# Global Investments Limited

**(GIL or the Company)**

# FY2018 Financial Results

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# AGENDA

1. **Financial Highlights**
2. Corporate Overview
3. Portfolio Overview
4. Outlook

# 1. Key Financial Highlights for 4Q 2018

## Net Profit/(loss) after tax

| | 4Q 18 S$'m | 4Q 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Net profit/(loss) after tax | (0.9) | 21.8 | Nm[2] | The Company and its subsidiaries (the Group) reported a loss after tax of S$0.9 million in 4Q 2018 as compared to a profit after tax of S$21.8 million recorded in 4Q 2017. |

## Income

| | 4Q 18 S$'m | 4Q 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Dividend Income | 0.1 | 0.1 | - | Income for the current quarter was lower at S$0.3 million as compared to S$21.4 million in 4Q 2017. The lower income was mainly contributed by a net loss on financial assets designated as fair value through profit or loss (FVTPL) of S$11.7 million versus a gain of S$0.6 million in 4Q 2017 and absence of net gain on sale of investment in the current quarter. However, the lower income was cushioned by a net foreign exchange gain of S$8.2 million during the quarter. |
| Interest Income | 3.7 | 3.9 | (5.1) | |
| Net foreign exchange gain (net of hedges) | 8.2 | - | Nm[2] | |
| Net gain on sale of investments | - | 16.8 | Nm[2] | |
| Net (loss)/gain on financial assets designated as fair value through profit or loss | (11.7) | 0.6 | Nm[2] | |
| **Total income** | **0.3** | **21.4** | **(98.6)** | |

[1] Comparative figures have not been restated and are still accounted for under International Accounting Standards 39

[2] Nm: not meaningful

# 1. Key Financial Data for 4Q 2018

## Expenses

| | 4Q 18 S$'m | 4Q 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Management fees | 0.5 | 0.6 | (16.7) | Total expenses for the current quarter was lower at S$1.2 million as compared to S$5.7 million in 4Q 2017. This was largely due to net foreign exchange loss of S$5.3 million recorded in 4Q 2017. |
| Incentive fees | - | (0.7) | Nm[2] | |
| Net foreign exchange loss (net of hedges) | - | 5.3 | Nm[2] | |
| Finance costs | - [3] | - [3] | - | |
| Other operating expenses | 0.7 | 0.6 | (16.7) | |
| **Total expenses** | **1.2** | **5.7** | **(78.9)** | |
| Net reversal of impairment expense | - | (6.1) | Nm[2] | There was no impairment expense recognised for financial assets during the quarter. In 4Q 2017, a net reversal of impairment expense of S$6.1 million was recognised. |
| Profit/(loss) before tax | (0.9) | 21.8 | Nm[2] | |
| Income tax expense | - [3] | - [3] | - | |
| Profit/(loss) after tax | (0.9) | 21.8 | Nm[2] | |

[1] Comparative figures have not been restated and are still accounted for under International Accounting Standards 39
[2] Nm: not meaningful
[3] Denotes amount less than S$0.1m

# 1. Key Financial Data for 4Q 2018

## Total comprehensive income

| | 4Q 18 S$'m | 4Q 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Other comprehensive income<br>Items that may be reclassified subsequently to profit or loss<br>Available-for-sale financial assets | | | | Other comprehensive income for 4Q 2018 amounted to loss of S$9.8 million due to a translation loss. In 4Q 2017, a loss of S$10.2 million was recorded due to the reclassification of fair value gain to profit or loss of S$15.5 million following the reversal of impairment and sale of available-for-sale (AFS) financial assets. The 4Q 2017 loss was slightly offset by a fair value gain on AFS financial assets of S$3.2 million and a translation gain of S$2.1 million. |
| - Fair value gain | - | 3.2 | Nm[2] | |
| - Reclassification to profit or loss | - | (15.5) | Nm[2] | |
| Currency translation differences arising from consolidation | | | | |
| - (Loss)/Gain | (9.8) | 2.1 | Nm[2] | |
| **Other comprehensive income for the period after tax** | **(9.8)** | **(10.2)** | **(3.9)** | |
| **Total comprehensive income for the period attributable to shareholders** | **(10.8)** | **11.7** | **Nm[2]** | Total comprehensive income for the Group was a loss of S$10.8 million in 4Q 2018 as compared to a gain of S$11.7 million in 4Q 2017. |
| **Basic earnings per share (cents per share)** | **(0.05)** | **1.33** | **Nm[2]** | |
| **Diluted earnings per share (cents per share)** | **(0.05)** | **1.33** | **Nm[2]** | |

