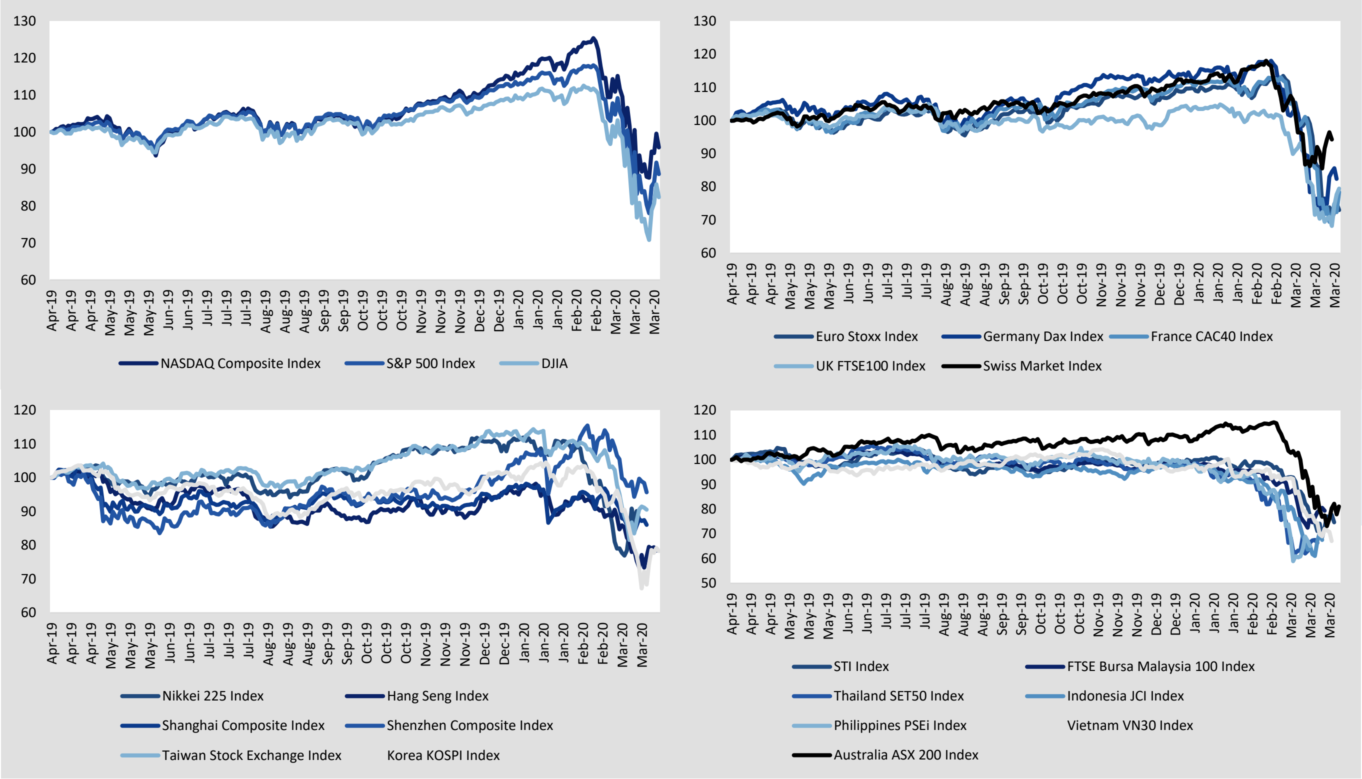
IN CASE YOU MISSED IT…

MARCH HIGHLIGHTS

COVID-19 continues to take centre stage amongst investors' worries, as confirmed infection cases now exceed 850,000, with over 40,000 deaths. USA, Italy and Spain have now surpassed China in total case count, and a good number of countries have instituted lockdowns on their cities and citizens in order to curb the spread of the virus.

