



GLOBAL INVESTMENTS
LIMITED

Global Investments Limited

2019 Half Year Results

Period ended 30 June 2019

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1. Key Financial Data for 2Q 2019/1H 2019

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1. Key Financial Data for 2Q 2019

Net Profit after tax

	2Q 19 S\$m	2Q 18 S\$m	Change (%)	Remarks
Net profit after tax	2.8	4.2	(33.3)	Net profit after tax for 2Q 2019 decreased to S\$2.8m compared to S\$4.2m in 2Q 2018.

Income

	2Q 19 S\$m	2Q 18 S\$m	Change (%)	Remarks
Dividend Income	0.9	0.8	12.5	Income for 2Q 2019 was slightly higher at S\$5.6 million as compared to S\$5.4 million in 2Q 2018. During the quarter, a net fair value gain on financial assets at fair value through profit or loss (FVTPL) of S\$1.0 million was recorded as compared to a net fair value loss of S\$6.8 million recorded in the comparative quarter. However, the loss recorded in 2Q 2018 was offset by S\$6.8 million settlement proceeds received from the BBRNA litigation.
Interest Income	3.7	3.9	(5.1)	
Net foreign exchange gain (net of hedges)	-	0.7	Nm ¹	
Net gain/(loss) on financial assets designated as fair value through profit or loss	1.0	(6.8)	Nm ¹	
Other income	-	6.8	Nm ¹	
Total income	5.6	5.4	3.7	

¹ Nm: not meaningful

1. Key Financial Data for 2Q 2019

Expenses

	2Q 19 S\$m	2Q 18 S\$m	Change (%)	Remarks
Management fees	0.6	0.6	-	Expenses was higher at S\$2.7 million in 2Q 2019 as compared to S\$1.2 million in 2Q 2018. This was mainly due to net foreign exchange loss of S\$1.7 million during the quarter as compared to a gain of S\$0.7 million in 2Q 2018.
Net foreign exchange loss (net of hedges)	1.7	-	Nm ¹	
Finance costs	- ²	-	-	
Other operating expenses	0.4	0.6	(33.3)	
Total expenses	2.7	1.2	125.0	
Profit before tax	2.8	4.2	(33.3)	
Income tax expense	- ²	- ²	-	
Profit after tax	2.8	4.2	(33.3)	

¹ Nm: not meaningful

² Denotes amount less than S\$0.1m

1. Key Financial Data for 2Q 2019

Total comprehensive income

	2Q 19 S\$m	2Q 18 S\$m	Change (%)	Remarks
Other comprehensive income Items that may be reclassified subsequently to profit or loss				There was no other comprehensive income for the quarter as compared to a translation gain of S\$2.2 million in 2Q 2018.
Currency translation differences arising from consolidation				
- Gain	-	2.2	Nm ¹	
Other comprehensive income for the period after tax	-	2.2	Nm¹	
Total comprehensive income for the period attributable to shareholders	2.8	6.4	(56.3)	Total comprehensive income for the Group was S\$2.8 million versus S\$6.4 million recorded in the same quarter last year.
Basic earnings per share (cents per share)	0.16	0.25	(36.0)	The Group achieved earnings per share of 0.16 Singapore cents (based on weighted average number of shares of 1.7 billion) in 2Q 2019 compared to 0.25 Singapore cents (based on weighted average number of shares of 1.7 billion) in 2Q 2018.
Diluted earnings per share (cents per share)	0.16	0.25	(36.0)	

¹ Nm: not meaningful

1. Key Financial Data for 1H 2019

Net Profit after tax

	1H 19 S\$m	1H 18 S\$m	Change (%)	Remarks
Net profit after tax	15.7	1.9	726.3	For the half year ended 30 June 2019, the Group reported a net profit after tax of S\$15.7 million as compared to S\$1.9 million recorded for the half year ended 30 June 2018.

