

Technical Pulse

The Phillip 20 Portfolio

Company Results

Sheng Siong
Sembcorp Marine
DBS, UOB, iFAST

Sector Report

Singapore REITs Sector

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Technical Pulse

The Phillip 20 Portfolio

Jeremy Ng

Phillip Securities Research Pte Ltd

08 May 2017

The Phillip 20 Portfolio

| The Phillip 20 Portfolio | | | | | | | | | |
|--------------------------|--------|------|---------------------------|-------------|-----------|-------------|---------------------|------------|-----------------------|
| Company Name | Ticker | L | Entry Date | Entry price | Stop Loss | Take profit | Targeted return (%) | Last price | Current gain/loss (%) |
| CHINA AVIATION | G92 | Long | 29-Mar-17 | 1.520 | 1.555 | 1.735 | 14.14% | 1.605 | 5.59% |
| COGENT | KJ9 | Long | 22-Mar-17 | 0.780 | 0.725 | 0.900 | 15.38% | 0.810 | 3.85% |
| CWG INTL | ACW | Long | 31-Mar-17 | 0.178 | 0.166 | 0.210 | 17.98% | 0.168 | -5.62% |
| F & N | F99 | Long | 24-Mar-17 | 2.220 | 2.220 | 2.550 | 14.86% | 2.390 | 7.66% |
| FOOD EMPIRE | F03 | Long | 12-Apr-17 | 0.610 | 0.505 | 0.695 | 13.93% | 0.560 | -8.20% |
| GENTING SING | G13 | Long | 16-Feb-17 | 1.000 | 0.970 | 1.220 | 22.00% | 1.085 | 8.50% |
| GEO ENERGY RES | RE4 | Long | 13-Mar-17 | 0.285 | 0.260 | 0.400 | 40.35% | 0.320 | 12.28% |
| JUMBO | 42R | Long | 6-Apr-17 | 0.720 | 0.630 | 0.785 | 9.03% | 0.680 | -5.56% |
| METRO | M01 | Long | 9-Mar-17 | 1.105 | 1.060 | 1.250 | 13.12% | 1.150 | 4.07% |
| MOYA ASIA | 5WE | Long | 17-Mar-17 | 0.074 | 0.064 | 0.085 | 14.86% | 0.086 | 16.22% |
| SHENG SIONG | OV8 | Long | 5-Apr-17 | 0.985 | 0.895 | 1.090 | 10.66% | 1.000 | 1.52% |
| SINGAPORE O&G | 41X | Long | 7-Apr-17 | 1.325 | 1.205 | 1.440 | 8.68% | 1.390 | 4.91% |
| SINGMEDICAL | 5OT | Long | 6-Dec-16 | 0.445 | 0.495 | 0.650 | 46.07% | 0.575 | 29.21% |
| SUNPOWER | 5GD | Long | 30-Mar-17 | 0.825 | 0.595 | 0.885 | 7.27% | 0.695 | -15.76% |
| SUNRIGHT | S71 | Long | 22-Mar-17 | 0.445 | 0.395 | 0.540 | 21.35% | 0.455 | 2.25% |
| SUTL ENTERPRISE | BHU | Long | 10-Apr-17 | 0.875 | 0.795 | 1.010 | 15.43% | 0.870 | -0.57% |
| THAIBEV | Y92 | Long | 14-Mar-17 | 0.955 | 0.825 | 1.045 | 9.42% | 0.910 | -4.71% |
| UMS | 558 | Long | 2-Mar-17 | 0.680 | 0.840 | 1.050 | 54.41% | 0.870 | 27.94% |
| UNITED ENGINEERS | U04 | Long | 31-Mar-17 | 2.870 | 2.610 | 3.000 | 4.53% | 2.780 | -3.14% |
| UPP HOLDINGS LTD | U09 | Long | 24-Mar-17 | 0.300 | 0.250 | 0.360 | 20.00% | 0.290 | -3.33% |

*Average gain is calculated based on equal weight placed on each trade

Average Gain: **3.86%**

Cumulative Gain: **77.12%**

Source: Bloomberg, PSR

The Phillip 20 Portfolio - Sunpower



Source: Bloomberg, PSR

Sheng Siong Group

No luck for new store so far

Soh Lin Sin

Phillip Securities Research Pte Ltd

08 May 2017

Sheng Siong Group

(Accumulate, TP:S\$1.06, Last:S\$1.00)

| (SGD mn) | 1Q17 | 1Q16 | y-y (%) | Comments |
|--------------|-------|-------|---------|--|
| Revenue | 217.1 | 208.5 | 4.1% | New stores +6.2%, SSSG +0.1%, temporary closure of Loyang store -2.1% |
| Gross profit | 54.3 | 51.0 | 6.5% | Margin improved on lower input prices Gross margin: 25.0% in 1Q17 vs 24.5% in 1Q16 |
| EBITDA | 22.4 | 19.7 | 13.6% | |
| EBIT | 20.6 | 19.5 | 5.6% | Higher depreciation expenses; lower government grant Operating margin: 9.5% in 1Q17 vs 9.3% in 1Q16 |
| PATMI | 17.1 | 16.4 | 4.4% | |

Source: Company, Phillip Securities Research Pte Ltd estimates

2Q17 gross margin to revert to its 25.5%-26.0% level

- Margin expansion drivers remain intact; expect FY17F gross margin maintained at c.26%

Any new stores in 2H17 could drive growth in FY2018

- Irrational bidding seen in end-2016 have eased
- 6 new supermarkets units pending completion by Oct 2017 (source: HDB HBiz website)

Five new stores + newly renovated and bigger store at Tampines Central (renovation work completes in Jun-17) to drive FY17F revenue growth

Sembcorp Marine Ltd

Expecting tardy recovery

Chen Guangzhi

Phillip Securities Research Pte Ltd

8 May 2017

Sembcorp Marine Ltd

(Neutral (Upgraded), TP:S\$1.58, Last:S\$1.63)

Results at a glance

| (SGD mn) | 1Q17 | 1Q16 | y-y (%) | Comments |
|------------------|-------|-------|---------|---|
| Revenue | 760.1 | 918.4 | ↓(17.2) | Low revenue recognition from rig building segment, resulting from delivery deferment and lower repair business |
| Gross profit | 19.9 | 80.6 | ↓(75.3) | Lower contribution from rig building projects and costs incurred for a floater project that is pending finalisation with the customer |
| Operating profit | 13.6 | 71.7 | ↓(81.1) | Lower gross profit and mild decrease in overhead costs |
| Net profit | 39.6 | 55.6 | ↓(28.8) | Divestment of 30% equity interest in Cosco, which generated S\$46.8mn gain |

Source: Company , Phillip Securities Research (Singapore)

Draining order books protract the recovery

- Sembcorp Marine (SMM) secured S\$75mn new orders (non-drilling segments: Offshore platforms and Floaters)
- Net order book YTD excluding repairs and upgrades totalled S\$7.1bn (26% Y-o-Y drop and 8.8% Q-o-Q drop)

Near shore gas infrastructure solutions help but take time

- Inquires for near-shore infrastructure solutions have been increasing
- Ongoing reallocation and retaining of manpower

DBS Group Holdings Ltd

Profit Boost from Wealth Management

Jeremy Teong

Phillip Securities Research Pte Ltd

08 May 2017

DBS Group Holdings Ltd

(Maintain Reduce with Higher TP:S\$17.24, previously S\$16.73. Last:S\$20.42)



Results at a glance

| (SGD mn) | 1Q17 | 1Q16 | y-o-y (%) | 4Q16 | q-o-q (%) | Comments |
|---------------------------|--------------|--------------|--------------|--------------|--------------|---|
| Net interest income | 1,831 | 1,833 | -0.1% | 1,824 | 0.4% | NIMs -11bps y-o-y, loans +9.1% y-o-y |
| Net Fees & Comm income | 665 | 574 | 15.9% | 515 | 29.1% | Higher WM, Transaction services and Investment Banking y-o-y |
| Other Non-interest income | 740 | 458 | 61.6% | 437 | 69.3% | Higher net income from investment securities and Gain from Sale of PwC Building |
| Total Income | 3,236 | 2,865 | 12.9% | 2,776 | 16.6% | |
| Expenses | 1,258 | 1,265 | -0.6% | 1,223 | 2.9% | |
| Credit Allowance | 550 | 170 | 223.5% | 462 | 19.0% | S\$350mn allocated to General Provision |
| Net Profit | 1,278 | 1,233 | 3.6% | 945 | 35.2% | |

Source: Company, PSR

1Q17 Net interest income at S\$1.83bn is flat y-o-y but slightly higher q-o-q

- Avg. Rates on Customer non-trade loans increased 6bps q-o-q. Avg. Rates on Customer deposits increased 3bps q-o-q. SIBOR was flat during 1Q17. Loans growth flattish (-1% in nominal terms, +1% in constant currency.)
- See unfavourable loan rate and volume dynamics coming from the competitive Corporate business segment (c.30% of net interest income)
- DBS' 1Q17 Loan-to-Deposit ratio is 87.1%, higher than 4Q16's 86.8% and similar to 1Q16's 87.4%

Coverage ratio improved from 97% to 103% q-o-q

- NPL stable at 1.4%. Vessels used on standard offshore oil & gas operations are realising values within expected range, and supported by recoveries from some Indian non-performing loans ("NPLs") which were sold. Uncertainty over vessel valuation lies with the lumpy specialised vessels within the offshore oil and gas space.

