

# Head-to-Head: Singapore vs. Malaysia

## The Straits Choice – Malaysia a Relative Pick

- **Head-to-Head** — We compare Singapore's (SG) and Malaysia's (MY) equity markets, taking a deep dive into their key drivers in response to frequent investor comparisons within Asean. While SG has done better YTD, MY is preferred on a one-year horizon on cost normalization, a lower ringgit, secondary effects from ETP projects, and accelerated consumption before the GST is implemented in Apr 2015.
- **Challenges in SG, opportunities in MY; upside from Asean integration** — SG has historically done better in DM recovery cycles, but costs/tight labor policies may make it different this time. Investment is being diverted to MY as China deals with rebalancing. SG has mature links to Asean/China, whereas MY is growing links rapidly. Large MY firms are increasing exposure to tap Asean growth, and sustained execution should expand profits. Gains could come from the Asean Economic Community kick-off in 2015. Planned SG-MY HSR further highlights integration plays.
- **Building blocks from MY's ETP; an easier story than SG's productivity push** — Active economic restructuring moves are under way in both countries. MY's ETP-driven progress is less complex for investors than SG's push for productivity growth in light of resource and demographic constraints.
- **Demographics: Greying SG, youthful MY** — SG's population is aging, with its median age at 34 years vs. MY's 28. This ensures labor supply for MY while SG seeks funding for social spending. Demographic challenges will be a key issue for SG's next election cycle in 2015/2016.
- **Digesting MY & SG households' debt binge** — The household debt to GDP ratio has been rising sharply, raising residential property demand, and regulators have acted to moderate debt growth. We see challenges in the debt digestion phase. MY's household debt is skewed toward lower-income households, whereas SG's is better distributed. Rock-bottom rates may lead to over-exposure. Higher income growth could help mitigate MY's problem, but for SG, incomes are already high.
- **Top picks** — Given domestic challenges, top SG picks are skewed toward external exposure: **Keppel Corp** (rig cycle intact despite oil volatility); **Wilmar** (conduit for Asia's food needs), **DBS** (highest NIM/earnings leverage to eventual SGD rate rise), **NOL** (underappreciated logistics unit) and **Keppel Land** (potential divestment of MBFC Tower 3). In MY, we like longer-term structural stories: **Maybank** (diversified business to play rising investment cycle), **SapuraKencana** (growth potential from oil/gas projects), **AirAsia** (beneficiary of new KLIA2 Terminal, cost-side initiatives and likely disposal gains), **MAHB** (leveraged to MY's investment in tourism infra), **Sime Darby** (diversified, with earnings growth potential from plantations, property spinoff), and **IHH** (best leveraged to SG's greying population).

Patrick Yau, CFA

+65-6657-1168

patrick.yau@citi.com

Robert P Kong, CFA

Arthur Pineda

Horng Han Low

Petrina Chong

Adrian Chua, CFA

Michael Beer

Margaret Go

George Choi

Oscar Choi

Ken Yeung

Oscar Yee

Ivan K Lim, CFA

Si Xian Goh

Lawrence Ye

Aik Joon Goh

[Click to play](#)

Patrick Yau



See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Citi Research is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision. Certain products (not inconsistent with the author's published research) are available only on Citi's portals.

## Contents

Malaysia a Relative Pick	3
Measuring Export Momentum	4
Economic Restructuring Initiatives	9
ASEAN Linkages	15
Deepening of Economic Ties Between Singapore and Malaysia	21
Demographics	23
Digesting Malaysia & Singapore Households' Debt Binge	26
Singapore and Malaysia Trailing Asean Pack	31
Earnings Revisions – Summary Charts	39
Valuations	42
Singapore Universe Valuation Comps	43
Malaysia Universe Valuation Comps	45
Appendix A-1	47

## Malaysia a Relative Pick

### Related Publications:

[ASEAN Macro View - Malaysia Long View: Growth Themes for the Long Term](#)

[Malaysia Banks - Focus on the Wholesale-cum-Regional Banks](#)

[ASEAN Economics Long View: Singapore Swing – Refocusing on ASEAN Regionalization](#)

We pit Singapore's equity market against Malaysia's in response to frequent investor comparisons within ASEAN. We dive into key market drivers such as export momentum, relative linkages to the region, demographics, the bulking up of household debt as well as the differences between economic restructuring programs in the two countries. This report is in conjunction with the Citi Economics Long View on Malaysia. While Singapore has performed better YTD, Malaysia is our pick on a one-year horizon as cost normalization, benefits from a lower Ringgit, secondary effects from ETP projects and accelerated consumption kick in before the GST implementation in April 2015.

Figure 1. Head to Head – Singapore and Malaysia

Criteria	Singapore	Malaysia
<b>Export Momentum</b>		
Exports offer upside as dev regions, US, EU exit recession. Recovery could be affected by local situation.	SG has historically performed better during DM recovery cycles, but momentum this cycle may be hampered by costs due to high asset prices, tough domestic labor policies. US and Europe collectively represent ~ 19% of SG's non-oil exports.	(-) MY a beneficiary of recovering DM. We have begun to see recovery in export momentum in MY. US, Europe are ~ 17% of exports. (-)
<b>Economic restructuring</b>		
MY's ETP-driven process looks less complex than SG's productivity growth, limited by resource and demographics.	Govt has noted increasing reliance on easily accessible foreign manpower in the past, limiting productivity growth. SG is now pushing for productivity growth. Implementation is a huge balancing act for policy-makers.	MY's economic restructuring is led by the country's Economic Transformation Program (ETP), launched in late 2010 with a view to achieving higher incomes and job creations across the country. ✓
<b>Links with other Asean economies</b>		
SG has more mature links, whereas MY is expanding them. Both countries can benefit from region's growth.	SG-based and -listed firms grew regionally into Asean and China some years back and some have begun to consolidate activities in China in light of slower growth and greater competition there.	(-) Large corporations in MY have steadily increased exposure to tap growth opportunities in ASEAN. While relationships with Asean is less mature than SG's, MY corporations would benefit from growth within the region in the long term. (-)
<b>Household debt</b>		
Rising sharply for both countries, and regulators in have acted to moderate debt additions.	HH debt is currently at 75% of GDP. SG's HH debt is better distributed but has risk as rates have been very low during the QE phase, prompting asset "carry trade".	MY's HH debt is high at 87% of nominal GDP (end-FY13). Its lower-income group has large HH debt exposure. Govt has been active in managing HH debt risks, esp. lower-income segment. While HH debt will likely remain high given young/growing working population, risk could be mitigated by rising incomes. ✓
<b>Demographics</b>		
SG may have to manage cost burden on rising healthcare needs, and fine-tune policies to sustain growth. MY benefits from demographic dividend.	SG's population is aging (median age 34 years). Concern is increasing healthcare needs. SG's Ministry of Finance estimates that cost of providing additional benefits to this pioneer generation over their lifetimes could be ~\$9b. There would also be increasing need for health-care labour.	MY has a more youthful population (median age 28 years). It is likely to enjoy a population dividend. MY should continue to see a rise in the share of working-age population and labour force participation rate. ✓
<b>Earnings/ Valuations</b>		
Expect ~7% EPS growth for both SG and MY.	We expect EPS growth of 7% for CY14. We are starting to see improvement in earnings revision count ratio post FY13 results, at -13%. Our STI target is 3278, translating to a PER of 15.6x, slightly above mean of 15.2x.	We expect EPS growth of 7% for CY14. ERC ratio (or upgrade vs. downgrade count) has deteriorated post FY13 results to -33%, although we have started to see some improvement, at -23%. Our KLCI target is 1894, translating to PER of 16.2x.
<b>Top stock picks</b>		
	Prefer firms with external exposure: <b>DBS</b> (highest NIM/earnings leverage to eventual SGD rate rise) <b>Keppel Corp</b> (rig cycle intact despite oil price volatility) <b>Keppel Land</b> (sustainable pre-sales from China, potential divestment of MBFC Tower 3) <b>NOL</b> (underappreciated APL Logistics unit) <b>Wilmar</b> (conduit for Asia's food needs)	Prefer firms with longer-term investment stories: <b>Maybank</b> (diversified business to play rising investment cycle) <b>SapuraKencana</b> (growth potential from oil/gas projects) <b>AirAsia</b> (beneficiary of new KLIA2 Terminal, cost-side initiatives)/ <b>MAHB</b> (best leveraged to MY's heavy investment in tourism infra) <b>Sime Darby</b> (diversified business with earnings potential from a recovery in plantations and possible property spin-offs) <b>IHH</b> (best leveraged to SG's greying population)

Source: Citi Research

## Measuring Export Momentum

**Export Momentum; Challenges in Singapore, Opportunities in Malaysia** - While Singapore has historically performed relatively better during developed market recovery cycles, its momentum this cycle may be hampered by costs due to high asset prices and tough domestic labor policies. Malaysia has started to see greater manufacturing investment, as it captures flows from firms rebalancing from China's and Thailand's woes.

### Recovering export momentum, but patchy

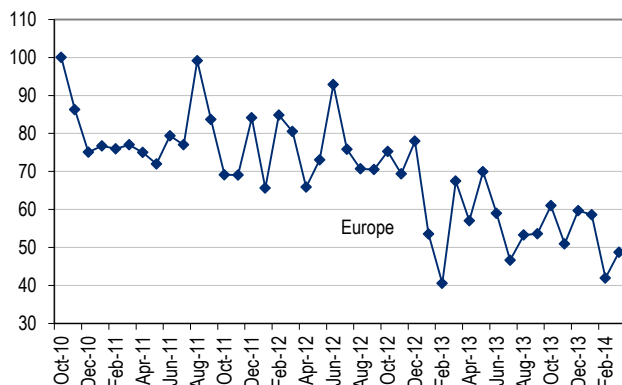
We have been flagging that Singapore exports to Europe and the US present upside as these regions emerge from recessions. (Refer to [Singapore A Relative Pick As ASEAN Consolidates](#)) With Europe and the US collectively representing 19% of Singapore's NODX (non-oil exports), Singapore's export recovery would be contingent on better US and Europe demand.

Similarly, Malaysia would also be a beneficiary of recovering economies in the US and Europe, which constitute 17% of Malaysia's total exports. In addition, Malaysia also counts Singapore as its top trade partner – accounting for 15% of its exports.

Unfortunately, on a broader scale, bar Malaysia's recovery trend in exports to Europe, HK and China for part of 2013, both Singapore's and Malaysia's export trends have been weak in the past few years and are still lower versus levels in October 2010 (i.e., the last peak).

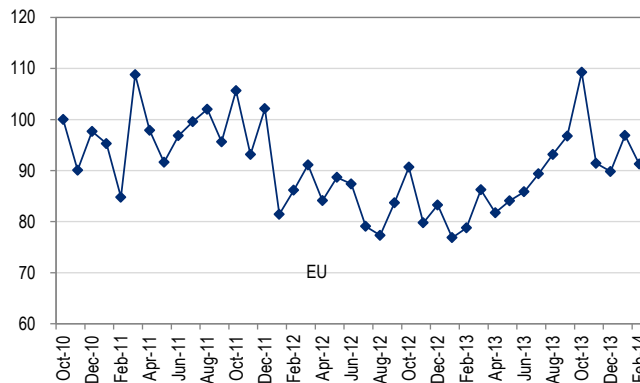
The large trend change over the past decade has been the rising importance of the HK and China cluster, with China and HK now accounting for 21% of Singapore's exports and 17% of Malaysia's exports. Of the three end destinations we surveyed, only Malaysia's exports to HK and China are above levels from October 2010.

Figure 2. SG Exports to Europe (Rebased to 100 as of Oct 2010)



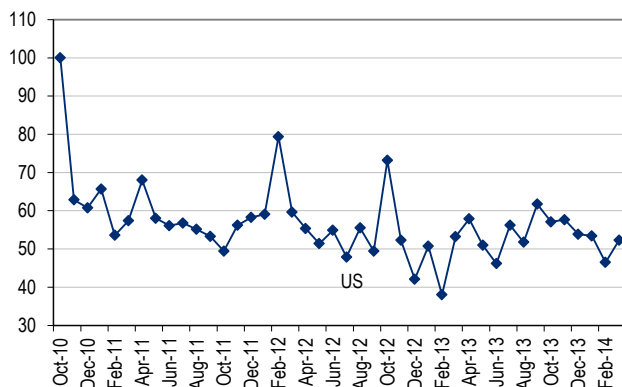
Source: CEIC, Citi Research

Figure 3. MY Exports to Europe (Rebased to 100 as of Oct 2010)



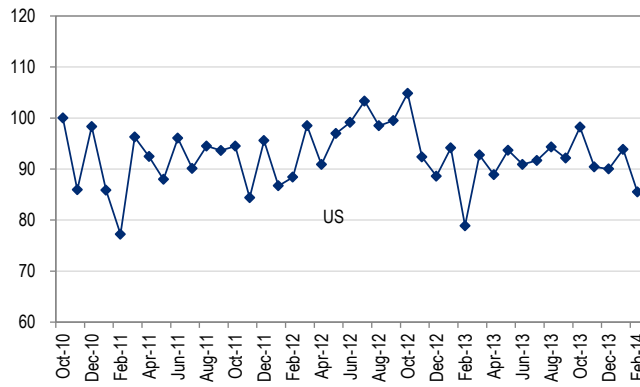
Source: CEIC, Citi Research

Figure 4. SG Exports to United States (Rebased to 100 as of Oct 2010)



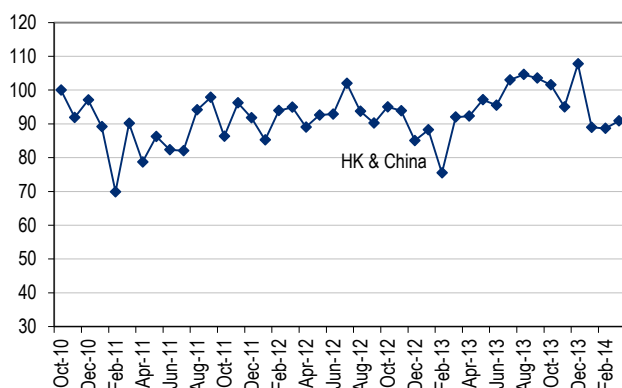
Source: CEIC, Citi Research

Figure 5. MY Exports to United States (Rebased to 100 as of Oct 2010)



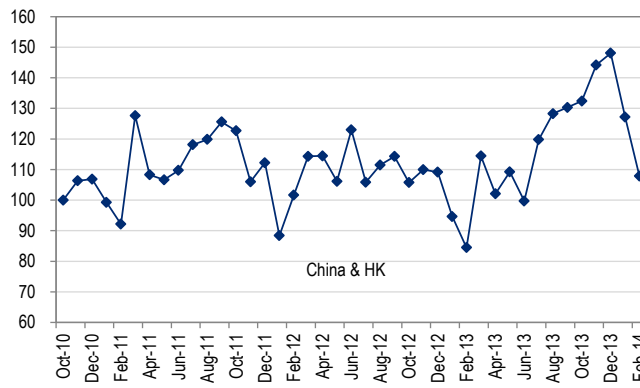
Source: CEIC, Citi Research

Figure 6. SG Exports to China & HK (Rebased to 100 as of Oct 2010)



Source: CEIC, Citi Research

Figure 7. MY Exports to China & HK (Rebased to 100 as of Oct 2010)



Source: CEIC, Citi Research

Figure 8. Singapore NODEX – Top Ten Destinations

	2000	2005	2012	2013
1	USA (25%)	EU (19%)	EU (15%)	China (12%)
2	EU (18%)	USA (14%)	China (12%)	EU (11%)
3	M'sia (13%)	China (10%)	USA (9%)	HK (9%)
4	Japan (9%)	M'sia (9%)	HK (9%)	USA (8%)
5	Taiwan (6%)	Indonesia (8%)	M'sia (8%)	M'sia (7%)
6	HK (6%)	HK (7%)	Indonesia (7%)	Indonesia (6%)
7	Thailand (4%)	Japan (7%)	Japan (6%)	Japan (5%)
8	China (4%)	Taiwan (5%)	Taiwan (6%)	Thailand (4%)
9	S. Korea (3%)	Thailand (4%)	S. Korea (5%)	S. Korea (4%)
10	Australia (2%)	S. Korea (3%)	Thailand (4%)	India (3%)

\*Figures in brackets denote share of total NodeX

Source: CEIC, Citi Research

Figure 9. Malaysia Exports – Top Ten Destinations

	2005	2008	2012	2013
1	USA (20%)	Singapore (15%)	Singapore (14%)	Singapore (14%)
2	Singapore (16%)	USA (12%)	China (13%)	China (13%)
3	EU (12%)	EU (11%)	Japan (12%)	Japan (11%)
4	Japan (9%)	Japan (11%)	EU (9%)	EU (9%)
5	China (7%)	China (10%)	USA (9%)	USA (8%)
6	Hong Kong (6%)	Thailand (5%)	Thailand (5%)	Thailand (6%)
7	Thailand (5%)	Hong Kong (4%)	Hong Kong (4%)	Indonesia (5%)
8	Australia (3%)	Korea (4%)	India (4%)	Hong Kong (4%)
9	Korea (3%)	India (4%)	Australia (4%)	Australia (4%)
10	India (3%)	Australia (4%)	Korea (4%)	South Korea (4%)

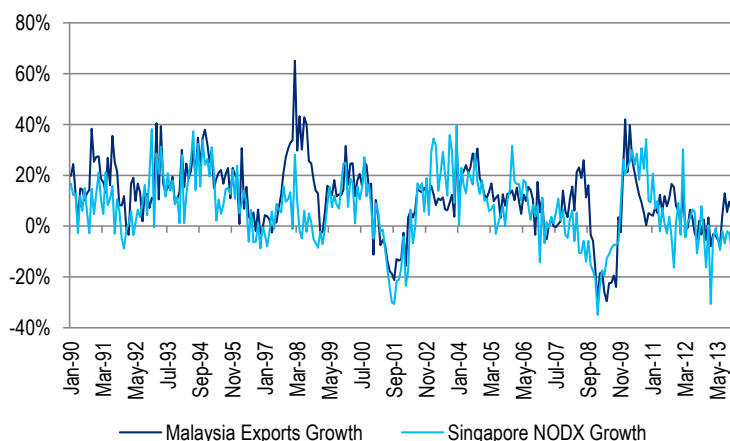
\*Figures in brackets denote share of total exports

Source: CEIC, Citi Research

Destination countries aside, investors should note that for both Singapore and Malaysia, exports have been weak (i.e., flat to slight increase or negative YoY) for about 2 years now, across 2012 and 2013. Based on our observation across the past 20 years, there has been no instance where exports remained flat or negative beyond 2 years. There is thus anticipation that more "export supportive" policies

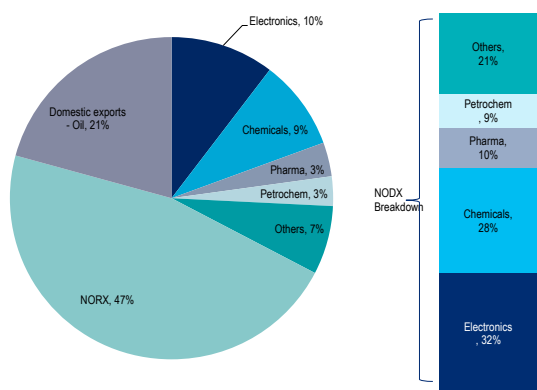
may be needed to help stimulate the sector. Singapore-based exporters have been hampered by costs due to a strong currency, high asset prices as well as tough domestic labour policies while those in Malaysia may have been grappling with more intense competition from others in the region and China, especially within the electronics/electrical clusters.

Figure 10. Singapore NODX and Malaysia's Exports (YoY)



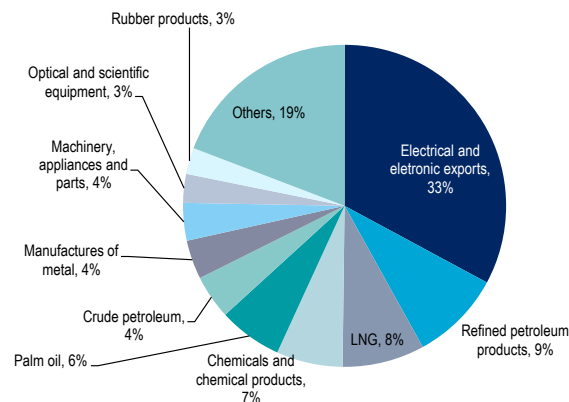
Source: Citi Research, CEIC

Figure 11. Singapore Export Constituents for 2013



Source: CEIC, Citi Research

Figure 12. Malaysia Export Constituents for 2013

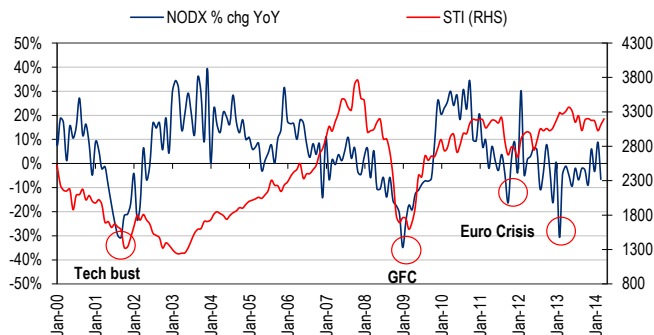


Source: CEIC, Citi Research

Electronic exports constitute Singapore's largest non-oil exports category and remain the key indicator to track, as this has historically led Singapore's GDP and stock-market cycle.

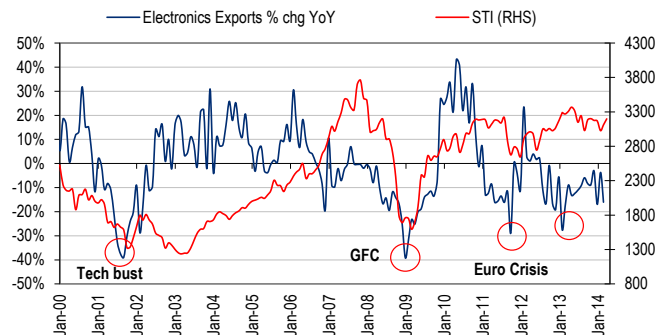
While Singapore's electronics exports have not been strong YTD, from a "bottoming" perspective, Singapore's electronics exports hit a low of S\$3.8bn in February 2013 (-27% yoy) and 10.5% below the previous trough in February 2011 – a meaningful reference in that the level of decline is similar to the -30% YoY decline recorded in November 2011, the weakest point during the euro crisis. For 2013, Singapore's electronics exports have been S\$53bn, equivalent to a decline of 11% YoY. At its weakest point, Singapore's electronics exports growth declined to -40% YoY during 2001's tech bust as well as during the global financial crisis (GFC).

Figure 13. Singapore NODX % Chg YoY



Source: CEIC, Citi Research

Figure 14. Singapore Electronics Exports % Chg YoY vs STI

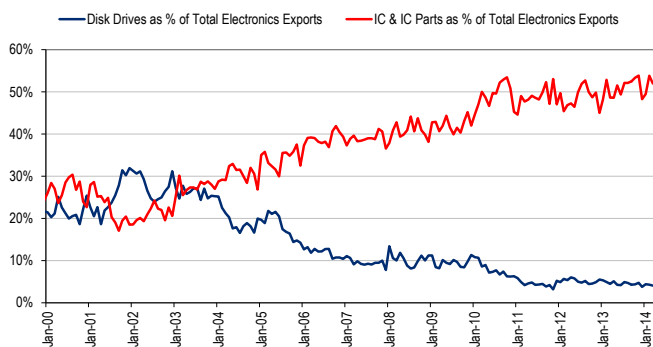


Source: CEIC, Citi Research

While we would have been typically encouraged by bottoming trends in Singapore's electronics exports, the concern this cycle has been on a patchy recovery cycle.

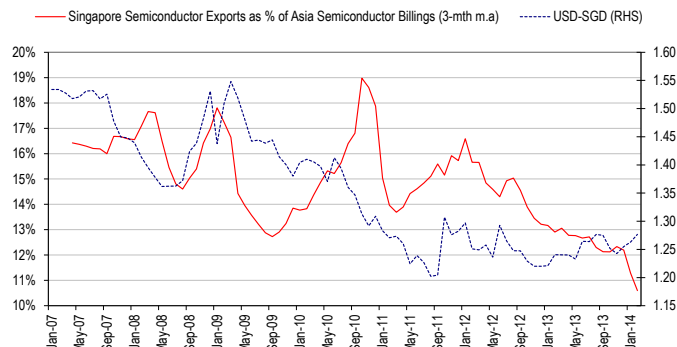
Singapore's electronics exports have significantly changed in mix, with semiconductors and parts of semiconductors making up 52% of total electronics exports now vs. 27% a decade ago (contributions from disk drives have fallen from 25% a decade ago to 4% now). While Singapore was a global leader in the assembly of disk drives, it is a smaller participant in the realm of semiconductors manufacturing, with Singapore likely accounting for only 11-12% of semiconductors billings in Asia. While there are likely multiple factors at work, Singapore's share of the Asian semiconductor market has steadily declined since 2012, seemingly tracking the relentless strength of the S\$.

Figure 15. Disk Drives and Semiconductor Parts as % of Total Electronics Exports



Source: CEIC, Citi Research

Figure 16. Singapore Semiconductor Exports as % of Asia Semiconductor Billings



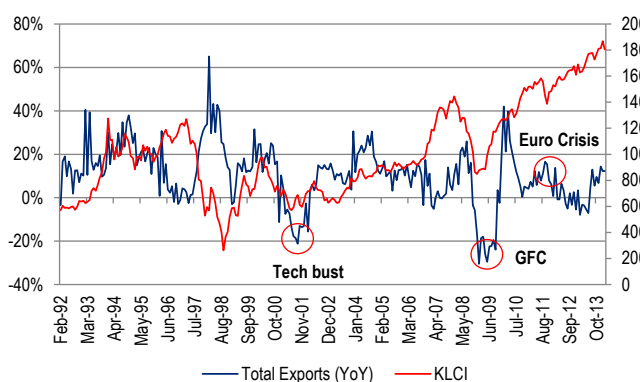
Source: World Semiconductor Trade Statistics, Citi Research

Conversations with electronics exporters suggest that orders for 2014 remain uncertain – customers in the electronics industry continue to be “inventory” cautious and pressured by end-product mix changes. References to lower-priced whitebox smartphones challenging the industry's key profit driver in the past few years have been rising. For example, end consumers in Singapore have been looking out for launches by China's Xiaomi – presenting an amazing offer of a dual SIM 4.7” phone for S\$169 (~US\$130), much lower than comparable phones from key brands.

We also track Malaysia's electrical and electronics products (E&E) segment, which is the largest contributor to the country's exports. It has started to show recovery after bottoming in February 2013.

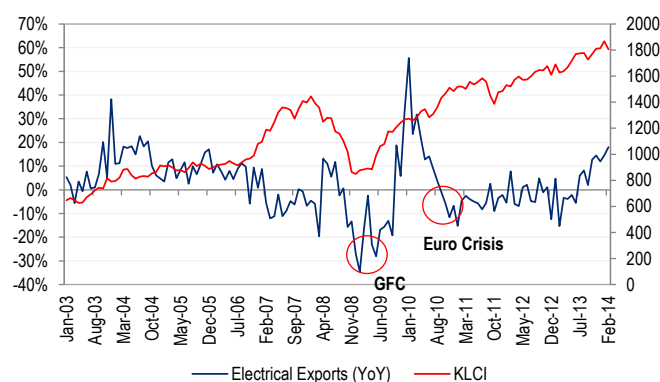
Similar to the change seen for Singapore, within the E&E cluster – growth is becoming more aligned to semiconductors, especially in segments such as final mobile devices, tablets and automobiles. Semiconductors have become the largest contributor to Malaysia's E&E exports, accounting for a 40% share of total E&E exports (2006: 31% share). The resilience of E&E exports in the beginning of the year (+16% YoY in Jan/Feb 14) could point to improving conditions in the external markets. It is notable that Malaysia's electronics exports, while cyclical in nature, are less volatile relative to Singapore's electronic exports.

