UOBKayHian

Country Daily | Singapore

Monday, 24 August 2026

Key Indices

	Prev Close	1D %	1W %	1M %	YTD %
DJIA	53277.0	1.0	(0.8)	2.6	10.8
S&P 500	7674.4	0.4	(1.4)	3.5	12.1
FTSE 100	10816.6	0.6	0.6	0.7	8.9
AS30	9269.7	(0.3)	(0.5)	3.7	2.8
CSI 300	4618.9	0.6	(1.0)	(0.7)	(0.2)
FSSTI	5689.0	0.3	(1.0)	1.8	22.4
HSCEI	8634.3	1.0	3.5	4.4	(3.1)
HSI	26009.5	1.2	3.6	4.2	1.5
JCI	6525.7	0.4	3.6	5.3	(24.5)
KLCI	1736.5	(0.0)	0.5	2.1	3.4
KOSPI	6913.0	0.9	1.5	3.3	64.0
Nikkei 225	66016.4	(0.3)	(3.9)	2.2	31.1
SET	1613.8	0.2	0.3	(1.9)	28.1
TWSE	45224.3	0.6	(1.3)	3.6	56.1
BDI	2841	1.8	(0.8)	3.6	51.4
CPO (RM/mt)	4643	1.0	2.7	2.6	18.0
Brent Crude (US$/bbl)	94	(0.8)	3.0	(3.3)	53.8

Source: Bloomberg

Corporate Events

	Venue	Begin	Close
Analyst Marketing by Julia Pan on Greater China Internet Sector	Singapore	07 Sep	08 Sep
Analyst Marketing by Julia Pan on Greater China Internet Sector	Malaysia	09 Sep	11 Sep
17th Asian Gems Conference 2026 (Virtual)	Singapore	22 Sep	23 Sep

Corporate and Macro Calendar

Economic Indicator/Event	Date
Core Inflation Rate YoY JUL	24 Aug
Inflation Rate MoM JUL	24 Aug
Inflation Rate YoY JUL	24 Aug
MAS 12-Week Bill Auction	25 Aug

Top Stories

Sector Update | Banking

Page 3 →

- The US and Japan are confronted with rising bond yields and a surge in interest payments. Both the US and Japan have not entered a fiscal or sovereign debt crisis, but they are starting to feel the financial strains. The upward pressure on bond yields is exacerbated by elevated energy prices caused by the Middle East conflict, which is likely to be prolonged, as the US finds it increasingly difficult to extricate itself. Downgrade to MARKET WEIGHT.

Company Results | NTT DC REIT (NTTDCR SP/**BUY**/US$0.95/Target: US$1.31)

Page 7 →

- Portfolio occupancy would have increased 3.3ppt to 99.2% if we include committed leases that have yet to commence. Most of these new leases are expected to contribute to revenue starting 3QFY27. NTTDCR has debt headroom of US$261m based on gearing of 40%, which could be utilised to acquire a hyperscale 24MW data centre in Frankfurt, Germany. Maintain BUY with target price at US$1.31.

Company Results | United Hampshire US REIT (UHU SP/**BUY**/US$0.51/Target: US$0.69)

Page 10 →

- Portfolio occupancy remained high at 97.6%, and WALE was stable at 7.9 years for Grocery & Necessity properties. Tenants providing essential services accounted for 58.5% of gross rental income. Valuation is attractive with a 2026 DPU yield of 9.0% (Kimco Realty: 4.7% and Regency Centers: 4.0%). Maintain BUY. Target price: US$0.69.

Market Spotlight

Page 13 →

- US stocks were higher on Friday, with all indices rising as materials, healthcare and financials sectors rose. There were more advancers than decliners on both the NYSE and NASDAQ.
- The FSSTI rose 17.05 points to 5,688.96, supported by strength in DBS and OCBC Bank, with both mid- and small-cap indices rising with a broad market advance on S$1.98b turnover.

Technical Analysis

DBS Group (DBS SP)

Page 14 →

- Trading Buy Range: S$75.88-75.90

Sembcorp Industries (SCI SP)

Page 14 →

- Trading Buy Range: S$5.97-5.98

Banking

Dark Clouds Gathering On The Horizon

Highlights

- The US and Japan are confronted with rising bond yields and a surge in interest payments. Both the US and Japan have not entered a fiscal or sovereign debt crisis, but they are starting to feel the financial strains.
- The upward pressure on bond yields is exacerbated by elevated energy prices caused by the Middle East conflict, which is likely to be prolonged, as the US finds it increasingly difficult to extricate itself.
- Downgrade to MARKET WEIGHT. Our preferred pick is OCBC (BUY/Target: S$32.50) for its diversified growth from wealth management (63% of its fee income), trading income and insurance. We downgraded DBS (HOLD/Target: S$74.70) as valuation is stretched with 2027 P/B at 2.97x.

Analysis

- We previously highlighted Singapore banks as a hedge against potential sovereign debt crises in developed countries.
- **Is the US entering a fiscal crisis?** The US' federal debt, budget deficits, and interest costs are on the rise. According to the Congressional Budget Office, the federal deficit is projected at US$1.9t in 2026. The IMF estimated that US general government debt would reach 142% of GDP in 2031, compared with 124% in 2026. Interest payments are now one of the fastest-growing expenditure, exceeding US$1t annually. The US fiscal trajectory is becoming progressively unsustainable. Persistent budget deficits of around 6% of GDP, rising entitlement spending, and growing interest expenses could crowd out public investment. The US is not yet facing a full-blown fiscal crisis, but US treasury yields are now structurally higher.
- **Is Japan entering a fiscal crisis?** Japan's fiscal position is the most stretched among developed economies, with gross government debt at 233% of GDP in 2026. Bank of Japan's gradual normalisation of monetary policy has materially increased debt-servicing costs after many years of ultra-low interest rates. An ageing population and a shrinking workforce also place pressure on social security and healthcare spending. Japan is approaching a turning point. Expansionary fiscal policies and permanent tax cuts could reverse the recent decline in the debt-to-GDP ratio. Consequently, confidence in government finances is being undermined and Japan's fiscal standing is expected to gradually deteriorate.
- **Looming threat from a prolonged gulf crisis.** While the US achieved early battlefield successes, Iran has escalated the conflict by targeting American bases, commercial shipping routes, and regional allies. The Strait of Hormuz is the most important energy chokepoint, carrying roughly one-fifth of global oil supplies. The sustained disruption to shipping has triggered higher oil prices and inflationary pressures, creating domestic political challenges for US policymakers. Iran's ability to use drones and missiles has forced the US to expend costly defensive systems, creating an expensive war of attrition. The US could get bogged down as it becomes increasingly difficult for the US to extricate itself from a prolonged conflict in the Middle East.

