consumption, urbanisation as well as higher credit penetration rates as countries develop.
3. **Low valuation multiples**: Asia-Pacific overall trades at significant lower multiples than the United States, and to a lesser extent Europe.
4. **Less competition from other investors**: Outside of a few Chinese tech stocks, global investors do not pay much attention to the region. The probability of gaining unique ideas and variant views on individual stocks is much higher than say in the competitive US market.
5. **Diversification**: Do not place all your eggs in one US tech focused basket. Asia and other parts of the world provide much needed diversification.

Asia has some of the most well-educated populations in the world



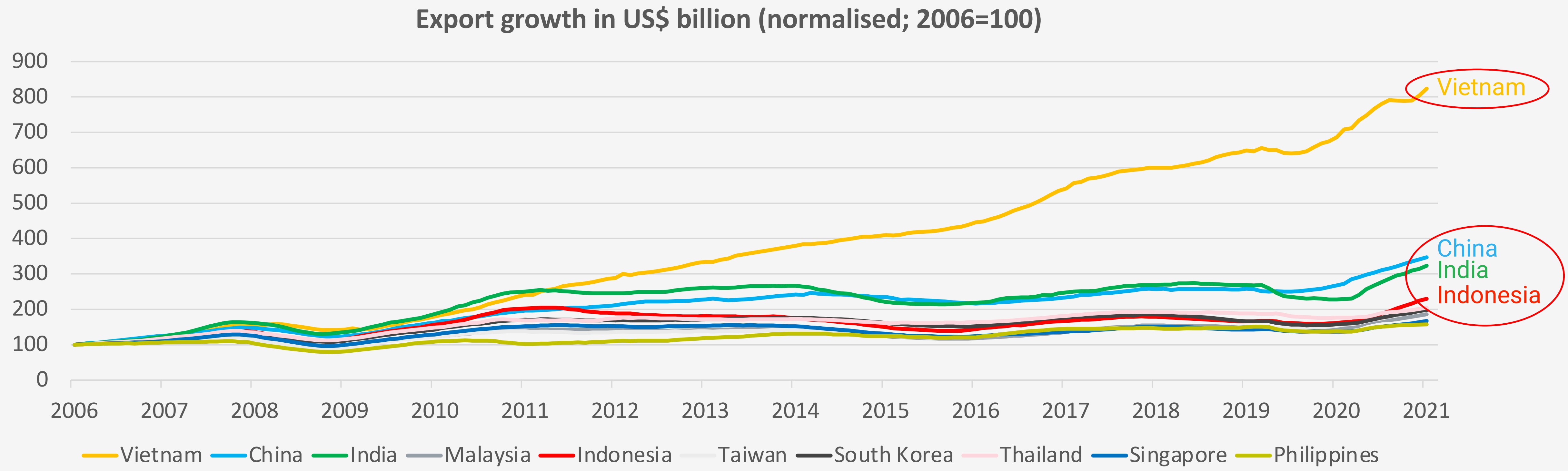
Source: PISA, World Bank

Growth in the export of manufactured goods has been centered around Asia over the past 30 years, with some exceptions (Mexico, Poland, Baltics)



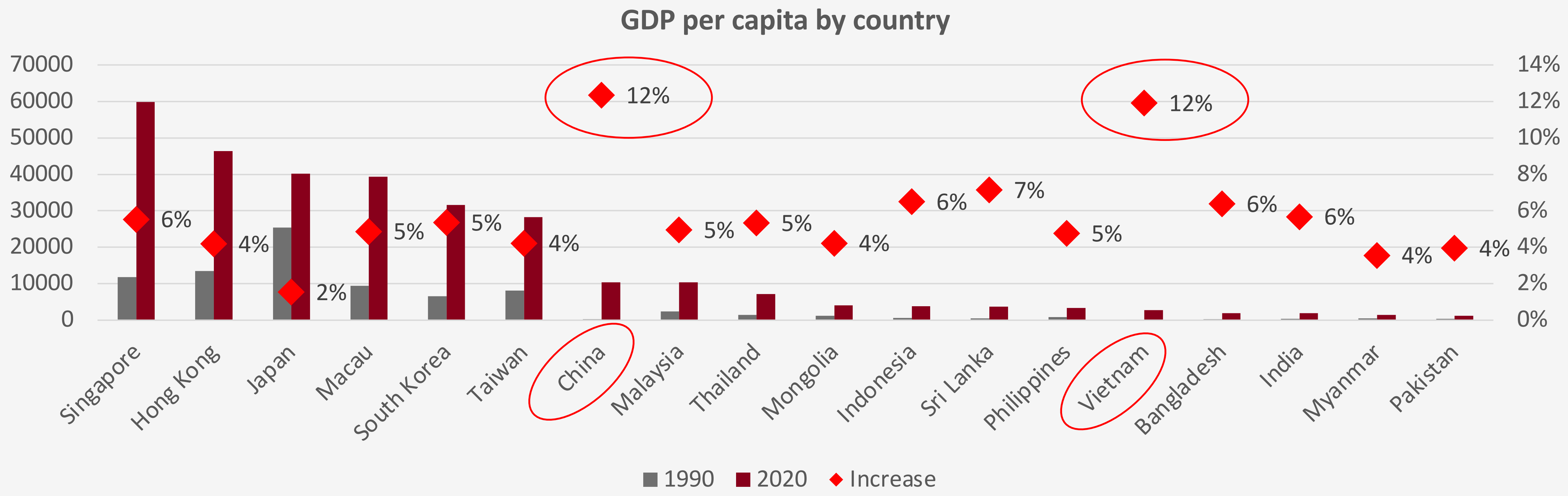
Source: Emerging Advisors Group

Export growth over the past 15 years has been particularly strong in Vietnam – but also China, India and Indonesia



Source: Bloomberg

Singapore, Hong Kong, Japan, Korea and Taiwan are the richest countries in the Asia-Pacific. But China and Vietnam have been catching up.



