Singapore Market Focus

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DBS Group Research . Equity

3 Sep 2025

Ride the wave of diversified fund inflows

- STI year-end target of 4,430; small-mid caps to outperform
- Standouts amid STI's FY25F earnings decline
- 3 diversified fund inflows underpin large-caps, small-mid caps, and dividend stocks

A safe haven amid macro uncertainties. We maintain our STI year-end target of 4,430. Singapore equities stand out as a safe haven due to its (1) lowest 10% US reciprocal tariff rate, (2) highly skilled workforce, (3) supportive policies, and (4) political/social stability. The wide 3.27% yield spread between the STI and MAS 10Y yield also underpin equities despite the earnings downward revision off the 2Q25 results season. With September seasonally the weakest month for the US stock market, these factors help Singapore equities weather a possible down month for US as well as rising political risks for its neighbours Indonesia and Thailand. Small-mid-cap stocks should continue to outperform the STI, helped by progress in the EQDP and enhancements to GEMS scheme.

Standouts amid STI's FY25F earnings decline. FY25F/26F earnings of stocks under coverage were revised down by 3.4%/1.1%, respectively, led by cuts to index heavyweight banks and industrials, while REITs saw a modest uplift. We now foresee a slight earnings dip of 1.2% for the STI in FY25F before recovering by 6.4% next year. Real estate and communications services are relative standouts in terms of earnings growth and yields, while REITs should post DPU growth from this year onwards. Yangzijiang and UMS Integration are stocks that should buck the trend of negative headline EPS decline within the industrials and info tech sectors.

Position for external funds inflow, EQDP, and REITs. These three sources of funds are driving Singapore equities higher YTD, beyond the STI heavyweights. Here's how one can position going forward: (1) Passive funds: Driven by Singapore's safe-haven status, the stock market's attractive yield, and P/B valuation, as well as the fading US exceptionalism narrative. Large-cap stocks are the key beneficiaries; our picks are Singtel, Yangzijiang, DFI Retail. (2) EQDP for small-mid caps: Potential beneficiaries are UMS Integration, SIA Eng, ComfortDelGro, GuocoLand, Nam Cheong, SingLand Group, Hotel Properties. (3) Falling domestic interest rates: These are shifting flows from money markets (e.g., MAS T-bills, fixed deposits) into income stocks. Our picks include MLT, MPACT, CICT, FCT for large caps; and Suntec REIT, LendLease REIT, ESR REIT, Elite UK REIT for SMCs.

STI : 4,276.07

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Key Indices

	Current	% Chng
FS STI Index	4,276.07	0.1%
FS Small Cap Index	284.65	1.2%
SGD Curncy	1.28	0.0%
Daily Volume (mn)	1,445	
Daily Turnover (SGDmn)	1,320	
Daily Turnover (USDmn)	1,028	

Source: Bloomberg

Market Data

(%)	EPS Gth	Div Yield
2024	6.0	4.4
2025F	(0.0)	4.6
2026F	6.8	4.5

(x)	PER	EV/EBITDA
2024	15.1	18.1
2025F	15.1	17.3
2026F	14.2	16.2

STOCKS

	Price LCY	Mkt Cap USDmn	12-mth Target LCY	Performance (%) 3 mth	Performance (%) 12 mth	Rating
Singtel	4.33	55,638	5.04	14.0	38.3	BUY
Yangzijiang Shipbuilding (Holdings) Ltd	3.10	9,537	3.80	46.2	24.5	BUY
DFI Retail Group	3.17	4,286	3.90	17.0	70.4	BUY
UMS Integration Ltd	1.36	752	1.84	18.3	33.3	BUY
SIA Engineering	3.12	2,721	3.50	15.6	33.3	BUY
ComfortDelGro	1.47	2,479	1.80	4.3	3.5	BUY
GuocoLand Ltd	1.94	1,788	2.50	36.6	26.8	BUY
Mapletree Logistics	1.23	4,841	1.55	12.8	(9.6)	BUY
Mapletree Pan Asia Commercial Trust	1.40	5,731	1.50	18.6	2.2	BUY
CapitaLand Integrated Commercial Trust	2.29	12,994	2.50	9.6	8.0	BUY
Frasers Centrepoint	2.37	3,354	2.75	7.7	(0.2)	BUY
Suntec REIT	1.34	3,048	1.40	17.5	8.9	BUY
LendLease Global	0.61	1,151	0.75	28.4	4.3	BUY
ESR REIT	2.77	1,734	3.20	24.2	2.6	BUY
Elite UK REIT	0.35	154	0.40	11.3	21.1	BUY

Source: DBS, Bloomberg
Closing price as of 1 Sep 2025

DBS Insights Direct **Watchlist the stock on Insights Direct to receive prompt updates**

ed: BM/ sa: AS, PY, CS

Market Outlook

Stay invested to capitalise on diversified fund inflows

We maintain our STI YE target of 4,430, now pegged to 13.8X (+0.5SD) FY26F PE. Singapore equities stand out as a safe haven for its (1) lowest 10% US reciprocal tariff rate, (2) highly skilled workforce, (3) supportive policies, and (4) political/social stability. The wide 3.27% yield spread between the STI and MAS 10Y yield (risk-free rate) should also underpin equities here, despite the earnings downward revision of 3.4% and 1.1% for FY25F and FY26F, respectively, off the 2Q25 results season. With September seasonally the weakest month for the US stock market, these factors can help Singapore equities weather a possible down month for US, as well as rising political risks for its neighbours Indonesia and Thailand.