Analyst(s)

Jonathan Koh, CFA, MSc Econ
jonathankoh@uobkh.com
+65 6590 6620

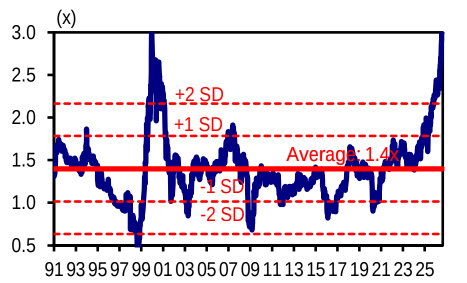
MARKET WEIGHT (Downgraded)

Sector Picks

Company	Ticker	Rec	Share Price (S$)	Target Price (S$)
DBS	DBS SP	HOLD	76.00	74.70
OCBC	OCBC SP	BUY	30.98	32.50

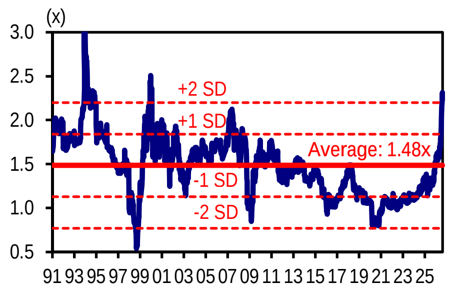
Source: Bloomberg, UOB Kay Hian

P/B – DBS



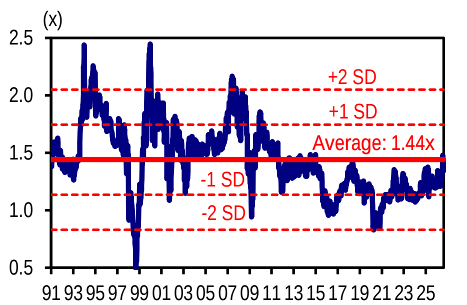
Source: UOB Kay Hian

P/B – OCBC



Source: UOB Kay Hian

P/B – UOB



Source: UOB Kay Hian

Peer Comparison

Company	Ticker	Rec	Price 21 Aug 26 (S$)	Target Price (S$)	Market Cap (US$m)	PE 2026F (x)	PE 2027F (x)	P/B 2026F (x)	P/B 2027F (x)	P/PPOP 2026F (x)	P/PPOP 2027F (x)	Yield 2026F (%)	Yield 2027F (%)	ROE 2026F (%)	ROE 2027F (%)
DBS	DBS SP	HOLD	76.00	74.70	170,398	19.0	18.4	3.04	2.97	15.3	14.7	4.3	4.6	16.3	16.6
OCBC	OCBC SP	BUY	30.98	32.50	109,679	17.4	16.7	2.19	2.06	14.9	14.6	3.0	3.1	12.6	12.7
UOB	UOB SP	NR	40.53	n.a.	52,716	12.1	11.3	1.27	1.22	8.6	8.3	4.3	4.5	10.9	11.1
Average						16.1	15.4	2.17	2.08	13.0	12.6	3.9	4.1	13.2	13.5

Source: Bloomberg, UOB Kay Hian

Valuation/Recommendation

- **The new normal of higher bond yields.** We expect government bond yields to stay elevated due to resilient economic growth bolstered by the investment cycle for AI and still-elevated inflation. In Singapore, non-oil domestic exports (NODX) rose 24% yoy in Jul 26, driven by a 112% surge in the electronics sector, supported by robust global demand for AI-related products. Singapore's core inflation was rather benign at 1.6% for Jun 26. Yield for 10-year Singapore government bonds rose 25bp ytd to 2.37%. The rise of bond yields in Singapore is mild compared to the US (yield for 10-year treasury bonds rose 52bp ytd to 4.69%) and Japan (yield for 10-year JGBs rose 78bp ytd to 2.85%).
- **A prolonged conflict in the Middle East** could gradually weaken banks' asset quality. Sustained disruptions to energy markets and shipping routes could keep energy prices elevated, thus dampening business investment. Highly leveraged borrowers in transportation, logistics and aviation sectors become financially stressed. Companies exposed to supply chain disruptions or higher operating expenses may face refinancing challenges. Exposures to the transportation, storage & communications sector are 7.4% for DBS Group Holdings (DBS), 7.4% for Oversea-Chinese Banking Corp's (OCBC) and 5.5% for United Overseas Bank (UOB).
- **Downgrade to MARKET WEIGHT.** Singapore banks deserve to trade at a premium for their structural resilience. On a YTD basis, DBS and OCBC's share prices have rallied 35% and 56% respectively. On the other hand, United Overseas Bank's (UOB) share price has gained a relatively modest 15%. Thus, we trim our OVERWEIGHT position to MARKET WEIGHT.
- We have raised the risk-free rate used in our Gordan Growth Model from 2.2% to 2.5% due to recent increase in 10-year Singapore government bond yields. Our preferred pick is OCBC (BUY/Target: S$32.50) for its strategic shift to accelerate growth. OCBC is more sensitive to growth in wealth management fees, which accounted for 63% of its fee income. It has delivered the strongest and most diversified 2Q26 results with earnings growth at 22% yoy, driven by wealth, trading income and insurance. We downgraded DBS (HOLD/Target: S$74.70) as valuation is stretched with 2027 P/B at 2.97x, although it remains the leader in wealth management and scale of earnings.

DBS Group Holdings (HOLD/Target: S$74.70)

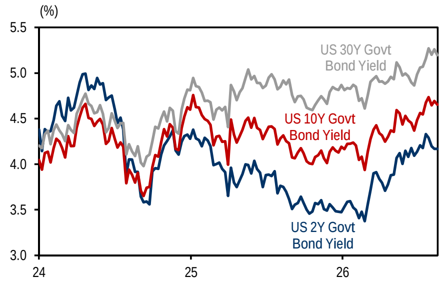
- High net worth clients have entrusted DBS with a greater share of their assets through its booking centres in Singapore and Hong Kong. It has doubled its AUM since 2019, representing a six-year CAGR of 12.2%. The proportion of AUM invested was high at 58% in 2025. Wealth management fees grew by a sterling 29% in 2025 and 33% yoy in 1H26.
- Asset quality is pristine with NPL formation muted at S$126m in 1Q26 and S$155m in 2Q26. NPL ratio is low at 1.0%, while loan-loss coverage is healthy at 130%. DBS has ample management overlay for general provisions of S$2,400m.
- DBS provides a dividend yield of 4.6% for 2027 with latent potential for more capital management exercises. We expect DBS to raise its quarterly DPS by 6 S cents to 72 S cents starting 4Q26.
- **Downgrade to HOLD.** Our target price of S$74.70 is based on 2.92x 2027F P/B, derived from the Gordon Growth Model (ROE: 16.2%, COE: 7.0% (previous: 6.7%), growth: 2.2%).

