

Singapore Company Focus

EC World REIT

Bloomberg: ECWREIT SP | Reuters: ECWO.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

21 Feb 2019

BUY

(Initiating Coverage)

Last Traded Price (20 Feb 2019): S\$0.745 (STI : 3,278.38)

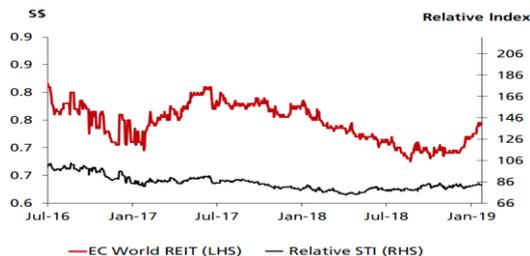
Price Target 12-mth: S\$0.86 (15% upside)

Potential Catalyst: Extension of master lease agreements and/or increase in underlying rents, acquisitions

Analyst

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Price Relative



Forecasts and Valuation

FY Dec (S\$m)	2017A	2018F	2019F	2020F
Gross Revenue	94.6	96.5	98.9	101
Net Property Inc	86.1	87.9	90.1	91.6
Total Return	41.7	42.1	42.8	43.4
Distribution Inc	48.1	48.6	49.3	50.0
EPU (S cts)	5.29	5.31	5.36	5.40
EPU Gth (%)	60	0	1	1
DPU (S cts)	6.10	6.12	6.18	6.23
DPU Gth (%)	1	0	1	1
NAV per shr (S cts)	91.2	91.0	90.9	90.7
PE (X)	14.1	14.0	13.9	13.8
Distribution Yield (%)	8.2	8.2	8.3	8.4
P/NAV (x)	0.8	0.8	0.8	0.8
Aggregate Leverage (%)	30.5	30.4	30.3	30.3
ROAE (%)	5.8	5.8	5.9	6.0

Consensus DPU (S cts):	6.1	6.4	6.6
Other Broker Recs:	B: 3	S: 0	H: 0

ICB Industry : Financials

ICB Sector: Real Estate Investment Trust

Principal Business: ECW REIT owns a diversified portfolio of logistics assets in China, including port, specialised and e-commerce facilities.

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Boon from e-commerce boom

- Specialised logistics operator with growing China e-commerce footprint, also setting its sights on high-potential ASEAN market
- Anchored by stable leases, offering above-average yields north of 8%
- Low gearing signals acquisition capacity, with GFA of nearly 500,000 sqm in its ROFR pipeline
- Initiate with BUY and TP of S\$0.86

Scaling the e-commerce ladder. EC World REIT, a diversified logistics operator, is in the midst of scaling up its e-commerce business, which has taken the group beyond Hangzhou into Wuhan. It typically derives a substantial c.70% of revenue from master leases, which provides a high level of income certainty with visibility of growth.

Building a firm acquisition pipeline. Sponsored by China-based property group Forchn Group and through its recent strategic initiative with leading logistics operator, YCH Group, EC World REIT has acquired a substantial ROFR pipeline of over 500,000 sqm in GFA, comprising Fu Zhou E-commerce Properties in Hangzhou (China) and potentially 13 warehouse assets across Asia.

Given ample debt capacity, we believe that an acquisition may be on the horizon, which has yet to be factored into our estimates.

Underappreciated stock trading at attractive valuations. While our BUY call is premised on the successful extension of its master lease at end-2020 – a key overhang on the stock, we believe that at current prices, the risk-to-reward ratio has turned favourable.

Given the slack in underlying occupancy at Bei Gang Stage 1, our scenario analysis implies a fair value of S\$0.70 with FY21F yield of 7.5% if the extension does not materialise, which suggests limited downside. Conversely, the successful extension of master leases would be a key re-rating catalyst for the REIT.

Valuation:

Initiate with BUY and DCF-based TP of S\$0.86, based on WACC of 8.7% and terminal growth rate of 2%.

Key Risks to Our View:

Key risks include Sponsor-related risks such as failure to extend master lease agreements and challenges in underlying occupancy.

At A Glance

Issued Capital (m shrs)	792
Mkt. Cap (S\$m/US\$m)	590 / 436
Major Shareholders (%)	
Forchn Holdings Group Co Ltd	44.3
China Cinda Asset Management	12.0
Providence World	8.4
Free Float (%)	21.8
3m Avg. Daily Val (US\$m)	0.11



Live more, Bank less

SWOT Analysis

Strengths

Strong occupancy levels

The REIT has maintained committed capacity of 99.2%, while weighted average underlying end-tenant occupancy of the portfolio was 96.9% as at 30 September 2018.

Backed by Sponsor with strong capabilities in both integrated real estate as well as e-commerce

The Sponsor is Forchn Holdings Group Co. Ltd., a leading diversified enterprise group with extensive construction and operational experience in the logistics industry, and strong business networks with leading e-retailers and logistics service providers in China. EC World REIT is thus able to leverage on the Sponsor's experience and track record in pursuing opportunities to undertake acquisitions of assets.

Diversified tenant base

The REIT's portfolio had 25 tenants in various sectors contributing to rental income as at 31 December 2017.

Opportunities

Shortage of quality e-commerce logistics assets in China

The e-commerce boom in China has supported the development of quality warehouses that cater specifically to the storage and distribution of merchandise. However, supply of such quality warehouses and logistics facilities continue to fall significantly short of demand.

Forchn's landmark framework agreement with YCH Group provides ECW REIT the opportunity to acquire YCH's 13 logistics properties across the Asia-Pacific region, when the properties are available for divestment. This provides a good opportunity to ECWREIT for potential expansion into the strategic nodes in Asia.

Weakness

Diversified portfolio with short lease expiry

As at 30 September 2018, the total portfolio had a weighted average lease tenure of 2.3 years by gross rental income.

Heavily dependent on the Sponsor

Given that EC World REIT derives a large percentage of its rental income from master leases from Sponsor, the REIT is therefore subject to the liquidity and the financial strength of its Sponsor to continue paying rent. In the event the Sponsor is unable to pay its rent on time, the REIT's income might be negatively impacted.

Susceptibility to local regulations and global economic conditions

As EC World REIT's properties cater primarily to the e-commerce and logistics sectors, the success and sustainability of the REIT's performance could be affected by local policy changes and weaken in the event of a slowdown in the global economy.

Threats

Increased competition from e-commerce logistics hubs

Given the rise in competition from other logistics operators and real estate owners, EC World REIT, which derives a large proportion of its income from e-commerce logistics and related assets, could see rental declines in the medium term.

However, given the unique mix of asset classes in the initial portfolio, we believe that EC World REIT will have a competitive edge.

Source: DBS Bank

Scaling the E-Commerce Ladder

EC World REIT owns a diversified portfolio of income-generating logistics assets in Hangzhou and Wuhan, which includes 1) Chongxian Port Investment, 2) Chongxian Port Logistics, 3) Fu Zhuo Industrial, 4) Stage 1 properties of Bei Gang Logistics, 5) Fu Heng Warehouse, 6) Hengde Logistics, and 7) Wuhan Mei Luo Te. Broadly classified into three logistics segments: Port, E-commerce and Specialised Logistics, these assets have a combined NLA of 747,173 sqm and valuation of RMB6,693m (based on average of independent valuations by Savills and Colliers as at 31 December 2017).

For the nine months ended September 2018, Port Logistics segment was the biggest contributor to Gross Rental Income (46.5%), followed by E-Commerce Logistics (38.1%).

Ranked as the top inland port in Hangzhou for the transportation of steel products since 2011, Chongxian Port Investment alone accounted for a third of EC World REIT's AUM and GRI, despite only making up c.15% of total NLA. With the addition of Wuhan MeiLuoTe in April 2018 – EC World REIT's maiden acquisition post listing, E-commerce and Specialised Logistics now account for c. 68.1% of portfolio NLA vs 64.8% a year ago.

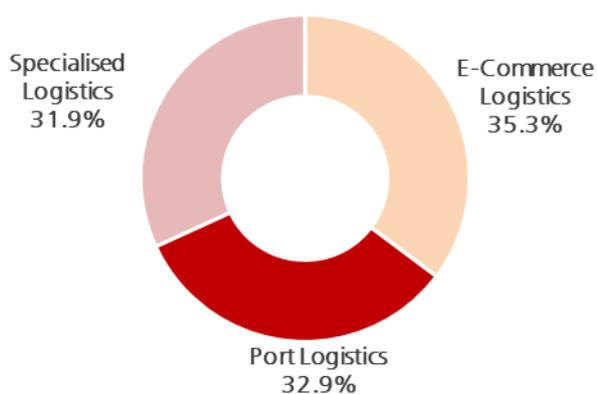
Broad, high-quality tenant base with diversity in end-markets.

