

KGI MORNING MEETING

21 SEPTEMBER 2020

The background features several circular gauges and arrows. One large gauge on the left has a scale from 140 to 260. Other gauges are smaller and scattered across the scene. Arrows indicate a clockwise direction of movement for the gauges. The overall aesthetic is technical and data-oriented.

Macro

RESEARCH

GUANGZHI, CFA

WEEK AHEAD

- US

- Jerome Powell and Steven Mnuchin to testify on Thursday before the Senate Banking Committee on coronavirus relief
- Manufacturing and service PMI
- New and existing home sales

- Europe

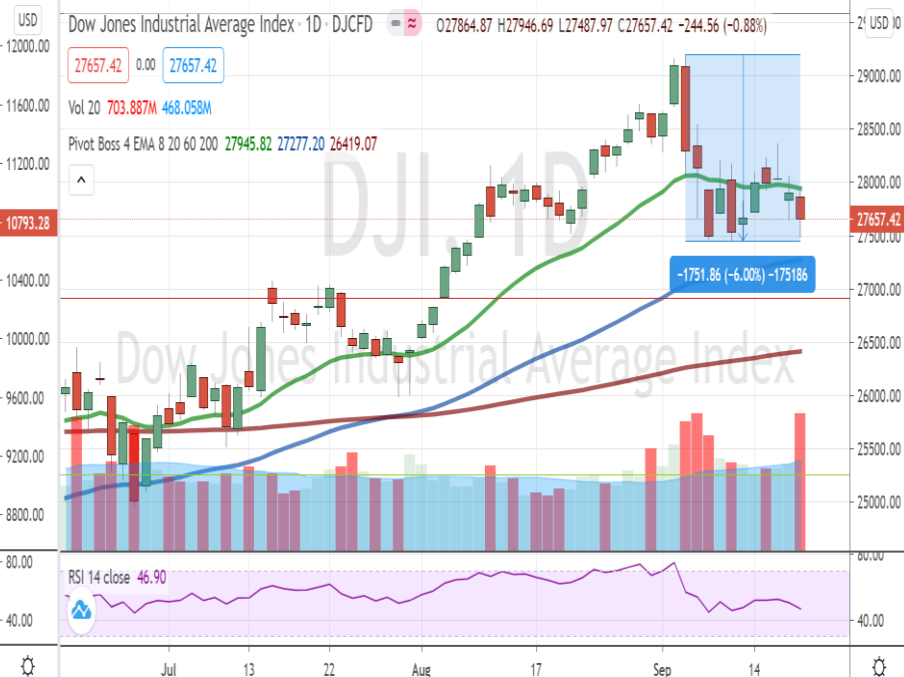
- France manufacturing and service PMI
- Germany manufacturing and service PMI
- Europe zone manufacturing and service PMI
- Europe: Consumer prices

FOMC MEETING KEY TAKEAWAYS

- Federal funds rate unchanged at 0-0.25% until 2023
- Inflation target: moderately above 2% some time, average at 2% in the long time
- Expect GDP to shrink by 3.7% in 2020 (6.5% drop projected in June); Adjust downward to 4% growth in 2021 (previously 5.0%)
- Unemployment rate is expected to rise to 7.6% in 2020 (previously 9.3%) and drop to 5.5% in 2021 (previously 6.5%)

CORRECTION REMAINS

- S&P500: dropped by 8.28% from the recent high to last week's low
- Nasdaq: dropped by 12% from recent high to last week's low
- Dow Jones: dropped by 6.08% from recent high to the low 2 weeks ago
- VIX hold up at above 25
- Sector rotation
 - Industrial sector and consumer sector

