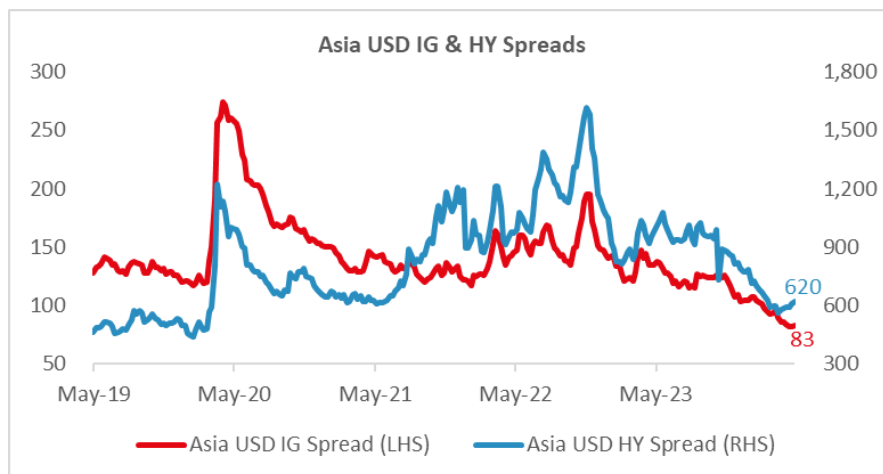


## Monthly Credit View

3 May 2024

### Monthly Themes & House View

- Credit dispersion increased in the Asiadollar space during April** against rates volatility and ongoing geo-political tensions. Bloomberg Asia IG spreads continued to reach new all-time lows falling below 80bps on 10 April before finishing the month at 80bps, tighter by ~6bps m/m. Bloomberg Asia HY spreads however widened by 19bps to 605bps compared to end-March.



- Against these developments was an increase in primary market activity according to Bloomberg league tables and OCBC estimates with USD18.4bn issued through April as at time of writing, up from USD13.73bn reported in March. While high grade credit continues to find favour and investor demand with several large Reg S/144 A deals, we are seeing some constructive underlying trends as investors searched for yield through a more diverse pool of issuers throughout the month. This included issuers from Japan (Rakuten Group Inc, Mitsubishi UFJ Financial Group Inc., Nippon Life Insurance Co) as well as several high yield energy and commodity related issuers, possibly taking advantage of the still tight high yield spreads. Some notable high yield deals included:
  - Melco Resorts Finance Ltd (“Melco Finance”) priced USD750mn of 8NC3 senior unsecured bonds at 7.625%. Proceeds will go towards partial repayment of a revolving credit facility of a subsidiary and for general corporate purposes. Melco Finance in turn is a wholly owned subsidiary of Melco Resorts & Entertainment Limited, a high yield gaming operator focused on Macau and the Philippines.
  - Yinson Production Financial Services Pte. Ltd. (“Yinson”) (Guarantor: Yinson Acacia Ltd, Yinson Production West Africa Pte Ltd) priced a USD500mn 5NC3 at 98.0 with final coupon of 9.625%. Yinson is an offshore equipment manufacturing company that designs, constructs, owns and operates floating storage, production, and offloading (“FPSO”) vessels for the offshore oil and gas industry. This is Yinson’s first USD bond with proceeds to be used to refinance the company’s existing corporate loan. Yinson is an indirect wholly owned subsidiary of oil and gas services

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firm Yinson Holdings Berhad and an application has been made for the bond to be listed on Oslo Børs.

- Puma International Financing SA (Guarantor: Puma Energy Holdings Pte Ltd) priced a USD500mn 5NC2 with final pricing of 7.75%. Puma Energy Holdings Pte Ltd (“Puma”) owns and operates storage facilities, as well as refines, distributes, and sells petroleum products, lubricants, and aviation products. Proceeds of the new issue will be used to repurchase Puma’s existing USD720mn 5% senior notes due 2026 tendered as part of the company’s recent cash tender offer. Puma is a subsidiary of commodity trader Trafigura Group and recently had its ratings upgraded due to an improved financial risk profile and lower refinancing risk.
  - Perenti Finance Pty Ltd (Guarantors: Perenti Ltd and certain of its subsidiaries) priced a USD350mn 5NC2 with final pricing of 7.50%. Parenti Ltd (“Parenti”) is an Australian based provider of global mining services including contract mining, mining support services and future technology solutions. The USD350mn issue received over USD2.3bn in orders per Bloomberg. Proceeds will be used partially redeem up to USD230mn of Perenti’s USD433mn 6.5% Guaranteed Senior Unsecured Notes due October 2025 as well as partially repay USD120mn of its Syndicated Facility.
  - PT Indika Energy Tbk, Indonesia’s third largest coal miner, priced a USD350mn 5NC2 with final pricing of 8.75% with proceeds to be used towards a tender offer for its USD675mn 8.25% 2025 notes and for funding its expansion into non-coal related and green businesses, in particular the EV and renewable energy business. The company received over USD740mn in orders, mostly from fund and asset managers in Asia and the US.
- Another development of note is the credit enhanced issues from Chinese domiciled issuers that provided some of the largest tightening between initial price guidance and final pricing. An example was Guang Ying Investment Ltd (Guarantor: Guangzhou Finance Holdings Group Co Ltd) seeing a 55bps tightening from initial price guidance for its USD150mn 2-year bond issued in mid-April. Proceeds may be used to refinance its last bond issue in April 2021 when it issued a USD300mn 3-year bond that matures on 6 May 2024. The tighter final pricing reflects the strong liquidity in China’s onshore market as well as solid demand from the investment desks of Chinese banks for these papers. In addition, borrowing costs for China’s local government financing vehicles (“LGFV”) have fallen to a record low as investors’ confidence has risen that authorities will bail out operations that run into trouble according to Bloomberg. China though is still imposing restrictions on domestic investors’ access to their offshore debt. The National Association of Financial Market Institutional Investors (“NAFMII”), which oversees the interbank market in the country, has stopped accepting new registrations for credit-linked notes. These notes are a type of derivative product that utilize offshore LGFV debt as the underlying assets. Adding to the above developments, Wang Chunying, spokeswoman of the People’s Bank of China and State Administration of Foreign Exchange, mentioned during the month that the regulator will continue to open up China’s bond market and expand its size through increased holdings of Chinese bonds by Financial Institutions and promotion of domestic bonds to become qualified collateral offshore.
  - **The SGD primary market similarly slowed** with SGD1.7bn issued in April, down from SGD2.8bn in March. Similar influences were also at play along with the commencement of earnings announcements. Issuance was highly concentrated with almost 75% coming from two issuers, Housing & Development Board