Including the three properties under the master lease agreement, the end-users of the portfolio's assets can be broadly classified into the five following categories:

- (1) Delivery, logistics and distribution (such as port operators, warehouse operators and tenants and third-party logistics providers);
- (2) Provision of e-commerce services (such as B2B and B2C online operators, O2O showrooms, intermediary service providers, start-up incubators);
- (3) Industrial (such as state-owned tobacco company, steel product manufacturers and traders);
- (4) Trading; and
- (5) Others (including conglomerate, telecommunication, transport services and real estate)

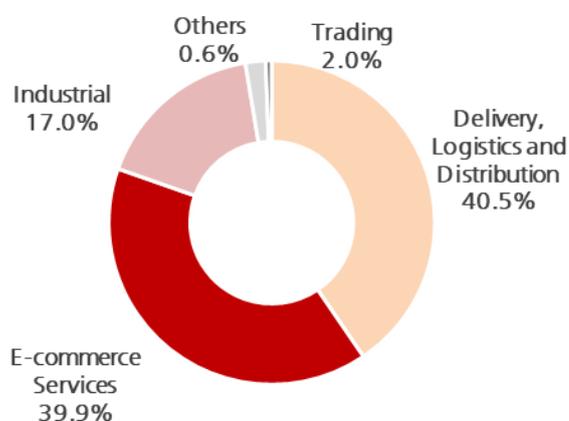
The broad mix of trade sectors ensures diversification and reduces dependence of the portfolio's assets on the performance of any single trade sector. As at 31 December 2017, no single trade sector nor tenant contributed more than 41.0% of the portfolio's gross rental income (GRI).

Breakdown of Portfolio Valuation by (as at 30 Sep 2018)



Source: Company, DBS Bank

EC World REIT's Tenants Operate Across Diverse Sectors



Source: Company, DBS Bank

Property Portfolio

Location of EC World REIT properties



Source: Company, DBS Bank

Salient details of EC World REIT's properties

Property	Asset Type	GFA	NLA	Commencement of Operations	Remaining Land Lease	Valuation Savills	Purchase Consideration	Lease Type
		(sqm)	(sqm)		(Years)	(RMB'm)	(RMB'm)	
1. Chongxian Port Investment	Port Logistics	1	112,726	Aug-08	37 years	2,218	1,682	Master Leased
2. Chongxian Port Logistics	Port Logistics	121,217	125,856	Jan-10	Complex 1: 37 years Complex 2: 42 years	854	686	Multi-tenanted
3. Fu Zhou Industrial	Port Logistics	2,302	7,128	Oct-14	37 years	114	86	Multi-tenanted
4. Bei Gang Stage 1	E-Commerce Logistics	120,449	120,449	Jun-15	34 years	1,296	1,040	Master Leased
5. Fu Heng Warehouse	E-Commerce Logistics	95,072	94,287	Feb-15	41 years	577	444	Master Leased
6. Hengde Logistics	Specialised Logistics	238,032	238,032	Phase 1: Nov-10 Phase 2: Apr-13	Phase 1: 35 years Phase 2: 41 years	1,463	1,174	Multi-tenanted
7. Wuhan Mei Luo Te	E-Commerce Logistics	49,861	48,695	May-17	47 years	171	145	Multi-tenanted
Total		649,930	747,173		42 years	6,693	5,600	

¹ According to the Standard in Calculating the Floor Area of Building Works (《建筑工程建筑面积计算规范》) set by the Ministry of Housing and Urban-Rural Development of China, the storage yard is classified into the category of "building structure" (构筑物), for which there is no GFA figure measured and defined. However, the field area of the storage yard can be measured and leased to tenants as the "net lettable area".

Source: Company, DBS Bank

Property Highlights

No	Property	Description	Type
1.	Chongxian Port Investment	 <p>Chongxian Port Investment (“CXI”) is strategically located in the north of Hangzhou, on the east bank of the Beijing-Hangzhou Grand Canal and is ranked as the top inland port in Hangzhou for the transportation of steel products, with c.60% market share.</p>	Port Logistics
2.	Fu Zhuo Industrial	 <p>Fu Zhuo Industrial is a concrete structured workshop catering mainly to local construction demand.</p> <p>Owing to its superior location and berth quality, Fu Zhuo Industrial has competitive advantages over surrounding ports, and is thus able to command above-market rents.</p>	Port Logistics
3.	Chongxian Port Logistics	 <p>Operational since 2011, Chongxian Port Logistics (“CXL”) is one of the largest metal warehouses and logistics developments in the Yangtze River Delta. Owing to its strategic location, it is well-positioned to ride on CXI’s expected throughput growth.</p> <p>However, as a steel and metal logistics facility, it is constrained by the demand for steel and metal, and could face weaker demand in the event of an industry downturn.</p>	Port Logistics
4.	Stage 1 Bei Gang Logistics	 <p>Stage 1 of Bei Gang Logistics (“Bei Gang Stage 1”), located in North Hangzhou, is one of the largest e-commerce developments in the Yangtze River Delta.</p> <p>Comprising eight buildings organised by themes, Bei Gang Stage 1 offers a full suite of e-commerce related services, enabling tenants to accelerate their speed to market.</p>	E-commerce Logistics

Source: Company, DBS Bank

No	Property	Description	Type
5.	Fu Heng Warehouse	 <p>Located in Dongzhou Industrial Park, Fuyang District (Hangzhou), Fu Heng Warehouse is a purpose-built e-commerce distribution centre housing e-commerce merchant offices, O2O businesses and retail space.</p> <p>Equipped with full e-commerce capabilities such as integrated storage and warehousing system, inventory control, pick-and-pack services and express delivery, the integrated ecosystems of e-commerce service providers provides tenants with potential for further synergies.</p>	E-commerce Logistics
6.	Hengde Logistics	 <p>Hengde Logistics, a high-specification warehouse offering features such as temperature and humidity control systems, is located in Dongzhou Industrial Park, Hangzhou City. It consists of two complexes of warehouses and has the capability to store temperature and humidity sensitive goods and products, such as tobacco, wines, cosmetics and perishables.</p> <p>Given its specialised nature, enjoys limited competition from similar specialised logistics asset in the region where it is located.</p>	Specialised Logistics
7.	Wuhan MeiLuoTe	 <p>EC World REIT's maiden acquisition since listing, Wuhan MeiLuoTe, is an e-commerce logistics asset located within the Changfu Industrial Park, Hubei.</p> <p>Comprising three warehouses, an ancillary building and dormitory, the facility counts some of the largest e-commerce players such as JD.com and Dang Dang as its tenants.</p>	E-commerce Logistics

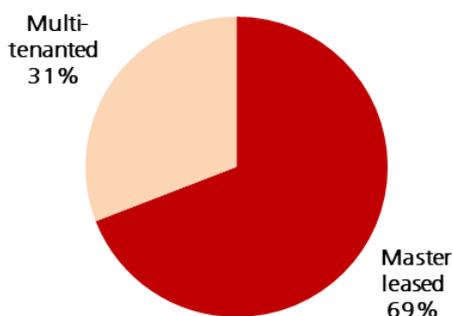
Source: Company, DBS Bank

Strong Earnings Visibility

Master lease agreements offer higher degree of income certainty. Three out of seven of EC World REIT’s portfolio properties – Chongxian Port Investment, Stage 1 Properties of Bei Gang Logistics, and Fu Heng Warehouse, are currently backed by direct and indirect master leases to the Sponsor.

While underlying rents and occupancies catch up, we believe that EC World REIT’s lease structure offers investors a higher degree of income certainty, with visibility on growth from built-in rental escalations. For FY19F, we estimate that EC World REIT would derive c.69% of its gross rental income from master leases, with the remaining c.31% to be derived from multi-tenanted properties.

