

## Company Results

Frasers Centrepont Trust  
CapitaLand Commercial Trust  
CapitaLand Retail China Trust  
Ho Bee Land

Sembcorp Marine  
China Sunsine  
Ascendas Reit  
Mapletree Industrial Trust  
Cache Logistics Trust

## Phillip Monthly Recession Tracker (April update)

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# Sembcorp Marine Ltd

## Still Gloomy

Chen Guangzhi

Phillip Securities Research Pte Ltd

30 April 2018

# Sembcorp Marine Ltd

(REDUCE (maintained), TP: S\$1.85)

## Results at a glance

(SGD mn)	4Q18	4Q17 (Restated)	YoY (%)	Comments
Revenue	1,180.3	745.6	58.3	Higher revenue recognition for rigs & floaters upon the delivery of 2 jack-up rigs to Borr Drilling and 1 jack-up rig to BOTL; Adoption of SFRS(I)
Gross profit	43.1	15.2	183.6	Margin recognition upon delivery of rigs; offset by lower overall business volume, especially in rigs & floaters and offshore platforms, which impacted the absorption of overhead costs
Operating profit	19.5	8.8	120.9	Foreign exchange loss arose from the revaluation of assets and liabilities denominated in USD and SGD; Lower sales of scrap
PATMI	5.3	37.0	(85.7)	The gain on disposal of assets held for sale in 1Q 2017 arose from the Group's divestment of its 30% equity interest in Cosco

Source: Company, PSR

## A new contract replenished net order book in 1Q18

- Contract of engineering, procurement, and construction of hull and living quarters for a newbuild FPSO (S\$476mn)

## Warning on profitability

- Pre-SFRS 15, revenue growth would have been 15% YoY that translates into a S\$33mn net loss in 1Q18

## Orders book dwindling

- 1Q18: S\$7.7bn vs FY17 (restated): S\$8.4bn
- Floating LNG businesses still at the enquiry stage with no orders

## Outlook: upstream drilling and production sector remained soft

# China Sunsine Chemical Holdings Ltd

An incredible start for the year

Chen Guangzhi

Phillip Securities Research Pte Ltd

30 April 2018

# China Sunsine Chemical Holdings Ltd

(BUY (Maintained), TP: S\$1.97, Est Dividend: 2.6 SG cents)

## Results at a glance

(RMB mn)	1Q18	1Q17	YoY (%)	Comments
Revenue	857	575	49.1	Increase in overall ASP and sales volume
Gross profit	299	140	113.4	In line with the above
PBT	182	85	114.4	Increase in overhead costs and FX losses
PAT	150	57	161.4	In line with the above

Source: Company, PSR

## High ASP and sales volume extended in 1Q18

### Sales volume

(mn tonnes)	1Q18	1Q17	YoY (%)	4Q17	QoQ (%)
Accelerators	19,907	20,358	-2.2	21,722	-8.4
Insoluble Sulphur	6,212	5,111	21.5	6,010	3.4
Anti-oxidant	10,353	7,181	44.2	10,665	-2.9

### Average selling price

(RMB/tonne)	1Q18	1Q17	YoY (%)	4Q17	QoQ (%)
Accelerators	29,387	20,061	46.5	27,511	6.8
Insoluble Sulphur	11,719	10,448	12.2	11,414	2.7
Anti-oxidant	17,995	14,204	26.7	18,012	-0.1

Source: Company PSR

## GPM and NPM at historical highs in 1Q18

- 4.9% and 17.4% in 1Q18 (1Q17: 24.4% and 10%, 4Q17: 33.3% and 15.1%)
- Due to the growth in ASP and reduction of tax rate

# China Sunsine Chemical Holdings Ltd

(BUY (Maintained), TP: S\$1.97, Est Dividend: 2.6 SG cents)

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## **Trial run status: pending for approval**

- Respective 10k-tonne accelerator TBBS and Insoluble Sulphur plant: expected to get approval by 2Q18
- Each trial run could last for 1 to 3 months

## **Outlook**

- More strengthened environmental protection policies and regulation
- Shortage of supply will persist in FY18 and be benefiting Sunsine

# Ascendas REIT

## Positioned to benefit from upswing

Richard Leow

Phillip Securities Research Pte Ltd

30 April 2018



# Ascendas REIT

(Accumulate, TP: \$2.91, DPU: 16.1 cents (6.0%), Last: \$2.65)

## Results at a glance

(SGD mn)	FY18	FY17	YoY	Comments
Gross revenue	862	831	3.8%	Acquisition of 12, 14 & 16 Science Park Drive (Feb 2017), 197-201 Coward Street (Sep 2016) and 100 Wickham Street (Sep 2017) and 108 Wickham Street (Dec 2017)
Net property income	629	611	3.0%	6.0% higher property operating expenses
Distributable income	468	446	4.9%	
DPU (cents)	15.99	15.74	1.6%	5.0% larger weighted average unit base

Source: Company, PSR

## Stable portfolio value with slight tightening of capitalisation rates

- Portfolio: 6.29% → 6.24%

## Net positive reversion of +0.7% for the portfolio

- Occupancy was also higher QoQ: 91.1% → 91.5%

## Healthy balance sheet at 34.4% gearing, available headroom to grow AUM by 10%

## Outlook: stable

- Portfolio is well diversified able to weather short-term localised impact
- Manager optimistic on Business Park and Hi-Specs; cautious on logistics assets

