Singapore Industry Focus

US Office SREITs

Refer to important disclosures at the end of this report

DBS Group Research . Equity

23 Jun 2020

Avengers! Assemble!

- Rental collections strong at >90% despite lockdown; operational metrics remain healthy
- US corporates preparing to return; safe distancing and safe working environment could lead to positive spillover to short-term leases
- Certainty of at least 90% payout and yield spread to remain favourable with low Fed rates
- Acquisition opportunities is a catalyst

Rental collections unaffected; operational metrics remain healthy. Despite uncertainties arising from the lockdown in the US, the US Office SREITs have demonstrated the resilience of their portfolios with healthy rental collections (more than 90%) in Apr-May and portfolio occupancy (94-97% as at 1Q20). In addition, expiring leases in FY20 have reduced to 4-6% after factoring leases signed/renewed in 1Q20.

Back to office but stay in your own cubicle. As easing starts in various stages across the United States, we understand corporates are planning a return to offices with appropriate safety measures in place. Although tech companies may still hold off their return plans, we are already hearing Wall Street firms slowly making their way back. Landlords are stepping up to ensure increased cleaning along common areas and even looking at new technology to ensure safety of tenants such as automatic cleaning etc. Corporates on the other hand are putting in safe distancing measures to create a safe working environment for their employees, which may lead to signing of more short-term leases.

Confident of at least 90% payout; yield curve to remain favourable with low Fed rates. Rest assured! It is mandatory for US Office SREITs (via trust deed) to have a minimum 90% dividend payout. Prime US REIT, as a newly listed REIT, has given a commitment to pay out 100% of its distributions in FY20F. Given the recent run-up in share prices, the US Office SREITs are trading at c.0.9x P/NAV, slightly below historical mean. With Fed rates to remain low for a longer period, yield spread should remain favourable at these prices. Key risks include i) second wave of COVID-19 infections, and ii) economy taking longer-than-expected to recover

Acquisitions the next catalyst. Every crisis presents opportunities. We believe transaction markets could eventually pick up as activities return to normalcy. As share prices remain at these levels or higher, opportunities will eventually arise.

STI : 2,634.92

Analyst

Rachel TAN +65 6682 3713 racheltanlr@dbs.com

Derek TAN +65 6682 3716 derektan@dbs.com

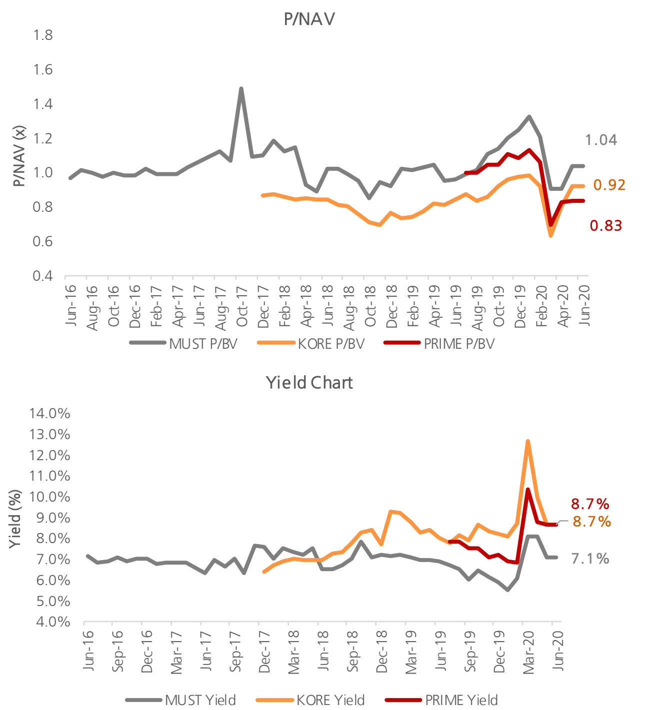
STOCKS

	Price US$	Mkt Cap US$m	12-mth Target Price US$	Performance (%) 3 mth	Performance (%) 12 mth	Rating
Manulife US Real Estate Inv	0.76	1,196	1.00	36.9	(11.8)	BUY
Prime US REIT	0.805	849	1.00	52.4	N.A	BUY
Keppel Pacific Oak US REIT	0.72	676	0.85	63.2	(7.8)	BUY

Source: DBS Bank, Bloomberg Finance L.P.

Closing price as of 23 Jun 2020

US Office SREITs P/NAV and yield chart



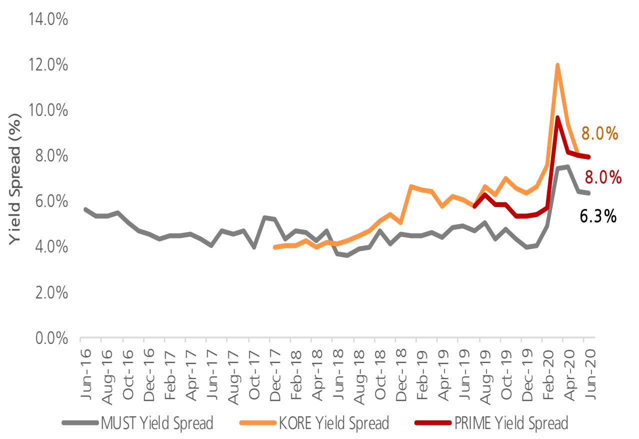
Source: DBS Bank

DBS

Live more, Bank less

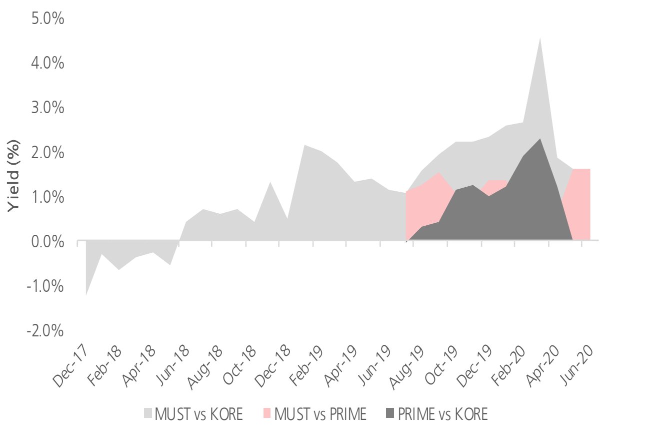
ed: JS/ sa: AS, PY, CS

Yield spread



Source: DBS Bank, Companies, Thomson Reuters

Yield difference between peers



Source: DBS Bank, Companies, Thomson Reuters

Snapshot of US Office SREITs as at Mar2020

	MUST	Prime	KORE
AUM (US'm)	2,095	1,425	1,257
No of properties	9	12	13
NLA (sqft)	4,666,477	3,888,605	4,701,627
Committed occupancy	96.5%	94.9%	94.0%
WALE	5.7	4.9	4.2
Lease expiries - 2020	4.4%	5.7%	5.7%
Lease expiries - 2021	6.4%	9.1%	13.8%
Built-in average annual rental escalations	2.0%	2.9%	2.6%
Gearing	37.7%	33.7%	36.9%
All-in average Cost of Debt	3.4%*	3.3%	3.5%
Average Term to maturity (years)	2.8	4.8	2.9
Interest coverage ratio (x)	3.8	5.8	4.2

** As at Dec 2019*

Source: DBS Bank, Companies

Revision of estimates to factor in some impact from a weaker economic outlook for prudence

	12-mth	Previous Estimates			12-mth	Revised estimates		
	Target Price	Rating	DPU - FY20F	DPU - FY21F	Target Price	Rating	DPU - FY20F	DPU - FY21F
MUST	1.15	BUY	6.31	6.96	1.00	BUY	5.83	6.16
Prime	1.05	BUY	6.85	6.95	1.00	BUY	6.45	6.57
KORE	0.90	BUY	6.38	6.50	0.85	BUY	5.97	6.00

Source: DBS Bank, Companies

US Office SREITs valuation table

	Price (S$)	Market Cap (S$'m)	12-mth Target Price (S$)	Rating	Yield FY19	Yield FY20F	Yield FY21F	P/NAV FY19	DPU growth (%) FY20F	DPU growth (%) FY21F
MUST	0.76	1,196	1.00	BUY	7.8%	7.7%	8.1%	0.95	-2%	6%
Prime	0.80	843	1.00	BUY	7.9%	8.1%	8.2%	0.90	2%	2%
KORE	0.71	667	0.85	BUY	8.5%	8.4%	8.5%	0.89	-1%	1%
Average		2,706			8.1%	8.0%	8.3%	0.91	-0%	3%

Source: DBS Bank, Companies

Estimated high-risk tenants / industry / assets

	% of CRI / GRI	Industry / assets based on our assumption
MUST	18.2%	Retail, Arts, Entertainment and Recreation, Co-working
Prime	17.6%	Mining, oil and gas, Accommodation and Food Services, Co-working
KORE	28.2%	Houston asset, SMEs, Co-working

Source: DBS Bank, Companies

Company Guides

Keppel Pacific Oak US REIT

Version 5 | Bloomberg: KORE SP | Reuters: KPEL.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

23 Jun 2020

BUY

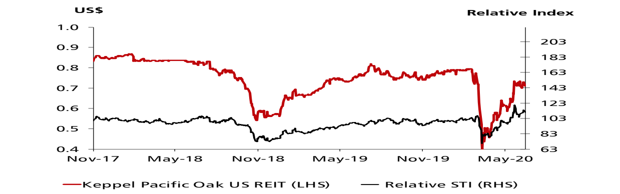
Last Traded Price (22 Jun 2020): US$0.71 (**STI :** 2,629.69)
Price Target 12-mth: US$0.85 (20% upside) (Prev US$0.90)

Analyst
Rachel TAN +65 6682 3713 racheltanlr@dbs.com
Derek TAN +65 6682 3716 derektan@dbs.com

What's New

- KORE's inclusion in MSCI Singapore Small Cap Index led to strong share price re-rating and greater investor visibility
- Quicker adoption of technology post lockdown bodes well for KORE's unique technology exposure
- Expiring leases reduced to 6%; collections and occupancies remain healthy
- Maintain BUY; lower TP to US$0.85

Price Relative



Forecasts and Valuation

FY Dec (US$m)	2018A	2019A	2020F	2021F
Gross Revenue	93.5	123	130	135
Net Property Inc	56.7	74.8	80.2	83.5
Total Return	47.4	69.7	52.8	55.9
Distribution Inc	38.6	50.8	56.0	58.5
EPU (US cts.)	5.76	8.25	5.62	5.89
EPU Gth (%)	58	43	(32)	5
DPU (US cts.)	5.19	6.01	5.97	6.00
DPU Gth (%)	42	16	(1)	1
NAV per shr (US cts.)	80.1	88.7	79.7	78.9
PE (X)	12.3	8.6	12.6	12.1
Distribution Yield (%)	7.3	8.5	8.4	8.5
P/NAV (x)	0.9	0.8	0.9	0.9
Aggregate Leverage (%)	34.8	36.8	37.5	38.1
ROAE (%)	8.0	9.9	7.1	7.5

Distn. Inc Chng (%):			(6)	(8)
Consensus DPU (US cts.):			6.1	6.2
Other Broker Recs:		B: 3	S: 0	H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Tech-up

Maintain BUY; lower TP to US$0.85. We maintain our BUY rating for Keppel Pacific Oak US REIT (KORE) but lower our TP to US$0.85 from US$0.90 previously as we take a more prudent stance on the outlook of the US economy. The inclusion into MSCI Singapore Small Cap Index has led to a strong re-rating in KORE's share price. Trading at > 8% yield and 0.9x P/NAV, we believe there is still upside with greater investor visibility and positive sentiment from re-opening of the US economy.

