

Singapore 2021 Equity Strategy

Equities in a sweet spot



Source: Unsplash

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Agenda

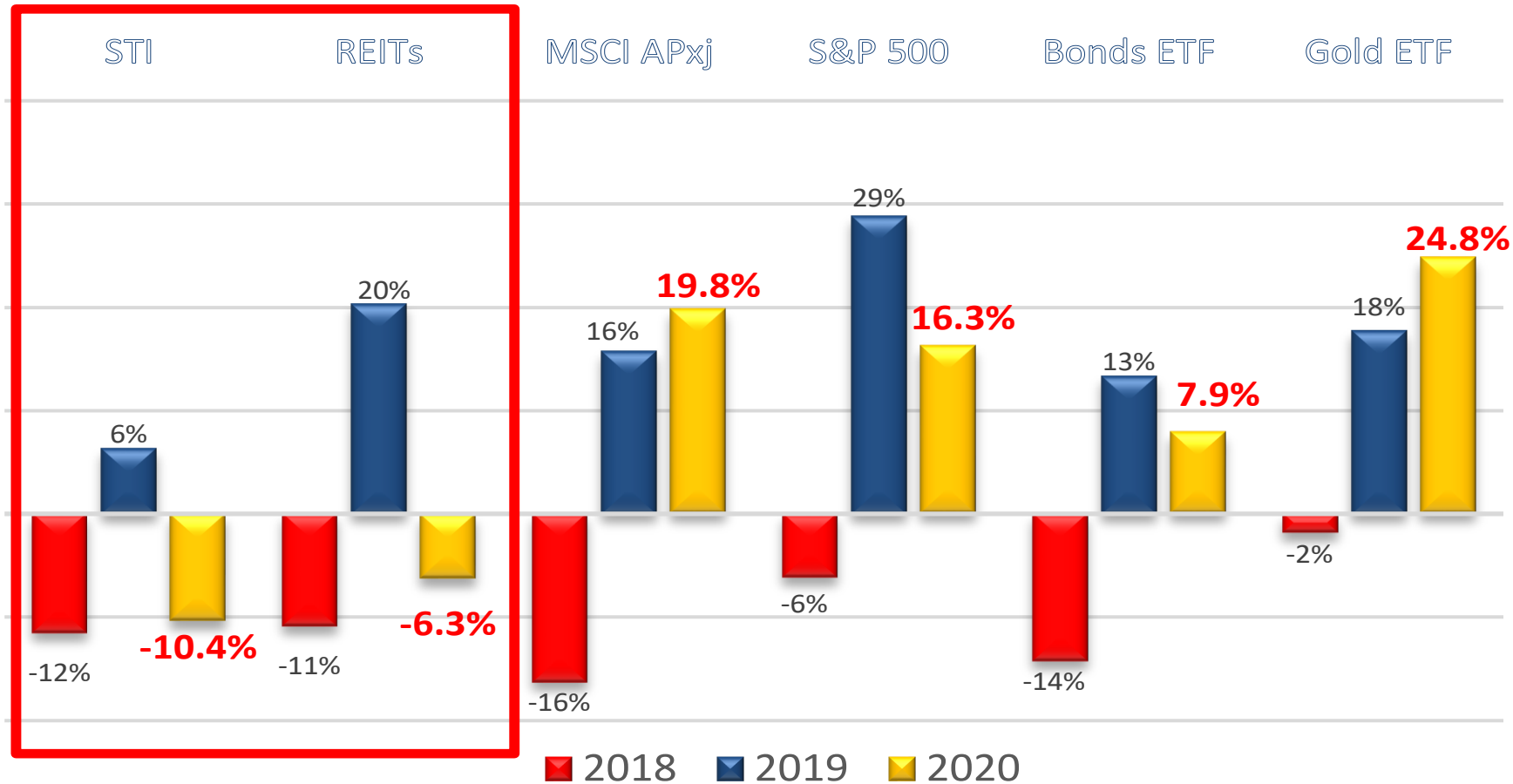
- ✓ Review of 2020 performance
- ✓ Economic conditions
- ✓ Macro drivers
- ✓ Technicals
- ✓ Sector views
- ✓ All our BUYs
- ✓ Conclusion



Review of 2020 Performance

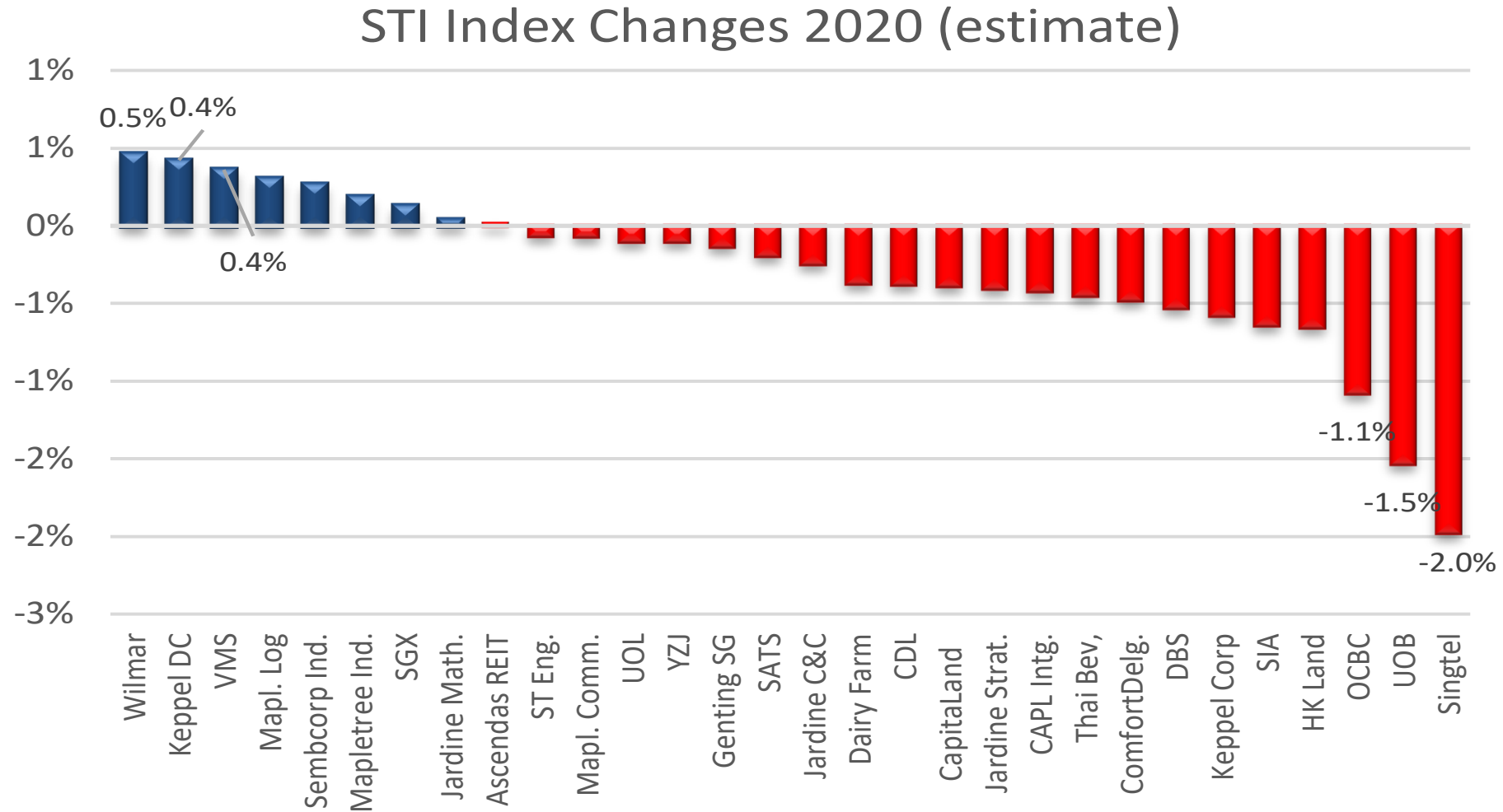
Everything But Us Rally in 2020

STI Vs Other Asset Classes (USD terms)



Source: PSR, Bloomberg *Bonds ETF is iShares Investment Grade Corporate Bonds (LQD), Gold ETF is SPDR Gold Shares (GLD)

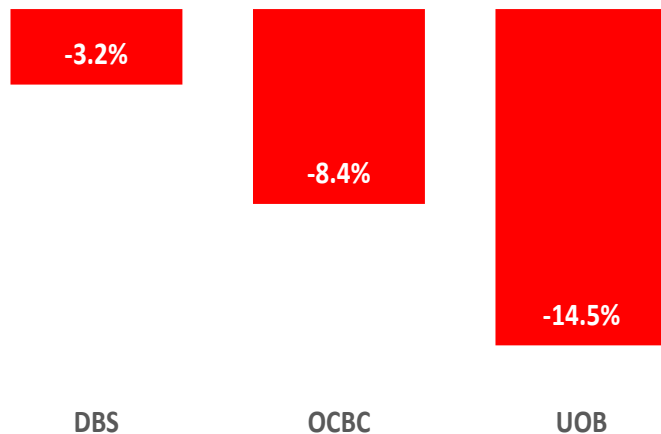
STI weakness was from banks, telco, property



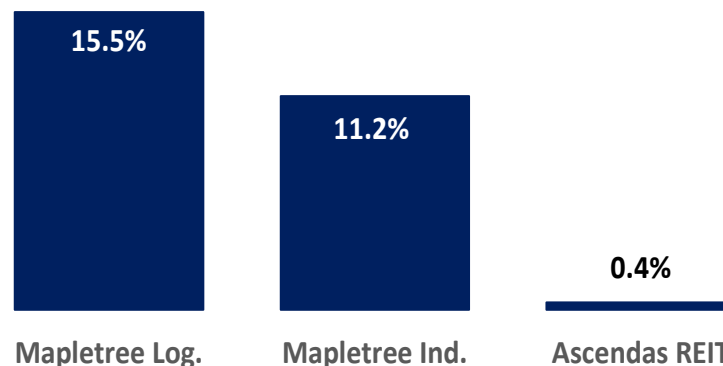
Source: PSR, Bloomberg

30 stocks, only 9 has gains in 2020

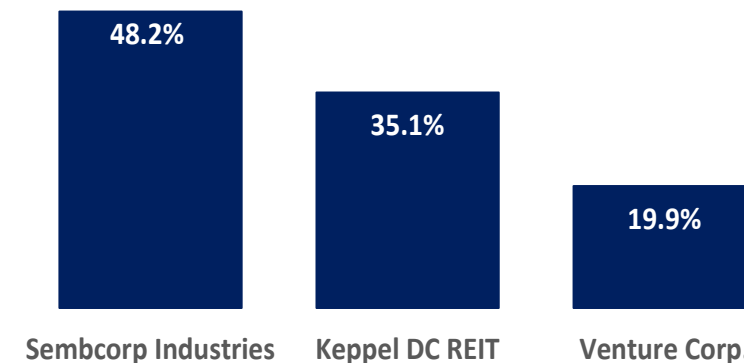
40% of the STI was in the red



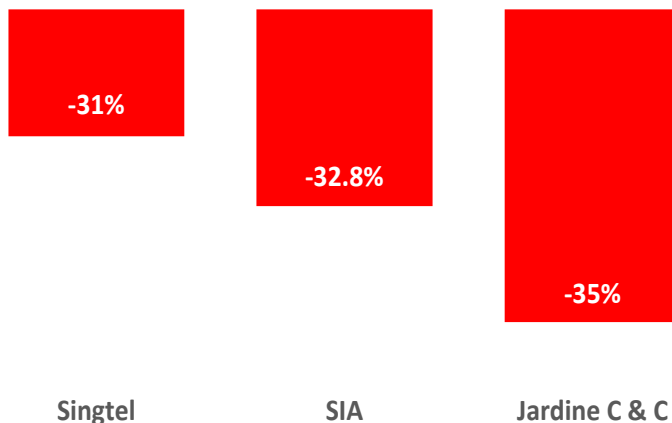
REITS impressive again



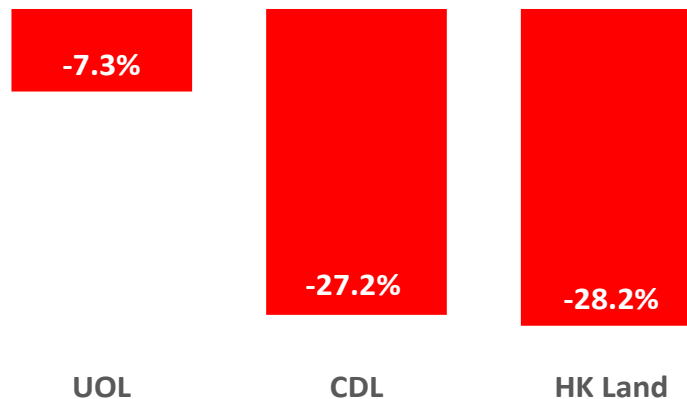
Restructuring and resilience



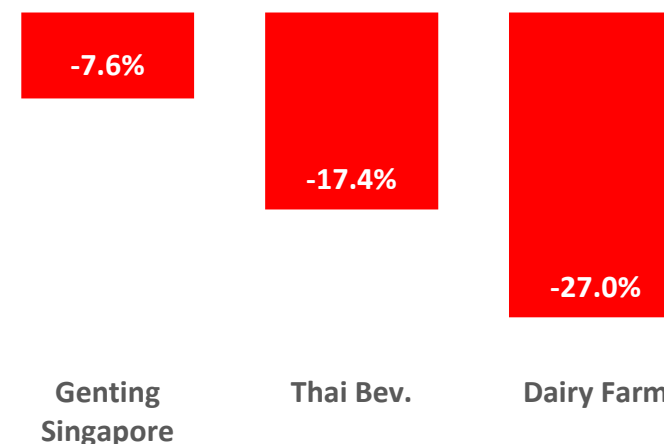
Pandemic-related weakness



Retail and hospitality exposure hurts

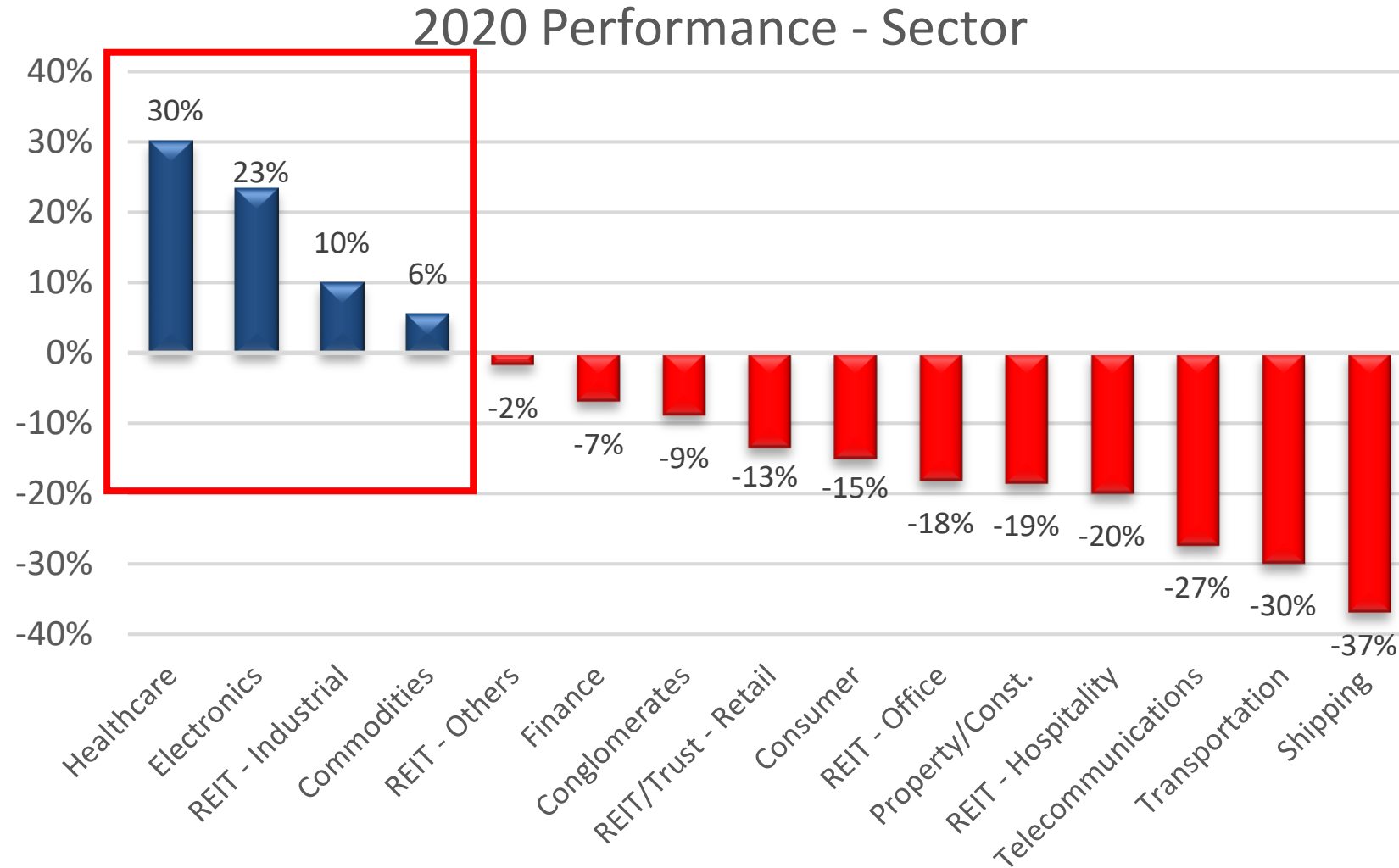


Lockdowns affected demand



Source: Bloomberg, PSR, as at 31Dec20

Sector performance in 2020 was very narrow



Source: PSR, Bloomberg



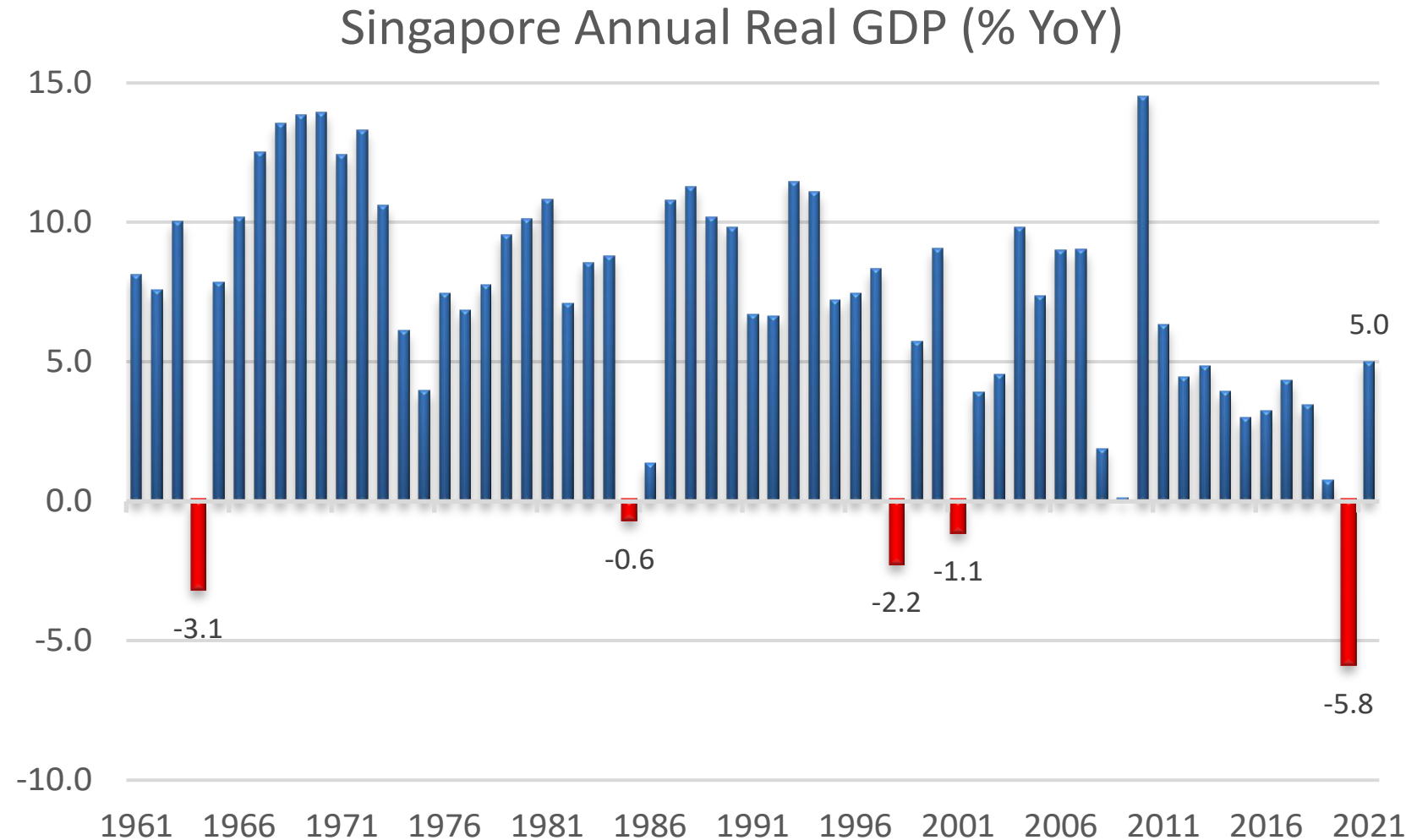
Economic Conditions

Worst ever (intentional) GDP decline is over

2021 forecast is largest GDP reversal since 2010

STI performance after deep GDP contraction:

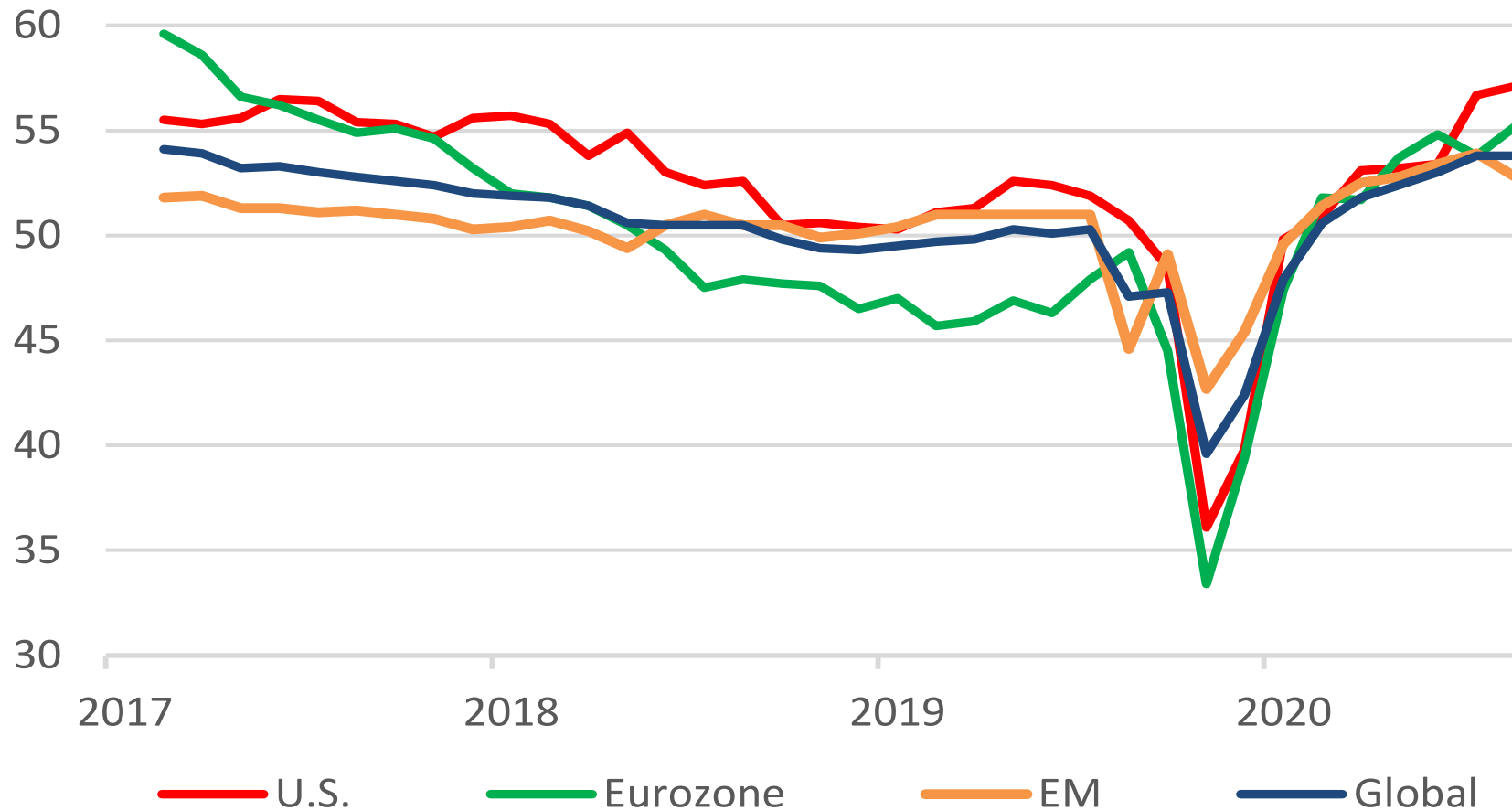
1986	+43.7%
1999	+78.0%
2002	-17.4%
2010	+10.1%*



Source: PSR CEIC, MTI, * 2009 GDP +0.1

V shape for global manufacturing

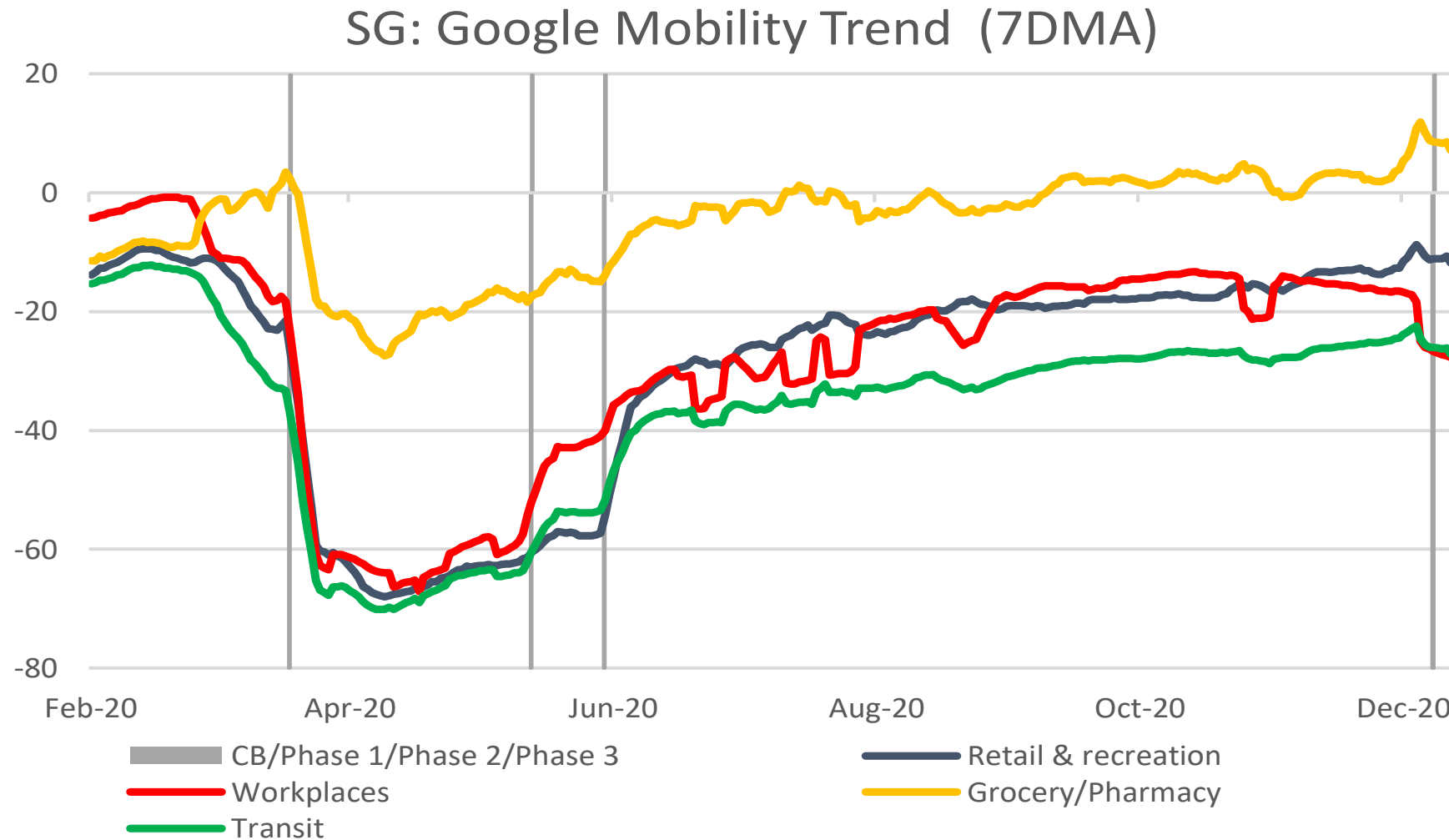
Global Manufacturing PMIs



**US manufacturing
has been
exceptionally
strong**

Source: PSR CEIC, Markit

Activity not fully returned to Singapore

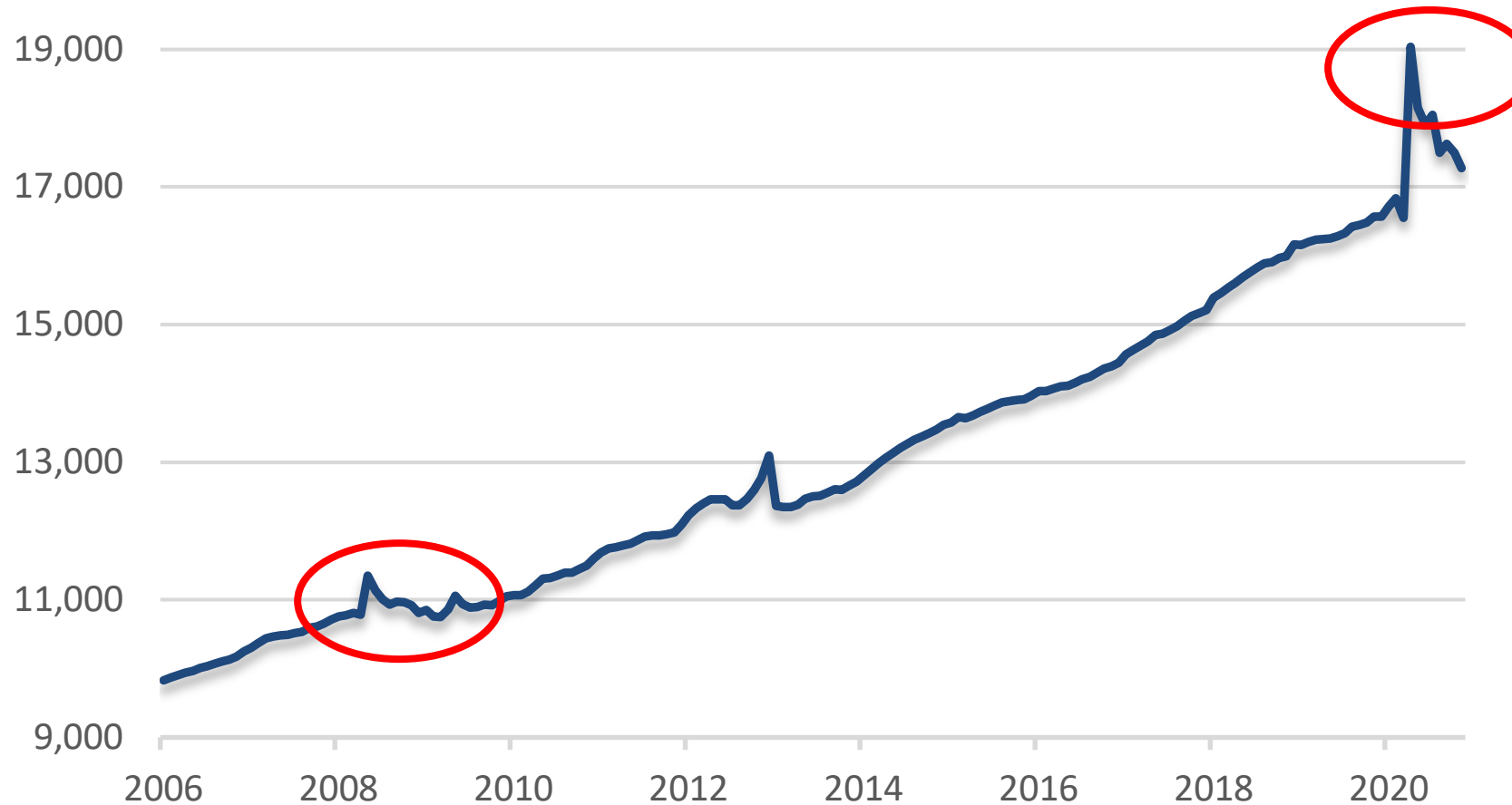


**Office workers
not back but
retail creeping
up**

Source: PSR, <https://www.google.com/covid19/mobility/> (27Sep20)

