Why Invest In REITs and Singapore REITs Market Outlook

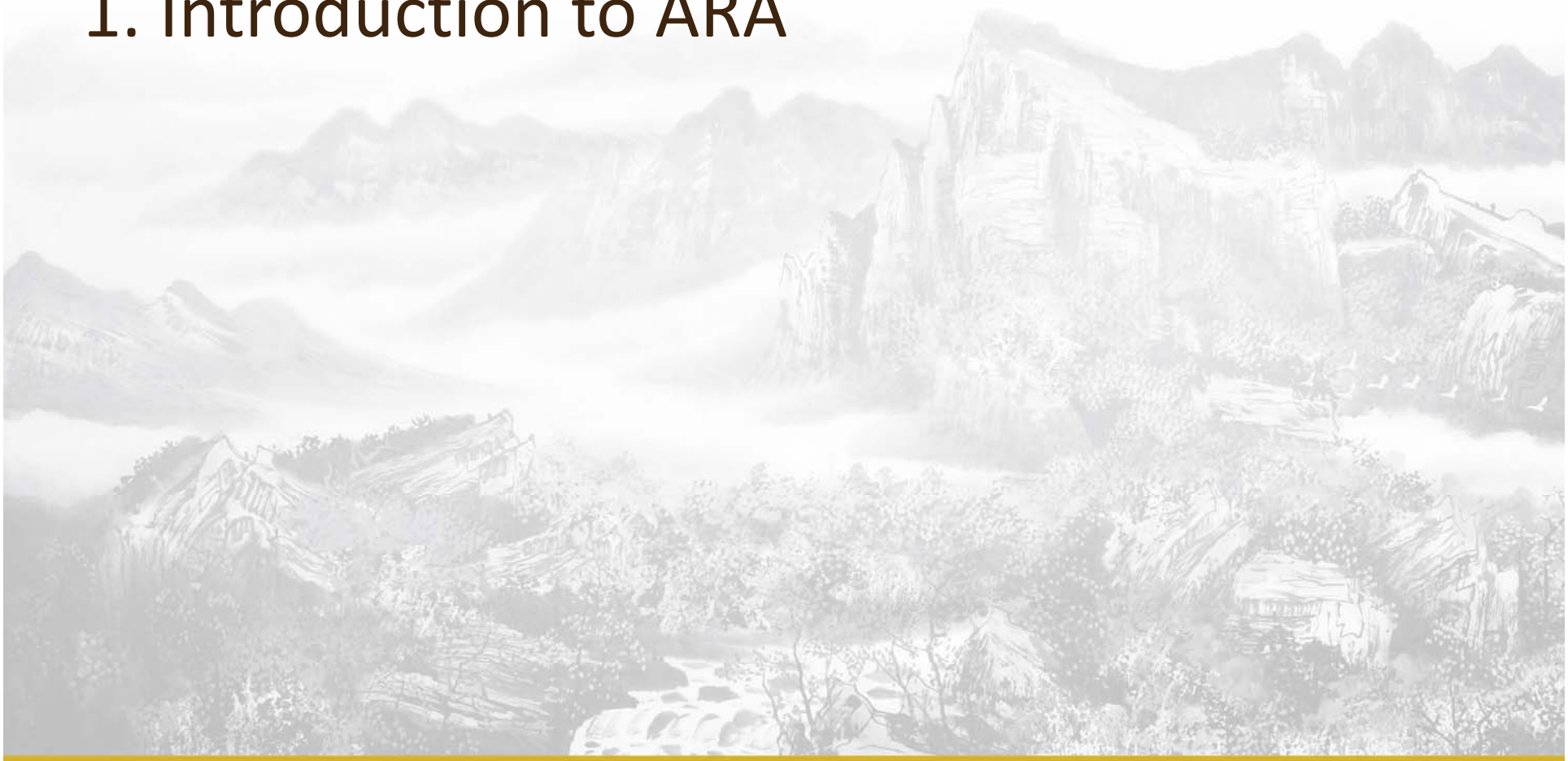
23 May 2015, REITs Symposium



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1. Introduction to ARA



1. Introduction to ARA

- Asia's premier integrated real estate fund manager
- First real estate fund manager to be listed on Singapore Stock Exchange in 2007 (ARA:SP)
- Among largest REIT managers in Asia (ex-Japan) – Owns 11% of market cap of public-listed REITs in Singapore, Hong Kong
- S$27b in AUM
- More than 1,100 staff in 15 cities



