

Market Commentary

- The SGD swap curve bear-steepened yesterday, with the shorter tenors traded 2-4bps higher, while the belly and longer tenors traded around 6bps higher.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS tightened 1bps to 128bps and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 495bps. The HY-IG Index spread tightened 2bps to 367bps.
- Flows in SGD corporates were heavy, with large ticket flows in CAPLSP 3.65%-PERP. We also saw flows in UBS 4.85%-PERPs and F 4.125%'24s.
- 10Y USTs was little changed at 1.84%, as investors await the outcome of the Federal Reserve policy meeting for October, with markets expecting a third interest-rate cut this year.

Credit Summary:

- **[Frasers Hospitality Trust](#) | Neutral (3):** FHREIT reported 4Q2019 and FY2019 results. Gross revenue for 4QFY2019 was up 2.1% y/y to SGD39.5mn, while net property income was up 2.3% y/y to SGD30.0mn. EBITDA/Interest coverage was higher at 4.9x. Reported aggregate leverage was stable at 35.1%. For now we are maintaining FHREIT at an issuer profile of Neutral (3) although a further deterioration in the operating performance of its Australia properties could lead us to lower our issuer profile on the company.
- **[Starhill Global REIT](#) | Neutral (4):** SGREIT reported 1QFY2020 results. Gross revenue declined 7.8% y/y to SGD48.0mn while net property income declined 8.7% y/y to SGD36.9mn. Overall portfolio actual occupancy was stable q/q at 96.2%. Aggregate leverage and reported interest coverage were also stable q/q at 36.2% and 3.7x respectively. We continue to hold SGREIT at a Neutral (4) Issuer Profile.
- **[Ascott Residence Trust & Ascendas Hospitality Trust](#) | Neutral (4) & Neutral (4):** ART reported 3Q2019 results while ASCHTS reported 2QFY2019 results. ART's revenue was down by 1.5% y/y to SGD132.4mn, reported gross profit though saw a 1.4% y/y increase to SGD65.0mn. Interest expense was higher at SGD12.8mn, with resultant EBITDA/Interest coverage of 4.7x. Reported aggregate leverage at ART was 33.0%, similar to previous quarter. ASCHTS' gross revenue and net property income was up 2.4% y/y and 3.5% y/y respectively to SGD47.5mn and SGD21.2mn respectively. ASCHTS 2QFY2019 EBITDA/Interest coverage remains highly manageable at 5.9x while reported aggregate leverage was low versus its REIT peers at 33.8% as at 30 September 2019. We estimate that post the announced but yet completed greenfield development of lyf at One-North and the combination with ASCHTS, ART's aggregate leverage would be ~37% and adjusted aggregate leverage of ~39%. The combined total asset would also be significantly larger at SGD7.6bn with a stronger interest coverage ratio. We are reviewing ART for an upgrade in issuer profile from Neutral (4).

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Asian Credit Daily**Credit Headlines****Frasers Hospitality Trust (“FHREIT”) | Issuer Profile: Neutral (3)**