Stimulus saved the U.S. economy

US: Personal Disposable Income (US\$bn)

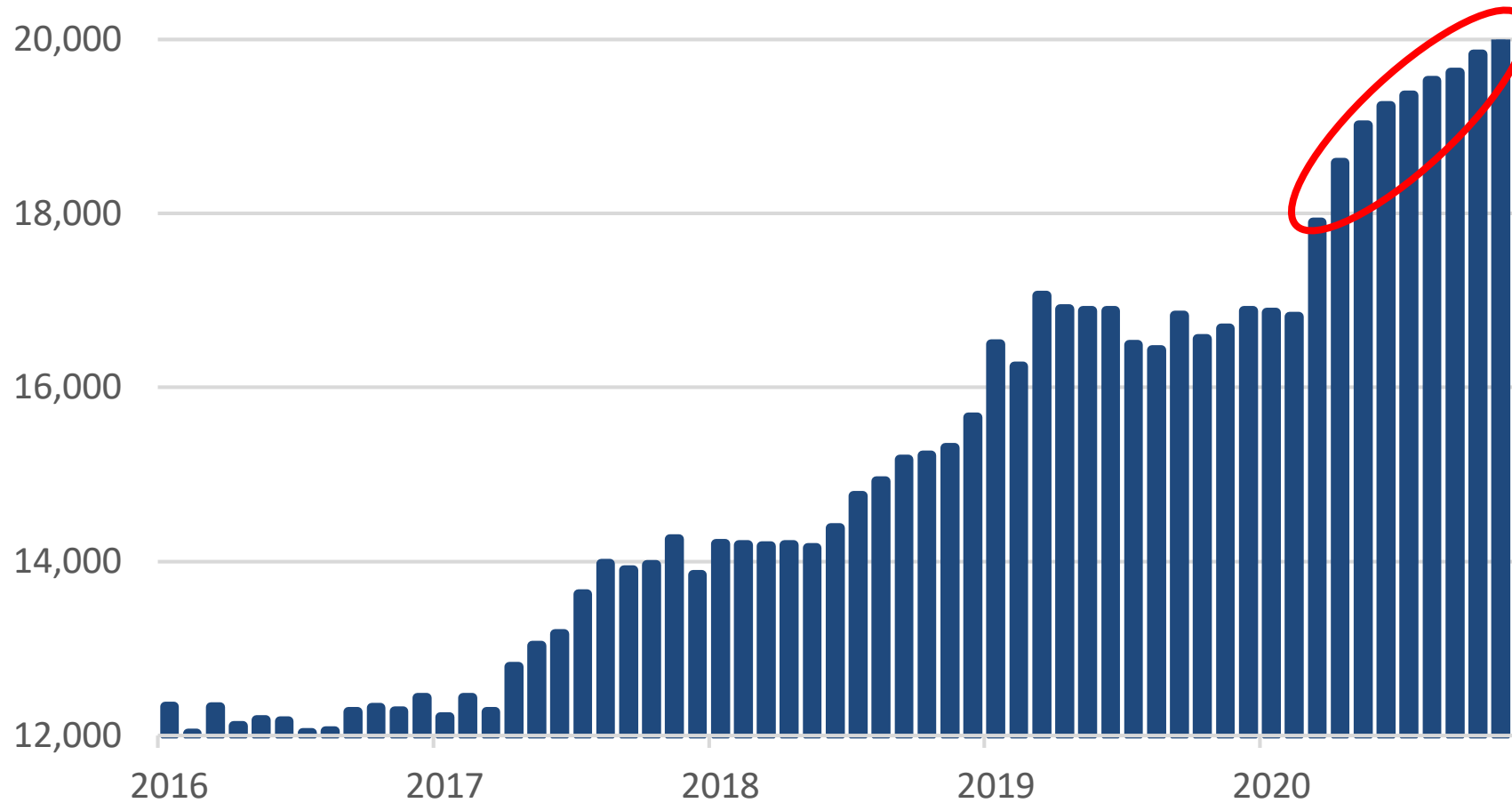


- **Income for US workers and small businesses rose from \$3t stimulus**
- **Next stimulus \$900bn**
 - US\$600 per adult / US\$600 per dependent
 - US\$300/week unemployment subsidy, etc.

Source: PSR, BEA, CEIC

China is re-leveraging

CH: Net disbursement in loans
(12 months rolling RMB bn)



- **Aggressive monetary stimulus since Jan20**
- **Positive for commodity prices with a lag**
- **Fixed asset investments rebounding strongly**

Source: PSR, BEA, CEIC



Macro Themes

How was our 2020 forecast ?

2020 Themes

Trade ceasefire

Pass

Domestic recovery

1/2 Pass

Buoyant electronics

Pass

Binary political events

1/2 Pass

Less momentum in rates

Fail

2021 Themes

Boom in global growth

Vaccines to bend infection curve

Interest rates remain conducive

Prolonged growth in tourism

..... MOE: PSLE markings focus on learning not a race to outdo others

Theme 1: Vaccination available for 5.25bn people

Company	Country	Type	Name	Doses / Weeks	Efficacy	Approval	Doses 2021 (mn)
1) Pfizer/BioNTech	USA/Germany	mRNA	Comirnaty	2 + 3	95.0%	11-Dec-20	1,300
2) Moderna	USA	mRNA	mRNA-1273	2 + 4	94.5%	18-Dec-20	500
3) Sinopharm-Beijing	China	Inactivated	BBIBP-CorV	2 + 3	79.0%	30-Dec-20	1,000
Sinopharm-Wuhan	China	Inactivated	-	-	-	-	-
4) AstraZeneca/Oxford	UK/Sweden	Adenovirus	AZD1222	2 + 4	90.0%	30-Dec-20	2,000
5) Sinovac Biotech	China	Inactivated	CoronaVac	2 + 2	> 50%	-	600
6) CanSino Biologics	China	Adenovirus	Convidecia	1	-	-	200
7) Gamaleya	Russia	Adenovirus	Sputnik V	2 + 3	91.4%	-	1,000
8) Novavax	USA	Protein	NVX-CoV2373	2 + 3	-	-	1,400
9) J&J/Beth	US/Israel	Adenovirus	Ad26.COV2.S	1	-	-	1,000
10) CureVac	Germany	mRNA	CVnCoV	2 + 4	-	-	300

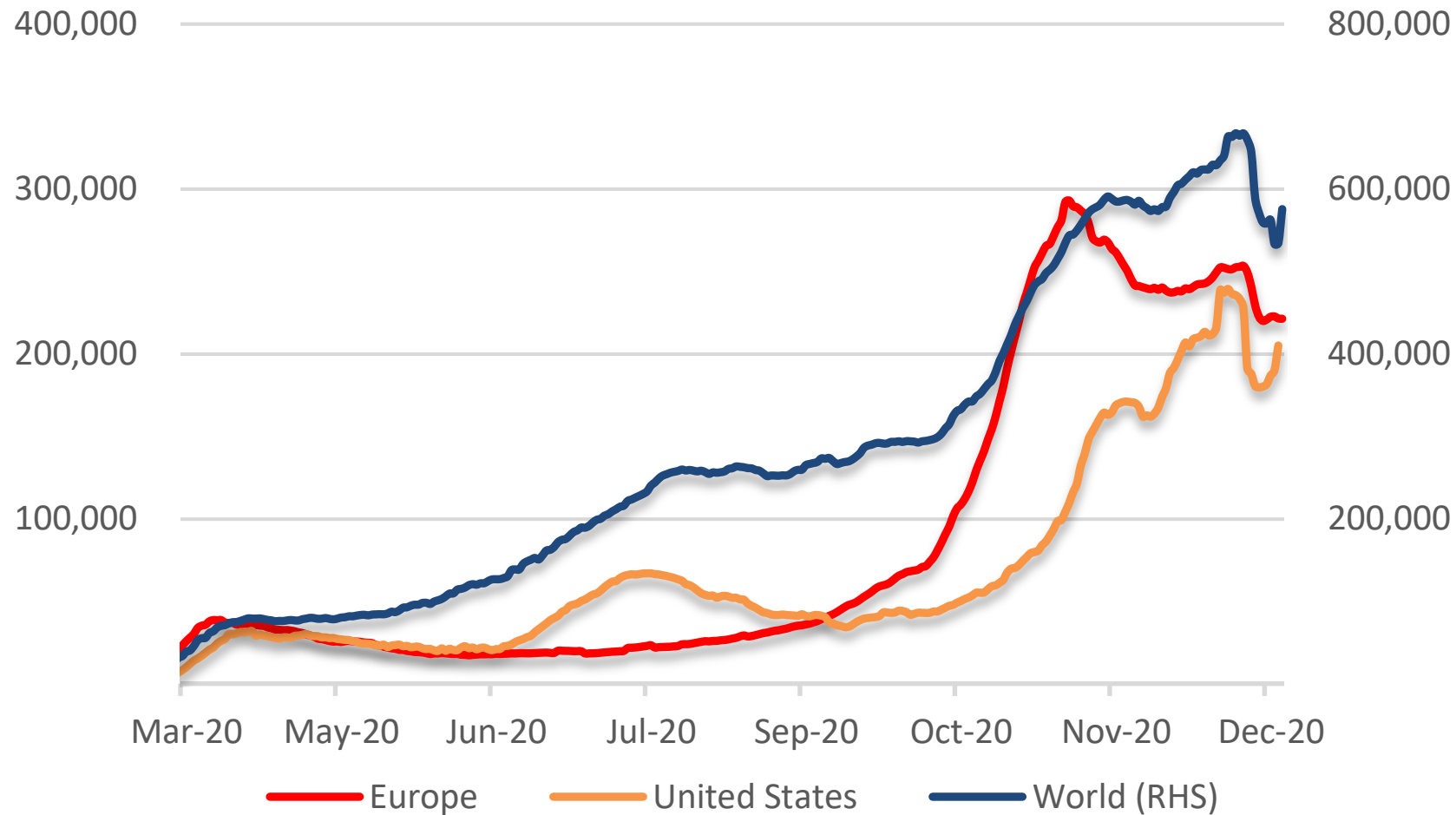
9,300

Source: PSR, NY Times

Approved / Limited Use / Phase 3

Global cases still elevated

COVID-19 New Daily Cases (7DMA)

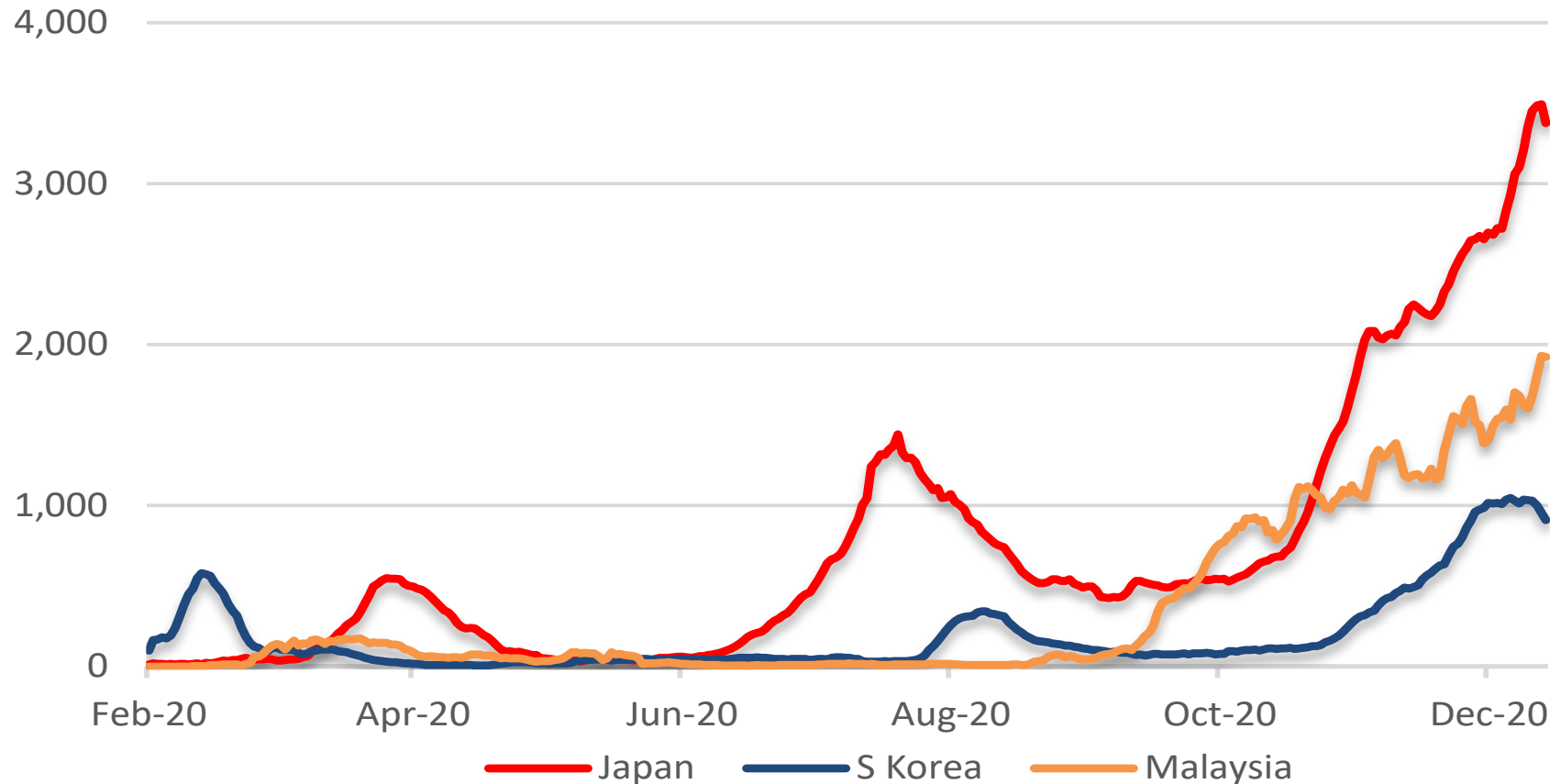


Global infection rates tapering down but still double the numbers 3 months ago

Source: PSR, CEIC, WHO

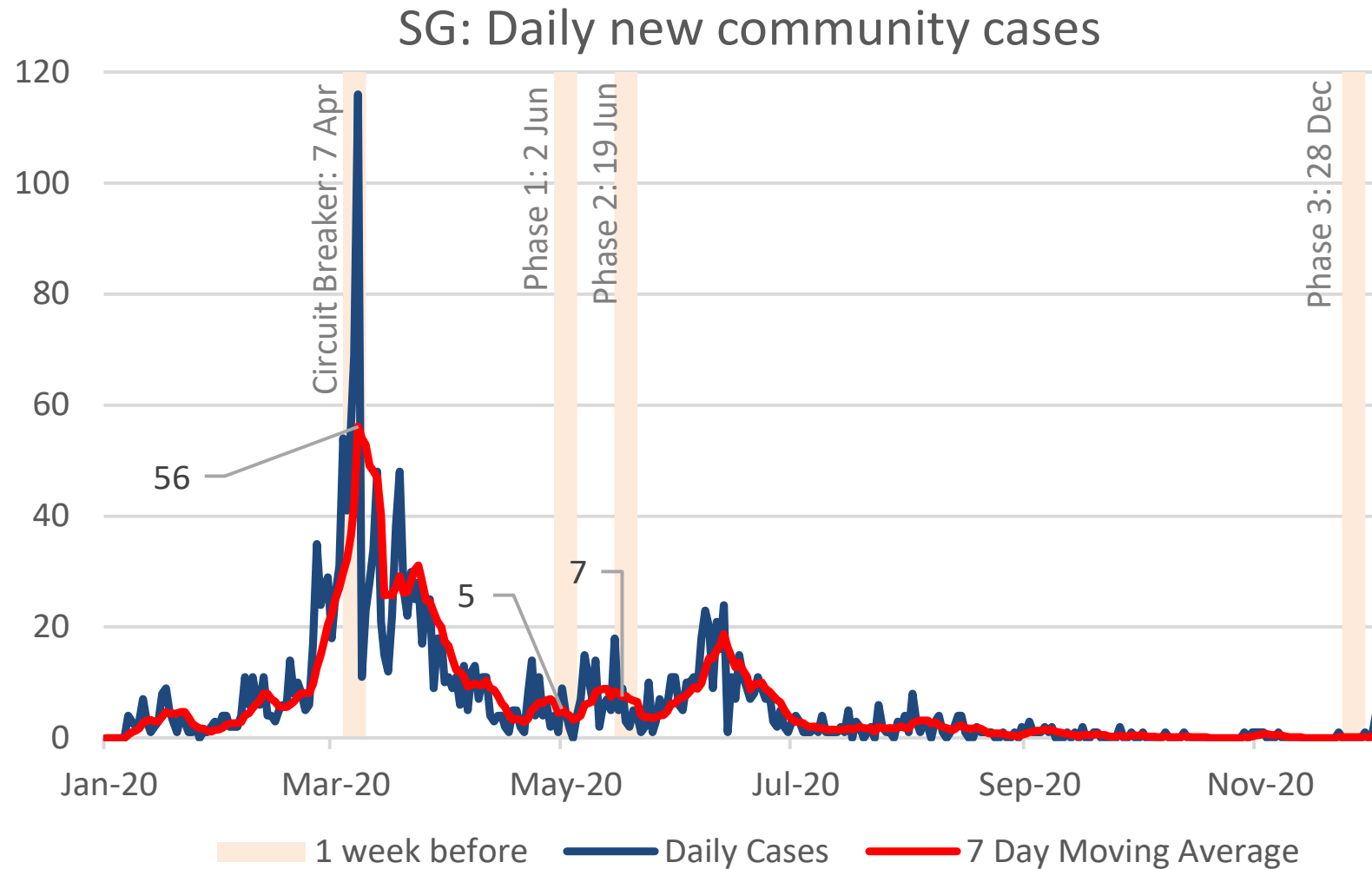
Asia undergoing a major 3rd wave too

COVID-19 New daily cases: JP, KR, MY (7DMA)



Source: CEIC, PSR, WHO

Unlike many others, Singapore is easing



Recent spike at year-end

Source: PSR, MOH

Theme 2: The hunt for yield remains

Negative Yielding Debt and Bitcoin

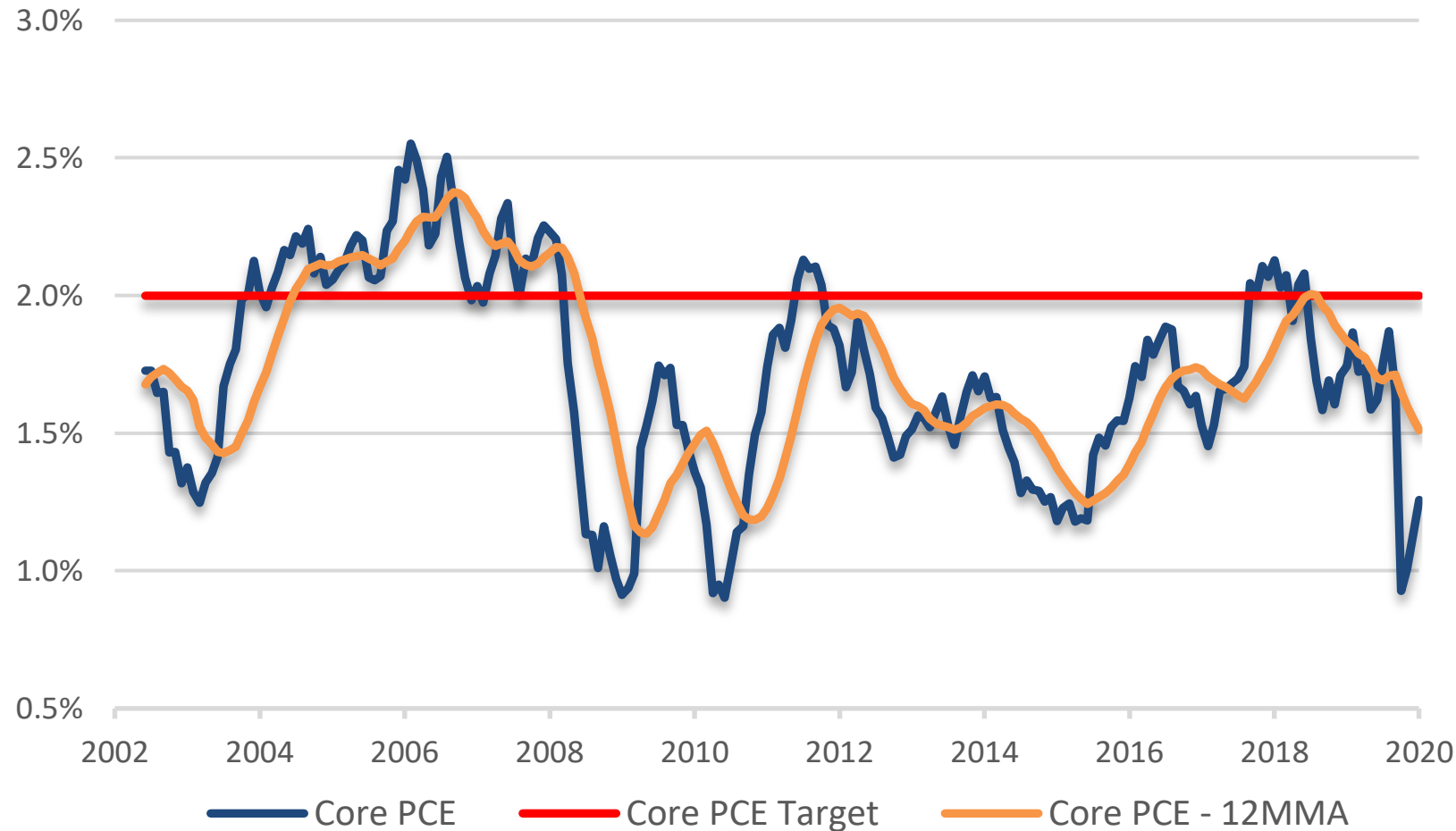


- **Record US\$17.7t of negative yielding debt**
- **Like “trading tulips”, reflects loss of central bank trust and negative interest rate**

Source: PSR, Bloomberg

Please don't cross 2% until End 2023

US: Core PCE Inflation (YoY)

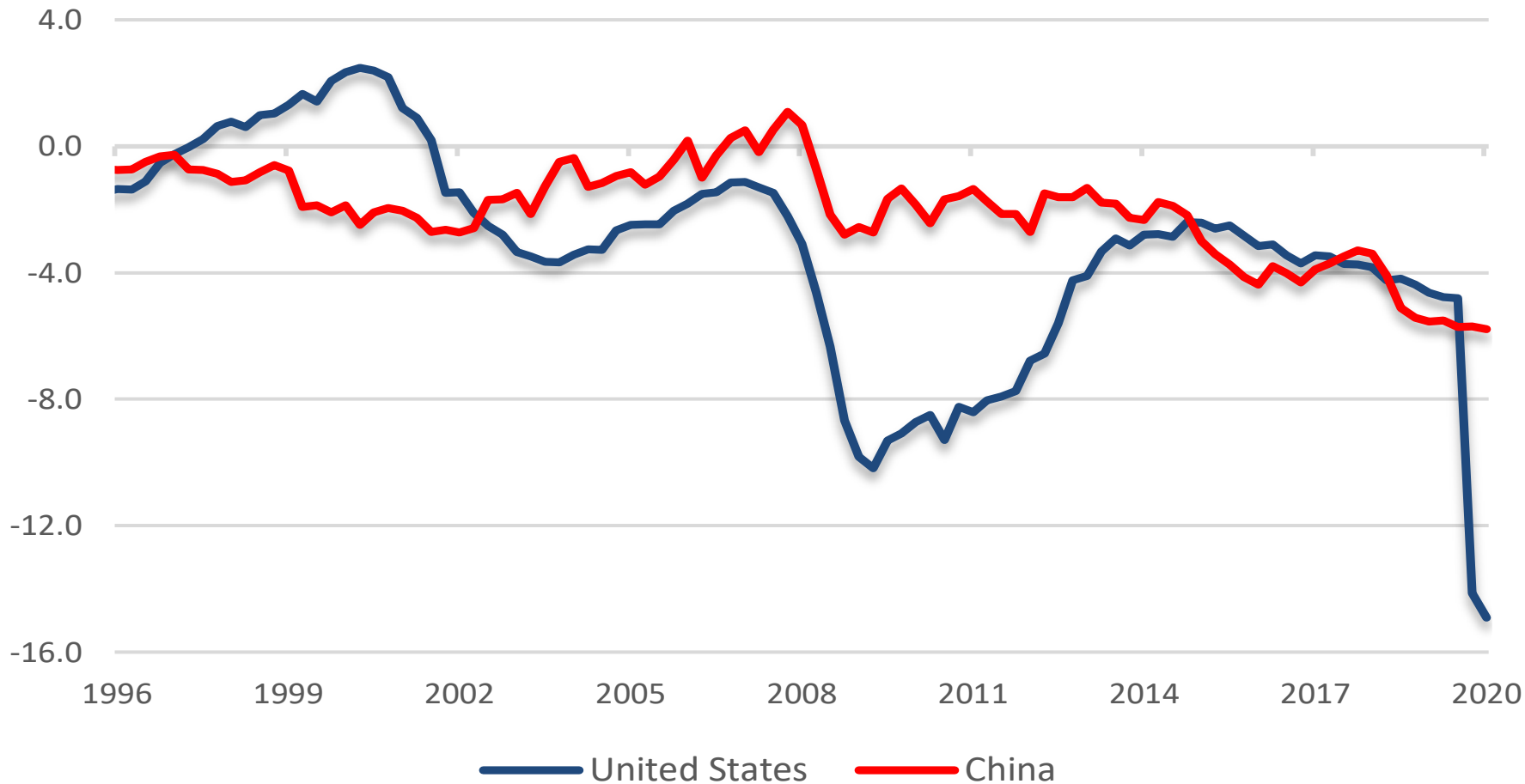


- **Goal 1: Moderately >2% inflation for some time (2.25-2.5%)**
- **Goal 2: Helping workers - maximum employment (4%)**
- **Fed still in QE mode until “substantial further progress” in goal**

Source: CEIC, Bureau of Economic Analysis, PSR

Theme 3: No bridge give money fiscal stimulus

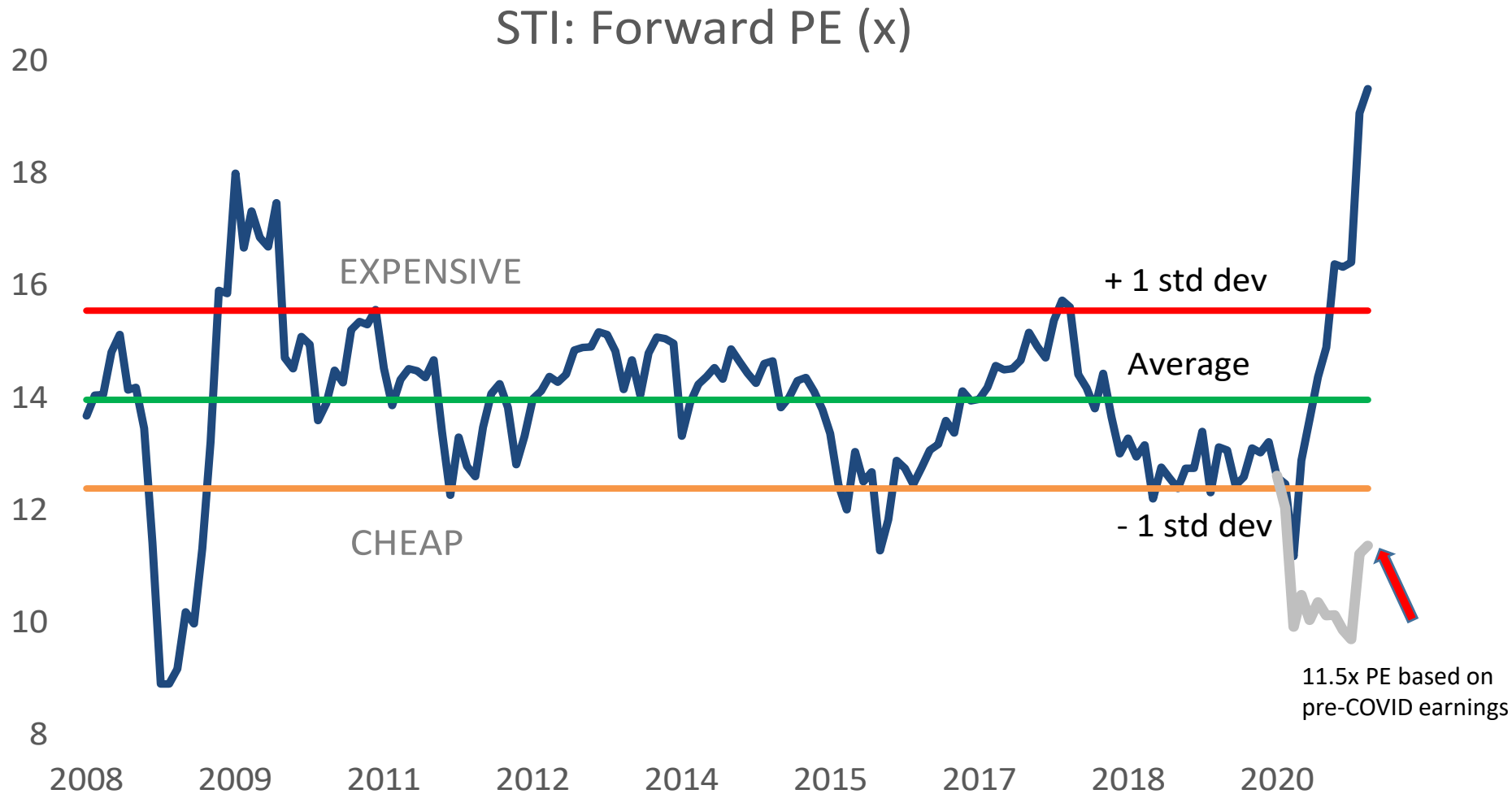
Fiscal Balance (% of nominal GDP)



- Handouts more effective than tax cuts or government guarantees
- Government guarantees another way for off balance sheet financing

