GNAM Investment Competition

CapitaLand Commercial Trust

An Opportunity
to Buy Great Real Estate
at a Great Price

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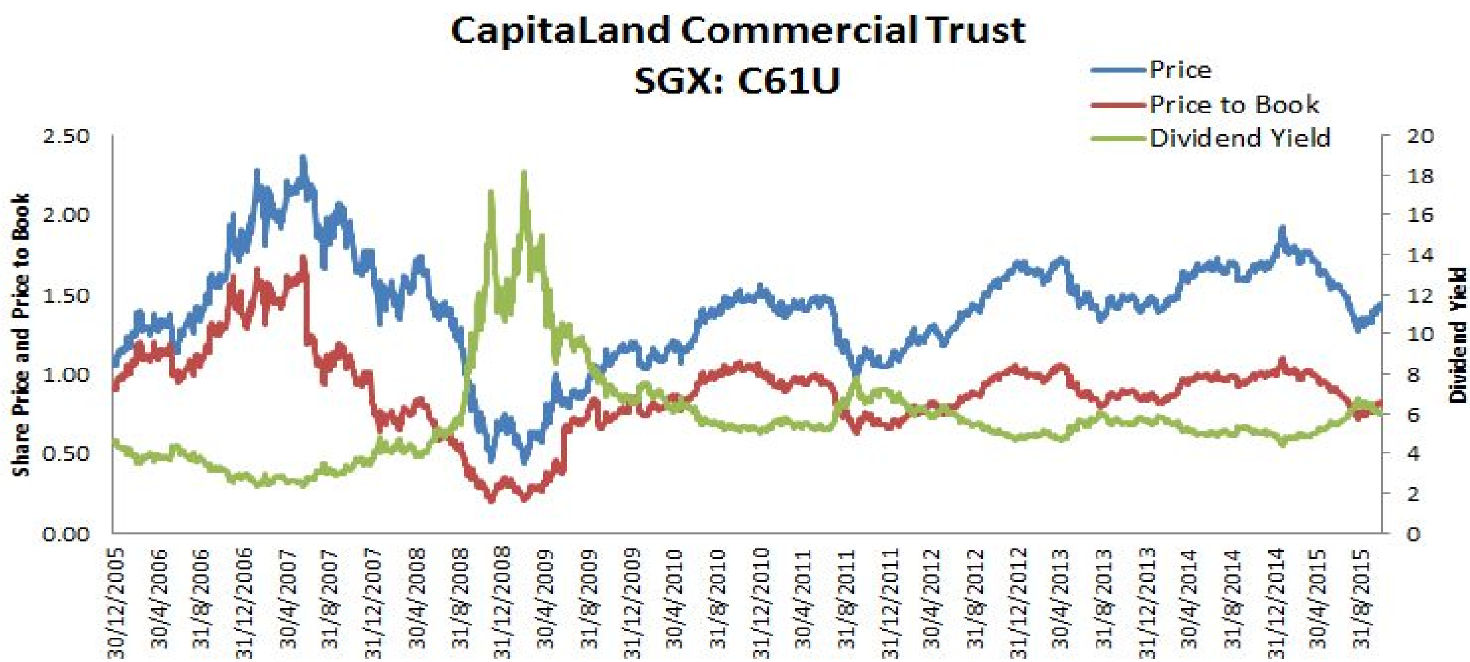
Global Network for Advanced Management

Executive Summary

- **CapitaLand Commercial Trust (CCT)** is a REIT of 10 centrally located quality commercial properties in downtown Singapore
- It is currently trading at a discount at 0.80 P/B with a divident yield of over 6%
- Consistently delivered value to shareholders since its inception in 2004



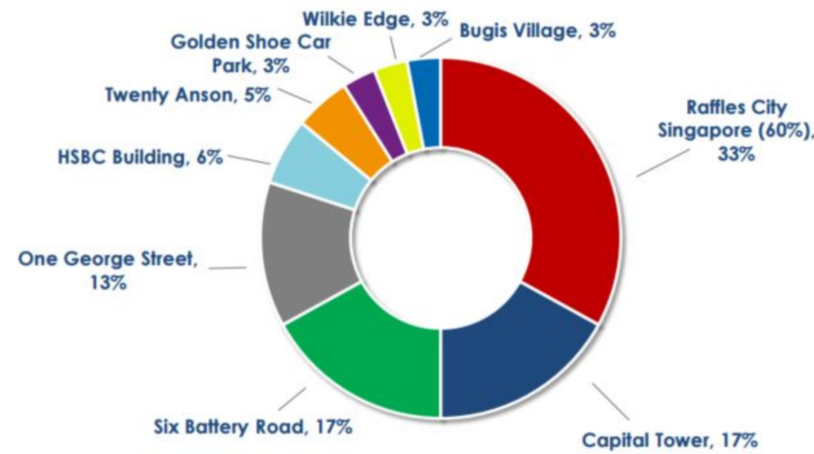
CapitaLand Commercial Trust Business

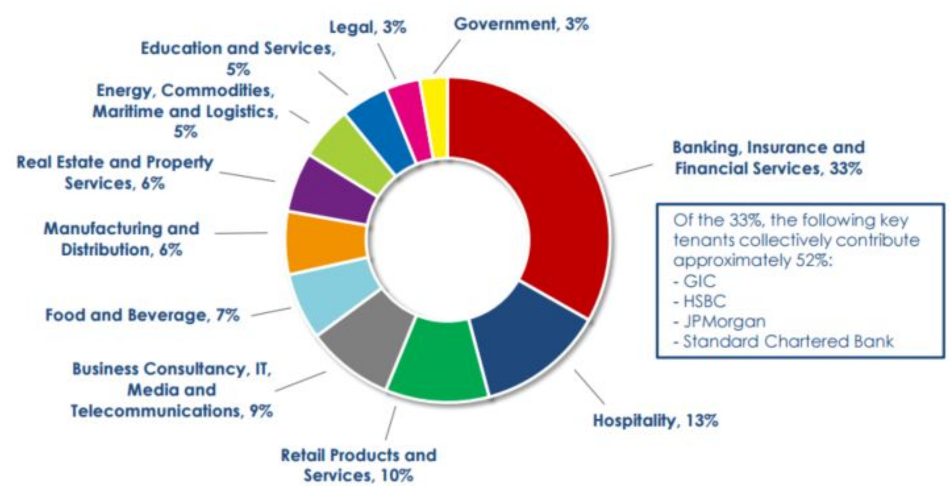
- CapitaLand Commercial Trust is the first and largest commercial REIT in Singapore
- Derives 100% of its revenues from 10 properties located in the Central Business District of Singapore
- Stable revenue, good tenants, landmark buildings
- Simple business, great real estate run by great operators

Name	NLA (sqft)	Committed occupancy	Appraised Valuation (SGD)	% Owned	CapitaLand Value
Capital Tower	741,000	92.2%	$1,310.0m	100%	$1,310.0m
Six Battery Road	494,000	99.5%	$1,345.0m	100%	$1,345.0m
One George Street	447,000	99.4%	$1,000.0m	100%	$1,000.0m
Raffles City	801,000	99.3%	$3,121.5m	60%	$1,872.9m
Twenty Anson	206,000	97.9%	$431.0m	100%	$431.0m
HSBC Building	200,000	100%	$452.0m	100%	$452.0m
Wilkie Edge	153,000	100%	$194.0m	100%	$194.0m
Bugis Village	121,000	100%	$55.2m	100%	$55.2m
Golden Shoe Car Park	47,000	97.7%	$141.0m	100%	$141.0m
CapitaGreen	703,000	87.7%	$1,566.0m	40%	$626.4m
Total	**3,913,000**	**97.4%**			**$7,427.5m**