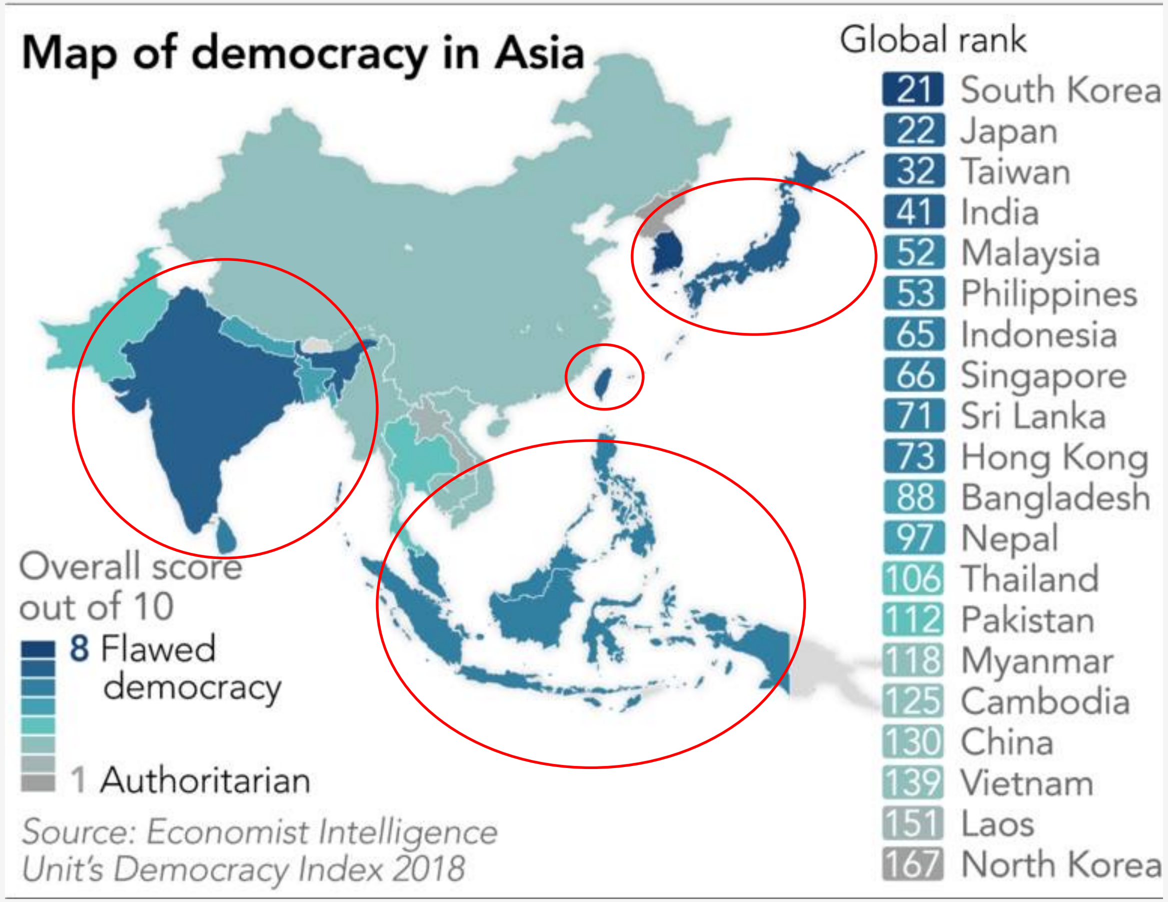
Source: Bloomberg

Plenty of room for catch-up growth for EM Asia

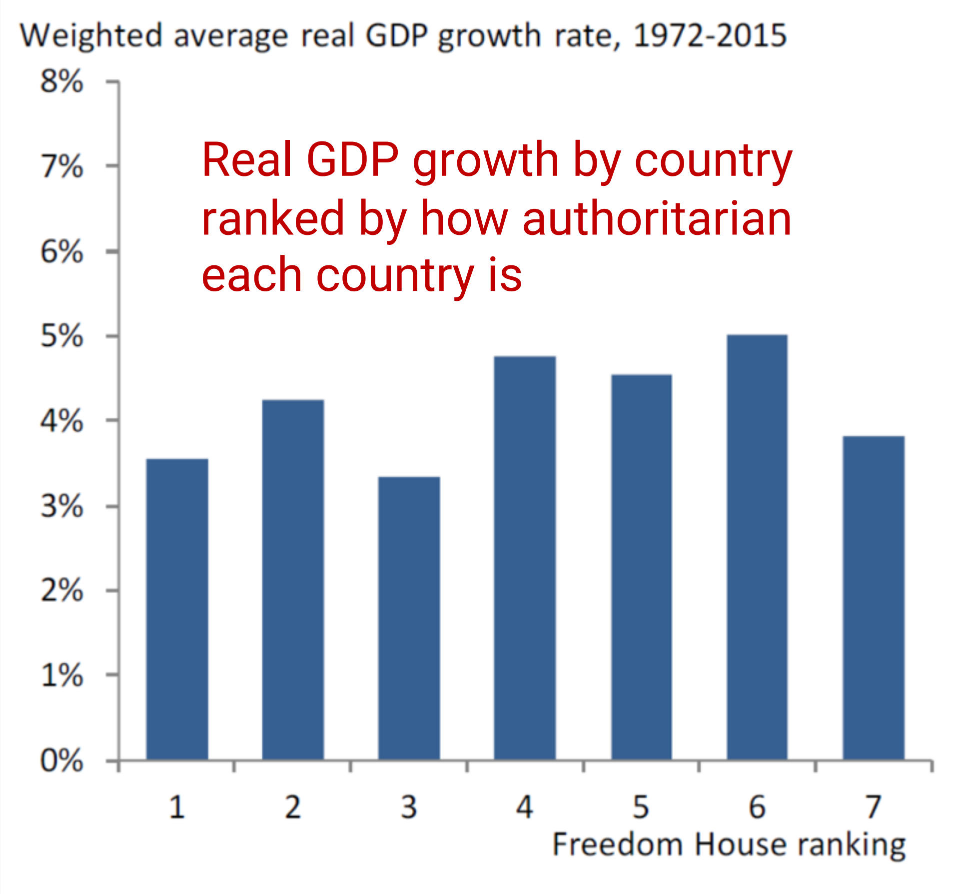
	United States	Japan	China	Vietnam	Indonesia	India
Urbanization rate	83%	92%	61%	35%	57%	35%
Square metres of living space per capita	90	22	41	24	n.a.	6*
Car ownership per 1000 people	816	590	173	23	78	22
Steel consumption per capita (kg)	303	516	523	267	59	74
Energy consumption per capita (kg oil equiv)	6,804	3,429	2,237	655	884	637
Passenger air traffic per capita (trips)	2.81	1.04	0.47	0.55	0.33	0.12
Oil consumption per capita (barrels)	20	12	3.3	1.9	2.1	1.2
Refrigerator penetration rate	n.a.	n.a.	94%	54%	n.a.	33%
Washing machines penetration rate	n.a.	n.a.	92%	24%	n.a.	13%
Internet broadband penetration rate	93%	93%	92%	77%	70%	51%
Life insurance penetration rate	2.6%	6.0%	2.6%	0.7%	1.4%	2.7%
Milk consumption per capita (kg)	255	72	33	20	15	85
Healthcare spending as % of GDP	19.7%	11.0%	6.5%	5.6%	3.0%	1.5%
Household debt / GDP	58%	65%	62%	18%	10%	15%

Source: The World Bank, OECD, Trading Economics, Swiss Re, Bloomberg

Parts of Asia is democratic. There is no proof that democratic states grow faster. But their property rights may be more secure.

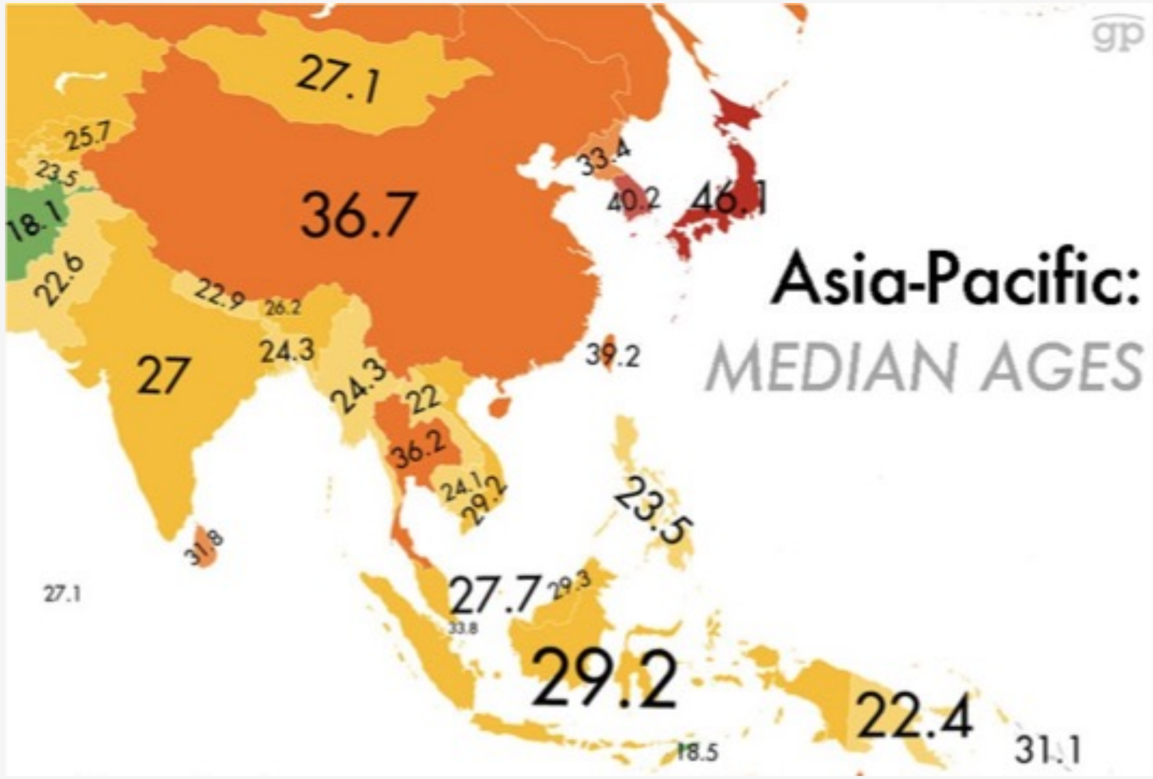


Source: Nikkei, Economist Intelligence Unit

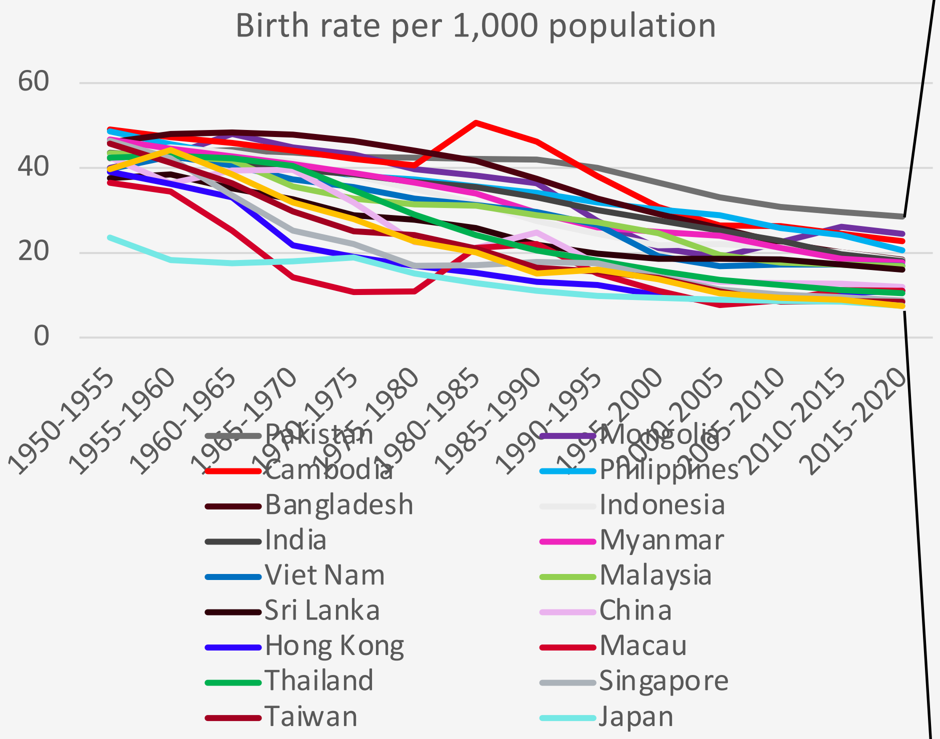


Source: Emerging Advisors Group

Demographics are strong in EM Asia (Philippines, Indonesia, India) and weak in developed Asia (Korea, Japan, Taiwan)



Source: CIA Factbook



Source: The World Bank

Birth rate per 1,000 pop

Pakistan: 28.5
Mongolia: 24.4
Cambodia: 22.7
Philippines: 20.6
Bangladesh: 18.4
Indonesia: 18.2
India: 18.0
Myanmar: 17.7
Vietnam: 16.9
Malaysia: 16.8
Sri Lanka: 16.0
China: 11.9
Hong Kong: 11.1
Macau: 11.0
Thailand: 10.5
Singapore: 8.8
Taiwan: 8.4
Japan: 7.5
South Korea: 7.4

