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ANNUAL REPORT 2018





About **MANULIFE US REIT**

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

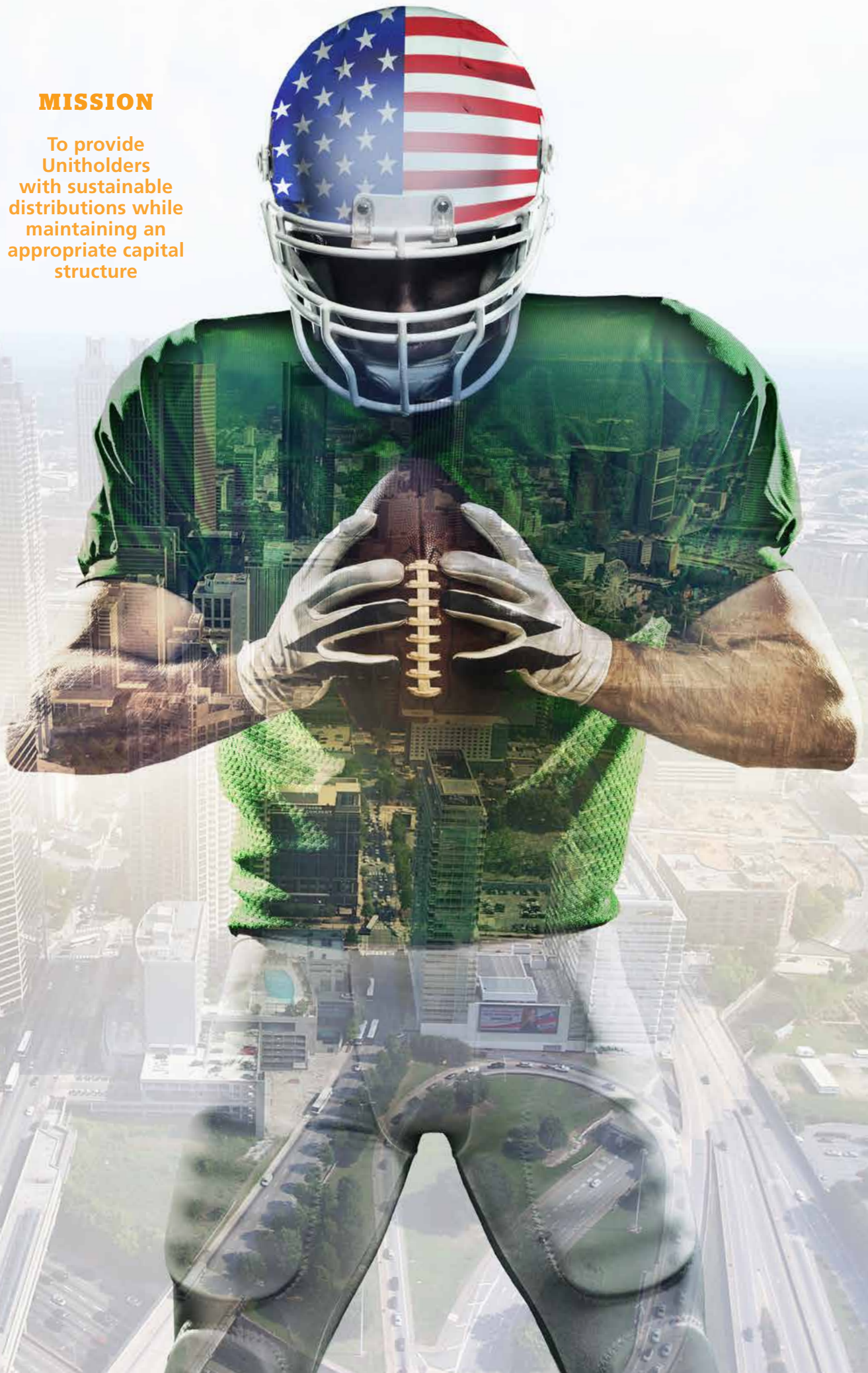
Its investment strategy is principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. MUST's portfolio comprises seven prime, freehold and Trophy or Class A quality office properties strategically located in Los Angeles; Irvine, Orange County; Atlanta; New Jersey; and Washington D.C. with a combined asset value of US\$1.7 billion as at 31 December 2018.

Manulife US 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.

JOHN HANCOCK US REIT

MISSION

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



FY2018 FINANCIAL HIGHLIGHTS

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Gearing Ratio

37.2%

Weighted Average Cost of Debt

3.27%
per Annum

Weighted Average Debt Maturity

2.7 YEARS

Interest Cover Ratio

4.2 TIMES

Distributable Income

US\$71.0M

▲ 51.9% vs FY2017

Net Property Income (NPI)

US\$90.7M

▲ 55.4% vs FY2017

Assets under Management (AUM)

US\$1,730.7M

▲ 32.4% vs 31 December 2017


Net Asset Value (NAV)

US\$0.83 per Unit

▲ 1.2% vs 31 December 2017

Staying FOCUSED





STRATEGISING
FOR SUCCESS,
DELIVERING
RESULTS

**5.8
YEARS**

Weighted Average Lease Expiry (WALE)
as at 31 December 2018



PHIPPS,
ATLANTA,
TROPHY

Forging FORWARD



GOING
THE DISTANCE,
LEADING
THE WAY

5.57
US CENTS

Distribution per Unit (DPU)
for FY2018

EXCHANGE,
JERSEY CITY,
CLASS A



Seizing OPPORTUNIT

BUILDING
RESILIENCE,
STAYING
STRONG



IES

**96.7 %**

Committed Occupancy
as at 31 December 2018

PENN,
WASHINGTON, D.C.,
CLASS A



KEY EVENTS

2018
FEB

- 4Q2017 restated DPU of 1.42 US cents outperformed projection by 7.6%
- Movie Night for analysts, media and investors

February
APR

- Included in SGX Fast Track Programme
- Annual General Meeting (AGM)

April
AUG

- 2Q2018 adjusted DPU of 1.53 US cents increased 5.5% YoY

August
JUL

- Ranked 8th among 44 Singapore REITs and Business Trusts by the Governance Index for Trusts (GIFT) 2018

July
SEP

- Awarded Green Star, ranked 4th among 14 U.S. REITs by the Global Real Estate Standards Board (GRESB) assessment 2018
- 3-Day U.S. Thought Leadership Programme
- Celebrated Mid-Autumn Festival with patients of St. Luke's Hospital


September
NOV

- 3Q2018 adjusted DPU of 1.52 US cents increased 3.4% YoY

November

APR

- Announced acquisition of Penn in Washington, D.C. and Phipps in Atlanta for US\$387.0 million

APR

- 1Q2018 restated DPU of 1.51 US cents decreased 0.7% YoY

JUN

- Completed acquisition of Penn and Phipps



June

MAY

- Extraordinary General Meeting (EGM)
- Brought a group of YWCA elderly to S.E.A. Aquarium™ for 2nd year IPO anniversary

May

DEC

- IR Magazine Awards – South East Asia 2018:
 - 1st Place
Best Investor Relations Officer (Small to Mid-cap)
Best Investor Event
 - 2nd Place
Best Overall Investor Relations (Small to Mid-cap)
Best in Country – Singapore
Best in Sector – Real Estate

December

2019

January/ February

JAN/FEB

- 2-Day U.S. Tax Seminar for analysts, media and investors
- 4Q2018 adjusted DPU of 1.54 US cents increased 1.3% YoY

LETTER TO UNITHOLDERS

From Left:

JILL SMITH
Chief Executive Officer

WALTER TSUN-YAN
Chairman



Dear Unitholders

On behalf of the Board of Directors and the Manager, we are pleased to present MUST's annual report for its financial year ended 31 December 2018 (FY2018).

FY2018 was a landmark year for MUST as we completed three financial years and delivered a total unitholder return of 15.8% throughout that period. In 2018, we grew from strength to strength through steady determination to enhance Unitholders' value and to future-proof the portfolio against the increasing headwinds of global economic uncertainty, geopolitical risk, and issues specific to the U.S., such as possible revisions to the U.S. Tax Act.