Key Assumptions – DBS

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	14,424	14,500	14,496	15,359	16,120
Non-Interest Income	7,873	8,400	9,497	9,869	10,395
Total Income	22,297	22,900	23,993	25,228	26,515
Pre-Provision Operating Profit	13,259	13,528	14,108	14,688	15,338
Net Profit	11,289	10,933	11,360	11,722	12,242
% Chg	12.2	(3.2)	3.9	3.2	4.4
Loan Growth (%)	3.4	3.3	7.5	4.5	4.5
NIM (%)	2.14	2.02	1.87	1.86	1.86
Fees, % Chg	23.2	17.5	16.6	8.9	8.4
NPL Ratio (%)	1.09	1.03	0.98	0.98	0.97
Credit Costs (bp)	14.0	17.8	15.2	17.1	17.1

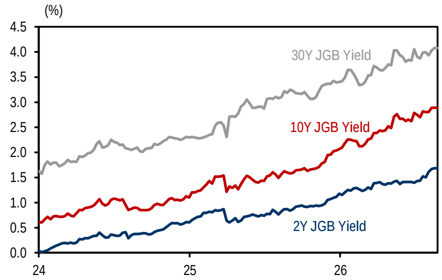
Source: UOB Kay Hian

US 2Y, 10Y and 30Y Treasury Yields



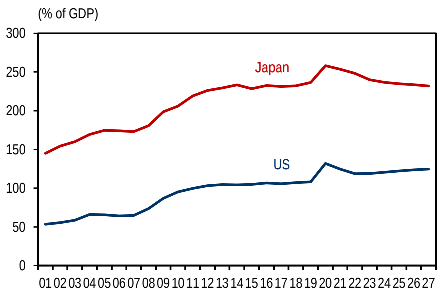
Source: Bloomberg

Japan 2Y, 10Y and 30Y JGB Yields



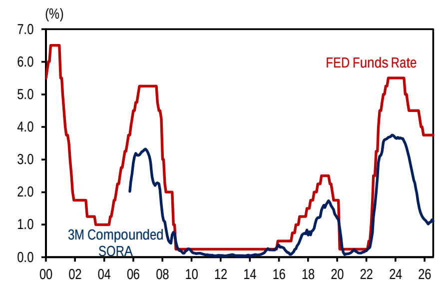
Source: Bloomberg

US And Japan Government Gross Debt As % Of GDP



Source: Bloomberg

US Fed Funds Rate Vs 3M SORA



Source: Bloomberg

Oversea-Chinese Banking Corp (BUY/Target: S$32.50)

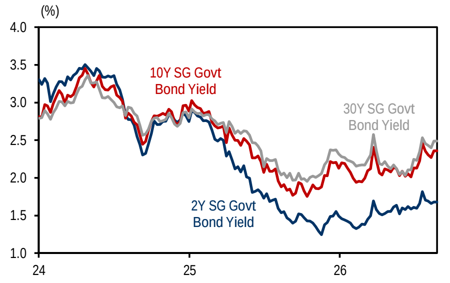
- The acquisition of HSBC's International Wealth and Premier Banking business will bolster growth of wealth management onshore by adding 336,000 customers, 26 branches and AUM of S$6.6b in Indonesia. There is minimal overlap as HSBC's customers are predominantly professionals and white-collar executives, while customers of OCBC NISP, OCBC's listed banking subsidiary in Indonesia, are entrepreneurs and businessmen. The acquisition is aligned with its New Frontier strategy to deepen its domestic presence within the ASEAN region in Malaysia and Indonesia.
- OCBC has embarked on a strategic shift to capture growth at its twin wealth hubs of Singapore and Hong Kong. Management targets to deliver Whole-of-Wealth value proposition across the banking, wealth management and insurance businesses.
- NPL formation was manageable at S$123m in 1Q26 and S$300m in 2Q26. OCBC has the lowest NPL ratio of 0.9%, but the highest loan-loss coverage remained strong at 163%.
- **Maintain BUY.** Our target price of S$32.50 is based on 2.16x 2027F P/B, derived from the Gordon Growth Model (ROE: 12.8%, COE: 7.25% (previous: 6.95%), growth: 2.5%).

Key Assumptions – OCBC

(S$m)	2024	2025	2026F	2027F	2028F
Net Interest Income	9,755	9,150	9,169	9,744	10,301
Non-Interest Income	4,718	5,464	6,506	6,519	6,868
Total Income	14,473	14,614	15,676	16,263	17,170
Pre-Provision Operating Profit	8,672	8,710	9,317	9,497	10,028
Net Profit	7,587	7,422	8,053	8,373	8,849
% Chg	8.1	(2.2)	8.5	4.0	5.7
Loan Growth (%)	7.6	6.9	9.0	4.4	4.4
NIM (%)	2.20	1.92	1.71	1.71	1.73
Fees, % Chg	9.2	22.4	15.6	9.7	8.8
NPL Ratio (%)	0.89	0.95	0.87	0.88	0.89
Credit Costs (bp)	22.4	20.1	20.8	20.1	20.1

Source: UOB Kay Hian

SG 2Y, 10Y and 30Y Government Bond Yields



Source: Bloomberg

Sector Catalyst/Risk

- **Catalysts**: Singapore's strong fiscal standing, which attracts constant influx of safe haven liquidity, thus boosting Singapore banks' AUM, wealth management fees and trading income.
- **Risks**: Economic downturn caused by uncertainties from prolonged Middle East conflict and elevated energy prices.

Projected DPS And Dividend Payout Ratios

	---------DBS (HOLD/S$76.00/Target: S$74.70)---------			----------OCBC (BUY/S$30.98/Target: S$32.50)-----------			------- UOB (NOT RATED / S$40.53) -------		
Year to 31 Dec	FY25	FY26F	FY27F	FY25	FY26F	FY27F	FY25	FY26F	FY27F
EPS (S ¢)	384	400	413	163	178	186	276	340	367
DPS (S ¢)	306	330	348	99	94	96	181	171	184
Payout Ratio (%)	79.7	82.4	84.3	60.7	52.7	51.7	65.6	50.2	50.0
Dividend Yield (%)	4.0	4.3	4.6	3.2	3.0	3.1	4.5	4.2	4.5