Where we differ: Unique technology exposure. While recognising the disappointment over the rights issue in late 2018, we believe the market has not appreciated KORE's exposure to Seattle and Austin which represent c.58% of its portfolio by asset value. In addition, the lockdown has led to a push towards quicker adoption of technology / e-commerce, which has led to some expansion in the technology sector.

Further reduced percentage of expiring leases; collections and occupancies remain healthy. In 1Q20, KORE has further brought down the level of expiring leases in FY20F to 5.7% from 7.1% as at 4Q19. Collections and occupancies remain healthy despite the lockdown thus reducing risks of potential retention of distributions. However, we take a more cautious stance on the US economy and reduce our distributable income projections for FY20F-FY21F by 6% to 8%.

Valuation:

On a more cautious stance, taking into account the weaker US economic outlook despite re-opening, we lower our DCF-based TP marginally to US$0.85 based on a higher beta of 0.95x.

Key Risks to Our View:

The key risks to our view are lower-than-expected rental income arising from loss of tenants or slower upturn in spot office rents, potential outbreak of a second wave of COVID-19 infections causing another lockdown.

At A Glance

Issued Capital (m shrs)	939
Mkt. Cap (US$m/US$m)	667 / 667
Major Shareholders (%)	
Cornerstone Investors	20.2
Keppel Corporation	7.7
KBS Sor Properties	6.1
Free Float (%)	59.9
3m Avg. Daily Val (US$m)	1.4

GIC Industry : Real Estate / Equity Real Estate Investment (REITs)

WHAT'S NEW

Tech-up

1Q2020 Operational Update – contributions from newly acquired One Twenty Five; occupancy steady except for Westech 360; early refinancing of debt expiring in FY21:

- 1Q2020 revenue and NPI grew 20% y-o-y and 15% y-o-y to US$35m and US$29m respectively, largely due to contributions from One Twenty Five, which was acquired in Nov19.
- 1Q2020 distributable income (DI) grew 16% y-o-y to US14.4m while estimated DPU rose 3% y-o-y to 1.54 US cts.
- Portfolio occupancy was relatively stable at 94% in 1Q2020 vs 93.6% in 4Q2019.
- Occupancies remained relatively stable except for Westpark Portfolio (+3ppt q-o-q), offset by lower occupancies at Westech 360 (-7.7 ppts q-o-q) and Maitland Promenade (-1.9 ppt). Houston assets (Bellaire Park and 1800 West Loop) saw occupancies improving by 1-2ppts.
- During the quarter, KORE signed 104k sqft (2.2%) of space mainly in Seattle, Atlanta and Houston with 12% positive rental reversion, thus reducing lease expiries in FY2020 to 5.7% from 7.1% in 4Q2019.
- KORE has refinanced US$30m (21%) of debt expiring in FY2021 and reduced cost of debt to 3.53% from 3.69% in 4Q2019. ICR improved to 4.8x vs 4.2x previously.
- Gearing stood at 36.9% with 2.9 years average term to maturity.
- Following the issue of the final 267A tax regulation, based on FY2019 financials, the reversion to original tax structure is expected to increase DI by c.1.5%.

Updates from COVID-19 impact – rental collections healthy in Apr; expect retention to increase but vacancies may take longer to fill:

- Rental collections for the month of April 2020 remained healthy at c.90% level.
- Thus far, c.10% of tenants have requested for some form of assistance, however, KORE will evaluate the conditions of these tenants. KORE does not expect rental deferments to be significant and expects the level to be much lower than requested.
- However, F&B tenants, which comprises c.2% of the portfolio, will be given some form of rental assistance of 1 to 2 months during the lockdown period.
- Management continues to expect that tenants will look to renew their lease rather than to move out during this period, hence, tenant retention should increase and there could also be an increase in shorter-term leases signed.
- However, management expects vacancies will take longer to fill especially with the slowdown in leasing activities and tours of office buildings.
- There are no plans to retain dividend at the moment, however, KORE will evaluate this again at the end of 2Q2020 as the COVID-19 impact is expected to hit businesses the hardest in the months of May-June 2020.

1Q2020 Key operational data

Key operational data	1Q2020	4Q2019	%q-o-q	1Q2019	% y-o-y
Revenue	35.3	33.8	4.4%	29.4	20.1%
NPI	21.0	20.1	4.5%	18.2	15.4%
DI	14.4	13.6	5.9%	12.4	16.1%
DPU (est)	1.54	1.51	2.0%	1.50	2.7%
Portfolio occupancies (%)	94.0%	93.6%	0.4 ppt	92.1%	1.9 ppt
Rental reversions (cumulative)	12.0%	14.3%	-2.3 ppt	10.0%	2 ppt
WALE (years)	4.2	4.2	-	3.9	0.3
Leases expiring in FY2020	5.7%	7.1%	-1.4 ppt	14.9%	-9.2 ppt

Source: DBS Bank, Company

CRITICAL DATA POINTS TO WATCH

Critical Factors

Exposure to markets with above average growth and growing technology sector. KORE, in our view, is well positioned to benefit as it has the majority of its properties located in markets where the average projected GDP growth (2018-2022) of c.3% exceeds the US' and gateway cities' average of c.2%. With businesses still expanding and hiring, we believe this should translate into higher demand for office space. Supported by limited new completions in the coming years, we believe that rental growth and occupancy rates remain on an uptrend. Furthermore, with c.58% of the portfolio by value located in Seattle and Austin, KORE's portfolio poised to benefit from the rapidly expanding US technology sector.

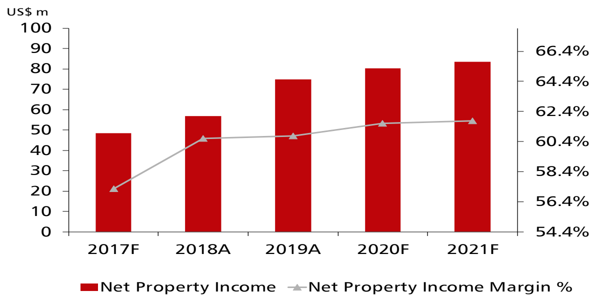
Embedded rental escalations offer certainty of growth. With more than c.90% of leases having inbuilt rental escalations of 2-3% per annum and a weighted average lease expiry of more than c.5 years by cash rental income, we believe KORE provides a visible income profile to investors.

Upside from under-rented portfolio. The average expiring rents of the portfolio is still under-rented vs the spot market rents by c.10%. KORE's typically shorter WALE compared to its peer allows it to ride on potential rental growth when the economy returns to normal.

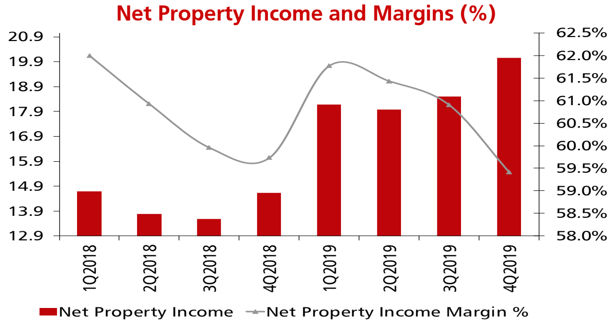
Exposure in either growth or defensive sectors. KORE's properties enjoy good tenant demand and serve a well-diversified group of tenants, with the top 10 tenants contributing only c.20% of cash rental income. Tenant base by NLA is further broken down into Professional Services (30%), Finance and Insurance (22%), Technology (28%), Medical and Healthcare (8%), Media and information (3%) and Others (10%). The majority of these tenants are either seeing strong employment growth or are in defensive industries.

Boost from Westpark, Maitland Promenade I and One Twenty Five acquisitions. KORE acquired Westpark Portfolio, a business campus comprising 21 freehold buildings in Seattle for US$169.4m (initial NPI yield of 6.80-6.85%), Maitland Promenade I for US$48.5m (cap rate of c.7.7%), and One Twenty Five for US$105.2m (initial yield of c.7.0%) in 2019. Beyond deepening its exposure to a growing Seattle market and diversifying KORE's income, with both properties being under-rented by 8-10%, the acquisitions provide a medium-term boost to KORE's earnings.

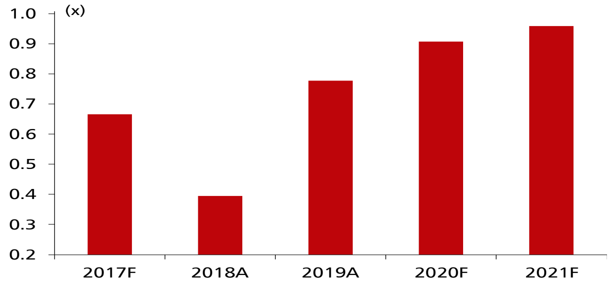
Net Property Income and Margins (%)



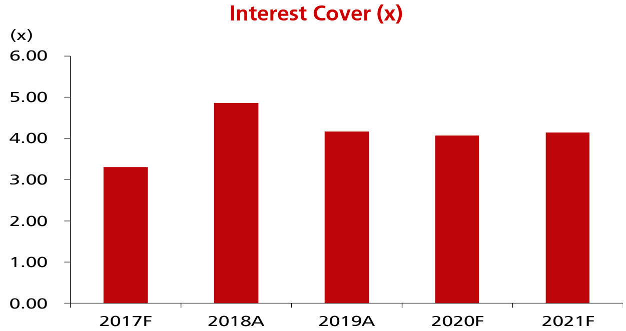
Net Property Income and Margins (%)



Distribution Paid / Net Operating CF



Interest Cover (x)



Source: Company, DBS Bank

Balance Sheet:

Gearing maintained below 40%.
Including the recent revaluation gains, we expect gearing to be maintained around the 36-38% levels in the medium term as KORE predominantly debt funds its capex/tenant improvements.

Conservative interest rate profiles. To manage its interest rate risk, we estimate that around 75-80% of KORE's borrowings are on fixed rates.

Share Price Drivers:

Delivery of growth in DPU. Following the share price correction in 2018, some investors have questioned the quality and ability of KORE's portfolio to perform. Going forward, based on our expectations that KORE would deliver strong DPU growth in 2020 and demonstrates the value created from recent acquisitions, investors' concerns should be allayed and confidence should return. This should then translate into a re-rating of KORE's share price.

Inclusion in MSCI Singapore Small Cap Index. The recent inclusion into MSCI Singapore Small Cap Index has drove share price close to the trading levels of its peers. Given the increased visiblity and liquidity, we believe this could further drive share price when economy returns to normalcy.

Key Risks:

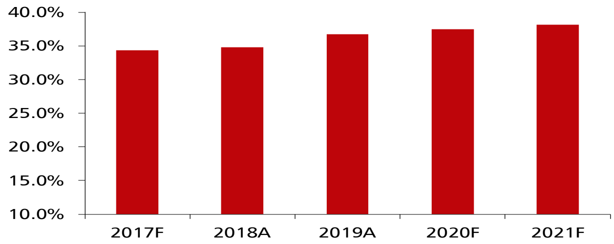
Risk of non-renewal and non-replacement of leases. KORE's financials, results of operations, and capital growth may be adversely affected by bankruptcy, insolvency or downturn in the businesses of one or more of the tenants, as well as the decision by one or more of these tenants not to renew their lease/s at the end of a lease cycle.

Regulatory risks. KORE's tax efficiency relies in part on its Parent US REIT being able to maintain its status as a US REIT, as well as qualifying for US portfolio interest exemption when repatriating cashflows back to Singapore as interest. Distributions paid to KORE's unitholders may be adversely impacted should there be any changes in tax or REIT regulations in either the US or Singapore which affect KORE's structure or ability to repatriate cash in a tax-efficient manner.

