

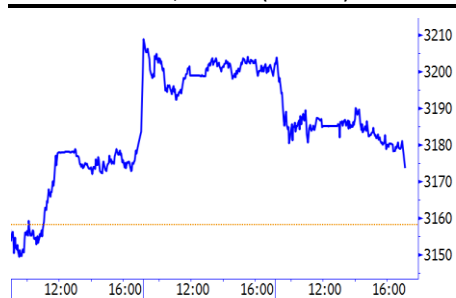
Market Indicators

	10-Jan	11-Jan	14-Jan
Mkt. T/O (S\$ mil)	1,094.4	1,001.0	712.3
Stock Advances	222	250	133
Stock Declines	150	165	254

Major Indices

	10-Jan	11-Jan	14-Jan
DJ Ind Avg	24,001.9	23,996.0	23,909.8
S & P 500	2,596.6	2,596.3	2,582.6
Nasdaq Comp	6,986.1	6,971.5	6,906.0
Hang Seng	26,521.4	26,667.3	26,298.3

STI Index 3,173.46 (-0.79%)

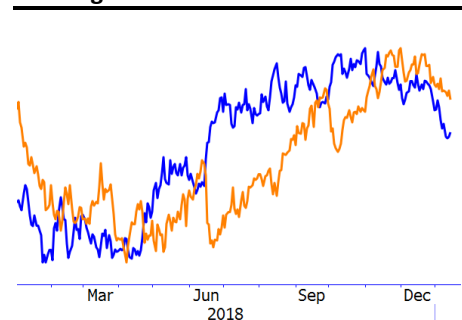


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,291.11	0.01%
Oil (NYMEX CWT1) US\$ / bbl	50.77	3.89%
Baltic Dry Index	1169	-1.68%

Exchange Rates



USD : SGD 1.3532 / MYR : SGD 3.0291
Source: Bloomberg

Interest Rates

3-mth Sibor	1.883%
SGS (10 yr)	2.127%

KGI Market Ideas

Opportunity to trade the counter-trend rally or exit long positions. As we highlighted in our quarterly theme, the macro backdrop, earnings and valuation multiples may have likely peaked in 2018, and we are starting to see more de-rating catalysts from earnings downgrades. However, the announcement of big policy moves repeatedly produced waves of optimism amid an overall declining market. The recent China RRR cut and the US Fed's dovish comments are just examples that caused markets to rally sharply. Even a slightly positive conclusion to the ongoing trade talks between China and the US is likely to provide investors with a chance to trade the counter-trend rally or to exit long positions.

Increased M&A activities in Singapore market. The CapitaLand acquisition of Ascendas-Singbridge (ASB) is creating renewed interest in Singapore property stocks and REITs. In the deal, CapitaLand will be paying S\$3bn in cash and S\$3bn in shares at S\$3.50 per share, a 7% premium to the last traded price. Just last week, Platinum Equity, an American private equity investment firm, made a privatisation offer for PCI Limited at S\$1.33 in cash per share. The price represents a 60% premium to the 12-month volume-weighted average price (VWAP) of PCI shares up to 17 September 2018, that being the last trading day preceding the date the company gave notice of a possible transaction. Given the attractive valuations that many locally listed companies are trading at, we expect to see more privatisation offers, specifically in the technology-manufacturing and property sectors.

Sector Update, Company Update & Credit Note

- **S-REITs Outlook 2019:** Accumulative phase as interest rate risks deflates - Page 5
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Recent In depth Regional Reports

