

Sector Strategy

All waits lead to naught

Report type: Update

- STI achieved YTD high of 3087, but ended the month down 0.4%,
- STI is still up 14.3% year to date
- No new insights from Jackson Hole, hopes will keep markets alive still
- Remain overweight the defensives

Looks to be fairly valued

STI achieved year-to-date high in August, however the index drifted down gradually as uncertainty over the pending US Federal Reserve stimulus move kept investors sideline. STI fell slightly in August. The index was down 0.4%, but is still up 14.3% year to date and end the month at 3025.

Ben is old news

US Federal Reserve chairman Ben Bernanke failed to inspire markets with his speech. In essence the tone was similar to many of the previous FOMC meeting minutes and speeches Ben gave. However bulls interpret the chairman's intention as tilted towards approving stimulus measures soon and pushed up US stock indexes. In our view, market will continue to rally on stimulus hopes.

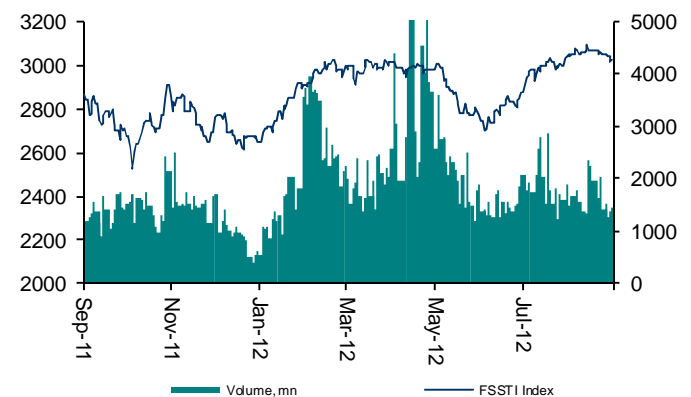
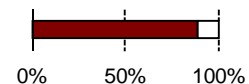
Remain overweight the defensives

Under the current economic stage, sector rotation theory suggests that market should overweight the defensives and underweight the cyclicals. We have been overweight the defensives and continue to maintain the status. Market valuation does not look attractive on a risk-reward basis and many cyclical stocks are also at an unattractive level, having run-up on the QE expectation.

Clients can access stock fundamental summary from our POEMS online platform by right-clicking on the counter name and selecting "stock analytic".

FSSTI

| | |
|---------------------------------|-------------------|
| Closing | 3025 |
| Expected Dividend Yield (%) | 3.2% |
| T12M P/E | 12.2 |
| Est P/E | 14.0 |
| Market Cap. (USD mn) | 551,311 |
| 3M Average Daily T/O (mn) | 1,749.6 |
| 52 w eek range (SGD) | 2521.95 - 3088.45 |
| Closing Price in 52 w eek range | |



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

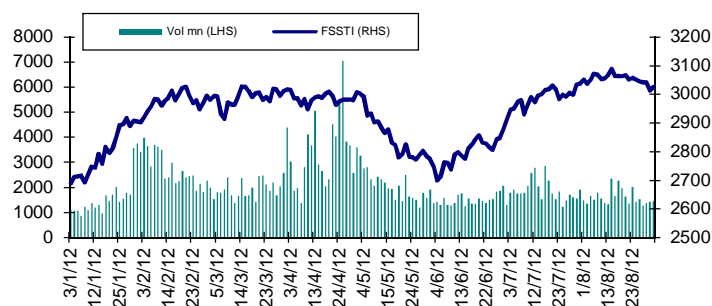
Uninspiring 2Q12

In the recently concluded results reporting, we observe a mix performance. Among our coverage, 72% reported revenue growth while 50% reported earnings growth. The banking sector as a whole outperforms our expectations. A common observation is the decline in net interest margin is more than offset by the growth in loans book and non interest income. However (NIM) is expected to face further compression in the coming periods. The worst performing sector is the S-chips or companies with primary business in domestic China. This is reflective of the slowdown in China. The commodities sector performed badly too, due to a drop in commodities prices compared to a year ago. However we do see value in the upstream players as they will stand to benefit from commodities price increases. The defensive stocks, as the name implied, performed within expectation.

