

MRCB-Quill REIT (MQREIT MK)

Next catalyst just around the corner

Large asset inbound

We believe the expected injection of Menara Shell (MS) in early-2017 could significantly lift earnings while MQREIT's long-term earnings outlook is supported by its anchor tenants. We think that MS injection will also be value-accretive. We maintain our forecasts pending the confirmation of MS' funding structure. We maintain our BUY call with an unchanged DCF-TP of MYR1.15 (WACC: 6.6%, terminal yield: 7%); FY16 net yield remains attractive at 6.1%, with valuations upside from MS.

Menara Shell to lift earnings

We understand that the acquisition of MS is still in progress and injection into MQREIT could take place in early-2017. Based on our latest estimates, MS could raise FY17/18 net profit by +39/+38% to MYR83.8m/88.1m (12-month contribution each) assuming: (i) ARR of ~MYR8 psf, (ii) 100% occupancy rate, (iii) 75% net property margin, and (iv) 40%:60% debt:equity funding with interest cost of 4.6%. We also derive a FY17 net property yield of 6.5% - above our estimated funding cost of 5.9%. Nonetheless, our forecasts are unchanged pending the confirmation of the funding structure.

Other assets are stable

Elsewhere, we note that Platinum Sentral (PS), which contributes ~41% of FY16-18E revenue (before including MS), has remained 100%-occupied as large tenants such as SPAD, SME and PEMANDU are on leases of 6-15 years. MQREIT's occupancy risks are also lowered by the renewals over the past 12-24 months such as on: (i) QB1-DHL1 and QB4-DHL2 (5-year leases), (ii) QB3-BMW (10-year); and (iii) QB2-HSBC (5-year).

But still highly geared

We estimate that gross gearing would remain high at 0.42x by end-FY16E (unchanged from end-FY15's) which could limit future sizeable acquisitions as MQREIT could only borrow up to -MYR274m (statutory limit: 0.5x). Nonetheless, we forecast that the purchase of MS via debt and new REIT units issuance has marginal impact to gross gearing.

FYE Dec (MYR m)	FY14A	FY15A	FY16E	FY17E	FY18E
Revenue	70	115	124	129	133
Net property income	53	90	100	104	107
Distributable income	34	54	57	61	64
DPU (sen)	7.5	6.9	7.0	7.4	7.9
DPU growth (%)	0.0	(8.1)	0.8	6.5	5.7
Price/DPU(x)	15.2	16.6	16.5	15.5	14.6
P/BV (x)	0.8	0.8	0.8	0.8	0.8
DPU yield (%)	6.6	6.0	6.1	6.5	6.8
ROAE (%)	6.4	7.5	6.3	6.7	7.0
ROAA (%)	4.0	4.3	3.5	3.7	3.9
Debt/Assets (x)	0.4	0.4	0.4	0.4	0.4
Consensus DPU	-	-	8.8	9.1	9.3
MKE vs. Consensus (%)	-	-	(11.6)	(9.4)	(5.9)

Kevin Wong kevin.wong@maybank-ib.com (603) 2082 6824

BUY

Share Price MYR 1.15

12m Price Target MYR 1.15 (+0%)

Previous Price Target MYR 1.15

Company Description

MRCB-Quill REIT engages in the investment in commercial properties which are mainly located in the Klang Vallev.

Statistics

52w high/low (MYR)	1.23/1.01
3m avg turnover (USDm)	0.1
Free float (%)	27.6
Issued shares (m)	661
Market capitalisation	MYR760.6M
	USD190M

Major shareholders:

major sinar erroraers.	
Malaysian Resources Corp. Bhd.	31.2%
CapitaLand Commercial Trust	17.7%
Quill Land Sdn. Bhd.	7.4%

Price Performance



	-1M	-3M	-12M
Absolute (%)	3	7	(7)
Relative to index (%)	(1)	6	(1)

Source: FactSet

Asset updates

Menara Shell: Potential earnings boost by >+30%

To recap, on 3 Dec 2015, MQREIT has entered into a Heads of Agreement (HOA) with 348 Sentral Sdn Bhd (a 100%-subsidiary of MQREIT's major unitholder) to acquire the MSC-status office building with 556k sq.ft. of NLA and 926 parking bays for MYR640m cash. We expect the SPA to be signed soon as the SPA execution is expiring in mid-April 2016 and we anticipate Menara Shell to be injected into MQREIT's portfolio in early-2017.

Menara Shell (MS) is currently 100%-tenanted and backed by two anchor tenants: (i) Shell People Services Asia - 306k NLA (55% of MS' NLA) and (ii) AmGeneral Insurance - 133k sq.ft. NLA (24%). MS has a low occupancy risk as both anchor tenants are on 15-year leases and cumulatively occupy 79% of MS' total NLA.

Based on our latest forecast, MS could increase MQREIT's FY17/18E net profit by +39%/+38% to MYR83.8 m/88.1m, assuming: (i) ARR of MYR8 psf in FY17, (ii) 100% occupancy rate, (iii) 75% net property margin, and (iv) 40%:60% debt:equity funding with interest cost of 4.6%. These assumptions also translate into FY17 net property yield of 6.5% which is above our latest funding cost estimate of 5.9%. We believe the property could yield higher returns in the near-future based on its current below-average rental rates. We understand that ARR for office buildings within the KL Sentral area is about MYR8-9 psf currently and this could provide more room for positive rental reversions.

