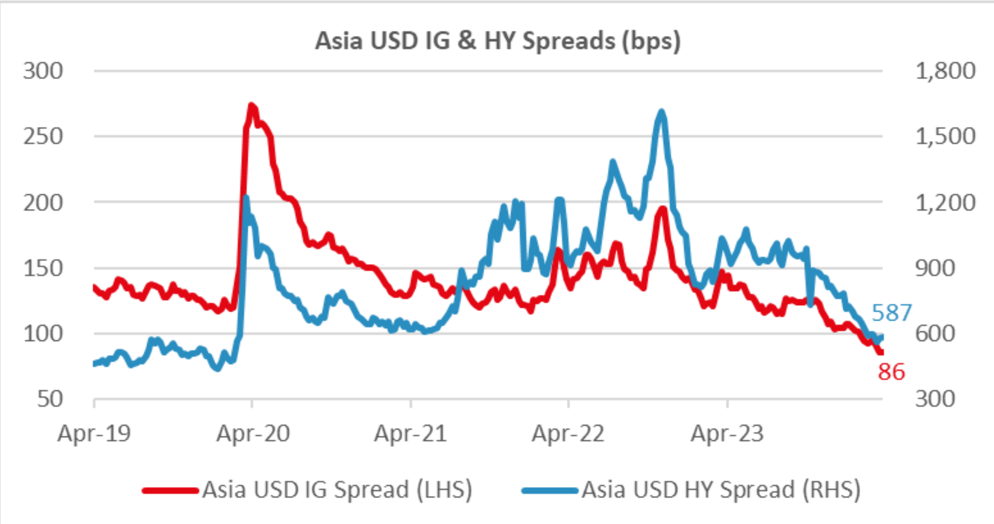
GLOBAL MARKETS RESEARCH

Monthly Credit View

4 April 2024

Monthly Themes & House View

- **Asiadollar spreads continued to tighten for the fifth consecutive month** in March 2024. Bloomberg Asia IG spreads reached its all-time low of 85bps on 26 March 2024, while as of 29 March, Bloomberg Asia HY spreads tightened by 14bps m/m to 587bps (multi-year low). The strong spread performance comes as investors continued to buy bonds in order to lock in returns before expected rate cuts by the Federal Reserve. Primary issuance for March was USD13.73bn, up 85% y/y (+49% m/m). It is expected that the tight spreads are providing fuel for the improved primary market activity in March.



- **Key headlines in March 2024 for Asiadollar markets included:**
  - **China Vanke Co. Ltd. ("Vanke") became junk grade** following its Investment Grade ratings were downgraded to "Ba1" and "BB" by Moody's (from "Baa2") and Fitch (from "BBB") amidst declining contracted sales and high liquidity concerns. Vanke's weaknesses continue despite support from its largest shareholder, Shenzhen Metro (a state owned enterprise). Shenzhen Metro is intending to subscribe to up to 30% of units of CICC-SCPG Consumption Infrastructure REIT through a strategic placement. Besides, **Vanke announced its 2023 net income tumbled 46% y/y**, worse than analyst expectations. In addition, news emerged that Vanke's Shandong-based partners accusing Vanke and the chairman of Vanke, Liang Yu, of misuse of funds, usury, tax evasion and money laundering.
  - **Country Garden Holdings Co. Ltd** ("COGARD"), one of the largest property developers in China that defaulted on a USD bond in October 2023, announced that it **will miss a deadline for reporting annual results**. As a result, the shares were suspended since the announcement was made on 28 March 2024.

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- **China new homes sales continued to struggle in March**, falling 46% y/y, following a 60% decline in February, according to a preliminary data from China Real Estate Information Corp.
- **Mixed home prices in China in March:** Prices of new homes gained 0.27% m/m in March, accelerating from 0.14% m/m in February according to China Index Holdings data. However, prices of the second-hand market fell 0.56% m/m.
- **More scrutiny on LGFV:** China's banking regulator has started to scrutinize offshore holdings of local government financing vehicles' ("LGFV") debt at China's financial institutions in Hong Kong, per Bloomberg news. LGFVs' financing activities have come under increasing scrutiny in recent months as the government seeks to rein in debt risks. In January, China's securities regulator asked some investors not to grow their exposure to short-term notes issued by LGFVs. More recently, several lenders were asked to limit use of a repayment-support mechanism known as a standby letter of credit that has backed offshore bond issuance by LGFVs.
- Elsewhere in **South Korea, the delinquency rate on real estate project financing loans at South Korean financial companies rose to 2.7% at end-2023** vs 2.42% at end-Sept. Governor of South Korea's Financial Supervisory Service Lee Bokhyun noted that the delinquency rate at current levels is manageable although added in a meeting with financial and construction firms that lenders should increase financial support such as expanding the project finance stabilization fund and actively restructure troubled loans given declining profitability and rising debt risks at real estate projects.
- Also, there were **several negative rating actions with outlooks on South Korean securities firms revised to negative from stable** on material exposure to overseas real estate investments, adding to stress within the domestic real estate project financing space. In a separate rating action, the **ratings outlook on South Korea's banking sector was revised to negative** from stable in March on expectations of weaker profitability and asset quality.
- **More scandals on Adani and Azure Power:** Several of the Adani Group's ("Adani") USD bonds fell a few points in March after news that US prosecutors have widened their probe to focus on whether it may have engaged in bribery for favorable treatment on energy projects. This probe is also looking at another Indian renewable energy company, Azure Power Global Ltd. ("Azure Power"). These are being handled by the US Attorney's Office for the Eastern District of New York and the Justice Department's fraud unit in Washington. That said, Adani Green Energy Limited denied the news, saying that the investigation is conducted on an unrelated third party.

