

**Singapore Market Statistics**

	Close	Net Chg	% Chg
<b>Straits Times Index</b>	<b>3,247.8</b>	<b>-35.5</b>	<b>-1.1%</b>
FTSE ST Financials	1,150.3	-13.6	-1.2%
FTSE ST REITs	821.8	-5.3	-0.6%
FTSE ST Real Estate	802.2	-6.1	-0.8%
<b>Vol (m)</b>	1,549.5	587.6	61.1%
<b>Turnover (m)</b>	1,515.2	574.6	61.1%
<b>52 week range</b>	2,869.3	-	3,299.6
<b>Gainers / losers</b>	152 / 370		

**World Indices**

	Close	Chg	% Chg
<b>S&amp;P 500</b>	<b>4,356.5</b>	<b>-53.7</b>	<b>-1.2%</b>
<b>DJI</b>	34,297.7	-66.8	-0.2%
<b>Nasdaq Comp</b>	13,539.3	-315.8	-2.3%
<b>FTSE 100</b>	7,371.5	74.3	1.0%
<b>STOXX Europe 600</b>	459.6	3.2	0.7%
<b>Nikkei 225</b>	27,131.3	-457.0	-1.7%
<b>Hang Seng Index</b>	24,243.6	-412.8	-1.7%
<b>SHSE Comp Index</b>	3,433.1	-91.0	-2.6%
<b>SZSE Comp Index</b>	2,313.1	-79.2	-3.3%
<b>SHSE SZSE CSI 300</b>	4,678.5	-108.3	-2.3%
<b>KLCI</b>	1,508.9	-12.9	-0.9%
<b>JCI</b>	6,568.2	-87.0	-1.3%
<b>SET</b>	1,639.1	-1.5	-0.1%
<b>KOSPI</b>	2,720.4	-71.6	-2.6%
<b>TWSE</b>	17,701.1	-287.9	-1.6%

**FX & Commodities**

		Close	% Chg
<b>USDSGD</b>		1.3443	0.2%
<b>USDJPY</b>		113.88	0.1%
<b>USDCNY</b>		6.326	0.1%
<b>USDHKD</b>		7.786	0.0%
<b>WTI Crude</b>	USD/bbl.	85.60	2.7%
<b>Brent</b>	USD/bbl.	88.20	2.2%
<b>Gold</b>	USD/oz.	1,848.0	0.3%
<b>Silver</b>	USD/oz.	23.81	-0.7%

Source: Bloomberg

**Market Commentary**
**US stocks close lower in another volatile session as investors weigh Fed moves**

- US stocks closed lower on Tuesday after a volatile session, as investors prepared for the prospect that the Federal Reserve will signal an increase in interest rates as soon as March.
- The good news was that the major US indices ended above their worst levels for the second straight trading session.
- The technology-heavy Nasdaq Composite stock index fell 2.3%; earlier, it had dropped as much as 3.2%. The Dow Jones Industrial Average did its best to shake off a rough morning, rallying with about an hour left before the closing bell. But the index couldn't hold its ground, falling 0.2%, which was still above its intraday low.
- The S&P 500 dropped 1.2%, also above its intraday low. Sectors of the index including tech, utilities and communication services took significant hits. The blue-chip index has lost nearly 9% of its value so far this month.
- Measures of expected short-term volatility in US stocks, such as the CBOE Vix index, were well above historic averages amid investor jitters over the Fed's intentions on inflation and Russia's intentions on Ukraine. Relatively poor liquidity in recent days in the US stock market also exacerbated sharp market swings registered since the start of the year.
- Trading in US Treasuries was muted on Tuesday, after prices had risen in recent days as investors took shelter from the stock market volatility. The yield on the benchmark 10-year Treasury note rose 0.01 percentage point to 1.78%.
- In Europe, the Stoxx Europe 600 index rose 0.7%, rebounding partially from a 3.8% drop in the previous session.
- In Asia, Hong Kong's Hang Seng share index fell 1.7% as Chinese tech companies declined. China Evergrande sank 6.5% after saying it has started talks with offshore creditors. Some overseas debt holders had threatened to enforce legal rights against China Evergrande.
- Chinese stocks slumped on broad-based declines, tracking weakness in regional equities. Heavily sold-off sectors included coal miners, pharma and auto makers. The Shanghai Composite Index retreated 2.6%, its worst day in more than a year.
- Japanese stocks were dragged lower by sharp drops in e-commerce, shipping and electronics stocks, as concerns persisted over the Fed's tightening. Rakuten Group dropped 7.5%, major shipper Nippon Yusen shed 5.9% and Renesas Electronics fell 5.9%. The Nikkei Stock Average closed 1.7% lower.
- Straits Times Index continued to trade in the red on Tuesday following updates from the Monetary Authority of Singapore on the central bank's monetary policy stance. The MAS said it will slightly raise the rate of appreciation of the Singapore dollar nominal effective exchange rate (S\$NEER) policy band after it raised its inflation forecasts for 2022.
- The benchmark index ended 1.08% lower at 3,247.