We, however, maintain our earnings forecasts for now pending the confirmation of the acquisition's funding structure. That said, we believe that the acquisition should be value accretive to the trust.



Fig 1: Menara Shell (Jalan Tun Sambanthan, Kuala Lumpur)

Source: Shell Malavsia

Low occupancy risks across assets

We note that 7%/10%/18% of MQREIT's total NLA is up for renewal in FY16/17/18. The lower lease expiries in FY16-17 are due to a bulk of the leases having been renewed in FY14 and FY15 while some buildings are on longer-term leases (beyond 3 to 5 years) i.e. QB2 (HSBC) and QB3 (BMW).

Meanwhile, MQREIT's portfolio occupancy rate was 97.5% as at end-FY15 which was a significant improvement as compared to end-FY14's 91%. This was mainly lifted by the disposal of QB10 in Sep 2015 and increase in leased space in QB3 by BMW in Jul 2015 (occupancy improved by 7ppt to 80%). Elsewhere, the portfolio occupancy rate was also sustained by the recent renewals of its existing major tenants in QB1 (DHL1), QB4 (DHL2), QB3 (BMW) and QB2 (HSBC) with leases ranging between 5-10 years.

Overall, based on the recent successful renewals of key tenants, we expect MQREIT's near-term occupancy risks to remain low and it should sustain its current favourable occupancy rate.

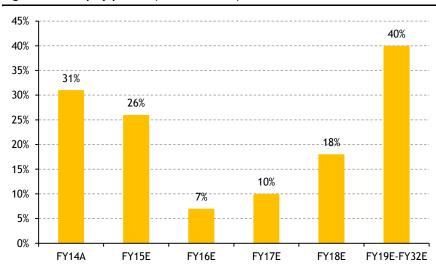


Fig 2: Lease expiry profile (% of total NLA)

Note: Platinum Sentral was injected in FY15 and not included in the lease expiry profile prior to FY15 Source: Trust, Maybank Kim Eng

Valuation

Unchanged MYR1.15 TP with 6.1% net yield

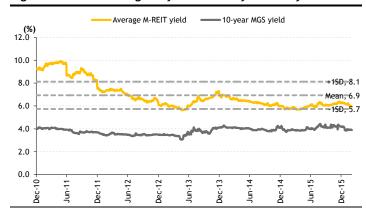
MQREIT remains a BUY as FY16. Despite the REIT price having moved towards our target since we upgraded our call on 25 Jan 2016, we think there is valuation upside from the MS injection. Still attractive net dividend yield of 6.1% compared to the sector average of 5.2% (and which is also the highest among M-REITs under our coverage) also provides the upside potential to the REIT price. The acquisition of MS could be the next re-rating catalyst but the extent of its impact is still subject to the funding structure (equity+debt). Hence, our earnings forecasts and DCF-based TP of MYR1.15 are unchanged at this juncture.

Fig 3: 1-year forward gross dividend yield



Source: Maybank Kim Eng

Fig 4: M-REIT forward gross yield and 10-year MGS yield



Note: Average M-REIT forward gross yield for trusts within MKE coverage

Source: Maybank Kim Eng

Fig 5: Sector summary

Company	Share Price	Market Cap	Target Price	P	E	Net Di	v Yield	R	DE	P/	'BV	EPU CAGR
				CY16	CY17	CY16	CY17	CY16	CY17	CY16	CY17	CY15-17
	(MYR)	(MYR m)	(MYR)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)	(%)
KLCCP Stapled	7.15	12,908	7.90	17.6	17.3	5.2	5.3	5.7	5.5	1.0	1.0	1.4
IGB REIT	1.52	5,286	1.55	19.8	18.8	5.2	5.4	7.2	7.6	1.4	1.4	4.8
Pavilion REIT	1.72	5,194	1.80	19.7	18.5	4.6	4.9	6.2	6.0	1.3	1.1	8.0
Sunway REIT	1.60	4,706	1.50	17.9	16.6	4.9	5.3	6.4	6.8	1.2	1.1	6.4
CapitaLand M'sia	1.44	2,916	1.45	17.6	17.0	5.5	5.6	6.2	6.5	1.1	1.1	5.2
Axis REIT	1.56	1,716	1.55	17.3	16.2	5.2	5.6	7.3	7.8	1.3	1.3	7.4
MRCB-Quill	1.15	761	1.15	13.4	12.6	6.1	6.5	6.3	6.7	0.8	0.8	5.9
Al-Salām	0.99	571	1.07	16.8	15.2	5.3	5.6	6.4	6.6	1.0	1.0	NM
Simple average				17.5	16.5	5.2	5.5	6.5	6.7	1.1	1.1	5.6

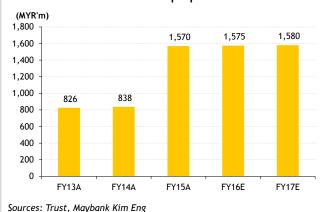
Sources: Trusts, Maybank Kim Eng

March 30, 2016 4

Value Proposition

- Hands on and experienced management team, backed by MRCB, the largest unit holder.
- MRCB develops and owns prominent office assets in the Kuala Lumpur city centre, which serve as new asset pipeline for the trust.
- Portfolio dominated by high-quality offices. Assets from MRCB include Platinum Sentral and Menara Shell.
- Portfolio backed by long-term leases of sizeable tenants provide high occupancy rates and lower occupancy risks.
- Demand for office space, however, has remained soft plus there is an oversupply of office buildings.
- At 0.4x (statutory limit of 0.5x), the total borrowings-tototal asset ratio implies that future sizeable acquisitions would need to raise capital/dispose assets.

