

Malaysia

ADD (no change)

Consensus ratings*: Buy 7 Hold 1 Sell 0

| | |
|-----------------------|---------|
| Current price: | RM0.905 |
| Target price: | RM0.989 |
| Previous target: | RM0.989 |
| Up/downside: | 9.3% |
| CGS-CIMB / Consensus: | -3.9% |

| | |
|-------------------------|------------|
| Reuters: | SENTRAL.KL |
| Bloomberg: | SENTRAL MK |
| Market cap: | US\$230.0m |
| | RM970.0m |
| Average daily turnover: | US\$0.09m |
| | RM0.36m |
| Current shares o/s: | 1,072m |
| Free float: | 49.1% |

*Source: Bloomberg

Key changes in this note

➤ N/A.



Source: Bloomberg

| Price performance | 1M | 3M | 12M |
|-------------------|-----|-----|------|
| Absolute (%) | 2.3 | 1.7 | 26.6 |
| Relative (%) | 4.7 | 6.8 | 31.2 |

| Major shareholders | % held |
|--------------------------|--------|
| MRCB | 27.8 |
| Employees Provident Fund | 12.1 |
| CapitalCommercial Trust | 11.0 |

Sentral REIT

Bumped up cash supports 7.5% yield

- 1H21 results were in line despite higher rental rebates in 2Q21.
- 92% occupancy rate should buffer potential disruptions from FMCO and EMCO. Higher cash from asset sale supportive of DPU forecasts.
- Reiterate Add and RM0.99 TP; attractive 7.5-7.6% FY21-23F dividend yields.

1H21 results in line; core net profit rose 1.2% yoy

Sentral REIT's 1H21 core net profit made up 49% of our and consensus full-year forecasts and was broadly in line. Revenue fell 7.4% yoy (-8.3% qoq) in 2Q21 mainly due to a higher degree of rental assistance for retail and SME tenants (less than 4% of total portfolio NLA) due to the Movement Control Order (MCO) 3.0 that started in May 21. The 19% yoy surge in 2Q21's reported net profit was boosted by the RM3.8m net gain from the sale of Quill Building 5 (QB5); core net profit fell -4% yoy (-11.5% qoq). 1H21's 5.1% yoy decline in revenue was also weighed by weaker car park income, and non-renewal of a tenant at Quill Building 3 (QB3) and Wisma Technip. Overall, 1H21 core net profit of RM39m rose 1.2% yoy, driven by lower property operating cost and lower interest expense (-16.4% yoy). In line with the group's semi-annual payout, it declared a 3.4 sen DPU in 2Q21 (2Q20: 3.4 sen) which made up 51% of FY21F DPU of 6.8 sen.

Renewal rate of 73% in 1H21 – tenant retention strategies intact

The group achieved a 73% renewal rate for the tenancies expiring in 1H21: 56k sq ft of NLA was due for renewal in 1H21 vs. FY21F's total 440k sq ft due for renewal. We gathered negotiations for the remaining expiring tenancies are ongoing, with the bulk of renewals slated for 3Q21 (Menara Shell) and Dec 21 (Wisma Technip). Tenant retention strategies will continue to be the main approach, particularly in 3Q21F, given the imposition of the Full MCO in June and Enhanced MCO in July. We foresee gradual easing of rental rebates in 4Q21F should the National Recovery Programme (NRP) move into phase four. Portfolio occupancy rate inched up from 89% in 1Q21 to 91.7% in 1H21 and should remain stable in 2H21F. We expect rental reversion to remain flattish in FY21F. We assume rental reversions of 0%/+1%/+1% in FY21/22/23F.

Manageable FMCO and EMCO risks in 3Q21; rebates could creep up

We gather that so far, the group has not rolled out rental rebates/assistance since Jun 21 but it does not rule out that potential rebates for retail/SME tenants could creep up given the impact of FMCO and EMCO. That said, we take comfort that at this juncture, there are no signs of major/immediate space reconfiguration plans by existing office tenants, ahead of an expected recovery phase in 4Q21.