Figure 1: 1 year price movement of major indices (US, EU, Asia, SEA+Australia), normalized to 100



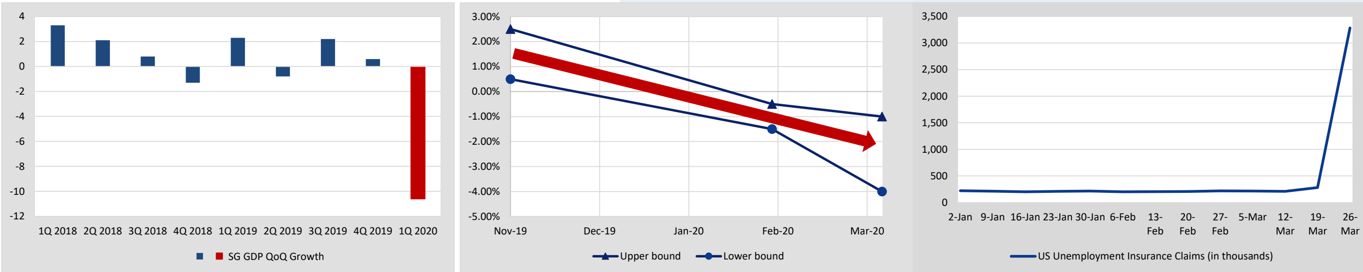
Source: Bloomberg, KGI Research. Updated on 30 March 2020.

Rollercoaster's relief rally, or light at the end of the tunnel?

Financial markets saw continued sell-downs since February, as the COVID-19 spread intensified outside Asia, creating more disruption to daily life. Investors got their hands on updated data that showcases a primer of the true economic impact of the virus. However, governments have been increasingly responsive in helping their economies, taking cues from US. Key actions taken by the US Federal Reserve include:

- 3rd March: An emergency rate cut by 0.5% to 1.00 – 1.25% bound
- 16th March: Various announcements. A couple of key ones include 1) Another emergency rate cut by 1% to 0.00 – 0.25% bound, effectively zero interest rate, 2) Multiple forms of quantitative easing that total up to US$700 bn of asset purchases, consisting of US Treasuries (UST) and mortgage-backed securities (MBS), 3) Reduction of reserve requirement ratio to 0% to free up more capital for banks and provide liquidity
- 23rd March: Upon failed negotiations over a multi-trillion dollar coronavirus deal amidst US politicians, the Fed announced that they will buy unlimited amounts of UST and MBS, setting up the scenario of unlimited quantitative easing, and catalyzed one of the fastest market rebounds for the week.

Figure 2: Dismal Singapore 1Q20 GDP contraction, falling SG GDP estimates, while US Jobless claims spike up to unprecedented highs



Source: Singstat, US Department of Labor, KGI Research

Rest of World: The End of the Beginning

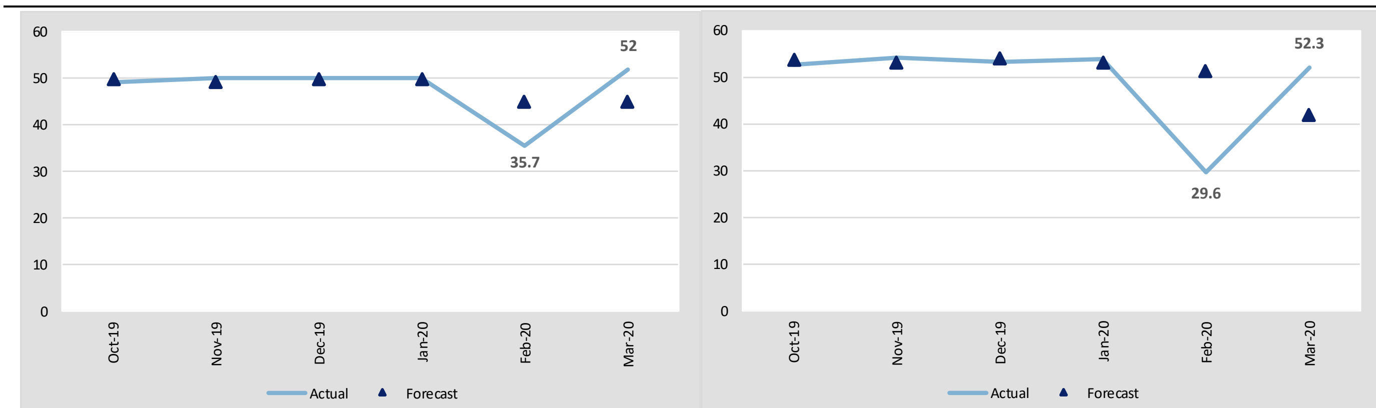
While markets managed to break the downtrend in late March, it remains likely that economies are due to enter a synchronized recession. Advanced GDP estimates for Singapore point to a steep GDP contraction for 1Q 20, with official Ministry of Trade and Industry estimates pointing towards a -1% to -4% yoy GDP contraction for 2020. New daily cases in Italy and Spain seemed to have peaked on 30 March, and various forms of fiscal stimuli have been enacted across all countries to help companies and households tide over.

