GROWING

Annual Report 2016

Manulife US REIT

GROWING


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Manulife
US REIT

Annual
Report
2016

Mission

To provide Unitholders with sustainable distributions while maintaining an appropriate capital structure

Contents

Manulife US Real Estate Investment Trust (MUST or the REIT) is a Singapore real estate investment trust (REIT) listed on Singapore Exchange Securities Trading Limited (the SGX-ST) since 20 May 2016.

Its investment strategy is principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. MUST's portfolio comprises three prime, freehold, quality office properties strategically located in Los Angeles, Irvine and Atlanta with a combined asset value of US$833.8 million as at 31 December 2016.

The REIT is managed by Manulife US Real Estate Management Pte. Ltd. (the Manager) which is wholly owned by the Sponsor, The Manufacturers Life Insurance Company (Manulife), part of the Manulife Group. The Sponsor's parent company, Manulife Financial Corporation (MFC), is a leading international financial services group providing forward-thinking solutions to help people with big financial decisions. It operates as John Hancock in the U.S., and Manulife elsewhere providing financial advice, insurance and wealth and asset management solutions for individuals, groups and institutions.

Newly listed on the SGX-ST, Manulife US REIT provides resilient distributions with visible growth. With an efficient tax structure, the key objectives are to provide Unitholders with regular distributions and achieve long-term growth in Distribution per Unit (DPU) and net asset value (NAV) through prudent capital management.

Gross Revenue
for FY2016

US$47.5
million

ACHIEVING BEYOND

Exceeding
Performance Expectations

Our superior portfolio showcases properties strategically located in key U.S. cities. Supported by an experienced and dedicated management team, Manulife US REIT will target to search for yield-accretive deals in key markets with strong fundamentals.

Occupancy Rate
as at 31 December 2016

97.0%

EXPANDING BEYOND

Providing Sustainable Returns

As the first pure-play U.S. office REIT to be listed in Asia, we are able to provide unique exposure to the U.S. real estate sector. Manulife US REIT seeks to realise its key growth strategies through asset enhancements and acquisitions.

Weighted Average Lease Expiry (WALE) as at 31 December 2016

5.8
years

REACHING BEYOND

Capitalising on Our Unique Positioning

FY2016 FINANCIAL HIGHLIGHTS

Net Property Income
US$30.0 million
1.0% above forecast[1]

Distributable Income
US$22.3 million
4.8% above forecast[1]

Distribution per Unit
3.55 US cents
4.8% above forecast[1]

Net Asset Value
US$0.87 per Unit
11.5% vs 31 December 2015

1 The Prospectus disclosed an 8-month profit forecast for the period from 1 May 2016 to 31 December 2016. Forecast results for the financial period from 20 May 2016 (Listing Date) to 31 December 2016 (FY2016) were derived by pro-rating the forecast figures for the period from 1 May 2016 to 31 December 2016 as disclosed in the Prospectus.

Portfolio
Valuation

US$833.8 million

7.2% vs Acquisition Price[2]

Capital Management

Average Debt Maturity

3.6 years

Gearing Ratio

33.8%

Average Cost of Debt

2.46%

Interest Cover Ratio

5.3 times

Percentage of Fixed Debt

100.0%

2 As at 20 May 2016.

LETTER TO UNITHOLDERS

Dear Unitholders

On behalf of the Board of Directors of Manulife US Real Estate Management Pte. Ltd., the Manager of Manulife US REIT (MUST), we are pleased to present MUST's inaugural annual report for the financial period from its listing date of 20 May 2016 to 31 December 2016 (FY2016).

In many ways MUST is unique. As the first pure-play US office REIT listed in Asia, trading and paying distributions in US dollars, MUST is presently the only REIT in Asia that offers an investment that is a proxy to the U.S. economy and its currency plus access to the world's largest commercial real estate market.

Beyond Expectations

Despite the turbulence in global markets and the eventful geopolitical landscape, MUST posted a strong operational and financial performance in its debut year, delivering key results that surpassed its IPO forecasts. The REIT registered a net property income of US$30.0 million and distributable income of US$22.3 million, which outperformed its forecasts by 1.0% and 4.8% respectively. The REIT has declared distributions of 3.55 US cents per unit for FY2016, ahead of the IPO forecast of 3.39 US cents per unit by 4.8%.

The strong results were underpinned by the robust operating performance from the REIT's three high quality commercial properties in the U.S. namely: Figueroa in Downtown Los Angeles, Michelson in Irvine, Orange County, and Peachtree in Midtown Atlanta. With built-in rental escalations from committed leases, coupled with proactive leasing renewal efforts and positive rental reversion at an average of 10.5%[1], the portfolio experienced strong organic growth and maintained its solid high occupancy rate of 97.0% as at 31 December 2016. Overall, the portfolio has an improved lease profile and a long weighted average lease expiry (WALE) of 5.8 years.

Even though our properties are either new or recently refurbished, we are constantly looking for ways to enhance our assets. In FY2016, we embarked on initiatives such as increasing the net lettable area (NLA) of Figueroa by 7.1% on 72,014 sq ft of new leases signed due to BOMA 2010[2], completed Tesla's battery project at Michelson which

1 1 January 2016 to 31 December 2016.
2 Building Owner and Managers Association (BOMA) 2010, a trade association that prescribes NLA measurement standards for buildings in the U.S.

generated energy savings for tenants and reduced tenants' occupancy costs, and we refurbished some of the bathrooms and lift lobbies at Peachtree.

In mid-July 2016, we demonstrated our prudent approach towards capital management by successfully negotiating and signing longer term loan financing. Post the surprise Brexit result, we took advantage of the lower interest rates. This reduced interest expenses by US$1.0 million per annum (p.a.) and translated into higher distributable income for Unitholders. The loans have an average fixed interest rate of 2.46% p.a. with a weighted average maturity of 3.6 years as at 31 December 2016. As such we now have a well-spread debt maturity profile with the loans maturing in 2019, 2020 and 2021, hence removing any near-term interest rate volatility.

In FY2016, the portfolio valuation increased by 7.2% over the acquisition cost to US$833.8 million. As at 31 December 2016, net asset value strengthened to US$0.87 per unit. We continue to maintain a healthy balance sheet with lower gearing of 33.8%, which provides debt headroom for future acquisitions.

Reaching Beyond

As we begin our journey to deliver sustainable value to Unitholders, we are mindful that we must continually engage our stakeholders and grow the REIT's value in more ways than one.

In 2016, MUST achieved several accolades: we were awarded runner-up in the New Issues Category of the Most Transparent Company Award at the Securities Investors Association (Singapore) (SIAS) 17th Investors' Choice Awards, plus the Best REIT Deal of the Year and Best IPO for Retail Investors in Southeast Asia by Alpha Southeast Asia Deal & Solution Awards 2016. Since 1 December 2016, MUST has also been included in the MSCI Singapore Small Cap Index.

Whether it be holding regular dialogue sessions with you, or enhancing the environmental, sustainability and governance (ESG) aspects of the REIT, we are eager to do all we can to make MUST a REIT that you will be proud to own. You can read more about our ESG and investor relations initiatives in the subsequent sections of this annual report. We welcome your feedback on how we can improve further.

Growing Beyond

Against the backdrop of global economic and political uncertainties, we will continue to be vigilant in our portfolio management and risk management strategies. Whilst the policies of the new U.S. presidency take shape, the underlying U.S. economy is expected to maintain the momentum generated in 2016. On the back of this, the overall U.S. real estate market, and the office sector in particular, remains a bright spot attracting investors who seek yield and growth.

The U.S. reported an annualised real GDP growth rate of 1.9% for the fourth quarter of 2016 and 1.6% for the full calendar year[3]. The U.S. economy created 156,000 non-farm jobs in December, resulting in a 12-month moving average of roughly 183,000 net new jobs created per month[4]. This rate of employment growth is supportive of continued healthy absorption in the office market.

Office absorption during the current U.S. business cycle has been relatively strong, with demand exceeding new supply for most of the past six years. This trend has continued into 4Q2016 with the market posting six million sq ft of positive net absorption. The national average vacancy rate decreased by 10 basis points (bps) to 10.4%, and over the last 12 months, the U.S. office market vacancy rate declined by 30 bps[5].

MUST is operating in a favourable and resilient sector where demand for office space continues to outstrip supply in and around key U.S. cities. Our strategy is to use our deep knowledge and broad experience of the U.S. property market to create superior returns, through embedded income growth and strategic acquisition of prime assets at well-chosen times in attractive central business district and suburban locations. We are entering the new financial year on a strong footing. Our portfolio's high occupancy rate of 97.0% exceeds the U.S. market average of 87.6%, 99.2% of our portfolio has rental escalations with annual escalations averaging around 3% p.a. and we have minimal lease expiries until 2019 with 67.8% of leases by NLA expiring in 2022 and beyond.

Moving forward, we will proactively manage and enhance our assets, and aim to grow the portfolio by targeting to acquire yield-accretive assets. The depth and breadth of the U.S. office market offers plenty of acquisition opportunities, which will enable us to diversify our portfolio geographically, widen our tenant base, and further generate stable and visible cash flows.

Note of Appreciation

In conclusion, we wish to extend our appreciation to the Directors and all employees for their dedication and commitment, without which we would not have been able to deliver these results.

We are gratified by the support shown by the investment community during and after our listing, which we believe is an endorsement of the quality of our assets, our management and the reputation of our Sponsor. We would like to thank you, our Unitholders, as well as our business partners, advisors and tenants for your unwavering support. Last but not least, we would like to acknowledge and thank our Sponsor for its commitment to MUST.

With the bright start and solid foundation built in 2016, we look forward to the year ahead as we build beyond our initial success. Together with your support, we are confident we can meet any challenges ahead and create sustainable value for the REIT.

Hsieh Tsun-Yan
Chairman

Jill Smith
Chief Executive Officer

3 Source: U.S. Department of Commerce, Bureau of Economic Analysis.
4 Source: U.S. Department of Labor, Bureau of Labour Statistics.
5 Source: CoStar "Market Analysis and Forecast", 4Q2016.

YEAR IN REVIEW

2016

May

Listed on Mainboard of SGX-ST on 20 May. Total gross proceeds US$519.2 million were raised making MUST the second largest IPO in 2016.

June

Tesla battery project at Michelson, Orange County became fully operational and resulted in energy and cost savings.

July

Refinanced US$296.0 million loan at an average rate of 2.46% p.a., 100.0% fixed, reducing interest expense by approximately US$1.0 million p.a.

Celebrated Mid-Autumn Festival with patients of Assisi Hospice Day Care Centre.

September

Awarded runner-up in the New Issues Category of the Most Transparent Company Award at the SIAS 17th Investors' Choice Awards.

Bathrooms and lift lobbies were refurbished on three floors of 1100 Peachtree, Atlanta.

November

Announced maiden 3Q2016 results on 7 November which exceeded IPO profit forecast. DPU of 2.01 US cents outperformed forecast by 5.8%.

Held inaugural Investor Day on 17 November for retail investors.

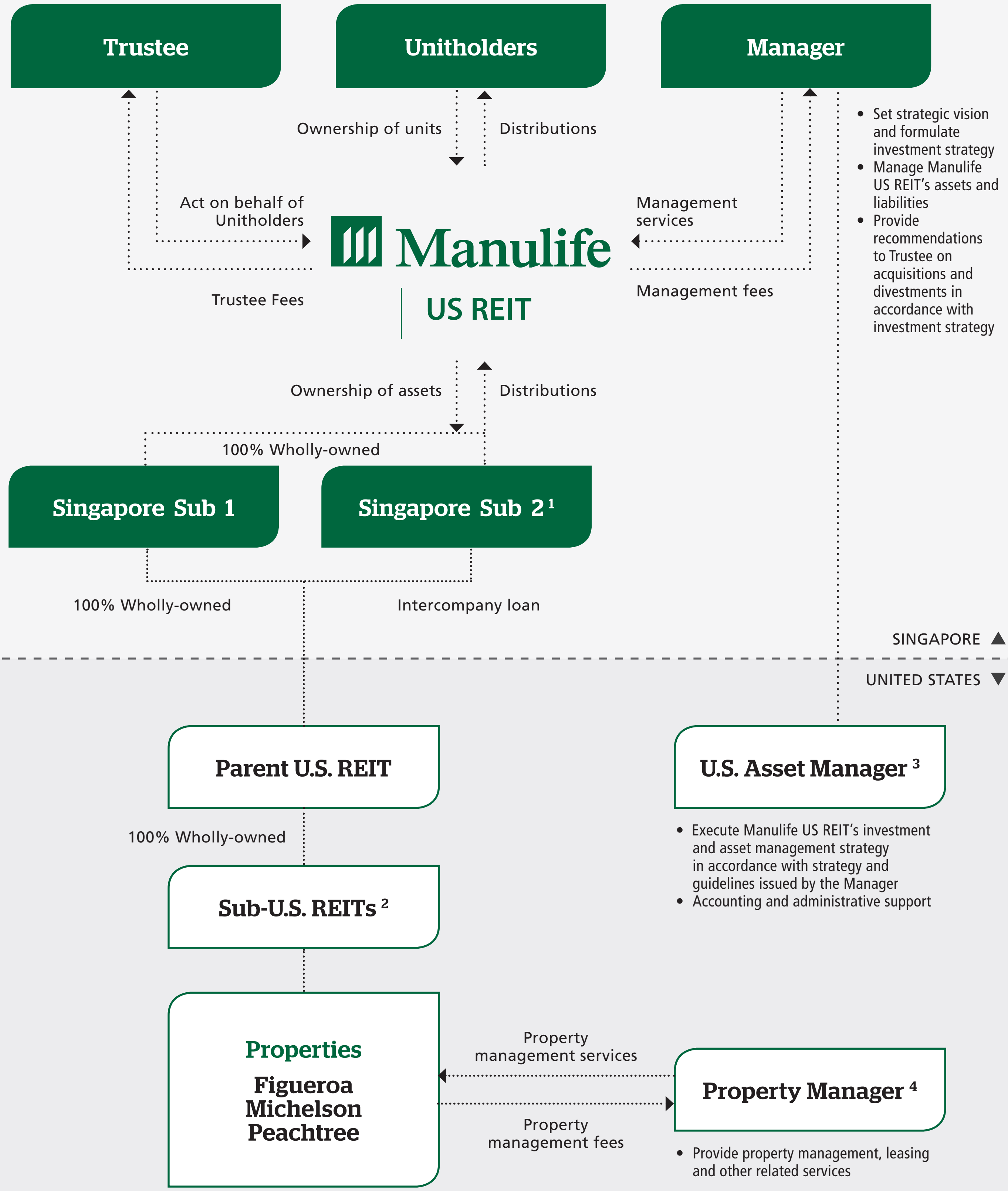
Volunteered at YWCA to pack rations for needy families under the Sustenance for Families Programme.

December

Included in the MSCI Singapore Small Cap Index on 1 December.

Awarded Best REIT Deal of the Year and Best IPO for Retail Investors in Southeast Asia by Alpha Southeast Asia Deal & Solution Awards 2016.

TRUST & TAX STRUCTURE



1 A separate Singapore passive investment holding company will be established to provide an intercompany loan for each future acquisition.
2 Each Sub-U.S. REIT holds each individual property.
3 The U.S. Asset Manager is a subsidiary of the Property Manager.
4 The Property Manager has entered into a master property management agreement with the Parent U.S. REIT and a property management agreement with each Sub-U.S. REIT and its taxable REIT subsidiary.

BOARD OF DIRECTORS

Hsieh Tsun-Yan
Chairman
Non-Executive Director

Date of Appointment as Director
17 June 2015

Length of Service as a Director (as at 31 December 2016)
1 year and 6 months

Academic and Professional Qualifications
- Master of Business Administration, Harvard Business School
- Bachelor of Science in Mechanical Engineering, University of Alberta

Board Committee Served on
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies
- Manulife Financial Corporation, Canada
- Singapore Airlines Limited

Present other Principal Commitments
- LinHart Group, Singapore (Lead Counsellor and Chairman)
- The Manufacturers Life Insurance Company (Director)
- National University of Singapore (NUS) Business School (Management Advisory Board Member)
- NUS Business School and Lee Kuan Yew School of Public Policy, Singapore (Provost's Chair Professor)
- The Institute of Policy Studies, Singapore (Academic Panel Member)
- Singapore Institute of Management (Governing Council Member)
- Singapore Institute of Management Pte. Ltd. (Director)
- Duke-NUS Graduate Medical School, Singapore (Governing Board Member)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Sony Corporation, Japan (Director)
- Bharti Airtel Limited, India (Director)
- Singapore International Foundation (Board of Governors, Executive Committee Member)

Experience
- Over 30 years of experience in international business, leadership development and corporate transformation
- Previously Director at McKinsey & Company

Lau Chun Wah @ Davy Lau
Independent Non-Executive Director
Lead Independent Director

Date of Appointment as Director
17 June 2015

Length of Service as a Director (as at 31 December 2016)
1 year and 6 months

Academic and Professional Qualifications
- Bachelor of Arts, Tokyo University of Foreign Studies
- Master of Economics, Hitotsubashi University

Board Committee Served on
- Nominating and Remuneration Committee (Chairman)

Present Directorships in other Listed Companies
- AL Group Limited

Present other Principal Commitments
- DGL Group Inc., BVI (Chairman and Director)
- Ocean Rich Group Ltd, BVI (Director)
- The Mustard Seed Business Angel Fund LLP, Singapore (Partner)
- United World College of South East Asia, Singapore (Board of Governors)
- United World College of South East Asia – East, Singapore (Board of Governors)
- IVC Global Partners Pte Ltd, Singapore (Director)
- Gooute Pte Ltd, Singapore (Director)
- Sentiens Asia Pte Ltd, Singapore (Director)
- Make-A-Wish Foundation (Singapore) Limited (Director)
- Hong Kong-ASEAN Economic Cooperation Foundation, Hong Kong (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Make-A-Wish Foundation (Singapore) Limited (Director)
- Make-A-Wish Foundation (Singapore) Limited (Advisory Board Member)
- iMediaHouse.com Ltd (Director)
- Strategic Investment Partners Inc (Director)
- eZoo School of Music & Fine Arts Pte. Ltd. (Director)

Experience
- Over 20 years of experience in investments and advisory and executive search

Ho Chew Thim

Independent Non-Executive Director

Date of Appointment as Director
17 June 2015

Length of Service as a Director (as at 31 December 2016)
1 year and 6 months

Academic and Professional Qualifications
- Bachelor of Accountancy (First Class Honours), University of Singapore
- Institute of Singapore Chartered Accountants, Fellow Member
- CPA Australia, Fellow Member

Board Committee Served on
- Audit and Risk Committee (Chairman)

Present Directorships in other Listed Companies
- Yongmao Holdings Limited (Director)
- Mencast Holdings Ltd (Director)
- China Kunda Technology Holdings Limited (Director)
- Hengyang Petrochemical Logistics Limited (Director)
- DeClout Limited (Director)
- Procurri Corporation Limited (Director)

Present other Principal Commitments
- Nil

Past Directorships or Principal Commitments held over the Preceding Three Years
- R H Energy Ltd (now known as CWG International Limited) (Director)

Experience
- Over 40 years of experience in finance, treasury, corporate planning and investments

Veronica Julia McCann

Independent Non-Executive Director

Date of Appointment as Director
17 June 2015

Length of Service as a Director (as at 31 December 2016)
1 year and 6 months

Academic and Professional Qualifications
- CIMA, University of Central London
- Chartered Institute of Management Accountants, Fellow Member
- Chartered Global Management Accountants, Member

Board Committees Served on
- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- British Chamber of Commerce Singapore (Treasurer)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Commerz Securities Hong Kong Limited (Director)
- Commerzbank Asset Management Asia Limited (Director)
- Commerz Asset Management Asia Pacific Pte Ltd (Director)

Experience
- Over 31 years of experience in banking and finance
- Previously Chief Financial Officer Asia and Deputy Chief Executive, Singapore at Commerzbank AG

BOARD OF DIRECTORS

Pok Soy Yoong
Independent Non-Executive Director

Date of Appointment as Director
17 June 2015

Length of Service as a Director (as at 31 December 2016)
1 year and 6 months

Academic and Professional Qualifications
- Institute of Singapore Chartered Accountants, Non-Practicing Member
- Singapore Institute of Accredited Tax Professionals, Accredited Tax Advisor (Income Tax)

Board Committee Served on
- Audit and Risk Committee (Member)

Present Directorships in other Listed Companies
- Mapletree Logistics Trust Management Ltd., manager of Mapletree Logistics Trust

Present other Principal Commitments
- Pavilion Foundation Limited Singapore (Director)
- Pok and Tax Associates (Sole Proprietor)

Past Directorships or Principal Commitments held over the Preceding Three Years
- UE Engineering and Construction Ltd (now known as Greatearth Pte. Ltd.) (Director)
- Perennial China Retail Trust Management Pte. Ltd., trustee-manager of Perennial China Retail Trust (Director and Chairman)
- Inland Revenue Authority of Singapore (Director)

Experience
- Over 30 years of experience in taxation
- Previously Head of Tax at Ernst & Young Singapore

Kevin John Eric Adolphe
Non-Executive Director

Date of Appointment as Director
30 March 2015

Length of Service as a Director (as at 31 December 2016)
1 year and 9 months

Academic and Professional Qualifications
- Bachelor of Commerce, University of Toronto
- Chartered Accountant, Canadian and Ontario Institutes of Chartered Accountants

Board Committee Served on
NIL

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- The Manufacturers Life Insurance Company (Executive Vice President)
- Manulife Asset Management Private Markets (Canada) Corp. (Director)
- Manulife Real Estate Funds (Director)
- Manulife Private Funds (Canada) Inc. (Director)
- NAL Resources Management Limited (Director)
- Hancock Capital Investment Management, LLC (Director)
- Hancock Natural Resource Group, Inc. (Director)
- Rogers Bank (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
NIL

Experience
- Over 20 years in banking, finance and asset management
- President & Chief Executive Officer of Manulife Asset Management Private Markets and President & Chief Executive Officer of Manulife Real Estate

Michael Floyd Dommermuth
Non-Executive Director

Date of Appointment as Director
30 March 2015

Length of Service as a Director (as at 31 December 2016)
1 year and 9 months

Academic and Professional Qualifications
B.S. Mathematics, Management Science, Carnegie-Mellon University, USA

Board Committee Served on
NIL

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- Manulife Asset Management (Hong Kong) Limited (Director)
- PT Manulife Aset Manajemen Indonesia (Director)
- Manulife Asset Management (Singapore) Pte. Ltd. (Director)
- Manulife Asset Management (Taiwan) Company Ltd. (Director)
- Manulife Financial Investment Ltd. (Director)
- Manulife Asset Management (Japan) Ltd. (Director)
- Manulife TEDA Fund Management Co., Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Manulife-Sinochem Life Insurance Co. Ltd. (Director)
- Manulife Asset Management Services Berhad (Director)
- Manulife Asset Management (Thailand) Company Limited (Director)

Experience
- Over 20 years in asset management, investments and investment operations
- Executive Vice President, Head of Wealth & Asset Management, Asia

MANAGEMENT TEAM

Jill Smith
Chief Executive Officer

Ms Jill Smith is the Chief Executive Officer (CEO) of the Manager. She works with the Board to determine the strategy of the REIT. Ms Smith is also responsible for the overall day-to-day management and operations of the REIT, and works closely with the Manager's investment, asset management, financial, operations plus legal and compliance personnel to meet the REIT's strategic, investments and operational objectives.

Ms Smith has over 35 years of experience as an investment management professional in Asia and Europe. She has extensive experience in portfolio management, business development and management, as well as in sales and marketing. Prior to joining the Manager, Ms Smith held several senior executive positions within Manulife Asset Management. She was Senior Managing Director, Chief Executive Officer and Chief Investment Officer for Manulife Asset Management (Singapore) Pte. Ltd. Ms Smith was previously a Director of Manulife Asset Management (Malaysia) and Manulife Advanced Fund SPC, Cayman Islands Monetary Authority. She also served as Head of ASEAN Investment Operations with Manulife Asset Management Asia.

Prior to joining Manulife in 2007, Ms Smith was Head of Operations for Western Asset Management (Singapore), Managing Director of Rothschild Asset Management (Singapore), as well as Managing Director of Lazard Investors (Singapore). Before moving to Singapore in 1993, Ms Smith was Head of Marketing and Sales for Lazard Investors (London) and held investment management posts at a number of other asset management entities.

Ms Smith holds a Bachelor of Arts (Honours) in Sociology and a Postgraduate Certificate of Education, both from Durham University, UK.

Jagjit Obhan
Chief Financial Officer

Mr Jagjit Obhan is the Chief Financial Officer of the Manager. He reports to the CEO and is responsible for finance, accounting and applying the appropriate capital management strategy for the REIT.

Mr Obhan has over 16 years of experience in audit, banking, corporate finance, real estate and regulatory reporting. Prior to joining the Manager in 2015, Mr Obhan was Managing Director and Head of Third Party Finance for Manulife Asset Management Private Markets, where he was responsible for finance, treasury and debt financing, and reporting functions for real estate, private debt and commercial mortgage funds. Mr Obhan also implemented the infrastructure to support the successful launch of domestic and cross-border funds focusing on North American real estate.

In addition, Mr Obhan led the implementation of an internal controls programme for the Investment Division, held the position of Chief Accountant for the Investment Division responsible for providing accounting advice on complex investments and derivatives transactions under IFRS, US GAAP and regulatory reporting, and led the external and board reporting function of Manulife Bank.

Prior to joining Manulife in 2005, Mr Obhan held managerial positions in the Royal Bank of Canada. Mr Obhan also previously worked with Ernst and Young where he lead external audits and was involved in various internal audit consulting projects.

Mr Obhan holds a Bachelor of Commerce (Honours) and Chartered Professional Accountant and Chartered Accountant designations from Chartered Professional Accountants of Ontario, Canada. He holds an Executive Master of Business Administration from a joint J.L. Kellogg School of Management (Northwestern University) and York University programme.

Jeffrey Wolfe
Chief Investment Officer

Mr Jeffrey Wolfe is the Chief Investment Officer of the Manager. He reports to the CEO, and together with the other members of the management team, executes the investment programme. Mr Wolfe directs the asset management, property management and acquisition teams in the U.S.

Mr Wolfe has over 30 years of experience in all aspects of U.S. real estate investment. He has significant transactions and third-party advisory experience, including establishing portfolio strategies for clients and managing real estate investments to optimise the performance of assets. His background includes investing through multiple market cycles in both equity real estate and mortgage loans, with senior roles in portfolio management, asset management, acquisitions, appraisal and credit analysis. Prior to joining the Manager, Mr Wolfe was the Portfolio Manager for Manulife's global real estate portfolio. He was also formerly Managing Director of John Hancock Real Estate (John Hancock), where he acquired office and industrial properties throughout the U.S. on behalf of John Hancock and third party investment clients.

Prior to joining John Hancock in 2012, Mr Wolfe was the Director of Analytics for the Debt Exchange, where he provided loan valuation and consulting services to institutions. He also worked for two subsidiaries of Munimae as Head of Portfolio Management and Head of Financial Strategy and Analysis. For over 15 years, Mr Wolfe held positions at Equitable Real Estate Investment Management and its successor Lend Lease Real Estate, when the firms were the largest real estate investment managers in the U.S.

Mr Wolfe holds a Bachelor of Science (Honours) in Finance from Boston College. He is a Chartered Financial Analyst (CFA), and also holds the MAI designation, which is conferred by the Appraisal Institute in the U.S. to professional commercial real estate appraisers.

Caroline Fong
Head of Investor Relations

Ms Caroline Fong is the Head of Investor Relations for the Manager. She reports to the CEO and is responsible for managing the expectations and relationships of the investment and media community with the REIT.

Ms Fong has over 12 years of experience in investor relations, capital markets and research. Prior to joining MUST, Ms Fong was Associate Director, Investor Relations and Corporate Finance in Temasek Holdings and Head of Investor Relations and Corporate Communications in Cambridge Industrial Trust (CIT). At CIT, Ms Fong was instrumental in profiling the REIT to be the best performing industrial REIT and second best performing SREIT in 2013.

