Singapore

Overweight *(no change)*

Highlighted Companies

CDL Hospitality Trust
ADD, TP S$1.80, S$1.67 close

CDLHT is the bellwether hospitality stock and our preferred pick in the sub-sector. We expect stronger DPU growth in 2019F, driven by recovery of Singapore RevPAR and resumption of growth at Orchard Hotel and Raffles Maldives Meradhoo Resort (RMMR).

Suntec REIT
ADD, TP S$2.06, S$1.89 close

We like SUN for its improved retail performance and upcoming office lease expiries that would enable the trust to leverage on the rising office rental trend.

Summary Valuation Metrics

P/E (x)	Dec-18A	Dec-19F	Dec-20F
CDL Hospitality Trust	18.66	20.52	19.47
Suntec REIT	16.85	24.66	24.09
P/BV (x)	**Dec-18A**	**Dec-19F**	**Dec-20F**
CDL Hospitality Trust	1.09	1.10	1.11
Suntec REIT	0.91	0.92	0.93
Dividend Yield	**Dec-18A**	**Dec-19F**	**Dec-20F**
CDL Hospitality Trust	5.54%	5.69%	5.82%
Suntec REIT	5.28%	5.40%	5.43%

REIT

More room to run

- Despite the YTD +7% outperformance, we still expect more room to run for SREITs in the benign interest rate environment ahead.
- We project stronger DPU growth of 1.3% in 2019F and 2.0% in 2020F with office segment offering the strongest expansion.
- Our strategy now is to go for laggard with value such as Suntec REIT and keeping our liking for CDREIT. Maintain Overweight.

Maintain Overweight on SREITs

SREITs have outperformed the FSSTI index, rising 7.4% YTD, with large caps leading the way. We continue to be constructive on SREITs, post the sector's 4QCY18 results announcements, given the benign interest rate outlook environment. In addition to offering a decent 272bp spread over the Singapore risk free rate, the potentially slower pace of interest rate hike is also supportive of earnings, with potential upside surprise, as well as enabling SREITs to explore acquisition growth opportunities.

Stronger DPU growth outlook for 2019F

We project SREIT DPUs to grow 1.3% in 2019F and 2.0% in 2020F, stronger than the 0.5% achieved in 2018. We expect this to be achieved through a combination of positive rental growth as well as contributions from new acquisitions made in the previous year. We expect all sub-segments to experience DPU expansion, with the strongest coming from office, retail, hospitality and industrial. Our current estimates have not factored in any potential new purchases.

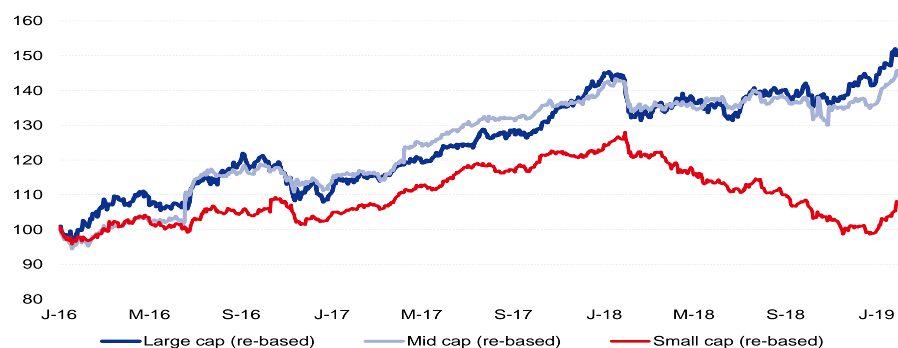
Maintain preference for office and hospitality

In terms of sub-sectors, we continue to like office, hospitality, retail and industrial, in this order. We expect the office sector to face the tightest supply crunch over 2019F/2020F, with 0.9m/1.3m sq ft of new supply. We remain upbeat on the hospitality sector in view of the limited new inventory. We are encouraged by the improvement in revenue per available room (Revpar) of hospitality trusts in 4Q18 as an indicator of digestion of the huge influx of new rooms in the previous year. Within industrial, we like the business park segment as a beneficiary of spillover demand from the tight office market.

Prefer laggards with value

Our strategy would be to look for laggards after the recent sharp price run-up. Our top SREIT picks are SUN and CDREIT. We like SUN for its improved retail performance as well as ability to leverage on the rising office rental market given that a good proportion of its leases are due to be re-contracted in 2019F and 2020F. We like CDREIT for its stronger 2019F DPU growth, which is likely to be back-loaded, coming from the completion of asset enhancement initiatives (AEIs) at Orchard Hotel and the rebranding of Raffles Maldives Meradhoo Resort. We have moved MCT ahead of CT on valuation grounds and in anticipation of potential earnings upside from new acquisitions. Key risks to our call include a resumption of faster-than-expected interest rate hike and escalation in trade war concerns which would dampen growth outlook.

Figure 1: Relative performance of large, mid and small cap SREITs



SOURCES: CGS-CIMB RESEARCH, COMPANY

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More room to run

SREITs outperformed FSSTI YTD

FSTREI has outperformed the broader stock market, up 7.4% against the 4.5% appreciation in the broader FSSTI index, buoyed by improved market sentiment on a more dovish interest rate hike environment. SREITs are trading at c.4.9% 12M forward dividend yield and at 1.06x P/BV, which is about midway between the average and +1 s.d. bands.

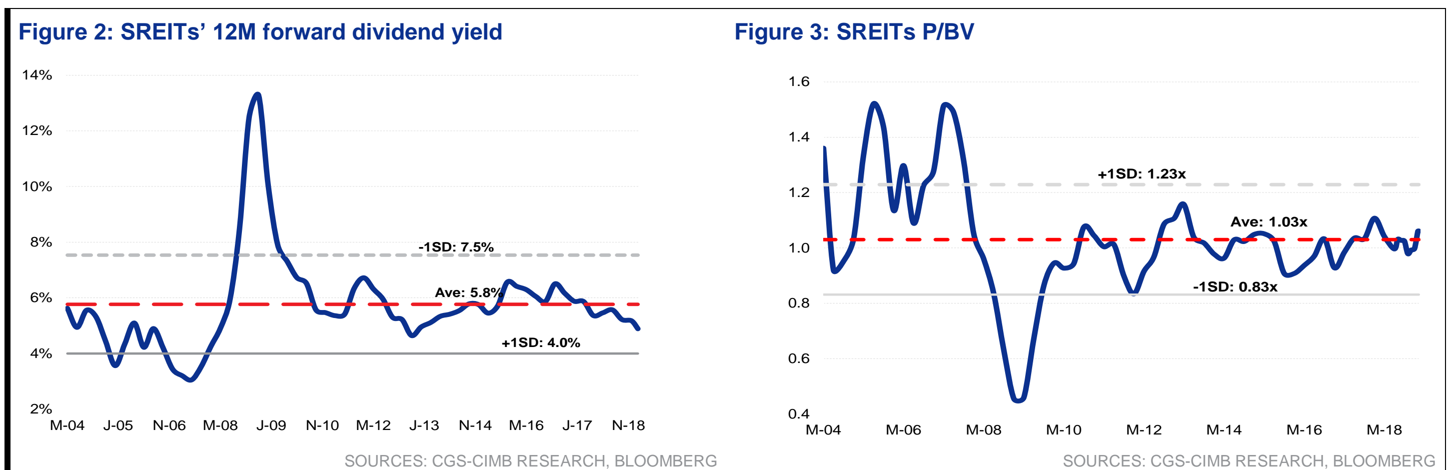


Figure 2: SREITs' 12M forward dividend yield

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 3: SREITs P/BV

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Highlights from recent 4QCY18 results

Positive trends

Office spot rents continue to rise, upbeat sentiment filtering to business parks segment. Most office SREITs reported positive rental reversion, in tandem with the rising spot market. This has begun to boost average portfolio rents. The improved office leasing market has begun to filter into the prime business parks segment with MCT reporting positive high single-digit rental reversion for Mapletree Business City 1 (MBC1).

Stronger positive reversion for retail SREITs. Latest results showed that rental reversions were encouraging, with SPH REIT delivering the strongest rental reversion of 9.7% in Sep-Nov 2018. This was followed by FCT (+6.9% in 4Q18) and Vivocity (+4% in Apr-Dec 2018). CMT's Westgate reported its first positive rental reversion in 4QCY18, with a full-year rental reversion of +0.6% vs. -0.5% in 9M18. Most of the other assets under CMT reported +1 to +3% rental reversions.

Stronger Revpar performance in 2H18. The hospitality REITs reported more encouraging RevPAR performance during 4Q18. Generally, RevPAR growth was stronger on a qoq basis, thanks to strong demand in Oct and easing competition in the industry as the new hotels filled up their occupancy. While the REITs' RevPAR performance was weaker than the industry's RevPAR performance (11M18 +2.3%, Oct-Nov 2018 +5.2% yoy on average), we understand that they outperformed their close competitors in their respective segments. In 4Q18, ART and CDLHT's declared higher-than-expected capital distributions from the previous divestments, beating our full-year DPU forecasts.

Operationally better, new supply tightening. Industrial SREITs' DPU growth was mainly driven by contributions from new acquisitions and AEI completions. Occupancies and rental reversions generally improved qoq. New supply in the next three years remains tight, especially in the business park sub-segment.

New business park supply of 44k sq m in 2019F and 63k sq m in 2020F are significantly lower than the past three years' average of 89k sq m; the spaces have also been 100% pre-committed.

Overall funding costs remained stable. The latest results showed that SREITs' overall all-in funding costs have remained stable qoq and have not significantly changed from a year ago as higher base rates (owing to rising SIBOR or SOR rates) are offset by narrower spreads.

Negative trends

Some income volatility from office relocations. While office SREITs' committed portfolio occupancy remained high for 2018, above industry average, the relocation of some major tenants resulted in some income volatility while the spaces are back-filled. This was partly offset by tenant compensations.

Cautious retail spending. While tenant sales were generally positive for the REITs, except FCT and MCT due to changes in tenant mix and ongoing AEI, respectively, tenant sales growth lagged behind shopper traffic growth which indicates that consumers are still cautious about spending.

Slower China and Indonesian tourist arrivals. Tourist arrivals from China and Indonesia slowed substantially in Nov 2018 while 11M18 industry RevPAR grew slower-than-expected, at 2.3% yoy, as it took longer than expected for the high supply over the past few years to be digested. However, we note that the weaker tourist arrivals from China and Indonesia in Nov did not affect the REITs' performance. In fact, they see consistent demand from tourists in these two countries. We believe the RevPAR should continue to improve in 2019F on the back of lower supply and as the effect of pricing pressure from the new hotels eases.

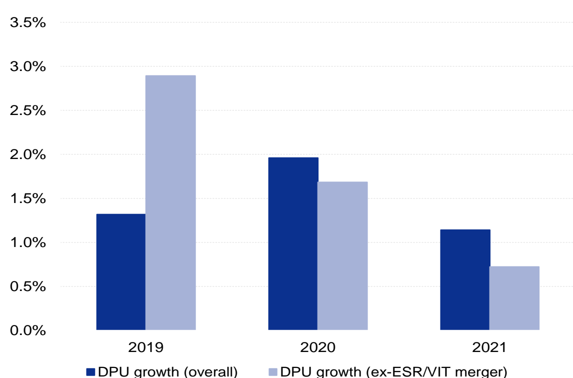
Two-tier recovery, trade concerns delay decisions. Older and lower specification properties are still experiencing occupancy weakness as the flight to quality continues. Though there was an improvement, rental reversions generally remained negative as REITs continue to have lower pricing power as they focus more on filling up vacancies. Tenants have also been delaying tenancy decisions as they wait out the US-China trade war uncertainties.

Going into 2019….

Stronger DPU growth projection for 2019F

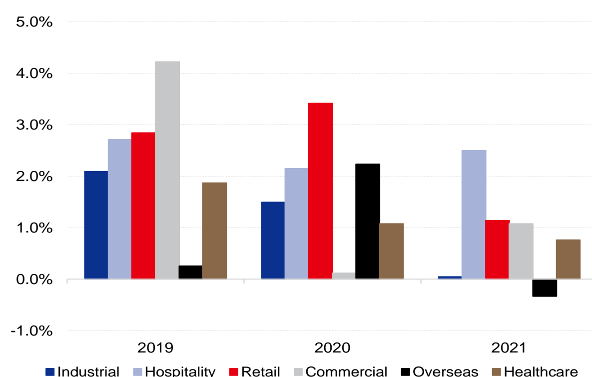
Following the recent round of post results earnings updates, we project SREITs to chalk DPU growth of 1.3% in 2019F and 2.0% in 2020F, up from 0.5% in 2018, with the strongest coming from office, retail, hospitality and industrial sub-sectors. This, we believe, would be underpinned by organic rental improvements as most sub-sectors (except selected industrial segments) move past supply indigestion, as well as by acquisition growth.

