Phillip Singapore Monthly – June25

Riding the rebound nervously

SINGAPORE | STRATEGY

10 June 2025

- Singapore equities recovered almost half of last month's losses with a 1.6% gain in May. Rebound in transportation and banks supported the recovery. Consumer and REITs were the weakest performers.
- Lowered US tariffs on China supported a 17% rebound in Singapore equities from 9 April. Economic data in Singapore is mixed, mainly with weak manufacturing and consumer data, but still on an uptrend for construction and property.
- The US administration's aggressive policies on tariffs seem to buckle when equity and bond markets start to falter. Nevertheless, we remain cautious. Global equity markets are pricing in minimal impact from tariffs with their massive 24% rally from the 7 April trough. Investors must ride this rally nervously, watching Trump from the corner of their eyes. Furthermore, forward-looking data point to slowing growth. We also have the Federal Reserve, which will unlikely cut rates soon. Our strategy is to focus on domestic sectors better shielded from another wave of tariff risk. Sectors in Singapore with attractive dividend yield and stable growth include construction, defence, finance, property, REITs (foreign), and power.

Review: Singapore equities recovered almost half of last month's losses with a 1.6% gain in May. Rebound in banks (Figure 1) and air transportation (Figure 2) supported the recovery. Lowering China tariffs from 145% to 30% for 90 days stoked another rally in equities. Consumer and REITs were the weakest performers (Figure 3). Consumer company results have been subpar, a reflection of weak consumer spending in Singapore and Thailand. We believe REITs' performance will remain sluggish until there is clearer visibility of rate cuts by the Fed by year-end.

Outlook: Investors can only ride the current equities rally nervously, watching Trump warily from the corner of my eye for his next outburst. We experienced some of this outburst when Trump wanted to impose a 50% tariff on all goods imported from the EU starting 1 June. This has been pushed to 9 July. Such outburst only causes uncertainty for corporates in spending and hiring. In the near term, we have not seen tariffs impact economic data. US employment is trending above expectations (Figure 8). We still believe there is some pull-in of demand as US consumers buy ahead of higher prices from tariffs. US auto enjoyed a significant bump in sales of 10% YoY in March and April after a tepid 2% the prior two months (Figure 9). May sales have started to normalise. We see forward indicators slipping. US services PMI is at almost 5-year lows (Figure 10). Multiple milestones ahead including European tariffs, US-Iran nuclear talks, and global reciprocal tariffs to keep volatility heightened. We do not see a high risk of a US recession. Industrial activity is slower (Figure 11) but still expanding. US household assets remain healthy and a pillar to consumption spending despite the imposition of a consumption tax via higher import tariffs (Figure 12).

Recommendation: We are overweight in the domestic sectors in Singapore. It is better shielded from any downside surprises on future tariff policies. Construction is exceptionally robust, with contracts awarded spiking 46% over the past two months (Figure 13). Singapore valuations are below the average of 14x (Figure 14). The dividend yield is attractive at 5.6% and handsome in the falling interest rate environment (Figure 15). Banks will anchor the market with their 6% yield supported by a fortress balance sheet. 1Q25 results have seen the banks spiking up their general provisions (or mattress stuffing): DBS (S$200mn), UOB (S$133mn), and OCBC (S$118mn). Incredibly, the general provisions for COVID have not even been released. Excluding provisions, the underlying earnings grew 4% YoY in 1Q25 to S$8bn. All three banks remain committed to returning excess capital. Together with the committed dividends are share buybacks of DBS S$3bn, UOB S$2bn, and OCBC S$1bn. Loan growth remains healthy and alleviates some of the weakness in interest margins (Figure 16). The S$5bn MAS programme for Singapore equities is making progress with fund managers to be shortlisted by 3Q25.

