Singapore Equity Strategy

2013 Market Outlook

PhillipCapital
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Phillip Securities Research Pte Ltd

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Four valuation & momentum indicators points to a positive 2013

Using four valuation and momentum indicators, we conclude that the Singapore Market should turn in positive performance for 2013. Our analysis of earnings trend suggests that earnings momentum in the Singapore Market have just bottomed out. Risk premium in the Singapore market is 0.8ppt higher than its long term average and risk appetite could return as macro concerns ease off in the year ahead. A correlation analysis of STI's P/B multiple against GDP growth in Singapore led us to conclude for multiples expansion as well. Lastly, Singapore Market's valuation remains below its historical average and could exhibit mean reversion in the year ahead.

We believe that 2013 is probably comparable to the 2005/06 period where earnings growth was low and multiples expansion was moderate. **Using top down assumptions and the Grinold & Kroner model, we believe that a 24% return for the Singapore Market is not unreasonable in 2013**. Given the dynamic nature of financial markets, we opine that setting an absolute target on the market index is rarely meaningful. However, for tactical recommendations on the market, clients may refer to our daily market commentaries.

Dividend theme to stay

Despite the strong run up in dividend plays, we expect the dividend theme to remain in focus for 2013. We believe that the reasons for the flight to dividend yielding stocks remain very much intact and do not expect the preference for dividend plays to end soon.

Construction theme for 2013

Strong visible pipeline in public works till 2019 as Singapore struggles to close the infrastructure gap after a decade of population expansion. Exposure to this sector is however a challenge given the competitive nature of contracting, instead we recommend Singapore's largest supplier in cement and ready mixed concrete – Pan United – which will almost guarantee exposure to the construction without taking bets on individual contractors.

PSR Coverage Overview

We provide a summary of our Analysts' view on the stocks that we cover. In this section, we aim to discuss our investment views on the businesses and draw a relation to the current valuations of the stock. For 2013, our top picks are SIAEC, Capitaland & Pan United.

Top Picks in the Singapore Market

Company	Rating	Price (S$)	TP (S$)	Upside (%)	M.Cap. (US$'mn)
SIA Engineering	**Buy**	**4.42**	**5.00**	**13.1%**	**3,992**
Valuations		**11**	**12E**	**13E**	
P/E (X)		18.1	17.7	16.6	
P/B (X)		3.9	3.7	3.6	
Dividend yield (%)		4.8%	5.0%	5.0%	
Capitaland	**Accumulate**	**3.69**	**3.97**	**7.6%**	**12,844**
Valuations		**11**	**12E**	**13E**	
P/E (X)		27.3	27.4	21.5	
P/B (X)		1.1	1.0	1.0	
Dividend yield (%)		2.2%	1.1%	1.4%	
Pan United Corp.	**Buy**	**0.71**	**0.88**	**23.9%**	**322**
Valuations		**11**	**12E**	**13E**	
P/E (X)		13.0	8.9	8.1	
P/B (X)		1.3	1.2	1.1	
Dividend yield (%)		4.9%	5.6%	5.6%	

Source: Bloomberg, PSR

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Valuations & Momentum

Using four valuation and momentum indicators, we conclude that the Singapore Market should turn in positive performance for 2013. We analyze the Singapore Market using earnings momentum, equity risk premium, P/B multiples vs GDP and historical P/E & P/B.

1) An inflection point in earnings momentum.

Our calculations suggest that earnings momentum have slowed and contracted on a sequential basis (sequential momentum bottomed out and is now at 4%, i.e. mkt turning!). Intuitively, poor earnings momentum should be a negative sign for stocks. However, our analysis of historical data suggests that inflection points (bottoms) often occurred near and just after market bottoms. Hence, we believe that inflection points (bottoms) are actually bullish indicators for the stocks. Yes, it feels counter intuitive, but it is probably in line with contrarian theories of buying-in at points of pessimism. Recent data points suggest that we might have just passed the lowest point (Sep 12) for earnings momentum trends.

Fig 1. Earnings momentum inflection points

Date	EPS q-q (%)	EPS y-y (%)	STI
Market Bottoms			
Sep-98	-8%	-24%	805
Sep-01	-3%	11%	1,241
Mar-03	-8%	-34%	1,226
Mar-09	-25%	-25%	1,513
Inflection points on sequential momentum			
Mar-99	-44%	-54%	1,498
Mar-02	-34%	-25%	1,803
Mar-09	-32%	-32%	1,746
Sep-12	-19%	-29%	3,060
Inflection points on yearly momentum			
Jun-99	-15%	-58%	2,071
Dec-02	-12%	-48%	1,367
Dec-09	-9%	-56%	2,791
Sep-12	-19%	-29%	3,060
Current	4%	-25%	3,164

Source: PSR

Fig 2. Straits Times Index (STI)

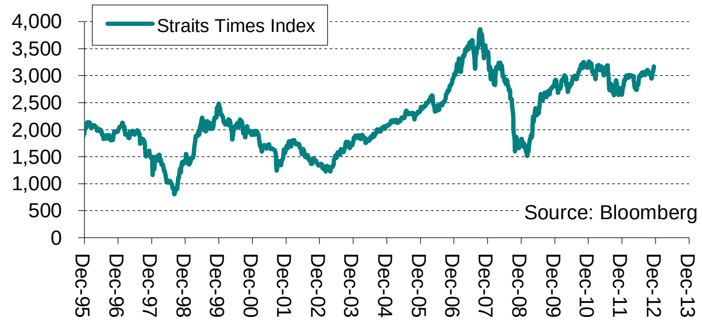


Fig 3. STI Earnings Momentum y-y (%)

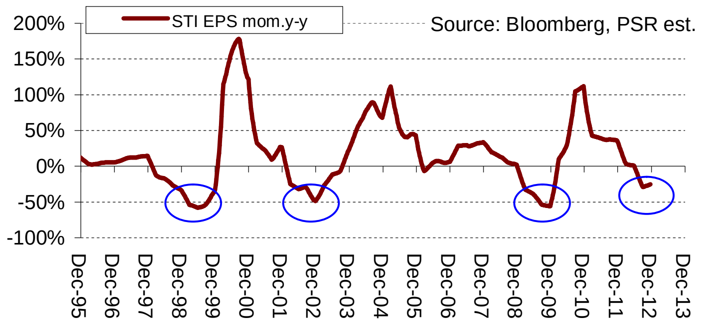
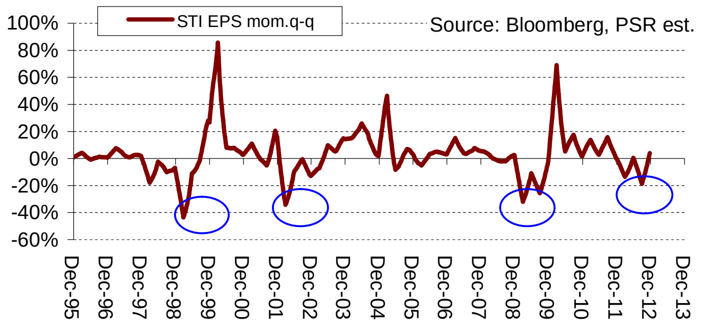


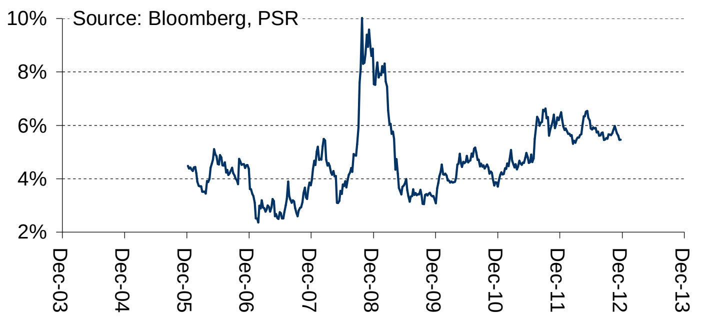
Fig 4. STI Earnings Momentum q-q (%)



2) ERP remains elevated. Too much fear?

Relative to historical levels (7yr average of 4.7%), Equity Risk Premium (ERP) in the Singapore Market remains elevated at 5.5%. We believe that market participants remain concerned over global macro issues and expect positive macro news flow to lower the ERP demanded by the market in the year ahead. With a normalizing of the ERP, equity prices should increase accordingly.

Fig 5. Equity Risk Premium



3) STI P/B vs Singapore GDP suggests expansion on the multiple in the year ahead.

Our Macro Analyst, Weiwen, expects GDP growth of 2.0% in 2013 for Singapore. Historically, the STI tends to trade at higher valuations in times of robust economic growth and GDP growth of 2.0% is consistent with a P/B multiple of 1.5X (current: 1.4X). Hence, a top down approach to analyzing the market suggests room for multiples expansion for the Singapore Market.