A lot of waiting leads to naught

STI fell slightly in August. The index was down 0.4% in August, but is still up 14.3% year to date. STI hit the YTD high 3087 during mid-Aug but has since retraced 2.0% to end the month at 3025. The retracement was due mainly to investors' anticipation of US Federal Reserve chairman Ben Bernanke speech last Friday at Jackson Hole Wyoming. Investors have been holding out for commitments from the chairman on any hints of QE3. Well, it turned out to be a rather non-exciting event. In essence Ben gave an open ended statement that the US economy recovery is slow and the Federal Reserve stands ready to launch accommodative policy. How should investors interpret this? In our view, his stance unchanged from his many past statements, and that in itself is disappointing. The US market fell initially after the speech was released. However the bulls soon took charge and the US stock indexes ended positive. So where should the market head from here? Although Ben failed to inspire, we believe an easing is not too far off and something should be in the pipeline before year-end. Hopefully US, Europe and China can have a coordinated response that will give the world economy and equities market a strong stimulant shot. On a forward PE basis, the STI is now touching the 3 year mean level. The mean level has proved to be a strong resistant during the previous market peak earlier in the year. On a macro level, the situation now is pretty much the same. Therefore we think the STI will continue to trade around the mean level until towards year end. We have a base case scenario whereby things remain more or less status quo and the STI target is 3150. A best case scenario of 3578. We prefer to skip the downside scenario.

Fig 1. Market vol and FSSTI



Source: Bloomberg, Phillip Securities Research

Fig 2. Average vol ('m shares) vs Average value (\$'m)

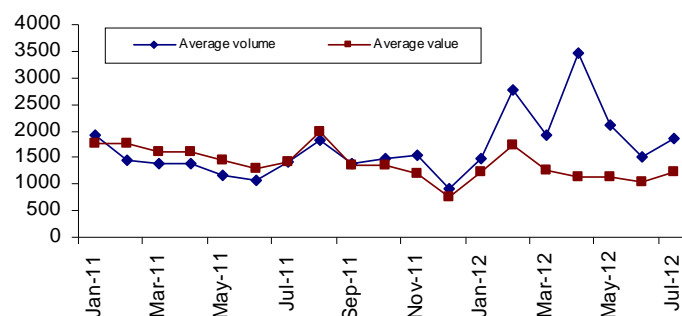
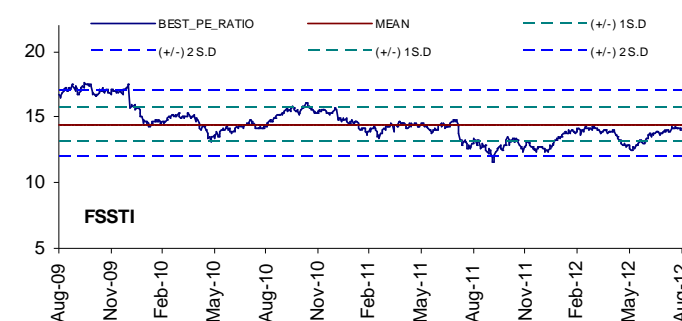


Fig 3. Forward PE



Source: Bloomberg, Phillip Securities Research

No change to market call

Under the current economic stage, sector rotation theory suggests that market should overweight the defensives and underweight the cyclicals. We have been overweight the defensives and continue to maintain the status. Market valuation does not look attractive on a risk-reward basis and many cyclical stocks are also at an unattractive level, having run-up on the QE expectation.

Stock highlights

VICOM Ltd

VICOM Ltd, the largest technical testing and vehicle inspection company in Singapore, offers a comprehensive range of testing and vehicle inspection services at eight locations.

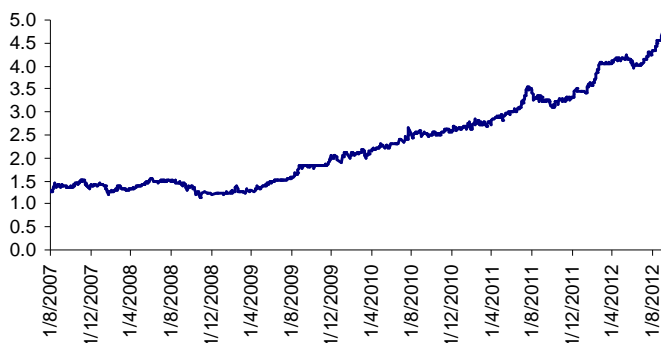
- \$4.75 (Unrated),
- Valuation: T4Q P/E 15.8,
- Duopolies vehicle inspection industry with market share 80% (estimated)
- Under Singapore's regulation, vehicles more than 3 years need to undergo either an annual or biennial inspection to certify road worthiness
- Singapore vehicle quota system has resulted in taxes on vehicle ownership to rocket, thus fewer vehicles are deregistered leading to older average age of vehicles on the road
- Vehicle inspection (approx 1/3 of revenue) and Non vehicle testing and inspection (approx 2/3 of revenue) has also recorded yearly growth
- 5 years growth of revenue and net profit

