

Oct 23, 2018

Credit Headlines: Mapletree Logistics Trust, Julius Baer Group Ltd

Market Commentary

- The SGD swap curve steepened yesterday, with swap rates trading 2-4bps higher across most tenors.
- Flows in SGD corporates were heavy yesterday, with better buying seen in SIASP 3.16%'23s, HSBC 4.7%-PERPs, DBSSP 3.98%-PERPs and HSBC 5.0%-PERPs.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS widened 1bps to 142bps while the Bloomberg Barclays Asia USD HY Bond Index average OAS widened 4bps to 504bps.
- Overall, 10Y UST yields traded little changed to close at 3.20% on the back of safe haven demand due to falling stocks.

Credit Headlines:

Mapletree Logistics Trust (“MLT”) | Issuer Profile: Neutral (4)

- MLT announced its results for the second quarter of the financial year ended March 2019 (“2QFY2019”). Gross revenue was up 13.8% y/y to SGD106.6mn on the back of higher revenue from existing properties and full quarter contribution from acquisitions in Hong Kong, partly offset by absence of revenue (sale of four properties in FY2018 and the divestment of 7 Tai Seng in Singapore).
- EBITDA (based on our calculation which does not include other income and other expense, though includes the interest income from shareholder's loan to a joint venture) was 17.7% y/y higher at SGD80.9mn. Borrowing costs was 33.9% higher y/y at SGD16.8mn on the back of higher levels of borrowings to fund acquisitions. Average debt for 2QFY2019 was SGD2.7bn against SGD2.0bn in 2QFY2018. Resultant EBITDA/Interest was thus lower at 4.8x (2QFY2018: 5.5x), though still healthy. MLT has SGD430.0mn in perpetuals and we find EBITDA/(Interest plus 50% perpetual distribution) at 4.3x.
- As at 30 September 2018, MLT's reported aggregate leverage was relatively high versus other REITs we cover at 38.1%, this includes the proportionate share of borrowings and properties held at the joint venture level. We estimate that adjusted aggregate leverage taking into account 50% of perpetual as debt at 41%.
- On 28 September 2018, MLT completed the purchase of five warehouses from CWT Pte Ltd (“CWT SG”) under a sales-and-leaseback transaction. On a pro-forma basis, MLT would have a more concentrated tenant profile with CWT SG making up 9.5% of its gross revenue as the largest tenant. Prior to the transaction, the single largest tenant of MLT only contributed 3.5% to gross revenue. (Company, OCBC)

Credit Headlines (cont'd):

Julius Baer Group Ltd ("JBG") | Issuer Profile: Neutral (3)

- Bloomberg has reported that JBG is set to close its Panama and Peru operations. This is in the context of a strategic review following several changes at JBG's Latin America unit including (1) the appointment of a new head of the business in 2017; (2) recent movements in personnel due to departures to competitors and an ex-employee's arrest for money laundering activities during his time at JBG; and (3) challenges in its Latin America business with political and economic events impacting growth in the business and new net money inflows as per JBG's 1H2018 Business Review.
- JBG does not provide a geographic breakdown of its assets under management ("AUM") although as per Bloomberg, assets under management from Latin America are reportedly CHF40bn. This represents around 10% of reported AUM as at 30 June 2018 of CHF400bn, although without a country breakdown it is difficult to estimate the impact on total AUM.
- Despite the exit in Panama and Peru, Latin America will continue to be a focus for JBG in our view given the divergent prospects in the region according to management. As per JBG's 2017 annual report, JBG's strategy is to equally balance its AUM by geographic allocation between its original target markets of Switzerland and Europe and growth markets (Asia, Latin America, Russia, the Middle East, Israel, Africa, Central and Eastern Europe). In January, JBG announced the acquisition of 95% of Reliance Group in Brazil which was completed in June 2018.
- We presently rated JBG at a Neutral (3) issuer profile. (OCBC, Bloomberg, Company)

