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

Issuer: Cromwell EREIT Management Pte. Ltd.

Security: Cromwell European Real Estate Investment Trust

Meeting details:
Date: 29 April 2019
Time: 10.00 a.m.
Venue: Stephen Riady Auditorium @ NTUC Centre Level 7 One Marina Boulevard Singapore 018989

Company Description

Cromwell European Real Estate Investment Trust (CEREIT) is a Singapore-based real estate investment trust. The Trust's portfolio includes approximately 95 properties across seven European countries that include Denmark, Finland, France, Germany, Italy, the Netherlands and Poland. The Trust focuses to invest in office spaces, light industrial and logistics sectors. The Trust is managed by Cromwell Ereit Management Pte Ltd.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=CNNU)

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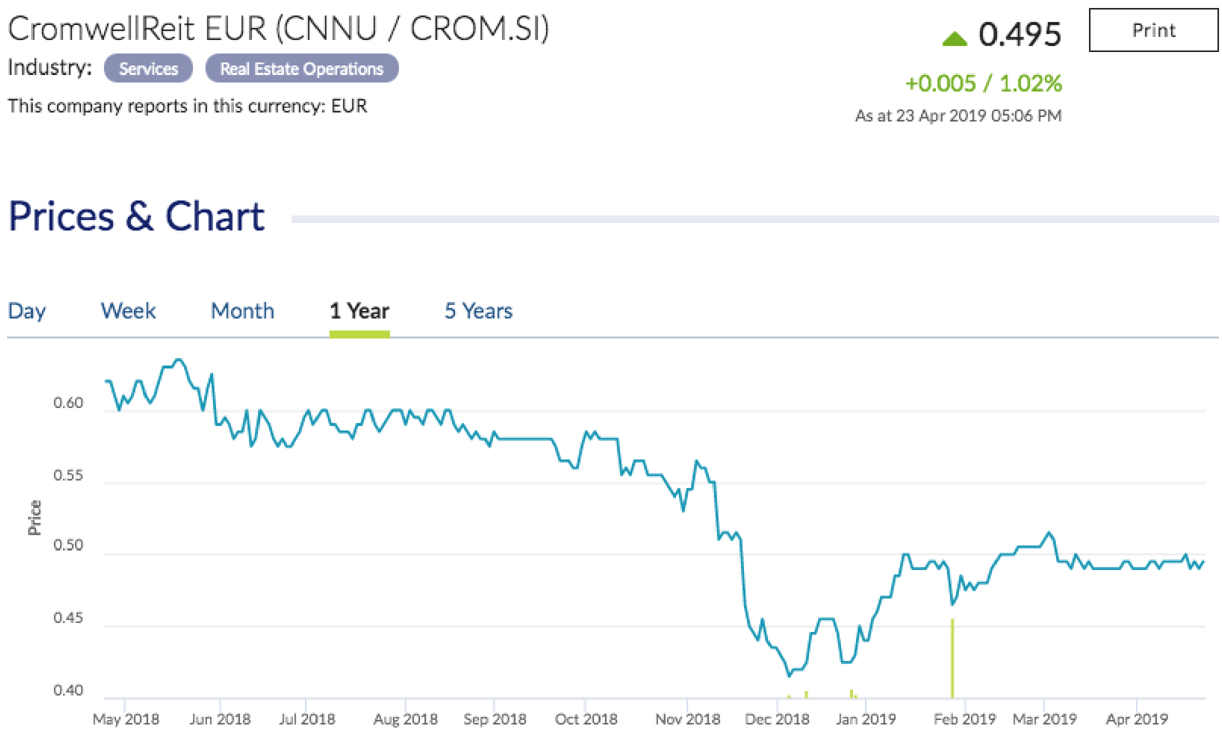
Q1. On 30 October 2018, the REIT announced the proposed acquisition of 16 office assets in the Netherlands, Finland and Poland and 2 assets in Italy (together with the binding offer for 5 more logistic assets in France). The market's reaction following the announcement is shown in the chart below:



(Source: https://www2.sgx.com/securities/equities/CNNU)

As seen from the chart above, the unit price of the REIT slipped by approximately 25% from 54.5 cents to a low of 41 cents following the announcement. No doubt this was a period of extreme market volatility, the price movement in the REIT was exceedingly large, relative to the overall market.

(i) With the benefit of hindsight, has the board and the REIT manager evaluated how it could have structured the acquisitions (including the size of acquisition) better given its short track record in the market?

The REIT manager has regarded the rights issue "an outstanding success, with 98.2% of existing Unitholders lodging valid rights applications". However, the price movements seem to suggest that there was high level of uncertainty about the acquisition.

(ii) Has the board reviewed how it could have engaged unitholders and other market participants (including analysts, fund managers) better?

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(iii) Has the REIT manager reviewed the market's awareness and understanding of the REIT?

(iv) How has the experience from the rights issue changed the REIT's approach to acquisitions and fund-raising? Did the manager also carry out an after-action review of the terms and structure of the rights issue?

Q2. In addition, in an interview published in the Business Times (dated 11 March 2018), the chief executive officer and managing director of the sponsor, Mr Paul Weightman, stated that, while the REIT has "targets for sectors", it does not "invest to hit a portfolio allocation". The REIT manager strives to acquire assets where it sees value.

More importantly, the REIT manager has disclosed that it is "an achievable prospect" to double the assets in the REIT's portfolio over the next four year.

(i) Would the board of the manager clarify if it has approved the target to double its assets in the REIT's portfolio and has provided guidance to the manager to strive to achieve that?

From the prospectus dated 22 November 2017, the REIT has disclosed its acquisition strategy, as follows:

> *The Manager aims to provide investors with diversified, stable and sustainable income streams, while also benefiting from organic growth and value-add opportunities to maximise unitholder returns. While assessing acquisition opportunities, the Manager will also consider if this fits within CEREIT's medium-to-long-term target portfolio composition which is a geographic focus of approximately 75% or more within Western Europe and an asset class focus of approximately 75% or more in the focus assets classes (being office and light industrial/logistics) and its overall diversification strategy. Within these broad parameters, CEREIT will maintain flexibility to rebalance its portfolio weightings as thematic opportunities emerge across different asset classes and geographies.*
>
> *Note: The remaining 25% or less (by Deposited Property) may be invested in other parts of Europe, including Central and Eastern Europe and may be invested in any other asset classes like retail, leisure and hospitality.*

(ii) If so, did the REIT disclose the goal to double the portfolio in its prospectus?

(iii) Has the board considered the pace of growth needed to double the portfolio over the next four years? Would that be prudent of the board to set this as a target for the manager?

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(iv) **Would it be in the interest of unitholders that more focus is placed on value creation and DPU instead of asset under management?**

Q3. Would the board/manager provide shareholders with better clarity on the following governance matters? Specifically:

(i) **Directors:** As noted in the prospectus (pages 257 to 258 and in Appendix H), the non-executive directors do not appear to have any experience as a director of a listed REIT in Singapore, other than Mr Philip Levinson. **Would the directors be undergoing any relevant training to better understand the roles and responsibilities of a director and with the rules governing collective investment scheme and real estate investment trusts?**

(ii) **Conflict of interests: Are there any conflict of interests as Mr Lim Swe Guan sits on the board GLP which currently manages three funds in Europe totaling more than €6 billion (when invested) with more than 3.8 million square meters of logistics assets in Europe?**

Similarly, Mr Christian Delaire is currently listed as Senior Advisor to Foncière Atland, a real estate development, investment and asset management company listed on the Euronext Paris Stock Exchange. **Would Mr Christian Delaire be frequently conflicted and would he be effective as an independent director?**