Fig 6. Singapore GDP growth vs STI's P/B

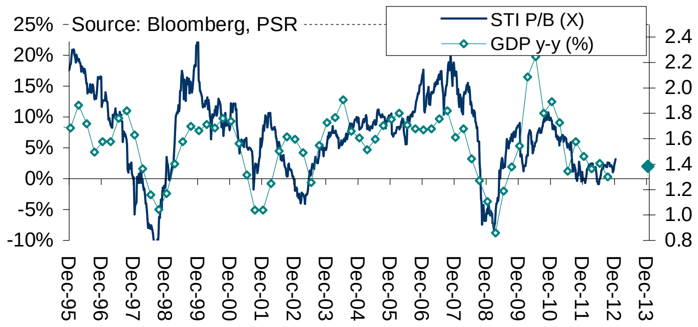
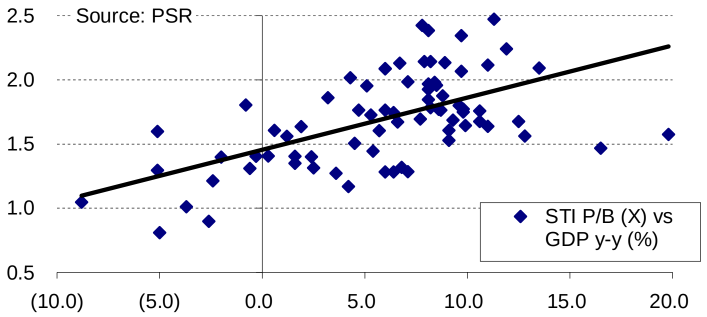


Fig 7. Positive Correlation between Singapore's GDP growth and P/B multiples on STI



4) Valuations appears undemanding

Finally, we wish to highlight that current valuations for the Singapore Market remain below historical averages at P/E of 12X and P/B of 1.4X with room for mean reversion. During the last cycle, the STI traded at average P/E of 15X and P/B of 1.7X.

Fig 8. STI P/B (X)

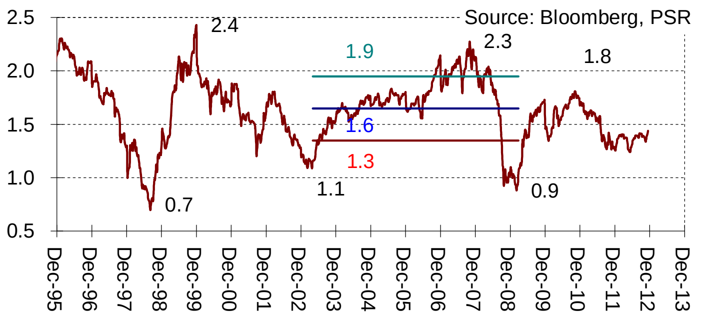
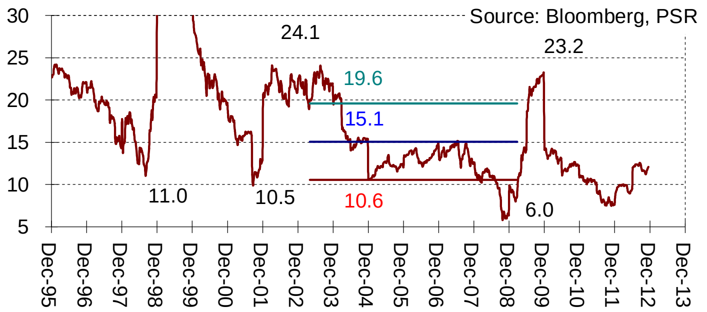


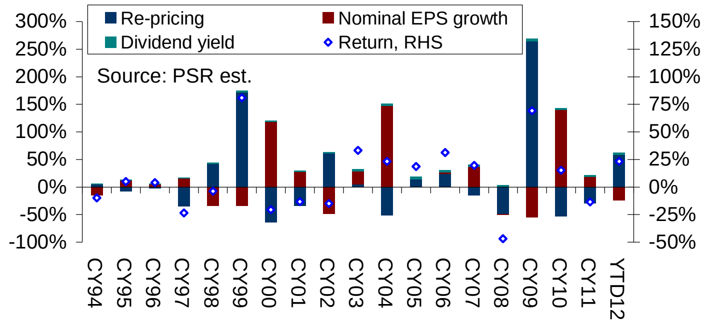
Fig 9. STI P/E (X)



Historical components on market return

In the chart below, we examine the various components of return on the STI. In the early stages of a market recovery, expansions on the multiple typically account for majority of the returns (1999, 2009). However, multiples usually contract in the subsequent year as earnings grow at a faster pace. We believe that 2013 will probably be comparable to the 2005/06 period, where earnings growth was low and multiples expansion was moderate. In 2005/06, the Singapore Market experienced a 14-23% improvement in multiples with moderate earnings growth of 0-3%.

Fig 10. Components of return on the STI



So what returns should investors expect in the year ahead?

We attempt to answer this question using the Grinold & Kroner model:

$$E(R) = d + i + g - \Delta S + \Delta PE$$

where,
d = expected dividend yield
i = inflation
g = earnings growth
ΔS= stock repurchase
ΔPE= valuation re-pricing

Given our expectations for a gradual resolve to the ongoing global macro issues, we believe that a 15% rerating on the P/E multiple is reasonable at this stage of the market cycle. This re-pricing input accounts for majority of our model output and is at the low end of levels experienced in 2005/06. Using the Grinold & Kroner model and inputs below, we believe that a 24% return for the Singapore Market is not unreasonable in 2013.

Key model inputs: d = +3.0%, i = +4.2%, g = +2.0%, ΔS= 0%, ΔPE= +15%

The conclusion: we still see upside in the year ahead

However, given the dynamic nature of financial markets, we are hesitant to share this as an absolute STI target. For technical and tactical recommendations on the market, clients may refer to our daily market commentaries on the morning note.

Themes that could do well in 2013

We live in uncertain times; let's focus on what is at hand. There are plenty of uncertainties in our world today, which creates a prevailing mood of hesitance and fear among investors. Let us focus on the more certain issues at hand. Firstly, interest rates are expected to stay low for the next 2-3yrs as the global economic recovery remains weak. Secondly, a high level of construction activity is expected due to major infrastructure projects for both the private and public sectors in Singapore. Hence, we believe that investors should position themselves in the following areas to take advantage of these for 2013.

Theme #1: Dividend plays would remain in focus

Flight to dividend yielding stocks remains the vogue. Despite a fairly strong run-up in various high yielding counters, the dividend theme remains very much in focus in our conversations with clients. We believe that this preference for dividend yielding stocks stems from the reasons below:

1) Low interest rate environment forces investors to search for other income yielding assets, such as stocks with a consistent dividend track record.
2) Better confidence in companies that have the ability to generate surplus cash for distribution to shareholders.
3) Lack of confidence in "growth" related counters, due to worries over the weak globally economic recovery.

We argue that these 3 reasons for the flight to dividend yielding stocks remain very much intact and do not expect the preference for dividend plays to end soon.

Fig 11. Interest rate levels remain at historical lows as proxy by the 10yr bond yield for Singapore Government Securities (SGS)

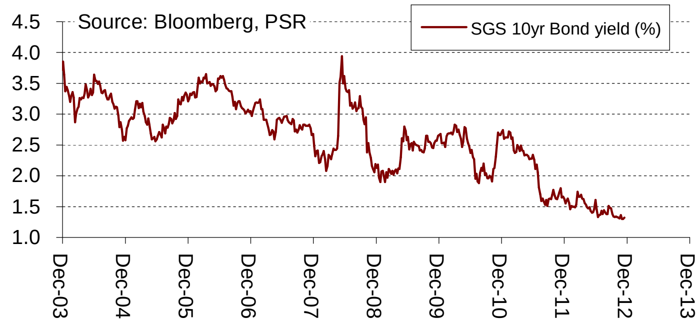
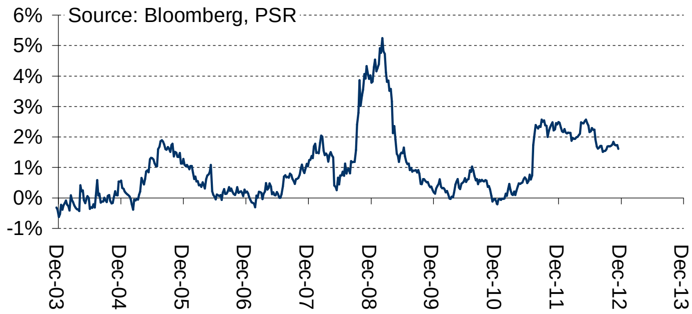


Fig 12. STI dividend yield spread over bonds remains high, with room for further compression



In short, we love dividend yielding stocks in the year ahead, but more so if the dividends can grow! Hence, we aim to find companies that have the ability to dish out more dividends than they have previously been paying. We ran a stock screen on the universe of Singapore listed counters using the attributes below. We aim to find large cap counters with payout ratio of below 70% and a decent level of dividend yield, as a gauge of their ability to increase historical levels of dividend. In order to screen out poor quality businesses, we overlay our screen with a criteria for Altman Z-Score of >1.8pts.

1. Current dividend yield: more than 3%.
2. Dividend payout ratio: less than or equal to 70% for FY09-FY11.
3. Altman Z-Score: more than 1.8.
4. Market Cap.: more than S$1bn.

