Singapore Company Focus

Digital Core REIT

Bloomberg: DCREIT SP | Reuters: DIGT.SI

Refer to important disclosures at the end of this report.

DBS Group Research . Equity

14 Jan 2022

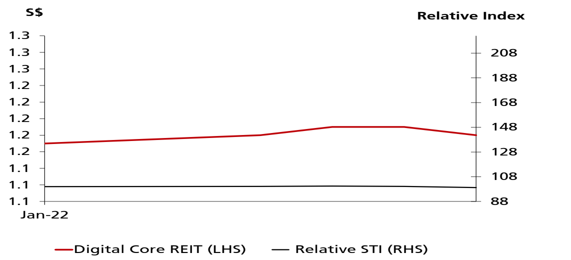
BUY

(Initiating Coverage)
Last Traded Price (13 Jan 2022): US$1.18 (STI : 3,257.30)
Price Target 12-mth: US$1.40 (19% upside)

Potential Catalyst: Faster pace of acquisitions

Analyst
Dale LAI +65 66823715 dalelai@dbs.com
Derek TAN +65 6682 3716 derektan@dbs.com

Price Relative



Forecasts and Valuation

FY Dec (US$m)	2021F	2022F	2023F	2024F
Gross Revenue	105	113	136	152
Net Property Inc	66.1	72.5	89.8	102
Total Return	36.7	13.5	45.3	54.2
Distribution Inc	46.2	51.4	64.7	73.1
EPU (S cts)	4.38	4.73	4.80	5.00
EPU Gth (%)	nm	8	1	4
DPU (US cts)	4.10	4.51	4.98	5.00
DPU Gth (%)	255	10	11	0
NAV per shr (US cts)	114	110	114	113
PE (X)	26.9	24.9	24.6	23.6
Distribution Yield (%)	3.5	3.8	4.2	4.2
P/NAV (x)	1.0	1.1	1.0	1.0
Aggregate Leverage (%)	23.7	35.6	36.5	36.7
ROAE (%)	N/A	4.3	4.3	4.4
Consensus DPU (S cts):	5.70	5.70	-	-
Other Broker Recs:		B: 2	S: 0	H: 0

GICW Industry : Real Estate
GIC Sector: Equity Real Estate Investment (REITs)
Principal Business: DCR is a real estate investment trust that primarily invests in stabilised income-producing data centres as well as assets necessary to support the digital economy globally.

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

A premier global data-centre play

- **Initiate with a BUY, TP of US$1.40, offering a c.18% upside**
- **Pure-play data centre, REIT backed by the largest global owner and operator of data centres**
- **Full portfolio occupancy to provide stable income and annual rental escalations to provide some organic growth**
- **Low initial gearing to pave the way for c.US$250m debt-funded acquisition**

Initiate with BUY, TP: US$1.40. We initiate coverage of Digital Core REIT ("DCR") with a target price of US$1.40. Catalysts baked into our valuations are (i) an assumed US$250m of debt-funded acquisitions in FY22 and (ii) a further assumed US$500m of acquisitions funded by both debt and equity by FY23. These are expected to drive a three-year DPU CAGR of c.7% during FY21-24F and 10-11% above IPO forecasts.

Earnings underpinned by solid fundamentals. With a portfolio of fully occupied data centres with a long WALE of c.6.2 years, this ensures income stability and visibility. In addition to the booming data centre industry, annual rental escalations of c.2% for its portfolio provides for organic growth in earnings.

A pipeline that could make DCR one of the largest S-REITs. With strong commitment from its sponsor, DCR has been granted a Rights of First Refusal (ROFR) to c.US$15bn worth of data centres globally. In addition, the sponsor has a further US$5bn worth of data centre developments that could potentially be made available to DCR when completed.

Valuation:

Our target price of US$1.40 is based on DCF with a WACC of 5.3% (risk-free rate of 2.0%). This implies a normalised target yield of 3.6% in the next two years. We have assumed a total of US$750m in acquisitions over the next two years.

Key Risks to Our View:

Key risks to our view would be the slower-than-anticipated acquisition growth and a spike in borrowing costs.

At A Glance

Issued Capital (m shrs)	1,125.4
Mkt. Cap (US$m)	1,327.9
Major Shareholders (%)	
DIGITAL CR SINGAPORE	33.4
APG Asset Management NV	8.3
Free Float (%)	58.3
3m Avg. Daily Val (US$m)	4.0

Watchlist the stock on Insights Direct to receive prompt updates

DBS Live more, Bank less

Table of Contents

Investment Summary

Initiate with BUY, TP: US$1.40. We initiate coverage of Digital Core REIT ("DCR") with a target price of US$1.40. Catalysts baked into our valuations are (i) an assumed US$250m of debt-funded acquisitions in FY22 and (ii) a further assumed US$500m of acquisitions funded by both debt and equity by FY23. These are expected to drive a three-year DPU CAGR of c.7% during FY21-24F and c.10% above IPO forecasts.

Initial portfolio of 10 high-quality and mission-critical data centres. DCR holds a mandate to invest directly or indirectly in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for data centre purposes and as assets necessary to support the digital economy. Although the initial portfolio is based entirely in North America, namely the US and Canada, it has a mandate to invest globally, tapping on its sponsor's (Digital Realty Trust, L.P.) presence in North America, Latin America, EMEA (Europe, the Middle East, and Africa) and APAC (Asia Pacific).

Its initial portfolio will comprise 10 freehold data centres with an appraised value of c.US$1,440.5m as of 30 June 2021 and have an aggregate net rentable square feet ("NRSF") of approximately 1,209,163 sqft. 9 of the properties are in the US in Northern Virginia, Silicon Valley, and Los Angeles, while 1 is in Canada, Toronto. Of the 10 properties, 8 are single-tenanted, while 2 are multi-tenanted. The portfolio is anchored by 18 tenants who are hyperscale cloud service providers, colocation/IT solution providers, and social media platforms.

Main beneficiary of the rise of the digital economy and emerging trends. In recent years, we have seen the rise of the digital economy transforming our way of life, further accelerated by the COVID-19 pandemic. Cloud computing, enterprise modernisation, streaming and social media, and e-payment and e-commerce have been the key drivers of the digital economy and for data centres. Emerging trends including the internet of things, artificial intelligence, 5G technology, and edge computing will only drive further demand for digital infrastructure such as data centres.

DCR's portfolio of data centres are strategically located across key markets in North America, where demand continues to be strong and market vacancy remains low. Northern Virginia is the largest data centre market in the world, with c.70% of the world's internet traffic running through it. Silicon Valley in North California remains a global hub for technological innovation, where technology unicorns are minted and headquartered. Los Angeles being the entertainment capital of the world is home to many media and content companies that are building up their online streaming capabilities. Toronto is the business and financial capital of Canada, and the primary data centre market in which many global MNCs have set up their headquarters.

Resilient cashflow underpinned by long WALE and full occupancy of its portfolio. The portfolio boasts a 100% occupancy rate with a relatively long WALE of c.6.2 years (by rental income). The WALEs of the individual properties range from c.3.7 years to as long as c.13.6 years, as of 30 June 2021. Despite the long WALEs, close to 100% leases are contracted with built-in annual rental escalations of c.2% that ensures organic growth in earnings and helps to mitigate the effect of any increase in operating costs. Moreover, c.85% (based on NRSF) of leases are on a triple net lease structure where operating expenses are recoverable from tenants, and this provides additional insulation against operating expense growth. Income generation is further underpinned by the minimal lease expiries in the near future, with only c.0.1% of leases (by rental income) due to expire in FY22 and FY23 each.

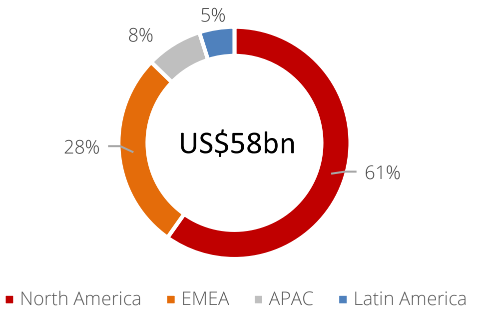
Ample debt headroom for immediate portfolio growth. DCR has a healthy initial gearing of only 26.5%, and we believe this provides the REIT with ample headroom to pursue debt-funded acquisitions from the onset. Its peers currently have an average gearing of c.38.5%, and at such levels, DCR could potentially fund more than US$240m worth of acquisitions entirely through debt. At a more aggressive gearing of 45%, DCR has a debt headroom of more than US$437m, potentially increasing its assets under management (AUM) by c.34%.

In our view, DCR's conservative initial gearing provides the REIT with flexibility to embark on acquisitions immediately to drive earnings growth. Moreover, there are ample opportunities from its sponsor's pipeline of stabilised income-producing data centres valued at more than US$15bn, which DCR has been granted a ROFR. As such, our projections have assumed a c.US$250m of debt-funded acquisitions in FY22, leaving DCR with a still comfortable gearing of only c.38-39%. We also assumed a further US$500m worth of acquisitions in FY23 from its sponsor's pipeline, which will be funded by both debt and equity.

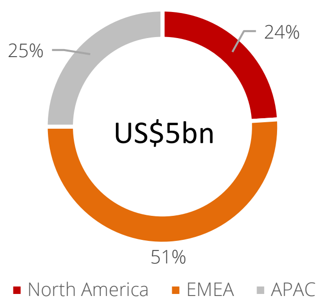
Backed by a leading global data centre provider with a strong commitment to the REIT. As the largest owner, operator, developer, and acquirer of data centres globally, the sponsor has a presence in 47 metros across 24 countries. The sponsor is the sixth-largest publicly traded REIT in the US and is a constituent of the S&P 500 Index. Digital Realty Trust, L.P. currently has a portfolio valued at c.US$58bn, with a further c.US$5bn of investments in development projects. As more of its assets gradually reach stabilisation and new developments are completed, we believe that the sponsor will continually provide DCR with an enhanced pipeline.

The sponsor's commitment to DCR is further demonstrated through retaining a 10% direct ownership stake in the initial portfolio as well as a c.40% ownership in the REIT. DCR will be managed by a full-time dedicated team comprising longstanding team members from the sponsor, ensuring continuity and the retention of expertise in managing the assets.

Current Portfolio *



Portfolio under development **



Source: Company, DBS Bank
** Breakdown based on total operating revenue as of 30 June 2021.*
*** Includes current investment and future funding required of total committed active development.*

A pipeline could make DCR one of the largest S-REITs. The sponsor has granted DCR a global ROFR for 281 of its existing data centres across the Americas, EMEA and Asia Pacific. We believe that the identified pipeline fits DCR's principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets, which meets the following criteria: (i) a minimum occupancy of 90%, (ii) average rental rates that are at least comparable to the market, (iii) do not require any material asset enhancements within the next two years at least, and (iv) is suitable for acquisition by DCR, taking into account conditions at the time of the proposed offer. In an environment where investors are competing to acquire high-quality and stabilised data centre properties, DCR can count on its sponsor's pipeline to lead it into the next phase of growth and compete with its other larger-cap peers.

