SINGAPORE STRATEGY

January 3, 2025

The Time & The Place

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Singapore Strategy

The Time and the Place

Convergence of themes set to drive momentum

Following a strong 2024 finish, we expect Singapore's positive momentum to continue in 2025E. Our new STI target of 4,020 offers +6% upside. There is potential for upgrades as Singapore stands to be a relative beneficiary of the US-China Trade War, while also enjoying spill-over effects of Chinese fiscal stimulus. Strong balance sheets should accelerate capital returns, while early investments in AI are likely to start contributing to efficiencies. Additionally, we think the JS SEZ and MAS equity market reforms could have positive catalytic effects, if executed well. Top picks: **DBS, UOB, OCBC, SPOST, Marco Polo, CLAR, CICT, Singtel, Grab, and Sea**.

2025 themes: Trade war, China, capital returns, AI

Singapore's trade deficit and FTA with the US may give it relative security amid an intensifying US-China trade war. This should further consolidate its safe haven and financial centre status, benefitting from supply chain shifts from North Asia to ASEAN. Ongoing fiscal stimulus to revive the Chinese economy should also have positive spill-over effects - 62% of the fifty-largest market cap stocks listed in Singapore are generating revenues in China and Hong Kong. The past 5-year focus on corporate restructuring and capital management are set to bear fruit. We expect the pace of capital returns to accelerate with STI posting an +8% 2024-26E DPS CAGR vs. +6% in the previous 10 years. We also expect improved efficiencies to start showing in earnings through mainstreaming AI use cases in 2025.

Raise STI target to 4,020. Risks on the upside

3Q24 core-EPS growth has been sequentially positive for 3 quarters. Positive earnings surprises increased to 43% of MIBG coverage vs. 26% in 2Q. We expect this momentum to carry through to 4Q24. However, a high base effect is likely to slow STI EPS to +2.3% in 2025E vs. +7.7% in 2024E. Following upgrades, we raise our 12-mth STI target to 4,020 from 3,890. Our 50:50 weighting of bottom-up fundamentals and target PE/PB methodology is unchanged. We see further upgrade risks as 2025E themes play out. Plus, we see two positive known unknowns: (a) the JS-SEZ lowering operating costs for corporates, (b) positive reforms under the MAS equity market review raising valuations, improving liquidity and increasing market breadth. Yet, timing and execution effectiveness is too soon to call, so we impute nothing in our forecasts.

Banks, REITs, Internet, SMIDs to lead momentum

OW: Stronger fees and high CET-1 levels should drive Banks to lead in capital returns; REITs offer cheap valuations and improvements to distributions; SMIDs should benefit from positive oil & gas and restructuring dynamics; Internet should enjoy stable competition, strong GMV growth and rising fintech contributions; Telecom could see potential market consolidation and capital returns; Industrials offer high earnings and dividend visibility; and Gaming benefits from mass market capacity. **Neutral**: Healthcare, Transport & Plantations. **UW**: Tech Manufacturing on slow demand. Our stock picks reflect 2025 Theme winners.

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Top picks

Stock	Rec	Price LCY	TP LCY	Upside %
Ascendas REIT	Buy	2.60	3.10	19.2
CICT	Buy	1.95	2.30	17.9
DBS	Buy	43.96	46.91	6.7
Grab Holdings	Buy	4.74	6.20	30.8
Marco Polo	Buy	0.05	0.08	50.9
OCBC	Buy	16.64	17.89	7.5
Sea Ltd	Buy	104.87	130.00	24.0
Singapore Post	Buy	0.54	0.77	42.6
Singtel	Buy	3.09	3.65	18.1
UOB	Buy	36.55	38.75	6.0

Source: FactSet, Maybank IBG Research

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1. Macro Outlook 2025E: Building Boom

1.1 Resilient Growth Despite Trade War 2.0

We forecast resilient GDP growth of +2.6% in 2025 and +2.3% in 2026, moderating from a strong +3.6% in 2024. Our 2025 GDP forecast is at the upper end of the Ministry of Trade and Industry's 1% to 3% projection. Easing monetary conditions, a generous election Budget, and the speeding up of construction of major infrastructure, HDB and private projects will help cushion the uncertainty and shock from Trump's global trade war.

Singapore and the rest of Southeast Asia are spared from Trump's opening tariff salvo so far, which is targeting Mexico, Canada and China. The wider China-ASEAN tariff gap from the additional 10% tariff rate on Chinese imports could accelerate the shift in global manufacturing supply chains and increase FDI to ASEAN.

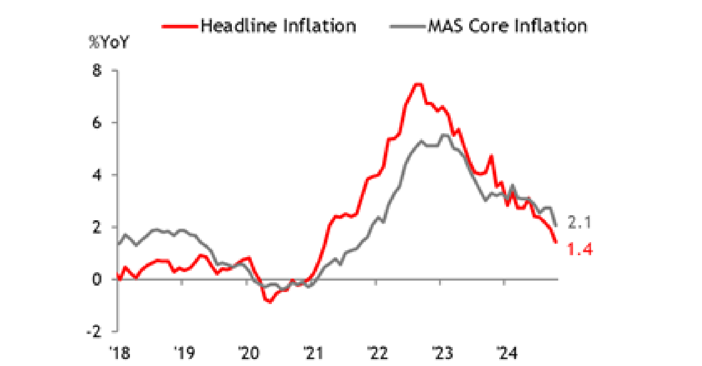
The manufacturing and export outlook is clouded by Trump's tariffs, but may be cushioned by the diversion of trade flows and manufacturing activity from China. Frontloading of orders before new US tariffs become effective may boost manufacturing in the first half of 2025. The overall PMI (51 in Nov) and electronics PMI (51.6) — a barometer of manufacturing — posted faster expansions in November. Singapore's free trade agreement and trade deficit with the US suggests that the city state is a less likely target.

Biden's latest package of semiconductor-related export curbs to China announced on 2 November applies to some chipmaking equipment made in Singapore, through a new Foreign Direct Product rule, which could dampen electronic export growth[1]. Risk of a manufacturing contraction looks low at this juncture, unless the Trump trade war broadens to ASEAN.

Easing monetary conditions, both from lower interest rates and a slower rate of S$NEER appreciation, will support economic conditions in 2025. Both headline and core inflation will fall comfortably below 2% in early 2025, opening the door for MAS to ease monetary policy and the slope of the S$NEER appreciation bias at the January 2025 meeting.

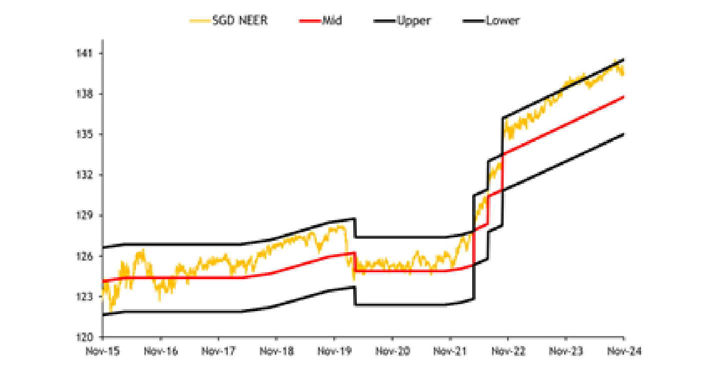
We forecast inflation returning to pre-pandemic norms in 2025, with core inflation averaging 1.8% and headline inflation averaging 1.7%. The government has stepped up measures, including subsidies on healthcare, childcare, public transport and utilities, to ease cost of living pressures. Upside risks to domestic cost pressures in 2025 include administrative wage adjustments (higher S Pass and Employment Pass qualifying salaries and S Pass levies) and a tight labor market. The unemployment rate has fallen below pre-pandemic levels, dipping to 1.8% in September 2024.

Fig 1: Core and Headline Inflation Expected to Fall Comfortably Below 2% in 2025



Source: CEIC

Fig 2: MAS Will Likely Ease the Slope of Appreciation of the S$NEER Band in Early 2025



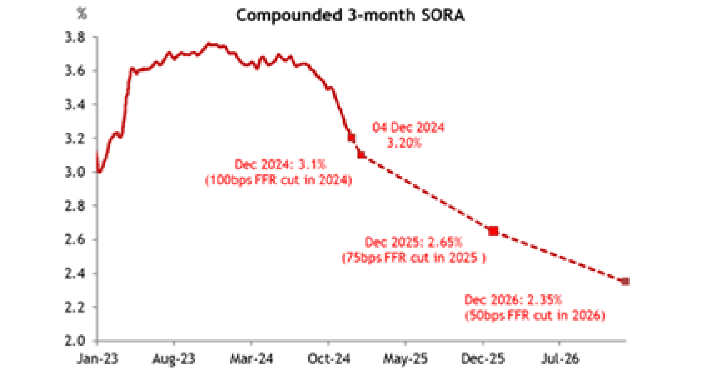
Source: Maybank GM FX Research

[1] US Bureau of Industry & Security, "Press Release: Commerce Strengthens Export Controls to Restrict China's Capability to Produce Advanced Semiconductors for Military Applications", 2 Dec 2024 (URL).

Interest rates have already been sliding lower. The benchmark 3-month SORA interest rate has eased to 3.23% at end-November from a peak of 3.76% in Nov 2023. We forecast the 3-month SORA rate falling further to 2.65% by end-2025, with the Fed projected to cut the funds rate by 75bps in 2025 (see Fig 3). Mortgage rates have fallen in tandem, with 2-year fixed rate housing loans available at 2.5% or below.

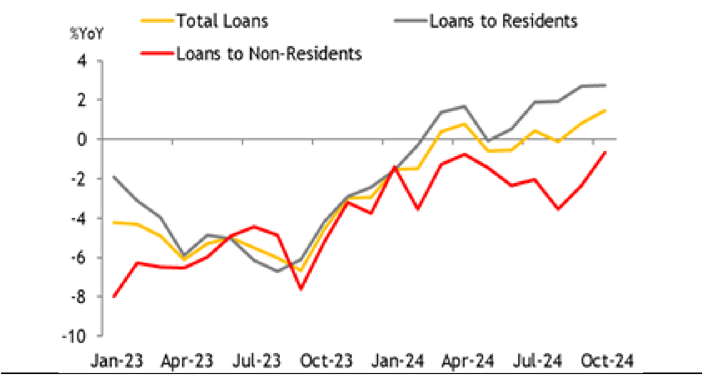
Bank lending has recovered strongly in 2024 from the sharp contraction in 2023, with lower interest rates and the economic recovery. Bank lending grew by +1.5% in October from a year ago, driven by loans to residents (+2.7%). We expect loan growth to continue picking up towards 4%-5% in 2025, on the back of both business and household credit demand.

Fig 3: Forecast 3-Month SORA Rate Falling to 2.65% at end-2025, as the Fed Eases



Source: CEIC

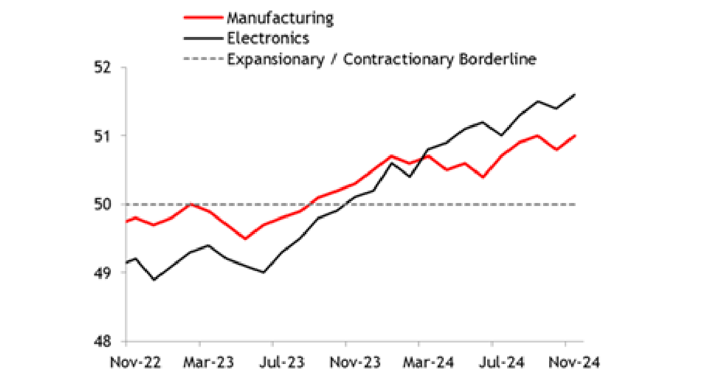
Fig 4: Bank Lending is Recovering from the Sharp Contraction in 2023, Growing +1.5% in Oct 2024



Source: CEIC

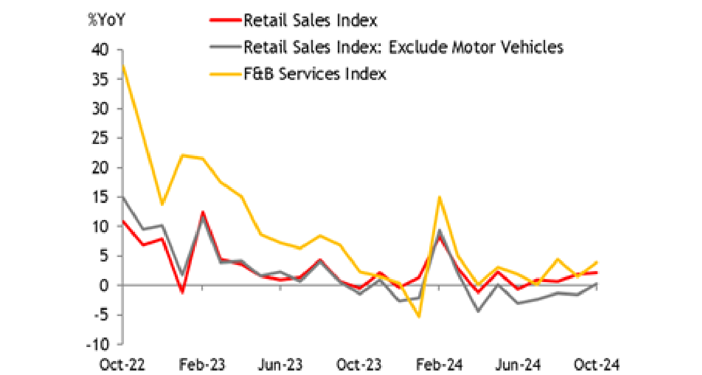
Weakness in consumer-related sectors, specifically retail and food & beverage services, may persist in 2025. A strong Singapore dollar and easier cross-border travel with the Johor-Singapore SEZ will likely increase outbound travel and spending abroad. Resident expenditure abroad has surpassed pre-pandemic levels, measured in terms of first-half spending (SGD19.4b in 1H 2024 vs. SGD18.2b in 1H 2019). Retail sales, excluding autos, rose by a marginal +0.3% from a year ago in October after four straight months of contraction. Spending on F&B services picked up to +3.9% (vs. +1.6% in Sep), but year-to-date Jan-Oct 2024 growth remains soft at +2.9% (Jan-Oct 2023: +11.2%).

Fig 5: Headline PMI (51) and Electronics PMI (51.6) Expanded at Faster Pace in November



Source: CEIC

Fig 6: Retail Sales Ex-Auto and F&B Services Have Been Weak



Source: CEIC

1.2 Elections and Budget Boost

Budget 2025, scheduled for February, will be the last for the current term of government and will likely be generous and mildly expansionary. General Elections are due no later than November 2025.

We are not expecting any major surprises in the elections. In the last 2015 general election, the ruling People's Action Party (PAP) won 83 of the 89 directly elected seats in Parliament while the opposition Workers' Party (WP) won 6 seats, retaining their wards of Aljunied and Hougang. Prime Minister Lawrence Wong, who took over the reins on 15 May 2024, will be leading the PAP into the elections for the first time.

Cost-of-living pains will likely be top of mind for voters. Households have been under pressure from higher housing, private transport, healthcare and food expenses. Core CPI prices rose by +12.3% over the past half-decade, more than double of the +5.3% pace in the preceding five years. Resale public (HDB) flats have risen by about +47% over the past five years. Car prices have risen by about +62%, alongside a steep climb in Certificate of Entitlement (COE) premiums. The 2023 Household Expenditure Survey showed that spending on housing, healthcare and food account for a larger share compared to 5 years ago.

PM Wong said in October that his team would "do everything we can" to help Singaporeans "get through this difficult period". We expect the government to unveil more initiatives to help households with living costs, ahead of the 2025 elections. There could be more handouts in the form of cash, grocery vouchers and utility rebates, and possibly more subsidies for bigger ticket items like healthcare, childcare and education.

On the housing front, subsidies were raised for first-time homebuyers with an up to SGD40k higher Enhanced CPF Housing Grant (distribution tilted towards low- and middle-income families). A new BTO classification system (Prime, Plus, Standard) came into effect in October 2024, with extra subsidies for Prime and Plus flats (which are more conveniently located) in exchange for stricter resale conditions. A property tax rebate of up to 20% will be provided for owner-occupied residential properties in 2025.

To ease COE premiums and car prices, the Land Transport Authority announced on 29 Oct that it would inject up to 20k more COEs over the next few quarters before the projected peak supply in 2026. COE prices for smaller cars (Cat A) fell -10% to SGD89,889 during the 20th November bidding exercise, as buyers wait-and-see in anticipation of lower car prices with LTA's intervention.

PM Wong highlighted four broad themes would be covered in pre-Budget consultation sessions with the public. These are economic strategies for the next bound; opportunities for skills upgrading and jobs for workers; support for Singaporeans across different life stages; and strengthening Singaporeans' sense of solidarity and unity[2].

[2] The Straits Times, "Cost of Living and Job Security Among S'poreans' Top Concerns to be Covered in Budget 2025: PM Wong", 8 Nov 2024.

With Budget 2025 being the last of the electoral term, and stronger than expected tax collection (+13.5% for Apr-Oct 2024), there is room to ramp up fiscal spending. The government will need to balance the accumulated deficit over the past five Budgets, as per the Constitution. Nonetheless, there is leeway to run an expansionary fiscal stance, while maintaining an overall fiscal surplus shored up by higher net investment returns (from national reserves), a capitalization of infrastructure spending, and a smaller quantum of fund top-ups (which are monies set aside for future use on specific objectives).

There could be corporate and personal income tax rebates given strong revenue collection, competition for MNCs investments, and concerns over the global minimum tax. A 50% corporate income tax rebate capped at SGD40k was provided in Budget 2024 to defray rising business costs. Corporate tax rebates were also applicable for YA2013 to YA2020. Personal income tax rebates were previously granted for YA2017 (20%, up to SGD500) and YA2019 (50%, up to SGD200).

Post-elections, the government may review and relax en bloc rules, if the property market is not overly heated. There is scope for allowing developers more time to complete and sell large housing projects before subjecting them to ABSD clawback. The government may also fine-tune and trim the 60% ABSD on home purchases by foreigners to make Singapore more attractive to expats.

En bloc sales of residential projects have dried up, which has stalled the rejuvenation and curbed the longer-term supply of private property projects. There was just one en bloc sale in 2024 compared to 14 in 2022 and 12 in 2021. Various property cooling measures contributed to the slump, after the government hiked the developer Additional Buyer's Stamp Duty (ABSD) to 40% in Dec 2021 (from 30%). Penalties remain punitive if a project is not fully sold in 5 years.

There could be some fine-tuning on the restrictions for hiring foreign work pass holders to alleviate a labor crunch. Several recommendations by the public-private Alliance for Action (AfA) on Business Competitiveness are already being piloted, such as an expansion in the list of nationalities that employers are able to hire work permit holders (Non-Traditional Sources). On the transport front, there could be a transition towards distance-based ERP pricing, as the government decides whether to increase COE supply and tackle congestion instead by increasing car usage taxes.

1.3 Buoyant Construction and Property Market

Construction sector will likely grow more strongly in 2025 (+6.5% vs +4% in 2024), with a pipeline of mega-infrastructure - Changi T5 (SGD10b) and Tuas Megaport (SGD20b) - and private projects, including the expansion of offerings at Marina Bay Sands (SGD8b) and Resorts World Sentosa (SGD6.8b).

Construction will be supported by a robust pipeline of public infrastructure and private sector projects and the return of foreign workers. Contracts awarded, a leading indicator of output, surged +55.1% from a year ago in the third quarter, fueled by both the public (+65.1%) and private (+42.7%) sectors (Fig 7). Work permit holders in construction, marine shipyard & process sectors rose to 442,900 in Jun 2024, some +20% higher than pre-pandemic (Dec 2019) levels.

Construction of Changi Airport Terminal 5, at a cost of around SGD10b, will start in the first half of 2025 and stretch to the mid-2030s. The new Terminal will accommodate 50m passengers annually, adding to the current capacity of 90m, and allow for greater air connectivity to more than 200 cities (vs. 150 currently).

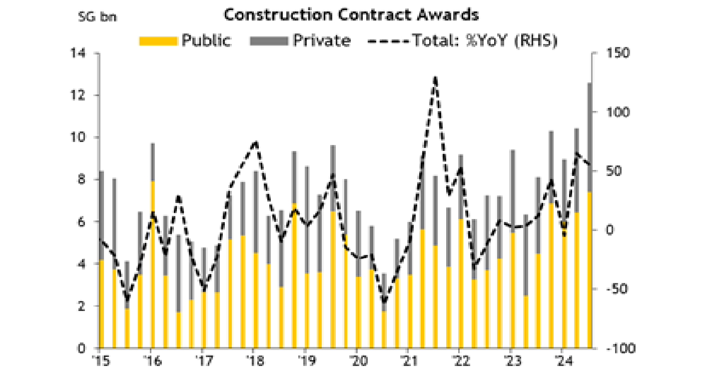
Construction of the SGD20b Tuas Megaport is well underway, with 10 of its 66 container berths in operation as of Oct 2024. The new port will handle 65m 20-foot containers when fully completed in the 2040s. The Tanjong Pagar, Keppel and Brani port terminals will move to Tuas by 2027. The vacated land will be developed into a Greater Southern Waterfront with residential, office and entertainment offerings by the 2040s.

The two Integrated Resorts are beefing up their offerings to attract more tourists. Marina Bay Sands is constructing a SGD8b fourth tower starting July 2025 (2030 completion), adding 570 hotel rooms, a 15,000-seat entertainment arena, and more event space. Resorts World Sentosa has started the construction of a SGD6.8b waterfront lifestyle development in Nov 2024, which will be completed near 2030, adding 228.6k sq ft of retail/entertainment and two new luxury hotels. The Universal Studios theme park will add a Minion Land section in Feb 2025.

The Housing Development Board (HDB) is ramping up construction of Built-to-Order (BTO) public housing flats to meet strong demand. BTO flats with shorter waiting times of under 3 years have been launched since the Oct 2024 sales exercise. About 150 BTO projects will be built concurrently in 2025, up from 100 in 2023.

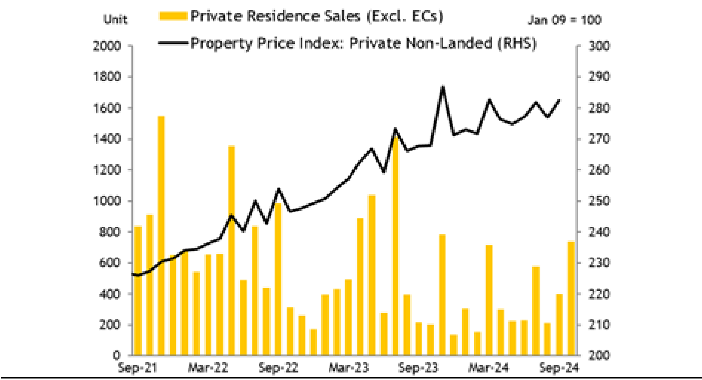
A rebound in home sales will support construction as borrowing costs ease. In a revival after months of soft sales, new private home sales volume surged +262% from a year ago in October, due to a higher number of developer launches (Fig 8). Authorities will release land sufficient to generate about 5,030 private housing units in 1H 2025 under the Government Land Sales program, nearly +60% higher than the average confirmed list supply during 2021 to 2023.

Fig 7: Construction Contracts Awarded Rose +55% in 3Q24, Driven by Both Public (+65%) and Private (+43%) Contracts



Source: CEIC

Fig 8: New Private Home Sales Volume Surged to 1-Year High of 738 Units in October 2024



Source: CEIC

1.4 Wildcard: Trump Targets ASEAN, Global Minimum Tax

A broader global trade war, with Trump targeting tariffs at specific ASEAN countries or introducing blanket tariffs on the rest of the world, could disrupt trade flows and short-circuit the reconfiguration of supply chains to Southeast Asia, including Singapore. Other countries may retaliate against the US, which could escalate the trade war, and further impact global trade and external demand.

Introduction of the 15% global minimum tax in 2025 could hurt Singapore's competitiveness in attracting and retaining MNCs. Under the BEPS 2.0 framework, Singapore will apply a minimum tax of 15% on domestic profits of companies with annual revenues exceeding Eur750m. About 1,800 MNCs are paying less than the global minimum corporate tax rate of 15%[3]. Corporate tax revenue can fall significantly in the future if MNCs pull out their investments.

Several new investment incentives were introduced to sweeten the deal for MNCs in lieu of the new minimum tax. There will be a new Refundable Investment Credit (RIC) to support expenditure on high-value activities. A recent amendment to the Economic Expansion Incentives (Relief from Income Tax) Bill introduced an additional 15% concessionary tax rate tier for the Development and Expansion Incentive (DEI) scheme, available for up to 40 years. Scope of eligible firms was expanded to include non-headquarter services companies, such as firms providing payment technologies, artificial intelligence solutions or aircraft maintenance repair and overhaul services[4].

[3] Parliamentary Reply, "Implications on Singapore from G7 Agreement on Global Minimum Corporate Tax Rate", 5 Jul 2021.
[4] The Straits Times, "Singapore Approves New Investment Incentives Ahead Of Global Minimum Tax", 11 Nov 2024.