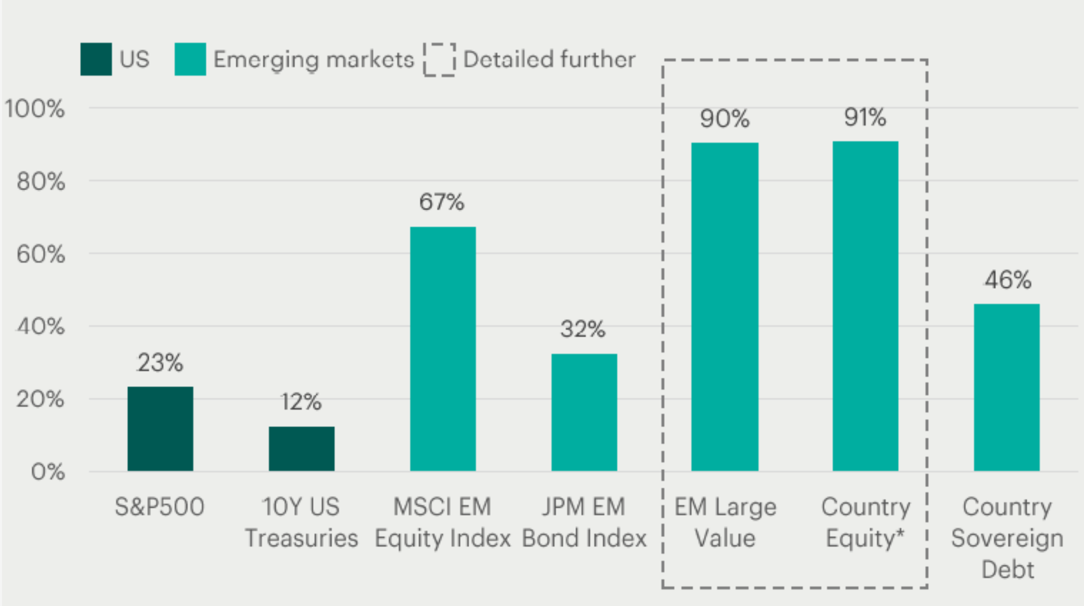
Long-term secular trends in Asia

- **Manufactured goods**: Certain countries such as Vietnam, Cambodia and Bangladesh are going to see tremendous export growth in the next decade, with rising middle classes.
- **Ageing populations**: Japan, South Korea, Singapore have rapidly ageing populations. This trend should lead to secular growth in healthcare spending, as well as for related industries (medical devices, etc).
- **Urbanisation**: Countries such as Indonesia, Vietnam and the Philippines are still undeveloped with large rural populations. As they move to cities, their markets for commodity housing will continue to grow.
- **Higher credit penetration**: Several Southeast Asian emerging markets such as the Philippines and Indonesia enjoy very low credit penetration. As these countries develop, credit penetration will rise.
- **Western dietary habits**: People in the region are adopting Western dietary habits, which include American style fast-food, chocolate, dairy but also perceived health foods such as oats, yoghurt, etc.
- **Defense spending**: Countries throughout Asia will be forced to match the People's Republic of China's 7% per year increase in military spending – or expose themselves to geopolitical risks. Defense spending is going to rise on a secular basis.
- **Tourism**: Prior to COVID-19, the Asian tourism industry was growing on a secular basis. China's outbound tourism grew in the high single-digits every year. It remains to be seen whether China's borders will open up.

Suggested investment approaches

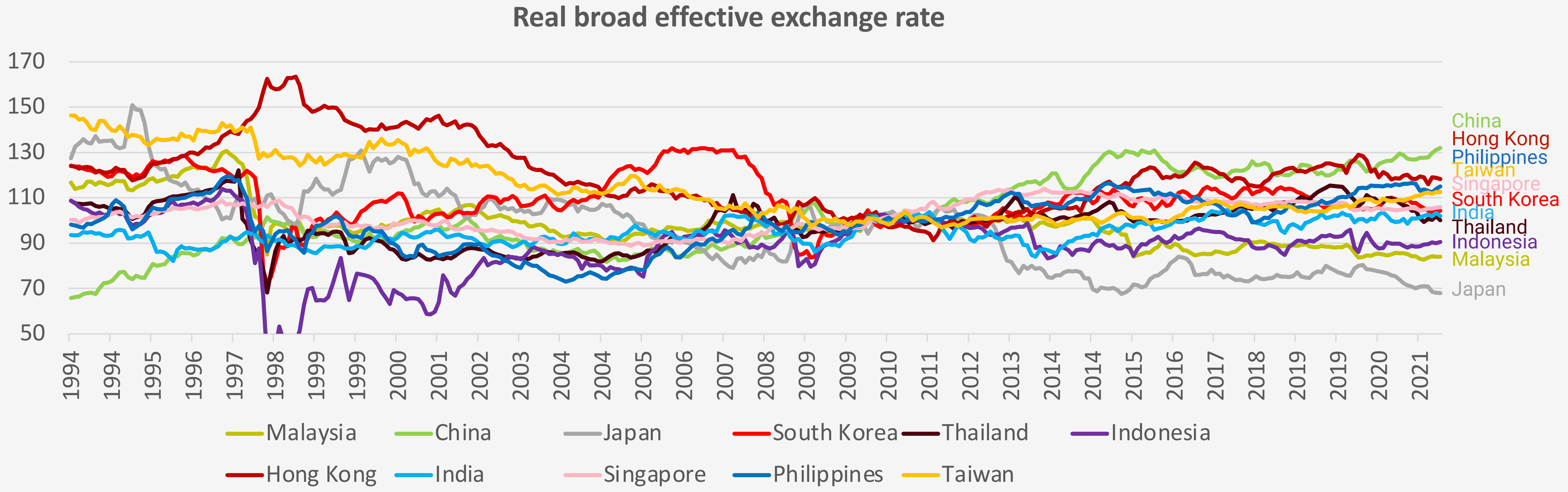
1. **Uniquely strong companies**: Find companies that do something different or unique and that are able to compound equity with high return on reinvested capital. In markets with long-term growth potential.
2. **The long-term middle-class consumption bet**: Export-driven growth may cause a rise in middle-class consumption, but so does demographics. The entire region is experiencing secular growth in middle-class consumption, but growth is particularly strong in Vietnam, India and Indonesia.
3. **Buy quality in crises**: Boston-based asset management Verdad's research shows that you make the most money in emerging markets buying quality in a crisis. Currency considerations are just as important as P/E ratios. Strong balance sheets with a trustworthy management team are also key factors.

2-Year returns in global crises, 1987-2020



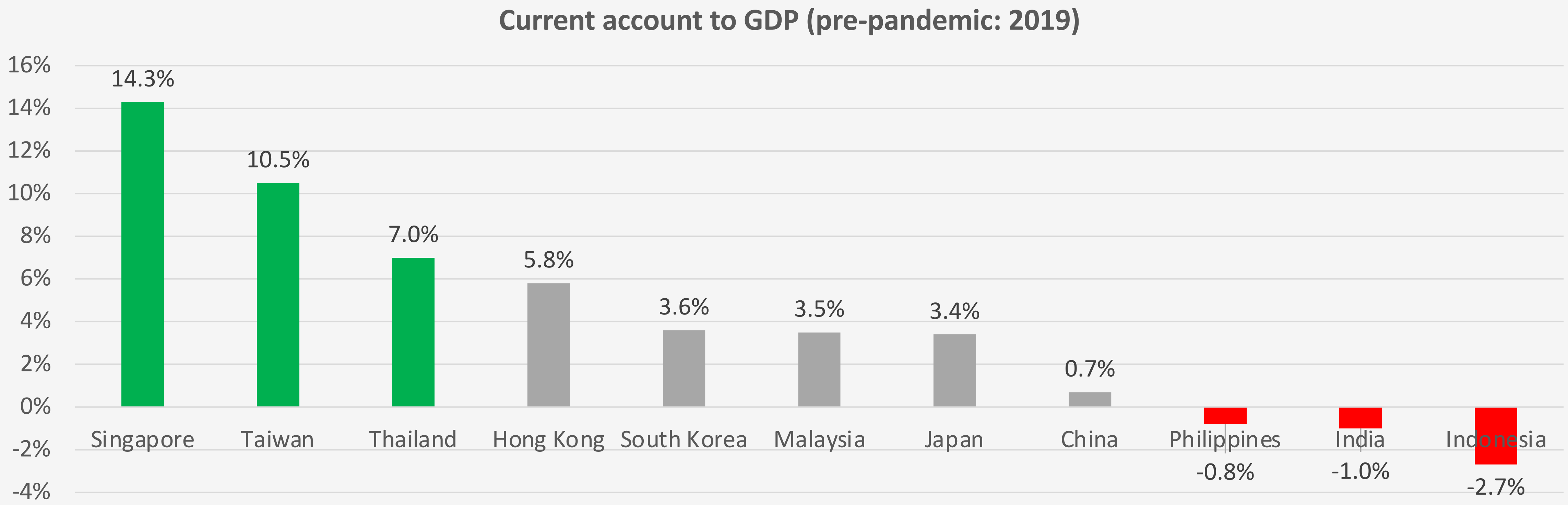
Source: Verdad Advisers "Emerging Market Crises" (2021)

China's and Hong Kong's currencies appear expensive vs historical levels. Japan's and Malaysia's currencies appear cheap.



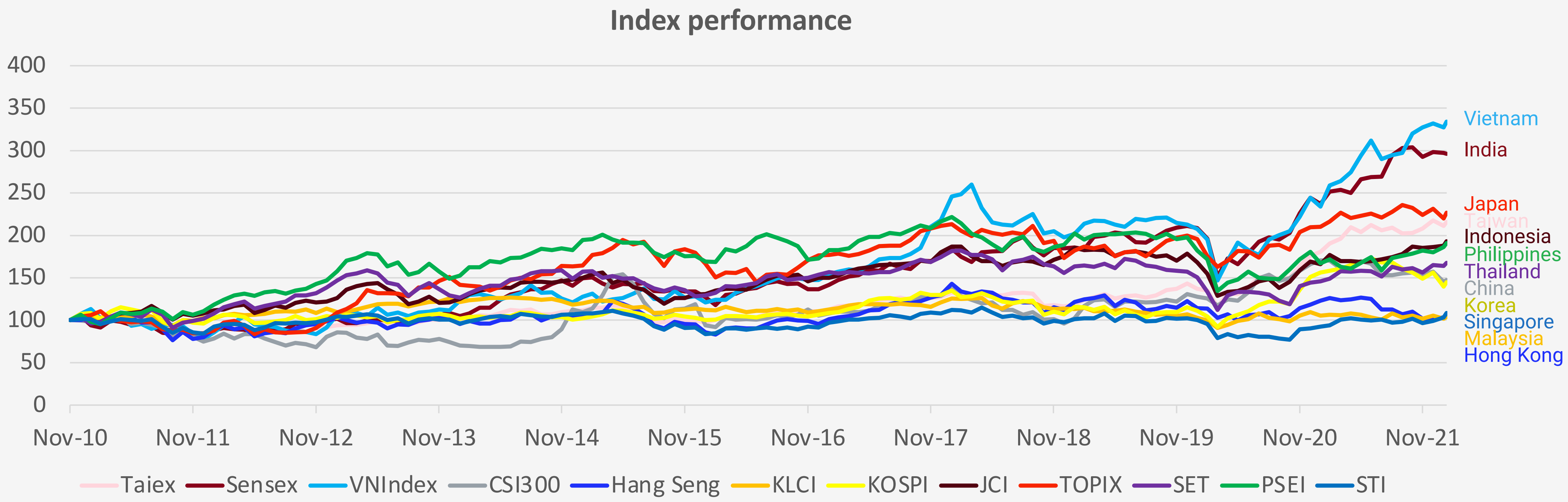
Source: FRED

Indonesia's current account deficit is a constant worry. No such worry for Singapore, Taiwan, Thailand.