# Mapletree Industrial Trust

## Portfolio of stability and diversification

Richard Leow

Phillip Securities Research Pte Ltd

30 April 2018

# Mapletree Industrial Trust

(Neutral, TP: \$2.09, DPU: 12.11 cents (6.0%), Last: \$2.02)



## Results at a glance

(SGD mn)	FY18	FY17	YoY	Comments
Gross revenue	363	341	6.7%	Contribution from HP BTS and one-off pre-termination compensation from Johnson & Johnson; partially offset by lower occupancy
Net property income	278	257	8.1%	2.3% higher property operating expenses
Share of profit from JV	21.8	-	N.M.	\$3.9mn PAT and \$17.9mn fair value gains
Distributable income	216	205	5.3%	
DPU (cents)	11.75	11.39	3.2%	1.9% larger weighted average unit base

Source: Company, PSR

## Stable portfolio value with slight tightening of capitalisation rates

- Tighter for Flatted Factories, Hi-Tech Buildings and Stack-up/Ramp-up Buildings
- Business Park unchanged; Light Industrial Buildings widened

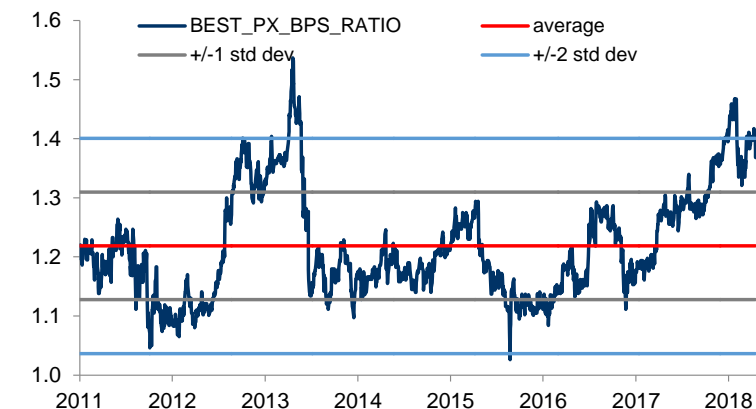
## Gearing remains relatively low at 33.1%, available headroom to grow AUM by 8%

## Weighted average rental reversion of -2.2%

- QoQ lower occupancy: 90.1% → 89.6%

## Outlook: stable

- Contribution from JV platform of US data centres to offset SG
- Manager expects softer Flatted Factories; BP remain fairly strong



# Cache Logistics Trust

## Bear with the initial pain of portfolio rebalancing strategy

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Phillip Securities Research Pte Ltd

30 April 2018

# Cache Logistics Trust

(Accumulate, TP: \$0.91, DPU: 6.05 cents (7.2%), Last: \$0.835)



## Results at a glance

(SGD mn)	1Q18	1Q17	YoY	Comments
Gross revenue	29.0	27.1	7.3%	Nine Australia warehouses acquired on Feb 15 and 51 Alps Ave rental top-up
Net property income	22.9	20.8	10.0%	1.8% lower property expenses
Distributable income	16.1	16.2	-0.6%	1Q17 includes capital distribution of \$0.929mn, underlying DI from operations is 5.5% higher; 1Q18 DI is after \$0.89mn distribution to perpetual securities holders (1Q17: Nil)
DPU, actual (cents)	1.507	1.800	-16.3%	19% larger unit base following Rights Issue in Oct 2017, 1Q17 includes capital distribution of 0.103 cents
DPU, restated (cents)	1.507	1.723	-12.5%	1Q17 restated for Rights Issue

Source: Company, PSR

## Australia acquisition with 5-yr WALE extends portfolio WALE QoQ from 3.4 years to 3.5 years

### Leverage to reduce further from 38.5% to 35.2%

- Pending divestment of Hi-Speed Logistics Centre (40 Alps Ave) for S\$73.8mm
- Headroom of \$108mn (assume 40% gearing) able to grow AUM ~8%

## Current occupancy is lower than 97.3% as at 1Q18, due to conversion of CWT Commodity Hub

- CWT Commodity Hub converted at 86% on April 12

## Distribution eroded by distribution to perpetual securities holders

- Underlying Distributable Income 5.5% higher YoY, despite 10% increase in NPI

## Outlook: Stable. Renewal risk for 2018 limited to 6.7% of GRI, tapering supply

- Next master lease is at Precise Two (15 Gul Way) at end-1Q 2019

# Frasers Centrepoint Trust

## Reaping the fruits post AEI

Tan Dehong

Phillip Securities Research Pte Ltd

30 April 2018

# Frasers Centrepont Trust

(Neutral, TP: \$2.14, DPU: 12.30 cents (5.5%), Last: \$2.22)



## Results at a glance

(SGD mn)/Sept Yr End	2Q18	2Q17	YoY (%)	1H18	1H17	YoY (%)	Comments
Gross Revenue	48.6	45.7	6.3	96.5	89.8	7.5	Driven by 32% YoY increase in revenue from Northpoint City North Wing (NPNW) post AEI
Net property income	34.8	32.6	6.9	69.3	64.2	8.0	Corresponding increase in property operating expenses
Distributable income	28.7	28.0	2.5	56.5	54.6	3.4	Lower percentage (40%) of management fees paid in units, vs 70% year ago
<b>DPU (Cents)</b>	<b>3.10</b>	<b>3.04</b>	<b>2.0</b>	<b>6.1</b>	<b>5.9</b>	<b>2.9</b>	

Source: Company, PSR

## Positives

- Portfolio occupancy inched up slightly to 94%.
- Positive rental reversion of 9.1% in 2Q18, driven by Causeway Point (CWP).
- Financing costs stable.

