

April 25, 2017

Credit Headlines (Page 2 onwards): Frasers Centrepoint Trust, Cambridge Industrial Trust, Mapletree Industrial Trust, Ascott Residence Trust, Yanlord Land Group Limited

Market Commentary: The SGD swap curve traded upwards yesterday, with swap rates trading 3-5bps higher across all tenors. Flows in SGD corporates were heavy, with better buying seen in HRAM 3.2%'21s, SOCGEN 4.3%'26s, GUOLSP 3.62%'21s. In the broader dollar space, the spread on JACI IG corporates fell 2bps to 201bps, while the yield on JACI HY remained flattish at 6.57%. 10y UST yields rose 2bps yesterday to 2.27%, trailing European sovereign debt after the French elections. Results from the first round of elections went in favour of pro-growth centrist Emmanuel Macron and quenched demand for safe havens.

New Issues: HPCL-Mittal Energy Ltd. priced a USD375mn 10-year bond at 5.25%, tightening from initial guidance of 5.625%. The expected issue ratings are 'NR/Baa2/BB-'. SOCAM Development Ltd scheduled investor meetings from 25 April for potential USD bond issuance. SGSP Australia Assets Pty Ltd scheduled investor meetings from 1 May for potential USD bond issuance. Mahindra & Mahindra Financial Services Ltd. scheduled bond investor meetings from 27 April – 2 May for non-deal roadshows. United Company Rusal Plc scheduled investor roadshows on 24 April for USD bond issuance, with the bond offering possible as early as 25 April.

Rating Changes: Moody's affirmed ORIX Corporation's (ORIX) 'Baa1' issuer rating and changed the outlook to positive from stable. The rating action reflects ORIX's continuing improvements in the liquidity profile, improving trends in profitability, asset quality and capital adequacy.

Table 1: Key Financial Indicators

	25-Apr	1W chg (bps)	1M chg (bps)		25-Apr	1W chg	1M chg
iTraxx Asiax IG	95	-9	-1	Brent Crude Spot (\$/bbl)	51.88	-5.48%	2.13%
iTraxx SovX APAC	23	-1	2	Gold Spot (\$/oz)	1,274.56	-1.18%	1.57%
iTraxx Japan	46	-2	1	CRB	180.93	-3.45%	-1.38%
iTraxx Australia	84	-7	-4	GSCI	381.24	-3.86%	0.82%
CDX NA IG	64	-5	-3	VIX	10.84	-26.06%	-16.36%
CDX NA HY	107	1	1	CT10 (bp)	2.275%	10.66	-13.75
iTraxx Eur Main	68	-9	-7	USD Swap Spread 10Y (bp)	-2	2	0
iTraxx Eur XO	273	-27	-22	USD Swap Spread 30Y (bp)	-43	0	-4
iTraxx Eur Snr Fin	78	-16	-10	TED Spread (bp)	35	-1	-4
iTraxx Sovx WE	10	-4	-2	US Libor-OIS Spread (bp)	18	-4	-5
iTraxx Sovx CEEMEA	47	-4	-4	Euro Libor-OIS Spread (bp)	3	0	1
					25-Apr	1W chg	1M chg
				AUD/USD	0.756	-0.01%	-0.77%
				USD/CHF	0.996	0.00%	-1.07%
				EUR/USD	1.086	1.23%	-0.02%
				USD/SGD	1.394	0.17%	-0.01%
Korea 5Y CDS	55	-6	5	DJIA	20,764	0.62%	0.81%
China 5Y CDS	83	-9	-2	SPX	2,374	1.07%	1.29%
Malaysia 5Y CDS	109	-8	1	MSCI Asiax	586	1.25%	0.30%
Philippines 5Y CDS	80	-8	-4	HSI	24,348	1.77%	-0.04%
Indonesia 5Y CDS	127	-14	-4	STI	3,159	0.67%	0.50%
Thailand 5Y CDS	54	-4	-1	KLCI	1,761	1.18%	0.88%
				JCI	5,663	0.82%	1.71%