In addition, Ms Fong was formerly Head of Investor Relations for CapitaLand Mall Asia, where she was responsible for creating the narrative for the company's retail businesses in Singapore and four other countries. Early in her career, Ms Fong was Associate Director, Listings at the Singapore Exchange, where she advised companies on corporate governance and the regulatory framework for public-listed companies in Singapore.

Ms Fong holds a Masters in Finance and Investment from the University of Nottingham, UK and a Bachelor of Science (Honours) in Banking and Finance from the University of London, UK.

Daphne Chua
Head of Compliance

Ms Daphne Chua is the Head of Compliance for the Manager. She reports to the CEO and is responsible for making all regulatory filings on behalf of MUST, and assists the REIT in complying with the applicable provisions of the SFA and all other relevant legislations.

Ms Chua has over 18 years of experience in the field of compliance for a variety of global financial institutions and investment companies with operations in Singapore. She has also worked closely with various Board of Directors, senior management, independent and internal auditors, legal advisors and regulators, both in Singapore and internationally. In addition, Ms Chua has developed compliance and related policies and procedures for asset management, fund business units and other financial entities, by implementing local and international industry best practices.

Prior to joining the Manager in 2015, Ms Chua held a number of compliance positions including those for Manulife Asset Management (Singapore) Pte. Ltd., Credit Suisse Singapore Branch Private Banking, Prudential Fund Management Services Private Limited and Morgan Stanley in Singapore.

Ms Chua holds a Bachelor of Accountancy (with a Minor in Banking & Finance) (Honours) from Nanyang Technology University, Singapore.

Choong Chia Yee
Financial Controller

Mr Choong Chia Yee is the Financial Controller for the Manager. He is responsible for financial and management reporting, as well as day-to-day running of finance operations.

Mr Choong has over 18 years of experience in accounting, finance, strategic planning, budgeting, tax, initial public offering, audit, regulatory reporting and compliance. Prior to joining the Manager in November 2016, Mr Choong held positions in public-listed companies in both SGX-ST and Bursa Malaysia, including Mapletree Logistics Trust and CapitaLand Mall Asia, and has extensive experience in corporate entities with widespread international operations.

Mr Choong holds a professional qualification from the Chartered Institute of Management Accountants, U.K. He also holds the designations of Chartered Global Management Accountant, Chartered Accountant of Singapore and Chartered Accountant of Malaysia.

FINANCIAL REVIEW

In FY2016, MUST delivered strong maiden results on the back of good property performance, lower borrowing costs and trust expenses. The REIT recorded distributable income of US$22.3 million, which outperformed forecast by 4.8%. This translated into a DPU of 3.55 US cents, which was 4.8% higher than forecast.

Consolidated Statement of Comprehensive Income	FY2016[1]		
	Actual[2]	Forecast[3]	Change
	US$'000	US$'000	%
Gross revenue	47,510	48,234	(1.5)
Property operating expenses	(17,538)	(18,547)	(5.4)
Net property income	**29,972**	**29,687**	**1.0**
Manager's base fee	(2,231)	(2,128)	4.8
Trustee's fee	(89)	(100)	(11.0)
Other trust expenses	(805)	(1,152)	(30.1)
Finance expenses	(5,098)	(5,623)	(9.3)
Net income before tax and fair value change in investment properties	**21,749**	**20,684**	**5.1**
Fair value change in investment properties	52,316	(3,590)	N.M.
Net income for the period before tax	**74,065**	**17,094**	**>100**
Tax expense	(22,391)	(812)	>100
Net income for the period	**51,674**	**16,282**	**>100**
Income available for distribution to Unitholders	**22,306**	**21,285**	**4.8**
Distribution per Unit (US cents)			
For the period	**3.55**	**3.39**	**4.8**
Annualised	**5.75**	**5.50**	**4.8**

	FY2016[1]
Total operating expenses, including all fees, charges and reimbursable costs paid to the Manager and interested parties[4] (US$'000)	20,561
Net assets[5] (US$'000)	547,005
Total operating expenses as a percentage of Net Asset Value (%)	3.8

Gross Revenue

The gross revenue of US$47.5 million was 1.5% below forecast due to lower recoveries income, partially offset by higher rental income and other income. Recoveries income from tenants is recognised when applicable recoverable property operating expenses are incurred. Since the recoverable property operating expenses were lower than forecast, the recoveries income was also accordingly lower.

Excluding the impact of lower recoveries income, the gross revenue was ahead of forecast by 1.2%. This was largely driven by higher rental income and other income.

1 FY2016 refers to the period from 20 May 2016 (Listing Date) to 31 December 2016. No comparative financial results have been provided as MUST was dormant since its date of constitution (27 March 2015) to 20 May 2016 (Listing Date).
2 MUST was a dormant private trust during the period from date of constitution (27 March 2015) to 20 May 2016 (Listing Date). Therefore, the actual income derived from the properties for the current period was from 20 May 2016 (Listing Date) to 31 December 2016.
3 The Prospectus disclosed an 8-month profit forecast for the period from 1 May 2016 to 31 December 2016. Forecast results for the period from 20 May 2016 (Listing Date) to 31 December 2016 was derived by pro-rating the forecast figures for the period from 1 May 2016 to 31 December 2016 as disclosed in the Prospectus.
4 Excludes net foreign exchange differences and finance expenses.
5 Net assets as at 31 December 2016.
N.M.: Not meaningful

FY2016[1]	Actual[2]	Forecast[3]	Change
	US$'000	US$'000	%
Rental income and other income[6]	35,291	34,879	1.2
Recoveries income[7]	12,219	13,355	(8.5)
Gross revenue	**47,510**	**48,234**	**(1.5)**

Net Property Income

The net property income of US$30.0 million was ahead of forecast by 1.0% largely due to lower property operating expenses, partially offset by lower recoveries income. Property operating expenses of US$17.5 million were 5.4% below forecast, mainly driven by lower property taxes, lower utility expenses largely resulting from energy saving initiatives in Michelson, and lower other property expenses.

Management Fee

MUST's base management fee and performance management fee are based on its distributable income and DPU growth respectively, so as to better align the interests of the Manager and Unitholders. Under the Trust Deed, the Manager is entitled to receive a base fee of 10.0% per annum of the distributable income (Base Fee), as well as a performance fee of 25.0% of the difference in DPU in a financial year compared with the preceding financial year, multiplied by the weighted average number of issued units (Performance Fee). There is no Performance Fee payable for FY2016. The Performance Fee for FY2017 will be based on the difference between actual DPU and projected DPU as stated in the Prospectus.

Management base fee was 4.8% higher than forecast due to higher than forecast distributable income.

Finance Expenses and Trust Expenses

Finance expenses of US$5.1 million were lower than forecast by 9.3% largely due to the new loan facilities secured (refer to section on Proactive and Prudent Capital Management) at a lower average fixed rate interest cost and lower amortisation of financing costs.

Trust expenses of US$0.8 million were 30.1% lower than forecast.

Net Income

Net income of US$51.7 million was ahead of forecast mainly due to property fair value gains. The appraised fair value increased by 7.2% over the property acquisition cost, reflecting a US$52.3 million gain recognised in net income.

The fair value gain was partially offset by deferred tax expense arising from fair value gains.

Distributable Income and DPU

The distributable income of US$22.3 million was ahead of forecast by 4.8% mainly due to higher net property income, lower finance expenses and lower trust expenses.

A DPU of 3.55 US cents, representing 100.0% of distributable income, was declared for the FY2016 reporting period. This equates to an annualised DPU of 5.75 US cents or an annualised yield of 6.7% at a unit price of US$0.86 as at 10 February 2017.

Assets

As at 31 December 2016, the total assets for MUST were US$875.2 million. The increase in total assets since IPO was largely driven by valuation gains on investment properties. The investment properties were valued by CBRE, Inc. at US$833.8 million, which was 7.2% higher than acquisition cost. The valuation gains were underpinned by positive fundamentals of the U.S. office market.

6 Includes rental income, car park income and other income.
7 Recoveries income include charges to tenants for reimbursements of certain operating costs and real estate taxes, and is in accordance with individual tenant leases.

FINANCIAL REVIEW

	Acquisition Price as at 20 May 2016	Valuation as at 31 December 2016	Change since 20 May 2016	Valuation as at 31 December 2016	Cap Rate[8] as at 31 December 2016	Discount Rate as at 31 December 2016
Building	**US$ million**	**US$ million**	**%**	**US$ psf**	**%**	**%**
Figueroa	284.7	312.5	9.8	450	4.75	7.00
Michelson	317.8	334.6	5.3	628	5.25	6.75
Peachtree	175.0	186.7	6.7	336	6.00	7.25
Total	777.5	833.8	7.2			
Weighted Average				468	5.23	6.96

Net Asset Value

The REIT's net asset value (NAV) per Unit was US$0.87 as at 31 December 2016[9]. The NAV per Unit excluding distributable income for FY2016 would be US$0.83 as at 31 December 2016.

PROACTIVE AND PRUDENT CAPITAL MANAGEMENT

The Manager has a proactive and prudent approach towards capital management, and will endeavour to optimise the REIT's capital structure by employing an appropriate mix of debt and equity instruments to fund future acquisitions and asset enhancement initiatives within MUST's properties.

Key Financial Indicators	As at 31 December 2016
Gross borrowings	US$296.0 million
Aggregate leverage[10]	33.8%
Weighted average cost of debt	2.46% p.a.
Weighted average debt maturity	3.6 years
Interest cover ratio[11]	5.3 times

Proactive Refinancing of Debt at Lower Cost

During the year, MUST secured new mortgage facilities for an aggregate principal amount of US$296.0 million (Mortgage Facilities), as well as an additional facility for the REIT's budgeted capital expenditures and leasing costs of up to US$31.8 million (Good News Facility).

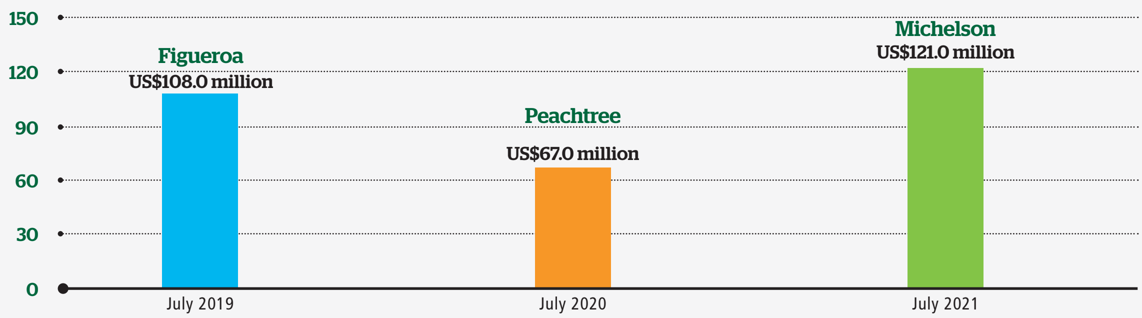
The new Mortgage Facilities were used to fully repay the REIT's bridge loan facilities of US$296.0 million which partially funded the acquisition of the IPO portfolio (Bridge Loan Facilities). The Bridge Loan Facilities had a term of two years at a fixed interest rate of 2.80% p.a. The new Mortgage Facilities effectively lowered the REIT's weighted average interest rate from 2.80% to 2.46% p.a.

Stable Cost of Debt with No Near Term Refinancing Risk

MUST has locked in a fixed rate of interest on the aggregate principal amount of US$296.0 million on the Mortgage Facility. The REIT's debt maturity is staggered and will be extended to weighted average maturity of 3.6 years as at 31 December 2016, with no refinancing required until 2019.

8 Based on overall cap rates used in Direct Capitalisation valuation approach. Implied cap rates would be different at a portfolio average of 5.11%.
9 There was no NAV per Unit calculated as at 1 January 2016 as MUST was only listed on 20 May 2016.
10 Based on gross borrowings as percentage of total assets. Also referred to as "gearing ratio".
11 Based on net income before finance expenses, taxes, fair value gain on properties and amortisation, over finance expenses.

Debt Maturity Profile (US$ million)



Financial Flexibility to Meet Short-term Obligations

MUST has secured a Good News Facility of up to US$31.8 million at the prevailing market interest rate to fund the REIT's budgeted capital expenditures and leasing costs. Separately, the REIT has also secured a three-year US$10.0 million revolving credit facility with DBS Bank Ltd. for working capital purposes.

None of these facilities were drawn down as at 31 December 2016.

Lower Gearing Provides More Debt Headroom

MUST gearing was 33.8% as at 31 December 2016, which is well below the regulatory limit of 45.0% under the revised Code of Collective Investment Schemes. The current gearing level is also below our target gearing level of 35.0% to 40.0%.

Cash Flow and Liquidity

As at 31 December 2016, the REIT's cash and cash equivalent was US$38.4 million. The net cash generated from operating activities for FY2016 was US$11.0 million, largely from its net property income received, partially offset by net working capital requirements.

Net cash used in investing activities for FY2016 was US$758.9 million. The cash was largely used to acquire properties at IPO.

Net cash generated from financing activities was US$786.3 million. Proceeds from the issuance of new IPO units during the listing was US$519.2 million and borrowings from external banks amounted to US$296.0 million.

Use of Proceeds

On 20 May 2016, MUST raised gross proceeds of US$519.2 million from its IPO. The IPO proceeds have been materially disbursed and the use of proceeds raised from IPO is in accordance with the stated uses as disclosed in the Prospectus. The use of proceeds is set out below:

	Actual[2]	Stated in Prospectus	Variance
	US$'000	**US$'000**	**US$'000**
Purchase consideration of investment properties	777,450	777,450	-
Transaction costs[12]	29,471	32,548	(3,077)
Working capital[13]	5,200	5,200	-
	812,121	**815,198**	**(3,077)**

12 The favourable variance of US$3,077,000 is due to savings in IPO related costs and GST refund on transaction costs. These savings will be used for working capital purposes.
13 The monies are used for general working capital purposes.

OPERATIONAL REVIEW

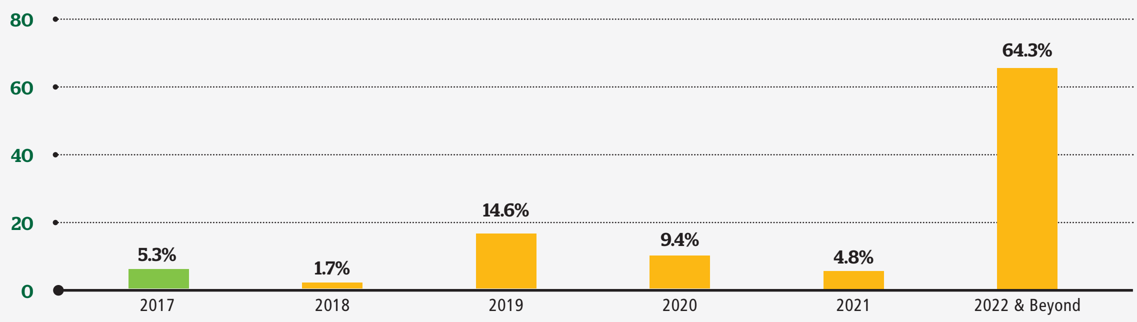
Portfolio Summary

Manulife US REIT's portfolio comprises three high quality office buildings located in key cities in the U.S. with an aggregate NLA of 1.8 million sq ft. As at 31 December 2016, the portfolio had a WALE by NLA of 5.8 years and a committed occupancy rate of 97.0%.

Minimal Near-Term Lease Expiries

MUST actively manages its lease maturities to achieve a well spread lease expiration profile. Measured by gross rental income, only 5.3% of leases expire in 2017 and less than 2.0% expire in the following year. In addition, 64.3% of all leases mature in 2022 and beyond. As a result, the portfolio had a WALE of 5.8 years by NLA, and 5.9 years by gross rental income as at 31 December 2016.

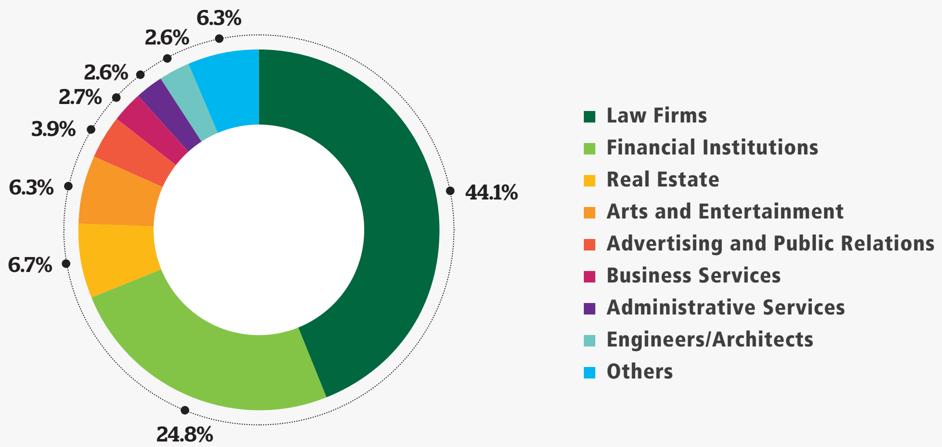
Lease Expiry Profile by Gross Rental Income as at 31 December 2016 (%)[1]



Well-Diversified Tenant Mix

The portfolio has a diversified tenant mix, with representations from more than eight different trade sectors. As at 31 December 2016, the top three sectors were law firms, financial institutions, and real estate, which accounted for approximately 75.6% of the portfolio's gross rental income. The REIT's properties house some of the most prestigious global law firms.

Diverse Tenant Mix by Gross Rental Income as at 31 December 2016 (%)

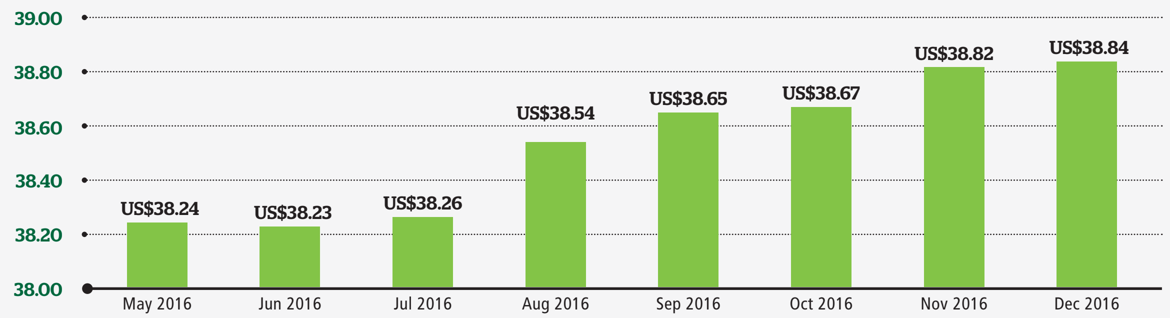


1 Amounts may not sum to 100.0% due to rounding.

Increasing Passing Rents

The average monthly rental rate paid by the REIT's tenants continued to rise over the year, and was recorded at US$38.84 psf as at 31 December 2016. This represents an increase of 1.6% over the REIT's seven month ownership period. The increase was driven by annual escalations in the tenants' leases, which average about 3% per year.

Annual Average Rent (US$ psf per year)



Positive Rental Reversions

The portfolio generated positive rental reversions averaging 10.5% on approximately 131,000 sq ft of leases which were signed in 2016. Rental reversions were positive at each of the three properties and ranged from 5.8% to 11.6% in the same period.

Strong Portfolio Occupancy Rate

As at 31 December 2016, the portfolio had a committed occupancy rate of 97.0%, and occupancy rates at the individual properties ranged from 94.4% to 99.1%. The occupancy rates for each of the properties exceeded the average occupancy rates in their respective markets.

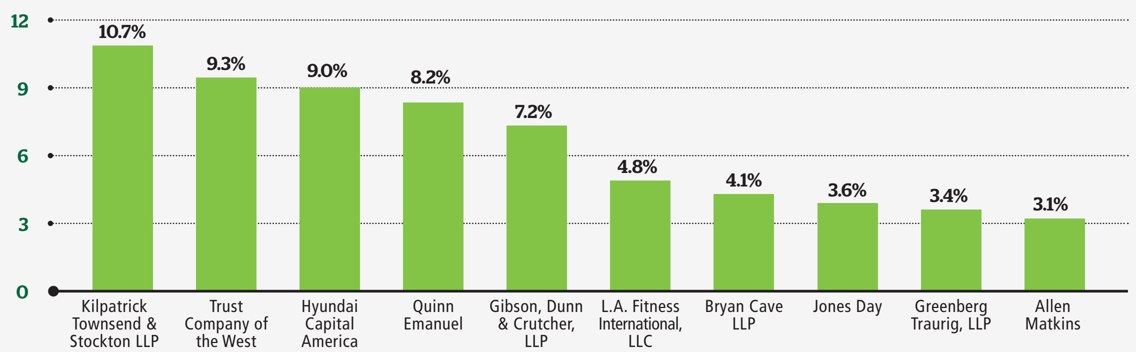
Tenant Retention

The REIT continued to attract and retain tenants in its buildings during 2016, achieving a tenant retention ratio of 70.5%. Allen Matkins (law firm) was attracted as a new tenant, while Quinn Emanuel (law firm), BDO USA (business services), Duane Morris (law firm) and Colliers (real estate) all renewed their leases. The high retention rate contributed to the REIT's ability to maintain the portfolio's occupancy rate above the market average.

Top 10 Tenants

The top 10 tenants contributed 63.4% of the portfolio's gross rental income as at 31 December 2016.

Top 10 Tenants by Gross Rental Income as at 31 December 2016 (%)

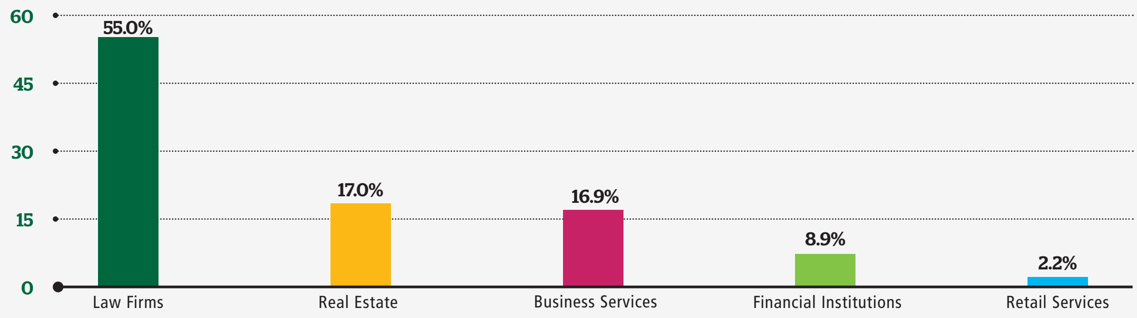


OPERATIONAL REVIEW

Trade Sectors of New Leases Signed in 2016

New leases signed in 2016 came from five different trade sectors, including law firms, real estate, and business services, which are also major sectors in the existing property portfolio. The new leases (including renewals) executed in FY2016 had a WALE by revenue of 6.2 years and accounted for 0.4% of gross revenue reported in FY2016.

Trade Mix of New Leases Signed by NLA in 2016 (%)



Asset Enhancement Initiatives (AEIs) within the Properties

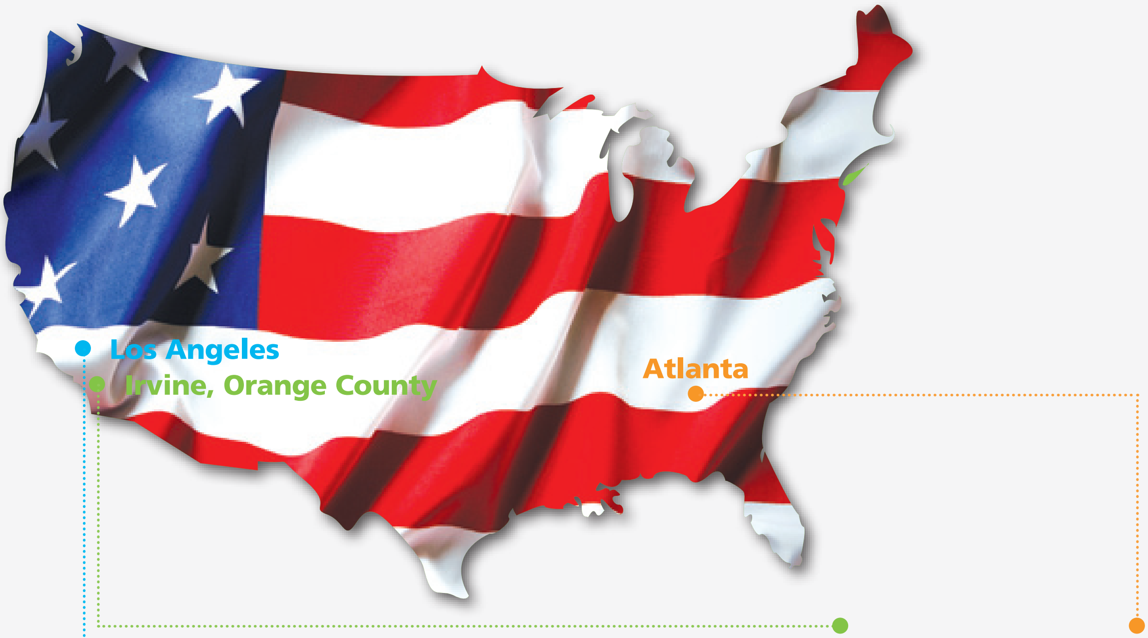
During the year, the Manager evaluated AEIs that would increase revenue, lower expenses, or lead to higher property values. Capital improvement projects were also considered to maintain the three properties' competitiveness in the market. While all three properties are in good condition and compete favourably in their respective markets, MUST initiated and completed several AEIs at the three properties in 2016.

At Figueroa, the REIT implemented a new measurement standard promulgated by the Building Owners and Managers Association (BOMA 2010). The new measurement standard increased the NLA of the property by more than 40,000 sq ft or approximately 5.8% of the property's leasable area. As tenants renew their leases over time, the BOMA 2010 measurement standard will be adopted, generating additional rent on the re-measured area. For leases that were executed in 2016, approximately 6,700 sq ft of additional leasable area was added to the property based on the BOMA 2010 measurement standard.

At Michelson, Tesla was contracted to install and connect a series of high-tech batteries to the property's main power supply. The batteries were charged at night when utility rates were low, and discharged during the day as supplemental power, when utility rates were at peak levels. This project reduced the property's utility costs, which were then passed on as savings for the tenants.

For Peachtree, bathrooms and lift lobbies on three multi-tenant floors were refurbished with higher quality finishes during the year. The remaining two multi-tenant floors in the building are budgeted to be refurbished in 2017.

PROPERTY SUMMARY



Property Name	Figueroa	Michelson	Peachtree
Location	865 S. Figueroa St, Los Angeles, CA	3161 Michelson Dr, Irvine, CA	1100 Peachtree St, Atlanta, GA
Net Lettable Area	694,534 sq ft	532,603 sq ft	555,942 sq ft
Committed Occupancy	97.5%	99.1%	94.4%
Land Tenure	Freehold	Freehold	Freehold
Completion Year	1991	2007	1991
Number of Carpark Lots	841	2,744	1,221
Number of Tenants	30	16	25
WALE by NLA	5.8 Years	5.4 Years	6.2 Years
Ownership Interest	100%	100%	100%
Acquisition Date	20 May 2016	20 May 2016	20 May 2016
Acquisition Price[1]	US$284.7 million (US$410 psf)	US$317.8 million (US$597 psf)	US$175.0 million (US$315 psf)
Latest Valuation	US$312.5 million (US$450 psf)	US$334.6 million (US$628 psf)	US$186.7 million (US$336 psf)

Note: All data as at 31 December 2016.

