SG Market Weekly Update
13 August – 17 August 2018

SAC ADVISORS

Weekly Wrap of STI

The STI ended 0.1% or 2.49 points lower on Friday to close at 3209.44 over geopolitical tensions and worries in emerging markets. The contagion in emerging markets leaked to developed economies such as Europe due to exposure in the distressed regions. For the week, the STI was down 2.3% or 75.3 points.

Singapore stocks opened lower on Monday after a warning by Singapore's trade ministry that economic growth could slow down in the remaining 2018. The downtrend continued mid-week, with trade tensions showing no concrete signals of backing down. Turkish President Erdogan maintained his iron grip on monetary policy which spooked markets worldwide. By Friday, worries continued to weigh on market sentiment and the STI wrapped up the week with 5 consecutive days of losses.

Year to date, the STI index is down by 5.7% while the Catalist index is down by 21.2%.

Week Ahead: 20 August – 24 August 2018

Economic Calendar: Canada Core Retail Sales (22 Aug), US Existing Home Sales (22 Aug), German Manufacturing PMI (23 Aug), US New Home Sales (23 Aug), German Q2 GDP (24 Aug), US Core Durable Goods Orders (24 Aug).

Company Results: UG Healthcare Corp (23 Aug), Parkson Retail Asia (23 Aug)

Companies News

1. Interra achieved revenue growth and turnaround in profit

Interra Resources Limited ("**Interra**") reported a Q2 net profit of US$0.55 million, a turnaround from the US$0.28 million loss a year ago. The weighted average transacted oil price was higher at US$70.39 per barrel as compared to US$47.07 per barrel in Q2 2017. Interra also sold more barrels, an increase to 64,095 barrels from 58,855 barrels a year ago.

2. United Global reported lower profits

Catalist-listed lubricant manufacturer and trader, United Global Limited ("**UTG**"), saw its profits shrink by 54.3% to US$0.898 million from US$1.964 million a year ago. The group's revenues decreased slightly by 5.8% due to mixed performance from its manufacturing and trading sectors. Culprits for the drag down in profits were distribution costs and administrative expenses. Distribution costs increased by 19.1% from US$0.556 million to US$0.662 million. The increase in administrative expenses were more drastic at 60.2%. In raw figures, it was an increase from US$1.382 million to US$2.215 million. UTG attributed the higher administrative expenses to the inclusion of PT Pacific Lubritama Indonesia's 3-month administrative expenses, high staff payroll costs and foreign exchange losses.

3. Advancer Global reported 2.7% growth in revenue

Catalist-listed Advancer Global Limited ("**Advancer Global**"), an established and integrated workforce solutions and services provider, announced that it has registered an increase in revenue of 2.7% to S$32.8 million and a drop of 29.6% in its net profit attributable to owners of the Company to S$1.6 million for the 6 months ended 30 June 2018. The net profit decrease was largely contributed by the increase in administrative expenses such as bad debts written off arising from the Facilities Management Services segment, loss on fair value re-measurement of contingent consideration payable in relation to the acquisition and the increase in administrative staff costs, advertising fees, professional fees, depreciation and amortisation expenses. Conversely, the decrease in net profit was offset by the share of profit associate companies contributed by G3 Environmental Private Limited and its subsidiaries.

4. LY Corp's profits dropped 40% in Q2

LY Corporation Ltd ("**LY**") reported a net profit of RM6.5 million in Q2, down 40% from the previous year. This fall resulted from the 21.5% drop in revenue to RM62.9 million on the back of weaker 40-ft container sales. Also, foreign exchange movements squeezed Q2 gross margins from 23.6% to 20.6%. The stronger Malaysian ringgit against the greenback decreased the selling price per container from RM51,000 to RM 49,000. In spite of this, Chief Executive Tan Yong Chuan remained upbeat about growth prospects. Mr Tan was confident of the firm's hedging policy and flexible selling price adjustment mechanism in navigating the uncertainties ahead. In addition, the firm expects to benefit from the escalating trade tensions.

