

Key Highlights

- **Investing in the long run.** COVID-19 has taken its toll on global demand. We are hopeful of a recovery in 2H20 that runs into 2021-2022.
- **Focus on secular trends.** Certain sectors stand out even in these trying times. These include technology, healthcare & consumption.
- **S-REIT Update.** S-REIT gearing ratio has been increased from 45% to 50%. They are also given 12 mths to pay out 90% of dividends to qualify for tax transparency (from 3 mths).
- **Fixed Income Strategy.** Focus on investment grade, rated senior and sub-debt.

Investment Updates

Investing for the Long Run. Economies across the world face an unexpected contraction in domestic demand as a direct consequence of governments imposing 'lockdowns' of varying intensities in a bid to stem the spread of the COVID-19 coronavirus.

Earnings of the vast majority of companies are likely to decline as consumer and investment spending shrink due to these lockdowns. However, we are hopeful that we will see the beginnings of a recovery in the second half of 2020, into 2021-22, although we believe any forecasts will likely remain fluid.

Focus on secular trends. As we seek to navigate the turbulent waters ahead like a ship entering a storm, the key is in following the compass to guide us to our (financial) destination. That compass is a focus on powerful secular/ structural trends, and we believe the following areas offer such opportunities:

1. **Technology.** The sector has seen strong growth in the past few years on the back of trends such as rising connectivity, increasing computing power, shifting of usage (cloud-computing). Going forward, we believe there will be greater

demand for on-line virtual/ digital services and infrastructure.

Technology companies with robust balance sheets and weathered the 2008-09 GFC, emerged stronger. We believe that during the work-from-home "experiments" that occurred due to COVID-19 lockdowns, several tech companies have clearly benefitted, which has further exacerbated such trends.

For diversified exposure, we highlight the **Blackrock World Technology Fund**.

2. **Healthcare.** Historically speaking, this sector has demonstrated its defensive growth profile, given the demand from a growing aging population. This has provided long-term support for the broader sector, and overall leads to increased healthcare spending. The health sector also typically outperforms during late-cycle environments and shows lower sensitivity to global growth.

More importantly, COVID-19 will likely lead to a permanent increase in healthcare services and products (such as therapeutics, vaccines) from both the private and public sectors to prepare for a potential second wave or build a better foundation in anticipation of another health epidemic.

As a sector, healthcare covers a wide range of industries - pharmaceutical, biotech, medical equipment and devices, and related service providers. Our preferred way to take advantage of such opportunities is through funds like **Blackrock World HealthScience Fund** or the **United Global Healthcare Fund**. Both funds have good track records and are diversified across the various sub-sectors.

For clients with a risk appetite seeking individual stocks, we highlight **Abbot Laboratories (ABT US)** and **Thermo-Fisher Scientific (TMO US)** where we opine these medical devices/ med-tech

companies are well positioned to weather the challenging macro environment posed by the COVID-19.

3. **Consumption.** We believe the sector caters to basic needs such as food and beverage needs (restaurants, grocers supermarkets, food producers), and to discretionary and aspirational needs such as travel and luxury goods. While the needs are largely unchanged, we expect an acceleration towards on-line transactions vs the traditional brick and mortar shops.

Included within the consumption sector would also include communication services. We firmly expect a permanent increase in demand for digital interactions, entertainment and gaming going forward.

4. **ESG investing.** While we do not consider ESG as a sector or theme, it is increasingly becoming an important factor in the investment process.

"ESG" stands for Environmental, Social and Governance, and investors are increasingly applying these non-financial factors as part of their investment processes to identify material risks and growth opportunities.

5. **China.** We have a more positive view on China relative to other developing markets. On a first-in-First-Out perspective, China was the first to face the COVID-19 epidemic and also the first to put it largely under control. China is also the first to recover. To date, several indicators suggest that the Chinese economy is slowly going back to normalcy.

We also expect China to have a greater capacity to manage a second infection wave (if any), both from a public health perspective, and from a "capacity for policy stimuli" perspective. The Chinese market also has a higher share of secular winners within its domestic market.

We prefer diversified exposure to Hong Kong/China via actively managed funds and reiterate

JPMorgan China A-Share Opportunities Fund

S-REIT Update. The outbreak of COVID-19 since the start of 2020 has affected REITs. Retail REITs were impacted more severely after the Singapore government stepped up measures to contain the outbreak. The latest one being a circuit breaker, where only essential services were permitted to operate, and people were advised to stay at home and to not to go out unless absolutely necessary.