May 2025 performance

Figure 1: Attractive yield supporting prices

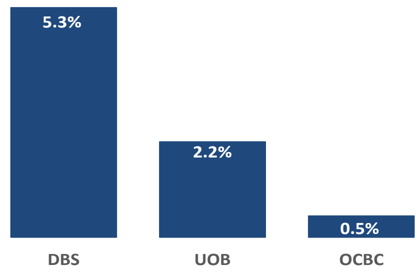


Figure 2: Transportation and cyclicals jump

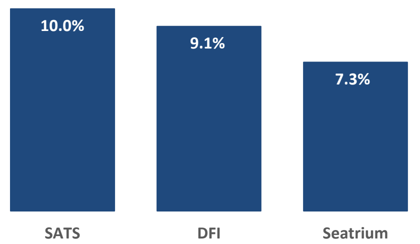


Figure 3: Consumer takes another knock

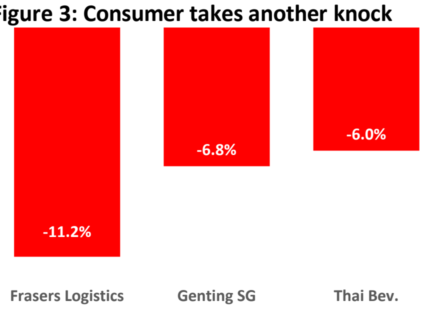
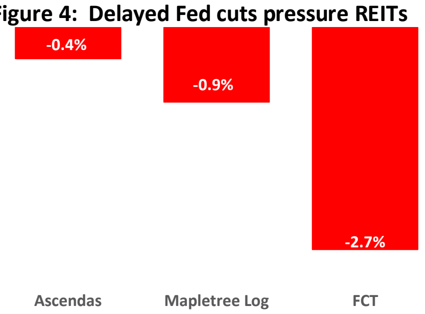


Figure 4: Delayed Fed cuts pressure REITs

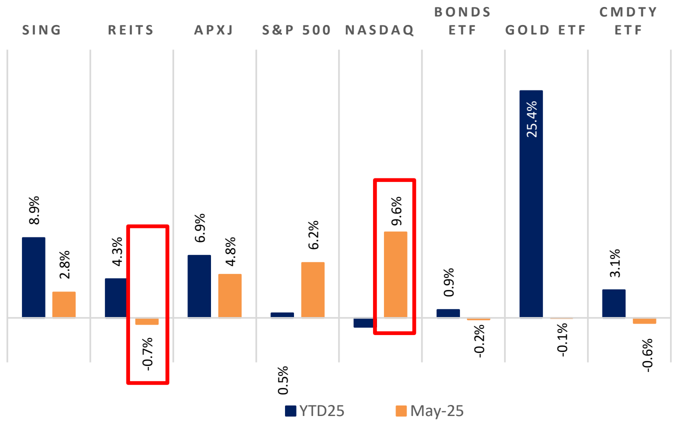


Source (Fig 1-4): PSR, Bloomberg, 30May25

Paul Chew (+65 6212 1851)
Head of Research
paulchewkl@phillip.com.sg

Corporate Insight Webinars (12 pm): Yoma Strategic (18Jun), Keppel Infra Trust (24Jun 12pm), Singapore Quarterly Strategy (28Jun 2pm), ProsperCap (10Jul 12pm) https://www.poems.com.sg/education/events-seminars/

Figure 5: Huge rebound in tech stocks



Source: PSR, Bloomberg # Performance in US dollar terms.

Figure 6: Improving trade supports tech exporters

	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Market Cap (US$ bn)
Vietnam	8.7%	2.1%	5.2%	219
Indonesia	6.0%	14.4%	1.4%	762
S Korea	5.5%	6.5%	12.4%	1,616
Taiwan	5.5%	-7.4%	-7.3%	2,320
Japan	5.3%	2.2%	-4.8%	23,509
Hong Kong	5.3%	1.5%	16.1%	3,498
SG Financials	3.0%	-3.6%	1.0%	217
ASEAN 6	2.4%	4.3%	-3.8%	2,067
Shanghai	2.1%	0.8%	-0.1%	7,307
India	1.7%	11.9%	4.7%	2,306
Singapore	1.6%	0.0%	2.8%	462
SG Small Cap	0.6%	2.0%	0.5%	25
Philippines	-0.2%	5.7%	-2.9%	163
SG Mid Cap	-1.4%	-1.8%	-5.7%	89
SG REIT	-1.9%	1.3%	-1.5%	68
Malaysia	-2.1%	-4.2%	-8.2%	251
Thailand	-4.0%	-4.5%	-17.9%	429