Master Leased Assets to Contribute c.69% of FY19F GRI



Source: Company, DBS Bank

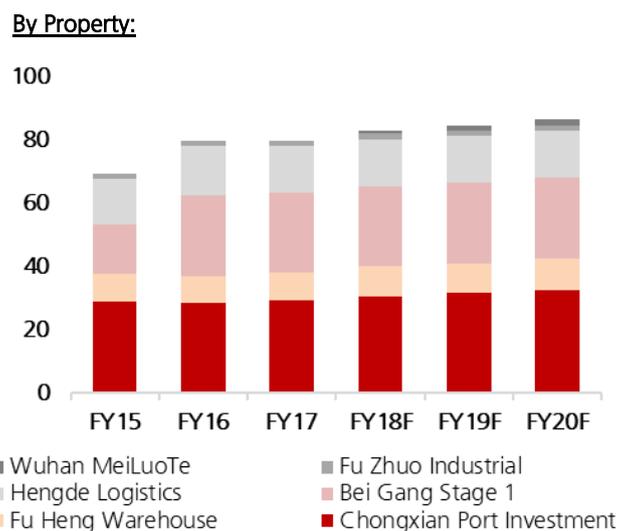
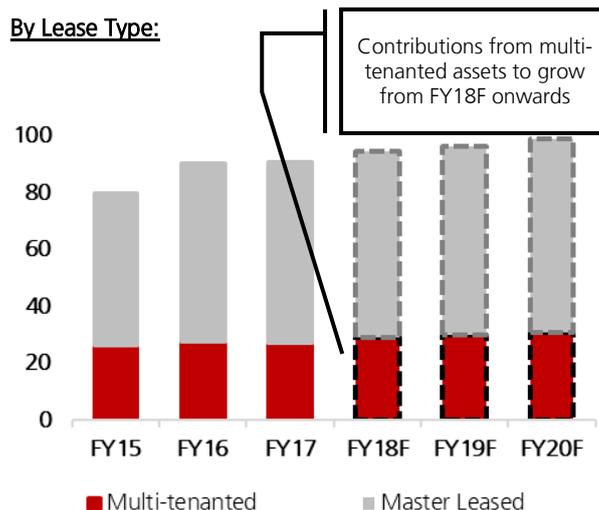
Downside Protection While Underlying Occupancy Catches Up

Assets	Lease Type	Underlying Occupancy		Contractual Occupancy
		FY15	9M18	9M18
Chongxian Port Investment	Master Leased	100%	100%	100%
Chongxian Port Logistics	Multi-tenanted	100%	100%	100%
Fu Zhuo Industrial	Multi-tenanted	100%	100%	100%
Stage 1 Bei Gang Logistics	Master Leased	55.3%	85.6%	100%
Fu Heng Warehouse	Master Leased	100%	100%	100%
Hengde Logistics	Multi-tenanted	100%	100%	100%
Wuhan MeiLuoTe	Multi-tenanted	n.a.	88.2%	82.2%
			96.9%	99.2%

Source: Company, DBS Bank

Multi-tenanted properties also showing signs of stabilisation. Excluding Wuhan MeiLuoTe, we note that contributions from EC World REIT’s portfolio of multi-tenanted properties have improved marginally over time and if sustained, could help drive further upside to rents and ultimately, distributions to Unitholders.

Revenue Breakdown (\$ m)



Source: Company, DBS Bank

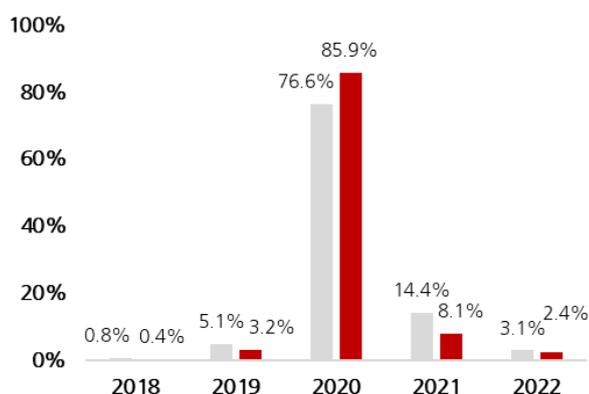
Majority of Leases Have Built-in Rent Escalations

Properties	Lease Terms	Rental Escalation	Lease Expiry
Chongxian Port Investment	<u>Master Lease</u> From 1 Jan 2016 to 31 Dec 2020	4.0% and 3.0% on 1 Jan 2019 and 1 Jan 2020 respectively	31 Dec 2020
Chongxian Port Logistics	<u>Multi-tenanted; 22 unique tenants</u>	For 72% of leases: increase of 10% in first 3 years, 12% from Year 4	Staggered
Fu Zhuo Industrial	<u>Multi-tenanted; 2 unique tenants</u> Tenant 1: 25 Apr 2015 to 24 Apr 2020 Tenant 2: 8 Oct 2014 to 7 Oct 2029	Tenant 1: 10% in first 3 years, 15% from year 4 Tenant 2: 7.5% every 3 years	24 Apr 2020; 7 Oct 2029
Stage 1 Properties at Bei Gang Logistics	<u>Master Lease</u> From 1 Nov 2015 to 31 Oct 2020	1.0% p.a. on 1 Jan 2019 and 1 Jan 2020	31 Oct 2020
Fu Heng Warehouse	<u>Master Lease</u> From 1 Jan 2016 to 31 Dec 2020	4.0% and 3.0% on 1st Jan'19 and 1st Jan'20, respectively	31 Dec 2020
Hengde Logistics	<u>Multi-tenanted; 2 unique tenants</u> Tenant 1: 15 Oct 2015 to 14 Oct 2020 Tenant 2: 9 May 2016 to 8 May 2021	Up to 10% upon renewal	14 Oct 2020; 8 May 2021
Wuhan Mei Luo Te	<u>Multi-tenanted; 2 unique tenants</u>	Rental escalations between 4.5% and 5% per annum.	Sep 2019

Source: Company, DBS Bank

Average WALE of 2.2 – 2.3 years. As at 30 September 2018, the weighted average lease expiry (WALE) by committed NLA and GRI were 2.2 and 2.3 years respectively. This mainly reflects the master lease expiries that are coming through in 2020, which if successfully renewed, will help alleviate market concerns on earnings risks over the medium term, removing stock overhang.

Lease Expiry Profile of Portfolio Assets



Source: Company, DBS Bank

Extension of master leases, currently set to expire in 2020, a key catalyst for the REIT. According to the Manager, underlying gross revenue for EC World REIT in FY17 was c.15.8% lower at S\$77m compared to S\$91.4m under the master lease structure. Further, with master leases due to expire at end-2020, we believe that the Manager may be in active discussions with the Sponsor regarding possible extensions.

Our base case assumes the successful extension of the master lease at expiring rent levels. Failing which, may result in a c.7.7% cut in FY21F DPU vs FY20F, given the gap between master lease vs underlying rents – which we estimate to be c.5% across the master-leased properties and current slack in occupancy at Bei Gang Stage 1:

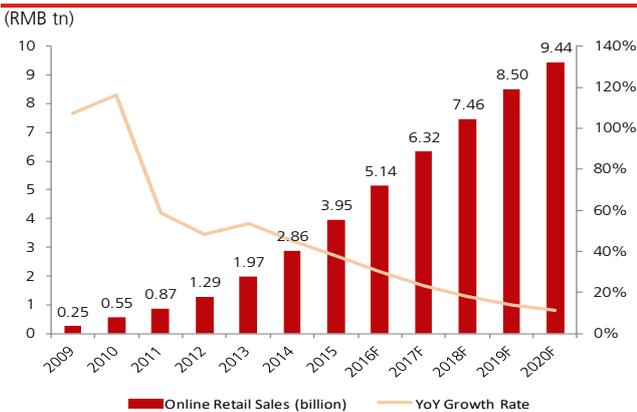
Scenario Analysis	Extension of Master Lease	Non-Renewal of Master Lease
FY21F Dist. Income	S\$50.0m	S\$43.8m
FY21F DPU	6.2 Scts	5.5 Scts
Fair Value	S\$0.86	S\$0.70
Implied Yield (%)	8.3%	7.5%

At current prices, implies favourable risk-reward ratio given attractive implied yields of 7.5%.

Rising E-Commerce Proposition

Riding the Chinese e-commerce boom. Based on research by Analysys Consulting, we estimate that the deal size of China’s online retail market grew rapidly at c.58% CAGR from c.RMB0.25tr in 2009 to c.RMB3.95tr in 2015. The total value of online retail sales in China is expected to exceed RMB9.4tr in 2020.

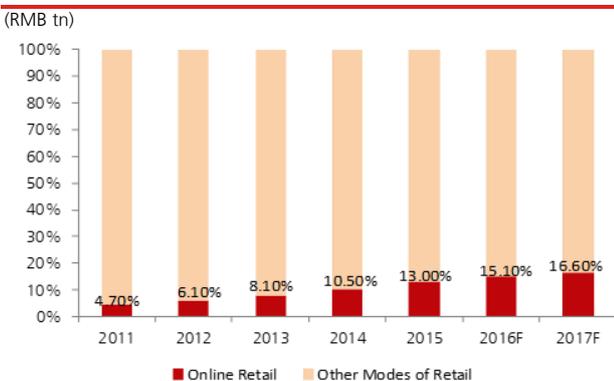
Deal Size of Chinese Online Retail Market (2009-2020F)



Source: Analysys Consulting, Manager, DBS Bank

According to Analysys Consulting, the proportion of online retail sales of consumer goods was c.13% in 2015. Figures from China’s Ministry of Commerce also reflect robust e-commerce growth, as the share of online retail sales jumped 3.7% y-o-y to 16.1% in 1Q18. Clothing, daily necessities and home appliances were among the most popular categories.

