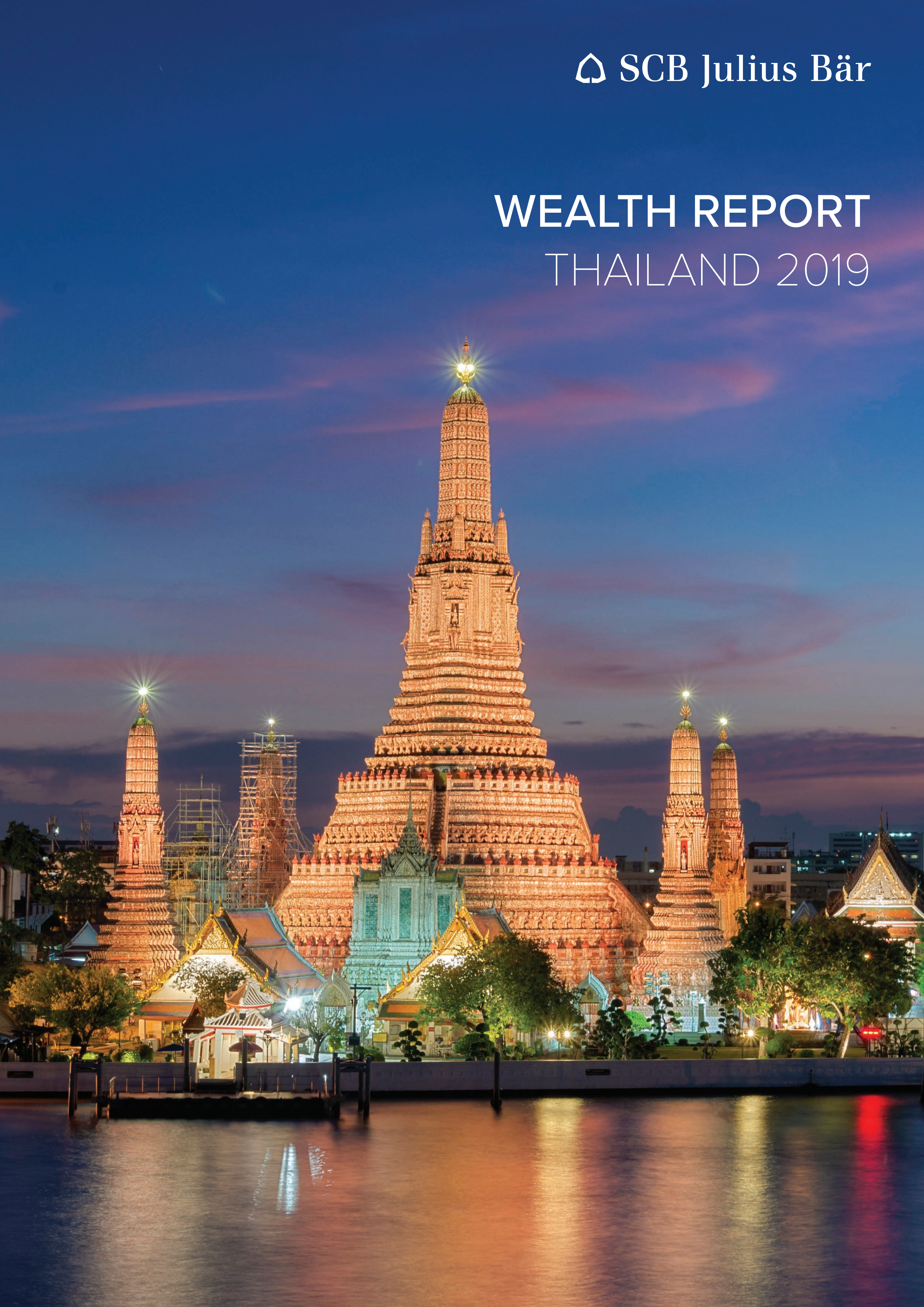
SCB Julius Bär

WEALTH REPORT
THAILAND 2019



EDITORIAL

The global economy appears to be defying doomsayers of late. The three largest economic blocs in the world – the US, European Union and China, which comprise almost half of global output – have reported stronger-than-expected first-quarter gross domestic product (GDP) growth estimates. Thailand is primed to benefit from the general positive momentum in emerging Asia.

In recognition of the rising tide of Thai wealth, our inaugural edition of the Wealth Report Thailand examines the issues that are significant to Thai high net worth individuals (HNWI). These include the domestic macroeconomic environment and outlook, the Thai luxury market and price trends of luxury goods and services in the Julius Baer Lifestyle Index, as well as the burgeoning local wealth market.

THAI HNWIS ARE MORE INCLINED TOWARDS WEALTH CREATION COMPARED TO WEALTH PRESERVATION.

Within the Asia Pacific region, the Thai HNWI segment bears close watching for its growth promise. Central to the report are our survey findings concerning clients' attitudes towards wealth and investing. In particular, Thai HNWIs indicate a greater inclination towards wealth creation compared to wealth preservation. This underscores the substantial demand potential for offshore investment opportunities, which SCB Julius Baer offers.

We invite you to read more of our insights in the Wealth Report Thailand 2019 and we thank you for your support.

Jiralawan Tangitvet
Chief Executive Officer
SCB Julius Baer

CONTENTS

SECTION 1: THAILAND BY **THE NUMBERS**

1. The Stock Exchange of Thailand (SET) Index is forecast to hit **1,800** points by the third quarter of this year.[1]

2. The baht is likely to remain in the **31 – 32 THB/USD** range by the end of 2019, which is stronger than the average of 32.3 THB/USD in 2018.[2]

3. The kingdom saw a record **38.3 m** tourists in 2018, up 7.5% from 2017. Chinese visitors remain the top driver of foreign receipts in an industry that makes up **12%** of Thailand's GDP.[3]

4. Thai HNWI wealth is estimated to grow at a five-year compounded average growth rate (CAGR) of **9.9%** from 2015-2020E to **USD 401.2 bn.** The drivers behind this growth are steadily growing household wealth, economic development and a buoyant property and stock market.[4]

5. The top advisor for clients when making investment decisions is Family and Friends **(43%)** followed by their Private Banker **(27%).**

6. Thai HNWIs in our survey have a **55%** allocation to liquid assets (stocks, bonds and funds) vs **47%** for Global HNWIs and **46%** for Asian HNWIs.[5] However, the majority of their liquid assets are in onshore products.

7. The Julius Baer Lifestyle Index shows that Bangkok remains the **7th** most expensive city out of 11 cities in Asia. Luxury goods are pricier in Thailand due to excise taxes, whereas luxury services are generally well-priced due to lower operating costs.[6]

8. Thai spending on luxury goods is expected to reach a retail value of **USD 2.2** bn in 2019.[7] Bangkok's wealthy are certainly not shying away from big-ticket purchases, snagging up a record **250** Aston Martin supercars, priced at over **USD 475,000** each in 2018.

9. A Shoe-In – men rejoice. The Ferragamo cap-toe Oxford is the most affordable in Bangkok at **USD 755.** In contrast, the same shoe model is sold in Taipei for USD 976.

[1] Siam Commercial Bank (SCB)
[2] SCB
[3] Department of Tourism, World Travel & Tourism Council 2017 & Deloitte Thailand estimate
[4] Julius Baer

[5] Scorpio, Capgemini - World Wealth Report 2018
[6] Julius Baer
[7] EOS Intelligence - Thailand: Endeavoring to Become Asia's Next Luxury Shopping Stop

SECTION 2:

MACROECONOMIC REVIEW & OUTLOOK

CALM AFTER OR BEFORE A STORM?

Following the sell-off in global financial markets in late 2018, the dovish policy stance adopted by major central banks, together with other positive developments, has revived investor confidence. But with simmering financial and political risks, it remains to be seen if the positive momentum can be sustained throughout the year.

IT IS ARGUABLE THAT THE LATEST RISK-ON CYCLE CAN CARRY ON FOR THE REST OF 2019.

The risk-off sentiment in 2018 reflected then concerns about a global recession, Sino-US trade tensions and the expectation that the US Federal Reserve (Fed) would continue its path of quantitative tightening. In 2019, however, markets did a volte-face and rallied so much that valuations are now looking rich. For the year to date[8], the MSCI World has delivered an above-average return of 12.6%, with a price-to-earnings ratio of approximately 15.3 times 2019 earnings.

It is arguable that the latest risk-on cycle can carry on for the rest of 2019. Proponents of this view point to stabilising growth in China, supported by another round of stimulus measures there, easing fears of a hard landing. A 'hard Brexit' has been averted, with the European Union extending the deadline for the United Kingdom's departure to 31 October 2019.

Further spurring investors' risk appetites were relatively sedate market conditions during the first quarter of 2019. Volatility indices of UK, European, Chinese and Japanese stocks have gone down to last year's lows, while currency and bond volatility gauges are placid.

Markets may have priced in the above positive factors, but other causes could trigger capital outflows. At the time of writing, Sino-US trade tensions have escalated after President Trump raised tariffs on USD 200 bn of Chinese imports to 25% and initiated the process to introduce tariffs on the remaining goods imported from China. China has retaliated by hiking tariffs on US imports, as well as by increasing the administrative pressure on doing business in China. If the parties do not reach an agreement in the short term, China, as well as the rest of emerging markets assets, will come under pressure. This shocking development makes it difficult for investors to navigate. Nevertheless, we see the recent move as part of President Trump's tactics to negotiate for a good deal. The stakes are too high for Trump as a delay and an intensification would trigger a recession before the presidential elections in 2020.

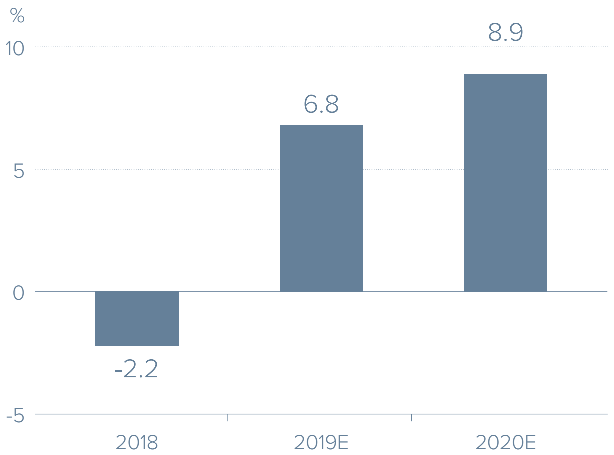
At present, the global economy appears to be on the mend, as evident in improved manufacturing activity. That has rekindled investors' appetite for riskier assets, such as emerging markets. In particular, Thailand is primed to benefit from the general positive momentum in emerging Asia.

[8] Year to 24 May 2019, Source: Bloomberg Finance L.P.

SETTING THE TONE IN 2019

The global forecast for Asian markets is generally decent following the encouraging outlook for interest rates and the global investment climate. We remain positive on the Thai stock market on the back of decent economic activity, healthy domestic demand and easing macroeconomic pressure. As well, the rise in oil prices is particularly beneficial for the SET Index, which is heavily skewed to the energy sector. The SET Index is forecast to reach 1,800 points by the third quarter of this year.[9] The outlook for earnings per share growth is also constructive (Chart 1).

CHART 1: THAILAND EARNINGS GROWTH EXPECTATIONS



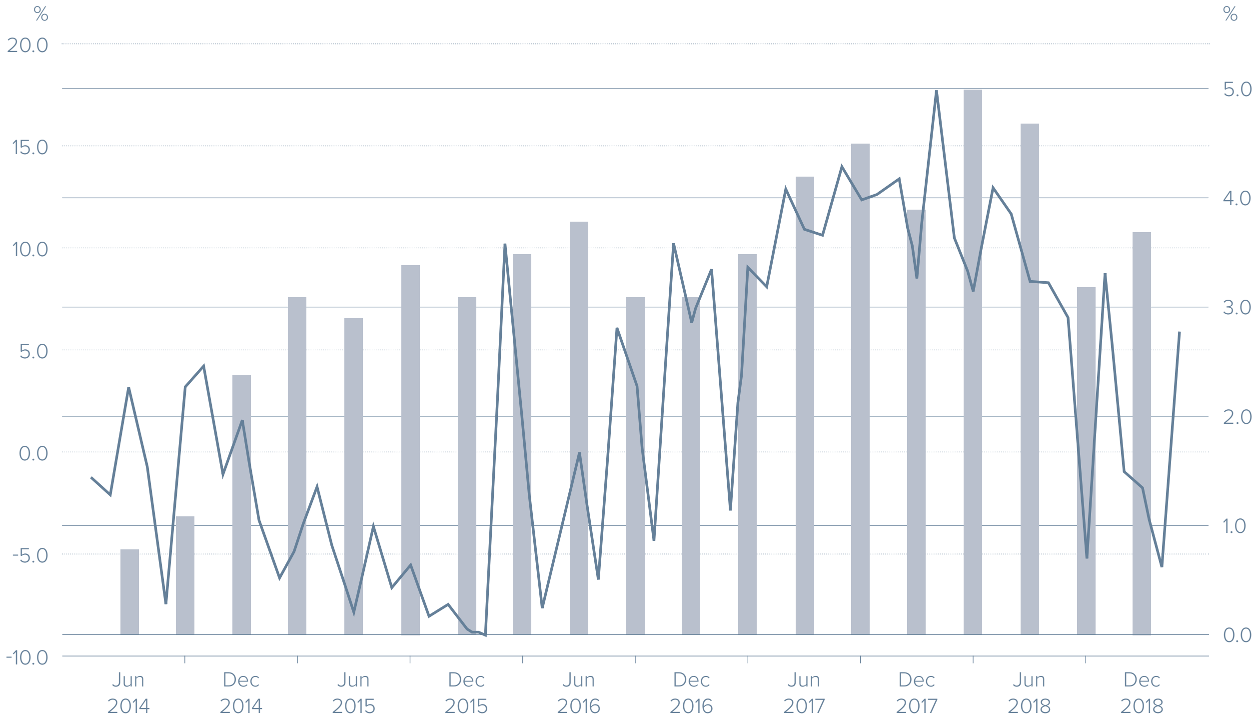
Expected earnings per share growth, y/y
E = Expected

Source: Bloomberg Finance L.P., Julius Baer

Current foreign ownership of Thai stocks is less than average, which implies there is room for foreign capital inflows to increase. As such, the SET Index could see more upside ahead.

