January 2018

Thailand Equity Market

Market Summary

January review - The SET Index continued its upward movement from the end of 2017 base of 1750 points with support from the prospects of higher U.S corporate earnings after President Trump tax reform was passed and became law. At the same time, oil price surged to reach highest level in 3 years on the back of production cap agreement between OPEC and Russia together with crude inventory report that continued to show positive outlook for oil. Thus, the energy sector as well as refiners, petrochemical and power producers showed strong upward price movements. SET index successfully set a record high level of 1848 points in mid-January. Despite multiple positive developments, U.S. government shutdown reoccurred but did not have meaningful impact to global equities and resumption took only one working day. Near end of the month, SET struggled to surge further as its valuation reached a record level. As SET index approaches the 1850 level, sell-off began. The SET Index closed at 1826.86 points. Foreign investors had a net sell position of THB5.7 billion.

Index and Trading Summary by Investor Types

SET Index closed at 1,826.86, rising by 4.17% from the previous month.

Investor Types	Buy (MB)	Sell (MB)
Institution	185,323	179,893
PropTrade	200,064	194,680
Foreign	536,638	542,337
Individual	691,259	696,375

Net position (MB)

	WTD	MTD	YTD
Institution	258	5,430	5,430
PropTrade	1,800	5,385	5,385
Foreign	(4,981)	(5,699)	(5,699)
Individual	2,923	(5,116)	(5,116)

Monthly Strategy

The SET Index's stretched valuation – with forward 2019 P/E standing above +2.0 SD carries downside risks. The earnings yield gap shows a diminished return and a downward move in bond yield. Important to keep an on the USD Index as a shift towards a strengthening bias would spur profit-taking on oil positions, pressuring energy stocks. Also watch the political risks in the US with the next debt ceiling on Feb 8, possibly leading to another government shutdown. Further risks are U.S. increases of the import tax and trade negotiations that are currently stoking up fears over a global trade war which is worrisome for Thai exports. This month brings: 1) Earnings reports, 2) FOMC meeting on Feb 14 (no rate hike expected), 3) Feb 19 – TH 4Q17 GDP with SCB EIC expects 4.8%YoY, up from 4.3%YoY in 3Q17; 4) Progress on EEC bill; 5) Jerome Powell takes the FOMC helm.

Fixed Income Fund Market

Market Outlook

In January, Thai government bond yield curve steepened partially as yields on the 2 year tenor declined by 9 bps whilst the 10-year bucket merely edged down by 2 bps. In short, yield on the very short end of the curve (0-1 year tenors) fluctuated between -4 to +1bps as a result of flush liquidity in the banking system. Meanwhile, the yield on 10-15 year tenors moved within the range of -2 to +2 bps on the ground of robust employment data from US and rising US Treasuries yields, prompted by proposed USD 4.4 trillion budget by Trump's administration and Fed's decision to hold the policy rate as expected but hinted at higher inflation going forward coupled with expectation of 3-4 more rate hikes in 2018. In essence, yields at 0-3 year tenors that is commonly tied to BOT policy rate, sideway between -9 and +1 bps, whereas the yields between 7-10 year buckets fell by 1-2 bps. As a consequence, the yield curve steepened, and the 2-10 year spread increased to114 bps versus 107 bps in December 2017. International flow wise, foreign investors remained a net buyer of Thai bonds by THB 63.3 billion in January 2018 vs. a net buyer of Thai bonds by 18.3 billion in December 2017. In effect, net holding by international investors has risen from THB 852 bln. to THB 922 bln. for the same period.