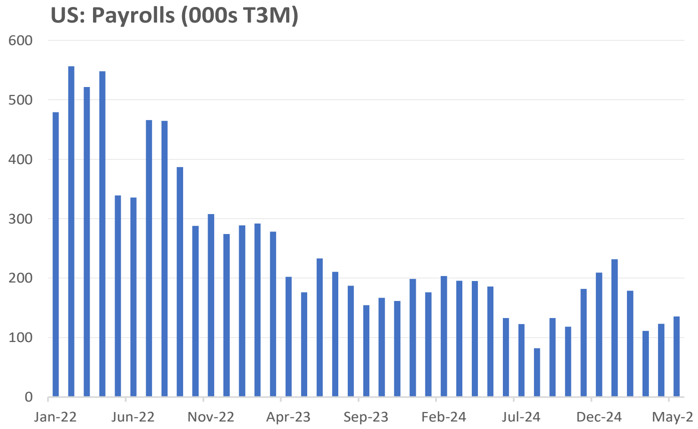
Source: PSR, Bloomberg

Figure 7: Transportation rally strongly

PSR (145 companies)	1 Mth Perf.	3 Mth Perf.	YTD Perf.
Commodities	**-1.0%**	-3.6%	-4.0%
Conglomerate	**1.7%**	17.0%	24.9%
Consumer	**2.2%**	6.3%	-3.0%
Finance	**2.9%**	-3.9%	1.0%
Healthcare	**0.7%**	-5.3%	-3.5%
Electronics/Services	**0.5%**	-4.3%	-5.1%
Property/Const.	**0.3%**	5.3%	5.5%
REIT - Hospitality	**2.1%**	7.2%	1.0%
REIT - Industrial	**-1.5%**	-1.0%	-4.5%
REIT - Office	**-1.3%**	2.2%	-3.0%
REIT - Retail	**-2.7%**	4.4%	3.8%
REIT - Others	**2.0%**	1.9%	-0.4%
Shipping	**0.6%**	-7.3%	-15.8%
Telecomm.	**0.4%**	11.0%	21.7%
Transportation	**6.3%**	4.7%	5.9%
	1.6%	1.9%	4.8%
Singapore	1.62%	0.0%	2.8%

