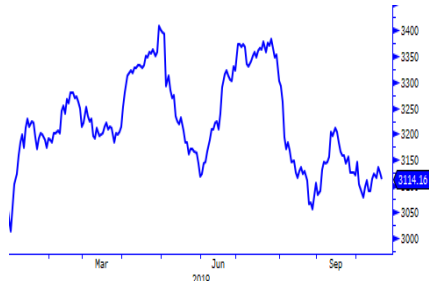


Market Indicators

	16-Oct	17-Oct	18-Oct
Mkt. T/O (S\$ mil)	1,165.2	901.3	873.9
Stock Advances	226	164	146
Stock Declines	174	222	213

Major Indices

	16-Oct	17-Oct	18-Oct
DJ Ind Avg	27,002.0	27,025.9	26,770.2
S & P 500	2,989.7	2,998.0	2,986.2
Nasdaq Comp	8,124.2	8,156.9	8,089.5
Hang Seng	26,664.3	26,848.5	26,719.6

STI Index 3,114.16 (-0.38%)

Source: Bloomberg
Commodities

	Current % Chge from Price	Close
Gold (SPOT) US\$ / oz	1,491.73	0.28%
Oil (NYMEX CWT1) US\$ / bbl	53.59	-0.85%
Baltic Dry Index	1855	-0.32%

Exchange Rates

USD : SGD 1.3635 / MYR : SGD 3.0675
Source: Bloomberg
Interest Rates

3-mth Sibor	1.872%
SGS (10 yr)	1.705%

KGI Securities Research Team
KGI Market Ideas

AEM Holdings and China Sunshine Chemicals. Our recent initiations outperformed the STI last week, with AEM's shares gaining 7% WoW and China Sunshin Chemicals rising by 3% WoW, outperforming the STI's flat performance. We continue to like both stocks and see further upside. Amirah summarises our top call in a video [here](#).

Singapore property in play. Singapore property-related companies have performed well year-to-date, with Capitaland, City Developments and UOL Group gaining between 16% and 31%. The positive momentum was reinforced by the latest property data. New Singapore home sales for September reached the highest monthly sales since July 2018, when the latest round of property cooling measures came into effect. According to URA data, developers sold a total of 1,270 private residential units, which represented a 13% MoM and 36% YoY increase. From a fundamental view, the resilient new homes sales have been driven by better housing affordability. The price-to-income ratio has improved to around 7x in 2019, down from 9x in 2010, driven by increasing household incomes.

We believe there could be further upside to property-related companies as many of them are still trading below their 5-year P/B averages. Among our blue-chip favourites are City Developments (CIT SP), Capitaland (CAPL SP) and UOL Group (UOL SP). While Capitaland is trading at a 5% premium to its 5-year P/B average, we expect a re-rating as it achieves its 9-11% ROE target following the S\$11bn acquisition of Ascendas-Singbridge; the bigger entity is now one of Asia's largest diversified real estate player with more than S\$123bn of assets under management.

Company	Bloomberg Ticker	Price (Lcl curr)	Mkt Cap (\$m)	P/B (x)	5-yr P/B AVG	Discount to 5-yr P/B AVG	Dvd Yld (%)
LARGE CAP DEVELOPERS							
Hong Kong Land	HKL SP	5.39	12,682	0.33	0.49	-34%	4.1
Capitaland	CAPL SP	3.60	18,135	0.81	0.77	5%	3.3
City Developments	CIT SP	10.48	9,504	0.93	0.96	-3%	0.8
UOL Group	UOL SP	7.68	6,477	0.66	0.65	1%	2.3
Frasers Property	FPL SP	1.78	5,198	0.69	0.72	-4%	4.8
United Industrial Corp	UIC SP	2.83	4,054	0.57	0.69	-17%	1.2
Yanlord Land	YLLG SP	1.18	2,279	0.46	0.53	-13%	5.8
Guocoland	GUOL SP	2.02	2,390	0.59	0.66	-11%	3.5
United Engineers	UEM SP	2.60	1,658	0.83	0.83	0%	1.2
Bukit Sembawang Estate	BS SP	4.79	1,240	0.93	1.11	-16%	0.8
Wing Tai	WINGT SP	2.04	1,568	0.45	0.45	0%	1.5
Oxley	OHL SP	0.32	1,309	0.87	1.43	-39%	2.2
Ho Bee Land	HOBEE SP	2.30	1,530	0.50	0.49	2%	3.5
First Sponsor Group	FSG SP	1.29	1,026	0.70	0.75	-7%	1.9
Average				0.67	0.8	-10%	2.6

Source: Bloomberg, KGI Research
Commodities and Results Update

- **Precious Metals:** Go Gold - Page 4
- **Keppel Corporation (KEP SP; OVERWEIGHT; TP: S\$ 7.440):** Weak 2019 earnings likely priced in; attractive entry level - Page 6
- **Keppel DC REIT (KDCREIT SP; OUTPERFORM; TP: S\$ 2.110):** More positives this quarter - Page 7
- **Soilbuild Business Space REIT (SBREIT SP; NEUTRAL; S\$ 0.580):** Doubling down in Australia; Transitional headwinds persist - Page 8

