



Securities Investors Association (Singapore)
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111
Tel: (65) 6227 2683 Fax: (65) 6220 6614
Email: admin@sias.org.sg www.sias.org.sg
UEN No: S99SS0111B
GST Reg No: M90367530Y

REIT: Frasers Centrepoint Trust
(Manager: Frasers Centrepoint Asset Management Ltd.)

Stock code: J69U

Meeting details:

Date: 18 January 2022

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.

Q1. In the financial year ended 30 September 2021, the REIT completed the acquisition of the remaining 63.11% interest in AsiaRetail Fund Limited, and added five retail properties (namely Tampines 1, Century Square, Tiong Bahru Plaza, White Sands, Hougang Mall) and one office property Central Plaza to the REIT's property portfolio.

The REIT also divested three retail properties, Bedok Point, Anchorpoint and YewTee Point, in line with FCT's strategy of portfolio re-constitution.

After the portfolio re-constitution, the portfolio comprises nine retail properties: Causeway Point, Northpoint City North Wing (including Yishun 10 Retail Podium), Changi City Point, Tampines 1, Tiong Bahru Plaza, Century Square, Hougang Mall, White Sands and Waterway Point (40%-owned by FCT) and one office property Central Plaza.

FCT Portfolio Overview

As at 30 September 2021



(Adapted from annual report 2021)

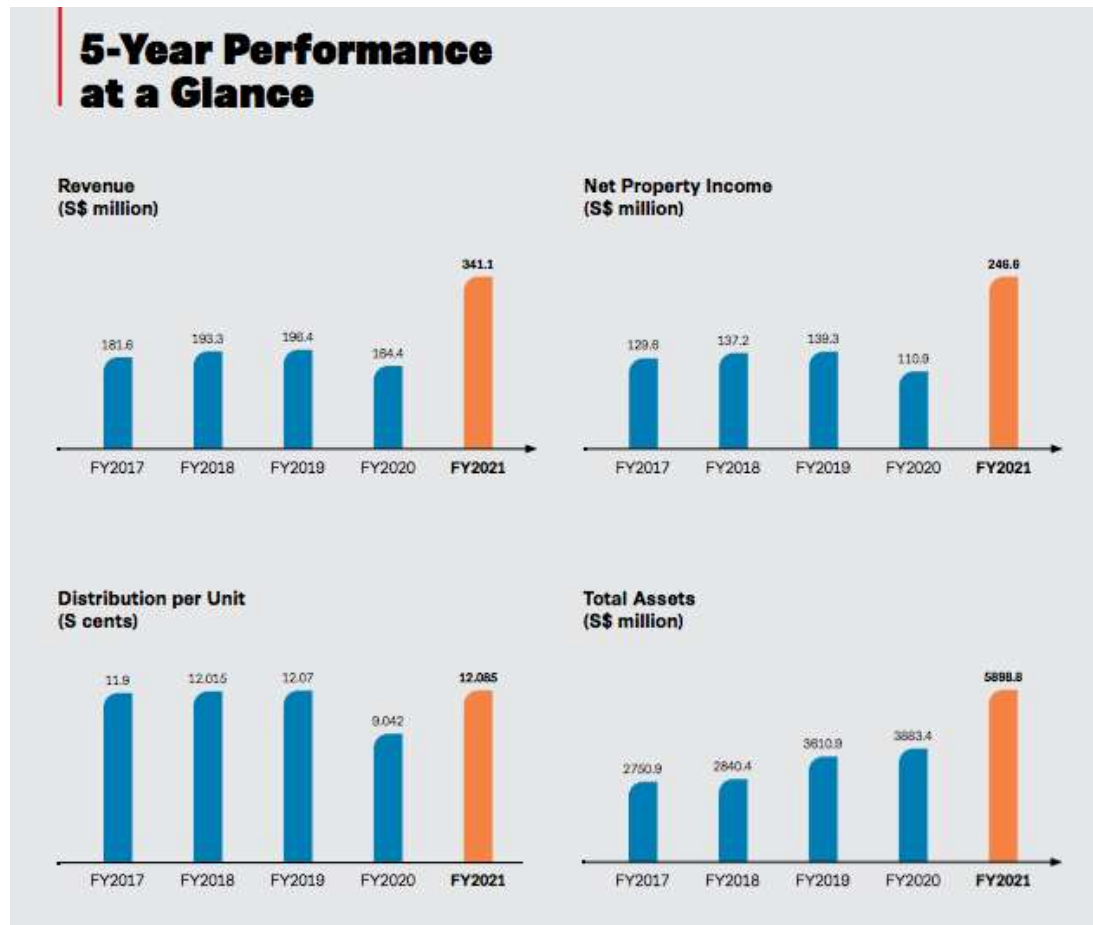
- (i) **Have the newly acquired ARF properties performed up to management's expectations?**
- (ii) **Can the manager confirm that the REIT is not looking to divest any more assets in the near term following the completion of its "portfolio re-constitution"?**