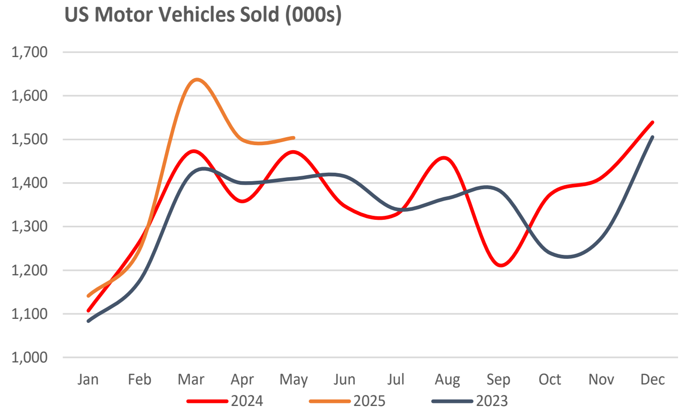
Source: PSR, Bloomberg

Figure 8: Manufacturing and services both slide down



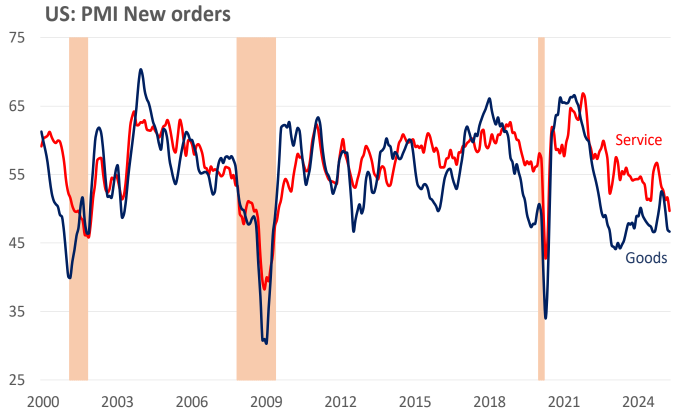
Source: PSR, CEIC

Figure 9: Forward purchases of autos



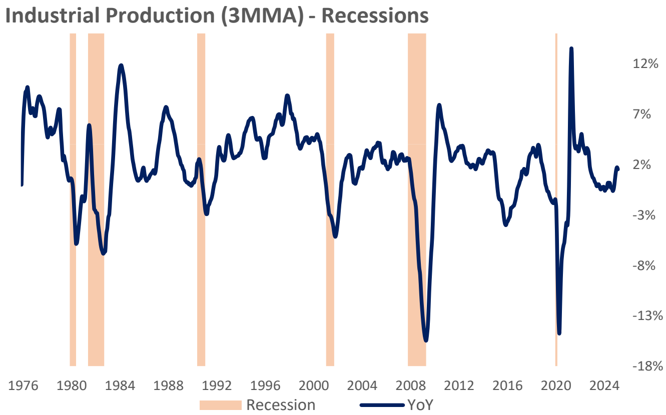
Source: PSR, CEIC

Figure 10: Major contraction in services



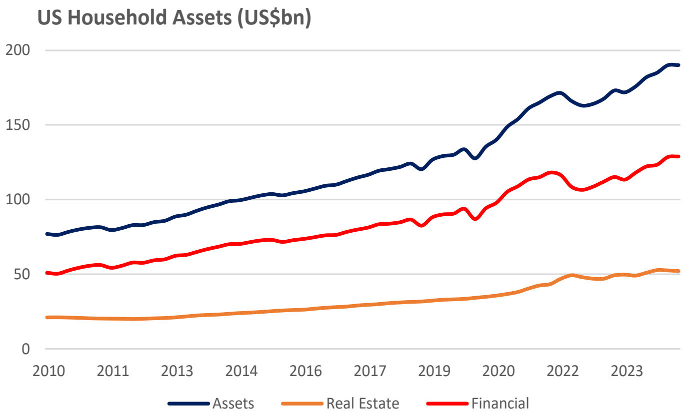
Source: PSR, CEIC

Figure 11: No signs of a recession



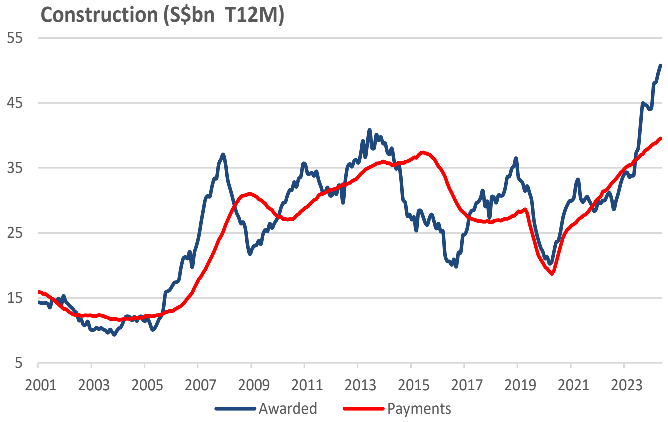
Source: PSR, CEIC

Figure 12: Foundation of US consumer spending healthy



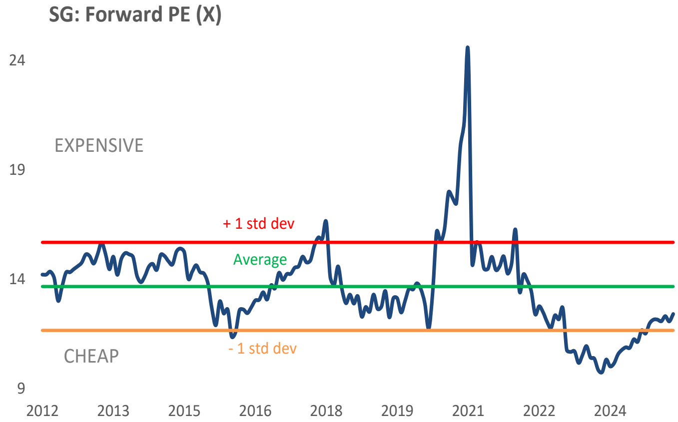
Source: PSR, CEIC

Figure 13: 50% YoY jump in construction awards



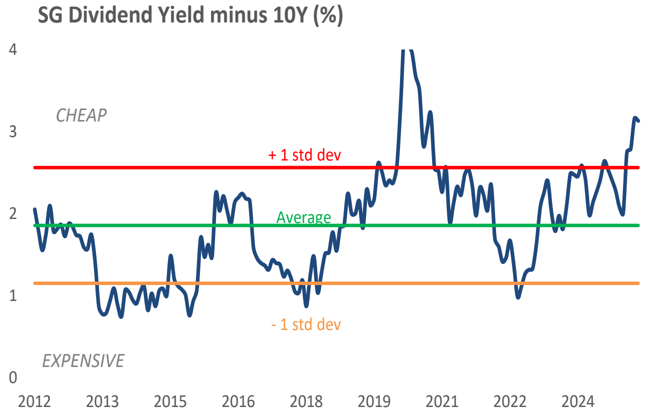
Source: PSR, CEIC

Figure 14: Still trading at the lower quartile



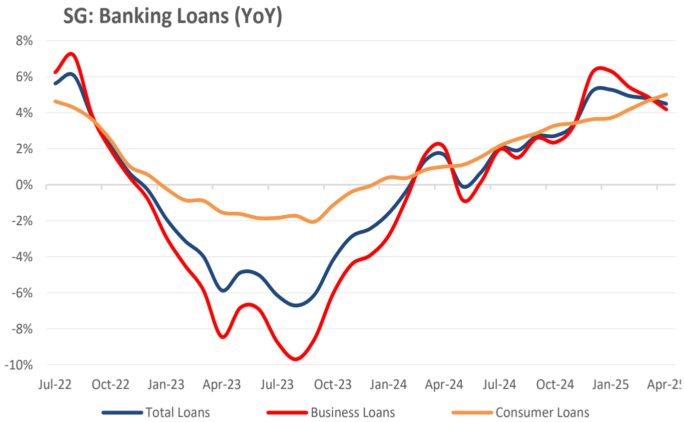
Source: PSR, Bloomberg

Figure 15: Singapore yield especially attractive



Source: PSR, Bloomberg

Figure 16: Loans slower growth but multi year highs



Source: PSR, CEIC

Phillip Absolute 10

Our model portfolio was up 0.9% in May. Cyclicals and transportation performed well as tariff tensions eased. REITs were generally flat. Our property-related stocks were the weakest. We think this is in part due to expectations of elevated interest rates as tariffs push up inflation in the US. Our bank selections underperformed DBS that had a clearer dividend policy that was not dependent on earnings.