## Negatives

- Overall portfolio tenant sales down 1.2% yoy, excluding NPNW.

**Maintain NEUTRAL: Completion of asset enhancement works at NPNW in Dec 17 will continue to be the main earnings catalyst for FY18. We also expect a gradual normalisation of the percentage of management fees to be paid in units towards 20%. Only major risk to DPU is a sharp rise in interest rates given that 44% of debt is on floating rate.**

# CapitaLand Commercial Trust

## Armed and equipped for interest rate hikes

Tan Dehong

Phillip Securities Research Pte Ltd

30 April 2018



# CapitaLand Commercial Trust

(Accumulate, TP: \$1.88, DPU: 8.74 cents (4.8%), Last: \$1.81)



## Results at a glance

(SGD mn)/Dec Yr End	1Q18	1Q17	YoY (%)	Comments
Gross Revenue	96.4	89.5	7.7	Higher revenue from new acquisition Asia Square Tower 2 (AST2) in Sept 2017. Higher income from CapitaGreen, Capital Tower, Six Battery Road offset loss in revenue from divestments
Net property income	77.2	69.9	10.5	Lower operating expenses partly due to divestments
Distributable income	76.6	71.3	7.4	Increase in finance costs due to net increase in bank borrowings for AST2 acquisition
DPU (Cents)	2.12	2.40	(11.7)	
<b>DPU, adjusted (Cents)</b>	<b>2.12</b>	<b>1.97</b>	<b>7.6</b>	<b>Adjusted for enlarged number of units mainly from rights issue</b>

Source: Company, PSR

## Positives

- Continued recovery in Grade A office rents, growing 3.2% QoQ in 1Q18.
- Minimal lease expiries left for 2018.
- 2019 lease expiries will benefit from expected rising rents from now till then.
- Fully refinanced debt due in 2018. No more refinancing risks for the year.

## Negatives

- Increase in funding costs our major concern.

**Upgrade ACCUMULATE. Lease renewal and interest rate refinancing risks have been largely reduced with only 5% of leases and zero debt expiring this year. DPU outlook is thus stable. Near term growth drivers are contributions from AST2 (acquired Sept 2017) and the completion of CapitaSpring in 2021.**

# CapitaLand Retail China Trust

## Proactive mall management to boost performance

Tan Dehong  
Phillip Securities Research Pte Ltd  
30 April 2018

# CapitaLand Retail China Trust

(Accumulate, TP: \$1.66, DPU: 10.1 cents (6.5%), Last: \$1.55)



## Results at a glance

(SGD mn)	1Q18	1Q17	YoY (%)	Comments
Gross Revenue	55.4	60.1	-7.9%	Divestment of CapitaMall Anzhen from 1 July 2017. Also lower revenue at CapitaMall Grand Canyon due to restrictions in trading activities at the atrium. (as explained in 4Q17 results)
Net property income	37.2	40.3	-7.7%	Excluding the impact of Anzhen's divestment, same-mall NPI is up 0.6% YoY. Average SGD/RMB exchange rate used for both years is similar at 4.83
Distributable income	26.7	24.4	9.6%	Capital distributions from divestment gains of Anzhen
<b>DPU (SG Cents)</b>	<b>2.75</b>	<b>2.74</b>	0.4%	Higher number of units from private placement in Dec 17

Source: Company, PSR

## Positives

- Improvement in retail sales, up 2.1% YoY vs 0.8% in FY17.
- S\$3mn capital distribution from divestment gains to top up distributable income.
- No refinancing needs in 2018.
- Fully refinanced debt due in 2018. No more refinancing risks for the year.

## Negatives

- Struggling malls still showing no signs of improvement.

**Upgrade ACCUMULATE. Upgrade after recent price weakness, forecasts unchanged. Management has demonstrated proactive mall management with the Wangjing AEI (ROI>30%) and the successful lifting of Xinnan's yield on cost from 5.4% at acquisition to current estimated 6.3%, as originally targeted.**

# Ho Bee Land

## Relaunch of Sentosa properties to ride the market upcycle

Tan Dehong

Phillip Securities Research Pte Ltd

30 April 2018

# Ho Bee Land

(Accumulate, TP: \$2.98, DPU: 10 cents (3.9%), Last: \$2.56)

## Results at a glance

(SGD mn)/Dec Yr End	1Q18	1Q17	YoY (%)	Comments
Total Revenue	50.2	51.32	(2.1)	
-Sale of development properties	10.9	6.8	60.6	Sale of small site in Gold Coast in 1Q18 for A\$2.9mn profit.
-Rental Income	37.8	35.6	6.1	Stable recurring income portfolio. Additional contribution from office acquisition in London
Share of Profits from Associates and JVs	30.2	34.5	(12.4)	Mainly from higher recognition of sales from China JV project Yanlord Western Gardens
Profit from continuing operations bef. tax	55.5	63.7	(12.8)	Divestment gain of S\$7.4mn from Rose Court, London in FY17
Net Profit	49.6	56.5	(12.2)	

Source: Company, PSR

## Positives

- Relaunch of Sentosa properties to take place this year.
- Metropolis remains 100% leased. 30% of leases due for expiries this year- Expect flat to low single digit reversions.
- Entry into Continental Europe with investment into property fund.

