



CACHE LOGISTICS TRUST

(Constituted in the Republic of Singapore
pursuant to a Trust Deed dated 11 February 2010 (as amended))

PROPOSED ACQUISITION OF A PROPERTY IN AUSTRALIA

1. Introduction

The board of directors of ARA Trust Management (Cache) Limited, as manager of Cache Logistics Trust (“**Cache**”, and as manager of Cache, the “**Manager**”), wishes to announce that HSBC Institutional Trust Services (Singapore) Limited, in its capacity as trustee of Cache (the “**Trustee**”), through its indirect wholly-owned sub-trust (the “**Purchaser**”) has today entered into a contract of sale (the “**SPA**”) with AGIT Investment Pty Ltd (the “**Vendor**”) to acquire the warehouse property located at 182-198 Maidstone Street, Altona, Victoria, Australia (the “**Property**”, and the acquisition of the Property, the “**Acquisition**”).

The Purchaser is Altona (VIC) Trust, a newly formed wholly-owned sub-trust of the existing head trust – Cache Logistics Trust Australia, constituted in Australia with its principal activity of being investment holding¹.

2. Information on the Property and Tenancy

The Property is a warehouse and office facility located within the established industrial precinct of Altona, a suburb of Melbourne near main arterial roadways, the Port of Melbourne and the central business district.

The Property’s land area is approximately 83,020 square metres (“**sq m**”) and the net lettable area is approximately 37,853 sq m. The Property is presently 76% occupied by a single anchor tenant under a three-year lease with an option to renew for a further term of three years.

Under the terms of the SPA, the Vendor will provide a two-year rental guarantee for the balance 24% vacant area. See paragraph 3.2 below for further details.

The existing tenant has a right of first refusal to lease the vacant space in the event that the landlord receives an offer to lease such space from a third-party tenant.

¹ Initial unit capital of Altona (VIC) Trust is A\$1 comprising 1 unit.

2.1 Summaries of Selected Information on the Property

The following table sets out a summary of selected information on the Property:

Address	182-198 Maidstone Street, Altona, VIC, Australia
Land Area	83,020 sq m (894,000 square feet)
Tenure	Freehold
Net lettable area	37,853 sq m (407,000 square feet)
Occupancy	76%
Weighted average lease expiry ("WALE")	2.53 years (as of 28 February 2019)

2.2 Valuation and Purchase Consideration

The Manager and the Trustee have appointed m3property (Vic) Pty Ltd (the "**Independent Valuer**") as the independent valuer. The Independent Valuer has valued the Property at A\$41.2 million (S\$39.7 million¹) as at 15 January 2019 using the capitalisation approach and discounted cashflow approach. The Independent Valuer's valuation takes into account the rental guarantee and the incentive reimbursement provided by the Vendor. The purchase consideration of the Property is A\$41.2 million (S\$39.7 million¹) (the "**Purchase Consideration**"). The Purchase Consideration was negotiated on a willing-buyer and willing-seller basis, and is based on the independent valuation of the Property. The Purchase Consideration is payable to the Vendor in cash upon completion of the Acquisition.

3. Details of the Acquisition

3.1 Details of the SPA

The SPA contains customary provisions relating to the Acquisition, including representations and warranties, indemnities and pre-completion covenants regarding the operation of the business, limitations of the Vendor's liabilities and other commercial terms.

Pursuant to the terms of the SPA, the completion of the Acquisition is expected to take place within 10 business days from the date of signing the SPA, or such other date as the parties may agree in writing.

3.2 Details of the Rental Guarantee

The Vendor has agreed to provide a two-year rental guarantee totalling A\$1.67 million calculated using market rental for the vacant space plus 3.25% annual rental escalation. The rental guarantee shall be held in escrow under the control of the Purchaser and drawn in equal monthly amounts in advance over the course of the rental guarantee

¹ Unless otherwise stated, the S\$ equivalent of the A\$ figures in this Announcement has been arrived at based on an exchange rate of A\$1.00 = S\$0.9624.

period. The rental guarantee will remain in place until the earlier of the end of the rental guarantee period or commencement of rental payment from a new tenant on terms no less favourable than that provided for under the rental guarantee. The Purchaser is also entitled to reimbursement of tenancy related costs (such as leasing commission, tenant incentives, and capital expenditures for the vacant area) from the rental guarantee amount.

Pursuant to the terms of the SPA, the Vendor will deposit the aggregate rental guarantee amount in a designated trust account on the date of completion of the Acquisition.

