CAPITALAND ASCOTT TRUST

A stapled group comprising:

CapitaLand Ascott Real Estate Investment Trust
(A real estate investment trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Managed by
CapitaLand Ascott Trust Management Limited
(Company Registration No. 200516209Z)

CapitaLand Ascott Business Trust
(A business trust constituted on 9 September 2019 under the laws of the Republic of Singapore)

Managed by
CapitaLand Ascott Business Trust Management Pte. Ltd.
(Company Registration No. 201925299R)

ANNOUNCEMENT

Extraordinary General Meeting to be held on 24 October 2023
Responses to Substantial and Relevant Questions

The Managers of CapitaLand Ascott Trust ("**CLAS**") would like to thank all Stapled Securityholders who submitted their questions in advance of our Extraordinary General Meeting ("**EGM"**) to be held at 3:00pm on Tuesday, 24 October 2023.

We have grouped the most asked questions into a few key topics below.

A. Resolution 1: Proposed Acquisitions
B. Resolution 2: Proposed French Master Lease Renewals
C. Strategy
D. Others

Please refer to our responses to these substantial and relevant questions in the following pages.

The CEO of CLAS' Managers, Ms Serena Teo will deliver a presentation to Stapled Securityholders at the EGM. Please refer to the EGM presentation slides and all EGM-related documents at: https://investor.capitalandascotttrust.com/agm_egm.html.

Following the conclusion of the EGM, the voting results of the EGM will be uploaded on SGXNet and made available on CLAS' website. The minutes of the AGM will be published on SGXNet and CLAS' website on or before 24 November 2023.

By Order of the Boards

CAPITALAND ASCOTT TRUST MANAGEMENT LIMITED
(Company Registration No. 200516209Z)
As Manager of CapitaLand Ascott Real Estate Investment Trust

CAPITALAND ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.
(Company Registration No. 201925299R)
As Trustee-Manager of CapitaLand Ascott Business Trust

Karen Chan
Company Secretary
19 October 2023

Important Notice

The past performance of CapitaLand Ascott Trust ("**CLAS**") is not indicative of future performance. The listing of the stapled securities in CLAS (the "**Stapled Securities**") on the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") does not guarantee a liquid market for the Stapled Securities. The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, CapitaLand Ascott Trust Management Limited, as manager of CapitaLand Ascott Real Estate Investment Trust, or CapitaLand Ascott Business Trust Management Pte. Ltd., as trustee-manager of CapitaLand Ascott Business Trust (collectively, the "**Managers**"), or any of their respective affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed on the SGX-ST. It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Stapled Securities.

A. Resolution 1: Proposed Acquisitions	
1.	**Can you provide insights into the process by which the Manager decided to select these three properties to acquire? Did the Sponsor ask the Manager to consider acquiring the three properties, or did the manager proactively seek to acquire the properties from the Sponsor?**
	CLAS assesses opportunities for acquisition from both the Sponsor and third parties on an ongoing basis. This transaction arose from discussions between CLAS and the Sponsor. We are familiar with these assets and the markets they are located in. The properties are complementary to CLAS' existing portfolio, and they fulfil CLAS' acquisition criteria including their strategic fit, Distribution per Stapled Security (DPS) accretion, EBITDA yields and upside potential. We believe that this portfolio not only enhances the returns for Stapled Securityholders in terms of DPS and Net Asset Value (NAV), but also fits into CLAS' portfolio strategy of twinning growth and stability.
2.	**The accretion to DPS is 1.8% on a FY 2022 pro forma basis. Will the Proposed Acquisitions still be accretive, should interest rates rise and foreign currencies depreciate against the Singapore Dollar?** **Given the high interest rate environment, is it a good time for CLAS to be acquiring properties? Would the Trust be better off divesting properties and paring down debt?**
	Acquisitions that we bring to the portfolio need to be accretive to DPS. To deliver DPS accretion, the spread between the EBITDA yield of the property and the cost of financing must be positive. In addition, we perform sensitivity analyses based on different interest rates and foreign exchange rates to ensure that the acquisitions remain DPS-accretive. The Proposed Acquisitions have an EBITDA yield of 6.2% on a FY 2022 pro forma basis (excluding Milestone Payments), and this compares favourably with the cost of financing, which enables us to deliver a DPS accretion of 1.8% on a FY 2022 pro forma basis. The Proposed Acquisitions are expected to remain DPS-accretive given the operating performance of the properties and outlook of the hospitality sector. Flight frequencies and travel volumes have not fully returned to pre-Covid levels. The Proposed Acquisitions are in prime locations of key gateway cities and are well-positioned to capture the upside from the recovery. Further DPS and NAV accretion is expected as The Cavendish London presents a rare value-add opportunity for us to uplift the property's positioning, EBITDA yield and value. Apart from acquisitions, we also assess divestment and asset enhancement opportunities as part of our ongoing portfolio reconstitution efforts. In September 2023, CLAS completed the divestment of four regional France properties at 63% premium to book value and exit yield of about 4%. Part of the divestment proceeds will be re-invested to partially finance the Proposed Acquisitions at higher yields. In addition to the proposed asset enhancements of The Cavendish London and Temple Bar Hotel, CLAS has also announced asset enhancement plans for six other existing properties, which are expected to enhance the portfolio's operating yield and value. CLAS has a strong financial position. As at 30 June 2023, CLAS' gearing is healthy at 38.6% and average cost of debt is low at 2.3% per annum.

