

Report type: Update

- High trading volume supported the index pushing higher in Jan and Feb
- Post mortem on results gives indications of broad view
- 2 main risks; geopolitical risk and lingering Euro debt crisis
- Correction in near term before breaking higher

1, 2 and counting

The FSSTI continued on its uptrend in February. After a 10% gain in January, FSSTI was up another 3%. Average daily traded volume increased 88% compared to January.

Post-mortem on reporting season

We saw in the early part of the reporting season, most companies meeting or beating consensus estimates. However disappointment in the second half temper expectations and what we have is a 50/50 report card. We have the good performers; Telecommunications, Aviation services and Financial sectors beat estimates, the neutral performers; Offshore & marine, properties sectors, and the underperformers; Transportation and S-chip sectors.

2 risks remain

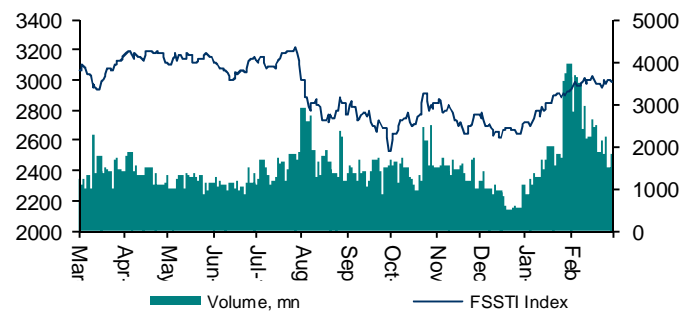
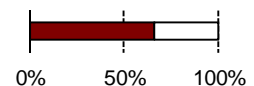
We think the main risks would be geopolitical risk affecting oil price and also probable European countries throwing in the hat trying to meet targeted budget deficits.

Sectors outlook

We are upgrading our rating on the Offshore & marine sector to overweight, Financials to neutral and Transportation to underweight. Technically, FSSTI is facing a major resistant at 3,000 after failing to remain above that reading. We are also predicting a pull back in trading volume in this month. If the index crosses the running mean convincingly (refer to fig 2&3, crosses over and edge higher without pulling back), there is good chance that we could see the index riding higher to +1 standard deviation. In other words, correction in the short term before breaking the year's high.

FSSTI

Closing	2992
Expected Dividend Yield (%)	3.2%
P/E	9.9
Market Cap. (USD mn)	545,470
3M Average Daily T/O (mn)	2,178.5
52 w week range (SGD)	2521.95 - 3227.28
Closing Price in 52 w week range	



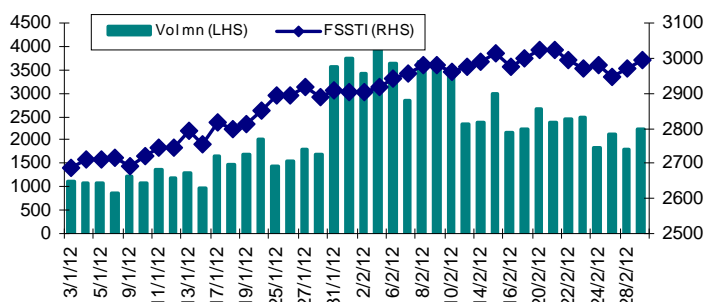
Analyst

Lee Kok Joo CFA
leekj@phillip.com.sg
+65 6531 1685

Greater premium on positives, lesser discount on negatives

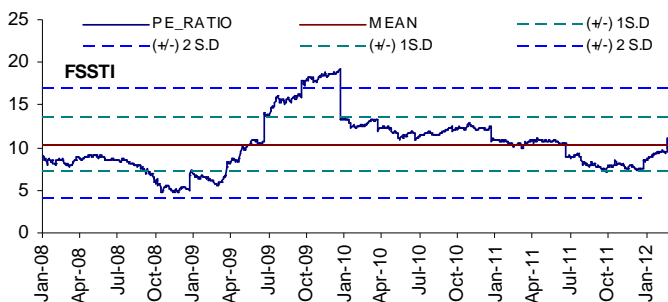
The FSSTI continued on its uptrend in February. After a 10% gain in January, FSSTI was up another 3%. Average daily traded volume increased 88% compared to January. Both the T12M and forward PE are now trading around the mean levels.

