MONDAY MEETING SUMMARY - 11 November 2019

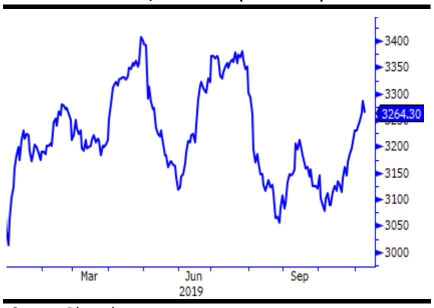
Market Indicators

	6-Nov	7-Nov	8-Nov
Mkt. T/O (S$ mil)	1,360.9	1,358.2	1,402.3
Stock Advances	211	239	170
Stock Declines	177	164	219

Major Indices

	6-Nov	7-Nov	8-Nov
DJ Ind Avg	27,492.6	27,674.8	27,681.2
S & P 500	3,076.8	3,085.2	3,0936.1
Nasdaq Comp	8,410.6	8,434.5	8,475.1
Hang Seng	27,688.6	27,847.2	27,651.1

STI Index 3,264.30 (-0.65%)

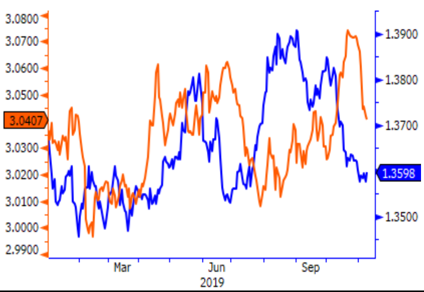


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US$ / oz	1,461.22	-0.64%
Oil (NYMEX CWTI]) US$ / bbl	57.12	1.15%
Baltic Dry Index	1378	-3.50%

Exchange Rates



USD : SGD 1.3602 / MYR : SGD 3.0438

Source: Bloomberg

Interest Rates

3-mth Sibor	1.769%
SGS (10 yr)	1.777%

KGI Securities Research Team

KGI Market Ideas

October Monthly Recap. In case you missed what happened in October, you can read our monthly recap here. We observed a risk-on trend after the trade talks in October, especially in the technology space. The top 25 names gained an average of 7.5% while the top 10 gained more than 10% - read on to find out who they are! We also highlighted two other potential GLC privatisations, following the Temasek-Keppel announcement

Oil & Gas plays. Mergers and acquisitions (M&A) activity is picking up in the Offshore and Marine (O&M) sector, with the latest privatisation offer for Pacc Offshore (POSH SP) announced last week. On 4 November, POSH announced that companies under the Kouk Group had made a voluntary conditional offer for POSH at S$0.21 per share, representing a 97% premium to its last traded price on 30 October. Earlier in October, Temasek had started the ball rolling in the O&M sector with its partial offer to raise its stake in Keppel Corp (KEP SP) to 51% at S$7.35 offer per share.

Among the O&M companies in Singapore, we expect laggards, specifically **Mermaid Maritime (MMT SP)** to catch up to its peers in the sector. Although MMT's shares had gained 34% last week, it still trailed behind other O&M service-based companies like Rex International (+77% week-on-week), POSH (+69%), Dyna-Mac (+56%) and AusGroup (+34%). MMT's 0.4x historical P/B is still trading at one of the lowest in the sector despite the company having one of the strongest balance sheet among its peers. MMT's fundamentals are also improving as it recently announce that it had secured contract extensions worth US$162mn for projects in the Middle East.

Frencken Group (FRKN SP). FRKN's 3Q19 results beat our expectations as its 9M19 met 93% of our full-year estimates. The outperformance was driven mainly by stronger-than-expected results from its semiconductor and industrial automation businesses. We reiterate our Outperform recommendation and raise our fair value to US$0.93, based on 10x FY20F earnings, which is in line with its peer average. We still think that FRKN is an attractive takeover target for a larger company keen to diversify their client and product base.

Monthly Recap, Sector Update, KGI Trading Ideas and Results Update

Recent In depth Regional Reports

8/11	**SG** CSE Global (CSE SP; OUTPERFORM; S$ 0.610): Order wins gaining momentum
8/11	**TH** Bank Sector (Overweight): Banks take gradual steps to cut rates
8/11	**TH** Bangchak Corporation (BCP TB; Neutral; TP: Bt 32.50): 3Q19 earnings review: Third consecutive low performance
8/11	**TH** L.P.N. Development (LPN TB; Under Review; TP: Under Review): 3Q19 earnings review: Hanging by a thread
8/11	**TH** Muang Thai Capital (MTC TB; Neutral: Bt 62.50): Better asset quality provides upside
8/11	**TH** PTT Global Chemical (PTTGC TB; Neutral; TP: Bt 52.00): 3Q19 earnings review: Not a good performance
8/11	**TH** Sino-Thai Engineering & Construction (STEC TB; Outperform; Bt 21.40): 3Q19 earnings preview: Down YoY and QoQ
8/11	**TH** Workpoint Entertainment (WORK TB; Under Review; TP: Under Review): 3Q19 earnings preview: Core profit to drop QoQ and YoY
7/11	**SG** Our October Summary: KGI Securities October 2019 Monthly Recap
7/11	**SG** ARA US Hospitality Trust (ARAUS SP; OUTPERFORM, TP: US$ 0.99): Short-term disruptions paving the way for long-term sustainability
7/11	**SG** Frencken Group (FRKN SP; OUTPERFORM; TP: S$ 0.930): Riding on the wave of business and technology transformation
7/11	**TW** Chicony (2385 TT; Outperform; TP: NT$ 107.00): 3Q19 EPS beat; margin expansion to continue in 2020F
7/11	**TW** China Airlines (2610 TT; Neutral; NT$ 10.50): Lackluster 3Q19 earnings despite favorable seasonality
7/11	**TW** GlobalWafers (6488 TT; Not Rated): 3Q19 EPS of NT$7.64; demand & spot price downtrend to continue into 2020F
7/11	**TW** Gourmet Master (2723 TT; Outperform; NT$ 183.00): 3Q19 operating profit turns positive YoY
7/11	**TW** Pegatron (4938 TT; Outperform; TP: NT$ 75.00): 3Q19 margins & EPS beat; smartphone & game console to drive 2020F earnings growth
7/11	**TW** Posiflex (8114 TT; Outperform; NT$ 140.00): 2020F earnings to surge on postponed 2019 business
7/11	**TW** St. Shine (1565 TT; Underperform; TP: NT$ 373.00): Disappointing 3Q19 results & murky outlook
7/11	**HK** Goodbaby International (1086 HK; Outperform; TP: HK$ 1.60): Poor sales performance in 3Q19 on weak renminbi
7/11	**HK** Uni-President China (220 HK; Neutral; TP: HK$ 9.23): Weak 3Q19 results weigh on share performance
7/11	**TH** Economic: MPC voted 5:2 to cut rate 0.25% to 1.25%
7/11	**TH** BCPG Pcl. (BCPG TB; Neutral; TP: Bt 20.00): 3Q19 earnings review: In line
7/11	**TH** Bumrungrad Hospital (BH TB; Neutral; TP: Bt 160.00): 3Q19 earnings review: In line
7/11	**TH** COM 7 (COM7 TB; Outperform; TP: Bt 31.00): 3Q19 earnings preview: Another record in sight
7/11	**TH** Home Product Center (HMPRO TB; Neutral; TP: Bt 17.50): Focusing on enhancing profitability
7/11	**TH** Indorama Ventures (IVL TB; Neutral; TP: Bt 45.00): 3Q19 earnings preview: Lower PTA and PET spreads
7/11	**TH** Krung Thai Bank (KTB TB; Outperform; TP: Bt 20.20): Gaining benefits from government bank status
7/11	**TH** Mono Technology (MONO TB; Under Review; TP: NA): 3Q19 earnings review: Weak result
7/11	**TH** Siam Future Development (SF TB; Outperform; TP: Bt 7.70): 3Q19 earnings review: In line with expectation
6/11	**TW** Strategy: Shift from offensive to defensive plays in short term
6/11	**TW** Far EasTone Telecom (4904 TT; Neutral; TP: NT$ 71.00): Excess dividend distribution may not be sustainable
6/11	**TW** Hiwin (2049 TT; Outperform; NT$ 340.00): Early signs of machine tool demand pick-up
6/11	**TW** King Slide (2059 TT; Outperform; TP: NT$ 450.00): 3Q19 margin beats; positive 4Q19-2020F outlook intact
6/11	**TW** Novatek (3034 TT; Outperform; TP: NT$ 240.00): 2020F upside on three drivers
6/11	**TW** Taishin FHC (2887 TT; Neutral; TP: NT$ 15.00): Rising credit costs & opex in 3Q19 offset fee growth
6/11	**TW** Uni-President (1216 TT; Neutral; TP: NT$ 77.00): 3Q19 earnings miss; share catalysts lacking
6/11	**TW** Wistron NeWeb (6285 TT; Outperform; NT$ 91.00): Positive 2020F sales outlook, but new plants need time to optimize operations
6/11	**TW** Wiwynn (6669 TT; Outperform; NT$ 648.00): 3Q19 margin & EPS rebound; positive on 4Q19-2020F
6/11	**HK** Dali Foods (3799 HK; Neutral; TP: HK$ 5.88): Transitional period, growth drivers pending
6/11	**TH** Global Power Synergy (GPSC TB; Underperform; TP: Bt 80.25): 3Q19 earnings review : In line
6/11	**TH** Muang Thai Capital (MTC TB; Underperform: Bt 52.50): 3Q19 earnings review: Cut LLP for sharp rise in opex