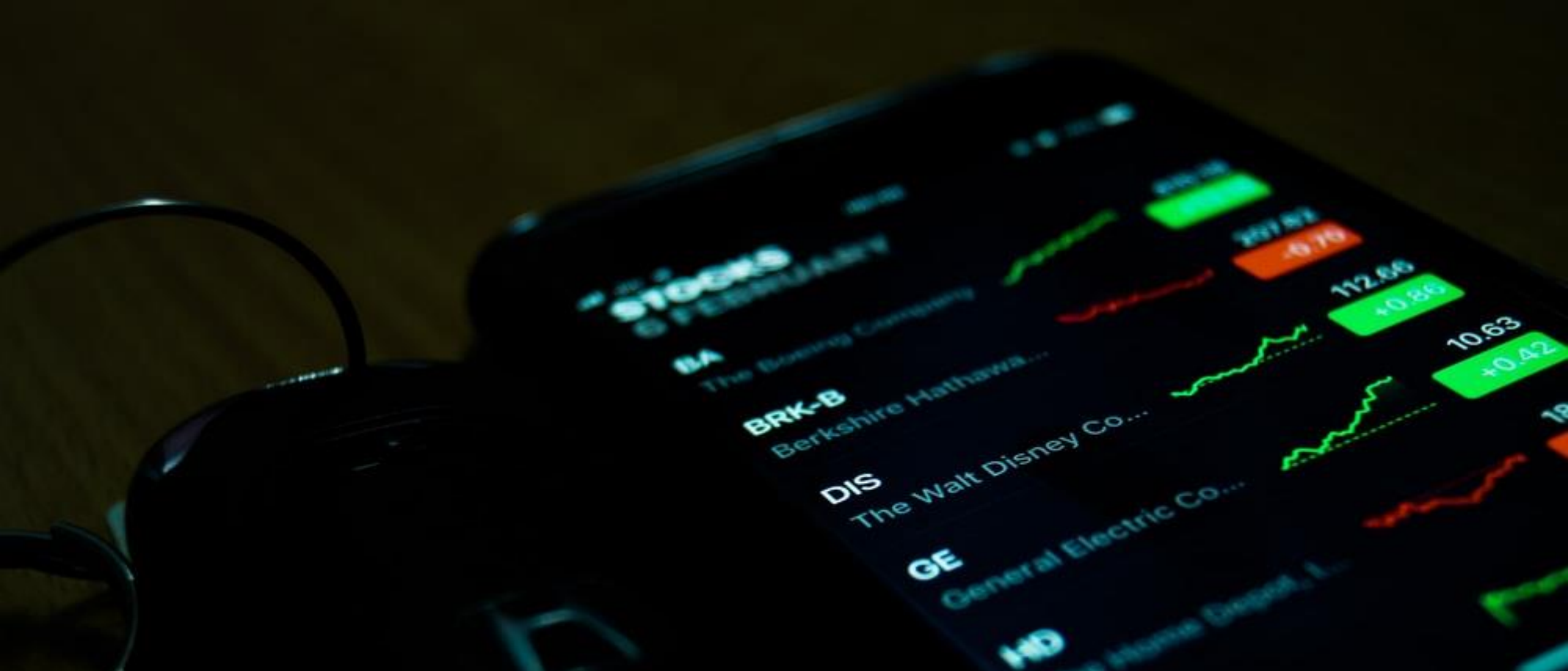
Source: PSR, CEIC

Theme 4: Equities still the better asset



- PE record high after 40% cut in earnings
- PE based on pre-COVID earnings is 11.5x
- 4% dividend yield

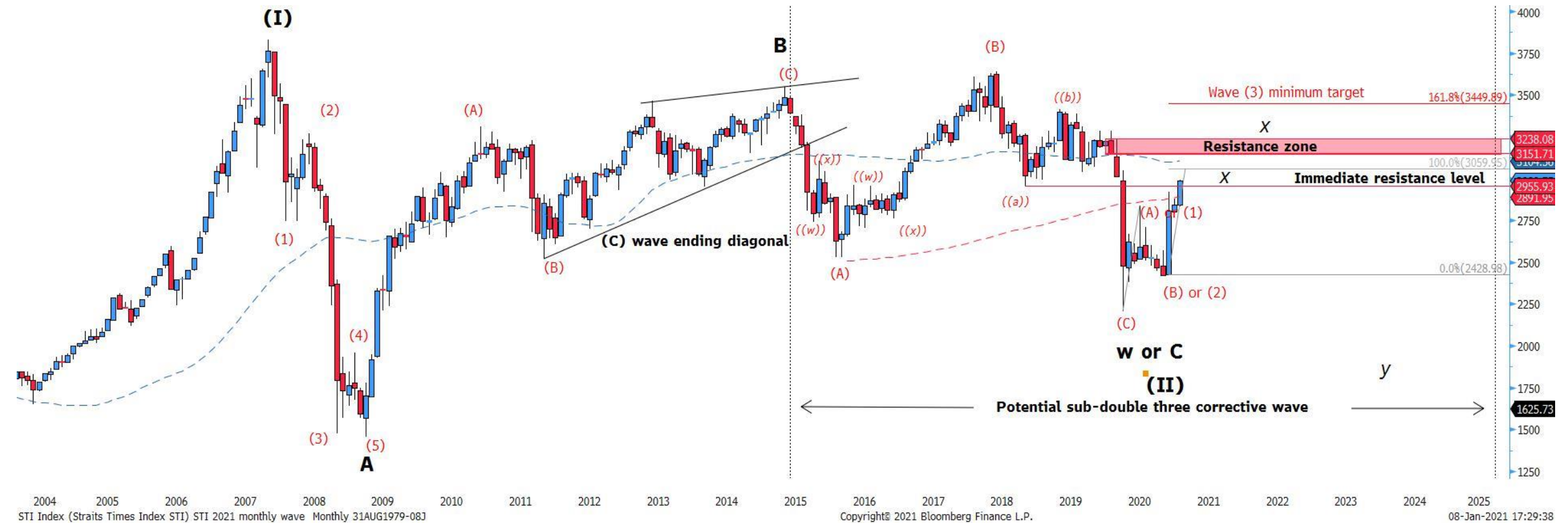
Source: PSR, Bloomberg



Technicals

Straits Time Index: Monthly Chart. 3,000 is poised to break

- We are still in a complex corrective phase for the past 12 years since 2009.
- STI is poised to clear 3,000 as the monthly candle is approaching the immediate resistance fiercely. However, the next resistance zone at 3,250 remain a strong resistance zone
- Only by clearing 3,44.89 then STI will confirms its impulse 3rd wave move.



Source: Bloomberg, PSR

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Straits Time Index: Corrective symmetrical triangle

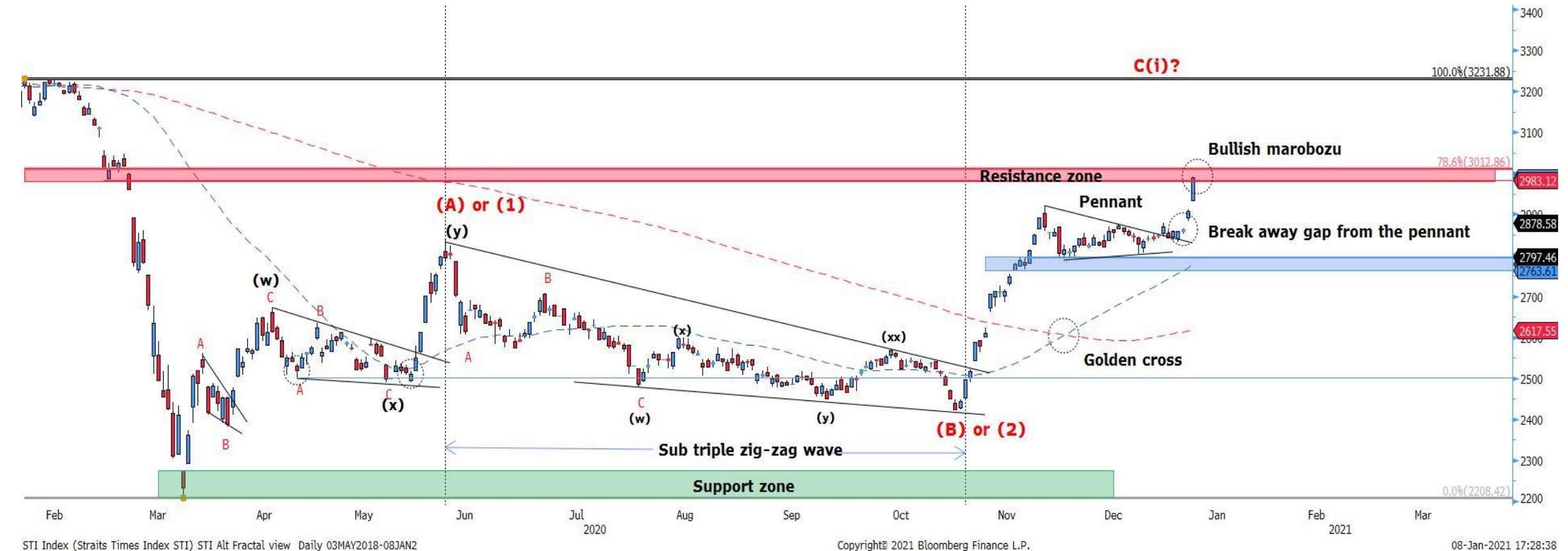
- Another theory is that STI is forming an ongoing corrective 5-wave triangle. Currently only wave ((A)), ((B)), ((C)) is completed.
- Should 3,500 level breaks with a strong upside, then the probability of wave ((D)) invalidation will increase along with the new impulse wave (III).



Source: Bloomberg, PSR

Straits Time Index: Daily Chart. Breakaway gap signal a new bullish momentum

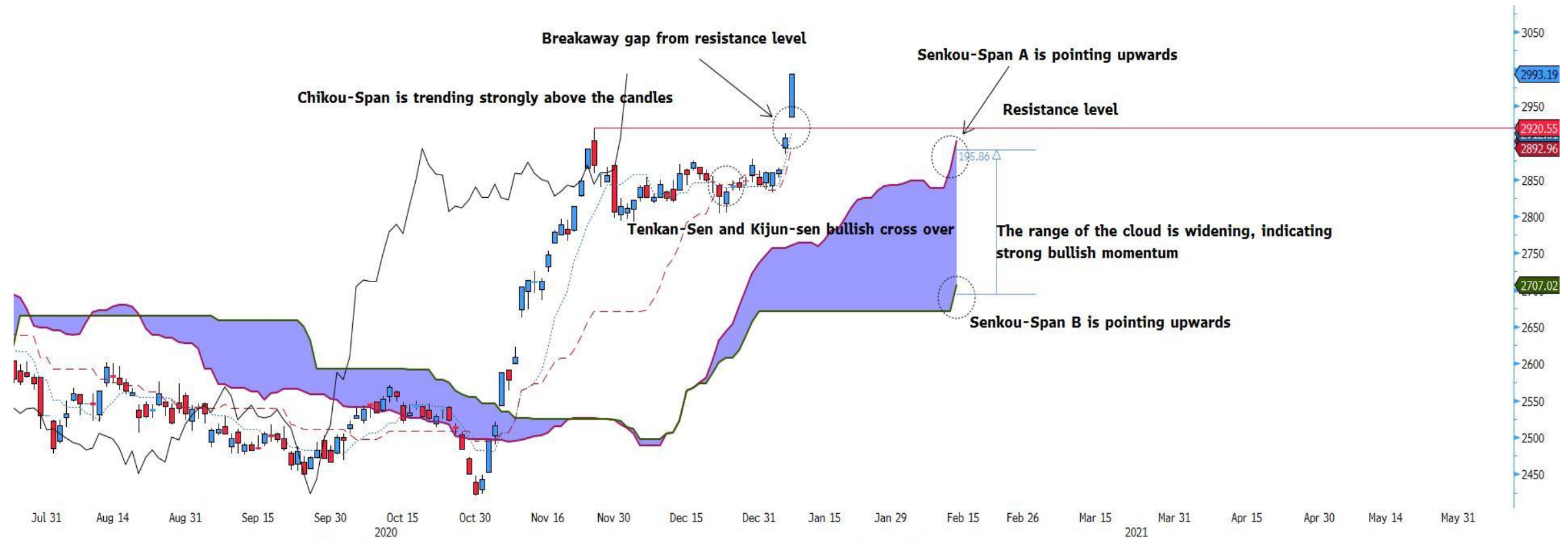
- As STI is slowly approaching the resistance zone near 78.6% Fibonacci retracement, there may be some short term correction ahead but we believe that STI will reach C(ii) at 3,231 level within the first quarter of 2021.
- The breakaway gap from the pennant on Thursday signify a strong bullish upside.



Source: Bloomberg, PSR

Straits Time Index: Daily Chart. Ichimoku is showing “Sanyaku Kouten”

- Ichimoku display an extraordinary bullish signal other than the usual Sanyaku Kouten”. The “kumo”, which is the distance between Senkou-Span A and B is widening and this time round, both Senkou-Span A and B are moving upwards in tandem.
- Also, the pennant which is shown in the earlier chart is considered a strong bullish “P” wave.



STI Index (Straits Times Index STI) STI Ichimoku Daily 10JAN2016-08JAN2021
Source: bloomberg, FSN

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AEM Holdings – Primary 5th wave has yet to be completed

- So far from the history of the wave of AEM holdings, only wave (1) to (3) is completed and wave (4) is potentially complete unless prices reject the resistance zone strongly and if it does, it can be a complex corrective flat or double/triple three sub-waves.
- Therefore, AEM has yet to complete the final last impulse/motive moves.



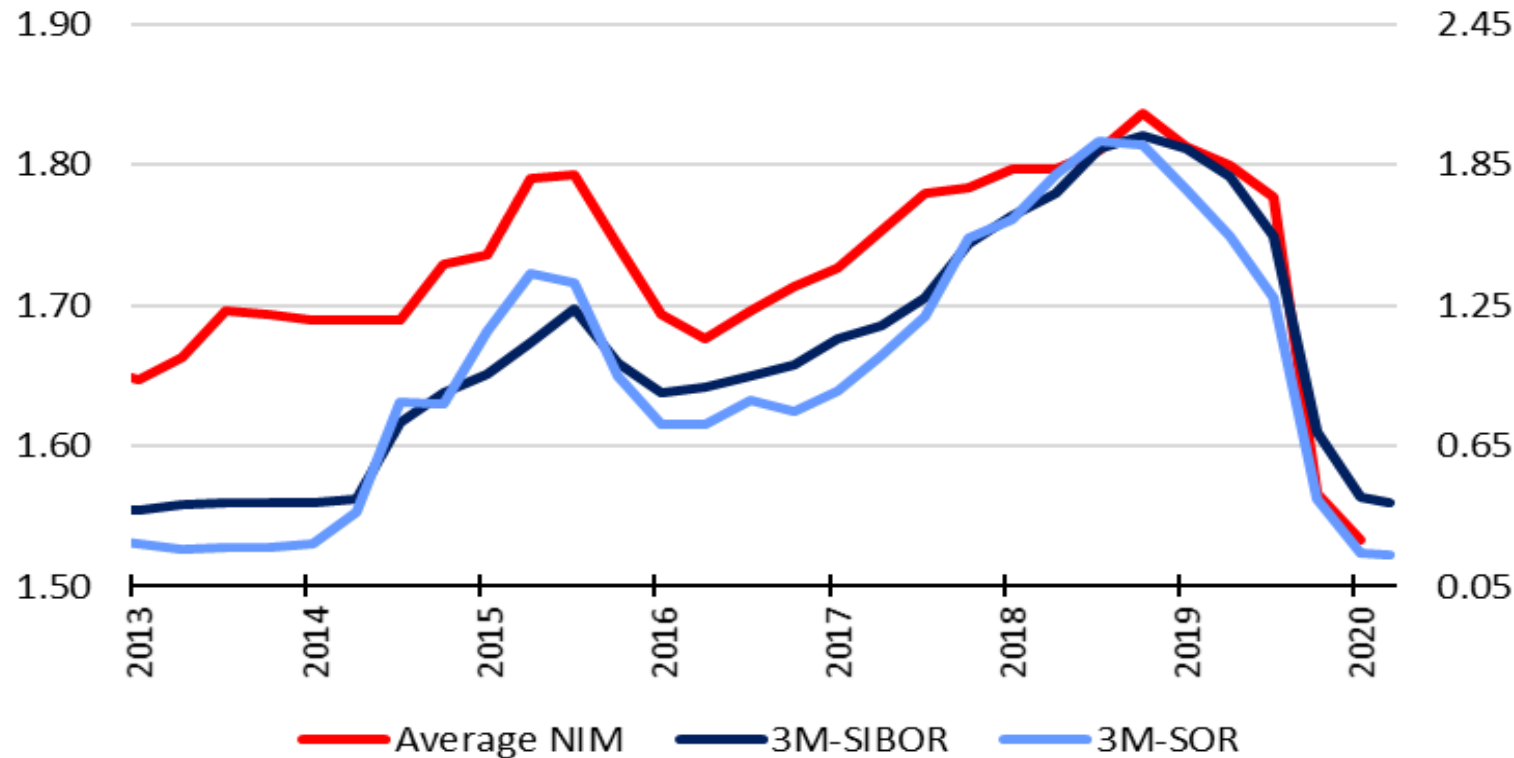
Source: Bloomberg, PSR



Sector Views

Banking: Waiting game

Average NIM (%) vs. Benchmark Rates (%)



Average	3M-SIBOR	3M-SOR	NIM
4Q20	0.41% (-36bps)	0.18% (-34bps)	-
9M20	0.77%	0.52%	1.63%

2020 Review

Bore brunt of economic fallout

- 150bps rate cut in March hurt margins
- Credit costs heightened
 - Loan quality at risk with stagnant economy
 - Pre-emptive provisioning
 - Dividend cap by MAS
- Weak loans growth

Capital market volatility benefited SGX

- SDAV and DDAV spiked on heightened market participation

Source: Companies, Bloomberg, PSR

Banking: Waiting game

2021 Outlook

Waiting on re-rating catalysts

- Loan moratorium expiry to grant clarity on loan quality
 - Tapering of credit costs
- Lift in dividend cap
- Possible loan uptick with economic recovery

Market participation to taper slightly

Recommendation

Remain NEUTRAL. Stock picks include:

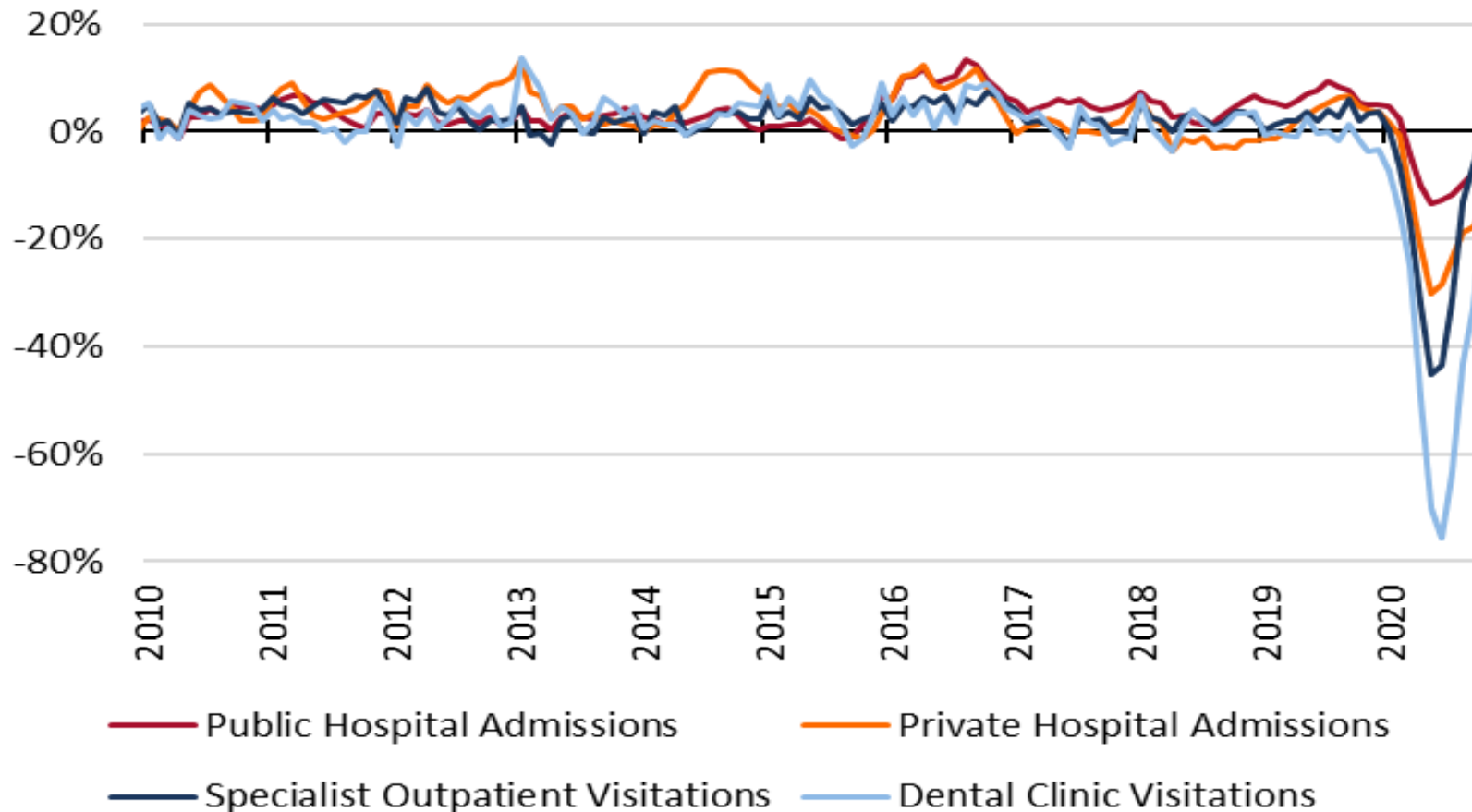
1. SGX (SGX SP, ACCUMULATE, TP: S\$9.45)
2. UOB (UOB SP, NEUTRAL, TP: S\$21.10)

		DBS	OCBC	UOB
Credit cost guidance (bps)		80 - 130	100 - 130	80 - 100
Expected allowances (S\$m)		3,000 - 5,000	2,700 - 3,500	2,200 - 2,800
FY19 (pre-COVID-19)	RLAR reserves	404	876	114
	ECL stage 1 & 2 (GP)	2,511	1,048	1,985
	ECL stage 3 (SP)	2,502	1,397	1,626
	Total reserves	5,417	3,321	3,725
Current	RLAR reserves	-	874	379
	ECL stage 1 & 2 (GP)	4,017	1,863	2,712
		(+ 1,506)	(+ 815)	(+ 727)
	ECL stage 3 (SP)	2,969	1,881	1,664
	Total reserves	6,986	4,618	4,755
		(+ 1,304)	(+ 1,063)	(+ 709)
Compared to guidance		31 - 52%	37 - 48%	37 - 47%

Source: Companies, PSR

Healthcare: Pain subsidies

Healthcare Demand (3MMA YoY)



2020 Review

Disruptions amidst COVID-19

- Aversion to hospital and clinic visits
- Travel restrictions hit medical tourism and supply chain alike
 - Demand hit from lack of foreign patients
 - Costs of transportation for medical supplies

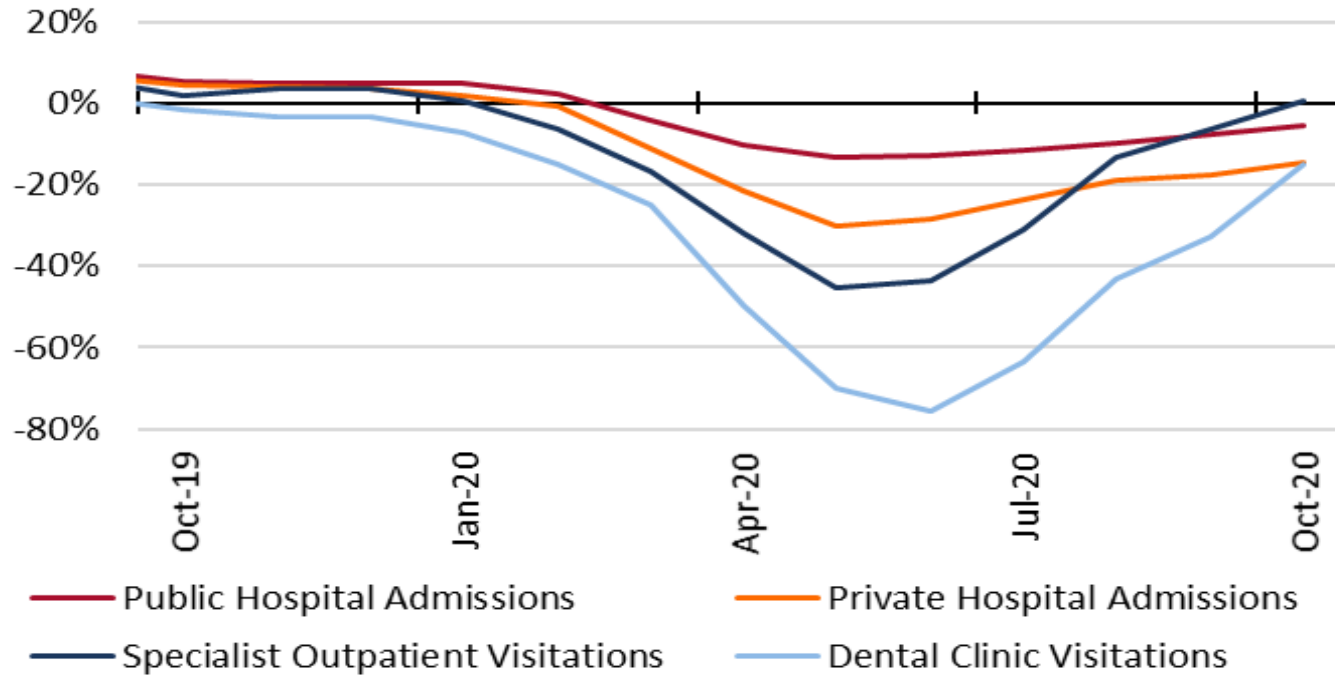
Handful of winners emerged

- Medical PPE manufacturers
- COVID-19 test kits distributors

Source: CEIC, PSR

Healthcare: Pain subsides

Healthcare Demand (3MMA YoY)



	Trough (YoY)	Current (YoY)
Public Hosp.	-13%	-6%
Private Hosp.	-30%	-14%
Specialist	-45%	+1%
Dental	-76%	-15%

Source: CEIC, PSR

2021 Outlook

Healthy recovery expected

- Pent-up demand for medical services
- Telemedicine gains traction
- Possible recovery of medical tourism
- Demand for medical PPE and test kits to normalise

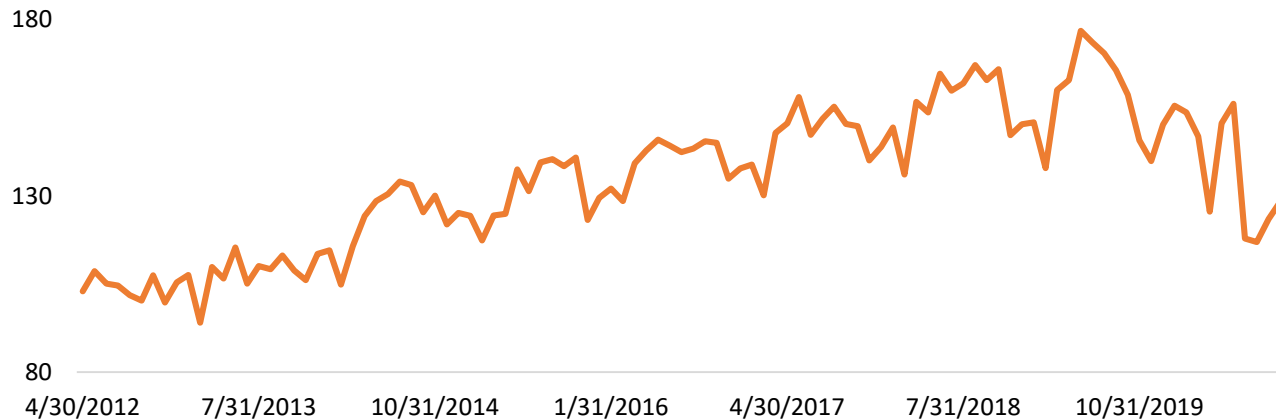
Recommendation

Upgrade to ACCUMULATE. Stock picks include:

1. iX Biopharma (IXBIO SP, BUY, TP: S\$0.455)
2. UG Healthcare (UGHC SP, BUY, TP: S\$1.35)

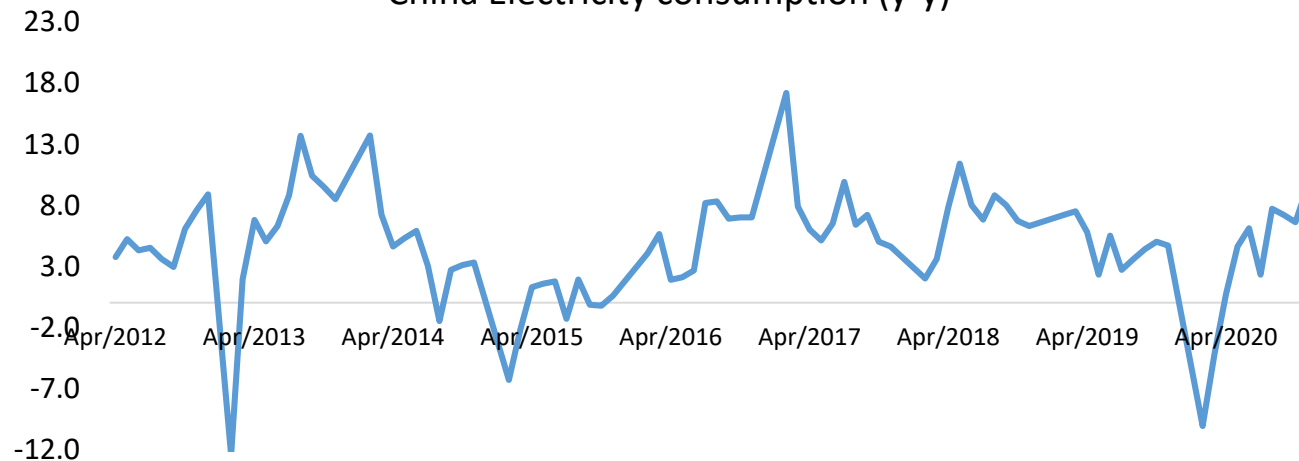
Utilities: Nascent recovery

India Industrial Production Electricity Index



Source: Bloomberg, PSR

China Electricity consumption (y-y)



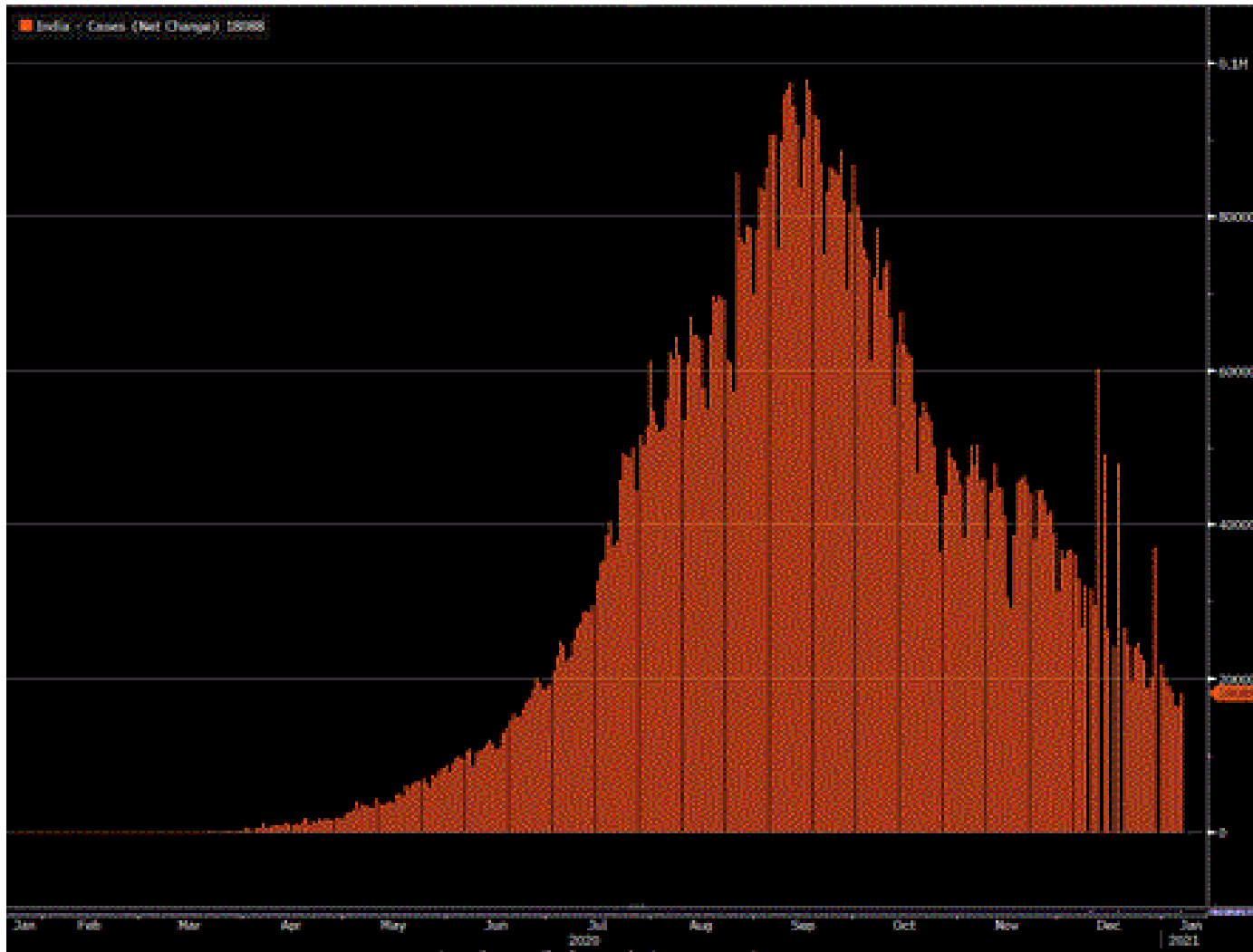
Source: CEIC, PSR

2020 Review

Nascent signs of recovery

- China has seen a faster pace of recovery vs. India
- India
 - Remained lackluster in the fourth quarter due to resurgence of COVID-19
 - Plant load factor improved to ~55% in December from 50%-52% in June
- China
 - Economic activity expanded in 4Q with output growth and retail sales growth
 - Plant load factor improved to ~68% in December from 55%-60% in June