Reiterate Add and TP; appealing dividend yield of 7.5-7.6%

We retain our FY21-23F EPS and FY21F/22F/23F DPU of 6.8/6.9/6.9 sen. Our DPU assumptions are intact, supported by end-June cash and equivalents of RM128m (bumped up 106% from end-Mar thanks to QB5 sale proceeds). Our DDM-based TP stays at RM0.99 (COE: 8.7%). We keep our Add call due to attractive dividend yields of 7.5-7.6% (highest in our REIT coverage). Re-rating catalysts: higher occupancy and stronger rental reversion. Downside risks: greater disruptions from FMCO and EMCO.

Analyst(s)



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Financial Summary

| | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|------------------------------|---------|---------|---------|---------|---------|
| Gross Property Revenue (RMm) | 161.1 | 164.0 | 163.4 | 163.0 | 163.9 |
| Net Property Income (RMm) | 121.8 | 126.1 | 125.1 | 125.8 | 126.2 |
| Net Profit (RMm) | 29.22 | 72.57 | 78.93 | 79.78 | 80.13 |
| Distributable Profit (RMm) | 72.88 | 75.88 | 72.69 | 73.47 | 73.79 |
| DPS (RM) | 0.068 | 0.071 | 0.068 | 0.069 | 0.069 |
| Dividend Yield | 7.52% | 7.82% | 7.49% | 7.57% | 7.61% |
| Asset Leverage | 37.8% | 37.9% | 37.2% | 37.1% | 37.1% |
| BVPS (RM) | 1.23 | 1.23 | 1.24 | 1.24 | 1.24 |
| P/BV (x) | 0.73 | 0.73 | 0.73 | 0.73 | 0.73 |
| Recurring ROE | 4.34% | 5.89% | 5.95% | 6.00% | 6.02% |
| CGS-CIMB/Consensus DPS (x) | | | 0.97 | 0.97 | 0.94 |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 1: Results comparison

| FYE Dec (RM m) | 2QFY21 | 2QFY20 | yoy % chg | 1QFY21 | qoq % chg | 2QFY21 cum | 2QFY20 cum | yoy % chg | Prev FY21F | Comments |
|--------------------------|-------------|-------------|--------------|-------------|--------------|---------------|---------------|--------------|---------------|---|
| Revenue | 37.6 | 40.6 | -7.4 | 41.0 | -8.3 | 78.6 | 82.8 | -5.1 | 163.4 | Minimal impact from MCO 2.0 |
| Operating costs | (12.0) | (13.1) | -8.6 | (13.1) | -8.3 | (25.1) | (26.9) | -6.6 | (52.4) | 1H21 NPI margin of 77% vs our full-year forecast of |
| EBITDA | 25.6 | 27.5 | -6.8 | 27.9 | -8.3 | 53.6 | 56.0 | -4.3 | 111.1 | 77% |
| EBITDA margin (%) | 68.1 | 67.7 | | 68.1 | | 68.1 | 67.6 | | 68.0 | |
| Depn & amort. | (0.1) | (0.1) | -4.9 | (0.0) | 12.9 | (0.1) | (0.1) | -10.4 | (0.1) | |
| EBIT | 25.6 | 27.5 | -6.8 | 27.9 | -8.3 | 53.5 | 55.9 | -4.3 | 111.0 | |
| Interest expense | (7.8) | (8.9) | -13.0 | (7.7) | 0.8 | (15.4) | (18.5) | -16.4 | (35.4) | Total debt of RM844m as at end-Jun |
| Interest & invt inc | 0.5 | 0.5 | -9.9 | 0.5 | 1.0 | 1.0 | 1.1 | -13.2 | 3.3 | Cash & equivalents rose 106% to RM128m at end-Jun |
| Associates' contrib | 0.0 | 0.0 | nm | 0.0 | nm | 0.0 | 0.0 | nm | - | bumped up by proceeds from asset sale |
| Exceptionals & revaln | 4.3 | 0.0 | nm | 0.0 | nm | 4.3 | 0.3 | nm | - | 2Q21: Includes RM3.8m net gain from disposal of QB5 |
| Pretax profit | 22.6 | 19.1 | 18.7 | 20.7 | 9.4 | 43.3 | 38.9 | 11.5 | 78.9 | |
| Tax | 0.0 | 0.0 | nm | 0.0 | nm | 0.0 | 0.0 | nm | - | |
| Tax rate (%) | 0.0 | 0.0 | nm | 0.0 | nm | 0.0 | 0.0 | nm | - | |
| Minority interests | 0.0 | 0.0 | nm | 0.0 | nm | 0.0 | 0.0 | nm | - | None as expected |
| Net profit | 22.6 | 19.1 | 18.7 | 20.7 | 9.4 | 43.3 | 38.9 | 11.5 | 78.9 | |
| Core net profit | 18.3 | 19.1 | -4.0 | 20.7 | -11.5 | 39.0 | 38.5 | 1.2 | 78.9 | 1H21 core net profit made up 49% of ours |
| Distr profit | 22.6 | 19.1 | 18.7 | 20.7 | 9.4 | 43.3 | 38.9 | 11.5 | 72.7 | and consensus full-year estimates |
| DPU (sen) | 3.4 | 3.4 | 0.0 | 0.0 | nm | 3.4 | 3.4 | 0.0 | 6.8 | 1H21 DPU made up 51% of our full-year estimate |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