Our Business Segments

REITS

FORTUNE REIT 置富產業信託

SUNTEC Real Estate Investment Trust

PROSPERITY REIT 泓富產業信託

AmFIRST Real Estate Investment Trust

CACHE LOGISTICS TRUST

HUI XIAN REIT 滙賢產業信託

ARA-NPS Real Estate Investment Company

ARA-NPS REIT No. 2

Private Real Estate Funds

ADF ARA Asia Dragon Fund

ADF II ARA Asia Dragon Fund II

HARMONY ARA Harmony Fund

CIP ARA China Investment Partners

MIP Morningside Investment Partners

SIP Straits Investment Partners

SDF I ARA Summit Development Fund I

Our Shareholders



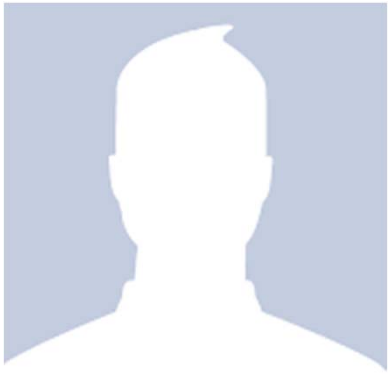
CK Hutchison Holdings Ltd
8%



The Straits Trading Company Limited
20%



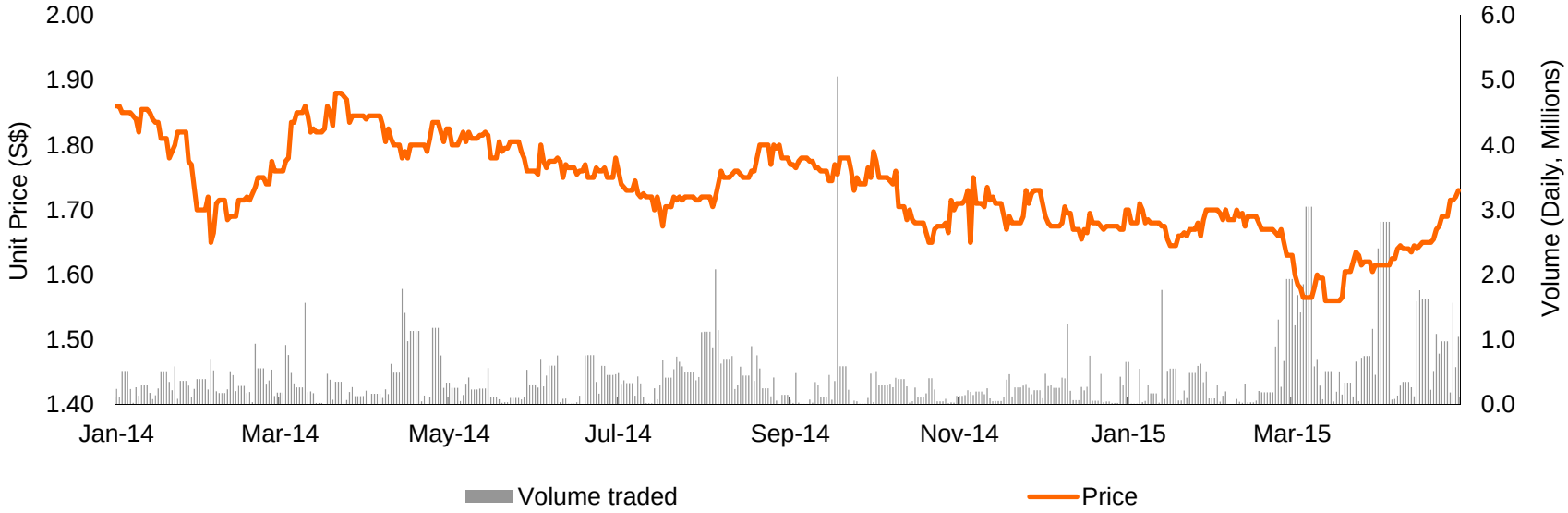
John Lim
19%



Others
53%

ARA Asset Management Limited

Trading Performance (Jan 2014 – Apr 2015)