Source: Bloomberg, UOB Kay Hian

Comparison Of Profit & Loss

2Q26	DBS	OCBC	UOB
Net Interest Income	S$3,581m	S$2,264m	S$2,297m
	-1.8% yoy	-0.8% yoy	-1.7% yoy
	+2.5% qoq	+1.9% qoq	-1.2% qoq
Fee Income	S$1,460m	S$739m	S$665m
	+25.1% yoy	+27.4% yoy	+4.6% yoy
	-1.5% qoq	+9.5% qoq	+4.4% qoq
Insurance	n.a.	S$382m	n.a.
	n.a.	+69.0% yoy	n.a.
	n.a.	-6.6% qoq	n.a.
Other Non-Interest Income	S$1,052m	S$785m	S$632m
	+14.7% yoy	+71.4% yoy	+28.2% yoy
	+69.4% qoq	+50.4% qoq	+36.8% qoq
Provisions	S$113m	S$156m	S$211m
	10bp	14bp	28bp
Net Profit	S$3,079m	S$2,221m	S$1,476m
	+9.0% yoy	+22.3% yoy	+10.2% yoy
	+5.1% qoq	+12.5% qoq	+2.6% qoq

Source: Respective banks, UOB Kay Hian

Comparison Of Key Ratios

2Q26	DBS	OCBC	UOB
Net Interest Margin (NIM)	1.87	1.70	1.74
	-2bp qoq	-6bp qoq	-8bp qoq
Loan Growth	+8.2% yoy	+12.3% yoy	+5.4% yoy
	+3.5% qoq	+4.9% qoq	+2.1% qoq
Deposit Growth	+11.2% yoy	+12.8% yoy	+5.2% yoy
	+1.3% qoq	+3.4% qoq	-0.2% qoq
NPL Ratio	1.0	0.9	1.6
	Unchanged	Unchanged	+0.1ppt qoq
Loan Loss Coverage	130	163	88
	-1ppt qoq	Unchanged	-12ppt qoq
Core Equity Tier-1 CAR	14.6	14.0	15.4
	-0.2ppt qoq	-1.2ppt qoq	+0.1ppt qoq
Book Value Per Share (BVPS)	S$24.69	S$13.73	S$29.99
	+3.7% yoy	+6.3% yoy	+4.8% yoy
	+1.3% qoq	-0.7% qoq	+0.7% qoq

Source: Respective banks, UOB Kay Hian

NTT DC REIT (NTTDCR SP)

1QFY27: A Journey Of A Thousand Miles Begins With A Single Step

Analyst(s)

Jonathan Koh, CFA, MSc Econ
jonathankoh@uobkh.com
+65 6590 6620

Highlights

- Portfolio occupancy would have increased 3.3ppt to 99.2% if we include committed leases that have yet to commence. Majority of these new leases are expected to contribute to revenue starting 3QFY27.
- NTTDCR has debt headroom of US$261m based on gearing of 40%, which could be utilised to acquire a hyperscale 24MW DC in Frankfurt, Germany.
- Maintain BUY with target price at US$1.31. We raised our weighted risk-free rate based on geographical disposition from 3.6% to 4.1% due to the recent increase in government bond yields.

1QFY27 Results

Year to 31 Mar (US$m)	1QFY27	IPO Forecast	% Variance	Remarks
Gross Revenue	58.1	58.7	-1.1	
Net Property Income (NPI)	27.9	26.6	+5.0	Lower real estate taxes and operating expenses.
Net Finance Costs	(5.1)	(5.5)	-7.8	SOFR dropped 73bp yoy to 3.68%.
Distributable Income	22.6	20.5	+10.6	

Source: NTTDCR, UOB Kay Hian

Analysis

- NTT DC REIT (NTTDCR) provided a business update for 1QFY27.
- **Outperformed IPO projection in 1Q FY26/27.** NTTDCR continued to exceed its IPO forecast, with NPI rising 5.0% above projections to US$27.9m and distributable income surpassing forecasts by 10.6% to US$22.6m in 1QFY27. The strong performance was driven by lower real estate taxes, lower operating expenses and reduced financing costs.
- **Leasing momentum supports occupancy growth.** Portfolio occupancy by IT load improved 0.8ppt qoq to 95.9% as of Jun 26, driven by expansion leases secured at CA1, CA3 and SG1. Including committed leases that have yet to commence, occupancy would have increased 3.3ppt to 99.2%. Management highlighted that the bulk of committed leases previously secured are expected to commence revenue contribution starting 3QFY27 onwards, providing a further earnings uplift in the upcoming quarters.
- **Renewed the master services agreement with NTT Singapore at SG1.** NTTDCR secured lease renewals representing monthly base rent of US$718,000 at a positive rental reversion of 13.4% in 1QFY27, largely driven by the 23% rental uplift from renewal of NTT Master Services Agreement at SG1. NTTDCR also backfilled 0.3MW at SG1 at 7% positive rental reversion with phased commencement from 3QFY27.

Key Financials

Year to 31 Mar (US$m)	2026	2027F	2028F	2029F
Net turnover	165	235	239	243
EBITDA	64	92	96	100
Operating profit	14	18	22	26
Net profit (rep./act.)	3	56	60	63
Net profit (adj.)	1	-4	-0	3
EPU (US$ cent)	0.1	(0.4)	0.0	0.2
DPU (US$ cent)	5.6	7.9	8.2	8.4
PE (x)	940.0	n.a.	n.a.	470.0
P/B (x)	0.8	0.9	0.9	0.9
DPU yld (%)	6.0	8.4	8.7	8.9
Net margin (%)	1.9	23.9	25.0	25.7
Net debt/(cash) to equity (%)	39.4	40.3	44.1	48.2
Interest cover (x)	4.3	4.4	4.5	4.4
ROE (%)	n.a.	4.8	5.2	5.6
Consensus DPU (US$ cent)	-	8.0	8.1	8.2
UOBKH/Consensus (x)	-	0.99	1.01	1.02

Source: NTT DC REIT, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	US$0.95
Target Price	US$1.31
Upside	37.9%
Previous TP	US$1.43

Stock Data

Sector	Real Estate
Bloomberg ticker	NTTDCR SP
Shares issued (m)	1,034.0
Market cap (US$m)	971.9
Market cap (US$m)	971.9
3-mth avg daily t'over (US$m)	1.3

Price Performance (%)

52-week high/low				US$1.07/US$0.90
1mth	3mth	6mth	1yr	YTD
2.7	(2.6)	(5.5)	(1.1)	(7.8)

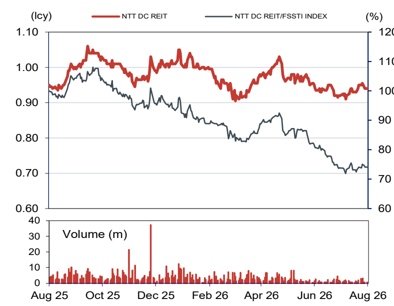
Major Shareholders (%)

NTT Ltd	25.3
GIC	9.8

Balance Sheet Metrics

FY26 NAV/Share (US$)	1.10
FY26 Net Debt/Share (US$)	0.44

Price Chart



Source: Bloomberg

Company Description

NTTDCR invests in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for data centre purposes.