[1] Comparative figures have not been restated and are still accounted for under International Accounting Standards 39
[2] Nm: not meaningful

# 1. Key Financial Highlights for FY 2018

## Net Profit after tax

| | FY 18 S$'m | FY 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Net profit after tax | 7.3 | 39.0 | (81.0) | For the year ended 31 December 2018, the Group reported a net profit after tax of S$7.3 million as compared to S$39.0 million recorded last year. |

## Income

| | FY 18 S$'m | FY 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Dividend Income | 1.6 | 1.4 | 14.3 | The Group reported a lower income of S$12.0 million for the year as compared to S$46.7 million recorded last year. The lower income was mainly contributed by a net loss on financial assets designated as FVTPL of S$20.0 million versus a gain of S$2.5 million recorded last year and absence of net gain on sale of investment in the current year of S$25.8 million. However, the lower income recorded during the year was partially cushioned by a net foreign exchange gain of S$8.6 million and settlement proceeds of S$6.8 million from a previously reported litigation. |
| Interest Income | 14.9 | 16.7 | (10.8) | |
| Net foreign exchange gain (net of hedges) | 8.6 | - | Nm[2] | |
| Net gain on sale of investments | - | 25.8 | Nm[2] | |
| Net (loss)/gain on financial assets designated as fair value through profit or loss | (20.0) | 2.5 | Nm[2] | |
| Other income | 6.8 | 0.2 | 3,300.0 | |
| **Total income** | **12.0** | **46.7** | **(74.3)** | |

[1] Comparative figures have not been restated and are still accounted for under International Accounting Standards 39

[2] Nm: not meaningful

# 1. Key Financial Data for FY 2018

## Expenses

| | FY 18 S$'m | FY 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Management fees | 2.2 | 2.3 | (4.3) | Expenses for the current year of S$4.6 million was S$6.5 million lower than S$11.1 million recorded in last year. The lower expense was mainly due to the absence of incentive fee of S$4.2 million and a net foreign exchange loss of S$2.4 million which were recorded last year. |
| Incentive fees | - | 4.2 | Nm[2] | |
| Net foreign exchange loss (net of hedges) | - | 2.4 | Nm[2] | |
| Finance costs | - [3] | - [3] | - | |
| Other operating expenses | 2.4 | 2.1 | 14.3 | |
| **Total expenses** | **4.6** | **11.1** | **(58.6)** | |
| Net reversal of impairment expense | - | (3.4) | Nm[2] | There was no impairment expense recognised for financial assets as at 31 December 2018. For the year ended 31 December 2017, a net reversal of impairment expense of S$3.4 million was recorded from the portfolio of listed equities, bonds, bank contingent convertibles and CLO notes. |
| Profit before tax | 7.4 | 39.0 | (81.0) | |
| Income tax expense | 0.1 | - [3] | Nm[2] | |
| Profit after tax | 7.3 | 39.0 | (81.3) | |

[1] Comparative figures have not been restated and are still accounted for under International Accounting Standards 39
[2] Nm: not meaningful
[3] Denotes amount less than S$0.1m