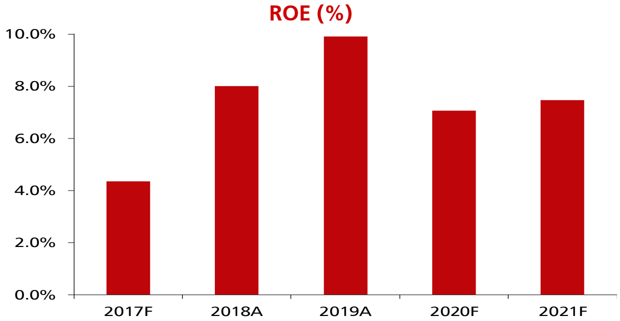
Company Background

Keppel Pacific Oak US REIT (KORE) is a pure-play US office REIT listed in Singapore. Its portfolio consists of 13 freehold office assets located in Austin, Atlanta, Denver, Houston, Sacramento, Seattle and Orlando with an aggregate net lettable area of around 4.7m sqft.

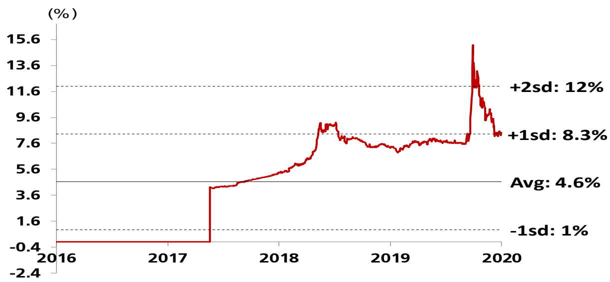
Aggregate Leverage (%)



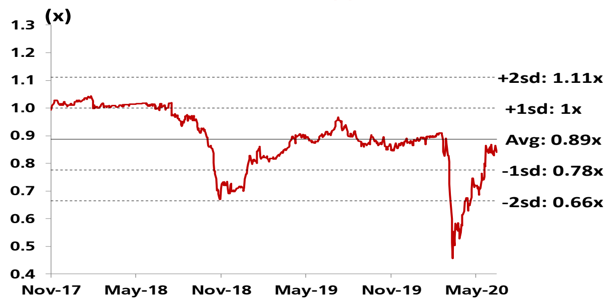
ROE (%)



Distribution Yield (%)



PB Band (x)



Source: Company, DBS Bank

Income Statement (US$m)

FY Dec	2017F	2018A	2019A	2020F	2021F
Gross revenue	84.6	93.5	123	130	135
Property expenses	(36.1)	(36.8)	(48.1)	(49.9)	(51.6)
Net Property Income	48.5	56.7	74.8	80.2	83.5
Other Operating expenses	(8.3)	(5.9)	(8.1)	(10.2)	(9.7)
Other Non Opg (Exp)/Inc	0.0	1.33	(8.8)	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(12.2)	(10.5)	(16.0)	(17.2)	(17.8)
Exceptional Gain/(Loss)	0.73	15.4	48.2	0.0	0.0
Net Income	28.8	57.1	90.0	52.8	55.9
Tax	(5.8)	(9.7)	(20.4)	0.0	0.0
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Income After Tax	22.9	47.4	69.7	52.8	55.9
Total Return	22.9	47.4	69.7	52.8	55.9
Non-tax deductible Items	0.0	(8.7)	(18.9)	3.23	2.57
Net Inc available for Dist.	22.9	38.6	50.8	56.0	58.5
Growth & Ratio					
Revenue Gth (%)	5.7	10.6	31.4	5.9	3.9
N Property Inc Gth (%)	8.7	17.0	31.8	7.3	4.1
Net Inc Gth (%)	25.2	106.7	47.1	(24.2)	6.0
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	97.5
Net Prop Inc Margins (%)	57.3	60.7	60.8	61.6	61.8
Net Income Margins (%)	27.1	50.6	56.7	40.6	41.4
Dist to revenue (%)	27.1	41.3	41.3	43.1	43.3
Managers & Trustee's fees	9.8	6.3	6.6	7.8	7.2
ROAE (%)	4.4	8.0	9.9	7.1	7.5
ROA (%)	2.7	5.0	5.9	4.0	4.2
ROCE (%)	4.1	4.8	4.7	5.8	6.0
Int. Cover (x)	3.3	4.9	4.2	4.1	4.1

Source: Company, DBS Bank

Quarterly / Interim Income Statement (US$m)

FY Dec	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
Gross revenue	24.5	29.4	29.3	30.4	33.8
Property expenses	(9.9)	(11.3)	(11.3)	(11.9)	(13.7)
Net Property Income	14.6	18.2	18.0	18.5	20.1
Other Operating expenses	(1.2)	(1.8)	(1.9)	(2.3)	(2.1)
Other Non Opg (Exp)/Inc	(4.8)	(3.8)	(5.6)	(1.0)	1.59
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(2.9)	(3.9)	(4.0)	(4.0)	(4.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Net Income	**5.73**	**8.67**	**6.49**	**11.2**	**15.5**
Tax	(6.9)	(1.7)	(1.8)	(1.6)	(15.2)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Income after Tax	**(1.1)**	**6.92**	**4.66**	**9.61**	**0.31**
Total Return	14.2	6.92	4.66	9.61	48.5
Non-tax deductible Items	(4.0)	5.44	7.74	2.79	(34.8)
Net Inc available for Dist.	10.3	12.4	12.4	12.4	13.6
Growth & Ratio					
Revenue Gth (%)	8	20	(1)	4	11
N Property Inc Gth (%)	8	24	(1)	3	8
Net Inc Gth (%)	(112)	(713)	(33)	106	(97)
Net Prop Inc Margin (%)	59.7	61.8	61.4	60.9	59.4
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Balance Sheet (US$m)

FY Dec	2017F	2018A	2019A	2020F	2021F
Investment Properties	804	1,017	1,257	1,290	1,318
Other LT Assets	0.0	3.54	0.36	0.36	0.36
Cash & ST Invts	29.0	40.6	38.2	29.0	18.9
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	0.0	3.07	5.30	4.34	4.50
Other Current Assets	0.46	3.14	0.23	0.23	0.23
Total Assets	**833**	**1,067**	**1,301**	**1,324**	**1,342**
ST Debt	0.0	5.00	21.0	21.0	21.0
Creditor	12.4	13.2	24.1	28.9	30.0
Other Current Liab	3.91	9.02	8.15	8.15	8.15
LT Debt	287	367	457	475	491
Other LT Liabilities	4.79	15.3	41.8	41.8	41.8
Unit holders' funds	526	658	749	749	750
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Funds & Liabilities	**833**	**1,067**	**1,301**	**1,324**	**1,342**
Non-Cash Wkg. Capital	(15.8)	(16.0)	(26.8)	(32.5)	(33.4)
Net Cash/(Debt)	(258)	(331)	(440)	(467)	(493)
Ratio					
Current Ratio (x)	1.8	1.7	0.8	0.6	0.4
Quick Ratio (x)	1.8	1.7	0.8	0.6	0.4
Aggregate Leverage (%)	34.4	34.8	36.8	37.5	38.1
Z-Score (X)	1.5	1.9	1.5	1.6	1.6

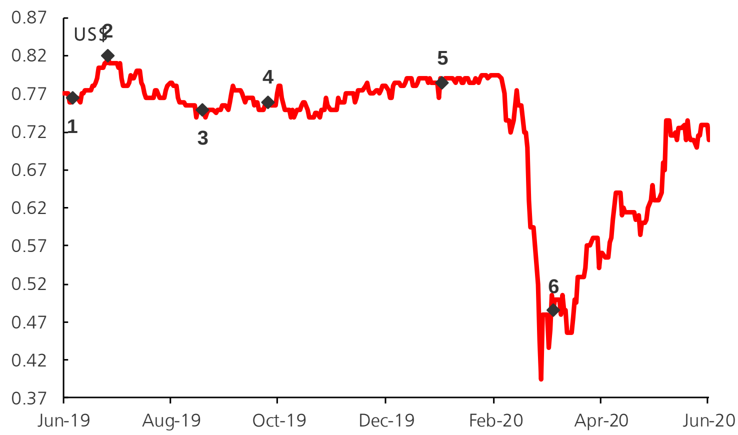
Source: Company, DBS Bank

Cash Flow Statement (US$m)

FY Dec	2017F	2018A	2019A	2020F	2021F
Pre-Tax Income	28.0	41.7	41.9	52.8	55.9
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0
Tax Paid	(5.8)	0.0	(0.4)	0.0	0.0
Associates &JV Inc/(Loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	0.0	3.60	7.12	5.73	0.95
Other Operating CF	0.73	15.6	29.3	3.23	2.57
Net Operating CF	22.9	60.9	77.9	61.7	59.5
Net Invt in Properties	(10.2)	(980)	(180)	(33.2)	(27.9)
Other Invts (net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.09	0.09	0.0	0.0
Net Investing CF	(10.2)	(980)	(180)	(33.2)	(27.9)
Distribution Paid	(15.3)	(24.1)	(60.6)	(56.0)	(57.1)
Chg in Gross Debt	10.2	371	105	18.3	15.3
New units issued	0.0	623	74.4	0.0	0.0
Other Financing CF	(5.0)	(9.7)	(15.1)	0.0	0.0
Net Financing CF	(10.0)	960	104	(37.8)	(41.7)
Currency Adjustments	0.0	0.0	0.0	0.0	0.0
Chg in Cash	2.65	40.6	2.09	(9.2)	(10.1)
Operating CFPS (US cts.)	3.64	6.97	8.39	5.97	6.16
Free CFPS (US cts.)	2.02	(112)	(12.1)	3.04	3.33

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	27 Jun 19	0.77	0.90	BUY
2:	17 Jul 19	0.82	0.90	BUY
3:	09 Sep 19	0.75	0.90	BUY
4:	16 Oct 19	0.76	0.90	BUY
5:	23 Jan 20	0.79	0.90	BUY
6:	26 Mar 20	0.49	0.90	BUY

***Note** : Share price and Target price are adjusted for corporate actions.*

Source: DBS Bank

Analyst: Rachel TAN

Derek TAN

Singapore Company Guide

Manulife US Real Estate Inv

Version 17 | Bloomberg: MUST SP | Reuters: MANU.SI **Refer to important disclosures at the end of this report**

DBS Group Research . Equity 23 Jun 2020

BUY

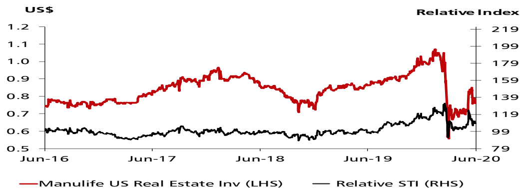
Last Traded Price (22 Jun 2020): US$0.76 (**STI :** 2,629.69)
Price Target 12-mth: US$1.00 (32% upside) (Prev US$1.15)

Analyst
Rachel TAN +65 6682 3713 racheltanlr@dbs.com
Derek TAN +65 6682 3716 derektan@dbs.com

What's New

- Expiring leases in FY20F reduced to c.4% with long WALE of 5.7 years
- Committed occupancy and collections remain healthy
- Yield spread to remain favourable as Fed to hold rates low for a longer period
- Maintain BUY; lower TP to US$1.00

Price Relative



Forecasts and Valuation

FY Dec (US$m)	2018A	2019A	2020F	2021F
Gross Revenue	145	178	192	203
Net Property Inc	90.7	111	123	131
Total Return	64.5	47.6	82.1	86.5
Distribution Inc	71.0	83.3	92.3	98.5
EPU (US cts.)	5.06	3.03	5.19	5.41
EPU Gth (%)	(10)	(40)	71	4
DPU (US cts.)	5.57	5.96	5.83	6.16
DPU Gth (%)	(5)	7	(2)	6
NAV per shr (US cts.)	83.4	80.2	79.5	78.7
PE (X)	15.0	25.1	14.7	14.0
Distribution Yield (%)	7.3	7.8	7.7	8.1
P/NAV (x)	0.9	0.9	1.0	1.0
Aggregate Leverage (%)	37.2	37.7	38.0	38.4
ROAE (%)	6.7	4.1	6.5	6.9
Distn. Inc Chng (%):			(8)	(15)
Consensus DPU (US cts.):			6.0	6.2
Other Broker Recs:		B: 6	S: 0	H: 2

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Early bird catches the worm

Maintain BUY; lower TP to US$1.00. We maintain our BUY call on Manulife US Real Estate Investment Trust (MUST) but lower our TP to US$1.00 from US$1.15 based on our conservative forecast as we incorporate some impact of a weaker economic outlook as the US slowly recovers from the lockdown. Trading at c.8% yield and 1x P/NAV, we believe yield spread will remain favourable with the Fed holding rates low for a longer period.