Fig 1. Market vol and FSSTI



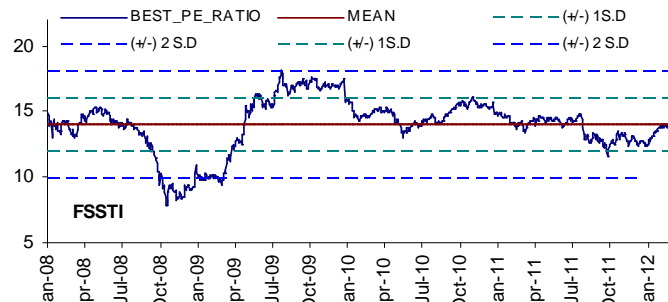
Source: Bloomberg, Phillip Securities Research

Fig 2. T12M PE



Source: Bloomberg, Phillip Securities Research

Fig 3. Forward PE



Source: Bloomberg, Phillip Securities Research

Post-mortem on reporting season

In the recently concluded results reporting, we observe a mix performance. Among our coverage on a y-y basis, the telecommunications and financials and the aviation services sectors registered better performance. The telecommunications and aviation services companies' results were in-line with our expectations. The telecommunications growth was mainly driven by improvement in ARPU and subscribers base. The banks outperformed our expectations on higher loans growth. The

sectors that did badly y-y are the transportation and S-chip, at the same time these two sectors underperform against our expectations. The Transports providers continue to be weighed down by subdued top-line growth and high fuel expenses. For the S-chip companies, we observed a slow down in the general operating environment which is in-line with the slow down in the Chinese economy. We also observe higher administrative expenses attributable to employee benefits costs and miscellaneous taxes paid to the local authorities. The properties sector turned in a muted performance. Commercial landlords and REITs performed better than the residential developers which are facing favorable government policies aim at controlling residential properties prices. The offshore & marine sector mainly met our expectations.

Geopolitical risk and lingering Euro debt crisis

We had two good months in January and February. Technically, FSSTI is facing a major resistant at 3,000 after failing to remain above that reading. We are also predicting a pull back in trading volume in this month. We think the main risks would be geopolitical risk affecting oil price and also probable European countries throwing in the hat trying to meet targeted budget deficits. This may then throw the management of the Euro debt crisis into disarray again.

Correction before riding higher

We are upgrading our rating on the offshore & marine sector to overweight. We had mentioned before that oil price risk is a catalyst to the sector as higher oil price provides the impetus for more exploration activities. On the other hand, if there is moderation of oil price lower, this will also spur economic spending. On the flipside, we maintain underweight on the transportation sector on overhang of high fuel expense. We have also upgraded Financials to neutral on valuations, although we do caution that compressed net interest margin (NIM) may limit growth. Additionally, the telecommunications and aviation services are a good choice for dividend. We reiterate that our analyst forecast SATS to give a special dividend in the coming Mar reporting period. If the index crosses the running mean convincingly (refer to fig 2&3, crosses over and edge higher without pulling back), there is good chance that we could see the index riding higher to +1 standard deviation. In other words, correction in the short term before breaking year's high.

Sector	Rating	Change from previous
Aviation services	Overweight	↔
Offshore & Marine	Overweight	↑
Telecommunications	Neutral	↔
Commodities	Neutral	↔
Properties	Neutral	↔
REITs	Neutral	↔
Financials	Neutral	↑
Transportation	Underweight	↔
S-chips	Underweight	↔