Figure 17. Malaysia Total Exports % Chg YoY vs. KLCI



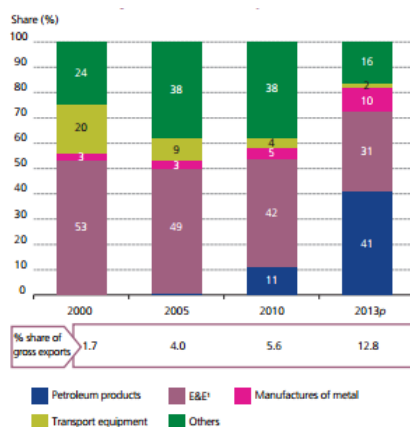
Source: CEIC, Citi Research

Figure 18. Malaysia Electronics Exports % Chg YoY vs. KLCI



Source: CEIC, Citi Research

Figure 19. Share of Malaysia's Total Re-exports



Source: Citi Research, Department of Statistics, Bank Negara Annual Report 2013

Also notable has been Malaysia's strong growth in re-export activity, attributable to the rapid increase in re-export of petroleum products. This has been linked to ongoing expansion of petroleum storage capacity, one of the early successes from Malaysia's Economic Transformation Programme (ETP) initiative to position itself as a regional oil storage/trading hub. Bank Negara's 2013 Annual Report highlights that the share of re-exports to total gross exports has more than doubled, increasing to 13% in 2013 from 6% in 2010. The share of re-exports of petroleum products has become the largest share of Malaysia's total re-exports (41%), surpassing E&E re-exports (E&E accounted for 42% of re-exports in 2010). In addition, increasing warehousing activity for metal in Johor has also resulted in the rising share of re-exports of manufactures of metal.

## Economic Restructuring Initiatives

**Building blocks from Malaysia's ETP; an easier story relative to Singapore's productivity push initiative — While there has been active economic restructuring moves in both, Malaysia's ETP driven progress is relatively less complex than the push in Singapore for productivity growth in light of resource and demographic constraints.**

### **Malaysia's Economic Transformation Program to rejuvenate the economy**

Malaysia rolled out its Economic Transformation Program in late 2010 as the country seeks to rejuvenate its economy to reverse the slowing growth it has experienced since the Asian Financial Crisis. ETP was implemented with an aim to achieve GNI per capita of US\$15k (GNI of RM1.7t) by 2020 and raise income levels across the country through the creation of 3.3m jobs. 131 entry-point projects across 12 National Key Economic Areas have been identified to drive the private investment-led ETP.

There was impressive momentum when ETP was initially implemented, but the momentum slowed over time (Refer to Fig 21). While there are investors that fret over the slower momentum, others are encouraged by expectations of secondary effects from the initial wave of investment, especially if they also offer positive leverage to SMEs as well.

Thus far, projects announced under ETP have been mainly led by government-linked corporations, multinational corporations and large Malaysia private enterprises. While execution would still be key in determining the extent of success of this program, we believe the investment-led growth model, which sets the platform for Malaysia to evolve into a more productive economy, would present potential growth opportunities for the nation.

We note closely Petronas' recent investment decision to build the Pengerang Integrated Complex in Johor – comprising a US\$16b world-scale Refinery and Petrochemical Integrated Development (RAPID) and other associated facilities (US\$11b).

We are tracking with interest the government's National Automotive Policy 2014 (NAP 2014) announced in January. This policy seeks to transform Malaysia into a regional automotive hub for energy efficient vehicles (EEV). Malaysia is offering manufacturing licenses with customized/ bespoke incentives for investors. The aim is to have 85% of the vehicles produced in Malaysia in 2020 to be EEVs – with a target to produce 1.35m vehicles with at least 200k units to be exported, and exports of components to reach ~RM10bn.

We view the government's move toward a more liberalized automotive industry to have a long-term sustainable positive benefit to the industry. It is intended to attract new investments (both foreign and domestic) and at the same time promote healthy industry competition and higher value-added activities, as well as encourage automakers to increase exports of vehicles and auto components.

Our feedback from the ground points to sustained execution on ETP projects, especially projects within oil/gas clusters, public infrastructure works (MRT across greater Kuala Lumpur) as well as investments into E&E clusters (e.g., Infineon). Healthy growth in business loans, which bottomed-out mid last year, is a healthy proxy.

Figure 20. Overview of several large-scale investments under Malaysia's ETP

Entity/ Program	Date of announcement	Investment by 2020 (RM b)	Comments	Sector
Petronas	13-Jun-11	60.0	Petronas spearheading development of Project RAPID, which is the creation of a Refinery and Petrochemical Integrated Development	Oil and gas
Government	11-Jan-11	36.6	MRT project for Greater KL/Klang Valley to drive public transport share to 50%	Transportation
GuocoLand Malaysia	28-May-12	12.5	Development of Sepang International City	Real estate
ExxonMobil	11-Jan-11	10.0	Investment in new oil and gas assets with Petronas Carigali Sdn Bhd	Oil and gas
Prism Crystal Enterprises	19-Apr-11	9.6	Consortium including Prism Crystal and Tan Sri Dr Chen Lip Keong with Karambunai Corp and Petaling Tin to develop Karambunai Integrated Resort City	Real estate
Tukar	8-Mar-11	5.4	Modernisation of small retailer shops to increase competitiveness	Consumer discretionary
Nusa Gapurna Sdn Bhd	16-Nov-12	5.2	Development of PJ Sentral Garden City	Real estate
Shell	11-Jan-11	5.1	Upgrade, expand and build facilities in upstream, midstream and downstream across the Malaysia, including expansion of MDS was plant in Bintulu, new diesel processing unit at Shell Refinery in Port Dickson and Gumusut deepwater development offshore Sabah	Oil and gas
Dialog	11-Jan-11	5.0	Leading a consortium including State Government of Johor and Vopak to develop Independent Deepwater Petroleum Terminal Project at Pengerang	Oil and gas
Dialog	13-Sep-12	4.1	Consortium including Vopak, Dialog and State Government of Johor to develop Pengerang LNG terminal project	Oil and gas

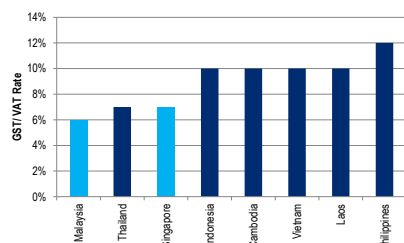
Source: Citi Research, Economic Transformation Program

Figure 21. ETP Progress

	2011	2012	2013	Total
Number of Projects	110	39	47	196
Investment (RM b)	179.2	32.1	8.0	219.3
GNI in 2020 (RM b)	129.5	6.6	7.4	143.5
Jobs by 2020 (k)	314	95	29	437

Source: Citi Research, Pemandu, Note: Progress as of December 2013

Figure 22. GST Policy in ASEAN



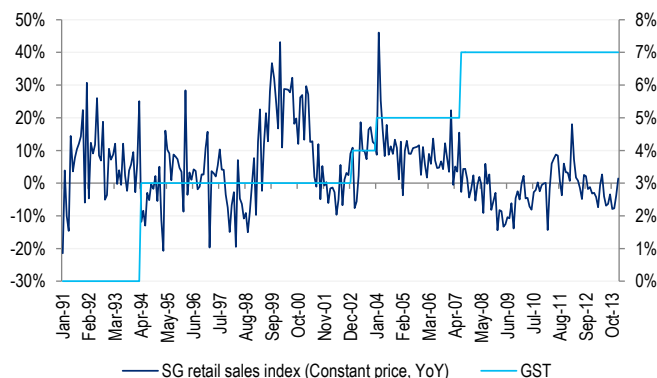
Source: Citi Research, Malaysia Customs; Note: Malaysia GST regime will only be implemented in April 2015.

While Malaysia pushes for an investment-led growth, it is concurrently engaged in an austerity agenda to achieve fiscal consolidation. The country is targeting deficit reduction to 3.5% of GDP in 2014 to be achieved on subsidy cuts and additional source of revenue through the introduction of the Goods and Service Tax (GST) to be implemented in April 2015.

While this has raised concerns on consumption trends in 2014, the government has put in place various assistance schemes to mitigate the potential negative impact. There is a list of GST-exempt items, which cover basic food items, piped water supply, initial 200 units of electricity/mth, transportation services, governmental services and residential and financial transactions. The government would also be offering one-off cash assistance of RM300 to households that are BR1M recipients in 2015.

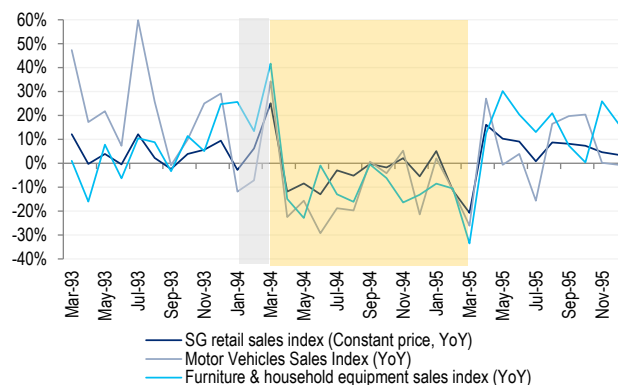
Our study on Singapore reveals that the introduction of the consumption tax had the most impact on big-ticket items as retail sales of these items grew substantially a few months *prior* to the introduction of GST followed by a subsequent collapse post GST implementation in 1994. Malaysia's consumption momentum should thus pick up near end 2014.

Figure 23. Singapore Retail sales vs. GST Rate



Source: Citi Research, IRAS, CEIC

Figure 24. Singapore Retail Sales vs. GST Rate

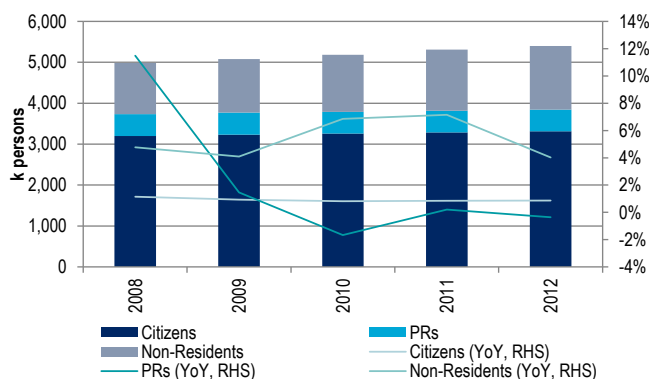


Source: Citi Research, CEIC

### Singapore's push for productivity growth

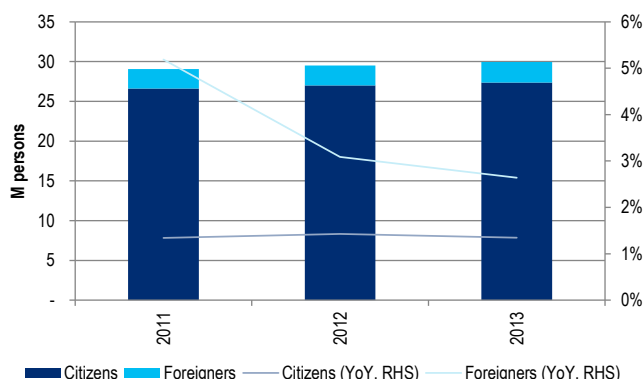
Singapore had enjoyed a period of high economic growth over the last decade (averaging 6%) as it transformed itself from a labour-intensive economy to one that focuses on value-added industries. Singapore also positions itself as a hub for various economic activities such as commodities trading and transportation. It has also established itself as a regional financial hub. However, given the rapid growth of the economy and population, which is aided by strong inflow of foreign labour to counteract the country's low fertility rate, Singapore has reached a stage when issues of capacity constraints start to surface.

Figure 25. Singapore Population Breakdown



Source: Citi Research, CEIC

Figure 26. Malaysia Population Breakdown



Source: Citi Research, CEIC

The government has also noticed an increasing reliance on easily accessible foreign manpower, limiting productivity growth consequentially. We saw adjustments to the Dependency Ratio Ceiling (DRC) after the announcement of more restrictive labour laws during Budget 2013. Non-citizens now account for more than one-third of Singapore's population vs. one-quarter in 2000 (Ministry of Manpower (MOM) disclosed that, as of Dec 2013, two-thirds of the non-resident population ex-foreign domestic workers were work-pass holders).

Figure 27. Breakdown of Foreign Workers in Singapore

Pass type	Dec-10	Dec-11	Dec-12	Dec-13
Employment pass (EP)	143,300	175,400	173,800	175,100
S Pass	98,700	113,900	142,400	160,900
Work Permit	871,200	908,600	952,100	985,600
Total Foreign Workforce	1,113,200	1,197,900	1,268,300	1,321,600

<b>YoY</b>				
Employment pass (EP)	25%	22%	-1%	1%
S Pass	19%	15%	25%	13%
Work Permit	2%	4%	5%	4%
Total Foreign Workforce	6%	8%	6%	4%

Source: Citi Research, Ministry of Manpower

SMEs, comprising 90% of all enterprises and ~70% of jobs in Singapore, had seen some impact from the stricter labor law with MoM disclosing that there had been 19k appeal cases pertaining to S pass and work-permit renewals from SMEs since 2010 (with slightly less than half being considered favorably).

Figure 28. Summary of DRC Changes in Singapore

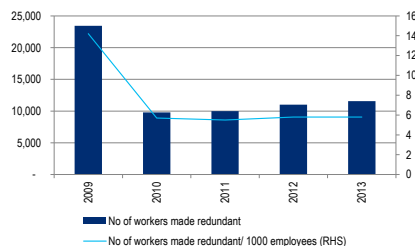
Sector	New quota	Old quota	Comments
Manufacturing+	No change	60%	(was 65% pre 2012's budget)
Services	40%	45%	(was 50% pre 2012's budget)
Services - S Pass Sub-DRC	15%	20%	
Construction	No change	88%	
Process	No change	88%	
Marine*	78%	83%	

Source: Ministry of Manpower, Singapore Budget Statement, Citi Research

\*Change will take place in two stages, in Jan 2016 and Jan 2018

+ Manufacturing which has taken hits on labour allocations last year was spared this time.

Figure 29. SG Incidence of redundancy



Source: Citi Research, Ministry of Manpower

Our conversations with SME leaders in Singapore indicate that SMEs have found it harder to expand and meet rising orders in the tight labor market. SME jobs (two-thirds of employment) could be at risk if Singapore's aggressive productivity push fails to deliver results quickly. Data from Singapore's Ministry of Manpower (MOM) 2013 annual report indicate there has been a slight increase in workers being laid off (11.6k workers in 2013) with 40% of them being made redundant due to business restructuring for greater work efficiency (an increase from 2012's 37%).

MOM's data also indicate that while SMEs continue to account for two-thirds of relocations, this has actually slipped by 5%-points over the past 5 years as larger firms have also started to register relocations. Jobs in services account for 71% of all relocations, with India, Malaysia and China as the top 3 relocation destinations (versus Malaysia/China, Thailand, Philippines 5 years ago).

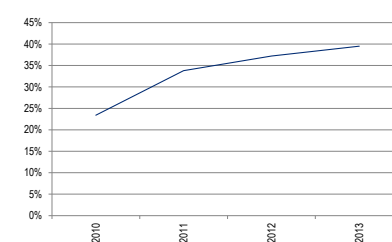
Nonetheless, we have continued to see stable business/ company registrations and cessations, hinting that the impact of SME restructuring has not been so severe that it results in a tipping point for Singapore's economy.

Figure 30. Reasons for Redundancy in SG

Reasons for redundancy	2010	2011	2012	2013
Restructuring of business processes for greater work efficiency	23.4%	33.8%	37.2%	39.5%
High operating cost other than labour cost	15.9%	25.2%	20.7%	29.7%
High labour cost	17.0%	30.2%	20.3%	28.9%
Reorganization of business	24.9%	24.6%	20.9%	23.3%
Poor business/ business failure not due to recession	20.9%	16.6%	23.4%	20.4%
Recession/ downturn in the industry	16.8%	19.3%	16.4%	15.8%
Product line was discontinued	12.1%	6.3%	7.4%	7.6%
Early completion of project	n.a.	5.2%	7.4%	5.5%

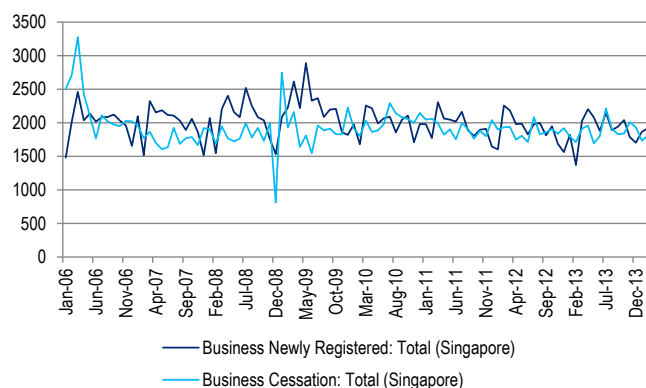
Source: Citi Research, Labour Market Survey, Ministry of Manpower

Figure 31. % of workers made redundant due to restructuring has increased in SG



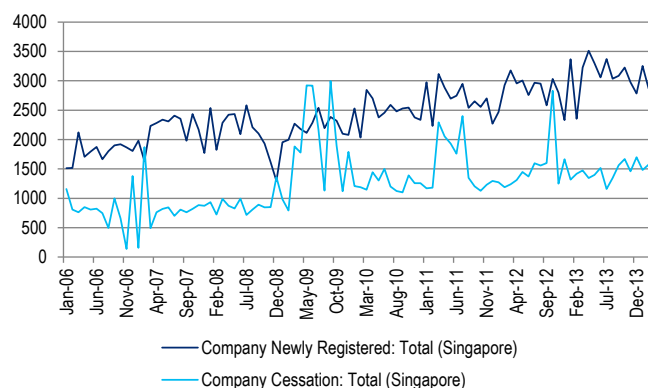
Source: Citi Research, Ministry of Manpower

Figure 32. Singapore Business Registrations and Cessations



Source: Citi Research, CEIC; Business refers to a business firm operating either as a sole-proprietorship or partnership and may be set up by individuals or companies.

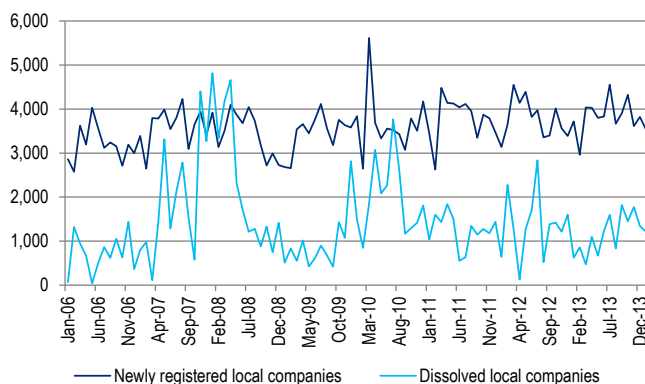
Figure 33. Singapore Company Registrations and Cessations



Source: Citi Research, CEIC; Company refers to a business entity registered under the Companies Act, Chapter 50 and has a legal personality.

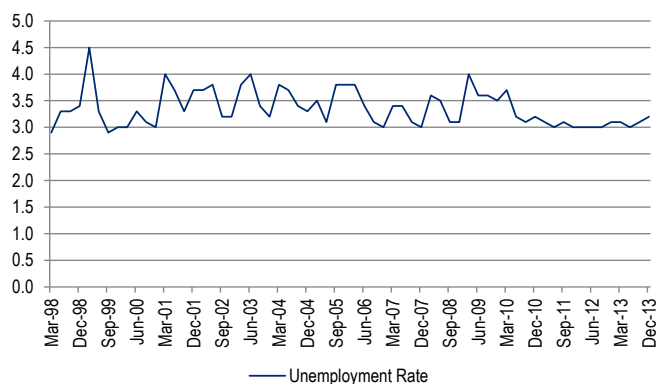
In comparison, growth takes centre stage for Malaysian SMEs, as a master plan has been drawn out to foster expansion of this segment and target a GDP contribution of 40% by 2020. As of end 2012, SMEs employment represents 57% of total employment, although we note that this number would now be much higher given that the National SME Development Council has expanded the definition of SMEs to align with economic development over the next few years. Based on the new definition, SMEs represent ~98.5% of entities in Malaysia. News reports (Malay Mail Online) citing SME Corporation Malaysia revealed that SMEs contributed 33.7% to GDP in 2013 (2012: 32.4%), meaning that the SMEs have continued to grow at a faster clip than large corporations. Nonetheless, SMEs in Malaysia also face cost issues after gas and electricity tariff hikes and the implementation of minimum wages. Labour shortage is also a concern for several of the sectors. The plantation companies, for instance, have reportedly seen foreign workers returning to their domestic countries (especially to Indonesia) where the plantation sector is expanding.

**Figure 34. Malaysia – Newly Registered and Dissolved Local Companies**



Source: Citi Research, CEIC

**Figure 35. Malaysia Unemployment Rate**



Source: Citi Research, CEIC

While both countries' economic restructurings are meant to drive sustainable long-term growth, investors likely prefer Malaysia's restructuring moves on a relative scale, given the growth pockets that its investment will drive. Singapore's economic restructuring plans center on generating growth via greater productivity and creativity – a relatively tougher challenge that has escaped many Asian growth Tigers.

## ASEAN Linkages

**Singapore Has More Mature Linkages to Rest of ASEAN and China and Malaysia's are growing** — Based on our estimates of the revenue segmentation from our coverage firms as a proxy, Singapore corporates already derive more than half of their revenue outside the domestic market. In comparison, using the revenue segmentation from our coverage firms as a proxy, Malaysian corporates still derive about 70% of their revenue from the domestic market.

Singapore-based and Singapore-listed firms had grown regionally into ASEAN and China some years ago, and we have noted that some have begun to consolidate their activities in China in light of slower growth profiles there. Large Malaysia corporations in sectors such as telcos, banks and plantations have steadily increased exposure to tap growth opportunities within ASEAN. A broad swath of firms – examples such as Genting Group (gaming), Air Asia (airline transport), IOI Properties (real estate), IHH (healthcare) and Sapura Kencana (oil & gas) have aggressively grown their businesses beyond Malaysia.

Figure 36. Summary of Malaysia's corporations' regional expansions

Sectors	Descriptions
<b>Banks</b>	In terms of regional expansion, Malaysian banks will also follow the trail of Malaysian corporates going regional in their investment, such as Genting group and Air Asia. This will not only provide room for more lending but also fee earning activities such as forex, trade finance, advisory. Some banks are also targeting the supply chain of their key Malaysian principals that are already operating in ASEAN. Malaysian banks themselves are trying to grow the proportion of non-Malaysian revenue contribution to group earnings, with organic growth and M&A opportunities seen in Singapore, Indonesia, Philippines, and Indochina.
<b>Transport</b>	AirAsia's expansion into Thai, Phils, Indo is the best example on the transports. They also use the Malaysian holding company to acquire aircraft from Airbus and sub-lease the aircraft out to their associates across ASEAN and eventually Japan and India). Though not ASEAN focused, another example is MAHB investing in India and most recently Istanbul. That said they have been a huge beneficiary of the connectivity of the ASEAN community driven by AIRA.
<b>Gaming</b>	Genting group's successful bid for Resorts World Sentosa in December 2006 was followed in Aug 2009 by Resorts World Manila by Genting Hong Kong, as part of the Philippines US\$20bn Pagcor City development in Manila Bay. More recent overseas expansion has been focused outside the ASEAN space, especially Japan Korea, US and the UK. Among future investment opportunities, possible opportunities in Sri Lanka have been mooted but are not concrete.
<b>Telecom</b>	Within the telecom space we think that there are not enough growth stories left in ASEAN outside of frontier markets like Cambodia, Myanmar and Laos and outside of Axiata none of the telcos have ventured or are interested in investing outside of their home market. Axiata is unlikely to raise its stakes in Indonesia and Singapore, and is trying to divest its token presence in Thailand. Of the other major telcos, Maxis Communications (delisted, not Maxis Berhad) had a minority 14.9% stake in Axis Telekom (Indonesia) which it exited when XL took over Axis recently.
<b>Developers</b>	Some bigger developers have ventured abroad preferring mature markets (Singapore, UK and Australia) where regulations are well-established and transparent. Some developers have also invested in emerging economies such as China and Vietnam, drawn by the favorable demographics trends relative to Malaysia. Near term, a possible slowdown in domestic sales could result in more developers taking a harder look at geographical diversification, but these may involve mid-sized players entering into more mature markets like UK and Australia. Diversification into ASEAN (ex-Singapore) is less likely given the higher risks incurred for broadly similar margins vs. Malaysia.
<b>Healthcare</b>	In healthcare, while Khazanah had acquired Singapore's Parkway in 2010 more recent overseas investments have been few but sizeable, primarily in Turkey and Hong Kong. Recent expansion into Turkey was drawn by the industry transformation, and also to capture the medical tourism market in Turkey, which has been boosted by its strategic location at the crossroads of Asia, Europe and the Middle East, and its relatively high quality facilities and strong concentration of specialists capable of performing complex procedures. In Mar 2013, IHH also secured a hospital site in Hong Kong to build a private hospital, and China would likely be a key focus for overseas expansion going forward, though this could take time to realize given regulatory obstacles.
<b>Oil and gas</b>	Petronas's investments & activity have since 2011 been focused on domestic projects given the government's push to rejuvenate Malaysia's depleting O&G resource. However, there has been selective examples where Malaysian service providers have started to push ahead globally, with Sapura Kencana now having operations in Angola, Brunei, Equatorial Guinea, Indonesia, Thailand, Trinidad and Tobago.
<b>Plantation</b>	The plantation sector has been one of the pioneers in investments externally, with a focus on growing hectareage in Indonesia given the lack of agriculture land for further growth in Malaysia. Malaysia's largest planter group Sime Darby now has 39% of its planted area in Indonesia. Indonesia's push to increase local value-added content via secondary processing of raw resources as well as restrictions on land ownership may lead to Malaysian entities eventually listing their Indonesian units in Jakarta.

Source: Citi Research, [Refer to Kit Wei Zheng's Malaysia Long View for more details](#)

### Malaysia banks regionalization efforts

Thanks to timely acquisitions in recent years to expand wholesale and investment banking platforms, the larger banks' IB capabilities have evolved beyond domestic Malaysia, enabling them to capture increasing investment flows and growth opportunities that are extending into the region. This could be both through financing Malaysian principals expanding organically in to the region, and also through growth into other ASEAN markets through M&A. Equally for the larger Malaysian banks themselves, with dominant shares in segments of the domestic

banking industry, and with likely limited rationale to pursue further domestic consolidation, these banks' managements view the next level of growth as pursuing direct opportunities in ASEAN. Typically this is further (organic) investment in building out existing geographic platforms or operating subsidiaries, but it has also driven a wave of regional bank M&A in recent years, and selectively (where there is a strong business case and a deal makes sense financially) we could see this M&A trend continue.