Recent In depth Regional Reports

6/11	**TH** Plan B Media (PLANB TB; Outperform; TP: Bt 11.40): New opportunities to drive growth from 2020 onward
6/11	**TH** Siam City Cement (SCCC TB; Outperform; TP: Bt 274): 3Q19 earnings review: 6% above expectation
6/11	**TH** Star Petroleum Refining (SPRC TB; NEUTRAL; TP: Bt 9.70): 3Q19 earnings review: Worse than expected
5/11	**TW** UA Supply Chain: 3Q FY19 earnings beat; lowered 2019 guidance
5/11	**TW** Casetek Holdings (5264 TT; Neutral; TP: NT$ 60.00): 3Q19 margins rebound, but 4Q19 outlook disappointing
5/11	**TW** CHPT (6510 TT; Outperform; TP: NT$ 1,090): R&D spending hike is cornerstone of future growth
5/11	**TW** Eurocharm (5288 TT; Outperform; TP: NT$ 170.00): Back-end loaded sales growth in 2H20F
5/11	**CN/HK** Stock Liquidity Monitor: Weekly data – Stock incentive & shareholding changes involving major shareholders
5/11	**TH** Commodities Update: OPEC crude output ramped up in October
5/11	**TH** Central Pattana (CPN TB; Outperform; TP: Bt 78.00): 3Q19 earnings preview: A gradual recovery
5/11	**TH** Gulf Energy Development (GULF TB; Neutral; TP: Bt 172.00): Not only IPP in Thailand, but also in Vietnam
5/11	**TH** IRPC (IRPC TB; OUTPERFORM; TP: Under Review): 3Q19 earnings review: Poor performance from big stock loss
5/11	**TH** Mega Lifesciences (MEGA TB; Outperform; TP: Bt 36.00): 3Q19 earnings preview: Earnings poised to bounce back
4/11	**SG** AEM Holdings (AEM SP; OUTPERFORM; TP: S$ 1.80): Blue Skies Ahead
4/11	**TW** Auras (3324 TT; Outperform; NT$ 276.00): Margin expansion in 2020F on smartphone & server demand
4/11	**TW** Hon Hai Precision (2317 TT; Outperform; TP: NT$ 112.00): Resuming growth on better Apple product cycle
4/11	**TW** President Chain Store (2912 TT; Neutral; TP: NT$ 288.00): Lukewarm SSSG and margin outlook to cap share upside
4/11	**TW** SDI (2351 TT; Outperform; NT$ 71.00): Replenishment demand to resume in 1Q20F
4/11	**CN/HK** A-share Weekly: Concerns hidden by index rebound; blue chips are top choices; semiconductor, block chain, & Tesla concepts are hot
4/11	**TH** Economic: October headline CPI increased 1.1% YoY
4/11	**TH** Food & Beverage (Neutral): 3Q19 earnings preview: Solid earnings priced in
4/11	**TH** Intouch Holdings (INTUCH TB; Outperform; TP: Bt 81.50): 3Q19 earnings review: Push by ADVANC's contribution
4/11	**TH** Ladprao General Hospital (LPH TB; Neutral; TP: Bt 6.80): 3Q19 earnings preview: Seasonally recovering QoQ
4/11	**TH** PTT (PTT TB; Neutral; TP: Bt 50.00): 3Q19 earnings preview: Lowest quarter for this year
1/11	**TW** Realtek (2379 TT; Neutral; TP: NT$ 234.0): Positives priced in; refocus on growth engines
1/11	**TW** Sunonwealth (2421 TT; Outperform; TP: NT$ 48.00): 3Q19 EPS beats; bright 2020F sales & margin outlook
1/11	**CN** Semir Garment (002563 CH; Not Rated): 3Q19 results miss; casual wear sales under pressure

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

CHINA DEVELOPMENT FINANCIAL

2019 OUR OCTOBER OUTLINE

IN CASE YOU MISSED IT…

OCTOBER HIGHLIGHTS

SINGAPORE:

We highlighted October as the month for volatility, but nobody could predict that the long-anticipated oil & gas consolidation saga would have begun in October with the **Temasek-Keppel 30.55% partial offer**, which brought considerable buzz to our market and revived investment interest in the oil & gas sector. We think there are two other opportunities that could spawn from this event.

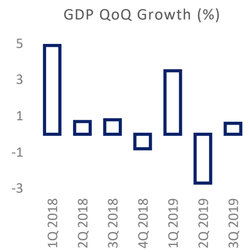
Meanwhile, we believe something may be brewing amongst the think-tanks at various institutional houses, as we saw significant investments into some semiconductor-related names this month…

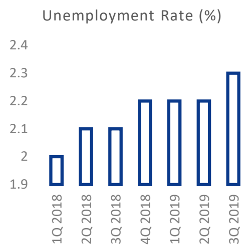
GLOBAL:

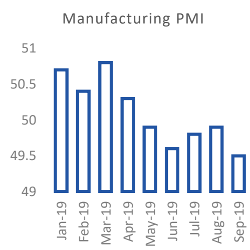
October kicked off weaker than usual as China celebrated its National Day with a one-week public holiday also known as the '*Golden Week*". We also witnessed the first phase of a potential US-China trade deal – the partial agreement encompassing agriculture, currency, and some aspects of intellectual property protections. The positive news was welcomed by a 1.1% rise in the S&P 500 on that day.

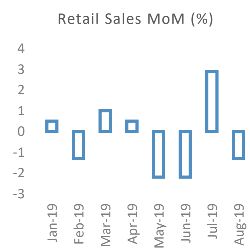
On the Brexit front, PM Johnson has since failed to deliver on his promises of a deal-or-no-deal Brexit by 31st October. The Prime Minister blamed Parliament for causing the delay after lawmakers refused to back his plan to rush his Brexit deal through with just three days of scrutiny, while asserting that an election is the only way to break the deadlock. European leaders have approved the UK's request for a three-month extension to the Brexit process to 31st January 2020.

KEY ECONOMIC DATA









SINGAPORE:

We seem to be narrowly avoiding a technical recession (2 consecutive quarters of economic contraction) as analysts' advanced estimates show 3Q19 GDP to expand 0.6% QoQ, hence recovering from the previous quarter's 2.7% drop. YoY, GDP is estimated to remain at 0.1% for 3Q19, missing market consensus of 0.2%.

Singapore's unemployment rate for 3Q19 is also estimated to edge up to 2.3%, the highest since the 4Q09, from 2.2% in the previous quarters despite vacancies still available, suggesting a mismatch in the labour market.

Singapore's SIPMM Manufacturing PMI dropped to 49.5 in September, the lowest since July 2016, from 49.9 in August. The contraction is believed to be due to output declines in the electronics, precision engineering and transport engineering clusters, which more than offset output expansions in the chemicals, biomedical manufacturing and general manufacturing clusters.

