



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Ascendas Funds Management (S) Limited

Security: Ascendas Real Estate Investment Trust

Meeting details:

Date: 28 June 2018

Time: 3.00 p.m.

Venue: Mandarin Oriental, Singapore, 5 Raffles Avenue, Marina Square, Oriental Ballroom, Lobby Level, Singapore 039797

Company Description

Ascendas Reit is Singapore's first and largest listed business space and industrial real estate investment trust. As at 31 March 2018, total assets were about S\$10.4 billion, comprising 100 properties in Singapore and 31 properties in Australia. The portfolio includes business and science park/suburban office properties, hi-specs industrial properties, light industrial properties, logistics and distribution centres, integrated development, amenities and retail properties. These properties house a tenant base of around 1,320 international and local companies from a wide range of industries and activities, including research and development, life sciences, information technology, engineering, light manufacturing, logistics service providers, electronics, telecommunications, manufacturing services and back-room office support in service industries. Major tenants include Singtel, DSO National Laboratories, DBS, Citibank, Wesfarmers, JPMorgan, Ceva Logistics and Biomedical Sciences Institutes, to name a few. Ascendas Reit is listed in several indices. These include the FTSE Straits Times Index, the Morgan Stanley Capital International, Inc (MSCI) Index, the European Public Real Estate Association/National Association of Real Estate Investment Trusts (EPRA/NAREIT) Global Real Estate Index and Global Property Research (GPR) Asia 250. Ascendas Reit has an issuer rating of "A3" by Moody's Investors Service. Ascendas Reit is managed by Ascendas Funds Management (S) Limited, a wholly-owned subsidiary of the Singapore-based Ascendas-Singbridge Group. Ascendas REIT Australia and its sub-trusts, are managed by Ascendas Funds Management (Australia) Pty Ltd, which is a wholly-owned subsidiary of Ascendas Funds Management (S) Limited.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=A17U)

1. As noted in the Chairman’s Message, the trust just marked its 15th anniversary in 2017 and the portfolio value exceeded the \$10 billion mark. In 2015, the trust diversified into the Australian market with an acquisition of a \$1.1 billion logistics portfolio.

In the company’s announcement titled “A-REIT extends investment mandate to explore investment opportunities” (dated 6 August 2015), the trust announced that it “plans to expand its investment scope to cover new mature developed markets such as Australia and Germany [...] with the manager targeting for new mature developed markets to make up approximately 20-30% of A-REIT’s portfolio”.

In the Interview with CEO (page 12), the CEO has re-iterated that the current A-REIT platform can potentially be expanded to include other mature and developed markets such as UK, Europe and the United States.

- (i) Would the board help unitholders understand what are the countries that are being classified as “mature developed markets” other than Singapore and Australia?**
- (ii) For the benefit of both new and old unitholders, can the manager (re)state the current investment mandate of A-REIT?**
- (iii) Does the REIT still have a target allocation of 20-30% for its overseas mature developed market?**

After the announcement dated 6 August 2015, the trust promptly announced its maiden acquisition outside of Singapore of a \$1.1 billion Australian portfolio on 18 September 2015.

- (iv) In the opinion of the board, would the acquisition of the \$1.1 billion Australian logistics portfolio significantly alter the risk profile of the trust then?**
- (v) Should there be further diversification of the REIT into new markets other than Australia, would the board consider it necessary to seek unitholders’ approval prior to any further diversification?**

2. Under the REIT’s proactive portfolio management, three properties in Singapore worth \$60.8 million were divested in FY17/18. In FY16/17, Four Acres Singapore and A-REIT Jiashan Logistics Centre in China, which were development projects, were divested in FY16/17. As announced, the REIT has also divested 30 Old Toh Tuck Road on 30 April 2018 (FY18/19).

The REIT regularly conducts its “Hold-Transform-Sell” analysis to optimise returns.

- (i) Can the manager help unitholders understand how it determines which assets are to be divested as part of its capital recycling process?**

- (ii) Would the manager confirm that the divestment fees payable/paid to the manager are paid out in cash?**

Separately, would the manager also elaborate further on the investment hurdle required for the REIT to carry out its asset enhancement initiatives?

3. As noted in the Corporate Governance Report, key executives (including the CEO) are remunerated with a fixed annual salary, short-term incentives and long-term incentives (page 113).

The short-term incentive is linked to the performance of the REIT and of the individual while the long-term incentive is tied to the sponsor's performance, which is measured by total shareholders' return.

- (i) Would the Nominating and Remuneration Committee (NRC) help unitholders understand the maximum short-term incentives and long-term incentives possible under the current system?**
- (ii) Would the NRC explain in greater detail the reason(s) to link the long-term incentive of key management to the sponsor's performance and not to the performance of the REIT? Would the alignment with unitholders be further strengthened if the long-term incentive is tied to the performance of the REIT and not the sponsor (or the manager)?**