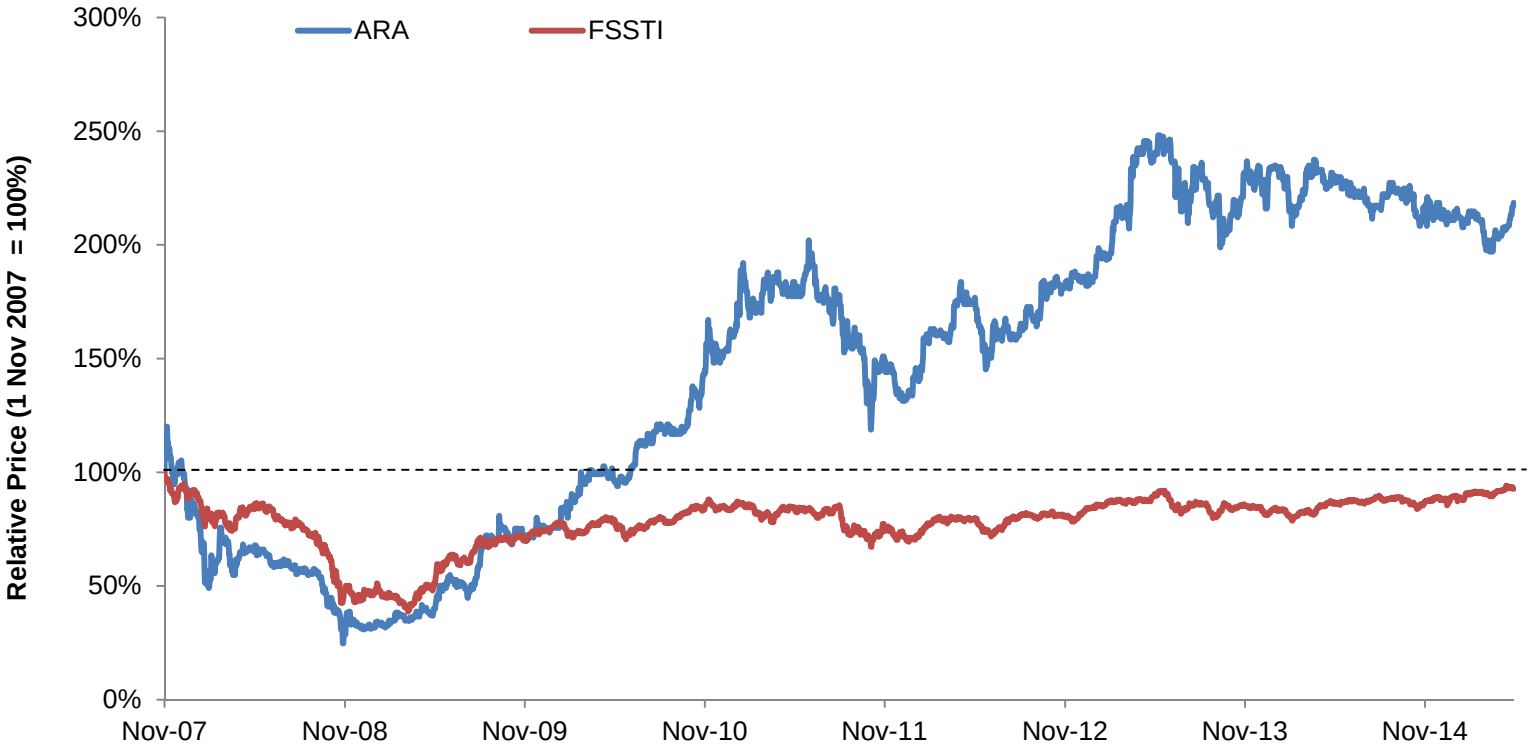


Source : Bloomberg (as at 30 Apr 2015)

- Market Capitalisation as at 30 April 2015 : S$1.46 billion

Trading Performance

Outperformed broader market index since listing



Source : Bloomberg (as at 30 Apr 2015)

- ARA continues to outperform the broader market index since listing, with a return of approximately 118%

Awards and Accolades

- **Best CEO (Investor Relations)**
  2014 and 2015 Asian Excellence Awards, Corporate Governance Asia

- **Best CFO (Investor Relations)**
  5th Asian Excellence Awards 2015, Corporate Governance Asia

- **Best Investor Relations Company**
  5th Asian Excellence Awards 2015, Corporate Governance Asia

- **Best CSR**
  5th Asian Excellence Awards 2015, Corporate Governance Asia

- **Best Investment Manager in Singapore**
  Euromoney 10th Annual Real Estate Survey 2014

- **10 Most Influential Personalities in Asian Real Estate - Mr John Lim**
  REIW Asia, Awards for Excellence 2013

- **Most Transparent Company Award**
  - Runner Up (Finance Category)
  SIAS Investors' Choice Award 2013



- **Best Asian REIT Manager**
  The 13th REIW Asia Award for Excellence, 2014

- **Best Managed Company (4th)**
  Best Managed Companies Poll 2013, FinanceAsia

- **Best Corporate Governance (4th)**
  Best Managed Companies Poll 2013, FinanceAsia

- **Most Committed to a Strong Dividend Policy (5th)**
  Best Managed Companies Poll 2013, FinanceAsia

- **Best Investor Relations (5th)**
  Best Managed Companies Poll 2013, FinanceAsia