- **High-quality portfolio with resilient cashflows.** NTTDCR's portfolio comprises six Tier 3-equivalent data centres across the US, Austria and Singapore with 90.7MW of design IT load, 95.9% occupancy and WALE of 4.3 years. Leasing metrics remain healthy across all assets, with occupancy at 98.1% for VA2 (stable), 96.9% at CA1-3 (+1.2ppt qoq), 93.7% at SG1 (+1.9ppt qoq) and 92.1% at VIE1 (stable). Lease expiries remain well staggered, with only 14.0% of monthly base rent expiring in FY27. Hyperscale customers accounting for 49.0% of monthly base rent and colocation customers 51.0%. 84.7% of leases contain fixed rental escalations averaging 3.1% annually.
- **Strong balance sheet with ample financial flexibility.** Aggregate leverage increased modestly by 1.8ppt qoq to 31.0% as of Jun 26. Average cost of debt was stable at 3.98%. Interest coverage ratio strengthened to 4.7x as of Jun 26, compared to 4.2x in FY26. NTTDCR has no refinancing risk over the next two financial years, with no debt maturities until FY29 and additional flexibility through two one-year extension options. It has debt headroom of US$261m of before reaching 40% gearing, providing capacity to pursue future acquisitions and growth opportunities.

Valuation/Recommendation

- **Resilient demand as companies deploy AI to enhance productivity.** Management observed healthy demand across its key markets, supported by supply constraints and power availability challenges in Northern Virginia and Singapore. Singapore remains structurally undersupplied, while Northern Virginia continues to experience low vacancy rates of around 1%. Rental rates across key markets remain on an upward trajectory due to limited supply and strong hyperscale demand.
- **Exploring opportunities for acquisitions in FY27.** Management is exploring potential acquisitions in Europe and Japan:
  a) NTTDCR plans to acquire a hyperscale 24MW date centre (DC) in Frankfurt, Germany valued at US$450m-500m in 2HFY27. Frankfurt is the largest DC market in Europe. The DC is anchored by two US-based hyperscalers with a long WALE of 10 years. The Frankfurt DC is expected to provide an NPI yield of above 6%. The sponsor is currently preparing the Frankfurt data centre to be carved out.
  b) NTTDCR has commenced discussions with other entities within the NTT Group, such as NTT Data and NTT Docomo, on acquisitions of stabilised data centres in Japan. NTTDCR could acquire a 20MW DC in Tokyo, Japan anchored by a global hyperscaler.
- **Incentivising focus on DPU growth.** Management is proposing to change the management fee structure to enhance alignment with unitholders and is targeting to convene an EGM by Dec 26. We expect performance fees for the REIT manager to be tweaked to incentivise DPU growth.
- **Maintain BUY.** We raised our weighted risk-free rate based on geographical disposition from 3.6% to 4.1% due to rising government bond yields. Our new target price of US$1.31 is based on DDM (cost of equity: 8.6% (previous: 8.1%), terminal growth: 2.5%).

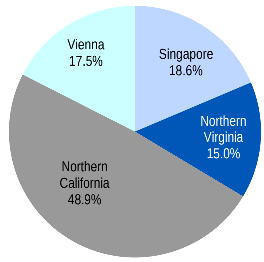
Earnings Revision/Risk

- We maintain our existing DPU forecast.

Share Price Catalyst

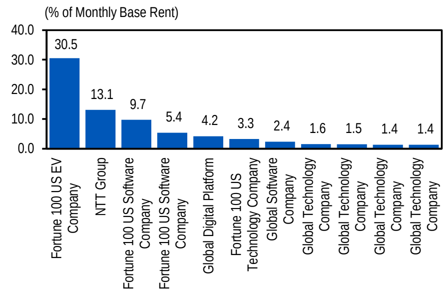
- Acquisitions of hyperscale data centres in Frankfurt, Germany and Tokyo, Japan from its sponsor pipeline. Uptick in portfolio occupancy in FY27.

Portfolio Composition By Geography



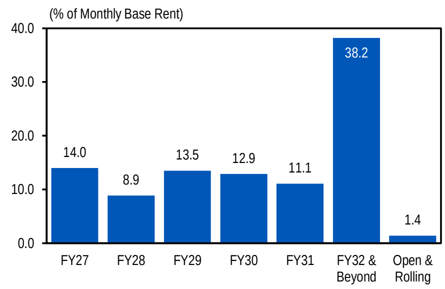
Source: NTTDCR

Top 10 Tenants By Monthly Base Rent



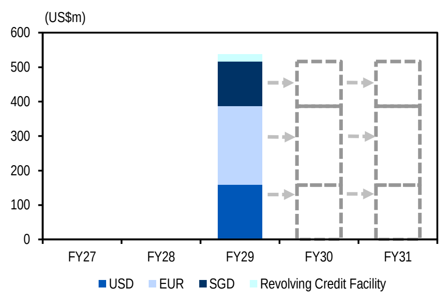
Source: NTTDCR

Lease Expiry Profile



Source: NTTDCR

Debt Maturity Profile



Source: NTTDCR

Profit & loss

Year to 31 Mar (US$m)	2026	2027F	2028F	2029F
Net turnover	164.8	234.9	239.2	243.4
EBITDA	64.1	91.6	95.8	99.8
Deprec. & amort.	50.0	74.0	74.0	74.0
EBIT	14.1	17.6	21.8	25.8
Total other non-operating income	1.7	60.0	60.0	60.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(14.9)	(20.6)	(21.2)	(22.5)
Pre-tax profit	0.9	57.0	60.6	63.3
Tax	2.2	(0.8)	(0.8)	(0.8)
Minorities	0.0	0.0	0.0	0.0
Net profit	3.1	56.2	59.8	62.5
Net profit (adj.)	1.4	(3.8)	(0.2)	2.5

Balance Sheet

Year to 31 Mar (US$m)	2026	2027F	2028F	2029F
Fixed assets	1,667.2	1,673.2	1,679.2	1,685.2
Other LT assets	14.3	14.3	14.3	14.3
Cash/ST investment	46.0	54.4	57.1	54.6
Other current assets	46.3	59.1	60.0	61.2
Total assets	1,773.8	1,801.0	1,810.6	1,815.3
ST debt	0.0	0.0	0.0	0.0
Other current liabilities	43.9	90.0	91.4	93.1
LT debt	512.1	520.0	555.0	585.0
Other LT liabilities	35.8	35.7	35.7	35.7
Shareholders' equity	1,181.9	1,155.3	1,128.5	1,101.5
Minority interest	0.0	0.0	0.0	0.0
Total liabilities & equity	1,773.7	1,801.0	1,810.6	1,815.3

