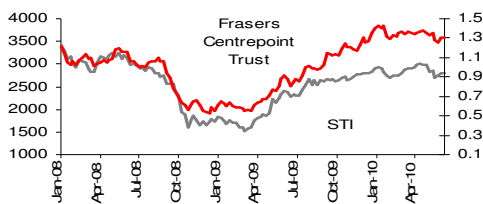


17 June 2010

Maintain

BUY

Previous Rating: BUY

Current Price: S\$1.35
Fair Value: S\$1.50


Frasers Centrepoint Trust

Suburban retail still compelling

Positive data points... The Singapore Department of Statistics reported earlier this week that April retail sales (seasonally adjusted, excluding motor vehicles) rose 1.5% MoM and 7.4% YoY. Growth was broad-based with positive MoM changes from segments including food & beverages, wearing apparel & footwear, optical goods & books, supermarkets, watches & jewelry and department stores. Meanwhile, the Ministry of Manpower said the unemployment rate fell from 2.3% in 4Q09 to 2.2% in 1Q10. Employers added 36,500 new jobs. As of Mar 2010, there were 37,300 job vacancies (versus 33,800 at end Dec 09). Nominal and real average wages rose 3.7% YoY and 2.8% YoY respectively.

...support an optimistic view of retail sales. With strong employment numbers and the expected 7-9% GDP growth in 2010, the outlook is positive for retail sales, in our opinion. Indeed, a survey released by the MasterCard Worldwide Index of Consumer Confidence last month¹ showed consumer confidence in Singapore more than doubled to 86.6 points compared to a year ago. Confidence, according to the poll, is back to levels recorded in 1H08. Great Singapore Sales takings in June also point to increased sales².

Suburban retail still compelling. We believe the case for suburban retail is still sound - not only should a strong retail sales story support rents and take-up of retail space, but the bulk of expected new supply is in central areas. Frasers Centrepoint Trust (FCT)'s assets are strategically located adjacent to MRT stations and bus interchanges, and enjoy captive markets with strong population catchments and limited alternative shopping choices. Additionally, the mass-market, non-discretionary spending focused assets are likely to ride the first wave of recovery in retail spending.

Value-creation opportunities. At a June investor conference, sponsor Fraser & Neave [NOT RATED] highlighted a few retail assets that we believe are potential candidates for injection into FCT. These are: *The Centrepoint*, *Robertson Walk*, *Bedok Point*, and *Changi Business Park-Retail* (the last two are currently under development). Meanwhile, a possible *Causeway Point* (CP) enhancement initiative may present an opportunity to maximize returns from FCT's portfolio, both by refreshing the mall and optimizing income. CP's passing rents of roughly S\$11-12 per square foot per month lag behind FCT's other suburban malls such as *Northpoint* at S\$13-14 psf pm (our estimates). This is partially attributable to the large number of big box/anchor tenants that occupy more than 60% of CP's total NLA. Our earnings estimates are unchanged. Maintain **BUY** rating and S\$1.50 fair value (17.5% total return).

Reuters Code	FCRT.SI
ISIN Code	J69U
Bloomberg Code	FCT SP
Issued Capital (m)	767
Mkt Cap (S\$m / US\$m)	1,035 / 747
Major Shareholders	
Fraser Centrepoint Ltd	42.5%
Capital Grp	8.0%
Free float	49.5%
Daily Vol 3-mth ('000)	951
52 Wk Range	0.816 - 1.462

(\$ m)	FY08	FY09	FY10F	FY11F
Revenue	84.7	86.6	108.0	121.7
NPI	56.6	59.9	74.9	83.2
Distributions	45.2	46.9	60.0	65.5
Distr yield (%)	5.4	5.6	6.1	6.3
P/NAV (x)	1.1	1.1	1.1	1.1

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Exhibit 1: Potential pipeline assets for FCT

Retail Assets		
RETAIL Properties	(Est) NLA '000 sqf	Book Value \$ mil
The Centrepoint	332	594
Robertson Walk	98	52
Bedok Point ¹	81	na
Changi Business Park (Retail) ²	303	na

¹ Currently under development
² Currently under development; 50/50 JV with Ascendas

Source: Fraser & Neave, 14 Jun

¹ "Consumer confidence index up", Today, 20 May 2010² "GSS spending is up: MasterCard", Business Times, 11 Jun 2010

Fraser's Centrepoint Trust's Key Financial Data

EARNINGS FORECAST					BALANCE SHEET				
Year Ended 30 Sep (\$m)	FY08	FY09	FY10F	FY11F	As at 30 Sep (\$m)	FY08	FY09	FY10F	FY11F
Gross revenue	84.7	86.6	108.0	121.7	Investment properties	1063.0	1100.0	1400.3	1410.3
Total property expenses	-28.1	-26.8	-33.1	-38.4	Investment in associate	55.8	51.3	54.0	54.0
Net property income	56.6	59.9	74.9	83.2	Cash	5.6	11.5	7.1	8.3
Borrowing costs	-12.1	-12.5	-14.6	-17.6	Total current assets	8.1	14.1	10.4	12.0
Manager's management fees	-6.1	-6.5	-8.0	-9.1	Total assets	1127.0	1165.5	1464.8	1476.4
Net income	37.3	39.9	50.8	54.9	Current liabilities ex debt	24.7	31.3	31.6	33.2
Share of associate's profit	7.7	7.2	4.5	4.5	Debt	317.5	349.0	466.5	476.5
Revaluation of invt ppty	51.6	3.9	0.0	0.0	Total liabilities	359.8	401.7	520.0	531.6
Total return for the period	94.9	40.7	54.2	59.4	Unitholders' funds	767.2	763.8	944.8	944.8
Distribution to unitholders	45.2	46.9	60.0	65.5	Total equity and liabilities	1127.0	1165.5	1464.8	1476.4

CASH FLOW					KEY RATES & RATIOS				
Year Ended 30 Sep (\$m)	FY08	FY09	FY10F	FY11F		FY08	FY09	FY10F	FY11F
Net cash from operations	55.0	56.1	73.5	79.5	Units outstanding	620.2	625.8	768.4	772.1
Distr received from associate	3.4	3.7	4.2	4.3	DPU (S cents)	7.3	7.5	8.3	8.5
Properties acquired	0.0	0.0	-291.0	0.0	CFPS (S cents)	8.9	9.0	10.5	10.3
Net cash from investing	-21.3	-23.8	-296.8	-5.5	NAV (S\$)	1.2	1.2	1.2	1.2
Borrowing costs paid	-10.9	-11.0	-14.2	-17.3	NPI margin (%)	66.8	69.1	69.3	68.4
Distribution to unitholders	-42.8	-46.9	-62.6	-65.5	Distr to revenue (%)	53.4	54.2	55.6	53.8
Net cash from financing	-43.6	-26.4	218.8	-72.8	Distr yield (%)	5.4	5.6	6.1	6.3
Net cash flow	-9.9	5.9	-4.4	1.2	P/CF (x)	15.2	15.1	12.8	13.1
Beg. cash & cash equivalents	15.5	5.6	11.5	7.1	P/NAV (x)	1.1	1.1	1.1	1.1
Ending cash & cash equivalents	5.6	11.5	7.1	8.3	Total Debt/Total Assets (x)	0.3	0.3	0.3	0.3

Source: Company data, OIR estimates

SHAREHOLDING DECLARATION:

The analyst/analysts who wrote this report holds NIL shares in the above security.

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Head of Research

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