Despite the challenging global economic backdrop, the U.S. economy remained a bright spot and MUST was able to capitalise on the uptrend to report a strong set of results with a 3.6%¹ YoY increase in adjusted FY2018 DPU. We further strengthened the portfolio through the acquisition of two Trophy and Class A properties, Penn in Washington, D.C. and Phipps in Atlanta at an acquisition price of US\$387.0 million and their income contribution commenced from June 2018. Overall, we achieved our goal of enhancing Unitholders' value through organic and inorganic growth, leading to higher property valuations, AUM of over US\$1.7 billion and a market capitalisation of approximately US\$1.0 billion as at 31 December 2018.

As the first pure-play U.S. office REIT listed in Asia, MUST has paved the way for all investors to tap the growth of the largest

real estate market in the world. We remain confident in the growth of the U.S. real estate market which enjoys continued demand from local and global investors. With more U.S. REITs seeking listings on the SGX and Singapore real estate companies deepening their presence in the U.S. property market, we are confident that the U.S. is the right market in which to be invested. MUST will continue to stand out from the crowd given the Manager's expertise and high-calibre portfolio of Trophy and Class A assets, which will provide strong income contributions in upcycles and remain resilient during downcycles as compared to Class B and lower class business park properties. The rapid evolution of office work and its environment, plus intensified competition over talent at a time of low unemployment, have further increased the demand for properties with a plentiful range of amenities, sustainability and good building technology.

Starting in FY2018, we have dedicated considerable time and effort into adding value to the market's collective understanding of the U.S. economy and its commercial environment. The Manager participated in panel discussions and educational forums organised by banks, universities, real estate associations and trade publications to drive awareness and appreciation of MUST. Industry economic experts from the U.S. were invited to share their views and expertise with Unitholders and the wider investment community through a series of thought leadership events organised by the Manager. Key events included a 3-Day U.S. Thought Leadership Programme with Manulife's Global Chief Economist and a 2-Day U.S. Tax Seminar with our tax advisor.

¹ For illustrative purposes, adjusted DPU was calculated based on the weighted average number of Units in issue. The adjusted DPU normalises the impact of the enlarged Unit base from the preferential offering and rights issue.



MUST will continue to stand out from the crowd given the Manager's expertise and high-calibre portfolio of Trophy and Class A assets, which will provide strong income contributions in upcycles and remain resilient during downcycles as compared to Class B and lower class business park properties.



Riding on the overwhelming response to, and positive feedback received for, our thought leadership initiatives in 2018, we have launched our 'Green Dot Series' this year to build on our investor education efforts. Green is Manulife's corporate colour, and as the 'Green Dot' in Asia, we aspire to be at the forefront of driving investors' understanding in the world's largest real estate market and its various types and grades of U.S. office properties. This series was launched in 2019 at our 4th Investor Day, which was expanded to include dialogue sessions with fund managers, regulators, lawyers and other industry experts, where they shared their views on key issues relating to equity markets, foreign listings and U.S. tax to provide deeper insights to our Unitholders.

Our investor educational activities have been recognised by the investment industry with a number of awards, including 'Best Investor Relations Officer' and 'Best Investor Event' by IR Magazine Awards – Southeast Asia 2018. You can read more about our investor relations activities and awards on page 49 of this Annual Report.

Our overall goal for sustainability and Corporate Social Responsibility (CSR) is purposeful prosperity. In line with our increasing focus on sustainability and giving back to the community, we organised a number of CSR activities throughout the year with a strong focus on elderly beneficiaries. In addition, MUST supported self-dependency among disabled persons by commissioning several social enterprises in Singapore to design and produce corporate gifts in FY2018.

Standout Performance in FY2018

After two successful years, in FY2018 MUST continued to build on its track record of delivering robust and sustainable income, with an NPI of US\$90.7 million and distributable income of US\$71.0 million for FY2018 which grew YoY by 55.4% and 51.9% respectively. In line with the strong performance, MUST has declared distributions of 5.57 US cents per Unit for FY2018.

As at 31 December 2018, MUST's portfolio increased by US\$425.9 million YoY, boosted by the acquisition of Penn and Phipps which recognised a fair value increase of US\$13.2



Phipps, Atlanta

LETTER TO UNITHOLDERS

million as compared to their acquisition price. This increased MUST's AUM by 32.4% from US\$1.3 billion in FY2017 to over US\$1.7 billion in FY2018.

Staying Focused and Building Resilience

As at 31 December 2018, MUST recorded a long WALE of 5.8 years by Net Lettable Area (NLA) and a high committed occupancy rate of 96.7% compared to the U.S. office average of 87.7%¹. The portfolio also achieved a positive rental reversion of 8.9% for the full year and maintained a quality and diversified tenant base across multiple high performing trade sectors with no single tenant contributing more than 7.5% of its Gross Rental Income (GRI).

With our Trophy and Class A assets mostly in key U.S. locations which exhibit limited supply, we expect the portfolio to maintain its exemplary performance in FY2019. Nonetheless, we continue to rejuvenate our buildings and excite tenants through various Asset Enhancement Initiatives (AEIs) at our properties. AEIs at Figueroa and Exchange are expected to be completed in 2019 and early 2020.

Forging Forward with Prudent Capital Management

As at 31 December 2018, Manulife US REIT maintained a relatively low gearing of 37.2%, weighted average debt maturity of 2.7 years, weighted average interest rate of 3.27% with 98.6% fixed rate loans. Despite the interest rate hikes of the last few years and the possibility of interest rates creeping higher as the U.S. Federal Reserve (Fed) responds to the pace of the U.S. economic growth, we believe our high-quality

portfolio will enable us to mitigate any impact through rental reversions and built-in rental escalations.

MUST has loan facilities of US\$747.4 million consisting of an initial funding of US\$661.6 million, as well as good news facilities of up to US\$85.8 million for financing future capital expenditure and leasing costs as at 31 December 2018. In addition, MUST has a committed US\$10.0 million revolving credit facility for working capital purposes, and a separate 1-year uncommitted US\$200.0 million revolving credit facility to provide bridge financing for future acquisitions.

For the upcoming year, we will proactively explore refinancing options for Figueroa's loan, which is due in mid-July 2019. As part of our capital management strategy, we will also continue to increase MUST's financial flexibility by diversifying our sources of funding in Singapore and Asia as well as globally, lengthening our weighted average debt maturity as the opportunity arises, creating a distribution reinvestment plan, and potentially unencumbering the mortgages on our properties.

Seizing Opportunities and Tapping Growth

The FY2018 acquisition of Penn and Phipps bore the hallmark of our stringent investment criteria that targets live, work and play themes in areas that offer growth above the national average and have a concentration of talent and enterprise. Unitholders showed their strong support for the acquisition with 99.8% of all valid votes cast at the EGM on 15 May 2018, and the preferential offering to fund the acquisitions was oversubscribed.



¹ Source: CoStar Market Analysis & Forecast (Class A) – As at 3 January 2019.

Moving forward, we remain committed to delivering resilient distributions to Unitholders through diversifying and fortifying MUST's portfolio. We will further differentiate MUST by looking to acquire yield-accretive Trophy and Class A assets that fit our key investment criteria, such as long WALE, high occupancy, key U.S. locations with a live, work, play environment plus strong economic and other fundamentals.

U.S. Tax Act

On 20 December 2018, the U.S. Department of the Treasury released proposed regulations (Proposed 267A Regulations) under Section 267A of the U.S. Internal Revenue Code of 1986, as amended (Section 267A). Separately, on 20 November 2018, the Government of Barbados announced that Barbados will converge its local and international tax rates (Proposed Barbados Tax Changes).

The Manager currently expects that the Proposed 267A Regulations together with the Proposed Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or DPU of MUST.

The Manager will update Unitholders if there is any material impact on MUST and/or its Unitholders arising from the issuance of final regulations, additional guidance, or other application of tax laws in the tax jurisdictions that MUST operates.

U.S. Outlook

Overall, the U.S. economy has maintained its growth momentum in 2018 with strong consumer and government spending. Fundamentals for U.S. office market remained positive throughout 2018, as competition for talent drove demand for top-quality assets, and the scale and diversity of the U.S. office market still offers plenty of acquisition opportunities.

Two key measures of the U.S. economy's health are its Gross Domestic Product (GDP) and jobs growth. The U.S. Department of Commerce reported that annualised real GDP grew 2.9% in 2018, compared to an increase of 2.2% in 2017, and this reflects positive contributions from consumer and government spending in the past year. In addition, 227,000 non-farm jobs were created in December 2018 and employment in the professional and business services sectors continued to trend up. During 2018, 2.7 million jobs were created, with an average of 223,000 jobs per month. The employment momentum, especially for professional workers, is supportive of a continued healthy office market and particularly for high-quality properties.

