AIMS AA REIT	**AIMS APAC REIT MANAGEMENT LIMITED** As Manager of AIMS APAC REIT 1 Raffles Place, #39-03, One Raffles Place Singapore 048616

RESPONSES TO QUERIES FROM SECURITIES INVESTORS ASSOCIATION (SINGAPORE) ("SIAS")

1.	**Question:** **(i) Has the board/management made a strategic decision to increase the portfolio exposure to Australia? Has it determined the optimal capital allocation balance between Singapore and Australia?** **(ii) What are the risks in the Australian market, given the recent change in government, valuation trend, reliance on natural resources, Sino-Australian relations, inflationary pressures and rising interest rates etc?** **(iii) Has the manager evaluated other countries? If so, are there any other attractive markets that fit the REIT's investment criteria?** **(iv) Can the manager help unitholders better understand the challenges related to the proposed acquisition of 315 Alexandra?** **(v) Are there still opportunities in the Singapore market?**
	Response:
(i)	At this stage, the Manager does not have a fixed allocation and assesses opportunities in Singapore and Australia on a case by case basis. The Manager will monitor the market situation and determine the allocation between Singapore and Australia at that point in time, whilst always ensuring that any investments made is in the best long-term interest of unitholders.
(ii)	Based on the latest changes and trends highlighted, the Manager considers rising interest rate and foreign exchange risks to be the most prevalent risk factors that may have a larger impact on our Australian investments today. To mitigate against rising interest rates, 92% of the REIT's total debt (inclusive of 83% of Australian debt) was hedged as at 31 March 2022. This includes forward interest rate swaps and fixed rate notes. The Manager also announced the entry into new Australian dollar loan facilities at competitive margins on 20 October 2021 and 30 May 2022, and extended its respective debt maturity tranches by a further 4 and 5 years. To manage our foreign exchange risk, the Manager adopts a natural hedging strategy by using Australian dollar borrowings to partly fund its Australian investments. In addition, the Manager has entered into foreign currency forward contracts to hedge the Australian dollar distributable income from AA REIT's investments in Australia on a rolling basis. Notwithstanding the above risks in the Australian real estate market, AA REIT's Australian investments comprise of two high quality business parks and one industrial property that are master leased to Woolworths, Optus and Boardriders, as their national headquarters.

	Furthermore, the master lease terms range from around 9 to 11 years and are subject to annual rental escalation of between 2.75-3.25% p.a. The Australian properties are therefore expected to provide the REIT with stable and growing distribution over the long term.
(iii)	AA REIT's investment mandate is to invest in high quality income-producing industrial, logistics and business park real estate throughout Asia Pacific. At this point in the cycle, Singapore and Australia currently present good risk-adjusted investment opportunities that offer long-term total returns to unitholders. This can be attributed to the stable regulatory and pollical environment of the two markets. This however, does not preclude the Manager from evaluating investments in new markets in the future if the investments fit within the REIT's investment criteria on a risk-adjusted basis.
(iv)	Please refer to the SGXNet announcement dated 4 July 2022 in relation to the proposed acquisition of 315 Alexandra Road. The re-negotiation of the principal terms and conditions of the acquisition were not concluded and hence, the necessary regulatory approvals were not obtained by the target date of 1 July 2022. Accordingly, the conditions precedent under the put and call option agreement entered into between the Purchaser and the Vendor in relation to the acquisition on 27 January 2021 (the "Option Agreement") was not met. The Manager will provide further updates if there are any material developments in accordance with the Listing Manual of Singapore Exchange Securities Trading Limited.
(v)	Yes. Due to the current market volatility arising from inflation, rising interest rates and geo-political risks, markets are currently uncertain and subject to greater risks. However, there may be good opportunities that arise in the future for companies that are well prepared. We are continuing to exercise prudence and will monitor the market.

2.	**Question:** **(i) Can the board/manager confirm that the all-in-cost of financing had not factored in the cost of the perpetual securities that were issued at 5.375% - 5.65%?** **(ii) Can the board/manager help unitholders better understand how the distributions to perpetual securities holders may impact/affect the distribution to unitholders, especially in the face of rising interest rate?** **(iii) The manager issued perpetual securities that paid 5.375% and used the proceeds to acquire Woolworths which yielded 5.17%. Can the independent directors clarify how these actions by the manager create value for unitholders? Did the independent directors consider this to be in line with the Trust's strategy of "prudent capital management"?** **(iv) Can the independent directors help unitholders better understand if they had considered the "poison pill" effects of issuing large amounts of perpetual securities?** **(v) Similarly, would the independent directors elaborate further on the guidance it has given to the manager, with regard to leverage, the pace of acquisition, interest rate trends, market cycle, etc?** **(vi) What is the headroom available to the REIT for acquisitions?**
	<u>Response:</u>