- FHREIT reported its results for the fourth quarter ended September 2019 (“4QFY2019”) and FY2019 results. Gross revenue for 4QFY2019 was up 2.1% y/y to SGD39.5mn, driven by increased top line across all of FHREIT’s key markets, except Australia which saw revenue down 7.6% y/y. Net property income was up 2.3% y/y to SGD30.0mn during the same quarter.
- 4QFY2019 Revenue per Available Room (“RevPAR”) for FHREIT’s Australia portfolio was only AUD191 in 4QFY2019 against AUD197 in 4QFY2018, dragged by both lower average daily rates as well as occupancy. Increase in market supply across both Sydney and Melbourne weighed down on FHREIT’s results from Australia.
- EBITDA (based on our calculation which does not include other income and other expenses) was SGD26.8mn (up 2.9% y/y) though finance cost had declined by 2.4% y/y, in our view this was driven by the lower cost of borrowing at FHREIT in 4QFY2019 versus 4QFY2018. Resultant EBITDA/Interest coverage was healthy at 4.9x (4QFY2018: 4.6x). Assuming FHREIT pays out SGD4.5mn in perpetual distribution per year (SGD1.1mn per quarter) and taking 50% of that as interest, we find adjusted EBITDA/(Interest plus 50% perpetual distribution) at 4.4x in 4QFY2019, still manageable.
- As at 30 September 2019, reported aggregate leverage was 35.1%, at similar levels to the previous quarter. Adjusting 50% of perpetual as debt, we find adjusted aggregate leverage at 37.0%, still manageable. 96.2% of FHREIT debt remains unsecured debt as at 30 September 2019.
- Refinancing risk at FHREIT has been removed, with only SGD25.0mn of short term debt coming due (representing 3% of gross debt) while FHREIT’s cash balance of SGD85.0mn more than covers the short term debt due. The next major debt repayment of SGD150.1mn only occurs in 2022.
- FHREIT took a large fair value loss of SGD15.6mn on its investment properties, with the main drag coming from Australia though fair value gains elsewhere helped stem the losses somewhat. The four Australia properties collectively saw an AUD41mn (~SGD38.7mn) in fair value losses, representing a 5% decline in Australia portfolio value versus end-FY2018. FHREIT’s concentration to Australia had declined to 31% of NPI (down from 36% of NPI in 4QFY2018), though still remains significant.
- For now we are maintaining FHREIT at an issuer profile of Neutral (3) although a further deterioration in its portfolio operating performance, namely Australia could lead us to lower our issuer profile on the company. (Company, OCBC)

Asian Credit Daily**Credit Headlines****Starhill Global REIT ("SGREIT") | Issuer Profile: Neutral (4)**

- SGREIT reported its first quarter results for financial year ended 31 March 2020 ("1QFY2020"). Gross revenue declined 7.8% y/y to SGD48.0mn while net property income ("NPI") declined 8.7% y/y to SGD36.9mn. This was largely due to the partial income disruption from the planned asset enhancement works ("AEW") of Starhill Gallery in Malaysia and the weaker AUD against SGD, though partially offset by higher contributions from the Singapore portfolio, led by higher y/y retail occupancy at Wisma Atria.
- Starhill Gallery remains partially open during the AEW, with completion of the first phase scheduled for 2020 and official launch of the revamped mall with hotel rooms scheduled for 2021. The revamped property will be renamed The Starhill.
- For its Singapore retail portfolio, actual occupancy improved to 99.7% as at 30 September 2019, largely due to Ngee Ann City (Retail) which saw occupancy improve from 99.3% to 100% over the quarter, partially offset by slightly lower occupancy rate at Wisma Atria (Retail) at 99.0% as at 30 September 2019 (30 June 2019: 99.6%). On a committed basis however, we note that occupancy for the Singapore Retail portfolio is at 100% as at 30 September 2019.
- On the Singapore office front, actual occupancy increased slightly to 93.6% from 93.2% in the preceding quarter. Specifically, occupancy rate at Wisma Atria (Office) was 87.7% while Ngee Ann City (Office) was at 97.7%. The committed occupancy of Australia's office portfolio was also better at 94.2%, up from 87.1% in the previous quarter.
- Overall, actual occupancy at SGREIT was stable q/q at 96.2% (4QFY2019: 96.3%).
- Aggregate leverage was stable at 36.2% in 1QFY2020 (4QFY2019: 36.1%). Reported interest coverage was also stable q/q at 3.7x. We think SGREIT has minimal refinancing risk in the near term, as it only has SGD23mn worth of short-term revolving credit facilities coming due in FY2020 and SGD100mn worth of borrowings due in FY2021, while having SGD73.2mn cash on hand and 74% of its assets unencumbered. We continue to hold SGREIT at a Neutral (4) Issuer Profile. (Company, OCBC)

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Credit Headlines

Ascott Residence Trust (“ART”) | Issuer Profile: Neutral (4) and Ascendas Hospitality Trust (“ASCHTS”) | Issuer Profile: Neutral (4)

- ART reported its 3Q2019 results while ASCHTS reported its second quarter results for the period ended 30 September 2019 (“2QFY2019”). Post July 2019, ASCHTS had changed its financial year end from 31 March to 31 December, with the current financial year being a nine month period from 1 April 2019 to 31 December 2019. On 23 October 2019, ART and ASCHTS announced that the court hearing on scheme sanction application would be held on 19 November 2019. On 21 October 2019, unitholders of both ART and ASCHTS had approved the proposed combination of the two. Indicatively, the new combined entity would begin trading on the SGX on 2 January 2020.