## Research Ideas

### Keppel DC REIT (KDCREIT SP) - More moderated growth ahead

- **2H21 DPU rose 2.8% YoY to 4.927 S cents**
- **Portfolio occupancy improved to 98.3%**
- **Portfolio valuation uplift, but likely more moderated growth ahead**

**FY21 results met our expectations** – Keppel DC REIT (KDCREIT) reported 2H21 gross revenue of SGD135.9m and NPI of SGD124.3m, representing YoY declines of 4.0% and 4.3% respectively. This was driven in part by an upward non-cash straight-lining adjustment and rental support drop-off in Singapore, but partially offset by contribution from acquisitions and AEs. As some of these adjustments are non-cash in nature, KDCREIT's 2H21 DPU grew 2.8% YoY to 4.927 S cents. For the full-year FY21, KDCREIT's NPI and DPU increased by 1.6% and 7.4% to SGD248.2m and 9.851 S cents, respectively, with the latter accounting for 101.9% of our FY21 forecast.

**Portfolio occupancy inched up to 98.3%, while rental reversions were "stable"** – KDCREIT's portfolio occupancy inched up 0.2 percentage point (ppt) QoQ to 98.3%, as at 31 Dec 2021, reaching a new high since its IPO. Portfolio WALE remains long at 7.5 years by leased area (4.9 years based on rental income). Management highlighted during the analyst call that rental reversions were "stable", but did not provide any figures.

**Portfolio valuation uplift boosted NAV/unit by 12.6%** – KDCREIT recorded a revaluation gain in its portfolio by SGD151.4m due to improvement in occupancy and compression in cap rates (from 4.95-10.12% to 4.40-9.31%). This helped to boost its NAV/unit by 12.6% to SGD1.34 as compared to end-FY20 level, and its aggregate leverage declined by 0.5 ppt to 34.6%, with an unchanged average cost of debt of 1.6%. Management has fixed/hedged 74% of its borrowings, with its remaining floating debt denominated in EUR. Looking ahead, given the keen competition for quality data centre assets, we expect accretive inorganic growth opportunities to be harder to come by, while the likelihood of increasing its China exposure also raises its risk profile, in our view. As such we increase our cost of equity assumption to 6.2% (previously 5.8%) and lower our terminal growth rate by 50 bps to 2.25%. After rolling forward our valuation, we derive a lower fair value estimate of SGD2.61 (previously SGD3.15).