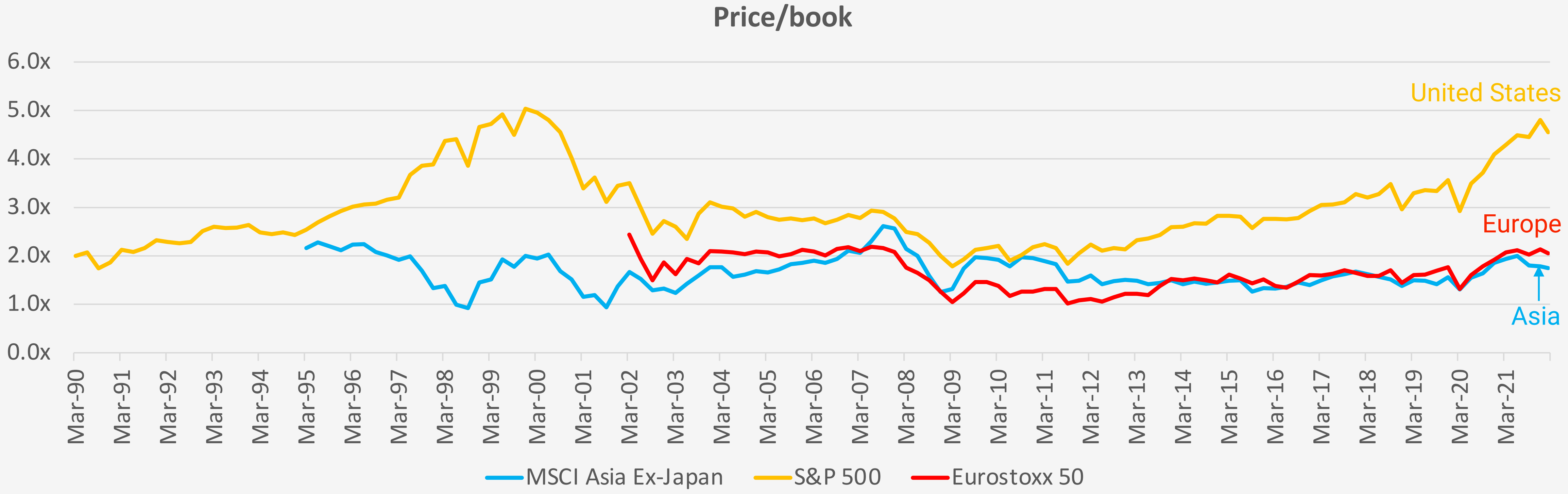
Source: The World Bank

Vietnam, India, Taiwan and Korea are hot markets. Hong Kong, Malaysia and Singapore have had poor performance.



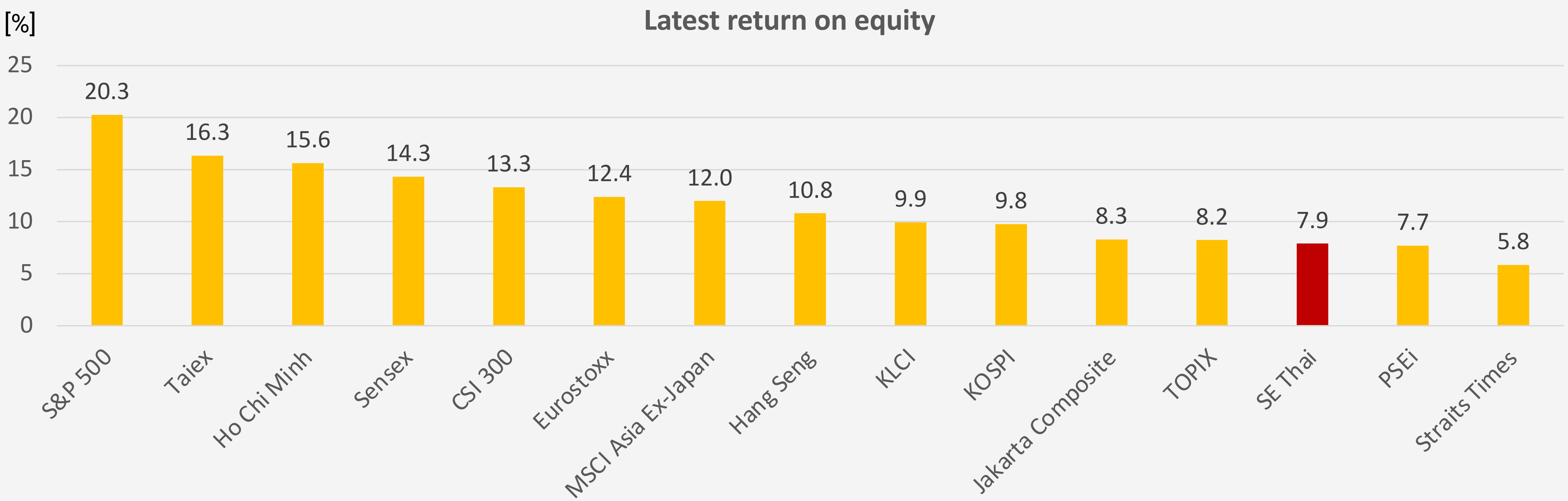
Source: Bloomberg

Valuation multiples in the Asia-Pacific are normal. In the United States, however, valuation multiples are now high.



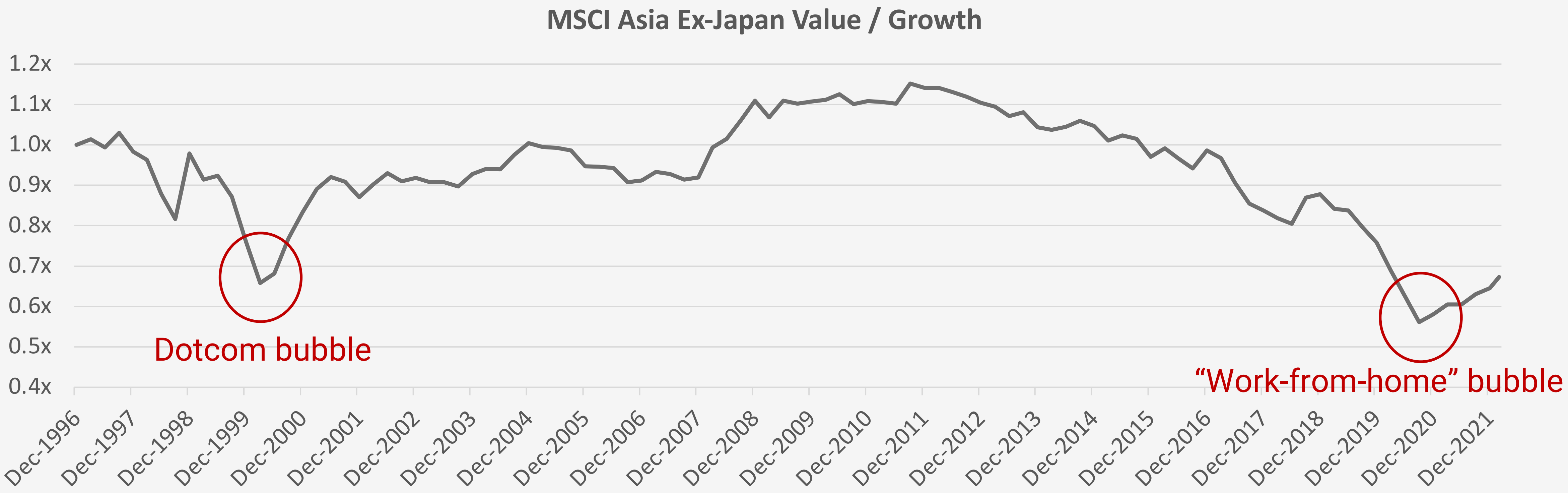
Source: Bloomberg

The return on equity is low in property & bank heavy Singapore, but high in Taiwan, Vietnam, India and China



Source: Bloomberg

We may have hit a turning point in the Asia "Value/Growth" ratio



Source: Bloomberg

Valuation multiples in the Asia-Pacific region tend to be lower than those in the United States

Country	Index	Return 2021	Return YTD	P/E 2022e	P/E 2023e	Div yield
United States	S&P 500	28.5%	-5.9%	20.1x	18.3x	1.8%
Europe	Eurostoxx	23.8%	-3.5%	14.4x	13.3x	2.4%
Asia Ex-Japan	MSCI Asia Ex-Japan	-4.4%	-0.4%	14.0x	12.4x	2.5%
Japan	TOPIX	12.8%	-2.3%	13.7x	12.6x	2.2%
China A-shares	CSI 300	-2.0%	-6.2%	13.7x	11.8x	1.8%
Taiwan	Taiex	27.1%	0.1%	13.7x	13.3x	2.6%
Vietnam	Ho Chi Minh	36.9%	-0.3%	14.2x	11.3x	1.1%
India	Sensex	22.2%	-0.3%	25.1x	21.1x	1.0%
Hong Kong	Hang Seng	-12.2%	5.6%	11.7x	10.3x	2.4%
Malaysia	FTSE Bursa M KLCI	-2.2%	2.3%	15.5x	14.4x	4.4%
South Korea	KOSPI	5.3%	-8.3%	10.8x	9.5x	1.6%
Indonesia	Jakarta Composite	12.3%	4.1%	16.3x	14.5x	2.0%
Thailand	SE Thai	17.5%	2.8%	18.0x	15.9x	2.6%
The Philippines	PSEi	1.5%	-0.3%	17.7x	14.9x	1.5%
Singapore	Straits Times	13.5%	9.2%	14.1x	12.3x	2.9%

Source: Bloomberg

Beware of indices. Many MSCI indices have become tech-heavy and do not offer proper diversification.