# 1. Key Financial Data for FY 2018

## Total comprehensive income

| | FY 18 S$'m | FY 17[1] S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Other comprehensive income<br>Items that may be reclassified subsequently to profit or loss<br>Available-for-sale financial assets | | | | Other comprehensive income for the year ended 31 December 2018 amounted to a loss of S$11.1 million due to a translation loss. In the prior year, a loss of S$8.8 million was recorded due to the reclassification of fair value gain to profit or loss of S$17.8 million following reversal of impairment and sale of AFS financial assets and a translation loss of S$3.5 million. The loss was offset by a fair value gain on AFS financial assets of S$12.4 million. |
| - Fair value gain | - | 12.4 | Nm[2] | |
| - Reclassification to profit or loss | - | (17.8) | Nm[2] | |
| Currency translation differences arising from consolidation | | | | |
| - Loss | (11.1) | (3.5) | 217.14 | |
| **Other comprehensive income for the period after tax** | **(11.1)** | **(8.8)** | **26.1** | |
| **Total comprehensive income for the period attributable to shareholders** | **(3.8)** | **30.1** | **Nm[2]** | Total comprehensive income for the year ended 31 December 2018 was a loss of S$3.8 million versus a gain of S$30.1 million recorded in the same period last year. |
| **Basic earnings per share (cents per share)** | **0.43** | **2.43** | **(82.3)** | |
| **Diluted earnings per share (cents per share)** | **0.43** | **2.43** | **(82.3)** | |

[1] Comparative figures have not been restated and are still accounted for under International Accounting Standards 39
[2] Nm: not meaningful

# Statement of Financial Position

| | Group as at 31 Dec 2018 S$'m | Group as at 31 Dec 2017[1] S$'m | Change % | Remarks |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-current assets** | | | | |
| Loans and receivables | - | 35.6 | Nm[2] | Following the adoption of IFRS 9 on 1 Jan 2018, debt securities held as loans and receivables will be reclassified to financial assets at FVTPL. |
| Available-for-sale financial assets | - | 109.2 | Nm[2] | Following the adoption of IFRS 9 on 1 Jan 2018, listed equities and debt securities held as AFS will reclassified to financial assets at FVTPL. |
| Financial assets at fair value through profit or loss | 220.5 | 59.0 | 273.7 | The increase was mainly due to adoption of IFRS 9 where financial assets were reclassified from loans and receivables and AFS to FVTPL as well as the purchase of China domestic bonds during the year. |
| **Total non-current assets** | 220.5 | 203.7 | 8.2 | |
| **Current assets** | | | | |
| Cash and cash equivalents | 35.4 | 88.1 | (59.8) | This was due to the net purchase of investments, mainly China domestic bonds, bank contingent convertibles and listed equities. |
| Available-for-sale financial assets | - | 38.1 | Nm[2] | Following the adoption of IFRS 9 on 1 Jan 2018, listed equities and debt securities held as AFS will be measured as financial assets at FVTPL. |
| Financial assets at fair value through profit or loss | 63.3 | - | Nm[2] | Comprised investments in listed equities following the adoption of IFRS 9 and bonds maturing within a year. |
| Other assets | 4.2 | 7.3 | (42.5) | Comprised interests and dividend receivable. |
| **Total current assets** | 102.9 | 133.6 | (23.0) | |
| **Total Assets** | **323.4** | **337.3** | **(4.1)** | |
| **Liabilities** | | | | |
| Other liabilities | 1.2 | 4.4 | (72.7) | Comprised fees payable to the Manager and accrual of operating expenses. |
| **Total Liabilities** | **1.2** | **4.4** | **(72.7)** | |
| **Net assets attributable to shareholders** | **322.2** | **332.9** | **(3.2)** | **The drop was mainly due to distribution of cash dividend of S$8.6m.** |
| **Equity** | | | | |
| Share capital | 270.8 | 563.5 | (51.9) | The share premium was reduced by S$302.5m following the shareholders' approval in the SGM held on 31 Dec 2018. The premium was used to offset the losses in capital reserve and retained earnings |
| Capital reserve | - | (65.8) | Nm[2] | |
| Available-for-sale financial assets revaluation | - | 7.6 | Nm[2] | Following the adoption of IFRS 9 on 1 Jan 2019, the balance in the AFS revaluation reserve has been reclassified to retained earnings. |
| Translation reserve | - | 11.1 | Nm[2] | |
| Retained profit/(Accumulated losses) | 51.4 | (183.5) | Nm[2] | |
| **Total equity** | **322.2** | **332.9** | **(3.2)** | |
| **Net asset value per share (S$ per share)** | **0.1869** | **0.2014** | **(7.2)** | |

