

KGI TOP IDEAS – 2 NOVEMBER WEEK



REITS

- Selloff an opportunity to accumulate
- Retail – 2021 dividend recovery
- Industrial – Attractive entry opportunity
- Office – Tactical play (Suntec)



REITS Yield Enhancement (pls see CMS for details)

- 2.25% financing cost
- Minimum loan S\$100,000
- Valid for 1 year upon loan drawdown

The background features a dark blue gradient with several circular gauges and arrows. One large gauge on the left has numerical markings from 140 to 260. Other gauges are smaller and scattered across the scene. Arrows of various sizes and orientations are also present, some pointing clockwise and others counter-clockwise, suggesting a process or cycle.

Macro

PRODUCTS/RESEARCH

GUANGZHI, CFA

WEEK AHEAD

- US
 - 2020 US presidential election (win 270 electoral votes out of a total of 538)
 - Non-farm payroll
 - Markit/ISM manufacturing and services in October
- Europe
 - Markit manufacturing and service PMI in October
 - Retail sales in September
- China
 - Caixin manufacturing and services PMI in October
 - Trade balance in October

PRELIMINARY VIEW OF US ELECTION

- As of 1st November, Biden is leading 10 points over Trump, according to NBC News/WSJ poll
- Stock market has been pricing in Biden's victory
- Allan Lichtman, an American historian who correctly predicted the winner of every US presidential election since 1984 made a final prediction that Biden will win based on 13 key indicators
- Yiwu index (orders of campaign products from Yiwu city, China) indicates Trump is leading
- Voter registration spread (Democrat – Republican) in 7 swing states in 2020 is less than that in 2016, indicating Biden not leading as high as the polling data shows
- Attendances of Trump's rally are much more than Biden's

CHINA 14TH-FIVE-YEAR PLAN

- Economic quality development instead of quantity development (no GDP growth target)
 - 6 segments: economic development, reform and open, social civilisation, ecological civilisation, social welfare, national governance
 - Higher efficiency
 - Higher fairness
 - Higher sustainability
 - Higher safety
- Innovation and technology driven model: digitalisation, semiconductor, new energy, pharmaceuticals and health care
- Dual circulation with a base of domestic market expansion
- Livelihood: country and urban development balance, labour market, education, social welfare protection, and income distribution
- Green development: low-carbon, environment protection

The background features a dark blue gradient with faint, light blue technical diagrams. On the left side, there is a large circular scale with numerical markings from 140 to 260 in increments of 10. Several circular arrows and dashed lines are scattered across the scene, suggesting a process or cycle. The word 'STRATEGY' is prominently displayed in white, bold, uppercase letters on the left side.

