

**Issuer:** Frasers Centrepoint Asset Management (Commercial) Ltd.

**Security:** Frasers Commercial Trust

**Meeting details:**

Date: 23 January 2017

Time: 10:00H

Venue: Level 2, Alexandra Point, 438 Alexandra Road, Singapore 119958

**Company Description**

Frasers Commercial Trust invests in a diverse portfolio of real estate and real estate related assets, primarily focusing on office and retail assets. It owns properties in Singapore, Japan, and Australia. The company was founded in 2005 and is based in Singapore, Singapore. The registered name of Allco Commercial REIT has changed to Frasers Commercial Trust since its 17.7% stake acquisition by Frasers Centrepoint Ltd.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=ND8U](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=ND8U))

**Q1.** In the Operational Review (page 39 of the annual report), it was disclosed that the portfolio weighted average lease expiry (WALE) by gross rental income was 3.8 years (as at 30 September 2016). Looking at the next two years, 21% and 27% of the leases by gross rental income will expire in FY2017 and FY2018 respectively.

- a) **Given that half the leases by gross rental income will expire in the next two years when the market conditions are challenging, what are the targeted rental reversion rates? Is occupancy expected to dip?**

Included in the FY2017 lease expiries are Hewlett-Packard Singapore Pte Ltd and Hewlett-Packard Enterprise Singapore Pte Ltd which account for 10.5% and 7% of portfolio gross rental income respectively in FY2016. A new built-to-suit facility for the Hewlett-Packard is expected to be ready in second quarter of 2017. The two tenants take up a total of 496,767 square feet (or 47.6%) of the net lettable area in Alexandra Technopark.

- b) **What would be the impact on FCOT if the tenants decide not to renew their leases?**
- c) **What the proactive asset management actions that the trust can take to mitigate the risk of having to fill up about half the space in Alexandra Technopark with new tenant/leases?**
- d) **Given the age and the layout of Alexandra Technopark, are there opportunities for asset enhancement to reposition it to stay competitive in the Alexandra micro-market?**

**Q2.** Occupancy at Central Park, Perth has dipped from 88.6% as at 30 September 2015 to 80.2% as at 30 September 2016. Despite the manager's proactive leasing initiatives and the revamping of the retail arcade at Central Park, the asset continues to be a laggard in the portfolio as a result of the weaker office market in Perth.

- a) **Does the manager expect the performance of Central Park to stabilise at the current level or could it possibly dip further until the broader market in Perth recovers?**
- b) **When would the exact space requirement of the new lease to be taken up by Hamersley/Rio Tinto be known?**

**Q3.** The trust has made a maiden issuance of senior unsecured fix rate notes under the S\$1.0 billion Multicurrency Medium Term Note Programme. Previously it had undertaken a private placement in FY2015 and had issued convertible perpetual preferred units back in FY2009. Effective 1 January 2016, under the Property Fund Guidelines of the CIS Code, the aggregate leverage should not exceed 45.0% of the deposited property.

- a) **Has the change in the guideline lead to any changes to FCOT's approach to capital management?**
- b) **The current gearing ratio is 36.0% as at 30 September 2016, down marginally from 36.2% last year. Has the board set any internal gearing limit for FCOT?**
- c) **Going forward, if there were to be any acquisitions, how much headroom would there from all the appropriate sources of funding available before the trust approaches unitholders in a Rights issue?**