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Market – Plateau or Progression?

September 2024

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CIO View

Federal Reserve sets its sights on the labor market

Overall annual U.S. inflation was unchanged in July.

According to data from the Bureau of Economic Analysis, the personal consumption expenditures price index came in at 2.5% in July, unchanged from the prior month, and below the 2.6% expected. **Stripping out volatile items like food and fuel, the year-on-year "core gauge" - widely known as the Fed's preferred gauge of inflation -- was also unchanged at 2.6%, below the 2.7% expected.**

The Federal Reserve has a dual mandate to promote maximum employment and stable prices for the American people. Federal Reserve policymakers monitor the rate of inflation and adjust monetary policy to help steer the inflation rate toward its target while also continuing to promote the goal of maximum employment.

The Federal Reserve seeks to achieve inflation at the rate of 2 percent over the longer run as measured by the annual change in the price index for personal consumption expenditures (PCE). **Underlying inflation, based on the change in the core personal consumption expenditures price index, is averaging 2.6% when measured on an annualized six-month basis and 1.7% on an annualized three-month basis.**

It would appear that U.S. central bankers have turned the monetary policy page, completing their shift to a focus on supporting jobs from what had been a singular focus on bringing down inflation.

In a major speech last month, Chair Jerome Powell suggested that the Fed's policymakers have all but tamed inflation through high interest rates and don't want to see the job market weaken further. **The central bank is trying to achieve a "soft landing," in which it succeeds in driving inflation down from a 9.1% peak in 2022 to its target level without causing a recession.** "Inflation has declined significantly. The labor market is no longer overheated, and conditions are now less tight than those that prevailed before the pandemic. Supply constraints have normalized. And the balance of the risks to our two mandates has changed."

The unemployment rate, at 3.5% when the Fed stopped raising rates, has now risen to 4.2%, and monthly job growth has slowed.

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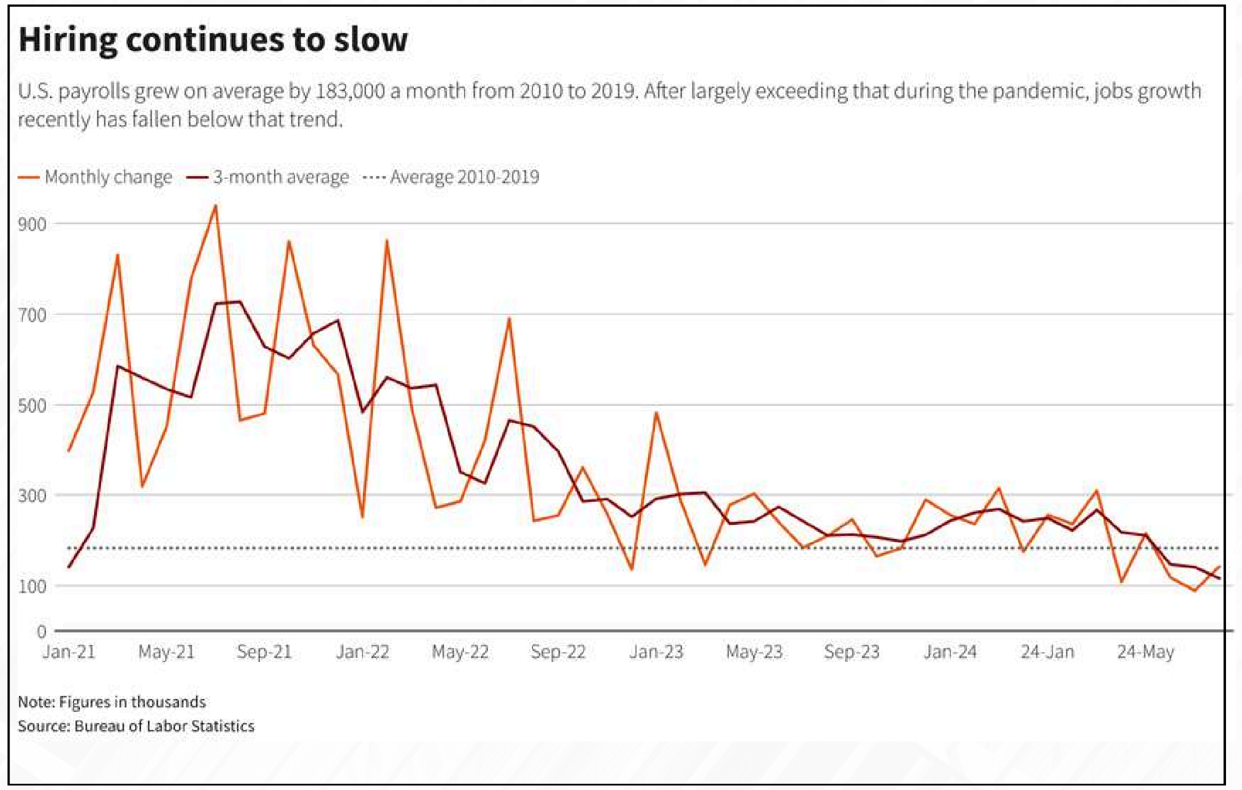
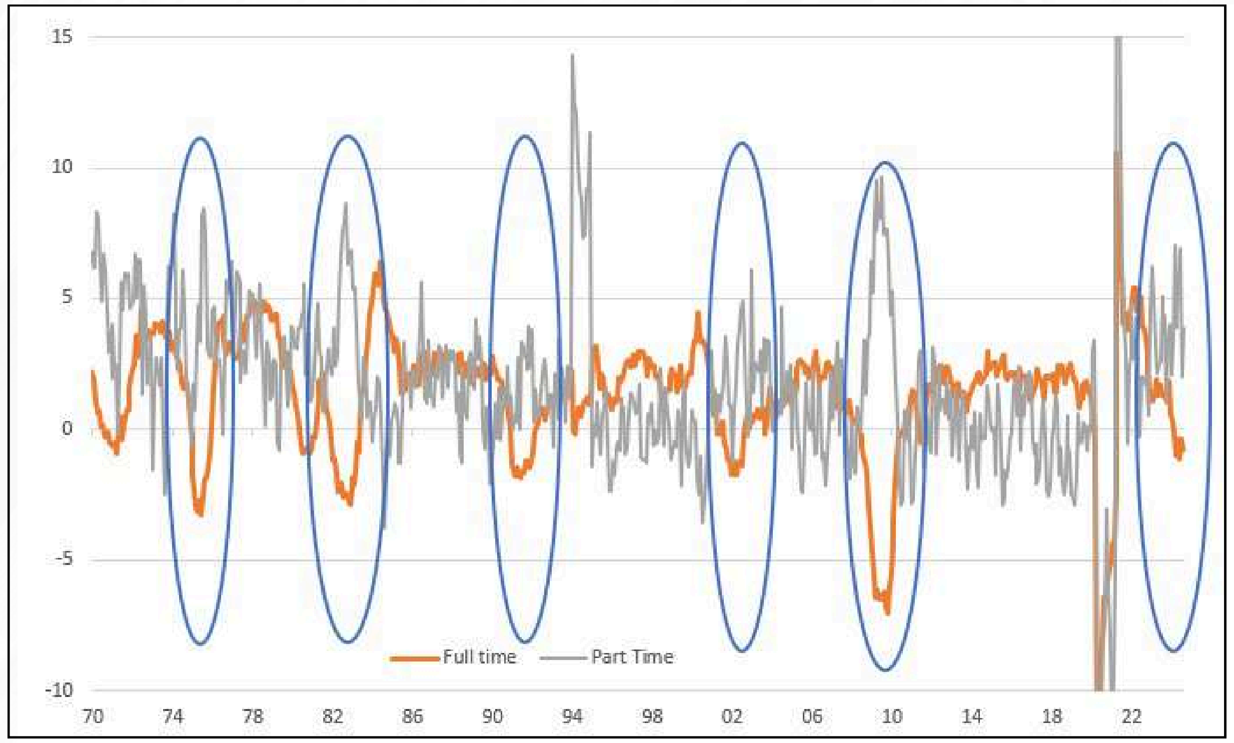
The latest employment report showed the US added 142,000 jobs in August, while the unemployment rate ticked lower to 4.2 per cent. The figures from the Bureau of Labor Statistics came in below economists' expectations for 165,000 new positions but surpassed the downwardly revised 89,000 jobs created in July. Combined, employment in June and July was 86,000 roles lower than previously reported, stoking concerns that the labor market started losing momentum earlier than thought. For the month, average hourly earnings increased 0.4 per cent, translating to a 3.8 per cent year-on-year rise. **Monthly job gains have averaged 116,000 in the June-August period, below what many economists estimate is needed to meet the job-growth needs of an expanding population.**



Collectively, data depicts a job market slowing under the pressure of high interest rates but still growing. Many businesses appear to be holding off on adding jobs, in part because of uncertainty about the outcome of the presidential election and about how fast the Fed will reduce its benchmark rate in the coming months.