1 The properties were acquired from John Hancock Life Insurance Company (U.S.A.).

PROPERTY SUMMARY

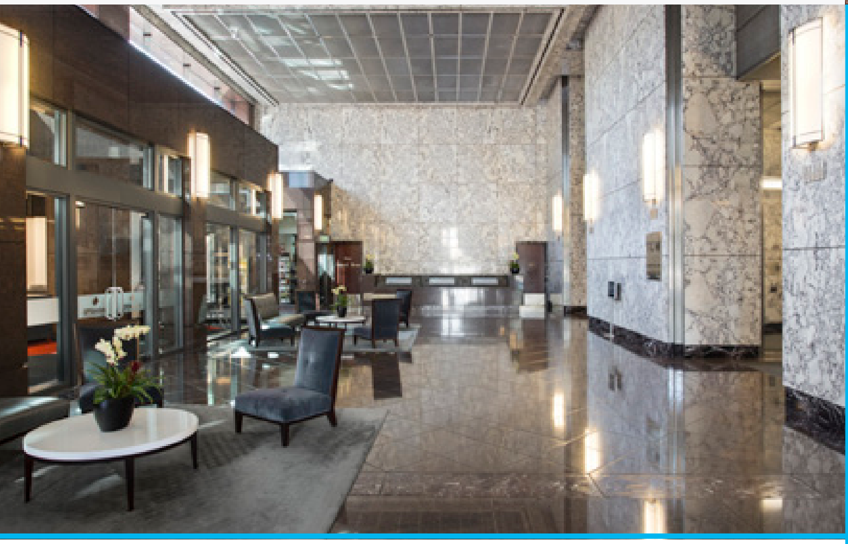
Figueroa

Figueroa is a 35-storey Class A office building located in the South Park district of Downtown Los Angeles, two blocks away from a variety of entertainment venues. The property offers ample amenities, which include a restaurant, coffee shop, an adjacent carpark with 841 lots and a courtesy shuttle which travels throughout the surrounding downtown.

Address	865 S. Figueroa St, Los Angeles, CA
Land Tenure	Freehold
Acquisition Price as at 20 May 2016	US$284.7 million (US$410 psf)

As at 31 December 2016	
Valuation (US$ million)	312.5
Net Lettable Area (NLA) (sq ft)	694,534
Number of Tenants	30
Committed Occupancy (%)	97.5
WALE by NLA (Years)	5.8
Gross Revenue[1] (US$ million)	17.5
Net Property Income[1] (US$ million)	9.7

1 From 20 May 2016 to 31 December 2016.

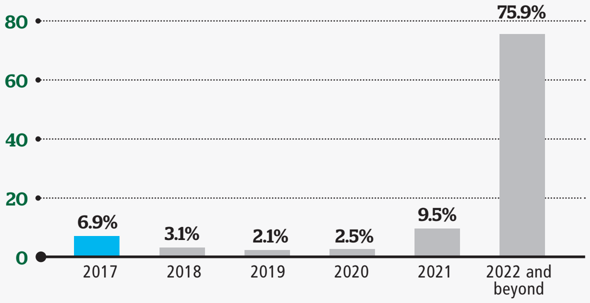


Property Valuation

US$312.5 million

9.8% above 20 May 2016 acquisition price

Property Lease Expiry Profile by NLA (%)



Tenant Name	Percentage of Gross Rental Income
Trust Company of the West	25.0%
Quinn Emanuel	22.1%
Allen Matkins	8.5%

PROPERTY SUMMARY

Michelson

Michelson is a 19-storey Trophy-quality office building located in Irvine, Orange County, California, within five kilometers of John Wayne international Airport. The property is surrounded by hotels, high-end residential properties, restaurants and other retail offerings. On-site amenities include a café, penthouse sky garden and a large carpark with 2,744 lots.

Address	3161 Michelson Dr, Irvine, CA
Land Tenure	Freehold
Acquisition Price as at 20 May 2016	US$317.8 million (US$597 psf)

As at 31 December 2016	
Valuation (US$ million)	334.6
Net Lettable Area (NLA) (sq ft)	532,603
Number of Tenants	16
Committed Occupancy (%)	99.1
WALE by NLA (Years)	5.4
Gross Revenue[1] (US$ million)	18.4
Net Property Income[1] (US$ million)	12.7

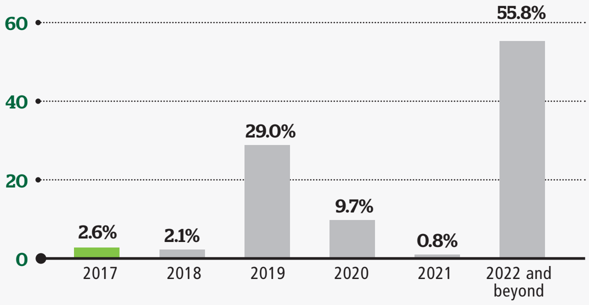
1 From 20 May 2016 to 31 December 2016.

Property Valuation

US$334.6 million

5.3% above 20 May 2016 acquisition price

Property Lease Expiry Profile by NLA (%)



Tenant Name	Percentage of Gross Rental Income
Hyundai Capital America	23.3%
Gibson, Dunn & Crutcher, LLP	18.6%
L.A. Fitness International, LLC	12.3%

PROPERTY SUMMARY

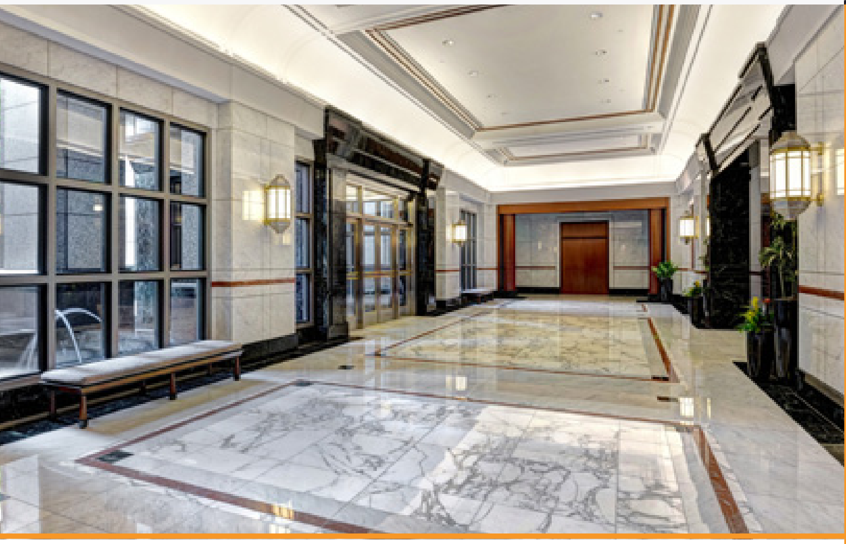
Peachtree

Peachtree is a 27-storey Class A office building located in the heart of Midtown Atlanta, within walking distance to two subway stations. On-site amenities include a conference centre, fitness centre, a high-end restaurant, a cafe and reserved parking in an attached carpark with 1,221 lots.

Address	1100 Peachtree St, Atlanta, GA
Land Tenure	Freehold
Acquisition Price as at 20 May 2016	US$175.0 million (US$315 psf)

As at 31 December 2016	
Valuation (US$ million)	186.7
Net Lettable Area (NLA) (sq ft)	555,942
Number of Tenants	25
Committed Occupancy (%)	94.4
WALE by NLA (Years)	6.2
Gross Revenue[1] (US$ million)	11.7
Net Property Income[1] (US$ million)	7.6

1 From 20 May 2016 to 31 December 2016.

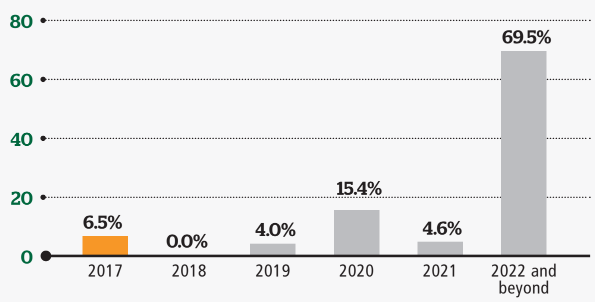


Property Valuation

US$186.7 million

6.7% above 20 May 2016 acquisition price

Property Lease Expiry Profile by NLA (%)



Tenant Name	Percentage of Gross Rental Income
Kilpatrick Townsend & Stockton LLP	44.2%
Industrial Developments International, LLC	9.2%
Grant Thornton LLP	6.8%

INDEPENDENT MARKET REVIEW

by Jones Lang LaSalle (JLL), 31 December 2016

U.S. economy overview

The U.S. economy continued to exhibit slow growth at year-end 2016, with GDP expanding by 1.9 percent in the fourth quarter. Although slightly behind the 2.1 percent growth rate witnessed over the past seven years during the post-2009 expansion, favorable indicators emerged throughout other areas of the economy. The labor market remains in positive territory, adding 2.2 million jobs over the year with unemployment falling to 4.7 percent. Consumer confidence jumped to 113.7 points, bringing it to pre-recession levels, while unemployment claims remain below the 275,000-per-week threshold with little sign of upward movement. All of these point to greater demand for goods and services as well as the need for employers to expand headcount, ultimately leading to occupancy growth in office space.

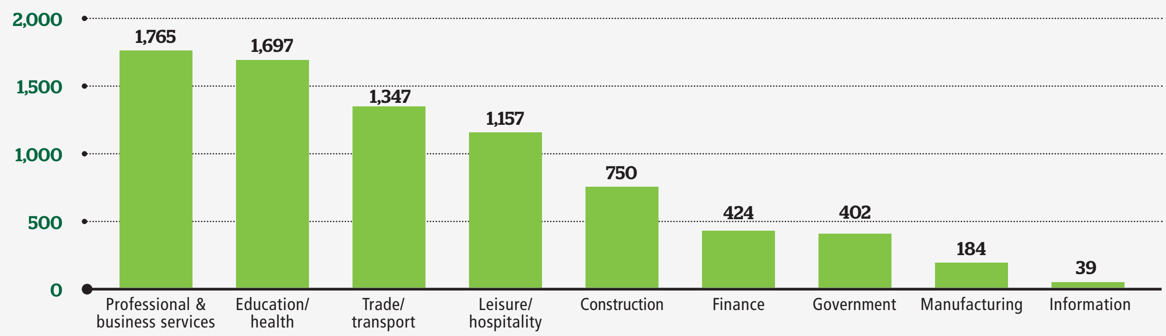
Consumer confidence climbed to a 13-year high in December 2016, suggesting that consumer optimism toward business conditions, personal finances and employment are improving. The strengthening dollar and a recent rise in the U.S. 10-year Treasury rate provide other indicators of higher growth expectations. The Federal Reserve reaffirmed this optimism with a 25-basis-point increase in the overnight lending rate in December and provided targeted guidance on three additional rate hikes throughout 2017, signifying the central bank's confidence in the improving U.S. economy.

Although rising interest rates can be seen as a sign of higher growth expectations, they will also raise borrowing costs for developers and acquirers of real estate. The office market will need to demonstrate a commensurate increase in rents, or decrease in spreads, relative to rising interest rates to maintain current valuations. Additionally, as the U.S. economy nears full employment in most primary and secondary metro areas, it will become more difficult for employers to hire and in turn sustain the level of office absorption.

In the short term, we expect stable growth across most segments of the economy, albeit potentially slower than in 2014 and 2015 as a result of minimal labor market slack and an uptick in inflation. Rising wages will keep consumer spending afloat and expanding companies will need to invest further as competition for talent further intensifies. From the office side, a slew of new supply will come to the market in 2017 and 2018, increasing options for tenants in a time of slowing occupancy growth, leading to plateauing rent growth and ultimately a correction in the leasing market as migrating tenants and landlords find that space given back upon relocation or consolidation becomes more difficult to backfill. Bifurcation between assets with efficiency and amenities and those that lack such features will also have an effect on rents and sales pricing as well as resilience as the cycle continues.

Professional services, health and education lead job creation

36-month employment growth (thousands)



Labor market showing gains across most industries

Employment growth continues across the majority of industries nationally. Over the course of the recovery, the U.S. economy has added 15.4 million new jobs, with employment now 4.8 percent above its pre-recession peak. Of jobs created over the past three years, 28.7 percent were in the office-using sectors of professional and business services (PBS), financial activities and information, a positive sign for the office market. Additionally, the less-cyclical segments of education and health have also been major contributors to growth, benefiting lab, R&D and flex space owners.

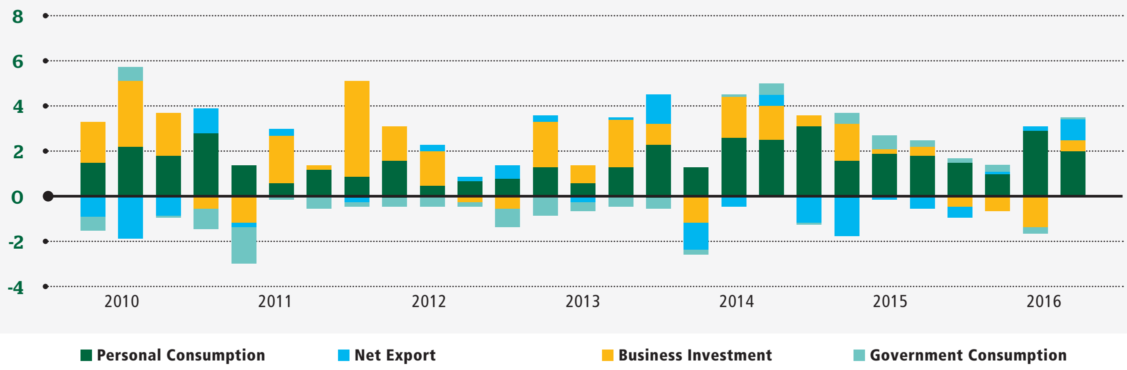
At the market level, industry hubs for tech, life sciences and other creative industries as well as diversified, mid-sized geographies are recording the fastest gains in employment and inbound migration.

GDP seeing a rebound, but business investment is still unstable

Growth during the fourth quarter of 2016 was estimated at 1.9 percent at annual rates, with real GDP over the year rising at the same level. Year-over-year gains have hovered around the 1.7 to 2.3-percent mark, relatively stable over recent quarters. However, growth has been almost entirely driven by personal consumption expenditures, whose contribution over the past three years averages 2.0 percent per quarter at annual rates, compared to 0.1 percent for the rest of the economy. Of note was the prolonged drop-off in business investment that coincided with a flatlining in corporate profits, although Q4 2016 showed a return to growth, expanding at a rate similar to personal consumption expenditures and up from the rebound recorded during Q3. As a result, consumer confidence will be critical to maintaining GDP growth in 2017 and 2018. With the consumer confidence index surpassing 113 points in December, we expect that this trend will continue over the coming quarters.

Personal consumption driving vast majority of GDP growth

Contribution to growth (%)



Other indicators are also upbeat, paving the way for further gains

Employment and GDP are not the only metrics seeing positive momentum. Indicators such as jobless claims, which hit a 40-year low in early December, as well as consumer confidence, home price growth and manufacturer sentiment are all rising at varying rates, aligning for diversified economic growth to benefit markets across the United States. As is common at this point in the cycle, upward momentum in most sectors is providing a boost for major markets without a singular key driving office-using industry, such as Los Angeles, Chicago, Atlanta, Philadelphia, Phoenix and Miami. For the U.S. office market as a whole, this will provide for further demand for talent to drive expansion and take-up of space, even in more industry-exposed geographies.

U.S. office overview

The U.S. office market ended 2016 on a muted note: net absorption of 6.5 million square feet in Q4 fell well below the more than 10 million square feet of occupancy growth registered in previous quarters, while annual absorption of 41.8 million square feet was 24.7 percent below 2015 volumes. Similarly, quarterly rent growth was just 0.1 percent, although increases earlier in the year resulted in a healthy 12-month change of 3.6 percent. On the back of favorable fundamentals and tenant demand for quality and efficient space, development activity rose to a cycle high of 110.5 million square feet and is now above the previous peak recorded in 2017. 46.7 million square feet of deliveries and slower absorption kept vacancy steady at 14.5 percent; little change in recent quarters indicates that vacancy has likely reached its cyclical low.

Slower leasing a contributor to below-average absorption

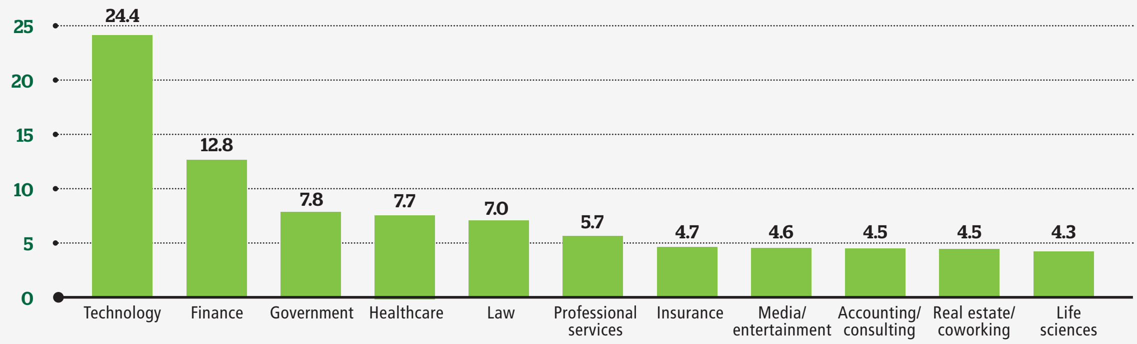
A combination of minimal large blocks in desirable assets, a cooling tech industry with more volatility in venture capital flows and pre-election uncertainty all contributed to slower leasing velocity in 2016: compared to 2015, leasing volume declined by 6.6 percent. Of note was the 43-percent decrease in leases larger than 500,000 square feet as large blocks of space have dwindled, particularly in existing Trophy and Class A assets.

Despite this slowing, the leasing market remains healthy. 46.4 percent of leases by square footage in Q4 2016 represented some form of net growth, while only 9.8 percent were of a contractionary nature. Tech continues to fuel activity, even as the industry sees employment growth slow from the more than 6.0 percent recorded in 2014 and 2015 to hovering around 4.5 percent in annual terms in recent months. Traditional users such as finance, law and numerous components of professional services also took on significant amounts of space, but have been more exposed to structural changes in the workplace and rightsizing initiatives across markets within these industries, which has kept leasing activity more muted.

INDEPENDENT MARKET REVIEW
by Jones Lang LaSalle (JLL), 31 December 2016

Technology was by far the leader in leasing in 2016

Jobs created in 2016 (millions)



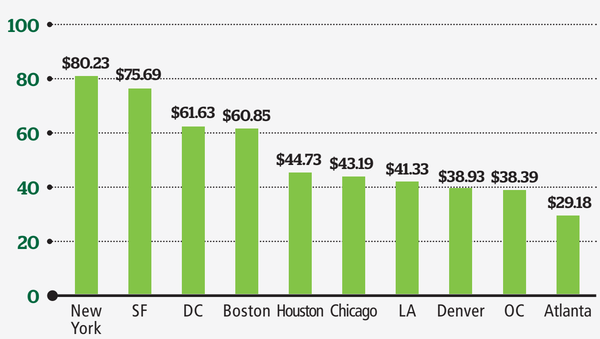
Absorption is not uniform; many submarkets are growing fast

Although the U.S. as a whole witnessed slower occupancy growth during 2016, absorption was not uniform. Many industry anchored and amenitized submarkets registered sustained absorption from organic growth, such as South of Market (San Francisco), River North (Chicago) and South Valley (Salt Lake City), where more than 350,000 square feet of occupancy growth each brought down vacancy to below the 8-percent threshold.

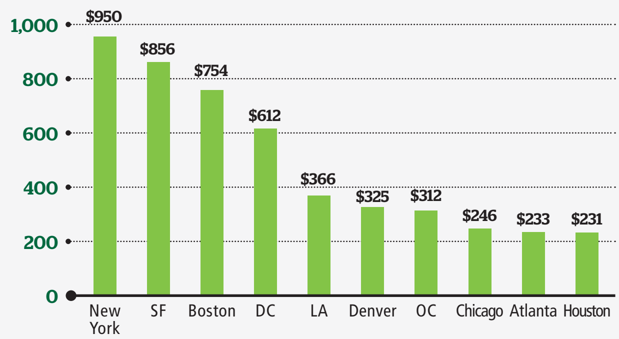
New supply is also boosting absorption in many geographies: Sunnyvale (Silicon Valley), Tempe (Phoenix), Lake Union (Seattle), University City (Philadelphia) and Hollywood (Los Angeles) recorded a combined 3.9 million square feet of occupancy growth on the back of significant quantities of new supply, providing some additional options for tenants as well as accelerating rent growth as demand for space in these submarkets has yet to subside and space coming to the market commands a premium.

Absorption has also demonstrated marked variance based on building class. Flight-to-quality, consolidation from large users and the increasing rate of deliveries are propelling Class A occupancy growth in both CBDs and suburbs far beyond the rest of the market. Since Q1 2010, CBD and suburban absorption has cumulatively totaled 8.5 and 11.4 percent of inventory in contrast to the 5.1 percent of inventory for Classes B and C combined. In turn, this is placing greater pressure on rents for quality space and keeping the development pipeline active, even as a significant amount of vacancy exists in Class B and C properties.

CBD Class A rents ($ p.s.f.)



CBD Class A pricing ($ p.s.f.)



Rent growth and vacancy will begin to shift as new supply delivers

The construction pipeline rose once again during the fourth quarter and now stands at 110.5 million square feet. Previously protracted as a result of oversupply in the recession and a slow start to the economic and real-estate recovery in most markets, activity has accelerated due to the backlog of demand from tenants and a lack of large blocks of quality space in prime submarkets and micromarkets. Aging office inventory in many major CBDs as well as traditional users' drives to efficiency means that new supply is also one of the most achievable ways to contain real estate costs, further increasing demand for new construction.

Although development activity intensified over the course of 2016, oversupply is likely not as severe as it was during the previous cycle. A preleasing rate of 50.4 percent combined with a lower rate of construction as a percentage of inventory, as well as a significant amount of preleasing coming from organic growth rather than purely relocations will mean a slower and softer period of market correction upon delivery.

In the short term, rents are likely to rise as asking rents for new supply average $48.73 per square foot, a 50.4 percent premium compared to the overall market. In primary markets, new construction is routinely asking more than $75 per square foot, with Trophy properties exceeding $100 per square foot in multiple submarkets.

As relocations and consolidations into new space increase, the amount of sublease vacancy is also critical to the direction of the market. For the second quarter in a row, the national office market saw an increase in sublease vacancy, which now stands at 1.2 percent. 17.3 percent of new quarterly sublease vacancy during the fourth quarter came from the CBD Class A segment, which is the first to see significant amounts of new construction delivery.

Atlanta (Midtown)

Local economy

Atlanta's economy consistently ranks among the most diverse in the country, with particular strengths in professional services, finance, logistics, entertainment and health, with an emerging tech presence as well. The region's status as a key air and freight rail hub, low costs of living and doing business and education and health institutions all contribute to its sustained growth and target for corporate relocations and expansion.

Traditionally cyclical, it is currently one of the fastest-growing major metropolitan areas and has posted 475,900 net new jobs since 2010, while its population has surged by 8.0 percent to 5.7 million over the same time period. Unemployment has declined to 4.8 percent, slightly above other large geographies and indicative of some slack left in the local labor market before reaching effective full employment.

Office market trends

After recording more than 3.2 million square feet of occupancy losses during the recession and a protracted recovery, Atlanta has absorbed 6.5 million square feet of space, bringing vacancy down by 410 basis points to 16.9 percent. In line with national trends, the area's urban core has been one of its strongest and most in-demand locations for tenant activity, expansion and migration.

Midtown, located between the primary financial district of Buckhead and Downtown Atlanta and at the heart of the region's public transportation network, has been one of the largest beneficiaries of this migration. As the office market rebalanced from office oversupply, Midtown began to undergo a substantial residential boom. More than 4,500 new residential units are currently under construction with a proposed pipeline exceeding 3,600 units.

This rapid expansion in residential population, coupled with anchors such as Georgia Tech, has attracted corporations such as NCR – which is building its new headquarters in the submarket and relocating from the city's northeastern suburbs – and Honeywell to take advantage of its young, educated workforce. Midtown's fringe also offers one of the few areas of creative space favorable for tenants in Atlanta's burgeoning media and tech industries. Jamestown's recently refurbished Ponce City Market, the new headquarters of MailChimp, stands as an example of the success of adaptive reuse for office and retail tenants.

Sales activity within Midtown has been spurred not only by its strong leasing-market fundamentals and slight per-square-foot discount compared to Buckhead, but also Atlanta's overall increase in investment as barriers to entry in gateway geographies has caused institutional and other domestic buyers to seek better yields. The sale of One Atlantic Center – the fourth-largest Trophy asset in Atlanta – during the fourth quarter of 2016 for $318 million demonstrates investor confidence in the submarket.

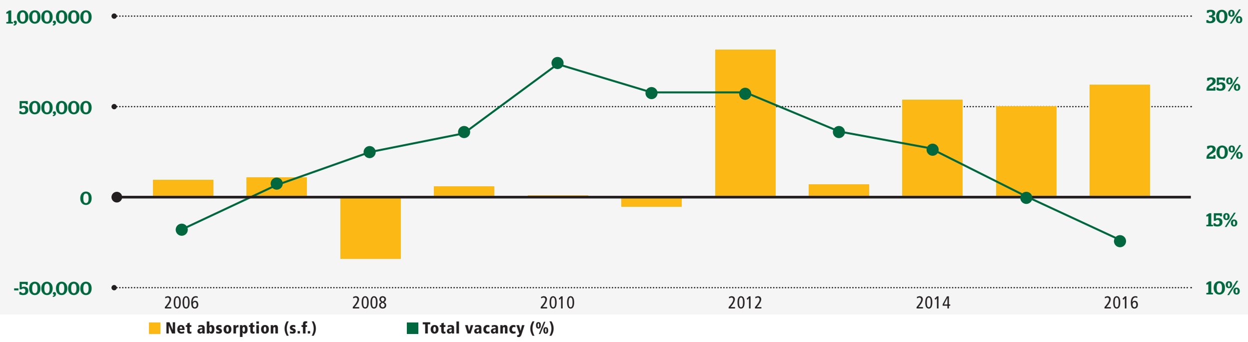
Outlook

Midtown will continue to be one of the most active submarkets in Atlanta in 2017 and into 2018, although its firm placement in the peaking phase of the rent cycle indicates potential plateaus in rent and occupancy growth. However, a wave of residential deliveries over the next two years will likely entice further organic and inbound expansion from office occupiers within the submarket. A concentration of top-quality assets, locational advantage and access by public transportation will keep rents, and in turn sales pricing, elevated compared to the metro area as a whole.

INDEPENDENT MARKET REVIEW

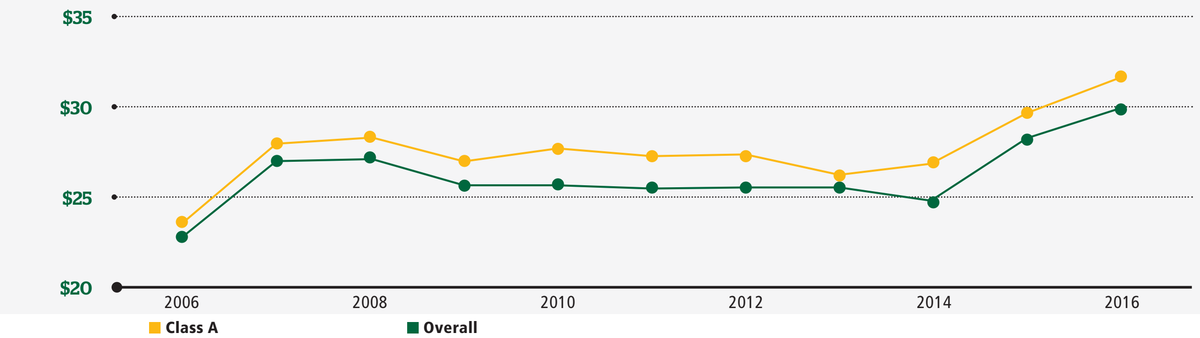
by Jones Lang LaSalle (JLL), 31 December 2016

2.5 m.s.f. of absorption since 2012 has nearly halved vacancy



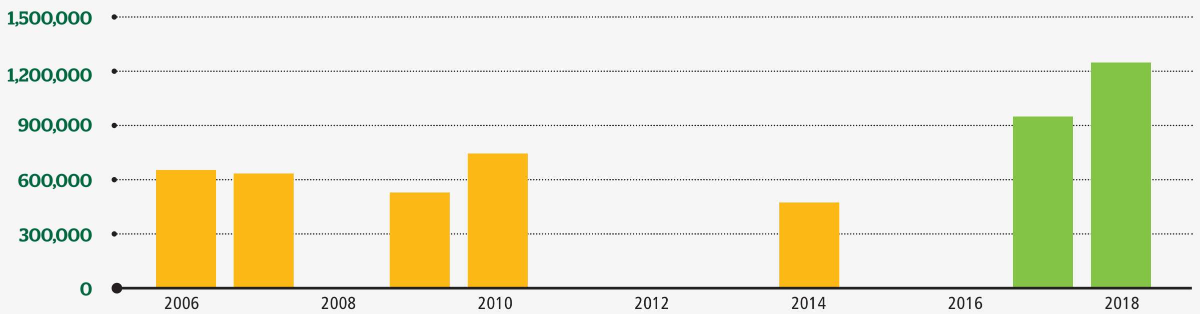
High demand and lack of new supply sharply increasing rents

Asking rent ($ p.s.f.)



