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Asia Top30 **equity strategy**

This reflects the views of the Wealth Management Group

equities | 16 July 2015

Picking fallen angels

- **CUT CDL Hospitality Reit (CDREIT SP)** on concerns over increased room supply. **ADD Tencent (700 HK),** which is a key beneficiary of 4G rollout and increased time spent on mobile devices in China. We like the company for its ownership of WeChat, a mobile social networking application, with over 500m subscribers in China. We include **China Mobile (941 HK**) in the reserve list after a c.15% decline.
- ICBC (1398 HK), AIA Group (1299 HK), Galaxy Entertainment (27 HK), Cathay Pacific (293 HK) and Ping An Insurance (2318 HK) are amongst the most technically attractive stocks within the Top30 list. (Refer to page 22)
- China A-shares have corrected over 25% since the highs on 12 June 2015. Three factors stand out as catalysts: 1) Huijin's sale of shares in China banks, 2) margin finance hitting a peak, and 3) MSCI's decision to not include A-shares in its indices for now. H-share equities have sold-off in sympathy. We remain Overweight H-shares given valuations and expectations of further policy easing. The short-term support for the HSCEI index is 10,745. We reviewed China railway stocks, beneficiaries of China's One-Belt-One-Road initiatives. (refer to page 5)

Asia sector and industry group views preferences on a 12-month horizon: OW in green, UW in red

Financials	Energy	Technology	Industrials	Discretionary	Materials	Staples	Healthcare	Telecoms	Utilities
Banks	Consumable Fuels	Software & Services	Transport	Autos	Construction Materials	Food, Beverage & Tobacco	Pharma & Biotech	Telecoms	Utilities
Insurance		Semi-conductor & Equipment	Capital Goods	Consumer Services	Pulp & Forest Products	Household & Personal Products			
Real Estate	Energy Equipment & Services	Hardware & Equipment	Commercial & Professional Services	Consumer Durables & Apparel	Chemicals	Food & Staples Retailing	Healthcare Equipment & Services		
Diversified Financials				Retailing	Metals & Mining				

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Asia Top30

Asian sector overweights and investment rationales over the next 12 months

Financials	• Prefer financials in China and India, as central banks start to turn more supportive of growth • Prefer China insurers to other regional Asia insurers. Cheaper valuations and reforms to drive upside • Singapore REITs have started to underperform in the run-up to the Fed's first rate hike • China developers are reacting positively to the PBoC's announcement to reduce down payments on second homes. While we view the sector as high-risk and policy-driven, sentiment has turned positive
Energy	• Prefer integrated oil and gas producers that generate positive free cash flow (FCF) and offer sustainable dividends amid a weak oil price environment • Continued China energy reforms are potentially positive for the sector
Technology	• We remain selective on China internet, software and services; focus on stocks with reasonable valuations • Prefer smartphone/component market leaders with the ability to expand market share • Focus on quality companies that are likely to benefit from a recovery in the PC market
Industrials	• Select airlines with exposure to a Developed Market (DM) economic recovery and limited competition from low-cost carriers (LCC) • Focus on companies benefitting from a decline in energy prices
Consumer Discretionary	• Datapoints on Macau gaming growth are becoming less negative. Recent government measures to ease visa restrictions on China tourist arrivals is a positive. We are monitoring for signs of a turnaround in Macau gaming revenue

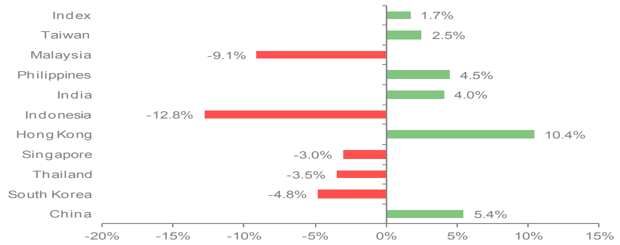
Source: Standard Chartered

Top30 stock review

Picking up oversold opportunities

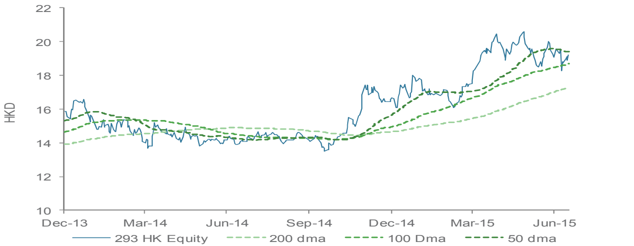
- We are taking this opportunity to add to Chinese equities after the c.15% sell-off in the China H-share market over the past month. We add **Tencent (700 HK),** which is a beneficiary of 4G rollout and increased time spent on mobile devices in China. We like the company for its ownership of WeChat, a mobile social networking application (combined functionality of Facebook and WhatsApp), with over 500m subscribers in China. The stock's valuation has corrected to near its historical median of 31x forward P/E, with consensus earnings growth of 28-29% expected over the next two years.
- We also add **China Mobile (941 HK** to the reserve list after a c.15% correction. Its 3% dividend yield is attractive, in our view, given expectations of further policy easing by China. The forming of a tower company by the three telecoms should see the smaller telcoms benefit more in terms of capex savings. That said, we expect a more benign outlook on data pricing decline, which will support China Mobile.
- We cut **CDL Hospitality (CDREIT SP)**, booking a gain of 2.4% since we added the stock on 12 June 2014. We believe potential share price upside is likely to be limited, given increased supply of hotel rooms in Singapore and impending Fed rate hike this year. However, CDREIT still offers an attractive c.7% dividend yield, which could appeal to yield-focused investors.
- **Highlight: Tencent (700 HK), AIA (1299 HK), Galaxy Entertainment (27 HK), Cathay Pacific (293 HK), China Pacific Insurance (2601 HK), Ping An Insurance (2318 HK), ICBC (1398 HK), Anhui Conch (914 HK), DBS (DBS SP),** which look attractive technically.

Asia ex-Japan country performance year to date



Source: Bloomberg, Standard Chartered

Cathay Pacific's price chart



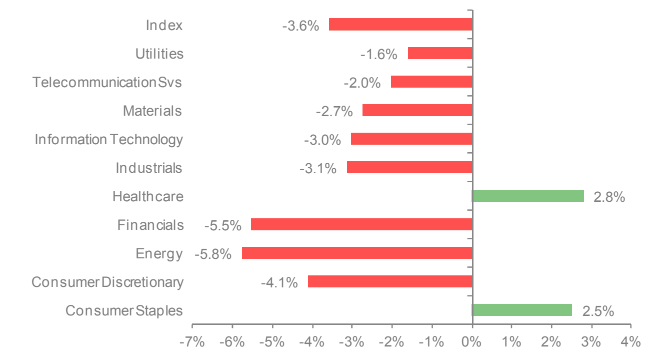
Source: Bloomberg, Standard Chartered

Top30 stock review (cont'd)