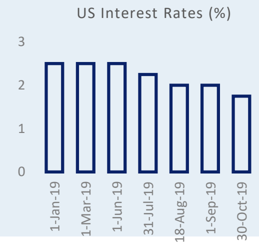
Retail sales also dipped back 1.3% in August after rising 2.9% in July, in line with increasing unemployment, pointing to consumers' increasingly selective spending.

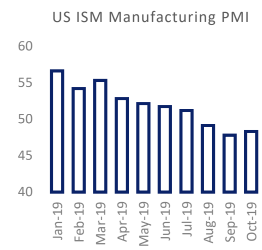
GLOBAL:

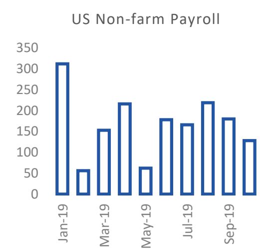
At its latest FOMC meeting, the US central bank cut interest rates for the third time this year in an attempt to keep the longest running period of growth in the country's history continuing into the crucial election year of 2020. While unemployment had remained low and household spending had been growing strongly, business investment and exports had remained weak, dragging inflation below its 2% target.

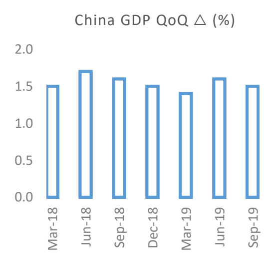
The October US ISM Manufacturing PMI crept up ever so slightly to 48.3 from 47.8 in September, missing consensus estimates by 1 point. The US Nonfarm Payroll rose 128,000, following an upwardly revised 180,000 increase in September and easily beating market expectations of 89,000. Notable job gains occurred in food services and drinking places, social assistance, and financial activities.

China's GDP grew 1.5% QoQ, down slightly from the 1.6% increase recorded previously. YoY, the economy expanded 6.0% in 3Q19, moderating from 6.2% in 2Q19 and just below the consensus forecast of 6.1%. This extends the downward trend in YoY growth rates that has been prevalent since since early 2018, but ultimately still remains within the government's 6.0-6.5% growth target range for 2019.









WHAT WE'VE BEEN UP TO

BBG Ticker	Company Name	Industry	Currency	Last Traded	Target Price	Potential Upside
KEP SP	KEPPEL CORP LTD	Industrials	SGD	6.90	7.44	7.8%
AEM SP	AEM HOLDINGS LTD	Information Technology	SGD	1.63	1.80	10.4%
CSSC SP	CHINA SUNSINE CHEMICAL HLDGS	Materials	SGD	1.03	1.40	35.9%
KDCREIT SP	KEPPEL DC REIT	Real Estate	SGD	2.01	2.11	5.0%
EAGLEHT SP	EAGLE HOSPITALITY TRUST	Real Estate	USD	0.44	0.72	63.6%
SSG SP	SHENG SIONG GROUP LTD	Consumer Staples	SGD	1.18	1.35	14.4%
CRCT SP	CAPITALAND RETAIL CHINA TRUST	Real Estate	SGD	1.54	1.74	13.0%
SBREIT SP	SOILBUILD BUSINESS SPACE REIT	Real Estate	SGD	0.49	0.58	18.4%
ARAUS SP	ARA US HOSPITALITY TRUST	Real Estate	USD	0.87	0.96	11.0%

Prices retrieved as of market close on 05 November 2019

KEPPEL CORPORATION LIMITED – OUTPERFORM

We upgrade Keppel to an **OUTPERFORM** with a TP of S$7.44 despite weak 3Q19 results, as the share price has fallen enough to warrant a good margin of safety for purchase. We also believe this weakness can catalyse a merger between Keppel's and Sembcorp's shipyard businesses, as Chinese and Korean shipyards continue to consolidate. Barely hours after we published our report, the Temasek-Keppel news went public, and Keppel's share price shot up above S$6.60 and currently trades around S$6.90   For Joel's full report, click here.

AEM HOLDINGS LIMITED – OUTPERFORM

We initiate coverage on AEM Holdings with an **OUTPERFORM** and an initial TP of S$1.34. AEM's latest order book and revenue guidance for 2019 has exceeded 2018's performance, showcasing the lack of impact from the trade war on AEM's business. We expect a business slow-down in 2020, but the new 4th generation of test handler could prove us wrong. Since our initiation, AEM became 1 of 3 'tech star performers'. We subsequently upgraded our target price to S$1.80. For Kenny's 1st report, click here, and for Kenny's 2nd report, click here.

CHINA SUNSINE CHEMICAL HOLDINGS – OUTPERFORM

We re-initiate on China Sunsine with an **OUTPERFORM** with TP of SS$1.40. We visited Sunsine's facilities at Dingtao, Shandong province, as well as its headquarters and main plants. Sunsine, the largest rubber chemical producer in China, is likely to benefit from long-term market consolidation. Raw material prices have also reached a cyclical bottom, and is poised for a rebound as loss-making producers exit the business. Sunsine is well-positioned for this upturn with improving margins, a strong balance sheet, and is also executing their capacity expansion plans.

While the recent profit warning sent chills to investors, we believe it was to be expected, as aniline prices are down on a year-on-year perspective. However, September's aniline price had a 10.2% Month-on-month increase from August, so we expect Sunsine's 4Q19 performance to improve compared to 3Q19. For Guangzhi's full report, click here.

KEPPEL DC REIT – OUTPERFORM

We maintain **OUTPERFORM** with TP increased from S$1.95 to S$2.11, as we 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. For Geraldine's full report, click here.

EAGLE HOSPITALITY TRUST – OUTPERFORM (but under review)

We initiated on Eagle Hospitality Trust with an **OUTPERFORM** and a revised TP of S$0.72, but recent events have brought down the unit price significantly. We are currently reviewing as to whether our view is materially impacted. EHT reports earnings next Wednesday, 13 November, after market close.

SHENG SIONG GROUP – OUTPERFORM

We maintain **OUTPERFORM** with a new higher TP of S$1.35 as we expect new stores and automation to contribute to earnings. For Geraldine's full report, click here.

CAPITALAND RETAIL CHINA TRUST – OUTPERFORM

We maintain **OUTPERFORM** with increased TP of S$1.74 following good retail statistics, and through the DPU increase that will come in FY20/FY21. For Geraldine's full report, click here.

ARA US HOSPITALITY TRUST – OUTPERFORM

We initiated coverage on ARA with a TP of US$0.96, representing a total upside of 16.7%. Though it is trading at 1.0x P/B, we like that ARA is able to maintain a consistently higher GOP margin, as it sits in the upscale select service segment which requires less labour, and has limited exposure to the variability of F&B and ancillary revenues. Its 38 hotels are also strategically diversified across economically stronger regions, allowing it to demand higher Average Daily Room Rates (ADR) and RevPARs. There's a recent acquisition made by ARA that we're checking on now, but for Amirah's initiation report, click here.

SOILBUILD BUSINESS SPACE REIT – NEUTRAL

We maintain our **NEUTRAL** view as 3Q19's Distribution Per Unit missed expectations. For Geraldine's full report, click here.

NOVEMBER OUTLOOK

AN AMAZING SEMI-CONFLAGRATION – SEMICONDUCTOR-RELATED STOCKS WITH SIZZLING HOT GAINS

Fortune continues to favour the tech and tech manufacturing sector, with an average of 7.5% gain this month across the top 25 names, and an average of 10.5% gain amongst the top 10 names.

We filter down to manufacturing players, taking out #2 Silverlake Axis, #10 iFast Corp, and #12 Creative, for this list of top 10 biggest tech manufacturing names. What we found interesting was the substantial share price gain of **Hi-P, UMS and AEM,** all largely beginning from the second week of October, **after** the US trade talks took place.

We think these gains are likely attributable to institutional buying (see our table below), which are supported by 1) improving trade war sentiment, 2) solid 3Q19 earning performances by major semiconductor players, and 3) general sentiment improvement of the semiconductor sector, as the PHLX semiconductor sector index (NASDAQ: SOX) also saw a 6.3% gain from 14 to 31 October.

In fact, a recent Bloomberg article mentioned AllianceBernstein as one of such institutions with interest in Japan, South Korea and **Singapore** tech shares as Asian stocks are cheaper than their Western counterparts, giving room for growth.