Earnings supported by Wealth Management (WM) and lower provisions ex S\$350mn gain from PwC Building Sale

- 1Q17 WM performance was exceptionally strong and outlook is more tapered.
- Expect General Provisions in next few quarters to be elevated to rebuild coverage ratio.

United Overseas Bank Limited

Exercising Pricing Power in Loans Market

Jeremy Teong

Phillip Securities Research Pte Ltd

08 May 2017

United Overseas Bank Limited

(Maintain Reduce with Higher TP:S\$19.20, previously S\$18.92. Last:S\$23.35)



Results at a glance

| (SGD mn) | 1Q17 | 1Q16 | y-o-y (%) | 4Q16 | q-o-q (%) | Comments |
|----------------------|--------------|--------------|-----------|--------------|-----------|--|
| NII | 1,303 | 1,275 | 2% | 1,276 | 2% | Higher loans growth y-o-y, Lower NIM y-o-y |
| Fees & Comm | 508 | 433 | 17% | 531 | -4% | Higher Fund Mgmt fees, Cards and WM |
| Other Non Int Income | 311 | 262 | 19% | 222 | 40% | Higher Net Trading Income y-o-y and q-o-q |
| Total Revenue | 2,123 | 1,970 | 8% | 2,028 | 5% | |
| Expenses | 957 | 895 | 7% | 957 | 0% | Higher staff and revenue related costs y-o-y |
| Allowances | 186 | 117 | 59% | 131 | 42% | Higher SP in S'pore and M'sia offset by GP utilisation |
| Net Profit | 807 | 766 | 5% | 739 | 9% | |

Source: Company, PSR

1Q17 Net interest income growth marginally higher y-o-y and q-o-q at SGD1.3bn

- Avg. rates on Customer loans up 4bps q-o-q. Avg. rates on Customer deposits down 1bps q-o-q. Loans growth slowed to 1.5% compared to average quarterly growth in 2016 of c.2.3%.
- UOB exercising pricing power on customer loans in 1Q17.
- UOB's 1Q17 Loan-to-Deposit ratio is 86.7%, unchanged from 4Q16's 86.8% but higher than 1Q16's 80.7%

Non-Performing Loans ("NPLs") inched higher q-o-q

- Mainly due to unsecured NPLs.
- NPLs associated with Marine Vessels declined.

Total revenue growth was boosted by exceptional Net Trading Income

- Higher Fees and Commission income growth was offset by higher staff and revenue related costs.
- Delta to net profit performance comes from higher Other non interest income and lower allowances.

iFAST Corporation Ltd.

A Strong Start to 2017

Jeremy Teong

Phillip Securities Research Pte Ltd

08 May 2017

iFAST Corporation Ltd.

(Upgrade to Accumulate, previously Neutral at unchanged TP:S\$0.78. Last:S\$0.73)



Results at a glance

| (SGD mn) | 1Q17 | 1Q16 | y-o-y (%) | 4Q16 | q-o-q (%) | Comments |
|---------------------------|--------------|-------------|------------|--------------|------------|---|
| Recurring net revenue | 9.41 | 8.13 | 16% | 9.04 | 4% | Higher AUA y-o-y |
| Non-recurring net revenue | 1.76 | 1.23 | 43% | 1.94 | -9% | Higher commission y-o-y |
| Total Net Revenue | 11.17 | 9.35 | 19% | 10.98 | 2% | |
| Other operating income | 0.44 | 0.54 | -19% | 0.47 | -7% | Lower AFS financial assets y-o-y |
| Staff costs | 4.84 | 4.56 | 6% | 5.21 | -7% | Annual salary adj. and inc. no.of staff in China y-o-y |
| Other operating expenses | 3.70 | 3.80 | -3% | 4.06 | -9% | Relatively lower unrealised exchange losses y-o-y |
| Operating profit | 2.17 | 1.18 | 84% | 1.27 | 71% | |
| Net Finance Income | 0.20 | 0.25 | -18% | 0.20 | 2% | Lower interest rates. Redemption of bond securities y-o-y |
| PATMI | 2.01 | 1.25 | 61% | 1.15 | 75% | |

Source: Company, Phillip Securities Research (Singapore)

AUA grew faster than expected to hit S\$6.46bn

- Improved market sentiment drove up valuations and sales growth.
- Improved channel sales from FSMOne which was launched in Dec 2016

Trading in SGX listed stocks and ETFs on target to launch in 2Q17

- Cleared some key systems tests and awaiting formal clearance from authorities

Hong Kong's AUA grew 17.3% y-o-y and 6.6% q-o-q to hit S\$1.40bn

- Launch of stocks and ETF on its B2C platform in April 2017

Net profit growth was also driven by normalizing of staff costs.

- Lower staff costs margin in 1Q17 seen as a return to a level closer to FY15's. We estimate FY17e average margin to be c.44%

Singapore REITs

Industrial sub-sector: Business Parks out, Hi-Tech Buildings in

Richard Leow

Phillip Securities Research Pte Ltd

08 May 2017

- **Both sector-wide rental and occupancy were lower q-o-q and y-o-y**
- **Expect sector's aggregate rental reversions to range at negative high-single-digit to negative low-double-digits in 2017**
- **We believe rents could bottom in 2017, but emphasize that negative rental reversions to persist**
- **Key change to our view: Switch from Business Park to Hi-Tech Buildings**
- **Maintaining "Equal Weight" view on Industrial REITs sub-sector on optimism of bottom of rents this year, while being cognisant of the over-supply situation that is likely to persist into 2018**

What is the news?

JTC released its Quarterly Market Report of Industrial Properties for 1Q 2017

Summary of Rental & Occupancy rate, as at 1Q 2017

| | | 4Q 2016 | 1Q 2017 | %qoq | %yoy |
|-----------|-----------------------|---------|---------|--------|--------|
| Rental | All Industrial | 93.8 | 93.0 | ↓(0.9) | ↓(5.0) |
| | Multiple-User Factory | 91.7 | 90.7 | ↓(1.1) | ↓(5.2) |
| | Single-User Factory | 100.9 | 99.9 | ↓(1.0) | ↓(5.7) |
| | Business Park | 105.4 | 104.3 | ↓(1.0) | ↑0.4 |
| | Warehouse | 91.0 | 90.5 | ↓(0.5) | ↓(6.1) |
| Occupancy | All Industrial | 89.5% | 89.4% | ↓(0.1) | ↓(0.7) |
| | Multiple-User Factory | 87.3% | 87.0% | ↓(0.3) | ↓(0.3) |
| | Single-User Factory | 90.9% | 90.6% | ↓(0.3) | ↓(1.3) |
| | Business Park | 83.0% | 84.0% | ↑1.0 | ↑2.3 |
| | Warehouse | 89.7% | 89.9% | ↑0.2 | ↓(0.5) |

Source: JTC, Phillip Securities Research (Singapore)

Key takeaways from the quarter

Negative reversions appears to be abating, with some hits and misses

- A-REIT still reported positive weighted average reversion of +3.2% for Singapore portfolio
 - Logistics & distribution centres: -18.8% reversion
- KDCREIT (one colocation "marginally higher") and SBREIT (+3.6%)
- MINT was a casualty, -0.2% weighted average, weighed down by Stack-Up/Ramp-Up Buildings segment

Key change to our view: Switch from Business Park to Hi-Tech Buildings

- Price-gap between BP and Office is narrowing
- Hi-Tech for growth, conventional factory for stability
- CFE: manufacturing remain 20% of GDP over the medium term
 - Hi-Tech: benefit from skill-up strategy, move up value chain
 - Factory: SMEs backbone of manufacturing sector

