

## Singapore

**ADD** (no change)

Consensus ratings\*: Buy 3 Hold 1 Sell 0

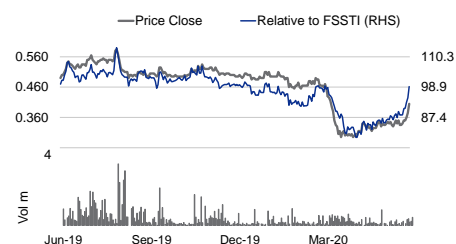
Current price:	S\$0.405
Target price:	S\$0.538
Previous target:	S\$0.607
Up/downside:	32.8%
CGS-CIMB / Consensus:	-10.4%

Reuters:	APAC.SI
Bloomberg:	APAC SP
Market cap:	US\$102.0m
	S\$143.9m
Average daily turnover:	US\$0.05m
	S\$0.08m
Current shares o/s:	355.2m
Free float:	26.5%

\*Source: Bloomberg

**Key changes in this note**

- FY20F EPS decreased by 12.2%
- FY21F EPS decreased by 19.4%
- FY22F EPS decreased by 16.4%



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	17.4	-12.9	-19
Relative (%)	17.9	0.3	-2.8

Major shareholders	% held
Tan Choon Hong	71.8
FIL Invst Mgmt	4.3
Qilin Asset Mgmt	3.4

**Analyst(s)**

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# APAC Realty Ltd

## Slower sales environment

- Primary private home sales of 322 units for the first 3 weeks in May, YTD new home sales -22% yoy.
- Lower FY20-22F EPS for APAC on moderated market transaction volumes.
- Maintain Add rating with a lower TP of S\$0.538.

**Quiet home sales market in May**

According to the latest available Urban Redevelopment Agency (URA) data, sales of new private homes during the circuit breaker of 1<sup>st</sup> to 24<sup>th</sup> May 2020 totaled 322 units, slightly more than the 270 units recorded in Apr. The best-selling projects were Parc Clematis, Parc Esta, The Florence Residences and Treasure at Tampines, making up close to 44% of total sales in that period. This brings YTD new home sales, excluding executive condominiums, to 2,848 units, -22% yoy and accounting for c.36% of the lower-end of our 2020F transaction volume of 8,000-9,000 units.

**Lowering APAC's FY20-22F earnings estimates on slower market**

Given the two quiet months of Apr/May, and that property showrooms still remain closed during Phase 1 of the post-circuit breaker re-opening, we have reviewed APAC's earnings estimates to reflect more moderate market transaction volume expectations. We note that APAC's registered base has grown to 7,215 agents, going by the Council of Estate Agent data as at 1 Jun 2020, making it the second largest after Propnex (PROP SP, Add, TP S\$0.63) by agent headcount, with a c.23% market share. This should translate to an expanded marketing network in the medium term. Meanwhile, APAC indicated that, as of Feb 2020, it had secured a healthy pipeline of marketing appointments with 25 new projects (7,466 units) to be launched this year. As such, a key catalyst for APAC's share price outperformance would be the ability to garner more market share going forward.

**Adding Vietnam to regional diversification strategy**

In terms of its regional expansion strategy, the group has 6,500 agents across 114 member brokers in Indonesia and 420 agents across 22 member brokers in Thailand, as at end-FY19. In Feb 2020, the group invested S\$1.5m for a 38% stake in ERA Vietnam. The franchise is profitable and has a team of 900 agents and an estimated 20% market share of Vietnam's project marketing sector in FY19. This positions the group for robust medium-term growth as it leverages the faster-growing real estate markets in Southeast Asia.

**Reiterate Add rating**

We lower our FY20-22F earnings estimates by 12.2-19.4% on slower market volumes, assuming that APAC retains its market share of c.36% in the primary home sale market and 33.4% for the private resale market, unchanged from FY19. Accordingly, our TP is lowered to S\$0.538, based on an unchanged assumption of an average of 10x FY21F P/E and DCF valuation. Upside catalysts for APAC include the ability to regain market share in both the primary and secondary residential segments. Downside risks: protracted recovery of the property market due to weak macro outlook.