14/1	TH Macroscope: Brexit: Lean to positive surprise as negative side priced in
14/1	TH Electronics Sector (Neutral): Into the darkness
14/1	TH Delta Electronics (Thailand) (DELTA TB; Neutral; TP: Bt 75.00): 4Q18 earnings preview: Up YoY, but down QoQ
14/1	TH Hana Microelectronics PCL (HANA TB; Neutral; TP: Bt 35.00): 4Q18 earnings preview: Drop YoY and QoQ
14/1	TH KCE Electronics (KCE TB; Neutral; TP: Bt 30.00): 4Q18 earnings preview: Drop YoY and QoQ
14/1	TH SVI PCL. (SVI TB; Neutral; TP: Bt 4.80): 4Q18 earnings preview: Up YoY, but down QoQ
11/1	SG Tactical Play: US Luxury Market - Easing trade war tensions and resilient global luxury consumption
11/1	SG Accordia Golf Trust (AGT SP; HOLD; TP: S\$0.610): Company presentation update; rock-bottom valuations
11/1	SG CapitaLand 1.85% 06/19/20 (CAPL SP): Defensive positioning with positive carry
11/1	TW TSC AUTO ID (3611 TT; Outperform; TP: NT\$328.0): New acquisition bolsters business synergy
11/1	HK Vitasoy (0345 HK; Neutral; TP: HK\$ 32.45): China sales kept growing faster than peers in 4Q18
11/1	TH Siam Cement (SCC TB; Neutral; TP: Bt 478): 4Q18 earnings preview: Hit by stock loss
11/1	TH Total Access Communication (DTAC TB; Neutral; TP: Bt 46.00): To settle disputes with CAT
10/1	TW Financial Sector (Neutral): Net loss for FHCs in December; earnings downside for insurers & brokerages in 1Q19F
10/1	TW Gourmet Master (2723 TT; Neutral; NT\$ 204.00): China business sluggish
10/1	TW MSI (2377 TT; Outperform; NT\$91.00): New mainstream RTX2060 GPU to fuel gaming NB demand
10/1	TW Topkey (4536 TT; Not Rated): Riding on growing carbon fiber adoption
10/1	HK Tongda (698 HK; Neutral; TP: HK\$ 0.820): Potential downside risk to gross margin
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10/1	TH Energy Sector (Neutral): 4Q18 refinery earnings preview: Every cloud has a silver lining
10/1	TH Healthcare Sector (Neutral): Negative sentiment in the short term
9/1	TW Auto Parts Sector: China plans to stimulate auto sales
9/1	TW Thermal Sector (Overweight): 5G base station, smartphone, server & gaming PC to drive growth in 2019F
9/1	TW FitTech (6706 TT; Not Rated): Riding surging demand for precision measurement
9/1	HK China Education (839 HK; Outperform; HK\$ 13.50): More positives to come
9/1	HK Xtep (1368 HK; Neutral; TP: HK\$ 5.27): Double-digit revenue growth on track; 2019 outlook positive
9/1	TH Non-Bank Sector (Overweight): 4Q18 earnings preview: Seasonally high growth
8/1	TW Formosa Chemicals (1326 TT; Outperform; TP: NT\$ 124.00): Earnings below expectations
8/1	TW Formosa Petrochemical (6505 TT; Neutral; TP: NT\$ 117.00): Preliminary 4Q18 net loss worse than our forecast
8/1	TW Formosa Plastics (1301 TT; Outperform; TP: NT\$ 122.00): 4Q18 preliminary earnings missed
8/1	TW Nan Ya Plastics (1303 TT; Neutral; TP: NT\$ 74.00): 4Q18 earnings below expectations
8/1	TW Parade Technologies (4966 TT; Outperform; TP: NT\$610.00): Set to outperform fabless peers in 1H19F
8/1	CN/HK Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
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8/1	TH Bangkok Chain Hospital (BCH TB; Outperform; TP: Bt 21.50): 4Q18 earnings preview: Remains strong
8/1	TH Mega Lifesciences (MEGA TB; Outperform; TP: Bt 35.00): Supplements at value
7/1	TW Casetek Holdings (5264 TT; Outperform; TP: NT\$ 55.0): Stronger 4Q18 sales & earnings expected; turnaround in 2019F
7/1	TW Catcher Technology (2474 TT; Neutral; TP: NT\$ 230.00): Downside on weak iPhone demand; NB to partially offset
7/1	TW Hiwin (2049 TT; Underperform; TP: NT\$ 168.00): 4Q18 sales miss; more earnings cuts to come
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7/1	CH/HK A-share Weekly: RRR cut further strengthens growth policy
7/1	CN/HK Economy: Monetary transmission mechanism to be cleared up; economic recovery to support A-share market rebound
7/1	TH Economic: Tropical Storm Pabuk: Trim 2019 GDP growth by 0.1%
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4/1	HK Food and Beverages (Neutral): Great potential to induce intense competition in 2019F
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3/1	TW CHPT (6510 TT; Underperform; TP: NT\$ 380.00): Double headwinds to drag down 2019F results
3/1	TW Formosa Chemicals (1326 TT; Outperform; TP: NT\$ 124.00): Reinvestment income to shrink QoQ in 4Q18F
3/1	TW Formosa Petrochemical (6505 TT; Neutral; TP: NT\$ 117.00): Shifting from profit to loss due to oil price decline
3/1	TW Formosa Plastics (1301 TT; Outperform; TP: NT\$ 122.00): 4Q18F investment income to shrink markedly
3/1	TW MediaTek (2454 TT; Neutral; TP: NT\$ 210.00): Weak smartphone AP sales may offset rising gross margin
3/1	TW Nan Ya Plastics (1303 TT; Outperform; TP: NT\$ 85.00): Reinvestment income down substantially
3/1	TW SMIC Group (981 TT; Neutral; TP: NT\$ 5.80): Profits to decline on competition & soft demand
3/1	TW TCI (8436 TT; Outperform; TP: NT\$ 665.00): Next generation of health food ODM
3/1	TW TSMC (2330 TT; Outperform; TP: NT\$ 263.00): Share gains to be offset by macro concerns, leading to flattish 2019F
3/1	TW UMC (2303 TT; Neutral; TP: NT\$ 11.80): Profitability downside ahead in 2019F
3/1	TW Vanguard (5347 TT; Neutral; TP: NT\$60.00): Macro concerns to lead to 1H19F demand uncertainty
3/1	TW Win Semiconductors (3105 TT; Underperform; TP: NT\$ 72.00): 2019F revenue & profit to fall on market share losses & sluggish smartphone demand
3/1	TH Bank Sector (Neutral): 4Q18 earnings preview: Loan acceleration and less pressure on LLP
3/1	HK Kingworld Medicines (1110 HK; Not Rated): Improving outlook in 2019
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2/1	SG IFS Capital (IFS SP; BUY; TP: S\$ 0.29): New moneylending business model driven by the digital economy
2/1	TW Lotes (3533 TT; Outperform; TP: NT\$ 277.00): Stronger 4Q18F sales & earnings; solid 2019F outlook
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26/12	TW Shane Global (8482 TT; Not Rated): Strong operational momentum in 2019F
26/12	TH Delta Electronics (Thailand) (DELTA TB; Outperform; TP: Bt 85.00): Attractive
25/12	TW King's Town Bank (2809 TT; Neutral; TP: NT\$28.50): 2018F earnings hurt by one-off provision & capital market volatility
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24/12	TH PTT (PTT TB; Neutral; TP: Bt 52.50): The five year committed CAPEX plan
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21/12	HK Food and Beverages (Neutral): More sophisticated competitive environment in China
21/12	TH Kiatnakin Bank (KKP TB; Neutral; TP: Bt 66.00): Facing several risk factors in 2019
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20/12	HK CDOT (334 HK; Not Rated): TCL restructuring to propel CDOT growth
20/12	TH Total Access Communication (DTAC TB; Neutral; TP: Bt 50.00): 4Q18 earnings preview: Lower costs to drive profit
19/12	TW Gemtek (4906 TT; Not Rated): Gross margin to pick up in 4Q18F on stabilizing MLCC supply; 2019 outlook optimistic
19/12	HK Xiabu Xiabu (520 HK; Neutral; TP: HK\$12.11): Weaker 3Q18 business but store additions remain intact
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19/12	TH PTT Exploration and Production (PTTEP TB; Outperform; TP: Bt 145.00): The new five-year investment plan (2019-23)
18/12	TW Top Bright Holding (8499 TT; Not Rated): Sales & gross margin to rebound in 4Q18 & 2019F
18/12	HK China Education Group (839 HK; Outperform; HK\$ 13.50): Giant with quality schools
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S-REITs Outlook 2019