iShares Core MSCI Asia ex Japan ETF Latest Available

Type Fund: ETF Asset Class Equity Cash Pos 11.81M USD

Historical View Periodicity Quarterly 2021 Q2 - 2022 Q1 Field Position

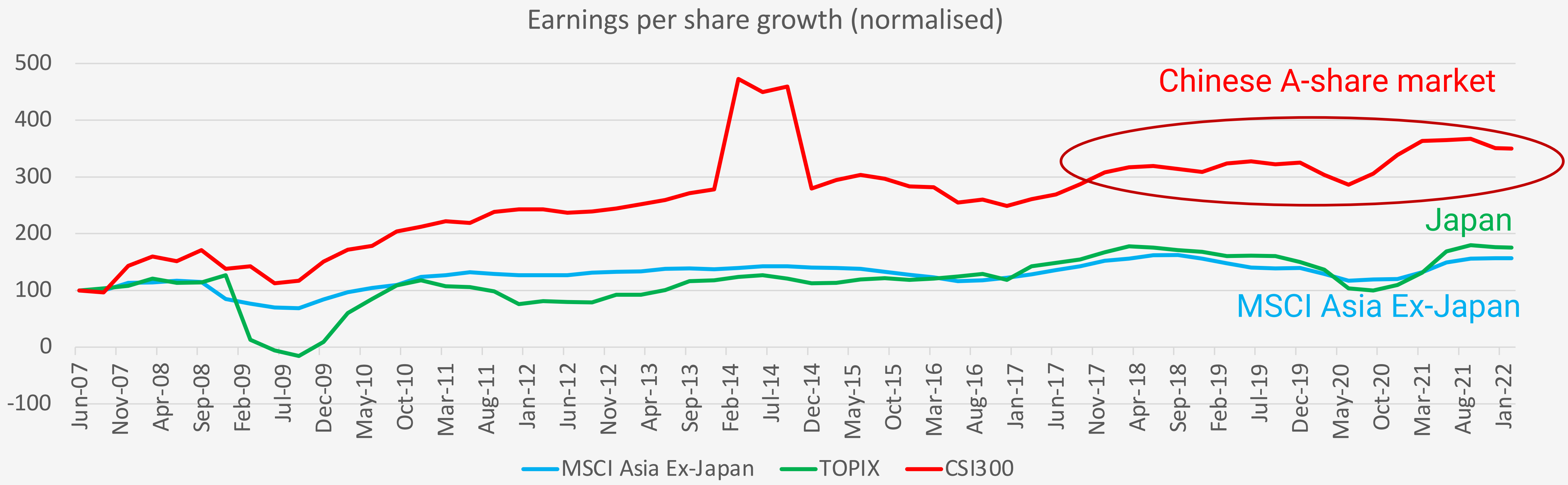
Group By None Show Asset Type All Currency USD Total Curr Mkt Val 2.6B Num of Holdings 1,032

	Security	Ticker	Position	Pos Chg	% Out	% N...	Curr MV	Country/...
								All
1)	Taiwan Semiconductor Manufacturing Co...	2330 TT	9,378,596	0	.04	8.25	211.44MLN	Taiwan
2)	Tencent Holdings Ltd	700 HK	2,191,435	0	.02	5.18	132.15MLN	China
3)	Samsung Electronics Co Ltd	005930 KS	1,815,427	0	.03	4.32	111.55MLN	South Ko...
4)	Alibaba Group Holding Ltd	9988 HK	5,772,938	0	.03	3.43	82.36MLN	China
5)	AIA Group Ltd	1299 HK	4,614,743	0	.04	1.94	50.92MLN	Hong Kon
6)	Meituan Class B	3690 HK	1,555,565	0	.03	1.74	44.11MLN	China
7)	Reliance Industries Ltd Ordinary Shares	RIL IN	1,085,602	0	.02	1.30	34.23MLN	India
8)	Infosys Ltd	INFO IN	1,305,765	0	.03	1.17	30.11MLN	India
9)	China Construction Bank Corp H SHARE	939 HK	36,653,849	0	.02	1.10	28.92MLN	China
10)	JD.com Inc Class A	9618 HK	771,882	0	.03	1.09	28.28MLN	China
11)	Hong Kong Exchanges & Clearing Ltd	388 HK	442,117	0	.03	.97	25.05MLN	Hong Kon
12)	MediaTek Inc	2454 TT	580,661	0	.04	.86	22.83MLN	Taiwan
13)	SK Hynix Inc	000660 KS	207,923	0	.03	.83	21.73MLN	South Ko...
14)	Housing Development Finance Corp Ltd	HDFC IN	655,271	0	.04	.84	21.23MLN	India
15)	ICICI Bank Ltd	ICICIBC IN	1,953,033	0	.03	.81	20.72MLN	India

Tech

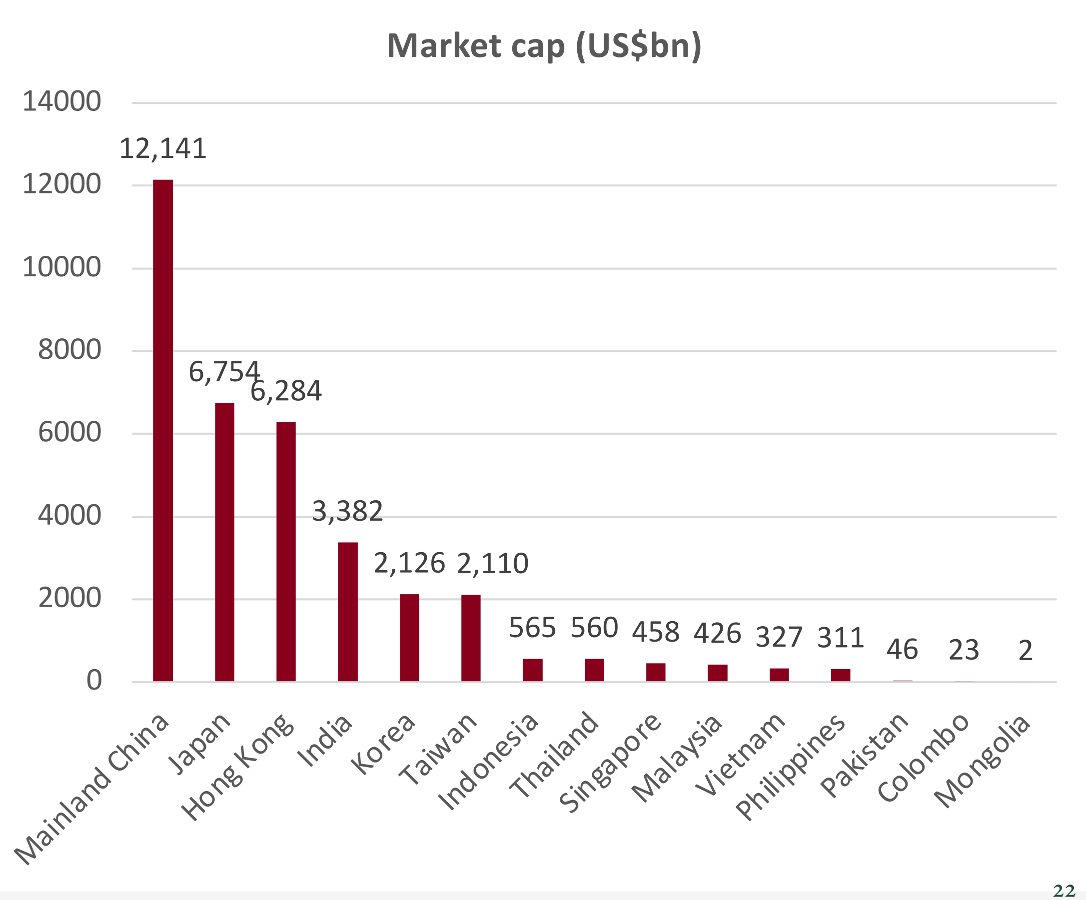
Source: Bloomberg

USD earnings growth for the major indices has been modest, except in the Chinese A-share market. Pick stocks – not indices.



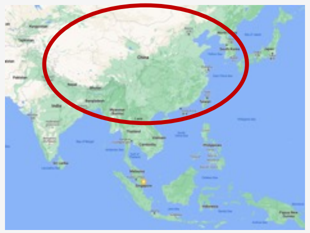
Source: Bloomberg

Regional overview. The stock exchanges in China, Japan, India, Korea and Taiwan are by far the largest.

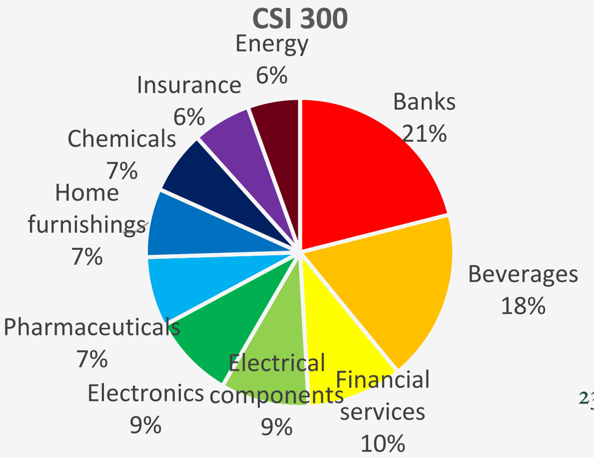


Source: Bloomberg

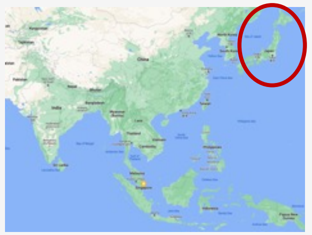
1. Mainland China's stock markets



- The People's Republic of China was formed in 1949 when the Chinese Communist Party took control from the Nationalist ("Kuomintang") government. The first decades of Communist rule was marked by **stagnation**.
- From 1978 onwards, paramount leader Deng Xiaoping introduced **market reforms**, most importantly property rights and free enterprise from the late 1980s onwards. The entry into WTO in 2001 reduced tariffs to developed nations. Thanks to these reforms, **China became an export economy** and attained middle-income status faster than almost any other country in history.
- Current leader **Xi Jinping** wants China to reduce income inequalities and impose greater state control of the economy. Xi also wants China to enjoy greater influence overseas and help the country attain self-sufficiency in terms of natural resources and technology.
- China's currency (the "Renminbi", or "RMB") is **not fully convertible**. Capital outflow restrictions have been imposed gradually over the past decade and these days, it's very difficult to get money out of China.
- Chinese stocks are listed on the two mainland stock exchanges of **Shanghai** and **Shenzhen** ("A-shares"), but also denominated in foreign currencies in either **Hong Kong** ("H-shares") or other overseas markets such as the **United States** via American Depositary Receipts ("ADRs").
- The stock market is **dominated by retail investors** that tend to be driven by momentum. Chinese retail investors (a.k.a. "dama") pay great attention to themes, such as new government policies.
- Hedge fund manager Julian Robertson famously said that in China, *"there are 1,000 fraudulent companies and 1,000 fabulous stocks"*. It continues to be a market fraught with risks, with many frauds exposed over the past decades, including Sino-Forest in 2011 and Luckin Coffee in 2020.
- The largest companies in Mainland China by market cap are: tech companies **Tencent** and **Alibaba**, liquor maker **Moutai**, commercial bank **ICBC** and EV battery maker **CATL**.