Utilities: Economic activity expected to improve in 2021



Source: Company, PSR

2021 Outlook

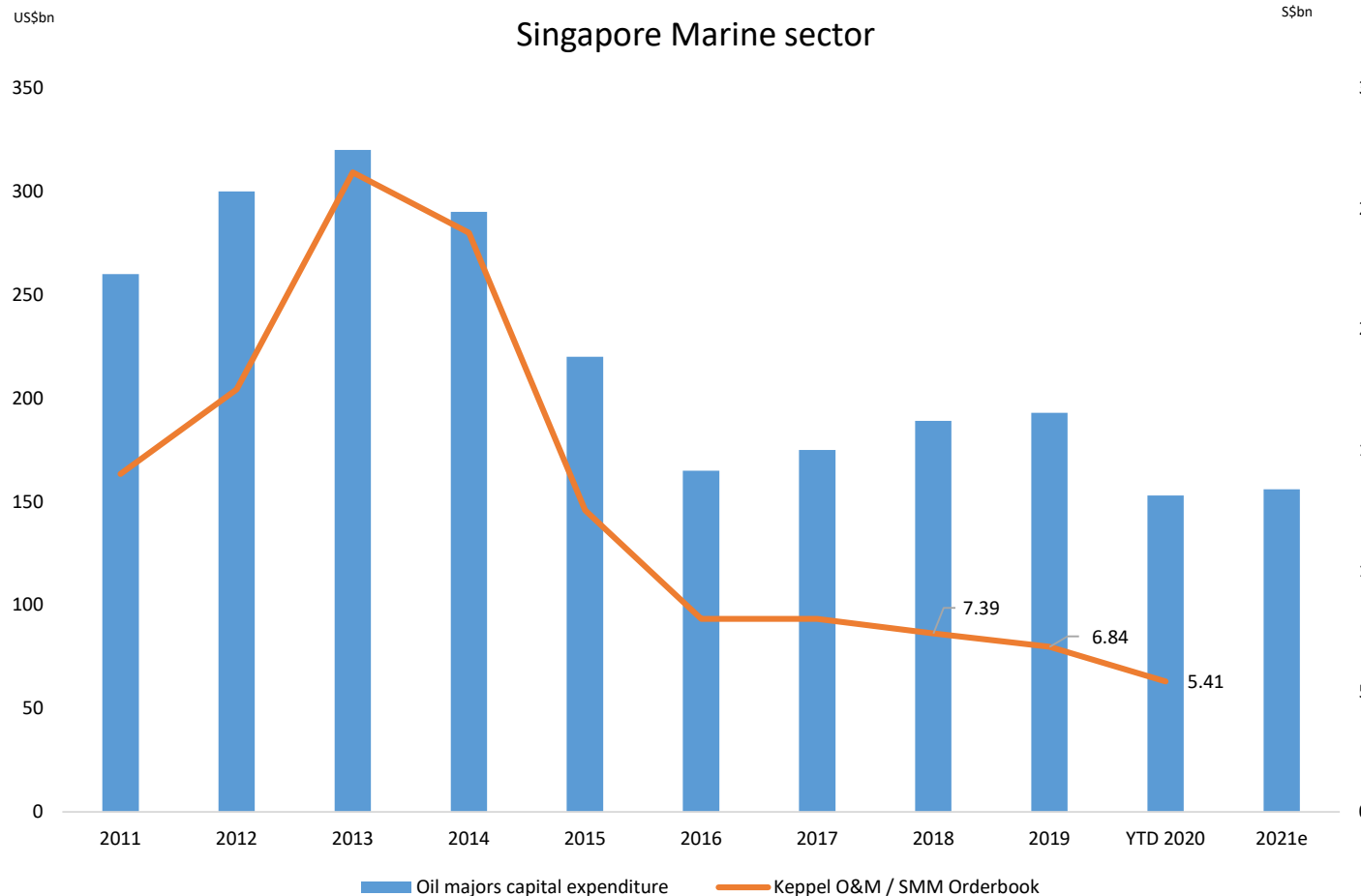
- Economic activity expected to improve in 2021
- China outlook upgraded: GDP expected to expand to 8.0% in 2021 from 7.7% previously
- India growth expected to remain weak in 1H2021
- High COVID-19 cases (~20,000 average) presents challenges in the economic front
- Falling number of cases offers hopes of recovery by 2H2021

Recommendation

Downgrade to NEUTRAL. Stock pick:

- Sencorp Industries (SCI SP, Neutral, TP: S\$1.75)

Marine: Prolonged downturn prompts action



Source: Company, PSR

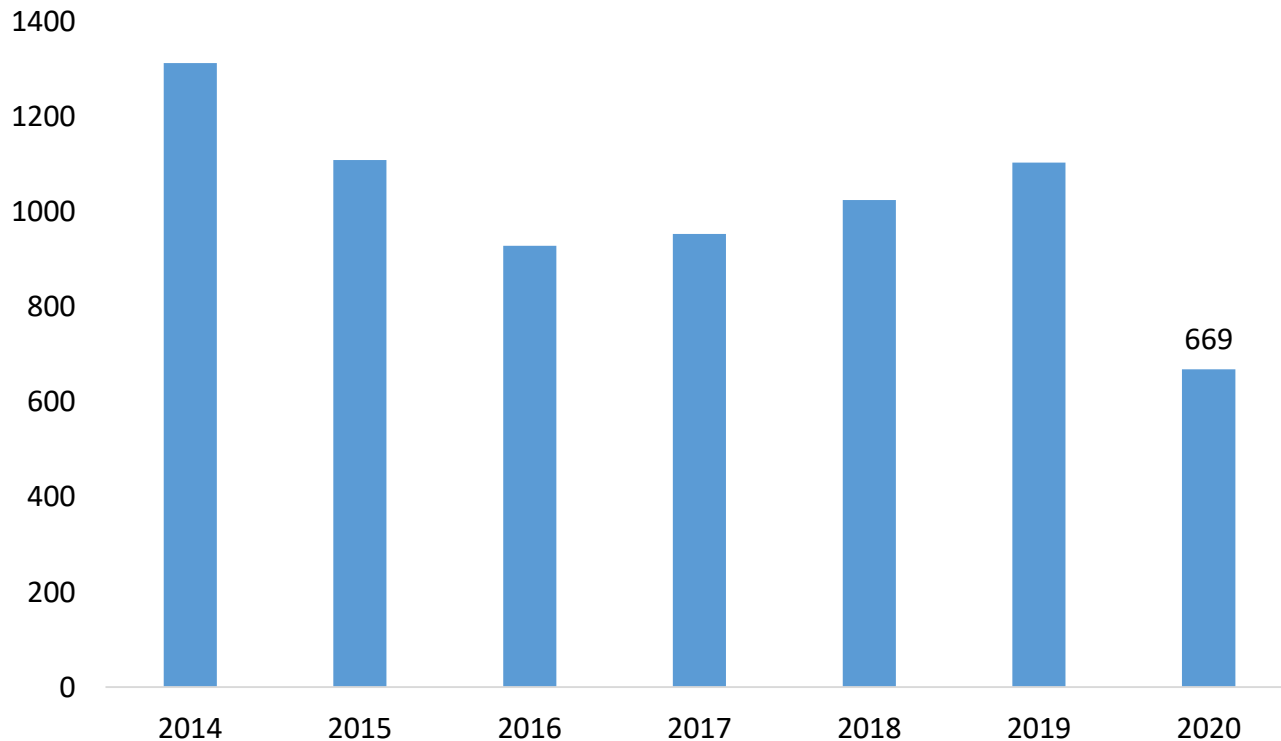
2020 Review

Bore brunt of COVID-19

- Oil price turned negative for the first time in history in April 2020
- Oil price subsequently recovered but stayed weak
 - Weak economic activity due to worldwide lockdowns
 - Lack of a deal within OPEC
- Oil majors slashed CAPEX in anticipation of a prolonged downturn
 - More than 50 oil and gas firms filed for bankruptcy
 - Upstream capex cut by 22%

Marine: Uncertain outlook prompts action

International rig counts (ex. U.S.)



Source: Company, PSR

2021 Outlook

Slight improvement in oil and gas sector activity in 4Q20

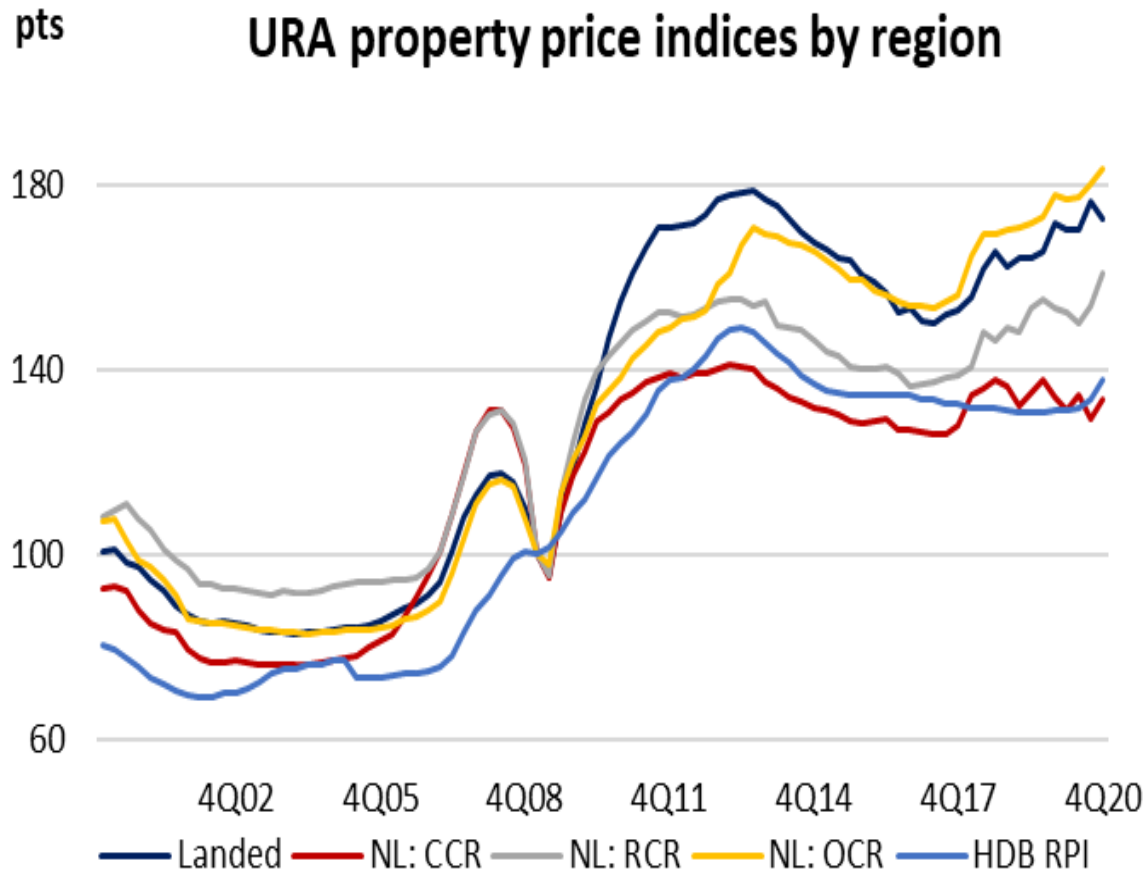
- Outlook for 2021 expected to remain weak
 - Oil price expected to average US\$49/barrel in 2021 according to EIA
 - Economic outlook expected to be affected by pace of economies opening up
- Oil majors capital expenditure expected to be about 11% lower vs. 2020

Recommendation

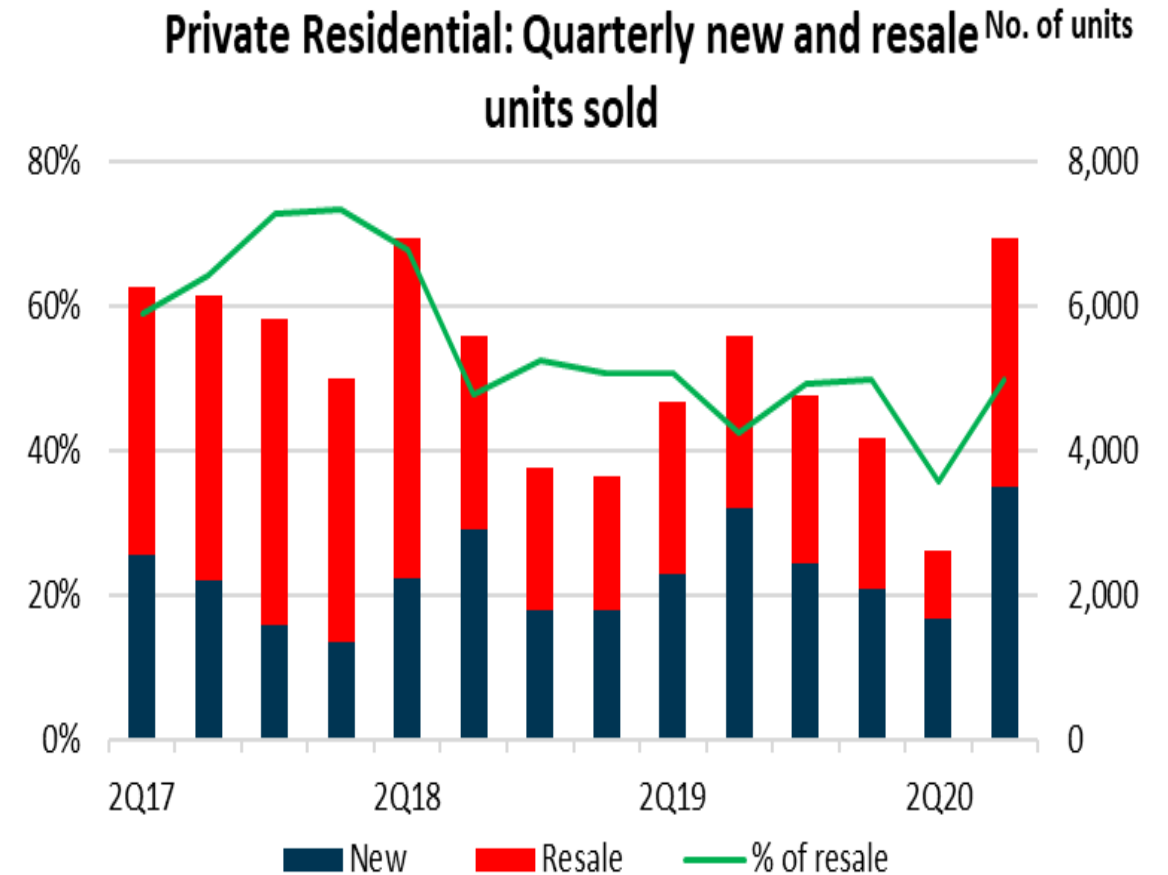
Maintain ACCUMULATE on potential divestment of O&M. Stock pick:

1. Keppel Corp (KEP SP, BUY, TP: S\$6.12)

Property market resilient despite Covid-19

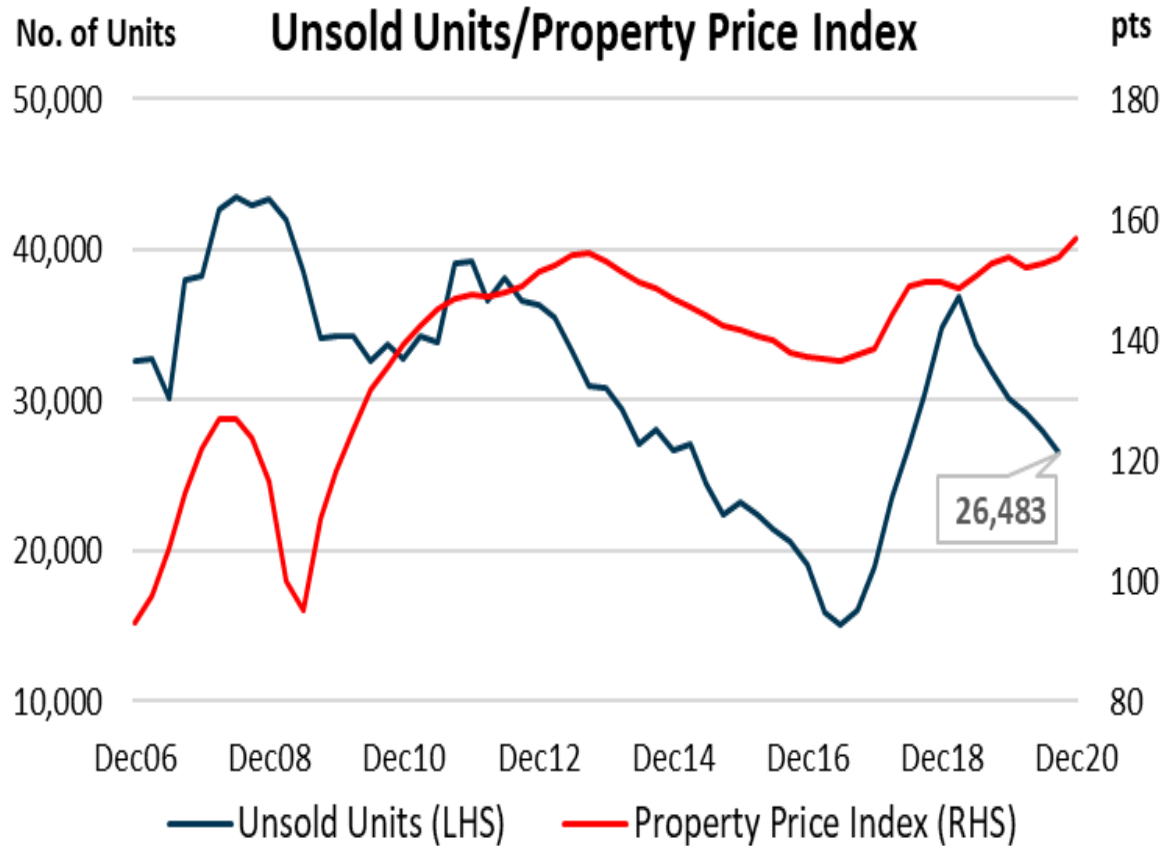


Source: URA (rebased 1Q2009), CEIC, PSR

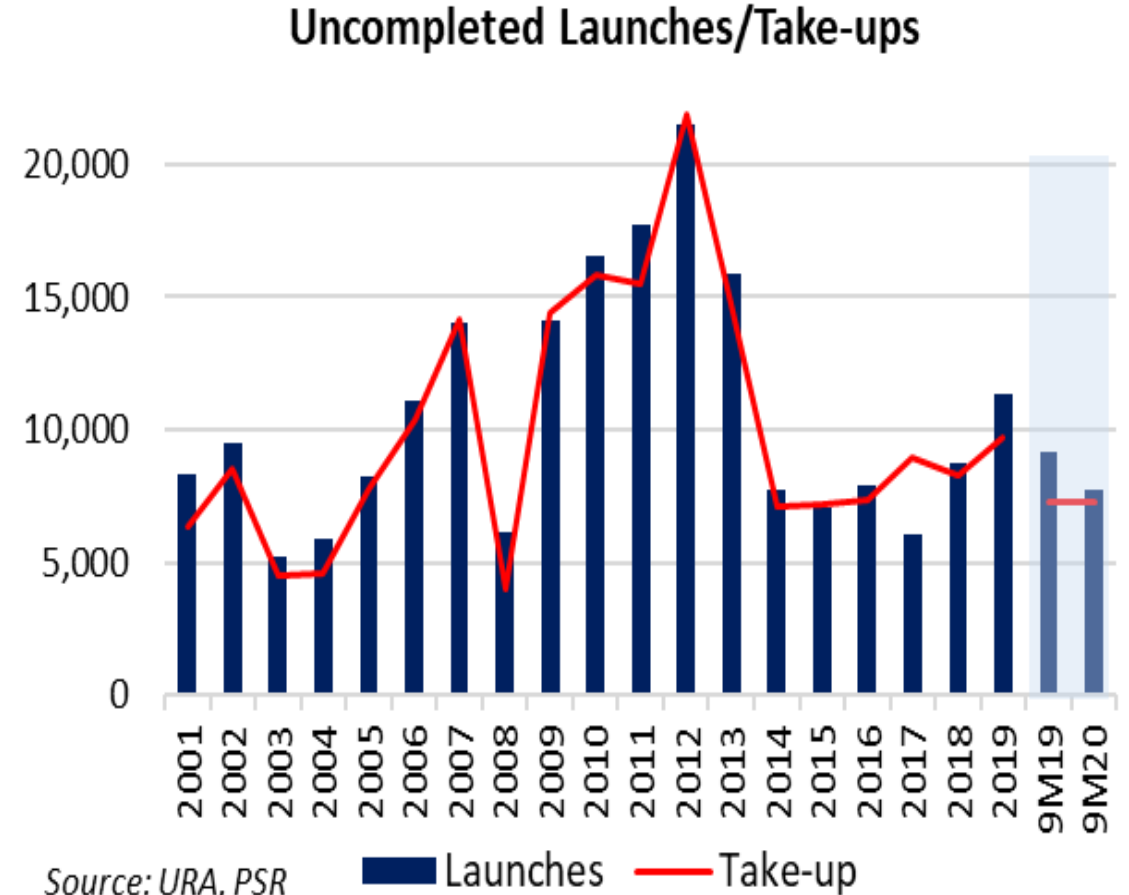


Source: URA, CEIC, PSR

Private Residential: 26K units unsold, down 17% YoY 3Q20

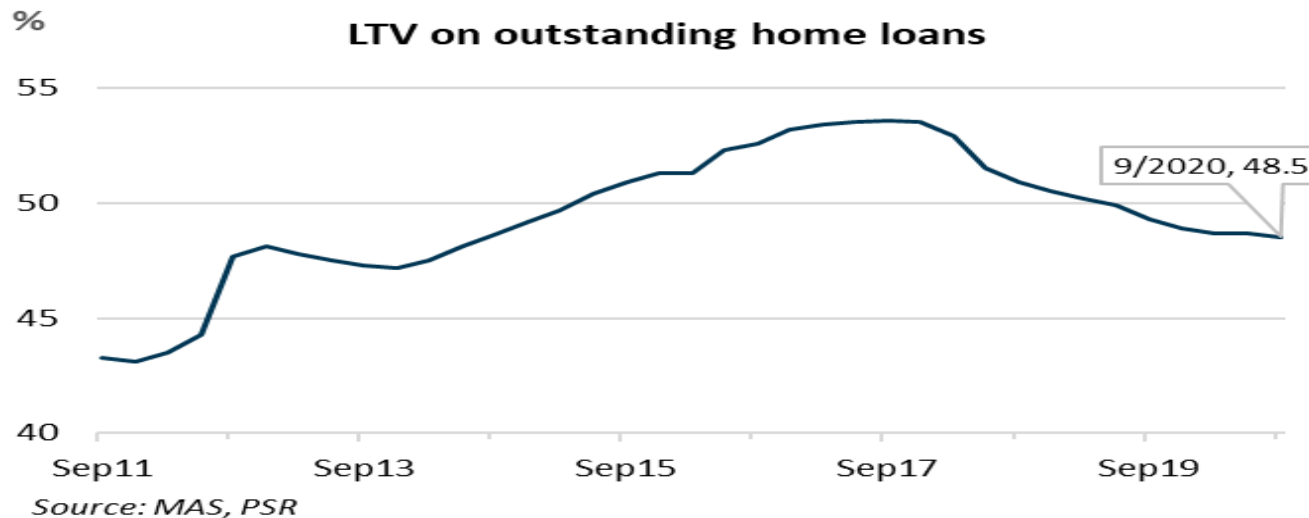
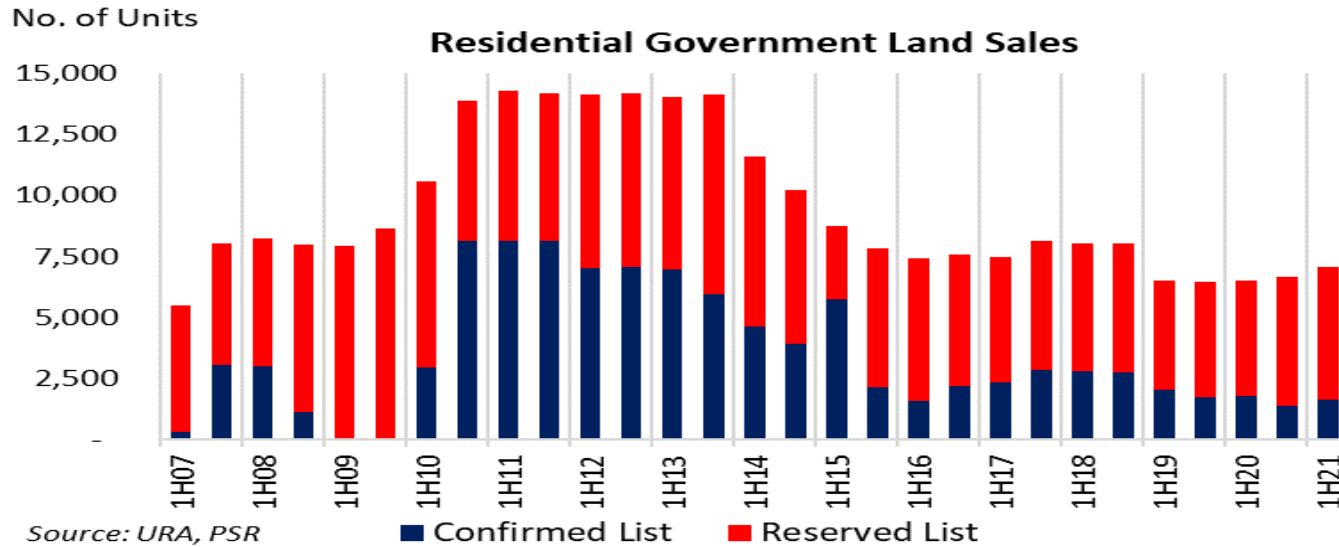


Source: URA, CEIC, PSR



Source: URA, PSR

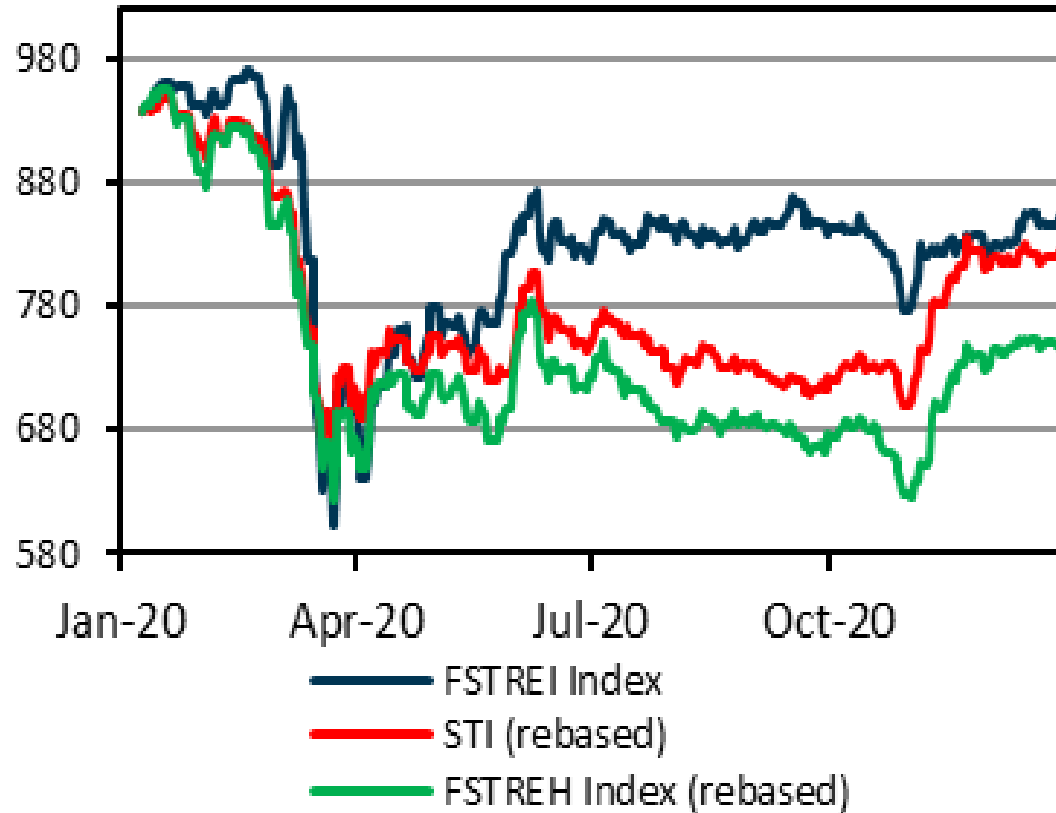
Prices mildly positive, expecting 9k units to be sold



- Private housing market indirect beneficiary of BTO construction delay and resale grants
- Demand from upgraders - c.25k HDBs will achieve MOP
- Low interest rate and attractive launch units
- Low GLS - **22%** on the Confirmed List
- Strong household balance sheet pre-COVID – LTV fell from 53% to 49% over 2 years
- Possibly more property cooling measures

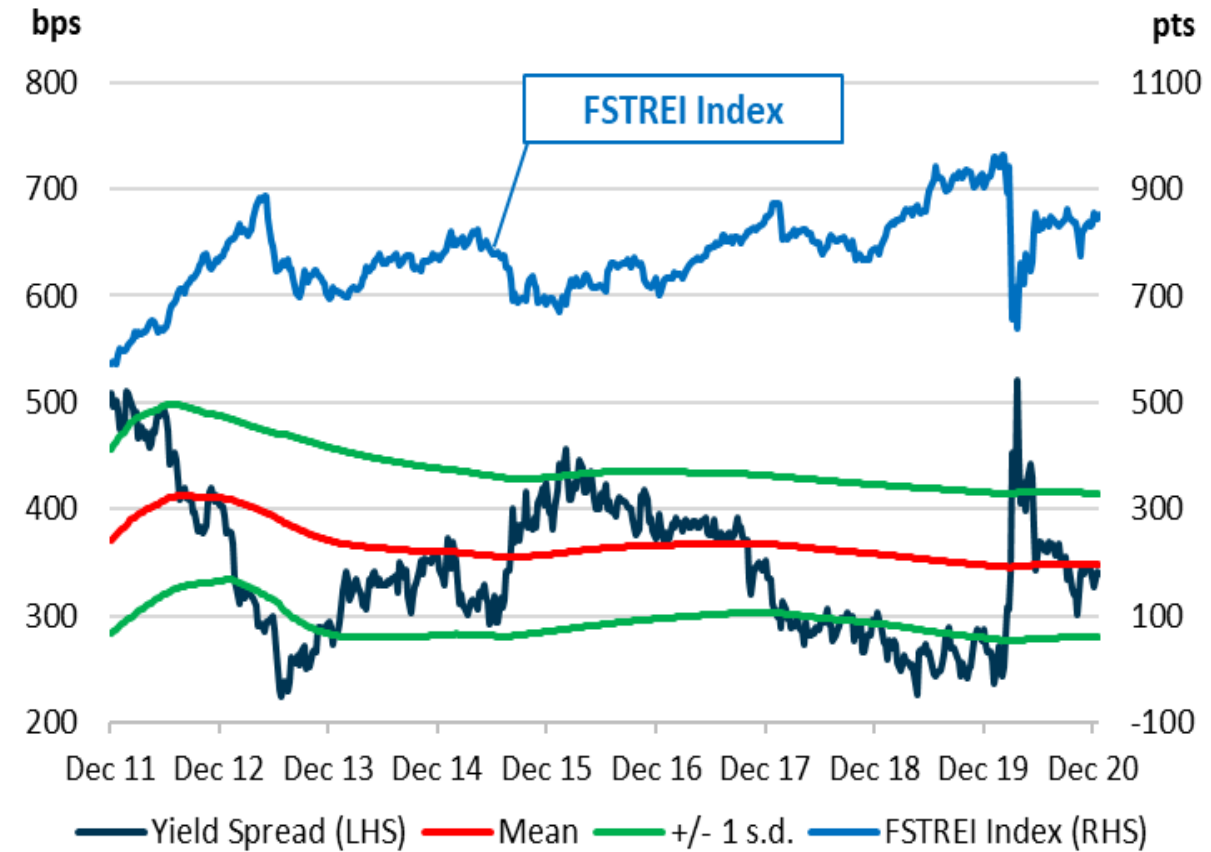
REITs: On stable footing and seeking growth