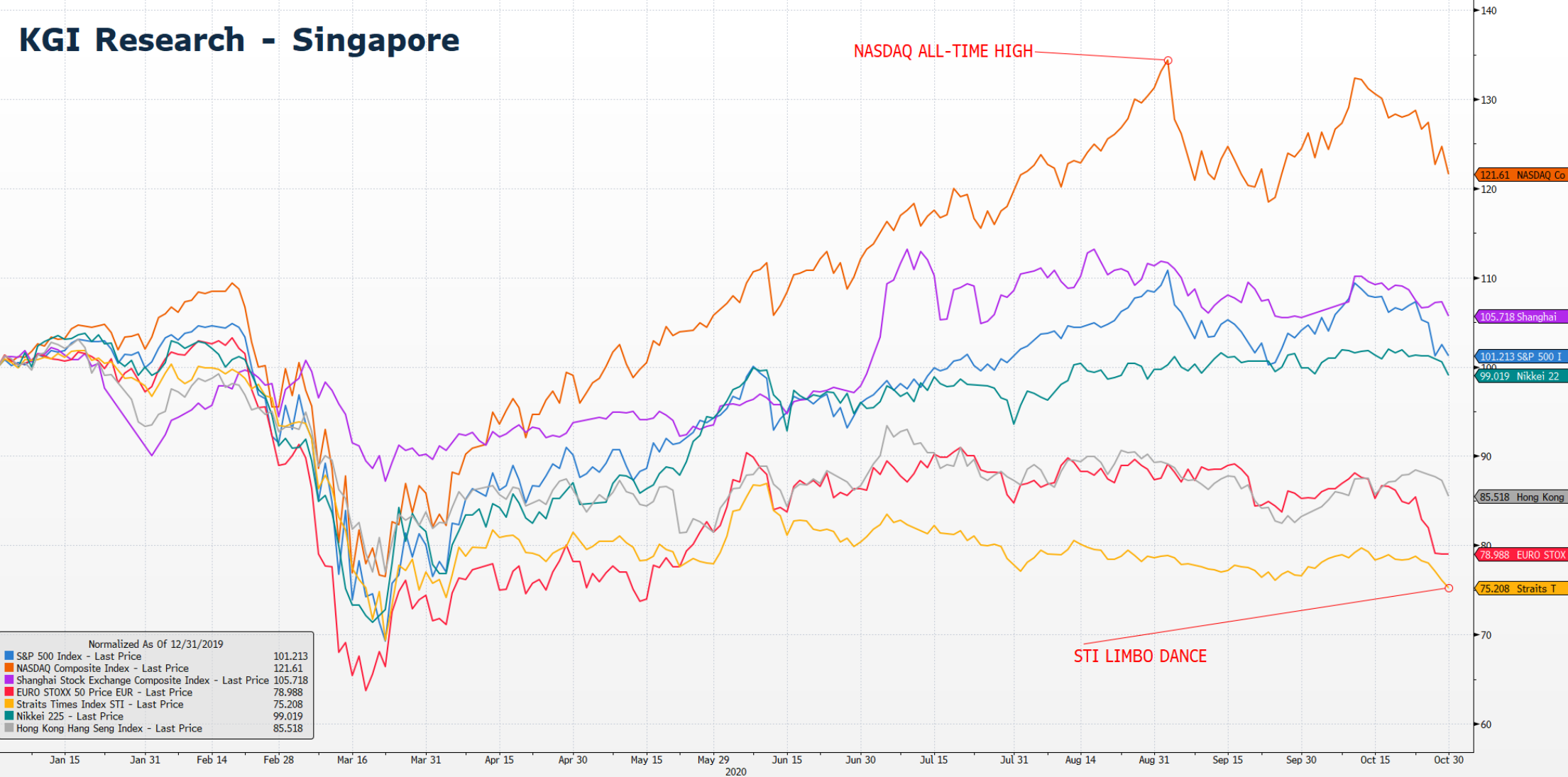
STRATEGY

PRODUCTS/RESEARCH

JOEL

SINGAPORE LIMBO DANCE

KGI Research - Singapore