8 companies appeared on our screen results. While we do not have a rating on most of these counters, we aim to discuss the general business and performance drivers. We also cite consensus dividend forecasts for these counters as available.

1. Keppel Corp. (Not Rated)
KEP paid out S$0.43 of dividends in FY11 with average payout ratio of 40% in the past 3 years. This conglomerate derives majority of its profits from the offshore and marine segment, which has very strong order outlook with contracts stretching out as far as 2019.
Consensus expectations are for a 2% CAGR from FY11 to FY13E.

2. Jardine C&C. (Not Rated)
JCNC paid out U$1.23 in FY11 with average payout ratio of 40% in the past 3 years. JCNC is a conglomerate that derives majority of its sales from the distribution of motor vehicles, parts and accessories. The company would benefit from increased demand for vehicles and has a high exposure to the consumer market in Indonesia.
Consensus expectations are for a 4% CAGR from FY11 to FY13E.

3. Yangzijiang Shipbuilding. (Not Rated)
YZJ paid out CNY0.27 in FY11 with average payout ratio of 28% in the past 3 years. The outlook for the shipbuilding industry remains poor with an oversupply situation plaguing the shipping sector. Upside for YZJ would come from successful ventures into the offshore market.
Consensus expectations are for a -10% CAGR from FY11 to FY13E.

4. ComfortDelGro Corp. (Buy, TP: S$1.80)
CD paid out S$0.06 of dividends in FY11 with average payout ratio of 51% over the past 3 years. We believe that this land transport conglomerate has the ability to raise dividends, but is unlikely to bring payout ratios substantially higher. M&A spending is likely to continue as CD seeks to grow its overseas footprint.
We expect 6% CAGR (consensus: 5%) from FY11 to FY13E.

5. Wheelock Properties. (Not Rated)
WP paid out S$0.06 in FY11 with average payout ratio of 25% in the past 3 years. We find the net cash position for WP as odd for a property developer. The company had been paying down its debt with the cash generated from its operations between FY07 to FY11, which led to a build up of cash in the company. Wheelock Place and Scotts Square retail continue to generate consistent levels of recurring income to the company.
Consensus expectations are for no dividend growth from FY11 to FY13E.

6. STX OSV. (Not Rated)
SOH paid out S$0.15 of dividends in FY11 and declared a special interim dividend of S$0.13 in FY12. Current order book for the company remains healthy at c.1.5X sales for FY11 (30 June 2012: NOK 18,267mn).
Consensus expectations are for normalized dividend payout in FY13E.

7. Haw Par Corp. (Not Rated)
HPAR paid out S$0.20 of dividends in FY11 with average payout ratio of 51% over the past 3yrs. While the company is known for its healthcare products, profit contributions from its investments remain the largest contributor to the group. HPAR holds substantial stake in UOB, UOL and UIC that contributes c.62% to the group profits in FY11. With low levels of debt and significant liquid assets, we believe that HPAR have the capacity to increase its dividend distribution to shareholders. However, the company could retain its cash for investment purposes as highlighted in their 2011 annual report.
There are no consensus estimates for HPAR.

8. ARA Asset Management. (Not Rated)
ARA paid out S$0.05 of dividends in FY11 with average payout ratio of 56% over the past 3yrs. The company is in a net cash position and has a very low level of debt.
Consensus expectations are for no dividend growth from FY11 to FY13E.

Fig 13. Output from stock screen

S/N	Company	Dividend Per Share (LC)				DPS CAGR
		FY10	FY11	FY12E	FY13E	11-13
1	KEPPEL CORP LTD	0.35	0.43	0.48	0.45	2%
2	JARDINE CYCLE &	0.98	1.23	1.20	1.34	4%
3	YANGZIJIANG SHIP	0.23	0.27	0.27	0.22	-10%
4	COMFORTDELGRO CO	0.06	0.06	0.07	0.07	5%
5	WHEELOCK PROPERT	0.06	0.06	0.06	0.06	0%
6	STX OSV HOLDINGS	0.13	0.68	0.75	0.36	-27%
7	HAW PAR CORP LTD	0.20	0.20	n.a.	n.a.	n.a.
8	ARA ASSET MANAGE	0.044	0.050	0.050	0.050	0%

Source: Bloomberg consensus

Other stocks that could grow their dividends
Apart from the stocks highlighted in the screen above, our analysts believes that the following stocks under our coverage offers a yield of >3% and could grow their dividends over the next few years.

Fig 14. PSR Coverage: >3% yield + DPS to increase

S/N	Company	Price	Dividend yield 11	12E	13E
1	SGX	7.00	3.9%	3.9%	4.1%
2	Global Premium Hotels	0.26	0.0%	5.5%	5.9%
3	CDL Hospitality Trust	1.89	5.9%	6.0%	6.2%
4	Parkway Life REIT	2.14	4.5%	4.6%	4.9%
5	Sabana S.C. Ind. Trust	1.12	8.5%	7.9%	8.3%
6	SATS	2.91	8.9%	5.2%	5.5%
7	SIA Engineering	4.42	4.8%	5.0%	5.0%
8	ST Engineering	3.85	4.0%	4.2%	4.4%
9	SMRT	1.69	4.4%	4.1%	4.4%
10	ComfortDelGro	1.76	3.4%	3.7%	3.8%
11	SingTel	3.32	4.8%	4.8%	5.1%
12	M1	2.70	5.4%	5.4%	5.6%
13	Pan United Corp.	0.71	4.9%	5.6%	5.6%

Source: PSR est.

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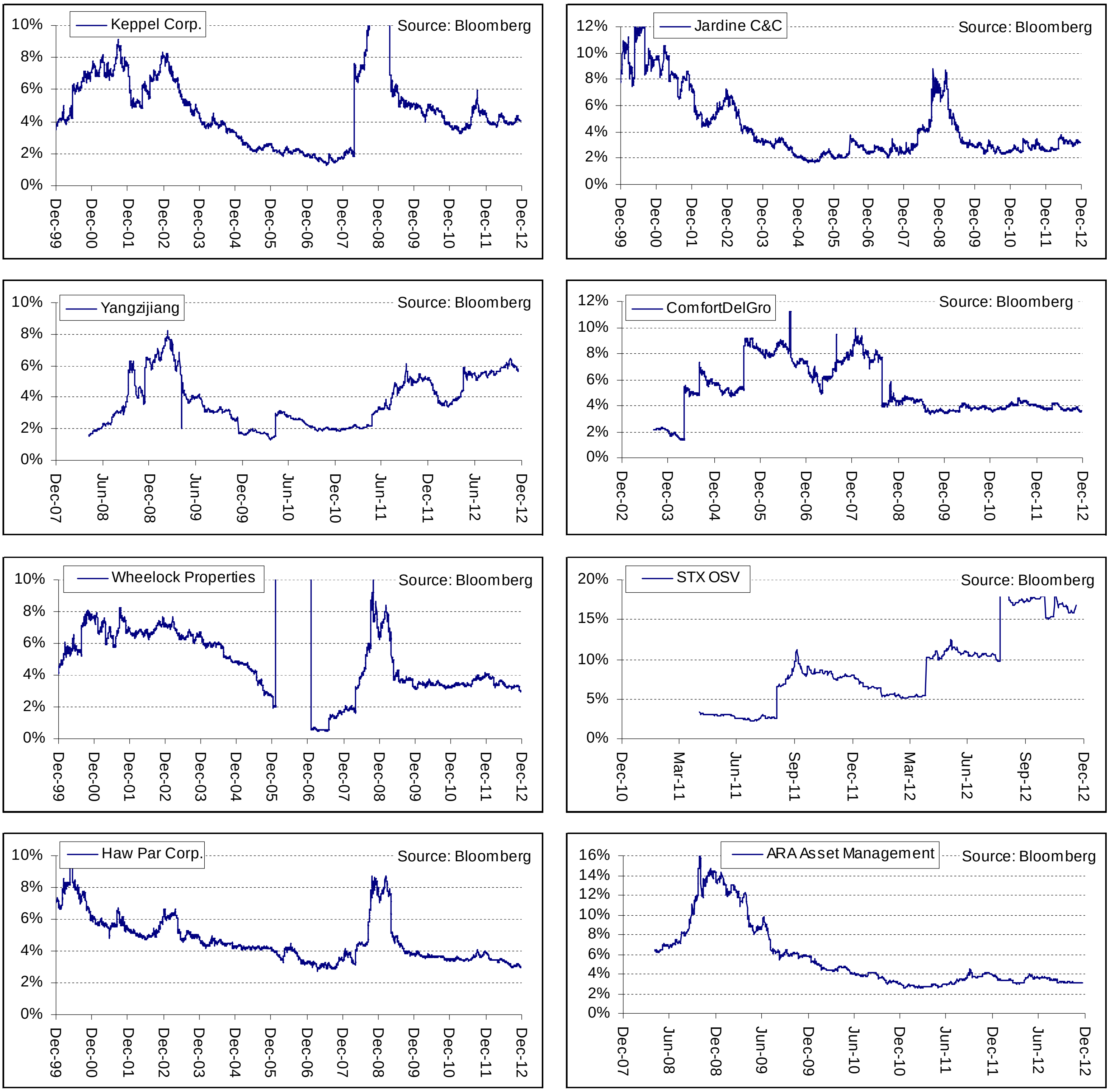
Fig 15. Dividend yield history of screen results



Theme #2: Companies that play a crucial role in the value chain within Singapore's construction industry

- We think that Singapore's construction sector will enjoy a multi-year boom to ease supply-side infrastructure bottlenecks arising from a faster-than-expected increase in resident population. We are optimistic about construction over the medium and long term horizon.

