

Singapore Market Statistics

	Close	Net Chg	% Chg
Straits Times Index	3,271.6	23.8	0.7%
FTSE ST Financials	1,160.8	10.5	0.9%
FTSE ST REITs	822.6	0.8	0.1%
FTSE ST Real Estate	804.9	2.7	0.3%
Vol (m)	1,208.7	-340.7	-22.0%
Turnover (m)	1,065.8	-449.4	-29.7%
52 week range	2,869.3	-	3,299.6
Gainers / losers	271 / 184		

World Indices

	Close	Chg	% Chg
S&P 500	4,349.9	-6.5	-0.1%
DJI	34,168.1	-129.6	-0.4%
Nasdaq Comp	13,542.1	2.8	0.0%
FTSE 100	7,469.8	98.3	1.3%
STOXX Europe 600	467.3	7.7	1.7%
Nikkei 225	27,011.3	-120.0	-0.4%
Hang Seng Index	24,289.9	46.3	0.2%
SHSE Comp Index	3,455.7	22.6	0.7%
SZSE Comp Index	2,329.2	16.1	0.7%
SHSE SZSE CSI 300	4,712.3	33.9	0.7%
KLCI	1,515.8	6.8	0.5%
JCI	6,600.8	32.6	0.5%
SET	1,643.4	4.4	0.3%
KOSPI	2,709.2	-11.2	-0.4%
TWSE	17,674.4	-26.7	-0.2%

FX & Commodities

		Close	% Chg
USDSGD		1.3470	-0.2%
USDJPY		114.64	-0.7%
USDCNY		6.321	0.1%
USDHKD		7.787	0.0%
WTI Crude	USD/bbl.	87.35	2.0%
Brent	USD/bbl.	89.96	2.0%
Gold	USD/oz.	1,819.6	-1.5%
Silver	USD/oz.	23.53	-1.2%

Source: Bloomberg

Market Commentary
US stocks end lower after Powell leaves possibility of consecutive rate increases on the table

- US stock and bond prices swung lower on Wednesday afternoon after the Federal Reserve signalled that it would begin raising interest rates at its next monetary policy meeting in March.
- Investors already knew that interest rates will start to rise in March just as the central bank's emergency bond-buying programme fully concludes. Investors also got new, if vague, details over officials' plans to shrink the Fed's US\$9 trillion balance sheet, which has doubled since the start of the pandemic and represents nearly 40% of US gross domestic product.
- But as Chairman Jerome Powell during his press conference expressed growing concerns over inflation alongside rising uncertainty over economic growth, stocks gave up gains. The benchmark S&P 500 index closed down 0.2% for the day, reversing earlier gains after Powell declined to rule out raising rates at every policy meeting for the rest of the year. Powell also did not address if it will be a 0.5% rate increase in March (as opposed to a quarter-point).
- Powell said there was "quite a bit of room" to raise interest rates before it would hurt the labour market. Powell also said prices could continue to run higher as "inflation risks are still to the upside." His comments were taken to mean the central bank may be more aggressive in tightening policy, even with the markets in turmoil during January.
- The S&P 500 fell after being up as much as 2.2% before the decision, while the Nasdaq ended little changed after a 3.4% climb. Treasuries plunged, with 2, 5 and 10-year yields spiking 10 bps or more.
- The blue-chip Dow Jones Industrial Average fell 0.4%, to 34,168.09. The S&P 500 index sold off sharply to end at 4349.93. The Nasdaq Composite was up only slightly at 13,542.12, buoyed by Microsoft's post-earnings gain. The tech group published an upbeat financial forecast after markets closed on Tuesday evening, providing some reassurance to investors after a weak start to earnings season by other large technology groups such as Netflix.
- Investors also sold government bonds, with the yield on the 10-year Treasury rising to 1.87%.
- Asian stocks were also volatile on Wednesday. China's CSI 300 index skirted a technical bear market before closing 0.7% higher. Despite the broader drop in tech shares, Tencent advanced on dip-buying, helping to boost the Hang Seng Tech Index.
- In Tokyo, the Nikkei 225 slipped 0.4%, dragged by technology stocks.
- Singapore stocks clawed back some losses from the early part of the week, with the Straits Times Index up 0.73% to end at 3,271.57. The trio of local banks saw gains, with OCBC climbing 1.65% to S\$12.35, UOB up 0.98% to S\$30.02 and DBS up 0.31% to S\$35.31.

