Keppel DC REIT

Exposure to growth in data requirements

SINGAPORE | REAL ESTATE (REIT) | INITIATION

8 January 2016

Accumulate (Initiating)

CLOSING PRICE	SGD 1.010
FORECAST DIV	SGD 0.068
TARGET PRICE	SGD 1.130
TOTAL RETURN	18.6%

COMPANY DATA

O/S SHARES (MN) :	883
MARKET CAP (USD mn / SGD mn) :	631/ 905
52 - WK HI/LO (SGD) :	1.11/ 0.96
3M Average Daily T/O (mn) :	1.21

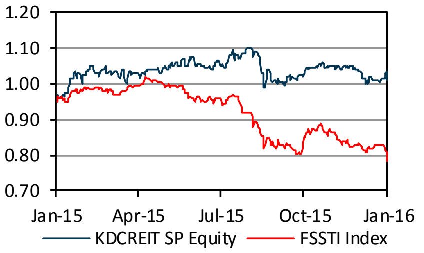
MAJOR SHAREHOLDERS (%)

KEPPEL TELECOM & TRANSPORT LTD	30.1%
WELLINGTON MANAGEMENT GROUP LLP	7.3%
DBS BANK LTD SG PB CLIENTS	5.5%
KEPPEL LAND LTD	4.9%
FORTRESS CAPITAL AM SDN BHD	4.4%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	(0.5)	1.5	10.3
STI RETURN	(2.3)	(2.8)	(11.6)

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

Y/E Dec	FY15e	FY16e	FY17e	FY18e
Gross Rev. (SGD mn)	108.2	103.0	103.7	108.7
NPI (SGD mn)	90.3	84.7	85.0	89.0
Dist. Inc. (SGD mn)	60.1	57.5	58.1	60.8
P/NAV (x)	1.16	1.15	1.15	1.12
DPU, adj (Cents)	6.80	6.51	6.57	6.56
Distribution Yield, %	6.74	6.44	6.51	6.50

Source: Company Data, PSR est.

VALUATION METHOD

DDM (Cost of Equity: 6.7%; Terminal g: 1.0%)

Richard Leow, CFTe, FRM (+65 6212 1848)
richardleowwt@phillip.com.sg

REIT Snapshot

- Keppel DC REIT (KDCREIT) was listed on the Mainboard of the Singapore Exchange on 12 December 2014, with an offering price of S$0.93 per unit.
- Investment strategy of investing in a portfolio of income-producing real estate for data centre use, with an initial focus on Asia-Pacific and Europe.
- Sponsor backing from Keppel Telecommunications & Transportation Limited (Keppel T&T) with Rights of First Refusal (ROFR) from both Keppel T&T and iseek Communications.
- Managed by Keppel DC REIT Management Pte Ltd, a wholly-owned subsidiary of Keppel T&T and Trustee is The Trust Company (Asia) Limited. The Manager collects a Base Fee pegged to the Deposited Property and a Performance Fee pegged to net property income.
- Started with eight properties at listing, subsequently acquired one in Australia. Currently nine properties in the portfolio. The data centre properties are located in Singapore (2), Malaysia (1), Australia (3), United Kingdom (1), Ireland (1) and Netherlands (1).
- Entered into a forward sale and purchase agreement to acquire a data centre in Germany, expected to be completed in 2018.
- Portfolio has a lettable area of 597,909 sq ft and value of S$1.02bn as at 30 September 2015.
- Distributions are made on a half-yearly basis. 100% payout until December 2016, thereafter at least 90%.

Investment Thesis – Explosive growth in data requirements

1. **Growth in data creation and data storage needs.** Total global data created is estimated to grow at a CAGR of 47.7% from 2013 to 2018F; Global internet protocol (IP) traffic is estimated to grow at a CAGR of 21.0%.
2. **Growth in cloud computing, e-commerce and online shopping.** The rise in number of internet users will underpin the growth in cloud computing, e-commerce and online shopping.
3. **Increasing compliance and regulatory requirements on data security.** Data storage has conflicting requirements of being secure, but accessible and retrievable at the same time. Regulators are also imposing additional requirements on data storage such as range and duration of storage. These factors set up the demand for professionally managed data centres.
4. **Continued trend of outsourcing of data centres.** The proportion of outsourced data centre space in Asia-Pacific is projected to increase from 12.1% in 2013 to 38.5% in 2018. In Western Europe, this figure is projected to increase from 21.2% in 2013 to 42.2% in 2018.

Investment Actions

KDCREIT has a unique exposure to data centre properties, riding on the trend of growth in data centre requirements. We initiate coverage on KDCREIT with "**Accumulate**" rating and DDM valuation of S$1.13.

Note: KDCREIT will be announcing FY15 financial results on 14 January after market hours.

MCI (P) 118/10/2015
Ref. No.: SG2016_0006

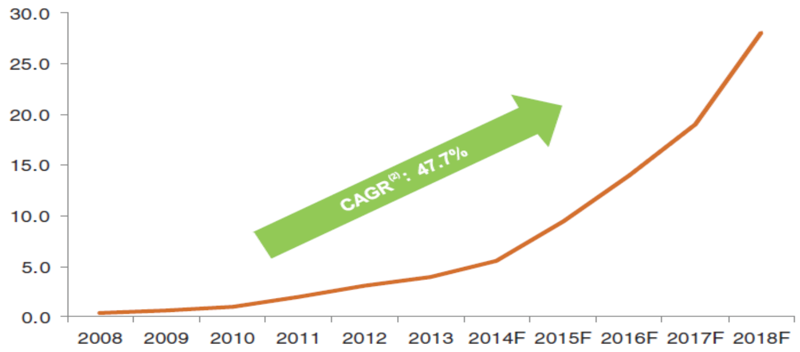
Investment Thesis for Keppel DC REIT – Explosive growth in data requirements

The Manger of Keppel DC REIT (KDCREIT) commissioned BroadGroup Consulting Ltd (BroadGroup) to prepare an independent market research report. The report highlighted the explosive growth in data requirements, driven by the following **four factors**:-

1. **Growth in data creation and data storage needs.** Apart from the "proliferation of Internet enabled devices, growth in video streaming and file sharing, increased popularity of e-commerce and social networking", BroadGroup attributes the trend of "Big Data" as another contributing factor to the growth in data creation. "Big Data" involves the collection of a large quantity of data and generating an analysis of the data collected. Consequently, this requires an immense requirement on computing power and data storage.

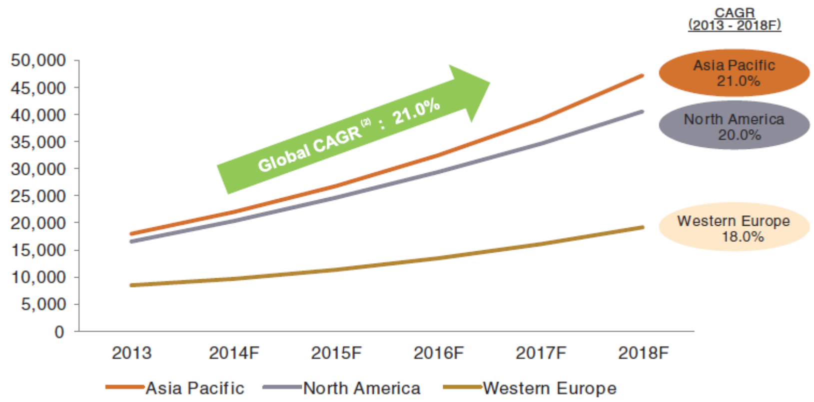
   BroadGroup estimates the amount of data created globally to grow at a CAGR of 47.7% from 2013 to 2018. BroadGroup also expects monthly internet protocol (IP) traffic to grow at a CAGR of 21.0% from 2013 to 2018. By geography, BroadGroup has forecasted that Asia Pacific, North America and Western Europe IP traffic to grow at a CAGR of 21%, 20% and 18% respectively, from 2013 to 2018.

Figure 1. Total Global Data Created Annually (in zettabytes[1])



Notes: 1) A zettabyte is equal to 10^{21} bytes 2) from 2013 to 2018F
Source: KDCREIT prospectus, 5 December 2014

Figure 2. Growth in Global IP Traffic (in petabytes[1] per month)



Notes: 1) A petabyte is equal to 10^{15} bytes 2) from 2013 to 2018F
Source: KDCREIT prospectus, 5 December 2014

Cisco Systems also forecasts explosive growth in global IP traffic. The Cisco Global Cloud Index (GCI) and Cisco Virtual Networking Index (VNI) corroborates BroadGroup's forecasts. Cisco Systems (Cisco) is forecasting Global data centre traffic to grow at a CAGR of 25% from 2014 to 2019; and Global IP traffic to grow at a CAGR of 23% from 2014 to 2019. By geography, Global IP traffic from Asia Pacific, North America and Western Europe is forecasted to grow at a CAGR of 21%, 20% and 21% respectively, from 2014 to 2019.