| | 2007 | 2008 | 2009 | 2010 | 2011 |
|--------------------|---------|---------|---------|---------|---------|
| Vehicles inspected | 339,190 | 376,393 | 397,717 | 438,454 | 481,126 |
| Revenue (\$'m) | 64.7 | 73.8 | 78 | 84 | 90.7 |
| Net profit (\$'m) | 13.5 | 15.8 | 20.0 | 22.2 | 25.1 |

- Returns value to shareholders
 - o Dividends back by healthy balance sheet (zero bank borrowings), positive free cash flow
 - o Stock price on a 5 year ascend

| 2007 | 2008 | 2009 | 2010 | 2011 |
|------|------|------|------|------|
| 15.4 | 9.2 | 11.8 | 16.1 | 17.6 |

Fig 4. 5 year price chart



Source: Bloomberg, Phillip Securities Research

| Sector | Rating | Remarks |
|------------------------------|-------------|---|
| Aviation services | Overweight | <ul style="list-style-type: none"> • Demand for air travel is expected to increase. • Strong momentum for traffic throughput at key airports suggests that demand for auxiliary services remains robust. • Strong dividend payouts would provide strong yield support to the sector. |
| REITS | Overweight | <ul style="list-style-type: none"> • Low interest rate environment benefits REITs. • P/B valuation on the rich side, however high dividend yield is attractive in current market stage. |
| Offshore & Marine | Neutral | <ul style="list-style-type: none"> • The robust O&M order books of SembCorp Marine and Keppel Corp suggests that their yards would be kept busy with work scheduled till 2015. |
| Commodities | Neutral | <ul style="list-style-type: none"> • Bad weather affected supply of food commodities in US, resulting in recent price rises. Positive on upstream growers but negative on mid stream traders and downstream producers. • Short term bearish outlook on industrial and energy commodities demand due to weak economic growth |
| Properties | Neutral | <ul style="list-style-type: none"> • The residential sector is still not immune to policy risk and we are concerned by the mounting supply in the pipeline. While office sector is facing slowing demand, we prefer diversified developers or companies with extensive exposure in the retail and hospitality sectors, such as CMA, CapitaLand, and OUE. |
| Telecommunications | Neutral | <ul style="list-style-type: none"> • Rich sector valuation, however flight to quality yield has sustain price rally • Defensive earnings |
| Financials | Underweight | <ul style="list-style-type: none"> • Still healthy loans growth despite slowing momentum • Valuations on the high side, do not support our macro view of a global slowdown and post-bull market stage |
| Transportation | Underweight | <ul style="list-style-type: none"> • Correction in oil prices by 20% off its recent peak may provide reprieve for transport operator. • We do not expect a cyclical upswing for trade demand in the near term with the ongoing macro concerns. This would continue to impact demand for container transport such as SIA Cargo and NOL. • Land Transport sector to remain weighed down by the lack of fare increase, ongoing uncertainties over future price review mechanisms and expected increase in maintenance cost. |

