

Weekly Wrap of STI

The STI ended 1.90% down or 57.29 points lower on Friday to end at 2,960.98 as the mid-week confidence driven by monetary and fiscal stimulus dissipated.

The STI opened flat at the start of the week as investor's tread cautiously over the impact of the Covid-2019 virus. In mid-week, the US Federal Reserve's first emergency rate cut since the 2008 global financial crisis of rates by half a percentage points briefly lifted sentiment on the index. This was however tempered by a sharp decline in banking counters – DBS, UOB and OCBC – as investor's priced in weaker profits going forward from declining net interest margins. On Friday, the STI saw a strong sell-off along with global indices as the fear of the Covid-2019 virus continued to persist dragging down the index by 1.7% for the week.

Year to date, the STI index is down by 8.1%.

Week Ahead: 9 March – 13 March 2020

Economic Calendar: China Consumer Price Index (10 Mar) EUR GDP (10 Mar), UK Manufacturing Production (11 Mar), UK GDP (11 Mar), US CPI (ex. Food and Energy) (11 Mar), US CPI (11 Mar), ECB Interest rate decision (12 Mar), ECB Deposit rate decision (12 Mar),

Company Results: -

Companies News

1. United Global reported 4Q2019 net profit of US\$59.5 million from disposal of subsidiaries, proposed final dividend

Catalist-listed United Global, an established, independent lubricant manufacturer and trader in Singapore and Indonesia, today announced that it achieved US\$66.5 million in net profit attributable to shareholders for the full year ended 31 December 2019. This was a significant increase from the corresponding figure of US\$7.7 million in the preceding year, chiefly due to the disposal of a 40% stake in the Group's principal subsidiary, United Oil Company Pte Ltd ("UOC"), to Repsol Downstream Internacional S.A., a subsidiary of Spain-listed international oil and gas company, Repsol S.A.. Gain from the partial disposal, and de-consolidation of UOC contributed in part to US\$62.0 million in other income for FY2019. The Directors have recommended a final ordinary dividend of S\$0.012 per ordinary share, as well as a final special dividend of S\$0.02 per ordinary share.

2. Dairy Farm net earnings up almost 4 times to US\$324m

Pan-Asian supermarket and convenience store operator Dairy Farm's underlying net profit fell 10% to US\$321 million in 2019 as social unrest in Hong Kong disrupted operations in its home market during the second half of the year. After taking into account one-off business restructuring costs incurred in 2018, net profit rose 282% to US\$324 million in 2019, from a restated US\$85 million in 2018. Revenue for the 12 months ended Dec 31 fell 5% to US\$11.2 billion. The Hong Kong turmoil had the greatest impact on Mannings because of the significant reduction in the number of visitors from the Chinese mainland to Hong Kong, said Dairy Farm, which is part of the Jardine Matheson Group. In Hong Kong, Dairy Farm benefited "to some extent" from the diversified mix of its businesses. Full-year underlying earnings per share was US\$0.2372, down from US\$0.2648 in 2018. Full-year earnings per share was US\$0.2393, up 282% from US\$0.0627 in 2018. A final dividend of US\$0.145 per share was declared, giving a total dividend of US\$0.21 per share for 2019, which is in line with 2018. Separately, Dairy Farm said that the roles of chairman and managing director, which are currently held by Mr Keswick, will be separated with effect from June 15. Mr Keswick will remain chairman while John Witt will take on the role of managing director.

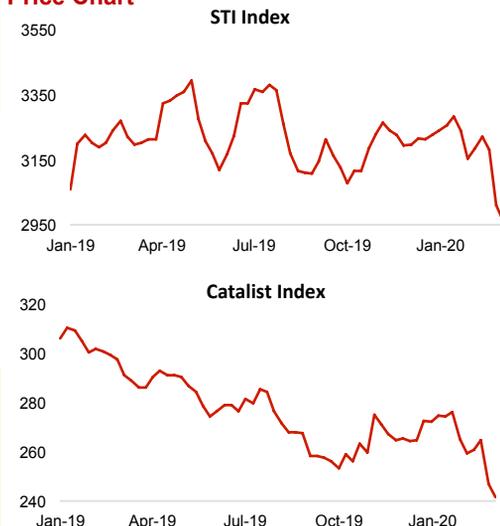
3. SingPost to cut, freeze upper-level management pay as part of Covid-19 measures

Postal services provider SingPost will be rolling out pay reduction and freezes for upper-level management staff starting on April 1 as part of temporary Covid-19 measures. A hiring freeze will also be implemented across the whole organisation with immediate effect, except for essential roles subject to approval, a SingPost spokesman told The Business Times on Wednesday. Staff who are at senior vice-president level and above will see a pay reduction of 5%, while staff who are at assistant vice-president level and above will have their pay and promotion increment frozen. The temporary measures will be reviewed on a quarterly basis by the group's management committee, the spokesman said, adding that growth plans for SingPost's future will not be affected. SingPost joins several other Temasek-linked companies in announcing similar measures in response to the virus situation. At Temasek Holdings, a compensation exercise in April will see the Singapore state investment firm implement a firm-wide wage freeze. Senior management will also be asked to voluntarily reduce their base salaries by up to 5% for up to a year.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	2961.0	▼57.3	▼1.9%	▼1.7%	▼8.1%
SG Mid Cap	721.2	▼6.4	▼0.9%	▲2.3%	▼4.9%
SG Catalist	241.6	▼4.7	▼1.9%	▼2.2%	▼11.3%
SG Small Cap	335.8	▼5.1	▼1.5%	▼0.1%	▼5.5%

Price Chart



IPO News

United Hampshire US REIT launched IPO at US \$0.80 per unit

The REIT, which will be Asia's first US grocery-anchored shopping centre and self-storage REIT, is raising gross proceeds of about US\$394.6 million by offering units at US\$0.80, or S\$1.12, each. This represents a yield of 7.4% for the March-to-December period of 2020, and 7.6% for 2021. Investors can choose to receive their distributions in US or Singapore dollars. There is about 7.5 million units offered to the retail public, making up 8.5% of the total offering. There are no current retail REIT with US exposure in the Singapore REIT universe for comparison, but the US office REITs have forward yields ranging from 6.4% to 8.4%. The cornerstone investors, together with the sponsors and existing investors in Hampshire funds injecting the properties in the IPO portfolio, have committed to take up about 82.2% of the total number of units, investing about US\$324.4 million in total. The cornerstone investors include Kuang Ming Investments, an investment holding firm privately owned by Philip Ng and family; mutual fund management company Kasikorn Asset Management; director of Wing Tai Property Management Helen Chow; founders of Malaysia-listed piling and foundation firm Pintaras Jaya, Chiu Hong Keong and Khoo Yok Kee; and Bangkok Life Assurance. Sponsors UOB Global Capital, which is the asset management subsidiary of United Overseas Bank, and American real estate manager, The Hampshire Companies, will each own a 9% stake in the REIT. The REIT has a portfolio of 22 properties, including 18 mostly freehold grocery-anchored and necessity-based retail properties and four self-storage facilities. Most of them are located on the Eastern seaboard of the US. For the retail stores, the anchor tenants make up the bulk of the occupancy at about 70%, booking modest rent increments over time. Most of the rental growth will come from the "satellite shop spaces", which are complementary businesses to the anchor tenant such as dry cleaners, pizzerias, bagel stores and local restaurants. These have shorter leases but more rental growth built into their leases. The public offer opens at 9am on March 4, and closes at noon on March 10. If all goes well, the REIT will list on March 12, 2020.