Figure 4: SREITs' DPU growth



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 5: SREITs' DPU growth by sub-sector



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

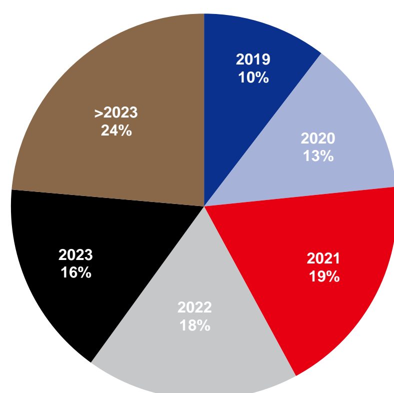
Robust balance sheet

SREITs' balance sheets remain healthy, with gearing ticking down qoq to 36.9% in 4Q18 post the latest round of asset revaluations. In addition to a small 10% and 13% of SREIT debts maturing in 2019F and 2020F, c.82% of total SREIT debts are on fixed rate basis. This should largely insulate SREITs' earnings from interest rate hikes.

Anecdotal evidence also showed that average funding costs for SREITs have also remained relatively unchanged on a qoq basis in 4Q18 and remained stable from a year ago.

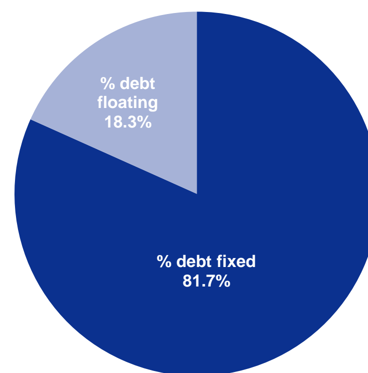
We expect SREITs to actively explore inorganic growth opportunities, both in Singapore and overseas, from both third-parties as well as their respective sponsor's pipeline. MLT has articulated that it is still keen on its sponsors' assets in China while MCT and FCT could be close to tapping their sponsors' pipeline in Singapore.

Figure 6: SREITs' debt expiry profile



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 7: SREITs' fixed vs. floating rate debt



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 8: Comparison of overall debt cost of SREITs

SREIT	3QCY17	3QCY18	4QCY18
Office			
CCT	2.60%	2.60%	2.60%
FCOT	3.04%	3.02%	2.97%
KREIT	2.62%	2.80%	2.81%
SUN	2.62%	2.86%	2.82%
OUECT	3.50%	3.50%	3.50%
Retail			
CT	3.20%	3.10%	3.10%
FCT	2.40%	2.60%	2.70%
MCT	2.73%	2.93%	2.95%
SPHREIT	2.84%	2.85%	2.80%
SGREIT	3.12%	3.28%	3.29%
Industrial			
AAREIT	3.60%	3.60%	3.60%
AREIT	2.90%	3.00%	3.00%
CACHE	3.56%	3.66%	3.81%
EREIT	3.55%	3.76%	3.81%
FLT	2.80%	2.50%	2.40%
KDCREIT	2.20%	1.90%	1.90%
MINT	2.90%	3.00%	2.90%
MLT	2.30%	2.50%	2.70%
SBREIT	3.20%	3.42%	3.52%
Hospitality			
ART	2.40%	2.30%	2.30%
CDREIT	2.10%	2.40%	2.40%
FEHT	2.50%	2.60%	na
OUEHT	2.50%	2.60%	2.50%
FHT	2.80%	2.40%	2.50%
Healthcare			
FIRT	4.00%*	4.46%	3.84%
PREIT	1.00%	0.94%	0.97%
Overseas S-REITs			
CRCT	2.48%	2.67%	2.73%
LMRT	6.46%	5.77%	na
MAGIC	2.69%	2.48%	2.49%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 9: SREITs' TP sensitivity to changes in risk free rate, beta and growth

REIT	Share Price (S$)	Current TP (S$)	SG Rfr	Blended Rfr	Beta (x)	Terminal Growth	Changes to TP (SG Rfr - 0.1%)	Changes to TP (Blended Rfr -0.1%)	Changes to TP (Beta - 0.05x)	Changes to TP (Terminal Gr. +0.1%)
Hospitality										
Ascott Residence Trust	1.16	1.13	2.7%	2.0%	0.70	1.5%	0.9%	2.7%	7.1%	0.9%
CDL Hospitality Trust	1.67	1.64	2.7%	2.3%	0.85	3.0%	1.2%	1.8%	5.5%	2.4%
Far East Hospitality Trust	0.66	0.68	2.5%	2.5%	1.00	2.5%	1.4%	1.4%	4.4%	1.4%
OUE Hospitality Trust	0.71	0.85	2.5%	2.5%	1.00	2.5%	2.3%	2.3%	4.7%	1.2%
Industrial										
Ascendas Reit	2.74	2.83	2.7%	2.6%	0.89	2.4%	1.4%	1.8%	5.3%	1.4%
Cache Logistics Trust	0.72	0.74	2.7%	2.7%	1.00	1.3%	1.1%	1.1%	3.8%	1.4%
ESR Reit	0.52	0.62	2.7%	2.7%	0.95	1.5%	1.4%	1.4%	3.0%	1.4%
Frasers Ind & Log Trust	1.09	1.19	0.0%	2.1%	0.85	2.3%	0.0%	1.7%	5.9%	1.7%
Keppel DC Reit	1.45	1.51	2.7%	2.1%	0.80	2.5%	0.7%	2.0%	6.0%	2.0%
Mapletree Industrial	2.01	2.13	2.7%	2.7%	0.89	2.3%	1.4%	1.4%	4.7%	1.4%
Mapletree Logistics	1.39	1.44	2.7%	2.4%	0.80	3.6%	0.6%	1.3%	6.2%	2.0%
Office										
Capitaland Commercial Trust	1.89	1.94	2.7%	2.6%	0.80	2.5%	2.0%	2.0%	5.6%	1.5%
Frasers Commercial Trust	1.51	1.50	2.7%	2.7%	0.90	2.5%	0.7%	1.3%	4.7%	1.3%
Keppel Reit	1.19	1.34	2.7%	2.7%	0.80	3.4%	1.5%	2.2%	6.7%	2.2%
OUE Commercial Trust	0.51	0.57	2.7%	2.8%	0.80	2.5%	1.8%	1.8%	5.3%	1.8%
Suntec REIT	1.89	2.06	2.7%	2.7%	0.80	2.9%	1.9%	1.9%	5.8%	1.9%
Retail										
Capitaland Mall Trust	2.37	2.29	2.7%	2.7%	0.80	2.3%	2.2%	2.2%	5.7%	1.7%
Frasers Centrepoint Trust	2.26	2.35	2.7%	2.7%	0.80	2.5%	2.1%	2.1%	5.5%	1.7%
Mapletree Commercial Trust	1.81	1.90	2.7%	2.7%	0.85	2.7%	0.5%	0.5%	3.6%	1.2%
SPH Reit	1.02	1.02	2.7%	2.7%	0.80	2.0%	2.0%	2.0%	4.9%	2.0%
Starhill Global Reit	0.71	0.75	2.7%	2.8%	0.85	1.4%	1.3%	2.6%	5.3%	1.7%
Overseas										
LMRT	0.25	0.27	0.0%	6.9%	0.80	2.0%	0.0%	1.1%	1.1%	0.7%
Mapletree North Asia Commercial	1.25	1.32	0.0%	2.4%	0.70	2.7%	0.0%	0.7%	6.7%	1.4%
Healthcare										
First Reit	1.11	1.20	2.7%	2.7%	0.90	1.8%	0.1%	0.1%	3.5%	0.1%
Parkway Life Reit	2.80	3.05	2.7%	1.6%	0.70	2.4%	1.3%	2.3%	7.5%	2.3%

SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Strategy and stock selection

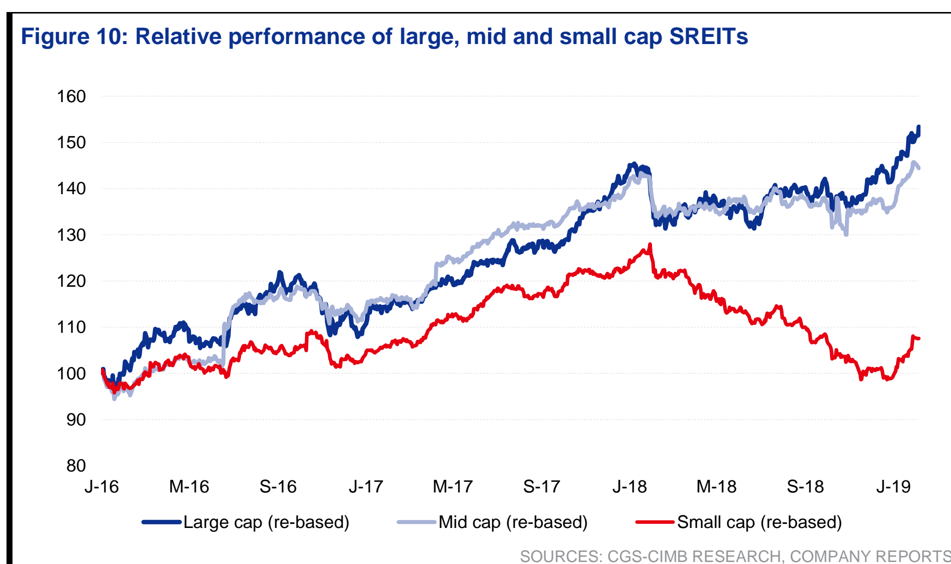
SREITs have outperformed YTD, led by the large and selective mid cap SREITs, while the smaller cap SREITs have lagged behind. We continue to like SREITs as we expect their share prices to continue outperforming the broader market in the more benign interest rate environment. Given the outperformance of large cap and selective mid-cap SREITs, we switch our preference to the laggards. We revise our top SREIT pick to SUN (Add, TP S$2.06) and maintain our liking for CDREIT (Add, TP S$1.80).

With 8.2% and 17.6% of its office NLA due to be re-contracted in FY19F and FY20F, respectively, we believe SUN is well placed to leverage on the rising office rental trend. In addition, it plans to explore acquisition opportunities, particularly within its current geographic footprint. Furthermore, management has signaled its medium-term intention to manage down the proportion of capital distribution, which we believe would be viewed positively by investors when that materialises.

CDLHT remains our top pick for the subsector given that it is a bellwether for Singapore's hospitality stocks and we project a stronger DPU growth of 2.5% in 2019F (vs. 0.4% in 2018), driven by the reopening of its repositioned Dhevanafushi Maldives Luxury Resort (DMLR), completion of AEI in Orchard Hotel, a full year's contribution from the acquisition of Hotel Cerretani Florence, Italy, and a recovery in the hotel industry in Singapore. We maintain our Add rating, with a higher TP of S$1.80.

We retain our sub-sector rankings of office, hospitality, retail and industrial, in this order of preference. For investors who want exposure to retail SREITs, we would advocate switching to MCT ahead of CT, given the former's potential acquisition catalysts. Within the office segment, we move SUN ahead of CCT, in view of the latter's share price run-up. For industrial SREITs, we continue to like MLT for its diversified portfolio.

Figure 10: Relative performance of large, mid and small cap SREITs



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Office – upcycle intact

Positive reversion effect filtering in

Office REITs generally reported in-line 4Q18, with positive outlook for 2019F remaining intact. Evidence of positive rental reversion have become clearer with all listed office REITs reporting higher signing rents, particularly in the CBD area and narrowing spread on any remaining negative rental reversion.

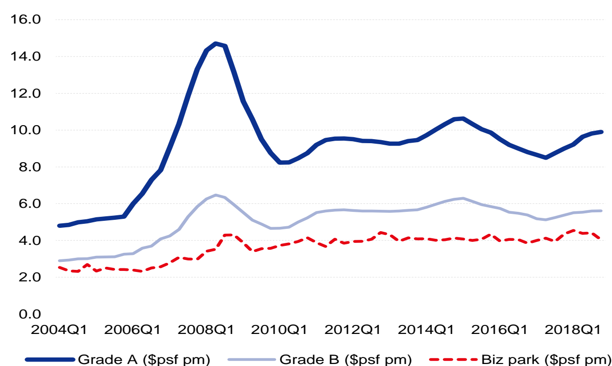
Office SREITs such as KREIT, SUN (office) and MCT (office) reported positive rental reversions for their lease renewals/reviews for 4Q and FY18. While CCT and OUECT did not indicate specific numbers, OUECT's management indicated that its reversions had been positive and average portfolio rents have improved on a qoq basis. For CCT, its signing rents have increased qoq although average portfolio rent dipped qoq as earlier leases signed at lower rents started to work into the portfolio average.