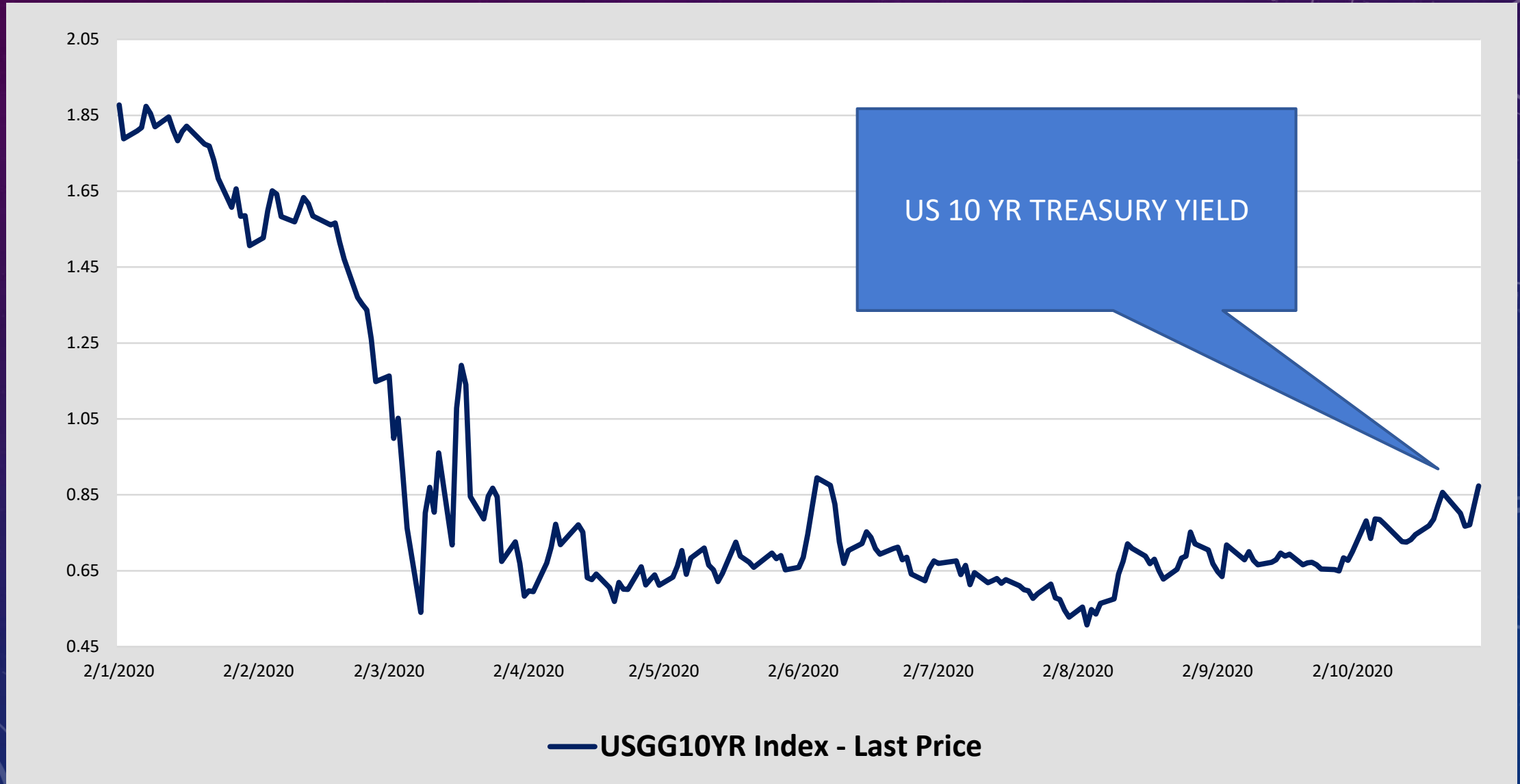
SPX Index (S&P 500 Index) Equity Indices Daily 31DEC2019-31OCT2020