(SGD800mn) and Great Eastern Life Assurance Co Ltd (SGD500mn). Primary issuance volumes in the SGD space are up ~44% y/y, largely due to Housing & Development Board which has issued three bonds so far in 2024, after issuing only one for the whole of 2023.

- The SGD credit market continues to provide solid returns despite higher SGD SORA yields, up +0.29% m/m as at 30 April, as investors continue to look to the stability and quality of SGD credit. Performance was lifted by all segments, especially higher yield instruments including non-financial corporate perpetuals and bank capital (additional tier 1s and tier 2s). For more information on the SGD tracker, please refer to our SGD Credit Outlook 2023 published on 4 January 2023.

## SGD Tracker

	Key Statistics		Total Returns		
	(1 Jan 2021 = 100) Eff Mty		m/m	y/y	Since Jan 2021
<b>By Tenor &amp; Structure</b>					
AT1S	105.3	2.8Y	0.7%	12.2%	5.3%
NON-FIN PERP	110.0	10.9Y	0.7%	9.1%	10.0%
TIER 2S & Other Sub	109.5	4.0Y	0.5%	10.2%	9.5%
LONGER TENORS (>9YRS)	88.7	25.4Y	0.3%	9.8%	-11.3%
MID TENORS (>3Y-9YRS)	101.8	4.9Y	0.1%	4.7%	1.8%
SHORT TENORS (1-3YRS)	106.5	1.7Y	0.4%	4.5%	6.5%
MONEY MARKET (<12M)	110.2	0.5Y	0.4%	4.6%	10.2%
<b>By Issuer Profile Rating</b>					
POS (2)	105.4	8.4Y	0.4%	6.6%	5.4%
N(3)	106.9	3.6Y	0.5%	7.7%	6.9%
N(4)	107.2	4.3Y	0.5%	7.8%	7.2%
N(5)	103.3	2.4Y	0.5%	6.9%	3.3%

Source: OCBC Credit Research estimates, Bloomberg

## Key Developments in the SGD Credit Market

- **Singapore Property reported mixed data** with private housing prices rising 1.4% q/q in 1Q2024 (4Q2023: +2.8% q/q). However, rentals continue to soften though rate of decline has moderated falling 1.9% q/q in 1Q2024, a slower pace of decline than the previous quarter (4Q2023: -2.1% q/q). This could be attributable to a lower vacancy rate which fell 1.3 ppts q/q to 6.8%. **We expect Singapore residential property prices to grow 3-5% in 2024 and rentals to continue declining.**
- **City Developments Ltd (“CDL”) and GuocoLand Ltd (“GUOL”):** The Urban Redevelopment Authority has awarded two sites at Zion Road and Upper Thomson Road for SGD1.1bn and SGD779.6mn respectively. The bid for Zion Road site was 30.6% lower than the bid for Jiak Kim Street parcel in December 2017. Potentially, the bid was accepted because the Zion Road site is unique, and it is the first site to pilot a new class of long-stay serviced apartments. With CDL being the joint venture partner of the Zion Road site and GUOL holding 60% interest in the Upper Thomson Road site, **we expect substantial cash outlay to fund the land purchase by both developers.**

