

GICS: Financials/Asset Management & Custody Banks

Business Summary: Mutual fund company that provides investors access to diversified portfolio of assets.

Country of Incorporation: Bermuda

Head Office Location: Global Investments Limited c/o ST Asset Management Ltd, 51, Cuppage Road #10-03, StarHub Centre, Singapore 229469

Place of Operations: Singapore

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Results Review

- Global Investments Ltd.'s (GIL) 2011 results were below our expectations due to a combination of weaker rental income, foreign exchange losses and higher-than-expected operating expenses. The results were nonetheless a relatively good set of results with profit after tax up 86% YoY to SGD12.2 mln.
- The jump in earnings was due to significantly lower impairment expense of SGD1.8 mln in 2011 vs. SGD10.4 mln in 2010. Revenue fell 16.7% YoY due to the absence of foreign exchange gains. Excluding foreign exchange gains, revenue would have risen by 14.7% YoY due to SGD3.6 mln gains from the sale of Newgate Funding 2006-3 Series Residuals and American Home Mortgage Investment Trust 2005-4 RMBS.
- GIL declared a final dividend of SG cents 0.75 per share, bringing total dividend for the year to SG cents 1.5 per share; a 50% increase from 2010's SG cents 1.0. Based on the latest closing price of SGD0.159, distribution for 2011 translates to a yield of 9.4%.
- GIL is proposing a renounceable non-underwritten rights issue on a 1-for-2 basis at SGD0.128 per rights share. If fully subscribed, the rights issue will raise net proceeds of SGD35 mln. GIL had cash & cash equivalents of SGD42.2 mln as at end-2011. Coupled with funds from the rights issue, GIL could have a substantial war chest to take advantage of potentially attractive investments.
- GIL's investment in Pepper Residential Securities Trust No. 6 was called and GIL has received the full investment amount.

Earnings Outlook / Estimates Revision

- We have lowered our 2012 net profit forecast by 28% after adjusting our rental income and operating expense assumptions. We also introduce our 2013 forecast, which factors in a USD2.65 mln gain from the forthcoming sale of two aircraft.
- We forecast an 11% decline in 2012 net profit, assuming an absence of gains from the sale of investments. For 2013, we project net profit to rise by 9%, assuming future new investments yield positive returns. Gains from the sale of the two aircraft in 2013 largely offset the loss of lease income from the aircraft.
- GIL had in December 2011 received shareholders approval to expand the company's investment policy to include investments in assets in different sectors. With an enlarged war chest, GIL will be able to take on larger deals.

Investment Risks

- The fund's investments are still very much exposed to the vagaries of the financial markets and economic conditions should things take a turn for the worse, as it holds lower-end and higher-risk notes in a large portion of its Loan Portfolio and Securitization Asset investments.

Key Stock Statistics

52-week Share Price Range (SGD)	0.13 - 0.19
Avg Vol - 12 months ('000 shares)	497.4
Price Performance (%)	
- 1 month	8.9
- 3 month	12.0
- 12 month	-15.9
No. of Outstanding Shares (mln)	550.2
Free Float (%)	91.6
Market Cap (SGD mln)	87.5
Enterprise Value (SGD mln)	62.3
Major Shareholders (%)	
Boon Swan Foo	8.4

Per Share Data

FY Dec.	2010	2011	2012E	2013E
Book Value (SG cents)	31.00	27.17	26.84	27.79
Cash Flow (SG cents)	2.9	2.8	2.2	2.4
Reported Earnings (SG cents)	1.5	2.3	2.0	2.1
Dividend (SG cents)	1.0	1.5	1.3	1.3
Payout Ratio (%)	38.6	57.4	63.6	58.5
PER (x)	10.3	6.8	8.1	7.4
P/Cash Flow (x)	5.4	5.6	7.2	6.7
P/Book Value (x)	0.5	0.6	0.6	0.6
Dividend Yield (%)	6.3	9.4	7.9	7.9
ROE (%)	8.4	10.6	7.3	7.8
Net Gearing (%)	0.0	0.0	0.0	0.1

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Earnings Performance

FY Dec. / SGD mln	FY11	FY10	% Change
Reported Revenue	20.5	24.6	-16.8
Reported Operating Profit	17.7	21.0	-15.7
Depreciation & Amortization	-1.3	-1.4	-7.7
Net Interest Income / (Expense)	-1.3	-1.6	-16.1
Reported Pre-tax Profit	12.9	7.6	69.1
Reported Net Profit	12.2	6.6	85.7
Reported Operating Margin (%)	86.4	85.3	-
Reported Pre-tax Margin (%)	63.1	31.1	-
Reported Net Margin (%)	59.7	26.8	-

Source: Company data

Profit & Loss

FY Dec. / SGD mln	2010	2011	2012E	2013E
Reported Revenue	24.6	20.5	16.8	17.7
Reported Operating Profit	21.0	17.7	14.0	14.9
Depreciation & Amortization	-1.4	-1.3	-1.3	-1.3
Net Interest Income / (Expense)	-1.6	-1.3	-1.3	-1.1
Reported Pre-tax Profit	7.6	12.9	11.4	12.4
Effective Tax Rate (%)	13.8	5.3	5.3	5.3
Reported Net Profit	6.6	12.2	10.8	11.8
Reported Operating Margin (%)	85.3	86.4	83.2	83.8
Reported Pre-tax Margin (%)	31.1	63.1	67.8	70.0
Reported Net Margin (%)	26.8	59.7	64.2	66.3

Source: Company data, S&P Equity Research

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