Ascott Residence Trust: Better equipped to ride out the storm

**Rating: Buy | TP: $1.53**

- Stability from geographical and lease structure diversification
- 20 ROFR properties, $31bn debt headroom, immediate c40% increase DPU yield from 5.4% to 7.5%
- Serviced Residences proving the more resilient and asset type – occupancy 60% (Industry Ave: 20% to 50%)
- Increased brand recognition and loyalty programs
- Popularity of select-service accommodation - preference for value

PropNex: Market leader with great model

**Rating: Buy | TP: $0.70**

- Largest real estate agency in Singapore
- Impressive market share - private residential new launches 48%
- Private resale 45%, HDB resale 5%
- Sustainable dividend yield of 7.8%; a $135m payout vs net cash $82mn
- Attractive metrics: ROE 28% on fixed assets of $5.5bn

CapitaLand: In hyperdrive

**Rating: Buy | TP: $4.20**

- Unlocking value in new geographies (India) and asset classes (business parks): Plans to more than double AUM in India from $3.3bn to $7.0bn by 2024
- Achieved 10% ROE - grew PATM across all segments
- High proportion of recurring income – investment properties contribute 80% of FY19 EBIT

Ascendas REIT: The stable giant

**Rating: Buy | TP: $3.31**

- Protected by diversification - 197 assets across 5 asset classes and 4 countries
- 68% of revenue from in-demand Biz Parks and Hi-spec asset class
- Low tenant concentration risk - 1,490 tenants, no tenant accounts for more than 4% of NPI
- Size allows undertaking of value-adding redevelopment and development projects with minimal impact to DPU
- Track record - willing and able to enter promising markets in a meaningful way

Frasers Centrepoint Trust: Resilient growth

**Rating: Buy | TP: $3.11**

- Anchored by resilient necessity spending – suburban malls will recover faster than central malls
- Organic growth: Projected 67.7% jump in HDB units surrounding three largest malls
- Beneficiary of URA Master Plan (Woodlands and Punggol)
- Inorganic Growth: 3 pipeline assets from Spencon and 6 mall under PGIM portfolio
- Imminent acquisition FPL has acquired the property manager and has 88% stake in PGIM

Banking & Finance

SGX: Tenancy in adversity

**Rating: Accumulate | TP: $8.52**

Strong SDAV and DDAV numbers to drive earnings
i) Spike in volatility benefits derivative products as risk management products
ii) Favourable valuations arising from market sell-off attracted strong securities transaction volume

DBS: Yield play to tide tough times

**Rating: Buy | TP: $27.80**

Favourable for yield seekers
i) Strong capital position along with other banks
ii) Low likelihood of dividend cut

UOB: Defense is the best offense

**Rating: Buy | TP: $27.30**

Business well-poised to weather headwinds
i) Low CASA ratio of 45% (DBS: 59%, OCBC: 48%)
ii) Lower NPL ratio and credit costs
iii) Impact of COVID-19 on asset deterioration similar across banks
SINGAPORE
Stock Picks 2Q2020

Telecommunication

Netlink NBN Trust: Stable yield provider
Rating: Neutral | TP: S$0.99
- Monopoly fibre provider that cannot be replaced
- Recurrent $31.80 per month from 1.4mn households = ~ $231mn
- Impact from Covid-19 is minimal
- Dividend payout is after capex; $200mn dividend vs $250mn operating cash-flow

StarHub: Aligning & shining brighter
Rating: Accumulate | TP: S$1.70
- Relatively immune to the slowdown, roaming the most exposed
- Pay-TV content to be restructured and bought 2 years
- Cost rationalisation
- Competitive rationality with joining 5G bid with MI

Consumer Staples

Sheng Siong: Growing 10x faster than industry
Rating: Accumulate | TP: S$1.41
- Extra growth drivers in FY20 - stocking up, home meals and returning Singaporeans
- Other drivers of growth: store expansion of at least 5% + maturing stores productivity in sales per square feet plus operating leverage
- Attractive metrics: 25% ROE, S$76mn net cash, 31% dividend yield

Thai Beverage: Cheap and dominant consumer stock
Rating: Buy | TP: S$0.95
- > 80% of earnings from spirits business
- Dominant market share - 95% spirits (Thailand)/ 70% (Myanmar) and 40% beer (Thailand and Vietnam)
- Sabeco not contributing for now due to high interest expense
- Demand for spirits is stable with farm income stable from government support
- Valuations attractive at 12x FY20e PE

Technology

Venture: Always reinventing themselves
Rating: Accumulate | TP: S$18.10
- Growth from outsourcing from China and new products namely in healthcare sector
- Production in IQ20 likely disrupted
- 10x PE FY20e = 53% yield + Net cash of S$714mn = Dividend yield: 5.7% = ROE 14%


To view Singapore Outlook 2Q2020 webinar, please visit
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