

**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

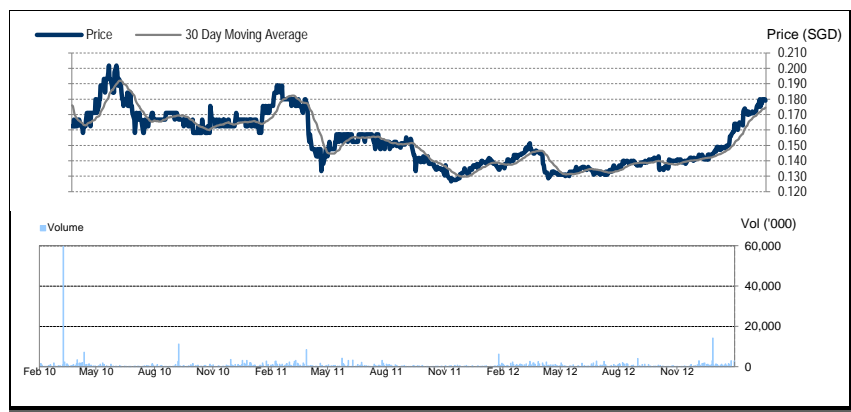
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**Place of Operations:** Singapore

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## Results Review

- Global Investments Ltd.'s (GIL) 2012 results beat our expectations largely due to higher-than-expected gains from sale of investments. 2012 net profit rose to SGD19.1 mln from SGD12.2 mln in 2011 due mainly to an SGD4.9-mln reversal of impairment on its investment in Ascendos and the absence of impairment expense (SGD1.8 mln in 2011). With 40.56%-owned railcar operator Ascendos having turned profitable, GIL has reversed the SGD4.9 mln impairment loss on its investment and resumed equity accounting for its investment in Ascendos. Ascendos accounted for 8.5% of pre-tax profit in 2012.
- GIL recorded gains of SGD2.1 mln in 4Q12 and SGD3.3 mln for the full year (vs. SGD3.6 mln in 2011) from the sale of U.S. RMBS, Fly Leasing shares and listed equities. The four remaining U.S. RMBS were sold in 4Q12 and total cash flow received in excess of the investment was USD2.33 mln. Meanwhile, GIL sold 174,749 Fly Leasing shares in 2012, reducing its holdings to 876,261 shares.
- Almost half (48%) of revenue in 2012 came from interest income. Interest income declined by 11% YoY due to lower global interest rates. Meanwhile, dividend income, which accounted for 8% of revenue, rose 36% YoY due to dividends from listed equities. Rental income (26% of 2012 revenue) from aircraft leasing was stable.
- GIL declared a final dividend of 0.75 SG cents per share, bringing total DPS for the year to 1.5 SG cents, or a total payout of SGD12.4 mln (2011: SGD8.3 mln) on an enlarged post-rights issue share base.

## Earnings Outlook / Estimates Revision

- Our 2013 net profit forecast is largely unchanged. Our 2013 forecast includes a USD2.65 mln gain from the sale of two Boeing 757-200 aircraft (expected completion about Apr. 30, 2013), which should largely offset the absence of aircraft leasing income post the sale. Aside from gains from aircraft sale, we have conservatively not assumed any other gains from sale of investment in 2013. For 2014, we have assumed a decline in gains from sale of investments following the sale of the aircraft in 2013. The timing of gains from sale of investments are difficult to predict but can result in swings in earnings.
- GIL invested in Australian RMBS, collateralized loan obligations (CLO), listed equities and corporate bonds in during the year. As at end-Dec. 2012, GIL's portfolio by carrying value consisted of loan portfolio and securitization assets (43%), Asia listed equities (21%), operating lease assets (17%), cash & other assets (12%) and bonds (7%). About half the listed equities are companies listed in Hong Kong (53%) and the balance in Singapore (31%), Tokyo (9%) and South Korea (7%). With cash of SGD24.5 mln (end-Dec. 2012) and proceeds from the sale of aircraft (balance sheet value of SGD28.7 mln), GIL should have sufficient resources to finance its future investments.

## Investment Risks

- The fund is exposed to the vagaries of the financial markets and the global economy. With holdings in lower-end and higher-risk notes, a downturn in the economies and/or the property markets that GIL is exposed to could hurt the fund's returns and value of its investments.

### Key Stock Statistics

52-week Share Price Range (SGD)	0.13 - 0.18
Avg Vol - 12 months ('000 shares)	741.6
Price Performance (%)	
- 1 month	2.9
- 3 month	27.0
- 12 month	23.7
No. of Outstanding Shares (mln)	825.3
Free Float (%)	91.3
Market Cap (SGD mln)	147.7
Enterprise Value (SGD mln)	137.3
Major Shareholders (%)	
Boon Swan Foo	8.8

### Per Share Data

FY Dec.	2011	2012	2013E	2014E
Book Value (SG cents)	26.52	23.03	23.10	23.34
Cash Flow (SG cents)	2.9	2.1	1.5	1.3
Reported Earnings (SG cents)	2.3	2.5	1.3	1.2
Dividend (SG cents)	1.5	1.5	1.0	1.0
Payout Ratio (%)	57.4	88.3	75.3	85.1
PER (x)	7.8	7.1	13.5	15.2
P/Cash Flow (x)	6.1	8.7	12.1	13.4
P/Book Value (x)	0.7	0.8	0.8	0.8
Dividend Yield (%)	8.2	8.4	5.6	5.6
ROE (%)	10.6	8.3	5.8	5.1
Net Gearing (%)	0.0	0.0	0.0	0.0

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**Earnings Performance**

FY Dec. / SGD mln	4Q12	4Q11	% Change
Reported Revenue	6.3	5.5	15.5
Reported Operating Profit	5.5	4.6	19.6
Depreciation & Amortization	-0.3	-0.3	-4.5
Net Interest Income / (Expense)	-0.3	-0.3	-16.0
Reported Pre-tax Profit	4.7	2.2	>100
Reported Net Profit	4.6	2.0	>100
Reported Operating Margin (%)	87.3	84.3	-
Reported Pre-tax Margin (%)	74.9	40.1	-
Reported Net Margin (%)	73.0	37.1	-

Source: Company data

**Profit & Loss**

FY Dec. / SGD mln	2011	2012	2013E	2014E
Reported Revenue	20.5	18.4	14.6	13.1
Reported Operating Profit	17.7	15.4	11.5	9.9
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	11.2	9.9
Effective Tax Rate (%)	5.3	2.5	2.5	2.5
Reported Net Profit	12.2	19.1	11.0	9.7
Reported Operating Margin (%)	86.4	83.9	78.8	76.0
Reported Pre-tax Margin (%)	63.1	>100	77.2	76.1
Reported Net Margin (%)	59.7	>100	75.2	74.2

Source: Company data, S&amp;P Equity Research

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