Recent In depth Regional Reports

18/10	SG Soilbuild Business Space REIT (SBREIT SP; NEUTRAL; S\$ 0.580): Doubling down in Australia; Transitional headwinds persist
18/10	TH Food Sector (Overweight): Positive long-term outlook remains intact
18/10	TH GFPT (GFPT TB; Outperform; TP: Bt 19.50): 3Q19 earnings preview: An unlikely buy opportunity
18/10	TH Krung Thai Card (KTC TB; Neutral; TP: Bt 46.00): 3Q19 earnings review: Sharp rise in LLP triggers asset quality concern
18/10	TH Thaifoods Group PCL (TFG TB; Outperform; TP: Bt 4.80): 3Q19 earnings preview: Margin boost
18/10	TH TMB Bank (TMB TB; Under Review; TP: Under Review): 3Q19 earnings review: Not too bad earnings
17/10	SG Keppel DC REIT (KDCREIT SP; OUTPERFORM; TP: S\$ 2.110): More positives this quarter
17/10	TW Semiconductor Sector (Overweight): Semiconductor value upside on 5G ramp-up
17/10	TW ASEH (3711 TT; Outperform; TP: NT\$ 89.00): More SIP opportunities to come
17/10	TW MediaTek (2454 TT; Outperform; TP: NT\$ 480.00): Near-term sales on track; upside in 2020F
17/10	TW TSMC (2330 TT; Outperform; TP: NT\$ 320.00): Strong upside into 2020F
17/10	TW UMT (3491 TT; Not Rated): Ongoing engagement in 5G & satellite industries
17/10	HK ANTA Sports (2020 HK; Outperform; TP: HK\$ 80.00): 3Q19 retail sales growth on track; outlook remains bright
17/10	HK Inke (3700 HK; Not Rated): Cautious outlook on competition from short-video apps
17/10	TH Media Sector (Neutral): Advertising in September 2019 remained flat YoY
17/10	TH ESSO (Thailand) (ESSO TB; Neutral; TP: Bt 11.30): 3Q19 earnings preview: Second consecutive net loss
17/10	TH Osotspa PCL (OSP TB; Outperform; TP: Bt 45.00): 3Q19 earnings preview: Earnings bounce expected
17/10	TH Total Access Communication (DTAC TB; Neutral; TP: Bt 63.00): 3Q19 earnings review: Beat expectation
16/10	TW Networking Sector: FR1 key global frequency band; Huawei 2020F 5G base station market share 40%
16/10	TW Foresee (6576 TT; Outperform; TP: NT\$ 93.00): Revenue growth driven by new and existing licensing deals in 2020F
16/10	HK China Mengniu Dairy (2319 HK; Neutral; HK\$ 34.40): Staying competitive
16/10	HK Nine Dragons (2689 HK; Not Rated): Key takeaways from conference call
16/10	CN/HK Economy: Social financing YoY growth continues; marginal liquidity loosening intensifies
16/10	TH Commodities Update: High tensions in the Middle East return
16/10	TH AMA Marine (AMA TB; Outperform; TP: Bt 8.10): Earnings to recover YoY every quarter this year
16/10	TH Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 30.30): 3Q19 earnings preview: Looks better QoQ
16/10	TH C.P. All (CPALL TB; Outperform; TP: Bt 91.00): 3Q19 earnings preview: Up both YoY and QoQ
16/10	TH Siam Makro (MAKRO TB; Neutral; TP: Bt 36.25): 3Q19 earnings preview: Drop YoY, but up QoQ
16/10	TH Tisco Financial Group (TISCO TB; Neutral; TP: Bt 108.00): Higher credit cost put 2020 earnings growth at risk
15/10	TW Taiwan Paiho (9938 TT; Outperform; TP: NT\$ 105.00): 3Q19 earnings in line; stronger core business growth in 2020F
15/10	CN/HK Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
15/10	CN/HK Economy: High inflation not an obstacle to further loosening of monetary policy; PPI YoY growth to rebound in November
15/10	TH Siam Cement (SCC TB; Underperform; TP: Bt 366): 3Q19 earnings preview : Chemical nightmare
15/10	TH Siam City Cement (SCCC TB; Outperform; TP: Bt 274.00): 3Q19 earnings preview: Recovery QoQ, but flat YoY
15/10	TH Sino-Thai Engineering & Construction (STEC TB; Outperform; Bt 20.40): BBS consortium to win U.Tapao airport city bid
15/10	TH Tisco Financial Group (TISCO TB; Outperform; TP: Bt 108.00): 3Q19 earnings review: Better asset quality
15/10	TH True Corporation (TRUE TB; Neutral; TP: Bt 6.15): 3Q19 earnings preview: Driven by extra item
14/10	TW Telecom Sector (Neutral): Earnings declines narrow in 3Q19
14/10	TW Alpha Networks (3380 TT; Not Rated): 2019F sales flattish, YoY growth likely in 2020F
14/10	TW Catcher Technology (2474 TT; Outperform; TP: NT\$ 333.00): Strong 2H19 iPhone demand; 2020F ASP & margins to rise on 5G iPhones
14/10	TW Feng Tay (9910 TT; Neutral; TP: NT\$ 215.00): 3Q19 earnings in line; eyeing Indonesia plants' efficiency

Recent In depth Regional Reports

14/10	HK China Education Group (839 HK; Outperform; HK\$ 14.00): Latest student number slightly ahead of estimate
14/10	CN/HK A-share Weekly: China & US reach phase-1 deal; A-shares to rally to 3,000
14/10	CN/HK Economy: Exports to remain low; imports might bottom out
14/10	SG KGI Weekly Strategy: China Shipping and Ports
11/10	SG AEM Holdings (AEM SP; OUTPERFORM; TP: S\$ 1.34): Divide and Conquer
11/10	SG First Real Estate Investment Trust (Not Rated): Site visit to First REIT's assets in Jakarta
11/10	SG First Real Estate Investment Trust (Not Rated): Site visit to First REIT's assets in Jakarta

For full reports, please contact Research Department at 6202 1190 or sgp.researchcom@kgi.com

Precious Metals

Go Gold

Chen Guangzhi, CFA/ 65 6202 1191 / guangzhi.chen@kgi.com

- Global economic outlook has degenerated rapidly this year mainly due to the global trade tensions
- Recession and rate cut probabilities have surged, resulting in diminishing returns for most financial assets
- Global ETF's and central banks' reserves of gold have increased, reinforcing gold's investment value
- In addition to recommendations in our previous report, we highlight several mining stocks who are strong market leaders and have the highest trading liquidity

Lacklustre global economy outlook

With one quarter left until the end of 2019, global financial institutions have released the final economic growth forecast for this and next year. The summarised global growth projections indicate a dim outlook in the near term:

Date	Organisation/Institution	Type	2019		2020	
			Updated	Changes (pts)	Updated	Changes (pts)
Oct	IMF	Global economic growth	3.0%	-0.3	3.4%	-0.2
Oct	WTO	World trade volume	1.2%	-1.4	2.7%	-0.3
Sep	OECD	Global economic growth	2.9%	-0.4	3.0%	-0.4

