MONDAY MEETING SUMMARY - 10 February 2020

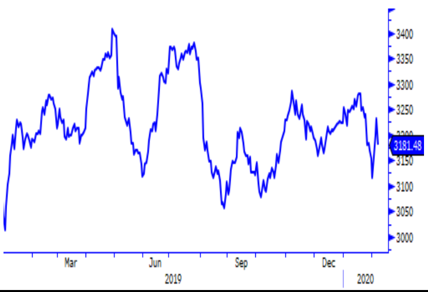
Market Indicators

	5-Feb	6-Feb	7-Feb
Mkt. T/O (S$ mil)	1,239.9	1,338.5	1,440.8
Stock Advances	248	273	143
Stock Declines	164	162	310

Major Indices

	5-Feb	6-Feb	7-Feb
DJ Ind Avg	29,290.9	29,379.8	29,102.5
S & P 500	3,334.7	3,345.8	3,327.7
Nasdaq Comp	9,508.7	9,572.2	9,520.5
Hang Seng	26,786.7	27,493.7	27,404.3

STI Index 3,181.48 (-1.55%)

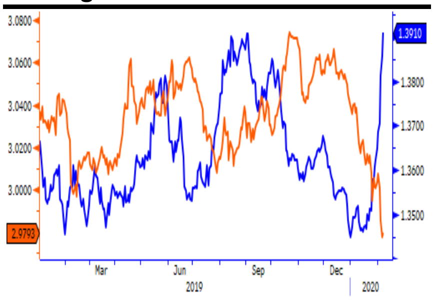


Source: Bloomberg

Commodities

	Current Price	% Chge from Close
Gold (SPOT) US$ / OZ	1,469.19	0.19%
Oil (NYMEX CWTI|) US$ / bbl	57.81	1.78%
Baltic Dry Index	1357	-0.51%

Exchange Rates



USD : SGD 1.3913 / MYR : SGD 2.9812

Source: Bloomberg

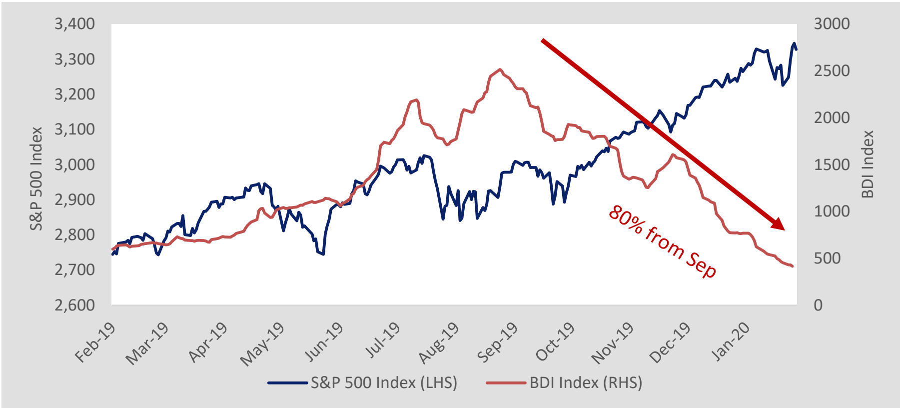
Interest Rates

3-mth Sibor	1.715%
SGS (10 yr)	1.670%

KGI Securities Research Team

KGI Market Ideas

Two Different Worlds: Part One. While investors are buying the dip and sending US equities to all-time highs, commodities and trade-related data are dropping to multi-year lows. Commodity-related trade indices such as the Baltic Dry Index (BDI) is now in freefall, having declined 80% since September 2019, and is on track to hit a new all-time low.



Next few weeks will be a critical window for the coronavirus outbreak. The third and fourth week of February will be a critical window to watch given that most companies in China will resume operations. Many employees have travelled back to their work places over the weekend and resumed working today.

We cannot rule out the possibility that the current outbreak spills over into the broader economy and thereby create a financial shock enough to dent investors' "Buy The Dip" (BTD) mentality, which has worked well over the last ten years. When a surprise shock coincides with slowing economic growth, sentiments can quickly change.

Minimise risk exposure and stick to quality. Therefore, we maintain our recommendation to minimise risk exposure and hedge with precious metals such as gold and silver, while only buying quality blue-chip companies with healthy balance sheets (See our Fab 5 Dividend Portfolio for ideas). We also believe the current outbreak has the potential to lead to structural changes in China's working and learning environments, eventually benefitting technology companies, particularly those that specialise in e-learning, cloud computing and platforms to allow remote work collaboration.