CapitaLand Commercial Trust Business

- Stable revenue from a diversified portfolio of properties
- 91% of net property income derived from Grade A and prime office tenants
- The tenants are from a variety of sectors, reflecting the larger Singapore economy
- Diversity of tenants a strength demonstrating operational capabilities to service many types of clients





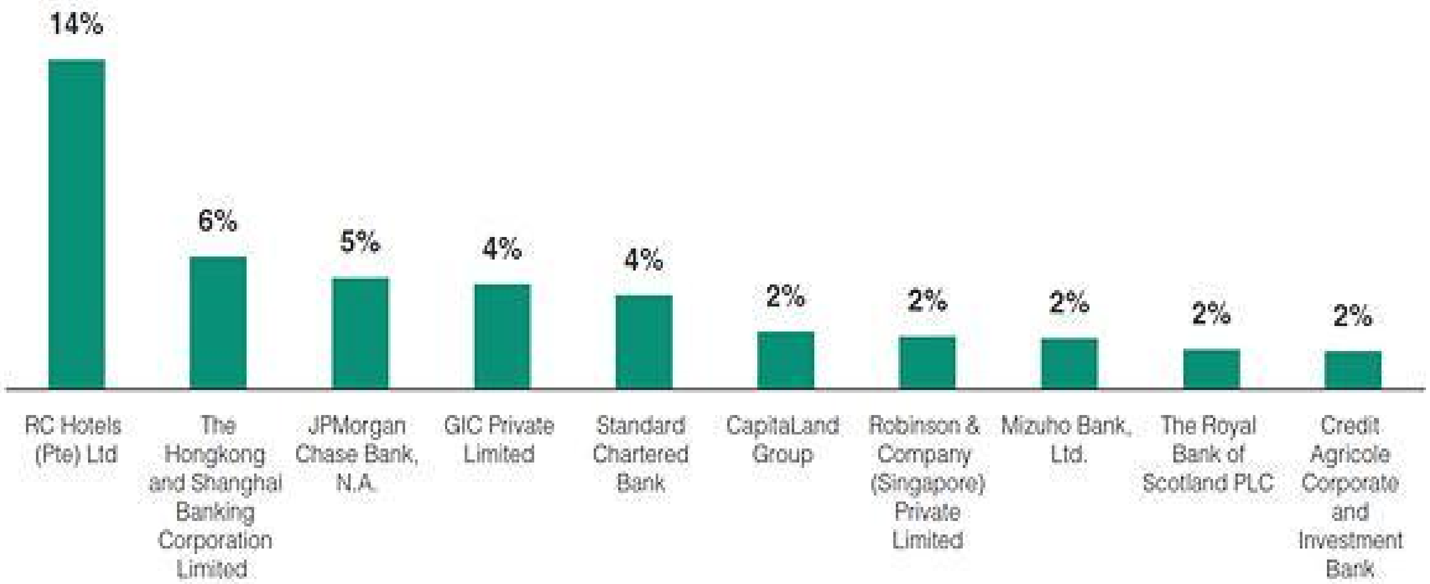
CapitaLand Commercial Trust Business

- CapitaLand Commercial REIT has been a best in class operator in Singapore since inception
- The all time low in occupancy rates was 94.8%, at the height of the Great Recession!

	2006	2007	2008	2009	2010	2011	2012	2013	2014	1Q 2015	2Q 2015	3Q 2015
Capital Tower	100.0	100.0	99.9	99.9	99.9	100.0	100.0	100.0	100.0	100.0	100.0	92.2
Six Battery Road	100.0	99.9	98.6	99.2	99.7	85.4[2]	93.0[2]	98.6[2]	99.2	99.9	100.0	99.5
Bugis Village	95.3	99.1	96.6	93.8	93.4	98.8	97.1	97.2	94.8	96.5	98.3	100.0
Golden Shoe Car Park	98.0	96.4	100.0	100.0	95.2	100.0	100.0	94.6	100.0	100.0	100.0	97.7
HSBC Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Raffles City (60% interest)	99.5	99.3	99.9	99.3	99.1	98.9	100.0	100.0	100.0	100.0	99.0	99.3
Wilkie Edge			52.5	77.9	98.4	98.4	93.9	99.6	100.0	100.0	100.0	100.0
One George Street			100.0	96.3	100.0	93.3	92.5	95.5	100.0	100.0	99.4	99.4
Twenty Anson							100.0	98.1	97.8	97.8	100.0	97.9
CapitaGreen (40% interest)[3]									69.3	69.9	80.4	85.5
Portfolio Occupancy	**99.6**	**99.6**	**96.2**	**94.8**	**99.3**	**95.8**	**97.2**	**98.7**	**96.8**	**97.0**	**98.0**	**96.4[4]**

CapitaLand Commercial Trust Business

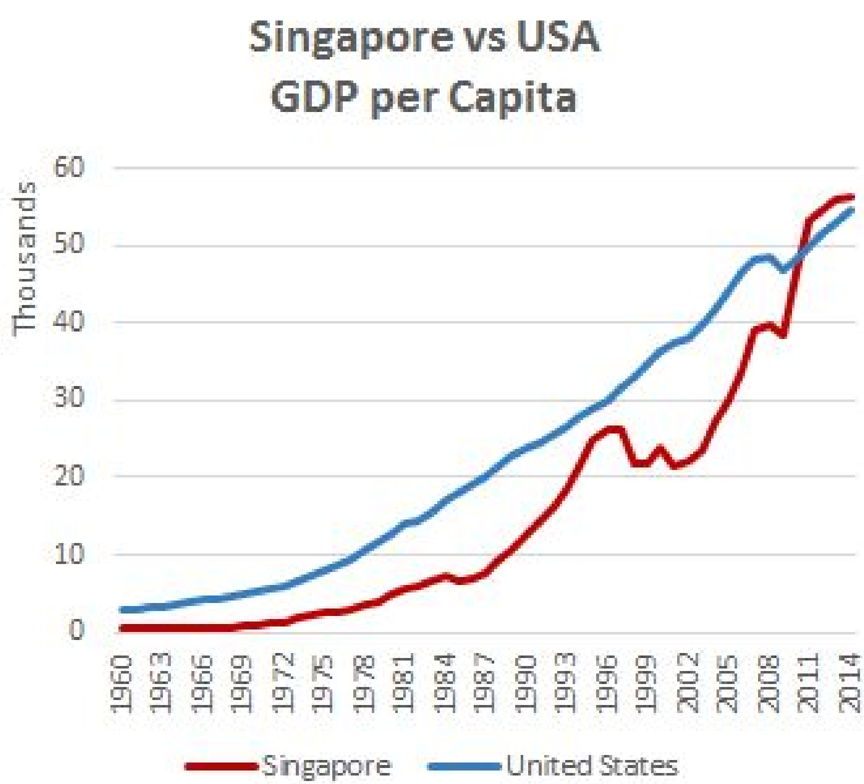
- Top 10 Blue-chip Tenants Contribute about 42% of monthly gross rental income



Global Network for Advanced Management

The Singapore Story

- An island of stability, law and order
- Regional business and financial hub
- Ability to attract MNCs
  - ➢ One of the highest GDP in the world
- Stable and strong government
- Least corrupt country in the world
- Proactive government
  - ➢ Recently introduced “Smart Nation” initiatives