Proportion of Chinese Online Retail Sales to Total Retail Sales of Consumer Goods (2011-2017F)



Source: Analysys Consulting, Manager, DBS Bank

Favourable government policies support further growth...

Examples of government policies and initiatives that could benefit the e-commerce industry include:

- (1) “The Internet Plus” action plan announced by Premier Li in March 2015, which envisages the integration of mobile internet, cloud computing, big data, and the Internet of Things with modern manufacturing, in order to encourage the development of e-commerce, industrial networks, and internet banking domestically.
- (2) “The Master Plan of Medium and Long-term Development of Logistics Industry” in 2014 which establishes the tone for developing a favourable environment for growth in the logistics industry; and
- (3) “One Belt One Road” initiative in 2013 which aims at building the Silk Road Economic Belt and Maritime Silk Road in the 21st century, providing the logistics industry an opportunity to go beyond borders to participate in international economic cooperation.

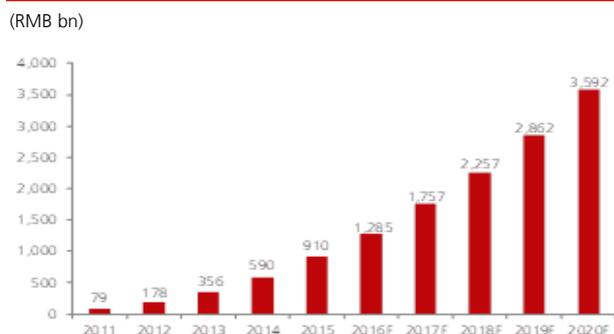
With greater policy support from the central government in recent years, we remain positive on the growth prospects of the Chinese e-commerce market in the foreseeable future.

Likewise, the e-commerce services industry also benefits as it rides on the coattails of the booming e-commerce market. The continuous expansion of the online retail market and further industrial development has played an active and leading role in the development of supporting industries and the e-commerce service industry, which can be broadly categorised into:

- (1) Supporting services, including payment, logistics, express deliveries, credit authentication, etc.
- (2) Derivative services, including store decoration, data services, training and consultation, etc.

Analysys Consulting estimates that in 2015, the size of the Chinese e-commerce service industry reached RMB910bn and could almost quadruple to RMB3.6tr by 2020.

Market Size of E-commerce Service Industry



Source: Analysys Consulting, Manager, DBS Bank

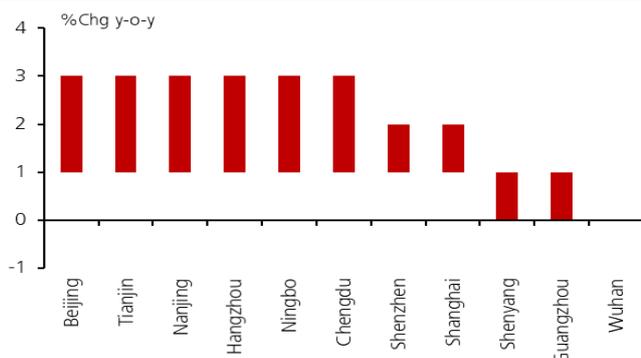
Shift towards integrated e-commerce hubs. The boom in the e-commerce market and e-commerce service industry has led to an increase in demand for integrated e-commerce hubs with facilities that cater seamlessly to both online and offline business needs. These facilities include:

- (1) Administrative centres
- (2) Warehouse and distribution centres
- (3) Online to offline exhibition centres
Platform for online businesses to provide brand users with tangible, real product experience, with an aim to improve brand competitiveness and image
- (4) Consulting and training centres
As the entire end-to-end e-commerce value chain is housed and shared within a single location, integrated e-commerce ecosystems help to improve the efficiency of required services and boost the competitiveness of e-commerce merchants.

However, there remains a shortage of compatible logistics facilities and eco-systems in China. Quality logistics facilities and support are fundamental in ensuring the smooth operations of e-commerce and account for approximately 3-5% of the margin from e-commerce business. Although recent developments in the Chinese logistics sector have been geared towards the construction of high-quality warehouses, the current supply of quality logistics facilities continues to lag significantly behind demand.

Statistics show that warehouse rental rates in key Chinese cities grew between 1% and 12% CAGR over the past 12 years, with Hangzhou coming in closer to the upper end at c.8% p.a. on average. Going forward, DBS Research predicts that coastal cities in Yangtze River Delta and Jing-Jin-Ji are expected to lead rental growth, while Wuhan is likely to see flattish rentals in the immediate term.

Warehouse Rental Growth Estimates for Key Chinese Cities (4Q18 -1Q19)

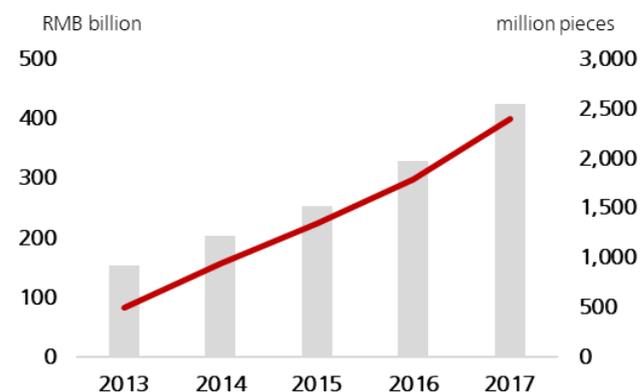


Source: CBRE, DBS Bank

Attractive exposure to Hangzhou, one of the largest e-commerce hubs in China. Riding on strong government support, Hangzhou has developed its e-commerce industry swiftly. Today, some of the largest online retail portals (such as Alibaba Group) are headquartered in Hangzhou, alongside some 470,000 online business entities.

According to Colliers, retail sales in Hangzhou reached RMB430.2bn in 2017 with a CAGR of c.30% over 2013-2017. This has helped to fast-track the development of third-party logistics. Notably the volume of express service deliveries grew at nearly 50% CAGR over 2013-2017 to approximately 2.3bn pieces in 2017.

Total Online Sales vs Volume of Express Deliveries in Hangzhou



Source: Colliers, DBS Bank

As EC World REIT enjoys a market catchment area covering some of the most active Chinese cities in e-commerce (such as Shanghai, Ningbo, Jinhua and Yiwu), we believe its e-commerce assets – Stage 1 Properties at Bei Gang Logistics and Fu Heng Warehouse in Hangzhou – are well-positioned to ride the local e-commerce industry’s rapid growth.

Timely entry into Wuhan, as rents bottom out. We believe that the acquisition of Wuhan MeiLuoTe has come at an opportune time, reinforcing its rising e-commerce proposition as rents recover on the back of the cut in industrial land supply.

In addition to Wuhan’s strong economic fundamentals (the local economy expanded by c.8% in 2017), the rise of Wuhan as a major logistics player in China also bodes well for future demand for quality spaces, further supporting rents.

Reputable and Supportive Sponsor – Forchn Group

The Sponsor of EC World REIT is Forchn Holdings Group Co., Ltd., (“Forchn Group”). Forchn Group is a Shanghai-based investment holding company and is a diversified enterprise group specialising in real estate, industrial, e-commerce, manufacturing, logistics, health and finance sectors.

The Sponsor is an established operator of port facilities in China with over 20 years of experience, and has both constructed and operated the Chongxian Port facility, which is recognised as a key construction project by the China government. Forchn Group has partnered with Fosun Group in the real estate industry to establish a joint venture, Orient Merchant Construction & Development Co., Ltd., which has invested in, developed, operated and managed key projects such as Dongyang China Woodcarving Culture Expo City, Hangzhou New World, and Fuyang Fucheng International.

The Sponsor expanded its operations into the e-commerce segment about eight years ago through the launch of Ruyicang (如意仓), an integrated smart warehouse logistics services platform.