Market Strategy, Monthly Recap and Results Update

Recent In depth Regional Reports

7/2	**TH** Economic: January headline CPI increased +1.05% YoY
7/2	**TH** Power Sector (Neutral): Scenario analysis on drought impact on SPP power plants
7/2	**TH** Advanced Info Service (ADVANC TB; Outperform; TP: Bt 262.00): 4Q19 earnings review: Pressured by larger SG&A
7/2	**TH** ESSO (Thailand) (ESSO TB; Outperform; TP: Bt 10.40): 4Q19 earnings preview: Continued shutdown in October
7/2	**TH** Star Petroleum Refining (SPRC TB; Outperform; TP: Bt 12.20): 4Q19 earnings preview: Refinery major turnaround
6/2	**TW** Strategy: Coronavirus outbreak to drive faster demand growth for industrial automation & cloud data center/ server
6/2	**TW** Petrochemicals Sector (Underweight): Inventory cycle may bottom on coronavirus
6/2	**TW** AUO (2409 TT; Neutral; TP: NT$ 12.30): 1Q20F utilization up; value transformation continues
6/2	**HK** L'Occitane (973 HK; Neutral; TP: HK$ 18.60): Updates on 3Q FY20 data and coronavirus outbreak
6/2	**TH** Economic: MPC voted 7:0 to cut rate 0.25% to 1.00%
6/2	**TH** Electricity Generating (EGCO TB; Outperform; TP: Bt 370.00): 4Q19 earnings preview: Up YoY on new capacity
6/2	**TH** Siam Commercial Bank (SCB TB; Neutral; TP: Bt 111.00): Outlook is the most volatile
6/2	**TH** Thaicom (THCOM TB; Underperform; TP: Bt 4.20): 4Q19 earnings review: Weaker than expected
5/2	**SG** Our January Journal: KGI Securities January 2020 Monthly Recap
5/2	**TW** Airtac (1590 TT; Outperform; TP: NT$ 575.00): 4Q19 a beat; coronavirus impact likely less than feared
5/2	**TW** Johnson Health Tech (1736 TT; Outperform; NT$ 113.00): Concerns over coronavirus supply disruption overdone
5/2	**TW** LandMark (3081 TT; Not Rated): Benefiting from 5G fronthaul & data center spec upgrade
5/2	**TW** Realtek (2379 TT; Neutral; TP: NT$ 230.00): Viral outbreak obscures growth outlook
5/2	**TW** UMC (2303 TT; Outperform; TP: NT$ 20.00): Resilient despite China turbulence
5/2	**TW** Wiwynn (6669 TT; Outperform; NT$ 910.00): Demand with little impact from coronavirus
5/2	**HK** Vinda International (3331 HK; Outperform; TP: HK$ 22.30): Good results for 2019 and updates on coronavirus issue
5/2	**CN/HK** Textile Sector (Outperform): Impact of coronavirus moderate due to overseas capacity
5/2	**TH** ICT Sector (Neutral): A step closer to 5G
5/2	**TH** MBK PCL (MBK TB; Outperform; TP: Bt 28.00): 4Q19 earnings preview: Ending on a high note
5/2	**TH** Siam City Cement (SCCC TB; Outperform; TP: Bt 274.00): 4Q19 earnings preview: Decline QoQ but increase YoY
4/2	**TW** Panel Sector: Coronavirus outbreak prompts order transfers & price rises near term
4/2	**TW** AUO (2409 TT; Neutral; TP: NT$ 12.30): Losses to worsen in 4Q19F; to benefit from price rise in 1Q20 on coronavirus
4/2	**TW** Innolux (3481 TT; Neutral; TP: NT$ 10.30): 4Q19 sales beat on TV set shipments; Wuhan coronavirus prompts order transfers near term
4/2	**TW** MediaTek (2454 TT; Neutral; TP: NT$ 400.00): Short-term headwinds inevitable
4/2	**TW** President Chain Store (2912 TT; Neutral; TP: NT$ 276.00): Muted margin & earnings outlook
4/2	**TW** SDI (2351 TT; Outperform; NT$ 71.00): Sales to return to growth trajectory in 2Q20F
4/2	**HK** Catering Sector (Underweight): Coronavirus to impact leading hot pot chain
4/2	**TH** Commerce Sector (Neutral): 4Q19 earnings preview: Weak SSSG
4/2	**TH** Commodities Update: Impact of Wuhan coronavirus
4/2	**TH** Bangchak Corporation (BCP TB; Outperform; TP: Bt 31.00): 4Q19 earnings preview: LSFO sales to shipping market
4/2	**TH** Bangkok Dusit Medical Services (BDMS TB; Outperform; TP: Bt 31.00): 4Q19 earnings preview: Significantly stronger YoY
4/2	**TH** C.P. All (CPALL TB; Outperform; TP: Bt 88.00): 4Q19 earnings preview: Up YoY but down QoQ
4/2	**TH** Home Product Center (HMPRO TB; Neutral; TP: Bt 16.60): 4Q19 earnings preview: Down YoY but up QoQ
4/2	**TH** Siam Global House (GLOBAL TB; Neutral; TP: Bt 15.40): 4Q19 earnings preview: Up YoY and QoQ
4/2	**TH** Siam Makro (MAKRO TB; Neutral; TP: Bt 35.75): 4Q19 earnings preview: Down YoY but up QoQ
3/2	**TW** First FHC (2892 TT; Not Rated): Operating momentum recovery in 4Q19; exposure to China lower than peers
3/2	**CN/HK** A-share Weekly: Coronavirus to hit 1Q20F macro hard; cash & futures are go-to hedging targets before infections peak
3/2	**CN/HK** Economy: Coronavirus impact and similarities & differences vs. SARS

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

Market Strategy

Two different worlds: Part One

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- While investors are buying the dip and sending US equities to all-time highs, commodities and trade-related data are dropping to multi-year lows.
- Commodity-related trade indices such as the Baltic Dry Index (BDI) is now in freefall, having declined 80% since September 2019, and is on track to hit a new all-time low.
- The third and fourth week of February will be a critical window to watch given that most companies in China will resume operations. Many employees are set to travel over this weekend back to their work places and resume working next week.
- We cannot rule out the possibility that the current outbreak spills over into the broader economy and thereby create a financial shock enough to dent investors' "Buy The Dip" (BTD) mentality.
- Therefore, we maintain our recommendation to minimise risk exposure and hedge with precious metals such as gold and silver, while only buying quality blue-chip companies with healthy balance sheets. We also believe the current outbreak has the potential to lead to structural changes in China's working and learning environment, and may benefit technology companies specialising in e-learning.