Financial Summary	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Net Revenues (S\$m)	424.0	369.5	354.1	338.9	351.4
Operating EBITDA (S\$m)	30.19	19.60	18.61	18.59	20.85
Net Profit (S\$m)	24.24	14.01	13.37	13.35	15.21
Normalised EPS (S\$)	0.072	0.039	0.038	0.038	0.043
Normalised EPS Growth	(22.3%)	(44.9%)	(4.6%)	(0.2%)	13.9%
FD Normalised P/E (x)	5.66	10.27	10.76	10.77	9.46
DPS (S\$)	0.045	0.020	0.020	0.020	0.023
Dividend Yield	11.1%	4.9%	4.9%	4.9%	5.6%
EV/EBITDA (x)	5.03	8.49	7.94	7.52	6.14
P/FCFE (x)	NA	44.11	5.07	8.15	6.71
Net Gearing	10.1%	15.5%	2.6%	(2.8%)	(10.1%)
P/BV (x)	1.01	0.99	0.98	0.94	0.89
ROE	17.6%	9.7%	9.2%	8.9%	9.7%
% Change In Normalised EPS Estimates			(12.2%)	(19.4%)	(16.4%)
Normalised EPS/consensus EPS (x)			0.86	0.80	0.84

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 1: Key earnings revisions**

FYE Dec (S\$m)	Previous			New		
	FY20F	FY21F	FY22F	FY20F	FY21F	FY22F
Gross revenue	401.1	404.2	411.1	354.1	338.9	351.4
PATMI	15.2	16.5	18.1	13.4	13.4	15.2
EPS (Scts)	4.28	4.66	5.11	3.77	3.76	4.28

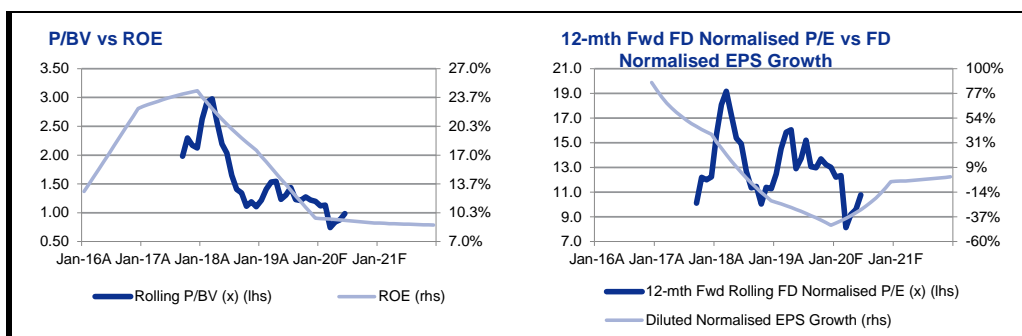
SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

**Figure 2: Singapore developers peer comparison table**

Company	Bloomberg Ticker	Recom.	Price (lc)	Tgt Px (lc)	Mkt Cap (US\$ m)	Core P/E (x)			RNAV FY21F	Prem./(Disc.) to RNAV (%)	P/BV (x)		Div. Yield (%)	
						FY20F	FY21F	FY22F			FY20F	FY21F	FY20F	FY21F
APAC Realty Ltd	APAC SP	Add	0.41	0.54	103	10.8	10.8	9.5	n.a.	n.a.	0.98	0.94	4.9%	4.9%
CapitalLand	CAPL SP	Add	3.14	3.52	11,317	14.3	12.0	11.3	6.40	-51%	0.64	0.62	3.8%	3.9%
City Developments	CIT SP	Add	8.49	10.13	5,493	19.0	15.0	13.9	18.42	-54%	0.64	0.56	2.1%	2.1%
Frasers Property Limited	FPL SP	Add	1.24	1.70	2,589	7.9	8.4	11.0	3.09	-60%	0.40	0.37	4.8%	4.8%
Guocoland	GUOL SP	Add	1.54	1.84	1,300	15.5	12.5	na	3.67	-58%	0.41	0.41	4.5%	4.5%
Ho Bee Land	HOBEE SP	Add	2.09	2.56	992	10.7	na	na	5.13	-59%	0.40	na	4.8%	na
Hongkong Land Holdings Ltd	HKL SP	Add	4.07	6.05	9,499	9.4	9.3	9.2	13.50	-70%	0.26	0.25	5.4%	5.4%
Propnex Ltd	PROP SP	Add	0.53	0.63	139	9.8	10.2	9.7	n.a.	n.a.	2.54	2.35	6.7%	6.7%
UOL Group	UOL SP	Add	7.29	7.25	4,387	24.0	21.4	22.1	12.09	-40%	0.60	0.60	2.4%	2.4%
Wing Tai Holdings	WINGT SP	Hold	1.81	1.85	992	17.2	12.1	11.3	4.12	-56%	0.39	0.38	2.8%	2.8%
<b>Singapore average</b>						<b>13.2</b>	<b>11.7</b>	<b>11.6</b>		<b>-51%</b>	<b>0.43</b>	<b>0.41</b>	<b>3.9%</b>	<b>3.9%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, BLOOMBERG, COMPANY REPORTS