ART standalone

- On a standalone basis, ART’s revenue was down by 1.5% y/y to SGD132.4mn, driven by the (1) Fall in revenue from Singapore due to the divestment of Ascott Raffles Place in May 2019 while on a same-store basis, revenue and gross profit would have improved from higher variable rent at Ascott Orchard (2) Weakness in China (down 7% y/y in SGD terms) from a 4% y/y decline in local currency terms due to softer corporate demand, compounded by depreciation of RMB against the SGD and (3) Fall in revenue from the USA (down 5% y/y in SGD terms), mainly from competition of new supply in New York City where ART hotels are located.
- Reported gross profit though saw a 1.4% y/y increase to SGD65.0mn, though this is likely led by the FRS 116 – Leases impact. Removing the FRS 116 – Leases impact, gross profit for 3Q2019 would have been SGD59.9mn. EBITDA (based on our calculation which does not include other income and other expenses) was SGD60.8mn, while interest expense was higher at SGD12.8mn due to the FRS 116 – Leases impact, with resultant EBITDA/Interest coverage of 4.7x.
- In September 2019, ART managed to raise a replacement perpetual that was intended to redeem its existing SGD150mn ARTSP 5.0%-PERP. This perpetual was redeemed on 29 October 2019. The new perpetual comes with a lower distribution rate of 3.88%. Assuming ART pays out SGD17.5mn in distribution per year (SGD4.4mn per quarter) and taking 50% of this as interest, we find adjusted EBITDA/Interest coverage at 4.0x, still manageable.
- As at 30 September 2019, reported aggregate leverage at ART was 33.0%, at similar levels to 2Q2019, though taking 50% of the existing perpetual as debt, we find adjusted aggregate leverage at 37%. Short term debt was SGD271.4mn, representing only 14% of gross debt against ART cash balance of SGD385.4mn.

ASCHTS standalone

- In 2QFY2019, ASCHTS’ gross revenue and net property income (“NPI”) was up 2.4% y/y and 3.5% y/y respectively to SGD47.5mn and SGD21.2mn respectively driven by contributions for new Japan and South Korea hotels which ASCHTS bought though partly offset by refurbishment of rooms in Novotel Sydney Paramatta, weaker performance at its hotels located in Melbourne and depreciation of the KRW and AUD. In 2QFY2019, NPI from Australia was significant, though had declined to 42% from 50% same time last year.
- ASCHTS 2QFY2019 EBITDA/Interest coverage remains highly manageable at 5.9x, despite falling from the more than 6.0x in the same time last year while reported aggregate leverage was low versus its REIT peers at 33.8% as at 30 September 2019.

ART after combination with ASCHTS

- We estimate that post the announced but yet completed greenfield development of lyf at One-North and the combination with ASCHTS, ART’s aggregate leverage would be ~37% and adjusted aggregate leverage of ~39%. The combined total asset would also be significantly larger at SGD7.6bn with a stronger interest coverage ratio. We are reviewing ART for an upgrade in issuer profile from Neutral (4). (Company, OCBC) Page 4