- **Best Small-Cap Company in Hong Kong (1st)**
  Best Managed Companies Poll 2014, FinanceAsia

- **Silver Award (Real Estate/REIT Sector) - Excellence in Development of Annual Report**
  2012 Vision Awards Annual Report Competition

- **Kowloon West Best Security Services Awards 2012 - Best Managed Property - The Metropolis Tower**
  Hong Kong Police Force (West Kowloon District)

- **Kowloon West Best Security Services Awards 2012 - Treble-Star Managed Property - Trendy Centre**
  Hong Kong Police Force (West Kowloon District)

- **Caring Company Logo**
  The Hong Kong Council of Social Sciences

FORTUNE REIT 置富產業信託

- **Best Managed Company in Hong Kong (1st)**
  Best Managed Companies Poll 2014, FinanceAsia
- **Most Mid-Cap Company in Hong Kong (1st)**
  Best Managed Companies Poll 2014, FinanceAsia
- **Most Committed to a Strong Divident Company in Hong Kong (1st)**
  Best Managed Companies Poll 2014, FinanceAsia
- **Best Corporate Governance in Hong Kong (1st)**
  Best Managed Companies Poll 2014, FinanceAsia
- **Best Corporate Social Responsibility in Hong Kong (1st)**
  Best Managed Companies Poll 2014, FinanceAsia
- **Best CEO in Hong Kong (1st)**
  Best Managed Companies Poll 2014, FinanceAsia
- **CAPITAL Honor Grand Awards - Investor Relations**
  CAPITAL Magazines, South China Group
- **Outstanding Real Estate Investment Trust Award 2013**
  Quamet Outstanding Enterprise Awards 2013

ARA

CACHE LOGISTICS TRUST

- **Best Investor Relations - Bronze Award (REITs and Business Trust Category)**
  Singapore Corporate Awards 2014

- **Platinum Award (Real Estate/REIT Sector) - Excellence in Development of Annual Report**
  2013 Vision Awards Annual Report Competition

- **Top 100 Annual Reports Worldwide**
  2013 Vision Awards Annual Report Competition

- **Top 80 Annual Reports in Asia-Pacific Region**
  2013 Vision Awards Annual Report Competition

- **Most Engaging (Silver) Annual Report in Asia Pacific Region**
  2013 Vision Awards Annual Report Competition

HUI XIAN REIT
匯賢產業信託

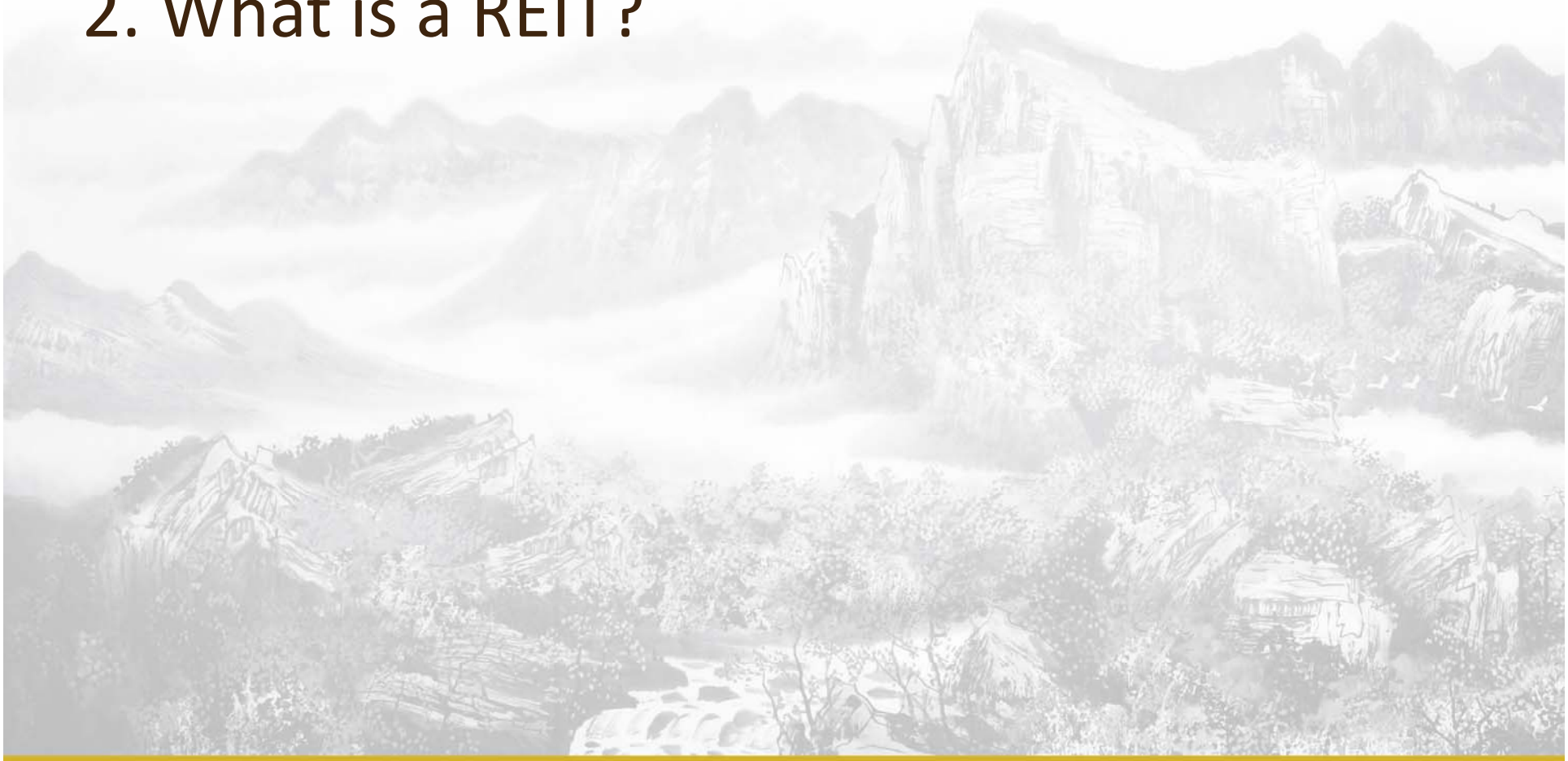
- **Platinum Award (Real Estate/REIT Sector) - Excellence in Development of Annual Report**
  2013 Vision Awards Annual Report Competition

