

Model Portfolio

27 March 2014

Adding a summer play

Investment thesis

Our portfolio has underperformed the SET by 0.2% since our last update on March 5 (and lagged the SET by 2.4% on a YTD basis).

We maintain our defensive portfolio stance, due to the ongoing political chaos—there are no indications of resolution or easing in the near future. Other than a surge among regional markets that could cause the Thai index to rise with the tide, a meaningful domestic factor that could boost the SET would be a decision on the part of the Democrat Party to run in the upcoming election after the Constitutional Court nullified the Feb 2 poll. However, at this moment the chances of the Democrats contesting the election appear slim.

The upcoming summer and looming drought should mean upside for beverage sales and, probably, meat prices (particularly for chicken, as battery-raised hens are much more prone to disease during hot weather, so supply declines). As such, we have added CPALL as the leading beneficiary of expected higher cold beverage sales in summer. Our higher meat prices play is CPF, which is already in our portfolio.

Added: CPALL (expect strong sales growth in 2Q14, strongest earnings growth among retailers, PEG<1x).

Removed: ADVANC

Risks: 1) Worsening economic and financial data flows from the US, the EU and Asia, 2) greater risk aversion among investors, leading to a market de-rating, 3) persisting street protests, 4) a weaker domestic economy than expected.

The scope for upside includes good economic data flows among DMs and EMs, which could lift the tide of the equity market.

SET target: 1433 (YE14)

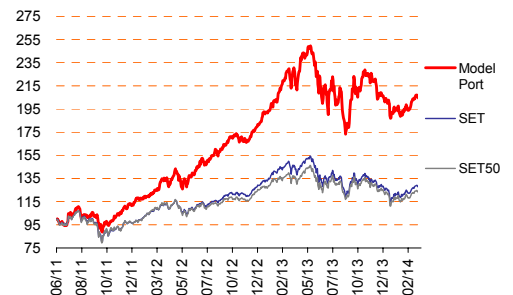
Index closing (26/3/14): 1360.44

Stock picks

	Rec.	TP (Bt)	EPS (%)	Core EPS (%)	PER (x)	PBV (x)	ROE (%)	DY (%)
		14E	14E	14E	14E	14E	14E	14E
BLA	BUY	75.0	23.3	23.4	15.0	2.9	19.6	1.5
BTS	BUY	10.0	410.8	33.7	7.9	1.9	25.9	6.0
CPALL	BUY	46.0	29.8	24.1	28.1	9.9	43.4	2.6
CPF	BUY	39.0	81.0	n.m.	16.8	1.6	11.3	3.3
CPN	BUY	50.0	6.7	15.6	29.0	4.8	17.8	1.4
INTUCH	BUY	100.0	7.6	5.8	15.6	7.1	62.5	5.9
KBANK	BUY	207.0	6.2	7.1	9.4	1.4	17.2	2.3
SCC	BUY	500.0	11.7	17.1	12.1	2.7	23.5	3.6
THCOM	BUY	46.0	25.5	13.9	32.4	2.8	8.8	1.4
TISCO	HOLD	41.5	11.8	4.1	6.8	1.3	19.2	5.6

Note: Closing prices as of March 26, 2014

Track record—since inception



Old portfolio

New portfolio

	Wgt %	Price (Bt) 5/3/14	26/3/14	Return %		Wgt %	Prc (Bt) 26/3/14
ADVANC	12	215.21	228	5.9	BLA	8	67
BLA	8	66.25	67	1.1	BTS	9	8.4
BTS	9	8.25	8.4	1.8	CPALL	12	42.75
CPF	10	27.75	27.75	0.0	CPF	10	27.75
CPN	10	44.5	44.25	-0.6	CPN	10	44.25
INTUCH	11	74.75	76	1.7	INTUCH	11	76
KBANK	12	174.5	172.5	-1.1	KBANK	12	172.5
SCC	12	428	414	-3.3	SCC	12	414
THCOM	8	42.5	41.75	-1.8	THCOM	8	41.75
TISCO	8	40.5	40.5	0.0	TISCO	8	40.5

Return since last report

Portfolio	100		0.4
SET	1,351.6	1,360.4	0.6
SET50	917.6	921.5	0.4

YTD return (%)