- **Singapore Telecommunications Ltd (“SingTel”)** announced two developments, (1) a significant SGD3.1bn non-cash impairment, and (2) a AUD1.6bn major network sharing agreement (AUD1.6bn over 11 year) with TPG Telecom. In relation to the impairment, this is mainly related to Optus and businesses surrounding Australia, and we note this follows news by the Australian Financial Review in March this year about the potential divestment of Optus. We also note that during 2HFY2024 (period from October 2023 to March 2024), Optus experienced a significant network outage. SingTel had earlier in April reiterated that there is “no impending deal to divest Optus”, which “remains a strategic and integral part of the Singtel Group”. Meanwhile, we believe that the share network with TPG Telecom, if approved by regulators, will help provide Optus with cashflows and cover some of the capex for 5G rollout in Australia.
- **CK Asset Holdings Limited (“CKA”)** along with CK Infrastructure Holdings Limited (“CKIH”, stock ticker: 1038 HK) and Power Assets Holdings Limited (“PAH”, stock ticker: 6 HK) have reached an agreement to acquire a 100% interest in Phoenix Energy Group Limited (“PEG”), a gas distribution network in Northern Ireland. The acquisition has an enterprise value of GBP757mn (HKD7.4bn), comprising an acquired interest of GBP312.6 million and net liabilities of GBP444.4 million. We believe **the impact is manageable given CKA’s strong cash position** of HKD42.5bn versus total debt of HKD54.9bn as at 31 December 2023.
- **Lippo Malls Indonesia Retail Trust (“LMRT”)** is seeking consent from bank lenders to change the pledged assets of its SGD Loan Facilities. Currently, LMRT still has SGD198mn under the SGD Loan Facilities with two valuable assets (Sun Plaza and Lippo Mall Kemang) pledged under the SGD Loan Facilities. With this latest announcement, LMRT is seeking to withdraw Sun Plaza as a collateral asset for the SGD Loan Facilities, replacing it with six smaller assets. It is likely that the withdrawn Sun Plaza will be used for the upcoming secured loan. Notwithstanding that more assets are contemplated to be pledged (leaving USD bondholders with less unencumbered assets in the event of a liquidation), we believe **this could be a credit positive event for LMRT** as this consent request is expected to pave the way for the banks to provide a secured loan to LMRT, which helps address LMRT’s liquidity crunch. That said, LMRT’s liquidity risk remains high if there is no additional funding as LMRT is expected to pay USD138.4mn (SGD189mn) LMRTSP 7.25% ‘24s (due 19 June 2024) and SGD25.9mn loan repayment in 2024
- **UBS Group AG (“UBS”)**: The Federal Council of Switzerland proposed that systematically important Swiss banks **must hold significantly more capital** against their foreign units, according to wide-ranging report on banking stability. In response to media questions posed by local media on analyst estimates that UBS would require additional capital of USD15bn to USD25bn, Switzerland’s finance minister opined that “those orders of magnitude are plausible”. Separately, UBS shareholders approved an amendment to UBS’s articles of association that allows recently issued Additional Tier 1 bonds to be convertible into equity rather than written down if loss clauses are triggered. This development was previously flagged as part of recent Additional Tier 1 issuances.
- **Wing Tai Holdings Ltd (“WINGTA”)** is calling its perp, in-line with our expectations. As mentioned in our publication [\*\*\*Perpetual Series 9: 9 lives of perperuals\*\*\*](#) on 18 March 2024, **we are Positive on corporate perperuals** as we believe more will be called. Even if the issuer does not redeem, higher distribution rates (upon reset) may attract demand from investors looking for yield.

- **Frasers Property Ltd (“FPL”) expected to record fair value losses** on its UK commercial property arising from weaker market sentiments, based on preliminary result of the valuations of its properties as at 31 March 2024. While the bottom-line would be impacted, **we expect the credit impact to be manageable**, with EU and UK properties assets representing just 6% of FPL’s total.
- **Keppel Ltd (“KEP”) provided answers on its strategy and progress at its AGM**, including (1) being on track to hit SGD200bn funds under management by end-2030 (end-2023: SGD55bn), (2) pivoting away from real estate and into energy transition, infrastructure, sustainable urban renewal and data centre, and (3) seeing fundraising and dealmaking environment to improvement in 2024.
  - **Keppel Infrastructure Trust (“KIT”)** has issued a circular with regards to an equity fundraising for the proposed issuance of up to ~1.06bn of new units (expected net proceeds of ~SGD490mn) in KIT (representing ~18.9% of the existing number of issued units as at 14 March 2024). KIT’s sponsor, Keppel Infrastructure Holdings Pte. Ltd. (“KIHPL”, a wholly owned subsidiary of Keppel Ltd) intends to take part in the equity placement to maintain its percentage unitholding in KIT. This equity fundraising will be used to partly fund the acquisition of a 98.6%-stake in Ventura Motors Pty Ltd (“Ventura”), the largest bus service business in Australia’s State of Victoria. The total acquisition costs are estimated at SGD570.6mn.

