

Issuer: YTL Starhill Global REIT Management Limited

Security: Starhill Global REIT

Meeting details:

Date: 28 Oct 2016

Time: 11:00AM

Venue: The Gallery, Level 1, Grand Hyatt Singapore, 10 Scotts Road, Singapore 228211

Company Description

Starhill Global Real Estate Investment Trust invests in real estate assets, primarily retail and office properties, in Japan, Singapore, and China. Its portfolio comprises 10 properties consisting of 2 properties located on Singapore's premier shopping street Orchard Road, an up-market retail property in the prime Wuhou district of Chengdu, China, and 7 properties located in the prime Tokyo areas of Aoyama, Roppongi, Harajyuku, Meguro, and Ebisu. The company was formerly known as Macquarie Prime Real Estate Investment Trust and changed its name to Starhill Global Real Estate Investment Trust in December 2008. Starhill Global Real Estate Investment Trust was formed on August 08, 2005 and is based in Singapore, Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=P40U)

1. The REIT's mission (page 1 of the annual report) is "to create and deliver superior returns to our investors through growth and value creation..." One of the key factors of a REIT's success would be its capital allocation strategy.

The REIT currently the REIT has 95% of its income generated from its portfolio of assets - Singapore (61.1%), Australia (22.7%) and Malaysia (11.7%) (page 28 – Property portfolio summary).

The Australian portfolio has now grown to be the second largest contributor to the group. In the "Letter to Unitholders" (page 15), Australia was described as "another growth market". The REIT was one of the first REITs to establish a presence in Australia with the acquisition of David Jones Building in Perth in 2010.

(i) Can the manager help unitholders understand the attractiveness of the Australian market?

(ii) Compared to the other markets like Singapore and Kuala Lumpur, does the board/manager see more attractive opportunities in Australia? Would further acquisitions mostly be focused on Australian assets?

(iii) Has the board deliberated on an overall geographical allocation strategy for the REIT?

2. The threat of online shopping is real and serious and retailers are facing headwinds in the traditional retailing. From the portfolio summary (page 28), "the retail and office components contributed 86.3% and 13.7% to the Portfolio's FY 2015/16 revenue respectively".

(i) Would the manager be able to provide the split in terms of the REIT's valuation of the retail components and the office components?

Even without the exact figures, it is clear that the bulk of the REIT's assets are in retail. It is clear that shoppers' behavior and patterns will change significantly as online shopping evolves further. There are already clear signs that traditional retailing will be significantly disrupted in the not-so-distant future.

(ii) Has the board/manager considered the long term prospects of the retail sector?

(iii) Can unitholders know what kind of projections/scenario planning has the board/manager carried out? Would the board think it is appropriate for the REIT to have a more balanced allocation between retail and office in order to mitigate some of the uncertainties in the retail sector?

3. The Japanese and Chinese assets account for 1.8% and 2.7% of gross revenue respectively. They contribute just 1.8% and 1.5% of the REIT's net property income respectively. Since the acquisitions by the former management team in 2007, the capital values have also fallen even though over the period of ownership, the Chinese RMB has appreciated 1% while the Japanese JPY has appreciated 5% (based on the notes on page 27). The market valuations of Renhe Spring Zongbei Property and the four remaining Japanese properties have fallen by about 37% versus the purchase price. **Can the manager provide more clarity on the plans for these assets?** With the REIT's portfolio valued at S\$3.1 billion, these assets are immaterial. **Would management's time be better utilised by focusing on the core assets and core markets? At the strategic level, are these two markets still in the REIT's long term growth plans?**