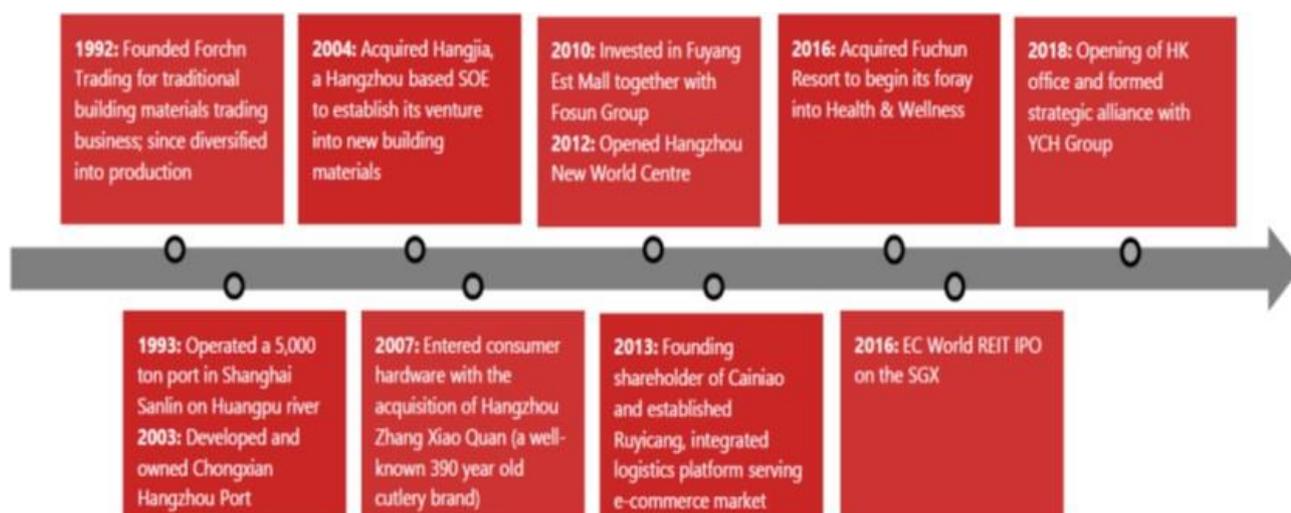
As one of the founding members of the joint venture, Cainiao Network Technology Co. Ltd (菜鸟网络科技有限公司

司), was formed by the Alibaba Group and leading e-retailers and logistics service providers,. Forchn Group has also successfully established its presence in the e-commerce logistics sector. The joint venture operates the China Smart Logistics Network (中国智能物流骨干网), which was established with hopes of transforming China’s logistics infrastructure through the creation of an open, transparent and shared data platform to serve e-commerce businesses, logistics companies, warehouse companies, third-party logistics service providers and supply chain managers in China.

More recently, the Sponsor acquired Hangzhou Fuchun Resort in 2016 and launched Gongwang Health (公望健康) in 2017 through an alliance with the Zhejiang University of Traditional Chinese Medicine and Taiwan Tiancheng Medical, marking its foray into the Health and Wellness sector.

The Sponsor’s interest in EC World REIT is aligned through ownership of a c.44% stake in the REIT. We think that EC World REIT stands to benefit from the Sponsor, Forchn Group’s diversified businesses, market reach, industrial knowledge and business networks across the port, logistics and e-commerce sectors.

Forchn Holdings Group Corporate Timeline



Source: Forchn Holdings Group Co., Ltd, DBS Bank

Acquisition opportunities via the Sponsor. The Sponsor has been actively building a pipeline of properties for the REIT to acquire in the medium term.

In October 2018, EC World REIT decided against exercising its Right of First Refusal (ROFR) for Bei Gang Stage 2 properties, likely due to near-term infrastructural challenges for the sub-market. However, we note that as at end-2018, a ROFR pipeline with total GFA of over 200,000 sqm – Fu Zhou E-commerce Properties, remains available.

Fu Zhou E-Commerce Properties is a purpose-built facility, specifically designed to cater to the demand of the e-commerce industry, and currently operated and managed by RuYiCang.

Owing to its strategic location next to existing e-commerce logistics asset, Fu Heng Warehouse, we believe that the Manager will be keen on acquiring the asset when the opportunity arises, unlocking operating synergies for the REIT.

If the acquisition materialises, we believe that the Manager will likely pursue a master-leased structure back to the Sponsor given the asset's core function within the Forchn Group.

Quality ROFR Asset: Fu Zhou E-commerce Properties (GFA: 215,643 sqm)



Source: Manager, DBS Bank

Coveted Alliance with YCH Group to Foster New Growth Opportunities Ahead

An extension into ASEAN with a like-minded partner. On 24 April 2018, Forchn Holdings, EC World REIT’s sponsor, inked a partnership agreement with YCH Group (YCH), a leading supply chain and logistics company with a presence in over 100 key cities across 16 countries, including China, India, ASEAN, Australia and Korea.

Aimed at capturing opportunities along China’s belt and road initiative, three key strategic initiatives were highlighted under the framework agreement:

1) ROFR pipeline of 13 YCH logistics assets in Asia

Totalling more than 280,000 sqm of GFA with an estimated value of S\$400m, YCH’s pipeline assets represent c.43.1% and at least 30% of EC World REIT’s current portfolio GFA and value respectively. If successful, this will mark the group’s first foray out of China into ASEAN, furthering its reach in Asia.

Plans to structure the acquisitions via a sale-and-leaseback model ensures income certainty. Alignment of interest between the two parties will also be streamlined via the transfer of a significant stake with board representation in the Manager of EC World REIT to YCH.

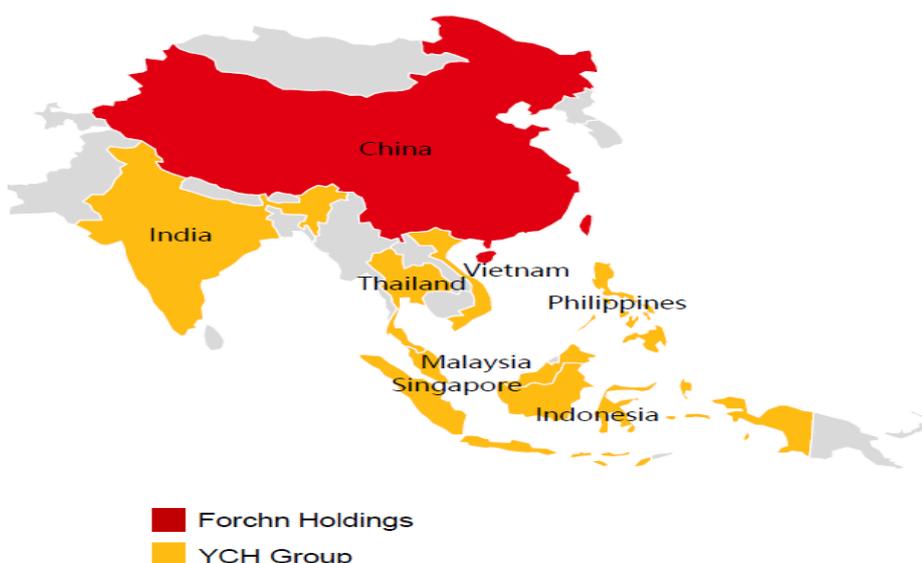
2) Launch of US\$150m Forchn-YCH Belt Road Initiative Logistics Real Estate Private Equity Fund
Completed in the second half of 2018, the fund will leverage on Forchn’s strong track record of real estate investment and development in China and YCH’s extensive experience in B2B and B2C to uncover attractive development and acquisition opportunities of logistics warehouses in key cities in Southeast Asia and China.

Following positive response from institutional investors, the Sponsor announced plans in January 2019 to launch a second, larger fund and is currently eyeing opportunities in Indonesia and Vietnam, among others.

3) Leveraging on mutual competencies to capture opportunities in Southeast Asia

Under the MOU, YCH will introduce its proprietary supply management technologies and collaborate with Ruyicang, Forchn’s e-commerce logistics subsidiary, to explore joint offerings of e-commerce and omni-channel logistics services in the ASEAN and China region.

Partnership with YCH to Boost ROFR Pipeline by Over 100%



Source: Manager, DBS Bank

Key Management

The Manager of EC World REIT is EC World Asset Management Pte. Ltd. The CEO of the Manager is Mr. Goh Toh Sim and other key members of the team include Mr. Johnnie Tng Chin Hwee as CFO, Mr. Jinbo Li and Mr. Wang Feng.

Led by a key management team with decades of experience in the finance and real estate industry, the Manager's main responsibility is to manage EC World REIT's assets and liabilities for the benefit of its Unitholders. In addition to setting the strategic direction for the REIT, they will also give recommendations to the Trustee on the acquisition, divestment, development and/or enhancement of assets of the REIT in accordance with its stated investment strategy.

Key Management Team

Name	Position	Experience
Mr. Goh Toh Sim	Chief Executive Officer, Executive Director	<ul style="list-style-type: none"> Over 20 years of experience in the management of industrial parks, real estate development and business management in China. Prior to joining the Manager, he was the Chief Representative in China for Keppel Corporation Limited where he was responsible for government relations and business development. Mr. Goh also served as the CEO of Ascendas (China) Pte Ltd, where he initiated the development of Ascendas's businesses in several cities in China including Shanghai, Hangzhou, Dalian, Xian, and Nanjing.
Mr. Johnnie Tng Chin Hwee	Chief Financial Officer	<ul style="list-style-type: none"> Joined on 1 January 2017 and has more than 25 years of wide-ranging financial experience gained from holding various senior finance roles. He was previously the Chief Financial Officer of Ying Li International Real Estate Limited, Keppel REIT and Ascendas India Trust.
Mr. Jinbo Li	Head of Investment, Asset Management and Investor Relations	<ul style="list-style-type: none"> Responsible for corporate development activities including acquisitions, divestments as well as asset management. Also serves as the main contact point between the REIT Manager and the investment community on maintaining relationships with investors as well as research analysts and media. Prior to joining the Manager in January 2017, he worked as an investment banker with Deutsche Bank and Standard Chartered.
Mr. Wang Feng	Senior Manager, Compliance and Risk Management	<ul style="list-style-type: none"> Heads the risk management and compliance function of the Manager, where he is responsible for internal audit, risk management and compliance with requirements as per regulations. Mr. Wang was an Audit Manager with KPMG Singapore before joining the Manager.