**Selective stable and positive earnings published by companies below:**

- **Mapletree Industrial Trust (“MINT”)** reported fourth quarter results for the financial year ending 31 March 2024 (“4QFY2024”) which show a stable set of results. MINT reported positive rental reversion though occupancy dipped somewhat. Meanwhile, overall credit metrics remained stable in comparison to the previous quarter.
- **Capitaland Investment Ltd (“CLI”)** reported its 1Q2024 business update. Overall, performance looks stable with credit metrics improving slightly though information on profitability is not available. Reported net gearing fell q/q to 0.53x (2023: 0.56x) due to divestments. Reported interest cost rose q/q to 4.0% p.a. (2023: 3.9% p.a.) despite issuing RMB1bn panda bonds.
- **Frasers Centrepoint Trust (“FCT”)** reported 1HFY2024 results for the half-year ended 31 March 2024. Underlying results look decent with an NPI growth of 2.1% y/y on a same store basis. Retail occupancy remains resilient q/q at 99.9% for the retail portfolio, excluding Tampines 1 which is undergoing AEI works. Moderate credit metrics were reported with aggregate leverage increasing 1.3 ppts q/q to 38.5%. Meanwhile, reported interest coverage ratio for the 12 months to 31 March 2024 fell slightly q/q to 3.26x (31 December 2023: 3.35x) even though cost of debt decreased to 4.2% (31 December 2023: 4.3%).
- **Suntec Real Estate Investment Trust (“SUN”)** announced its 1Q2024 business updates. SUN reported a slight uptick y/y in overall top line although net property income fell y/y due to overseas assets. SUN’s reported aggregate leverage as at 31 March 2024 stayed on the high side of 42.2% (end-2023: 42.3%) within our coverage while reported adjusted interest coverage ratio has further thinned by 0.1x q/q to 1.9x. SUN reported relatively stable operating metrics though the Australia market outlook softened.
- **Keppel Ltd (“KEP”)** announced their 1Q2024 business updates. 1Q2024 revenue was SGD1.5bn versus SGD1.6bn in 1Q2023 (for continuing operations). The exact



net profit for 1Q2024 was not provided although per KEP, 1Q2024 net profit from continuing operations was higher y/y, mainly from stronger performance in Infrastructure and Connectivity. Reported unadjusted net gearing was 0.90x as at 31 March 2024, flat versus end-2023.

- **OUE Real Estate Investment Trust (“OUEREIT”)** reported its 1Q2024 business update. Overall results are encouraging though slightly weaker credit metrics and weaknesses in China were evidenced. 1Q2024 net property income (“NPI”) increased 6.9% y/y to SGD60.5mn, mainly driven by higher contributions from Hilton Singapore Orchard and the resilient performance of Singapore commercial properties. As at 31 March 2024, T12M adjusted interest coverage ratio weakened 0.1x q/q to 2.3x as interest cost rose to 4.5% (Dec 2023: 4.3%, Mar 2023: 3.8%). Meanwhile, aggregate leverage rose 0.6ppts q/q to 38.8%.
- **First Real Estate Investment Trust (“FIRT”)** reported its 1Q2024 business update. Overall results remained stable q/q with marginally weaker credit metrics. 1Q2024 net property income fell 0.1% y/y to SGD22.1mn, affected by the stronger SGD against IDR while offset by high rental income from assets in Indonesia and Singapore. Reported adjusted interest coverage ratio for the 12 months to 31 March 2024 weakened slightly q/q to 3.7x in 1Q2024 (2023: 3.9x) while aggregate leverage increased slightly q/q to 38.8% (38.7%). Our concerns on FIRT remain on the high revenue concentration risks particularly from PT Lippo Karawaci Tbk (34.4% of 1Q2024 revenue) and PT Metropolis Propertindo Utama (6.1%).
- **CapitalLand Ascott Trust (“ART”)** reported 1Q2024 business updates. 1Q2024 reported gross profit had increased by 15% y/y driven by stronger operating performance and contributions from new properties (same-store basis: +7% y/y). As at 31 March 2024, reported aggregate leverage (not including perpetual as debt) was 37.7%, slightly lower than the 37.9% as at 31 December 2023. Reported interest coverage ratio for the 12 months to 31 March 2024 was 3.7x, lower than the 4.0x for the 12 months to 31 December 2023.
- **Mapletree Pan Asia Commercial Trust (“MPACT”)** reported its fourth quarter results for the financial year ended 31 March 2024 (“4QFY2024”) which show higher contribution from Singapore but dragged by overseas assets. MPACT reported a stable y/y overall top line despite overseas assets being a drag. As at 31 March 2024, MPACT’s reported aggregate leverage (excluding perpetuals) was 40.5% (31 December 2023: 40.8%). Reported adjusted interest coverage ratio (including perpetual distribution) was 2.9x for the 12 months to 31 March 2024, lower than the 3.0x for the 12 months to 31 December 2023.
- **Keppel Real Estate Investment Trust (“KREIT”)** announced its 1Q2024 business updates. 1Q2024 property income increased by 6.3% y/y. Committed occupancy fell somewhat q/q but still relatively high at 96.4% (end-2023: 97.1%). KREIT reported adjusted interest coverage ratio (includes perpetual distribution) for the 12 months to 31 March 2024 at 2.9x, somewhat lower than the 3.0x for the 12 months to 31 December 2023 while reported aggregate leverage (excluding perpetual) has increased to 39.4% (31 December 2023: 38.9%).
- **CapitalLand Ascendas REIT (“AREIT”)** announced 1Q2024 business updates. Overall results are still healthy with strong rental reversion, though modest weaknesses were evidenced across occupancy rates and credit metrics. 1Q2024 portfolio occupancy weakened modestly q/q to 93.3% (end-2023: 94.2%) while offset by strong portfolio rental reversion of 16.9%. Aggregate leverage as at 31 March 2024 rose slightly q/q to 38.3% (end-2023: 37.9%) and 1Q2024 reported adjusted interest coverage ratio (“ICR”) weakened slightly q/q to 3.6x (2023: 3.7x).