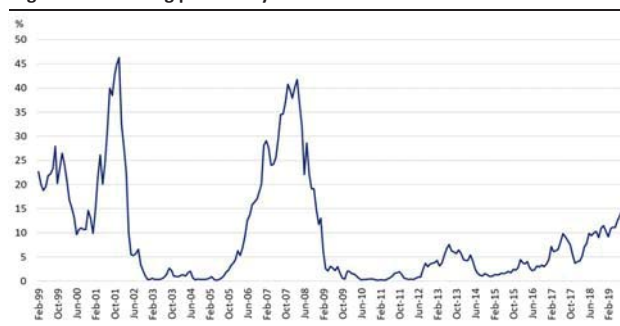
From a short-term perspective, the low growth environment is due to the rise of trade tensions, especially between China and the US. But from a longer-term point of view, this is a result of more than 10 years of loose monetary policy which has favoured debt to boost economic growth, and this has had a diminishing marginal effect. Global debt rose to more than US\$245tn as of Aug-19, which is close to 320% of global GDP, according to the Institute of International Finance. The ratio was about 235% when the global financial crisis occurred. Meanwhile, the major central banks continue to inject more capital into the system. In Sep-19, the ECB announced that it would resume its quantitative-easing programme of US\$20bn/month starting in Nov-19. In Oct-19, the Fed began buying Treasury bills at a pace of US\$60bn/month. The PBOC has been conducting several types of open market operations on hundreds of billions of RMB, including medium-term lending facility and central bank bills swap. We believe this boost in global liquidity will alleviate the pressure of the current slowdown in economic growth but will simultaneously inflate asset prices.

The probability of rate cut and recession synchronises

We are near the end of the bull cycle. According to the Fed's recession model, the probability of a recession in the US for the next 12 months has jumped substantially this year. Recently, the odds are the highest since the end of the last global financial crisis. This is mainly due to the inversion of the yield curve and the substantial amount of negative yielding debt globally.

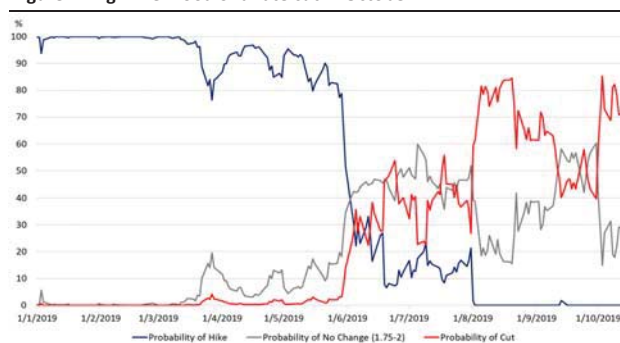
Meanwhile, the rate cut trend continues, reinforcing the low rate environment. Financial asset prices are inflated due to the downtrend of discount rates, while yield generated from these assets are much lower. When interest rates are close to zero or negative, the pricing of these assets becomes distorted, which then affects their investment values. Although Gold does not generate any yield, it has historically been an anchor of value. As currencies devalue and as financial assets begin generating diminishing return, gold's investment value will eventually shine.

Figure 1: Increasing probability of recession in the next 12 months



Source: Bloomberg, KGI Research

Figure 2: High likelihood of a rate cut in October

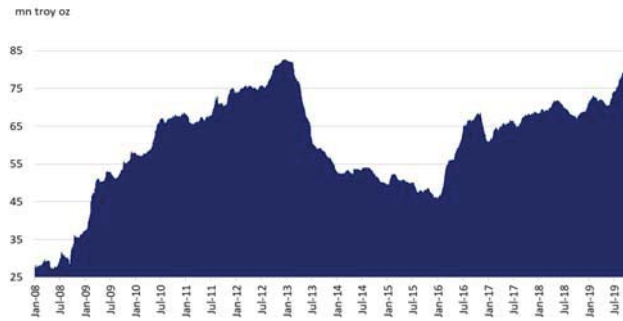


Source: Bloomberg, KGI Research

Central banks and funds are amassing gold holdings

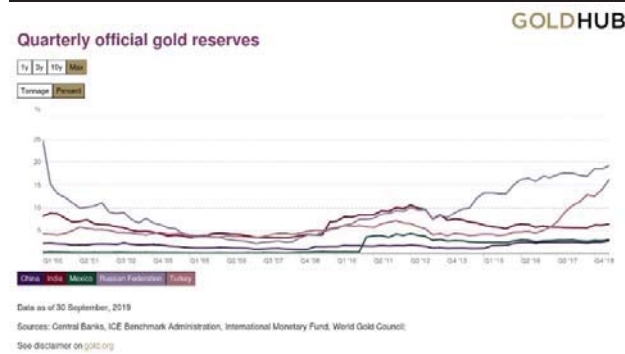
As of Oct-19, the global ETF holdings of gold is at 81.9mn troy oz, a level since gold prices peaked in 2011-2012. Meanwhile, countries, especially Russia and China, have been accumulating gold reserves. The trend indicates dwindling confidence in both financial and monetary systems. Gold as a safe-haven asset has been enabled against the backdrop of global trade tensions and geopolitical uncertainties (Brexit, Sanctions on Iran, and North Korea issues). Therefore, investment allocation to gold will benefit investors in both the short and long term.

Figure 3: Increasing global ETF holdings of gold



Source: Bloomberg, KGI Research

Figure 4: Russia and China are accumulating gold reserve



Source: World Gold Council

Stock picks

In addition to recommendations in our previous report, below are several mining stocks, strong market leaders with some of the highest trading liquidity, for reference.

