



Singapore IPO market in 2016 H1

With 5 Catalist and 3 Mainboard listings in the first half of 2016, Singapore's IPO market showed positive improvements with a total of 8 IPOs compared to only 3 in 2015 H1.

#	Company	Listing platform	Date of listing	Offer price	Amount raised S\$('million)	IPO Market Cap S\$('million)
1	Eindec Corporation Limited	Catalist	15-Jan-16	0.21	7.5	22.6
2	GS Holdings Limited	Catalist	18-Jan-16	0.25	6.0	31.0
3	Secura Group Limited	Catalist	28-Jan-16	0.25	28.0	100.0
4	Anchor Resources Limited	Catalist	18-Mar-16	0.25	7.2	69.9
5	Acromec Limited	Catalist	18-Apr-16	0.22	5.9	26.5
6	Manulife US REIT	Mainboard (REIT)	20-May-16	USD0.83	650.0* * converted from USD469.874	720.0* * converted from USD519.20
7	Frasers Logistics & Industrial Trust	Mainboard (REIT)	20-Jun-16	0.89	903.0	1,263.4
8	Top Glove Corporation Bhd	Mainboard (Secondary listing)	28-Jun-16	1.635	N.A.	N.A.
Total					1,607.6	2,210.78

The Singapore Exchange (SGX) is off to a promising start, raising over S\$1.6bn proceeds and achieving a market capitalisation of more than S\$2.2bn. This is more than 29 times of total funds raised in 2015 H1, which was only S\$56m.

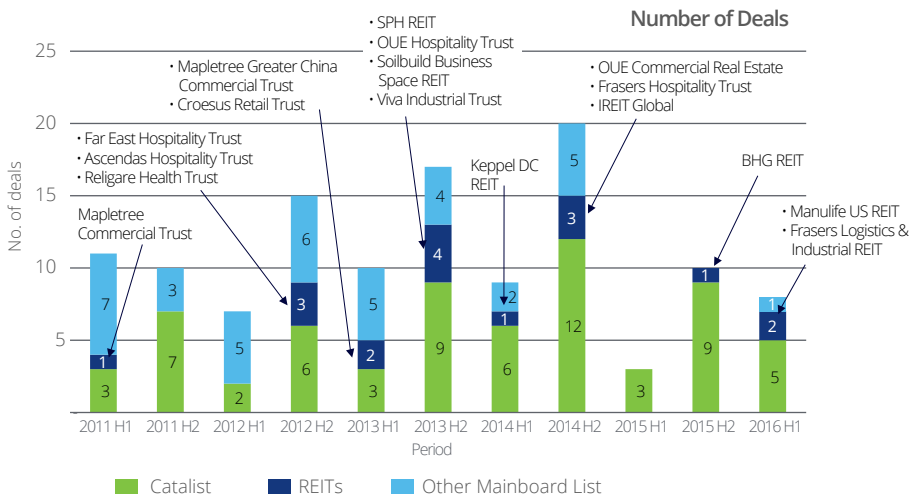
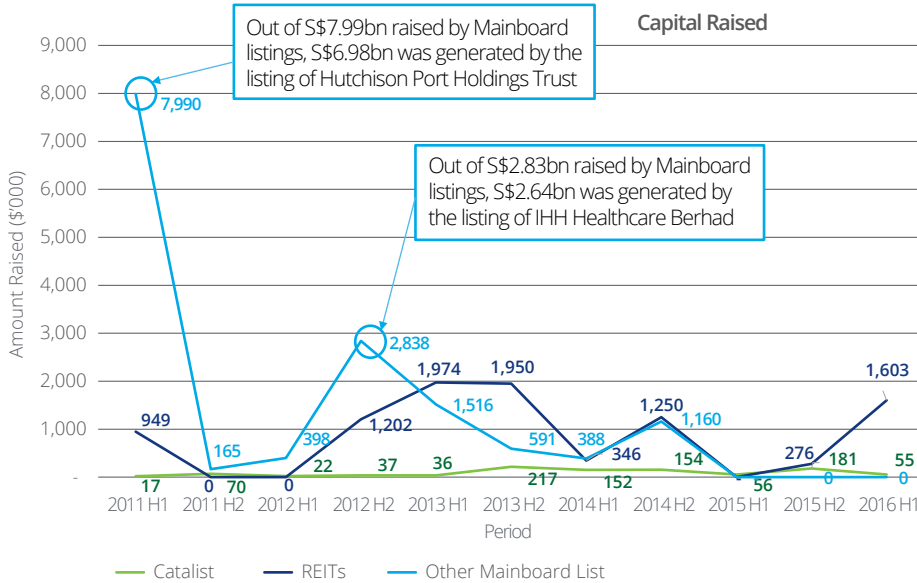
Most of the funds raised in 2016 was attributable to the listings of Manulife US REIT and Frasers Logistics & Industrial Trust, each raising S\$650m and S\$903m respectively, as compared to BHG REIT, the only Mainboard listing in 2015 that raised S\$276m.