High Risk, High Reward: What could be semi-concerning is that coincidentally, the 2-year beta for these 3 star performers are the top 4 across the top 15 Singapore tech names (Creative takes first place with 2.8). As of 5th November 2019, we continue to see strong momentum for these names, **with AEM flying higher**, almost on the verge of overtaking UMS for market cap (UMS @ S$450mn, AEM @ S$442mn as of writing).

No	Name	Price	Market Cap (SGD M)	Price / Earnings (TTM)	Price / NAV	EV / EBITDA (TTM)	Price / Cash	Dividend yield (%)	2 Yr Beta	1 Mth % Chg	52 Wks % Chg
1	Venture Corp Ltd	15.77	4,548.5	13.5	1.91	7.5	6.4	4.57	1.6	2.60	1.34
3	Hi-P International Ltd	1.41	1,133.9	11.0	2.04	2.9	4.0	2.48	2.1	22.61	72.88
4	UMS Holdings Ltd	0.81	431.8	13.4	1.86	6.2	22.8	4.35	1.7	29.84	16.99
5	AEM Holdings Ltd	1.53	412.6	10.2	3.89	3.7	7.0	2.35	1.9	31.90	81.58
6	Elec & Eltek International Co Ltd	1.50	380.6	13.8	0.70	5.0	11.1	#N/A N/A	0.5	-	16.93
7	Frencken Group Ltd	0.70	296.7	8.2	1.08	2.9	4.4	3.86	1.1	2.19	80.94
8	Valuetronics Holdings Ltd	0.68	295.8	8.6	1.41	3.1	1.8	5.99	1.1	10.57	5.92
9	GP Industries Ltd	0.58	280.7	10.3	0.77	7.3	1.1	#N/A N/A	0.3	0.87	9.10
11	Micro-Mechanics Holdings Ltd	1.85	257.2	22.0	4.16	8.53	11.8	5.95	0.6	8.82	9.56
13	CSE Global Ltd	0.54	274.3	13.5	1.63	4.8	3.7	5.19	0.8	16.13	27.12
	Average		**831.2**	**12.5**	**1.94**	**5.2**	**7.4**	**4.34**	**1.2**	**12.55**	**30.42**

Updated on 1 November 2019, at market close

Name	1 Oct to 31 Oct	30 Sep to 4 Oct	7 Oct to 11 Oct	14 Oct to 18 Oct	21 Oct to 25 Oct	28 Oct to 31 Oct
AEM HOLDINGS LTD	29.34	0.27	0	9.81	15	4.38
FRENCKEN GROUP LIMITED	-2.83	-0.05	-0.16	-0.63	-1.64	-0.4
HI-P INTERNATIONAL LIMITED	11.4	-0.72	3.25	5.32	1.72	1.69
MICRO-MECHANICS (HOLDINGS) LTD	-0.21	-0.01	0	-0.06	-0.07	-0.06
UMS HOLDINGS LIMITED	15.21	0.06	0.43	3.69	6.99	4.05
VALUETRONICS HOLDINGS LIMITED	-1.11	-0.27	-0.2	-0.1	-0.26	-0.25

Net Institutional fund flows for the month of October. Source: SGX

NOVEMBER OUTLOOK

Next opportunities within Temasek's portfolio – SIA Engineering and Sembcorp Industries.
Following the 21 October announcement that Temasek is seeking to increase its stake in Keppel Corp to 51% from its current holding of 20.5%, we focus on two other companies that would benefit from the ongoing restructuring of Temasek's portfolio.

The first and most direct beneficiary of the ongoing developments would be Sembcorp Industries (SCI SP); a partial or full divestment of its 61%-owned Sembcorp Marine would allow the group to channel its resources to its more profitable utilities business, and allow for a much-needed share price re-rating of its all-time low valuations of 0.7x P/B.

SIA Engineering (SIE SP) is the second company that we like, given the huge margin of safety in its valuations. SIE's 2x P/B is the lowest since 2009, trading even below one standard deviation to its 10-year average. SIE has almost S$500mn in net cash, making up around 15% of its market capitalisation. Its parent company, SIA, already owns 77.7% of SIE, making this a near self-funding privatisation exercise. In the meantime, we expect downside to be mitigated by its 4-5% forecasted dividend yield.

KEY EVENTS FOR NOVEMBER

Day	Date	Event
TBC	TBC	APEC Summit (Trump-Xi Trade Meeting/Phase I Trade Agreement)
Thursday	November 7th	MSCI Semi-Annual Index Review Announcement
Thursday	November 7th	Bank of England, Monetary Policy Committee Official Bank Rate Votes
Monday	November 11th	Singles' Day, the Asian Retail barometer. Happy shopping!
Tuesday	November 12th	Trump Impeachment public televised hearings
Thursday	November 21st	European Central Bank, ECB Monetary Policy Meeting Accounts
Thursday	November 28th	Thanksgiving Day, followed by Black Friday, the US Retail barometer

Automobile Industry

Automobile industry report Part 1: Peak car

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

- In the first of our automobile industry report series, we highlight the challenges that the sector is facing
- Global auto sales is on the downtrend
- China automobile industry is facing challenges: rising alternate public transportation, ride-hailing and cost burden.

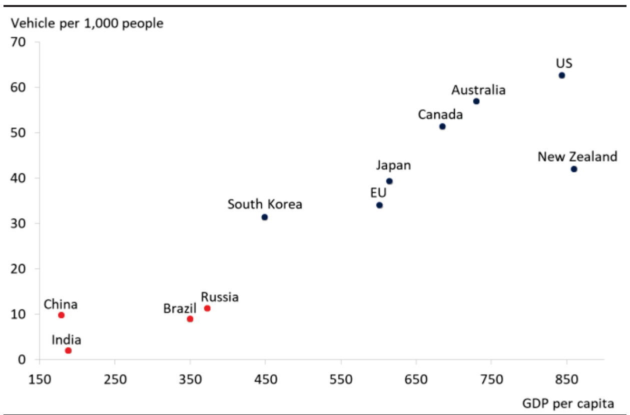
Headwind: excessive cars

The development of the automobile industry epitomises the prosperity of a nation. The ability to manufacture cars, especially its internal combustion engine (ICE), is one of the key indicators of industrial manufacturing capability. Car ownership levels reflect the population's economic and financial status.

Analysis indicates a positive correlation between income level and car ownership. On average, around 12.4 cars are owned per 1,000 GDP per capita contribution. Accordingly, China's 17.9 ratio shows a relatively higher number of cars for the GDP per capita of the country.

Although GDP per capita increases in the long run as productivity growth outpaces population growth, car ownership will reach a limit one day due to the limited land capacity. In fact, the mismatch between the growing car numbers and inadequate infrastructure (such as insufficient car parks, narrow roads, and poor urban planning) has increased over the last few decades. This issue has specifically impacted the bigger cities globally. Hence, we believe the slowing automobile demand growth that the industry is facing will continue to worsen.

Figure 1: Income and car per capita comparison



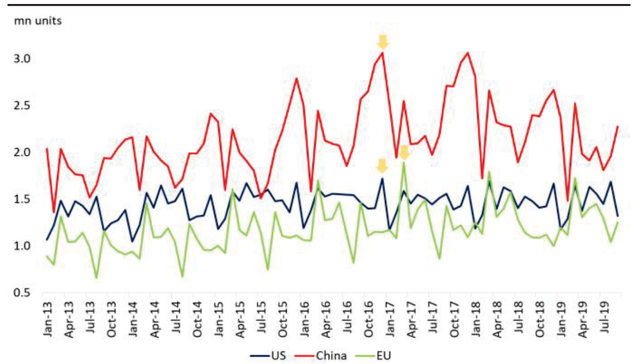
**Blue dots are developed economies or countries while red dots are developing countries (as of the most recent updated data)*

Source: CEIC, Tradingeconomics, KGI Research

Status quo: peak auto sales

Interestingly, we found that auto demand peaked from late 2016 to early 2017 in China, US and EU. The auto markets in the US and EU are considered to be mature since they have completed urbanisation, industrialisation and modernisation. Therefore, the growth of demand for automobiles stabilised. Given the financial turmoil over the past few years, the slight dip in the growth of auto sales could be explained by the rate hike cycle that restarted in early 2016 when consumers in the US turned to second-hand vehicles as wallets tightened. As for EU, though interest rates have always been low, the market is impacted by the increasingly stringent exhaust emission control. Meanwhile, individuals are becoming more environmentally conscious. Hence, there is a mild decline in auto sales, mainly ICE cars. However, the reason for the fall in China auto sales is more complicated. The slowdown of the economy, intense competition within the industry, and more economical transportation alternatives, among other reasons, have altogether led to the sales downtrend.

