

## Market Indicators

	13-Dec	14-Dec	15-Dec
Mkt. T/O (S\$ mil)	1,039.0	948.7	1,273.5
Stock Advances	194	175	173
Stock Declines	200	200	209

## Major Indices

	13-Dec	14-Dec	15-Dec
DJ Ind Avg	24,585.4	24,508.7	24,651.7
S & P 500	2,662.9	2,652.0	2,675.8
Nasdaq Comp	6,875.8	6,856.5	6,936.6
Hang Seng	29,222.1	29,166.4	28,848.1

**STI Index** 3,416.94 (-0.55%)



Source: Bloomberg

## Commodities

	Current Price	% Chge from Close
Gold (SPOT) US\$ / oz	1,253.96	-0.20%
Oil (NYMEX CWT11) US\$ / bbl	57.41	0.09%
Baltic Dry Index	1619	-2.94%

## Exchange Rates



Source: Bloomberg

## Interest Rates

3-mth Sibor	1.212%
SGS (10 yr)	1.921%

## KGI Outlook

**Two or three rate hikes ahead in 2018F; be cautious on stretched equities, though it is too early to get bearish on stocks**

As widely anticipated by the market, the FOMC raised the fed funds target range to 1.25-1.50%. For economic projection, US GDP forecasts are raised for 2017 and beyond, with 2018's figure raised from 2.1% to 2.5%, which reflects the expected positive impact of prospective fiscal stimuli. However, the forecasts do not indicate a long-standing impact on growth as forecasts for 2019 and 2020 are little changed and the long-run potential forecast remains at 1.8%.

**Projections point to lowered unemployment, while inflation little changed.** Unemployment rate forecasts were reduced from 2017 through 2020, consistent with the statement that "the labour market is near full employment". However, the Fed's forecast for NAIRU remained unchanged at 4.6%. For inflation outlook, PCE inflation in 2017 is raised a bit from 1.6% to 1.7%, with 2018 through 2020 unchanged. The recent uptick in core inflation readings, albeit modest, provides support to forecasts.

**Two or three rate hikes in 2018F, with a tilt to the upside.** For expectations of the fed funds rate, Fed officials' median estimate remains three rate hikes for 2018; the only difference for the dot plot is an increase to the year-end 2020 forecast from 2.9% to 3.1%. Our view remains that there will be two or three rate hikes for 2018, with a tilt to the upside. There are two reasons. First, it looks very likely that the US\$1.5 trillion fiscal stimulus bill will soon be passed into law, thus pushing up the inflation figure. And second, a tight labour market will lead to a cyclical upswing in wages, which in turn will spur a pick-up in inflation.

**Expect to see moderate US dollar appreciation; be cautious on stretched equities, though it's too early to get bearish on stocks.** In terms of market impact, we expect long-term treasury yields to move up on a wider fiscal deficit. For exchange rates, the US dollar will only appreciate moderately in 2018, since a rising fiscal deficit will cap its upward momentum. Finally, while we are positive on US stocks in 2018, investors should be cautious if rate hikes overshoot market consensus and if rising long-term rates pressure already-stretched share valuations. However, our bottom line is this - with another recession still at least a year away, it is too early to get bearish on stocks and other risk assets.

## Company Update

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- **Uni-Asia Group Limited (UAG SP; BUY; TP: S\$1.850):** Well-positioned for growth; opportunity to accumulate - Page 3

KGI Securities Research Team

# Keppel Corporation Ltd

(KEP SP/KPLM.SI)

**BUY - Maintain**

Price as of 15 Dec 2017	7.59
12M target price (S\$)	8.67
Previous target price (S\$)	7.61
Upside, incl div (%)	16.8

**Trading data**

Mkt Cap (S\$m) / (US\$m)	13,761 / 10,218
Issued Shares (m)	1,813.1
Ave Daily Traded (3-Month) Vol / Val	4.5m / \$32.7m
52 week lo / hi	\$5.73 / \$7.83
Free Float	99.9%

**Major Shareholders**

Temasek	20.7%
Blackrock	5.9%

**Previous Recommendations**

Date	Rating	Share Price (S\$)	Target Price (S\$)
24-Jul-17	BUY	6.53	7.61
24-Apr-17	BUY	6.53	7.02
1-Jan-17	HOLD	6.27	6.50
31-Oct-16	BUY	5.29	5.93
22-Jul-16	HOLD	5.58	5.67

**KEP SP (1yr) VS STI**


Source: Bloomberg

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See the last page for important disclosures.