Fig 9: Singapore – Key Macroeconomic Indicators

	2022	2023	2024E	2025F	2026F
Real GDP (%)	3.8	1.1	3.6	2.6	2.3
By Expenditure:					
Private Consumption	8.2	3.8	3.6	2.6	2.3
Government Consumption	-1.9	2.6	6.3	4	3.3
Gross Fixed Capital Formation	2.5	-0.2	1.2	4	4
Exports of Goods & Services	3	2.4	7.6	4.5	4
Imports of Goods & Services	3.3	1	9	5.5	4.8
By Industry:					
Manufacturing	2.7	-4.3	3	2.3	1.5
Construction	4.6	5.2	4	6.5	6
Services	5.1	2.3	3.9	3.1	2.4
Wholesale & Retail Trade	4.3	0.8	3.5	2.1	1.7
Transportation & Storage	4.9	2.3	6	3	2.5
Accommodation & Food Services	10.9	7.4	2.5	1.8	1.7
Information & Communication	8.1	5.7	5.8	4.5	2.5
Finance & Insurance	0.2	1.3	6.2	5.6	4
Business Services	11.2	2.3	0.8	3	2
Other Services	4.3	4.4	3	2	2
Current Account Balance (% of GDP)	19.3	19.1	19	18.2	18
Fiscal Balance (% of GDP)	0.3	-0.5	0.8	0.1	0.1
Headline Inflation (%, period average)	6.1	4.8	2.4	1.7	1.6
Core Inflation (%, period average)	4.1	4.2	2.8	1.8	1.8
Unemployment Rate (%, end-period)	2.1	2	2	2.2	2.1
Exchange Rate (per USD, end-period)	1.3395	1.3203	1.35	1.345	1.325
10-Year Government Bond Yield (%, end-period)	3.09	2.71	2.75	2.75	2.7
3M SORA (% p.a., end-period)	3.1	3.71	3.1	2.65	2.35

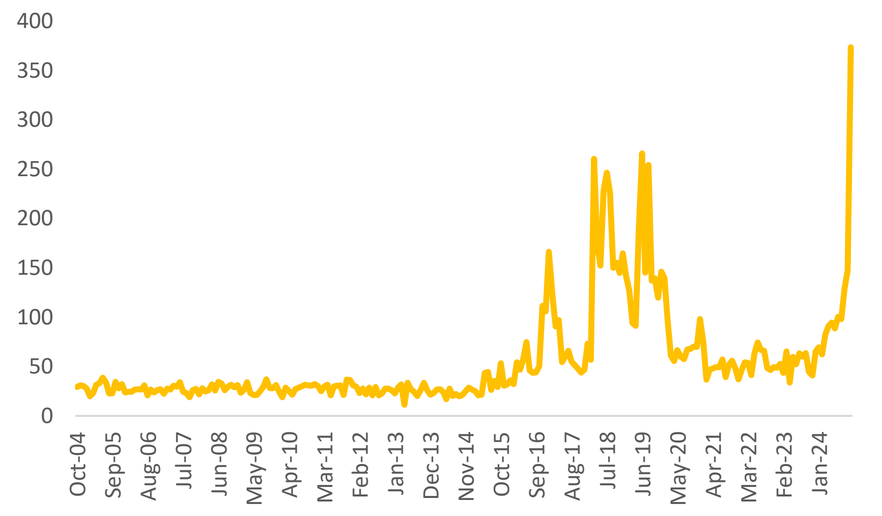
Source: CEIC, Maybank IBG Research

2. Key themes to drive 2025E

2.1 Policy uncertainty and a US-China trade war could benefit Singapore as a safe haven and regional financial centre

The return of Donald Trump to the White House is likely to increase policy uncertainty – especially around US-China trade relations. Hawkish tariff increases for goods originating in China, while also taking aim at countries running large trade deficits with the US is likely to increase volatility.

Fig 10: Trade policy uncertainty index (TPU)

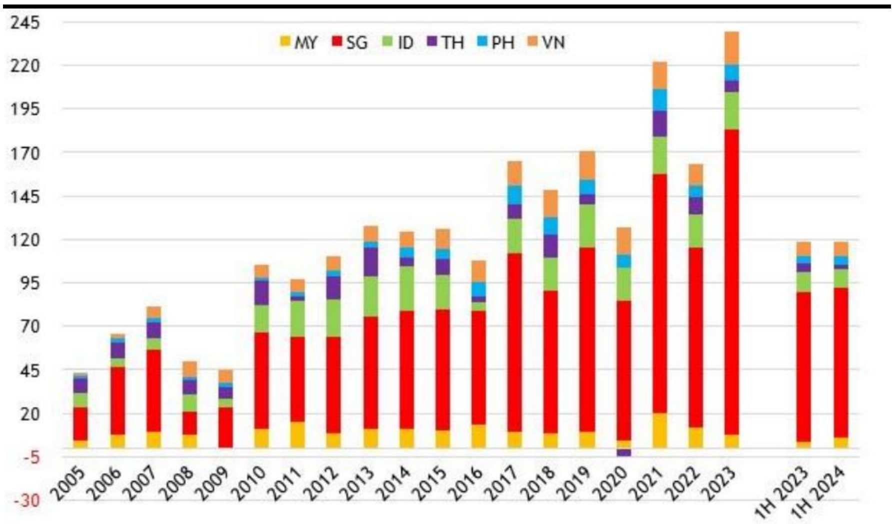


Source: Caldara, Dario, Matteo Iacoviello, Patrick Molligo, Andrea Prestipino, and Andrea Raffo, "The Economic Effects of Trade Policy Uncertainty," manuscript presented at the 91st meeting of the Carnegie-Rochester-NYU Conference on Public Policy, April 2019

Indeed, the US trade policy uncertainty index, which measures media attention to news related to trade policy uncertainty, has reached an historical high following the US election in November.

Such a backdrop is likely to hasten supply chain shifts to ASEAN as corporates look to hedge China tariff risks. The region may experience lower tariff hikes than larger US trading partners like China, Mexico and Canada.

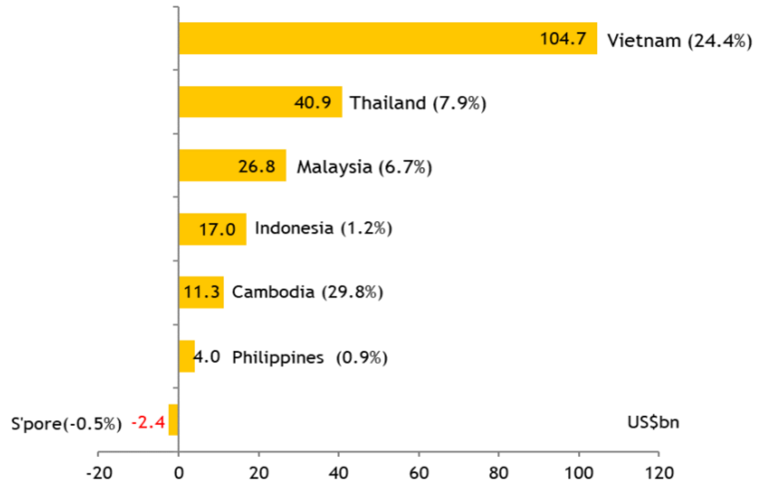
Fig 11: FDI to ASEAN-6 (USDbn)



Source: CEIC, Maybank IBG Research

We think Singapore could be a beneficiary in its role as a regional financial centre. Its political stability together with its bi-lateral US trade deficit and a comprehensive and long-standing FTA should give Singapore some relative defensive advantages from hawkish US trade policy, in our view.

Fig 12: Bi-lateral trade balances with the US in ASEAN (USDbn/ % of GDP)

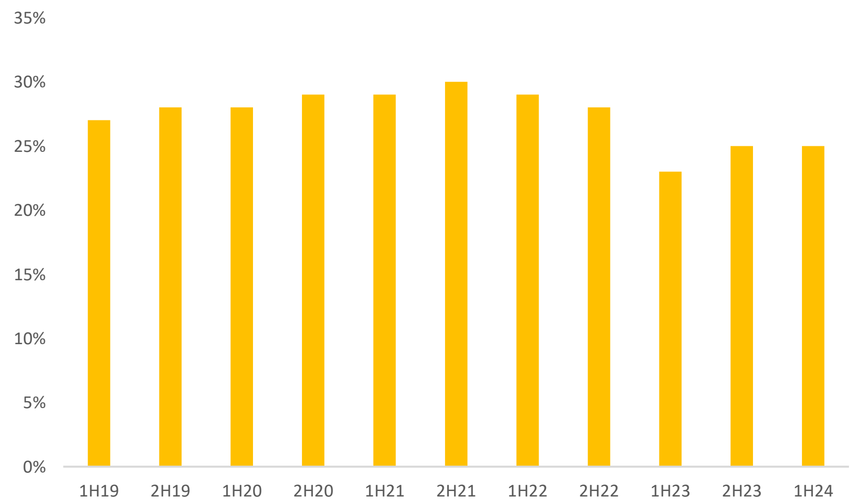


Source: CEIC, Maybank IBG Research

Indeed, Singapore has been the largest recipient of FDI in ASEAN and this trend has been accelerating, especially in the past 5 years. We believe corporates will continue to prioritise Singapore as they shift supply chains and manufacturing capacity to ASEAN.

Singapore's corporates already have significant regional integration enabling the facilitation of such shifts. For example, in UOB's wholesale banking segment, more than a quarter of income is originated through cross-border integration.

Fig 13: UOB cross-border contribution to GWB income (%)

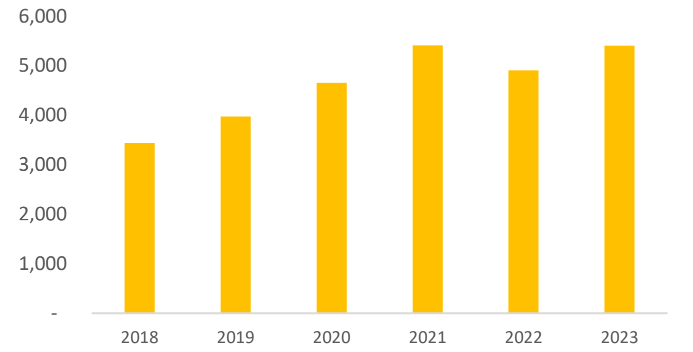


Source: Company, Maybank IBG Research

Higher interest rates and slower regional economic growth saw this contribution fall in 1H23. This is reverting to a growth trend again. We believe the pace should increase going into 2025E as more businesses relocate to the region. Importantly, we think this shift to deliver wide ranging positive impacts not just for banks, but also to complementary sectors such as real estate and REITs, industrials, as well as telecom and internet.

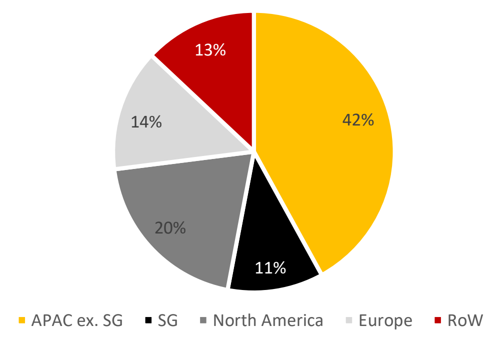
Similarly, Singapore's safe haven status is likely to be pivotal as uncertainty spikes globally. According to the Singapore asset management survey, assets under management (AUM) have grown at a 10% CAGR between 201823 (latest available data). We think this pace is likely to be preserved in the medium term. A sizable portion is invested regionally further consolidating Singapore's position as a financial centre. Additionally, AUM that is flowing in to Singapore for private wealth is likely to accelerate with the global rich looking to diversify risks through geographically broadening their wealth exposure. Apart from the direct impact of a boost to wealth management fees of banks, this could have spill-over impacts across other sectors like real estate, services and consumption-driven activities.

Fig 14: Singapore AUM inflows (SGDbn)



Source: MAS, Maybank IBG Research

Fig 15: Singapore AUM – Investment of funds



Source: MAS, Maybank IBG Research

2.2 China stimulus could spill over

At its 11-12 Dec 2024 Central Economic Work Conference (CEWC) meeting, China's leadership has made "lifting consumption" a top priority for the first time in at least a decade.

Fig 16: Revenue originating from China + HK for Top-50 market cap SG corps

#	Company	Ticker	% of revenue from China and HK
1	HONGKONG LAND	HKL SP	95.8
2	DFI RETAIL GROUP	DFI SP	72.8
3	WILMAR INT	WIL SP	52.1
4	MAPLETREE LOG TRUST	MLT SP	35.8
5	IFAST CORP LTD	IFAST SP	27.8
6	VENTURE CORP LTD	VMS SP	26.5
7	DBS GROUP HLDGS	DBS SP	22.5
8	CLI	CLI SP	15.6
9	OLAM GROUP	OLG SP	14.9
10	YANGZIJIANG SHIPBUILDING	YZJSGD SP	13.3
11	OCBC BANK	OCBC SP	12.9
12	GOLDEN AGRI	GGR SP	11.5
13	MAPLETREE PAN ASIA	MPACT SP	9.1
14	MANDARIN ORIENTAL	MAND SP	8.9
15	KEPPEL DC REIT	KDCREIT SP	8.8
16	KEPPEL LTD	KEP SP	7.2
17	SIA ENGINEERING	SIE SP	5.7
18	SEMBCORP INDUSUSTRIES	SCI SP	5.2
19	FRASERS PROPERTY	FPL SP	3.8
20	UNITED OVERSEAS BANK	UOB SP	3.7
21	CAPITALAND ASCOT	CLAS SP	3.2
22	CITY DEVELOPMENTS	CIT SP	3.2
23	FIRST RESOURCES	FR SP	3.1
24	COMFORTDELGRO	CD SP	2.5
25	UOL GROUP LTD	UOL SP	2.1
26	KEPPEL INFRASTRUCTURE TRUST	KIT SP	1.4
27	SINGTEL	ST SP	0.5
28	SINGAPORE AIRLINES	SIA SP	0.0
29	ST ENG	STE SP	0.0
30	CICT	CICT SP	0.0
31	THAI BEVERAGE	THBEV SP	0.0
32	SGX	SGX SP	0.0
33	CLAR	CLAR SP	0.0
34	JARDINE C&C	JCNC SP	0.0
35	GENTING SINGAPORE	GENS SP	0.0
36	SEATRIUM LTD	STM SP	0.0
37	MAPLETREE INDUSTRIAL TRUST	MINT SP	0.0
38	SATS LTD	SATS SP	0.0
39	FRASERS CENTREPOINT	FCT SP	0.0
40	SUNTEC REIT	SUN SP	0.0
41	NETLINK NBN TRUST	NETLINK SP	0.0
42	KEPPEL REIT	KREIT SP	0.0
43	FRASERS LOGISTICS TRUST	FLT SP	0.0
44	SINGAPORE LAND	SPLG SP	0.0
45	SHENG SIONG	SSG SP	0.0
46	PARAGON REIT	PGNREIT SP	0.0
47	HAW PAR CORP	HPAR SP	0.0
48	PARKWAYLIFE REIT	PREIT SP	0.0
49	STARHUB LTD	STH SP	0.0
50	ESR-REIT	EREIT SP	0.0

Source: Bloomberg, FactSet, Maybank IBG Research

China has been progressively ratcheting up its guidance on stimulating its economy which has been experiencing slow growth since Covid. The CEWC meeting pledged to pursue a 'more proactive' fiscal policy in 2025E. Significantly, China may run a fiscal deficit that is higher than the 3% of GDP norm in the past. We believe this could rise to 4% in 2025E, while the government issues RMB10tn of ultra-long government bonds and special local government bonds. We believe the higher fiscal deficit target is encouraging as it signals that funds could be directed to non-income generating areas such as stimulating consumption.

We believe Singapore corporates should enjoy spill-over effects if China's fiscal stimulus efforts are successful. Of the top-50 market cap corporates, we estimate 64% originate revenues from China and Hong Kong. Of this, more than two-thirds have material revenues (defined as >5% of total revenues) coming from China and Hong Kong.

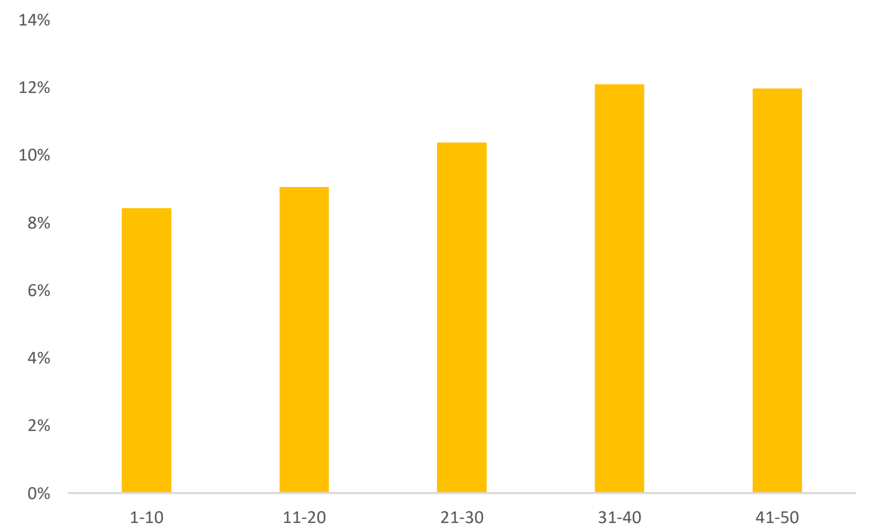
Banks, REITs, Consumer and Commodities sectors stand to see the highest upgrade risks, should the Chinese economy see a turnaround, in our view.

2.3 Strong balance sheets, restructurings to drive more shareholder capital returns

A focus on balance sheet management and value unlocking, first kicked off by the GLCs back in early 2020 in response to changing market dynamics, is percolating across large corporates in Singapore.

This has resulted in balance sheets where gearing has been falling and cash reserves have been rising. Management teams have been specifically focused on unlocking value of latent assets either through disposals or streamlining. SingTel is an example, where past and expected capital recycling is forecasted to add SGD8bn of balance sheet buffer. Similarly, following new BASEL 4 capital rule incorporation and capital management, the Singapore banks have an estimated SGD2-4bn of excess capital on their balance sheets.

Fig 17: Cash as a percentage of assets of Top 50 market cap corporates segmented by market cap size (%)



Source: Bloomberg, Maybank IBG Research

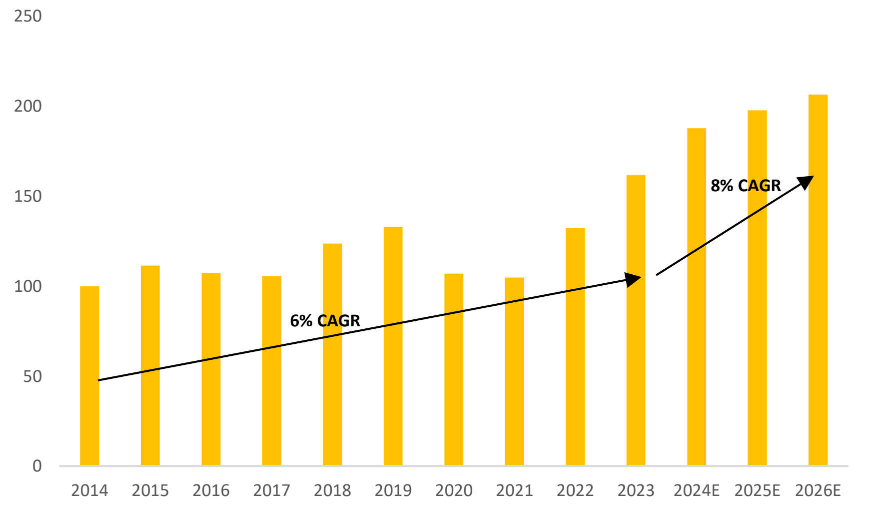
The banks and SingTel have announced capital return programs that are a mix of increasing dividends and share buybacks. SingPost has also announced plans for capital returns.

We note that the mid-sized market cap corporates are carrying a higher mix of cash relative to their total assets. So far, a greater proportion of larger cap stocks have been instigating the return of capital. We think over the medium term, this could shift towards the medium-sized market cap segment.

We believe the pace of capital returns in 2025E should increase, led by the banks and with the REITs potentially ramping up distributions in 2H25.

Indeed, consensus is forecasting DPS growth to increase to +8% CAGR between 2024-26E vs. the longer-term +6% CAGR (2014-23) for the STI.

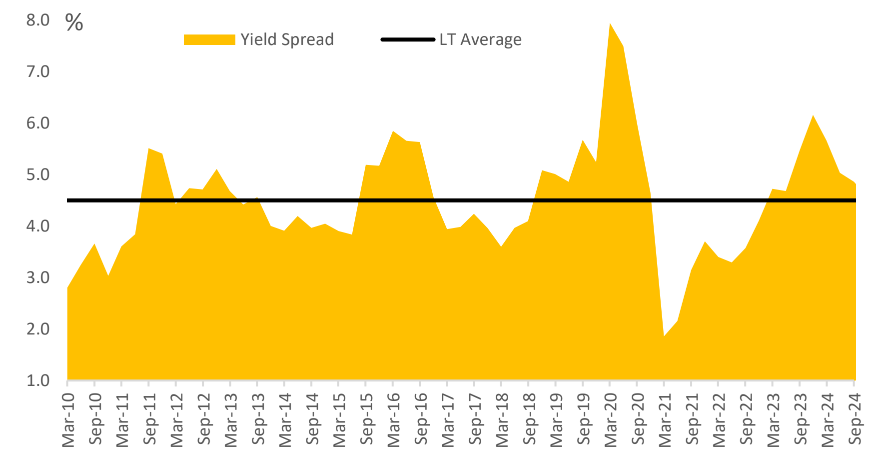
Fig 18: Absolute DPS and growth CAGR for STI (SGD)



Source: Bloomberg, Maybank IBG Research

This should widen the dividend yield spread of the Singapore market further compared to the long-term risk-free rate. Even now, the spread is sitting above its long-term average of 450bps. The twin variables of falling Fed rates and rising domestic dividend yields are likely to contribute to a widening spread, which should drive a re-rating in valuation to close the gap towards the long-term mean, in our view.

Fig 19: STI dividend yield - 10Y SGS yield

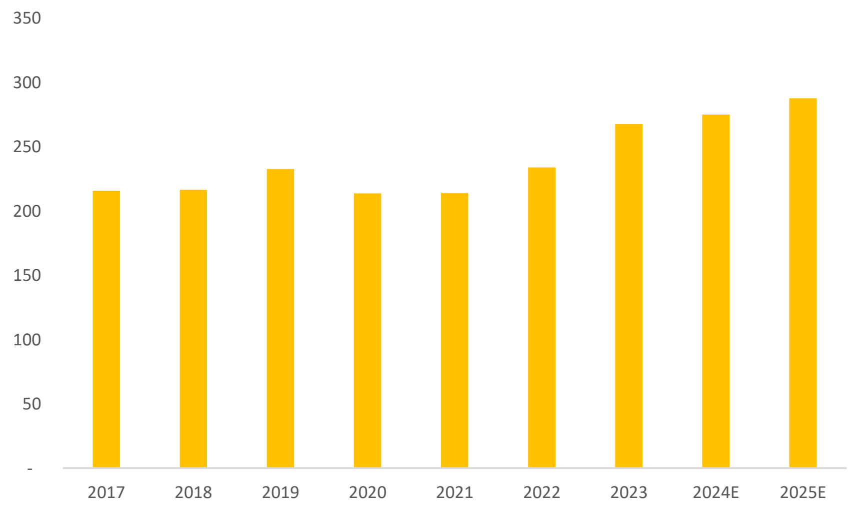


Source: Bloomberg, Maybank IBG Research

2.4 Scaling AI use-cases to increase productivity and drive new revenue sources

Mainstreaming of artificial intelligence (AI) use cases accelerated in 2024. However, Singapore has been an early adopter of AI with the rollout of the National AI strategy in 2019. Many corporates have been integrating AI into operations in the past few years and we believe productivity improvements and cost efficiencies should start to become more visible in 2025E.

