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

BT: Keppel Infrastructure Trust
(Trustee-manager: Keppel Infrastructure Fund Management Pte. Ltd.)

Stock code: A7RU

Meeting details:
Date: 19 April 2022
Time: 3.00 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.

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

Q1. On 8 February 2022, the trust announced the proposed investment in the gas pipelines business of Saudi Arabian Oil Company ("Aramco"), along with investors including BlackRock Real Assets ("BlackRock") and Hassana Investment Company (the investment arm of the General Organisation for Social Insurance of the Kingdom of Saudi Arabia) ("Hassana").

The announcement could be found here:
https://links.sgx.com/FileOpen/20220207%20Project%20Saturn%20-%20KIT%20SGX%20Announcement_Final.ashx?App=Announcement&FileID=701286

The trust's investment amount is US$250 million. The trust had not provided any pro forma financial figures.

(i) **Would the trust update unitholders on the status of the assets (Aramco Gas Pipelines) since there have been reports of attacks on the infrastructure in Saudi Arabia?**

(ii) **Did the board assess, and can the trustee-manager highlight, the risks of operating such infrastructure in Saudi Arabia?**

(iii) **In particular, what are the key drivers of the revenue/cash flow from the assets?**

(iv) **Given that no pro forma financial figures were provided, on what basis did the board approve this investment? What are the projected returns?**

(v) Aramco retains a 51% majority stake in the pipeline company and has full operational control of the gas pipeline network. **In that case, what is the role of the investors other than the contribution of capital, i.e. a financial investor? If so, then can the trust confirm that it is a passive, minority investor in this investment with no operational influence nor the opportunity to value-add?**

(vi) **Will the cash flow received from the Aramco pipelines be subjected to the trustee-manager's fees?**

(vii) **How is this investment in line with the trust's ESG/sustainability framework?**

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

Q2. The trustee-manager has disclosed that it undertook a strategic review of the trust's businesses in 2021 and identified new platforms that will propel it into its new growth phase.

It added that, beyond the traditional asset classes that provide long-term utility-like contracted cash flows, the trustee-manager will also capitalise on opportunities arising from the shift to a low-carbon economy, and the growth of the digital economy, as well as leveraging socio-economic trends that bode well in the long term.

(i) **Can the trustee-manager clarify if the new assets that are to be acquired in the future lack long-term utility-like contracted cash flows?**

(ii) **What are some of the opportunities that have been identified? Does it include investments in data centers, communication towers, solar farms etc?**

Within 3 years of its acquisition, the trustee-manager announced, on 24 March 2022, that it is undertaking a strategic review of its 100% stake in Ixom Holdings Pte Ltd with a view to potentially unlock value from the business.

(iii) **Can the trustee-manager elaborate further on the reasons for the short holding period of Ixom? Is the trustee-manager having second thoughts about Ixom? Will this result in high churn of the trust's assets? What assurance can unitholders get that the short holding period of a supposed long-term, stable asset is not due to acquisition/divestment fee consideration?**

Q3. At the extraordinary general meeting scheduled to be convened on 19 April 2022 at 4.00 p.m. or immediately after the conclusion or adjournment of the AGM, the trustee-manager is seeking unitholders' approval to amend the base fee and the performance fee supplement.

As shown in the circular, the proposed base and performance fee will be 10% per annum of the trust's distributable income and 25% of the increase in DPU multiplied by the weighted average number of units in issue respectively.

In the trust's media release dated 28 March 2022, it has stated the following:

> *The proposed fee structure will bolster KIFM's ability to optimise and create greater value from the Trust's portfolio… More importantly, the proposed fee structure will enhance KIFM's ability to drive growth through new acquisitions and investments….*

(iv) **Can the trustee-manager help unitholders understand if it has turned down or rejected potential acquisitions because of the fee structure?**

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

(v) **Can the trustee-manager confirm that it has discharged its duties and had always done its best for the benefit of unitholders? How will the proposed fee structure allow the trustee-manager to "create greater value"? Is the trustee-manager not maximising the value-creation for the trust and for the unitholders currently?**

(vi) **To help unitholders understand the impact of the proposed fees, please show the fees that would have been paid to the trustee-manager (without any progressive implementation) assuming the proposed fees have been in place for the past 5 years (so as to include the period before the COVID-19 pandemic).**

The financials of the trustee-manager can be seen from its audited financial statements[1]. The profit for the year for the trustee-manager was $4.13 million (FY2020: $3.48 million). In fact, in FY2019 when the trust acquired Ixom, the trustee-manager received an acquisition fee of $10.66 million and it reported a profit for the year of $13.3 million.

The profits of the trustee-manager in the past years are as follows:

FY2015 - $6.58 million
FY2016 - $3.44 million
FY2017 - $3.64 million
FY2018 - $2.60 million
FY2019 - $13.29 million
FY2020 - $3.48 million
FY2021 - $4.13 million

In addition, with a share capital of $1.0 million, the trustee-manager has declared and paid out dividends of $3 million (FY2016), $4 million (FY2017), $1 million (FY2018), $10 million (FY2019), $7 million (FY2020) and $4.2 million (FY2021) to its shareholder (Keppel Capital), for a total of $29.2 million in total from FY2016 to FY2021.

As noted in the annual report, the trust has been declaring a distribution per unit of 3.72 cents since FY2016. It has only declared a slightly higher distribution of 3.78 cents per unit for FY2021.

Ernst & Young Corporate Finance Pte Ltd was appointed the independent financial adviser ("IFA").

(vii) **How can trustee-manager help unitholders understand the criteria it used in the selection of the IFA?**

(viii) **How was the independence of the IFA determined? Did the board factor in the dealings of the Keppel group and EY (including EYCF)?**

[1] https://links.sgx.com/FileOpen/2.%20KIFM%20FS%202021.ashx?App=Announcement&FileID=708533

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

The IFA has also stated that they did not assess the rationale for, legal, strategic, commercial and financial merits and/or risks of the Proposed Base Fee and Performance Fee Supplement, and to comment on such merits and/or risks of the Proposed Base Fee and Performance Fee Supplement. The IFA have only expressed our opinion on whether the Proposed Base Fee and Performance Fee Supplement is on normal commercial terms and is not prejudicial to the interests of KIT and its minority unitholders. The assessment of the legal, strategic, commercial and financial merits and/or risks of the Proposed Base Fee and Performance Fee Supplement remains the sole responsibility of the directors, although the IFA may draw upon their views in respect thereof in arriving at the opinion set out in the IFA letter.

(ix) **What is the IFA's basis to determine if the proposed fee is "on normal commercial terms"?**

(x) **Similarly, what is the basis to determine that the proposed fee is "not prejudicial to the interests of KIT and its minority unitholders"?**

(xi) **Given the substantial profit of the trustee-manager since FY2016, can the independent directors help unitholders understand how it had assessed the commercial and financial merits of the proposed fees?**

(xii) **If KIFM is unwilling to carry on as the trustee-manager of the trust under the current fee structure, would the trust be seeking out a new trustee-manager via an open tender?**

^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.

^ 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)

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

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

Join our mailing list here to receive latest news and upcoming events.

CONNECT WITH US