Figure 2: Peak car sales in the main economies

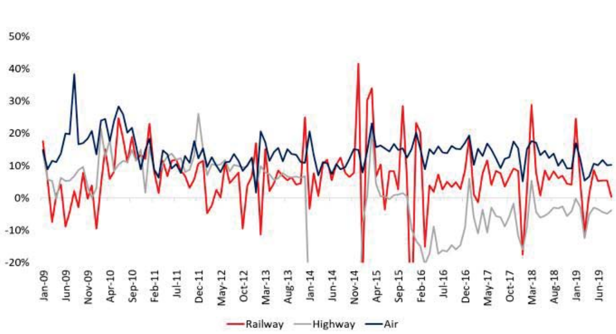


Source: CEIC, KGI Research

Cannibalism: rising alternate public transportation

China has topped the developed countries and regions in terms of the total mileage of rail grid, reaching 30,000 km as of 2018. Meanwhile, the advancement of high-speed rail in China provides a more efficient and economically feasible transportation alternative for the public. On the other hand, the general prices for domestic flights in China are declining owing to the decreasing jet fuel prices and the intense sector competition. In recent years, the substitution effect has strengthened in China. The growth of traffic turnover rates by rail and air still remains healthy (5% and 10% YTD respectively). However, highway travel has decreased since 2016. Switching to rail and air for medium to long-distance journeys, especially during the Spring Festival Travel season, reduces the demand for owning a car in China. Consequently, this is another speed bump for the automobile sector.

Figure 3: Turnover rate growth by main transportation methods

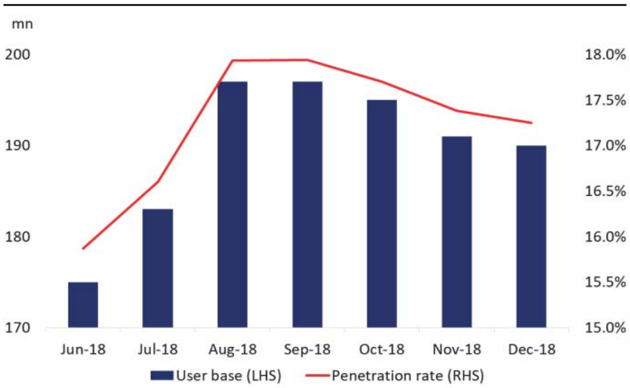


Source: CEIC, KGI Research

Threat: ride-hailing reduces need for car ownership

Ride-hailing is a new method of travelling nowadays. The new economic model disrupts regular commute patterns. Six years after the leading ride-hailing company DiDi was founded, China's user base has grown to more than 190mn out of the 1.4bn population. The need to own a car is substantially reduced as ride-hailing provides more convenience and higher efficiency. The primary demand for owning a car is to fulfil the daily commute requirement. Most people only travel to several venues a day in the city, and each ride is a short-distance journey in the city. Ride-hailing enables travellers not to worry about the parking, traffic violation, and route decision. Moreover, with more competitors in the market, ride-hailing services will become more optimised, and subsequently, consumers will further be benefited.

Figure 4: China ride-hailing status quo



Source: Aurora Mobile, KGI Research

Burden: less affordable to own a car

Although auto prices have been declining in China due to the tariff cut, owning a car which is a depreciated asset deems costly from a longer-term perspective. Besides the maintenance, the biggest inevitable expenditure for owning a car is petroleum and parking. Here we list the roadside parking charges in major cities in China. It is quite expensive for car owners in the cities when they travel frequently in the city. Not to mention the average price of an ancillary parking lot is more than one-tenth of the apartment. Therefore, it is less affordable to own a car in big cities.

Figure 5: Roadside parking charges for passenger car in major cities

Beijing		**Period**	**Tier 1 area**	**Tier 2 area**	**Tier 3 area**
	7:00 - 19:00	First hr (RMB/15 min)	2.5	1.5	0.5
		After (RMB/15 min)	3.75	2.25	0.75
	19:00 - 7:00	(RMB/2 hr)	1	1	1
Shanghai		**Period**	**Key area within inner rim**	**Other area within inner rim**	**Between inner and outter rim**
	Day	Manul: First hr (RMB/hr)	15	10	7
		Manul: After (RMB/30 min)	10	6	4
		Parking meter: First 15 min (RMB)	4	3	2
		Parking meter: Up to 30 min (RMB)	4	3	2
		Parking meter: Up to 1 hr (RMB)	7	4	3
		Parking meter: After 1 hr (RMB/30 min)	10	6	4
	Night	(RMB/night)	10	8	5
	Monthly	Night, weekend, and public holiday (RMB/mon)	400	300	200
Shenzhen		**Period**	**Tier 1 area**	**Tier 2 area**	**Tier 3 area**
		Weekday			
	8:00 - 20:00	First hr (RMB/hr)	15	5	5
		After (RMB/30 min)	1.5	1	
	20:00 -8:00	(RMB/hr)	1	0.5	
		Weekend			
	Full day	First hr (RMB/hr)	5	4	5
		After 1 hr (RMB/60 min)	1	0.5	
Guangzhou*		**Period**	**Key area**	**Other area**	
	Weekday: 7:30 - 21:30; Weekend: 10:00 - 21:30	First hr (RMB/hr)	7	2	
		Up to three hr (RMB/hr)	9	3	
		After three hr (RMB/hr)	11	5	
	Daily cap	(RMB/d)	Weekday:292; Weekend:237	26	

**One of the two plans under discussion in Guangzhou*

Source: Open sources, KGI Research

In a nutshell, the automobile industry is facing quite a few challenges, and most of which are more chronic and structural. We believe the peak-car era has come.

Mermaid Maritime (MMT SP)

- M&A activity in the O&M sector is heating up, with the latest privatisation exercise for Pacc Offshore (POSH SP) announced last week.

- Kuok's group of companies has announced a voluntary condition offer for POSH at S$0.21 per share, representing a 97% premium to the last traded price on 30 October.

- We expect MMT to be the next target, given that its valuations – which are still trading at distressed levels – have not reflected the improving business fundamentals.

Improving fundamentals. MMT announced on 28 October that it had secured contract extensions worth US$162mn with a reputable oil major for projects in the Middle East. The three-year contract extension works out to approximately US$54mn per year, or almost half of the full-year revenues in FY2018.

Depressed valuations. Despite having one of the strongest balance sheets among the O&M listed companies in Singapore, MMT continues to trade at distressed-level valuations of 0.4x historical P/B.

Figure 1: MMT Price to Book (10 years) – Still trading at distressed valuations

Source: Bloomberg, KGI Research

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

ARA US Hospitality Trust

(ARAUS SP)

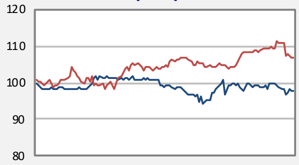
Short-term disruptions paving the way for long-term sustainability

Amirah Yusoff / 65 6202 1195 / Amirah.Yusoff@kgi.com

- **3Q results missed forecasts, but dismal performance is temporary.** NPI for 3Q19 missed expectations by 22.1%, while distributable income came in at 11.5% lower than forecasts. This was mainly due to a recent oversupply, contributing to a supply-demand mismatch, and further exacerbated by property management turnover. Management is actively working with property managers to implement a four-pronged improvement plan.
- **Marriott-branded acquisitions to boost DPU by c.7%, expand brand and geographical diversification.** US$84.5 million acquisition of three Marriott-branded hotels (current portfolio only comprises of Hyatt-branded hotels) at an implied cap rate of 8.0%. We expect to see further increase of RevPAR and GOP margins, with enhanced exposure to attractive submarkets in Raleigh, North Carolina and San Antonio, Texas, and the Marriott brand.
- **Maintain OUTPERFORM.** We maintain our OUTPERFORM recommendation with an increased but conservative TP of US$0.99, especially as we expect potential divestments of underperforming assets in an effort to enhance portfolio returns. Our TP represents a total upside of c.24% (inclusive of FY20F dividend yield of c.9%).