"Equal Weight" view on Industrial sub-sector

Industrial REITs under our coverage

| | Rating | Target Price (S\$) | Last Close Price (S\$) |
|-------------------------------|---------|--------------------|------------------------|
| Cache Logistics Trust | Reduce | 0.750 | 0.885 |
| Keppel DC REIT | Neutral | 1.150 | 1.240 |
| Mapletree Industrial Trust | Neutral | 1.800 | 1.810 |
| Soilbuild Business Space REIT | Neutral | 0.660 | 0.680 |

Source: Phillip Securities Research (Singapore)

High gearing of 43.1% is the key idiosyncratic impediment to inorganic growth

- "Reduce" rating from 1Q FY17 results
- Limited scope for organic growth in gross revenue due to oversupply, mitigated by only 4.7% expiry by GRI in FY17
- Ongoing rental dispute with Schenker at 51 Alps Avenue remains unresolved
- Master lease expiry of CWT Commodity Hub in 2018 is a concern with upcoming supply of warehouse space
- Our forecast: 6.69/7.00 cents Distribution per unit (DPU) for FY17e/FY18e, which is 8%/4% lower than consensus expectation of 7.3/7.3 cents

Expecting 32% y-o-y higher gross revenue and 7.7% higher DPU in FY17e, driven by two acquisitions completed in FY16 and one in January 2017

- "Neutral" rating from 1Q FY17 results
- Our forecast: 6.61/6.04 cents DPU for FY17e/FY18e, which is 8%/18% lower than consensus expectation of 7.2/7.4 cents
- Our FY18e DPU lower than FY17e, because: assumed an equity fund raising in 3Q FY18e for the acquisition of mainCubes data centre
- Resultant FY18e weighted average unit base is 2.8% larger than FY17e

Growth from Hi-Tech Buildings

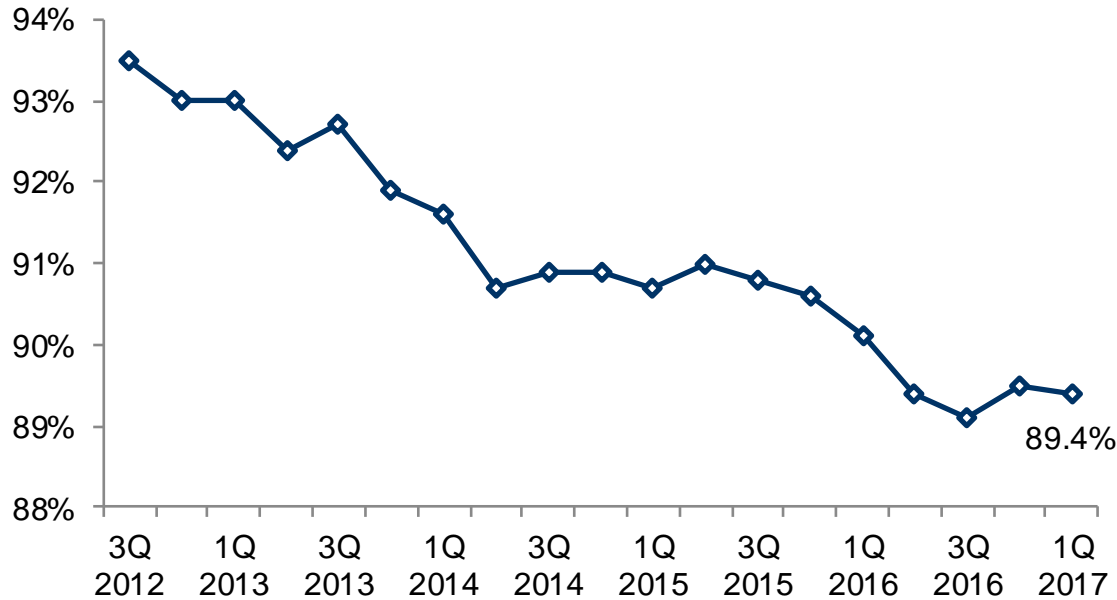
- "Neutral" rating from 3Q FY17 results
- Steady addition of Hi-Tech Buildings to portfolio from 13% (4Q FY14) to 25% (4Q FY17) by net property income
- Hi-Tech Buildings pipeline: (1.) Phase 2 of HP BTS 2Q 2017, (2.) 30A Kallang Place AEI 1Q 2018, (3.) BTS data centre 2H 2018
- Growth potential currently priced in; look to accumulate on temporary price weakness
- Our forecast: 11.29/12.00 cents DPU for FY18e/FY19e, which is 4%/3% lower than consensus expectation of 11.8/12.4 cents

Drag from weaker than expected take-up rate at Loyang Way property

- "Neutral" rating from 1Q FY17 results
- Acquisition of Bukit Batok Connection will help to cushion the negative effect of the Loyang Way vacancy; Loyang Way property size is 5.2% by portfolio value
- DPU to be weighed down by higher unit base arising from the 1-for-10 Preferential Offering in September 2016
- Expecting lower y-o-y DPU in all four quarters of FY17e
- Our forecast: 5.34/4.76 cents DPU for FY17e/FY18e, which is 3%/10% lower than consensus expectation of 5.5/5.3 cents

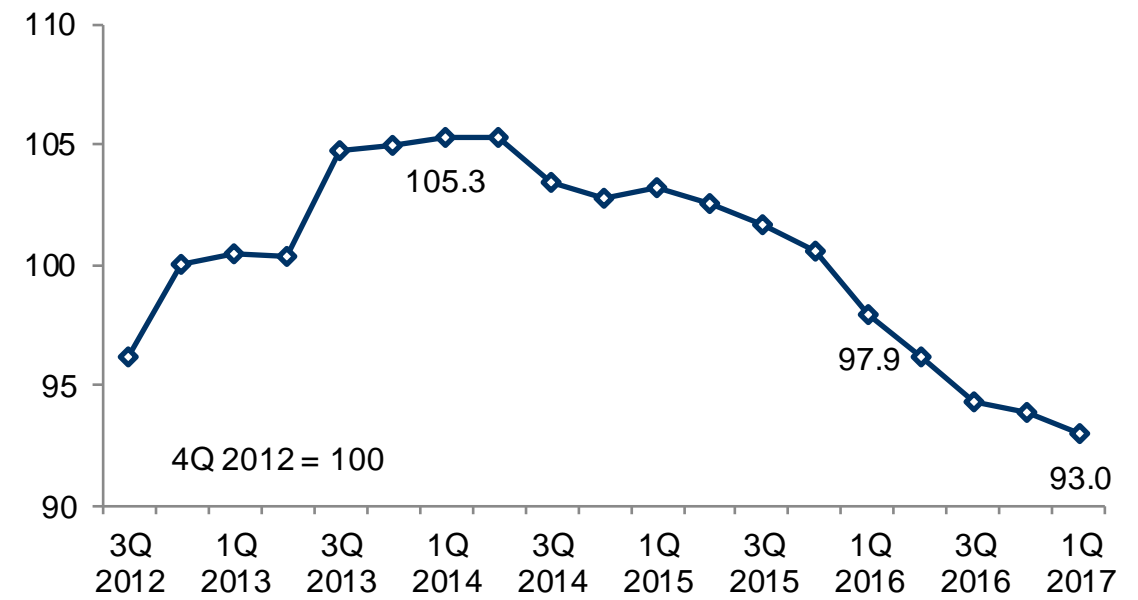
1Q 2017 JTC market data: Occupancy and Rental Index (Industrial sector)

Figure 1. Industrial sector occupancy



Source: JTC, Phillip Securities Research (Singapore)