Share price as at 2 Jun 2020

**BY THE NUMBERS**

**Profit & Loss**

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
<b>Total Net Revenues</b>	<b>424.0</b>	<b>369.5</b>	<b>354.1</b>	<b>338.9</b>	<b>351.4</b>
<b>Gross Profit</b>	<b>52.8</b>	<b>46.4</b>	<b>44.7</b>	<b>44.3</b>	<b>47.3</b>
<b>Operating EBITDA</b>	<b>30.2</b>	<b>19.6</b>	<b>18.6</b>	<b>18.6</b>	<b>20.8</b>
Depreciation And Amortisation	(0.5)	(0.6)	(0.6)	(0.6)	(0.6)
<b>Operating EBIT</b>	<b>29.7</b>	<b>19.0</b>	<b>18.0</b>	<b>18.0</b>	<b>20.3</b>
Financial Income/(Expense)	(0.4)	(1.8)	(1.7)	(1.7)	(1.7)
Pretax Income/(Loss) from Assoc.	(0.0)	0.0	0.0	0.0	0.0
Non-Operating Income/(Expense)	0.0	0.0	0.0	0.0	0.0
<b>Profit Before Tax (pre-EI)</b>	<b>29.2</b>	<b>17.2</b>	<b>16.3</b>	<b>16.2</b>	<b>18.5</b>
Exceptional Items					
<b>Pre-tax Profit</b>	<b>29.2</b>	<b>17.2</b>	<b>16.3</b>	<b>16.2</b>	<b>18.5</b>
<b>Taxation</b>	<b>(5.0)</b>	<b>(3.3)</b>	<b>(2.8)</b>	<b>(2.8)</b>	<b>(3.1)</b>
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>24.2</b>	<b>13.9</b>	<b>13.5</b>	<b>13.5</b>	<b>15.4</b>
Minority Interests	0.0	0.1	(0.1)	(0.1)	(0.1)
Pref. & Special Div	0.0	0.0	0.0	0.0	0.0
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
Preference Dividends (Australia)					
<b>Net Profit</b>	<b>24.2</b>	<b>14.0</b>	<b>13.4</b>	<b>13.4</b>	<b>15.2</b>
Normalised Net Profit	24.2	13.9	13.5	13.5	15.4
<b>Fully Diluted Normalised Profit</b>	<b>24.2</b>	<b>14.0</b>	<b>13.4</b>	<b>13.4</b>	<b>15.2</b>

**Cash Flow**

(\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
EBITDA	30.19	19.60	18.61	18.59	20.85
Cash Flow from Invnt. & Assoc.	0.02	0.00	0.00	0.00	0.00
Change In Working Capital	(16.11)	(0.36)	9.65	(1.05)	0.86
Straight Line Adjustment					
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense	1.48	1.52	1.53	1.53	1.53
Other Operating Cashflow	1.80	5.46	3.73	3.73	3.73
Net Interest (Paid)/Received	(0.16)	(1.23)	(1.74)	(1.74)	(1.75)
Tax Paid	(4.98)	(5.31)	(2.77)	(2.76)	(3.15)
<b>Cashflow From Operations</b>	<b>12.25</b>	<b>19.68</b>	<b>29.00</b>	<b>18.29</b>	<b>22.08</b>
Capex	(0.37)	(0.50)	(0.50)	(0.50)	(0.50)
Disposals Of FAs/subsidiaries					
Disposals of Investment Properties	(72.80)	(2.00)	(0.25)	(0.25)	(0.25)
Acq. Of Subsidiaries/investments					
Other Investing Cashflow	(0.36)	(9.16)	0.00	0.00	0.00
<b>Cash Flow From Investing</b>	<b>(73.54)</b>	<b>(11.66)</b>	<b>(0.75)</b>	<b>(0.75)</b>	<b>(0.75)</b>
Debt Raised/(repaid)	57.52	(4.76)	0.10	0.10	0.10
Proceeds From Issue Of Shares	0.00	0.00	0.00	0.00	0.00
Shares Repurchased					
Dividends Paid	(14.21)	(11.54)	(7.10)	(7.09)	(7.08)
Preferred Dividends					
Other Financing Cashflow					
<b>Cash Flow From Financing</b>	<b>43.31</b>	<b>(16.31)</b>	<b>(7.00)</b>	<b>(6.99)</b>	<b>(6.98)</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**BY THE NUMBERS... cont'd**
**Balance Sheet**

