



Securities Investors Association (Singapore)

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: admin@sias.org.sg www.sias.org.sg

UEN No: S99SS0111B

GST Reg No: M90367530Y

Issuer: Keppel-KBS US REIT Management Pte. Ltd.

Security: Keppel-KBS US REIT

Meeting details:

Date: 17 April 2019

Time: 3.00 p.m.

Venue: Suntec Singapore Convention and Exhibition Centre, Nicoll 1, Level 3, 1 Raffles Boulevard Suntec City, Singapore 039593

Company Description

Listed on 9 November 2017 on the mainboard of the Singapore Exchange Securities Trading Limited, Keppel-KBS US REIT is a distinctive office REIT with properties located in key growth markets of US. The REIT's investment strategy is to principally invest in a diversified portfolio of income-producing commercial and real estate assets in key growth markets of the US to provide sustainable distributions and strong total returns for Unitholders. With the completion of Maitland Promenade I's acquisition on 16 January 2019, the REIT's portfolio comprises a balanced mix of 13 office properties located in seven key growth markets across US. With an aggregate NLA of approximately 4.2 million square feet, these quality properties have a diversified tenant base led by tenants in the growth and defensive sectors such as technology, finance and insurance, professional services, as well as medical and healthcare. The assets in the West Coast are The Plaza Buildings, Bellevue Technology Center and The Westpark Portfolio, located in Seattle, Washington; as well as Iron Point in Sacramento, California. In the Central region, the assets are Great Hills Plaza and Westech 360 in Austin, Texas; and 1800 West Loop South and West Loop I & II in Houston, Texas; and Westmoor Center in Denver, Colorado. In the East Coast, the REIT owns Powers Ferry and Northridge Center I & II in Atlanta, Georgia; as well as Maitland Promenade I and Maitland Promenade II in Orlando, Florida. Keppel-KBS US REIT is managed by Keppel-KBS US REIT Management Pte. Ltd., which is jointly owned by two reputable Sponsors, Keppel Capital Holdings Pte. Ltd. (Keppel Capital) and KBS Pacific Advisors Pte. Ltd. (KPA).

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

1. The REIT was listed on 9 November 2017 with an investment strategy to principally invest in a diversified portfolio of income-producing commercial assets and real estate-related assets in key growth markets of the United States with favourable economic and office fundamentals that are above the national average, so as to provide sustainable distributions and strong total returns for Unitholders.

Starting with the IPO portfolio of 11 assets, two acquisitions were made in quick succession at the end of the year – the Westpark Portfolio in Seattle was acquired on 30 November 2018 and the Maitland Promenade I (Orlando) purchase was completed on 16 January 2019.

The REIT's Strategic investment framework is as follows:

Strategic Investment

- Pursue opportunities in key growth markets with long-term value
- Target first choice submarkets with high-growth potential, as well as strong economic and office fundamentals

(Source: 2018 Annual report)

- (i) **Would the manager help unitholders understand what it means by “first choice submarkets”?**
- (ii) **How does the manager identify submarkets with high-growth potential as well as strong economic and office fundamentals? Other than those in the portfolio, what are the other submarkets that are attractive?**
- (iii) **What is the manager's deal sourcing process?**
- (iv) **Does the trust have the mandate to invest in prime commercial properties in tier 1 key cities?**

2. In the section titled “Operational review – Financial review” (page 53), the REIT gave an overview of the tax system governing the REIT and how it had restructured. The manager has stated that:

[It] currently expects that the Proposed 267A Regulations, together with the Proposed Barbados Tax Changes, will not have any material impact on the consolidated net tangible assets or DPU of KORE.... Final regulations under Section 267A, expected to be effective as of 1 January 2018, could differ materially from the Proposed 267A Regulations and could result in additional costs...The US Department of the Treasury

has stated that it expects final regulations under Section 267A to be promulgated by June 2019.

The U.S. Department of the Treasury released proposed regulations under the new Section 267A of the U.S. Internal Revenue Code which are aimed at preventing the use of arrangements involving hybrid transactions or hybrid entities to affirmatively exploit differences in the tax laws across jurisdictions. This regulatory proposal follows the core principles outlined by the OECD in its recent publication in combatting so-called “hybrid mismatch arrangements.”

- (i) Has the board evaluated the worst case scenario as a result of the changes in the tax code? What is the impact on the net asset and on the cash flow/distribution per unit in the worst case?**
- (ii) What is the long term viability of the trust if all avenues of cross-border hybrid financing arrangements are closed?**

3. On 24 September 2018, the REIT announced the proposed acquisition of the Westpark portfolio for US\$169.4 million. On 22 October 2018, the manager announced the proposed rights issues to raise gross proceeds of approximately US\$93.1 million.

186,236,224 Rights Units was offered at an issue price of US\$0.5 per rights units at the ratio of 295 Rights Units for every 1000 existing units of Keppel-KBS US REIT.

Following the announcement, the unit price performance of the REIT is shown below:



(Source: <https://www2.sgx.com/securities/stock-screener?page=1&code=CMOU>)



- (i) Has the board carried out an after-action review of the acquisition and the rights issue to try to understand the significant movements in the unit price?**
- (ii) For instance, as a newly listed REIT with a short track record, did the manager re-evaluate how it communicated with the market the acquisition plans, the quality of the asset, the trust's financial position and the commitment of its stakeholders to drive the creation of long term value for all unitholders?**
- (iii) With the benefit of hindsight, what would the manager have done differently?**
- (iv) Did the end of the lock-up period pertaining to units held by major stakeholders negatively affect the trust in its fund raising efforts?**