Economy

According to BOT, The overall economy in December 2017 continued to expand. Merchandise exports and tourism sectors gained further traction, consistent with the continued improvement in external demand. Exports soared 9.3%YoY versus 12.3%YoY growth last month. Excluding gold, exports grew 10.0%YoY (previously +14.4%YoY). Private consumption slow down to 1.0%YoY due to weaker spending on durable and semi-durable goods, partly attributable to lower farm income. Even though, tourist arrivals registered a 15.5%YoY growth in December, down from the 23.2%YoY growth in prior month, thanks to the growth in the number of tourists from China and Malaysia. Nevertheless, the number of tourist arrival surged to 3.5 million in December versus 3.0 million in November. However, government expenditure was a drag last month, with the current expenditures shrank (-1.4%YoY in December 2017), whilst the capital spending plunged by 29.8%. In addition, private investment indicators remained subdue, growing by only 0.5% as reflected by the decline in permitted construction area, construction material index and declined capital goods imports. Overall we expect the Thai economy to accelerate in 2018, with the BOT may revise up the GDP forecast higher from current 3.9%YoY growth in 2018. The Bank of Thailand may upgrade its current GDP growth forecast of 3.9% for 2018 because state investment is expected to provide a larger boost, particularly from a recently approved THB 150 billion supplementary budget. In fact, the Fiscal Policy Office (FPO), Ministry of Finance recently raised its 2018 growth estimate to 4.2%.

January headline inflation came in at 0.68%YoY and missed the market expectation at 0.80%YoY. The main contribution to lower inflation has been lower prices of fresh food on the back of increased supply. Core CPI, albeit, was relatively more stable at 0.58% versus 0.62% last month. However, the ministry of commerce has revised up the inflation forecast by 0.1pt to 0.7-1.7% as it expects price pressure to come from recovery in domestic consumption and exports growth resilience.

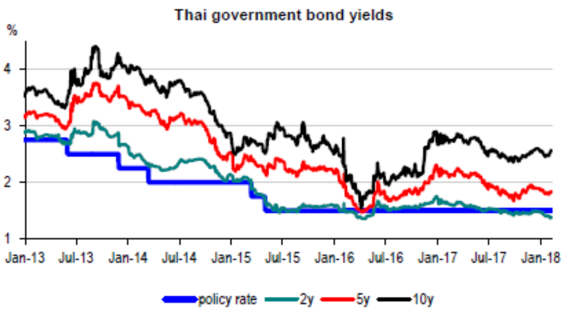
Outlook for Bond market in February 2018

From the economic indicators, the US economic growth moderated somewhat, with the advance reading of annualised US GDP in 4Q17 penciled in at 2.6%, lower than 3.0% expected, comparing to 3.2% in 3Q17. However, the US private job market remained robust with the ADP private jobs in January, recording new job creation of 234K vs. 185K forecasted. Moreover, U.S. nonfarm payrolls (NPF) surprised on the up side and eclipsed the consensus in January 2018. Essentially, the economy created 200K jobs versus 180K new jobs creation expected. Nonetheless, the unemployment rate remained at 4.1%--a 17-year low. Moreover, Federal Reserve is likely to gradually normalise its policy rate in this year whilst risks to financial stability remained on watch according to the new Fed chairman. As such, provided the solid job market indicators, the market has materially raised the probability of Fed rate hike in March 2018 to 100% from 82% in the prior month and priced in 3-4 rate hikes in 2018, up from 2-3 rate increases previously. However, the PCE Core stabilised at 1.5% in December 2017, still below Fed's target of 2%. Nevertheless, Fed opines that inflation will move closer to its 2% objective in medium term. In the meantime, U.S. Initial jobless claims in the last week of January 2018 were slightly lower than anticipated. Jobless claims recorded at 233K in the last week of January 18 (vs. 235K expected). On the contrary, US retail sales Ex Auto for December 2017 were in line with forecast at 0.4% MoM, beating expectation of 0.3% and versus 1.0% in the previous month.

Furthermore, U.S. December durable goods orders jumped 2.9% vs. 0.8% expected, and 1.3% expansion in the previous month. Likewise, U.S. consumer confidence from Univ. of Michigan in January was slightly higher than projected, registering at 95.7 against the consensus survey at 95.0. Meanwhile, U.S. house prices in 20 main cities as represented by the S&P CoreLogic CS index continued to grow consistently from last month. House price index surged by 6.41%YoY in November, fastest pace since 2014, after a gain of 6.38%YoY in October. Nonetheless, U.S. existing home sale number in December was dismal, with the data showing a -3.6%MoM contraction in December versus -1.9% estimated and a 5.6% increase in previous month. Similarly, US New Home Sales plummeted considerably, shrinking by -9.3% MoM in December 2017 compared to -7.9% projected. In contrast, the US ISM Non-Manufacturing sector in January expedited significantly to 59.9, surpassing the market estimates at 56.7. By the same token, U.S. ISM manufacturing indicator surpassed the expectation, rising to 59.1 vs. 59.7 last month, and above market's anticipation at 58.6.