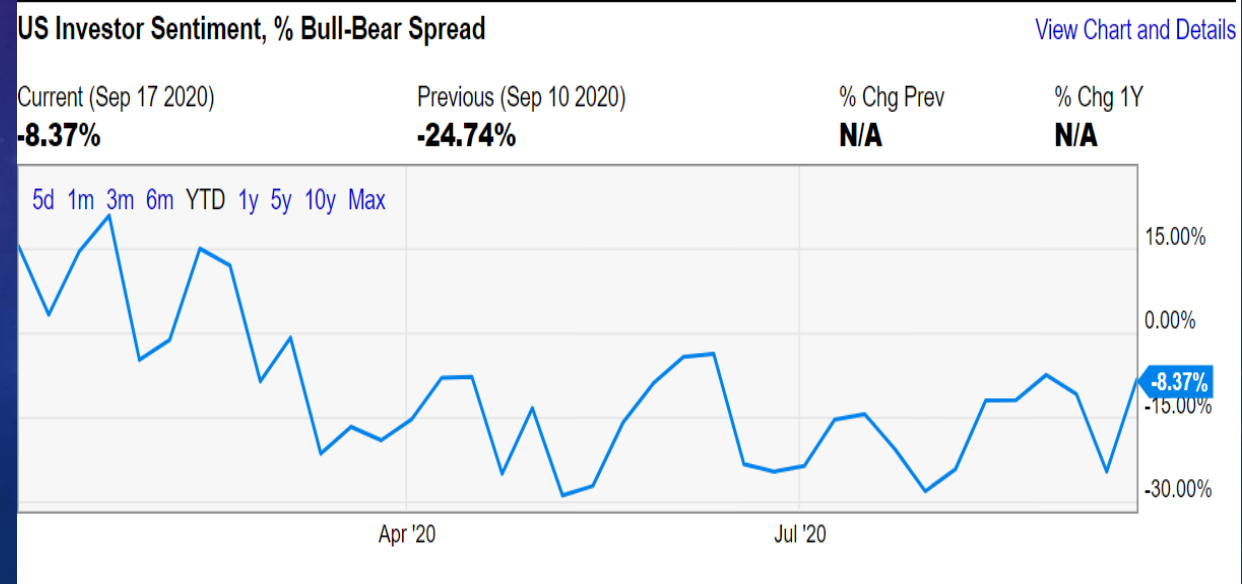
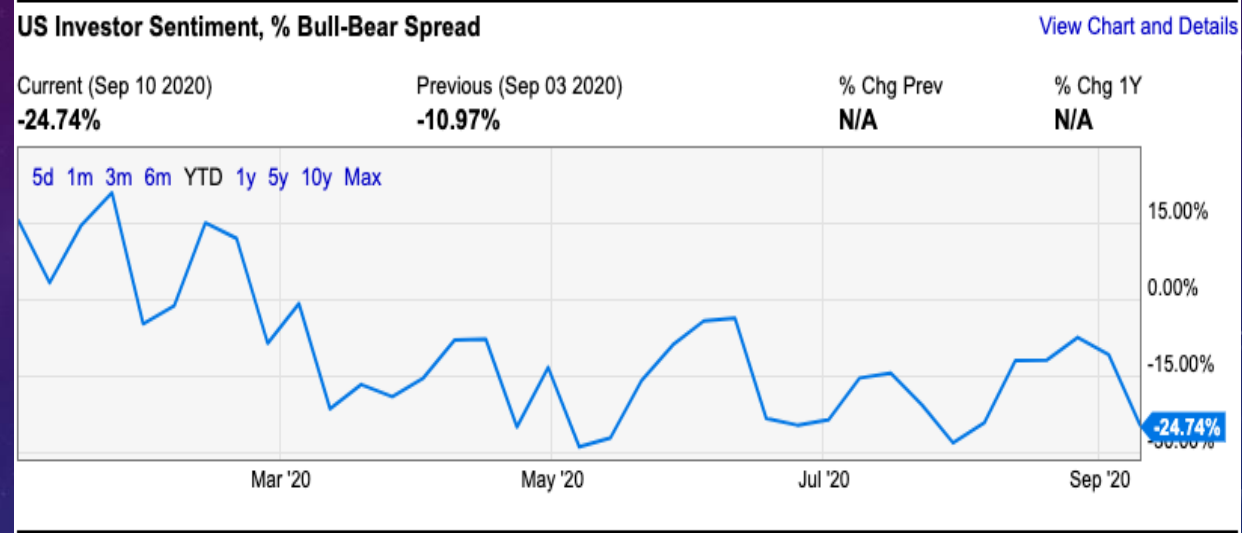


WHAT'S NEXT?

- Quadruple witching day Last Friday
 - Portfolio balancing
 - Geopolitical tensions escalating

- 43 Days to US Election
 - Not likely to crash
 - October Surprise
 - Volatility increases

The AAI Sentiment Survey is a weekly survey of its members which asks if they are "Bullish," "Bearish," or "Neutral" on the stock market over the next six months.



