

Macro Update

Phillip ETF Model Portfolio

Companies Update

City Developments Limited

Sembcorp Marine Ltd

Results Update

Soilbuild Business Space REIT

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Phillip ETF Model Portfolio

Performance Review

Pei Sai Teng

Phillip Securities Research Pte Ltd

16 October 2017

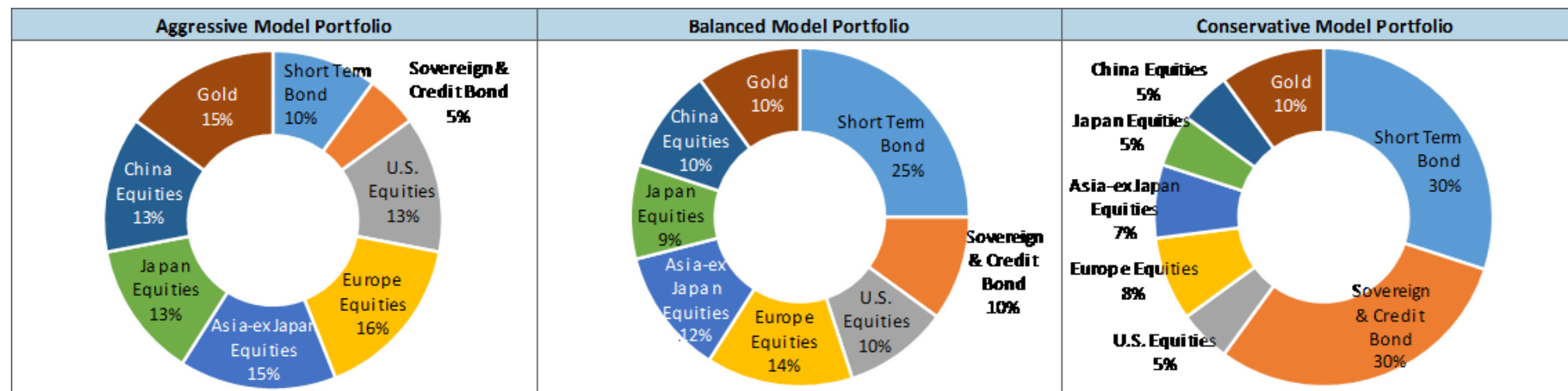
Phillip ETF Model Portfolio Performance

	1 mth	YTD	1 yr	3yr	5 yr
SG Aggressive Portfolio	1.0	19.7	14.4	19.5	35.6
SG Balanced Portfolio	0.8	18.9	14.0	19.3	30.3
SG Conservative Portfolio	0.4	13.0	6.7	13.1	19.0
US Aggressive Portfolio	0.8	20.4	14.6	21.6	38.7
US Balanced Portfolio	0.7	16.5	11.9	18.4	32.7
US Conservative Portfolio	0.2	11.2	6.7	14.1	21.3

Note: Portfolio returns are in USD and does not include any transaction costs or any other fees. Performance returns indicated are back-tested results on the assumption that the portfolios are rebalanced back to strategic asset allocation at the end of each calendar year.

***Past performance is not an indicator of future performance.*

Asset Allocation & Investment Instruments



Investment Instruments:

Asset Class	Singapore Listed ETFs		U.S. Listed ETFs	
Fixed-Income				
Short Term Bond	ABF Singapore Bond Index Fund	SGX: A35	Short-Term Bond ETF	AMEX: BSV
Sovereign & Credit Bond	iShares J.P. Morgan USD Asia Credit Bond Index ETF	SGX: QL2	iShares iBoxx \$ Investment Grade Corporate Bond ETF	AMEX: LQD
Equity				
U.S. Equities	SPDR S&P500 ETF Trust	SGX: S27	SPDR S&P 500 ETF	AMEX: SPY
Europe Equities	db x-trackers MSCI Europe Index UCITS ETF	SGX: IH3	Vanguard FTSE Europe ETF	AMEX: VGK
Asia-ex Japan Equities	LYXOR MSCI AC Asia Pacific ex Japan UCITS ETF	SGX: P60	iShares MSCI All Country Asia ex Japan ETF	Nasdaq: AAXJ
Japan Equities	db x-trackers - MSCI Japan TRN Index UCITS ETF	SGX: LF2	iShares MSCI Japan ETF	AMEX: EWJ
China Equities	db x-trackers MSCI China TRN Index UCITS ETF	SGX: LG9	iShares MSCI China ETF	Nasdaq: MCHI
Alternatives				
Gold	SPDR Gold Shares	SGX: O87	SPDR Gold Shares ETF	AMEX: GLD