Figure 5: Gold and Silver mining stocks

Ticker	Name	Market Cap (USD bn)	1M Return (%)	6M Return (%)	1Y Return (%)	P/B	P/E	12M FWD PE	Net D/E (%)	ROA (%)	ROE (%)
China											
601899 CH	ZIJIN MINING GROUP CO LTD-A	17.2	-6.0	-5.6	2.2	2.1	22.0	14.7	76.9	3.3	9.7
600547 CH	SHANDONG GOLD MINING CO LT-A	14.3	-11.2	53.4	86.8	4.6	105.2	37.9	19.0	2.0	4.8
600489 CH	ZHONGJIN GOLD CORP-A	6.6	-6.2	3.6	22.7	2.2	201.7	76.1	42.1	0.4	1.1
002155 CH	HUNAN GOLD CORP LTD-A	1.5	-7.5	2.5	44.6	2.1	47.3	27.4	7.1	3.1	4.5
Hong Kong											
2899 HK	ZIJIN MINING GROUP CO LTD-H	17.2	-6.6	-17.9	-1.0	1.5	16.2	10.8	76.9	3.3	9.7
1787 HK	SHANDONG GOLD MINING CO LT-H	14.3	0.8	52.1	69.3	2.4	54.4	19.1	19.0	2.0	4.8
1818 HK	ZHAOJIN MINING INDUSTRY - H	6.4	-5.5	21.3	28.6	2.4	63.6	24.2	78.8	1.8	4.3
US											
Gold											
GOLD US	BARRICK GOLD CORP	36.8	-5.2	30.2	36.1	1.9	130.3	24.1	44.4	-4.5	-10.4
NEM US	NEWMONT GOLD CORP CORP	37.5	-3.3	12.9	24.3	1.6	34.3	17.3	5.2	-0.3	-0.5
AEM US	AGNICO EAGLE MINES LTD	14.4	-7.1	31.8	47.2	N/A	N/A	32.2	31.1	-3.8	-6.5
AU US	ANGLOGOLD ASHANTI-SPON ADR	10.3	7.8	61.0	110.9	N/A	N/A	11.4	63.7	3.2	8.0
Silver											
AG US	FIRST MAJESTIC SILVER CORP	2.2	7.7	70.8	65.4	N/A	N/A	31.8	15.1	-15.9	-24.2
PAAS US	PAN AMERICAN SILVER CORP	3.7	-0.9	29.9	6.6	N/A	N/A	20.7	Net Cash	-0.8	-1.1

Source: Bloomberg, KGI Research

CHINA
DEVELOPMENT
FINANCIAL

Keppel Corporation Ltd

(KEP SP/KPLM.SI)

Weak 2019 earnings likely priced in; attractive entry level

Joel Ng / 65 6202 1192 / joel.ng@kqi.com

- 3Q19 PATMI declined 30% YoY to S\$159mn due to the absence of divestment gains in its property segment that contributed in the prior-year period, as well as higher interest expenses.
- We upgrade KEP to OVERWEIGHT as we see value in its stock after the recent share price weakness.
- A potential upside catalyst, in our view, is the merger between KEP's O&M segment and Sembcorp Marine (SMM SP, Neutral TP S\$1.59), given the removal of the overhang from Sete Brasil.

Financials & Key Operating Statistics

YE Dec (\$\$ m)	2017	2018	2019F	2020F	2021F
Revenue	5963.8	5964.8	6390.6	6896.2	7401.8
PATMI	216.7	943.8	754.7	986.6	1096.5
Core PATMI	815.5	933.8	754.7	986.6	1096.5
Core EPS	44.9	51.5	41.6	54.4	60.4
Core EPS grth (%)	6.1	14.7	-19.2	30.7	11.1
Core P/E (x)	13.0	11.3	14.0	10.7	9.7
DPS (\$G cents)	22.0	30.0	21.0	24.0	26.0
Div Yield (%)	3.8	5.1	3.6	4.1	4.5
Net Margin (%)	3.6	15.8	11.8	14.3	14.8
Gearing (%)	44.5	46.9	84.1	79.4	74.6
Price / Book (x)	0.9	0.9	0.9	0.9	0.8
ROE (%)	1.8	8.1	6.3	7.8	8.2

Source: Company Data, KGI Research

3Q19 summary. KEP's 3Q19 earnings missed our expectations, with cumulative 9M profits making up only 62% of our FY19 full-year earnings. 3Q19 earnings declined 30% YoY to S\$153mn driven mainly by KEP's property segment. KEP's property segment net profit dropped 52% YoY to S\$78m due mainly to the absence of divestment gains and higher interest expenses. The group's infrastructure segment was the only bright spot with a 56% YoY rise in net profit to S\$86mn due to higher share of associate companies' profits, dilution gain from Keppel DC REIT's (KDCREIT SP, OUTPERFORM TP \$2.11) private placement exercise, and higher contribution from Energy Infrastructure and Environment Infrastructure.

China property still challenged; Singapore recovering. KEP's property segment contributed to 49% of its 3Q19 profits, with sales in China and Singapore accounting for a significant portion of those earnings. Hopes for a property rebound in China may be premature as regulators seem intent to maintain a stable property market. On a positive note, Singapore's property market is showing signs of a recovery. September new home sales was the highest monthly sales since July 2018 as developers sold a total of 1,270 private residential units, an 13% MoM and 36% YoY increase.

Weak margins in O&M. Net orderbook (excluding Sete Brasil orders) declined to S\$5.1bn as at end-3Q19, compared to S\$5.5bn at end-2Q19. We expect its O&M operating margins to remain weak in 2019 and 2020 on the back of intense competition for projects. As such, we have not factored in a

OVERWEIGHT - Upgrade

Price as of 18 Oct 19 (SGD)	5.84	Performance (Absolute)	
12M TP (\$)	7.44	1 Month (%)	-3.9
Previous TP (\$)	7.43	3 Month (%)	-10.3
Upside, incl div (%)	30.9	12 Month (%)	-9.0
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	10,608		
Issued Shares (mn)	1,816		
Vol - 3M Daily avg (mn)	3.7		
Val - 3M Daily avg (\$mn)	22.5		
Free Float (%)	78.7%		
Major Shareholders		Previous Recommendations	
Temasek	20.5%	22-Jul-19	N \$7.43
Blackrock	4.9%	28-Jan-19	N \$7.50
Vanguard	2.2%	27-Sep-18	OW \$9.43

meaningful earnings contribution from its O&M segment until 2021, a view reinforced by management.