Fig 20: Singapore banks PPOP per employee (SGD '000/employee)



Source: Company, Maybank IBG Research

For example, the banks have been an early integrator of AI into their operations. This is already showing up in productivity with a 4% CAGR (2017-24E) improvement in pre-provision operating profits per employee. While higher interest rates have been a tailwind, we note that the productivity improvements predate the Fed rate hikes.

With Singapore's National AI strategy refreshed in 2023, we expect further investments and support for rolling out AI use cases across the economy. Specifically, the strategy is focused on three broad objectives: mastering AI for national relevance, pooling resources globally and enhancing its capabilities, infrastructure and accelerating idea exchanges, according to the Smart Nations Office.

We believe the combination of regulatory support, a clear national strategy and significant investments already made by critical sectors should provide Singapore with a competitive advantage in harnessing AI. This should start to show through earnings and valuations more noticeably starting 2025E in terms of revenue opportunities, lower cost and higher productivity, in our view.

We are already seeing examples of implementation by some of Singapore's largest corporates. This is a trend that is set to accelerate as AI infrastructure becomes more widespread and affordable, in our view.

Fig 21: Singapore corporates incorporating AI

	Company	Ongoing AI use cases
1	DBS Group Holdings Ltd	GEN AI-Enabled Virtual Assistant: Gen AI-powered "CSO Assistant" for call transcription, summarisation, service request generation and product and service recommendations. (https://www.businesstimes.com.sg/companies-markets/dbs-launches-generative-ai-virtual-assistant-customer-service-workforce) • Intelligent Banking using Machine Learning: Hyper-personalised "nudges" sent to customers to ensure that they manage their money better and enjoy effortless banking. 100 different algorithms focusing on 15,000 customer data points to generate seven different types of nudges that could offer either personalised product recommendations, celebrate customers' milestones etc. (https://www.dbs.com/artificial-intelligence-machine-learning/index.html) • Proactive Credit Risk Alerts: AI made to provide SMEs with early alerts of credit risks even before problems emerge: In 2022, successfully identify over 95% of non-performing SME loans at least three months before the businesses experienced strain on ability to meet their debt obligations (https://www.edb.gov.sg/en/business-insights/insights/how-dbs-southeast-asias-largest-bank-is-capturing-the-full-value-of-ai-and-machine-learning-in-singapore.html) • iGROW Career Advisory Tool: In-house AI-powered career development platform providing employees with personalised career advisory services using NLP to build individualised profiles based on each employee's career and training history. Pairing employees with new roles that could help them advance into the next stage of their career with DBS. (https://www.edb.gov.sg/en/business-insights/insights/how-dbs-southeast-asias-largest-bank-is-capturing-the-full-value-of-ai-and-machine-learning-in-singapore.html)
2	SEA Ltd	• SEA AI Lab: Developing and optimising the efficiency of multiple data processing algorithm, deep learning models and reinforcement learning algorithms. Mainly focusing on computer vision/pattern recognition. All of these are used in their subsidiaries Shopee, Garena and SeaMoney (https://sail.sea.com/research) • Shopee AI-powered user preference prediction: based on past purchase history. Pattern and relationship identification in users' shopping and browsing behaviour to curate a personalised shopping journey. (https://e27.co/how-shopee-builds-its-marketing-strategy-to-suit-user-behaviour-in-the-time-of-crisis-20200820/) • AI-Powered Mobile Game livestreaming with Garena: Using their app Booyah, AI will automatically generate highlight reels when a match is played which can then be shared on social media platforms. (https://www.techinasia.com/learned-shopees-garenas-user-engagement-game)
3	Oversea-Chinese Banking Corporation Ltd	• Gen-AI Chabot in collaboration with Microsoft's Azure OpenAI. Assist in writing, research, and ideation. Hosted in a secure and controlled environment for its 30,000 employees globally. (https://www.ocbc.com/group/media/release/2023/ocbc-is-first-singapore-bank-to-roll-out-generative-ai-chatbot-to-all-employees-globally) • OCBC Wingman Coding Assistant: Auto generate, debug and improve code. Boosts productivity by about 20% since launch in May 2023. (https://www.techinasia.com/ocbc-developed-aipowered-wingman) • OCBC Buddy: Chabot for employees to trawl through hundreds of thousands of internal documents and intranet pages to offer clear answers to queries ranging from hierarchy to compliance. (https://www.businesstimes.com.sg/companies-markets/banking-finance/future-finance-2023/generative-ai-buddy-ocbc-taps-deliver-better) • OCBC Whisper: Speech-to-text technology used to transcribe and summarise calls in real time at OCBC contact centre. (https://www.theedgesingapore.com/digitaledge/digital-economy/why-ocbc-doubling-down-generative-ai)
4	United Overseas Bank Ltd	• AI-Powered Capital Allocation and Portfolio Optimisation: Projected to increase corporate banking revenue by 3-5% (https://www.businesstimes.com.sg/international/asean/uob-leverages-ai-data-centric-approach-optimising-portfolio-allocation) • UOB Asset Management: Using AI to shortlist 4,000 out of the 25,000 stocks under their investment arm and rank them. Then 100 of the top-ranked stocks will be taken to be analysed by UOB's analysts. (https://www.uobam.com.sg/ai-augmentation/index.page) • UOB collaboration with Microsoft's Copilot AI: Craft personalised messages and create engaging presentations when meeting with a customer. Used to boost employee productivity. (https://sbr.com.sg/information-technology/exclusive/uob-deploys-ai-tools-level-employees-productivity)
5	Singapore Telecommunications Ltd	• Gen AI to improve customer and employee engagements with AI-assisted Chabot that provide real-time support, providing resolutions based on chat history, and personalised recommendations to cross-sell to customers. (https://www.rcrwireless.com/20240828/carriers/singtel-talks-about-current-future-use-ai-operations) • Joint venture with SK Telecom, Deutsche Telekom, e& and Softbank; LLM development: LLM to improve customer interactions via digital assistants and Chabot available in Korean, English, German, Arabic and Bahasa to serve the 1.3 billion customer base across 50 countries. (https://www.rcrwireless.com/20240828/carriers/singtel-talks-about-current-future-use-ai-operations) • RE: AI; new Artificial Intelligence Cloud Service (AI Cloud): Enable customers to deploy, manage and scale their AI applications without having to worry about building the necessary infrastructure. (https://www.singtel.com/about-us/media-centre/news-releases/singtel-launches-ai-cloud-service#:~:text=Singtel%20aims%20to%20democratise%20AI,curation%20of%20tech%20incubation%20and)
6	Grab Holdings Ltd	• Mystique, AI-powered copywriting tool: Tailor push notifications, emails and in-app nudges to the customers' needs. Text personalisation (https://www.grab.com/sg/inside-grab/stories/mystique-ai-copywriting-tool/) • Jarvis, Ai-powered analytics tool: Helps Grab's account managers generate insights, part of Grab's internal suite of data analytics tool. (https://www.grab.com/sg/inside-grab/stories/ai-analytics-tool-generate-insights/) • Merchant Menu Assistant: Upload a photo of their physical menu to automatically create a digital one with incredibly high accuracy. (https://www.grab.com/sg/inside-grab/stories/grabs-new-ai-tool-makes-menu-management-a-snap-for-merchants/) • GrabRideGuide: High-demand areas for driver-partners to optimise routes and maximise earnings. (https://www.grab.com/sg/inside-grab/stories/how-ai-accelerated-product-innovation-at-grab-in-2024/) • Spellvault: Allow Grab users to create LLM apps that have access to Grab data to perform a variety of tasks involving NLP and Generation. (https://www.grab.com/sg/inside-grab/stories/ai-llm-productivity-tool-apps-coding/)
7	Singapore Airlines Ltd	• Adoption of Pathfinder: AI-tool jointly developed by KLM Royal Dutch Airlines and Boston Consulting Group to improve management of aircraft management. (https://www.consultancy.asia/news/5710/singapore-airlines-adopts-ai-solution-from-klm-bcg-partnership) • Generative AI: on the Web Site, SQ Mobile Application and Kris Chabot Service Application (https://www.singaporeair.com/en_UK/sg/global_footer/SIA-AI-powered-Features/)

8	Singapore Technologies Engineering Ltd	• AI Solutions: Providing AI Solutions in Online Trust and Safety, Learning Systems, Analytics, Generative AI and Video Intelligence, as well as AI-Powered Rapid Scenario Generator. (https://www.stengg.com/en/innovation/artificial-intelligence/) • AI Solutions: Providing AI Solutions in Healthcare through automation and enhancing hospital efficiency and in healthcare technology. (https://www.stengg.com/en/innovation/artificial-intelligence/) • AI Solutions: Providing AI Solutions in Cybersecurity through threat detection, Post-Quantum Cryptography and Quantum Key Distribution to safeguard the future of our systems and defend against quantum computing attacks. (https://www.stengg.com/en/innovation/artificial-intelligence/)
9	CapitaLand Integrated Commercial Trust	• AI Tools for Subsidiaries: Integrating AI in business to help understand market trends, economic indicators and drive better fund and investment strategies. (https://www.linkedin.com/pulse/journey-ai-digital-innovation-capitaland-investment-oa5kc/) • Cubby, Ascott's ChatGPT powered travel Chabot: Chabot designed to help with booking hotel rooms and planning travel itineraries. (https://www.capitaland.com/en/about-capitaland/newsroom/news-releases/international/2023/august/Ascott_generativeAI_ChatGPT_Chatbot_Cubby.html)
10	Jardine Matheson Holdings Limited	• Advancing Legal Services with GenAI: Streamline everyday tasks for the Group's Legal team, enabling them to focus on more complex and strategic matters. (https://www.jardines.com/en/news-and-views/jardine-matheson-group-legal-advancing-legal-services-genai) • Collaboration with TAU Intelligence and Intel: Pioneer resource-efficient AI solutions, using GenAI with a moderate-sized LLM focusing on legal contract review and customer service. (https://www.jardines.com/en/news-and-views/tau-intelligence-collaborates-jardine-matheson-and-intel-pioneer-resource-efficient)
11	Sembcorp Industries	• AI Fully-Automated Drones: Help inspect pipeline and equipment (https://www.cio.com/article/220119/digitising-energy-the-story-of-sembcorp.html#:~:text=For%20example%2C%20Sembcorp%20is%20developing, that%20are%20being%20conducted%20currently.) • Leverage AI and ML in Asset Operations: Analytics-based digital asset management platform that enables the operations team to monitor and manage renewable assets from one centralized location. (https://www.sembcorp.com/in/news-and-insights/insights-stories/india/leveraging-artificial-intelligence-and-machine-learning-in-asset-operations/)
12	Seatrium	• LLM Development: Improvement of vessel design and validation turnaround by automation and streamlining using LLMS. Will be used to automate work site inspection and surveillance for improved operational efficiency. (https://www.a-star.edu.sg/ihpc/news/news/press-release/seatrium-and-astar-to-explore-new-energies-and-ai#:~:text=AI%20will%20be%20used%20to, (IoT) %20and%20advanced%20manufacturing.)
13	Wilmar International	• AI Monitoring: Monitor factory operations and ensure workers' health and safety. (https://www.wilmar-international.com/annualreport2021/05-5-information-technology.html) • AI Computer Vision: Food Park Facilities, equipment and on-site security are monitored using AI and predictive analytics to identify and mitigate potential risks through pattern recognition and predicting equipment failures (https://www.wilmar-international.com/annualreport2023/documents/Information-Technology.pdf)

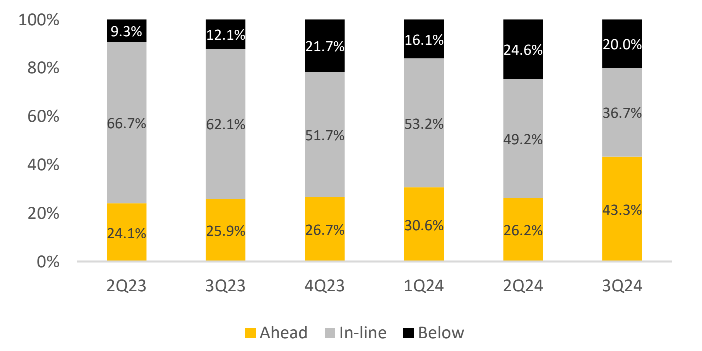
Source: Maybank IBG Research

3. 3Q24 saw upgrade momentum resuming

3Q24 earnings saw strong growth momentum with a sizable 43% of MIBG's coverage universe reporting better-than-expected results. Banks, Property, REITs and TMT led the surprises, pointing to sequential operational improvements.

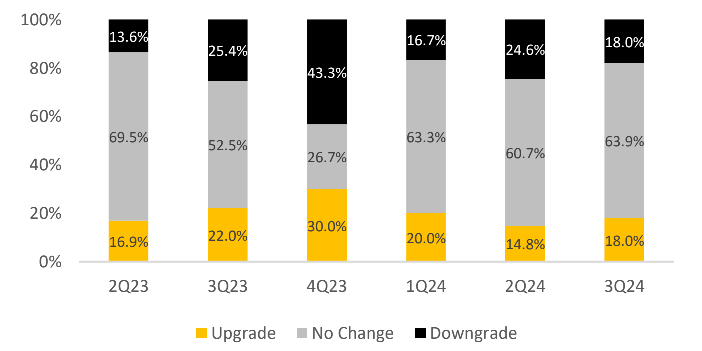
This led to a pick-up in earnings upgrades across the MIBG universe, especially on laggard sectors such as REITs. Banks, Industrials and TMT also saw upgrades.

Fig 22: Coverage universe: 3Q24 earnings vs. MIBG expectations



Source: Company, Maybank IBG Research

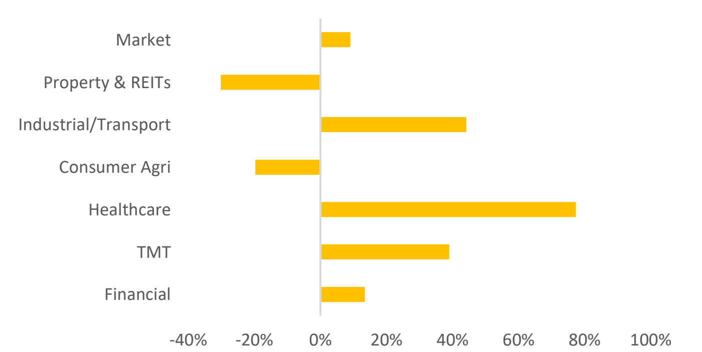
Fig 23: Coverage universe earnings changes post 3Q24 results release



Source: Company, Maybank IBG Research

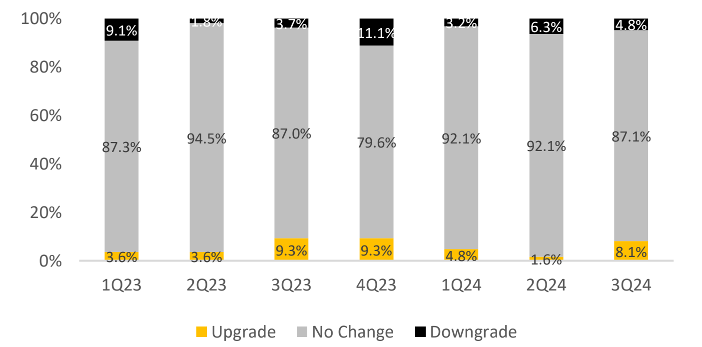
Overall, MIBG coverage universe earnings momentum gained pace expanding 9.1% YoY in 3Q24 compared to 6.3% YoY in 2Q24. Healthcare and Industrials saw the strongest growth followed by TMT and Financials. Lower interest rates, higher visitor arrivals and improved regional demand conditions should add to this momentum in 4Q24, we believe.

Fig 24: 3Q24 earnings growth by sector YoY (%)



Source: Maybank IBG Research

Fig 25: MIBG coverage universe rating changes (%)



Source: Maybank IBG Research

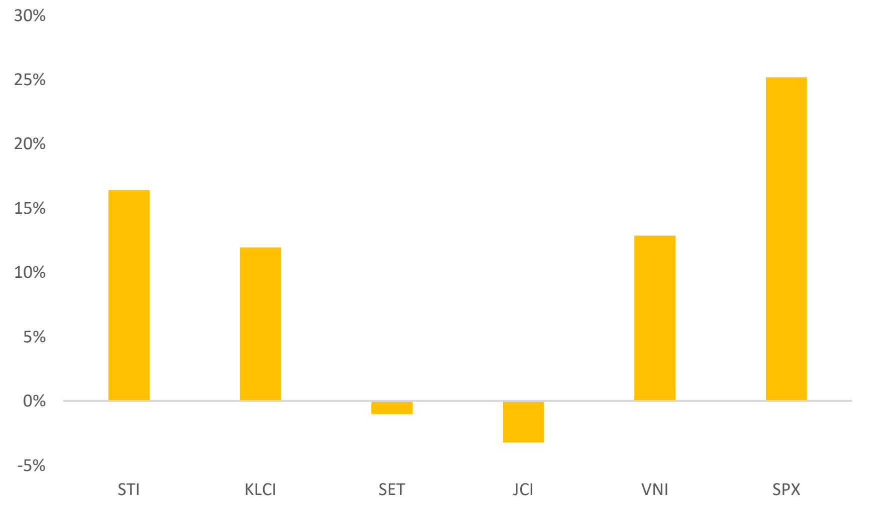
Stronger earnings growth and better management guidance saw more ratings upgrades across MIBG's coverage universe. Indeed, 3Q24 rating upgrades were the highest since 4Q23.

We believe the risks are on the upside for upgrades to earnings and ratings in 2025E as key themes of supply chain shifts, China stimulus, capital returns and AI play out.

4. Strong finish to 2024, led by Institutional Investors

Singapore emerged as the best performing ASEAN market in 2024, closing up 16%. Indeed the expectations at the start of how 2024 was going to pan out was not how 2024 actually played out. Recall, in early 2024, markets were expecting deep Fed rate cuts together with an economic recovery in China plus key regional markets such as Thailand and Indonesia engaging in fiscal stimulus.

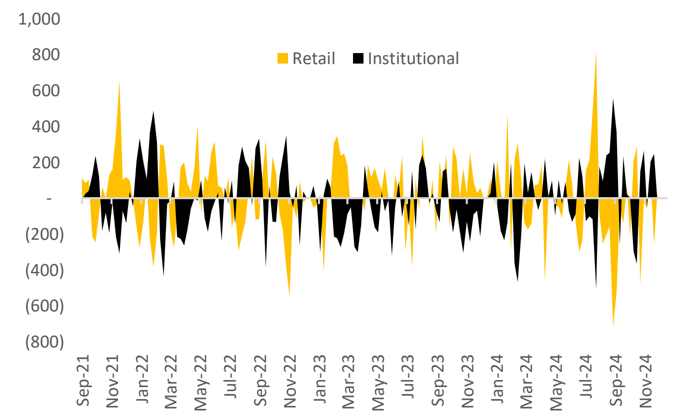
Fig 26: 2024 key market performance



Source: Bloomberg, Maybank IBG Research

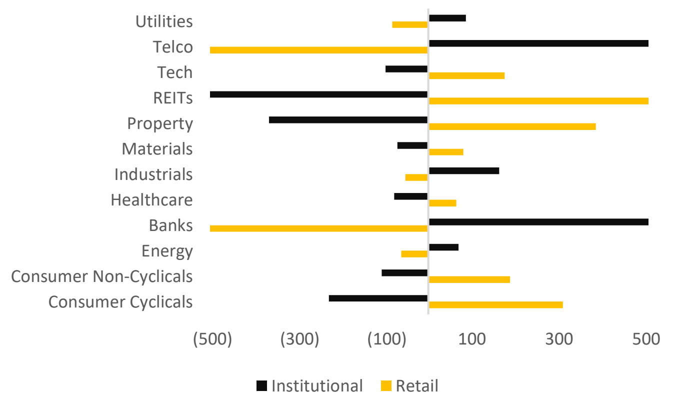
Instead, there were shallow Fed cuts with expectations changing to higher for longer interest rates. At the same time, China's recovery came in below expectation. Regionally as well, with the exception of Malaysia, fiscal stimulus execution was weaker than initially anticipated.

Fig 27: SGX institutional/retail flows 2024 (SGD)



Source: SGX, Maybank IBG Research

Fig 28: SGX institutional/retail flows by sector 2024 (SGD)

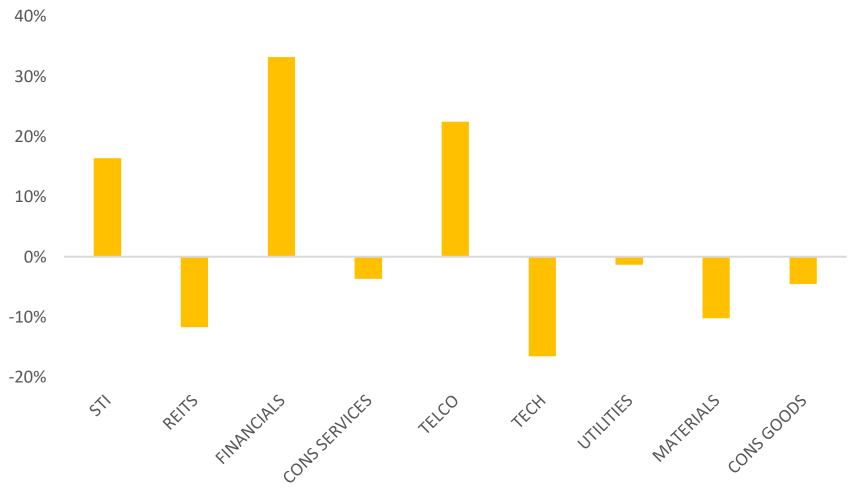


Source: SGX, Maybank IBG Research

Against this backdrop, we observed investors rotated back to Singapore, changing the direction of flows heading to higher growth regional markets. We note that since late-July 2024, institutional investors have been leading flows to the SGX. For the past 6 months, institutional investors have been buying 1:1 on retail investor selling. In the prior 6 months, institutional investors sold 1.3:1 on retail investor buying.

As the year progressed, geo-political uncertainty increased, especially after the US Trump election victory and the potential for a trade war with China looming. Against this backdrop, Singapore emerged as a safe haven given its policy stability and strong currency.

Fig 29: STI subsector performance 2024



Source: Bloomberg, Maybank IBG Research

The sectors that have outperformed the most in 2024 were the banks and telcos. These make up 62% of the STI index. The 2 sectors have a few things in common: (a) they have strong balance sheets, and (b) they have been very vocal about commitment to capital returns to support yields. Additionally, these sectors are also delivering growth, especially the banks which have benefitted from higher-for-longer interest rates.

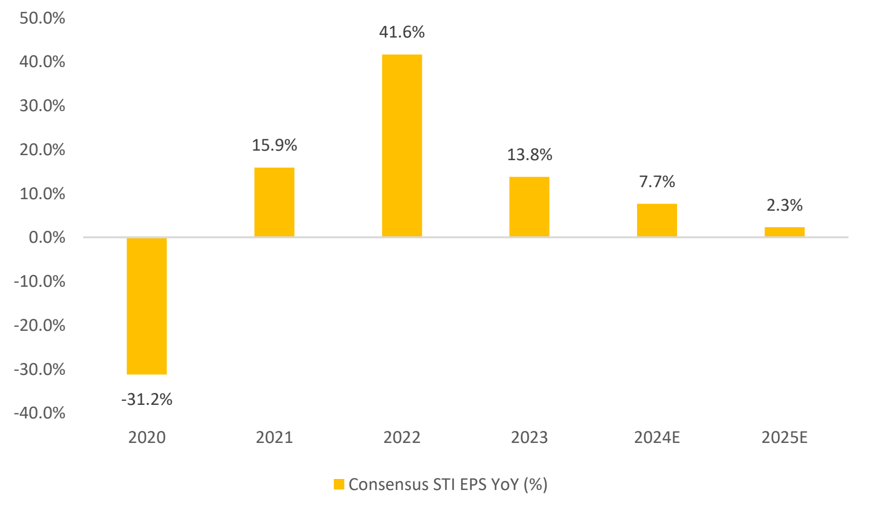
As a result, we believe the Singapore market offered a combination of downside support, yield upside and growth upgrades in 2024. We believe these were the key factors driving the strong outperformance in 2024.