China: The Beginning of the End

For China, it seems that the light at the end of the tunnel is near, as Wuhan managed to go on a 5-day streak without reporting any new locally transmitted cases. Case counts in China have also largely flattened out in March, and strict lockdown measures are being wounded down in Hubei. China's case count is closely watched by other countries as an indicator to the peak of the coronavirus outbreak, and if a 2-month lockdown is sufficient to suppress the outbreak, then June 2020 could be the period when the global economic engine restarts itself.

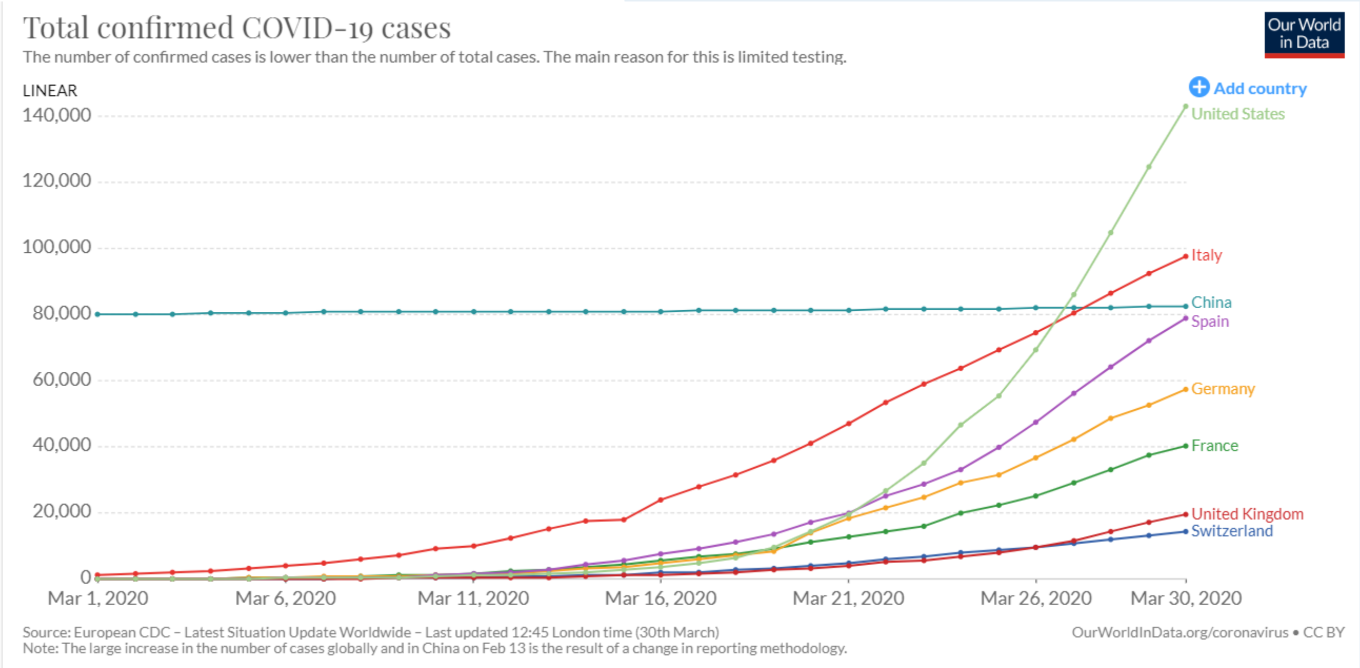
China's manufacturing and non-manufacturing PMI data released on 31 March also indicated a surprise industry expansion, as factories return to full production capacity and services are restored. While the sustainability of this expansion is questionable given that China's customers are now falling ill, it provides a glimmer of hope that business-as-usual is on the near term horizon.

Figure 3: China's unexpected March manufacturing (LHS) and non-manufacturing (RHS) PMI recovery



Source: China Federation of Logistics and Purchasing (CFLP), KGI Research

Figure 4: A possible peak of confirmed COVID-19 cases in China?