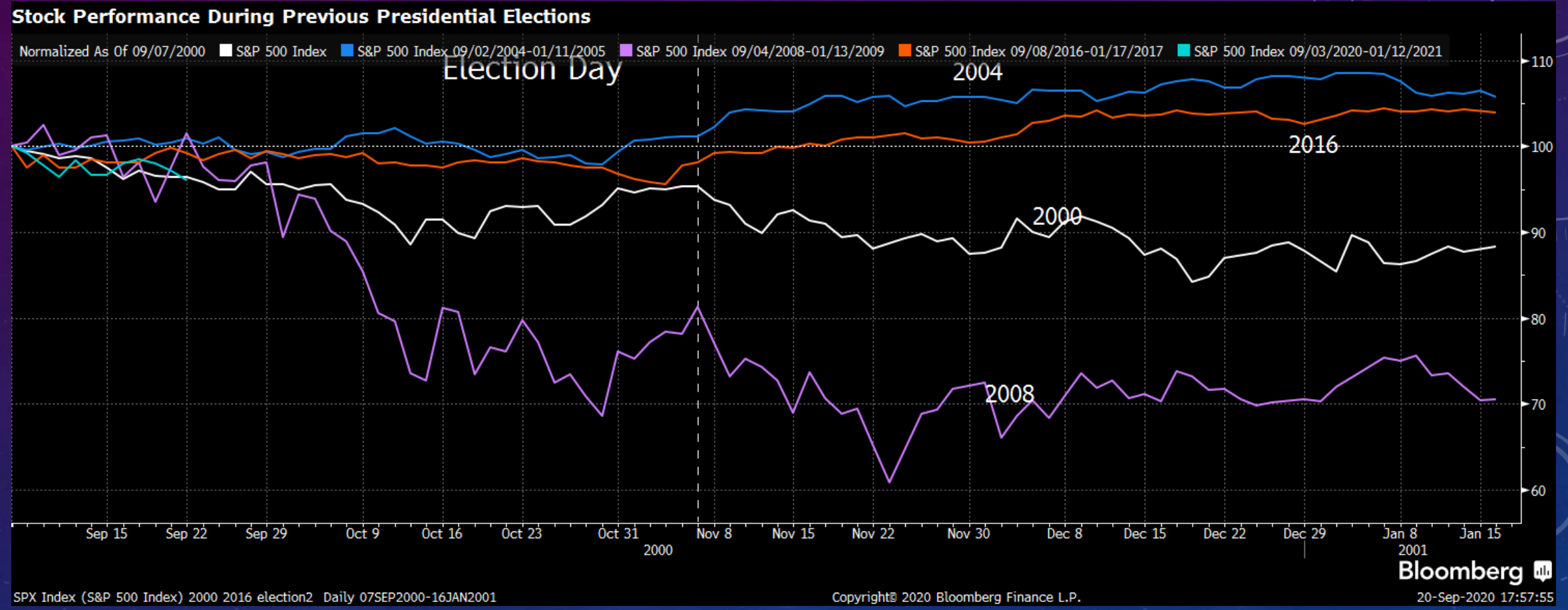
The background features a dark blue gradient with a subtle pattern of white dots. On the left side, there are several overlapping circular elements. A prominent one is a large circle with a scale around its perimeter, marked with numbers from 140 to 260 in increments of 10. Other circles include dashed lines, solid lines, and arrows, suggesting a technical or scientific theme.