On the economic front, we expect Thai GDP growth to slow down to 3.6% in 2019, on the back of lower-than-expected exports coupled with a slight delay in government spending. Concerns over an ageing population and household debt also linger as longer-term hurdles to growth. In view of the potential risks, as well as weak inflation and the baht's strength, the Bank of Thailand (BoT) left the key interest rate unchanged at 1.75% in May and is likely to keep monetary policy accommodative for the rest of the year. Inflation is forecast to reach around 0.9%, which is at the lower end of the BoT inflation target band.[10]

CHART 2: THAI GDP GROWTH IS EXPECTED TO SLOW IN 2019



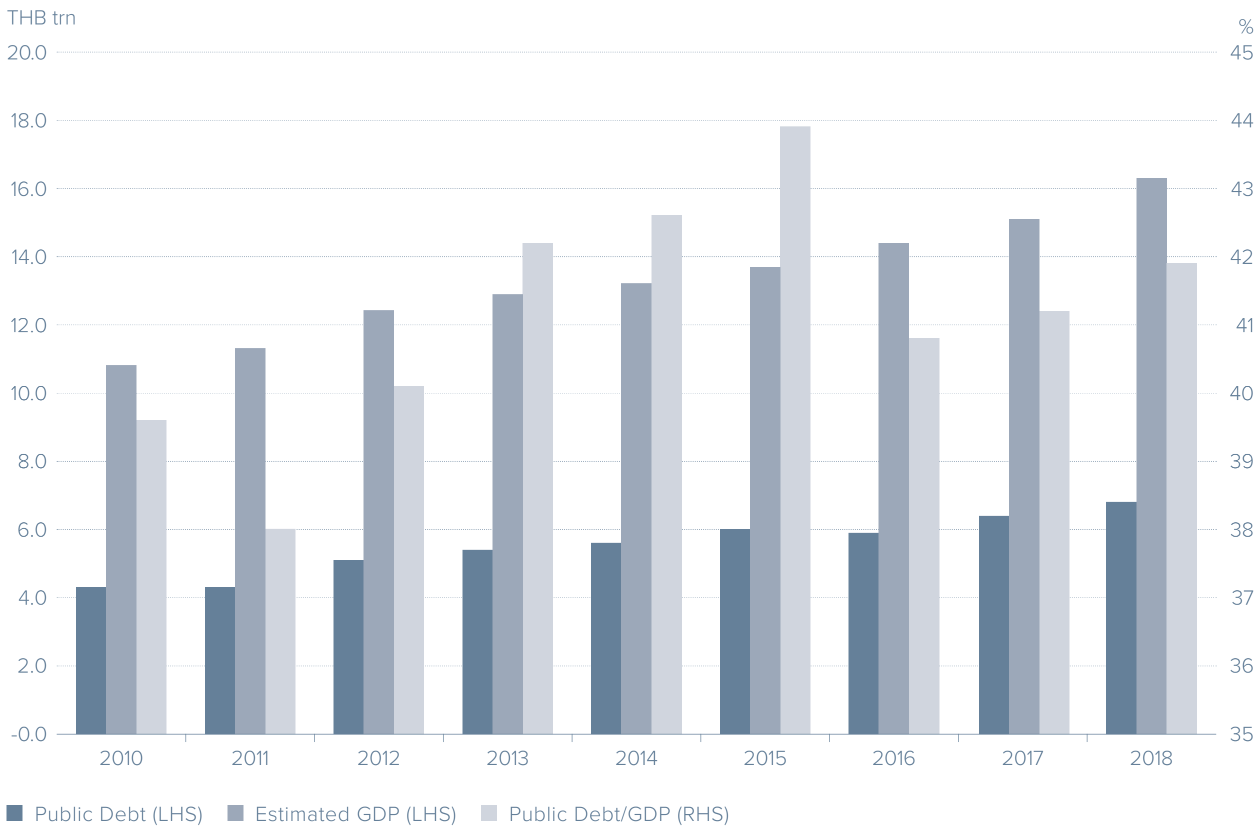
GDP Growth (RHS) — Export Growth (LHS)

Source: Bloomberg

Nevertheless, the 2019 growth forecast still outpaces the average growth over the past five years, which is less than 3% per year. Public debt levels are still healthy and domestic spending is likely to be the main driver of GDP growth. In particular, public and private investment is set to pick up as the government awards tenders for public infrastructure projects.

[9] SCB
[10] SCB

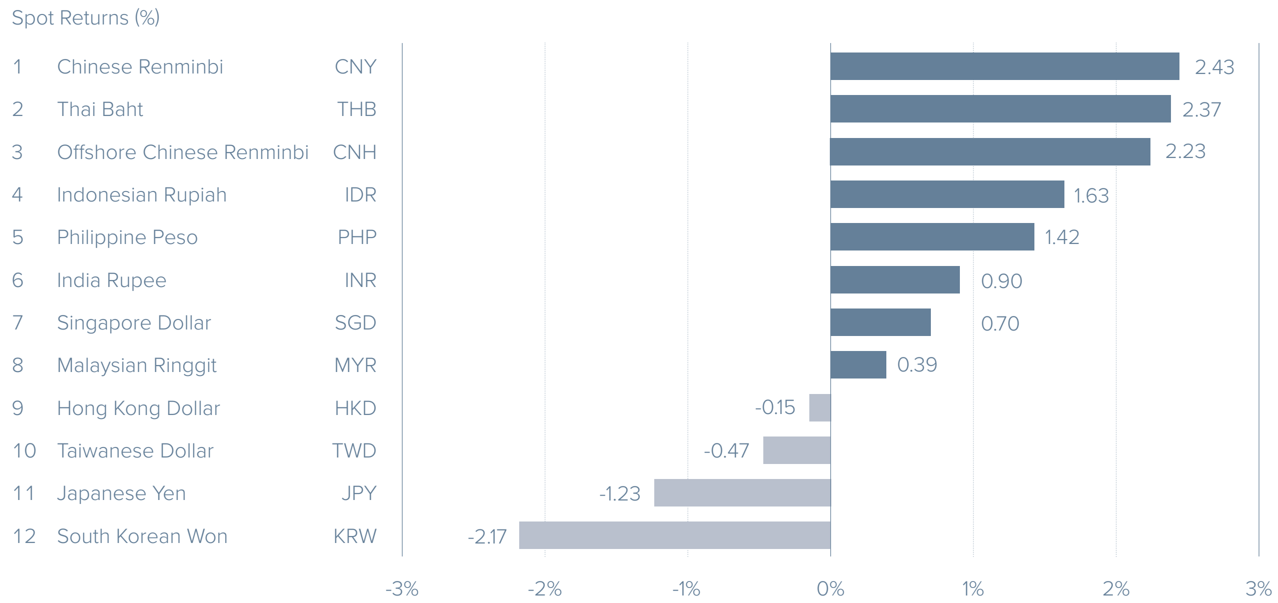
CHART 3: THAILAND'S PUBLIC DEBT REMAINS HEALTHY



Source: Ministry of Finance, Thailand

In politics, the election aftermath appears to pose some risks. At the time of writing, political uncertainty persists, as forming a government has been a drawn-out process. Yet contrary to expectations, investors remain relatively unperturbed by the ongoing political ambiguity. It is worth noting that the country has weathered political upheaval of greater intensity in the past decade and its economy has remained resilient.

CHART 4: YEAR TO DATE RETURNS FOR ASIAN CURRENCIES VS USD



As of 11 April 2019

Source: Bloomberg Finance L.P.

WELL BAHTRESSED

The THB has been one of the top-performing Asian currencies for the year to date. We estimate that the baht could appreciate slightly against the USD by the end of 2019, mainly due to a possible weakening in the USD. The dollar could depreciate as a result of the Fed's adoption of a more dovish tone, as well as a slowdown in the US economy.

Other factors driving the baht's appreciation include the current account surplus, which is expected to remain substantial in 2019 at about 6.3% of GDP, due to continued export growth and a rebound in Chinese tourist arrivals. In addition, the baht should benefit from the potential return of capital flows to emerging countries, on the back of increased risk appetite and a more inexpensive valuation of emerging markets assets. The baht is likely to remain in the 31-32 THB/USD range, which is stronger than the average of 32.3 THB/USD in the previous year.[11]

[11] SCB

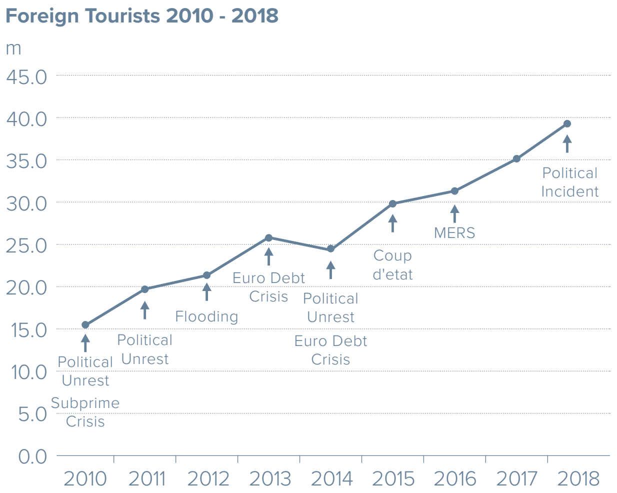
AMAZING THAILAND

Tourism is a significant pillar of the economy. Thailand saw a record 38.3 m tourists in 2018, up 7.5% from 2017. Chinese visitors remain the top driver of foreign receipts in an industry that makes up 12% of Thailand's GDP.[12] For 2019, authorities expect 41.1 m tourists to spend THB 2.21 trn, providing further fillip to GDP growth.

To enhance Thailand's tourism appeal, authorities have been keen to reposition the country from a budget destination to one that attracts high-end visitors. Businesses operating in such an environment will inevitably face both opportunities and challenges. To maintain their competitive edge, firms within Thailand will have to differentiate themselves from competitor tourist hotspots by upgrading their offerings.

The global luxury travel market is forecast to be worth USD 1.54 trn by 2022.[13] The high-end market has been growing, thanks to targeted campaigns. In 2017, the revenue per room and occupancy rates at Bangkok's luxury hotels grew by 8.5% and 3.1% respectively, at significantly higher rates compared to the total Bangkok market.[14] In addition, the government is focused on courting tourist dollars for high-value segments such as medical and wellness tourism, destination weddings, and upscale leisure activities such as golf. More information about the trends in domestic luxury consumption will be covered in the chapter on the Julius Baer Lifestyle Index.

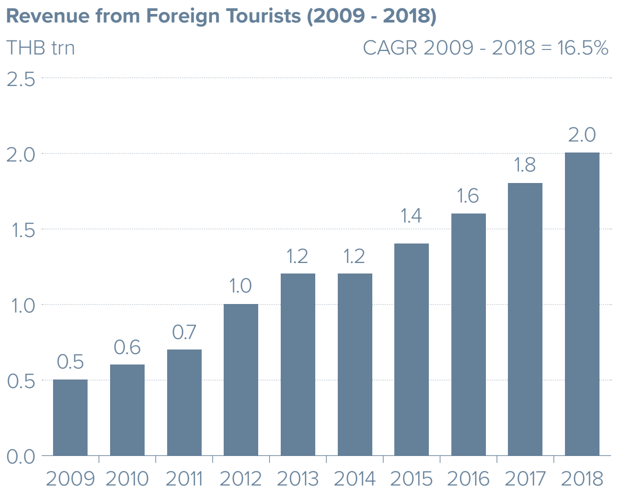
CHART 5: TOURISM ARRIVALS ROSE 9.8% IN 2018 TO 38.3 M



Hotel Occupancy (%)								
49%	50%	58%	61%	65%	56%	62%	69%	71%

Source: Department of Tourism, World Travel & Tourism Council 2017 & Deloitte Thailand estimate

CHART 6: FOREIGN TOURIST REVENUES ARE GROWING STRONGLY



Source: Department of Tourism, TAT, The Royal Thai Government, Deloitte Thailand

[12] Department of Tourism, World Travel & Tourism Council 2017 & Deloitte Thailand estimate
[13] Allied Market Research
[14] Horwarth HTL

THE GLOBAL LUXURY TRAVEL MARKET IS FORECAST TO GENERATE USD 1.54 TRN BY 2022.

Local authorities have established a five-year plan to establish Thailand as a preferred destination for meetings, incentives, conventions and exhibitions (MICE) tourism. This could also benefit from the government's Thailand 4.0 strategy to shift Thailand from a production-based to a service-based economy.

ABOUT THAILAND 4.0:

A 20-year economic model that heralds a new era for Thailand's economy. It aims to transform the nation from a production-based to a service-based economy. The focus will be on innovation, driven by upgrading technology and improving creativity to create new start-ups.

LOOKING EASTWARDS – THE EASTERN ECONOMIC CORRIDOR:

A key component of the Thailand 4.0 initiative is the Eastern Economic Corridor (EEC), a USD 45 bn project aimed at making Thailand's eastern provinces a leading Association of Southeast Asian Nations (ASEAN) economic zone. It targets 10 industries, among which include high-end travel and medical tourism. The apparent benefits are manifold: the government predicts the EEC could lead to the creation of 100,000 jobs a year in the manufacturing and service industry by 2020, while boosting infrastructure development and tourist arrivals. The government also aims to create new cities through smart urban planning.

GREY LINING IN BANGKOK'S SKYLINE?

Bangkok's skyline is likely to see further changes on the back of the upcoming Bangkok City Plan. Yet, some downward pressures to the property market could be forthcoming, with slower growth in many sectors and an incoming wave of new supply.[15]

Residential

New regulations on the horizon include a more stringent Loan-to-Value (LTV) requirement to raise the quality of lending and curb speculative purchases. Condominium presales are likely to suffer the most from the LTV adjustment.

While there is still demand for prime freehold sites in Bangkok, property developers are adopting a wait-and-see stance to assess the situation following the implementation of the Bangkok City Plan.

Overall, property developers are likely to be more cautious about launching new projects and acquiring sites in 2019. This is due to the combined effects of weaker domestic demand, rising land prices and new supply. More details on the luxury residential market will be covered in the property section of the Julius Baer Lifestyle Index.

BANGKOK CITY PLAN:

The Bangkok City Plan, which will be implemented in 2020, aims to improve connectivity between the city centre with midtown and suburban areas. Key proposed changes include increased floor area ratios (FAR) in some areas and the implementation of new measures to support development near major mass transit stations. All these changes will have a significant impact on the property market.