ESG in a nutshell



Sentral REIT's sustainability initiatives are focused on 11 key areas: 1) sustainable business growth and financial performance, 2) quality of assets and services, 3) anti-corruption, 4) health and safety, 5) regulatory compliance, 6) employee management, 7) data privacy, 8) energy and carbon footprint, 9) water management, 10) waste management, and 11) community partnerships and activities.

Keep your eye on

In view of the impact of Covid-19 and greater adoption of work-from-home (WFH), data privacy has gained importance among Sentral REIT's office tenants. This is in view of the widespread adoption of technology during the pandemic period since early 2020. Some initiatives include protection of all data, information and intellectual property against cyber security breaches and safeguarding the privacy of tenant, organisational and visitor information.

Implications

Potentially supportive of tenant retention initiatives, on top of ongoing tenancy negotiation with a guided flattish rental reversion for FY21F.

ESG highlights

Some achievements in 2020 include installing Building Automated System – BAS, to allow real time monitoring of energy consumption. The group achieved a 15% reduction in electricity consumption and carbon emission and an 11% decline in water consumption. In the technology space, the group has implemented facial recognition readers and temperature scanning at Menara Shell as part of its health and safety initiatives.

Implications

No major expenditures relating to building automation and technology enhancements expected in the foreseeable future as the group maintains its cash retention strategy due to the pandemic. Asset Enhancement Initiatives (AEI) related capex would also be minimal in FY21F.

Trends

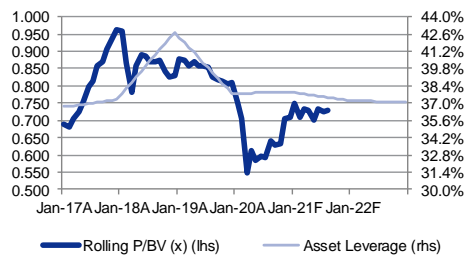
Under sustainable business growth, the group will continue to practice proactive leasing strategies to ensure stabilisation of portfolio occupancy rates and rental income, ongoing cost management, ensuring quality of all office assets (supply chain management), potentially considering new acquisitions when feasible and when market conditions are accommodative.

Implications

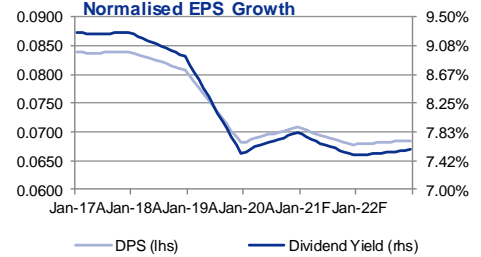
Leasing strategies remain more oriented towards retaining tenants. Portfolio occupancy rate of 92% at end-1H21 remains positive with minimal tenant dropout risks in the medium term.