Where we differ: A better playing field post index inclusion. MUST is now placed on a better playing field post index inclusion in the FTSE EPRA Nareit Developed Asia Index where it will likely herald a virtuous cycle of greater investor visibility. Following this, we have already seen higher trading liquidity and yield compression for MUST. Given a strong execution and acquisition track record, we believe MUST will continue to command a premium to its peers.

Expiring leases in FY20F reduced to c.4%; healthy operational metrics. In 1Q20, MUST has successfully reduced its expiring leases in FY20F to c.4% of CRI on a decent WALE profile of 5.7 years, thus further lowering vacancy risks in the near-term. Committed occupancy remains high at 96.5% and we understand rental collections remain healthy despite the lockdown. However, we take a cautious stance on the US economy and reduced our distributable income projections by 8% to 15% by removing our previous acquisition assumption and factoring in some vacancy and lower rents.

Valuation:

We lower our DCF-backed TP to US$1.00 from US$1.15, removing our previous assumption of an acquisition and raised our beta marginally to 0.95x as we remain cautious on the US economy.

Key Risks to Our View:

The key risk to our view is lower occupancy and/or slower-than-expected recovery of office rentals in the US, potential risks of a second wave of COVID-19 infections in the US.

At A Glance

Issued Capital (m shrs)	1,573
Mkt. Cap (US$m/US$m)	1,196 / 1,196
Major Shareholders (%)	
Prudential Plc	5.9
Manulife Financial Corp	5.5
Drachs Inv 3 Ltd	4.9
Free Float (%)	83.7
3m Avg. Daily Val (US$m)	3.5

GIC Industry : Real Estate / Equity Real Estate Investment (REITs)

WHAT'S NEW

Early bird catches the worm

1Q2020 Operational Updates – occupancy stable in 1Q2020; expect lower cost of debt from refinancing:

- Occupancy increased 0.7ppt q-o-q to 96.5% on a WALE of 5.7 years
- MUST executed 147k sqft of leases in 1Q2020 at +8% rental reversions with WALE of 7.8 years
- Leases expiring in FY2020 has reduced to 4.4% of GRI vs 5.2% in 4Q19 following the execution of new leases and renewals in 1Q2020
- MUST is in the process of refinancing the Peachtree loan due in July 2020 and expected cost of debt will be lower than the current 2.46%; this would reduce its average cost of debt from 3.37% in 4Q19

COVID-19 impact / Outlook – Minimal rental deferment with majority of rents collected:

- MUST has provided rental deferment to c.2% of tenants by GRI which comprises largely retail / F&B tenants mainly operating on the 1st floor of its office properties.
- Management expects there could be more rental deferment requests coming through in 2Q2020 as the lockdown typically impacted US from March 2020 onwards. However, management does not expect the amount to be significant and will consider rental deferment with interest charged on late payments rather than rental rebates.
- Majority of rents (>90%) for April have been collected
- 2 out of 3 of the co-working operators within its portfolio have paid their rents for April in full while the remaining co-working operator has made partial rental payment.
- The transaction market remains slow with most sellers either withdrawing or adopting a wait-and-see approach. Management has not seen a huge amount of distress sales but expect this to increase in a year's time if the economy takes longer than expected to recover.
- Management currently does not expect any retention of distributions but will review the situation again at mid-year.

1Q2020 Key operational data

Key operational data	1Q2020	4Q2019	%q-o-q	1Q2019	% y-o-y
Portfolio occupancies	96.5%	95.8%	0.7 ppt	97.4%	-0.9 ppt
Rental reversions (cumulative)	8.1%	12.1%	-4 ppt	2.8%	5.4 ppt
WALE (years)	5.7	5.9	(0.2)	6.0	(0.3)
Gearing	37.7%	37.7%	0 ppt	37.6%	0.1 ppt
Average cost of debt	n/a	3.37%	n/a	3.28%	n/a
ICR	3.8	3.8	-	3.9	(0.1)
Leases expiring in FY2020	4.4%	5.2%	-0.8 ppt	8.0%	-3.6 ppt

Source: DBS Bank, Company

CRITICAL DATA POINTS TO WATCH

Critical Factors

Upturn in US real estate. Based on CoStar data, MUST's properties are generally located in the US office markets where there is limited new supply. For markets with new supply, we understand the majority of the new supply is already pre-committed or due to the high development costs, require significantly higher asking rents than MUST's buildings. In addition, we understand these office markets also have favourable demand dynamics in the form of rising demand on the back of increasing business activities and low unemployment rates. In addition, MUST's properties are generally located in markets where there is a deep pool of skilled and young workers, which is an attractive feature for prospective tenants. Furthermore, the buildings are situated near amenities, which add to the competitive position of MUST's portfolio. Given the supportive market dynamics, market rents in MUST's key markets are generally on an upturn. Therefore, we believe MUST offers a cyclical recovery story, with rising income and potential for some uplift in capital values.

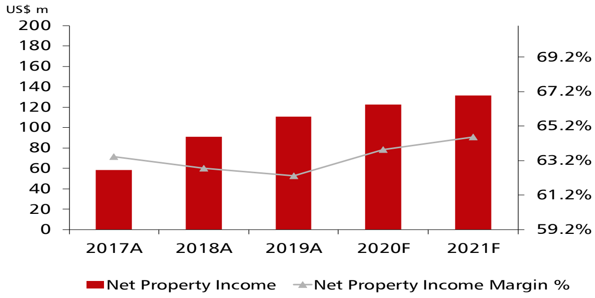
Organic growth. MUST's properties are well positioned to experience strong organic growth delivered through inbuilt rental escalations embedded into their lease contracts. MUST's portfolio has inbuilt annual rental escalations of around 2% on average while most of its buildings are still under-rented or close to market rents except Michelson and Centerpointe.

WALE offers strong income visibility. With leases typically signed on a 3- to 10-year lease and some in excess of 10 years, MUST's portfolio enjoys a long WALE of c.6 years (by NLA). Some 6% to 9% of its leases (by gross rental income) are expiring in 2020 and 2021 respectively. We expect these leases to revert positively when they are due for renewal as the majority of MUST's buildings are currently leased at below market rents, except the Michelson building.

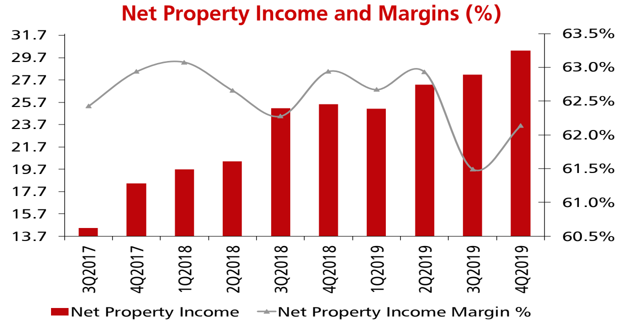
Boost from recent acquisitions. In FY19, MUST's DPU was supported by full-year contribution from Penn and Phipps which was acquired in mid-2018 and new acquisitions, Centerpointe and Capitol. Despite the setback of COVID-19 pandemic, we believe the acquisition growth strategy will likely continue given the right time and opportunity.

Growth through acquisitions. A key growth driver is MUST's ability to leverage on its sponsor's deep knowledge of the US office market and execution capability.

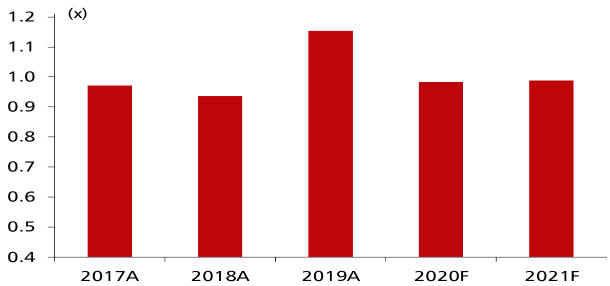
Net Property Income and Margins (%)



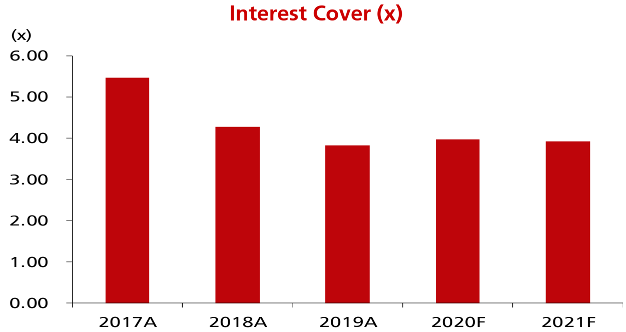
Net Property Income and Margins (%)



Distribution Paid / Net Operating CF



Interest Cover (x)



Source: Company, DBS Bank

Balance Sheet:

Gearing stabilising at around 37-38%. Post recent acquisitions and equity-raising, MUST's gearing (total debt/total assets) has stabilised at around 37-38%. This provides additional debt headroom for MUST when it explores acquisition opportunities.

Share Price Drivers:

Indexation a catalyst for a further re-rating. MUST was included in the FTSE EPRA Nareit Global Developed Asia Index, effective 23 December 2019. The manager believes that in the longer term, this inclusion will bring about more liquidity, international visibility and potentially a further rally in share price.

Key Risks:

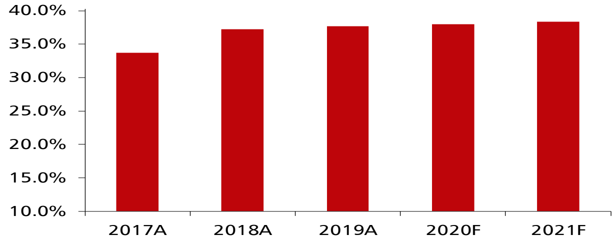
Non-renewal of leases. MUST's financials, operations and capital growth may be adversely affected by bankruptcy, insolvency or downturn in the businesses of its tenants, which may lead to non-renewal of their leases.

Regulatory changes. MUST's tax efficiency relies in part on its parent US REIT and sub-US REITs being able to maintain their status as US REITs, as well as qualifying for US portfolio interest exemption when repatriating cash back to Singapore as interest. Distributions paid to MUST's unitholders may be adversely impacted should there be any changes in tax or REIT regulations, in either the US, Singapore or Barbados. In particular, we are awaiting clarification on the efficacy of repatriating cash back to Singapore via Barbados entities.