The chart below shows that full-time versus part-time employment is showing a big divergence, which tallies with the idea that the US is adding largely lower-paid, part-time jobs and is losing full-time, well-paid jobs, primarily through attrition, i.e., not replacing retiring or quitting workers. Unfortunately, every recession starts this way.

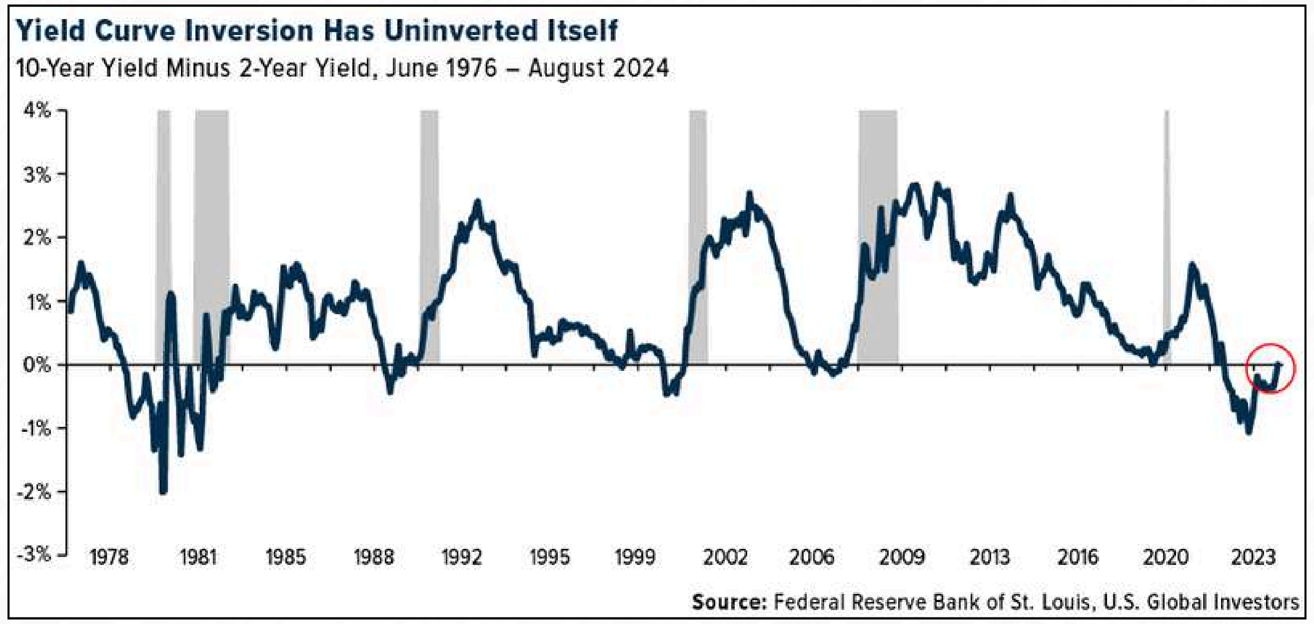


Fed funds futures traders are now pricing a 75% chance that the U.S. central bank will start by cutting its policy rate by 25 basis points, and a 4.25%-4.50% policy rate by the end of this year, a level that implies a bigger rate cut at one of the central bank's last two meetings of the year.

CIO View

Time to take some profits on long-duration bonds

Historically, bond yield curves slope upward with investors seeking higher yield, or return, for the uncertainty of stashing their cash in longer-maturity Treasuries. But in March 2022, the yield curve inverted as the Fed kicked off what proved to be its most aggressive tightening cycle in decades. Two-year yields went on to exceed the 10-year by as much as 111 basis points in March 2023, the biggest inversion since the early 1980s.



After a gap of more than two years, the curve has turned positive as the market prices in an imminent cut in the Fed funds rate. Since the short end of the curve is more responsive to Fed moves, the 2-year yield is now lower than the 10-year.

A restoration of the normal upward slope of the yield curve following a long period of inversion has typically happened when the Fed starts to lower interest rates. Since the Fed tends to ease policy when the economy hits a snag, such disinversion has heightened investors' concern about recession.

The expected impact of the economic policies of the new administration have also started to come through. On the one hand, the anticipation of a Trump presidency has fueled expectations of a steeper yield curve, with the spread between short-term and long-term yields expected to widen. This is driven by the prospect of tax cuts, immigration restrictions and tariffs, which may lead to higher growth but also higher inflation. Somewhat ironically, this outcome may not differ significantly from what might be implied by current Vice President Kamala Harris, and her very different and expansionary fiscal policy plans.

As investors seek protection from the erosive effects of inflation, they demand higher yields from bonds, keeping long-term yields elevated.

Investors may want to adapt their fixed income portfolio accordingly by maintaining some exposure to long dated high-quality bonds for hedging and diversification purposes, together with lower-quality, shorter-dated bonds to capture some additional yield. Long-duration positions with a purely speculative capital gain objective may be sold after the recent drop in yields.

CIO View

China is pivoting to a new growth model

Recent economic news flow out of China continues to disappoint.

A poor earnings season that wrapped up last week saw earnings per share for the MSCI China Index fall 4.5 per cent from a year earlier, the worst performance in five quarters. An anemic labor market, weak household consumption, and record-low house prices have prompted a wave of disinflation. The recent real estate meltdown, which has wiped out huge amounts of jobs and household wealth, has prompted consumers to cut back on spending. Producers have been forced to export unsold goods such as electric vehicles, exacerbating trade tensions with the US and other countries which accuse China of dumping its excess products into their markets.

Bank of America recently joined the likes of Goldman Sachs and JPMorgan in forecasting that China was unlikely to meet its 5 per cent growth target this year. In fact, **the median prediction for full-year GDP growth across dozens of economists has slipped to 4.8 per cent.** Compared with a long-run average of about 8.9 per cent over the last two decades, the slide is significant. What little foreign capital remains in the mainland is fleeing.

The wave of money China used to prop up its ailing construction and property industries in 2009 and again in 2016 has instead been directed into new industries. **China's 2024 fiscal budget earmarked a 10 per cent increase in funding for science and technology,** the highest growth rate of any category, followed by energy and food reserves, and national defence. **In 2023, total research and development expenditure exceeded a stunning 3.3 trillion yuan ($690 billion), an 8.1 per cent increase year-on-year.** Artificial intelligence, quantum computing, energy innovation and a host of other disruptive technologies are also receiving what seems like endless financial support.

In contrast, property investment declined by 9.6 per cent.

CIO View

There appears to be a clear move to keep shifting the economy away from the old investment-led model and towards high-tech innovation such as cutting-edge technologies, manufacturing of electric vehicles and batteries, designing and assembling of semiconductor chips, securing and enhancing artificial intelligence models, and developing new pharmaceutical patents and biotechnologies. **In total, China plans to raise the output of "strategic emerging industries" as a share of GDP from 13 per cent to 17 per cent by 2025.** The plan includes boosting the biopharma market to 811.6 billion yuan by 2025, a 135 per cent increase from 345.7 billion yuan in 2020.

Whether China's new economy can grow fast enough to replace the old one is a key question. Compounding the problem are the waves of job losses that stem from industrial robots and driverless cars. We continue to believe that China is a stock-picker's market, which can yield very attractive returns in the hands of a skillful manager.

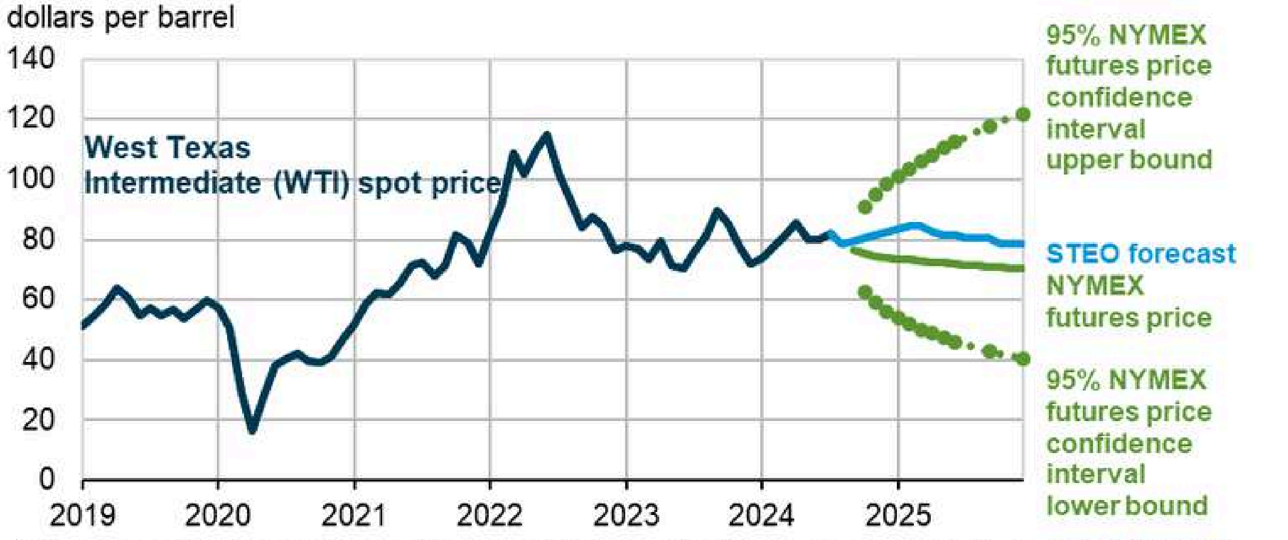
Oil on a slippery slope

Crude oil prices have fallen ~16% so far in the third quarter. Weak demand in China has weighed on the crude market, driven by an economic slowdown and growing shift towards lower-carbon fuels, Consumption is also expected to soften in Europe and the U.S. as the summer driving season winds down and refineries go into maintenance mode. OPEC+ has delayed a production boost originally scheduled to begin in October as prices have deteriorated, but that hasn't had much effect on prices so far.