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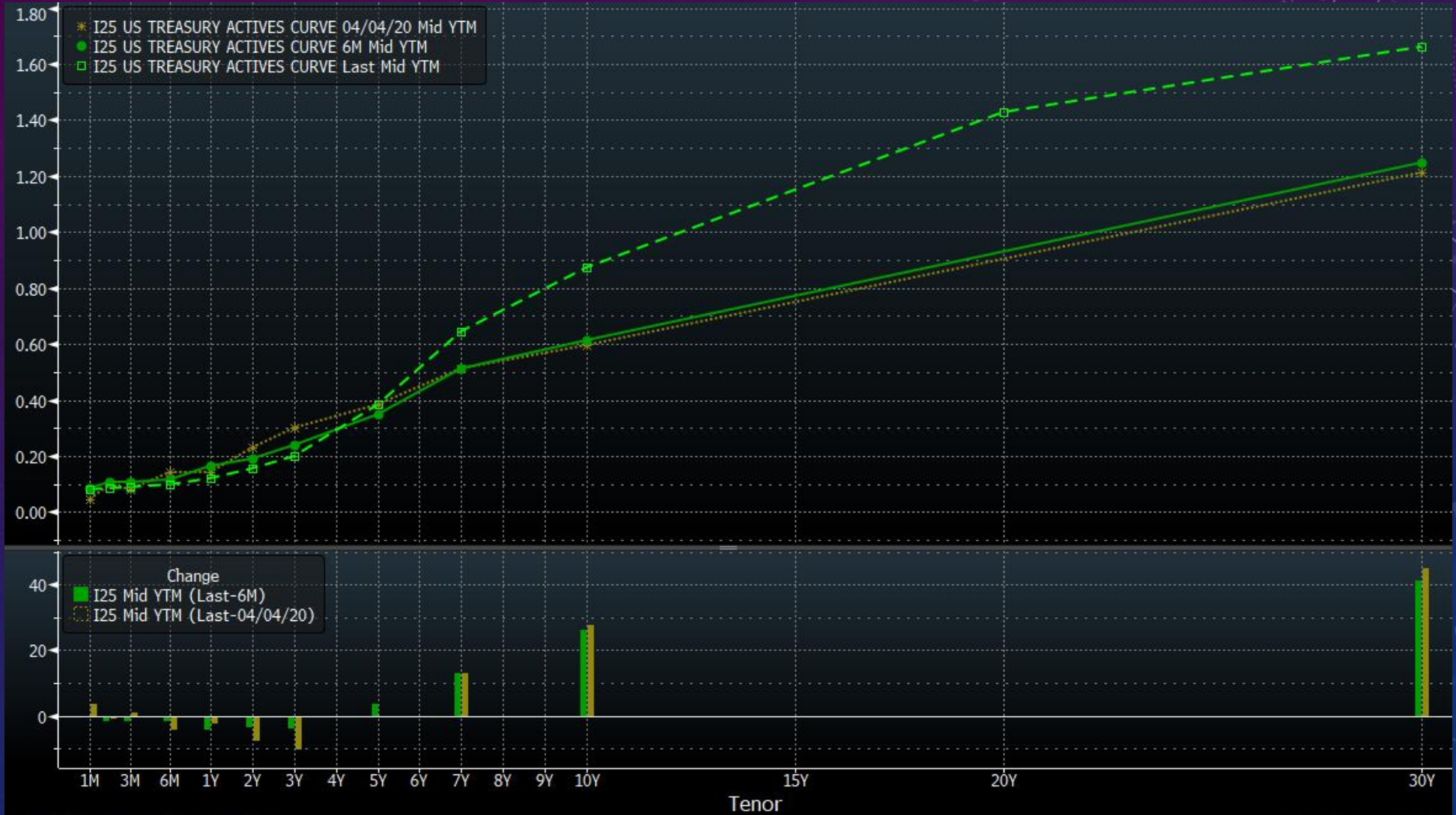
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Source: Bloomberg, KGI Research

INTEREST RATES – US 10 YEAR YIELD



YIELD CURVE STEEPENING



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Source: Bloomberg, KGI Research

The background features a dark blue gradient with several circular gauges and data points. The gauges have white outlines and some have numerical scales. One large gauge on the left has a scale from 140 to 260 in increments of 10. Other gauges have scales from 150 to 210 and 220 to 260. There are also smaller circular elements and arrows scattered throughout the background.

YIELD ENHANCEMENT (REITS)

PRODUCT/RESEARCH

JOEL

REITS RECOMMENDATION - RETAIL

- **CapitaLand Mall Trust (CT SP)**
- **Mapletree Commercial Trust (MCT SP)**
- **Frasers Centrepoint Trust (FCT SP)**
- **Lendlease Global Commercial (LREIT SP)**