STI's forward yield spread with MAS 10Y yield widens to 3.27%

Source: DBS

An ascending triangle pattern (equal highs, higher lows) appears to be forming on the STI over the past month, which is seen as a bullish consolidation within a major rising trend. Near-term support at 4,140 has held up. A close above 4275 should signal the resumption of the multi-month uptrend.

Stay invested to position alongside diverse funds inflow

Straits Times Index (Daily)

Source: DBS

We see these three sources of fund inflow continuing to underpin Singapore equities beyond the index heavyweights: (1) Passive funds that benefit large caps, (2) Equity Market Development Programme (EQDP) that benefits small-mid caps (SMCs), (3) money market (e.g., T-bills) and fixed deposits that benefit high-yield and consumer staple stocks.

SMCs should continue to outperform the STI as the EQDP progresses, with the first batch of three asset managers preparing to reveal more details and potentially launch their funds by year-end. Fullerton Fund Management will launch its Singapore Value-Up fund under the EQDP in 4Q25, which fully focuses on local SMCs (source: TheEdge). The MAS will also reveal the second batch of asset managers under the EQDP, as well as other initiatives to enhance Singapore's equities market, including strengthening the value proposition and attractiveness of the Catalist board. Enhancements to the GEMS scheme will raise the visibility of SMCs to the investment community through valuable research publications.

These developments set the backdrop for SMCs to end the year on a strong note, barring unforeseen circumstances.

Eyes on US employment and FOMC meeting

With Fed Chair Jerome Powell turning focus on downside risk to jobs, the August US non-farm payrolls (consensus: 80k) and unemployment rate (consensus: 4.3%) will be closely watched. A 25bps cut at the 17 September Federal Open Market Committee (FOMC) meeting is well-pencilled in; investors will be listening closely to Powell's post-meeting statement on the trend of future rate cuts. Our economist forecasts two 25bps cuts this year, followed by another two in 1H26. A steady pace of rate cuts – one every other meeting – may set the tone for REITs to outperform banks.

Key events to watch in September

Date	Events
5 Sep	August US non-farm payrolls and unemployment rate
17 Sep	FOMC meeting

Source: DBS

Singapore economy – jobs and AI in focus amid tariff uncertainty

DBS economists maintain their 2025 GDP forecast at 2.0%, despite the Ministry of Trade and Industry (MTI) officially lifting its own projection to 1.5%-2.5% (prev. 0-2%) following stronger-than-expected growth in 1H25. Risks remain tilted to the downside in 2H25, as global trade tensions and persistent US tariff headwinds should weigh on externally oriented sectors, while domestic sectors (e.g., construction) are more insulated. Nevertheless, Singapore retains its status as a relative "haven" amid global turbulence, subject only to the lowest 10% baseline tariff, unlike the higher rates faced by other countries.

Real GDP growth by sector

	1Q24	2Q24	3Q24	4Q24	2024	1Q25	2Q25
% YoY							
Overall GDP	3.2	3.4	5.7	5.0	4.4	4.1	4.4
Manufacturing	-1.1	-0.6	11.2	7.4	4.3	4.7	5.2
Construction	2.1	5.8	5.6	4.4	4.5	4.9	6.0
Services	4.5	4.1	4.4	4.6	4.4	3.8	4.3
% QoQ sa							
Overall GDP	0.3	1.1	3.0	0.5	4.4	-0.5	1.4
Manufacturing	-3.2	-0.9	11.7	0.0	4.3	-5.2	-0.4
Construction	-2.8	5.1	1.9	0.3	4.5	-2.0	5.7
Services	1.5	1.0	1.2	0.9	4.4	0.6	1.5

Source: DBS, MTI, CEIC

The National Day Rally 2025 reinforced the government's focus on safeguarding jobs and building long-term resilience in an uncertain world. Amidst tariff volatility, Singapore must press ahead with innovation through AI adoption across the economy for productivity gains and value creation. Enhanced traineeship programmes for graduates and SkillsFuture upgrades for mid-career workers underline the priority of employment security.

Potential beneficiaries include critical enablers of the AI ecosystem (e.g., Singtel, Keppel DC REIT), selected REITs (eg FCT), and construction firms (e.g. Hong Leong Asia, Wee Hur [non-rated]) poised to benefit from redevelopment plans in the northern region.