Strategy

RESEARCH

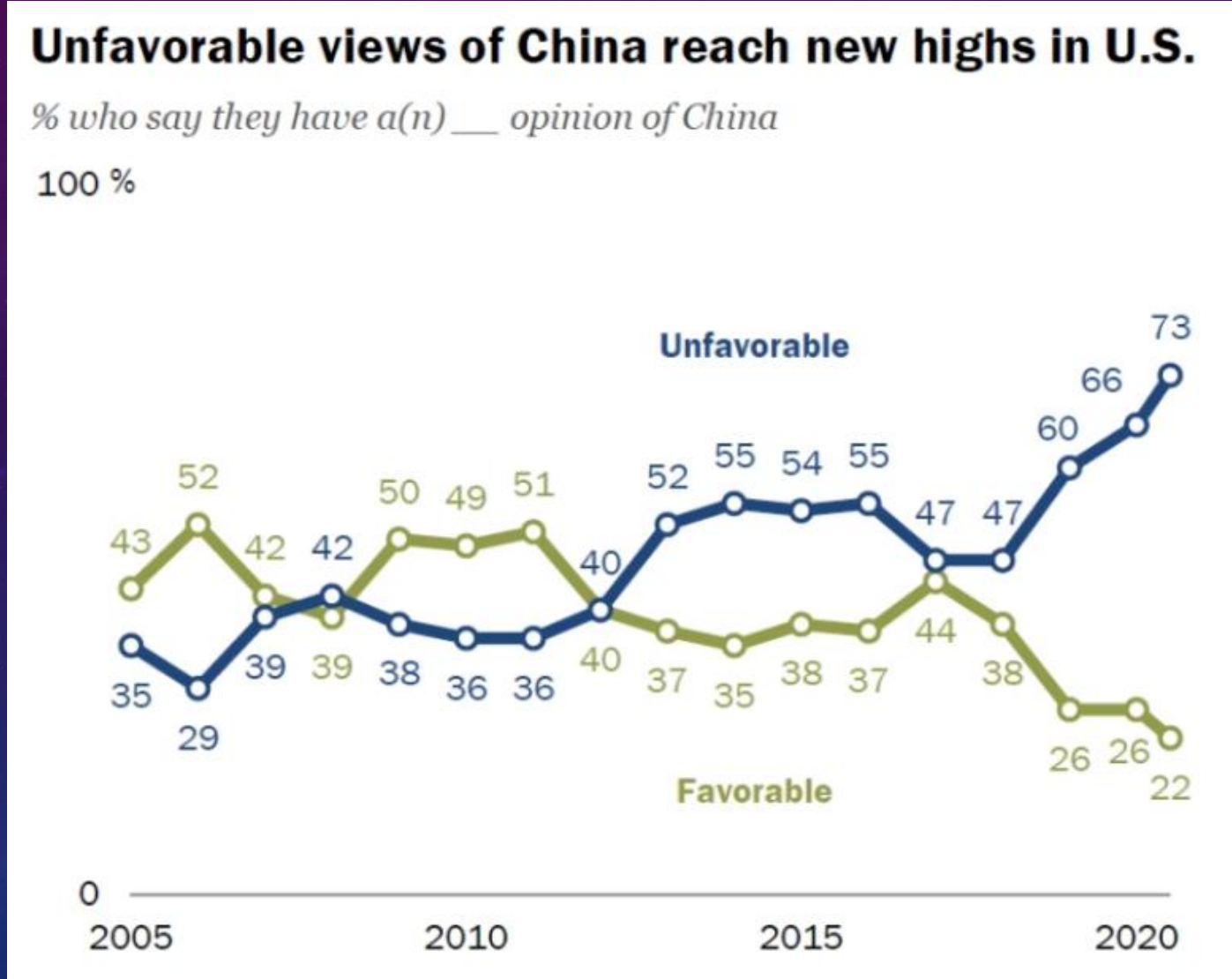
JOEL

LIMITED UPSIDE BEFORE ELECTIONS



Source: Bloomberg, KGI Research

US-CHINA TENSION IS HERE TO STAY



Source: Pew Research Center

The background features a dark blue gradient with several circular gauges and data patterns. 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 dashed lines scattered across the background.

Fixed Income

RESEARCH

JOEL

GUOLSP 4.6 'PERP (4.5% YTW)

- **CALL 23 Jan 2023**
- **Amount issued/outstanding S\$400mn**
- **Comparison**
- **FPLSP 4.98 'PERP trading at 4.6% YTW**
- **CAPLSP 3.65 'PERP trading at 3.1% YTW**

BBG TICKER	NAME	YIELD
USGG10YR Index	10-Year US Treasury	0.69
LF98TRUU Index	Barclays US Corporate High Yield	5.52
LBUSTRUU Index	Barclays US IG OAS Index	1.18
TSEREIT Index	Tokyo Stock Exchange REIT Index	3.81
FSTREI Index	FTSE ST REIT Index	4.87

GUOLSP 4.6 'PERP (4.5% YTW)