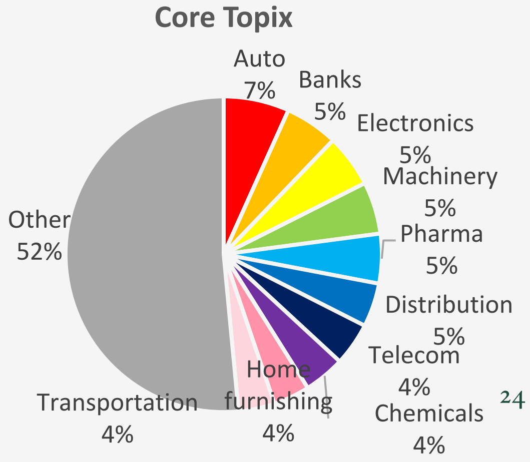


Source: Bloomberg



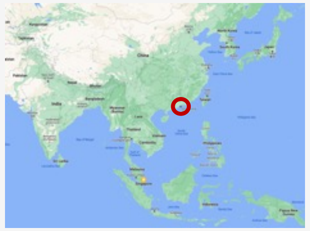
2. Japan's stock markets

- Japan is one of Asia's most **developed nations**, with a GDP per capita on par with Western Europe. Japan's aggregate GDP ranks #3 globally.
- After the second world war, Japan's economy grew fast for almost four decades before a 1980s credit bubble burst and caused decades of stagnation. **Competition from South Korea, Taiwan and later China** has also been challenging for Japanese corporations.
- One peculiarity of Japan is the tradition of **lifetime employment** for salarymen. Companies expected complete devotion. Lifetime employment is becoming less prevalent among the younger generation.
- Japan's **demographics are poor**, with a birth rate of just 1.3 compared to 1.7 for the United States. An ageing society means rapidly rising healthcare expenditures, need for nursing homes and robots, as well as other services catering to the old.
- Former prime minister Shinzo Abe tried to reform the economy through lax monetary policy, fiscal stimulus and reforms (the "**three arrows**"). There has been modest progress, but Japan's economic growth remains sluggish and the return on equity in the corporate sector among the lowest of any country.
- Since Japan is an **export economy**, it's highly reliant on global trade and currency movements. The 2012-2015 depreciation of the Japanese Yen caused an export boom and a stock market boom. The opposite typically happens in crises, when the Yen tends to strengthen.
- The largest companies in Japan are: auto maker **Toyota**, video game company **Sony**, sensor company **Keyence**, telecom company **NTT** and HR service provider **Recruit**. Other famous companies include tech holding company **SoftBank**, video gamer developer **Nintendo** and fashion retailer **Fast Retailing** (Uniqlo).

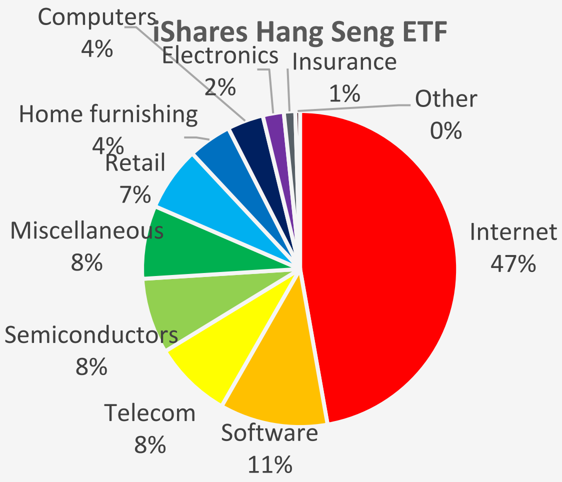


Source: Bloomberg

3. Hong Kong's stock market

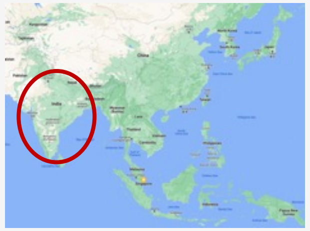


- Hong Kong became a **British colony** in 1841, becoming a trading hub for goods moving in and out of China. Hong Kong grew significantly when the Communists gained control of mainland China and onwards, with **refugees crossing the borders** in great numbers during the 1940s and 1950s. These migrants became labourer in a burgeoning Hong Kong manufacturing industry. The territory returned to the People's Republic of China in **1997**.
- Hong Kong holds a unique position in China in that it has its own currency (the Hong Kong Dollar), which is **currently pegged to the US Dollar** through a currency board. Arbitrage conditions imply that Hong Kong import its interest rate environment from the United States, despite vastly different macroeconomic conditions.
- Hong Kongers are obsessed with the property market. A **low income tax** and **zero capital gains tax** attract wealthy mainlanders to Hong Kong. It's also become a shopping mecca for mainlanders visiting on short trips from Guangdong or the rest of China. Though mainland influence is increasingly causing tension in Hong Kong.
- Today, the Hong Kong stock market is dominated by **financials** and **conglomerates** such as Jardine, Swire, CK Hutchison, Sun Hung Kai, etc. Macau **casino operators** are also listed in Hong Kong. **Tourism retail** from mainland China is another key industry.
- Mainland brewer Tsingtao became first mainland company to list in Hong Kong in 1993. Since then, a large number of mainland Chinese SOEs have listed on Hong Kong Exchange.
- The largest companies in Hong Kong by market cap are: life insurer **AIA**, stock exchange **Hong Kong Exchanges & Clearing**, commercial banks **Bank of China (Hong Kong)** and **Hang Seng Bank** as well as conglomerate **Jardine Matheson**.

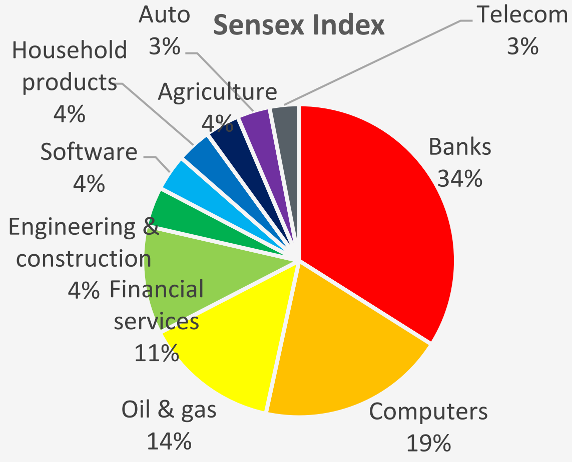


Source: Bloomberg

4. India’s stock market



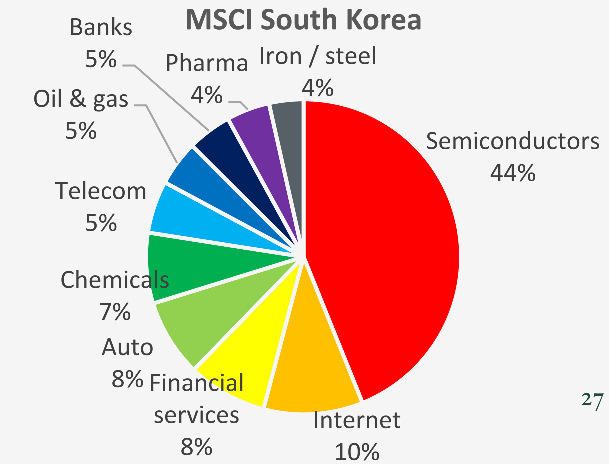
- India was a British colony from the 1850s and gained independence in 1947. Between 1947 and 1991, the economy grew slowly under heavy red tape and corruption. However, **reforms in 1991** opened the doors to private investment and deregulation. Since then, India has developed fast, though not as fast as the People’s Republic of China.
- The Bombay Stock Exchange (now “BSE”) became the **first of its kind in Asia** in 1875. It has remained in operation until this day. The Indian stock market has been marred by cycles of bubbles and bust, perhaps most notably the 1992 stock market bubble and the subsequent 72% crash.
- India has found success in the manufacture of **generic drugs** for exports. Some of the most flourishing companies within the Indian pharma industry include Sun Pharma, Lupin and Cipla.
- Ever since Texas Instruments placed its R&D center in Bengaluru (formerly known as “Bangalore”), tech companies have flocked to the city. A **tech ecosystem** of companies have sprung up in Bengaluru, including Infosys and Wipro.
- In the consumer sector, the most successful companies are those that have reached India’s still-mostly-rural population. Companies with extensive distribution throughout India include Unilever Hindustan, Titan and Hero.
- India’s **manufacturing sector remains small**. Challenges remain. A famous example includes Korean steel company POSCO, which encountered significant local opposition and red tape when it tried to set up a steel plant in Odessa. It eventually gave up. But under Prime Minister Narendra Modi, some success cases have emerged, including in the Northwestern state of Gujarat.
- The largest companies in India are: conglomerate **Reliance Industries**, IT service providers **Tata Consultancy Services** and **Infosys**, as well as commercial banks **HDFC Bank** and **ICICI Bank**.



Source: Bloomberg

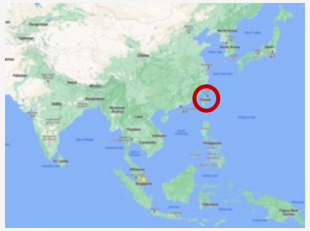
5. South Korea's stock market

- Korea was annexed by Japan from 1910 to 1945 and then became independent after the second world war. The US proposed to divide the country into a Soviet zone and a US zone. But in 1950, North Korea invaded South Korea, which led to the Korean War. The country remains divided between a communist north and a **capitalist south** and is technically still in a civil war.
- The Korean stock market is dominated by powerful conglomerates ("**chaebols**") that received preferential treatment under the early days of Korea's industrial policy during the 1950s and 1960s. Such chaebols include Samsung, Hyundai, LG and SK Group.
- Just like Japan's, South Korea's economy is export driven and heavily focused on **technology**. Korea is strong in smartphone manufacturing, battery production, display panels, memory chips, vehicles, television dramas and music.
- The country has become a pace-setter for cultural trends, producing television dramas and pop-music. The export of Korean culture has become known as **the Korean wave** ("hallyu").
- Korea is dependent on China for its exports. The relationship with China's government remains tense due to the **presence of US military** on Korean soil.
- The largest companies in South Korea are: smartphone manufacturer **Samsung Electronics**, battery maker **LG Energy Solutions**, memory chip maker **SK Hynix**, contract pharma manufacturer **Samsung Biologics** and software platform **Naver**.