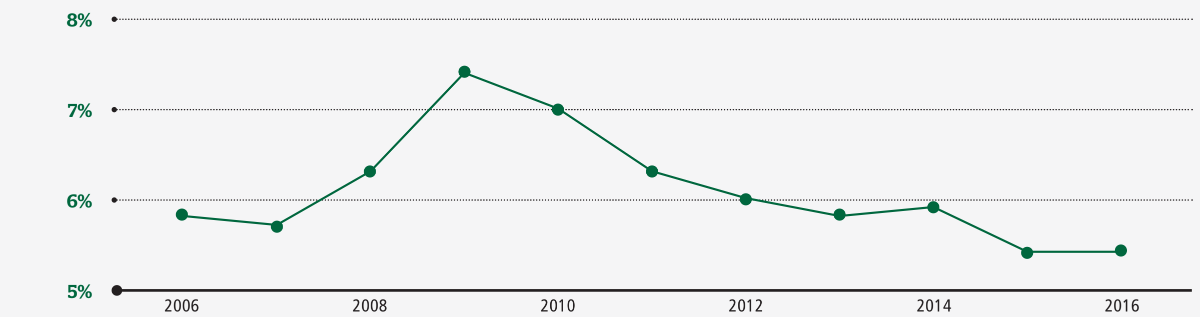
2017 and 2018 will see a wave of new supply delivered

Completions (s.f.)



Cap rate compression driven by solid leasing fundamentals

CBD Class A cap rate (%)



Los Angeles (Downtown)

Local economy

One of the most diversified major economies in the United States, Los Angeles has seen growth mirror national trends over the course of the current cycle. After a deeper-than-average recession with double-digit unemployment, it has rebounded and is now one of the largest contributors to job and office-market growth nationally. Job growth of 1.6 percent over the year is in line with the U.S. average, while unemployment has fallen to 5.1 percent, only 50 basis points above the national figure of 4.6 percent.

Traditionally powered by entertainment, media, professional services, law and finance, Los Angeles is currently witnessing a very strong boom in the creative industries, not just in film and television production but also content creation, tech and advanced engineering and research. Its tech cluster, known as Silicon Beach, has emerged as one of the most high-profile hubs of innovation in the world and has moved beyond a lower-cost alternative to the Bay Area to become a recognized concentration of talent and output that ties together tech with media, communications and entertainment.

Office market trends

Over the course of the current cycle, Los Angeles' office market has been notable for growth being concentrated in emerging micromarkets and creative-style buildings. In 2016, more than one quarter of Class A occupancy growth took place in the Westside region, resulting in submarkets such as Playa Vista, Beverly Hills, Santa Monica and West Hollywood recording significant rent and capital value growth. High-profile tenants such as Google, Yahoo, Netflix and Viacom have all made notable relocations to creative hubs throughout Los Angeles, with little sign of slowing.

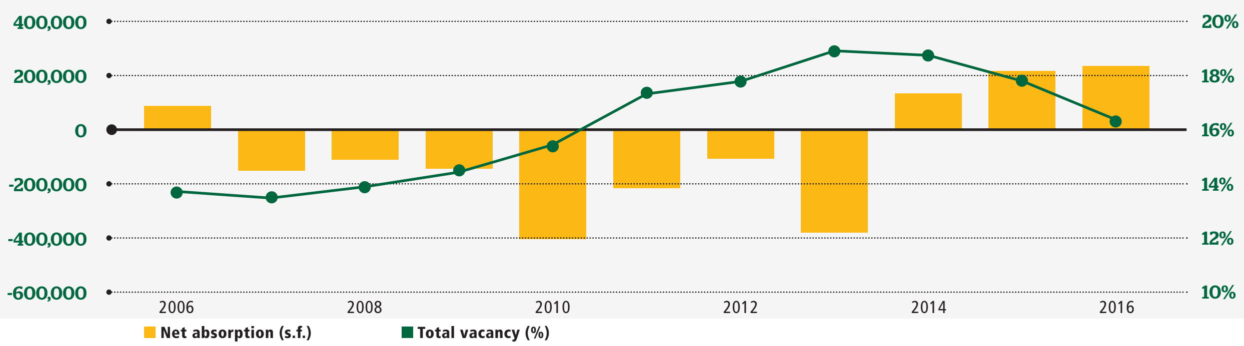
Although also growing, Downtown's office performance has been eclipsed by the submarket's multifamily and retail development boom. Preferences for urban living, available plots for large-scale redevelopment and the growth of peripheral micromarkets such as the Arts District have helped to drive the construction of more than 11,000 units and an even larger proposed pipeline. This rapid increase in population, the submarket's status as the hub of the region's growing public transportation network and wealth of creative properties, has attracted the attention of tenants such as WeWork.

Investors are increasingly recognizing Los Angeles' underlying strengths and the region's affordability as a gateway market. Downtown Los Angeles' investment profile is dominated by Brookfield, whose purchase of MPG's $2.1-billion portfolio gave them control of 27.9 percent of Downtown's inventory. Investor appetite for CBD product has remained strong in 2016, with $652.1 million in Class A product trading hands at an average of $359 per square foot, providing advantageous pricing in an increasingly expensive market. Yield compression for this asset class has also been noticeable; investors can expect core cap rate of roughly 4.5 percent.

Outlook

Downtown Los Angeles will benefit from the broad-based growth seen throughout the region and a structural shift across property sectors to more urban, mixed-use locations. The recent extension of the Expo Line to Santa Monica, which connects Downtown to a number of major employment and residential hubs, as well as the passage of Measure M in November to increase funding for further transportation expansion, will bode well for Downtown through greater access and the ability for tenants to draw from a wider and more diverse talent pool.

After seven years of losses, absorption is now on the rise

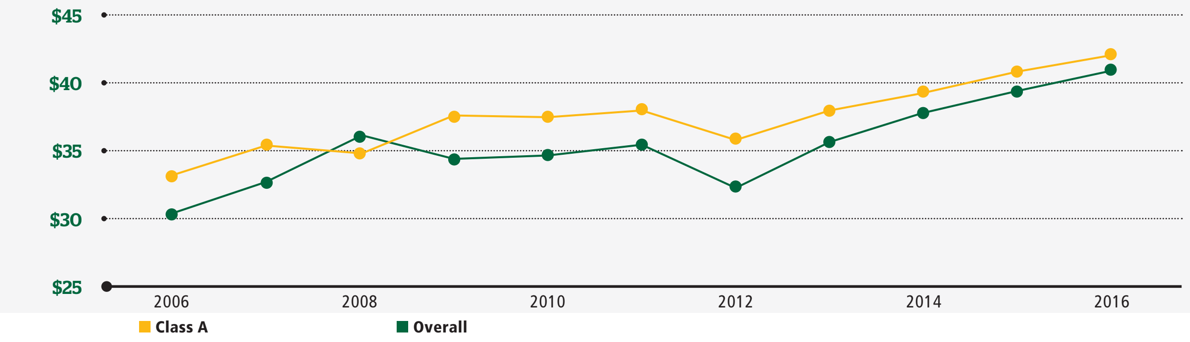


INDEPENDENT MARKET REVIEW

by Jones Lang LaSalle (JLL), 31 December 2016

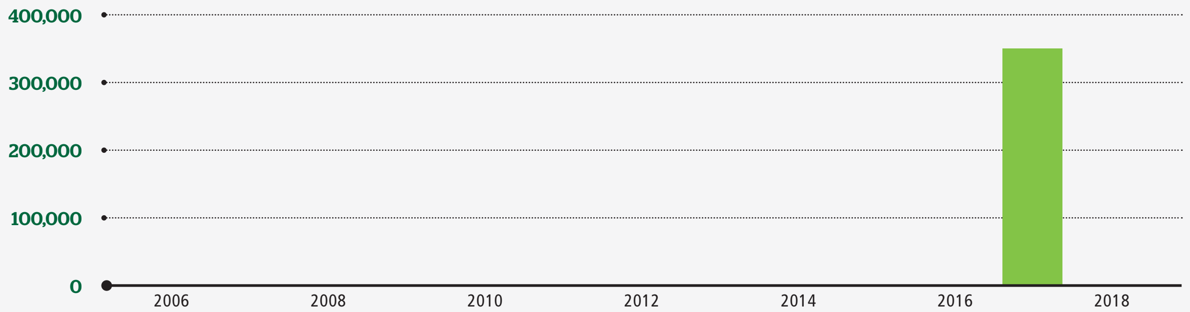
Growth in both Class A and overall CBD rents sustained

Asking rent ($ p.s.f.)



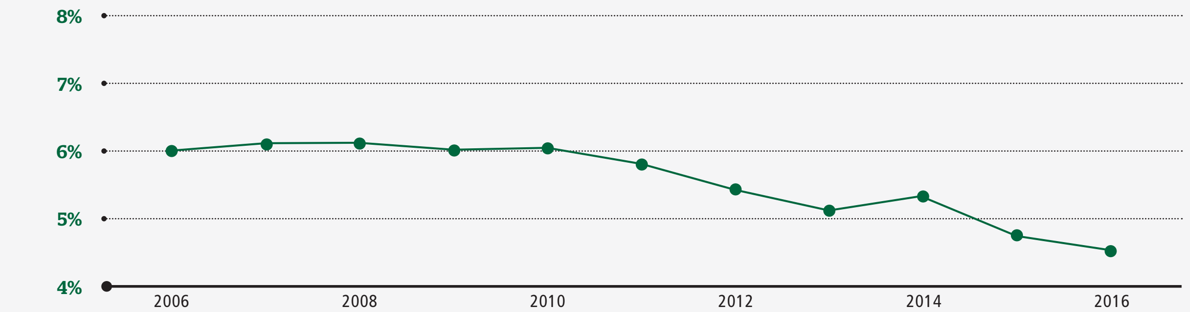
The Wilshire Grand is so far the only new supply this cycle

Completions (s.f.)



Yields are falling as pricing rises and transactions slow

CBD Class A cap rate (%)



Orange County (Irvine)

Local economy

After being hit hard during the recession, Orange County has made a rapid comeback to be a leading mid-sized office market nationally. The nearly 200,000 jobs lost during the recession have all been recovered and current employment is 4.3 percent above its previous peak in 2006. With five-year population growth of 5.3 percent, however, Orange County is seeing slower increases than peer Sun Belt and Western geographies such as Denver, Austin, Nashville, Charlotte and Raleigh-Durham.

Annual gains in professional services (+3.6 percent), education and health (+4.5 percent) and construction (+5.7 percent) all exceed the national average as economic growth comes from a variety of industries. At the same time, Orange County's traditional growth areas of finance, particularly mortgage lending, and professional services have been complemented this cycle by an increase in tech, aerospace and specialized engineering and design, improving macroeconomic resilience and driving job growth.

Office market trends

Orange County's office market tends to follow the national economic cycle relatively closely. From 2007 to 2011, the market saw occupancy losses totaling nearly 6.4 million square feet, driving vacancy past 20 percent and rents down 27.5 percent. Since then, 7.8 million square feet of net absorption has halved vacancy to 11.3 percent, while demand and minimal development have enabled rents to reach their pre-recession peak.

The market's post-recession recovery has not been uniform, however. The Airport Area, of which Irvine is a core component, has led Orange County by a significant margin, with rents achieving a record $36.72 per square foot. Sub-regional vacancy of 10.9 percent, falling to 9.8 percent for Irvine alone, has placed significant pressure on rents, which are up 5.2 percent over the year. Unlike in many suburban geographies, organic Class B tightening has pushed up rents in this segment by 11.2 percent over the year, far in excess of the rest of Orange County.

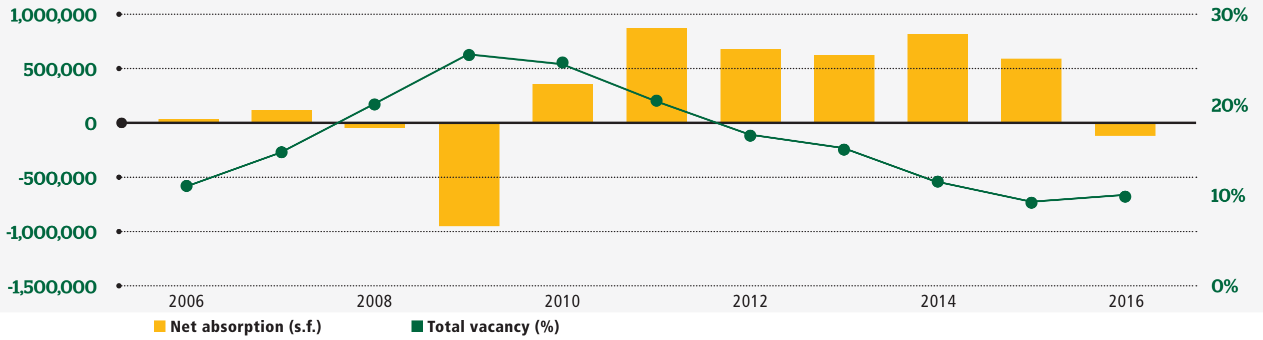
For the first time since the mid-2000s, leasing market fundamentals have made new construction viable. Development is largely concentrated in the core of Irvine, with Trammell Crow's Boardwalk development the most visible. Although it has yet to secure an anchor tenant, trends in flight-to-quality and tenants' desire for new, efficient space will likely drive relocations. Outside of the Irvine core, the only other parts of the county to see meaningful activity are the Spectrum and Newport Center submarkets.

Owners of quality assets have sought to capitalize on strong leasing market performance and spillover from cost-conscious investors seeking better yields, leading to $963 million in sales in the Airport Area, of which $822 million took place in Irvine. Pricing for Class A assets in the submarket now averages $390 per square foot, with cap rate compression down to roughly 4.5 percent for Class A and 5.3 percent overall, placing Irvine as one of the top suburban investment markets outside of gateway geographies.

Outlook

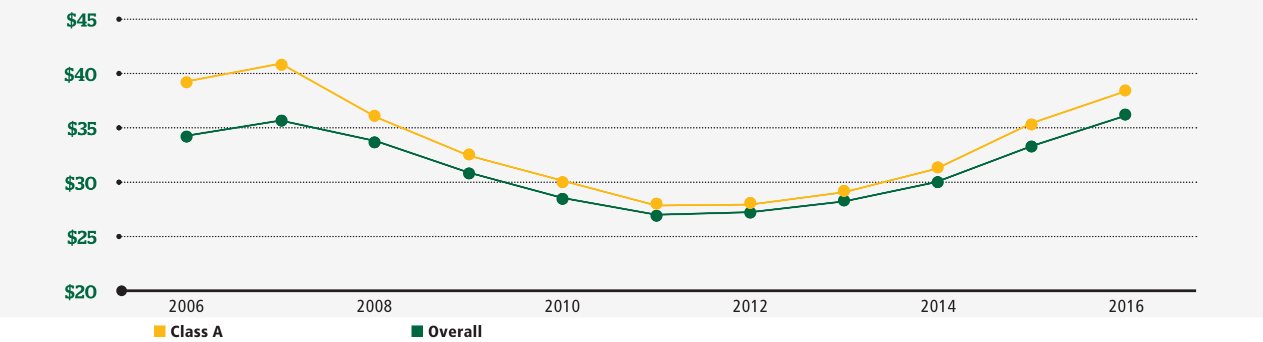
Over the coming quarters, we expect that Orange County will continue to record positive net absorption on the back of broad-based tenant demand and economic growth. New construction in high-demand areas will provide options as large blocks dwindle, but at a premium. Orange County remains susceptible to sharp downturns due to a heavy exposure to the financial sectors, although a lack of overbuilding during the current cycle and momentum in emerging industries will help to buffer the market.

Despite occupancy loss, vacancy remains below 10 percent



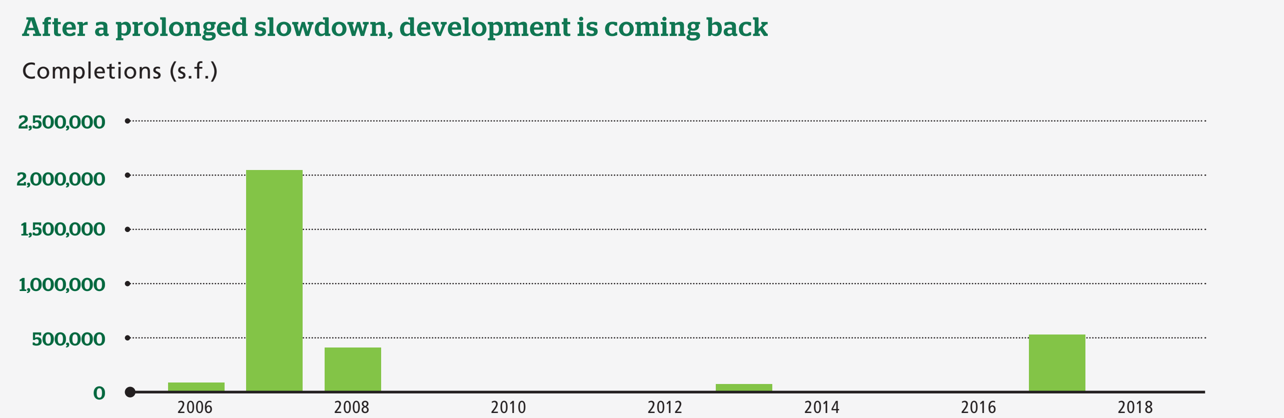
Irvine rents not at previous peak in contrast to Airport Area

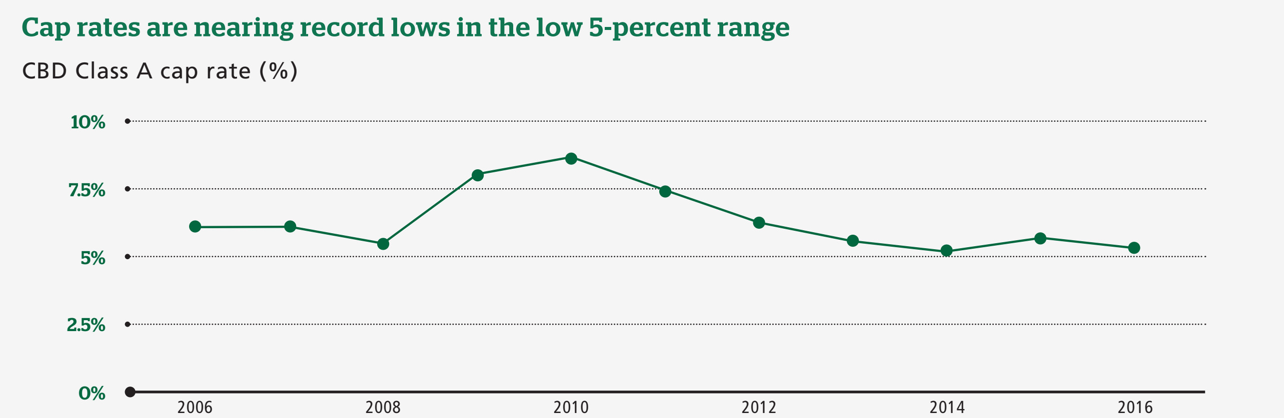
Asking rent ($ p.s.f.)



INDEPENDENT MARKET REVIEW

by Jones Lang LaSalle (JLL), 31 December 2016





Development outlook

Atlanta (Midtown)

Atlanta's development activity has been restrained over the course of the current cycle: current market-wide volumes of 4.9 million square feet are far below their pre-recession peak of more than 9.0 million square feet, largely due to oversupply after the previous cycle and a protracted recovery. Over the past year, market-wide construction has jumped by more than two million square feet in response to a dwindling supply of large, quality blocks in major employment hubs and accelerating rent growth. Midtown leads development by a significant margin due to its walkable street grid, proximity to educational institutions, multifamily development boom and public transportation access. Despite seeing nearly 2.3 million square feet of development in the submarket, high levels of preleasing, organic growth from inbound migration and expansion and a diverse set of drivers will likely buffer against future oversupply. These trends are also visible at the market level: net absorption powered by positive domestic migration figures and sustained job growth should enable the market to absorb available delivered space and backfill space from relocating tenants.

Building	Developer	Spec/BTS	Completion	NLA (s.f.)	Anchor
Coda	Portman	Speculative	2018	860,500	Georgia Tech
NCR HQ	Cousins	BTS	2017	485,000	NCR
725 Ponce de Leon Ave NE	New City	Speculative	2018	421,000	-
715 Peachtree Street NE	Carter	Speculative	2017	353,010	Honeywell, Regus
Stockyards	Federal/Westbridge	Speculative	2017	136,000	Fitzgerald & Co.

Los Angeles (Downtown)

For the first time since the 1970s and 1980s, Downtown Los Angeles is seeing significant office development activity. The Wilshire Grand, which contains a 356,141-square-foot office component, will deliver in March 2017 without an anchor, which will lead to a slight increase in the submarket's vacancy rate. Over the long term, however, increasing tenant interest in Downtown as well as other creative hubs such as Playa Vista, Santa Monica, Hollywood and Culver City will likely to lead to additional tenants relocating to or expanding in the submarket, reducing the impact of available new supply. This movement has been most apparent in the Westside and Mid-Wilshire this cycle, although recent relocations by high-profile tenants including Warner Music Group and WeWork have been leading the more than 700,000 square feet leased by tenants new to the CBD. This flow is expected to increase as cost and supply pressures in established submarkets increase, countering potential rightsizing from legal and financial tenants already in Downtown LA.

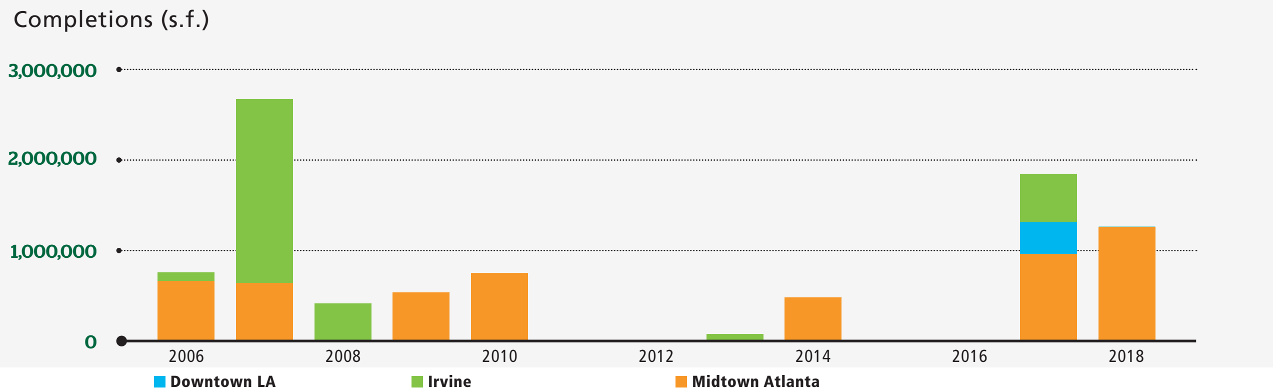
Building	Developer	Spec/BTS	Completion	NLA (s.f.)	Anchor
Wilshire Grand	Korean Air	Speculative	2017	356,141	-

Orange County (Irvine)

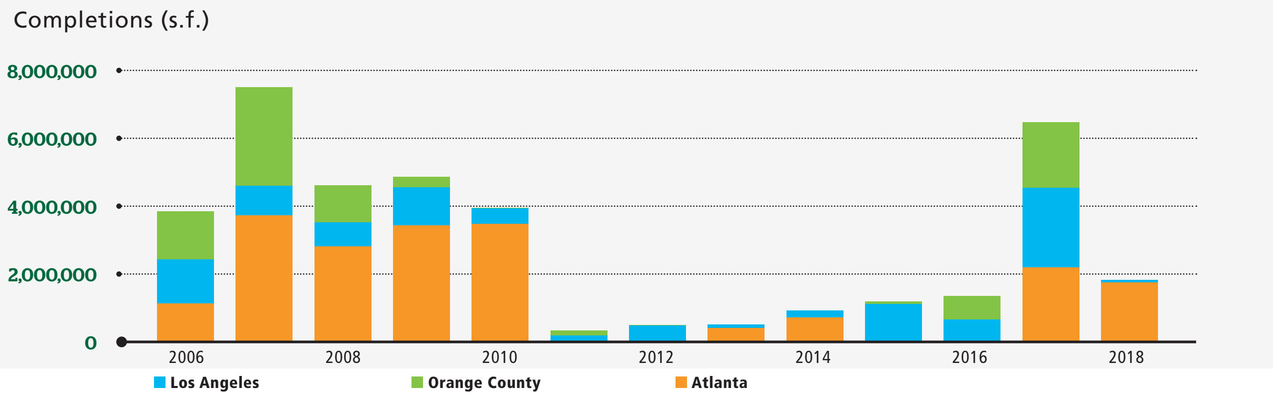
Orange County was one of the hardest-hit markets from oversupply during the recession: between 2007 and 2009, 4.3 million square feet of office product came to the market, while Orange County's exposure to the mortgage lending, professional services, trade and construction industries all combined to nearly double vacancy to a peak of 20.2 percent in 2010, from which it has slowly declined back to its 2007 low of 11.3 percent. Irvine was no exception to this trend, recording a peak vacancy rate of 25.0 percent in 2009. Since then, the Orange County market as a whole has cooled and, despite consistent job and occupancy growth, is building only half of its previous high of 3.8 million square feet under construction. Of the 1.9 million square feet underway, 27.8 percent is located in Irvine with no preleasing. The lack of large quality blocks remaining on the market and high-growth industries preferring to locate in Irvine and similar submarkets will likely lead to the take-up of this space. The remainder of the market, however, is not expected to see a sharp upturn in vacancy since no supply is expected to deliver in the near-future in most submarkets.

Building	Developer	Spec/BTS	Completion	NLA (s.f.)	Anchor
The Boardwalk	Trammell Crow	Speculative	2017	537,224	-

Annual completions by submarket



Annual completions by market



INVESTOR RELATIONS

Media and Analysts U.S. Property Tour

The Manager believes in proactive engagement with all its stakeholders, so as to provide them with a better understanding of the REIT's performance and growth strategies. In particular, the Manager reaches out to investors, fund managers, analysts and media through regular meetings and conferences, as well as other investor relations (IR) activities so as to position the REIT for top-of-mind recall within the media and investment community.

In 2016, the Manager met over 150 investors within Asia through conferences, teleconferences, meetings and non-deal roadshows in Bangkok, Hong Kong, Kuala Lumpur and Singapore. The Manager also participated in selected IR events, such as SGX Corporate Connect Seminar, Maybank Kim Eng Remisiers Luncheon and SGX-Credit Suisse Real Estate Corporate Day to reach out to both retail and institutional investors. As the first U.S. office REIT to be listed in Asia, the Manager believes in active engagement with the investment community so as to better guide them on the prospects of the real estate office market in U.S. In October 2016, the Manager organised a property tour for targeted media and analysts to visit the REIT's three properties in Los Angeles, Orange County and Atlanta, as well as selected properties from industry peers. The group also met with local appraisers and leasing agents, which provided them with a greater understanding of the dynamics of the U.S. office market.

On 7 November 2016, the Manager released the REIT's maiden 3Q2016 quarterly results which exceeded the IPO profit forecast, and the senior management team conducted a Media and Analyst briefing to provide greater understanding of the REIT's performance.