A stronger case for consolidation in Singapore's O&M sector. We believe the probability of a merger between KEP's O&M segment and Sembcorp Marine has risen following their resolution with Brazil's Sete Brasil, which has removed a significant overhang over their balance sheets. There is still significant global overcapacity in the shipbuilding industry and competition is only expected to increase as Chinese and South Korean shipyards continue to consolidate, thus creating industry heavyweights with a significantly larger footprint. The recent consolidation of China State Shipbuilding Corp and China Shipbuilding Industry Corp will create a combined entity with assets of around US\$120bn, while South Korea's Hyundai Heavy Industries will have assets of about US\$33bn after its planned acquisition of Daewoo Shipbuilding & Marine Engineering.

Valuation & Action: Upgrade to OVERWEIGHT. We upgrade KEP to OVERWEIGHT following the 11% decline in its share price since our last report on 22 July 2019. KEP now offers a 31% upside potential, inclusive of a 4% dividend yield. Our fair value is based on SOTP valuation of its businesses and mainly driven by property (50% of valuation), O&M (20%) and Keppel Capital (10%). These three businesses contribute 80% of our fair value estimates of the group. KEP's track record of unlocking value via divestments may provide further upside to our earnings and dividends forecasts.

Risks: KEP's property segment now contributes the largest share of profits. As a result, a slowdown in the property sector in its key markets like China and Singapore will have the largest impact on KEP's valuations.



Keppel DC REIT

(KDCREIT SP)

More positives this quarter

Geraldine Wong / 65 6202 1193 / Geraldine.wong@kqi.com

- **DPU in line with expectations.** 9M19 DPU of 5.8 Scts makes up c.75% of our comparable full year forecast of 7.7 Scts.
- **Rental top up from vendor.** Rental top up originating from 3 data centres was fully accounted for as at end 2Q19, future vendor support will originate from KDC SGP 4 (SG).
- **Maintain OUTPERFORM, new TP S\$2.11.** We remain optimistic on Keppel DC Reit (KDC) and expect a steep increase in DPU for FY20/FY21 to 9.0Scts / 9.5Scts (previously 7.7 Scts/8.0 Scts) following the yield accretive twin acquisitions. Further acquisitions remain a positive surprise.

DPU in line with expectations. Keppel Data Centre REIT's (KDC) 3Q19 and 9M19 results were largely within expectations. DPU for 3Q19 remained flattish QoQ at 1.93 Scts, bringing 9M19 DPU to 5.8 Scts, making up c.75% of our comparable full year forecast of 7.7 Scts (without accounting for enlarged units base from equity fund raising). DPU would have increased marginally to 1.94 Scts without the negative carry from the equity fund raising. Rental income for 3Q19 grew 3.7% YoY to S\$46.2mn, attributed to the incremental contributions from KDC SGP 5 (SG). 9M19 revenue came in at S\$141.8mn (+11.3% YoY) and makes up c.71% of our full year forecast (S\$200.0mn), contributed by Maincubes DC (DE) and KDC SGP 5 (SG) which were both fully acquired in 2018.

Operating statistics remain resilient. Portfolio WALE dipped slightly from 7.8 years last quarter to 7.7 years due to time decay, while occupancy improved from 93.2% last quarter to 93.6%. The managers are currently engaged in renewal discussions for leases expiring in 4Q19 (1.3% by NLA) and 2020 (5.3% by NLA). Rental reversions remain positive as strong demand continue to ease supply risks from upcoming data centre launches. New launches anticipated in 2020 include Digital Realty's third DC in Singapore, Equinix's SG4 DC, ST Telemedia's Loyang Data Center and AirTrunk's first hyperscale DC in Singapore.

Rental top up from vendors. This quarter saw a sharp QoQ dip in 'other income', which was recorded at S\$145k, compared to S\$2.4mn in 2Q19. This was mainly due to the absence of rental top up income provided by the relevant vendors for KDC SGP 5 (SG), KDC DUB 2 (IE) and Milan DC (IT) which had been fully accounted for as at end 2Q19. We expect a rebound in this revenue item going forward as KDC completes the acquisition of KDC SGP 4 (SG) and 1-Net North DC (SG). KDC SGP 4 (SG) has a structured two-year vendor rental support of c.S\$8.7mn in place.

Asset enhancement initiatives in progress. AEI works remain on schedule as KDC SGP 3 (SG) and KDC DUB 2 (IE) were

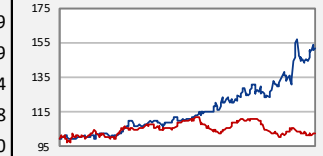
Outperform (Maintain)

Price as of 17 Oct 19 (SGD)	2.00	Performance (Absolute)	
12M TP (S\$)	2.11	1 Month (%)	6.4
Previous TP (S\$)	1.95	3 Month (%)	22.8
Upside, incl div (%)	9.8%	12 Month (%)	60.8

Trading data

Mkt Cap (\$mn)	3,259
Issued Shares (mn)	1,629
Vol - 3M Daily avg (mn)	7.4
Val - 3M Daily avg (\$mn)	13.8
Free Float (%)	57.90

Perf. vs STI Index (Red)



Major Shareholders

Keppel Corp Ltd	42.0%	17-Sep-19	OP S\$1.95
Cohen & Steers	5.1%	17-Jul-19	OP S\$1.71
Daiwa Securities	4.9%	18-Apr-19	OP S\$1.62