Maybank's desire to go regional for future growth is due in part to the extent of its existing market share dominance in Malaysia. Maybank is already the No. 1 or No. 2 player in most aspects of domestic retail financial services and arguably has an unrivaled distribution both in the physical and digital banking space. Given this dominance, there appears to be little logic to Maybank seeking a material domestic in-market acquisition unless it was to capture a very specific product space. As of 2013, just over 30% of PBT is derived from international. Singapore has grown in prominence to 14% of PBT, Indonesia under BII contributes over 7%, while the remainder comes from other geographies including the Philippines, and Pakistan (and to a lesser extent Vietnam) associates. With Maybank's dominance in Malaysia likely restricting domestic growth to being largely in line with the industry, the additional "alpha" will need to come from the regional businesses. We see this broadly being executed in three ways: further investment in and organic growth of existing overseas entities, regionalization of key business lines such as the wholesale bank, and possibly further selective M&A.

RHBC is still arguably largely a Malaysia domestic banking play. In terms of loan book, Malaysia still dominates at 92.5% of group loans and 95% of PBT. However RHBC recently laid out its "IGNITE 2017" strategy blueprint where among other goals it targeted a tripling of the international component of group revenues from 11% to 30%. This appears to be based on 4 main drivers: planned acquisition of Bank Mestika Indonesia could contribute around 5%pts to 10%pts of RHBC's international revenue contribution by 2017, repositioning the Singapore business to be a regional hub for flow businesses, leveraging the OSKIB investment banking platform, and other areas of international IB growth such as Hong Kong and the Philippines.

CIMB already leads its Malaysian peers in having the largest international contribution to group earnings. As of 2013 close to 40% of group PBT was derived from outside Malaysia. Despite a relatively challenging year for CIMB Niaga, Indonesia remained by far the biggest regional driver at 30% of profits. The other main international drivers of Singapore and Thailand saw 2013 strong growth, albeit from a small base. CIMB has held a longstanding goal to raise the international contribution of group PBT to above 50% in the medium term. Notwithstanding a tough 2013, Indonesia under CIMB Niaga remains on a high longer-term growth trajectory. For 2014 management expect Singapore should still post around 20% asset growth. And for Thailand, despite the present macro and political backdrop, management feel that more can be done to develop the consumer banking side of the franchise, which up to now has been more wholesale driven. To boost a 40% international PBT contribution to over 50% still suggests M&A, and management have indicated that CIMB is still actively looking for opportunities to enter the Philippines market, which remains one of the major ASEAN markets where the group is yet to have a presence

Maybank is our current preferred pick – it arguably has the most balanced business model of the three peers, being one of two dominant retail players in Malaysia, having a growing wholesale-IB platform under Kim Eng, and clear growth strategies for its key international units, currently dominated by Singapore and Indonesia.

### Malaysian telcos' move outside of Malaysia had been met with mixed results

Malaysian Telecom companies have previously sought to venture outside of their home markets owing to the slowing growth given market saturation (mobile penetration now at >140%). Axiata Group (then a part of Telekom Malaysia) had ventured into other emerging markets such as Indonesia, Sri Lanka and India. Maxis Bhd (prior to de-listing in 2007 and re-listing in 2009 as a purely Malaysian operator) had also acquired assets in India in a move to expand outside of its home markets. The move to expand outside of Malaysia had been met with mixed results. While Axiata had initially succeeded in its foreign forays with successful investments in XL and Dialog, Maxis had so far not been successful in monetizing in Aircel in India which remains loss-making (Aircel has been carved out of the re-listed Maxis entity). Opportunities for further regional investments for the Malaysian telcos are now sparse given the absence of any attractive asset/licenses within the region, with most of the telcos in region already facing saturation points. Myanmar would have been the only attractive growth market left with Axiata failing to win one of the two licenses granted by the government. At this point we expect the Malaysian telcos to focus on improving balance sheet positions and returning excess capital to shareholders rather than looking for international investments.

### IHH Healthcare Bhd tapping on trends in Singapore

IHH is a play on the increasing demand for quality healthcare services in both Singapore and Malaysia. We like IHH for its ability to extensively participate in the demand growth for quality healthcare services in Singapore (36% of revenue) and Malaysia (17% of revenue).

Rapid demand growth driven by ageing demographics (and a lack of new capacity) has resulted in a bed crunch at public health facilities in Singapore. Conditions are likely to remain tight, even with the Ng Teng Fong hospital (700 beds) coming on-stream this year, and could lead to [1] the government renting more ward space from private institutions; and/or [2] certain patients shifting to private care. This could be a positive catalyst for IHH's Singapore operations. A greying population is a key driver. The rise in the number of citizens aged 65 and above will be rapid in Singapore. To illustrate, the admission rates for elderly aged 65 to 69 is about 240 per 1,000 resident population, and this doubles to 435 in the above 70 years category. Admission rates for ages 50-59 are considerably lower, between 105 to 130 per 1,000 resident population.

The strong SGD (against MYR) and the bed crunch situation in Singapore could also lead to some patient outflow to private Malaysia hospitals, in our view. Gleneagles Medini, a greenfield 150 bed facility (phase 1a) scheduled for completion in 2015 is a possible example. IHH is seeking to sell its Medini medical suites this year, with Singapore-based doctors being a prime target audience. Should the marketing effort be successful, these doctors could eventually channel some patient flow over to Malaysia. The demand for quality healthcare should not be underestimated even during challenging conditions. Inpatient admissions from Indonesian patients have been resilient despite a significantly weakened IDR. In 4Q13, IHH beat consensus estimates with stronger admission revenue (+7-12% basis across its three key markets) and higher avg. revenue per inpatient admission (+5-10%yoy). Important to note, it has also achieved a relative short timeframe required for new hospitals to achieve break-even (e.g., Mt. Elizabeth Novena – opened June 2012; EBITDA +ve from 2Q13; Acibadem Ankara – opened November 2012; EBITDA +ve 2Q13). Mount Elizabeth Novena after struggling to maintain utilization during the initial phase now has plans to increase bed capacity at Novena

by about 30% (from 116 beds currently) in 2014; ADC has been growing at a consistent pace of 10-15% each quarter. All these suggest margins for IHH should trend higher over time.

Figure 37. Singapore – 2012 Hospital Admission Rates (per 1,000 Resident)

	Public Sector			Private Sector			Total		
	Males	Females	Total	Males	Females	Total	Males	Females	Total
0 - 4	183.6	159.6	171.7	125.4	110.7	118.1	309.0	270.3	289.8
5 - 9	38.1	27.0	32.7	6.4	6.1	6.3	44.5	33.1	38.9
14-Oct	29.9	23.5	26.8	3.0	2.8	2.9	32.9	26.2	29.6
15 - 19	28.3	27.7	28.0	3.7	3.5	3.6	32.0	31.2	31.6
20 - 24	40.4	42.7	41.6	3.2	9.7	6.5	43.7	52.4	48.0
25 - 29	30.9	72.6	52.4	5.0	51.2	28.8	35.8	123.8	81.3
30 - 34	30.7	71.3	52.0	6.6	84.2	47.3	37.4	155.5	99.2
35 - 39	36.1	53.9	45.3	7.8	47.4	28.2	44.0	101.2	73.5
40 - 44	46.7	45.2	45.9	9.3	19.0	14.2	56.0	64.2	60.2
45 - 49	61.7	56.4	59.1	8.3	13.6	10.9	70.0	70.0	70.0
50 - 54	87.8	69.3	78.6	9.4	12.6	11.0	97.2	81.9	89.6
55 - 59	119.6	82.0	100.8	11.6	13.3	12.5	131.2	95.3	113.3
60 - 64	158.7	109.5	133.8	14.9	14.6	14.7	173.6	124.1	148.6
65 - 69	207.5	154.6	180.2	18.5	17.6	18.0	226.0	172.1	198.2
70 - 74	293.1	231.1	259.5	24.0	26.7	25.4	317.1	257.7	285.0
75 - 79	407.8	320.7	359.0	34.0	38.6	36.6	441.9	359.3	395.5
80 - 84	530.9	436.3	473.8	53.8	56.1	55.1	584.6	492.4	529.0
85 & Above	685.2	589.3	621.0	75.0	66.5	69.3	760.3	655.8	690.3
Total	89.2	87.0	88.0	15.4	29.8	22.8	104.6	116.8	110.8

Source: Citi Research, Ministry of Health; \* Excludes all normal deliveries and legalized abortions

### Cross-border investments in properties

Malaysian buyers have historically been one of the top foreign purchaser segments in Singapore property, though this could be attributed to the close socio-economic and cultural linkages between the two populations, whether in the form of economic migration and/or cross-border marriages. Likewise, Singaporean buyers have also seen Malaysia as an investment destination for socio-cultural reasons, as well as the potential to acquire more space for less, particularly in Iskandar, given its close proximity to Singapore.

That said, Singapore-listed real estate developers have not been significant players in Malaysia, choosing to diversify into bigger markets like China instead. A small group of Malaysia-listed developers have taken the diversification route, with Singapore being one of the preferred markets alongside other countries with a sizeable overseas Malaysian population, like the UK. Developers that have built up a development pipeline in Singapore include IOI Properties and SP Setia. We also note that Chinese developers (like Country Garden, Guangzhou R&F Properties and Greenland Group) have also started to become more prominent in Malaysia, though this has mostly been in the Iskandar region.

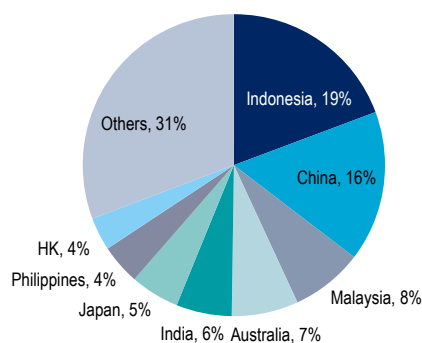
### ASEAN neighbors feature strongly for both SG and MY tourism industries

ASEAN neighbors feature strongly as visitors to Singapore's tourism industry, which hosted 14m visitors in 9M13, with visitors from Indonesia topping the visitor list (c.20% of total), followed by those from China, Malaysia, Australia and India. In terms of tourism receipts, visitors from China were the top contributors, followed by visitors from Indonesia, India, Australia, Japan and Malaysia.

We also see a similar trend for Malaysia with Singapore visitors topping the list. We do note that this number is inflated due to the repeat visits from Singapore visitors given the close proximity between the two countries. Indonesia, China (including HK and Macau), Brunei, Thailand and India are next in line in terms of tourist arrivals.

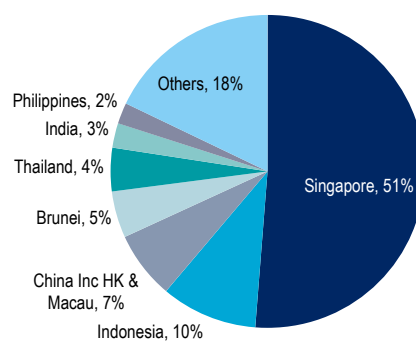
Malaysia has invested aggressively in tourist-related infrastructure – KLIA2, its new airport terminal expansion costing ~RM4b, will soon open and can accommodate up to 45 million passengers a year, nearly doubling KLIA's overall handling capacity and will also add a third runway to KLIA. Citi transport analyst Michael Beer views MAHB and especially AirAsia as key picks that can benefit from this investment. (Refer to [AirAsia: Upgrade to Buy \(from Sell\)](#) and [MAHB: Now Boarding for Take Off](#) for more details)

Figure 38. Singapore: Tourist Arrivals by Nationalities (9M13)



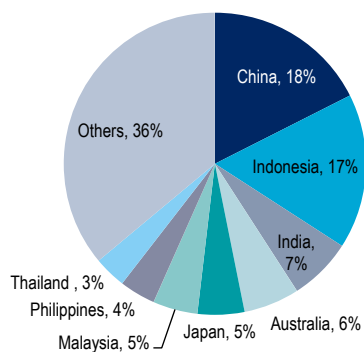
Source: Citi Research, Singapore Tourism Board

Figure 39. Malaysia: Tourist Arrivals by Nationalities (2013)



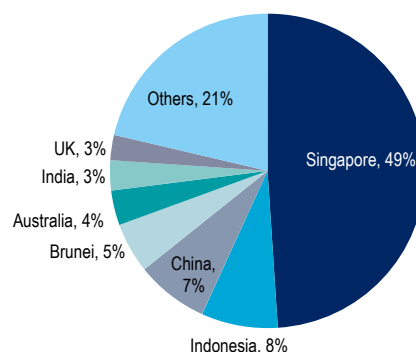
Source: Citi Research, CEIC

Figure 40. Singapore: Tourist Receipts by Nationalities (9M13)



Source: Citi Research, Singapore Tourism Board

Figure 41. Malaysia: Tourist Receipts by Nationalities (2012)

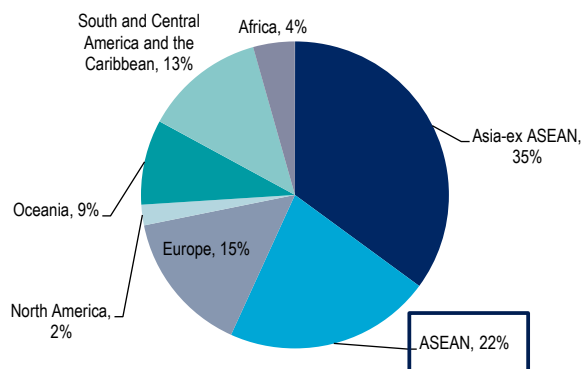


Source: Citi Research, CEIC

Singapore has an overseas direct investment stock of ~US\$360b compared to Malaysia's stock of ~US\$110b. While ASEAN remains a key region of investments for both Singapore and Malaysia, Malaysia has stepped up expansion of its investments in the ASEAN economic region aggressively.

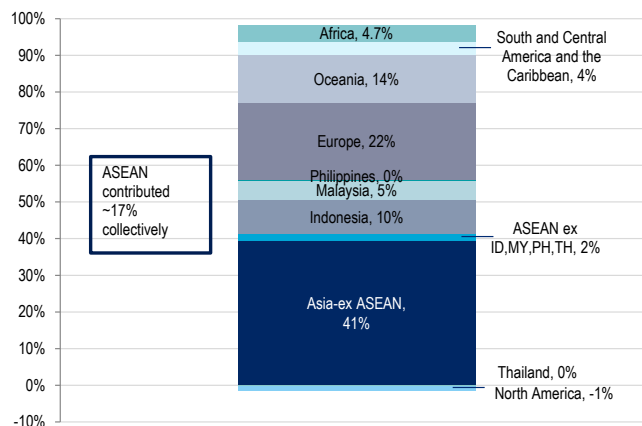
In contrast, Singapore firms, while exposed to ASEAN, have also built links into China and partly into India. ASEAN contributed ~41% of the change in Malaysia's stock vs. 17% of change in Singapore's stock as of end-2012.

**Figure 42. % Contribution to Singapore's Abroad Direct Investment Stock by Destinations**



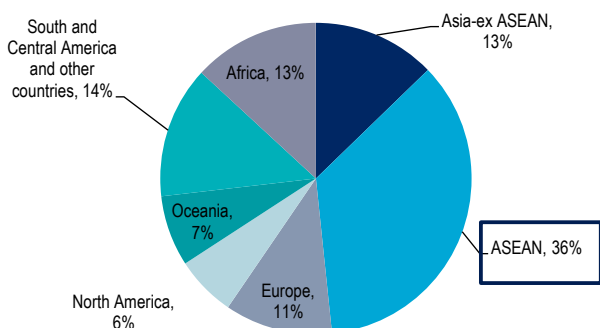
Source: Citi Research, Singstat, Note: Stock includes paid up shares in direct investment enterprise, reserves attributed to investors, net outstanding debt owned by direct investment enterprise to their parent company

**Figure 43. % Contribution to Change in Singapore's Abroad Direct Investment Stock by Destinations (From 2008 – 2012)**



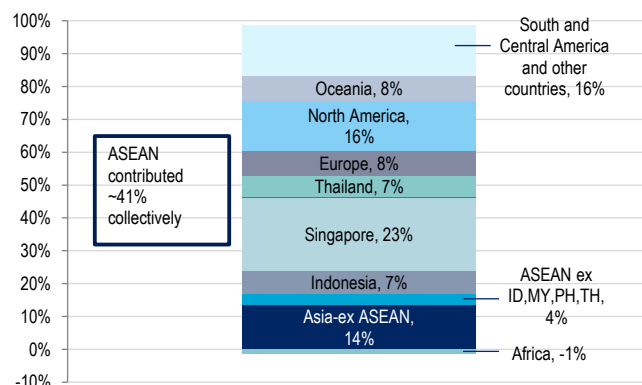
Source: Citi Research, Singstat, Note: Stock includes paid up shares in direct investment enterprise, reserves attributed to investors, net outstanding debt owned by direct investment enterprise to their parent company

**Figure 44. % Contribution to Malaysia's Abroad Direct Investment Stock by Destinations**



Source: Citi Research, Bank Negara Malaysia, Note: Stock refers to investment (equity capital, reinvested earnings and other capital) made by Malaysian-based companies in their overseas affiliates where they own at least 10% of equity capital

**Figure 45. % Contribution to Change in Malaysia's Abroad Direct Investment Stock by Destinations (From 2008 – 2012)**



Source: Citi Research, Bank Negara Malaysia, Note: Stock refers to investment (equity capital, reinvested earnings and other capital) made by Malaysian-based companies in their overseas affiliates where they own at least 10% of equity capital

## Deepening of Economic Ties Between Singapore and Malaysia

More significantly, both Singapore and Malaysia are deepening the economic relationship between the two, with the catalyst being the handover of the Tanjung Pagar railway station from Singapore back to Malaysia in mid-2011. We have since seen active cross-border investments by sovereign wealth funds, government-linked corporations and even private enterprises. For example, there has been a wave of Singapore investments in Malaysia, especially within Iskandar – examples being Capitaland's premier waterfront residential community at Danga Bay and Ascendas Integrated Tech Park in Nusajaya JV with UEM. Examples of Malaysia's investments in Singapore would include IOI Properties' The Triling, SP Setia's 18 Woodville and EcoSanctuary, Genting's Resorts World and Khazanah's (through JVs with Temasek) Duo Residences and Marina One Project.

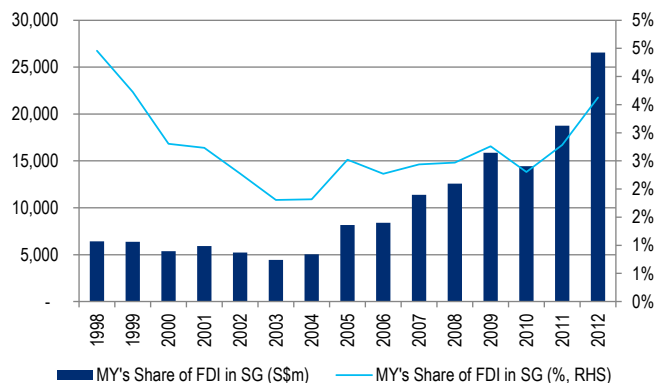
Both countries have also proposed the construction of a high-speed rail linking both Kuala Lumpur and Singapore to boost future connectivity, with a promise of a 90-minute journey between Singapore and Kuala Lumpur, hopefully by just 2020.

Figure 46. Increased investments between Singapore and Malaysia (From 2008-2012)

	% contribution to change in MY Abroad FDI stock	% contribution to MY Abroad FDI stock
Singapore	23%	16%
	% contribution to change in SG Abroad FDI stock	% contribution to SG Abroad FDI stock
Malaysia	5%	7%

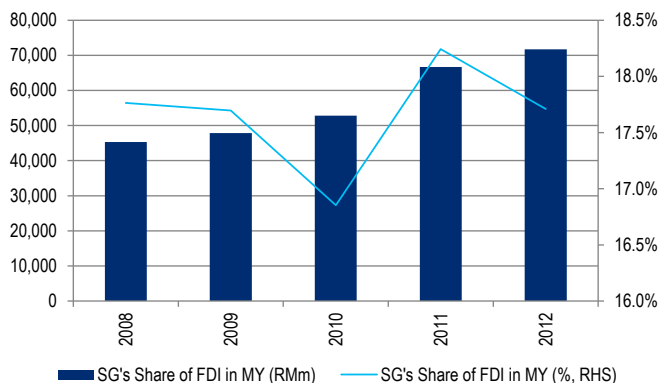
Source: Citi Research, Bank Negara Malaysia, Singstat

Figure 47. MY Share of Total FDI in Singapore



Source: Citi Research, Singstat

Figure 48. SG Share of Total FDI in Malaysia



Source: Citi Research, CEIC

Figure 49. Singapore's Investments in Iskandar

Entity	Project	Remarks
Capitaland, Temasek	Premier waterfront residential community at Danga Bay together with a waterfront hub comprising of a marina shopping mall, F&B outlets, serviced residences, offices and recreational facilities	Capitaland (51%), Temasek (9%), IWSB (40%). Land area 3.1m sq ft purchased for RM811m (\$324m). Est GDV of RM8.1bn
Temasek	1. Urban Wellness development in Medini North (Afiniti Medini) 2. Resort Wellness development in Medini Central (Avira Medini)	50:50 JV with Khazanah Combined GDV of RM3bn
Link Holdings	Media Village @ Medini Iskandar (residential and retail with total GDV of RM2.5bn)	Owned by Kenny Tan and other private investors. Land area 0.64m sq ft, purchased from IWH for RM96.3m
Ascendas	Integrated Tech Park in Nusajaya	60:40 JV with UEM Land GDV of RM3.7bn
FASTrack Autosports (Peter Lim)	Motorsports City located at Gerbang Nusajaya	70:30 JV with UEM Land GDV of RM3.5bn
Peter Lim	Vantage Bay, an integrated development including a medical hub to be managed by Thomson Medical Centre, residential apartments, hotels, convention centres, shopping malls and commercial offices	70:30 JV with Johor Royal Family GDV of RM10bn
Rowsley (RTO by RSP Architects)	Purchase of 9.2 ha of land in Iskandar from Vantage Bay	
Tang Group	iMedini Walk, a mixed-use development with residential, service-apartments, a hotel as well as more than 150 shophouses	GDV of RM750m
Raffles Education	Raffles American School in Educity Raffles University Iskandar	18.5 ha of land bought for RM75m in Sept 2012 from Iskandar Investment Bhd 80:20 JV with Education@Iskandar Sdn Bhd
MDIS	30 acre campus in Educity	RM300m investment, first batch of students to be enrolled in 2013

Source: Citi Research, Company Data

### ASEAN recognized as a region of opportunities

It is worth noting that ASEAN as a region saw Japanese FDI in the region double in 2013 from 2012 on optimism over the expansion of the region's consumer markets, according to Jetro (as reported in Singapore's *Business Times* recently). Japanese firms are beginning to diversify their FDI away from China on higher risk awareness, and rising labour costs in China have also made other ASEAN countries more attractive. The basic salary level in China is now on par with Thailand and significantly above levels in Cambodia, Indonesia, the Philippines and Vietnam.

ASEAN nations are also working towards an ASEAN Economic Community (AEC) and to achieve regional economic integration by 2015, which could provide another growth driver for the region. According to the AEC blueprint, the integration seeks to achieve i) a single market and production base, ii) a competitive economic region, iii) a region of equitable economic development and iv) a region fully integrated into the global economy. While a full integration by 2015 may not be achievable given the time needed to address the existing challenges, sensitivities and regulatory hurdles, the establishment of the community is a good first step to enhance the economic development of the region via achieving of higher efficiencies and better supply/demand dynamics. Malaysia takes on ASEAN's chairmanship in 2015 – investors will be on the lookout for its lead on further developing the AEC.

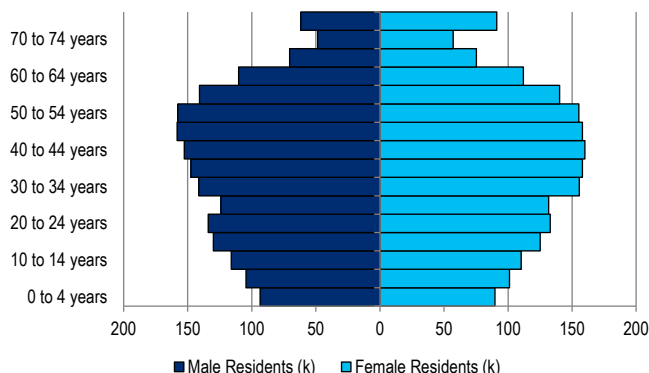
## Demographics

### MY's demographic dividend vs. SG's aging population

Singapore's population is aging, with its population having a median age of 34 years vs. Malaysia's more youthful demographic with a population having a median age of 28 years. A youthful population promises labour supply to drive GDP growth while Singapore will have to seek greater funds for spending on seniors. Demographic challenges are key drivers for Singapore's upcoming election cycle in 2015/16.

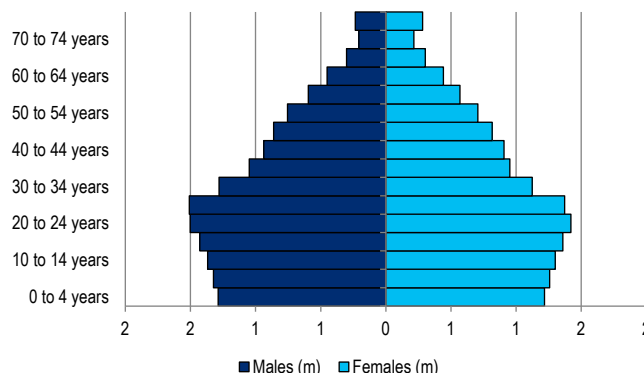
Consequential of a low fertility rate, Singapore is now dealing with an aging population. We currently have ~450k Singaporeans aged above 65, and this could potentially double in ten years. In contrast, Malaysia's population is younger, with a median age of 28 years vs. Singapore's median age of 34 years. **On this demographic trend, Malaysia would benefit from factor accumulation and a growth in income that helps to support domestic consumption. Singapore however may have to manage cost burden on increasing healthcare/ social needs and fine-tune its policies to sustain growth.**

Figure 50. Singapore Demographics



Source: Citi Research, CEIC, Note: Data is based on 2013's mid-year population projection. Residents include both citizens and permanent residents.

Figure 51. Malaysia Demographics



Source: Citi Research, CEIC, Note: Data is based on Malaysia's 2010 Census Bureau

### Increasing healthcare needs in Singapore's aging society

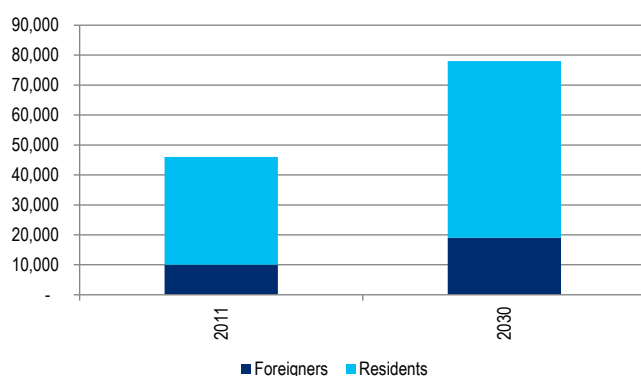
The priority concern for an aging society has been to address increasing healthcare needs. Singapore has identified a pioneer generation of ~0.45m Singaporeans (citizens who are aged 65 and above in 2014 and have obtained citizenship on or before 31 Dec 1986). To assist these senior citizens in managing their healthcare costs, the government has introduced the Pioneer Generation Package (refer to Fig 52). Singapore's Ministry of Finance had estimated that the cost of providing the additional benefits to this pioneer generation over their lifetimes could be ~\$9b. While the government has set aside S\$8b under a new Pioneer Generation Fund to finance this package, we do not rule out potential for taxes to be raised as more funds would be needed to cater to senior citizens' needs with the number of aged citizens above 65 potentially doubling within ten years. Singapore's aging population would also require a greater demand for healthcare workers, and this would be met by expanding the pool of residents trained in this field and increasing the number of foreign healthcare workers. Concurrently, the health ministry has also put in place a framework to enhance productivity of the sector.