SWOT Analysis

Strengths	Opportunities
• Initial portfolio with data centres focused on the key markets of United States and Canada. DCR comprises an initial portfolio of 10 high-quality, mission critical data centres within key metros across the United States and Canada with an aggregate valuation of S$1.4 billion over a net rentable sqft (NSFT) of 1.2 million sqft. DCR will indirectly own a 90 % interest in the initial portfolio with the sponsor retaining ownership of the remaining 10%, implying strong alignment of interests in our view. • Anchored in rapidly growing markets. The initial portfolio is strategically located and is 73.5% exposed (by Base Rental Income for the month of June 2021) to Northern Virginia and Northern California, which are considered by the independent market consultant as the #1 and #2 data centre markets in the USA and 19.2% (by Base Rental Income for the month of June 2021) in Toronto, Canada's primary data centre market. The remaining 7.3% is located in Los Angeles, which is the US's data centre gateway to international hubs and a key beneficiary of the US entertainment industry. Close to 68.5% of the initial portfolio (by annual base rent) focused on the hyperscale segment. • Attractive WALE offers strong income visibility. The initial portfolio has a weighted average lease expiry of 6.2 years broken with c.100% of contracted leases with built-in escalations ranging 1% to 3% with a weighted average of c.2.0% cash rental escalation. Close to 85% of the leases are triple-net leases, which shield the REIT from potential rise in operating costs. The initial portfolio has a strong record of sticky occupancies of c.99% since 2012 and high historical retention rate of c.96%. With only 0.2% of the leases expiring until 2023, we see strong income visibility in the medium term. • Quality Tenant Base. DCR's portfolio of tenants are top names within the IT, media segment with strong credit quality. With DCR's established relationships across major customers, we believe that there will be strong stickiness with their tenant base. • Best-in-class Global Data Centre Sponsor. Sponsor Digital Realty is a well-established global data centre owner and operator with a well-established track record and public markets expertise. The REIT is able to tap the sponsor's support of a global operating platform with significant organisational capabilities.	• Riding on the growth of digital transformation. The North American data centre market is expected to grow by a CAGR of 15% from 2020 to 2024, with hyperscale demand growing by a higher CAGR of c.23% over the same period, fuelled by structural tailwinds. The increasing adoption of hybrid IT by enterprises, including the use of public and private data, adoption of digitalisation by enterprises and consumers, new technologies like the Internet of Things ("IoT") and 5G, growth of streaming, cloud computing, edge computing, and ratification will be the catalyst for data centre infrastructure in order to process this massive amount of data. • Leveraging sponsor to expand its footprint in Asia. The sponsor has provided the REIT with global ROFR, providing DCR with access to acquire data centres from the Sponsor's global platform and a strong development pipeline across America, Europe and Asia Pacific. The sponsor has a potential pipeline of over US$15 billion of existing and under construction data centres that could fit the global ROFR mandate to support its medium-term growth. • Significant debt headroom for accretive acquisition. Initial gearing of c.26.5% is below the peer average of c.38.5% and this presents upside for the REIT to capitalise on. In our estimates, we estimate that DCR will have a debt funded headroom of up to c.US$ 380m to US$437m to a 40% and 45% gearing limit respectively. This implies an increase in portfolio AUM by c.30% to 36% and acquisition could be 19% to 22% accretive based on our estimates. The REIT has ample undrawn debt capacity to execute on any acquisitions.
Weaknesses	**Threats**
• Tenant concentration risk. C.35.9% and 23.9% of base rental income (as of June 2021) is leased to a Fortune 50 Software company and Global colocation and Interconnection provider. In our view, this implies that there is fair amount of reliance in a small group of tenants for revenues. In the event of a non-renewal of lease, DCR may face downtime in finding replacement tenants at its portfolio.	• Potential capex needs in the medium term. We note that the portfolio age for selected properties exceeds 20 years with minimal capex spent, meaning that there may be incremental capex spent upon lease renewal or in the medium term.

Source: DBS Bank

Pure play data centre REIT

A pure play freehold data centre SREIT with initial portfolio in the USA and Canada. Digital Core REIT ("DCR") is a pure play freehold data centre exposure with an initial portfolio that comprises a 90% stake in 10 freehold data centres located within the top-tier markets of the USA and Canada. The initial portfolio has a total aggregate value of US$1.4bn, (based on a 100% stake) with c.1.2m net rentable sqft. The aggregate purchase consideration for the 90% stake in the portfolio is c.US$1.3 bn, which is based on the higher of two independent valuations of each of the properties. Its Sponsor, Digital Realty Trust, L.P., will own the remaining 10% stake in the initial portfolio.

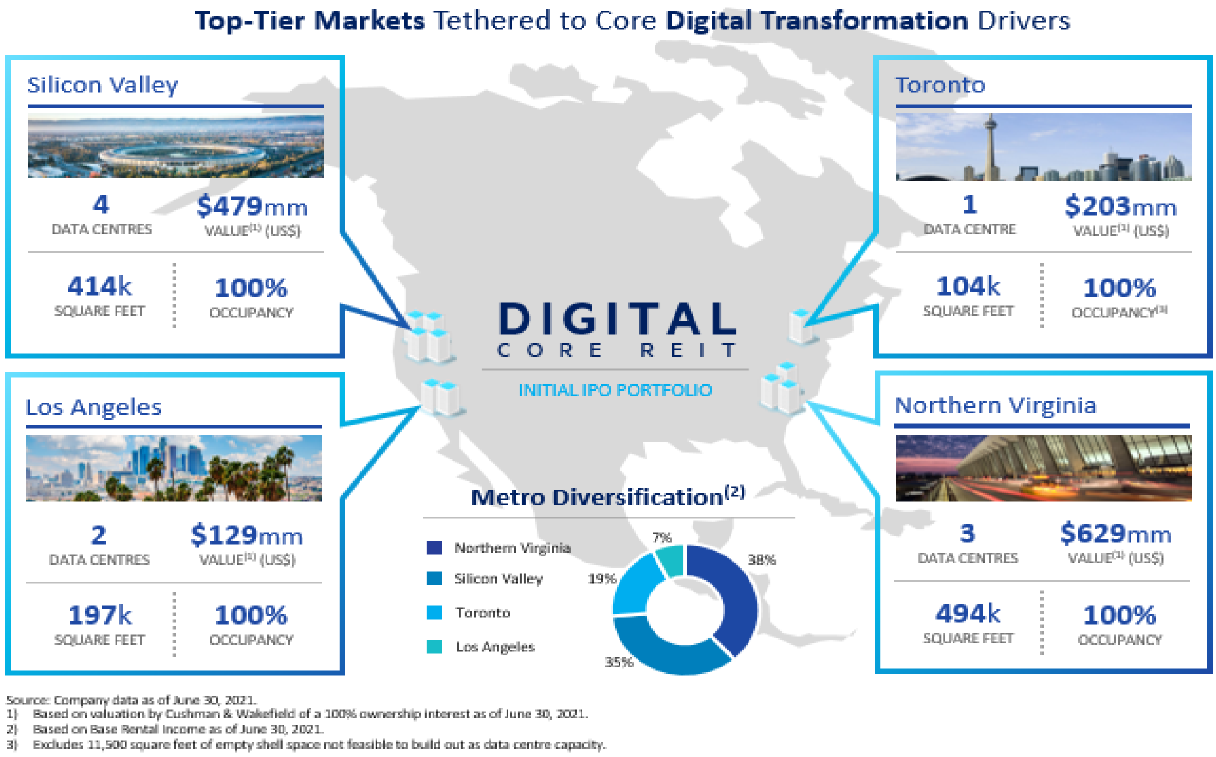
Based on appraised value, majority of the assets are located in the two largest data centre markets in the USA, Northern Virginia (c.44% of value) and Silicon Valley (c.33% of value), while the remaining assets are located in Toronto (c.14% of value) and Los Angeles (c.9% of value).

DCR has an investment mandate to invest, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for data centre purposes and as assets necessary to support the digital economy.

Attractive opportunity to ride on the fastest-growing commercial real estate, data centre driven by the growth in technology. DCR offers an attractive opportunity to ride on the highly attractive and strong growth seen in the data centre market fuelled by the digitisation of the economy. The data centre market is one of the fastest-growing commercial real estate sectors. The North American data centre market is expected to grow at a 5-year CAGR of approximately 15% from 2020 to 2024. Hyperscale demand is projected to grow at a higher five-year CAGR of c.23%. Demand for data centre has been fuelled by the digital transformation in multiple industries, partially accelerated by the COVID pandemic.

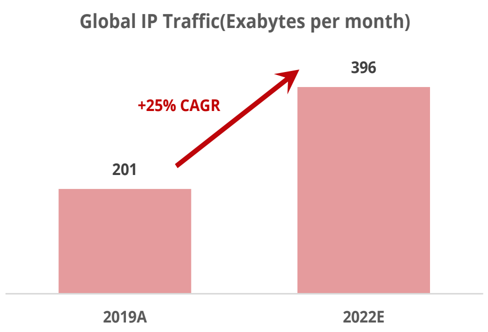
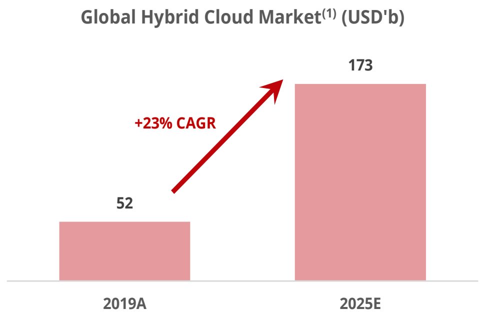
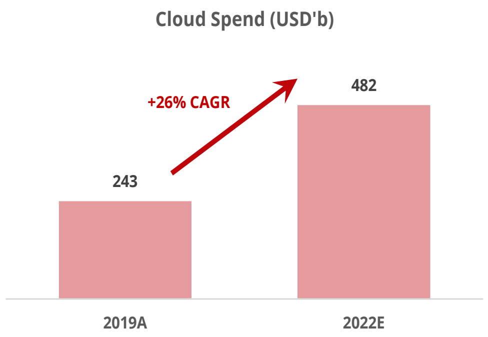
Leverage structural long-term demand growth trajectory led by adoption of cloud computing and introduction of new technologies/social media. We believe that the structural long-term growth trajectory of demand for data centre will continue to be led by i) adoption of hybrid IT and cloud computing, in which spending on public cloud is forecast to grow by a CAGR of 26% from 2019 and expected to reach US$482bn in 2022, according to the Independent Market research report; ii) ongoing introduction of new technologies such as internet of things and 5G; iii) growth in social media.

Summary of the portfolio



Source: Company

Key customers of data centres and demand growth potential

Key Customer Type	Description	Scale of growth trajectory
Hyperscale Cloud Service Provider	- Represents the largest buyers of data centre capacity and the fastest-growing market segment. - Includes service providers offering enterprises a public cloud alternative to their data storage and core operational workflows. - This segment has been the most disruptive over the past few years and continues to grow as IT execs modernise their IT architecture	
Colocation/IT solutions provider	- Critical player in the hybrid IT evolution, providing enterprises with private colocation options to manage sensitive data while also offering managed services (enhanced security, recovery management, remote hands, etc.)	
Social Media	- Pervasive element of mainstream culture, which was enabled by broader access to high-speed internet and the growth of mobile devices. - With the roll-out of 5G, the creation and consumption of media content is expected to continue to grow.	

(1) Based on Market Research Future (MRFR), "Global Hybrid Cloud Market information by Service Type, by Components, by Vertical and Region – forecast to 2027", August 2020. Market Research Future has not provided its consent, for the purposes of Section 249 of the SFA (read with Section 302(1) of the SFA), to the inclusion of the information quoted above in this Prospectus and therefore is not liable for such information under Sections 253 and 254 of the SFA (read with Section 302(1) of the SFA). While the Manager has taken reasonable action to ensure that the information from the above published by Market Research Future is reproduced in its proper form and context, and that the information is extracted accurately and fairly, neither the Manager, the Joint Bookrunners nor any other party has conducted an independent review of the information contained in such report or verified the accuracy of the contents of the relevant information.

Source: Market Research Future (MRFR), Company, DBS Bank

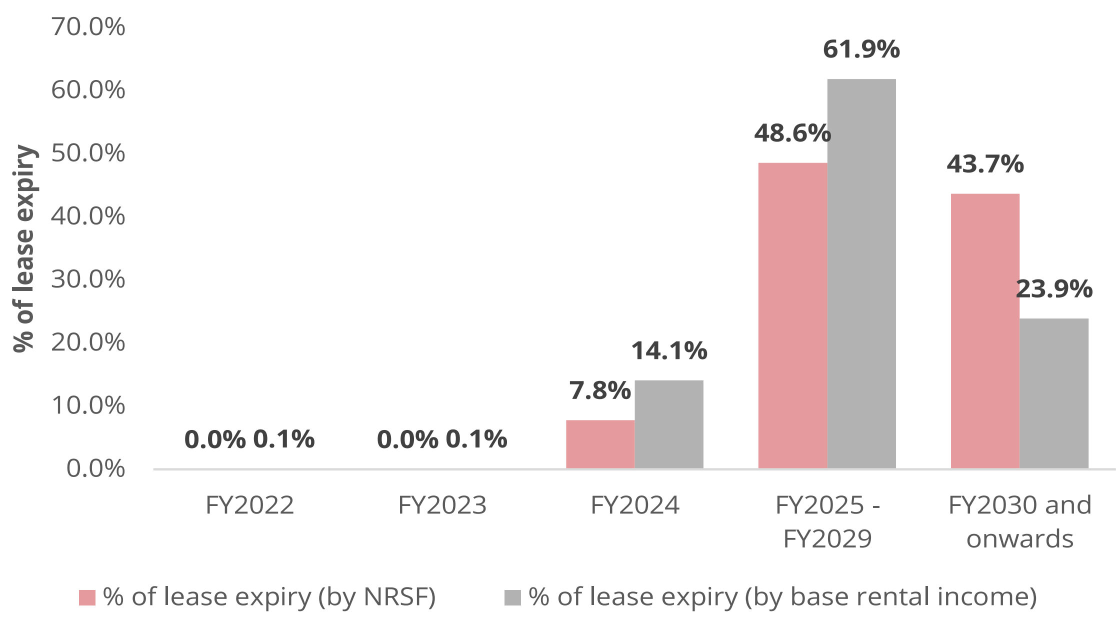
Stable portfolio metrics with baked in organic growth

Initial portfolio is fully occupied since 2018 with high retention ratio due to high switching costs. The initial portfolio is fully occupied as of 30 June 2021 and has achieved 100% since 2018. Similarly, historical average occupancy remained high at 99.4% since 2012. The high occupancy is attributable to the high long-term historical customer retention rate of 95.8% since 2012. The high retention ratio or "sticky" tenants is expected to remain stable in the long term, as it is partially led by high initial capital expenditure investment incurred and high switching costs involved of c.US$15m to US$30m to deploy a new 1.125 MW data centre or US$15m to US$20m to migrate a 1 MW data centre to a new facility.