- **ESR-LOGOS REIT (“EREIT”)** announced its 1Q2024 business updates. On a same-store basis, gross revenue had increased 1.3% y/y while NPI had declined marginally by 0.2% y/y. As at 31 March 2024, EREIT reported occupancy of 91.7%, falling from the 92.8% as at 31 December 2023 due primarily to a slightly weaker Singapore portfolio. Reported adjusted interest coverage ratio (includes perpetual distribution) for the 12 months to 31 March 2024 was 2.6x (end-2023: 2.5x) while reported aggregate leverage increased to 37.1% (end-2023: 35.7%).
- **Capitaland Integrated Commercial Trust (“CICT”)** reported its 1Q2024 business update with decent results and stable credit metrics q/q. Net property income rose 6.3% y/y to SGD293.7mn, with increase in retail (+6.0% y/y to SGD107.3mn), office (+7.6% y/y to SGD100.0mn) and integrated development (+5.1% y/y to SGD86.4mn). Portfolio occupancy fell 0.3 ppts q/q to 97.0%, mainly due to dips in the office portfolio (-0.9 ppts q/q to 95.8%). Credit metrics remain stable, with aggregate leverage flattish q/q at 40.0% (4Q2023: 39.9%) and reported interest coverage for the 12 months to 31 March 2024 remaining at 3.1x (4Q2023: 3.1x) despite average cost of debt inching up to 3.5% (31 December 2023: 3.4%).
- **DBS Group Holdings Ltd (“DBS”)** reported a record 1Q2024 result with profit before tax up 15% y/y to SGD3.39bn. Broad based strength in commercial book income was seen while markets trading income continues to underperform due to higher funding costs although has improved compared to 2023. With the broad-based strength in the results and record performance in fees and treasury customer sales, CEO Piyush Gupta highlighted management optimism that earnings will be better than previously expected on growth in commercial book non-interest income. Net interest income is now expected to be modestly improved y/y in 2024 against prior expectations.
- **European Financial Institutions (BNP Paribas SA, HSBC Holdings PLC, Barclays PLC, Deutsche Bank AG)** reported 1Q2024 results in line with expectations as previous 2024 expectations and strategies of capital reallocation to higher return core businesses were reaffirmed. This includes divestments for HSBC and BNPP, acquisitions and divestments by Barclays, and cumulative risk weighted asset reductions and optimisations by Deutsche Bank AG. News of as much as EUR1.3bn in unexpected legal provisions in 2Q2024 for Deutsche Bank AG is not expected to impact the bank’s strategy and financial targets, which largely relate to 2025, and the bank remains on track to achieve total distributions in excess of EUR8bn over 2022-2026.

**Relatively weak/lacklustre results were published by companies below:**

- **Lippo Malls Indonesia Retail Trust (“LMRT”)** reported 1Q2024 results. Net property income (“NPI”) fell 3.1% y/y to SGD29.88mn (IDR term: -1.0% y/y). LMRT reported improved operating metrics though credit metrics remained weak. **LMRT’s liquidity risk remains high if there is no additional funding.** LMRT is expected to pay USD138.4mn (SGD189mn) LMRTSP 7.25% ‘24s (due 19 June 2024) and a SGD25.9mn loan repayment in 2024.
- **Capitaland China Trust (“CLCT”)** reported 1Q2024 business updates, with divergence in performance between retail and new economy assets. In RMB terms, revenue fell 1.6% y/y to RMB468.1mn, while overall net property income (“NPI”) fell 7.7% y/y to RMB313.1mn. This was due to a decline in the new economy segment which saw revenue and NPI fall by 6.6% and 22.1% to RMB133.6mn and RMB93.0mn respectively, with lower contributions from logistics parks and absence of one-off property tax refund from business parks. CLCT’s credit metrics

remains stable while we see a mixed outlook ahead. The retail portfolio is positioned to ride the growth of China's domestic consumption, while CLCT is looking to divest mature and non-core retail assets. For the Business Park segment, while the current business climate remains cautious, CLCT has executed +4.3% rental reversion in 1Q2024 for Ascendas Xinsu portfolio. Logistics Parks may continue to struggle, with higher vacancy rates and lower rents expected in the short term.

- **CapitaLand Group Pte Ltd ("CAPL") released its Annual Report 2023. Overall results and credit metrics are weaker y/y.** Revenue fell 6.9% y/y to SGD4.8bn, gross profit fell 11.4% y/y to SGD1.6bn, profit before tax fell 76.8% y/y to SGD479mn. Our calculated gross debt to EBITDA increased y/y to 18.0x (2022: 14.8x), EBITDA/Interest fell to 1.4x (2022: 1.9x) while net gearing rose 5 ppts y/y to 64%. Unrestricted cash of SGD4.95bn is sufficient to cover current borrowings of SGD2.97bn. Excluding CapitaLand Investment Ltd ("CLI"), we estimate that profit before tax has dwindled to just SGD5mn in 2023 (2022: SGD678mn). We estimate that CAPL standalone net gearing has risen above 80% (2022 above 70%, 2021: above 50%).