## Negatives

- No new addition to land bank inventory.

**Maintain ACCUMULATE. FY17 recurrent rental income is sufficient to cover 2.8x ordinary dividend of 8c/share in FY17. Successful re-launches and monetization for the Sentosa properties above our assumed S\$1,500psf capital value will be catalysts for a narrowing of the discount and upgrade in RNAV. 45% discount to NAV one of steepest.**

# Phillip Monthly Recession Tracker

## April update – back to normal

Jeremy Ng

Phillip Securities Research Pte Ltd

30 April 2018

# Phillip Monthly Recession Tracker

Indicator	Threshold	Last	Previous	Bearish Signal
<b>Market-based data</b>				
Ted Spread	Above 1%	0.55%	0.62%	Unconfirmed
2s10s Spread	Below 0%	0.48%	0.50%	Unconfirmed
10 Year Treasury Yield	Below 2.00%	2.99	2.79	Unconfirmed
<b>VIX Index</b>	<b>Above 27.7</b>	<b>16.24</b>	<b>20.06</b>	<b>Confirmed (in Feb)</b>
S&P 500 Index	Below 10 month MA/2620	2667	2644	Unconfirmed
Value Line Geometric	Below uptrend line/460	554	547	Unconfirmed
S&P 500 Index quarterly timeframe	2 consecutive bearish quarters/2640	1 <sup>st</sup> bearish quarter	1 <sup>st</sup> bearish quarter	Unconfirmed
<b>Economic-based data</b>				
ISM Manufacturing PMI	2 consecutive months below 50	59.3	59.3	Unconfirmed
Unemployment Rate	Above 12 MA/4.3%	4.1%	4.1%	Unconfirmed
Unemployment Claims YoY	Above 4.5%	-17.1%	-15%	Unconfirmed
Retail Sales YoY	Below 1.6%	4.5%	4.0%	Unconfirmed
Fed Funds Rate	Halting of the rate hike cycle/tightening phase	1.75%	1.75%	Unconfirmed
CB Consumer Confidence	Below uptrend line/112	128.7	127.7	Unconfirmed
UMich Consumer Sentiment	Below uptrend line/94.0	98.8	101.4	Unconfirmed
Bloomberg Consumer Comfort	Below uptrend line/47	57.5	56.8	Unconfirmed

Source: Bloomberg, PSR

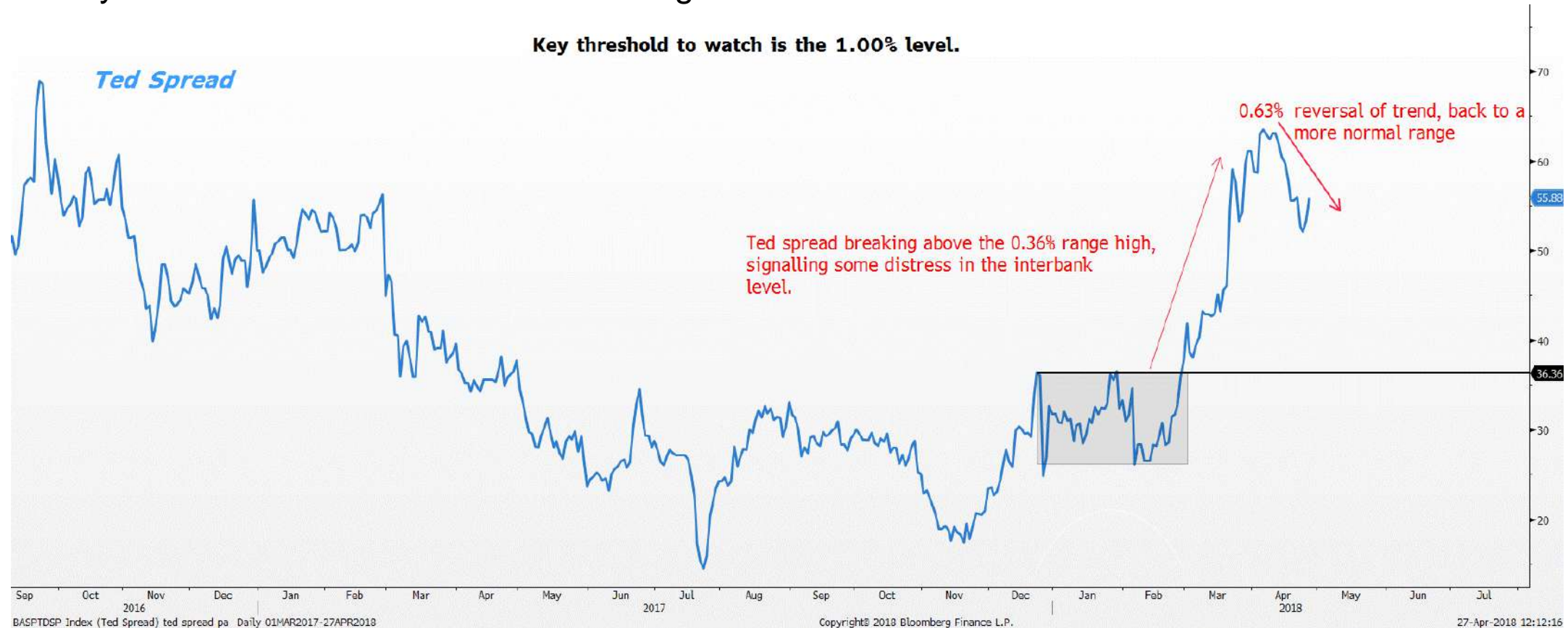
\*Our Phillip recession tracker is based off 15 Market-based and Economic-based indicators. The threshold represents the levels where bearish signal arises.