WALE of 6.2 years and no meaningful lease expiries until 2024, providing stable earnings visibility in the medium term. As of 30 June 2021, the initial portfolio has a long WALE of 6.2 years (by base rental income) and 7.7 years (by NRSF). There are also no meaningful lease expirations until after 2023 as customers typically sign 5 to 15 years lease agreements. Leases expiring in 2022 and 2023 represent only 0.1% each year of base rental income for the month of June 2021. Given the long lease tenancy with no meaningful lease expirations in the next 2 years, these qualities provide stable earnings visibility in the medium-term.

Steady organic growth from long leases with average rental escalations of 2%. DCR customers typically sign 5 to 15 years lease agreements with typical rental rate escalations ranging from 1% to 3%, with a weighted average of approximately 2% by base rental income for month of June 2021. In addition, approximately 85% of the portfolio is leased on a triple-net lease structure, providing some protection against high operating expense growth.

Weighted Average Lease Expiry Profile by NRSF (as at 30 June 2021) and base rental income (for the month of June 2021)

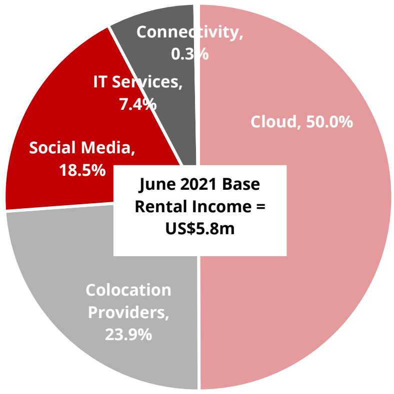


Source: Company

Blue-chip customer base supporting rental income stability. DCR's initial portfolio comprises blue-chip, top-quality customer base across the cloud, colocation, IT solutions, and social media verticals. As of 30 June 2021, the initial portfolio comprises 12 unique customers. Despite a small number of tenants across 10 properties, its customers comprise large corporations, including Fortune Global 500 companies, multinational corporations, and leading organisations in their respective sectors. Customers that are investment-grade or equivalent rated comprise c. 68.6% of the Base Rental Income for the month of June 2021. The majority (c.50%) of its customers comprises hyperscale users, which are the largest buyers of data centre capacity and the fastest-growing data centre customer segment. The initial portfolio's top customers have been long standing customers of the sponsor for more than 15 years.

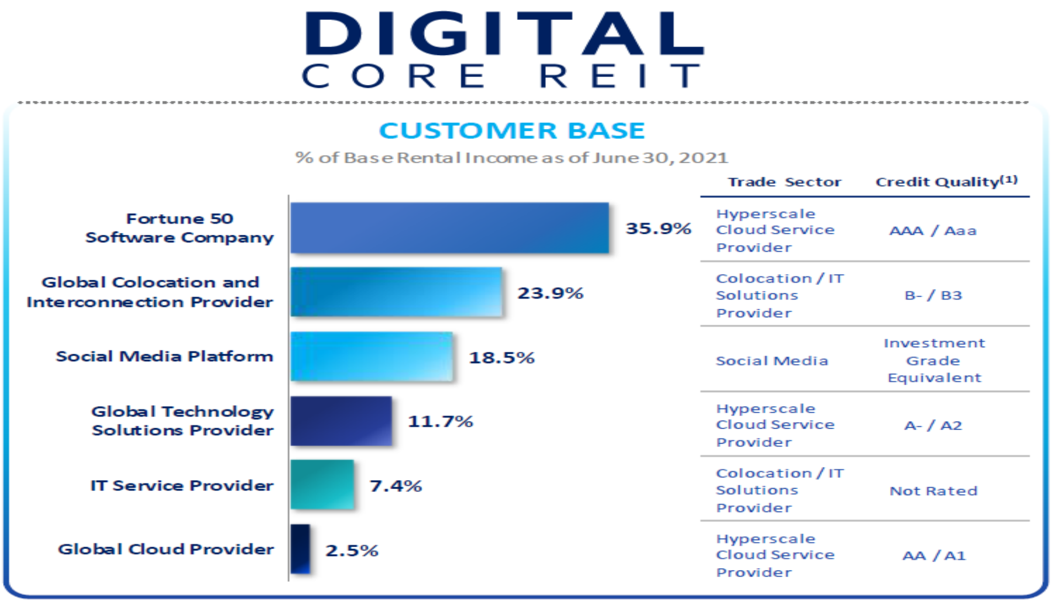
The chart below provides a breakdown of the trade sector of the customers by base rental income for the month of June 2021:

Breakdown of Portfolio Base Rental Income by Trade Sector (for the month of June 2021)



Source: Company

Top 6 customers of portfolio by percentage of base rental income as at 30 June 2021



(1) As of September 28, 2021. Represents credit ratings of customer or parent company by Standard & Poor's Rating Services and Moody's Investors Service Inc., respectively. Each of Standard & Poor's Rating Services and Moody's Investors Service Inc. has not provided its consent, for the purposes of Section 249 of the SFA (read with Section 302(1) of the SFA), to the inclusion of the information quoted above in this Prospectus and therefore is not liable for such information under Sections 253 and 254 of the SFA (read with Section 302(1) of the SFA). While the Manager has taken reasonable action to ensure that the information from the above published by each of Standard & Poor's Rating Services and Moody's Investors Service Inc. is reproduced in its proper form and context, and that the information is extracted accurately and fairly, neither the Manager, the Joint Bookrunners nor any other party has conducted an independent review of the information contained in such report or verified the accuracy of the contents of the relevant information.

Source: Company

Salient details of portfolio

Name of Property	Market	Land Tenure	Completed[5]	Last Refurbishment[5]	NRSF (Sqft)	No. of Customers	Occupancy (%)
44520 Hastings Drive (ACC3)	Northern Virginia, U.S.	Freehold	2006	NIL	147,000	1	100%
8217 Linton Hall Road (VA4)	Northern Virginia, U.S.	Freehold	2000	NIL	230,000	1	100%
43831 Devin Shafron Drive (Bldg. C)	Northern Virginia, U.S.	Freehold	2001	NIL	117,071	1	100%
3011 Lafayette Street	Silicon Valley, U.S.	Freehold	2000	2007	90,780	4	100%
1500 Space Park Drive	Silicon Valley, U.S.	Freehold	1977	2008	51,615	1	100%
2401 Walsh Avenue	Silicon Valley, U.S.	Freehold	1973	2001	167,932	1	100%
2403 Walsh Avenue	Silicon Valley, U.S.	Freehold	1996	2000	103,940	1	100%
200 North Nash Street	Los Angeles, U.S.	Freehold	1976	2000	113,606	1	100%
3015 Winona Avenue	Burbank (Los Angeles), U.S.	Freehold	1991	1999	82,911	1	100%
371 Gough Road	Toronto, Canada	Freehold	1980	2015	104,308	6	100%[3]
Total / Average					1,209,163	18	100%

Source: Company

Salient details of portfolio

Name of Property	WALE	Independent Valuation by Newmark[1] (US$ mm) (Based on 100%)	Independent Valuation by Cushman[1] (US$ mm) (Based on 100%)	Appraised Valuation[1] (US$ mm) (Based on 100%)	Appraised Valuation Cap Rate[2]	Purchase Consideration (US$ mm) (Based on 90% Interest)
44520 Hastings Drive (ACC3)	3.9	318	318	318	4.89%	286.2
8217 Linton Hall Road (VA4)	4	220	261	261	4.26%	234.9
43831 Devin Shafron Drive (Bldg. C)	4.8	43	50.1	50.1	3.42%	45.1
3011 Lafayette Street	3.7	150	185	185	3.37%	166.5
1500 Space Park Drive	13.2	102	113	113	5.56%	101.7
2401 Walsh Avenue	11.7	107	112	112	3.85%	100.8
2403 Walsh Avenue	11.7	67	69.2	69.2	3.92%	62.3
200 North Nash Street	11.7	62	71.1	71.1	3.93%	64.0
3015 Winona Avenue	13.6	49	57.8	57.8	3.92%	52.0
371 Gough Road	5.5	182	203.3	203.3	4.03%	183
Total / Average	6.2	1,300.0[4]	1,440.5	1,440.5	4.25%	1,296.5

Source: Company

Notes:

(1) Valuations are based on 100% and as at the respective valuation dates.

(2) Based on net property income for the Forecast Year 2022 (excluding straight-line rental adjustments) and Appraised Valuation.

(3) Excludes 11,500 square feet of empty shell space not feasible to build out as data centre capacity. Given the high security and confidential nature of data centres, it would be impractical to lease out the empty shell space for an alternative use. As the occupancy rate is meant to portray an accurate representation of leasable capacity available for rent, the empty shell space was excluded from the occupancy calculation. If the empty shell space were included, the occupancy rate for 371 Gough Road would be 90% as of 30 June 2021.

(4) The US$1,300 million represents a summation of all the valuations of each Property without any portfolio premium. Newmark has also valued the entire portfolio at US$1,450 million, including an 11.5% portfolio premium, reflecting the fact that, "there is a portfolio premium in the data centre industry that reflects the increasing level of demand from a wide range of investors."

(5) Buildings and related structure components have a useful life of 50 or more years. Core mechanical and electrical systems as well as fire-life-safety systems have an average useful life of over 20 years. Furthermore, these are critical assets and are maintained and repaired on a regular basis which the Manager believe prolongs the average useful lives noted above.

Attractive market dynamics

Digital transformation has been driving the growth of the data centre industry. Digital transformation is the primary factor behind the shift in companies' operations from physical to digital as they turn to third-party data centre providers and cloud operators because they do not have the expertise to operate their own digital infrastructure. The increased reliance on the internet in our daily professional and private lives continues to escalate the need for data centre infrastructure and has fuelled the growth of the hyperscale data centres.

Demand for data centres is expected to continue to escalate as new technologies, such as the Internet of Things and 5G, are integrated into day-to-day life. These technologies rely on rapid processing and transmission of this data, which requires robust data centre systems, thorough security compliance, and diverse, low-latency fibre infrastructure.

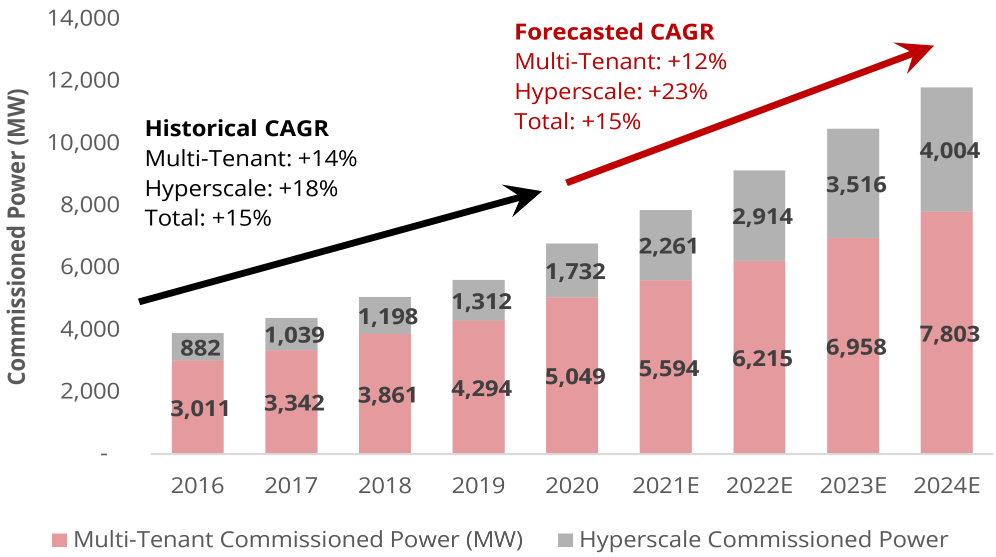
The COVID-19 pandemic has revealed the importance of digital transformation and accelerated the adoption of digital technology at unprecedented levels. According to a McKinsey & Co report, the rate of digital customer interactions and rate of products & services that are digitised has accelerated from prior forecasts by three years and seven years respectively.