Perhaps to help ease the concerns and impact, Singapore's Ministry of Finance (MOF), Inland Revenue Authority of Singapore (IRAS) and Monetary Authority of Singapore (MAS) announced new measures to provide Singapore REITs with greater flexibility to manage their cash flows. The measures are:

- Gearing limit raised to 50% (from 45%) with immediate effect.
- REITs now have up to 12mths to pay out the 90% of income as dividends (from 3 months previously) to qualify for tax transparency. This would help REITs' commitment to 90% pay-out for FY20, by allowing them to pay more dividends towards year-end when things are more certain.

We opine that the above measures help the S-REIT sector in mitigating some of the negative impact due to the fallout from COVID-19. In particular, the market should reward those with stronger balance sheets. With increased debt headroom, REITs with a stronger balance sheet will be best placed to take advantage of potential investment opportunities or distressed asset sales during the current downturn.

Specifically for the retail sector, there was also some negative impact (for the rest of the retail REITs) from SPH REIT lowering their payout ratio for its DPU (Management mentioned that it was retaining income ahead of tougher times given the expected rent rebates, and potential bad debt).

CGS-CIMB Research believes the market has priced in near-term disruptions from COVID-19. The retail REITs are trading at 0.8x P/B, 1.5SD below the long term mean. They do not foresee a near-term shortfall in cash or debt refinancing issues:

- Retail REITs asset values have a headroom of 10-40% and 17-33% at an assumed 65% LTV ratio and 45% gearing limit, respectively. They can also sustain 8-10 months of rental-free period (to 90% of their tenants) before hitting 1.5x interest coverage debt covenants. The REITs have bank facilities in place for the refinancing of debts due in 2020.
- With all of the REITs under CGS coverage having unencumbered assets, CGS believes that refinancing should not be a concern. CGS estimates that the REITs' cash and cash equivalent in FY20F are sufficient to fund 3 to 11 months of lowered operating expenses.
- All of the REITs have unencumbered assets hence refinancing is not a concern.

We highlight **Fraser's Centrepont Trust (FCT SP)** in this regard. It now offers 5.8% yield which should be attractive.

Fixed Income Update. Bond investors may consider **investing in certain quality Investment Grade ("IG") - rated senior and sub-debt bonds (in tranches)**, in particular those that are yielding > 4.0%. The current bond market volatility is likely to persist in the short term. Thus investors need to have holding power (2 to 3 years investment horizon) to ride through the volatile market conditions and withstand short term MTM losses.

We have seen a slew of credit rating downgrades and outlook revisions by rating agencies, particularly in the High Yield ("HY") space, even fallen angel risk has emerged. Hence, it is important that clients are selective in their participation in the HY space or perpetual securities given the risks.

Clients are encouraged to stick to higher quality IG names as default risk and corporate failures could hit high yield issuers.

The 2 names we highlight are: a) **Swiss Re USD 4.25% Perpetual Bond (callable Sept 24)**; 2) **Bangkok Bank**

PCL USD 3.733% Tier II Subordinated Debt (callable Sept 2029).

Unit Trust Fund: Blackrock World Technology Fund

Objective. The World Technology Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of companies whose predominant economic activity is in the technology sector.

Philosophy. The Fund invests globally at least 70% of its total assets in the equity securities of companies whose predominant economic activity is in the technology sector.

The Fund may invest directly up to 20% of its total assets in the PRC by investing via the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect.

The Fund may use derivatives for investment purposes and for the purposes of efficient portfolio management.

Top 10 Holdings	%
Microsoft Corp	3.80
Apple Inc	2.90
Alibaba Group Holding ADR Represen	2.78
Alphabet Inc Class A	2.63
Tencent Holdings Ltd	2.54
Amazon Com Inc	2.47
Salesforce.com Inc	2.13
Paypal Holdings Inc	1.51
Adobe Inc	1.50
Twilio Inc Class A	1.44

Source: Fund Factsheet (Mar 2020)

Sector Breakdown	%
Software & Services	42.92
Semiconductor & Equip	13.85
Media & Entertainment	13.29
Retailing	10.83
Tech Hardware & Equip	7.12
Cash and/or Derivatives	4.08
Consumer Serv	3.44
Health Care Equip	1.76
Autos & Components	1.38
Diversified Financials	0.56
Telecom	0.40
Commercial & Professional Services	0.37
Capital Goods	

Source: Fund Factsheet (Mar 2020)

According to the factsheet, the Fund has a P/B ratio of 36.91, and P/E ratio of 7.46.