[1] Comparative figures have not been restated and are still accounted for under International Accounting Standards 39
[2] Nm: not meaningful

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# Statement of Financial Position

## Net asset value

| | FY 18 | FY 17 | Change (%) | Remarks |
|---|---|---|---|---|
| Net asset value per share (S$ per share) | 0.1869<br><br>0.1928<br>(after adjustment for 2018 interim dividend paid and shares relating to the Scrip Dividend Scheme) | 0.2014<br><br>0.1941<br>(after adjustment for 2017 final dividend paid and shares relating to the Scrip Dividend Scheme) | (7.2)<br><br>(0.7) | The net asset value per share of the Group as at 31 December 2018 was 18.69 Singapore cents after the payment of 2017 final dividend of 0.60 Singapore cents per share, 2018 interim dividend of 0.50 Singapore cents per share and taking into account the new shares issued pursuant to the Scrip Dividend Scheme. If the 2017 final dividend was paid and the shares relating to the Scrip Dividend Scheme had been issued before 31 December 2017, the net asset value per share as at 31 December 2017 would have been 19.41 Singapore cents instead of 20.14 Singapore cents per share. After adjusting for the 2018 interim dividend and shares relating to the Scrip Dividend Scheme, the net asset value per share as at 31 December 2018 would have been 19.28 Singapore cents and the decrease in net asset value per share would be 0.67%. |

## Dividend

| | FY 18<br>S$'m | FY 17<br>S$'m | Change (%) | Remarks |
|---|---|---|---|---|
| Interim Dividend<br>Final Dividend | 8.5<br>8.6 (Proposed) | 10.5<br>9.9 | (16.2) | Dividend per share totalled 1.0 Singapore cents (based on larger 1,723,842,446 shares) in FY2018. The total amount of dividend decreased to S$17.1 million in FY2018 from S$20.4 million in FY2017. |



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# Statement of Financial Position

## Return on Equity

| | FY 18 % | FY 17 % | Change (%) | Remarks |
|---|---|---|---|---|
| Return on Equity | 2.2 | 12.1 | (81.8) | The Group achieved a lower return on equity (computed based on net profit after tax over the average total equity) of 2.2% in 2018 as compared to 12.1% in 2017 due to lower profit after tax. |

## Earnings per Share

| | FY 18 cts | FY 17 cts | Change (%) | Remarks |
|---|---|---|---|---|
| Earnings per Share | 0.43 | 2.43 | (82.3) | The Group achieved earnings per share of 0.43 Singapore cents (based on weighted average number of shares of 1,688.87 million after taking into account the additional shares issued pursuant to the scrip dividend scheme) in 2018 as compared to 2.43 Singapore cents (based on weighted average number of shares of 1,600.06 million) in 2017. |

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# 2. Corporate Overview

## ❑ Re-domiciliation from Bermuda to Singapore

- ❑ In April 2018, GIL embarked on the journey to transfer its domicile from Bermuda to Singapore (Re-domiciliation) after Singapore became the appointed jurisdiction for outward-re-domiciliation in Bermuda.
- ❑ The resolutions in relation to share premium reduction, Re-domiciliation, adoption of new constitution, share buyback mandates, share issuance mandates and authorisation of directors to issues shares pursuant to scrip dividend scheme upon Re-domiciliation were approved by Shareholders during the Special General Meeting held on 31 December 2018.
- ❑ The share premium reduction was effective on 31 December 2018.
- ❑ GIL was effectively registered in Singapore and discontinued from Bermuda on 7 January 2019.

## ❑ Change of Company Secretaries

- ❑ Ms Lin Moi Heyang and Ms Tang Pei Chan were appointed as the Company Secretaries in place of Ms. Ann M. D. Trott. Horseshoe Corporate Services Ltd. who resigned as the Assistant Secretary of the Company while Ms Wong Yen Sim remains as Assistant Secretary of the Company.

