

Issuer: Managed by Sabana Real Estate Investment Management Pte. Ltd.

Security: Sabana Shari'ah Compliant Industrial Real Estate Investment Trust

Meeting details:

Date: 25 April 2018

Time: 10.30 a.m.

Venue: Raffles City Convention Centre, Collyer Room, Level 4 at 80 Bras Basah Road, Singapore 189560

Company Description

Sabana REIT was listed on Singapore Exchange Securities Trading Limited on 26 November 2010. It was established principally to invest in income-producing real estate used for industrial purposes, as well as real estate-related assets, in line with Shari'ah investment principles. Sabana REIT currently has a diversified portfolio of 20 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. Its total assets amount to approximately S\$1.0 billion. Sabana REIT is listed in several indices within the SGX S-REIT Index, Morgan Stanley Capital International, Inc (MSCI) Index and FTSE index. Sabana REIT is managed by Sabana Real Estate Investment Management Pte. Ltd., (in its capacity as the Manager of Sabana REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended). Sabana REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore. For further information on Sabana REIT, please visit <http://www.sabana-reit.com>.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=M1GU)

Q1. As noted in the Letter to Unitholders, the REIT went through a uniquely challenging financial year 2017 and having gone through a strategic review process, the REIT is now re-focusing on driving growth organically. With a new CEO and a refreshed board, the manager's focus is to enhance the portfolio and to improve cost controls.

- a) **Divestment of Non-Core/Non-Performing Assets:** Has the manager identified the assets that are non-core/non-performing that the REIT will divest at the right time? Will the REIT manager waive its divestment fees as well?
- b) **Asset Enhancement Initiatives (AEI):** Can the manager remind unitholders the AEI that the REIT has carried out, if any? What was the projected/realised rate of return of the AEI?
- c) **Potential Acquisitions with Overseas Focus:** Even with "homeground advantage", the REIT has mixed results in acquiring and leasing out assets. What expertise and track record does the manager have in overseas markets? Which key markets have been shortlisted by the manager?
- d) **Prudent Capital and Risk Management:** Will the manager re-evaluate how it could reduce the cost of capital? In addition, would the board re-evaluate the valuation process of the manager when the REIT acquires properties with master leases?

Q2. In FY2017, the REIT managed to secure 55 lease renewals and new leases across the portfolio, including the renewal of all four master-tenanted properties that were due to expire in the year.

- a) **Underlying leases:** What are the underlying occupancy rates and the rental rates at all 9 master-tenanted properties in the portfolio?
- b) **Master leases:** For the four master-tenanted properties that were renewed in 2017, can the manager tell unitholders the rental reversion and the lease expiry of the new master leases? How sustainable is this practice of renewing the master leases for one year or less, and at lower rental each time?
- c) **Multi-tenanted properties:** The average occupancy rate at its 10 multi-tenanted properties was 78.4%. Can the manager explain how it will be doing things differently to improve the occupancy rate, to retain key tenants and to increase rental returns from the assets?

Q3. As part of the strategic review, did the board re-evaluate how base and performance fees payable to the manager are determined?

As it stands, the base fee payable to the manager is calculated based on 0.5% per annum of the value of the Deposited Property and a performance fee is triggered once the REIT achieves at least 10% annual growth in DPU over the previous financial year.

- a) **Would the board review how the base fee is determined to better align the manager's interest with that of unitholders'?**
- b) **Can the manager also confirm when was the last time the manager received its performance fees?**
- c) **Can the board clarify if there is a high-water mark for DPU before it triggers the payment of performance fees to the manager?**
- d) **Would the manager commit to taking 100% in units for its fees so as to better align the manager with unitholders?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Sabana%20REIT>

The company's response could be found here: -----