Figure 52. Details of Pioneer Generation Package

Categories	Details	Commencement period
Outpatient care	Additional 50% off subsidised treatments at polyclinics and Specialist Outpatient Clinics	Sep-14
	Receipt of Pioneer Generation card to avail of subsidies at participating clinics under the Community Health Assist Scheme	Sep-14
	Cash of \$1,200 for those with moderate to severe functional disabilities under the Pioneer Generation Disability Assistance Scheme	Sep-14
Medisave Top-ups	\$200 to \$800 per annum for life	Jul-14
Medishield Life	Subsidies for Medishield Life Premiums with Medisave top-ups	Jul-14
	Fully covered premiums for pioneers aged 80 and above	Late 2015
	Payment of half of current premiums for pioneers aged 65 to 79	Late 2015

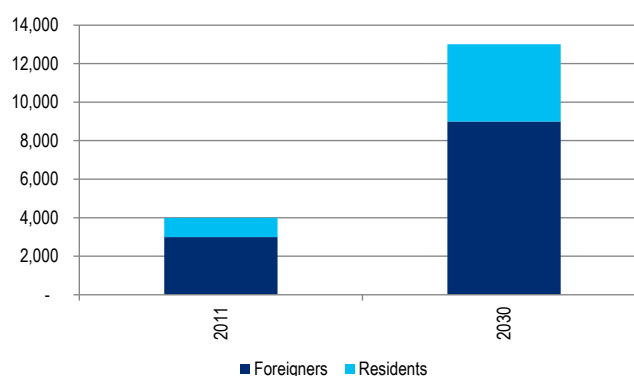
Source: Citi Research, Government of Singapore, Note: Government of Singapore will provide more details on Medishield Life after the review is completed.

Figure 53. Singapore Healthcare Professionals Projection



Source: Ministry of Health, National Population and Talent Division

Figure 54. Singapore Support Care Workers Projection



Source: Ministry of Health, Singapore, National Population and Talent Division

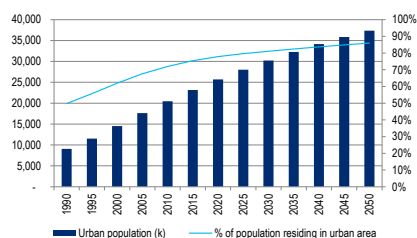
A 2011 study has shown that a population with a substantial elderly component leading to lower labour force participation and a lower labour force to population ratio could point to a potential drag on economic growth, although the effects could be mitigated by several behavioural responses such as immigration from other countries and labour force participation among the elderly.<sup>1</sup> Similarly, Singapore, which will see slowing growth for its labour force as it tightens its foreign worker policy amidst an aging resident demographic, has implemented policies such as mandating employers to offer re-employment to eligible employees who turn 62 up to the age of 65 to mitigate impact of an aging population.

### Malaysia likely a beneficiary of population dividend

In contrast, Malaysia is likely to enjoy a population dividend. According to Citi Economics, Malaysia should continue to see an increase in the share of working age population from 68.5% in 2013 to 69.3% in 2020, before tapering thereafter. Malaysia having the lowest labour force participation rate also signals scope for further growth in labour force beyond that implied by fertility rates.

Domestic consumption could therefore be fueled by an expanding working age population and potential rise in income levels should the economic restructuring program be executed successfully. With a trend of increasing urbanization, this could also contribute to growth in consumption. Together with investments to improve infrastructure and develop value-adding industries, Malaysia would therefore be a beneficiary from factor accumulation.

Figure 55. Malaysia Projected Urban Population Trend

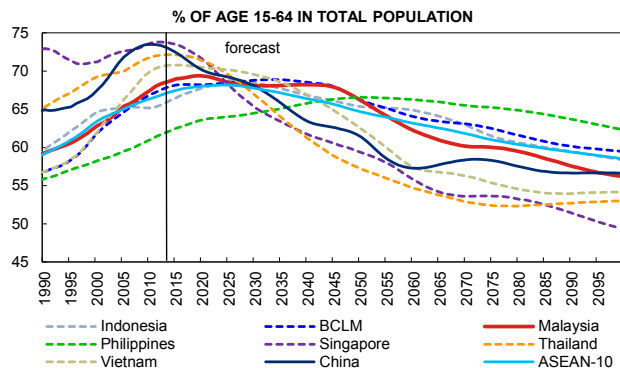


Source: Citi Research, United Nations

<sup>1</sup> David E Bloom, David Canning, Günther Fink. "Implications of Population Aging for Economic Growth" (2011) Program on the Global Demography of Aging Working Paper

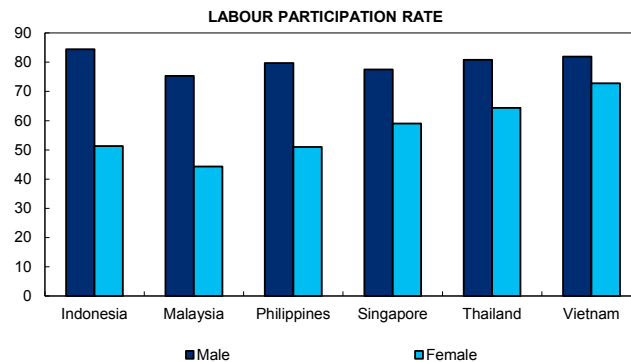
Malaysia needs to further its economic development to new corridors beyond the Klang Valley, with 75% of its population base spread across the rest of Malaysia.

Figure 56. Working age population



Source: Haver, Citi Research, [Refer to Kit Wei Zheng's Malaysia Long View for more details](#)

Figure 57. Male and female labour force participation rates



Source: Haver, Citi Research, [Refer to Kit Wei Zheng's Malaysia Long View for more details](#)

Figure 58. Property Market, Residential: Demographic Breakdown by Age in Major Employment Centres

Age Group	Klang Valley		Johor		Penang		Malaysia	
	Person (k)	(%)	Person (k)	(%)	Person (k)	(%)	Person (k)	(%)
0-14 years	1,742	24.4%	910	27.2%	361	23.1%	7,828	27.6%
15-24 years	1,422	19.9%	631	18.9%	280	17.9%	5,690	20.1%
25-44 years	2,537	35.5%	1,038	31.0%	507	32.5%	8,526	30.1%
45-64 years	1,160	16.3%	591	17.6%	313	20.1%	4,863	17.2%
>65 years	276	3.9%	178	5.3%	101	6.4%	1,427	5.0%
<b>Total</b>	<b>7,137</b>	<b>100.0%</b>	<b>3,348</b>	<b>100.0%</b>	<b>1,561</b>	<b>100.0%</b>	<b>28,334</b>	<b>100.0%</b>

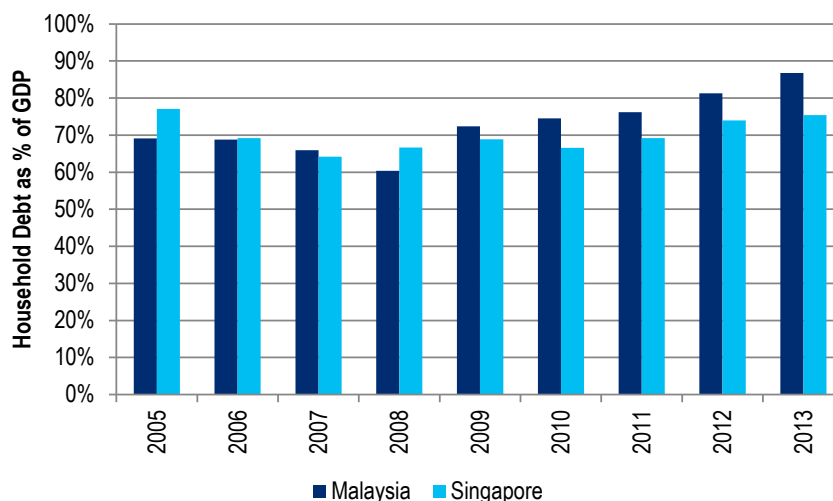
Source: Citi Research, 2010 Census, Department of Statistics Malaysia and internal computation, Ministry of Finance Financial Stability and Payment Systems Report 2013

## Digesting Malaysia & Singapore Households' Debt Binge

Household debts to GDP ratios have been rising sharply for both Singapore and Malaysia, likely to fuel residential property, and regulators have acted to moderate further debt additions. We see challenges in the debt digestion phase. Malaysia's household debt is more concentrated among lower-income households. Singapore's household debt is better distributed but has risk as rates have been very low during the QE phase.

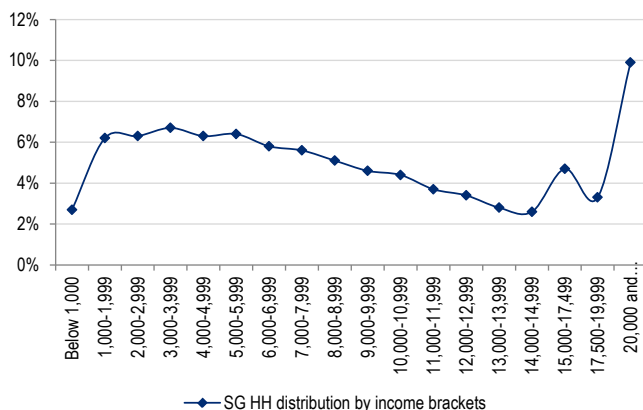
**Malaysia can work on higher income growth (and from a lower base) as an antidote, but Singapore's options in this vein are more limited given already high income levels.**

Figure 59. Household Debt as % of GDP



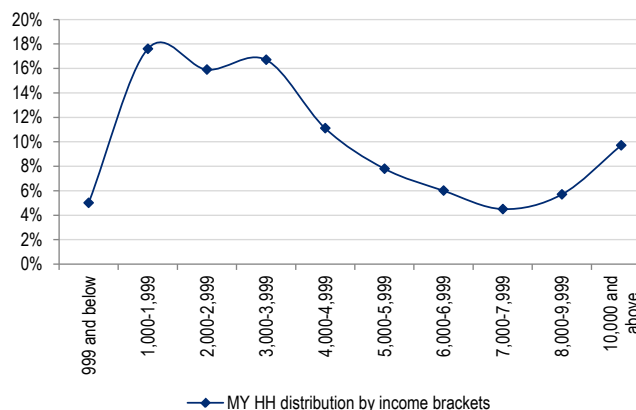
Source: Citi Research, Bank Negara, CEIC, Haver, SingStat

Figure 60. Singapore Household Distribution by Income in 2013



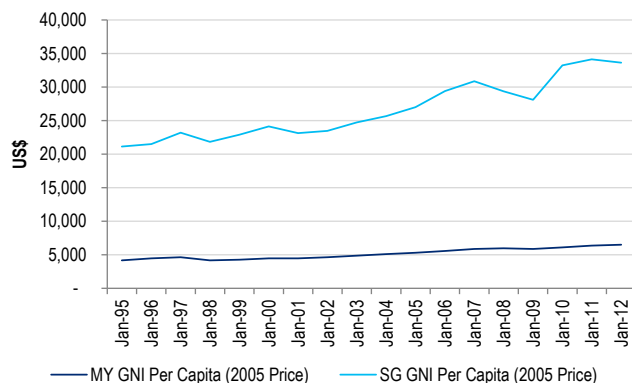
Source: Citi Research, CEIC, SingStat, Note: Figures on x-axis are in S\$ terms

Figure 61. Malaysia Household Distribution by Income in 2012



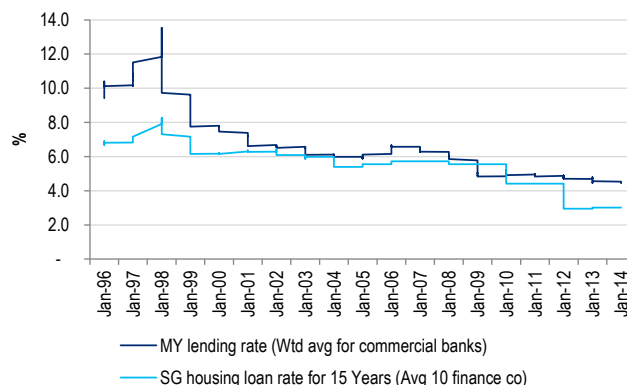
Source: Citi Research, Department of Statistics, Malaysia, Note: Figures on x-axis are in RM terms. The data is based on Department of Statistics, Malaysia, Household Income and Basic Amenities Survey Report 2012.

Figure 62. Singapore & Malaysia Gross National Income Per Capita



Source: Citi Research, CEIC, World Bank

Figure 63. Singapore & Malaysia Interest Rates



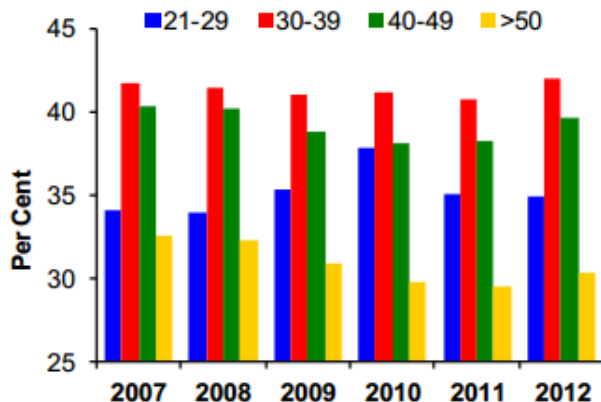
Source: Citi Research, CEIC, Haver

### Singapore's household debt has risk as rates have been low during QE phase

Singapore's household debt (at 75% of GDP) is in the amber zone, which led regulators to push out anti-debt measures. Singapore's household debt is better distributed but has risk as rates have been very low during the QE phase. MAS' Total Debt Servicing Ratio Framework (TDSR) or Singapore's 8<sup>th</sup> Round of Property Cooling Measures announced June 2013 point to concerns from the authorities and the need to moderate further debt rises. It takes on a more holistic perspective in an attempt to moderate the use of debt among Singapore's households and consumers. This new framework requires financial institutions to take into account borrowers' other outstanding debt obligations when granting a property loan (new or refinancing) such that the TDSR ratio does not exceed 60%, based on the higher of the prevailing market interest rate or 3.5% for residential properties (4.5% for non-residential). Citi property analysts Adrian Chua and Ivan Lim's detailed thoughts on the impact of this measure on Singapore's property sector and the follow-up measure on the HDB segment can be found in [8<sup>th</sup> Round of Measures: Reinforcing the Ring Fence](#) and [Additional Measures Announced for Public Housing Market](#).

This has become a watch point among investors and will likely rise given peak level of property completions in the next three years. Still, these ratios at the peak have been closer to 90-95% in the past as well and remain broadly in line in comparison to other major countries. Using data from Singapore's Credit Bureau, we found it surprising that debt levels rise with age, even though incomes generally peak when one is about 50 years old. We believe that selected demographic segments (e.g., seemingly older individuals above 50 and with assets that can be pledged) may have greatly utilized personal loans/asset pledges to obtain more leverage, resulting in possible overexposure to certain asset segments and income generating financial instruments via spread trades (see Figure 65).

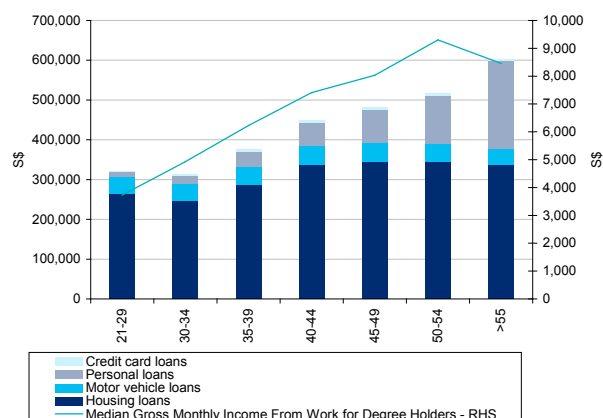
Figure 64. Credit Cards — % of Each Age Group that are Revolvers#



Source: Citi Research, CEIC, MAS Financial Stability Review November 2012, Ministry of Manpower

Note: #Revolvers refer to credit cardholders who do not pay in full their outstanding credit card balances.

Figure 65. Relative Size of Loans for Each Age Groups

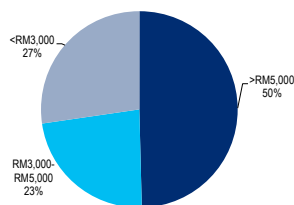


Source: Citi Research, Credit Bureau; The graph depicts the relative size of the four major types of loans (using average loan value for each loan type) for each age group. Note that an average individual may not be exposed to all four types of loans. The median gross monthly income for degree holders excludes employer CPF and sample only includes full-time employed residents, as of June 2012. For age group between 21-29, median income for degree holders aged 25-29 is used. For age group >55, median income for degree holders aged 55-59 is used.

### Malaysia's lower income group has disproportionate amount of household debt exposure

Comparably, Malaysia's overall household debt is also high at 87% of nominal GDP as of end FY13. Similar to the case in Singapore, property loans have been one of the key drivers of the increase in household debt level.

Figure 66. % of total household borrowings by monthly income groups



Source: Citi Research, Bank Negara

Malaysia's lower income group appears to have a disproportionate amount of household debt exposure. Leverage of households with monthly income of less than RM3,000 remains high with Bank Negara disclosing this segment having a ratio of seven for outstanding borrowings to annual income. This segment (~38.5% of households based on a 2012 household survey conducted by the Department of Statistics, Malaysia (DOS)) constituted 27% of total household borrowings (which are mainly concentrated in vehicle and personal financing) as of end 2013 even though they only represented ~14% of household income share according to DOS' 2012 survey. Nonetheless, the proportion of overall debt among this segment at 27% is lower than the 33% recorded in 2012. There had been a slew of measures implemented since 2010 to avoid situations of over-leveraging. Measures announced in 2013 were also extended to credit co-operatives and Malaysia Building Society Berhad and AEON Credit Service and practices of lending firms were also streamlined to better capture total debt obligations for debt service ratio calculations to ensure comprehensiveness. The silver lining remains that a bulk of indebtedness lies with NBFIs.

### Negative risk from high household debt could be partly mitigated by income and consumption trends

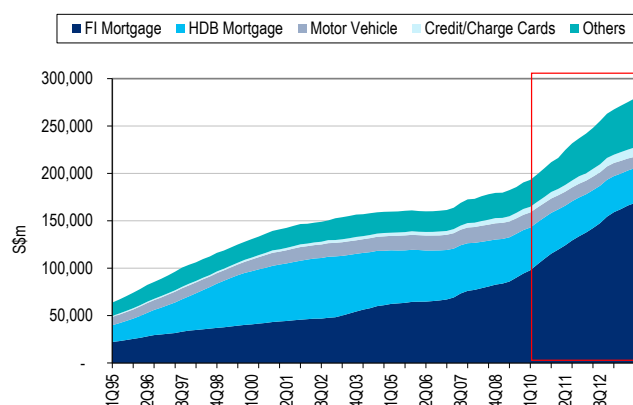
While household debt levels would likely remain elevated given the country's young and growing working population, which will continue to generate demand for leverage for asset purchases, this negative risk could be partly mitigated by rising income levels. In this regard, success with Malaysia's ETP-related initiatives leading to higher income levels will be critical in helping the country's households on the debt digestion front.

Figure 67. Measures to manage households' borrowing levels

Measures to ensure prudence	Year announced
Maximum tenure of 10 years for personal financing	2013
Maximum tenure of 35 years for property financing	2013
Prohibition on offering of pre-approved personal financing	2013
Maximum tenure of 9 years for vehicle financing	2011
Residential property loans taken by non-individuals subject to LTV of 60%	2011
70% LTV for individual borrowers with more than 2 housing loans	2010
Increased capital charges on banks for residential property loans with LTVs>90% and personal financing with tenure>5 years	2010

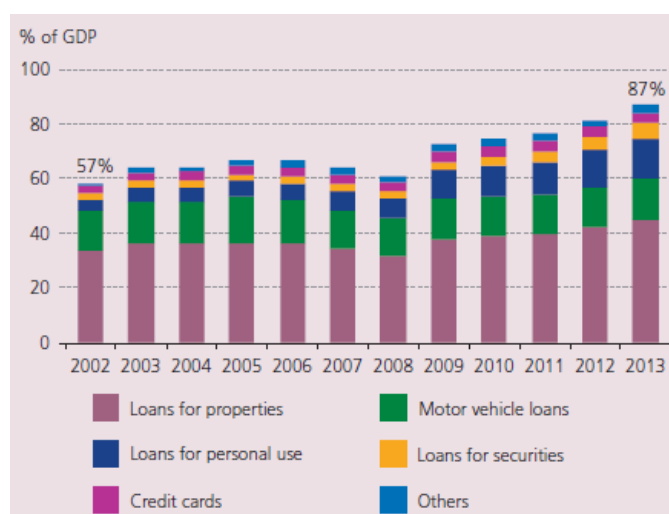
Source: Citi Research, Bank Negara

Figure 68. Composition of Singapore Household Debt



Source: Citi Research, CEIC, SingStat

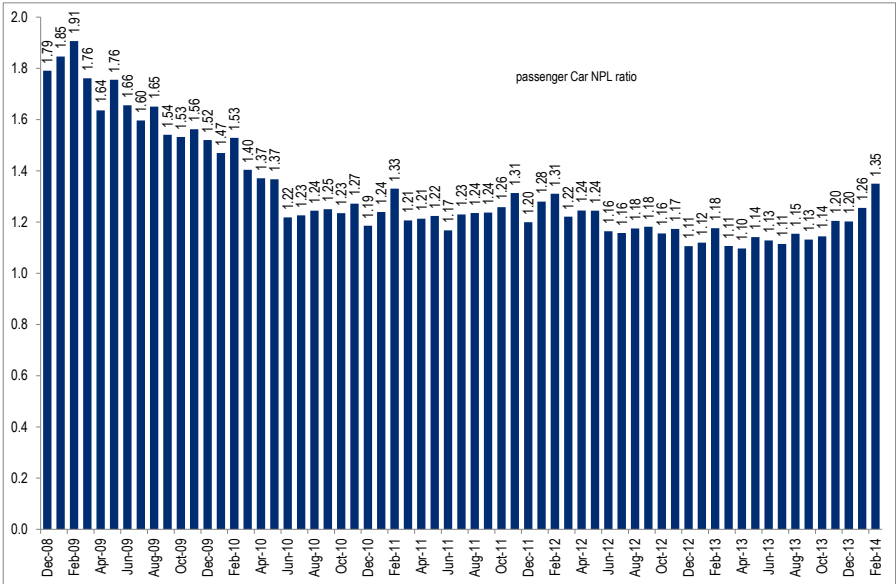
Figure 69. Composition of Malaysia Household Debt



Source: Citi Research, Bank Negara

There have been concerns raised on the uptick in the non-performing loans (NPL) ratio for passenger cars in the beginning of the year. We will remain watchful on the NPL ratio trend over the next quarter as we note that there could be a seasonality effect at play. The NPL ratio tends to peak in the beginning of the year and moderate thereafter as ability of loan servicing is reduced with expenditure concentrating around the year-end/new year holiday seasons. Investors are watchful on hints to poorer consumptions amongst pockets of the population.

Figure 70. Malaysia Passenger Car Non-Performing Loan Ratio

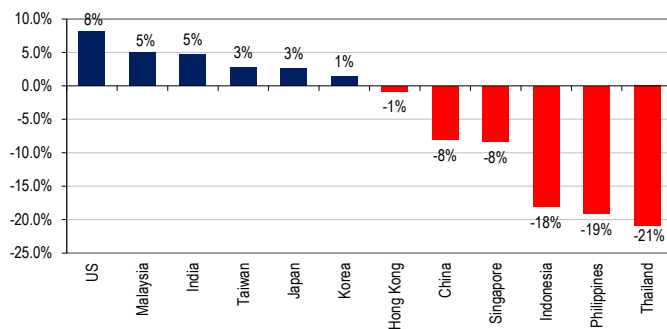


Source: Citi Research, Bank Negara Malaysia

## Singapore and Malaysia Trailing Asean Pack

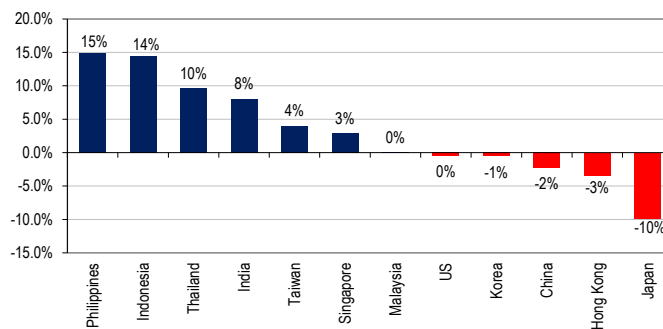
Both Singapore's STI Index and Malaysia's KLCI Index have trailed the rest of the ASEAN pack YTD, rising by just 3% and flat respectively on LCY terms. While risks linked to the US tapering of its QE program injected volatility in currencies, markets and politics relating to Thailand, the Philippines and Indonesia across 2H13 – these moderated down relatively in 2014 YTD and there has been near double-digit performance from these three markets.

Figure 71. Performance From 20 May – End 2013 (LCY)



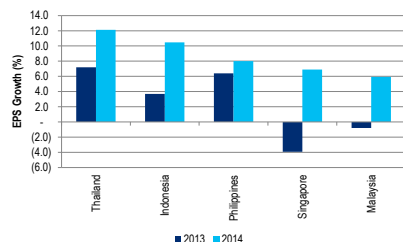
Source: Datastream, Citi Research

Figure 72. Performance YTD (LCY)



Source: Datastream, Citi Research

Figure 73. EPS Growth Across ASEAN-5



Source: Citi Research, MSCI

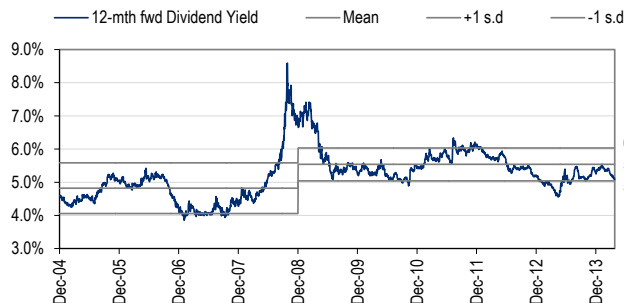
2014 YTD, both the STI and the KLCI have been relatively muted as investors continued to mull weak export trends, the large spike/subsequent digestion of household debt and in Malaysia worries on poorer consumption. It also does not help that both markets remain in the negative EPS revisions cycle, although there remains an expectation that aggregate EPS will grow in 2014 for both Singapore and Malaysia.

### STI valuation close to long-term mean as Singapore's GDP growth slowly recovers

While Singapore has been lacking a strong growth-angle for a few years now, the universal hunt for yield helped given the availability of high quality dividend stocks and REITs across 2012 and 1H13. While investors have reduced weights in interest-rate-sensitive names given a 110bps rise in Singapore's 10Y government bond yield since mid-2013, there has been a slight recovery in the interest of yield-heavy names as we entered 2Q14 given the weak/macro data that the US published for 1Q14. Singapore's 10Y yield has held steady at 2.4%-2.5% across Feb–April 2014.