Goldman Sachs estimates that financial demand for 400 million barrels (7 million barrels per day) have been lost since early July.

It is interesting that this drop in prices is happening even as geopolitical tensions in the Middle East remain elevated, and an interest rate cutting cycle which is normally associated with higher growth expectations is about to kick off. One possible reason in our view is that the oil market is positioning for a Trump trade, given his stated position supporting fracking.

West Texas Intermediate (WTI) crude oil price and NYMEX confidence intervals



Data source: U.S. Energy Information Administration, Short-Term Energy Outlook, August 2024, CME Group, Bloomberg, L.P., and Refinitiv an LSEG Business
Note: Confidence interval derived from options market information for the five trading days ending August 1, 2024. Intervals not calculated for months with sparse trading in near-the-money options contracts.

China Marching Towards Energy Sovereignty (1/2)

2023 Stats:

- As electricity usage in the US and developed EU nations is holding steady, or even falling, China is still seeing growth in usage, by an average of 5.7 per cent a year between 2013 and 2023.
- **China's energy consumption in 2023 stood at 9,220 TWh**, highest in the world. US came in 2nd at 4,267 TWh.

Breakdown of sources:

- Fossil fuels provided for around 2/3RD of the total consumption with coal being the biggest source.
- **Renewables provided for approximately 30%** with Hydro power being the highest contributor at 13.5% even though 2023 saw low rainfall. Wind power contributed 9.4% and Solar contributed 6.2%.

Progress in energy generation from renewables:

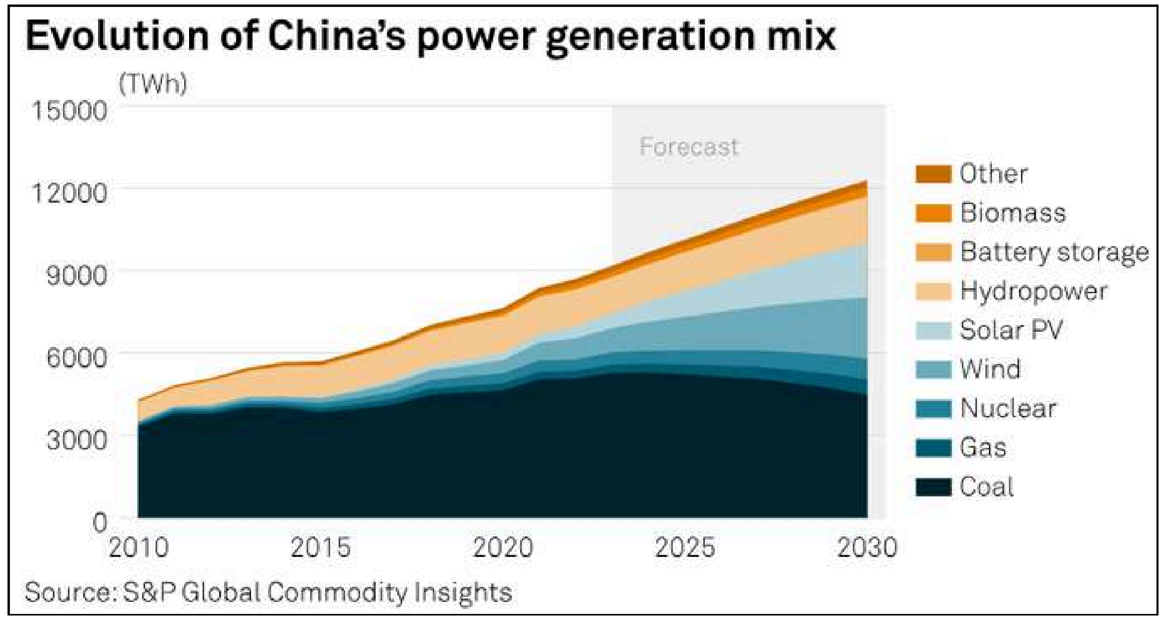
- **The share of clean energy in China's overall energy consumption has risen by over 10 percentage points over the past decade.**
- This increase is accompanied by a **tenfold rise in the use of wind and solar energy during the same period.** It was reported that China would reach its target to achieve a combined 1200 GW of solar and wind by the end of July 2024, six years ahead of target.

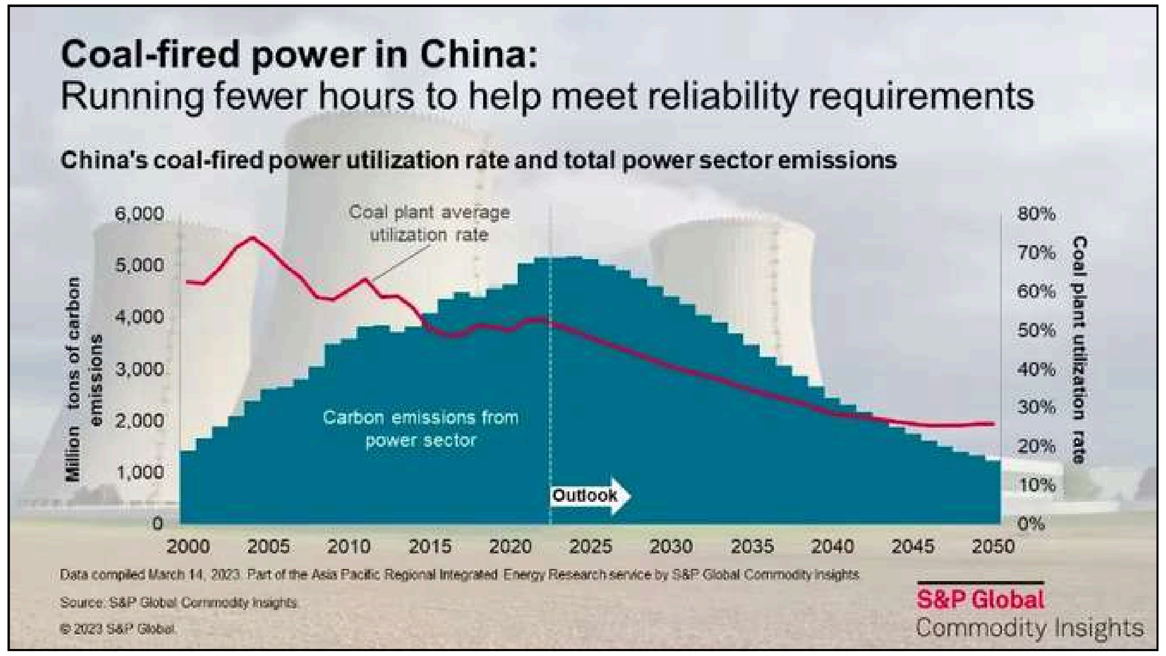
Coal Infra is being ramped up at the same time:

- The government claims that because **wind, hydro and solar electricity are not as dependable, coal plants are still required during times of high demand.**
- This could be the reason **why China has continued to open new coal plants at scale. In 2023 it added almost 50 gigawatts (GW) in coal capacity** which accounts for 2/3RD of new capacity added globally. That's about the same as the installed capacity in Indonesia, Germany or Japan.
- Power plants usually aren't running all the time. They're turned on and off or ramped up and down when they're needed. The capacity factor of China's coal plants has been dropping over the last 15 years. If utilization rates continue to drop, China's coal use could fall despite it adding more capacity.

Clean energy infra:

- **In Jun'23, non-fossil fuel energy sources exceeded 50% of China's total installed electricity generation capacity**. However, inconsistent utilization of the resources means that China's energy consumption mix remains weighted toward fossil fuels.
- Absorbing the boom in renewables remains a challenge for China's coal-centred grid and faster development of transmission lines is needed.