As such, the data centre industry is one of the fastest-growing commercial real estate sectors. Many of the large data centre markets grew significantly in size from 2016 to 2020. As of 2Q 2021, major markets in North America, EMEA, and APAC account for c.11,000 MW of commissioned or under construction power. On top of this, another 14,000 MW of power is planned development currently.

Data centre mrket to grow at a CAGR of 12.5%. According to datacenterHawk, the global data centre market is expected to grow at a CAGR of 12.5% from 2020 to 2024E. The colocation market is expected to increase from $33bn in 2020 to $58b by 2027, at a CAGR of 8.4% while the hyperscale segment is also anticipated to experience strong growth.

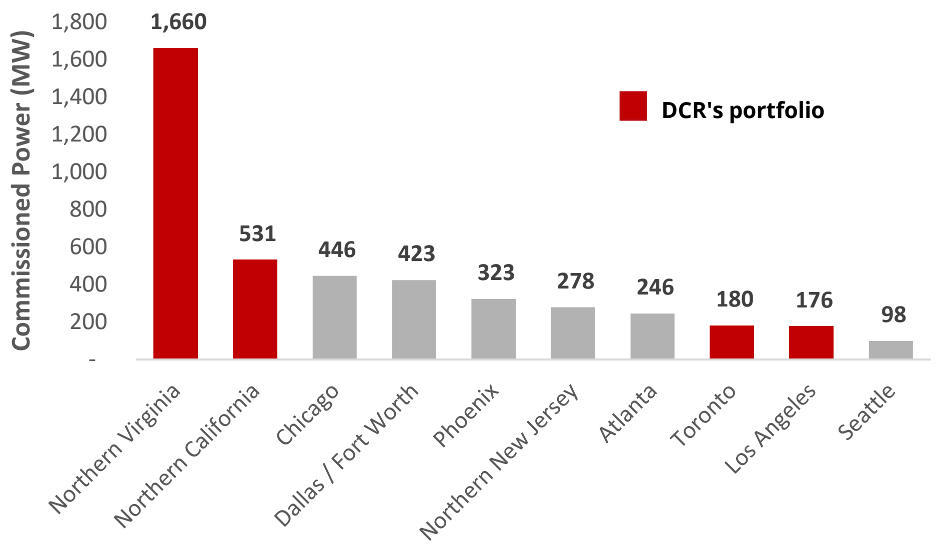
North America is the most mature data centre region in the world. Northern Virginia, Northern California, Dallas/Ft. Worth, Chicago, and Phoenix are the largest five markets in North America, with a combined multi-tenant supply total of 3,400 MW as of 2Q 2021. The majority (c.73%) of DCR's initial portfolio is located in Northern Virginia and Northern California, the two largest data centre markets in North America.

The North America Data Centre Market



Source: datacenterHawk, DBS Bank

Top 10 North American Data Centre Markets (Multi-Tenant Capacity)



Source: datacenterHawk (2Q2021), DBS Bank

Snapshot of Digital Core REIT's Multi-Tenant Data Centre Markets

	Northern Virginia	Northern California	Los Angeles	Toronto
Multi-Tenant Commissioned Power (MW, 2Q21)	1,660	531	176	180
Multi-Tenant Commissioned Power Growth (2Q21 - 24E CAGR)	21.7%	10.7%	12.1%	12.5%
Vacancy Rate (2Q21)	3.1%	4.1%	5.8%	6.7%
Vacancy Rate (2024E)	2.2%	3.8%	3.0%	5.5%
Average $ /kWh	$0.07 - $0.08	$0.09 - $0.10	$0.14 $ 0.15	$0.08 - $0.09
Available Power (MW)	51	22	10	12
Under Construction (not leased) (MW)	38	37	11	11
Planned Power (MW)	3,334	459	17	262
YTD Absorption (MW)	102	17	12	5
Digital Realty* Market Share (%)	28.3%	SV - 20.0%; SF - 5.5%	8.0%	16.7%
DCR Market Share (%)	1.8%	4.0%	5.1%	3.9%

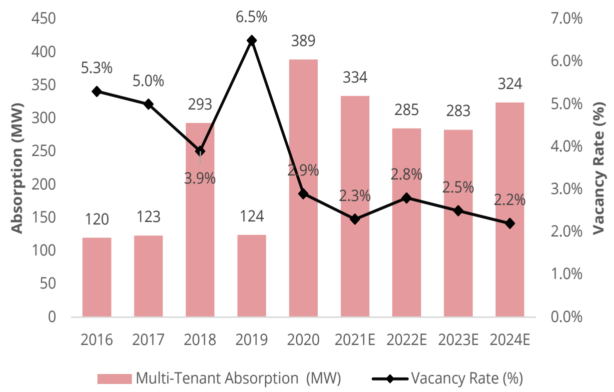
** Including DCR's portfolio*

Source: datacenterHawk (2Q2021), DBS Bank

Northern Virginia

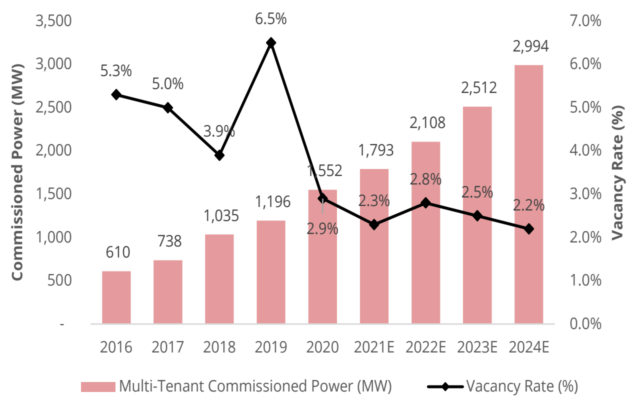
- The largest data centre market in the US and globally.
- The Northern Virginia market is expected to see continued growth while market vacancy rates will likely remain low, according to datacenterHawk.
- The market's vacancy is the lowest among all major markets at 3%, though the market itself is not underserved.
- Absorption in this market occurs on a large scale, driven primarily by demand from hyperscale users, which represents 65% of the absorption (>5MW).
- Retail colocation leases represent < 5% of the market's demand, while transactions between 1-5MW comprise the remaining demand of 30%.
- There is more than 3k MW of future planned power from more than 30 providers. Past development has been largely pre-committed or pre-leased prior to deliver. Most of the vacant capacity that comes to the market is often leased quickly, within three to six months following delivery.
- In 2021, average enterprise lease rates declined 7%, while hyperscale and retail lease rates remained generally flat. Market pricing will likely remain competitive in the near term given the supply pipeline; however, the decline has levelled off since 2020, according to datacenterHawk.
- Cap rates remain at c.4%

Multi-tenant absorptions and vacancy rates:



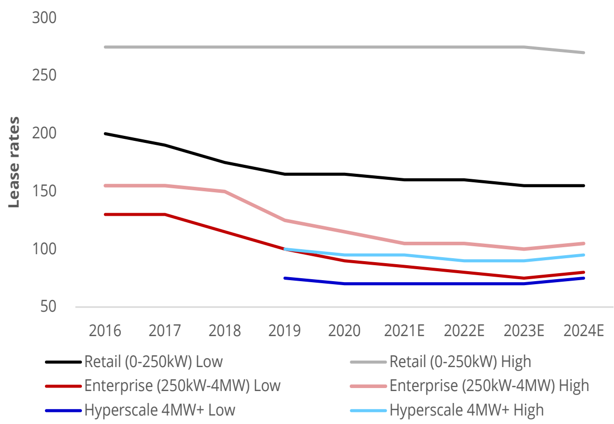
Source: datacenterHawk, DBS Bank

Northern Virginia Data Centre Market:



Source: datacenterHawk, DBS Bank

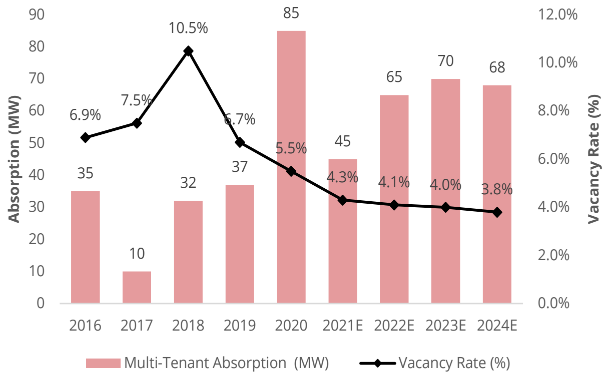
Northern Virginia lease rates:



Northern California

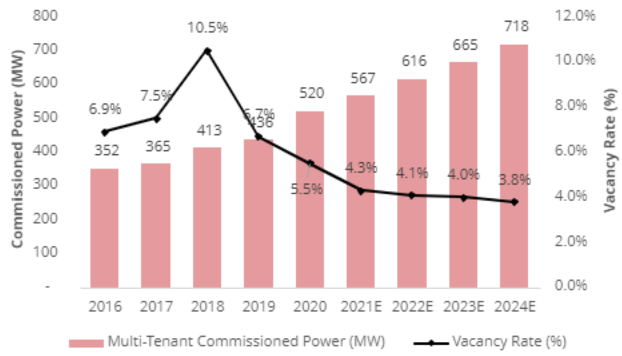
- The second-largest data centre market in North America and includes submarkets such as Silicon Valley (SV), San Francisco (SF), and Sacramento (SAC)
- Growth in the market is more measured and adding new data centres take up to three times longer than other markets.
- Given these constraints, demand currently outstrips supply and the vacancy rate of 4% (2Q21) is among the lowest.
- Rental rates have been under pressure at the lower end of the range, but the potential of future declines is more limited due to high barriers to entry.
- Absorption are mainly large leases (1-5MW or >5MW), comprising 45% each of absorption.
- Small leases (<1MW) comprise 10% of absorption.
- Given demand frequently outpaces supply, new capacity is typically pre-leased prior to delivery. Available power is generally leased within three to six months post delivery.
- Cap rates are in the high 3% to low 4% range.

Multi-tenant absorptions and vacancy rates:



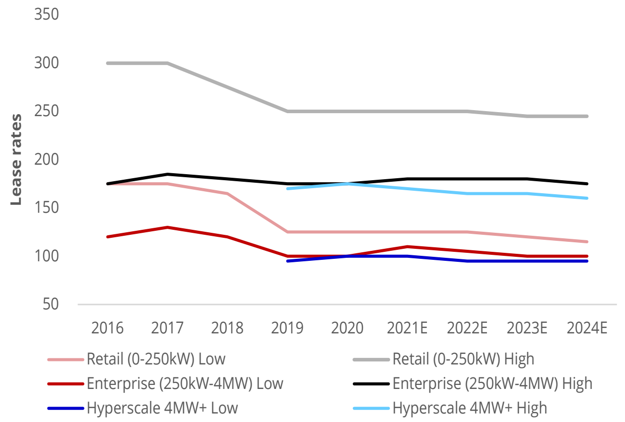
Source: datacenterHawk, DBS Bank

Northern California Data Centre Market:



Source: datacenterHawk, DBS Bank

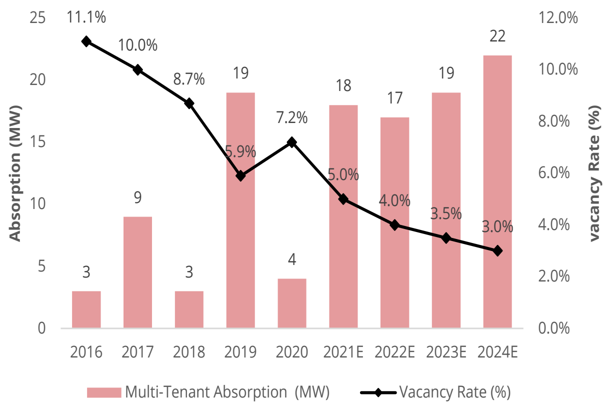
Northern California lease rates:



Los Angeles

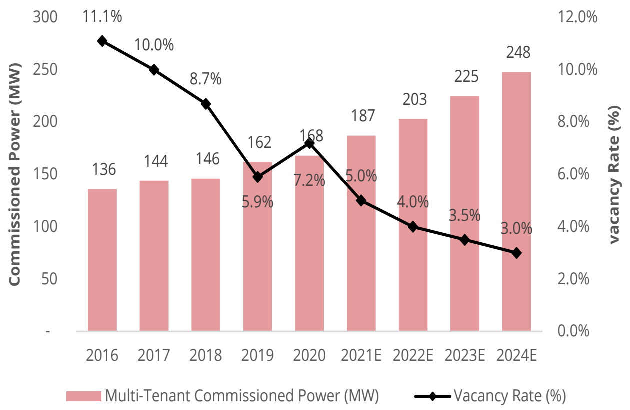
- A growing data centre market with strategic infrastructure from subsea and long-haul fibre anchor points
- The high costs and complications to construct and operate data centres in Los Angeles limits the development of hyperscale facilities.
- While demand has grown substantially, especially in 2019, it has been inconsistent.
- The majority (65%) of the transactions are below 500kW while 30% comprise between 500kW and 1MW. The remaining 5% are >1MW.
- Given demand is largely smaller, leases >1MW often are pre-leases. Pre-leasing often takes place on capacity in development, instead of acting as an anchor that initiates new development.
- Lease rate changes are flatter as supply and demand is generally in balance. Expect rates to be relatively stable, according to datacenterHawk.
- Cap rates are at or below 6%.