Suntec SINGAPORE Convention & Exhibition Centre

- **World's Leading Meetings & Conference Centre**
  World Travel Awards 2014

- **Asia's Leading Meetings & Conference Centre**
  World Travel Awards 2014

2. What is a REIT?



2. What is a REIT?

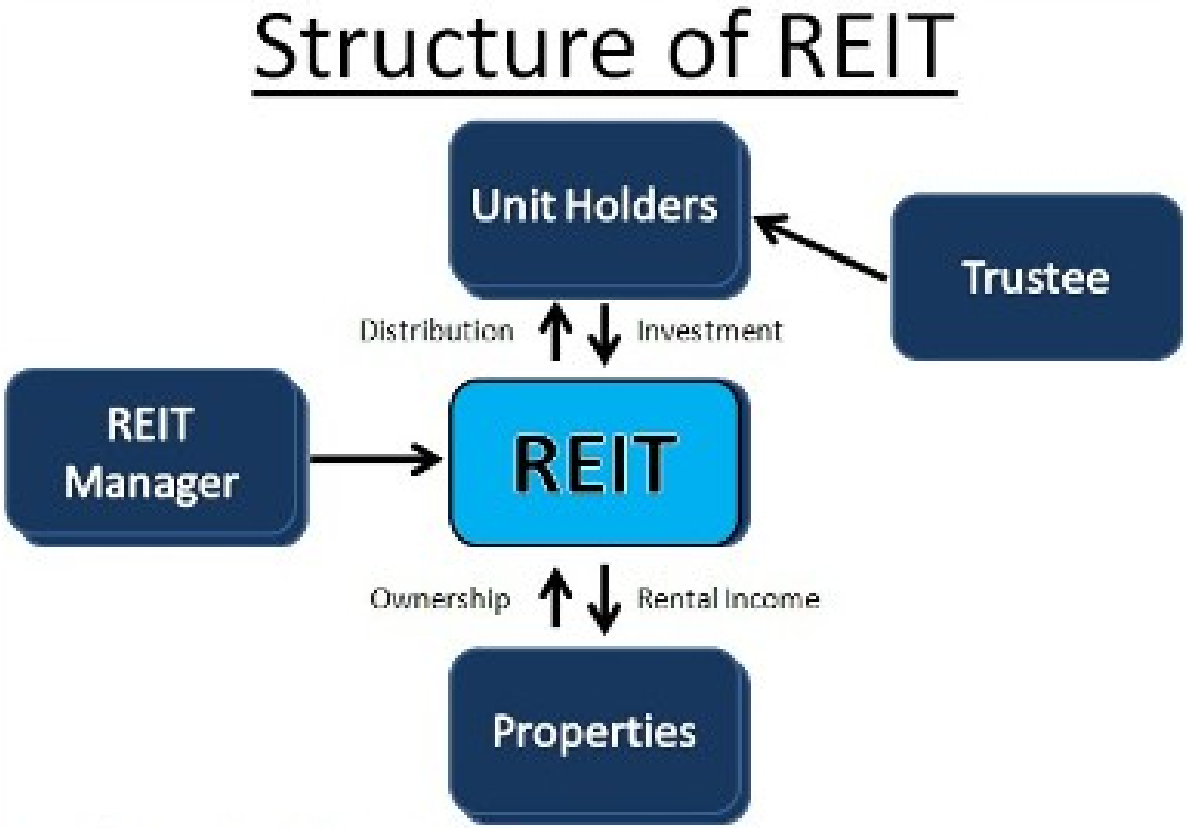
- Investment vehicle that holds a diversified pool of professionally managed real estate assets