This was followed by MUST's inaugural Investor Day on 17 November 2016, which was held to foster stronger relations with the REIT's retail Unitholders. The event received overwhelming interest from Unitholders who relished the opportunity to mingle with the senior management team for open discussions.

To cap off an eventful year for MUST, the REIT was included in the MSCI Singapore Small Cap Index with effect from 1 December 2016 which raised its profile amongst investors. The Manager also hosted a Year End Dinner cum Movie Night for the media, analysts and investors, which provided a platform for the Manager to build deeper awareness of MUST.

Moving forward, the Manager remains committed to upholding high standards of corporate governance and transparency. Corporate and financial announcements, including press releases, presentations and annual reports will continue to be uploaded onto SGXNet in a timely and widely accessible manner. The announcements will concurrently be made available on the REIT's website at www.manulifeusreit.sg, where there is an 'Email Alerts' function that enables investors to subscribe for regular updates from the REIT.

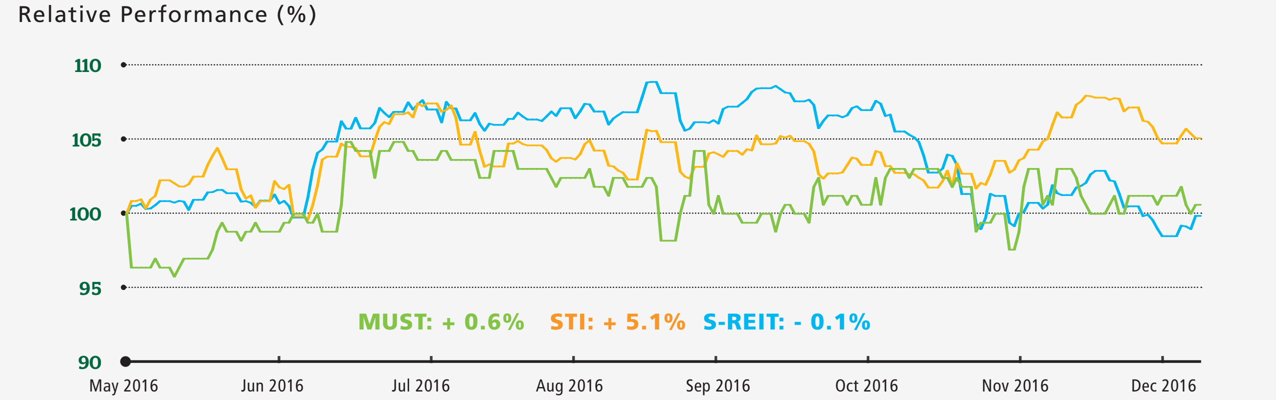
During the course of the year, MUST was awarded runner-up in the Most Transparent Company Award (New Issues Category) at SIAS' 17th Investors' Choice Awards. The REIT was also awarded Best REIT Deal of the Year and Best IPO for Retail Investors in Southeast Asia by Alpha Southeast Asia Deal & Solution Awards 2016.

Year End Dinner cum Movie Night

IR Calendar in FY2016

Date	Event	Organised by
17 August 2016	SGX Corporate Connect Seminar	SGX
23 August 2016	Non-deal Roadshow in Kuala Lumpur	Credit Suisse
25 August 2016	Investors Luncheon in Singapore	Deutsche Bank
29 to 30 August 2016	Non-deal Roadshow in Bangkok	DBS Bank
22 September 2016	Maybank Kim Eng Remisiers Luncheon	Maybank Kim Eng
3 October 2016	SGX-Credit Suisse Real Estate Corporate Day in Singapore	SGX and Credit Suisse
4 to 7 October 2016	Property Tour for Media and Analysts in U.S.	MUST
7 October 2016	Lim & Tan Trading Representatives (TR) Evening	Lim & Tan Securities
7 November 2016	3Q2016 Media and Analysts Briefing	MUST
7 November 2016	3Q2016 Post Results Investor Luncheon	DBS Bank
10 to 11 November 2016	Non-deal Roadshow in Hong Kong	Religare Capital Markets
17 November 2016	Investor Day for Retail Investors	MUST
22 November 2016	Lim & Tan TR and Clients Evening	Lim & Tan Securities
16 December 2016	Year End Party for Media, Analysts and Investors	MUST

MUST performance since IPO[1]



Opening Unit Price as at 20 May 2016 (US$)	0.820
Closing Unit Price as at 31 December 2016 (US$)	0.825
High (US$)	0.860
Low (US$)	0.785
Average Daily Trading Volume in FY2016 (million units)	1.4
Total Trading Volume in FY2016 (million units)	222.5

Analysts Coverage

1. DBS Bank
2. Deutsche Bank
3. Lim & Tan Securities
4. Religare Capital Markets
5. RHB Research

Contact Information

For any feedback and enquiries, please contact:
Caroline Fong
Head of Investor Relations
Email: carol_fong@manulifeusreit.sg
Website: www.manulifeusreit.sg

1 Period from 20 May 2016 (Listing Date) to 31 December 2016.

ENTERPRISE RISK MANAGEMENT

All of MUST's activities involve elements of risk-taking. The objective is to balance the REIT's level of risk with its business, growth and profitability goals, in order to achieve consistent and sustainable performance over the long-term that benefits MUST and its Unitholders.

The Manager employs an enterprise-wide approach to all risk-taking and risk management activities supporting the business objectives. Under the Enterprise Risk Management (ERM) framework, risk management strategies are established for each of the principal risks. The Manager embeds a strong risk culture and a common approach to risk management integral to the REIT's risk management practices. This allows individuals and groups to make better risk-return decisions that align with the REIT's overall risk appetite, strategic objectives and our Unitholders' requirements.

These ERM practices are influenced and impacted by internal and external factors, which can significantly impact the levels and types of risks MUST might face in its pursuit to strategically optimise risk-taking and risk management. The Manager's ERM Framework incorporates relevant impacts and mitigating actions as appropriate.

The Board is responsible for the governance of risk across the REIT and ensuring sound risk management and internal control systems. This includes the overall risk strategy based on risk appetite, risk identification, risk measurement and assessment, risk monitoring and reporting, risk control and mitigation. The Board is supported by the Audit and Risk Committee (ARC) for the oversight of risk management and delegates this through a governance framework that is centred on the three lines of defence model:

- MUST's first line of defence includes the management team and respective leaders of the Manager (also referred to as business units and functional support groups). They are ultimately accountable for the risks they assume and for the day-to-day management of the risks and related controls.
- The second line of defence includes the oversight functions such as the Legal and Compliance teams. The ARC also contributes to the oversight of risk-taking and risk mitigation activities.
- The third line of defence comprises the outsourced Internal Audit team from the sponsor, Manulife, which provides independent assurance that controls are adequate, effective and appropriate in relative to the risk inherent in the business, and that risk mitigation programmes and risk oversight functions are effective in managing risks.

Risk-taking activities are managed within the REIT's overall risk appetite and approved by both the ARC and the Board. Risk appetite defines the amount and types of risks MUST is willing to assume, which comprises risk philosophy, risk appetite statements and risk limits and tolerances.

This requires business units and functional support groups to identify and assess key and evolving risks arising from their activities on an ongoing basis. A standard inventory of risks is used in all aspects of risk identification, measurement and assessment, and monitoring and reporting.

Risk limits and tolerances are reviewed on an annual basis to ensure that they remain appropriate taking into consideration MUST's overall risk objectives and risk management plans, business strategy and changing external environment.

Risk reduction strategies and activities are defined individually for each risk and can include full or partial risk offset, full risk elimination or risk reduction within limits. Financial risk mitigation tactics include ensuring aggregate risk exposures remain within MUST's risk appetite and limits. In addition, another tactic is to follow MUST's approved plans so as to reduce aggregate risk exposure and keep them within risk limits.

The identification and assessment of external environment for emerging risks plays a pivotal role in the ERM Framework. The ability to detect and adapt to changes in the environment

ERM Framework

may not only prevent problems arising but also help the Manager identify new opportunities.

The risk reporting will be presented to the ARC and the Board to highlight but not limited to the risk profile, risk dashboard on high risks, unresolved major risk issues and new or emerging risks. The following describes the risk management strategies to identify certain key risks.

Economic Risk

MUST may be adversely affected by economic and real estate market conditions in the U.S. These conditions may have a negative impact on the ability of tenants to pay their rents in a timely manner or to continue their leases. This in effect may reduce MUST's cash flow, which may cause a decline in rents and market value of the properties. The Manager manages this by adopting a disciplined approach towards financial management and monitors economic developments closely.

Regulatory and Compliance Risks

MUST is required to comply with applicable and relevant legislations and regulations that include the SGX-ST Listing Rules, International Financial Reporting Standards, Securities and Futures Act, Code of Investment Scheme, U.S. and Singapore tax laws, regulations and rulings. The Manager has established a compliance monitoring programme to assist in ensuring compliance with regulatory requirements, company policies and procedures.

Fraud and Bribery Risks

The Manager is committed to the highest standards of integrity and has no tolerance for any fraud and bribery in its business conduct. The Manager has a Code of Business Conduct and Ethics in place that affirms the Manager's commitment to ethical conduct and its practice of complying with all the applicable laws, so as to avoid actual or potential conflicts of interest. In addition, it has a whistleblowing policy that serves to encourage its employees and any other individuals to raise concerns about possible improprieties in matters of financial reporting and other malpractices in confidence via various channels.

Liquidity and Funding Risks

The Manager closely monitors and actively manages the REIT's debt maturity profile, operating cash flow and the availability of funding. To manage this liquidity risk, the Manager establishes reasonable levels of banking facilities by ensuring that sufficient funds are available to meet its capital, refinancing and operating needs.

Interest Rate Risk

MUST has fixed rate interest-bearing borrowings and is not exposed to significant cash flow risk.

Leasing Risk

MUST is subject to the risk of non-renewal, non-replacement of leases and decrease in demand for office space. Any downturn in the businesses, bankruptcy or insolvency of a tenant may result in such tenant deciding not to renew its lease at the end of a lease cycle or to terminate the lease before it expires. The Manager establishes a diversified tenant base, while continuously monitoring lease expiry profile and proactive tenant engagement. The Manager has also established leasing guidelines to ensure lease concentration risk is mitigated.

Credit Risk

Credit risk is the risk of financial loss to MUST should a tenant fail to meet its contractual obligations and arises principally from rental arrears. Some of the factors that affect the ability of tenants to meet their obligations under the leases include poor economies in which they have business operations, competition and their financial position. The Manager manages credit risk through staggered lease maturities and diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the gross revenue. In addition, MUST also obtains security deposits and letters of credit from the tenants.

Property Management Risk

The Manager has established processes and procedures that seek to ensure that the buildings operate efficiently and are well-maintained in managing the risk that arises from the operations and management of the buildings, which includes Building Safety Solution and Life Safety System. The Manager is committed to creating and cultivating environment-friendly, safe and healthy workplaces.

Investment Risk

Acquisition of properties contributes to the growth objectives of MUST. The risks involved in investment activities are managed through a rigorous and disciplined set of evaluation processes which includes but is not limited to meeting investment criteria, discounted cash flow assessment, yield accretion test, due diligence reviews and independent valuations. All investment decisions are reviewed and approved by the Board.

Information Technology, Business Disruption and System Failure Risks

The Manager has an enterprise-wide business continuity and disaster recovery programme. This includes policies, plans and procedures that seek to minimise the impact of natural or man-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. The business continuity team also establishes and conducts regular testing.

CORPORATE SOCIAL RESPONSIBILITY

Rations Packing at YWCA Singapore

MANAGER'S 2016 DONATIONS IN CASH AND GIFTS

S$10,706

The Manager is committed to building strong relationships with the community and nurturing talent within the organisation, as it believes that sustainable practices are integral to the success of the REIT for the long term.

COMMUNITY

Community Engagement

The Manager believes in proactive engagement with the community, adopting and supporting meaningful causes. In 2016, the Manager donated a total of S$10,706 in terms of cash and gifts to voluntary welfare organisations in Singapore.

For its maiden community engagement activity, the Manager celebrated Mid-Autumn Festival with the patients of Assisi Hospice Day Care Centre. Besides chatting with the patients, playing games and serving local desserts for afternoon tea, staff also entertained the patients with a song and dance performance and distributed mooncakes to them. Staff also volunteered at the Young Women's Christian Association, Singapore (YWCA) in November 2016 to pack rations for underprivileged families under the Sustenance for Families Programme. Basic necessities, including groceries and sundries, were distributed to these families to reduce their financial burden.

The Manager strongly encourages its employees to help the underprivileged, and the staff in Singapore has clocked a total of 52 volunteer hours in FY2016. To reaffirm its commitment to building strong relationships with the community and to encourage more staff to volunteer in their personal capacity, employees will be entitled to two days of volunteer leave per calendar year from FY2017.

Tenant Engagement

Tenants are important to the success of the REIT, as strong tenant relationships increase MUST's ability to renew tenant leases, which in turn reduces turnover costs and leads to better performance from the property portfolio. With this in mind, the Manager engages tenants in the U.S. on various levels to strengthen its relationships.

A variety of events were held at the REIT's properties to show appreciation to the tenants. A book fair, American Red Cross blood drive and a Halloween pumpkin carving contest were organised at Figueroa. In addition to these events, the tenants were treated to a December holiday breakfast which was attended by well over 1,000 guests. At the Michelson, tenants were provided with a holiday celebration at the end of December. Tenants have said they look forward to the annual barbeque held in June at the Peachtree building. The Manager also provided a chocolate chip cookie giveaway, summer food drive and armed intruder safety training during the year.

The properties participated in a tenant satisfaction survey conducted by Kingsley Associates, which collected data from tenants occupying over one billion sq ft of office space that is owned by 17 of the 25 largest U.S. office owners. The survey results indicated that the average tenant satisfaction score for Figueroa, Michelson and Peachtree exceeded the Kingsley Index score for overall satisfaction of building management and maintenance. Moving forward, MUST will continue to strive to be responsive to tenant requests and maintain its high service standards.

HUMAN CAPITAL

The Manager believes that it is beneficial to invest in the careers of its employees as it pays dividends to both the individual and the organisation as a whole. As such, the Manager aims to foster an open, collaborative and inclusive work environment, while also addressing the varying needs of its multi-generational and diverse workforce.

On an ongoing basis, the Manager encourages its employees to work as one, as well as to question and innovate. Through an engaged workforce, the Manager believes that the REIT will be well-positioned to deliver on its objectives for the benefit of Unitholders.

An evaluation of how well the Manager is meeting employees needs is conducted through an Employee Engagement Survey every two years and pulse surveys in the intervening periods. As a result of recent survey feedback received on 'Enabling Work', Manulife made a range of improvements in 2016 to global technology tools and processes.

Remuneration Policy

The Manager's compensation programme is intended to be well balanced, competitive, performance-based and aligned with the achievement of each employee's short, medium and long-term goals. While the approach reflects a pay-for performance culture, it is also designed to attract, motivate and retain high performing and high potential employees in their respective field of expertise. Employees are also incentivised through annual bonus awards that are tied to a variety of financial and non-financial measures and key staff are eligible for a Long Term Incentive Scheme.

In addition, a range of staff benefits are offered to employees including medical and dental benefits, health screening and discounted insurance policies. All aspects of compensation are reviewed against independent market surveys on a regular basis so that the REIT maintains its attractiveness as a choice employer and attracts the best talent.

Learning and Career Development

Through Manulife, the Manager offers employees supportive programmes that help them plan and move ahead in their careers and meet life-long educational expectations.

The Manager encourages continuous learning by sponsoring relevant courses, such as the Executive MBA programme and Chartered Financial Analyst qualification. Employees at all levels also have access to online 'Learning on Demand' tools to enhance and broaden their skills. These resources provide easy to use tutorial videos and information on a wide variety of topics which are useful for building skills and career planning.

In addition, Manulife also provides 'Work Life Coaching' to guide staff towards their career and personal goals. Mandatory mid-year and year-end performance reviews for all employees and managers provide a forum not only to discuss individual progress over the short term, but also, where required, to plan and develop medium and longer term programmes to help employees attain their career goals. During the latest reporting period, staff underwent an average of 15.9 hours of training per person.

The global scope of the Manager and interaction with affiliate companies in locations such as the U.S., Canada and Hong Kong provide opportunities for employees to gain international exposure through collaboration with colleagues from these countries. It also provides knowledge transfer further fermenting new ideas and initiatives.

Christmas Party with Tenants

CORPORATE SOCIAL RESPONSIBILITY

Halloween Party at Figueroa

The Manager is also investing in the youth through internship programmes and work experiences for students, that offer them a wide view of a specialist financial services business. It also provides opportunities for those returning to full time employment and seeks to harness the life skills and years of experience of the older workforce who might not have had the chance of higher education at an earlier stage of their lives.

Health and Wellness

Research shows that healthier employees tend to have lower levels of stress, better immune responses and are less likely to contract certain diseases. As a result, the Manager is committed to providing resources that support employees' health and wellness. Work life balance and respecting each individual's personal and family time are important to the Manager. A range of health and safety policies are in place to protect employees from injury and illness. In particular, the Business Unit Continuity Plan includes contingency plans for evacuation in emergency situations and provisions for contagious disease.

Coming together for staff events is important to help create a sense of community and a harmonious atmosphere in the workplace, especially when some employees are in overseas locations such as the U.S. Throughout the year, there are also opportunities to join health and wellness events. In conjunction with International Women's Day, Manulife organised talks and activities for all female staff. To encourage healthy living, the Manager participated in the Health Promotion Board's National Steps Challenge, and in December 2016, a total of 2,728,015 steps were clocked, averaging 303,133 steps per employee.

Diversity

The Manager believes that a diverse workforce brings together a variety of skills and experiences that can have a significant positive impact on the REIT's results. The team embraced several generational bands, with ages in all five decades from 20 to 60 years old. It also comprised three ethnicities (Chinese, Asian and Caucasian) and 55.6% of its employees were female spanning all levels of seniority. Some 50.0% of the team was drawn from Manulife's global franchise, with those employees having worked within the organisation in Singapore, Hong Kong, the U.S. and Canada before joining the Manager.

Code of Business Conduct

The Manager follows the highest standards of business conduct, which are embedded in the REIT's Code of Business and Ethics (the Code) and affirms its commitment to ethical conduct, as well as compliance with all applicable laws and avoiding conflicts of interest. All employees must be thoroughly familiar with its provisions and conduct themselves according to both the letter and spirit of the Code.

Employees of the Manager are also required to comply with all relevant laws and regulations, as well as internal policies, standards and guidelines, which include, but are not limited to:

- Anti-Fraud Policy (and related guidelines, which include information regarding anti-bribery and anti-corruption measures)
- Anti-Money Laundering and Anti-Terrorist Financing Policy
- Global Privacy Risk Management Policy
- Information protection policies and guidelines designed to safeguard corporate, employee and customer data

Staff must complete compulsory ongoing and supplemental training that includes an annual training course on the Code. It also participates in specialised employee communications campaigns, such as Fraud Awareness Week and Data Privacy Day which reinforces the culture of compliance.

The Manager's employees have access to Manulife Global Ethics Hotline, a phone and web-based communications tool maintained by a third-party service provider for reporting suspected unethical, unprofessional (including violence, bullying, abuse and harassment in the workplace), illegal or fraudulent activity on a confidential basis. This hotline is primarily intended for employees, but is also available to third parties such as vendors and suppliers.

ENVIRONMENT

Office

The Manager believes that sustainability efforts should begin with the adoption of environmental-friendly measures on a daily basis. Lights in the Singapore office were automatically switched off at 7.00 pm on weekdays, and every two hours if they had been switched on again.

The Manager also participated in a coffee capsules recycling programme. In Singapore, the used coffee grounds are composted and used as fertiliser in a local organic farm. This helps to improve drainage and water retention, as well as aerate soil while acting as a natural pest repellent.

Environment

Tenants increasingly seek to lease space from environmentally responsible landlords. Hence, the REIT is focused on demonstrating its commitment to the environment. The REIT's three buildings were all Energy Star-certified by the U.S. Environmental Protection Agency in 2016. The Energy Star programme measures energy and water consumption, as well as greenhouse gas emissions, and only the most energy efficient buildings in the U.S. are provided the certification.

NATIONAL STEPS CHALLENGE

2,728,015

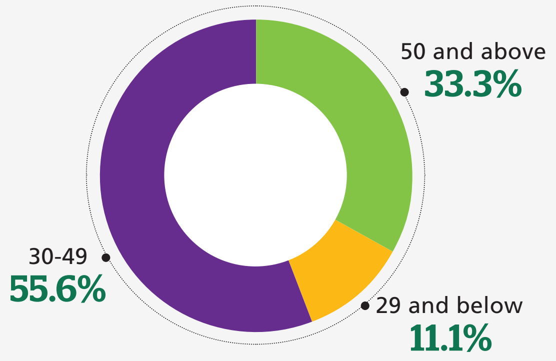
TOTAL STEPS CLOCKED

Leadership in Energy and Environmental Design (LEED) is another energy-related building certification programme. LEED-certified buildings are resource efficient as they use less water and energy and reduce greenhouse gas emissions. Michelson was rated LEED Gold in 2016, and MUST will consider attaining LEED certification for its other buildings in 2017.

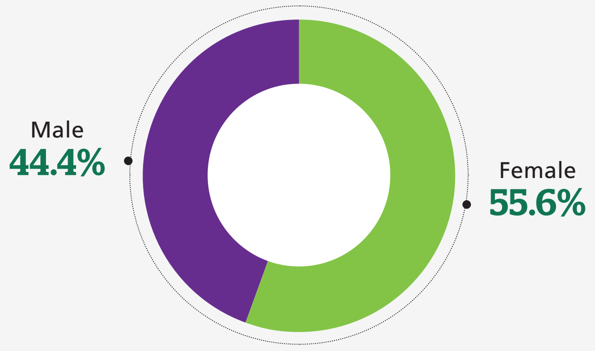
Some examples of eco-friendly features at MUST's buildings included bicycle racks, reserved car pool parking spaces, recycling programmes, LED light bulbs that consume less energy, automatic light sensors, automatic water fixtures in the wash rooms, advanced software programs that control and optimise heating and cooling usage, as well as electric car charging stations at the REIT's three properties. Adopting these various eco-friendly programmes allowed MUST to reduce energy consumption.

The Manager is constantly looking for ways to reduce energy consumption and utility costs at its buildings. One of the unique energy-saving projects that MUST embraced in 2016 was a battery storage project which was jointly completed with Tesla at the Michelson building. Tesla installed a series of high-tech batteries that were recharged at night when the utility rates were lower, and discharged into the building's electrical panel for supplemental power during the daytime when utility rates were higher. The project became fully operational in summer 2016 and generated significant utility savings that were passed on to the tenants.

EMPLOYEES MIX BY AGE (%)



EMPLOYEES MIX BY GENDER (%)



CORPORATE GOVERNANCE

The Manager has general powers of management over the assets of MUST. The Manager's main responsibility is to manage the REIT's assets and liabilities for the benefit of Unitholders. The Manager sets the strategic direction of the REIT and gives recommendations to DBS Trustee Limited (the Trustee), on the acquisition, divestment, development and/or enhancement of assets of MUST in accordance with its stated investment strategy.

The Manager provides, among others, the following services to the REIT:

- **Investment:** Formulating MUST's investment strategy, including determining the location, sub-sector type and other characteristics of MUST's property portfolio. Overseeing negotiations and providing supervision in relation to investments of MUST and making final recommendations to the Trustee.

- **Asset management:** Formulating MUST's asset management strategy, including determining the tenant mix, asset enhancement works and the rationalisation of operation costs. Providing supervision in relation to asset management of MUST and making final recommendations to the Trustee on material matters.

- **Capital management:** Formulating the plans for equity and debt financing for MUST's property acquisitions, distribution payments, expense payments and property maintenance payments. Executing the capital management plans, negotiating with financiers and underwriters and making final recommendations to the Trustee.

- **Accounting:** Preparing accounts, financial reports and annual reports for MUST on a consolidated basis.

- **Compliance:** Making all regulatory filings on behalf of MUST, and using its commercially reasonable best efforts to assist the REIT in complying with the applicable provisions of the relevant legislation pertaining to the location and operations of MUST, the Listing Manual of the SGX-ST (the Listing Manual), the Trust Deed, any tax ruling and all relevant contracts.

- **Investor relations:** Communicating and liaising with investors, analysts and the investment community.

The Manager has been issued a Capital Markets Services licence (CMS Licence) for REIT management pursuant to the Securities and Futures Act (SFA) on 2 July 2015 and is regulated by the Monetary Authority of Singapore (MAS).

This report describes the Manager's main corporate governance framework and practices with reference to the Code of Corporate Governance 2012 (CG Code). Any deviations from the principles and guidelines of the CG Code are explained.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1

Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

The Board is responsible for the overall corporate governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board seeks to ensure that the Manager manages the REIT's assets and liabilities for the benefit of Unitholders.

All Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of the Directors.

The key roles of the Board are to:

- guide the corporate strategy and directions of the Manager;

- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and

- oversee the proper conduct of the Manager.

Two Board Committees, namely the Audit and Risk Committee (ARC) and Nominating and Remuneration Committee (NRC) have been constituted with written terms of reference to assist the Board in discharging its responsibilities.

Each of these Board Committees operates under delegated authority from the Board, with the Board retaining overall oversight. The Board may form other Board Committees as dictated by business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The Manager has also adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to the Board Committees and Management. Approval sub-limits are also provided at Management level to optimise operational efficiency.

The Board has reserved authority to approve certain matters and these include, among others:

1. acquisitions and divestments;

2. equity fund raising and new debt financing;

3. income distributions and other returns to Unitholders; and

4. matters which involve a conflict of interest for a controlling Unitholder or a Director.

The Board meets at least once every quarter, to deliberate the strategies of the REIT, including acquisitions and divestments, funding and hedging activities, approval of the annual budget and review of the performance of the REIT. The Board or the relevant Board Committee will also review MUST's key financial risk areas and the outcome of such reviews will be disclosed in the annual report or where the findings are material, immediately announced via SGXNet.

The number of meetings of the Manager's Board, ARC and NRC held during the period from 20 May 2016 to 31 December 2016 and the meeting attendance are as follows:

Name of Directors	Board		Audit and Risk Committee		Nominating and Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended
Hsieh Tsun-Yan	2	2	2	2*	1	1
Lau Chun Wah @ Davy Lau	2	2	2	2*	1	1
Ho Chew Thim	2	2	2	2	1	1*
Veronica Julia McCann	2	2	2	2	1	1
Pok Soy Yoong	2	2	2	2	1	1*
Kevin John Eric Adolphe	2	2	2	2*	1	1*
Michael Floyd Dommermuth	2	2	2	2*	1	1*

Note:

*Attendance by invitation

Upon appointment, each Director is provided with a formal letter of appointment setting out the Director's duties and obligations. The Manager has put in place an orientation programme to ensure that any newly-appointed Directors are familiar with MUST's business, strategies and directions and the regulatory environment in which MUST operate as well as the main corporate governance practices of the Manager. There were no new Directors appointed to the Board for the financial period ended 31 December 2016.

The Board receives regular updates on any new and material changes to applicable regulations. The management also arranges relevant training for Directors and Directors are also encouraged to put forward to the NRC training topics on which they would like to receive training.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2

There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board is represented by members with a broad range of commercial experience including expertise in funds management, tax matters, audit and accounting and the property industry. Each Director of the Manager has been appointed on the basis of his/her professional experience and ability to contribute to the proper guidance of MUST. None of the Directors of the Manager are related to one another, any substantial shareholder of the Manager or any Substantial Unitholder.

The Board comprises seven Non-Executive Directors, of whom four are Independent Directors. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the CEO, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

The composition of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience.

Name of Directors	Position
Hsieh Tsun-Yan	Chairman and Non-Executive Director and Nominating and Remuneration Committee Member
Lau Chun Wah @ Davy Lau	Independent Non-Executive Director, Lead Independent Director and Chairman of the Nominating and Remuneration Committee
Ho Chew Thim	Independent Non-Executive Director and Chairman of the Audit and Risk Committee
Veronica Julia McCann	Independent Non-Executive Director, Audit and Risk Committee Member and Nominating and Remuneration Committee Member
Pok Soy Yoong	Independent Non-Executive Director and Audit and Risk Committee Member
Kevin John Eric Adolphe	Non-Executive Director
Michael Floyd Dommermuth	Non-Executive Director

The Board reviews and assesses the independence of each Director in accordance with the Securities and Futures (Licensing and Conduct of Business) Regulations (SF(LCB)R). Under the SF(LCB)R, an Independent Director means a Director who:

- is independent from management and business relationships with the Manager and the REIT;
- is independent from every substantial shareholder of the Manager and Substantial Unitholder of the REIT; and
- has not served on the Board for a continuous period of nine years or longer.