	2011	2012	2013	2014	2015	2016
H1	11	7	10	9	3	8
H2	10	15	17	20	10	?

An interesting trend observed in the past four years is that the number of IPOs in the second half of the year far exceed that of the first half, sometimes more than doubling.

Typically, the biggest contributor to total funds raised are the REITS and Property Trust listings, as illustrated in the following two charts that depict the trends observed over the period of 2011 to 2016 H1.

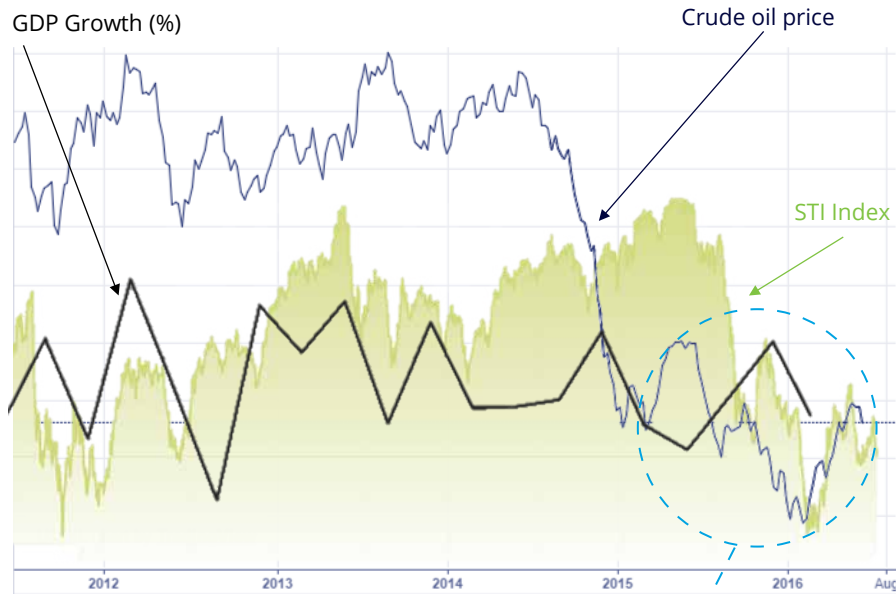
Trends observed over the period of 2011 - 2016 H1



With this historical trend, we could expect more IPOs in the second half of 2016, especially with some companies planning listings as announced in various media reports, including mm2 Asia’s subsidiary, UnUsUaI¹ and Q&M Dental (China)¹ for SGX Catalist board as well as Greenland Group² and Shanghai Based EC World REIT³ from Forchn Holdings Group on SGX Mainboard.

