

Market Commentary

- The SGD swap curve mostly fell last Thursday, with shorter tenors trading between 1-2bps lower and belly tenors trading 2-3bps lower. Longer tenors traded 4-5bps lower while the 15-year traded almost flat.
- The Bloomberg Barclays Asia USD IG Bond Index average OAS remained mostly unchanged at 150bps, and the Bloomberg Barclays Asia USD HY Bond Index average OAS tightened 2bps to 644bps. The HY-IG Index Spread remained mostly unchanged at 495bps.
- There were minimal flows in the SGD corporates space.
- 10Y UST fell 1bps to 0.92% on the last trading day of the year after emerging variants of the coronavirus muted optimism.

Credit Research

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Credit Summary:

- [Ascott Residence Trust \("ART"\)](#) | **Issuer profile: Neutral (5):** ART announced that relevant property holding companies under ART have entered into agreements with Citadines SA (the "master lessee") in relation to revising the rent structure and/or extending the term of master lease agreements for 15 properties in France. As at end-2019, properties in France make up 7.1% of ART's total assets (inclusive of Ascendas Hospitality Trust properties).
- [Mapletree Logistics Trust \("MLT"\)](#) | **Issuer profile: Neutral (3):** On 21 December 2020, MLT announced the acquisition of Higashi Hiroshima Centre located in Hiroshima, Japan for ~SGD82.1mn from Mizuho Marubeni Leasing Corporation while total acquisition cost including transaction costs is estimated at ~SGD82.9mn.
- [First Real Estate Investment Trust \("FIRT"\)](#) | **Issuer profile: Negative (7) and OUE Ltd ("OUE")** | **Issuer profile: Neutral (5):** Following on from FIRT's announcement in relation to the [proposed restructuring of lease terms](#), on 28 December 2020, FIRT announced a proposed renounceable rights issue to raise gross proceeds of ~SGD158.2mn. OUE Ltd has a deemed ~19.7%-stake in FIRT and a deemed 100%-stake in FIRT's REIT Manager, namely First REIT Management Limited ("FRML").
- [Metro Holdings Ltd \("METRO"\)](#) | **Issuer Profile: Neutral (4):** METRO has established a student accommodation fund called Paideia Capital UK Trust together with its partners Lee Kim Tah Holdings Limited and Woh Hup Holdings Pte Ltd. Each has a one-third stake. Separately, METRO also announced that it is acquiring a 26% stake in a portfolio of 14 industrial, business park, high-spec industrial and logistics properties by subscribing into the units and notes to be issued by Perpetual (Asia) Ltd (in its capacity as trustee of Boustead Industrial Fund) for SGD76.6mn.
- [Olam International Ltd \("OLAM"\)](#) | **Issuer profile: Neutral (5):** On 23 December 2020, OLAM announced a negative profit guidance for 2H2020. Olam will report a loss in 2H2020 though expect FY2020 net profit to remain positive. Separately, on 21 December 2020, Olam announced the proposed acquisition of Mizkan for a total consideration of USD108.5mn (~SGD143.2mn).
- [Keppel Corporation Ltd \("KEP"\)](#) | **Issuer profile: Neutral (4):** KEP announced four developments, including the proposed divestment of Keppel Bay Tower, an office building in Singapore for a consideration of ~SGD601mn to Keppel REIT, among others.

Asian Credit Daily**Credit Headlines****Ascott Residence Trust (“ART”) | Issuer profile: Neutral (5)**

- ART announced that relevant property holding companies under ART have entered into agreements with Citadines SA (the “master lessee”) in relation to revising the rent structure and/or extending the term of master lease agreements for 15 properties in France. As at end-2019, ART had 17 properties in France with no asset movements by end-2020. Citadines City Centre Grenoble and Citadines Didot Montparnasse has been excluded from the revision of rent. The proposed divestment of Citadines Didot Montparnasse was announced in July 2020 but yet to complete as of writing.
- Citadines SA is a wholly owned subsidiary of CapitaLand Ltd (“CAPL”). CAPL owns ~40.6% in ART and wholly-owns ART’s REIT Manager.
- The rental terms will be extended for 2-3 years from their expiries between December 2020 to September 2021. Actual rents under the revised terms for the 15 properties will comprise a fixed rent and variable rent portion. As an illustration, taking variable rent based on 2019 revenue and adding to that to the proposed revised fixed rent, revenue from the 15 affected properties would be 9.4% lower from actual rents for 2019. This implies that even in a more “normalised” year, the revised rents put ART in a worse off position, though not unsurprisingly, given that these are negotiated under a COVID-19 situation with limited options for ART to seek a new operator which is likely to also come with a requirement to change brands. 14 out of the 15 properties are branded as a “Citadines”.
- As at end-2019, properties in France make up 7.1% of ART’s total assets (inclusive of Ascendas Hospitality Trust properties).
- Aside from the rental revision, certain rental abatement which effectively provides rental assistance to tenants by accepting a much lower rental payment covering the periods corresponding to lock-downs in Paris and/or France has also been entered into.
- We continue to maintain ART at Neutral (5) which already factors in expectations of a negative rental revision on the French properties. (Company, Business Times, OCBC)