(S\$m)	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Total Cash And Equivalents	43.0	32.0	50.9	59.1	71.2
Properties Under Development					
Total Debtors	64.1	68.2	65.8	63.5	65.4
Inventories					
Total Other Current Assets	2.3	15.4	15.4	15.4	15.4
<b>Total Current Assets</b>	<b>109.5</b>	<b>115.7</b>	<b>132.2</b>	<b>138.1</b>	<b>152.0</b>
Fixed Assets	1.1	1.7	1.6	1.5	1.4
<b>Total Investments</b>	<b>73.2</b>	<b>78.3</b>	<b>71.5</b>	<b>69.7</b>	<b>68.0</b>
Intangible Assets	99.5	98.5	97.6	96.7	95.7
Total Other Non-Current Assets	0.0	0.0	0.0	0.0	0.0
<b>Total Non-current Assets</b>	<b>173.7</b>	<b>178.5</b>	<b>170.6</b>	<b>167.9</b>	<b>165.1</b>
Short-term Debt	2.9	2.9	2.9	2.9	2.9
Current Portion of Long-Term Debt					
Total Creditors	71.3	81.2	88.5	85.1	87.9
Other Current Liabilities	7.0	6.3	6.3	6.3	6.3
<b>Total Current Liabilities</b>	<b>81.2</b>	<b>90.4</b>	<b>97.7</b>	<b>94.3</b>	<b>97.1</b>
Total Long-term Debt	54.6	51.7	51.8	51.9	52.0
Hybrid Debt - Debt Component					
Total Other Non-Current Liabilities	0.0	3.4	3.4	3.4	3.4
<b>Total Non-current Liabilities</b>	<b>54.6</b>	<b>55.1</b>	<b>55.2</b>	<b>55.3</b>	<b>55.4</b>
Total Provisions	4.3	4.2	4.2	4.2	4.2
<b>Total Liabilities</b>	<b>140.1</b>	<b>149.7</b>	<b>157.0</b>	<b>153.7</b>	<b>156.6</b>
<b>Shareholders' Equity</b>	<b>143.1</b>	<b>145.5</b>	<b>146.7</b>	<b>153.0</b>	<b>161.1</b>
Minority Interests	0.0	(0.1)	0.1	0.2	0.3
<b>Total Equity</b>	<b>143.1</b>	<b>145.5</b>	<b>146.8</b>	<b>153.2</b>	<b>161.5</b>

**Key Ratios**

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Revenue Growth	5.8%	(12.8%)	(4.2%)	(4.3%)	3.7%
Operating EBITDA Growth	(0.1%)	(35.1%)	(5.0%)	(0.1%)	12.2%
Operating EBITDA Margin	7.12%	5.30%	5.26%	5.48%	5.93%
Net Cash Per Share (S\$)	(0.041)	(0.064)	(0.011)	0.012	0.046
BVPS (S\$)	0.40	0.41	0.41	0.43	0.45
Gross Interest Cover	66.87	10.66	10.34	10.31	11.59
Effective Tax Rate	17.0%	19.4%	17.0%	17.0%	17.0%
Net Dividend Payout Ratio	65.9%	50.7%	53.0%	53.0%	53.0%
Accounts Receivables Days	55.84	57.73	57.93	57.81	55.53
Inventory Days	-	-	-	-	-
Accounts Payables Days	71.53	76.44	89.35	95.97	92.61
ROIC (%)	39.5%	21.4%	18.7%	21.0%	23.6%
ROCE (%)	17.3%	9.3%	8.8%	8.6%	9.4%
Return On Average Assets	9.51%	5.42%	5.11%	5.00%	5.49%