Figure 3. Global Data Centre Traffic (ZB/year)

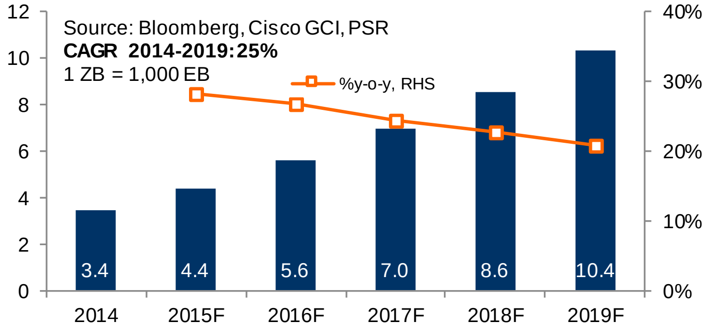


Figure 4. Global IP Traffic (EB/year)

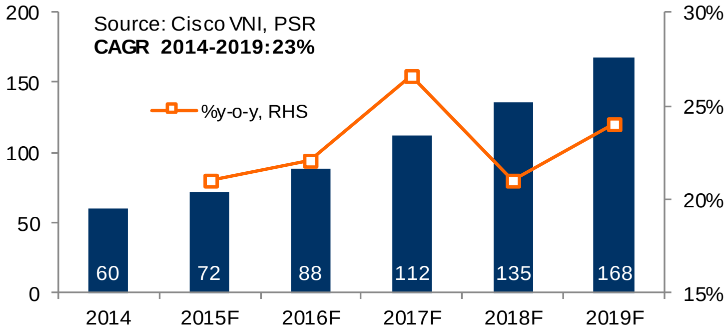
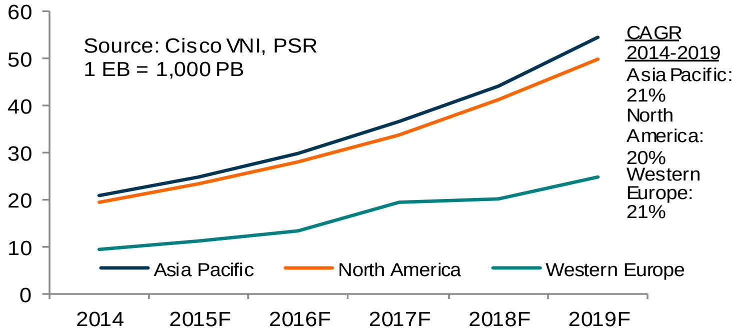


Figure 5. Global IP Traffic, by Geography (EB/month)



2. **Growth in cloud computing, e-commerce and online shopping.** As shown in the previous section, BroadGroup estimates data creation and Global IP traffic to grow at a CAGR of 47.7% and 21.0% respectively, from 2013 to 2018. This explosive growth is directly attributable to growth in number of Internet Users and Internet Penetration.

   Global Internet Users grew at a 10-year CAGR of 12% from 2005 to 2015. The highest growth came from Asia & Pacific at a CAGR of 16%.
   We see three notable points of interest from the historical data:
   - Number of Internet Users in China surpassed United States in 2008.
   - Internet Penetration in Asia & Pacific is lower than the Global average, despite its higher CAGR.
   - Internet Penetration in China is lower than United States, despite its higher CAGR.

Figure 6. Internet Users, Top Three Regions by number of Users (bn)

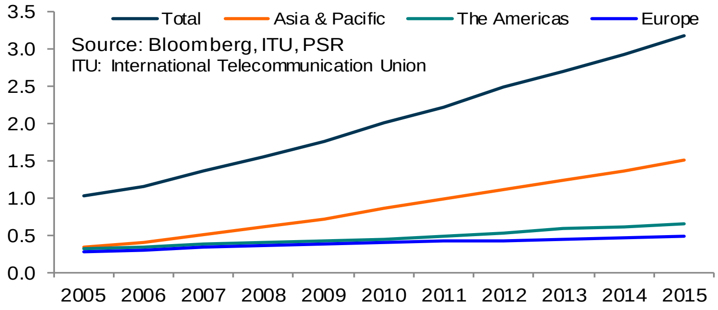


Figure 7. Internet Users, Top Two Countries by number of Users (bn)

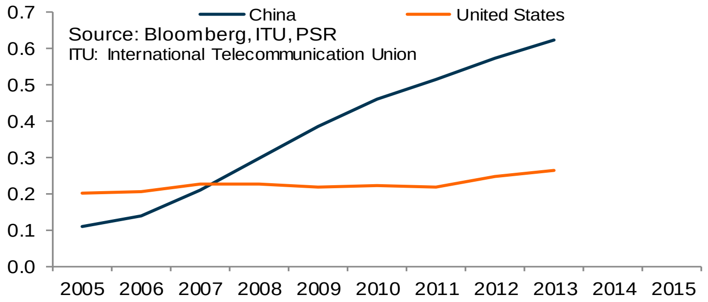


Figure 8. Internet Penetration, Top Three Regions by number of Users (%)

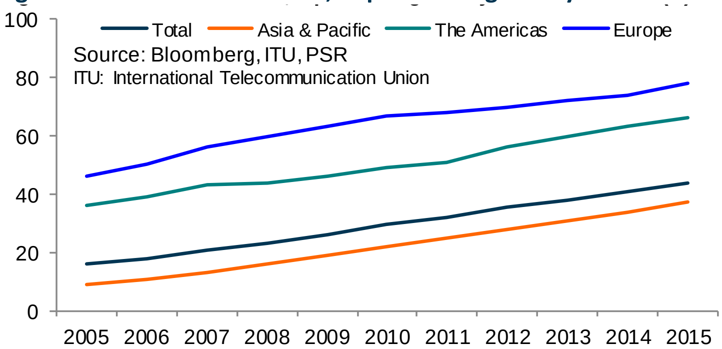
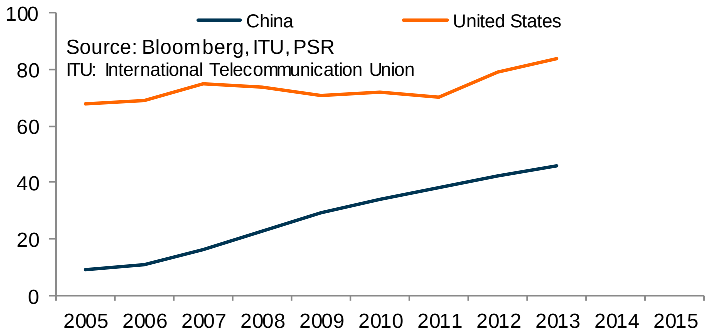


Figure9. Internet Penetration, Top Two Countries by number of Users (%)



Strong growth in cloud storage and traffic. Referring to Cisco GCI, we see that the number of personal cloud storage consumers is forecasted to grow at a CAGR of 12% from 2014 to 2019, from 1.14 bn users to 2.05 bn users. Correspondingly, consumer cloud storage traffic is forecasted to grow at a CAGR of 23% from 2014 to 2019, from 14 EB/year to 39 EB/year.

Figure 10. Personal Cloud Storage (bn consumers)

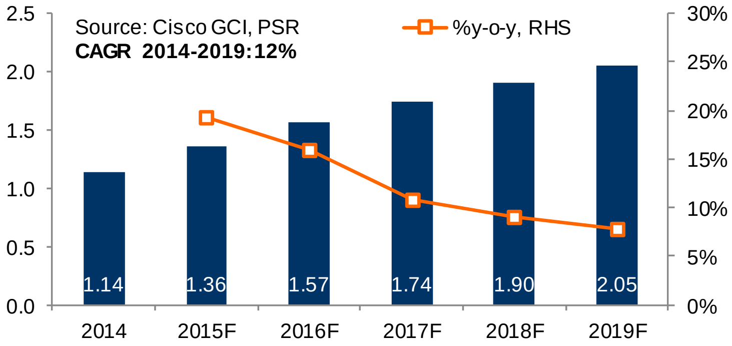
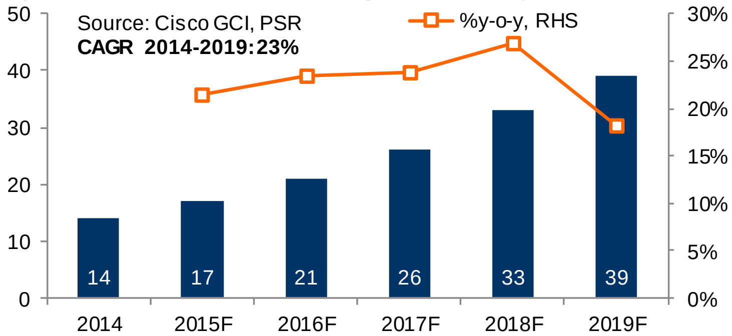


Figure 11. Consumer Cloud Storage Traffic (EB/year)



Global IP traffic and consumer Internet traffic is set to grow as well. Referring to Cisco VNI, we see that Global IP traffic dominated by the Consumer segment, accounting for about 80% of total Global IP traffic. The Consumer segment of IP traffic is forecasted to grow at a CAGR of 24% from 2014 to 2019.