Source: Covidgraph.com through European CDC, as of 30th March

WHAT WE'VE BEEN UP TO

Figure 5: March company updates

BBG Ticker	Company Name	Industry	Currency	Last Traded	Target Price	Potential Upside (ex.div)
ARAUS SP	ARA US HOSPITALITY TRUST	Real Estate	USD	0.33	0.95	192.3%
ECWREIT SP	EC WORLD REIT	Real Estate	SGD	0.52	0.82	57.7%
UAG SP	UNI-ASIA GROUP LTD	Financials	SGD	0.40	0.62	55.0%
IFS SP	IFS CAPITAL LTD	Financials	SGD	0.23	0.30	30.4%
KDCREIT SP	KEPPEL DC REIT	Real Estate	SGD	2.23	2.19	-1.8%
EAGLEHT SP	EAGLE HOSPITALITY TRUST	Real Estate	USD	Suspended	0.61	N.A.

Prices retrieved as of market close on 30 March 2020

Source: Bloomberg, KGI Research

ARA US HOSPITALITY TRUST

We maintain our OUTPERFORM rating with the TP of US$0.95. Management gave an update with regard to COVID-19 impact on their hospitality business. ARA's portfolio is relatively sheltered from the fall-off of international demand and from large group travels, as their select service hotel business usually serves transient travellers. However, restrictions of non-essential travel and city lockdowns have increased since. March has seen a steady increase of reservation cancellations, but management expects leisure transient travel to rebound quickly once virus and travel concerns dissipate.

EC WORLD REIT

We maintain OUTPERFORM with revised 12M TP of S$0.82. 4Q19 and FY19 results largely in line with our forecasts. We remain optimistic but conservative, due to the less than optimal outlook for China. Since ECW is in the logistics sector, it is less reliant on human traffic, and operations have been steadily resuming (60-90% capacity) since receiving the necessary permits to restart operations. However, the temporary closure has inevitably affected businesses in China.

IFS CAPITAL

We maintain OUTPERFORM rating with the same TP of S$0.30. FY20 PBT excluding one-off items more than doubled to S$13.4mn from S$6.3mn in FY19. SME Lending business also continued to improve, with 15% yoy gain in net interest income. IFS Capital has also increased lending asset base, and IFS managed to raise FY20 final dividend to 0.78 Scts from 0.55 Scts.

KEPPEL DC REIT

We downgrade to NEUTRAL with increased TP of S$2.19. KDC REIT has improved portfolio occupancy with strong DPU growth coming in 2020 from acquisitions that occurred in 2019. The data centre thematic is likely to remain stable amidst economic slowdown from COVID-19. However, at sub 4% dividend yield, we think KDC REIT is quite fully valued.

UNI-ASIA GROUP

We downgrade Uni-Asia to NEUTRAL, reducing TP to S$0.62. UAG reported US$0.8mn losses in 4Q19, as compared to a US$2.3mn loss in 4Q18, with US$5.9mn depreciation impact coming from the IFRS16 accounting standards adoption. However, the year ahead poses a substantial challenge as all business segments of bulk shipping, Hong Kong property investments and Japanese hotels are impacted by the COVID-19 outbreak. With the postponing of the Tokyo 2020 Olympics, we think UAG may tip into a loss for FY20, and expect a dividend cut to 1.0 Sct, from a previously estimated 4.0 Scts.

EAGLE HOSPITALITY TRUST

On 19th March 2020, Eagle Hospitality Trust requested for a trading halt as part of a strategic review to sell selected assets in order to raise cash to tide the upcoming weak business period, as the Master Lessee was unable to make their fixed monthly rent payment to EHT. This was followed by a notice of a US$341mn loan default and acceleration from a loan syndication, which led to EHT delaying their dividend distribution. EHT is currently suspended for trading, and last traded at 13.7 US cents on 19th March.

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

APRIL OUTLOOK

After a tumultuous one and a half months, markets currently sit roughly 25% below January/February peaks. Analysts and officials alike continue to ponder over the potential impact of COVID-19 to world economies. Companies are forced into digitalization and remote work initiatives, for better or for worse, to help combat the spread of the virus. What was supposed to be a simple supply shock has now transitioned into a demand shock, as reopened Chinese factories find orders being cancelled from now virus-stricken countries. And there is little guidance from history books on how markets should react, given the virality and global nature of COVID-19.

On our end, beyond recent calls for gold and certain REITs, we will be looking to provide a 2Q 2020 outlook, as recent sell-downs provide good opportunity for accumulating quality assets. While the virus spread is unlikely to slow down in April, market expectations towards the latter half of the year can create further market volatility, with many scenarios. Do keep a look out for our upcoming reports, where we will explore investment themes in a post COVID-19 world.

KGI's Ratings	Rating	Definition
	Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
	Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
	Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
	Not Rated (NR)	The stock is not rated by KGI Securities.
	Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.