Strategy – Small Mid Caps

Identifying The Constituents Of Upcoming Mini STI Index

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Highlights

- The SGX will be launching a new index that tracks the next tier of large and liquid companies to better showcase Singapore's broader equity market. We expect this move to benefit most small-mid cap stocks.
- We have identified a potential list of 39 Mini STI constituents by adopting three similar screening criteria for STI construction: a) market cap of >S$1b, b) free float of >15%, and c) liquidity requirement.
- Our top picks in the small-mid cap sector are Food Empire Holdings, Sheng Siong, CSE Global, China Sunsine, Marco Polo Marine and Valuetronics.

Top Small Mid Cap Picks

Company	Rec	Target Price (S$)	Share Price (S$)	% Upside
Food Empire	BUY	3.00	2.59	15.8
Sheng Siong	BUY	2.40	2.13	12.7
CSE Global	BUY	0.85	0.73	16.4
ChinaSunsine	BUY	0.75	0.815	(8.0)
MarcoPolo Marine	BUY	0.088	0.075	17.3
Valuetronics	BUY	0.83	0.88	(5.7)

Source: Bloomberg

What's New

- **New Mini STI index and more value-up measures.** On 12 Sep 25, deputy chairman of Monetary Authority of Singapore (MAS), Chee Hong Tat revealed that the Singapore Exchange (SGX) will be launching an index that tracks listed companies that are not constituents of the Straits Times Index (STI), as part of efforts to showcase its broader equity market. We believe this move will benefit mid-cap stocks, especially those with a market cap of S$1b and above. In addition, MAS also encourages companies to improve investor engagement and is developing a set of measures to support companies in unlocking shareholder value. These measures should eventually benefit most small-mid cap stocks, especially deep-value ones with high cash holdings or valuable assets such as high ROE businesses, properties, lands, etc. Following the re-rating of mid-cap stocks, the valuation uplift of mid-cap stocks is expected to eventually trickle down to small-cap stocks.
- **Screening for a potential list of Mini STI constituents.** To create this list, we have adopted similar construction criteria as the STI: a) market cap of >S$1b, b) free float of >15%, and c) liquidity requirement of >0.1% of 52W average daily volume as a % of free float. As a result, we have identified a list of 39 stocks that could potentially be included in the Mini STI Index.
- **Our top picks in the small-mid cap space include: a) Food Empire Holdings** (strong earnings growth for 2025 from passing on higher coffee prices and more strategic initiatives, **b) Sheng Siong** (more revenue contribution from record-high store expansion in 2025), **c) CSE Global** (strong earnings growth for 2025 and more contract wins in the data centre space), **d) China Sunsine** (global leader in rubber chemical accelerator trading at deep discount vs peers, net cash c.50% of market cap), **e) Marco Polo Marine** (earnings boost from new fleet of vessels and shipyard expansion), **f) Valuetronics** (contribution from new customers, attractive dividend yield of c.5%, net cash c.50% of market cap).

Valuation Metrics Of Top Small Mid Cap Picks

Company	Ticker	Rec	Price 17 Sept 25 (S$)	Target Price (S$)	Upside to TP (%)	Last Year End	PE 2024 (x)	PE 2025F (x)	PE 2026F (x)	Yield 2025F (%)	ROE 2025F (%)	Market Cap. (S$m)	Price/ NAV ps (x)
ChinaSunsine	CSSC SP	BUY	0.815	0.75	(8.0)	12/24	9.9	9.9	9.5	4.3	9.9	777.0	1.0
CSE Global	CSE SP	BUY	0.73	0.85	16.4	12/24	18.7	13.4	12.5	3.3	24.1	522.4	2.1
Food Empire	FEH SP	BUY	2.59	3.00	15.8	12/24	19.4	18.4	16.4	3.1	19.1	1,372.3	3.5
MarcoPolo Marine	MPM SP	BUY	0.075	0.088	17.3	9/24	12.9	11.2	9.6	2.7	12.9	281.5	1.5
Sheng Siong	SSG SP	BUY	2.13	2.40	12.7	12/24	23.3	21.3	20.5	3.3	27.0	3,202.5	5.7
Valuetronics	VALUE SP	BUY	0.88	0.83	(5.7)	3/25	12.3	12.3	11.7	5.3	11.7	359.6	1.4