Previous Recommendations

Financials & Key Operating Statistics

YE Dec SGD mn	2017	2018	2019F	2020F	2021F
Gross revenue	139.1	175.5	200.0	257.7	266.3
Net property income	125.1	157.7	180.0	232.0	239.7
Distributable income	82.3	96.1	107.6	147.1	154.3
DPS (SGD cents)	7.1	7.3	6.6	9.0	9.5
DPS growth (%)	16.0	2.8	(9.8)	36.7	4.9
Div Yield (%)	5.0	5.4	3.7	5.0	5.3
P/NAV (x)	1.0	1.1	1.2	1.2	1.2
Price / Book (x)	1.5	1.3	1.5	1.5	1.5
NPI Margin (%)	90.0	89.8	90.0	90.0	90.0
Net Margin (%)	50.5	83.2	61.7	64.0	64.6
Gearing (%)	31.0	29.9	30.4	29.8	29.4
ROE (%)	6.4	10.1	6.4	8.4	8.6

Source: Company Data, KGI Research

*DPS for FY19 takes into account enlarged units base after equity fund raising

completed in July. KDC SGP 3 which was previously at full occupancy, was further retrofitted to suit a client's expansion, while KDC DUB 2 underwent fit-out works with occupancy increasing from c.91% to full occupancy as previously guided by management. KDC DUB 1 (IE) is still undergoing energy efficiency works and on track for completion in 2020.

Ready, get set, go! Capital management remains extremely prudent, as KDC's leverage ratio at 28.9% remains as one of the healthiest across the sector. Based on KDC's internal gearing limit of 40%, this would be equivalent to a debt headroom of S\$444mn post acquisition. Cost of debt was reported at 1.7% this quarter, and may increase next quarter taking into account refinancing of SGD denominated loans due at year end for another 6 years at a higher rate. Correspondingly, debt tenor was extended by another 0.5 years to 3.8 years since last quarter. KDC remains well-equipped for another round of acquisitions.

Acquisitions to remain a surprise. Third party off-market deals may be next within the acquisition pipeline as opposed to sponsor assets. Management shared that they continue to look for opportunities nearer to home to ensure that at least 50% of portfolio exposure remains within the APAC region to suit the investment mandates of current institutional investors.

Soilbuild Business Space REIT

(SBREIT SP)

Doubling down in Australia; Transitional headwinds persist

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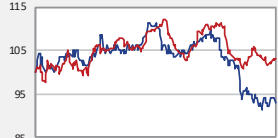
- **DPU misses estimates.** 3Q19 DPU of 0.918 Scts fell short of expectations due to negative carry from SBR's recent preferential offering.
- **Increased exposure to office space.** Office assets will make up 15% of SBR's portfolio by GRI following the acquisition of an Australian commercial asset, 25 Grenfell Street.
- **Maintain Neutral, TP of S\$0.58.** We prefer to wait for greater clarity on the NKI Ingredients (NKI) situation and anticipate soft rental reversions in the coming quarters.

DPU missed estimates. Soilbuild REIT (SBR) reported 3Q19 and 9M19 rental revenue of S\$21.2mn and S\$66.2mn, representing 24.7% and 77.5% of our full year revenue forecast (S\$85.7mn). 3Q19 DPU of 0.918 Scts (-26.3% YoY) fell short of our expectations, while total distributions declared for 9M19 (3.295 Scts) made up 68.6% of our full year DPU forecast of 4.8 Scts. The lower 3Q19 DPU was in part due to the negative carry from SBR's most recent preferential offering to raise S\$101.8mn at an issue price of 53 Scts per unit for the acquisition of 25 Grenfell Street.

Revenue figures in line with expectations. Higher incremental rents from 14 Mort Street and Inghams Burton helped offset lower contributions from NKI, Eightrium and 39 Senoko Way. Occupancy as at end 3Q19 was flattish at 88.4% while WALE decreased from 3.8 years last quarter to 3.7 years due to time decay. Overall rental reversions were slightly positive at 1%. Eightrium's occupancy improved from c.74% in 2Q19 to c.84% this quarter, with the low base a result of DBS' lease termination in March 2019. The improvement in occupancy was attributed to the expansion of an existing client.

Update on NK Ingredients and 72 Loyang way. SBR is deferring payments from NKI for Sep and Oct as the tenant is currently placed under judicial management. We outline the two likely scenarios for the NKI property. NKI could either continue operations as a going concern via judicial management and remain a tenant of SBR or discontinue operations, whereby SBR will take repossession of the asset and conduct asset redevelopment to increase gross plot ratio from 0.55 to 1.0. The redevelopment is estimated to cost between S\$55mn and S\$60mn and will require 18 months to complete. As for its 72 Loyang way property, divestment looks to be slightly delay given that it has yet to receive approval from JTC.

Doubling down in Australia. SBR announced the acquisition of a third Australian asset, following their first foray in Australia with 14 Mort Street and Inghams Burton. The latest proposed acquisition is for a multi-tenanted freehold Grade A

Neutral (Maintain)		Performance (Absolute)	
Price as of 17 Oct 19 (S\$)	0.53	1 Month (%)	-1.9
12M TP (S\$)	0.58	3 Month (%)	-12.0
Previous TP (S\$)	0.61	12 Month (%)	-1.4
Upside, incl div (%)	18.1%		
Trading data		Perf. vs STI Index (Red)	
Mkt Cap (\$mn)	661		
Issued Shares (mn)	1,260		
Vol - 3M Daily avg (mn)	1.5		
Val - 3M Daily avg (\$mn)	0.9		
Free Float (%)	69.1		
Major Shareholders		Previous Recommendations	
Lim Chap Huat	9.9%	19-Jul-19	NEUTRAL \$0.61
Lim Han Feng	5.6%	16-Jul-19	NEUTRAL \$0.61
Lim Han Qin	5.6%		

Financials & Key Operating Statistics					
YE Dec SGD mn	2017	2018	2019F	2020F	2021F
Gross revenue	84.8	83.8	88.2	96.8	98.8
Net property income	73.5	69.9	71.6	78.4	80.0
Distributable income	59.9	55.9	51.5	59.0	59.7
DPU (SGD cents)	5.7	5.3	4.1	4.4	4.4
DPU growth (%)	(6.2)	(7.5)	(22.7)	7.8	0.2
Div Yield (%)	8.9	6.7	7.9	8.5	8.5
NAV (SGD cents)	0.6	0.7	0.5	0.5	0.5
Price / Book (x)	1.0	1.1	1.0	1.0	1.0
NPI Margin (%)	86.6	83.5	81.2	81.0	80.9
Net Margin (%)	(33.4)	61.4	53.5	56.5	56.0
Gearing (%)	40.1	37.3	41.3	43.1	43.6
ROE (%)	(4.2)	7.0	6.9	8.2	8.5