REITs outperformed STI and FTSE RE Index



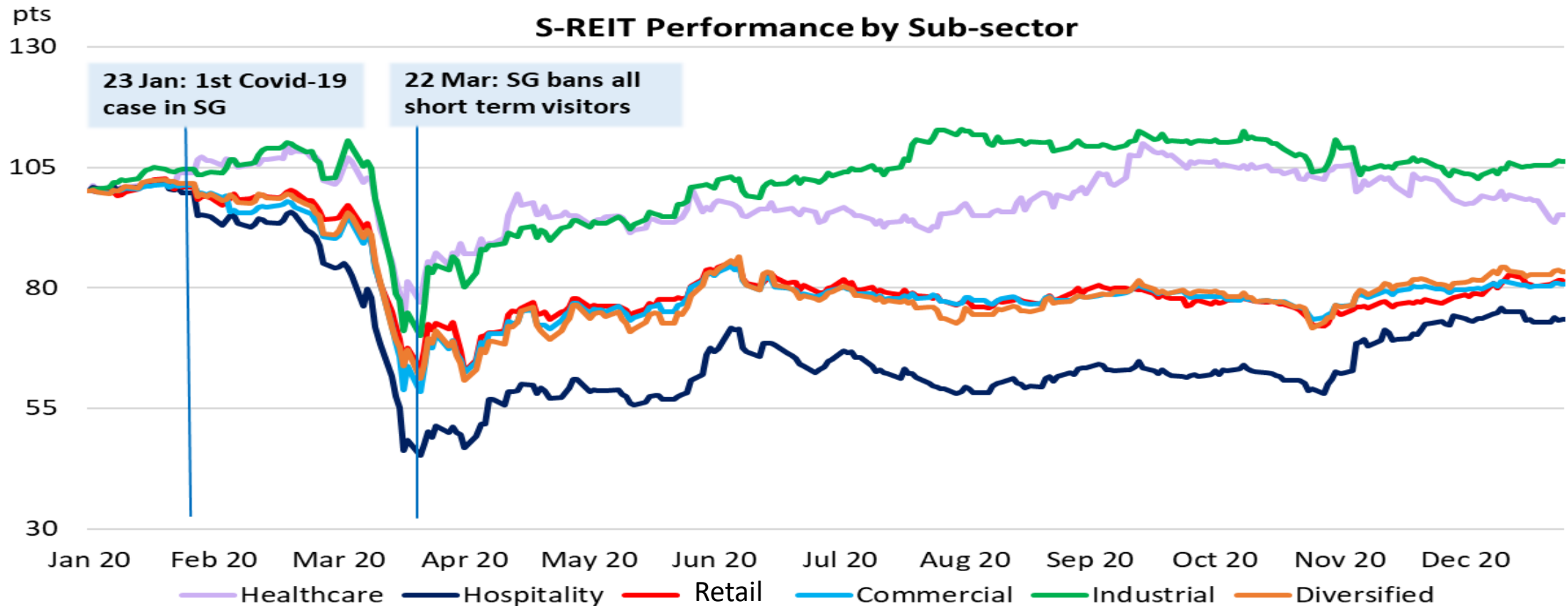
Source: Bloomberg, PSR

Dividend yield spread of 3.4% at -0.12 SD level



Source: Bloomberg, PSR

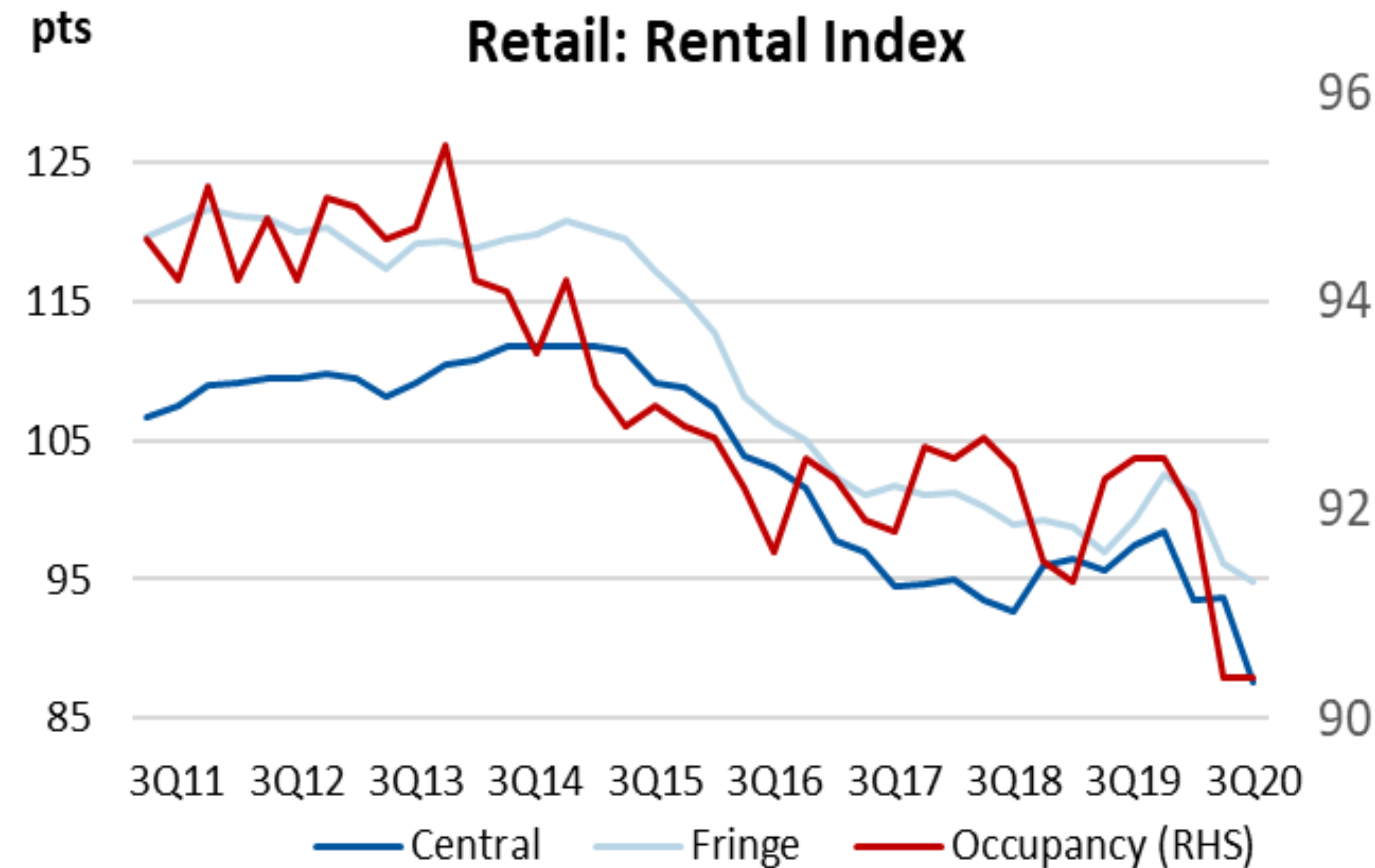
Recovery by subsector



Source: Bloomberg, updated 31 December 2020, Rebased 1 Jan 2020=100

	Healthcare	Hospitality	Retail	Commercial	Industrial	Diversified
Change YTD	-4.9%	-26.6%	-18.5%	-19.2%	6.2%	-16.7%
Max Drawdown	-27.8%	-54.8%	-37.4%	-41.5%	-29.9%	-39.3%

Retail – Lifted by easing of containment measures

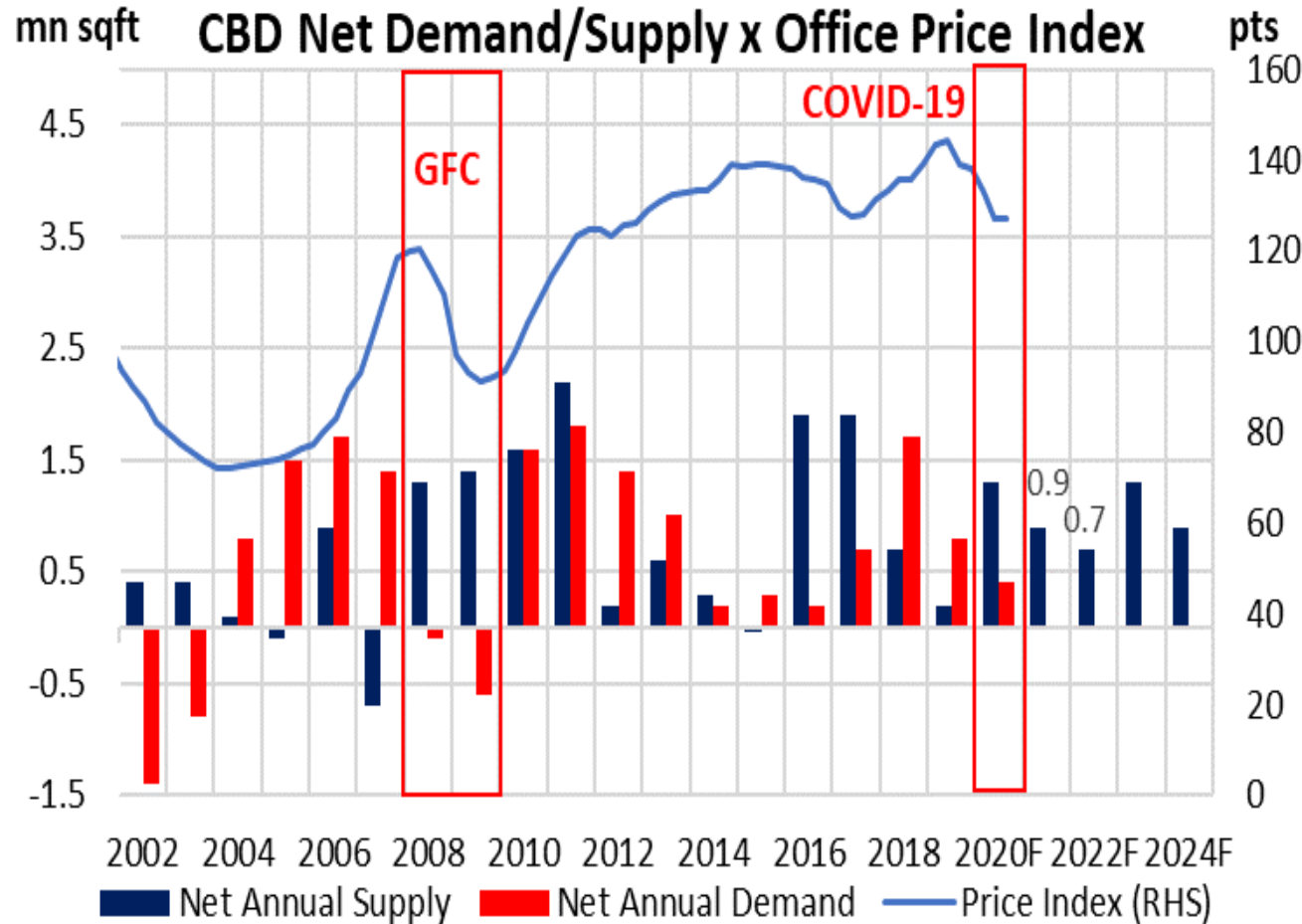


Source: URA (rebased 4Q1998), CEIC, PSR

YoY - Central: -10.2%, Suburban: -4.4%, Occupancy: -2.1pts

- Lifted by further reopening and relaxation of containment measures
 - ❖ Suburban - Increase in daytime population from permanent hybrid work arrangements
- Dominant, well located and managed malls will be prioritised amidst retail consolidation
- Landlords have offered leases with higher variable rent component for some tenants
- Retail Sales Index (excl. MV) **-3.1%** YoY in Nov20
- Declining rents - landlords prioritise occupancy over rents
- Digital transformation to increase customer and tenant stickiness

Office - Structural decline mitigated by tight supply

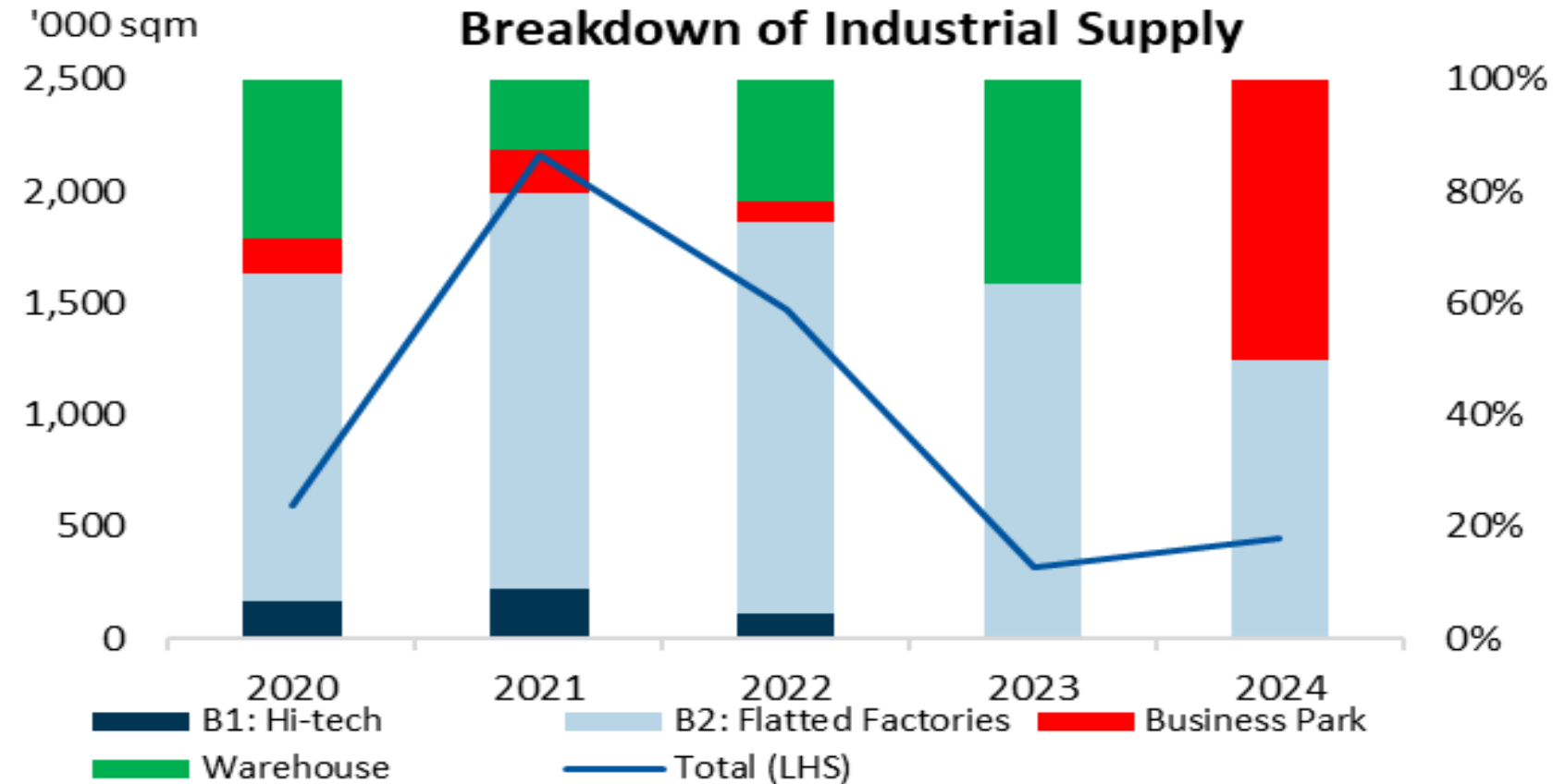


Source: URA, CEIC, CCT, PSR

- Structural decline – weak demand & challenging leasing
- Permanent hybrid work arrangements; setting in motion more aggressive rightsizing in mid-term
 - ❖ Tenants giving back 10-30% of space
- More demand from coworking operators as flexible space could be used as an interim strategy
- Supply may be taken offline for redevelopment
- CBD Incentive Scheme (Redevelopment 2021/22)
 - ❖ AXA Tower (700K sq ft)
 - ❖ Fuji Xerox Tower (354K sq ft)
 - ❖ Central Mall (131K sq ft)
- Singapore remains an attractive location for regional headquarters

3Q20 YoY - Central: -8.3%, Fringe: -6.9%, Occupancy: -1.4ppts

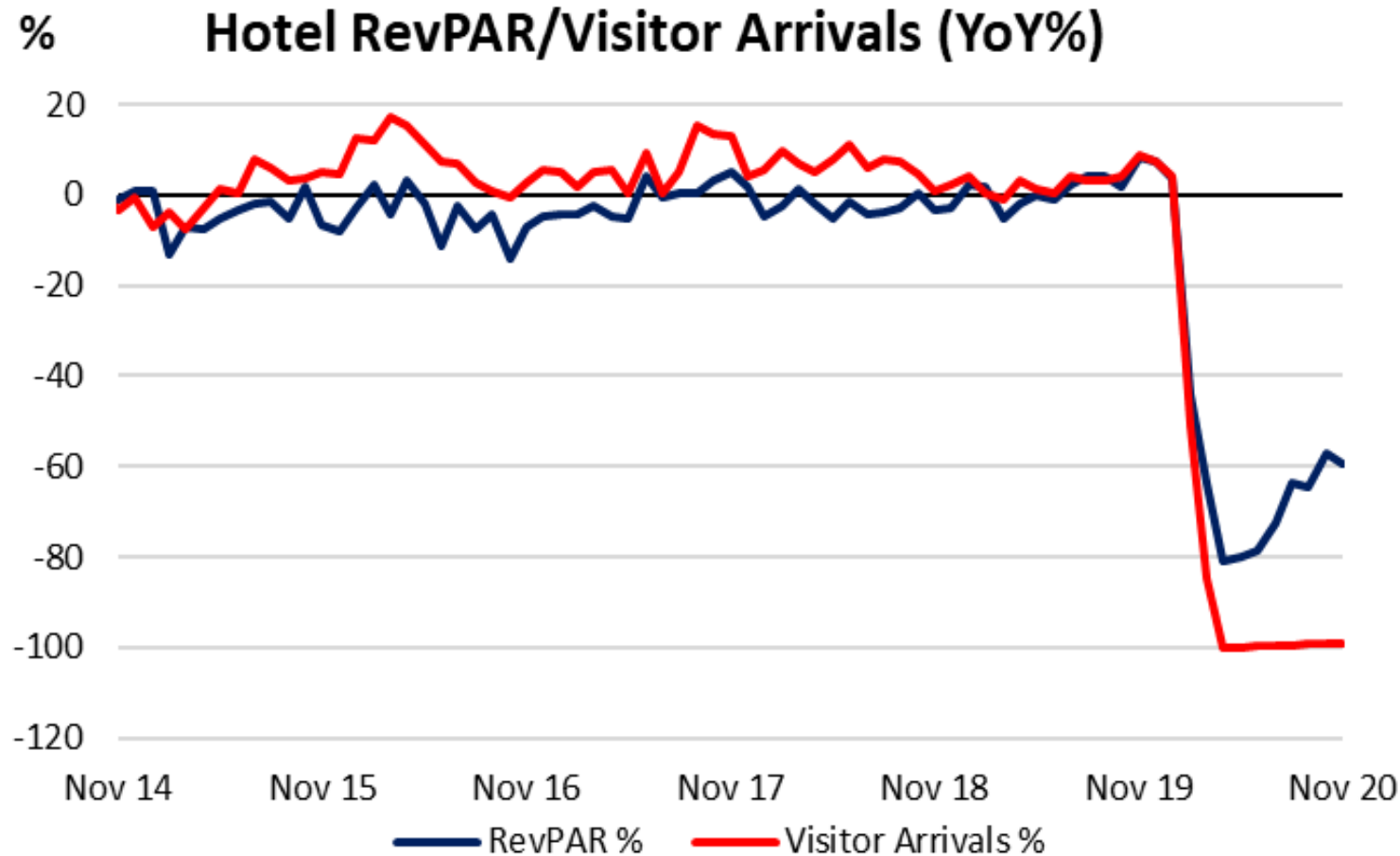
Industrial - Backbone of the economy



- **Data centres, hi-spec and business parks** remain favourable, supported by
 - ❖ Technology, biomedical and precision engineering sectors
 - ❖ Limited new supply
- **Warehouses** may benefit from higher demand from logistics players
- **Factories** more challenged, recovering global demand and considerable supply

3Q20 YoY – Rental Index: -1.6%, Occupancy: +0.3ppts

Hospitality - Vaccine courage to lift sector

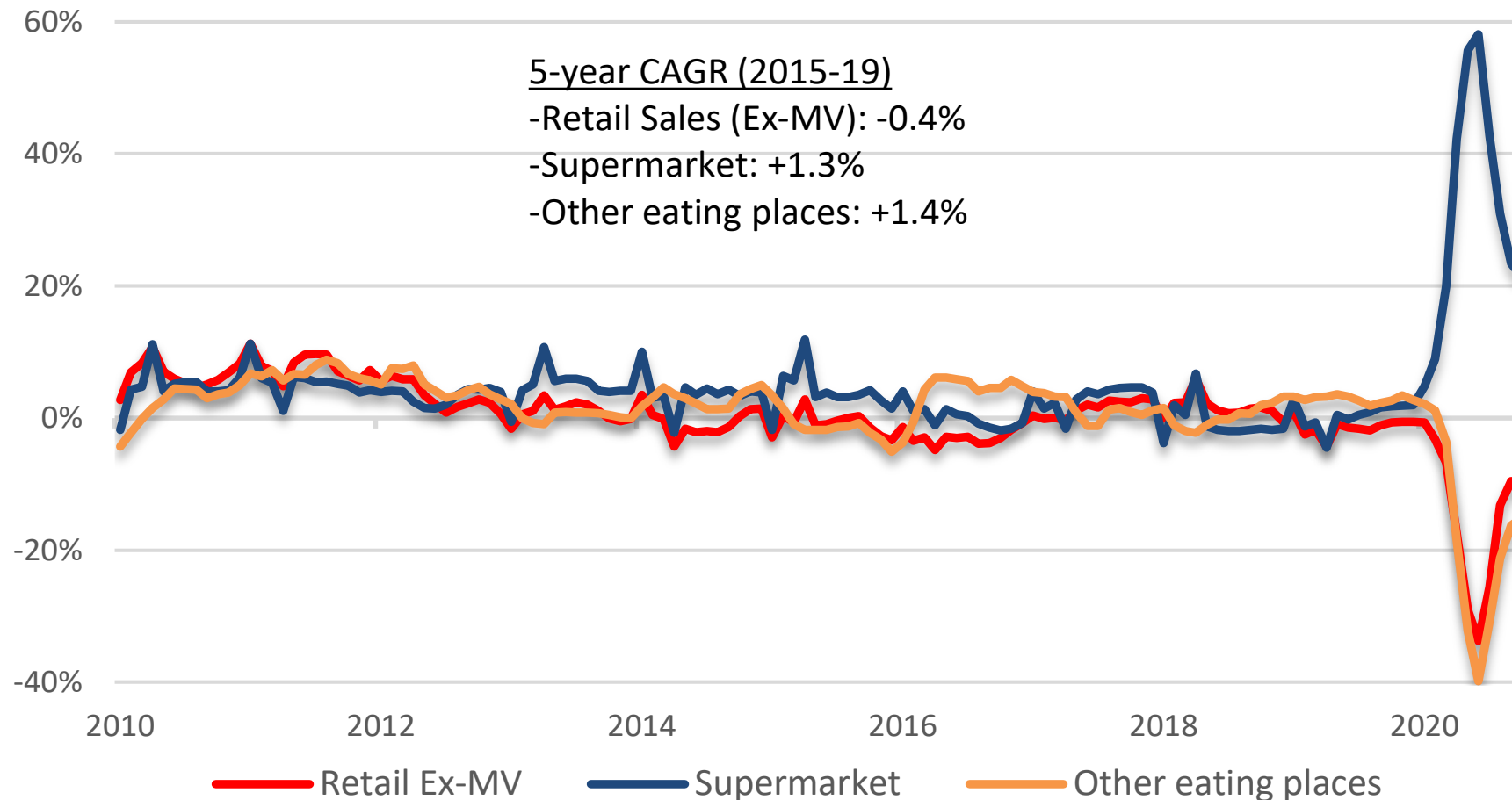


Nov YoY – RevPAR: -59.5%, ADR: -33.2%, Occupancy: -35.1ppts

- Future business travel will be more targeted and less frequent – virtual meetings may replace some trips
- MICE demand will remain strong – business engagement and networking difficult to replicate virtually
- COVID-19 set new historical lows - Lower minimum rent in future lease negotiations
- Leaner cost and operating structures through adoption of digital technology
- Pent –up demand for leisure travel
- Countries with sizeable domestic travel markets will be the first to recover – China, France, Japan, US, UK, Australia, Spain and Brazil

Consumer: Groceries still rising 22x historical trend

SG: Supermarket Vs Industry Retail Sales (3MMA YoY)



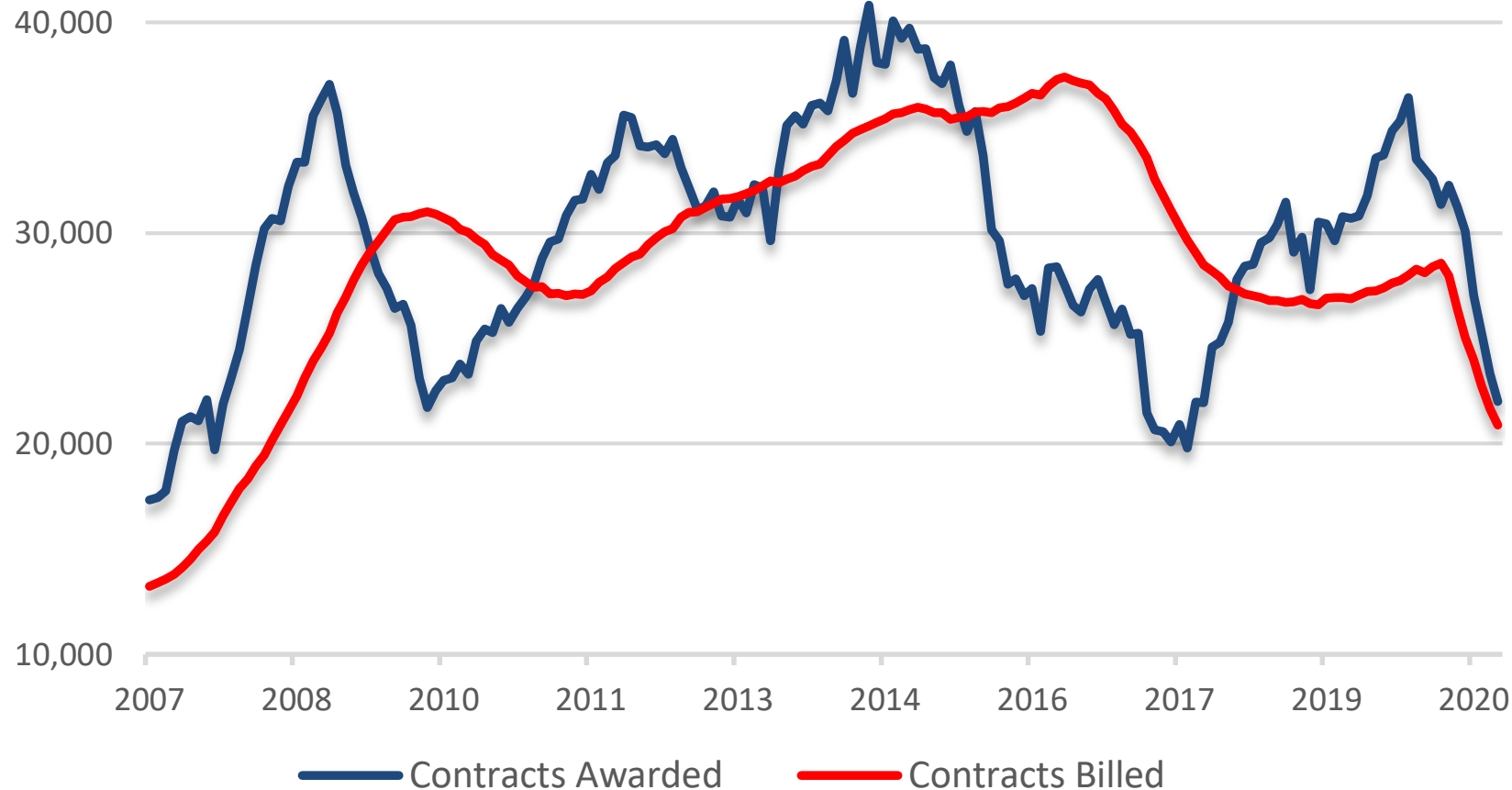
- **Nov20, overall retail improving with -3% YoY + supermarket +22% YoY**
- **Income is down and employment at 3.6mn, 7-year low**

Source: CEIC, PSR, DOS

Construction: Will rebound and support economy

SG: Construction demand & work (S\$mn - T12M)

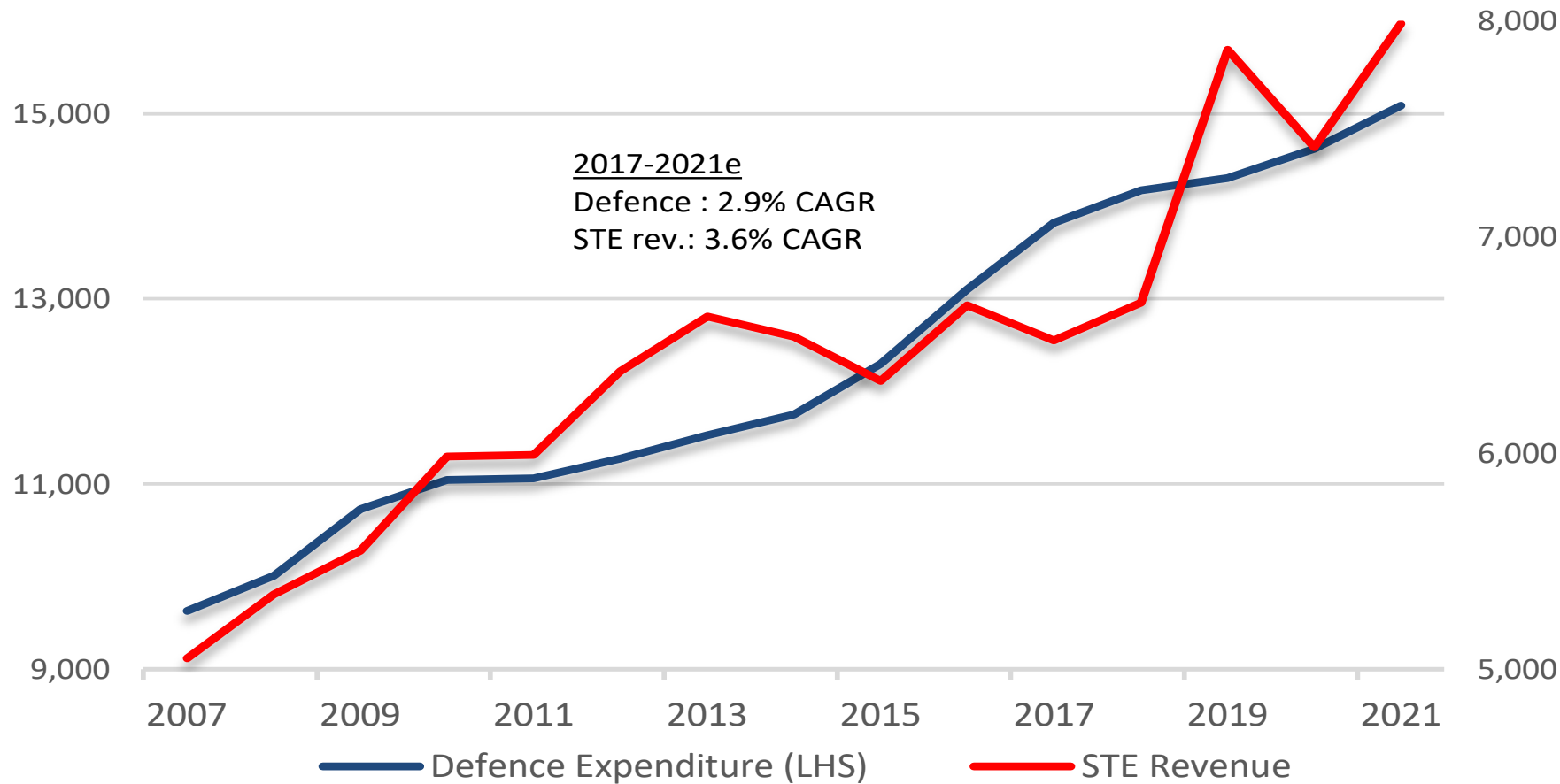
**Worker shortage
and separated will
slow activity**