Correlation Table for SGX listed ETFs

Weekly correlation since 31 December 2016

SGX ETFs	ABF Singapore Bond Index Fund	iShares J.P. Morgan USD Asia Credit Bond Index ETF	SPDR S&P500 ETF Trust	db x-trackers MSCI Europe Index UCITS ETF	LYXOR MSCI AC Asia Pacific ex Japan UCITS ETF	db x-trackers - MSCI Japan TRN Index UCITS ETF	db x-trackers MSCI China TRN Index UCITS ETF	SPDR Gold Shares
ABF Singapore Bond Index Fund	1.000	-0.038	0.014	-0.204	-0.067	-0.120	-0.064	0.122
iShares J.P. Morgan USD Asia Credit Bond Index ETF	-0.038	1.000	-0.027	-0.083	-0.141	0.039	-0.073	-0.081
SPDR S&P500 ETF Trust	0.014	-0.027	1.000	0.701	0.222	0.579	0.514	0.045
db x-trackers MSCI Europe Index UCITS ETF	-0.204	-0.083	0.701	1.000	0.696	0.526	0.637	0.091
LYXOR MSCI AC Asia Pacific ex Japan UCITS ETF	-0.067	-0.141	0.222	0.696	1.000	0.445	0.807	0.197
db x-trackers - MSCI Japan TRN Index UCITS ETF	-0.120	0.039	0.579	0.526	0.445	1.000	0.453	-0.116
db x-trackers MSCI China TRN Index UCITS ETF	-0.064	-0.073	0.514	0.637	0.807	0.453	1.000	0.138
SPDR Gold Shares	0.122	-0.081	0.045	0.091	0.197	-0.116	0.138	1.000

Correlation Table for US listed ETFs

Weekly correlation since 31 December 2016

US ETFs	Short-Term Bond ETF	iShares iBoxx \$ Investment Grade Corporate Bond ETF	SPDR S&P 500 ETF	Vanguard FTSE Europe ETF	iShares MSCI All Country Asia ex Japan ETF	iShares MSCI Japan ETF	iShares MSCI China ETF	SPDR Gold Shares ETF
Short-Term Bond ETF	1.000	0.596	-0.131	-0.057	-0.004	-0.040	-0.102	0.212
iShares iBoxx \$ Investment Grade Corporate Bond ETF	0.596	1.000	0.095	0.091	0.101	0.155	0.033	0.031
SPDR S&P 500 ETF	-0.131	0.095	1.000	0.875	0.807	0.747	0.636	-0.010
Vanguard FTSE Europe ETF	-0.057	0.091	0.875	1.000	0.823	0.736	0.643	0.135
iShares MSCI All Country Asia ex Japan ETF	-0.004	0.101	0.807	0.823	1.000	0.695	0.915	0.191
iShares MSCI Japan ETF	-0.040	0.155	0.747	0.736	0.695	1.000	0.544	-0.019
iShares MSCI China ETF	-0.102	0.033	0.636	0.643	0.915	0.544	1.000	0.153
SPDR Gold Shares ETF	0.212	0.031	-0.010	0.135	0.191	-0.019	0.153	1.000

Statistics of Portfolio Proxies

Return (%)	Calendar Year									
	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
US Aggressive Portfolio	4.2	-3.2	1.3	7.6	-	-	-	-	-	-
US Balanced Portfolio	3.7	-2.4	1.8	6.4	-	-	-	-	-	-
US Conservative Portfolio	4.1	-2.0	3.0	1.7	-	-	-	-	-	-
US Aggressive Index Proxy	4.1	-3.0	2.6	8.6	13.7	-6.2	12.4	32.4	-28.8	21.9
US Balanced Index Proxy	3.7	-2.2	2.7	7.1	11.8	-3.9	10.3	27.0	-22.0	18.3
US Conservative Index Proxy	4.2	-1.8	3.8	2.1	10.1	1.0	9.9	19.8	-10.8	13.5

Compared against **-44%** drop in STI index or **-38%** drop in S&P500 in 2008.

Aggressive

Period Analysis	Up	Down	Total
Number	87	52	139
Percentage	62.6	37.4	100
Average	2.66	-2.76	0.63
Standard Dev.	2.16	2.85	3.58

Balanced

Period Analysis	Up	Down	Total
Number	91	48	139
Percentage	65.5	34.5	100
Average	2.10	-2.35	0.57
Standard Dev.	1.74	2.23	2.86

Conservative

Period Analysis	Up	Down	Total
Number	93	46	139
Percentage	66.9	33.1	100
Average	1.54	-1.57	0.51
Standard Dev.	1.27	1.56	2.00

City Developments Limited

Putting the cash hoard to good use

Tan Dehong

Phillip Securities Research Pte Ltd

16 October 2017

City Developments Limited

(ACCUMULATE, TP: S\$12.10, Last close: S\$12.66)