- REIT structure enables investors to participate in the ownership and resultant benefits of real estate investment and the considerable liquidity afforded through the trading on the equity capital market



2. What is a REIT? (cont'd)

The typical structure of a REIT is as follows:



3. Why REITs are good alternative investment instruments



3. Why REITs are good alternative investment instruments

The key benefits of REITs are:

a) Professionally managed
b) Diversified portfolio
c) Stable rental income
d) Tax transparent
e) Regular distribution of income
f) Conservatively geared
g) Liquid relative to hard assets
h) Good inflation hedge
i) Good corporate governance
j) Attractive returns & positioned to grow



3. Why REITs are good alternative investment instruments (cont'd)

a) Professionally managed

i. Assets held under Trustee, who is responsible for holding the properties in trust for unitholders.

i. REIT manager – Good managers aim to deliver sustainable distribution and long-term capital stability to unitholders.

ii. Property manager – Oversees the day to day operational matters

3. Why REITs are good alternative investment instruments (cont'd)

b) Diversification benefits

i. All REITs in Singapore hold a portfolio of properties. REITs can be diversified via holding a number of properties in various locations.

ii. With the exception of some industrial properties, most properties are multi-tenanted and the leases expire at different times.

iii. From the investor's portfolio allocation perspective, real estate has investment characteristics that are distinct from that of the traditional asset classes and so offers diversification benefits in a mixed portfolio.

3. Why REITs are good alternative investment instruments (cont'd)

c) Stable rental income

i. REITs typically hold a portfolio of income-producing properties with stable and predictable returns. In Singapore, under the Property Funds Guidelines, REITs are required to invest 75% of their deposited property in income-producing real estate.

ii. No more than 10% of the REIT's deposited property may be in development activities.

3. Why REITs are good alternative investment instruments (cont'd)

d) Tax concessions

i. Listed REITs in Singapore enjoy tax transparency as long as more than 90% of the taxable income is distributed.

3. Why REITs are good alternative investment instruments (cont'd)

e) Regular distribution of income

i. Since REITs are required to distribute at least 90% of the taxable income to unitholders in the same year in which the income is derived, investors can expect regular income stream.

ii. REITs in Singapore typically distribute their income quarterly or half yearly.

3. Why REITs are good alternative investment instruments (cont'd)

f) Conservatively geared

i. REITs are currently subject to a gearing limit of 35 per cent.

ii. REIT managers also proactively manage the REITs debt maturity profile and lower aggregate leverages through refinancing and repayment of borrowings. REIT managers are expected to manage debt capital more prudently in 2015 as it is widely anticipated that the U.S. Federal Reserve will raise interest rates in the near future.