Source: CEIC, PSR, BCA

Defence: stable growth

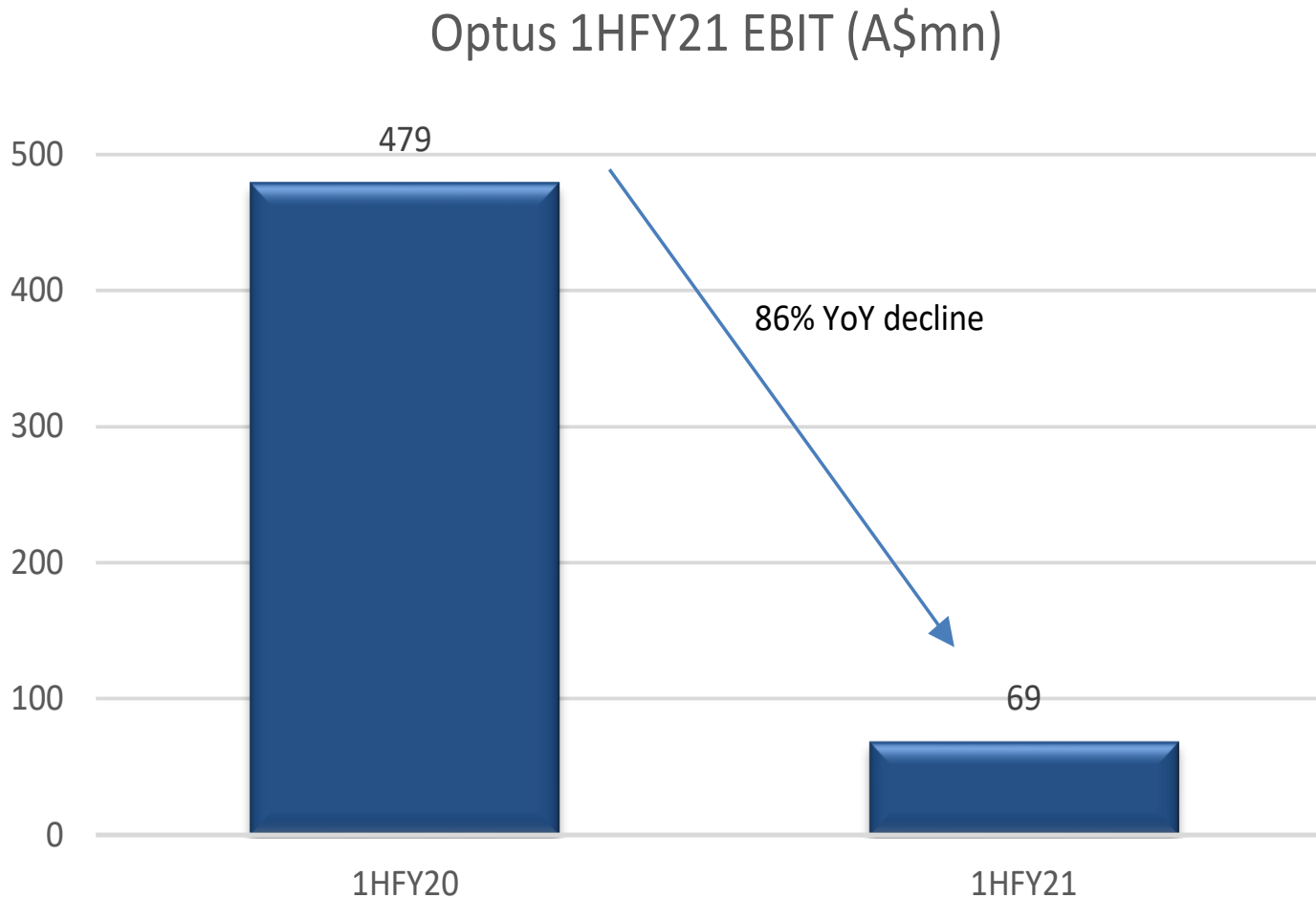
Defence budget vs STE revenue (S\$mn)



- This year revenue hurt by commercial aircraft business
- STE pays a yield of 4%

Source: PSR, Company, MoF

Telecommunications: Optus hurt by NBN



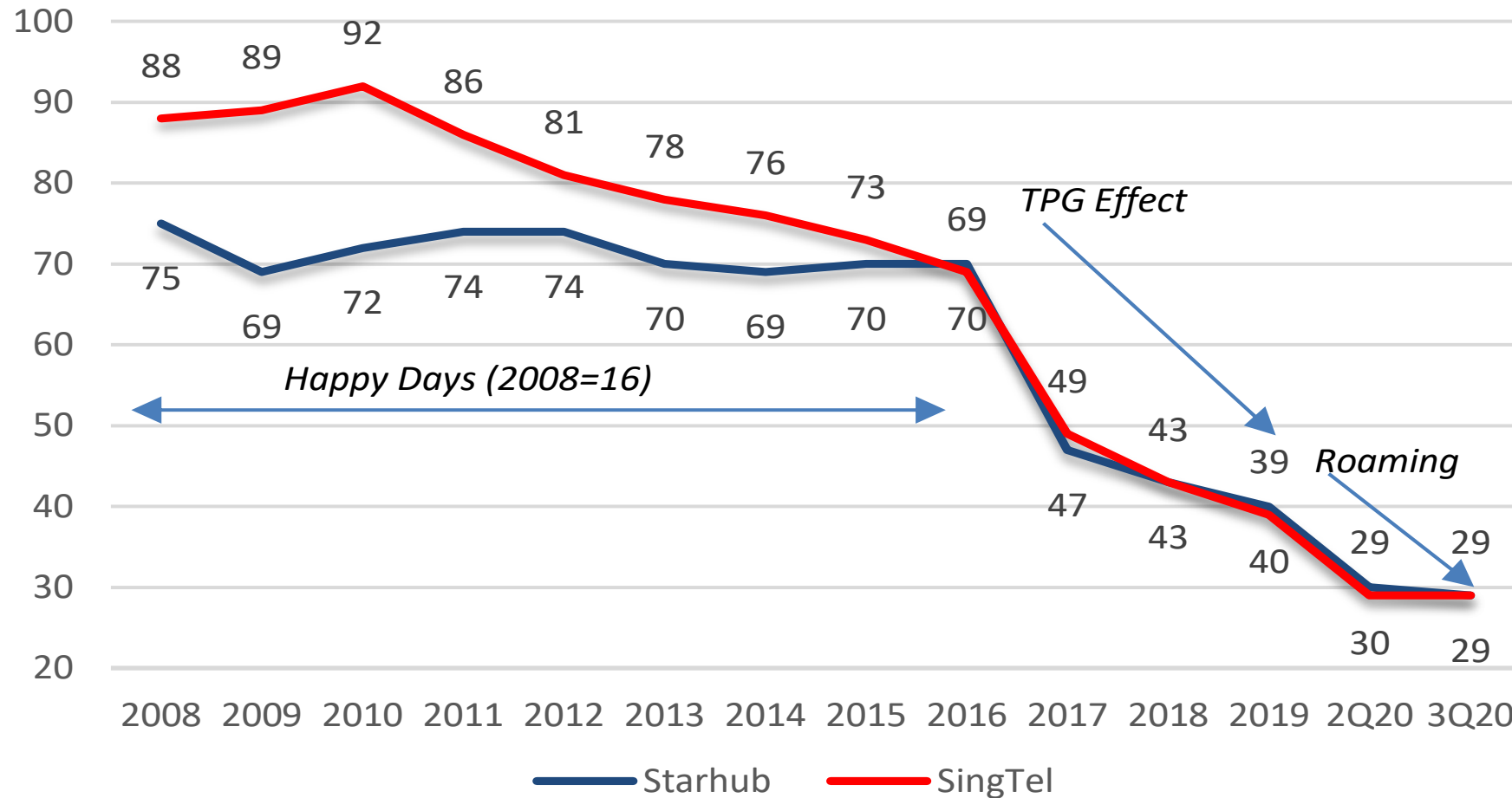
- **Optus: Broadband margin drop and stubborn cost**
- **Associates: Bharti recovery**
- **5G: every migration new revenue; speed, connectivity and capacity is a commodity + need new applications**
- **+ve: valuations and NBN cost but contend with lower government subsidies**
- **Rating: NEUTRAL**

Source: Bloomberg, PSR, TPG awarded 4th mobile licence 14Dec16

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Telecommunications: 20% mobile revenue is hurt

Post paid ARPU (S\$/month)



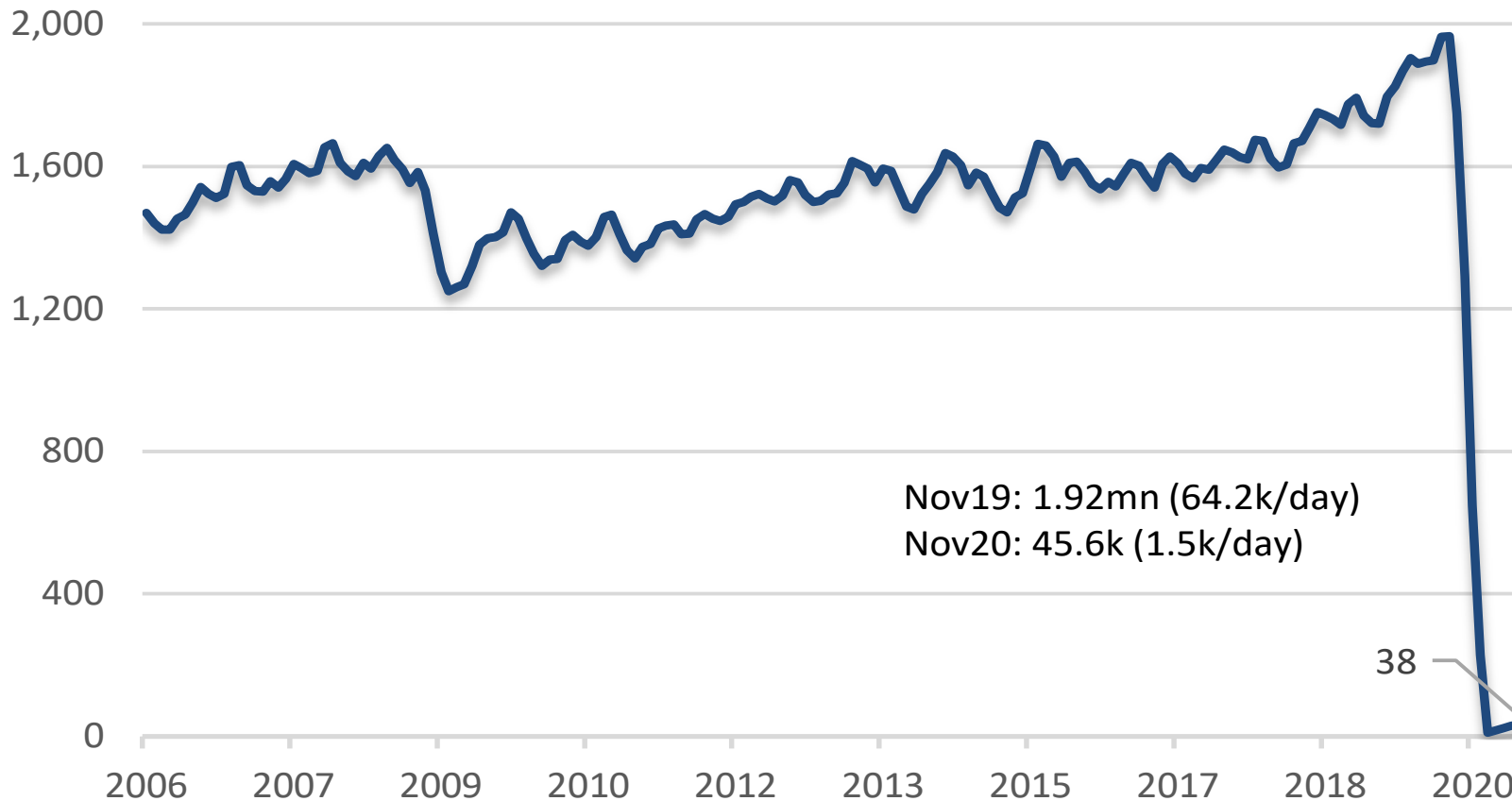
- Since 2017, prices on freefall
- Malaysia and China are key countries

Source: Bloomberg, PSR, TPG awarded 4th mobile licence 14Dec16

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Aviation: Life or Livelihood

SIA: Passengers Carried (000s - 3MMA)

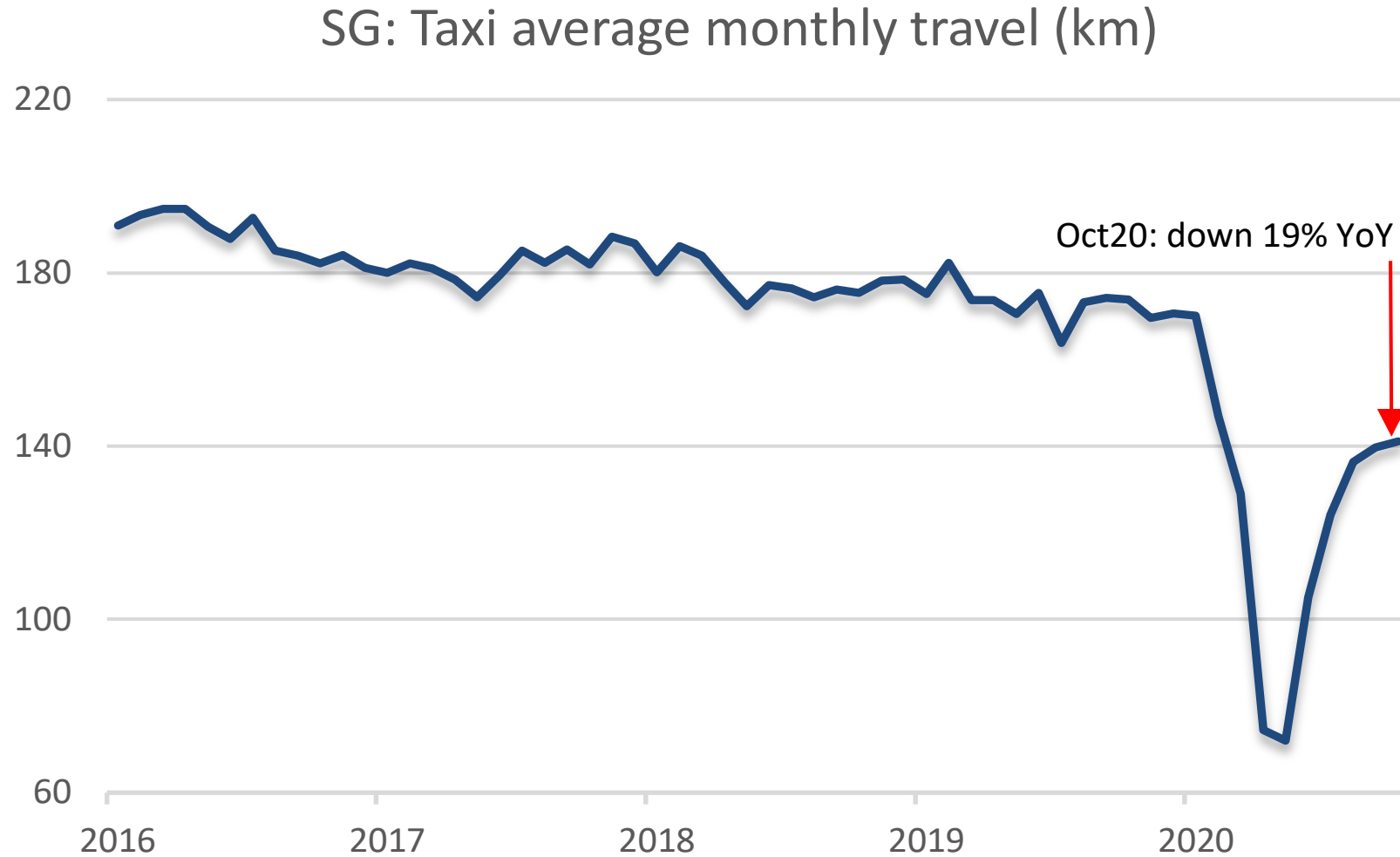


- A very gradual rebound
- Competition not abated and more leveraged than pre-COVID levels
- 10Y price to book range is 0.7x - 1.7x with avg. 1.1
- Currently 0.84x on S\$5.14 but 1.2x on adjusted S\$3.57, unless S\$3.5vb MCBs are repaid

Source: CEIC, PSR, SIA

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Transportation: Gradual improvement as enter Phase 3

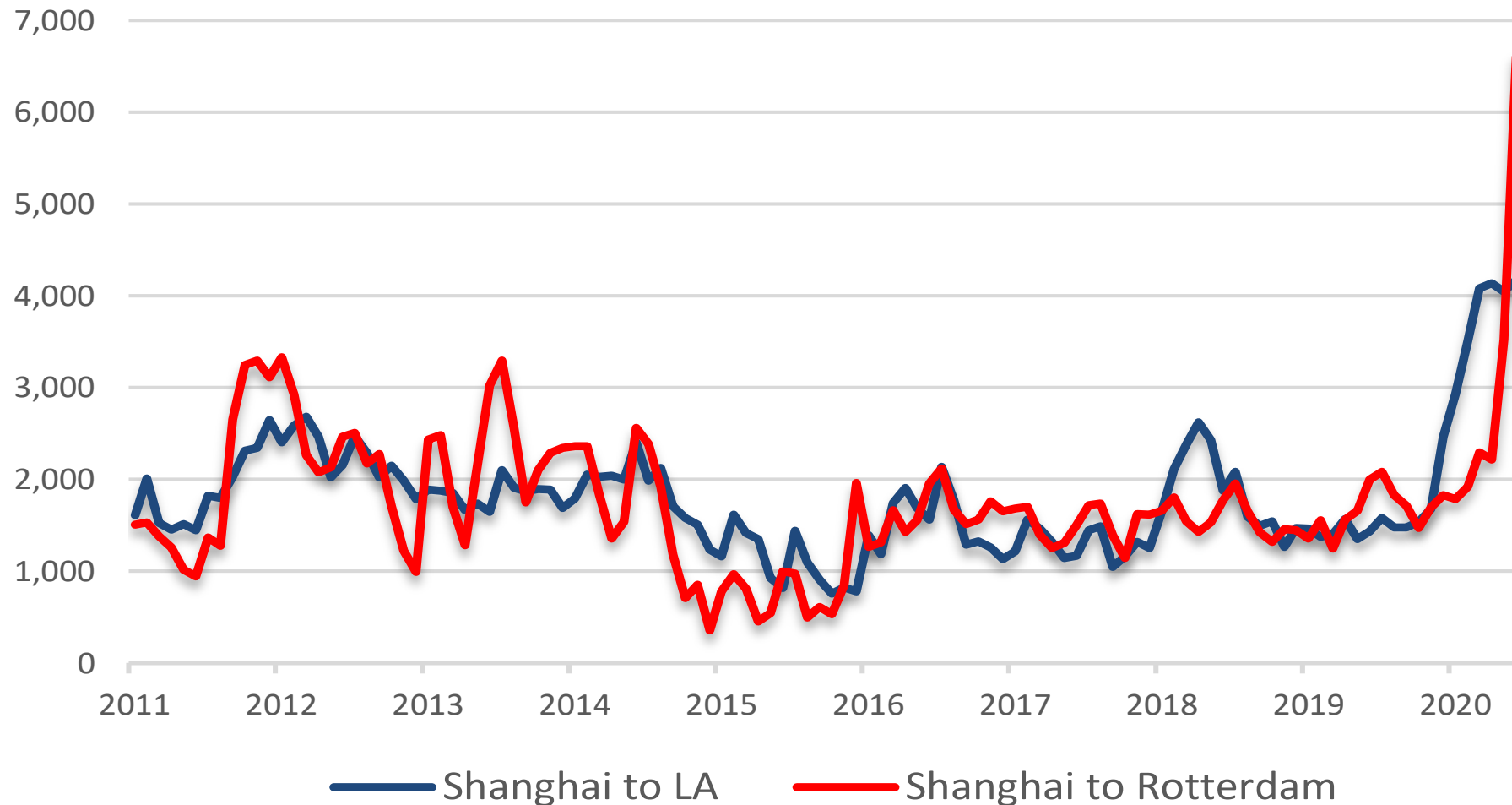


More activity but WFH and tourism will keep travel below par

Source: CEIC, PSR,

Transportation: Container turned rocketship

Container Rates (US\$ per 40 foot box)



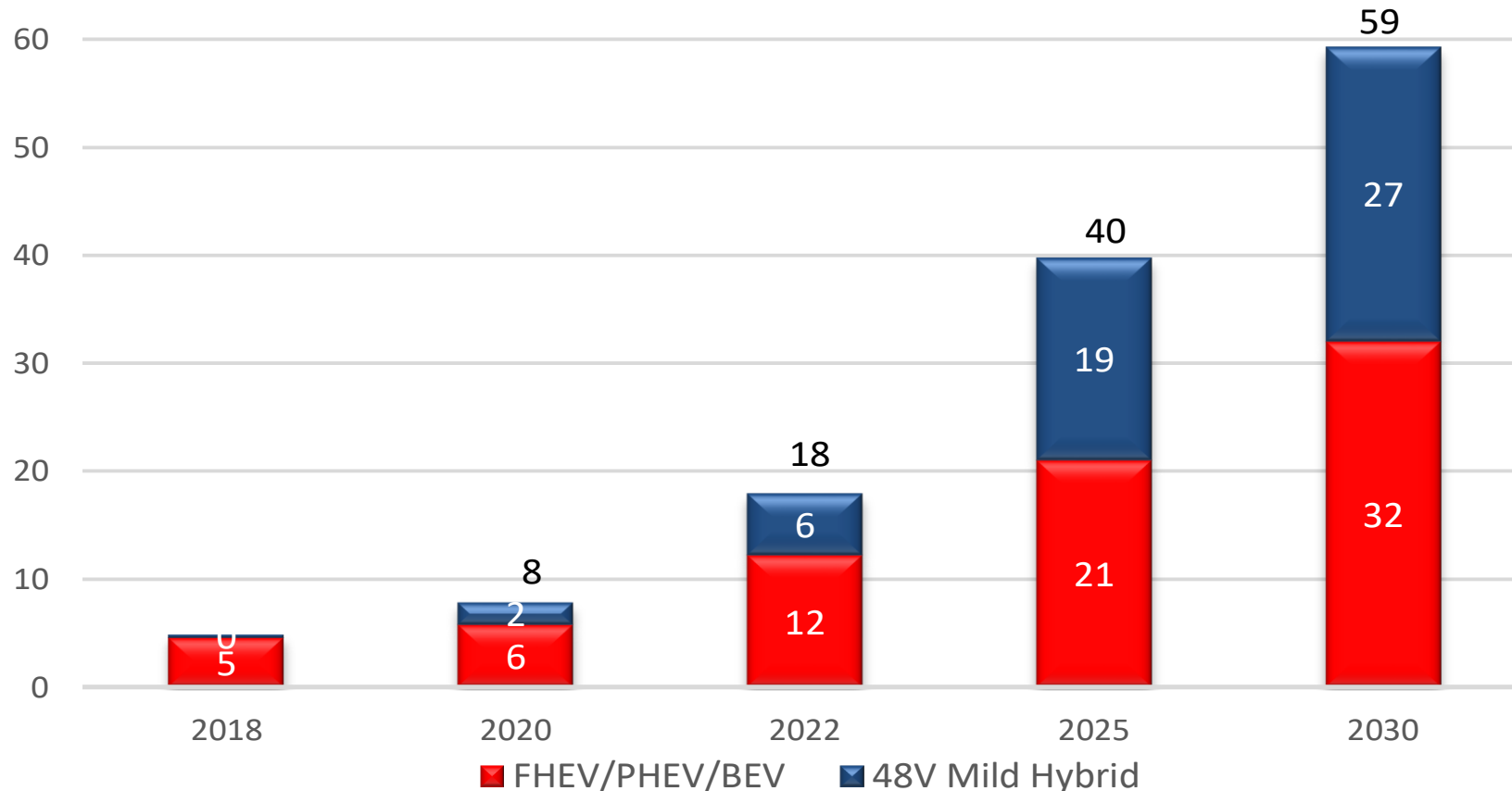
- Record levels due to surge in imports and delays due to pandemic
- Next wave possible is ship orders
- Shortage of containers

Source: PSR, Bloomberg

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Technology (Hardware): Multi year growth

Growth of Electromotive (xEV) vehicles (m)



- Semiconductor sales up 6% this year
- Cloud capex rising due to WFH economy
- Electro-mobility for emission standards and automated driving L2/L2+
- Chip content +44% for mild hybrid or +111% for EV
- 5G adoption / memory use surge from AI, analytics, storage, etc

Source: PSR, Infineon *FHEV - Full hybrid, PHEV - Plug-in; BEV – Battery EV



Stock Picks – our BUYS

Phillip Absolute 10 Model Portfolio

Company	1M	3M	YTD	Rating	Target Px (\$)	Share Px (\$)	Upside	Mkt Cap (US\$m)	Dvd. Yield
Yield									
Ascott REIT (New)	3.8%	21.3%	-18.8%	Buy	1.15	1.080	6%	2,542	3.7%
Asian PayTV	-0.8%	-4.0%	-29.6%	Buy	0.15	0.119	26%	163	8.8%
Manulife US REIT	0.0%	0.7%	-25.5%	Buy	0.92	0.745	23%	1,179	8.6%

Dividend / Earnings Growth

Frasers Centrepont Tr	6.0%	3.2%	-12.2%	Buy	2.79	2.46	13%	3,163	5.4%
PropNex	13.0%	31.1%	51.5%	Buy	0.85	0.78	9%	219	5.1%
Thai Beverage	-0.7%	21.5%	-17.4%	Buy	0.86	0.74	17%	13,980	3.2%

Re-rating Plays

CapitaLand	4.8%	21.0%	-12.5%	Buy	3.82	3.28	16%	12,899	3.7%
ComfortDelgro	1.2%	18.4%	-29.8%	Buy	1.83	1.67	10%	2,740	3.9%
Keppel Corp. (New)	6.1%	20.9%	-20.5%	Buy	6.12	5.38	14%	7,405	1.7%
Yoma	3.6%	1.8%	-17.1%	Buy	0.46	0.29	59%	491	0.0%
Average	3.70%	12.7%	-12.6%				21%	42,239	4.5%

	Absolute 10	STI
Jan20	-0.5%	-2.1%
Feb20	-1.6%	-4.5%
Mar20	-16.4%	-17.6%
Apr20	10.1%	5.8%
May20	1.0%	-4.3%
Jun20	1.8%	3.2%
Jul20	-2.4%	-2.3%
Aug20	3.2%	0.1%
Sep20	-2.1%	-2.6%
Oct20	-4.5%	-1.7%
Nov20	11.0%	15.7%
Dec20	3.2%	1.4%
YTD	-0.1%	-11.8%
Out/(Under)perf.		11.6%

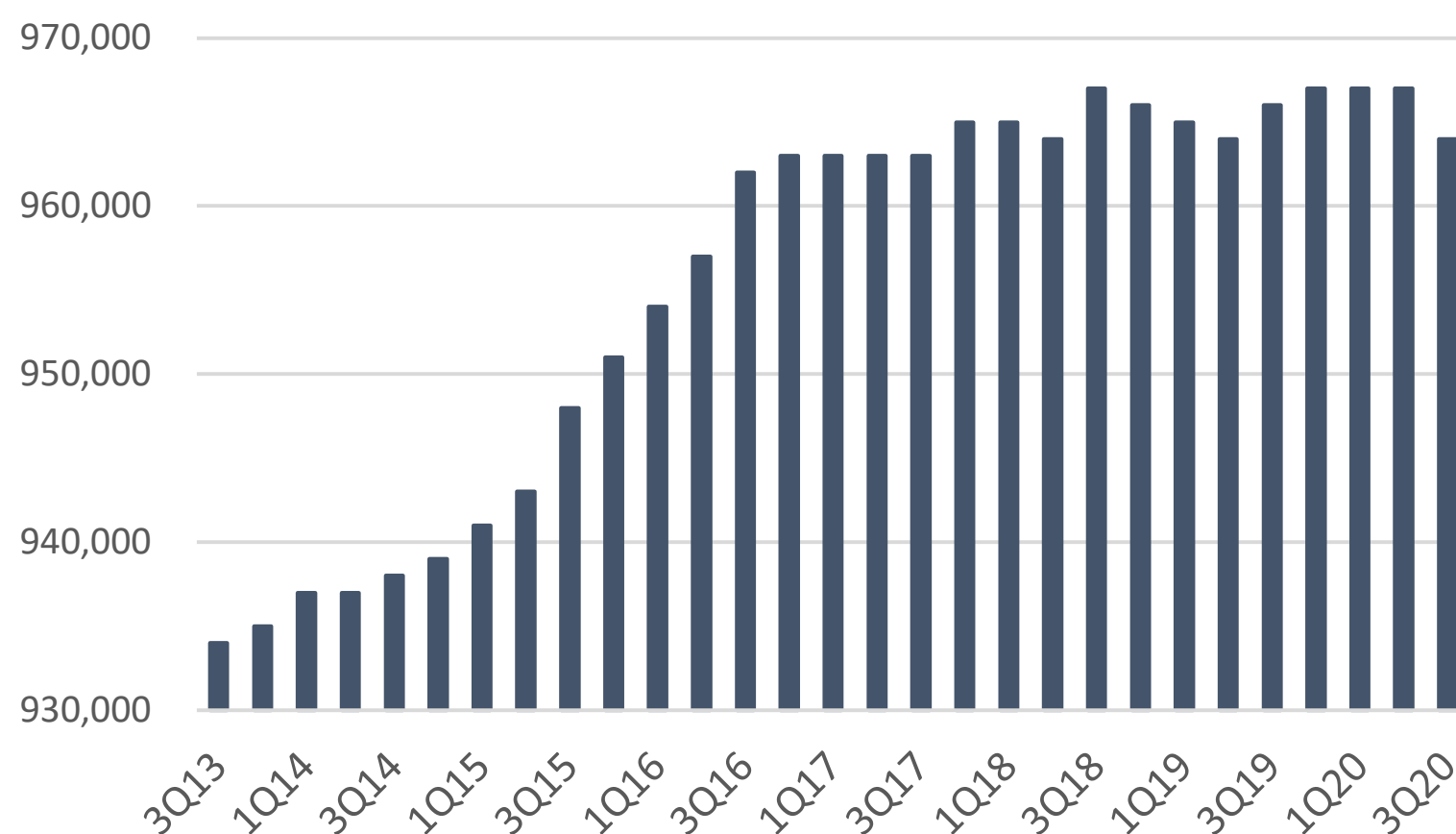
... we outperformed but it does not pay the bills

Removed – NetLink and SGX.

Source: Bloomberg, PSR, As at 31Dec20, Performance is for illustration only and excludes brokerage, dividends and monthly rebalancing cost.