- (iii) With 35.6% of the leases by gross rental income due to expire in FY2022, the manager has stated that the market uncertainties will be expected to exert pressure on rents for both new and renewal leases. The manager has adopted a targeted approach in its lease negotiation which could include concessionary rents for an initial short period of time. **What are the other strategies by the manager to maintain/increase the rental income other than giving concessionary rents? With changes to consumption patterns and trends caused by COVID-19, how sustainable are the rental yields of the portfolio, especially the newly acquired assets?** The average rental reversion for the retail portfolio in FY2021 was -0.6%, based on the variance between the rent in the first year of the incoming lease and the rent in the final year of the outgoing lease (page 24 – Operations review). **Does the manager expect negative rental reversion as a result of its “targeted approach”?**
- (iv) The contribution of F&B by net lettable area and gross rental income was 27.7% and 34.1% in FY2016. In FY2021, the figures are 29.1% and 37.8% respectively. **Can the manager help unitholders understand if it is increasingly reliant on the F&B sector? Given how the pandemic has affected dining-in and accelerated the adoption of delivery services, how sustainable is the reliance on the F&B sector?**
- (v) The trust experienced a negative rental reversion of -0.6% for FY2021, predominantly driven by Changi City Point (-9.8%), Century Square (-2.8%), and Tampines 1 (-0.1%), with perceivably lower occupancy rates than the group’s average. **Are the negative rental reversion and lower occupancy a result of the malls’ concentration and/or competition in the Eastern region?**
- (vi) In addition, as at 30 September 2021, the REIT has hedged 56% of its debt to fixed rate interest. **Can the board/manager elaborate further on its capital management strategy, including its view on interest rates?**

Q2. The REIT’s business objectives and growth strategies can be found on page 4 of the annual report. The three growth drivers are:

- Acquisition growth;
- Enhancement growth; and
- Organic growth

Over the past 3 years, the REIT has embarked on an acquisition strategy which saw its total assets more than double in three years (FY2018: \$2.84 billion; FY2021: \$5.90 billion).



(Adapted from annual report 2021)

Selected items from the income statement and balance sheet are shown in the table below (page 9):

Group For the Financial Year ended 30 September	FY2017	FY2018	FY2019	FY2020	FY2021
Selected Income Statement and Distribution Data (\$'000)					
Gross Revenue	181,595	193,347	196,386	164,377	341,149
Net Property Income	129,558	137,186	139,283	110,888	246,567
Distributable Income	110,615	111,316	118,718	101,146	204,674
Selected Balance Sheet Data (\$ million)					
Total Assets	2,750.9	2,840.4	3,610.9	3,883.4	5,898.8
Total Borrowings	798.0	813.0	1,042.0	1,255.0	1,815.0
Net Assets	1,872.2	1,933.8	2,471.0	2,538.3	3,918.8
Value of Portfolio Properties ¹	2,668.1	2,749.0	2,846.0	2,749.5	5,506.5 ²
Other Financial Indicators					
Distribution per Unit (\$ cents) ³	11.90	12.015	12.070	9.042	12.085
Net Asset Value per Unit (\$) ³	2.02	2.08	2.21	2.27	2.30
Ratio of Total Borrowings to Total Assets (Gearing) ⁴	29.0%	28.6%	32.9%	35.9%	33.3%
Interest Coverage (Times)	6.85	6.25	5.74	4.95	5.11
Market Capitalisation (\$ million)	1,946.4	2,102.9	3,058.6	2,675.5	3,857.3 ⁵