Figure 11: Office SREITs rental reversion and portfolio occupancy as at 4Q18

SREIT	Avg 2018 signing rents (S$psf)	FY18 rental reversion (%)	Portfolio occupancy (%)
CCT	9.35-13.50	na	99.4
KREIT	11.10	+12.9	98.4
SUN Spore office	9.36 (4Q18)	+10.0	98.7
MCT office	na	+8.7	95.9
OUECT	7.80-14.20 (4Q18)	na	94.7

SOURCES: CGS-CIMB RESEARCH, URA

Figure 12: Rental performance by segment



SOURCES: CGS-CIMB RESEARCH, URA

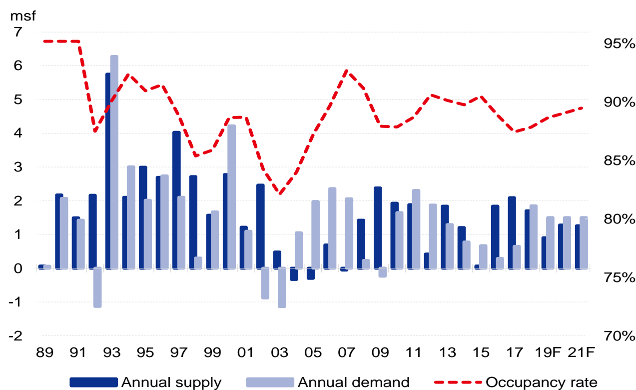
Limited new supply to continue to bolster rents

According to Urban Redevelopment Authority (URA) statistics, office rents by signing dates have continued to trend up in 4Q18 and we expect this to be reflected in higher actual portfolio average rents when these leases become effective.

In addition, demand for office space remained robust. Based on URA statistics, net absorption of office space totalled 1.85m sq ft for 2018, above our expectation of 1.2m sq ft. This compared with a net new supply of 1.7m sq ft. As a result, island-wide vacancy slipped to 12.1% at end-2018 from 12.6% a year ago. With limited new supply coming onstream over the next 2-3 years, we expect the office leasing sector to remain upbeat. We project office rents to rise an average 5% in 2019F after clocking in 7.4% expansion in 2018 (+7.9% Central Area, +3.8% fringe area) and up 12.8% since the trough in 2Q17.

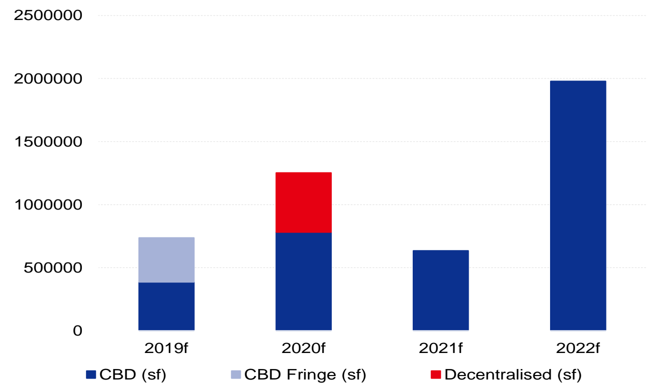
Looking ahead, medium-term supply of new office space remained constrained, particularly in the CBD area. There is less than 1m sq ft of new supply coming onstream in 2019F and a further 1.25m sq ft in 2020F. This should continue to support rental growth, albeit at a more modest pace, in tandem with the slower economic growth outlook. We expect office rents to continue trending up in 2019F to the tune of a further 5% yoy.

Figure 13: Demand, supply and occupancy of office space



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

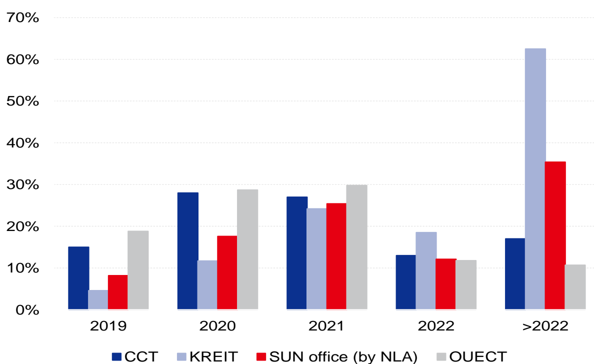
Figure 14: Schedule of office completions



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Over 2019-2020F, CCT and OUECT have a greater proportion of % their income to be renewed/reviewed. This will enable the trusts to leverage on the current rental upcycle. CCT has 43% of its office rental while OUECT has 47.5% of its income to be renewed over this period. OUECT's renewals are largely at One Raffles Place and OUE Downtown office, which was contracted during the previous cycle low. As such, we anticipate the positive reversion effect to continue to boost earnings.

Figure 15: Lease renewal/review profile



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 16: Office asking rents by location

Asking rents (S$psf/mth)	3Q18	1Q18	3Q17	1Q17	3Q16
Raffles Place/New Downtown	6.50-14.00	6.50-14.00	6.80-12.00	7.00-14.00	6.50-14.00
Robinson Rd/Shenton Way	7.00-11.50	5.50-10.00	5.50-9.50	5.20-10.50	5.50-9.50
Tanjong Pagar	3.70-13.00	4.50-8.80	4.50-11.00	5.50-11.00	5.30-11.00
City Hall/Marina Centre/Beach Rd	5.30-14.80	4.50-13.80	4.50-12.00	6.00-11.00	5.50-12.50
Orchard Rd/Dhoby Ghaut	4.50-12.50	5.00-10.50	3.80-11.00	4.30-10.50	4.80-12.00
Chinatown/River Valley	5.50-8.00	5.80-9.20	5.50-9.20	5.50-8.00	5.50-8.00
Edge of CBD	4.20-8.50	5.50-8.00	4.20-9.00	4.40-7.50	5.00-9.00
West/others	3.55-8.50	3.55-7.50	5.20-8.00	4.50-8.00	5.90-7.50
East	3.50-8.50	3.70-7.50	4.80-6.50	5.20-6.50	4.90-6.50

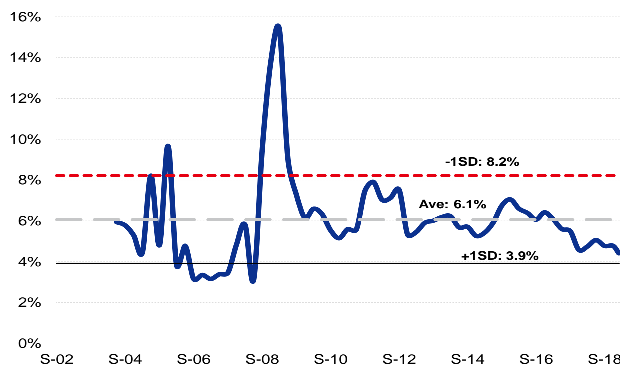
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Remain upbeat on office SREITs

We retain our Overweight rating on office SREITs as sector fundamentals remain intact post the 4Q18 financial results announcements. Office SREITs have performed well, in tandem with the overall SREIT outperformance post the more dovish US Fed Fund rate outlook. Office SREITs are currently trading at 0.96x P/BV and at an average 4.4% dividend yield, or about 13% from the +1 s.d. yield of 3.9%.

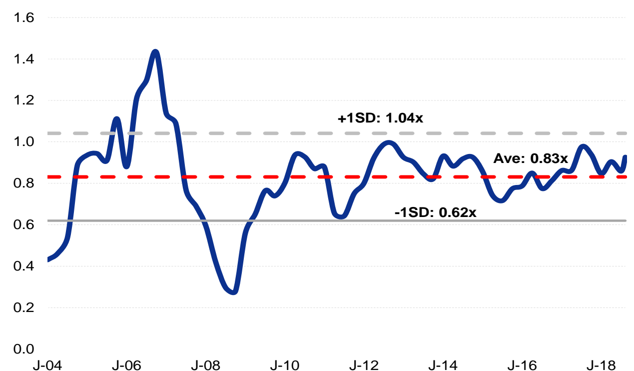
In terms of stock preferences, we continue to like CCT and SUN for their better leverage to the rising rental market through their lease renewals. For FCOT, we await confirmation of new take up at Alexandra Technopark which should boost the building's occupancy to almost 100%. This will provide significant upside to our current earnings forecasts and target price for the company.

Figure 17: Office SREITs, sector yield



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 18: Office SREITs' P/BV



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Hospitality - recovery to gain momentum

ART and CLDHT's 4Q2018 DPU beat forecasts

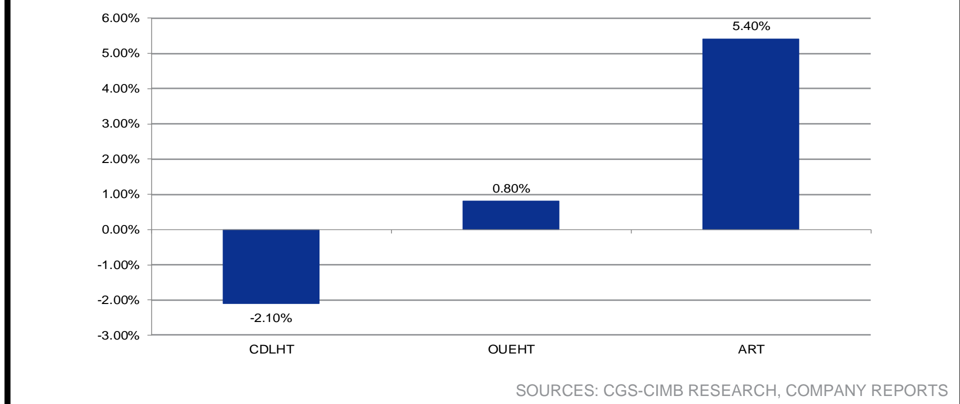
With the exception of Far East Hospitality Trust (FEHT), all hospitality REITs under our coverage have released their 4QCY18 results. Both Ascott Residence Trust (ART) and CDL Hospitality Trust (CDLHT) beat our 4QCY18 DPU forecasts as the trusts declared higher-than-expected capital distribution from divestments. In Jan 2018, ART divested Citadines Biyun Shanghai and Citadines Gaoxin Xi'an while CDLHT disposed of Mercure Brisbane and Ibis Brisbane.

Aside from capital distribution, ART's 5.4% yoy DPU growth in 4QFY18 was the result of additional revenue from the full-quarter contribution of Ascott Orchard Singapore, which was acquired on 10 Oct 2017, and higher gross profit from Germany (due to higher variable rent earned by Madison Hamburg), China (due to lower operating expenses), Japan (due to higher corporate and leisure demand in Tokyo, which offset the keen competition from new supply in Kyoto) and USA (due to higher revenue from the refurbished apartments at Sheraton Tribeca New York and stronger market demand).

As for CDLHT, the weaker yoy 4Q2018 DPU was mainly the result of the full closure of Dhevanafushi Maldives Luxury Resort (DMLR) and the absence of revenue contribution from Mercure Brisbane and Ibis Brisbane, which were divested on 11 Jan 2018.

OUEHT's 4QFY18 DPU performance was in line with our forecast. Overall NPI declined yoy due to weaker banquet sales and revenue from Mandarin Gallery although RevPAR from both Mandarin Orchard Singapore (MOS) and Crown Plaza Changi Airport (CPCA) improved. DPU, however, climbed yoy in 4Q2018 due to lower interest expense.

Figure 19: Hospitality REIT's DPU performance (yoy change %)



SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

More encouraging RevPAR in 4QCY18

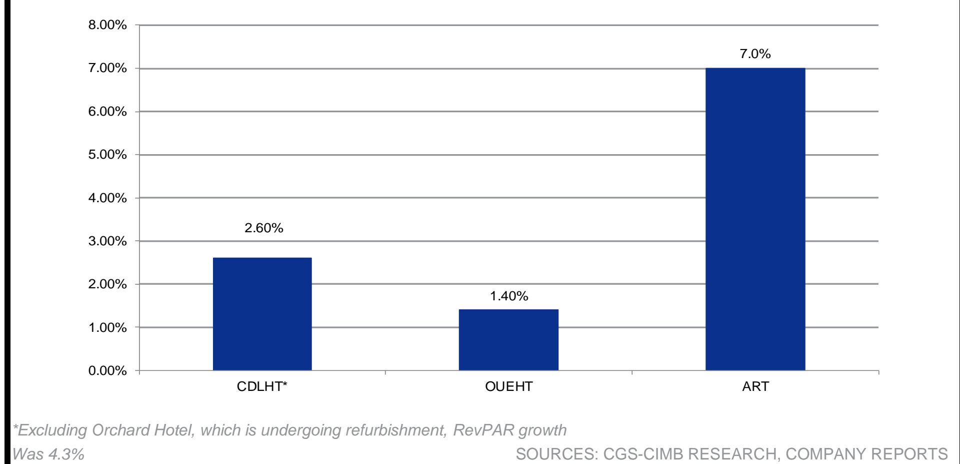
The hospitality REITs reported more encouraging RevPAR performance during the quarter. Generally, RevPAR growth was stronger on a qoq basis, which we believe was driven by strong demand in Oct and easing competition in the industry as the new hotels filled up their occupancy.

While the REITs' RevPAR performance was weaker than the industry's RevPAR performance (11M18 +2.3%, Oct-Nov 2018 +5.2% yoy on average), we understand that they outperformed their close competitors in their respective segments. Mandarin Orchard Singapore remained the price leader in its segment.