BB ticker	Company Name	Last Price (local \$)	Currency Adj. Market Cap (S\$ m)	Trailing 12M Dividend Yield (%)	FY20F Dividend Yield (%)	FY21F Dividend Yield (%)	Gearing (%)	Current P/B Ratio (x)	6M Average daily trading volume (S\$ '000)	YTD Price Performance (%)
RETAIL			30,453	6.3	7.3	9.3	36.2	0.7	7,206.1	(27.9)
CT SP	CAPITALAND MALL TRUST	SGD 1.73	11,194	6.8	5.3	6.8	31.5	0.9	33,903	-29.7
MCT SP	MAPLETREE COMMERCIAL TRUST	SGD 1.72	5,700	5.4	4.9	5.5	34.2	1.0	18,781	-28.0
MAGIC SP	MAPLETREE NORTH ASIA COMMERC	SGD 0.87	2,822	8.6	7.1	8.0	41.6	0.6	6,778	-25.0
SPHREIT SP	SPH REIT	SGD 0.75	2,059	3.7	7.1	7.1	31.6	0.7	1,817	-30.4
FCT SP	FRASERS CENTREPOINT TRUST	SGD 2.11	3,563	4.3	4.5	6.0	29.6	1.0	9,225	-24.7
SGREIT SP	STARHILL GLOBAL REIT	SGD 0.42	911	3.4	9.9	10.4	40.8	0.5	1,267	-42.8
CRCT SP	CAPITALAND RETAIL CHINA TRUS	SGD 1.17	1,442	5.7	6.6	7.9	43.0	0.7	4,924	-27.3
LREIT SP	LENLEASE GLOBAL COMMERCIAL	SGD 0.61	715	5.0	7.9	8.2	34.8	0.7		-34.4
SASSR SP	SASSEUR REAL ESTATE INVESTME	SGD 0.75	903	8.2	8.1	8.7	30.9	0.8	861	-15.3
LMRT SP	LIPPO MALLS INDONESIA RETAIL	SGD 0.09	258	14.9	12.5	26.1	39.8	0.3	733	-60.2
DASIN SP	DASIN RETAIL TRUST	SGD 0.80	616	5.1	6.3	7.0	44.3	0.6	310	-4.8
BHGREIT SP	BHG RETAIL REIT	SGD 0.53	271	5.1			32.1	0.6	669	-22.6

Source: Bloomberg, KGI Research

REITS RECOMMENDATION - INDUSTRIAL

- **Ascendas REIT (AREIT SP)**
- **ARA Logos Logistics REIT (ALLT SP)**

BB ticker	Company Name	Last Price (local \$)	Currency Adj. Market Cap (S\$ m)	Trailing 12M Dividend Yield (%)	FY20F Dividend Yield (%)	FY21F Dividend Yield (%)	Gearing (%)	Current P/B Ratio (x)	6M Average daily trading volume (S\$ '000)	YTD Price Performance (%)
INDUSTRIAL			40,137	6.1	6.2	6.6	39.2	1.2	11,705.3	6.8
AREIT SP	ASCENDAS REAL ESTATE INV TRT	SGD 2.88	10,426	5.1	5.3	5.6	39.2	1.3	39,344	-3.0
MINT SP	MAPLETREE INDUSTRIAL TRUST	SGD 3.04	7,145	4.0	4.0	4.4	29.1	1.8	22,945	16.9
MLT SP	MAPLETREE LOGISTICS TRUST	SGD 1.95	7,912	4.1	4.2	4.3	42.1	1.6	36,078	12.1
FLT SP	FRASERS LOGISTICS & COMMERCIAL	SGD 1.23	4,199	5.7	5.8	6.1	34.5	1.2	13,952	3.4
KDCREIT SP	KEPPEL DC REIT	SGD 2.90	4,736	2.6	3.1	3.5	32.6	2.5	16,013	39.4
AIT SP	ASCENDAS INDIA TRUST	SGD 1.30	1,492	5.2	6.8	7.1	35.8	1.2	3,331	-16.1
EREIT SP	ESR-REIT	SGD 0.35	1,240	9.0	8.3	8.6	46.1	0.9	3,652	-34.0
AAREIT SP	AIMS APAC REIT	SGD 1.18	834	7.6	7.4	7.8	39.7	0.9	1,573	-17.5
SBREIT SP	SOILBUILD BUSINESS SPACE REIT	SGD 0.45	572	8.1	6.7	7.1	40.7	0.8	803	-13.5
ALLT SP	ARA LOGOS LOGISTICS TRUST	SGD 0.60	649	8.4	8.2	8.4	44.2	1.0	1,419	-16.8
ECWREIT SP	EC WORLD REIT	SGD 0.70	563	7.9	7.9	8.6	48.9	0.8	922	-6.0
SSREIT SP	SABANA SHARIAH COMP IND REIT	SGD 0.35	369	5.8	7.4	8.0	37.4	0.7	432	-23.9

