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9 March 2009

Market Pulse

Key Singapore Indices			
	Close	Chg	% Chg
STI	1513.1	-5.5	-0.4
Catalist	66.0	1.4	2.2
Finance	340.7	-2.3	-0.7
Property	294.1	2.1	0.7
Electronics	328.6	-1.4	-0.4
Vol (m)	784.4	-290.3	-27.0
Val (S\$m)	678.1	-205.6	-23.3

World Indices			
	Close	Chg	% Chg
Dow Jones	6626.9	32.5	0.5
Nasdaq	1293.9	-5.7	-0.4
S&P500	683.4	0.8	0.1
FTSE	3530.7	0.9	0.0
KLCI	858.2	-11.0	-1.3
Hang Seng	11921.5	-289.7	-2.4
Nikkei	7173.1	-260.4	-3.5
SET	419.5	2.4	0.6
KOSPI	1055.0	-3.2	-0.3
TWSE	4653.6	16.4	0.4

Market Statistics (SG)			
STI 52-week range	1,474	3,270	
No. of gainers		157	
No. of losers		247	
No. of unchanged		170	

Economic Statistics		
	Close	Chg
S\$/US\$	1.5	0.0
Yen/US\$	98.2	-0.1
3-mth S\$ SIBOR	0.7	0.0
3-mth US\$ SIBOR	1.3	0.0
Crude futures (US\$)	45.9	0.5

Research Team

(65) 6531 9800

e-mail: info@ocbc-research.com

Key Idea

S-REITs: 4Q CY08 report card

S-REITs within our coverage universe generally delivered a fairly steady set of 4Q CY08 results. We believe this was a function of timing lags rather than invulnerability. The same inertia played out in net asset values post the yearly property revaluations. Overall, we feel cap rates used by the independent valuers still do not fully reflect the downwards trend in capital values. In fact, the market is currently valuing these S-REITs on an average 61% discount to reported NAV. In our view, unit prices more than reflect the realities of falling capital values and refinancing risks. We feel the focus is now on how deeply S-REIT earnings and distributions will be affected by deteriorating economic conditions. Meanwhile, we continue to believe S-REITs will need to re-capitalize their balance sheets. However, the sector is competing for limited resources and factors like a strong sponsor will, in our opinion, make a difference. Maintain **NEUTRAL**

News Headlines

- A unit of Ezra, Lewek Shipping, is canceling shipbuilding contracts for two deepwater vessels as Karmsund Maritime Service AS said it will not be able to complete and deliver the vessels. Lewek is now demanding a refund of advance payments.
- Biosensors said it has received CE Mark approval for a 2.25mm diameter version of its BioMatrix drug-eluting stent system, offering an opportunity to increase market penetration.
- Jardine Strategic Holdings posted a 14% rise in revenue to US\$36.2b but net attributable profit fell 66% to US\$692m for FY08.
- A-Reit said that about S\$57m of the S\$108.7m gross proceeds from the preferential offering of units has been used to repay current outstanding credit facilities.
- Nico Steel Holdings expects to record a loss for FY09 but said it has sufficient financial resources to meet its current working capital requirements.
- A unit of Jasper was informed by Reliance Industries that the drillship, Neptune Explorer, is no longer required.
- Aztech Systems has set up three subsidiaries under AZ Marine and each new company will own one or two vessels.
- Ipco International expects to incur a loss for 3Q09, mainly due to provisions for impairment losses on investments and intangible assets, and marked-to-market portfolios of short and medium-term investments.
- CNA will acquire CNAD, an investment holding company, for an aggregate consideration of S\$919k.

Source: MasNet, Bloomberg, Business Times, Straits Times and others

S-REITs: 4Q CY08 report card

4Q earnings steady. S-REITs within our coverage universe generally delivered a fairly steady set of 4Q CY08 results. The results were in line with our expectations, excluding LMIR Trust. CapitaMall Trust and Suntec REIT reported similarly marginal QoQ increases in distribution income of 0.3% and 0.6%, respectively. Frasers Centrepoint Trust experienced some disruptions from asset enhancement works at one mall, but its other properties enjoyed both earnings growth and strong occupancy levels. We believe this quarter's performance was not evidence of stability or invulnerability but more a function of timing lags. In fact, other indicators like reversionary rents - achieved office rents at Suntec City fell 11% QoQ - point to a different trend.

No big NAV shake-up yet. The same inertia played out in net asset values. Excluding FCT (year end: Sep); the other S-REITs carried out their annual property revaluations in 4Q CY08. CapitaMall Trust registered a marginal 1.9% increase in property values over its last valuation in June 2008. Suntec REIT saw property values fall 7% against its 3Q CY08 revaluation. LMIR Trust also recorded a revaluation deficit, the bulk of which was driven by the adverse SGD-IDR movement over the year. Overall, we feel cap rates used by the independent valuers still do not fully reflect the downwards trend in capital values.

LTV is more important than reported leverage. Because of this timing lag, we believe reported balance sheet figures are under-estimating leverage and over-estimating balance sheet strength. In fact, the market is currently valuing these S-REITs on an average 61% discount to reported NAV. Lenders' appetite for loan-to-value have fallen because of both an expectation of falling capital values and a decreased appetite and capacity for risk.

Maintain NEUTRAL view. In our view, unit prices more than reflect the realities of falling capital values and refinancing risks. We feel the focus is now on how deeply S-REIT earnings will be affected by deteriorating economic conditions - and consequently what is the 'real' distribution yield. Meanwhile, we continue to believe S-REITs will need to re-capitalize their balance sheets. The recent equity fund raising announcements from blue-chips like Ascendas REIT (raising S\$408m) and CapitaMall Trust (S\$1.23b) have set the tone for the year. However, the sector is competing for limited resources - for instance, we believe rights issues would need to be underwritten in order to succeed. Once again, the strength of the sponsor (and the size of its stake) will make a difference. *(Meenal Kumar)*

Monday	Tuesday	Wednesday	Thursday	Friday
09-Mar	10-Mar	11-Mar	12-Mar	13-Mar
	SG 2Q Manpower Survey China 2Q Manpower Survey/China Feb PPI China Feb CPI US Jan Wholesale Inventories	China Feb Trade Balance	China Feb Retail Sales China Feb Ind Production US Feb Advance Retail Sales	SG Jan Retail Sales US Jan Trade Balance US Mar U. of Michigan Confidence
16-Mar	17-Mar	18-Mar	19-Mar	20-Mar
US Feb Industrial Production	SG Feb NODX US Feb PPI US Feb Housing Starts			
23-Mar	24-Mar	25-Mar	26-Mar	27-Mar
SG Feb CPI				
30-Mar	31-Mar	01-Apr	02-Apr	03-Apr
	SG Feb Money Supply SG Feb Bk Loans			
06-Apr	07-Apr	08-Apr	09-Apr	10-Apr
				China Mar Trade Bal(11 Apr)

**Note: US Initial jobless claims released every Friday. MBA mortgage applications released every Wednesday*
 All US Tech results dates have been adjusted to Singapore Date

Please refer to the individual company's full report for additional disclosures

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For OCBC Investment Research Pte Ltd



Carmen Lee
Head of Research

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