

GICS: Financials/Asset Management & Custody Banks

Business Summary: Mutual fund company that provides investors access to diversified portfolio of assets. Three main asset classes: Operating Lease Assets, Loan Portfolio and Securitisation Assets, and Alternative Assets.

Country of Incorporation: Bermuda

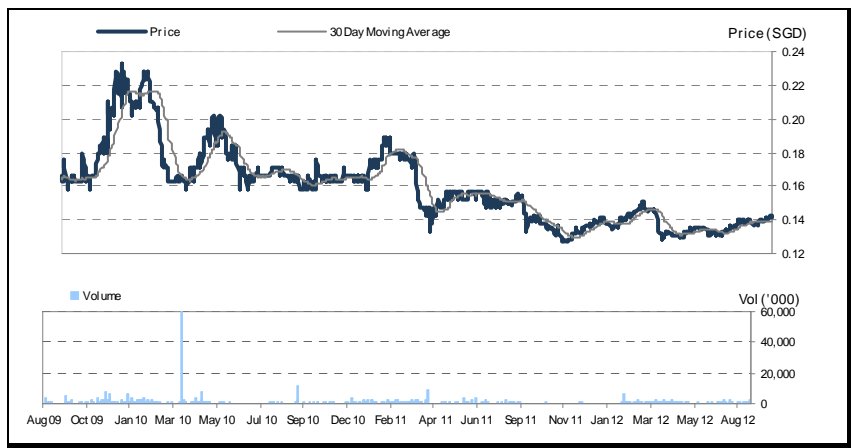
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Place of Operations: Singapore

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Results Review

- Global Investments Ltd.'s (GIL) 1H12 results were below our expectations due to lower-than-expected interest income, which was partially offset by a turnaround in Ascendos.
- GIL reported a 20% YoY decline in 1H12 net profit to SGD9.3 mln. The decline was due to: (i) lower interest income, (ii) SGD0.41 mln net forex loss (vs. SGD3.85 mln net forex gain in 1H11), and (iii) lower gains from sale of investments of SGD0.16 mln in 1H12 vs. SGD2.55 mln in 1H11. These were partially offset by a SGD4.9 mln impairment loss reversal. Excluding forex, impairments and gains from asset sales, we estimate that adjusted pre-tax profit was down 13% YoY in 1H12 but up 31% YoY in 2Q12. The 2Q12 YoY earnings growth was due largely to equity accounting for Ascendos.
- 40.56%-owned railcar operator Ascendos has turned profitable after two financial years of losses. As a result, GIL has in 1H12 reversed an SGD4.9 mln impairment loss previously recognized and resumed equity accounting its investment in Ascendos in 2Q12. With equity accounting, GIL will no longer recognize distribution income from Ascendos as revenue in its accounts.
- GIL has maintained an interim dividend of 0.75 SG cents for 1H12 (1H11: 0.75 SG cents), despite an increase in the share capital post the 1-for-2 rights issue, which was completed in April 2012. The dividend will be paid on Sep. 10, 2012.

Earnings Outlook / Estimates Revision

- We have raised our 2012 net profit forecast to SGD15.1 mln from SGD10.8 mln previously after factoring in: (i) the SGD4.9 mln impairment loss reversal and (ii) share of Ascendos' earnings, which more than offset downward adjustment to our interest income assumption. We have lowered our 2013 net profit forecast by 8% due to lowering of our interest income assumption. Our 2013 forecast includes a USD2.65 mln net gain from the pending sale of two aircraft.
- GIL raised SGD35 mln from the recent rights issue, of which SGD16.2 mln has been invested in listed equities as at Aug. 10, 2012. GIL has sizeable amount of liquid assets that it can utilize for investments in other asset classes when the right opportunity arises. As at Jun. 30, 2012, GIL had cash & cash equivalents of SGD78.7 mln and available for sale financial assets of SGD19.3 mln.
- GIL's investment focus is on high yield bonds, hybrid instruments and public equity investments, operating lease assets, and single loans and loan portfolio assets. It is selective with its investments, preferring defensive assets with good cash flow. It aims to deliver regular dividends and grow its capital.

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, given its holdings in lower-end and higher-risk notes.

Key Stock Statistics

52-week Share Price Range (SGD)	0.13 - 0.15
Avg Vol - 12 months ('000 shares)	531.3
Price Performance (%)	
- 1 month	2.2
- 3 month	6.0
- 12 month	-1.3
No. of Outstanding Shares (mln)	825.3
Free Float (%)	91.3
Market Cap (SGD mln)	116.4
Enterprise Value (SGD mln)	53.3
Major Shareholders (%)	
Boon Swan Foo	8.8

Per Share Data

FY Dec.	2010	2011	2012E	2013E
Book Value (SG cents)	27.89	26.52	22.05	21.92
Cash Flow (SG cents)	2.7	2.9	1.5	1.5
Reported Earnings (SG cents)	1.5	2.3	2.0	1.3
Dividend (SG cents)	0.9	1.5	1.5	1.5
Payout Ratio (%)	38.6	57.4	122.1	114.3
PER (x)	9.4	6.2	7.0	10.7
P/Cash Flow (x)	5.3	4.8	9.2	9.6
P/Book Value (x)	0.5	0.5	0.6	0.6
Dividend Yield (%)	6.4	10.4	10.6	10.6
ROE (%)	8.4	10.6	6.1	6.0
Net Gearing (%)	0.0	0.0	0.0	0.0

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Earnings Performance

FY Dec. / SGD mln	2Q12	2Q11	% Change
Reported Revenue	3.5	5.9	-41.2
Reported Operating Profit	2.8	5.2	-46.8
Depreciation & Amortization	-0.3	-0.3	2.8
Net Interest Income / (Expense)	-0.3	-0.3	-8.2
Reported Pre-tax Profit	1.5	4.5	-67.3
Reported Net Profit	1.4	4.3	-68.6
Reported Operating Margin (%)	79.7	88.1	-
Reported Pre-tax Margin (%)	42.8	77.1	-
Reported Net Margin (%)	39.3	73.6	-

Source: Company data

Profit & Loss

FY Dec. / SGD mln	2010	2011	2012E	2013E
Reported Revenue	24.6	20.5	14.2	13.8
Reported Operating Profit	21.0	17.7	11.3	10.9
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	15.9	11.4
Effective Tax Rate (%)	13.8	5.3	5.3	5.3
Reported Net Profit	6.6	12.2	15.1	10.8
Reported Operating Margin (%)	85.3	86.4	80.0	79.1
Reported Pre-tax Margin (%)	31.1	63.1	>100	83.2
Reported Net Margin (%)	26.8	59.7	>100	78.7

Source: Company data, S&P Equity Research

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