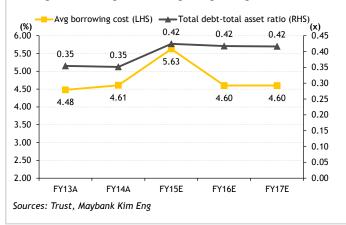
Total value of all investment properties



Financial Metrics

- All of MQREIT's long-term borrowings are based on fixed rates. 56% only due for refinancing in 2020.
- Low positive rental reversions across office assets due to long-term leases, but these would lower occupancy risk.
 Portfolio occupancy expected to remain >95%.
- NPI margin could also be enhanced by lower opex (i.e. utilities) via better property management.
- DPU is stable as recent net income payout p.a. were ~95% (statutory payout of M-REITs is >90%).

Average borrowing costs and gross gearing



Price Drivers



Sources: Trust, Maybank Kim Eng

- 1. Share price uptrend was a combination of improved organic growth and anticipation of more office asset acquisitions.
- 2. Pre-completion of the purchase of Platinum Sentral, a sizeable addition to its portfolio, which also entails the entrance of its largest unit holder, MRCB.
- 3. Sharp decline in share price due to fluctuation in 10-year MGS yield, which ranged between 3.9%-4.5% in 2H15.

Swing Factors

Upside

- Yield-accretive acquisitions of high-quality assets.
- Higher-than-expected positive rental reversions.
- Disposal of asset with an attractive price tag.

Downside

- Zero or negative rental reversions.
- Sizeable tenants vacating/downsizing space required.
 This more apparent for single-tenanted office buildings.
- Decline in asset value.
- Acquisition of less desirable new assets (low occupancy rates, less favourable locations, expensive acquisition costs etc).

kevin.wong@maybank-ib.com



FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Metrics					
Price/DPU(x)	15.2	16.6	16.5	15.5	14.6
P/BV (x)	0.8	0.8	0.8	0.8	0.8
P/NTA (x)	0.8	0.8	0.8	0.8	0.8
DPU yield (%)	7.3	6.7	6.7	7.2	7.6
FCF yield (%)	8.9	9.3	10.8	8.2	8.6
INCOME STATEMENT (MYR m)					
Gross revenue	70.2	115.2	124.4	128.9	133.5
Net property income	53.3	90.3	100.3	103.5	107.2
Net financing costs	(13.3)	(26.5)	(30.6)	(29.9)	(29.9)
Associates & JV	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	0.0	0.0
Other pretax income	0.0	0.0	0.0	0.0	0.0
Total return before tax	34.2	54.0	56.9	60.6	64.0
Income tax	0.0	0.0	0.0	0.0	0.0
Minorities	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Total return avail to unitholders	34.2	54.0	56.9	60.6	64.0
Distributable inc to unitholders	34.2	54.0	56.9	60.6	64.0
BALANCE SHEET (MYR m)					
Cash & Short Term Investments	23.3	44.9	73.1	72.7	72.6
Accounts receivable	6.1	5.7	5.7	5.7	5.7
Property, Plant & Equip (net)	0.0	0.0	0.0	0.0	0.0
Inverstment properties	837.7	1,569.8	1,574.8	1,579.8	1,584.8
Intangible assets	0.0	0.0	0.0	0.0	0.0
Investment in Associates & JVs	0.0	0.0	0.0	0.0	0.0
Other assets	1.2	4.9	0.0	0.0	0.0
Total assets	868.4	1,625.3	1,653.6	1,658.2	1,663.1
ST interest bearing debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	12.2	13.6	13.6	13.6	13.6
LT interest bearing debt	305.1	689.7	689.7	689.7	689.7
Other liabilities	9.8	18.1	43.5	45.1	46.9
Total Liabilities	327.1	721.5	746.9	748.5	750.2
Shareholders Equity	541.3	903.9	906.7	909.7	912.9
Minority Interest	0.0	0.0	0.0	0.0	0.0
Total shareholder equity	541.3	903.9	906.7	909.7	912.9
Total liabilities and equity	868.4	1,625.3	1,653.6	1,658.2	1,663.1

March 30, 2016 6

FYE 31 Dec	FY14A	FY15A	FY16E	FY17E	FY18E
Key Ratios					
Growth ratios (%)					
Gross revenue growth	1.9	64.0	8.0	3.6	3.5
Total return before tax growth	(1.1)	58.1	5.3	6.5	5.7
Total return growth	(1.1)	58.1	5.3	6.5	5.7
Distributable income growth	(1.1)	58.1	5.3	6.5	5.7
Profitability ratios (%)					
Total return before tax margin	48.6	46.9	45.7	47.0	47.9
Payout ratio	86.1	84.8	81.2	81.2	81.2
DuPont analysis					
Total return margin (%)	48.6	46.9	45.7	47.0	47.9
Gross revenue/Assets (x)	0.1	0.1	0.1	0.1	0.1
Assets/Equity (x)	1.6	1.8	1.8	1.8	1.8
ROAE (%)	6.4	7.5	6.3	6.7	7.0
ROAA (%)	4.0	4.3	3.5	3.7	3.9
Liquidity & Efficiency					
Days receivable outstanding	22.4	18.5	16.5	16.0	15.4
Days payables outstanding	254.1	187.1	203.9	193.7	187.0
Dividend cover (x)	1.2	1.2	1.2	1.2	1.2
Current ratio (x)	2.0	3.2	1.9	1.8	1.7
Leverage & Expense Analysis					
Asset/Liability (x)	2.7	2.3	2.2	2.2	2.2
Net debt/equity (%)	52.1	71.3	68.0	67.8	67.6
Net interest cover (x)	3.6	3.0	2.9	3.0	3.1
Debt/EBITDA (x)	6.4	8.6	7.9	7.8	7.7
Capex/revenue (%)	0.0	0.0	0.0	0.0	0.0
Net debt/ (net cash)	281.8	644.9	616.6	617.0	617.1