**Key Drivers**

	Dec-18A	Dec-19A	Dec-20F	Dec-21F	Dec-22F
Unbooked Presales (m) (S\$)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (area: m sm)	N/A	N/A	N/A	N/A	N/A
Unbooked Presales (units)	N/A	N/A	N/A	N/A	N/A
Unsold attrib. landbank (area: m sm)	N/A	N/A	N/A	N/A	N/A
Gross Margins (%)	12.5%	12.5%	12.6%	13.1%	13.5%
Contracted Sales ASP (per Sm) (S\$)	N/A	N/A	N/A	N/A	N/A
Residential EBIT Margin (%)	N/A	N/A	N/A	N/A	N/A
Investment rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Residential rev / total rev (%)	N/A	N/A	N/A	N/A	N/A
Invnt. properties rental margin (%)	N/A	N/A	N/A	N/A	N/A
SG&A / Sales Ratio (%)	N/A	N/A	N/A	N/A	N/A

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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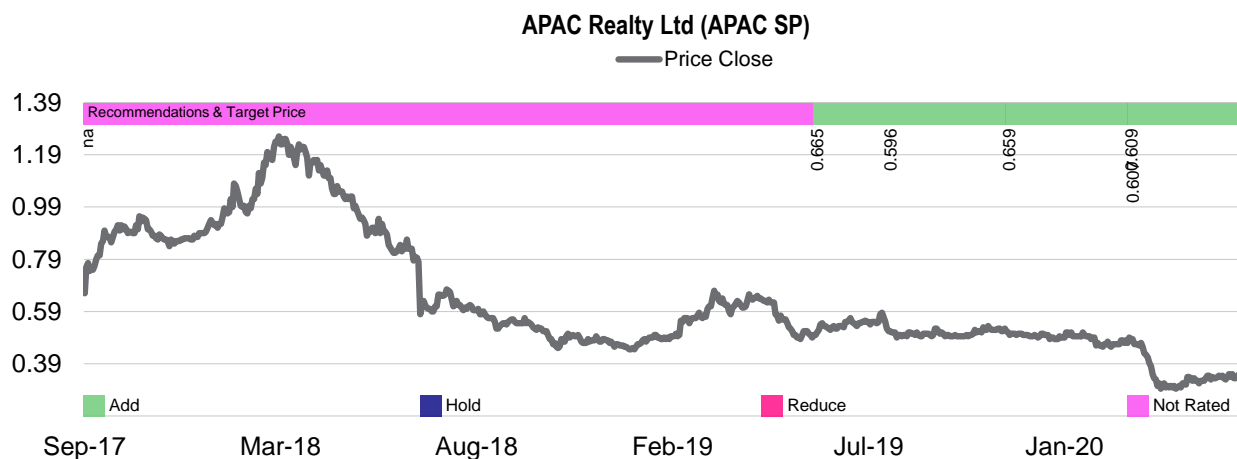
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	Rating Distribution (%)	Investment Banking clients (%)
Add	60.8%	0.1%
Hold	27.6%	0.0%
Reduce	11.6%	0.0%

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 2019, Anti-Corruption 2019**