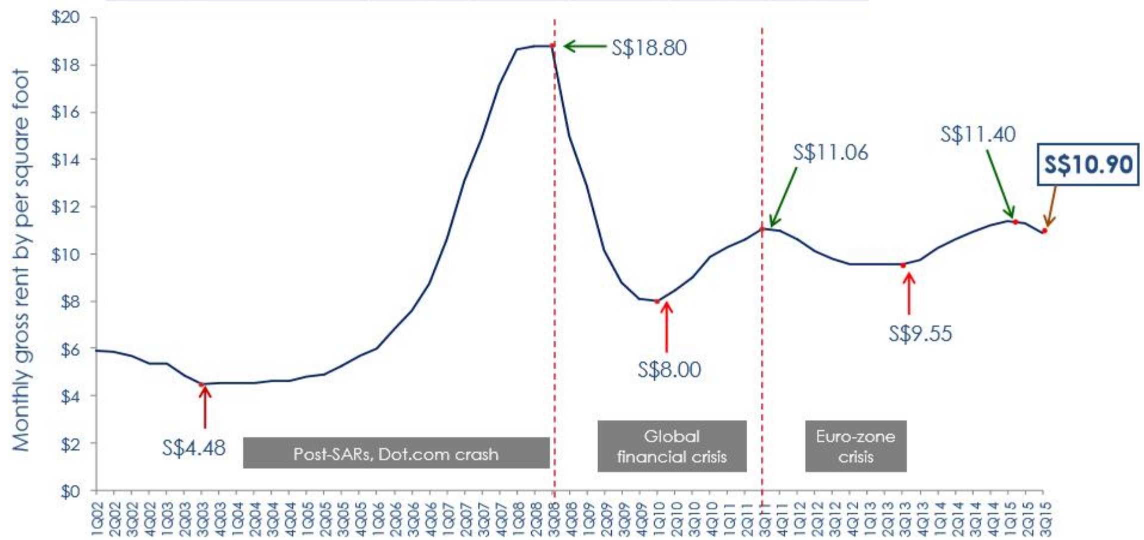


Singapore Property Market

- One of the most expensive property markets in the world.
- The Singapore Government is proactive in introducing measures to prevent a property bubble
- Commercial market is stable and rents are growing steadily

Commercial Property Rents

	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Mthly rent (S$ / sq ft)	10.95	11.20	11.40	11.30	**10.90**
% change	+3.3%	+2.3%	+1.8%	-0.9%	**-3.5%**



Competitors Analysis

- Trades at a significant discount to Asia REITs
- Versus other financials centers, CCT also a great value buy
- Dividend yield more than double, and comparable REITs have P/B of 1.2

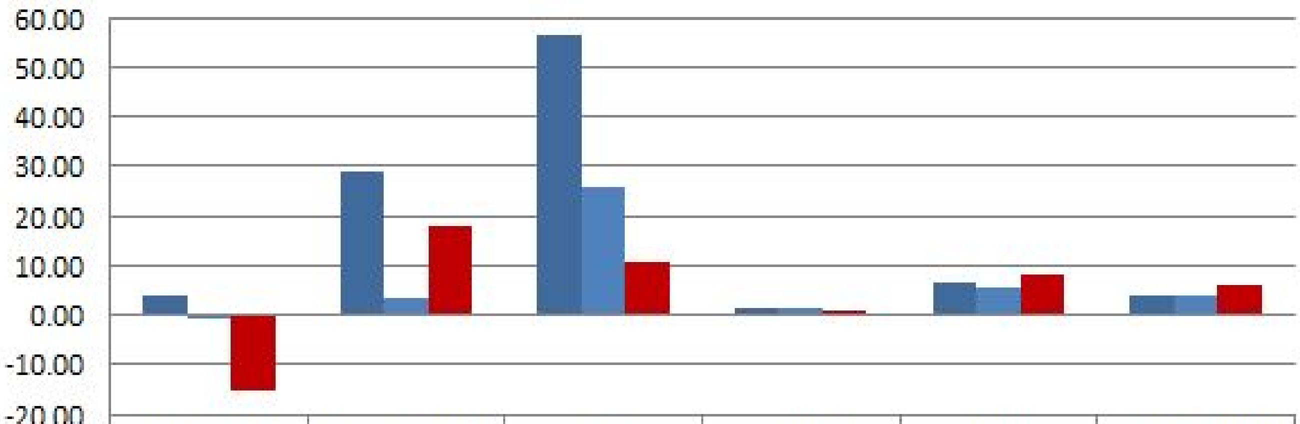
Name	Country	Mkt Cap (SGD)	1YR % Change	1YR EPS Growth	P/E	P/B	ROE	Dvd 12M Yld
AVERAGE		*3,660*	*3.94*	*28.87*	*56.19*	*1.20*	*6.50*	*3.89*
CAPITALAND COMMERCIAL TRUST	SG	4,160	-15.57	17.81	10.51	0.81	7.83	6.06
CHAMPION REIT	HK	4,236	18.71	-12.82	7.00	0.49	7.25	4.80
JAPAN PRIME REALTY INVESTMEN	JP	3,998	-3.78	7.87	30.10	1.59	5.25	3.24
ORIX JREIT INC	JP	4,391	10.14	16.04	27.18	1.40	5.42	3.46
DAIWA OFFICE INVESTMENT CORP	JP	3,477	4.21	16.32	35.26	1.22	3.61	2.81
MORI TRUST SOGO REIT INC	JP	3,285	7.52	10.29	27.58	1.77	6.45	3.86
KEPPEL REIT	SG	3,088	-20.90	-34.01	9.46	0.70	6.49	7.03
MORI HILLS REIT INVESTMENT C	JP	2,734	-3.91	11.70	32.11	1.53	5.21	3.11

Name	Country	Mkt Cap (SGD)	1YR % Change	1YR EPS Growth	P/E	P/B	ROE	Dvd 12M Yld
AVERAGE		*9,859*	*4.23*	*72.16*	*39.74*	*1.89*	*7.95*	*3.28*
CAPITALAND COMMERCIAL TRUST	SG	4,160	-15.57	17.81	10.51	0.81	7.83	6.06
LAND SECURITIES GROUP PLC	GB	22,909	20.96	115.11	4.38	1.00	25.41	2.40
SL GREEN REALTY CORP	US	16,750	2.52	409.07	59.92	1.68	3.29	2.02
EMPIRE STATE REALTY TRUST-A	US	2,878	11.65	-65.82	84.13	4.29	6.23	1.91
NEW YORK REIT INC	US	2,596	1.60	-115.38		1.70	-3.01	4.03

Competitors Analysis

- CCT a great value buy for comparable real estate around the world

CapitaLand vs REITs



	CHG_PCT_1YR	EPS - 1 Yr Gr:Y	P/E	P/B	ROE	Dvd 12M Yld
vs Asia REITs	3.94	28.87	56.19	1.20	6.50	3.89
vs other financial centers	-0.56	3.30	25.92	1.34	5.44	4.08
CAPITALAND COMMERCIAL TRUST SG	-15.57	17.81	10.51	0.81	7.83	6.06

Valuation

- DCF assumptions:
  1. Conservative forecasts of 3% appreciation in revenue per year (includes land appreciation and rent increases
  2. WACC of 4.7% (based on CAPM
  3. Margins remaining stable
- Model used: Perpetuity Growth Model
- Estimated valuation: 84% upside
- **Revenue estimates:**

In Millions of SGD	Dec 14 A	Dec 15 E	Dec 16 E	Dec 17 E	Dec 18 E	Dec 19 E	Dec 20 E
Revenue (Estimate Comparable)	263	270	279	287	296	304	314
% YoY Growth	-32%	3%	3%	3%	3%	3%	3%
EBITDA	153	156	161	168	177	183	188
% Margin	58%	58%	58%	59%	60%	60%	60%
Free Cash Flow	123	136	142	155	157	162	169
% Margin	47%	50%	51%	54%	53%	53%	54%