Source: Company; Maybank

March 30, 2016 7

Research Offices

REGIONAL

Sadiq CURRIMBHOY

Regional Head, Research & Economics (65) 6231 5836 sadiq@maybank-ke.com.sg

WONG Chew Hann, CA

Regional Head of Institutional Research (603) 2297 8686 wchewh@maybank-ib.com

ONG Seng Yeow

Regional Head of Retail Research (65) 6231 5839 ongsengyeow@maybank-ke.com.sg

TAN Sin Mui

Director of Research

(65) 6231 5849 sinmui@kimeng.com.hk

Suhaimi ILIAS

Chief Economist Singapore | Malaysia

(603) 2297 8682 suhaimi_ilias@maybank-ib.com

Luz LORENZO Philippines

(63) 2 849 8836

luz_lorenzo@maybank-atrke.com

Tim LEELAHAPHAN

Thailand (66) 2658 6300 ext 1420 tim.l@maybank-ke.co.th

NAMINUL

Chief Economist, BII

Indonesia (62) 21 29228888 ext 29682 Juniman@bankbii.com

STRATEGY

Sadiq CURRIMBHOY

Global Strategist

(65) 6231 5836 sadiq@maybank-ke.com.sg

Willie CHAN

Hong Kong / Regional

(852) 2268 0631 williechan@kimeng.com.hk

WONG Chew Hann, CA Head of Research (603) 2297 8686 wchewh@maybank-ib.com

Strategy

Desmond CH'NG, ACA

(603) 2297 8680 desmond.chng@maybank-ib.com

. Banking & Finance

LIAW Thong Jung (603) 2297 8688 tjliaw@maybank-ib.com • Oil & Gas Services- Regional

ONG Chee Ting, CA (603) 2297 8678 ct.ong@maybank-ib.com • Plantations - Regional

Mohshin AZIZ

(603) 2297 8692 mohshin.aziz@maybank-ib.com • Aviation - Regional • Petrochem

YIN Shao Yang, CPA (603) 2297 8916 samuel.y@maybank-ib.com • Gaming - Regional • Media

TAN Chi Wei, CFA (603) 2297 8690 chiwei.t@maybank-ib.com • Power • Telcos

WONG Wei Sum, CFA (603) 2297 8679 weisum@maybank-ib.com

Property

LEE Yen Ling (603) 2297 8691 lee.yl@maybank-ib.com • Building Materials • Glove • Ports • Shipping

CHAI Li Shin, CFA (603) 2297 8684 lishin.c@maybank-ib.com • Plantation • Construction & Infrastructure

(603) 2297 8612 ivan.yap@maybank-ib.com
• Automotive • Semiconductor • Technology

Kevin WONG

(603) 2082 6824 kevin.wong@maybank-ib.com
• REITs • Consumer Discretionary

LIEW Wei Han

(603) 2297 8676 weihan.l@maybank-ib.com Consumer Staples

LEE Cheng Hooi Regional Chartist (603) 2297 8694

chenghooi.lee@maybank-ib.com

Tee Sze Chiah Head of Retail Research (603) 2297 6858 szechiah.t@maybank-ib.com

Cheah Chong Ling (603) 2297 8767 chongling.c@maybank-ib.com

HONG KONG / CHINA

Howard WONG Head of Research (852) 2268 0648

howardwong@kimeng.com.hk · Oil & Gas - Regional

Benjamin HO (852) 2268 0632 benjaminho@kimeng.com.hk • Consumer & Auto

Jacqueline KO, CFA

(852) 2268 0633 jacquelineko@kimeng.com.hk
• Consumer Staples & Durables

Ka Leong LO, CFA (852) 2268 0630 kllo@kimeng.com.hk • Consumer Discretionary & Auto

Mitchell KIM

(852) 2268 0634 mitchellkim@kimeng.com.hk
• Internet & Telcos

Ning MA (852) 2268 0672 ningma@kimeng.com.hk

Stefan CHANG, CFA (852) 2268 0675 stefanchang@kimeng.com.hk • Technology

Warren LAU

(852) 2268 0644 warrenlau@kimeng.com.hk • Technology - Regional

INDIA

Jigar SHAH Head of Research

(91) 22 6623 2632 jigar@maybank-ke.co.in Oil & Gas • Automobile • Cement

(91) 22 6623 2605 anubhav@maybank-ke.co.in Metal & Mining • Capital Goods • Property