Income

	1H 19 S\$m	1H 18 S\$m	Change (%)	Remarks
Dividend Income	1.1	0.8	37.5	The Group reported a higher income of S\$19.2 million as compared to S\$4.2 million in the same period last year. The higher income was mainly contributed by a net fair value gain on financial assets at FVTPL of S\$10.9 million as compared to a net fair value loss of S\$11.7 million in the comparative period. The loss recorded in 2018 was slightly offset by S\$6.8 million settlement proceeds received from the BBRNA litigation.
Interest Income	7.3	7.5	(2.7)	
Net foreign exchange gain (net of hedges)	-	0.8	Nm ¹	
Net gain/(loss) on financial assets designated as fair value through profit or loss	10.9	(11.7)	Nm ¹	
Other income	-	6.8	Nm ¹	
Total income	19.2	4.2	357.1	

¹ Nm: not meaningful

1. Key Financial Data for 1H 2019

Expenses

	1H 19 S\$m	1H 18 S\$m	Change (%)	Remarks
Management fees	1.1	1.2	(8.3)	Expenses for the half year ended 30 June 2019 was higher at S\$3.4 million as compared to S\$2.3 million in the comparative period. This was mainly due to net foreign exchange loss of S\$1.4 million recognised for the half year ended 30 June 2019 as compared to a gain of S\$0.8 million recorded in the comparative period.
Net foreign exchange loss (net of hedges)	1.4	-	Nm ¹	
Finance costs	- ²	-	-	
Other operating expenses	0.9	1.1	(18.2)	
Total expenses	3.4	2.3	47.8	
Profit before tax	15.8	2.0	690.0	
Income tax expense	0.1	0.1	-	
Profit after tax	15.7	1.9	726.3	

¹ Nm: not meaningful

² Denotes amount less than \$0.1 million

1. Key Financial Data for 1H 2019

Total comprehensive income

	1H 19 S\$m	1H 18 S\$m	Change (%)	Remarks
Other comprehensive income Items that may be reclassified subsequently to profit or loss				There was no other comprehensive income for the half year ended 30 Jun 2019 as compared to a translation gain of S\$1.1 million in the comparative period.
Currency translation differences arising from consolidation				
- Gain	-	1.1	Nm ¹	
Other comprehensive income for the period after tax	-	1.1	Nm¹	
Total comprehensive income for the period attributable to shareholders	15.7	3.1	406.5	Total comprehensive income for the Group was S\$15.7 million which was 5 times of S\$3.1 million recorded in the same period last year.
Basic earnings per share (cents per share)	0.92	0.12	666.7	The Group achieved earnings per share of 0.92 Singapore cents (based on weighted average number of shares of 1.7 billion) in 1H 2019 compared to 0.12 Singapore cents (based on weighted average number of shares of 1.7 billion) in 1H 2018.
Diluted earnings per share (cents per share)	0.92	0.12	666.7	

¹ Nm: not meaningful

Statement of Financial Position

	Group as at 30 June 2019 S\$m	Group as at 31 December 2018 S\$m	Change %	Remarks
Assets				
Non-current assets				
Financial assets at fair value through profit or loss	236.8	220.5	7.4	The financial assets at FVTPL as at 30 June 2019 was higher at S\$236.8 million as compared to S\$220.5 million as at 31 December 2018. The increase was mainly due to an overall increase in fair value of investments and net purchase of investments.
Total non-current assets	236.8	220.5	7.4	
Current assets				
Cash and cash equivalents	27.7	35.4	(21.8)	Cash and cash equivalents decreased to S\$27.7 million as at 30 June 2019 compared to S\$35.4 million as at 31 December 2018. This was mainly due to the net purchase of investments, purchase of treasury shares and payment of FY2018 final dividend.
Financial assets at fair value through profit or loss	57.8	63.3	(8.7)	Comprised investments in listed equities and bonds maturing within the year. The decrease was mainly due to a net divestment of listed equities and maturity of bonds, offset by an increase in fair value of investments.
Other assets	5.0	4.2	19.0	Comprised interest and dividend receivable.
Total current assets	90.5	102.9	(12.1)	
Total Assets	327.3	323.4	1.2	
Liabilities				
Other liabilities	1.2	1.2	-	Comprised fees payable to the Manager and accrual of operating expenses.
Total Liabilities	1.2	1.2	-	
Net assets attributable to shareholders	326.0	322.2	1.2	
Equity				
Share capital	267.4	270.8	(1.3)	Reduction in share capital was due to the purchase of treasury shares.
Capital reserve	- 1	-	-	
Retained earnings	58.6	51.4	14.0	
Total equity	326.0	322.2	1.2	
Net asset value per share (S\$ per share)	0.1920	0.1869	2.7	