For the regions when KDCREIT has exposure to, Cisco forecasts by geography, that Asia Pacific, North America and Western Europe Global Consumer IP traffic to grow at a CAGR of 22%, 21% and 19% respectively, from 2014 to 2019.

Within the Global Consumer Internet Traffic segments, Cisco has forecasted a CAGR of 40% for Internet video, from 2014 to 2019.

Figure 12. Global IP Traffic, by segment (EB/month)

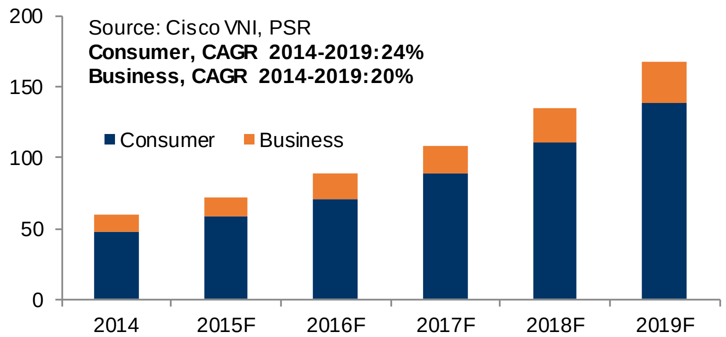


Figure 13. Global Consumer IP Traffic, by Geography (EB/month)

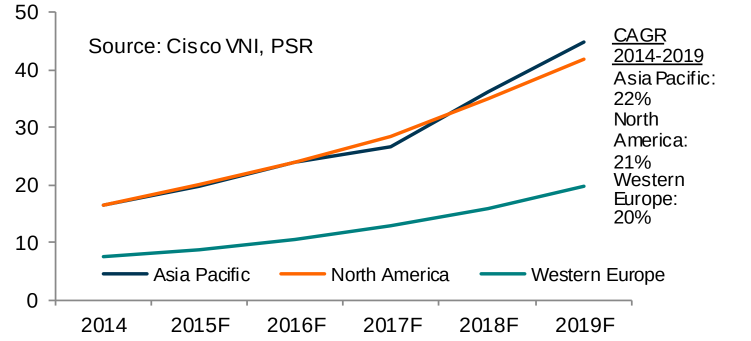
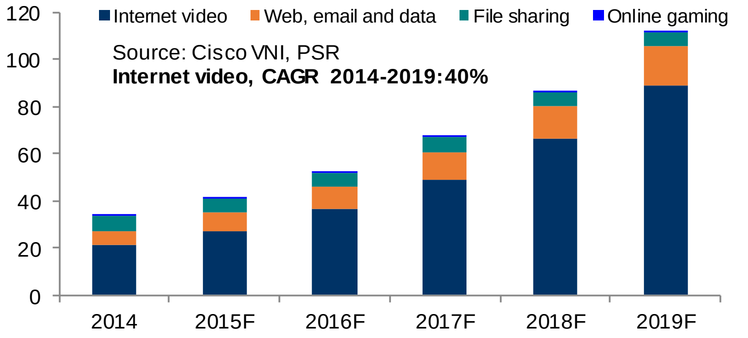


Figure 14. Global Consumer Internet Traffic, by Segment (EB/month)



Recent market updates from KDCREIT

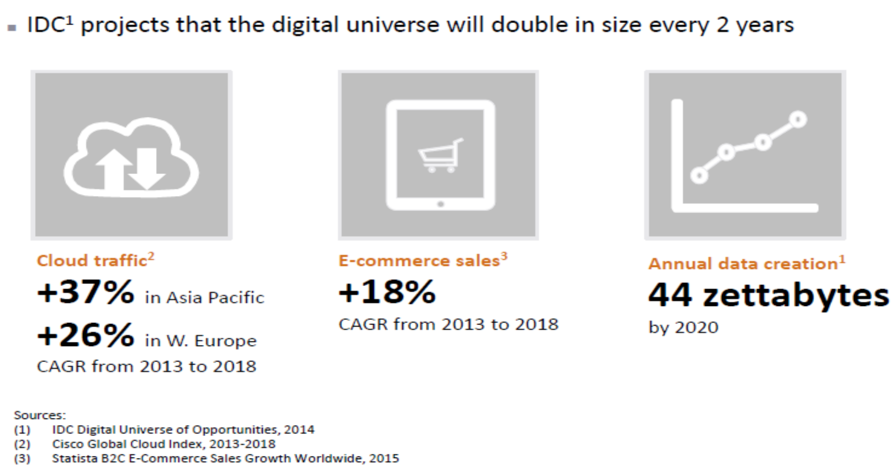
Positive trends in data creation, cloud traffic and e-commerce

- Cloud traffic in Asia Pacific and Western Europe is expected to grow at a CAGR of 37% and 26% respectively, from 2013 to 2018.
- E-commerce sales to grow at a CAGR of 18% from 2013 to 2018
- Data creation forecasted to reach 44 ZB/year by 2020. (1 ZB = 10^{21} bytes)

Growth in Internet Users and proliferation of mobile devices

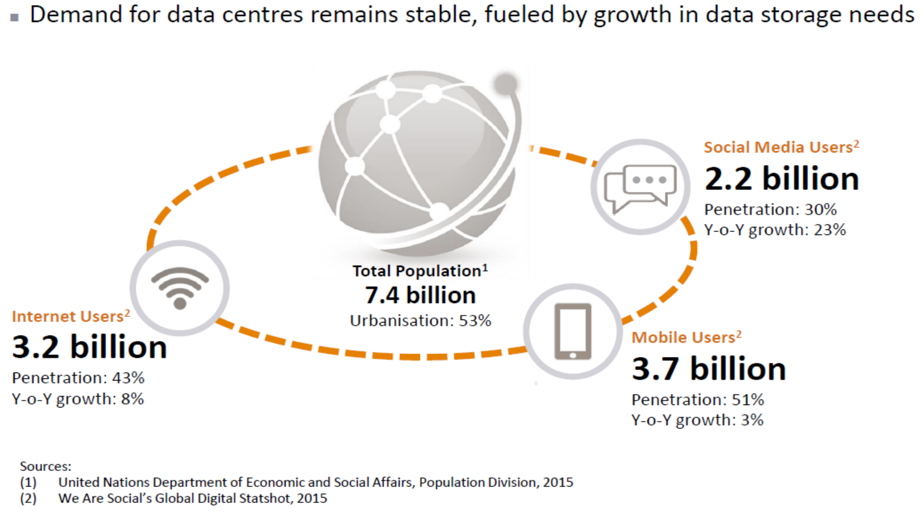
- Internet Users: penetration 43%, y-o-y growth 8%
- Mobile Users: penetration 51%, y-o-y growth 3%
- Social Media Users: penetration 30%, y-o-y growth 23%

Figure 15. Data creation, cloud traffic and e-commerce trends



Source: KDCREIT 2Q FY2015 results presentation, 15 July 2015

Figure 16. Growth in Internet Users and proliferation of mobile devices



Source: KDCREIT 3Q FY2015 results presentation, 15 October 2015

3. **Increasing compliance and regulatory requirements on data security.** The impact of increased requirements has swept across various sectors and industries. They include the banking, financial services and healthcare sectors. Their data have to not only be stored in a secure facility, but must also be accessible and retrievable. Adding on to the burden of higher storage requirements is the broader range of data and longer duration that regulations are imposing onto organisations. As such, these factors should inevitably lead to demand for professionally managed data centres.

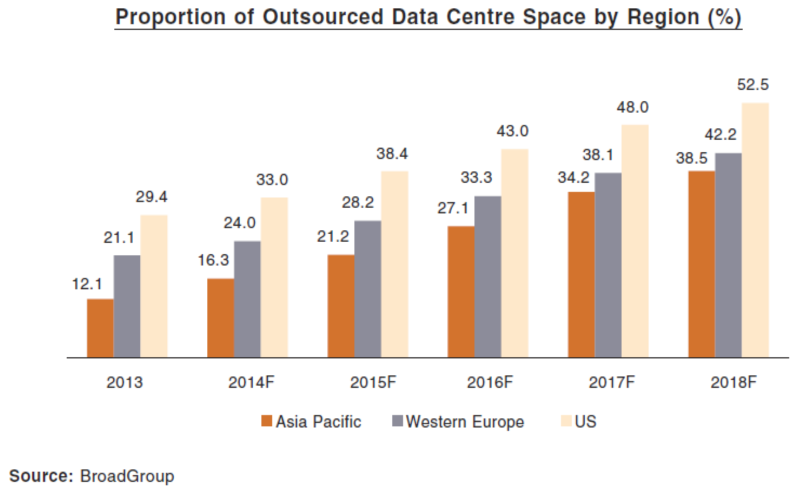
Examples of compliance and regulatory requirements