Cash Flow

Year to 31 Mar (US$m)	2026	2027F	2028F	2029F
Operating	58.7	124.0	95.5	99.5
Pre-tax profit	3.1	56.2	59.8	62.5
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	50.8	74.4	74.4	74.4
Associates	0.0	0.0	0.0	0.0
Working capital changes	(3.7)	33.3	0.5	0.5
Non-cash items	8.6	12.0	12.2	12.4
Other operating cashflows	(0.1)	(51.9)	(51.4)	(50.3)
Investing	(1,250.9)	(20.0)	(20.0)	(20.0)
Capex (growth)	(1,233.7)	0.0	0.0	0.0
Capex (maintenance)	(17.5)	(20.0)	(20.0)	(20.0)
Proceeds from sale of assets	0.0	0.0	0.0	0.0
Others	0.3	0.0	0.0	0.0
Financing	1,277.9	(95.6)	(72.8)	(82.0)
Distribution to unitholders	772.7	0.0	0.0	0.0
Issue of shares	0.0	(82.9)	(86.6)	(89.5)
Proceeds from borrowings	536.8	7.9	35.0	30.0
Loan repayment	(11.7)	0.0	0.0	0.0
Others/interest paid	(19.9)	(20.6)	(21.2)	(22.5)
Net cash inflow (outflow)	85.7	8.4	2.7	(2.5)
Beginning cash & cash equivalent	0.0	46.0	54.4	57.1
Changes due to forex impact	(0.8)	0.0	0.0	0.0
Ending cash & cash equivalent	84.9	54.4	57.1	54.6

Key Metric

Year to 31 Mar (%)	2026	2027F	2028F	2029F
Profitability				
EBITDA margin	38.9	39.0	40.1	41.0
Pre-tax margin	0.5	24.3	25.3	26.0
Net margin	1.9	23.9	25.0	25.7
ROA	n.a.	3.1	3.3	3.4
ROE	n.a.	4.8	5.2	5.6
Growth				
Turnover	n.a.	42.5	1.8	1.8
EBITDA	n.a.	42.9	4.6	4.2
Pre-tax profit	n.a.	6,233.3	6.3	4.5
Net profit	n.a.	1,712.9	6.4	4.5
Net profit (adj.)	n.a.	n.a.	n.a.	n.a.
EPU	n.a.	n.a.	n.a.	n.a.
Leverage				
Debt to total capital	30.2	31.0	33.0	34.7
Debt to equity	43.3	45.0	49.2	53.1
Net debt/(cash) to equity	39.4	40.3	44.1	48.2
Interest cover (x)	4.3	4.4	4.5	4.4

United Hampshire US REIT (UHU SP)

1H26: Resiliency From Focus On Essential Services

Highlights

- UHU generated DPU growth of 3.4% yoy in 1H26 with contributions from recently acquired Dover Marketplace and Wallingford Fair Shopping Center.
- Portfolio occupancy remains high at 97.6%, and WALE was stable at 7.9 years for Grocery & Necessity properties. Tenants providing essential services accounted for 58.5% of gross rental income.
- Valuation is attractive with a 2026 DPU yield of 9.0% (Kimco Realty: 4.7% and Regency Centers: 4.0%). Maintain BUY. Target price: US$0.69.

1H26 Results

Year to 31 Dec (US$m)	1H26	yoy % Chg	Remarks
Gross Revenue	37.8	+5.8	Contributions from Dover Marketplace and Wallingford Fair.
Net Property Income (NPI)	25.5	+6.4	DICK'S Sporting Goods opened at Hudson Valley Plaza in Mar 26.
Finance Costs	(9.2)	+6.8	Cost of debt eased 32bp yoy and 2bp qoq to 4.89% in 1H26.
Distributable Income	13.7	+5.8	
DPU (US cents)	2.16	+3.4	Retained distributable income of US$0.6m.

Source: UHU, UOB Kay Hian

Analysis

- United Hampshire US REIT (UHU) delivered resilient results with DPU of 2.16 US cents for 1H26 (+3.4% yoy), which is in line with our expectation.
- **Firing on all cylinders.** Gross revenue, NPI and distributable income rose 5.8%, 6.4% and 5.8% yoy, respectively, in 1H26, driven by contributions from recently acquired properties, Dover Marketplace (completion: 2 Aug 25) and Wallingford Fair Shopping Center (completion: 14 Jan 26), new lease commencements and embedded rental escalations. The acquisitions have integrated well and were immediately DPU accretive.
- **Strong leasing momentum.** UHU secured more than 260,000sf of new and renewal leases during 1H26, including lease extensions with major grocery tenants, such as Giant Supermarket and Stop & Shop. Tenants providing essential services accounted for 58.5% of gross rental income. Grocery & Necessity occupancy remains high at 97.6%, and portfolio WALE was stable at 7.9 years. Tenant retention rate was healthy at 90%. There is minimal leasing risk as only 0.6% and 4.6% of leases are expiring in 2H26 and 2027 respectively. Occupancy at the self-storage portfolio improved 4.3ppt yoy to 93.5%, reflecting healthy demand.

Key Financials

Year to 31 Dec (US$m)	2024	2025	2026F	2027F	2028F
Net turnover	73	72	76	76	77
EBITDA	45	43	45	46	47
Operating profit	45	43	45	46	47
Net profit (rep./act.)	30	21	25	25	26
Net profit (adj.)	20	21	24	25	26
EPU (US$ cent)	3.5	3.5	3.9	4.2	4.3
DPU (US$ cent)	4.1	4.4	4.6	4.9	5.0
PE (x)	14.6	14.6	13.1	12.1	12.0
P/B (x)	0.7	0.7	0.7	0.7	0.7
DPU yld (%)	8.0	8.6	9.0	9.7	9.8
Net margin (%)	40.8	28.7	33.5	33.6	33.4
Net debt/(cash) to equity (%)	64.8	64.3	66.1	69.1	72.2
Interest cover (x)	2.4	2.4	2.6	2.8	2.8
ROE (%)	6.9	4.7	5.7	5.8	5.9
Consensus DPU (US$ cent)	-	-	4.8	4.9	5.2
UOBKH/Consensus (x)	-	-	0.96	1.01	0.96

Source: United Hampshire US REIT, Bloomberg, UOB Kay Hian

Analyst(s)

Jonathan Koh, CFA, MSc Econ
jonathankoh@uobkh.com
+65 6590 6620

BUY (Maintained)