¹ Denotes amount less than S\$0.1m

Statement of Financial Position

Net asset value

	30 June 2019	31 December 2018	Change (%)	Remarks
Net asset value per share (S\$ per share)	0.1920	0.1869	2.7	If the 2018 final dividend was paid and the shares relating to the Scrip Dividend Scheme had been issued before 31 December 2018, the net asset value per share as at 31 December 2018 would have been 18.10 Singapore cents instead of 18.69 Singapore cents and the increase in net asset per share would have been 6.08% for the half year ended 30 June 2019.
		0.1810 (after adjustment for dividend paid and shares relating to the Scrip Dividend Scheme)	6.1	

Dividend

	1H 19 S\$m	2H 18 S\$m	Change (%)	Remarks
Dividend	8.5*	8.4	1.2	The Company has declared an interim dividend of 0.50 Singapore cents per share for the financial year ending 31 December 2019. This dividend will be paid on or about 10 October 2019.

* FY19 interim dividend is calculated based on the number of outstanding shares as at 30 June 2019. Actual amount paid will be dependent on the number of outstanding shares on book closure date.

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2. 2019 Half Year Overview

❑ Re-domiciliation

- ❑ GIL was effectively registered in Singapore and discontinued from Bermuda on 7 January 2019. The registered office was changed to 51 Cuppage Road #10-04 Singapore 229469.

❑ Change of Company Secretaires

- ❑ Ms Lin Moi Heyang and Ms Tang Pei Chan were appointed as the Company Secretaries in place of Ms. Ann M. D. Trott whose resignation took effect from 7 January 2019. Concurrently, Horseshoe Corporate Services Ltd has resigned as the Assistant Secretary of the Company while Ms Wong Yen Sim remains as Assistant Secretary of the Company.

2. 2019 Half Year Overview

❑ 2019 Annual General Meeting (AGM)

- ❑ All resolutions put to the vote at the AGM on 25 April 2019 were duly approved and passed by the Company's shareholders.

❑ Retirement Of Directors

- ❑ Mr Adrian Chan Pengee retired as a Director of the Company at the conclusion of the 2019 AGM and ceased to be the Lead Independent Director, the Chairman of the Nominating and Governance Committee and the member of the Remuneration Committee and the Audit and Risk Management Committee. Mr Ronald Seah Lim Siang was appointed as the Lead Independent Director in place of Mr Adrian Chan Pengee.
- ❑ Mr Jason See Yong Kiat retired as a Director of the Company at the conclusion of the 2019 AGM and relinquished his role as the Manager Nominated Director.

2. 2019 Half Year Overview

□ Appointment of New Directors

- Mr Abdul Jabbar Bin Karam Din was appointed as an Independent Director on 7 January 2019.
- Mr Tan Wee Peng Kelvin was appointed as an Independent Director on 15 March 2019.
- Mrs Goh Mui Hong was appointed as a Non-Independent Director on 1 July 2019 and ceased to be the Honorary Counsel.

□ Singapore Corporate Awards

- GIL was awarded Silver for the Best Managed Board in the small cap category at the Singapore Corporate Awards (SCA) 2019 Presentation Ceremony held on 23 July 2019. The SCA is jointly organised by Singapore Institute of Directors, Institute of Singapore Chartered Accountants and The Business Times, with the support of the Singapore Exchange and the Accounting Corporate Regulatory Authority of Singapore.