Type	Effective year	Compliance and regulatory requirements
HIPAA (Health Insurance Portability And Accountability Act)	New regulations planned for 2015	Used in the US health care industry to protect patient data in hospital computer networks and data centre storage, to ensure that patient privacy is not compromised
Monetary Authority of Singapore	2013	A national regulatory authority, which was formed under a Government Act in 1970 and regulates banking and insurance matters in Singapore. Recently introduced the Technology Risk Management guidelines in June 2013
PCI DSS (Payment Card Industry Data Security Standard)	2009	An industry consortium standard used by credit card companies to protect consumer records in the database
Sarbanes Oxley (SOX)	2002	Increase in auditing of the company's financial system that is tied to the IT platform. This leads to more effective auditing with a need to identify and provide a time-based record of when and where the network was accessed and by whom

Source: BroadGroup, KDCREIT Prospectus, Phillip Securities Research (Singapore)

4. **Continued trend of outsourcing of data centres.** BroadGroup projects that the proportion of outsourced data centre space in Asia-Pacific to increase from 12.1% in 2013 to 38.5% in 2018. In Western Europe, this figure is projected to increase from 21.2% in 2013 to 42.2% in 2018. The trend of outsourcing data centres to third party providers are due to the following reasons:-
   - **Cost effectiveness.** This is due to the large upfront costs to construct a well-specified data centre and better utilisation through co-locating.
   - **Increased complexity.** The complexity of running of an in-house data centre is exacerbated by the difficulty in attracting and retaining qualified staff who are competent in managing the data centre.
   - **Users focusing on their core competencies.** Owning and operating an in-house date centre requires technical skills that are likely to be outside of the organisation's core competencies.
   - **Changing needs.** Third party data centres are able to offer customised solutions, according to an organisation's changing requirements and growing needs for storage space.

Figure 17. Continued trend of data centres being outsourced



Source: KDCREIT prospectus, 5 December 2014

Company Background

KDCREIT is the first data centre REIT listed in Asia and on the Singapore Exchange. It was listed on 12 December 2014 with an offering price of S$0.93.

Investment Strategy

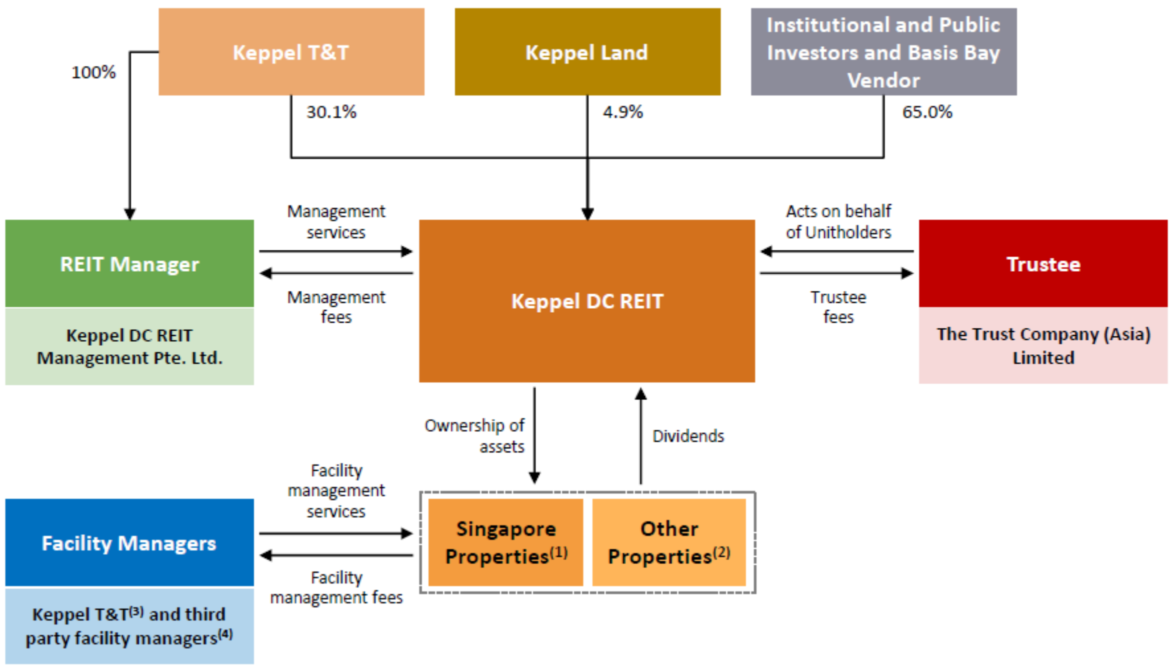
- The REIT has been established to invest in a diversified portfolio of income producing assets which are used primarily for data centre purposes, with a focus on Asia-Pacific and Europe.
- The investment strategy will be adhered to for at least three years. It may only be changed within three years if an Extraordinary Resolution is passed at a meeting of Unitholders.

Trust Structure

The following figure illustrates the structure of the trust with the various stakeholders.

- **Trustee.** The Trust Company (Asia) Limited. The property portfolio is held in a trust by the Trustee. The Trustee is responsible for the safe custody of the assets on behalf of Unitholders.
- **REIT Manager.** The REIT is externally managed by Keppel DC REIT Management Pte. Ltd., a wholly-owned subsidiary of the Sponsor.
- **Sponsor.** Keppel Telecommunications & Transportation Limited (Keppel T&T) is listed and headquartered in Singapore with operations in Asia-Pacific and Europe. It offers integrated services and solutions in the two core businesses of logistics and data centres. Keppel T&T has granted Rights of First Refusal (ROFR) to acquire all of its income-producing data centre assets.
- **Facility Managers.** Keppel T&T and third party managers.

Figure 18. KDCREIT Trust Structure



Notes:
(1) The Singapore Properties are held directly by the REIT.
(2) The Other Properties are held via multiple layers of intermediate Singapore, Australia, BVI, Malaysia, the Netherlands, Ireland and Guernsey SPVs. Keppel DC REIT holds a 99.0% interest in Basis Bay Data Centre while the Basis Bay Vendor holds the remaining 1.0% interest.
(3) Facility management of S25 and T25 have been outsourced to Keppel Digihub Ltd and Keppel Datahub Pte Ltd respectively, both of which are indirectly owned subsidiaries of Keppel T&T.
(4) Third-party facility managers include data centre customers of Keppel DC REIT.

Source: KDCREIT 3Q FY2015 results presentation, 15 October 2015

Manager's fee-structure

- **Base fee.** 0.5% per annum of the value of the Deposited Property
- **Performance fee.** 3.5% per annum of Net Property Income
- **Acquisition fee.** 1.0% of acquisition price of real estate, equity interests or investment
- **Divestment fee.** 0.5% of sale price of real estate, equity interests or investment

Portfolio diversification: by geography

KDCREIT currently holds nine data centre properties with an aggregate lettable area of approximately 597,909 sq ft across seven cities in Asia Pacific and Europe.

- **Asia Pacific.** The data centre properties include S25 and T25 in Singapore; Basis Bay Data Centre in Cyberjaya, Malaysia; Intellicentre 2 and Gore Hill Data Centre in Sydney, Australia; and iseek Data Centre in Brisbane, Australia.
- **Europe.** KDCREIT owns GV7 Data Centre in London, United Kingdom; Citadel 100 Data Centre in Dublin, Ireland; and Almere Data Centre in Amsterdam, Netherlands.

Portfolio rental income diversification: by tenant's trade sector

Rental income from tenants in the portfolio come from five trade sectors of IT services (39.4%), Internet enterprise (24.7%), Telecoms (18.3%), Financial services (13.2%) and Corporate (4.4%).

Portfolio rental income diversification: by lease-type

Rental income is a mix of Co-location (69.2%), fully-fitted (25.1%) and shell & core (5.7%).

Figure 19. Portfolio Overview

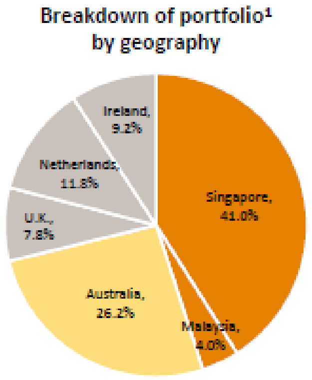
	Property	Location	Interest	Lettable area (sq ft)	No. of customers[1]	Occupancy rate (%)	Carrying value[6] (S$m)	Lease type	WALE (years)	Land lease title
	S25	Singapore	100%	109,574	20[2]	85.7	253.9	Keppel lease / Co-location	3.1[2]	Leasehold (Expiring 30 September 2025, with option to extend by 30 years)
	T25	Singapore	100%	36,888	4[2]	100.0	163.8	Keppel lease / Co-location	2.0[2]	Leasehold (Expiring 31 July 2021, with option to extend by 30 years)
	Basis Bay Data Centre	Cyberjaya, Malaysia	99%[4]	48,680	1	100.0	40.8	Double-net (Fully-fitted)	1.7	Freehold
	Gore Hill Data Centre	Sydney, Australia	100%	90,955	3	100.0	191.7	Triple-net (Shell & core) [one tenant] / Co-location [two end-users]	9.1	Freehold
	Intellicentre 2	Sydney, Australia	100%	87,930	1	100.0	46.6	Triple-net (Shell & core)	19.9	Freehold
	iseek Data Centre	Brisbane, Australia	100%	12,389	1	100.0	28.5	Double-net lease[3] (Fully-fitted)	10.7	Leasehold (Expiring 29 June 2040, with an option to extend for 7 years)
	GV7 Data Centre	London, United Kingdom	100%	24,972	1	100.0	80.0	Triple-net lease (Fully-fitted)	11.4	Leasehold (Expiring 28 September 2183)
	Almere Data Centre	Almere, Netherlands	100%	118,403	1[5]	100.0	120.5	Double-net lease (Fully-fitted)	12.9	Freehold
	Citadel 100 Data Centre	Dublin, Ireland	100%	68,118	9	80.3	93.9	Co-location	1.8	Leasehold (Expiring 11 April 2041)
Total				597,909	41	95.1	1,019.7		8.9	

