

EVALUATE NEWSLETTER

APRIL 2016

Welcome to Evaluate's Newsletter for April 2016! This free quarterly newsletter talks about our recent initiation of coverage of Singapore-based Haw Par Corp, brokerage firm retrenchment and job cuts in the Investment Banking industry as well as how research benefits both the companies and investors.

Our recent Initiation Report of a Singapore-based market leading company, Haw Par:

Evaluate Research is an independent research firm which provides institutional quality research on public mid-cap companies on a global basis. We have recently initiated research coverage of Haw Par [HPAR_SP], a market leading company in Singapore with a market cap of US\$1.4 billion. Haw Par is one of the leading manufacturers and distributors of healthcare products globally. The company's most popular product, Tiger Balm, is amongst the world's leading topical analgesics with over 100 years of proven success in more than 100 countries. The company operates an extensive distribution channel located across Asia, America and Europe. Additionally, the company owns and operates Oceanariums (Underwater World in Singapore and Malaysia) and has investments in various listed equities.

We believe Haw Par has attractive valuations and is a strong investment opportunity. The value of investments and cash alone is worth nearly SG\$10.24 per share for Haw Par [130% of its market cap] and the other operating businesses add another SG\$5.00 per share. This effectively adds up to a share value of SG\$15.00 per share. The stock is currently trading at SG\$8.30 per share, so in effect, investors are getting the rapidly growing base business for "free" which gives a comfortable margin of safety and provides strong downside protection, in our view.

We are the only firm to have recent research coverage of Haw Par and our report adds value to both the company as well as investors.

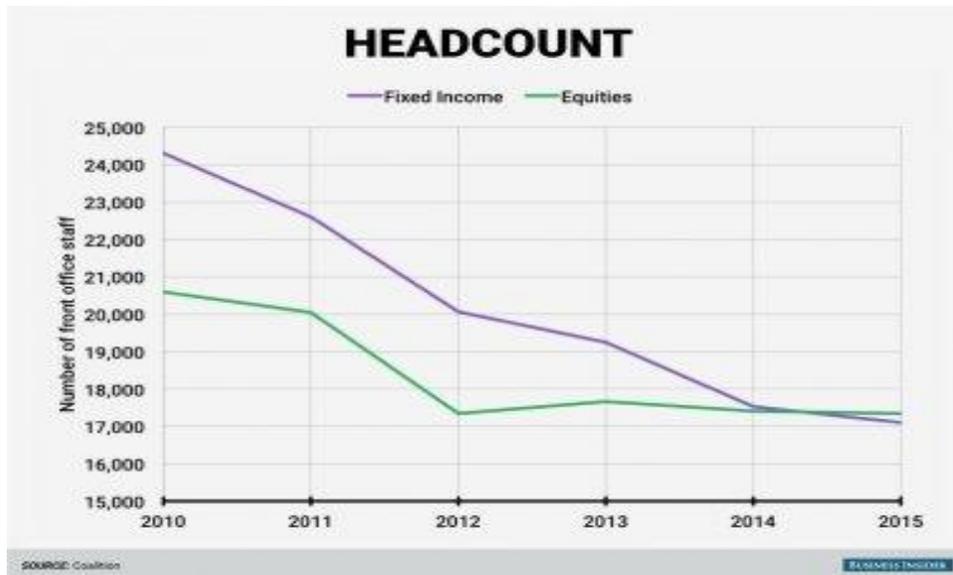
Brokerage firm retrenchment and job cuts in the Investment Banking industry:

Banks and brokerages will spend US\$3.4 billion on their research analysts around the world in 2017, down by more than half from US\$8.2 billion in 2008 (Source: Frost Consulting, London). The severe stock market decline in the early 2000's and the increased regulatory scrutiny of securities firms has also resulted in brokerage firm retrenchment.

In addition to this, tighter regulations, slowing emerging-market growth and higher capital requirements are forcing a number of banks, including Barclays, Standard Chartered and Nomura, to cut jobs in investment banking across Europe and Asia and focus on more profitable areas.

Credit Suisse announced 2,000 additional job cuts on 23rd March, with CEO Tidjane Thiam saying the Swiss bank may post a net loss in the March quarter. Goldman Sachs and Bank of America, two of the largest U.S.-based investment banks, have been leaning on annual dismissals of low performers to shrink parts of their Wall Street operations, people familiar with the plans have said. (Source: Bloomberg)

The top 10 global banks have seen a 30% decrease in fixed-income front-office headcount and a 16% reduction in equities front-office staff since 2010, according to the data-analytics company Coalition. (See Chart; Source: Coalition)



Small-cap and mid-cap companies usually have difficulty in attracting analyst coverage. The problem has become even more severe for small firms on account of brokerage firm retrenchment, less analyst coverage and investment banking job cuts. This further emphasizes that the need for independent research is more evident, and Evaluate Research plays a very significant role in this scenario.

How research benefits investors and the companies covered:

While quantifying the benefits is difficult, most of research's value lies in the unquantifiable benefits provided to investors:

- Comparative operating and valuation data on a company.
- Earnings estimates and price targets based on extensive analysis on the company as well the industry.
- A reliable source of independent, third-party information on a continuous basis so that investors can track performance and evaluate an investment.

Research provides the market with more information and increases market efficiency, but it is hard to determine exactly when a report will convince an investor or a fund manager to buy a stock. It could be near the publication date or months later, but it will be the third-party report that helps provide the information on which investors take their decision. (Source: Investopedia)

Objective research helps the investor community to reduce uncertainty and our firm Evaluate Research strives to provide unbiased reports particularly on under-covered companies, which add more value both to the company as well as investors.