Outperform (Maintain)

Price as of 7 Nov 19 (USD)	0.86	**Performance (Absolute)**	
12M TP (USD)	0.99	1 Month (%)	-2.3
Previous TP (USD)	0.96	3 Month (%)	-1.7
Upside, incl div (%)	24.2%	12 Month (%)	-
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap (USD mn)	487		
Issued Shares (mn)	566		
Vol - 3M Daily avg (mn)	0.3		
Val - 3M Daily avg (USD mn)	0.3		
Free Float (%)	43.2		
Major Shareholders		**Previous Recommendations**	
ARA Asset Mgt	9.5%	2-Oct-19	0.96
Yu Duan	8.5%		
Yang Shi Ying	8.0%		



Financials & Key Operating Statistics

YE Dec USD mn	2017	2018	2019F	2020F	2021F
Gross revenue*	-	-	121.1	215.6	220.7
Net property income*	-	-	37.6	66.8	68.4
Distributable income*	-	-	24.2	44.1	45.0
DPU* (US cents)	-	-	4.3	7.7	7.9
DPU growth (%)	-	-	-	-	2.1
Div Yield (%)	-	-	4.9	8.8	9.0
NAV (US cents)	-	-	0.9	0.9	0.9
Price / Book (x)	-	-	1.0	1.0	1.0
NPI Margin* (%)	-	-	32.8	31.0	31.0
Net Margin* (%)	-	-	10.0	9.1	9.3
Gearing (%)	-	-	38.4	38.5	38.0
ROE* (%)	-	-	2.6	4.0	4.1

**2019F figures are for a period of 8 months, 1May to 31December 2019;*
Source: ARA, KGI Research

3Q results a temporary dip as management soldiers on. A disproportionate growth of supply to demand, coupled with several exogenous events displacing demand, such as the most recent Hurricane Dorian, has held 3Q ADRs 3.7% below forecasts. Reassuringly though, management has since been turning the wheels of its four-pronged action plan to address the temporary but lackluster performance – through revenue and cost management, sales deployment, and asset enhancement initiatives. Hotel management incentives, linked to RevPAR index performance among others, have been implemented; improving labour efficiency by advocating for green choice initiatives, where guests may opt out of housekeeping services; focusing sales efforts on digital marketing and group sales; and fast-forwarding rooms' rejuvenation with TV, internet and thermostat upgrades.

DPU-accretive Marriott-branded acquisitions. The acquisition portfolio consists of three freehold, select-service hotels totalling 390 keys, located in the South regions of North Carolina and Texas. The South region has achieved a similar rate and slightly outpaced national growth and employment rates respectively in the last five years, signaling strong economic growth for the states.

Texas in particular has attracted significant business activity due to the absence of state income taxes. The San Antonio Business-Cycle Index — a broad measure of economic activity in the metro — picked up to an annualized rate of 3.5% in August 2019, shooting past its long-term trend of 2.9%. The recent index growth is believed to be driven by an acceleration in job growth, along with an unemployment rate that has held near multi-decade lows.

The portfolio will be managed by Concord Hospitality, a premier operator managing over 100 hotels, with more than 30 years of operational expertise. On the RevPar Index, the portfolio has achieved an average of 30% premium to its peers, with GOP margins averaging 46.5%. The acquisition will be funded primarily by debt and existing cash, and we expect portfolio contributions by the turn of the year.

Valuation & Action: Maintain OUTPERFORM with an increased TP of US$0.99. While 3Q results have missed forecasts, we expect disruptions to be temporary. We maintained a cost of equity of 9.08%, while DPU forecast post-acquisition for FY20F increased to US 7.73cts, almost a 7.5% growth from a previous US 7.21cts. Our forecasts remain a strong c.24% upside (inclusive of FY20F dividend yield of c.9%) to the current unit price of US$0.86.

Risks: Finalisation of U.S. tax regulation (Section 267A) anticipated at year end; recession worries and foreign exchange risk; declining RevPAR and occupancy numbers in line with macro forecasts.

RESULTS UPDATE

Engineering ▪ Singapore

CSE Global

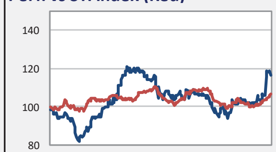
(CSE SP/CSES.SI)

Order wins gaining momentum

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

- CSE reported a lower-than-expected set of 3Q19 results, with PATMI unchanged YoY at S$5.0mn. The underperformance was mainly due to gross profit margins declining from 27.4% in 3Q18 to 25.9% in 3Q19 as it recognised new projects in the US. We expect to see seasonal year-end weakness in the US
- However, there are several tailwinds to take note going into 2020. CSE's order wins have started to gain momentum as capex in the oil & gas industry picks up, and this should translate to better earnings visibility going forward
- As a result of better utilisation of its strong balance sheet to capture growth opportunities, we also expect an uplift from the recent acquisition in the US to help maintain its double-digit ROEs
- We maintain OUTPERFORM give its attractive valuations of 13/9/8x 2019/20/21F EPS, and for its above-industry dividend yield of 5.2%.

OUTPERFORM - Maintain			
Price as of 7 Nov 19 (SGD)	0.53	**Performance (Absolute)**	
12M TP ($)	0.61	1 Month (%)	15.2
Previous TP ($)	0.64	3 Month (%)	21.2
Upside, incl div (%)	20%	12 Month (%)	23.4
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	269		
Issued Shares (mn)	508		
Vol - 3M Daily avg (mn)	1.2		
Val - 3M Daily avg ($mn)	0.6		
Free Float (%)	71.5%		
Major Shareholders		**Previous Recommendations**	
Serba Dinamik	25.0%	10-Sep-19	OP $0.64
Fidelity Mg't & Research	10.1%	21-May-19	OP $0.58
		4-Mar-19	OP $0.58



Financials & Key Operating Statistics

YE Dec (S$ m)	2017	2018	2019F	2020F	2021F
Revenue	362.4	376.8	420.6	501.7	526.7
PATMI	-45.1	20.1	21.9	31.1	35.4
Core PATMI	-3.5	18.6	21.4	30.6	34.9
Core EPS	-0.7	3.6	4.1	5.9	6.8
Core EPS grth (%)	-117.1	-629.5	15.0	43.1	14.0
Core P/E (x)	-77.9	14.7	12.8	8.9	7.8
DPS (SGCents)	2.8	2.8	2.8	2.8	2.8
Div Yield (%)	5.2	5.2	5.2	5.2	5.2
Net Margin (%)	-12.5	5.3	5.2	6.2	6.7
Gearing (%)	-8.8	-22.0	23.0	22.5	12.8
Price / Book (x)	1.6	1.6	1.5	1.4	1.3
ROE (%)	-25.7	11.7	12.2	15.8	16.2

Source: Company Data, KGI Research

Maximising its balance sheet. Following CSE's latest acquisition of US-based Volta for US$25mn (S$35mn) in September, net gearing has increased to 27% as at end-3Q19 from a S$9mn net cash position as at end-2Q19. Management has indicated an upper limit of around 40-50% net gearing ratio, which would still be at a conservative level given the group's ability to generate healthy free cash flows.

As a result of its higher gearing, we expect an uplift to its ROE. We do not expect further acquisitions in the next 12 months as the group focuses on balancing between the integration of its new acquisitions and the sustainability of its dividends. Based on the order win momentum and net order book, we are confident of CSE's ability to maintain its 2.8 Sing cents dividend in our forecast period.

Diversified order wins. CSE won S$156mn of new orders in 3Q19, bringing its net order book to S$233mn as at end-3Q19. With the recent US$75mn (S$104mn) oil & gas order win announced on 29 October, CSE's net order book now comprises a better mix between its two key business segments. Given its order win momentum and new project contributions from Volta, we expect CSE's outstanding order book to finally surpass S$300mm by the end-2019, giving more revenue visibility and therefore, a narrowing of the discount to its 10-year valuation averages.

Improved segment mix. Infrastructure-related projects made up 54% of the outstanding order book, down from 70% in the prior quarter. Oil & gas outstanding orders has increased to 41% in 3Q19 from 26% in the prior quarter due to the acquisition of Volta, as well as a major project won for an oil & gas offshore project recently.. With the addition of Volta's business in the US, we expect revenue mix to revert back to 2016's level of 40% from oil & gas and 55% from infrastructure.