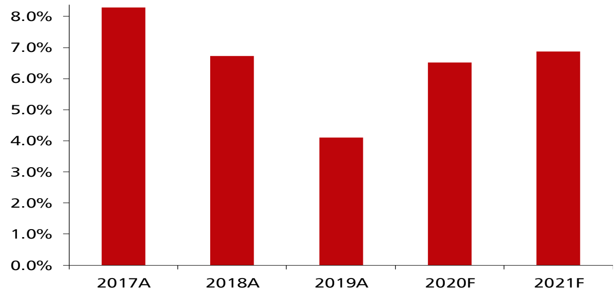
Company Background

Manulife US REIT (MUST) is the first pure-play US office REIT listed in Asia. Its portfolio consists of eight freehold, Class A or Trophy-quality office properties in Atlanta, Los Angeles, New Jersey, Washington DC, Virginia and Orange County.

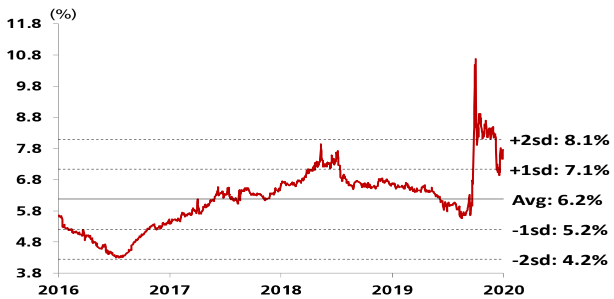
Aggregate Leverage (%)



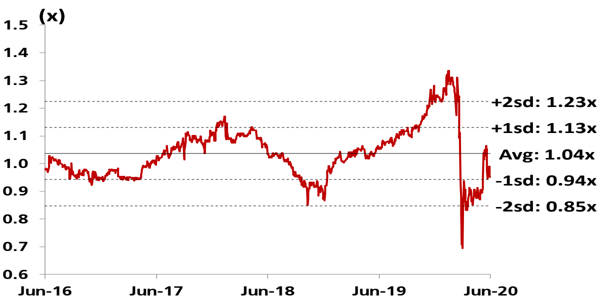
ROE (%)



Distribution Yield (%)



PB Band (x)



Source: Company, DBS Bank

Income Statement (US$m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Gross revenue	92.0	145	178	192	203
Property expenses	(33.7)	(53.9)	(67.1)	(69.6)	(72.1)
Net Property Income	**58.4**	**90.7**	**111**	**123**	**131**
Other Operating expenses	(6.5)	(9.3)	(12.4)	(11.9)	(13.8)
Other Non Opg (Exp)/Inc	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(9.5)	(19.0)	(25.7)	(27.9)	(30.0)
Exceptional Gain/(Loss)	31.4	16.9	(14.6)	0.0	0.0
Net Income	**73.8**	**79.2**	**58.0**	**82.9**	**87.4**
Tax	(15.8)	(14.7)	(10.5)	(0.8)	(0.9)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0
Net Income After Tax	**58.0**	**64.5**	**47.6**	**82.1**	**86.5**
Total Return	58.0	64.5	47.6	82.1	86.5
Non-tax deductible Items	(11.2)	6.46	35.8	10.2	12.0
Net Inc available for Dist.	46.7	71.0	83.3	92.3	98.5
Growth & Ratio					
Revenue Gth (%)	93.7	57.1	23.0	8.1	5.7
N Property Inc Gth (%)	94.7	55.4	22.2	10.7	7.0
Net Inc Gth (%)	12.2	11.3	(26.3)	72.6	5.4
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	63.4	62.7	62.3	63.8	64.5
Net Income Margins (%)	63.0	44.6	26.7	42.7	42.6
Dist to revenue (%)	50.8	49.1	46.9	48.0	48.5
Managers & Trustee's fees	7.0	6.5	7.0	6.2	6.8
ROAE (%)	8.3	6.7	4.1	6.5	6.9
ROA (%)	5.2	4.1	2.4	3.8	4.0
ROCE (%)	4.0	4.5	4.4	5.4	5.7
Int. Cover (x)	5.5	4.3	3.8	4.0	3.9

Source: Company, DBS Bank

Quarterly / Interim Income Statement (US$m)

FY Dec	4Q2018	1Q2019	2Q2019	3Q2019	4Q2019
Gross revenue	40.5	40.0	43.3	45.7	48.8
Property expenses	(15.0)	(14.9)	(16.1)	(17.6)	(18.5)
Net Property Income	25.5	25.1	27.3	28.1	30.3
Other Operating expenses	(2.4)	(2.6)	(2.9)	(2.8)	(4.1)
Other Non Opg (Exp)/Inc	0.0	0.0	(0.9)	0.0	1.56
Associates & JV Inc	0	0	0	0	0
Net Interest (Exp)/Inc	(5.8)	(5.8)	(6.1)	(6.7)	(7.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0
Net Income	**17.3**	**16.8**	**17.3**	**18.6**	**20.6**
Tax	(4.8)	(2.6)	0.07	(2.9)	(5.0)
Minority Interest	0.0	0.0	0.0	0.0	0.0
Net Income after Tax	**12.5**	**14.1**	**17.4**	**15.7**	**15.6**
Total Return	20.5	13.7	2.92	13.0	17.9
Non-tax deductible Items	(0.9)	5.62	17.7	7.73	4.73
Net Inc available for Dist.	19.6	19.3	20.6	20.8	22.6
Growth & Ratio					
Revenue Gth (%)	0	(1)	8	6	7
N Property Inc Gth (%)	1	(2)	9	3	8
Net Inc Gth (%)	(13)	13	23	(10)	0
Net Prop Inc Margin (%)	62.9	62.7	62.9	61.5	62.1
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0

Balance Sheet (US$m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Investment Properties	1,313	1,739	2,095	2,108	2,124
Other LT Assets	0.0	0.0	0.49	0.49	0.49
Cash & ST Invts	49.7	54.1	60.7	60.4	59.5
Inventory	0.0	0.0	0.0	0.0	0.0
Debtors	5.91	9.07	7.61	8.23	8.70
Other Current Assets	0.82	1.00	2.61	2.61	2.61
Total Assets	**1,369**	**1,803**	**2,166**	**2,180**	**2,196**
ST Debt	0.0	110	78.9	78.9	78.9
Creditor	18.2	16.8	26.9	29.0	30.7
Other Current Liab	0.99	2.15	5.10	5.10	5.10
LT Debt	458	557	733	744	759
Other LT Liabilities	39.5	52.6	64.3	64.3	64.3
Unit holders' funds	852	1,064	1,258	1,258	1,258
Minority Interests	0.0	0.0	0.0	0.0	0.0
Total Funds & Liabilities	**1,369**	**1,803**	**2,166**	**2,180**	**2,196**
Non-Cash Wkg. Capital	(12.5)	(8.9)	(21.7)	(23.3)	(24.5)
Net Cash/(Debt)	(409)	(613)	(751)	(763)	(778)
Ratio					
Current Ratio (x)	2.9	0.5	0.6	0.6	0.6
Quick Ratio (x)	2.9	0.5	0.6	0.6	0.6
Aggregate Leverage (%)	33.7	37.2	37.7	38.0	38.4
Z-Score (X)	1.1	1.1	1.1	1.1	1.0

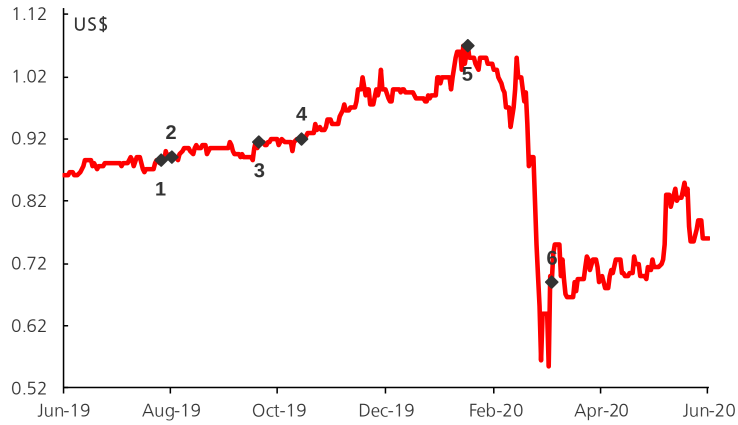
Source: Company, DBS Bank

Cash Flow Statement (US$m)

FY Dec	2017A	2018A	2019A	2020F	2021F
Pre-Tax Income	42.4	62.3	72.6	82.9	87.4
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0
Tax Paid	(1.0)	(0.3)	(1.2)	(0.8)	(0.9)
Associates &JV Inc/(Loss)	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	4.26	8.89	(35.9)	1.56	1.19
Other Operating CF	(1.9)	(8.3)	50.6	10.2	12.0
Net Operating CF	43.8	62.6	86.2	93.8	99.7
Net Invt in Properties	(434)	(399)	(356)	(1.9)	(2.0)
Other Invts (net)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.01	0.21	0.47	(10.9)	(14.5)
Net Investing CF	(434)	(399)	(356)	(12.9)	(16.6)
Distribution Paid	(42.5)	(58.7)	(99.4)	(92.3)	(98.5)
Chg in Gross Debt	164	208	143	10.9	14.5
New units issued	280	193	232	0.0	0.0
Other Financing CF	0.16	(0.7)	0.0	0.0	0.0
Net Financing CF	402	341	276	(81.3)	(84.0)
Currency Adjustments	0.07	0.0	0.01	0.0	0.0
Chg in Cash	11.2	4.42	6.66	(0.4)	(0.8)
Operating CFPS (US cts.)	3.82	4.21	7.78	5.83	6.16
Free CFPS (US cts.)	(37.8)	(26.4)	(17.2)	5.81	6.11

Source: Company, DBS Bank

Target Price & Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	16 Aug 19	0.89	1.00	BUY
2:	22 Aug 19	0.89	1.10	BUY
3:	11 Oct 19	0.92	1.10	BUY
4:	04 Nov 19	0.92	1.10	BUY
5:	06 Feb 20	1.07	1.15	BUY
6:	25 Mar 20	0.69	1.15	BUY

***Note**: Share price and Target price are adjusted for corporate actions.*

Source: DBS Bank

Analyst: Rachel TAN
Derek TAN

Prime US REIT

Version 2 | Bloomberg: PRIME SP | Reuters: PRIE.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

23 Jun 2020

BUY

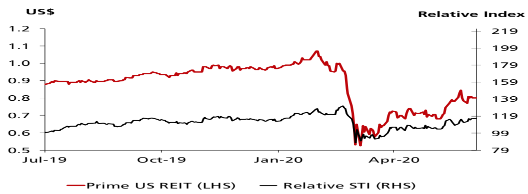
Last Traded Price (22 Jun 2020): US$0.80 (**STI :** 2,629.69)
Price Target 12-mth: US$1.00 (25% upside) (Prev US$1.05)

Analyst
Rachel TAN +65 6682 3713 racheltanlr@dbs.com
Derek TAN +65 6682 3716 derektan@dbs.com

What's New

- Near-perfection rental collections during lockdown
- 100% payout in FY20F on track with healthy collections
- Solid credit metrics, well-positioned to capture acquisition opportunities
- Maintain BUY; lower TP marginally to US$1.00

Price Relative



Forecasts and Valuation

FY Dec (US$m)	2018A	2019A	2020F	2021F
Gross Revenue	118	60.7	148	152
Net Property Inc	74.4	40.2	96.1	98.9
Total Return	38.0	33.7	60.7	62.2
Distribution Inc	41.9	29.2	68.2	69.7
EPU (US cts.)	4.12	3.64	5.74	5.86
EPU Gth (%)	22	(12)	58	2
DPU (US cts.)	4.53	3.15	6.45	6.57
DPU Gth (%)	17	(30)	105	2
NAV per shr (US cts.)	84.2	89.2	89.4	89.1
PE (X)	19.4	22.0	13.9	13.7
Distribution Yield (%)	5.7	3.9	8.1	8.2
P/NAV (x)	1.0	0.9	0.9	0.9
Aggregate Leverage (%)	35.9	33.4	33.3	33.9
ROAE (%)	4.9	4.2	6.9	6.6
Distn. Inc Chng (%):			(6)	(6)
Consensus DPU (US cts.):			7.0	6.9
Other Broker Recs:		B: 3	S: 0	H: 1

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Beat the odds

Maintain BUY but lower TP to US$1.00. We maintain our BUY rating on Prime US REIT (Prime) but lower our TP to US$1.00 from US$1.05 previously as we take a slightly prudent outook on the US economy. Trading at c.8% yield and 0.9x P/NAV, we believe valuations remain attractive as we ride on the positive sentiment of the re-opening of US. In addition, FY20F rental income will be partly supported by maiden contributions in FY20F from newly acquired Park Tower.