- The National Population and Talent Division reckoned in its 2012 paper that Singapore at 5.3m people is already under-infrastructured, and that 5-10yrs of building is required in order to restore capacity. Furthermore, the target population has already been hinted at by the Prime Minister as 6mn.

- 2011 was a bumper year for the construction sector with total contracts awarded worth S$35.2bn, owing to a ramp up in residential housing (S$15.3bn) as well as the major public civil engineering projects (such as the construction of Downtown Line 3).

- In 2012, construction demand is expected to come in at S$22-28bn. YTD, the value of contracts awarded (S$21.8bn) has already hit the lower end of the forecasted range.

- Looking ahead, construction demand is expected to remain healthy on the back of both private and public infrastructure building. In the next 2 years, BCA expects an estimated S$20-28bn of contracts to be awarded on average per year in 2013 and 2014.

Fig 16. Steady stream of public transport infrastructure projects

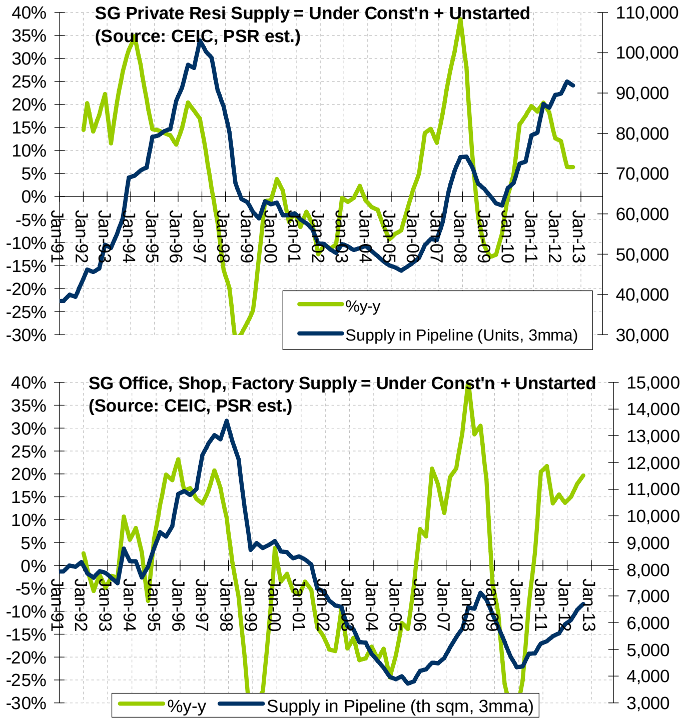
Major Public Transport Infrastructure Pipeline		Est. End Date
MRT Railway Extension		
Downtown Line	-Stage 1: (Bugis to Marina Bay)	2013
	-Stage 2: (Bukit Timah to Marina Bay)	2015
	-Stage 3: (Tampines to Marina Bay)	2017
Extension to North South Line	-Marina South Pier	2014
Tuas West Extension	-extend EW line from Joo Koon to Tuas industrial areas	2016
Thomson Line	- Stage 1 (Woodlands)	2019
	- Stage 2 (Springleaf to Caldecott)	2020
	- Stage 3 (Mt Pleasant to Gardens by the Bay)	2021
Eastern Region Line	-link up the east coast from Changi Point Ferry Terminal to Marina Bay	2020
Motor Expressway Expansion		
Marina Coastal Expressway	- link the Kallang-Paya Lebar Expressway (KPE) and East Coast Parkway (ECP) in the east to the Ayer Rajah Expressway (AYE) in the west	2013
North-South Expressway	- connect the city centre with towns along the north-south corridor	major construction works to begin in 2015

Source: LTA

S$60bn alone has been set aside just to double the current MRT network (Fig.16), and the Building & Construction Authority estimates demand at S$20-28bn/yr (S$15bn/yr public) till 2014. The government is currently undertaking a number of projects – Tuas West MRT extension, Downtown MRT line, LNG Terminals, Sports Hub, Marina Coastal Expressway, Pasir Panjang new port facilities, NTF Hospital, and a healthy supply of HDB BTOs.

Other major public projects about to start in 2013 are the Singapore Power cable tunnels and Changi T4, major private sector construction for 2013 includes South Beach (S$2.7bn) and Marina One (S$7bn). Going into 2013 and 2014, a hefty amount of private residential, and office, shop, factory floor space is under construction or unstarted (Fig.17).

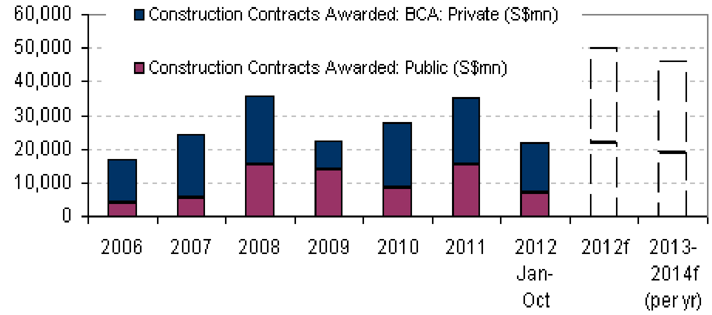
Fig 17. SG private sector under-construction and unstarted



Beyond 2014, the announced, ***unstarted*** public works pipeline sounds just as hefty – Thomson MRT (S$18bn) line, East Regional MRT line, North-South Expressway (S$8bn), Sengkang General Hospital, community hospitals, and the eventual relocation of all city port facilities to Tuas Megaport followed by the redevelopment of the entire city coast, is a huge project in waiting.

Apart from benefiting construction and building related companies, these activities in the construction sector will also have positive spillovers to the financial sector (largely in term of lending activity) as well as real estate services.

Fig 18. Healthy construction demand in the years ahead



Source: CEIC, BCA, PSR est

Top Pick to proxy Construction Boom – Pan United:

All these infrastructure activities – particularly the building of underground tunnels for the extension of MRT railways as well as expressways – will create demand for Singapore's market leader in cement and ready mixed concrete (RMC), **Pan United**.

Pan United's Basic Building Materials division holds a one-third market share in terms of size for RMC, is an RMC innovation leader with >200 RMC products backed by years of field data and R&D, and is a vertically integrated supplier with 2 granite quarries, a raw materials transport fleet, an extensive production facilities and cement terminal in Jurong Port with 2 due cell silos.

We feature Pan United in our top pick section for 2013 (Pg. 9), and have issued a detailed initiation report on the company on 24th Dec 2012.

PSR Coverage Overview

This is a stock picking environment. Companies with strong fundamentals looks rightly valued, while those with challenging outlook looks cheap. Hence, we do not think taking a sector approach is wise in the year ahead, at least not for now. We will tell you when we see turning points for certain sectors. Our top picks for the Singapore Market are SIA Engineering Company, Capitaland and Pan United Corp. All three companies have a strong track record and would benefit from long term trends in their respective industry.

#1: SIA Engineering Company Ltd

We believe that SIA Engineering Company (SIAEC) is a key beneficiary of the aviation growth story in the region. Over the next decade, a record number of planes would be delivered into the region and demand for maintenance work is expected to increase. We also expect SIAEC to benefit from the record aircraft orders by the Singapore Airlines Group. Furthermore, we believe that the economic moats in its engine maintenance JVs have not been fully appreciated by the market and could be a source of upside to future earnings. The free cash generating nature of the business is a key feature of the stock.

#2: Capitaland

CapitaLand is one of Asia's largest real estate companies with a property portfolio diversified across countries and asset classes. It is also one of the world's leading serviced residence owner and operator. It has a proven track record as property manager, as well as a property fund manager. Despite having been in acquisition mode for the past 2 years, its financial capacity remains strong and is ready for further acquisitions. It has a strong pipeline of assets for divestment in the next 3 to 4 years and with 1/3 of assets located in China, it could benefit from the potential bottoming out of China's economy.

#3: Pan United Corp

Pan United has 3 main businesses: Basic Building Materials, Ports & Logistics, and a small Shipping fleet.

When playing the construction sector, why bet on individual contractors when you can bet on a dominant supplier? Pan United's BBM division, which commands a 29% and 33% market share in cement and ready mixed concrete in Singapore, would be an almost guaranteed exposure to a strong and visible pipeline of public works till estimated 2019 as Singapore struggles to close the infrastructure gap after a decade of population expansion. Apart from size, Pan United is also a market innovator of ready mixed concrete with >200 products backed by years of field data and a team of R&D engineers. It is vertically integrated with its Shipping fleet providing raw material transport, also owns 2 quarries, an extensive network of production facilities, and a cement terminal at Jurong Port.