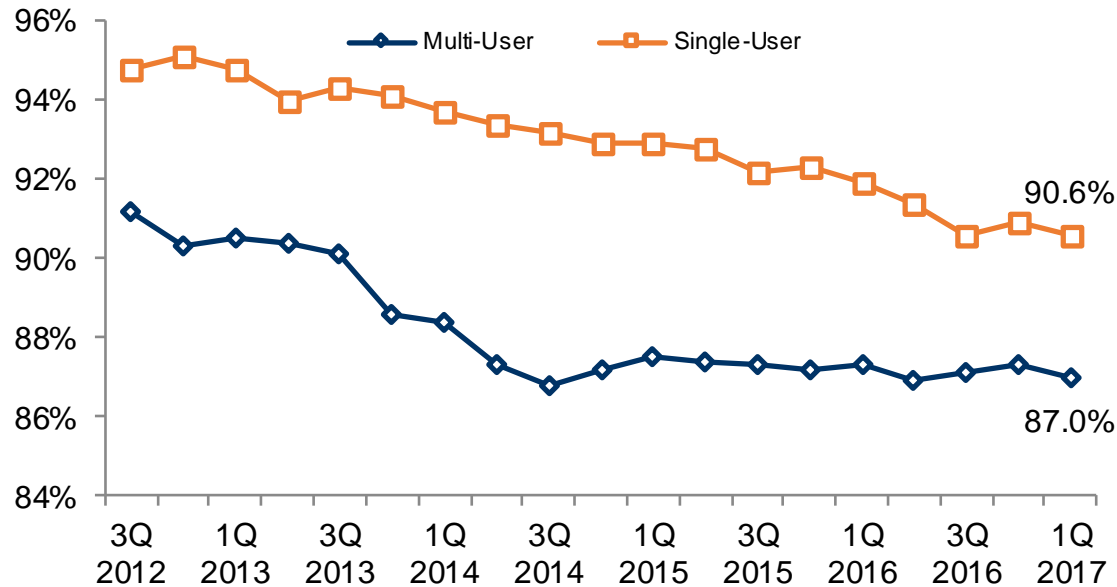
Figure 2. Industrial sector Rental Index



Source: JTC, Phillip Securities Research (Singapore)

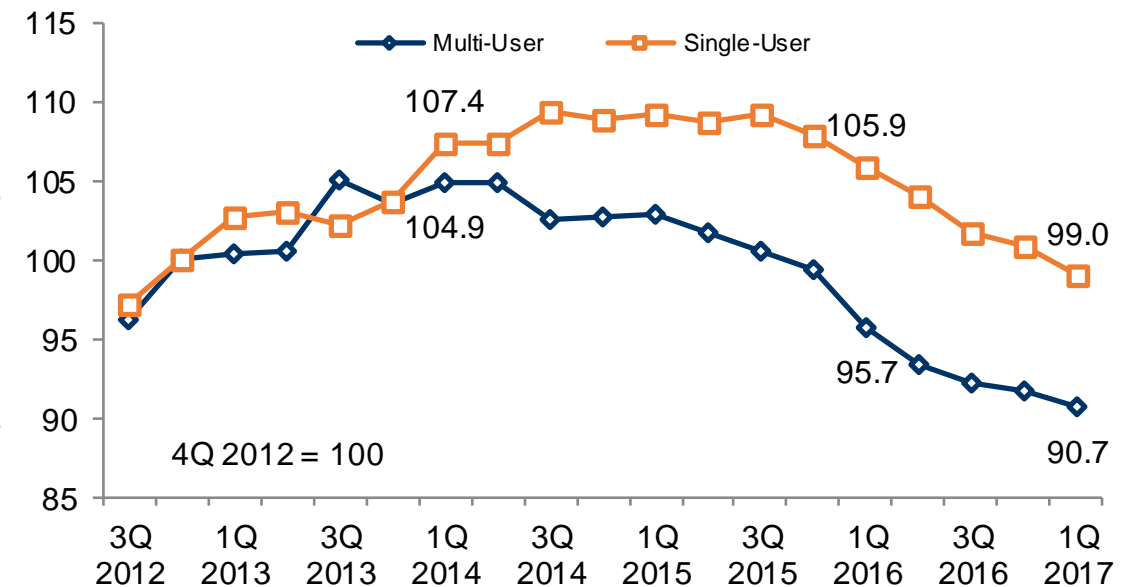
1Q 2017 JTC market data: Occupancy and Rental Index (Factory)

Figure 3. Factory occupancy



Source: JTC, Phillip Securities Research (Singapore)

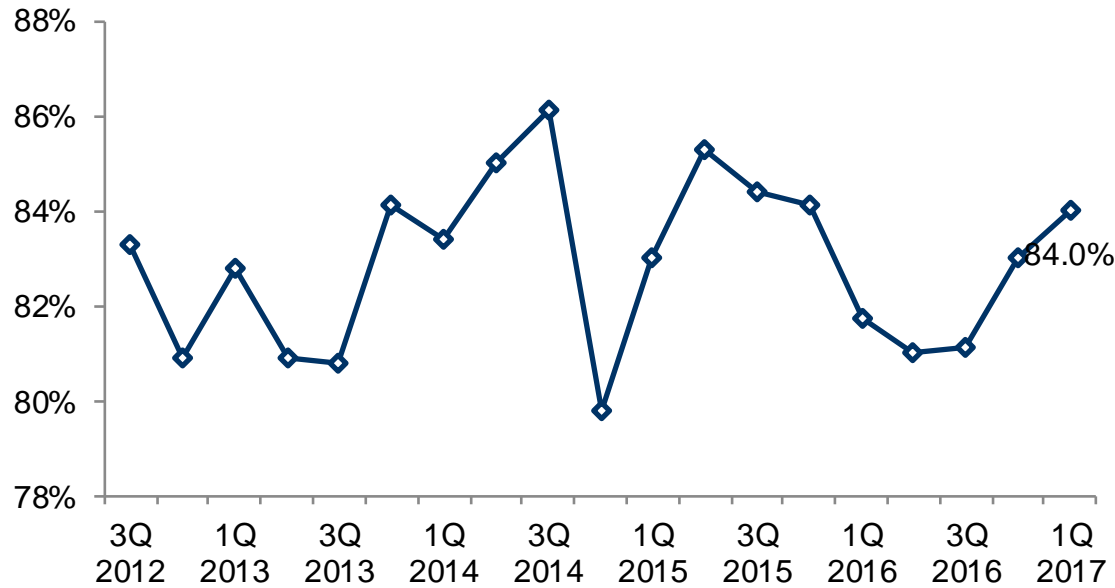
Figure 4. Factory Rental Index



Source: JTC, Phillip Securities Research (Singapore)

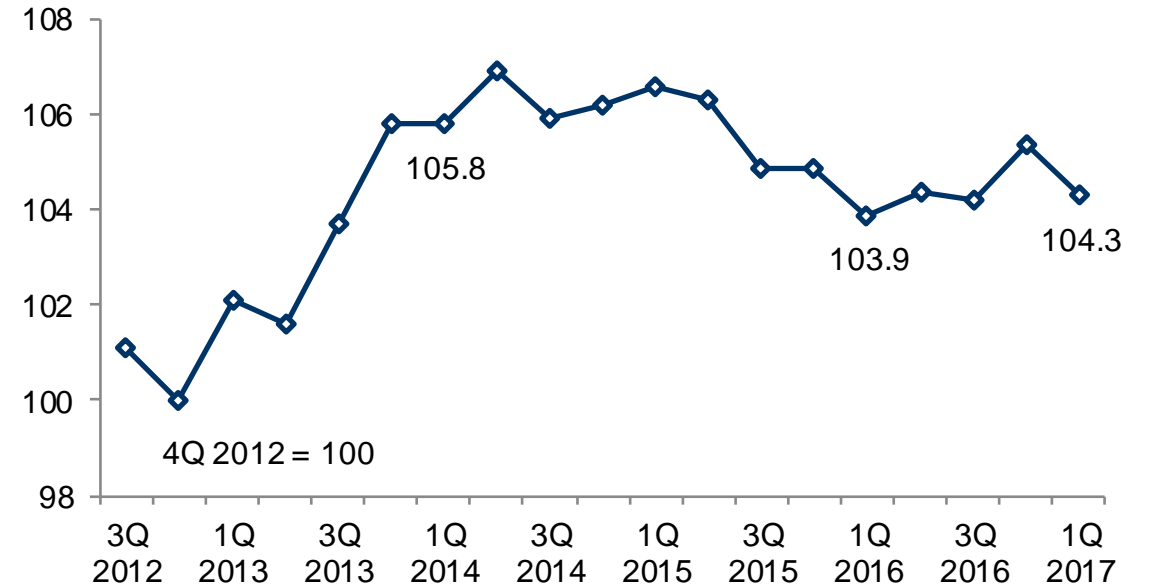
1Q 2017 JTC market data: Occupancy and Rental Index (Business Park)

Figure 5. Business Park occupancy



Source: JTC, Phillip Securities Research (Singapore)