3Q24 - Add: OUE REIT; **Remove:** Thai Beverage
4Q24 - Add: UOB, SATS; **Remove:** DBS, Singtel
1Q25 - Add: Ascott, OCBC, Wee Hur; **Remove:** ComfortDelGro, Valuetronics, OUE REIT
2Q25 - Add: Geo Energy, PropNex; **Remove:** China Aviation Oil (CAO), ST Engineering (STE)

Strategy commentary: Navigating this tweet or headline-driven equity market is challenging. Fundamental takes the back seat. We believe the bulk of the volatility is contained as bond and equity markets seem to discipline Trump. It also means the fiscal largeness of the US is included as less of a global growth stimulus. We look for attractive yields to anchor the portfolio, namely banks and REITs. We raised our small mid-cap exposure in preparation for the injection of liquidity from the MAS EQDP fund, attractive valuations, and earnings visibility.

Figure 17: Monthly movements

	Absolute 10	SING
Jan25	1.4%	1.8%
Feb25	-0.7%	1.0%
Mar25	4.4%	2.0%
Apr25	-3.1%	-3.5%
May25	0.9%	1.6%
Jun25		
Jul25		
Aug25		
Sep25		
Oct25		
Nov25		
Dec25		
YTD	2.7%	2.8%
Out/(Under)perf.		-0.1%

Source: Bloomberg, PSR, Performance is for illustration only and excludes brokerage fees, dividends, and monthly rebalancing costs.

Figure 18: Phillip Absolute 10 performance May 2025

Company	1M	3M	YTD	Rating	Target Px (S$)	Share Px (S$)	Upside	Mkt Cap (US$m)	Dvd. Yield
Yield									
CapitaLand Ascott	0.0%	-0.6%	-1.7%	**Buy**	**1.05**	0.855	23%	2,533	7.1%
Stoneweg REIT - EUR	0.7%	0.7%	-4.4%	**Buy**	**1.86**	1.51	23%	965	4.7%
Dividend / Earnings Growth									
Geo Energy	8.5%	48.1%	30.5%	**Buy**	**0.47**	0.39	22%	422	3.7%
OCBC	0.5%	-5.7%	-2.8%	**Accumulate**	**17.10**	16.23	5%	56,625	5.2%
PropNex	-3.8%	-9.8%	6.9%	**Buy**	**1.33**	1.01	32%	580	4.5%
SATS	10.0%	1.6%	-15.1%	**Buy**	**3.58**	3.09	16%	3,561	0.5%
UOB	2.2%	-7.3%	-2.5%	**Accumulate**	**35.50**	35.41	0%	45,757	5.1%
Re-rating Plays									
CapitaLand Investment	-6.0%	1.0%	-1.3%	**Buy**	**3.65**	2.52	45%	9,747	4.8%
Keppel Ltd	3.5%	-1.0%	-0.7%	**Buy**	**8.00**	6.79	18%	9,556	5.0%
Wee Hur Holdings	-6.7%	3.2%	16.7%	**Buy**	**0.55**	0.42	31%	299	1.4%
Average	0.88%	3.0%	2.5%				21.5%		4.2%

Source: Bloomberg, PSR ^ Dividend yields are historical for all stocks

Figure 19: Snapshot of Top 10 gainers and losers in May 2025

Top 10 Gainers		Top 10 Losers	
Cordlife	78.8%	Unusual	-25.3%
Acrophyte Hosp.	45.0%	Riverstone	-24.3%
IREIT Global	34.0%	Frasers Logistics	-11.2%
Yoma	26.1%	Bumitama	-10.5%
Dasin Retail Trust	25.0%	Lendlease Global	-7.8%
Emperador Inc	22.6%	ComfortDelGro	-7.2%
Q&M Dental	22.4%	Genting Singapore	-6.8%
Zixin	21.4%	Olam Group	-6.7%
SIA Engineering	20.5%	SBS Transit	-6.1%
Medtecs Int.	15.9%	Thai Beverage	-6.0%