REITs' RevPAR growth in 4QCY18 was mainly driven by higher occupancy rather than increases in room rates as the hotels took the opportunity to tap the peak season's high demand. As supply eased and demand strengthened, the REITs were also able to manage their respective yields better.

Despite the weak serviced residence performance in Singapore, ART's Singapore serviced residences recorded a strong 7% increase in revenue per available unit (RevPAU), which we attribute to its strong branding.

Figure 20: Hospitality REITs' 4Q2018 RevPAR/RevPAU performance (yoy change %)



*Excluding Orchard Hotel, which is undergoing refurbishment, RevPAR growth Was 4.3%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

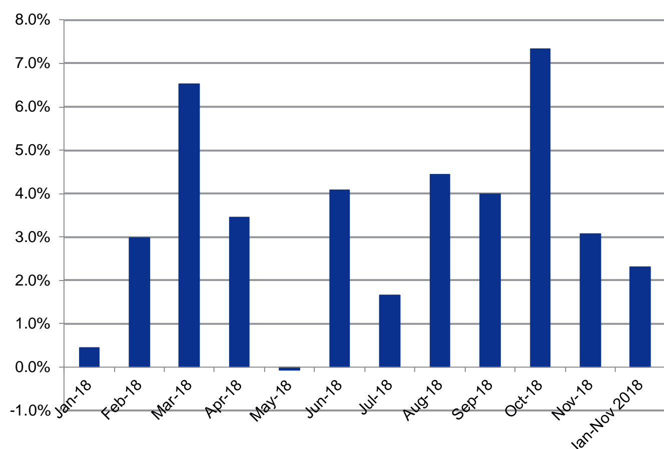
Expect improvement in industry RevPAR in 2019F on the back of lower supply

11M18 industry RevPAR grew 2.3% yoy, which was weaker than expected as it took longer than expected for the high supply over the past few years to be digested. While the effect of pricing pressure is gradually fading, we understand that the industry remains relatively jittery and hence need more time to realign its focus from occupancy to room rates.

Having said that, we believe RevPAR will continue to improve in 2019F on the back of lower supply and the fading effect of pricing pressure as the new hotels fill up their occupancy.

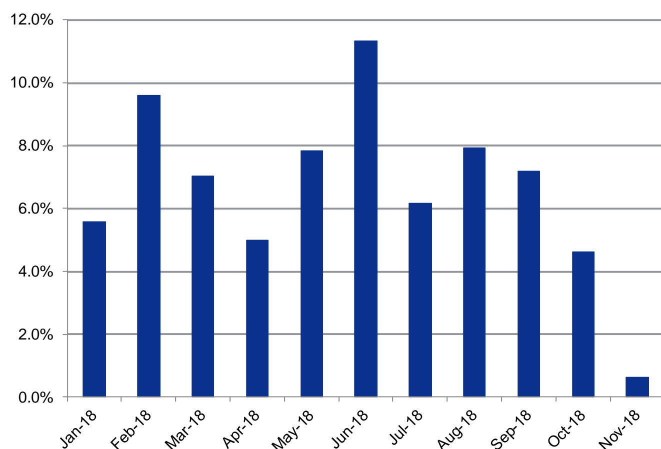
Total tourist arrivals in Singapore were weak in Nov 2018 as Chinese tourist arrivals softened further (-10.2% yoy) while arrivals from Indonesia declined 2.4% yoy. In spite of this, the impact has not been felt by the REITs so far. In fact, the REITs continued to see demand from these two countries.

Figure 21: Industry RevPAR yoy performance



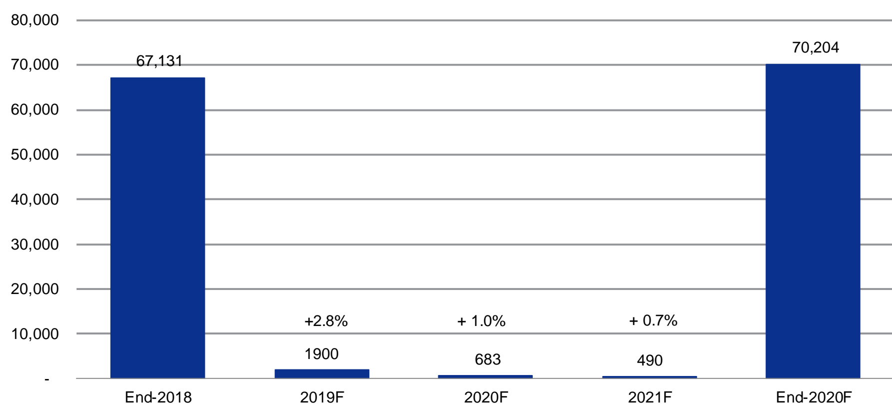
SOURCES: CGS-CIMB RESEARCH, STB

Figure 22: Singapore tourist arrivals (yoy change %)



SOURCES: CGS-CIMB RESEARCH, STB

Figure 23: Singapore room supply in 2019-2021F



SOURCES: CGS-CIMB RESEARCH, HOWARTH, CDLHT

REITs continue to scout for acquisitions

REITs are mostly looking to buy overseas assets as it is difficult to find attractive deals in Singapore given the strong interest from buyers recently. Hotel investment sales hit a four-year high of S$1.36bn in 2018 while the hotel site in Club Street was sold at record high price of S$562.2m or S$1.44m per key via the government's land sale programme in Jan 2019. ART also disposed of Ascott Raffles Place at an attractive divestment yield of 2%.

We expect 2019 will be a year of acquisition for ART as it recycles its capital from the disposal of Ascott Raffles Place. Management indicated that potential markets include Australia, the US and Europe.

CDLHT remains our preferred pick

Ranked behind the office subsector, hospitality is our second most preferred subsector in our REIT universe. The hospitality subsector has less earnings visibility compared to offices but it offers more attractive yield and more certainty

of earnings growth vs. retail and industrial. It also offers good DPU growth of 2-5% in FY19-20F, supported by healthier RevPAR on lower supply and contribution from new or refurbished assets.

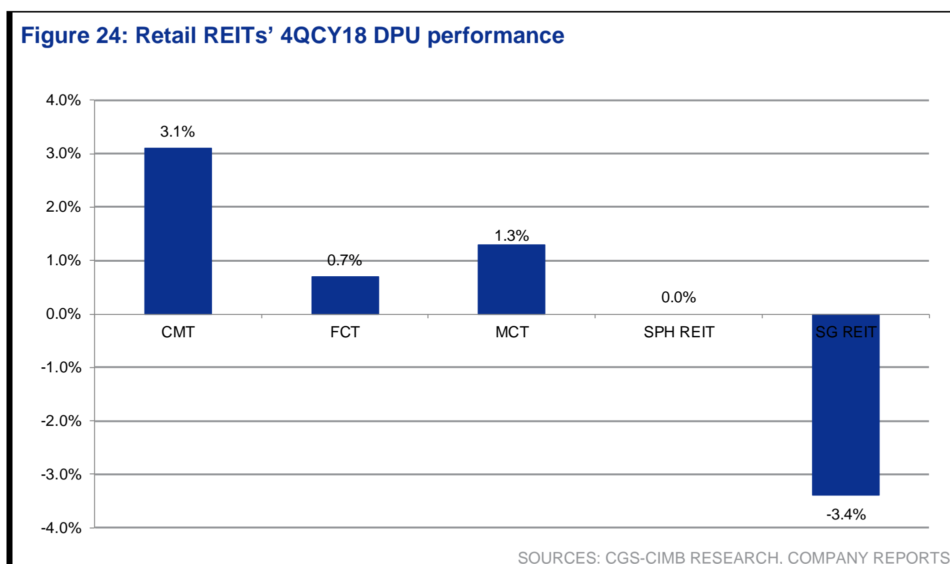
CDLHT remains our top pick for the subsector given that it is a bellwether for Singapore's hospitality stocks and we project a stronger DPU growth of 2.5% in 2019F (vs. 0.4% in 2018), driven by the reopening of its repositioned DMLR, completion of AEI in Orchard Hotel, a full year's contribution from the acquisition of Hotel Cerretani Florence, Italy, and a recovery in the hotel industry in Singapore. We raise CDLHT's DDM-based TP from S$1.64 to S$1.80 as we lower our beta assumption from 0.90x to 0.85x, to be more in line with its historical 1-year beta. CDLHT remains an Add. At S$1.80, the stock still offers dividend yield of 5.4%, which is higher than the larger caps in the retail and office subsectors of ~5%.

Retail slowly but surely

4QCY18 results largely in line

Except for Starhill Global REIT (SGREIT), retail REITs' DPU performance was in line with our forecasts, with flat to yoy higher DPU. The underperformance of SGREIT was mainly due to the weak retail performance of Wisma Atria, where the rental rate remained higher than the industry average.

Figure 24: Retail REITs' 4QCY18 DPU performance



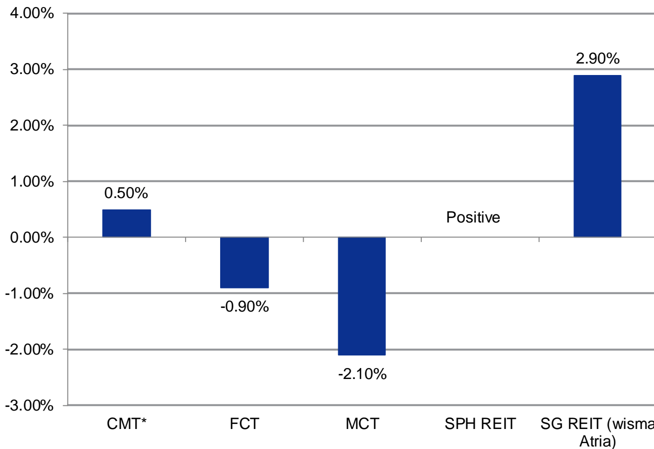
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Tenant sales improving, albeit still relatively weak

Tenant sales were positive for CMT (+0.5% in FY18), SG REIT and SPH in 4QCY18. FCT reported flat yoy tenant sales of -0.9% due to changes in tenant mix while MCT's tenant sales declined 2.1% yoy due to ongoing AEI. The overall better tenant sales from the REITs were in line with improving consumer spending as reflected in stronger industry retail sales, which rose 1% yoy in 11MCY18 on top of +1.3% yoy in 2017.

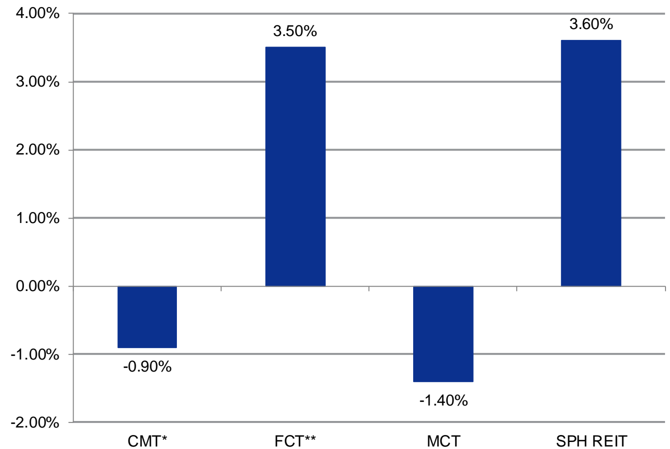
However, a comparison between shopper traffic and tenant sales indicates that the latter still lagged behind the former, a sign that consumers are still cautious about spending.