Where we differ: Committed to 100% payout; credit metrics favourable to capture acquisition opportunities. During the IPO, Prime is committed to 100% payout in FY20F and we believe this remains on track as rental collections remain healthy. In addition, Prime has healthy credit metrics of low gearing (34%) with no refinancing needs until 2024, is well-positioned to capture any acquisition opportunities.

Near-perfection rental collections during lockdown; at-risk tenants continue to pay rents. Despite there were concerns on rent collections especially its at-risk tenants (such as co-working and O&G tenants) when lockdown first started in the US, Prime continued to display the quality of its portfolio and management capabilities with successfully collected 99% of its rents in Apr and May during the lockdown period, including at-risk tenants. In addition, June collection is on track. However, we take a more prudent stance on the US economy and lower our FY20F-FY21F distributable income by 6%.

Valuation:
We maintain our BUY rating with a lower DCF-based TP of US$1.00. This is based on a higher beta of 0.95x.

Key Risks to Our View:
The key risk to our view is lower-than-expected rental income arising from loss of tenants or slower upturn in spot office rents, potential outbreak of a 2nd wave of COVID-19 causing another lockdown.

At A Glance

Issued Capital (m shrs)	1,054
Mkt. Cap (US$m/US$m)	843 / 843
Major Shareholders (%)	
KBS Limited Partnership III	27.6
Temasek Holdings Pte. Ltd	8.5
Tiku (Arvind)	8.1
Free Float (%)	41.9
3m Avg. Daily Val (US$m)	0.71

GIC Industry : Real Estate / Equity Real Estate Investment (REITs)

DBS
Live more, Bank less

WHAT'S NEW

Beat the odds

1Q2020 operational update – maiden contributions from Park Tower; portfolio remains steady; no refinancing until 2024:

- 1Q2020 Distributable Income (DI) is 13% higher than projected mainly due to contributions from the newly acquired Park Tower, lower interest expense and higher rents.
- Revenue and net property income (NPI) was 4.1% and 6.7% higher vs projection.
- Based on our calculation, distribution per unit (DPU) is marginally lower compared to projections.
- Portfolio occupancies remain healthy at 94.9%, 0.9 ppt lower mainly from 222 Main, Salt Lake City (-1.5ppt) and Tower 909, Dallas (-1.5ppt).
- Weighted average lease expiry (WALE) has increased to 4.9 years vs 4.2 years as at 4Q2019.
- Lease expiries for FY2020 have been reduced to 5.7% from 6.9% as at 4Q2019. Leases are largely expiring in the latter half of the year. PRIME's management expects to maintain a high retention ratio of 88%
- PRIME is already in active negotiations / has renewed c.50% of its 9% leases expiring in FY2021.
- Gearing remains stable at 33.7% with no refinancing required until 2024. Despite the Monetary Authority of Singapore (MAS) raising the gearing limit to 50%, PRIME's management expects to maintain gearing below 40% and believes that debt headroom is sufficient to weather the current challenging environment

Updates from COVID-19 impact – few requests for rental relief; working with WeWork for a resolution; no plans to retain dividend:

- Rental collections for April are at around 90%. Top 25 tenants have all paid rents except WeWork.
- So far, there have been a few requests for rental relief from office tenants asking but not in significant numbers. The requests are currently being processed.
- Among its high-risk tenants, PRIME is current working with its coworking operator tenants, WeWork and Regus, for a resolution. PRIME's management highlights that it has letters of credit (LCs), corporate guarantees and security bond on WeWork's rents totalling c.US$2m (approximately 1-year rental based on our estimates).
- Currently, PRIME's management does not expect any stress among its O&G tenants. Its largest O&G tenant Apache's lease will only expire in 2024.
- PRIME's management continues to expect tenants to renew their leases rather than move out during this period. Retention is expected to remain high.
- Acquisitions are currently in a pause mode. However, PRIME continues to look for opportunities during these challenging times.
- There are no plans to retain dividend payouts at the moment. However, PRIME will re-evaluate the situation again in 2Q2020. The COVID-19 impact is expected to hit the hardest on businesses in May-June 2020.

1Q2020 key operational data

Summary of results (US$'m)	1Q2020	4Q2019	%q-o-q	Projection	% y-o-y
Revenue	35.1	33.5	4.6%	33.7	4.1%
NPI	23.5	22.3	5.6%	22.0	6.7%
DI	17.6	16.4	7.5%	15.6	12.9%
DPU (est)	1.67	1.77	-5.6%	1.68	-0.8%
Portfolio occupancies (%)	94.9%	95.8%	-0.9 ppt		
Rental reversions	6.3%	10.5%*	-4.2 ppt		
WALE (years)	4.9	4.2	0.7		
Gearing (%)	33.7%	33.7%	0 ppt		
Av cost of debt (%)	3.3%	3.3%	0 ppt		
ICR (x)	5.8	5.5	0.3		

** simple average of rental reversions for new and renewed leases*
Source: DBS Bank, Company

CRITICAL DATA POINTS TO WATCH

Critical Factors

High-quality and diversified US office portfolio. Prime offers a unique opportunity to invest in a geographically diversified portfolio of 11 Class A freehold prime office assets. The initial portfolio has a net leasable area (NLA) of c.3.4m square feet (sqft) worth an appraised value of US$1.22bn, based on the average of two independent valuations for each property. In terms of value, the portfolio is weighted towards the markets of Denver, Salt Lake City, Atlanta, Washington D.C. (Suburban Maryland and Virginia) and San Francisco Bay Area (Oakland), which comprises c.70% of total portfolio value. The rest are in Philadelphia, St Louis, Dallas, and San Antonio.

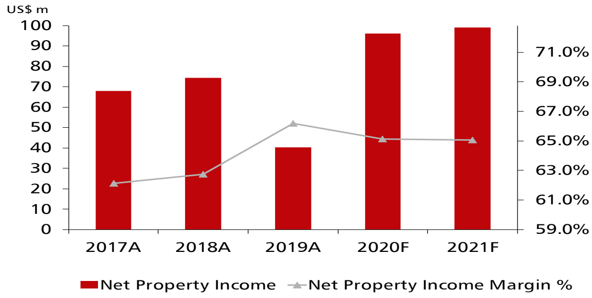
Embedded rental escalations offer visible organic growth profile with lease structure shielding the effect of rising expenses. Approximately 98.3% of contracted leases as at 1 January 2019 had in-built rental escalations of between 1-3% per annum (average of 2.1%) which provide for a visible organic growth profile. Furthermore, more than 99% of its leases are on a triple-net or modified/full service gross basis, which implies that escalations in real estate taxes and property expenses are passed onto and fully borne by tenants.

Potential positive rental reversions a near-term growth driver. In our view, a strong attribute of the initial portfolio is the fact that average rents for leases expiring in FY20 are below market rents by 8.8%. As Prime renews its leases over the next two years, there is potential for positive rental reversions which would help drive near-term earnings and distributable income.

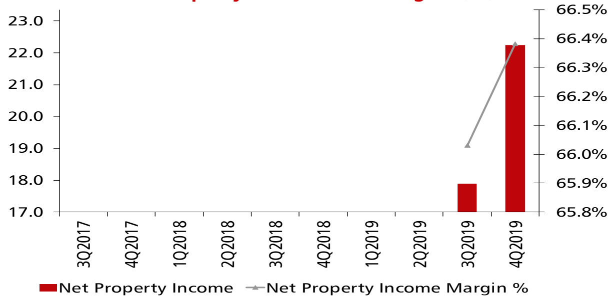
Staggered lease expiry profile with long WALE. We believe Prime's strength lies in the fact that its cashflows are relatively stable and resilient. This arises due to its long weighted average lease expiry (WALE) by NLA of c.5.1 years (as at Dec 2019), reflecting the typical lease tenure of 5-10 years. It has a staggered lease expiry profile with not more than 20% of leases by cash rental income and NLA expiring in any given year within the next eight years. Only 7% and 8% of leases are due for renewal in FY20 and FY21 respectively.

Backed by Sponsor with proven US office capability and acquisition track record. Prime's Sponsor is KBS Asia Partners Pte. Ltd. (KAP) which is affiliated with the founding partners of KBS Group (KBS), one of the largest US commercial real estate managers with c.US$11.6bn of AUM. KBS will also serve as the US Asset Manager for this REIT. With a strong track record and proven capability to add value to properties post acquisition, via the KBS group platform, the REIT should be able to access a healthy pipeline of opportunities. This should aid the REIT with its future inorganic strategy.

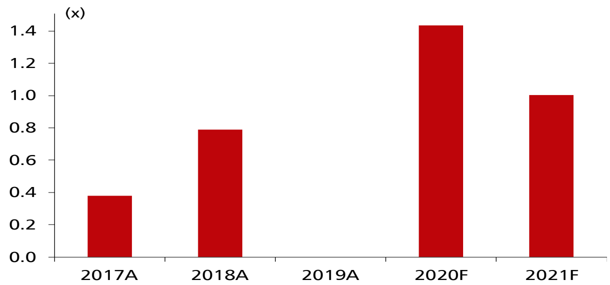
Net Property Income and Margins (%)



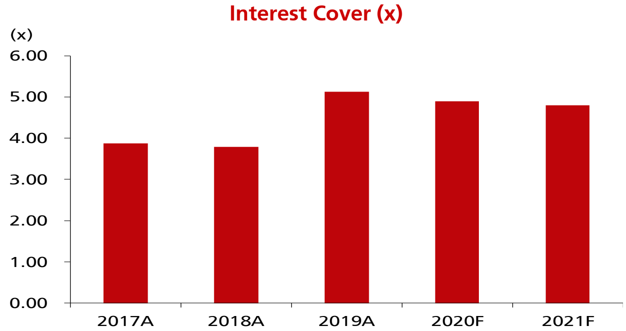
Net Property Income and Margins (%)



Distribution Paid / Net Operating CF



Interest Cover (x)



Source: Company, DBS Bank

Balance Sheet:

Gearing stabilising at around 33-34%. Prime's gearing stood at 33.7% as at Dec 2019. Post recent acquisitions and equity-raising, Prime's gearing (total debt/total assets) should remain relatively flattish which provides plenty of debt headroom for future acquisition.

Share Price Drivers:

Delivery of growth in DPU. Following the share price correction in 2018, some investors have questioned the quality and ability of KORE's portfolio to perform. Going forward, we believe as KORE delivers strong DPU growth in 2020 and demonstrates the value created from recent acquisitions, these investor concerns should be allayed and confidence that KORE's key markets are indeed on an uptrend should return. This should then translate into a re-rating of KORE's share price.