Although the U.S. recorded a year of strong jobs growth, such gains may not be repeated in 2019 with economic headwinds intensifying for both the U.S. and global economy. While there has been limited impact from the U.S.-China trade war and trade talks between both countries at the time of writing are reportedly progressing, plus the U.S. government shutdown



of late 2018 is effectively over, uncertainty still remains for 2019 and beyond.

For instance, there are heightening concerns over the prolonged Brexit in Europe and the economic slowdown in China. As a result, economists generally expect a slowing of world economic expansion in the near term. We will continue to mitigate such uncertainties with prudence and vigilance. In particular, we will monitor the Fed's interest rate policy which currently favours a 'patient' approach in 2019. This should benefit MUST as it could lower our cost of funding as we seek accretive acquisitions and mortgage refinancing.

Note of Appreciation

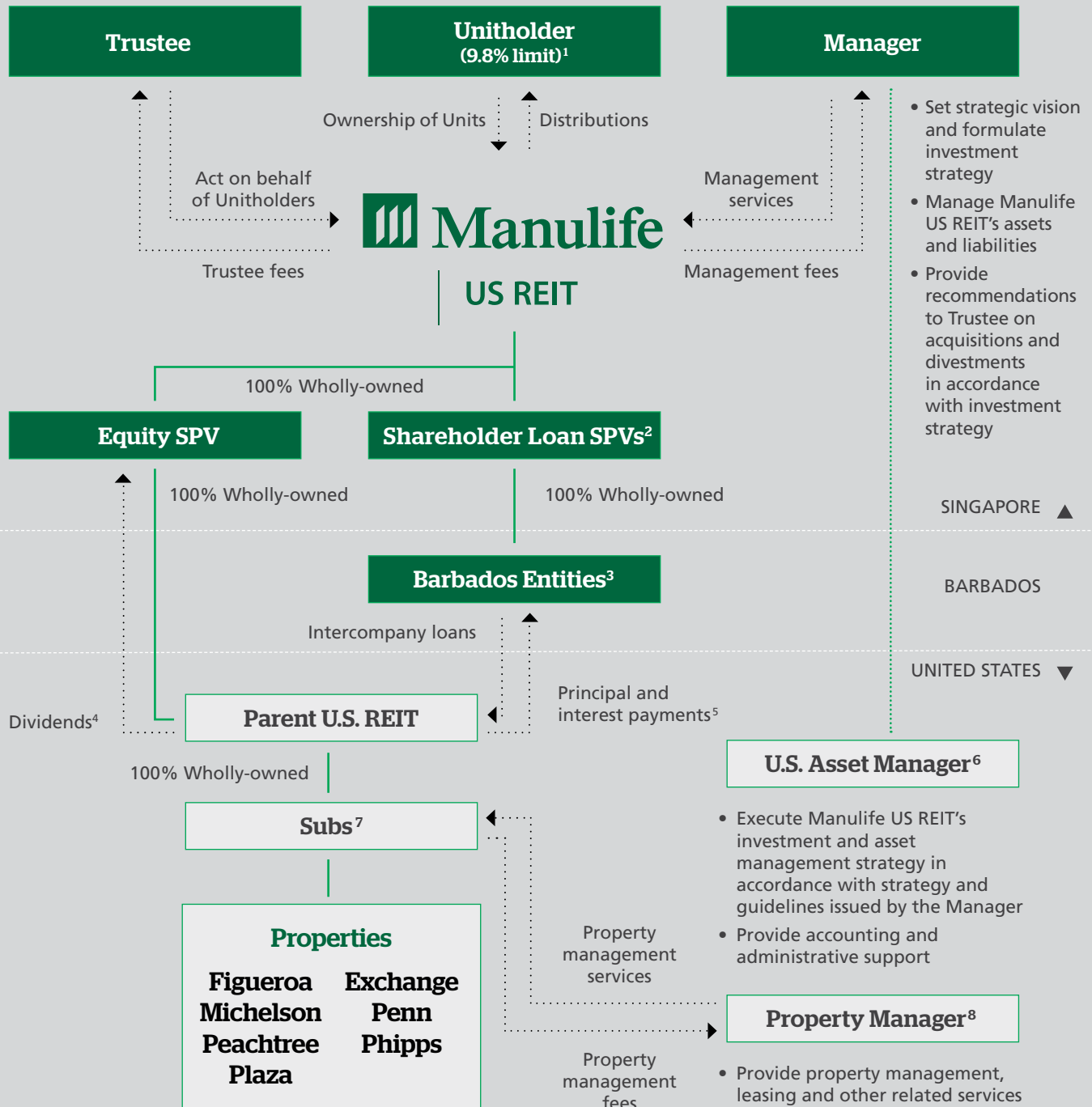
MUST grew from strength to strength in FY2018 and delivered on its three year promise of step-by-step growth. As part of this success story, we wish to express our gratitude to our Directors, management and employees for their strategic counsel, boundless energy and commitment to help MUST entrench its first-mover status in terms of Singapore-listed U.S. REITs.

We are also deeply appreciative of the unwavering support shown by our Unitholders and the wider investment community, business partners, advisors and tenants.

Hsieh Tsun-Yan
Chairman

Jill Smith
Chief Executive Officer

TRUST & TAX STRUCTURE



1 No single investor to hold more than 9.8% (including the Sponsor) - 'Widely Held' (No more than 50% of shares can be owned by 5 or fewer individuals) rule for REITs in U.S.

2 There are three wholly-owned Shareholder Loan SPVs, each of which has made equity investments in two wholly-owned Barbados entities which had formed a Barbados Limited Partnership.

3 The Barbados Limited Partnerships have extended intercompany loans to the Parent U.S. REIT and the interest income on the loans is taxed in Barbados.

4 Subject to 30% withholding tax.

5 Principal repayments are not subject to U.S. withholding taxes. Interest payments are not subject to U.S. withholding taxes assuming Unitholders qualify for portfolio interest exemption and provide appropriate tax certifications, including an appropriate IRS Form W-8.

6 The U.S. Asset Manager is a subsidiary of the Sponsor.

7 Each Sub holds an individual property.

8 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.

CREATING VALUE

MUST is committed to creating and delivering long-term value to its Unitholders via its key strategies: Organic Growth, Capital Management and Inorganic Growth. In its third year of listing, MUST acquired two yield-accretive properties in Washington, D.C. and Atlanta at a total acquisition price of US\$387.0 million, increasing its AUM by 32.4% to US\$1.7 billion as compared to a year ago.

As at 31 December 2018, the portfolio achieved a high committed occupancy of 96.7% and WALE of 5.8 years by NLA. In FY2018, the Manager witnessed strong leasing momentum with