Rating changes

| Sector | Company | change | Current rating | Current TP \$ | TP chg | Price \$ | 1 month price chg | YTD price chg |
|-------------------------|--|------------|----------------|---------------|--------|----------|-------------------|---------------|
| O&M | Keppel Corp Ltd | - | Accumulate | 11.68 | ↔ | 11.19 | 0.1% | 25.2% |
| | Sembcorp Marine Ltd | - | Buy | 6.1 | ↔ | 5 | 3.9% | 37.5% |
| | Cosco Corp | - | Reduce | 1 | ↔ | 0.97 | 0.0% | 14.1% |
| | Sembcorp Industries Ltd | - | Buy | 6.58 | ↔ | 5.65 | 6.8% | 44.1% |
| Commodities | Wilmar Intl Ltd | dow ngrade | Neutral | 3.45 | ↓ | 3.13 | -2.8% | -36.6% |
| | Golden Agri-Resources Ltd | - | Accumulate | 0.75 | ↓ | 0.71 | -4.1% | 1.8% |
| Properties | Keppel Land Ltd | - | Neutral | 3.24 | ↔ | 3.39 | -1.5% | 62.4% |
| | SC Global Developments Ltd | - | Neutral | 1 | ↔ | 0.985 | 1.5% | 1.4% |
| | OUE Ltd | - | Accumulate | 2.83 | ↔ | 2.5 | -0.7% | 26.6% |
| | Ho Bee Investment Ltd | - | Neutral | 1.27 | ↓ | 1.285 | 3.2% | 29.3% |
| | CapitalMalls Asia Ltd | - | Buy | 1.82 | ↔ | 1.655 | 2.5% | 49.3% |
| | Capitaland Ltd | - | Accumulate | 3.27 | ↑ | 3.01 | 0.3% | 40.0% |
| | Stamford Land Corporation Ltd | - | Buy | 0.795 | ↔ | 0.535 | -1.8% | 2.5% |
| | Parkway Life REIT | dow ngrade | Neutral | 2.01 | ↑ | 1.92 | -0.8% | 11.6% |
| RETS | CDL Hospitality Trust | - | Neutral | 2 | ↔ | 2.03 | 1.9% | 39.8% |
| | Sabana Shariah Compliant REIT | - | Accumulate | 1.04 | ↓ | 1.045 | 3.5% | 28.1% |
| | Sino Grandness Food Industry Group Ltd | - | Accumulate | 0.49 | ↔ | 0.455 | -5.2% | 18.2% |
| S-chips | Ziwo Holdings Ltd | - | Sell | 0.095 | ↔ | 0.087 | -1.1% | -27.5% |
| | Foreland Fabrictech Holdings Ltd | - | Reduce | 0.08 | ↔ | 0.052 | 0.0% | -47.5% |
| | Sunpower Group Ltd | - | Buy | 0.4 | ↔ | 0.19 | -5.0% | -4.0% |
| | CombineWill | - | Buy | 1.34 | ↔ | 0.685 | -1.4% | -13.3% |
| | Hu An Cable | - | Buy | 0.275 | ↔ | 0.144 | 4.3% | 33.2% |
| | Heng Yang Petrochem Log Ltd | - | Buy | 0.61 | ↔ | 0.22 | -2.2% | -53.2% |
| | Tiger Airways Holdings Ltd | - | Reduce | 0.55 | ↔ | 0.73 | 4.3% | 15.0% |
| Transportation | Singapore Airlines Ltd | - | Buy | 13.3 | ↔ | 10.65 | 0.5% | 5.8% |
| | SMRT Corporation Ltd | - | Sell | 1.35 | ↔ | 1.66 | 1.8% | -3.0% |
| | ComfortDelgro Corporation Ltd | - | Buy | 1.78 | ↑ | 1.675 | 1.4% | 23.1% |
| | Neptune Orient Lines Ltd | - | Neutral | 1.14 | ↓ | 1.09 | -5.2% | -3.1% |
| | Singapore Technologies Engineering Ltd | - | Accumulate | 3.4 | ↔ | 3.41 | 4.3% | 33.0% |
| Aviation service | SATS Ltd | - | Neutral | 2.65 | ↔ | 2.61 | 1.2% | 31.1% |
| | SIA Engineering Company Ltd | - | Buy | 5 | ↔ | 4.19 | 2.7% | 26.7% |
| | Singapore Telecommunications Ltd | - | Neutral | 3.31 | ↔ | 3.39 | -2.8% | 12.6% |
| Telcos | Starhub Ltd | - | Neutral | 3.21 | ↑ | 3.61 | -4.7% | 29.7% |
| | M1 Ltd | - | Reduce | 2.38 | ↔ | 2.56 | 1.2% | 8.5% |
| | DBS Group Holdings Ltd | - | Accumulate | 15.1 | ↑ | 14.45 | -0.1% | 30.4% |
| Financials | Oversea-Chinese Banking Corp Ltd | upgrade | Neutral | 8.2 | ↔ | 9.29 | -1.1% | 22.7% |
| | United Overseas Bank Ltd | dow ngrade | Reduce | 17.9 | ↑ | 19.09 | -3.6% | 29.0% |
| | Singapore Exchange Ltd | - | Neutral | 6.79 | ↔ | 7.04 | 5.2% | 16.2% |
| | Genting Singapore PLC | dow ngrade | Reduce | 1.09 | ↓ | 1.365 | 4.6% | -9.1% |