Our Coverage

Sector	Company	Rating	FYE	Price	TP	Upside	Market Cap.	Ent. Value	Market Cap.	Ent. Value	Equity Multiple (X)						Dividend Yield (%)					
											Net Income			Book Value			FY10/11	FY11/12E	FY12/13E	FY10/11	FY11/12E	FY12/13E
											FY10/11	FY11/12E	FY12/13E	FY10/11	FY11/12E	FY12/13E						
				S\$	S\$	(%)	(S\$m)	(S\$m)	(US\$m)	(US\$m)												
O&M	Keppel Corp Ltd	Accumulat	Dec	11.05	11.68	5.70%	19,785.60	24,865.59	15,723.44	19,642.28	13.27	12.44	12.73	2.67	2.35	2.21	3.89%	3.98%	3.89%			
	Sembcorp Marine Ltd	Buy	Dec	5.4	6.1	12.96%	11,248.41	9,385.73	8,939.02	7,502.10	14.96	15.64	14.92	4.66	4.29	3.70	4.63%	3.15%	3.33%			
	Cosco Corp	Reduce	Dec	1.155	1	-13.42%	2,586.33	3,622.53	2,055.33	2,850.88	18.47	23.95	24.40	1.99	1.93	1.86	2.60%	1.73%	1.73%			
Commodities	Sembcorp Industries Ltd	Buy	Dec	5.24	6.58	25.57%	9,346.50	9,630.79	7,427.59	7,645.85	11.55	12.38	11.79	2.27	2.05	1.85	3.24%	3.24%	3.44%			
	Wilmar Intl Ltd	Reduce	Dec	5.01	4.35	-13.17%	32,071.62	57,966.70	25,487.05	45,464.20	15.92	19.29	17.89	2.88	2.69	2.48	1.22%	1.00%	1.20%			
	Golden Agri-Resources Ltd	Accumulat	Dec	0.715	0.795	11.19%	8,679.15	9,622.64	6,897.25	7,621.89	12.08	11.34	11.16	1.36	1.28	1.23	2.52%	2.80%	2.80%			
Properties	Keppel Land Ltd	Neutral	Dec	3.42	2.79	-18.42%	5,098.34	5,988.22	4,051.61	5,988.22	3.73	12.26	16.03	1.02	0.94	0.90	5.85%	2.34%	2.34%			
	SC Global Developments Ltd	Reduce	Dec	1.05	1	-4.76%	434.69	2,008.40	345.45	2,008.40	3.29	21.73	28.98	0.66	0.65	0.64	1.90%	2.86%	2.86%			
	QUE Ltd	Accumulat	Dec	2.5	2.83	13.20%	2,274.79	4,021.07	1,807.76	4,021.07	6.77	22.52	23.45	0.78	0.76	0.74	5.20%	2.40%	2.00%			
REITS	Ho Bee Investment Ltd	Neutral	Dec	1.34	1.38	2.99%	944.85	1,353.61	750.86	1,353.61	4.65	10.50	5.62	0.57	0.55	0.51	2.99%	1.49%	2.99%			
	CapitaMalls Asia Ltd	Buy	Dec	1.505	1.77	17.61%	5,850.69	6,355.09	4,649.50	6,355.09	12.83	31.12	26.72	0.94	0.93	0.91	1.99%	1.99%	1.99%			
	Parkway Life REIT	Accumulat	Dec	1.795	1.95	8.64%	1,085.92	1,544.72	862.97	1,544.72	17.80	16.66	15.85	1.21	1.21	1.22	5.35%	5.35%	5.63%			
S-chips	CDL Hospitality Trust	Neutral	Dec	1.72	1.47	-14.53%	1,659.52	2,123.79	1,318.81	2,123.79	15.37	16.27	15.80	1.08	1.08	1.08	6.42%	6.16%	6.34%			
	Sabana Shariah Compliant REIT	Buy	Dec	0.93	1.05	12.90%	592.68	920.73	471.00	920.73	6.72	11.90	11.85	0.87	0.88	0.88	10.25%	9.68%	9.03%			
	Sino Grandness Food Industry Group Ltd	Accumulat	Dec	0.365	0.45	23.29%	96.79	113.09	76.92	89.43	3.19	2.84	2.25	0.88	0.67	0.52	0.00%	0.00%	0.00%			
Transportation	Ziwo Holdings Ltd	Sell	Dec	0.122	0.095	-22.13%	36.48	-0.24	28.99	0.80	2.81	3.98	4.69	0.38	0.35	0.32	0.00%	0.00%	0.00%			
	Foreland Fabrictech Holdings Ltd	Accumulat	Dec	0.099	0.13	31.31%	52.34	8.52	41.60	7.95	1.86	1.94	1.89	0.40	0.35	0.31	8.44%	8.04%	8.04%			