(91) 22 6623 2607 vishal@maybank-ke.co.in

· Banking & Financials

(91) 22 6623 2628 abhijeet@maybank-ke.co.in

Consumer

(91) 22 6623 2606 neerav@maybank-ke.co.in

Software Technology • Telcos

SINGAPORE

Gregory YAP (65) 6231 5848 gyap@maybank-ke.com.sg • SMID Caps

• Technology & Manufacturing • Telcos

YEAK Chee Keong, CFA

(65) 6231 5842 yeakcheekeong@maybank-ke.com.sg • Offshore & Marine

Derrick HENG, CFA

(65) 6231 5843 derrickheng@maybank-ke.com.sg

Transport • Property • REITs (Office)

Joshua TAN (65) 6231 5850 joshuatan@maybank-ke.com.sg · REITs (Retail, Industrial)

John CHEONG CEA

(65) 6231 5845 johncheong@maybank-ke.com.sg • Small & Mid Caps • Healthcare

Ng Li Hiang (65) 6231 5840 nglihiang@maybank-ke.com.sg

INDONESIA

Isnaputra ISKANDAR Head of Research (62) 21 2557 1129

isnaputra.iskandar@maybank-ke.co.id • Strategy • Metals & Mining • Cement

Rahmi MARINA (62) 21 2557 1128

rahmi.marina@maybank-ke.co.id Banking & Finance

Aurellia SETIABUDI

(62) 21 2953 0785 aurellia.setiabudi@maybank-ke.co.id

Property

Pandu ANUGRAH

(62) 21 2557 1137 pandu. anugrah@maybank-ke.co.id • Infra • Construction • Transport• Telcos

Janni ASMAN (62) 21 2953 0784 janni.asman@maybank-ke.co.id • Cigarette • Healthcare • Retail

Adhi TASMIN

(62) 21 2557 1209

adhi.tasmin@maybank-ke.co.id
• Plantations

Anthony LUKMAWIJAYA (62) 21 2557 1126

anthony.lukmawijaya@maybank-ke.co.id • Aviation

PHILIPPINES

Luz LORENZO Head of Research

(63) 2 849 8836 luz_lorenzo@maybank-atrke.com • Strategy • Utilities • Conglomerates • Telcos

Lovell SARREAL

(63) 2 849 8841 lovell_sarreal@maybank-atrke.com • Consumer • Media • Cement

Rommel RODRIGO

(63) 2 849 8839 rommel_rodrigo@maybank-atrke.com • Conglomerates • Property • Gaming

 Ports/ Logistics Katherine TAN (63) 2 849 8843

kat_tan@maybank-atrke.com Banks • Construction

Michael BENGSON (63) 2 849 8840 michael_bengson@maybank-atrke.com

Conglomerates

Jaclyn JIMENEZ

(63) 2 849 8842 jaclyn_jimenez@maybank-atrke.com • Consumer

Arabelle MAGHIRANG (63) 2 849 8838

arabelle_maghirang@maybank-atrke.com
• Banks

THAILAND Maria LAPIZ Head of Institutional Research

Dir (66) 2257 0250 | (66) 2658 6300 ext 1399 Maria.L@maybank-ke.co.th • Consumer • Materials • Ind. Estates

Sittichai DUANGRATTANACHAYA

(66) 2658 6300 ext 1393 Sittichai.D@maybank-ke.co.th • Services Sector • Transport

Yupapan POLPORNPRASERT (66) 2658 6300 ext 1394

yupapan.p@maybank-ke.co.th • Oil & Gas

(66) 2658 6300 ext 1395 Tanawat.R@maybank-ke.co.th • Banks & Diversified Financials

Sukit UDOMSIRIKUL Head of Retail Research

(66) 2658 6300 ext 5090 Sukit.u@maybank-ke.co.th Mayuree CHOWVIKRAN

(66) 2658 6300 ext 1440 mayuree.c@maybank-ke.co.th

Padon VANNARAT (66) 2658 6300 ext 1450 Padon.v@maybank-ke.co.th

Strategy

Strategy

Surachai PRAMUALCHAROENKIT

(66) 2658 6300 ext 1470 Surachai.p@maybank-ke.co.th • Auto • Conmat • Contractor • Steel

Suttatio PEERASUB

(66) 2658 6300 ext 1430 suttatip.p@maybank-ke.co.th • Media • Commerce

Sutthichai KUMWORACHAI

(66) 2658 6300 ext 1400 sutthichai.k@maybank-ke.co.th • Energy • Petrochem

Termporn TANTIVIVAT

(66) 2658 6300 ext 1520 termporn.t@maybank-ke.co.th • Property

Jaroonpan WATTANAWONG (66) 2658 6300 ext 1404 jaroonpan.w@maybank-ke.co.th • Transportation • Small cap

VIETNAM

LE Hong Lien, ACCA Head of Institutional Research (84) 8 44 555 888 x 8181

lien.le@maybank-kimeng.com.vn
• Strategy • Consumer • Diversified • Utilities

THAI Quang Trung, CFA, Deputy Manager, Institutional Research

(84) 8 44 555 888 x 8180 trung.thai@maybank-kimeng.com.vn • Real Estate • Construction • Materials