Share Price	US$0.51
Target Price	US$0.69
Upside	35.3%
Previous TP	US$0.72

Stock Data

Sector	Real Estate
Bloomberg ticker	UHU SP
Shares issued (m)	608.2
Market cap (US$m)	310.2
Market cap (US$m)	310.2
3-mth avg daily t'over (US$m)	0.2

Price Performance (%)

52-week high/low: US$0.57/US$0.48

1mth	3mth	6mth	1yr	YTD
(1.9)	(1.9)	(8.9)	5.2	(1.0)

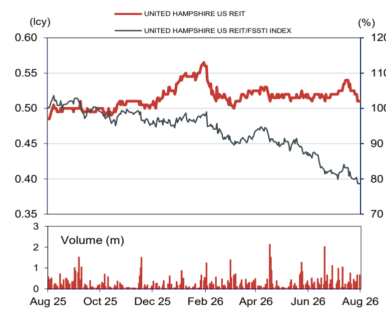
Major Shareholders (%)

U.S. RE Fund II Offshore Feeder 1	8.0
MCB Asia Investor LLC	5.5
Kuang Ming Investment	5.0

Balance Sheet Metrics

FY26 NAV/Share (US$)	0.73
FY26 Net Debt/Share (US$)	0.48

Price Chart



Source: Bloomberg

Company Description

UHU invests in income-producing real estate used primarily for grocery-anchored & necessity-based retail and self-storage purposes in the US.

- **Accretive acquisitions and tenant openings.** UHU benefitted from the first full-period contribution from Dover Marketplace (anchor tenant: Giant Supermarket, subsidiary of Ahold Delhaize) and the acquisition of Wallingford Fair completed in Jan 26 (anchor tenant: ShopRite). DICK'S Sporting Goods opened a new 53,000sf store at Hudson Valley Plaza in Mar 26. In May 26, Cava Mezze Grill opened a new store at St Lucie West, while Bath & Body Works opened at Upland Square.
- **Value creation through AEI.** At St Lucie West in Florida, UHU is developing a new 5,000sf store on excess land next to the existing Academy Sports store, which opened in Nov 23. The new store was fully pre-leased to Florida Blue, a health insurance company, under a 10-year lease agreement. The asset enhancement initiative (AEI) incurs capex of US$2m and is expected to generate ROI of 10%. The new store is expected to complete in 1Q27.
- **Prudent capital management.** Aggregate leverage eased 0.7ppt qoq to 40.4% as of Jun 26 due to repayment of revolving credit facility. UHU has no refinancing requirements until Feb 28 and maintains financial flexibility with US$120.5m of undrawn facilities. Weighted average borrowing cost declined 32bp yoy and 2bp qoq to 4.89%, marking the fifth consecutive quarters of reduction. 71.5% of borrowings are fixed rate or hedged. Interest coverage ratio is healthy at 2.4x.
- **Proactive capital recycling.** UHU is divesting BJ's Quincy, a freehold single-storey free-standing wholesale club in Massachusetts leased to BJ's Wholesale Club, for US$34.0m, representing 4.9% premium to its independent valuation of US$32.4m. The capital recycling allows UHU to unlock value and redeploy capital into higher-growth opportunities. The estimated net proceeds of US$33.3m could be used to repay debt, fund capex or support acquisitions. It reduces pro forma aggregate leverage from 38.6% to 35.9% and improves interest coverage ratio from 2.4x to 2.5x. There is no material impact on DPU or NAV. Completion is expected on 15 Sep 26.

Valuation/Recommendation

- **Pulling multiple levers to generate sustainable growth.** UHU focuses on accretive acquisitions, asset recycling and AEI to drive sustainable growth. With continued demand for physical storefronts, UHU is well positioned to capitalise on growth opportunities. It will benefit from full-year contributions from the acquisitions of Dover Marketplace and Wallingford Fair in 2026. It could also consider recycling assets by divesting self-storage properties (yield: 5%) and reinvesting in strip centres (yield: 6-7%).
- **Strip centres play vital role in omni-channel retailing.** Physical stores have become fulfilment hubs to facilitate pick-ups, and process returns for merchandise purchased online. Using physical stores as pick-up and drop-off points helps lower labour, packaging and delivery costs. Curbside pick-ups have become popular at grocery stalls and supermarkets. Visitations to physical stores generate additional in-store sales and online purchases.
- **Maintain BUY.** UHU trades at 2026 DPU yield of 9.0% (Kimco Realty: 4.7% and Regency Centers: 4.0%). It trades at P/NAV of 0.70x. Our target price of US$0.69 is based on the dividend discount model (cost of equity: 8.95% (previous: 8.5%), terminal growth: 2.0% (previous: 1.5%)).

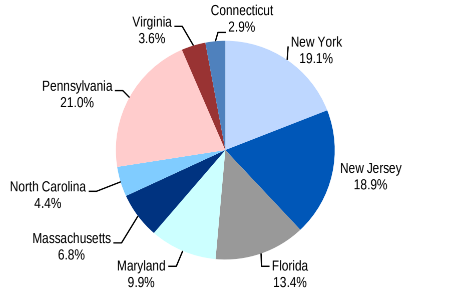
Earnings Revision/Risk

- We trimmed our DPU forecast by 5% for 2026 and 3% for 2027 due to: a) our assumption that UHU retains S$0.5m in 1H27 and 1H28, and b) divestment of BJ's Quincy completed in Sep 26.

Share Price Catalyst

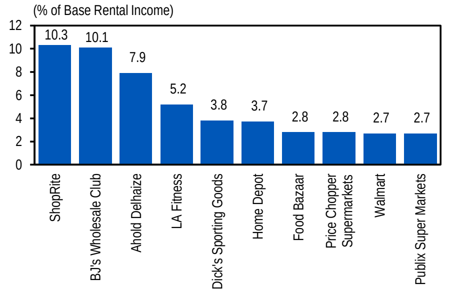
- Resiliency of spending on necessity products and essential services; yield-accretive acquisitions of grocery and necessity retail properties.