The US government has proposed 2019's fiscal budget of USD4.4 trillion. The proposed spending includes USD200billion for infrastructure spending and USD23billion for enhanced border security. Furthermore, The US House passed the stopgap funding bill to avoid another shutdown. A temporary spending bill was passed by the house which will allow the government to operate until the 23rd of March 2018. In light of recent comment in Fed Minutes, the Fed kept the rate unchanged in January as expected but sounded slightly more Hawkish. The committee said that it expected inflation "to move up this year". Thus, the market has raised the number of rate hike in 2018 from 2-3 rate hikes o 3-4 hikes. As a consequence, the possibility of rate hike in March and June 2018, as reflected in the Fed Fund Futures contract, stands at c. 100% and 100% respectively. Bank of England unanimously hold its policy rate unchanged. The Bank of England kept the rate unchanged at 0.50% and hold the asset purchase program unchanged at GBP 445 billion. UK inflation stayed close to the six-year high level at 3.0% in January. Meanwhile, Japan's 4Q2017 GDP subsided to only 0.5% vs. 1.0% expected and 2.5% in the prior quarter.

Domestic wise, in Jan. 2018, yield for 3-mth bill has fallen from 1.19% to 1.15% vs. policy rate at 1.5%, reflecting flush liquidity in local banking system. Provided the weaker-than-expected inflation in Jan 2018, BOT is likely to hold rate for 2018, whilst Fed is expected to raise the rate 3-4 times. Hence, policy divergence to continue. We, therefore, opine that BOT will keep rate unchanged in the medium term. Although the BOT has slashed Headline Inflation to 1.1% from 1.2%, we believe that BOT is still comfortable with this level and foresee the rise of inflation to the lower bound of inflation target of 1-4% in the midst of 2018.



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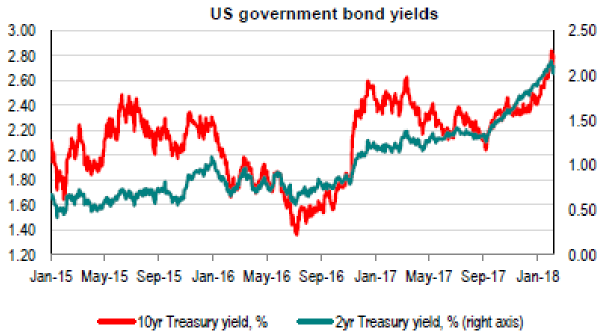

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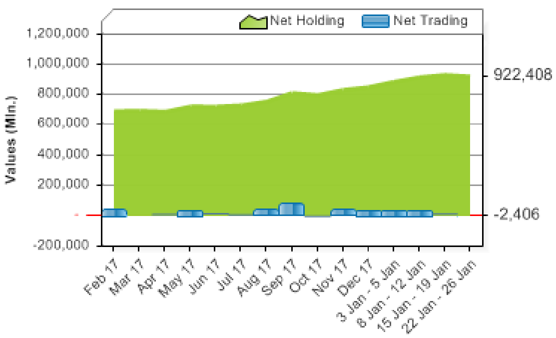

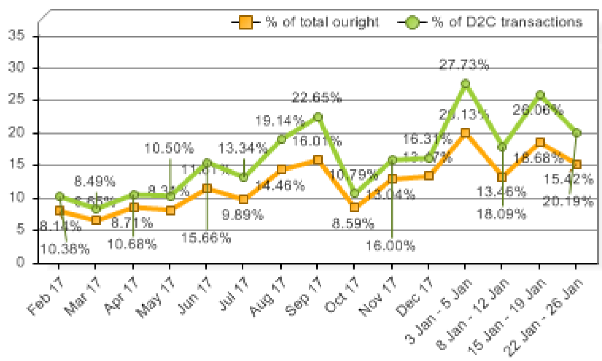

Manulife Asset Management

Fund Commentaries (Monthly)

Fund Managers' Comment of Master Funds (As of December 2017)

MGF-Asian Small Cap Equity Fund

Market Review

Asia Pacific ex Japan small cap equities finished higher for the month of December, closed at its high to finish 2017, and delivered positive returns every month in 2017. Asian markets were lower to start the month on concerns over a potential US government shutdown, delay on US tax reform, and lower commodity prices. However, strong trade data from China and higher commodity prices provided a boost for the markets into year end. Also, the US President signed the tax reform plan into law, providing upside risk to US economic growth.