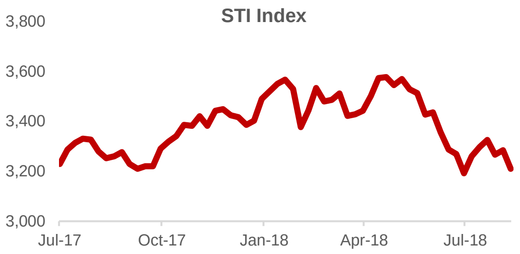
5. AnnAik's associate awarded RMB134 million China waste project

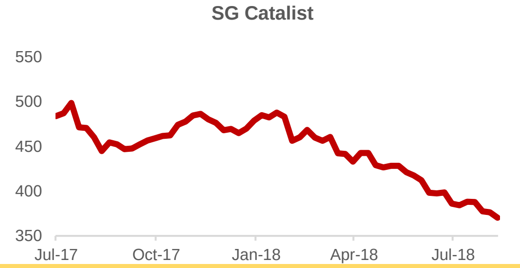
Catalist-listed AnnAik Ltd reported that its 25%-owned associate, Shanghai Onway Environmental Co ("**SOE**"), along with other partners, won its first public-private partnership project. The project was awarded to a joint venture company, 55% owned by SOE, by the Housing and Urban Construction Bureau of the Wujiang District. The company will provide services for cleaning, garbage removal and build solid waste reduction loading stations, rural wastewater treatment facilities, and piping networks in 3 townships.

Market Snapshot

Symbol	Price	Change	1D % Change	5D % Change	YTD % Change
STI	3209.4	▼ 2.49	▼ 0.1%	▼ 2.3%	▼ 5.7%
SG Mid Cap	718.4	▲ 0.38	▲ 0.1%	▼ 0.5%	▼ 6.3%
SG Catalist	370.2	▲ 2.97	▲ 0.8%	▼ 1.6%	▼ 21.2%
SG Small Cap	362.0	▲ 0.32	▲ 0.1%	▼ 0.5%	▼ 11.0%

Price Chart





Capital Market News

1. SGX expecting healthy influx of IPOs

In the coming months, Singapore Exchange ("**SGX**") foresees promising initial public offers ("**IPO**") across consumer, healthcare, and tech sectors. The IPO sizes of the abovementioned sectors are growing to match its regional peers. In addition, SGX's head of equities and fixed income, Chew Sutat, expressed optimism in billion-dollar US real estate investment trusts ("**REIT**") listing in Singapore. Such a move would be a boon for US investors because of tax advantages through investing in a US REIT with an appropriate structure in Singapore. This would boost the already remarkable local REITs market which stands at almost 10% of Singapore's total market value. Mr Chew favourably pointed out that REITs listed locally also have more diversified assets as compared to peers in US, Australia and Japan. Overseas, SGX's partnerships, notably with Tel Aviv and Nasdaq, are also gaining momentum. Mr Chew noted a healthy pipeline of Israeli firms interested in raising capital in Singapore.

2. Credit growth of banks threatened

According to Fitch Solutions Macro Research ("**Fitch**"), local credit markets will face greater pressure from escalating US-China trade tensions and the recent property cooling measures. Fitch decreased its 2018 and 2019 loan growth forecast to 5.0% and 4.5% respectively. Previously, their forecasts stood at 6.4% and 6.0% respectively. The cooling measures and rising interest rates are expected to soften demand for housing loans which constitutes for 30% of overall loans and 75% of consumer loans. Historically, tightening of LTV ratios since 2010 has all dragged down the mortgage market. For instance, when the ratio was cut in January 2013, growth in housing and bridging loans decreased from 16.2% to bottom out at 3.4% in the third quarter of 2016. Of the 3 large Singaporeans, UOB holds the largest exposure to housing loans, followed by OCBC then DBS.