	China Sunshin Chemical Holdings Ltd	Neutral	Dec	0.255	0.25	-1.96%	123.60	126.76	98.23	100.65	6.96	5.68	5.34	0.81	0.81	0.81	3.92%	3.92%	3.92%			
Aviation services	Sunpower Group Ltd	Buy	Dec	0.255	0.4	56.86%	83.89	158.81	66.67	124.19	4.62	5.39	3.59	0.91	0.78	0.64	5.88%	0.00%	0.00%			
	CombineWill	Buy	Dec	0.74	1.35	82.43%	24.27	185.24	19.29	142.87	2.99	3.57	2.21	0.26	0.24	0.22	0.00%	0.00%	0.00%			
	Hu An Cable	Buy	Dec	0.165	0.26	57.58%	142.16	740.03	112.97	117.27	3.94	3.06	1.98	0.64	0.54	0.43	21.21%	0.00%	0.00%			
Telco	Tiger Airways Holdings Ltd	Reduce	Mar	0.765	0.58	-24.18%	627.17	1,015.05	498.41	797.63	15.68	-34.84	34.84	2.13	2.39	2.25	0.00%	0.00%	0.00%			
	Singapore Airlines Ltd	Accumulat	Mar	10.9	11.3	3.67%	12,828.23	8,899.63	10,194.49	7,163.86	9.91	24.48	33.15	0.92	1.01	1.02	12.84%	2.75%	2.75%			
	SMRT Corporation Ltd	Sell	Mar	1.745	1.38	-20.92%	2,652.73	2,620.46	2,108.10	2,083.21	16.48	19.80	18.68	3.29	3.29	3.23	5.16%	5.16%	5.16%			
Financials	ComfortDelgro Corporation Ltd	Buy	Dec	1.51	1.66	9.93%	3,157.53	3,795.13	2,509.26	3,001.12	13.38	13.67	12.58	1.68	1.57	1.48	3.97%	3.97%	3.97%			
	Neptune Orient Lines Ltd	Reduce	Dec	1.42	1.24	-12.68%	3,668.43	6,491.11	2,915.27	5,092.87	-6.10	-47.02	6.51	1.76	1.82	1.56	0.00%	0.00%	4.23%			
	Singapore Technologies Engineering Ltd	Accumulat	Dec	3.16	3.37	6.65%	9,665.57	9,556.77	7,681.15	7,597.61	18.31	17.83	17.48	5.45	5.18	5.02	4.91%	5.06%	5.06%			
Telco	SATS Ltd	Buy	Mar	2.44	2.76	13.11%	2,703.53	2,564.73	2,148.47	2,041.40	14.15	17.33	14.08	1.78	1.82	2.02	6.97%	12.70%	5.33%			
	SIA Engineering Company Ltd	Buy	Mar	3.85	4.86	26.23%	4,222.88	3,861.88	3,355.89	3,077.40	16.30	15.64	15.36	3.24	3.35	3.41	7.79%	6.75%	5.45%			
	Singapore Telecommunications Ltd	Accumulat	Mar	3.13	3.31	5.75%	49,897.39	57,336.89	39,653.03	45,392.06	13.24	14.39	13.17	2.05	2.09	1.97	8.31%	4.47%	4.47%			
Financials	Starhub Ltd	Neutral	Dec	2.9	2.9	0.00%	4,966.82	5,450.12	3,947.09	4,319.92	15.77	15.42	14.78	290.00	-	-	6.90%	6.90%	7.24%			
	M1 Ltd	Reduce	Dec	2.47	2.36	-4.45%	2,247.02	2,538.52	1,785.68	2,010.56	13.70	14.04	14.40	6.86	6.18	5.88	5.87%	5.67%	6.07%			
	DBS Group Holdings Ltd	Neutral	Dec	14.19	14.5	2.18%	34,276.33	43,350.33	27,239.11	34,239.03	11.29	10.54	9.89	1.18	1.11	1.04	3.95%	3.95%	4.51%			
Financials	Oversea-Chinese Banking Corp Ltd	Neutral	Dec	8.94	8	-10.51%	30,637.43	26,660.43	24,347.30	21,279.34	13.25	12.04	11.28	1.49	1.39	1.30	3.36%	3.58%	3.80%			
	United Overseas Bank Ltd	Neutral	Dec	18.15	17.5	-3.58%	28,554.79	16,441.79	22,692.25	13,347.96	12.27	10.75	9.07	1.37	1.29	1.18	3.31%	3.31%	3.86%			
	Singapore Exchange Ltd	Buy	Jun	7.15	8.45	18.18%	7,662.24	7,025.53	6,089.12	5,597.94	25.97	22.74	23.22	9.29	7.30	6.06	3.78%	3.78%	3.78%			
Financials	Genting Singapore PLC	Hold	Dec	1.595	1.59	-0.31%	19,455.82	19,317.04	15,461.37	15,354.32	19.09	16.43	-	3.19	2.66	-	0.63%	0.00%	0.00%			

