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**REIT:** ARA LOGOS Logistics Trust (formerly known as Cache Logistics Trust)  
(Manager: ARA LOGOS Logistics Trust Management Limited)

**Stock code:** K2LU

**Meeting details:**

Date: 3 June 2020

Time: 10.00 a.m.

Due to the current COVID-19 pandemic, SIAS encourage shareholders to participate at AGMs via other means and not to attend any AGM physically. Where the AGM is webcast, they can stay on top of their investments by watching the webcast and submitting their question to the company in advance. Senior citizens should avoid attending AGMs altogether and stay home.

**Q1.** In the letter to unitholders, one of the highlights was the exciting news that ARA has created a new platform focusing entirely on logistics. With this strategic venture between ARA and LOGOS Group, it combines ARA’s fund management capabilities with LOGOS’ extensive logistics property and development expertise to create a best-in-class logistics real estate platform.

In addition, the REIT has been renamed to ARA LOGOS Logistics Trust and the manager is now known as ARA LOGOS Logistics Trust Management Limited.

It was only in June 2018 that ARA acquired full control of the manager. In the announcement dated 25 June 2018, ARA senior management further added that “exercising [ARA’s] full management control over Cache represents a greater alignment of interest which will be beneficial to unitholders in the long-term”.

However, on 11 December 2019, as part of a series of transactions involving ARA and LOGOS, ARA transferred its 10.037% stake in the REIT and the 100% interest in the unlisted manager to LOGOS China, as part of the consideration for ARA’s subscription into LOGOS China.

Less than 2 years after ARA obtained full management control over Cache to better align interest, the latest move would have diluted ARA’s effective ownership of the REIT and of the manager.

- (i) **Would the board clarify if the latest corporate actions would have diluted ARA’s effective interest in the REIT and in the manager? If so, please disclose the effective interest in both.** ARA has been transparent over the level of ownership changes, especially when it gained full control of the manager.
- (ii) **Given the new strategic venture with LOGOS, and considering the impact of the COVID-19, how will the manager be finetuning its acquisition pace and strategy?**
- (iii) **Would the REIT be more pro-active in asset enhancement and development to leverage LOGOS’ operational and development expertise?**

**Q2.** The group continued its expansion into the Australian market with an acquisition of a warehouse in Altona, Victoria, Australia in 2Q FY2019 for A\$41.2 million. The acquisition includes a lease structure of 3.25% fixed annual rental escalation and was said to “contribute to a longer WALE” (page 29 – Operations and financial review).

In the announcement dated 20 March 2019, the weighted average lease expiry (“WALE”) for the Altona property was 2.53 years (as of 28 February 2019).

- (i) **Can management clarify how the Altona acquisition contributed to a longer WALE?** The REIT's WALE for its Australian assets is about 3.3 years (page 31).
- (ii) **Has the REIT secured a tenant for the vacant space?** At the point of acquisition, 24% of the space was vacant although the vendor has provided a two-year rental guarantee.
- (iii) **Can the manager clarify if the 3.25% fixed annual rental escalation applies only to the vacant space? Is there an annual rental escalation in the lease with the single anchor tenant?**
- (iv) **In its acquisition strategy, does the manager set a minimum lease expiry to ensure a higher degree of certainty to the cash flow?**

**Q3.** On page 12, the REIT has shown the unit price performance and its relative performance compared to the FTSE REIT Index and FTSE ST Index.

**RELATIVE PERFORMANCE**

Performance of Cache compared with major indices <sup>1</sup>	1 Year		3 Years		5 Years	
	Price Change	Total Return	Price Change	Total Return	Price Change	Total Return
Cache Logistics Trust	2.9%	11.1%	-8.3%	16.0%	-36.0%	-4.3%
FTSE REIT Index	18.8%	25.5%	30.1%	55.2%	18.4%	60.2%
FTSE ST Index	5.0%	9.4%	11.9%	24.8%	-4.2%	14.8%

Source: Bloomberg

(Source: annual report)

Over the past year, the REIT has delivered 11.1% in total return to unitholder although it lagged the 25.5% achieved by the benchmark FTSE REIT Index. Long term unitholders would have suffered a total loss of (4.3)% over 5 years and would have lagged the FTSE REIT Index by approximately 65%.

In the Corporate Governance report, under Board performance, the board has stated the following:

*The Board believes that performance of the whole Board, the Audit Committee, the Chairman and individual Directors are assessed and reflected in their proper guidance, diligent oversight, able leadership and support that they lend to Management. The Board takes the lead to steer Cache in the appropriate direction under both favourable and challenging market conditions. Ultimately, the interests of Cache are safeguarded and **reflected in the maximisation of Unitholders' value in the long-term performance of Cache** [emphasis added].*

- (i) **Would the board help unitholders understand the findings of its assessment of board performance? In particular, is the board satisfied with the long-term performance of the REIT?**

Even though the REIT has underperformed the market, the manager has been receiving a “performance fee” that is equal to 1.5% per annum of the Net Property Income. The performance fees amounted to \$1.2 million in FY2019 and \$1.4 million in FY2018 (page 170).

- (ii) **Would the board/remuneration committee consider reviewing the incentive structure and assess how a more appropriate metric (such as total unitholder return) could be used to determine the performance fee for the manager?**

^Amid the global COVID-19 outbreak, issuers who choose to proceed with the AGM before 30 April 2020 must provide opportunities for shareholders to ask questions. Shareholders are encouraged to read the annual report and submit any questions they might have to the companies in advance. Issuers would then publicly address the questions at the general meeting via the issuer’s website, through “live” webcast and on SGXNet.

**Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.**

Can’t attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on [SIAS website](#)

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^ Joint Statement by Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation dated 31 Mar 2020 (<https://www.sgx.com/media-centre/20200331-acra-mas-and-sgx-regco-update-guidance-general-meetings>)