Accumulative phase as interest rate risks deflates

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- Moving forward to 2019, our sector preference is **Commercial & Hospitality** over **Retail & Industrial**.
- We recommend strong sponsor backed REITs with assets based in Singapore over geographically diversified REITs offering higher dividend yield.
- Investors looking for REITs with foreign exposure will have a better risk-reward return choosing those with strong sponsors.

undergone a price correction and are near 5 year historical mean PB of 1.0x. Subsequently, the current entry price should be reasonable for investors looking to accumulate REITs. Effects of interest rate concerns is still expected to spill over to 2019, although economist's consensus is that the MAS will be leaning towards a dovish stance. The latest MAS survey showed that 37% of respondents see higher interest rates as a key downside risk in the future, a dip from June's survey figure of 47%.

KGI S-REITs Watch List

Company Name	Last Price (\$SGD)	Currency Adj. Market Cap (\$\$mn)	Yield (%)	Gearing (%)	P/B (x)	6M Average daily trading volume (\$\$ '000)	(YTD) Price Performance
Commercial							
CAPITALAND COMMERCIAL TRUST	\$ 1.75	\$ 6,553	5.0	29.8	1.0	18,920	-3.3
MAPLETREE COMMERCIAL TRUST	\$ 1.65	\$ 4,766	5.5	35.2	1.1	8,384	1.8
Retail							
CAPITALAND MALL TRUST	\$ 2.27	\$ 8,369	5.0	31.5	1.1	22,910	6.8
FRASERS CENTREPOINT TRUST	\$ 2.17	\$ 2,013	5.8	29.6	1.0	1,939	-5.1
Logistics							
KEPPEL DC REIT	\$ 1.35	\$ 1,825	5.6	34.2	1.3	4,094	-5.6
MAPLETREE LOGISTICS TRUST	\$ 1.25	\$ 4,488	6.3	39.7	1.1	10,176	-3.3
MAPLETREE INDUSTRIAL TRUST	\$ 1.89	\$ 3,589	6.5	30.5	1.3	5,361	-3.9
Hospitality							
FAR EAST HOSPITALITY TRUST	\$ 0.61	\$ 1,133	6.8	33.0	0.7	918	-16.0
KGI REIT PORTFOLIO			5.61	32.77	1.11	10,631.53	-3.3
FTSE ST RE INVEST TRUST	\$ 790.74		6.1		1.0		-7.6

Source: Bloomberg, KGI Research

Figure 1: YTD Price Movements of FTSE ST REIT Index (FSTREI Index) and STI Index



Source: Bloomberg, KGI Research

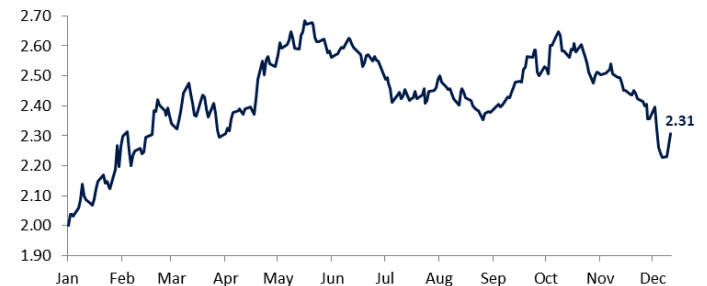
Figure 2: Historical 5 year P/B Ratio, FTSE Straits Time REIT Index



Source: Bloomberg, KGI Research

Interest rate risk still a concern but less so in 2019. 2018 was a challenging year for REITs. Alongside an 8.0% decline in the STI Index, FTSE ST REIT Index was down 9.6% year to date. Fundamentally, the prices of Singapore REITs have

Figure 3: MAS 10 Year Government Bond Yield YTD (%)

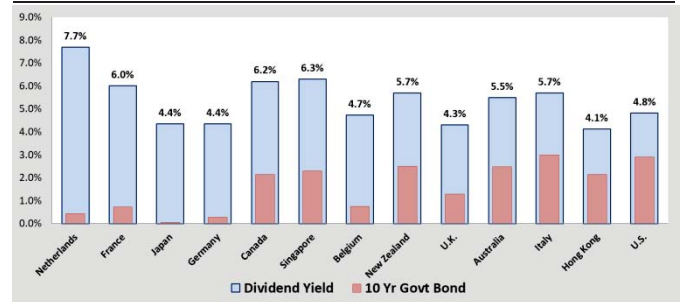


Source: Bloomberg, KGI Research

Acquisition Spree Continues. Average gearing ratio of the 8 REITs within our watch list increased from 32.8% in 2017 to 34.2% for 3Q18 as REIT managers continue with their acquisition spree, which emerged late 2017. About 80% of debt undertaken by REITs is on a fixed rate basis. Our view is that interest rate concerns amongst REITs are moderately well sheltered, and managers are likely to lock in the current interest rates. Dampened property prices and favourable exchange rates would also make sense for managers to transact now.