1. The Business Times, June 10, 2016
 2. The Straits Times, March 12, 2016
 3. Reuters, July 1, 2016

STI performance vs. crude oil price vs. GDP growth (5 years)



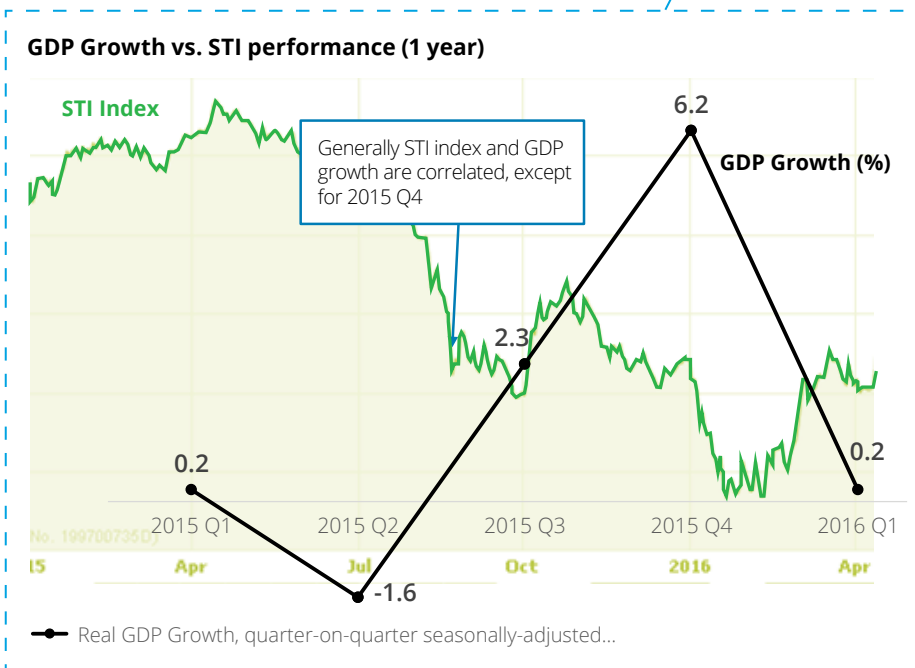
Market performance

The performance of the STI* index in 2015 ended with 15.5 per cent lower than in the beginning of the year. 2015 H1 showed a general upward movement but that was short-lived as its performance deteriorated in H2, due to declining global commodity prices and increased competition with emerging countries. Expectations of whether the Fed was going to increase interest rates for the first time since 2006 also caused volatility towards the end of 2015.

We observe a strong correlation between the STI and crude oil price movements. The drop in oil prices since 2014 has weakened Singapore companies in the manufacturing sector, as seen in two of STI constituents – rig builders Keppel Corp (SGX: BN4) and Sembcorp Marine (SGX: S51). By end of 2015, Keppel Corp's counter decreased by 27.68 per cent and Sembcorp Marine's share price fell by 48.16 per cent. **In addition, we also observe that REITs account for more than 60 per cent of total funds raised via IPO since 2013.**

There seems to be a blurred relationship between the STI and GDP growth. STI's largest industry (in terms of number of stocks) is Real Estate with eight stocks, but this industry only contributes a trival amount in GDP growth. **Weakening GDP growth and sluggish crude oil prices add to the uncertainty of the Singapore market and this also affects investing and listing decisions.**

* STI Index represents the top 30 largest and most liquid companies listed on SGX, therefore is most popular to be used as a benchmark for Singapore equity market performance.



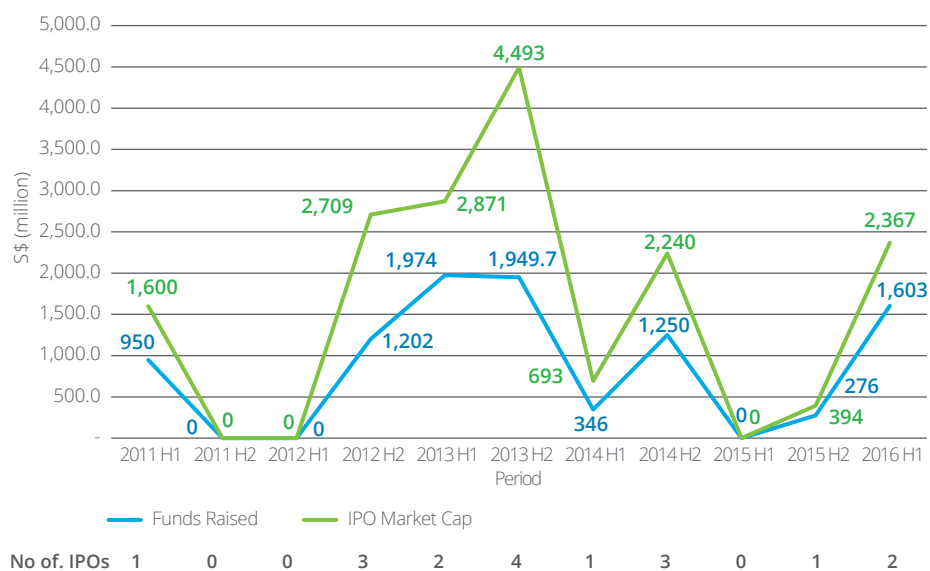
Source: Trading Economics, Yahoo Finance Singapore and Monetary Authority of Singapore (MAS)