Multi-tenant absorptions and vacancy rates:



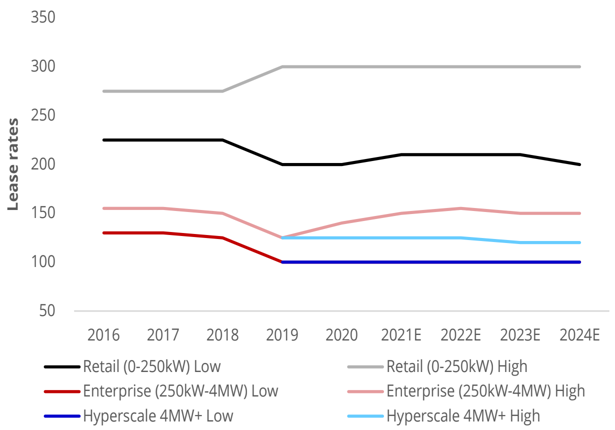
Source: datacenterHawk, DBS Bank

Los Angeles Data Centre Market:



Source: datacenterHawk, DBS Bank

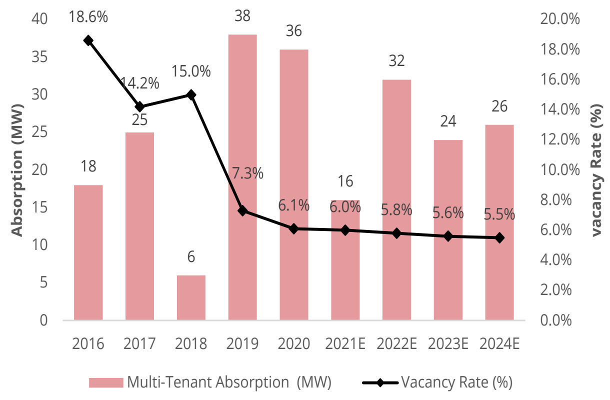
Los Angeles lease rates:



Toronto

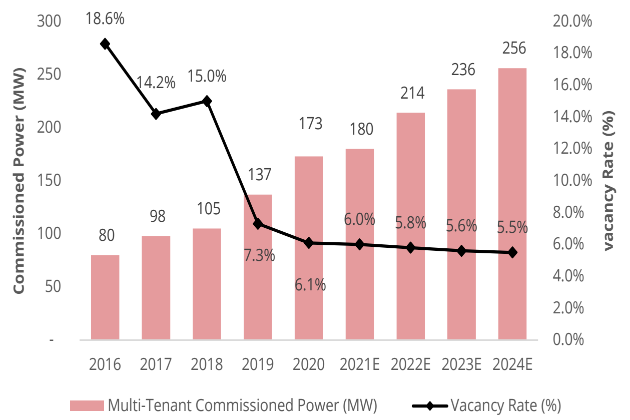
- Primary data centre in Canada and the eighth-largest market in North America.
- Most data centres built prior to 2018 are smaller facilities (<6MW) but truly modern purpose-built data centre development has emerged recently.
- Absorption is equally spread between retail, wholesale, and hyperscale transactions but larger transactions are becoming more common.
- Most absorption of vacant capacity are 1-5MW transactions. Large transactions (>5MW) are typically pre-leased, though still rare.
- Currently, space for new development in Toronto is limited.
- Leasing rates fluctuate based on location. Leasing pricing is relatively stable as supply remains limited.
- Cap rates are > 6%.

Multi-tenant absorptions and vacancy rates:



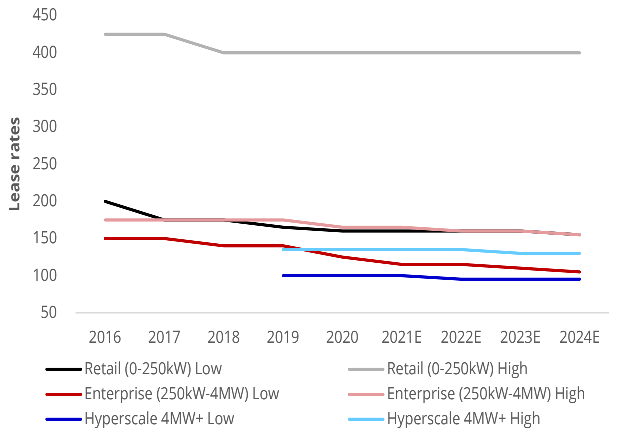
Source: datacenterHawk, DBS Bank

Toronto Data Centre Market:



Source: datacenterHawk, DBS Bank

Los Angeles lease rates:



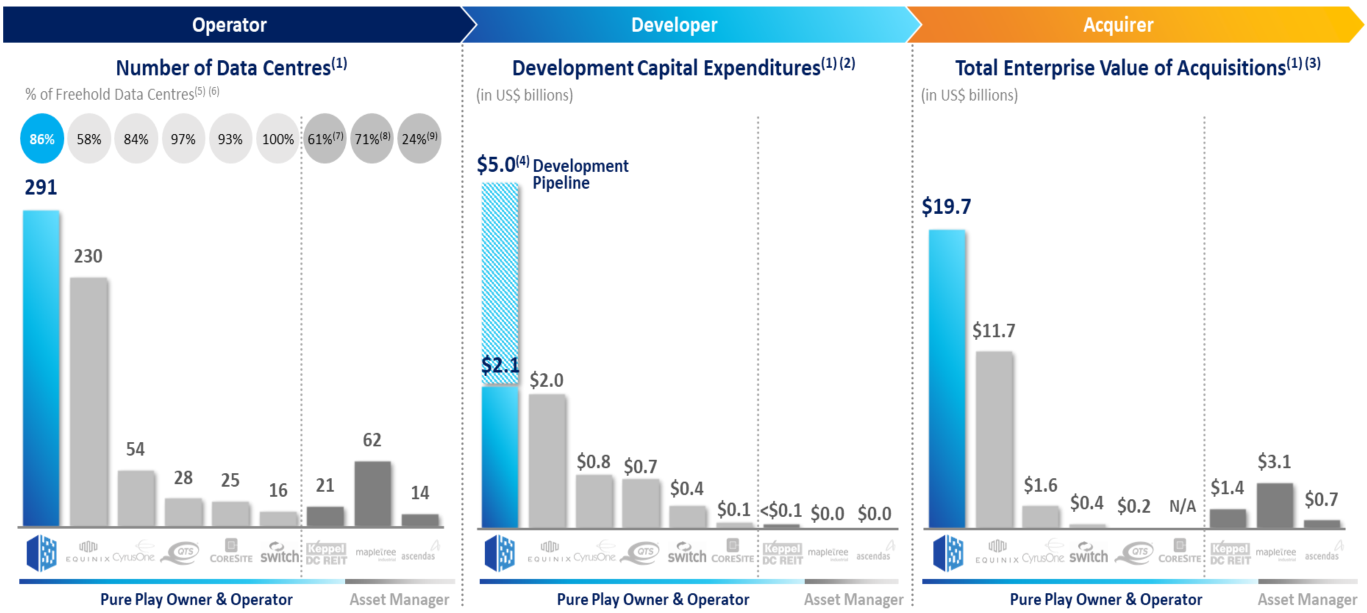
Sponsored by the largest data centre player globally

Sponsored by the largest data centre owner, operator, and developer globally. Digital Core REIT will be the exclusive SREIT vehicle sponsored by Digital Realty. Digital Realty is the largest global provider of cloud- and carrier-neutral data centre, colocation, and interconnection solutions for a variety of customers from enterprises to hyperscale cloud service providers. As of 30 June 2021, the sponsor owns a total of 291 data centres with NRSF of approximately 35.8m sqft, excluding approximately 7.6m sqft of space under active development and 2m sqft of space held for future development. Its portfolio spans 47 metros in the Americas, EMEA, and Asia Pacific. Digital Realty is one of the 10 largest US listed REITs, with an equity market capitalisation of c.US$44bn and total enterprise value of c.US$58bn. The sponsor's global data centre platform, PlatformDIGITAL®, has serviced more than 4k customers globally. The sponsor's top 20 customers have an average of over 40 deployments across the sponsor's facilities. Digital Realty was ranked as the second leading data centre ecosystem in North America as of 1H2021 by Cloudscene, the world's leading connectivity marketplace and market intelligence platform for buyers and sellers of network services.

Largest global developer of data centres with US$5bn of development pipeline for continual and sustainable future pipeline. The sponsor is the largest global developer of data centres with a total development pipeline of US$5bn as of 30 June 2021, comprised of 220MW across 20 metros in EMEA and APAC (76% of total development pipeline). The sponsor has remained active with total development capital expenditures of US$2.1bn over the last 12 months, as of 30 June 2021.

In addition, the sponsor has a sizeable landbank of 894 acres across North America, EMEA, and APAC, ensuring a continual and sustainable future pipeline.

Digital Realty is the largest owner, operator, and developer of data centres globally



Source: Company

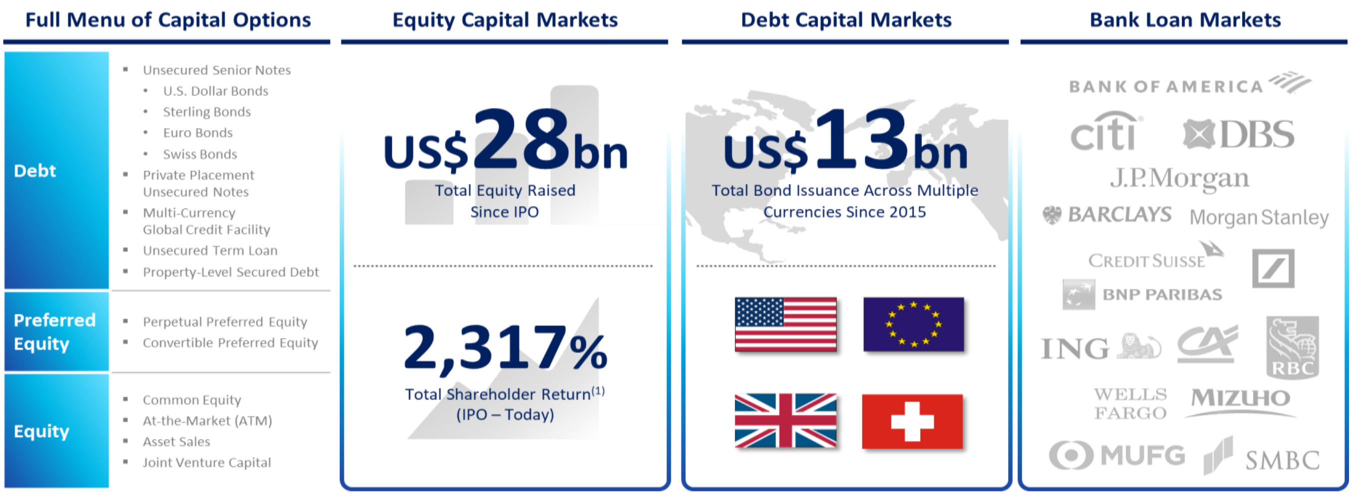
Alignment of interests with the sponsor having skin in the game - holding a 40% stake in Digital Core REIT and a 10% stake in the assets. Digital Realty will be the largest unitholder, holding a 40% stake in Digital Core REIT and will continue to co-invest in Digital Core REIT, where the sponsor will hold a 10% stake in Digital Core REIT's properties. As such, we believe this allows the alignment of interests and allows Digital Core REIT more access to the superior expertise, capabilities, reputation, and track record of the sponsor. With the sponsor having skin in the game, the sponsor has incentive to ensure the success of Digital Core REIT, which bodes well for unitholders.

Leverage sponsor's strong acquisition and fund-raising track record. Given the experience and lengthy operating history, Digital Realty has built a strong track record on acquisition growth and fund-raising capabilities, which Digital Core REIT could leverage.