India and Australia were the top performers and benefitted from higher commodity prices during the month. China also performed well on stronger economic data. Although Fitch upgraded Indonesia's sovereign rating, the market underperformed for the month. Taiwan underperformed due to weakness in the technology sector as concerns over lukewarm demand for the iPhone X negatively impacted Apple supply chain names.

Portfolio Review

The Fund benefitted from stock selection at the country and sector level, as well as asset allocation decisions at the sector level. Stock selection in Australia was the largest contributor to performance for the month, particularly in industrials, technology, and energy. In technology, performance came from a company that provides short-term funding for small-ticket retail purchases. This innovative operating model should be a beneficiary as consumption growth slows given that merchants will increasingly employ this service to drive sales growth. The Fund's industrial holding in waste management and in a civil contractor for rail, road, and tunnel construction also outperformed.

Hong Kong/China also contributed positively to performance with the US-listed healthcare names outperforming. One was responsible for large portion of this, as it broke out to new highs after announcing it had initiated the US Phase 1 bridging trial of a product for advanced solid cancer tumours.

Offsetting some of the outperformance was stock selection in India and Taiwan industrials.

Market Outlook

We remain positive on Asian small cap equities. We see ample grounds for careful stock picking, as several companies remain at attractive valuations, especially relative to large cap equities. Fundamentals (including positive earnings revisions) throughout the region generally support outperformance of Asian equities, together with potential for catch-up by small cap equities. We would regard any weakness as a buying opportunity.

MGF-Dragon Growth Fund

Market Review

The Hong Kong/Chinese equity markets delivered a 2.11% return in December, as measured by MSCI Zhong Hua in US dollar terms. For the full year of 2017, the index delivered a solid return of 49.35%.

In December, for Chinese equities, healthcare and consumer staples were by far the best performing sectors with double digit returns. Key China market news included an announcement by China financial regulators to regulate cash loans issued by online micro lenders and tighten regulations on banks' liquidity management. The Annual Central Economic Work Conference was held in mid-December, laying out key tasks and economic policies as discussed in the 19th Party Congress.

In Hong Kong, the market was supported by properties and Macau's gaming sector, while Hong Kong banks lagged amid the Fed's rate hike and increase in Hong Kong Interbank Offered Rate (HIBOR). Exports to Asia stayed robust, while exports to China and US accelerated.

Portfolio Review

In December, stock selection in healthcare and financials added value, while stock selection in information technology hurt performance. At the country level, stock selection in China added value, while exposure in Hong Kong detracted.

At the individual stock level, two biopharmaceutical companies were the top contributors this month – one offers multiple segments in the value chain, including pharmaceutical manufacturing/distribution, healthcare services, and medical devices. The other company specialises in hepatitis and oncology related drugs with a robust pipeline. In the past, domestic biopharmaceutical companies had no incentives to innovate, given the long queue for seeking approval. With the regulators' updated guidance on review and approval prioritisation to encourage drug innovations, these upstream players are expected to benefit from a more efficient platform.

On the other hand, a Taiwanese electrical components manufacturer, as one of the Apple concept names, was the top detractor in December, as Apple reportedly proposed to trim iPhone X sales projections in the first quarter of 2018 by 40%. Another detractor was the third largest social media platform in China. Despite the strong growth in monthly active users and revenue growth, the stock had a pause without deterioration in fundamentals, as investors took profits on the back of a 155% 2017 full-year return.