Top 10 SPDR Gainers		Top 10 SPDR Losers	
SATS	10.0%	Frasers Logistics	-11.2%
DFI	9.1%	Genting SG	-6.8%
Seatrium	7.3%	Thai Bev.	-6.0%
SIA	6.3%	CLI	-6.0%
HK Land	5.7%	Jardine C&C	-5.7%
ST Eng.	5.5%	YZJ	-4.9%
DBS	5.3%	Venture Corp.	-4.6%
Keppel	3.5%	Mapletree Ind.	-4.5%
UOB	2.2%	Mapletree Pan Asia	-3.3%
Singtel	0.8%	CICT	-2.8%

Source: Bloomberg, PSR

Weekly Equity Strategy Commentary

Week 19	Hongkong Land was the biggest index gainer last month with a rise of 13.2%. Recycling capital does generate alpha. The disposal of One Exchange for US$810mn fits into its strategy of recycling US$4bn to 6bn of capital by end 2027. With the disposal, the company announced up to US$200mn share buyback programme in line with another target of using up to 20% of capital recycled as share buybacks. Recycling capital is its number 1, 2 and 3 priorities as it narrows the NAV gap. Why the new religion? Hongkong Land introduced a new Long-Term Incentive Plan (LTIP) for senior leaders tied to total shareholder returns over 3 to 5 years, in absolute and relative terms. LTIP follows the basic rule of you get what you reward. Another sector that will avail itself of capital recycling are smaller REITs - First REIT and Elite UK. First REIT's tenant Siloam Hospital has plans to purchase its leased hospitals and has recently been preparing a S$1.1bn financing line. Meanwhile, Elite UK Reit is looking to dispose of a site earmarked for a data centre at a substantial premium (~8% of NAV). Both trade below book and at dividend yields of around 9%. On the tariffs, there is some thawing of relations between the US and China. Even trade hawks like the Council of Economic Advisors chair, Stephen Miran, said a de-escalation with China will be helpful. Meanwhile, China's Commerce Ministry said it is evaluating trade talks with the US. But it wants the US to correct some of the tariffs first. Pending any deal, the port of Los Angeles has given some sense of the situation. Shipments are expected to drop 35% YoY in May. Importers are pausing, unclear on whether to make purchases and whether they can pass on increased costs. Retailers have around 6 weeks of inventory as large retailers started stocking up as early as 9 months ago. Summer and back to school sales will be at risk. Orders for year-end holidays are also supposed to start streaming in from May. Singapore new orders PMI is at 19 month lows for April.
Week 20	The Trump put is back. Mental note to self: buy stocks when President Trump says so. Last Friday, Trump said, “You better go out and buy stocks now”. This follows the 9th April post “This is a great time to buy!!!”. The new trade agreement for the next 90 days lowers tariffs on China from 145% to 30%. Conversely, China lowered its tariffs from 125% to 10%. Trade and China-related stocks such as SATS and Yanzijiang should rally. It removes the tail risk of a US recession. Nevertheless, current tariffs will still be a drag on the US economy. A 10% tariff on all goods imports of US$3.3tr is a US$330bn, or equivalent to a 1% tax on US GDP. Trump's focus is now on his "big beautiful" tax bill. It extends the 2017 Tax Cuts with additional and new tax breaks for individuals. A volatile bond market makes it harder to appease the GOP budget hawks. All three Singapore banks released their results last week. The highlights were in two areas. Firstly, the banks were spiking up their general (or mattress stuffing) provisions - DBS (S$200mn), UOB (S$133mn) and OCBC (S$118mn). DBS said it was for black swans, and UOB just put enough aside to keep earnings flat YoY. The only lumpy non-performing loan was UOB's Hong Kong commercial property. Provisions for this loan were already made. Amazingly, the general provisions built up for COVID have not even been released. Excluding provisions, the underlying earnings grew 4% YoY in 1Q25 to S$8bn. The second takeaway was that all three banks remain committed to returning excess capital. DBS has greater visibility in dividends with an extra 15 cents per quarter for the next three years. The implied yield is now 7%. UOB has a 50% payout with a 50 cents special dividend (6.6% yield). Meanwhile, OCBC's payout ratio is at 60% with special dividend (6.5% yield). Together with the committed dividends are share buybacks of DBS S$3bn, UOB S$2bn and OCBC S$1bn.
Week 21	Moody's downgrades US government bonds one notch from Aaa to Aa1. It is the final major rating agency to do this. S&P was the first in August 2021, followed by Fitch in August 2023. The reasons given by Moody's were the sharp rise in federal debt, widening fiscal deficit and high interest payments. Moody's still has 10 countries that are triple-A rated, 7 in Europe, followed by Australia, Canada and Singapore. We think the impact on bond yields will be muted, similar to the prior two downgrades. Firstly, Moody's is highlighting something that is already known by investors. Secondly, the apparent selling of Treasuries in 2011 was due to worries of its eligibility as collateral after losing the triple-A status. This has reportedly been addressed. Finally, US Treasuries remain the most liquid bond market in the world. It accounts for 40% of the Bloomberg Global Aggregate Bond Index. Ironically, the more indebted the country, the higher the weight or importance. A beneficiary of Moody’s sovereign rating cut could be US banks. To ease the burden to fund the US annual US$2tr fiscal deficit, Trump may reform US banks' capital ratio or supplementary leverage ratio (SLR). It is essentially the highest tier or permanent (or CET 1) capital as a percentage of total assets, including derivatives. To allow banks to hold more government debt, US Treasuries could be excluded as the denominator in SLR. Another proposal is to reduce the current minimum of 3% and 5% SLR, depending on bank type. The relaxation of SLR will cause a rally for US banks. Collateral damage is likely on Trump's "one big, beautiful bill". The bill widens the deficit by expanding funding for border security and defence, extend the TCJA tax cuts expiring by year-end end and adds new tax cuts (no taxes on tips, overtime, and social security). In return, Medicaid health insurance for the lower income will be cut, but only in 2029. Several Republicans conservatives have declined to support the bill due to the lack of reforms. Any passing this tax bill will be a positive for the equity market in the near term, as a boost to the US economy.

