

Call to list PSA, Changi Airport group, Mapletree Investments to boost Singapore bourse

BT [businesstimes.com.sg/opinion/call-to-list-psa-changi-airport-group-mapletree-investments-to-boost-singapore-bourse](https://www.businesstimes.com.sg/opinion/call-to-list-psa-changi-airport-group-mapletree-investments-to-boost-singapore-bourse)

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THERE was an interesting article headlined "SGX exits rise as pandemic weighs on market prices" in The Business Times on Sept 22, 2021.

It was stated in the article that there was a flurry of privatisation offers for listed companies this year due to the Covid-19 pandemic. There's also another important reason for the increased delistings from the Singapore Exchange (SGX). Major owners of the listed companies feel that the market does not accord them the valuations they deserve.

Out of the 676 listed companies as at end-August 2021, 400 companies are trading below book value. Many of them trade at less than 50 per cent of book value. Also, many companies are giving decent dividend yields of 3 per cent or more and yet receive lukewarm interest from the market.

Companies list because they would like to raise new capital for future growth or to raise their profiles and garner better valuations. When neither of these objectives are met and one has the means to take it private, one will certainly do so. Privatisation gives entrepreneurs flexibility while doing away with costly compliance and listing costs. This is certainly the case in Singapore's context, as many good quality undervalued companies have been taken private as stated in the BT article.

All is not lost though. The key to solving any issue is to recognise the issue and then determine how best to address it. Just last week an important announcement was made by the government to pump an initial S\$1.5 billion to assist "promising high-growth companies to raise capital through public listings in Singapore". It's a great first step but many more measures need to be undertaken to revive the fortunes of the Singapore market.

The Society of Remisiers (Singapore) would like to propose the following measures to make our market much more vibrant:

1. We need to attract quality IPOs. Listings of unicorn startups might help. But the real impact would be listing companies with a good track record, profitability and decent dividend yields. For a start we can look to our well-established government-linked companies: PSA, Changi Airports International, Mapletree Investments and Surbana

Jurong. The listing of such companies will create a positive vibe in the market, as Singtel's listing did in 1993. An allocation to Singaporeans, as in the Singtel IPO, would enable all to enjoy Singapore's prosperity and build their retirement savings.

2. We need to build a strong domestic investor base. At the moment we are largely dependent on foreign institutional funds. The market's fortunes are dependent on the ebbs and flows of these funds. The Central Provident Fund (CPF) would be a great source of liquidity for the market. We need to reinstate the investment limit to 80 per cent of the CPF Ordinary Account instead of the present 35 per cent. Of course, we need to tighten the investment criteria for CPF Trustee Stocks. A CPF Trustee Stock needs to have a minimum dividend yield of 3 per cent, which is higher than the minimum 2.5 per cent CPF Ordinary Account rate. It must also have a profitable track record of three years. Many listed companies will aspire to CPF trustee status as this would effectively provide better valuations for the company.

3. There is a long list of suspended companies that are under investigation. Many investors feel disillusioned when their hard-earned money is locked up for an inordinate amount of time and they have no clue as to the status of the investigations and when these companies will be relisted. This is really sapping investors' confidence in the market and demolishing trust in the system. SGX Regulation needs to provide regular updates, say quarterly, on the status of investigations, with target dates for the lifting of suspensions.

4. An investor ombudsman department with regulatory powers needs to be set up. Presently, aggrieved investors, especially retail investors, are at their wit's end when seeking recourse over malfeasant companies. As individual investors they do not have the resources or know-how to undertake class action suits against the company or its directors. This ombudsman will be able to hear aggrieved investors' complaints and take legal action.

5. Quarterly reporting should be reinstated. It will help investors, especially retail investors, to make timely and informed investment decisions. Companies can make or break within a short span of time. The common refrain against quarterly reporting is that it incurs unnecessary costs and management time, and that it is an especial burden to the smaller-cap companies. Actually, the smaller-cap companies should be all for quarterly reporting as it will enhance their visibility. With computerised accounting systems, monthly reporting to management is the norm. Quarterly reporting should not be a hassle. Perhaps the reporting format could be simplified so that companies can furnish the accounts on a quarterly basis.

6. The recent announcement of an initial S\$1.5 billion to support companies in their listing journey is a good start. The Singapore market capitalisation is S\$900 billion. If the support could eventually be raised to, say, S\$30 billion, about 3 per cent of market capitalisation, it would most definitely have a greater impact. At the moment, only Temasek is invested in our market. GIC, which has a larger investment portfolio, could

also invest in our home market thereby enhancing confidence. They have been investing all over the world except Singapore. It's about time we have more of our funds injected into our own economy, especially the small and medium-sized enterprises.

The stockmarket is a great barometer of the vibrancy of the Singapore economy and also a key catalyst for a robust economy. The various stakeholders - the Monetary Authority of Singapore, SGX, Security Association Singapore, Securities Investors Association (Singapore) - need to come together to brainstorm and come up with a masterplan to rebuild confidence in the market. We are confident this can be so when we stay united and have our heads and hearts together.

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