Unit Trust Fund: BlackRock World Healthscience Fund

Investment Objective. The Fund seeks to maximise total return. The Fund invests globally at least 70% of its total assets in the equity securities of companies whose predominant economic activity is in healthcare, pharmaceuticals, medical technology and supplies and the development of biotechnology.

The Fund is internally managed by a team of five with an average of 20 years' experience in scientific research, medicine and investing. Given the technical nature of the sector, the Team spends a great deal of time understanding the science behind the products and conducting field checks with physicians.

The reference index is the MSCI World Healthcare Index. It should be noted however, that the Fund is benchmark agnostic.

Strategy. The team believes that inefficiencies in the market can be exploited, and the investment objective realized, through the consistent application of an active investment process that is highly disciplined, research-intensive, and risk-informed. More specifically, within a highly fragmented sector like healthcare, the team believes that intensive internal bottom-up research is the best way to understand prospects, forecast stock performance, and uncover pricing inefficiencies.

The team aims to build a portfolio that is diversified across all segments of the healthcare sector by investing in stocks of any size, anywhere in the world. This will allow the Team to pursue the best opportunities in a wide variety of healthcare equipment & supplies, healthcare technology, and life sciences tools & services. The Team believes this flexibility leads to more consistent performance over time than more narrowly defined/concentrated strategies.

Geographic Breakdown	%
United States	66.66
Switzerland	9.14
United Kingdom	5.83
France	4.16
Japan	3.50
Denmark	3.03
Cash and/or Derivatives	3.01
China	2.36
Germany	1.15
Spain	0.44

Source: Fund Factsheet (Feb 2020)

Top Holdings	%
UnitedHealth Group Inc	5.56
Roche Holding AG	4.67
Sanofi SA	4.14
Abbott Laboratories	4.00
Merck & Co Inc	3.01
Astrazeneca Plc	2.73
Zoetis Inc	2.70
Medtronic Plc	2.49
Stryker Corp	2.44
Amgen Inc	2.36

Source: Fund Factsheet (Feb 2020)

Sub-Sector Allocation	%
Pharmaceuticals	34.42
Health Care Equip. & Sup.	26.10
Health Care Providers & Services	15.45
Biotechnology	13.22
Life Sciences Tools & Services	6.67
Cash and/or Derivatives	3.01
Health Care Technology	1.12

Source: Fund Factsheet (Feb 2020)

According to Bloomberg, the 1-yr Sharpe Ratio and volatility is - 0.16 and 21.21 respectively.

The Fund is suitable for investors who are looking to leverage on the investment managers' knowledge and experience in this highly technical and specialized industry. The healthcare sector has several industry-level tailwinds such as aging population, longer lifespan and the increasingly global reach of diseases. The portfolio is also highly diversified with a holdings range of 70-120 securities. However, investors need to be acclimatised to the concentration risks associated with sectoral funds.

Unit Trust Fund: United Global Healthcare Fund

Fund Objective. The investment objective of the Fund is to achieve long-term capital growth by investing in securities issued by companies principally involved in the development, production or distribution of products, equipment and/or services related to healthcare, in any part of the world. Such investments would include investing in sub-sectors of the healthcare industry such as medical products, health services, major pharmaceuticals, and specialty pharmaceuticals.

Investment Approach. The investment process starts with idea generations from company, medical and scientific meetings, medical and scientific journals, street research, etc. Fundamental sub-sector assessment will be carried out through existing franchise and pipeline evaluation, operational excellence and breakthrough life science tools, etc.

Bottom-up stock analysis, combined with top-down risk monitoring, will determine portfolio construction.

The Fund has been managed by the experienced team from Wellington Asset Management since 2000. Wellington Asset Management takes a specialist approach to stock evaluation and selection – majority of the team has deep medical or scientific background and industry expertise.