BY THE NUMBERS

P/BV vs Asset Leverage



12-mth Fwd FD Normalised P/E vs FD
Normalised EPS Growth



Profit & Loss

| (RMm) | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Rental Revenues | 159.0 | 145.1 | 145.9 | 146.3 | 146.8 |
| Other Revenues | 2.1 | 19.0 | 17.5 | 16.7 | 17.1 |
| Gross Property Revenue | 161.1 | 164.0 | 163.4 | 163.0 | 163.9 |
| Total Property Expenses | (39.2) | (37.9) | (38.3) | (37.2) | (37.6) |
| Net Property Income | 121.8 | 126.1 | 125.1 | 125.8 | 126.2 |
| General And Admin. Expenses | (0.4) | (0.4) | (0.4) | (0.5) | (0.5) |
| Management Fees | (12.8) | (12.8) | (12.5) | (12.5) | (12.5) |
| Trustee's Fees | (0.7) | (0.7) | (0.7) | (0.7) | (0.7) |
| Other Operating Expenses | (0.5) | (0.5) | (0.5) | (0.5) | (0.5) |
| EBITDA | 107.5 | 111.7 | 111.1 | 111.7 | 112.0 |
| Depreciation And Amortisation | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| EBIT | 107.4 | 111.7 | 111.0 | 111.6 | 111.9 |
| Net Interest Income | (36.4) | (32.5) | (32.1) | (31.8) | (31.8) |
| Associates' Profit | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Income/(Expenses) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exceptional Items | (35.6) | (5.4) | 0.0 | 0.0 | 0.0 |
| Pre-tax Profit | 35.5 | 73.8 | 78.9 | 79.8 | 80.1 |
| Taxation | (6.2) | (1.2) | 0.0 | 0.0 | 0.0 |
| Minority Interests | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Preferred Dividends | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Profit | 29.2 | 72.6 | 78.9 | 79.8 | 80.1 |
| Distributable Profit | 72.9 | 75.9 | 72.7 | 73.5 | 73.8 |

Cash Flow

| (RMm) | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|---------------------------------|----------------|---------------|----------------|----------------|----------------|
| Pre-tax Profit | 35.5 | 73.8 | 78.9 | 79.8 | 80.1 |
| Depreciation And Non-cash Adj. | 36.4 | 32.5 | 32.1 | 31.9 | 31.9 |
| Change In Working Capital | (0.2) | 4.5 | 0.9 | (0.2) | (0.7) |
| Tax Paid | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | 36.7 | 7.2 | 0.0 | 0.0 | 0.0 |
| Cashflow From Operations | 108.4 | 118.0 | 112.0 | 111.4 | 111.3 |
| Capex | (2.1) | (1.2) | (1.5) | (1.5) | (2.5) |
| Net Investments And Sale Of FA | 4.8 | 4.9 | 5.0 | 5.0 | 5.0 |
| Other Investing Cashflow | 3.2 | 2.9 | 3.3 | 0.0 | 0.0 |
| Cash Flow From Investing | 5.9 | 6.6 | 6.8 | 3.5 | 2.5 |
| Debt Raised/(repaid) | (19.0) | 6.0 | 0.0 | 0.0 | 0.0 |
| Equity Raised/(Repaid) | 0.0 | 0.0 | 0.0 | 0.0 | 1.0 |
| Dividends Paid | (78.0) | (72.9) | (72.7) | (73.5) | (73.8) |
| Cash Interest And Others | (36.4) | (32.5) | (32.1) | (31.8) | (31.8) |
| Cash Flow From Financing | (133.4) | (99.3) | (104.7) | (105.3) | (104.6) |
| Total Cash Generated | (19.0) | 25.3 | 14.1 | 9.7 | 9.2 |
| Free Cashflow To Firm | 117.6 | 127.5 | 122.1 | 118.5 | 117.4 |
| Free Cashflow To Equity | 59.0 | 98.1 | 86.8 | 83.1 | 82.0 |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

BY THE NUMBERS... cont'd

Balance Sheet

| (RMm) | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|
| Total Investments | 2,125 | 2,081 | 2,176 | 2,177 | 2,180 |
| Intangible Assets | 0 | 0 | 0 | 0 | 0 |
| Other Long-term Assets | 19 | 17 | 17 | 17 | 17 |
| Total Non-current Assets | 2,144 | 2,098 | 2,193 | 2,194 | 2,197 |
| Total Cash And Equivalents | 63 | 85 | 74 | 79 | 76 |
| Inventories | 0 | 0 | 0 | 0 | 0 |
| Trade Debtors | 6 | 5 | 5 | 5 | 5 |
| Other Current Assets | 1 | 40 | 0 | 0 | 0 |
| Total Current Assets | 70 | 130 | 79 | 84 | 82 |
| Trade Creditors | 16 | 19 | 20 | 20 | 19 |
| Short-term Debt | 333 | 218 | 218 | 218 | 218 |
| Other Current Liabilities | 6 | 11 | 11 | 11 | 11 |
| Total Current Liabilities | 354 | 248 | 249 | 249 | 248 |
| Long-term Borrowings | 503 | 627 | 627 | 627 | 627 |
| Other Long-term Liabilities | 33 | 29 | 29 | 29 | 29 |
| Total Non-current Liabilities | 536 | 656 | 656 | 656 | 656 |
| Shareholders' Equity | 1,323 | 1,324 | 1,330 | 1,330 | 1,332 |
| Minority Interests | 0 | 0 | 0 | 0 | 0 |
| Preferred Shareholders Funds | 0 | 0 | 36 | 43 | 43 |
| Total Equity | 1,323 | 1,324 | 1,366 | 1,373 | 1,375 |