Figure 25: Retail REIT's' 4QCY18 tenant sales performance (yoy change %)



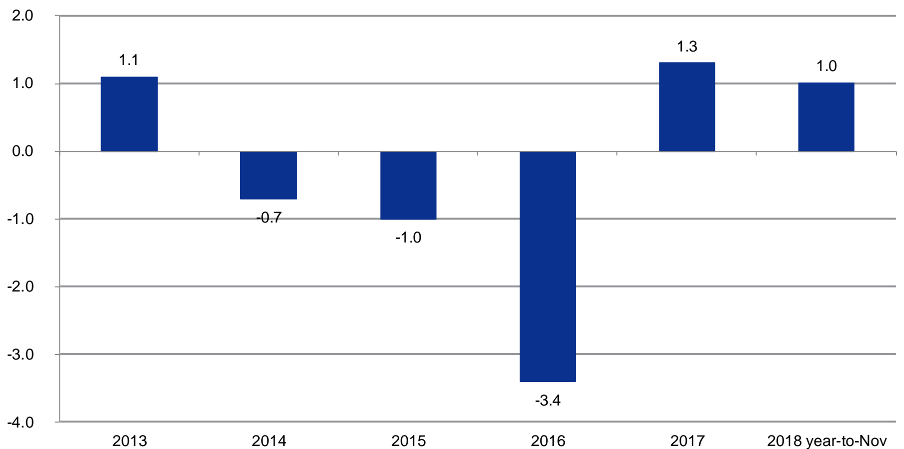
*Full year FY18 number, FYE Dec SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 26: Retail REITs' 4QCY18 shopper traffic performance (yoy change %)



*Full year FY18 number, FYE Dec
**Exclude Northpoint City North Wing SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 27: Singapore retail sales performance (yoy change %)

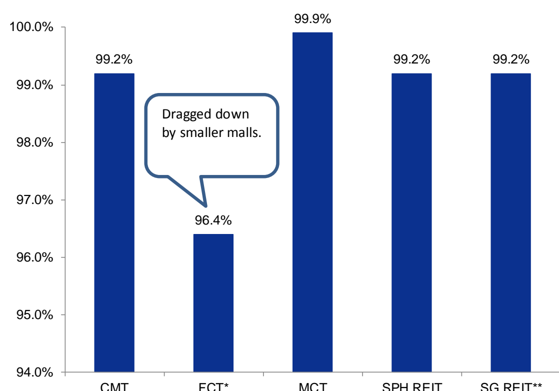


SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

High occupancy rate with encouraging rental reversions

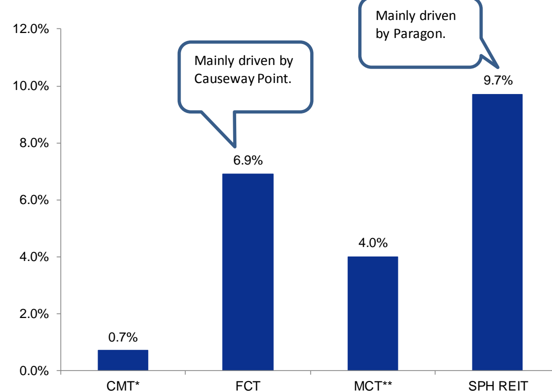
Occupancy rates for most malls under the REITs remained high at >98%, except for smaller malls. While high occupancy rates are to be expected as the REITs will try their best to fill up their malls even at the expense of rental rates, latest results showed that rental reversions were encouraging, with SPH REIT delivering the strongest rental reversion of 9.7% in Sep-Nov 2018. This was followed by FCT (+6.9% in 4QCY18) and Vivocity (+4% in Apr-Dec 2018). CMT's Westgate reported its first positive rental reversion in 4QCY18, with a full year's rental reversion of +0.6% vs. -0.5% in 9MCY18. Most of the other assets under CMT reported +1 to +3% rental reversions.

Figure 28: Retail REITs' committed occupancy rate as at 4QCY18



*Based on actual occupancy
**Only for Singapore retail segment SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 29: Retail REITs' rental reversion in 4QCY18 (yoy change %)



*Based on full year FY18, FYE Dec
**Based on 9MFY18, FYE Mar SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

2018 was a fruitful year for retail REITs

On the acquisition front, 2018 was an active year. CMT disposed of Sembawang Shopping Centre at ~2.6% yield and acquired the remaining 70% stake in Westgate at 4.3% yield. SPH also acquired Figtree Grove Shopping Centre at 5.7% yield. While CMT disposed of Sembawang at an attractive price, its acquisition deals were only slightly accretive for DPU at 1-2% after taking into account equity dilution and financing cost due to the tightening of cap rates in line with the better retail environment and lack of quality assets. Going forward, the REIT's acquisition focus is still in Singapore although it is also looking overseas.

MCT and FCT could be close to acquisitions

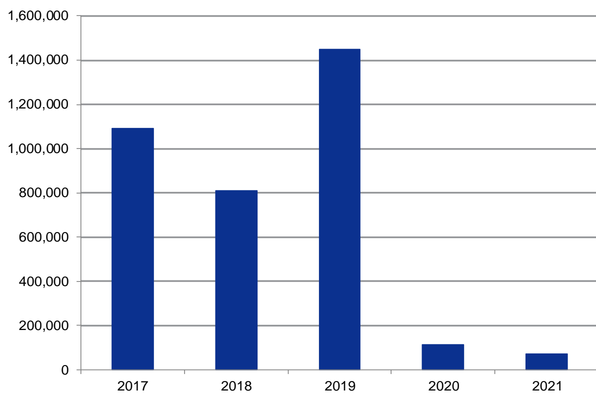
MCT has the right of first refusal over a few income-producing properties located in Singapore that are used primarily for office and/or retail purposes. The largest property in the pipeline is Mapletree Business City Phase 2 (MBC II), which has NLA of ~1.2m sq ft. Given that MBC II has reached stabilised occupancy, MCT could be close to acquiring the asset. Based on our back-of-the-envelope calculations, assuming MBC II has similar valuations as MBC I with 60:40 debt and equity funding, the acquisition could be 4-5% DPU-accretive.

As for FCT, it may be close to acquiring Waterway Point given that the mall has achieved stability. Waterway Point has an NLA of 371.8k, with an occupancy rate as high as 99.7% (as at Sep 2018). Valuations as at Sep 2017 were S$1,220m or S$406m for FCT's sponsor, Fraser Property Limited's, 33.3% stake. Based on our back-of-the envelope calculation, the acquisition of 33.3% of Waterway Point could be ~2% DPU-accretive assuming 50:50 funded by debt and equity. The trust has one of the lowest gearing levels in the industry of 28.8% (as at Dec 2018). At 40% gearing, it can take on debt amounting to ~S$500m.

Tapering supply to support rental growth

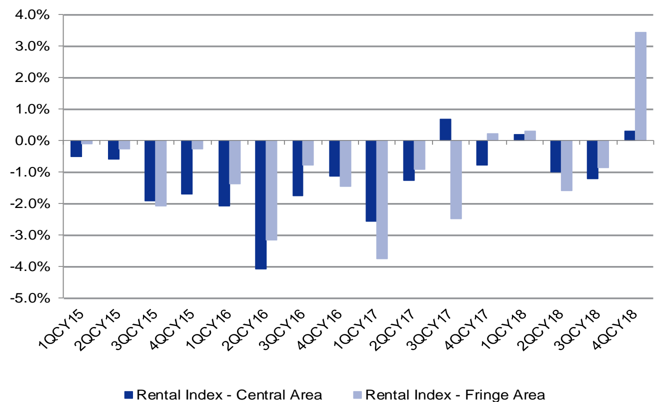
We expect supply to hit a peak with the addition of 1.45m sq ft in 2019F before tapering down to just 70k to 120k in FY20-21F. The strong supply in 2019F is not a concern as most of the space has been taken up, with larger malls opening in 2019F reportedly achieving committed occupancy of 80-90% as of last year. Industry retail rent contraction has been narrowing since 2QCY17 and we expect this trend to persist, with the effects more fully felt in FY20-21F. Supported by tapering supply, maiden full-year contributions from acquisitions and organic growth, we expect REITs to deliver DPU growth in FY19-20F.

Figure 30: Singapore retail space supply (sf)



SOURCES: CGS-CIMB RESEARCH, CBRE

Figure 31: Rental index in central and fringe areas of Singapore (qoq % change)



SOURCES: CGS-CIMB RESEARCH, CBRE

Switching our top pick from CMT to MCT

Retail REITs remain our 3rd preferred subsector after office and hospitality and before industrial. We believe rental reversion will only improve gradually due to sluggish consumer spending but this subsector provides more resilient exposure compared to industrial as it is focused on domestic consumption.

We switch our top pick from CMT to MCT. We like MCT as we expect its two crown jewels – Vivocity and MBC I, which collectively contributed 77% of its NPI in 9MFY19 - to grow steadily. Although we do not expect Vivocity to deliver double-digit rental reversion like it did in the past few years due to the lack of major AEI and as the mall matures, it is one of the few destination malls in Singapore and is connected to Sentosa Island, which will be developed as part of the "Southern Gateway of Asia" through 2030. Thus, this mall should see steady traffic growth from both tourists and the locals, which will attract tenants and in turn provide consistent positive rental reversion.

As for MBC I, we see consistent demand due to its proximity to the CBD area, grade-A office building specifications and lower average rental rate as compared to CBD offices. Lack of business park supply islandwide should continue to support rent reversion, especially for buildings in more strategic locations and with grade-A office specifications, like MBC I. The property has minimal lease expiry in FY19F (2.4% of gross rent) and FY20F (9.1% of gross rent). The high lease expiry of 40% in FY21F is something to watch out for.

We maintain Add on MCT with a higher DDM-based target price of S$1.90 as we raise our terminal growth rate to 3% in line with its DPU growth in the past four years. At S$1.90, MCT will be yielding 4.9%, similar to the large caps in the retail and office subsectors. The acquisition of MBC II as mentioned above could serve as a major re-rating catalyst for the stock.

Industrial – light at the end of the tunnel

Results in line and operating metrics showed improvement

Industrial SREITs reported quarterly results that were generally in line with our and Bloomberg consensus forecasts. 4QCY18 DPU improved largely due to contributions from new acquisitions or completions of asset enhancement initiatives. The REITs generally saw occupancy rates creep up in Singapore, with the exception of CACHE which is still facing challenges filling up Commodity Hub. The industrial SREITs' results season was headlined by multiple company-specific news:

- **AREIT secured an S$181.2m development project for Grab's headquarters** in one-north Singapore. Grab will consolidate its employees across multiple locations in Singapore into a new 42,310 sq m property, which is slated to be completed in 4QCY20. The project will have an NPI yield of 6.4% and Grab's lease will run for 11 years with a 5-year renewal option.

- **MLT's China occupancy was impacted by JD.com giving up 50% of its space** in Zhenjiang China. Management mentioned that leasing from Chinese e-commerce players tend to be more dynamic as they want to be nimble and scale up and down quickly. MLT has backfilled some of the vacancies with smaller logistics players at higher rates.

Figure 32: Comparisons of operating metrics

REIT	DPU (Scts)	Occupancy	Rental Reversion	Cost of Debt	Gearing	WALE (by rental revenue)
AREIT	3.998 (+2.9% qoq)	Portfolio: 91.3% Singapore 87.3% Australia: 98.1% UK: 100%	Portfolio: +3.2% Singapore: +3.2% Australia & UK: No renewals in 4Q18	3.00%	36.7%	Portfolio: 4.4 years Singapore: 3.9 years Australia: 4.5 years UK: 11.3 years
CACHE	1.502 (+1.8% qoq)	Portfolio: 95.0% Singapore: 92.5% Australia: 99.2%	4Q18: -4.4% FY18: -4.5%	3.71%	36.2%	3.2 years 3.1 years
ESR	1.005 (+0.1% qoq)	93.0%	FY18: -2.9%	3.81%	41.9%	3.8 years
FLT	1.78 (Flat qoq)	Portfolio: 99.6% Australia: 99.4% Europe: 100%	1QFY19: -7.2%	2.40%	35.6%	Portfolio: 6.71 years Australia: 7.36 years Europe: 8.1 years
KDC	1.85 (+5.7% qoq)	93.1%	-	1.90%	30.8%	8.3 years (by NLA)
MINT	3.07 (+2.0% qoq)	Portfolio: 88.2% Singapore: 87.7% US: 97.4%	3QFY3/19: -0.49%	2.90%	34.7%	Portfolio: 3.7 years Singapore: 3.6 years US: 3.7 years
MLT	2.002 (+2.2% qoq)	Portfolio: 97.7% Singapore: 97.0% Hong Kong: 98.7% South Korea: 98.0% China: 95.8% Japan, Australia, Malaysia, Vietnam: 100%	3QFY3/19: +4.5%	2.70%	38.8%	3.8 years (by NLA)

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

We think the positive set of results can be attributed to an improving industrial property market and the attractive rentals that certain REITs like MINT are offering.

Industry occupancy inching up while rents hold steady

According to JTC's 4Q18 market report, the overall industrial property occupancy rate of 89.3% was 0.2% pt higher than in 3Q18 and 0.4% pt higher than in 4Q17. We think this is positive as it implies that new supply is being absorbed by the market; available industrial stock increased 0.201% in 3Q18 and 1.130% in 4Q17.

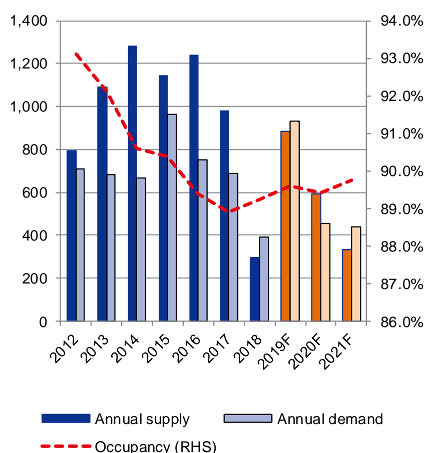
Rental index held steady qoq for all sub-segments of industrial space in 4Q18. According to JLL, there were 10,473 leasing transactions in 2018, an increase of 14.6% yoy, and also the highest annual leasing volume captured since the start of the series in 2000. According to CBRE, the bulk of this leasing activity in 4Q18 was driven by firms in the semiconductor, electronics and third-party logistics sectors; the majority of this activity was driven by renewals. These firms also focused on properties with higher specifications which could support higher power and floor loading requirements.