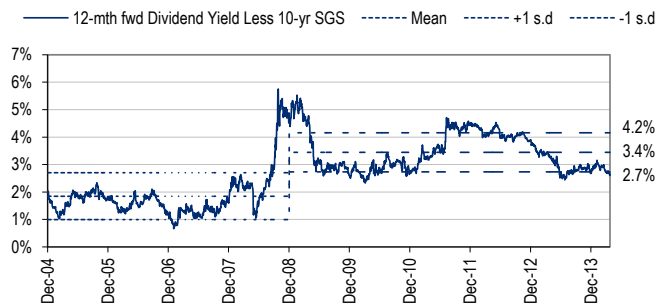
Singapore dividend yield plays in aggregate have seen yield compression this quarter, be it in terms of yields or in terms of yield spread versus Singapore's 10Y yield and is unlikely to be seen as an outperforming segment for 2014 unless investors sharply reverse their views of a QE tapering or the US re-enters another period of macro weakness.

Figure 74. Singapore Div Plays — Div Yield



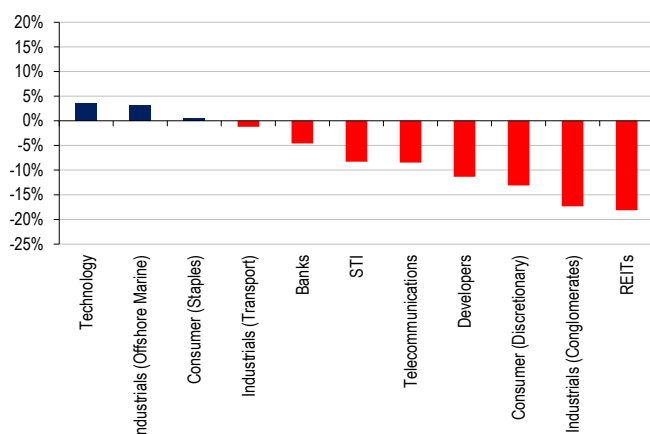
Source: Datastream, Citi Research

Figure 75. Singapore Div Plays — Div Yield Less SGS 10Y Bond Yield



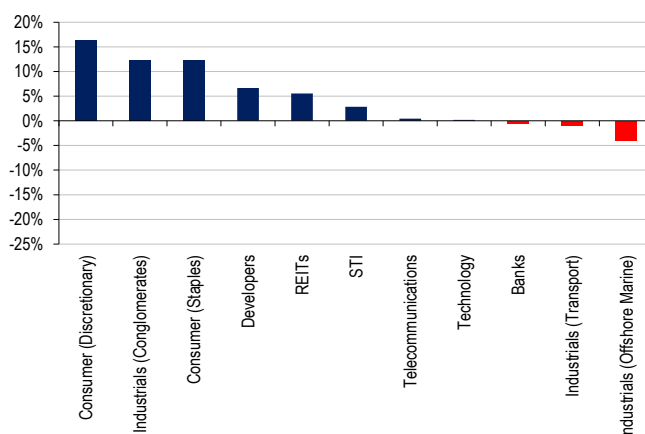
Source: Datastream, Citi Research

Figure 76. Singapore – Sector Performance from 20 May 13 to end 2013



Source: Bloomberg, Datastream, Citi Research

Figure 77. Singapore – Sector Performance YTD



Source: Bloomberg, Datastream, Citi Research, As of closing price on 23 April

Figure 78. Singapore and Malaysia Sector Price Performance Chart

	2011	2012	2013	2014 YTD		2011	2012	2013	2014 YTD
KLCI	1%	10%	11%	0%	STI	-17%	20%	0%	3%
Banks	-2%	14%	8%	1%	Banks	-19%	28%	10%	-1%
Developers	-5%	13%	8%	8%	Developers	-31%	50%	-7%	7%
Industrials (Conglomerates)	-12%	-1%	24%	0%	Industrials (Conglomerates)	0%	33%	-11%	12%
Consumer (Discretionary)	3%	2%	10%	-6%	Consumer (Discretionary)	-4%	10%	-7%	16%
Consumer (Staples)	1%	5%	6%	-2%	Consumer (Staples)	-19%	-19%	-3%	12%
Industrials (Offshore Marine)	15%	-6%	46%	1%	Industrials (Offshore Marine)	-22%	21%	3%	-4%
Industrials (Transport)	14%	-23%	16%	-4%	Industrials (Transport)	-29%	16%	8%	-1%
Telecommunications	22%	29%	0%	2%	Telecommunications	2%	10%	12%	0%
Healthcare	-1%	10%	12%	-14%	REITS	-17%	35%	-8%	6%
Utilities/Materials	3%	8%	35%	3%	Technology	-30%	40%	30%	0%

Source: Citi Research, Datastream

Figure 79. Singapore Sector Monthly Price Performance Chart

	% change (mkt-cap weighted average)															
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
STI	4%	0%	1%	2%	-2%	-5%	2%	-6%	5%	1%	-1%	0%	-4%	3%	3%	2%
Banks	-1%	2%	6%	4%	0%	-7%	7%	-6%	4%	1%	1%	0%	-6%	2%	1%	3%
Developers	4%	-2%	-1%	2%	-3%	-3%	3%	-5%	3%	2%	-4%	-2%	-4%	4%	0%	7%
REITs	2%	2%	0%	8%	-10%	-6%	1%	-6%	5%	3%	-5%	0%	-2%	2%	2%	4%
Consumer (Discretionary)	7%	1%	0%	-2%	-1%	-6%	-2%	-8%	5%	1%	-1%	0%	-2%	4%	7%	7%
Consumer (Staples)	5%	-3%	-4%	-5%	2%	-4%	-3%	2%	1%	9%	4%	-4%	-7%	10%	6%	4%
Industrials (Conglomerates)	5%	0%	2%	-2%	2%	-7%	-6%	-4%	3%	0%	-5%	1%	1%	5%	7%	-1%
Industrials (Offshore Marine)	4%	-1%	-3%	-3%	-1%	0%	1%	-3%	5%	2%	3%	0%	-6%	2%	3%	-1%
Industrials (Transport)	6%	-1%	0%	3%	-1%	-1%	1%	-7%	7%	2%	-1%	2%	-5%	-1%	3%	2%
Telecommunications	5%	0%	4%	10%	-6%	1%	5%	-9%	5%	2%	-2%	-1%	-3%	1%	1%	1%
Technology	3%	2%	7%	4%	4%	-2%	2%	13%	-5%	-16%	15%	3%	-1%	3%	-3%	1%

■ Outperforms STI  
■ Underperforms STI

Source: Citi Research, Datastream

Figure 80. Malaysia Sector Monthly Price Performance Chart

	% change (mkt-cap weighted average)															
	Jan-13	Feb-13	Mar-13	Apr-13	May-13	Jun-13	Jul-13	Aug-13	Sep-13	Oct-13	Nov-13	Dec-13	Jan-14	Feb-14	Mar-14	Apr-14
KLCI	-4%	1%	2%	3%	3%	0%	0%	-3%	2%	2%	0%	3%	-3%	2%	1%	1%
Banks	-4%	2%	2%	1%	4%	1%	0%	-3%	1%	1%	0%	2%	-3%	1%	0%	4%
Developers	0%	2%	7%	3%	20%	-5%	-6%	-2%	-1%	-2%	-7%	0%	-3%	6%	3%	2%
Industrials (Conglomerates)	1%	2%	6%	1%	14%	-2%	1%	-5%	3%	4%	-2%	0%	-4%	0%	5%	0%
Consumer (Discretionary)	2%	2%	3%	5%	1%	1%	-2%	-5%	1%	4%	-2%	0%	-1%	-1%	-4%	-1%
Consumer (Staples)	-5%	0%	0%	3%	0%	1%	0%	0%	2%	2%	2%	1%	-7%	2%	2%	1%
Industrials (Offshore Marine)	-4%	0%	0%	1%	26%	-7%	0%	-8%	-1%	8%	8%	22%	-10%	5%	6%	1%
Industrials (Transport)	3%	3%	1%	4%	-5%	2%	2%	-9%	5%	9%	-1%	2%	-4%	4%	-1%	-3%
Telecommunications	-6%	-3%	2%	2%	1%	0%	0%	0%	2%	2%	-2%	3%	-4%	4%	3%	-1%
Healthcare	-6%	3%	-1%	16%	1%	-3%	-4%	7%	6%	-6%	1%	1%	1%	1%	-11%	-5%
Utilities/Materials	-4%	4%	2%	5%	4%	0%	4%	-1%	3%	4%	0%	11%	1%	2%	0%	0%

■ Outperforms KLCI  
■ Underperforms KLCI

Source: Citi Research, Datastream

Consumer discretionary and conglomerates led by the Jardine names have outperformed the index. Consumer staples and developers have also delivered good returns YTD as these two sectors saw numerous corporate actions including cash offer, divestment and privatization. Breedens, an entity of Temasek, has launched a cash offer at S\$2.23 to acquire additional stakes in Olam in order to strengthen the company's long term shareholder base while Noble has proposed the divestment of a 51% stake in Noble Agri to COFCO (HK) for US\$1.5b (1.15x Noble Agri's FY14 pro-forma book value). CapitaLand has also announced a cash offer to privatize CapitaMalls Asia at S\$2.22 per share, conditional on acquiring sufficient acceptances, to allow greater alignment between both companies' business strategies.

Our *Think Singapore* outlook piece for 2014 ([Singapore A Relative Pick As ASEAN Consolidates](#)) had highlighted three segments that were under-owned and trading below mean valuations: consumer staples, transportation and real estate developers. YTD, companies from these segments have registered good performance, in part due to corporate action.

While we still expect under-ownership and corporate-action as drivers into 2H14, Singapore's performance will ultimately be driven by the pace of cyclical improvements as well as the reduction of fear factors such as China and the Ukraine. Our top picks in Singapore continue to be skewed towards cyclical firms with external exposure to Singapore—Keppel Corp (rig cycle intact despite oil price volatility); Wilmar (a strong conduit for Asia/China's food needs), DBS (highest NIM/earnings leverage to eventual SGD rate rises), NOL (underappreciated APL Logistics unit) and Keppel Land (sustainable pre-sales from China, potential divestment of MBFC Tower 3). We have dropped CMA from our top pick list following CapitaLand's cash offer to privatize CMA.

Figure 81. Singapore Top Picks

	Ticker	Rating	Price 25-Apr	Target Price	Yield (%)	ETR (%)	3M Ave Daily (USD m)	CY2014E		
								P/E	P/BV	ROE (%)
DBS	DBSM.SI	1	16.80	19.00	4.2	17.3	58.0	10.7	1.1	11%
<i>Highest NIM/earnings leverage to eventual SGD rates rise</i>										
Keppel Corp	KPLM.SI	1	10.51	13.35	4.3	31.3	29.5	11.9	1.8	16%
<i>Rig cycle intact despite oil price volatility</i>										
Keppel Land	KLAN.SI	1	3.43	4.05	3.8	21.9	6.3	12.5	0.7	6%
<i>Sustainable pre-sales from China, potential divestment of MBFC Tower 3</i>										
NOL	NEPS.SI	1	1.02	1.17	0.0	14.7	2.4	nm	1.0	-1%
<i>Underappreciated APL logistics</i>										
Wilmar	WLIL.SI	1	3.51	4.05	2.1	17.4	21.3	11.7	1.1	10%
<i>Conduit for Asia's food needs, and now, part of Indonesia's energy needs</i>										

Source: Citi Research estimates

We expect GDP growth of 3.5% and 4.0% in 2014 and 2015 respectively after 4.0% in 2013 and 1.3% for 2012. Consequently, we are looking for mild upside for the STI in 2014 – our Gordon Growth derived STI target is 3,278, translating to a P/E of 15.6x. The STI is now trading at ~15.5x P/E, above the historical mean of 15.2x and at 1.23x fwd P/B (slightly above -1SD).

Citi's house view is that Singapore's 10Y bond yield will be 3.0% in 2014 (2.5% currently) with the USD/SGD at 1.29.

#### KLCI valuation above mean even as its digests domestic challenges

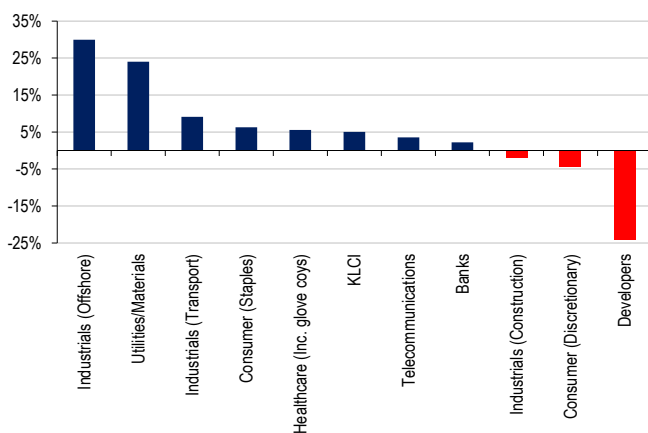
Malaysia has registered steadier growth in the past few years and even across periods when there was economic weakness in developed markets, helped by the strength and dominance of its domestic market. The Malaysian government's program to revitalize its economy via its Economic Transformation Program (ETP) since late 2010 has also helped.

KLCI saw a mild re-rating in mid-2013 as the election win by the incumbent party Barisan Nasional, albeit with a slimmer simple majority led to the perception of reduced risks for the market. Budget 2014 also convinced investors that Malaysia was serious on improving its fiscal position via subsidy cuts. The index also benefited from electricity tariff hike as Tenaga Nasional, the fourth largest KLCI member in terms of member weight, rose 66% and saw a re-rating on the back of anticipated electricity tariff hikes.

The initial optimism on the market has given way to worries over dampened private consumption on the back of the reduction of subsidies in fuel and abolished sugar subsidies. Average electricity tariffs have also been raised by 15% effective from 1 January 2014. Malaysia would introduce a Goods and Services tax (GST) from 1 April 2015. The ringgit has also been under pressure on initial woes on the country's fiscal deficit position and hit a low of RM3.35 versus US\$ in late January/early February on the back of the global trend of fund flows out of emerging markets into the US as the Fed tapers its QE program.

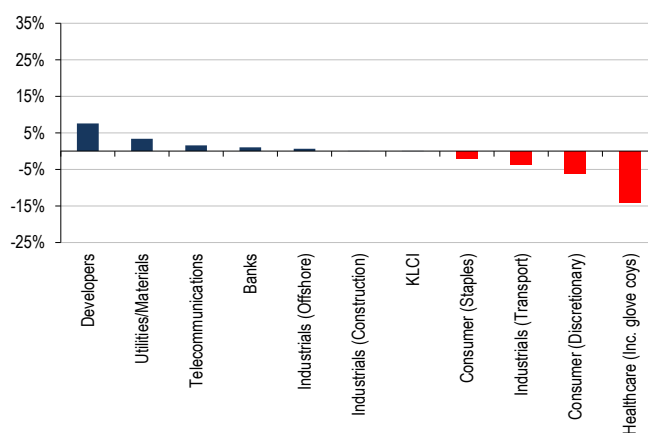
Developers have outperformed the sector YTD after the sector was hit severely in 2H13 by concerns over the announced property measures such as the hiking of the real property gains tax with distinction between citizens and foreigners, removal of developer interest bearing scheme and doubling of minimum purchase price for foreigners during the budget. Utilities also continued to perform YTD led by Tenaga, which would be a beneficiary from the continued push for reforms within the power sector. The healthcare sector, which includes medical glove companies, was the main underperforming sector partly attributable to concerns on cost increase. Citi's house view is that Malaysia's 10Y bond yield will be 4.0% in 2014 (4.1% currently), with USD/MYR at 3.40.

Figure 82. Malaysia – Sector Performance from 20 May 13 to end 2013



Source: Bloomberg, Datastream, Citi Research

Figure 83. Malaysia – Sector Performance YTD



Source: Bloomberg, Datastream, Citi Research

In Malaysia, we like Maybank (diversified business model to play the rising investment cycle, Malaysia's economic transformation success), SapuraKencana (continued growth potential from oil/gas projects), AirAsia (beneficiary from new KLIA2 Terminal in addition to cost-side initiatives and likely disposal gains), MAHB (best leverage towards Malaysia's heavy investment in tourism-related infrastructure), Sime Darby (diversified business with earnings potential from a recovery in plantations and possible property spin-offs) as well as IHH Healthcare (which offers the best leverage to Singapore's greying population theme).

Figure 84. Malaysia Top Picks

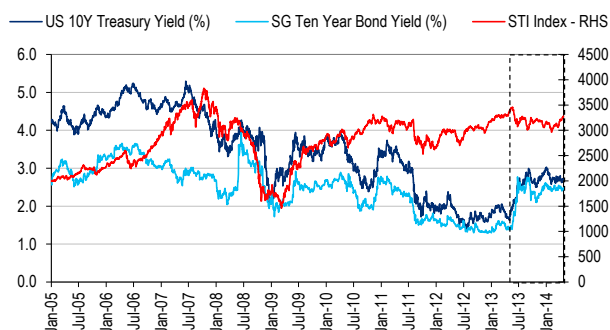
	Ticker	Rating	Price 25-Apr	Target Price	Yield (%)	ETR (%)	3M Ave Daily (USD m)	CY2014E		
								P/E	P/BV	ROE (%)
AirAsia	AIRA.KL	1	2.25	2.80	2.4	26.5	5.3	10.4	1.1	12%
<i>Beneficiary of new KLIA2 Terminal in addition to cost-side initiatives and likely disposal gains</i>										
IHH	IHHH.KL	1	3.88	4.45	0.5	15.2	5.4	42.3	1.7	4%
<i>Offers the best leverage to Singapore's greying population theme</i>										
MAHB	MAHB.KL	1	8.05	10.00	2.0	26.2	6.7	24.8	1.7	8%
<i>Best leverage towards Malaysia's heavy investment in tourism-related infrastructure</i>										
Maybank	MBBM.KL	1	9.95	11.11	5.0	16.7	20.5	12.8	1.8	14%
<i>Diversified business model to play the rising investment cycle, Malaysia's econ transformation success</i>										
SapuraKencana	SKPE.KL	1	4.28	5.00	0.0	16.8	12.0	18.2	2.6	16%
<i>Continued growth potential from oil/gas projects</i>										
Sime Darby	SIME.KL	1	9.28	10.80	3.7	19.8	16.1	15.0	1.8	13%
<i>Diversified business with earnings potential from a recovery in plantations and possible property spin-offs</i>										

Source: Citi Research estimates

We expect GDP growth of 5.0% and 4.9% in 2014 and 2015 respectively after 4.7% in 2013 and 5.6% for 2012. We expect the KLCI to remain range-bound as it is trading above mean and is exhibiting negative earnings revisions as it digests domestic challenges. However, we are positioning Malaysia as our pick into late 2014 and 1H15 as cost normalization, benefits from a lower Ringgit, secondary effects from ETP projects and accelerated consumption kick-in before the GST implementation in April 2015.

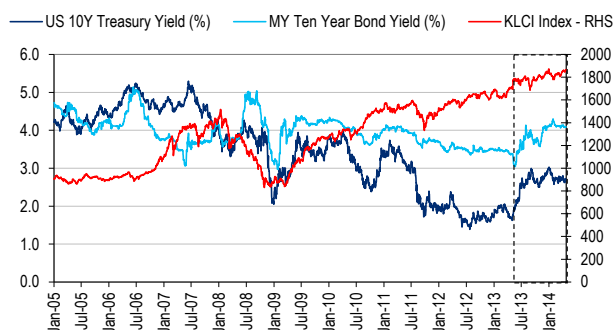
Our KLCI target is 1,894 (based on bottom-up approach), translating to a P/E of 16.2x, slightly above +1S.D. of 15.6x. The KLCI is now trading at ~16.0x P/E, above the historical mean of 14.4x and at 2.07x fwd P/B (above mean of 1.97x).

Figure 85. Singapore Ten-Year Bond Yield



Source: Bloomberg, Citi Research

Figure 86. Malaysia Ten-Year Bond Yield



Source: Bloomberg, Citi Research

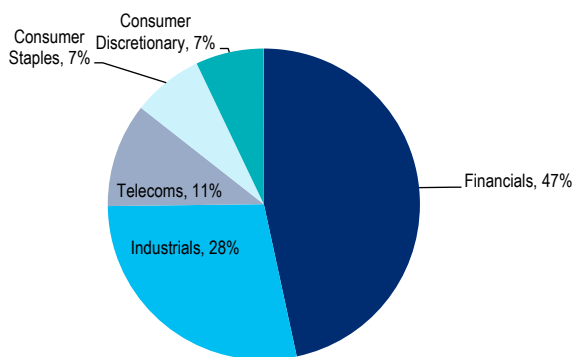
### STI and KLCI Index Return Drivers

Prior to the financial crisis in 2008, earnings growth was the main driver of positive market returns in both Singapore and Malaysia. However, earnings growth had become a less pronounced driver for Singapore's STI Index since the global financial crisis as volatility increased. Historically, the STI has recorded greater volatility versus Malaysia's KLCI – given its 47% weight towards financials (using GICS sector classification).

Valuation multiple expansion has been a key driver for STI performance – for example 2003's, 2009's as well as 2012's returns of 33%, 64% and 20%. STI returns had become tied to macro-economic events such as 2008's global financial crisis, 2011's Euro crisis and 2013's rout resulting from the US tapering of bond purchases. Years with compression of valuation multiple were followed by a subsequent year with multiple expansion.

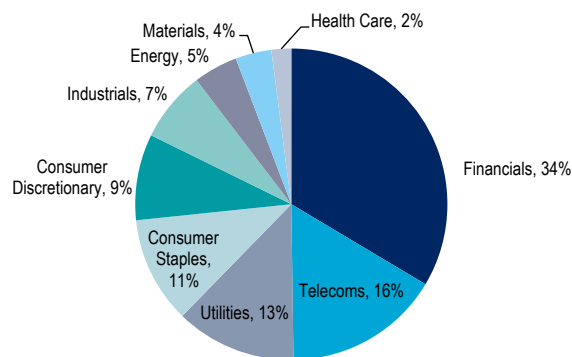
In contrast, KLCI has been less susceptible to major macro-driven swings as earnings growth has been a more consistent driver in delivering positive index returns. While KLCI's 45% return in 2009 was helped by multiple expansion after the global financial crisis, other years with double-digit returns have typically featured earnings growth as the key driver. Meaningful weightage towards less volatile segments such as telecoms (16% weight) and utilities (13% weight) with less exposure towards financials (34% weight) plus strong domestic shareholders' support has helped.

Figure 87. STI Index Weighting by GICS Sector



Source: Bloomberg, Citi Research

Figure 88. KLCI Index Weighting by GICS Sector



Source: Bloomberg, Citi Research

Figure 89. Driver of STI and KLCI

Date	STI Earnings Growth	STI PE expansion	STI Growth	KLCI Earnings Growth	KLCI PE expansion	KLCI Growth	Driver (when STI was up)	Driver (when KLCI was up)	Driver (when STI was down)	Driver (when KLCI was down)
12/31/2001	-30%	14%	-17%	-12%	14%	2%		PE expansion	Earnings contract	
12/31/2002	25%	-30%	-20%	19%	-21%	-7%			PE compression	PE compression
12/31/2003	10%	20%	33%	13%	9%	23%	PE expansion	Earnings Growth		
12/31/2004	36%	-7%	16%	17%	0%	14%	Earnings Growth	Earnings Growth		
12/31/2005	12%	3%	14%	8%	-5%	-1%	Earnings Growth			PE compression
12/31/2006	21%	15%	28%	25%	6%	22%	Earnings Growth	Earnings Growth		
12/31/2007	36%	-6%	19%	32%	8%	32%	Earnings Growth	Earnings Growth		
12/31/2008	-13%	-36%	-49%	-24%	-23%	-39%			PE compression	Earnings contract
12/31/2009	18%	53%	64%	17%	27%	45%	PE expansion	PE expansion		
12/31/2010	28%	-3%	10%	39%	-2%	19%	Earnings Growth	Earnings Growth		
12/31/2011	2%	-16%	-17%	4%	-3%	1%		Earnings Growth	PE compression	
12/31/2012	7%	17%	20%	12%	8%	10%	PE expansion	Earnings Growth		
12/31/2013	-1%	-2%	0%	-1%	6%	11%		PE expansion	PE compression	

Source: Citi Research, Datastream, dataCentral; Shaded returns in gray represent outperformance of the particular market vis-à-vis the other market. PE expansion phases for STI and KLCI are in green font. Earnings refer to IBES forward earnings. Note: We use the current thirty components of STI/ KLCI for this backtest on drivers of indices.

## Earnings Revisions – Summary Charts

Figure 90. STI — Consensus FY13E & FY14E Net Income Trends

- Consensus has revised down FY14E's net income estimate by 8% since June 2013 (FY13E net income estimate has been revised down by 23% since June 2011)

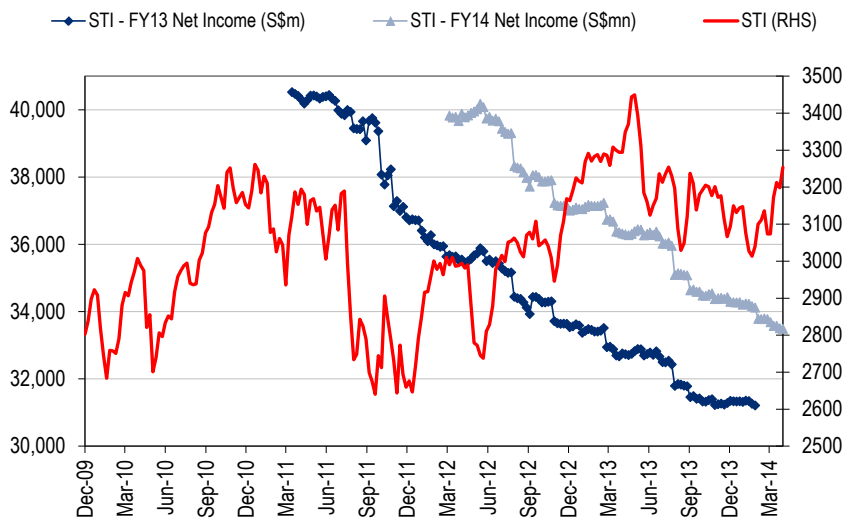
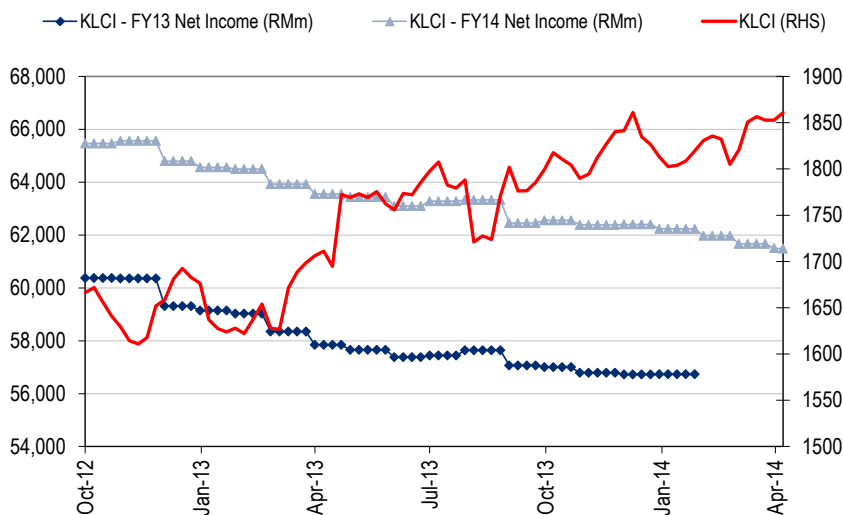


Figure 91. KLCI — Consensus FY13E & FY14E Net Income Trends

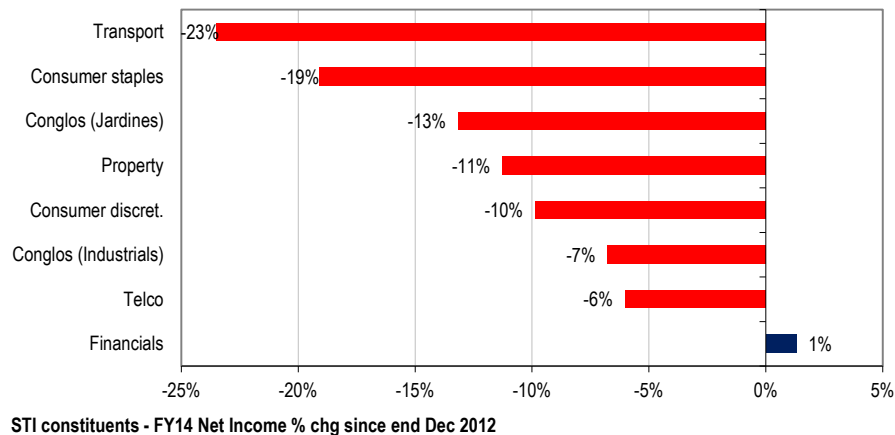
- Consensus has revised down FY14E's net income estimate by 3% since June 2013 (FY13E net income estimate has been revised down by 6% since mid-October 2012)



Source: Datastream, Citi Research

Figure 92. STI — FY14E Earnings % Change (By Sector)

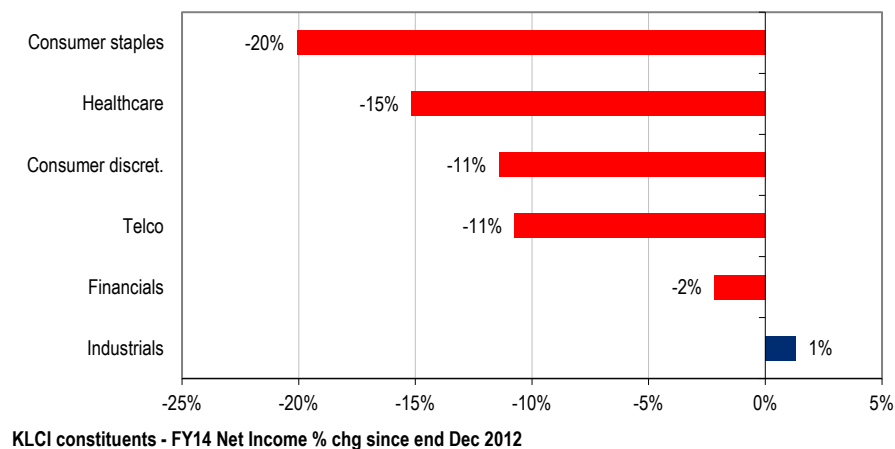
- Downward revisions to FY14 earnings estimates since end 2012 have been broad-based with substantial cuts primarily concentrated in the transport, consumer staples and conglos (Jardines).