Research Ideas

Mapletree Industrial Trust (MINT SP) - A decent quarter overall

- **3QFY22 DPU grew 6.4% YoY to 3.49 S cents given boost from distribution of divestment gain**
- **Flat to positive rental reversions**
- **Occupancy stable at 93.6%**

3QFY22 results met our expectations – Mapletree Industrial Trust (MIT) reported a decent set of 3QFY22 results which met our expectations. Gross revenue and NPI jumped 31.3% and 24.1% YoY to SGD162.4m and SGD122.7m, respectively. The significant increase was due largely to contribution from acquisitions. DPU grew 6.4% YoY to 3.49 S cents, and this was boosted by the distribution of divestment gains from the sale of 26A Ayer Rajah Crescent. For 9MFY22, MIT's NPI rose 34.2% to SGD347.8m and DPU grew 11.5% YoY to 10.31 S cents. This accounted for 76.5% of our FY22 forecast. MIT will be resuming its distribution reinvestment plan (DRP) for 3QFY22's distribution to help fund the progressive needs of its development projects.

Rental reversions stabilised in 3QFY22 – MIT registered a more stable quarter of rental reversions in 3QFY22. This came in flat to positive, with Flatted Factories and Business Park Buildings coming in flat, and Stack-Up/Ramp-Up Buildings and Hi-Tech Buildings recording positive rental reversions of 0.8% and 1.7%, respectively. Average rental rate for MIT's Singapore portfolio remained unchanged QoQ at SGD2.13 psf/month in 3QFY22. Overall portfolio occupancy was also stable, coming in at 93.6% (-0.1 percentage point (ppt) QoQ to 93.7%), with Singapore occupancy seeing a marginal 0.1 ppt uptick to 93.7% but offset by the US which saw a 0.6 ppt decline to 93.3%. Tenant retention rate was high at 84.0% in 3QFY22 for its Singapore portfolio.

Aggregate leverage ratio increased to 39.9% – MIT's aggregate leverage ratio increased from 39.6% (as at 30 Sep 2021) to 39.9%. The resumption of the DRP as mentioned earlier should help MIT to control its leverage ratio. 79.7% of its debt has been fixed/hedged, and this should also help to mitigate a higher interest rate environment. We lower our cost of equity assumption slightly from 6.4% to 6.3% on account of an improvement in MIT's ESG rating. However, we also pare our terminal growth rate by 25 bps to 1.75% given the keen competition for quality data centre assets and a more uncertain macro-outlook. Consequently, our fair value estimate dips from SGD3.42 to SGD3.30.

ESG Updates

MIT's ESG rating was upgraded in Nov 2021. The upgrade was largely driven by improvements in MIT's corporate governance practices, particularly in its executive pay disclosures. Although there were previously concerns over the number of transactions with its sponsor, we believe there are mitigating factors to protect minority unitholders' interests. For example, the properties to be acquired have to be valued by an independent valuer. Furthermore, MIT has historically been able to acquire properties from its sponsor at a discount to the independent valuation and make it DPU and NAV accretive to unitholders. **BUY. (Research Team)**

Starhill Global REIT (SGREIT SP) - Weaker-than-expected set of results

- **1HFY22 core DPU rose 2.3% YoY**
- **Portfolio occupancy stable at 96.9%**
- **Pare forecasts and fair value to SGD0.61**

1HFY22 results below our expectations – Starhill Global REIT's (SGREIT) 1HFY22 results came in below our expectations. Gross revenue and NPI rose 2.9% and 7.2% YoY to SGD91.0m and SGD69.6m, respectively. Growth was driven by lower rental concessions for eligible tenants, including allowances for rental arrears and rebates for its Australia properties, as well as cessation of rental rebates in Malaysia following the completion of asset enhancement works at The Starhill in Dec 2021. This was partially offset by lower income from Wisma Atria (retail). DPU fell 5.3% YoY to 1.78 S cents, but the decline was largely attributed to the release of SGD3.1m (~0.14 S cents per unit) of distributions in 1HFY21 as part of its distributable income which was deferred during the earlier Covid-19 period. Excluding this, SGREIT's DPU would have increased 2.3% to 1.78 S cents. However, 1HFY22 DPU accounted for 45.8% of our initial FY22 forecast, which we deem to be below expectations.