China Marching Towards Energy Sovereignty (2/2)

Solar Energy:

- **China's solar panel boom has led to overcapacity**. Reuters reported that China had installed so many solar panels that they generated more power than the country's storage and transmission infrastructure could handle.
- The sector ended 2023 with the ability to produce 1,154 gigawatts of solar modules – more than double the capacity from two years earlier. Projected demand in 2024 is just 593 gigawatts, according to BloombergNEF.
- **Earnings tumbled at the biggest listed firms in China's photovoltaic industry** in the first half of this year after solar panel prices continued to slump.
- **Analysts see an imminent wave of factory closures that would help rebalance the market,** while some reckon equipment prices have already bottomed out. The growing US-China rivalry is also making life more difficult for Chinese manufacturers.

Hydro Power:

- **China houses almost 30% of the total hydro capacity in the world** and much of the hydro infra is located in South-West China along the Yangtze river.
- **Heavily dependent on rainfall**. 2023 saw low production due to droughts and 2024 could possibility see record levels due to above average rainfall.
- Capacity has increased by 14% from 2020 trough to Jun'24.
- **However, despite this impressive growth, most of the potential sites for hydroelectric dams have already been developed.** The future of China's emissions reduction and energy growth will rely more on the development of wind, solar and nuclear power.

Wind Power:

- **China accounted for 65% of global wind capacity in 2023.** 6 Chinese OEMs sit in the global top 10 in terms of capacity.
- China's first batch of massive renewable bases have a 2024 deadline on the horizon which has accelerated installations to an unprecedent pace of 74.7 GW. This combined with a mature supply chain and ambitious provincial targets are pushing wind deployment to an unprecedented level in China
- **Intense competition from 14 different Chinese OEMs in 2023 reduced turbine prices by 16% and 9% in onshore and offshore,** respectively, throughout the year.

JinKO Solar
LONGi Solar
Trinasolar
JA SOLAR
POWERCHINA SINOHYDRO
CHINA YANGTZE POWER CO., LTD.
Goldwind
ENVISION
WINDEY
MINGYANG SMART ENERGY 明阳智能

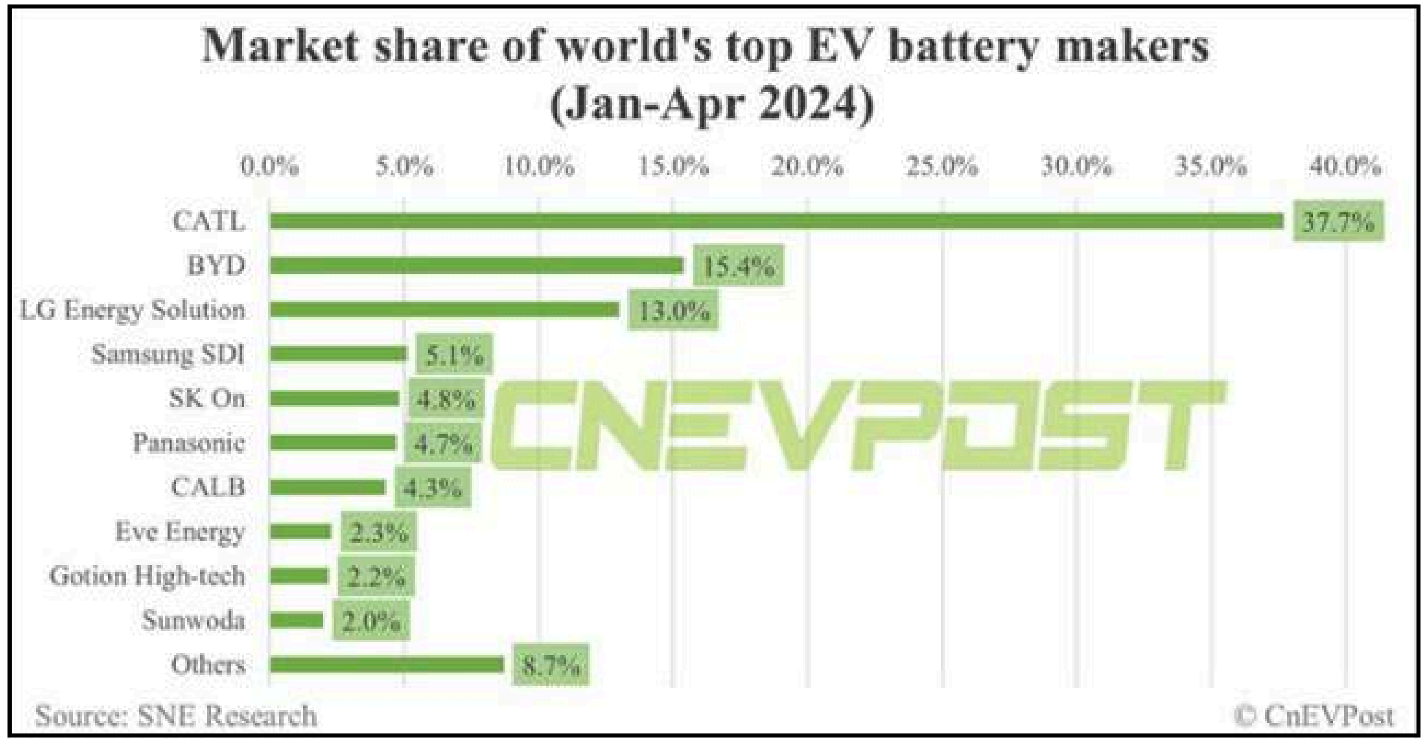
Fortunes of solar and wind providers could see a turnaround as development of the transmission infrastructure should increase TAM and allow manufacturers to utilize full capacity.

China's Electric Ambition: Steering The Future Of Global EV Markets (1/2)

Macros

- In 2023, Globally **14 million** EV's were registered. Just under **60%** of new EV registrations were in China, approximately **25%** in Europe,and **10%** in the US.
- Total Production in the year 2023 was **8 million** units of which China's contribution was **7 million** units. Close to **1 Million** was produced in Europe and US combined.
- **Chinese EVs already make up 60% of worldwide sales, according to IEA.**
- Average selling price of EV's in **China** = $34,400 v/s **USA** = $55,242
- In US, the battery suppliers for Tesla are Panasonic, its longtime partner, as well as LG Energy Solutions, the third largest battery supplier in the world. Whereas CATL remains a major supplier for Tesla in China.
- The **CATL's Shenxing Plus** battery can power an EV for more than **1,000 kilometers on a single charge,** according to CATL. That's enough to get from London to Berlin. Research has shown that the battery can reach a range of 600 kilometers with a 10-minute charge, equaling one kilometer every second.

China's CATL is the largest supplier of Batteries for EV's worldwide



China's Electric Ambition: Steering The Future Of Global EV Markets (2/2)

Why the batteries manufactured in China are more economical?

- **Economies of Scale** : Many Chinese companies, like CATL or BYD, operate on a massive scale, producing batteries in very high volumes.
- **Government Support** : The Chinese gov often provides subsidies, tax breaks, etc. to battery manufacturers as part of its broader strategy to boost the domestic EV and renewable energy sectors.
- **Aggressive Pricing Strategies** : To gain market share and compete with established players, Chinese manufacturers might adopt aggressive pricing strategies.
- **Technological Advancements** : Some Chinese firms have made significant technological advancements and efficiencies in battery production.

Battery Chemistry and Performance in the future

China

- **Lithium Iron Phosphate (LiFePO4)(LFP):** Chinese manufacturers like CATL and BYD have heavily invested in LiFePO4 technology, which is known for its safety and long cycle life. This chemistry is particularly favored in the Chinese market and increasingly worldwide.
- **Solid-State Batteries:** Companies like CATL and Qingtao Energy are actively working on SSB, aiming to offer higher energy densities and enhanced safety features.

U.S

- **Lithium-Ion Advancements:** U.S. companies such as Tesla and QuantumScape are heavily invested in advancements in lithium-ion technology
- **Solid-State and Silicon Technologies:** U.S. firms are also exploring advanced chemistries, with significant R&D efforts from companies like QuantumScape, which focuses on solid-state technology, and Sila Nanotechnologies, which is advancing silicon anode technology. SLDP, TOYOTA.

China's robust manufacturing and tech advancements in battery chemistry are key factors in reducing production costs and successfully capturing global markets

US Monetary And Fiscal Policy At Crossroads

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- **Interest rates have been above 5% for 16 months,** yet services inflation remains high, and financial markets have not budged barring a temporary fall due to unfavorable July unemployment data.

- One reason that the effect of high rates has been dampened is the **loose US fiscal policy.**

- Two ways in which this has acted against the monetary policy:
    - Consumers had high levels of liquid assets (sometimes called "excess savings") left over from the pandemic, which provided a financial cushion that protected their spending power.
    - The US Gov have been deploying additional funds since COVID-19. These funds have supported incomes and employment, even as monetary policy engineered a squeeze.