A review on the China railway sector

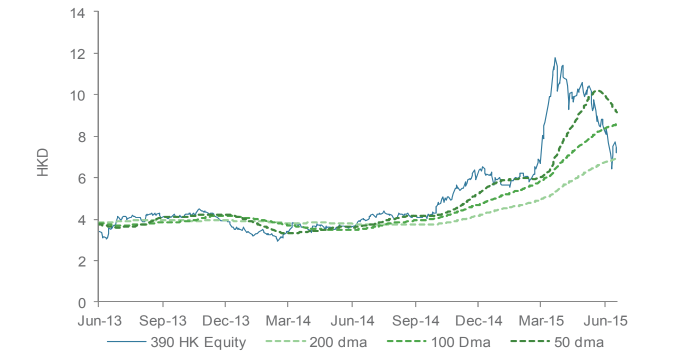
- The railway stocks in China are an interesting theme, given a lacklustre growth backdrop for the domestic economy and increased railway spending as a counter-cyclical tool by the government.
- China's One-Belt-One-Road (OBOR) initiative and infrastructure stimulus should bode well for increased spending on civil works and equipment purchases. Companies leveraged to civil work orders include China Railway Group (390 HK) and China Railway Construction Corp (1186 HK), the two duopoly giants within China railway infrastructure construction. We expect both companies to benefit from new orders and lower funding costs as a result of PBoC's easing. However, the net debt/equity of both companies is high, with potential equity raising a risk.
- Additionally, ZhuZhou CSR (3898 HK) and the newly merged CRRC Corp (1766 HK) – from the CSR/CNR merger – are good proxies for increased rolling stock (train vehicles) demand. The former supplies multiple-unit train sets and locomotives to CRRC, and the latter is now the world's largest rolling stock (train set) manufacturer after Bombardier. CSR was on our reserve list prior to the merger. **We monitor these names for a better entry point.**

Asia ex-Japan sector performance over the past month



Source: Bloomberg, Standard Chartered

China Railway Group (390 HK)

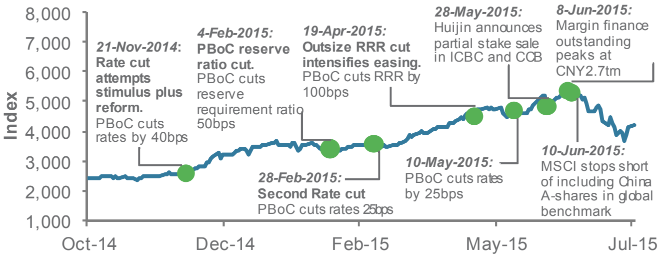


Source: Bloomberg, Standard Chartered

Market views: China bubble bursts – drivers and outlook

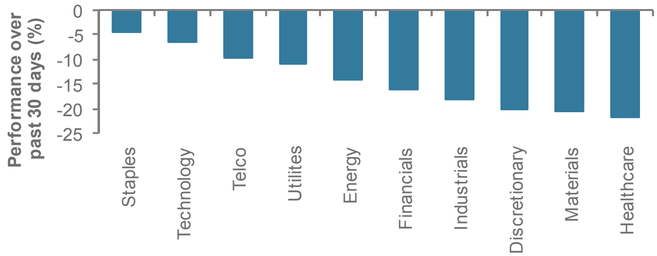
- The equity correction in China was swift and dramatic. The authorities appear to have introduced sufficient measures to halt the sell-off, but these are unlikely to reverse the trend for A-shares on a 3-6 month view. Three factors stand out as catalysts for the sell-off.
- 1) 28 May: Huijin's sale of 580m shares of ICBC and CCB. On 28 May, Central Huijin Investment, the state's arm that manages its holdings in SOEs, announced the sale of c.300m in shares of each bank. This move was interpreted as a top-of-the-market signal by investors.
- 2) 8 June: Margin finance reached a peak of CNY2.7trn. While margin financing as a percentage of market turnover peaked in March at 19%, the nominal value of margin finance outstanding continued to climb, reaching a peak on 8 June. On 13 June, the CSRC told securities companies to stop working with fund-matching companies, which provide a conduit for grey market lending for margin financing.
- 3) 9 June: The MSCI decided to not include A-shares in its indices for now. On 9 June, the MSCI announced its decision on the semi-annual index review, stating that China A-shares were not to be included in its indices. This was viewed as a disappointment by China bulls.
- The series of market measures announced by authorities during the week of 6 July have had the desired effect of stabilising the markets. Investors are now questioning the sustainability of the A-share rally. The key measure supporting the market was the surge in voluntary share suspensions and, as such, the reinstatement of these suspensions is likely to have the biggest effect on sentiment in the near term.
- There will be a trade-off between the negative effect of removing the suspension and the negative consequences for market transparency of maintaining them. A gradual approach to their removal is most likely, but this will create an overhang, which in turn will weigh on the market.

Timeline for China market rise and fall



Source: Invesco, Standard Chartered

China sector performance over the past 30 days

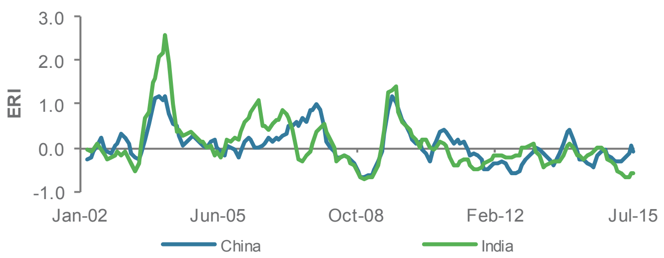


Source: Bloomberg

Chindia: The relative attractiveness of markets in China and India

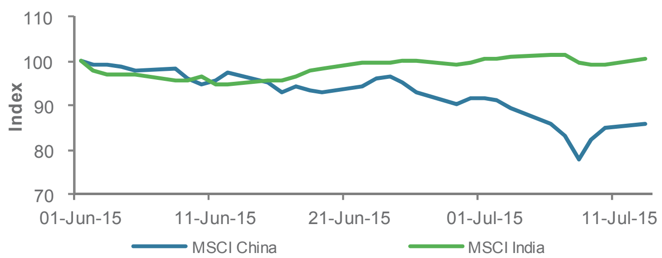
- A noticeable feature of the fluctuation in equity markets in recent years has been the inverse relationship between the Chinese and Indian equity markets. Typically, when one market is doing well – such as India in the January-February period this year – the other market, MSCI China, struggles. Conversely, when MSCI China performed well in the March-April period, the Sensex struggled.
- We do not see causality between the performance of the two markets – positive performance in one does not cause negative performance in the other. Rather, as the perceived attractiveness of one market changes, equity flows quickly switch into the other, boosting performance.
- This trend was seen during June this year, when MSCI China dropped precipitously and the Sensex rallied strongly.
- The key question for investors is whether this would impact their fundamental allocations to each market. On this score, we believe the answer is no. We are Overweight China and Neutral India.
- Earlier this year, we were Overweight India but reduced our allocation after valuations rose and delivery of the reform agenda began to stall. MSCI China, which is our preferred China index, remains more attractive from a valuation perspective, as well as earnings. India trades at 2.9x P/B compared with the 1.2x for MSCI China. While we note that a higher ROE in India supports a higher valuation, earnings weakness is a concern. The India Earnings Revision Index (ERI) declined to -0.6 in July, implying 66% of all earnings changes are negative. This compares with an ERI of -0.1 in China.
- We believe the Chindia switch trend will continue; currently, it favours China, however, it is a short-term trading view.