Abating supply pressures, especially in business parks

In 2019, 1.5m sq m of industrial space, representing c.3% of the current stock, will come onstream, in our estimate. Comparatively, average annual supply and demand for the past three years have been around 1.4m sq m and 1.1m sq m, respectively. The lower 3-year average supply was primary due to a fall in supply in 2018 as only 545k sq m of space came onstream, as opposed to an average of 1.8m sq m p.a. between 2015 and 2017.

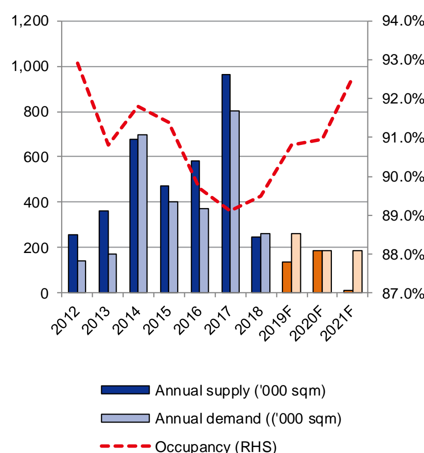
Business parks development pipelines of 44k sq m in 2019 and 63k sq m in 2020, will be lower vis-à-vis the 3-year average of 89k sqm. In Jan 2019, the new business park space at 5 Science Park Drive was fully leased by Shopee. This brings the remaining business park space to be launched in 2019F to 18k sq m; we think this space is likely to be 13 International Business Park, which was previously sold by AREIT to Pension Real Estate Singapore in Aug 2017. This space has also been 100% pre-committed.

Figure 33: Supply and demand of factory space



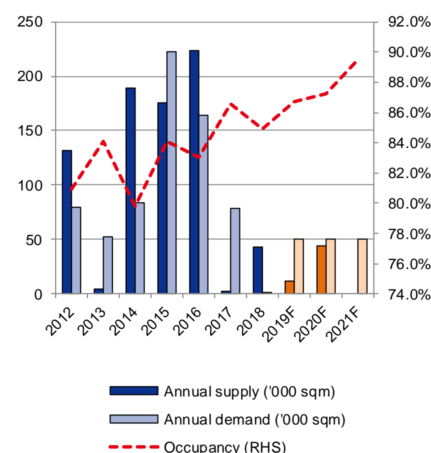
SOURCES: CGS-CIMB RESEARCH, JTC

Figure 34: Supply and demand of warehouse space



SOURCES: CGS-CIMB RESEARCH, JTC

Figure 35: Supply and demand of business park space



SOURCES: CGS-CIMB RESEARCH, JTC

Slew of new headquarters could support the SUA market

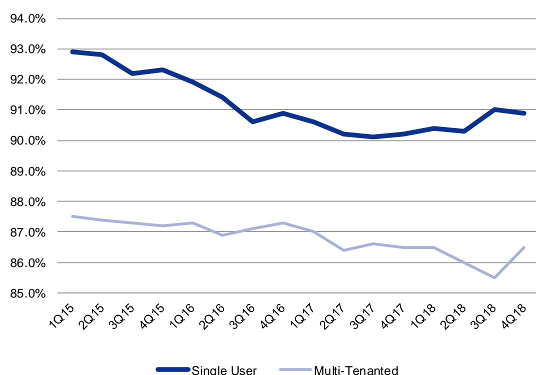
From 2H18 to Jan 2019, there were multiple announcements of companies shifting their global and regional headquarters (HQ) to Singapore. We think this could be attributed to supportive policies from the Economic Development Board of Singapore (EDB). In particular, the Pioneer Certificate Incentive (PC) and the Development and Expansion Incentive (DEI) announced during the Budget 2017 allows an approved company to be eligible for a corporate tax exemption or a concessionary tax rate of 5% or 10% respectively. One of the key assessment criteria is that companies have to make significant investments in contribution to the economy or in advancement of capabilities towards globally leading industries. These awards also apply to **companies that commit to anchor substantive HQ activities in Singapore** to manage, coordinate and control regional business operations. The demand for single user asset (SUA) properties was also boosted by companies like Grab, Shopee and Razer announcing new Singapore headquarters.

We think that this would be supportive of the demand for single user assets as companies consolidate their operations in a single location for greater efficiency. However, this could come at the expense of the demand for multi-tenanted buildings (MTB) and maybe even the demand for office space. For example, Grab's new headquarters announced by AREIT will house all of Grab's

employees in Singapore. According to Channel NewsAsia, Grab currently has four offices in Singapore at Midview City, Marina One, Cecil Street and Guoco Tower.

In our 2019-2020 forecasts, we assume that incoming SUA supply is non-speculative and fully pre-committed while MTB demand tracks a 3-year mean.

Figure 36: Factory occupancy rate



SOURCES: CGS-CIMB RESEARCH, JTC

Figure 37: Recent HQ announcements

Company	Date	Location	Size (sqm)	Comments
Engie	Oct-18	Pasir Panjang	-	Shifted from Bangkok
Razer	Dec-18	one-north	19,300	
Grab	Jan-19	one-north	42,310	
Dyson	Jan-19	Science Park	-	Shifted from UK
TrendMicro	Jan-19	Suntec	1,100	
Shiseido	Jan-19	Frasers Tower	5,500	Shifted from Tokyo
Shopee	Jan-19	Science Park	22,000	
Surbana	Jan-19	Jurong Innovation District	68,915	

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Recovery will be gradual but uneven

According to Colliers, industrial rents have bottomed out, but the current recovery is two-tiered, with hi-spec and business park segments faring better due to the spillover effects from a sharp office rent recovery in 2018. Landlords with lower specifications or older buildings may also use periods of low occupancy to undertake asset enhancement initiatives to future-proof their assets.

As online retailers continue to grow and offer expedited or same-day shipping, we expect the demand for logistics properties to continue to be robust. Assuming the past 3 years' annual average demand for warehouse space of 479k sq m persists, this would relatively quickly absorb the upcoming average annual supply in the next few years of less than 200k sq m. REITs with geographical diversification may also be better shielded from the US-China trade war uncertainties, as they have sufficient scale to accommodate tenants in multiple jurisdictions.

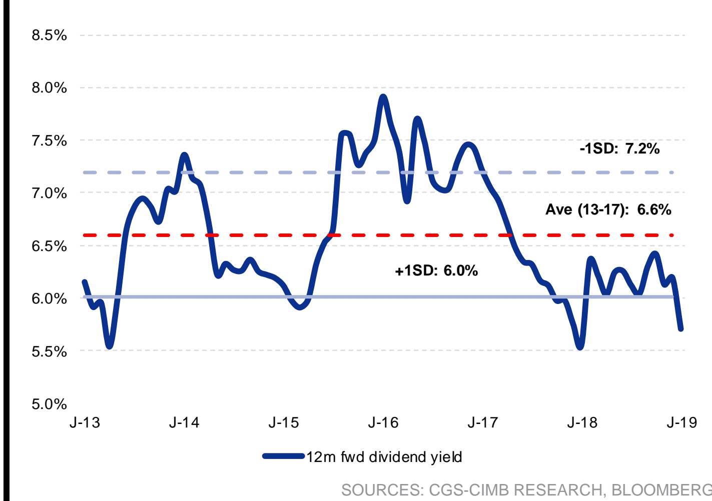
Overall, we see signs of improvement in the industrial property market, but we expect the recovery to be gradual and two-tiered. Through our interactions with companies' management, we found that the uncertainty over the US-China trade war has left tenants delaying decisions, as they wait out the political storm. We think occupancies could still hold up well and even improve, but rental reversions may not see very positive growth as tenants turn more cautious. We also maintain our stance that well-located and high-spec properties will remain resilient as tenants become more selective.

We prefer MLT ahead of AREIT and MINT

We prefer MLT in the industrial S-REITs sub-segment due to its wide geographical diversification, focus on domestic consumption and visible pipeline of possible acquisitions from its sponsor. Unlike AREIT and MINT which are more Singapore-focused, MLT offers exposure to markets like Hong Kong, with a tighter supply of industrial property. This exposure presents stronger organic growth opportunities in the form of high occupancy and positive rental reversions.

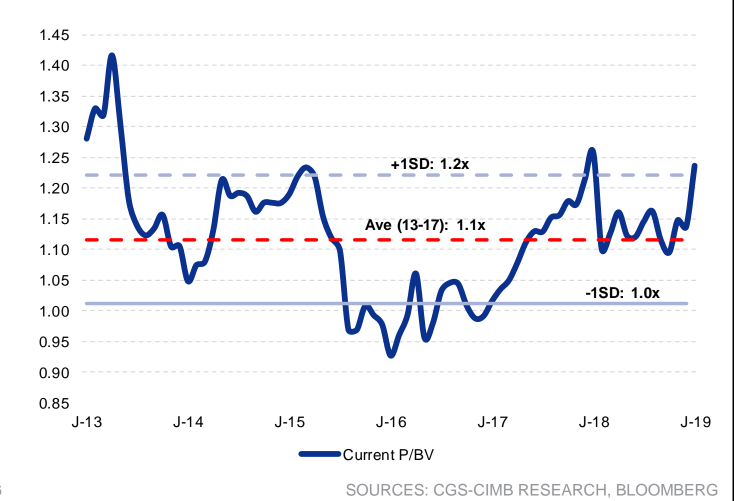
Even in the supposedly-weaker home market of Singapore, MLT had recorded improving occupancy and positive rental reversions in the past few quarters. Further upside could come from accretive acquisitions and capital recycling, which MLT has been actively undertaking in the past 12 months. As no further acquisitions or divestments have been announced, we have not factored them into our valuations.

Figure 38: MLT's 12-month forward dividend yield



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 39: MLT's P/BV



SOURCES: CGS-CIMB RESEARCH, BLOOMBERG

Figure 40: SREITs peer comparison table

SREIT	Bloomberg Ticker	Price as at 07 Feb 19	Mkt Cap (US $m)	Last reported asset leverage	Last stated NAV	Price / Stated NAV	Target Price (DDM-based)	Rec.	FY18F Yield	FY19F Yield	FY20F Yield
Hospitality											
Ascott Residence Trust	ART SP	$1.16	$1,852	36.4%	1.20	0.97	$1.13	H	5.8%	5.9%	6.0%
Ascendas Hospitality Trust	ASCHT SP	$0.77	$651	32.2%	0.92	0.84	NA	NR	7.6%	7.5%	7.7%
CDL Hospitality Trust	CDREIT SP	$1.67	$1,486	33.8%	1.49	1.12	$1.80	A	5.5%	5.7%	5.8%
Far East Hospitality Trust	FEHT SP	$0.66	$913	40.4%	0.87	0.76	$0.68	A	6.2%	6.5%	6.6%
Frasers Hospitality Trust	FHT SP	$0.69	$963	33.4%	0.77	0.90	NA	NR	7.2%	7.5%	7.7%
OUE Hospitality Trust	OUEHT SP	$0.71	$959	38.7%	0.76	0.93	$0.85	A	7.0%	7.2%	7.4%
	Simple Average			**35.8%**		**0.92**			**6.6%**	**6.7%**	**6.9%**
Industrial											
AIMS AMP	AAREIT SP	$1.39	$709	33.5%	1.36	1.02	NA	NR	7.4%	7.9%	7.9%
Ascendas REIT	AREIT SP	$2.74	$6,285	36.7%	2.05	1.34	$2.83	A	5.8%	5.9%	6.0%
Cache Logistics Trust	CACHE SP	$0.72	$567	36.2%	0.66	1.08	$0.74	H	8.3%	8.0%	8.0%
ESR-REIT	EREIT SP	$0.52	$1,204	41.9%	0.47	1.10	$0.62	A	4.6%	8.4%	8.6%
Frasers Logistics & Industrial Trust	FLT SP	$1.09	$1,627	35.6%	0.91	1.20	$1.19	A	6.1%	6.2%	6.3%
Keppel DC REIT	KDCREIT SP	$1.45	$1,446	30.8%	1.07	1.36	$1.51	A	5.2%	5.7%	5.9%
Mapletree Industrial Trust	MINT SP	$2.01	$2,815	34.7%	1.48	1.36	$2.13	A	5.8%	6.0%	6.5%
Mapletree Logistics Trust	MLT SP	$1.39	$3,680	38.8%	1.13	1.23	$1.44	A	5.5%	5.5%	5.7%
Sabana Shariah	SSREIT SP	$0.43	$338	37.0%	0.57	0.75	NA	NR	na	na	na
Soilbuild Business Space REIT	SBREIT SP	$0.66	$520	39.1%	0.63	1.05	NA	NR	7.7%	7.7%	7.7%
	Simple Average			**36.7%**		**1.31**			**6.4%**	**6.9%**	**7.1%**
Office											
CapitaLand Commercial Trust	CCT SP	$1.89	$5,219	34.9%	1.84	1.03	$1.94	A	4.6%	4.8%	4.9%
Frasers Commercial Trust	FCOT SP	$1.51	$1,000	28.4%	1.56	0.97	$1.50	H	6.4%	6.4%	6.4%
Keppel REIT	KREIT SP	$1.19	$2,989	36.3%	1.40	0.85	$1.34	A	4.7%	4.9%	5.1%
OUE Commercial REIT	OUECT SP	$0.51	$1,065	39.3%	0.70	0.72	$0.57	H	6.9%	6.8%	6.8%
Suntec REIT	SUN SP	$1.89	$3,736	38.1%	2.10	0.90	$2.06	A	5.3%	5.4%	5.4%
	Simple Average			**35.4%**		**0.89**			**5.6%**	**5.7%**	**5.7%**
Retail											
CapitaLand Mall Trust	CT SP	$2.37	$6,443	34.2%	2.00	1.19	$2.29	H	4.7%	4.9%	5.2%
Frasers Centrepoint Trust	FCT SP	$2.26	$1,546	28.6%	2.08	1.09	$2.35	A	5.3%	5.4%	5.5%
Mapletree Commercial Trust	MCT SP	$1.81	$2,472	34.8%	1.49	1.21	$1.90	A	5.0%	5.0%	5.1%
SPH REIT	SPHREIT SP	$1.02	$1,944	26.3%	0.95	1.07	$1.02	H	5.4%	5.6%	5.8%
Starhill Global REIT	SGREIT SP	$0.71	$1,142	35.4%	0.90	0.79	$0.75	A	6.2%	6.6%	6.9%
	Simple Average			**31.9%**		**1.07**			**5.3%**	**5.5%**	**5.7%**
Retail Ex-Sin											
CapitaLand Retail China Trust	CRCT SP	$1.59	$1,151	32.1%	1.66	0.96	NA	NR	6.5%	6.7%	6.9%
Lippo Malls Indonesia Retail Trust	LMRT SP	$0.25	$527	36.0%	0.30	0.84	$0.27	H	9.5%	9.5%	9.8%
Mapletree North Asia Commercial Trust	MAGIC SP	$1.25	$2,919	39.0%	1.32	0.95	$1.32	A	6.0%	6.1%	6.3%
	Simple Average			**35.7%**		**0.91**			**7.3%**	**7.4%**	**7.7%**
Healthcare											
First REIT	FIRT SP	$1.11	$647	35.0%	1.02	1.09	$1.20	A	7.7%	7.9%	8.0%
Parkway Life REIT	PREIT SP	$2.80	$1,249	36.1%	1.85	1.51	$3.05	H	4.6%	4.6%	4.7%
	Simple Average			**32.2%**		**0.88**			**6.2%**	**6.3%**	**6.4%**
	Simple average for SIN			**35.1%**		**1.01**			**6.2%**	**6.5%**	**6.6%**