As the rental guarantee is calculated based on market rental, the Manager is of the view that the rental guarantee is on normal commercial terms and is not prejudicial to the interests of Cache and its minority unitholders.

3.3 Details of the Incentive Reimbursement

Pursuant to the terms of the SPA, the Vendor has also agreed to reimburse to the Purchaser all outstanding rental abatements granted by the Vendor to the existing tenant on the date of completion of the Acquisition.

4. Rationale for the Acquisition

The Manager believes that the Acquisition will bring the following benefits to Cache:

4.1 Well-located property within established industrial precinct of Melbourne

The Acquisition represents an opportunity for Cache to acquire another attractive quality high-yielding industrial warehouse distribution facility on freehold land. The Property is well-located within a key established industrial precinct and in close proximity to main arterial roadways, the Port of Melbourne and the central business district of Melbourne.

Further, upon completion of the ongoing West Gate Tunnel Project, it is expected that the Property will accord its users a shorter travel time and increase tenant demand from users of the Port of Melbourne. The West Gate Tunnel Project is expected to complete in 2022. With an existing low site coverage of below 50%, there is also strong potential for future expansion of the Property's lettable area to meet an increased demand.

4.2 Geographical and Risk Diversification

Australia has experienced long-term economic growth, recording 27 consecutive years of positive economic activity. The Australian Government continues to diversify the economy away from an emphasis on commodity-based earnings and is striving towards wider growth diversification. Public infrastructure investment growth is expected to remain high¹.

In line with the Manager's well-publicised Portfolio Rebalancing and Growth Strategy of recycling capital to invest in income-producing real estate used for logistics purposes in

¹ Reserve Bank of Australia, Statement on Monetary Policy – November 2018.

Asia-Pacific¹, the Acquisition will enhance the geographic diversification of the Cache portfolio, thereby reducing concentration risk to shorter land tenure properties. Cache's assets under management in Australia would constitute approximately 30.8% of Cache's total assets under management following the completion of the Acquisition.

The Manager believes in Australia's fundamentals, particularly in the strength of its logistics sector in and around the major trade and distribution cities of Melbourne. As indicated, the Property is located within an established industrial precinct of Melbourne, resides on freehold land and offers a secure cashflow over a WALE of more than 2.5 years with good potential for increased demand given infrastructure improvements in and around the Altona precinct.

4.3 Income Diversification and Growth

The Acquisition is expected to benefit unitholders of Cache (the "**Unitholders**") by providing a secure cash flow and improving income diversification while reducing the reliance of Cache's income stream on any single country or property. In addition, the Property is underpinned by a new lease commitment from a tenant with a strong credit profile.

In the first year, the Property is expected to generate a net property income ("**NPI**") yield of approximately 6.8%².

Organic growth is built-in by way of a rental escalation of 3.25% per annum within the present lease.

4.4 Strengthens Cache's portfolio

The Property has a WALE by income of 2.53 years as of 28 February 2019. The Cache portfolio land WALE will improve from 52.9 years to 54.9 years as at 31 December 2018³.

4.5 Enlarged Quality Portfolio

Cache will benefit from an increased portfolio size that will create a stronger and more diversified platform for further acquisition growth, primarily due to better access to both the capital markets and the debt markets. The Acquisition would increase Cache's assets under management in Australia, from A\$373.5 million to A\$388.2 million (S\$403 million). Following completion of the Acquisition, Cache will increase its investment property base by 3.1% to S\$1,308.68 billion.

5. Estimated Acquisition Cost

The current estimated total cost of the Acquisition is A\$44.3 million (S\$42.6 million) (the "**Acquisition Cost**") which comprises:

- (i) the Purchase Consideration of A\$41.2 million (S\$39.7 million);

1 For the purposes of the investment mandate of Cache, "**Asia-Pacific**" is defined as Singapore, Malaysia, Indonesia, Philippines, Thailand, Vietnam, China, India, Hong Kong, Macau, Taiwan, Japan, Korea, Australia and New Zealand.

2 Equivalent to the net rental income, including income provide by way of the rental guarantee, less property management fees divided by the Purchase Consideration.

3 Using 99-yr leasehold for the purpose of the calculation.

- (ii) the stamp duty of approximately A\$2.3 million (S\$2.2 million), computed at approximately 5.5% of the Purchase Consideration;
- (iii) the acquisition fee payable to the Manager of approximately A\$0.4 million (S\$0.4 million); and
- (iv) professional and other fees and expenses of approximately A\$0.4 million (S\$0.4 million).