- **Listed on SGX in 1978 with a market cap of S\$1.7 billion**
- **Property developer with investments in residential, commercial and integrated developments**
- **Key properties are mainly in Singapore (Guoco Tower, Guoco Midtown)**
- **69% owned by Guoco Group listed on HK Exchange**
 - Guoco Group is a member of Hong Leong Group Group Malaysia
 - Controlled by Quek family
- **Net gearing 91%**
- **Dividend Yield 4.1-4.8%**
- **Trading at only 0.4x P/B**



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REITS

RESEARCH

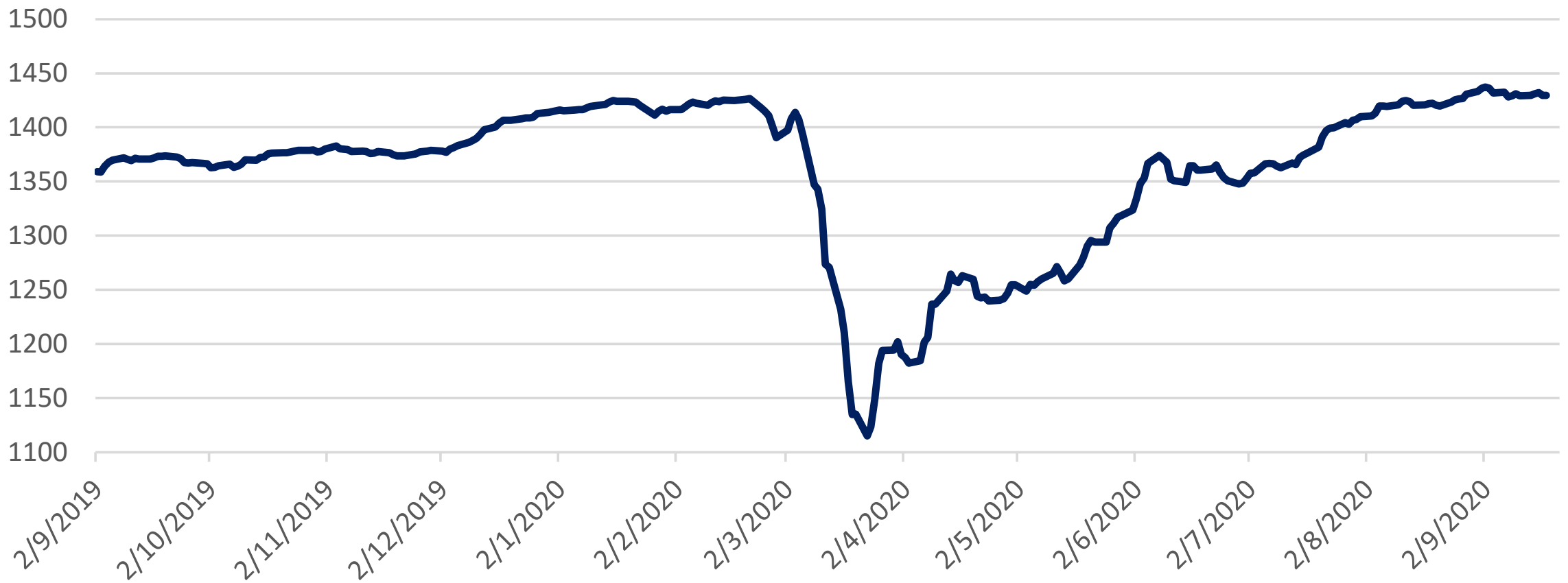
JOEL

REITS/FIXED INCOME – COMPARISON

BBG TICKER	NAME	YIELD
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REITS/FIXED INCOME – COMPARISON

Bloomberg Barclays Global High Yield Index



REITS

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			27,653	6.5	6.3	8.2	35.9	0.8	8,919.9	(18.1)
CT SP	CAPITALAND MALL TRUST	SGD 1.97	7,270	5.9	4.6	5.9	31.5	1.0	42,642	-19.9
MCT SP	MAPLETREE COMMERCIAL TRUST	SGD 1.99	6,595	2.9	4.2	4.8	34.2	1.1	26,403	-16.7
MAGIC SP	MAPLETREE NORTH ASIA COMMERC	SGD 0.94	3,032	8.0	6.6	7.5	41.6	0.7	7,872	-19.4
SPHREIT SP	SPH REIT	SGD 0.89	2,445	4.1	4.3	6.0	28.2	0.8	2,393	-17.3
FCT SP	FRASERS CENTREPOINT TRUST	SGD 2.67	2,994	2.8	3.6	4.6	29.6	1.2	8,752	-5.0
SGREIT SP	STARHILL GLOBAL REIT	SGD 0.45	988	9.0	9.1	9.6	40.8	0.6	1,673	-37.9
CRCT SP	CAPITALAND RETAIL CHINA TRUS	SGD 1.14	1,394	5.8	6.8	8.3	43.0	0.7	4,818	-29.2
LREIT SP	LENLEASE GLOBAL COMMERCIAL	SGD 0.67	785	4.5	6.0	7.2	35.1	0.7		-28.0
SASSR SP	SASSEUR REAL ESTATE INVESTME	SGD 0.75	903	8.2	8.1	8.7	30.9	0.8	1,544	-15.3