3.	**Kindly confirm the amount of debt that is required to fund the Proposed Acquisitions and explain how CLAS will manage the impact of higher interest rates.**
	Excluding the acquisition fee of S$5.3 million which is payable in Stapled Securities, and Milestone Payments of S$94.6 million which will be made only when 70% of the renovations of The Cavendish London and Temple Bar Hotel are completed, 1) the remaining acquisition outlay of S$278.7 million will be funded by: • approximately S$226.8 million in equity (comprising proceeds from the equity fund raising in August 2023 and August 2022, as well as divestment proceeds) and • approximately S$51.9 million in debt in relation to Temple Bar Hotel. 2) CLAS will also be taking over an existing loan for The Cavendish London. The exact method of funding for the Milestone Payments will be determined closer to the time the Milestone Payments are required. Possible sources of funding are drawdown of debt facilities, cash generated from operations or divestment proceeds. Maintaining a strong financial position is one of CLAS' key priorities. A prudent and disciplined approach is taken to stagger CLAS' debt maturity and hedge the exposure to interest rates, where possible. As at 30 June 2023, CLAS' average cost of debt is low at 2.3% per annum. About 80% of our debt is effectively on fixed rates, and our weighted average debt to maturity is about 3.6 years. The high proportion of fixed-rate debt helps to mitigate the impact of higher interest rates. CLAS' interest cover is 4.3 times. In 1H 2023, CLAS' revenue growth outpaced the increase in interest costs, manpower costs and utility costs.
4.	**As opposed to acquiring The Cavendish London now, would it be more beneficial for CLAS to acquire the property post-renovation and stabilisation?**
	The Cavendish London presents a rare opportunity for CLAS to acquire an asset in the exclusive Mayfair area in London, with excellent value-add potential through the renovation to rebrand the property under "The Crest Collection", a luxury brand managed by The Ascott Limited. The renovation is expected to improve the property's positioning, as well as the EBITDA yield and value. By acquiring the property now as opposed to post-renovation, CLAS will be able to participate in the renovation plans and enjoy the expected uplift. The valuation of The Cavendish London is expected to increase by approximately GBP101.0 million from the valuation on 30 June 2023 (based on HVS' projections), as the property is expected to command higher room rates, in line with other luxury hotels in the Mayfair area, following the renovation and stabilisation of the property in 2027. CLAS has negotiated with the operator of the property (CLAS' Sponsor) to co-share the renovation costs on a 50%-50% basis, with CLAS and the operator each contributing GBP27.5 million. CLAS has also negotiated for part of the purchase consideration to be made when 70% of the renovation of The Cavendish London is completed (Cavendish Milestone Payment). Excluding the Cavendish Milestone Payment, the EBITDA yield of the pre-renovated property is 5.0% on a FY 2022 pro forma basis. Post-renovation, the property is expected to achieve an EBITDA yield on total capitalised cost of approximately 6.5% on a stabilised basis. CLAS will distribute past divestment gains to mitigate the impact from the renovation. The minimum guaranteed income provision under the management contract also provides downside protection during the stabilisation period.