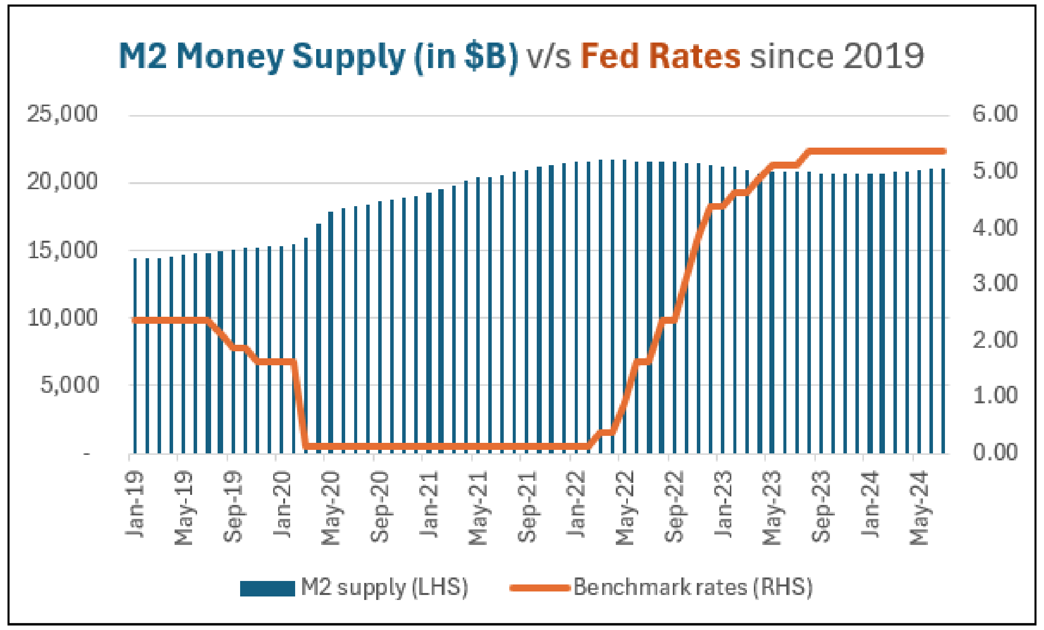
- M2 supply has seen a slight drop given the tightening however the amount of money in the system stays abnormally high due to fiscal stimulus. **Even at its trough since hikes, money supply stood $20.69 trillion that is way higher than pre-pandemic levels.**

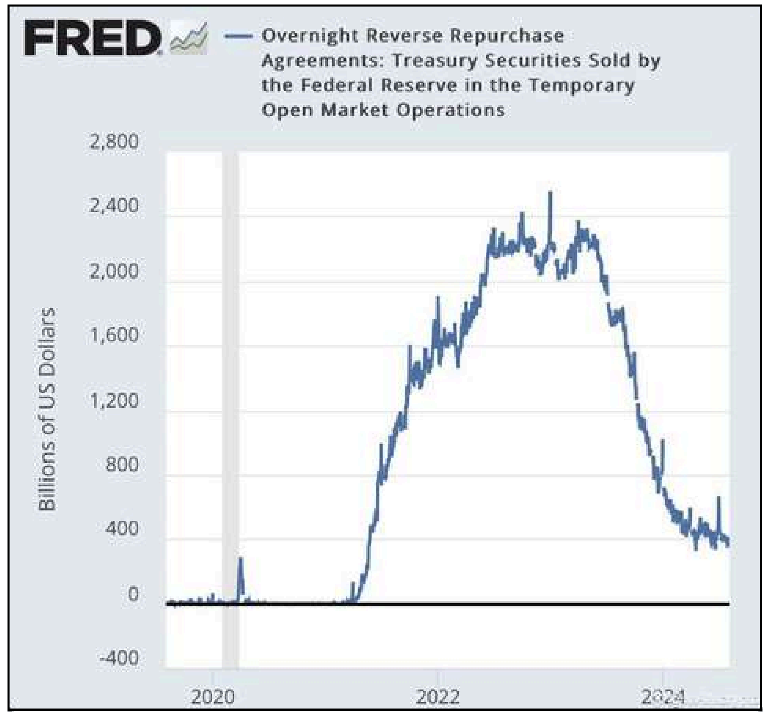
- Wall Street prefers overnight reverse repo facility as a good gauge of excess liquidity.

- Presently a little below $400 billion, the total parked in the reverse repo facility is down sharply from its peak of $2.6 trillion about a year ago.

- Economists have however noted that the total has more or less stopped falling. **It has remained consistently within the $500 billion to $400 billion range since February.**

- Combined with the S&P 500's 28% gain since its October low, that offers more than ample evidence to say **money is still sloshing around in the system.**





Inflation seems to be in balance due to these opposite forces, what would happen once monetary policy easing starts?

What Asset Class May Perform Best After September Rate Cuts?

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Historical Perspective on Rate Cuts

- The Fed's recent cut comes after maintaining rates above 5% for 13 months, a period not seen in decades.
- Since 1990, average rate cut duration is 14 Months with average at cut at 39 bps.

Asset-Class Reactions to Rate Cuts

- Fixed Income
  - Historically, fixed income returns improve as rates decline.
  - With $6 trillion in money market funds, investors may shift to higher-yielding bonds, potentially increasing returns for high-yield and emerging-market bonds.
- Equities
  - Emerging Market Equities outperform, with an average gain of 10-15% following rate cuts.
  - Small-Cap Equities often see a 7-10% average increase as cost of capital decreases.
- Real Assets
  - Historically benefits from lower rates, with property values increasing by approximately 5-7% on average in past cycles.
- Currencies
  - USD will weaken which may benefit economies with $10 trillion in dollar-denominated debt.
  - Likely gain from a narrowing rate differential, with emerging market currencies potentially appreciating by 2-5%.

Time period	Jul 13, '90 - Sep 4, '92	Feb 4, '94 - Feb 1, '95	Jul 6, '95 - Jan 31, '96	Mar 25, '97 - Mar 26, '97	Sep 29, '98 - Nov 17, '98	Jun 30, '99 - May 16, '00	Jan 3, '01 - Jun 25, '03	Jun 30. '04 - Jun 29, '06	Sep 18, '07 - Dec 16, '08	Dec 17, '15 - Dec 20, '18	Aug 1, '19 - Mar 16, '20	Mar 17. '22 - Jul 26, '23	Average	Rate cut	Rate hike
Cycle	Cut	Hike	Cut	Hike	Cut	Hike	Cut	Hike	Cut	Hike	Cut	Hike	6	6	6
Length (mths)	14	12	6	1	14	11	29	24	15	36	7	16	15	14	17
Number of cut/hikes	18	7	3	1	3	6	13	17	10	9	5	11	9	9	9
Average (bps)	29	43	25	25	25	29	42	25	53	25	45	48	34	36	32
Starting Fed rate	8.25%	3.00%	6.00%	5.25%	5.50%	4.75%	6.50%	1.00%	5.25%	0.00%	2.25%	0.00%	3.98%	5.63%	2.33%
Ending Fed Rate	3.00%	6.00%	5.25%	5.50%	4.75%	6.50%	1.00%	5.25%	0.00%	2.25%	0.00%	5.25%	3.73%	2.33%	5.13%
Developed-market equities	-15.70%	-12.10%	10.60%	1.10%	6.20%	12.50%	-28.30%	13.30%	-43.80%	8.70%	-19.10%	0.00%	-5.60%	-15.00%	3.90%
Emerging-market equities	5.80%	-27.90%	3.40%	0.80%	9.90%	8.90%	-0.40%	55.10%	-50.10%	16.10%	-16.10%	-9.90%	-0.40%	-7.90%	7.20%
S&P 500	-0.30%	-8.80%	16.20%	0.80%	5.80%	8.80%	-27.30%	3.30%	-41.90%	16.80%	-16.60%	1.40%	-3.50%	-10.70%	3.70%
Nasdaq	10.00%	-5.30%	8.20%	4.00%	5.40%	61.80%	-52.80%	-3.20%	-40.90%	31.20%	-7.10%	7.50%	1.60%	-12.90%	16.00%
Asia ex Japan equities	-0.10%	-29.80%	5.70%	0.80%	19.20%	-0.90%	-7.20%	35.30%	-50.00%	14.90%	-10.10%	-10.80%	-2.80%	-7.10%	1.60%
USD vs rest of world	-12.50%	-9.30%	7.40%	-0.20%	-0.90%	8.20%	-14.60%	-3.20%	1.90%	-3.00%	-0.30%	3.00%	-2.00%	-3.20%	-0.70%
Global bonds	19.60%	-7.90%	5.90%	0.60%	3.40%	-0.80%	27.40%	-1.40%	4.60%	4.40%	5.30%	-10.90%	4.20%	11.00%	-2.70%
Gold	-17.20%	-11.30%	6.80%	1.50%	-2.70%	7.00%	30.10%	40.90%	14.80%	15.80%	8.10%	-0.60%	7.80%	6.60%	8.90%
Commodities	-11.90%	-3.90%	11.40%	0.40%	-9.00%	27.10%	5.60%	9.70%	-37.20%	-0.60%	-16.20%	-15.30%	-3.30%	-9.50%	2.90%

Sources : OCBC (Oversea-Chinese Banking Corporation LImited's)

Will the current rate cuts align historical trends across asset classes, or could this cycle introduce unique dynamics?