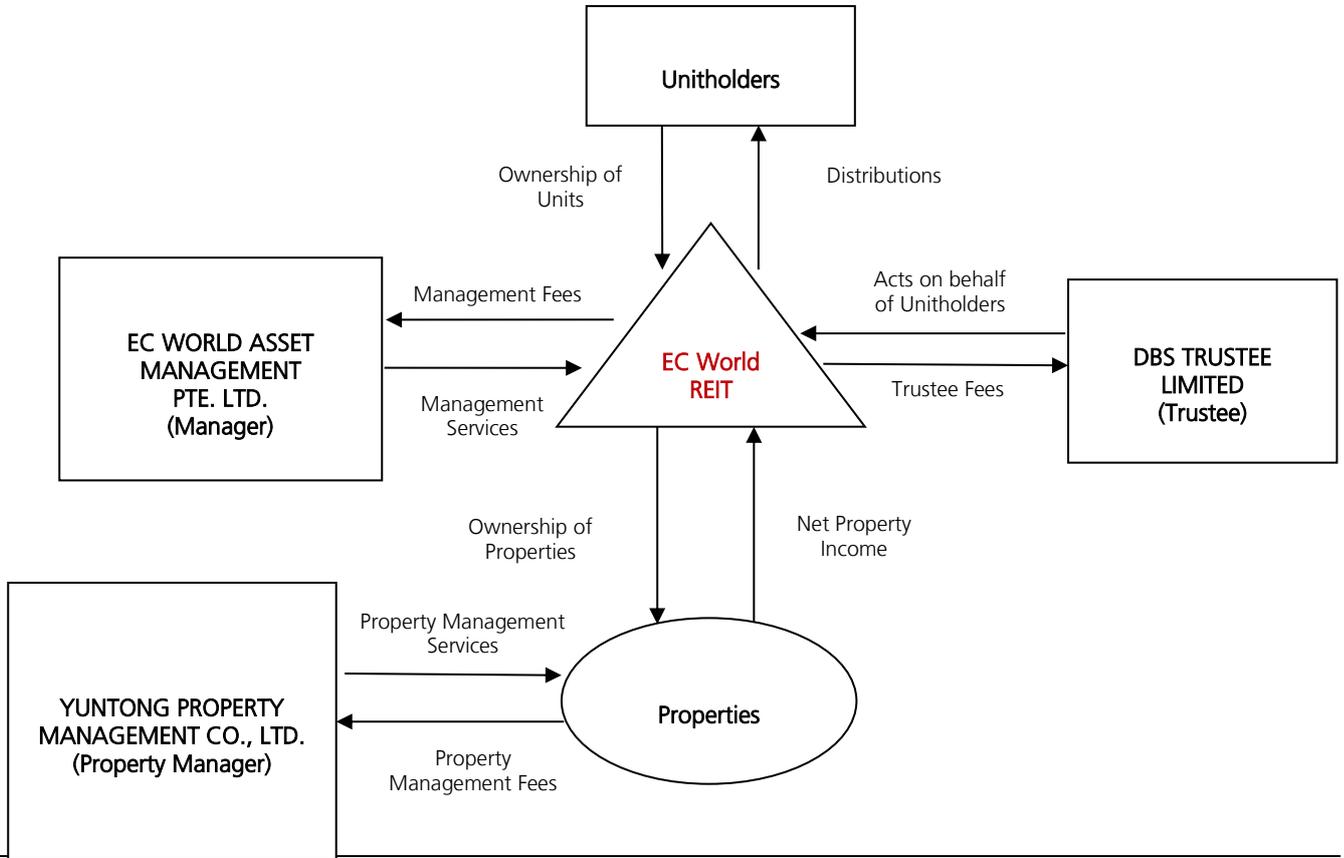
Source: Manager, DBS Bank

Board of Directors

Name	Position	Experience
Mr. Zhang Guobiao	Chairman and Non-Executive Director	<ul style="list-style-type: none"> Mr. Zhang is the Chairman of the Sponsor, Forchn Holdings Group Co., Ltd., and has held this position since June 1998. Under his leadership, the small construction materials firm has grown into a conglomerate with diversified businesses. Led the acquisition and modernisation of Chongxian port, one of the key inland ports in China. Headed the acquisition and restructuring of a provincial state-owned enterprise, Hnagzhou Zhang Xiao Quan Group Co. Ltd. Under the leadership of Mr, Zhang, Forchn Group co-founded Cainiao Network in 2013.
Mr. Chan Heng Wing	Lead Independent Director	<ul style="list-style-type: none"> Mr. Chan currently serves as the Non-Resident Ambassador to the Republic of Austria. He is an independent Non-Executive Director of Banyan Tree Holdings Limited, Frasers Property Limited, and Fraser and Neave Limited. Director of Precious Treasure Pte. Ltd. and Precious Quay Pte. Ltd. Mr. Chan is the Senior Advisor of the Milken Institute Asia Center.
Mr. David Wong See Hong	Independent Non-Executive Director	<ul style="list-style-type: none"> Mr. Wong is currently the Chairman of Halftime Limited, Hong Kong. He is a Finance Management Committee Member of the Hong Kong Management Association. Serves as the independent Non-Executive Director of China Merchant Bank Co., Limited, Frasers Hospitality Asset Management Pte. Ltd., and Frasers Hospitality Trust Management Pte. Ltd. Independent Non-Executive Director of Tahoe Life Insurance Company Limited. Mr. Wong has spent over 30 years in the banking sector and has extensive knowledge and experience in treasury and financial products.
Mr. Li Guosheng	Independent Non-Executive Director	<ul style="list-style-type: none"> Mr. Li is the Managing Director of Horizonline Pte Ltd. He is also the Managing Director of Ningbo Horizonline Technologies Co. Ltd. Mr. Li also holds the positions of Director for Sanhua International Singapore Pte. Ltd. and Sanhua Trading Pte. Ltd.
Mr. Chia Yew Boon	Independent Non-Executive Director	<ul style="list-style-type: none"> Mr. Chia has more than 30 years of experience working in various fields such as investments, business consultancy and corporate finance. He is the founding Managing Director of Catalyst Advisors Private Ltd. and Catalyst Advisors International Private Ltd. He is also a Senior Advisor of Atlas Financial Solutions.

Source: Manager, DBS Bank

Relationship between the REIT, the Manager, the Trustee, the Property Manager and Unitholders



Source: Manager, DBS Bank

Key Risks

Sponsor-related risk. EC World REIT is highly dependent on master leases to the Sponsor for rental payment, as c.69% of FY17 and FY18F GRI flowed from master leases.

All three master lease agreements are related to the Sponsor – Stage 1 Properties at Bei Gang Logistics are leased back directly to the Sponsor while Chongxian Port Investment and Fu Heng Warehouse are master leased to the Sponsor's subsidiaries, Hangzhou Fu Gang Supply Chain Co., Ltd. and Fuyang Yuntong E-Commerce Co., Ltd. Hence, any adverse change in the Sponsor's and underlying tenant's financial position or master-leased properties could result in the loss of rental income and affect distributions to Unitholders.

Shorter WALE vs peers. The REIT had a relative short WALE of 2.3 years by gross rental as at FY17, compared to the WALE of an average Singapore REIT. This mainly reflects the upcoming expiries of master leases, which will largely take place in 2020.

Given this, we believe that the Manager's ability to stagger rent expiries and renegotiate master leases when they fall due will be a key catalyst for the REIT in the immediate term.

Sizeable exposure to a single tenant. We observed that a single tenant, Hangzhou Fu Gang Supply Chain Co., contributed c.40.3% of EC World REIT's total GRI in FY17. While there may still be recourse to the Sponsor in the event of a liquidation or disruption to business given the master-leased structure, it may still have a significant impact to total income.

Performance of EC World REIT closely linked to the e-commerce, supply-chain management and logistics trade sectors. As the REIT's properties primarily provide infrastructure that support and complement the operations of e-commerce merchants, the success and sustainability of EC World REIT's performance could be affected by changes in the local policy and regulations in relation to e-commerce, and competition from other e-commerce logistics networks, which may affect the operations of its key tenants.

Increased competition from other logistics properties. While underlying occupancy at Stage 1 Properties at Bei Gang Logistics has picked up notably over the years from 55.3% in 2015 to 85.6% as at end-September 2018, it suggests inherent challenges in the local operating environment and higher susceptibility to competition.