Figure 1: Outstanding orders by industry segments

Order book (S$m)	1Q 2018	2Q 2018	3Q 2018	4Q 2018	1Q 2019	2Q 2019	3Q 2019
Oil & Gas	60.3	59.2	53.3	44.9	52.0	49.7	95.4
Infrastructure	83.5	82.9	79.7	132.1	126.5	131.1	126.6
Mining & Mineral	4.8	5.4	2.6	3.1	2.9	7.3	10.7
Total	148.6	147.5	135.6	180.1	181.4	188.1	232.7

Source: Company data, KGI Research

Valuation & Action: CSE is currently trading at 13/9/8x 2019/20/21F EPS, which is attractive in our view given its healthy balance sheet, asset light model and stable recurring free cash flows. We thus maintain our **OUTPERFORM** recommendation and believe that average EPS growth of around 16% p.a. over the next 3 years is achievable on the back of improving industry dynamics. Management has guided that it will maintain the 2.75 SG cents dividend in FY19 - the same as in the last four years - implying an above-industry yield of 5.2%.

Risks: Margin pressure due to competition and lower-than-expected new order wins. Foreign exchange risks due to its exposure to USD, AUD and EUR.

RESULTS UPDATE

Technology ▪ Singapore

KGI CHINA DEVELOPMENT FINANCIAL

Frencken Group Limited

(FRKN SP/FREN.SI)

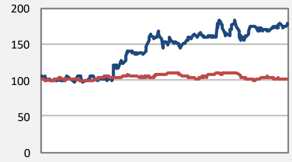
Riding on the wave of business and technology transformation

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

- Frencken reported a strong set of 3Q19 results. 3Q19 PATMI excluding exceptional items rose 23% YoY to S$11.4mn.
- 9M19 PATMI made up 93% of our full-year estimates mainly due to stronger-than-expected performance from its semiconductor and industrial automation businesses.
- We maintain OUTPERFORM as its share price still offers an attractive entry level.

OUTPERFORM - Maintain

Price as of 6 Nov 19 (SGD)	0.72	**Performance (Absolute)**	
12M TP ($)	0.93	1 Month (%)	6.7
Previous TP ($)	0.81	3 Month (%)	10.8
Upside (%)	29.2	12 Month (%)	86.1
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap ($mn)	305		
Issued Shares (mn)	424		
Vol - 3M Daily avg (mn)	2.0		
Val - 3M Daily avg ($mn)	1.4		
Free Float (%)	62.0%		
Major Shareholders		**Previous Recommendations**	
Gooi Soon Chai	23.4%	10-Sep-19	OP $0.81
		22-Aug-19	N $0.81
		13-May-19	OP $0.67



Financials & Key Operating Statistics

YE Dec (S$m)	2017	2018	2019F	2020F	2021F
Revenue	515.1	625.8	657.1	683.4	710.7
PATMI	33.1	30.0	39.4	38.1	39.5
Core PATMI	23.0	33.9	39.4	38.1	39.5
Core EPS	5.6	8.3	9.6	9.3	9.6
Core EPS grth (%)	44.5	47.7	16.2	-3.3	3.7
Core P/E (x)	12.8	8.7	7.5	7.7	7.5
DPS (SGCents)	2.4	2.1	2.6	2.6	2.6
Div Yield (%)	3.3	3.0	3.6	3.6	3.6
Net Margin (%)	6.4	4.8	6.0	5.6	5.6
Gearing (%)	-1.8	0.6	-17.6	-24.7	-31.3
Price / Book (x)	1.2	1.1	0.9	0.9	0.8
ROE (%)	13.3	11.2	12.3	10.9	10.5

Source: Company Data, KGI Research

Stronger than expected quarter. 3Q19 revenue was once again driven by a 7% YoY and 6% QoQ increase in its mechatronics division, which more than offset the ongoing weakness in the IMS business. In particular, semiconductor sales rose 10% YoY and 38% QoQ to the highest in six quarters, while its industrial automation surprised on the upside as sales in this segment increased 23% YoY and 10% QoQ.

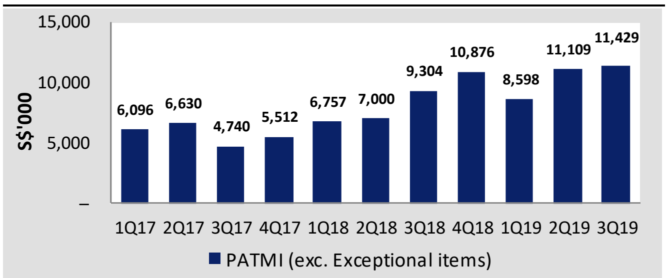
Turn around in semiconductor. Frencken's semiconductor segment had been a weak spot in an otherwise stellar performance in 1H19. 3Q19 finally marks a turnaround as semiconductor segment sales rose S$33.6mn, its highest in six quarters, and we expect semiconductor industry sales to grow at 5-10% CAGR for 2020-22F, compared to low-single digits in 2017-19F, driven mainly by higher semiconductor content value in new product pushes.

Key clients in semiconductor and industrial automation are upbeat on the ramp up of new technologies.

1) Semiconductor. In its 3Q19 earnings call, ASML had guided for a stronger 4Q19 and expects 2019 to be another record year with around EUR11.7bn of sales, driven mainly by delivery of its Extreme Ultraviolet Lithography (EUV) systems. Demand for EUV has been stronger-than-expected, with logic order intake making up 73% of total value in 3Q19 system bookings, reflecting strong logic demand and confidence in the technology. This demand in turn is fuelled by end-market applications requiring high performance compute, specifically 5G and AI, as customers accelerate their 7 nanometre ramp up.

2) Industrial Automation. Seagate's current capex plans, which will be in the range of 6-8% of its revenues, will be to support its capacity expansion plan and prepare for the ramp up of its heat-assisted magnetic recording (HAMR) technology. Seagate is banking on HAMR to drive 20% CAGR growth in areal density over the next decade, and expects 20 terabyte HAMR drives by 2020. As for overall data centre spend, Seagate sees 2020 to be a stronger YoY year on higher volume demand.

Figure 1: PATMI trend (excluding exceptional items)



Source: Company data, KGI Research

Valuation & Action: We reiterate our OUTPERFORM recommendation and raise our fair value to S$0.93, based on 10x FY20F earnings (in line with its peer average). Its decent 4% dividend yield, while slightly lower than its peers, may be more sustainable given the group's diversified operations. As a bonus, we believe Frencken is an attractive takeover target for a larger company given the group's diverse client and product base, which would be the key catalyst for its share price.

Risks: Frencken's main business segments are cyclical in nature. A spending slowdown in its key business segments, namely semiconductor, automotive and analytical machines may impact margins and new orders. However, its track record has shown revenue resilience which may be due to the well-diversified mix of its business.