ABOUT FAR:

The FAR is the ratio of total built area of a building permitted to be constructed on a site to the total plot area. A higher FAR allows for more saleable space and will increase the value of a site. Real estate sellers are likely to wait until details are confirmed in anticipation of higher prices.

[15] CBRE Thailand - Bangkok Overall MarketView Q4 2018

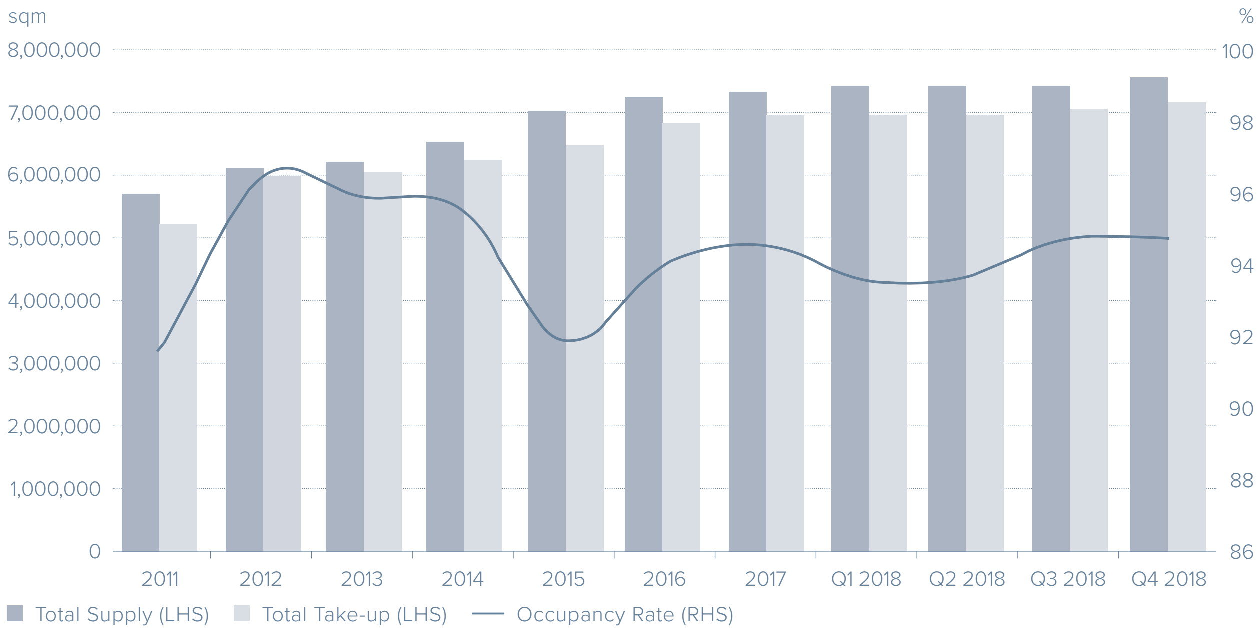
Retail

The retail market is expected to see high occupancy rates on the back of an economic recovery. The construction of electric train routes in several areas in Bangkok and surrounding areas is likely to boost the potential location for retail projects. Prime freehold sites in Bangkok, especially along mass-transit lines, will continue to see high demand, while the scarcity of prime sites in the central business district will drive up costs further. Overall, the retail property market is expected to experience healthy growth over the next three years.

Office

At the end of 2018, the total office supply in Bangkok increased by 0.9% y/y to 8.86 m sqm. An additional 1.5 m sqm of office space is being planned, which will increase the projection of future supply to be completed between 2021 and 2022. As the new supply comes to market, rental rates could face downward pressure.

CHART 7: BANGKOK RETAIL MARKET STATISTICS



Source: CBRE Research

CONCLUSION

The outlook for global growth momentum remains a key driver of asset classes. In Thailand, investors can take comfort that the economy remains fiscally strong. Thailand's healthy foreign exchange reserves should continue to provide a bulwark against market volatility. Firm domestic demand is a key factor, while key industries are expected to continue their moderate growth momentum. Overall, the country's long-term economic potential is promising as it stands to benefit from its EEC development project.

Emerging economies, including Thailand, are set to outpace the developed world in terms of wealth growth. The nation's wealth management is at the nascent stage compared to more mature markets in the region, which translates to future opportunities for a comprehensive range of financial and investment solutions. This will be expanded in greater detail in the section on the Thai wealth market.

SECTION 3: THE THAI **WEALTH MARKET**

OUTLOOK FOR THE THAILAND WEALTH MARKET

Asia's pool of investable assets held by HNWIs is on track to reach USD 14.5 trn by 2020, representing growth of 160% in the current decade.[16]

Within the Asia Pacific region, the Thai HNWI segment bears watching for its growth potential.

It is estimated that Thai HNWI wealth will grow at a five-year CAGR of 9.9% from 2015-2020E to USD 401.2 bn. Over a ten-year period, this translates into a CAGR of 6.5%. The drivers behind this growth are steadily growing household wealth, economic development and a buoyant property and stock market.

THAI HNWI WEALTH IS PROJECTED TO GROW AT A FIVE-YEAR CAGR OF 9.9% FROM 2015-2020E TO USD 401.2 BN.

CHART 8: THAILAND NOMINAL GDP AND HNWI WEALTH GROWTH

	2010	2015	2016	2017	2018	2019E	2020E
Nominal GDP in USD bn	341.3	401.8	412.5	456.0	505.0	535.3	565.0
Nominal GDP growth in USD		-1.4%	2.7%	10.5%	10.8%	6.0%	5.6%
MSCI Thailand IMI (Annual Return) in USD		-26.0%	23.2%	25.5%	-10.4%	14.7%	9.8%
Growth in HNWI Wealth		**-6.6%**	**7.4%**	**16.1%**	**9.1%**	**9.2%**	**7.7%**
HNWI Wealth	**214.0**	**250.8**	**269.4**	**312.7**	**341.1**	**372.4**	**401.2**
HNWI Wealth/ Nominal GDP	**62.7%**	**62.4%**	**65.3%**	**68.6%**	**67.6%**	**69.6%**	**71.0%**

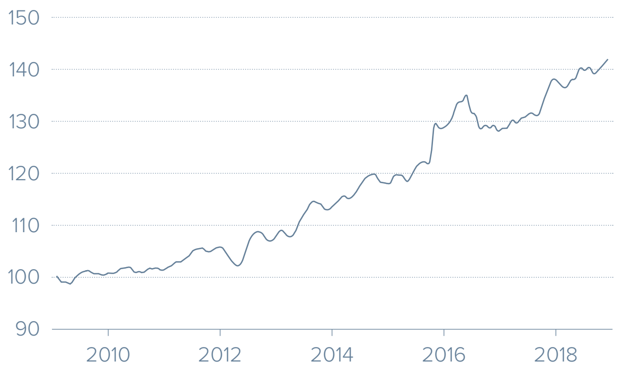
Source: Bloomberg Finance L.P., MSCI, Julius Baer estimates

[16] Julius Baer - Wealth Report Asia 2018

In tandem with global trends, growth is expected to be fastest at the top wealth segments. The ratio for HNWI Wealth to Nominal GDP in Thailand is expected to rise steadily as the population grows wealthier. HNWI Wealth/Nominal GDP ratio in Thailand is projected to increase from 62.7% in 2010 to 71.0% in 2020E.

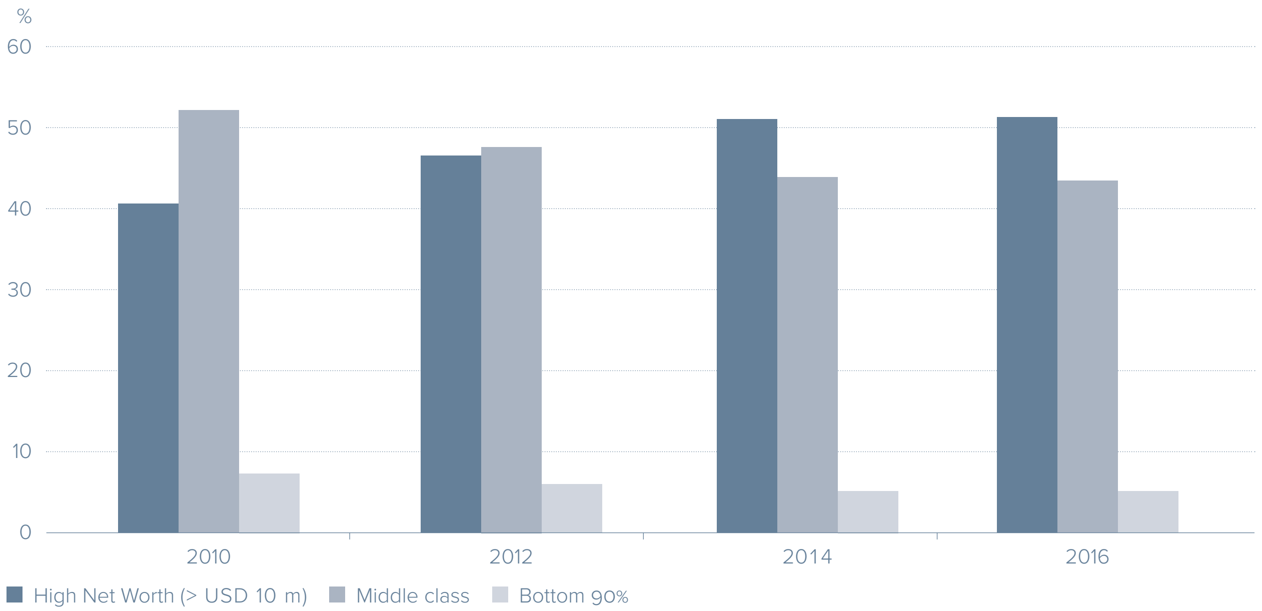
The increased concentration of wealth amongst HNWI is corroborated by deposit data from BoT which shows that around half of total system deposits is represented by the high net worth (HNW) segment even as this segment represents less than 0.5% of total deposit accounts.

CHART 9: THAILAND HOUSING INDEX



Source: BoT

CHART 10: SHARE OF TOTAL SYSTEM DEPOSITS IN THAILAND BY CLIENT SEGMENT



Source: Citi Research, BoT

RISE OF THE **ELITE MIDDLE CLASS** IN BANGKOK

Since 1982, the Thai economy began to change from an agrarian-based to a manufacturing-based one. This set the stage for the development of an affluent urban "middle class" helped by the advent of globalisation.

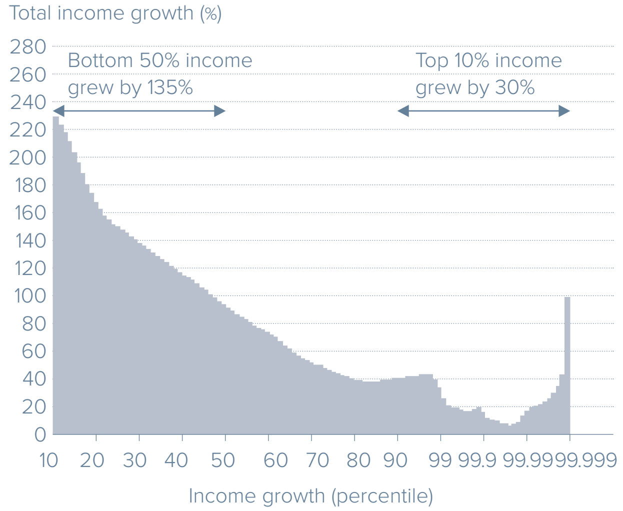
During the period of rapid growth from the late 1980s to the mid-1990s, Bangkok profited from a growing concentration of industrial investment, educational and employment opportunities.[17] About a third of "middle class" jobs with rising incomes (professional and technical jobs, administrative and managerial jobs) were concentrated in Bangkok even as the city housed just 10% of the population.

Wealth, income and GDP in Thailand remain highly focused within Bangkok. By 2016, the gross provincial product of Bangkok accounted for less than 15% of the Thai population but for more than 30% of the national GDP. By contrast, the Northeastern region concentrated more than a quarter of the population but only 10% of GDP.

[17] Akira, S. (1989) - Capital Accumulation in Thailand

Since the early 2000s, intra-regional and inter-citizen differences have decreased. During 2001-2015 period, the bottom 50% earners saw their average incomes doubling while that of the top 10% increased by 30%. These rises were the direct consequence of social policies implemented between 2001 and 2014.

CHART 11: INCOME GROWTH BY INCOME GROUP IN THAILAND FROM 2001 TO 2015



Source: Jenmana, T. (2018), Julius Baer

SINCE THE EARLY 2000S, INTRA-REGIONAL AND INTER-CITIZEN INCOME DIFFERENCES HAVE DECREASED AS A RESULT OF SOCIAL POLICIES.

DEVELOPMENT OF THE **THAI HNWI** MARKET

Thailand's economy is predominantly driven by its private sector. The majority of companies are family owned or managed by entrepreneurs, with the rest large public groups. Research suggests that the majority of Thai HNWIs earned their wealth through business/entrepreneurship while others acquired their wealth through inheritance or through their professions. This is corroborated by our survey findings where the majority of respondents are business owners (55%) as compared to employees (22%) and professionals (9%).

Family-run Businesses

According to Forbes Magazine, 90% of Thailand's businesspeople are members of the families doing businesses under concession in the past.[18] This is partly because modern economic development is a relatively new occurrence to Thailand, with many firms founded relatively recently.

Several big family businesses developed connections with major banks and the government after Thailand launched its first National Economic Development plan in the 1960s to 1970s. A few started to expand into the manufacturing sector, benefitting from financial liberalisation of the late 1980s. This period also birthed new opportunities in real estate, tourism and telecommunication, allowing new family businesses to develop and grow.[19]

Family-run businesses in Thailand have a combined net worth of THB 30 trn and ~80% of all businesses in Thailand are family owned or controlled. In addition, three-fourths of all businesses listed on the Stock Exchange of Thailand are family-run businesses.[20]

FAMILY-RUN BUSINESSES IN THAILAND PLAY AN IMPORTANT ROLE IN THE THAI ECONOMY AND ARE AMONGST THE NATION'S BIGGEST EMPLOYERS.