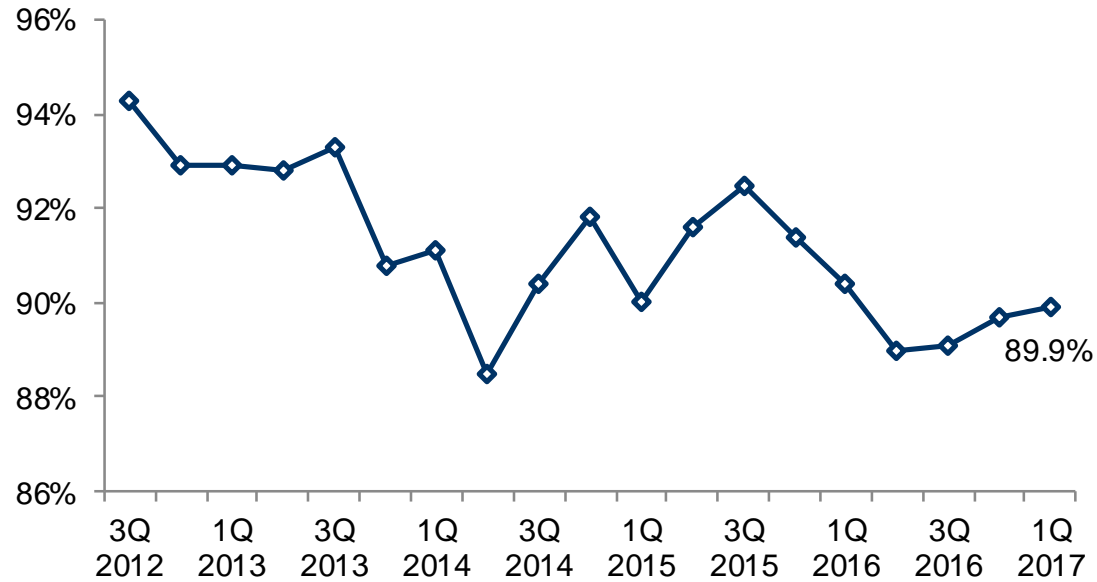
Figure 6. Business Park Rental Index



Source: JTC, Phillip Securities Research (Singapore)

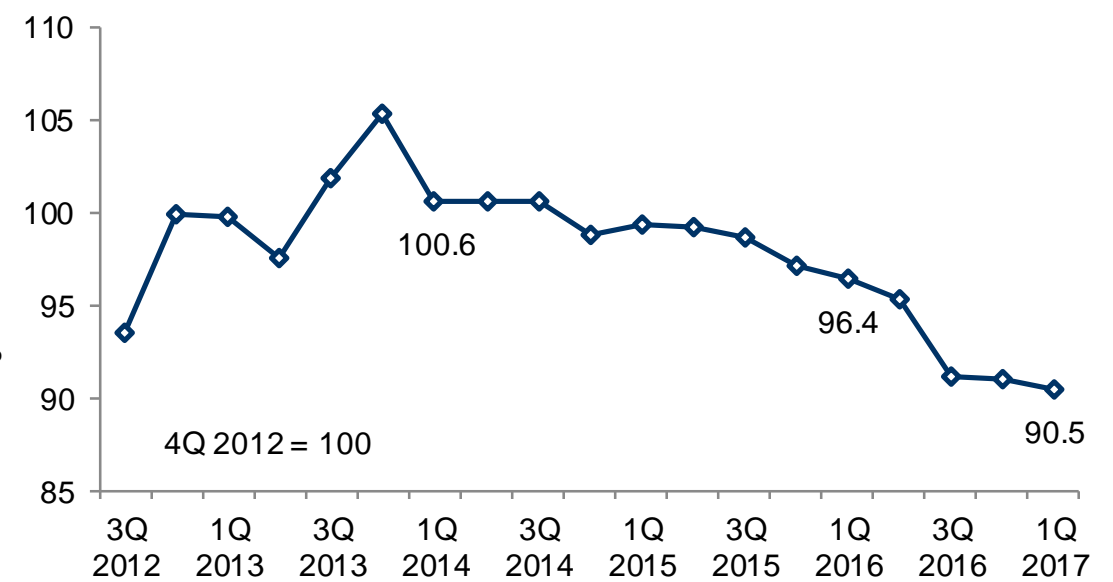
1Q 2017 JTC market data: Occupancy and Rental Index (Warehouse)

Figure 7. Warehouse occupancy



Source: JTC, Phillip Securities Research (Singapore)

Figure 8. Warehouse Rental Index

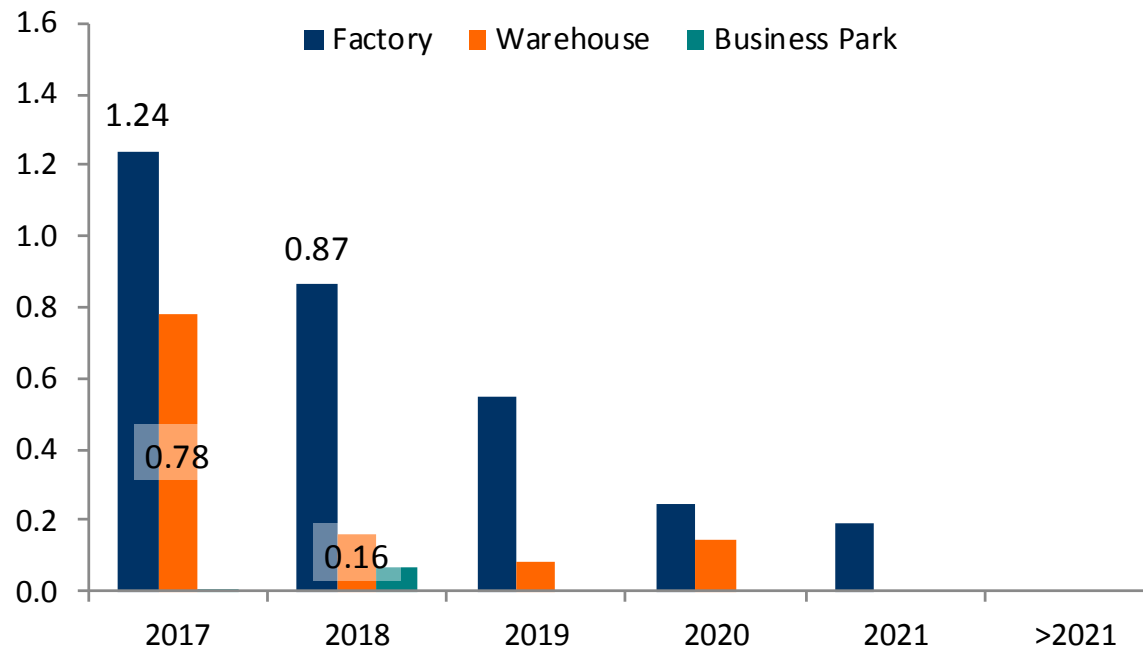


Source: JTC, Phillip Securities Research (Singapore)

1Q 2017 JTC market data: Supply pipeline

Supply tapering off in 2018 to 1.1 million sqm, after two years of supply that is higher than the historical average

Figure 9. Supply pipeline profile, as at 1Q 2017 (million sqm)



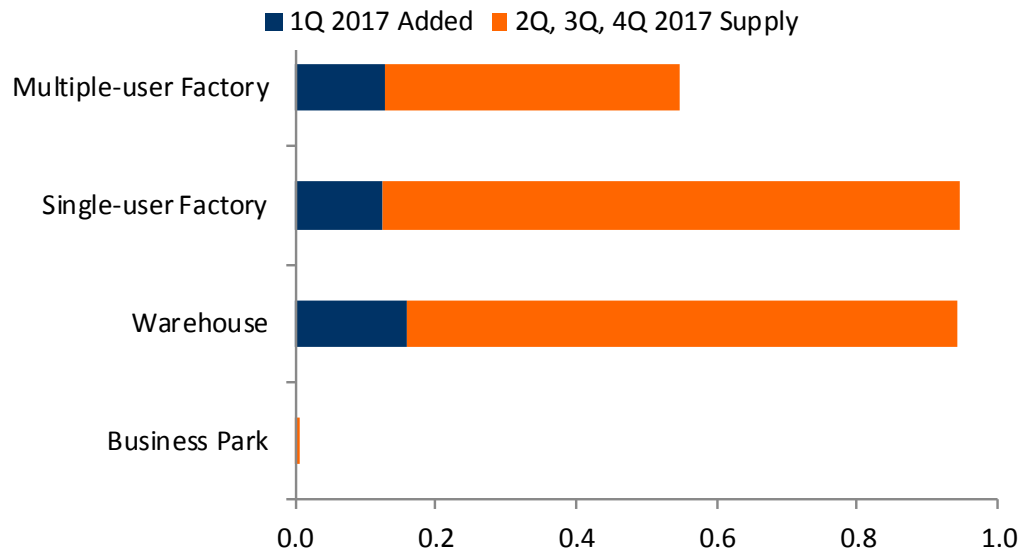
Source: JTC, Phillip Securities Research (Singapore)

