Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
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Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

REIT: Suntec Real Estate Investment Trust
(Manager: ARA Trust Management (Suntec) Limited)

Stock code:

Meeting details:
Date: 20 April 2022
Time: 2.30 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.

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Q1. The REIT is managed by ARA Trust Management (Suntec) Limited, a wholly-owned subsidiary of ARA Asset Management Limited. ARA, in turn, has been acquired by ESR Group, which is Asia Pacific's leading real asset manager with its focus on the "New Economy".

(i) **Can the manager help unitholders understand if the acquisition of ARA by ESR Group has led to any strategic and/or operational changes?**

(ii) **Please (re)state the REIT's strategic long-term growth plans.**

(iii) **Can the manager elaborate the support the REIT gets from ESR Group given that the latter is focused on "New Economy" assets?**

Q2. Would the manager provide unitholders with greater clarity on the operational and financial matters? Specifically:

(i) **Suntec Convention: Does the manager have visibility of the Meetings, Incentives, Conventions and Exhibitions (MICE) operations at Suntec Convention following Singapore's gradual re-opening?**

(ii) **Suntec City Mall: Has footfall at the mall recovered to a pre-pandemic level?** Rent reversion was -14.4% in FY2021 at Suntec City Mall. **With nearly 30% of the leases (by GRI) expiring in FY2022, what is the manager's strategy to increase/maintain the rental income from the mall?**

(iii) **Office footprint:** Similarly, 30% of leases (by GRI) at the MBFC properties are expiring in FY2022. **Does the manager see significant risks of office tenants downsizing their requirements in the REIT's portfolio? Has the manager received enquiries by tenants to reduce their office space given the work-from-home trend?**

(iv) **Southgate Complex: Is the REIT manager proceeding with the redevelopment of the retail podium and the construction of a new office tower given that the planning control amendments were approved by the authorities in December 2021? What is the expected capital expenditure?**

(v) **London properties: How satisfied is the REIT manager with the performance of the recently acquired assets?**

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(vi) **Rental guarantee/income support:** The group received "other income" of $14.86 million which relates to the recognition of income support in relation to 21 Harris Street, Olderfleet, 477 Collins Street, Nova Properties and The Minster Building (Note 25 – Other income; page 165). **Is the trust facing difficulties in filling up the vacant spaces in these properties or is the rental income below the minimum income as negotiated with the vendors?** In the manager's report (page 20), it was stated that the total rent guarantee received amounted to approximately $16.4 million. This accounted for 0.575 cents of FY2021 DPU. **Can the manager clarify the difference between income support and rent guarantee? If so, what are the reasons for the different numbers? Is there a significant risk that rental income at these affected properties will not catch up when the income support ends?**

Q3. The aggregate leverage ratio is 43.7% as at 31 December 2021. The trust is possibly the S-REIT with the highest aggregate leverage listed on SGX. In the section on "Risk management" (page 66), the manager has stated that it manages the REIT's exposure to interest rate volatility through interest rate swaps. The manager proactively seeks to mitigate interest rate risks and have hedged (or have fixed rates for) 53.4% of the REIT's borrowings.

(i) **What is management's view of the interest rate trend going forward? How will rising interest rates affect the REIT and its distribution?**

(ii) As shown in footnote (2) on page 13, DPU has largely trended down from 10.005 cents, to 9.988 centts, 9.507 cents, 7.402 cents and 8.666 cents for FY2017, FY2018, FY2019, FY2020 and FY2021 respectively even as leverage increased. **With a relatively high leverage ratio, will the REIT's ability to maintain/increase the DPU be impaired when interest rates start to rise?**

(iii) **For its Australian and UK portfolio, what are the levels of the natural currency hedge?**

(iv) For the $200 million perpetual securities issued in October 2020 and the $150 million perpetual securities issued in June 2021, the REIT is paying 3.80% per annum and 4.25% per annum respectively. **Why is the manager using such expensive sources of fund? Is there sufficient "spread" between the cost of funding and the NPI yield?** For instance, NPI yield for The Minster Building was just 4.5% compared to the 4.25% the REIT pays for the $150 million perpetual securities issued in June 2021.

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^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

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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^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)