Portfolio	2.4
SET	4.8
SET50	4.3

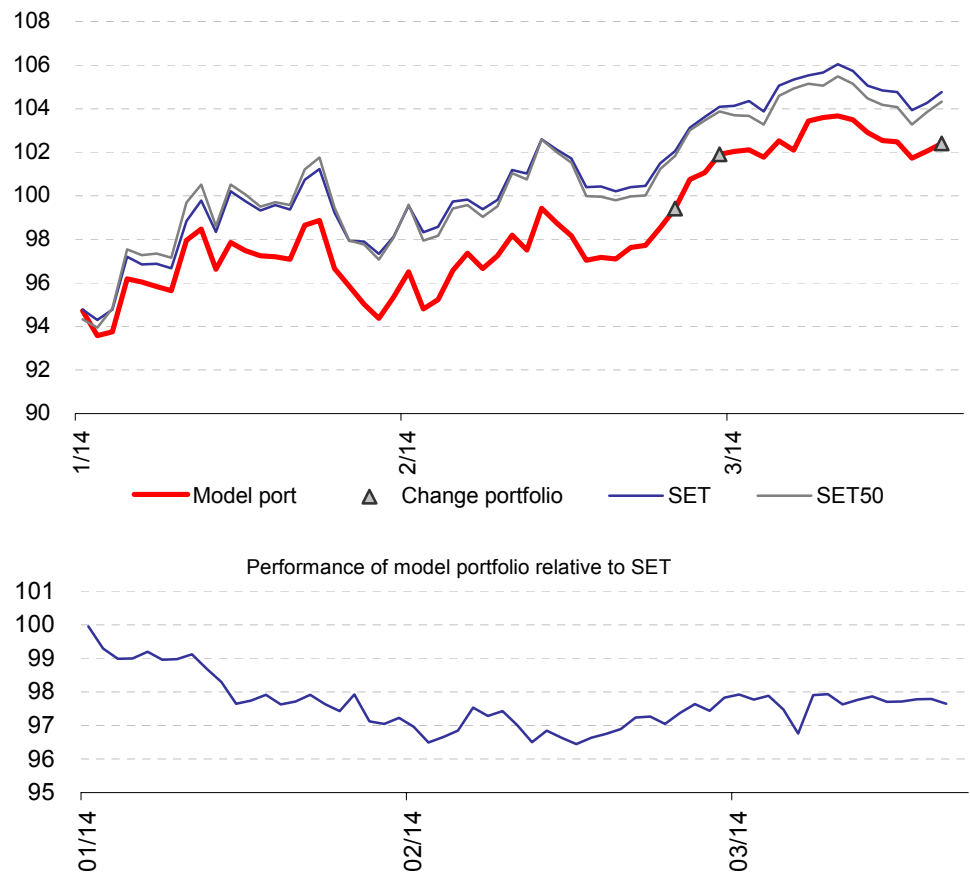
Source: Bualuang Research

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Figure 1 : Stock picks—financial summaries

	Rec.	Price (Bt)	TP (Bt)	Upside (%)	EPS gwt (%)		Core EPS (%)		PER (x)		PBV (x)		ROE (%)		Div Yld (%)		beta
					14E	15E	14E	15E	14E	15E	14E	15E	14E	15E	14E	15E	
BLA	BUY	67.0	75.0	11.9	23.3	7.4	23.4	7.4	15.0	14.0	2.9	2.5	19.6	17.7	1.5	1.6	0.97
BTS	BUY	8.4	10.0	19.1	410.8	-78.9	33.7	32.3	7.9	37.5	1.9	2.0	25.9	5.6	6.0	7.0	0.92
CPALL	BUY	42.8	46.0	7.6	29.8	34.5	24	34.5	28.1	20.9	9.9	8.1	43.4	47.6	2.6	3.3	1.00
CPF	BUY	27.8	39.0	40.5	81.0	29.6	n.m.	40.5	16.8	13.0	1.6	1.5	11.3	13.9	3.3	4.2	1.03
CPN	BUY	44.3	50.0	13.0	6.7	17.8	15.6	17.8	29.0	24.6	4.8	4.2	17.8	18.6	1.4	1.6	1.14
INTUCH	BUY	76.0	100.0	31.6	7.6	13.5	5.8	13.1	15.6	13.7	7.1	6.6	62.5	67.1	5.9	6.7	1.04
KBANK	BUY	172.5	207.0	20.0	6.2	15.9	7.1	13.2	9.4	8.1	1.4	1.3	17.2	18.1	2.3	2.6	1.08
SCC	BUY	414.0	500.0	20.8	11.7	21.9	17.1	21.9	12.1	9.9	2.7	2.3	23.5	24.8	3.6	4.1	1.02
THCOM	BUY	41.8	46.0	10.2	25.5	12.5	13.9	12.5	32.4	28.8	2.8	2.6	8.8	9.4	1.4	1.6	1.20
TISCO	HOLD	40.5	41.5	2.5	11.8	11.6	4.1	10.3	6.8	6.1	1.3	1.1	19.2	17.6	5.6	6.2	1.03

Sources: Company data, Bualuang Research estimates

Figure 2 : Model portfolio performance, YTD


Sources: SET, Company data, Bualuang Research






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Score Range	Score Range	Description
90 – 100		Excellent
80 – 89		Very Good
70 – 79		Good
60 – 69		Satisfactory
50 – 59		Pass
Below 50	No logo given	N/A

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STOCK RECOMMENDATIONS

- BUY:** Expected positive total returns of 15% or more over the next 12 months.
- HOLD:** Expected total returns of between -15% and +15% over the next 12 months.
- SELL:** Expected negative total returns of 15% or more over the next 12 months.
- TRADING BUY:** Expected positive total returns of 15% or more over the next 3 months.

SECTOR RECOMMENDATIONS

- OVERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to outperform the relevant primary market index over the next 12 months.
- NEUTRAL:** The industry, as defined by the analyst's coverage universe, is expected to perform in line with the relevant primary market index over the next 12 months.
- UNDERWEIGHT:** The industry, as defined by the analyst's coverage universe, is expected to underperform the relevant primary market index over the next 12 months.