US Manufacturing PMI Sends Warning Signals On Economic Conditions

US machinery and construction sector indicators

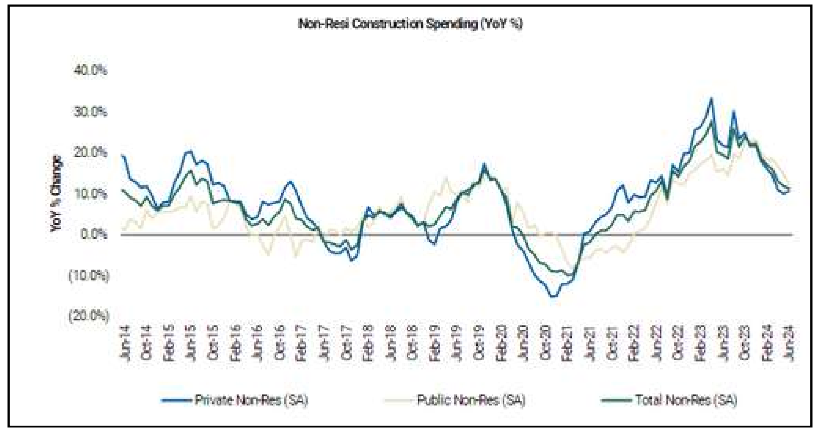
- S&P Global US Manufacturing PMI posted 47.9 in August, down from 49.6 in July.
- Non – residential construction (sq ft basis) has declined 5% in the last 3m
- Construction OEM organic revenue growth declined by 2%. Industry leaders like Caterpillar have also indicated a slowdown. Expected full year revenue shows a 3% decline YoY
- Construction machinery orders have started to show a marginal decline in June 2024
- Construction machinery orders rose almost 15% with Inventory/Sales at 2.2 vs 1.9 LY
- Short cycle industrials have also started showing a slowdown with a marginal decrease in capacity utilization and industrial production
- While the US PMI has shown a decrease, US durable goods orders have shown only a marginal decline

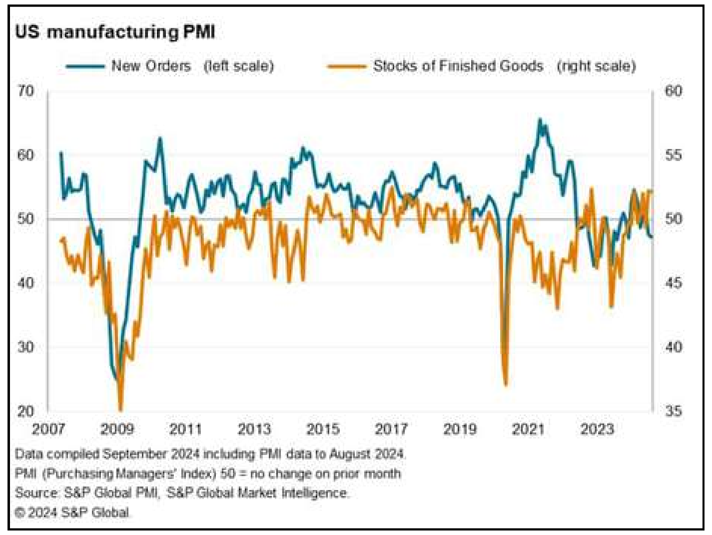
How to invest?

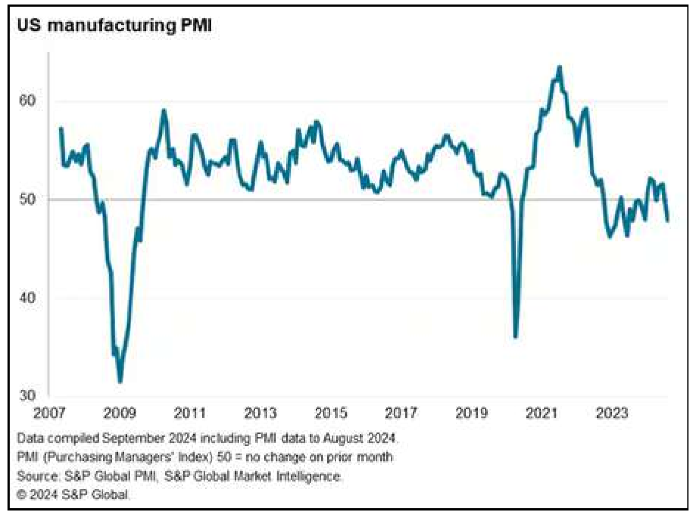
- While the overall Machinery & Construction sector is showing a moderate slow down, we recommend a bottom-up selection of stocks due to the diverse mix between sub-sectors within the industrial sector or via ETFs like XLI
- Most companies have given a guidance of a moderate slowdown in 2024 and 2025 Q1 , expected to re-bound. Some examples (not our recommendation) include:

Security	Market Cap	Price	P/E	5 year P/E average	3 year P/E average	2024 E revenue	1 month return	YTD	1 year	5 year	Consensus	Potential upside
Caterpillar	159.7	329.4	15.0	19.3	17.3	-2%	-2.36	12.52	16.77	146.2	349	6.0%
Cummins	40.2	293.2	21.3	17.5	17.9	-0.50%	-0.26	21.57	25.53	77.58	341	16.3%
Deere & Co.	104.39	381.56	13.02	18.27	14.13	-17%	10.27	-4.83	-4.7	130.66	425	11.4%

Source : Company data





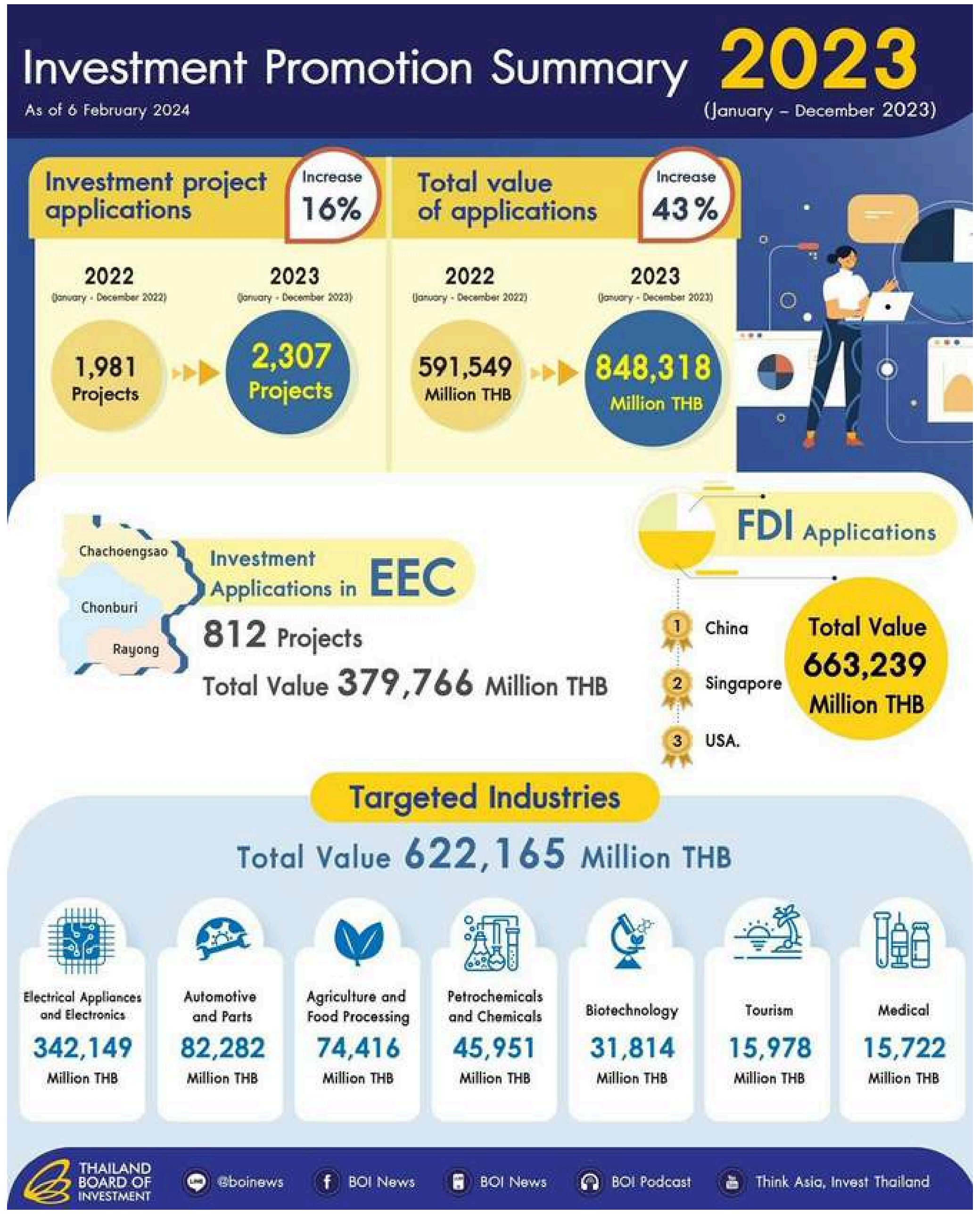


Source : S&P global and Morgan Stanley

Eyes On Asia: Thailand

Thailand is one of the many beneficiaries of the minus China+1 drive:

- **In 2023, overall investment pledges increased 43% YoY** to a 5 year high of $23B with China, Singapore, US & Japan as the biggest investors. Much of the investments were aimed at the 5 sectors the gov is prioritizing: **bio-circular-green industries, EV, smart electronics, digital industries, and creative industries.**
- We are seeing the trend continue as Thailand saw investment pledges rise 35% in the first half of this year to $12.68 billion. **Investments were coming into the electronics, electrical appliances and auto and auto parts sectors.** The biggest coming from firms from Japan, Singapore, China and Hong Kong.
- **Microsoft recently announced plans to open its first regional data center,** with an eye to boosting the availability of its Azure cloud computing platform in the country. Chinese automaker **BYD opened its first electric vehicle plant in Thailand in July.**
- Recently they have stated that new measures will be proposed to fast track investments in upstream manufacturing to the gov. with a focus on 2 main industries – Semiconductors & batteries.



Advantages:

- Thailand hosts manufacturing units of many global automotive giants. **They already have experience with global manufacturing.**
- **The country boasts world-class logistics**, including deep-sea ports, extensive road networks, and state-of-the-art airports. This makes Thailand a natural gateway for companies looking to serve both Asian and global markets.
- **They announced the EEC strategy which is aimed at positioning Thailand as a high-tech hub for the future.** This $45 billion initiative is not just about building factories; it's about creating an ecosystem that supports innovation and high-value industries like robotics, aerospace, and digital technologies.

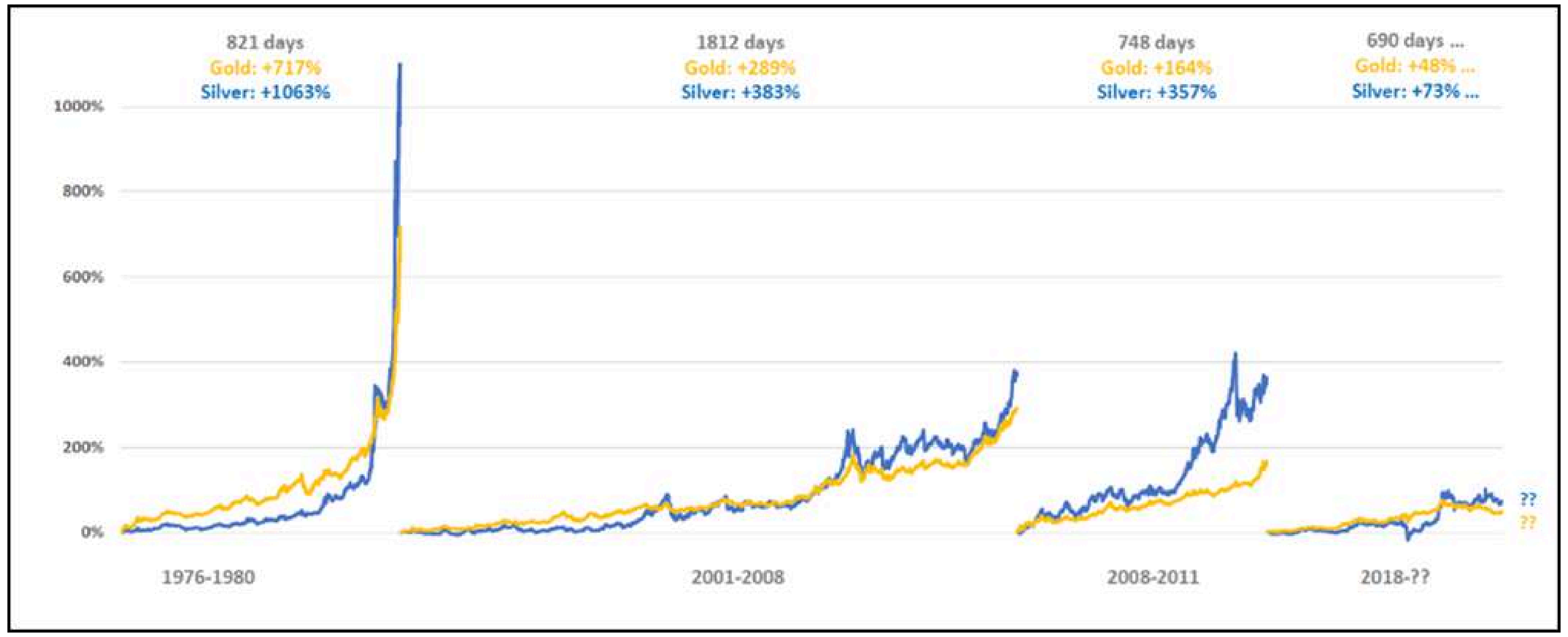
Disadvantages:

- **Thailand is one of the fastest-ageing countries in the world,** posing a long-term challenge to its growth. Currently Median age is 40.1 years.
- **Uncertainty from the political unrest** that has been escalating in the country is one of the key reasons for the weakness in its equity market.

Political stability and investment policies will be crucial in boosting Thailand's economic growth

Can Silver Win The Gold Medal?

In the past 12 months, gold has risen approximately 28.64%, reaching a high of $2,532.05. In comparison, silver has gained 16.44%, with a high of $32.5146. This disparity suggests a potential upside opportunity for silver, especially considering the projected 20% demand-supply gap in 2024.

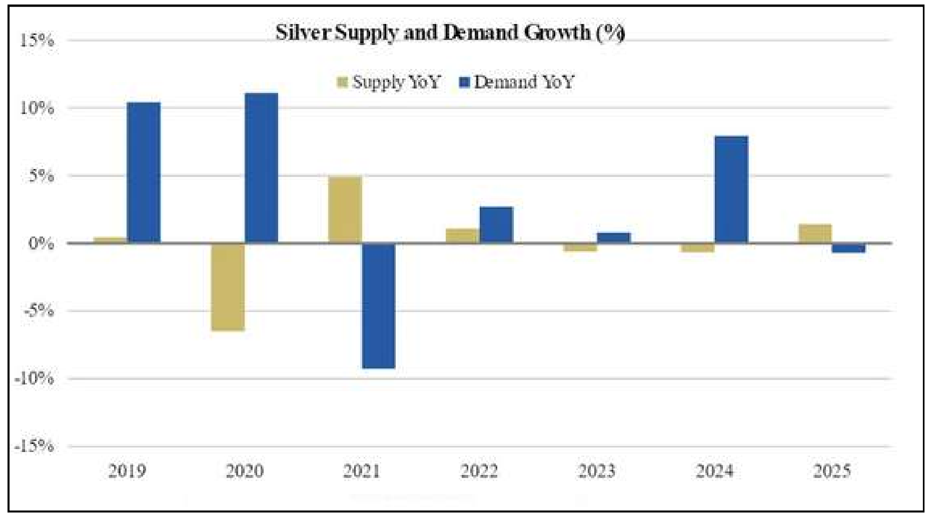


Demand & Supply Dynamics:

- 2023 saw an 87% increase in solar power deployment to 447 GW, driving strong silver demand for PV cells.
- Record demand in electronics and EV sectors highlights silver's critical role, despite a 7% decline in overall silver demand.
- Silver's use in 5G technology supports ongoing industrial demand as global networks expand.

Historical Price & Performance

- Silver's price is tied to global economic conditions; interest rate cuts and recession risks will impact demand.
- Silver typically lags gold but outpaces it during catch-up phases, presenting a strategic investment opportunity.
- Current ratio of 86 suggests silver is undervalued; potential for a 28% price increase if the ratio trends back to its 30-year average.