Event: 1. Potential offer for remaining 35% Millennium and Copthorne shares at 553 pence/share. 2. En bloc of Amber Park at land rate S\$1,515psf

- Offer price, despite a 24% premium to last close price, offers attractive value for CDL as it is pegged at 0.7x P/BV. And the hotels are valued at cost in the books.
- Offer price still at a discount to peer average valuation of 0.98x P/BV.
- Privatisation to be RNAV-accretive, if the deal goes through. Our revised RNAV will be S\$15.90 per share. Post-acquisition, M&C will make up 27% of CDL's total GAV.
- Low valuation of M&C, cheap GBP/SGD, improving hospitality outlook likely reasons for offer.
- Potential selling price for a new project on Amber Park en bloc site suggests a 38% upside from current market prices in the vicinity.

Maintain “Accumulate” with unchanged TP of S\$12.10

- Post-acquisition, RNAV would rise to S\$15.90/ TP to S\$13.50.
- SG residential makes up c.31% of adjusted GAV. Including properties in other sectors, SG exposure stands at c.56% of adjusted GAV.

Sembcorp Marine Ltd

Some drizzle in this drought

Chen Guangzhi
Phillip Securities Research Pte Ltd
16 October 2017

Sembcorp Marine Ltd

(NEUTRAL, TP: S\$1.82)

Event: SMM signed agreements for the sale of nine Pacific Class 400 jackup drilling rigs to Borr Drilling Limited and its subsidiaries at an aggregate consideration of approximately US\$1.3bn (S\$1.77bn)

- The delivery window: 14 months, starting from 4Q17 to 1Q19
- Upfront payment: c.US\$500mn at the moment
- Balance amount: c.US\$800mn in five years from the respective delivery dates of the rigs
- Subject to c.S\$15mn losses from the deal, excluding all interest and market fee payable by Borr Drilling

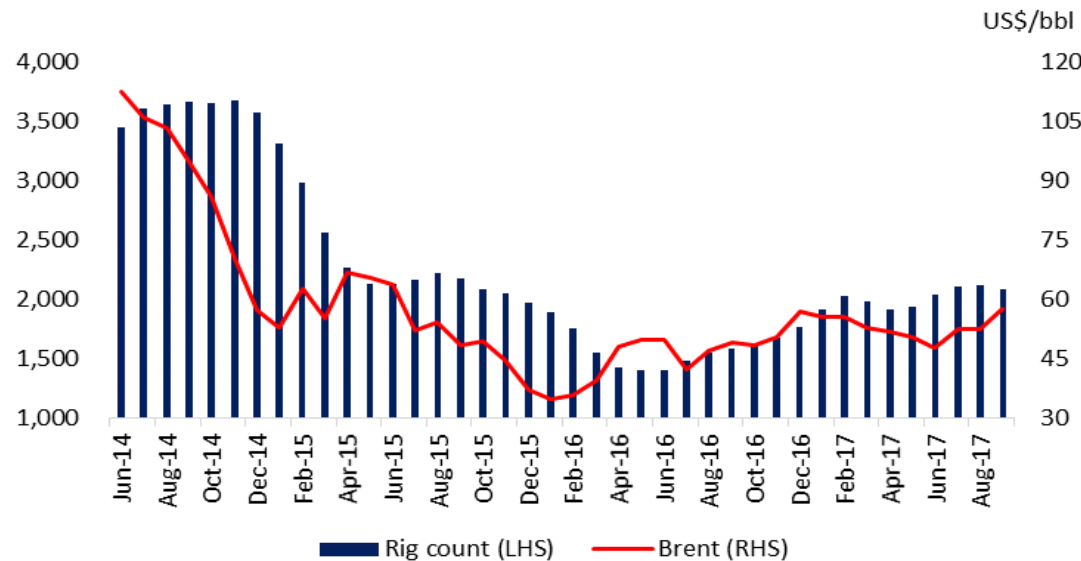
The sizable deal will provide liquidity

- Working capital required was S\$438mn in 1H17, compared to S\$168mn in 1H16
- Borrowings rose from S\$4bn in Jun-16 to S\$4.4bn in Jun-17 and stretched its interest burden
- To fund working capital without escalating indebtedness
- Repay part of the borrowing to mitigate interest payments