Family-run businesses in Thailand play an important role in the Thai economy and are amongst the nation's biggest employers. Studies have shown that many family-run businesses in Thailand have thrived and coped with rapid changes in the economy by diversifying their businesses and establishing corporate reforms that have enhanced their competitiveness and ability to react.[21]

As these family businesses mature (22% of business owners in our survey are >60 years of age), they will need to understand and implement effective succession planning for the next generation. Research on succession indicates that 30% of business families can pass and maintain their prosperity and competitive advantage to the second generation, and only 15% can maintain and transfer to the third.[22] The challenge for family businesses lies in balancing the need to maximise the full potential of the business whilst meeting the expectations of the family members.

Affluent Middle Class

Within Southeast Asia, the affluent middle class is a critical income segment, which controls up to 40% of the region's household wealth despite comprising only 10% of its population.[23] Affluent individuals in emerging economies are expected to double in number by next year.[24]

Within this segment, the majority would have acquired their wealth as salaried professionals or through entrepreneurship. The majority are in the process of upgrading to premium goods and services within the same categories, across the product spectrum including financial services.

Steady economic growth since the 1960s has helped the Thai middle class of entrepreneurs, business people, professionals and white-collar workers expand and become a significant slice of the Thai population. The Thai middle class is concentrated mainly in Bangkok and other urban areas. The majority were born in Bangkok, where they received a relatively high level of education.[25]

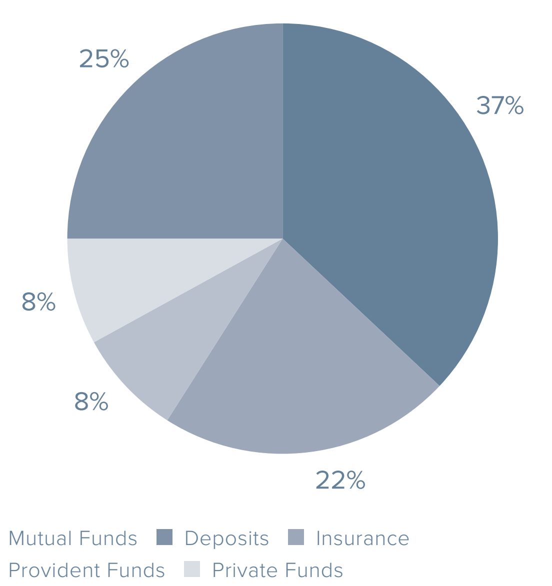
[18] Forbes (2017) – Forbes Magazine Thailand Edition
[19] Bertrand et al (2008) - Mixing Family with Business: A Study of Thai Business Groups and the Families Behind Them
[20] PwC Thailand, Credit Suisse

[21] Akira, S. and Wailerdsak, N. (2004) - Family Business in Thailand: Its Management, Governance and Future Challenges
[22] Obrahim et al., 2001; Le Breton-Miller et al., 2004
[23] Boston Consulting Group - Beyond the "Crazy Rich": The Mass Affluent of SE Asia
[24] Euromonitor International (2014) – Market Research Blog
[25] Shiraishi, T. (2006), Yomiuri Shimbun

HOW DO **THAIS INVEST** THEIR WEALTH?

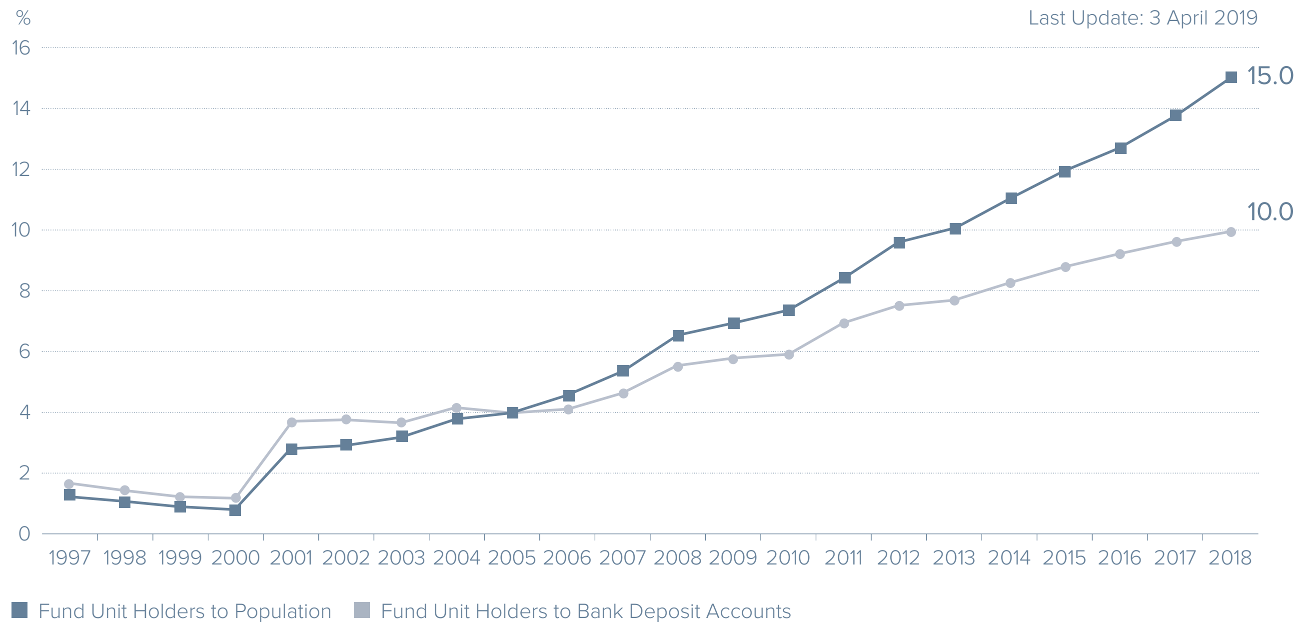
Broadly speaking, there has been a historical preference for the majority of Thai consumers to keep their wealth in simple financial products such as deposits and insurance. In recent years, this is slowly changing as investors have shifted away from deposits into mutual funds post the local banks' peak deposit competition phase in 2010-2014. This is reflected in the rising ratio of fund unit holders to population and to bank accounts. The assets of the mutual funds industry rose by 59% between 2013 and August 2017 (from THB 3.08 trn to THB 4.91 trn).

CHART 12: THAILAND ASSETS UNDER MANAGEMENT (AUM) BY HOLDINGS



Source: Citi Research, BoT

CHART 13: FUND PENETRATION HAS RISEN SIGNIFICANTLY IN THAILAND



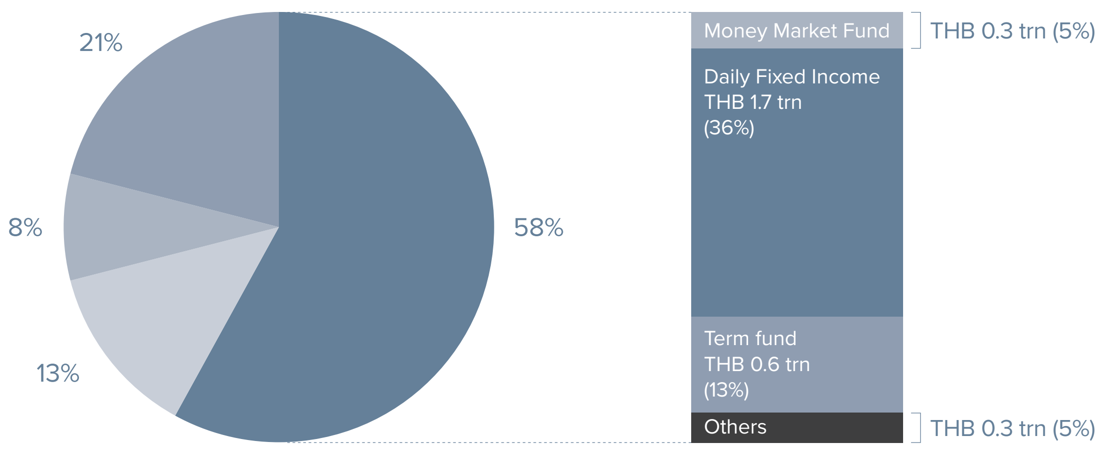
Note: Fund Unit Holder in Asset Management Industry - Summation of No. of Mutual Fund Accounts, Provident Fund Members and Private Funds

Source: Association of Investment Management Companies, BoT, Department of Provincial Administration, National Statistical Office of Thailand

THAI INVESTORS HAVE BEEN SHIFTING AWAY FROM DEPOSITS INTO MUTUAL FUNDS IN RECENT YEARS.

As a proportion of mutual fund assets in Thailand, the majority (58%) are in fixed income or yield products while around a fifth (21%) are in equity funds. Investors in Thailand are also showing greater preferences for a wide range of asset classes to achieve outperformance in a still low interest rate environment. Specifically, income-oriented strategies as well as solutions, which reduce portfolio volatility have featured strongly in portfolios in recent years.

CHART 14: TYPES OF FUNDS AS A PROPORTION OF MUTUAL FUNDS



Fixed income fund THB 2.7 trn · Equity fund THB 1.0 trn · Mixed fund THB 0.4 trn · Alternative fund THB 0.6 trn

Source: SEC Annual Report 2017

Foreign investment funds (FIFs) have been particularly successful and account for around a quarter of Thailand's THB 4.9 trn mutual fund industry.[26] Capital flows into FIFs have been concentrated in global multi-asset allocation funds and global bond funds reflecting investor demand for higher yields against the low rates offered by bank deposits.

Investors have also been encouraged by the government's easing of regulations (elaborated in the next section on Wealth Management operating models), which have made it easier for them to diversify their portfolios. FIFs could make further inroads into the mutual funds industry in the next few years when the market regulator allows foreign asset management firms to directly offer investment products for Thais through the FundConnext system.[27]

[26] BoT - Financial Stability Report 2017
[27] FundConnext is a platform that aims to optimise the mutual fund selling process by linking selling agents and asset management firms more effectively

WEALTH MANAGEMENT OPERATING MODELS

Wealth managers have taken different approaches to tapping the wealth potential in Thailand, choosing to operationalise their business onshore, offshore or through a partnership.

Offshore Wealth Management

Offshore investing in the HNWI context may be defined by where one keeps their money (in a jurisdiction other than one's country of residence) or where one invests (in overseas investment products).

a) Offshore jurisdictions

For HNWIs globally, investing in offshore jurisdictions is attractive due to political stability, property rights and offerings of high-quality, reliable financial services. There are also other idiosyncratic aspects like tax neutrality and personal preferences. Global wealth managers with offshore hubs at the same time tend to have the economies of scale to develop a more affordable and more sophisticated digital offering for their clients.

Proximity is a key factor for investors in determining locations for offshore financial services. Southeast Asia constitutes the largest source of offshore inflows for Singapore, the third-largest offshore wealth centre with USD 900 bn in offshore assets, closely trailing Hong Kong in second with USD 1.1 trn.

CHART 15: LARGEST OFFSHORE WEALTH CENTRES GLOBALLY

	Switzerland	Hong Kong	Singapore	US	Channel Islands and Isle of Man	UAE	Luxembourg	UK Mainland	Monaco	Bahrain
Offshore wealth (USD trn)	2.3	1.1	0.9	0.7	0.5	0.5	0.3	0.3	0.2	0.2
CAGR 2012-2017	3%	11%	10%	5%	5%	4%	2%	2%	1%	5%
Top three sources	Germany France KSA	China Taiwan Japan	China Indonesia Malaysia	Mexico China Argentina	UK Russia KSA	KSA Iraq Iran	Germany France UK	China KSA Russia	France Italy UK	KSA Iran Iraq

Note: Offshore wealth in USD trn. KSA = Kingdom of Saudi Arabia; UAE = United Arab Emirates

Source: Global Wealth Report 2018 - BCG Global Wealth Marketing Sizing Database

b) Offshore investments

As compared to more mature markets, the access for Thai HNWIs to overseas investment products has been limited though this is slowly liberalising. In addition, Thailand's financial-literacy scores are below the global average, ranking 17th of 30 surveyed economies, behind Hong Kong (5th) and South Korea (7th).[28]

In a bid to develop the nascent financial sector, Thai regulators have been gradually easing regulations to allow investors in Thailand to invest offshore:

- In 2015, the limit on overseas property investments was increased to USD 50 m each year while the ceiling on foreign currency allowed to be held by Thais in domestic banks was also lifted.
- In 2016, the Securities and Exchange Commission allowed qualified Thai investors to buy offshore products directly, a departure from the old practice of using local intermediaries.
- Another regulation in early 2017 opened the pathway for direct distribution of 'hedge-fund like' products to qualified investors by foreign asset managers.
- It also increased the upper limit for overseas foreign investment to USD 100 bn from USD 75 bn in September 2018, to encourage global fund firms to offer their products to domestic investors.

Onshore Wealth Management

Onshore wealth management is becoming an increasingly attractive proposition to HNWIs worldwide with the globalisation of regulations (Common Reporting Standards or CRS) and subsequent repatriation of assets. While Thailand has yet to implement CRS,[29] it was announced that the country will begin its transition in 2019 and fully implement the global data exchange by 2022.[30]

Onshore wealth management services in Thailand are currently dominated by domestic financial banks and asset managers. Several Thai financial institutions have instituted wealth management services to high-end customers as a strategic response to the needs of HNWI. Yet many Thai HNWIs (as reflected in system holdings data and our survey) predominantly hold basic financial products onshore.

ONSHORE WEALTH MANAGEMENT IS BECOMING AN INCREASINGLY ATTRACTIVE PROPOSITION TO HNWIS WORLDWIDE.

Cognisant of this, the regulator is encouraging foreign firms to consider expansion in Thailand, while also pushing for more open architecture at local banks. The intention is to bring the product and service offerings in the country closer to global standards and to allow local investors to diversify their investments.

[28] Organization for Economic Cooperation and Development

[29] According to CRS regulations, CRS jurisdictions must satisfy data security standards and identify each citizen of other CRS countries who hold accounts in that region. Data on such individuals must be given to the local tax authorities to forward to the tax authorities in the relevant country

[30] Baker McKenzie - Common Reporting Standard: Potential Impacts on Financial Institutions in Thailand and Residents

Partnerships / Joint Ventures (JVs)

In order to develop financial literacy and sophistication onshore, local banks have been forging partnerships with foreign banks to expand their products and services offering.

Developing partnerships provide mutual benefits. Foreign firms gain better access to the opportunities in Thailand and reduce spending on business infrastructure. They also enrich their market knowledge and capabilities, and boost their brand presence onshore. On the other side, local firms gain from the value added services of training and education which helps to raise their overall investment service standards.