Source: Bloomberg, KGI Research

REITS RECOMMENDATION - OFFICE

- Suntec REIT (SUN SP) – Potential inclusion into FTSE STI in next review
- Keppel REIT (KREIT SP)
- USD/EUR REITS
 - Manulife US REIT (MUST)
 - Prime US REIT (PRIME SP)
 - Cromwell European REIT (CERT SP)

BB ticker	Company Name	Last Price (local \$)	Currency Adj. Market Cap (S\$ m)	Trailing 12M Dividend Yield (%)	FY20F Dividend Yield (%)	FY21F Dividend Yield (%)	Gearing (%)	Current P/B Ratio (x)	6M Average daily trading volume (S\$ '000)	YTD Price Performance (%)
	OFFICE		14,845	7.9	8.2	8.5	37.2	0.8	1,081.5	(24.4)
SUN SP	SUNTEC REIT	SGD 1.34	3,786	7.2	5.4	6.5	37.3	0.6	18,081	-27.2
KREIT SP	KEPPEL REIT	SGD 1.00	3,382	5.6	5.7	5.8	29.1	0.7	7,540	-19.8
OUECT SP	OUE COMMERCIAL REAL ESTATE I	SGD 0.33	1,760	6.5	8.0	8.9	40.8	0.5	732	-42.5
MUST SP	MANULIFE US REAL ESTATE INV	USD 0.72	1,547	10.6	8.5	8.7	39.2	0.9	2,284	-28.5
PRIME SP	PRIME US REIT	USD 0.74	1,068	7.7	9.5	9.6	34.4	0.8	901	-23.3
CERT SP	CROMWELL EUROPEAN REIT	EUR 0.46	1,851	8.3	7.7	8.8	38.5	0.9	1,393	-15.7
KORE SP	KEPPEL PACIFIC OAK US REIT	USD 0.70	900	8.6	8.6	9.0	39.0	0.9	1,131	-10.3
IREIT SP	IREIT GLOBAL	SGD 0.59	551	8.5	12.1	11.1	39.5	0.7	435	-19.5
ELITE SP	ELITE COMMERCIAL REIT	GBP 0.63	371	3.1	7.9	7.8	68.4	-	157	-

FINANCING TO ENHANCE YIELDS

- **Annual interest rate of USD financing: 2.25%***

***T&Cs apply:**

- **Min loan size USD100K**
- **Valid for 1 year upon loan drawdown**
- **Must activate loan before 31/12/2020**

EXAMPLE: MANULIFE US REIT (COMMERCIAL)

- **ONLY FOR ILLUSTRATION PURPOSE**

		KGI Remarks
Dividend Yield (FY2020F)	8.3%	KGI forecast; High vs REITs average of 6.6%
Dividend Yield (FY2021F)	8.3%	KGI forecast
Gearing Ratio (debt/investment property)	39.1%	Healthy, well below 50% limit; Interest coverage 3.8x
Currency	USD	No FX risk as rental and REIT unit are in same currency
Assets (Value)	US\$2.1 bn	96.2% occupancy; WALE (by NLA) 5.7 years
Assets (Description)	Trophy/ Class A	9 prime, freehold office properties in California, Atlanta, New Jersey and Washington D.C. and Virginia. Top tenants: The William Carter (6.2%); TCW Group (4.0%); Kilpatrick Townsend (3.6%)
Sponsor	Manulife	Manulife Financial Corporation is a leading international financial services group with a market cap of US\$28 billion. It operates as John Hancock in the US and Manulife elsewhere around the world.