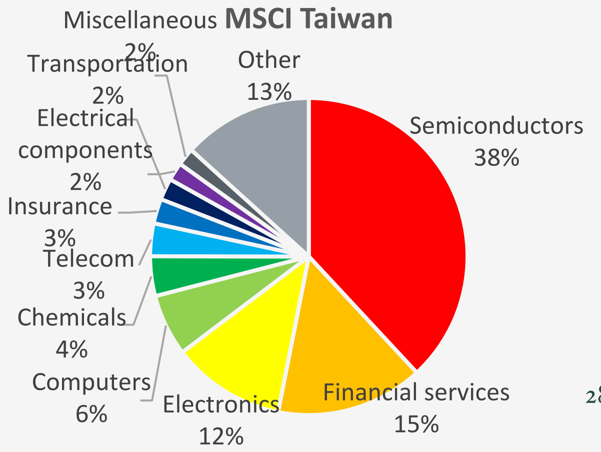


Source: Bloomberg

6. Taiwan’s stock market

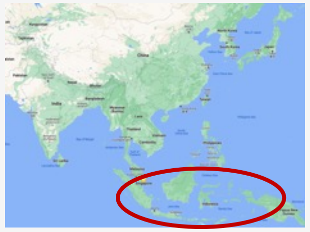


- Taiwan was annexed by China’s Qing empire and ceded to Japan in 1895. China’s Kuomintang government fled from the communists on the mainland and took over the island in 1949, becoming a base for the Republic of China (Taiwan).
- The island became democratic in the 1980s, with the first presidential election in 1996. The vast majority of Taiwan’s population speaks mandarin and has **roots in mainland China**.
- The key cities of Taipei, Hsinchu, Taichung and Kaohsiung are not exactly beautiful, but there is more than meets the eye.
- Taiwan is big in contract manufacturing, especially within the technology sector. Unlike South Korea, Taiwan is dominated by **small- and medium enterprises** that are surprisingly often leaders in their niches.
- Most famously, Taiwan has particular strength in the **semiconductor industry**. Taiwanese universities churn out tens of thousands of semiconductor engineers each year. Their dream job is often to work for TSMC, which dominates the global semiconductor foundry industry.
- Other than hardware products, Taiwan has strength in bicycles, textiles, leisure equipment and life insurance aimed at the domestic population.
- The largest companies in Taiwan are: semiconductor foundry **TSMC**, fabless chip maker **Mediatek**, contract manufacturer **Foxconn**, chemicals company **Formosa Petrochemical** and **Chungwha Telecom**. Other famous Taiwanese brands include computer hardware manufacturers **Acer**, **Asus** and **HTC** as well as bicycle manufacturer **Giant**.

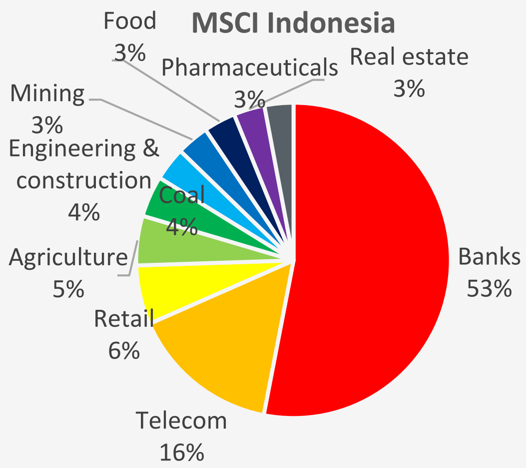


Source: Bloomberg

7. Indonesia's stock market

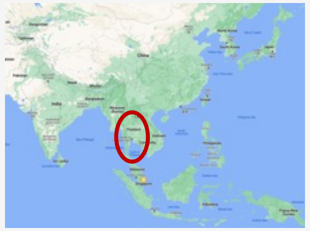


- Indonesia is a diverse country, with 270 million people living across **17,000 islands**. Dutch traders began colonising the island of Java in the 1600s through the Dutch East India company and later consolidated other islands in the Indonesian archipelago.
- After three years of Japanese occupation during the second world war, Indonesia became fully independent in 1949. During a large part of the post-war years, Indonesia was ruled as an authoritarian regime by President **Suharto**. Riots during the Asian Financial Crisis in 1998 forced him to resign, helping Indonesia becoming a democracy.
- Most of the population is **Muslim**, making Indonesia the largest Muslim country in the world. The tourist island of Bali remains an exception with its largely Hindu population. But even though most Indonesians are Muslims, the constitution is secular and the most popular political parties wants it to remain that way.
- The Indonesian Stock Exchange is dominated by local service companies such as banks, telecom or retail. There are also a great number of **commodity companies**, engaged in the exploration and production of natural resources such as crude oil, palm oil, coal and nickel.
- During the Suharto years, the economy was run by vested interests close the president through a system of hard-to-get licenses. But even today, the economy is to a large extent **controlled by the state** or a number of influential families. Entrepreneurship is in its infancy. The number of listed companies in Indonesia is smaller than in neighbouring Malaysia, despite an 8x larger population.
- The largest companies in Indonesia are the banks **Bank Central Asia**, **Bank Rakyat Indonesia**, **Bank Mandiri** and **Bank Jago** as well as state-run telecom operator **Telkom Indonesia**.

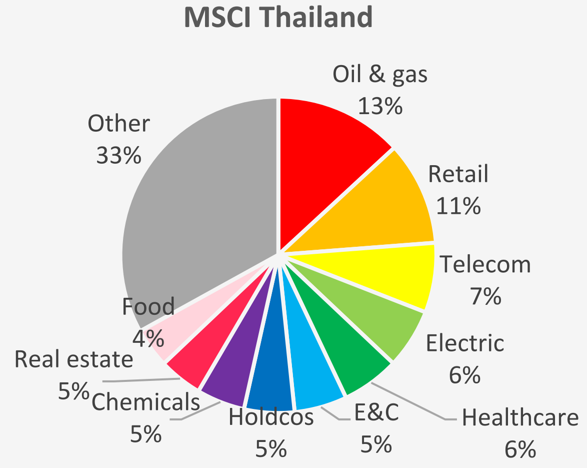


Source: Bloomberg

8. Thailand's stock market

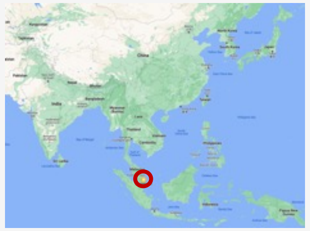


- The country of Thailand is one of the only countries that managed to avoid European colonialism. It remained a neutral territory for traders thanks to benevolent rule by a Thai monarchy. After the end of absolute monarchy in 1932, Thailand endured sixty years of **military control** before becoming a democracy. But the Thai military maintains a significant influence over politics and the economy.
- The wealth distribution is unequal with the highest **income gap** in the world. Thailand has the 10th number of billionaires in the world, despite a small population. Entrepreneurs with connection to past and present government leaders tend to gain favours through licenses and government contracts.
- The predecessor of the **Stock Exchange of Thailand (SET)** was established in 1975 but remained a backwater exchange until the late 1980s. Today, SET it has a large number of companies listed across a variety of industries.
- Thai **hospital chains** such as Bumrungrad and Bangkok Dusit attract medical tourism from across the region thanks to the high standard of medical care.
- Thailand is also strong in **consumer products**, with several food & beverage and cosmetics brands emerging from the country and developing followings around the region.
- Thailand's **tourism** industry is a major contributor to the nation's FX receipts and current account. The Thai tourism industry has been significantly hurt by COVID-19 but is on a recovery path.
- The largest companies in Thailand are: energy company **PTT**, **Airports of Thailand**, convenience store operator **CP All**, **Siam Cement** and **Siam Commercial Bank**.

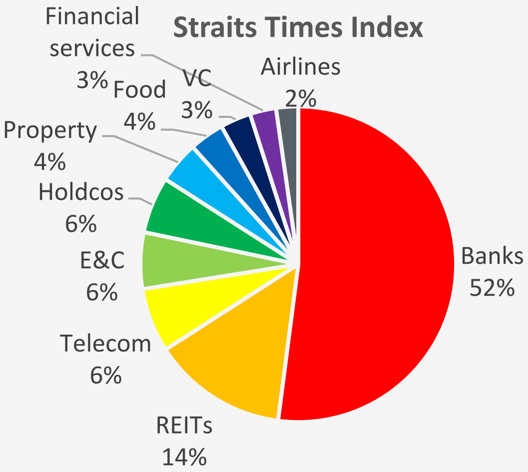


Source: Bloomberg

9. Singapore's stock market

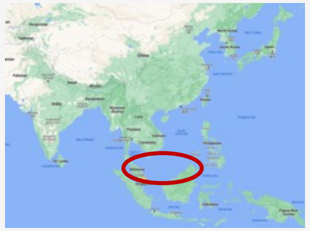


- Singapore is a **small city-state** at the southernmost tip of the Malaysian peninsula. It was formerly a part of the Straits Settlements, a set of states under British control from the late 18th century until the second world war. Singapore broke free from Malaysia and became an independent republic under the leadership of Lee Kwan Yew in 1965. Today, Singapore is a meritocratic society run by a strong government. An orderly society but perhaps less entrepreneurial than say Taiwan.
- Singapore Exchange was formed in 1999 through merger of several exchanges. Today, the number of listed companies is declining, but the stock exchange has become a local leader in derivatives and currency trading.
- Singapore has a large **REIT industry**. Local investors are obsessed about REITs and the dividends they provide. The fact that REITs and banks dominate the Singaporean stock market makes the index stable and, some might say, boring.
- The city is also a trading hub for **agricultural commodities**. Several plantation companies and trading houses are listed in Singapore, including Wilmar, Olam and Golden Agri.
- Multinational companies have played a major part in Singapore's success. The city is often used as a stepping stone for international companies wanting to expand in Asia - or at least Southeast Asia. Several of Singapore's greatest entrepreneurial success stories such as ride-hailing giant Grab and Sea Limited, were in fact started by immigrants.
- The largest companies based in Singapore are e-commerce operator **Sea Limited**, banks **DBS**, **OCBC** and **UOB** as well as telecom operator **Singtel**. The two largest tech companies in Singapore Sea Limited and grab are not listed locally but rather on NASDAQ in the United States.