Le Nguyen Nhat Chuyen (84) 8 44 555 888 x 8082 chuyen.le@maybank-kimeng.com.vn

Oil & Gas

NGUYEN Thi Ngan Tuyen, Head of Retail Research (84) 8 44 555 888 x 8081

tuyen.nguyen@maybank-kimeng.com.vn • Food & Beverage • Oil&Gas • Banking

TRINH Thi Ngoc Diep (84) 4 44 555 888 x 8208

diep.trinh@maybank-kimeng.com.vn • Technology • Utilities • Construction

PHAM Nhat Bich (84) 8 44 555 888 x 8083

bich.pham@maybank-kimeng.com.vn • Consumer • Manufacturing • Fishery

NGUYEN Thi Sony Tra Mi (84) 8 44 555 888 x 8084 mi.nguyen@maybank-kimeng.com.vn

· Port operation · Pharmaceutical Food & Beverage

TRUONG Quang Binh (84) 4 44 555 888 x 8087

binh.truong@maybank-kimeng.com.vn
• Rubber plantation • Tyres and Tubes • Oil&Gas

APPENDIX I: TERMS FOR PROVISION OF REPORT, DISCLAIMERS AND DISCLOSURES

DISCLAIMERS

This research report is prepared for general circulation and for information purposes only and under no circumstances should it be considered or intended as an offer to sell or a solicitation of an offer to buy the securities referred to herein. Investors should note that values of such securities, if any, may fluctuate and that each security's price or value may rise or fall. Opinions or recommendations contained herein are in form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from the relevant jurisdiction's stock exchange in the equity analysis. Accordingly, investors' returns may be less than the original sum invested. Past performance is not necessarily a guide to future performance. This report is not intended to provide personal investment advice and does not take into account the specific investment objectives, the financial situation and the particular needs of persons who may receive or read this report. Investors should therefore seek financial, legal and other advice regarding the appropriateness of investing in any securities or the investment strategies discussed or recommended in this report.

The information contained herein has been obtained from sources believed to be reliable but such sources have not been independently verified by Maybank Investment Bank Berhad, its subsidiary and affiliates (collectively, "MKE") and consequently no representation is made as to the accuracy or completeness of this report by MKE and it should not be relied upon as such. Accordingly, MKE and its officers, directors, associates, connected parties and/or employees (collectively, "Representatives") shall not be liable for any direct, indirect or consequential losses or damages that may arise from the use or reliance of this report. Any information, opinions or recommendations contained herein are subject to change at any time, without prior notice.

This report may contain forward looking statements which are often but not always identified by the use of words such as "anticipate", "believe", "estimate", "intend", "plan", "expect", "forecast", "predict" and "project" and statements that an event or result "may", "will", "can", "should", "could" or "might" occur or be achieved and other similar expressions. Such forward looking statements are based on assumptions made and information currently available to us and are subject to certain risks and uncertainties that could cause the actual results to differ materially from those expressed in any forward looking statements. Readers are cautioned not to place undue relevance on these forward-looking statements. MKE expressly disclaims any obligation to update or revise any such forward looking statements to reflect new information, events or circumstances after the date of this publication or to reflect the occurrence of unanticipated events.

MKE and its officers, directors and employees, including persons involved in the preparation or issuance of this report, may, to the extent permitted by law, from time to time participate or invest in financing transactions with the issuer(s) of the securities mentioned in this report, perform services for or solicit business from such issuers, and/or have a position or holding, or other material interest, or effect transactions, in such securities or options thereon, or other investments related thereto. In addition, it may make markets in the securities mentioned in the material presented in this report. MKE may, to the extent permitted by law, act upon or use the information presented herein, or the research or analysis on which they are based, before the material is published. One or more directors, officers and/or employees of MKE may be a director of the issuers of the securities mentioned in this report.

This report is prepared for the use of MKE's clients and may not be reproduced, altered in any way, transmitted to, copied or distributed to any other party in whole or in part in any form or manner without the prior express written consent of MKE and MKE and its Representatives accepts no liability whatsoever for the actions of third parties in this respect.

This report is not directed to or intended for distribution to or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation. This report is for distribution only under such circumstances as may be permitted by applicable law. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Without prejudice to the foregoing, the reader is to note that additional disclaimers, warnings or qualifications may apply based on geographical location of the person or entity receiving this report.

Malaysia

Opinions or recommendations contained herein are in the form of technical ratings and fundamental ratings. Technical ratings may differ from fundamental ratings as technical valuations apply different methodologies and are purely based on price and volume-related information extracted from Bursa Malaysia Securities Berhad in the equity analysis.

Singapore

This report has been produced as of the date hereof and the information herein may be subject to change. Maybank Kim Eng Research Pte. Ltd. ("Maybank KERPL") in Singapore has no obligation to update such information for any recipient. For distribution in Singapore, recipients of this report are to contact Maybank KERPL in Singapore in respect of any matters arising from, or in connection with, this report. If the recipient of this report is not an accredited investor, expert investor or institutional investor (as defined under Section 4A of the Singapore Securities and Futures Act), Maybank KERPL shall be legally liable for the contents of this report, with such liability being limited to the extent (if any) as permitted by law.

Thailand

The disclosure of the survey result of the Thai Institute of Directors Association ("IOD") regarding corporate governance is made pursuant to the policy of the Office of the Securities and Exchange Commission. The survey of the IOD is based on the information of a company listed on the Stock Exchange of Thailand and the market for Alternative Investment disclosed to the public and able to be accessed by a general public investor. The result, therefore, is from the perspective of a third party. It is not an evaluation of operation and is not based on inside information. The survey result is as of the date appearing in the Corporate Governance Report of Thai Listed Companies. As a result, the survey may be changed after that date. Maybank Kim Eng Securities (Thailand) Public Company Limited ("MBKET") does not confirm nor certify the accuracy of such survey result.