The team performs intensive, fundamental, proprietary, bottom-up research to invest long-term in a growth industry with a value approach. At the same time, the team benefits from Wellington's broad resources and strong collaborative culture.

The benchmark used is the MSCI ACWI Healthcare Index.

Top Holdings	%
Medtronic	2.93
Boston Scientific Corp	2.70
UnitedHealth Group Inc	2.70
Bristol-Myers Squibb Inc	2.67
Anthem Inc	2.50
Astrazeneca Plc	2.40
Thermo Fisher Scientific Inc	2.39
Abbott Laboratories	2.17
Baxter International Inc	1.95
Novartis AG	1.94

Source: Fund Factsheet (Feb 2020)

Country Breakdown	%
USA	68.07
Ireland	5.69
Japan	5.20
UK	5.13
Netherlands	3.79
China	2.87
Switzerland	2.47
Belgium	1.56
Others	3.85
Cash	1.37

Source: Fund Factsheet (Feb 2020)

Sector Breakdown	%
Biotechnology	31.09
Pharmaceuticals	23.23
Health Care Equipment	21.65
Managed Healthcare	8.79
Life Sciences Tools & Services	7.94
Health Care Facilities	3.13
Health Care Services	0.97
Health Care Technology	0.66
Others	1.17
Cash	1.37

Source: Fund Factsheet (Feb 2020)

According to Bloomberg, the Fund (Distribution class) has a 1-Year Volatility of 15.72% and a 1-Year Sharpe Ratio of 1.19.

Going forward, the fund manager expects fundamentals across the health care sector to remain solid, supported by strong volume growth and groundbreaking innovation across many therapeutic areas. That said, with 2020 being an election year, health care policy may remain in focus, increasing the risk of short-term volatility.

We believe this Fund should be more suited to investors who have the risk appetite for sectoral exposure, and would like healthcare exposure to be part of their overall diversified Equity portfolio.

Unit Trust Fund: JPM China A-Shares Opportunities Fund

Objective. To provide long-term capital growth by investing primarily in companies of the People's Republic of China (PRC).

Philosophy. The investment objective of the China A-Share Opportunities Fund is to provide long-term capital growth by investing primarily in companies of the People's Republic of China (PRC). The Fund uses an investment process based on a fundamental, bottom-up stock selection process. It uses a high conviction approach to finding the best investment ideas and seeks to identify high quality companies with superior and sustainable growth potential.

At least 67% of assets invested in China A-Shares of companies that are domiciled, or carrying out the main part of their economic activity, in the PRC through the China-Hong Kong Stock Connect Programmes, the RQFII and QFII quotas. These investments may include small capitalisation companies. The Fund may be concentrated in a limited number of securities or sectors from time to time.

Top 10 Holdings	%
Ping An Insurance	8.1
Kweichow Moutai	5.4
China Merchants Bank	4.5
Jiangsu Hengrui Medicine	4.4
China Vanke	3.9
Luxshare Precision Industry	3.6
Midea	2.8
Ping An Bank	2.6
BOE Technology	2.5
Hangzhou Tigermed	2.5

Source: Fund Factsheet (Feb 2020)

Sector Breakdown	%
Financials	24.0
Information Technology	21.4
Health Care	17.9
Consumer Staples	16.5
Industrials	8.3
Consumer Discretionary	6.5
Utilities	2.4
Materials	1.0
Others	0.9
Cash	1.1

Source: Fund Factsheet (Feb 2020)

According to the factsheet, the Fund has a 1-Yr Beta of 0.91, and 1-Yr volatility of 15.47%

The Fund may be suited for investors who seek long-term capital gain, wish to find exposure to fixed income in Asian region, with the appetite for opportunities that come with the volatility and risks of a fund exposed to the Chinese equity market.

Equity: Frasers Centerpoint Trust (FCT SP)

Summary. As the second largest listed mall landlord and a pure play suburban mall operator in Singapore, we believe Frasers Centerpoint Trust's ("FCT") focus on suburban malls makes it more resilient against the weaker consumer spending. While its existing malls provide income stability, the recent acquisition of Waterway Point, and asset injection opportunity from Real Estate Asia Retail Fund Limited would provide FCT with a new growth trajectory.