EXAMPLE: MANULIFE US REIT (COMMERCIAL) - CASH

- ONLY FOR ILLUSTRATION PURPOSE

	Without financing	With financing
Cash deposit	USD 500k	USD 500k
Purchase of Manulife US REIT units	USD 500k	USD 1mn
Total loan	NIL	USD 500k
Financing costs	NIL	2.25% p.a. x USD 500k = USD 11.25k
Dividend yield	USD 500k x 8.3% = USD 41.5k	USD 1mn x 8.3% = USD 83k
Profit (less financing costs)	USD 41.5k (equiv. to 8.3% return)	USD 83k – USD 11.25k = USD 71.75k (equiv. to 14.4% return)
Margin ratio	NIL	USD 1mn ÷ USD 500k = 200%

MAS requirement: Margin ratio must be maintained at 140% or more throughout

EXAMPLE: MANULIFE US REIT (COMMERCIAL) - BONDS

- ONLY FOR ILLUSTRATION PURPOSE

	With financing
Bonds as collateral	USD 500k
Haircut	e.g., 15%
Bond collateral value	USD 500k x 85% = USD 425k
Purchase of Manulife US REIT units	USD 500k
Total loan	USD 500k
Financing costs	2.25% p.a. x USD 500k = USD 11.25k
Dividend yield (from Manulife US REIT)	USD 500k x 8.3% = USD 41.5k
Additional yield (less financing costs)	USD 41.5k – USD 11.25k = USD 30.25k (equiv. to 6.05% return)
Margin ratio	USD (500k + 425k) ÷ USD 500k = 185%

MAS requirement: Margin ratio must be maintained at 140% or more throughout

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SUMMARY

PRODUCT/RESEARCH

JOEL

KGI OCTOBER/NOVEMBER 2020 CALENDAR

November

December

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
1	2	3 US Presidential Elections, FCT, SIAE	4 UOB (AM), Great Eastern (AM), Parkway Life REIT	5 DBS OCBC STARHUB, ALIBABA TRADE	6 FLT, SIA China Sunshine, Netlink NBN	7
8	9 EC World REIT	10	11 FPL, F&N, ST Eng. BABA Singles Day	12 CD, SATS, SingTel	13 First Resources Propnex, YZJ, Sunpower	14
15	16	17	18 2PM KGI CORP ACCESS - PROPNEX	19	20 ThaiBev	21
22	23	24	25	26	27	28
29	30	1	2	3	4	5

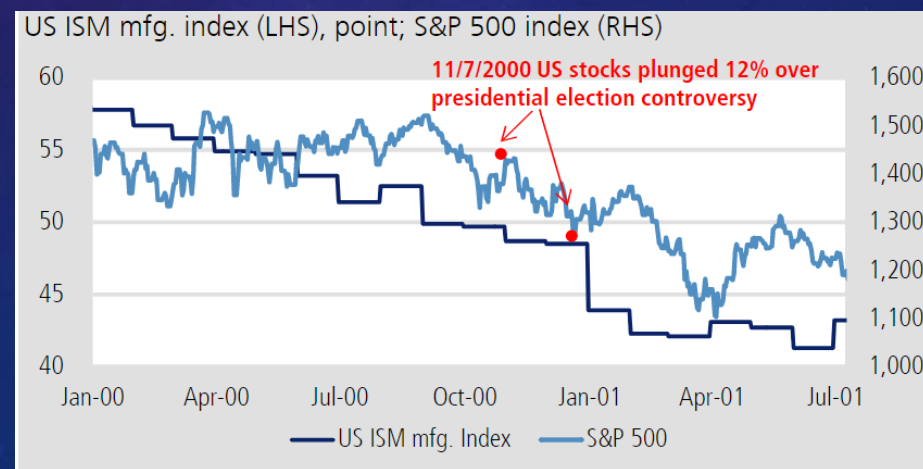
*PM – After market close, AM – Before market opens