Industrials and banks lead FY25F earnings cut

Overall earnings revisions by sector

	F Y25F Chg	FY26F Chg
Banks	-2.5%	-0.5%
Comm Svcs	-1.2%	-1.1%
Cons Disc	0.0%	-2.7%
Cons Stap	1.0%	0.9%
Financial	0.7%	2.9%
Health Care	0.8%	0.7%
Industrials	-4.0%	-4.4%
Info Tech	2.3%	1.9%
Real Estate	-31.3%*	-4.7%
REITs	0.6%	0.3%
Utilities	0.0%	0.0%
Total	-3.4%	-1.1%

Source: DBS
**Primarily driven by lower-than-expected property development revenue by one of the developers*

Overall FY25F and FY26F earnings were revised downwards by 3.4% and 1.1%, respectively. This was led by notable cuts in key index heavyweight sectors such as banks (c.50% of STI) and industrials (17%), while REITs (11%) bucked the trend with upward revisions.

- Banks: UOB's FY25F earnings were slashed by 7% due to lower net interest margin (NIM) guidance at 1.85%-1.9% (prev: ~2%). This compares with a 2% earnings cut for OCBC, which has NIM guidance at 1.9%-1.95% (prev: ~2%).
- Industrials: Upward earnings revisions in Yangzijiang (driven by sustainable gross margins, positive order wins momentum) and SATS (due to stronger cargo volumes and margins) failed to offset the cuts in Sembcorp Industries, SIA, and Seatrium.
- REITs: The uplift in DPU growth is attributable to 1) healthy reversions, 2) the completion of acquisitions and/or AEIs, and 3) lower refinancing costs and cost of debt. E.g., CICT, Keppel DC REIT, and Suntec REIT.

  The mixed performances amongst the small-mid-cap stocks affirm our selective stance in this market segment amid ongoing EQDP tailwinds.

- Potential EQDP beneficiaries with positive double-digit earnings revisions include 1) property agencies PropNex and APAC Realty, driven by higher new sales transaction volume; 2) IFAST, on stronger 2H25 from its ePension ramp-up; and 3) Hong Leong Asia, due to its robust powertrain solutions segment.

- FY25F remains a challenging year for tech stocks AEM Holdings (due to FX headwinds) and Nanofilm (because of subdued order momentum in 2H25), but stronger order momentum is expected next year.
- Earnings cuts and recommendation downgrades: CLCT (due to sustained negative reversions), StarHub (owing to lower earnings visibility), and Delfi (impacted by higher cocoa prices and a weak consumer market).

Selective opportunities amid STI FY25F earnings decline

The STI is expected to register a 1.2% y/y decline in FY25F earnings, driven by negative earnings revisions for index heavyweight banks. Specifically, earnings for UOB and OCBC are projected to fall by 8.6% and 5.0%, respectively, in FY25F before staging a recovery next year.

Earnings growth and valuation table

Sector	Earnings Growth (%)		PE Ratio (x)		Dividend Yield (%)	
	FY25F	FY26F	FY25F	FY26F	FY25F	FY26F
Banks	-4.4	2.8	11.6	11.3	4.7	4.8
Comm Svcs	9.8	10.3	25.2	22.9	4.6	4.9
Cons Disc	-8.9	8.7	13.7	12.6	5.2	5.8
Cons Stap	25.5	-9.4	10.9	12.0	6.2	3.9
Financial	24.8	12.2	29.6	26.4	2.1	2.5
Health Care	-16.8	17.6	33.5	28.5	1.4	1.6
Industrials	-4.0	14.5	16.6	14.5	3.4	3.6
Info Tech	-9.7	18.3	19.1	16.2	5.5	5.4
Real Estate	54.7	53.9	30.2	19.6	5.4	3.5
REITs	0.9	3.8	16.8	16.1	5.8	6.0
Utilities	39.0	-5.4	68.1	72.0	9.0	9.1
DBS Coverage	0.0	6.8	15.1	14.2	4.6	4.5
STI forecast	-1.2	6.4	13.6	12.8	4.5	4.7

Source: DBS

We highlight three sectors to watch: Real estate, communications services, and REITs.

- Robust FY25F earnings growth is anticipated for the real estate sector, led by across-the-board earnings recovery among key players such as CapitaLand Investment, UOL, and HKLand this year
- Communication services (primarily led by Singtel) is projected to deliver both decent double-digit earnings growth as well as a dividend yield of close to 5%
- We foresee an inflection point for REITs' earnings and DPU growth in FY25F, underpinned by healthy reversions, completion of acquisitions and/or AEIs, and lower refinancing costs and cost of debt

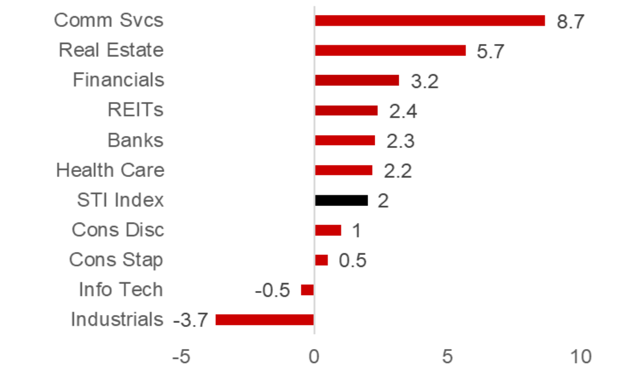
We also identify opportunities within the industrials and info tech sectors, despite the prevailing negative headline EPS decline. Specifically, stocks like Yangzijiang (sustainable gross margins, positive order wins momentum) and UMS Integration (next in line to benefit from the ongoing AI run and anticipated to deliver stronger 2H25 performance) are projected to buck the trend, achieving double digit EPS growth in FY25/26F.