Background. Frasers Centerpoint Trust ("FCT") is a pure Singapore sub-urban mall operator. As of end 3qfy2019, the following malls contributed to its Net Property Income ("NPI"):

Causeway Point (46.3%); Northpoint City North Wing & Yishun 10 retail podium (28.9%); Changi City Point (13%); Yew Tee Point (6.8%); Anchorpoint (2.8%); Bedok Point (2.2%)

Considerations.

Positioning. Frasers Centrepoint Trust (FCT) owns a portfolio of high-quality retail properties located in suburban areas across Singapore. Its malls are surrounded by residential areas of high population density and are well connected by subway stations and transport hubs. By having a diverse tenant base offering everything from daily necessities to clothes, household items, dining, services and entertainment at one location, its malls become a one-stop shop that appeals to residents in surrounding area. This provides a convenient shopping experience and encourage repeat visitations.

We expect FCT's portfolio of suburban malls to remain more resilient throughout economic cycles as nondiscretionary products and services such as food and supermarkets that will drive repeat patronage.

The acquisition of WP and PGIM Real Estate Asia Fund (PREAF) will continue to fuel growth in FY20F. Potential asset injections from PREAF could serve as the next re-rating catalysts. FCT has completed the acquisitions of a 21.13% stake in PREAFL in Apr 19 and 33.3% of Waterway Point in Jul 2019. Both acquisitions should be positive as the acquired malls fit into FCT's current portfolio and solidify FCT's position as a pure play Singapore suburban mall focused operator.

Sponsor Frasers Property's (FPL) new retail platform, together with FPL and FCT's joint 88% stake in PREAF, and the potential medium-term pipeline from the S\$1.1bn Northpoint City South Wing provides FCT with the best runway for acquisition-led growth over the medium term.

Inclusion into the EPRA/ NAREIT Global Real Estate Index Series. FCT has been included into the above index during the September review and this should raise its profile in the international investment community and further improve its trading liquidity.

Key risks include 1) weak retail spending leading to weaker-than-expected rental growth; 2) sharper than expected rises in interest rates.

Equity: Abbott Laboratories (ABT US)

Summary. Abbott reported a good 1Q2020 results with sales above market consensus. Results reaffirm our view that Abbott is one of the better positioned medical-technology companies to weather headwinds from COVID-19 due to its diversified line of products. It has high quality businesses and is currently benefiting from a solid pipeline of launches in interesting areas like Diabetes and Diagnostics. Its recent successful launches of Covid-19 related products are a bonus. We noted that macro growth may become scarcer in this environment, hence ABT near term growth profile would likely warrant a premium.

Background.

Abbott operates four segments: 1) **Nutritional Products** – balanced exposure to paediatric (such as infant formula) & adult nutritional products. 2) **Diagnostic Products** and test systems for blood banks, hospitals, labs etc. 3) **Medical Devices**.- rhythm mgmt, vascular, structural heart and neuro-modulation products; 4) **Established Pharmaceutical Products**- women's health, cardiovascular & metabolic, pain & CNS, respiratory

1Q Results update:

- **Nutrition sales good.** A strong quarter in Pediatric sales was due to increased demand in late March in advance of shelter-in-place restrictions. Total Adult sales saw +8.5% organic growth, driven by a strong quarter in international markets. With a total of \$65-70M in stocking, it is likely to see some normalization in trends in 2Q.
- **Diagnostics sales better than expected.** ABT was involved in developing new COVID-19 tests and ramping up the U.S.'s diagnostic capacity. Meanwhile, there was some softness in core lab, likely related to the crowding out of elective procedure volume. This crowded out sales will return once Covid-19 is over.
- **Covid-19 related sales near term momentum.** On the other hand, molecular and rapid diagnostics saw strength thanks to the roll-out of both the lab-based and point-of-care COVID-19 tests. In the short term, there will be further growth in 2Q as these tests are adopted and scaled up. The firm has also just launched its new COVID-19 antibody test, which should also see quick adoption over 2Q-3Q.
- **Some Medical Devices saw declines in the first quarter** as hospitals postponed elective procedures in order to accommodate the expected wave of COVID-19 patients. This explained the sharper slowdown (organic growth in Medical Devices was only 2.9%). However, this will similarly start to pick up again once the Covid-19 is over.