- In 2019, Siam Commercial Bank (SCB), the first commercial bank in Thailand, and Julius Baer, the leading Swiss wealth management group and one of the four largest private banks in Asia, announced that their joint venture company, SCB Julius Baer, received the necessary approvals and licenses to operate in Thailand, beginning with over 50 dedicated professionals.

Challenges and Opportunities

The opportunities are tremendous for the fast growing Thai wealth market. Changing customer behaviour towards investment, low penetration of investment products (especially offshore) and tax and regulatory changes will underpin this opportunity.

OPPORTUNITIES ARE TREMENDOUS IN THE THAI WEALTH MARKET UNDERPINNED BY CHANGING CUSTOMER BEHAVIOUR, LOW PRODUCT PENETRATION AND TAX AND REGULATORY DEVELOPMENTS.

SECTION 4:

SURVEY FINDINGS

Background and objective

With recent regulatory changes and the easing of Thailand's capital controls, investors previously unexposed to offshore investments are now faced with unprecedented investment opportunities. The awakening of the Thai wealth management is in its early days, but the estimated USD 341 m (as of 2018) industry has shown robust growth in recent years.

On 25 April 2019, SCB and Julius Baer proudly announced their establishment of Asia's first private banking joint venture. This partnership between Thailand's first commercial bank and Switzerland's leading pure private banking institution seeks to serve Thailand's fast-growing HNW market and offer clients the best of both worlds.

So what is the profile of the Thai HNWI? How do they make investment decisions? What are their attitudes towards offshore investments?

To find out, Julius Baer and SCB conducted a comprehensive client survey with over 350 Thai private banking clients to gain tangible insights into the Thai onshore wealth market. The survey successfully concluded in February 2019.

CHART 16: THAI HNWIS - PORTFOLIO ALLOCATION

Average portfolio allocation (%) to an asset class (sum to 100%)	Cash (Including Savings/ Fixed Deposits)	Fixed Income (e.g. bonds)	Stocks / Equities	Funds (e.g. Mutual Funds)	Insurance	Direct Real Estate Assets	Philanthropy / Donations	Private Equity	Hedge Funds	Currency Investments	Private Real Estate Funds	Others
	21.5%	20.4%	19.5%	15.3%	7.8%	6.7%	2.6%	2.3%	1.9%	1.1%	0.5%	0.4%

Source: SCB, Julius Baer

Thai HNWIs are more invested in liquid assets (stocks, bonds and funds) than Global and Hong Kong and Singapore HNWIs. They have the largest exposure to Cash (21.5%), followed by Fixed Income (20.4%), Stocks (19.5%) and Funds (15.3%). In aggregate, Thai HNWIs have a 55% allocation to liquid assets vs 47% for Global HNWIs and 42% for Hong Kong and Singapore HNWIs.[31] However, the majority of their liquid assets are in onshore investment products.

Interestingly, Thai HNWIs are under-invested compared to their Global counterparts in Real Estate and Alternatives.

[31] Scorpio, Capgemini - World Wealth Report 2018

Global HNWIs hold 17% of their portfolios in Real Estate and Hong Kong and Singapore HNWIs have an even higher interest with an 18% allocation. Both are well above the holdings of Thai HNWIs' (7%) representing an untapped opportunity. A similar pattern exists for Alternatives, with Thai HNWIs owning 6% in the asset class, against 11% for Hong Kong and Singapore HNWIs and 9% for Global HNWIs.

Given the above, Thai clients are invested in proportion to their risk appetite as they are more geared towards wealth creation than wealth preservation (56% vs 41%). This is augmented for the up to 40 age group (71% vs 27%).

As is expected for a closely knit society, the top advisor for clients when making investment decisions is Family and Friends (43%) followed by their Private Banker (27%). It was also revealing that 13% of clients (across age groups) indicated that their top source for advice when making a decision was online research demonstrating high digital savviness. This is in alignment with studies showing high digital usage in the nation. There are 92 m mobile subscribers (133% penetration) with 55 m active mobile internet users. Thailand is also the highest ranked globally for internet banking services (74% penetration).[32]

Lastly, Thai clients have high return expectations, with only 27% of clients indicating they are satisfied with their current returns matching their expectation, whereas 13% indicated, "not-at-all satisfied". The underperformance of Thai equities to Global markets over the past few years could have contributed to this perception.

THAI HNWIS ARE UNDER-INVESTED COMPARED TO THEIR GLOBAL COUNTERPARTS WHEN IT COMES TO REAL ESTATE AND ALTERNATIVES.

CHART 17: THAI EQUITIES HAVE UNDERPERFORMED GLOBAL EQUITIES

Source: Bloomberg Finance L.P, Julius Baer

[32] We are Social - Global Digital Report 2019

OFFSHORE INVESTMENTS

Swiss, Asian and US firms have made forays into Thailand through tie-ups or through direct onshore expansions with differing levels of success.

To gain an understanding of Thai HNWIs' offshore investment provider brand awareness, we put this question to our respondents: when you think of offshore investment providers, what brands come to mind?

US FIRMS WERE THE MOST CITED FOR PROVIDING OFFSHORE INVESTMENT OPPORTUNITIES, FOLLOWED BY SWISS FIRMS AND LOCAL FIRMS.

Awareness amongst our survey respondents is relatively low with 74% unable to name an offshore investment provider. Those (26%) that did cited US firms the highest number of times (25% of mentions), followed by Swiss firms (20%), and Domestic firms (19%).

Asian firms were well-featured especially Singapore firms, which received 15% of the mentions. This is congruent with our finding that Singapore is the most popular offshore investment destination for Thai HNWIs.

CHART 18: SURVEY QUESTION: WHEN YOU THINK OF OFFSHORE INVESTMENT PROVIDERS, WHAT BRANDS COME TO MIND?

Headquarters	% of Total Mentions	% of Front of Mind (as % of Total Mentions)
US	25.5%	13.4%
Swiss	19.9%	10.6%
Domestic	18.5%	4.2%
European	17.1%	7.4%
Asian (Singapore)	14.8%	3.2%
Asian (Malaysia)	3.2%	0.9%
Asian (Japan)	1.0%	0.5%

Source: SCB, Julius Baer

Offshore Investment Usage & Experience

Of the respondents, 40% currently hold at least one offshore investment, which was within our range of expectations. Of these, equities and fixed income are most widely held in investment portfolios (80%) followed by funds (75%) and direct real estate (51%). Naturally, a high number of non-users (73%) indicated no familiarity with the concept of offshore investments, while 65% of these individuals indicated a lack of understanding when it came to accessing offshore investments.

Our survey showed that 52% of Thai clients first held offshore investments because it was a unique opportunity found offshore. However, since then their driver (50%) has shifted to looking for an investment return to match their expectation for future offshore investments as their key motivator, reinforcing the importance of investment performance to onshore Thai HNWIs.

THE ALLURE OF THE LION CITY

CHART 19: SINGAPORE IS THE MOST POPULAR OFFSHORE DESTINATION FOR THAI HNWIS

Percentage implies the following: "23% of clients who hold Stocks / Equities offshore, has a product or investment currently held offshore in Hong Kong – it may or may not be Stocks".

Percentage of respondents holding and offshore asset class X who have offshore investment in country Y	Singapore	US	Hong Kong	Germany	Switzerland	UK	France
Funds (e.g. Mutual Funds)	42%	36%	20%	10%	9%	6%	1%
Stocks / Equities	58%	30%	23%	0%	10%	3%	0%
Fixed Income (e.g. Bonds)	69%	28%	25%	3%	8%	6%	0%
Cash (including Savings / Fixed Deposits)	65%	13%	26%	0%	3%	10%	0%
Hedge Funds	44%	56%	33%	11%	11%	0%	0%
Direct Real Estate Assets	33%	33%	11%	0%	0%	56%	0%
Insurance	75%	0%	25%	0%	0%	25%	0%
Currency Investments	75%	50%	50%	0%	0%	25%	0%
Private Equity	67%	0%	33%	0%	0%	0%	0%

Source: SCB, Julius Baer

When it comes to investing offshore, our Thai HNWI survey group reported Singapore as their premier offshore destination, followed by the US then Hong Kong.

According to The Deloitte International Wealth Management Centre Ranking 2018, Singapore ranks ahead of Hong Kong, albeit behind Switzerland in terms of competitiveness. The US ranks 6th on the list.

Singapore has its reputation as Asia's most established and respected wealth management centre, benefitting from international clients. The lion city's attractiveness rests on its reputation as a wealth management hub, political stability and low tax burden. The city-state is often preferred as an offshore base for Southeast Asian HNWIs due to its proximity within the region.

The United States is one of the largest global offshore markets and provides a rising portion of the world's offshore financial services.[33] In contrast to most other international wealth management centres, the US does not participate in the Automatic Exchange of Information (AEOI), making the US more attractive for certain international assets.

Hong Kong continues to gain favour among wealthy individuals due to its status as a leading financial centre and its exceptionally favourable tax policies and streamlined tax system.[34] It has gained market share in recent years driven largely by its strategic geographical location for attracting Chinese clients and its prime position for brokering renminbi transactions.

While Switzerland remains the world's largest wealth management centre, it has experienced significant outflows in recent years following tax disputes and increasing regulation that promote transparency and tax control.

THE LION CITY'S ATTRACTIVENESS RESTS ON ITS REPUTATION AS A WEALTH MANAGEMENT HUB, POLITICAL STABILITY AND LOW TAX BURDEN.

[33] The Deloitte International Wealth Management Centre Ranking 2018
[34] Wolters Kluwer - A Guide to the Top 20 Offshore Fund Locations

SECTION 5: THAI HNWI PROFILES

We surveyed over 350 HNWIs within Thailand to prepare this report. Through our analysis, we identified three distinct profiles that represent key target groups within the Thai onshore HNWI client universe - the Millennial Entrepreneur (up to 40 years old), the Mature Investor (41-60 years old) and the Techie Retiree (61 years old and above).

CHART 20: SURVEY METHODOLOGY

ON AVERAGE

MEDIAN AGE	51
RISK PROFILE	MEDIUM
CAREER	BUSINESS OWNER

MALE
50%

FEMALE
50%

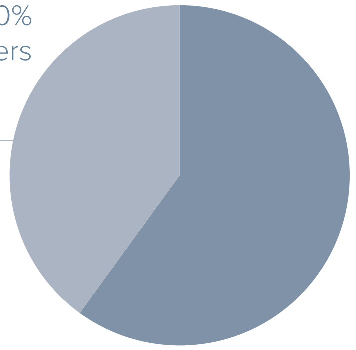
TOTAL SAMPLE & BUSINESS OWNER PROFILES

Age	**Millennial Entrepreneur** (up to 40 years old)	**Mature Investor** (41-60 years old)	**Techie Retiree** (61 years old and above)
Number of respondents	19%	59%	22%

NUMBER OF USERS OF OFFSHORE INVESTMENTS

Top 5 holdings for offshore investment users

- Cash
- Stocks
- Fixed Income
- Funds
- Direct Real Estate Assets



Source: SCB, Julius Baer

GENERAL FINDINGS

OFFSHORE INVESTMENTS

As a nascent wealth management market, most Thai HNWI respondents indicated that they do not hold offshore investments. The majority are unfamiliar with the concept of offshore investments, and are unsure of how to access these products. They would consider offshore investments as means of diversifying portfolio returns, and also for their potential for greater alpha.

TOP ADVISORS

As most Thai HNWIs made their money through family businesses, they naturally seek advice from Family and Friends first when it comes to making financial decisions. They also highly value their Relationship Manager, and oftentimes will supplement all the advice they received with online research they do themselves.

OFFSHORE FINANCIAL PRODUCTS

Advisory Mandates, Financial Planning, and Tax Planning were the most relevant services, especially when it comes to offshore investments. This comes as no surprise given that the majority of respondents seek professional investment advice but prefer to retain autonomy over decision-making.

ATTITUDE TOWARDS WEALTH

Across all profiles, they all enjoy the financial security and wider range of opportunities that having wealth affords them and their families. Having wealth was not seen as a badge of honour, nor do they seek wealth to boost their social and professional status.

DIGITAL ATTITUDES

The Thai HNWI is a digitally competent individual. Close to a third of all respondents perform online research when it comes to making investment decisions, and almost 40% of respondents were informed of the joint venture between SCB and Julius Baer through social media.

PORTFOLIO REVIEW

When it comes to a portfolio review, our respondents are most concerned with the performance of their portfolios, followed by the alignment of their portfolios with their financial plans.

MILLENNIAL ENTREPRENEUR

POPULATION	67 (19% of total sample)
MEDIAN AGE	35 years old
RISK PROFILE	Mid-high

KEY FINDINGS

- She is well educated with 87% holding a Bachelor's degree or higher.
- 51% of Millennial Entrepreneurs are business owners.
- Owing to their growth-oriented mindset, 71% of Millennial Entrepreneurs prioritise Wealth Creation over Wealth Preservation.
- The Millennial Entrepreneur prefers a provider with good performance, and understands her personal requirements.
- Similar to the other profiles, she would like guidance when it comes to investments, but prefers to have the autonomy to make decisions.
- She relies primarily on Family and Friends when it comes to making investment decisions.
- She holds a diversified portfolio of investments, but is currently underinvested for Wealth Creation needs. She is also digitally savvy (45% found out about the JV from social media), yet has a good relationship with her Relationship Manager (RM) (55% found out through RM).
- Digital financial services are relatively more important to her than to our comparative profiles.
- She is a highly-engaged client, seeking monthly reviews of her portfolio.