.

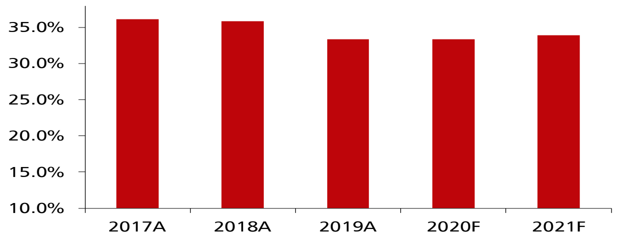
Key Risks:

Non-renewal of leases. Prime's financials, operations and capital growth may be adversely affected by bankruptcy, insolvency or downturn in the businesses of its tenants, which may lead to non-renewal of their leases.

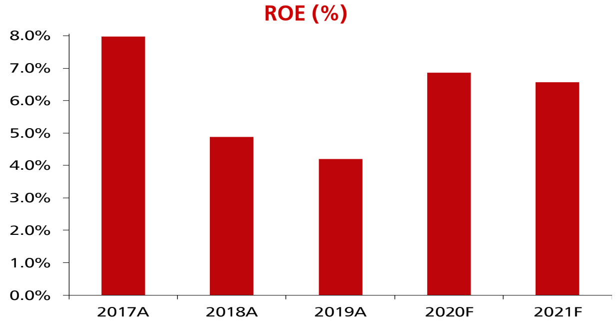
Company Background

Prime US REIT (Prime) is a pure-play US office REIT listed in Asia. Its portfolio consists of 11 Class A freehold prime office assets located largely in Denver, Salt Lake City, Atlanta, Washington D.C. (Suburban Maryland and Virginia) and San Francisco Bay Area with an aggregate net lettable area of around 3.4m sqft.

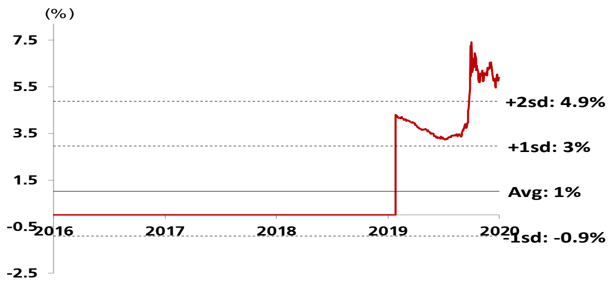
Aggregate Leverage (%)



ROE (%)



Distribution Yield (%)



PB Band (x)

Source: Company, DBS Bank

Income Statement (US$m)

FY Dec	2019A	2020F	2021F
Gross revenue	60.7	148	152
Property expenses	(20.5)	(51.4)	(53.1)
Net Property Income	40.2	96.1	98.9
Other Operating expenses	(4.1)	(11.1)	(11.7)
Other Non Opg (Exp)/Inc	(6.9)	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0
Net Interest (Exp)/Inc	(7.0)	(17.4)	(18.2)
Exceptional Gain/(Loss)	18.8	0.0	0.0
Net Income	41.0	67.6	69.1
Tax	(7.3)	(6.9)	(6.9)
Minority Interest	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0
Net Income After Tax	33.7	60.7	62.2
Total Return	33.7	60.7	62.2
Non-tax deductible Items	(4.5)	7.44	7.55
Net Inc available for Dist.	29.2	68.2	69.7
Growth & Ratio			
Revenue Gth (%)	(48.8)	143.2	3.0
N Property Inc Gth (%)	(46.0)	139.3	2.9
Net Inc Gth (%)	(11.4)	80.2	2.4
Dist. Payout Ratio (%)	100.0	100.0	100.0
Net Prop Inc Margins (%)	66.2	65.1	65.1
Net Income Margins (%)	55.6	41.2	40.9
Dist to revenue (%)	48.1	46.2	45.9
Managers & Trustee's fees to sales	6.7	7.6	7.7
ROAE (%)	4.2	6.9	6.6
ROA (%)	2.6	4.4	4.2
ROCE (%)	2.5	5.8	5.5
Int. Cover (x)	5.1	4.9	4.8

Source: Company, DBS Bank

Quarterly / Interim Income Statement (US$m)

FY Dec	3Q2019	4Q2019
Gross revenue	27.1	33.5
Property expenses	(9.2)	(11.3)
Net Property Income	17.9	22.3
Other Operating expenses	(1.9)	(2.2)
Other Non Opg (Exp)/Inc	0.0	2.33
Associates & JV Inc	0	0
Net Interest (Exp)/Inc	(3.2)	(3.9)
Exceptional Gain/(Loss)	0.0	0.0
Net Income	**12.8**	**18.6**
Tax	(1.2)	(6.0)
Minority Interest	0.0	0.0
Net Income after Tax	**11.6**	**12.5**
Total Return	2.38	31.3
Non-tax deductible Items	10.4	(15.0)
Net Inc available for Dist.	12.8	16.4
Growth & Ratio		
Revenue Gth (%)	N/A	24
N Property Inc Gth (%)	nm	24
Net Inc Gth (%)	nm	8
Net Prop Inc Margin (%)	66.0	66.4
Dist. Payout Ratio (%)	100.0	100.0

Balance Sheet (US$m)

FY Dec	2019A	2020F	2021F
Investment Properties	1,255	1,430	1,443
Other LT Assets	0.0	0.0	0.0
Cash & ST Invts	37.9	17.2	17.0
Inventory	0.0	0.0	0.0
Debtors	2.41	15.3	15.8
Other Current Assets	2.20	2.20	2.20
Total Assets	**1,297**	**1,465**	**1,478**
ST Debt	0.0	0.0	0.0
Creditor	16.7	8.86	9.13
Other Current Liab	5.81	5.81	5.81
LT Debt	433	488	501
Other LT Liabilities	16.6	16.6	16.6
Unit holders' funds	825	945	945
Minority Interests	0.0	0.0	0.0
Total Funds & Liabilities	**1,297**	**1,465**	**1,478**
Non-Cash Wkg. Capital	(17.9)	2.82	3.02
Net Cash/(Debt)	(395)	(471)	(484)
Ratio			
Current Ratio (x)	1.9	2.4	2.3
Quick Ratio (x)	1.9	2.4	2.3
Aggregate Leverage (%)	33.4	33.3	33.9
Z-Score (X)	NA	NA	NA

Source: Company, DBS Bank

Cash Flow Statement (US$m)

FY Dec	2019A	2020F	2021F
Pre-Tax Income	41.0	67.6	69.1
Dep. & Amort.	0.0	0.0	0.0
Tax Paid	0.0	(6.9)	(6.9)
Associates &JV Inc/(Loss)	0.0	0.0	0.0
Chg in Wkg.Cap.	8.74	(20.7)	(0.2)
Other Operating CF	(5.3)	7.44	7.55
Net Operating CF	44.4	47.5	69.5
Net Invt in Properties	(1,223)	(175)	(13.0)
Other Invts (net)	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0
Other Investing CF	0.04	0.0	0.0
Net Investing CF	(1,223)	(175)	(13.0)
Distribution Paid	0.0	(68.2)	(69.7)
Chg in Gross Debt	427	55.3	13.0
New units issued	789	120	0.0
Other Financing CF	0.0	0.0	0.0
Net Financing CF	1,216	107	(56.7)
Currency Adjustments	0.02	0.0	0.0
Chg in Cash	37.8	(20.7)	(0.2)
Operating CFPS (US cts.)	3.86	6.45	6.57
Free CFPS (US cts.)	(127)	(12.1)	5.33

Source: Company, DBS Bank

Target Price & Ratings History

S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	05 Nov 19	0.95	1.05	BUY
2:	08 Nov 19	0.95	1.05	BUY
3:	06 Mar 20	1.00	1.05	BUY
4:	26 Mar 20	0.61	1.05	BUY

Note : Share price and Target price are adjusted for corporate actions.

Source: DBS Bank

Analyst: Rachel TAN
Derek TAN

DBS Bank recommendations are based on an Absolute Total Return* Rating system, defined as follows:
STRONG BUY (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)
BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 23 Jun 2020 18:20:03 (SGT)
Dissemination Date: 23 Jun 2020 18:30:56 (SGT)

Sources for all charts and tables are DBS Bank unless otherwise specified.

GENERAL DISCLOSURE/DISCLAIMER

This report is prepared by DBS Bank Ltd. This report is solely intended for the clients of DBS Bank Ltd, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBS Bank Ltd.

The research set out in this report is based on information obtained from sources believed to be reliable, but we (which collectively refers to DBS Bank Ltd, its respective connected and associated corporations, affiliates and their respective directors, officers, employees and agents (collectively, the "**DBS Group**") have not conducted due diligence on any of the companies, verified any information or sources or taken into account any other factors which we may consider to be relevant or appropriate in preparing the research. Accordingly, we do not make any representation or warranty as to the accuracy, completeness or correctness of the research set out in this report. Opinions expressed are subject to change without notice. This research is prepared for general circulation. Any recommendation contained in this document does not have regard to the specific investment objectives, financial situation and the particular needs of any specific addressee. This document is for the information of addressees only and is not to be taken in substitution for the exercise of judgement by addressees, who should obtain separate independent legal or financial advice. The DBS Group accepts no liability whatsoever for any direct, indirect and/or consequential loss (including any claims for loss of profit) arising from any use of and/or reliance upon this document and/or further communication given in relation to this document. This document is not to be construed as an offer or a solicitation of an offer to buy or sell any securities. The DBS Group, along with its affiliates and/or persons associated with any of them may from time to time have interests in the securities mentioned in this document. The DBS Group, may have positions in, and may effect transactions in securities mentioned herein and may also perform or seek to perform broking, investment banking and other banking services for these companies.

Any valuations, opinions, estimates, forecasts, ratings or risk assessments herein constitutes a judgment as of the date of this report, and there can be no assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments. The information in this document is subject to change without notice, its accuracy is not guaranteed, it may be incomplete or condensed, it may not contain all material information concerning the company (or companies) referred to in this report and the DBS Group is under no obligation to update the information in this report.

This publication has not been reviewed or authorized by any regulatory authority in Singapore, Hong Kong or elsewhere. There is no planned schedule or frequency for updating research publication relating to any issuer.

The valuations, opinions, estimates, forecasts, ratings or risk assessments described in this report were based upon a number of estimates and assumptions and are inherently subject to significant uncertainties and contingencies. It can be expected that one or more of the estimates on which the valuations, opinions, estimates, forecasts, ratings or risk assessments were based will not materialize or will vary significantly from actual results. Therefore, the inclusion of the valuations, opinions, estimates, forecasts, ratings or risk assessments described herein IS NOT TO BE RELIED UPON as a representation and/or warranty by the DBS Group (and/or any persons associated with the aforesaid entities), that:

(a) such valuations, opinions, estimates, forecasts, ratings or risk assessments or their underlying assumptions will be achieved, and
(b) there is any assurance that future results or events will be consistent with any such valuations, opinions, estimates, forecasts, ratings or risk assessments stated therein.

Please contact the primary analyst for valuation methodologies and assumptions associated with the covered companies or price targets.

Any assumptions made in this report that refers to commodities, are for the purposes of making forecasts for the company (or companies) mentioned herein. They are not to be construed as recommendations to trade in the physical commodity or in the futures contract relating to the commodity referred to in this report.

DBSVUSA, a US-registered broker-dealer, does not have its own investment banking or research department, has not participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months and does not engage in market-making.