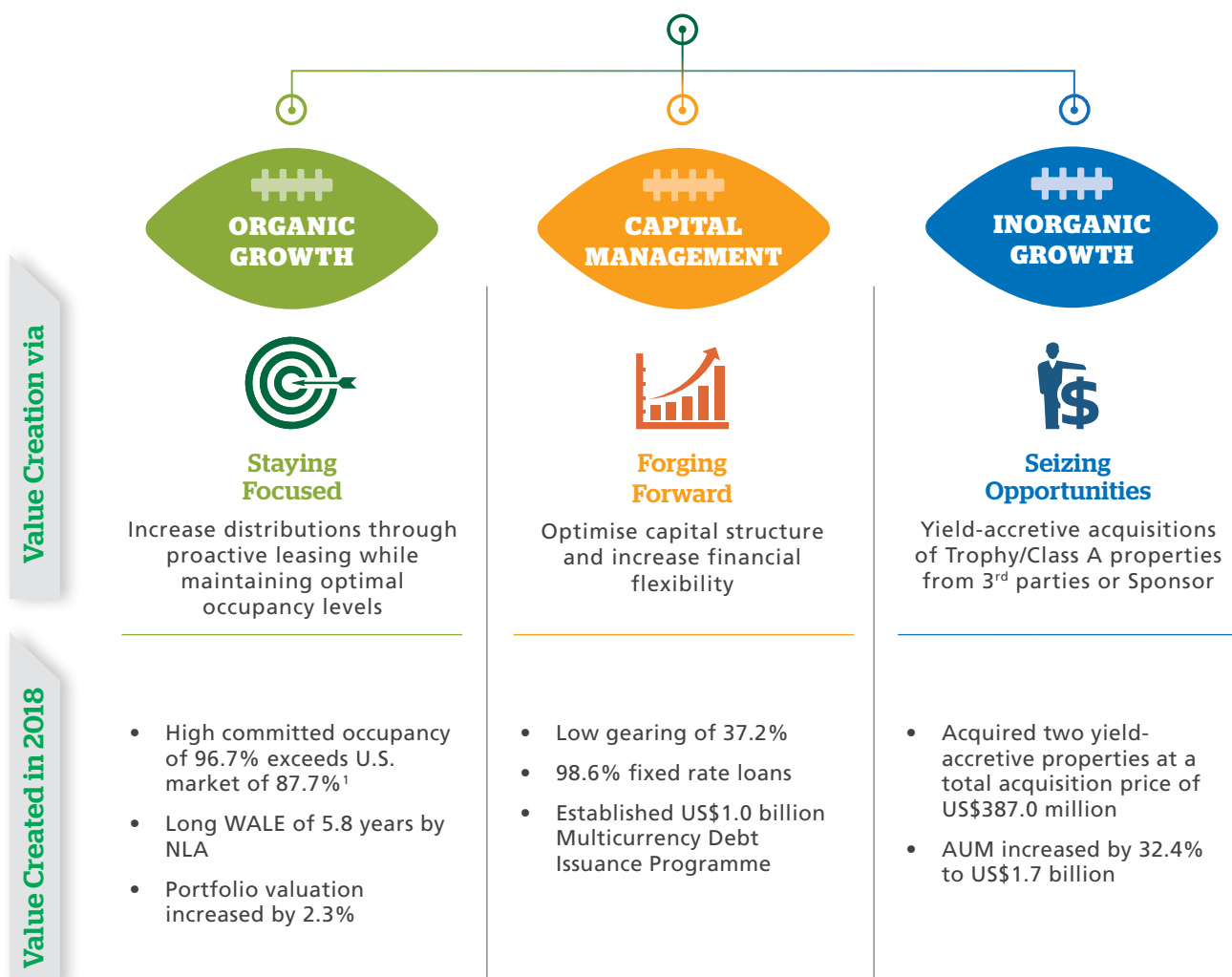
16 leases signed, registering a positive rental reversion of 8.9% which amounted to 4.9% of the portfolio by NLA. In 3Q2018, MUST commenced AEs to rejuvenate our buildings and excite tenants through various AEs in Figueroa and Exchange, scheduled for completion by end 2019 and early 2020.

During the year, MUST also established a US\$1.0 billion Multicurrency Debt Issuance Programme and ended the year with a gearing ratio of 37.2% and 98.6% fixed rate loans.

MISSION

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

KEY STRATEGY



¹ Source: CoStar Market Analysis & Forecast (Class A) – As at 3 January 2019.

BOARD OF DIRECTORS



HSIEH TSUN-YAN

Chairman
Non-Executive Director

Academic and Professional Qualifications

- Bachelor of Science in Mechanical Engineering, University of Alberta
- Master of Business Administration, Harvard Business School

Date of First Appointment as a Director

- 17 June 2015

Date of Last Reappointment as a Director

- 15 May 2018

Length of Service as a Director (as at 31 December 2018)

- 3 years and 6 months

Board Committee Served on

- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies

- Manulife Financial Corporation, Canada (Director)
- Singapore Airlines Limited (Executive Committee)

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 Vice Chairman)
- Duke-NUS Graduate Medical School, Singapore (Governing Board Member)

Past Directorships or Principal Commitments held over the Preceding Three Years

- Singapore Institute of Management Pte. Ltd (Director)

Experience

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



Academic and Professional Qualifications

- Bachelor of Arts, Tokyo University of Foreign Studies
- Master of Economics, Hitotsubashi University

Date of First Appointment as a Director

- 17 June 2015

Date of Last Reappointment as a Director

- 15 May 2018

Length of Service as a Director (as at 31 December 2018)

- 3 years and 6 months

Board Committee Served on

- Nominating and Remuneration Committee (Chairman)

Present Directorships in other Listed Companies

- International Housewares Retail Company Limited (Director)

Present other Principal Commitments

- DGL Group Inc., BVI (Chairman and Director)
- 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)
- Sentiens Asia Pte Ltd, Singapore (Director)
- Make-A-Wish Foundation (Singapore) Limited (Director)
- Hong Kong-ASEAN Economic Cooperation Foundation, Hong Kong (Director)
- Japan Home (Retail) Pte. Ltd.

Past Directorships or Principal Commitments held over the Preceding Three Years

- Make-A-Wish Foundation (Singapore) Limited (Advisory Board Member)
- eZoo School of Music & Fine Arts Pte. Ltd. (Director)
- Ocean Rich Group Ltd, BVI (Director)
- AL Group Limited (Director)
- Gooute Pte Ltd, Singapore (Director)

Experience

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



Academic and Professional Qualifications

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

Date of First Appointment as a Director

- 17 June 2015

Date of Last Reappointment as a Director

- 15 May 2018

Length of Service as a Director (as at 31 December 2018)

- 3 years and 6 months

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

NIL

Experience

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

BOARD OF DIRECTORS



Academic and Professional Qualifications

- CIMA, University of Central London
- Chartered Institute of Management Accountants, Fellow Member
- Chartered Global Management Accountants, Member

Date of First Appointment as a Director

- 17 June 2015

Date of Last Reappointment as a Director

- 15 May 2018

Length of Service as a Director (as at 31 December 2018)

- 3 years and 6 months

Board Committee Served on

- Audit and Risk Committee (Member)
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies

NIL

Present other Principal Commitments

- Advanced MedTech Holdings Pte. Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- British Chamber of Commerce Singapore (Treasurer)

Experience

- Over 30 years of experience in banking and finance
- Previously Chief Financial Officer Asia and Deputy Chief Executive, Singapore at Commerzbank AG



Academic and Professional Qualifications

- Bachelor of Science in Estate Management, University of Singapore
- Master of Philosophy in Environmental Planning, University of Nottingham
- Doctor of Philosophy (Urban Planning) with Certificate of Achievement in Urban Design, University of Washington
- Singapore Institute of Planners, Affiliate Member
- Singapore Institute of Surveyors and Valuers, Fellow

Date of First Appointment as a Director

- 9 June 2017

Length of Service as a Director (as at 31 December 2018)

- 1 year and 6 months

Board Committee Served on

- Audit and Risk Committee (Member)

Present Directorships in other Listed Companies

- Pan Hong Holdings Group Ltd. (Director)

Present other Principal Commitments

- VestAsia Group Pte. Ltd. (Chairman and Director)
- Department of Real Estate, National University of Singapore (Adjunct Associate Professor)

Past Directorships or Principal Commitments held over the Preceding Three Years

- Ascendas Hospitality Fund Management Pte Ltd, manager of Ascendas Hospitality Real Estate Investment Trust (Director)
- Ascendas Hospitality Trust Management Pte Ltd, trustee-manager of Ascendas Hospitality Business Trust (Director)

Experience

- Over 40 years of experience in property industry
- Previously Senior Vice President at CapitaLand and supervised the establishment of CapitaLand Mall Trust and CapitaLand Commercial Trust



**MICHAEL FLOYD
DOMMERMUTH**
Non-Executive Director

Academic and Professional Qualifications

- Bachelor of Science in Mathematics, Management Science, Carnegie-Mellon University, USA

Date of First Appointment as a Director

- 30 March 2015

Date of Last Reappointment as a Director

- 15 May 2018

Length of Service as a Director (as at 31 December 2018)

- 3 years and 9 months

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 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, Manulife Asset Management



**STEPHEN
JAMES BLEWITT**
Non-Executive Director

Academic and Professional Qualifications

- Masters of Business Administration, Boston University, Graduate School of Management, USA
- Bachelor of Arts, Economics, University of Chicago, USA

Date of First Appointment as a Director

- 8 February 2019

Length of Service as a Director (as at 31 December 2018)

Not Applicable

Board Committee Served on

NIL

Present Directorships in other Listed Companies

NIL

Present other Principal Commitments

- Hancock Capital Investment Management LLC, USA (Director)
- Hancock Natural Resource Group, Inc (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years

- Hercules Fiber II, LLC (Director)
- SIGMA Corp. (Director)

Experience

- Over 35 years in asset management, investments and corporate finance
- Global Head of Private Markets, Manulife Financial Corporation

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 MUST. Ms Smith is also responsible for the overall day-to-day management and operations of MUST, and works closely with the Manager's investment, asset management, financial, operations plus legal and compliance teams to meet MUST's strategic, investment and operational objectives.