Red/Green represents a decline/increase from the prior month. Otherwise, it is unchanged.

- The VIX index has triggered its threshold of 27.7
- While the rest of our recession indicators are still doing fine
- Seeing some mean reversion in the 2s10s spread, VIX index and TED spread
- Economic-based data doing well at multi-decade extremes

# Ted Spread – Tapering off the 0.63% high

- Steepening trend broke in April where we saw some mean reversion
- Moved back to a more normal range of 0.55%
- Key threshold to watch for the bearish signal is the 1% level



Source: Bloomberg, PSR



# VIX Index – calming down

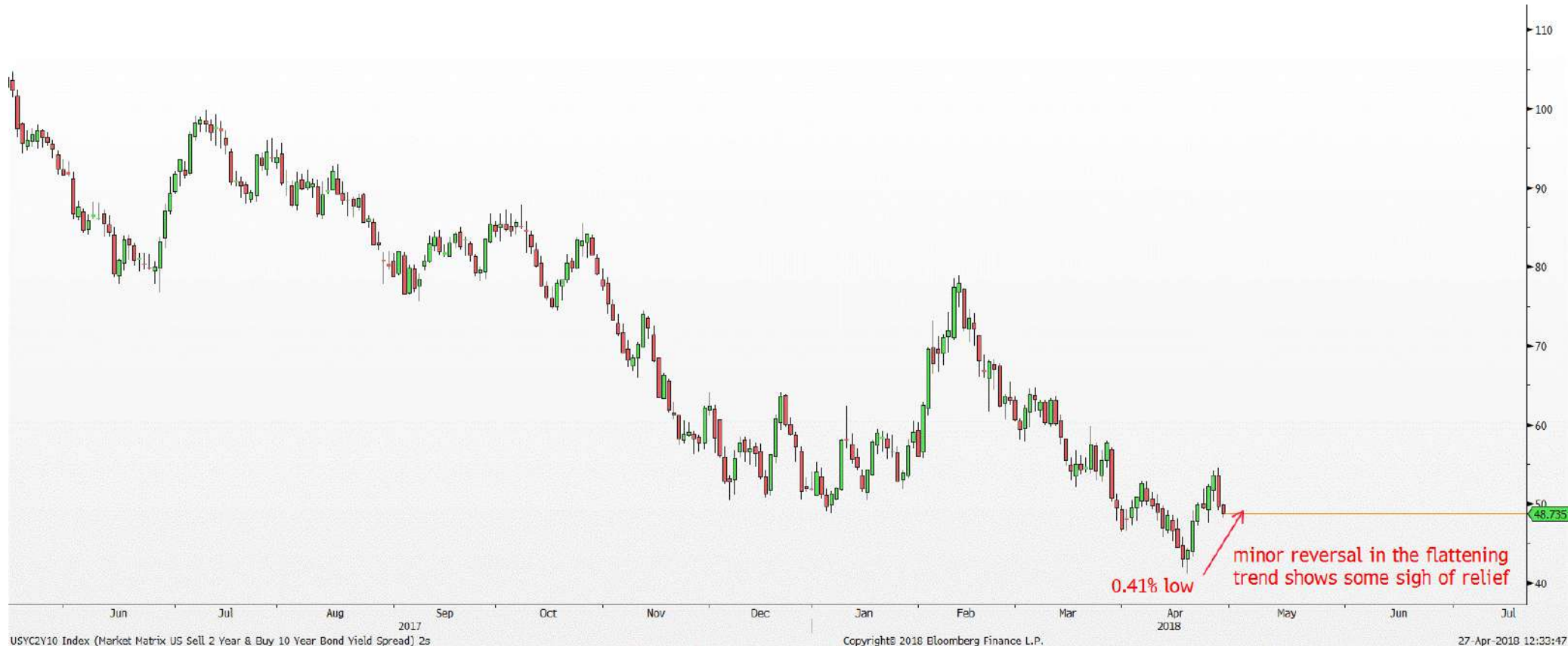
- Extreme longs in the VIX index signals limited upside in the VIX index in the near term
- Further abnormally spikes above 30 needed to signal turmoil