Mapletree Logistics Trust acquired a portfolio of 26 UK logistics properties for S\$459.2mn in September while SPH REIT acquired an Australian property, Figtree Grove Shopping Centre, in December. Many are sourcing for yield accretive acquisitions overseas to deliver inorganic growth and geographical diversification.

Figure 4: Developed Country REITs: Div Yield, 10 Yr Govt Bond Rate (%)



Source: Bloomberg, KGI Research

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Tactical Play: US Luxury Market

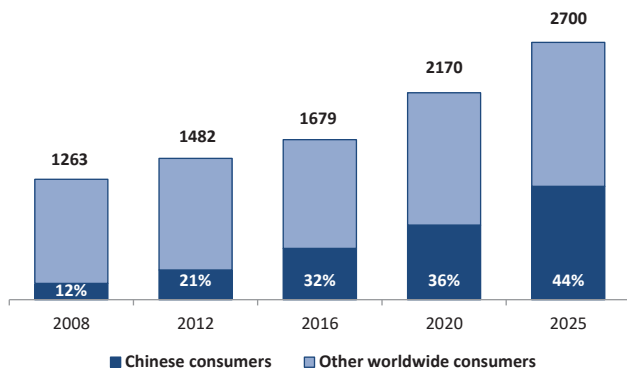
(LVMHF US, TPR US, CPRI US)

Easing trade war tension and global luxury consumption

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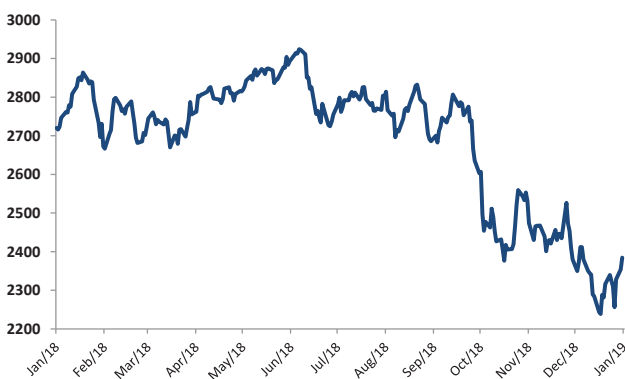
Event. Luxury retailers were negatively hit by Apple's revenue forecast cuts in the face of ailing Chinese demand. Statistics by Euromonitor International showed that Chinese Consumers currently account for about 30% of the US\$1tn spending on luxury goods globally. Concerns over the loss of appetite for luxury goods had sent luxury stocks falling. The S&P Global Luxury index, which tracks 80 of the largest publicly listed companies engaged in the business of luxury goods and services globally, had fallen 11.04% since 2018.

Figure 1: Contribution of Chinese consumers to the global luxury market (in Bn RMB)



Source: Mckinsey, KGI Research

Figure 2: S&P Global Luxury Index historical 1Y price movement (US\$)



Source: Bloomberg, KGI Research

While LVMH, parent company of Luxury bag maker Louis Vuitton assured that declining consumer sentiments had not dented Chinese demand, a good indicator for brands would be the festive expenditure across the Chinese New Year holidays.

The consensus view is that FY2018 revenue growth is still coming in positive for the majority of the luxury houses. Are current fears overplayed?

Tactical Play. China and US met in Beijing on 7-9 January. Since the agreement to a 90-day trade war truce was decided on 1 December 2018, China and the US would be required to reach a deal by 1 March 2019.

Share prices of some of the top global luxury houses such as LVMH (LVMHF US) and Kering (PPRUF US), parent company of Gucci, declined 12.5% and 17.7% in the past 6 months.

Figure 3: 6M price movements of LVMH (LVMHF US), Kering (PPRUF US), Estee Lauder (EL US), Michael Kors (CPRI US) and Tapestry, Inc. (TPR US) (US\$)



Source: Bloomberg, KGI Research

Our current view is that trade war concerns and weak sentiments after Apple's cut in revenue forecast have already been priced into luxury stocks. Hence, given the undemanding valuations, risk-reward looks attractive for investors to take a tactical bet on the easing of trade tensions.

We now revisit some of the top laggards within the benchmark. Key dates that investors should take note on for this tactical play would be included within the risk segment of this report.

Financial Snapshot

Going forward into turbulent times, we favour luxury stocks with the following characteristics:

1. Near 3 year historical low PE ratio
2. Forecasted revenue growth of at least 5% for FY2018
3. Net margins above benchmark of 8.8% (Deloitte, Global Power of Luxury Goods 2018 statistics)
4. Less than 25% geographical exposure to China

We highlight key information of **LVMHF**, **TAPESTRY (TPR US)**, and **CAPRI (CPRI US)** in the following pages.



Accordia Golf Trust

(AGT SP/ACCO.SI)

Company presentation update; rock-bottom valuations

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- We recently hosted AGT's management for a presentation to investors.
- Key points are 1) rock-bottom valuations, 2) operational improvement, 3) upside from JPY strength, and 4) DPU-accretive acquisitions.
- Although valuations are attractive, we **maintain our HOLD** recommendation due to the lack of near-term re-rating catalysts and a more cautious macro outlook, but will assess our rating post 3Q FY19 results in Feb 2019.
- Investors with a longer investment horizon may wish to keep this in their portfolios as we believe all the bad news have been priced into the current share price.