LMRT SP	LIPPO MALLS INDONESIA RETAIL	SGD 0.11	331	16.9	9.7	20.4	39.8	0.4	1,144	-48.9
DASIN SP	DASIN RETAIL TRUST	SGD 0.82	628	5.0	6.1	6.9	44.3	0.6	333	-2.4
BHGREIT SP	BHG RETAIL REIT	SGD 0.57	289	4.7			32.1	0.7	544	-17.5
INDUSTRIAL			42,284	5.8	6.0	6.4	39.2	1.3	13,532.7	13.0
AREIT SP	ASCENDAS REAL ESTATE INV TRT	SGD 3.27	11,838	4.5	4.5	4.8	39.2	1.5	48,256	10.1
MINT SP	MAPLETREE INDUSTRIAL TRUST	SGD 3.12	7,326	3.9	3.9	4.3	29.1	1.9	25,435	20.0
MLT SP	MAPLETREE LOGISTICS TRUST	SGD 2.04	7,774	3.9	4.0	4.1	42.1	1.7	41,075	17.2
FLT SP	FRASERS LOGISTICS & COMMERC	SGD 1.36	4,642	5.1	5.3	5.6	34.5	1.3	13,195	14.3
KDCREIT SP	KEPPEL DC REIT	SGD 2.88	4,703	2.6	3.1	3.5	32.6	2.5	18,418	38.5
AIT SP	ASCENDAS INDIA TRUST	SGD 1.36	1,561	5.0	6.0	6.4	35.8	1.2	3,242	-12.3
EREIT SP	ESR-REIT	SGD 0.39	1,379	8.1	7.4	7.9	46.1	1.0	7,307	-26.4
AAREIT SP	AIMS APAC REIT	SGD 1.18	834	7.6	7.4	8.1	39.7	0.9	1,896	-17.5
SBREIT SP	SOILBUILD BUSINESS SPACE REI	SGD 0.48	609	7.2	7.1	7.3	40.7	0.8	766	-7.7
K2LU SP	ARA LOGOS LOGISTICS TRUST	SGD 0.64	692	7.9	7.7	8.0	44.2	1.1	1,564	-11.2
ECWREIT SP	EC WORLD REIT	SGD 0.66	531	8.4	8.6	9.4	48.9	0.8	634	-11.4
SSREIT SP	SABANA SHARIAH COMP IND REIT	SGD 0.38	395	5.4	6.9	7.5	37.4	0.7	608	-18.5

The background features a dark blue gradient with a starry space pattern. On the left side, there are several technical diagrams, including circular gauges with numerical scales (140, 150, 160, 170, 180, 190, 200, 210, 220, 230, 240, 250, 260) and various circular arrows indicating rotation or flow. The text 'Mermaid Maritime' is centered in the upper left quadrant.