Key Ratios

| | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|-------------------------------|---------|---------|---------|---------|---------|
| Gross Property Revenue Growth | (6.64%) | 1.83% | (0.36%) | (0.26%) | 0.53% |
| NPI Growth | (8.27%) | 3.53% | (0.78%) | 0.53% | 0.34% |
| Net Property Income Margin | 75.6% | 76.9% | 76.6% | 77.2% | 77.0% |
| DPS Growth | (15.7%) | 3.9% | (4.2%) | 1.1% | 0.4% |
| Gross Interest Cover | 2.71 | 3.16 | 3.14 | 3.15 | 3.16 |
| Effective Tax Rate | 17.6% | 1.6% | 0.0% | 0.0% | 0.0% |
| Net Dividend Payout Ratio | 249% | 105% | 92% | 92% | 92% |
| Current Ratio | 0.20 | 0.52 | 0.32 | 0.34 | 0.33 |
| Quick Ratio | 0.20 | 0.52 | 0.32 | 0.34 | 0.33 |
| Cash Ratio | 0.18 | 0.34 | 0.30 | 0.32 | 0.31 |
| Return On Average Assets | 1.30% | 3.27% | 3.51% | 3.51% | 3.52% |

Key Drivers

| | Dec-19A | Dec-20A | Dec-21F | Dec-22F | Dec-23F |
|------------------------------|---------|---------|---------|---------|---------|
| Average rental reversion (%) | 3.4% | 1.0% | 0.3% | 1.3% | 2.3% |

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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| | | | | | |
|---------------------|-----------|-----------|---------|----------|------------------|
| Score Range: | 90 - 100 | 80 – 89 | 70 - 79 | Below 70 | No Survey Result |
| Description: | Excellent | Very Good | Good | N/A | N/A |

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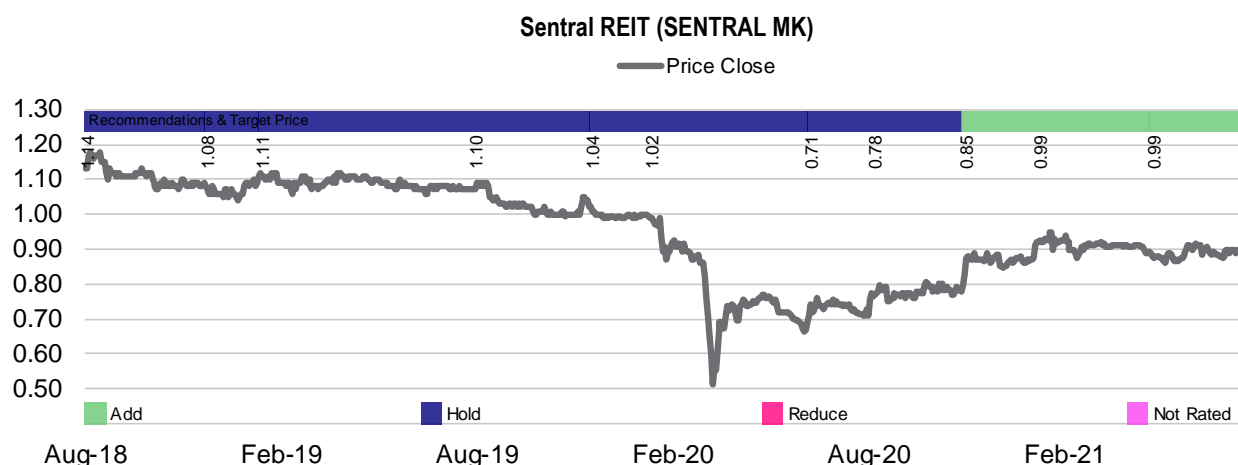
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| Distribution of stock ratings and investment banking clients for quarter ended on 30 June 2021 | | |
|--|-------------------------|--------------------------------|
| 623 companies under coverage for quarter ended on 30 June 2021 | | |
| | Rating Distribution (%) | Investment Banking clients (%) |
| Add | 72.1% | 1.1% |
| Hold | 19.3% | 0.0% |
| Reduce | 8.7% | 0.0% |