Financials & Key Operating Statistics					
YE Mar JPY bn	2017	2018	2019F	2020F	2021F
Revenue	51.9	51.5	50.7	50.5	50.3
PATMI	4.0	4.1	5.3	5.3	5.3
Core PATMI	5.5	5.8	5.3	5.3	5.3
Core EPS (JPY)	0.5	0.5	0.5	0.5	0.5
Core EPS grth (%)	-15.6	5.7	-8.6	-0.5	-0.5
DPS (SG Cents)	6.0	3.9	4.0	5.3	5.2
Div Yield (%)	11.4	7.3	7.5	9.9	9.9
Net Margin (%)	7.7	8.0	10.5	10.5	10.5
Loan-to-Value (%)	31.3	29.4	29.3	29.5	29.6
ROE (%)	5.0	5.1	6.5	6.5	6.4

Source: Company Data, KGI Research

Share price at an all-time low. AGT's share price recently dropped to an all-time low of 48 SG cents after a year of extremely bad weather and selling pressure from Goldman Sachs paring down its stake over the last two months. AGT is currently trading at 0.55x P/B, which is -1SD below its historical average. Thus, we believe that downside risks are limited. Also, we may see less volatile downside share price movements given that Goldman Sachs, which previously held 14%, had largely exited its position in 2018.

Recovery underway; golf operations are improving. Operations have already shown signs of improvement in Oct and Nov 2018, where player numbers have increased 2-3% above the 3-year average.

Upside from JPY strength. The JPY strengthened by as much as 4% against the SGD in the past 1 month, rising to a 20-month high, partly driven by a flight to safe-haven assets. Locking in below 80 JPY/SGD would provide upside to our 4.0 SG cents dividend forecast for FY19F.

Interesting developments on acquisition potential. Orix Corp (Orix) announced in Nov 2018 that it transferred its golf business to MBK Partners, who is also the same owner of the sponsor of AGT. Given this development, MBK would now have the most golf courses in Japan, totalling 173. Hence, we believe that all the pieces are falling into place for AGT to embark on its DPU-accretive acquisitions to enhance shareholder value.

HOLD - Maintain

Price as of 11 Jan 19 (SGD)	0.53	Performance (Absolute)	
12M TP (\$)	0.61	1 Month (%)	8.2
Previous TP (\$)	0.61	3 Month (%)	0.4
Upside, incl div (%)	23.0	12 Month (%)	-17.8
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	583		
Issued Shares (mn)	1,099		
Vol - 3M Daily avg (mn)	2.6		
Val - 3M Daily avg (\$mn)	1.2		
Free Float (%)	71.1%		
Major Shareholders		Previous Recommendations	
MBK Partners	28.9%	15-Nov-18	HOLD \$0.61
Hibiki Path Advisors	6.2%	17-Aug-18	BUY \$0.70
Daiwa Securities	6.0%	31-May-18	BUY \$0.70

New shareholder. It was announced on 29 November 2018 that Hibiki Path Advisors had acquired 53mn shares for S\$22.9mn, implying a price of 43 SG cents, from a major shareholder. As a result, Hibiki had emerged with a 6.2% stake in AGT, making it the second largest shareholder. Hibiki is a Japanese-managed fund specialising in Japanese equities. We view the change of major shareholder as neutral news as it does not have any impact on the operations of AGT, but it does lend confidence that institutional investors are willing to come in when AGT's share price drops below 50 SG cents.

Valuation & Action: Despite the 33% upside potential, we maintain our recommendation at HOLD given the lack of near-term re-rating catalysts and our more cautious macro outlook. We will review our assessment after AGT's 3Q FY19F results in February 2019. We expect FY20F (YE Mar) DPU to recover to 5.2 SG cents, which would offer an attractive 10% dividend yield at its current price.

What would excite us. We would turn more positive when AGT begins to acquire golf courses. It has the debt headroom to conservatively acquire 10 golf courses at an average price of JPY 2bn each. Doing so would only increase its loan-to-value (LTV) ratio by 5% points to 35% but raise DPU by 10%.

Risks: Forex risk to DPU as earnings are mostly in JPY while distributions are in SGD. Macroeconomic environment and adverse weather conditions also affect visitor numbers to golf courses.

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CapitaLand 1.85% 06/19/20

(CAPL SP/CATL.SI)

Defensive positioning with positive carry

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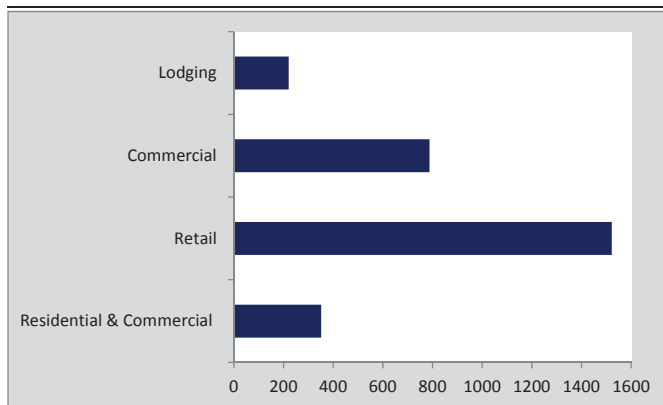
Company Background: CapitaLand is one of Asia's largest real estate companies. Headquartered and listed in Singapore with 40% ownership by Temasek Holdings. The group is an owner and manager of a global portfolio worth over S\$92 billion as at 30 September 2018, comprising integrated developments, shopping malls, lodging, offices, homes, real estate investment trusts (REITs) and funds.