Source: Bloomberg, PSR

# 2s10s spread – steepened marginally in April

- Seeing some sigh of relief as the 2s10s spread revert marginally in April
- 8 more months of flattening before the 2s10s spread inverts
- Recession to follow with an average 54 weeks lag after the yield curve inverts



Source: Bloomberg, PSR

# Bloomberg Consumer Comfort - remains upbeat

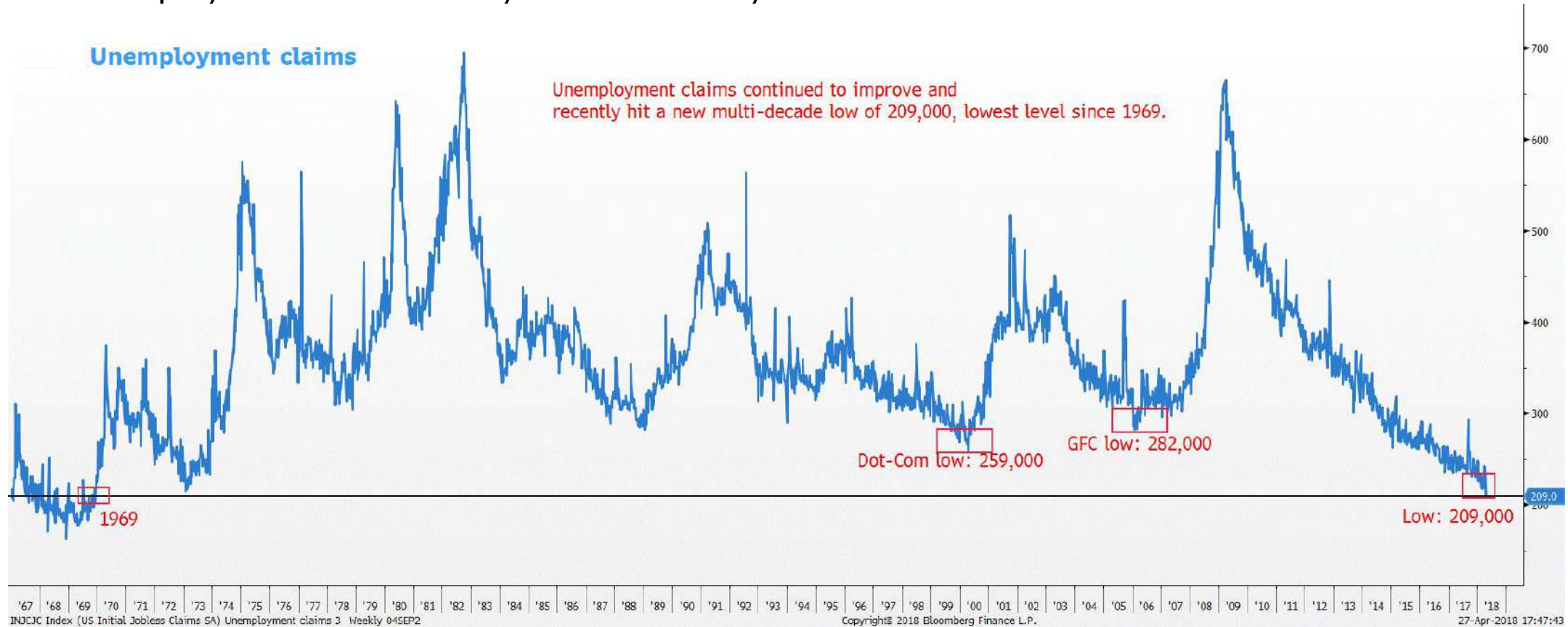
- Improved again in April to a high of 58.1, highest level since 2001
- The general trend of consumer sentiment remained on the extreme high side despite the trade war and geopolitical scare suggesting for the bullish momentum in the equity market to sustain