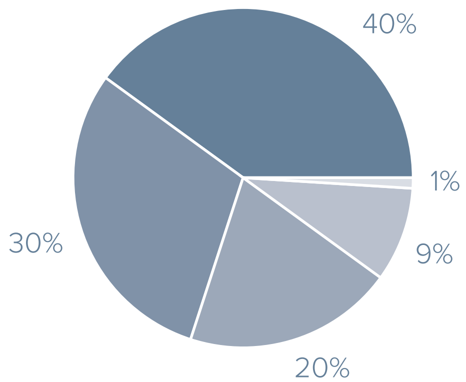
OFFSHORE INVESTMENT RANKING (% OF TOTAL RESPONDENTS INVESTED)

Funds (e.g. Mutual Funds)	20.9%
Cash (including Savings / Fixed Deposits)	9.0%
Stocks / Equities	7.5%
Fixed income (e.g. Bonds)	6.0%
Hedge Funds	3.0%
Insurance	3.0%
Direct Real Estate Assets	3.0%
Private Equity	1.5%
Currency Investments	1.5%
Others	1.5%

PORTFOLIO ALLOCATION

Cash (including Savings / Fixed Deposits)	23.7%
Stocks / Equities	21.2%
Fixed income (e.g. Bonds)	15.4%
Funds (e.g. Mutual Funds)	15.4%
Insurance	8.6%
Direct Real Estate Assets	7.4%
Hedge Funds	2.3%
Private Equity	2.3%
Philanthropy / Donations	1.4%
Currency Investments	1.4%
Others	0.5%
Private Real Estate Funds	0.4%

WEALTH MANAGER CHARACTERISTICS



- If they have a track record of returns
- If they can understand my personal requirements
- If they have a good reputation
- If they have global investment access
- If they have a local presence (local branches, offices or a local brand)

MATURE INVESTOR

POPULATION	208 (59% of total sample)
MEDIAN AGE	51 years old
RISK PROFILE	Mid-high

KEY FINDINGS

- The Mature Investor is the most highly educated, with 96% holding at least a Bachelor's degree.
- The Mature Investor has a rather balanced attitude towards Wealth Creation (55%) and Wealth Preservation (39%), recognising the need to stay protected.
- He heavily prioritises the growth of his investments (70%) over the growth of his business/ career.
- He takes a holistic approach to selecting a financial provider: he wants a provider with a good track record of returns, good reputation, and can provide tailored solutions.
- Compared to our other profiles, he has a slightly better understanding of how to access offshore investments and currently has exposure to a more diverse range of offshore assets.
- He is an investor who values advice not just from Family and Friends, but also his RM.
- Stability and security are greatly prized when choosing an offshore investment provider and they see offshore investments as a means to diversify their portfolio.
- Portfolio review once every quarter is ideal.
- The Mature Investor has a higher capital allocation rate than the other age groups (79.8%).

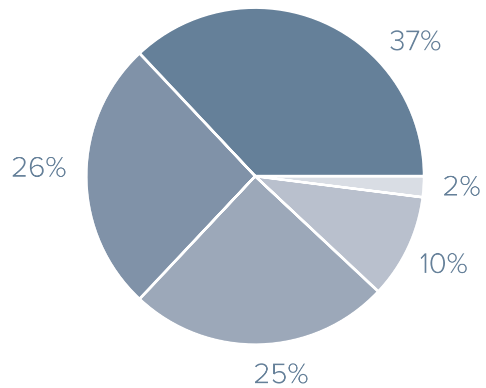
OFFSHORE INVESTMENT RANKING (% OF TOTAL RESPONDENTS INVESTED)

Funds (e.g. Mutual Funds)	20.2%
Stocks / Equities	12.5%
Fixed income (e.g. Bonds)	11.1%
Cash (including Savings / Fixed Deposits)	10.6%
Others	3.4%
Direct Real Estate Assets	2.9%
Hedge Funds	2.4%
Private Equity	1.0%
Insurance	1.0%
Currency Investments	1.0%

PORTFOLIO ALLOCATION

Fixed income (e.g. Bonds)	20.3%
Cash (including Savings / Fixed Deposits)	20.2%
Stocks / Equities	19.7%
Funds (e.g. Mutual Funds)	15.2%
Insurance	7.7%
Direct Real Estate Assets	6.6%
Private Equity	2.8%
Philanthropy / Donations	2.8%
Hedge funds	2.4%
Currency Investments	1.3%
Private Real Estate Funds	0.5%
Others	0.5%

WEALTH MANAGER CHARACTERISTICS



- If they have a track record of returns
- If they have a good reputation
- If they can understand my personal requirements
- If they have global investment access
- If they have a local presence (local branches, offices or a local brand)

TECHIE RETIREE

POPULATION	76 (22% of total sample)
MEDIAN AGE	66 years old
RISK PROFILE	Low-mid risk

KEY FINDINGS

- 17% of Techie Retirees hold Doctorates, the highest proportion amongst our profiles. In total 89% hold Bachelor's degrees or higher.
- 50% of Techie Retirees found out about the JV through social media, and 30% make investment decisions based on online research that he does himself.
- The Techie Retiree prefers Wealth Preservation (58%) over Wealth Creation (39%).
- Like the Mature Investor, the Techie Retiree prioritises the growth of his investments (68%) over the growth of his business/career (32%).
- He takes a holistic approach to selecting a financial provider and wants a provider with a good track record of returns, good reputation, and can provide tailored solutions.
- The Techie Retiree is the group least familiar with offshore investments, with 73% stating they are unfamiliar.
- Amongst the different profiles, the Techie Retiree expresses the greatest desire to have his money professionally managed (26%).
- Like the Mature Investor, the Techie Retiree values advice from Family and Friends and his RM.
- When considering offshore investments, the Techie Retiree prefers to a greater extent investments that align with his risk profile than the other age groups.
- The Techie Retiree wishes to have portfolio reviews once a month or whenever he wants.

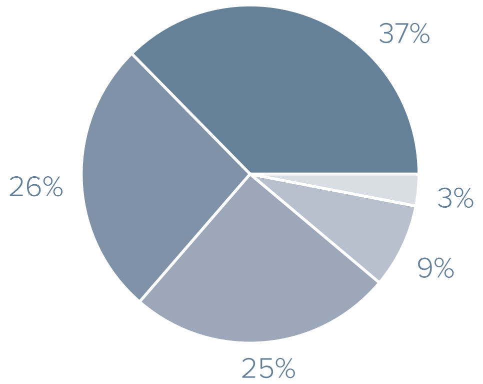
OFFSHORE INVESTMENT RANKING (% OF TOTAL RESPONDENTS INVESTED)

Funds (e.g. Mutual Funds)	17.1%
Cash (including Savings / Fixed Deposits)	11.8%
Stocks / Equities	11.8%
Fixed income (e.g. Bonds)	3.9%
Hedge Funds	2.6%
Direct Real Estate Assets	1.3%
Currency Investments	1.3%
Others	1.3%

PORTFOLIO ALLOCATION

Fixed income (e.g. Bonds)	24.7%
Cash (including Savings / Fixed Deposits)	23.1%
Stocks / Equities	17.9%
Funds (e.g. Mutual Funds)	15.5%
Insurance	7.4%
Direct Real Estate Assets	6.4%
Philanthropy / Donations	2.4%
Hedge Funds	1.0%
Private Equity	0.9%
Private Real Estate Funds	0.4%
Currency Investments	0.3%

WEALTH MANAGER CHARACTERISTICS



- If they have a track record of returns
- If they can understand my personal requirements
- If they have a good reputation
- If they have global investment access
- If they have a local presence (local branches, offices or a local brand)

SECTION 6:

THAILAND'S LUXURY MARKET & INTRODUCING THE JULIUS BAER **LIFESTYLE INDEX**

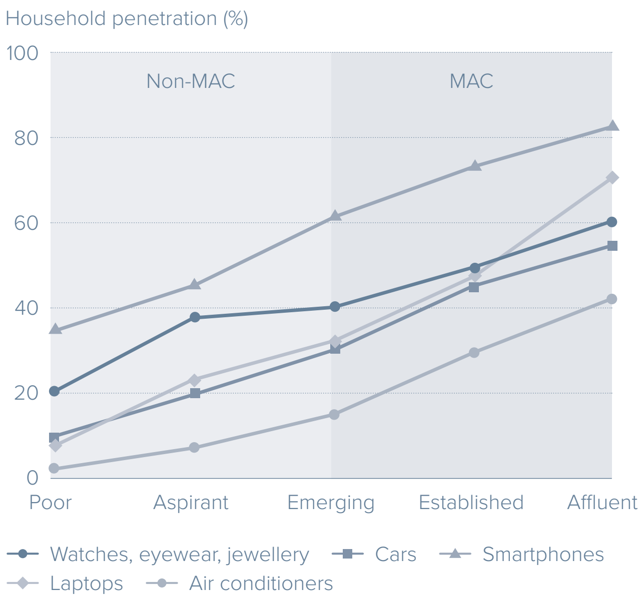
THAILAND'S INSATIABLE APPETITE FOR LUXURY

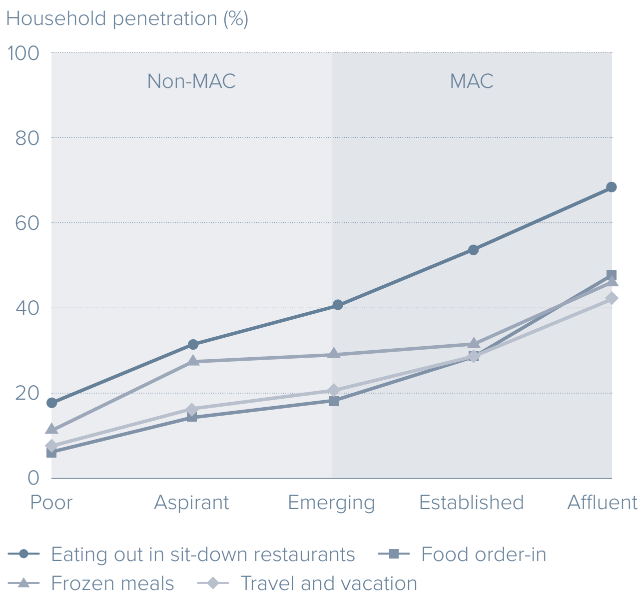
Thai consumers across the socioeconomic spectrum (but especially the well-to-do) are increasingly opening their wallets to spend on luxury such as dining out, travel, watches, jewellery, and smartphones.[35] Compared with other consumers in the Southeast Asia, Thai consumers also more likely to indulge in luxury retail therapy. They are also very loyal to their favourite brands, contrary to their counterparts in the rest of Southeast Asia.

Thai spending in luxury goods is also expected to reach a retail value of USD 2.2 bn in 2019.[36] Bangkok's wealthy are certainly not shying away from big-ticket purchases, snagging up a record 250 Aston Martin supercars, priced at over USD 475,000 each in 2018. In addition, domestic tourism is expected to take off in the coming years, as the purchasing power of the average Thai grows.

[35] Boston Consulting Group - Thailand Consumer Survey 2017
[36] EOS Intelligence - Thailand: Endeavoring to Become Asia's Next Luxury Shopping Stop

CHART 21: THAI CONSUMERS INCREASINGLY INDULGE IN RETAIL THERAPY

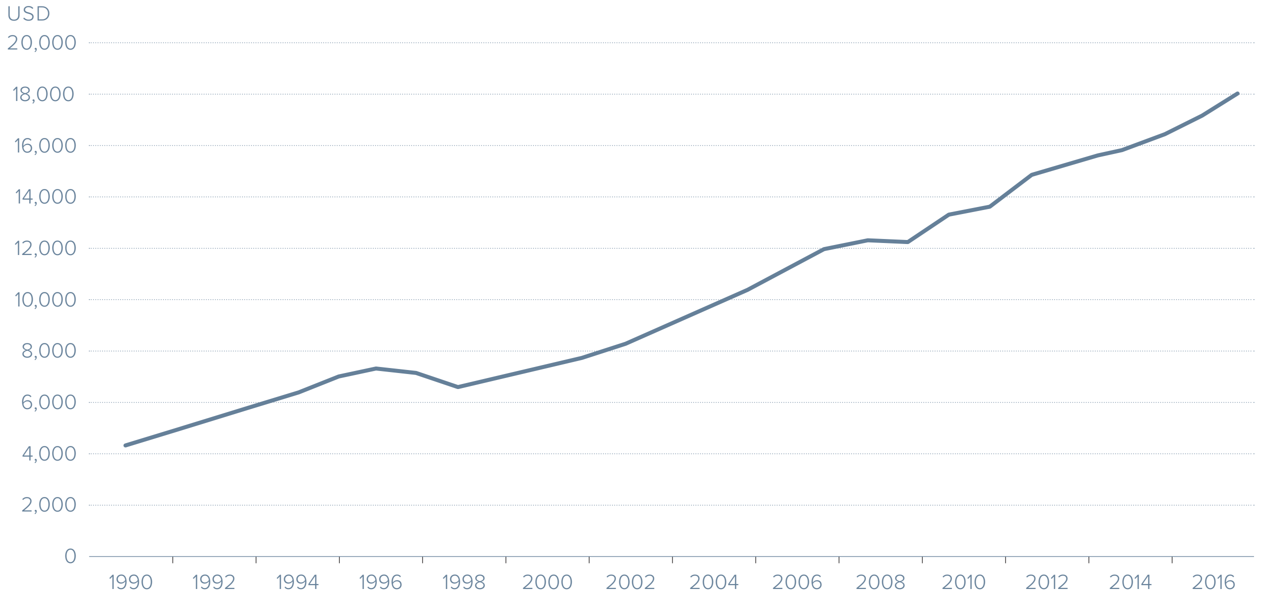




MAC = Middle and Affluent Class

Source: Boston Consulting Group

CHART 22: GDP PER CAPITA, PPP (CURRENT INTERNATIONAL USD)



Source: World Bank

Bangkok's newest megamall complex, the THB 54 bn ICONSIAM, is emblematic of the Thai luxury retail market's potential. Situated right across the Chao Phraya river, the luxury development caters to the indulgent shopper's every desire, playing host to Thailand's first Apple and Takashimaya stalls, a heritage museum, luxury residences, and world-class restaurants. Indeed, the project is the ultimate bellwether of Thailand's growing appetite for the extravagant.

WHERE DOES THAILAND STAND IN ASIA?

Julius Baer's Wealth Report Asia features the Julius Baer Lifestyle Index which is designed to capture typical items that would make up a large part of spending for HNWI in Asia. The Lifestyle Index is based on a basket of 22 luxury goods and services that represent discretionary purchases of HNWI in the region.

In the 2018 findings, Bangkok maintained its status as a relatively inexpensive city for shoppers, retaining its 7th place from 2016 to 2018 in USD terms.