Ms Smith has over 40 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 several Manulife overseas entities.

Prior to joining Manulife in 2007, Ms Smith was with Western Asset Management (Singapore), Rothschild Asset Management (Singapore) and Lazard Investors (Singapore). Before moving to Singapore in 1993, Ms Smith held a number of senior positions with leading U.K. financial companies.

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

Jennifer Schillaci

Chief Investment Officer

Ms Jennifer Schillaci is the Chief Investment Officer of the Manager. She reports to the CEO, and together with the other members of the management team, executes the investment programme. In addition, Ms Schillaci directs the asset management, property management and acquisition teams in the U.S.

Ms Schillaci has more than 15 years of experience at MFC and MUSREM. Before joining the Manager, she was

a Managing Director and Senior Portfolio Manager in Manulife Real Estate, the global real estate investment and management arm of MFC, where she was primarily responsible for the investment strategy and portfolio management, including acquisitions, dispositions and financing, of both the Manulife Canadian Property Portfolio and the Manulife Canadian Real Estate Investment Fund (private REITs for institutional investors).

Previously, Ms Schillaci was an Investment Director with Manulife Real Estate where she was responsible for the successful execution of acquisition targets, concentrating primarily on west coast markets of the U.S., as well as the disposition of non-core assets plus the monitoring and analysis of the company's real estate investment performance. Prior to this role, she was the Leasing Manager responsible for negotiating and executing office leases for Manulife's real estate portfolio.

Ms Schillaci holds a Bachelor of Commerce (Honours) degree from the University of Toronto and holds the Chartered Financial Analyst designation.

Caroline Fong

Head of Investor Relations

Ms Caroline Fong is the Head of Investor Relations and part of the C-Suite for the Manager. She reports to the CEO and is responsible for investor relations, communication and helps to steer the strategy and capital markets requirements for MUST.

Ms Fong has over 14 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 ESR-REIT. At ESR-REIT, 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.

BENCH STRENGTH

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.

Jagjit Obhan

Chief Financial Officer

Mr Jagjit Obhan is the Chief Financial Officer (CFO) of the Manager. He reports to the CEO and is responsible for finance, capital management, treasury and accounting operations for MUST. He is also responsible for managing the debt and capital market programmes.

Mr Obhan has over 20 years of experience in audit, banking, corporate finance, real estate and regulatory reporting. Mr Obhan has worked at Manulife for 14 years in a variety of managerial positions.

Prior to joining the Manager in 2015, Mr Obhan was a Managing Director and Head of Third Party Finance for Manulife Asset Management Private Markets, where he was responsible for finance, treasury and reporting functions for real estate, private debt and commercial mortgage funds.

Mr Obhan also held the position of Chief Accountant for Manulife Investment Division and led Manulife Bank's external and board reporting function.

Before joining Manulife, Mr Obhan worked in the Royal Bank of Canada and Ernst and Young.

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.

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 20 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 was Vice President, Finance at Mapletree Logistics Trust and he held several positions in CapitaLand Mall Asia. He has extensive experience of corporate entities that have 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.

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 MUST in complying with the applicable provisions of the SFA and all other relevant legislations.

Ms Chua has over 20 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 boards 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.



FINANCIAL REVIEW

MUST has achieved a 3-year track record of delivering solid financial performance and growth. FY2018 was another year of strong financial results on the back of income contribution from the four high-quality office properties acquired in 2017 (Plaza and Exchange in New Jersey) and 2018 (Penn in Washington D.C. and Phipps in Atlanta).

NPI has grown at a Compound Annual Growth Rate¹ (CAGR) of approximately 37.0% over the past three years. In addition,

the fair values of the portfolio have increased by 9.0% over acquisition prices. This demonstrates MUST's ability to acquire properties that provide both income and capital growth.

For FY2018, the growth in NPI of 55.4% drove the growth in DPU (restated for preferential offering and rights issue) of 5.57 US cents by 1.6% over FY2017.

Consolidated Statement of Comprehensive Income	FY2018	FY2017	Change
	US\$'000	US\$'000	%
Gross revenue	144,554	92,040	57.1
Property operating expenses	(53,889)	(33,689)	60.0
Net property income	90,665	58,351	55.4
Interest income	209	11	>100
Manager's base fee	(7,098)	(4,672)	51.9
Trustee's fee	(235)	(172)	36.6
Other trust expenses	(2,008)	(1,638)	22.6
Finance expenses	(19,247)	(9,506)	>100
Net income before tax and fair value change in investment properties	62,286	42,374	47.0
Net fair value change in investment properties	16,885	31,395	(46.2)
Net income for the year before tax	79,171	73,769	7.3
Tax expense	(14,651)	(15,805)	(7.3)
Net income for the year	64,520	57,964	11.3
Income available for distribution to Unitholders	70,981	46,716	51.9
Distribution per Unit (DPU) (US cents)			
– DPU	5.57	5.77	(3.5)
– Restated for preferential offering and rights issue ²	5.57	5.48	1.6

	FY2018	FY2017
Total operating expenses, including all fees, charges and reimbursable costs paid to the Manager and interested parties ³ (US\$'000)	63,213	40,261
Net assets ⁴ (US\$'000)	1,064,063	852,106
Total operating expenses as percentage of net assets (%)	5.9	4.7

1 CAGR is derived based on annualised FY2016 NPI compared with FY2018 NPI. FY2016 refers to the period from 20 May 2016 (Listing Date) to 31 December 2016.

2 DPU has been restated for preferential offering of which 227,935,981 units were issued on 20 June 2018 and for rights issue, through which 299,288,423 units were issued on 25 October 2017.

3 Excludes net foreign exchange gains or losses and finance expenses.

4 As at 31 December 2018 and 31 December 2017.

Property Financial Performance

Gross revenue grew by 57.1% from FY2017 to US\$144.6 million in FY2018 largely due to revenue contributions from Penn and Phipps acquired in FY2018 and full year contributions from Plaza and Exchange acquired in FY2017. Correspondingly, the property expenses also grew by 60.0% to US\$53.9 million.

Accordingly, NPI grew by 55.4% to US\$90.7 million and was more diversified as compared to MUST's Initial Public Offering

(IPO). Excluding the earnings from 2018 acquisitions, the NPI increased by a healthy growth rate of 35.2%.

MUST recorded net fair value gains of US\$16.9 million on higher property appraised fair values resulting from higher future income expected by appraisers. This demonstrates the continued strength of the submarkets that the properties are located in.

	FY2018	FY2017	Change
	US\$'000	US\$'000	%
Portfolio excluding 2018 acquisitions	125,876	92,040	36.8
2018 acquisitions	18,678	-	N.M.
Gross revenue	144,554	92,040	57.1
Portfolio excluding 2018 acquisitions	46,990	33,689	39.5
2018 acquisitions	6,899	-	N.M.
Property expenses	53,889	33,689	60.0
Portfolio excluding 2018 acquisitions	78,886	58,351	35.2
2018 acquisitions	11,779	-	N.M.
Net property income	90,665	58,351	55.4

Management Fees

To better align the interests of the Manager and Unitholders, MUST's base fee and performance fee are based on its distributable income and DPU growth respectively. Under the Trust Deed, the Manager is entitled to receive a base fee of 10.0% per annum of the distributable income, 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. There is no performance fee for FY2018.

The base fee for FY2018 was 51.9% higher than FY2017 due to higher distributable income. The Manager has elected to receive its base fee in Units for FY2018.

Finance Expenses and Other Trust Expenses

Finance expenses of US\$19.2 million were higher than FY2017 largely due to interest expense incurred on borrowings used

to partially fund the properties acquired in FY2017 and FY2018.

Other trust expenses of US\$2.0 million were 22.6% higher than FY2017 largely due to professional fees related to new properties acquired and enlarged unit base.