Accordingly, the Board has reviewed and determined that each of the four aforementioned Independent Director satisfies the above criteria of independence as set out in the SF(LCB)R.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The positions of Chairman of the Board and Chief Executive Officer (CEO) are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board is Mr Hsieh Tsun-Yan, while the CEO is Ms Jillian Avis Kathryn Smith. The Chairman and the CEO are not immediate family members.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the Manager. The Chairman is responsible for the overall management of the Board as well as ensuring that the members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans. The CEO has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager.

This provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

In accordance with Guideline 3.3 of the CG Code, Mr Lau Chun Wah @ Davy Lau had been appointed as the Lead Independent Director as the Chairman was not an Independent Director. The Lead Independent Director was available to the Board and Unitholders where they have concerns and for which contact through the normal channels of Chairman or CEO has failed to resolve or is inappropriate.

BOARD MEMBERSHIP

Principle 4

There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

To ensure the long-term effectiveness of the Board, the Manager has established a NRC to make recommendations to the Board for the appointment and re-appointment of each Director. The NRC comprises three Directors, the majority of whom are independent. The Chairman of the NRC is the Lead Independent Director of the Manager.

As at 31 December 2016, the members of the NRC were:

1. Lau Chun Wah @ Davy Lau (Chairman)
2. Hsieh Tsun-Yan
3. Veronica Julia McCann

The NRC is responsible for reviewing the succession plans for the Board (in particular, the Chairman of the Board) and senior management (in particular, the CEO). In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors. The NRC leads the process and makes recommendations to the Board as follows:

1. the NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;
2. in light of such review and in consultation with management, the NRC assesses if there are any inadequate representations in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;
3. external help (for example, the Singapore Institute of Directors, search consultants or advertisements) may be used to source for potential candidates if need be. Directors and management may also make suggestions;
4. the NRC meets the shortlisted candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectations and the level of commitment required; and
5. the NRC makes recommendations to the Board for approval.

CORPORATE GOVERNANCE

The Board believes that it is not practicable to fix the amount of time that each Director should devote to the affairs of the Manager or impose a limit on the maximum number of listed company board representations each Director may hold. The effectiveness of the Board and contributions of each Director cannot be assessed solely on a quantitative basis. The limit on the number of listed company board representations should be considered on a case-by-case basis, as a person's available time and attention may be affected by different factors such as whether they are in full-time employment and the nature of their other responsibilities. A Director with multiple directorships is expected to ensure that sufficient attention can be given to the affairs of the Manager.

Each Director is or has been a senior executive and has knowledge about, and/or experience in, serving as Director of listed corporations. Further, each of the Directors confirms that he/she is able to devote sufficient time to discharge his/her duties as Director of the Manager.

The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to MUST's business. The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, investment and accounting backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable Management to benefit from their respective expertise and diverse backgrounds. The Board also considers gender an important aspect of diversity alongside factors such as the age, ethnicity and educational background of its members. The Board is committed to diversity and will continue to consider the differences in the skill sets, gender, age, ethnicity and educational background in determining the optimal composition of the Board in its Board renewal process.

BOARD PERFORMANCE

Principle 5

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NRC has developed a process for evaluating the performance of the Board as a whole, the respective Board Committees, and of each Director.

On an annual basis, all Directors are requested to complete the Board Performance Questionnaire and all respective Board Committee members are also requested to complete the ARC and NRC Performance Questionnaires. In addition, each Director is requested to rate their peers and themselves annually.

The NRC also assesses each Director on a continual basis to ensure that he/she is able to and has been adequately carrying out his/her duties as a Director of the Manager. In carrying out such assessments, the NRC takes into account different factors, including the contributions of each Director, his/her principal commitments and his/her attendance at Board meetings.

Based on the Board assessment exercise, the Board is of the view that it has met its performance objectives, and that each of its members is contributing to the overall effectiveness of the Board.

ACCESS TO INFORMATION

Principle 6

In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Management provides the Board with complete, adequate and timely information prior to Board meetings and on an on-going basis. Papers for the ARC, NRC and Board meetings (including complete and adequate background information and explanatory updates on the affairs of MUST) are sent in advance of the Board meetings so that the respective Board Committees and Board members have sufficient time to review the information provided and enable them to make informed decisions to discharge their duties and responsibilities.

The Board has separate and independent access to senior management and the Company Secretaries at all times. The Company Secretaries attend to the administration of corporate secretarial matters and ensure all Board procedures and requirements of the Companies Act, Cap.50. and the Listing Manual of the SGX-ST are complied. The Company Secretaries also attend all Board and Board Committee meetings. The appointment and removal of the Company Secretaries are subject to the approval of the Board as a whole. The Board also has access to independent professional advice where appropriate and when requested, at the Manager's expense.

The ARC has direct and unrestricted access to the external auditors and internal auditors. The ARC also meets (a) with the external auditors and (b) with the internal auditors, in each case without the presence of Management, at least annually to discuss matters or concerns.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7

There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle 8

The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

DISCLOSURE ON REMUNERATION

Principle 9

Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The role of the NRC is to make recommendations to the Board on all appointment and remuneration matters. The NRC also reviews and makes recommendations on succession plans for the Board and the Executive Officers.

The NRC's responsibilities in relation to remuneration matters also include, amongst others:

- reviewing and recommending to the Board a general framework of remuneration for the Board and the Executive Officers;
- reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the Executive Officers; and
- reviewing MUST's obligations arising in the event of termination of Executive Directors' and Executive Officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The Manager's compensation programme is well balanced, competitive, performance-based and aligned with the achievement of each employee's short, medium and long-term goals. While the approach reflects a pay-for performance culture, it is also designed to attract, motivate and retain high performing and high potential employees in their respective field of expertise. Employees are also incentivised through annual bonus awards that are tied to a variety of financial and non-financial measures and key staff are eligible for a Long Term Incentive Scheme. In this regard, the NRC had not engaged any external remuneration consultants.

CORPORATE GOVERNANCE

The Long Term Incentive Scheme is designed to motivate the performance of management personnel, and promote greater alignment of interests with Unitholders. The key staff of the Manager are granted Restricted Share Units (RSUs) under the Long Term Incentive Scheme and are linked to MUST Units. The RSUs entitles the holder to receive payment in cash linked to the value of the MUST Units at the time of vesting. No employee share option schemes or share schemes have been implemented by MUST. The Long Term Incentive Scheme has been put in place to increase the Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term Unitholder value.

Long-term incentives in the form of Stock Option Plans, which permit the option holder to purchase shares in MFC, were also granted by MFC to the Non-Independent Non-Executive Directors, Mr Kevin Adolphe and Mr Michael Dommermuth for FY2016. The stock options pursuant to the Stock Option Plans will vest over a period of four years and expire ten years later.

Deferred Share Units have also been granted by MFC to Mr Hsieh Tsun-Yan for FY2016. While such Deferred Share Units vest in full upon granting, eligible Directors may only exchange their Deferred Share Units for cash or shares in MFC within one year after stepping down from the Board. Where an eligible Director chooses to receive MFC shares in exchange for their Deferred Share Units, the MFC shares shall be issued from treasury shares and/or shares purchased from the open market. Therefore, no new shares in MFC are or will be issued to satisfy the grant of MFC shares in exchange for Deferred Share Units.

The Stock Option Plans and the Deferred Share Units granted by MFC to Mr Adolphe, Mr Dommermuth and Mr Hsieh have been granted as part of their remuneration package as employees and Directors of the Sponsor group respectively. Accordingly, the Stock Option Plans and the Deferred Share Units will not result in a misalignment of interests of the Directors with the long-term interests of the Unitholders given that Mr Kevin Adolphe and Mr Michael Dommermuth are both employed by the Sponsor group and Mr Hsieh Tsun-Yan is currently an Independent Director of MFC. Further, there is unlikely to be any potential misalignment of interests given that Mr Adolphe, Mr Dommermuth and Mr Hsieh act as Non-Independent Non-Executive Directors and do not hold executive positions in the Manager. As Non-Independent Directors, they would in any event have to abstain from approving and recommending any interested person transactions with an entity within the Sponsor group, mitigating any potential misalignment of interests with those of Unitholders.

In determining the actual quantum of the variable component of remuneration paid to the Key Management Personnel, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that remuneration is aligned to performance during FY2016.

The Manager is cognizant of the requirements under MAS' Notice to All Holders of a CMS Licence for Real Estate Investment Trust Management to disclose:

(a) the remuneration of the CEO and each individual Director on a named basis; and

(b) the remuneration of at least the top five executive officers (which shall not include the CEO and Executive Officers who are Directors), on a named basis, in bands of S$250,000.

The Manager has assessed and decided not to disclose the remuneration of the CEO on a named basis and the remuneration of the top five Executive Officers (which shall not include the CEO and Executive Officers who are Directors) in bands of S$250,000 for the following reasons:

- staff remuneration matters are highly confidential and sensitive;
- with keen competition for the limited talent pool in the Singapore REIT management industry, such disclosure may result in talent retention issues;
- the Manager is of the view that such non-disclosure will not be prejudicial to the interests of Unitholders as the information provided regarding the Manager's remuneration policies is sufficient to enable Unitholders to understand the alignment of remuneration paid to the CEO and the top five key executives, and the performance of the REIT; and
- remuneration of the Manager's CEO and employees is paid out of the fees which the Manager receives from the REIT and not by the REIT.

The Directors' fees for the financial period ended 31 December 2016 are set out in the table below. Non-Executive Directors who are full-time employees of the Manulife Group do not receive any Directors' fees. The Directors' fees comprise a base retainer as a Director, an additional fee for serving on any Board Committees and an attendance fee for participation in meetings.

Name of Directors	Fees for FY2016 (S$)
Hsieh Tsun-Yan	57,481
Lau Chun Wah @ Davy Lau	54,115
Ho Chew Thim	59,481
Veronica Julia McCann	61,481
Pok Soy Yoong	52,750

There were no employees who were immediate family members of a Director or the CEO, and whose remuneration exceeds S$50,000 for FY2016.

(C) ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Management provides the Board with complete and adequate information in a timely manner through regular updates on financial results, market trends and business developments so as to enable the Board to effectively discharge its duties.

The Board meets regularly, at least once every quarter to review the performance of MUST. The quarterly and full-year financial results of MUST are also reviewed by the Board before dissemination to Unitholders via SGXNet within the reporting deadlines stipulated in the Listing Manual of the SGX-ST, and where applicable, media releases and analysts' briefings. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of MUST's performance, position and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11

The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Manager has put in place a system of internal controls including financial, operational, compliance and information technology controls and risk management processes to manage risk and safeguard the interests of Unitholders. The Manager employs an enterprise-wide approach to all risk-taking and risk management activities, adopting an Enterprise Risk Management (ERM) Framework which has been reviewed by the ARC and approved by the Board. Details of the Manager's ERM framework can be found in the "Enterprise Risk Management" section on pages 46 to 47 of this Annual Report.

The Board has received assurance from the CEO and Chief Financial Officer (CFO) of the Manager that:

a) the financial records of MUST have been properly maintained and the financial statements for the financial period from 20 May 2016 (Listing Date) to 31 December 2016 give a true and fair view of the REIT's operations and finances; and

b) the REIT's internal controls, including financial, operational, compliance and information technology controls, and risk management systems are adequate and effective.

CORPORATE GOVERNANCE

Based on the risk management and internal controls systems established and maintained by the Manager, reviews conducted by the REIT's internal auditors and external auditors as well as Management and the above assurance from the CEO and CFO; pursuant to Rule 1207(10) of the Listing Manual, the Board with the concurrence of the ARC, is of the opinion that the REIT's systems of internal controls were adequate and effective in addressing financial, operational, compliance and information technology risks for the period ended 31 December 2016.

Whistle-Blowing Policy

The Manager has put in place a whistle-blowing policy which serves to encourage its employees and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence.

Concerns about illegal, unprofessional, fraudulent or other unethical behaviour may be referred to the ARC Chairman or the Ethics Hotline at www.manulifeethics.com. Any concerns which are not resolved by these channels may be raised with the Lead Independent Director of the Manager or Manulife's Global Compliance Chief or General Counsel may be contacted. Accounting and auditing complaints or concerns may be raised with the ARC Chairman. Following a review of the complaint or concern, the ARC Chairman, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and management implement corrective measures.

Dealings in Units

Each Director and the CEO of the Manager is to give notice to the Manager of any acquisition of units or of changes in the number of units which he/she holds or in which he/she has an interest, within two Business Days after such acquisition or the occurrence of the event giving rise to changes in the number of units which he/she holds or in which he/she has an interest. All dealings in units by the Directors and the CEO of the Manager will be announced via SGXNet.

The Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold units but are prohibited from dealing in the units:

- in the period commencing one month before the public announcement of the REIT's annual results and property valuations, and two weeks before the public announcement of the REIT's quarterly results and ending on the date of announcement of the relevant results or, as the case may be, property valuations; and

- at any time while in possession of price sensitive information.

The Directors and employees of the Manager are also prohibited from communicating price sensitive information to any person. Under the policy, Directors and employees of the Manager are also discouraged from trading on short-term or speculative considerations. In addition, the CEO and employees of the Manager are required to obtain pre-approvals before dealing in any units under the Manager's internal policy.

Pursuant to Section 137ZC of the SFA, the Manager is required to, inter alia, announce to the SGX-ST the particulars of any acquisition or disposal of interest in units by the Manager as soon as practicable, and in any case no later than the end of the Business Day following the day on which the Manager became aware of the acquisition or disposal.

Potential Conflicts of Interest

The Manager has also instituted the following procedures to deal with potential conflicts of interest issues:

- the Manager will not manage any other REIT which invests in the same type of properties as MUST;

- all Executive Officers are working exclusively for the Manager and do not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager;

- All resolutions in writing of the Directors in relation to matters concerning the REIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one Independent Director;

- at least half the Board comprises Independent Directors;

- in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;

- in respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude nominee Directors of the Sponsor and/or its subsidiaries;

- save as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest; and

- it is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of MUST with a related party of the Manager (Related Party), the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of MUST, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors (including the Independent Directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the REIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

Related Party Transactions

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future Related Party Transactions:

- will be undertaken on normal commercial terms; and

- will not be prejudicial to the interests of MUST and the Unitholders.

As a general rule, the Manager must demonstrate to its ARC that such transactions satisfy the foregoing criteria. This may entail:

- obtaining (where practicable) quotations from parties unrelated to the Manager; or

- obtaining two or more valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager will maintain a register to record all Related Party Transactions which are entered into by MUST and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into.

The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by MUST. The ARC shall review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with.

The following procedures will be undertaken with respect to Related Party Transactions:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of the REIT's net tangible assets will be subject to review by the ARC at regular intervals;

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of the REIT's latest audited net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of MUST and its Unitholders and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and

CORPORATE GOVERNANCE

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of MUST's latest audited net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Where matters concerning MUST relate to transactions entered into or to be entered into by the Trustee for and on behalf of MUST with a Related Party of the Manager (which would include relevant Associates (as defined in the Listing Manual) thereof) or MUST, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- on normal commercial terms;
- are not prejudicial to the interests of MUST and the Unitholders; and
- are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the Manager or the Trustee. If the Trustee is to sign any contract with a Related Party of the Manager or the Trustee, the Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

MUST will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if the value of such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person during the same financial year, is 3.0% or more of MUST's latest audited net tangible assets.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in the annual report of MUST for the relevant financial year.

The ARC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control system, the relevant provisions of the Listing Manual, and the Property Funds Appendix. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the ARC.

AUDIT COMMITTEE

Principle 12

The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARC is governed by a set of written terms of reference approved by the Board, setting out its scope of authority and responsibilities. The ARC is composed of three members, all of whom are Independent Directors resident in Singapore.

As at 31 December 2016, the members of the ARC were:

1. Ho Chew Thim (Chairman)
2. Veronica Julia McCann
3. Pok Soy Yoong

The role of the ARC is to monitor and evaluate the effectiveness of the Manager's internal controls. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy of external audits in respect of cost, scope and performance.

The ARC's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to interested person transactions and the provisions of the Property Funds Appendix relating to interested party transactions (and together with interested person transactions, Related Party Transactions);
- reviewing transactions constituting Related Party Transactions;
- reviewing, on an annual basis, a report on the asset allocation conflict decisions pursuant to the sponsor allocation process;
- deliberating on conflicts of interest situations involving MUST, including situations where the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of MUST with a Related Party (as defined herein) of the Manager and where the Directors, controlling shareholder of the Manager and Associates are involved in the management of or have shareholding interests in similar or related business as the Manager, and in such situations, the ARC will monitor the investments by these individuals in MUST's competitors, if any, and will make an assessment whether there is any potential conflict of interest;
- reviewing external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;
- reviewing arrangements by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;
- reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with MUST;
- reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of MUST's risk management system;
- reviewing the statements included in MUST's annual report on the REIT's internal controls and risk management framework;
- the appointment, re-appointment or removal of internal auditors (including the review of their fees and scope of work);
- monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;
- reviewing the appointment, re-appointment or removal of external auditors;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of the external auditors;
- meeting with external and internal auditors, without the presence of the Executive Officers, at least on an annual basis;
- assisting the Board to oversee the formulation, updating and maintenance work of adequate and effective risk management framework;
- reviewing the system of internal controls including financial, operational, compliance and information technology controls and risk management processes;

CORPORATE GOVERNANCE

- reviewing the financial statements and the internal audit report;
- reviewing and providing their views on all hedging policies and instruments to be implemented by MUST to the Board;
- reviewing and approving the procedures for the entry into of any foreign exchange hedging transactions and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
- investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

During FY2016, the ARC reviewed and approved both the internal auditor's and external auditor's plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of MUST and the Manager. Such significant controls comprise financial, operational, compliance and information technology controls. All audit findings and recommendations put up by the internal auditor and the external auditor were forwarded to the ARC. Significant issues were discussed at these meetings.

Taking cognisance that the external auditor should be free from any business or other relationships with MUST that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to MUST's relationships with them during FY2016. In determining the independence of the external auditor, the ARC reviewed all aspects of MUST's relationships with it including the processes, policies and safeguards adopted by MUST and the external auditor relating to audit independence. The ARC also considered the nature of the provision of the non-audit services in FY2016 and the corresponding fees and ensured that the fees for such non-audit services did not impair or threaten the audit independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of MUST's statutory financial audit.

In the review of the financial statements, the ARC has discussed with management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditor.

1. Valuation of Properties:
   The ARC evaluated the qualifications, competence and independence of the valuer CBRE, Inc. The ARC discussed the portfolio property valuation methodologies and assumptions used by CBRE, Inc, with management.

2. Taxation
   The ARC discussed with management and auditors the deferred tax liabilities recorded in FY 2016 and tax compliance matters in relation to the structure set out in the prospectus for tax efficiency.

   The above are included as key audit matters in the Auditors Report (pages 70 to 71 of the Annual Report).

For FY2016, an aggregate amount of US$776,047, comprising non-audit service fees of US$607,835 and audit service fees of US$168,212 was paid/payable to MUST's external auditor. The non-audit fees were paid to the auditors for services rendered in relation to the initial public offering of the Trust.

In FY2016, changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the ARC at its meetings

The Manager confirms, on behalf of MUST, that MUST has complied with Rule 712 and Rule 715 of the SGX Listing Manual in relation to the appointment of its auditing firm.

INTERNAL AUDIT

Principle 13

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Manager outsourced its internal audit function to the Sponsor. The Sponsor's internal audit team follows the standards established by the Institute of Internal Auditors (IIA) for the professional practice of internal auditing. The internal audit team is staffed with qualified and competent individuals who are trained, supervised, coached and developed appropriately to be in compliance with the IIA standards.

The Internal Audit function reports directly to the ARC. The ARC comprising only Independent Directors exercises oversight over the internal audit activities of the Manager, including reviewing internal audit reports, reviewing the adequacy and effectiveness of the internal audit function, the appointment, re-appointment or removal of internal auditors and meeting with internal auditors without the presence of management.

The ARC has considered the appropriateness of using the Sponsor's internal audit team for the Internal Audit function and with respect to FY2016, the ARC has reviewed and is satisfied as to the independence, adequacy and effectiveness of the Internal Audit function.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

SHAREHOLDER RIGHTS

Principle 14

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

COMMUNICATION WITH SHAREHOLDERS

Principle 15

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

CONDUCT OF SHAREHOLDER MEETINGS

Principle 16

Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Manager is committed to promoting regular and effective communication with Unitholders in order to allow them to make informed and sound investment decisions. All announcements such as press releases, presentation slides, annual reports and financial statements are uploaded onto SGXNet in a timely and accurate manner. These information are concurrently available on MUST website at www.manulifeusreit.sg. In order to obtain regular updates, Unitholders may also subscribe to the email alert found on the website.

CORPORATE GOVERNANCE

The Manager has a dedicated Investor Relations team that regularly interacts with Unitholders, analysts, fund managers and the media to engage and facilitate communication. In FY2016, the Manager met with over 150 institutional investors within Asia through conferences, conference calls, meetings and non-deal road shows in Bangkok, Hong Kong, Kuala Lumpur and Singapore.

MUST's distribution policy is to distribute at least 90.0% of its distributable income and distributions are paid on a semi-annual basis in which the Manager determines the actual level of distribution. For FY2016 and FY2017, the Manager is committed to distributing 100.0% of its distributable income.

More information of the Manager's IR activities can be found on pages 44 to 45 of this Annual Report.

The Manager strongly believes in the principle of encouraging greater Unitholder participation and exercising their votes at the general meetings.

Annual reports and circulars are sent to Unitholders before the annual general meeting. When an extraordinary general meeting is convened, a copy of the circular will be sent to Unitholders containing matters that will be raised for Unitholders' consideration and approval. These notices are also advertised in the local papers and published on SGXNet. Unitholders are able to appoint proxies to vote on their behalf should they be unable to attend the meeting.

Unitholders are strongly encouraged to communicate their views on matters pertaining to the REIT. They are able to raise questions on the motions being considered at these meetings where representatives of the Directors (including Chairman of the Board, ARC and NRC) and senior management of the REIT will be present to address their questions and clarify any issues on the proposed resolutions. The external auditors are also present to address enquiries on the audit and financial statements of the REIT.

A distinctly separate issue is proposed as a separate resolution to protect the interests and rights of Unitholders. Each resolution proposed at a general meeting will be conducted through electronic voting to ensure full transparency in the voting process. Unitholders and their proxies present at these meetings are able to vote on all proposed resolutions at these meetings in which the voting and vote counting procedures are disclosed at these meetings.

Financial Contents

REPORT OF THE TRUSTEE

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Manulife US Real Estate Investment Trust (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of units ("Unitholders") in the Trust. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Manulife US Real Estate Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries during the period covered by these financial statements set out on pages 74 to 108, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
13 March 2017

STATEMENT BY THE MANAGER

In the opinion of the directors of Manulife US Real Estate Management Pte. Ltd. (the "Manager"), the Manager of Manulife US Real Estate Investment Trust (the "Trust"), the accompanying financial statements set out on pages 74 to 108 comprising the consolidated financial statements of the Trust and its subsidiaries (collectively, the "Group") and the Statement of Financial Position of the Trust as at 31 December 2016 and Statement of Changes in Unitholders' Funds of the Trust for the financial period from 27 March 2015 (date of constitution) to 31 December 2016, Statement of Portfolio of the Group as at 31 December 2016 and notes to the financial statements are drawn up so as to present fairly, in all material respects, the financial position and portfolio holdings of the Group and the Trust as at 31 December 2016 and the financial performance and changes in Unitholders Funds of the Group and the Trust for the period from 27 March 2015 (date of constitution) to 31 December 2016, and the results, distributable income and cash flows of the Group for the period from 27 March 2015 (date of constitution) to 31 December 2016, in accordance with the International Financial Reporting Standards and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 27 March 2015 (as amended and restated) and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet the respective financial obligations as and when they materialise.

For and on behalf of the Manager,
Manulife US Real Estate Management Pte. Ltd.

Hsieh Tsun-Yan
Director

Singapore
13 March 2017

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") and its subsidiaries (collectively, the "Group"), which comprise the Statement of Financial Positions of the Group and the Trust as at 31 December 2016, the Statements of Changes in Unitholders' Funds of the Group and the Trust, and the Consolidated Statement of Comprehensive Income, Distribution Statement, Consolidated Statement of Cash Flows of the Group for the period from 27 March 2015 (date of constitution) to 31 December 2016, Statement of Portfolio of the Group as at 31 December 2016 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the Statement of Financial Position and the Changes in Unitholders' Funds of the Trust present fairly, in all material respects, the consolidated financial positions of the Group and the financial position of the Trust as at 31 December 2016, and portfolio holdings, consolidated financial performance, distribution, consolidated changes in unitholders' funds and consolidated cash flows of the Group, distribution and changes in unitholders' funds of the Trust for the period then ended in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Investment properties

As at 31 December 2016, the carrying amount of investment properties was $833,800,000 which accounted for 95% of total assets. The valuation of the investment properties is significant to our audit due to the magnitude and the complexity of the valuation which is highly dependent on a range of estimates made by the Manager of the Trust (the "Manager") and the external appraisers engaged by the Manager. The more significant assumptions affecting the valuations include market rents, discount rates and capitalisation rates.

The Manager uses external appraisers to support its determination of the individual fair value of the investment properties. We considered the objectivity, independence and expertise of the external appraisers. We involved our internal real estate and valuation specialists to assist us in assessing the appropriateness of the valuation model and the reasonableness of the significant assumptions by reference to benchmark market data. Our procedures also included validating the reliability of property related data used by the external appraisers. In addition, we discussed with the external appraisers the valuation techniques and basis for the significant assumptions used. We assessed the overall appropriateness of the movements in fair value of the investment properties and the associated deferred tax consequences arising from the fair value gains. We also assessed the adequacy of disclosures in Notes 6 to the consolidated financial statements relating to the assumptions, given the estimation uncertainty and sensitivity of the valuations.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

Key Audit Matters (cont'd)

Taxation

As at 31 December 2016, the Group has recognised deferred tax liabilities of $22,391,000 primarily arising from the fair value gains of investment properties. The Group has operations in Singapore and United States. As disclosed in Note 11 and 18 to the consolidated financial statements, Manulife US REIT establishes provisions, based on reasonable estimates for anticipated tax liabilities. The amount of such provisions is based on various factors, including the interpretation of complex tax regulations in the jurisdictions, the span of tax regulations, the cross-border and long-term nature and complexity of the contractual arrangements and the conditions to the tax rulings which have been obtained. Accordingly, the recognition and measurement of deferred income tax is significant to our audit.

Our audit procedures, amongst others, included a review by our internal tax specialists of the analysis and conclusions reached by the Manager and their external tax advisors regarding the current transfer pricing arrangements, portfolio interest exemption, tax group structure and tax positions of the Group. We also involved our internal tax specialists in the assessment of fiscal developments in countries in which the Group operates, and in the recalculation of the amounts recognised as deferred tax, including the assessment of correspondences with the tax authorities obtained by the Manager.

The Group's disclosures concerning income taxes are included in Note 11 and 18 to the consolidated financial statements.