Improving trend seen in footfall and tenant sales in Singapore – Operationally, SGREIT's Wisma Atria (retail) property saw an improvement in shopper traffic and tenant sales by 14.6% and 1.3% YoY, in 2QFY22, respectively, due to some relaxation in Covid-19 measures. Although shopper traffic was up 18.9% YoY in 1HFY22, tenant sales were down 2.8% given the lack of tourist arrivals. Overall portfolio occupancy was stable, inching up 0.1 percentage point (ppt) QoQ to 96.9%. The slight increase in SGREIT's Singapore retail portfolio (+1.0 ppt QoQ to

99.5%) and Australia portfolio (+0.2 ppt QoQ to 95.2%) was partially offset by a 0.6 ppt QoQ dip in its Singapore office portfolio to 90.4%, though committed occupancy was higher at 94.7%. One positive development is the news that UNIQLO will be opening its first retail store in South Australia at SGREIT's Myer Centre Adelaide, although this will only happen in 4QCY22.

Lower forecasts and fair value to SGD0.61 – SGREIT's gearing ratio declined slightly from 36.3% (as at 30 Sep 2021) to 36.1%, and 90% of its borrowings have been hedged/fixed. We cut our FY22F and FY23F DPU forecasts by 6.8% and 5.3%, respectively, largely on higher finance costs and lower contributions from Wisma Atria (retail). Correspondingly, our fair value estimate dips from SGD0.64 to SGD0.61.

ESG updates

SGREIT's ESG rating was downgraded in Jan 2021. SGREIT's overall corporate governance practices trail those of its global and home market peers, particularly in board structure. However, it scores better in the category of 'Opportunities in Green Building', with SGREIT engaging with its tenants to improve on the operational efficiencies of its properties. ~30% of SGREIT's overall portfolio is certified by recognised green building standards, which is higher than the industry average of 25% as of FY19. **HOLD. (Research Team)**

China Everbright Environment (257 HK) - Needs strong support from banks

- **Slower new project development ahead**
- **But just as well since the concern is on the balance sheet**
- **Looking to securitise more accounts receivables and other deleveraging efforts**

Waste-to-energy business growth may slow – In a recent update by the company, China Everbright Environment (CEE) mentioned that the waste-to-energy industry (WTE) industry growth is likely to slow down in the 14th Five-Year Period (2021-2025E), with daily treatment capacity target to augment to 800k tonnes by 2025E, from 550k tonnes in end 2020. CEE itself expects slower new project development ahead and the revenue mix from construction should decline gradually. In 1H21, 59% of CEE's

revenue was from non-cash construction revenue, 30% from operations and 10% from finance income.

But continue to watch out for rising gearing – For CEE, the concern, however, has centered more on its financial health, due to the group's high accounts receivables and long cash conversion cycle. CEE's gearing (total liabilities/total assets) rose steadily from end 2014 to end 2017 (to 61%), and the group then undertook a rights issue in Aug 2018 (10 per 27 ratio with HKD6.00 subscription price). Gearing then went down in end 2018 to 57%, but has since then resumed its rise with capex for expansions. Considering that management previously guided a 20% increase in capex guidance to HKD 26b for 2021, and may continue to secure projects, we believe that the group's leverage ratios will only continue to rise, unless there are initiatives to deleverage or the group is able to improve on its subsidy and receivables collection. As mentioned in our earlier report, management was exploring to securitise more subsidy receivables as asset-backed securities to accelerate asset turnover, as well as the possibility of an A-share dual listing. The group recently issued its first batch of asset backed notes with tariff subsidy receivables as underlying assets with an amount of RMB672m in Dec 2021 with interest rates of 3.52%. This is in addition to earlier issuances by China Everbright Greentech, its subsidiary. Meanwhile CEE's gearing has continued to increase from 57% in 2018 to 67% as at 1H21, which is higher than that in 2017 before the rights issue. The group's negative free cash flow remains a concern, in our view. We maintain our fair value estimate of HKD5.30.