A black swan to shock the global economy? Following the assassination of the commander of Iran's Quds Force, which resulted in a bumpy start to the year for the global financial market, we think that the current outbreak of the novel coronavirus (2019-nCoV) has the potential to dent investors' sentiments to buy the dip. The outbreak in China has resulted in temporary regional economic shutdowns but will have far-reaching impact on both the country and the global economy, although to an uncertain extent at the moment.

As of the date this report is published, total infected cases reported are 28,281. The death toll is 565, with the mortality rate at around 2%. Since 23rd January, when Wuhan, which has been the epicenter of the 2019-nCov outbreak was completely quarantined, there were an additional 34 cities being shut, and more cities are expected to take the same quarantine measures.

The current outbreak has several similarities to 2003 SARS, including the pathogen, the onset time, part of the symptoms, and so on. Hence, we will analyse the potential economic and financial impact based on economic performance during 2003 SARS period, even though it will be challenging to justify any quantitative impact at the moment given the uncertainty of how the outbreak will develop.

First, China GDP growth in 2020 could fall below 6%. The 2003 SARS outbreak lasted from November 2002 until July 2003. The peak of reported cases and when the most severe quarantine measures were taken by the authorities was in April 2003. The full year impact was around 0.5% based on annualizing the 2% dip in 2Q03 GDP growth compared to 1Q03.

In 2003, the manufacturing industry accounted for 58% of China's economic output while the service industry's contribution was 39%. We believe that these ratios helped cushion the financial and economic impacts of SARS. This is because in general, the manufacturing sector recovers more quickly than the service sector because the resumption of production is easier driven by the wage demand from labor while consumer spending especially service-related sector requires the return of consumer confidence.

The outbreak of SARS in 2003 was also mostly concentrated in Beijing City (3.7% of China's GDP), Guangdong province (11.7% of China's GDP), and Shanxi province (2.1% of China's GDP).

However, the contagion scale of 2019-nCov is multiple times larger than 2003 SARS. More importantly, there was not a single city that was locked down back then. This is the first time in the history of the PRC that China is locking down cities. Not only were restrictions placed on commuting and production activities in almost the entire Hubei province , but also top tier cities such as Hangzhou, Nanjing, and Wenzhou and the crucial transport city Zhenzhou shut as well.

Meanwhile, the long holiday in China has been extended for another week. Hubei province, the most severely infected area, has extended it until 13th Feb. Accordingly, we can estimate that a significant segment of China's economy is almost shut down for at least two weeks. Based on 2019 China GDP breakdown, the service sector contributed 59%. Without a doubt, retail, F&B, tourism, off-line media, transportation, and hospitality sectors will hit a speed bump during this period. Due to a longer period of recovery expected, 1Q20 and 2Q20 GDP growth are expected to be lower YoY. Therefore, we think that it might be challenging for China to maintain its 6% growth this year.

Figure 1: China GDP growth and breakdown by industries (2003 vs 2019)

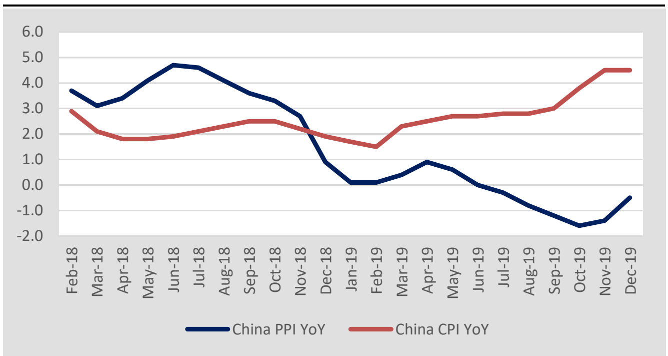
	1Q	2Q	3Q	4Q	Full year
2003	11.1%	9.1%	10%	10%	10%
2019	6.4%	6.2%	6%	6%	6.1%

2003	1Q	2Q	3Q	4Q
Primary industry	1.9%	2.1%	4.8%	3.3%
Secondary industry	52.8%	58.4%	61.3%	59%
Tertiary industry	45.3%	39.5%	33.9%	37.7%
2019				
Primary industry	1.8%	3.4%	4.1%	5.7%
Secondary industry	36.9%	37.3%	34.7%	39.2%
Tertiary industry	61.3%	59.3%	61.2%	55%

Source: NBS, KGI Research

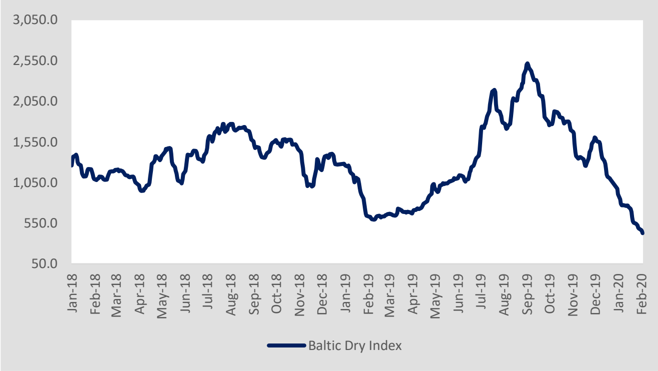
<u>Second, a short-term fall in exports for some export-oriented countries is imminent.</u> Against the backdrop of the Sino-US trade tensions, together with soft domestic PPI and high CPI, China could further reduce its raw material imports, and especially energy related products and end product export. Currently, dozens of cities have restricted traffic and production. Oil prices (Brent) have dropped by 16% since the outbreak was publicly announced in China. Meanwhile, copper has plummeted by 11%; Iron ore sank by 17%; Coffee tanked by 14%; Soy bean prices fell by 7% in that last two weeks. Basically, both hard and soft commodities that China has substantial demand for are under pressure. Counties such as Australia, Brazil, and Mexico will suffer from a short-term decrease in exports. The 2019-nCoV and trade tensions seem to be a double whammy for international trade.