5. Our STI target raised to 4,020

5.1 Setting the STI target

Singapore's consensus sees market earnings set to expand 7.7% YoY in 2024E, following a 13.8% YoY increase in 2023. The strong growth is thanks to the uplift in bank net interest margins (NIM) together with better performances in telecom, industrials and utilities. Earnings momentum is expected to fall to 2.3% YoY in 2025E partly from the high base effect from the banks which may see slower NIM growth as well as slower growth in telcos amid higher competition. Uncertainty on REITs, where growth is dependent on falling interest rates is also keeping 2025E earnings expectations low, in our view.

Fig 30: STI EPS growth YoY (%)



Source: Bloomberg, Maybank IBG Research

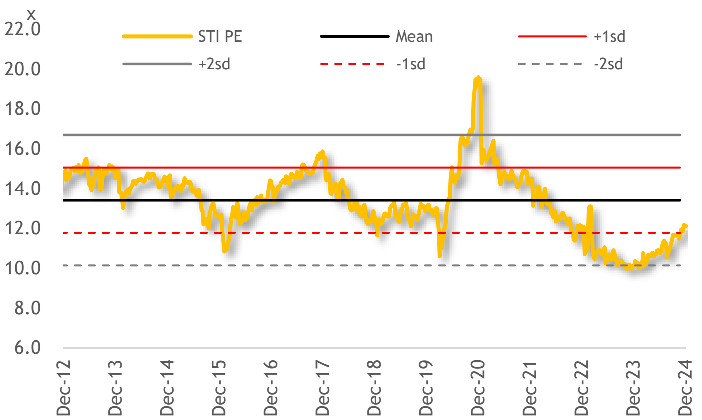
However, as we saw with 2024E, we think risks are stacked on the upside for potential EPS upgrades in 2025E. Indeed, post 3Q results, 2024E EPS growth was upgraded from 6.0% YoY to 7.7% YoY. 2025E upgrades have been flat so far.

As we discussed earlier, the market is set to be driven by 4 themes: Supply chain diversion, China stimulus, capital returns and AI. These should deliver broad sector impacts as the year progresses. Additionally, the growth in the offshore and marine cycle and increased orders for alternative energy project promises to drive small-and-mid cap sector earnings upgrades.

Wildcards such as the Johor-Singapore Special Economic Zone, which is expected to leverage Johor's competitive access to land, labour and energy and combine it with Singapore's global financial centre could provide upgrade opportunities across sectors as initiatives are executed.

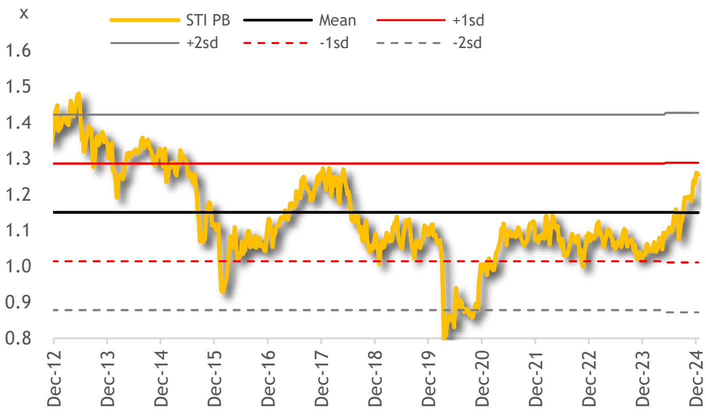
Indeed, MIBG's total coverage, market cap weighted EPS growth forecast for 2025E is at +4.7% YoY – higher than the consensus +2.3% YoY for the STI. This indicates a broader recovery in SMIDs as well as improvements in the internet sector that are not well represented in the main index.

Fig 31: STI 12-month forward PE (x)



Source: Bloomberg, Maybank IBG Research

Fig 32: STI 12-month historical P/BV (x)



Source: Bloomberg, Maybank IBG Research

Despite the potential for upgrades, market valuations remain attractive. The STI's 12-month forward PE is trading -1SD below its long-term mean. On a P/BV basis, the STI is now +1SD above its long-term mean. Part of this likely reflects capital optimisation that the large cap government linked companies (GLCs) have undertaken. Nevertheless, in past growth cycles, market P/BV has traded above 1.4x.

Updating for the latest earnings, our 12-month STI index target has been raised to 4,020 (from 3,890). Our methodology remains the same, taking the sum of equal weighted top-down and bottom-up valuations. Our bottom-up valuations, reflect our latest target prices and index components.

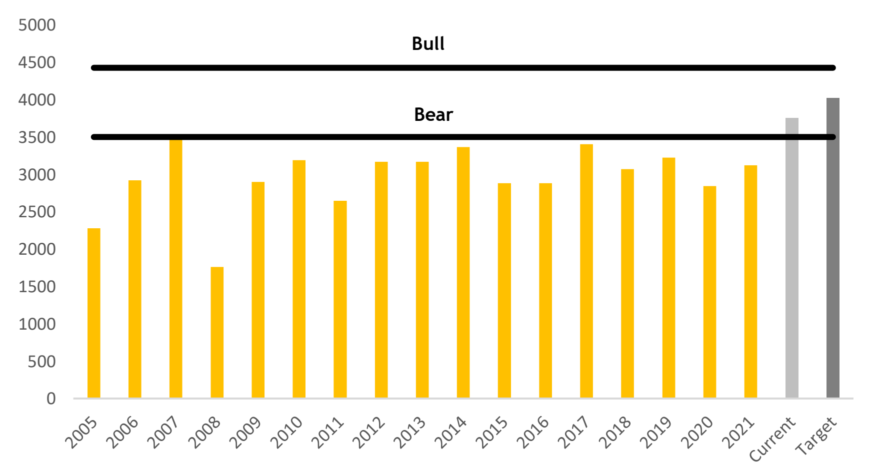
Fig 33: STI 12-month target setting

	Target	Weighting	Comments
MKE/Consensus TP Derived Index Level (Bottom Up)	4,075	50%	Fundamental value-driven upside
10-year Mean Forward PE (Top Down)	4,427	25%	Traded up to +2SD following GFC, O&M crisis
10-year Mean Forward PB (Top Down)	3,501	25%	Traded up to +2SD following GFC, O&M crisis
Weighted 12-month Fwd Target	4,020		
Current Index	3,800		
Upside	6%		

Source: Bloomberg, FactSet, Maybank IBG Research

In our Bull Case scenario, where the STI trades up to its long-term mean PE, the index could reach 4,427. At the same time, our Bear Case scenario, where the index trades down to its long-term mean PB, there is 7% downside.

Fig 34: STI target Bull and Bear scenario



Source: Bloomberg, Maybank IBG Research

We see several wildcards that could propel the Bull Case forward in 2025E. These include the Johor-Singapore Special Economic Zone (JS-SEV), positive outcomes from recommendations from the MAS equities market review and a generous election budget.

5.2 Wildcard catalysts can help drive momentum

JS-SEZ

A Johor-Singapore SEZ, backed by clear policy and strong execution, has the potential to materially uplift economic value creation on both sides of the Causeway. Integrating Singapore's global financial and logistics capabilities with Johor Bahru's (JB) access to competitive land, labour and renewable energy is a synergy multiplier. Regionally, this could be a competitive advantage in attracting fresh foreign direct investment (FDI) to the SEZ – especially as supply chains migrate South - while also fast-tracking Net Zero transition.

From an equities perspective, we believe opportunities may arise along five key themes – enhancing access on both sides of the border, supply chains shifting to SE Asia, infrastructure development, broadening the SME economy and supporting green transition.

Fig 35: JS-SEZ Themes and Impacts

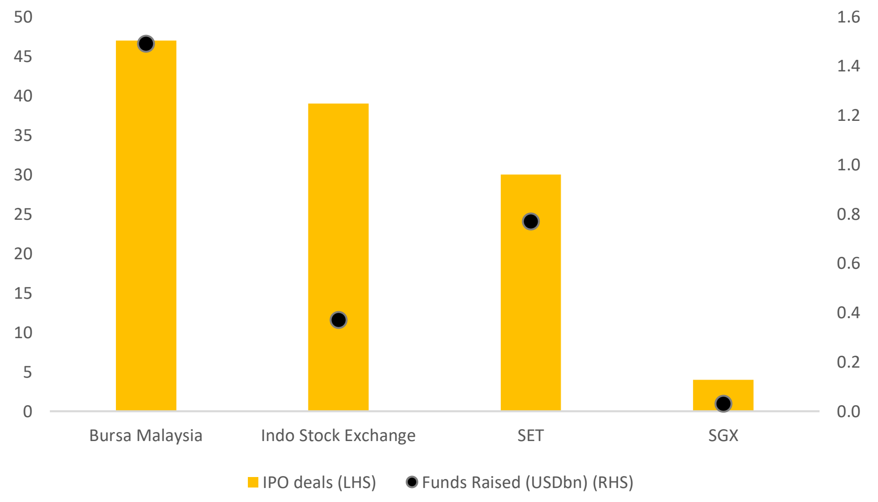
Theme	Potential Impact
Enhancing Access	Enhanced Cross-Border Connectivity: Proposed measures like a passport-free clearance system, QR-code immigration, automated lanes, and the RTS light railway link aim to significantly reduce travel and cargo bottlenecks at the Johor-Singapore Causeway, fostering seamless integration between Singapore and the Special Economic Zone (SEZ). Economic and Sectoral Growth: Improved border efficiency is expected to boost various sectors, including real estate, consumer goods, and healthcare, by facilitating cross-border trade, increased housing demand, and better access to services for Singaporeans and Malaysians. Regional Competitiveness: Initiatives like the ASEAN Single Window and potential removal of trade barriers are anticipated to enhance manufacturing, exports, and the overall business ecosystem, ensuring the SEZ's competitiveness in attracting investment and fostering economic growth.
Supply Chain Shifts	Stimulus for North-South Supply Chain Integration: The Johor-Singapore SEZ aims to integrate advanced manufacturing and financial capabilities in Singapore with Malaysia's competitive labour, land, and energy resources, fostering a seamless and resilient supply chain. Features like digitized cargo clearance, bonded warehouses, and streamlined tax incentives aim to boost cross-border trade efficiency and reliability. MNC Supply Chain Shifts from China: Amid US-China tensions and the push for supply chain diversification, many MNCs are relocating manufacturing operations to ASEAN. The SEZ's cost advantages, global financial connectivity, and strategic location make it an attractive destination for businesses seeking alternatives to China. Geopolitical and Technological Opportunities: Malaysia's established electronics manufacturing base and Singapore's global financial and trade links position the SEZ to capitalize on rising demand for AI, semiconductors, and advanced manufacturing. Investment incentives and integrated industrial parks, like Nusajaya Tech Park, further enhance the region's appeal to multinationals.
Infrastructure and Operational Development	Infrastructure and Industry Expansion: The SEZ's focus on industries like electronics, data centres, pharmaceuticals, and food processing, combined with Singapore's digital economy initiatives, will drive significant investments in infrastructure such as data centres, industrial facilities, and housing. Property Market Growth: Rising employment and industrial activity in the SEZ are expected to boost demand for residential, commercial, and industrial properties in Johor, benefiting Malaysian developers, REITs, and construction firms while capitalizing on Johor's significantly lower property costs compared to Singapore. Lower Operating Costs with Competitive Ringgit: Johor offers substantial cost advantages with salaries, rents, and utility costs significantly lower than Singapore, allowing businesses to operate more efficiently while benefiting from Singapore's financial and trade connectivity.
Broadening the SME Economy	Attracting and Retaining Talent: The Johor-Singapore SEZ can help stem the "brain drain" to Singapore by offering better job opportunities within the zone, alongside vocational training programs for up to 100,000 workers, creating a more skilled local workforce. The SEZ's development may also incentivize skilled foreign workers with attractive visa terms and residency options, enhancing the talent pool. Supporting SMEs through Collaboration: The SEZ, bolstered by initiatives like the MOU between Enterprise Singapore and SME Corporation Malaysia, can support SMEs in key sectors (e.g., smart agriculture, aerospace, and medical devices) by providing access to a larger market and improved cross-border connectivity, easing challenges related to manpower, costs, and technology integration. Improved Business Environment and Connectivity: The SEZ can lower operational costs for SMEs by leveraging Malaysia's lower wage rates and labour availability, while enhancing cross-border transactions through the integration of digital payment networks like PayNow and DuitNow, reducing friction and facilitating smoother regional trade and expansion.
Green Transition	Accelerating Renewable Energy Collaboration: The Johor-Singapore SEZ will drive closer cooperation on renewable energy, aligning with both nations' decarbonisation goals. Johor's large land availability and renewable resources, coupled with Singapore's green funding, will facilitate joint investments in energy infrastructure, supporting the transition to net-zero emissions and increasing renewable energy exports, particularly from Johor to Singapore. Boosting Green Energy Demand and Supply: The SEZ will become a significant source of clean energy demand due to its energy needs and the rising green energy mandates of manufacturers. The proximity of Johor to Singapore allows for efficient energy transmission, particularly in meeting Singapore's target to import 30% of its electricity from low-carbon sources by 2035, with the SEZ providing a feasible option for further capacity ramp-up. Government Support for Green Infrastructure and Technology: Both Singapore and Malaysia are investing in renewable energy infrastructure, with Singapore's Future Energy Fund and Malaysia's renewable energy targets. The SEZ will benefit from government policies that foster renewable energy development, including bilateral agreements for electricity trading and joint efforts to meet net-zero emissions, while enhancing green transition initiatives like electric vehicle infrastructure and data centre development.

Source: News media, Maybank IBG Research

Reforms to the SGX equities market

Singapore has been falling behind globally and regionally as an attractive equities market. It has been impacted by weak valuations, low turnover and delistings overtaking new listings over a prolonged period of time.

Fig 36: SE Asia IPO listings and amounts raised in 2024



Source: PwC, Straits Times

In response, the MAS announced a Review Group in Aug 2024 to recommend measures to strengthen equities market development in Singapore.

There have been a number of initiatives in the past to revitalise the Singapore equities market, but results have been lacking. The current initiative, chaired by the minister for transport and second minister for finance and board member of MAS, is consulting with a wide swathe of public and private sector representatives. It is supported by two workstreams:

1. The Enterprise and Markets stream aimed at addressing market challenges, supporting listings and revitalising the market.
2. The Regulatory stream that is focusing on enhancing regulations to enhance market growth and drive investor confidence.

While the Review Group has a deadline of 12 months to report on findings and offer recommendations, we believe initiatives are likely to be announced progressively throughout 2025.

We believe concrete, executable initiatives that encourage new listings, broaden market participation and deepen market liquidity could be seen as strong positive signals by market participants. At the same time, developing regulations that allow for risk-taking, while also signalling strong enforcement could provide Singapore with a competitive advantage in attracting regional listings by companies aiming to attract a global investor base. It should also help support market innovation and revive risk taking, in our view.

Successful implementation of such initiatives should have positive impacts on market valuations. We believe this could especially be supportive to small-and-mid cap listing, which have generally been under-owned in favour of the large caps.

Potentially generous general election budget

Singapore's next general election (GE) is to be held by 23 Nov 2025.

Historically, the market has displayed largely negative momentum in the run up and the immediate aftermath of the GE.

Fig 37: STI movements 3 months before and after GEs

Election Year	Election Date	STI % Change -3M from GE	STI % Change +3M from GE
2001	3 November 2001	-16.4%	33.3%
2006	6 May 2006	8.4%	-6.8%
2011	7 May 2011	-2.9%	-8.1%
2015	11 September 2015	-13.7%	-1.3%
2020	10 July 2020	3.2%	-3.0%

Source: Bloomberg, Maybank IBG Research

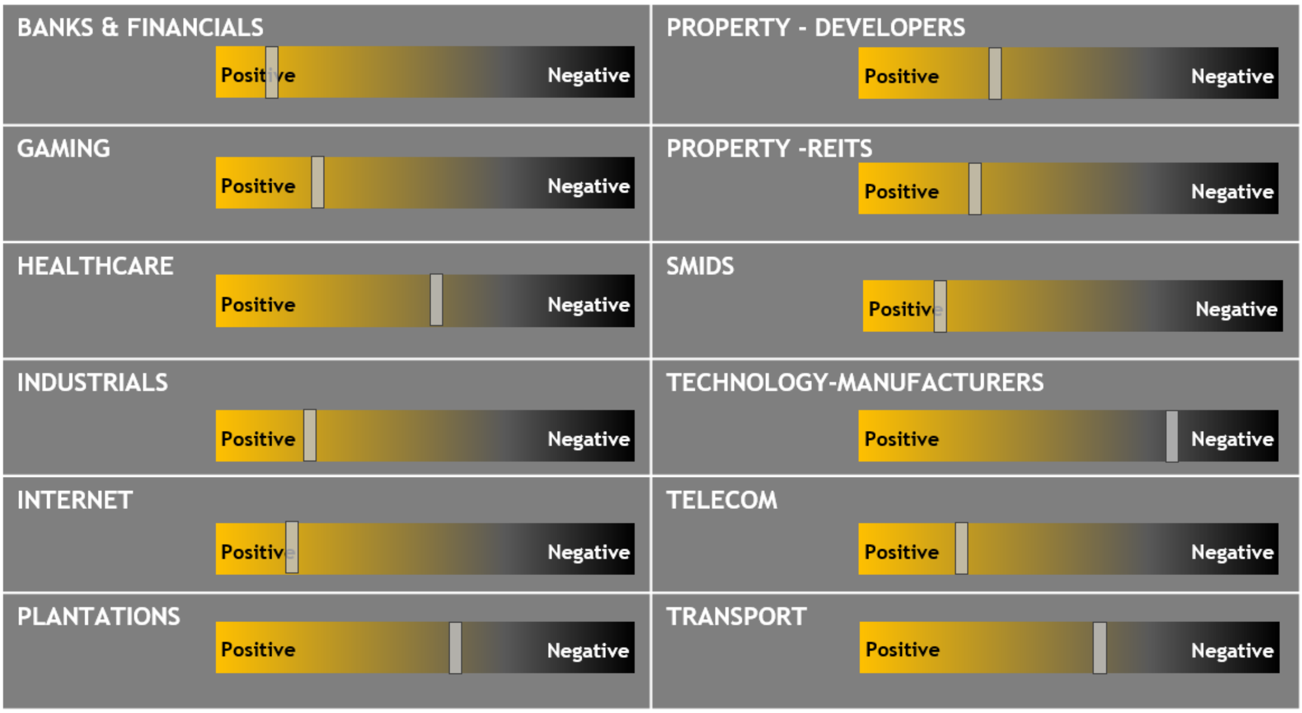
However, the budget set to be announced on 18 Feb 2025 may include generous handouts and social transfers ahead of elections. The government's net fiscal position is a surplus of SGD1.8bn, according to the Straits Times. This may give the government space to take an expansionary fiscal stance, especially taking the view that cost of living expenses were a key election issue in multiple elections in 2024 including those in the US, India, Indonesia etc.

This may have a small positive spill-over effect on the market, especially in terms of domestic consumption driven sectors such as Consumer Staples, Consumer Discretionary, Retail REITs and the 'feel good' factor may encourage more consumer credit demand for the Banks.

5.3 Sector weightings

Our sector outlook is predicated on risk-reward based on gearing towards the four key themes for 2025: Supply chain diversion, China stimulus, Capital returns and AI.

Fig 38: Singapore sector positioning 2025E



Source: Maybank IBG Research

5.4 Top Picks

Our top picks are based on those that have the maximum gearing towards the Themes of 2025E, together with screens on liquidity and ESG.

Fig 39: Top picks

Stock	BBG	M.Cap	Rec	Price	TP	Upside		P/E (x)		ROE (%)		P/B (x)		Div Yield (%)
	Code	USDm		LCY	LCY	%	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E	FY24E	FY25E
DBS	DBS SP	91,473	Buy	43.96	46.91	6.7	11.3	11.3	18.2	16.5	1.9	1.8	5.0	5.7
UOB	UOB SP	45,048	Buy	36.55	38.75	6.0	9.1	9.4	13.1	12.6	1.3	1.2	5.7	6.3
OCBC	OCBC SP	54,923	Buy	16.64	17.89	7.5	9.8	9.2	14.0	13.0	1.3	1.2	5.4	6.0
Singapore Post	SPOST SP	898	Buy	0.54	0.77	42.6	19.3	16.9	16.1	3.9	0.9	0.9	2.4	2.8
Marco Polo	MPM SP	145	Buy	0.05	0.08	50.9	6.6	5.9	13.3	13.4	0.9	0.8	1.9	1.9
Ascendas REIT	CLAR SP	8,364	Buy	2.60	3.10	19.2	18.1	17.4	6.2	6.2	1.1	1.1	5.7	5.9
CICT	CICT SP	10,404	Buy	1.95	2.30	17.9	17.4	17.3	4.9	5.1	0.9	0.9	5.6	5.7
Singtel	ST SP	37,306	Buy	3.09	3.65	18.1	20.2	17.1	10.3	11.6	2.1	2.0	4.5	5.0
Grab Holdings	GRAB US	18,211	Buy	4.74	6.20	30.8	NM	76.5	NM	2.6	2.8	2.7	0.0	0.0
Sea Ltd	SE US	55,457	Buy	104.87	130.00	24.0	89.1	35.2	16.4	25.5	7.1	5.5	0.0	0.0

Source: FactSet, Maybank IBG Research

Fig 40: Top pick investment thesis

Stock	BBG Code	Comments
Ascendas REIT	CLAR SP	CLAR is displaying stable operations and financial metrics, with mid-teens rent reversions, based on 3Q24. It has also recently announced the divestment of a ramp-up warehouse with an ancillary office block for SGD113m, with proceeds likely to be used for capex, debt repayment or top-ups. While we expect occupancies to fluctuate for business parks, CLAR's diversified revenue profile, strong credit and capital recycling should stabilise its bottom line.
CapitaLand Integrated Commercial Trust	CICT SP	We expect DPU to grow at 4.8% CAGR (FY23-FY26E), supported by organic and inorganic growth, margin expansion and lower borrowing costs. FY25E growth may slow due to a high base, but backfilling office spaces in Germany/Australia, plus ION Orchard contributions should provide support. Financing expenses are expected to remain steady.
DBS	DBS SP	Strong fee growth from large wealth AUM base should continue to support NoII as rates decline. Concurrently, prudent hedging along with lower cost of funds should support NII. Significant investments in AI and IT should start delivering cost efficiencies and new revenue opportunities in the near term. Despite a CEO change, Management remains committed to higher capital returns.
Grab Holdings	GRAB US	Grab has shown a strong momentum following a solid come back in 3Q24, achieving a 17% YoY net revenue growth while turning FCF positive. We expect the rollout of lending products through its Digibank arms in Malaysia and Indonesia to accelerate its fintech revenue in 4Q25. While large acquisitions are unlikely, we believe Grab will continue to keep an eye on small strategic acquisitions - such as the one they did with Chope. This positions Grab to comfortably start returning cash going forward, in our view.
Marco Polo	MPM SP	With MPM's CSOV (Commissioning Service Operations Vessel) close to completion at 91%, operations are likely to start by March 2025. We expect utilisation for the first 2-years to be close to 95% at high average rates. Charter rates are estimated to rise 5-10% in 2025E. Additionally, we expect orders of 1-2 crew transfer vessels (CTV) in 2025E increasing earnings visibility.
OCBC	OCBC SP	Solid trading income and fees has led to NoII making a strong recovery. Similarly, a stronger loan pipeline and NIM hedging should support NII. Despite a lack of clarity by management over capital returns in comparison to OCBC's peers, a CET1 uplift from BASEL4 transition should indicate higher excess capital of SGD4-7bn, showing promising shareholder value creation.
Sea Ltd	SE US	Sea benefits from a strong growth in ASEAN and its expansion 'Free Fire' in Africa, targeting growth in emerging markets with lower-spec mobile devices. Adjusted EBITDA is expected to grow at 35% CAGR supported by e-commerce business and digital financial services, with gaming EBITDA expected to grow at low single digit for FY25-26. FCF is projected to turn positive in FY24E.
Singapore Post Ltd	SPOST SP	SingPost's recent termination of its CEO, CFO and CEO (IBU) due to an alleged failure to exercise due diligence and breach of duties following a whistle blowing report is unlikely to impact its overall capital returns strategy. The Group has already settled with the affected customer and renewed its contract, with the incident being immaterial to FY25E NTA and EPS. Its strategic roadmap to enhance shareholder returns is board driven. So we expect announced asset sales - especially in Australia - to move forward. Shareholders could potentially receive up to SGD0.86/share of dividends in the next 2 years.
SingTel	ST SP	SingTel has announced SGD6bn of capital recycling as part of its ST28 strategy. It has already generated SGD2bn of proceeds from capital recycling in CY24-25, which could help in supporting near term dividends. In addition, we estimate the Group to generate SGD4.9bn of free cash flow over FY25-27. Past and expected capital recycling could add a further SGD8bn buffer. This may result in an excess capital situation even after dividend, which may partially support share buybacks, in our view.
UOB	UOB SP	Successful integration of Citi acquisition along with investments in technology and higher-for-longer interest rates could drive EPS going forward. Additionally, a CET1 uplift from BASEL4 transition and a SGD2.5bn share buyback programme, indicates stronger capital management commitments, showing promising shareholder value creation.