Asian PayTV: Stable cash-flow and 5G

APTT: Cable and broadband subscribers

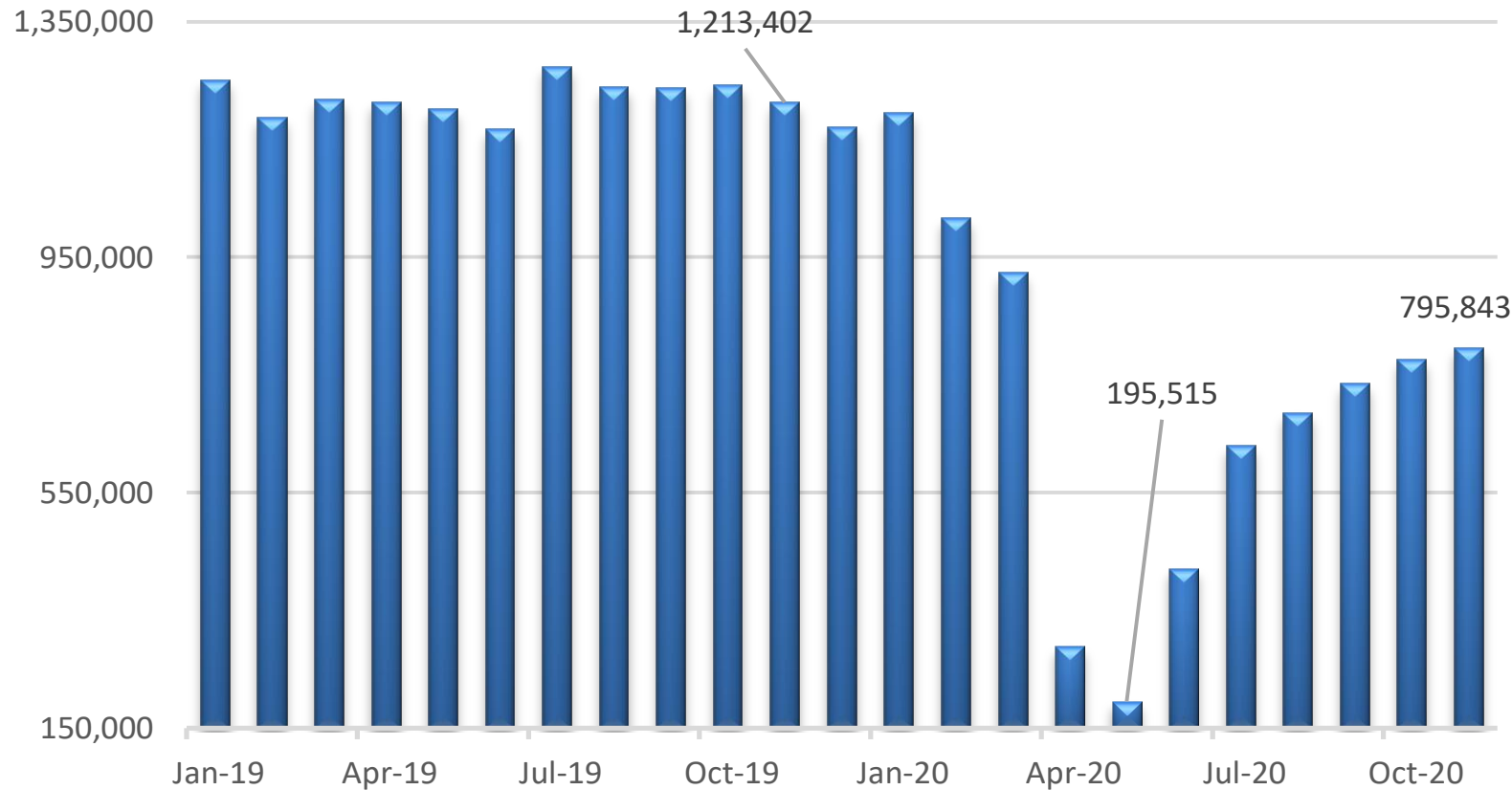


Source: Company, PSR

- Monopoly cable TV provider in four counties in Taiwan
- Subscribers stable with growth of broadband
- 2 reason to be positive
 - a. Sustainable dividends: \$50mn FCF vs S\$18mn dividend
 - b. Optionality of high margin 5G back-haul service for mobile operators
- **Rating: BUY; Target price S\$0.15; Distribution yield: 8.8%**

ComfortDelgro: Recovering and taking share

SBS Transit: Monthly rail passengers

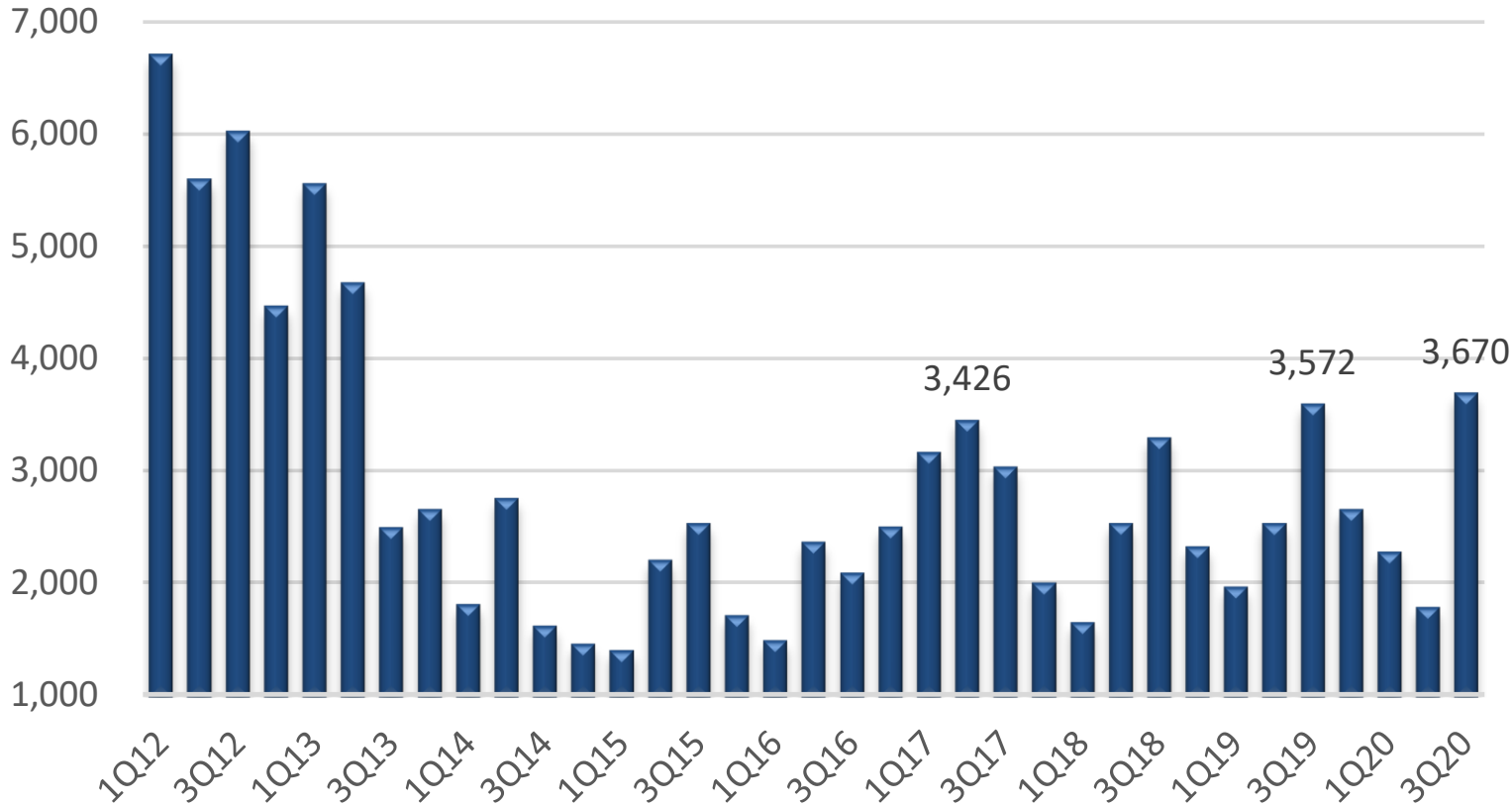


Source: LTA, PSR

- Stock 30% down from pre-Covid, generated \$383mn operating cash-flow, back to net cash S\$115mn and our proxy to reopening and recovery
- Rail passengers recovering
- Taxi and bus market share of 60%; Attractive rental model
- Grab still a formidable competitor and fleet share is likely rising
- **Rating: BUY; TP: S\$1.83**

PropNex: 2021 can surprise

SG: Quarterly New Sales (Ex-EC)

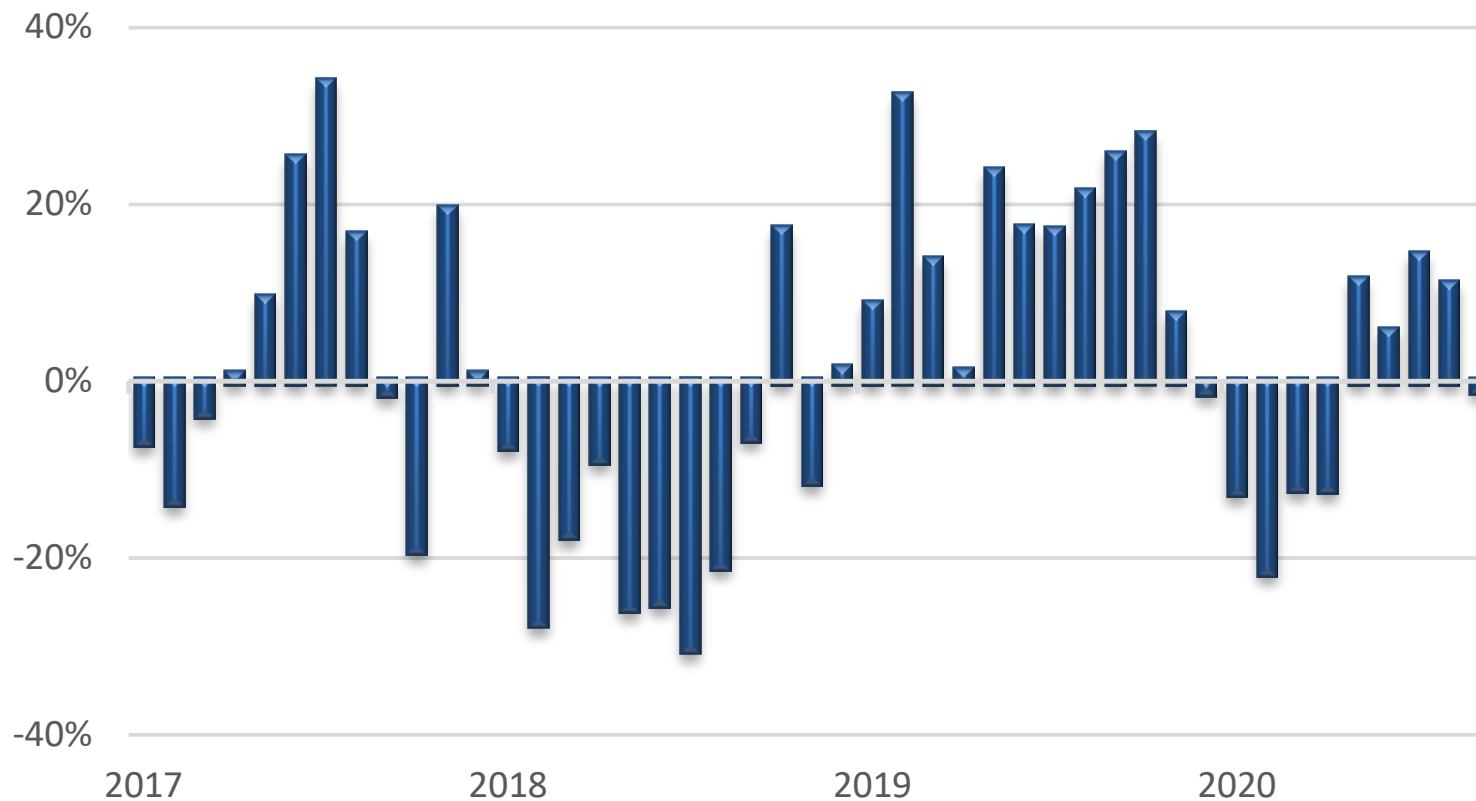


Source: URA PSR

- Market share of around 50% in private and HDB home sales
- Volumes this year down ~10% till Nov20; but Dec20 robust ... UOL;s Clavon sold 442 units or 70% on 1st day
- ROE unleveraged 28% on fixed assets of S\$4mn and net cash S\$93mn
- Sustainable yield of 5% (S\$15mn p.a. vs S\$20-30mn operating cash-flow)
- **Rating: BUY; TP: S\$0.85**

Thai Beverage: Dominate the spirit

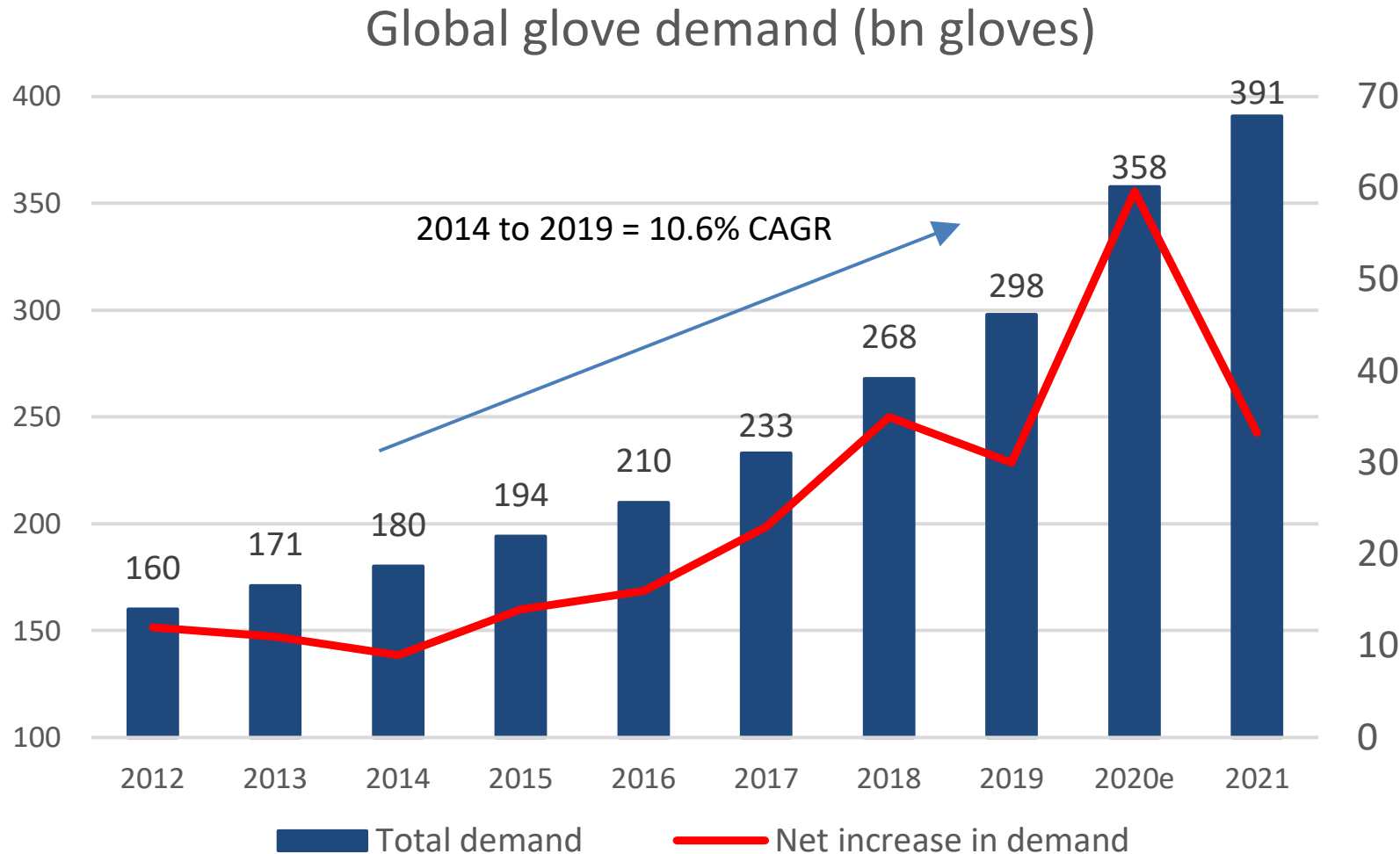
TH: Liquor Sales - 3MMA (YoY)



Source: CEIC, PSR

- 90% market share of spirits market in Thailand; spirits account for 86% of PATMI; FY20 spirits volume up 0.2%
- Results resilient to due aggressive cost cutting; e.g. S\$180mn in marketing and distribution
- Valuations attractive at 14x PE on vs 18x historical
- Generated FCF of THB32bn or S\$1.4bn in FY9/20
- **Rating: BUY; TP: S\$0.86**

UG Healthcare: Fundamentals still healthy



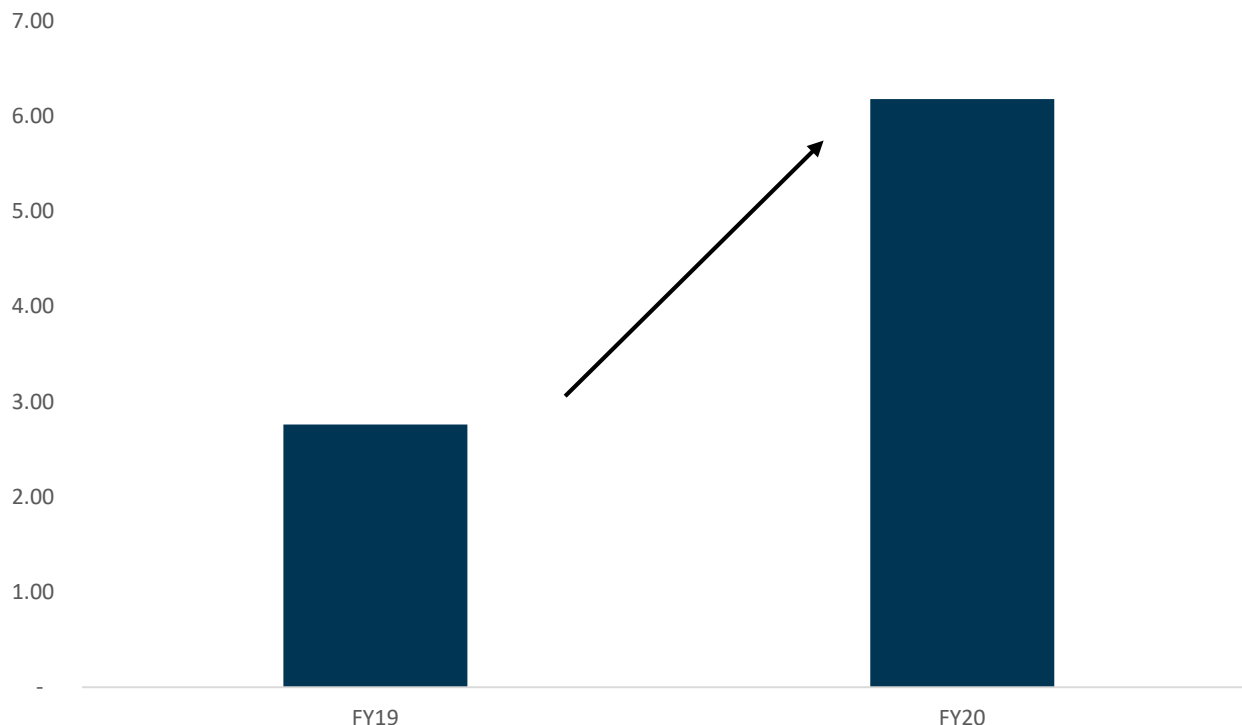
- Demand growing even before COVID-19
- 60% rise in capacity over 2 years
- Penetration rate in Brazil 24 and China 10 per capita vs U.S. 150
- Post vaccine: non-traditional user of gloves + increased spending and awareness + vaccinations and PPE continue
- 14x PE FY22
- **Rating: BUY; TP: S\$1.35**

Source: PSR, Malaysian Rubber Glove Manufacturers Association

Yoma Strategic: Solidly anchored by property and Wave Money

Yoma is a leading conglomerate in Myanmar, with 4 key business lines: property (FY20: 39%), F&B (30%), motors (23%) and financial services (7%).

Wave Money's net profit grew 2x YoY (US\$ mn)

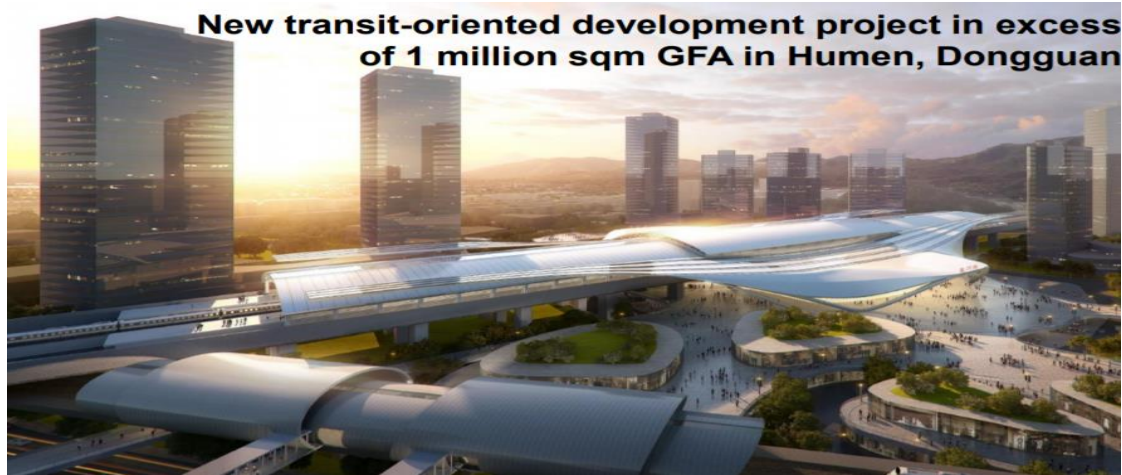


- Large property land bank equivalent to 10-15 years of sale - **Yoma Central, Pun Hlaing Estate, Star City**
- Financial services continue to grow as Wave Money doubled its net profit YoY in FY20.
- Unrecognised revenue from Yoma Land and Yoma Motors to contribute 33% to FY21e topline.
- Attractive valuations, affirmed by Ayala's investment at S\$0.45/share.

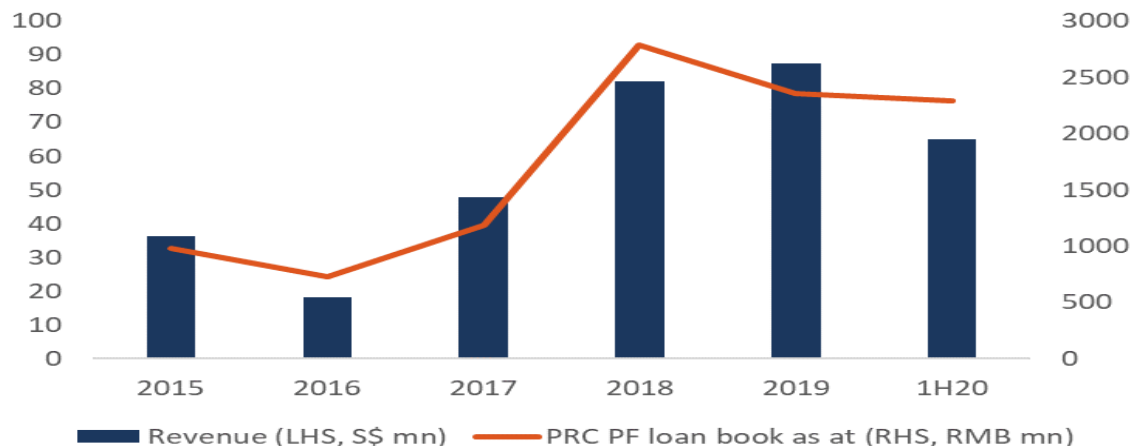
Rating: BUY; TP: S\$0.46

First Sponsor Group: Property development, the growth driver

FSG is a property developer (FY19 revenue: 50%), owner (22.5%) and financier (27.5%).



From 2015-2019, PF loan book grew at a 19% CAGR; Loan book grew 12% YoY as at 1H20

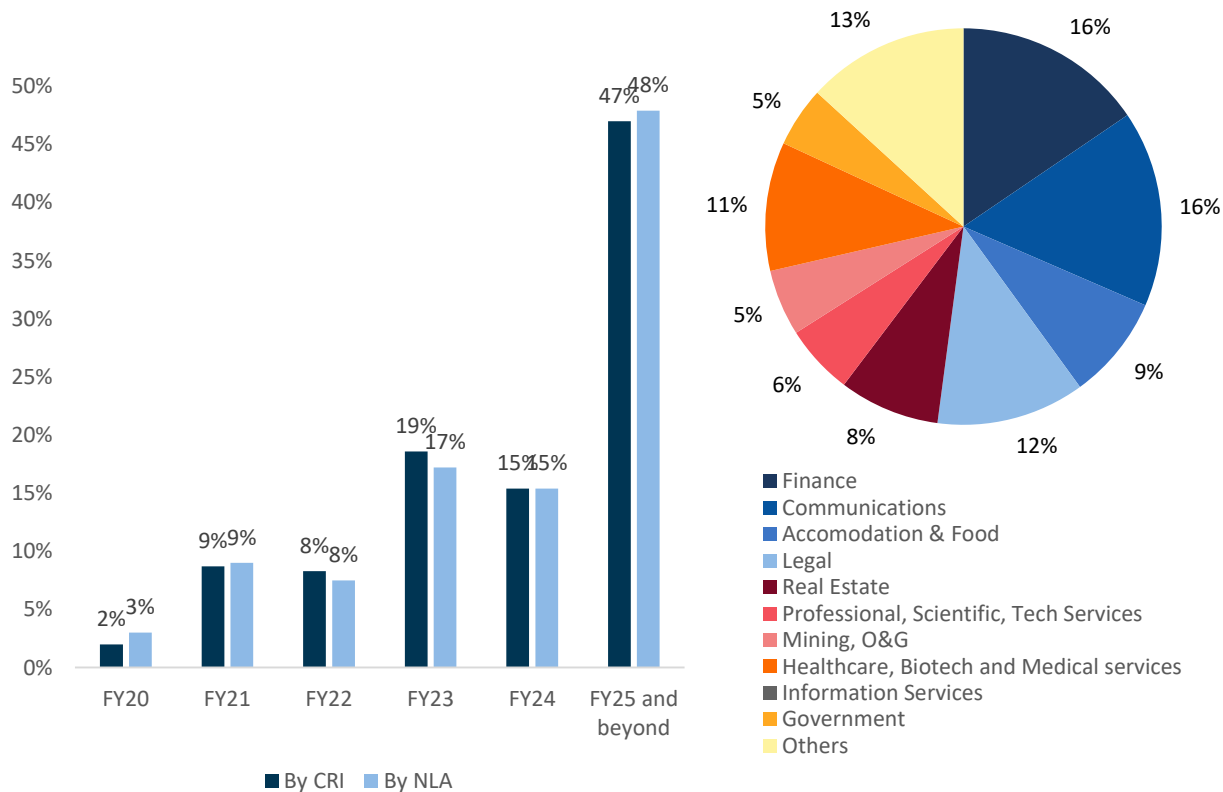


- Unrecognised revenue as of 1H20 amounts to S\$599mn; S\$1.93bn of gross development value (GDV) yet to be unlocked for existing projects (5-6 years of revenue)
- Sector 1 of Humen Transit Oriented Development project (GDV: S\$220mn) to commence construction in 2H21, due for handover in 2022/2023.
- Property financing loan book grew at 19% CAGR in the past 5 years, offering recurring income at low to mid-teens returns. We are estimating loan book growth of around 8% for FY20e and FY21e.
- Stunted recovery is expected for the hotel portfolio.

Rating: BUY; TP: S\$1.56

Prime US REIT: On course to exceed its NPI targets

Prime US REIT's portfolio consists of 12 Class A freehold office properties that are valued at approximately US\$1.4bn, strategically located in 10 primary markets in the US.

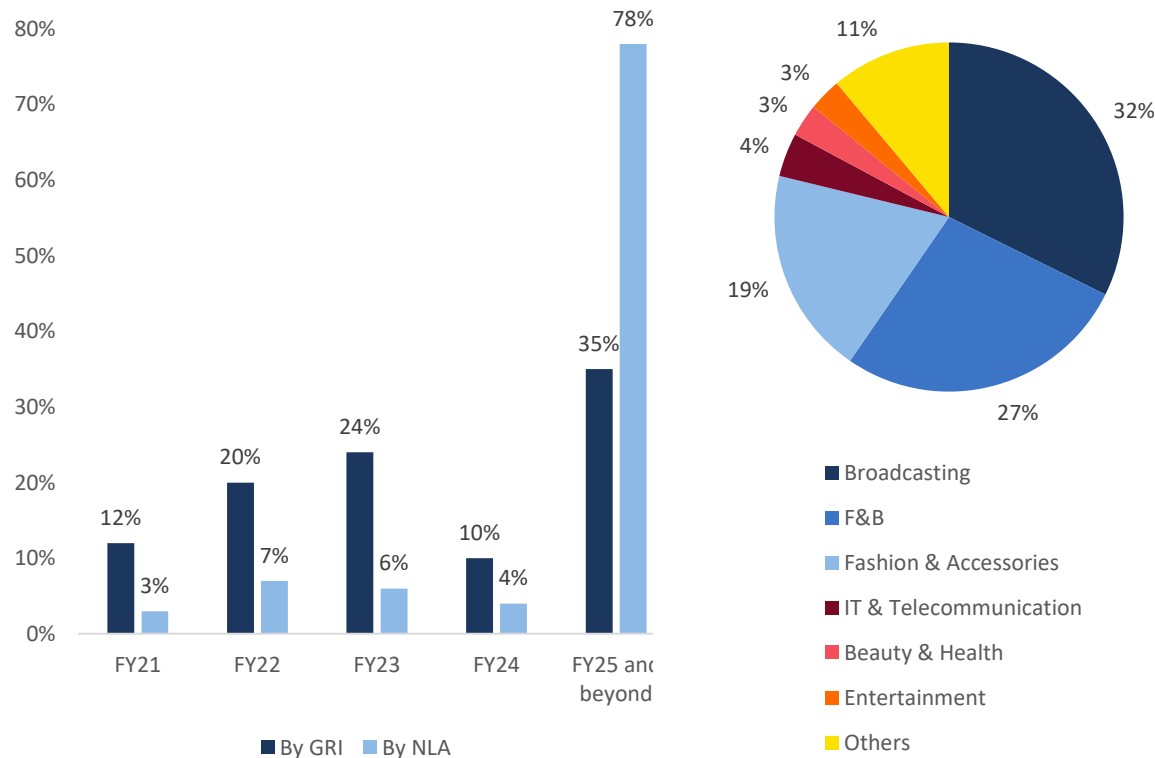


- High income stability supported by minimal expiries; High levels of diversification
 - Occupancy: 93%; WALE: 4.8 years.
 - Largest sector contribution: Communications (3Q20: 16%)
- Well poised to capture organic and inorganic growth opportunities
 - 99.8% of the CRI has built-in rental escalations of 2%
 - Low gearing: 33%; \$92mn available undrawn facility to tap on for future growth opportunities.
- Rent collection at 99% amidst COVID-19.
 - 99% of rents were collected throughout 2Q20 and 3Q20; No rent abatements were provided
 - Rent deferrals = 0.25% of portfolio GRI

Rating: BUY; TP: US\$0.94; Div Yield: 9.2%

Lendlease Global Commercial REIT – A cut above the rest

Lendlease Global Commercial REIT's portfolio consists of 313@Somerset and Sky Complex. On 1 October, LREIT acquired an effective 3.75% stake in Jem for S\$45mn.