Figure 2: China PPI and CPI



Source: Bloomberg, KGI Research

Figure 3: Baltic Dry Index (BDI) – Reaching all-time lows



Source: Bloomberg, KGI Research

<u>Third, there are new opportunities following this outbreak.</u> In retrospect, one of the reasons China recovered quickly from the 2003 SARS was the tailwind of becoming a member of WTO in late 2001. China was on track to being the world factory since the domestic and overseas demand surged. The quarantine measures during 2003 SARS period hit consumer sectors as well. The crisis back then burgeoned the opportunity of online shopping and logistics. Taobao, the most popular and largest e-commerce platform in China, was launched in 2004. Since then, China has been embracing the golden era of e-commerce.

At the moment, the lockdown has no end date. Students and employees are forced to stay at home and postpone the resumption of school and work. Online education and home office (remote work) are key trends to watch out for in China now. We believe the internet sector in China will enter into wave of structural change soon, as people accept remote study and work.

The implications on financial markets…

For now, the impact on financial markets will be difficult to gauge given the abundant liquidity being injected into the global financial system. **However, the key point to note is the divergence between the weakness in commodities-linked data and the strength in equities market.** At one point, either one has to give in.

Most investors are still preconditioned to BTD, which has worked well over the last 10 years, until such time when the economic data starts to turn down, possibly by as early as February. When a surprise shock coincides with slowing economic growth, sentiments can quickly change.

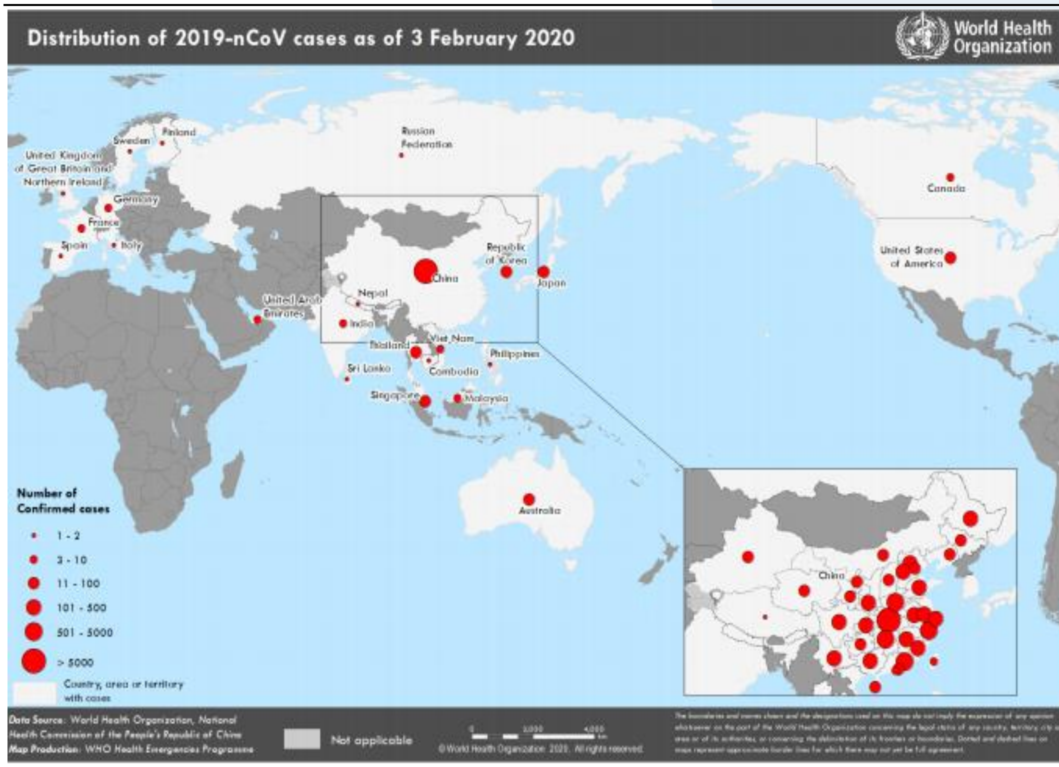
We will continue this discussion in the second part of a series of reports we will publish on the Wuhan Outbreak. We will discuss the potential domino effect that the current situation can lead to.

WE DOUBT YOU MISSED IT, BUT…

JANUARY HIGHLIGHTS

The world welcomed 2020 with gloom… over the Novel Coronavirus (2019-nCoV). Beyond exponentially increasing cases and death rates, the recent sell-downs has been further catalysed by domestic transmission cases in countries like Germany, Japan, Taiwan and Vietnam, and most recently the first death outside of China, in the Philippines. The Emergency Committee on the 2019-nCoV under the International Health Regulations (IHR 2005) also reconvened on 30 January, resulting in the World Health Organisation declaring the outbreak to be a public health emergency of international concern. In Singapore too, everyone was 'Kung Flu-fighting' as the Singapore stock market endured a violent sell-down over Chinese New Year.