6. Method of Financing and Aggregate Leverage

The Manager intends to finance the Acquisition Cost using: (i) net sale proceeds of approximately S\$16.0 million from the divestment of Jinshan Chemical Warehouse (the “**Divestment Proceeds**”) and (ii) internal sources of debt financing.

Upon completion of the Acquisition, the Aggregate Leverage of Cache will rise from 36.2% (as at 31 December 2018) to 36.9%.

7. Pro Forma Financial Effects of the Acquisition – FOR ILLUSTRATION PURPOSES ONLY

7.1 Certain Financial Information Relating to the Acquisition

The pro forma financial effects of the Acquisition presented below are strictly for illustration purposes only and do not reflect the actual position of Cache following completion of the Acquisition. The following assumptions were made in computing the pro forma financial effects:

- (i) Cache will acquire the Property at the Purchase Consideration of A\$41.2 million (S\$39.7 million);
- (ii) Cache will fund the Acquisition Cost, transaction costs and general working capital with the Divestment Proceeds and internal sources of debt financing; and
- (i) foreign-sourced interest income and/or trust distributions, net of relevant withholding tax, received from MIT will be granted income tax exemption in Singapore under Section 13(12) of the Income Tax Act, Chapter 134 of Singapore (“**ITA**”), subject to qualifying conditions being fulfilled¹.

7.2 Pro Forma Distribution Per Unit (“DPU”)

The table below sets out the pro forma financial effects of the Acquisition on Cache’s DPU, as if the Acquisition was completed on 1 January 2018, and Cache held and operated the Property through 31 December 2018:

¹ Note that this application is still being processed and the income tax exemption has not been granted as of the date of this Announcement.

	Effects of the Acquisition	
	Before the Acquisition ⁽¹⁾	After the Acquisition
Net Property Income (S\$'000)	90,924	93,634
Distributable Income (S\$'000)	63,409	63,964
Units in issue ('000) ⁽²⁾	1,077,881	1,077,881
DPU (cents)	5.903	5.933
Earnings per Units (cents)	2.30	2.32

Notes:

(1) Based on the FY2018 unaudited financial statements.

(2) Includes the number of units in Cache ("**Units**") issued and to be issued at the end of FY2018.

7.3 Pro Forma Consolidated Net Asset Value ("NAV")

The pro forma financial effects of the Acquisition on the NAV per Unit as at 31 December 2018, as if the Acquisition was completed on 31 December 2018, are as follows:

	Effects of the Acquisition	
	Before the Acquisition ⁽¹⁾	After the Acquisition
NAV (S\$'000)	713,157	713,157
Units in issue ('000) ⁽²⁾	1,077,881	1,077,881
NAV per unit (S\$)	0.662	0.662

Notes:

(1) Based on the FY2018 unaudited financial statements.

(2) Includes the number of Units issued and to be issued at the end of FY2018.

8. Interests of Directors and Controlling Unitholders

As at the date of this announcement, certain directors of the Manager collectively hold an aggregate direct and deemed interest in 1,223,600 units in Cache. Cache has no controlling Unitholders.

Save as disclosed above and based on the information available to the Manager as at the date of this announcement, none of the directors of the Manager has an interest, direct or indirect, in the Acquisition.

9. Other Information

9.1 Director's Service Contracts

No person is proposed to be appointed as a director of the Manager in connection with the Acquisition or any other transactions contemplated in relation to the Acquisition.

9.2 Disclosure under Rule 1010(13) of the Listing Manual

A proposed acquisition by Cache may fall into any of the categories set out in Rule 1004 of the Listing Manual of Singapore Exchange Securities Trading Limited (the “SGX-ST”) depending on the size of the relative figures computed on the following applicable bases of comparison:

- (i) the net profits attributable to the asset acquired, compared with Cache’s net profits; and
- (ii) the aggregate value of the consideration given or received, compared with Cache’s market capitalisation based on the total number of issued Units.

No Units will be issued by Cache as consideration for the Acquisition.

The relative figures for the Acquisition using the aforesaid bases of comparison are set out in the table below.

