

July 26, 2016

Credit Headlines (Page 2 onwards): Sabana Shari'ah REIT, AIMS AMP REIT, Mapletree Logistic Trust, CK Hutchison Holdings

Market Commentary: The SGD dollar swap curve traded upward yesterday. Swap rates traded 2-5bps higher across all tenors. Flows in the SGD corporates were heavy with better buying seen in SOCGEN 4.3%'26s and UOBSP 4%'49s. Mixed interests were seen in BPCEGP 4.5%'26s, ARTSP 4.68%'49s, UOBSP 3.5%'26s and TRAFIG 7.5%'49s. In the broader dollar space, the spread on JACI IG corporates decreased 4bps to 213bps while the yield on JACI HY corporates decreased 5bps to 6.40%. 10y UST yield remained relatively unchanged at 1.57%.

New Issues: Kookmin Bank has priced a USD500mn 3-year bond at CT3+88bps, tightening from its price guidance at CT3+105bps. The expected issue ratings are "A/A1/NR".

Rating Changes: S&P has revised its outlook on China Oil and Gas Group Ltd. (COGG) to positive from stable, and affirmed its "BB" corporate credit rating. The revision follows the Qinghai government's delayed decision to allow the company to pass through cost increases to end customers. At the same time, S&P also expects the company's domestic gas distribution business to grow, the dollar margin to recover, and capital expenditure to remain stable over the next 12-18 months. Moody's has downgraded P.T Investama Tbk.'s (BHIT) corporate family rating to "B3" from "B2" with negative outlook. The downgrade is in view that the company has yet to announce a refinancing plan for a USD243mn loan maturing within the next 120 days at Sky Vision, one of the company's media subsidiaries. The group will face additional and significant refinancing risks over the next 18 months in addressing Sky Vision's maturing loan.

Table 1: Key Financial Indicators

	26-Jul	1W chg (bps)	1M chg (bps)		26-Jul	1W chg	1M chg
iTraxx Asiax IG	121	0	-32	Brent Crude Spot (\$/bbl)	44.72	-4.77%	-7.62%
iTraxx SovX APAC	49	1	-7	Gold Spot (\$/oz)	1,315.30	-1.25%	-0.70%
iTraxx Japan	58	1	-19	CRB	181.31	-3.66%	-3.91%
iTraxx Australia	111	-1	-33	GSCI	345.15	-3.71%	-6.52%
CDX NA IG	73	2	-18	VIX	12.87	3.46%	-50.04%
CDX NA HY	104	0	3	CT10 (bp)	1.573%	-0.87	1.32
iTraxx Eur Main	68	-3	-31	USD Swap Spread 10Y (bp)	-9	4	4
iTraxx Eur XO	321	-9	-97	USD Swap Spread 30Y (bp)	-43	2	5
iTraxx Eur Snr Fin	93	-6	-44	TED Spread (bp)	42	2	5
iTraxx Sovx WE	26	-1	-11	US Libor-OIS Spread (bp)	31	2	4
iTraxx Sovx CEEMEA	129	2	-8	Euro Libor-OIS Spread (bp)	6	-1	-4
					26-Jul	1W chg	1M chg
				AUD/USD	0.748	-0.37%	1.99%
				USD/CHF	0.986	-0.02%	-0.74%
				EUR/USD	1.099	-0.25%	-0.29%
				USD/SGD	1.362	-0.62%	0.08%
Korea 5Y CDS	49	0	-13	DJIA	18,493	-0.22%	6.28%
China 5Y CDS	111	-1	-22	SPX	2,168	0.07%	6.43%
Malaysia 5Y CDS	140	10	-29	MSCI Asiax	526	0.36%	7.89%
Philippines 5Y CDS	103	1	-21	HSI	21,993	0.87%	8.56%
Indonesia 5Y CDS	164	--	-37	STI	2,930	0.04%	7.11%
Thailand 5Y CDS	93	-3	-32	KLCI	1,668	-0.15%	2.09%
				JCI	5,221	1.82%	7.99%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
26-July-16	Kookmin Bank	"A/A1/NR"	USD500mn	3-year	CT3+88bps
22-July-16	ANZ Ltd.	"AA-/Aa3/AA-"	USD750mn	5-year	CT5+105bps
22-July-16	ANZ Ltd.	"AA-/Aa3/AA-"	USD250mn	5-year	3mL+101bps
22-July-16	China Railway Xunjie Co. Ltd.	"NR/A3/A-"	USD500mn	10-year	CT10+170bps
22-July-16	Greenland HK	"B+/Ba3/BB+"	USD450mn	3-year	3.88%
20-July-16	China Minmetals Corp.	"NR/Baa1/BBB+"	USD300mn	5-year	CT5+205bps
20-July-16	China Minmetals Corp.	"NR/Baa1/BBB+"	USD700mn	10-year	CT10+265bps
19-July-16	SGSP Assets Pty. Ltd.	"BBB+/A3/NR"	USD500mn	10-year	CT10+175bps