Figure 1: Countries, territories or areas with reported confirmed cases of 2019-nCoV and Situational assessment of 2019-nCoV, 3 Feb 2020



SITUATION IN NUMBERS
total and new cases in last 24 hours

Globally
17391 confirmed (2838 new)

China
17238 confirmed (2831 new)
2296 severe (186 new)
361 deaths (57 new)

Outside of China
153 confirmed (7 new)
23 countries
1 death

WHO RISK ASSESSMENT

China	Very High
Regional Level	High
Global Level	High

Source: World Health Organisation (WHO) Situation Reports, KGI Research

Figure 2: S&P 500 Index, Shanghai Composite Index and STI Index; 1-year performance

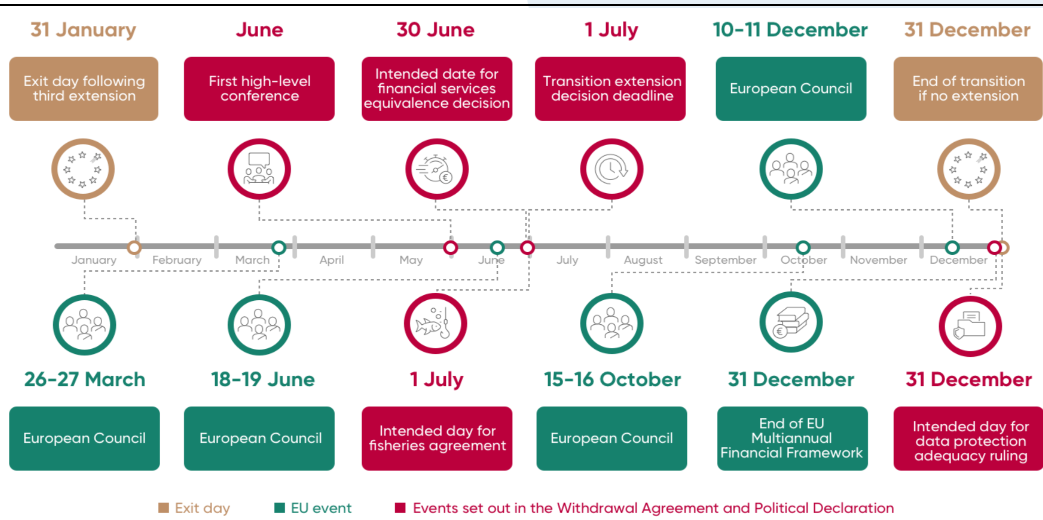
Source: Bloomberg, KGI Research

And then there was Brexit.

On January 31st 2020, at 23:00 GMT, the UK officially left the European Union after 47 years of membership - and more than three years after it voted to do so in a referendum. However, most EU rules and laws will remain status quo, including the free movement of people, until 31st December 2020, when the transition period comes to an end.

In the next 11 months, both parties would need to negotiate a new free trade agreement. If a new one cannot be agreed in time, then the UK faces the prospect of having to trade with no deal in place – this would mean tariffs on UK goods travelling to the EU and other trade barriers. In addition to trade negotiations, issues such as law enforcement, data sharing and security, supplies of electricity and gas and even the licensing and regulation of medicines need to be agreed upon.

Figure 3: Key Brexit milestones in 2020



Source: The Institute for Government, UK

Yet Prime Minister Boris Johnson has made clear that he <u>does not intend to follow the bloc's rules and regulations</u>, stating that "There is no need for a free trade agreement to involve accepting EU rules on competition policy, subsidies, social protection, the environment, or anything similar any more than the EU should be obliged to accept UK rules". Signs that the two sides are already at odds over how to interpret that declaration sent the British pound down about 1% against the US dollar and the euro on Monday as traders worried about the implications for the UK economy of failing to reach a deal.

Figure 4: The Sterling has not recovered from its post-referendum drop; Effective exchange rate index, Sterling (Jan 2005 = 100)

Source: Bank of England, KGI Research

KGI CHINA DEVELOPMENT FINANCIAL

WHAT WE'VE BEEN UP TO

Figure 5: January company updates

BBG Ticker	Company Name	Industry	Currency	Last Traded	Target Price	Potential Upside (ex.div)
AEM SP	AEM HOLDINGS LTD	Information Technology	SGD	1.94	2.57	32.5%
SBREIT SP	SOILBUILD BUSINESS SPACE REI	Real Estate	SGD	0.50	0.55	10.0%

Prices retrieved as of market close on 04 February 2020

Source: Bloomberg, KGI Research

AEM HOLDINGS

We maintain our **OUTPERFORM** rating with a **higher TP of S$2.57**, from S$1.80. AEM gave their FY2020 revenue outlook, which is 5-11% higher than their FY2019 outlook, and easily 12-19% higher than our forecast. We fine-tune our forecasts to account for information from 6 November 2019 onwards, including a re-appraisal of the key customer's business strategy, AEM's new acquisition Mu-TEST, and the provision of a bull case scenario.

SOILBUILD BUSINESS SPACE REIT

We maintain our **NEUTRAL** rating with a **reduced TP of S$0.55**, from S$0.58. We continue to wait for confirmation on its redevelopment plans for the NKI property and the approval from JTC for the sale of 72 Loyang Way. Regardless, current unit price could be well-supported as it is now trading near its 5 year historical low P/B ratio (0.87x), and offers the highest dividend yield (8.1%) among Singapore's industrial REIT sector (average 6.1%).

