Securities Investors Association (Singapore)
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

REIT: Manulife US Real Estate Investment Trust
(Manager: Manulife US Real Estate Management Pte. Ltd.)

Stock code: BTOU

Meeting details:
Date: 18 May 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.

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Q1. The FY2019 financial and portfolio highlights are shown on page 2 of the annual report and reproduced below:

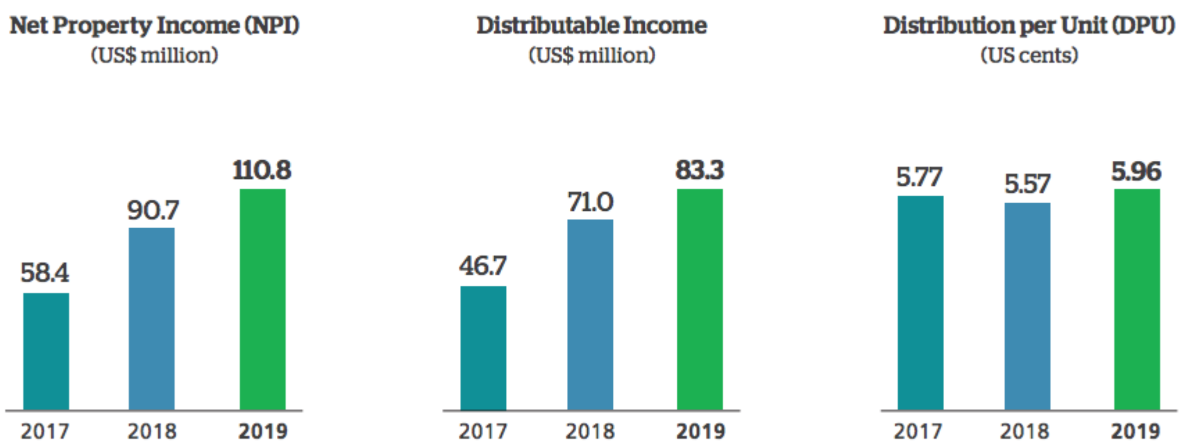
Key Financial Indicators	FY2019	FY2018	FY2017
Gross borrowings (US$ million)	**816.9**	670.8	461.9
Gearing ratio (%)	**37.7**	37.2	33.7
Weighted average cost of debt (%)	**3.37**	3.27	2.83
Weighted average debt maturity (years)	**2.8**	2.7	3.4
Interest cover ratio (times)	**3.8**	4.2	5.5
Market capitalisation (US$ billion)	**1.6**	1.0	0.9

Portfolio	FY2019	FY2018	FY2017
Assets under Management (AUM) (US$ billion)	**2.1**	1.7	1.3
WALE[1] (years)	**5.9**	5.8	5.7
Occupancy rate (%)	**95.8**	96.7	95.9

(Source: annual report)

The REIT's portfolio has grown to 9 prime freehold office properties with a combined asset value of US$2.1 billion as at 31 December 2019. At its IPO, the initial portfolio consisted of three US office properties with a total value of US$799 million.

As seen in the table above, as at 31 December 2019, the REIT has higher gross borrowing, higher gearing ratio, lower interest cover.



(Source: annual report)

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From FY17 to FY19, net property income has nearly doubled while distribution per unit ("DPU") has increased marginally over the same period. In addition, since the manager's base fee is 10.0% per annum of trust's annual distributable income (before fees), the base fee has increased by 78% over the same period.

The net asset value per unit (excluding distributable income) as at the end of financial year remained largely constant:

- 31 December 2017: US$0.80
- 31 December 2018: US$0.80
- 31 December 2019: US$0.79

From the perspective of an unitholder, the NAV and DPU per unit have largely remained flat even though the AUM has gone up by more than 1.5x since the IPO (and together with it, the manager's fees).

(i) **Other than the increased diversity of its tenant base, can the manager elaborate further on how the growth strategy has benefitted unitholders?**

(ii) **Please also provide examples to help unitholders understand how the REIT's acquisition strategy has led to value creation for unitholders.**

Q2. Pursuant to the Trust Deed, the manager is entitled to a performance fee of 25.0% of the difference in DPU in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee, but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year (page 128).

In the past two financial years, the trust has carried out private placements, preferential offerings and a rights issue. As such, the trust has to adjust the DPU as follows:

Consolidated Statement of Comprehensive Income	FY2018	FY2017	Change
	US$'000	US$'000	%
Distribution per Unit (DPU) (US cents)			
– DPU	5.57	5.77	(3.5)
– Restated for preferential offering and rights issue[2]	5.57	5.48	1.6

	FY2019 (US$'000)	FY2018 (US$'000)	Change (%)
DPU (US cents):			
- DPU	5.96	5.57	7.0
- Restated for preferential offering[1]	5.96	5.56	7.2

(Source: annual reports)

(i) **Would the manager help unitholders understand how DPU is calculated when there is a corporate action such as preferential offering/rights issue?**

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(ii) **Is the performance fee calculated using DPU or adjusted DPU?**

Q3. Even as the portfolio increases, the total operating expenses as a percentage of net asset increased.

In FY2019, total operating expenses, including all fees, charges and reimbursable costs paid to the manager and interested parties increased by 26% to US$79.5 million (page 22). This is higher than the increase in net assets which stood at $1.26 billion, up 18% year-on-year.

The total operating expenses as a percentage of net asset has crept up since the trust was listed, as follows:

- FY2016: 3.8%
- FY2017: 4.7%
- FY2018: 5.9%
- FY2019: 6.3%

(i) **Would the independent directors help unitholders understand the breakdown of the operating expenses and the reasons for the increase despite the trust enjoying economies of scale?**

(ii) **How would the manager be better controlling the operating expenses?**

^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)