Valuation

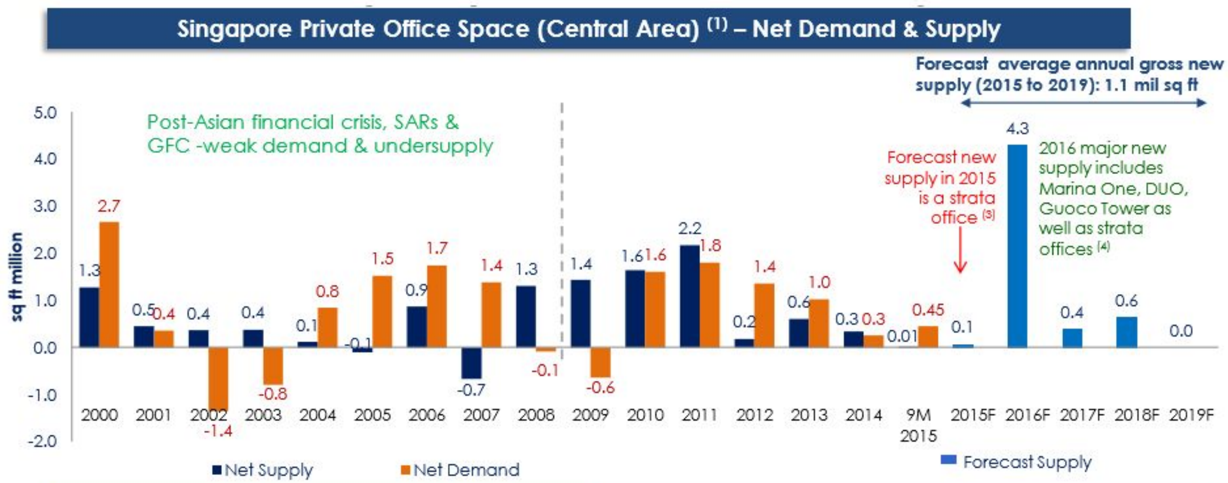
Perpetuity Growth Method	
Current Price (SGD)	1.41
Consensus Price Target	1.49
DCF Estimated Value per Share (SGD)	**2.59**
DCF Estimated Upside	**84%**

		Perpetuity Growth				
		2.0%	2.5%	3.0%	3.5%	4.0%
	3.7%	2.71	3.91	6.85	24.45	-16.62
Discount	4.2%	2.00	2.65	3.83	6.71	23.98
Rate	4.7%	1.56	1.96	**2.59**	3.76	6.58
(WACC)	5.2%	1.26	1.53	1.92	2.54	3.68
	5.7%	1.03	1.23	1.49	1.88	2.49
		2.0%	2.5%	3.0%	3.5%	4.0%
	3.7%	92%	178%	386%	1634%	-1279%
	4.2%	42%	88%	172%	376%	1601%
	4.7%	11%	39%	**84%**	166%	367%
	5.2%	-11%	8%	36%	80%	161%
	5.7%	-27%	-13%	6%	33%	76%

Perpetuity Growth Method - Value per Share	
Free Cash Flow at Year 5	168
WACC	4.7%
Perpetuity Growth Rate	3.0%
Perpetuity Value at End of Year 5	10,190
Present Value of Perpetuity (@ 4.7% WACC)	8,099
(+) Present Value of Free Cash Flows (@ 4.7% WACC)	694
(=) Current Enterprise Value	**8,793**
Short Term Debt	270
(+) Long Term Debt	970
(-) Cash and Marketable Securities	101
(-) Current Net Debt	1,139
(-) Current Preferred and Minority Interest	-
(=) Equity Value	7,654
Shares outstanding	2,951
Estimated Value per Share (SGD)	**2.59**
Current Price (SGD)	1.41
Estimated Upside	**84%**

Risk - Supply of Commercial Real Estate

- 4.3m sqft of office space set to hit the market in 2016
- Legitimate concern, but not as large a concern as headline number suggest
  1. CCT's WALE at 7.7 years, actively sought to renew leases ahead of supply coming to market
  2. Long term supply forecasted to be in line with historical averages



Periods	Average annual net supply (2)	Average annual net demand
2005 – 2014 (through 10-year property market cycles)	0.8m sq ft	1.0m sq ft
2010 – 2014 (five years period post GFC)	1.0m sq ft	1.2m sq ft
2015 – 2019 (gross supply)	1.1m sq ft	N.A.

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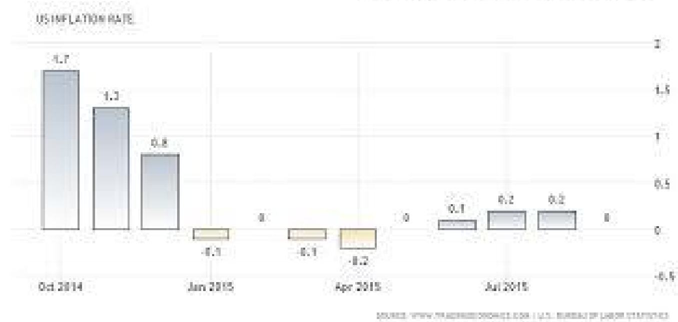
Risk - Interest Rates

- SIBOR has moved higher ahead of anticipation of Fed interest rate hike
- SIBOR at 7 year high of 1.14%
- Mitigating factors:
  1. REITs do not necessarily do poorly during years of rate hikes
  2. Fed rate hikes not certain as of yet, inflation still yet to be seen

Exhibit 1: REITs and Interest Rate Cycles, Jan. 1, 1978 to Dec. 31, 2014

Period	Rising or Falling Rates	Fed Rate Change	Annualized Return – US REITs*
1/1978 to 5/1981	Rising	5% to 20%	28.56%
5/1981 to 3/1983	Falling	20% to 8.5%	22.70%
3/1983 to 4/1984	Rising	8.5% to 11.63%	26.67%
4/1984 to 2/1987	Falling	11.63% to 5.88%	18.54%
2/1987 to 4/1989	Rising	5.88% to 9.75%	3.48%
7/1989 to 12/1993	Falling	9.75% to 3.00%	5.86%
12/1993 to 12/2000	Rising	3.00% to 6.5%	10.30%
12/2000 to 5/2004	Falling	6.5% to 1%	17.28%
5/2004 to 7/2007	Rising	1% to 5.25%	21.17%
7/2007 to 9/2014	Falling	5.25% to 0.25%	3.73%

Sources: US Federal Reserve, Dow Jones, Gerstein Fisher
*DJ US Select REIT Index



Conclusion

Location, location, location

- Singapore a dynamic, growing economy
- In the fastest growing region of the world with the most people
- Taking actions now to be a city of the future

CapitaLand Commercial Trust

- Excellent property manager with proven track record
- Consistently delivered value to shareholders
- Currently trading at a P/B and dividend yield that have historically returned 19% in the next 18 months

Solid buy

- Great buy for the value investor interested in owning a part of the best real estate in the world
- Risks largely mitigated due to proactive management