ESG updates

Save for an improvement in ESG rating, China Everbright Environment's ESG rating has been consistent for the past few years. The company scores higher than industry average on Toxic Emissions & Waste and Carbon Emissions, but lower than average for Governance and Health & Safety. As a state-owned entity, the company is highly exposed to scrutiny over its business practices, given the Chinese government's efforts toward fighting corruption. The company prohibits facilitation payments and has whistleblower protection systems. However, it found limited evidence of enforcement mechanisms such as supplier compliance or audits of ethics standards. **SELL. (Research Team).**

Latest OIR Reports

No.	Report Date	Mkt	Stock / Sector / Market	Report Title	Bloomberg Ticker	Rating	Fair Value
1	26 Jan 2022	SG	Mapletree Industrial Trust	A decent quarter overall	MINT SP	BUY	SGD 3.30
2	26 Jan 2022	SG	Starhill Global REIT	Weaker-than-expected set of results	SGREIT SP	HOLD	SGD 0.61
3	26 Jan 2022	HK	China Everbright Environment	Needs strong support from banks	257 HK	SELL	HKD 5.30
4	25 Jan 2022	SG	Keppel DC REIT	More moderated growth ahead	KDCREIT SP	BUY	SGD 2.61
5	25 Jan 2022	HK	China Overseas Land and Investment	Still attractively priced relative to major peers	688 HK	BUY	HKD 29.22
6	24 Jan 2022	HK	CK Infrastructure Holdings Limited	Waiting for updates on the M&A front	1038 HK	HOLD	HKD 50.00
7	21 Jan 2022	HK	Country Garden Services	Scale matters	6098 HK	BUY	HKD 64.03
8	19 Jan 2022	HK	CK Hutchison Holdings	Busy on the M&A front	1 HK	BUY	HKD 70.00
9	19 Jan 2022	-	Global Technology	Navigating through the storm	-	-	-
10	18 Jan 2022	HK	China Resources Land Ltd	Safe harbour amid macro uncertainties	1109 HK	BUY	HKD 42.68
11	17 Jan 2022	HK	Country Garden	Taking a cautious stance	2007 HK	HOLD	HKD 6.15
12	17 Jan 2022	-	China strategy	Common prosperity lends support to domestic consumption	-	-	-
13	14 Jan 2022	SG	United Overseas Bank Ltd	Acquiring Citi's consumer businesses	UOB SP	BUY	SGD 34.80
14	14 Jan 2022	HK	Bank of China (Hong Kong)	Riding on the rate hike cycle	2388 HK	BUY	HKD 33.60
15	14 Jan 2022	SG	Yanlord Land Group Ltd	Weaker contracted sales outlook but little liquidity concerns	YLLG SP	HOLD	SGD 1.16
16	14 Jan 2022	-	Aviation	Recovery delayed but not derailed	-	-	-
17	12 Jan 2022	SG	DBS Group Holdings Ltd	Poised for NIM expansion	DBS SP	BUY	SGD 40.00
18	12 Jan 2022	SG	United Overseas Bank Ltd	New Fed rate hike cycle in 2022	UOB SP	BUY	SGD 34.80
19	12 Jan 2022	HK	China State Construction Intl	Significant outperformer	3311 HK	BUY	HKD 11.00
20	11 Jan 2022	HK	Longfor Group Holdings Ltd	Proposed spin-off to unlock value	960 HK	BUY	HKD 48.76