3. Why REITs are good alternative investment instruments (cont'd)

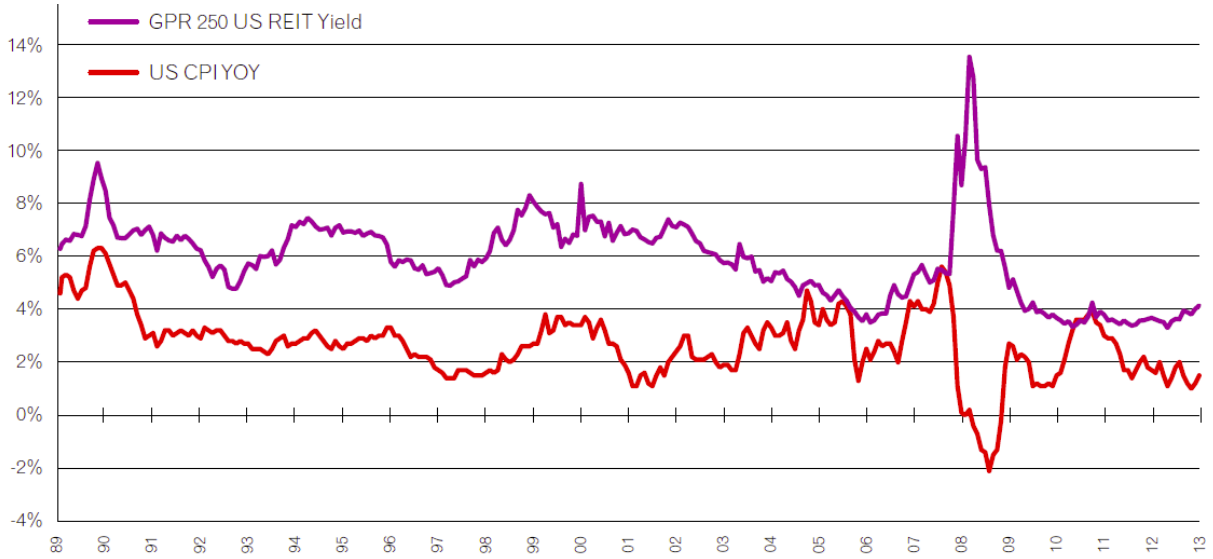
g) Liquid relative to hard assets

i. REITs offer investors bite-sized, liquid alternatives to real estate investment, and offer steady, predictable income stream.

3. Why REITs are good alternative investment instruments (cont'd)

g) Good inflation hedge

i. A comparison of the US REIT dividend yield and US inflation rate over 24 years showed the correlation between inflation and REIT dividend yield.



Source: GPR, Bloomberg, APREA

3. Why REITs are good alternative investment instruments (cont'd)

g) Good corporate governance

i. According to a recent ACCA-KPMG survey, Singapore ranked third in the world for its corporate governance requirements.

3. Why REITs are good alternative investment instruments (cont'd)

g) Attractive returns & positioned to grow

i. REITs tend to enjoy a relatively lower cost of equity capital (relative to developers) because they are relatively low risk and provide predictable income.

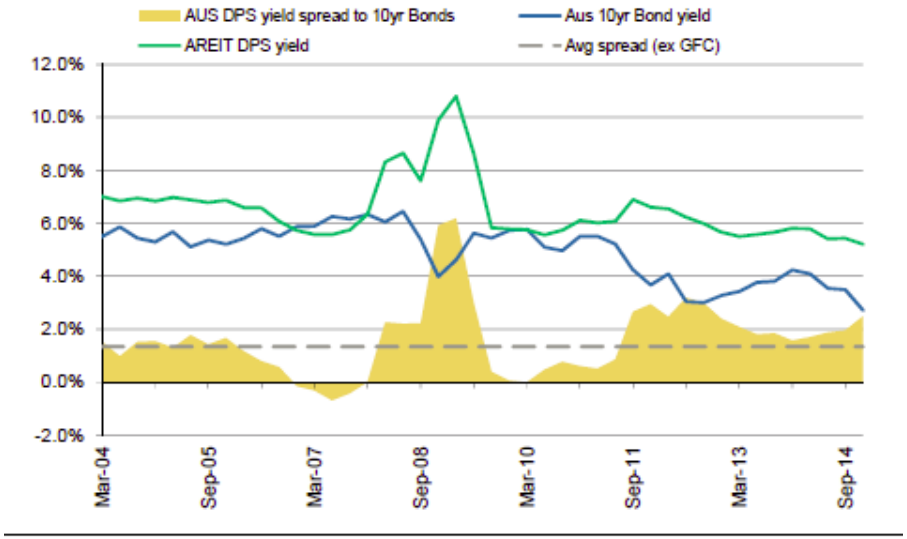
ii. REIT managers can value-add to investors through making more yield-accretive, high-quality acquisitions. Larger REITs with cheaper cost of funds will be the biggest beneficiaries.

3. Why REITs are good alternative investment instruments (cont'd)

g) Attractive returns & positioned to grow (cont'd)

- REITs also offer potential for capital appreciation under certain environments.

AREIT distribution yield v Aus 10yr bond yield



Source: IRESS, Morgan Stanley Research

3. Why REITs are good alternative investment instruments (cont'd)

Key risks of REITs

a) Interest Rate Risk

- Increase in the benchmark 10-year yield could put a cap on the increase and cause a drop in S-REIT unit prices.

b) Economic Risks

- The underlying performance of REITs is linked to rental income, which in turn is linked to occupancy and rental rates.

c) Foreign exchange and political risks

- REITs with overseas assets are also subject to FX and political risks.

3. Why REITs are good alternative investment instruments (cont'd)

Conclusion

- REITs should be a component of an investors' overall portfolio for retirement planning
- REITs should not be traded but held over the long-term for its dividend
- Investors could also achieve time diversification by acquiring REIT units over a period of time (dollar cost averaging).
- The low correlation between REITs and other asset classes is another reason why investors should include REITs as part of their investment portfolio.
- While investment in REITs is less risky, it is not risk-free. There is no way to avoid risk completely.