Mermaid Maritime

RESEARCH

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MERMAID MARITIME

- Sold its 33.76% stake in Asia offshore Drilling (AOD) for US\$31 in cash
- To be completed by the end of September
-

US\$ ('000)	Value	Remarks
Total assets	362,435	
Less AOD Associates (discounted by 60%)	(92,489)	3 high-spec jackups on contract in the Middle East. Book value US\$123mn. Sold to Seadrill for S\$31mn.
Total assets less AOD	269,946	
Discount 40% (A)	161,967	40% to account for lower valuation of vessels
Less Total Liabilities (B)	(85,722)	
Net Value (A-B)	76,245	
Shares Outstanding ('000)	1,413,329	
Net Value per share (US\$)	0.054	
USD/SGD	1.380	
Net Value per share (SG\$)	0.074	
Current share price (SG\$)	0.067	
Upside/(downside)	11.1%	

MERMAID MARITIME

- **Upside catalyst**
- **Investing 77.5mn baht (\$3.4mn) for a 50% stake in a new JV with PTT Exploration and Production Public Company**
- **ZeaQuest**
 - Developing robotics and artificial intelligence (AI) to provide commercial subsea engineering services
 - Inspection, repair and maintenance, infrastructure installation support
 - Subsea engineering services for national oil and gas companies in South-east Asia

SEPTEMBER 2020 CALENDAR

SEPTEMBER

OCTOBER

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
20	21 SingPost Ex-div	22	23	24 FCT Ex-div MCT Ex-div MNACT Ex-div	25 4pm KGI CORP ACCESS-Alliance Healthcare	26
27	28	29	30	1 SGX Ex-div	2	3
4	5	6	7	8	9 SPH REIT FY20	10 SGX Ex-div
11	12	13	14	15 SPH FY20 KEP OAK, KEP DC, MCT	16 KREIT, KEP, SBREIT	17
18	19	20	21	22	23	24

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

ALLIANCE HEALTHCARE CORP ACCESS – FRIDAY 4PM

- **Managed healthcare solutions for corporations through its “Alliance Healthcare Network” of self-owned clinics and panel of medical service providers**
- **Operates 16 self-owned GP clinics under “My Family Clinic” brand name**
- **Dr Barry Thng is responsible for the overall business and strategic direction of Alliance Healthcare. As Head of the GP Clinic Services business segment, Dr. Thng also oversees the strategic direction and day-to-day management of this segment. Dr. Thng practise part time as a family physician at Alliance Healthcare’s subsidiary, My Family Clinic (CCK) Pte Ltd, with a focus on family medicine**
- **Neo Lay Fen (CFO) joined the Group in February 2018 and is responsible for overseeing the financial matters and corporate affairs of our Group. Prior to joining the Group, she has worked with Ernst & Young LLP and other companies.**

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SUMMARY

RESEARCH

JOEL

Company	Catalyst
TECHNOLOGY	
AEM (AEM SP)	Strong capex spend by Intel
Silverlake Axis (SILV SP)	Expansion of its insurance Software-as-a-Service (SaaS) in Japan, and potential new business areas from digital banking license in Malaysia
ISDN (ISDN SP)	Overdue rebound in Industrial Automation, led by China
Frencken Group (FRKN SP)	Strong order momentum from semiconductor clients, mainly ASML
CHINA	
Yanlord Land (YLLG SP)	China's strong property rebound
Jiutian Chemical (JIUC SP)	Perfect operating environment of higher selling prices, lower raw material costs and better utilisation. One of the largest manufacturer of DMF/methylamine in the world.
Sasseur REIT (SASSR SP)	Upside potential linked to China's growing outlet retail mall sales, while offering downside protection with a fixed income component that increases 3% per annum until 2028
EC World REIT (ECWREIT SP)	The only specialised and e-commerce logistics S-REIT that provides investment access into China's booming e-commerce industry
HEALTHCARE / CONSUMER	
Singapore Medical Group (SMG SP)	Well-diversified small-cap medical services provider riding on healthy growth in Southeast Asia and Australia
ThaiBev (THBEV SP)	V-Shape in Thailand's economic growth in 2021
COMMODITIES / PRECIOUS METALS	
Shandong Gold (1787 HK)	Proxy to gold prices where we have a target of US\$1,900/oz in 2020
CNOOC (883 HK)	Largest upstream oil & gas company in North Asia with the highest beta to oil prices

2H 2020 PICKS

- **Technology**
 - **A much bigger disruptor than Covid-19**
- **China-focused companies**
 - **First In First Out**
- **Consumer**
 - **Thailand discretionary**
 - **ASEAN healthcare**
- **Commodities**
 - **Gold**
 - **Oil**

KGI CORPORATE ACCESS

- **September Health Heroes Corporate Access Series**

- **Asian Healthcare**
 - Friday, 25 September, 2-3pm
 - Zoom meeting with CEO

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