China and India earnings revisions index



Source: Bloomberg, Standard Chartered

Performance of MSCI China and India index over the past 30 days



Source: Bloomberg, Standard Chartered

Financials

Asia Financials offer select opportunities following easing of monetary policy in India and China. Insurers are likely to benefit from rising penetration driven by a growing middle-class population and insurance reforms in China.

Sector view

Overweight

Sector drivers

- The monetary policy outlook is key for Asia financials, with changes in lending and borrowing rates driving profitability (lending spread) of banks.
- The housing market is a key component for Asian banks, as it serves as a driver of consumer loans (mortgage, housing- and consumer-related, etc.).
- Asia insurers are set to benefit from regulatory reforms in select markets and low penetration in the region.

Industry groups and country preferences

- **Asian banks –** Asia's Banking sector has been one of the worst performers over the past 30 days, as investors have sold large liquid banks in lieu of stocks that have been suspended in China.
- **Insurers –** Prefer China insurers. The prior reduction in equity allocations by Chinese insurers should partially insulate them from the recent market turmoil.
- **Property –** Neutral on Singapore REITs. We are cautious on the office segment due to increasing office supply and weak leasing demand.

Preferred stocks

- We cut CDL Hospitality Trust as room rates may see downward pressure from increased room supply.
- We have switched State Bank of India for HDFC Bank ADR on our reserve list. This reflects the ongoing uncertainty in the state banking sector and our preference for privately-owned banks which tend to have better asset quality.

Top30 Stock list – Financials

Ticker	Name	Country	Stock Price	12m Fwd P/E	12m Fwd P/B	Div Yield%
1398 HK	ICBC-H	China	5.7	5.6	0.9	5.6
2318 HK	Ping An-H	China	94.0	12.0	1.8	0.9
1299 HK	AIA Group Ltd	Hong Kong	50.7	19.3	2.3	1.0
2388 HK	BOC Hong Kong Ho	Hong Kong	31.3	11.4	1.7	3.6
1109 HK	China Res Land	Hong Kong	22.1	9.5	1.1	2.2
2601 HK	China Pacific-H	China	34.1	15.2	N/A	1.8
DBS SP	DBS Group Hldgs	Singapore	21.2	11.5	1.3	2.7
Reserve List						
939 HK	CCB-H	China	6.5	5.4	0.9	5.8
HDB US	HDFC Bank ADR	India	62.0	42.9	NA	0.6

Source: Bloomberg, Standard Chartered

Technology

The outlook for Asia Technology is primarily driven by end-product demand from Developed Markets (DM) and, more recently, from China and other Emerging Markets (EM). We prefer Internet over hardware and mobile in Asia.

Sector view

Overweight

Sector drivers

- Product cycles drive activity across the supply chain, especially for hardware component makers.
- Secular growth from Internet penetration and mobile monetisation are key to the Internet sector's outlook. Improving Internet literacy and rising consumption in Asia will continue to drive e-commerce.
- Hardware, semiconductor and software and services account for c.45%, 30% and 25% of the sector.

Industry groups and country preferences

- **Internet –** Our order of preference is e-commerce, search, followed by games. Monetisation of mobile traffic remains a key growth driver in the industry.
- **Hardware –** In its preliminary release, IDC estimates global PC shipment declined by 11.8% y/y in Q2 15. However, it expects the pace of decline to slow going forward.
- **Semiconductor –** Gartner revised its 2015 global semiconductor growth forecast to 2.2% y/y, from 4% y/y previously. A strong dollar, lacklustre demand growth in PC and mobile were the key drags.

Preferred stocks

- We include **Tencent (700 HK)** to the Top30 list. The recent pullback provided us with an opportunity to gain exposure to rising monetisation of social networking trends in China. (see pg 11 for rationale).
- We maintain our positive view on LG Display and believe a lot of negatives have been priced in. The stock is trading near trough levels, at 0.63x P/B. Short-term supports are placed at KRW 24,550 and KWD 23,790.

Top30 stock list – Technology

Ticker	Name	Country	Stock Price	12m Fwd P/E	12m Fwd P/B	Div Yield%
034220 KS	LG Display Co Lt	South Korea	24900.0	6.4	0.7	N/A
700 HK	Tencent	China	150.0	31.0	8.8	0.2
Reserve List						
992 HK	Lenovo Group	China	9.4	11.4	2.6	2.8
2311 TT	Advanced Semicon	Taiwan	41.2	12.1	1.9	3.1
BABA US	Alibaba Grp-ADR	China	81.5	26.8	6.5	N/A

Source: Bloomberg, Standard Chartered

ADD: Tencent (700 HK)

Tencent is a leading Internet company in China. Its suite of products and services include instant messaging, gaming, e-commerce and advertising. Its crown jewel is WeChat, a social networking mobile application with over 500m users in China, more than twice its nearest competitor Sina Weibo. It also owns QQ, a dominant instant messaging platform (similar to ICQ), with over 800m users. Tencent self-develops games and markets games from third parties. Its open platform strategy is highly attractive to third parties to host, sell and advertise their products and services. Revenue breakdown in Q1 15: Gaming-related 77%, Advertising 12% and E-commerce 4.6%. Its gross margin stands at 60%.

Company drivers

- Success of new game launches and growth rates of legacy PC games (48% of total sales in Q1 15). Increased monetisation of mobile games is key, with APRU way lower than in PC games.
- Structural beneficiary of 4G rollout in China and increased time spent on mobile devices. This makes WeChat an attractive one-stop shop for a variety of services, including online shopping, subscriptions and mobile games, driving advertising growth.
- WeChat's massive user base and integrated services suggest a strong network effect not easily replicable by competitors.

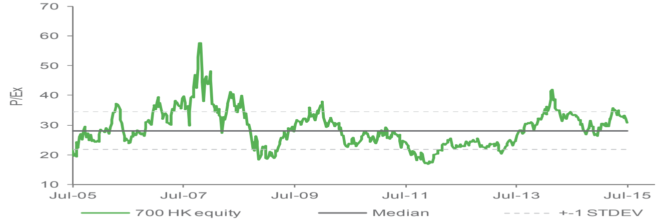
Company outlook

- With a promising games pipeline over the next 4-6 quarters, growth is expected to be well-supported near term. This is in addition to potential growth from various monetisation initiatives and mobile ad performance longer term.
- We see good short-term support at HKD 140, and the next resistance at HKD 165 and HKD 175, respectively.

Valuations and risks

- Tencent is trading at 31x 12m forward P/E and is expected to generate free cash flow (FCF) in the range of CNY 45bn-CNY 93bn per year between 2016 and 2018.
- **Key risks** include increased competition from online gaming and changing preferences in the market, more-aggressive–than-expected investment in the e-commerce business, and slower-than-expected monetisation in WeChat.