August market review: Shrugging off seasonal weakness

The STI surprised on the upside in August, rising 2.0% MTD (as of 25 August) and bucking the historical trend of seasonal weakness during this period, given the index has averaged a 3.2% m/m decline in August from 2010 to 2024. Notably, the STI managed reclaim the 4,200 level twice within the month, signalling resilience despite external uncertainties.

2Q/1H25 earnings were a key determinant of MTD performances. Within the industrials sector, MTD performance was mixed: Yangzijiang and SATS outperformed, while Sembcorp Industries and ST Engineering lagged. Separately, Singtel extended its YTD gains, driven by improvements in core operations and associates, alongside a TP uplift by our analyst. Meanwhile, we also see signs of renewed interest in SREITs, underpinned by the rising probability of a Fed rate cut in September, following Fed Chair Powell's dovish comments.

Sectoral MTD performance (%)

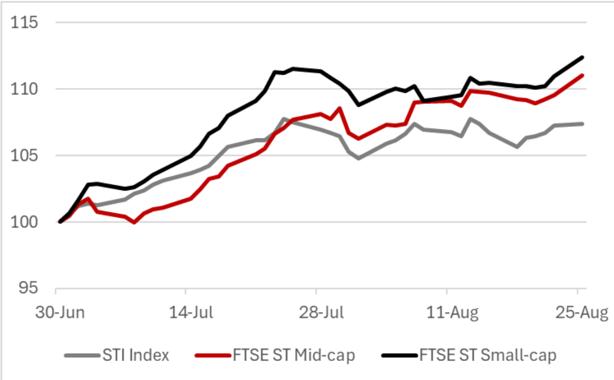


Source: DBS, Bloomberg. Baed on 25-Aug closing prices

Small and mid-cap stocks continued to lead the market in 2H25. Several selected names recorded strong double-digit MTD gains, including 1) property agency firms PropNex and APAC Realty, which were bolstered by upbeat outlooks and special dividends, and 2) crude palm oil (CPO) companies First Resources and Bumitama Agri, following their robust 2Q/1H25 earnings. Conversely, Trump's proposal to impose a 100% tariff on US semiconductor imports weighed on local tech stocks such as UMS, AEM, and Frencken.

Additionally, the divestment of shares by its key shareholder, CP Invest, also impacted iFAST, causing it to fall from its 52-week high despite delivering strong 2Q/1H25 results.

SMCs continue to lead in 2H25 (30 Jun = 100)



Source: DBS, Bloomberg

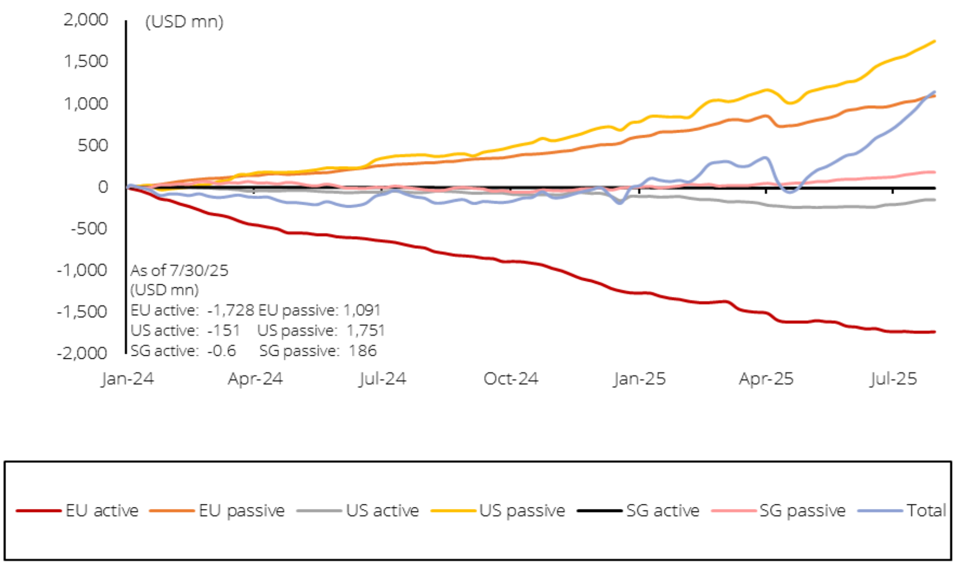
Strategy

Positioning into fund flow beneficiaries

Three funding sources have been driving Singapore equities higher YTD:

(1) Passive funds – Large-cap stocks are the primary beneficiaries. Specifically, inflows from US and EU passive funds have more than offset any outflows from these two regions. As at end-July, Singapore stocks have collectively received a cumulative fund inflow of USD1.1bn from US, EU, and SG passive and active funds. This trend is expected to continue, supported by Singapore's safe-haven status amid global geopolitical and tariff uncertainties, the stock market's attractive dividend yield and P/B valuation, as well as the fading US exceptionalism narrative.

