



PRESS RELEASE

KBL *epb* highlights investment outlook for China, India & Japan

- *China poised for soft landing, despite recent stock market volatility*
- *Indian growth accelerating, but concerns remain about pace of reform*
- *Japanese corporate earnings rise, as overall expansion stays subdued*

Luxembourg; June 30, 2015: As the global balance of economic power continues to shift to the east, Asia's three largest markets offer compelling investment opportunities, according to the Group Chief Investment Officer at KBL European Private Bankers (KBL *epb*), which today released its mid-year outlook for China, India and Japan.

Highlighting that China is set to shortly overtake the United States as the world's largest economy, Stefan Van Geyt, KBL *epb's* Group CIO, emphasized that – despite slowing GDP growth, ongoing consumer price declines and recent stock market volatility – China remains poised for a very soft landing.

"China's economy is in a transitional phase," said Van Geyt. "Dependence is moving away from exports, property, industry and infrastructure towards a consumer-led economy dominated by services – a sector that has doubled in size in the past two decades and now accounts for almost half of GDP."

Pointing out that the country is in the midst of opening its equity markets to increased foreign participation, he said that enhancing domestic corporate governance and transparency would prove key in the long term. "In the meantime, while some detect signs of a mainland bubble, we see opportunities for foreign investors to balance that risk, potentially by blending renminbi-quoted A-shares with cheaper H-shares, which are quoted in Hong Kong."

Turning to India, Van Geyt highlighted the country's significant demographic dividend: with almost 30% of the population under the age of 15, India will be home to over 1.6

billion people by 2050, nearly equal to the populations of China and the United States combined.

Currently the world's fastest-growing large economy – with 2015 annual growth forecast to approach 7.5-8% – India is now addressing systemic issues such as corruption, bureaucracy and costly state subsidies, including on gasoline.

According to Van Geyt: "Given India's massive dependence on energy imports, cheaper oil has had a direct, positive impact on the country's current account deficit, which is down to about 1.5% of GDP from 5% levels in 2013. Lower energy prices have also allowed the Central Bank to reduce the base rate from 8% to 7.5% after two rounds of cuts, with more likely to come."

Stressing that doubts remain about the government's ability to push through its full reform package, he said that strong corporate earnings growth continues to support an overall bullish view on Indian equity markets. "India has tremendous potential," said Van Geyt. "The question is only when that potential will be fully realized."

Concluding with an overview of Japan, Ilario Attasi, KBL *epb's* CIO, Luxembourg, said that the investment opportunity in that country was more immediate than in China and India, which are longer-term growth stories. "Although macroeconomic developments remain subdued, there are very good reasons to be positive on Japan's equity markets – especially the corporate sector's increasing focus on generating profitability and shareholder value."

He said that all eyes are on Prime Minister Shinzo Abe, whose three-arrow reform programme aims to liberalize the economy and foster innovation by freeing up the healthcare sector, facilitating entrepreneurship and overhauling corporate governance.

"So far," according to Attasi, "the Japanese government's strategy has resulted in accelerated earnings growth, set to potentially reach 20% this year. Valuations are also poised to remain attractive, particularly compared to other regions."

Further analysis is available in *Asia's Bright Future*, KBL *epb's* 2015 mid-year outlook for China, India and Japan, which can be downloaded at: www.kbl.lu

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About KBL European Private Bankers:

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The group extends a range of additional investment solutions through its Asset Servicing (including Fund Administration and Global Custody), Global Markets, Asset Management and Life Insurance business lines.

With the full support of its shareholder, Precision Capital, a Luxembourg-based bank holding company, KBL *epb* is consolidating its presence across Europe.

For further information, please visit: www.kbl.lu

For further information about KBL European Private Bankers or to request a copy of *Asia's Bright Future*, please contact:

Nicholas Nesson
Group Head of Corporate Communications
KBL European Private Bankers S.A.
43, boulevard Royal
L-2955 Luxembourg
T: +352 4797 2065
E: nicholas.nesson@kbl-bank.com

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