	In addition, by acquiring the property now, CLAS will be able to capitalise on the continued recovery of the London market. London, the capital city of the United Kingdom, is one of the stronger performing markets in the CLAS portfolio and globally. London's market RevPAU for 1H 2023 was 112% of the same period in 2019.

B. Resolution 2: Proposed French Master Lease Renewals	
5.	**It is noted that the rent to revenue ratio under the Proposed French Master Lease Renewals was changed to 32%, 28%, 31% for La Clef Louvre Paris, Citadines Presqu'île Lyon and Citadines Place d'Italie Paris respectively. Can the Manager explain why the rent to revenue ratio varies across properties?**
	As the size and location of each property differs, master leases and the rent to revenue ratio are agreed on a case-by-case basis. An independent consultant, HVS, was engaged to assess the prevailing market rent for each of the properties based on the rent to revenue ratio of the lessee's projected operating performance and benchmarked against the prevailing rent of other hospitality and apartment properties, as well as compare the other key terms of the French Master Lease Agreements with comparable master leases, to ensure that the terms are in line with market.
6.	**Why is the rent to revenue ratio for Citadines Presqu'île Lyon the lowest at 28%?**
	La Clef Louvre Paris and Citadines Place d'Italie Paris are located in Paris, while Citadines Presqu'île Lyon is located in Lyon. The rent ratios agreed are in line with the market for each of the properties based on their location and size. The higher rent ratios in Paris will also allow CLAS to capture the upside from the Paris Olympics which will be held in 2024.

C. Strategy	
7.	**Which is the Manager's priority – to ensure steady growth in DPS or to grow assets under management?**
	CLAS is committed to delivering stable, sustainable returns to Stapled Securityholders. Portfolio reconstitution initiatives such as divestments of mature assets, yield-accretive acquisitions, and value-added asset enhancements are executed to bring about enhanced DPS and NAV to the portfolio and Stapled Securityholders.
8.	**Does CLAS plan to acquire any more properties in the near term? Should investors expect more equity fund raising in the next 12 months?**
	Our focus remains on active asset management and portfolio reconstitution to bring about improved returns to Stapled Securityholders. This includes driving the operational performance of the properties, executing asset enhancement plans, assessing divestment opportunities and recycling the capital where appropriate.
9.	**How does CLAS manage foreign exchange risks?**
	We adopt a prudent and disciplined capital management approach. At the portfolio level, CLAS is geographically diversified with exposure to 12 foreign currencies. The strengthening of some currencies balances out the weakening of others. We adopt a natural hedging strategy by taking on debt in the same currency as the underlying asset, and enter into hedges where necessary. Historically, we have been able to minimise the impact of foreign exchange on CLAS' gross profit within the range of +/-3%. For the half year ended June 2023, the impact was -0.5% after taking into account hedges that have been entered into.

D. Others	
10.	**What are the reasons for the decline in the share price of CLAS since early August 2023?**
	There are many factors affecting the stock market and CLAS' share price. The S-REIT market has adjusted downwards along with a rapid spike in the US 10-year treasury yield since August 2023. As of 18 October 2023, the US 10-year treasury yield has risen 26% since the start of the year, and most of this increase took place since August 2023, when the yield spiked about 24% in less than 3 months. Consequently, the overall S-REIT sector (FTSE REIT Index) has corrected by more than 10% since the start of August. CLAS' trading performance has similarly been impacted. In addition, CLAS was also trading ex-distribution for 1H 2023 and the advanced distribution, where a total of 3.48 cents in DPS has been paid for the period of 1 January 2023 to 13 August 2023. CLAS continues to trade in line or tighter in terms of price-to-book compared to its hospitality S-REIT peers. Beyond the share price, there is no fundamental change to CLAS' performance or outlook. Since the reopening of borders, we have seen a sustained recovery in the performance of our portfolio, with RevPAU recovering steadily to pre-Covid levels, and CLAS' distributions continue to increase. The outlook for travel and hospitality remains positive. The Proposed Acquisitions seek to create the next wave of uplift for CLAS, beyond the travel recovery.