## Diversification strategy paying off

**Event**

KEP has been able to offset the weakness in its O&M segment with growth from property and investments. Its major property projects such as Tianjin Eco-city is finally contributing meaningfully to the overall performance of the group. Meanwhile, its investment division led by Keppel Capital has grown its AUM to S\$28bn following the latest commitment of ~US\$1bn from investors such as the Canada Pension Plan Investment Board.

**O&M division well-positioned for future growth.** We are convinced that KEP's long-term strategy of building new capabilities in production-related projects will bear fruit in the next 3-5 years. KEP has been focusing on the whole gas value chain in LNG delivery, where the group also seeks to be co-owner and co-developer. We believe this strategy will help generate long-term recurring income for KEP and its partners.

**KEP's property landbank in Asia sufficient for 10 years.** KEP sold 3,790 residential units in 9M17 worth about S\$2.0 billion, contributing ~60% of the group's bottom line. KEP's property segment still has 6,000 – 7,000 residential units to be launched p.a. in China and Southeast Asia. Based on the average sales p.a., its existing land bank of 62,000 residential units is sufficient for the next ten years.

**Valuation & Action**

**Long-term story even more convincing now.** We reiterate our BUY call as we believe 1) downside may be limited on the back of its 15-year historical low valuations and 2) KEP has a compelling growth story that leverages on synergies between its various businesses. Our fair value is based on a SOTP valuation (Figure 1): book value for its property segment (in-line with large-cap developers), 2.0x FY18F P/B for its O&M segment, 19x FY18F P/E for KEP Capital and market prices for its remaining businesses. KEP's valuations for FY18 is expected to be driven by its property segment (60% of total group valuation), with an upside surprise if oil prices can have a sustained recovery >US\$60 in 2018. Keppel's track record of unlocking value via divestments may also provide upside to earnings and dividends.

**Risks**

Longer period of low oil prices and a property market slowdown in China.

**Financials & Key Operating Statistics**

YE Dec (S\$ m)	2015	2016	2017F	2018F	2019F
Revenue	10296.5	6767.3	6078.9	6182.1	6855.4
PATMI	1524.6	783.9	817.7	885.4	963.3
Core PATMI	1509.7	768.8	817.7	885.4	963.3
Core EPS	83.0	42.3	45.0	48.7	53.0
Core EPS grth (%)	-20.0	-49.1	6.4	8.3	8.8
Core P/E (x)	9.0	17.6	16.8	15.5	14.3
DPS (SG cents)	34.0	20.0	18.0	22.0	22.0
Div Yield (%)	4.5	2.6	2.4	2.9	2.9
Net Margin (%)	14.8	11.6	13.5	14.3	14.1
Gearing (%)	51.5	54.3	59.0	53.0	50.5
Price / Book (x)	1.2	1.2	1.1	1.1	1.0
ROE (%)	12.8	6.4	6.3	6.6	6.9

Source: Company Data, KGI Securities

# Uni-Asia Group Limited

(UAG SP/UAFC.SP)

**BUY - Maintain**

Price as of 13 Dec 2017	1.23
12M target price (S\$)	1.85
Previous target price (S\$)	1.92
Upside (%)	50.4