Spitzer Chart for stock being researched (2 year data)



Corporate Governance Report of Thai Listed Companies (CGR). CG Rating by the Thai Institute of Directors Association (Thai IOD) in 2020, Anti-Corruption 2020

ADVANC – Excellent, Certified, **AMATA** – Excellent, Certified, **ANAN** – Excellent, n/a, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Excellent, n/a, **AU** – Good, n/a, **BAM** – Very Good, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** – Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Excellent, n/a, **BEAUTY** – Good, n/a, **BH** – Good, n/a, **BJC** – Very Good, n/a, **BLA** – Excellent, Certified, **BTS** – Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – n/a, n/a, **CENTEL** – Excellent, Certified, **CHAYO** – Very Good, n/a, **CHG** – Very Good, n/a, **CK** – Excellent, n/a, **COM7** – Very Good, Certified, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** – Excellent, Certified, **CPNREIT** – n/a, n/a, **CRC** – Very Good, n/a, **DELTA** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – n/a, n/a, **DOHOME** – Very Good, n/a, **DREIT** – n/a, n/a, **DTAC** – Excellent, Certified, **ECL** – Excellent, Certified, **EGCO** – Excellent, Certified, **EPG** – Excellent, Certified, **ERW** – Very Good, Certified, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **HANA** – Excellent, Certified, **HMPRO** – Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Certified, **III** – Excellent, n/a, **INTUCH** – Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** – Excellent, Certified, **JASIF** – n/a, n/a, **JKN** – Excellent, Declared, **JMT** – Very Good, Declared, **KBANK** – Excellent, Certified, **KCE** – Excellent, Certified, **KEX** – n/a, n/a, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** – Excellent, Certified, **KTC** – Excellent, Certified, **LH** – Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MAKRO** – Excellent, Certified, **MC** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** – Excellent, Certified, **MTC** – Excellent, Certified, **NETBAY** – Very Good, n/a, **NRF** – n/a, n/a, **OR** – n/a, n/a, **ORI** – Excellent, Certified, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PRINC** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PTT** – Excellent, Certified, **PTTEP** – Excellent, Certified, **PTTGC** – Excellent, Certified, **QH** – Excellent, Certified, **RBF** – Good, n/a, **RS** – Excellent, n/a, **RSP** – Good, n/a, **S** – Excellent, n/a, **SAK** – n/a, n/a, **SAPPE** – Very Good, Certified, **SAWAD** – Very Good, n/a, **SCB** – Excellent, Certified, **SCC** – Excellent, Certified, **SCGP** – n/a, n/a, **SHR** – Very Good, n/a, **SIRI** – Excellent, Certified, **SPA** – Very Good, n/a, **SPALI** – Excellent, Declared, **SPRC** – Excellent, Certified, **SSP** – Good, Declared, **STEC** – n/a, n/a, **SVI** – Excellent, Certified, **SYNEX** – Very Good, n/a, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIDLOR** – n/a, n/a, **TISCO** – Excellent, Certified, **TKN** – Very Good, n/a, **TMB** – Excellent, Certified, **TOP** – Excellent, Certified, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Certified, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – n/a, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

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Recommendation Framework

Stock Ratings

Definition:

| | |
|--------|---|
| Add | The stock's total return is expected to exceed 10% over the next 12 months. |
| Hold | The stock's total return is expected to be between 0% and positive 10% over the next 12 months. |
| Reduce | The stock's total return is expected to fall below 0% or more over the next 12 months. |

The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.

Sector Ratings

Definition:

| | |
|-------------|--|
| Overweight | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation. |
| Neutral | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation. |
| Underweight | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation. |

Country Ratings

Definition:

| | |
|-------------|--|
| Overweight | An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark. |
| Neutral | A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark. |
| Underweight | An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark. |