Prices at 31 August 2012

Our Coverage

| Sector | Company | Rating | FYE | Market Cap. (S\$'m) | Market Cap. (US\$'m) | Equity Multiple (X) | | | | | | Dividend Yield (%) | | | Core EPS growth y-y (%) | | | | | |
|--------------------------|--|------------|-----|------------------------|-------------------------|---------------------|----------|----------|------------|----------|----------|--------------------|----------|----------|-------------------------|----------|----------|---------|----------|----------|
| | | | | | | 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 | FY10/11 | FY11/12E | FY12/13E | | | | | | | | | |
| O&M | Keppel Corp Ltd | Accumulate | Dec | 20,101.00 | 16,090.45 | 13.48 | 12.63 | 12.94 | 2.70 | 2.38 | 2.23 | 3.84% | 3.93% | 3.84% | 12.16% | 6.02% | -2.27% | | | |
| | Sembcorp Marine Ltd | Buy | Dec | 10,437.04 | 8,354.64 | 13.88 | 14.52 | 13.84 | 4.31 | 3.97 | 3.42 | 5.00% | 3.40% | 3.60% | -12.20% | -5.56% | 5.88% | | | |
| | Cosco Corp | Reduce | Dec | 2,172.07 | 1,738.70 | 15.51 | 20.11 | 20.49 | 1.67 | 1.62 | 1.56 | 3.09% | 2.06% | 2.06% | -45.95% | -16.67% | 0.00% | | | |
| | Sembcorp Industries Ltd | Buy | Dec | 10,096.72 | 8,082.22 | 12.48 | 13.37 | 12.73 | 2.45 | 2.21 | 1.99 | 3.01% | 3.01% | 3.19% | 2.27% | -6.67% | 4.76% | | | |
| Commodities | Wilmar Intl Ltd | Neutral | Dec | 20,040.54 | 16,042.06 | 10.02 | 16.87 | 10.90 | 1.79 | 1.77 | 1.64 | 1.95% | 1.28% | 1.92% | 20.77% | -40.00% | 53.33% | | | |
| | Golden Agri-Resources Ltd | Accumulate | Dec | 9,114.66 | 7,296.11 | 12.78 | 12.87 | 10.75 | 1.34 | 1.27 | 1.18 | 2.54% | 2.82% | 2.82% | 66.67% | 0.00% | 20.00% | | | |
| Properties | Keppel Land Ltd | Neutral | Dec | 5,234.87 | 4,190.41 | 6.42 | 12.26 | 16.46 | 1.01 | 0.93 | 0.90 | 5.90% | 2.36% | 2.36% | 22.22% | -49.09% | -25.00% | | | |
| | SC Global Developments Ltd | Neutral | Dec | 409.39 | 327.71 | 3.10 | 17.06 | 8.53 | 0.62 | 0.60 | 0.57 | 2.03% | 2.03% | 2.03% | 39.13% | -81.25% | 100.00% | | | |
| | QUE Ltd | Accumulate | Dec | 2,274.71 | 1,820.86 | 23.94 | 22.52 | 23.45 | 0.78 | 0.76 | 0.74 | 5.20% | 2.40% | 2.00% | 11.11% | 10.00% | 0.00% | | | |
| | Ho Bee Investment Ltd | Neutral | Dec | 902.08 | 722.10 | 5.37 | 7.58 | 10.87 | 0.55 | 0.52 | 0.50 | 3.11% | 1.56% | 3.11% | -39.47% | -26.09% | -29.41% | | | |
| | CapitaMalls Asia Ltd | Buy | Dec | 6,434.19 | 5,150.45 | 47.31 | 21.23 | 29.25 | 1.03 | 0.98 | 0.97 | 1.81% | 1.81% | 1.81% | -72.73% | 166.67% | -25.00% | | | |
| | Capitaland Ltd | Accumulate | Jan | 12,793.93 | 10,241.29 | 22.29 | 22.60 | 17.82 | 0.86 | 0.83 | 0.80 | 2.66% | 1.33% | 1.66% | 0.00% | -7.14% | 30.77% | | | |
| | Stamford Land Corporation Ltd | Buy | Feb | 462.14 | 369.94 | 7.70 | - | - | 0.94 | 0.88 | - | 5.61% | 7.48% | 0.00% | 0.00% | 0.00% | 0.00% | | | |