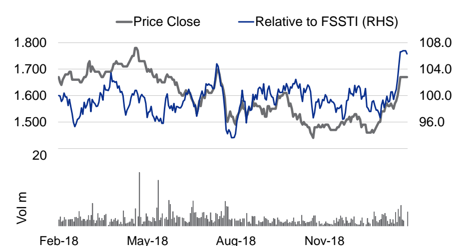
SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Singapore

ADD *(no change)*

Consensus ratings*:	Buy 10 Hold 5 Sell 1
Current price:	S$1.67
Target price:	S$1.80
Previous target:	S$1.64
Up/downside:	8.0%
CGS-CIMB / Consensus:	8.7%
Reuters:	CDLT.SI
Bloomberg:	CDREIT SP
Market cap:	US$1,486m
	S$2,015m
Average daily turnover:	US$1.76m
	S$2.39m
Current shares o/s	1,199m
Free float:	63.6%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	12.8	12.1	-0.6
Relative (%)	9.6	7.7	4.8

Major shareholders	% held
CDL	36.4
Aberdeen	5.0
Schroders	4.0

CDL Hospitality Trust

A proxy to the recovering RevPAR

- We expect CDLHT to deliver stronger 2.5% DPU growth in 2019 versus +0.4% in 2018 due to completion of refurbishments and acquisition in 2018.
- Maintain Add at a higher DDM-based TP as we reduce our beta from 0.9 to 0.85 to be more in line with its historical 1-year adjusted beta.
- The recovery of industry RevPAR and expectations of lesser rate hikes would bode well for CDLHT which is a bellwether for the hospitality REITs.

2018 growth was affected by closure and divestments

- To recap, CDLHT's FY18 results came in above our expectations due to higher-than-expected capital distribution from the sale of Mercure and Ibis Brisbane in Jan 2018 as well as lower-than-expected interest expense.
- Revenue and NPI declined 1.2% and 3.8% yoy respectively, in line with our 2018 full year forecast. The weaker revenue and NPI was mainly a result of the full closure of Dhevanafushi Maldives Luxury Resort (DMLR) and the absence of revenue contribution from Mercure Brisbane and Ibis Brisbane which were divested on 11 Jan 2018. It was also due to the weaker performance from New Zealand to a lesser extent due to higher base effect last year driven by sports event and weaker NZ$ against S$.
- Singapore hotels performed better on the back of stronger RevPAR (+0.6% to S$160). RevPAR would have been much stronger if exclude Orchard Hotel which is undergoing refurbishments. Orchard Hotel is one of the largest contributor to its Singapore's hotel NPI at 23% in FY17.

Expects stronger growth in 2019

- We expect the trust to deliver stronger DPU growth in FY19F, driven by the anticipated recovery of the hospitality sector in Singapore, the resumption of DPU growth at Orchard Hotel and the reopening of its DMLR Resort in 2Q2019.
- CDLHT has completed the acquisition of Hotel Cerretani Florence, MGallery by Sofitel, a 4-star hotel in Florence on 27 Nov 2018. Full year contribution from this acquisition in FY19 will also help to boost DPU growth.

Maintain Add

- We reduce our beta from 0.90 to 0.85 to be more in line with its historical 1-year adjusted beta. This raises our DDM-based TP to S$1.80 which still implies a DPU yield of 5.4% versus office and retail's large caps' yield of ~5%.
- The recovery of Singapore's RevPAR and expectations of lesser rate hikes should bode well for CDLHT which is a bellwether for Singapore's hospitality stocks.
- Maintain Add on the stock. Rerating catalysts include better RevPAR performance while downside risks include weaker-than-expected performance from DMLR.

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Financial Summary	Dec-17A	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Property Revenue (S$m)	204.3	201.8	214.1	226.1	232.5
Net Property Income (S$m)	151.8	146.1	162.8	170.2	175.9
Net Profit (S$m)	129.0	107.7	98.4	104.4	109.0
Distributable Profit (S$m)	110.3	111.6	115.2	118.5	123.4
Core EPS (S$)	0.067	0.064	0.081	0.086	0.089
Core EPS Growth	(2.0%)	(4.4%)	27.1%	5.4%	3.8%
FD Core P/E (x)	23.18	26.10	20.58	19.52	18.81
DPS (S$)	0.09	0.09	0.10	0.10	0.10
Dividend Yield	5.52%	5.54%	5.69%	5.82%	6.02%
Asset Leverage	32.5%	34.1%	34.2%	34.2%	34.2%
BVPS (S$)	1.54	1.53	1.52	1.51	1.50
P/BV (x)	1.09	1.09	1.10	1.11	1.12
Recurring ROE	4.74%	4.18%	5.33%	5.67%	5.93%
% Change In DPS Estimates			0.000%	0.000%	(0.000%)
CIMB/consensus DPS (x)			0.99	0.99	1.00

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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BY THE NUMBERS

Profit & Loss

(S$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Rental Revenues	201.8	214.1	226.1	232.5
Other Revenues				
Gross Property Revenue	**201.8**	**214.1**	**226.1**	**232.5**
Total Property Expenses	(55.7)	(51.3)	(55.9)	(56.6)
Net Property Income	**146.1**	**162.8**	**170.2**	**175.9**
General And Admin. Expenses				
Management Fees	(12.9)	(14.2)	(14.6)	(14.9)
Trustee's Fees	(1.0)	(0.6)	(0.6)	(0.6)
Other Operating Expenses	(4.9)	(5.1)	(5.4)	(5.5)
EBITDA	**127.3**	**142.9**	**149.6**	**154.8**
Depreciation And Amortisation	(11.7)	(11.2)	(11.3)	(11.4)
EBIT	**115.6**	**131.6**	**138.2**	**143.4**
Net Interest Income	(27.1)	(23.5)	(23.6)	(23.6)
Associates' Profit				
Other Income/(Expenses)				
Exceptional Items	35.1	0.0	0.0	0.0
Pre-tax Profit	**123.6**	**108.1**	**114.7**	**119.8**
Taxation	(15.7)	(9.7)	(10.3)	(10.8)
Minority Interests	(0.2)	0.0	0.0	0.0
Preferred Dividends				
Net Profit	**107.7**	**98.4**	**104.4**	**109.0**
Distributable Profit	**111.6**	**115.2**	**118.5**	**123.4**

Balance Sheet

(S$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Total Investments	2,429	2,439	2,449	2,459
Intangible Assets	0	0	0	0
Other Long-term Assets	360	349	341	333
Total Non-current Assets	2,789	2,788	2,790	2,792
Total Cash And Equivalents	140	149	146	142
Inventories	1	1	1	1
Trade Debtors	33	21	23	23
Other Current Assets	0	0	0	0
Total Current Assets	**173**	**172**	**170**	**166**
Trade Creditors	42	45	47	49
Short-term Debt	249	249	249	249
Other Current Liabilities	12	12	12	12
Total Current Liabilities	**302**	**305**	**308**	**309**
Long-term Borrowings	763	763	763	763
Other Long-term Liabilities	42	46	46	46
Total Non-current Liabilities	805	809	809	809
Shareholders' Equity	1,848	1,842	1,840	1,837
Minority Interests	8	8	8	8
Preferred Shareholders Funds				
Total Equity	**1,855**	**1,850**	**1,847**	**1,845**

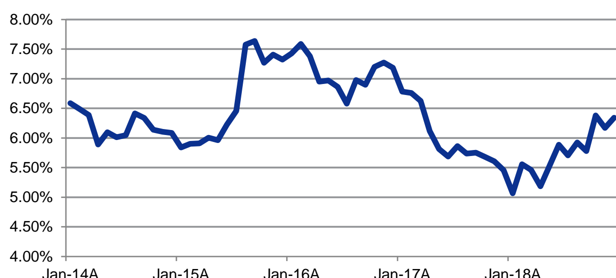
Cash Flow

(S$m)	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Pre-tax Profit	**123.6**	**108.1**	**114.7**	**119.8**
Depreciation And Non-cash Adj.	38.8	34.7	34.9	35.0
Change In Working Capital	(14.9)	4.9	(9.0)	(10.1)
Tax Paid	(2.8)	(9.7)	(10.3)	(10.8)
Others	(21.5)	23.2	22.0	22.7
Cashflow From Operations	**123.2**	**161.3**	**152.3**	**156.7**
Capex	(13.8)	(10.0)	(10.0)	(10.0)
Net Investments And Sale Of FA	9.3	(3.5)	(3.5)	(3.5)
Other Investing Cashflow	1.3	0.7	0.7	0.7
Cash Flow From Investing	**(3.2)**	**(12.8)**	**(12.8)**	**(12.8)**
Debt Raised/(repaid)	63.2	0.0	0.0	0.0
Equity Raised/(Repaid)	0.0	0.0	0.0	0.0
Dividends Paid	(113.3)	(115.2)	(118.5)	(123.4)
Cash Interest And Others	(22.7)	(24.3)	(24.3)	(24.3)
Cash Flow From Financing	**(72.8)**	**(139.5)**	**(142.8)**	**(147.7)**
Total Cash Generated	47.2	9.0	(3.3)	(3.8)
Free Cashflow To Firm	125.5	149.2	140.2	144.5
Free Cashflow To Equity	170.6	125.0	115.9	120.2

Key Ratios

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Gross Property Revenue Growth	(1.2%)	6.1%	5.6%	2.8%
NPI Growth	(3.8%)	11.5%	4.5%	3.3%
Net Property Income Margin	72.4%	76.1%	75.3%	75.7%
DPS Growth	0.41%	2.66%	2.23%	3.49%
Gross Interest Cover	3.55	5.42	5.69	5.91
Effective Tax Rate	12.7%	9.0%	9.0%	9.0%
Net Dividend Payout Ratio	104%	117%	114%	113%
Current Ratio	0.57	0.56	0.55	0.54
Quick Ratio	0.57	0.56	0.55	0.54
Cash Ratio	0.46	0.49	0.47	0.46
Return On Average Assets	3.70%	3.32%	3.53%	3.68%

Rolling Dividend Yield - CDL Hospitality Trust



Key Drivers

	Dec-18A	Dec-19F	Dec-20F	Dec-21F
Rental Rate Psf Pm (S$)	N/A	N/A	N/A	N/A
Acq. (less development) (US$m)	N/A	N/A	N/A	N/A
RevPAR (S$)	158.6	170.1	175.2	179.6
Net Lettable Area (NLA) ('000 Sf)	N/A	N/A	N/A	N/A
Occupancy (%)	86.9%	90.0%	90.0%	90.0%
Assets Under Management (m) (S$)	2,428.9	2,438.9	2,448.9	2,458.9
Funds Under Management (m) (S$)	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

CGSCIMB

CIMB

Company Brief

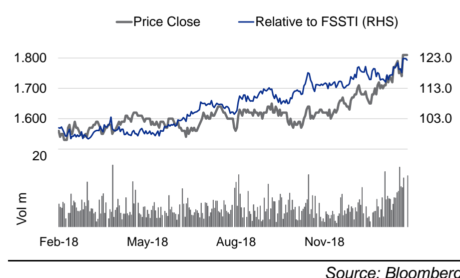
REIT | Singapore | February 8, 2019

Singapore

ADD *(no change)*

Consensus ratings*:	Buy 7 Hold 4 Sell 2
Current price:	S$1.81
Target price: ▲	S$1.90
Previous target:	S$1.79
Up/downside:	4.9%
CGS-CIMB / Consensus:	8.9%
Reuters:	MACT.SI
Bloomberg:	MCT SP
Market cap:	US$3,855m
	S$5,228m
Average daily turnover:	US$6.93m
	S$9.44m
Current shares o/s	2,880m
Free float:	61.5%

**Source: Bloomberg*



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	7.7	11.7	15.3
Relative (%)	4.5	7.3	20.7

Major shareholders	% held
Temasek Holdings	38.6
AIA	6.3
Schroders	5.9

Mapletree Commercial Trust

Riding on its two gems

- We maintain Add on MCT with a higher TP as we raise our terminal growth assumption to 3%, in line with its 4-year historical DPU growth.
- Vivocity and MBC I, which are positioned as a destination mall and grade A business park, respectively, should continue to drive the trust's earnings.
- A major rerating catalyst is the acquisition of MBC II.