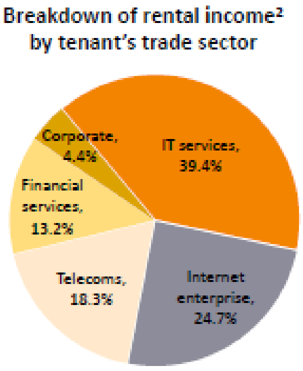
(1) Certain customers have signed more than one co-location arrangement using multiple entities.
(2) Based on the number of underlying end-users which have entered into co-location arrangements with the S25 and T25 Lessees, treating the S25 and T25 Lease on a pass-through basis to the underlying end users. Keppel DC REIT has in place the S25 and T25 Leases with the S25 and T25 Lessees pursuant to which Keppel DC REIT will grant a lease for a term of 10 years to the S25 and T25 Lessees, with an option to renew for a further term of five years subject to JTC's and HDB's consent respectively, and on terms to be agreed between Keppel DC REIT and the S25 and T25 Lessees.
(3) Keppel DC REIT has in place the iseek Lease with the tenant of iseek Data Centre. While the iseek Lease is called a co-location arrangement between the landlord and tenant, the terms are structured as effectively equivalent to a double-net lease.
(4) Keppel DC REIT holds a 99.0% interest in Basis Bay Data Centre while the Basis Bay Vendor holds the remaining 1.0% interest. Property-related calculations (e.g. Rental Income, Net Property Income, WALE, Independent Valuations, Appraised Value) includes the 1.0% interest in Basis Bay Data Centre held by the Basis Bay Vendor.
(5) Keppel DC REIT, through its wholly-owned subsidiary has entered into the Ground Lease with Borchveste. With the Ground Lease in place, the lease with the underlying tenant becomes conceptually similar to a sub-lease, with Borchveste being (i) the leasehold tenant of KDCR Almere B.V. and (ii) the lessor to the underlying tenant, the underlying tenant becoming essentially the sub-tenant.
(6) Carrying value of the investment properties does not include finance lease liabilities pertaining to land rent commitments in iseek Data Cente and Citadel 100 Data Centre.

Source: KDCREIT 3Q FY2015 results presentation, 15 October 2015

Figure 20. Diversified across geography and tenant's trade sector

- Assets located in key data centre hubs across Asia Pacific and Europe
- Well-diversified and credit-worthy tenant base





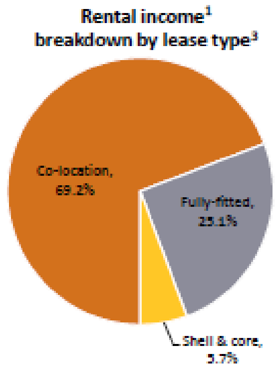
Notes:
(1) Without taking into consideration the finance lease liabilities pertaining to the land rent commitments for iseek Data Centre and Citadel 100 Data Centre.
(2) Based on percentage contribution of rental income for the month of September 2015.

Source: KDCREIT 3Q FY2015 results presentation, 15 October 2015

Figure 21. Diversified across lease type

- A balanced portfolio comprising stable long-term leases and co-location assets with diversified tenant profile

	Co-location	Fully-fitted	Shell & core
WALE[2]	2.6 years	9.9 years	16.0 years
Rental escalations	Rental rates with annual escalations of approx. 2% - 4%		



Notes:
(1) Based on percentage contribution of rental income for the month of September 2015.
(2) By leased lettable area as at 30 September 2015.
(3) Includes the co-location arrangement in relation to iseek Data Centre (the "iseek Lease") which for purposes of this presentation is treated as a double-net lease despite being a co-location arrangement which is a contractual arrangement. Such treatment is due to the fact that the terms of the iseek Lease, when read together with the facilities management arrangement (as amended) entered into by KDCR Australia Trust No. 1 and iseek Communications are intended to operate to give the same economic effects of a double-net lease and impose on iseek Communications the same responsibilities which it would bear if it were a lessee under a double-net lease.

Source: KDCREIT 3Q FY2015 results presentation, 15 October 2015

Organic growth through in-built rental escalations and asset enhancement initiative (AEI) potential

In-built rental escalations

- Double-net and triple-net leases have average fixed rental escalation of between 2.0% and 4.0% per annum.
- Co-location leases also have an average fixed rental escalation component of between 2.0% and 4.0% per annum.

AEI potential

As outlined in the Prospectus, certain properties in KDCREIT's portfolio have potential for further expansion through AEI.

KDCREIT properties with AEI potential

Property	Location	Existing space (sq ft)	Potential space (sq ft)	Organic expansion potential
Citadel 100 Data Centre	Dublin, Ireland	68,118	40,000	Conversion of unused car park space
T25	Singapore	36,888	20,000	Unutilised GFA
Basis Bay Data Centre	Cyberjaya, Malaysia	48,680	5,000	Conversion of rooftop space

Source: KDCREIT Prospectus, Phillip Securities Research (Singapore)

Inorganic growth through third-party acquisitions and Rights of First Refusal (ROFR)

First acquisition: Intellicentre 2 (IC2)

IC2 was acquired for approximately A$43.3mn (c.S$45.9mn) and the acquisition was completed on 10 Aug 2015. IC2 is located in Sydney, Australia and has a lettable area of 87,930 sq ft, thus increasing the portfolio's lettable area by about 17%. Payment for the acquisition is payable in two tranches. The first tranche of A$40.3mn (c.S$42.7mn) has been paid, and the remainder will be payable on the first anniversary of the completion of the acquisition. This was a sale and leaseback transaction with Macquarie Telecom for the shell and core building. This is a 20-year triple-net lease, and should provide the portfolio with greater stability and income visibility. IC2 is valued at S$46.6mn as of 30 Sep 2015.

Second acquisition: mainCubes Data Centre (mainCubes DC)

The Manager announced on 28 October 2015 that it has entered into a conditional real property purchase agreement with mainCubes One Immobilien GmbH & Co. KG (the Vendor) for a property located at Offenbach am Main data centre hub, Frankfurt, Germany. The aggregate consideration for the acquisition is for EUR 84.0mn (approximately S$130mn). A four-storey fully-fitted data centre will be constructed on the property. Construction is expected to be completed in 2018. The data centre will be subject to a triple-net lease for an initial term of 15 years for the estimated 11,780 sqm lettable area. KDCREIT will receive regular coupon payments from the Vendor until the data centre is completed.

ROFR pipeline

Apart from the ROFR granted by the Sponsor (Keppel T&T), iseek Communications has also granted ROFR to KDCREIT on data centre properties which iseek Communications develops in Australia.

- **T27 expected to be acquired in 1H FY16.** We understand from the Manager that the acquisition of T27 would likely be in 1H 2016. While no valuation has been done on the property, the Manager guided that it could be of the order of S$250mn with a yield lower than 8.25%. This would result in a hefty acquisition relative to the existing portfolio carrying value of S$1.02bn. The property will be leased as co-location. Equity fund raising (EFR) will likely be carried out in conjunction with the acquisition.

ROFR pipeline

Property	Location	Area (sq ft)	Remarks
T27	Singapore	13,400 (GFA), 47,000 (NLA)	Completed in 3Q 2014; expected to be acquired in 1H 2016
Almere Data Centre 2	Amsterdam, Netherlands	53,800 (NLA)	Officially opened on 30 October 2015; located next to Almere Data Centre
T20	Singapore	183,000 (GFA)	Property acquired by Keppel T&T on 23 July 2015; core and shell expected to be completed by 2016; fit-out by 2017
Proposed data centre	Brisbane, Australia	-	To be developed by iseek Communications on a plot of vacant land adjacent to iseek Data Centre

Source: KDCREIT, Keppel T&T, Phillip Securities Research (Singapore)

Continued unfavourable foreign currency exposure. KDCREIT is exposed to 4 different foreign currencies, namely EUR, GBP, AUD and MYR. The following charts show that SGD has been appreciating relative to all of them over the past three years, except for GBP. We estimate that about 53% of portfolio rental income in 3Q FY15 was collectively denominated in EUR, AUD and MYR; with about 41% in SGD and 6% in GBP.

