

**Issuer:** Croesus Retail Asset Management Pte. Ltd.

**Security:** Croesus Retail Trust

**Meeting details:**

Date: 27 Oct 2016

Time: 14:00H

Venue: Ballroom 2, Lower Lobby, The Fullerton Hotel, 1 Fullerton Square, Singapore 049178

**Company Description**

Croesus Retail Trust is a real estate investment firm specializing investments in diversified portfolio of predominantly retail real estate assets located in Japan and across the Asia-Pacific region and real estate-related assets relating to the foregoing. Croesus Retail Trust was founded on May 7, 2012 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=S6NU](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=S6NU))

1. The last four acquisitions made since October 2015 have been outside the regions of Tokyo and Osaka. In the Annual report, the trust provided unitholders with a market review on Japan (page 48) which talked about Tokyo and greater Osaka getting a surge from higher international footfall thus boosting retailers in these two regions.

The trust has 70% of its malls located in suburban area.

**(i) Can the manager confirm that it is not the strategy to position the trust's portfolio to capture increased tourist arrivals and greater tourist expenditure?**

**(ii) With the latest addition to the portfolio since October 2015, will the key driver to the trust's organic growth be determined greatly by the ability of the Japanese government to successfully jumpstart the economy through fiscal stimulus?**

2. In the Chairman's Message, it was highlighted that the trust has plans to "to explore new financing and refinancing options for our debt, adding greater debt headroom for the CRT to explore new opportunities when they arise".

The trust has a gearing of 45.3% in FY2016, down slightly from 47.3% in FY2015. The decrease was partly attributed to positive asset revaluations that were non-cash in nature.

REITs are to adopt a single-tier leverage limit of 45% since 1 January 2016 after the review to the regulatory regime governing REITs and REIT managers by the Monetary Authority of Singapore. Even so, many REITs have remained at a lower leverage of 30-35%. CRT, constituted as a business trust under the Business Trusts Act, Chapter 31A of Singapore, does not face the same regulatory limit.

**(i) Can the manager explain the capital management strategy that they have adopted?**

**(ii) Has the board set an internal leverage limit for the trust? If so, what is it?**

**(iii) Why the manager is comfortable with the current gearing of 45%?**

**(iv) What is the unique characteristic of the portfolio that supports this higher leverage given that most of the other REITs cap their gearing to about 35%?**

The Chairman's message seems to suggest that the trust is open to increasing the gearing. Leverage is a cheap, easy and fast way to boost returns in a low/negative interest rate environment but higher leverage increases the refinancing and even bankruptcy risk when interest rates increase or when asset valuations are falling.

**3. Please provide information on the assets that the trust has the right of first refusal to, as granted by its sponsor and strategic partners. Please include the relevant information such as the asset, the city/prefecture, year of completion, title, and the key tenants so that unitholders can have a better understanding of the growth opportunities for the trust.**