Net Income and Distributable Income

Net income of US\$64.5 million was 11.3% higher than FY2017 mainly due to higher NPI, partly offset by incremental finance expenses on acquisitions and lower net fair value gain (net of deferred taxes).

The distributable income of US\$71.0 million was 51.9% higher than FY2017 largely due to the income contribution from properties acquired in FY2017 and FY2018, partially offset by incremental finance expenses on acquisitions. The Manager continues to distribute 100.0% of distributable income to Unitholders.

FINANCIAL REVIEW

Strong Balance Sheet

As at 31 December 2018, the total assets for MUST were US\$1.8 billion compared to US\$1.4 billion as at 31 December 2017. The increase in total assets of US\$433.7 million was mainly due to the properties acquired in FY2018 and valuation gains on properties. The property fair values have increased by

US\$144.1 million or 9.0% over acquisition prices, providing long-term capital growth to Unitholders.

As at 31 December 2018, MUST's NAV of \$1.1 billion grew 24.9% from 31 December 2017, and translated to NAV per Unit of US\$0.83 as at 31 December 2018. The NAV per Unit excluding distributable income was US\$0.80 as at 31 December 2018.

	Valuation as at 31 December 2018	Valuation as at 31 December 2017	Acquisition Price	2018 vs 2017 Change	2018 vs Acquisition Price Change	Cap Rates ¹ as at 31 December 2018	Cap Rates ¹ as at 31 December 2017
Property	US\$ million	US\$ million	US\$ million	%	%	%	%
Figueroa	329.3	326.0	284.7	1.0	15.7	4.75	5.00
Michelson	345.0	342.0	317.8	0.9	8.6	5.25	5.25
Peachtree	203.7	194.2	175.0	4.9	16.4	5.75	6.00
Plaza	119.8	118.0	115.0	1.5	4.2	6.25	6.50
Exchange	340.7	332.6	315.1	2.4	8.1	5.00	5.00
Penn	189.0	–	182.0	N.M.	3.8	4.75	–
Phipps	211.2	–	205.0	N.M.	3.0	5.75	–
Total	1,738.7	1,312.8	1,594.6	32.4	9.0		
Weighted Average						5.11	5.35

Disciplined and Prudent Capital Management

The Manager has employed a disciplined and prudent capital management strategy to fund the growth of the portfolio while managing both interest rate and refinancing risks. In 2018, the Manager has taken proactive steps to increase MUST's financial flexibility and diversify funding sources by establishing a US\$1.0 billion Multicurrency Debt Issuance Programme.

MUST maintained a gearing ratio of 37.2% as at 31 December 2018, which is well below the 45.0% regulatory limit, despite more than doubling the size of its portfolio to US\$1.7 billion since IPO. The current gearing level also provides approximately

US\$84.0 million debt headroom before reaching the internal target gearing limit of 40.0%. MUST lengthened its debt maturity by over one year since IPO by securing an average of 4.5-year debt on its acquisitions. The debt expiry is well-spread across MUST's seven properties from 2019 to 2023. In addition, 98.6% of debt is on a fixed rate basis which mitigates any near term interest rate risk on existing debt. The weighted average cost of debt increased as new borrowings to partially finance the acquisitions were secured at higher interest rates.

The Manager will continue to employ its capital management strategy while proactively taking steps to increase MUST's financial flexibility and manage costs.

Key Financial Indicators	As at 31 December 2018	As at 31 December 2017
Gross borrowings	US\$670.8 million	US\$461.9 million
Gearing ratio ²	37.2%	33.7%
Weighted average cost of debt	3.27% p.a.	2.83% p.a.
Weighted average debt maturity	2.7 years	3.4 years
Interest cover ratio ³	4.2 times	5.5 times

¹ Based on overall cap rates used in direct capitalisation valuation approach.

² Based on gross borrowings as percentage of total assets.

³ Based on net income before finance expenses, taxes and net fair value change in investment properties, over finance expenses.

N.M.: Not meaningful

Financing Acquisition Growth

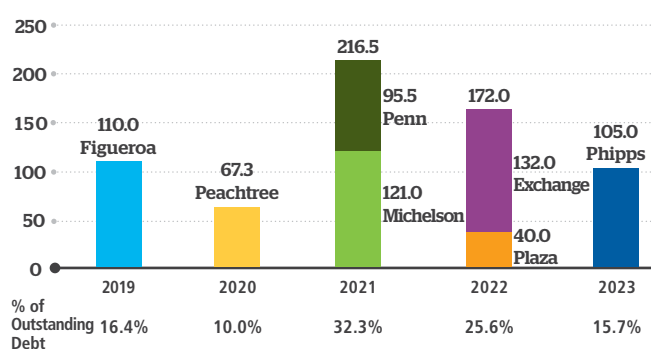
During 2018, MUST secured new mortgage facilities to partially finance the acquisition of Penn and Phipps. The facilities comprised of an aggregate principal amount of US\$200.5 million. The facilities were 3-year (Penn) and 5-year (Phipps) fixed interest rate loans which extended the weighted average debt tenure of loans by approximately four months, in line with our proactive capital management strategy.

MUST also increased the size of its strategic acquisition line of credit from US\$120.0 million to US\$200.0 million as at 31 December 2018. This acquisition line of credit will provide bridge financing to acquire assets while permanent financing is being secured, providing speed of execution for MUST during acquisitions when time is of the essence. The increased limits will also grant MUST access to larger acquisition targets.

Stable Cost of Debt

MUST has minimal interest rate exposure as 98.6% of its debt portfolio is on a fixed rate basis. MUST's debt maturity is also well-spread over five years with no more than 33.0% of debt maturing in any year. This reduces refinancing risk and insulates MUST against short-term market liquidity crunches which could increase funding costs.

Debt Maturity Profile (US\$ million)



Financial Flexibility

MUST has established various bank facilities and capital market programmes to increase financial flexibility and diversify its funding sources.

Specifically, MUST has secured good news facilities of US\$85.8 million and a US\$10.0 million working capital line of credit from the banks. The good news facilities will be used to fund future capital expenditure and leasing costs. As at 31 December 2018, US\$9.2 million of the good news facilities has been drawn. No amount has been drawn on the US\$10.0 million working capital line of credit.

In 2018, MUST established a US\$1.0 billion Multicurrency Debt Issuance Programme to provide additional flexibility to raise debt financing and perpetuals from capital markets.

Cash Flow and Liquidity

MUST's cash and cash equivalents was US\$54.1 million as at 31 December 2018. The net cash generated from operating activities for FY2018 was US\$62.6 million, largely from its NPI received, partially offset by net working capital requirements.

Net cash used in investing activities for FY2018 was US\$399.1 million, mainly used for the acquisition of Penn and Phipps.

Net cash from financing activities was US\$340.9 million. Proceeds from the issuance of Units for the preferential offering was US\$197.2 million and borrowings from external banks amounted to US\$208.9 million.

Use of Proceeds

On 20 June 2018, an aggregate of 227,935,981 Units were issued at US\$0.865 per Unit and amounted to US\$197.2 million from the preferential offering. The use of proceeds raised is in accordance with the stated uses as disclosed in the announcement made on 16 May 2018, and is set out below:

	Intended Use of Proceeds	Actual Use of Proceeds	Balance of Proceeds
	US\$ million	US\$ million	US\$ million
To partially fund the acquisition of Penn and Phipps	191.1	192.3	(1.2)
To pay the estimated fees and expenses, including professional fees and expenses, incurred or to be incurred by Manulife US REIT in connection with the preferential offering	6.1	4.9	1.2
Total	197.2	197.2	-

As the fees and expenses relating to the preferential offering are less than the estimated fees and expenses relating to the preferential offering, the balance of the amount was used to partially fund the acquisition of the properties. Save for the redeployment of such amounts to partially fund the acquisition of the properties, the use of the gross proceeds from the preferential offering is in accordance with the percentage of the gross proceeds of the preferential offering allocated to such use.