For our reports, kindly approach your trading representative, or visit our website at www.kgieworld.sg/securities/research/.

FEBRUARY OUTLOOK

In an attempt to allay investors' fears and worries, we – to the best of our ability – have tried to provide, and will continue to provide, timely updates in response to the 2019-nCoV. We published a short strategy report just yesterday, 3 Feb 2020, explaining the impacts we think the virus could have on financial markets.

Impact of coronavirus on financial markets.

We expect Asian equity markets, especially China, Hong Kong and Taiwan, which are the most severely affected, to undergo corrections at least through the end of February. The corrections will also likely be greater than the global average stock corrections, as the epidemic has yet to peak. The key observation timeframe will be the two weeks after Chinese New Year.

SARS vs current outbreak.

While there are some similarities between the two outbreaks, we note key differences in the macro economic backdrop. When SARS broke out, global financial markets were still not completely out of the woods yet due to the dot.com bubble, and markets were still trading near bear market lows – SARS was just another blow. With the latest outbreak however, the global economy has just begun to recover after a bruising trade war between the US and China, with stock valuations having risen to levels that places it at risk of a correction in the event of a surprise shock, such as the 2019-nCoV.

We also think that the economic impact will likely be greater as a result of the wider measures that the government has taken to limit the spread of the virus, which will have the effect of curtailing manufacturing output and incomes. However, on a positive note, if the shutdowns can be contained to a few weeks, the lost output from businesses should largely be made up in the rest of 2020. The government will also likely respond with a stimulus package to ensure that the economic damage is contained.

Our base-case recommendation.

Engage stocks on weakness after February. Over the coming weeks, we expect stocks to enter a weak consolidation mode following near-term corrections, followed by a potential rebound in March. We continue to see value in precious metals such as gold and silver, while Emerging Asian currencies, commodities and commodity-linked currencies should be avoided for now.

RESULTS UPDATE

REIT ▪ Singapore

Manulife US REIT

(MUST SP/MANU.SI)

Performance in line; busy year of acquisitions

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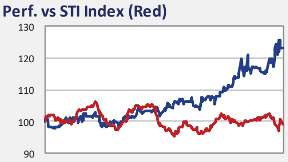
- **Positive 4Q19 results.** Manulife US REIT (MUST) reported 4Q19 distributable income of US$22.6mn (+16% YoY), mainly led by higher contributions from acquisitions of Centrepointe and Capitol.
- **4Q19 DPU lower due to enlarged unit base.** 4Q19 DPU declined 5.9% YoY to 1.44 US cents due to an enlarged unit base from the private placement where 91.3mn units were issued on 30 September 2019 and preferential offering where 72.9mn units were issued on 18 October 2019.
- **Downgrade to NEUTRAL and TP of S$1.11.** We downgrade our recommendation to NEUTRAL as we see limited upside for now. MUST's unit price has performed well, giving a total return of 42% (inclusive of dividends) in 2019 and 5% year-to-date, significantly outperforming the FTSE ST REIT Index, which had a total return of 26% in 2019 and 3% year-to-date.

Neutral (Downgrade)			
Price as of 7 Feb 20 (USD)	1.05	**Performance (Absolute)**	
12M TP (USD)	1.11	1 Month (%)	6.6
Previous TP (USD)	1.03	3 Month (%)	12.9
Upside, incl div (%)	11.5%	12 Month (%)	35.2
Trading data		**Perf. vs STI Index (Red)**	
Mkt Cap (USD mn)	1,647		
Issued Shares (mn)	1,569		
Vol - 3M Daily avg (mn)	6.2		
Val - 3M Daily avg (USD mn)	6.2		
Free Float (%)	16.2		
Major Shareholders		**Previous Recommendations**	
Manulife Financial Corp	6.2%	6-Nov-19	OP US$1.03
Prudential PLC	5.5%	19-Sep-19	OP US$1.01
DBS Group Holdings	3.0%	15-Aug-19	OP US$0.98



Industry review: slower 2020. The US office market enjoyed a robust 2019 as rents grew at around 2.7% for the year, according to real estate research firm Reis Inc. However, Reis expects rental growth to moderate to around 2.5% in 2020 due the 22.4% increase in office completions and slower absorptions. A pullback by WeWork following its failed IPO could potentially lead to lower overall demand. Regardless of slowing industry growth in the US, the fundamentals still support a positive trend for MUST's portfolio of nine high-quality/Class A office properties.

Financials & Key Operating Statistics

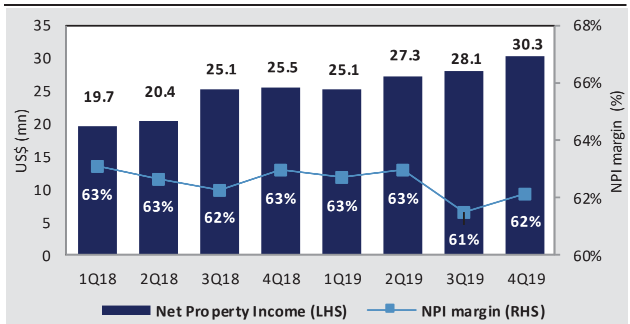
YE Dec USD mn	2018	2019	2020F	2021F	2022F
Gross revenue	144.6	177.9	205.9	209.3	212.7
Net property income	90.7	110.8	131.8	133.9	136.1
Distributable income	71.0	83.3	97.3	99.0	100.9
DPU (US cents)	6.1	6.0	6.2	6.3	6.4
DPU growth (%)	70.4	(1.5)	4.0	1.8	1.9
Div Yield (%)	7.7	5.6	5.8	6.0	6.1
NAV (US cents)	80.0	80.0	81.6	82.9	84.3
Price / Book (x)	1.0	1.3	1.3	1.3	1.3
NPI Margin (%)	62.7	62.3	64.0	64.0	64.0
Net Margin (%)	44.6	26.7	35.8	36.0	36.3
Gearing (%)	38.4	38.8	38.8	38.8	38.8
ROE (%)	6.1	3.8	5.8	5.8	5.8