Except as specifically permitted, no part of this presentation may be reproduced or distributed in any manner without the prior written permission of MBKET. MBKET accepts no liability whatsoever for the actions of third parties in this respect.

US

This research report prepared by MKE is distributed in the United States ("US") to Major US Institutional Investors (as defined in Rule 15a-6 under the Securities Exchange Act of 1934, as amended) only by Maybank Kim Eng Securities USA Inc ("Maybank KESUSA"), a broker-dealer registered in the US (registered under Section 15 of the Securities Exchange Act of 1934, as amended). All responsibility for the distribution of this report by Maybank KESUSA in the US shall be borne by Maybank KESUSA. All resulting transactions by a US person or entity should be effected through a registered broker-dealer in the US. This report is not directed at you if MKE is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you. You should satisfy yourself before reading it that Maybank KESUSA is permitted to provide research material concerning investments to you under relevant legislation and regulations.

UK

This document is being distributed by Maybank Kim Eng Securities (London) Ltd ("Maybank KESL") which is authorized and regulated, by the Financial Services Authority and is for Informational Purposes only. This document is not intended for distribution to anyone defined as a Retail Client under the Financial Services and Markets Act 2000 within the UK. Any inclusion of a third party link is for the recipients convenience only, and that the firm does not take any responsibility for its comments or accuracy, and that access to such links is at the individuals own risk. Nothing in this report should be considered as constituting legal, accounting or tax advice, and that for accurate guidance recipients should consult with their own independent tax advisers.

DISCLOSURES

Legal Entities Disclosures

Malaysia: This report is issued and distributed in Malaysia by Maybank Investment Bank Berhad (15938-H) which is a Participating Organization of Bursa Malaysia Berhad and a holder of Capital Markets and Services License issued by the Securities Commission in Malaysia. Singapore: This material is issued and distributed in Singapore by Maybank KERPL (Co. Reg No 197201256N) which is regulated by the Monetary Authority of Singapore. Indonesia: PT Kim Eng Securities ("PTKES") (Reg. No. KEP-251/PM/1992) is a member of the Indonesia Stock Exchange and is regulated by the BAPEPAM LK. Thailand: MBKET (Reg. No.0107545000314) is a member of the Stock Exchange of Thailand and is regulated by the Ministry of Finance and the Securities and Exchange Commission. Philippines: Maybank ATRKES (Reg. No.01-2004-00019) is a member of the Philippines Stock Exchange and is regulated by the Securities and Exchange Commission. Vietnam: Maybank Kim Eng Securities JSC (License Number: 71/UBCK-GP) is licensed under the State Securities Commission of Vietnam.Hong Kong: KESHK (Central Entity No AAD284) is regulated by the Securities and Futures Commission. India: Kim Eng Securities India Private Limited ("KESI") is a participant of the National Stock Exchange of India Limited (Reg No: INF/INB 231452435) and the Bombay Stock Exchange (Reg. No. INF/INB 011452431) and is regulated by Securities and Exchange Board of India. KESI is also registered with SEBI as Category 1 Merchant Banker (Reg. No. INM 000011708) US: Maybank KESUSA is a member of/ and is authorized and regulated by the FINRA - Broker ID 27861. UK: Maybank KESL (Reg No 2377538) is authorized and regulated by the Financial Services Authority.

Disclosure of Interest

Malaysia: MKE and its Representatives may from time to time have positions or be materially interested in the securities referred to herein and may further act as market maker or may have assumed an underwriting commitment or deal with such securities and may also perform or seek to perform investment banking services, advisory and other services for or relating to those companies.

Singapore: As of 30 March 2016, Maybank KERPL and the covering analyst do not have any interest in any companies recommended in this research report.

Thailand: MBKET may have a business relationship with or may possibly be an issuer of derivative warrants on the securities /companies mentioned in the research report. Therefore, Investors should exercise their own judgment before making any investment decisions. MBKET, its associates, directors, connected parties and/or employees may from time to time have interests and/or underwriting commitments in the securities mentioned in this report.

Hong Kong: KESHK may have financial interests in relation to an issuer or a new listing applicant referred to as defined by the requirements under Paragraph 16.5(a) of the Hong Kong Code of Conduct for Persons Licensed by or Registered with the Securities and Futures Commission.

As of 30 March 2016, KESHK and the authoring analyst do not have any interest in any companies recommended in this research report.

MKE may have, within the last three years, served as manager or co-manager of a public offering of securities for, or currently may make a primary market in issues of, any or all of the entities mentioned in this report or may be providing, or have provided within the previous 12 months, significant advice or investment services in relation to the investment concerned or a related investment and may receive compensation for the services provided from the companies covered in this report.