OPERATIONAL REVIEW

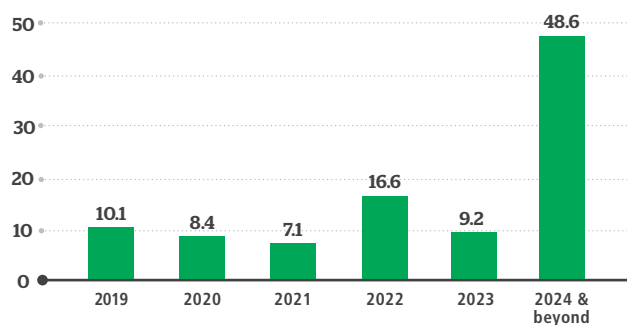
Portfolio Summary

Manulife US REIT's portfolio encompasses seven high-quality office buildings located in key U.S. markets with an aggregate NLA of 3.7 million sq ft. As at 31 December 2018, the portfolio had a WALE of 5.8 years by NLA and 5.6 years by GRI and a committed occupancy rate of 96.7%.

Minimal Near Term Lease Expiries

MUST actively manages its lease maturities through regular dialogue with tenants, enabling the Manager to better anticipate future tenant needs and creating a stronger lease expiry profile. Only 10.1% of leases expire in 2019 and 8.4% expire in 2020, based on GRI. Excluding Hyundai's lease renewed in January 2019, only 5.5% of leases by GRI will expire in 2019. Furthermore, 48.6% of all leases mature in 2024 and beyond.

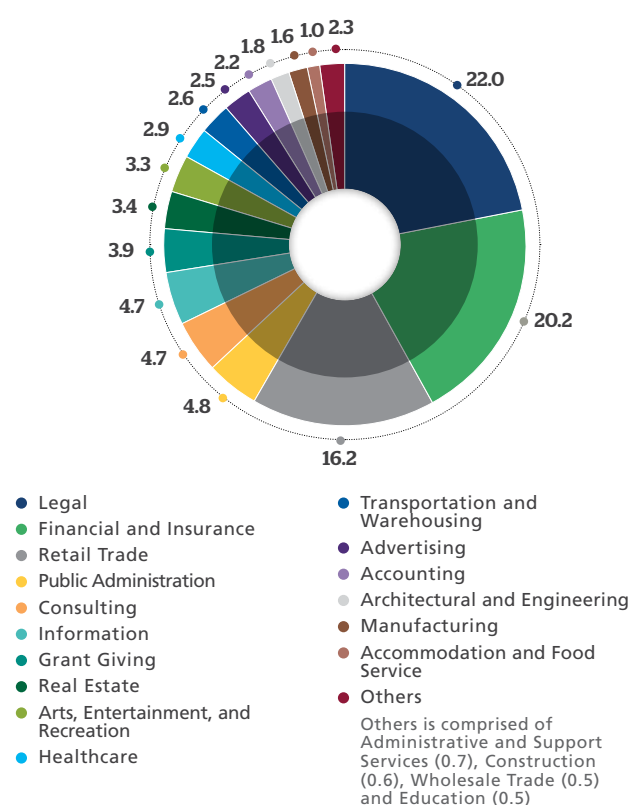
Lease Expiry Profile by GRI as at 31 December 2018 (%)



Well-Diversified Tenant Mix

The portfolio boasts a well-diversified tenant roster with 20 different trade sectors. The top three largest trade sectors (Legal, Financial and Insurance and Retail Trade) made up roughly 58.4% of the portfolio's GRI. Of the tenants making up the Legal sector, the portfolio houses some of the most prestigious global law firms. Both the 2018 additions of Penn and Phipps aided in the improvement of tenant diversity. The share of GRI derived from Public Administration grew from a minimal presence within the portfolio as at 31 December 2017 to 4.8% as at 31 December 2018. This acquisition also helped to reduce the weighting of Legal tenants from 26.0% as at 31 December 2017 to 22.0% as at 31 December 2018.

Tenant Sector by GRI as at 31 December 2018 (%)



Note: Amounts may not sum to 100.0% due to rounding.

Passing Rents and Positive Rental Reversions

The average portfolio passing rent was US\$39.95 psf as at 31 December 2018 as compared to US\$38.36 psf as at 31 December 2017. This 4.1% increase was mainly driven by rental escalations within in-place leases and the signing of new leases with higher rental rates. This increase was also attributed to the acquisition of Penn, which had an average passing rent of US\$52.44 psf as at 31 December 2018.

Since IPO, the portfolio's passing rents have experienced a significant upward trajectory, and the positive rental growth continued into FY2018. In most of the portfolio's invested submarkets, the average Class A office market rents remain higher than passing rents of MUST's properties, showcasing

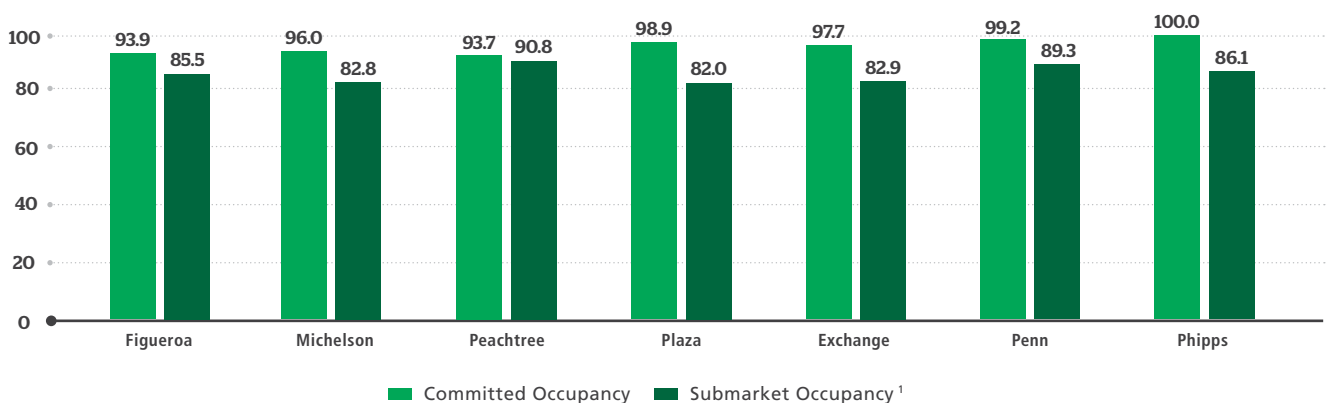
MUST's ability to extract additional rent growth. 94.0% of the portfolio continues to benefit from annual and periodic rental escalations. Moving forward, the Manager intends to seek rental escalations in new leases where possible.

16 leases were executed in FY2018, registering a positive rental reversion of 8.9% on 4.9% of the portfolio by NLA.

Strong Portfolio Occupancy Rate

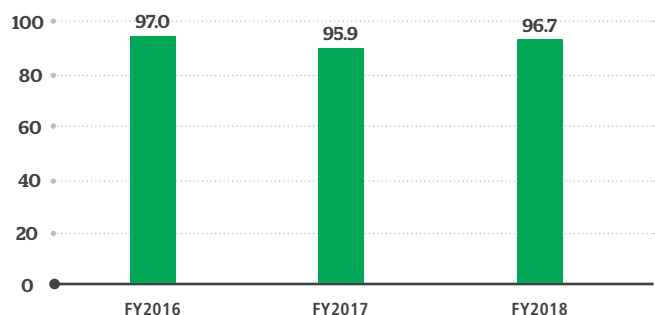
As at 31 December 2018, the portfolio had a committed occupancy rate of 96.7%, exceeding the market average of 87.7%¹, and the committed occupancy rates for the individual properties ranged from 93.7% to 100.0%.

Properties' Occupancies Outperformed Market Average in Respective Submarkets (%)



Since IPO, committed occupancy rates of the portfolio have remained stable around 96.0% – 97.0%, as properties continue to attract top tenants in their respective submarkets due to their high-quality and prime locations. The Manager has aggressively pursued both renewals and new leases that are accretive to the portfolio and has continued to invest in AELs further strengthening tenant appeal of the properties.

Historical Portfolio Occupancy Rates (%)



¹ Source: CoStar Market Analysis & Forecast (Class A) – As at 3 January 2019.

OPERATIONAL REVIEW

Moving forward, the Manager intends to maintain proactive communication with tenants, invest in spec suite programmes to better position vacant units for leasing and work with top brokers of the relevant submarket to ensure each property receives the strongest representation available.