- **The SGD primary market was active** with SGD2.8bn (Feb 24: SGD2.9bn, Mar 23: SGD3.0bn) priced. New supply was well absorbed, with no meaningful new issue concessions observed. The largest issuers were (1) HSBC Holdings PLC (SGD750mn of Tier 2 bank capital instrument), (2) Housing & Development Board (SGD700mn) and (3) Deutsche Bank AG (SGD400mn of senior non preferred note).

Key SGD issues

Issue	Size (SGD'mn)	Tenor	Pricing	Description
HSBC 4.75% '34s	750	10.5NC5.5	4.75%	Tier 2
HDBSP 3.151% '31s	700	7Y	3.15%	Fixed
DB 4.4% '28s	400	4NC3	4.40%	Senior Non-Preferred
ATH 0% '26s	200	2Y	-	Zero Coupon
NUSSP 3.255% '29s	200	5Y	3.26%	Fixed
FLTSP 3.83% '29s	175	5Y	3.83%	Fixed
ARTSP 3.69% '29s	120	5Y	3.69%	Fixed
WINGTA 4.38% '29s	100	5Y	4.38%	Fixed
MLTSP 3.81% '31s	75	7Y	3.81%	Fixed; Green Bond
CITNAT 3.86% '25s	30	1Y	3.86%	Fixed

Source: Bloomberg, Company, OCBC Credit Research

- **SGD Credit Universe gained 0.54% m/m in March**, with outperformance from Corporate Perpetuals (+1.56% m/m) and Additional Tier 1 bonds (+0.54% m/m).

SGD Tracker

	Key Statistics			Total Returns		
	(1 Jan 2021 = 100)	Eff Mty	Market Cap	m/m	y/y	Since Jan 2021
By Tenor & Structure						
AT1S	104.6	2.8Y	$8,994m	0.5%	12.5%	4.6%
NON-FIN PERP	109.1	10.6Y	$13,596m	1.6%	9.0%	9.1%
TIER 2S & Other Sub	107.0	4.1Y	$12,535m	0.5%	9.0%	7.0%
LONGER TENORS (>9YRS)	88.7	24.9Y	$11,566m	0.4%	11.7%	-11.3%
MID TENORS (>3Y-9YRS)	101.8	5.0Y	$39,181m	0.4%	5.8%	1.8%
SHORT TENORS (1-3YRS)	106.1	1.8Y	$21,985m	0.4%	4.8%	6.1%
MONEY MARKET (<12M)	109.7	0.4Y	$10,795m	0.4%	4.6%	9.7%
By Issuer Profile Rating						
POS (2)	104.9	8.7Y	$6,160m	0.4%	7.9%	4.9%
N(3)	106.6	2.9Y	$17,367m	0.4%	8.3%	6.6%
N(4)	106.6	4.2Y	$29,304m	0.5%	8.0%	6.6%
N(5)	102.7	2.4Y	$6,104m	0.6%	6.7%	2.7%

Source: OCBC Credit Research, Bloomberg

- **Corporate Perpetuals were gaining traction in 1Q2024**, rising 3.6% (in comparison to SGD Credit Universe 1Q2024: 1.3%) as more perpetuals are expected to be called amidst high reset distribution rates and discontinuation of Singapore Dollar Swap Offer Rate ("SOR"). For more information and trade recommendations of perpetuals, readers may refer to **Perpetual Series 9: 9 lives** of perpetuals published by OCBC Global Markets Credit Research on 18 March 2024.

- **Be ready to strike and Overweight corporate perpetuals.** As mentioned in our Credit Outlook 1H2024, we prefer positioning in the belly and long tenors when opportunities arise (e.g. primary issuance) while rates are still high. In addition, we are also Overweight on corporate perpetuals that we think have high chance to call. We think corporate perpetuals may outperform as (1) we believe a number of perpetuals will be called, (2) redemption would provide capital gains as most perpetuals trade below par, (3) supply of new perpetuals issuance is low, and if this persists, investors may redeploy some proceeds from the redeemed perpetuals to other outstanding perpetuals and (4) even if the issuer does not redeem, increased distribution rates (upon reset) may attract demand from credit investors looking for yield.