Criteria	Cache (S\$ million)	The Acquisition (S\$ million)	Relative Percentage
The net profits attributable to the assets acquired, compared with Cache’s net profits	50.20 ⁽¹⁾	0.38	0.75%
The aggregate value of the consideration given, compared with Cache’s market capitalisation based on the total number of issued Units	777.04 ⁽²⁾	42.63	5.49%

Notes:

- (1) Based on the FY2018 unaudited financial statements.
- (2) The market capitalisation of Cache is calculated based on the weighted average price on 19 March 2019, being the market day preceding the date of the SPA.

9.3 Documents for Inspection

Copies of the SPA and the valuation report of the Independent Valuer are available for inspection during normal business hours (prior appointment will be appreciated) at the registered office of the Manager at 5 Temasek Boulevard, #12-01 Suntec Tower Five, Singapore 038985 for a period of three months commencing from the date of this Announcement.

The Trust Deed will also be available for inspection at the registered office of the Manager for so long as Cache Logistics Trust continues to be in existence.

BY ORDER OF THE BOARD
ARA TRUST MANAGEMENT (CACHE) LIMITED
(AS MANAGER OF CACHE LOGISTICS TRUST)
(Company registration no. 200919331H)

Daniel Cerf
Chief Executive Officer
20 March 2019

For enquiries, please contact:

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ABOUT CACHE LOGISTICS TRUST (“CACHE”)

Listed on the Singapore Exchange on 12 April 2010, Cache Logistics Trust is a real estate investment trust (“REIT”) that invests in quality income-producing industrial real estate used for logistics purposes, as well as real estate-related assets, in Asia Pacific.

As at 31 December 2018, Cache’s portfolio comprised 26 high quality logistics warehouse properties strategically located in established logistics clusters in Singapore and Australia. The portfolio has a total gross floor area of approximately 8.6 million square feet valued at approximately S\$1.3 billion.

For more information, please visit www.cache-reit.com.

ABOUT ARA TRUST MANAGEMENT (CACHE) LIMITED

Cache is managed by ARA Trust Management (Cache) Limited, a wholly-owned subsidiary of ARA Asset Management Limited (“ARA” or the “Group”).

ARA Asset Management Limited is a premier integrated real estate fund manager. As at 31 December 2018, the Gross Assets Managed by ARA Group and its Associates is approximately S\$80.1 billion¹ across over 100 cities in 23 countries

Driven by a vision to be the best-in-class real assets fund management company, ARA Group and its Associates’ businesses include:

- (a) **REITs** – ARA is one of the largest REIT managers in Asia. The Group directly manages Fortune REIT, dual-listed in Singapore and Hong Kong; Suntec REIT and Cache Logistics

¹ Includes assets under management by ARA Asset Management Limited and the Group of companies (“ARA Group”) and its Associates and Joint Ventures as at 31 December 2018.

Trust, listed in Singapore; and Hui Xian REIT and Prosperity REIT, listed in Hong Kong. It also indirectly manages REITs in Japan, Australia, Singapore and Malaysia through its associate companies.

- (b) **Private real estate funds** – The Group manages private funds providing investment opportunities in diverse real estate sectors and geographies that cater to different investor risk appetites.
- (c) **Country desks** – ARA operates country desks in China, Korea, Japan, Malaysia, Australia, Europe and the United States. The country desks employ a strong understanding of each local market to facilitate the flow of inbound and outbound capital and cross-country collaborations. ARA has an expanded presence in Japan via its strategic stake in Kenedix, Inc. and in Europe via its strategic stake in Cromwell Property Group. **Infrastructure** – ARA Infrastructure was established in 2018 to cater to strong investor demand for global infrastructure investment.
- (d) **Real estate management services** – As part of the Group's investor-operator philosophy, its dedicated property management teams actively work the ground to manage its assets around the world.

Its multi-platform, multi-product global fund management strategy, combined with its dedicated teams with in-depth local knowledge enables the Group to offer enduring value to its investors. Built on a foundation of strong corporate governance and business integrity, ARA counts some of the world's largest pension funds, sovereign wealth funds, financial institutions, endowments and family offices as its investors

For more information, please visit www.ara-group.com.

IMPORTANT NOTICE

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Units. The past performance of Cache and the Manager is not necessarily indicative of the future performance of Cache and the Manager. This announcement may contain forward-looking statements that involve risks and uncertainties. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

The value of Units and the income derived from them, if any, may fall or rise. The Units are not obligations of, deposits in, or guaranteed by, the Manager or HSBC Institutional Trust Services (Singapore) Limited (as the trustee of Cache) or any of their affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the SGX-ST. It is intended that holders of Units may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.