Source: Datastream, Citi Research

Figure 93. KLCI — FY14E Earnings % Change (By Sector)

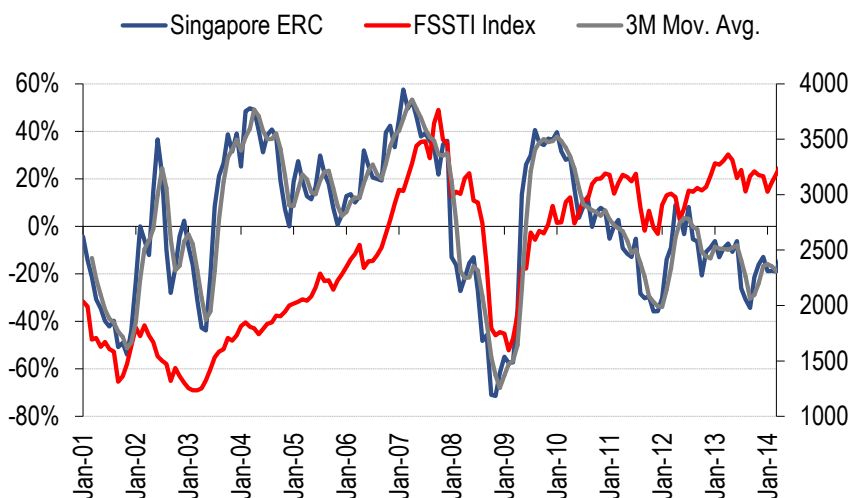
- Downward revisions to FY14 earnings estimates since end 2012 have been broad-based with substantial cuts primarily concentrated in the consumer staples, healthcare and consumer discretionary sectors.



Source: Factset, Datastream, Citi Research

Figure 94. Singapore — Earnings Revision Count (ERC) Chart

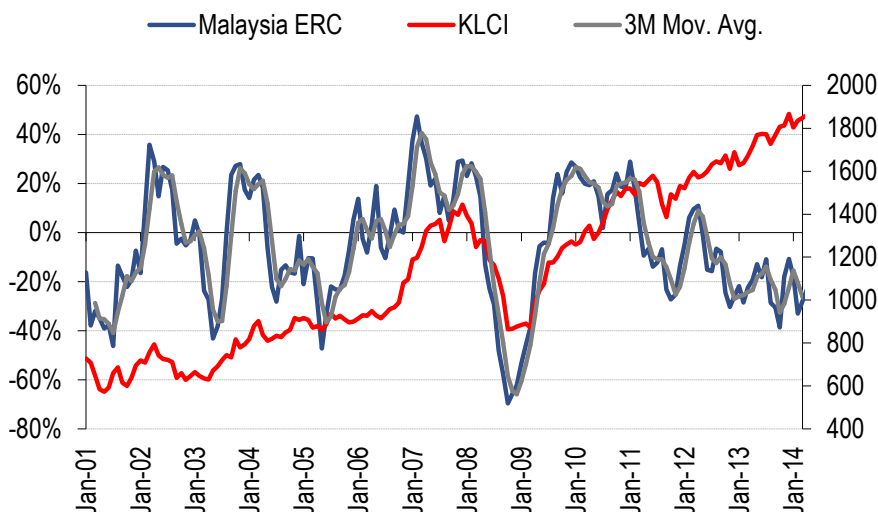
- The Earnings Revisions Count ratio (or the upgrade vs. downgrade count) have improved to -13% in recent months (it had improved to -19% at the end of FY13 results from -31% at the end of 2Q13's results season).



Source: Datastream, Citi Research

Figure 95. Malaysia — Earnings Revision Count (ERC) Chart

- The Earnings Revisions Count ratio (or the upgrade vs. downgrade count) started deteriorating after FY13 results to -33% although we had started to see some improvement recently to -23%



Source: Factset, Datastream, Citi Research

Figure 96. Singapore — EPS Growth by Sector

- EPS growth expectation for CY14 is 7%.

EPS Growth	CY07	CY08	CY09	CY10	CY11	CY12	CY13	CY14E	CY15E
Commercial Banks & Other Financial Services	19%	-18%	6%	15%	-1%	28%	-4%	4%	12%
Industrials (Conglomerates)	26%	7%	23%	22%	2%	-1%	2%	5%	10%
Industrials (Offshore Marine)	59%	1%	19%	20%	5%	-3%	-18%	9%	12%
Industrials (Transport)	6%	-11%	-46%	61%	-76%	1%	12%	51%	37%
Consumer Staples	70%	61%	-3%	-6%	3%	-18%	-15%	30%	6%
Consumer Discretionary	12%	13%	20%	27%	6%	-4%	-14%	32%	9%
Real Estate	68%	-39%	12%	26%	-8%	-8%	4%	-12%	4%
Telecommunications	5%	-9%	7%	0%	-1%	-1%	0%	6%	9%
Technology	33%	-6%	-37%	16%	-24%	7%	-6%	12%	8%
Utilities & Others	137%	62%	24%	14%	-31%	-20%	-28%	6%	46%
<b>TOTAL</b>	<b>25%</b>	<b>-9%</b>	<b>6%</b>	<b>16%</b>	<b>-6%</b>	<b>3%</b>	<b>-4%</b>	<b>7%</b>	<b>11%</b>

Source: Citi Research

Figure 97. Malaysia — EPS Growth by Sector

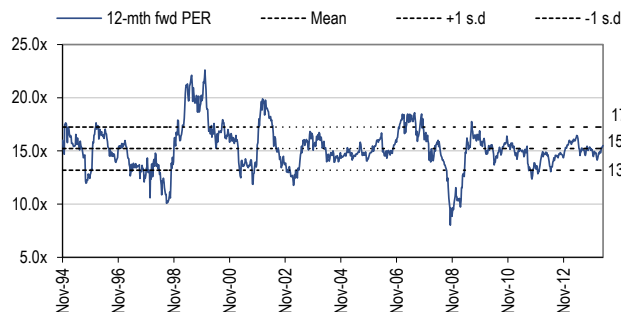
- EPS growth expectation for CY14 is 7%.

EPS Growth	CY07	CY08	CY09	CY10	CY11	CY12	CY13E	CY14E	CY15E
Commercial Banks & Other Financial Services	64%	1%	13%	20%	18%	8%	4%	6%	10%
Industrials (Conglomerates)	28%	-9%	-44%	38%	69%	2%	-6%	8%	13%
Industrials (Offshore)	31%	34%	25%	28%	-13%	9%	34%	21%	13%
Industrials (Transport)			161%	42%	nm	nm	-28%	88%	98%
Consumer Staples	47%	2%	-14%	33%	0%	-19%	-5%	20%	9%
Consumer Discretionary	-16%	8%	11%	51%	5%	-5%	-5%	4%	10%
Real Estate	0%	-69%	4%	74%	10%	18%	-30%	-7%	-5%
Telecommunications	21%	-28%	-2%	26%	4%	2%	6%	3%	9%
Healthcare	19%	20%	63%	10%	-32%	-15%	15%	11%	17%
Utilities/Materials	31%	-26%	-6%	-9%	-9%	27%	3%	4%	9%
<b>TOTAL</b>	<b>30%</b>	<b>-11%</b>	<b>-2%</b>	<b>27%</b>	<b>11%</b>	<b>8%</b>	<b>1%</b>	<b>7%</b>	<b>10%</b>

Source: Citi Research

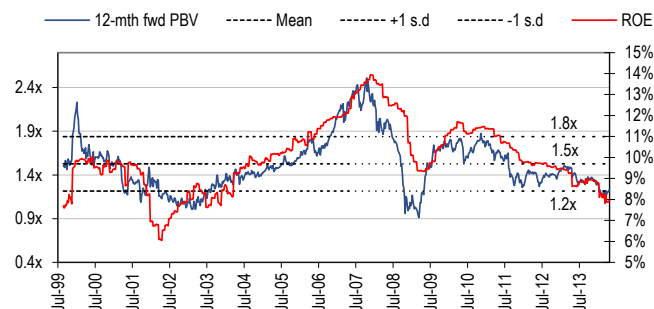
## Valuations

Figure 98. Historical 12M Forward STI PER



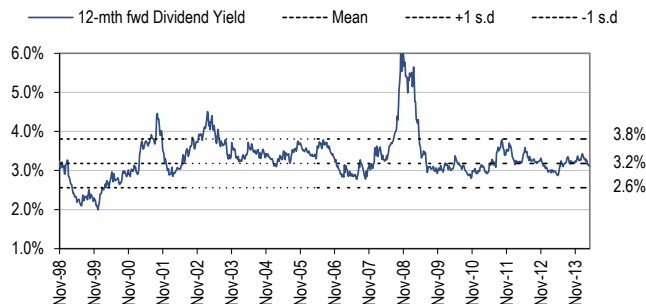
Source: Citi Research, Datastream

Figure 99. Historical 12M Forward STI PBV vs. ROE



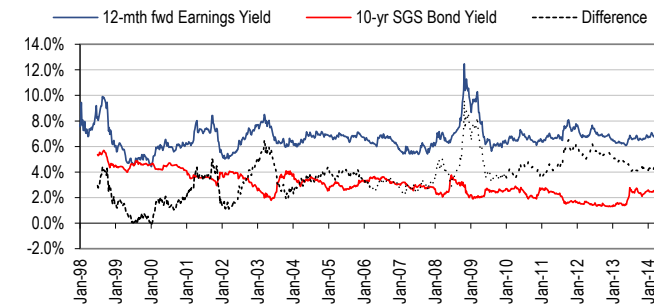
Source: Citi Research, Datastream

Figure 100. STI Historical 12M Forward Dividend Yield



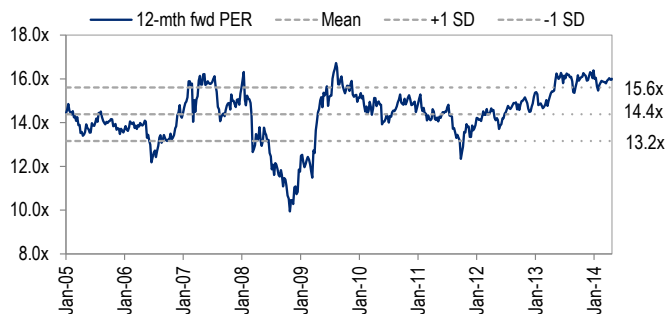
Source: Citi Research, Datastream

Figure 101. 12M Forward STI Earnings Yield vs. SGS 10Y Bond Yield



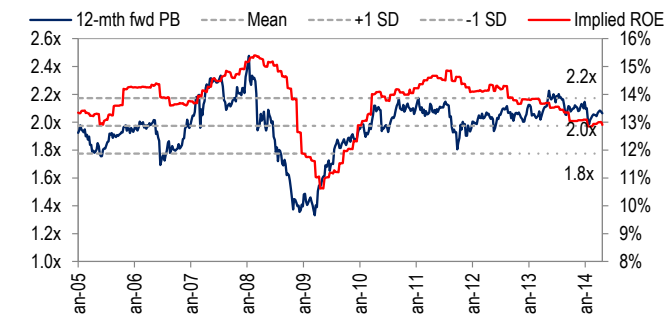
Source: Citi Research, Datastream

Figure 102. Historical 12M Forward KLCI PER



Source: Citi Research, Datastream

Figure 103. Historical 12M Forward KLCI PBV vs. ROE



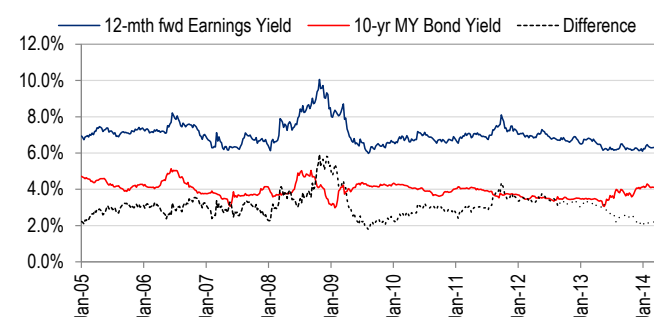
Source: Citi Research, Datastream

Figure 104. KLCI Historical 12M Forward Dividend Yield



Source: Citi Research, Datastream

Figure 105. 12M Forward KLCI Earnings Yield vs. MY 10Y Bond Yield



Source: Citi Research, Datastream

# Singapore Universe Valuation Comps

Figure 106. Singapore Universe Valuation Comps

Company Name	Reuters Ticker	Bloomberg Ticker	Price Currency	Price	Mkt Cap S\$'M	Risk Rating	Target Price	ETR %	EPS Growth 2014	2015	P/E 2014	2015	P/B 2014	2015	Dividend yield 2014	2015	ROE 2014	2015	FYE
<b>Banks, Diversified Financials &amp; Insurance</b>																			
DBS Group	DBSM.SI	DBS SP	SGD	16.80	41,172	1	19.00	17.3%	10.9%	15.2%	10.7	9.3	1.1	1.1	4.2%	4.8%	11.0%	11.9%	Dec-14
UOB	UOBH.SI	UOB SP	SGD	22.46	35,722	2	21.70	0.1%	2.0%	11.1%	12.1	10.9	1.4	1.3	3.5%	3.8%	11.8%	12.2%	Dec-14
Singapore Exchange	SGXL.SI	SGX SP	SGD	6.95	7,448	2	7.21	8.4%	-6.4%	17.0%	22.7	19.4	8.1	7.4	4.0%	4.7%	36.4%	39.9%	Jun-14
Great Eastern Holdings	GELA.SI	GE SP	SGD	18.67	8,837	2	19.42	6.9%	-5.2%	4.7%	13.8	13.2	1.6	1.5	2.8%	2.9%	12.0%	11.6%	Dec-14
<b>Weighted Average</b>					93,179				4.6%	12.8%	12.5	11.1	1.8	1.7	3.8%	4.2%	13.4%	14.2%	
<b>Consumer Discretionary</b>																			
Genting Singapore	GENS.SI	GENS SP	SGD	1.34	16,337	1	1.70	28.1%	29.9%	7.6%	21.4	19.9	2.0	1.8	0.0%	0.0%	9.9%	9.5%	Dec-14
Singapore Press	SPRM.SI	SPH SP	SGD	4.13	6,611	3	3.70	-5.1%	6.7%	4.8%	19.6	18.7	1.9	1.9	5.3%	5.3%	9.9%	10.4%	Aug-14
Genting Hong Kong	GENH.SI	GENHK SP	USD	0.40	3,917	1	0.52	30.0%	nm	16.8%	16.3	13.9	1.0	0.9	0.0%	0.0%	11.7%	7.2%	Dec-14
Mandarin Oriental	MOIL.SI	MAND SP	USD	1.84	2,313	1	1.85	4.6%	5.8%	6.5%	18.7	17.5	1.8	1.8	3.8%	4.1%	9.9%	10.2%	Dec-14
<b>Weighted Average</b>					29,178				21.6%	8.1%	20.1	18.6	1.8	1.7	1.5%	1.5%	10.1%	9.4%	
<b>Consumer Staples</b>																			
Dairy Farm	DAIR.SI	DFI SP	USD	10.15	17,246	2	9.00	-9.0%	14.1%	10.1%	25.1	22.8	9.1	7.7	2.3%	2.4%	39.3%	36.6%	Dec-14
First Resources	FRLD.SI	FR SP	SGD	2.51	3,976	1	2.65	7.6%	13.9%	2.4%	12.8	12.5	3.3	2.7	2.0%	2.4%	25.4%	24.0%	Dec-14
Golden Agri-Resources	GAGR.SI	GGR SP	SGD	0.61	7,767	1	0.69	15.9%	44.7%	-6.8%	13.7	14.7	0.7	0.7	1.8%	1.7%	5.0%	4.5%	Dec-14
Indofood Agri Resources	IFAR.SI	IFAR SP	SGD	1.07	1,574	3	0.80	-24.5%	81.2%	-8.1%	15.6	16.9	1.0	0.9	0.4%	0.6%	6.3%	5.5%	Dec-14
Olam International	OLAM.SI	OLAM SP	SGD	2.23	5,447	1	2.57	17.3%	3.0%	5.1%	14.4	13.7	1.3	1.2	2.0%	2.1%	11.2%	10.8%	Jun-14
Noble Group	NOBG.SI	NOBL SP	SGD	1.26	8,395	1	1.49	19.6%	75.2%	25.7%	14.9	11.8	1.2	1.2	1.7%	2.1%	8.5%	10.2%	Dec-14
Wilmar International	WLIL.SI	WIL SP	SGD	3.51	22,476	1	4.05	17.4%	15.9%	4.4%	11.7	11.2	1.1	1.0	2.1%	2.2%	9.8%	9.5%	Dec-14
<b>Weighted Average</b>					66,880				26.6%	6.9%	16.2	15.1	3.3	2.8	2.0%	2.2%	17.6%	16.9%	
<b>Industrials (Conglomerates)</b>																			
Jardine Matheson	JARD.SI	JM SP	USD	62.00	53,025	3	45.00	-25.2%	3.6%	11.1%	14.7	13.2	0.5	0.5	2.3%	2.3%	3.6%	3.9%	Dec-14
Jardine Strategic	JSH.SI	JS SP	USD	35.99	50,666	2	36.00	0.7%	3.3%	10.8%	13.2	11.9	0.5	0.5	0.7%	0.7%	3.8%	4.0%	Dec-14
Singapore Technologies Engineering	STEG.SI	STE SP	SGD	3.97	12,380	2	3.95	3.5%	9.7%	7.8%	19.2	17.8	5.4	5.1	4.0%	4.3%	29.1%	29.4%	Dec-14
<b>Weighted Average</b>					116,070				4.1%	10.6%	14.5	13.1	1.0	1.0	1.8%	1.8%	6.4%	6.7%	
<b>Industrials (Offshore Marine)</b>																			
Keppel	KPLM.SI	KEP SP	SGD	10.51	19,098	1	13.35	31.3%	14.2%	10.7%	11.9	10.7	1.8	1.7	4.3%	4.6%	16.0%	16.3%	Dec-14
SembCorp Industries	SCIL.SI	SCI SP	SGD	5.55	9,921	1	6.00	11.2%	8.6%	10.1%	12.3	11.2	1.8	1.6	3.1%	3.1%	15.6%	15.6%	Dec-14
Cosco Corporation (Singapore)	COSC.SI	COS SP	SGD	0.74	1,657	3	0.60	-17.6%	33.1%	52.0%	40.7	26.7	1.2	1.2	1.4%	1.4%	3.0%	4.5%	Dec-14
SembCorp Marine	SCMN.SI	SMM SP	SGD	4.05	8,471	1	4.93	25.1%	18.0%	9.7%	13.7	12.5	2.8	2.5	3.5%	4.0%	21.5%	20.9%	Dec-14
Yangzijiang	YAZG.SI	YZJSGD SP	SGD	1.11	4,259	1	1.50	39.6%	-27.3%	17.2%	9.4	8.0	1.1	1.0	4.4%	4.4%	12.2%	13.2%	Dec-14
Vard Holdings	VARD.SI	VARD SP	SGD	1.01	1,186	1	1.02	5.0%	68.2%	45.1%	9.5	6.5	1.4	1.2	3.5%	5.0%	15.2%	19.3%	Dec-14
<b>Weighted Average</b>					44,592				11.9%	13.4%	13.1	11.4	1.9	1.7	3.7%	4.0%	16.1%	16.4%	

Source: Citi Research estimates, As of closing price on 25 April 2014

Figure 107. Singapore Universe Valuation Comps

Company Name	Reuters Ticker	Bloomberg Ticker	Price Currency	Price	Mkt Cap S\$M	Risk/ Rating	Target Price	ETR %	EPS Growth 2014	2015	P/E 2014	2015	P/B 2014	2015	Dividend yield 2014	2015	ROE 2014	2015	FYE
<b>Industrials (Transport)</b>																			
ComfortDelGro	CMDG.SI	CD SP	SGD	2.10	4,475	3	1.86	-8.1%	2.6%	7.4%	16.5	15.4	2.0	1.8	3.3%	3.5%	12.2%	12.4%	Dec-14
SMRT	SMRT.SI	MRT SP	SGD	1.26	1,917	3	0.88	-27.0%	42.8%	35.0%	24.0	17.7	2.3	2.1	3.2%	3.2%	9.7%	12.4%	Mar-14
Hutchison Port Holdings (HPH) Trust	HPHT.SI	HPHT SP	USD	0.68	7,444	3	0.60	-5.1%	-5.9%	9.7%	26.6	24.3	0.7	0.7	7.3%	8.1%	2.7%	3.0%	Dec-14
Neptune Orient Lines	NEPS.SI	NOL SP	SGD	1.02	2,647	1	1.17	14.7%	91.4%	726.0%	nm	16.1	1.0	0.9	0.0%	1.2%	-1.0%	6.0%	Dec-14
SATS	SATS.SI	SATS SP	SGD	3.15	3,541	2	3.14	-4.8%	9.4%	7.2%	16.5	15.4	2.4	2.3	5.1%	5.2%	14.7%	15.2%	Mar-14
Singapore Airlines	SIAL.SI	SIA SP	SGD	10.38	12,454	3	9.20	-9.2%	41.8%	37.0%	18.6	13.5	0.9	0.9	2.2%	3.0%	4.9%	6.5%	Mar-14
<b>Weighted Average</b>					<b>32,477</b>				<b>26.0%</b>	<b>79.4%</b>	<b>20.4</b>	<b>16.9</b>	<b>1.3</b>	<b>1.2</b>	<b>3.7%</b>	<b>4.3%</b>	<b>6.3%</b>	<b>7.8%</b>	
<b>Real Estate Developers</b>																			
Capitaland	CATL.SI	CAPL SP	SGD	3.24	13,841	1	3.35	5.9%	-20.9%	-2.5%	22.3	22.8	0.8	0.8	2.5%	2.5%	4.1%	4.0%	Dec-14
CapitaMalls Asia	CMAL.SI	CMA SP	SGD	2.22	8,653	1	2.54	16.0%	63.7%	-8.8%	21.5	23.6	1.2	1.1	1.6%	1.5%	5.5%	4.9%	Dec-14
City Developments	CTDM.SI	CIT SP	SGD	11.00	10,002	2	9.90	-8.9%	-10.5%	4.8%	15.9	15.2	1.2	1.1	1.1%	1.1%	8.1%	8.0%	Dec-14
Keppel Land	KLAN.SI	KPLD SP	SGD	3.43	5,302	1	4.05	21.9%	-50.6%	5.0%	12.5	11.9	0.7	0.7	3.8%	3.8%	6.0%	6.1%	Dec-14
Hongkong Land	HKLD.SI	HKL SP	USD	6.85	20,252	1	7.36	10.1%	-6.7%	6.8%	18.5	17.3	0.6	0.6	2.6%	2.6%	3.2%	3.4%	Dec-14
Yanlord	YNLG.SI	YLLG SP	SGD	1.16	2,251	3	1.12	-2.2%	7.3%	13.7%	9.3	8.2	0.6	0.6	1.1%	1.2%	6.5%	7.0%	Dec-14
<b>Weighted Average</b>					<b>60,302</b>				<b>-3.8%</b>	<b>2.2%</b>	<b>18.5</b>	<b>18.3</b>	<b>0.8</b>	<b>0.8</b>	<b>2.2%</b>	<b>2.2%</b>	<b>4.9%</b>	<b>4.9%</b>	
<b>Real Estate Investment Trusts</b>																			
Ascendas REIT	AEMN.SI	AREIT SP	SGD	2.29	5,502	1	2.50	15.2%	2.1%	6.3%	16.6	15.6	1.1	1.1	6.2%	6.6%	6.9%	7.1%	Mar-14
Ascendas India Trust	AINT.SI	AIT SP	SGD	0.77	706	1	0.93	26.9%	-10.9%	10.2%	15.8	14.3	1.2	1.1	6.2%	6.6%	7.6%	7.9%	Mar-14
CapitaCommercial Trust	CACT.SI	CCT SP	SGD	1.59	4,566	3	1.53	1.8%	0.6%	9.0%	21.3	19.5	1.0	1.0	5.2%	5.6%	4.4%	4.9%	Dec-14
CapitaMall Trust	CMLT.SI	CT SP	SGD	1.98	6,833	2	2.05	9.2%	1.6%	2.9%	18.5	18.0	1.1	1.0	5.4%	5.5%	5.9%	5.9%	Dec-14
Frasers Centrepoint Trust	FCRT.SI	FCT SP	SGD	1.83	1,506	1	1.99	15.2%	-3.1%	4.3%	18.0	17.3	1.0	0.9	6.2%	6.2%	6.0%	6.5%	Sep-14
Keppel REIT	KASA.SI	KREIT SP	SGD	1.22	3,395	2	1.17	3.2%	13.0%	2.3%	22.7	22.2	1.0	1.0	6.5%	6.0%	4.1%	4.5%	Dec-14
Mapletree Commercial Trust	MACT.SI	MCT SP	SGD	1.28	2,656	1	1.35	11.6%	2.8%	0.4%	18.4	18.3	1.1	1.1	5.8%	5.9%	6.0%	5.9%	Mar-14
Mapletree Industrial Trust	MAPI.SI	MINT SP	SGD	1.44	2,434	1	1.63	20.1%	0.2%	0.0%	15.0	15.0	1.2	1.2	6.9%	6.9%	8.1%	8.0%	Mar-14
Mapletree Logistics Trust	MAPL.SI	MLT SP	SGD	1.11	2,718	2	1.15	10.0%	1.2%	2.0%	15.7	15.4	1.2	1.2	6.5%	6.6%	7.7%	7.8%	Mar-14
Perennial China Retail Trust	PCRT.SI	PCRT SP	SGD	0.56	636	3	0.50	-3.1%	27.1%	93.5%	nm	nm	0.7	0.7	6.8%	1.3%	2.8%	0.3%	Dec-14
Parkway Life	PWLR.SI	PREIT SP	SGD	2.48	1,500	2	2.30	-2.8%	-23.7%	4.2%	20.0	19.2	1.4	1.4	4.6%	4.8%	7.2%	7.2%	Dec-14
Suntec REIT	SUNT.SI	SUN SP	SGD	1.73	4,302	1	1.78	8.8%	-11.3%	13.1%	21.6	19.1	0.8	0.7	5.6%	6.2%	3.9%	4.0%	Dec-14
Mapletree Greater China Commercial Trust	MAPE.SI	MAGIC SP	SGD	0.84	2,241	1	1.00	26.7%	-0.5%	7.3%	13.4	12.5	0.8	0.8	7.5%	8.0%	4.6%	5.0%	Mar-14
OUE Commercial REIT	OUEC.SI	OUECT SP	SGD	0.80	688	1	0.86	15.1%		-89.1%	2.5	22.9	0.8	0.8	6.9%	7.0%	nm	3.4%	Dec-14
Soilbuild Business Space REIT	SBSR.SI	SBREIT SP	SGD	0.79	633	1	0.84	14.5%	-11.2%	3.3%	16.0	15.5	1.0	1.0	7.5%	7.7%	6.2%	6.5%	Dec-14
<b>Weighted Average</b>					<b>40,318</b>				<b>-0.2%</b>	<b>5.0%</b>	<b>18.2</b>	<b>17.7</b>	<b>1.0</b>	<b>1.0</b>	<b>6.0%</b>	<b>6.1%</b>	<b>5.6%</b>	<b>5.8%</b>	
<b>Technology</b>																			
CSE Global	CSGS.SI	CSE SP	SGD	0.62	317	1	0.69	20.2%	9.9%	6.9%	5.4	5.0	1.1	1.0	7.6%	7.6%	21.8%	20.5%	Dec-14
Venture	VENM.SI	VMS SP	SGD	7.79	2,142	2	7.40	2.1%	13.1%	9.2%	14.4	13.2	1.2	1.2	7.1%	7.1%	8.1%	8.8%	Dec-14
<b>Weighted Average</b>					<b>2,460</b>				<b>12.7%</b>	<b>8.9%</b>	<b>13.3</b>	<b>12.2</b>	<b>1.2</b>	<b>1.1</b>	<b>7.1%</b>	<b>7.1%</b>	<b>9.9%</b>	<b>10.3%</b>	
<b>Telecommunications</b>																			
M1	MONE.SI	M1 SP	SGD	3.32	3,081	3	3.00	-5.0%	7.2%	7.9%	17.3	16.0	7.9	7.1	4.6%	5.0%	44.5%	46.4%	Dec-14
SingTel	STEL.SI	ST SP	SGD	3.75	59,788	2	3.66	2.1%	8.6%	10.0%	15.3	13.9	2.3	2.2	4.9%	5.4%	15.2%	16.0%	Mar-14
StarHub	STAR.SI	STH SP	SGD	4.14	7,146	3	3.55	-9.4%	5.0%	2.4%	18.2	17.8	54.7	38.1	4.8%	4.8%	nm	nm	Dec-14
<b>Weighted Average</b>					<b>70,015</b>				<b>8.2%</b>	<b>9.2%</b>	<b>15.7</b>	<b>14.4</b>	<b>7.9</b>	<b>6.1</b>	<b>4.9%</b>	<b>5.3%</b>	<b>16.7%</b>	<b>17.5%</b>	
<b>Healthcare, Utilities &amp; Others</b>																			
Yongnam Holdings	YNAM.SI	YNH SP	SGD	0.24	304	3	0.28	20.8%	19.1%	10.5%	6.3	5.7	0.8	0.7	4.2%	6.3%	13.3%	13.5%	Dec-14
Hyflux	HYFL.SI	HYF SP	SGD	1.22	1,054	3	1.10	-8.2%	-13.1%	112.7%	58.0	27.3	1.2	1.2	1.7%	2.4%	2.0%	4.3%	Dec-14
<b>Weighted Average</b>					<b>1,359</b>				<b>-5.9%</b>	<b>89.8%</b>	<b>46.4</b>	<b>22.4</b>	<b>1.1</b>	<b>1.1</b>	<b>2.2%</b>	<b>3.3%</b>	<b>4.5%</b>	<b>6.3%</b>	