## ESG Updates

KDCREIT has an ESG rating since Sep 2018. This is also the highest ESG rating within our S-REITs coverage. KDCREIT has adopted strong compliance mechanisms such as employee trainings and audits of ethics standards. The former includes training and development programmes, such as Keppel Young Leaders and Advanced Leadership. KDCREIT also regularly engages with employees through satisfaction surveys and focuses on improving the health and wellness of its personnel. Management has earmarked its commitment to address climate change issues, as illustrated by it being a signatory of the Climate Neutral Data Centre Pact. KDCREIT also said that it aims to halve its combined Scope 1 and Scope 2 emissions by 2030 from a 2019 baseline, and plans to introduce renewable energy to at least 50% of its colocation assets by 2030. **BUY. (Research Team)**

### China Overseas Land and Investment (688 HK) - Still attractively priced relative to major peers

- **Share price has outperformed YTD**
- **Slight increase in contracted sales for 2021**
- **Raise FV to HKD29.22**

**Solid rebound in share price YTD** – China Overseas Land & Investment's (COLI) (Stock code: 688 HK) share price has appreciated 27.0% YTD (as at 24 Jan 2022 close), making it the second-best performing stock amongst the major Chinese developers we track (for H-shares). The recent re-rating was likely buoyed by some positive news within the Chinese property sector, such as the potential release of pre-sales proceeds held in escrow accounts and possibility that debt undertaken to finance M&A activities of distressed developers will not count towards the debt calculation under the Three Red Lines policy.

**Contracted sales grew slightly by 2.4% to RMB369.5b in 2021** – COLI and its group series of companies (including JVs, associates and China Overseas Grand Ocean (COGO)) recorded flat YoY growth in its contracted sales to RMB39.8b for the month of Dec 2021, although contracted GFA rose 12.7% to 2.28m sqm. For the full-year 2021, COLI and its group series of companies registered total contracted sales and contracted GFA of RMB369.5b and 18.90m sqm, representing an increase and decrease of 2.4% and 1.4%, respectively. The former came in below our expectations. That said, we note that the drag mainly came from its JVs and associates (-28.8% to

RMB38.5b). COLI and its subsidiaries' contracted sales grew 7.4% to RMB259.8b in 2021, while COGO's contracted sales rose 10.0% to RMB71.2b. In addition, COLI and its group of series companies secured subscribed property sales of ~RMB5.9b, which are expected to be turned into contracted property sales in the following months.

**Still prudent on land acquisition; more opportunities to come**

– COLI acquired 5 parcels of land in Chongqing, Beijing, Changsha, Hangzhou and Jiaxing in Dec 2021, with total attributable GFA of 1.0m sqm and land premium of RMB16.8b. This translates to a land cost of RMB16,815 per sqm. For the whole year of 2021, COLI purchased 10.7m sqm of land with an aggregate land premium of RMB129.8b, or an implied land cost of RMB12,104 per sqm. To put things in perspective, COLI's ASP for its contracted sales (excluding JVs, associates and COGO) came in at RMB22,700 per sqm in 2021. Although COLI's total land purchase in 2021 came in below its land budget of RMB165b, we believe it is a sign of prudence by management, especially as land costs remained high in 1H21. We expect more opportunities for land replenishment ahead for COLI as its peers continue to deleverage, notwithstanding some marginal policy easing seen in the sector. After fine-tuning our assumptions, we lower our FY22F core PATMI forecast by 2.8% on slower contracted sales growth estimates, but we are lifting our target P/E peg from 5.6x to 6.5x (incorporates a slight ESG valuation discount) to account for increasing signs of policy support, which we believe would benefit higher quality SOE developers such as COLI. As such, our fair value estimate increases from HKD25.90 to HKD29.22. COLI is currently trading at consensus forward P/E

of 4.9x (as at 24 Jan 2022), which is 1.2 standard deviations below its 10-year mean of 6.6x. It is also trading at a sizeable discount to its close peers Longfor and CR Land, although core earnings growth is also lower as compared to the two.

**ESG Updates**

COLI has had the same ESG rating since Oct 2018, which suggests that no significant progress has been made on this front for almost three years. COLI is ranked strongly on the 'Opportunities in Green Building' category, given that it has certified 70% of its portfolio to green building standards, as compared to only a 29% industry average as of Dec 2020. However, COLI's corporate governance practices trail those of global peers, notably its board structure, according to ESG Research. For instance, COLI's board has a lack of independent majority, and having overboarded directors could limit its ability to provide strong oversight of management. Notwithstanding these factors, we note that COLI was one of the first companies to be included in the Hang Seng ESG50 Index, and management appears to be stepping up its focus on ESG matters from our conversation with them..