Sources : Silver Stock Investor, The Royal Mint, The Original Maker

While silver's demand remain solid, geopolitical and economic factors will influence its performance

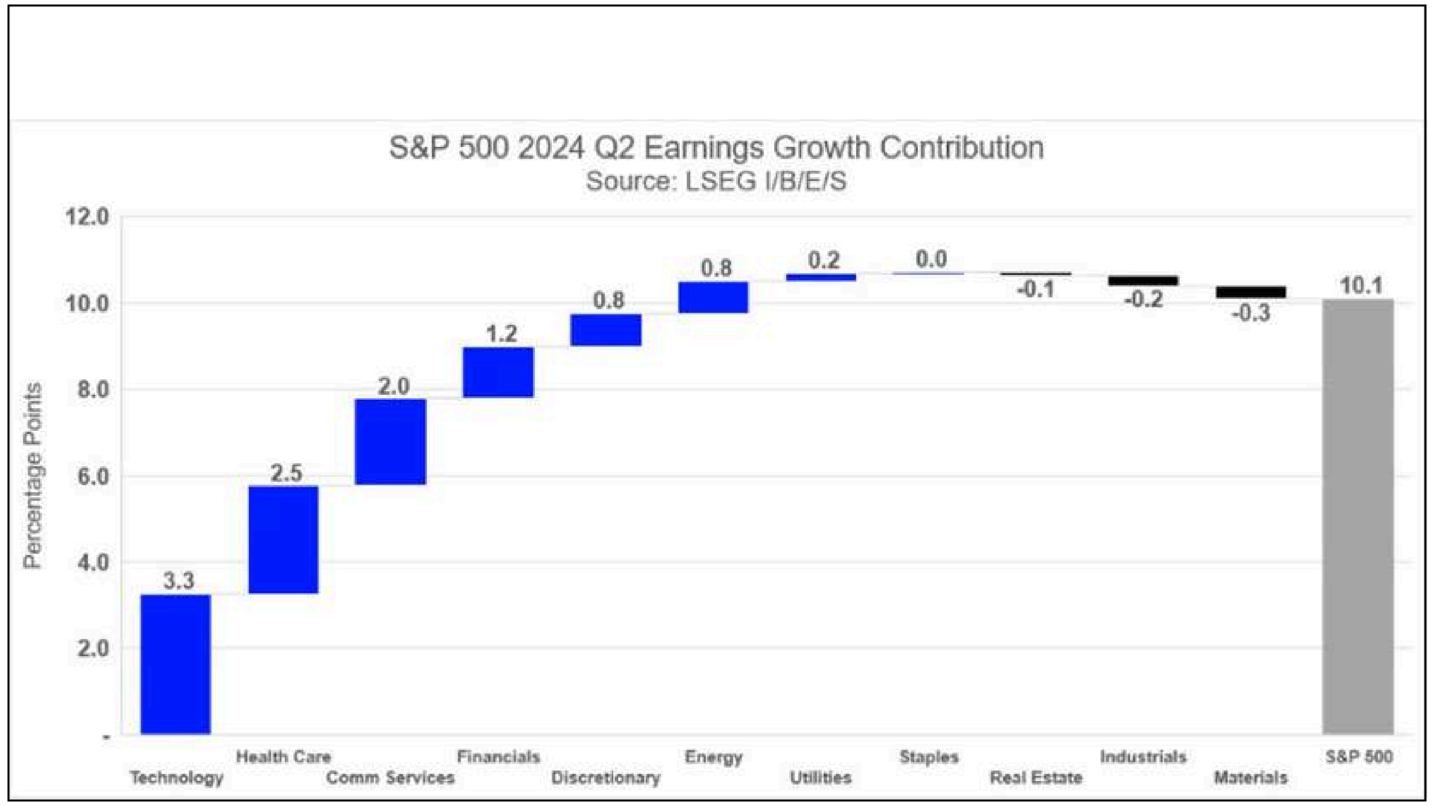
US – Q2'24 Earnings Review

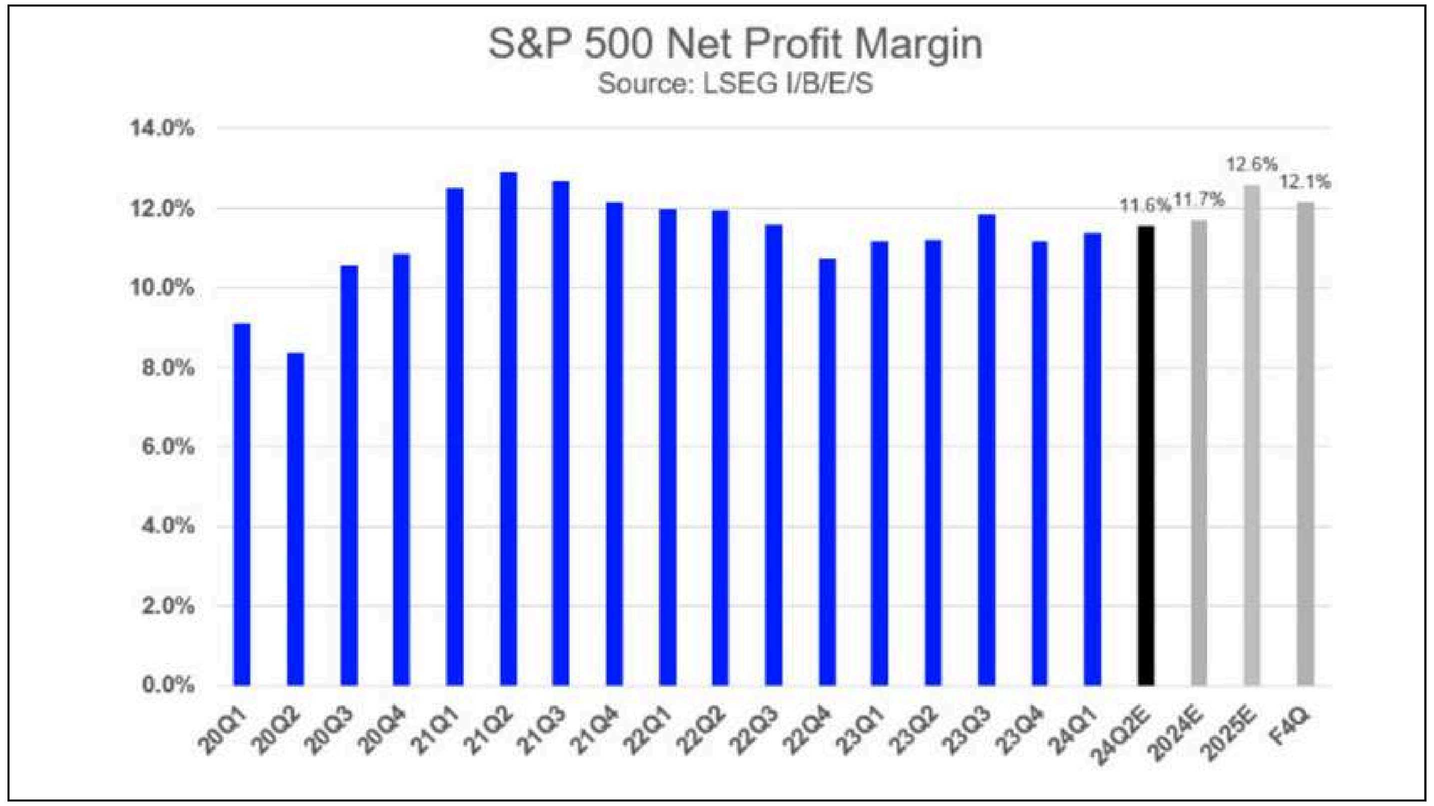
A Quick Glance :

- 92% companies have reported their earnings
- 79% have reported actual EPS above estimates
- Earningsgrewby+10.1% YoYand+4.4% QoQ.
- The Forward P/E ratio of 21.6 suggested market remains optimistic about future earnings, there are underlying concerns about overvaluation.

Sector	Market Cap Weight	Share-Weight (24Q2)		Weight Difference		Forward P/E
		Earnings	Revenue	Earnings	Revenue	
Consumer Discretionary	10.1%	8.9%	12.7%	-1.2	2.5	25.3x
Consumer Staples	5.7%	6.2%	11.7%	0.5	6.0	20.2x
Energy	3.5%	6.7%	8.4%	3.2	4.9	11.8x
Financials	12.3%	17.5%	12.1%	5.3	-0.1	15.1x
Health Care	11.4%	13.6%	20.5%	2.2	9.1	18.6x
Industrials	7.9%	8.7%	10.3%	0.7	2.4	20.3x
Materials	2.1%	2.6%	3.0%	0.5	0.9	19.2x
Real Estate	2.1%	2.4%	1.0%	0.3	-1.1	34.9x
Information Technology	33.3%	20.5%	10.5%	-12.7	-22.7	31.3x
Communication Services	9.4%	10.3%	7.3%	0.8	-2.1	19.8x
Utilities	2.2%	2.6%	2.6%	0.4	0.4	16.4x
S&P 500	**100.0%**	**100.0%**	**100.0%**			**21.6x**

Sources : LSEG I/B/E/S, LSEG Datastream





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Get In Touch

ASAS CAPITAL
أســاس كــابيتــال

702 South Tower PO BOX 506806 Emirates Financial Towers, DIFC Dubai, UAE

+971 4346 4700

inquiry@asascapital.com

www.asascapital.com

Asset Management

Private Equity

Corporate Advisory