## Issuer Profile Changes / Updates

- We **downgraded Lendlease Group's ("LLC") Issuer Profile to Neutral (4) from Neutral (3)**. We see credit fundamentals as not overly concerning at the Neutral (4) level in the near-mid term as its business outlook is still underpinned by the (1) project cash inflow of AUD2.6bn by FY2025 (albeit regulatory uncertainty over AUD1.3bn), (2) sustainable and stable earnings from its Investment segment and (3) high Development completions in FY2025-FY2027 amidst high work-in-progress (AUD20.8bn as at 31 December 2023). These should repair the weaker credit metrics from weaker-than-expected earnings. That said, there are still considerable uncertainties for the mid-long term amidst lack of effective strategies to improve earnings and the upcoming potential strategic review. We would review the issuer profile of LLC and the initiatives to be undertaken upon finalisation of its strategic review.
- We **maintain Wing Tai Holdings Ltd's ("WINGTA") Issuer Profile of Neutral (4) and expect this to be stable over the next 12 months**. Despite expectations of lower earnings contributions from development properties ahead, WINGTA's outlook is likely to be underpinned by its (1) conservative financial policy and gearing, (2) dividend contributions from JV and associates (primarily Uniqlo and WTP), (3) sales from LakeGarden Residences and (4) Investment Properties (20% of total assets or 51% if include WTP's investment properties).
- We **assign a Neutral (4) issuer profile on ESR-LOGOS REIT ("EREIT") and expect this to be stable in the next 12 months**. EREIT historically had a Reported Aggregate Leverage above 40%, though in 2023, EREIT pared down debt through divestments and an equity raising, bringing this lower to 35.7% as at 31 December 2023. Reported Adjusted Interest Coverage Ratio (includes perpetual distributions) is at 2.5x, higher than other higher yielding REITs we track. Conservatively when we also add cash interest on lease liabilities for leasehold land in our denominator, we find 2H2023 Adjusted EBITDA/Interest at 2.0x.
- Please note that due to OCBC's engagement in other business activities, we have **suspended our coverage** on the following names until these activities are completed: **Hotel Properties Ltd**.



### Issuer Profile Changes / Updates (cont.)

- Please note that due to the completion of OCBC's engagement in other business activities, we have **resumed coverage** on the following names: **Wing Tai Holdings Limited, Deutsche Bank AG and Frasers Logistics & Commercial Trust.**

### Trade Ideas

- **SLHSP 4.4% '28s (SGD)** SHANG's credit profile is underpinned by investment property ownership and hotel operations. The rebound in travel and hospitality has led to improved revenue and income generation at Shangri-La Asia Limited ("SHANG"). SHANG's consolidated revenue for 2023 increased by 46.5% y/y to USD2.1bn and was 88% of 2019's consolidated revenue (before COVID). The company discloses operating profit after tax (inclusive of results from associates, after minority interest at subsidiaries where SHANG has no full ownership). We term this as Adjusted Operating Profit ("AOP"). While some markets still saw negative AOP, encouragingly, all main markets of mainland China, HKSAR and Singapore saw positive Hotel AOP in 2023. Investment Properties AOP continued to provide income stability. Its bullet bonds provide a yield pick-up against high-grade REIT bullets.
- **WINGTA 3.68% '30s (SGD)** Wing Tai Holdings Ltd ("WINGTA") is an investment holding company with businesses in Development Properties, Investment Properties and Retail segments. WINGTA is focused primarily in Singapore, HKSAR, Malaysia and Australia. Based on our calculation, almost half (49%) of WINGTA's FY2023 net profit excluding fair value losses on the investment properties of SGD131.3mn was contributed by Uniqlo Malaysia (SGD35.1mn) and Singapore (SGD29.0mn). Despite the expectedly lower earnings contributions from development properties ahead, WINGTA's outlook is likely to be underpinned by (1) conservative financial policy and gearing, (2) dividend contributions from JV and associates (primarily Uniqlo and WTP), (3) sales from LakeGarden Residences and (4) Investment Properties (20% of total assets or 51% if including investment properties of associates and JV).

### Model Portfolio

- **Rose 1.79% m/m:** It was yet another strong month for the model portfolio, outperforming gains in the broader SGD credit universe (+0.43% m/m) in the same period. With the model portfolio having made consecutive gains in March (+1.03% m/m), February (+0.76% m/m) and January (+0.84% m/m), total returns are at its highest level since its inception in 2021.
- **Redemption of two issues:** FPLSP 4.98% PERP and SOCGEN 6.125% PERP have been redeemed in April as the issuers have exercised the call. The next maturities in the portfolio will be in the 2<sup>nd</sup> half of this year.
- **Redeployed to LREIT 5.25% PERP and EREIT 6.632% PERP:** With significant net redemptions of corporate perpetuals, we redeployed proceeds to LREIT 5.25% PERP and EREIT 6.632% PERP, with both offering decent yield levels, with the move aligned to our expectations for perpetuals to continue outperforming.