OTHERS

Analyst Certification of Independence

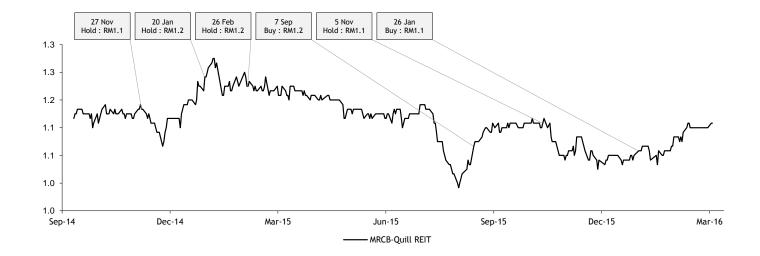
The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

Reminder

Structured securities are complex instruments, typically involve a high degree of risk and are intended for sale only to sophisticated investors who are capable of understanding and assuming the risks involved. The market value of any structured security may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility and the credit quality of any issuer or reference issuer. Any investor interested in purchasing a structured product should conduct its own analysis of the product and consult with its own professional advisers as to the risks involved in making such a purchase.

No part of this material may be copied, photocopied or duplicated in any form by any means or redistributed without the prior consent of MKE.

Historical recommendations and target price: MRCB-Quill REIT (MQREIT MK)



Definition of Ratings

Maybank Kim Eng Research uses the following rating system

BUY Return is expected to be above 10% in the next 12 months (excluding dividends)

HOLD Return is expected to be between - 10% to +10% in the next 12 months (excluding dividends)

SELL Return is expected to be below -10% in the next 12 months (excluding dividends)

Applicability of Ratings

The respective analyst maintains a coverage universe of stocks, the list of which may be adjusted according to needs. Investment ratings are only applicable to the stocks which form part of the coverage universe. Reports on companies which are not part of the coverage do not carry investment ratings as we do not actively follow developments in these companies.



Malaysia

Maybank Investment Bank Berhad (A Participating Organisation of Bursa Malaysia Securities Berhad) 33rd Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur

Tel: (603) 2059 1888; Fax: (603) 2078 4194

Stockbroking Business:

Level 8, Tower C, Dataran Maybank, No.1. Jalan Maarof 59000 Kuala Lumpur

Tel: (603) 2297 8888 Fax: (603) 2282 5136

Philippines

Maybank ATR Kim Eng Securities Inc. 17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200

Tel: (63) 2 849 8888 Fax: (63) 2 848 5738

South Asia Sales Trading

Kevin Foy Regional Head Sales Trading kevinfoy@maybank-ke.com.sg Tel: (65) 6336-5157 US Toll Free: 1-866-406-7447

Malaysia Rommel Jacob

rommeljacob@maybank-ib.com Tel: (603) 2717 5152

Indonesia

Harianto Liong harianto.liong@maybank-ke.co.id Tel: (62) 21 2557 1177

New York Andrew Dacey adacey@maybank-keusa.com Tel: (212) 688 2956

Vietnam

Tien Nguyen thuytien.nguyen@maybank-kimeng.com.vn Tel: (84) 44 555 888 x8079

Singapore

Maybank Kim Eng Securities Pte Ltd Maybank Kim Eng Research Pte Ltd 50 North Canal Road Singapore 059304

Tel: (65) 6336 9090

Hong Kong

Kim Eng Securities (HK) Ltd Level 30, Three Pacific Place, 1 Queen's Road East, Hong Kong

Tel: (852) 2268 0800 Fax: (852) 2877 0104

Thailand

Maybank Kim Eng Securities (Thailand) Public Company Limited 999/9 The Offices at Central World, 20th - 21st Floor, Rama 1 Road Pathumwan, Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales) Tel: (66) 2 658 6801 (research)

North Asia Sales Trading

Andrew Lee andrewlee@kimeng.com.hk Tel: (852) 2268 0283 US Toll Free: 1 877 837 7635

Thailand

Tanasak Krishnasreni Tanasak.K@maybank-ke.co.th Tel: (66)2 658 6820

India

Manish Modi manish@maybank-ke.co.in Tel: (91)-22-6623-2601

Philippines

Keith Roy keith_roy@maybank-atrke.com

Tel: (63) 2 848-5288

London

Maybank Kim Eng Securities (London) Ltd 5th Floor, Aldermary House 10-15 Queen Street London EC4N 1TX, UK

Tel: (44) 20 7332 0221 Fax: (44) 20 7332 0302

Indonesia

PT Maybank Kim Eng Securities Plaza Bapindo Citibank Tower 17th Floor Jl Jend. Sudirman Kav. 54-55 Jakarta 12190, Indonesia

Tel: (62) 21 2557 1188 Fax: (62) 21 2557 1189

Vietnam

Maybank Kim Eng Securities Limited 4A-15+16 Floor Vincom Center Dong Khoi, 72 Le Thanh Ton St. District 1 Ho Chi Minh City, Vietnam

Tel: (84) 844 555 888 Fax: (84) 8 38 271 030

New York

Maybank Kim Eng Securities USA 777 Third Avenue, 21st Floor New York, NY 10017, U.S.A.

Tel: (212) 688 8886 Fax: (212) 688 3500

India

Kim Eng Securities India Pvt Ltd 2nd Floor, The International, 16, Maharishi Karve Road, Churchgate Station, Mumbai City - 400 020, India

Tel: (91) 22 6623 2600 Fax: (91) 22 6623 2604

Saudi Arabia

In association with Anfaal Capital Villa 47, Tujjar Jeddah Prince Mohammed bin Abdulaziz Street P.O. Box 126575 Jeddah 21352

Tel: (966) 2 6068686 Fax: (966) 26068787

www.maybank-ke.com | www.maybank-keresearch.com