Tencent's forward P/E valuation range



Source: Bloomberg, Standard Chartered

Standard Chartered Priority

Consumer Discretionary

The sector tends to be cyclical and sensitive to changes in monetary conditions. China autos appear to be oversold near term. We are monitoring for a stabilisation in inventory destocking in 2H. Datapoints on Macau gaming are becoming less negative, though a recovery is not yet in sight. Bricks-and-mortar retailers remain challenged by e-commerce, though most negatives appear to be priced in.

Sector view

Overweight

Sector drivers

- Discretionary spending is a key driver. Others include auto sales, dealer incentives, government policies, domestic monetary conditions and exchange rates for the export-oriented companies.
- Autos and gaming account for the bulk of the sector (c.50% and 22%, respectively).

Preferred stocks

- Galaxy rebounded strongly on the release of Macau's new visa policies. We expect the ramp-up of Galaxy Macau 2, with its strong focus on unique non-gaming amenities, to drive earnings in the next 12 months.
- We removed Dongfeng from the Asia Top30 list. (See Equity flash, 8 July 2015). We see increased short-term risks from price cuts and inventory destocking.

Industry groups and country preferences

- **China Auto –** Market fears of slowing passenger vehicle sales have led to a c.20-30% decline in auto stocks in the past three months. While valuations may have bottomed, we struggle to identify new catalysts that could lift the entire sector in the near term. We remain cautious and prefer companies with strong product pipelines and new launches.
- **Macau Gaming –** Gaming stocks were given a boost when authorities eased visa restrictions for Chinese tourists. June casino revenues also came in better, down 36.2% y/y vs. the estimated 38.3% y/y decline.

Top30 Stock list – Consumer Discretionary

Ticker	Name	Country	Stock Price	12m Fwd P/E	12m Fwd P/B	Div Yield%
27 HK	Galaxy Entertainment	Hong Kong	35.5	19.1	3.3	2.1
Reserve List						
1928 HK	Sands China Ltd	Macau	31.7	19.5	5.4	6.3

Source: Bloomberg, Standard Chartered

Energy

Despite the sharp decline in US rig count, crude oil inventory remains elevated. The recent ramp-up in Saudi Arabia's production to a record high and potential lifting of sanctions off Iran, is expected to add to supply, short-term. We believe oil prices are likely to stay within USD 55/bbl - USD 75/bbl range. However, consensus earnings expectations of energy companies are becoming less negative after Brent oil price rebounded over 20% since the beginning of the year.

Sector view

Overweight

Sector drivers

- US crude inventory remains elevated. Saudi Arabia increased production to 10.5m bbl/d, a record high since the 1980s.
- Potential risk of 600-810kbpd of new supply from Iran once US sanctions are lifted.
- Integrated oil and gas, exploration and production and refining and marketing account for c.34%, 25% and 23%, respectively, of the sector weight.

Industry groups and country preferences

- **Integrated oil majors –** Get paid (dividends) while waiting for oil prices to recover.
- **Refiners –** To benefit in the near term from lower input costs and the crude oil supply glut in the US.
- **Coal –** Coal prices in China rebounded on supply cuts and normalisation of inventory at power plants.
- The bulk of negative earnings revisions for energy equities are likely behind us, in our opinion.

Preferred stocks

- We continue to favour oil companies with integrated operations. Downstream refining operations tend to benefit during periods of weak crude oil prices.
- **Sinopec –** We expect an improvement in margins, driven by the refining and chemical segments, amid tight cost control. Upstream remains challenging, but losses are narrowing. We favour Sinopec, ahead of CNOOC and PetroChina. For Sinopec, short-term support and resistance are at HKD 6.0 and HKD 7.0, respectively

Top30 Stock list – Energy

Ticker	Name	Country	Stock Price	12m Fwd P/E	12m Fwd P/B	Div Yield%
386 HK	Sinopec Corp-H	China	6.2	13.2	0.9	4.0
Reserve List						
857 HK	PetroChina-H	China	8.0	15.1	1.0	4.1

Source: Bloomberg, Standard Chartered

Industrials

The industrials sector's outlook is heavily influenced by oil prices and economic growth. While the former has fallen significantly over the past 12 months, economic growth in Asia has been disappointing. The sector is dominated by companies in the transport and capital goods industries; performance of the former is heavily influenced by oil prices, the latter by economic growth.

Sector view

Overweight

Sector drivers

- Economic growth, which drives new orders for capital goods, and energy prices are drivers of the industrials sector in Asia ex-Japan.
- The performance of shipbuilding companies is driven by global trade activity and new ship orders.
- Oil is one of the largest input costs after labour for the transport industry. The year-to-date drop in oil prices has seen the performance of companies that do not hedge their oil purchases surge.
- The industrials sector is the third-largest industry group in MSCI Asia ex-Japan, with a weight of 9.5%.

Preferred stocks

- We continue to like Cathay Pacific which recorded improving passenger utilisation and robust passenger and cargo demand. HK Air Transport Licensing Authority's recent rejection of Jetstar's application to operate flights in HK is a positive for Cathay Pacific.
- We see short-term technical support at HKD 17.5 and resistance at HKD 23.

Industry groups and country preferences

- Capital goods, transport and commercial services, account for 75%, 22% and 3%, respectively, of the sector weight.
- Brent oil has fallen 8% over the past 30 days, offsetting some concerns over the impact of slower growth in Asia.

Top30 Stock list – Industrials

Ticker	Name	Country	Stock Price	12m Fwd P/E	12m Fwd P/B	Div Yield%
694 HK	Beijing Cap Ai-H	China	8.6	16.9	1.6	1.9
1 HK	CKH Holdings	Hong Kong	112.2	12.7	0.9	3.3
293 HK	Cathay Pacific Air	Hong Kong	18.9	10.0	1.2	1.9
STE SP	Singapore Tech Eng	Singapore	3.4	18.6	4.6	4.4
Reserve List						
–	–	–	–	–	–	–

Source: Bloomberg, Standard Chartered

Standard Chartered Priority

Asia Top30 – Performance & Valuations (local currency)