Source: OCBC, Bloomberg

Table 2: Recent Asian New Issues

Date	Issuer	Ratings	Size	Tenor	Pricing
24-Apr-17	HPCL-Mittal Energy Ltd.	"NR/Baa2/BB-"	USD375mn	10-year	5.25%
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD500mn	3-year	3mL+77bps
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD570mn	5-year	3mL+95bps
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD1bn	Perp NC2	4.5%
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD700mn	5NC3	5.75%
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD200mn	5-year	CT5+130bps
20-Apr-17	Huarong Finance 2017 Co. Ltd.	"NR/Baa1/A"	USD600mn	3-year	CT3+115bps
20-Apr-17	Want Want China Finance Ltd.	"NR/A3/NR"	USD500mn	5-year	CT5+135bps
20-Apr-17	QBE Insurance Group Ltd	"A-/NR/NR"	USD300mn	5.5-year	CT5+125bps

Source: OCBC, Bloomberg

Credit Headlines:

Frasers Centrepoint Trust ("FCT"): FCT reported 2QFY2017 results, with gross revenue falling 2.9% y/y to SGD45.7mn for the quarter. If the SGD0.47mn revenue contribution from the Yishun 10 Retail Podium acquisition (completed in November 2016) was excluded, portfolio gross revenue would have declined -3.9%. As per the previous quarters, the decline was driven by lower occupancy at Northpoint due to its on-going AEI (2QFY2017: 59.4% versus 2QFY2016: 81.7%). The quarter also saw Bedok Point and Anchorpoint underperform, with property revenue down 2.9% and 5.6% respectively. On the bright side, Changi City Point continues to show signs of improvement in both occupancy and property revenue. In aggregate, portfolio occupancy plunged to 87.2% (2QFY2016: 92.0%), largely driven by Northpoint. The 1.9% decline in property expenses was insufficient to offset the fall in revenue, resulting in the 3.3% decline in portfolio NPI to SGD32.6mn (or -4.5% if we excluded Yishun 10). Looking forward, with Northpoint's projected occupancy averaging 65% for 3QFY2017 (3QFY2016: 82%), headlines are expected to remain soft in the near future. FCT managed an average rental reversion of +4.1% for 2QFY2017, which was fair given the challenging environment. Only Bedok Point continues to be under pressure, seeing negative reversion of 17.9% (5.6% of property NLA). FCT's 3 largest assets Causeway Point, Northpoint and Changi City Point continue to see positive rental reversions (+6.3%, +3.3% and +21.7% respectively), driving portfolio trend. Lease expiry remains tricky, with 14.4% of NLA due during 2HFY2017. That said, 74% of NLA expiring is attributable to FCT's three largest properties, which are performing. One worrisome trend is shopper traffic down 3.5% y/y, 7.7% q/q, which management attributed to the close gap between festive seasons. Aggregate leverage was stable q/q at 29.4% (1QFY2017: 29.7%), with total borrowings falling slightly by SGD8mn. It is worth noting that FCT tapped bond markets and issued SGD90mn 3Y bond early April. This was used to repay FCT's SGD90mn unsecured loan facility due June 2017. For the rest of CY2017, FCT has SGD30mn in bonds due June 2017 and SGD60mn in bonds due December 2017. This compares with SGD14.2mn in cash (as of end-2QFY2017). We believe that FCT should have no problem refinancing given its access to capital markets. Reported EBIT / Interest remains strong at 7.6x (1QFY2017: 7.3x). We will retain FCT's Issuer Profile at Neutral. (Company, OCBC)