Breakdown of cumulative fund flow into Singapore stocks since 2024

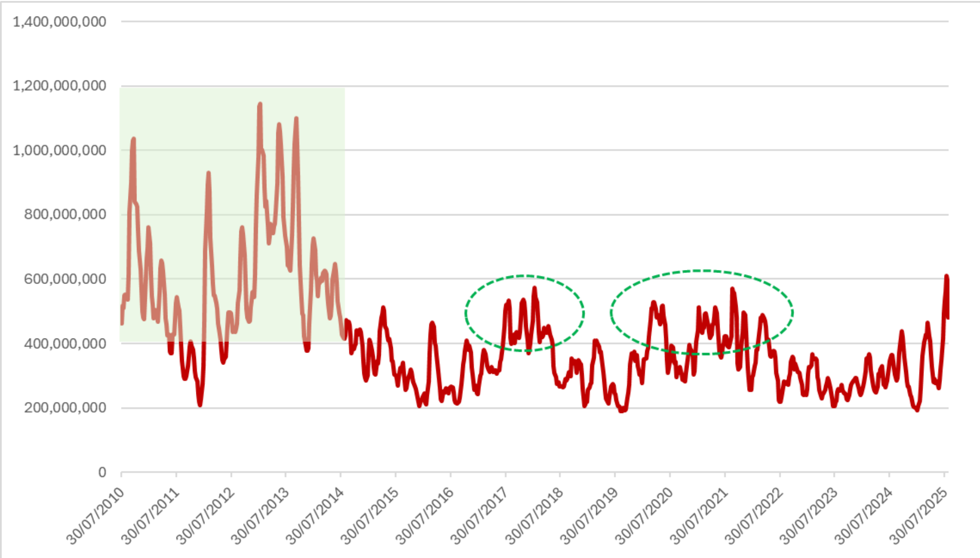


Source: DBS, EPFR

(2) EQDP – The benefits of this programme for listed SMC stocks extend well beyond the MAS's SGD5bn seed fund. Successful asset managers are required to attract additional capital into their strategies, complementing the MAS's funding. The program is currently progressing, with the initial three asset managers announced on 21 July, and the next selection phase anticipated to be announced by 4Q25. Consequently, sentiment for SMC stocks is expected to remain buoyant for the rest of the year. The EQDP, along with other initiatives aimed at enhancing the Singapore equities market, will raise awareness not only for SMCs but also for stocks listed on the Catalist board.

The five-week average value of shares traded on the FTSE ST Small Caps Index surged to between SGD500mn to SGD600mn in recent weeks, representing a significant improvement of more than 40% to 70% compared to the YTD weekly average of c.SGD350mn. Sustained interest is anticipated to lead to a resurgence in small-cap activity, mirroring the recoveries observed in 2017 and 2021. Furthermore, during the small-cap 'heyday' of the previous decade (2010-2014), the five-week average value of shares frequently exceeded SGD600mn for numerous months, at times reaching as high as SGD1.1bn.

5-wk average turnover on the FTSE ST Small Caps Index (SGD)



Source: DBS, Bloomberg

(3) Money market, fixed deposits, high-yield CASA – Stocks within the income and staples categories across all market capitalisations are benefitting from a meaningful decline in domestic interest rates. Yields on MAS 6-month and 12-month bills, as well as the two-year bond, have decreased more than 200bps. The most recent cut-off yields for the MAS 6-month and 12-month T-bills were merely 1.44% and 1.68%, respectively. Concurrently, interest earned from popular high-yield CASA have similarly fallen, rendering them less attractive to certain investors.