Ticker	Name	Country	Sector	Stock Price	Consensus Rating	12m Fwd P/E	12m Fwd P/B	Div Yield%	Div Payout%	1M% TR Local	YTD% TR Local	ITD% TR Local
27 HK	Galaxy Entertain	Hong Kong	Discretionary	35.5	3.9	19.1	3.3	2.1	30.0	6.6%	-18.2%	-0.8%
1044 HK	Hengan Intl	China	Staples	89.3	4.1	21.9	5.3	2.2	62.6	-1.7%	11.5%	21.9%
386 HK	Sinopec Corp-H	China	Energy	6.2	3.8	13.2	0.9	4.0	51.3	-3.4%	1.5%	-5.6%
1299 HK	AIA	Hong Kong	Financials	50.7	4.5	19.3	2.3	1.0	22.4	1.2%	18.3%	66.5%
2388 HK	BOC Hong Kong Ho	Hong Kong	Financials	31.3	4.0	11.4	1.7	3.6	48.2	-0.9%	22.8%	27.2%
2601 HK	China Pacific-H	China	Financials	34.1	4.0	15.2	1.8	1.8	41.0	-15.6%	-12.3%	-7.4%
1109 HK	China Res Land	Hong Kong	Financials	22.1	4.6	9.5	1.1	2.2	21.6	-12.1%	9.9%	0.5%
DBS SP	DBS Group Hldgs	Singapore	Financials	21.2	4.7	11.5	1.3	2.7	35.3	2.1%	4.3%	52.4%
1398 HK	ICBC-H	China	Financials	5.7	4.6	5.6	0.9	5.6	33.0	-8.7%	5.2%	16.9%
2318 HK	Ping An-H	China	Financials	94.0	4.7	12.0	1.8	0.9	16.7	-15.6%	18.8%	40.5%
1 HK	CKH Holdings	Hong Kong	Industrials	112.2	4.8	12.7	0.9	3.3	45.8	0.1%	52.5%	-4.9%
694 HK	Beijing Cap Ai-H	China	Industrials	8.6	3.1	16.9	1.6	1.9	40.0	0.0%	40.0%	53.6%
STE SP	Singap Tech Eng	Singapore	Industrials	3.4	3.4	18.6	4.6	4.4	88.0	3.7%	2.8%	-4.5%
293 HK	Cathay Pacific Air	Hong Kong	Industrials	18.9	3.4	10.0	1.2	1.9	45.0	0.4%	13.4%	6.0%
914 HK	Anhui Conch-H	China	Materials	25.2	4.0	9.9	1.4	3.2	31.4	-20.5%	-11.2%	-9.5%
700 HK	Tencent	China	Industrials	150.0	4.7	31.0	8.8	0.2	11.3	-3.4%	33.6%	0%
034220 KS	LG Display Co Lt	South Korea	Technology	24900.0	4.6	6.4	0.7	2.0	19.8	-8.5%	-26.0%	-17.8%
DXJ US	WisdomTree Jpn H	United States	ETF	57.6	N/A	N/A	N/A	9.5	N/A	-1.6%	17.6%	16.8%

Source: Bloomberg, Standard Chartered

As of 15 July 2015

Asia Top30 – Investment Rationale

Asia Top30 stock rationales (pg 1)

Company	Ticker	Sector	Rationale
AIA Group	1299 HK	Financials	Large-cap insurer with pan-Asia exposure and wholly owned insurance operations in China. Structural tailwinds from increasing insurance penetration in Asia. Higher yields at the long end to lead to higher reinvestment rates, resulting in stronger EV and value of new business growth.
Anhui Conch	914 HK	Materials	China's property and fixed asset investment are the key drivers for the company. Sector dynamics still remain lukewarm given weak cement demand. We expect Anhui's capacity, mostly in southeastern China, to remain more resilient relative to west China. Consolidation efforts by the government to limit new capacity additions should benefit the larger, more efficient cement producers such as Anhui.
Beijing Capital Int Airport	694 HK	Industrials	Beijing Capital Airport is the only international airport in Beijing. It has two key segments: Aeronautical-related revenue (58% of total revenue in 2012) from fees levied on both passengers and airlines (landing fees) using its facilities, and non-aeronautical-related revenue (42%). We expect the company to benefit from continued growth in passenger volumes.
BOC HK	2388 HK	Financials	Increased use of the CNY in the cross-border trade settlement business is supportive of BOC HK's CNY-related business. Northbound trading volumes should pick up after a slow start to the Shanghai-Hong Kong Stock Connect.
Cathay Pacific Airways	293 HK	Industrials	Cathay Pacific is the dominant airline serving Chep lap Kok Airport in Hong Kong, accounting for over 50% of capacity. Fuel is its second-highest variable cost after labour. It has hedged 50% of its fuel requirement over the next six months. As these hedges mature, the company will benefit from lower oil prices.
China Pacific Insurance Group	2601 HK	Financials	China Pacific Life Insurance has market shares of 7.7% and 12.0%, respectively, in life insurance and property and casualty insurance in China. It has the second-highest proportion of premium derived from agency channels after Ping An Insurance. It is a strong beneficiary of insurance reforms in China. Its strengthening agency channel should allow it to enjoy great new business value growth relative to bancassurance peers.
China Resources Land	1109 HK	Financials	China Resources Land is one of China's largest property developers. Its land bank is well diversified with a presence in more than 70 cities and focus on tier 1 and tier 2 cities. Expect undersupply in tier 1 and tier 2 cities to continue, which should benefit CRL. Significant policy risks are likely limited, though noise surrounding the implementation of property tax could resurface.

Source: Standard Chartered

Asia Top30 – Investment Rationale (cont'd)

Asia Top30 stock rationales (pg 2)

Company	Ticker	Sector	Rationale
CK Hutch Holdings	1 HK	Financials	The corporate reorganisation of the Cheung Kong Group resulted in Hutchison Whampoa effectively being relisted as CK Hutchison Holdings (1 HK); it comprises the group's infrastructure, telecoms, retail and energy businesses. The ports and infrastructure businesses are stable low-growth businesses that generate healthy dividends. An upside earnings surprise may come from its telecoms business on industry consolidation in Europe.
DBS Group	DBS SP	Financials	The largest bank in Singapore with the best deposit franchise among peers; most leveraged to benefit from higher interest rates. Limited exposure to Southeast Asian countries relative to peers may limit structural growth prospects.
Galaxy Entertainment	27 HK	Discretionary	Galaxy Entertainment is one of the leading casino concessionaires in Macau. It operates a few branded properties in Macau, with Phase 2 of Galaxy Macau which opened in May 2015 to contribute to earnings in the 2H of the year. This may contribute to market share gains, driving outperformance of the stock. Furthermore, negative policy measures remain a risk, but we believe this may have been mostly priced in.
Hengan Intl	1044 HK	Staples	Continues to solidify its position as the market leader in hygiene products through new product launches. Better product mix and cost control should drive margin expansion over time. Also a small beneficiary of the relaxation of China's one-child policy.
ICBC 'H'	1398 HK	Financials	Favour larger banks, within the banking sector, as they would be better positioned to withstand ongoing financial liberalisation in China. Valuation is attractive, trading at 1 standard deviation cheaper than historical mean and c.6.5% dividend.
LG Display	034220 KS (LPL US)	Technology	LG Display develops and manufactures digital display products, which include thin-film-transistor liquid-crystal displays (TFT LCD) for PC monitors, TVs and mobile phones. Clients include Apple, LG Electronics and HP. We believe the consumer trend shift towards larger and higher resolution displays will drive higher demand for LGD's premium products, such as UHD, OLED and IPS panels.
Ping An Insurance 'H'	2318 HK	Financials	Ping An benefits from reforms in the China insurance sector. The expansion of healthcare insurance coverage, pricing liberalisation and further momentum in premium growth are key catalysts for the stock to get re-rated. Ping An has the largest life insurance agency sales force in China and is well positioned in the policy drive towards more protection-related products; a steeper yield curve to lead to higher reinvestment rates, resulting in stronger EV and value of new business growth.