Figure 22. Price of 1 SGD in AUD

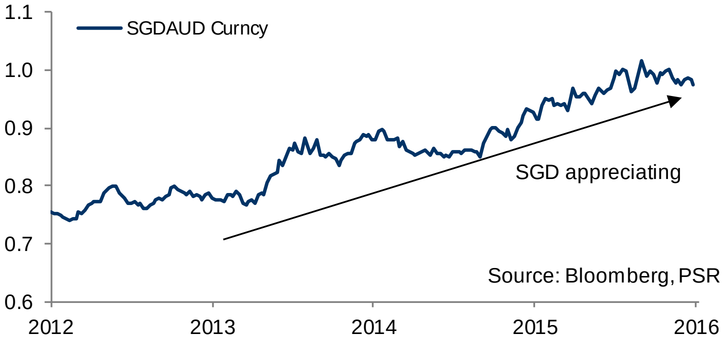


Figure 23. Price of 1 SGD in MYR

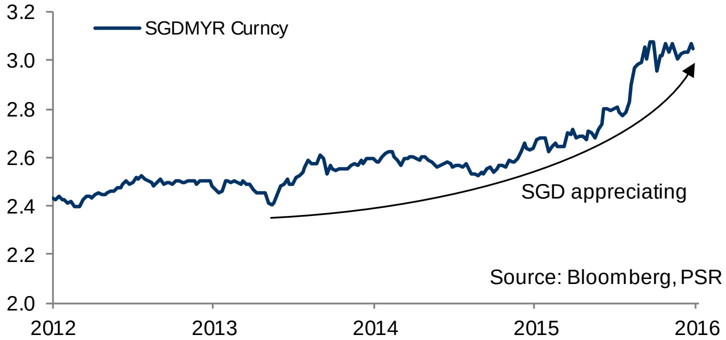


Figure 24. Price of 1 SGD in GBP

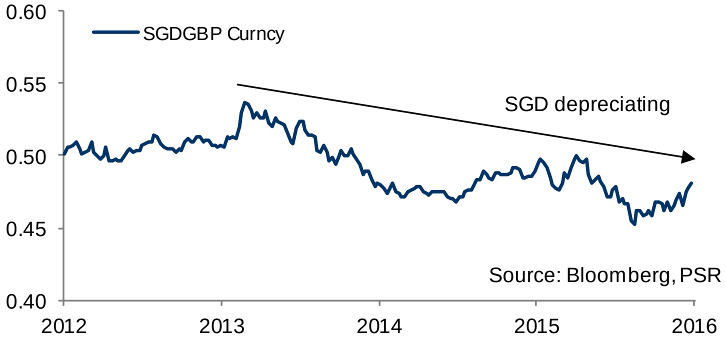
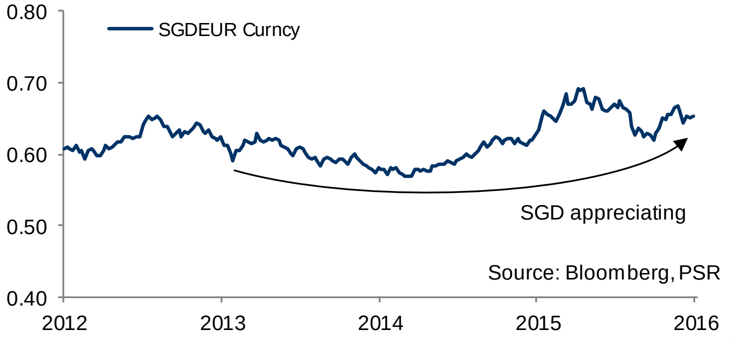


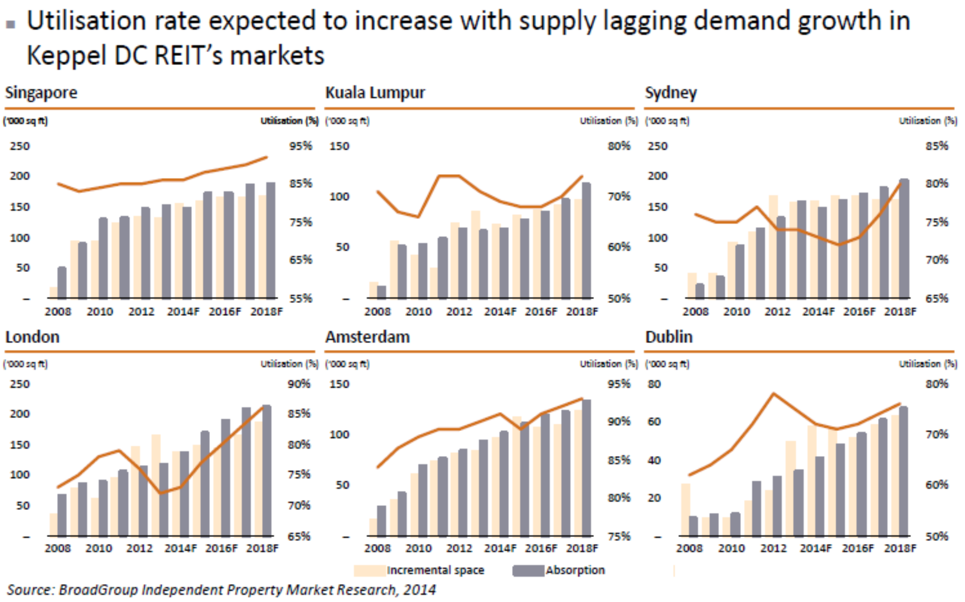
Figure 2. Price of 1 SGD in EUR



Investment Merits for KDCREIT

- **Unique asset class of data centres; with strong underlying demand driver.** Investment thesis for KDCREIT is the explosive growth in data requirements.
- **Business of data centres has high barriers to entry.** Barriers to entry include lack of suitable sites, high upfront cost and specific site demands. Running a data centre requires skilled labour and a proven track record. In short, the business model is not easy to replicate.
- **Industry enjoys high level of customer retention.** This is due to the mission-critical infrastructure housed in the data centre, substantial relocation costs, growing data centre requirements and significant investments made by (shell & core) customers.
- **Fragmented market with a few main players and several small players.** This results in a lower intensity competition.
- **Favourable demand and supply dynamics.** High projected absorption, resulting in improving occupancy. Incremental demand is projected to exceed incremental demand.
- **Organic and inorganic growth opportunities.** Organic growth through rental escalations and AEI. Inorganic growth through third-party acquisitions and ROFR properties from Sponsor.
- **Stable and predictable income stream.** Portfolio enjoys a long weighted average lease expiry (WALE) of 8.9 years by lettable area with high occupancy of 95.1% as of the end of 3Q FY15 on 30 September 2015.
- **Attractive distribution yield.** KDC offers an attractive FY16 forward dividend yield of about 6.7%.

Figure 26. Improving occupancy due to high absorption



Source: KDCREIT 2Q FY2015 results presentation, 15 July 2015

Investment Risks for KDCREIT

We identify some of the risk factors applicable to KDCREIT, their mitigating factors and summarise them in the following table.

Management of risk factors

Risk Factors	Remarks
Interest rate risk	Fixed 100% of interest rate exposure for long-term loans
Refinancing risk	9.1% of total to be refinanced in 2016, next refinancing in 2018; Weighted average debt tenor of 3.4 years; Debt headroom of about S$100mn based on 40% gearing as of 3Q FY15 (PSR est.)
Financial risk	Low gearing at 30.1%, with long-term target of 30%; FY15F Interest cover ratio of 6.6 times (PSR est.)
Foreign exchange risk	Natural hedging of loans denominated in same currency as properties; Two years hedging using foreign currency forward contracts; 100% of forecasted foreign-sourced distributions up to 1H 2017 (as of 3Q FY15)
Occupancy risk	Diversified between co-location, fully-fitted, shell & core; Portfolio 95.1% occupancy
Tenant concentration risk	Tenants come from various trade sectors, with IT services as the largest sector accounting for 39.4% of rental income
Operating risk	Long portfolio WALE of 8.9 years; 23.3% by rental income up for renewal in 2016

Source: KDCREIT, Phillip Securities Research (Singapore)

- **Advancement in storage technology, requiring less physical space.** Higher data storage capacity requiring less physical space will adversely affect demand for data centre.
- **Unfavourable foreign currency movements.** KDCREIT is exposed to EUR, GBP, AUD and MYR. Apart from the GBP, the other three currencies have been depreciating relative to SGD since the beginning of 2013.
- **Refinancing risk.** Ability to refinance debt is one of the key risks for any REIT.
- **Rental reversion & non-renewal risk.** Ability to increase rents, retain existing tenants and attract new tenants is one of the risks for any REIT.
- **Regulatory risk.** Government policy and tightening of supply of suitable sites can inhibit future growth.
- **Unitholder dilution & value destruction.** Due to the nature of a REIT, there will be more frequent calls (compared to stocks) for capital through placements or rights issue to acquire properties. There is a risk that the acquisition might not be DPU accretive.

Valuation Methodology: Dividend Discount Model (DDM)

Absolute valuation. The DDM is an appropriate method to value KDC as most of its cash flow is paid out to Unitholders through dividends. We derive a valuation of S$1.13 from our DDM estimates.