Market Outlook

Chinese/Hong Kong equity markets enjoyed a stellar year in 2017. Looking ahead, we remain positive on the asset class based on four bright spots: solid footing of earnings growth, compelling valuations, global investors still underweighting the Chinese equity asset class, and continued southbound liquidity.

In terms of investment strategy, we will continue to identify investment opportunities that can benefit from the various investment trends that we favour, such as focus on R&D capabilities and environmental-related themes. In December, we added further to the healthcare sector with a more optimistic drug sales outlook for selective upstream players. The regulator is dedicated to speed up the approval process and build a quality healthcare platform with higher drug efficacy. Within the technology and internet related sectors, we expect returns will not be as extravagant as that of 2017. While we will still maintain a decent position in the segment, we will only focus on the dominant leaders with clear value propositions, and the key is to be selective.

MGF-India Equity Fund

Market Review

The Indian equity market rallied during the month of December, outperforming most other markets regionally. The key driver of the strong performance was the Bharatiya Janata Party's (BJP) victory in the state elections of Gujarat and Himachal Pradesh, which ended the overhang about any political upset. Also, many high frequency data indicators look good and are suggesting a cyclical recovery. Retail credit growth, fuel consumption growth, passenger vehicle sales, commercial vehicle sales, airport passenger traffic growth, and cement production posted strong prints for the month of November.

Portfolio Review

Consumer discretionary, information technology, telecommunication, and materials outperformed the markets. On the other hand, energy, utilities, financials, and industrials underperformed the markets. Consumer staples, healthcare, and industrials broadly performed in line with the markets. Consumer discretionary did well as automobile stocks rallied after posting strong growth in monthly volumes; information technology outperformed on the back of improving global growth outlook along with inexpensive valuations. Telecommunication outperformed as competition has bottomed out and tariffs saw an increase. Materials outperformed as metal prices remained strong during the period. Energy underperformed as rising crude oil prices will negatively affect the margins of the oil marketing companies. Utilities underperformed being a defensive sector in a rising market. Financials underperformed as rising yields will negatively affect their borrowing costs.

The Fund benefitted from stock selection in industrials and healthcare. It also benefitted from an overweight in real estate and underweight in energy. On the other hand, both stock selection and the overweight in financials and consumer discretionary were the main detractors from performance.

Market Outlook

We remain optimistic on the domestically-driven India story. We believe that the recently announced bank recapitalisation plan of US$32 billion for the Public Sector Banks (PSBs) will accelerate the process of recognising and resolving the pipeline of bad assets and facilitate higher credit flow to the economy, driving broad based economic growth. We are optimistic on the prospects of the beneficiaries of this credit flow in sectors such as industrials, materials, and real estate. We also believe due to formalisation of the economy, new markets for credit in retail and SMEs will open up. We are bullish on financials like mid-sized private banks, diversified lenders, etc. Also, due to formalisation, we have seen financial savings going up, which should be positive for wealth managers and insurance. We also like autos and white goods as affordability improves with lower financing costs. We are also optimistic that, because of reforms, the Indian economy will formalise and become more efficient and tax compliant. This also opens opportunity for the organised sector to gain market share. There are substantial opportunities in organised retail, apparels, jewellery, logistics, light electrical, temp staffing, and real estate. We are bullish on them.

We also believe that because of supply side reforms in China, global excess supply in global materials is in better balance and we are selectively bullish on certain names.

Keeping these themes in mind, we are overweight in industrials, financials, real estate, and utilities. While we remain underweight on the overall telecommunication sector, we have recently increased weight in specific stocks as price deflation in the sector has ended and a frenetic pace of consolidation in the number is benefitting players with stronger balance sheets. We remain underweight in technology owing to the sector facing disruption-led challenges and a weak near-term earnings outlook. We are underweight in healthcare where large players are seeing generic drugs price erosion in US and regulatory challenges. We are also underweight on global cyclicals like energy. We are also underweight in consumer staples where valuations are rich and earnings growth is slower compared to other sectors where we are bullish.