Source: Standard Chartered

Asia Top30 – Investment Rationale (cont'd)

Asia Top30 stock rationales (pg 3)

Company	Ticker	Sector	Rationale
Singapore Technologies	STE SP	Industrials	Singapore Technologies is expected to benefit from a recovery in maintenance and repair overhaul (MRO) orders, driven by higher global aircraft utilisation. A recovery in airlines' profitability, particularly in the US and Europe, will be supportive, given that c.40% of its revenue has exposure to these regions. The stock offers an attractive yield of c.4.5%, with a strong net cash balance sheet.
Sinopec Corp	386 HK	Energy	A key beneficiary of fuel price reform to a more market-based regime. Refining margins are expected to improve with improving demand. Shale gas development would be a long-term positive.
Tencent	700 HK	Technology	Tencent is a leading Internet company in China. Its crown jewel is WeChat, a social networking mobile application with over 500m users in China, more than twice its nearest competitor Sina Weibo. It also owns QQ, a dominant instant messaging platform with over 800m users. Tencent's open platform strategy is highly attractive to third parties to host, sell and advertise products and services. Revenue breakdown in Q1 15: Gaming 77%, Online Community 24%, Advertising 12% and E-commerce 4.6%. Its gross margin stands at 60%.
WisdomTree Jpn H	DXJ US	Fund	We believe the outlook for the Japanese equity market has brightened with the announcement by the GPIF that it will increase its equity holdings. The positive effect of the weaker yen and an improvement in overseas growth have also considerably lifted the earnings growth of Japanese companies.

Source: Standard Chartered

Asia Top30 – Reserve List Investment Rationale

Asia Top30 reserve list (pg 1)

Company	Ticker	Sector	Rationale
Advanced Semiconductor Engineering	2311 TT (ASX US)	Technology	ASE is the market leader in the assembly and testing of semiconductor chips. It has significant exposure to the automotive and communications industry. The ramp up of its system in packing (SiP) product offerings will be a key driver for its earnings in 2015.
Alibaba	BABA US	Technology	Alibaba is the world's largest online and mobile marketplace in retail and wholesale trade. Its positive outlook is supported by strong structural tailwinds of increasing Internet penetration in China and discretionary spending from the growing middle class in China.
Angang Steel	347 HK	Materials	Angang is one of the largest steel companies in China. It is expected to be a long-term beneficiary of China's drive to consolidate the industry's overcapacity and close down polluting, small mills. The decline in iron ore and oil prices reduce input costs for Angang's steel mills, supportive of margin expansion, as the government restricts new capacity adds. Weaker-than-expected demand remains a key downside risk.
China Construction Bank	939 HK	Financials	China Construction Bank Corp is China's second-largest bank, with total assets of CNY 15trn at end-2013 and an estimated 12% market share of deposits. Historically, CCB has focussed on infrastructure financing, but it has been broadening its product suite since the 1990s. The bank has an extensive network of over 14,000 domestic branches. In terms of the loan book breakdown, the bulk of it is from China, with 69% corporate, 22% mortgage and 7% retail loans.
China Mobile	941 HK	Telecoms	China Mobile is the largest telecommunications operator in China, with over 60% of the total wireless market. Previously disadvantaged for having to build out the proprietary TD-LTE (4G) network, it has since ramped up significantly and overtook its competitors in terms of new 4G subscriber additions. We expect the proliferation of data usage in China to benefit the operator in the long term. The company has a net cash balance sheet and steady dividend payout.

Source: Standard Chartered

Asia Top30 – Reserve List Investment Rationale (cont'd)

Asia Top30 reserve list (pg 2)

Company	Ticker	Sector	Rationale
HDFC Bank	HDB US	Financials	HDFC bank is a key player within the privately owned banking sector due to its diversified asset exposure to both retail and wholesale banking. It has a solid balance sheet – well capitalised with stable asset quality. We expect interest margins to remain resilient due to its strong deposit franchise. The recent aggressive push into rural banking will also help drive loans growth in the longer term.
Lenovo Group	992 HK	Technology	Lenovo is the largest notebook and consumer PC brand in the world. A bottoming in the PC market and any recovery would provide upside to Lenovo. Its smartphone segment has broken even, but its outlook in key markets such as Russia remains challenging. Near term, we expect cost synergy from the acquisition of the IBM X86 server business to drive up margins.
PetroChina	857 HK	Energy	PetroChina is one of the largest integrated oil and gas companies in China. The company should benefit from China's shift to Euro IV fuel standards. In addition, the divestment of underperforming assets should be positive for its earnings outlook.
Sands China Ltd	1928 HK	Discretionary	Proxy to mass gaming in Macau. The stock has de-rated significantly in the past year, and valuations look attractive. We continue to monitor its monthly gross gaming revenue, which may start to bottom out by 2015. Near term, ongoing corruption campaigns and regulatory risks remain an overhang.

Source: Standard Chartered

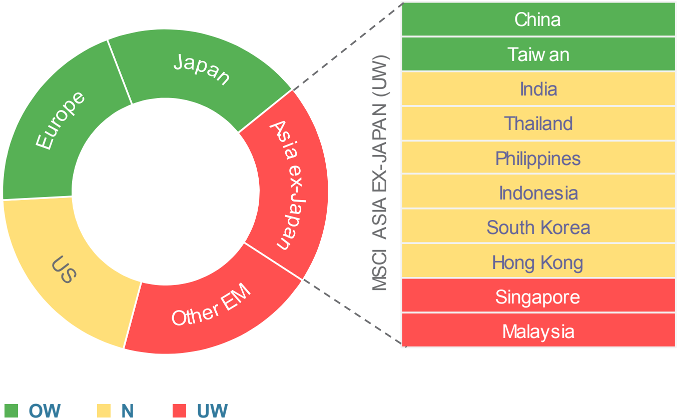
Asia Dividend List

Ticker	Name	Country	Sector	Stock Price	12m Fwd Dvd Yield	12m Fwd P/E	P/B Trailing	Div Payout%	Net Debt/ Equity	TR 1M%	TR YTD%
MINT SP	Mapletree Industrial	Singapore	Financials	1.57	6.8	15.2	1.2	48.3	43.4	2.3%	9.0%
CDREIT SP	CDL REIT	Singapore	Financials	1.63	6.9	14.4	1.0	87.8	43.2	-0.6%	-3.3%
CCT SP	Capitaland Commercial	Singapore	Financials	1.50	6.1	17.4	0.9	55.4	22.1	-4.2%	-12.6%
SGREIT SP	Starhill Global	Singapore	Financials	0.88	6.0	16.6	0.9	79.4	37.5	1.7%	12.7%
2388 HK	BOC Hong Kong Ho	Hong Kong	Financials	31.30	4.2	11.4	1.9	48.2	-113.4	-0.9%	22.8%
DBS SP	DBS Group Hldgs	Singapore	Financials	21.18	3.0	11.5	1.3	35.3	-21.8	2.1%	4.3%
BBL TB	Bangkok Bank Pub	Thailand	Financials	173.50	4.1	9.0	1.0	34.2	-93.3	-3.6%	-8.4%
1398 HK	ICBC-H	China	Financials	5.66	6.0	5.6	1.0	33.0	-104.3	-8.7%	5.2%
HPHT SP	Hutchison Port-U	Singapore	Industrials	0.63	7.6	23.0	1.0	NA	40.9	-2.3%	-5.5%
KEP SP	Keppel Corp Ltd	Singapore	Industrials	8.14	5.3	9.3	1.4	46.2	8.7	-3.1%	-4.1%
STE SP	Singapore Tech Eng	Singapore	Industrials	3.39	4.4	18.6	4.8	88.0	-24.9	3.7%	2.8%
ST SP	Singapore Teleco	Singapore	Telecoms	4.29	4.4	17.1	2.8	73.9	36.5	3.4%	10.3%
941 HK	China Mobile	Hong Kong	Telecoms	97.30	3.1	NA	NA	43.2	-48.3	-3.0%	9.0%