(Source: annual report 2021)

- (i) While total assets more than doubled to \$5.90 billion since FY2016, DPU increased by 2.8% from 11.76 cents to 12.085 cents per unit. In addition, the asset management fees for the manager increased from \$14.2 million (\$7.7 million in base fee, \$6.5 million in performance fee) in FY2016 to \$32.4 million (\$18.9 million in base fee, \$13.5 million in performance fee) in FY2021. The increase in asset management fees for the manager is 128% whereas DPU for unitholders increased by 2.8%. **Can the manager elaborate further if the increase in the size of the REIT has benefitted unitholders substantially?**
- (ii) **Can the manager help unitholders recall the asset enhancement efforts carried out by the REIT in the past 3-5 years? What are the opportunities for further AEI by the manager to create value for unitholders?**
- (iii) **Has the board evaluated the REIT's performance in the past 3 years, especially as it carried out an aggressive acquisition strategy? If so, is it satisfied with the performance of the manager?** The REIT's performance is shown on page 10 of the annual report.

During the year under review, FCT's total return underperformed all 3 reference indices by between 7.3%-points and 30.0%-points. Over a longer three- and five-year period, FCT's total returns stood at 13.46% and 30.73%, which outperformed the FTSE Straits Times Index and the FTSE EPRA/NAREIT Developed Asia Index (EGAS), as shown in the table below:

	1-year 1 October 2020 to 30 September 2021		3-years 1 October 2018 to 30 September 2021		5-years 1 October 2016 to 30 September 2021	
	Price Change	Total Return ¹	Price Change	Total Return ¹	Price Change	Total Return ¹
FCT	-4.79%	-0.62%	0.33%	13.46%	3.52%	30.73%
FTSE REIT Index	1.42%	6.69%	5.80%	22.66%	10.18%	44.58%
FTSE Straits Times Index	25.14%	29.33%	-5.23%	6.07%	7.57%	29.11%
FTSE EPRA Nareit Developed Asia Index (EGAS)	14.85%	19.35%	0.21%	12.23%	-3.68%	15.84%

Source: Bloomberg
 1 Assumes the distributions are reinvested

Q3. In October 2020, the REIT launched an equity fund raising comprising a private placement and a non-renounceable preferential offering to raise gross proceeds of approximately S\$1,334.7 million.

Both the private placement and the preferential offering were priced at the bottom end of the indicative range, i.e. \$2.350 per private placement unit and \$2.340 per preferential offering unit.

At the close of the preferential offering, valid acceptances and excess applications (excluding the sponsor group) amounted to 74.8% and 3.6%.

Details of the valid acceptances and excess applications received are as follows:

	Number of Preferential Offering Units	% of Preferential Offering
Valid acceptances	242,713,174	74.8%
Excess applications (excluding Sponsor group)	11,790,873	3.6%
Excess applications (including Sponsor group)	217,695,739	67.1%
Total valid acceptances and excess applications (including Sponsor group)	460,408,913	141.8%

(Source: FCT announcement dated 21 October 2020)

- (i) **Can the board, especially the independent directors, help unitholders understand the reasons for a non-renounceable preferential offering (versus a renounceable rights issue)?** Unitholders who are unwilling or unable to apply for the non-renounceable preferential offering will experience dilution. **Did the independent directors consider the impact on its minority unitholders?**
- (ii) **In addition, has the manager carried out a review to understand the reasons for the low valid acceptances to the preferential offering?** Without the sponsor's support, the preferential offering would have only garnered 78.4% support from unitholders.
- (iii) **In addition, did the manager also review its acquisition and fund-raising framework given the relatively low valid acceptance rate and the book-building process that priced the private placement at the bottom end of the indicative range?**

The private placement units were issued on 7 October 2020 while the preferential offering units for unitholders were only issued on 27 October 2020.

- (iv) **Has the board considered the potential disadvantage to then-existing unitholders given that the new preferential offering units were issued nearly 3 weeks after the issuance of the private placement units?**

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

Join our mailing list [here](#) to receive latest news and upcoming events.

CONNECT WITH US



[^] 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>)