Source: Company Data, KGI Research

* FY19 DPS accounts for an enlarged units base following equity fund raising exercise

office building at a purchase price on par with the current market valuation of A\$134.2mn (S\$127.5mn). The asset, 25 Grenfell Street (Adelaide) is an iconic landmark within Adelaide's central business district, and home to strong key tenants such as the Government of South Australia (26% GRI), legal firm MinterEllison (22% GRI) and engineering firm Aurecon (10% GRI). 25 Grenfell Street stands at a prime location between the core business district cluster and the retail precinct to meet the daily need of end users. At its current occupancy of 88.4%, the implied NPI yield of the asset stands at 7.7%, and an attractive 8.7% NPI yield when fully-leased. This stands out against the current market yields within the Adelaide office market of 5.9%-7.4%, which is outperforming other markets such as Brisbane's 5.3%-5.6%, Melbourne's 4.7%-4.9% and Sydney's 4.8%-4.9%.

Increased exposure to office space; less concentration risk. With the acquisition of 25 Grenfell Street, exposure towards the single largest asset Solaris, will decrease from 33% to 29%, with 25 Grenfell Street becoming SBR's second largest office asset by GRI (12%). Post-acquisition, office assets will make up 15% of SBR's portfolio by GRI, comprising of 25 Grenfell Street and 14 Mort Street. Meanwhile, Business parks would include Solaris (29% GRI) and Eightrium (6% GRI). The top 10 tenants will decrease from 47% of monthly GRI to 43% of monthly GRI.

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 FY19F (%)	Div Yield FY20F (%)
FINANCIALS								
DBS SP	DBS	24.78	63,304	(0.6%)	9.4%	(0.5%)	5.0%	5.2%
OCBC SP	OCBC	10.74	47,300	(1.0%)	(0.5%)	0.0%	4.7%	4.8%
UOB SP	UOB	25.82	43,074	(0.8%)	10.3%	(0.4%)	4.8%	5.1%
SGX SP	SGX	8.22	8,803	0.0%	18.3%	(2.1%)	3.9%	4.0%
PROPERTIES								
HKL SP	Hongkong Land USD	5.41	17,386	0.2%	(11.4%)	(0.7%)	4.2%	4.4%
CAPL SP	CapitaLand	3.58	18,034	0.0%	19.0%	0.6%	3.4%	3.6%
CT SP	CapitaLand Mall Trust	2.64	9,738	0.4%	20.3%	(1.1%)	4.6%	4.8%
AREIT SP	Ascendas REIT	3.12	9,712	(0.3%)	24.7%	(1.6%)	5.2%	5.4%
CIT SP	City Development	10.33	9,368	(0.6%)	30.0%	4.7%	1.9%	1.9%
CCT SP	CapitaLand Comm Trust	2.07	7,984	1.0%	23.9%	0.0%	4.3%	4.3%
UOL SP	UOL	7.53	6,350	(0.3%)	24.5%	2.7%	2.4%	2.4%
TELECOMMUNICATIONS								
ST SP	SingTel	3.15	51,437	(0.3%)	11.0%	(0.3%)	5.7%	5.4%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	54.27	54,708	1.3%	(19.8%)	4.7%	3.2%	3.4%
JS SP	Jardine Strategic Holdings	29.92	45,286	1.3%	(17.7%)	1.8%	1.2%	1.3%
DFI SP	Dairy Farm International	5.83	10,772	(1.4%)	(33.7%)	(3.5%)	3.6%	3.8%
THBEV SP	ThaiBev	0.90	22,602	2.9%	50.9%	4.0%	2.5%	2.7%
JCNC SP	Jardine C&C	30.20	11,936	0.2%	(11.5%)	0.6%	4.3%	4.5%
GENS SP	Genting Singapore	0.92	11,032	(1.1%)	(2.6%)	0.5%	4.0%	4.0%
VMS SP	Venture Corp	15.35	4,427	(3.9%)	15.0%	(0.2%)	4.7%	4.8%
SPH SP	SPH	2.15	3,428	0.9%	(6.5%)	0.5%	5.7%	5.7%
TRANSPORT								
SIA SP	Singapore Airlines	9.04	10,714	(1.4%)	(1.7%)	(0.2%)	3.7%	3.7%
CD SP	ComfortDelGro	2.41	5,219	(0.8%)	16.8%	(0.4%)	4.5%	4.7%
COMMODITIES								
WIL SP	Wilmar	3.59	22,746	0.8%	18.3%	(0.6%)	2.8%	3.0%
GGR SP	Golden Agri	0.21	2,611	(2.4%)	(14.7%)	(2.4%)	1.3%	1.3%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	5.84	10,608	(2.0%)	2.2%	(2.2%)	3.8%	4.2%
STE SP	ST Engineering	3.92	12,224	(1.5%)	16.7%	(2.5%)	3.9%	4.1%
SATS SP	SATS	4.92	5,501	(0.6%)	8.4%	2.1%	3.8%	4.0%
YZJSGD SP	Yangzijiang SGD	0.94	3,684	(1.1%)	(22.2%)	(3.1%)	5.0%	4.8%
SCI SP	Sembcorp Industries	2.08	3,718	(1.0%)	(16.8%)	(1.4%)	2.5%	3.1%
HPHT SP	HPH Trust USD	0.16	1,892	(0.6%)	(29.8%)	0.0%	9.9%	10.7%

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

STI Reserve List (by market cap)