2020 US PRESIDENTIAL ELECTION SCHEDULE

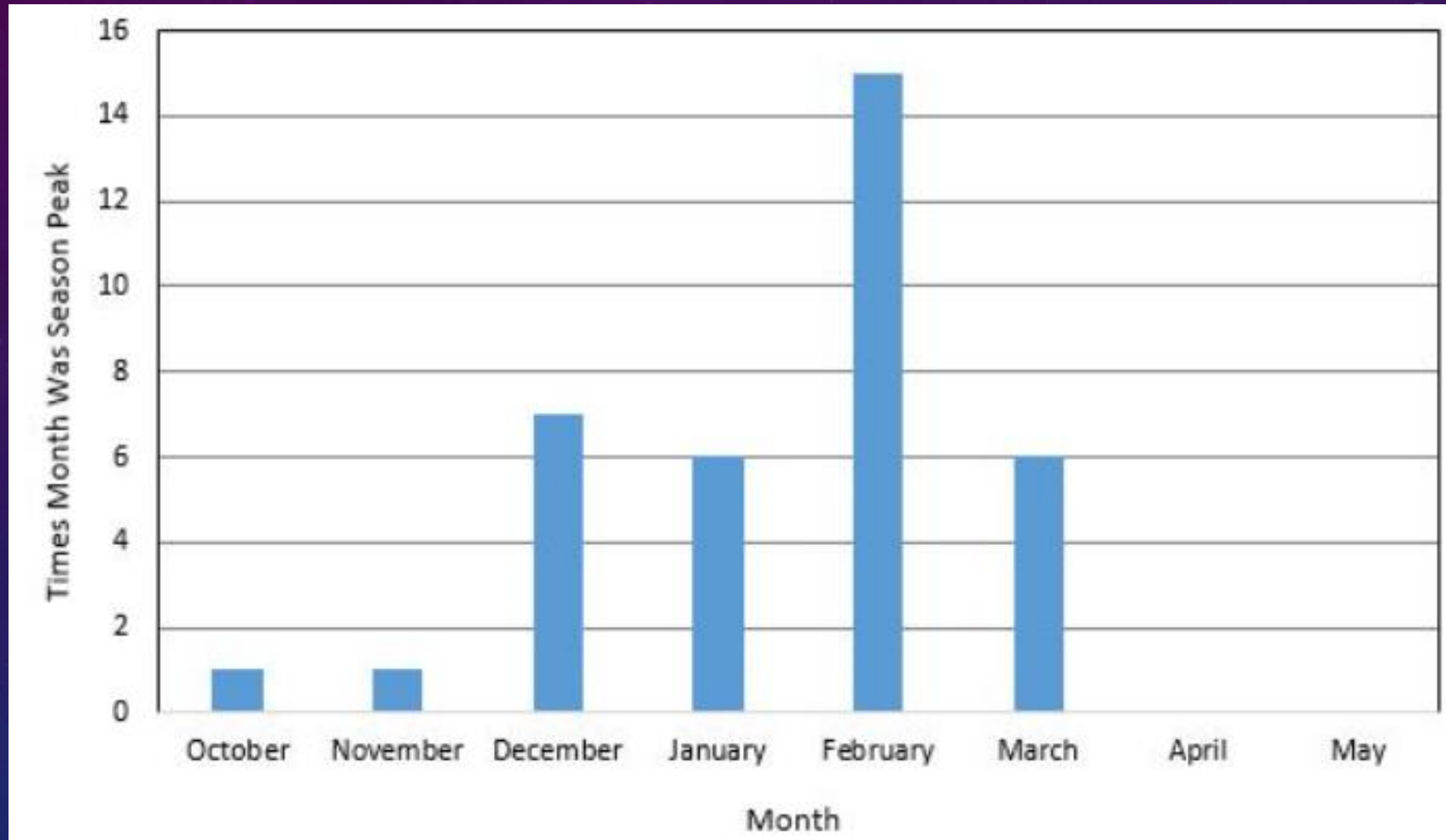
	Outcome	Chance of happening
Scenario 1	Trump reelected	45%
Scenario 2	Biden wins	45%
Scenario 3	Controversy	10%

Oct 22, 2020	Third presidential debate (Nashville, TN)
Nov 3, 2020	Election day
Nov 23, 2020	Last date for mail-in voting to be accepted and counted (WA)
Dec 8, 2020	States to conclude state-level disputes and appoint electors with "safe harbor" status
Dec 14, 2020	Electors cast ballots for president and vice president in their state capitals
Dec 23, 2020	Deadline for the president of the senate to receive state elector's ballots
Jan 3, 2020	Convening of the 117th Congress
Jan 6, 2021	Joint session of congress to count the electoral college ballots
Jan 20, 2021	Presidential Inauguration Day

Source: KGI Research



MOST IMPORTANT COVID CHART



Source: CDC, KGI Research

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