Source: Company Data, KGI Research

4Q/FY19 review. It was another busy year for MUST as it completed the US$122mn acquisition of Centrepointe on 10 May 2019 and the US$199mn acquisition of Capitol on 29 October 2019. 4Q19 net property income increased by 20% YoY to SU$30mn due to the two acquisitions in 2019 while full-year FY19 net property income rose 22% YoY to US$111mn due to the full-year contributions from Penn and Phipps, which were acquired in 2018. It declared 4Q19 DPU of 1.44 US cents, bringing full-year FY19 DPU to 5.96 US cents, or an implied 5.6% based on its current unit price. MUST trades ex-dividend on Wednesday, 12 February 2020.

Portfolio statistics remain robust. MUST's portfolio occupancy remained robust at 95.8% as at end 4Q19, a drop from 97.3% as at end 3Q19. The REIT renewed 445,200 sqft (9.5% of NLA) of leases during the year, with a 0.5% positive rental reversion for renewals. The overall portfolio enjoys a 2.0% rental escalation per annum, as 96% of gross rental income have some form of rental escalations. Gearing ratio increased to 37.7% as at end 4Q19, from 36.3% as at end 3Q19. Although we note that it is well below the 45.0% regulatory limit, MUST's gearing is on the high side compared to peers.

Figure 1: Quarterly net property income trend



Source: Company Data, KGI Research

Valuation & Action: Downgrade to NEUTRAL with TP of US$1.11. While we continue to like MUST's excellent track record, where it has grown AUM to US$2.1bn (as at end FY19), from US$1.7bn and US$1.3bn as at end FY18 and FY17 respectively, we expect the growth rate to slow down going forward. We would prefer to accumulate on price weakness as its FY20F yield has compressed to below 6.0%.

Risks: US tax changes would be the key risk, as it would have a negative impact on MUST's DPU. Forex risks for local investors as revenues, unit price and dividends are in USD.

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	25.31	64,645	(1.5%)	(2.2%)	(0.2%)	4.8%	5.0%
OCBC SP	OCBC	10.86	47,789	(1.9%)	(1.1%)	0.3%	4.6%	4.8%
UOB SP	UOB	25.95	43,293	(1.4%)	(1.7%)	1.1%	4.8%	4.9%
SGX SP	SGX	8.76	9,380	(0.1%)	(0.3%)	0.7%	3.6%	3.8%
PROPERTIES								
CAPL SP	CapitaLand	3.70	18,657	(0.5%)	(1.3%)	2.2%	3.3%	3.5%
HKL SP	Hongkong Land USD	5.45	17,837	(0.9%)	(5.2%)	2.3%	4.1%	4.3%
AREIT SP	Ascendas REIT	3.21	11,614	(2.7%)	9.3%	3.0%	5.0%	5.2%
CIT SP	City Development	11.04	10,012	0.4%	0.8%	4.2%	1.8%	1.8%
CT SP	CapitaLand Mall Trust	2.45	9,038	(0.8%)	0.8%	(2.8%)	5.2%	5.3%
CCT SP	CapitaLand Comm Trust	2.04	7,870	0.0%	4.4%	(1.0%)	4.4%	4.6%
UOL SP	UOL	8.19	6,909	(0.1%)	(1.6%)	2.6%	2.2%	2.2%
TELECOMMUNICATIONS								
ST SP	SingTel	3.32	54,213	(1.5%)	(1.5%)	0.6%	5.4%	5.2%
CONSUMER SERVICES AND GOODS								
JM SP	Jardine Matheson USD	58.00	59,542	(1.2%)	4.3%	3.7%	2.9%	3.1%
JS SP	Jardine Strategic Holdings	31.26	48,184	(1.6%)	2.0%	1.4%	1.1%	1.2%
THBEV SP	ThaiBev	0.76	19,086	(6.7%)	(13.0%)	(2.6%)	3.2%	3.5%
JCNC SP	Jardine C&C	29.13	11,513	(2.4%)	(3.2%)	(0.3%)	4.1%	4.2%
GENS SP	Genting Singapore	0.86	10,369	(1.7%)	(6.5%)	0.0%	4.3%	4.3%
DFI SP	Dairy Farm International	5.41	10,180	(1.5%)	(5.3%)	5.0%	3.7%	3.9%
VMS SP	Venture Corp	16.43	4,741	(2.2%)	1.4%	0.6%	4.3%	4.5%
SPH SP	SPH	2.01	3,205	0.0%	(7.8%)	(0.5%)	6.0%	6.0%
REIT								
MCT SP	Mapletree Commercial Trust	2.28	7,541	(2.1%)	(3.8%)	(3.0%)	4.2%	4.3%
MLT SP	Mapletree Logistics Trust	1.90	7,214	(0.5%)	10.0%	3.3%	4.3%	4.5%
TRANSPORT								
SIA SP	Singapore Airlines	8.58	10,168	(1.8%)	(5.1%)	0.4%	3.2%	3.7%
CD SP	ComfortDelGro	2.19	4,743	(2.2%)	(8.0%)	0.9%	4.8%	5.0%
COMMODITIES								
WIL SP	Wilmar	4.03	25,559	(1.5%)	(2.2%)	3.1%	2.7%	2.8%
OFFSHORE & MARINE/INDUSTRIALS								
STE SP	ST Engineering	4.11	12,802	(1.4%)	4.3%	0.0%	3.7%	3.8%
KEP SP	Keppel Corp	6.71	12,188	(0.6%)	(0.9%)	0.4%	3.3%	3.5%
SATS SP	SATS	4.42	4,942	(3.3%)	(12.6%)	(3.1%)	4.2%	4.3%
YZJSGD SP	Yangzijiang SGD	0.97	3,801	(4.0%)	(13.4%)	2.1%	4.8%	4.7%
SCI SP	Sembcorp Industries	2.03	3,619	(6.0%)	(11.4%)	(4.2%)	2.0%	2.7%