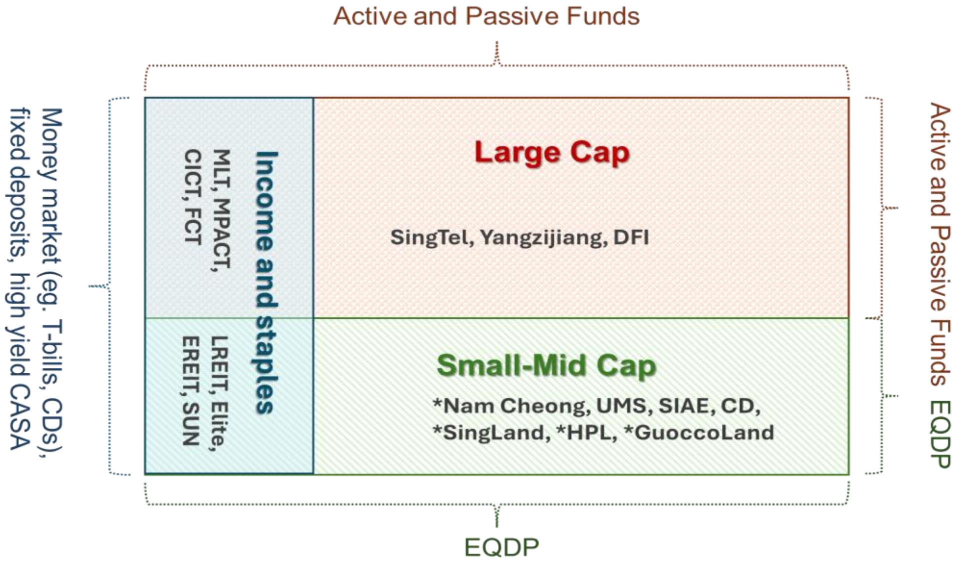
A total of SGD67.2bn in MAS 6-month T-bills will mature between Sep 25 and Dec 25. A sensitivity analysis indicates every 5% reallocation from these maturing T-bills into equities could generate an inflow of SGD3.36bn into high-yield stocks over the next few months.

Characteristics of 6-mth T-bills maturing from Jul 25 to Dec 25

Issue Code	Auction Amount (S$M)	Maturity Date	Cut-off Yield (%)	*Yield difference (%)
BS25102Z	7200	05/08/2025	3.04	1.6
BS25103S	7300	19/08/2025	2.9	1.46
BS25104H	7500	02/09/2025	2.75	1.31
BS25105T	7500	16/09/2025	2.56	1.12
BS25106X	7400	30/09/2025	2.73	1.29
BS25107W	7400	14/10/2025	2.5	1.06
BS25108N	7400	28/10/2025	2.38	0.94
BS25109V	7400	11/11/2025	2.3	0.86
BS25110H	7500	25/11/2025	2.2	0.76
BS25111T	7600	09/12/2025	2.05	0.61
BS25112X	7500	23/12/2025	2	0.56

**Yield difference vs. latest 6-mth T-bill auction*
Source: MAS, DBS

3 sources of liquidity inflows and 4 benefitting stock categories



*Source: DBS *Non-rated Equity Explorers*

The four stock groups that benefit from these three sources of liquidity inflows and our picks for each of these groups are:

1. Large cap – Our picks are Singtel, Yangzijiang, DFI Retail
   - Singtel offers a balance of growth (12% earnings CAGR in FY25-27F) and income (yield of close to 5%), underpinned by rising market value of its associates and improving core businesses
   - Yangzijiang's earnings visibility is supported by its robust current order book, totalling c.USD23bn, with further momentum anticipated in the coming month(s)
   - DFI Retail is our top pick in the consumer sector, with meaningful organic earnings growth upside stemming from operational efficiencies

2. SMCs – Our picks are UMS Integration, SIA Engineering, ComfortDelGro, GuocoLand, Nam Cheong, SingLand Group, and Hotel Properties
   - UMS Integration remains our top pick in the Singapore tech space, as it is next in line to benefit from the AI run and deliver stronger 2H25 performance
   - SIA Engineering benefits from resilient maintenance, repair, and overhaul (MRO) demand in the APAC region, which underpins its attractive double-digit earnings growth in FY26F/27F
   - ComfortDelGro offers resilient 10% earnings growth for both FY25F/26F, with attractive forward dividend yields of around 6%
   - GuocoLand has value-unlocking potential through re-structuring to a 'stapled security' and continues to trade at a deep discount at 0.5x P/BV
   - Nam Cheong (NR) remains deeply undervalued at 4.1x FY25F PE, with earnings and utilisation set to rebound sharply in 2H25
   - SingLand Group (NR) and Hotel Properties (NR) have value-unlocking potential through the redevelopment of Marina Square and Orchard Road assets, respectively

3. Large-cap income – MLT, MPACT, CICT, and FCT
   - MLT is our top pick within the industrial REIT sector, offering an attractive proposition at current levels and steady improvements in its underlying fundamentals (especially in China)
   - MPACT is expected to see a gradual recovery in 2H25, on the back of recent divestments, decent leasing momentum within MBC, further uplift at VivoCity, and lower cost of debt

- **CICT** benefits from a lower interest rate environment in Singapore, with its CapitaSpring acquisition and AEI completions set to support DPU growth
- **FCT's** suburban retail portfolio offers stability and resilience, supported by the recent government-issued consumption vouchers (SG60 and CDC)

4. SMC income – Suntec REIT, LendLease REIT, ESR REIT, and Elite UK REIT
   - **Suntec REIT** and **LendLease REIT** are poised to benefit more from given their higher proportion of floating rate debt and individual value-unlocking potential
   - **ESR REIT** is one of our REIT team's 'alpha picks'; the completion of its portfolio rejuvenation efforts should underpin its attractive forward yield of around 8%
   - **Elite UK REIT** is one of our REIT team's 'value-up' picks, with a forward yield of around 8% and potential for value creation within the portfolio (e.g., PBSA and data centre assets)