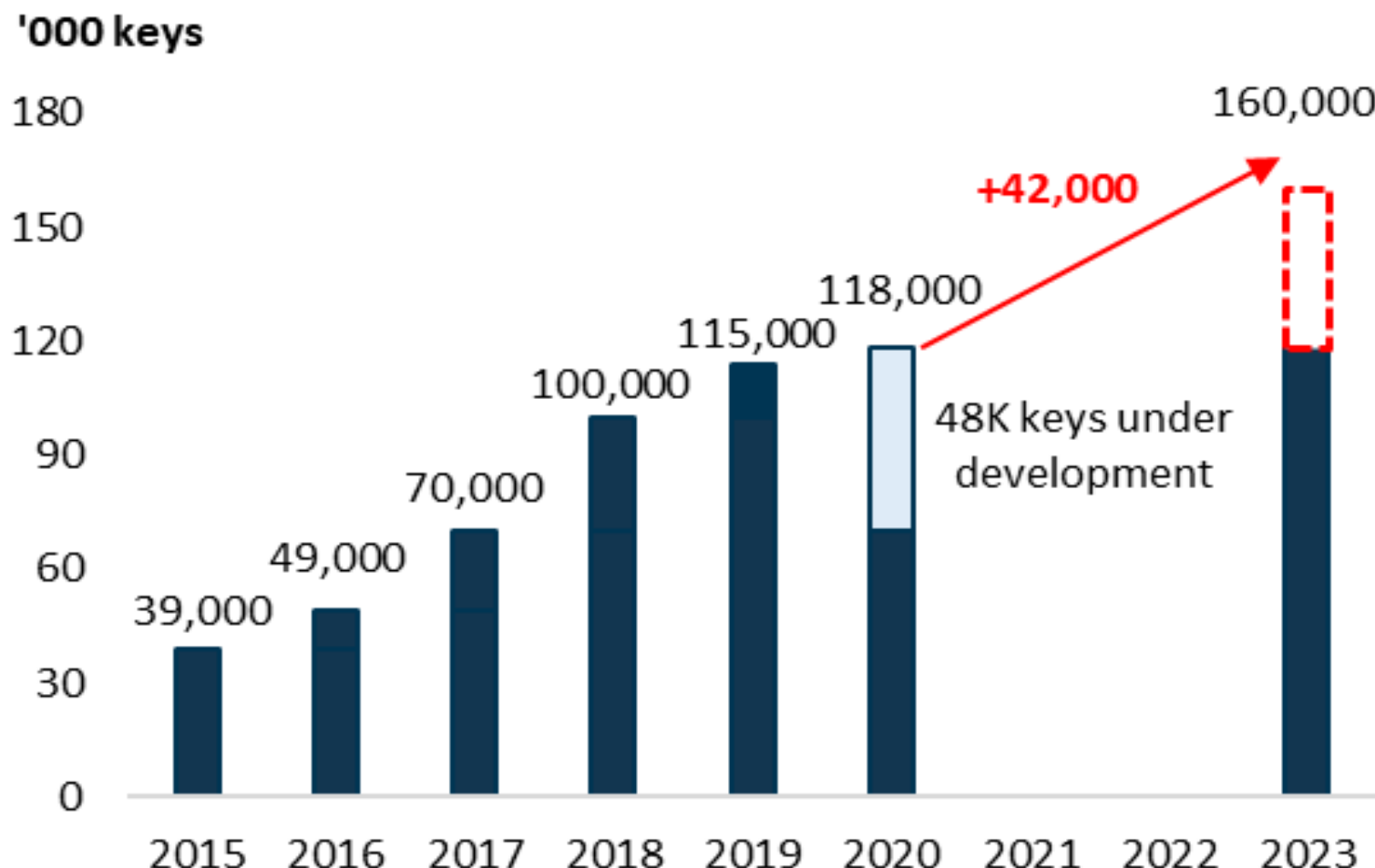


Investment Merits

- Highly stable portfolio built for growth
 - Fixed rent component historically contributes more than 95% of LREIT's gross revenue (313: >93%)
 - Both properties have built-in rental escalations: based on CPI for SC and 2.7% for 313.
- Strong organic and inorganic growth outlook
 - Grange Road carpark redevelopment: set to be operational by 1H22 – ROI expected at 10% p.a.
 - Near term: to acquire more stake in Jem. LREIT has a ROFR pipeline of stabilized assets of up to A\$32.4bn.
- Attractive valuations vs peers.
 - FY21e/FY22e dividend yields of 6.1%/6.6% outperform the average forward yields of diversified retail REITs' 5.2%/6.0%.
 - LREIT is also trading at 0.86x P/B, slightly below diversified retail REITs' 0.90x.

Rating: ACCUMULATE; TP: S\$0.78; Div Yield: 6.1%

Ascott Residence Trust: Potentially faster recovery than peers

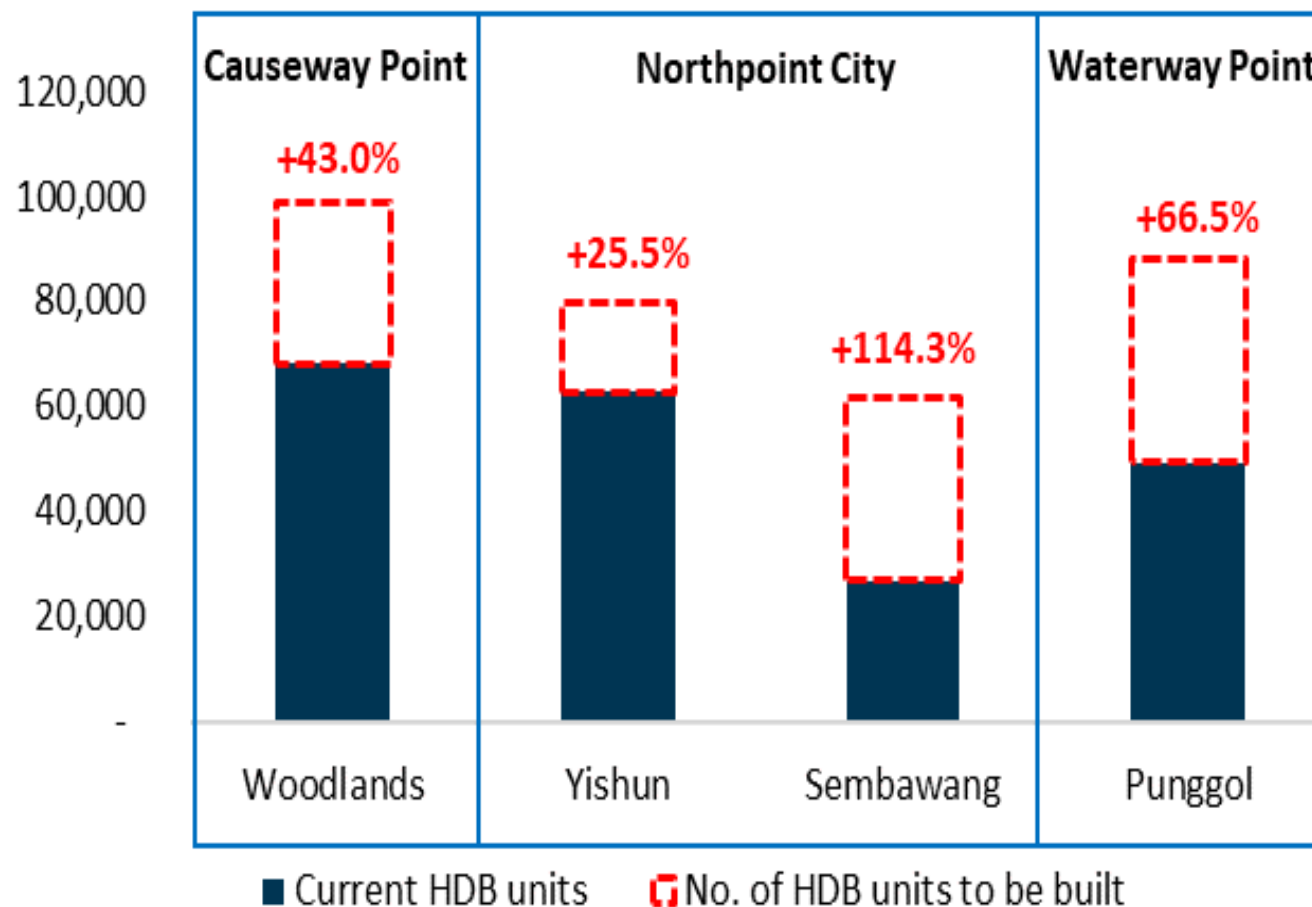


Source: The Ascott Limited, PSR

- 74% exposure to countries with large domestic markets
- No-frills, select-service accommodations in a sweet spot
- Increased brand recognition and loyalty programmes
- S\$2.2bn debt headroom for portfolio rebalancing and M&A growth potential
- Rating: **BUY**; TP: **S\$1.15**; FY21e DPU Yield: **5.2%**

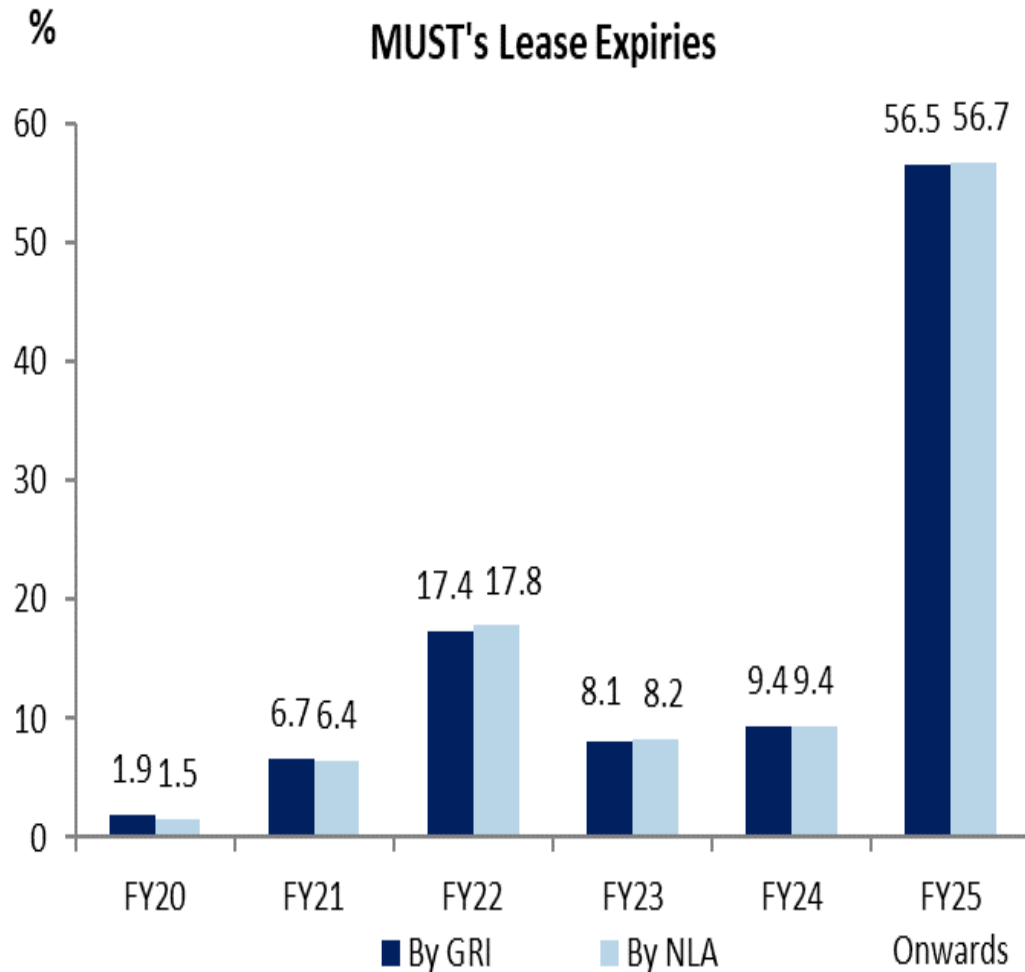
Frasers Centrepont Trust: Boon from increased weekday catchment

Projected increase in catchment population

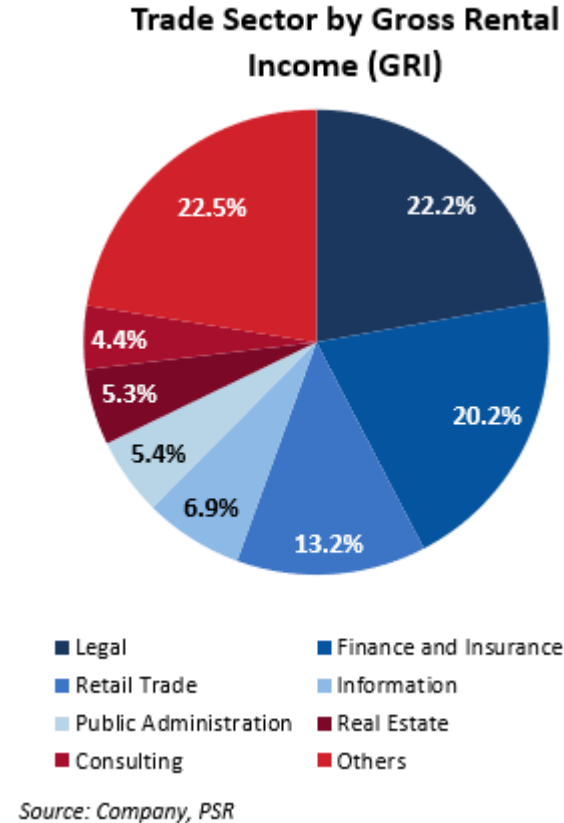


- Suburban malls resilient through cycles due to recurring, necessity-driven spending – 54% GRI from essential services
- Increase in catchment size to lift tenant sales
 - i. Permanent hybrid work arrangements
 - ii. 67.6% growth in HDB units in the North
 - iii. Decentralised commercial cluster in the North
- Well-located and managed malls will be prioritised amidst retail consolidation
- Leverage its scale to drive operational synergies through better contract terms from third parties
- Rating: **BUY**; TP: **S\$2.79**; FY21e DPU Yield: **5.6%**

Manulife US REIT - Riding a long WALE

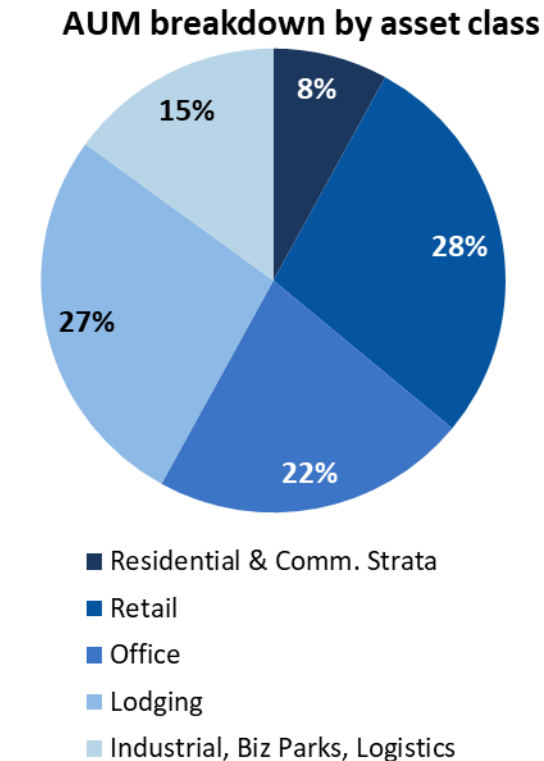
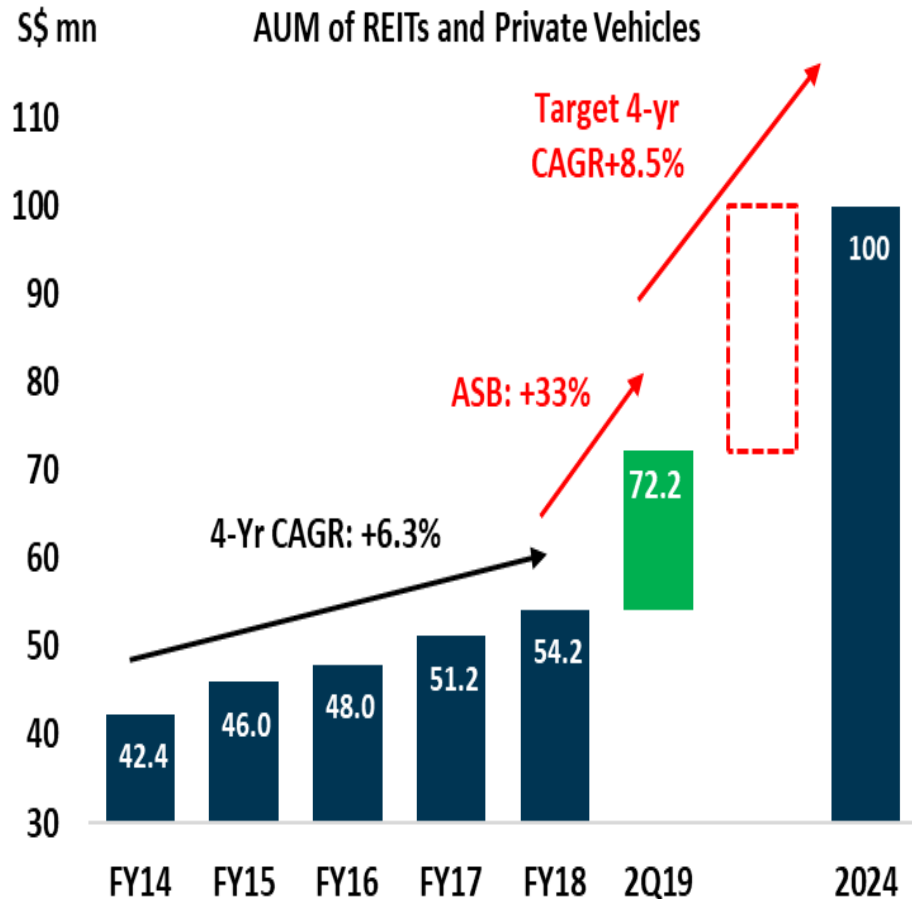


Source: Company, PSR



- Defensive portfolio attributes
 - ✓ Low expiries due to long WALE of 5.7yrs
 - ✓ Rent escalation of 2% p.a.
 - ✓ Occupancy of 94.3% in 3Q20
- High collection rate of 94% in 3Q20
- US is a mature and remote-working-adjusted office market – less impact from WFH adoption
- Rating: **BUY**; TP: **US\$0.92**;
FY21e DPU Yield: **9.0%**

CapitaLand Limited – Here to stay



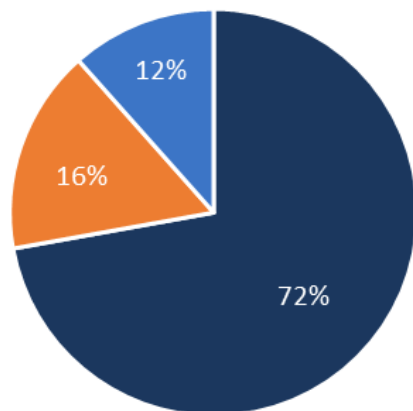
- Earnings stability from diversified portfolio
- High proportion of recurring income
 - Fund mgmt fees from REITs and private funds
 - Mgmt & franchising fees from lodging platform
 - Rental income from investment property
- Unlocking value by recycling funds from mature, non-core assets to new economy assets
- Trading at an attractive 31% discount to RNAV

Rating: **BUY**; TP: **S\$3.82**;

FY21e DPU Yield: **8.7%**

SGX: Stable and well-hedged

FY20 Revenue Breakdown



■ Equities ■ FICC ■ DCI

S\$m	FY20 (YoY)
Equities	760.0 (+14%)
FICC	171.4 (+23%)
DCI	121.6 (+19%)

	SDAV (YoY)	DDAV (YoY)
2Q21	1,292 (+21%)	-
Dec-20	1,094 (+14%)	-
Nov-20	1,726 (+37%)	0.93 (+8%)
Oct-20	1,056 (+8%)	0.87 (+2%)
1Q21	1,242 (+17%)	0.98 (+1%)

Source: Bloomberg, Company, PSR

Sustained market activity through festive season

- 4Q SDAV up 21%, DDAV expected to see single-digit growth

Shook off woes of expiring MSCI equity index futures products

- Trading volumes of FTSE substitutes overtook expiring contracts

Sustainable growth through strategic acquisitions

- BidFX and Scientific Beta acquisition complements current business segments for long-term growth

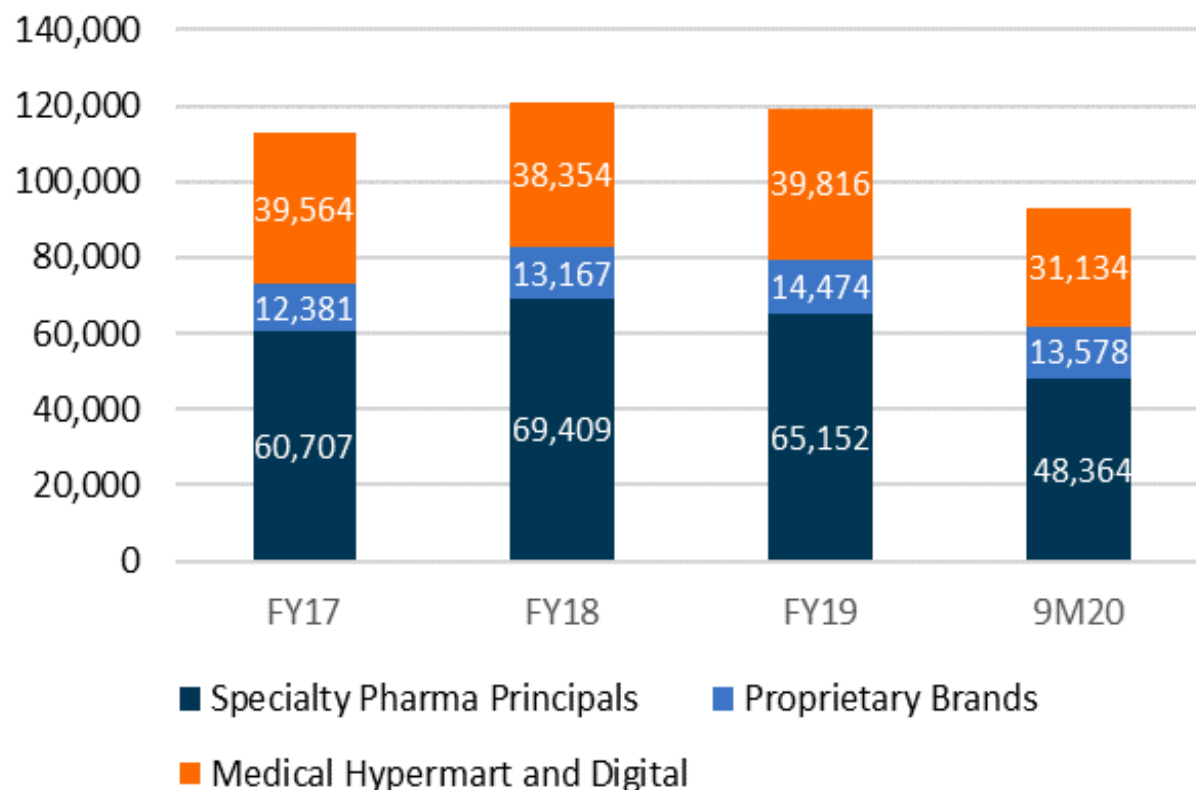
Dividend stable and growing

- Quarterly dividend increased to 8.0 cents per quarter, up from 7.5 cents, representing yield of 3.5%

Rating: ACCUMULATE; TP: S\$9.45

Hyphens Pharma: Repositioning for growth

Revenue by Segment (S\$'000)



Source: Company, PSR

Short term profitability hurt by inventory write-offs

- \$200k in test kits likely to be written off in 4Q20

Uptick in healthcare services to benefit sales

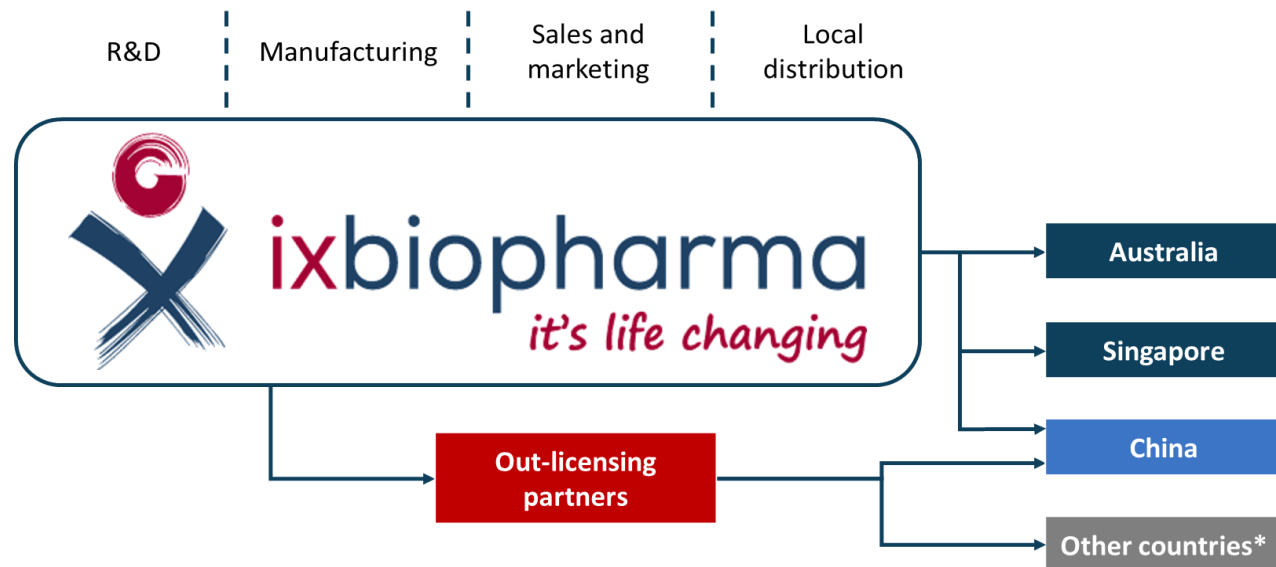
- Return of patients to specialist clinics and GPs to boost sales

Long-term growth narrative intact

- New distribution agreements for Ocean Health® in Sri Lanka and Ceradan® in China
- Award of e-pharmacy licence for WellAway Pharmacy

Rating: ACCUMULATE; TP: S\$0.365

iX Biopharma: Cusp of profitability



Shift towards commercialisation to improve profitability

- Revenue up CAGR of 100% over past 2 years
- Six-fold in manufacturing capacity by 2H21 to benefit sales; FY21e expected to see 250% increase in sales

Resumption of travel to facilitate out-licensing deal for Wafermine™

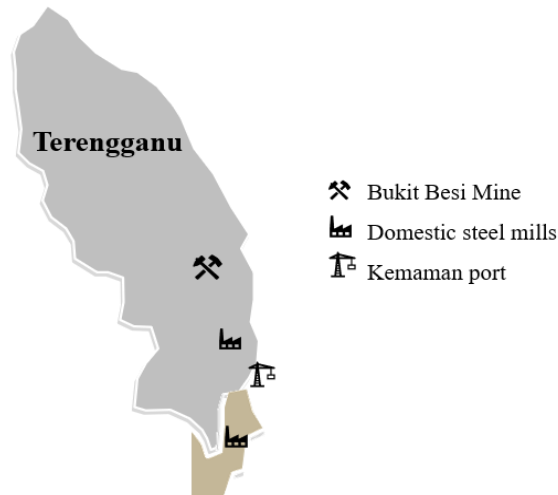
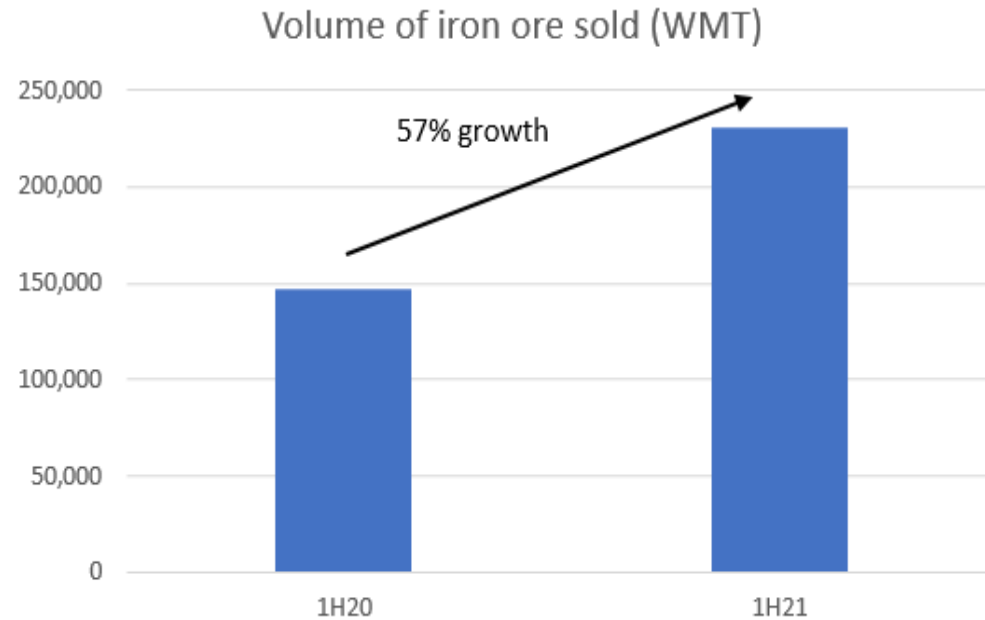
- Ketamine wafer slated for Phase III development trial
- Deal was stalled previously with border closures
- Successful out-licensing will grant upfront and other milestone fee income of S\$8mn in FY21e
- Deal will lift iX Biopharma into profitability in FY21e (FY20: loss of S\$10mn)

Rating: BUY; TP: S\$0.455

Specialty Pharma Drugs	Active Compound	Treatment
BnoX	Buprenorphine	Pain
Wafermine	Ketamine	Pain
Xativa	Cannabidiol	Various
Wafesil	Sildenafil	MED
Silcap	Sildenafil	MED



Fortress Minerals Ltd: Rise of an iron ore producer



Iron ore concentrate producer in Malaysia, FY19 was maiden year of commercial production

- Healthy 40% volume growth expected in FY21e.
 - 1HFY21 iron ore production volume surged 57% YoY to 231,007 WMT (wet metric tonnes)
- High profitability due to low-cost structure and proximity to customers.
 - Gross profit margin of 66.7% in FY20
 - Short delivery times expected to ensure captive buyers (domestic steel mills) in Malaysia.
- Considerable exploration upside potential with 5% of concession area (526.2 ha) explored. Mining rights will only expire in early 2033.

Rating: BUY (Under review)

Koufu: New integrated facility to fuel growth



TOP of integrated facility expected in 1Q2021

- Operations expected to commence by 2Q2021
- Expected to generate new income streams as well as cost efficiencies from food processing

Potential special dividend from the sale of its existing central kitchen property

- Koufu to potentially realise S\$8mn gain with 1.4 Singapore cents of special dividend to be distributed

Continued improvement in footfall month-on-month since end of circuit breaker

- Footfalls at their outlets in Singapore and Macau have been improving month-on-month
- Impairment to be recognised for certain outlets, but will be partially mitigated by rental rebates.

Rating: BUY; TP: S\$0.77

Keppel Corp: Strategic review of O&M unit and divestments to drive potential re-rating

Keppel Group's assets

Assets	Carrying value S\$bn
Landbank/projects under development	7.0
Assets for monetisation through REITs / trust or for sale	4.8
Non-core assets (including Keppel O&M's rigs)	3.9
Funds / investments that can be liquidated over time	1.8
Total carrying value	17.5

(1) Carrying values of the assets as at 30 June 2020, before taking into account transaction costs, potential tax liabilities, repayment of any asset financing and financing costs

Source: Company, PSR

Identified S\$17.5bn of assets for monetisation over time

- Divestments of Keppel's assets will likely be speeded up in 2021
- On track for achieving S\$3 – 5bn in divestments 3 – 5 years

Resolution on Keppel O&M to remove key overhang

- Divestment of Keppel O&M to Sembcorp Marine as the most likely outcome of the strategic review
- Resolution on unit to lead to a re-rating of its shares

Long-term ROE target of 15% reaffirmed

- Keppel's shipyards have resumed operations and many of their activities have resumed
- Greater clarity on target to lead to re-rating

Rating: BUY; TP: S\$6.12

Conclusion

1. Singapore equities in sweet spot – valuation, rates, COVID-19
2. Equities still the most the rational choice
3. Vaccination progress will be key variable to monitor
4. STI target (12 months) is 3200

Quarterly Groundview Magazine

Jan21 Issue



- Why residential is resilient in a pandemic?
- Retail posit COVID-19?
- The threat of e-commerce?
- New way to work for office?
- Opportunities ahead for LHN Group – interview

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