Source: Citi Research estimates, As of closing price on 25 April 2014

# Malaysia Universe Valuation Comps

Figure 108. Malaysia Universe Valuation Comps

Company Name	Reuters Ticker	Bloomberg Ticker	Price Currency	Price	Mkt Cap RMM	Risk/ Rating	Target Price	ETR %	EPS Growth 2014	2015	P/E 2014	2015	P/B 2014	2015	Dividend yield 2014	2015	ROE 2014	2015	FYE
<b>Banks, Diversified Financials &amp; Insurance</b>																			
Alliance Financial Group	ALFG.KL	AFG MK	MYR	4.50	6,966	3	4.78	10.7%	9.2%	11.5%	11.2	10.0	1.5	1.4	4.5%	5.0%	13.7%	14.1%	Mar-14
AMMB	AMMB.KL	AMM MK	MYR	7.18	21,642	2	7.58	9.3%	9.9%	10.7%	10.8	9.8	1.5	1.4	3.8%	4.2%	14.7%	14.9%	Mar-14
Bursa Malaysia	BMYS.KL	BURSA MK	MYR	7.59	4,044	2	8.43	17.9%	10.6%	5.4%	21.1	20.0	4.9	4.8	4.5%	4.7%	23.5%	24.4%	Dec-14
CIMB	CIMB.KL	CIMB MK	MYR	7.51	62,607	3	6.75	-6.5%	-1.3%	11.1%	12.7	11.4	1.6	1.5	3.6%	3.9%	14.3%	13.8%	Dec-14
Hong Leong Bank	HLBB.KL	HLBK MK	MYR	13.98	26,281	3	13.76	1.9%	7.4%	6.7%	12.3	11.5	1.7	1.5	3.3%	3.5%	14.5%	14.0%	Jun-14
Maybank	MBBM.KL	MAY MK	MYR	9.95	88,251	1	11.11	16.7%	3.0%	9.4%	12.8	11.7	1.8	1.7	5.0%	5.6%	14.3%	14.9%	Dec-14
Public Bank	PUBM.KL	PBK MK	MYR	20.26	71,557	1	21.01	6.6%	12.6%	9.9%	15.5	14.1	3.1	2.8	2.9%	3.1%	21.3%	20.7%	Dec-14
RHB Capital	RHBC.KL	RHBC MK	MYR	8.43	21,470	1	8.87	8.3%	8.9%	10.7%	10.6	9.6	1.2	1.1	3.1%	3.3%	11.5%	11.7%	Dec-14
<b>Weighted Average</b>					<b>302,819</b>						<b>13.1</b>	<b>12.0</b>	<b>2.0</b>	<b>1.9</b>	<b>3.8%</b>	<b>4.2%</b>	<b>15.9%</b>	<b>15.9%</b>	
<b>Consumer Discretionary</b>																			
Astro Malaysia Holdings	ASTR.KL	ASTRO MK	MYR	3.24	16,842	1	3.67	15.5%	22.2%	21.7%	28.1	23.1	21.5	17.4	2.7%	3.2%	84.4%	83.2%	Jan-14
Genting	GENT.KL	GENT MK	MYR	9.80	36,670	3	9.00	-7.3%	8.3%	9.9%	20.1	18.2	1.4	1.2	0.8%	0.8%	8.7%	8.8%	Dec-14
Genting Malaysia	GENM.KL	GENM MK	MYR	4.18	24,821	1	4.95	20.6%	-10.0%	7.3%	15.4	14.3	1.4	1.3	2.2%	2.2%	9.7%	9.7%	Dec-14
Media Prima Bhd	MPRM.KL	MPR MK	MYR	2.47	2,727	1	3.16	34.4%	3.0%	6.1%	11.5	10.9	1.5	1.4	6.8%	7.2%	13.9%	14.2%	Dec-14
Parkson Holdings Bhd	PRKN.KL	PKS MK	MYR	3.05	3,336	2	3.04	5.2%	16.3%	12.9%	12.5	11.1	1.2	1.2	5.6%	6.2%	10.0%	10.9%	Jun-14
UMW Holdings	UMWS.KL	UMWH MK	MYR	10.80	12,618	1	14.20	36.1%	13.2%	9.4%	11.2	10.2	2.2	2.0	5.1%	5.6%	20.5%	20.5%	Dec-14
<b>Weighted Average</b>					<b>97,015</b>						<b>18.6</b>	<b>16.6</b>	<b>5.0</b>	<b>4.2</b>	<b>2.4%</b>	<b>2.6%</b>	<b>23.8%</b>	<b>23.7%</b>	
<b>Consumer Staples</b>																			
BAT	BATO.KL	ROTH MK	MYR	61.00	17,417	3	57.50	-1.2%	4.7%	-0.3%	19.9	20.0	31.2	29.0	4.8%	4.8%	164.5%	150.5%	Dec-14
Genting Plantations Bhd	GENP.KL	GENP MK	MYR	10.84	8,241	3	10.00	-6.3%	99.6%	15.3%	18.2	15.8	2.0	1.7	1.5%	1.6%	12.0%	11.7%	Dec-14
IJM Plantations	IJMP.KL	IJMP MK	MYR	3.49	2,808	2	3.60	6.3%	69.0%	8.3%	16.3	15.1	1.8	1.7	3.0%	3.2%	11.8%	11.8%	Mar-14
IOI	IOIB.KL	IOI MK	MYR	4.84	31,193	3	4.20	-10.0%	0.7%	21.5%	24.1	19.8	5.6	4.5	3.2%	3.3%	13.4%	25.2%	Jun-14
KL Kepong	KLKK.KL	KLK MK	MYR	23.90	25,513	2	23.35	0.4%	31.4%	12.1%	21.1	18.8	3.1	2.8	2.7%	3.1%	15.3%	15.7%	Sep-14
Sime Darby	SIME.KL	SIME MK	MYR	9.28	56,275	1	10.80	19.8%	-9.7%	23.0%	16.7	13.6	1.9	1.8	3.4%	3.9%	11.9%	13.6%	Jun-14
<b>Weighted Average</b>					<b>141,447</b>						<b>19.6</b>	<b>16.8</b>	<b>6.6</b>	<b>5.9</b>	<b>3.3%</b>	<b>3.6%</b>	<b>31.7%</b>	<b>33.2%</b>	
<b>Healthcare</b>																			
IHH Healthcare Berhad	IHHH.KL	IHH MK	MYR	3.88	31,650	1	4.45	15.2%	15.4%	20.8%	42.3	35.0	1.7	1.6	0.5%	0.6%	4.1%	4.7%	Dec-14
Supermax	SUPM.KL	SUCB MK	MYR	2.48	1,687	2	2.73	12.5%	18.4%	14.4%	11.1	9.7	1.7	1.5	2.5%	2.9%	16.0%	16.3%	Dec-14
Top Glove	TPGC.KL	TOPG MK	MYR	4.81	2,985	3	4.38	-5.6%	-6.8%	7.4%	16.3	15.2	2.1	2.0	3.1%	3.3%	13.3%	13.4%	Aug-14
<b>Weighted Average</b>					<b>36,322</b>						<b>38.7</b>	<b>32.2</b>	<b>1.7</b>	<b>1.6</b>	<b>0.8%</b>	<b>1.0%</b>	<b>5.4%</b>	<b>6.0%</b>	
<b>Industrials (Engineering &amp; Construction)</b>																			
Gamuda	GAMU.KL	GAM MK	MYR	4.54	10,460	1	5.35	20.5%	15.5%	11.8%	14.3	12.8	1.9	1.7	2.6%	2.6%	14.7%	14.9%	Jul-14
IJM	IJMS.KL	IJM MK	MYR	6.39	9,182	1	6.39	1.9%	18.7%	4.5%	13.6	13.0	1.4	1.3	2.0%	2.0%	10.6%	10.4%	Mar-14
WCT Holdings	WCTE.KL	WCTHG MK	MYR	2.26	2,469	1	3.13	41.4%	9.0%	23.4%	11.2	9.1	1.0	0.9	3.1%	3.1%	11.0%	12.6%	Dec-14
<b>Weighted Average</b>					<b>22,111</b>						<b>13.7</b>	<b>12.5</b>	<b>1.6</b>	<b>1.5</b>	<b>2.4%</b>	<b>2.4%</b>	<b>12.6%</b>	<b>12.8%</b>	

Source: Citi Research estimates, As of closing price on 25 April 2014

Figure 109. Malaysia Universe Valuation Comps

Company Name	Reuters Ticker	Bloomberg Ticker	Price Currency	Price	Mkt Cap RMM	Risk/Rating	Target Price	ETR %	EPS Growth 2014	EPS Growth 2015	P/E 2014	P/E 2015	P/B 2014	P/B 2015	Dividend yield 2014	Dividend yield 2015	ROE 2014	ROE 2015	FYE
<b>Industrials (Oilfield Equipment &amp; Services)</b>																			
Dialog	DIAL.KL	DLG MK	MYR	3.60	8,835	1	3.46	-2.9%	89.4%	7.8%	38.7	35.9	5.7	5.0	1.0%	1.0%	17.6%	16.7%	Jun-14
Malaysia Marine and Heavy Engine	MHEB.KL	MMHE MK	MYR	4.05	6,480	3	2.92	-25.4%	21.6%	60.0%	26.4	16.5	3.0	2.7	2.5%	2.5%	11.8%	17.5%	Dec-14
SapuraKencana Petroleum Bhd	SKPE.KL	SAKP MK	MYR	4.28	25,646	1	5.00	16.8%	16.4%	3.3%	18.0	17.4	2.6	2.1	0.0%	0.0%	16.2%	13.3%	Jan-14
<b>Weighted Average</b>					<b>40,961</b>						<b>23.8</b>	<b>21.3</b>	<b>3.3</b>	<b>2.8</b>	<b>0.6%</b>	<b>0.6%</b>	<b>15.8%</b>	<b>14.7%</b>	
<b>Industrials (Transportation)</b>																			
AirAsia	AIRA.KL	AIRA MK	MYR	2.25	6,258	1	2.80	26.5%	-2.1%	34.1%	10.4	7.7	1.1	1.0	2.4%	3.2%	11.5%	13.9%	Dec-14
AirAsia X Bhd	AIRX.KL	AAX MK	MYR	0.75	1,778	2	0.99	32.0%	-29.6%	249.9%	40.8	11.7	1.4	1.3	0.0%	0.0%	3.5%	11.4%	Dec-14
Malaysia Airports Holdings Bhd	MAHB.KL	MAHB MK	MYR	8.05	10,985	1	10.00	26.2%	1.2%	13.8%	24.8	21.8	1.7	1.7	2.0%	2.3%	7.7%	8.2%	Dec-14
Malaysian Airline System Bhd	MASM.KL	MAS MK	MYR	0.23	3,760	2	0.32	42.2%	43.3%	84.8%	-4.9	nm	1.1	1.2	0.0%	0.0%	-20.8%	-3.6%	Dec-14
<b>Weighted Average</b>					<b>22,781</b>						<b>17.2</b>	<b>16.2</b>	<b>1.4</b>	<b>1.4</b>	<b>1.6%</b>	<b>2.0%</b>	<b>3.7%</b>	<b>8.1%</b>	
<b>Real Estate/Property</b>																			
IJM Land Bhd	IJML.KL	IJMLD MK	MYR	3.07	4,786	1	3.64	20.0%	16.8%	-3.1%	12.3	12.7	1.3	1.2	2.1%	2.1%	11.7%	10.2%	Mar-14
KLCCP Stapled Group	KLCC.KL	KLCCSS MK	MYR	6.41	11,572	1	6.50	6.3%	-15.7%	1.1%	16.4	16.2	1.0	1.0	5.2%	5.4%	6.0%	6.1%	Dec-14
SP Setia	SETI.KL	SPSB MK	MYR	3.05	7,499	2	3.45	18.0%	8.3%	28.6%	14.3	11.1	1.3	1.2	5.2%	5.9%	9.2%	11.3%	Oct-14
UEM Sunrise Bhd	UMSB.KL	UEMS MK	MYR	2.36	10,708	2	2.35	1.3%	-20.3%	-22.1%	18.0	23.1	1.6	1.5	1.7%	1.7%	9.4%	6.9%	Dec-14
<b>Weighted Average</b>					<b>34,565</b>						<b>15.9</b>	<b>16.8</b>	<b>1.3</b>	<b>1.2</b>	<b>3.7%</b>	<b>3.9%</b>	<b>8.5%</b>	<b>8.0%</b>	
<b>Telecommunications</b>																			
Axiata Group	AXIA.KL	AXIATA MK	MYR	6.65	56,886	2	7.10	10.1%	6.0%	16.3%	21.3	18.3	2.8	2.6	3.5%	4.4%	13.2%	14.7%	Dec-14
Digi.Com	DSOM.KL	DIGI MK	MYR	5.35	41,596	1	5.50	7.7%	7.1%	6.2%	22.8	21.4	62.9	62.9	4.4%	4.7%	nm	nm	Dec-14
Maxis Berhad	MXSC.KL	MAXIS MK	MYR	6.93	52,011	3	6.00	-7.6%	3.3%	1.1%	24.0	23.7	10.1	10.6	5.8%	4.2%	38.8%	43.4%	Dec-14
Telekom Malaysia	TLMM.KL	T MK	MYR	6.02	21,536	3	5.00	-13.1%	-13.1%	8.9%	23.9	21.9	3.0	3.0	3.8%	4.1%	12.7%	13.7%	Dec-14
<b>Weighted Average</b>					<b>172,030</b>						<b>22.8</b>	<b>21.2</b>	<b>19.5</b>	<b>19.6</b>	<b>4.4%</b>	<b>4.4%</b>	<b>23.3%</b>	<b>26.0%</b>	
<b>Utilities, Materials and Others</b>																			
PETRONAS Chemicals Group	PCGB.KL	PCHEM MK	MYR	6.73	53,840	2	6.50	-0.1%	10.3%	1.5%	15.5	15.3	2.3	2.1	3.3%	3.3%	15.3%	14.4%	Dec-14
Tenaga Nasional	TENA.KL	TNB MK	MYR	11.94	67,385	1	11.50	-1.5%	-6.3%	10.3%	16.1	14.6	1.5	1.4	2.2%	2.3%	11.8%	10.4%	Aug-14
<b>Weighted Average</b>					<b>121,225</b>						<b>15.8</b>	<b>14.9</b>	<b>1.8</b>	<b>1.7</b>	<b>2.7%</b>	<b>2.7%</b>	<b>13.3%</b>	<b>12.2%</b>	

Source: Citi Research estimates, As of closing price on 25 April 2014

## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

---

Citigroup Global Markets Inc. owns a position of 1 million USD or more in the debt securities of Noble Group Ltd

---

Citigroup Global Markets Australia Pty Limited acted as sole bookrunner and underwriter for the sale of the stapled securities in Australand Property Group held by CapitaLand Limited.

---

The Firm or its affiliates may have subscribed for, acquired or purchased or is or will or may be required to subscribe for, acquire or purchase, any of the securities of the subject company(ies) discussed in the Product, under an underwriting agreement by reason that some or all of the securities have not been subscribed for, acquired or purchased.

---

Citigroup is acting as joint bookrunner for Temasek's sale of its stake in Singapore Telecommunications Ltd.

---

Due to Citi's involvement in potential acquisition of Bank Danamon by DBS Group Holdings Ltd, Citi Research restricted publication of new research reports, and suspended its rating and target price on 2 April 2012 (the Suspension Date). While Citi Research may continue to publish research on the Company, it will not express a view about the proposed transaction, nor will its financial model(s) take into account the transaction. Additionally, the Company price chart available on Citi Research's disclosure website, is current only through the Suspension Date and, accordingly, does not reflect that Citi Research suspended its rating and target price on the Suspension Date.

---

Adrian Chua, CFA, Analyst, holds a long position in the securities of Indofood Agri Resources, Olam International, Singapore Press.

---

Hong Han Low, Director of Research, holds a long position in the securities of Ascendas REIT, Frasers Centrepoint Trust, Parkway Life, M1, StarHub, SingTel, Suntec REIT, Mapletree Industrial Trust, Soilbuild Business Space REIT, Mapletree Greater China Commercial Trust.

---

Ivan K Lim, CFA, Analyst, holds a long position in the securities of Wilmar International, Olam International, Noble Group, Vard Holdings.

---

Aik Joon Goh, Associate, holds a long position in the securities of Olam International.

---

Patrick Yau, CFA, Analyst, holds a long position in the securities of Ascendas REIT, CapitaMall Trust, M1, Suntec REIT, Venture.

---

A member of the household of Ivan K Lim, CFA, Analyst, holds a long position in the securities of SATS, Singapore Press.

---

Citigroup Global Markets Inc. or its affiliates beneficially owns 1% or more of any class of common equity securities of Singapore Airlines. This position reflects information available as of the prior business day.

---

Within the past 12 months, Citigroup Global Markets Inc. or its affiliates has acted as manager or co-manager of an offering of securities of OUE Commercial REIT, Genting Hong Kong, SMRT, Yanlord, Singapore Airlines, Mapletree Commercial Trust, AirAsia X Bhd, Mapletree Greater China Commercial Trust, Soilbuild Business Space REIT, DiGi.Com, DBS Group.

---

Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from Noble Group, PETRONAS Chemicals Group, KLCCP Stapled Group, Yangzijiang, CIMB, Cosco Corporation (Singapore), OUE Commercial REIT, Genting Hong Kong, Keppel Land, Ascendas REIT, SMRT, Jardine Strategic, Capitaland, Yanlord, Frasers Centrepoint Trust, UOB, Hutchison Port Holdings (HPH) Trust, Malaysia Marine and Heavy Engineering Holdings Berhad, Genting, IOI, Singapore Airlines, Malaysia Airports Holdings Bhd, Astro Malaysia Holdings, CapitaMall Trust, CapitaMalls Asia, Maybank, Keppel, Ascendas India Trust, UEM Sunrise Bhd, Malaysian Airline System Bhd, Sime Darby, Mapletree Commercial Trust, Keppel REIT, AMMB, SingTel, RHB Capital, Mapletree Industrial Trust, Mapletree Logistics Trust, Golden Agri-Resources, Genting Malaysia, Jardine Matheson, AirAsia X Bhd, Soilbuild Business Space REIT, Singapore Technologies Engineering, Genting Plantations Bhd, DiGi.Com, Great Eastern Holdings, AirAsia, Suntec REIT, Genting Singapore, Wilmar International, BAT, DBS Group, Hong Leong Bank, Dairy Farm, Hongkong Land.

---

Citigroup Global Markets Inc. or its affiliates expects to receive or intends to seek, within the next three months, compensation for investment banking services from Noble Group, PETRONAS Chemicals Group, KLCCP Stapled Group, Cosco Corporation (Singapore), Genting Hong Kong, SMRT, Jardine Strategic, Hutchison Port Holdings (HPH) Trust, Malaysia Marine and Heavy Engineering Holdings Berhad, Genting, Singapore Airlines, Malaysia Airports Holdings Bhd, UEM Sunrise Bhd, Malaysian Airline System Bhd, Mapletree Commercial Trust, SingTel, Mapletree Industrial Trust, Mapletree Logistics Trust, Genting Malaysia, Jardine Matheson, AirAsia X Bhd, Singapore Technologies Engineering, Genting Plantations Bhd, AirAsia, Genting Singapore, Dairy Farm, Hongkong Land.