- **We published SGD Bond Trade Ideas Special Interest Commentary.** Key highlights include:
    - SGD bonds provides attractive alternatives to USD issues such as SIASP 5.25% ‘34s.
    - Investors who missed the SIASP USD bond deal may consider better alternatives in the SGD space.
    - Bonds with yield uplift in SGD terms include CAPITA 2.15% ‘32s, MCTSP 3.9% ‘34s, STHSP 2.48% ‘31s, SPSP 3.4% ‘32s, CHAAIR 1.88% ‘31s, STANLN 4.5% ‘33s.
- **In conjunction with this publication, we have provided select recommendation on USD bonds of issuers that are under our existing coverage.**

Key Developments in the SGD Credit Market

- **Singapore property prices rose 1.5% q/q in 1Q2024**, with increase in all segments including Outside Central Region (+0.4% q/q), Rest of Central Region (+0.2% q/q), Core Central Region (+3.1% q/q), Landed property (+3.4% q/q). Transaction volumes fell ~20% q/q to 3,482 units though this is higher by 16% y/y. The current pace of price increase of 1.5% is slightly ahead of our expectations that prices would increase between 3% and 5% in 2024.

- **Keppel Ltd (“KEP”) and Keppel Infrastructure Trust (“KIT”) proposed to enter into an agreement to amend and extend the Capacity Tolling Agreement (“CTA”) for the Keppel Merlimau Cogen plant by 10 years from 2030 to 2040**. KEP owns 49% stake while KIT owns 51% stake in the plant. If this is approved, the contracted cashflows will generate up to ~SGD1.1bn in capacity payments for the plant over the period and allow the existing loan on the plant to be restructured and resume distributions to KIT.

- **Seatrium Limited (“SMM” formerly known as Sembcorp Marine Ltd)** announced that several former key appointment holders at SMM Jurong Shipyard Pte Ltd have been charged with corruption offenses in relation to the company’s Brazil operations. SMM is in discussion with the public prosecutor to pay a financial penalty of USD110mn (~SGD149mn) under a deferred prosecution agreement. Events at SMM should have minimal implication on Keppel Ltd (“KEP”), with KEP holding only ~2% stake in SMM. As a recap, in 1Q2023, KEP sold Keppel Offshore & Marine Ltd (“KOM”) to SMM. In December 2022, KOM had already reached a global resolution with authorities in the US, Brazil and Singapore in relation to Operation Car Wash with penalty amounts paid.

- **Oxley Holdings Ltd (“OHL”) priced SGD88mn OHLSP 7.25% ‘25s**. Further to the previous announcement of SGD62mn issued under the exchange offer (from OHLSP 6.9% ‘24s), OHL announced that it priced SGD88mn OHLSP 7.25% ‘25s, with SGD26mn issued as new notes in addition to amounts that were exchanged.

- **Singapore Post Ltd (“SingPost”) has completed the strategic review initiated in May 2023.** SingPost will divest assets that are non-core to its strategy of focusing on logistics. Investment Properties (SGD 965.8mn book value as at 30 Sept 2023) including SingPost Centre (SGD850.2mn book value as at 31 March 2023) are expected to be disposed to recycle capital. From the perspective of credit holders, the outcome of this strategic review is not entirely positive despite some funds from capital recycling of investment properties (SGD965.8mn book value as at 30 Sept 2023) possibly being used to reduce debt (SGD927.2mn including SGD250mn perpetual as at 31 December 2023, though it still remains to be seen in terms of debt reduction quantum). Investment properties have been consistently contributing SGD44mn to SGD54mn in FY2019 – FY2023. Moreover, there could be further M&A in the Australia logistics business per the strategic review announcement. We expect to see more income volatility amidst higher operating business risks of logistics in Australia in comparison to investment properties and logistics/postal businesses in Singapore.

- **Frasers Property Ltd ("FPL") announced that it will redeem its SGD600mn FPLSP 4.98%-PERP on 11 April 2024**, which is the first call date. This is the first non-financial corporate perpetual in the SGD credit market that is redeemed at the first call date since March 2023.

<u>Merger, acquisition and disposal deals announced by companies below:</u>

- **Mapletree Logistics Trust ("MLT") and Mapletree Investments Pte Ltd ("MAPL"):** MAPL, the single largest equity holder of MLT who is also MLT's sponsor, has reduced its deemed stake in MLT to ~25.8% (from ~31.7%). Aranda Investments Pte Ltd ("Aranda") has emerged as a substantial equity holder of MLT with a 5.93%-stake. Aranda is an indirect wholly-owned subsidiary of Temasek Capital (Private) Limited ("Temasek Capital"). We note that as of February 2022, Temasek Capital is in turn a wholly-owned subsidiary of Temasek Holdings (Private) Limited ("Temasek"). We see this change as credit neutral to MLT as our view on MLT has historically been underpinned by the standalone credit strength of MLT.

- **Olam Group Ltd ("OG")** announced that Olam Agri Holdings Limited ("Olam Agri", ~65% indirectly owned by OG) has submitted a non-binding indicative offer for the acquisition of all shares in Namoi Cotton Limited ("Namoi"). The total consideration of Olam Agri's offer is ~AUD122mn (~SGD107mn).

- **Frasers Property Ltd ("FPL") is divesting its interest in Capri by Fraser, Changi City to a third party** for a sum that has yet to be disclosed. Frasers Hospitality Trust "FHT") has decided not to exercise the right of first refusal ("ROFR") to acquire the property, citing that the property does not meet its prevailing investment strategy. In recent months, aside from Capri by Fraser, FPL has sold four logistics assets to Frasers Logistics & Commercial Trust ("FLCT") and its 24.5% effective in NEX at valuations of EUR129.5mn (~SGD188.9mn) and ~SGD523.1mn respectively. Use of proceeds are likely to be used for the redemption of the SGD600mn FPLSP 4.98% PERP.

