

The SiSAM Connect

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MARKET COMMENTARY

In this issue's market commentary, we summarise several investment concerns and the current investment outlook amidst the current macroeconomic climate, based on ground interactions and discussions with institutional and HNW investors.

- There remains considerable interest in the economic and political situation in the United States. Many we spoke to are concerned and are seriously doubting whether the pro-growth policies of the Trump Administration will be passed and drive the country's economy
- A global equity fund manager has noted the strength of the global equity markets, citing relative improvements in corporate earnings and economic indicators as the main factors supporting equity markets. He also observed that investors who usually adopt conventional contrarian investing and other cautious investment strategies in the market are now showing signs of "chasing the market". The question of whether markets are now overpricing expectations will continue to create uncertainty and volatility
- China's debt level in its economy is unsustainable. The consensus view is that a debt crisis is very possible and alarm bells should start to ring if GDP growth in China were to fall below 5%. This concern is unlikely to subside with the Chinese economy still showing signs of further slowdown, as reflected by economic indicators such as decline in vehicle sales and PMI on the borderline of 50
- Going forward, it is unlikely that we will witness the high prices of yester-years in the Singapore residential property market that produce significant capital appreciation. The recent bullish developer bids for land sales as well as the current "sticky" asking price phenomenon in the secondary residential market suggest a return of optimistic market sentiments. Nonetheless, we believe that investment appetite will continue to be moderated or held back given the current property cooling measures in place
- In the popular fintech and technology space, investors are becoming more discerning and selective about investing in tech start-ups, as many of them are similar to each other ("nothing ground-breaking"), lack revenue visibility and have limited commercialisation potential
- In relation to SiSAM's recently launched **SiS Credit Fund**, we are seeing more high quality and larger quantum debt opportunities in the private lending market. This could be due to an increasing acceptance of private debt by companies that were previously accustomed to traditional bank financing as well as a reflection of the economic headwinds facing many businesses today

WHAT'S HAPPENING ON THE GROUND?

- Federal Reserve officials forged ahead with an interest rate increase and additional plans to tighten monetary policy despite growing concerns over weak inflation. Policy makers agreed to raise their benchmark lending rate for the third time in six months, maintained their outlook for one more hike in 2017 and set out some details for how they intend to shrink their US\$4.5 trillion balance sheet this year. Fed Chair Janet Yellen said the unwinding plan could be put into effect "relatively soon" if the economy evolves as the central bank expects. (Source: Bloomberg, 15 June 2017)
- A consortium linked to Singapore Press Holdings and Kajima Development has placed the highest bid in a state tender for a 99-year-leasehold mixed commercial and residential site in Bidadari estate. It offered S\$1.132 billion, which works out to S\$1,181 per sq ft per plot ratio (ppr), for the site in Upper Serangoon Road. The next highest bidder, a tie-up between Far East Civil Engineering and Sekisui House, put in a S\$1.117 billion offer for the 25,440 sq m site, which can yield about 825 private homes. (Source: Straits Times, 13 June 2017)

- In the third biggest collective sale in Singapore, MCL Land has clinched the Eunosville site through a collective sale at a price of S\$765.78 million. This works out to a unit land price of S\$909 per square foot ppr inclusive of an estimated S\$194 million payable to the state to enhance the intensity of the site to a gross plot ratio of 2.8 and to top up the site's lease to 99 years. The site has a balance lease term of about 71 years. When the tender for Eunosville was launched in April, its marketing agent OrangeTee had stated the asking price was S\$643 million to S\$653 million (S\$780-790 per square foot psf ppr). (Source: Business Times, 2 June 2017)
- A consortium comprising Oxley Holdings, KSH Holdings, Lian Beng Group and the private investment firm of Super Group's Teo family has secured a residential property in Hougang for S\$575 million. The offer was accepted by the strata owners of the property on Wednesday. The property known as Rio Casa is a former HUDC estate that has been privatised and sits on a land area of about 36,811.1 square metres. (Source: Business Times, 25 May 2017)
- The private equity market is set to boom in Asia as international investors looking for returns diversify to the region, said a HSBC banker. The PE market which is quite mature in North America and Europe is increasingly turning its sights to Asia, said Graeme Strommen, global head of Middle Market Financial Sponsors, HSBC. He said the move to Asia is increasingly driven by diversification and the need to provide higher returns. There are about 3,000 PE firms in North America, but only 50 in Asia. Some of the 50 Asian PE firms are regional while others are global and about 15 are based in Singapore. (Source: Business Times, 19 May 2017)
- UE.'s largest shareholders picked Perennial Real Estate Holdings Ltd. for final talks to buy the century-old Singapore property group. An agreement could be reached as soon as this month for United Engineers, which has a market value of S\$1.8 billion. Perennial edged out other final bidders including KKR & Co. and Haiyi Holdings, the majority shareholder of Singapore-listed SingHaiyi Group Ltd. (Source: Bloomberg, 31 May 2017)
- MyRepublic Ltd., the Singapore internet provider backed by billionaire Xavier Niel, is seeking a private-equity partner as it bids for local wireless carrier M1 Ltd., according to people with knowledge of the matter. MyRepublic, which last year unsuccessfully bid for Singapore's fourth mobile operator license, has been approaching buyout firms about helping finance its planned offer for M1. (Source: Bloomberg, 31 May 2017)
- Prices of completed private apartments and condominiums slipped 0.6% in April, after rising 0.8% in March. This is based on flash estimates by the National University of Singapore (NUS) for its overall Singapore Residential Price Index (SRPI) released on Monday. Faring the worst during the month of April were completed units (excluding small units) in the non-central region, which fell 0.7% during the month. Completed units (excluding small units) in the central region saw prices fall 0.5%. (Source: Business Times, 29 May 2017)
- A large residential plot at Stirling Road launched by the government drew a record price of over S\$1 billion in a joint bid from Logan Property Holdings and Chinese conglomerate Nanshan Group. The bullish bid of S\$1,050.7 per square foot ppr on gross floor area for the 99-year-leasehold site also sets a new record in the Queenstown area, analysts point out. This marks Hong Kong-listed Logan Property's maiden participation in the Government Land Sales (GLS) programme and foray into the Singapore residential market. (Source: Business, 19 May 2017)

Current Funds by SiSAM

SiS Real Estate Opportunity Fund | SiS Intrepid Venture | SiS Credit Fund

To find out more, email enquiry@sisasset.com