Stock picks

Company	Price LCY 25 Aug 2025	12-mth Target price	12-mth Target return LCY	Mkt cap (SGDmn)	Rcmd	EPS growth 25 (%)	EPS growth 26 (%)	PE ratio 25 (x)	Div yield 25 (%)	Net debt/equity 25	P/BV 25 (x)
					Large caps						
Singtel	4.250	5.04	19%	70,131	BUY	12.8	10.7	25.3	4.5	0.2	2.8
Yangzijiang	2.910	3.80	30%	11,496	BUY	23.8	9.8	7.8	5.0	cash	2.0
DFI Retail (USD)	3.110	3.90	25%	5,406	BUY	34.5	6.8	15.6	18.1*	cash	n.m.
					Small-mid caps						
UMS Integration	1.400	1.84	31%	995	BUY	16.6	20.6	21.0	3.6	cash	2.3
SIA Engineering	3.120	3.50	12%	3,494	BUY	15.7	21.7	20.6	2.9	cash	2.0
ComfortDelGro	1.450	1.80	24%	3,141	BUY	9.7	9.9	13.6	5.9	0.1	1.2
GuocoLand	1.890	2.00	6%	2,236	BUY	42.9	1.2	22.2	3.0	0.8	0.5
					Large cap income						
MLT	1.220	1.55	27%	6,166	BUY	28.4	0.0	19.2	5.8	0.4	0.9
MPACT	1.380	1.50	9%	7,255	BUY	-13.6	0.0	19.4	5.4	0.4	0.8
CICT	2.260	2.30	2%	16,468	BUY	-3.1	0.4	21.1	4.8	0.4	1.1
FCT	2.290	2.75	20%	4,162	BUY	-4.4	1.0	21.4	5.3	0.4	1.0
					SMC income						
Suntec REIT	1.300	1.40	8%	3,798	BUY	1.6	4.5	22.1	4.8	0.4	0.6
LendLease REIT	0.595	0.75	26%	1,442	BUY	-68.6	223.4	61.1	6.1	0.4	0.8
ESR REIT	2.740	3.20	17%	2,206	BUY	1332.1	2.9	15.9	8.0	0.5	1.0
Elite REIT (GBP)	0.340	0.40	18%	215	BUY	-20.6	2.9	12.3	7.7	0.4	0.9

**note: includes special dividends of US44.3cts, and interim dividend of US3.5cts which have gone ex-dividend in Aug 2025*
Source: DBS, Bloomberg

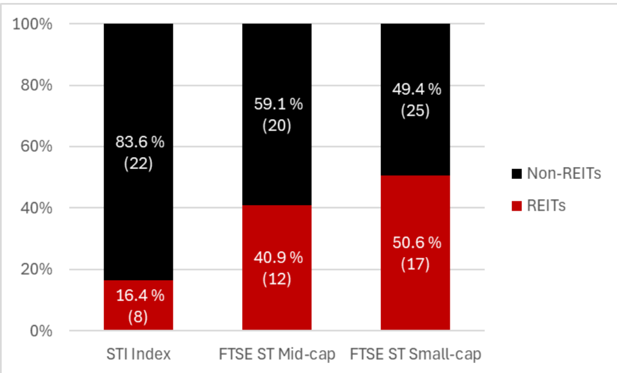
SMCs – Spotlight shifts to REITs and less-covered stocks

Amid buoyant investor interest in Singapore's SMC stocks, two key themes are emerging.

#1: SMC REITs should be next in line as potential beneficiaries of the MAS's SGD5bn EQDP, as;

1. SMC REITs are better represented in the small and mid-cap markets and indices, with a higher proportion and allocation versus their large-cap counterparts
2. Fed Chair Powell's dovish comments, which raised optimism for a September rate cut, underpin sentiment for the overall REIT market
3. SMC REITs' attractive dividend yields make them a compelling consideration for income-focused investment strategies, e.g., JP Morgan Asset Management's focus on high-yield stocks

REITs composition in SG equities' indices (%)



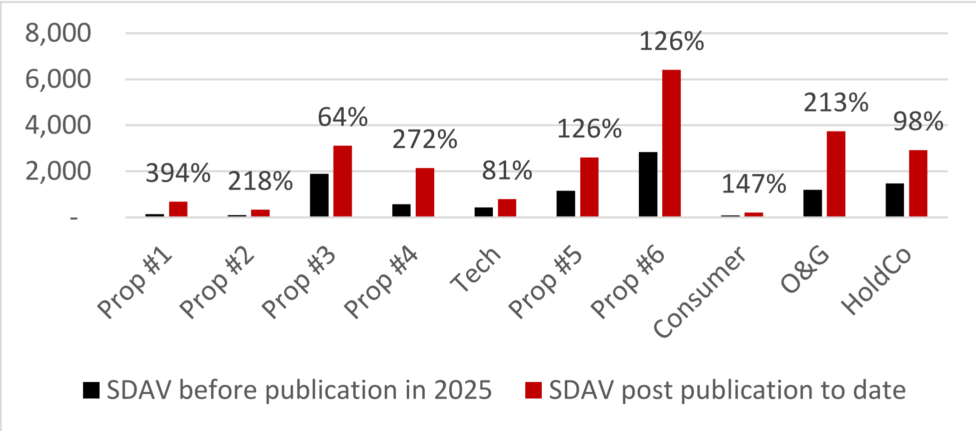
Source: DBS, Bloomberg. Note: REITs % of index market cap
Numbers in (brackets) denote number of stocks in index

Our SMC REIT picks are Suntec REIT, LendLease REIT, ESR REIT, and Elite UK REIT. Refer to the earlier section – under SMC income – for further information.

