

GICS: Financials/Asset Management & Custody Banks

Business Summary: A mutual fund company that invests in a diversified portfolio of assets that will generate steady income and potential appreciation in capital to deliver regular dividends and achieve capital growth.

Country of Incorporation: Bermuda

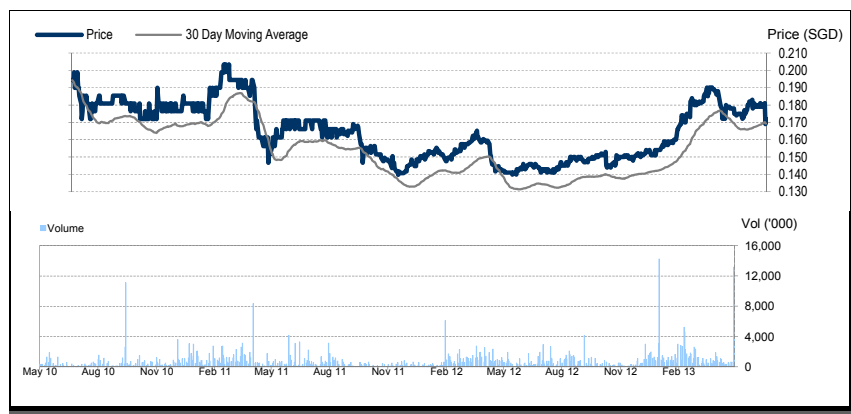
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Place of Operations: Singapore

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Results Review

- Global Investments Ltd. (GIL) reported a strong 1Q13 with net profit rising 22.8% YoY, beating our expectations due to gains from sale of investments and higher-than-expected interest income.
- Revenue more than doubled largely due to higher gains from sale of investments, which accounted for 54% of 1Q13 revenue. Interest income was the next largest contributor accounting for 26% of revenue. Meanwhile, expenses rose 5.9% YoY due to higher management fees given the increase in GIL's market capitalization.
- GIL recorded gains of SGD5.7 mln from the sale of FLY Leasing shares and Asia-listed equities. With the sale, GIL's holding in FLY Leasing declined to 557,480 shares as of Mar. 31, 2013, from 876,261 shares a quarter ago.
- GIL increased its exposure to Asia equities in 1Q13, with the carrying value of its equity portfolio increasing to SGD55.93 mln as at 31 Mar. 2013 from SGD39.96 mln as at 31 Dec. 2012. It has liquidated all Korean equities, reduced exposure to Hong Kong equities, and increased exposure to Japanese equities to 51.7% of carrying value as at Mar. 31, 2013, from 9% a quarter ago.
- Interest income rose 48.8% YoY in 1Q13, with the increase coming largely from new investments acquired in 4Q12 and Avoca IV subordinated note.

Earnings Outlook / Estimates Revision

- We have raised our 2013 and 2014 net profit forecasts by 85% and 34% respectively after factoring in 1Q13 gains from sale of investments and raising our interest income projections. Completion of the sale of two Boeing 757-200 aircraft has been rescheduled from end Apr. 2013, and should be completed before the end of Jul. 2013. The sale is estimated to result in a USD2.65 mln gain, which we have incorporated into our projections. We have conservatively assumed a decline in gains from sale of investments in 2014 given the difficulty in predicting the timing and quantum of such gains. As at Mar. 31, 2013, GIL has unrealized profits on Asia-listed equities of SGD3.7 mln.
- GIL has changed the frequency of its dividend distribution to annual from semi-annual due to the increase in listing fees. Management is guiding for a 1H13 dividend of 0.75 SG cents/share, which is expected to be declared in Feb. 2014.
- GIL is proposing a 2-for-5 rights issue at SGD0.143/rights share that may raise up to SGD48.5 mln. GIL has cash & cash equivalents of SGD16.7 mln as at Mar. 31, 2013. Funds raised from the rights issue will provide greater flexibility in asset allocation and allow GIL to take advantage of opportunities that may arise.

Investment Risks

- Main risks include volatility in financial markets and any downturn in the economies and/or property markets that GIL is exposed to.

Key Stock Statistics

52-week Share Price Range (SGD)	0.13 - 0.18
Avg Vol - 12 months ('000 shares)	808.1
Price Performance (%)	
- 1 month	-3.0
- 3 month	-10.0
- 12 month	20.0
No. of Outstanding Shares (mln)	851.4
Free Float (%)	91.3
Market Cap (SGD mln)	137.9
Enterprise Value (SGD mln)	135.0
Major Shareholders (%)	
Boon Swan Foo	8.8

Per Share Data

FY Dec.	2011	2012	2013E	2014E
Book Value (SG cents)	26.52	23.03	25.40	25.56
Cash Flow (SG cents)	2.9	2.1	2.6	1.8
Reported Earnings (SG cents)	2.3	2.5	2.5	1.6
Dividend (SG cents)	1.5	1.5	1.5	1.5
Payout Ratio (%)	57.4	88.3	60.8	92.7
PER (x)	7.1	6.4	6.5	10.0
P/Cash Flow (x)	5.5	7.9	6.1	9.2
P/Book Value (x)	0.6	0.7	0.6	0.6
Dividend Yield (%)	9.0	9.3	9.3	9.3
ROE (%)	10.6	8.3	10.3	6.3
Net Gearing (%)	0.0	0.0	0.0	0.0

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Earnings Performance

FY Dec. / SGD mln	1Q13	1Q12	% Change
Reported Revenue	10.5	4.4	>100
Reported Operating Profit	9.7	3.7	>100
Depreciation & Amortization	-0.3	-0.3	-0.9
Net Interest Income / (Expense)	-0.3	-0.3	-14.6
Reported Pre-tax Profit	9.9	8.1	22.2
Reported Net Profit	9.8	8.0	22.8
Reported Operating Margin (%)	92.3	84.3	-
Reported Pre-tax Margin (%)	93.7	>100	-
Reported Net Margin (%)	92.7	>100	-

Source: Company data

Profit & Loss

FY Dec. / SGD mln	2011	2012	2013E	2014E
Reported Revenue	20.5	18.4	24.1	16.5
Reported Operating Profit	17.7	15.4	21.1	13.3
Depreciation & Amortization	-1.3	-1.3	-1.3	-1.3
Net Interest Income / (Expense)	-1.3	-1.2	-1.1	-1.0
Reported Pre-tax Profit	12.9	19.6	21.5	14.1
Effective Tax Rate (%)	5.3	2.5	2.5	2.5
Reported Net Profit	12.2	19.1	21.0	13.8
Reported Operating Margin (%)	86.4	83.9	87.2	81.0
Reported Pre-tax Margin (%)	63.1	>100	89.3	85.7
Reported Net Margin (%)	59.7	>100	87.0	83.5

Source: Company data, S&P Equity Research

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Page 3 of 4

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Page 4 of 4