ANALYST CERTIFICATION

The research analyst(s) primarily responsible for the content of this research report, in part or in whole, certifies that the views about the companies and their securities expressed in this report accurately reflect his/her personal views. The analyst(s) also certifies that no part of his/her compensation was, is, or will be, directly or indirectly, related to specific recommendations or views expressed in the report. The research analyst (s) primarily responsible for the content of this research report, in part or in whole, certifies that he or his associate[1] does not serve as an officer of the issuer or the new listing applicant (which includes in the case of a real estate investment trust, an officer of the management company of the real estate investment trust; and in the case of any other entity, an officer or its equivalent counterparty of the entity who is responsible for the management of the issuer or the new listing applicant) and the research analyst(s) primarily responsible for the content of this research report or his associate does not have financial interests[2] in relation to an issuer or a new listing applicant that the analyst reviews. DBS Group has procedures in place to eliminate, avoid and manage any potential conflicts of interests that may arise in connection with the production of research reports. The research analyst(s) responsible for this report operates as part of a separate and independent team to the investment banking function of the DBS Group and procedures are in place to ensure that confidential information held by either the research or investment banking function is handled appropriately. There is no direct link of DBS Group's compensation to any specific investment banking function of the DBS Group.

COMPANY-SPECIFIC / REGULATORY DISCLOSURES

1. DBS Bank Ltd, DBS HK, DBS Vickers Securities (Singapore) Pte Ltd (''DBSVS'') or their subsidiaries and/or other affiliates have proprietary positions in Manulife US Real Estate Inv, Prime US REIT, Keppel Pacific Oak US REIT recommended in this report as of 31 May 2020.
2. Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.
3. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates have a net long position exceeding 0.5% of the total issued share capital in Manulife US Real Estate Inv, Prime US REIT, Keppel Pacific Oak US REIT recommended in this report as of 31 May 2020.
4. DBS Bank Ltd, DBS HK, DBSVS, DBSVUSA or their subsidiaries and/or other affiliates beneficially own a total of 1% of any class of common equity securities of Manulife US Real Estate Inv, Prime US REIT, Keppel Pacific Oak US REIT as of 31 May 2020.

Compensation for investment banking services:

5. DBS Bank Ltd, DBS HK, DBSVS their subsidiaries and/or other affiliates of DBSVUSA have received compensation, within the past 12 months for investment banking services from Manulife US Real Estate Inv, Prime US REIT, Keppel Pacific Oak US REIT as of 31 May 2020.
6. DBS Bank Ltd, DBS HK, DBSVS, their subsidiaries and/or other affiliates of DBSVUSA have managed or co-managed a public offering of securities for Manulife US Real Estate Inv, Prime US REIT, Keppel Pacific Oak US REIT in the past 12 months, as of 31 May 2020.
7. DBSVUSA does not have its own investment banking or research department, nor has it participated in any public offering of securities as a manager or co-manager or in any other investment banking transaction in the past twelve months. Any US persons wishing to obtain further information, including any clarification on disclosures in this disclaimer, or to effect a transaction in any security discussed in this document should contact DBSVUSA exclusively.

[1] An associate is defined as (i) the spouse, or any minor child (natural or adopted) or minor step-child, of the analyst; (ii) the trustee of a trust of which the analyst, his spouse, minor child (natural or adopted) or minor step-child, is a beneficiary or discretionary object; or (iii) another person accustomed or obliged to act in accordance with the directions or instructions of the analyst.

[2] Financial interest is defined as interests that are commonly known financial interest, such as investment in the securities in respect of an issuer or a new listing applicant, or financial accommodation arrangement between the issuer or the new listing applicant and the firm or analysis. This term does not include commercial lending conducted at arm's length, or investments in any collective investment scheme other than an issuer or new listing applicant notwithstanding the fact that the scheme has investments in securities in respect of an issuer or a new listing applicant.

Disclosure of previous investment recommendation produced:

8. DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd (''DBSVS''), their subsidiaries and/or other affiliates may have published other investment recommendations in respect of the same securities / instruments recommended in this research report during the preceding 12 months. Please contact the primary analyst listed in the first page of this report to view previous investment recommendations published by DBS Bank Ltd, DBS Vickers Securities (Singapore) Pte Ltd (''DBSVS''), their subsidiaries and/or other affiliates in the preceding 12 months.

RESTRICTIONS ON DISTRIBUTION

General	This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation.
Australia	This report is being distributed in Australia by DBS Bank Ltd, DBSVS or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946. DBSVS and DBSV HK are exempted from the requirement to hold an Australian Financial Services Licence under the Corporation Act 2001 ("CA") in respect of financial services provided to the recipients. Both DBS Bank Ltd and DBSVS are regulated by the Monetary Authority of Singapore under the laws of Singapore, and DBSV HK is regulated by the Hong Kong Securities and Futures Commission under the laws of Hong Kong, which differ from Australian laws. Distribution of this report is intended only for "wholesale investors" within the meaning of the CA.
Hong Kong	This report has been prepared by a person(s) who is not licensed by the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities in Hong Kong pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). This report is being distributed in Hong Kong and is attributable to DBS Bank (Hong Kong) Limited, a registered institution registered with the Hong Kong Securities and Futures Commission to carry on the regulated activity of advising on securities pursuant to the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). DBS Bank Ltd., Hong Kong Branch is a limited liability company incorporated in Singapore. For any query regarding the materials herein, please contact Carol Wu (Reg No. AH8283) at dbsvhk@dbs.com
Indonesia	This report is being distributed in Indonesia by PT DBS Vickers Sekuritas Indonesia.
Malaysia	This report is distributed in Malaysia by AllianceDBS Research Sdn Bhd ("ADBSR"). Recipients of this report, received from ADBSR are to contact the undersigned at 603-2604 3333 in respect of any matters arising from or in connection with this report. In addition to the General Disclosure/Disclaimer found at the preceding page, recipients of this report are advised that ADBSR (the preparer of this report), its holding company Alliance Investment Bank Berhad, their respective connected and associated corporations, affiliates, their directors, officers, employees, agents and parties related or associated with any of them may have positions in, and may effect transactions in the securities mentioned herein and may also perform or seek to perform broking, investment banking/corporate advisory and other services for the subject companies. They may also have received compensation and/or seek to obtain compensation for broking, investment banking/corporate advisory and other services from the subject companies. Wong Ming Tek, Executive Director, ADBSR
Singapore	This report is distributed in Singapore by DBS Bank Ltd (Company Regn. No. 196800306E) or DBSVS (Company Regn No. 198600294G), both of which are Exempt Financial Advisers as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. DBS Bank Ltd and/or DBSVS, may distribute reports produced by its respective foreign entities, affiliates or other foreign research houses pursuant to an arrangement under Regulation 32C of the Financial Advisers Regulations. Where the report is distributed in Singapore to a person who is not an Accredited

	Investor, Expert Investor or an Institutional Investor, DBS Bank Ltd accepts legal responsibility for the contents of the report to such persons only to the extent required by law. Singapore recipients should contact DBS Bank Ltd at 6327 2288 for matters arising from, or in connection with the report.
Thailand	This report is being distributed in Thailand by DBS Vickers Securities (Thailand) Co Ltd.
United Kingdom	This report is produced by DBS Bank Ltd which is regulated by the Monetary Authority of Singapore. This report is disseminated in the United Kingdom by DBS Vickers Securities (UK) Ltd, ("DBSVUK"). DBSVUK is authorised and regulated by the Financial Conduct Authority in the United Kingdom. In respect of the United Kingdom, this report is solely intended for the clients of DBSVUK, its respective connected and associated corporations and affiliates only and no part of this document may be (i) copied, photocopied or duplicated in any form or by any means or (ii) redistributed without the prior written consent of DBSVUK. This communication is directed at persons having professional experience in matters relating to investments. Any investment activity following from this communication will only be engaged in with such persons. Persons who do not have professional experience in matters relating to investments should not rely on this communication.
Dubai International Financial Centre	This research report is being distributed by DBS Bank Ltd., (DIFC Branch) having its office at units 608 - 610, 6th Floor, Gate Precinct Building 5, PO Box 506538, DIFC, Dubai, United Arab Emirates. DBS Bank Ltd., (DIFC Branch) is regulated by The Dubai Financial Services Authority. This research report is intended only for professional clients (as defined in the DFSA rulebook) and no other person may act upon it.
United Arab Emirates	This report is provided by DBS Bank Ltd (Company Regn. No. 196800306E) which is an Exempt Financial Adviser as defined in the Financial Advisers Act and regulated by the Monetary Authority of Singapore. This report is for information purposes only and should not be relied upon or acted on by the recipient or considered as a solicitation or inducement to buy or sell any financial product. It does not constitute a personal recommendation or take into account the particular investment objectives, financial situation, or needs of individual clients. You should contact your relationship manager or investment adviser if you need advice on the merits of buying, selling or holding a particular investment. You should note that the information in this report may be out of date and it is not represented or warranted to be accurate, timely or complete. This report or any portion thereof may not be reprinted, sold or redistributed without our written consent.
United States	This report was prepared by DBS Bank Ltd. DBSVUSA did not participate in its preparation. The research analyst(s) named on this report are not registered as research analysts with FINRA and are not associated persons of DBSVUSA. The research analyst(s) are not subject to FINRA Rule 2241 restrictions on analyst compensation, communications with a subject company, public appearances and trading securities held by a research analyst. This report is being distributed in the United States by DBSVUSA, which accepts responsibility for its contents. This report may only be distributed to Major U.S. Institutional Investors (as defined in SEC Rule 15a-6) and to such other institutional investors and qualified persons as DBSVUSA may authorize. Any U.S. person receiving this report who wishes to effect transactions in any securities referred to herein should contact DBSVUSA directly and not its affiliate.
Other jurisdictions	In any other jurisdictions, except if otherwise restricted by laws or regulations, this report is intended only for qualified, professional, institutional or sophisticated investors as defined in the laws and regulations of such jurisdictions.

DBS Regional Research Offices

HONG KONG
DBS (Hong Kong) Ltd
Contact: Carol Wu
13th Floor One Island East,
18 Westlands Road,
Quarry Bay, Hong Kong
Tel: 852 3668 4181
Fax: 852 2521 1812
e-mail: dbsvhk@dbs.com

MALAYSIA
AllianceDBS Research Sdn Bhd
Contact: Wong Ming Tek (128540 U)
19th Floor, Menara Multi-Purpose,
Capital Square,
8 Jalan Munshi Abdullah 50100
Kuala Lumpur, Malaysia.
Tel.: 603 2604 3333
Fax: 603 2604 3921
e-mail: general@alliancedbs.com

SINGAPORE
DBS Bank Ltd
Contact: Janice Chua
12 Marina Boulevard,
Marina Bay Financial Centre Tower 3
Singapore 018982
Tel: 65 6878 8888
Fax: 65 65353 418
e-mail: equityresearch@dbs.com
Company Regn. No. 196800306E

THAILAND
DBS Vickers Securities (Thailand) Co Ltd
Contact: Chanpen Sirithanarattanakul
989 Siam Piwat Tower Building,
9th, 14th-15th Floor
Rama 1 Road, Pathumwan,
Bangkok Thailand 10330
Tel. 66 2 857 7831
Fax: 66 2 658 1269
e-mail: research@th.dbs.com
Company Regn. No 0105539127012
Securities and Exchange Commission, Thailand

INDONESIA
PT DBS Vickers Sekuritas (Indonesia)
Contact: Maynard Priajaya Arif
DBS Bank Tower
Ciputra World 1, 32/F
Jl. Prof. Dr. Satrio Kav. 3-5
Jakarta 12940, Indonesia
Tel: 62 21 3003 4900
Fax: 6221 3003 4943
e-mail: indonesiaresearch@dbs.com