1Q 2017 JTC market data: Supply pipeline

Disproportionate oversupply of new Single-user Factory in the next three quarters relative to 1Q 2017, likely to negatively impact Multiple-user Factory segment in instances where users move to their own developments

Negligible new supply of Business Park space for the remainder of 2017

Figure 10. Space added & Supply for 2017, as at 1Q 2017 (million sqm)



Source: JTC, Phillip Securities Research (Singapore)

1Q 2017 JTC market data: Supply pipeline

Supply Pipeline as a percentage of existing stock, as at 1Q 2017

| (%) | 2017 | 2018 | 2019 | 2020 | 2021 | >2021 |
|--------------------------|------------|------------|------------|------------|------------|------------|
| Factory | 3.6 | 2.5 | 1.6 | 0.7 | 0.5 | 0.0 |
| Warehouse | 8.1 | 1.7 | 0.9 | 1.5 | 0.0 | - |
| Business Park | 0.2 | 3.3 | - | - | - | - |
| Industrial sector | 4.3 | 2.4 | 1.4 | 0.8 | 0.4 | 0.0 |

Source: JTC, Phillip Securities Research (Singapore)

Overall supply pipeline is tapering off

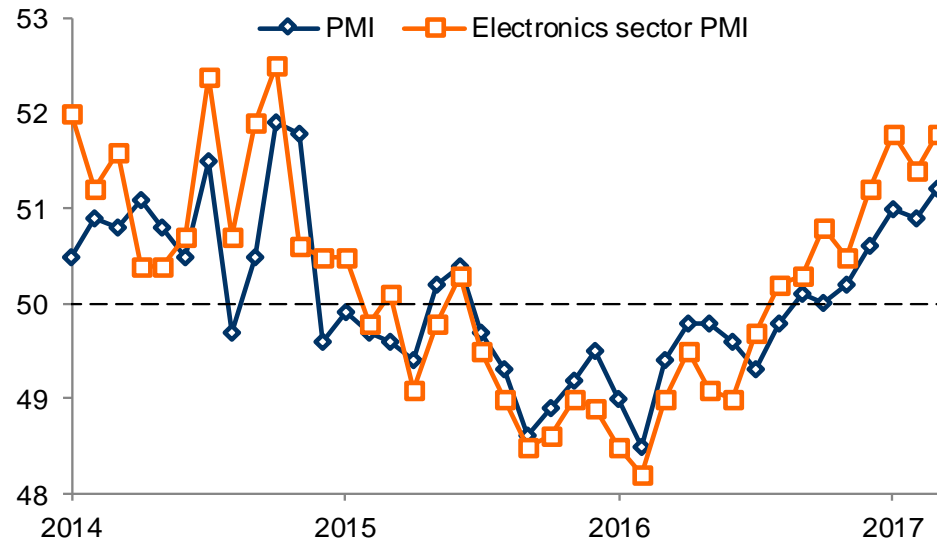
3-year average annual supply/demand of 1.8/1.3 million sqm respectively

How do we view this?

Uptick in Industrial activity, signalling improvement in global economy

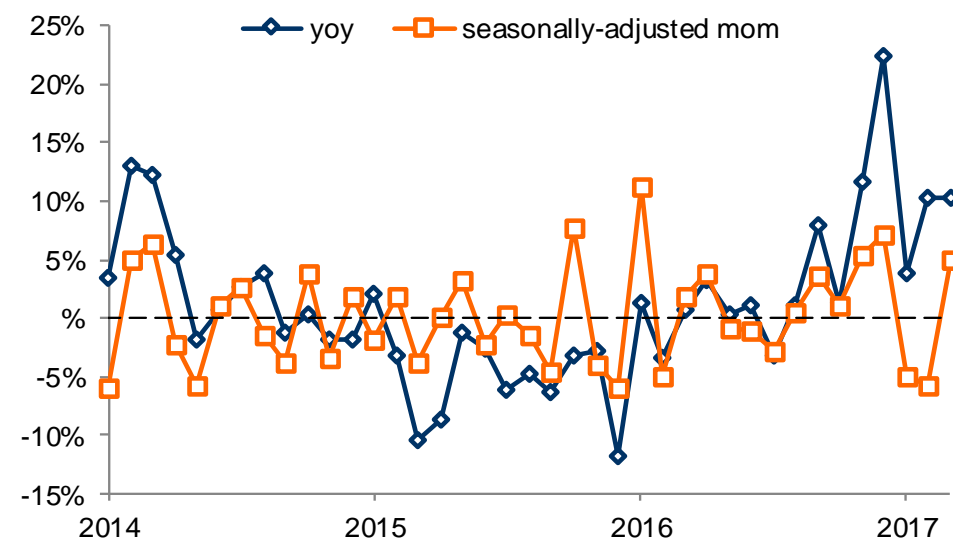
- PMI has remained in expansionary territory in tandem with Industrial Production
- Industrial Production has moderated from its peak in Dec 2016
- Expect both PMI and Industrial Production to converge to more sustainable levels for continued growth

Figure 11. Purchasing Managers' Index (PMI), March 2017



Source: Bloomberg, SIPMM, Phillip Securities Research (Singapore)

Figure 12. Industrial Production Index, March 2017



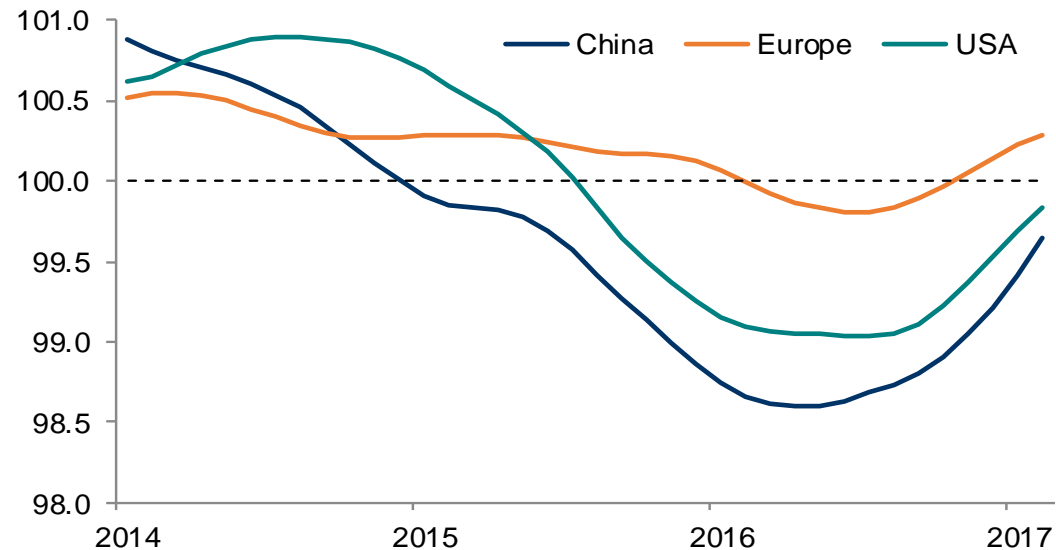
Source: Bloomberg, EDB, Phillip Securities Research (Singapore)

How do we view this?

Uptick in Industrial activity, signalling improvement in global economy

- SG net-exporter, higher industrial output has been a reflection of improving global economic sentiment that has been driven by external demand
- OECD Composite Leading Indicator show signs of bottoming out for the three largest economic blocs

Figure 13. OECD Composite Leading Indicator (CLI)



Source: OECD, Phillip Securities Research (Singapore)

Continued pressure due to mismatch in supply and demand

- JTC estimates about 2.0 million sqm of new space in remainder of 2017, which is about 4.3% of current available stock
- 2017 new space is significantly higher than the average supply of around 1.8 million sqm in the past three years
- Historical average demand of 1.3 million sqm in the past three years

1Q 2017 aggregate reversions maintained at negative double-digits

- Rental Index in 1Q 2017 (93.0) compared to three years ago in 1Q 2014 (105.3) implies aggregate negative reversions of -11.7%
- Expecting negative high-single-digit to negative low-double-digits for remainder of 2017

How do we view this?