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Key Market Movements

	30-Oct	1W chg (bps)	1M chg (bps)		30-Oct	1W chg	1M chg
iTraxx Asiax IG	66	-4	-10	Brent Crude Spot (\$/bbl)	61.40	0.38%	1.02%
iTraxx SovX APAC	30	-2	-6	Gold Spot (\$/oz)	1,488.80	-0.22%	1.11%
iTraxx Japan	59	-2	-4	CRB	178.38	1.63%	2.55%
iTraxx Australia	59	-3	-8	GSCI	413.97	0.30%	2.57%
CDX NA IG	54	0	-6	VIX	13.2	-8.71%	-18.72%
CDX NA HY	107	0	1	CT10 (%)	1.826%	6.19	16.15
iTraxx Eur Main	51	0	-4				
iTraxx Eur XO	232	5	1	AUD/USD	0.686	0.13%	1.66%
iTraxx Eur Snr Fin	59	1	-6	EUR/USD	1.111	-0.20%	1.92%
iTraxx Eur Sub Fin	120	4	-20	USD/SGD	1.363	-0.02%	1.42%
iTraxx Sovx WE	12	0	-2	AUD/SGD	0.935	-0.15%	-0.24%
USD Swap Spread 10Y	-8	-1	2	ASX 200	6,702	0.43%	0.20%
USD Swap Spread 30Y	-38	-1	2	DJIA	27,071	1.06%	0.57%
US Libor-OIS Spread	37	2	5	SPX	3,037	1.37%	2.02%
Euro Libor-OIS Spread	4	-1	-1	MSCI Asiax	644	1.54%	4.20%
				HSI	26,704	0.52%	2.34%
China 5Y CDS	38	-2	-9	STI	3,208	1.49%	2.81%
Malaysia 5Y CDS	42	-3	-10	KLCI	1,576	0.14%	-0.48%
Indonesia 5Y CDS	75	-4	-15	JCI	6,283	0.41%	1.85%
Thailand 5Y CDS	26	-1	-3	EU Stoxx 50	3,622	0.48%	1.47%
Australia 5Y CDS	17	0	-2				

Source: Bloomberg

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New Issues

- PT Perusahaan Listrik Negara priced a USD1.0bn offering in two parts; a USD500mn 10.25-year bond at 99.775 to yield 3.4% (tightening from IPT of 3.7% area), and a USD500mn 30.25-year at 99.567 to yield 4.4% (tightening from IPT of 4.75% area).
- Kaisa Group Holdings Ltd (Subsidiary Guarantors: Certain restricted subsidiaries incorporated outside the PRC) priced a USD200mn re-tap of its existing 11.95%'22 bonds at 11.625%, tightening from IPT of 12.0% area.
- CIFI Holdings (Group) Co. Ltd (Subsidiary Guarantors: Certain of the issuer's existing subsidiaries incorporated outside PRC) priced a USD400mn 5NC3 bond at 6.45%, tightening from IPT of 6.75% area.
- SMC Global Power Holdings Corp priced a USD500mn NC5.5-Perpetual bond at 5.95%, tightening from IPT of 6.25% area.
- Sunac China Holdings Limited (Subsidiary Guarantors: Certain of the Company's Restricted Subsidiaries outside the PRC) priced a USD650mn 4.25NC2.25 bond at 7.75%, tightening from IPT of 8.25% area.
- Lanzhou Construction Investment (Holding) Group Co., Ltd scheduled investor meetings commencing 30 Oct for its proposed USD bond issuance.
- Doosan Infracore scheduled investor meetings commencing 4 Nov for its potential 3-year USD bond issuance, with an unconditional and irrevocable guarantee by The Korea Development Bank.

Date	Issuer	Size	Tenor	Pricing
29-Oct-19	PT Perusahaan Listrik Negara	USD500mn USD500mn	10.25-year 30.25-year	3.4% 4.4%
29-Oct-19	Kaisa Group Holdings Ltd	USD200mn	KAISAG 11.95%'22	11.625%
29-Oct-19	CIFI Holdings (Group) Co. Ltd	USD400mn	5NC3	6.45%
29-Oct-19	Sunac China Holdings Limited	USD650mn	4.25NC5.25	7.75%
29-Oct-19	SMC Global Power Holdings Corp	USD500mn	NC5.5-Perpetual	5.95%
28-Oct-19	Hyundai Capital America	USD800mn USD700mn	3-year 7-year	T+120bps T+175bps
28-Oct-19	China Oil and Gas Group Ltd	USD30mn	CHIOIL 5.5%'23s	5.71%
25-Oct-19	NWD Finance (BVI) Limited	USD400mn	NWDEVL 6.25%- Perpetual	5.875%
25-Oct-19	Redsun Properties Group Limited	USD100mn	2-year	13.0%
24-Oct-19	PT Adaro Indonesia	USD750mn	5NC3	4.5%
24-Oct-19	Agile Group Holdings Limited	USD500mn	NC4.75-Perpetual	8.09%
24-Oct-19	Shanghai Pudong Development Bank Co., Ltd., London Branch	USD300mn	3-year	3m-US LIBOR+70bps
24-Oct-19	Radiance Capital Investments Ltd	USD250mn	2-year	12.5%

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