2. 2019 Half Year Overview

❑ Singapore Governance and Transparency Index Award

- ❑ The Company received a Special Commendation Award for companies in the small cap category of the Singapore Governance and Transparency Index (SGTI) 2019. The Company was ranked 11th out of 578 listed companies in the SGTI 2019. The Company's base SGTI score was 80 points and was given a further 26 bonus points, totalling up to a final score of 106 points, in comparison to last year's final score of 100 points.
- ❑ The SGTI assesses listed companies on their corporate governance disclosures and practices, as well as the timeliness, accessibility and transparency of their financial results announcements. The SGTI is a collaboration of CPA Australia, the Centre for Governance, Institutions and Organisations of the NUS Business School, Singapore Institute of Directors and The Business Times.

2. 2019 Half Year Overview

❑ **Scrip Dividend Scheme – FY 2018 Final Dividend**

- ❑ The Scrip Dividend Scheme was applied to the final dividend of 0.50 Singapore cents per share for FY 2018 and approximately 53.56% of the total final dividend amount was issued as shares under the scheme. 34,731,270 treasury shares were allotted as ordinary shares at 13.0 Singapore cents under the scheme. The shares were credited to securities account of depositors on 24 June 2019.

❑ **FY 2019 Interim Dividend**

- ❑ Interim dividend of 0.50 Singapore cents per share for FY 2019 is declared on 8 August 2019 and the Scrip Dividend Scheme will be applied to the interim dividend.

2. 2019 Half Year Overview

❑ **Striking-off of Dormant Subsidiaries**

- ❑ The Group's dormant wholly-owned subsidiaries, BBSFF Asset Holdings Ltd and BBSFF Loan Portfolio and Securitisation Limited had been struck off from the Companies Register on 29 March 2019 pursuant to the Companies Law (2010 Revision) of the Cayman Islands.
- ❑ The Group's dormant wholly-owned subsidiary, GIL (Labuan) Company Limited had been struck off from the Companies Register on 19 June 2019 pursuant to section 151(4) of the Labuan Companies Act 1990.

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3. Portfolio Composition (By Asset Class*)

Asset Class	As At 30 June 2019	As At 31 December 2018	Change In Percentage Point
Listed Equities	13.5%	14.7%	▼ 1.2
Bank Contingent Convertibles	40.6%	35.8%	▲ 4.8
Loan Portfolio And Securitisation Assets	6.4%	5.9%	▲ 0.5
China Domestic Bonds	16.4%	17.3%	▼ 0.9
Other Bonds	13.4%	14.4%	▼ 1.0
Cash And Other Assets	9.7%	11.9%	▼ 2.2

* Percentage of the Company's Net Asset Value.

3. Portfolio Composition (By Currency Exposure*)

Currency	As At 30 June 2019	As At 31 December 2018	Change In Percentage Point
SGD	28.3%	24.1%	▲ 4.2
USD	28.8%	29.4%	▼ 0.6
CNH/CNY	19.0%	20.5%	▼ 1.5
HKD	9.6%	10.0%	▼ 0.4
EUR	6.3%	6.3%	-
AUD	6.1%	7.8%	▼ 1.7
OTHERS	1.9%	1.9%	-

* Percentage of the Group's net asset value after currency hedge.

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❑ **Listed Equities**

- ❑ Equity markets performed strongly for the first half of 2019, supported by stimulus policies from the Chinese government in the first quarter and looser financial conditions following dovish guidance from major central banks, including the US Federal Reserve and the European Central Bank.
- ❑ US corporate earnings in 1Q 2019 were considered solid and supported a slightly optimistic outlook for 2019. On the macroeconomic side, data were mixed with overall strong job growth and employment numbers though wage growth missed consensus for all three months of data reported in the second quarter. Given the weaker wage growth, it is not surprising that the Fed lowered its inflation expectations for 2019.
- ❑ Looking forward, there seems to be a low likelihood of significant rally in the equity markets due to the lack of near-term catalysts. However, a better-than-expected corporate earnings season for 2Q 2019 or a constructive trade agreement struck between US-China could see equity indexes breaking new highs in the following months.