Source: Maybank IBG Research

6. Sector Outlooks

Banks

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- **The sector experienced a trifecta of tailwinds from higher-for-longer margins, recovering fees and benign credit quality, driving ROEs higher.**
- **This is likely to last into the medium term, supported by ASEAN and China growth, supply chain relocations, large AUMs converting to fees and technology-led efficiencies.**
- **Amidst excess capital levels and limited options for deployment, expect ambitious capital management in 2025E, especially in terms of special dividends and share-buybacks. UOB is our Top Pick.**

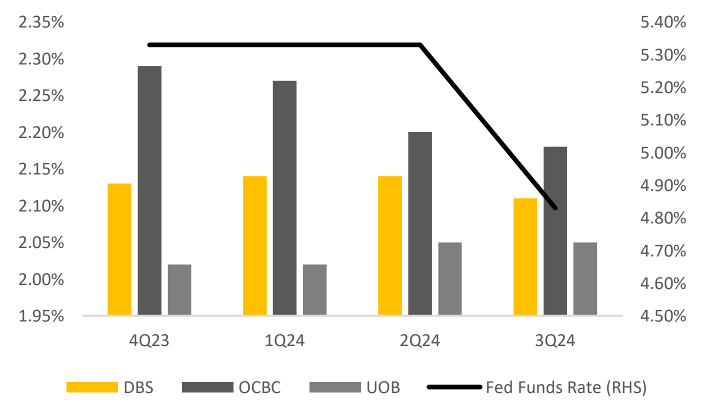
NIMs held up better and fees turned a corner in 2024

2024 began with expectations of deep Fed rate cuts, which were set to impact sector net interest margins (NIMs) via transmission to asset yields. Fed cut expectations cooled throughout the year, supporting NIMs with higher-for-longer interest rates. The sector also witnessed high levels of liquidity with loan-to-deposits for 2024E at 82% compared to a 5-year average of 84%. This kept deposit competition in check, further supporting margins. Higher NIMs managed to offset weaker credit demand given expensive interest rates, loan pre-payments and a strong SGD translating away regional local currency lending.

Fee income was in the doldrums in 2023 as higher interest rates diverted liquidity from high fee generating wealth management to fixed deposits (FD). Improved market sentiment and expectations of rate cuts saw some rotation of liquidity to higher risk products in 2024, driving positive momentum in wealth management. The pace accelerated in 2H24 as the first Fed rate cuts were delivered.

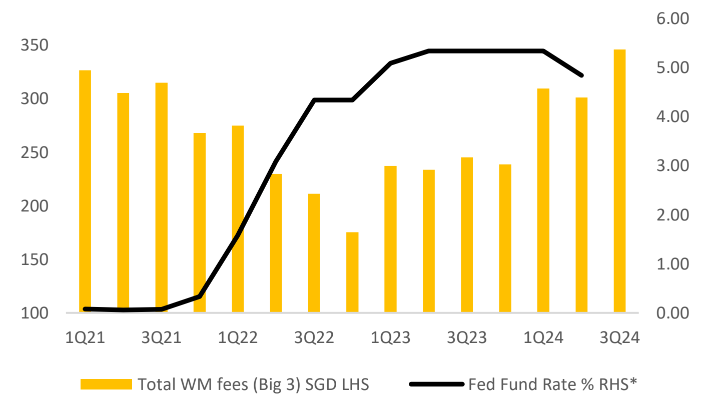
Overall, better-than-expected resilience in net interest income and a turnaround in fees and trading income established strong operating momentum. This was complemented by lower credit charges from benign asset quality and good discipline. Finally, transition to BASEL IV saw CET1 ratios improve 200bps, which was much better than expected. As a result, management guidance saw progressive upgrades through 2024 in terms of operating outlook and capital returns.

Fig 41: Sector NIMs vs. Fed Fund Rate (%)



Source: Company, FactSet, Maybank IBG Research

Fig 42: Sector wealth management income vs. Fed fund rate (%)



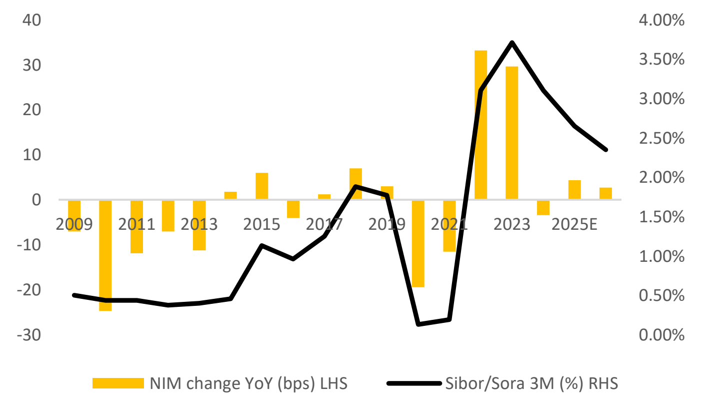
Source: Company, FactSet, Maybank IBG Research

ASEAN, China set to support dividend growth

We forecast sector EPS to grow 8.1% YoY in 2024E. In 2025E, profit growth momentum is projected to fall to 0.3% YoY given the high-base effect as well as falling interest rates. However, on an absolute basis, this is still 64% higher than pre-Covid levels. This means that ROEs for 2024-26E are forecast to average 14.3% compared to 11.2% in the 5 years prior.

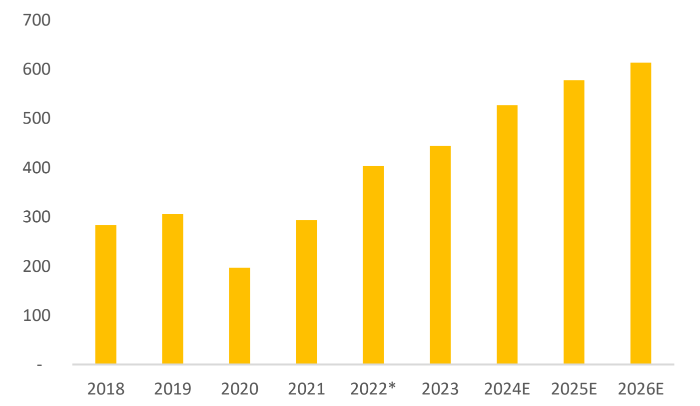
We believe this structural uplift in ROEs could remain supported in the medium term. Stronger growth outlooks for 2025E in key ASEAN markets – especially Malaysia, Indonesia and Thailand – should drive stronger credit growth, we believe. Domestic Singapore credit demand should also see revival as intra-regional trade picks up pace amidst US-China trade war scenarios. This may help offset declines in NIMs as Fed rate cuts gather pace. Inflation shocks in the US, and any consequent delay in rate cuts are upside risks to margins.

Fig 43: NIM growth YoY vs. 3M SORA (%)



Source: Company, FactSet, Maybank IBG Research

Fig 44: Sector absolute dividends (SGDcents)



**includes special dividends*

Source: Company, Maybank IBG Research

Concurrently, buoyant market conditions should support further wealth management fee momentum. Indeed, the domestic banks enjoyed 10% to 24% YoY increases in wealth AUM in 1H24 indicating sizable dry powder to be converted to fees as rate cuts progress.

Separately, we expect overall cost-to-income ratios to be well managed around 40-41%. Increasing automation and AI deployments could result in upside risk of improved productivity and cost efficiencies. A better macro outlook together with falling interest rates should further enhance benign asset quality conditions. We forecast NPLs to be flat at 1.2% in 2025E with potential risks stacked towards the ratio falling.

Together with high levels of CET1, which is 200bps to 400bps in excess, we expect more generous capital management going forward. Major, transformational M&A is unlikely in the medium term, further adding to the case of higher capital returns. DBS has announced a SGD3bn share buy-back program in addition to progressive, absolute dividends. We expect UOB to also establish an ambitious buy-back program together with potential special dividends in 2025E.

UOB, DBS, OCBC top picks in order of preference

Our Top Pick for 2025E is UOB. The group is starting to derive efficiencies from its regional Citibank integration, while also executing its regional digital strategy, which should enable better scale and revenue opportunities. UOB's gearing to ASEAN should make it a key beneficiary of supply chain shifts from North Asia, especially given its past investments in integrating its regional wholesale banking operations. We expect potential surprises in terms of capital returns through share buy-backs and special dividends.

We also like DBS and OCBC given their gearing to North Asia. This may allow them to become first and second degree beneficiaries of stimulus efforts by the Chinese government. At the same time, investments in their technology platforms should enable better efficiencies and scale in the medium term, driving down costs and creating new revenues. Excess capital levels could result in capital management surprises.

Risks

Significant policy uncertainty and Trump tariffs for SE Asia could lead to disruptions in growth expectations. This may have an impact on credit growth as well as asset quality. Similarly, deeper-than-expected Fed rate cuts could impact NIM resilience, which could result in EPS downgrades

Gaming

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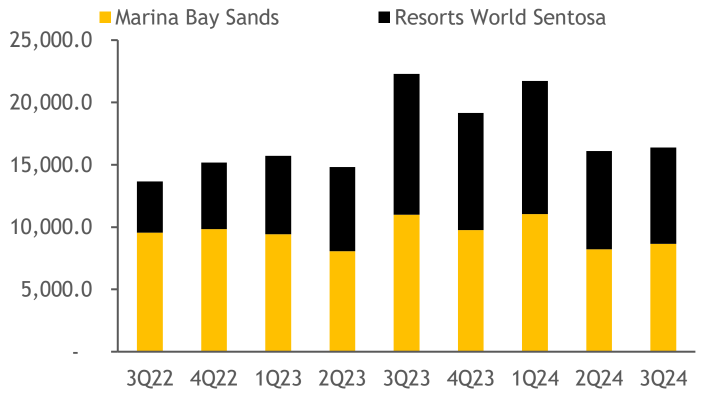
- **The year started off well but the VIP market tapered off as the Chinese economy weakened. The mass market remained resilient but Resorts World Sentosa lost share due to fewer rooms.**
- **Yet, a scaled down VIP market may be positive for earnings due to fewer bad debts. Moreover, Resorts World Sentosa will likely regain mass market share as rooms reopen in 1Q25.**
- **Notwithstanding, we still like GENS as we believe most negatives have already been priced in and there is upside potential if its operations recover. We have a BUY call and SGD1.01 TP on GENS.**

2024 started strong but will likely end weak

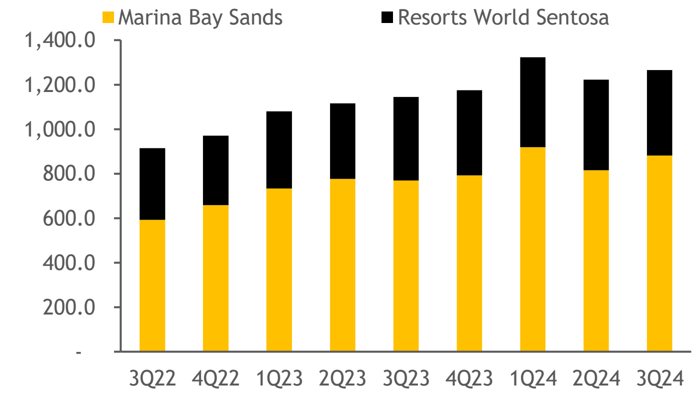
2024 started with a bang in the year of the Dragon. 1Q24 total gross gaming revenue (Marina Bay Sands and Resorts World Sentosa) hit a post-Covid high of SGD2.32b as both the VIP and mass markets surged. That said, total gross gaming revenue (GGR) began to taper off hitting an intra-year low of SGD1.61b in 3Q24. A large part of this was driven by the fall in total VIP volume from SGD21.72b in 1Q24 to SGD16.38b in 3Q24 due to the weakening Chinese economy. The mass market fared better by easing marginally from SGD1.32b in 1Q24 to SGD1.27b in 3Q24. Yet, the experience of both integrated resorts varied in relation to the mass market. Marina Bay Sands gained mass market share at Resorts World Sentosa's expense as the latter shuttered the 364-room Hard Rock Hotel in Mar 2024 for renovation. With fewer rooms to house premium mass market gamblers, Resorts World Sentosa's 3Q24 mass market GGR counter seasonally fell 6% QoQ.

Fig 35: Total VIP volume (SGDm)



Source: GENS

Fig 36: Total mass market GGR (SGDm)

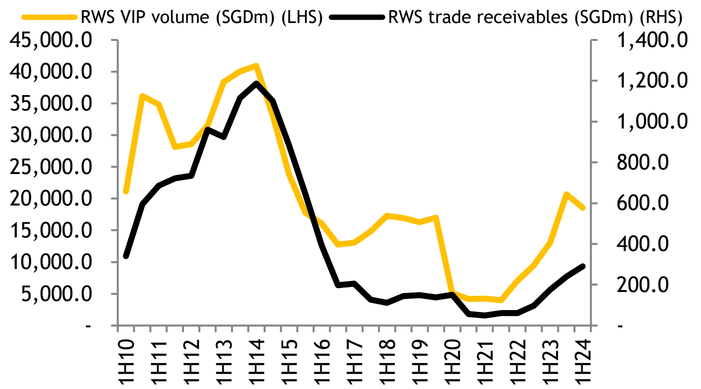


Source: GENS

Resorts World Sentosa sought to recover from 2Q25

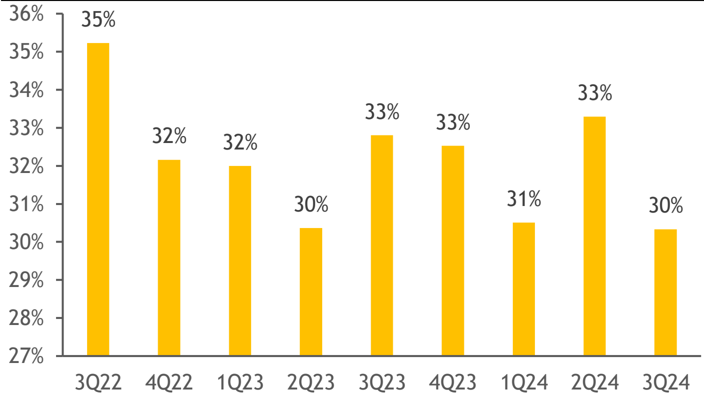
With the Chinese economy still weak, we believe that any meaningful reacceleration in VIP volume is unlikely to be forthcoming for fear of more bad debts. That said, we are not overly concerned that the VIP market may remain stagnant. Assuming normal VIP win rate of 3.3%, VIP market EBITDA margins are at most c.20%. In fact, VIP market EBITDA margins may turn negative due to bad debt. In the past, Resorts World Sentosa's earnings actually improved when it scaled back its VIP operations as it incurred less bad debt. We prefer the mass market which is more stable and offers higher EBITDA margins of 50-60%. For Resorts World Sentosa, we gather that its mass market share will remain suppressed at 30% until the 364-room former Hard Rock Hotel reopens in 1Q25. When it reopens, Resort World Sentosa will have more rooms to house premium mass market gamblers and ought to regain its mass market share.

Fig 245: Resorts World Sentosa share of mass market GGR



Source: GENS

Fig 246: Resorts World Sentosa share of mass market GGR



Source: GENS

Still favour GENS

The above notwithstanding, we still like Genting Singapore (GENS). Again, as it scales back its VIP operations, it will incur fewer bad debts and improve its earnings. Moreover, the reopening of the former Hard Rock Hotel ought to enable it to regain its mass market share. Over the long term, Genting Singapore will add another 700 or c.30% more rooms as part of its SGD6.8b RWS 2.0 reinvestment plan. Furthermore, we believe GENS stands a good chance to secure an 'entertainment complex' license in Thailand should it call for Request for Proposals this year.

Risks

(i) full blown recession leading to subdued demand for gaming;
(ii) higher gaming taxes and/or full smoking bans;
(iii) harsher clampdown on cross border gaming by China; and
(iv) more intense regional competition if jurisdictions like Thailand liberalise their casino industries.

Healthcare

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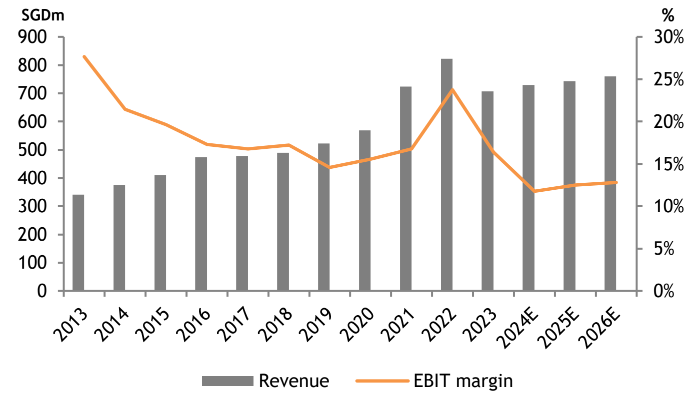
- **Most company profits (except QNM) were impacted by cessation of Covid services and margin pressure from rising opex**
- **Private healthcare operators are likely to continue their overseas expansion to drive inorganic growth**
- **Expect a potential earnings turnaround in 2025 to drive sector re-rating**

Overall a mixed performance

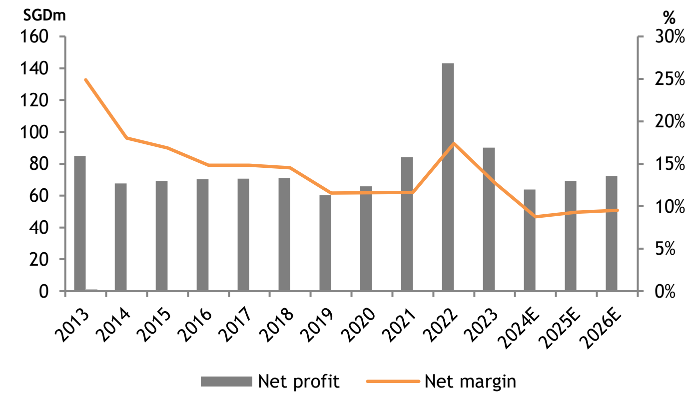
In 2024, we continue to see the normalization of revenue/earnings for the sector, mainly due to the cessation of Covid-related activities including managing vaccination centres, PCR tests, etc. Moreover, these private healthcare players also saw margin compression, exacerbated by negative operating leverage with rising inflationary pressure from higher staff/utilities costs, etc. For RFMD, its China operations are slowly gaining traction with growing patient numbers although the hospitals in Shanghai and Chongqing are still in the developmental phase and remain in gestational losses. In the case of TMG, its bottom-line was hit by one-off transaction costs relating to its acquisition of FV Hospital in Vietnam. Excluding that, we note the deal is immediately accretive, with a maiden topline contribution of SGD50.4m recorded in 2HFY24. On a positive note, Q&M Dental saw a recovery in profitability on a stronger contribution from its core dental business in Singapore but was partially offset by lower turnover from the group's medical laboratory business.

Fig 25: RFMD's revenue and EBIT margin



Source: Maybank IBG Research, Company

Fig 47: RFMD's net profit and NPM



Source: Maybank IBG Research, Company

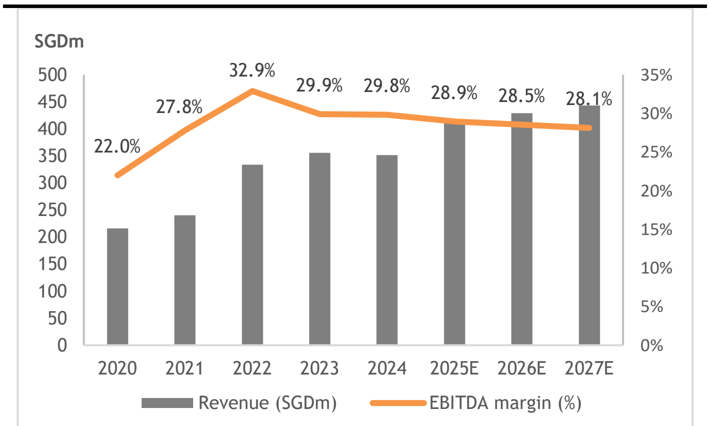
Overseas expansion to drive growth

In Jun 2024, RFMD opened its second medical centre in Hakata, Fukuoka, to serve locals, expatriates, and tourists in the precinct. The centre offers medical services ranging from family medicine, health screening, and travel medicine to specialist care such as internal medicine and gastroenterology. Meanwhile, the acquisition of a controlling stake in American International Hospital (AIH) in Ho Chi Minh City is still pending regulatory approval even though it has already started managing AIH as part of a management contract. Management remains on the lookout for new business opportunities in the region given its strong net cash of SGD247m.

In line with TMG's strategy to enhance specialist services in Vietnam, FV Hospital recently launched the region's first thoracic surgery centre. This new facility will serve the Cambodia, Vietnam, Laos, and Myanmar region, thus supporting the group's goal of expanding service offerings and patient care. To drive synergies across its Southeast Asia footprint, it is also expanding its doctor network, enhancing digital patient engagement and sharing clinical expertise across its key markets.

In Oct 2024, QNM entered an MOU to acquire 25% of Guangdong Medical Group, a 51%-owned subsidiary of Whole Shine Medical Technology. Delun is principally engaged in the business of providing oral medical chain services and mainly focus on the diagnosis and treatment of oral diseases/health care, repair & other oral medical services. It currently owns 1 dental hospital, 28 directly-managed chain outpatient clinics, with an operating area of more than 35,000 sqm and >400 dental chairs. Based on Whole Shine's FY23 annual report, the successful purchase of a 25% stake in Delun by QNM will translate to share of associate income of RMB18m.

Fig 27: TMC's revenue and adjusted EBITDA margin



Source: Maybank IBG Research, Company

Fig 28: TMC's key operating statistics

	FY2021	FY2022	FY2023	FY2024
NUMBER OF INPATIENT				
Singapore	20,402	20,972	20,315	17,601
Malaysia	18,806	23,107	29,390	31,052
Vietnam[2]	N.A.	N.A.	N.A.	3,300
Total	39,208	44,079	49,705	51,953
NUMBER OF OUTPATIENT				
Singapore	277,398	308,308	288,638	252,071
Malaysia	166,254	183,470	171,613	182,027
Vietnam[2]	N.A.	N.A.	N.A.	112,653
Total	443,652	491,778	460,251	546,751
INPATIENT ABS[1]				
Singapore	S$3,547	S$3,784	S$4,257	$5,041
Malaysia	RM7,106	RM7,555	RM7,993	RM8,619
Vietnam[2]	N.A.	N.A.	N.A.	USD4,455
OUTPATIENT ABS[1]				
Singapore	S$282	S$272	S$292	$305
Malaysia	RM252	RM235	RM297	RM320
Vietnam[2]	N.A.	N.A.	N.A.	USD176

Source: Company

Earnings could resume growth in 2025

PM Lawrence Wong announced in his National Day Rally speech that parents of new-borns will get an extra six weeks of shared leave from 1 Apr 2025, before going up to 10 weeks a year later. In addition, Mr Wong also said that new fathers will now get four weeks of government-paid paternity leave, up from the current two weeks' mandatory leave. We think this enhanced parental leave should help to boost the nation's fertility rate, which in turn should benefit TMG (BUY, TP: SGD0.06) given its market leadership in child birth services.