Focus on REITs listings

The Singapore IPO market has seen a dominance of REITs and Property Trusts listings in the last five years.

We take a closer look at the sizeable trust listings over the years and found that the actual yield for REITs listed between 2011 and 2016 H1 generally outperforms the forecasted yield at IPO.

REITs market cap & funds raised over 2011 - 2016 H1

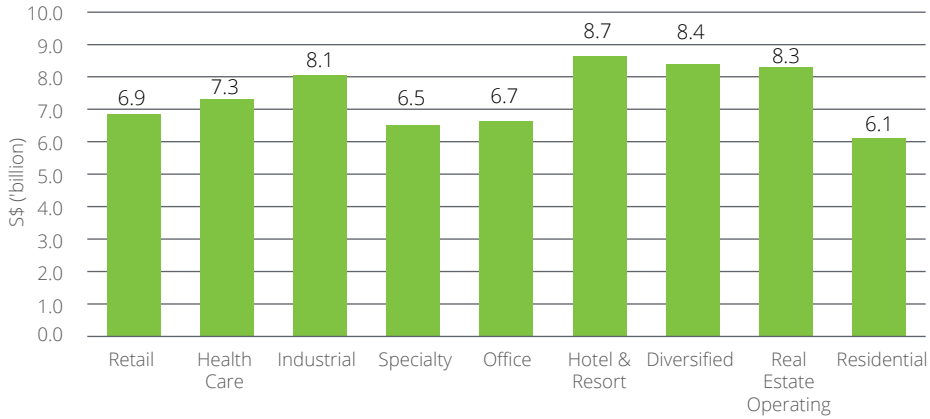


Dividend yield of REITs listed between 2011 - 2016 H1

Name	GICS Sub-Industry	IPO date	Forecasted Yield at IPO (%)	Yield as at Jan'16 (%)	Difference (%)
Mapletree Commercial Trust	Retail REIT	27-Apr-11	5.7	6.3	10.5
Far East Hospitality Trust	Hotel & Resort REIT	27-Aug-12	6.0	7.6	26.0
Ascendas Hospitality Trust	Hotel & Resort REIT	27-Jul-12	7.9	7.4	-6.5
Religare Health Trust	Health Care Facilities REIT	19-Oct-12	8.9	8.7	-2.6
Mapletree Greater China Commercial Trust	Hotel & Resort REIT	07-Mar-13	5.6	8.1	44.6
Croesus Retail Trust	Retail REIT	10-May-13	8.0	9.6	20
SPH REIT	Specialized REIT	24-Jul-13	5.8	5.8	0
OUE Hospitality Trust	Office REIT	25-Jul-13	7.4	9.3	25.7
Soilbuild Business Space REIT	Industrial REIT	16-Aug-13	7.7	8.8	14.3
Viva Industrial Trust	Office REIT	04-Nov-13	8.8	10.1	14.8
OUE Commercial REIT	Office REIT	27-Jan-14	6.8	6.4	-5.9
Frasers Hospitality Trust	Hotel & Resort REIT	14-Jul-14	7.0	11.7	67.1
IREIT Global	Office REIT	13-Aug-14	8.0	7.3	-8.8
Keppel DC REIT	Specialized REIT	12-Dec-14	6.8	6.5	-4.4
BHG Retail REIT	Retail REIT	11-Dec-15	6.3	6.3*	0.0
Manulife US REIT	Office REIT	20-May-16	7.1	7.1*	0.0
Frasers Logistics & Industrial REIT	Industrial REIT	20-Jun-16	7.3	7.3*	0.0
Average			7.1	7.9	10.7