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

Code	Company	Price on 26 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 35.31	67,271	1.1	2.9	3.3	14	13	13	15	5	0	20
2	JM SP	Jardine Matheson Hldgs	USD 59.67	43,109	0.7	2.9	3.0	86	15	11	3	3	1	7
3	OCBC SP	OCBC	SGD 12.35	41,149	1.0	3.3	4.3	11	11	10	18	3	0	21
4	UOB SP	United Overseas Bank	SGD 30.02	37,233	1.1	3.3	4.0	14	13	11	18	1	0	19
5	ST SP	Spore Telecoms	SGD 2.49	30,494	0.9	2.8	3.9	39	18	15	17	1	0	18
6	WIL SP	Wilmar Int'l	SGD 4.27	19,941	0.9	3.3	3.5	12	12	12	13	0	0	13
7	CLI SP	Capitaland Investment	SGD 3.61	13,767	-	-	2.4	-	22	17	13	1	0	14
8	HKL SP	Hongkong Land	USD 5.50	12,837	1.0	4.0	4.0	-	13	12	10	3	1	14
9	THBEV SP	Thai Beverage	SGD 0.65	12,018	1.1	3.2	3.5	16	15	14	17	1	0	18
10	SIA SP	Spore Airlines	SGD 5.04	11,094	1.2	-	0.0	-	-	-	1	7	4	12
11	CICT SP	CapitaLand Mall Trust	SGD 1.98	9,706	1.2	3.5	5.3	12	19	17	18	2	0	20
12	AREIT SP	Ascendas REIT	SGD 2.85	8,875	1.0	5.4	5.5	22	19	17	15	4	0	19
13	STE SP	ST Engrg	SGD 3.71	8,566	1.0	4.0	4.0	21	20	19	10	0	2	12
14	SGX SP	Spore Exchange	SGD 9.55	7,571	0.6	3.4	3.4	23	23	21	5	7	4	16
15	KEP SP	Keppel Corp	SGD 5.35	7,221	0.9	3.6	3.9	29	15	12	11	0	1	12
16	GENS SP	Genting Spore	SGD 0.75	6,712	1.2	1.3	2.1	33	47	22	9	9	1	19
17	MLT SP	Mapletree Logistics Trust	SGD 1.75	6,065	0.9	4.6	5.0	16	21	20	10	6	1	17
18	JCNC SP	Jardine Cycle & Carriage	SGD 20.29	5,949	1.2	3.4	4.7	13	8	7	3	0	0	3
19	MINT SP	Mapletree Industrial Trust	SGD 2.61	5,151	0.9	4.8	5.3	29	19	19	14	2	0	16
20	CIT SP	City Developments	SGD 7.13	4,797	1.3	1.1	1.8	-	32	12	15	2	0	17
21	UOL SP	UOL Group	SGD 7.32	4,585	0.9	2.0	2.3	33	20	16	8	2	0	10
22	MCT SP	Mapletree Commercial Trust	SGD 1.84	4,535	1.2	4.8	5.1	18	22	19	8	6	0	14
23	FLT SP	Fraser's Logistics & Comm Trust	SGD 1.44	3,937	1.2	5.4	5.5	7	19	20	9	2	0	11
24	VMS SP	Venture Corp	SGD 17.83	3,843	0.9	4.2	4.3	17	17	15	9	3	1	13
25	DFI SP	Dairy Farm Int'l Hldgs	USD 2.84	3,843	1.0	5.1	3.2	22	33	15	3	5	1	9
26	YZJSGD SP	Yangzijiang Shipbldg	SGD 1.29	3,750	0.8	3.5	3.9	8	8	6	8	2	0	10
27	SATS SP	SATS	SGD 3.92	3,263	1.4	-	0.0	392	123	34	5	2	1	8
28	SCI SP	Sembcorp Industries	SGD 2.23	2,944	0.9	2.7	2.1	8	14	10	9	2	0	11
29	KDCREIT SP	Keppel DC REIT	SGD 2.22	2,825	0.5	4.4	4.9	12	19	19	6	8	0	14
30	CD SP	ComfortDelGro	SGD 1.37	2,202	1.1	2.6	3.6	19	17	13	9	2	0	11

Source: Bloomberg

ANALYST DECLARATION:

For analysts' shareholding disclosure on individual companies, please refer to the latest reports of these companies.

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