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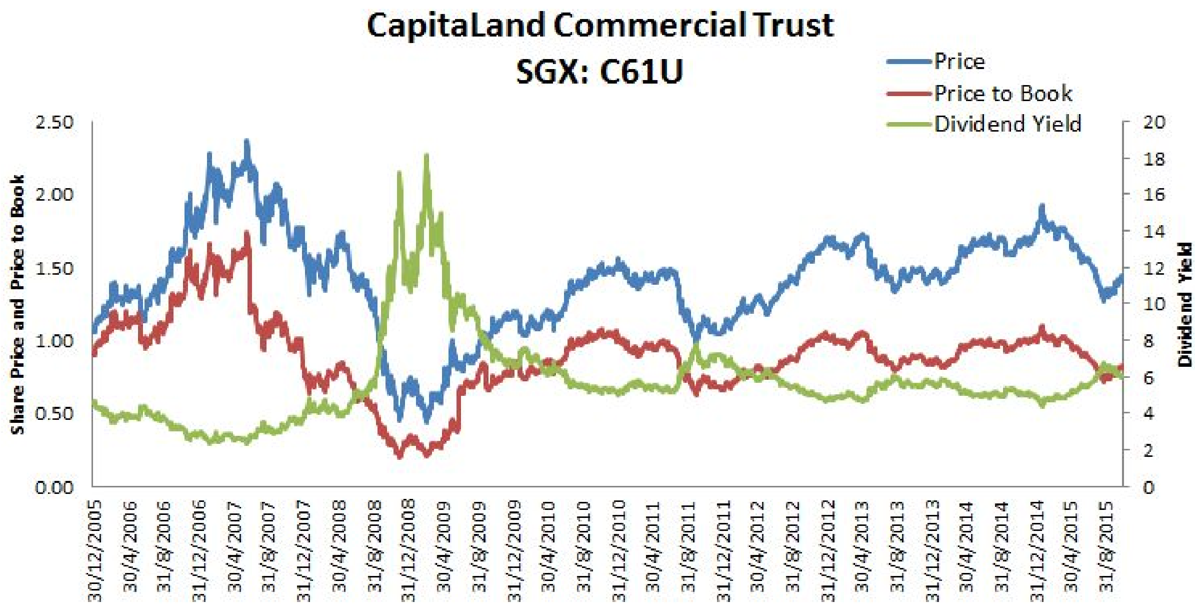
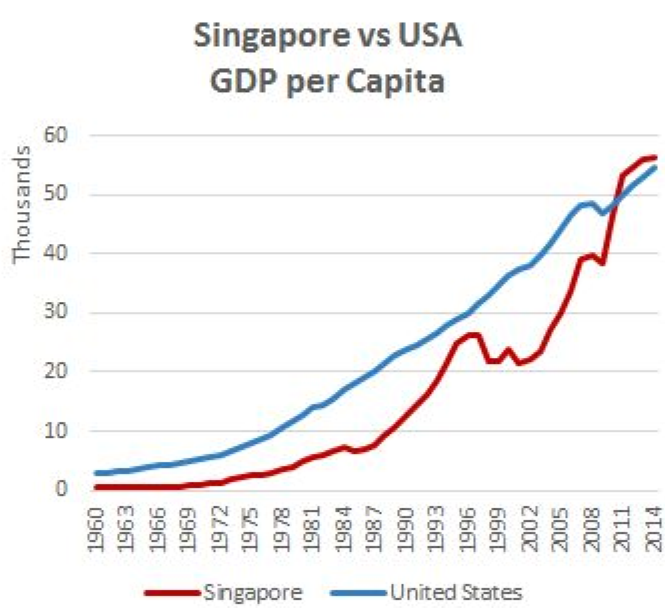


CapitaLand Commercial Trust (CCT) is an opportunity to own prime real estate in downtown Singapore, one of the premier financial centers in the world. While comparable properties in financial centers around the world are trading at a price to book of 1.2 and a yield of 3.5%, CCT is currently trading at 0.80 price to book and yielding over 6%. Historically, it has averaged a return of 19% in the following 18 months when trading at these levels.

The opportunity has been created by two factors. Firstly, the market has been scrambling to get out of emerging market stocks. Although Singapore is not an emerging market, it is surrounded by them, and therefore has been caught in the sell-off. Secondly, with interest rates expected to rise in the USA which would impact Singapore's monetary policy due to its basket approach, there are concerns that this will adversely affect the local REIT market.



For the value investor who is interested in owning great buildings in great nations at a great price, CCT is offering a unique opportunity to do so.

The Singapore Story

Singapore is an island of stability, law and order in the most populous and fastest growing part of the world. This makes it an obvious choice as a headquarters for companies seeking to do business in the region. The city state's ability to attract multinational corporations (MNCs) has resulted in one of the highest GDP per capita in the world in a matter of only 50 years (2015 is the 50th anniversary of Singapore's founding). This is despite the fact that it has no natural resources and for much of its history had a turbulent relationship with its neighbors Malaysia and Indonesia.

Singapore's economy is diversified with industry accounting for 27% and services 73% of GDP. Industry is made of up sophisticated electronic, pharmaceutical and biomedical manufacturing as well as petroleum and petrochemicals. In fact, Singapore has the third largest oil refinery in the world, behind Rotterdam and Houston, making it the 18th largest exporter of oil in the world despite not having any oil reserves[1]. Finance is a key component of the services sector, with Singapore being the 4th largest FOREX trading hub in the world behind London, New York and Tokyo. Tourism continues to grow in Singapore with the completion of the iconic Marina Bay Sands in 2009 and events such as the F1 races attracting visitors from around the world. Since 2010, tourism receipts have grown 25%, from $18.9 to $23.5 billion SGD.

Singapore is not resting on its past success. Recognizing how new technologies are innovating the world around us, the Singaporean Government has set out to make Singapore the world's first "Smart Nation". Uber is legal and regulated, a $24 billion venture capital fund has been created to fund start-ups, 11,000 government data sets have been made available to the public and an ultra-high speed 1Gbps broadband network has been set up nationwide. These and other initiatives assisted in growing yearly GDP from the ICT sector (Information Technology, Communication and Media Companies) from $64.2B SGD to $148.1B SGD from 2007 to 2013.

The SGX Exchange

Although Singapore is a world leading currency and commodities trading hub, its equity market is small. Below is how it compares to the NYSE.

	SGX	NYSE
Population of Home Country	5.4 million	318.9 million
GDP of Home Country	298 billion USD	16,770 billion USD
Market Cap	$464 billion USD	$19,690 billion USD
Number of Companies	774	2,800
Average Daily Trading Value	$1.1 billion USD	$169 billion USD

In Asia, the largest equity trading hubs are Tokyo, Shanghai, Hong Kong and Shenzhen. SGX will never be the same size given the size of the country, so it is focused on diversifying into derivatives, currency futures, a fixed income secondary market and market data and index businesses, all of which

[1] http://www.economywatch.com/world_economy/singapore/industry-sector-industries.html

have shown positive signs of growth. Although this limits the stock picking universe, there are still many opportunities to be had on the SGX.

Singapore Property Market

Singapore has one of the most expensive property markets in the world. Separated from Malaysia by the Straits of Johor in the north and from Indonesia by the Singapore Strait in the south, Singapore’s small and heavily urbanized city-state covers a mere land area of about 714.3 square kilometres (275.8 sq mi.) The scarcity of space has driven residential, commercial and industry land prices to a premium when compared with other developed countries in the world.

To support the growth of Singapore as a global business and trading hub, the Singapore Government has played a critical and proactive role. The urban landscape in Singapore would not be what it is today without the daring economic and social planning policies undertaken by the government over the past 50 years. In recent times, real estate prices soared to new highs like other world financial centers. In a bid to cool the property scene and to prevent a USA style collapse, the Singapore government introduced a series of cooling measures. This has mainly been to target the residential sector with measures such as the Total Debt Servicing Ratio (TDSR) make it difficult for investors to secure sufficient loans for both residential and commercial property purchases without adequate capital.

In the commercial office scene, demand for Grade A office space in the downtown remains strong. Deals continue to happen, as just in June 2015 OUE Commercial REIT acquired an interest in One Raffles Place, a premium shopping and office development which consist of 2 office towers and a shopping mall. While office rental is expected to grow at a slower pace and the looming interest rate hikes may temper expectations, the long term commercial property outlook continues to be attractive and is priced well below the 2008 peak.

Commercial Property Rents

	3Q 14	4Q 14	1Q 15	2Q 15	3Q 15
Mthly rent (S$ / sq ft)	10.95	11.20	11.40	11.30	**10.90**
% change	+3.3%	+2.3%	+1.8%	-0.9%	**-3.5%**

CapitaLand Commercial Trust Business Overview

CCT is the first and largest commercial REIT in Singapore, with an inception date of May 11th, 2004. It's largest shareholder is CapitaLand Group, owns 32% of the REIT and handles the property development part of the business, which the CapitaLand Commercial Trust then manages.