**Trading data**

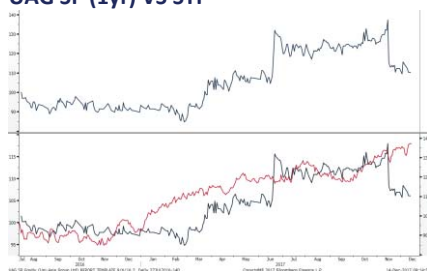
Mkt Cap (S\$m) / (US\$m)	57.8 / 43
Issued Shares (m)	47.0
Ave Daily Traded (3-Month) Vol / Val	0.1m / \$0.1m
52 week lo / hi	\$0.94 / \$1.55
Free Float	100.0%

**Major Shareholders**

Yamasa Co Ltd	33.5%
Evergreen Int'l	10.0%

**Previous Recommendations**

Date	Rating	Share Price (S\$)	Target Price (S\$)
21-Aug-17	BUY	1.370	1.920
19-Jun-17	BUY	1.170	1.920

**UAG SP (1yr) VS STI**


Source: Bloomberg

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See the last page for important disclosures.

## Well-positioned for growth; opportunity to accumulate

**Event**

Uni-Asia's share price has declined around 15% since its recent peak in November following the announcement of its 3Q17 results. The sell-off may be unjustified given that results were in-line with our estimates. Furthermore, Uni-Asia continues to make good progress in all three of its business units.

**Bulk shipping fundamentals steadily improving.** The Baltic Dry Index (BDI) has risen to its highest level in more than three years amid a recovery in iron ore and coal prices. We note the recovery in the BDI is also due to the better supply-demand balance of dry bulk vessels; orders as a percentage of total tonnage has declined to a more sustainable level.

**Uplift from hotel business ahead of Tokyo 2020 Olympics and Rugby World Cup 2019.** In its hotel business, Uni-Asia will be operating 16 hotels with 2,650 rooms in Japan by FY18, in-line with the group's target of having 3,000 rooms under its management by FY19. This will be an important milestone as earnings contribution from hotel operations by itself can potentially provide a recurring net profit of US\$2.0-2.5m p.a. when it achieves this scale.

**Balance sheet improvement in 1H18.** In the short-term, Uni-Asia's balance sheet is expected to improve in 1H18 as it recognises the bulk of profits and cash inflow from the completion of its 2<sup>nd</sup> HK property.

**Valuation & Action**

We reiterate our **BUY recommendation and fair value of S\$1.85**, based on the sum-of-the-parts (SOTP) valuation of its 3 business segments. Our TP is an implied 0.5x FY17F P/B and 8.2x FY17F P/E. Uni-Asia is positioned to ride the growth in its 3 business segments as 1) we expect a dry bulk shipping recovery, 2) completion of its second Hong Kong property which we estimate would yield US\$5m profit this year and a significant cash inflow (KGI estimate: US\$15-20m) in 1H18, and 3) an increase in hotel rooms under operations ahead of two of the world's largest sporting events to be held in Japan – the Rugby World Cup 2019 and Tokyo 2020 Olympics.

**Risks**

Uni-Asia's shipping business (40% of Uni-Asia's FY16 revenues) is cyclical in nature. The dry bulk segment has been particularly challenging in the last five years due to the oversupply of vessels in the industry.

**Financials & Key Operating Statistics**

YE Dec (US\$m)	2015	2016	2017F	2018F	2019F
Revenue	77.1	86.3	90.6	97.1	103.6
PATMI	2.7	-14.2	7.8	6.7	7.3
Core PATMI	4.1	-1.8	7.8	6.7	7.3
Core EPS	8.7	-3.9	16.7	14.2	15.5
Core EPS grth (%)	125.6	na	na	-15.0	9.6
Core P/E (x)	10.4	-23.4	5.5	6.4	5.9
DPS (SGCents)	6.3	3.0	4.0	4.0	4.0
Div Yield (%)	5.1	2.4	3.3	3.3	3.3
Net Margin (%)	3.5	-16.4	8.6	6.9	7.1
Gearing (%)	95.6	119.0	111.7	99.7	83.7
Price / Book (x)	0.3	0.4	0.3	0.3	0.3
ROE (%)	1.9	-11.3	5.9	4.8	5.0