---

Citigroup Global Markets Inc. or an affiliate received compensation for products and services other than investment banking services from CSE Global, Noble Group, PETRONAS Chemicals Group, Olam International, KLCCP Stapled Group, Yangzijiang, Parkson Holdings Bhd, IJM Plantations, CIMB, Cosco Corporation (Singapore), Genting Hong Kong, StarHub, Keppel Land, Ascendas REIT, SMRT, Jardine Strategic, SembCorp Industries, Capitaland, Yanlord, Frasers Centrepoint Trust, Neptune Orient Lines, Telekom Malaysia, UOB, Supermax, Hutchison Port Holdings (HPH) Trust, Malaysia Marine and Heavy Engineering Holdings Berhad, Genting, IJM, IOI, Axiata Group, Singapore Airlines, Alliance Financial Group, ComfortDelGro, SembCorp Marine, Malaysia Airports Holdings Bhd, Astro Malaysia Holdings, CapitaMall Trust, CapitaMalls Asia, Maybank, Keppel, Ascendas India Trust, UEM Sunrise Bhd, Malaysian Airline System Bhd, Hyflux, SapuraKencana Petroleum Bhd, Sime Darby, SATS, Mapletree Commercial Trust, AMMB, SingTel, M1, RHB Capital, Top Glove,

---

Public Bank, Venture, Mapletree Industrial Trust, Mapletree Logistics Trust, Golden Agri-Resources, Genting Malaysia, KL Kepong, Jardine Matheson, City Developments, AirAsia X Bhd, Singapore Press, Singapore Exchange, Singapore Technologies Engineering, Genting Plantations Bhd, Bursa Malaysia, Tenaga Nasional, Maxis Berhad, Yongnam Holdings, DiGi.Com, Great Eastern Holdings, AirAsia, Suntec REIT, Genting Singapore, First Resources, Wilmar International, BAT, DBS Group, Hong Leong Bank, Dairy Farm, UMW Holdings in the past 12 months.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as investment banking client(s): Noble Group, PETRONAS Chemicals Group, KLCCP Stapled Group, Yangzijiang, CIMB, Cosco Corporation (Singapore), OUE Commercial REIT, Genting Hong Kong, Keppel Land, Ascendas REIT, SMRT, Jardine Strategic, Capitaland, Yanlord, Frasers Centrepoint Trust, UOB, Hutchison Port Holdings (HPH) Trust, Malaysia Marine and Heavy Engineering Holdings Berhad, Genting, IOI, Singapore Airlines, Malaysia Airports Holdings Bhd, Astro Malaysia Holdings, CapitaMall Trust, CapitaMalls Asia, Maybank, Keppel, Ascendas India Trust, UEM Sunrise Bhd, Malaysian Airline System Bhd, Sime Darby, Mapletree Commercial Trust, Keppel REIT, AMMB, SingTel, RHB Capital, Mapletree Industrial Trust, Mapletree Logistics Trust, Golden Agri-Resources, Genting Malaysia, Jardine Matheson, AirAsia X Bhd, Soilbuild Business Space REIT, Singapore Technologies Engineering, Genting Plantations Bhd, DiGi.Com, Great Eastern Holdings, AirAsia, Suntec REIT, Genting Singapore, Wilmar International, BAT, DBS Group, Hong Leong Bank, Dairy Farm, Hongkong Land.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, securities-related: Noble Group, PETRONAS Chemicals Group, Olam International, KLCCP Stapled Group, IJM Plantations, CIMB, Perennial China Retail Trust, Cosco Corporation (Singapore), OUE Commercial REIT, Genting Hong Kong, StarHub, Keppel Land, Ascendas REIT, SMRT, Jardine Strategic, SembCorp Industries, Capitaland, Frasers Centrepoint Trust, Neptune Orient Lines, Telekom Malaysia, UOB, Supermax, Hutchison Port Holdings (HPH) Trust, Malaysia Marine and Heavy Engineering Holdings Berhad, Genting, IJM, IOI, Axiata Group, Singapore Airlines, Alliance Financial Group, ComfortDelGro, SembCorp Marine, Malaysia Airports Holdings Bhd, Astro Malaysia Holdings, CapitaMall Trust, CapitaMalls Asia, Maybank, Keppel, UEM Sunrise Bhd, Malaysian Airline System Bhd, Hyflux, SapuraKencana Petroleum Bhd, Sime Darby, SATS, Mapletree Commercial Trust, AMMB, SingTel, M1, RHB Capital, Top Glove, Public Bank, Venture, Mapletree Industrial Trust, Mapletree Logistics Trust, Golden Agri-Resources, Genting Malaysia, KL Kepong, Jardine Matheson, AirAsia X Bhd, Singapore Press, Mapletree Greater China Commercial Trust, Singapore Exchange, Soilbuild Business Space REIT, Singapore Technologies Engineering, Genting Plantations Bhd, Bursa Malaysia, Tenaga Nasional, Maxis Berhad, Yongnam Holdings, DiGi.Com, Great Eastern Holdings, AirAsia, Suntec REIT, Genting Singapore, First Resources, Wilmar International, BAT, DBS Group, Hong Leong Bank, Dairy Farm, UMW Holdings.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following as clients, and the services provided were non-investment-banking, non-securities-related: CSE Global, Noble Group, PETRONAS Chemicals Group, Olam International, KLCCP Stapled Group, Yangzijiang, Parkson Holdings Bhd, IJM Plantations, CIMB, Cosco Corporation (Singapore), Genting Hong Kong, StarHub, Keppel Land, Ascendas REIT, SMRT, Jardine Strategic, SembCorp Industries, Capitaland, Yanlord, Frasers Centrepoint Trust, Neptune Orient Lines, Telekom Malaysia, UOB, Supermax, Hutchison Port Holdings (HPH) Trust, Malaysia Marine and Heavy Engineering Holdings Berhad, Genting, IJM, IOI, Axiata Group, Singapore Airlines, Alliance Financial Group, ComfortDelGro, SembCorp Marine, Malaysia Airports Holdings Bhd, Astro Malaysia Holdings, CapitaMall Trust, CapitaMalls Asia, Maybank, Keppel, Ascendas India Trust, UEM Sunrise Bhd, Malaysian Airline System Bhd, Hyflux, SapuraKencana Petroleum Bhd, Sime Darby, SATS, AMMB, SingTel, M1, RHB Capital, Top Glove, Public Bank, Venture, Mapletree Logistics Trust, Golden Agri-Resources, Genting Malaysia, KL Kepong, Jardine Matheson, City Developments, AirAsia X Bhd, Singapore Press, Singapore Exchange, Singapore Technologies Engineering, Genting Plantations Bhd, Bursa Malaysia, Tenaga Nasional, Maxis Berhad, Yongnam Holdings, DiGi.Com, Great Eastern Holdings, AirAsia, Suntec REIT, Genting Singapore, First Resources, Wilmar International, BAT, DBS Group, Hong Leong Bank, Dairy Farm, UMW Holdings.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability which includes investment banking revenues.

The Firm is a market maker in the publicly traded equity securities of Jardine Strategic, Capitaland, Neptune Orient Lines, UOB, Keppel, SingTel, Jardine Matheson, City Developments, DBS Group, Dairy Farm.

For important disclosures (including copies of historical disclosures) regarding the companies that are the subject of this Citi Research product ("the Product"), please contact Citi Research, 388 Greenwich Street, 28th Floor, New York, NY, 10013, Attention: Legal/Compliance [E6WYB6412478]. In addition, the same important disclosures, with the exception of the Valuation and Risk assessments and historical disclosures, are contained on the Firm's disclosure website at [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures). Valuation and Risk assessments can be found in the text of the most recent research note/report regarding the subject company. Historical disclosures (for up to the past three years) will be provided upon request.

#### Citi Research Equity Ratings Distribution

Data current as of 31 Mar 2014

	12 Month Rating			Relative Rating		
	Buy	Hold	Sell	Buy	Hold	Sell
Citi Research Global Fundamental Coverage	49%	40%	12%	1%	98%	1%
% of companies in each rating category that are investment banking clients	55%	53%	45%	58%	53%	42%

#### Guide to Citi Research Fundamental Research Investment Ratings:

Citi Research stock recommendations include an investment rating and an optional risk rating to highlight high risk stocks.

**Risk rating** takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

**Investment Ratings:** Citi Research investment ratings are Buy, Neutral and Sell. Our ratings are a function of analyst expectations of expected total return ("ETR") and risk. ETR is the sum of the forecast price appreciation (or depreciation) plus the dividend yield for a stock within the next 12 months. The Investment rating definitions are: Buy (1) ETR of 15% or more or 25% or more for High risk stocks; and Sell (3) for negative ETR. Any covered stock not assigned a Buy or a Sell is a Neutral (2). For stocks rated Neutral (2), if an analyst believes that there are insufficient valuation drivers and/or investment catalysts to derive a positive or negative investment view, they may elect with the approval of Citi Research management not to assign a target price and, thus, not derive an ETR. Analysts may place covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and / or trading in the company's securities (e.g. trading suspension). As soon as practically possible, the analyst will publish a note re-establishing a rating and investment thesis. To satisfy regulatory requirements, we correspond Under Review and Neutral to Hold in our

ratings distribution table for our 12-month fundamental rating system. However, we reiterate that we do not consider Under Review to be a recommendation. **Relative three-month ratings:** Citi Research may also assign a three-month relative call (or rating) to a stock to highlight expected out-performance (most preferred) or under-performance (least preferred) versus the geographic and industry sector over a 3 month period. The relative call may highlight a specific near-term catalyst or event impacting the company or the market that is anticipated to have a short-term price impact on the equity securities of the company. Absent any specific catalyst the analyst(s) will indicate the most and least preferred stocks in the universe of stocks under consideration, explaining the basis for this short-term view. This three-month view may be different from and does not affect a stock's fundamental equity rating, which reflects a longer-term total absolute return expectation. For purposes of NASD/NYSE ratings-distribution-disclosure rules, most preferred calls correspond to a buy recommendation and least preferred calls correspond to a sell recommendation. Any stock not assigned to a most preferred or least preferred call is considered non-relative-rated (NRR). For purposes of NASD/NYSE ratings-distribution-disclosure rules we correspond NRR to Hold in our ratings distribution table for our 3-month relative rating system. However, we reiterate that we do not consider NRR to be a recommendation.

Prior to October 8, 2011, the firm's stock recommendation system included a risk rating and an investment rating. **Risk ratings**, which took into account both price volatility and fundamental criteria, were: Low (L), Medium (M), High (H), and Speculative (S). **Investment Ratings** of Buy, Hold and Sell were a function of the Citi Research expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating. Additionally, analysts could have placed covered stocks "Under Review" in response to exceptional circumstances (e.g. lack of information critical to the analyst's thesis) affecting the company and/or trading in the company's securities (e.g. trading suspension). Stocks placed "Under Review" were monitored daily by management and as practically possible, the analyst published a note re-establishing a rating and investment thesis. For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings were: Buy (1) (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold (2) (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell (3) (negative total return). For securities in emerging markets (Asia Pacific, Emerging Europe/Middle East/Africa, and Latin America), investment ratings were: Buy (1) (expected total return of 15% or more for Low-Risk stocks, 20% or more for Medium-Risk stocks, 30% or more for High-Risk stocks, and 40% or more for Speculative stocks); Hold (2) (5%-15% for Low-Risk stocks, 10%-20% for Medium-Risk stocks, 15%-30% for High-Risk stocks, and 20%-40% for Speculative stocks); and Sell (3) (5% or less for Low-Risk stocks, 10% or less for Medium-Risk stocks, 15% or less for High-Risk stocks, and 20% or less for Speculative stocks).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in investment and/or risk rating, or a change in target price (subject to limited management discretion). At other times, the expected total returns may fall outside of these ranges because of market price movements and/or other short-term volatility or trading patterns. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

#### NON-US RESEARCH ANALYST DISCLOSURES

Non-US research analysts who have prepared this report (i.e., all research analysts listed below other than those identified as employed by Citigroup Global Markets Inc.) are not registered/qualified as research analysts with FINRA. Such research analysts may not be associated persons of the member organization and therefore may not be subject to the NYSE Rule 472 and NASD Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account. The legal entities employing the authors of this report are listed below:

Citigroup Global Markets Singapore PTE LIMITED	Patrick Yau, CFA; Robert P Kong, CFA; Arthur Pineda; Horng Han Low; Adrian Chua, CFA; Ivan K Lim, CFA; Si Xian Goh; Aik Joon Goh
Citigroup Global Markets Malaysia SDN BHD	Petrina Chong; Lawrence Ye
Citigroup Global Markets Asia	Michael Beer; George Choi; Oscar Choi; Ken Yeung; Oscar Yee; Anil Daswani; Raymond Choi; Marco Sze; Griffin Chan
PT Citigroup Securities Indonesia	Margarett Go
Citigroup Global Markets India Private Limited	Atul Tiwari, CFA

#### OTHER DISCLOSURES

Citigroup Global Markets Inc. and/or its affiliates has a significant financial interest in relation to Noble Group, UOB, Maybank, M1, Venture, Suntec REIT, Hong Leong Bank. (For an explanation of the determination of significant financial interest, please refer to the policy for managing conflicts of interest which can be found at [www.citiVelocity.com](http://www.citiVelocity.com).)

For securities recommended in the Product in which the Firm is not a market maker, the Firm is a liquidity provider in the issuers' financial instruments and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in the Product. The Firm regularly trades in the securities of the issuer(s) discussed in the Product. The Firm may engage in securities transactions in a manner inconsistent with the Product and, with respect to securities covered by the Product, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources that the Firm believes to be reliable, we do not guarantee its accuracy and it may be incomplete and condensed. Note, however, that the Firm has taken all reasonable steps to determine the accuracy and completeness of the disclosures made in the Important Disclosures section of the Product. The Firm's research department has received assistance from the subject company(ies) referred to in this Product including, but not limited to, discussions with management of the subject company(ies). Firm policy prohibits research analysts from sending draft research to subject companies. However, it should be presumed that the author of the Product has had discussions with the subject company to ensure factual accuracy prior to publication. All opinions, projections and estimates constitute the judgment of the author as of the date of the Product and these, plus any other information contained in the Product, are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. Notwithstanding other departments within the Firm advising the companies discussed in this Product, information obtained in such role is not used in the preparation of the Product. Although Citi Research does not set a

predetermined frequency for publication, if the Product is a fundamental research report, it is the intention of Citi Research to provide research coverage of the/those issuer(s) mentioned therein, including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in the Product must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received the Product from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in the Product from the Firm. Please ask your Financial Consultant for additional details. Citigroup Global Markets Inc. takes responsibility for the Product in the United States. Any orders by US investors resulting from the information contained in the Product may be placed only through Citigroup Global Markets Inc.

**Important Disclosures for Bell Potter Customers:** Bell Potter is making this Product available to its clients pursuant to an agreement with Citigroup Global Markets Australia Pty Limited. Neither Citigroup Global Markets Australia Pty Limited nor any of its affiliates has made any determination as to the suitability of the information provided herein and clients should consult with their Bell Potter financial advisor before making any investment decision.

**The Citigroup legal entity that takes responsibility for the production of the Product is the legal entity which the first named author is employed by.** The Product is made available in **Australia** through Citigroup Global Markets Australia Pty Limited. (ABN 64 003 114 832 and AFSL No. 240992), participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in Australia to Private Banking wholesale clients through Citigroup Pty Limited (ABN 88 004 325 080 and AFSL 238098). Citigroup Pty Limited provides all financial product advice to Australian Private Banking wholesale clients through bankers and relationship managers. If there is any doubt about the suitability of investments held in Citigroup Private Bank accounts, investors should contact the Citigroup Private Bank in Australia. Citigroup companies may compensate affiliates and their representatives for providing products and services to clients. The Product is made available in **Brazil** by Citigroup Global Markets Brasil - CCTVM SA, which is regulated by CVM - Comissão de Valores Mobiliários, BACEN - Brazilian Central Bank, APIMEC - Associação dos Analistas e Profissionais de Investimento do Mercado de Capitais and ANBID - Associação Nacional dos Bancos de Investimento. Av. Paulista, 1111 - 11º andar - CEP. 01311920 - São Paulo - SP. If the Product is being made available in certain provinces of **Canada** by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved the Product. Citigroup Place, 123 Front Street West, Suite 1100, Toronto, Ontario M5J 2M3. This product is available in **Chile** through Banchile Corredores de Bolsa S.A., an indirect subsidiary of Citigroup Inc., which is regulated by the Superintendencia de Valores y Seguros. Agustinas 975, piso 2, Santiago, Chile. The Product is distributed in **Germany** by Citigroup Global Markets Deutschland AG ("CGMD"), which is regulated by Bundesanstalt fuer Finanzdienstleistungsaufsicht (BaFin). CGMD, Reuterweg 16, 60323 Frankfurt am Main. Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in **Hong Kong** by, or on behalf of, Citigroup Global Markets Asia Limited which takes full responsibility for its content. Citigroup Global Markets Asia Ltd. is regulated by Hong Kong Securities and Futures Commission. If the Research is made available through Citibank, N.A., Hong Kong Branch, for its clients in Citi Private Bank, it is made available by Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. Citibank N.A. is regulated by the Hong Kong Monetary Authority. Please contact your Private Banker in Citibank N.A., Hong Kong, Branch if you have any queries on or any matters arising from or in connection with this document. The Product is made available in **India** by Citigroup Global Markets India Private Limited, which is regulated by Securities and Exchange Board of India. Bakhtawar, Nariman Point, Mumbai 400-021. The Product is made available in **Indonesia** through PT Citigroup Securities Indonesia. 5/F, Citibank Tower, Bapindo Plaza, Jl. Jend. Sudirman Kav. 54-55, Jakarta 12190. Neither this Product nor any copy hereof may be distributed in Indonesia or to any Indonesian citizens wherever they are domiciled or to Indonesian residents except in compliance with applicable capital market laws and regulations. This Product is not an offer of securities in Indonesia. The securities referred to in this Product have not been registered with the Capital Market and Financial Institutions Supervisory Agency (BAPEPAM-LK) pursuant to relevant capital market laws and regulations, and may not be offered or sold within the territory of the Republic of Indonesia or to Indonesian citizens through a public offering or in circumstances which constitute an offer within the meaning of the Indonesian capital market laws and regulations. The Product is made available in **Israel** through Citibank NA, regulated by the Bank of Israel and the Israeli Securities Authority. Citibank, N.A., Platinum Building, 21 Ha'arba'ah St, Tel Aviv, Israel. The Product is made available in **Italy** by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA. Via dei Mercanti, 12, Milan, 20121, Italy. The Product is made available in **Japan** by Citigroup Global Markets Japan Inc. ("CGMJ"), which is regulated by Financial Services Agency, Securities and Exchange Surveillance Commission, Japan Securities Dealers Association, Tokyo Stock Exchange and Osaka Securities Exchange. Shin-Marunouchi Building, 1-5-1 Marunouchi, Chiyoda-ku, Tokyo 100-6520 Japan. If the Product was distributed by SMBC Nikko Securities Inc. it is being so distributed under license. In the event that an error is found in an CGMJ research report, a revised version will be posted on the Firm's Citi Velocity website. If you have questions regarding Citi Velocity, please call (81 3) 6270-3019 for help. The Product is made available in **Korea** by Citigroup Global Markets Korea Securities Ltd., which is regulated by the Financial Services Commission, the Financial Supervisory Service and the Korea Financial Investment Association (KOFIA). Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. KOFIA makes available registration information of research analysts on its website. Please visit the following website if you wish to find KOFIA registration information on research analysts of Citigroup Global Markets Korea Securities Ltd. <http://dis.kofia.or.kr/fs/dis2/fundMgr/DISFundMgrAnalystPop.jsp?companyCd2=A03030&pageDiv=02>. The Product is made available in Korea by Citibank Korea Inc., which is regulated by the Financial Services Commission and the Financial Supervisory Service. Address is Citibank Building, 39 Da-dong, Jung-gu, Seoul 100-180, Korea. The Product is made available in **Malaysia** by Citigroup Global Markets Malaysia Sdn Bhd (Company No. 460819-D) ("CGMM") to its clients and CGMM takes responsibility for its contents. CGMM is regulated by the Securities Commission of Malaysia. Please contact CGMM at Level 43 Menara Citibank, 165 Jalan Ampang, 50450 Kuala Lumpur, Malaysia in respect of any matters arising from, or in connection with, the Product. The Product is made available in **Mexico** by Acciones y Valores Banamex, S.A. De C. V., Casa de Bolsa, Integrante del Grupo Financiero Banamex ("Accival") which is a wholly owned subsidiary of Citigroup Inc. and is regulated by Comisión Nacional Bancaria y de Valores. Reforma 398, Col. Juárez, 06600 Mexico, D.F. In **New Zealand** the Product is made available to 'wholesale clients' only as defined by s5C(1) of the Financial Advisers Act 2008 ('FAA') through Citigroup Global Markets Australia Pty Ltd (ABN 64 003 114 832 and AFSL No. 240992), an overseas financial

adviser as defined by the FAA, participant of the ASX Group and regulated by the Australian Securities & Investments Commission. Citigroup Centre, 2 Park Street, Sydney, NSW 2000. The Product is made available in **Pakistan** by Citibank N.A. Pakistan branch, which is regulated by the State Bank of Pakistan and Securities Exchange Commission, Pakistan. AWT Plaza, 1.1. Chundrigar Road, P.O. Box 4889, Karachi-74200. The Product is made available in the **Philippines** through Citicorp Financial Services and Insurance Brokerage Philippines, Inc., which is regulated by the Philippines Securities and Exchange Commission. 20th Floor Citibank Square Bldg. The Product is made available in the Philippines through Citibank NA Philippines branch, Citibank Tower, 8741 Paseo De Roxas, Makati City, Manila. Citibank NA Philippines NA is regulated by The Bangko Sentral ng Pilipinas. The Product is made available in **Poland** by Dom Maklerski Banku Handlowego SA an indirect subsidiary of Citigroup Inc., which is regulated by Komisja Nadzoru Finansowego. Dom Maklerski Banku Handlowego S.A. ul.Senatorska 16, 00-923 Warszawa. The Product is made available in the **Russian Federation** through ZAO Citibank, which is licensed to carry out banking activities in the Russian Federation in accordance with the general banking license issued by the Central Bank of the Russian Federation and brokerage activities in accordance with the license issued by the Federal Service for Financial Markets. Neither the Product nor any information contained in the Product shall be considered as advertising the securities mentioned in this report within the territory of the Russian Federation or outside the Russian Federation. The Product does not constitute an appraisal within the meaning of the Federal Law of the Russian Federation of 29 July 1998 No. 135-FZ (as amended) On Appraisal Activities in the Russian Federation. 8-10 Gasheka Street, 125047 Moscow. The Product is made available in **Singapore** through Citigroup Global Markets Singapore Pte. Ltd. ("CGMSPL"), a capital markets services license holder, and regulated by Monetary Authority of Singapore. Please contact CGMSPL at 8 Marina View, 21st Floor Asia Square Tower 1, Singapore 018960, in respect of any matters arising from, or in connection with, the analysis of this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). The Product is made available by The Citigroup Private Bank in Singapore through Citibank, N.A., Singapore Branch, a licensed bank in Singapore that is regulated by Monetary Authority of Singapore. Please contact your Private Banker in Citibank N.A., Singapore Branch if you have any queries on or any matters arising from or in connection with this document. This report is intended for recipients who are accredited, expert and institutional investors as defined under the Securities and Futures Act (Cap. 289). This report is distributed in Singapore by Citibank Singapore Ltd ("CSL") to selected Citigold/Citigold Private Clients. CSL provides no independent research or analysis of the substance or in preparation of this report. Please contact your Citigold/Citigold Private Client Relationship Manager in CSL if you have any queries on or any matters arising from or in connection with this report. This report is intended for recipients who are accredited investors as defined under the Securities and Futures Act (Cap. 289). Citigroup Global Markets (Pty) Ltd. is incorporated in the **Republic of South Africa** (company registration number 2000/025866/07) and its registered office is at 145 West Street, Sandton, 2196, Saxonwold. Citigroup Global Markets (Pty) Ltd. is regulated by JSE Securities Exchange South Africa, South African Reserve Bank and the Financial Services Board. The investments and services contained herein are not available to private customers in South Africa. The Product is made available in the **Republic of China** through Citigroup Global Markets Taiwan Securities Company Ltd. ("CGMTS"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan and/or through Citibank Securities (Taiwan) Company Limited ("CSTL"), 14 and 15F, No. 1, Songzhi Road, Taipei 110, Taiwan, subject to the respective license scope of each entity and the applicable laws and regulations in the Republic of China. CGMTS and CSTL are both regulated by the Securities and Futures Bureau of the Financial Supervisory Commission of Taiwan, the Republic of China. No portion of the Product may be reproduced or quoted in the Republic of China by the press or any third parties [without the written authorization of CGMTS and CSTL]. If the Product covers securities which are not allowed to be offered or traded in the Republic of China, neither the Product nor any information contained in the Product shall be considered as advertising the securities or making recommendation of the securities in the Republic of China. The Product is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security or financial products. Any decision to purchase securities or financial products mentioned in the Product must take into account existing public information on such security or the financial products or any registered prospectus. The Product is made available in **Thailand** through Citicorp Securities (Thailand) Ltd., which is regulated by the Securities and Exchange Commission of Thailand. 18/F, 22/F and 29/F, 82 North Sathorn Road, Silom, Bangrak, Bangkok 10500, Thailand. The Product is made available in **Turkey** through Citibank AS which is regulated by Capital Markets Board. Tekfen Tower, Eski Buyukdere Caddesi # 209 Kat 2B, 23294 Levent, Istanbul, Turkey. In the **U.A.E.**, these materials (the "Materials") are communicated by Citigroup Global Markets Limited, DIFC branch ("CGML"), an entity registered in the Dubai International Financial Center ("DIFC") and licensed and regulated by the Dubai Financial Services Authority ("DFSA") to Professional Clients and Market Counterparties only and should not be relied upon or distributed to Retail Clients. A distribution of the different Citi Research ratings distribution, in percentage terms for Investments in each sector covered is made available on request. Financial products and/or services to which the Materials relate will only be made available to Professional Clients and Market Counterparties. The Product is made available in **United Kingdom** by Citigroup Global Markets Limited, which is authorised by the Prudential Regulation Authority ("PRA") and regulated by the Financial Conduct Authority ("FCA") and the PRA. This material may relate to investments or services of a person outside of the UK or to other matters which are not authorised by the PRA nor regulated by the FCA and the PRA and further details as to where this may be the case are available upon request in respect of this material. Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB. The Product is made available in **United States** by Citigroup Global Markets Inc, which is a member of FINRA and registered with the US Securities and Exchange Commission. 388 Greenwich Street, New York, NY 10013. Unless specified to the contrary, within EU Member States, the Product is made available by Citigroup Global Markets Limited, which is authorised by the PRA and regulated by the FCA and the PRA.

Pursuant to Comissão de Valores Mobiliários Rule 483, Citi is required to disclose whether a Citi related company or business has a commercial relationship with the subject company. Considering that Citi operates multiple businesses in more than 100 countries around the world, it is likely that Citi has a commercial relationship with the subject company.

Many European regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citi Research's Products can be found at [https://www.citivelocity.com/cvr/eppublic/citi\\_research\\_disclosures](https://www.citivelocity.com/cvr/eppublic/citi_research_disclosures).

Compensation of equity research analysts is determined by equity research management and Citigroup's senior management and is not linked to specific transactions or recommendations.

The Product is not to be construed as providing investment services in any jurisdiction where the provision of such services would not be permitted.

Subject to the nature and contents of the Product, the investments described therein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained in the Product may have tax implications for private customers whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. The Product does not purport to identify the nature of the specific market or other risks associated with a particular transaction. Advice in the Product is general and should not be construed as personal advice given it has been prepared

without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. Prior to acquiring any financial product, it is the client's responsibility to obtain the relevant offer document for the product and consider it before making a decision as to whether to purchase the product. Citi Research generally disseminates its research to the Firm's global institutional and retail clients via both proprietary (e.g., Citi Velocity and Citi Personal Wealth Management) and non-proprietary electronic distribution platforms. Certain research may be disseminated only via Citi's proprietary distribution platforms; however such research will not contain changes to earnings forecasts, target price, investment or risk rating or investment thesis or be otherwise inconsistent with the author's previously published research. Certain research is made available only to institutional investors to satisfy regulatory requirements. Individual Citi Research analysts may also opt to circulate published research to one or more clients by email; such email distribution is discretionary and is done only after the research has been disseminated.

The level and types of services provided by Citi Research analysts to clients may vary depending on various factors such as the client's individual preferences as to the frequency and manner of receiving communications from analysts, the client's risk profile and investment focus and perspective (e.g. market-wide, sector specific, long term, short-term etc.), the size and scope of the overall client relationship with Citi and legal and regulatory constraints. Citi Research product may source data from dataCentral. dataCentral is a Citi Research proprietary database, which includes Citi estimates, data from company reports and feeds from Thomson Reuters.

---

© 2014 Citigroup Global Markets Inc. Citi Research is a division of Citigroup Global Markets Inc. Citi and Citi with Arc Design are trademarks and service marks of Citigroup Inc. and its affiliates and are used and registered throughout the world. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure of this report (the "Product"), including, but not limited to, redistribution of the Product by electronic mail, posting of the Product on a website or page, and/or providing to a third party a link to the Product, is prohibited by law and will result in prosecution. The information contained in the Product is intended solely for the recipient and may not be further distributed by the recipient to any third party. Where included in this report, MSCI sourced information is the exclusive property of Morgan Stanley Capital International Inc. (MSCI). Without prior written permission of MSCI, this information and any other MSCI intellectual property may not be reproduced, redisseminated or used to create any financial products, including any indices. This information is provided on an "as is" basis. The user assumes the entire risk of any use made of this information. MSCI, its affiliates and any third party involved in, or related to, computing or compiling the information hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of this information. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in, or related to, computing or compiling the information have any liability for any damages of any kind. MSCI, Morgan Stanley Capital International and the MSCI indexes are services marks of MSCI and its affiliates. The Firm accepts no liability whatsoever for the actions of third parties. The Product may provide the addresses of, or contain hyperlinks to, websites. Except to the extent to which the Product refers to website material of the Firm, the Firm has not reviewed the linked site. Equally, except to the extent to which the Product refers to website material of the Firm, the Firm takes no responsibility for, and makes no representations or warranties whatsoever as to, the data and information contained therein. Such address or hyperlink (including addresses or hyperlinks to website material of the Firm) is provided solely for your convenience and information and the content of the linked site does not in anyway form part of this document. Accessing such website or following such link through the Product or the website of the Firm shall be at your own risk and the Firm shall have no liability arising out of, or in connection with, any such referenced website.

---

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

---