Credit Considerations:

3Q18 results declined 17% YoY to SGD 1.26bn due to lower contributions from development projects in Singapore and China. Net profits however, declined by 2.1% YoY to SGD 566.6mn due to higher contributions from rental revenue, which led to stronger gross margins of 46% (3Q17:33%).

Higher contribution from recurring revenues can help the group weather macroeconomic uncertainties. As of 3Q18, revenue from investment properties, increased to 85.5% of the group's total EBIT from 84.7% in 3Q17. YTD, the contribution from investment properties rose to 87.8% of EBIT from 77.4% in 9M17, driven by newly acquired properties, revaluation gains and the consolidation of CapitaLand Mall Trust (CMT, CapitaLand Retail China Trust (CRCT) and RCS Trust (RCST).

Figure 1: Investment Properties Contribute 88% of Total EBIT (SGD mn)



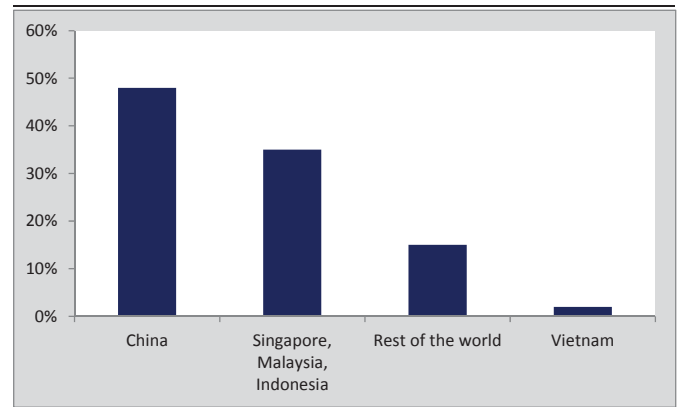
Source: Company Data, KGI Research

Going forward, we expect contributions from rental income to continue increasing as the group strengthens its lodging platforms after the acquisition of 16 freehold multifamily properties for US\$835mn in the US in September 2018. Together with a US\$26mn investment for a 70% stake in TAUZIA Indonesia, CapitaLand currently manages more than 94,000 lodging units globally, surpassing its 2020 target of 80,000.

Chinese property exposure provides upside potential if trends in office rentals and residential properties persist.

While China is the 2nd largest contributor to CapitaLand's revenues and EBIT, 48% of the group's assets under management comes from China. The company continues to expand in China with YTD divestments and investments of S\$2bn and S\$2.3bn respectively. For FY19, the company is expecting demand of office space to remain strong in light of reducing new supply in Shanghai and Beijing, where 52% of the group's commercial space are located.

Figure 2: 3Q18 Real Estate Assets under Management



Source: Company Data, KGI Research

For residential properties, take-up rates continue to be strong with 96% of the Group's launched units already sold despite property cooling measures implemented by the Chinese government in the 1st and 2nd tier cities.

Credit Recommendations: In line with our defensive portfolio positioning, we recommend an exposure to CAPLSP's 2020 convertible currently trading at 97.46 with a YTW of 3.5% and duration of 1.4.

While net debt/equity rose to 50.5% at 9M18 from 48.6% in FY17, liquidity remains strong with S\$5.3bn in cash reserves compared to short-term borrowings of S\$3.2bn. Additionally, the group has undrawn facilities of ~S\$2.7bn with free cash flows of S\$1.1bn.

Given the group's strong balance sheet and stakeholder relationship with Temasek Holdings, we believe the convertible provides good protection for investors looking for safe carry in light of recent market volatility.



CHINA
DEVELOPMENT
FINANCIAL

IFS Capital

(IFS SP/I49.SI)

New moneylending business model driven by the digital economy

Joel Ng / 62 6202 1192 / joel.ng@kgi.com

- IFS Capital will be one of six companies in Singapore piloting a new business model for moneylending that will mainly serve the own-account workers, entrepreneurs and freelancers as they account for a growing part of the workforce.
- The new model will grant borrowers better terms based on a more comprehensive use of data to assess creditworthiness, as well as digitalised processes to help lower expenses.
- We maintain our BUY recommendation on IFS Capital. Our fair value of S\$0.29 is based on 0.7x 2018F BVPS.

Financials & Key Operating Statistics

YE Dec SGD mn	2016	2017	2018F	2019F	2020F
Net Interest Income	16.4	19.0	20.0	22.2	24.7
PATMI	(2.6)	2.0	4.6	5.3	6.7
Net Profit Growth	-	-	134.1%	16.4%	25.9%
EPS (SGD cents)	(1.3)	0.5	1.2	1.4	1.8
Return on Average Equity	-2.0%	1.3%	3.0%	3.3%	4.1%
Return on Average Assets	-1.1%	0.8%	2.0%	2.3%	2.9%
NAV (SGD Cents)	40.2	40.5	41.7	43.1	44.9
P/B(x)	0.5	0.5	0.5	0.5	0.5
P/E(x)	-	40.4	17.2	14.8	11.8
Wgt. Avg. shares, diluted	197.2	376.0	376.0	376.0	376.0
DPS (SGD Cents)	-	0.3	0.4	0.4	0.5
Div Yield (%)	-	1.4	1.7	2.0	2.5

Source: Company Data, KGI Research

New business model for moneylending. In an announcement on 11 December 2018, the Ministry of Law (MinLaw) announced that six firms had been selected to pilot new business models for moneylending, as part of an initiative to protect borrowers through business-led improvements. The new models would include a more comprehensive use of data to assess creditworthiness, using digitalised processes to lower cost and providing better terms to those who repay their loans early or on time.