# Labour Market – remains upbeat

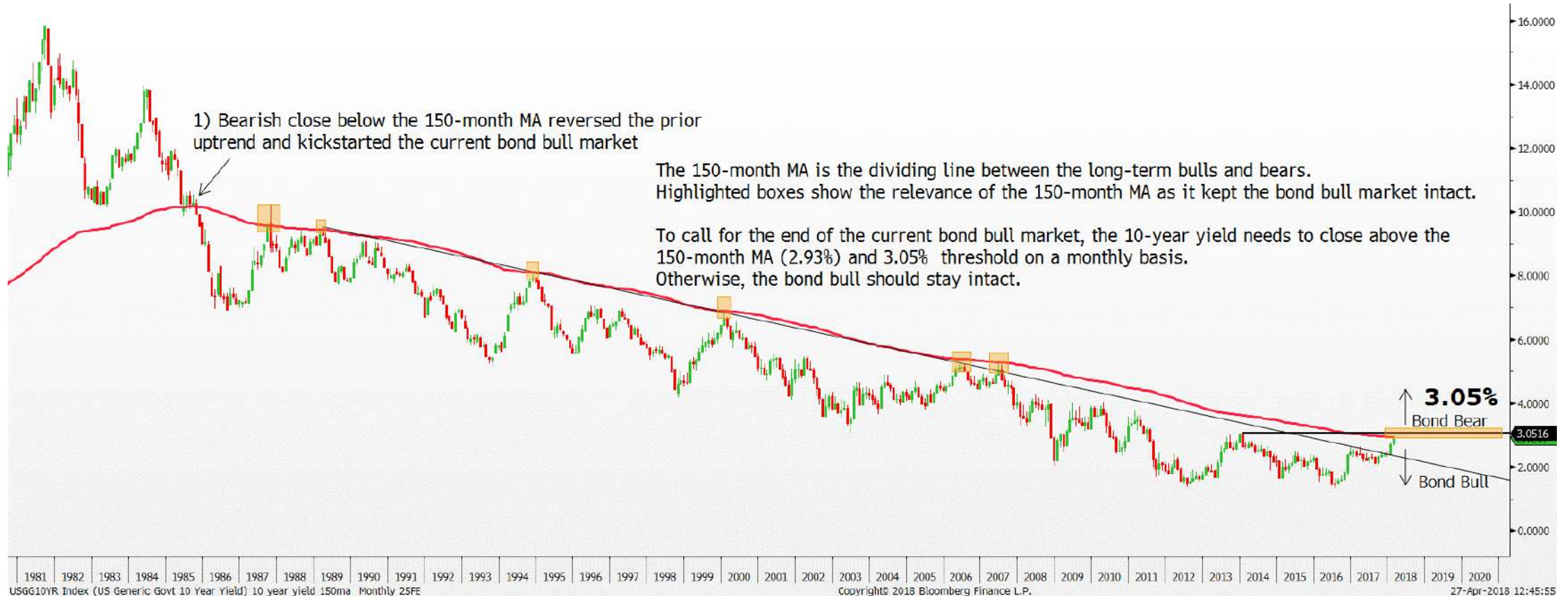
- **Weekly Unemployment Claims** showed strong growth as it fell to a low of 209,000 claims, **lowest level since 1969**
- Unemployment rate also stayed at the multi-year low of 4.1%



Source: Bloomberg, PSR

# 10 year treasury yield – Currently at a critical juncture

- 150-month moving average has been acting as the dividing line between the bulls and the bears
- A monthly close above the 150-month moving average (2.93%) and January 2014 high of 3.05% will shift the trend around and kickstart a new bond bear market



10 Year Treasury Yield Monthly chart

red line = 150 month moving average

Source: Bloomberg, PSR

# 10 year treasury yield – expect the 3.05% to hold

- Record extreme shorts in the bond complex signals for a short squeeze soon
- The 150-month moving average and 3.05% level should cap the bullish movement
- As long as the 3.05% level holds, the risk-on sentiment should return