- **Frasers Logistics & Commercial Trust ("FLCT")** announced that it will be buying an 89.9% interest in a portfolio of four properties from its sponsor, Frasers Property Limited ("FPL") at an agreed property price of SGD188.9mn. Earlier FPL announced that it will be selling a ~25% stake in NEX, a major retail mall in Serangoon to another of its sponsored REITs, Frasers Centrepoint Trust ("FCT") and FPL is also looking to sell a hotel in Changi where we know that yet another sponsored REIT, Frasers Hospitality Trust ("FHREIT"), is assessing this potential target. We are monitoring FPL given the spate of asset disposals at the company.

- **Singapore Telecommunications Ltd ("SingTel") sold a 0.8% direct stake in Airtel** to US-based investment firm GQG Partners for SGD0.95bn as part of SingTel's capital recycling efforts to unlock value. The sale will reduce SingTel's stake from 29.8% to 29.0%, with the remaining 29.0% stake worth an estimated SGD33bn. The gain from the sale is estimated at SGD0.7bn. We note that this is not the first time that SingTel is selling; in 2022, SingTel sold a 3.3% direct stake in Airtel for SGD2.54bn. Meanwhile, **SingTel reiterated that there is "no impending deal to divest Optus"**, which "remains a strategic and integral part of the Singtel Group".

- **Australia & New Zealand Banking Group Ltd ("ANZ") has announced the sale of 16.5% of its holdings in Malaysia's AMMB Holdings Bhd** ("AmBank") through a block trade. This will reduce ANZ's ownership to 5.2% with settlement expected on 8 March 2024. As per ANZ's statement, the move is in line with its desire to simplify the bank. The impact will be accretive to its CET1 ratio (+16bps) but not have a material impact on profit.

Stable and positive earnings are published by companies below:

- **Shangri-La Asia Limited's ("SHANG")** consolidated revenue for 2023 increased by 46.5% y/y to USD2.1bn, driven by improvements in the Hotel-related revenue streams. 2023 consolidated revenue was 88% of 2019's consolidated revenue (before COVID). The recovery in travel and hospitality resulted in reported operating profit of USD214.7mn in 2023 against a reported operating loss of USD4.3mn in 2022. We see refinancing risk as manageable with cash balance of USD870.8mn. Unadjusted net gearing (including lease liabilities as debt) was 0.98x as at 31 December 2023, slightly lower than the 1.03x as at 30 June 2023 (31 December 2022: 1.00x in end-2022), driven by higher cash levels at SHANG.

- **Standard Chartered PLC ("StanChart") announced its 2023 results** with a 22% and 19% y/y rise in underlying and reported profit before taxation to USD5.68bn and USD5.09bn respectively. This was due to positive JAWS and lower credit impairments. Operating income rose 10% y/y to USD17.38bn, mostly from higher net interest income (+23% y/y) due to a 23bps rise in net interest margins to 1.67%. Credit impairment expenses of USD528mn fell 37% on an underlying basis or 17bps in annualised loan loss rate, well below the historical through the cycle rate of 30-35bps. StanChart's capital position improved 10bps y/y to 14.1% as at 31 December 2023 and remains 3.5% above its 10.5% regulatory minimum and at the top of the bank's 13-14% target range. Given the solid earnings and capital position, management have guided a target shareholder return of USD5bn over the next three years, announcing a new USD1bn share buyback.

- **City Developments Ltd ("CDL") reported 2023 results**, which revealed strong underlying performance though net gearing levels have trended higher due to acquisitions. Reported EBITDA excluding one-offs rose ~53% y/y to SGD1.0bn, led by property development (+91% y/y to SGD466mn) while other segments also did well including Hotel operations (+62% y/y to SGD282mn) and Investment Properties (+27% y/y to SGD218mn). Adding back divestment gains and impairment losses, reported EBITDA fell 52% y/y to SGD1.1bn. Net gearing including fair value on investment properties rose 10 ppts y/y to 61% while reported interest cover ratio was 2.8x (2022: 9.8x). Net gearing levels rose mainly due to acquisitions that were undertaken (e.g. St Katharine Docks, hotels).

- **Hotel Properties Ltd ("HPL") reported 2023 results.** While results revealed significant recovery and credit metrics have improved, HPL made a loss from its associate/JV and faces higher financing costs. Revenue rose 22.2% y/y to SGD642.1mn, with gross profit rising 39.2% y/y to SGD146.7mn. Hotel was the main driver, with segment revenue rising to SGD618.1mn (2022: SGD502.9mn) and segment reported PBIT increasing to SGD82.4mn (2022: SGD37.5mn). Headline credit metrics improved partly due to improved results and partly due to fair value gains: Net gearing improved h/h to 59% (1H2023: 84%) mainly due to fair value gains. Separately, cash of SGD94.8mn covers short term debt of SGD49.5mn, noting that debt was refinanced.