Oversupply in Multiple-User Factory space to persist in 2017

- Planned supply of 549,000 sqm in 2017 is 134% more than the net new supply in 2016
 - Will add 5.2% to existing stock as at 4Q 2016, compared to 2.2% added during 2016
- Expect negative double-digit reversions for remainder of 2017

Supply pressure in 2017 for Warehouse is going to be worse than 2016

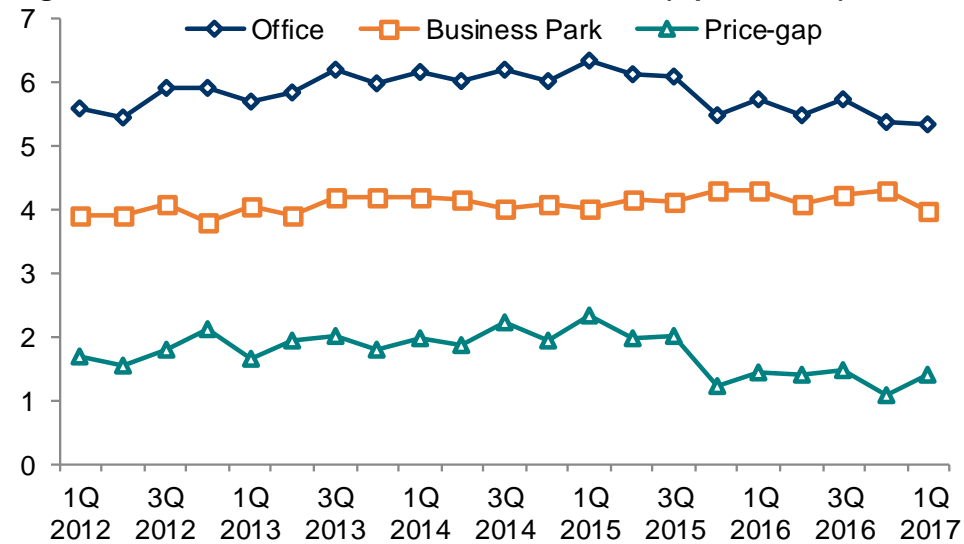
- Planned supply for 2017 is 942,000 sqm, which is 61% higher than the net new supply in 2016
 - Will add 10% to existing stock as at 4Q 2016, compared to the 6.6% added during 2016
- Expecting negative high-single-digit reversions in 2017

How do we view this?

Stale thesis on Business Parks, due to narrowing price-gap with Office rents

- Limited new supply, but do not expect significant upward trajectory in rent
- Expect BP rent and occupancy to remain stable q-o-q
- New supply of Office space, easing of Office rent, negates impetus of qualifying tenants to shift to BP spaces

Figure 14. Median rent for Office & Business Park (\$ psf / month)



Source: REALIS, Phillip Securities Research (Singapore)

How do we view this?

Strategic top-down view

- Equal Weight on the Industrial S-REITs sub-sector on optimism of bottoming of rents
- Expect demand-supply imbalance to persist, but already see some stabilisation of *asking rents*
- Emphasize the distinction between rental reversions and bottoming of rents

Tactical bottom-up view

- Switch out of Business Park spaces to Hi-Tech assets: MINT is our preferred choice
 - Track record of organically growing Hi-Tech Buildings segment

Quarterly results across the sub-sector

Summary of quarterly results

| | Gross revenue (S\$ mn) | | | Net property income (S\$ mn) | | | Distributable income (S\$ mn) | | | DPU (cents) | | |
|----------------------------------|---------------------------|-------|---------|---------------------------------|-------|---------|----------------------------------|------|----------|-------------|-------|----------|
| | 4Q17 | 4Q16 | yoy (%) | 4Q17 | 4Q16 | yoy (%) | 4Q17 | 4Q16 | yoy (%) | 4Q17 | 4Q16 | yoy (%) |
| Y/E Mar | | | | | | | | | | | | |
| AIMS AMP Capital Industrial REIT | 30.6 | 30.3 | ↑ 1.1 | 20.0 | 20.4 | ↓ (2.0) | 17.8 | 18.7 | ↓ (5.3) | 2.78 | 2.95 | ↓ (5.8) |
| Ascendas REIT | 208.9 | 204.0 | ↑ 2.4 | 154.1 | 143.5 | ↑ 7.4 | 111.9 | 89.1 | ↑ 25.5 | 3.852 | 3.410 | ↑ 13.0 |
| Mapletree Industrial Trust | 87.8 | 84.0 | ↑ 4.5 | 66.0 | 62.0 | ↑ 6.4 | 51.8 | 50.4 | ↑ 2.7 | 2.88 | 2.81 | ↑ 2.5 |
| Mapletree Logistics Trust | 96.5 | 88.4 | ↑ 9.1 | 80.3 | 72.6 | ↑ 10.5 | 46.6 | 44.8 | ↑ 4.1 | 1.86 | 1.80 | ↑ 3.3 |
| Y/E Dec | | | | | | | | | | | | |
| Cache Logistics Trust | 27.1 | 27.9 | ↓ (2.9) | 20.8 | 22.1 | ↓ (5.8) | 16.2 | 18.2 | ↓ (11.0) | 1.800 | 2.039 | ↓ (11.7) |
| Cambridge Industrial Trust | 27.7 | 28.4 | ↓ (2.2) | 19.7 | 21.5 | ↓ (8.4) | 13.1 | 14.5 | ↓ (9.7) | 1.004 | 1.112 | ↓ (9.7) |
| Keppel DC REIT | 32.2 | 24.8 | ↑ 30.1 | 28.8 | 21.2 | ↑ 36.1 | 21.8 | 14.7 | ↑ 47.6 | 1.89 | 1.67 | ↑ 13.2 |
| Sabana Shari'ah Compliant REIT* | | | | | | | | | | | | |
| Soilbuild Business Space REIT | 22.0 | 20.1 | ↑ 9.2 | 19.2 | 17.2 | ↑ 11.7 | 15.6 | 14.6 | ↑ 6.6 | 1.489 | 1.557 | ↓ (4.4) |
| Viva Industrial Trust | 27.4 | 21.9 | ↑ 24.9 | 20.3 | 15.8 | ↑ 28.8 | 17.8 | 14.1 | ↑ 25.9 | 1.854 | 1.638 | ↑ 13.2 |

Source: Various REITs, Phillip Securities Research (Singapore)

Gross revenue growth driven by both inorganic & organic growth

- Acquisitions: A-REIT, MLT, Cache, KDCREIT, VIT
- BTS: MINT; AEI: MLT, AAREIT

Lower DPU mainly due to higher ppty expenses, resulting in weaker NPI

- Conversions from SUA to MTB: Cache, CIT
- Dilution due to Preferential Offering: SBREIT

Full year results across the sub-sector

Summary of full year results

| Y/E Mar | Gross revenue (\$\$ mn) | | | Net property income (\$\$ mn) | | | Distributable income (\$\$ mn) | | | DPU (cents) | | |
|----------------------------------|-------------------------|------|---------|-------------------------------|------|---------|--------------------------------|------|---------|-------------|-------|---------|
| | FY17 | FY16 | yoy (%) | FY17 | FY16 | yoy (%) | FY17 | FY16 | yoy (%) | FY17 | FY16 | yoy (%) |
| AIMS AMP Capital Industrial REIT | 120 | 124 | ↓ (3.4) | 79 | 82 | ↓ (3.5) | 70 | 72 | ↓ (2.2) | 11.05 | 11.35 | ↓ (2.6) |
| Ascendas REIT | 831 | 761 | ↑ 9.1 | 611 | 534 | ↑ 14.5 | 446 | 378 | ↑ 18.0 | 15.74 | 15.36 | ↑ 2.5 |
| Mapletree Industrial Trust | 341 | 332 | ↑ 2.7 | 257 | 245 | ↑ 4.8 | 205 | 198 | ↑ 3.6 | 11.39 | 11.15 | ↑ 2.2 |
| Mapletree Logistics Trust | 373 | 350 | ↑ 6.6 | 312 | 291 | ↑ 7.3 | 186 | 183 | ↑ 1.5 | 7.44 | 7.38 | ↑ 0.8 |

Source: Various REITs, Phillip Securities Research (Singapore)