CCT derives 100% of its revenues from 10 properties located in the Central Business District of Singapore.

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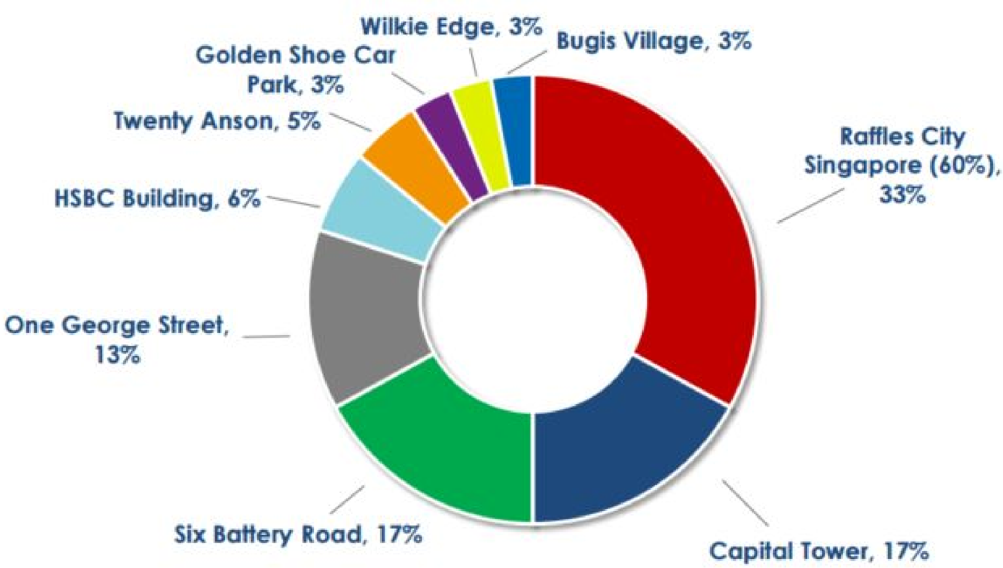
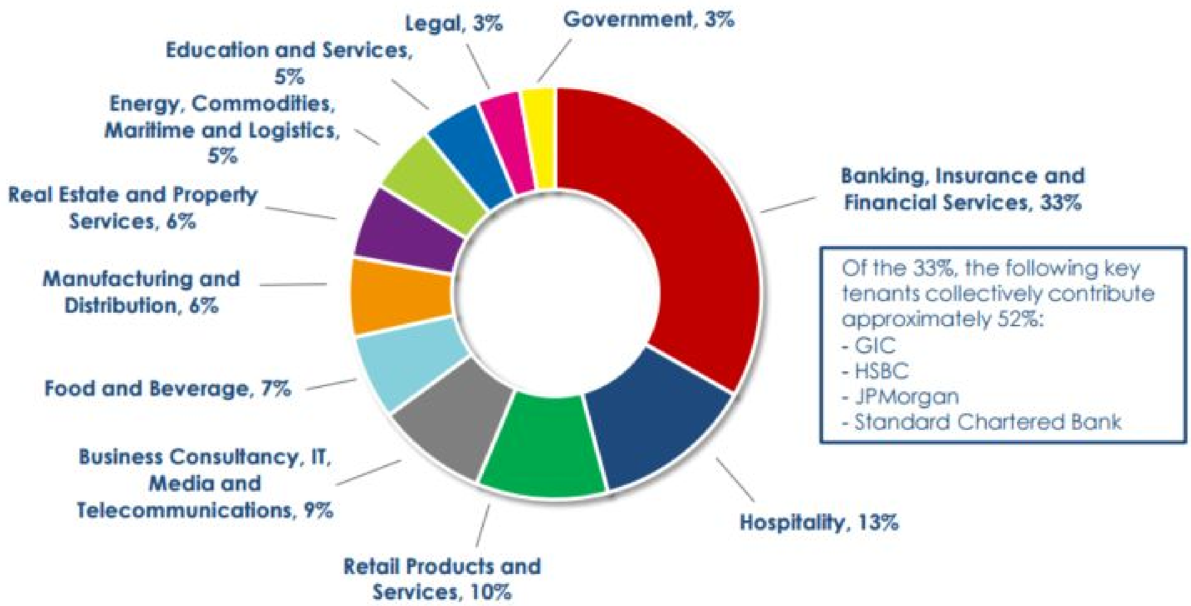
Total	**3,913,000**	**97.4%**			**$7,427.5m**

The revenue from the properties are stable, with 91% of net property income derived from Grade A and prime office tenants across the properties. Raffles City, picture #1 from the previous page, is the landmark property which accounts for majority of the revenue.



The tenants are from a variety of sectors, reflecting the larger Singapore economy. This diversity in tenants is especially important as it demonstrates CCT ability to cater to a variety of industries needs. Therefore, if banking or hospitality tenants do not renew leases due to structural changes in their organizations, CCT has the management experience to fill those vacancies with other sectors that are experiencing growth.



CCT has also demonstrated itself competent when it comes to occupancy rate. Since inception, it has never had occupancy rates below 94.8%, and that was at the height of the global financial crisis! Barring another global catastrophe, shareholders can count on CCT maintaining high occupancy rates.

	2006	2007	2008	2009	2010	2011	2012	2013	2014	1Q 2015	2Q 2015	3Q 2015
Capital Tower	100.0	100.0	99.9	99.9	99.9	100.0	100.0	100.0	100.0	100.0	100.0	92.2
Six Battery Road	100.0	99.9	98.6	99.2	99.7	85.4[2]	93.0[2]	98.6[2]	99.2	99.9	100.0	99.5
Bugis Village	95.3	99.1	96.6	93.8	93.4	98.8	97.1	97.2	94.8	96.5	98.3	100.0
Golden Shoe Car Park	98.0	96.4	100.0	100.0	95.2	100.0	100.0	94.6	100.0	100.0	100.0	97.7
HSBC Building	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Raffles City (60% interest)	99.5	99.3	99.9	99.3	99.1	98.9	100.0	100.0	100.0	100.0	99.0	99.3
Wilkie Edge			52.5	77.9	98.4	98.4	93.9	99.6	100.0	100.0	100.0	100.0
One George Street			100.0	96.3	100.0	93.3	92.5	95.5	100.0	100.0	99.4	99.4
Twenty Anson							100.0	98.1	97.8	97.8	100.0	97.9
CapitaGreen (40% interest)[3]									69.3	69.9	80.4	85.5
Portfolio Occupancy	**99.6**	**99.6**	**96.2**	**94.8**	**99.3**	**95.8**	**97.2**	**98.7**	**96.8**	**97.0**	**98.0**	**96.4[4]**

In summary, CapitaLand Commercial Trust is a simple business. It owns the best commercial real estate in one of the best places to do business and has a number of the best companies in the world as tenants. Since inception in 2004, it has consistently delivered value to shareholders following this simple formula.

CapitaLand Commercial Trust Versus Competitors

CapitaLand Commercial Trust trades at a significant discount to REITs with a similar market cap and property holdings in the Asia region while offering a much higher dividend yield. The discount is especially pronounced versus REITs in Japan. Champion REIT, the HK comparable, is more exposed to China, which explains its greater discount. Keppel REIT is diversified between Singapore and Australia, with 88% of its portfolio in Singapore and 12% in Australia, making it more exposed to a commodity slowdown in Australia and not a pure Singapore real estate play, as well as lacking the premium property holdings that CCT has in its portfolio.

