

Market Moves

The robust economic data were overshadowed by the resurgence of COVID cases in India. New confirmed cases are more than 4 times that of the peak in Sept 2020. While aids have poured in from all over, most countries also shut their borders to visitors from India. India is the fifth largest economy, second biggest population, and a low-cost manufacturing base for generic drugs and vaccines, petroleum products and textiles. It is also a major customer of coal and crude palm oil from Indonesia. Singapore also sees a rise in community cases and imposed tightened measures from 1-14 May.

DBS reported 1Q results that were 40% above consensus. Net profit of S\$2bn (+72.5% yoy) was driven by provisions writeback and higher trading income. Credit cost fell to S\$10m or 1bp, mainly due to repayment of loans that were under moratorium and improvement in asset quality. DBS is guiding credit cost of <S\$1bn for FY21, in line with S\$4bn guidance for FY20-FY21 (S\$3.1bn provided in FY20). We were surprised by the higher loans growth of 4.6% yoy, and management is guiding mid to high single digit growth for FY21. UOB and OCBC will report on 6 and 7 May.

Reuters reported that China's State Administration of Market Regulation will fine Tencent for about US\$1.54bn (lower than Alibaba's US\$2.75bn fine) for not reporting past investments and for some anti-monopoly practices at Tencent Music. The authority has also launched an investigation into Meituan. The ongoing anti-monopoly investigations, credit tightening and geopolitical tensions will weigh on the China markets.

Analysts' Notes

Singapore factory output expanded 7.6% in March, for five months straight, with the uplift coming from the electronics sector. Industrial production as a whole rose (+14.9%). For electronics, semiconductors (+37.8%) supported by demand from cloud services, data centers and 5G markets, and precision engineering (+5.6%). Chemicals gained as well (+9.5%). However, output was dragged down by transport (-20.6%) and biomedical (-6.6%). Overall, Singapore's 1Q21 manufacturing grew 10.7%. This will pose well for precision engineering companies like UMS Holdings ([latest report](#)), and chemical companies like MegaChem ([latest report](#)). EDB reported that this business optimism for Singapore's manufacturing and services sector is expected to last for the next 6 months. (*Lim Li Jun Tracy*)

IREIT entered into a sale & leaseback arrangement with Decathlon to acquire 27 retail properties across France, for an agreed value of €110.5 m, representing 3.0% discount to the independent valuation. The acquisition has a NPI Yield of 7.1%. and is DPU accretive of 1.0% on a pro forma adjusted FY2020 basis. The properties have a WALE of 10 Years and a WALB of 6 Years. The acquisition is expected to be funded through external bank borrowings and equity fund raising. IREIT is currently trading at a yield of 5.0% and a P/B of 1.4x. (*Lam Wang Kwan*)

Gaming sector

We believe the entertainment industry saw a structural shift due to Covid. Cinemas and live music used to be some of the main forms of entertainment for many of us. Now, the gaming sector is worth more than other entertainment forms like movies and music, according to an Accenture report. With the global lockdowns last year, gaming came as a way to interact and connect with friends, while being in our homes. Gamer demographics are also changing, with 60% of the newest gamers being women – which, we believe, partly is due to the lucrative income that some of these gaming influencers can earn by streaming on platforms like Twitch. We expect that the gaming industry and E-sports are set to continue rising, although at a slower rate than what we saw in 2020. Game developers such as Garena, which is under homegrown Sea Limited, console manufacturers, game retailers and streaming platforms are some of the companies that will benefit. (*Lim Li Jun Tracy*)

Company News

ISDN Holdings Limited (BBG: ISDN) posted 95.4% yoy increase in net profit in 1QFY21, from S\$3.1m to S\$6.1m. This was from a 23.4% increase in revenue to S\$98.4m, due to the market demand for industrial automation in Asia. On top of their core business of providing engineering solutions, the Group also ventured into clean energy and disinfectant products. Overall, gross margin +5.2 ppt, from 21.8% to 27.0% and net margin +6.6ppt from 2.7% to 9.3%.