- **Olam Group Ltd ("OG") reported its 2H2023 and 2023 financial results.** Reported EBITDA (excluding exceptional items) in 2H2023 was SGD1.3bn, higher by 13.4% y/y while reported EBIT (excluding exceptional items) was SGD952.3mn, increasing by 19.3% y/y in 2H2023. 2H2023 finance cost was significantly higher y/y at SGD684.9mn (2H2022: SGD522.4mn, 1H2023: SGD606.2mn) due to higher interest rates, with resultant reported EBITDA/Interest expense lower at 1.9x in 2H2023 versus 2.2x in 2H2022. Reported net gearing was relatively stable h/h at 1.74x as at 31 December 2023 although higher than the 1.47x as at 31 December 2022). As a recap, OG's board of directors had directed the Audit and Risk Committee ("ARC") to conduct a review of the recent Nigeria related allegations and the review by the ARC (conducted with the assistance of external counsels and independent external accountants) has been completed. Based on the scope of the review, the team did not identify evidence that establishes the allegations set out in the media articles.

- **CapitaLand Investment Ltd ("CLI") reported 2023 results.** Operating profit was impacted primarily by revaluation losses and weaker performance from the real estate investment business while credit metrics remain manageable. 2023 revenue fell 3.2% y/y to SGD2.78bn (net of corporate & others), mainly due to declines in the real estate investment business ("REIB", -8.5% y/y to SGD1.93bn) while fee-related income business rose ("FRB", +12.0% y/y to SGD1.07bn). However, overall reported EBITDA fell ~44% y/y to SGD1.10bn, mainly from the non-operating segment of REIB segment recording a SGD371mn loss. Reported net debt/equity rose 0.04x y/y to 0.56x, reported net debt to EBITDA rose to 6.3x (2022: 5.6x) while reported interest coverage ratio fell to 3.8x (2022: 4.7x).

- **OUE Limited ("OUE") reported 2023 results.** Overall earnings on an adjusted basis are adequate though credit metrics weakened modestly due primarily to higher interest expenses. Earnings fell considerably primarily due to substantially lower earnings contribution from investees and higher interest expense. Reported EBIT and net profit fell 16.2% and 57.3% y/y to SGD289.4mn and SGD81.1mn respectively. Reported net gearing ratio worsened 1.6ppts y/y to 46.2% as at 31 December 2023. Meanwhile, Adjusted EBITDA/ interest fell to 1.99x (2022: 2.46x) amidst higher interest expenses. On a standalone basis (excluding consolidation of OUEREIT and FIRT), OUE's debt to asset ratio remained healthy at 19.1% as at 31 December 2023 (2022: 21.1%). Meanwhile, short-term liquidity risks are manageable with cash of SGD88.1mn compared to short term debt of SGD37.2mn.

- **CK Asset Holdings Limited ("CKA") reported 2023 results**. Overall results are still adequate amidst the challenging residential property market and office segments in HKSAR. We think CKA's prudent financial policy and healthy credit fundamentals will help CKA to sail through the uncertain outlook. Revenue fell 10.6% y/y to HKD71.1bn while reported profit after tax from continuing operations (excluding discontinued aircraft leasing business) fell 10.2% y/y to HKD17.3bn. Gearing remained healthy, with a reported net debt to equity ratio of 3.2% as at 31 December 2023 (June 23: 1.4%). Based on our calculation, EBITDA to adjusted interest (including perpetual distribution) ratio fell y/y to 4.67x (2022: 6.28x) due to weaker earnings and higher interest expenses. Meanwhile, adjusted net debt (including perpetual) to EBITDA weakened y/y to 1.03x (2022: -0.21x due to net cash position).

- **Hongkong Land Holdings Ltd ("HKL") and The Hongkong Land Company Ltd ("HKCL") released 2023 results**. We see the overall underlying results are adequate while interest coverage ratio weakened somewhat amidst higher interest rates. HKL's results was underpinned by the resilient Investment Properties segment. HKL's reported underlying net profit declined 5% y/y to USD734mn, affected by lower profits from Development Properties while offset by improved results from Investment Properties. HKL turned to a net loss of -USD582mn from net profit of +USD203mn, dragged primarily by the USD1.32bn (2022: USD573mn) fair value losses from the Investment Properties portfolio. The portfolio continued to record lower valuations due to weaknesses in the HKSAR office space. Credit fundamentals though remained decent with lower net debt of USD5.4bn as at 31 December 2023 (2022: USD5.8bn). Meanwhile, net gearing remained healthy at 17% (2022: 17%).

Relatively weak/lacklustre results were published by companies below:

- **Lippo Malls Indonesia Retail Trust ("LMRT") reported 4Q2023 results.** Overall results are weak with high liquidity risks despite obtaining two major loan facilities (SGD198mn and IDR2.5 trillion) in 4Q2023. 4Q2023 net property income ("NPI") fell by 10.2% y/y to SGD28.6mn. On an IDR basis, NPI fell 7.4% y/y to IDR330.6bn. Operating metrics remained lacklustre despite COVID years behind us with occupancy improving by 2.2ppts q/q (-1.2% y/y) to 79.0% as at 31 December 2023. 4Q2023 shopper traffic remained muted, declining 0.8ppts q/q to 67.9% of pre-COVID levels. On a proforma basis post the 2024 USD bonds tender offer, liquidity risks remain high as LMRT had unrestricted cash of SGD36.7mn compared to SGD208.1mn debt maturing in 2024, comprising USD138.4mn (~SGD182.2mn, maturing on 19 June 2024) bonds and a SGD25.9mn term loan facility.