#2: Enhancements to the GEMS scheme represent another key initiative aimed at improving the visibility and interest in SMCs – particularly for less-covered SMCs, achieved through expanded research coverage and dissemination efforts. Under the enhanced GEMS scheme, the MAS has committed an additional SGD50mn to encourage participation. This increases grant support for research providers from a maximum of SGD4,000 per report to SGD6,000, comprising an additional SGD1,000 for standard research reports and a further SGD1,000 for initiation reports.

The power of the pen cannot be overstated; significant uplift in trading interest can result from expanded research coverage. A prime example is the 10 Equity Explorers (EEs) published by DBS Group Research. Following these publications, these high-quality, yet previously less-covered, companies experienced an average uplift of 174% in their securities daily average value (SDAV) traded. Expanded SMC research coverage under the enhanced GEMS scheme will be instrumental in sustaining this momentum.

DBS Equity Explorers – SDAV traded before and after publication (SGD' 000s)



Source: DBS, Refinitiv. Based on the 10 EEs published by DBS in 2025. Refer to report for more information
Note: Percentages denote the % increase in SDAV following publication. E.g., for an EE published on 10-Apr, SDAV before publication is 1-Jan-25 to 09-Apr-25, SDAV post publication is from 10-Apr-25 to 22-Aug-25

There is great scope for expanding both investor interest in and research coverage of SMC stocks. On average, SMC stocks under our coverage (including Equity Explorers) are monitored by only five analysts, which is considerably below the average of 14 analysts covering for STI component stocks.

DBS Coverage & Equity Explorers – Number of covering analysts on Bloomberg

Less well-covered SMC stocks				
		First Resources		
		iFAST		
		Raffles Medical		
		Frencken		
		Sasseur REIT		
		Elite UK REIT		
		UMS Integration		
		PropNex		
		ESR REIT		
	Hong Leong Asia	Digital Core REIT		
	HPH Trust	Stoneweg EUR	IOI Properties	
	APAC Realty	OUE REIT	CapLand Ascott	
SG Land Group	AIMS APAC REIT	SIA Engineering	ComfortDelgro	IHH Healthcare
Hotel Properties	Valuetronics	Bumitama Agri	Sheng Siong	Keppel REIT
F&N	Wee Hur	AEM Holdings	Parkway Reit	Suntec REIT
Nam Cheong	GuocoLand	CapLand India	LendLease REIT	STI Average
Haw Par	DHLT	Starhilll Global	Far East Hosp	CDL Hospitality
No coverage	1-3	4-6	7-10	>10

Legend	DBS coverage	REITs	Non-rated EE

Source: DBS, Bloomberg. Based on total number of analyst recommendations on Bloomberg
Filter criteria – 1) non STI Index stocks, and 2) rated BUY recommendation or non-rated EEs

Stocks with little to no prior coverage would likely benefit most from expanded research, as exemplified by the sharp rise in SDAV traded following our EE publications. We have identified nine such less-covered stocks with prevalent thematic exposure in the SMC space:

- Value-up and/or value-unlocking: GuocoLand, SingLand*, Hotel Properties*
- Earnings growth/turnaround: Hong Leong Asia, Nam Cheong*, UMS Integration, SIA Eng
- Attractive dividend yield: HPH Trust, Valuetronics*

**Note: Non-rated Equity Explorers*

Stock picks

Company	Price (LCY) 25 Aug 2025	12-mth Target price (LCY)	12-mth Target return	Mkt cap (SGDmn)	Rcmd	EPS growth 25 (%)	EPS growth 26 (%)	PE ratio 25 (x)	Div yield 25 (%)	Net debt/equity 25	P/BV 25 (x)
GuocoLand	1.890	2.00	6%	2,236	BUY	42.9	1.2	22.2	3.0	0.8	0.5
Hong Leong Asia	2.470	2.80	13%	1,848	BUY	35.8	12.9	15.6	1.6	cash	1.8
UMS Integration	1.400	1.84	31%	995	BUY	16.6	20.6	21.0	3.6	cash	2.3
SIA Engineering	3.120	3.50	12%	3,494	BUY	15.7	21.7	20.6	2.9	cash	2.0
HPH Trust (USD)	0.220	0.22	0%	2,464	BUY	-7.5	-9.4	25.0	6.9	0.4	0.6

Source: DBS, Bloomberg

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

**Share price appreciation + dividends*

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

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