A recap of its encouraging 9MFY18 results

- To recap, MCT delivered an encouraging set of results in 9MFY18 with revenue and NPI increasing by 2% and 2.2%, respectively, driven by its two largest assets, Vivocity and MBC I, which together contributed about 77% of its 9MFY18 NPI.
- As at Dec 2018, Vivocity was fully occupied at 99.9% with a good rental reversion of +4%. Its office segment reported occupancy rates of between 96% and 100% and strong rental reversion of +8.7%. MBC I's occupancy continued to improve from 93.3% in 2017 to 97.5% in 2018.

Destination mall Vivocity should continue to perform well

- Although we do not expect Vivocity to deliver double-digit rental reversion like it did in the past few years due to the lack of major AEI and as the mall matures, it is one of the few destination malls in Singapore and is connected to Sentosa Island, which will be developed as part of the "Southern Gateway of Asia" through 2030.
- We expect this mall to continue to enjoy steady traffic growth from both tourists and the locals, which will attract tenants and in turn provide consistent positive rental reversion. Vivocity's committed occupancy rate remains high at 99.9%. The opening of a 32k sf library at level 3 recently should help to drive more traffic into the mall.

MBC I – a gem in the business park space

- As for MBC I, we see consistent demand due to its proximity to the CBD area, grade-A office building specifications and lower average rental rate as compared to CBD offices. Historical low development of business park supply island-wide should continue to support rent reversion, especially for buildings in more strategic locations and with grade-A office specifications, like MBC I.
- The property has minimal lease expiry in FY19 (2.4% of gross rent) and FY20 (9.1% of gross rent). The high lease expiry of 40% in FY21 is something to watch out for.

Maintain Add at a higher target price

- We maintain Add on MCT with a higher DDM-based TP of S$1.90 as we raise our terminal growth rate to 3%, in line with its DPU growth in the past 4 years. At S$1.90, MCT will be yielding 4.9%, similar to the large caps in the retail and office subsectors.
- A major re-rating catalyst is the acquisition of MBC II. We estimate that the acquisition of MBC II could be 4-5% DPU accretive, assuming a 60:40 debt-to-equity funding. Downside risks include worse-than-expected retail and office rental reversions.

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Financial Summary	Mar-17A	Mar-18A	Mar-19F	Mar-20F	Mar-21F
Gross Property Revenue (S$m)	377.7	433.5	442.4	450.8	452.6
Net Property Income (S$m)	292.3	338.8	345.6	352.0	353.4
Net Profit (S$m)	345.8	567.6	243.5	249.7	251.0
Distributable Profit (S$m)	227.2	260.4	261.7	268.0	269.4
Core EPS (S$)	0.081	0.085	0.084	0.086	0.086
Core EPS Growth	7.76%	4.14%	(0.19%)	2.20%	0.20%
FD Core P/E (x)	21.46	21.39	21.44	20.98	20.94
DPS (S$)	0.079	0.090	0.091	0.092	0.093
Dividend Yield	4.37%	4.99%	5.00%	5.11%	5.12%
Asset Leverage	36.4%	34.6%	34.6%	34.6%	34.6%
BVPS (S$)	1.38	1.49	1.48	1.48	1.47
P/BV (x)	1.31	1.22	1.22	1.23	1.23
Recurring ROE	6.27%	5.91%	5.69%	5.84%	5.87%
% Change In DPS Estimates			0%	0%	0%
CIMB/consensus DPS (x)			1.00	1.00	0.97

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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BY THE NUMBERS

Profit & Loss

(S$m)	Mar-18A	Mar-19F	Mar-20F	Mar-21F
Rental Revenues	433.5	442.4	450.8	452.6
Other Revenues				
Gross Property Revenue	**433.5**	**442.4**	**450.8**	**452.6**
Total Property Expenses	(94.7)	(96.8)	(98.8)	(99.2)
Net Property Income	**338.8**	**345.6**	**352.0**	**353.4**
General And Admin. Expenses				
Management Fees	(29.6)	(30.5)	(30.8)	(30.8)
Trustee's Fees	(2.0)	(2.0)	(2.0)	(2.0)
Other Operating Expenses				
EBITDA	**307.3**	**313.0**	**319.2**	**320.6**
Depreciation And Amortisation				
EBIT	**307.3**	**313.0**	**319.2**	**320.6**
Net Interest Income	(63.9)	(69.5)	(69.5)	(69.6)
Associates' Profit				
Other Income/(Expenses)				
Exceptional Items	324.2	0.0	0.0	0.0
Pre-tax Profit	**567.6**	**243.5**	**249.7**	**251.0**
Taxation	0.0	0.0	0.0	0.0
Minority Interests	0.0	0.0	0.0	0.0
Preferred Dividends	0.0	0.0	0.0	0.0
Net Profit	**567.6**	**243.5**	**249.7**	**251.0**
Distributable Profit	**260.4**	**261.7**	**268.0**	**269.4**

Balance Sheet

(S$m)	Mar-18A	Mar-19F	Mar-20F	Mar-21F
Total Investments	6,692	6,692	6,692	6,692
Intangible Assets	0	0	0	0
Other Long-term Assets	0	0	0	0
Total Non-current Assets	6,692	6,692	6,692	6,692
Total Cash And Equivalents	45	42	39	35
Inventories				
Trade Debtors	3	3	3	3
Other Current Assets	0	0	0	0
Total Current Assets	**48**	**45**	**42**	**39**
Trade Creditors	83	79	81	81
Short-term Debt	144	144	144	144
Other Current Liabilities	0	0	0	0
Total Current Liabilities	**227**	**223**	**225**	**225**
Long-term Borrowings	2,186	2,186	2,186	2,186
Other Long-term Liabilities	45	48	47	46
Total Non-current Liabilities	2,230	2,234	2,232	2,231
Shareholders' Equity	4,283	4,280	4,278	4,275
Minority Interests				
Preferred Shareholders Funds				
Total Equity	**4,283**	**4,280**	**4,278**	**4,275**

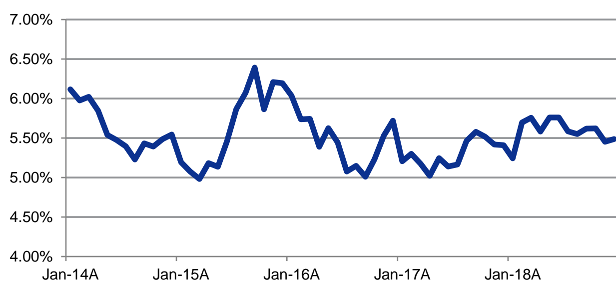
Cash Flow

(S$m)	Mar-18A	Mar-19F	Mar-20F	Mar-21F
Pre-tax Profit	**568**	**244**	**250**	**251**
Depreciation And Non-cash Adj.	64	70	70	70
Change In Working Capital	10	0	1	0
Tax Paid	0	0	0	0
Others	(309)	15	15	15
Cashflow From Operations	**332**	**328**	**335**	**336**
Capex	0	0	0	0
Net Investments And Sale Of FA	(19)	0	0	0
Other Investing Cashflow	0	(0)	(0)	(0)
Cash Flow From Investing	**(18)**	**(0)**	**(0)**	**(0)**
Debt Raised/(repaid)	0	0	0	0
Equity Raised/(Repaid)	0	0	0	0
Dividends Paid	(260)	(262)	(268)	(269)
Cash Interest And Others	(63)	(70)	(70)	(70)
Cash Flow From Financing	**(323)**	**(332)**	**(338)**	**(339)**
Total Cash Generated	(9)	(4)	(3)	(3)
Free Cashflow To Firm	315	328	335	336
Free Cashflow To Equity	252	258	266	266

Key Ratios

	Mar-18A	Mar-19F	Mar-20F	Mar-21F
Gross Property Revenue Growth	14.8%	2.0%	1.9%	0.4%
NPI Growth	15.9%	2.0%	1.9%	0.4%
Net Property Income Margin	78.2%	78.1%	78.1%	78.1%
DPS Growth	14.2%	0.2%	2.1%	0.2%
Gross Interest Cover	4.78	4.48	4.57	4.59
Effective Tax Rate	0%	0%	0%	0%
Net Dividend Payout Ratio	46%	107%	107%	107%
Current Ratio	0.21	0.20	0.19	0.17
Quick Ratio	0.21	0.20	0.19	0.17
Cash Ratio	0.20	0.19	0.17	0.16
Return On Average Assets	8.63%	3.61%	3.71%	3.73%

Rolling Dividend Yield - Mapletree Commercial Trust



Key Drivers

	Mar-18A	Mar-19F	Mar-20F	Mar-21F
Rental Rate Psf Pm (S$)	9.4	9.7	9.8	9.9
Acq. (less development) (US$m)	N/A	N/A	N/A	N/A
RevPAR (S$)	N/A	N/A	N/A	N/A
Net Lettable Area (NLA) ('000 Sf)	3,824,053	3,817,716	3,817,716	3,817,716
Occupancy (%)	96.2%	98.9%	98.9%	98.9%
Assets Under Management (m) (S$)	N/A	N/A	N/A	N/A
Funds Under Management (m) (S$)	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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Corporate Governance Report:

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the Market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information.

The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey result may be changed after that date. CGS-CIMB Thailand does not confirm nor certify the accuracy of such survey result.

Score Range:	90 - 100	80 – 89	70 - 79	Below 70 or	No Survey Result
Description:	Excellent	Very Good	Good	N/A	

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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2018
758 companies under coverage for quarter ended on 31 December 2018

	Rating Distribution (%)	Investment Banking clients (%)
Add	61.2%	4.2%
Hold	25.1%	2.1%
Reduce	13.7%	0.4%

Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2018, Anti-Corruption 2018

ADVANC – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, Declared, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BEM** – Very Good, n/a, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, , **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, Declared, **BJCHI** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, Declared, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENTEL** – Very Good, Certified, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Very Good, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **DELTA** - Excellent, n/a, **DEMCO** – Excellent, Certified, **DDD** – Very Good, Declared, **DIF** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** - Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HREIT** - Excellent, Certified **ICHI** – Excellent, Declared, **HUMAN** – not available, n/a, **III** – Good, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD*** –

Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Very Good, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Declared, **MALEE** – Very Good, Certified, **MC** – Very Good, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MTC** – Excellent, Declared, **NETBAY** – Good, n/a, **PLANB** – Excellent, Declared, **PLAT** – Very Good, Certified, **PSH** – Excellent, Certified, **PSTC** – Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Very Good, n/a, **RSP** – not available, n/a, **SAMART** - Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Declared, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Very Good, Certified, **SF** – Good, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, Declared, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, Declared, **TMB** - Excellent, Certified, **TNR** – Very Good, Declared, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Very Good, Declared, **UNIQ** – Good, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WORK** – Good, n/a.

Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of August 31, 2018) are categorized into:

- Companies that have declared their intention to join CAC, and
- Companies certified by CAC

* The company, its director or management had been reportedly accused for breaching proper corporate governance such as violation of the SEC's regulations or charged with corruption.

Recommendation Framework

Stock Ratings	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.

Country Ratings	Definition:
Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.

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