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Issuer: Lendlease Global Commercial REIT
(Manager: Lendlease Global Commercial Trust Management Pte. Ltd.)

Stock code: JYEU

Meeting details:

Date: 26 October 2020

Time: 2.00 p.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. The REIT has been listed for over a year on the SGX-ST and the portfolio since the IPO consists of:

- a leasehold interest in 313@somerset, a retail property located in Orchard Road, Singapore, and
- a freehold interest in Sky Complex which comprises three grade A office buildings leased to Sky Italia, an Italian satellite television.

The REIT was recently awarded the tender to redevelop the Grange Road car park into a new multi-functional event space following a “Price and Quality” tender that was launched in October 2019.

Further, on 1 October 2020, the REIT announced the acquisition of a 5% interest in a JEM via the acquisition of a fund managed by Lendlease Asia.

In the prospectus, the REIT has stated that it will leverage Lendlease Group to grow its portfolio of assets to provide global diversification and to target a mix of retail and office properties to provide sector diversification. Each of the sponsor and Lendlease Trust has granted a right of first refusal (ROFR) to the REIT Trustee.

In the letter to unitholders, the chairman and the chief executive officer stated that the REIT will *“continue to identify right potential acquisition opportunities that fit into the overall LREIT’s investment strategy across gateway cities which the Lendlease Group has a presence in.”*

- (i) **Having been listed for a year, has the board been able to refine its growth strategy and determine an optimal asset allocation strategy by geography and by sector? If so, can the REIT manager provide greater clarity to the REIT’s long-term capital allocation strategy?**
- (ii) **How has the COVID-19 pandemic affected the REIT’s plans (especially with regard to retail assets) and the pace of growth?**
- (iii) While the manager has mentioned gateway cities, it is not clear what these cities are. **Would the manager provide unitholders with the list of gateway cities so that unitholders have a better understanding of the REIT’s potential growth trajectory?**
- (iv) **Would the manager be disclosing the list of the right of first refusal properties?**
- (v) **Is the REIT manager limiting itself to assets from Lendlease/sponsor? Would it be in the interest of unitholders if the REIT manager is also pro-actively assessing third-party, accretive, prime assets that would fit in well with the REIT’s portfolio?**

Q2. On 1 October 2020, the REIT announced that it completed the acquisition of a 5% stake in Lendlease Asian Retail Investment Fund 3 Limited, which holds a 75% indirect interest in the property known as Jem from Lendlease International Pty Limited at a purchase consideration of approximately \$45.0 million.

While the manager has stated the acquisition is accretive, pro-forma DPU is expected to increase by just 0.66% from 3.05 cents per unit to 3.07 cents per unit. This assumed that all additional costs are financed by additional bank borrowings (other than the units to be paid to the manager for the acquisition fees).

Gearing would increase from 35.1% to 36.9%.

- (i) **Can the manager elaborate further on the rationale to acquire a stake in a retail asset at this point in time given the uncertainties caused by the pandemic? What is the investment thesis for this acquisition?**
- (ii) **Was the sale initiated by the vendor? For instance, was the vendor looking to sell its minority 5% stake and the REIT was approached as a liquidity provider?**
- (iii) **To help unitholders better understand the asset, would the REIT manager be disclosing the underlying operational and financial performance of JEM?**
- (iv) **In the announcement, the REIT has stated that the property had a market value, as assessed by the independent valuers, of \$2.055 billion and \$2.090 billion as at 30 June 2020. Given that the acquisition is happening in the midst of a protracted pandemic, is the REIT manager making an opportunistic acquisition? Please disclose the market value of JEM as at 31 December 2019 which is prior to the onset of the pandemic.**

The REIT disclosed that the share purchase consideration was \$45 million “taking into account the two independent valuations obtained for the property”. But the REIT manager has not disclosed the actual acquisition price of the asset since the purchase consideration of \$45 million was based on the net asset value of the fund.