Source: Bloomberg, PSR estimates

Important Information

This publication is prepared by Phillip Securities Research Pte Ltd., 250 North Bridge Road, #06-00, Raffles City Tower, Singapore 179101 (Registration Number: 198803136N), which is regulated by the Monetary Authority of Singapore ("Phillip Securities Research"). By receiving or reading this publication, you agree to be bound by the terms and limitations set out below.

This publication has been provided to you for personal use only and shall not be reproduced, distributed or published by you in whole or in part, for any purpose. If you have received this document by mistake, please delete or destroy it, and notify the sender immediately. Phillip Securities Research shall not be liable for any direct or consequential loss arising from any use of material contained in this publication.

The information contained in this publication has been obtained from public sources, which Phillip Securities Research has no reason to believe are unreliable and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this publication are based on such information and are expressions of belief of the individual author or the indicated source (as applicable) only. Phillip Securities Research has not verified this information and no representation or warranty, express or implied, is made that such information or Research is accurate, complete, appropriate or verified or should be relied upon as such. Any such information or Research contained in this publication is subject to change, and Phillip Securities Research shall not have any responsibility to maintain or update the information or Research made available or to supply any corrections, updates or releases in connection therewith. In no event will Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, (i) be liable in any manner whatsoever for any consequences (including but not limited to any special, direct, indirect, incidental or consequential losses, loss of profits and damages) of any reliance or usage of this publication or (ii) accept any legal responsibility from any person who receives this publication, even if it has been advised of the possibility of such damages. You must make the final investment decision and accept all responsibility for your investment decision, including, but not limited to your reliance on the information, data and/or other materials presented in this publication.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this material are as of the date indicated and are subject to change at any time without prior notice.

Past performance of any product referred to in this publication is not indicative of future results.

This report does not constitute, and should not be used as a substitute for, tax, legal or investment advice. This publication should not be relied upon exclusively or as authoritative, without further being subject to the recipient's own independent verification and exercise of judgment. The fact that this publication has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this material is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this publication involve significant risks and may not be suitable for all investors, and that any decision to enter into transactions involving such products should not be made, unless all such risks are understood and an independent determination has been made that such transactions would be appropriate. Any discussion of the risks contained herein with respect to any product should not be considered to be a disclosure of all risks or a complete discussion of such risks.

Nothing in this report shall be construed to be an offer or solicitation for the purchase or sale of any product. Any decision to purchase any product mentioned in this research should take into account existing public information, including any registered prospectus in respect of such product.

Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may provide an array of financial services to a large number of corporations in Singapore and worldwide, including but not limited to commercial / investment banking activities (including sponsorship, financial advisory or underwriting activities), brokerage or securities trading activities. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this publication, and may have performed services for or solicited business from such issuers. Additionally, Phillip Securities Research, or persons associated with or connected to Phillip

Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have provided advice or investment services to such companies and investments or related investments, as may be mentioned in this publication.

Phillip Securities Research or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report may, from time to time maintain a long or short position in securities referred to herein, or in related futures or options, purchase or sell, make a market in, or engage in any other transaction involving such securities, and earn brokerage or other compensation in respect of the foregoing. Investments will be denominated in various currencies including US dollars and Euro and thus will be subject to any fluctuation in exchange rates between US dollars and Euro or foreign currencies and the currency of your own jurisdiction. Such fluctuations may have an adverse effect on the value, price or income return of the investment.