CHART 23: CITY RANKINGS FROM 2016 TO 2018

	2018	2017	2016
Shanghai	1	2	1
Singapore	2	3	2
Hong Kong	3	1	3
Tokyo	4	5	4
Taipei	5	4	5
Seoul	6	6	6
Bangkok	**7**	**7**	**7**
Mumbai	8	8	11
Manila	9	9	8
Jakarta	10	10	9
Kuala Lumpur	11	11	10

Source: Julius Baer

Between 2017 and 2018, on a weighted-average basis, prices in Bangkok were flat y/y in local currency terms (+1.0%). However, the baht's appreciation translated into prices in USD being higher by 4.9%. The price of a degustation dinner rose by 44.4% in baht terms due to the inclusion of Bangkok in the Michelin Guide. Prices of cigars, men's suits and luxury residences also rose by 28.6%, 8.3%, and 4.9% respectively. In contrast, prices of a luxury hotel stay, ladies shoes, and legal consultation fees fell by 29.8%, 28.0%, 17.7%, and 17.0% respectively. Luxury hotel prices were hard hit by oversupply and increased competition from short-term accommodation providers such as Airbnb.

The capital of the land of smiles remains the 7th most expensive city in Asia based on the index. Luxury goods are more pricey in Thailand due to excise taxes on some imported luxury products whereas luxury services are generally well-priced due to lower operating costs in Thailand.

Keeping with its reputation as a haven for bargain hunters, throwing an opulent wedding is the most affordable in Bangkok. A golf club membership, business class flight, and night at a luxury hotel are also second most affordable among the focus cities.

Thailand's economy relies heavily on exports. The government is also focused on encouraging private spending and boosting infrastructure spending, though high household debt and lack of wage growth remain headwinds. Overall, we expect Thailand's GDP growth to reach 3.6% in 2019.

Higher energy costs and increased domestic spending are expected to push inflation higher, and we expect inflation to hit 0.9% in 2019.

THE CAPITAL OF THE LAND OF SMILES REMAINS THE 7TH MOST EXPENSIVE CITY IN ASIA ACCORDING TO THE JULIUS BAER LIFESTYLE INDEX.

THE COST OF LOOKING GOOD - HIS & HERS INDEX

To find out the cost of looking good for both men and women across Asia, Julius Baer compiled a list of luxury fashion items' prices. Overall, the cost of looking good for men in Bangkok surpasses that of women's.

Women's fashion items ranks as one of the most affordable across the 11 focus cities (9th overall), whereas men's items are ranked 5th in aggregate. For men, wrist accessory is the 3rd most expensive (3rd), whereas shoes are the most affordable (11th). Outfit, bag, and fragrance are all ranked 5th.

For women, fragrance is the most inexpensive overall (11th), while shoes and wrist accessory are ranked 6th. Bag ranked 7th, outfit ranked 8th.

CHART 24: HIS INDEX RANKING IN USD TERMS (2018)

	Hong Kong	Singapore	Shanghai	Mumbai	Taipei	Jakarta	Manila	Seoul	Kuala Lumpur	Bangkok	Tokyo
Wrist accessory Rolex, Day-Date II	8	6	1	9	4	5	7	2	10	3	11
Outfit Hermès Quentin reversible belt	9	4	10	3	7	11	2	6	8	5	1
Bag Louis Vuitton Porte-Documents Voyage	4	7	1	6	2	11	8	3	9	5	10
Shoe Ferragamo Cap-Toe Oxford	8	7	3	4	1	10	9	2	5	11	6
Fragrance Jo Malone Lime Basil & Mandarin cologne	7	8	2	10	4	9	1	3	11	5	6

Source: Julius Baer

CHART 25: HERS INDEX RANKING IN USD TERMS (2018)

	Hong Kong	Singapore	Shanghai	Mumbai	Taipei	Jakarta	Manila	Seoul	Kuala Lumpur	Bangkok	Tokyo
Wrist accessory Cartier Love Bracelet - white gold, diamond-paved	10	7	1	9	8	5	2	3	11	6	4
Outfit Hermès Etriers Tattoo scarf	9	11	4	2	5	10	7	1	6	8	3
Bag Diorama in black lambskin	6	5	1	11	10	4	3	2	9	7	8
Shoe Christian Louboutin pumps	8	4	11	10	5	9	7	1	2	6	3
Fragrance Penhaligon's The Coveted Duchess Rose Eau de Parfum	5	4	1	10	2	7	9	3	8	11	6

Source: Julius Baer

CHART 26: PRICE RANKING STARTING FROM THE MOST EXPENSIVE

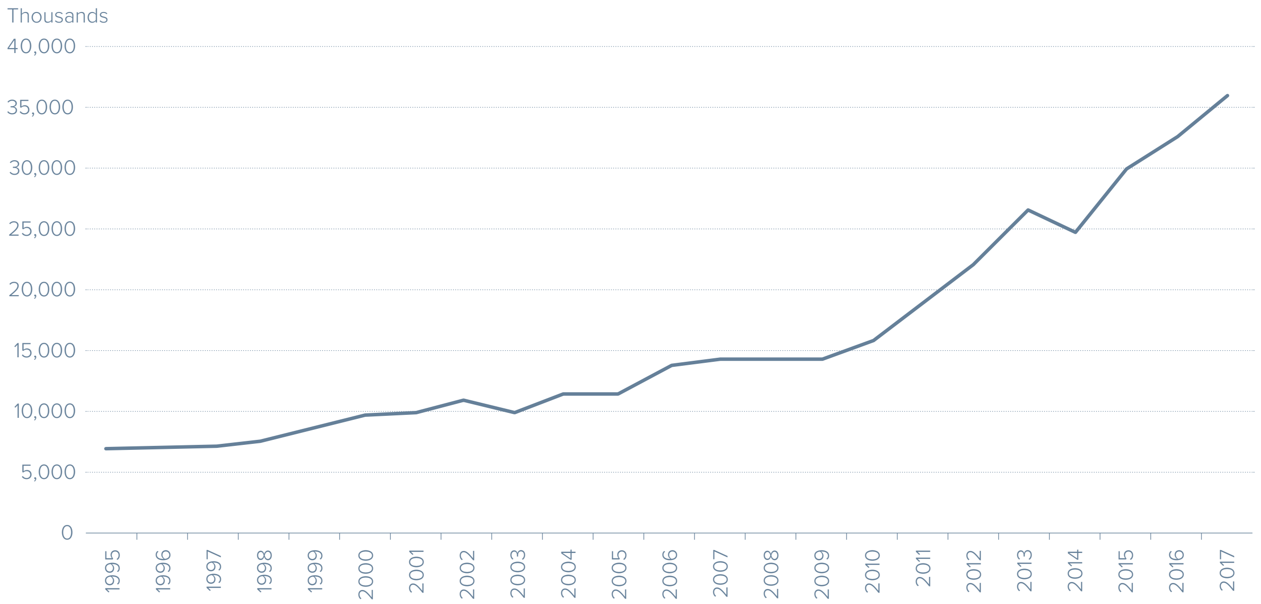
HIS INDEX		HERS INDEX
Seoul	1	Seoul
Shanghai	2	Shanghai
Taipei	3	Tokyo
Manila	4	Manila
Bangkok	5	Taipei
Singapore, Mumbai	6	Singapore
	7	Jakarta
Tokyo	8	Kuala Lumpur
Hong Kong	9	Hong Kong, **Bangkok**
Kuala Lumpur	10	
Jakarta	11	Mumbai

Source: Julius Baer

JULIUS BAER LIFESTYLE INDEX – FOCUS ITEMS

HOTEL SUITE

CHART 27: TOURISM ARRIVALS IN THAILAND



Source: World Bank

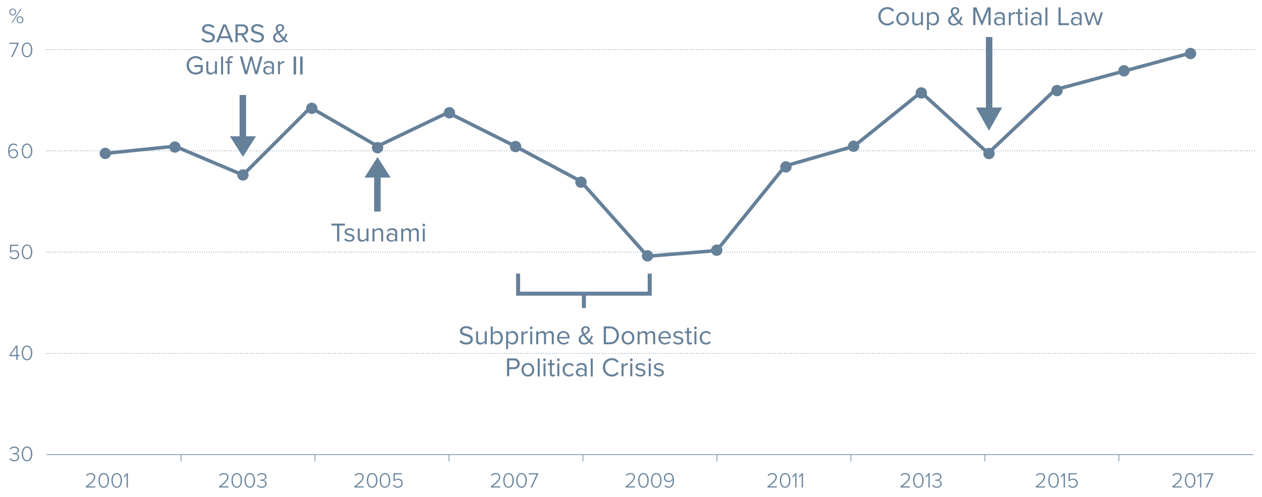
Falling Prices, Rising Numbers

Tourists visiting the land of smiles over the past few years may have a new reason to smile: falling hotel suite prices. Between 2017 and 2018, hotel prices have fallen 28.0% in local currency terms according to the Julius Baer Lifestyle Index. The fate of the hotel industry rests heavily on the number of tourist arrivals. Upbeat on Bangkok's tourism industry prospects, hoteliers have expanded aggressively in the capital. However, weak demand has plagued the Bangkok hotel industry in recent years. In the wake of crises such as the global financial crisis and Thailand's military coup, visitors have stayed away from the Thai capital, though the market is once again picking up. The luxury hotel stock is expected to increase by 18.2% between 2018 and 2022, welcoming brands such as Waldorf Astoria (August 2018) and Four Seasons (2019), and intensifying competition in this space.[37]

THOUGH PRICES HAVE FALLEN IN RECENT YEARS, BANGKOK'S LUXURY HOTELIERS HAVE SEEN THEIR AVERAGE REVENUE PER ROOM INCREASE BY 8.5% IN 2017

[37] Oxford Business Group

CHART 28: OCCUPANCY RATES RECOVERING IN BANGKOK



Source: BoT, Department of Tourism

The advent of short-term rental alternatives such as Airbnb also exerted downward pressure on hotel demand within Thailand. However, though prices have fallen in recent years, Bangkok's luxury hoteliers have seen their average revenue per room increase by 8.5% in 2017.

Chinese Dollars

The oversupply situation in Bangkok is also looking up. Though the national occupancy rate hovers under 70%, luxury hotel occupancy rates in the capital averaged 81% for the second half of 2017. In 2017, Bangkok received the accolade as the most visited city in the world for the third time running hosting over 20 m overnight travellers and it is forecast to grow a further 9.6% in 2018.[38] Chinese tourists accounted for the largest portion of international tourist arrivals. The rise of the Chinese middle class is set to be a key driver of growth for Thailand's tourism and hotel industries as the nouveau riche splurge their newfound wealth on luxury accommodation.

In anticipation of growing tourist arrivals, Airports of Thailand unveiled its USD 8 bn plan to triple capacity at Bangkok's Suvarnabhumi airport to 150 m. Spanning 4 phases, visitors may look forward to an expanded Suvarnabhumi airport (and hopefully a smoother transit and immigration process) when the dust settles for phase 2 come 2020.

MICE in Bangkok

Bangkok is also fast becoming a favoured destination for MICE industry. Thailand has also extended visa-on-arrival fee waivers for 21 nationalities to 31 July 2019, bolstering its tourism and MICE industries. Furthermore, the government has thrown its weight behind the industry. The Thailand Convention and Exhibition Bureau (TCEB), under the Office of the Prime Minister, set in motion a three-year, six-part MICE business development roadmap. This has spawned a total of 16 projects, which seek to leverage on digital technology, and foster sustainable growth for Thailand's MICE industry.

Conclusion

Though the hotel industry faces headwinds from intensifying competition and oversupply, the outlook is positive given the sustained growth of the underlying tourism industry. The ascendant Chinese middle class, along with MICE event attendees will be key drivers of this growth.

[38] Mastercard Global Destination Cities Index 2018

RESIDENTIAL PROPERTY

Foreign capital in the Thai capital

Luxury properties within Bangkok have appreciated modestly in the past two years, growing 4.9% in baht terms to reach THB 340,000 psm. In the final quarter of last year, prices of luxury condos rose more than 10%, outpacing every other market segment.[39] Though the property market is seeing healthy activity, the demand for luxury property is largely from foreigners. The average Thai is still reeling from the aftermath of the 2014 slowdown, and the introduction of tighter lending policies in April 2019 has compounded the lack of interest from locals. On the other hand, China's imposition of capital control measures has inadvertently stoked demand for real estate within the Thai capital. Foreign capital has found a home in Thai real estate, where prices are relatively inexpensive compared to properties in other Asian economies. Foreign buyers are also keen to avoid restrictions and increased taxes in other markets such as Singapore and Hong Kong. Property related taxes are largely the same for foreigners and Thais, and foreigners may own up to 49% of units offered in any freehold Thai condominium project.

CHART 29: LUXURY PROPERTY IN BANGKOK RELATIVELY INEXPENSIVE COMPARED TO OTHER ASIAN CITIES

	2018 cost (USD)	**2018 vs 2017 cost change**	2018 cost (Local currency)	**2018 vs 2017 cost change**
Hong Kong	54,307	5.26%	426,254	6.45%
Tokyo	40,878	-1.18%	4,556,667	-3.05%
Singapore	26,528	6.88%	36,125	2.79%
Shanghai	25,442	19.03%	173,863	18.09%
Taipei	22,817	5.24%	698,775	3.68%
Average	20,260	6.47%		5.64%
Seoul	14,962	12.16%	16,738,007	8.81%
Mumbai	11,181	2.01%	767,146	4.47%
Bangkok	**10,224**	**10.76%**	**340,000**	**4.92%**
Jakarta	7,093	-7.28%	102,231,628	0.14%
Manila	5,750	8.88%	305,333	15.63%
Kuala Lumpur	3,680	9.45%	14,962	0.07%

Source: Julius Baer

[39] Real Estate Information Centre

PROPERTY RELATED TAXES ARE LARGELY THE SAME FOR FOREIGNERS AND THAIS, AND FOREIGNERS MAY OWN UP TO 49% OF UNITS OFFERED IN ANY FREEHOLD THAI CONDOMINIUM PROJECT.