Name	Country	Mkt Cap (SGD)	1YR % Change	1YR EPS Growth	P/E	P/B	ROE	Dvd 12M Yld
AVERAGE		*3,660*	*3.94*	*28.87*	*56.19*	*1.20*	*6.50*	*3.89*
CAPITALAND COMMERCIAL TRUST	SG	4,160	-15.57	17.81	10.51	0.81	7.83	6.06
CHAMPION REIT	HK	4,236	18.71	-12.82	7.00	0.49	7.25	4.80
JAPAN PRIME REALTY INVESTMEN	JP	3,998	-3.78	7.87	30.10	1.59	5.25	3.24
ORIX JREIT INC	JP	4,391	10.14	16.04	27.18	1.40	5.42	3.46
DAIWA OFFICE INVESTMENT CORP	JP	3,477	4.21	16.32	35.26	1.22	3.61	2.81
MORI TRUST SOGO REIT INC	JP	3,285	7.52	10.29	27.58	1.77	6.45	3.86
KEPPEL REIT	SG	3,088	-20.90	-34.01	9.46	0.70	6.49	7.03
MORI HILLS REIT INVESTMENT C	JP	2,734	-3.91	11.70	32.11	1.53	5.21	3.11

Given Singapore's status as a financial center that isn't directly tied to China, we also compared the value of CCT to REITs focused on financial centers such as Manhattan in New York and London in the United Kingdom. Versus these comparables, CCT's superior value was even more evident, trading at more than half the price to book and offering double the dividend yield.

Name	Country	Mkt Cap (SGD)	1YR % Change	1YR EPS Growth	P/E	P/B	ROE	Dvd 12M Yld
AVERAGE		*9,859*	*4.23*	*72.16*	*39.74*	*1.89*	*7.95*	*3.28*
CAPITALAND COMMERCIAL TRUST	SG	4,160	-15.57	17.81	10.51	0.81	7.83	6.06
LAND SECURITIES GROUP PLC	GB	22,909	20.96	115.11	4.38	1.00	25.41	2.40
SL GREEN REALTY CORP	US	16,750	2.52	409.07	59.92	1.68	3.29	2.02
EMPIRE STATE REALTY TRUST-A	US	2,878	11.65	-65.82	84.13	4.29	6.23	1.91
NEW YORK REIT INC	US	2,596	1.60	-115.38		1.70	-3.01	4.03

Valuation

Versus comparables CCT looks strong, and this carries over on a stand alone basis. We built a DCF model based on a conservative forecasts of 3% appreciation in revenue per year (which includes realized land value appreciation and increased rents), a WACC of 4.7% (using existing debt yield and the CAPM formula to calculate equity cost of capital Re = Rf + (Rm - Rf) * Beta) and margins remaining stable. Using these parameters in a perpetuity growth model, there is an 84% upside in CCT.

In Millions of SGD	Dec 14 A	Dec 15 E	Dec 16 E	Dec 17 E	Dec 18 E	Dec 19 E	Dec 20 E
Revenue (Estimate Comparable)	**263**	**270**	**279**	**287**	**296**	**304**	**314**
% YoY Growth	-32%	3%	3%	3%	3%	3%	3%
EBITDA	**153**	**156**	**161**	**168**	**177**	**183**	**188**
% Margin	58%	58%	58%	59%	60%	60%	60%
Free Cash Flow	**123**	**136**	**142**	**155**	**157**	**162**	**169**
% Margin	47%	50%	51%	54%	53%	53%	54%

Perpetuity Growth Method	
Current Price (SGD)	1.41
Consensus Price Target	1.49
DCF Estimated Value per Share (SGD)	**2.59**
DCF Estimated Upside	**84%**

		Perpetuity Growth				
		2.0%	2.5%	3.0%	3.5%	4.0%
	3.7%	2.71	3.91	6.85	24.45	-16.62
Discount	4.2%	2.00	2.65	3.83	6.71	23.98
Rate	4.7%	1.56	1.96	**2.59**	3.76	6.58
(WACC)	5.2%	1.26	1.53	1.92	2.54	3.68
	5.7%	1.03	1.23	1.49	1.88	2.49
		2.0%	2.5%	3.0%	3.5%	4.0%
	3.7%	92%	178%	386%	1634%	-1279%
	4.2%	42%	88%	172%	376%	1601%
	4.7%	11%	39%	**84%**	166%	367%
	5.2%	-11%	8%	36%	80%	161%
	5.7%	-27%	-13%	6%	33%	76%

Perpetuity Growth Method - Value per Share	
Free Cash Flow at Year 5	168
WACC	4.7%
Perpetuity Growth Rate	3.0%
Perpetuity Value at End of Year 5	10,190
Present Value of Perpetuity (@ 4.7% WACC)	8,099
(+) Present Value of Free Cash Flows (@ 4.7% WACC)	694
(=) Current Enterprise Value	**8,793**
Short Term Debt	270
(+) Long Term Debt	970
(-) Cash and Marketable Securities	101
(-) Current Net Debt	1,139
(-) Current Preferred and Minority Interest	-
(=) Equity Value	7,654
Shares outstanding	2,951
Estimated Value per Share (SGD)	**2.59**
Current Price (SGD)	1.41
Estimated Upside	**84%**

Within our perpetuity growth matrix, we account for both more and less optimistic growth rates. Assuming the same WACC, even with a perpetuity growth rate of 2%, there is still 10% upside in CCT. Likewise, if we have undershot and CCT's revenues and free cash flow grow at a faster rate, a perpetuity growth rate of 4% yields an upside of over 367%!

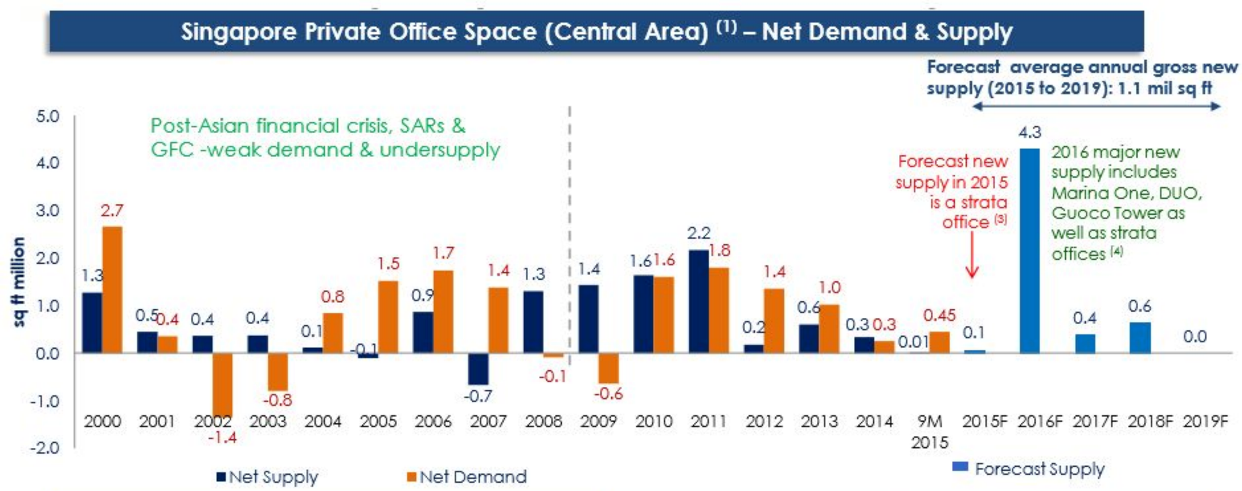
Given the Singapore's watchful eye over property prices, we doubt we will see growth rates like this. But do expect a steady climb, which is more than enough to make CCT an excellent buy. And sqft rents at 3% annual compounded growth still only result in sqft rates of S$12.64 by 2020, well below the 2008 peak of S$18 sqft.