Source: Bloomberg, UOB Kay Hian

Screening Results Of Potential Mini STI Constituents

Name	Price	UOBKH Rec	UOBKH TP (S$)	Mkt cap (S$m)	52-wk Avg Value (S$m)	Free Float (%)	Liquidity (%)	PE TTM* (x)	PB TTM* (x)	Yield TTM* (%)	ROE TTM* (%)
YZJ Fin Hldg	1.18	NR	n.a	4,107	12.0	89	0.57	12.3	1.1	2.9	8.6
Kep REIT	1.01	BUY	1.18	3,929	7.1	66	0.31	24.7	0.8	5.5	3.2
Suntec REIT	1.33	HOLD	1.31	3,913	8.8	57	0.43	n.a.	0.7	4.7	-0.1
Golden Agri-Res	0.3	NR	n.a	3,805	2.3	51	0.13	7.1	0.6	2.7	8.3
Olam Group	1.03	NR	n.a	3,884	2.1	31	0.18	31.7	0.6	4.9	5.6
NetLink NBN Tr	0.955	BUY	0.98	3,722	4.2	75	0.16	39.1	1.6	5.6	3.9
SIA Engineering	3.23	BUY	2.7	3,615	1.8	22	0.26	24.2	2.1	2.8	8.7
CapLand Ascott T	0.92	BUY	1.56	3,519	6.5	75	0.26	15.6	0.8	4.7	5.2
ComfortDelGro	1.5	BUY	1.7	3,250	13.4	100	0.42	14.7	1.2	5.4	8.4
Sheng Siong	2.13	BUY	2.4	3,203	3.9	47	0.30	22.9	5.7	3.0	26.0
PLife REIT	4.28	BUY	5.34	2,792	4.3	67	0.25	32.5	1.8	3.4	5.6
Kep Infra Tr	0.46	NR	n.a	2,799	3.0	83	0.14	24.6	3.4	7.0	10.0
iFAST	8.9	BUY	9.92	2,703	9.3	68	0.58	34.5	7.8	0.8	24.7
FirstRes	1.67	BUY	1.85	2,587	2.8	27	0.44	7.0	1.4	6.5	21.7
UOB Kay Hian	2.55	NR	n.a	2,484	1.2	44	0.14	11.4	1.2	4.7	10.3
HPH Trust USD	0.205	NR	n.a	2,280	1.4	72	0.11	18.4	0.6	7.6	3.0
ESR REIT	2.84	NR	n.a	2,282	3.4	100	1.10	n.a.	1.1	4.3	-3.8
Bumitama	1.13	HOLD	0.9	1,960	0.9	16	0.35	9.4	1.8	8.0	19.8
StarHub	1.14	HOLD	1.26	1,963	1.3	34	0.19	16.5	5.1	5.4	33.2
OUE REIT	0.35	NR	n.a	1,930	0.8	42	0.12	n.a.	0.6	5.8	-2.3
Raffles Medical	1.01	BUY	1.25	1,866	1.9	44	0.25	29.4	1.9	2.5	6.3
Hong Leong Asia	2.39	BUY	2.82	1,788	1.5	23	0.57	18.9	1.8	2.1	9.6
PropNex	2.32	BUY	2	1,717	1.4	22	0.62	27.5	13.7	4.5	53.1
Lendlease REIT	0.635	BUY	0.79	1,554	3.1	99	0.23	29.3	0.9	5.7	2.4
CapLand India T	1.15	NR	n.a	1,557	2.7	94	0.20	3.9	0.9	6.2	23.9
Yanlord Land	0.82	NR	n.a	1,584	4.0	32	1.01	n.a.	0.3	n.a.	-7.8
Centurian	1.71	BUY	1.7	1,438	2.2	26	0.79	4.8	1.2	2.3	27.9
CapLand China T	0.785	NR	n.a	1,366	2.1	59	0.28	n.a.	0.8	6.5	0.0
Food Empire	2.59	BUY	3	1,372	1.2	40	0.34	38.9	3.6	4.2	9.3
Frasers Htrust	0.71	NR	n.a	1,368	1.6	38	0.36	75.5	1.1	1.4	1.4
StarhillGbl Reit	0.575	NR	n.a	1,322	0.8	62	0.11	12.1	0.8	6.3	6.3
NTT DC REIT USD	0.99	NR	n.a	1,302	12.7	75	1.31	n.a.	n.a.	n.a.	n.a.
Far East HTrust	0.605	BUY	0.81	1,240	0.7	45	0.14	34.4	0.7	7.2	1.9
China Aviation	1.4	NR	n.a	1,204	0.9	29	0.33	11.0	0.9	2.7	8.7
BRC Asia	4.39	BUY	4.69	1,204	0.2	19	0.11	12.4	2.5	4.6	20.4
Riverstone	0.79	HOLD	0.71	1,171	3.0	35	0.71	15.7	2.6	5.8	16.1
AIMS APAC Reit	1.37	NR	n.a	1,119	1.6	70	0.22	34.0	1.1	3.5	3.2
CDL Htrust	0.815	BUY	1.11	1,034	1.7	69	0.23	n.a.	0.6	2.4	-0.1
SBS Transit	3.38	NR	n.a	1,057	0.3	26	0.11	15.6	1.6	9.5	9.8

**TTM stands for trailing 12 months and covers the last 12 consecutive months.*
Source: Bloomberg, UOB Kay Hian

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