While we currently have HOLDs on RFMD (TP: SGD1.10) and QNM (TP: SGD0.31), we think their earnings have more or less bottomed and they could see a clearer resumption of growth in 2025. The recovery should come from improvement in operational efficiency, coupled with growing contribution from overseas markets. Re-rating catalysts could include better-than-expected margins and/or net profit growth, higher dividend payouts, as well as faster turnaround of regional operations.

Risks

Key downside risks include i) slower-than-expected earnings growth, ii) heightened competition for core healthcare businesses, and iii) continued margin compression due to rising opex such as staff costs & utilities, and incur larger capex and upfront costs to broaden specialties/service offering, as well as expansion of bed capacity.

Industrials

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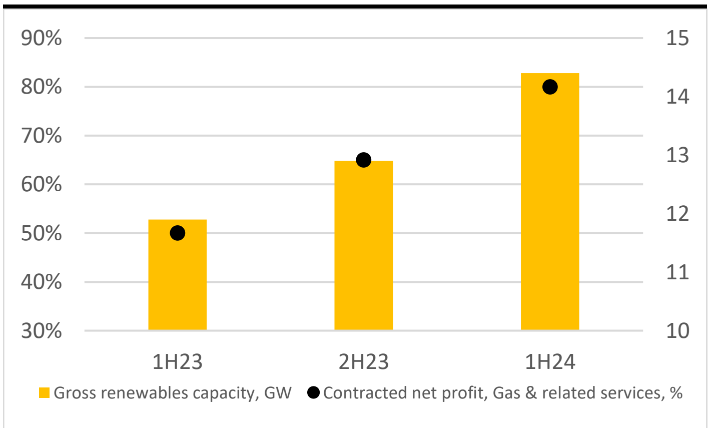
- **SCI and STE executed upon their medium-term plans while focusing on steady earnings from legacy businesses in the near term. SCI secured its revenue by signing long term PPAs and gas supply contracts. STE steadily executed its order book while winning orders in defence and repositioning its SATCOM business**
- **While near-term headwinds persist for both in 2025, our long-term thesis is intact. Policy outlook towards energy transition and growth slowdown in key markets of China and India may weigh on renewable energy business for SCI. STE's order book growth has stagnated in the past four quarters. However, well-communicated dividend policy, high earnings visibility and steady execution of strategic objectives should support the counters.**
- **Key picks SCI, STE. We downgraded STE recently to HOLD on a slowing of its order book growth.**

Charting the long-term strategy

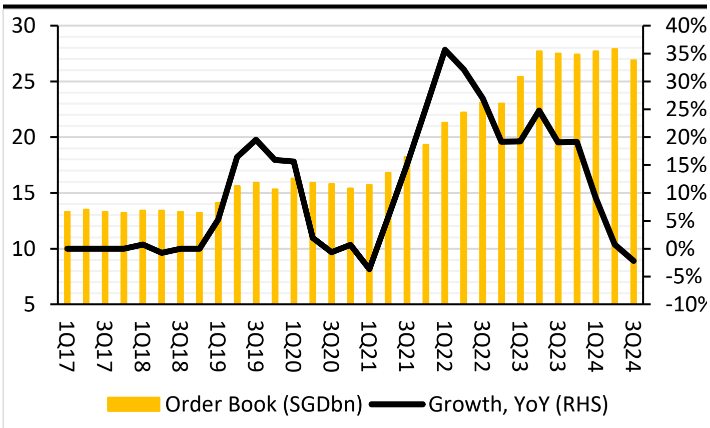
SCI and STE continued their journeys to achieve medium-term strategic outcomes. SCI secured its natural gas business by signing a gas import agreement with Indonesia. It also signed long-term power purchase agreements with DC operator Equinix and global biopharma company, GSK. SCI also grew its gross renewables capacity to 16GW from 12.9GW at the start of the year. It took steps to manufacture and transport green ammonia and hydrogen from India and Indonesia, respectively. It optimised its portfolio by divesting waste management business and acquiring a 30% stake in Senoko Energy. STE continued with its goal of internationalizing and commercializing the business. It won defence orders in Europe. It further boosted its critical information infrastructure by growing its portfolio of AI-enabled datacentres to >30MW. Its aerospace business focused on MRO business as the PTF business slowed. Its JV, EFW, re-entered the Airbus A380 MRO business. It secured a 15-year LEAP-1B engine MRO contract with Akasa Air, India's fastest growing airline. Urban solutions and SATCOM business was steady.

Fig 29: SCI - contracted profits, growing renewables



Source: Company, Maybank IBG Research

Fig 30: STE order book



Source: Company, Maybank IBG Research

Near-term headwinds, long-term positive

SCI and STE face near-term headwinds, which may influence stock performance in 2025. Policy outlook towards energy transition and growth slowdown in key markets of China and India may weigh on the renewables energy business. With more than 80% of profit from gas sales contracted, lower gas prices may not be a big profit driver for SCI. However, our long-term thesis remains unchanged and SCI is executing according to its laid out plan. We believe it will be able to generate high single-digit earnings CAGR with low double-digit ROE by 2028. STE's order book growth has stagnated in the past four quarters. This, in our view, will weigh on future earnings trajectory after a couple of years and may lower margins due to falling capacity utilisation. That said, the group's recent order wins in defence should boost the order book. Management is aware of the challenges and opportunities within the SATCOM business and is working to fit its existing iDirect capabilities to new opportunities emerging from the multi-orbit system. All in, we expect STE to maintain its 20% ROE, strong earnings visibility and stable dividends. We look forward to Investor Day scheduled in 1Q25 to hear more about future growth plans.

Stock picks

SCI and STE. We downgraded STE to HOLD due to its slowing order book, which in turn will negatively affect operating leverage. Order book growth and/or turnaround in SATCOM business will further rerate the stock, in our view.

Risks

Energy transition related policy, weaker power demand, lack of order wins, slower-than-expected turnaround of SATCOM business.

Internet

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- **2024 marked the post post-Covid normalization. The sector witnessed multiple tailwinds in 2024 - stable competition, commission increases, consolidation and strong tourism recovery. ASEAN internet sector delivered 80% return in YTD2024.**
- **In 2025, we expect double-digit GMV growth to be sustained. This is further jacked-up by fintech which we see is emerging as a next meaningful engine of growth.**
- **Sea Ltd remains our Top Pick. We see room for further seller commission rate increases and fintech led growth.**

Multiple tailwinds at play in 2024

In 2024, the sector delivered a strong 135% share price return. 2024 marked the post post-Covid normalization wherein the sector re-entered 'steady growth state'. It was further helped by multiple tailwinds:

1) **Stable competition and commission rate increases** - Shopee and Grab GMV increased 28% and 16% YoY in 9M24, respectively. Shopee alongside its industry peers increased seller take rates multiple times allowing for revenue growth of 40% YoY in 9M24.

2) Consolidation and non-impactful entry of new players - Indonesia witnessed consolidation of TikTok Shop and Tokopedia whereas Gojek exited Vietnam. Temu entered Thailand and Vietnam, however, we note that they were not as aggressively placed as the case in western markets. Our unit-economics analysis suggests a non-favourable unit economics for cross-border platforms like Temu in highly competitive and low ticket size ASEAN.

3) Tourism recovery. Ride hailing services, particularly Grab, benefitted from tourism recovery in Singapore and Thailand, especially in higher margin segments such as airport and schedule rides.

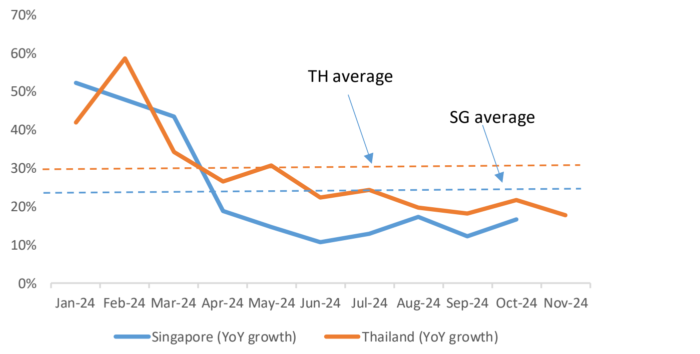
With better-than-expected 2024 recovery, both Sea Ltd and Grab revised up their growth guidance multiple times.

Fig 481: Shopee seller take rate changes - multiple increases in the past year

Market	Late 2023-Early 2024	Mid 2024	Aug-24
Indonesia	1.25-3.2% + Rp1000	3.5-6.5% + Rp1000	4.25-8.0%
Malaysia	2.5-4.0%	4.0-8.0%	7.0-11.0%
Philippine:	2.0% + 2.24% transaction fee	5.0-6.5% + 2.24% transaction fee	7.24-8.74% + 2.24% transaction fee
Singapore	2.0% + 2.0% transaction fee	2.0-3.5% + 2.0% transaction fee	5.0% + 2.0% transaction fee
Thailand	4.0-5.0% + 3.00% transaction fee	5.0-6.0% + 3.0% transaction fee	5.0-8.0% + 3.0% transaction fee
Vietnam	3.0% + 4.00% transaction fee	4.0% + 4.00% transaction fee	5.0% + 4.00% transaction fee

Source: Maybank IBG Research, Company

Fig 32: Tourism growth in Singapore and Thailand in 2024



Source: Maybank IBG Research, Company, STAN

Double-digit GMV growth should sustain in 2025; fintech aides to leg-up in growth

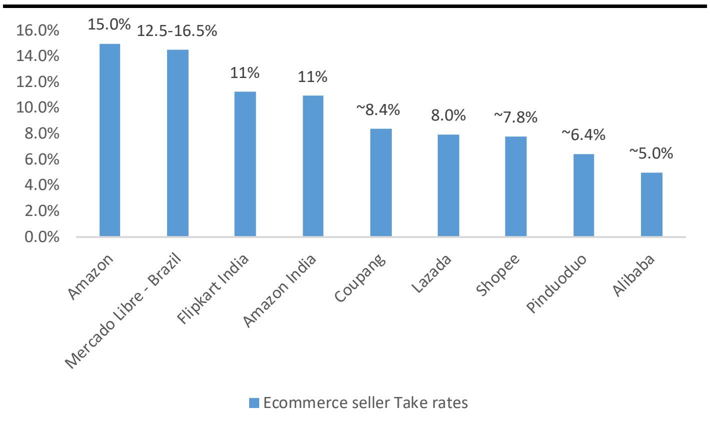
We expect Shopee and Grab GMV growth at 18% and 14% YoY in 2025, respectively.

E-commerce. Despite multiple increase in seller take rates in 2024, we note that ASEAN take rates are still at the lower end of global peers and, as such, we see room for more take-rate increases in 2025. Helped by GMV growth and seller take rate increases, we expect Shopee revenues to grow by 28% in 2025. We see competition from new players like Temu and Shein to remain relatively subdued owing to unfavourable unit economics and rising regulatory pressure.

On demand. We expect Grab on demand GMV growth to post a healthy 15% YoY in 2025 (vs. c16% in 2024). We see a slight headwind within ride hailing services with relatively softer growth in the tourism sector (after a bumper 2024). Entry of Xanh SM in Indonesia may weigh slightly. However, it should be partially mitigated by better deliveries GMV growth helped by quick commerce/groceries delivery and local services growth (restaurant bookings with the acquisition of Chope in 2H24). With limited help from take-rate increases, we expect Grab on demand revenue grow of 16% YoY.

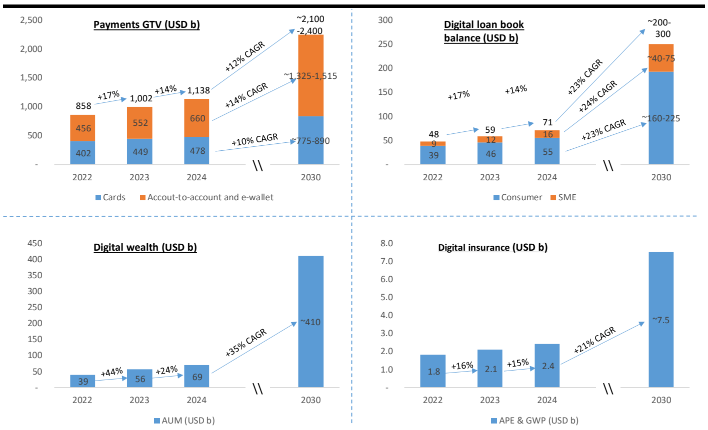
Fintech. In 2025, we expect respective fintech businesses of Sea and Grab to grow at a faster clip than their core ecommerce and on-demand businesses, respectively. Sea's DFS business which mainly piggybacks on ecommerce growth should be further helped by deepening BNPL penetration, off-Shopee loans/BNPL and the SCFI license in Brazil. Grab's financial services business should be helped by the offering of loan products through its Indonesian and Malaysian digibank ventures.

Fig 493: ASEAN e-commerce take-rates relative to global peers



Source: Maybank IBG Research, Company

Fig 34: Robust digital demand drives sustained growth in Digital Financial Services



Source: Maybank IBG Research, Google, Temasek, Bain and Co.

Sea Ltd: Multiple tailwinds at play

Sea is our top pick within the e-commerce space. Multiple tailwinds are in place for sustained growth:

- **Under-penetration and potential take-rate increases**. E-commerce penetration in ASEAN is at low-teens which creates a long runway for growth. E-conomy report expects ASEAN GMV to grow at 15% over 2024-30. Take-rates in ASEAN are also on the lower side vs. the global average which creates room for sustained upside potential.
- **Own logistics and live streaming competitive moats.** Shopee's investments in own logistics allows for cheaper cost of delivery and differentiated experience. Sea has also become the largest live streaming platform in ASEAN. This helps it effectively compete vs. the likes of TikTok and Temu.
- **Growing fintech presence.** With e-commerce attaining significant scale and, more importantly, with competition stabilizing, we see the company increasing its focus on growing tangential services like BNPL. We also see Sea's management targeting to keep its e-commerce business extremely competitive by sustaining low margins (so as to thwart new/existing competition). Bigger monetization can indirectly be achieved by deeper penetration/integration of digital financial services with e-commerce, which the majority of its competitors don't have presence and capacity to roll out.

Risks

Downside risk. 1) Slowdown in consumer spending and low tourist arrivals leading to slower GMV growth; 2) Steeper-than-expected competition from new or Chinese operators such as Temu, TikTok Shop and Xanh SM; 3) USD appreciation vs. Asian and Latam FX baskets as both Sea and Grab report revenues in USD.

Plantation

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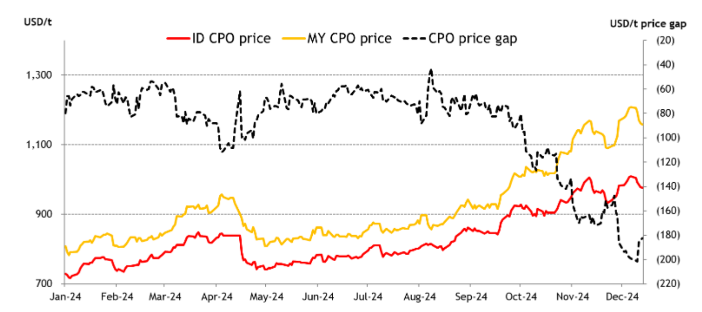
- **2024's CPO price was volatile mainly due to supply shock owing to unexpectedly low output from Indonesia (ID) in 9M24.**
- **2025 will be another volatile year swayed by geopolitical risk, and changing government policies esp. ID's unsustainable B40 mandate.**
- **We advocate a short-term trading strategy in 1Q25, but 12M NEUTRAL. BAL is our BUY pick in the sector.**

Supply shock drove up CPO prices in 4Q24

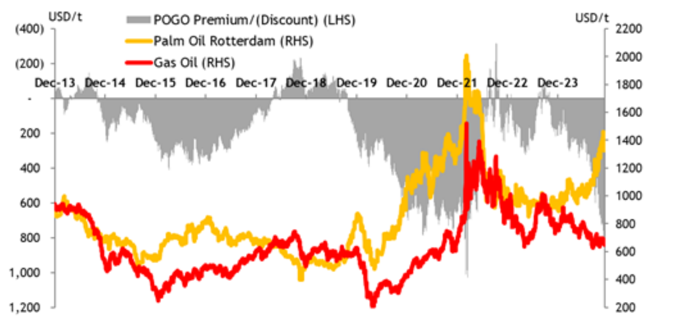
2024's CPO price was volatile mainly due to supply shock owing to unexpectedly low output from Indonesia (the world's largest producer) in 9M24 due to biological tree rest and the lagged impact of 2023's mild El Nino (which affected mainly estates south of the equator). YTD CPO spot price traded as low as MYR3,629/t (on 3 Jan) to a recent high of MYR5,343/t (on 6 Dec); a huge range of ~MYR1,700/t. CPO was an unusual price leader relative to other major vegetable oils for a number of months. CPO price chalked up new YTD highs over the past 2 months to reflect present tightness in CPO supply and future expectations, namely (1) a further tightening of supply in 2024/25E Oct/Sept marketing year in part due to excitement over GOI's B40 mandate (from B35) requiring an extra ~2mt p.a. of palm biodiesel to ~14mt, and (2) anticipated near-term resilient demand ahead of Chinese New Year (CNY) and Ramadhan in 1Q25.

Fig 35: Domestic CPO prices in Malaysia and Indonesia (translated into USD per tonne), and the price gap



Source: Bloomberg

Fig 36: Palm Oil-Gas Oil (POGO) spread: Palm oil trades at a premium of USD737/t (8 Dec) to gas oil in Europe



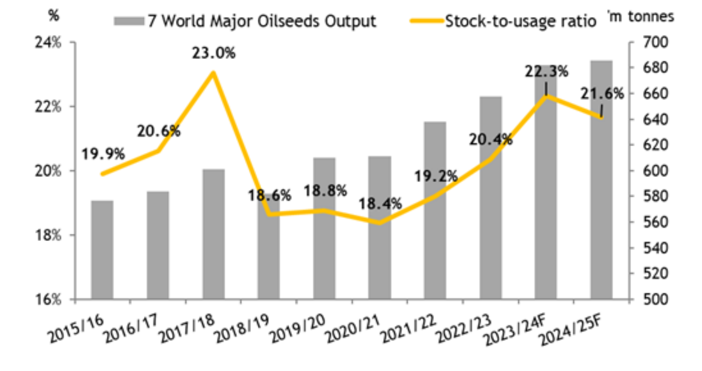
Source: Bloomberg

Good start to a volatile 2025

We are upbeat on CPO prices in 1Q25 as the early CNY (end-Jan) and early Ramadhan (Mar-Apr) demand will coincide with the typical low output cycle of 1Q. In addition, the presence of a (potentially) mild La Nina raises concern that excessive rainfall could disrupt supplies further. We expect CPO ASP to trade in a range of MYR4,500/t to MYR5,000/t in 1Q25.

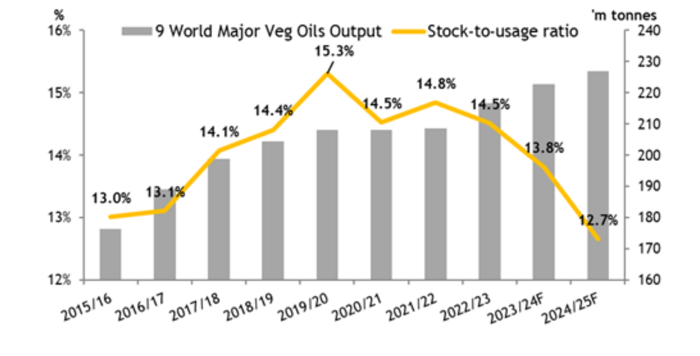
However, despite global projections of a further tightening in the stock-to-usage (SUR) ratio for major vegetable oils by USDA for 2024/25E marketing year (see overleaf), we are concerned on the CPO price outlook beyond 1Q25. Our concern stems from the sustainability of Government of Indonesia's (GOI) ambitious B40 mandate amidst widening Palm Oil-Gas Oil (POGO) spread (Nov '24: USD446/t subsidy required) – see Fig.2. By our estimates, the GOI's CPO Fund that helps fund the POGO spread will run dry by end-1Q25 based on Nov's run rate – see our report *"ID's policy conundrum with more change(s) to come"*. By 2Q25, with no more CPO Fund, the CPO price will have to correct sharply to narrow the POGO spread, or else the GOI may be forced to temporarily suspend or cut its B40 mandate aggressively (i.e. demand destruction), and concurrently raise the export levies to rebuild the CPO Fund. Post 1Q25, we expect the CPO price to trend lower, trading within a wider range of MYR3,500/t to MYR4,500/t for the remainder of 2025.

Fig 37: 7 major oilseeds output and stock-to-usage ratio



Sources: *USDA, Maybank IBG Research*

Fig 38: 9 major vegetable oil output and stock-to-usage ratio



Sources: *USDA, Maybank IBG Research*

Stock picks

We retain our 12M NEUTRAL call but advocate a short-term trading strategy in 1Q25. CPO price should remain lofty in 1Q25, but would correct sharply in 2Q25 as ID's ~14mt palm biodiesel demand is at risk overnight when its CPO Fund runs dry. The Futures CPO price curve is in steep backwardation presently. For now, we maintain our CPO ASP forecast of MYR4,000/t for 2025E (2024E: MYR4,200/t). However, there is potential upside to our price forecast if the GOI decides to fund its ambitious B40 unreservedly.

BAL SP (TP: SGD0.90) is our top BUY as it continues to trade at a high single-digit PER with attractive dividend yields of >6% in FY25E. We expect BAL to deliver 12% YoY core EPS growth for FY25E premised on a rebound of its nucleus FFB output (+10% YoY FFB) after biological tree rest hit its output in FY24E (-15% YoY).

Key Risks

Upside risks: (i) Weaker-than-expected production recovery of palm oil and other vegetable oils; (ii) Brent crude oil price rising closer to USD150/bbl; (iii) weather anomalies at major palm oil and oilseeds producing regions; (iv) positive government policies; and (v) escalation of geopolitical tensions.

Downside risks: (i) Reversal of Brent crude oil price to sharply below USD80/bbl; (ii) negative government policies; (iii) global demand turning out to be weaker than expected; (iv) weaker competing oil prices; and (v) de-escalation of geopolitical tensions.

Real Estate

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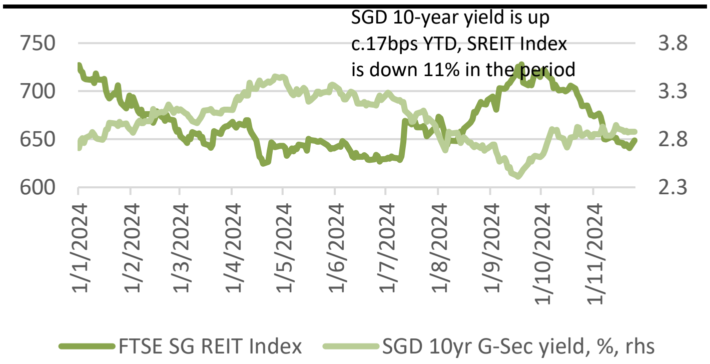
- **REITs navigated continued refinancing by optimizing funding cost and hedge ratio and securing financial flexibility by active capital recycling. Developers are exploring asset-light strategies, geographic rebalancing, better capital allocation and profitability.**
- **Our in-house forecast is for slower growth in 2025 vs. 2024 both in Singapore and globally accompanied by gradual rate cuts in US and change in MAS policy stance. We expect rate cuts, along with attractive valuation and safe-haven flows to favour a defensive sector like REITs. We maintain our positive view. Developers continue to trade significantly below book and offer value.**
- **Picks: CDLHT, CICT, CLAR, CLAS, FEHT, LREIT, MINT, MLT, OUEREIT**

Securing financial flexibility

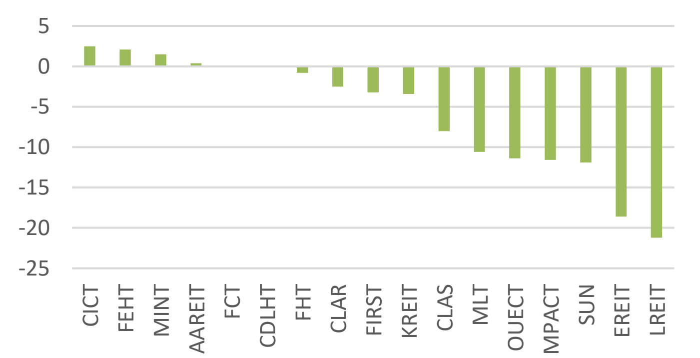
SREIT performance was closely tied to movement of yield curve and expectation of Fed funds rate trajectory. YTD, the SREIT index is down 11% with 10-year SGD G-Sec yield up 17bps. Commercial REITs relatively outperformed with a c.9% decline compared to industrial and hospitality (c.12-14% fall) despite the latter two delivering smaller declines in distribution on the year. Higher borrowing and operating expenses along with weaker overseas performance weighed on the bottom line. Industrial sector in Singapore saw growth in rents and asset prices slowing down across sub-sectors as the supply is digested and demand normalizes. Office and retail saw spot rents flat line while prices were steady for office and slightly up for retail. Retail sales growth has been patchy of late while office grapples with near-term supply pressure. Hospitality saw low single-digit RevPAR growth with luxury/upscale outperforming the rest. Leverage rules were eased and simplified with higher one-tier coverage and lower gearing threshold, giving the sector more room to navigate the refinancing headwinds. Bond/perp issuance picked up from March and investment transactions picked up from 2H on a clearer rate cut outlook and earlier redemption proceeds seeking a new home.