Digital Realty has a lengthy and successful track record of third-party acquisitions with over US$19.7b of data centre acquisitions (in terms of enterprise value) since its public listing in 2004, ranking the highest globally by acquisition value. Sizable and notable transactions include the acquisition of Telx in North America (2015), a merger with DuPont Fabros Technology in North America (2017), the acquisition of Ascenty in Latin America (2018), and the acquisition of Interxion in EMEA (2019).

In terms of raising capital to fund is growth, Digital Realty has raised US$28 billion of equity capital since its listing while generating a total shareholder return of 2,317%. On debt capital, the sponsor has raised US$13bn of debt capital on multi-currency (US$, GBP, EUR, and Swiss Franc) while it maintained strong investment-grade ratings as of 30 June 2021 (S&P Global: BBB; Moody's: Baa2; Fitch: BBB).

Digital Realty's strong and credible track record in fund raising.



Source: Company

Leveraging sponsor's reputation and relationships with strong customer profile. As one the leading industry data centre players globally, the sponsor has garnered strong reputation and trusted partnerships with many of its customers. Among its top 20 customers, 18 have partnered with the sponsor at 10 or more locations globally. We believe Digital Core REIT, as the sponsor's exclusive SREIT vehicle, could leverage the sponsor's reputation and strong customer relationships for the leasing of its data centres. In addition, the Digital Core REIT portfolio is positioned close to the sponsor's campuses that could ride on spill-over benefits when the sponsor's customers grow and expand.

Digital Realty's top 20 customers leasing multiple properties across the portfolio.

DIGITAL REALTY

TOP 20 CUSTOMERS(2)

Based on Annual Recurring Revenue as of June 30, 2021

	Customer Rank	Locations		Customer Rank	Locations
1	Fortune 50 Software Company	55	11	Cyxtera	17
2	IBM	42	12	rackspace technology	21
3	facebook	33	13	Fortune 25 Tech Company	41
4	ORACLE	28	14	LUMEN	129
5	Global Cloud Provider	51	15	COMCAST	28
6	EQUINIX	23	16	verizon	99
7	Fortune 25 Investment Grade-Rated Company	25	17	AT&T	74
8	LinkedIn	8	18	JPMorgan Chase & Co.	16
9	Fortune 500 SaaS Provider	15	19	Global Telecom Network Provider	30
10	Social Content Platform	10	20	zayo	120

Source: Company

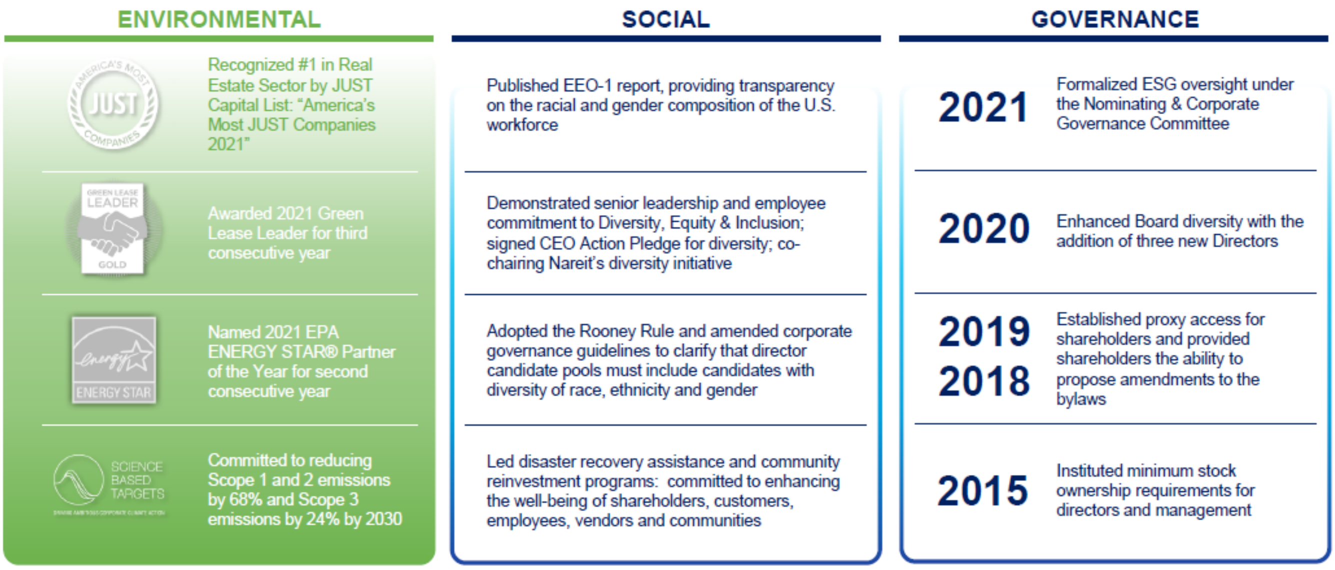
Sponsor has almost perfect operating and end-to-end service provider capabilities that Digital Core REIT could leverage on. As the largest owner and operator of data centre, Digital Realty has deep and specialised knowledge in the complexities of operating data centres to provide high-performance infrastructure and services. The sponsor boasts a record of upholding "five-nines" (99.999%) uptime for the facilities owned and operated by them for 14 consecutive years. This is significant, as data centre tenants look for highest levels of operational resiliency and minimise downtime.

Secondly, Digital Realty is capable of providing end-to-end service across the data centre value chain from design & construction to the provisioning of colocation and interconnection solutions, which allows it to deliver a comprehensive, customised product suite to meet customer needs.

Thirdly, Digital Realty is recognised as a leading provider of interconnection and cloud-enablement services globally, an attractive line of business but difficult to build organically which enhances the value of the data centres managed by Digital Realty/Digital Core REIT.

Ride on ESG leadership by the sponsor to deliver differentiated product/service to customers. The sponsor is also committed to ESG efforts and responsibilities, to which Digital Core REIT will be able to benefit from the sponsor's "best-in-class" ESG leadership. The sponsor's focused on the implementation of carbon-free and renewable energy and serve as key differentiator to attract and retain customers. In 2020, Digital Realty won numerous ESG awards, including the NAREIT "Leader in the Light" award for data centres, was named 2021 EPA ENERGY STAR Partner of the Year, and received Climate Bond Initiative's Largest Financial Corporate Green Bond Award for 2020.

Digital Realty's ESG efforts and accolades



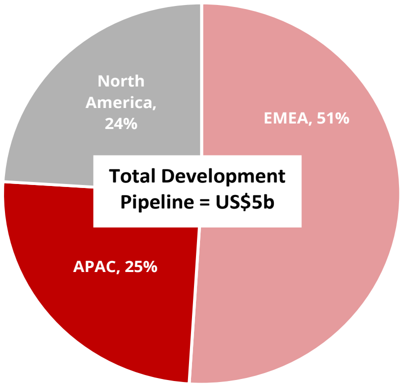
Source: Manager

Attractive acquisition pipeline

More than US$15bn of potential pipeline for Digital Core REIT growth. Digital Realty owns c.86% of its current operating portfolio as of 30 June 2021, of which it has a potential pipeline of over US$15bn of existing and under construction data centres that could fit the global ROFR mandate for Digital Core REIT's growth.

Headroom to acquire. In our view, DCR's conservative initial gearing provides the REIT with flexibility to embark on acquisitions immediately to drive earnings growth. Moreover, there are ample opportunities from its sponsor's pipeline of stabilised income-producing data centres valued at more than US$15bn, which DCR has been granted an ROFR. Based on our estimates, a c.US$240m debt-funded acquisition at a 4.5% cap rate and funding cost of 1.5% will bring its gearing up to an optimal level of c.38%, which would drive distributable income up by approximately 12%.

Digital Realty's development pipeline



Source: Company

Valuation & Peers Comparison

We have assessed DCR's fair value using the cashflow discounting method, given its relatively stable and visible cashflows, in our view. Its portfolio's full occupancy and relatively long WALE of 6.2 years provides the REIT with stable and visible income. Given that c.85% (by NRSF) of its leases are on a triple net basis, the bulk of its operating costs can be recovered from tenants, and any significant increase in operating costs will be mitigated. Moreover, close to 100% of its leases are contracted with a c.2.0% built-in annual rental escalation clause. This not only helps to further mitigate any increase in operating costs that are not recoverable, but it also provides from organic growth in revenues for DCR.

In our projections, we have assumed US$250m of debt-funded acquisitions by FY22, and a further US$500m of acquisitions that will be funded by a mix of debt and equity by FY23.

Our DCF analysis has factored in a conservative risk-free rate of 2.5%, market return of 9.4%, beta of 0.80x (relatively similar to SG-listed peers with similar asset types), post-tax cost of debt of 1.0%, and cost of equity of 8.0%. With an estimated stabilised gearing of c.38.5%, our WACC is 5.3%.

Assuming a terminal growth rate of 2.0%, we derive a fair value of US$1.40 using DCF. This implies an annualised yield of 3.2% and 3.6% for FY22 and FY23 respectively.

In terms of sensitivity to changes in terminal growth, DCR's valuation is sensitive to changes in WACC. For every 1ppt movement in WACC, our DCF valuation would move by c.39% while a 1ppt shift in terminal growth would result in a c.28% shift in DCF value.

DCF Analysis

FY Dec (US$'m)	FY22F	FY23F	Terminal Value
EBIT	59.1	73.2	
Non-Cash Adjustment	37.9	19.4	
Tax	(6.3)	(8.0)	
Capex	(2.5)	(2.5)	
Changes to Wkg Cap	0.6	1.5	
FCF to the Firm	0.6	1.5	1,623.0
PV of FCF	784.6		
PV of Terminal Value	1,623.0		
Perpetual	0.0		
Net Cash /(Debt)	(321.1)		
Equity Value (S$'m)	2,086.5		
Risk Free Rate (Rf)	2.5%		
Market Return	9.4%		
Beta	0.80		
Cost of Equity (Ke)	8.0%		
% debt financing	38.5%		
After-tax cost of debt	1.0%		
WACC	5.3%		
Terminal growth	2.0%		

Source: DBS Bank estimates

Sensitivity of DCF to Chgs in Terminal Growth

		Terminal Cash flow growth rate		
		1.0%	2.0%	3.0%
		Equity Value per share (US$'m)		
WACC	3.4%	2.26	3.77	14.79
	4.4%	1.52	2.06	3.42
	5.4%	1.14	1.40	1.89
	6.4%	0.91	1.06	1.29
	7.4%	0.76	0.85	0.99

Source: DBS Bank estimates

Select peer comparison (yields and P/NAV)

REIT	Price (12 Jan 2022)	Target Price ($)	Market Cap (S$m)	DPU (Local Curr) FY21	DPU (Local Curr) FY22	Current Yield (%) FY21	Current Yield (%) FY22	P/NAV (x)	Target Yield (%) FY21	Target Yield (%) FY22	Target P/NAV (x)
Mapletree Industrial Trust	2.59	3.35	6,890	13.6	14.3	5.3%	5.5%	1.5	4.1%	4.3%	1.9
Keppel DC REIT	2.30	3.00	3,944	10.0	10.8	4.3%	4.7%	1.9	3.3%	3.6%	2.5
Frasers Logistics & Commercial Trust	1.46	1.85	5,382	7.7	7.9	5.3%	5.4%	1.3	4.2%	4.3%	1.6
Cromwell European REIT	2.54	3.00	1,425	17.5	17.7	6.9%	7.0%	1.0	5.8%	5.9%	1.2
AIMS APAC REIT	1.41	1.60	1,002	9.4	10.0	6.6%	7.1%	1.0	5.8%	6.3%	1.2
Sabana REIT	0.44	0.49	471	3.1	3.3	7.0%	7.5%	0.8	6.2%	6.7%	0.9
Average						5.8%	6.1%	1.3	4.8%	5.0%	1.6
Average (data centre-focused)						4.8%	5.1%	1.7	3.7%	3.9%	2.2
Average (Mid cap)						6.8%	7.2%	1.0	6.0%	6.3%	1.1
S-REITs Average						5.5%	6.0%	1.2			
US Data Centre REITs*					** AFFO Adjusted*						
Digital Realty Trust Inc	159.03	165.27	46,253	6.3	6.7	3.9%	4.2%	2.7	3.8%	4.1%	2.8
Equinix Inc	766.88	865.24	69,051	27.3	29.7	3.6%	3.9%	6.5	3.2%	3.4%	7.3
CyrusOne Inc	89.33	79.25	11,573	4.1	4.1	4.5%	4.6%	4.2	5.1%	5.2%	3.7
CoreSite Realty Corp	169.41	141.20	8,529	5.3	5.8	3.1%	3.4%	383.3	3.8%	4.1%	319.5
Iron Mountain Inc	46.38	42.67	13,429	2.5	2.5	5.3%	5.7%	11.7	5.8%	5.8%	10.8
Average						4.1%	4.3%	6.3	4.3%	4.5%	68.8

** Data for US data centre focused REITs are based on Bloomberg consensus*
Source: Bloomberg Finance L.P., DBS Bank

Key Risks

Country risks. DCR is exposed to country risks including economic changes, political changes, or policy changes in the US and Canada where all its initial portfolio is located. As these economies are impacted by global economic conditions, a change in the strength of the global economy might result in a downturn on the economy, which might negatively affect tenant demand for DCR's properties. This in turn could negatively impact income and distributions to unitholders of DCR, in our opinion.