Portfolio Valuation By State



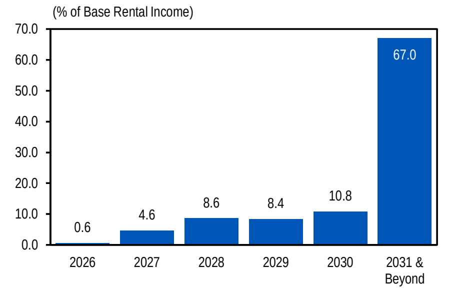
Source: UHU

Top 10 Tenants – Grocery & Necessity Retail



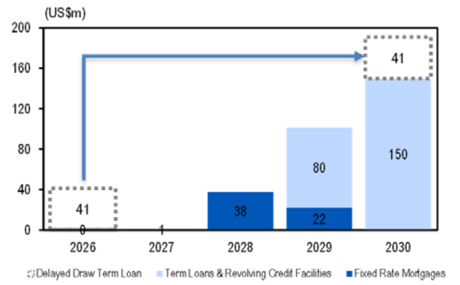
Source: UHU

Lease Expiry Profile



Source: UHU

Debt Maturity Profile



Source: UHU

Profit & loss

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Net turnover	72.0	75.7	75.9	77.2
EBITDA	43.3	45.5	46.3	47.2
Deprec. & amort.	0.0	0.0	0.0	0.0
EBIT	43.3	45.5	46.3	47.2
Total other non-operating income	(0.2)	1.7	0.0	0.0
Associate contributions	0.0	0.0	0.0	0.0
Net interest income/(expense)	(18.0)	(17.5)	(16.6)	(17.1)
Pre-tax profit	25.1	29.7	29.7	30.0
Tax	(4.3)	(4.1)	(4.0)	(4.0)
Minorities	(0.2)	(0.2)	(0.2)	(0.2)
Perpetual Securities	0.0	0.0	0.0	0.0
Net profit	20.7	25.3	25.5	25.8
Net profit (adj.)	20.9	23.6	25.5	25.8

Balance Sheet

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Fixed assets	794.1	788.9	793.9	798.9
Other LT assets	0.0	0.0	0.0	0.0
Cash/ST investment	20.5	24.6	24.7	24.9
Other current assets	12.2	13.5	13.5	13.7
Total assets	826.8	827.0	832.1	837.4
ST debt	41.8	41.8	41.8	41.8
Other current liabilities	28.4	20.0	20.1	20.5
LT debt	264.7	275.0	285.0	295.0
Other LT liabilities	44.6	45.9	45.9	45.9
Shareholders' equity	444.7	442.2	437.2	432.2
Minority interest	2.7	2.0	2.0	2.0
Total liabilities & equity	826.8	826.9	832.0	837.4

Cash Flow

Year to 31 Dec (US$m)	2025	2026F	2027F	2028F
Operating	43.4	12.8	42.2	43.1
Pre-tax profit	25.3	27.9	29.7	30.0
Tax	0.0	0.0	0.0	0.0
Deprec. & amort.	(0.3)	(1.8)	(1.8)	(1.8)
Associates	0.0	0.0	0.0	0.0
Working capital changes	11.6	(7.8)	0.1	0.2
Non-cash items	0.0	0.0	0.0	0.0
Other operating cashflows	6.8	(5.6)	14.2	14.7
Investing	(6.8)	27.0	(5.0)	(5.0)
Capex (growth)	(17.0)	0.0	0.0	0.0
Capex (maintenance)	(13.4)	(7.0)	(5.0)	(5.0)
Proceeds from sale of assets	23.1	34.0	0.0	0.0
Others	0.6	0.0	0.0	0.0
Financing	(30.4)	(35.7)	(37.1)	(38.0)
Distribution to unitholders	(17.2)	(28.5)	(30.5)	(30.8)
Issue of shares	0.0	0.0	0.0	0.0
Proceeds from borrowings	8.4	10.3	10.0	10.0
Loan repayment	0.0	0.0	0.0	0.0
Others/interest paid	(21.5)	(17.6)	(16.6)	(17.1)
Net cash inflow (outflow)	6.3	4.1	0.1	0.2
Beginning cash & cash equivalent	14.3	20.5	24.6	24.7
Changes due to forex impact	0.0	0.0	0.0	0.0
Ending cash & cash equivalent	20.5	24.6	24.7	24.9

Key Metric

Year to 31 Dec (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	60.2	60.1	61.0	61.0
Pre-tax margin	34.9	39.2	39.1	38.9
Net margin	28.7	33.5	33.6	33.4
ROA	2.5	3.1	3.1	3.1
ROE	4.7	5.7	5.8	5.9
Growth				
Turnover	(1.7)	5.1	0.3	1.7
EBITDA	(3.0)	4.9	1.9	1.9
Pre-tax profit	(29.0)	18.1	0.1	1.1
Net profit	(30.9)	22.6	0.7	1.3
Net profit (adj.)	2.2	13.0	8.0	1.3
EPU	(0.0)	11.3	8.0	1.3
Leverage				
Debt to total capital	40.7	41.6	42.7	43.7
Debt to equity	68.9	71.6	74.7	77.9
Net debt/(cash) to equity	64.3	66.1	69.1	72.2
Interest cover (x)	2.4	2.6	2.8	2.8

Market News

US stocks were higher on Friday, as materials, healthcare and financials sectors led shares higher. At the close of the NYSE, the Dow Jones rose 0.98%, while the S&P 500 index was up 0.43%, and the NASDAQ Composite index gained 0.43%. Advancing stocks outnumbered falling ones on the NYSE by 1,665 to 1,078 and 89 ended unchanged; on the Nasdaq Stock Exchange, 3,106 advanced and 1,807 declined, while 198 ended unchanged.

During the last trading session, the FSSTI index rose 17.05pt to 5,688.96. Among the top active stocks were Singtel (-1.1%), DBS (+0.2%), OCBC Bank (+0.7%), ISDN (-4.0%) and UMS (-1.8%). The FTSE ST Mid Cap index rose 0.4%, while the FTSE ST Small Cap Index slid 0.7%. The broader market had 322 gainers and 242 losers with a total trading value of S$1.98b.

Technical Analysis

Analyst(s)

Wong Shueh Ting CFTe
shuehting@uobkh.com
+65 6590 6616

DBS Group (DBS SP)

Trading buy range:	S$75.88-75.90
Last price:	S$76.00
Target price:	S$82.40
Protective stop:	S$73.90

Price is currently coiling inside a pennant pattern, representing a brief consolidation phase following a strong primary impulse. The RSI remains grounded in bullish territory and is approaching the overbought threshold. This signals an upside breakout from the pennant in the coming sessions to drive a continuation move higher.

The potential upside target is S$82.40. Stop-loss could be placed at S$73.90.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S$80.00.

Sembcorp Industries (SCI SP)

Trading buy range:	S$5.97-5.98
Last price:	S$6.04
Target price:	S$6.48
Protective stop:	S$5.81

Price staged a decisive breakout from the pennant consolidation pattern last Friday with a strong bullish expansion candle. The RSI remains grounded in positive territory and continues to advance towards the overbought zone. This points to a sustained continuation move higher towards the upper resistance targets.

The potential upside target is S$6.48. Stop-loss could be placed at S$5.81.

Approximate timeframe on average: 1-2 weeks (initiate this trade idea if the stock hits the entry price range within three trading days)

Our institutional research has a fundamental BUY and target price of S$8.06.