Risks

<u>Supply of Commercial Real Estate</u>

One of the largest risks to CCTs current value is the 4.3 million sqft of commercial office space supply set to hit the market in 2016. This has weighed heavily on commercial REITs in the SGX, and while it is a legitimate concern, is not as big of one as the headline number suggests..

Firstly, CCT recognized the potential of this supply to put downward pressure on prices and has proactively extended leases with its tenants. CCT's WALE (Weighted Average Lease Term to Expiry) currently sits at 7.7 years, with only 10% of its office space coming up for lease in 2016[2]. Secondly, on a longer term basis, the supply from 2015 to 2019 is expected to average 1.1 million sqft. This is only slightly above the average annual net supply of 0.8 million sqft from 2005 to 2014 and 1.0 million sqft from 2010 to 2014. So although by itself the 4.3 million sqft in 2016 looks imposing, the Singapore commercial property market should have no problem working its way through it. And keep in mind, Singapore is a small island, mitigating the issue of oversupply in the longer term.



Periods	Average annual net supply (2)	Average annual net demand
2005 – 2014 (through 10-year property market cycles)	0.8m sq ft	1.0m sq ft
2010 – 2014 (five years period post GFC)	1.0m sq ft	1.2m sq ft
2015 – 2019 (gross supply)	1.1m sq ft	N.A.

Interest Rate Risk

While it seems that the US Federal Reserve Bank may start hiking interest rates in December this year or early next year, the 3 month Singapore Interbank Offered Rates (SIBOR) has already lifted off in anticipation of the move by the Feds. Currently, the SIBOR is at a 7 year high of 1.14%, up from 0.4% in October last year.

While the rate hike may has partly been priced into the current share price of CCT, a rapid rise in the SIBOR may have an extremely unpleasant effects. As a rule of thumb, for every 50 basis point hike in the SIBOR, the Distribution Per Unit (DPU) is expected to be adversely impacted by 1% to 3%. Given that the market is well aware of this risk, if the Fed ends up backing off the proposed rate hiking timeline, there is significant upside to be had in CCT and the REIT market as a whole.

[2] CCT 3Q Report

GNAM Investment Competition

Performance Stock Picks

DBS

sembcorp marine

RafflesMedical

noble group

Team Members
Sean McNulty
Ong Yean Chau
Igor Klyuchnikov
Michelle Liao
Aadil Qureshi
Daly Wang

THE NUS MBA

DBS (Development Bank of Singapore)

Singapore is an Asian financial hub. Its fortunes are heavily intertwined with its local finance institutions. As such, no equity portfolio reflecting the local Singaporean share market can be considered complete without an inclusion of one the “Big Three” banks operating locally. In view of the looming interest rate hikes, local banks look poised to enjoy positive effect on earnings due to their stable funding structures. Currently, local bank margins are at a five year low and higher interest rates are expected to widen margins and improve pre-provision profitability.

Of the three local banks listed, DBS stands out. The bank has a lower cost of funding due to its largest share of low-yielding customer deposits, a legacy from its merger with the people-friendly POSB bank, and hence, its funding structure is superior to the other two banks.

Currently, DBS is trading at an undemanding trailing PE of 10.08x Price/Earnings, compared to 13.92x for the STI. Amongst the three banks, DBS has the lowest trailing dividend yield of 3.30%, compared with UOB (4.43%) and OCBC (3.99%) at the moment but analysts polled indicated that DBS’s dividend pay-out ratio has the potential to increase.

From a technical analysis point of view, the share price has pulled back significantly from its 52 weeks high of $21.50 reached at the end of July 2015. The MACD showed divergence at the start of October 2015 where the share price touched a 52- weeks low with the MACD and signal line failing to achieve a new low. The share price has been moving upwards ever since.

DBS has also been on the forefront of innovation, being an active participant of new banking innovative initiatives including the exploration of chain-block technologies in banking applications.

RMG (Raffles Medical Group)

Singapore's rapidly ageing population due to its demographics presents a long term investment opportunity for the healthcare sector. Between 1965 and 2015, Singapore's population has grown from 1.9 million to 5.5 million. However, the number of citizens aged 65 and above is increasing rapidly, as population growth slows. By 2030, the number of citizen age 65 and above would have grown to 900,000 or almost 20% of the population. The healthcare needs for this sector presents good potential for revenue growth for healthcare services providers in Singapore.

Amongst the healthcare stocks in the Singapore share-market, Raffles Medical Group (RMG) has one of the largest network of health care centres and hospitals with a few notable medical developments, such as the expansion of Raffles Hospital, on the horizon. RMG's revenue has been increasing at a favourable rate year on year and its net income has appreciated strongly since 1997. As of September 2015, it has a strong cash position of almost 82 million with only 2 million in borrowings, reflecting its strong balance sheet and putting it in a prime position for further acquisitions.

Raffles Medical Group also has exposure to the massive Chinese healthcare market through its oversea ventures arm and in another market facing an aging population, Japan, RMG's subsidiary, Raffles Japanese Clinics, has several medical centres in operation.

From a technical analysis point of view, the stock has hit an all-time high of $4.99 on 22nd July 2015 on the back of strong earnings and future potential of the company. Since then, it has suffered a pullback of about 13% from its peak price due to the deteriorating market conditions in the Singapore market.

Sembcorp Marine

Sembcorp Marine operates in two segments of the marine and offshore engineering business, Ship Chartering and Ship & Rig Repair, Building and Conversion. It is a subsidiary of Sembcorp Industries Ltd. As the company derives a substantial amount of revenue from the oil industry, the current low oil prices have adversely impacted the share performance. Sempcorp Marine's exposure to the protracted jack-up rig construction downturn and keen competition from Keppel Corp, caused revenues to drop across several quarters. However, the company offers a decent dividend yield of 5.13% despite its troubles and with the oil market expected to stabilize, the counter may yet see a turnaround. In addition, Sembcorp Marine's subsidiary SMOE Pte Ltd recent securing of an engineering, procurement and construction contract, worth over US$1b, from Maersk Oil North Sea UK Limited signals that the company still retains the ability to win significant projects in weak market conditions.

From a technical analysis view-point, the stock price, currently at $2.38, is languishing around its 52 weeks low. This represents a 35% drop from its high share price of $3.74 set on 3rd November 2014. Currently, the 5, 10, 20, 50, 100 and 200 day EMA curves have started converging together after a long downturn period and this may signal that the stock could experience a rebound in the coming months. The RSI is also at the lower end, approaching the value of 20, indicating that the stock may soon enter into the oversold region, further supporting the possibility of an upturn.

Noble Group

Noble Group is a commodity trader listed in the Singapore Stock Exchange and is ranked 77th in the 2015 Fortune Global 500. The company is involved in the management of several global supply chains in the industrial and energy sectors and has a 49% interest in Noble Agri, an agricultural partnership with COFCO.

In a move echoing Muddy Water's 2012 attack on Olam Singapore, another commodity trader previously listed on the Singapore stock exchange, Iceberg Research, an anonymous short seller, issued a report in February 2015, questioning Noble's accounting practices. Iceberg highlighted that Noble had over-valued its stake in Yancoal Australia. Noble share price tumbled and lost more than half its value in the next six months. Despite Noble's numerous efforts to clarify doubts and to address investor concerns, Noble's share price has continued to slide. Even when accounting firm, PwC, affirmed that Noble has compiled with acceptable accounting standards, the selling did not abate and the share price did not recover.

From a technical analysis viewpoint, the share price has lost more than half of its value since October 2014. While the share price is currently off its low of 0.38 cents reached during early October 2015, there may be further potential upside as the 20-day EMA line has breached the 50-day EMA line from below. The MACD graph also shows divergence as the MACD did not reach a new low when the share price struck nadir in early October. Hence, any pull-backs in the share price will present a good trading buy opportunity.