6 out of 38 firms chosen. IFS Capital is one of the six selected amongst 38 firms, meeting the stringent mandatory criteria, such as soundness and completeness of the business model, and effective cost of credit and credit policies. These firms have a paid-up capital of >\$1mn and have a demonstrated track record in providing consumer credit, whether in licensed moneylending or in other sectors of consumer credit. The licenses will be for two years beginning in 2019, following which MinLaw will evaluate and refine the moneylending regulatory regime.

Opportunities for consumers. IFS Capital is well-positioned to grow in the consumer moneylending business given its track record of providing financial services to Small and Medium Enterprises (SMEs) for more than 30 years. In particular, IFS Capital could reach out to own-account worker segment, entrepreneurs and freelancers, by offering them better and faster lending decisions through the use of technology and personalised services.

BUY - Maintain		Performance (Absolute)	
Price as of 2 Jan 19 (SGD)	0.22	1 Month (%)	0.0
12M TP (\$)	0.29	3 Month (%)	-8.7
Previous TP (\$)	0.29	12 Month (%)	-13.0
Upside (%)	35.8		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	81		
Issued Shares (mn)	376		
Vol - 3M Daily avg (mn)	0.0		
Val - 3M Daily avg (\$mn)	0.0		
Free Float (%)	39.7%		
Major Shareholders		Previous Recommendations	
Lim Hua Min	60.1%	17-Oct-18	BUY S\$0.29
Dymon Asia Private Equity	6.9%		

Funding for the gig economy. The number of Singapore residents engaged in own-account work rose from 200k in 2016 to 224k in 2017. Own-account workers, which include freelance workers, made up 8.4% of Singapore's employed residents in 2017, according to the Ministry of Manpower. This is well below the 20-30% of the working-age populations in Europe and the US that are engaged in some form of independent work, according to McKinsey Global Institute. Trends from other developed countries show a shift towards the gig economy as new technologies - such as Uber, Grab, Airbnb and TaskRabbit - have created platforms that allow people to earn an income by renting their assets or selling their labour on a contract basis.

Valuation & Action: We maintain our BUY on IFS, driven by strong, stable growth in its lending business. We assign a target price of \$0.29 to IFS Capital, based on a FY18F P/NAV of 0.7x.

Completion of Suntec office sale. Furthermore, IFS Capital had completed the sale of its Suntec office on 23 November 2018. The transaction is expected to net IFS a gain of 5 cents, or 20% of its market cap, and would increase IFS's NAV by 10% to 49 cents. These are positive initiatives meant to unlock and allow better use of its capital, mainly to support the growth of its lending business, as well as its new expansion into the consumer lending space.

Risks: Increase in net claims from its insurance business and an economic slowdown are key risks. Meanwhile, a faster-than-expected rise in rates would impact IFS's cost of borrowings and net interest margins.

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STI Components and Key Metrics

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
FINANCIALS								
DBS SP	DBS	24.57	62,693	(0.8%)	3.7%	3.5%	4.8%	5.0%
OCBC SP	OCBC	11.50	48,869	(1.3%)	2.1%	1.1%	3.8%	4.1%
UOB SP	UOB	26.00	43,308	(0.3%)	5.8%	4.2%	4.6%	4.9%
SGX SP	SGX	7.26	7,770	(0.4%)	1.5%	0.0%	4.2%	4.4%
PROPERTIES								
HKL SP	Hongkong Land USD	6.91	22,026	(0.1%)	9.7%	4.9%	3.0%	3.2%
CAPL SP	CapitaLand	3.27	13,612	0.0%	5.1%	4.1%	3.8%	3.9%
CT SP	CapitaLand Mall Trust	2.32	8,554	0.0%	2.7%	0.9%	4.9%	5.1%
AREIT SP	Ascendas REIT	2.68	8,336	0.0%	4.3%	1.5%	6.1%	6.2%
CIT SP	City Development	8.71	7,899	(2.1%)	7.3%	4.4%	2.2%	2.1%
CCT SP	CapitaLand Comm Trust	1.82	6,815	0.0%	4.0%	1.1%	4.8%	4.9%
UOL SP	UOL	6.53	5,503	(1.5%)	5.5%	4.0%	2.6%	2.6%
TELECOMMUNICATIONS								
ST SP	SingTel	3.00	48,987	(1.6%)	2.4%	2.0%	6.0%	6.0%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	67.97	67,842	(0.2%)	(2.3%)	(0.8%)	2.4%	2.5%
JS SP	Jardine Strategic Holdings	36.90	55,389	(2.9%)	0.5%	(2.5%)	0.9%	0.9%
DFI SP	Dairy Farm International	9.28	17,007	0.0%	2.5%	3.0%	2.5%	2.7%
THBEV SP	ThaiBev	0.70	17,578	2.9%	14.8%	13.8%	2.9%	3.2%
JCNC SP	Jardine C&C	36.26	14,331	(1.5%)	2.6%	1.6%	3.5%	3.7%
GENS SP	Genting Singapore	1.03	12,406	(1.0%)	5.6%	1.0%	3.5%	3.6%
VMS SP	Venture Corp	14.80	4,260	(1.6%)	6.1%	2.5%	4.4%	4.5%
SPH SP	SPH	2.47	3,945	(0.8%)	5.1%	2.9%	5.4%	5.4%
TRANSPORT								
SIA SP	Singapore Airlines	9.66	11,434	(0.5%)	2.5%	3.3%	3.4%	3.8%
CD SP	ComfortDelGro	2.14	4,633	(0.9%)	(0.5%)	(0.9%)	4.9%	5.3%
COMMODITIES								
WIL SP	Wilmar	3.22	20,373	(0.6%)	3.2%	0.9%	3.3%	3.5%
GGR SP	Golden Agri	0.26	3,247	(1.9%)	4.1%	2.0%	1.1%	2.1%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	6.14	11,128	(1.8%)	3.9%	0.8%	4.6%	4.3%
STE SP	ST Engineering	3.58	11,169	0.3%	2.6%	2.0%	4.3%	4.4%
SATS SP	SATS	4.88	5,438	(0.6%)	4.7%	4.1%	3.9%	4.1%
YZJSGD SP	Yangzijiang SGD	1.28	5,051	(1.5%)	2.4%	0.8%	3.6%	3.6%
SCI SP	Sembcorp Industries	2.63	4,693	(4.0%)	3.5%	(0.4%)	2.0%	2.8%
HPHT SP	HPH Trust USD	0.25	2,950	(3.8%)	2.0%	2.0%	9.1%	8.8%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