| REITS | Parkway Life REIT | Neutral | Dec | 1,161.60 | 929.84 | 19.04 | 17.57 | 16.64 | 1.30 | 1.30 | 1.30 | 5.00% | 5.16% | 5.36% | 19.53% | 10.02% | 4.95% | | | |
| | CDL Hospitality Trust | Neutral | Dec | 1,964.09 | 1,572.21 | 18.19 | 17.69 | 16.64 | 1.27 | 1.27 | 1.26 | 5.44% | 5.67% | 5.96% | 14.15% | 6.24% | 5.26% | | | |
| | Sabana Shariah Compliant REIT | Accumulate | Dec | 668.31 | 534.97 | 7.58 | 13.61 | 13.72 | 0.98 | 0.98 | 0.99 | 9.12% | 8.52% | 7.94% | - | -44.60% | -2.60% | | | |
| S-chips | Sino Grandness Food Industry Group Ltd | Accumulate | Dec | 120.65 | 96.58 | 4.03 | 3.16 | 1.85 | 1.11 | 0.82 | 0.57 | 0.00% | 0.00% | 0.00% | 21.28% | 28.07% | 71.23% | | | |
| | Ziwo Holdings Ltd | Sell | Dec | 26.01 | 20.82 | 2.03 | 2.87 | 3.39 | 0.28 | 0.25 | 0.23 | 0.00% | 0.00% | 0.00% | -42.11% | -31.82% | -13.33% | | | |
| | Foreland Fabrictech Holdings Ltd | Reduce | Dec | 28.21 | 22.58 | 1.02 | 1.33 | 1.39 | 0.21 | 0.19 | 0.18 | 15.10% | 11.32% | 11.32% | 190.00% | -31.03% | -5.00% | | | |
| | Sunpower Group Ltd | Buy | Dec | 62.51 | 50.04 | 3.49 | 4.07 | 2.72 | 0.69 | 0.59 | 0.48 | 7.89% | 0.00% | 0.00% | 7.69% | -17.86% | 52.17% | | | |
| | CombineWill | Buy | Dec | 22.47 | 17.99 | 3.40 | 3.24 | 1.81 | 0.24 | 0.22 | 0.20 | 0.00% | 0.00% | 0.00% | -60.88% | 4.84% | 46.92% | | | |
| | Hu An Cable | Buy | Dec | 124.07 | 99.31 | 3.48 | 3.17 | 2.36 | 0.57 | 0.49 | 0.42 | 24.31% | 24.31% | 24.31% | -20.69% | 0.00% | 34.78% | | | |
| | Hengyang Petrochem Log Ltd | Buy | Dec | 44.76 | 35.83 | 14.22 | 5.55 | 3.99 | 0.73 | 0.52 | 0.46 | 0.00% | 0.00% | 0.00% | -27.27% | 150.00% | 40.00% | | | |
| Transportation | Tiger Airways Holdings Ltd | Reduce | Mar | 598.93 | 479.43 | 14.97 | -33.27 | 35.23 | 2.03 | 2.43 | 2.28 | 0.00% | 0.00% | 0.00% | -26.00% | -262.16% | -116.67% | | | |
| | Singapore Airlines Ltd | Buy | Mar | 12,477.26 | 9,987.80 | 9.64 | 36.59 | 27.30 | 0.90 | 0.97 | 0.96 | 13.15% | 1.88% | 2.82% | 494.44% | -59.81% | -11.63% | | | |
| | SMRT Corporation Ltd | Sell | Mar | 2,523.80 | 2,020.25 | 15.68 | 18.42 | 18.69 | 3.13 | 3.19 | 3.07 | 5.42% | 4.22% | 4.22% | 0.00% | -18.18% | 0.00% | | | |
| | ComfortDelgro Corporation Ltd | Buy | Dec | 3,510.03 | 2,809.71 | 14.87 | 14.50 | 13.82 | 1.86 | 1.74 | 1.66 | 3.58% | 3.58% | 4.18% | 0.00% | 9.09% | 0.00% | | | |
| | Neptune Orient Lines Ltd | Neutral | Dec | 2,818.55 | 2,256.20 | -4.72 | -9.60 | 7.81 | 1.35 | 1.51 | 1.36 | 0.00% | 0.00% | 5.50% | -202.78% | -51.35% | -222.22% | | | |
| Aviation services | Singapore Technologies Engineering Ltd | Accumulate | Dec | 10,478.93 | 8,388.18 | 19.85 | 19.33 | 18.95 | 5.88 | 5.59 | 5.41 | 4.55% | 4.69% | 4.69% | 4.94% | 5.88% | 0.00% | | | |
| | SATS Ltd | Neutral | Mar | 2,895.31 | 2,317.64 | 15.65 | 16.27 | 16.83 | 1.91 | 1.92 | 2.09 | 6.51% | 9.96% | 4.98% | 2.35% | -19.54% | 7.14% | | | |