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 7 Feb 20		Yield (%)
Keong Hong Holdings Ltd	28-Nov-19	FY19	SGD	0.0150	**10-Feb-20**	11-Feb-20	25-Feb-20	SGD	0.465	4.8
First Ship Lease Trust	5-Feb-20	FY19	**USD**	0.015000	**12-Feb-20**	13-Feb-20	13-Mar-20	SGD	0.097	-
Manulife US REIT	5-Feb-20	FY19	**USD**	0.0145	**12-Feb-20**	13-Feb-20	27-Mar-20	**USD**	1.050	7.2
CapitaLand Retail China Trust	7-Feb-20	FY19	SGD	0.03610	**14-Feb-20**	17-Feb-20	30-Mar-20	SGD	1.520	7.3
Ascendas India Trust	30-Jan-20	3Q20	SGD	0.00640	**18-Feb-20**	19-Feb-20	27-Feb-20	SGD	1.670	3.5
BRC Asia	20-Nov-19	FY19	SGD	0.05000	**17-Mar-20**	18-Mar-20	26-Mar-20	SGD	1.760	0.6
BRC Asia - Special	20-Nov-19	FY19	SGD	0.03000	**17-Mar-20**	18-Mar-20	26-Mar-20	SGD	1.760	0.6
Qian Hu Corp Ltd	13-Jan-20	FY19	SGD	0.0030	**7-Apr-20**	8-Apr-20	23-Apr-20	SGD	0.146	1.4
Hwa Hong Corp	4-Feb-20	FY19	SGD	0.01000	**29-Apr-20**	30-Apr-20	15-May-20	SGD	0.330	3.0
STI Keppel Corp	23-Jan-20	FY19	SGD	0.1200	**30-Apr-20**	4-May-20	14-May-20	SGD	6.710	3.4
Lonza Group AG	21-Jan-20	FY19	**CHF**	0.02750	**30-Apr-20**	4-May-20	5-May-20		-	-
Tuan Sing Holdings Ltd	23-Jan-20	FY19	SGD	0.006000	**6-May-20**	8-May-20	25-Jun-20	SGD	0.305	3.0

Source: SGX Annoucement / Bloomberg

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
10-Feb **Q2** Lendlease Global Commercial REIT **Q3** NetLink NBN Trust **Q4** Asian Pay Television Trust > Hutchison Port Hldgs Trust	**11-Feb**	**12-Feb** **Q4** Genting Spore > Prime US REIT > UOI ***Q4** IREIT Global > Vicom	**13-Feb** **Q2** Karin Technology Hldgs > UG Healthcare Corp **Q3** Accordia Golf Trust > SATS > Spore Telecoms **Q4** DBS (Before mkt open) ***Q4** SBS Transit	**14-Feb** **Q3** Spore Airlines **Q4** Far East Hospitality Trust > Hi-P Int'l ***Q2** ASL Marine Hldgs ***Q4** ComfortDelGro Corp
17-Feb **Q4** Eagle Hospitality Trust	**18-Feb** **SG** **Budget 2020**	**19-Feb** **Q4** ARA US Hospitality Trust > Great Eastern Hldgs > Lippo Malls Indonesia Retail Trust	**20-Feb** **Q4** iFAST Corp > Perennial Real Estate Hldgs > Sasseur REIT > StarHub > Wilmar Int'l ***Q4** Sembcorp Marine	**21-Feb** **Q4** OCBC > UOB (Both before mkt open) > Sembcorp Industries
24-Feb **SG** **(Jan 2020) CPI** *For General Households*	**25-Feb** **SG** **4Q19 GDP** *(Not later than 25 Feb)* ***Q4** Cromwell European REIT	**26-Feb** **SG** **(Jan 2020) Index of Industrial Production** **Q4** China Aviation Oil Spore > City Devpts > Thakral Corp	**27-Feb** **Q4** AP Oil Int'l > Emerging Towns & Cities Spore > Venture Corp	**28-Feb** **Q4** IFS Capital > Mewah Int'l Inc > Uni-Asia Grp > UOL Grp ***Q4** KrisEngery > LHT Hldgs
2-Mar	**3-Mar**	**4-Mar**	**5-Mar** **Q4** Dairy Farm Int'l Hldgs > Hongkong Land Hldgs > Mandarin Oriental Int'l	**6-Mar**
9-Mar	**10-Mar**	**11-Mar**	**12-Mar** ***Q3** Del Monte Pacific	**13-Mar**

** Tentative*

Source: Bloomberg

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