Issuer: Manulife US Real Estate Management Pte. Ltd.

Security: Manulife US Real Estate Investment Trust

Meeting details:
Date: 23 April 2018
Time: 10.00 a.m.
Venue: NTUC Auditorium, Level 7, NTUC Centre, One Marina Boulevard, Singapore 018989

Company Description

Manulife US Real Estate Investment Trust ("Manulife US REIT") is the first pure-play U.S. office REIT listed in Asia. It is a Singapore REIT established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States ("U.S."), as well as real estate-related assets. Manulife US REIT's portfolio comprises five prime, freehold and Class A or Trophy quality office properties strategically located in Los Angeles; Irvine, Orange County; Atlanta; and New Jersey. The current portfolio valued at US$1.3 billion, has an aggregate Net Lettable Area of 3.0 million sq ft and an occupancy rate of 95.9% as at 31 December 2017.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BTOU)

1. On page 4 of the annual report, the REIT has stated that it aims to "double its Assets under Management (AUM) to US$2.6 billion in the next two years by searching for yield-accretive deals either from third parties or its Sponsor".

(i) **Can the REIT manager help unitholders understand the basis for its target of US$2.6 billion AUM?**

(ii) **Did the board approve the REIT's target to double its AUM in 2 years? What are the safeguards to prevent the manager from being too aggressive in its acquisition?**

(iii) Under the Trust Deed, the manager is entitled to receive a base fee of 10.0% per annum of the distributable income (Base Fee) as well as a performance fee of 25.0% of the difference in DPU in a financial year compared with the preceding financial year, multiplied by the weighted average number of issued Units (Performance Fee) (page 23). **How does the board safeguard against acquisitions that increase the AUM (and thus distributable income) but does not increase DPU?**

(iv) In the section titled "Creating value" (page 14), the REIT has shown that the total [unitholder] return from 3 January 2017 to 31 January 2018 was 36.7%. **Would the manager also disclose the total unitholder return for a Singapore-based unitholder in SGD terms?**

2. As noted in the Letter to Unitholders, the REIT has embarked on an accelerated programme of Asset Enhancement Initiatives (AEI) in Figueroa and Exchange in 2Q and 3Q2018 respectively.

Figueroa, which had undergone a refurbishment in 2015, would have the waterfall in its main lobby replaced with a new café at a cost of US$5 million while US$12 million is expected to be spent at the Exchange to renovate the lobby, spruce up common area and have additional equipment (e.g. turnstiles) installed.

(i) **What are the projected returns for the AEIs that the REIT carries out?**

(ii) **How does the REIT manager ensure that disruption and inconvenience to the current tenants are kept to a minimum?**

(iii) **Does the REIT manager have visibility of the AEI required for its portfolio of assets in the next 2-3 years following the above-mentioned AEI for Figueroa and Exchange?**

3. As at 31 December 2017, the REIT has gross borrowings of US$461.9 million with a gearing ratio of 33.7%, as seen on page 25.

Key Financial Indicators	As at 31 December 2017	As at 31 December 2016
Gross borrowings	US$461.9 million	US$296.0 million
Gearing ratio[13]	33.7%	33.8%
Weighted average cost of debt	2.83% p.a.	2.46% p.a.
Weighted average debt maturity	3.4 years	3.6 years
Interest cover ratio[14]	5.5 times	5.3 times

(Source: Annual report)

In particular, the nominal interest rate on the Plaza and Exchange facilities were 3.60% and 3.48%, over 100 basis points higher than the 2016 weighted average cost of debt.

(i) **Can the manager explain why the Plaza and Exchange facilities were priced substantially higher?** This was the main reason for the jump in the weighted average cost of debt 2.83% as at 31 December 2017 from 2.46% a year ago.

As disclosed in Note 10 (page 115 – Loans and borrowings), the trust, through its subsidiaries, has in place an aggregate of US$546.9 million loan facilities secured on the properties owned by the respective subsidiaries.

(ii) Can the board help unitholders understand why all the REIT's properties are encumbered whereas other Singapore listed REITs usually have unencumbered assets?

On 13 April 2018, the REIT announced the proposed acquisition of 1750 Pennsylvania Avenue in Washington, D.C. and Phipps Tower in Buckhead, Atlanta for US$387.0 million. On the same day, it also announced the establishment of a US$1,000,000,000 Multicurrency Debt Issuance Programme.

(iii) Going forward, what would be the REIT's targeted capital structure?