Abbott Organic Growth	1Q19	2Q19	3Q19	4Q19	1Q20
Nutrition	6.7%	5.1%	3.8%	5.8%	7.3%
Diagnostics	4.4%	6.2%	6.6%	6.4%	0.7%
Medical Devices	9.5%	10.5%	10.6%	11.3%	2.9%
Established Pharmaceuticals	5.4%	6.1%	7.9%	10.0%	9.3%
Group Organic Growth	7.1%	7.5%	7.6%	8.5%	4.3%

Source: Compiled from Company release

Key risk factors include longer than expected impact from Covid-19 which may crowd out even more elective procedures and impact business segments such as Medical Devices.

Equity: Thermo-Fisher Scientific (TMO US)

Summary. TMO has been a leading consolidator in a highly fragmented life science market. Most recently, it acquired Affymetrix, FEI, Patheon, and is now in the process of adding Qiagen to its portfolio. The acquisition strategy has allowed the firm to significantly broaden its product offering, which in turn allowed it to steadily gain market share. We also like the high proportion of recurring revenue base which can provide some buffer during this challenging period caused by Covid-19.

Background. Thermo-Fisher Scientific (TMO) provides analytical & diagnostic instruments & equipments. It operates through 4 business segments:

- **Life Science Solutions** – reagents, instruments & consumables in biological & medical research; discovery of new drugs ; diagnosis of diseases
- **Analytical instruments** – equipment & applications in lab, production lines etc
- **Specialty Diagnostics** – diagnostic testing
- **Lab Products & Services** – providing virtually everything in the lab. Leader in among every product category for research labs

Considerations

TMO has been acquisitive as it aims to be the go-to provider of life science instruments and consumables. It is widely viewed that TMO has achieved the most success in consolidating the life-science equipment industry, where it is currently a market leader. It latest acquisition is QIAGEN:

- **TMO to Acquire QIAGEN:** Thermo Fisher (TMO) announced in early March it will acquire QIAGEN for €39 per share, representing a transaction value of \$11.5 billion, including the assumption of \$1.4 billion of net debt. The deal is expected to close in 1H21, subject to closing conditions, including regulatory approvals, QGEN's shareholder approval, and the completion of the tender offer.
The deal is expected to be immediately accretive to TMO's adjusted EPS in the first year after deal close. Importantly, this deal expands TMO's Specialty Diagnostics capabilities, including allergy and autoimmunity, transplant diagnostics, and clinical oncology testing. Moreover, QGEN's sample preparation, assay, and bioinformatics technologies are complementary to TMO.

High recurring revenue base. TMO operates somewhat like a "razor & blade" model. Its dominant position in its products, especially instrumentation, have significant switching costs (due to heavy upfront investments and training required). Once installed, the instrumentation requires a recurring stream of consumables and services. TMO has a high proportion of recurring income where about approximately 50% of of revenue came from Consumables (e.g. reagent chemicals) and 20% came from services rendered.

Such high (and growing) recurring revenue base is one quality we like about TMO, especially in this current market environment where macro economic growth is questionable. A high recurring base provides some buffer to any slowdown, in our opinion.

Revenue USD 'mil	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Life Science Solutions	1,697	1,607	1,710	1,701	1,838
Analytical Instruments	1,568	1,322	1,324	1,358	1,518
Specialty Diagnostics	951	957	943	879	939
Laboratory Products and Services	2,602	2,513	2,633	2,619	2,834
Eliminations	(311)	(274)	(294)	(285)	(300)
Consolidated Revenues	6,507	6,125	6,316	6,272	6,829

TMO Organic Growth	4Q 18	1Q 19	2Q 19	3Q 19	4Q 19
Life Science Solutions	8%	8%	10%	13%	9%
Analytical Instruments	12%	8%	3%	3%	-2%
Specialty Diagnostics	5%	4%	3%	7%	7%
Laboratory Products and Services	9%	7%	4%	6%	7%
Consolidated Revenues	8%	7%	5%	7%	5%

Source: Compiled from Company release

From the table above, the company has been able to generate relatively stable organic growth,

Key risks include a) overpaying for candidates and over-stretching its balance sheet if it continues with aggressive acquisition strategy; integration may also pose a problem; b) any regulatory changes plus any sharp slowdown in the end markets of Pharmaceutical & Biotech, as well as Industrial end market will still impact its revenue outlook.