Issue Name	OCBC Issuer Profile Rating	Yield to Worst	Maturity / First Call Date / Reset Date	Cost of investment (incl. acc. interest)	Current Value (incl. acc. interest)	Total coupons received	Total Gain/Loss
<b>Property Developers</b>							
OUCT 3.95 05/05/27	5	4.06%	05/05/2027	\$242,063	\$247,799	\$15,564	\$21,300
GUOLSP 4.6 PERP	5	5.22%	23/01/2025	\$243,735	\$250,426	\$17,250	\$23,941
FPLSP 3 10/09/28	5	4.26%	09/10/2028	\$227,004	\$237,070	\$7,521	\$17,587
<b>REITs</b>							
SPHRSP 4.1 PERP	4	6.06%	30/08/2024	\$245,856	\$250,090	\$15,389	\$19,623
LREIT 5 1/4 PERP	4	4.90%	11/04/2025	\$251,820	\$251,820	\$0	\$0
EREIT 6.632 PERP	4	5.96%	03/11/2024	\$249,059	\$249,059	\$0	\$0
AAAREIT 5.65 PERP	4	5.59%	14/08/2025	\$258,838	\$252,988	\$42,375	\$36,525
CERTSP 5 PERP	Unrated	8.15%	24/11/2026	\$248,181	\$194,083	\$25,000	-\$29,098
<b>Financial Institutions</b>							
CS 5 5/8 PERP	Unrated			\$264,341	\$0	\$28,125	-\$236,216
STANLN 5 3/8 PERP	4	4.81%	03/10/2024	\$262,020	\$251,043	\$53,750	\$42,773
UBS 4.85 PERP	3	4.69%	04/09/2024	\$258,118	\$251,544	\$24,250	\$17,676
UBS 5 3/4 PERP	3	5.29%	21/08/2029	\$254,709	\$257,536	\$0	\$2,827
BACR 8.3 PERP	4	6.69%	15/09/2027	\$262,992	\$264,021	\$31,125	\$32,153
BACR 7.3 PERP	4	6.24%	15/06/2028	\$224,569	\$261,998	\$13,688	\$51,116
BPCEGP 5 03/08/34	Unrated	4.86%	08/03/2034	\$251,854	\$253,240	\$0	\$1,386
SOCGEN 8 1/4 PERP	4	6.12%	15/07/2027	\$260,149	\$272,279	\$30,938	\$43,068
DB 5 09/05/26	4	4.31%	05/09/2025	\$251,649	\$254,171	\$25,000	\$27,522
CMZB 6 1/2 04/24/34	4	5.00%	24/04/2034	\$252,056	\$265,288	\$8,125	\$21,356
<b>Others</b>							
HKLSP 3.45 12/03/39	2	4.20%	03/12/2039	\$229,663	\$229,886	\$0	\$223
OLAMSP 4 02/24/26	Unrated	5.08%	24/02/2026	\$253,341	\$246,194	\$34,959	\$27,812
OLGSP 5 3/8 PERP	5	8.45%	18/07/2026	\$244,179	\$237,876	\$13,438	\$7,134
SLHSP 3 1/2 01/29/30	4	4.04%	29/01/2030	\$243,420	\$244,808	\$4,339	\$5,727
ESRCAY 5.65 PERP	Unrated	6.59%	02/03/2026	\$255,577	\$247,750	\$49,438	\$41,611
SITB 05/28/24	Unrated	3.76%	01/05/2034	\$50,885	\$50,885	\$0	\$0
<b>Total Gain/Loss since portfolio inception</b>							\$521,876

Statistics	Simple Avg, Issuer Profile	Simple Avg, Yield*	Simple Avg, Tenor	Total, Invested Amount	Cash Balance	Unrealised Profit	Portfolio Value
	4.0	5.48%	3.6Y* (7.5Y**)	\$5,786,078	\$22	-\$264,225	\$5,521,876

\*Assume first call date as maturity, or reset date as maturity (if not called at first call)

\*\*Assuming maturity of perpetuals = 10Y, and issuers do not exercise the call for non-perps with call dates. Excludes SITB

## Upcoming Bond Maturities – May 2024

Issuer Name	Ticker	Amount (SGDmn)	Maturity / Call* Date
Keppel Ltd	KEPSP	150	07/05/2024
CDL Properties Ltd	CDLPRP	400	09/05/2024
Citigroup Global Markets Holdings Inc/United States	C	740	*12/05/2024
SP PowerAssets Ltd	SPSP	75	15/05/2024
Housing & Development Board	HDBSP	700	22/05/2024
UOL Treasury Services Pte Ltd	UOLSP	200	23/05/2024
Wing Tai Holdings Ltd	WINGTA	150	*24/05/2024
Sembcorp Financial Services Pte Ltd	SCISP	200	27/05/2024
Cagamas Global PLC	CAGA	103	30/05/2024
Thomson Medical Group Ltd	TMGSP	150	*31/05/2024