Mapletree Logistics Trust (“MLT”) | Issuer profile: Neutral (3)

- On 21 December 2020, MLT announced the acquisition of Higashi Hiroshima Centre located in Hiroshima, Japan for ~SGD82.1mn from Mizuho Marubeni Leasing Corporation while total acquisition cost including transaction costs is estimated at ~SGD82.9mn. The acquisition is expected to generate a stabilised net property income yield of 4.5% based on the property purchase price and will be funded by debt. (Company, OCBC)

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Credit Headlines

First Real Estate Investment Trust ("FIRT") | Issuer profile: Negative (7) and OUE Ltd ("OUE") | Issuer profile: Neutral (5)

- Following on from FIRT's announcement in relation to the [proposed restructuring of lease terms](#), on 28 December 2020, FIRT announced a proposed renounceable rights issue to raise gross proceeds of ~SGD158.2mn. At an indicative issue price of SGD0.20 per new unit, the expected new units to be issued represents ~98% of the existing units. SGD140mn of the gross proceeds is targeted to be used for debt repayment with the remainder to cover transaction costs and working capital.
- Whilst bank lenders have agreed to a refinancing for SGD260mn, it is a condition that FIRT undertakes an equity fundraising exercise to repay the SGD140mn, being the difference from the original loan size of SGD400mn that was extended in 2018.
- OUE Ltd has a deemed ~19.7%-stake in FIRT and a deemed 100%-stake in FIRT's REIT Manager, namely First REIT Management Limited ("FRML"). OUE's stakes in FIRT are held via OUE's 64.4%-subsidiary OUE Lippo Healthcare ("OUE-LH") and FRML. FRML is 60%-owned by OUE and 40% by OUE-LH.
- OUE, OUE-LH and FRML have announced respective undertakings in relation to the proposed equity rights issue. We estimate that this may require up to ~SGD150mn of cash outlay from OUE (excluding amounts attributable minority investors at OUE-LH).
- For now, we maintain our issuer profile of OUE at Neutral (5) though are likely to downgrade this on expectation of tighter liquidity in 2021. We maintain FIRT's issuer profile at Negative (7). (Company, OCBC)

Metro Holdings Ltd ("METRO") | Issuer Profile: Neutral (4)

- METRO has established a student accommodation fund called Paideia Capital UK Trust together with its partners Lee Kim Tah Holdings Limited and Woh Hup Holdings Pte Ltd. Each has a one-third stake.
- With an initial aggregate committed capital of GBP60mn (~SGD108mn) upon its First Closing, the fund will acquire purpose built student accommodation properties in the UK to potentially grow its asset portfolio size to GBP150mn (~SGD270mn).
- Its first acquisition is Red Queen, Warwick for a total consideration of GBP21.5mn (~SGD38.7mn). Red Queen is situated near the main campus of University of Warwick and was newly constructed in September 2020 with ~210 en-suite beds over 5 floors and several communal spaces. Its committed occupancy rate is ~90%.
- Separately, METRO also announced that it is acquiring a 26% stake in a portfolio of 14 industrial, business park, high-spec industrial and logistics properties by subscribing into the units and notes to be issued by Perpetual (Asia) Ltd (in its capacity as trustee of Boustead Industrial Fund) for SGD76.6mn. The remaining 25% stake will be held by Boustead Projects Ltd or its wholly-owned subsidiaries and 29% by another third party institutional real estate investor.
- The portfolio of assets have a committed average occupancy rate of 99% and an overall weighted average lease expiry of ~7.7 years. (Company, OCBC)

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Olam International Ltd (“OLAM”) | Issuer profile: Neutral (5)

- On 23 December 2020, OLAM announced a negative profit guidance for 2H2020. Following a periodic review of the carrying values of certain assets, Olam will record a one-off, non-cash and non-recurring impairment arising from its investment palm oil in Gabon amounting to ~USD350mn (~SGD462.3mn).
- Per Olam, Gabon has been experiencing moisture deficit due to lower rainfall and unfavourable rainfall distribution while implementation of a drip irrigation project was delayed due to COVID-19 disruption which has led to adverse impact on yield and returns.
- Olam will report a loss in 2H2020 though expect FY2020 net profit to remain positive.
- Olam's net profit was SGD317.4mn for 3Q2019 and 4Q2019 collectively while for FY2019, Olam's net profit was SGD525.2mn.
- Despite the impending hit to net profit, we are maintaining Olam's issuer profile at Neutral (5) in light of expectations that this is a sub-10% impact to book value equity where we expect unadjusted net gearing will still be contained at less 1.5x, using its latest available financials as at 30 June 2020 as starting point and assuming that the recent announced acquisition of Mizkan America Inc, a maker of condiments and sauces is fully paid for.
- On 21 December 2020, Olam announced the proposed acquisition of Mizkan for a total consideration of USD108.5mn (~SGD143.2mn). (Company, OCBC)

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Keppel Corporation Ltd (“KEP”) | Issuer profile: Neutral (4)

