

**Issuer:** Frasers Hospitality Asset Management Pte. Ltd.

**Security:** Frasers Hospitality Trust

**Meeting details:**

Date: 19 January 2017

Time: 10:00H

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

**Company Description**

Frasers Hospitality Trust (“FHT”) is a global hotel and serviced residence trust established with the principal strategy of investing globally (except Thailand) on a long-term basis, directly or indirectly, in a diversified portfolio of income-producing real estate and real estate-related assets used predominantly for hospitality purposes.

FHT is a stapled group comprising Frasers Hospitality Real Estate Investment Trust (“FH-REIT”) and Frasers Hospitality Business Trust (“FH-BT”). FHT is managed by Frasers Hospitality Asset Management Pte. Ltd., the manager of FH-REIT (the “REIT Manager”), and Frasers Hospitality Trust Management Pte. Ltd., the trustee-manager of FH-BT (the “Trustee-Manager”). Listed on the Mainboard of the Singapore Exchange (“SGX-ST”) on 14 July 2014,

FHT provides investors with exposure to one of the largest global hospitality portfolios by number of rooms. The current portfolio comprises 3,914 rooms in 15 properties – 9 hotels and 6 serviced residences. These properties are located across Asia, Australia and Europe in prime locations of key cities – namely, Melbourne, Sydney, Singapore, Edinburgh, Glasgow, London, Kobe, Kuala Lumpur and Dresden.

As at 30 September 2016, FHT’s investment properties (excluding Novotel Melbourne on Collins which was acquired in October 2016) were valued at SGD2.06 billion.

(Source: Frasers Hospitality Trust Annual Report FY2016)

**Q1.** At Frasers Hospitality Trust's (FHT) initial public offering in July 2014, the initial portfolio consisted of 12 properties in 7 cities with a total of 2,770 rooms. The portfolio has grown to 15 properties (9 hotels and 6 serviced residences) in 9 cities comprising 3,914 rooms.

To fund for these acquisitions, FHT has undertaken a private placement of 150 million stapled securities, carried out a Rights issue of 442 million new stapled securities and issued a SGD100 million perpetual securities under the Multicurrency Debt Issuance Programme (EMTN).

- a) **Can FHT help stapled security holders understand the current approach to its capital management? What is the optimal/targeted capital structure? How does the manager determine which funding option to use?**
- b) **At the IPO, FHT had an aggregate leverage of 41.7%. As at 30 September 2016, FHT's gearing was 37.7% (down from 38.9% in the last FY). Given that the Monetary Authority of Singapore has revised the Property Funds Appendix of the Code on Collective Investment Schemes with effect from 1 January 2016 and that the prescribed gearing limit is now 45%, how has this affected FHT in terms of its capital management?**

**Q2.** With the acquisition of Sofitel Sydney Wentworth, FHT still has 17 other properties under the Right-of-First-Refusal (ROFR) from the Sponsor/TCC. In addition, FHT can acquire assets from third-parties, such as the later two acquisitions for Maritim Hotel Dresden and Novotel Melbourne on Collins. Even though the total portfolio value has increased over 23.4% from SGD1.67 billion since listing to SGD2.06 billion as of 30 September 2016, the distribution per stapled security (DPS) would have been 6.13 cents (excluding the effects of the rights issue). This is a drop of 1.1% from the distribution per stapled security of 6.2 cents in FY2015.

- a) **What is the long term strategic growth plan for FHT? Are there hard/fixed targets for the manager to grow the portfolio by a certain time?**
- b) **Are there plans to diversify geographically beyond the current 9 cities? If so, can the manager share its assessment of the potential new cities that are in the ROFR portfolio or that it is evaluating?**
- c) **How does the manager evaluate the potential acquisitions? What are the minimum financial and/or operational criteria that a potential asset must meet to be considered?**

The acquisition of Melbourne on Collins is a non-accretive acquisition that would reduce the DPS yield from 7.9% to 6.9% (as disclosed in profit forecast in the Offer Information Statement lodged with the MAS). Currently, the Trustee-Manager is entitled to a management fee comprising a Base Fee of 0.3% per annum of the value of the FH-BT Trust Property; and (ii) a Performance Fee of 5.5% of the aggregate Distributable Income of FHT in the relevant financial year.

- d) **Would the board consider updating the management fee structure to one where the DPS is also a key factor in the determination of the fees?**

**Q3.** In Note 7 (Payment Top-up – page 199), it was disclosed that the payment top-up amounts of SGD 8.05 million and SGD 1.65 million for InterContinental Singapore and Fraser Suites Singapore respectively have been fully drawn down as of 30 September 2016. The effect of the payment top-up on distribution per unit is 0.1663 cents. This constitutes 3.2% of the DPS of 5.23 cents for FY2016.

The payment top-up is also commonly referred to as income support.

- a) Can the manager state if that the two assets (InterContinental Singapore and Fraser Suites Singapore) are able to generate a level of distributable income in the coming financial year that is commensurate with the levels attained with the provision of the payment top-up?**
- b) If not, does it mean that the distributable income for the next financial year will come under more pressure?** As the two Singapore assets account for more than 40% of the entire portfolio value, this will have a significant impact on the level of distributable income of the trust for the next year.
- c) What are the pro-active measures taken to improve the occupancy rates and the average daily rate for InterContinental Singapore and Fraser Suites Singapore?**