(i)	As the perpetual securities are considered to be equity under the accounting standard, they are not included as part of the REIT's all-in financing cost. We can confirm that the all-in financing cost of 2.7% for FY2022 does not include the distribution payment rate from the issued perpetual securities.
(ii)	AA REIT pays perpetual securities holders a distribution rate of and 5.65% p.a. (tranche 1) and 5.375% p.a. (tranche 2). The distribution rate is fixed and paid semi-annually in arrears on a discretionary basis and are non-cumulative in accordance with the terms and conditions of the perpetual securities. As the distribution rate is fixed for 5 years, it is not subject to the risk of rising interest rates.
(iii)	The Manager announced the following investment highlights of the Woolworths HQ acquisition at the time of the acquisition: 1. Provides entry to a strategic business park and data centre location with strong road and rail transport connectivity 2. A-Grade corporate campus that is 100% leased to Woolworths, one of the Top 10 ASX listed companies by market capitalisation, and the largest supermarket retailer in Australia 3. Long lease term balance of 10 years and built-in rental escalation of 2.75% per annum 4. Rare significant 9-hectare freehold site provides for future re-development potential to expand the current building footprint of 44,972 sqm to a maximum gross floor area of 180,000 sqm 5. Portfolio value will be significantly enlarged by 26.6% to over S$2.18 billion 6. Increases portfolio contribution of Australia freehold assets from 21.8% to 38.4%, and raises portfolio WALE to 4.92 years The acquisition was partly funded by debt and perpetual securities. Due to the investment highlights above, the Manager secured a very competitive debt financing package to partly fund the acquisition. The weighted average cost of funds of the acquisition was therefore well below the perpetual securities distribution rate of 5.375%. Woolworths HQ was also acquired on an initial net property income ("NPI") yield of 5.17% and is subject to a 2.75% rental escalation every year. In addition to providing the REIT with stable and growing income over the long term, the acquisition provides a healthy yield spread over the weighted average cost of funds. Furthermore, the property provides AA REIT with future organic growth due to the untapped re-development potential of up to 135,028 sqm under current planning regulations. Overall, the acquisition is in line with AA REIT's investment strategy to buy quality assets that generate attractive long-term total returns for unitholders.
(iv)	AA REIT has access to diversified sources of funding, including the equity and debt capital markets, and maintains strong and healthy banking relationships with its financial institutional partners. For every acquisition, the Manager will consider the optimal funding mix and weighted average cost of funds, along with its DPU accretion and total returns over the long term. As highlighted for the Woolworths HQ acquisition, the Manager had utilised a combination of debt and perpetual securities to fund the acquisition. Due to the investment highlights, the Manager had secured a competitive bank loan to partly fund the acquisition in November 2021. The weighted average cost of funds was therefore well below the perpetual securities distribution rate of 5.375%. If the Manager decides to redeem the perpetual securities, the Board of Directors will consider all available sources of funding as well the implication(s) arising from any change in capital structure.

(v)	The Board of Directors are involved in the setting of AA REIT's investment and capital management strategy, through the review and approval of the trust's annual budget and business plans. Directors also provide Management with feedback on new acquisitions and funding plans as they arise.
(vi)	As at 31 March 2022, the available debt headroom based on the aggregate leverage limit of 45% and 50% (if the minimum adjusted interest coverage ratio is 2.5 times) set by MAS is approximately S$310.0 million and S$570.0 million respectively.

3.	**<u>Question:</u>** **(i) Can the new CEO and the CFO help unitholders understand the additional insights they have gleaned from the business since they were appointed? Were the trust's operations disrupted by the concurrent loss of two key management personnel? Has the nominating and remuneration committee reviewed the talent pipeline and succession plans of key management personnel?** **(ii) Did the manager consider making live Q&A and live voting available to unitholders at the AGM?** **What guidance did the independent directors give to the manager on the conduct of the AGM?** **Would the manager consider making arrangements to facilitate live Q&A (and live voting) at the AGM?**
	<u>Response:</u>
(i)	AA REIT's portfolio is highly resilient and has continued to perform well since Mr Russell Ng (CEO) and Ms Lim Joo Lee (CFO) were appointed. This is reflected in the healthy portfolio metrics and stable financial performance over the past two quarters. There was also no disruption to business operations with the departure of the two key management personnel last year. Mr Ng joined the Manager in September 2020 as the Head of Investment, Investor Relations & Partnerships, and on March 2021, was appointed as a Business Review Committee ("BRC") member of the Manager, while Ms Lim joined the BRC in November 2021. The BRC oversees strategic and key operational matters of the Trust. The Nominating and Remuneration Committee reviews the succession plans of key management personnel as well as the talent pool to draw upon. This is done annually and when needed.
(ii)	When the Manager commenced preparatory work for the 13th AGM in early 2022, the applicable guidelines from the Singapore Exchange Regulation ("SGX RegCo") was updated on 4 February 2022. Accordingly, issuers conducting their AGMs must follow the practices set provided for by SGX RegCo when conducting their general meetings amid the extension of the temporary legislative relief. Such legislation allows entities to hold general meetings via electronic means amid the COVID-19 situation, and will continue to be in force until revoked or amended by the Ministry of Law. In this regard, issuers which do not utilise both (i) real-time remote electronic voting and (ii) real-time electronic communication at their general meetings, must also incorporate the practices set out in the 16 December 2021 SGX RegCo's Column in their conduct of general meetings. The Manager had decided to hold the 13th AGM by electronic means as a precautionary measure given that the then 7-day average of new COVID-19 cases was still high in February and March 2022. The Manager had announced the 13th AGM format and procedures, as well as the relevant dates on 4 July 2022 on the SGXNet and its corporate website in order for Unitholders to register and electronically participate in the 13th AGM.

	The meeting format for next year's AGM will be decided in due course, taking into consideration the prevailing regulations and guidelines on the conduct of AGMs. Based on the latest SGX RegCo guidelines published on 23 May 2022, SGX RegCo has stated that it will require live engagement and voting for all issuers holding their AGMs for financial years ending 30 June 2022 or after.

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