To the extent permitted by law, Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may at any time engage in any of the above activities as set out above or otherwise hold an interest, whether material or not, in respect of companies and investments or related investments, which may be mentioned in this publication. Accordingly, information may be available to Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, which is not reflected in this material, and Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may, to the extent permitted by law, have acted upon or used the information prior to or immediately following its publication. Phillip Securities Research, or persons associated with or connected to Phillip Securities Research, including but not limited to its officers, directors, employees or persons involved in the preparation or issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this material.

The information, tools and material presented herein are not directed, intended for distribution to or use by, any person or entity in any jurisdiction or country where such distribution, publication, availability or use would be contrary to the applicable law or regulation or which would subject Phillip Securities Research to any registration or licensing or other requirement, or penalty for contravention of such requirements within such jurisdiction.

Section 27 of the Financial Advisers Act (Cap. 110) of Singapore and the MAS Notice on Recommendations on Investment Products (FAA-N01) do not apply in respect of this publication.

This material is intended for general circulation only and does not take into account the specific investment objectives, financial situation or particular needs of any particular person. The products mentioned in this material may not be suitable for all investors and a person receiving or reading this material should seek advice from a professional and financial adviser regarding the legal, business, financial, tax and other aspects including the suitability of such products, taking into account the specific investment objectives, financial situation or particular needs of that person, before making a commitment to invest in any of such products.

Please contact Phillip Securities Research at [65 65311240] in respect of any matters arising from, or in connection with, this document.

This report is only for the purpose of distribution in Singapore.

Contact Information (Singapore Research Team)

Chan Wai Chee
CEO, Research
Special Opportunities
+65 6531 1231
yebo@phillip.com.sg

Lee Kok Joo, CFA
Head of Research
S-Chips, Strategy
+65 6531 1685
leekj@phillip.com.sg

Joshua Tan
Strategist
+65 6531 1249
joshuatan@phillip.com.sg

Magdalene Choong
Investment Analyst
SG & US Financials, Gaming
+65 6531 1791
magdalenechoongss@phillip.com.sg

Go Choon Koay, Bryan
Investment Analyst
Property
+65 6531 1792
gock@phillip.com.sg

Derrick Heng
Investment Analyst
Transportation, Telecom.
+65 6531 1221
derrickhengch@phillip.com.sg

Nicholas Low, CFA
Investment Analyst
Commodities, Offshore & Marine
+65 6531 1535
nicholaslowkc@phillip.com.sg

Travis Seah
Investment Analyst
REITS
+65 6531 1229
travisseahhk@phillip.com.sg

Peter Lee
Research Assistant
General Enquiries
+65 6531 1240 (Phone)
+65 6336 7607 (Fax)
research@phillip.com.sg

Ken Ang
Investment Analyst
Financials
+65 651 1793
kenangwy@phillip.com.sg

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

HONG KONG

Phillip Securities (HK) Ltd
Exchange Participant of the Stock Exchange of Hong Kong
11/F United Centre 95 Queensway
Hong Kong
Tel (852) 22776600
Fax (852) 28685307
Websites: www.phillip.com.hk

INDONESIA

PT Phillip Securities Indonesia
ANZ Tower Level 23B,
Jl Jend Sudirman Kav 33A
Jakarta 10220 – Indonesia
Tel (62-21) 57900800
Fax (62-21) 57900809
Website: www.phillip.co.id

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

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

AUSTRALIA

PhillipCapital Australia
Level 37, 530 Collins Street,
Melbourne, Victoria 3000, Australia
Tel (613) 96298380
Fax (613) 96148309
Website: www.phillipcapital.com.au

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) 21628841
Fax (603) 21665099
Website: www.poems.com.my

JAPAN

PhillipCapital Japan K.K.
Nagata-cho Bldg.,
8F, 2-4-3 Nagata-cho,
Chiyoda-ku, Tokyo 100-0014
Tel (81-3) 35953631
Fax (81-3) 35953630
Website: www.phillip.co.jp

CHINA

Phillip Financial Advisory (Shanghai) Co. Ltd
No 550 Yan An East Road,
Ocean Tower Unit 2318,
Postal code 200001
Tel (86-21) 51699200
Fax (86-21) 63512940
Website: www.phillip.com.cn

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 STATES

Phillip Futures 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