SMM is catching up with the market turnaround

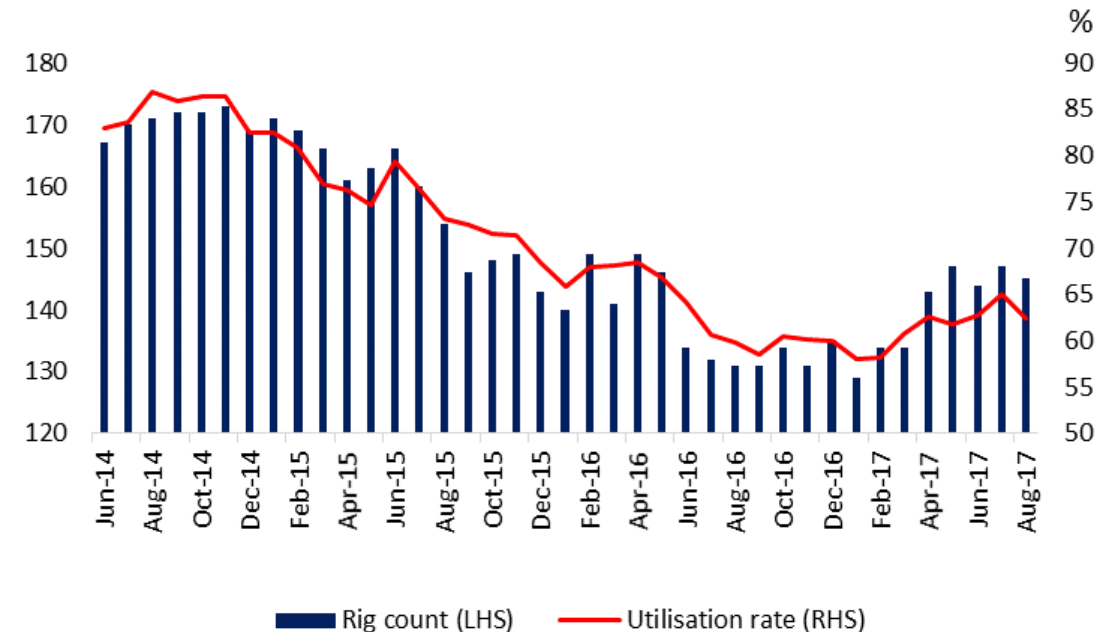
- Momentums that upstream players are defrosting their capex after more than a year's budget cut
- Tracking the market closely to grapple opportunities from the market turnaround

Figure 1: Total world rig count and Brent price



Source: Bloomberg, PSR

Figure 2: Monthly Jackup IC 350+ utilisation rate and rig count



Source: Bloomberg, PSR

Sembcorp Marine Ltd

(NEUTRAL, TP: S\$1.82)

The deal deteriorates profitability

- May be a compromised outcome for SMM
- The loss is regarded as significant given the prolonged weakened profitability in the near term
- Profit margin will be further lower: due to lacking of new sizable orders replenishment

Outlook

- Market is starting to thaw
- Rig owners start to unwind capex: sourcing deals that are below fair value
 - From the stockpile of newly-built rigs without contracts
 - From builder's facing insolvency issue
- It will take longer than expected period before the new orders come in

Upgrade to NEUTRAL with a higher target price of S\$1.82

- Maintained FY17e EPS 5.4 SG cents, due to weaker than expected performance in 1H17
- Updated blended forward 12-month PER of 33.6x

Soilbuild Business Space REIT

Better occupancy marred by worsening arrears

Richard Leow

Phillip Securities Research Pte Ltd

16 October 2017

Soilbuild Business Space REIT

(Reduce, TP: \$0.64, FY17e DPU: 5.59 cts (7.9%) , Last: \$0.705)



Results at a glance

(SGD mn)	3Q17	3Q16	YoY	Comments
Gross revenue	20.5	19.7	4.1%	Bukit Batok Connection acquired in 3Q16 (27 Sep), higher West Park BizCentral, Solaris, Tuas Connection and Tellus Marine; offset by lower 72 Loyang Way
Net property income	17.8	17.3	3.0%	11.3% higher property expenses
Distributable income	14.4	14.6	-0.8%	4.5% higher finance expenses
DPU (cents)	1.374	1.399	-1.8%	Payment of property and lease management fees in cash in 3Q17 vs. payment in Units in 3Q16
DPU, adj. (cents)	1.42	1.399	1.5%	PSR estimate of 3Q17 DPU, assuming management fees paid in Units instead of cash

Source: Company, PSR

QoQ improvement in occupancy from 92.6% to 94.1%

- West Park BizCentral (91.2% → 95.0%), 72 Loyang Way (22.8% → 27.0%)

~148,500 sq ft of 72 Loyang Way remains vacant

- Difficult to secure anchor tenant from Offshore Marine sector for such a large space
- Competing supply just 300m away at Loyang Crescent, smaller 49,600 sq ft property

Overhang from NK Ingredients

- Received payment on 10 Oct for security deposit, Tenant has seven days to top up

KTL Offshore 3rd master leasee with collection issue

- 7 months arrears, insurance bond adequate up to May/June 2018
- Wholly-owned subsidiary of KTL Global Limited, flagged by Independent Auditor doubts on ability to continue as a going concern

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