Dividend Discount Model

Y/E Dec	FY16e	FY17e	FY18e	FY19e	FY20e
Forecasted distributions (S$)	0.065	0.066	0.066	0.067	0.067
PV of forecasted distributions (S$)	**0.061**	**0.058**	**0.054**	**0.052**	**0.048**
Terminal value (S$)					1.187
PV of terminal value (S$)					**0.858**
Price Target (S$)	**1.130**				
<u>Assumptions</u>					
Cost of equity	6.7%				
Terminal growth rate	1.0%				

Source: Phillip Securities Research (Singapore)

Risks to our valuation

Acquisition of T27 in 2016 could be highly DPU-dilutive. While it is an opportunity to expand the portfolio, but EFR may result in a highly DPU-dilutive acquisition. Our back-of-the envelope calculation assuming a 30:70 debt-equity funding, S$250mn acquisition and 8.1% yield will result in a marginal yield accretion of c.30ppt to the portfolio. Moreover, assuming EFR for 70% of S$250mn through placement at S$0.98 per share (3% discount to previous closing price) would result in 178.6mn new Units created – a 20% increase over the existing 883mn Units as of 3Q FY15. As such, based on the limited information available and our assumptions, acquisition of T27 appears to be yield-accretive to the portfolio, but not DPU-accretive to Unitholders.

Our current valuation does not factor in the acquisition of T27.

Peer comparison

While we value KDCREIT using a DDM, we also compare KDCREIT on a relative valuation basis against both its domestic peers as well as its global peer group. We do not use P/NAV relative valuation method to value KDC, due to its known weakness of treating the assets as a static pool, and does not factor future portfolio growth.

KDCREIT does not have any comparable S-REIT peers. KDCREIT has a unique portfolio of properties consisting exclusively of data centres, making it one of its kind among the Industrial S-REITs.

Industrial S-REITs peer relative data (arranged by Mkt. Cap.)

		Mkt. Cap. (S$mn)	Price (S$)	P/NAV (x)	yield (%)
1	Ascendas REIT	5,768	2.22	1.06	6.5
2	Mapletree Industrial Trust	2,713	1.520	1.15	7.3
3	Mapletree Logistics Trust	2,446	0.985	0.97	7.6
4	Keppel DC REIT	892	1.010	1.18	6.7
5	AIMS AMP Capital Industrial REIT	844	1.330	0.87	8.4
6	Cache Logistics Trust	798	0.895	0.92	8.7
7	Cambridge Industrial Trust	727	0.560	0.83	8.6
8	Soilbuild Business Space REIT	715	0.765	0.96	8.5
9	Viva Industrial Trust	607	0.705	0.85	9.6
10	Sabana Shari'ah Compliant REIT	520	0.710	0.67	10.0
	Average			**0.95**	**8.2**

Source: Bloomberg (Updated: 7 January 2016), PSR est.

US-listed data centre REITs trade at a higher premium to net-asset-value (NAV), and are not directly comparable. KDCREIT was also compared against its global peer group of data centre REITs listed in the US and Australia. The data centre REITs listed in the US trade at a much higher premium to their NAV, compared to KDCREIT. This discrepancy arises from the different accounting models used by the US-listed data centre REITs and KDCREIT to account for their data centre properties. The US-listed peers classify their data centre properties as Property, Plant and Equipment (PPE), and are depreciated annually. In contrast, KDCREIT's properties are classified as Investment Properties, and are revalued annually. As such, the book value of US-listed REITs reflect the historical cost less accumulated depreciation, and not the market value of the data centres in their portfolio. Hence, the US-listed data centre REITs trade at a much higher P/NAV than KDCREIT.

Global peer relative data (arranged by Mkt. Cap.)

	Currency	Price ($)	Mkt. Cap. (S$ mn)	Mkt. Cap. (US$ mn)	P/NAV (x)	yield (%)
Equinix Inc	USD	309.13	26,584	18,514	11.9	2.2
Digital Realty Trust Inc	USD	77.00	16,180	11,268	3.9	4.4
CyrusOne Inc	USD	37.90	3,605	2,511	3.2	3.3
DuPont Fabros Technology In	USD	31.48	2,973	2,070	2.5	6.0
QTS Realty Trust Inc	USD	44.13	2,607	1,816	2.9	2.9
Coresite Realty Corp	USD	58.03	2,553	1,778	6.1	3.7
Keppel DC REIT	SGD	1.010	892	621	1.2	6.7
Asia Pacific Data Centre	AUD	1.31	152	106	1.1	7.2

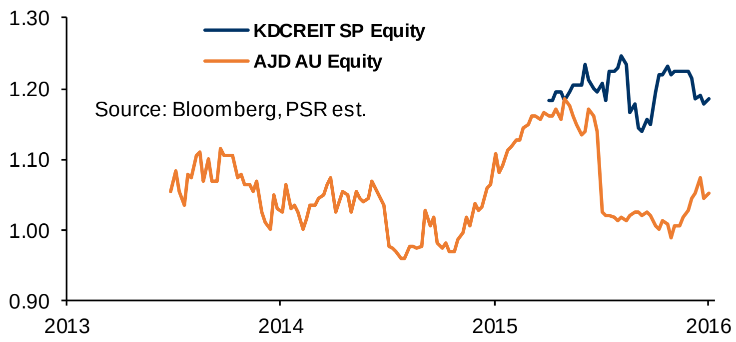
Source: Bloomberg (Updated: 7 January 2016), PSR est.

KDCREIT's closest relative comparable peer is Asia Pacific Data Centre. Asia Pacific Data Centre (ASX ticker: AJD) is Australia's first listed data centre REIT. AJD has been listed on the Australia Stock Exchange (ASX) since 9 January 2013. AJD re-values its investment properties annually – similar to what KDCREIT does.

On a historical valuation basis, we note that KDCREIT does not have a long operating history as it was only recently listed in 12 December 2014; so historical valuation is for reference only. We see that KDCREIT has historically traded above 1.1x P/NAV; and AJD is usually priced higher than 1.0x P/NAV.

We do not benchmark KDCREIT against AJD as one peer does not constitute as a sector comparison.

Figure 27. Historical P/NAV (x)



APPENDIX

Porter five forces for the data centre industry

Bargaining power of customers: low

- Customer's mission critical infrastructure are housed in the data centre. Relocation to another data centre would disrupt business operations. Thus, customer retention is typically high, stemming from disruption to business operations during the transition of relocating.

Bargaining power of suppliers: moderate

- Supplier refers to the inputs into the data centre. This includes the power supply, data carrier, skilled labour and government policies to allocate suitable land for data centres.

Threat of new entrants: low

- High barriers to entry: high upfront cost, limited suitable space for development, requires technical knowledge, and customers prefer an operator with a proven track record owing to the mission critical nature of the data centre.

Threat of substitutes: low

- Substitute to third-party data centre is to self-operate, but this is inhibitive due to: better cost effectiveness in out-sourcing, increasing complexity in self-managing a data centre, managing a data centre is usually outside of the customer's field of expertise and flexible arrangements when out-sourcing.

Intensity of rivalry: low

- Highly fragmented industry with a few large players and several smaller players.

SWOT Analysis for KDCREIT

Strengths

- Portfolio diversification by geography, tenant's trade sector and lease-types
- Properties are located in key data centre hubs and demand growth areas

Weaknesses

- Portfolio concentration consists exclusively of data centres

Opportunities

- Access to a unique asset class that has explosive underlying demand
- Inorganic growth from third-party acquisitions and ROFR pipeline from Sponsor
- Properties are located in regions with strong government support and established infrastructure

Threats

- Unfavourable foreign currency movement
- Technological advancement of greater electronic storage capacity, but requiring less physical space
- Economic slowdown, affecting demand from customers

Financials

Statement of Total Return and Distribution Statement

Y/E Dec, SGD mn	FY15e	FY16e	FY17e	FY18e
Gross rental income	**105.9**	**100.0**	**100.7**	**105.7**
Other income	2.3	3.0	3.1	3.0
Gross revenue	**108.2**	**103.0**	**103.7**	**108.7**
Property expenses	(17.9)	(18.3)	(18.7)	(19.8)
Net property income	**90.3**	**84.7**	**85.0**	**89.0**
Net Finance (Expense)/Inc	(12.5)	(12.3)	(11.9)	(12.6)
Manager's fees	(8.8)	(8.2)	(8.3)	(8.7)
Other items	(0.1)	(0.1)	(0.1)	(0.1)
Exceptional items	-	-	-	-
FV change, Invmnt. properties	(0.8)	-	-	-
Total Return Before Tax	**68.1**	**64.1**	**64.7**	**67.5**
Taxation	(4.1)	(3.4)	(3.4)	(3.6)
Total Return After Tax	**64.0**	**60.7**	**61.3**	**64.0**
Unitholders	64.0	60.6	61.2	63.9
Non-controlling interest	0.04	0.04	0.04	0.04
Distribution adjustments	(3.9)	(3.2)	(3.1)	(3.1)
Income available for distribution	**60.1**	**57.5**	**58.1**	**60.8**
Income distributed	**60.1**	**57.5**	**58.1**	**60.8**