## ❑ Change of Registered Address

- ❑ The registered office was changed to 51 Cuppage Road #10-04 Singapore 229469.

# 2. Corporate Overview

## ❑ Appointment of Independent Director

- ❑ Mr Abdul Jabbar Bin Karam Din was appointed as an Independent Director on 7 January 2019.

## ❑ Striking-off of Dormant Subsidiary

- ❑ The Group's dormant wholly-owned subsidiary, BBSFF EU Rail Lessor Limited, which was incorporated in the Cayman Islands, had been struck off from the Companies Register on 31 December 2018 pursuant to the Companies Law (2010 Revision) of the Cayman Islands.

## ❑ Awards

- ❑ GIL was awarded the runner up of Singapore Corporate Governance Award in the small cap category at the SIAS 19th Investors' Choice Awards Dinner Presentation Ceremony held on 25 September 2018. The selection for the awards was based on the evaluation criteria of SIAS, together with NUS School of Business, Centre of Governance, Institutions & Organisations (CGIO) and Thomson Reuters.

# 2. Corporate Overview

## ❑ Extension of Conferment of Honorary Counsel

- ❑ Mrs Goh Mui Hong had accepted the extension of the conferment of the title of Honorary Counsel for a further period of two years which commenced from 29 October 2018.

## ❑ 2018 Dividends

- ❑ Interim dividend for FY2018 of 0.50 Singapore cents per share was paid on 12 October 2018.
  - ➢ The Company allotted and issued 27,547,408 new ordinary shares at an issue price of 13.00 Singapore cents for each new share.
  - ➢ The proportion of the total interim dividend amount issued as new shares pursuant to the Scrip Dividend Scheme was approximately 42.22%.
- ❑ For the final dividend of 2018, it recommended a payout of 0.50 Singapore cents per share.
- ❑ The Scrip Dividend Scheme will be applied to the final dividend of 0.50 Singapore cents per share for FY2018.
- ❑ Based on closing share price of 11.30 Singapore cents on 31 December 2018, the full year dividend paid of 1.10 Singapore cents per share represented an annual dividend yield of 9.73%.



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# 3. Portfolio Composition (By Asset Class*)

| Asset Class | As At 31 December 2018 | As At 31 December 2017 | Change In Percentage Point |
|---|---|---|---|
| Loan Portfolio And Securitisation Assets | 5.9% | 9.1% | ▼ 3.2 |
| China Domestic Bonds | 17.3% | - | ▲ 17.3 |
| Other Bonds | 14.4% | 19.2% | ▼ 4.8 |
| Bank Contingent Convertibles | 35.8% | 32.8% | ▲ 3.0 |
| Listed Equities | 14.7% | 11.5% | ▲ 3.2 |
| Cash And Other Assets | 11.9% | 27.4% | ▼ 15.5 |

* Percentage of the Company's Net Asset Value.



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# 3. Portfolio Composition (By Currency Exposure*)

| Currency | As At 31 December 2018 | As At 31 December 2017 | Change In Percentage Point |
|---|---|---|---|
| USD | 29.4% | 27.8% | ▲ 1.6 |
| SGD | 24.1% | 30.9% | ▼ 6.8 |
| CNH/CNY | 20.5% | 1.2% | ▲ 19.3 |
| HKD | 10.0% | 8.1% | ▲ 1.9 |
| AUD | 7.8% | 8.1% | ▼ 0.3 |
| EUR | 6.3% | 20.2% | ▼ 13.9 |
| OTHERS | 1.9% | 3.7% | ▼ 1.8 |

* Percentage of the Company's Net Asset Value after currency hedge.



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# 4. Outlook

## Loan Portfolio and Securitization Assets

- Closer to the end of 2018, dovish shifts in interest rate expectations and increasing US recessionary risks led to a record outflow from loan funds. CLO debt spreads ended the year wider as a result of the US leveraged loan market sell-off. Looking forward, despite lower CLO supply expected in 2019, CLO debt spreads will face headwinds as investor sentiments remain cautious on late cycle concerns, amid recent broader market volatility. The pace of Federal Reserve rate hikes and uncertainty around global trade will remain overhangs for the market.