Its Ports & Logistics division has a 51.3% stake in a top 10 river port in China, Changshu-Xinghua Port. CXP has a compelling combination of location (Yangtze Delta, captive audience Suzhou-Wuxi-Changshu industrial reigon), depth (13.3m, 100k dwt), and size (1.7km berth, 1m sqm). Well utilized as testified by its near 50% ebitda margins, CXP should grow with China's economy. Potential catalyst if PU increases its stake as 38% owner Macquarie Infrastructure Fund has completed a strategic review.

Company	Investment View	Business Risks	Valuation
Commodities & Supply Chain Managers			
Golden Agri. Resources	Golden Agri. is one of the largest Crude Palm Oil (CPO) producers in the region. The group's CPO production metrics are among the best in class and we believe that the stock offers the best upstream exposure to the CPO value chain.	• Unpredictable weather conditions have a significant influence on CPO production • Volatile market price of CPO • Falling FFB yields and bottlenecks in expanding acreage	• Accumulate. We believe that GAR will be most geared to any potential rise in CPO prices. • S$0.68 based on a blended model of 12.5X P/E (FY13E) and DCF valuations (COE: 8.8%, terminal g: 3.0%).
Wilmar International	Wilmar International is an integrated agribusiness group. The company is also among the top oilseed crushers and branded cooking oil players in China. Its exposure to developing markets such as China, India and Southeast Asia offers a good exposure to rising wealth in their consumer markets. We think that the company's large scale of operations allow them to differentiate themselves as a low cost supplier.	• Overcapacity in China's soybean crushing sector • Price control measures on cooking oil in China • Overcapacity in Indonesia's palm oil refining sector	• Accumulate. We believe that margins from Oilseeds & grains division should continue to improve in 2013, which would drive recovery in earnings and share price. • S$3.47 based on a blended model of 13.0X P/E (FY13E) and DCF valuations (COE: 8.2%, terminal g: 3.0%).
Consumer Goods			
Genting Singapore	Genting Singapore is best known for its $6.6 billion, 49 hectares integrated resort, Resorts World Sentosa in Singapore. More than 70% of its revenue is derived from the gaming segment. Contributors to the non-gaming segment, in order of significance are Universal Studios, Hotel, and Marine Life Park.	• Cyclical and seasonal factors result in wide variations in gross gaming volume. • Luck factor (an unpredictable variable) has a major impact on win rate, which will in turn affect gaming revenue. • Regulatory risks are significant.	• Neutral. Funding cost of preferred securities is not recovered by new opportunities. • S$1.15 based on 11x FY12-13 EV/EBITDA.
Combine Will Int.	ODM/OEM customers are world-top players in fast-food, FMCG, and toys. High labour costs and OEM "squeeze" are affecting margins. Mould business is down with the economy. Very low trading volumes, probably due to an overhang from its TDR-listing failure and current market obsession with debt-leverage has affected its stock price.	• Whenever OEM-squeeze cycle hits, the strong takes such opportunity to consolidate. Margins and bottom-line suffer during this part of the cycle.	• Buy. RIV values it at S$1.85 but our target price is adjusted down by 50% from here for market's debt-obsession to S$0.93.

Banking & Finance			
DBS	DBS enjoys the lowest cost of funds among its local peers due to a higher proportion of CASA deposits inherited from its previous acquisition of POSB. The group also has the strong backing of Temasek Holdings as its majority shareholder. We expect increasing contribution from transaction banking, wealth management, SME business, and profit contributions from its overseas subsidiaries to drive the business of DBS over the next few years.	• Net Interest Margins (NIMs) pressure from intense competition • Worsening of credit quality due to weaker economy • Unfavorable foreign regulatory policies	• Neutral. We think that DBS is fairly valued at current price. • S$15.10 based on 1.16X FY12E P/B
OCBC	The group has a strong wealth management business following the acquisition of ING's private wealth business. It is also the only local bank with an insurance business through Great Eastern. OCBC has a strong SME client base in Singapore. We expect increasing contribution from transaction banking, wealth management, and profit contributions from its overseas subsidiaries to drive the business of OCBC over the next few years.	• Net Interest Margins (NIMs) pressure from intense competition • Worsening of credit quality due to weaker economy • Unfavorable foreign regulatory policies	• Reduce. We think that OCBC's exceptional non interest income gains this year, including those from the divestment of its investment in APB and FNN, are likely non-recurring in FY13. • S$8.30 based on 1.25X FY12E P/B
UOB	UOB has a good geographical diversification across many ASEAN countries, including a significant presence in Thailand. UOB has a strong SME client base in Singapore. We expect increasing contribution from transaction banking, wealth management, and profit contributions from its overseas subsidiaries to drive the business of UOB over the next few years.	• Net Interest Margins (NIMs) pressure from intense competition • Worsening of credit quality due to weaker economy • Unfavorable foreign regulatory policies	• Accumulate. We think that valuations for the stock are compelling at the current price relative to peers and historical trends. • S$18.00 based on 1.25X FY12E P/B
SGX	SGX has a monopoly over the local exchange business as the only stock exchange in Singapore. The business is highly profitable and generates high levels of Free Cashflows. SGX is also establishing itself as the largest offshore venue for Asian equity derivatives. We expect High Frequency Trading (HFT) and increased trading activities from the creation of the ASEAN Link to drive trading volume for the exchange in the next few years.	• Weak market confidence could lead to lower trading volume • Lower number of listings due to postponing of IPOs till market conditions improve significantly	• Neutral. While we think that initiatives undertaken by the company are positive for its long term potential, weak market sentiments is likely to weigh down on its near term profitability. • S$6.77 based on 24X FY13 P/E

Property (Developers)			
CapitaLand	CapitaLand is one of Asia's largest real estate companies with a property portfolio diversified across countries and asset classes. It is also one of the world's leading serviced residence owner and operator. It has a proven track record as property manager, as well as a property fund manager. Despite having been in acquisition mode for the past 2 years, its financial capacity remains strong and is ready for further acquisitions. It has a strong pipeline of assets for divestment in the next 3 to 4 years and with 1/3 of assets located in China, it could benefit from the potential bottoming out of China's economy.	• Policy risks remain for residential property markets in China and Singapore. • Over paying for land could increase the risk of impairment.	• Accumulate. $3.97 based on 5% discount to RNAV of $4.18.
CapitaMalls Asia	CMA is a shopping mall developer, owner and manager. It has interests in and manages a pan-Asian portfolio over 100 shopping malls. It has a strong shopping malls development pipeline, which will be completing in the next 3 years. Other upsides could come from potential divestment of stabilised malls in its portfolio. CMA could also benefit from the trend of rising affluence in the region, with its exposure to developing markets, such as China, Malaysia and India.	• Economic slowdown in China could weaken retail consumption. • Longer than expected gestation periods for new malls to optimize their operations, would lead to high operating expenses. • Risk of asset devaluation in India and Japan.	• Accumulate. $1.93 based on 15% discount to RNAV of $2.27.
Ho Bee	The company owns a portfolio of luxury residential properties in Sentosa Cove and other prime areas in Singapore. Its major office development, The Metropolis, will be completing in 2013. This major project could provide NAV growth and improve recurring income by 2014.	• Slow sales in the high-end residential segment, high inventory of residential projects located at Sentosa Cove. • Has not secured tenants for The Metropolis. • FY13 earnings quality is deteriorating due to slow residential sales and a series of divestment of investment properties over the past 2 years.	• Neutral. $1.44 based on 60% discount to RNAV of $3.61.

Keppel Land	Keppel Land is a prime office, residential and township developer in Asia, with its current focus in the Singapore, China, India, Vietnam and Indonesia markets. It has a strong track record in building waterfront residential developments and top-notch office towers. It has established itself as a reputable township developer in China and Vietnam. Keppel Land could also benefit from growth in emerging markets, such as Indonesia and Myanmar.	• Its China residential sales have not caught up with the market recovery. • Slow recovery in the property market for Vietnam.	• Neutral. $3.28 based on 35% discount to RNAV of $5.05.
Overseas Union Enterprise	The company holds a portfolio of quality hotels and office towers in the prime locations of Singapore. Its recurring income is improving, following the completion of office developments (OUE Bayfront and One Raffles Place Tower 2) and major AEI to its hotels Mandarin Orchard and Mandarin Gallery. The share price is undervalued as Mandarin Orchard is stated at depreciated value on the book.	• Slow sales in its only residential project – Twin Peaks. • The anchor tenant for DBS Towers will be vacating by end 2012, ability to fill up the vacant space is vital to minimize income disruption. • Uncertainties stem from its attempt to bid for F&N.	• Neutral. $2.83 based on 35% discount to RNAV of $4.36.
SC Global	SC Global is a developer of up-market residences in the prime areas of Singapore and Sentosa Cove.	• Slow sales in the high-end residential segment, high inventory of residential projects located at Orchard enclave. • In the process of privatization by the CEO and Chairman for $1.80 per share.	• Neutral. $1.80 based on 37% discount to RNAV of $2.87.
Stamford Land	Australia, where it owns/operates 7 of 8 hotels, has favourable sector supply/demand fundamentals in its favour. We note a bid of S$1bn in 2008; and, we hold out for a re-run of this scenario. It pays regular dividends; and, better dividends if it earns good property development profits.	• The A$ (vs S$) may not be as positive as the analyst believes that the A$ will be awful in a liquidity crisis situation. • An economic slowdown will affect its hotel earnings.	• Buy. RNAV, based on nearby valuation or 14X hotel earnings, is also our target price S$0.76. • An offer, similar to the 2008 one, is S$1.20; other assets offsetting liabilities.
SingXpress Land	Investment-banking approach to property development has encouraged partners to participate in all its projects. One S$60m condo has been fully sold. Another similar project has not been launched. Its DBSS project is 30% sold. Its EC project will follow soon. Recently, its Preference shareholder converted to be a 62% ordinary shareholder. GO process is now on.	• High-end projects have difficulty in selling now. If this difficulty flows down, its projects may be affected.	• On 'black-out' period now as PhillipCapital's Corporate Finance is the adviser to the offeror.