Table 1: Key Financial Indicators

	23-Oct	1W chg (bps)	1M chg (bps)
iTraxx Asiax IG	88	1	6
iTraxx SovX APAC	10	0	0
iTraxx Japan	59	2	3
iTraxx Australia	78	0	3
CDX NA IG	67	4	5
CDX NA HY	105	-1	-2
iTraxx Eur Main	74	1	4
iTraxx Eur XO	294	5	23
iTraxx Eur Snr Fin	91	2	11
iTraxx Sovx WE	27	0	3
AUD/USD	0.707	-1.04%	-2.55%
EUR/USD	1.146	-1.00%	-2.47%
USD/SGD	1.381	-0.46%	-1.14%
China 5Y CDS	67	1	9
Malaysia 5Y CDS	106	3	10
Indonesia 5Y CDS	148	3	14
Thailand 5Y CDS	43	--	2

	23-Oct	1W chg	1M chg
Brent Crude Spot (\$/bbl)	79.53	-2.31%	0.93%
Gold Spot (\$/oz)	1,223.84	-0.09%	2.07%
CRB	197.25	-1.25%	1.69%
GSCI	475.32	-1.93%	0.31%
VIX	19.64	-7.79%	68.15%
CT10 (bp)	3.181%	1.75	11.80
USD Swap Spread 10Y (bp)	6	0	1
USD Swap Spread 30Y (bp)	-9	-1	-2
TED Spread (bp)	17	1	-4
US Libor-OIS Spread (bp)	19	0	1
Euro Libor-OIS Spread (bp)	4	0	0
DJIA	25,317	0.26%	-5.33%
SPX	2,756	0.19%	-5.93%
MSCI Asiax	604	0.76%	-8.55%
HSI	25,721	1.08%	-7.99%
STI	3,050	0.53%	-5.20%
KLCI	1,713	-1.36%	-5.38%
JCI	5,836	0.61%	-2.04%

New issues

- Land Transport Authority of Singapore has priced a SGD1.0bn 35-year bond at 3.43%, tightening from its initial price guidance of 3.45%.
- Sinopec Century Bright Capital Investment Ltd has scheduled for investor meetings from 23 Oct for its potential CNH/HKD bond issuance.
- REC Ltd has scheduled for investor meetings from 23 Oct for its potential USD bond issuance.

<u>Date</u>	<u>Issuer</u>	<u>Size</u>	<u>Tenor</u>	<u>Pricing</u>
22-Oct-18	Land Transport Authority of Singapore	SGD1.0bn	35-year	3.43%
18-Oct-18	Doosan Power Systems SA	USD300mn	30NC3	CT3+87.5bps
18-Oct-18	Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara	USD500mn	10.25-year	99.004
18-Oct-18	Perusahaan Perseroan (Persero) PT Perusahaan Listrik Negara	USD500mn	30.25-year	99.293
18-Oct-18	Industrial and Commercial Bank of China Ltd (London Branch)	USD500mn	3-year	3mL+75bps
18-Oct-18	Industrial and Commercial Bank of China Ltd (London Branch)	USD500mn	5-year	3mL+85bps
18-Oct-18	Zhenro Properties Group	USD70mn	ZHPRHK 12.5%'21s	13.5%
18-Oct-18	Singapore Airlines Ltd	SGD600mn	5-year	3.16%
17-Oct-18	Metro Holdings Ltd	SGD150mn	3-year	4.0%
16-Oct-18	Kookmin Bank	USD300mn	3-year	CT3+80bps
16-Oct-18	Development Bank of Mongolia LLC	USD500mn	5-year	7.5%
15-Oct-18	SDG Finance I Ltd	USD600mn	3-year	CT3+255bps
15-Oct-18	Weifang Urban Construction and Development Investment Group Co Ltd	USD250mn	3-year	6.5%
15-Oct-18	Korea Expressway Corp	USD300mn	3-year	CT3+80bps

Source: OCBC, Bloomberg

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