- **Wing Tai Properties Ltd ("WTP") reported 2023 financial results**. Overall results are lackluster though not unexpected given there are limited Property Development units available to sell. Revenue fell 78.5% y/y to HKD882.4mn while reported core profit attributable to shareholders (excluding HKD1.1bn non-cash net valuation loss, of which HKD720mn was from Landmark East in HKSAR) fell 70% y/y to HKD197mn (2022: HKD658mn) mainly due to limited Property Development units available to sell. As at 31 December 2023, the Group's net adjusted debt (including perpetual) to equity improved marginally to 21.7% (2022: 21.9%). Based on our calculation, EBITDA to adjusted interest expenses (including perpetual distribution) ratio fell y/y to 0.7x (2022: 4.2x). Meanwhile, adjusted debt to EBITDA surged y/y to 43.2x (2022: 7.1x).

Issuer Profile Changes / Updates

- We **assign a Positive (2) issuer profile rating to Singapore Exchange Limited ("SGX") and expect this to be stable in the next 12 months**, underpinned by its exceptional credit fundamentals, highly consistent financial results and diversified multi-asset strategy. Despite the MAS Financial Sector Development Fund's 23.41% stake on SGX, we are not factoring in state support in our Positive (2) issuer profile rating.

- We **maintain our issuer profile on DBS Group Holdings Ltd ("DBS") and United Overseas Bank Ltd ("UOB") at Positive (2)**. We expect that DBS and UOB's business franchises will mitigate earnings pressure from lower interest rates and potentially slower credit demand.

- We **maintain our issuer profile on Singapore Airlines Ltd ("SIA") at Neutral (3) and expect this to be stable in the next 12 months**. Our base case assumes successful completion of the Enlarged Air India transaction. We would review the issuer profile should SIA take on more leverage for the investment beyond what has been announced and/or become a guarantor of Enlarged Air India debt in the next 12 months.
- We continue to **maintain our issuer profile on Mapletree Pan Asia Commercial Trust ("MPACT") at Neutral (3)**, **albeit with a cautious outlook**, in view of weaker credit metrics with MPACT more levered than MCT-standalone amidst the still high interest rate environment. That said, we look forward to further operational improvements at Festival Walk.

- We **maintain Oxley Holdings Ltd's ("OHL") Issuer Profile rating at Negative (6)**, with lacklustre results in 1HFY2024, substantial amount of near-term debt maturing and ~1.5x net gearing.

- We **maintain our issuer profile on Suntec Real Estate Investment Trust ("SUN") at Neutral (4), albeit with a cautious outlook** given the soft operating environment in Australia and UK (SUN's business is focused on office in those markets) while SUN's credit metrics have deteriorated amidst the still high interest rate environment.

- Please note that due to OCBC's engagement in other business activities, we have **suspended our coverage** on the following names until these activities are completed: **Wing Tai Holdings Limited, Deutsche Bank AG and Frasers Logistics & Commercial Trust.**

- Please note that due to the completion of OCBC's engagement in other business activities, we have **resumed coverage** on the following names: **Standard Chartered PLC and Mapletree Pan Asia Commercial Trust.**

Trade Ideas

- **DBSSP 3.30% 'PERPc25s (USD):** Recent record earnings for DBS Group Holdings Ltd ("DBS") highlight DBS's skew towards net interest income as well as its solid market positions in consumer and business banking. Loan quality metrics remain strong with other credit ratios including capital, leverage and liquidity ratios well above requirements. We think DBS remains positioned for growth and expect DBS's business franchises will mitigate earnings pressure from lower interest rates and potentially slower credit demand in 2024. We have a generally constructive view on the fundamental outlook for Financial Institutions under our coverage and maintain our neutral call on bank capital instruments. With SGD bank capital instruments limited, we look to the USD issues for DBS that generate better relative value than the SGD space although overall we continue to see better value in SGD bank capital instruments issued by foreign banks, particularly those with higher coupons.

- **OUECT 3.95% '27s (SGD):** OUE Real Estate Investment Trust ("OUEREIT") is a mid-sized diversified REIT in Singapore, with a market cap of SGD1.5bn as of 28 March 2024 while total assets were SGD6.3bn as at 31 December 2023. By 2023 revenue, OUEREIT's assets are contributed by offices (51%), retail (17%) and hospitality (32%). 2H2023 net property income ("NPI") grew by 15.9% y/y to SGD119.7mn as improvements were evidenced across OUEREIT's portfolio, particularly the Hospitality segment. Aggregate leverage improved by 1.2ppts q/q to 38.2% as at 31 December 2023 with no further refinancing requirements until 2H2025. Meanwhile, reported adjusted interest coverage ratio ("ICR") remained stable at 2.4x despite the weighted average cost of debt increased 0.1ppts q/q to 4.3%. The bond is attractive, trading at ask yield of 4.22%.

Model Portfolio

- **Rose 1.03% m/m:** It was another strong month for the model portfolio, outperforming gains in the broader SGD credit universe (+0.34% m/m). With the model portfolio having made consecutive gains in February (+0.76% m/m) and January (+0.84% m/m), total returns are at its highest level since its inception in 2021.