However, we believe that most of these risks should be mitigated given the portfolio long WALE and strong tenant credit.

Infrastructure obsolescence. The markets for the properties as well as the industries which the tenants operate in sees rapidly changing technologies, evolving industry standards and new product introductions, and changing client demands. As such, DCR's ability to deliver resilient data centre infrastructure to supply redundant power and cooling systems coupled with tight security access are significant factors in the clients' decisions to rent space in the Properties. The data centre infrastructure of the Properties may become obsolete due to the development of new systems to deliver power to, or eliminate heat from, the servers and other client equipment hosted by the Properties. Furthermore, the data centre infrastructure of the Properties may also break down due to wear and tear after a period of time, which may require a technology refresh or new infrastructure acquisition, which could incur costs to the REIT.

Disruptive technologies. A decline in the technology industry, a decline in outsourcing trends by corporate clients or the introduction of new technologies that result in reduced power requirements with an associated reduction in power utilisation by clients are possible developments that result in lower revenues generated from their clients.

Potential claims, litigations, and liabilities associated to risk of security of its data centres. One of the key service offerings by DCR is its high level of physical security. There can be no assurance that the security of any of DCR's data centres will not be breached either physically or electronically or that the equipment and information of its customers will not be put at risk. Any security breach could have a serious impact on its reputation and may result in further deterioration of its revenue streams and growth potential. In addition, DCR may have to incur additional costs to protect against physical and electronic security breaches or to alleviate problems caused by such breaches.

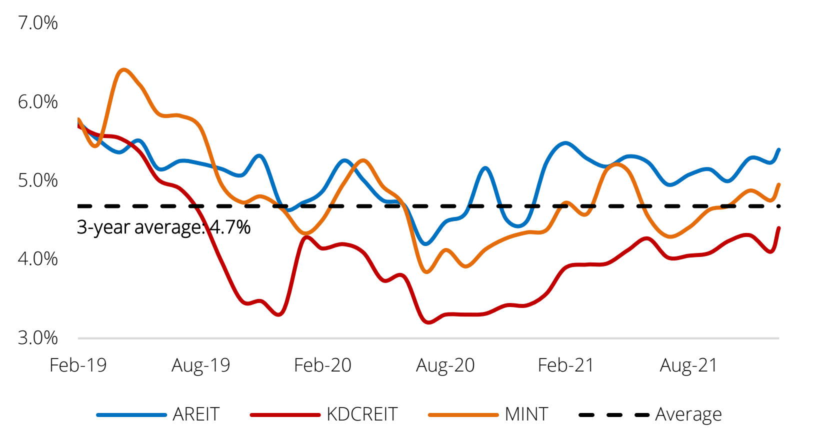
Tenant concentrated risk. In our view, while key tenants of DCR are important anchors for DCR's business performance and comprise good credit quality tenants, key tenants generally occupy larger spaces under long-term leases. In addition, DCR relies on major leases with the key tenants, such as the top two key tenants of DCR, which contribute c.35.9% and 23.9% of base rental income for the month of June 2021.

Interest rates risks. While interest rates remain low in the US, which DCR could leverage, we believe the potential pressure on rising interest rates could impact borrowing costs in the medium term.

In our projections, we have assumed that DCR's average borrowing costs would gradually rise by c.50 bps over the next three years.

Critical Factors

Dividend yields of S-REITs with data cente exposure has been compressing



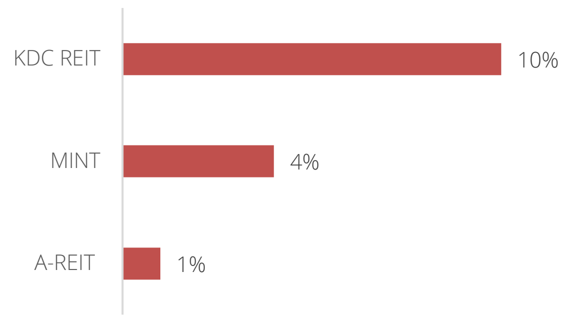
Source: Bloomberg Finance L.P., DBS Bank

Remarks

Within the S-REIT space, we have selected AREIT, KDCREIT, and MINT as the peer comparisons for DCR given their significant exposures to data centres. On average, they have been trading at a dividend yield of c.4.7% over the last three years.

Among the peers, only KDCREIT has a 100% of its portfolio invested in data centres, thus making it the closest peer to DCR. Over the last three years, KDCREIT has been trading at a relatively tighter dividend yield averaging at c.4.1%, as we attribute this to its portfolio of data centres, which are benefiting from the proliferation of the digital economy.

Data centre exposure has contributed to DPU growth



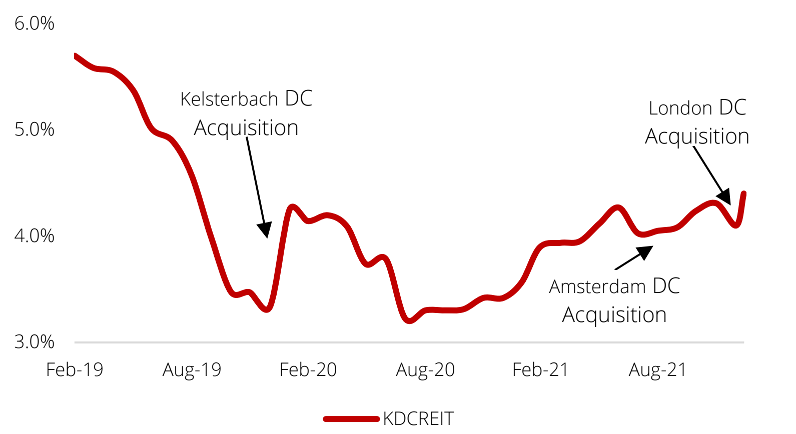
Source: DBS Bank

Remarks

Over the past three years, we have seen healthy DPU growth for peers with a significant data centre exposure. Despite the ongoing Covid-19 pandemic and disruption to operations, the resilience of data centres has enabled the three REITs to continue growing their DPUs.

Again, KDCREIT's DPU growth has outperformed the other peers, and we attribute this to its 100% data centre portfolio, which was the main beneficiary of digitalisation.

Data centre exposure has contributed to DPU growth



Source: DBS Bank

Remarks

Having demonstrated its resilience and growth potential, acquisitions of data centres have led to dividend yield compressions for KDCREIT whenever they are announced.

As such, we believe that acquisitions by DCR will also help to drive compressions in dividend yields, and it will play a major role in the revenue growth potential for DCR.

Financials

Long leases provide earnings stability. Individual properties within DCR's portfolio have WALEs that range from 3.7 years to as long as 13.6 years. Only 2 of the 10 properties have a WALE of below four years, 1 of which is a multi-tenanted property (3011 Lafayette Street) where we expect leases to be relatively shorter than single-tenanted master leased properties. The other property with a WALE shorter than four years is 44520 Hastings Drive in Northern Virginia. However, we are not too concerned with DCR's ability to extend the tenant's lease or get a replacement tenant, as we believe the low vacancy rates in the market and DCR's track record would enable it to maintain the property's occupancy.

Overall, the portfolio's relatively long WALE of 6.2 years helps to provide earnings stability. Moreover, the high credibility of its tenant base ensures that risks of pre-termination is minimised, and the strategic location of its assets where strong demand and low vacancy rates in the markets would enable DCR to maintain its portfolio occupancy rate.

Rental escalations to drive organic growth in revenues. Close to 100% of the leases in the portfolio have a built-in rental escalations clause, and they average at c.2% per annum. We believe this helps to ensure organic growth to revenues every year, and it helps to mitigate any potential increase in operating costs. Moreover, c.85% of the leases (by NRSF) are on a triple-net lease structure, meaning that most of the expenses at these properties are recoverable from the tenants. As such, DCR will be able to retain the bulk of the rental increases even if operating costs do go up. In our view, the annual rental escalations provide DCR with long-term organic growth in earnings.

Initial portfolio appraised value of US$1,440.5m. The initial portfolio comprises 10 data centres located in the US and Canada that have a total appraised value of US$1440.5m (as of 30 June 2021). It comprises four properties in Silicon Valley, three in Northern Virginia, two in Los Angeles, and one in Toronto. As DCR's sponsor will be retaining a 10% direct interest in the 10 properties, the corresponding 90% stake that DCR will hold is valued at US$1,296.5m.

Summary of investment properties

Property	Market	Land Tenure	Valuation	% of Portfolio
44520 Hastings Drive (ACC3)	Northern Virginia, U.S.	Freehold	318	22.1%
8217 Linton Hall Road (VA4)	Northern Virginia, U.S.	Freehold	261	18.1%
43831 Devin Shafron Drive (Bldg. C)	Northern Virginia, U.S.	Freehold	50.1	3.5%
3011 Lafayette Street	Silicon Valley, U.S.	Freehold	185	12.8%
1500 Space Park Drive	Silicon Valley, U.S.	Freehold	113	7.8%
2401 Walsh Avenue	Silicon Valley, U.S.	Freehold	112	7.8%
2403 Walsh Avenue	Silicon Valley, U.S.	Freehold	69.2	4.8%
200 North Nash Street	Los Angeles, U.S.	Freehold	71.1	4.9%
3015 Winona Avenue	Burbank (Los Angeles), U.S.	Freehold	57.8	4.0%
371 Gough Road	Toronto, Canada	Freehold	203.3	14.1%

Source: Company

Minimal capex requirements. For the forecast years of FY22F and FY23F, an aggregate US$5.0m in capex has been estimated. This translates to 0.3% of the appraised value of DCR's portfolio. We have assumed that the capex will be evenly spread out across FY22F and FY23F for future replacement and improvement works. This amount is expected to be drawn down from committed revolving credit facilities. Aside to this, we do not expect any other major capex requirements and have not priced in any other asset enhancement works or capex that would have a significant impact on cashflows in the medium term.

Income Statement (US$m)

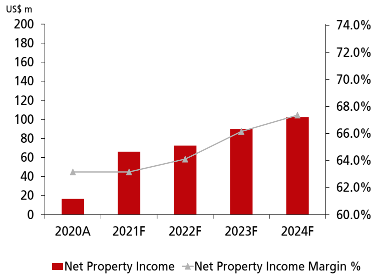
FY Dec	2021F	2022F	2023F	2024F
Gross revenue	105	113	136	152
Property expenses	(38.6)	(40.6)	(46.0)	(49.6)
Net Property Income	66.1	72.5	89.8	102
Other Opg expenses	(12.0)	(13.4)	(16.6)	(17.1)
Other Non Opg	0.0	0.0	0.0	0.0
Associates & JV Inc	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(4.4)	(6.1)	(10.4)	(11.9)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0
Net Income	49.6	53.0	62.8	73.2
Tax	(7.1)	(6.3)	(8.4)	(9.7)
Minority Interest	(5.9)	(6.6)	(8.1)	(9.3)
Preference Dividend	0.0	0.0	0.0	0.0
Net Income After Tax	36.7	40.1	46.3	54.2
Total Return	36.7	13.5	45.3	54.2
Non-tax deductible	9.51	37.9	19.4	18.9
Net Inc available for	46.2	51.4	64.7	73.1
Growth & Ratio				
Revenue Gth (%)	300.0	8.1	20.0	11.8
N Property Inc Gth (%)	300.0	9.7	23.8	13.9
Net Inc Gth (%)	244.5	9.5	15.4	17.1
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0
Net Prop Inc Margins	63.1	64.1	66.1	67.4
Net Income Margins (%)	35.0	35.5	34.1	35.7
Dist to revenue (%)	44.1	45.4	47.7	48.2
Managers & Trustee's fees to sales %)	11.5	11.9	12.2	11.3
ROAE (%)	N/A	4.3	4.3	4.4
ROA (%)	N/A	2.5	2.4	2.4
ROCE (%)	N/A	3.3	3.3	3.4
Int. Cover (x)	12.2	9.8	7.0	7.1

Source: Company, DBS Bank

Driven by half-year income contribution from assumed US$250m acquisition.

Further driven by half-year income contribution from another assumed US$500m acquisition.