**BUY. (Research Team)**

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## Latest OIR Reports

No.	Report Date	Mkt	Stock / Sector / Market	Report Title	Bloomberg Ticker	Rating	Fair Value
1	25 Jan 2022	SG	Keppel DC REIT	More moderated growth ahead	KDCREIT SP	Buy	SGD 2.61
2	25 Jan 2022	HK	China Overseas Land and Investment	Still attractively priced relative to major peers	688 HK	Buy	HKD 29.22
3	24 Jan 2022	HK	CK Infrastructure Holdings Limited	Waiting for updates on the M&A front	1038 HK	HOLD	HKD 50.00
4	21 Jan 2022	HK	Country Garden Services	Scale matters	6098 HK	BUY	HKD 64.03
5	19 Jan 2022	HK	CK Hutchison Holdings	Busy on the M&A front	1 HK	BUY	HKD 70.00
6	19 Jan 2022	-	Global Technology	Navigating through the storm	-	-	-
7	18 Jan 2022	HK	China Resources Land Ltd	Safe harbour amid macro uncertainties	1109 HK	BUY	HKD 42.68
8	17 Jan 2022	HK	Country Garden	Taking a cautious stance	2007 HK	HOLD	HKD 6.15
9	17 Jan 2022	-	China strategy	Common prosperity lends support to domestic consumption	-	-	-
10	14 Jan 2022	SG	United Overseas Bank Ltd	Acquiring Citi's consumer businesses	UOB SP	BUY	SGD 34.80
11	14 Jan 2022	HK	Bank of China (Hong Kong)	Riding on the rate hike cycle	2388 HK	BUY	HKD 33.60
12	14 Jan 2022	SG	Yanlord Land Group Ltd	Weaker contracted sales outlook but little liquidity concerns	YLLG SP	HOLD	SGD 1.16
13	14 Jan 2022	-	Aviation	Recovery delayed but not derailed	-	-	-
14	12 Jan 2022	SG	DBS Group Holdings Ltd	Poised for NIM expansion	DBS SP	BUY	SGD 40.00
15	12 Jan 2022	SG	United Overseas Bank Ltd	New Fed rate hike cycle in 2022	UOB SP	BUY	SGD 34.80
16	12 Jan 2022	HK	China State Construction Intl	Significant outperformer	3311 HK	BUY	HKD 11.00
17	11 Jan 2022	HK	Longfor Group Holdings Ltd	Proposed spin-off to unlock value	960 HK	BUY	HKD 48.76
18	10 Jan 2022	SG	SPH REIT	Suburban malls performed better	SPHREIT SP	HOLD	SGD 0.95
19	3 Jan 2022	SG	Mapletree Commercial Trust	Strategic benefits from merger but moving to riskier markets	MCT SP	BUY	SGD 2.14
20	3 Jan 2022	SG	Mapletree North Asia Commercial Trust	Proposed merger with MCT	MAGIC SP	HOLD	SGD 1.15