Global Premium Hotel	Stable earnings from hotel operations from its 12.2% economy-tier market share and one mid-tier hotel. Building another mid-tier hotel. Market appears not to have fully recognised its multi-prong profit-earning potential of hotel development. Able to build with 12% cash-down. For FY12, will pay as good a dividend as REITs but trades at discount to REITs' valuation.	• The hotel supply glut, when it happens (not there yet). • A debt squeeze would curtail its profit from hotel development.	• Buy. Between 70% and 80% of book, it trades at a discount to REITs' valuation. Merton model values it at S$0.305. Higher, if 16%-30% more shares are issued to work that multi-pronged profit-earning potential in hotel development.
Property (REITS)			
CDL Hospitality Trust	CDL Hospitality Trust provides excellent exposure to the tourism growth story in Singapore, where majority of the Trust's assets are located. Tourism receipts are expected to grow with the Singapore Tourism Board (STB) targeting 17mn visitors in 2015. While demand for hotel rooms is expected to increase, the potential pipeline of future hotel completions is likely to pressure room rates.	• Visitor arrivals may slow down given the uncertainties in the global economies, which will have an impact on tourism and hospitality markets. • Less pricing power on room rates in order to maintain high occupancy and remain competitive.	• Neutral. While underlying drivers are clear, valuations for the stock are not compelling at the current price. • S$1.970 based on DDM (discount rate: 8.5%, terminal g: 2%)
Parkway Life REIT	ParkwayLife REIT offers stable distributions to its unit holders. Its exposure to the defensive healthcare sector leads to stable cashflows from the underlying assets. The REIT's Singapore hospital properties have CPI-linked rental revisions that would protect the real value of its income.	• Properties in Japan may be susceptible to natural disasters. However, they are less prone to earthquake as the property structures are seismic-proof (The risk is mitigated by property insurance).	• Accumulate. ParkwayLife REIT with resilient earnings and defensive model will continue to outperform amid the global economic slowdown. • S$2.330 based on DDM (discount rate: 6.3 %, terminal g: 1.5%)
Sabana S.C. Ind. Trust	We believe that Sabana REIT has a unique value proposition as the only Shari'ah Compliant REIT with Gulf Cooperation Council States (GCC) standards listed in Singapore. This would allow Sabana REIT access to Islamic equity markets as a source of funding. Its portfolio of industrial properties is at strategic locations in Singapore.	• Non-renewal of some master leases, upon expiry at the end of 2013, may result in lower occupancy. • Waning manufacturing sector may undermine demand on industrial space • Convertible Sukuk can be dilutive to shareholders	• Neutral. Sabana REIT is among the highest yielding S-REITS. • S$1.150 based on DDM (discount rate: 10.0%, terminal g: 1.2%)

Industrials (Capital Goods)			
SATS	We see SATS as a key beneficiary of Singapore Tourism Board's efforts to promote tourism in the country. Liberalization of airspace within ASEAN would drive aviation traffic at Changi Airport, where the company has an 80% share of the inflight catering and ground handling market. We believe that consistent dividend distribution is the key highlight of the stock. SATS is seeking to optimize its capital structure by using a more aggressive balance sheet.	• Decline in attractiveness of Changi Airport as an air hub • Inability to pass on higher food and staff cost • Competitive threat from 3rd ground handler ASIG	• Accumulate. We believe that SATS could perform well in the future, as the market begins to price in prospects of structurally higher dividend payout. • S$2.94 based on DCF (WACC: 8.6%, terminal g: 1%)
SIA Engineering Company	We believe that SIA Engineering Company (SIAEC) is a key beneficiary of the aviation growth story in the region. Over the next decade, a record number of planes would be delivered into the region and demand for maintenance work is expected to increase. We also expect SIAEC to benefit from the record aircraft orders by the SIA Group. Furthermore, we believe that the economic moats in its engine maintenance JVs have not been fully appreciated by the market and could be a source of upside to future earnings. The free cash generating nature of the business is a key feature of the stock.	• Decline in attractiveness of Changi Airport as an air hub • Structurally lower growth of the SIA group	• Buy. SIAEC is one of our top picks in the Singapore market. • S$5.00 based on DCF (WACC: 7.6%, terminal g: 2%)
ST Engineering	STE's strong order book of S$12.5bn (as of 30Sep12) provides good revenue visibility for the Group. STE offers a unique exposure to the defence industry of Singapore and is an anchor customer of the country's Defence Ministry. The Aerospace business is well positioned to benefit from the outsourcing trend of MRO work by airlines. The stock has a track record of paying out at least 90% of its profits to shareholders and is valued for its dividend yield.	• Forward integration by Aircraft & Engine OEMs • Reduction in defence budget for Singapore	• Accumulate. The global dash for yield is likely to drive up valuations for dividend plays like STE. Furthermore, expectations of a major US defence contract win could drive valuations higher. • S$3.96 based on a blended model of DCF (WACC: 7.3%, terminal g: 3.5%) & 22.8X P/E (FY12/13E).
Hu An Cable	China's sweet sector - power - contributes 50% of its customers. Moving towards HV and UHV cables in its product mix. A top-10 wire & cable manufacturer in China, but has under-performed its peers in 3Q12. Low copper price & project delays are affecting profits for the company.	• Poor copper price undermines profit, if fixed costs are not contained. • Project delays are another concern.	• Buy below S$0.116. RIV values it at S$0.203, but our target price is adjusted down by 24% from here for market's debt-obsession to S$0.164.

Sunpower Group	A heat-technologies based manufacturer that supplies to top energy & chemical customers in China and globally. Share price has been affected by a substantial shareholder that sold down from 11% to the current 6%. Current market obsession with debt-leverage also affects share price.	• Earnings fell in FY12, but not as badly as other sectors in China. Project non-acceptance (or delay) and bad debts are concerns.	• Buy at S$0.20 or under. RIV values it at S$0.274 but our target price is adjusted down by another 9% for market's debt-obsession to S$0.25.
Pan United Corp.	When playing the construction sector, why bet on individual contractors when you can bet on a dominant supplier? Pan United's Basic Building Materials (BBM) division, which commands a 29% and 33% market share in cement and ready mixed concrete in Singapore, would be an almost guaranteed exposure to a strong and visible pipeline of public works till estimated 2019 as Singapore struggles to close the infrastructure gap after a decade of population expansion. Its Ports & Logistics division has a 51.3% stake in a top 10 river port in China, Changshu-Xinghua Port. CXP has a compelling combination of location (Yangtze Delta, captive audience Suzhou-Wuxi-Changshu industrial region), depth (13.3m, 100k dwt), and size (1.7km berth, 1m sqm). Well utilized as testified by its near 50% ebitda margins, CXP should grow with China's economy. Potential catalyst if PU increases its stake as 38% owner Macquarie Infrastructure Fund has completed a strategic review.	• Global players in ready mixed concrete (Cemex, YTL) could enter the SG market aggressively and challenge Pan United's BBM dominance.	• Buy at S$0.71, target price S$0.88, based on forward 4.5% FY13 dividend yield and dividend raised to 4c. • We take the view that strong earnings growth in FY12, and earnings resilience into FY13, FY14 will, which convert strongly into free cash flows, will likely see dividends rise from 3.5c in FY11 to 4c in FY12 and FY13, translating to a 29.6% total return. • Management has strong track record of raising dividends with earnings, cash flows.