That said, the ever-expanding presence in virtually all areas of life science research, in part achieved by acquisitions, affords Thermo Fisher an opportunity to capitalize on the strong secular growth we expect in this sector over the next decade.

Fixed Income: Swiss Re USD 4.25% Perpetual Bond (callable Sept 24)

Summary: The Covid-19 pandemic and low interest environment is likely to weaken Swiss Re's earnings (particularly its health & life reinsurance exposure) and solvency position. However, we opine that Swiss Re is expected to remain robust in the long run as evidenced by its strong market position; diverse business mix and geography; resilient profitability track record and its healthy solvency position (Group SST stood at 232% as of FY19).

Background: Swiss Reinsurance Co. Ltd., is the main operating subsidiary of Swiss Re Group ("Swiss Re") based in Zurich (listed on SIX Swiss Exchange; market capitalisation of CHF25.5 bn). Group is one of the market leaders in reinsurance business namely property and casualty ("P&C") and life and health. Major shareholders are Swiss Re AG (10%); Blackrock (4.38%) and ELM B.V. (3.55%).

Salient Terms of Bond (ISIN: XS2049422343)	
Issuer	Swiss Re Finance (Luxembourg) S.A.
Guarantor	Swiss Reinsurance Company Ltd.
Issue Size	US\$1.0 bn (Min denom.: US\$200k)
Issue Rating	A2 (Stb)/ A (Stb) by Moody's/ S&P
First Call Date	4 th Sept 2024
Maturity	Perpetual
Coupon	4.25% p.a. until 1 st Call Date; S/A
Coupon Reset	5Y UST + 2.864%; at 5Y interval on & after 1 st Call Date
Ask Price/ YTC^	Please Call
Ranking	Junior Subordinated
Coupon Deferral	Yes, at Swiss Re's discretion and subject to no Solvency Event* occurring. Deferred interest are cumulative and non-compounding.
*Solvency Event	Including but not limited to, (i) Group or Swiss Reinsurance Company's solvency ratio less than 100% SST; (ii) assets do not exceed its liabilities; and (iii) regulator notice.

^Source: Bloomberg (as of 09/04/20); on gross basis.

Investment Considerations:

Well-diversified and long profitability record:

We note that P&C accounted for c. 50% of premiums earned/fee income; followed by life & health (34%), corporate solutions (11%) and others (5%). Swiss Re has been profitable since 2003 (except during 2008 GFC). We note that profits were impacted in 2017-18 due to significant natural catastrophe claims. Earning rebounded in FY2019 to US\$727 mil (+72% yoy). In view of its diversified business,

its underwriting P&C losses (as indicated by P&C combined ratio of 107.8%) was offset by strong contribution in life and health reinsurance business as well as healthy investment income.

Conservative investment portfolio:

Of its overall investment portfolio of US\$134.5bn, 52% consist cash, short term investments and government bonds, while corporate bond accounted for 34%.

Strong solvency capital:

Group's Swiss Solvency Test ("SST") ratio remained healthy at 232% as of FY19 (2018: 251%; 2017: 269%), which is well above minimum regulatory requirement of 100%. Based on internal sensitivity analysis, a decrease of 50 bps in interest rates is expected to result in decrease of SST ratio by 12 ppt. Besides, the announced sale of ReAssure (its UK closed life business arm), to be completed by 2020, may add another 12ppt to its SST ratio (as per Fitch Ratings).

Key Risks:

Risk of coupon deferral:

This issuance incorporates a coupon deferral condition upon occurrence of Solvency Event. Notwithstanding that, scenario of coupon deferral is deemed low in view of healthy SST ratio of 232% (translates to surplus buffer of roughly USD24 bn). There is no principal loss absorption clause for this perpetual bond.

Fixed Income: Bangkok Bank PCL USD 3.733% Tier II Subordinated Debt (callable Sept 2029)

Summary: Despite recent downgrade by Fitch on Bangkok Bank Public Company Limited's ("BBL") Issuer Default Rating to BBB from BBB+, ; we opine that current YTC of c. 5.0% provides balanced risk-to-reward to investors.