STI Reserve List (by market cap) - STI next review date: March 2019

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY18 (%)	Div Yield FY19 (%)
SUN SP	Suntec REIT	1.86	4,967	0.0%	4.5%	2.2%	5.4%	5.3%
MCT SP	Mapletree Commercial Trust	1.70	4,910	(0.6%)	3.0%	1.2%	5.4%	5.4%
MLT SP	Mapletree Logistics Trust	1.32	4,739	(0.8%)	4.8%	0.8%	6.0%	6.1%
KREIT SP	Keppel REIT	1.16	3,936	0.0%	1.8%	0.0%	5.0%	4.9%
MINT SP	Maple Industries Trust	1.97	3,741	(0.5%)	3.1%	1.5%	6.2%	6.5%

Dividend Yield based on Bloomberg consensus. Total return includes dividends.

Source: Bloomberg

Appendix 1: Corporate Action

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 14 Jan 19	Yield (%)
Maxi-Cash Financial Services Corp Lt	7-Nov-18	3Q18	SGD 0.0030	24-Jan-19	25-Jan-19	8-Feb-19	SGD 0.136	2.2
PNE Industries	28-Nov-18	FY18	SGD 0.0300	24-Jan-19	25-Jan-19	15-Feb-19	SGD 0.880	3.4
Nam Lee Pressed Metal	28-Nov-18	FY18	SGD 0.02000	25-Jan-19	28-Jan-19	11-Feb-19	SGD 0.385	5.2
Nam Lee Pressed Metal - Special	28-Nov-18	FY18	SGD 0.00500	25-Jan-19	28-Jan-19	11-Feb-19	SGD 0.385	1.3
Fraser and Neave	9-Nov-18	FY18	SGD 0.030000	4-Feb-19	7-Feb-19	20-Feb-19	SGD 1.720	1.7
Frasers Property	9-Nov-18	FY18	SGD 0.062000	4-Feb-19	7-Feb-19	20-Feb-19	SGD 1.720	3.6
Thai Beverage PCL	26-Nov-18	FY18	Baht 0.2400	7-Feb-19	8-Feb-19	28-Feb-19	SGD 0.700	
Aspial Corp	7-Nov-18	3Q18	SGD 0.00250	27-Feb-19	28-Feb-19	8-Mar-19	SGD 0.205	1.2
Qian Hu Corp Ltd	11-Jan-19	FY18	SGD 0.0020	10-Apr-19	11-Apr-19	25-Apr-19	SGD 0.191	1.0

Latest Listing Issue Announcement

Company	Offer Price	Closing Date	Offeror
LTC Corporation Limited	SGD 0.925 Cash	5.30 p.m. on 31 Jan 2019	Mountbatten Resources Pte. Ltd.
M1 Ltd	SGD 2.06 Cash	5.30 p.m. on 4 Feb 2019	Konnectivity Pte. Ltd.
Sunrise Shares Hldgs Ltd.	SGD 0.017 Cash	5.30 p.m. on 23 Jan 2019	Wong Siu Fai

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
7-Jan	8-Jan	9-Jan	10-Jan	11-Jan Q1 Spore Press Hldgs Q4 Qian Hu Corp *Q1 Miyoshi
14-Jan SG 4Q18 Advance GDP Estimates (Not later than 14 Jan)	15-Jan	16-Jan Q4 First REIT	17-Jan	18-Jan Q1 Frasers Commercial Trust Q4 ESR-REIT
21-Jan Q1 Frasers Centrepoint Trust Q3 Mapletree Logistics Trust Q4 Keppel REIT > Soilbuild Biz Space REIT	22-Jan Q3 Mapletree Industrial Trust Q4 Keppel DC REIT > Keppel Infrastructure Trust	23-Jan SG (Dec 2018) CPI Q3 Mapletree Commercial Trust Q4 CapitaLand Mall Trust > Keppel Telecoms & Tpt > Suntec REIT *Q4 CapitaLand	24-Jan SG 4Q18 Industrial Properties Q1 Frasers Logistics & Industrial Trust Q3 Ascendas India Trust Q4 CapitaLand Commercial Trust > Keppel Corp > Keppel-KBS US REIT *Q2 Spore Exchange	25-Jan SG (Dec 2018) Index of Industrial Production SG 4Q18 Private Residential, Retail and Office Properties Q3 Mapletree North Asia Commercial Q4 Cache Logistics Trust
28-Jan Q4 M1 / Parkway Life REIT	29-Jan Q4 CDL Hospitality Trusts	30-Jan Q3 Ascendas REIT *Q1 Frasers Hospitality Trust *Q4 Lonza Grp	31-Jan SG (Dec 2018) Unemployment Rate & Employment	1-Feb-2019
4-Feb	* 5-Feb Chinese Lunar New Year's Day	* 6-Feb Chinese Lunar New Year's Day	7-Feb	8-Feb

* Tentative

Source: Bloomberg

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