Industrials (Transportation)			
SIA	SIA faces competitive threats from the growth of Low Cost Carriers (LCC) at its home base. The SIA group has responded by introducing a long haul LCC, Scoot in mid 2012. SIA also holds a 33% stake in another LCC, Tiger Airways. We view this development positively as it would allow the group to tap into a wider market spectrum and is a credible response to competitive pressures at its home base. SIA could pay a special dividend with part of the proceeds from the sale of Virgin Atlantic.	• Value destroying acquisitions • Significant cannibalization of premium traffic by its LCCs	• Buy. SIA is currently trading at near crisis valuation on a P/B basis. While the outlook for SIA is not particularly exciting, we argue that negatives are already built into the price. • S$13.40 based on 1.2X P/B (FY13E).
Tiger Airways	The Group's international operations out of Singapore are well positioned for growth with the ongoing liberalization of airspace within Asia. However, its domestic operations in Australia face intense competition from incumbents and have rarely been profitable. We expect operational strength to improve in the year ahead as Tiger Airways recovers from the high profile grounding July 2011.	• Unsuccessful execution by JVs • Prolonged losses in Australia	• Sell. Tiger Airways is one of the most expensive airlines in the region on various valuation matrices. We opine that valuations are unjustifiably high given the lack of earnings visibility and challenging business outlook for the Group. • S$0.45 based on 1.7X P/B (FY13E)
NOL	Financial performance for NOL had been poor due to the oversupply of vessels in the container shipping industry. With the negative global trade outlook, we expect demand to be outpaced by supply growth in the near term. On the positive note, NOL is currently undergoing a restructuring exercise to improve its competitiveness. Rational competition by major industry players is likely to prevent a collapse of freight rates in 2013.	• Trade protectionism. • Chronic industry oversupply for the container shipping industry. • High level of orders for vessels stimulated by the record low new build prices.	• Accumulate. While the outlook for NOL appears challenging, we argue that negatives are already built into the price. • S$1.36 based on 1.05X P/B (FY13E)
SMRT	We expect SMRT's rail business to suffer from structurally lower profitability, following a series of high profile disruptions in Dec 2011. In the near term, we expect high CAPEX requirements to erode Free Cash generation. SMRT cut its dividend payouts in response to lower profits and we do not foresee dividend growth in the near term.	• Unfair fare review mechanism to operators. • Structurally higher maintenance expense.	• Sell. We believe that the stock of SMRT is unjustifiably pricey given the negative near term outlook for the group. • S$1.35 based on a blended model of DCF (WACC: 5.6%, terminal g: 0%) & 15X P/E (FY13/14E).

ComfortDelGro	We view ComfortDelGro's geographical and business diversity positively. While we have a negative view on the near term outlook for Singapore's fare based businesses, ComfortDelGro's exposure is relatively small at a quarter of sales and <5% of profits.	• Value destroying Mergers & Acquisitions. • Unfair fare review mechanism to operators.	• Buy. We expect stability and resilience of its earnings to be highly valued in times of macro uncertainty. • S$1.80 based on 15X P/E (FY12/13E)
Heng Yang Petrochemical	A leading storage & transportation provider (tanks & jetties) to PRC/MNC businesses in liquid petrochemicals. The company has present capacity of 265,000m^3. Expansion plans of >750,000m^3 have started. No major market transaction to excite. As newer capacity gets going, margins would be lower as depreciation is being absorbed. A rare asset, no doubt, but M&A activity is also lacking.	• Prolonged economic slowdown may affect earnings. • Debt squeeze would delay expansion plans. • Land permit delay. • Building contractor default. • Contractor fatality relating to site management.	• Buy. RIV values it at S$0.40, but our target price is adjusted down by another 33% for market's debt-obsession to S$0.27.
Technology & Communications			
SingTel	SingTel offers excellent exposure to the telecom sector with its diverse range of products and solutions. It is the largest telecommunications service provider in Singapore and has significant contributions from Optus in Australia. The group also holds strategic stakes in various regional mobile associates that offers geographical diversification and growth. SingTel is also leading the market with a shift to increase its digital presence.	• High levels of CAPEX from upcoming spectrum auction could be a drag to FCF • Foreign exchange exposure • Weak performance from regional mobile associates	• Neutral. Headwinds faced by some of its overseas subsidiaries and associates, including Globe and Bharti, are likely to weigh down on the stock. • S$3.06 based on Sum of the Parts valuation.
Starhub	Starhub is one of only three telecommunications service providers in Singapore. The healthy competitive landscape allows the company to enjoy high EBITDA margins and generate high levels of Free Cash Flows. The company has a strong Pay TV franchise and offers a wide variety of popular contents. We expect monetization of data usage to provide uplift to the sector's Average Revenue Per User (ARPU) in the next few years.	• High levels of CAPEX from upcoming spectrum auction could be a drag to FCF • Loss of Pay TV content to competitor	• Neutral. We expect the attractive dividend yields to support its current share price. • S$3.20 based on DCF (WACC: 8.3%, terminal g: 0%)

M1	M1 is one of only three telecommunications service providers in Singapore. The healthy competitive landscape allows the company to enjoy high EBITDA margins and generate high levels of Free Cash Flows. We expect monetization of data usage to provide uplift to the sector's Average Revenue Per User (ARPU) in the next few years. The lack of multiple product offering is likely to be M1's disadvantage against its local peers.	• High levels of CAPEX from upcoming spectrum auction could be a drag to FCF	• Neutral. We expect the attractive dividend yields to support current share price. • S$2.41 based on DCF (WACC: 8.1%, terminal g: 0%)

Singapore Market Sector Comparables

Company	Rating	FYE	Price	TP	Upside	Market	Ent.	Equity Multiple (X)						Dividend Yield (%)		
Market price as of:						Cap.	Value	Net Income			Book Value					
24-Dec-12					(%)	(US$'mn)	(US$'mn)	11	12E	13E	11	12E	13E	11	12E	13E
Commodities & Supply Chain Managers																
Golden Agri. Resources	Accumulate	Dec	0.65	0.68	5.4%	6,780	7,784	11.9	13.8	12.3	0.8	0.8	0.8	2.9%	2.4%	2.7%
Wilmar International	Accumulate	Dec	3.25	3.47	6.8%	17,022	31,695	11.2	16.8	13.5	1.3	1.2	1.1	1.9%	1.2%	1.5%
Consumer Goods																
Genting Singapore	Neutral	Dec	1.36	1.15	-15.1%	13,551	11,930	16.4	25.0	22.7	2.7	1.8	1.7	0.7%	0.7%	0.7%
Combine Will Int.	Buy	Dec	0.90	0.93	3%	24	75	4.6	4.9	2.8	0.3	0.3	0.3	0.0%	0.0%	0.0%
Banking & Finance																
DBS	Neutral	Dec	14.93	15.10	1.1%	29,790	n.m.	12.0	11.2	10.6	1.3	1.1	1.1	3.8%	3.8%	3.8%
OCBC	Reduce	Dec	9.77	8.30	-15.0%	27,445	n.m.	14.7	12.4	13.3	1.5	1.3	1.2	3.1%	3.3%	3.3%
UOB	Accumulate	Dec	19.73	20.95	6.2%	25,435	n.m.	13.4	11.4	10.9	1.4	1.2	1.2	3.0%	3.3%	3.3%
SGX	Neutral	Jun	7.00	6.77	-3.3%	6,129	5,508	24.6	24.9	22.1	9.0	8.9	8.7	3.9%	3.9%	4.1%
Property (Developers)																
Capitaland	Accumulate	Dec	3.69	3.97	7.6%	12,844	23,542	27.3	27.4	21.5	1.1	1.0	1.0	2.2%	1.1%	1.4%
Capitamalls Asia	Accumulate	Dec	1.94	1.93	-0.5%	6,176	7,976	55.5	26.9	36.6	1.2	1.2	1.1	1.5%	1.5%	1.5%
Ho Bee	Neutral	Dec	1.91	1.44	-24.4%	1,084	1,426	7.9	9.2	12.6	0.8	0.8	0.7	2.1%	1.0%	1.0%
Keppel Land	Neutral	Dec	4.07	3.28	-19.4%	5,147	6,557	7.7	14.1	19.6	1.1	1.1	1.0	4.9%	2.0%	2.0%
OUE	Neutral	Dec	2.80	2.83	1.1%	2,086	3,644	26.8	27.4	26.3	0.8	0.8	0.8	4.6%	1.8%	1.8%
SC Global	Neutral	Dec	1.95	1.80	-7.5%	662	1,913	6.1	33.7	16.8	1.2	1.2	1.1	1.0%	1.0%	1.0%
Stamford Land	Buy	Mar	0.58	0.76	32.2%	407	648	9.3	n.a.	n.a.	0.9	n.a.	n.a.	7.0%	n.a.	n.a.
SingXpress Land	Restricted	Mar	0.016	n.a.	n.a.	169	278	121.1	55.6	33.2	4.9	3.5	3.2	0.0%	0.0%	0.0%
Global Premium Hotels	Buy	Dec	0.255	0.305	19.6%	220	599	11.9	14.2	13.5	0.4	0.8	0.7	0.0%	5.5%	5.9%
Property (REITS)																
CDL Hospitality Trust	Neutral	Dec	1.89	1.97	4.5%	1,495	1,895	10.4	17.0	16.5	1.2	1.2	1.2	5.9%	6.0%	6.2%
ParkwayLife REIT	Accumulate	Dec	2.14	2.33	8.9%	1,060	1,462	12.7	21.2	20.0	1.4	1.4	1.4	4.5%	4.6%	4.9%
Sabana S.C. Ind. Trust	Neutral	Dec	1.12	1.15	2.7%	587	861	8.1	14.8	14.0	1.1	1.1	1.1	8.5%	7.9%	8.3%