Source: Bloomberg, Standard Chartered
Data as of 15 July 2015

Equity Strategy – Country & Sector Weights

Global equity view by regions



Source: Standard Chartered

Global sector views by regions

MSCI AC World Sectors

Sector	Global	US	EU	Asia
Technology	OW	OW	N	OW
Energy	OW	OW	UW	OW
Industrials	OW	OW	OW	OW
Healthcare	N	N	N	N
Discretionary	OW	OW	OW	OW
Financials	OW	OW	N	OW
Materials	OW	OW	UW	N
Staples	N	N	N	N
Utilities	UW	UW	N	UW
Telecoms	UW	UW	N	UW

Source: Standard Chartered

Technical Commentary

Below, we present the technical views for our Asia Top30 stocks. The stocks are given a rating of 1-5, with 1 being the most favourable technicals and 5 being the least favourable technicals on a 1-3 month basis. This is from a pure technical standpoint and may run contrary to the fundamental views we hold on the stocks within the portfolio, which are on a 12-month basis.

Asia Top30 Technical rating

Name	Ticker	Sector	Rating	Name	Ticker	Sector	Rating
Ind & Comm Bk-H	1398 HK	Financials	1	**Hengan Intl**	1044 HK	Staples	3
AIA Group Ltd	1299 HK	Financials	2	**China Petroleum-H**	386 HK	Energy	3
DBS Group Hldgs	DBS SP	Financials	2	**BOC Hong Kong Ho**	2388 HK	Financials	3
Ping An Insurance-H	2318 HK	Financials	2	**China Resource Land**	1109 HK	Financials	3
Anhui Conch-H	914 HK	Materials	2	**Singapore Technologies Engineering**	STE SP	Industrials	3
Cathay Pacific	293 HK	Industrials	2	**WisdomTree JP-H**	DXJ US	Fund	3
Dongfeng Motor	489 HK	Discretionary	2	**Beijing Capital Airport**	694 HK	Industrials	3
China Pacific Insurance	2601 HK	Financials	2	**LG Display**	034220 KS	Technology	3
Galaxy Entertainment	27 HK	Discretionary	2	**Cheung Kong Hutchison**	1 HK	Industrials	3
Tencent	700 HK	Technology	2	**CDL REIT**	CDREIT SP	Financials	4

Source: Standard Chartered
Views as of 15 July 2015

In the following pages, we present the Technical charts for stocks that are the most favourable.

Technical Commentary (cont'd)

- **ICBC H (1398 HK)** – The stock has corrected 20% trough to peak level to the initial March 2015 breakout mark at HKD 5.6. It appears to have taken support along the extended horizontal trendline from the 2012 high, which is a positive sign. It could face resistance at HKD 6.2 on the higher side, but should eventually re-test the peak at HKD 6.8.

Daily Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **DBS Group (DBS SP)** – The stock has been relatively resilient to the broader market volatility and appears to have been consolidating in a narrowing range. The short-term stochastic indicator is turning positive, hinting at a potential breakout if the support line is not violated.

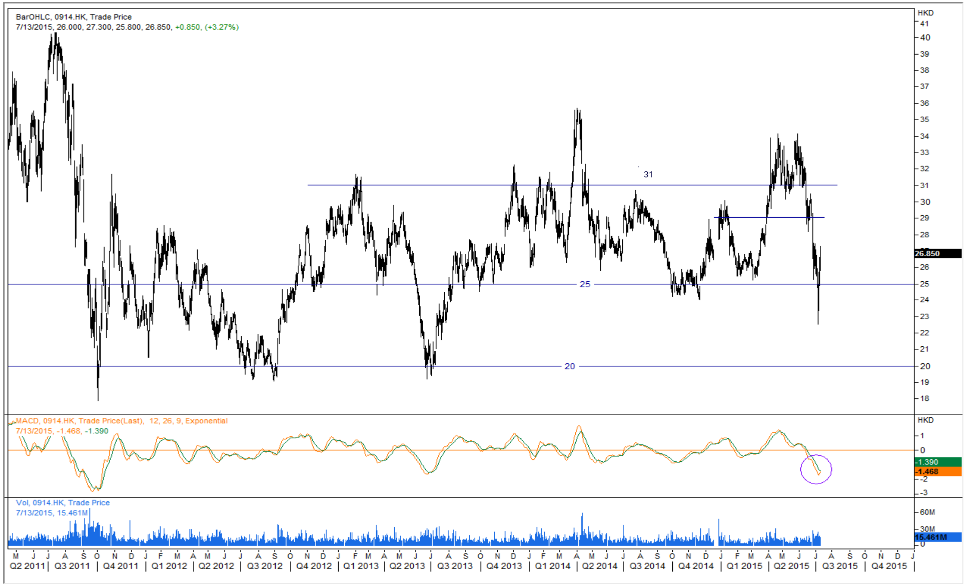
Daily Chart

Source: Reuters, Standard Chartered

Standard Chartered Priority

Technical Commentary (cont'd)

- **Anhui Conch-H (914 HK)** – The stock had failed to sustain above its key trailing support of HKD 31 and slipped back into a broader sideways range. It is now sustaining above a key support of HKD 25; extreme oversold MACD indicator readings also suggest the end of the recent decline. On the upside, there is resistance in the HKD 29-HKD 31 band, but risk reward at current levels seems attractive.



Daily Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Ping An Insurance 'H' (2318 HK)** – The stock has begun to rise from the 200DMA line after correcting almost 20% from its peak. It found support along the line extended from 2012 highs, intersecting at HKD 84. The daily momentum indicator rebounded from the oversold line, signalling a likely reversal of the downside trend. The resistance on the upside is HKD 104, before eventually moving towards HKD 112.

Daily Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Galaxy Entertainment (27 HK)** – The stock has corrected nearly 60% from its January 2014 peak of HKD 82. It now trades close to a crucial support at HKD 30, which appears to have survived the recent market turmoil. The positive divergence on the weekly RSI indicator hints towards a potential reversal in direction, which would be positively reinforced by a breakout on the upside of the downtrend channel.