- KEP announced the following recent developments:
 - Proposed divestment of Keppel Bay Tower, an office building in Singapore for a consideration of ~SGD601mn to Keppel REIT.
 - Proposed divestment of First King Properties Limited which owns a freehold nine-storey office building in London for a consideration of ~SGD131.1mn.
 - Keppel Land China Limited (“KLCL”), through Shanghai Fengwo Apartment Management Co., Ltd. (“SFAM”), a wholly-owned subsidiary, has formed a joint venture with Shanghai-listed Gemdale Corporation and its subsidiary Gemdale Corporation Real Estate Development Co Ltd (“Gemdale”) and Shenzhen Shengjun Investment Management Co., Ltd to develop a 8.4 hectare residential site in Jiading District, Shanghai, China. KLCL intends to increase its presence in Shanghai, a key focus city. SFAM has subscribed for a 99%-stake in Taicang Xinwu Business Consulting Co., Ltd (“Taichang”) for ~SGD2.0mn where Taicang holds a 15%-equity stake in the joint venture company. SFAM has also extended loans amounting to SGD132mn to Taichang, implying a SGD134mn outlay.
 - KrisEnergy Ltd (“KrisEnergy”, a 40%-owned associate of KEP) is in the midst of a debt restructuring. On 30 December 2020, KrisEnergy has entered into certain amendments in relation to a revolving credit facility (“RCF”) with a bank in Singapore to extend the facility initially to 30 June 2021 and to 30 June 2024 in the second stage of extension. This is subject to fulfilment of certain conditions precedents with a facility size of up to USD200mn (USD185mn (~SGD244mn) outstanding as at 31 December 2020). KEP which bears the economic risk on the RCF has agreed to extend the term of the bilateral contract with the bank to continue to support KrisEnergy’s debt restructuring plan. Separately, Floatel International Ltd, another associate is also in the midst of a debt restructuring where some form of credit support on a super senior facility may be provided by KEP. (Company, OCBC)

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Key Market Movements

	4-Jan	1W chg (bps)	1M chg (bps)		4-Jan	1W chg	1M chg
iTraxx Asiax IG	57	-1	1	Brent Crude Spot (\$/bbl)	52.06	1.50%	5.71%
iTraxx SovX APAC	25	0	0	Gold Spot (\$/oz)	1,916.70	2.30%	4.23%
iTraxx Japan	52	-1	-2	CRB	167.80	1.52%	5.57%
iTraxx Australia	56	-2	0	GSCI	409.46	1.22%	6.75%
CDX NA IG	50	-2	1	VIX	22.75	-2.40%	9.53%
CDX NA HY	109	0	0	CT10 (%)	0.945%	2.17	-2.11
iTraxx Eur Main	48	0	3				
iTraxx Eur XO	242	-2	9	AUD/USD	0.772	1.83%	3.95%
iTraxx Eur Snr Fin	59	1	4	EUR/USD	1.226	0.34%	1.12%
iTraxx Eur Sub Fin	0	-4	7	USD/SGD	1.319	0.86%	1.31%
iTraxx Sovx WE	9	0	-1	AUD/SGD	1.018	-0.94%	-2.52%
USD Swap Spread 10Y	0	-1	0	ASX 200	6,661	0.27%	1.11%
USD Swap Spread 30Y	-25	0	4	DJIA	30,606	1.58%	2.62%
US Libor-OIS Spread	16	0	2	SPX	3,756	1.79%	2.56%
Euro Libor-OIS Spread	-7	-1	-2	MSCI Asiax	843	3.47%	5.31%
				HSI	27,377	3.75%	3.05%
China 5Y CDS	28	0	-1	STI	2,842	0.01%	1.00%
Malaysia 5Y CDS	37	0	1	KLCI	1,601	-2.48%	-0.11%
Indonesia 5Y CDS	68	-1	0	JCI	5,959	-1.06%	6.18%
Thailand 5Y CDS	35	0	0	EU Stoxx 50	3,553	0.38%	0.78%
Australia 5Y CDS	14	0	0				

Source: Bloomberg

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New Issues

- Vigorous Champion International Limited priced a SGD66mn 1-year bond at 0.85%.
- StarHub Ltd priced a SGD200mn 10-year note at 2.48%.
- Hotel Properties Limited priced a SGD50mn re-tap of its HPLSP 3.8%'25s at 3.8%.

Date	Issuer	Size	Tenor	Pricing
31-Dec-20	Starhub Ltd	SGD200mn	10-year	2.48%
31-Dec-20	Hotel Properties Limited	SGD50mn	HPLSP 3.8%'25s	3.8%
28-Dec-20	Vigorous Champion International Limited	SGD66mn	1-year	0.85%
22-Dec-20	Power Best Global Investments Ltd (Guarantor: Hong Kong JunFa Property Co Ltd)	USD121mn	2-year	11%
18-Dec-20	Powerlong Real Estate Holdings	USD200mn	4.5NC2.5	6.1%
15-Dec-20	Tianfeng Securities Co Ltd	USD100mn	TIANFS 4.3%'22s	4.3%

Source: OCBC, Bloomberg

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