Source: PSR est.
*12E refers to FYE Dec 2012, FYE Mar 2013, FYE Jun 2013

Singapore Market Sector Comparables (continued)

Company Market price as of: 24-Dec-12	Rating	FYE	Price	TP	Upside (%)	Market Cap. (US$'mn)	Ent. Value (US$'mn)	Equity Multiple (X) Net Income 11	 12E	 13E	 Book Value 11	 12E	 13E	Dividend Yield (%) 11	 12E	 13E
Industrials (Capital Goods)																
SATS	Accumulate	Mar	2.91	2.94	1.0%	2,645	2,616	18.2	17.1	16.3	2.1	2.3	2.2	8.9%	5.2%	5.5%
SIA Engineering	Buy	Mar	4.42	5.00	13.1%	3,992	3,662	18.1	17.7	16.6	3.9	3.7	3.6	4.8%	5.0%	5.0%
ST Engineering	Accumulate	Dec	3.85	3.96	2.9%	9,709	9,258	22.5	21.3	20.6	6.7	6.3	6.0	4.0%	4.2%	4.4%
Hu An Cable	Buy	Dec	0.11	0.164	47.7%	78	102	2.8	6.7	3.2	0.4	0.4	0.4	6.3%	6.3%	6.3%
Sunpow er Group	Buy	Dec	0.20	0.25	28%	53	98	3.6	5.4	4.1	0.7	0.6	0.5	1.5%	1.5%	1.5%
Pan United Corp.	Buy	Mar	0.71	0.88	24%	322	348	13.0	8.9	8.1	1.3	1.2	1.1	4.9%	5.6%	5.6%
Industrials (Transportation)																
SIA	Buy	Mar	11.00	13.40	21.8%	10,554	7,434	37.8	24.3	16.6	1.0	1.0	1.0	1.8%	1.5%	2.7%
Tiger Airw ays	Sell	Mar	0.71	0.45	-36.6%	477	797	(5.9)	(18.4)	29.6	2.3	2.7	2.5	0.0%	0.0%	0.0%
NOL	Accumulate	Dec	1.13	1.36	20.4%	2,394	5,267	(5.0)	(8.2)	9.1	0.9	1.1	0.9	0.0%	0.0%	3.5%
SMRT	Sell	Mar	1.69	1.35	-20.1%	2,105	2,128	21.4	19.0	18.7	3.2	3.1	3.0	4.4%	4.1%	4.4%
ComfortDelGro	Buy	Dec	1.76	1.80	2.6%	3,020	3,622	15.7	14.8	14.6	1.9	1.8	1.7	3.4%	3.7%	3.8%
Heng Yang Petrochem.	Buy	Dec	0.20	0.27	37%	33	47	12.8	5.0	3.6	0.7	0.5	0.4	0.0%	0.0%	0.0%
Technology & Communications																
SingTel	Neutral	Mar	3.32	3.06	-7.8%	43,345	49,640	14.4	14.1	12.6	2.3	2.2	2.1	4.8%	4.8%	5.1%
Starhub	Neutral	Dec	3.78	3.20	-15.3%	5,310	5,564	20.6	19.4	18.0	n.m.	n.m.	n.m.	5.3%	5.3%	5.3%
M1	Neutral	Dec	2.70	2.41	-10.7%	2,019	2,219	15.0	15.8	14.2	7.6	7.0	6.2	5.4%	5.4%	5.6%

Source: PSR est.
*12E refers to FYE Dec 2012, FYE Mar 2013, FYE Jun 2013

Straits Times Index Comparables

Company Market price as of: 24-Dec-12	Rating	Price (LC)	TP	Upside (%)	Market Cap. (US$'mn)	Ent. Value (US$'mn)	Equity Multiple (X) Net Income 11	12E	13E	Equity Multiple (X) Book Value 11	12E	13E	Dividend yield (%) 11	12E	13E
Commodities & Supply Chain Managers															
Golden Agri. Resources	Accumulate	0.65	0.68	5.4%	6,780	7,784	11.9	13.8	12.3	0.8	0.8	0.8	2.9%	2.4%	2.7%
Wilmar International	Accumulate	3.25	3.47	6.8%	17,022	31,695	11.2	16.8	13.5	1.3	1.2	1.1	1.9%	1.2%	1.5%
Olam International	N.R.	1.56			3,044	8,841	13.4	9.8	7.8	2.7	1.1	1.0	1.8%	3.0%	3.8%
Noble Group	N.R.	1.17			6,220	10,705	12.8	12.3	9.5	1.2	1.2	1.1	1.9%	2.1%	2.8%
Consumer Goods															
Genting Singapore	Neutral	1.36	1.15	-15.1%	13,551	11,930	16.4	25.0	22.7	2.7	1.8	1.7	0.7%	0.7%	0.7%
Banking & Finance															
DBS	Neutral	14.93	15.10	1.1%	29,790	n.m.	12.0	11.2	10.6	1.3	1.1	1.1	3.8%	3.8%	3.8%
OCBC	Reduce	9.77	8.30	-15.0%	27,445	n.m.	14.7	12.4	13.3	1.5	1.3	1.2	3.1%	3.3%	3.3%
UOB	Accumulate	19.73	20.95	6.2%	25,435	n.m.	13.4	11.4	10.9	1.4	1.2	1.2	3.0%	3.3%	3.3%
SGX	Neutral	7.00	6.77	-3.3%	6,129	5,508	24.6	24.9	22.1	9.0	8.9	8.7	3.9%	3.9%	4.1%
Property (Developers)															
Capitaland	Accumulate	3.69	3.97	7.6%	12,844	23,542	27.3	27.4	21.5	1.1	1.0	1.0	2.2%	1.1%	1.4%
Capitamalls Asia	Accumulate	1.94	1.93	-0.5%	6,176	7,976	55.5	26.9	36.6	1.2	1.2	1.1	1.5%	1.5%	1.5%
GLP	N.R.	2.73			10,634	14,231	6.3	26.6	23.5	1.0	1.3	1.2	0.0%	1.1%	1.1%
City Developments	N.R.	12.92			9,620	12,847	10.3	19.7	17.4	1.2	1.6	1.5	0.9%	1.0%	1.1%
HK Land (US$)	N.R.	7.00			16,470	19,648	2.0	23.5	19.7	0.4	0.7	0.6	3.5%	2.3%	2.4%
Property (REITS)															
CapitaMall Trust	N.R.	2.12			6,000	8,235	14.2	23.6	21.6	1.1	1.3	1.3	5.5%	4.6%	4.9%
Industrials (Capital Goods)															
SIA Engineering	Buy	4.42	5.00	13.1%	3,992	3,662	18.1	17.7	16.6	3.9	3.7	3.6	4.8%	5.0%	5.0%
ST Engineering	Accumulate	3.85	3.96	2.9%	9,709	9,258	22.5	21.3	20.6	6.7	6.3	6.0	4.0%	4.2%	4.4%
Keppel Corp	N.R.	10.84			15,954	22,767	11.1	10.0	12.5	2.2	2.2	2.1	4.6%	4.4%	4.2%
SembCorp Industries	N.R.	5.26			7,692	8,849	8.9	12.6	11.6	1.8	2.1	1.8	4.2%	3.1%	3.3%
SembCorp Marine	N.R.	4.60			7,863	7,180	10.6	17.3	14.8	3.3	3.8	3.4	2.9%	3.7%	4.0%
Conglomerates															
SPH	N.R.	4.05			5,289	5,758	15.8	17.1	16.7	2.7	2.9	2.9	4.2%	5.9%	6.0%
FNN	N.R.	9.69			11,425	13,760	9.3	18.3	16.2	1.2	1.8	1.7	3.1%	2.2%	2.4%
Jardine Matheson (US$)	N.R.	62.86			42,152	72,786	4.9	14.7	12.8	1.0	1.5	1.4	2.5%	2.1%	2.3%
Jardine Strategic (US$)	N.R.	35.85			40,157	66,966	4.4	13.3	11.5	0.9	1.1	1.1	0.8%	0.7%	0.8%
Jardine C&C	N.R.	48.10			14,011	24,306	12.8	13.4	11.4	3.0	n.a.	n.a.	3.3%	3.0%	3.4%
Industrials (Transportation)															
SIA	Buy	11.00	13.40	21.8%	10,554	7,434	37.8	24.3	16.6	1.0	1.0	1.0	1.8%	1.5%	2.7%
ComfortDelGro	Buy	1.76	1.80	2.6%	3,020	3,622	15.7	14.8	14.6	1.9	1.8	1.7	3.4%	3.7%	3.8%
Technology & Communications															
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Starhub	Neutral	3.78	3.20	-15.3%	5,310	5,564	20.6	19.4	18.0	n.m.	n.m.	n.m.	5.3%	5.3%	5.3%
Healthcare															
IHH Healthcare	N.R.	1.36			8,938	9,612	n.a.	50.0	37.4	n.a.	1.6	1.5	n.a.	0.1%	0.2%
Sector average							**15.6**	**18.8**	**16.9**	**2.1**	**2.1**	**2.0**	**3.0%**	**2.8%**	**3.0%**

Source: PSR, Bloomberg consensus

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