

**Issuer:** ARA Trust Management (Suntec) Limited

**Security:** Suntec Real Estate Investment Trust

**Meeting details:**

Date: 18 April 2017

Time: 10:30H

Venue: Level 3, Summit 1, Suntec Singapore Convention & Exhibition Centre,  
1 Raffles Boulevard, Suntec City, Singapore 039593

**Company Description**

Suntec Real Estate Investment Trust is a real estate investment trust externally managed by ARA Trust Management (Suntec) Limited. It invests in the real estate markets of Singapore. The fund invests in real estate and real estate-related assets that are primarily used for retail or office purposes. Suntec Real Estate Investment Trust was formed on November 01, 2004 and is based in Singapore, Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=T82U](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=T82U))

**Q1. With assets under management of \$9.5 billion and a new leadership team in the board and management in 2017, can the REIT tell shareholders how it intends to build on the strong foundation and drive the next phase of growth?**

Following the recent acquisitions in Australia – namely 177 Pacific Highway in North Sydney and Southgate Complex in Melbourne – the REIT now has deepened its presence in Australia.

- a) **Will the REIT be further deepening its presence in Australia?**
- b) **Would Australia be the key driver of growth for the REIT? Has the REIT evaluated opportunities in key cities in other countries?**
- c) **Does the REIT manager have any targeted allocation to overseas real estate?**

Also, with the S\$410 million asset enhancement initiative of Suntec City now completed, **has the REIT manager carried out a review to evaluate if the financial projections and the targeted ROI of the AEI have been met?**

**Q2.** The REIT has achieved an annual distribution per unit (DPU) for 2016 is 10.003 cents, little changed from the 2015 DPU of 10.002 cents (page 14 of the annual report - “Financial highlights”). The 2016 DPU consists of 9.057 cents from operations and 0.946 cents from capital. The amount of distribution from capital was 0.753 cents in 2015 and 0.42 cents in 2014 (of the 2014 DPU of 9.4 cents). The historical trend is shown in the table below.

	FY2016	FY2015	FY2014	FY2013	FY2012	FY2011
DPU	10.003¢	10.002¢	9.400¢	9.328¢	9.490¢	9.93¢
--- From operations	9.057¢	9.249¢	8.980¢	8.489¢	9.490¢	9.93¢
--- From capital	0.946¢	0.753¢	0.420¢	0.839¢	-	-
Aggregate Leverage Ratio	37.7%	37.1%	35.5%	39.1%	38.3%	39.1%
Debt-to-Asset Ratio	36.4%	35.8%	34.7%	38.0%	36.7%	37.3%

(Source: Suntec REIT Annual Reports)

From FY2013, the DPU has increased steadily and has included a component distributed from capital. The DPU distributed from capital has steadily increased since FY2014. DPU from operations has also dropped in FY2016. Since the private placement in FY2014 which raised S\$350 million to repay debt, the leverage (measured by aggregate leverage ratio or debt-to-asset ratio) has also increased steadily since FY2014.

- a) **Can the REIT help shareholders understand its “prudent and proactive capital management” policy?**
- b) **Is the payout of about 10 cents in distribution sustainable? Will the REIT continue to make distribution from capital?**  
This has partly contributed to the REIT’s higher leverage.

**Q3.** Under the old regulatory framework, the aggregate leverage of a property fund may exceed 35.0% of the fund's deposited property (up to a maximum of 60.0%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. Before 2016, the REIT had obtained and disclosed a credit rating and had maintained an aggregate leverage exceeding 35%.

The Property Funds Appendix of the Code on Collective Investment Schemes has been revised and, with effect from 1 January 2016, the aggregate leverage should not exceed 45% of the fund's deposited property.

- a) **Given the change in the aggregate leverage to 45%, does the REIT manager intend to review the REIT's current capital management policy?**
- b) **Is the REIT inclined to, or in a position to, increase its aggregate leverage to a level nearer to the 45% limit set by the Property Fund Appendix?**
- c) **What is the REIT's targeted capital structure?**