4. S-REITs – Fundamentals and Market Outlook



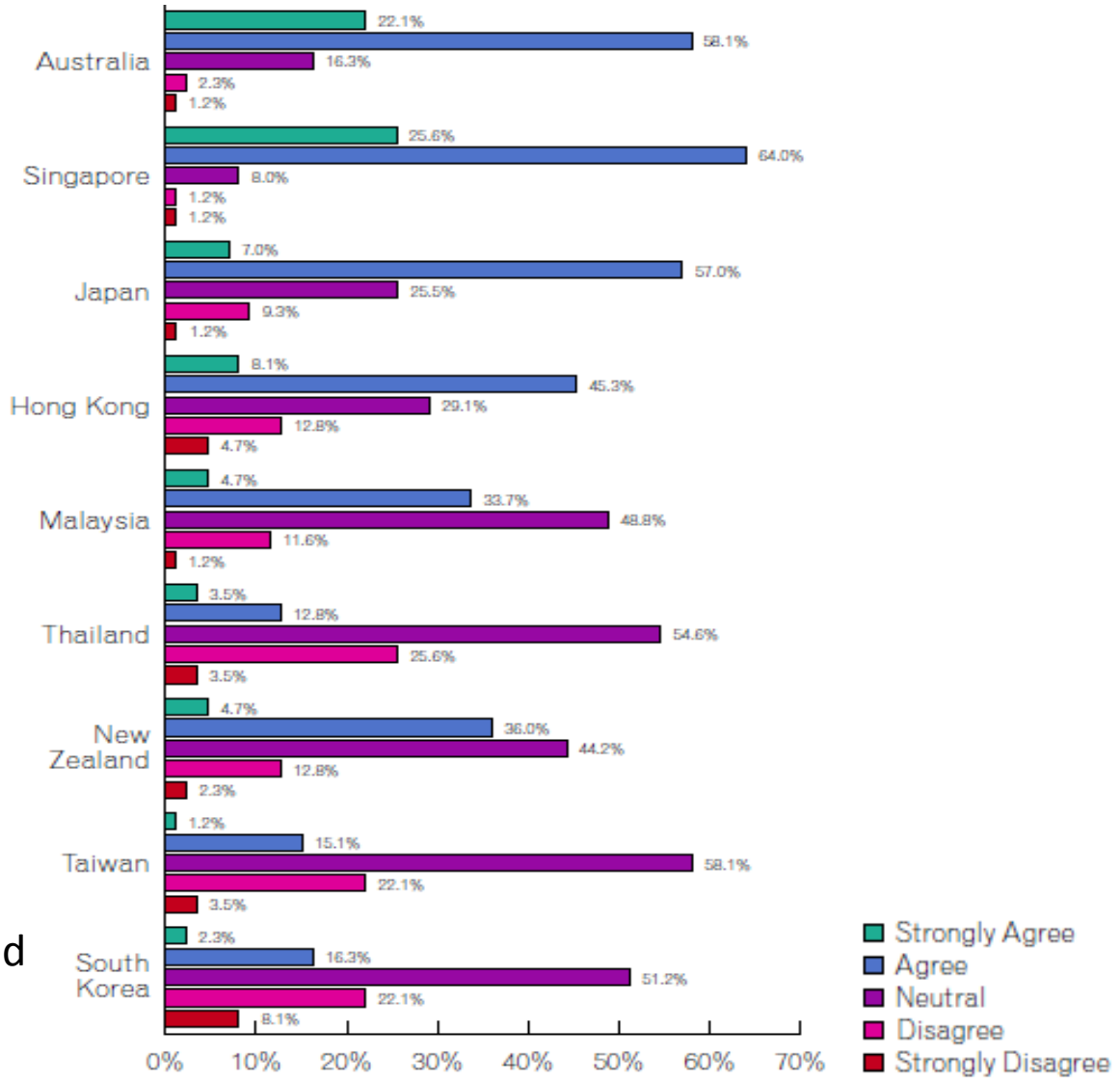


Chart: REITs regimes regarded as conducive

Source: APREA 2013

4. S-REITs – Fundamentals



FTSE ST Real Estate Investment Trusts Index *Source: ST Index*

4. S-REITs – Market Outlook

a) Expected interest rate hikes in the US

b) Slower growth in Asia and Europe

c) Tightening regulations expected following white paper consultations by the MAS

5. In conclusion…

a. Importance of including REITs as part of your investment portfolio

b. S-REITs are generally sound, with good fundamentals

c. As with all investments, there are always risks involved so investors should do their own due diligence

Thank you

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