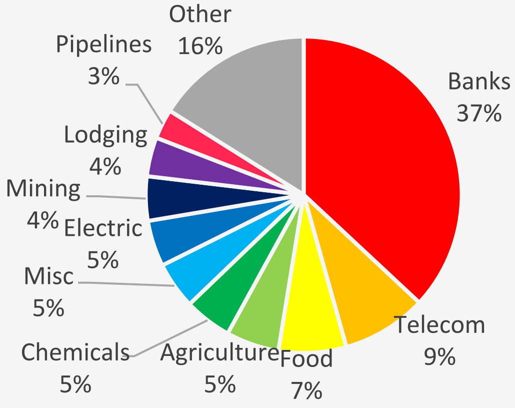
Source: Bloomberg

10. Malaysia's stock market



- Malaysia became subject to British colonialism under the British Straits Settlements along the coast of Peninsular Malaysia. The country of Malaysia was formed in 1963 by combining **Peninsular Malaysia** former British colonies in the Northern part of **Borneo** and **Singapore**. However, Singapore was expelled from the union in 1965 and thus became a city-state of its own.
- Malaysia is multi-ethnic, with a 57% Malay, 23% Chinese, 7% Indian and 13% indigenous groups of Borneo. Since the early days of the Malaysia, ethnic Malays and indigenous ("bumiputera") groups have been favoured through government support, meant to counteract the success that ethnic Chinese and Indians have had in the economy. Critics will say that such **affirmative actions** discriminate against minorities.
- The economy is on par with China in terms of GDP per capita, with a **thriving export industry** within electronics, semiconductor testing, furniture and automotive components.
- Thanks to a rich soil, Malaysia is also home to **oil palm** and **rubber plantations**. Thanks to the abundance of rubber, Malaysia has become world leader in the production of rubber gloves through companies such as Top Glove and Hartalega.
- Being a Muslim country, Malaysia also has an edge as the world's largest centre of **Islamic finance**. Malaysia's sukuk (Islamic bond; bearing no interest) is the largest in the world, representing 2/3 of the global sukuk market.
- The largest companies in Malaysia are: **Maybank**, hospital operator **IHH Healthcare**, electric utility **Tenaga Nasional**, shipping company **MISC Berhad**, and rubber glove maker **Top Glove**

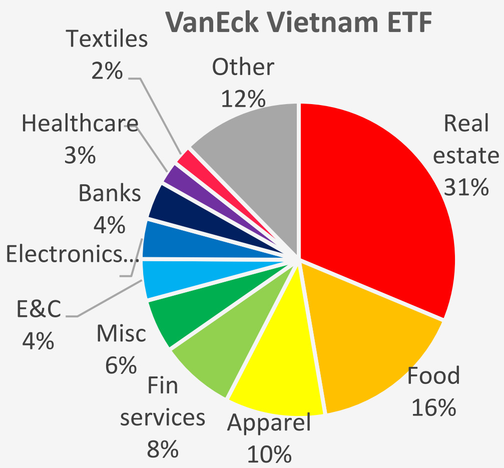
FTSE Bursa Malaysia KLCI



Source: Bloomberg

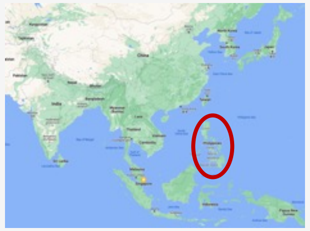
11. Vietnam's stock markets

- Vietnam was a French colony until 1954, when the Vietnam war began, leading the nation to become divided into a **communist north and a capitalist south**. The Northern side eventually won against the south in 1975, becoming a unified state. In 1986, the Communist Party initiated economic reforms. But the country remains communist - at least in name, if not in spirit.
- Today, Vietnam has the **fastest-growing economy** in Asia. Western, Japanese and Korean manufacturing companies are shifting production away from China to Vietnam, to take advantage to its political stability and low manufacturing wages. Heavy investment in infrastructure such as roads and sea ports have helped propel the boom.
- Vietnam's manufacturing sector has become a colossus, thanks to its proximity to key trade routes and other manufactured goods exports in Asia. The manufacturing economy grew from textiles and footwear and now into **consumer electronics**. Today, Samsung assembles 40% of its phones in Vietnam.
- Within agriculture, the country is one of the largest exporters of **rice**, **coffee**, **coconut**, **rubber** and **tea** globally. It also exports nuts, vegetables and fruits throughout the region.
- Vietnam has two major stock exchanges: the larger Ho Chi Minh City (formerly known as Saigon) Stock Exchange in the South and the smaller Hanoi Stock Exchange in the North. The aggregate market capitalization has grown in recent years thanks to major privatisations (a.k.a. "**equitisations**") such as Vietnam Airports Corporation and Vinamilk. However, foreign ownership restrictions are still in place, with quotas imposed on how much foreigners are able to own of specific companies.
- The largest companies in Vietnam are: commercial banks **Vietcombank** and **BIDV**, property developer **Vinhomes**, conglomerate **Vingroup** and **Petrovietnam Gas**.

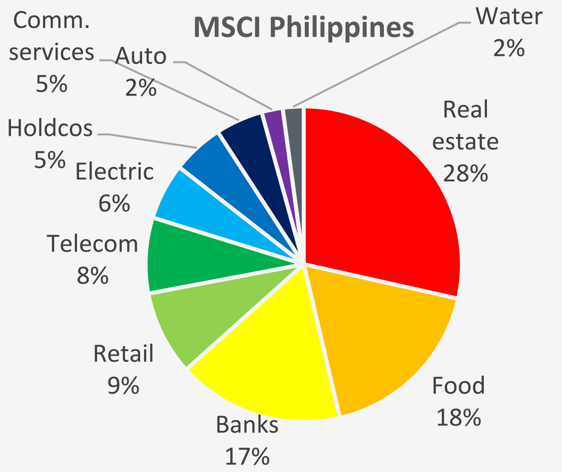


Source: Bloomberg

12. The Philippines' stock market



- The Philippines was colonised, first by Spain from the 1500s, then by United States from 1898 and Japan during the second-world war. The country became independent in 1946. The Philippines has not reached the level of industrialisation as many believed it would during the early days of independence. Economic mismanagement by the likes of dictator Ferdinand Marcos who ruled between 1965 and 1983 could be partly to blame.
- The economy and companies on the Philippine Stock Exchange is **dominated by a group of influential families** such as the Gokongwei, Ayala, Tan, Aboitiz and Sy families. Their conglomerates operate across sectors such as real estate, banking, retail, infrastructure, etc.
- The Philippines is a major exporter of bananas, rice, coconuts, pineapples, mangos and other **agricultural products**. Large corporations control the Philippine agricultural sector.
- In recent years, the Philippines has become one of the largest regions for business process outsourcing **services** such as call centres. Filipinos speak excellent English language and some argue that they have a customer-friendly attitude.
- A major impact on the current account is the large number of **overseas Filipino workers (OFWs)** in cities and regions such as Hong Kong, Singapore and the Middle East. These send home money to relatives in the Philippines and often help fund property purchases for relatives or for their own retirement.
- The largest companies in the Philippines are: family-run conglomerates **SM Investment**, **Ayala Corporation** and **JG Summit**, as well as commercial banks **BDO Unibank** and **BPI**.



Source: Bloomberg

Be careful about corporate governance, which should be the #1 priority of investors in Asia.

Possible shortcuts to identifying fraudulent accounting in Asia

1. Excessive operating margins	Fraudulent companies might be spotted by comparing margins vs their peers
2. Cash flow lower than net profit	Lower cash flow from operations than profit could signal earnings manipulation
3. High accounts receivables	Suggests the company is either not getting paid in time, or fabricating revenues
4. High inventories	Demand for the products lower than expected, or earnings manipulation
5. Low effective tax rate	If taxable income lower than reported income, possible earnings manipulation
6. Excessive M&A	Acquisitions done at high multiples at best, with related parties at worst
7. Key metrics on a per unit-basis	Can tell you whether e.g. PP&E or accounts receivables are at reasonable levels
8. High corporate bond yield	Bond investors are often smarter than equity investors – listen to them
9. Low interest income from cash	If significantly lower than typical deposit rates, could mean the cash isn’t there
10. Rising share count	Dilution is rarely good news to minority shareholders, be it from M&A or ESOPs

Retail brokerage platforms for equities in the Asia-Pacific

- Popular US brokerage platform **Interactive Brokers** offers access to Japan, Hong Kong and Singapore
- Other Asian markets are more difficult to get access to
  - **Boom Securities** is one of few that offers online access to almost all major Asian stock exchanges
  - If you're happy with phone / WhatsApp trading - KGI Securities, Phillip Securities, Maybank, Lim & Tan and OCBC are also viable options for Southeast Asian market access
- Just know that commission rates can be high (1-2% commission + 1-5% FX bid/ask spread round-trip)

Commission (small)	HK	B-shares	Japan	Singapore	Korea	Taiwan	Vietnam	Thailand	Malaysia	Indo	Phils	India
Interactive Brokers	0.08%	-	0.08%	0.08%	-	-	-	-	-	-	-	0.01%
Boom / Monex	0.18%	0.37%	0.30%	0.30%	0.50%	0.30%	-	0.40%	0.50%	0.25%	0.50%	n.a.
Saxo	0.15%	-	0.15%	0.15%	-	-	-	-	0.20%	-	-	-
KGI Securities	0.30%	0.35%	0.50%	0.18%	0.50%	0.35%	-	0.30%	0.50%	0.50%	0.50%	-
Phillip Securities	0.08%	0.50%	0.18%	0.08%	0.40%	0.40%	0.40%	0.18%	0.18%	0.18%	0.50%	-
UOB Kay-Hian	Nego.	-	Nego.	0.28%	-	Nego.	Nego.	Nego.	0.50%	Nego.	Nego.	-
OCBC Securities	0.25%	0.90%	0.75%	0.28%	0.80%	0.80%	-	0.50%	0.60%	0.37%	0.50%	-
Lim & Tan	0.25%	0.95%	0.80%	0.28%	1.00%	0.80%	-	0.70%	0.50%	0.75%	1.00%	-
Maybank Kim Eng	0.25%	0.30%	0.50%	0.28%	0.75%	0.50%	0.35%	0.40%	0.50%	0.50%	0.50%	-
DBS Vickers	0.15%	-	0.25%	0.28%	-	-	-	1.00%	0.85%	1.00%	1.00%	-
CIMB	0.25%	-	-	0.28%	-	-	-	0.40%	0.50%	0.40%	-	-

Settlement in local ccy	THB	MYR	IDR	PHP
Boom / Monex	~1-2% x2	~1-2% x2	~1-2% x2	~1-2% x2
KGI Securities	3.37%	1.12%	2.58%	n.a.
Phillip Securities	1.21%	2.64%	2.02%	1.62%
UOB Kay-Hian	-	1.24%	-	-
OCBC Securities	1.07%	1.66%	4.17%	5.32%
Lim & Tan	n.a.	n.a.	n.a.	n.a.
Maybank Kim Eng	n.a.	1.25%	3.27%	1.50%
DBS Vickers	2.99%	1.61%	5.24%	n.a.
CIMB	1.91%	1.38%	3.16%	n.a.

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