Source: OCBC Credit Research, Bloomberg

## Current / Recent Reports from OCBC Credit Research

- Wing Tai Holdings Ltd: Credit Update (25 April 2024)
- Lendlease Group: Credit Update (18 April 2024)
- ESR-LOGOS REIT: Credit Re-Initiation (4 April 2024)
- SGD Bond Trade Ideas Special Interest Commentary (28 March 2024)
- DBS Group Holdings Ltd and United Overseas Bank Ltd: Credit Update (22 March 2024)
- Singapore Exchange Ltd: Credit Initiation (21 March 2024)
- Singapore Airlines Ltd: Credit Update (19 March 2024)
- Perpetual Series 9 Special Interest Commentary (18 March 2024)
- Mapletree Pan Asia Commercial Trust: Credit Update (15 March 2024)
- Oxley Holdings Ltd's: Credit Update (13 March 2024)
- Suntec Real Estate Investment Trust: Credit Update (06 March 2024)
- Housing & Development Board: Special Interest Commentary (1 March 2024)
- Frasers Centrepoint Trust: Credit Update (23 February 2024)
- Capitaland Ascott Trust: Credit Update (22 February 2024)
- Mapletree Logistics Trust: Credit Update (8 February 2024)
- First Real Estate Investment Trust: Credit Update (2 February 2024)
- Singapore Property Special Interest Commentary (29 January 2024)
- Sustainable Finance Special Interest Commentary (23 January 2024)
- REIT Special Interest Commentary (9 January 2024)
- Singapore Credit Outlook 1H2024 (5 January 2024)
- Lippo Malls Indonesia Retail Trust: Credit Update (14 December 2023)
- Standard Chartered PLC: Credit Update (7 December 2023)
- HSBC Holdings PLC: Credit Update (7 December 2023)
- Barclays PLC: Credit Update (6 December 2023)
- UBS Group AG: Credit Update (6 December 2023)
- Mapletree Investments Pte Ltd: Credit Update (27 November 2023)
- Frasers Property Ltd: Credit Update (27 November 2023)
- Singapore Airlines Ltd: Credit Update (17 November 2023)
- Sustainable Finance Update 3Q2023 (15 November 2023)
- Wing Tai Properties Limited: Credit Update (26 October 2023)
- Keppel Real Estate Investment Trust: Credit Update (25 October 2023)
- Shangri-La Asia Limited: Credit Update (17 October 2023)
- Lendlease Group: Credit Update (11 October 2023)
- Oxley Holdings Limited: Credit Update (10 October 2023)
- City Developments Limited: Credit Update (5 October 2023)
- Keppel Corporation Limited: Credit Update (4 October 2023)
- OUE Limited: Credit Update (26 September 2023)
- Financial Institutions 1H2023 Update (22 September 2023)

- GuocoLand Ltd: Credit Update (19 September 2023)
- 1H2023 Sustainable Finance Update (11 September 2023)
- Olam Group Limited: Credit Update (8 September 2023)
- Frasers Hospitality Trust: Credit Update (7 September 2023)
- StarHub Ltd: Credit Update (5 September 2023)
- Frasers Logistics & Commercial Trust: Credit Update (5 September 2023)
- CapitalLand China Trust: Credit Update (5 September 2023)
- Sembcorp Industries Limited: Credit Update (18 August 2023)
- Singapore Credit Outlook 2H2023 - Financial Institutions – Lessons in Regulator Intent and Structure (30 June 2023)
- Singapore Credit Outlook 2H2023 (30 June 2023)

## Explanation of Issuer Profile Rating / Issuer Profile Score

**Positive (“Pos”)** – The issuer’s credit profile is either strong on an absolute basis or expected to improve to a strong position over the next six months.

**Neutral (“N”)** – The issuer’s credit profile is fair on an absolute basis or expected to improve / deteriorate to a fair level over the next six months.

**Negative (“Neg”)** – The issuer’s credit profile is either weaker or highly geared on an absolute basis or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings into a 7-point Issuer Profile Score scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

## Explanation of Bond Recommendation

**Overweight (“OW”)** – The issue represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

**Neutral (“N”)** – The issue represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

**Underweight (“UW”)** – The issue represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

**Please note that Bond Recommendations are dependent on a bond’s price, underlying risk-free rates and an implied credit spread that reflects the strength of the issuer’s credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.**

## Other

**Suspension** – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed. We may also suspend our issuer rating and bond level recommendation in the ordinary course of business if (1) we believe the current issuer profile is incorrect and we have incomplete information to complete a review; or (2) where evolving circumstances and increasingly divergent outcomes for different investors results in less conviction on providing a bond level recommendation.

**Withdrawal (“WD”)** – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.



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### Analyst Declaration

The analyst(s) who wrote this report and/or her or his respective connected persons held financial interests in the following above-mentioned issuers or companies as at the time of the publication of this report: Singapore Airlines Ltd, Guocoland Ltd, Oxley Holdings Ltd, Frasers Centrepoint Trust, Suntec Real Estate Investment Trust, Mapletree Pan Asia Commercial Trust, Frasers Hospitality Trust, Lendlease Global Commercial REIT, CapitalLand Ascott Trust, Frasers Property Ltd.

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