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

Issuer: AIMS AMP Capital Industrial REIT Management Limited

Security: AIMS AMP Capital Industrial REIT

Meeting details:
Date: 26 July 2018
Time: 2.00 p.m.
Venue: Novotel Singapore Clarke Quay, Phoenix Grand Ballroom, Level 6, 177A River Valley Road, Singapore 179031

Company Description

Managed by the Manager, AA REIT was established with the principal investment objective of owning and investing in a diversified portfolio of income-producing industrial real estate located throughout the Asia Pacific that is used for industrial purposes, including, but not limited to warehousing and distribution activities, business park activities and manufacturing activities. The principal sponsors of AA REIT are the AIMS Financial Group ("AIMS") and AMP Capital, part of the AMP Group, one of Australia's largest retail and corporate pension providers and one of the region's most significant investment managers. AA REIT's existing portfolio consists of 26 industrial properties, 25 of which are located throughout Singapore (including one redevelopment at 3 Tuas Ave 2) with a total value of S$1.23 billion based on valuations obtained as at 31 March 2018. AA REIT also has 49.0% interest in one business park property, Optus Centre, which is located in Macquarie Park, New South Wales, Australia, and is valued at A$450.0 million as at 31 March 2018.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=O5RU)

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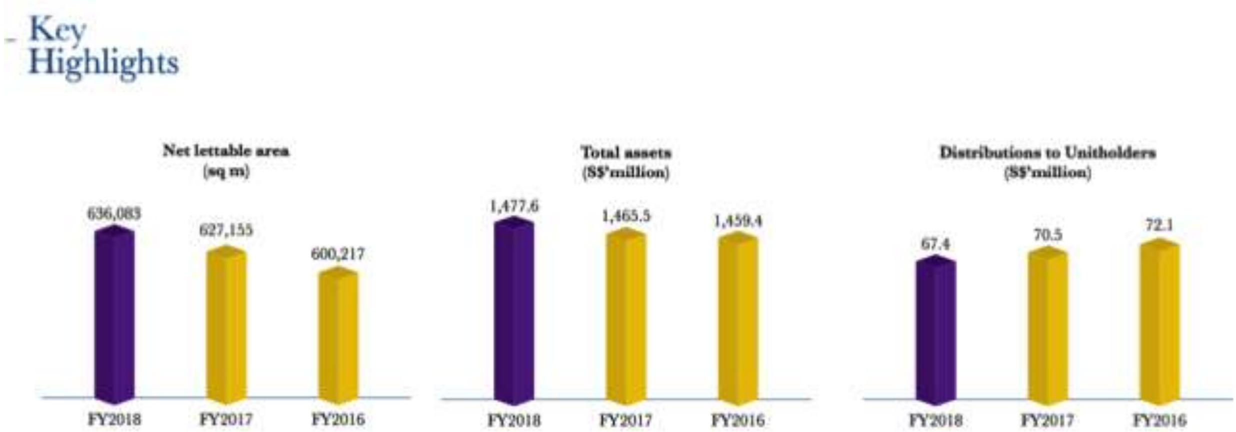
1. As seen in the Financial Highlights, the gross revenue of the REIT has slipped from $124.4 million in 2016 to $116.9 million in 2018, a drop of 6% (page 10 of the annual report). Distribution per unit has decreased from 11.35 cents per unit in 2016 to 10.30 cents per unit in 2018 following the private placement of 42.1 million units in December 2017.

While the net lettable area and total assets have increased, distributions to unitholders have decreased. The following charts were adapted from the Key highlights section in the annual report (page 11).



(Source: Annual report 2018)

(i) **Has the board/REIT manager carried out a review of the REIT's performance and quantify the reasons that led to lower distributions to unitholders even as the asset base increased?**

(ii) Specifically for the multi-tenanted eight-storey light industrial building at 1 Bukit Batok Street 22, the committed occupancy rate has fallen to 43%. **What are management's plans to lease out the vacant space?**

(iii) Despite a drop in occupancy rate and stable gross rental income (from $1.35 million to $1.38 million), the valuation of 7 Clementi Loop increased from $10.9 million to $12.2 million. **Can the REIT manager elaborate further on the reasons for the increase in the valuation? Is the increase supported by strong fundamentals?**

(iv) As part of the REIT's strategic capital recycling strategy, the 10 Soon Lee Road property was sold for $8.17 million in January 2018. **Can the REIT manager help unitholders understand how its assets are evaluated for potential divestment?**

2. The REIT completed its inaugural greenfield build-to-suit ("BTS") development at 51 Marsiling Road. The manufacturing facility at 51 Marsiling Road was completed on 27 October 2017, on time and within budget, and began its 10 year lease that includes rent escalations.

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- **(i) What experience has management gained from the negotiation and the successful completion of its first BTS development?**

- **(ii) Following the success of 51 Marsiling Road, is the manager looking to scale up its BTS programme?**

- **(iii) What is the REIT's value proposition in a BTS project and how does the REIT set itself apart from other competitors?**

3. On 21 November 2017, the REIT manager announced a private placement to raise up to $50 million in gross proceeds at an issue price range of between S$1.305 and S$1.345 per New Unit. This was a discount of between 4.1% and 6.9% to the volume weighted average price ("VWAP") of S$1.402 per unit in AA REIT of trades done on the SGX-ST for the Market Day on 21 November 2017.

At the close of the private placement, it was decided that a total of 42,145,000 new units will be issued at an issue price of bottom end of the indicative price range (i.e. S$1.305 per New Unit) to raise a total of $55.0 million.

- **(i) Would the board and the REIT manager elaborate further on the deliberations they have had on the decision to carry out a private placement that would lead to dilution of the then-existing unitholders?**

- **(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?**

Given that the last reported net asset value per unit was $1.36 (as at 31 September 2017) and that the volume weighted average trading price was $1.402, a placement at $1.305 would lead to unnecessary dilution to the then-existing unitholders.

- **(iii) Did the board estimate the "real cost" of the placement to the then-existing unitholders once the dilutive impact was factored in?**

- **(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?**

A copy of the questions for the Annual Report for the financial year ended 31 March 2017 could be found here:

https://sias.org.sg/index.php?option=com_qaannualreports&view=qareports&filter_company=235

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