- **Maturity with more redemption ahead:** METRO 4.3% '24s matured, and FPLSP 4.98% PERP and SOCGEN 6.125% PERP will be redeemed in April as the issuers have exercised the call.

- **Redeployed to UBS 5.75% PERP and BPCEGP 5% '34c29s:** With most of the spreads looking compressed for straight bonds, we redeployed the maturities to UBS 5.75% PERP and BPCEGP 5% '34sc29s, which offer decent yields still in our view.

Model Portfolio (cont.)

Issue Name	OCBC Issuer Profile Rating	Yield to Worst	Maturity / First Call Date / Reset Date	Cost of investment (incl. acc. interest)	Current Value (incl. acc. interest)	Total coupons received	Total Gain/Loss
Property Developers							
OUECT 3.95 05/05/27	5	4.22%	05/05/2027	$242,063	$251,383	$10,271	$19,592
GUOLSP 4.6 PERP	5	5.73%	23/01/2025	$243,735	$248,688	$17,250	$22,204
FPLSP 4.98 PERP	5	0.01%	11/04/2024	$251,331	$256,013	$0	$4,682
FPLSP 3 10/09/28	5	4.22%	09/10/2028	$227,004	$240,385	$3,760	$17,141
REITs							
SPHRSP 4.1 PERP	4	5.96%	30/08/2024	$245,856	$249,023	$15,389	$18,556
AAREIT 5.65 PERP	4	5.57%	14/08/2025	$258,838	$251,657	$42,375	$35,194
CERTSP 5 PERP	Unrated	10.28 %	24/11/2026	$248,181	$150,050	$25,000	-$73,131
Financial Institutions							
SOCGEN 6 1/8 PERP	4	3.38%	16/04/2024	$264,948	$257,319	$45,833	$38,204
CS 5 5/8 PERP	Unrated			$264,341	$0	$28,125	-$236,216
STANLN 5 3/8 PERP	4	5.62%	03/10/2024	$262,020	$249,237	$47,031	$34,248

UBS 4.85 PERP	3	4.85%	04/09/2024	$258,118	$250,346	$24,250	$16,479
UBS 5 3/4 PERP	3	5.50%	21/08/2029	$254,709	$254,709	$0	$0
BACR 8.3 PERP	4	6.81%	15/09/2027	$262,992	$262,012	$31,125	$30,145
BACR 7.3 PERP	4	6.77%	15/06/2028	$224,569	$254,261	$13,688	$43,380
BPCEGP 5 03/08/34	Unrated	4.92%	08/03/2034	$251,854	$251,854	$0	$0
SOCGEN 8 1/4 PERP	4	6.39%	15/07/2027	$260,149	$267,907	$30,938	$38,695
DB 5 09/05/26	4	4.14%	05/09/2025	$251,649	$253,526	$25,000	$26,876
CMZB 6 1/2 04/24/34	4	5.47%	24/04/2034	$252,056	$267,594	$0	$15,537
Others							
HKLSP 3.45 12/03/39	2	4.20%	03/12/2039	$229,663	$228,307	$0	-$1,356
OLAMSP 4 02/24/26	Unrated	6.13%	24/02/2026	$253,341	$240,059	$34,959	$21,677
OLGPSP 5 3/8 PERP	5	8.41%	18/07/2026	$244,179	$236,467	$13,438	$5,725
SLHSP 3 1/2 01/29/30	4	4.05%	29/01/2030	$243,420	$243,521	$4,339	$4,440
ESRCAY 5.65 PERP	Unrated	6.52%	02/03/2026	$255,577	$246,244	$49,438	$40,105
SGXZ35614007	Unrated	3.73%	30/04/2024	$13,964	$13,964	$0	$0
Total Gain/Loss since portfolio inception							$424,557

Statistics	Simple Avg, Issuer Profile	Simple Avg, Yield*	Simple Avg, Tenor	Total, Invested Amount	Cash Balance	Unrealised Profit	Portfolio Value
	4.1	5.42%	3.6Y* (7.5Y**)	$5,764,557	$29	-$340,030	$5,424,557

*Assume first call date as maturity, or reset date as maturity (if not called at first call)

**Assuming maturity of perpetuals = 10Y, and issuers do not exercise the call for non-perps with call dates. Excludes SITB

Upcoming Bond Maturities – April 2024

Issuer Name	Ticker	Amount (SGDmn)	Maturity / Call* Date
Metro Holdings Ltd/Singapore	METRO	200	02/04/2024
Goldman Sachs Group Inc	GS	500	04/04/2024
Keppel REIT MTN Pte Ltd	KREITS	75	08/04/2024
Singapore Airlines Ltd	SIASP	300	08/04/2024
Keppel REIT	KREITS	53.5	10/04/2024
Frasers Property Treasury Pte Ltd	FPLSP	600	*11/04/2024
Cagamas Global PLC	CAGA	60	12/04/2024
Societe Generale SA	SOCGEN	750	*16/04/2024
UBS AG/London	UBS	50.78	19/04/2024
ARA Asset Management Ltd	ARASP	100	23/04/2024