Source: Company Data, KGI Research

**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 FY16 (%)	Div Yield FY17 (%)
<b>FINANCIALS</b>								
DBS SP	DBS	24.58	62,867	(1.6%)	46.1%	(1.0%)	2.7%	3.0%
OCBC SP	OCBC	12.30	51,506	(0.1%)	42.5%	(0.7%)	3.0%	#VALUE!
UOB SP	UOB	26.05	43,322	(1.4%)	31.6%	0.7%	2.8%	3.0%
SGX SP	SGX	7.52	8,055	(0.8%)	9.0%	(0.8%)	4.1%	4.3%
<b>PROPERTIES</b>								
AREIT SP	Ascendas REIT	2.68	7,734	(0.4%)	25.5%	0.4%	6.0%	6.2%
CAPL SP	CapitaLand	3.50	14,865	(0.8%)	19.0%	1.2%	2.9%	3.0%
CCT SP	CapitaLand Comm Trust	1.87	6,747	(1.6%)	37.7%	(0.5%)	4.7%	4.7%
CT SP	CapitaLand Mall Trust	2.12	7,518	0.0%	18.9%	1.9%	5.2%	#VALUE!
CIT SP	City Development	12.15	11,048	(2.0%)	48.9%	(1.3%)	1.3%	1.3%
GLP SP	Global Logistic	3.36	15,783	0.0%	55.5%	0.3%	1.8%	1.9%
HKL SP	Hongkong Land USD	7.20	22,803	(0.4%)	16.8%	(0.1%)	2.8%	2.9%
UOL SP	UOL	8.54	7,188	(1.6%)	45.6%	(1.3%)	1.7%	1.7%
<b>TELECOMMUNICATIONS</b>								
ST SP	SingTel	3.75	61,234	(0.5%)	5.6%	(0.8%)	5.6%	4.9%
STH SP	StarHub	2.92	5,049	(0.3%)	10.6%	0.0%	5.5%	5.3%
<b>CONSUMER SERVICES AND GOODS</b>								
JCNC SP	Jardine C&C	40.94	16,181	(0.9%)	1.6%	0.3%	2.7%	2.8%
JM SP	Jardine Matheson USD	63.04	61,628	1.2%	16.8%	1.5%	2.5%	2.6%
GENS SP	Genting Singapore	1.34	16,114	0.8%	52.0%	1.5%	2.2%	2.3%
SPH SP	SPH	2.59	4,140	0.0%	(22.8%)	(2.3%)	5.3%	5.2%
THBEV SP	ThaiBev	0.97	24,357	1.6%	17.3%	2.1%	3.1%	3.3%
<b>TRANSPORT</b>								
SIA SP	Singapore Airlines	10.51	12,428	(0.1%)	10.9%	(0.5%)	2.6%	2.3%
CD SP	ComfortDelGro	1.91	4,132	(2.1%)	(19.4%)	0.0%	5.4%	5.5%
<b>COMMODITIES</b>								
GGR SP	Golden Agri	0.38	4,839	1.3%	(8.4%)	2.7%	1.8%	2.5%
WIL SP	Wilmar	3.12	19,735	(0.6%)	(11.3%)	0.6%	2.4%	2.8%
<b>OFFSHORE &amp; MARINE/INDUSTRIALS</b>								
KEP SP	Keppel Corp	7.53	#N/A N/A	(1.1%)	34.1%	(1.6%)	2.8%	3.3%
SCI SP	Sembcorp Industries	3.02	5,389	(0.7%)	8.4%	0.0%	2.5%	3.2%
YZJSGD SP	Yangzijiang SGD	1.50	5,953	(1.3%)	90.1%	(3.2%)	3.1%	3.0%
SATS SP	SATS	5.25	#N/A N/A	0.6%	12.0%	(0.2%)	3.3%	3.5%
SIE SP	SIA Engineering	3.11	3,478	(1.0%)	(3.2%)	(1.6%)	4.4%	4.6%
STE SP	ST Engineering	3.19	9,939	(0.6%)	2.8%	(0.6%)	4.6%	4.9%
HPHT SP	HPH Trust USD	0.41	4,749	(1.2%)	0.9%	0.0%	6.4%	6.7%