CHART 30: PROPERTY TAX REGIMES IN SELECT ASIAN CITIES

Foreigners Buying Luxury Property In	Down Payment	LTV	Property Tax	Buyer Stamp Duty	Seller Duty	Capital Gains Tax	Property Transfer Tax	Withholding Tax
Singapore	5%; or 10% if the loan tenure is more than 30 years or extends past age 65	75%; or 55% if the loan tenure is more than 30 years or extends past age 65	Progressive, up to 16% of Annual Value* of property	Progressive rate of up to 4% on purchase price + 20%	Dependent on purchase date and holding period of property	Nil	Nil	Nil
Hong Kong	10%	Capped at HKD 4,000,000. 40% (50% if < HKD 10 m) of the purchase price, or assessed value, whichever is higher. 30 year repayment period	Flat rate 15%, based on assessable amount**	15% (AVD) + 15% (BSD)	Dependent on purchase date and holding period of property	Nil	Nil	Nil
Thailand	20%	80% of appraised value	Condominiums have no property tax	Nil	Either 0.5% on appraised or actual transaction value (whichever is higher) or 3.3% Specific Business Tax if sold within 5 years	Progressive rates of 10 to 37%	2%	Dependent on appraised value, number of years in possession, progressive personal tax rate

Source: Julius Baer, Monetary Authority of Singapore, Hong Kong Monetary Authority, BoT

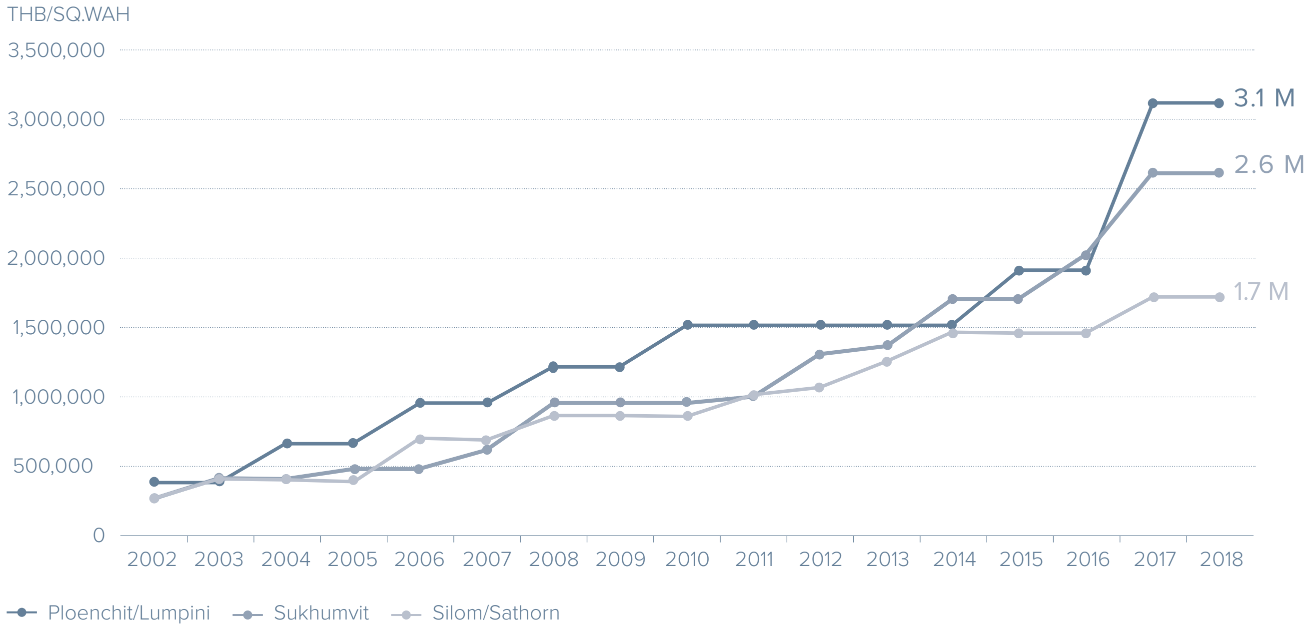
* Annual Value of property = property's monthly market rent x 12

** Assessable Amount = Rental income (12 months) - rent not recoverable - rates paid by owners - 20% allowance for maintenance and other related purchases

In addition, investors are optimistic that scarcity of prime buildable land within Bangkok will boost high-end property prices in the years to come.

Land prices in downtown Bangkok have steadily appreciated over the years, reaching over THB 3.1 m per sq. wah (4 sqm) in Ploenchit/Lumpini.

CHART 31: LAND PRICES IN BANGKOK CONTINUE TO RISE



Source: CBRE Research

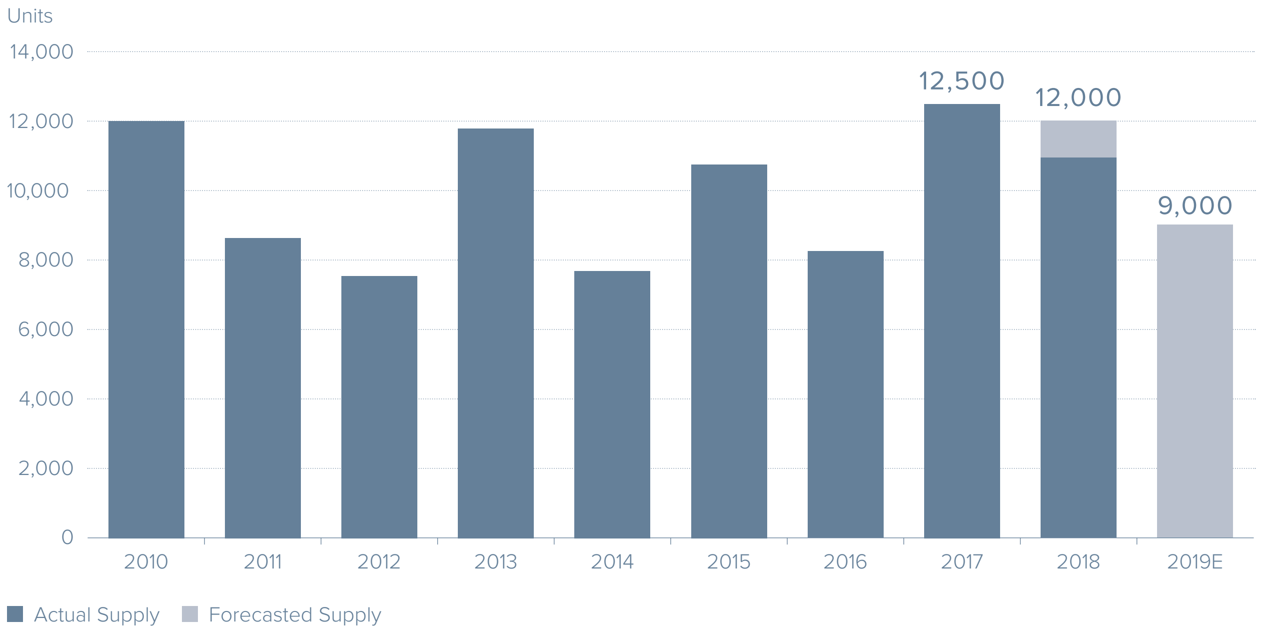
Challenges

However, there are short-term challenges to Bangkok's real estate market. The market's dependence on foreign capital comes with its own risks and the availability of foreign capital mirrors the ups and downs of their respective economies. Furthermore, increased down payment requirements and higher interest rates could drive profit-seeking investors to other markets. In addition, that there is a glut of luxury condominium projects in Bangkok, and developers are seeing a decline in interest.[40]

Outlook

Overall, the long-term outlook of Bangkok's property market is still promising. Large-scale projects such as China's One-Belt-One-Road initiative and the Eastern Economic Corridor, and the extension of the Bangkok Mass Transit System (BTS) lines will drive infrastructure improvements within the city and enhance future growth.

CHART 32: 2019 DOWNTOWN CONDOMINIUM LAUNCHES FORECASTED TO FALL



Source: CBRE Research

[40] CBRE - Asia Pacific Real Estate Market Outlook 2019

DEGUSTATION DINNER

Food Paradise of Asia

Beloved by epicureans all over the world, Bangkok's gastronomic scene is world-renowned. Having first gotten a taste of pad thai, tom yum goong, and khao pad sapparod (pineapple fried rice) in their home countries, thousands of ravenous gourmands flock to Thailand just to get an authentic taste of their favourite dishes in the land where it all began. Thailand's street food scene has also brought us the begoggled Jay Fai, Thailand's street food "wok-star", who is arguably the face of Thai street food.

THE COST OF A DEGUSTATION DINNER IN THE THAI CAPITAL SURGED 44% BETWEEN 2017 AND 2018 IN THB TERMS, REFLECTING A GREATER APPETITE FOR FINE DINING IN THE CITY.

Culinary Revolution

However, Thailand's food scene is undergoing a culinary revolution. In a broader drive to "return the pavements to pedestrians" and clean up the streets of Bangkok, authorities have begun shepherding food vendors to designated hawker centres à la Singapore's own transformation in the early 1970s.

Safely housed in shop houses and swanky shopping malls, Thailand's fast growing restaurant scene has been spared from the culling. In fact, Bangkok's burgeoning fine dining scene has firmly taken root in the city in recent years and its restaurants have emerged darlings of food connoisseurs. Bangkok's restaurants are heavily represented in the Asia's 50 Best Restaurants 2019 list, occupying eight coveted spots. Chef Gaggan Anand's eponymous restaurant also held the top spot for four years, before being dethroned this year (though it still remains number two). Fine dining authority Michelin has also taken note, launching the inaugural 2018 edition of the Michelin food guide for Bangkok, Phuket and Phang-nga in December 2017.

Julius Baer Lifestyle Index

The cost of a degustation in the Thai capital surged 44% between 2017 and 2018 in THB terms, reflecting a greater appetite for fine dining in the city. Additionally, following the launch of the inaugural Michelin food guide in Bangkok in December 2017, Sra Bua was replaced by two-Michelin starred restaurants, Le Normandie and Mezzaluna, to align Thailand with the selection criteria for the basket of restaurants in the Julius Baer Lifestyle Index.

Though not quite Paris or Tokyo, Bangkok's recognition by Michelin gives experiential dining seekers an extra reason to visit the land of smiles for their next luxury getaway.

HOSPITAL ROOM | BOTOX | LASIK

Rise of Medical Tourism - Thailand 4.0

As the oft-repeated saying goes, "health is wealth". However, this adage has taken on new meaning in Thailand. Medical tourists and their companions spend considerably more than traditional tourists do, forking out for ancillary services such as accommodation, food, shopping and flights on top of their medical treatments. Keen to capitalise on the tremendous economic potential of the medical tourism industry, the Thai government has codified its desire to achieve medical hub status in its Thailand 4.0 strategy. To that end, the Ministry of Public Health and Ministry of Tourism and Sports also established a strategic committee that supports relevant projects and developments.

Thailand is fast becoming a preferred destination for medical tourists from all over Asia thanks to reasonably priced, quality medical treatment offered at its many accredited hospitals. Currently there are 61 Joint Commission International accredited facilities within Thailand, and over half are found within the Thai capital. A total of 1.5 m medical tourists also visited Thailand in 2017 for cosmetic and medical treatments, a number that is set to rise.[41]

THAILAND IS FAST BECOMING A PREFERRED DESTINATION FOR MEDICAL TOURISTS FROM ALL OVER ASIA THANKS TO REASONABLY PRICED, QUALITY MEDICAL TREATMENT OFFERED AT ITS MANY ACCREDITED HOSPITALS.

Ease of Entry

There can be no medical tourism industry without medical tourists. On top of quality, accessibility is an important consideration for many patients. Individuals hailing from neighbouring countries such as Myanmar, Cambodia, Laos, Vietnam, China, and the Gulf Cooperation Council are eligible for visa-free entry into Thailand for up to 90 days while seeking medical treatment. The patient may also be chaperoned by up to four companions, who will also enjoy visa-free treatment. Individuals over 50 years old seeking long-term or regular medical treatment in Thailand may apply for a 10-year long stay visa, granting multiple entries into the Kingdom.

Land of Frozen Smiles, Laser-Focus and Hospital Suites

The Julius Baer Lifestyle Index tracks the prices of three healthcare related items: botox, hospital suite, and lasik.

Keen to capitalise on the growing medical tourism market, clinics have sprouted in the Thai capital to cater to this anticipated boom. However, the growth in capacity for cosmetic procedures within Thailand has outpaced demand. Consequently, compared to a year ago, clinics in Bangkok are charging 29.8% less for botox services in THB terms (-27.7% in USD terms). The magnitude of decline is the largest amongst our 11 constituent cities, and overall in USD terms, the price of botox services ranks 7th in Bangkok.

Hospital suite rates increased by a modest 4.2% in THB terms between 2017 and 2018. In contrast, Lasik surgery prices were flat during the period. This rise in room rates could be a result of the aging Thai population and an influx of medical tourists from Asia. The United Nations has forecast the doubling of Thais aged 60 or over by 2050 to 23 m, which will further stress the country's public health system and drive demand for private medical facilities.

[41] Oxford Business Group

CONCLUSION

The steady momentum in global growth is encouraging. Although the pace of economic activity in the US is dependent on further fiscal stimulus, which is not guaranteed, economists generally agree that there is no longer the need to warn about a slide in the global economy.

In Thailand, investors can take comfort that the economy remains fiscally strong. Thailand's healthy foreign exchange reserves should provide some buffer against market volatility. Firm domestic demand is an important factor, while key industries are expected to continue their moderate growth momentum. The country's long-term economic potential is also promising as it stands to benefit from its EEC development project.

Steadily growing household wealth, economic development and a buoyant domestic property and stock market all augur well for the Thai wealth market. The rise of the affluent middle class is a critical income segment, which should lead to improved domestic consumption.

Finally, our client survey provides key learnings into the portfolio allocation and investment preferences of onshore HNWIs in Thailand and highlights the many opportunities that exist.

We hope you have gained valuable insights from our findings in the Wealth Report Thailand 2019 and that they have been informative for you.

SCB Julius Bär

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