- In the Australia RMBS space, dwelling values nationally fell 4.8% in 2018 as compared to the 4.2% increase in 2017, driven largely by the correction in premium housing values. While previous housing cycles in Australia have generally been driven by interest rate changes, the current slowdown is primarily due to tighter credit availability and reduced investor demand. The decline in housing prices is expected to continue into 2019.

## China Domestic Bonds

- Amidst a slowing economy coupled with the ongoing deleveraging process, the market is expected to see more defaults coming from the domestic bond market. As the scale of defaults is small relative to the size of the credit market, impact on overall bond market and economy should remain limited.

- While the central bank's easing policies are intended to support the real economy, fundamentally weaker borrowers are still expected to face increased difficulty in refinancing as the economy cools and the government continues its crackdown on the shadowing banking sector.



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# 4. Outlook

## Other Bonds

- While Moody's global trailing 12-month speculative-grade default rate ended 2018 at 2.3%, down from 2.8% in 2017, credit spreads ended the year materially wider than start of the year as monetary policies tightened and risk sentiments turned weaker on slowing growth expectations. The short-end of the US Treasury curve have begun inverting since December, signalling increased risk of a recession.

- Pressure on high-yield bonds is expected to rise as the market exhibits more late cycle characteristics throughout 2019. Although the credit markets have seen some technical rebound in January after the sharp correction in December, investors will stay cautious and become increasingly selective. As a result, better credit quality papers will likely outperform their weaker comparables. For 2019, Moody’s forecasts the default rate to dip to 2.0% in 2Q 2019, before rising to close the year at 3.0%, citing more difficult market conditions as economic growth slows, credit conditions tighten and borrowing costs increase.

## Bank Contingent Convertibles

- Robust bank capital levels continue to support the fundamentals of the asset class with regard to reducing coupon cut and write-down scenario risks. Various dovish central bank commentaries pushing back further rate hikes in the near term has dimmed the earnings outlook for banks.

- Growth concerns, political risk and ongoing reduction of central bank balance sheets will continue to warrant a fairly defensive strategy despite spreads having widened in 2018. Spread tightening may be limited even as the sector faces lower net supply with most issuers have fully funded their AT1 requirements owing to net inflows into this asset class likely to slow to a trickle.

# 4. Outlook

## Listed Equities

- Major equity markets saw a major sell-off in 4Q 2018. The MSCI All Country World Index, which tracks the global equity markets across both developed and emerging markets, decreased by 13.08% in USD terms in 4Q 2018.

- Weaker outlook for corporate earnings growth can potentially lead to further compression of price multiples. The ongoing trade dispute on top of a slowing Chinese economy takes away another growth driver for corporate earnings. However, with the Chinese government stepping in to assuage slowdown concerns via further fiscal and monetary stimulus, as well as restraint by central banks in monetary tightening in view of softening inflationary pressures and recent decline in energy prices, there appears to be some positive support.

## Summary

- In view of increased volatility in the financial markets and slowing economic growth, investors should maintain heightened vigilance and monitor some of the events that could cause market turbulence such as:
  - Trade negotiations between US and China.
  - Political risk in EU, particularly uncertainty surrounding Brexit, the European Parliamentary elections in May and the transition of the ECB chair near the end of the year.
  - The future direction of major central banks' monetary policies on interest rate path and wind down of quantitative easing and whether such action could strangle growth that is already slowing.

# 4. Outlook

## Future Direction and Growth Strategy of GIL

- To grow its assets and seek new investments that will generate steady income and potential appreciation in capital to deliver regular dividends and achieve capital growth.
- Active management of GIL's assets with focus on optimizing risk-adjusted asset returns.

## Investment Objective

- To seek investment opportunities in high yield credits, hybrid instruments, public and private equities, operating lease assets and securitisation assets.
- The Company will be selective and focus on fundamental bottom-up analysis, with preference for assets with defensive characteristics, and good cash flow generating ability.



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