Source: OCBC, Bloomberg

Credit Headlines:

Sabana Shari'ah Compliant Industrial Trust ("SSREIT"): In 1H2016, SSREIT's gross revenue decreased by 8.9% to SGD46.3mn (1H2015: SGD50.8mn). This was largely due to negative rental revisions for certain master leases renewals, non-renewal of 218 Pandan Loop, expiry of rental support on 9 Tai Seng Drive and absence of revenue which were divested in 1Q2016. Net property income ("NPI") saw a larger decline to SGD29.1mn. In addition to the lower top line, higher operating expenses were incurred due to the conversion of certain properties into multi-tenanted properties. Higher property tax and land rent expenses were also incurred as some Master Leases were renegotiated into non-triple net master lease arrangements. NPI as a proportion of gross revenue was only 63% in 1H2016 against 73% in 1H2015. As a consequence of weaker operating performance, EBITDA/Gross Interest was lower at 2.5x (1H2015: 3.2x) despite the relatively stable finance cost of SGD10.3mn. As at 30 June 2016, portfolio occupancy was 88.8% against 90.9% as at 30 June 2015. Weighted average lease term to expiry (including master leases) was 2.8 years. Aggregate leverage has increased to 41.2% as at 30 June 2016 (31 March 2016: 39.6%). Whilst SSREIT's financial flexibility and credit profile has deteriorated, we maintain SSREIT at a Negative issuer profile. (Company, OCBC)

AIMS AMP Capital Industrial REIT ("AAREIT"): AAREIT's 1Q2017 gross revenue decreased by 3.5% to SGD29.2mn (1Q2016: SGD30.3mn). Excluding the impact of a SGD1.1mn property tax refund to two tenants, gross revenue would have been SGD30.3mn, in line with that in 1Q2016. Net property income ("NPI") remained stable at SGD20.4mn. Excluding share of results of joint venture, EBITDA/(Gross Interest) improved to 3.7x from 3.5x as a result of slightly higher EBITDA and lower overall blended funding cost of 4.1% (1Q2016: 4.2%). During the quarter, cash distributions from the Australian joint venture (holding Optus Centre) amounted to SGD3.6mn, in line with that observed in 4Q2016. Adjusting interest coverage to factor in this distribution, interest coverage would be 4.4x. On 25 July 2016, AAREIT entered into a supplemental loan facility agreement to upsize its existing secured facility to refinance its unsecured borrowings due in August 2016 (ie: the AAREIT 4.9% '16s). On a pro-forma basis, weighted average debt maturity would be 2.7 years, factoring the refinancing. AAREIT faces no near term refinancing risk, with the next debt maturity amounting to SGD99.4mn due only in November 2017. Aggregate leverage was slightly higher at 33.1% (31 March 2016: 32.4%). Boosted by full occupancy at Optus Centre, portfolio occupancy was 92.7% as at 30 June 2016 (31 March 2016: 93.4%). We maintain a Neutral issuer profile on AAREIT. (Company, OCBC)