The downgrade reflects challenging operating environment for Thai banking system and growing global macro uncertainties due to Covid-19 outbreak. Notwithstanding that, BBL's ratings is underpinned by its strong loss absorbing buffer (in terms of CET ratio and loan loss reserves); stable profitability albeit declining; and diversified income stream. In addition, BBL's above-peer liquidity/ funding position and loan loss coverage ratio should support the bank's capability to withstand the increasingly challenging environment.

Fitch expects CET 1 ratio to reduce by around 3% for coming year (FY19: 17%). The expected weaker CET1 ratio can be attributed to potential RWA inflation, and the recently announced acquisition of Indonesia's Bank Permata.

Background: BBL is founded in 1944, is the largest Thai commercial bank in terms of total assets. BBL provides a wide range of services; however, it has a dominant presence in the local corporate and SME lending. BBL's distribution network includes branch network of over 1,200 branches nationwide. The bank's has an international presence in 15 locations including China, Cambodia, Laos, Malaysia, Vietnam etc.

BBL is ranked first among the Thai commercial banks in respect of total assets (THB3,216 bn), total shareholders' equity (THB428.11 bn), total loan (THB2,061 bn) and deposits (THB2,370 bn) as of FY19.

Salient Terms of Bond (ISIN: USY0606WCA63)	
Issuer	Bangkok Bank PCL
Issue Size	US\$1.20 bn (Min denom.: US\$200k)
Issue Rating	Baa3 (Pos)/BB+ (Stb) by Moody's/ Fitch
First Call Date	25 th Sept 2029
Maturity	25 th Sept 2034
Coupon	Fixed at 3.733% p.a. until first Call Date; semi-annual
Coupon Reset	Prevailing 5Y UST + 1.90%
Ask Price/ YTC [^]	Please Call
Ranking	Tier 2 subordinated debt
Coupon Deferral	N/A
Redemption	Yes, upon certain tax or regulatory events, subject to approval from the Bank of Thailand ("BOT")

Non-viability Loss Absorption	Permanent Full or partial write-off upon the BOT and/or any other empowered government agency deciding to grant financial assistance to the Issuer without which the Issuer would become unable to continue its business
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1. [^]Source: Bloomberg (as of 09/04/20); on gross basis.

Investment Considerations:

Strong capital position as indicated by its CET 1 ratio and total capital adequacy ratio of 17.0% and 20.0%, respectively (Note: regulatory capital ratio requirements for CET 1 ratio and total capital ratio for 2020 is 9.0% and 12.0%, respectively as stipulated by BOT).

Steady profitability supported by diversified income streams – compression in net interest margin due low interest rate environment in Thailand (FY19: 2.385%; FY19: 2.438%) is partly offset by diversification in income mix. BBL is able to leverage off its corporate relationship to derive non-interest income which has been on an increasing trend for the past 5 FYs (accounted ≈ 47% of total net revenue for FY119).

Stable deposit franchise supporting its funding profile as represented by loan to deposit ratio of 86.97% (Thai banking system average: 95.5%). Other sources of funding include interbank/money market items (14.68% of total assets). LCR is deemed robust at 311% (Thai banking system average: 180%).

Key Risks:

Loss absorption risk: This issuance incorporates write down clause (partially or in full), upon the occurrence of a Non-viability Loss Absorption event. We note that the level of write-down will be determined by BBL and as notified to and acknowledged by the authority. Tier-2 subordinated notes will rank junior to all depositors and senior creditors of BBL.

Deterioration in asset quality: Reported provision for loan loss for FY19 was THB32.35 bn (+47.28% yoy), which translated to credit cost of 1.6% (FY18: 1.1%). But this was partially due to additional provisioning in light of Thailand FRS 9 regime change. Despite NPL ratio hovering at 3.4% in FY19, comfort can be derived from its robust loan loss coverage ratio of 220% (average system coverage ratio: 145%).

Challenging operating environment & economic disruption due to Covid-19 pandemic: BBL's earnings is expected to be affected by rising credit costs and softened top line revenue (due to low interest rate environment and moderation in non-interest income). That said, given the bank is still expected to be profitable for FY20; Bloomberg consensus for net income stood at THB31.12 bn. Meanwhile, we take note that its capital position might also weaken as a result of its pending acquisition of Indonesia-based

PT Bank Permata Tbk. Fitch is expecting BBL's CET 1 ratio to decrease by 3%; while BBL's guidance for its pro-forma CET 1 ratio post acquisition is 14.5%.

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