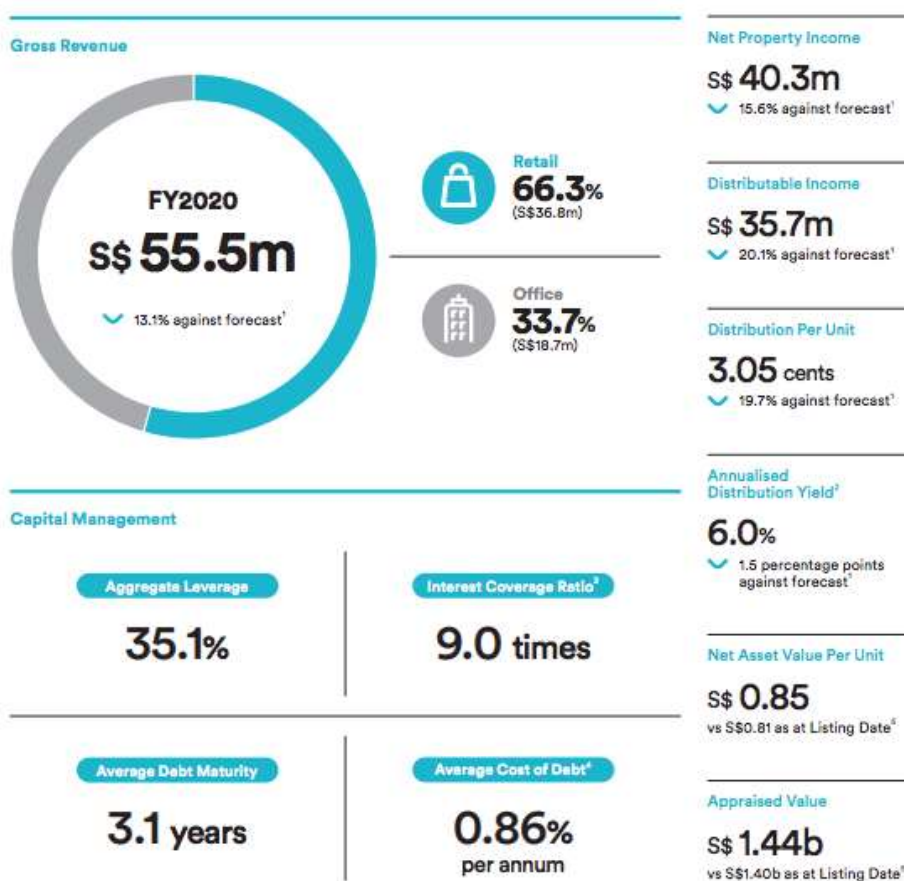
- (v) **Please disclose the underlying acquisition price that the REIT has paid for JEM.**
- (vi) **With a 5% minority stake in the fund, what are the ways the REIT manager can value-add to the newly acquired asset? If not, would the REIT manager still be collecting the base fees and any performance fees related to the minority stake that are charged to unitholders of the REIT?**

- (vii) **In addition, can the manager clarify if it would be paying asset management fees and performance fees to the manager of Lendlease Asian Retail Investment Fund 3 Limited? If so, are unitholders of the REIT being double charged for the base fees and performance fees to Lendlease and its related entities for the same underlying asset?**

- (viii) **In the prospectus, the tax transparency of income generated from the Singapore asset was highlighted. Can the manager clarify if the current structure (Lendlease Asian Retail Investment Fund 3 Limited) would afford the REIT and ultimate the unitholders tax transparency in terms of the profit from JEM? In other words, would income be taxed at the fund-level before it reaches the REIT? If so, can the manager explain in greater detail how the risk/reward of this investment (with the current structure, as a 5% minority stake) is favourable to unitholders given that the yield increases by just 0.66% while gearing would increase from 35.1% to 36.9%?**

Q3. On page 3 of the annual report, the key highlights are shown, including the interest coverage ratio (ICR) of 9.0 times.

Key Highlights



(Source: annual report)

In the footnote, it was stated that the interest coverage ratio of 9.0 times is in accordance with requirements in its debt agreements and 4.6 times in accordance with the Property Funds Appendix of the Code on Collective Schemes.

- (i) **What are the terms in the debt agreements which led to an ICR of 9.0? Would the manager help unitholder reconcile the differences between the two definitions?**
- (ii) **Would the REIT manager consider it more prudent to highlight the ICR of 4.6x as calculated in accordance with the Property Funds Appendix of the Code on Collective Schemes? This would allow unitholders to better understand the debt servicing ability of the REIT in accordance to the MAS requirements and make it comparable to other REITs.**

^ 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>)