Net Property Income and Margins



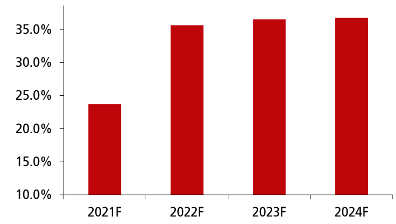
Balance Sheet (US$m)

FY Dec	2021F	2022F	2023F	2024F
Investment Properties	1,441	1,666	2,168	2,175
Other LT Assets	1.14	1.14	1.14	1.14
Cash & ST Invts	20.1	26.1	33.4	40.7
Inventory	0.0	0.0	0.0	0.0
Debtors	3.49	3.77	4.52	5.06
Other Current Assets	4.09	4.09	4.09	4.09
Total Assets	1,469	1,701	2,211	2,226
ST Debt	0.0	0.0	0.0	0.0
Creditor	10.5	11.3	13.6	15.2
Other Current Liab	7.05	6.29	8.35	9.74
LT Debt	341	594	792	799
Other LT Liabilities	3.40	3.40	3.40	3.40
Unit holders' funds	957	930	1,229	1,225
Minority Interests	150	157	165	174
Total Funds & Liabilities	1,469	1,701	2,211	2,226
Non-Cash Wkg. Capital	(9.9)	(9.7)	(13.3)	(15.8)
Net Cash/(Debt)	(321)	(568)	(758)	(759)
Ratio				
Current Ratio (x)	1.6	1.9	1.9	2.0
Quick Ratio (x)	1.3	1.7	1.7	1.8
Aggregate Leverage (%)	23.7	35.6	36.5	36.7

Rising gearing due to assumed US250m acquisition that is fuly debt-funded

Source: Company, DBS Bank

Aggregate Leverage



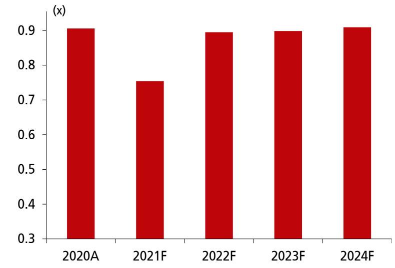
Cash Flow Statement (US$m)

FY Dec	2021F	2022F	2023F	2024F
Pre-Tax Income	49.6	53.0	62.8	73.2
Dep. & Amort.	0.0	0.0	0.0	0.0
Tax Paid	0.0	(7.1)	(6.3)	(8.4)
Associates &JV	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	2.10	0.57	1.51	1.07
Other Operating CF	9.51	10.9	14.0	14.5
Net Operating CF	61.2	57.4	72.0	80.4
Net Invt in Properties	0.0	(253)	(503)	(7.6)
Other Invts (net)	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0
Net Investing CF	0.0	(253)	(503)	(7.6)
Distribution Paid	(46.2)	(51.4)	(64.7)	(73.1)
Chg in Gross Debt	0.0	253	198	7.59
New units issued	0.0	0.0	304	0.0
Other Financing CF	0.0	0.0	0.0	0.0
Net Financing CF	(46.2)	201	438	(65.5)
Currency Adjustments	0.0	0.0	0.0	0.0
Chg in Cash	15.1	6.03	7.32	7.30

Assumed a US$500m acquisition that will be partially funded by equity

Source: Company, DBS Bank

Distribution Paid / Net Operating CF



Company Background

A pure play freehold datacentre SREIT with initial portfolio in the USA and Canada. Digital Core REIT ("DCR") is a pure-play freehold datacentre exposure with an initial portfolio that comprises a 90% stake in 10 freehold datacentres located within the top-tier markets of the USA and Canada. The initial portfolio has a total aggregate value of US$1.4bn, (based on a 100% stake) with c.1.2m net rentable sqft. The aggregate purchase consideration for the 90% stake in the portfolio is c.US$1.3 bn, which is based on the higher of two independent valuations of each of the properties. Its sponsor, Digital Realty Trust, L.P., will own the remaining 10% stake in the initial portfolio.

Based on appraised value, the majority of the assets are located in the two largest data centre markets in the USA, Northern Virginia (c.44% of value) and Silicon Valley (c.33% of value), while the remaining assets are in Toronto (c.14% of value) and Los Angeles (c.9% of value).

DCR has an investment mandate to invest, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally which are used primarily for data centre purposes and as assets necessary to support the digital economy.

Backed by a leading global data centre provider with a strong commitment to the REIT. As the largest owner, operator, developer, and acquirer of data centres globally, the sponsor has a presence in 47 metros across 24 countries. The sponsor is the sixth-largest publicly traded REIT in the US and is a constituent of the S&P 500 Index. Digital Realty Trust, L.P. currently has a portfolio valued at c.US$58bn, with a further c.US$5bn of investments in development projects. As more of its assets gradually reach stabilisation and new developments are completed, we believe that the sponsor will continually provide DCR with an enhanced pipeline.

In addition to providing DCR with the initial portfolio and ROFR pipeline, the sponsor is able to provide operational support through its full spectrum expertise from enterprise colocation to hyperscale data centres. DCR can also leverage the sponsor's global platform (PlatformDIGITAL) to work with its tenants to scale their businesses and access cloud and network providers, allowing them to quickly grow to meet their evolving digital infrastructure needs.

The sponsor's commitment to DCR is further demonstrated through retaining a 10% direct ownership stake in the initial portfolio, as well as a c.40% ownership in the REIT. DCR will be managed by a full-time dedicated team comprising longstanding team members from the sponsor, ensuring continuity and the retention of expertise in managing the assets.

More than US$15bn of potential pipeline for Digital Core REIT growth. Digital Realty owns c.86% of its current operating portfolio by operating revenue (as of 30 June 2021), of which it has a potential pipeline of over US$15bn of existing and under construction data centres that could fit the global ROFR mandate for Digital Core REIT's growth.

In its pipeline, there is also a total development pipeline of US$5bn as of 30 June 2021, comprised of 220MW across 20 metros in EMEA and APAC (76% of the total development pipeline). The sponsor has remained active with total development capital expenditures of US$2.1bn over the last 12 months, as of 30 June 2021.

In addition, the sponsor has a sizeable landbank of 894 acres across North America, EMEA, and APAC, ensuring continual and sustainable future pipeline.

Key Management Team

Name	Position	Summary
Mr. John Stewart	Chief Executive Officer	• Prior to his appointment as Chief Executive Officer of the Manager, Mr. Stewart was Senior Vice President, Investor Relations, Tax & Treasury at Digital Realty Trust, Inc. Mr. Stewart joined Digital Realty Trust, Inc. since September 2013. From June 2008 to September 2013, Mr. Stewart was Senior Analyst, Research Department at Green Street Advisors, LLC where he was responsible for coverage of data centres and industrial REITs. Between June 2006 to January 2008, he was Senior REIT Analyst, Equity Research at Credit Suisse, New York. He held the role of Vice President, Equity Research at Citigroup Investment Research, New York from June 2004 to June 2006 and at Merrill Lynch, New York from June 2003 to June 2004. He also served as Associate, Equity Research at Salomon Smith Barney, New York between June 2000 and June 2003. Mr. Stewart started his career in the corporate finance departments of NationsBank, N.A., New York and Natexis Banque Populaire, New York where he was in charge of performing credit analysis. • Mr. Stewart graduated from the Oklahoma State University with a Bachelor of Science in Business Administration. He is also a Chartered Financial Analyst.
Mr. Daniel Tith	Chief Financial Officer	• Mr. Tith has more than 10 years of experience in the investment banking and finance industry. Mr. Tith joined Digital Realty Trust, Inc. in July 2015 and last served as Vice President, Finance where he was responsible for leading the finance and financial planning & analysis teams in EMEA and the integration project management office for Digital Realty Trust, Inc.'s merger with Interxion, as well as aiding in capital markets transactions, corporate merger and acquisition transactions, corporate budgeting and internal/external consolidated reporting before taking up his appointment as Chief Financial Officer of the Manager. From July 2013 to July 2015, Mr. Tith served as Vice President, Product at Peloton Document Solutions LLC where he took charge of the execution and delivery of all product and feature initiatives of the firm. Mr. Tith began his career as an investment banking Associate in the Real Estate, Gaming and Leisure department of Bank of America Merrill Lynch in New York where he was responsible for executing capital markets and merger and acquisition transactions in an advisory role. • Mr. Tith holds a Bachelor of Arts from the University of California, Los Angeles.
Ms. Mabel Tan Shu Fang	Director of Capital Markets & Investor Relations	• Prior to her appointment to the Manager, Ms. Tan was Senior Treasury Manager of Digital Investment Management Pte. Ltd., which is part of Digital Realty Trust, Inc. In her current position, she is responsible for management of cash, debt, bank accounts, administration, banking relationships, and reporting and analysis for the Asia-Pacific region. From October 2012 to July 2020, MS Tan was with GLP Pte. Ltd., where she was in charge of managing cash and liquidity, forex and interest rate risk, banking relationships and operations for the group. Ms. Tan started her career as a Corporate Banking Officer with MUFG Bank Ltd, Singapore Branch. • Ms. Tan graduated with a Bachelor of Science with Merit from the National University of Singapore.

Name	Position	Summary
Mr. Cheo Wei	Senior Finance Manager	• Prior to his appointment to the Manager, Mr. Cheo was the Senior Finance Manager of Keppel Pacific Oak US REIT Management Pte. Ltd., the manager of Keppel Pacific Oak US REIT from 2017 to 2021. Prior to that in 2017, he was the Finance Manager of Keppel Capital International Pte. Ltd., where he was responsible for the financial and reporting functions. These included group consolidation, management reporting, statutory and financial reporting, annual budgeting, and certain compliance matters. • Mr. Cheo started out as an Auditor at Deloitte & Touche- LLP in 2008 in the general audit team where he performed audit assurances to various industries including real estate fund management. From 2010 to 2014, he joined DBS Bank Ltd. as an Associate in the finance function of the stockbroking arm, where he led the general ledger accounting team and assisted in various functions including tax, statutory, financial and regulatory reporting. From 2014 to 2017, Mr. Cheo was the Senior Manager of Leeden National Oxygen Ltd., where he oversaw the group consolidation and financial reporting function, established finance policies, and conducted training for finance staff. • Mr. Cheo graduated with a Bachelor of Accountancy, Second Class Honours (Upper Division), from Nanyang Technological University of Singapore in 2008. He is a Chartered Accountant (Singapore) and is a member of the Institute of Singapore Chartered Accountants.

Source: Company

DBS Bank recommendations are based 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 catalysts within this time frame)

Share price appreciation + dividends

Completed Date: 14 Jan 2022 06:50:53 (SGT)
Dissemination Date: 14 Jan 2022 07:28:59 (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, DBS Vickers Securities (Singapore) Pte 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.

Neither DBS Bank Ltd nor DBS HK market makes in equity securities of the issuer(s) or company(ies) mentioned in this Research Report.

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 Digital Core REIT, Mapletree Industrial Trust, Keppel DC REIT, Frasers Logistics & Commercial Trust, Cromwell European Real Estate Investment Trust, AIMS AMP Capital Industrial REIT, recommended in this report as of 31 Dec 2021.
2. 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 Digital Core REIT, Mapletree Industrial Trust, Keppel DC REIT, Frasers Logistics & Commercial Trust, Cromwell European Real Estate Investment Trust, recommended in this report as of 31 Dec 2021.
3. DBS Bank Ltd, DBS HK, DBSVS, DBSVUSA, their subsidiaries and/or other affiliates beneficially own a total of 1% of any class of common securities of Digital Core REIT, Mapletree Industrial Trust, Keppel DC REIT, Frasers Logistics & Commercial Trust, Cromwell European Real Estate Investment Trust, as of 31 Dec 2021.

Compensation for investment banking services:

4. 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 Digital Core REIT, Mapletree Industrial Trust, Keppel DC REIT, Frasers Logistics & Commercial Trust, Cromwell European Real Estate Investment Trust, AIMS AMP Capital Industrial REIT, as of 31 Dec 2021.

[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.

5. 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 Digital Core REIT, Mapletree Industrial Trust, Keppel DC REIT, Frasers Logistics & Commercial Trust, Cromwell European Real Estate Investment Trust, AIMS AMP Capital Industrial REIT, in the past 12 months, as of 31 Dec 2021.

6. 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.

Disclosure of previous investment recommendation produced

7. 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 on page 1 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, DBS Vickers Securities (Singapore) Pte Ltd ("DBSVS") or DBSV HK. DBS Bank Ltd holds Australian Financial Services Licence no. 475946. DBS Bank Ltd, 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 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 ("DBS HK"), 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 . 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
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
Co. Regn No. 198401015984 (128540-U)

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

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

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