Per share data

Y/E Dec	FY15e	FY16e	FY17e	FY18e
NAV (S$)	0.87	0.88	0.88	0.90
EPU (Cents)	7.25	6.86	6.93	6.98
DPU (Cents)	6.80	6.51	6.57	6.56

*Forward EPU does not include change in Fair Value of Investment Properties

Cash Flow

Y/E Dec, SGD mn	FY15e	FY16e	FY17e	FY18e
CFO				
Total return	64.0	60.7	61.3	64.0
Adjustments	17.4	15.7	15.4	16.2
WC changes	(16.5)	(1.8)	0.5	(5.9)
Cash generated from ops	64.9	74.6	77.1	74.3
Others	(1.1)	(3.4)	(3.4)	(3.6)
Cashflow from ops	**63.8**	**71.2**	**73.7**	**70.7**
CFI				
CAPEX, net	(14.6)	(2.9)	(2.0)	(2.0)
Purchase of Inv. Propty.	(477)	(3)	-	(117)
Others	(47.6)	-	-	-
Cashflow from investments	**(539)**	**(6)**	**(2)**	**(119)**
CFF				
Share issuance, net	507	-	-	91
Loans, net of repayments	346	(30)	-	40
Dividends	(57.5)	(57.6)	(58.1)	(57.3)
Others	(289)	(12)	(12)	(13)
Cashflow from financing	**507**	**(100)**	**(70)**	**61**
Net change in cash	**32**	**(35)**	**2**	**13**
Effects of exchange rate	(1)	-	-	-
Ending cash	**38**	**3**	**5**	**18**

Balance Sheet

Y/E Dec, SGD mn	FY15e	FY16e	FY17e	FY18e
ASSETS				
Investment properties	1,051	1,057	1,059	1,191
Inv. Propty. Under Devmnt.	13	13	13	-
Others	4.4	4.4	4.4	4.4
Total non-current assets	**1,069**	**1,075**	**1,077**	**1,196**
Cash	38.3	3.4	5.0	17.8
Trade receivables	57.7	59.7	59.1	66.9
Others	1.4	1.4	1.4	1.4
Total current assets	**97.4**	**64.4**	**65.5**	**86.1**
Total Assets	**1,166**	**1,139**	**1,142**	**1,282**
LIABILITIES				
Trade payables	14.5	14.7	14.6	16.5
Borrowings	39.1	9.0	162.0	139.0
Others	0.5	0.5	0.5	0.5
Total current liabilities	**54.0**	**24.1**	**177.1**	**156.0**
Borrowings	334.7	334.7	181.7	244.7
Others	5.8	5.8	5.8	5.8
Total non-current liabilities	**340.5**	**340.5**	**187.5**	**250.5**
Total Liabilities	**394.5**	**364.7**	**364.6**	**406.5**
Net assets	**772**	**775**	**778**	**875**
Represented by:				
Unitholders' funds	**771**	**774**	**777**	**875**
Non-controlling interest	0.42	0.42	0.43	0.43

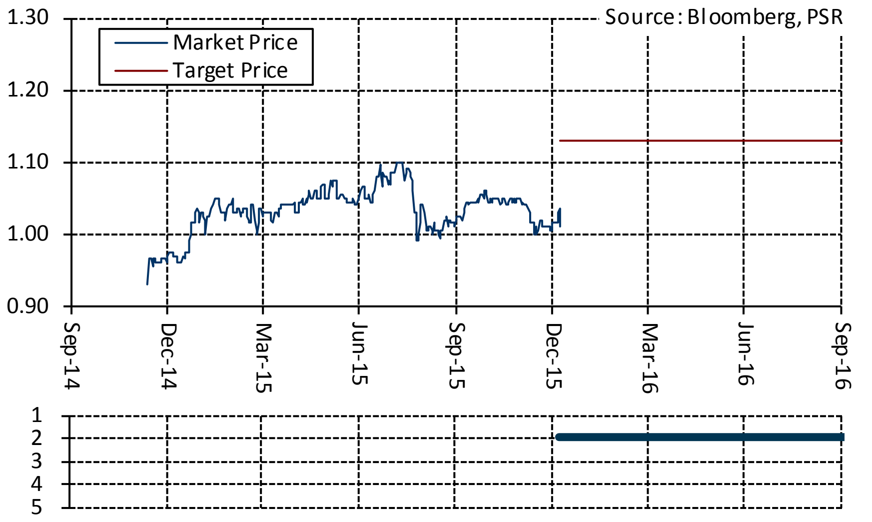
Valuation Ratios

Y/E Dec	FY15e	FY16e	FY17e	FY18e
P/NAV (x)	1.16	1.15	1.15	1.12
P/DPU (x)	14.84	15.52	15.36	15.39
Distribution Yield (%)	6.74	6.44	6.51	6.50
NPI yield (%)	8.59	8.04	8.03	7.91
Growth & Margins (%)				
Growth				
Revenue		-4.8%	0.7%	4.8%
Net property income (NPI)		-6.2%	0.3%	4.6%
Distributable income		-4.3%	1.1%	4.7%
DPU		-4.4%	1.0%	-0.2%
Margins				
NPI margin	83.4%	82.3%	82.0%	81.8%
Key Ratios				
Net Debt or (Net Cash)	335.4	340.3	338.6	365.8
Gearing (%)	32.1%	30.2%	30.1%	29.9%

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
< -20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

Contact Information (Singapore Research Team)

Management
Chan Wai Chee (CEO, Research - Special Opportunities) - yebo@phillip.com.sg

Jacky Lee Chee Waiy (Head, Research) - jackyleecw@phillip.com.sg

Research Operations Officer
Mohamed Ghazali - ghazali@phillip.com.sg

Consumer | Healthcare
Soh Lin Sin - sohls@phillip.com.sg

Property Developers | Hospitality
Peter Ng - peterngmc@phillip.com.sg

Macro
Pei Sai Teng – peist@phillip.com.sg

Transport| REITs (Industrial)
Richard Leow, CFTe, FRM - richardleowwt@phillip.com.sg

REITs
Dehong Tan - tandh@phillip.com.sg

Technical Analyst
Jeremy Ng - jeremyngch@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

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 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
Website: www.phillipusa.com

AUSTRALIA
Phillip Capital Limited
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel +61-03 9629 8288
Fax +61-03 9629 8882
Website: www.phillipcapital.com.au

SRI LANKA
Asha Phillip Securities Limited
2nd Floor, Lakshmans Building,
No. 321, Galle Road,
Colombo 03, Sri Lanka
Tel: (94) 11 2429 100
Fax: (94) 11 2429 199
Website: www.ashaphillip.net

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

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

Important Information

This report is prepared and/or distributed by Phillip Securities Research Pte Ltd ("Phillip Securities Research"), which is a holder of a financial adviser's licence under the Financial Advisers Act, Chapter 110 in Singapore.

By receiving or reading this report, you agree to be bound by the terms and limitations set out below. Any failure to comply with these terms and limitations may constitute a violation of law. This report 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 report by mistake, please delete or destroy it, and notify the sender immediately.

The information and any analysis, forecasts, projections, expectations and opinions (collectively, the "Research") contained in this report has been obtained from public sources which Phillip Securities Research believes to be reliable. However, Phillip Securities Research does not make any representation or warranty, express or implied that such information or Research is accurate, complete or appropriate or should be relied upon as such. Any such information or Research contained in this report 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.

Any opinions, forecasts, assumptions, estimates, valuations and prices contained in this report 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 report 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 report 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 report has been made available constitutes neither a recommendation to enter into a particular transaction, nor a representation that any product described in this report is suitable or appropriate for the recipient. Recipients should be aware that many of the products, which may be described in this report 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 report 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 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 issuance of this report, may have participated in or invested in transactions with the issuer(s) of the securities mentioned in this report, 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 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 report.

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 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 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 report. 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 issuance of this report, which is not reflected in this report, 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 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 its officers, directors, employees or persons involved in the issuance of this report, may have issued other material that is inconsistent with, or reach different conclusions from, the contents of this report.

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.

This report 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 report may not be suitable for all investors and a person receiving or reading this report 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.

This report is not intended for distribution, publication to or use by any person in any jurisdiction outside of Singapore or any other jurisdiction as Phillip Securities Research may determine in its absolute discretion.

IMPORTANT DISCLOSURES FOR INCLUDED RESEARCH ANALYSES OR REPORTS OF FOREIGN RESEARCH HOUSES

Where the report contains research analyses or reports from a foreign research house, please note:

(i) recipients of the analyses or reports are to contact Phillip Securities Research (and not the relevant foreign research house) in Singapore at 250 North Bridge Road, #06-00 Raffles City Tower, Singapore 179101, telephone number +65 6533 6001, in respect of any matters arising from, or in connection with, the analyses or reports; and

(ii) to the extent that the analyses or reports are delivered to and intended to be received by any person in Singapore who is not an accredited investor, expert investor or institutional investor, Phillip Securities Research accepts legal responsibility for the contents of the analyses or reports.