10 Year Treasury Yield Weekly chart

Source: Bloomberg, PSR



# DJIA index – Bullish price action

- Breaking out of the triangle
- Strong support off the 200 day moving average



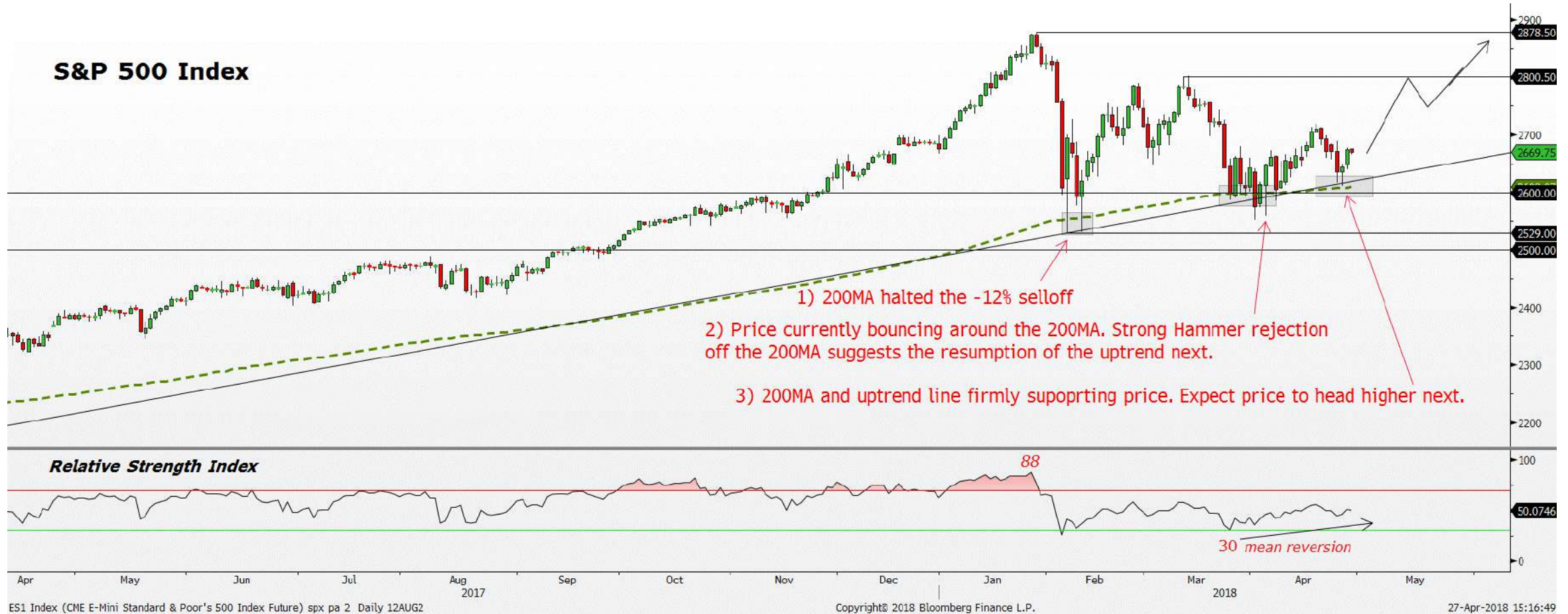
DJIA index daily chart

Green line = 200-day moving average

Source: Bloomberg, PSR

# S&P 500 index – Bullish price action

- 200-day moving average and Uptrend line still holding the uptrend intact



S&P 500 index daily chart

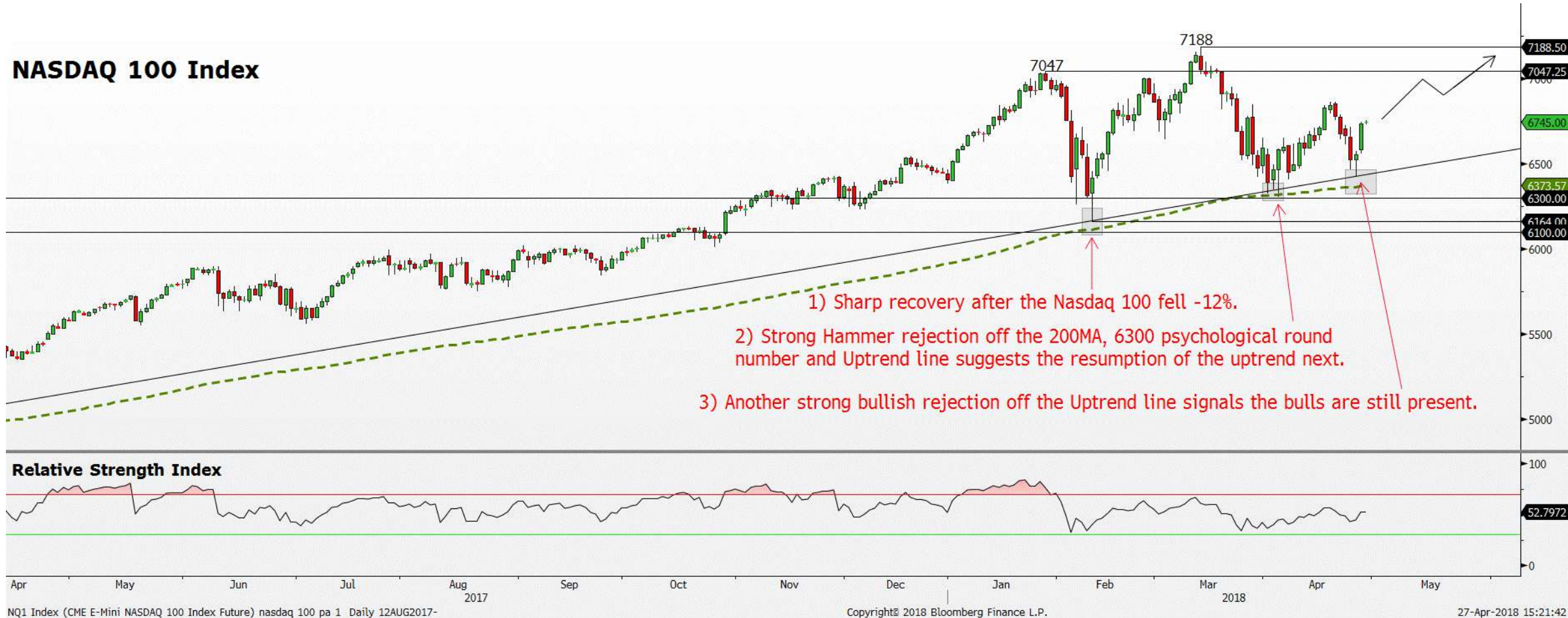
Green line = 200-day moving average

Source: Bloomberg, PSR



# Nasdaq 100 index – Bullish price action

- 200-day moving average and Uptrend line still holding the uptrend intact



Nasdaq 100 index daily chart

Green line = 200-day moving average

Source: Bloomberg, PSR

# Summary

- Remain bullish on the equity market as we saw further improvements in the Recession Tracker in April
- Expect the 3.05% level in the 10-year treasury yield to hold
- Current bullish price action off the 200-day moving average in the S&P 500, DJIA and NASDAQ 100 index suggests a near-term rebound back into the uptrend

Next target for the bulls:

<b>DJIA index:</b>	<b>25,813</b>
<b>S&amp;P 500 index:</b>	<b>2,800</b>
<b>Nasdaq 100 index:</b>	<b>7,047</b>

## ETF

SPDR DJIA Trust - (AMEX-DIA)  
SPDR S&P 500 ETF Trust - (AMEX-SPY)  
Powershares QQQ Nasdaq 100 - (Nasdaq:QQQ)

## CFD

Wall Street Index USD1 CFD – DJI  
US SP 500 Index USD5 CFD – INX  
US Tech 100 Index USD5 CFD – NDX.X

Link to previous report [“all clear for now”](#) and [“all clear for now part 2.”](#)  
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