Source: OCBC Credit Research, Bloomberg

Current / Recent Reports from OCBC Credit Research

- SGD Bond Trade Ideas Special Interest Commentary (28 March 2024)
- DBS Group Holdings Ltd and United Overseas Bank Ltd: Credit Update (22 March 2024)
- Singapore Exchange Ltd: Credit Initiation (21 March 2024)
- Singapore Airlines Ltd: Credit Update (19 March 2024)
- Perpetual Series 9 Special Interest Commentary (18 March 2024)
- Mapletree Pan Asia Commercial Trust: Credit Update (15 March 2024)
- Oxley Holdings Ltd's: Credit Update (13 March 2024)
- Suntec Real Estate Investment Trust: Credit Update (06 March 2024)
- Housing & Development Board: Special Interest Commentary (1 March 2024)
- Frasers Centrepoint Trust: Credit Update (23 February 2024)

- CapitaLand Ascott Trust: Credit Update (22 February 2024)
- Mapletree Logistics Trust: Credit Update (8 February 2024)
- First Real Estate Investment Trust: Credit Update (2 February 2024)
- Singapore Property Special Interest Commentary (29 January 2024)
- Sustainable Finance Special Interest Commentary (23 January 2024)
- REIT Special Interest Commentary (9 January 2024)
- Singapore Credit Outlook 1H2024 (5 January 2024)
- Lippo Malls Indonesia Retail Trust: Credit Update (14 December 2023)
- Standard Chartered PLC: Credit Update (7 December 2023)
- HSBC Holdings PLC: Credit Update (7 December 2023)
- Barclays PLC: Credit Update (6 December 2023)
- UBS Group AG: Credit Update (6 December 2023)
- Mapletree Investments Pte Ltd: Credit Update (27 November 2023)
- Frasers Property Ltd: Credit Update (27 November 2023)
- Singapore Airlines Ltd: Credit Update (17 November 2023)
- Sustainable Finance Update 3Q2023 (15 November 2023)
- Wing Tai Properties Limited: Credit Update (26 October 2023)
- Keppel Real Estate Investment Trust: Credit Update (25 October 2023)
- Shangri-La Asia Limited: Credit Update (17 October 2023)
- Lendlease Group: Credit Update (11 October 2023)
- Oxley Holdings Limited: Credit Update (10 October 2023)
- City Developments Limited: Credit Update (5 October 2023)
- Keppel Corporation Limited: Credit Update (4 October 2023)
- OUE Limited: Credit Update (26 September 2023)
- Financial Institutions 1H2023 Update (22 September 2023)
- GuocoLand Ltd: Credit Update (19 September 2023)
- 1H2023 Sustainable Finance Update (11 September 2023)
- Olam Group Limited: Credit Update (8 September 2023)
- Frasers Hospitality Trust: Credit Update (7 September 2023)
- StarHub Ltd: Credit Update (5 September 2023)
- Frasers Logistics & Commercial Trust: Credit Update (5 September 2023)
- CapitaLand China Trust: Credit Update (5 September 2023)
- Sembcorp Industries Limited: Credit Update (18 August 2023)
- Singapore Credit Outlook 2H2023 - Financial Institutions – Lessons in Regulator Intent and Structure (30 June 2023)
- Singapore Credit Outlook 2H2023 (30 June 2023)

Explanation of Issuer Profile Rating / Issuer Profile Score

Positive ("Pos") – The issuer's credit profile is either strong on an absolute basis or expected to improve to a strong position over the next six months.

Neutral ("N") – The issuer's credit profile is fair on an absolute basis or expected to improve / deteriorate to a fair level over the next six months.

Negative ("Neg") – The issuer's credit profile is either weaker or highly geared on an absolute basis or expected to deteriorate to a weak or highly geared position over the next six months.

To better differentiate relative credit quality of the issuers under our coverage, we have further sub-divided our Issuer Profile Ratings into a 7-point Issuer Profile Score scale.

IPR	Positive		Neutral			Negative	
IPS	1	2	3	4	5	6	7

Explanation of Bond Recommendation

Overweight ("OW") – The issue represents **better relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Neutral ("N") – The issue represents **fair relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Underweight ("UW") – The issue represents **weaker relative value** compared to other bonds from the same issuer, or bonds of other issuers with similar tenor and comparable risk profile.

Please note that Bond Recommendations are dependent on a bond's price, underlying risk-free rates and an implied credit spread that reflects the strength of the issuer's credit profile. Bond Recommendations may not be relied upon if one or more of these factors change.

Other

Suspension – We may suspend our issuer rating and bond level recommendation on specific issuers from time to time when OCBC is engaged in other business activities with the issuer. Examples of such activities include acting as a joint lead manager or book runner in a new issue or as an agent in a consent solicitation exercise. We will resume our coverage once these activities are completed. We may also suspend our issuer rating and bond level recommendation in the ordinary course of business if (1) we believe the current issuer profile is incorrect and we have incomplete information to complete a review; or (2) where evolving circumstances and increasingly divergent outcomes for different investors results in less conviction on providing a bond level recommendation.

Withdrawal ("WD") – We may withdraw our issuer rating and bond level recommendation on specific issuers from time to time when corporate actions are announced but the outcome of these actions are highly uncertain. We will resume our coverage once there is sufficient clarity in our view on the impact of the proposed action.

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