Gross revenue growth driven by both inorganic & organic growth

- Acquisitions: A-REIT, MLT
- BTS: MINT; AEI: MLT

Resultant DPU were in line with gross revenue

Performance measures across the sub-sector

Summary of Performance Measures, as at end of March 2017

| | Occupancy (%) | WALE by GRI (years) | WALE by NLA (years) | Gearing (%) | WADM (years) | WACD (%) | Interest coverage (x) |
|----------------------------------|---------------|---------------------|---------------------|-------------|--------------|------------|-----------------------|
| AIMS AMP Capital Industrial REIT | 94.6 | 2.5 | | 36.1 | 2.3 | 3.7 | 5.0 |
| Ascendas REIT | 90.2 | 4.3 | | 33.8 | 3.3 | 3.0 | 5.7 |
| Cache Logistics Trust | 97.2 | 3.6 | | 43.1 | 2.6 | 3.5 | 3.9 |
| Cambridge Industrial Trust | 95.4 | 3.7 | | 37.8 | 2.9 | 3.7 | 3.8 |
| Keppel DC REIT | 95.1 | | 9.2 | 27.9 | 2.9 | 2.2 | 11.6 |
| Mapletree Industrial Trust | 93.1 | 3.1 | | 29.2 | 3.5 | 2.7 | 7.7 |
| Mapletree Logistics Trust | 96.3 | | 4.0 | 38.5 | 3.9 | 2.3 | 5.6 |
| Sabana Shari'ah Compliant REIT* | | | | | | | |
| Soilbuild Business Space REIT | 91.8 | 3.3 | | 37.5 | 2.6 | 3.4 | 5.0 |
| Viva Industrial Trust | 91.1 | 3.2 | | 39.2 | 3.1 | 3.9 | 4.6 |
| Average | 93.9 | 3.4 | 6.6 | 35.9 | 3.0 | 3.1 | 5.9 |

Source: Various REITs, Phillip Securities Research (Singapore)

WALE: Weighted Average Lease Expiry; WADM: Weighted Average Debt Maturity; WACD: Weighted Average Cost of Debt

GRI: Gross rental income; NLA: Net leasable area

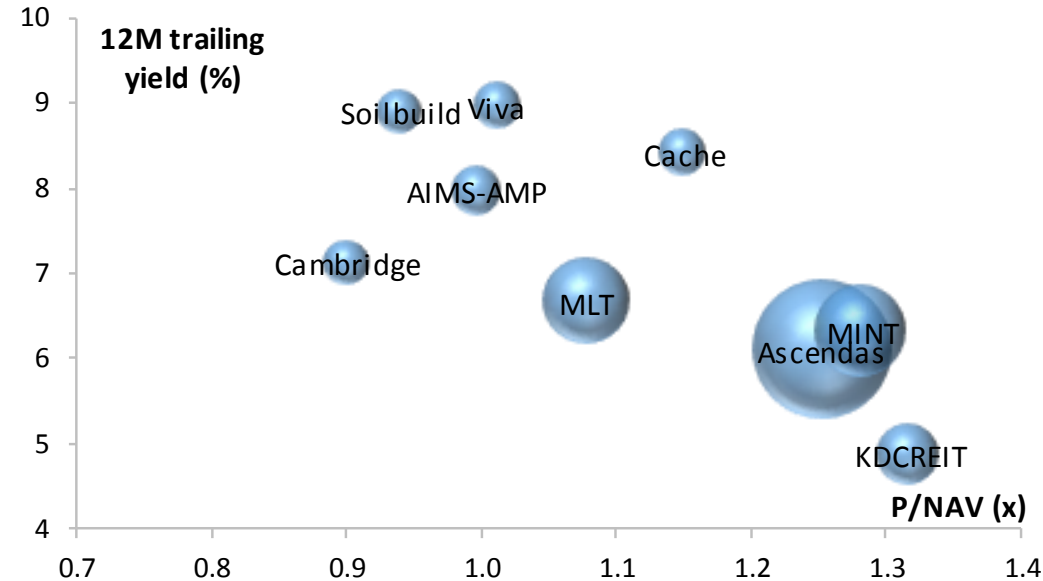
Trend of compressing yields

Industrial S-REITs peer relative data (arranged by Mkt. Cap.)

| | Mkt. Cap. (\$\$ mn) | Price (\$\$) | Trailing P/NAV (x) | 12M trailing yield (%) | | | | |
|--|------------------------|-----------------|-----------------------|---------------------------|---------------------------------|---------------------------|--------------|---------------------------|
| Ascendas REIT | 7,441 | 2.58 | 1.25 | 6.1 | | | | |
| Mapletree Industrial Trust | 3,244 | 1.800 | 1.28 | 6.3 | | | | |
| Mapletree Logistics Trust | 2,788 | 1.115 | 1.08 | 6.7 | | | | |
| Keppel DC REIT | 1,403 | 1.245 | 1.32 | 4.9 | | | | |
| AIMS AMP Capital Industrial REIT | 885 | 1.385 | 1.00 | 8.0 | | | | |
| Cache Logistics Trust | 803 | 0.890 | 1.15 | 8.4 | g 12M trailing (x) yield (%) | | | |
| Viva Industrial Trust | 772 | 0.800 | 1.01 | 9.0 | 7.3 | | | |
| Cambridge Industrial Trust | 744 | 0.570 | 0.90 | 7.1 | 6.8 | | | |
| Soilbuild Business Space REIT | 707 | 0.675 | 0.94 | 8.9 | 7.0 | | | |
| Sabana Shari'ah Compliant REIT* | 479 | 0.455 | - | - | 5.2 | 12M trailing yield (%) | | |
| | | | | | 8.3 | 6.6 | | |
| Average | | | 1.10 | 7.3 | 7.1 | 6.7 | P/NAV (x) | 12M trailing yield (%) |
| | | | | | 9.0 | 7.3 | | |
| Source: Bloomberg (Updated: 5 May 2017), Phillip Securities Research (Singapore) | | | | | 9.5 | 5.4 | 1.20 | 8.7 |
| | | | | | 9.4 | 8.4 | 1.30 | 6.3 |
| Sabana Shari'ah Compliant REIT | 463 | 0.440 | 0.73 | 9.5 | 9.6 | 9.6 | 1.06 | 7.0 |
| Average | | | 1.02 | 7.9 | 7.8 | 7.8 | 1.31 | 5.5 |
| | | | | | 10.0 | 0.99 | 0.99 | 7.8 |
| Source: Bloomberg (Updated: 17 February 2017), Phillip Securities Research (Singapore) | | | | | 9.2 | 1.02 | 1.02 | 9.3 |
| | | | | | 10.1 | 0.81 | 0.81 | 8.4 |
| Sabana Shari'ah Compliant REIT | 385 | 0.520 | 0.65 | 10.1 | 0.92 | 0.92 | 0.92 | 9.0 |
| Average | | | 0.99 | 8.1 | 0.86 | 0.86 | 0.86 | 9.4 |
| | | | | | 0.86 | 0.86 | 0.86 | 9.4 |
| Source: Bloomberg (Updated: 10 November 2016), Phillip Securities Research (Singapore) | | | | | 0.86 | 0.86 | 0.86 | 9.4 |
| | | | | | 0.86 | 0.86 | 0.86 | 9.4 |
| Sabana Shari'ah Compliant REIT | 380 | 0.515 | 0.64 | 11.3 | | | | |
| Average | | | 1.01 | 8.3 | | | | |
| | | | | | | | | |
| Source: Bloomberg (Updated: 11 August 2016), Phillip Securities Research (Singapore) | | | | | | | | |

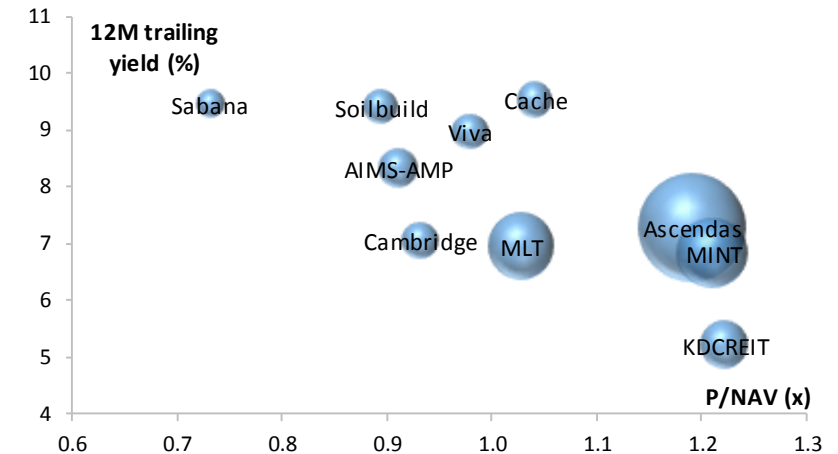
Peer relative valuation vs. 3-mths ago

Figure 15. 12M trailing yield (%) vs. P/NAV (x)



Source: Bloomberg (Updated: 5 May 2017), Phillip Securities Research (Singapore)

Figure 12. 12M trailing yield (%) vs. P/NAV (x)



Source: Bloomberg (Updated: 17 February 2017), Phillip Securities Research (Singapore)

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