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REIT: Elite Commercial REIT
(Manager: Elite Commercial REIT Management Pte. Ltd.)

Stock code: MXNU

Meeting details:

Date: 22 April 2021

Time: 4.30 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.

Q1. The REIT was listed on the Singapore Exchange Securities Trading Limited on 6 February 2020 as the first and only UK-focused listed REIT in Singapore. The initial IPO portfolio of 97 predominantly freehold quality commercial buildings located across the UK was expanded when the REIT made an acquisition of 58 commercial buildings in March 2021.

With the acquisition, the group maintains its 99% exposure to the UK Government and now count other government tenants such as UK Ministry of Defence, National Records of Scotland, HM Courts and Tribunals Service, Natural Resources Wales and the Environmental Agency as its tenants. The enlarged portfolio is valued at approximately £515.3 million, with 14% with exposure to London.

- (i) **Considering the risks, uncertainties and opportunities in the market due to the pandemic, how has the manager finetuned the REIT's pace of growth going forward, especially after the acquisition in March 2021?**

The IPO portfolio appears to be mostly from "The Hayhill Portfolio¹", which are the regional offices let to the Department for Work and Pensions (DWP) on new 10-year, Full Repairing and Insuring ("FRI") leases that commenced on 1st April 2018.

- (ii) **Can the manager provide unitholders with greater clarity on the opportunities to carry out asset enhancement on these buildings/assets?**
- (iii) **Can the manager provide greater visibility on the reversionary yield of its portfolio?**
- (iv) **How many of the assets have tenant break option?**

Q2. The manager has stated that it seeks to achieve the value creation by acquisition growth which includes:

- Adopting a rigorous research driven selection process across the UK
- Focus on value-accretive commercial properties to provide attractive cash flows and yields
- Leveraging the Right-Of-First-Refusal ("ROFR") pipeline from the sponsor
- Extensive expertise in the UK with strong sourcing capabilities
- Having a long-term investment approach to improve future income and capital growth

The REIT acquired 58 of the 66 ROFR properties and 8 others remain in the ROFR pipeline (page 24).

¹ <https://www.telerealtrillium.com/media/press-releases/telereal-trillium-puts-280m-government-portfolio-on-the-mark>

- (i) **Can the manager help unitholders understand the extent of its sourcing capabilities? Has the manager sourced for, shortlisted and evaluated third-party assets since its listing?**
- (ii) **What UK real estate experience and track record does the management team possess?**
- (iii) **Given that the sponsors do not appear to be carrying out developments in the UK and hence do not have a pipeline of organic development projects, how sustainable is their sponsorship?**
- (iv) **Can the manager clarify the role of the sponsor?**

The sponsor appears to have bought the IPO portfolio of 97 commercial properties from a British developer (Telereal Trillium) for £282 million in November 2018. At the IPO, the entire portfolio was valued at £319 million (valuation dated 31 August 2019), just nine months after its acquisition.

- (v) **Can the manager help unitholders understand the asset improvements and enhancement, if any, that was carried out between November 2018 and August 2019?**
- (vi) **Will the manager be developing its in-house capability to source for third-party assets?** This would allow the REIT to source for commercial properties according to its own growth objectives and to improve accountability and alignment with unitholders.

Q3. The REIT has an aggregate leverage of 31.0% as at 31 December 2020. With the acquisition, the leverage would have increased. According to the REIT's circular, the pro forma financial aggregate leverage would be 37.7% (pro forma as at 30 June 2020).

- (i) **What is the aggregate leverage following the acquisition?** The REIT has announced that it has taken up £115.8 million in term loans and £9.0 million in bridge loans and paid for the acquisition with consideration units issued at £0.68 per unit. The March 2021 Investor Presentation Slides (published on 29 March 2021) did not contain updated information based on the enlarged portfolio.
- (ii) **What is the available debt headroom?**

The REIT has also stated that it is "largely insulated from currency movements between the Pound and Singapore Dollars" (page 29). The REIT has put in place a natural hedge as its assets and borrowings are predominantly denominated in pounds.

- (iii) **For an unitholder in Singapore, can the manager confirm that he/she would be fully exposed to the fluctuations in GBP:SGD exchange rates as the REIT does not carry out any (SGD) hedging at all and it declares its distribution in GBP?**

^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.

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](http://www.sias.org.sg)

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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>)