Week 22	Here we go again. With Trump's tax and spending package almost passed, he seems focus on tariffs again. Trump's latest threat is a 50% tariff on EU imports starting June 1. It was because the EU had been "very difficult to deal with" on trade. In contrast, Treasury Secretary Bessent said Asia has moved forward with interesting proposals and was negotiating with good faith. He also followed this up with saying that several large deals were likely in next few weeks. Trump then turned to Apple and Samsung smartphones, saying that the companies needed to pay at least 25% tariffs if sold in the US (and are likely to be imposed late June), unless the products are manufactured in the US. Bessent followed up saying Apple semiconductors need to be manufactured in the US to make the supply chain more secure. The ever-present threat of tariffs only raises the risk premium of any manufacturer exposed to the US markets especially semiconductor companies. More critically, the constant flip-flop in tariffs and policies will keep any business exposed to the US hesitant to invest in inventories or capacity. On the impact of tariffs, Frencken has 9% exposure to the US. However, it is largely a status quo on orders, and customers will largely bear the higher tariffs. Venture Corp shared similar comments saying that since 2 April, the company not seen any major shift in customer orders. However, it is the opposite for Yangzijiang Shipbuilding. Due to tariffs, macro uncertainty and the large number of vessels already on order, container shipowners are adopting a wait-and-watch attitude. Therefore, the company is not expecting many orders this year. Orders secured till May are only US$0.3bn, compared to US$3.3bn a year ago. This is also a far cry from its US$6bn target which is now defined as capacity available rather than an estimate of demand.
Week 23 **Glenn Thum** **Research Manager**	In Trump-tariff related news, the reprieve that tariffs would be blocked was short lived, lasting a little over a day. On 28 May, the US Court of International Trade ruled that Trump's use of the International Emergency Economic Powers Act (IEEPA) to impose broad tariffs on steel and aluminium imports was unconstitutional, effectively blocking these tariffs. However, the following day, the US Court of Appeals for the Federal Circuit granted a temporary stay on this ruling, allowing the tariffs to remain in effect while the legal process continues. The planned increase would raise tariffs on foreign imports of steel and aluminium from 25% to 50%. The US automotive sector saw the Trump administration announcing a new mandate requiring all automakers operating in the U.S. to produce vehicles and parts domestically within 12 months, alongside the steep hike in steel and aluminium tariffs, which could raise production costs across the industry. Tesla remained a focal point, with CEO Elon Musk stepping down from his federal advisory role in the Department of Government Efficiency (DOGE), signalling a likely return of focus to core operations. While Tesla's shares dipped modestly on the news, broader investor sentiment was neutral to positive. The company also confirmed plans to accelerate production of more affordable EV models in Texas by late 2025, even as it contends with sharp sales declines in Québec, Canada, due to regulatory headwinds and ongoing consumer backlash tied to Musk's political ties. Meanwhile, Tesla secured approval for a new battery recycling facility in South Australia despite local resistance. These developments highlight growing policy risks, cost pressures, and reputational challenges for US automakers, particularly Tesla, even as the push toward EV affordability and domestic production may offer longer-term tailwinds. We have a SELL recommendation on Tesla with a target price of US$200.