MGF-American Growth Fund

Market Review

The US stock market edged higher this month. Stocks rallied as the US Congress passed both a major overhaul of the US tax code, and a short-term spending measure to prevent a federal government shutdown. Furthermore, improved economic data prompted the Fed to edge its key short-term interest rate target higher. Within the broad-based S&P 500 Index, notable gainers included the telecommunication services sector (which benefited from relaxed regulatory restrictions), and energy stocks (which rallied as oil prices rose above US$60 per barrel). Laggards included the dividend-paying utilities sector, followed by the real estate, healthcare, and information technology sectors.

Portfolio Review

The Fund's lack of exposure to the weak-performing utilities sector aided relative performance. Individual stock contributors included premium mattress company Tempur Sealy, which is not in the benchmark. Its shares rebounded from a disappointing revenue report following the release of strong housing data. In the financials sector, our investment in Bank of America rose, as higher interest rates and tax reform bolstered earnings prospects.

Stock picks in consumer discretionary most hindered the Fund's relative performance. However, the biggest individual detractors came from elsewhere. Shares of Ireland-headquartered pharmaceuticals company Allergan, maker of Botox anti-wrinkle cream, declined due to concern about the upcoming expiration of the company's patent for Restasis, a dry-eye treatment. Our investment in General Electric, a diversified industrials conglomerate, also slid as investors waited for restructuring efforts to deliver improved results.

Market Outlook

We remain encouraged about the stock market's prospects, given improving US and global economic growth. We expect equities to benefit from continued recovery in the housing market, better consumer balance sheets, and a healthy financial system. The recent tax overhaul also has the potential to boost earnings growth, in turn helping stock prices. Although valuations are not cheap on a historic basis, we continue to find opportunities to invest in financially sound companies that seem attractively valued relative to our estimate of their intrinsic worth.

MGF-European Growth Fund

Market Review

The MSCI Europe Total Return Index gained in the final month of the year, as the EU's GDP growth accelerated to 2.5% after several years of a halting recovery. The Trump administration's reduction of the US corporate tax rate, from 35% to 21%, could boost earnings for European corporations with US operations. However, the elimination of offsetting tax deductions could reduce the impact.

Investors increased their exposure to economically cyclical sectors. The mining sector benefited from the price of copper, which soared in recent months due to supply disruption in China and robust global demand.

Portfolio Review

Dixons Carphone was the largest contributor to the Fund's performance during the period after announcing the adoption of a simpler distribution model in its mobile phone division, which should enhance its earnings quality. The company's price-to-earnings multiple, which touched as low as seven, bounced back to 10. In our view, this level is below fair value given the company's dominant market share in the UK's electrical retail industry and strong cash flow generation.

The primary detractor from the Fund's performance was Dialog as the result of news that Apple, its main customer, was planning to use an in-house team to design power management chips. This was a well-flagged and discounted risk, but the depth of Dialog's expertise in this field, combined with their integration with Apple's engineering department, makes Apple a "very sticky" customer. Also, it would take many years for Apple to develop the necessary skills internally, over which time Dialog would have ample scope to diversify its customer base. The company is also fortunate to have a large percentage of its market capitalisation in cash, so there appears to be no threat to the balance sheet.

Market Outlook

The long-overdue recovery in European equities reflected discounted valuations and superior earnings growth on offer during the period. We believe, though, that the gains in 2017 have squeezed much of the "easy" value out of the market, leaving industrial and consumer cyclical stocks looking expensive. That said, we expect superior earnings growth and easy liquidity from the European Central Bank (ECB) to enable the wider market to outperform US equities. While we believe the prospective returns from equities remain vastly more favourable than bonds, valuations offer little absolute protection from rising volatility. Furthermore, we believe markets risk complacency about the many political and economic hurdles facing Western societies, which range from aging populations, an addiction to easy money, stagnating productivity, and widening inequality.

In the short-to-medium term, we believe the biggest conundrum is how central banks, economies, and valuations will respond when inflation returns into the system and the price of money normalises from its current artificially low levels. We also believe tight labour markets, cheap borrowing, and the increase in commodity prices and global growth have the hallmarks of an inflationary cycle about to unfold. However, the recent flattening of the US yield curve suggests otherwise, and implies that inflation will remain subdued and the increase in US short-term rates is unsustainable. For now, our view is that long-term bond yields will rise from here, but that recession is not imminent or inevitable. In such a scenario, we believe a lot will depend on the speed at which prices rise and how central banks react. We do not believe there will be an inflationary scare or disorderly exit from the bond market, or an uncalibrated and clumsy monetary policy tightening by central banks. In a reflationary environment, we would expect volatility to increase, which would benefit the Fund's investment strategy of purchasing good companies when trading at a discount to their long-term cash flows.