Fig 39: SREIT Index and SGD 10-year yield



Source: Maybank IBG Research, FactSet

Fig 40: YoY DPU change for latest reported period, %

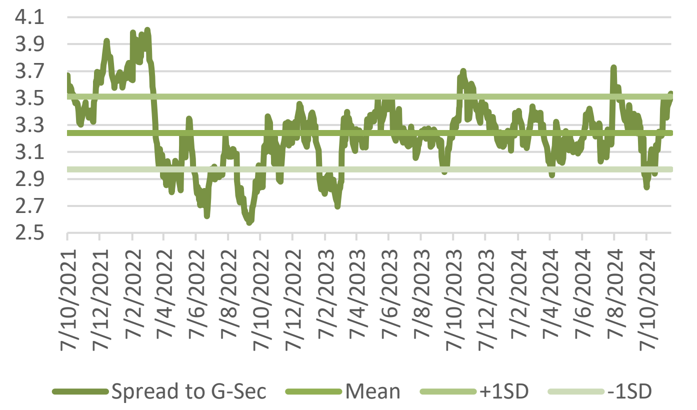


Source: Maybank IBG Research

Nimble optimism for 2025

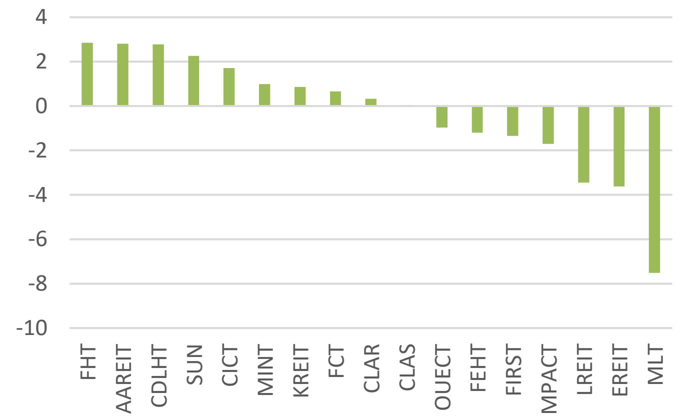
We expect 2025 to be a year of transition with our macro team forecasting global and Singapore GDP growth to moderate from 2024. Fed rate cuts will continue albeit at a gradual pace and the MAS could change its policy stance in Jan. The rate cuts, along with the fact that the SREIT sector is trading at attractive yield spreads and Singapore continues to see safe-haven flows, should benefit a defensive sector like SREITs. Decline in distributions should moderate to a slower pace and possibly show modest growth in 2H. The sector is likely to see continued corporate actions/asset transactions. Subsector selection is tough with all sectors having ample puts and takes and it may well be a tale of two halves. Based on our current view, order of preference is commercial, industrial and hospitality. Downside risk may stem from a deflationary shock or continued creep up of yields due to inflationary policies and/or global debt refinancing. Upside risk may stem from higher growth as productivity picks up or geopolitical concerns fade.

Fig 41: SREIT Index Div. yield spread vs. SGD 10yr. G-Sec yield



Source: Maybank IBG Research

Fig 502: DPU CAGR for next 2 forecast years, %



Source: Maybank IBG Research

Stock picks and why

We expect industrials like MLT, CLAR and MINT to benefit from supply chain shifts, global upcycle in electronics, structural waves of demand for data centres and Singapore's shift towards advanced manufacturing. Commercial REITs like CICT, LREIT and OUEREIT should benefit from predominantly diversified Singapore exposure, resilient domestic consumption and gradual recovery of tourism. Hospitality counters like CDLHT, FEHT and CLAS will benefit from continued travel recovery and potential pick-up in corporate travel.

Risks

Economic hard landing/deflationary shock, higher yields due to inflationary policies, and FX volatility.

SMIDs

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- **2024 a good year for SMIDs**
- **Stock picking remains crucial with SGX review as a potential catalyst**
- **Top picks are SingPost, CSE Global, LHN group and Marco Polo Marine**

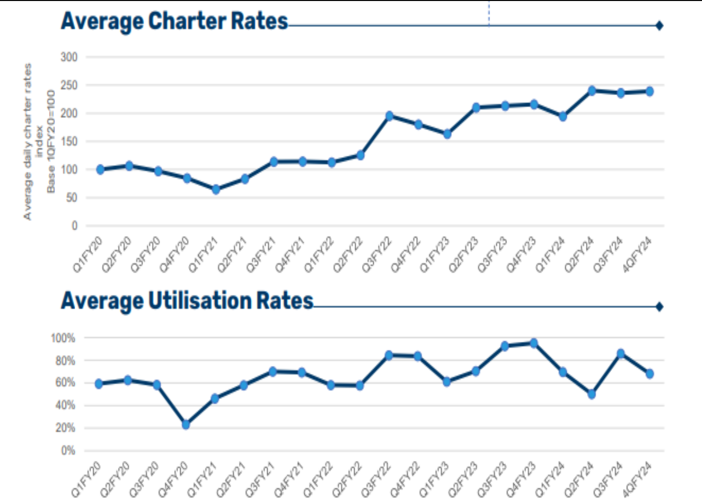
2024 has been a good year for SMIDs and a few major key themes being carried out, especially in the O&G sector as well as the restructuring and asset monetization angle. Several M&As and privatizations also benefited sentiment, further proving that valuations remain undemanding and there is tons of value to be found in solid fundamental companies in the SMID space in Singapore. One of our Top Picks – Dyna-mac - has been taken private by Hanwha group at SGD0.67/share while other O&G companies like Beng Kuang Marine also surged with strong profitability growth. While the restructuring and asset monetization play has largely involved only large caps like Keppel, Sembcorp and SingTel previously, GLC-owned midcaps like SingPost have also benefited and are still benefiting from the same playbook.

Fig 43: CSE orderbook and intake

	Order Intake			Order Book		
S$ million	1H2024	1H2023	YoY%	1H2024	1H2023	YoY%
Electrification	175.6	174.4	0.7%	395.0	229.8	71.9%
Communications	115.0	126.7	-9.3%	106.2	97.6	8.9%
Automation	100.1	89.9	11.3%	191.1	194.4	-1.7%
Total	390.6	391.0	-0.1%	692.3	521.8	32.7%

Source: CSE Global

Fig 44: Average charter and utilisation rates

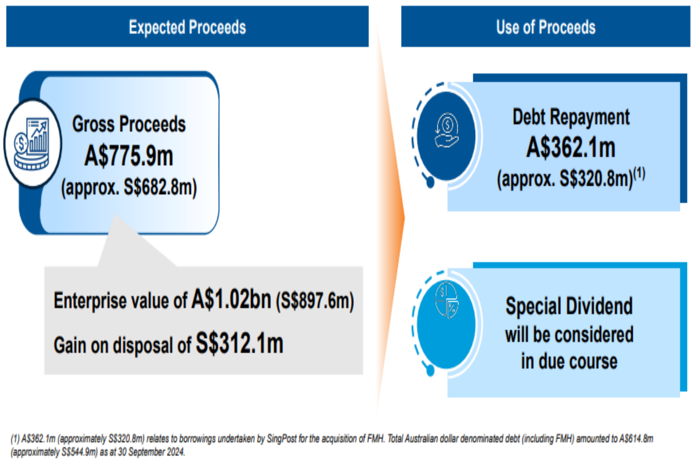


Source: Marco Polo Marine

Stock picking remains crucial – SGX Review likely a positive

We continue to believe that bottom-up stock picking remains key to success in the SMIDs space with plenty of hours put in to doing due diligence on the company's fundamentals and also on meeting management and understanding their goals and plans for the respective companies. In 2025, we remain bullish that new themes might emerge with interest rates coming off as well as elections. We also remain bullish on the O&G supply chain theme, especially on the OSV charterers as demand is still more than supply which should result in higher charter rates and high utilization rates. We also believe that there are still many quality SMIDs in Singapore despite the rise in M&A and privatization activity in the past few years as valuations remain undemanding and growth prospects remains strong despite macro uncertainties. In addition, the ongoing MAS SGX review is slated to complete by Aug 2026 with the aim to strengthen the equities market in Singapore. We believe the SMID space will be a key beneficiary of this review as valuations for large caps is on par with global market players but valuations across the SMID space are significantly lower than global peers. As a result, we believe focusing on quality SMID names will likely be key to generating returns in 2025.

Fig 45: SingPost sale of Australia business



Source: Singapore Post

Fig 516: Pipeline of projects

PIPELINE PROJECTS

	48 & 50 ARAB STREET	260 UPPER BT TIMAH	141 MIDDLE ROAD	50 ARMENIAN STREET
Estimated No. of Keys	24	62	210	120
Commercial Area	approx. 900 sqft	approx. 12,200 sqft	approx. 3,700 sqft	approx. 1,700 sqft
Expected Operational Date	2QFY2025	3QFY2025	3QFY2025	1QFY2027

Source: LHN group

Top picks are SingPost, CSE Global, LHN group and Marco Polo Marine

SingPost – Asset monetisation play - With the sale of its Australian business, we believe that the roadmap going forward to return shareholder value is strengthened and shareholders could potentially get up to SGD0.86/share if all its assets are monetised. We think the downside risk is now limited and maintain a conviction BUY on SingPost over its asset monetisation story. Its key shareholders are also monetising non-core assets to return to its own shareholders. The recent sacking of the CEO and other senior management following their handling of a whistleblowing case is unlikely to derail the board-driven restructuring strategy of SingPost, in our view.

CSE Global – All stars aligning - With Trump advocating for lower energy prices and boosting production in the US, this may be hugely beneficial for CSE. While CSE has switched its focus more towards electrification projects, revival of activities in the O&G space may mean all 3 of CSE's segments are firing, which could potentially propel CSE's orderbook and profitability further. As of 9M24, orders from the energy sector declined 3.7% YoY to SGD237m, but this could drastically rebound during the Trump administration. We remain optimistic about CSE's prospects and maintain BUY and a TP of SGD0.60.

Marco Polo Marine – Exciting times ahead - Going forward, we reckon that exciting times are just starting for MPM. Its CSOV is 91% completed and should likely start operating by 25 Mar-25. We also expect utilisation for the first 2 years to be close to 95% with average rates of around USD50k/day. Charter rates are expected to increase by 5-10% next year. The manpower shortage issue has also improved with 3rd party repairs likely to rebound in FY25E. We also expect orders for 1-2 CTV in 2025. We retain our BUY rating and SGD0.08 TP based on 10.5x FY25E P/E.

LHN Group – Co-living growth - FY24 was driven by strong demand for its co-living segment, which achieved a high occupancy rate of 97.5%, coupled with stable rental rates. LHN targets to add about 800 new rooms every year via master lease or selective acquisition. LHN will further expand its co-living portfolio with new developments such as the launch of 48 and 50 Arab Street, the GSM Building at 141 Middle Road and 260 Upper Bukit Timah Road. These properties will add over 250 keys to its current operations. In line with its capital recycling initiative, the group's 40% associated company recently sold its car park at Bukit Timah Shopping Centre for SGD22m and reinvested in a 50% JV which acquired Wilmar Place at 50 Armenian Street for SGD26.5m that will be operated under its Coliwoo brand. The Group declared a final DPS and special DPS of 1.0 cent each, taking total payout to 3.0 cents, translating into an attractive yield of 7.0%. Our TP of SGDD0.55 is based on 7x FY25E P/E.

Risks

Key risks remain with geopolitical tensions, especially between the US and China. Any global conflicts could also hinder economic growth which will lead to likely softer demand.

Technology Manufacturing

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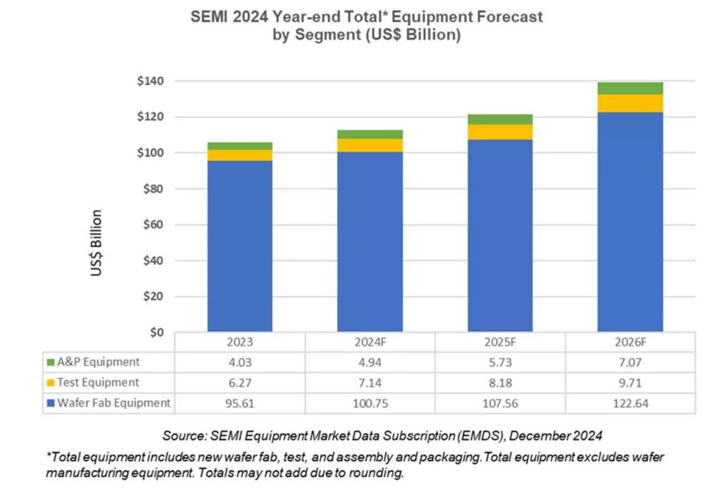
- **2025 saw recovery in the Semi-space but fell short of expectations**
- **Trump + other macro uncertainties clouding outlook**
- **Top pick remains Frencken**

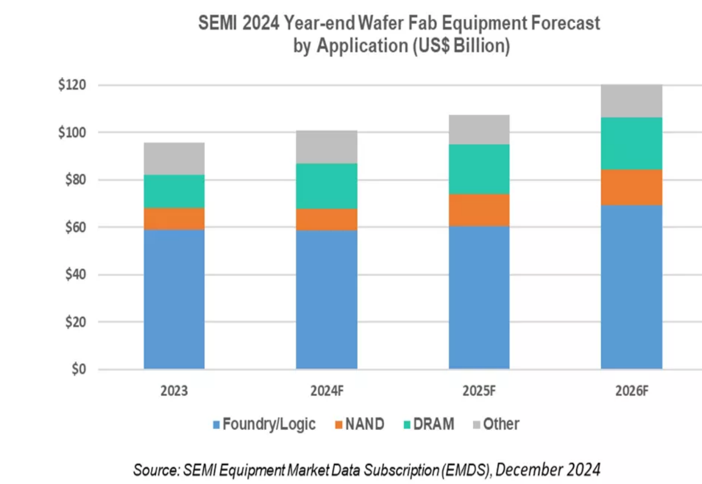
2024 saw gradual recovery across the semi-con players which have enjoyed revenue growth as compared to 2023. While AI has resulted in an increase in demand, however the volumes as a whole is not significant, resulting in the magnitude and speed of the recovery falling short of market expectations, with the much anticipated ramp up failing to arrive and now delayed into 2H25. Utilization picked up across companies our coverage but still fell short of expected levels. For EMS players, 2024 has been a weak year due to a drop in demand due to macro uncertainties going into 2025. Several new product launches were also delayed into 2025. We do expect 2025 to be a better year than 2024 but the outcome will be highly dependent on a few macro factors, especially relations between the US and China.

Fig 47: 2024 year-end total equipment forecast (USDbn)



Source: SEMI

Fig 48: 2024 year-end wafer fab equipment forecast



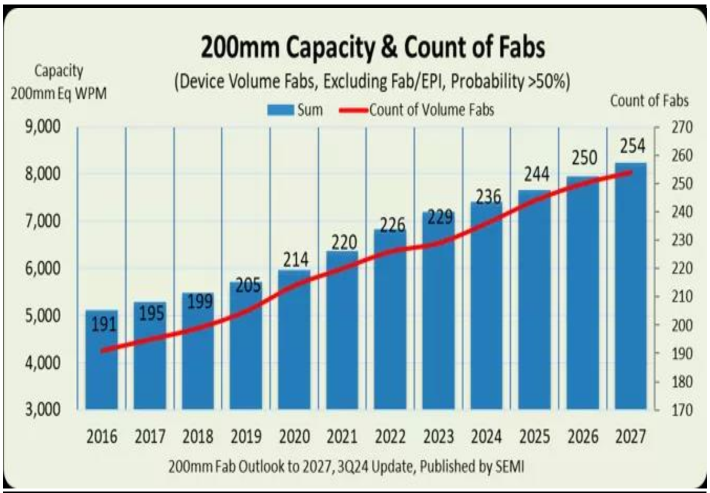
Source: SEMI

According to SEMI, semiconductor manufacturing equipment growth is expected to persist in coming years, reaching new records of USD121bn in 2025 and USD139bn in 2026, supported by both the front-end and back-end segments.

Outlook clouded by potential Trump initiatives and uncertainties

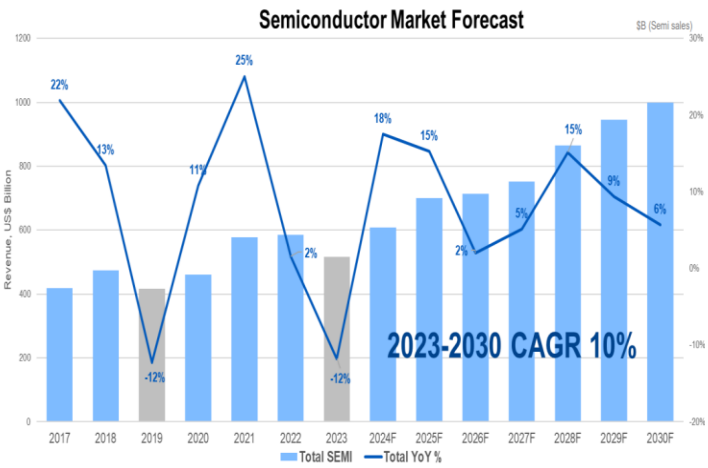
With Trump coming on board, US and China trade tensions are expected to heighten, especially in regard to chips and the semi-con sector. Coupled with other macro uncertainties in the Middle East and Ukraine, we believe demand will likely remain muted as the majority will adopt a wait-and-see mentality. As a result, we expect 1H25 to remain muted with any potential uplift coming in 2H25. Global EMS players are currently facing weak demand as their customers remain on the side-lines and keep lower inventories. Inventory levels remain lower after Covid-19 with lead time across the supply chain greatly reduced as compared to the Covid-19 period. We believe it is better to wait for more clarity after the Trump administration officially comes on board.

Fig 49: 200mm capacity and count of Fabs



Source: SEMI

Fig 50: Semicon market forecast



Source: WSTS, Gartner, SEMI Forecast

Top Pick remains Frencken

Frencken's semicon segment, which is crucial for its overall financial performance, has performed better in 2024 and is expected to perform better in 2025E with several New Product Initiatives (NPIs) in the pipeline. Its medical segment remains steady and we expect the automotive segment to also pick up in the next few years. We continue to expect Frencken to be one of the key beneficiaries of further diversification out of China as trade tensions intensify and more customers set up plants in South-East Asia to avoid US tariffs.

Management expects 2H24E revenue to be higher than 1H24's SGD372m. Semi-con revenue is also expected to be higher in 2H24 than 1H24. However, we believe the much-anticipated ramp up in orders will now likely only come in 2-3Q25 as we do not see any signs of incoming ramp up yet from our channel checks.

Frencken remains our Top Pick in the Singapore tech sector. Our TP of SGD1.50 is based on 14x FY25E P/E.

Risks

Key risks remain geopolitical tensions, especially between the US and China. Any global conflicts could also hinder economic growth which will lead to likely softer demand. Further trade restrictions on the semi-con segment will likely impact global demand.

Telecom

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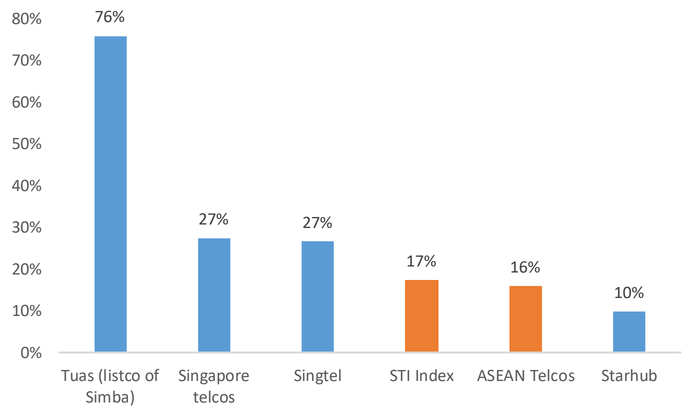
- **Sector delivered a total return of 32% in 2024. It was helped by 1) firm earnings growth and 2) Sustained higher SingTel dividend guidance on various capital management initiatives.**
- **In 2025, we expect mobile and fixed broadband competition to remain at elevated levels. Potential for mobile consolidation remains.**
- **Singtel remains our Top Pick. Strong data centre growth and Optus margins improvement should help operationally. ST might potentially initiate a share buyback program.**

Delivered 32% total return but some cracks in pedestal

In 2024, the Telecom sector delivered a total return of 32% (including dividends) led by Singtel. Operationally, sector earnings grew 11% helped by various cost control initiatives as well as higher associate contributions (fort). While mobile revenues in the initial part of the year was helped by tourism/roaming recovery, we noticed a persistently high competition mainly led by #4 operator Simba and MVNOs. Simba took an estimated 1.2ppt in revenue market share. Despite Simba's subscale 5% revenue market share, it delivered an impressive 42% EBITDA margins, turned FCF positive and remains very close to turn earnings positive. Simba as well started offering cheap fixed broadband offers which came at the cost of incumbents in a saturated market.

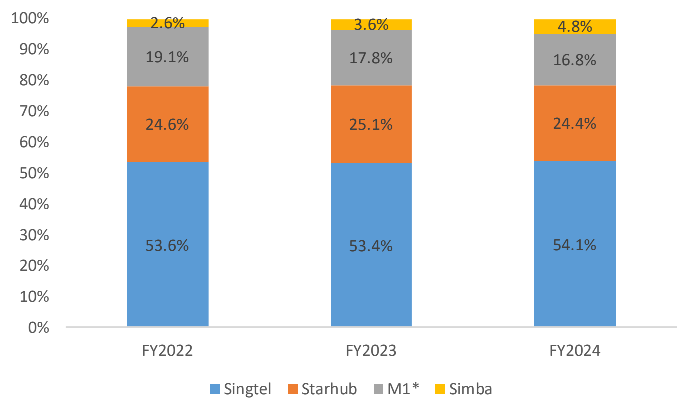
2024 also marked a higher dividend payout by Singtel. On top of its already high payout ratio, it guided to raise SGD6bn in fresh capital through various capital recycling initiatives and have announced a value realization dividend of SGD3-6cents/year over FY25-28. Starhub stock was buoyed by hopes of industry consolidation and higher earnings growth as it came to an end of its Dare+ investment cycle. Netlink's share price was up just 1% as it faced pressure alongside yield names due to higher for longer bond yields.

Fig 552: Singapore telcos delivered strong share price returns - outperforming domestic index and regional peers



Source: Maybank IBG Research, Bloomberg

Fig 553: Singapore telcos revenue market share - Simba is taking market share



Source: Maybank IBG Research, Company data

Elevated competition in mobile and fixed broadband; 2025 drivers are non-operational in nature

We expect incumbent mobile revenue growth to decline -1% in 2025. Besides a high level of market saturation, we see a relatively higher competitive push by Simba and MVNOs and the absence of tourism/roaming tailwinds weighing on industry mobile growth. In fixed broadband as well we see growth headwinds due to the entry of Simba in the FBB space wherein its price points are 40-50% below that of incumbents amid high saturation.