Contact Information (Singapore Research Team)

Head of Research
Paul Chew – paulchewkl@phillip.com.sg

Research Admin
Qystina Azli - qystina@phillip.com.sg

Technical Analyst
Zane Aw – zaneawyx@phillip.com.sg

Property | REITs
Darren Chan – darrenchanrx@phillip.com.sg

Property | REITs
Liu Miaomiao – liumm@phillip.com.sg

Banking | Auto
Glenn Thum – glennthumjc@phillip.com.sg

US Tech Hardware | E-commerce | ETF
Helena Wang – helenawang@phillip.com.sg

Construction | Semiconductors
Yik Ban Chong (Ben) – chongyb@phillip.com.sg

Communications | CRM
Serena Lim - serenalimyq@phillip.com.sg

Software | Services
Alif Fahmi - aliffahmi.shakir@phillipcapital.com.my

Contact Information (Regional Member Companies)

SINGAPORE
Phillip Securities Pte Ltd
Raffles City Tower
250, North Bridge Road #06-00
Singapore 179101
Tel +65 6533 6001
Fax +65 6535 6631
Website: www.poems.com.sg

MALAYSIA
Phillip Capital Management Sdn Bhd
B-3-6 Block B Level 3 Megan Avenue II,
No. 12, Jalan Yap Kwan Seng, 50450
Kuala Lumpur
Tel +603 2162 8841
Fax +603 2166 5099
Website: www.poems.com.my

HONG KONG
Phillip Securities (HK) Ltd
11/F United Centre 95 Queensway
Hong Kong
Tel +852 2277 6600
Fax +852 2868 5307
Websites: www.phillip.com.hk

JAPAN
Phillip Securities Japan, Ltd.
4-2 Nihonbashi Kabuto-cho Chuo-ku,
Tokyo 103-0026
Tel +81-3 3666 2101
Fax +81-3 3666 6090
Website: www.phillip.co.jp

INDONESIA
PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel +62-21 5790 0800
Fax +62-21 5790 0809
Website: www.phillip.co.id

CHINA
Phillip Financial Advisory (Shanghai) Co Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel +86-21 5169 9200
Fax +86-21 6351 2940
Website: www.phillip.com.cn

THAILAND
Phillip Securities (Thailand) Public Co. Ltd
15th Floor, Vorawat Building,
849 Silom Road, Silom, Bangrak,
Bangkok 10500 Thailand
Tel +66-2 6351700 / 22680999
Fax +66-2 22680921
Website www.phillip.co.th

FRANCE
King & Shaxson Capital Limited
3rd Floor, 35 Rue de la Bienfaisance 75008
Paris France
Tel +33-1 45633100
Fax +33-1 45636017
Website: www.kingandshaxson.com

UNITED KINGDOM
King & Shaxson Capital Limited
6th Floor, Candlewick House,
120 Cannon Street,
London, EC4N 6AS
Tel +44-20 7426 5950
Fax +44-20 7626 1757
Website: www.kingandshaxson.com

UNITED STATES
Phillip Capital Inc
141 W Jackson Blvd Ste 3050
The Chicago Board of Trade Building
Chicago, IL 60604 USA
Tel +1-312 356 9000
Fax +1-312 356 9005
Website: www.phillipusa.com

AUSTRALIA
Phillip Capital Limited
Level 10, 330 Collins Street
Melbourne, Victoria 3000, Australia
Tel +61-03 8633 9803
Fax +61-03 8633 9899
Website: www.phillipcapital.com.au

CAMBODIA
Phillip Bank Plc
Ground Floor of B-Office Centre, #61-64,
Norodom Blvd Corner Street 306,Sangkat
Boeung Keng Kang 1, Khan Chamkamorn,
Phnom Penh, Cambodia
Tel: 855 (0) 7796 6151/855 (0) 1620 0769
Website: www.phillipbank.com.kh

INDIA
PhillipCapital (India) Private Limited
No.1, 18th Floor, Urmi Estate
95, Ganpatrao Kadam Marg
Lower Parel West, Mumbai 400-013
Maharashtra, India
Tel: +91-22-2300 2999 / Fax: +91-22-2300 2969
Website: www.phillipcapital.in

TURKEY
PhillipCapital Menkul Degerler
Dr. Cemil Bengü Cad. Hak Is Merkezi
No. 2 Kat. 6A Caglayan
34403 Istanbul, Turkey
Tel: 0212 296 84 84
Fax: 0212 233 69 29
Website: www.phillipcapital.com.tr

DUBAI
Phillip Futures DMCC
Member of the Dubai Gold and
Commodities Exchange (DGCX)
Unit No 601, Plot No 58, White Crown Bldg,
Sheikh Zayed Road, P.O.Box 212291
Dubai-UAE
Tel: +971-4-3325052 / Fax: + 971-4-3328895

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