If competing properties become more successful in attracting and retaining tenants or are refurbished with newer facilities, the REIT may face difficulty in maintaining occupancy, which could adversely affect cash flow and ultimately - distributions to Unitholders.

Foreign exchange volatility. The REIT's income and assets are impacted by CNY/SGD fluctuations. A continuous decline in the CNY against the SGD would lead to negative impact on distributable income, despite the use of rolling hedges. Asset values may also be adversely impacted if a depreciation of the CNY persists.

Non-renewal of land-use rights. The underlying land-use rights of the seven properties will expire within the 2052-2065 period. Given the strength of the REIT's sponsor, it is likely that extensions will be granted. However, it still poses uncertainty on the additional conditions and clauses that may be imposed on these extensions.

Susceptibility to local regulations and global economic conditions. As EC World REIT's properties cater primarily to the e-commerce and logistics sectors, the success and sustainability of the REIT's performance could be affected by local policy changes and weaken in the event of a slowdown in the global economy.

Financial Analysis

Net property income to increase by c. 4% in FY18F due to an increase in rental growth. According to EC World REIT’s lease agreements, all properties have positive rental escalations over the coming years. Annual rental escalations range between 1% and 12%, depending on the asset, whereas Hengde Logistics will only benefit from a rental step-up of 10% upon the renewal of its underlying leases. Our projections also assume the renewal of master leases at their respective expiring rent levels in 2020 but have yet to factor in upside from potential acquisitions.

The REIT’s distributable income is forecasted to improve to S\$50m by FY20F compared to S\$48.1 m in FY17. This leads to a higher DPU of 6.2 Scts, implying an annual growth rate of c.1.0%.

Net property income margins of c.91% in FY18F-20F. Due to master lease arrangements which contribute nearly 70% of top line, EC World REIT will only need to incur the property management fees payable to the property manager and business taxes for these properties. These mainly comprise (i) property management fees – which are based on 1.5% of its

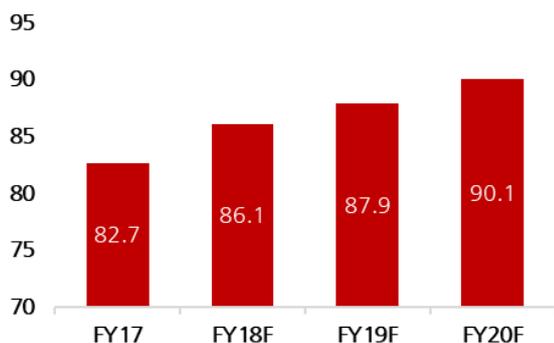
gross revenues, repair and maintenance fees pegged to 0.3% of revenues, as well as the relevant business and property taxes for assets in China.

Annualised all-in interest rate of 5.3% as at 3Q18. This rate includes the amortised upfront fee, as onshore debt generally incurs higher interest compared to offshore loans. EC World REIT has put in place onshore loans to the tune of RMB983.0m and offshore term loans of S\$200m with effective interest of 5.5% and 4.1% respectively. The REIT also has a S\$100m revolving credit facility, out of which S\$61.9m had been drawn down as at 3Q18.

As at 3Q18, EC World REIT’s gearing stood healthy at 30.7% and provides adequate debt headroom for potential acquisitions. Gearing is expected to be steady over the coming years, with a forecasted gearing of <31% in FY19F.

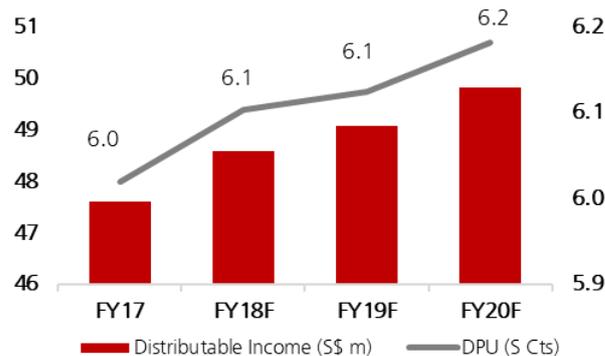
Foreign exchange effects and interest rate exposure are mitigated, as income derived in CNY for distribution are hedged on a 6-month rolling basis and SGD borrowings are hedged using floating or fixed interest rate swaps.

Net Property Income Growth Projections



Source: Bloomberg Finance L.P., DBS Bank

DPU Growth Profile



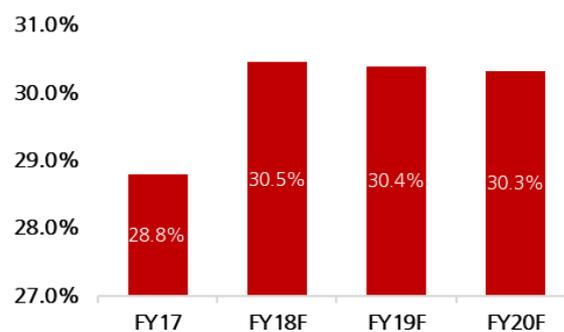
Source: Bloomberg Finance L.P., DBS Bank

Net Property Income Margin Trends



Source: Bloomberg Finance L.P., DBS Bank

Gearing Levels to Remain Stable Over Time



Source: Bloomberg Finance L.P., DBS Bank

Income Statement (\$5m)

FY Dec	2015A	2016A	2017A	2018F	2019F	2020F
Gross revenue	41.2	91.4	94.6	96.5	98.9	101
Property expenses	(4.4)	(8.7)	(8.5)	(8.6)	(8.8)	(8.9)
Net Property Income	36.8	82.7	86.1	87.9	90.1	91.6
Other Opg expenses	4.60	(6.8)	(6.5)	(6.5)	(6.6)	(6.7)
Other Non Opg (Exp)/Inc	0.03	(1.9)	0.0	0.0	0.0	0.0
Net Interest (Exp)/Inc	(10.8)	(24.4)	(24.1)	(25.3)	(26.4)	(27.1)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	30.6	49.7	55.6	56.1	57.1	57.8
Tax	(9.9)	(23.8)	(13.9)	(14.0)	(14.3)	(14.5)
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Net Income After Tax	20.7	25.9	41.7	42.1	42.8	43.4
Total Return	29.3	47.6	41.7	42.1	42.8	43.4
Non-tax deductible Items	(10.2)	(0.5)	6.42	6.47	6.55	6.62
Net Inc available for Dist.	19.1	47.1	48.1	48.6	49.3	50.0
Growth & Ratio						
Revenue Gth (%)	(39.6)	121.9	3.5	2.0	2.4	1.7
N Property Inc Gth (%)	(35.9)	125.0	4.1	2.1	2.5	1.7
Net Inc Gth (%)	(50.7)	24.9	61.0	1.0	1.6	1.4
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0	100.0
Net Prop Inc Margins (%)	89.3	90.5	91.0	91.1	91.1	91.2
Net Income Margins (%)	50.3	28.3	44.0	43.6	43.3	43.2
Dist to revenue (%)	46.4	51.6	50.8	50.3	49.9	49.7
Managers & Trustee's fees to sales (%)	(11.2)	7.5	6.8	6.7	6.7	6.6
ROAE (%)	3.0	3.6	5.8	5.8	5.9	6.0
ROA (%)	1.4	1.7	2.7	2.8	2.8	2.8
ROCE (%)	2.0	2.7	4.0	4.0	4.1	4.2
Int. Cover (x)	3.8	3.1	3.3	3.2	3.2	3.1

Net Property Income and Margins



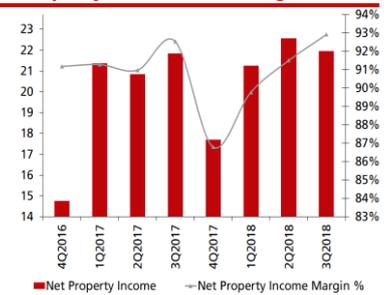
Stable top-line growth due to higher certainty of income from its Sponsor-backed master leases.