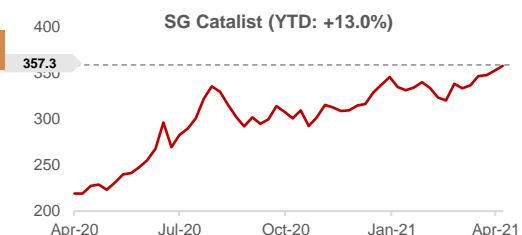
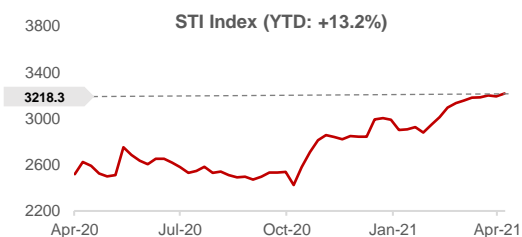
Kimly Group (BBG: KMLY) entered into a joint venture agreement with Tade Group to manage 2 more coffee shops. Under JV company Zhen Wei Food House, Kimly would have a 49% stake after injecting working capital of S\$0.15m. Aggregate consideration including lease assignment fees totalled S\$1.86m. Kimly currently has 83 outlets and drink stalls.

EcoWise Holdings Limited (BBG: ECW) entered into a sale and purchase agreement to dispose its 51% stake in Saiko Rubber (Malaysia) for RM18m (S\$5.82m). Book value and net tangible assets of Saiko was S\$7.6m as at 31 Oct. Carrying value of the investment was S\$4.21m. As a result, gain on disposal approximates S\$1.6m. Market cap of ECW ~S\$32.4m. Saiko manufactures, and trades rubberised products. The divestment would cut the cost of maintenance of equipment. Saiko could not meet the company's target returns.

MS Holdings Limited (BBG: MSHL) completed the disposal of property at 11 Gul Drive, for S\$7.0m in cash. Book value of the property was S\$1.8m. Gain on disposal was S\$5.2m. Market cap of MSHL is S\$7.0m. Post-transaction, MSHL would record a S\$4.7m net profit, from a S\$0.5m loss previously.

Scorecard

| Symbol | Price | Change | 1D % Change | 5D % Change | YTD % Change |
|--------------|--------|--------|-------------|-------------|--------------|
| STI | 3218.3 | ▼ 3.3 | ▼ 0.1% | ▲ 0.8% | ▲ 13.2% |
| SG Mid Cap | 770.3 | ▼ 6.5 | ▼ 0.8% | ▲ 0.3% | ▲ 10.6% |
| SG Catalist | 357.3 | ▼ 2.7 | ▼ 0.7% | ▲ 1.5% | ▲ 13.0% |
| SG Small Cap | 331.4 | ▼ 1.1 | ▼ 0.3% | ▲ 1.0% | ▲ 9.8% |



Macro Views

SG factory output rose 7.6% yoy in Mar (Feb: 16.5%), propelled by strong electronics output (+33.7%) while the cyclical pharmaceutical sector fell 9.6%. Excluding biomedical, output rose by a firm 14.9%, led by semiconductors (+37.8%), computer peripherals/data storage (+27.4%), medical technology (+23.3%) and petrochemicals (+16.4%). Worldwide shortage of chips and still strong demand for electronic devices look likely to sustain the momentum into Q2. Marine and offshore engineering (-20.9%) and aerospace (-26.8%) remained weak as capex for offshore oil facilities have been cut, and aviation recovery were subdued.

The advance estimates showed that SG total employment grew 4,800 in March 2021, the first increase since 4Q19, as more locals found work and the number of foreign employees contracted. Unemployment rates declined from 3.0% in FY20 to 2.9% in Mar 21, but they are still far from pre-pandemic levels of around 2.0%. Jobs in the manufacturing sector continued to fall.

China Caixin Manufacturing PMI was 51.9 in April, an improvement from Mar's 50.6. Non-manufacturing PMI fell to 54.9, from 56.3 in Mar. Manufacturing activities have been expanding since the low in April (49.4), but the pace has slowed from Nov 20 (54.9). Manufacturers will likely face pressure from the rise in input costs, supply shortage, and supply chain delay leading to higher freight rates.

US' 1Q advance GDP estimate was 0.4% higher yoy, (+1.56% qoq), a turnaround from three quarters of decline. Accelerated pace of vaccinations and the US\$1.9tn stimulus bill (where about 50% are directed to households) helped to drive consumer spending.

Eurozone's GDP fell 1.8% yoy in 1Q21 (-0.6% qoq), after -4.9% in 4Q20 (-0.7% qoq), due to tight mobility restrictions. The decline has eased, and April composite PMI of 53.7% (a 9-month high) point to further improvement in Q2.

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