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	26.61	67,978	(0.2%)	17.5%	2.9%	4.6%	4.8%
OCBC SP	OCBC	11.13	49,021	0.0%	3.1%	1.0%	4.5%	4.7%
UOB SP	UOB	26.95	44,960	(0.1%)	15.1%	1.4%	4.6%	4.9%
SGX SP	SGX	9.16	9,810	0.7%	33.0%	1.8%	3.5%	3.6%
PROPERTIES								
HKL SP	Hongkong Land USD	5.62	17,975	(1.4%)	(7.9%)	1.8%	4.0%	4.2%
CAPL SP	CapitaLand	3.71	18,689	(0.5%)	23.3%	1.6%	3.3%	3.5%
CT SP	CapitaLand Mall Trust	2.49	9,185	(2.7%)	14.8%	(2.4%)	4.8%	5.1%
AREIT SP	Ascendas REIT	2.89	8,996	(5.6%)	20.9%	(4.6%)	5.5%	5.6%
CIT SP	City Development	10.88	9,867	(1.1%)	37.0%	0.2%	1.8%	1.8%
CCT SP	CapitaLand Comm Trust	2.02	7,793	(1.5%)	21.0%	(1.5%)	4.4%	4.4%
UOL SP	UOL	7.95	6,705	(0.5%)	31.4%	(0.4%)	2.3%	2.3%
TELECOMMUNICATIONS								
ST SP	SingTel	3.35	54,703	0.0%	18.0%	1.2%	5.4%	5.1%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	57.00	57,186	(2.4%)	(15.8%)	0.2%	3.0%	3.2%
JS SP	Jardine Strategic Holdings	31.83	47,948	(1.3%)	(12.5%)	(0.2%)	1.1%	1.2%
DFI SP	Dairy Farm International	6.27	11,530	(2.0%)	(28.7%)	4.5%	3.3%	3.5%
THBEV SP	ThaiBev	0.92	22,979	0.0%	53.4%	0.0%	2.4%	2.7%
JCNC SP	Jardine C&C	32.27	12,754	(1.0%)	(5.4%)	(0.3%)	3.7%	3.9%
GENS SP	Genting Singapore	0.94	11,334	(2.1%)	0.1%	0.0%	3.9%	3.9%
VMS SP	Venture Corp	16.60	4,788	0.6%	24.3%	5.3%	4.3%	4.4%
SPH SP	SPH	2.34	3,731	2.6%	1.8%	4.5%	5.1%	5.1%
TRANSPORT								
SIA SP	Singapore Airlines	9.32	11,045	0.8%	1.3%	(1.0%)	3.4%	3.6%
CD SP	ComfortDelGro	2.39	5,176	0.8%	15.9%	3.5%	4.6%	4.8%
COMMODITIES								
WIL SP	Wilmar	3.88	24,584	(0.3%)	27.8%	3.2%	2.6%	2.7%
GGR SP	Golden Agri	0.22	2,738	(6.5%)	(10.5%)	2.4%	1.3%	1.3%
OFFSHORE & MARINE/INDUSTRIALS								
KEP SP	Keppel Corp	6.92	12,569	(0.3%)	21.1%	0.9%	3.1%	3.5%
STE SP	ST Engineering	4.12	12,848	(0.2%)	22.7%	2.7%	3.7%	3.9%
SATS SP	SATS	5.13	5,736	(0.2%)	13.0%	1.6%	3.6%	3.8%
YZJSGD SP	Yangzijiang SGD	0.98	3,840	0.0%	(18.9%)	3.2%	4.8%	4.7%
SCI SP	Sembcorp Industries	2.27	4,057	(2.2%)	(9.2%)	(0.9%)	2.3%	2.8%
HPHT SP	HPH Trust USD	0.16	1,895	0.0%	(29.4%)	3.2%	9.7%	10.1%

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	1.83	5,126	(0.5%)	8.3%	(1.6%)	5.2%	5.2%
MCT SP	Mapletree Commercial Trust	2.27	7,029	(5.0%)	44.9%	(3.8%)	4.1%	4.1%
MLT SP	Mapletree Logistics Trust	1.65	6,006	(2.4%)	38.7%	(2.9%)	4.9%	4.9%
KREIT SP	Keppel REIT	1.20	4,077	(1.6%)	10.2%	(1.6%)	4.7%	4.7%
MINT SP	Maple Industries Trust	2.47	5,436	(2.4%)	36.7%	(3.5%)	5.1%	5.1%

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 8 Nov 19	Yield (%)
	AIMS APAC REIT	5-Nov-19	2Q20	SGD	0.02500	**12-Nov-19**	13-Nov-19	20-Dec-19	SGD	1.400	7.4
	StarHub	5-Nov-19	3Q19	SGD	0.02250	**12-Nov-19**	13-Nov-19	27-Nov-19	SGD	1.480	8.4
	AVI-Tech Electronics	28-Aug-19	FY19	SGD	0.01000	**13-Nov-19**	14-Nov-19	29-Nov-19	SGD	0.375	5.6
	AVI-Tech Electronics - Special	28-Aug-19	FY19	SGD	0.00500	**13-Nov-19**	14-Nov-19	29-Nov-19	SGD	0.375	5.6
	First Real Estate Invt Trust	6-Nov-19	3Q19	SGD	0.021500	**13-Nov-19**	14-Nov-19	17-Dec-19	SGD	1.030	8.3
	Frasers Logistics & Industrial Trust	6-Nov-19	FY19	SGD	0.010100	**13-Nov-19**	14-Nov-19	16-Dec-19	SGD	1.220	5.7
	NetLinkNBN	4-Nov-19	2Q19	SGD	0.02520	**13-Nov-19**	14-Nov-19	26-Nov-19	SGD	0.960	5.1
	EC World REIT	7-Nov-19	3Q19	SGD	0.014890	**14-Nov-19**	15-Nov-19	26-Dec-19	SGD	0.735	8.4
	Lippo Malls Indonesia Retail Trust	7-Nov-19	3Q19	SGD	0.00560	**14-Nov-19**	15-Nov-19	29-Nov-19	SGD	0.245	7.9
STI	Singapore Airlines	5-Nov-19	2Q20	SGD	0.0800	**14-Nov-19**	15-Nov-19	27-Nov-19	SGD	9.320	3.2
	Singapore Post	1-Nov-19	2Q19	SGD	0.0050	**15-Nov-19**	18-Nov-19	29-Nov-19	SGD	0.950	3.7
	Thakral Corp	7-Nov-19	3Q19	SGD	0.0200	**18-Nov-19**	19-Nov-19	29-Nov-19	SGD	0.485	4.1
	Japan Foods	6-Nov-19	1H20	SGD	0.0100	**20-Nov-19**	21-Nov-19	6-Dec-19	SGD	0.425	4.5
	Civmec Ltd	28-Aug-19	FY19	SGD	0.0070	**27-Nov-19**	28-Nov-19	12-Dec-19	SGD	0.390	1.8
	A-Sonic Aerospace Ltd	26-Feb-19	FY18	SGD	0.01000	**28-Nov-19**	29-Nov-19	12-Dec-19	SGD	0.215	-
	T T J Holdings Ltd	23-Sep-19	FY19	SGD	0.004000	**3-Dec-19**	4-Dec-19	18-Dec-19	SGD	0.210	3.3
	Khong Guan Ltd	27-Sep-19	FY19	SGD	0.0200	**4-Dec-19**	5-Dec-19	12-Dec-19	SGD	1.950	1.5
STI	Singapore Press Hldgs	17-Oct-19	FY19	SGD	0.0550	**6-Dec-19**	9-Dec-19	20-Dec-19	SGD	2.340	5.3
STI	Singapore Press Hldgs - Special	17-Oct-19	FY19	SGD	0.0100	**6-Dec-19**	9-Dec-19	20-Dec-19	SGD	2.340	5.3
	Vicplas International	27-Sep-19	FY19	SGD	0.00500	**7-Jan-20**	8-Jan-20	17-Jan-20	SGD	0.091	5.5

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
11-Nov **Q1** UG Healthcare Corp **Q2** KSH Hldgs **Q3** Asian Pay Television Trust > DBS (Before mkt open) > Spore Technologies Engrg > Vicom	**12-Nov** **Q2** SATS **Q3** BreadTalk Grp > City Devpts > CNMC Goldmine Hldgs > Cromwell European REIT > Ho Bee Land > IREIT Global > KrisEnergy > mDR > Roxy-Pacific Hldgs > SBS Transit > UOL Grp > Wilmar Int'l	**13-Nov** **Q2** Accordia Golf Trust > Valuetronics Hldgs **Q3** Eagle Hospitality Trust > Emerging Towns & Cities Spore > Hong Leong Finance > Olam Int'l > OUE Commercial REIT > Sembcorp Marine > Sinarmas Land > Tuan Sing Hldgs > World Precision Machinery ***Q3** ComfortDelGro Corp > First Resources	**14-Nov** **Q2** Spore Telecoms **Q3** Golden Agri-Resources > Hong Leong Asia > Sasseur REIT > Sembcorp Industries > Straco Corp > Uni-Asia Grp ***Q1** ASL Marine Hldgs	**15-Nov** **Q4** Frasers Property
18-Nov	**19-Nov**	**20-Nov**	**21-Nov**	**22-Nov**
25-Nov **SG 3Q19 GDP** *(Not later than 25 Nov)* **SG (Oct 2019) CPI** *For General Households*	**26-Nov** **SG (Oct 2019) Index of Industrial Production**	**27-Nov**	**28-Nov**	**29-Nov**
2-Dec-2019	**3-Dec**	**4-Dec**	**5-Dec**	**6-Dec**
9-Dec	**10-Dec**	**11-Dec** ***Q2** Del Monte Pacific	**12-Dec**	**13-Dec**

** Tentative*

Source: Bloomberg