



The SiSAM Connect

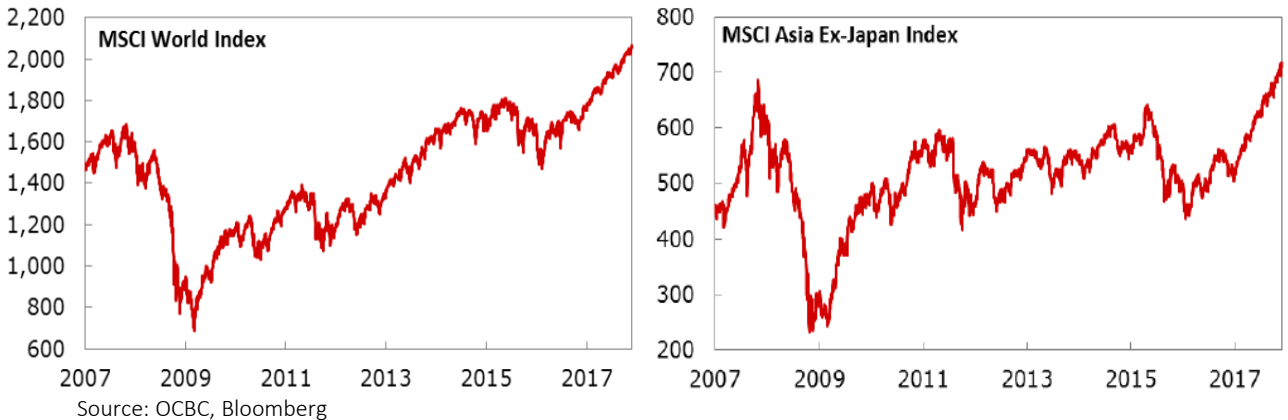
Discover the opportunities

MARKET COMMENTARY

Global Macroeconomy

Investors enjoyed stellar gains in key global markets for 2017, brushing aside geopolitical concerns earlier in the year such as North Korea’s nuclear threat and uncertainty over Donald Trump’s new presidency. With the recovering U.S economy and improving employment figures, the U.S. Federal Reserve hiked rates thrice with the most recent one in December, signalling a gradual shift towards monetary tightening. However, with asset valuations getting stretched and more rate hikes anticipated in 2018, it is likely that we see more downside risks and volatility in 2018, as global markets may struggle to repeat the strong performance in 2017.

China’s economy will continue to weigh heavily on the global economy in 2018. The continued tightening of its supervision on the financial sector after the Party Congress and consolidation of power under President Xi Jinping should bode well for the longer term growth and development of the economy. Concerns over its economic rebalancing and debt burden amidst a slowing economy look set to remain in the new year.



Technology

2017 marks another remarkable year for the technology sector, fuelled by feverish investor interest to uncover the next “big winner” among new age tech companies in Fintech, Edtech, TelcoTech and e-commerce. Disruption remains a central theme. Amidst the growing belief in a “winner takes all” business environment, investors have begun to embrace investments in blockchain related companies, cryptocurrencies (e.g. bitcoin), artificial intelligence applications and big data. The strong momentum generated in 2017 looks set to carry into 2018.

Real Estate

In Singapore, the pace of collective sales is not showing any sign of letting up despite warnings from the Singapore central bank and housing authority. To date, approximately S\$7 billion of collective sale transactions have already been announced this year – the second highest year (2007 topped the list with total sales of S\$11.5 billion). Sentiments on the ground have improved as the URA Private Property Index saw its first uptick in 3Q 2017 after four years of decline. Given recent land acquisition prices in government land and private sales, the launch prices of new units on these sites are expected to reach higher unprecedented levels in Singapore. We are waiting with abated breathe for the performance of these primary sales in 2018.

SiS Credit Fund

In 2017, SiSAM successfully launched its third fund (SiS Credit Fund) to focus in private debt investments. Amidst the current economic and banking climate, the fund is well positioned to capitalize on attractive debt opportunities in Asia Pacific (particularly Singapore) The fund made its first investment in 3Q 2017 which is expected to realize an internal rate of return of over 20%. With a strong pipeline of credit opportunities going into 2018, the fund is on track to generate a steady and attractive stream of income for our investors.

WHAT'S HAPPENING ON THE GROUND?

- According to a report by the Centre for Economics and Business Research (CEBR) in London, three of the four largest economies by 2032 will be Asian (China, India and Japan) and, by that time, China will also have overtaken the U.S. to hold the No. 1 spot. By 2032, South Korea and Indonesia will have entered the top 10, supplanting the Group of Seven nations of Italy and Canada. (Source: Bloomberg, 26 Dec 2017)
- Global A&T Electronics, a Singapore-based chip assembler that took on hefty debt a decade ago through a buyout by TPG Capital and Affinity Equity Partners, has filed for bankruptcy. The chip-assembler listed debt of more than US\$1 billion and assets of over US\$500 million in Chapter 11 papers filed in U.S. Bankruptcy Court in New York. (Source: Straits Times, 19 Dec 2017)
- Asian markets rallied as Donald Trump's much-hyped tax cuts moved a step closer to being passed. The controversial reforms look destined to become the U.S. president's first major congressional victory as two key Republican holdouts in the Senate decided to back the bill after their demands were met. The news sent U.S. stocks soaring on hopes the cuts will help fire the already healthy economy and boost company profits. (Source: Business Times, 18 Dec 2017)
- Ageing population may mean changes to taxes, immigration rules, says economist Francis Tan from United Overseas Bank. 2018 marks an ominous turning point for Singapore's ageing population, as the share of the population that is 65 years old and older will match that of those younger than 15 years old for the first time. As the elderly population starts to crowd out the young, the "demographic time bomb" may mean changes to taxes, immigration rules and social services. (Source: Straits Times, 7 Dec 2017)
- SGX-listed Pacific Radiance is looking to convene a consent solicitation exercise (CSE) for the restructuring of S\$100 million medium term notes (MTNs) next February. At its first informal meeting with holders of these notes recently held, Pacific Radiance acknowledged that its current debt level is unsustainable considering fleet utilisation and charter rates have remained depressed as a result of a prolonged sectoral downturn. A second informal noteholder meeting is now scheduled for mid Jan 2018, with the CSE projected for the end of Feb 2018. (Source: Business Times, 18 Dec 2017)
- The U.S. Federal Reserve raised interest rates but left its rate outlook for the coming years unchanged even as policymakers projected a short-term jump in U.S. economic growth from the Trump administration's proposed tax cuts. The expected fiscal stimulus, coming on the heels of a flurry of relatively bullish data, cleared the way for the U.S. central bank to raise rates by a quarter of a percentage point to a range of 1.25% to 1.50%. It was the third rate hike this year. (Source: Business Times, 14 Dec 2017)
- The Singapore central bank has sent a warning about the risks of "excessive exuberance" in the property market. Flagging how recent developments have posed risks to market stability, the Monetary Authority of Singapore (MAS) pointed to the possibility of a supply-occupation mismatch. It cited a looming surge in private housing stock and higher land prices in the current enbloc fever, which may not be accompanied by an improvement in occupation demand. (Source: Business Times, 1 Dec 2017)

Current Funds by SiSAM

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

To find out more, email enquiry@sisasset.com