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REIT: Suntec Real Estate Investment Trust
(Manager: ARA Trust Management (Suntec) Limited)

Stock code: T82U

Meeting details:

Date: 16 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. As shown in the section titled “Year in review 2019”, in July 2019, the REIT announced the acquisitions of 55 Currie Street, Adelaide, Australia and 21 Harris Street, Pyrmont, Sydney, Australia. Both buildings are freehold Grade A office buildings.

The chairman has stated in her statement that the Australian assets constituted approximately 13% of the REIT’s assets under management (“AUM”) as at the end of FY2019. The exposure to the Australian market would have increased when the A\$295 million 21 Harris Street acquisition was completed on 6 April 2020.

The REIT’s Australian assets now include:

- 177 Pacific Highway
- Southgate Complex (50%)
- Olderfleet 477 Collins Street (50%)
- 55 Currie Street
- 21 Harris Street

(i) **Can the REIT manager provide unitholders with better clarity on the REIT’s strategic growth plan? Specifically, is the manager building up the REIT’s exposure to the Australian market to a certain level of the portfolio?**

(ii) **Has the manager evaluated other developed markets and key cities?**

While it was noted that the expansion to Australia has given the REIT geographical diversification and enhanced the stability of the REIT’s income, exposure to foreign assets also means that the REIT is exposed to foreign currency fluctuations. In 2018 and 2019, the REIT recognised translation differences from financial statements of foreign operations of \$(80.2) million and \$(17.4) million respectively.

It was stated that the manager adopted a set foreign currency hedging guideline and forward-hedged the net income for its Australian assets in 2019.

(iii) **As the REIT increases its exposure to foreign assets, would the board consider if there is a need for a more robust hedging strategy?**

(iv) **Can the manager elaborate further on the currency hedging guidelines?**

Q2. The Monetary Authority of Singapore increased the aggregate limit from 45% to 50% in April 2020. It also deferred the implementation of a minimum interest coverage ratio (ICR) requirement for REITs.

The REIT has an aggregate leverage ratio of 37.7% as at 31 December 2019. As shown in the REIT's 1Q 2020 update (dated 20 May 2020), the aggregate leverage ratio increased to 39.9% as at 31 March 2020. The REIT's ICR slipped from 2.9x to 2.7x as at 31 March 2020.

- (i) **How is the REIT finetuning its pace of acquisition and/or asset enhancement initiatives in view of the increase in the aggregate leverage ratio while also considering the risks and uncertainties in the market due to the pandemic?**
- (ii) The REIT's ICR is at 2.7x as at 31 March 2020. The ICR is a measure of the REIT's debt-servicing ability. **What guidance has the board given to the manager on the REIT's ICR? How much improvement would the REIT's ICR show once the newly completed assets start contributing?**

Q3. In April 2019, the manager carried out a placement of 111.1 million new units to raise approximately \$200 million that will be primarily used to fund the acquisition of 55 Currie Street, Adelaide and the deposit for 21 Harris Street, Pyrmont, Sydney.

The issue price of \$1.80 per unit was a discount of 4.2% to the volume weighted average price of \$1.879 per unit. Just prior to the placement, the REIT reported that the net asset value ("NAV") per unit was \$2.092.

At the placement price of \$1.80 per unit, the discount to the NAV was 14%.

- (i) **How does the manager determine the optimal way to raise fund for its acquisitions?**
- (ii) **By placing out new units at \$1.80 per unit (vs a NAV of \$2.092 per unit) to fund the acquisitions, did the manager evaluate the cost (including dilution) to the existing unitholders? What was the REIT's cost of capital (if the dilutive effects are considered)?**

^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](http://www.sias.org.sg)

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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>)