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

**STI Reserve List (by market cap) - STI next review date: March 2018**

Ticker	Company Name	Last Price (Lcl)	Market Cap (SGDm)	1 Day Change (%)	Total Return YTD (%)	Total Return 1 Week (%)	Div Yield FY16 (%)	Div Yield FY17 (%)
VMS SP	Venture Corp	20.22	5,754	(0.5%)	112.8%	(0.2%)	3.1%	3.1%
SUN SP	Suntec REIT	2.12	5,623	2.4%	35.7%	3.9%	4.7%	4.6%
MCT SP	Mapletree Commercial	1.63	4,693	0.6%	23.8%	3.2%	5.5%	5.5%
KREIT SP	Keppel REIT	1.25	4,213	0.8%	29.1%	0.0%	4.8%	4.8%
SMM SP	Semcorp Marine	1.91	3,989	0.0%	40.1%	0.5%	1.0%	1.2%

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

**Appendix 1: Corporate Action**

Company	Results Ann Date	Period	DPS	Ex-Date	Book Close	Payable	Share Price 15 Dec 17	Yield (%)
Singapore Telecoms	9-Nov-17	2Q18	SGD 0.0680	<b>18-Dec-17</b>	20-Dec-17	10-Jan-18	SGD 3.750	1.8
Singapore Telecoms - Special	9-Nov-17	2Q18	SGD 0.0300	<b>18-Dec-17</b>	20-Dec-17	10-Jan-18	SGD 3.750	0.8
Fraser and Neave	8-Nov-17	FY17	SGD 0.03000	<b>31-Jan-18</b>	2-Feb-18	14-Feb-17	SGD 2.560	1.2
Fraser's Centrepoint	10-Nov-17	FY17	SGD 0.06200	<b>31-Jan-18</b>	2-Feb-18	14-Feb-18	SGD 2.120	2.9
Thai Beverage PCL	23-Nov-17	FY17	<b>Baht</b> 0.4700	<b>8-Feb-18</b>	12-Feb-18	28-Feb-18	SGD 0.970	2.0

**Latest Rights Issue Announcement**

Company	Particulars	Ex-Date	Book Close	Rights Trading Period	
				From	To
Maxi-Cash Financial Services Corp	1 Rts Share @ S\$0.160 for each Rts share for every 10 existing ord shares held	12-Dec-17	14-Dec-17	<b>19-Dec-17</b>	<b>28-Dec-17</b>

Source: SGX Announcement

**Latest Listing Issue Announcement**

Company	Offer Price	Closing Date	Offeror
Cogent Holdings Ltd	S\$1.02 Cash	5.30 p.m. on 5 Jan 2018	COSCO Shipping Int'l (Singapore) Co., Ltd.

Source: SGX Announcement

Appendix 2: Financial Calendar

Monday	Tuesday	Wednesday	Thursday	Friday
18-Dec	19-Dec	20-Dec Q4: Yorkshire Hldgs	21-Dec	22-Dec *Q4: EMAS Offshore
25-Dec	26-Dec SG (Nov 2017): Index of Industrial Production CPI Overall index and sub-indices	27-Dec Q1: Second Chance Properties	28-Dec	29-Dec Q4: No Signboard Hldgs (Release on Sat, 30-Dec) / Triyards Hldgs
1-Jan-18	2-Jan	3-Jan	4-Jan	5-Jan
8-Jan	9-Jan	10-Jan	11-Jan	12-Jan
15-Jan	16-Jan	17-Jan	18-Jan SG: 4Q17 Advance GDP Estimates (Not later than 12 Jan)	19-Jan

\* Tentative

Source: Bloomberg

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