## STI Stocks Sorted by Market Capitalisation (US\$m)

Code	Company	Price on 25 Jan 2022	Mkt Cap US\$m	Eqy Beta (x)	Div Yield (%)		P/E Ratio (x)			Recommendation			
					Hist	F1	Hist	F1	F2	Buy	Hold	Sell	Total
1 DBS SP	DBS Group Hldgs	SGD 35.20	67,256	1.1	2.9	3.3	14	13	12	15	4	0	19
2 JM SP	Jardine Matheson Hldgs	USD 59.80	43,203	0.7	2.9	2.9	86	15	11	3	3	1	7
3 OCBC SP	OCBC	SGD 12.15	40,600	1.0	3.4	4.3	11	11	10	17	3	0	20
4 UOB SP	United Overseas Bank	SGD 29.73	36,980	1.1	3.3	4.1	14	12	11	17	1	0	18
5 ST SP	Spore Telecoms	SGD 2.47	30,337	0.9	2.8	4.0	39	18	15	17	1	0	18
6 WIL SP	Wilmar Int'l	SGD 4.17	19,530	0.9	3.4	3.6	12	12	11	13	0	0	13
7 CLI SP	Capitaland Investment	SGD 3.59	13,731	-	-	2.4	-	22	17	13	1	0	14
8 HKL SP	Hongkong Land	USD 5.47	12,767	1.0	4.0	4.0	-	13	11	10	3	1	14
9 THBEV SP	Thai Beverage	SGD 0.65	12,146	1.1	3.2	3.5	16	15	14	17	1	0	18
10 SIA SP	Spore Airlines	SGD 4.98	10,994	1.2	-	0.0	-	-	-	1	7	4	12
11 CICT SP	CapitaLand Mall Trust	SGD 2.00	9,833	1.2	3.5	5.2	12	19	17	18	2	0	20
12 AREIT SP	Ascendas REIT	SGD 2.84	8,869	1.0	5.4	5.5	22	18	17	15	4	0	19
13 STE SP	ST Engrg	SGD 3.70	8,568	1.0	4.1	4.1	21	20	19	10	0	2	12
14 SGX SP	Spore Exchange	SGD 9.40	7,474	0.6	3.4	3.5	23	23	21	5	7	4	16
15 KEP SP	Keppel Corp	SGD 5.31	7,188	0.9	3.6	4.0	29	14	12	11	0	1	12
16 GENS SP	Genting Spore	SGD 0.74	6,642	1.2	1.4	2.2	33	46	22	9	9	1	19
17 MLT SP	Mapletree Logistics Trust	SGD 1.75	6,083	0.9	4.6	5.0	16	21	20	10	6	1	17
18 JCNC SP	Jardine Cycle & Carriage	SGD 20.16	5,928	1.2	3.4	4.7	13	8	7	3	0	0	3
19 MINT SP	Mapletree Industrial Trust	SGD 2.59	5,126	0.9	4.8	5.3	29	19	18	15	1	0	16
20 CIT SP	City Developments	SGD 7.03	4,743	1.3	1.1	1.8	-	31	12	15	2	0	17
21 MCT SP	Mapletree Commercial Trust	SGD 1.83	4,523	1.2	4.8	5.1	18	22	19	8	6	0	14
22 UOL SP	UOL Group	SGD 7.19	4,516	0.9	2.1	2.4	33	20	16	8	2	0	10
23 FLT SP	Fraser's Logistics & Comm Trust	SGD 1.43	3,921	1.2	5.5	5.5	7	19	20	9	2	0	11
24 DFI SP	Dairy Farm Int'l Hldgs	USD 2.86	3,870	1.0	5.1	3.2	22	33	15	3	5	1	9
25 VMS SP	Venture Corp	SGD 17.89	3,868	0.9	4.2	4.2	17	17	15	9	3	1	13
26 YZJSGD SP	Yangzijiang Shipbldg	SGD 1.26	3,678	0.8	3.6	4.0	8	8	6	8	2	0	10
27 SATS SP	SATS	SGD 3.92	3,272	1.4	-	0.0	392	123	34	5	2	1	8
28 SCI SP	Sembcorp Industries	SGD 2.21	2,927	0.9	2.7	2.1	8	14	10	9	2	0	11
29 KDCREIT SP	Keppel DC REIT	SGD 2.19	2,795	0.5	4.5	5.0	12	19	18	6	8	0	14
30 CD SP	ComfortDelGro	SGD 1.36	2,192	1.1	2.6	3.7	19	17	13	9	2	0	11

Source: Bloomberg

#### **ANALYST DECLARATION:**

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