Other Information

The Manager is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of financial statements in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the Manager include overseeing the Group's financial reporting process.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITORS' REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Chen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
13 March 2017

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2016

	Note	Group US$'000	Trust US$'000
Current assets			
Cash and cash equivalents	4	38,433	4,085
Prepaid expenses		683	8
Trade and other receivables	5	2,307	13,056
		41,423	17,149
Non-current assets			
Investment properties	6	833,800	–
Investment in subsidiaries	7	–	488,086
		833,800	488,086
Total assets		875,223	505,235
Current liabilities			
Trade and other payables	8	9,824	301
Security deposits		136	–
Rent received in advance		66	–
		10,026	301
Non-current liabilities			
Loans and borrowings	10	294,186	–
Security deposits		1,208	–
Preferred units	9	407	–
Deferred tax liabilities	11	22,391	–
		318,192	–
Total liabilities		328,218	301
Net assets attributable to Unitholders		547,005	504,934
Represented by:			
Unitholders' Fund		547,005	504,934
Net assets attributable to Unitholders		547,005	504,934
Units in issue and to be issued ('000)	12	629,619	629,619
Net asset value per Unit (US$) attributable to Unitholders	13	0.87	0.80

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the period from 27 March 2015 (date of constitution) to 31 December 2016

	Note	Group US$'000
Gross revenue	14	47,510
Property operating expenses	15	(17,538)
Net property income		29,972
Manager's base fee		(2,231)
Trustee's fee		(89)
Other trust expenses	16	(805)
Finance expenses	17	(5,098)
Net income before tax and fair value change in investment properties		21,749
Fair value change in investment properties		52,316
Net income for the period before tax		74,065
Tax expense	18	(22,391)
Net income for the period		51,674
Earnings per Unit (cents)		
Basic and Diluted	19	8.25

The accompanying notes form an integral part of the financial statements.

DISTRIBUTION STATEMENT

For the period from 27 March 2015 (date of constitution) to 31 December 2016

	Group US$'000
Amount available for distribution to Unitholders at the date of constitution	–
Net income for the period	51,674
Distribution adjustments (Note A)	(29,368)
Amount available for distribution to Unitholders at the end of the period	22,306
Distribution per Unit (DPU) (cents) [1]	3.55
Note A – Distribution adjustments comprise:	
– Property related non-cash items[2]	(3,339)
– Amortisation of upfront debt-related transaction costs	307
– Manager's base fee paid/payable in Units	2,231
– Property Manager's management fee paid/payable in Units	1,136
– Trustee's fee	89
– Fair value change in investment properties	(52,316)
– Deferred tax expense	22,391
– Other items	133
Distribution adjustments	(29,368)

1 The DPU relates to the period from 20 May 2016 to 31 December 2016 and, will be made subsequent to the reporting date.
2 This includes amortisation of tenant improvement allowance, leasing commissions and free rent incentives, and straight line rent adjustments.

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

	Note	Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
Group				
At 27 March 2015 (date of constitution)		–	–	–
Net income for the period		–	51,674	51,674
Total comprehensive income for the period		–	51,674	51,674
Unitholders' transactions				
Issue of new Units:				
– Initial public offering		519,201	–	519,201
– Manager's base fee paid/payable in Units		2,231	–	2,231
– Property Manager's management fee paid/payable in Units		1,136	–	1,136
Issue costs	12	(27,237)	–	(27,237)
Net increase in net assets resulting from Unitholders' transactions		495,331	–	495,331
At 31 December 2016		495,331	51,674	547,005
Trust				
At 27 March 2015 (date of constitution)		–	–	–
Net income for the period		–	9,603	9,603
Total comprehensive income for the period		–	9,603	9,603
Unitholders' transactions				
Issue of new Units:				
– Initial public offering		519,201	–	519,201
– Manager's base fee paid/payable in Units		2,231	–	2,231
– Property Manager's management fee paid/payable in Units		1,136	–	1,136
Issue costs	12	(27,237)	–	(27,237)
Net increase in net assets resulting from Unitholders' transactions		495,331	–	495,331
At 31 December 2016		495,331	9,603	504,934

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

	Note	Group US$'000
Cash flows from operating activities		
Net income before tax for the period		74,065
Adjustments for:		
Amortisation		(3,339)
Finance expenses	17	5,098
Manager's base fee paid/payable in Units		2,231
Property manager's management base fee paid/payable in Units		1,136
Fair value change in investment properties		(52,316)
Unrealised translation losses effect of foreign exchange	6	28
Operating income before working capital changes		26,903
Changes in working capital:		
Trade and other receivables		(2,307)
Prepaid expenses		(683)
Trade and other payables		(8,510)
Security deposits		8
Rent received in advance		66
Cash generated from operating activities		15,477
Interest paid		(4,441)
Net cash from operating activities		11,036
Cash flows from investing activities		
Acquisition of investment properties and related assets and liabilities		(758,360)
Payment for capital expenditure and other costs related to investment properties		(523)
Net cash used in investing activities		(758,883)
Cash flows from financing activities		
Proceeds from issuance of Units	12	519,201
Payment of transaction costs relating to issuance of Units		(27,237)
Proceeds from issuance of preferred units		409
Proceeds from loans and borrowings		592,000
Repayment of loans and borrowings		(296,000)
Payment of transaction costs relating to loans and borrowings		(2,060)
Net cash from financing activities		786,313
Net increase in cash and cash equivalents		38,466
Effect of exchange rate fluctuations on cash held in foreign currency		(33)
Cash and cash equivalents at end of the period	4	38,433

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PORTFOLIO
As at 31 December 2016

Group

Description of Property	Tenure of Land	Occupancy Rates as at 31 December 2016 %	Fair Value as at 31 December 2016 US$'000	Percentage of Total Net Assets as at 31 December 2016 %
Commercial Office Properties				
Peachtree	Freehold	94.4	186,700	34.1
Figueroa	Freehold	97.5	312,500	57.1
Michelson	Freehold	99.1	334,600	61.2
Investment properties			833,800	152.4
Other assets and liabilities (net)			(286,795)	(52.4)
Net assets			547,005	100.0

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

These notes form an integral part of the financial statements.

1 GENERAL

Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") is a Singapore real estate investment trust constituted pursuant to a trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") made between Manulife US Real Estate Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group" and individually as "Group entities".

The Trust was inactive from the date of its constitution to 20 May 2016 (the "Listing Date"). The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 May 2016.

The registered office and principal place of business of the Manager is located at 51 Bras Basah Road, #11-00 Manulife Centre, Singapore 189554.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The primary objective of the Group is to provide Unitholders with regular and stable distributions and to achieve long-term growth in distributions and the net asset value per Unit, while maintaining an appropriate capital structure.

The consolidated financial statements relate to the Trust and its subsidiaries.

The Trust has entered into several service agreements in relation to management of the Trust and its property operations. The fee structures of the above services are as follows:

(a) Manager's fees

The Manager is entitled under the Trust Deed to receive the following remuneration for the provision of asset management services:

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee of 10.0% per annum of Trust's annual distributable income (calculated before accounting for the base fee and the performance fee). The base fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its base fee in the form of Units for the financial period from 20 May 2016 to 31 December 2016 and thereafter, for the financial year ending 31 December 2017.

The portion of the base fee, payable either in the form of cash or Units, is payable quarterly in arrears. Where the base fee is payable in Units, the Units will be issued based on the volume weighted average price for a Unit for all trades transacted on SGX-ST in the ordinary course of trading for a period of 10 business days (as defined in the Trust Deed) immediately preceding the relevant business day.

Performance fee

Pursuant to the Trust Deed, the Manager is entitled to a performance fee of 25.0% of the difference in Distribution Per Unit ("DPU") in a financial period with the DPU in the preceding financial period (calculated before accounting for the performance fee, but after accounting for the base fee in each financial period) multiplied by the weighted average number of Units in issue for such financial period. The performance fee is payable if the DPU in any financial period exceeds the DPU in the preceding financial period, notwithstanding that the DPU in the financial period where the performance fee is payable may be less than the DPU in any preceding financial period. No performance fee is payable for the financial period from the Listing Date to 31 December 2016. For financial year ending 31 December 2017, the difference in DPU shall be the difference in actual DPU with the projected DPU as set out in the prospectus dated 12 May 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

1 GENERAL (CONT'D)

(a) Manager's fees (cont'd)

Performance fee (cont'd)

The performance fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its performance fee in the form of Units for the financial year ending 31 December 2017.

Acquisition fee

Pursuant to the Trust Deed, the Manager is entitled to receive an acquisition fee of 0.75% of the acquisition price of any real estate purchased, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate acquired) from related parties and 1.0% of the acquisition price for all other cases (or such lower percentage as may be determined by the Manager in its absolute discretion). The acquisition fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

Divestment fee

Pursuant to the Trust Deed, the Manager is entitled to receive a divestment fee of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of any real estate sold or divested, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate sold or divested).

The divestment fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager. Any payment to third party agents or brokers in connection with the disposal of any assets shall be paid to such persons out of the deposited property, and not out of the divestment fee received or to be received by the Manager.

(b) Trustee's fee

The Trustee's fee shall not exceed 0.1% per annum of the value of the deposited property, subject to a minimum of S$10,000 per month, excluding out-of-pocket expenses and GST, in accordance with the Trust Deed. The Trustee's fee is accrued daily and will be paid monthly in arrears in accordance with the Trust Deed. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee was paid a one-time inception fee.

(c) Fees under the property management agreements

Under the property management agreement in respect of the properties, the property manager will provide property management services, lease management services and construction supervision services. The property manager is entitled to the following fees:

Property management fee

The Property Manager is entitled to a monthly property management fee from each Sub-U.S. REIT for each property equal to the Applicable Fee Percentage (as defined herein) of the gross income from such property for each month, if any, for such month, payable monthly in arrears. The "Applicable Fee Percentage" is 2.5% for properties with greater than 300,000 square feet of net lettable area and 3.0% for properties with up to 300,000 square feet of net lettable area. The Applicable Fee Percentage for a property shall be adjusted every five years to reflect market management fees paid by owners of properties similar to such property in the same submarket to managers affiliated with owners.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

1 GENERAL (CONT'D)

(c) Fees under the property management agreements (cont'd)

Leasing Fee

The Property Manager is entitled to a leasing fee from each Sub-U.S. REIT equal to US$1.00 multiplied by the lettable square footage of any lease or amendment to a lease adding lettable space or extending the term (a "Lease" amendments) during the term of the applicable property management agreement or, as to any lease or lease amendment as to which the Property Manager shall have submitted a proposal and had direct communication with the tenant prior to expiration or earlier termination of the applicable property management agreement, if such lease or lease amendment is executed within six months thereafter; provided that no leasing fee shall be due and payable with respect to any lease amendment which merely confirms the exercise of any renewal, expansion or extension option contained in any lease and does not require material negotiation by the Property Manager, nor shall the Property Manager be entitled to any leasing fee as to any extension or renewal of a lease for a period less than one year. The leasing fee in connection with any lease or lease amendment shall be due and paid upon execution of the lease or lease amendment.

Construction Supervision Fee

The Property Manager is entitled to a construction supervision fee ("Construction Supervision Fee") from each Sub-U.S. REIT (or such Sub-U.S. REIT's taxable REIT subsidiary ("TRS") if in connection with services that are to be performed for such TRS) in connection with any construction project (including any series of related construction projects) the cost of which, excluding design fees and permit costs (the "Construction Cost"), is in excess of US$500,000 in any 12-month period, other than ordinary maintenance and repair and other than any costs incurred or improvements performed to leased premises pursuant to a lease equal to:

(i) 5.0% of the Construction Cost for any construction project (or series of related projects) between US$500,000 and US$1,000,000; and

(ii) 3.0% of the Construction Cost or any construction project (or series of related projects) in excess of US$1,000,000.

In addition, the Property Manager shall receive any construction, supervision or management fees that may be charged pursuant to a lease or otherwise relating to any alterations performed to any premises under a lease provided that the Construction Supervision Fee shall not be duplicative of any such fee.

The Property Management Fee, Leasing Fee and Construction Supervision Fee are payable to the Property Manager in the form of cash.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 27 March 2015 (date of constitution) to 31 December 2016

2 BASIS OF PREPARATION (CONT'D)

2.3 Functional and presentation currency

The financial statements are presented in United States Dollars ("US$" or "USD"), which is the functional currency of the Trust. All financial information presented has been rounded to the nearest thousand (US$'000), unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgments and accounting estimates in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- Note 6 – Valuation of investment properties
- Note 18 – Provision of taxation

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses third party appraisal firms to perform valuations. The Manager assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: for unadjusted prices quoted in active markets for identical assets or liabilities,

- Level 2: for inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices), and

- Level 3: for inputs that are based on unobservable market data. These unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the Group's own data).

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Group consistently to the period presented in these financial statements.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss. Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. Any goodwill that arises is tested annually for impairment. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the acquisition of an investment property does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values at the date of purchase. Acquisition-related costs are capitalised to the investment property at the time the acquisition is completed.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The accounting policies of subsidiaries have been changed when necessary to align with the policies adopted by the Trust.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of comprehensive income. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transactions eliminated on consolidation

Intra-group balances and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the financial information.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Trust.

3.2 Foreign currencies

Foreign currency transactions and balances

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical costs are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from settlement of monetary items or retranslation of monetary items at the end of reporting period are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates at the dates of the transactions.

The exchange differences arising on the translation are recognised in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income and accumulated under foreign currency reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation, or both. Investment properties are not for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment properties are measured at cost, including transaction costs, on initial recognition and subsequently at fair value with any change therein recognised in profit or loss. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The Trust Deed requires the investment properties to be valued by independent registered valuers in such manner and frequency required under the Property Funds Appendix of the CIS Code issued by the MAS.

Investment properties are subject to renovations or improvements at regular interval. The costs of major renovations and improvements are capitalised and the carrying amounts of the replaced components are written off to profit or loss. To the extent that lease commissions paid increase the future economic benefits of investment properties, they are capitalised as part of the assets.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the investment property) is recognised in profit or loss.

3.4 Financial instruments

Non-derivative financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfer nor retain substantially all the risks and rewards of ownership and do not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group classifies non-derivative financial assets into the loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value and include any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

On de-recognition, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Loans and receivables comprise cash and cash equivalents and trade and other receivables. Cash and cash equivalents comprise cash at bank.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Non-derivative financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value and any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Other financial liabilities comprise trade and other payables, security deposits and borrowings.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Preferred units

Preferred units are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of such units, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as finance expenses in profit or loss as accrued.

Preferred units are recognised initially at fair value and any directly attributable transaction costs.

3.5 Impairment

Non-derivative financial assets

Loans and receivables are assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss to the extent that carrying amount of asset does not exceed its amortised cost at reversal date.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating units ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a prior loss should be reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

3.6 Unitholders' funds

Unitholders' funds are classified as equity.

Issue costs relate to expenses incurred in connection with the issue of units. These expenses are deducted directly against Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rental income from operating leases

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. The difference between revenue recognised and the contractual cash received is included in the carrying value of the investment property and subsequently adjusted to fair value change in profit or loss. Tenant lease incentives are included in the cost basis of the investment property and recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

Recoveries from tenants are recognised as revenue in the period in which the applicable costs are incurred.

Lease cancellation fees are recognised as revenue once an agreement is reached with the tenant to terminate the lease and the collectability is reasonably assured.

Car park income

Car park income consists of monthly and hourly parking income. Monthly and hourly parking income are recognised on utilisation of car parking facilities. In addition, car park income represents the right to park in a determined amount of parking stalls on certain tenant leases.

3.8 Finance expenses

Finance expense comprises interest expense on borrowings and amortisation of transaction costs incurred on the borrowings and Preferred Units that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

3.9 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Tax (cont'd)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised except for:

(a) Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

(b) In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

3.10 Distribution Policy

Manulife US REIT's distribution policy is to distribute 100% of distributable income for the period from the Listing Date to 31 December 2016 and the financial year from 1 January 2017 to 31 December 2017. Thereafter, Manulife US REIT will distribute at least 90% of its annual distributable income for each subsequent financial year. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager.

3.11 Leases – As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.7.

3.12 Segment reporting

An operating segment is a component of the Group:

(a) that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components,

(b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and

(c) for which discrete financial information is available.

The operating results are regularly reviewed by the Chief Executive Officer and the directors of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 Segment reporting (cont'd)

The Group's investment properties are primarily commercial office properties and are located in the United States. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in United States. Accordingly, no segment information has been presented in these financial statements.

3.13 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations have been issued as of the reporting date but are not yet effective for the financial year ended 31 December 2016 and which the Group had not early adopted.

IFRS 9 – Financial Instruments

IFRS 9 replaces the existing guidance in International Accounting Standard ("IAS") 39, Financial Instruments – Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. This standard is not expected to have any significant impact on the financial statements of the Group.

IFRS 15 – Revenue from Contracts with Customers

IFRS 15 establishes a framework for determining when to recognise revenue and how much revenue to recognise. The objective of the standard establishes principles to report useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. The new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2018, with an early adoption permitted. This standard is not expected to have any significant impact on the financial statements of the Group.

IFRS 16 Leases

IFRS 16 was issued in January 2016 and it replaces IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

This standard is not expected to have any significant impact on the financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 27 March 2015 (date of constitution) to 31 December 2016

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 New standards and interpretations not adopted (cont'd)

IAS 7 Disclosure Initiative – Amendments to IAS 7

The amendments to IAS 7 Statement of Cash Flows are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. These amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of amendments will result in additional disclosure provided by the Group.

4 CASH AND CASH EQUIVALENTS

	Group 2016 US$'000	Trust 2016 US$'000
Cash at bank	38,433	4,085

5 TRADE AND OTHER RECEIVABLES

	Group 2016 US$'000	Trust 2016 US$'000
Trade receivables	535	–
Other receivables	1,772	642
Dividends receivable	–	12,414
Total trade and other receivables	2,307	13,056

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances, if any. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

<u>Receivables that are past due but not impaired</u>

The Group has trade receivables amounting to US$535,000 that are past the due date at the end of the reporting period, but not impaired.

The ageing of trade receivables at the end of the reporting date is as follows

	Group 2016 US$'000
Past due 0 to 1 month	477
Past due 1 to 3 months	50
Past due 3 to 6 months	8
	535

The Group believes that no impairment losses are necessary in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the Group and maintain security deposits or letter of credits for certain tenants as collateral.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

5 TRADE AND OTHER RECEIVABLES (CONT'D)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record.

6 INVESTMENT PROPERTIES

	Group 2016 US$'000
Consolidated Statement of Financial Position	
As at 27 March 2015 (date of constitution)	–
Acquisitions (including acquisition costs)	777,622
Capital expenditure capitalised	523
Fair value changes in investment properties	55,655
As at 31 December 2016	833,800
Consolidated Statement of Comprehensive Income	
Fair value changes in investment properties	55,655
Net effect of amortisation and straight-lining	(3,339)
Net fair value changes recognised in the statement of comprehensive income	52,316

Investment properties comprise commercial office properties which are leased to external customers.

As at 31 December 2016, the investment properties are pledged as security to secure bank loans (see Note 10). Details of the investment properties as at 31 December 2016 which are all located in United States of America are set out below:

Description of property	Tenure	Location	Existing use	Group Appraised value at 31/12/2016 US$'000
Atlanta				
Peachtree	Freehold	1100 Peachtree Street Atlanta, Fulton County, Georgia 30309	Commercial	186,700
Los Angeles				
Figueroa	Freehold	865 S. Figueroa Street Los Angeles, California 90017	Commercial	312,500
Irvine				
Michelson	Freehold	3161 Michelson Drive Irvine, Orange County, California 92612	Commercial	334,600
Total				833,800

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

6 INVESTMENT PROPERTIES

Measurement of fair value

(i) Fair value hierarchy

The investment properties are stated at fair value based on independent valuations undertaken by CBRE, Inc. as at the reporting date. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values were generally calculated using the income approach. The two primary income approaches that may be used are the Discounted Cash Flow (DCF) and the Direct Capitalisation Method (DCM). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. DCM measures the relationship of value to the stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The Market Transaction or Direct Comparison Approach may also be used, which is based on sound considerations for similarity and comparability between properties. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

(ii) Level 3 fair value

Valuation techniques and significant unobservable inputs

The following table shows the Group's valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Rental rate per square foot per year of US$18.00 – US$45.60	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Discount rate of 6.75% – 7.25% Terminal capitalisation rate of 5.50% – 6.25%	Higher discount rate or terminal yield would result in a lower fair value, while lower rates would result in a higher fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

6 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

(ii) Level 3 fair value (cont'd)

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Direct capitalisation method	Rental rate per square foot per year of US$18.00 – US$45.60	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Capitalisation rate of 4.75% – 6.00 %	Higher capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Market or Direct comparison approach	Price per square foot of US$315 – US$615	Higher price per square foot would result in a higher fair value, while a lower price per square foot would result in a lower fair value.

The table below presents the sensitivity of the valuation to changes in the most significant assumptions underlying the valuation of investment properties:

Fair value of investment properties as at 31 December 2016	Group 2016 US$'000
Increase in discount and terminal capitalisation rate of 25 basis points	(38,244)
Decrease in discount and terminal capitalisation rate of 25 basis points	40,755

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

7 INVESTMENT IN SUBSIDIARIES

	Trust 2016 US$'000
Unquoted equity investment at cost	488,086

Details of the subsidiaries of the Trust are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held 2016 %
Direct subsidiaries:			
Manulife US REIT Alpha (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100
Manulife US REIT Beta (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100
Indirect subsidiaries:			
Hancock S-REIT Parent Corp.[2]	United States	Investment holding	100
Hancock S-REIT ATL Corp.[2]	United States	Property owner	100
Hancock S-REIT LA Corp.[2]	United States	Property owner	100
Hancock S-REIT Irvine Corp.[2]	United States	Property owner	100

1 Audited by Ernst & Young LLP Singapore
2 Audited by Ernst & Young LLP Canada

8 TRADE AND OTHER PAYABLES

	Group 2016 US$'000	Trust 2016 US$'000
Trade payables	50	5
Amounts due to related parties (non-trade)	8	8
Accrued expenses	7,985	288
Property tax payable	1,110	–
Other payables	671	–*
	9,824	301

The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand in cash.

* Less than US$1,000

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

9 PREFERRED UNITS ISSUED

The indirect subsidiaries of the Trust have issued 500 Preferred units with a par value of US$0.01 per Preferred unit.

The Preferred units rank senior to all units of the indirect subsidiaries. Each holder of the Preferred units is entitled to receive cumulative preferential cash dividends (recorded as finance expense) at a rate of 12.5% per annum on the subscription price of US$1,000 per Preferred unit plus all accrued and unpaid dividends which is payable annually in arrears.

The Preferred units are not convertible into, or exchangeable for, any other property or securities of the subsidiaries. The Board of Directors of the subsidiaries may, in its sole and absolute discretion, cause the subsidiaries to redeem units of the Preferred units at US$1,000 per unit plus all accrued and unpaid dividends.

The Preferred units have been classified as financial liabilities in accordance with IAS 32.

10 LOANS AND BORROWINGS

	Group 2016 US$'000
Secured bank loans	296,000
Less: Unamortised transaction costs	(1,814)
	294,186

The Trust, through its subsidiaries, has in place an aggregate of US$327.8 million loan facility (the "Facility") secured on the properties owned by the respective subsidiaries. As at 31 December 2016, the outstanding principal, interest rate and maturity of the Facility are as set forth below:

	Nominal interest rate %	Term	Year of maturity	Face value 2016 US$'000	Carrying amount 2016 US$'000
Group					
Michelson	2.52	5 years	2021	121,000	120,140
Figueroa	2.39	3 years	2019	108,000	107,496
Peachtree	2.46	4 years	2020	67,000	66,550
				296,000	294,186

<u>Property Financing</u>

On 20 May 2016, Manulife US REIT, through each indirect wholly-owned subsidiary, (Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp. and Hancock S-REIT ATL Corp., collectively, the "Sub-U.S. REIT"), had put in place a separate Bridge Loan Facilities aggregating US$296.0 million for purposes of partially financing the acquisition of the IPO Portfolio, granted by John Hancock Life Insurance Company (U.S.A.) (the "Sponsor Lender"), through its commercial lending division in the United States.

Subsequently on 13 July 2016, the Sub-U.S. REIT entered into separate loan agreements with Wells Fargo Bank, National Association and Royal Bank of Canada as lenders (the "Mortgage Lenders") for an aggregate principal amount of up to US$327.8 million (the "Mortgage Facilities") consisting of an initial funding of US$296.0 million as well as good news facilities of up to US$31.8 million for Manulife US REIT's future budgeted capital expenditures and leasing costs (the "Good News Facilities"). The Mortgage Facilities were partially drawn down to fully refinance the Bridge Loan Facilities of US$296.0 million, and to fund future capital expenditures and leasing costs over the terms of the loans. No amounts of the Good News Facility have been drawn down as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS
For the period from 27 March 2015 (date of constitution) to 31 December 2016

10 LOANS AND BORROWINGS (CONT'D)

Property Financing (cont'd)

The Mortgage Facilities are secured by, among other collateral:

(i) a first mortgage on Figueroa, Michelson and Peachtree, respectively (the "Property");

(ii) an assignment of the Sub-U.S. REIT's rights, title and interest in present and future leases, subleases, licenses and all other agreements relating to the management, leasing and operation of the respective Property; and

(iii) an assignment of each of the Sub-U.S. REIT's rights to all goods, building and other materials, supplies, inventory, equipment, machinery, fixtures, furniture and other personal property, together with all payments and other rents and security deposits in respect of the respective Property.

In addition, Hancock S-REIT Parent Corp., which directly holds each of the Sub-U.S. REITs, has granted a limited guarantee to the Mortgage Lenders in respect of certain obligations of the Sub-U.S. REITs under the Mortgage Facilities as well as a hazardous materials indemnity agreement.

Each of the Mortgage Facilities includes customary representations, warranties and covenants (including due-on-sale and due-on-encumbrance provisions) by the Sub-U.S. REITs in favour of the Mortgage Lenders. Each of the Mortgage Facilities is not cross-defaulted or cross-collateralise with the other Mortgage Facilities.

From 13 July 2016, the average cost of debt funding of US$296.0 million was 2.46% per annum.

Revolving Credit Facility

On 14 July 2016, Manulife US REIT also separately entered into a 3 years US$10.0 million revolving credit facility with DBS Bank Ltd. for working purposes. The revolving credit facility is secured by:

(i) the shares of the wholly-owned Singapore subsidiaries of Manulife US REIT, being Manulife US REIT Alpha (Singapore) Pte. Ltd. and Manulife US REIT Beta (Singapore) Pte. Ltd.;

(ii) an assignment of all inter-company loans from the Trustee and from Manulife US REIT Beta (Singapore) Pte. Ltd. to any other subsidiaries of Manulife US REIT; and

(iii) an assignment of certain bank accounts by the Trustee.

No amounts have been drawn down as at 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

11 DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group 2016 US$'000	Trust 2016 US$'000
Investment properties	22,391	–

Movements in deferred tax liabilities of the Group during the period are as follows:

	At 27 March 2015 US$'000	Recognised in Statement of Comprehensive Income (Note 18) US$'000	At 31 December 2016 US$'000
Deferred tax liabilities			
Investment properties			
- Change in fair value of investment properties	–	17,250	17,250
- Tax depreciation	–	5,141	5,141
	–	22,391	22,391

12 UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust No of Units '000	Group and Trust US$'000
Units in issue		
As at 27 March 2015 (date of constitution)	–*	–*
Issuance of Units:		
– initial public offering	625,540	519,201
– Manager's base fee paid in Units	1,533	1,259
– Property Manager's management fees paid in Units	790	652
– Issue costs	–	(27,237)
As at 31 December 2016	627,863	493,875
Units to be issued		
Manager's base fee payable in Units	1,171	972
Property Manager's management fees payable in Units	585	484
	1,756	1,456

* Less than 1,000 Units

NOTES TO THE FINANCIAL STATEMENTS
For the period from 27 March 2015 (date of constitution) to 31 December 2016

12 UNITS IN ISSUE AND TO BE ISSUED

During the financial period, the following Units were issued:

- 625,539,600 Units were issued at US$0.83 per Unit during the Group's initial public offering exercise;

- On 30 November 2016, the Trust issued 1,532,552 new Units at an issue price of US$0.822 per Unit as satisfaction of the Manager's base fee payable in Units and 790,507 new Units at an issue price of US$0.825 per Unit as satisfaction of the Property Manager's management fee payable in Units for the period from 20 May 2016 to 30 September 2016.

- There are 1,171,541 Units to be issued in satisfaction of the Manager's management fee and 584,803 Units to be issued in satisfaction to Property Manager's management fee for the period from 1 October 2016 to 31 December 2016 based on the volume weighted average price for the last 10 Business Days immediately preceding 31 December 2016 of US$0.8282. Actual Units from payment of property management fees may be different as it will be based on the higher of (i) volume weighted average price for last 10 Business Days immediately preceding 31 December 2016 or (ii) the closing price on the day of issuance of Units in payment of property management fees.