**ADVANC** – Excellent, Certified, **AEONTS** – Good, n/a, **AH** – Very Good, n/a, **AMATA** – Excellent, Declared, **ANAN** – Excellent, Declared, **AOT** – Excellent, n/a, **AP** – Excellent, Certified, **ASP** – Very Good, Certified, **BAM** – not available, n/a, **BANPU** – Excellent, Certified, **BAY** – Excellent, Certified, **BBL** – Very Good, Certified, **BCH** – Good, Certified, **BCP** - Excellent, Certified, **BCPG** – Excellent, Certified, **BDMS** – Very Good, n/a, **BEAUTY** – Good, n/a, **BEC** – Very Good, n/a, **BGRIM** – Very Good, Declared, **BH** - Good, n/a, **BJC** – Very Good, n/a, **BJCHI** – Very Good, Certified, **BLA** – Very Good, Certified, **BPP** – Very Good, Declared, **BR** - Good, n/a, **BTS** - Excellent, Certified, **CBG** – Very Good, n/a, **CCET** – Good, n/a, **CENDEL** – Very Good, Certified, **CHAYO** - Good, n/a, **CHG** – Very Good, Declared, **CK** – Excellent, n/a, **COL** – Excellent, Declared, **CPALL** – Excellent, Certified, **CPF** – Excellent, Certified, **CPN** - Excellent, Certified, **CPNREIT** – not available, n/a, **CRC** – not available, n/a, **DELTA** - Excellent, Declared, **DEMCO** – Excellent, Certified, **DDD** – Very Good, n/a, **DIF** – not available, n/a, **DREIT** – not available, n/a, **DTAC** – Excellent, Certified, **EA** – Excellent, n/a, **ECL** – Very Good, Certified, **EGCO** - Excellent, Certified, **EPG** – Very Good, n/a, **ERW** – Very Good, n/a, **GFPT** – Excellent, Certified, **GGC** – Excellent, Certified, **GLOBAL** – Very Good, n/a, **GLOW** – Very Good, Certified, **GPSC** – Excellent, Certified, **GULF** – Very Good, n/a, **GUNKUL** – Excellent, Certified, **HANA** - Excellent, Certified, **HMPRO** - Excellent, Certified, **HUMAN** – Good, n/a, **ICHI** – Excellent, Declared, **III** – Excellent, n/a, **INTUCH** - Excellent, Certified, **IRPC** – Excellent, Certified, **ITD** – Very Good, n/a, **IVL** - Excellent, Certified, **JASIF** – not available, n/a, **BJC** – Very Good, n/a, **JMT** – Very Good, n/a, **KBANK** - Excellent, Certified, **KCE** - Excellent, Certified, **KKP** – Excellent, Certified, **KSL** – Excellent, Certified, **KTB** - Excellent, Certified, **KTC** – Excellent, Certified, **LH** - Excellent, n/a, **LPN** – Excellent, Certified, **M** – Very Good, Certified, **MACO** – Very Good, n/a, **MAJOR** – Very Good, n/a, **MAKRO** – Excellent, Certified, **MALEE** – Excellent, Certified, **MC** – Excellent, Certified, **MCOT** – Excellent, Certified, **MEGA** – Very Good, n/a, **MINT** - Excellent, Certified, **MK** – Very Good, n/a, **MTC** – Excellent, n/a, **NETBAY** – Very Good, n/a, **OSP** – Very Good, n/a, **PLANB** – Excellent, Certified, **PLAT** – Very Good, Certified, **PR9** – Excellent, n/a, **PSH** – Excellent, Certified, **PSTC** – Very Good, Certified, **PTT** - Excellent, Certified, **PTTEP** - Excellent, Certified, **PTTGC** - Excellent, Certified, **QH** – Excellent, Certified, **RATCH** – Excellent, Certified, **ROBINS** – Excellent, Certified, **RS** – Excellent, n/a, **RSP** – not available, n/a, **S** – Excellent, n/a, **SAPPE** – Very Good, Declared, **SAT** – Excellent, Certified, **SAWAD** – Very Good, n/a, **SC** – Excellent, Certified, **SCB** - Excellent, Certified, **SCC** – Excellent, Certified, **SCN** – Excellent, Certified, **SF** – Good, n/a, **SHR** – not available, n/a, **SIRI** – Very Good, Certified, **SPA** - Good, n/a, **SPALI** - Excellent, n/a, **SPRC** – Excellent, Certified, **STA** – Very Good, Certified, **STEC** – Excellent, n/a, **SVI** – Excellent, Certified, **SYNEX** – Excellent, Certified, **TASCO** – Excellent, Certified, **TCAP** – Excellent, Certified, **THANI** – Excellent, Certified, **TIPCO** – Very Good, Certified, **TISCO** - Excellent, Certified, **TKN** – Very Good, n/a, **TMB** - Excellent, Certified, **TNR** – Very Good, Certified, **TOP** - Excellent, Certified, **TPCH** – Good, n/a, **TPIPP** – Good, n/a, **TRUE** – Excellent, Certified, **TU** – Excellent, Certified, **TVO** – Excellent, Declared, **UNIQ** – not available, n/a, **VGI** – Excellent, Certified, **WHA** – Excellent, Certified, **WHART** – not available, n/a, **WICE** – Excellent, Certified, **WORK** – Good, n/a.

1 CG Score 2019 from Thai Institute of Directors Association (IOD)

2 AGM Level 2018 from Thai Investors Association

3 Companies participating in Thailand's Private Sector Collective Action Coalition Against Corruption programme (Thai CAC) under Thai Institute of Directors (as of November 30, 2018) are categorised into:

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4 The Stock Exchange of Thailand : the record of listed companies with corporate sustainable development "Thai sustainability Investment 2018" included:

SET and mai listed companies passed the assessment conducted by the Stock Exchange of Thailand: THSI (SET) and THSI (mai)

SET listed companies passed the assessment conducted by the Dow Jones Sustainability Indices (DJSI)

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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.*

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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.

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