Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: Mapletree Logistics Trust Management Ltd.

Security: Mapletree Logistics Trust

Meeting details:
Date: 16 July 2018
Time: 2.30 p.m.
Venue: 10 Pasir Panjang Road, Mapletree Business City, Town Hall - Auditorium, Singapore 117438

Company Description

MLT, the first Asia-focused logistics REIT in Singapore, was listed on the SGX-ST main board on 28 July 2005. MLT's principal strategy is to invest in a diversified portfolio of income-producing logistics real estate and real estate-related assets. As at 31 March 2018, it has a portfolio of 124 logistics assets in Singapore, Hong Kong SAR, Japan, Australia, South Korea, China, Malaysia and Vietnam with a total book value of S$6.5 billion. MLT is managed by Mapletree Logistics Trust Management Ltd., a wholly-owned subsidiary of Mapletree Investments Pte Ltd. For more information, please visit www.mapletreelogisticstrust.com.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=M44U)

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1. With the latest acquisitions in Hong Kong, the REIT's assets in Hong Kong now account for 34.3% of the entire portfolio, surpassing the 26.8% of assets in Singapore (page 5 of the annual report). On 5 July 2018, the REIT announced the proposed acquisition of five additional logistics properties in Singapore at an estimated acquisition purchase price of S$778.3 million.

As shown on page 8, the REIT has a "Yield + Growth" strategy.

(i) Can the REIT manager help unitholders understand in greater detail the strategic growth plans of the REIT, specifically the long-term capital allocation target for the various markets?

As noted in the announcement dated 5 July 2018, the proposed acquisitions are expected to generate an initial net property income yield of 6.2% based on the purchase price of S$778.3 million and is expected to be DPU-accretive.

On page 2 in the annual report, under the section "Key Highlights", the REIT has a DPU yield of 6.2% based on the DPU of 7.618 cents for FY17/18 and closing unit price of S$1.23 on 31 March 2018.

(ii) How does the REIT manager evaluate potential assets for acquisitions? Are there strategic objectives to be met, such as to achieve a certain scale/network in the various markets? What are the key financial and non-financial considerations?

As seen from the Financial Highlights, the total investment portfolio has increased from $4.2 billion in FY13/14 to $6.5 billion in FY17/18, an increase of 55% over the period. The NAV per unit has increased by 13% from $0.97 to $1.10 per unit while DPU has increased from 7.35 cents to 7.618 cents, an increase of 3.6%.

(iii) Can the board and the manager help unitholders understand why DPU and NAV growth has lagged behind the AUM even as more leverage has been used since FY13/14?

(iv) Can the manager further explain its "rigorous and disciplined investment approach, particularly in the area of asset evaluation and pricing"?

(v) Can the REIT manager provide unitholders with the assurance that acquisitions are made to increase the quality of the portfolio and to increase the total returns to unitholders in a sustainable manner?

2. As disclosed in Note 1(b) (page 142 – Manager's management fees), the manager is entitled to receive a base fee of 0.5% per annum of the value of the deposited properties and a "performance fee" of 3.6% per annum of the net property income of the trust.

The total management fees consisting of the base fees and performance fees are shown in the table below:

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	FY12/14 S$'000	FY13/14 S$'000	FY14/15 S$'000	FY15/16 S$'000	FY16/17 S$'000	FY17/18 S$'000
Base fees	21,452	21,116	22,661	24,908	27,179	29,709
Performance fee	9,646	9,659	10,032	10,522	11,293	11,961
Manager's Management Fees	31,098	30,775	32,693	35,430	38,472	41,670

(Source: Annual reports)

(i) Would the board help unitholders understand if a performance fee based on net property income of the trust is the best way to align the interests of the REIT manager with unitholders?

(ii) Has the board considered the need to review why the increases in NAV per unit and the DPU have lagged significantly behind the increase in management fees?

3. On 13 September 2017, the REIT manager announced an equity fund raising for up to $640 million comprising of a private placement to raise up to $362 million and a non renounceable preferential offering.

The final issue prices for the private placement and the non renounceable preferential offering were S$1.175 per New Unit and S$1.145 per New Unit respectively.

(i) Would the board and the manager elaborate further on the deliberations it has had on the decision to carry out a non renounceable preferential offering (and together with the private placement)?

(ii) Was the option of a rights issue considered? Can the board help unitholders understand why a (renounceable) rights issue was not the preferred method to raise funds?

(iii) Does the board/REIT manager have a certain target profile for its unitholder distribution that it is trying to achieve?

As disclosed on 6 October, the level of valid acceptances for the non renounceable preferential offering was 89.4%. Almost 11% of unitholders were unwilling and/or unable to subscribe for the non renounceable preferential offering, and thus leading to a dilution of their unitholding even before considering the dilution due to the private placement.

(iv) How does the board ensure that unitholders who have supported the REIT are not unduly diluted as the REIT raises capital from the capital market?