The second factor that we believe will characterise the coming years is the intensified debate over whether business models that have thrived for decades can and will be disrupted by new technologies. This has already led to a de-rating of old economy stocks, ranging from advertising companies to "High Street" retailers and combustion engine manufacturers, as well as surging valuations for all things related to technology, perhaps most exemplified in bitcoin trading. We sense the possibility of another bubble in the information technology sector, which will create value opportunities as investors struggle to distinguish hype from reality. We believe that now, more than ever, it is critical for investors to think hard about the long-term future of the businesses they hold and whether they are pricing in a rising interest rate environment and technology threats. To our mind, this means resisting momentum stocks in favour of enduring businesses with high free cash flow yields that can deliver strong absolute returns, even in an uncertain business environment.

MGF-Emerging Eastern Europe Fund

- December marked a strong end to a strong year in Eastern Europe. Turkey led the gains among major markets, recouping its underperformance against Russia from the previous month and ending the year on a high. Oil and commodities marched higher on cues of strong global growth with Brent crude rising to USD 67 per barrel, some 50% above its June lows.

- Russian stocks moved slightly higher in December on the back of further strength in the oil price though performance was held back by concerns about further sanctions.

- For 2018, we are generally constructive on the region. Russia should continue to perform well given an improving macroeconomic backdrop and a market that has lagged the oil rally. Similarly, central Europe remains as a geared play into the ongoing EU recovery. And lastly, in Turkey, we expect the market to find support from tightening monetary policy and favourable valuations.

MGF-Healthcare Fund

Market Review

The healthcare sector underperformed the broader equity market in December. The MSCI World (Net) Total Return Index gained 1.35%, while the MSCI World Health Care Total Return Index returned -0.04%. The healthcare services and pharmaceuticals sub-sectors had the strongest returns, while the medical devices sub-sector had the weakest return.

Portfolio Review

Express Scripts and AstraZeneca contributed to the Fund's performance. Express Scripts' stock recovered from negative investor sentiment during the quarter. The stock had been driven down due to concerns regarding Amazon's decision to enter the pharmacy business. We believe Express Scripts has captive clients, and Amazon's entrance into the mail pharmacy industry will have little impact on Express Scripts' earnings. The stock recovered after the company announced higher-than-expected guidance. AstraZeneca's stock recovered after the company released positive data on two of its cancer drugs. Also, the US Food and Drug Administration accepted the filing of its lung cancer drug. The stock was upgraded following increased confidence in its product pipeline.

Allergan and Cooper both detracted from the Fund's performance.

Allergan's stock declined due to several reasons. Investor sentiment on the specialty pharmaceuticals sector was low. We believe Allergan should be considered a traditional pharmaceutical company, not a specialty pharmaceutical company. Allergan has a strong product pipeline and does not have a generics business. Also, hedge funds are targeting the stock given its Restasis patent issue and the competitiveness of its Botox franchise. The Botox issue is overstated since Botox is a branded consumer product more than a drug. Consumers pay cash for the product and they want a brand that has been around for a long time. We believe the stock is undervalued and we will maintain the Fund's overweight position in the stock.

Most of Cooper's underperformance was the result of US tax reform. Cooper's tax rate will increase by approximately 4.0% while almost every other company in the US has a lower tax rate. Secondarily, the company reported slightly disappointing fourth-quarter results in its Americas segment. We believe the small decline in this segment was the result of temporary issues. We expect growth in the Americas to return to normal by the second quarter of 2018.

Market Outlook

The healthcare sector has been relatively volatile. As a result, we pick companies that focus on research and development, and have truly meaningful product pipelines. Also, the stocks of many truly innovative companies declined along with the entire sector, including lower-quality companies. We believe the current environment represents an attractive entry point for many high-quality companies.