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY19F (%)	Div Yield FY20F (%)
SUN SP	Suntec REIT	1.88	5,260	(0.5%)	9.8%	0.0%	5.5%	5.1%
MCT SP	Mapletree Commercial Trust	2.37	6,863	(0.4%)	49.0%	0.4%	#VALUE!	4.0%
MLT SP	Mapletree Logistics Trust	1.67	6,079	0.0%	38.1%	1.2%	4.9%	4.9%
KREIT SP	Keppel REIT	1.24	4,208	(0.8%)	12.6%	(0.8%)	4.4%	4.5%
MINT SP	Maple Industries Trust	2.58	5,677	0.4%	42.8%	2.0%	5.0%	4.8%

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

Appendix 1: Corporate Action

Latest Dividend Entitlements Announcement

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 18 Oct 19	Yield (%)
Keppel Infrastructure Trust	14-Oct-19	3Q19	SGD 0.0093	21-Oct-19	22-Oct-19	15-Nov-19	SGD 0.550	6.7
Keppel REIT	16-Oct-19	3Q19	SGD 0.0140	23-Oct-19	24-Oct-19	27-Nov-19	SGD 1.240	4.4
Mapletree Commercial Trust	15-Oct-19	2Q20	SGD 0.0290	23-Oct-19	24-Oct-19	21-Nov-19	SGD 2.370	3.9
Soilbuild Business Space REIT	16-Oct-19	3Q19	SGD 0.009180	23-Oct-19	24-Oct-19	21-Nov-19	SGD 0.525	9.6
Keppel-KBS US REIT			USD 0.0195	24-Oct-19	25-Oct-19	26-Dec-19	USD 0.755	7.9
Duty Free Int'l	9-Oct-19	1H20	SGD 0.005000	30-Oct-19	31-Oct-19	7-Nov-19	SGD 0.160	6.2
Ellipsiz	26-Aug-19	FY19	SGD 0.010000	30-Oct-19	31-Oct-19	20-Nov-19	SGD 0.420	8.3
Ellipsiz - Special	26-Aug-19	FY19	SGD 0.010000	30-Oct-19	31-Oct-19	20-Nov-19	SGD 0.420	8.3
Sin Ghee Huat Corp Ltd	27-Aug-19	FY19	SGD 0.0060	30-Oct-19	31-Oct-19	14-Nov-19	SGD 0.235	1.3
Tiong Woon Corp Holding Ltd	28-Aug-19	FY19	SGD 0.0020	30-Oct-19	31-Oct-19	18-Nov-19	SGD 0.350	-
UG Healthcare Corp Ltd	26-Aug-19	FY19	SGD 0.002590	30-Oct-19	31-Oct-19	17-Dec-19	SGD 0.165	1.4
GuocoLand	26-Aug-19	FY19	SGD 0.07000	31-Oct-19	1-Nov-19	21-Nov-19	SGD 2.020	3.5
Hai Leck Holdings	26-Aug-19	FY19	SGD 0.01000	31-Oct-19	1-Nov-19	13-Nov-19	SGD 0.530	1.9
Hai Leck Holdings - Special	26-Aug-19	FY19	SGD 0.01000	31-Oct-19	1-Nov-19	13-Nov-19	SGD 0.530	1.9
Karin Technology Hldgs	28-Aug-19	FY19	HKD 0.0780	31-Oct-19	1-Nov-19	21-Nov-19	SGD 0.320	9.6
Oxley Hldgs	27-Aug-19	FY19	SGD 0.0068	31-Oct-19	1-Nov-19	18-Dec-19	SGD 0.315	3.5
RE&S Holdings	19-Aug-19	4Q19	SGD 0.0045	31-Oct-19	1-Nov-19	8-Nov-19	SGD 0.161	2.5

Source: SGX Announcement / Bloomberg

Latest Listing Issue Announcement

Company	Offer Price	Closing Date	Offeror
DLF Hldgs Ltd	SGD 0.081 Cash	5.30 p.m. on 8 Nov 2019	QRC Pte. Ltd.
San Teh Ltd	SGD 0.28 Cash	5.30 p.m. on 24 Oct 2019	Singapore San Teh Real Estate Pte. Ltd.

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
21-Oct Q2 Mapletree Logistics Trust Q3 Capitaland Mall Trust	22-Oct Q2 Mapletree Industrial Trust Q4 Frasers Commercial Trust	23-Oct SG (Sep 2019) CPI <i>For General Households</i> Q3 Capitaland Commercial Trust > Suntec REIT Q4 Frasers Centrepoint Trust	24-Oct SG (Q3 2019) Industrial Properties Q1 Spore Exchange Q3 Utd Overseas Insurance Q4 Second Chance Properties	25-Oct SG 3Q19 Private Residential, Retail and Office Properties SG (Q3 2019) Unemployment Rate & Employment SG (Sep 2019) Index of Industrial Production Q2 Mapletree North Asia Commercial Trust Q3 Capitaland Retail China Trust > Cache Logistics Trust > ESR-REIT > Great Eastern Hldgs *Q3 SP Corp *Q4 Miyoshi
28-Oct	29-Oct Q1 Starhill Global REIT Q2 Ascendas Hospitality Trust Q3 Raffles Medical Grp	30-Oct Q3 Ascott Residence Trust > CDL Hospitality Trusts > Far East Hospitality Trust Q4 Frasers Hospitality Trust	31-Oct	1-Nov-2019 Q2 SIA Engrg Co Q3 China Aviation Oil Spore > UOB (Before mkt open) *Q3 Utd Overseas Australia
4-Nov	5-Nov Q2 Spore Airlines Q3 OCBC (Before mkt open)	6-Nov Q4 Frasers Logistics & Industrial Trust	7-Nov Q2 Lippo Malls Indonesia Retail Trust Q3 Thakral Corp *Q3 Frencken Grp	8-Nov *Q3 Venture Corp
11-Nov *Q3 DBS Grp Hldgs	12-Nov *Q2 SATS *Q3 Ho Bee Land	13-Nov Q2 Accordia Golf Trust Q3 Sembcorp Marine *Q3 ComfortDelGro Corp > First Resources > Sembcorp Marine	14-Nov Q3 Sembcorp Industries > Uni-Asia Grp	15-Nov Q4 Frasers Property
18-Nov	19-Nov	20-Nov	21-Nov	22-Nov

* Tentative

Source: Bloomberg

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