Mapletree Logistics Trust ("MLT"): MLT's 1Q2017 gross revenue increased by 5.3% to SGD89.6mn (1Q2016: SGD85.1mn), partly attributable to full contribution from properties acquired in Australia, Vietnam and Korea. Growth in revenue sufficiently offset lower revenue from several converted multi-tenanted buildings in Singapore and the absence of revenue from 76 Pioneer Road (undergoing redevelopment) and 2 other Singapore properties that were divested. In line with the growth in gross revenue and relatively stable trend in property expenses, net property income ("NPI") grew by 5.7% for the quarter. Driven by higher borrowings for acquisitions, EBITDA/(Gross Interest) was lower at 5.6x compared to 6.8x in 1Q2016, but improved slightly from the immediately preceding quarter (4Q2016: 5.2x). This comes on the back of the issuance of SGD250mn perpetual securities in May 2016 which was partly used to finance loan repayments. Aggregate leverage was 35.7% as at 30 June 2016, reducing from 39.6% as at 31 March 2016. Factoring in perpetual distributions, EBITDA/(Gross interest plus perpetual distribution) reduced to 3.8x in 1Q2017 (1Q2016: 4.5x). MLT's portfolio occupancy remained healthy at 95.4%, though declining slightly from 96.2% in 4Q2016. We maintain a Neutral issuer profile on MLT. (Company, OCBC)

CK Hutchison Holdings Ltd ("CHEUNG"): CHEUNG has given notice to perpetual security holders of the CHEUNG 5.125 '49s that it intends to redeem the securities on the first call date falling on 9 September 2016. We had earlier opined that the perpetual's fixed for life structure is extremely accommodative and a cheap source of "equity" funding for CHEUNG. We believe CHEUNG's ultimate decision to call on the SGD perpetual was driven by the need to maintain its reputation in the perpetual funding market. (Company, OCBC)

Andrew Wong

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 4736
wongVKAM@ocbc.com

Nick Wong Liang Mian, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6530 7348
NickWong@ocbc.com

Ezien Hoo, CFA

Treasury Research & Strategy
Global Treasury, OCBC Bank
(65) 6722 2215
EzienHoo@ocbc.com

This publication is solely for information purposes only and may not be published, circulated, reproduced or distributed in whole or in part to any other person without our prior written consent. This publication should not be construed as an offer or solicitation for the subscription, purchase or sale of the securities/instruments mentioned herein. Any forecast on the economy, stock market, bond market and economic trends of the markets provided is not necessarily indicative of the future or likely performance of the securities/instruments. Whilst the information contained herein has been compiled from sources believed to be reliable and we have taken all reasonable care to ensure that the information contained in this publication is not untrue or misleading at the time of publication, we cannot guarantee and we make no representation as to its accuracy or completeness, and you should not act on it without first independently verifying its contents. The securities/instruments mentioned in this publication may not be suitable for investment by all investors. Any opinion or estimate contained in this report is subject to change without notice. We have not given any consideration to and we have not made any investigation of the investment objectives, financial situation or particular needs of the recipient or any class of persons, and accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of the recipient or any class of persons acting on such information or opinion or estimate. This publication may cover a wide range of topics and is not intended to be a comprehensive study or to provide any recommendation or advice on personal investing or financial planning. Accordingly, they should not be relied on or treated as a substitute for specific advice concerning individual situations. Please seek advice from a financial adviser regarding the suitability of any investment product taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. OCBC and/or its related and affiliated corporations may at any time make markets in the securities/instruments mentioned in this publication and together with their respective directors and officers, may have or take positions in the securities/instruments mentioned in this publication and may be engaged in purchasing or selling the same for themselves or their clients, and may also perform or seek to perform broking and other investment or securities-related services for the corporations whose securities are mentioned in this publication as well as other parties generally.

Co.Reg.no.:193200032W