| | SIA Engineering Company Ltd | Buy | Mar | 4,615.11 | 3,694.30 | 17.82 | 17.09 | 16.78 | 3.52 | 3.64 | 3.71 | 7.16% | 5.01% | 5.01% | 9.09% | 0.00% | 4.17% | | | |
| Telcos | Singapore Telecommunications Ltd | Neutral | Mar | 54,048.73 | 43,264.94 | 14.34 | 18.12 | 13.92 | 2.22 | 2.31 | 2.19 | 7.67% | 4.72% | 5.01% | 0.00% | -4.17% | 4.35% | | | |
| | Starhub Ltd | Neutral | Dec | 6,192.10 | 4,956.65 | 19.66 | 18.43 | 15.07 | 361.00 | - | - | 5.54% | 5.54% | 5.82% | 20.00% | 5.56% | 26.32% | | | |
| | M1 Ltd | Reduce | Dec | 2,334.35 | 1,868.60 | 14.23 | 14.77 | 14.06 | 7.11 | 6.56 | 6.10 | 5.66% | 5.47% | 5.86% | 3.43% | -6.08% | 5.88% | | | |
| Financials | DBS Group Holdings Ltd | Accumulate | Dec | 35,106.28 | 28,101.88 | 11.55 | 10.50 | 9.99 | 1.21 | 1.13 | 1.06 | 3.88% | 3.88% | 4.15% | 13.04% | 7.69% | 3.57% | | | |
| | Oversea-Chinese Banking Corp Ltd | Reduce | Dec | 31,894.93 | 25,531.27 | 13.80 | 8.82 | 12.41 | 1.54 | 1.42 | 1.36 | 3.23% | 4.52% | 3.44% | 0.00% | 3.03% | 4.41% | | | |
| | United Overseas Bank Ltd | Reduce | Dec | 30,042.81 | 24,048.67 | 12.91 | 11.32 | 11.03 | 1.44 | 1.33 | 1.24 | 3.14% | 3.14% | 3.30% | -10.26% | 14.29% | 3.12% | | | |
| | Singapore Exchange Ltd | Neutral | Jun | 7,519.29 | 6,019.04 | 24.10 | 25.15 | 24.90 | 9.14 | 9.14 | 9.03 | 3.84% | 3.84% | 3.84% | -8.00% | 1.49% | 2.86% | | | |
| | Genting Singapore PLC | Reduce | Dec | 16,652.82 | 13,330.26 | 16.34 | 19.66 | - | 2.73 | 2.44 | - | 0.73% | 0.73% | 0.73% | 68.00% | 19.05% | - | | | |

Price at 31 August 2012
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

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

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

Roy Chen
Macro Analyst
Global Macro, Asset Strategy
+65 6531 1535
roychencz@phillip.com.sg

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

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

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

Nicholas Ong Huai Gim
Investment Analyst
Commodities
+65 6531 5440
nicholasonghg@phillip.com.sg

Joshua Tan
Macro Strategist
Global Macro, Asset Strategy
+65 6531 1249
joshuatan@phillip.com.sg

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

Ng Weiwen
Macro Analyst
Global Macro, Asset Strategy
+65 6531 1735
ngww@phillip.com.sg

Research Assistant
General Enquiries
+65 6531 1240 (Phone)
+65 6336 7607 (Fax)
research@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

Octa Phillip Securities Ltd
Level 12, 15 William Street,
Melbourne, Victoria 3000, Australia
Tel (03) 9629 8288
Fax (03) 9629 8882
Website: www.octaphillip.com

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

Phillip Securities Japan, Ltd
4-2 Nihonbashi Kabuto-cho Chuo-ku
Tokyo 103-0026
Japan
Tel: +81(3) 3666 2101
Fax: +81(3) 3666 6090
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