Source: Company, DBS Bank

Quarterly / Interim Income Statement (\$Sm)

FY Dec	2Q2017	3Q2017	4Q2017	1Q2018	2Q2018	3Q2018
Gross revenue	23.2	23.9	20.7	23.9	24.9	23.9
Property expenses	(2.1)	(1.8)	(2.7)	(2.5)	(2.1)	(1.7)
Net Property Income	21.1	22.1	18.0	21.5	22.8	22.2
Other Opng expenses	(2.3)	(1.8)	(2.4)	(2.7)	(1.2)	0.07
Other Non Opg (Exp)/Inc	(1.5)	0.20	0.49	0.51	0.79	0.0
Net Interest (Exp)/Inc	(6.1)	(6.2)	(6.2)	(6.4)	(6.5)	(6.5)
Exceptional Gain/(Loss)	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	11.2	14.3	9.89	12.9	15.9	15.8
Tax	(3.3)	(4.5)	(12.2)	(4.2)	(7.6)	(4.0)
Minority Interest	0.0	0.0	0.0	0.0	0.0	0.0
Net Income after Tax	7.90	9.88	(2.3)	8.70	8.33	11.7
Total Return	7.90	9.88	19.4	8.70	14.8	11.7
Non-tax deductible Items	4.11	1.40	(7.6)	2.87	(2.3)	0.79
Net Inc available for Dist.	12.0	11.3	11.8	11.6	12.5	12.5
Growth & Ratio						
Revenue Gth (%)	(2)	3	(13)	16	4	(4)
N Property Inc Gth (%)	(2)	5	(19)	20	6	(3)
Net Inc Gth (%)	(24)	25	(123)	(476)	(4)	41
Net Prop Inc Margin (%)	91.0	92.5	86.8	89.8	91.5	92.9
Dist. Payout Ratio (%)	100.0	100.0	100.0	100.0	100.0	100.0

Net Property Income and Margins

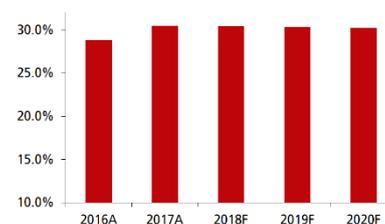


Source: Company, DBS Bank

Balance Sheet (\$m)

FY Dec	2015A	2016A	2017A	2018F	2019F	2020F
Investment Properties	1,333	1,337	1,367	1,369	1,370	1,372
Other LT Assets	0.19	0.17	0.17	0.17	0.17	0.17
Cash & ST Invts	104	139	153	154	156	158
Inventory	0.0	0.0	0.0	0.0	0.0	0.0
Debtors	45.4	35.6	7.88	8.04	8.24	8.38
Other Current Assets	0.0	0.0	0.0	0.0	0.0	0.0
Total Assets	1,483	1,511	1,528	1,531	1,535	1,538
ST Debt	2.15	40.1	40.1	40.1	40.1	40.1
Creditor	27.4	24.6	7.88	8.04	8.24	8.38
Other Current Liab	11.2	11.2	11.2	11.2	11.2	11.2
LT Debt	397	395	425	425	425	425
Other LT Liabilities	319	323	323	323	323	323
Unit holders' funds	726	718	721	724	727	731
Minority Interests	0.0	0.0	0.0	0.0	0.0	0.0
Total Funds & Liabilities	1,483	1,511	1,528	1,531	1,535	1,538
Non-Cash Wkg. Capital	6.77	(0.2)	(11.2)	(11.2)	(11.2)	(11.2)
Net Cash/(Debt)	(295)	(297)	(313)	(311)	(309)	(308)
Ratio						
Current Ratio (x)	3.7	2.3	2.7	2.7	2.8	2.8
Quick Ratio (x)	3.7	2.3	2.7	2.7	2.8	2.8
Aggregate Leverage (%)	26.9	28.8	30.5	30.4	30.3	30.3

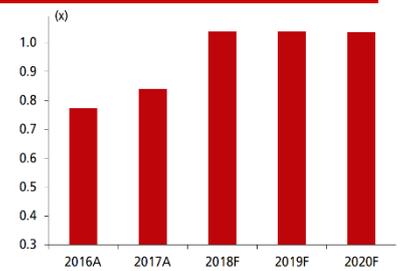
Source: Company, DBS Bank

Aggregate Leverage

Cash Flow Statement (\$m)

FY Dec	2015A	2016A	2017A	2018F	2019F	2020F
Pre-Tax Income	30.6	49.7	55.6	56.1	57.1	57.8
Dep. & Amort.	0.0	0.0	0.0	0.0	0.0	0.0
Tax Paid	(9.9)	(23.8)	(13.9)	(14.0)	(14.3)	(14.5)
Associates & JV Inc/(Loss)	0.0	0.0	0.0	0.0	0.0	0.0
Chg in Wkg.Cap.	(16.1)	6.95	11.0	0.0	0.0	0.0
Other Operating CF	97.0	28.1	4.62	4.67	4.75	4.82
Net Operating CF	102	61.0	57.3	46.8	47.5	48.2
Net Invnt in Properties	(11.5)	5.57	(30.0)	(1.5)	(1.5)	(1.5)
Other Invnts (net)	0.0	0.0	0.0	0.0	0.0	0.0
Invnts in Assoc. & JV	0.0	0.0	0.0	0.0	0.0	0.0
Div from Assoc. & JVs	0.0	0.0	0.0	0.0	0.0	0.0
Other Investing CF	0.0	0.0	0.0	0.0	0.0	0.0
Net Investing CF	(11.5)	5.57	(30.0)	(1.5)	(1.5)	(1.5)
Distribution Paid	(19.1)	(47.1)	(48.1)	(48.6)	(49.3)	(50.0)
Chg in Gross Debt	188	35.8	30.0	0.0	0.0	0.0
New units issued	83.9	0.0	4.92	4.97	5.05	5.12
Other Financing CF	(247)	(61.2)	0.0	0.0	0.0	0.0
Net Financing CF	6.36	(72.5)	(13.2)	(43.6)	(44.3)	(44.9)
Currency Adjustments	0.0	40.9	0.0	0.0	0.0	0.0
Chg in Cash	96.4	35.0	14.1	1.67	1.75	1.82

Source: Company, DBS Bank

Distribution Paid / Net Operating CF

Valuation

Initiate with target price of S\$0.86. We initiate coverage on EC World REIT with a DCF-based target price of S\$0.86, implying c.24% potential return based on current prices.

The recent run-up in S-REIT share prices has brought average sector yields down to c.6.0%. However, with investors on the lookout for alternative names, we see value for EC World REIT at current prices.

Current yield of c.8.2% serves as a good support level, in our opinion, with potential to surprise on the upside if the REIT utilises its lowly geared balance sheet and makes an acquisition.

Peer Comparisons

	Price 19 Feb (S\$)	Rec	12-mth Target Price (S\$)	Total Return (%)	Mkt Cap S\$m	DPU FY18F	DPU FY19F	DPU FY20F	Yield FY18F	Yield FY19F	Yield FY20F	P/NAV (x)
China Retail REITs												
BHG Retail REIT	0.71	n.a.	n.a.	n.a.		5.4	n.a.	n.a.	7.6%	-	-	0.91
Dasin Retail Trust	0.89	n.a.	n.a.	n.a.		7.2	n.a.	n.a.	8.1%	-	-	0.64
CapitaLand Retail China Trust	1.40	BUY	1.65	25%	1,451	10.2	10.4	10.8	7.3%	7.4%	7.7%	0.89
Sasseur REIT	0.76	BUY	0.97	36%	873	5.1	6.7	6.9	6.8%	8.8%	9.0%	0.84
EC World REIT	0.75	BUY	0.86	24%	590	6.1	6.1	6.2	8.2%	8.2%	8.3%	0.86
									7.4%	8.1%	8.4%	0.82
Industrial REITs												
AIMS AMP Capital Industrial REIT	1.40	BUY	1.50	14%	950	10.3	10.3	10.5	7.4%	7.3%	7.5%	1.01
Ascendas India Trust	1.12	BUY	1.25	18%	1,143	6.9	7.5	8.9	6.1%	6.7%	7.9%	1.21
Ascendas REIT	2.75	BUY	2.95	13%	8,523	16.0	16.1	16.2	5.8%	5.9%	5.9%	1.29
Cache Logistics Trust	0.73	HOLD	0.75	10%	769	5.8	5.9	6.0	7.9%	8.1%	8.2%	1.08
ESR REIT	0.56	BUY	0.59	12%	1,696	3.9	4.1	4.1	6.9%	7.3%	7.4%	0.70
Frasers Logistics & Industrial Trust	1.10	BUY	1.20	15%	2,227	6.7	6.7	6.8	6.1%	6.1%	6.2%	1.15
Mapletree Industrial Trust	1.98	BUY	2.30	22%	3,799	12.0	12.3	12.7	6.1%	6.2%	6.4%	1.36
Mapletree Logistics Trust	1.39	BUY	1.50	13%	4,990	7.8	8.0	8.2	5.6%	5.7%	5.9%	1.16
Soilbuild Business Space REIT	0.61	BUY	0.65	16%	637	5.3	5.2	5.4	8.8%	8.6%	8.9%	0.95
									6.7%	6.9%	7.1%	1.19

Source: Bloomberg Finance L.P., DBS Bank

DBS Bank recommendations are based on Absolute Total Return* Rating system, defined as follows:

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)

HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

FULLY VALUED (negative total return i.e. > -10% over the next 12 months)

SELL (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

Share price appreciation + dividends

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