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and included the right to:

- Receive income and other distributions attributable to the Units held;

- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust.

- Attend all Unitholders' meetings. The Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or Unitholders representing not less than 10% of the total Units issued give written request for a meeting to be convened.

A Unitholder has no equitable or proprietary interest in the underlying asset of the Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate or interest in any asset and the real estate-related assets (or any part thereof) of the Group.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

Issue costs comprise professional, advisory and underwriting fees and other costs related to the issuance of Units. Included in issue costs are US$607,835 of fees paid to the auditors of the Group for services rendered in relation to the initial public offering of the Trust.

13 NET ASSET VALUE PER UNIT

	Note	Group 2016	Trust 2016
Net asset value per Unit is based on:			
– Net assets (US$'000)		547,005	504,934
– Total Units issued and to be issued at 31 December ('000)	12	629,619	629,619

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

14 GROSS REVENUE

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group US$'000
Rental income	30,389
Car park income	4,526
Recoveries income	12,219
Others	376
	47,510

15 PROPERTY OPERATING EXPENSES

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group US$'000
Real estate taxes	5,641
Repairs and property maintenance expenses	4,450
Utilities	2,543
Property management fees and reimbursements	2,462
Other operating expenses	2,442
	17,538

16 OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group US$'000
Audit fees paid to:	
– Auditors of the Group	168
Valuation fees	59
Tax and legal expenses	269
Investor relations and related expenses	155
Foreign exchange differences	102
Other expenses	52
	805

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

17 FINANCE EXPENSES

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group US$'000
Interest expense on loans and borrowings	4,737
Amortisation of debt-related transaction costs	307
Accrued dividends on preferred units	30
Commitment fees	24
	5,098

18 TAX EXPENSE

The major components of tax expense for the period ended 31 December 2016 are:

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group US$'000
Current tax expense	
Current period	–
Deferred tax expense	
Movement in temporary differences	22,391
	22,391

The income tax expense on the results for the financial period differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

Reconciliation of effective tax rate

Net income for the period before tax	74,065
Tax calculated using Singapore tax rate of 17%	12,591
Effect of different tax rate in foreign jurisdictions	9,800
	22,391

Provision for Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations in the jurisdictions in which the Group operates and the amount and timing of future taxable income. Given the span of tax regulations which may apply to the various taxable entities or persons within the Group, the cross-border and long-term nature and complexity of the contractual arrangements and the conditions to the tax rulings which have been obtained, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions recorded or require new or additional tax provisions to be recorded. The Group establishes provisions, based on reasonable estimates, for anticipated tax liabilities or possible consequences of audits by the tax authorities of the respective jurisdictions in which it operates. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations between the taxable entity or person involved and the relevant tax authority and anticipated future changes in the tax laws that may have a direct impact on any tax ruling or favourable tax treatment relied upon. Such instances may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective entity or person involved.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

19 EARNINGS PER UNIT

Basic earnings per Unit is based on:

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group US$'000
Net income for the period	51,674

	Group Number of Units 2016 '000
Weighted average number of Units:	626,503

Basic EPS is calculated based on the weighted number of Units for the period. This is comprised of:

(i) The weighted average number of Units in issue for the period; and

(ii) The estimated weighted average number of Units issuable as payment of Manager's base fees and Property Manager's management fees for the period.

Diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the period.

20 FINANCIAL RISK MANAGEMENT

Capital management

The Manager's objective when managing capital is to optimise the Group's capital structure within the borrowing limits set out in the CIS Code by the MAS to fund future acquisitions and asset enhancement projects at the Trust's properties. To maintain or achieve an optimal capital structure, the Manager may issue new Units or source additional borrowing from both financial institutions and capital markets.

The Group has a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Manager monitors the yield, which is defined as net property income from the property divided by the latest valuation for the property, on the properties acquired. The Manager also monitors the level of distributions made to Unitholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Group is subject to the aggregate leverage limit as defined in the Property Funds Appendix. The Property Funds Appendix stipulates that the total borrowings and deferred payments (collectively the "Aggregate Leverage") of a property fund shall not exceed 45.0% of the fund's deposited property.

The Manager actively monitors the term of each loan facility, the weighted average cost of debt, and variable debt as a proportion of overall debt outstanding. The Manager also monitors the debt covenants on an ongoing basis and ensures there is sufficient cash available to make the payments under the loan agreement.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

20 FINANCIAL RISK MANAGEMENT (CONT'D)

Capital management (cont'd)

The aggregate leverage ratio is calculated as total borrowings and deferred payments divided by total assets. The aggregate leverage ratio is 33.8% as at 31 December 2016. The Group has complied with the Aggregate Leverage limit of 45.0% during the financial period.

Overview of risk management

The Group's activities expose it to market risk (including interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalised in the Manager's organisational and reporting structure, operating manuals and delegation of authority guidelines.

Market risk

Foreign Currency risk

Foreign currency risk arises when transactions are denominated in currencies other than the functional currency of the Company, and such changes will impact the Company's profit.

The Company has transactional currency exposures arising from cash and cash equivalents and trade and other payables that are denominated in a currency other than its functional currency. These transactions are mainly denominated in Singapore Dollars (SGD). Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

The Group's and Trust's exposure to currency risk are as follows:

	Group 2016 US$'000	Trust 2016 US$'000
Cash and cash equivalents	1,659	1,646
Trade and other payables	(161)	(141)
Net assets	1,498	1,505

The following table demonstrates the sensitivity of the Group' and Trust's net income before tax to a reasonably possible change in the SGD exchange rates against the functional currency of the Group, with all other variables held constant.

	Increase/(Decrease) in net income before tax	
	Group 2016 US$'000	Trust 2016 US$'000
SGD – strengthened by 5%	75	75
SGD – weakened by 5%	(75)	(75)

Interest rate risk

As at 31 December 2016, the Group had fixed rate interest-bearing borrowings and had not been exposed to significant cash flow risk.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

20 FINANCIAL RISK MANAGEMENT (CONT'D)

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities. In addition, tenants may experience financial difficulty and are unable to fulfil their lease commitments or tenants may fail to occupy and pay rent in accordance with lease agreements. The Group mitigates credit risk through staggered lease maturities, diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the Trust's gross revenue and obtaining security deposits or letter of credits from the tenants. Revenue from one major customer accounted for approximately 10.7% of revenue. At the end of the reporting period, approximately 52% of the Group's trade receivables were due from 3 major customers.

Cash is placed with financial institutions which are regulated.

The Group believes that there is no credit risk inherent in the Group's trade receivables, based on historical payment behaviours and the security deposits held. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors the liquidity risk of the Group and maintains a level of cash deemed adequate to finance its operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The Group's credit facilities are set out in note 10.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount US$'000	Contractual cash flows US$'000	Cash flows Within 1 year US$'000	Within 2 to 5 years US$'000	More than 5 years US$'000
Group					
2016					
Non-derivative financial liabilities					
Trade and other payables and security deposits	11,168	11,168	9,961	327	880
Preferred units	407	500	–	–	500
Loans and borrowings	294,186	322,571	7,379	315,192	–
	305,761	334,239	17,340	315,519	1,380
Trust					
2016					
Non-derivative financial liabilities					
Trade and other payables	301	301	301	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

21 FAIR VALUES OF ASSETS AND LIABILITIES

(a) Classification and fair value of financial instruments

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount			Fair value			
	Note	Loans and receivables US$'000	Other financial liabilities US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group								
2016								
Financial assets not measured at fair value								
Cash and cash equivalents	4	38,433	–	38,433				
Trade and other receivables ^	5	2,150	–	2,150				
		40,583	–	40,583				
Financial liabilities not measured at fair value								
Trade and other payables	8	–	9,824	9,824				
Preferred units	9	–	407	407			500	500
Security deposits		–	1,344	1,344				
Loans and borrowings	10	–	294,186	294,186			287,472	287,472
		–	305,761	305,761				
Trust								
2016								
Financial assets not measured at fair value								
Cash at bank	4	4,085	–	4,085				
Trade and other receivables ^	5	12,899	–	12,899				
		16,984	–	16,984				
Financial liabilities not measured at fair value								
Trade and other payables	8	–	301	301				

^ Excluding GST receivables.

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

22 COMMITMENTS

(a) Operating lease commitments – as lessor

Non-cancellable operating lease rentals are receivable as follows:

	Group 2016 US$'000
Within 1 year	47,688
After 1 year but within 5 years	166,738
After 5 years	94,048
	308,474

The above operating lease receivables are based on the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

23 RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following related party transactions were carried out at terms agreed between the parties during the financial period:

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group US$'000
Acquisition of investment properties from a related party	777,450
Rental received/receivable from a related party	276
Manager's base fee paid/payable	2,231
Trustee's fee paid/payable	89
Property manager's management fee paid/payable	1,136
Reimbursements to a related party	1,530
Finance expenses paid/payable to a related party	1,306
Banking charges and fee expenses paid/payable to a related party	28
Settlement of liabilities including issue costs for initial public offering made by related parties	12,424

NOTES TO THE FINANCIAL STATEMENTS

For the period from 27 March 2015 (date of constitution) to 31 December 2016

24 FINANCIAL RATIOS

	For the period from 27 March 2015 (date of constitution) to 31 December 2016 Group 2016 %
Ratio of expenses to weighted average net assets[1]	
– Including performance component of the Manager's management fees	0.95
– Excluding performance component of the Manager's management fees	0.95
Portfolio turnover rate[2]	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not pay any performance fee for the financial period from 27 March 2015 (date of constitution) to 31 December 2016.

2 The annualised ratio is computed based on the less of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value in accordance with the formulae stated in the CIS.

25 SUBSEQUENT EVENT

The Manager announced a distribution of US 3.55 cents per Unit for the period from 20 May 2016 to 31 December 2016.

26 COMPARATIVE INFORMATION

No comparative figures have been presented as this is the first set of financial statements prepared for the Group and the Trust since the date of its constitution.

27 AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 13 March 2017.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial period under the Listing Manual of the SGX-ST and Appendix 6 to the Code on Collective Investment Schemes (the Property Funds Appendix), are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
Manulife US Real Estate Management Pte. Ltd.		
– Management fees	2,231	–
John Hancock Life Insurance Company (U.S.A.)		
– Property management fees and leasing fees including reimbursable	2,666	–
– Finance expenses on bridging loan facilities	1,306	–
– Rental and other related income	276	–
– Acquisition of properties	777,450	–
DBS Trustee Ltd		
– Trustee fees	89	–

Save as disclosed above, there were no additional interested person transactions (excluding transactions less than S$100,000) and Manulife US REIT has not obtained a general mandate from Unitholders for interested person transactions.

The fees and charges payable to Manulife US REIT under the Trust Deed, the Property Sale and Purchase Agreements, the Master Property Management Agreement, the Property Management Agreements, the Unit Subscription Agreements and the Bridge Loan Finance Documents (collectively, the Exempted Agreements), each of which constitutes or will, when entered into, constitute an Interested Person Transaction, are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that specific information on these agreements have been disclosed in this Prospectus and there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Manulife US REIT.

Please also see Related Party Transactions in Note 23 to the Financial Statements.

SUBSCRIPTION OF MANULIFE US REIT UNITS

For the financial period ended 31 December 2016, an aggregate of 2,323,059 Units were issued and subscribed for in relation to the Manager's base fees and Property Manager's management fees. On 27 February 2017, an aggregate of 1,748,129[1] Units were issued in relation to the payment of Manager's base fees and Property Manager's management fees for the fourth quarter of 2016.

1 As at 31 December 2016, the Manager had estimated that 1,756,344 units would be issued to pay Manager's management fee and Property Manager's management fee. Since the number of Units issued in satisfaction of property management fees is based on higher of (i) volume weighted average price for last 10 Business Days immediately preceding 31 December 2016 or (ii) the Closing Price on day of issuance, the actual units issued differ from the estimate.

STATISTICS OF UNITHOLDERS

As at 6 March 2017

ISSUED UNITS

There were 629,610,788 Units issued in MUST as at 6 March 2017 (voting rights: one vote per Unit). There was only one class of Units in MUST and no treasury units held.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	2	0.06	4	0.00
100 – 1,000	636	18.14	617,378	0.10
1,001 – 10,000	1,743	49.73	12,399,200	1.97
10,001 – 1,000,000	1,111	31.70	55,354,220	8.79
1,000,001 AND ABOVE	13	0.37	561,239,986	89.14
TOTAL	**3,505**	**100.00**	**629,610,788**	**100.00**

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	DBS NOMINEES (PRIVATE) LIMITED	251,397,905	39.93
2	RAFFLES NOMINEES (PTE) LIMITED	70,597,649	11.21
3	CITIBANK NOMINEES SINGAPORE PTE LTD	60,776,601	9.65
4	HSBC (SINGAPORE) NOMINEES PTE LTD	55,008,731	8.74
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	33,779,500	5.37
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	27,513,800	4.37
7	DB NOMINEES (SINGAPORE) PTE LTD	24,086,000	3.83
8	DBSN SERVICES PTE. LTD.	23,345,100	3.71
9	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	6,625,200	1.05
10	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	4,084,100	0.65
11	UOB KAY HIAN PRIVATE LIMITED	1,559,400	0.25
12	PHILLIP SECURITIES PTE LTD	1,383,700	0.22
13	LAKE JEREMY NICHOLAS	1,082,300	0.17
14	CIMB SECURITIES (SINGAPORE) PTE. LTD.	961,800	0.15
15	OCBC SECURITIES PRIVATE LIMITED	920,600	0.15
16	LIEW CHEE KONG	827,300	0.13
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	612,120	0.10
18	NGUI FOONG YIN KAREN	600,000	0.10
19	TAN LEE YONG	500,000	0.08
20	ATMA SINGH S/O NAND SINGH	481,500	0.08
	TOTAL	**566,143,306**	**89.94**

STATISTICS OF UNITHOLDERS

As at 6 March 2017

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 6 March 2017)

	Direct Interest		Deemed Interest		Total Interest	
Name of Substantial Unitholders	No. of Units	%(1)	No. of Units	%(1)	No. of Units	%(1)
Manulife (International) Limited	46,781,299	7.43	–	–	46,781,299	7.43
Manulife International Holdings Limited(2)	–	–	46,781,299	7.43	46,781,299	7.43
Manulife Financial Asia Limited(2)	1	0.00	50,061,980	7.95	50,061,981	7.95
Manulife Holdings (Bermuda) Limited(2)	–	–	50,061,981	7.95	50,061,981	7.95
The Manufacturers Life Insurance Company(3)	–	–	50,852,488	8.08	50,852,488	8.08
Manulife Financial Corporation(3)	–	–	50,852,488	8.08	50,852,488	8.08

Notes:

(1) The percentage of unitholding is calculated based on the total number of 629,610,788 Units in issue as at 6 March 2017.

(2) The deemed interest arises from Units held by Manulife (International) Limited ("**MIL**") and Manufacturers Life Reinsurance Limited ("**MLRL**") in MUST. MIL is a wholly-owned subsidiary of Manulife International Holdings Limited ("**MIHL**"). Both MIL and MIHL are wholly-owned subsidiaries of Manulife Financial Asia Limited ("**MFAL**"). MFAL is a wholly-owned subsidiary of Manulife Holdings (Bermuda) Limited ("**MHBL**"), which in turn is a wholly-owned subsidiary of The Manufacturers Life Insurance Company (the "**Sponsor**"). The Sponsor is a wholly-owned subsidiary of Manulife Financial Corporation, which is a publicly listed entity.

(3) The Sponsor wholly owns MHBL, which in turn wholly owns MFAL and is therefore deemed to be interested in the units held by MFAL. MFAL indirectly wholly owns MIL, and wholly owns MLRL and is deemed interested in the units held by MLRL. The Sponsor indirectly wholly owns John Hancock Life Insurance Company (U.S.A.) ("**JHUSA**") and is deemed to be interested in the units held by JHUSA.

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2017)

	Direct interest		Deemed interest	
Directors	No. of Units	%(1)	No. of Units	%(1)
Hsieh Tsun-Yan(2)	324,800	0.052	–	–
Ho Chew Thim	100,000	0.016	–	–
Kevin John Eric Adolphe	–	–	–	–
Lau Chun Wah @ Davy Lau	–	–	–	–
Michael Floyd Dommermuth	–	–	–	–
Pok Soy Yoong	–	–	–	–
Veronica Julia McCann(3)	245,000	0.039	–	–

Notes:

(1) The percentage of unitholding is calculated based on the total number of 627,862,659 Units in issue as at 21 January 2017.

(2) The 324,800 Units were jointly owned by Mr Hsieh Tsun-Yan and his spouse, Hsieh Siauyih Goon.

(3) The 245,000 Units were jointly owned by Ms Veronica Julia McCann and her spouse, Steven John Baggott.

FREE FLOAT:

Based on information available to the Manager as at 6 March 2017, 91.82% of the Units in MUST were held in the hands of public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

MANULIFE US REAL ESTATE INVESTMENT TRUST

(Constituted in the Republic of Singapore pursuant to a
Trust Deed dated 27 March 2015 (as amended and restated))

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of the holders of units of Manulife US Real Estate Investment Trust ("**Manulife US REIT**", and the holders of units of Manulife US REIT, "**Unitholders**") will be held at NTUC Auditorium, Level 7, NTUC Centre, One Marina Boulevard, Singapore 018989 on Monday, 24 April 2017 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of DBS Trustee Limited, as trustee of Manulife US REIT (the "**Trustee**"), the Statement by Manulife US Real Estate Management Pte. Ltd., as manager of Manulife US REIT (the "**Manager**") and the Audited Financial Statements of Manulife US REIT for the financial period ended 31 December 2016 together with the Auditors' Report thereon.

(Ordinary Resolution 1)

2. To re-appoint Ernst & Young LLP as the Auditors of Manulife US REIT and to hold office until the conclusion of the next AGM of Manulife US REIT, and to authorise the Manager to fix their remuneration.

(Ordinary Resolution 2)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following as an Ordinary Resolution, with or without any modifications:

3. That pursuant to Clause 5 of the trust deed constituting Manulife US REIT (as amended and restated) (the "**Trust Deed**") and listing rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Manager be authorised and empowered to:

(a) (i) issue units in Manulife US REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

(b) issue Units in pursuance of any Instruments made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per cent (50%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to Unitholders shall not exceed twenty per cent (20%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below);

(2) subject to such manner of calculation as may be prescribed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), for the purpose of determining the aggregate number of Units that may be issued under sub-paragraph (1) above, the total number of issued Units (excluding treasury Units, if any) shall be based on the total number of issued Units (excluding treasury Units, if any) at the time this Resolution is passed, after adjusting for:

(a) any new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed;

(b) any subsequent bonus issue, consolidation or subdivision of Units;

NOTICE OF ANNUAL GENERAL MEETING

(3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

(4) unless revoked or varied by the Unitholders in a general meeting of Manulife US REIT, the authority conferred by this Resolution shall continue in force until (i) the conclusion of the next AGM of Manulife US REIT or (ii) the date by which the next AGM of Manulife US REIT is required by applicable laws or regulations to be held, whichever is earlier;

(5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

(6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of Manulife US REIT to give effect to the authority conferred by this Resolution.

(Ordinary Resolution 3)

(See Explanatory Note (i))

BY ORDER OF THE BOARD
Manulife US Real Estate Management Pte. Ltd.
(Company Registration No.: 201503253R)
As Manager of Manulife US REIT

Victor Lai Kuan Loong
Susie Low Geok Eng
Company Secretaries

Singapore
4 April 2017

EXPLANATORY NOTES:

(i) Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of Manulife US REIT, or (ii) the date by which the next AGM of Manulife US REIT is required by applicable laws or regulations to be held or (iii) the date on which such authority is revoked or varied by the Unitholders in a general meeting, whichever is the earliest, to issue Units, make or grant instruments (such as securities, warrants or debentures) convertible into Units and to issue Units pursuant to such instruments, up to a number not exceeding fifty per cent (50%) of the total number of issued Units (excluding treasury Units, if any), of which up to twenty per cent (20%) may be issued other than on a pro rata basis to Unitholders (excluding treasury Units, if any).

For determining the aggregate number of Units that may be issued, the percentage of issued Units (excluding treasury Units, if any) will be calculated based on the issued Units (excluding treasury Units, if any) at the time this Ordinary Resolution 3 above is passed, after adjusting for new Units arising from the conversion or exercise of any Instruments which are outstanding at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of Units.

Fund raising by issuance of new Units may be required in instances of property acquisition or debt repayments. In any event, if the approval of Unitholders is required under the Listing Manual of the SGX-ST and the Trust Deed or any applicable laws and regulations in such instances, the Manager will then obtain the approval of Unitholders accordingly.

NOTICE OF ANNUAL GENERAL MEETING

NOTES:

(1) A Unitholder who is not a relevant intermediary (as defined below) entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.

(2) A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form.

"**relevant intermediary**" means:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

(b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

(3) The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Registered Office of Manulife US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than seventy-two (72) hours before the time appointed for the AGM.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting ("**AGM**") and/or any adjournment thereof, a Unitholder (i) consents to the collection, use and disclosure of the Unitholder's personal data by the Manager and the Trustee (or their agents) for the purpose of the processing and administration by the Manager and the Trustee (or their agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Manager and the Trustee (or their agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the Unitholder discloses the personal data of the Unitholder's proxy(ies) and/or representative(s) to the Manager and the Trustee (or their agents), the Unitholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Manager and the Trustee (or their agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the Unitholder will indemnify the Manager and the Trustee in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Unitholder's breach of warranty.

MANULIFE US REAL ESTATE INVESTMENT TRUST
(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 27 March 2015 (as amended and restated))

PROXY FORM

ANNUAL GENERAL MEETING
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. A relevant intermediary may appoint more than one proxy to attend and vote at the Annual General Meeting and vote (please see note 2 for the definition of "relevant intermediary").
2. For CPF/SRS investors who have used their CPF monies to buy Units of Manulife US REIT, this Report to Unitholders is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
4. **PLEASE READ THE NOTES TO THE PROXY FORM.**

I/We, ______________________________ (Name(s) and NRIC/Passport/Company Registration Number(s))

of ______________________________ (Address)

being a Unitholder/Unitholders of Manulife US Real Estate Investment Trust ("Manulife US REIT"), hereby appoint(s):

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Unitholdings	
		No. of Units	%
Address			

or, both of whom failing, the Chairman of the Annual General Meeting ("**AGM**") as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the AGM of Manulife US REIT to be held at NTUC Auditorium, Level 7, NTUC Centre, One Marina Boulevard, Singapore 018989 on Monday, 24 April 2017 at 10.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM and at any adjournment thereof.

No.	Ordinary Resolutions	Number of Votes For(1)	Number of Votes Against(1)
	ORDINARY BUSINESS		
1	To receive and adopt the Trustee's Report, the Manager's Statement and the Audited Financial Statements of Manulife US REIT for the financial period ended 31 December 2016 together with the Auditors' Report thereon.		
2	To re-appoint Ernst & Young LLP as the Auditors of Manulife US REIT and to authorise the Manager to fix the Auditors' remuneration.		
	SPECIAL BUSINESS		
3	To authorise the Manager to issue Units and to make or grant convertible Instruments.		

(1) If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ______________ day of ______________ 2017

Total number of Units held

____
Signature of Unitholder(s)
or, Common Seal of Corporate Unitholder

* Delete where inapplicable

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes:

1. A unitholder of Manulife US REIT ("**Unitholder**") who is not a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she specifies the proportion of his/her holding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than one proxy to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

   "**relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital market services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds Units in that capacity; or

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   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. A Unitholder should insert the total number of Units held in the Proxy Form (defined below). If the Unitholder has Units entered against his/her name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she should insert that number of Units. If the Unitholder has Units registered in his/her name in the Register of Unitholders of Manulife US REIT, he/she should insert that number of Units. If the Unitholder has Units entered against his/her name in the said Depository Register and registered in his/her name in the Register of Unitholders, he/she should insert the aggregate number of Units. If no number is inserted, this proxy form will be deemed to relate to all the Units held by the Unitholder.
4. The instrument appointing a proxy or proxies (the "**Proxy Form**") must be deposited at the Registered Office of Manulife US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than **10.30 a.m. on 21 April 2017**, being not less than seventy-two (72) hours before the time appointed for the AGM.
5. Completion and return of the Proxy Form shall not preclude a Unitholder from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a Unitholder attends the AGM in person, and in such event, the Manager reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the AGM.
6. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing or if the appointer is a corporation, it must be executed either under its common seal or under the hand of an officer or attorney so authorised.
7. Where the Proxy Form is signed on behalf of the appointor by an attorney or a duly appointed officer, the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power of attorney must (failing previous registration) be deposited with the Proxy Form, failing which the Proxy Form may be treated as invalid.
8. A proxy need not be a Unitholder.
9. A corporation which is a Unitholder may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
10. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by CDP to the Manager.
11. All Unitholders will be bound by the outcome of the AGM regardless of whether they have attended or voted at the AGM.
12. At any meeting, a resolution put to the vote of the meeting shall be decided on a poll.
13. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he or she is the Unitholder. There shall be no division of votes between a Unitholder who is present in person and voting at the AGM and his or her proxy(ies). A person entitled to more than one vote need not use all his or her votes or cast them the same way.
14. CPF Approved Nominees acting on the request of the CPF/SRS investors who wish to attend the AGM are requested to submit in writing, a list with details of the CPF/SRS investors' names, NRIC/Passport numbers, addresses and number of Units held. The list (to be signed by an authorised signatory of the CPF Approved Nominee) shall reach Manulife US REIT's Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not later than **10.30 a.m. on 21 April 2017**, being not less than seventy-two (72) hours before the time appointed for holding the AGM.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 4 April 2017.

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C/O Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

3rd fold and glue all sides firmly overleaf. Do not staple.

CORPORATE DIRECTORY

MANAGER

Manulife US Real Estate Management Pte. Ltd.
51 Bras Basah Road
#11-00 Manulife Centre
Singapore 189554
Email: usreitinquiry@manulifeusreit.sg
Website: www.manulifeusreit.sg

BOARD OF DIRECTORS

Mr Hsieh Tsun-Yan
Chairman & Non-Executive Director

Mr Davy Lau
Independent Non-Executive Director, Lead Independent Director

Mr Ho Chew Thim
Independent Non-Executive Director

Ms Veronica McCann
Independent Non-Executive Director

Mr Pok Soy Yoong
Independent Non-Executive Director

Mr Kevin Adolphe
Non-Executive Director

Mr Michael Dommermuth
Non-Executive Director

AUDIT AND RISK COMMITTEE

Mr Ho Chew Thim
Chairman

Mr Pok Soy Yoong

Ms Veronica McCann

NOMINATING AND REMUNERATION COMMITTEE

Mr Davy Lau
Chairman

Mr Hsieh Tsun-Yan

Ms Veronica McCann

MANAGEMENT TEAM

Ms Jill Smith
Chief Executive Officer

Mr Jagjit Obhan
Chief Financial Officer

Mr Jeffrey Wolfe
Chief Investment Officer

Ms Caroline Fong
Head of Investor Relations

Ms Daphne Chua
Head of Compliance

Mr Choong Chia Yee
Financial Controller

COMPANY SECRETARIES

Mr Lai Kuan Loong Victor

Ms Low Geok Eng Susie

TRUSTEE

DBS Trustee Limited
12 Marina Boulevard Level 44
Marina Bay Financial Centre Tower 3
Singapore 018982

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge
Mr Nelson Chen
Appointment Date: 13 May 2016

UNIT REGISTRAR

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
For updates or change of mailing address, please contact:

The Central Depository (Pte) Limited
9 North Buona Vista Drive
#01-19/20 The Metropolis
Singapore 138588
Tel: +65 6535 7511
Fax: +65 6535 0775
Email: cdp@sgx.com
Website: https://www1.cdp.sgx.com

DBS Bank Ltd. was the Sole Financial Adviser and Issue Manager for the initial public offering of Manulife US Real Estate Investment Trust (Offering). DBS Bank Ltd., China International Capital Corporation (Singapore) Pte. Limited, Credit Suisse (Singapore) Limited and Deutsche Bank AG, Singapore Branch were the Joint Bookrunners and Underwriters for the Offering.

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Manulife

US REIT

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Manulife US REIT GROWING BEYOND Annual Report 2016