Cambridge Industrial Trust ("CREIT"): CREIT reported its 1Q2017 financials. Gross revenue was down by 2.2% to SGD27.7mn (1Q2016: SGD28.4mn) while net property income ("NPI") has fallen 8.4% to SGD19.7mn. This was on the back of loss of revenue as properties moved from being single-tenanted to multi-tenanted buildings. As a result, property operating expenses as a proportion of revenue was higher at 29% (1Q2016: 24%). In 1Q2016, Hoe Leong Corporation Limited, was the 3rd largest contributor to rental income at 5% though in 1Q2017, the company has ceased to be a tenant (we believe the company did not exercise its lease option). According to CREIT's disclosures, it is now at the tail end of a cycle that saw conversions from single-tenanted buildings to multi-tenanted buildings. In FY2016, 3 properties converted from single-tenanted to multi-tenanted buildings (FY2015: 3 properties converted into multi-tenanted) and going forward, the REIT expects to focus on maximising the potential of its multi-tenanted buildings. EBITDA/Interest was lower at 3.5x against 3.8x. 100% of CREIT's portfolio valued at ~SGD1.36bn remains unencumbered, with aggregate leverage held steady at 37.8% versus end-2016. There is no short term debt due with the next major refinancing only in 2H2018 and we view financial flexibility at CREIT as high. During the quarter, e-Shang Redwood (an entity backed by Warburg Pincus) has become the major owner of CREIT REIT Manager holding an 80%-stake. e-Shang Redwood has also purchased ~12%-stake in the REIT itself. Subject to relevant approvals, the REIT will be renamed to e-Shang Redwood REIT. e-Shang Redwood also holds 5% stake in Sabana Shari'ah Compliant Industrial REIT (a competing REIT to CREIT that is undergoing a strategic review), though as yet there is no publicly available information as to whether e-Shang Redwood is one of the bidders for SSREIT. We maintain CREIT's issuer profile at Neutral. (Company, OCBC)

Credit Headlines (cont'd):

Mapletree Industrial Trust ("MINT"): MINT has announced its financials for the full year ended March 2017 ("FY2017"). Gross revenue has increased 2.7% to SGD340.6mn (FY2016: SGD331.6mn) on the back of higher rental rates, higher occupancies at hi-tech buildings and contribution from Hewlett-Packard Phase One (building TOP on 21 October 2016). 100% of MINT's portfolio valued at ~SGD3.53bn remains unencumbered, with aggregate leverage increasing slightly, though still low at 29.2% (31 March 2016: 28.2%). All assets are located in Singapore and the REIT is in the midst of two greenfield developments and one asset enhancement initiative. In FY2017, MINT spent SGD103.9mn in investing outflows, rising significantly from SGD43.5mn in FY2016. These outflows were funded via a combination of cash flow from operations, new debt drawdown and existing cash balances. As at 31 March 2017, cash balances was SGD38.0mn falling from SGD54.3mn at 1 April 2016. SGD100mn in bonds was issued in end-March 2017 which was used for refinancing. As at 31 Dec 2016 short term debt was SGD214.9mn, though this has fallen to SGD115.0mn (representing 10% of its total debt) as at 31 March 2017. We view refinancing risk to be low. As at 31 March 2017, 28.2% of total leases by gross rental income is set to expire in the next 12 months (21.1% same time last year). MINT's tenant profile continues to be diversified, beyond the largest tenant Hewlett-Packard (contributes 5.3% to gross rental income), all other tenants individually make up less than 3% of gross rental income. Whilst MINT has a relatively older, lower-specification portfolio, we view its credit profile to be defensible amidst the sector downturn. We are maintaining MINT's issuer profile at Neutral. (OCBC, Company)

Ascott Residence Trust ("ART"): ART has announced that Mr. Tay Boon Hwee, CEO and Executive Director of ART REIT Manager has resigned. Mr. Tay will also relinquish his roles to assume another role within the CapitaLand Limited Group. Ms. Beh Siew Kim, the deputy CEO of the company since 1 March 2017 has been appointed as CEO and Executive Director. Prior to joining ART, Ms. Beh was the Financial Controller and Head of Corporate Planning & Compliance at CapitaLand China. (Company, OCBC).

Yanlord Land Group Limited ("YLLG"): YLLG has signed a USD1.05bn syndicated 3.5 year credit facility for refinancing and general corporate purposes (participated by 26 banks and financial institutions). As at 31 December 2016, YLLG has RMB10.2bn (~SGD2.1bn) of short term debt due (45% of total debt). We see this as a credit positive sign that YLLG has managed to raise bank debt funding amidst a more challenging market for China property (versus FY2016). (Company, OCBC)

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