Potential industry consolidation but the desired effect of same on competition may not be visible. Industry consolidation in various markets has helped to rationalise competitive price increases. It raises hopes that if consolidation happens, a 4-player and highly competitive SG market may also improve services. However, our game theory analysis suggests Simba may prioritise market share gains over profitability in light of a) already improving financials in a highly competitive market, b) balance sheet strength and b) just 5% market share is not sustainable in the long term.

Swing factors are primarily non-core/non-operational. While telcos are beneficiary of rate cuts, hopes of aggressive rate cuts are pushed back by Trump 2.0. Singtel may part divest its stakes in Bharti and Gulf Energy (newco) – giving credence to the dividend growth outlook besides opening doors for share buybacks.

Fig 554: Sim only price plan comparison - Simba still at significant discount to incumbents

Operator	Price (SGD)	Data allocation	Add on	Premium vs. Simba
Singtel/Gomo	18.3	300GB	6GB Roaming	53%
Starhub/Giga	18.3	300GB	6GB Roaming	53%
Simba	12.0	200GB	7GB Roaming	
Singtel/Gomo	15.0	250GB	1GB Roaming	50%
Starhub/Giga	15.3	300GB	4GB Roaming	53%
M1	15.0	250GB	Unlimited Weekend Data	50%
Simba	10.0	200GB	3GB Roaming	

Source: Maybank IBG Research, company website

Fig 555: Singtel - capital generation analysis suggests excess capital for potential share buybacks

SGD m	FY25	FY26	FY27	Comments
Operating cashflows	4,980	5,390	5,780	
Less				
Lease liabilites	-454	-428	-407	
Interest expense	-439	-441	-454	
Capex	-2793	-2208	-1937	Part capex to be funded through cash contribution from data center JV partners like KKR
Spectrum outgo	-1697			
FCF for distribution	**-403**	**2313**	**2983**	
Buffer from previous asset recycling		2000		
Potential capital recycling		6000		
Potential upside from Singpost specials		300		
Total cashflow+asset recycling buffer for dividends		**13193**		
Expected diviedends (regular + VDR) - per share - (SGD cents)	16.0	18.0	19.6	
Total dividends outgo		**8850**		
Excess capital post dividend payments		**4343**		**Potential excess cash for share buybacks**

Source: Maybank IBG Research, Company

Singtel: Ongoing operational tailwinds and higher capital return

We expect Singtel earnings to grow 19% YoY in FY26. We expect Optus EBITDA to grow 6% on the back of ongoing cost optimization initiatives, data centre revenues to grow at 10% helped by new capacity ramp-up and Associate contribution to grow 24% helped by higher Bharti and AIS contributions. While domestic mobile and fixed broad band (FBB) growth remains a concern, the impact at the Singtel level is mitigated as it contributes less than 10% to its SOTP.

We estimate Singtel will generate FCF of SGD4.9b over FY25-27 (inc. spectrum payments and data centre capex). Past and expected capital recycling adds an SGD8b buffer. This yields a SGD13.2b cashflow and asset recycling buffer for dividends for FY25-27. Singtel’s estimated dividends (regular + VRD) over FY25-27 total SGD8.9b (SGD16-20cents/sh over FY25-27). This suggests excess capital of SGD4.3b, which could be partly used for share buybacks, in our view.

Risks

Downside risk. 1) Delays in industry consolidation and higher than expected competition in the mobile and FBB space. 2) Push back in various cost cutting initiatives leading to weaker than expected earnings growth. 3) Higher for longer interest rates and SGD appreciation leading to lower Optus/associate contribution at ST level.

Upside risk. 1) Industry consolidation leading to softening in competition. 2) Strong tourism and business travel 3) SGD depreciation and steeper interest rate cuts.

Transport

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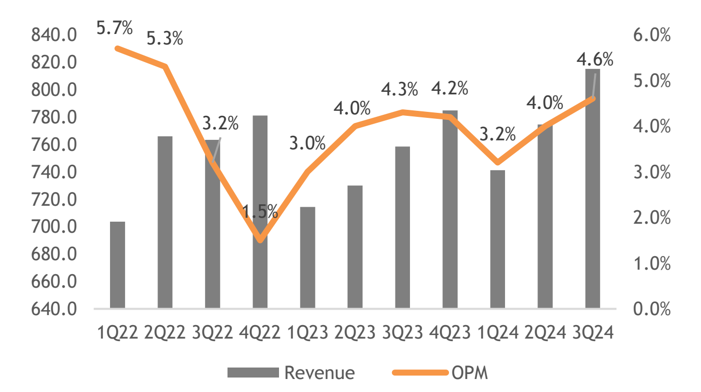
- **SIA completed the merger of Air India-Vistara in Nov'24, Comfort Delgro (CD) acquired Addison Lee, London's premium private hire, courier & black taxi provider**
- **Expect the sector to face some challenges in key markets amid increasing competition**
- **Stay Neutral with lack of major catalysts but decent dividend yields of c.5% providing support**

Embarking on major M&A route

After long delays, the Air India-Vistara merger has finally been completed in Nov'24. Post-deal, SIA will recognise a non-cash accounting gain of about SGD1.1b and also start equity accounting for its share of Air India's financial results. Based on previous agreement, SIA's additional capital injection is expected to be INR31,945m (or SGD498m) through subscription to new Air India shares. This allows the group to maintain its 25.1% stake in the Indian carrier and SIA intends to fund the cash consideration using its internal cash resources. Management said that any future investment will be considered based on Air India's expansion plans and available funding options. We understand the unified full-service carrier will fly to 54 domestic and 48 international destinations, with a fleet of 305 aircraft. Notwithstanding the strong local partner and immense potential, we maintain a neutral view on the deal, at least in the short term, given India's highly competitive aviation landscape and the lack of profitability in the past.

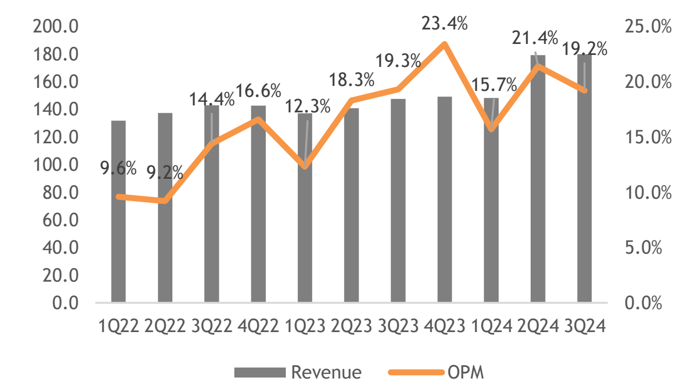
CD's overseas expansion continues to gain traction with the award of three bus franchises in Victoria, Australia, commencing in Jul 2025. In Nov 2024, it also completed the acquisition of Addison Lee (AL), London's premium private hire, courier & black taxi provider, for SGD461m. This serves as a way to deepen and scale the group's premium point-to-point capability in the UK and globally. At home, its 74.4%-owned SBS Transit has partnered with French operator RATP Dev, to win the tender to operate the Jurong Region Line (JRL) – Singapore's 7th MRT line. To defray higher operating expenses (CPF & insurance coverage for drivers) from the implementation of Platform Workers Act, CD intends to raise its platform fee by 30-50 cents to a range of SGD1 to SGD1.20 based on distance travelled and travel time. Meanwhile, two more ride-hailing operators (i.e. Trans-cab and Geo Lah) will start in 2025. With heightened competition in the P2P market and increased costs for commuters, we are worried this may lead to continued decline in Zig booking volumes (3Q: 6m, 2Q: 6.3m, 1Q: 6.7m) in Singapore.

Fig 55: CD's Public Transport quarterly trend



Source: Company

Fig 56: CD's Taxi & Private Hire quarterly trend



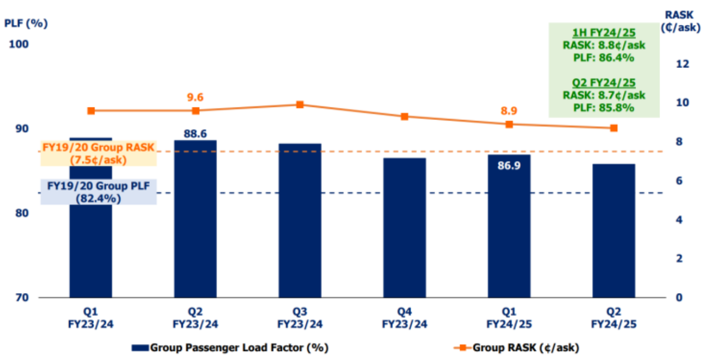
Source: Company

SIA and CD faces different challenges in 2025

For aviation, SIA management expects air travel demand to stay robust heading into the year-end peak, although it is cognizant of the challenging operating landscape. As such, we think pax yields are likely to remain under pressure, especially due to increased industry capacity in East Asia route region. Cargo loads rose 20.2% YoY in Oct 2024 on the back of higher peak season shipments and freighter charters, outpacing the 14.3% expansion in cargo capacity. As a result, the group's cargo load factor increased by 3.0ppt to 59.1%, while yield has also stabilised at around 36¢/ltk since 4Q24. That said, we reckon SIA still needs to closely monitor key trade lanes and adjust its capacity accordingly in view of the ongoing geo-political tensions and macroeconomic uncertainty, which may impact global trade.

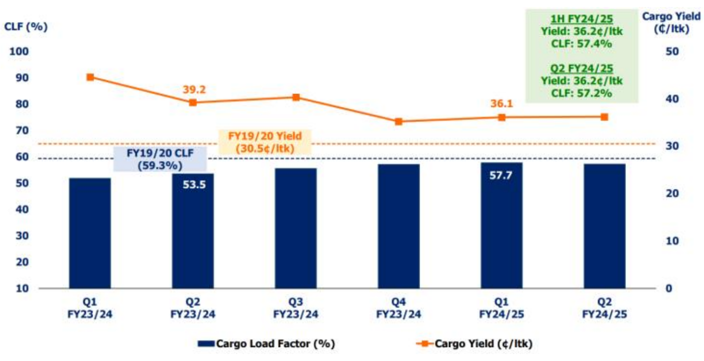
On the other hand, we expect to see earnings growth for CD given improvement in the UK public bus contract margins and contribution from three bus franchises in Australia that will commerce in Jul 2025. Following the completion of its AL acquisition, CD will move from net cash into net gearing position of >8% in FY24. This transaction marks a shift towards an asset-heavier business model coupled with AL's relatively low ROE and growth prospects due to the competitive London taxi industry. Additionally, we think the group is likely to incur more capex on renewal/replacement of taxi vehicles with its larger fleet now, which could adversely impact its free cash flow. Nonetheless, management asserts that it has no intention of changing its dividend payout ratio of at least 70% of underlying profits.

Fig 57: SIA Group operating statistics - Passenger



Source: Company

Fig 58: SIA Group operating statistics - Cargo



Source: Company

Awaiting new catalysts to drive re-rating

We currently have a HOLD rating on CD with a DCF-based TP of SGD1.60. While the AL acquisition is earnings accretive, we have some reservations given the challenging operating/regulatory landscape in the UK. Even in Singapore, management acknowledges that taxi & private hire market competition remains elevated as an LTA review of P2P industry is ongoing. CD is now looking to introduce more premium-type services, including 6-seater vehicles to fend off close rivals like Grab, Gojek and TADA. Despite supply chain issues, we think SIA (HOLD, TP: SGD6.40) could continue to face intense industry competition as more capacity is added across the network, thus putting downward pressure on passenger yields. In our view, the turnaround of the enlarged Air India will be the wild card to any re-rating.

Risks

Apart from geopolitical and macroeconomic uncertainties, the prolonged inflationary pressures from higher fuel prices and shortages of pilots/drivers, could continue to pose challenges for the transportation sector. Other downside risks include yield/margin pressures due to intense competition, inability to pass on higher costs via higher fares, as well as negative FX translation impact given the strong SGD.

7. Appendix A: Coverage Universe

MIBG Singapore coverage universe

Stock	BBG Code	M.Cap (USDm)	3M ADV (USDm)	Rec	Price (SGD)	TP (SGD)	Upside (%)	EPS gr. (%) FY24E	EPS gr. (%) FY25E	P/E (x) FY24E	P/E (x) FY25E	ROE (%) FY24E	ROE (%) FY25E	P/B (x) FY24E	P/B (x) FY25E	Div Yield (%) FY24E	Div Yield (%) FY25E
DBS	DBS SP	91,473	175.0	Buy	43.96	46.91	6.7	7.2	-	11.3	11.3	18.2	16.5	1.9	1.8	5.0	5.7
OCBC	OCBC SP	54,923	83.6	Buy	16.64	17.89	7.5	6.3	5.9	9.8	9.2	14.0	13.0	1.3	1.2	5.4	6.0
UOB	UOB SP	45,048	85.9	Buy	36.55	38.75	6.0	8.1	(2.5)	9.1	9.4	13.1	12.6	1.3	1.2	5.7	6.3
SGX	SGX SP	9,801	27.9	Hold	12.51	10.12	(19.1)	0.2	(2.8)	24.6	24.6	30.4	29.5	6.6	6.1	2.8	3.0
Financials		**201,243**	**123.0**					**6.8**	**0.9**	**11.0**	**10.9**	**16.5**	**15.3**	**1.8**	**1.7**	**5.2**	**5.8**
Singtel	ST SP	37,306	70.0	Buy	3.09	3.65	18.1	11.7	18.3	20.2	17.1	10.3	11.6	2.1	2.0	4.5	5.0
StarHub	STH SP	1,544	0.9	Hold	1.22	1.30	6.6	-	NM	13.1	11.4	33.7	28.7	3.5	3.2	5.7	6.1
Netlink NBN	NETLINK SP	2,479	4.0	Buy	0.87	0.97	11.5	3.7	-	31.1	31.1	4.0	4.4	1.4	1.5	5.7	5.9
Telecoms		**41,328**	**63.5**					**10.8**	**16.5**	**20.6**	**17.7**	**10.8**	**11.8**	**2.1**	**2.0**	**4.6**	**5.1**
Sea Ltd	SE US	55,457	489.9	Buy	104.87	130.00	24.0	158.1	153.1	89.1	35.2	16.4	25.5	7.1	5.5	-	-
Grab Holdings	GRAB US	18,211	221.9	Buy	4.74	6.20	30.8	NM	NM	-	76.5	(1.8)	2.6	2.8	2.7	-	-
Internet		**73,668**	**423.7**					**95.3**	**NM**	**67.1**	**45.4**	**11.9**	**19.9**	**6.0**	**4.8**	**0.0**	**0.0**
AEM Holdings	AEM SP	332	4.2	Sell	1.45	1.10	(24.1)	NM	172.7	65.9	24.2	1.5	5.2	0.9	0.9	0.4	1.0
UMS Holdings	UMSH SP	576	1.7	Hold	1.05	1.03	(1.9)	(32.9)	29.8	18.4	14.2	10.6	11.1	1.9	1.9	5.3	5.3
Frencken	FRKN SP	362	3.0	Buy	1.16	1.50	29.3	14.5	23.0	13.3	10.8	9.3	9.6	1.1	1.1	2.2	2.8
Venture	VMS SP	2,789	7.5	Hold	13.13	12.60	(4.0)	(9.3)	7.1	15.6	14.6	8.7	9.5	1.3	1.3	5.7	5.7
Aztech Global	AZTECH SP	396	1.2	Hold	0.70	0.78	11.4	(28.7)	5.4	7.6	7.2	19.7	17.2	2.9	2.3	9.1	9.7
Technology		**4,455**	**5.6**					**(11.4)**	**23.5**	**18.8**	**14.3**	**9.4**	**10.1**	**1.5**	**1.4**	**5.3**	**5.4**
Singapore Airlines	SIA SP	14,040	25.3	Hold	6.45	6.40	(0.8)	(14.9)	(43.1)	14.4	16.2	14.3	8.3	1.2	1.2	4.7	3.7
ComfortDelgro	CD SP	2,329	6.4	Buy	1.47	1.60	8.8	14.5	11.6	15.5	13.9	8.1	9.2	1.2	1.2	5.0	5.4
HRnetGroup	HRNET SP	506	0.1	Hold	0.69	0.70	2.2	NM	NM	15.6	14.6	-	-	1.7	1.7	5.8	5.8
PropNex	PROP SP	514	0.4	Hold	0.95	0.87	(8.4)	NM	NM	17.6	16.4	34.8	30.5	4.3	3.5	5.3	5.6
Singapore Post	SPOST SP	898	6.3	Buy	0.54	0.77	42.6	204.0	(72.8)	19.3	16.9	16.1	3.9	0.9	0.9	2.4	2.8
Services & Transport		**4,663**	**4.5**					**0.2**	**(38.1)**	**16.0**	**14.5**	**12.0**	**9.8**	**1.5**	**1.4**	**4.7**	**5.0**
CDREIT	CDREIT SP	799	1.7	Buy	0.87	1.10	26.4	56.3	22.0	17.4	14.3	2.6	2.5	0.6	0.6	6.2	6.9
Far East Hosp.	FEHT SP	898	0.6	Buy	0.61	0.80	31.1	(3.0)	12.5	19.1	16.9	3.3	3.6	0.6	0.6	6.6	6.6
CapitaLand Ascott T.	CLAS SP	2,470	7.4	Buy	0.89	1.15	29.2	9.1	10.4	18.5	16.8	4.1	3.9	0.7	0.7	6.7	7.2
Frasers Hospitality T.	FHT SP	803	0.9	Buy	0.57	0.48	(15.8)	40.7	2.6	15.0	14.6	2.5	2.7	0.9	0.9	4.0	4.2
Hospitality REITs		**4,970**	**4.2**					**19.6**	**11.4**	**17.9**	**16.1**	**3.5**	**3.4**	**0.7**	**0.7**	**6.2**	**6.5**
AAREIT	AAREIT SP	755	1.1	Buy	1.27	1.39	9.4	2.1	3.1	13.2	12.8	5.5	5.0	0.7	0.7	7.6	7.8
ESR REIT	EREIT SP	1,517	3.5	Buy	0.26	0.32	23.1	(10.5)	11.8	15.3	13.7	5.8	5.9	0.7	0.7	8.8	9.2
Ascendas REIT	CLAR SP	8,364	28.9	Buy	2.60	3.10	19.2	-	3.5	18.1	17.4	6.2	6.2	1.1	1.1	5.7	5.9
Mapletree Ind.	MINT SP	4,663	12.3	Buy	2.24	2.60	16.1	6.9	5.6	18.1	17.1	-	-	-	-	6.0	6.1
Mapletree Log.	MLT SP	4,770	24.8	Buy	1.29	1.60	24.0	(11.8)	-	21.5	21.5	4.8	4.5	0.9	0.9	6.2	6.0
Industrial REITs		**20,069**	**21.1**					**(1.9)**	**3.8**	**18.5**	**17.9**	**4.4**	**4.3**	**0.7**	**0.7**	**6.2**	**6.3**
CICT	CICT SP	10,404	49.2	Buy	1.95	2.30	17.9	2.1	2.7	17.4	17.3	4.9	5.1	0.9	0.9	5.6	5.7
Frasers Ct.pt.	FCT SP	2,830	7.9	Buy	2.13	2.50	17.4	-	1.7	17.8	17.5	4.8	5.0	0.9	0.9	5.6	5.7
Mapletree Comm	MPACT SP	4,695	17.6	Hold	1.22	1.29	5.7	(1.2)	4.9	14.9	14.2	4.5	4.5	0.7	0.7	6.7	7.0
Keppel REIT	KREIT SP	2,445	5.9	Buy	0.87	1.05	20.7	3.9	1.9	16.4	16.1	3.1	3.2	0.6	0.6	6.7	6.8
Suntec REIT	SUN SP	2,563	10.3	Hold	1.20	1.25	4.2	56.1	4.7	18.8	17.9	2.6	2.8	0.5	0.5	5.7	6.3
Lendlease Global CR	LREIT SP	992	2.1	Buy	0.56	0.70	25.0	(7.9)	-	16.0	16.0	3.8	3.9	0.7	0.7	6.4	6.4
Retail REITs		**23,929**	**27.6**					**6.8**	**3.0**	**16.9**	**16.6**	**4.4**	**4.5**	**0.8**	**0.8**	**6.0**	**6.2**
CapitaLand Inv't	CLI SP	10,080	24.1	Buy	2.65	3.30	24.5	28.6	56.9	17.3	11.0	4.4	4.1	0.7	0.7	4.6	4.5
LHN	LHN SP	151	0.8	Buy	0.50	0.55	11.1	12.9	6.3	6.3	5.9	13.9	16.6	0.8	0.8	6.1	6.1
Real Estate		**10,231**	**23.8**					**28.3**	**56.1**	**17.2**	**11.0**	**4.5**	**4.3**	**0.7**	**0.7**	**4.6**	**4.6**
ST Engineering	STE SP	10,615	20.9	Hold	4.65	3.65	(21.5)	20.7	10.6	20.5	18.5	27.4	28.7	5.4	4.9	3.4	3.4
Sembcorp Industries	SCI SP	7,198	14.7	Buy	5.53	6.20	12.1	8.3	2.7	10.6	10.3	19.7	17.8	1.8	1.6	2.4	2.4
Marco Polo	MPM SP	145	0.7	Buy	0.05	0.08	50.9	33.3	12.5	6.6	5.9	13.3	13.4	0.9	0.8	1.9	1.9
Industrials		**17,812**	**18.4**					**15.7**	**7.4**	**16.5**	**15.2**	**24.3**	**24.3**	**4.0**	**3.6**	**3.0**	**3.0**
CSE Global	CSE SP	214	0.9	Buy	0.42	0.60	44.6	244.4	48.4	13.4	9.0	9.2	11.9	1.1	1.0	6.7	6.7
Dyna-Mac	DMHL SP	607	7.9	Buy	0.67	0.64	(3.8)	113.0	18.4	13.6	11.5	20.8	17.3	6.4	4.1	2.6	3.2
Services		**822**	**6.1**					**147.3**	**26.2**	**13.5**	**10.8**	**17.8**	**15.9**	**5.0**	**3.3**	**3.6**	**4.1**
Genting SG	GENS SP	6,808	21.9	Buy	0.77	1.01	31.2	(5.7)	(2.0)	15.4	15.7	6.9	7.7	1.1	1.1	5.2	5.2
Food Empire	FEH SP	394	0.3	Hold	0.98	1.02	4.1	(15.9)	3.5	8.3	8.0	NM	NM	1.3	1.2	5.6	5.9
Gaming		**7,202**	**20.7**					**(6.2)**	**(1.7)**	**15.0**	**15.3**	**NM**	**NM**	**1.1**	**1.1**	**5.2**	**5.2**
Raffles Med	RFMD SP	1,157	1.2	Hold	0.84	1.10	31.0	NM	NM	24.8	22.9	6.5	6.8	1.5	1.4	2.0	2.1
Q&M Dental	QNM SP	198	0.1	Hold	0.28	0.31	10.7	(35.3)	18.2	-	-	-	-	-	-	-	-
Thomson Medical	TMG SP	908	0.1	Buy	0.05	0.06	27.7	NM	NM	47.0	47.0	-	-	2.4	2.3	-	-
Healthcare		**1,355**	**1.1**					**NM**	**NM**	**21.2**	**19.5**	**5.5**	**5.8**	**1.3**	**1.2**	**1.7**	**1.8**
First Res.	FR SP	1,691	1.6	Hold	1.46	1.60	9.6	51.0	(4.3)	7.7	8.1	15.1	14.3	1.2	1.1	6.5	6.2
Bumitama Agri	BAL SP	1,099	0.7	Buy	0.86	0.90	5.3	(14.5)	11.5	8.5	7.6	14.5	15.1	1.2	1.1	5.9	6.6
Wilmar	WIL SP	14,056	13.8	Hold	3.08	3.17	2.9	(18.4)	6.0	10.9	10.7	7.2	7.7	0.7	0.7	5.9	6.3
Plantations		**2,789**	**11.7**					**(11.2)**	**5.3**	**10.5**	**10.2**	**8.4**	**8.8**	**0.8**	**0.7**	**5.9**	**6.3**

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BUY	Return is expected to be above 10% in the next 12 months (including dividends)
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