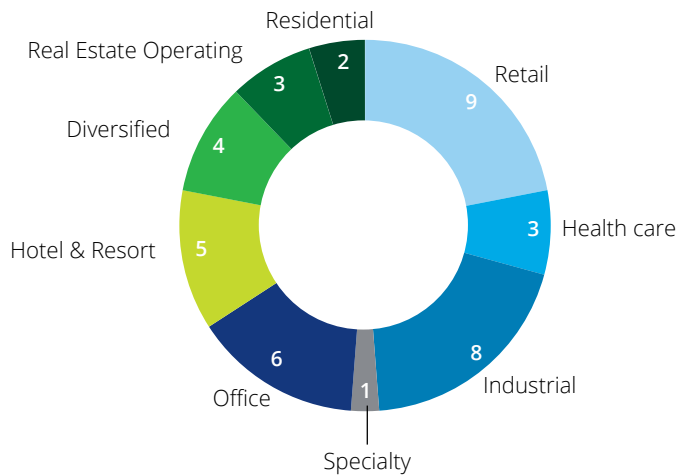
*As at Jan'16, only forecasted data available

Yield of 41 S-REITs listed as at June 30, 2016 by GICS sub-industry



The highest average yields are from Hotel & Resort REITs such as Frasers Hospitality Trust.

Breakdown of the 41 S-REITs listed as at June 30, 2016 by GICS sub-industry



REITs and Property Trusts on SGX have experienced high growth, and remain attractive today because of their appealing distribution yields varying between 6.1% to 8.7% and relatively stable lease-based cash flows.

Outlook for 2016 H2

REITs and Business Trusts are one of the key strengths of SGX, along with consumer and healthcare stocks. We expect to see a strong trend of REIT IPOs for the rest of 2016. Here are some factors that may have an impact on the IPO outlook.



Singapore Budget 2016

In Budget 2016, the Government launched a new Industry Transformation Programme to help enterprises and industries create new value and drive growth, as well as to transform through innovation. A total of S\$4.5 bn will be made available to support enterprises and industries, on top of the existing resources via the R&D and the National Productivity Fund.



Fed interest rates

The Fed is expected to keep short term interest rates the same or lower in the wake of Brexit.



Global GDP growth

Global GDP growth is projected to pull back to 3.7 per cent in 2016, from 3.9 per cent in 2015.



Brexit

Volatility is likely to remain in the market due to factors including the impact of Brexit on the rest of Europe and on Britain, and slower global economic growth.



Regulatory requirements

SGX – Singapore-listed companies are to publish a sustainability report at least once a year, to include board statements describing sustainability actions, identify environmental, social and governance factors that affect business strategies, explain their practices and performances, and set targets, done on a “comply or explain” basis. Requirements to take effect for any financial year-end on or after December 31, 2017.

SGX – Minimum trading price (“MTP”) for six-month average share price of 20 cents for mainboard-listed companies, with a final deadline of February 28, 2019, failing which Mainboard companies could be delisted or have the option to transfer to the Catalyst board (no MTP).

Association of Banks in Singapore – Tightened standards of due diligence for member banks on SGX listings, requiring banks to look into the reasons behind Board resignations and questioning any unnecessary complex group structures.

Monetary Authority of Singapore – New guidelines issued for REITs Managers to strengthen corporate governance, increase transparency of fee structure and operational flexibility. Requirements to take effect from January 1, 2017.



Market developments

SGX continues to be in exclusive talks up until August 31, 2016 to acquire The Baltic Exchange, London, the world's source of maritime market information, which has been at the heart of the global shipping industry for centuries. The acquisition, if successful, would complement the exchange's iron ore swaps and futures business, lending weight to SGX's commodities products business and opening up doors for future listings from this sector.



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