Weekly Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **China Pacific Insurance (2601 HK)** – The stock had briefly fallen back into its previous consolidation channel below HKD 34. The technical setup appears oversold, and a potential recovery from current levels seems highly likely if it continues to maintain above the support at HKD 29.

Daily Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

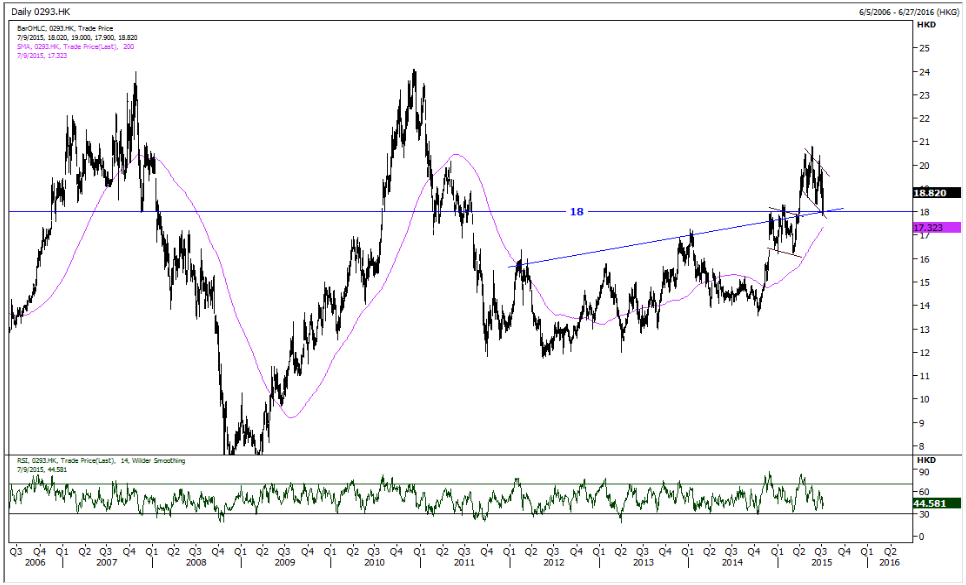
- **AIA Group (1299 HK)** – The stock has slipped into a corrective declining downtrend channel after recently touching a new life-time high of HKD 54. Meanwhile, the measured correction appears healthy and is likely to stabilise towards support of HKD 48-HKD 44. The longer-term uptrend appears intact, and the recent pullback serves as a good opportunity to accumulate the stock from a longer-term perspective.

Weekly Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Cathay Pacific Airways (293 HK)** – The stock has been in a sideways consolidation range since early April, but has recently shown resilience against a significant correction in the broader markets. We see this as a positive sign for the stock to resume its uptrend. The broader uptrend from mid-2012 remains intact, and history suggests the stock gains momentum whenever it crosses over HKD 18. The weekly RSI indicator has been rebounding above HKD 50, which adds to our short-term bullish case.

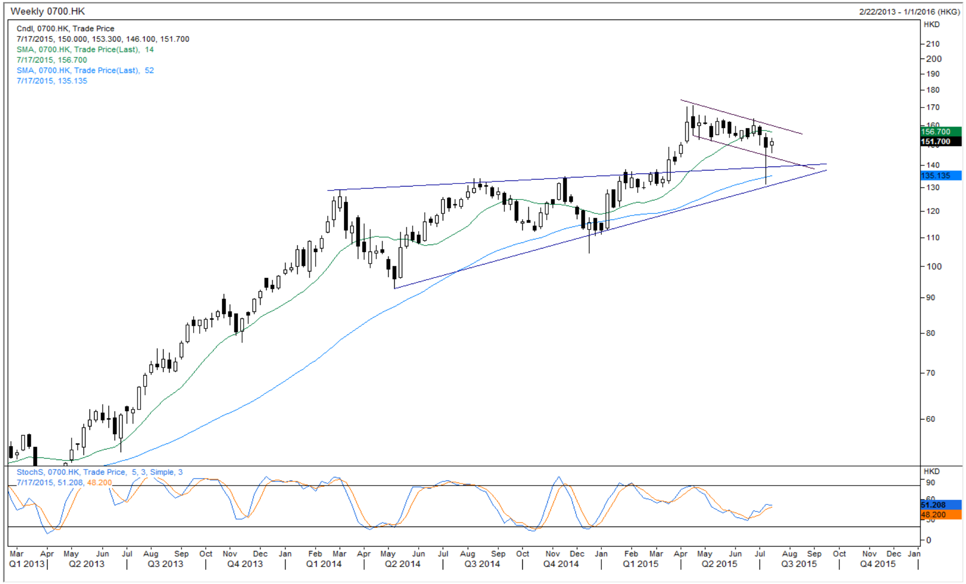


Daily Chart

Source: Reuters, Standard Chartered

Technical Commentary (cont'd)

- **Tencent (700 HK)** – The stock is in the midst of a structural bull trend, exhibiting robust momentum and positive trend over the years. It has recently been correcting, taking the form of a bullish continuation flag pattern, which is a positive sign for the longer-term trend. The weekly stochastic indicator has begun to turn around, implying a potential reversal in trend is possible, and a breakout of the channel could boost upside beyond the previous high of HKD 162.



Weekly Chart

Source: Reuters, Standard Chartered

Definitions

YTD: Year to date.

ITD: Inception to date.

PT: Price Targets (SCB uses an investment horizon of 12 months for its price targets).

RSI: Relative Strength Index.

Relative Volatility index: A measure of the standard deviation of the daily price change.

MA: Moving Average.

Basket average performance: Basket average is the un-weighted performance of the shortlisted stocks

Consensus rating: A rating provided by Bloomberg which reflects the aggregation of all brokers rating for a particular stock. 1 is a Sell, while 5 is a Strong Buy.

P/E: Price/Earnings ratio. The Trailing P/E refers to 12m of trailing earnings, while the forward refers to 12m forecast earnings, against current price.

P/B: Price/Book ratio. The book value refers to total shareholder's equity, while the forward refers to 12m forecast book value, against current price.

EV/EBITDA: Enterprise value/Earnings Before Interest, Tax and Depreciation Amortisation.

Earnings revision ratio: Net earnings revision (upgrades - downgrades) / Total earnings revision (upgrades + downgrades)

ROE and ROA: Return on Equity (book value) and Return on Assets.

Dividend Yield: Dividend paid/ current price.

Distribution per Unit (DPU): DPU is the distribution/dividend per share for shareholders. Normally announced and distributed quarterly or semi-annually. Term is commonly used in REITs.

Net Interest Margin (NIM): Is a measure of difference between the net interest income generated from lending by financial institutions and the amount of interest paid out to their lenders (for example deposits)

Beta: Correlation between a stock and the market. Is based on two years of weekly data, but modified by the assumption that a security's beta moves toward the market average over time.

Total return: Capital appreciation + dividend income received.

Short term: Time horizon of 1-4 weeks.

Medium term: Time horizon of 3-6 months.

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2. Based on fundamental developments and technical analysis

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(Release: Monthly)

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(Release: Monthly)

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