4. Outlook

❑ **Bank Contingent Convertibles**

- ❑ The CoCos markets saw positive repricing trend for the first half of 2019 as spreads in the AT1 CoCos market narrowed by 149 bps, erasing the 120 bps widening observed in 2H 2018.
- ❑ Continued accommodative monetary policy from ECB in the first half of 2019 contributed to broadly supportive credit conditions for European banks. Capital adequacy ratios remain robust with organic capital generation offsetting higher risk weighted asset inflation from regulatory changes. Weaker reported economic activities in the second quarter have yet to translate into higher cost of risk for new loans.
- ❑ In the near term, political risk will remain one of the key risk drivers for the CoCos asset class, borne out via Brexit related developments and unresolved global trade tensions against the technical price support of dovish central banks' rate policies.

4. Outlook

❑ **Loan Portfolio And Securitisation Assets**

- ❑ Global CLO issuance for 1H 2019 was US\$107 billion, lower as compared to 1H 2018 of US\$178 billion. Refinancing and reset deals accounted for around 24.33% of volumes. Reset volume has sharply fallen, as new issue CLO spreads have stayed relatively wide this year, which made most CLO resets uneconomical.
- ❑ Relative to the same period last year, leveraged lending volume has declined and loan spreads have risen as growth concerns, trade tensions and reduced M&A activity weighed on new issuances.
- ❑ As for Australian RMBS, public year-to-date issuances have totalled AUD 18.47 billion, up 39.18% from last year's AUD13.27 billion. Over the quarter, pricing widened due to increased supply, with progressively more prime RMBS being issued each month in May and June.

4. Outlook

❑ **China Domestic Bonds**

- ❑ The Chinese credit market posted modest positive returns during the first half of 2019 amid the CNY sovereign curve trading higher in 1H 2019 as the market reassessed whether the Chinese central bank will roll out additional stimulus to support the economy following better-than-expected 1Q 2019's GDP growth. The yield on 3-year government bond was 10 bps higher at 2.90%, 5-year yield increased 15 bps to 3.05%, and 10-year yield increased 4 bps to 3.24%.
- ❑ Onshore default cases continued to increase at a faster pace compared to previous year over the same period, highlighting the increasing challenges faced by corporates in an environment where economic growth is slowing due to pressure from trade tensions and the government's efforts to reduce structural risks.
- ❑ Going forward, investors are likely to remain watchful given stronger signs of rising credit risks. A continued rise in defaults and tightened liquidity conditions may cause heightened volatility in the China's credit markets.

4. Outlook

❑ Other Bonds

- ❑ The first half of 2019 saw strong performance in the bond market as spreads tightened across the board while interest rates also moved significantly lower. Unresolved trade issues between US-China and weaker growth outlook resulted in the tone of Fed statements turning more dovish with interest rates in the US potentially reversing its upward trend. The target federal fund rate was kept unchanged in March's and June's meeting at 2.25%-2.50%.
- ❑ The US Treasury yield curve traded drastically lower due to Fed's dovishness with the market widely expecting a rate cut in July's meeting. Credit spreads in the high yield bond markets have largely recovered from the widening seen in the last quarter of 2018.
- ❑ Going forward, yields can be expected to stay depressed and could possibly go lower as growth and inflation outlooks remain subdued. Uncertainty on US-China trade issues are likely to keep investors side-lined to avoid excessive risk-taking.

4. Outlook

Summary

- ❑ Financial markets had an eventful first half, with valuations recovering from a weak levels in 2H 2018 amidst slowing economic activity
- ❑ Some notable developments in 2H 2019 that are likely to weigh on investors' risk sentiments include:
 - The risk of further escalation in trade tariffs between major economic powers, weighing further on business confidence
 - Potential disappointment of less central bank monetary easing than currently priced by the market
 - The impending deadline of the Brexit negotiations between the EU and UK

4. Company 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.
- ❑ Given the current state of the financial markets, 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.