Tenant Retention

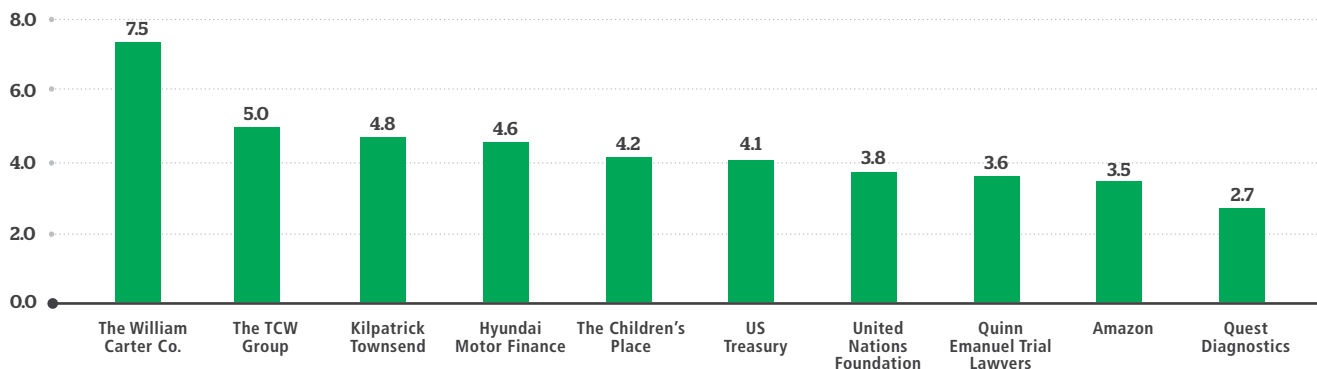
MUST continued to attract and retain strong tenants in its buildings during 2018. The overall tenant retention rate for the portfolio in 2018 was 22.4%. This number is below our previous year's average as several tenants paying below market rent were replaced with stronger credit tenants at market rates and we accommodated the growth of larger

tenants. Including forward renewals and excluding involuntary exits that occurred in 2018, the retention rate would have increased to approximately 67.0%. Large renewals signed during the year were with tenants in the Transportation and Warehousing, Legal, plus Administrative and Support Services trade sectors.

Top 10 Tenants

The top 10 tenants contributed 43.8% of the portfolio's GRI as at 31 December 2018. These high-quality firms are the anchor tenants for the seven properties. The total number of tenants was 116 as at 31 December 2018.

Top 10 Tenants Contribution by GRI as at 31 December 2018 (%)

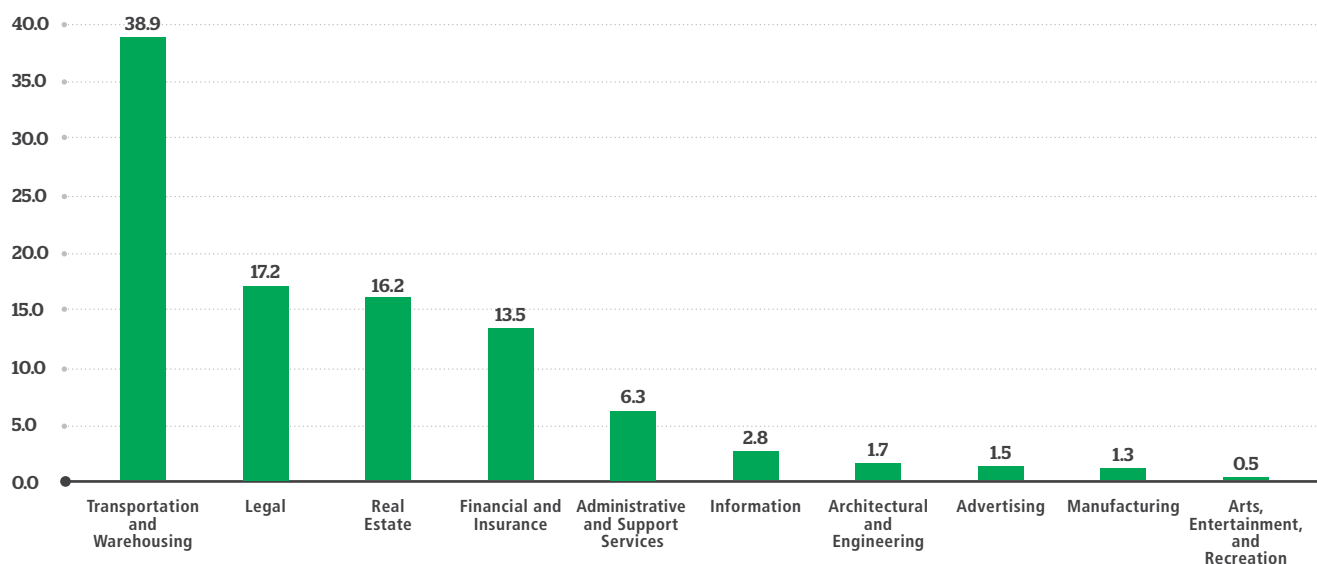


Trade Sectors of New Leases Signed in 2018

Of the new leases signed during 2018, 10 different trade sectors were represented, including the portfolio's two largest

sectors, Legal plus Financial and Insurance. The new leases (including renewals) executed in FY2018 had a WALE by GRI of 9.1 years and accounted for 0.7% of GRI in 2018.

Trade Sector of New Leases Signed by NLA (%)



Note: Amounts may not sum to 100.0% due to rounding.

Asset Enhancement Initiatives

During the year, the Manager focused on AEs that would increase revenues, lower expenses, or lead to higher property values. Capital improvement projects which were viewed as maintaining the properties' competitiveness in the market were also considered. While all properties are in good condition and compete favourably in their respective markets, MUST initiated two AEs and completed spec suite programmes at the properties during 2018 to enhance their attractiveness to tenants.

At Figueroa, the Manager completed a spec suite programme for several vacant suites to actively solicit prospective tenants. In addition, storage cage units were added to turn previously unused space into an additional revenue stream. Property-wide Wi-Fi was added allowing tenants to remain on their company network regardless of where they are in the building. Finally, work began on the main lobby renovation which includes a café and upon completion, will completely change the look and feel of both the interior and exterior of the building's entrance. The lobby is expected to be completed by the end of 2019.

At Michelson, the Manager completed multiple spec suites as well as parking structure pay system upgrades to improve garage egress for tenants.

For Peachtree, modernisation was performed to the restaurant elevator as well as the replacement of the café roof.

No material capital was spent on Plaza as the property had recently been through a substantial US\$16.0 million lobby renovation prior to MUST's acquisition in 2017.

As for Exchange, work has begun on the main lobby renovation which is expected to be completed by beginning of 2020. In addition to the lobby renovations, several Heating, Ventilation and Air-Conditioning (HVAC) units were replaced which will allow the property to experience increased heating and cooling efficiency as well as a reduction in the associated expense.

A large-scale parking garage update initiated by the previous owner was completed at Penn. Additionally, work was performed to update the previously outdated Emergency Management System (EMS) which will help optimise the performance of generators and transmission system.

The Trophy/Class A Office Advantage

Driven by the evolution of office work and competition over talent, office spaces in Trophy and Class A properties in good locations are increasingly sought after. The dynamic and open structure of modern layout encourages cross-functional collaboration and idea sharing, which are highly valued by employees. Apart from office spaces, tenants have also increased their requirements for building amenities, improved sustainability and building technology. These changes in office preferences suggest that Trophy and Class A assets will continue to experience stronger demand and higher occupancy as compared to lower quality buildings.



Michelson, Irvine

PROPERTY SUMMARY



FIGUEROA


Location

865 S. Figueroa St,
Los Angeles, CA

NLA

702,861 sq ft

Occupancy

93.9%

WALE by NLA

4.6 years

Latest Valuation

US\$329.3 million
(US\$469 psf)

Secaucus

Jersey City

Los Angeles

Irvine

U S A

Washington, D.C.

Atlanta

Atlanta



PLAZA


Location

500 Plaza Dr,
Secaucus, NJ

NLA

461,525 sq ft

Occupancy

98.9%

WALE by NLA

7.4 years

Latest Valuation

US\$119.8 million
(US\$260 psf)



EXCHANGE


Location

10 Exchange Place,
Jersey City, NJ

NLA

732,169 sq ft

Occupancy

97.7%

WALE by NLA

6.1 years

Latest Valuation

US\$340.7 million
(US\$465 psf)



MICHELSON

Location

3161 Michelson Dr,
Irvine, CA

NLA

532,663 sq ft

Occupancy

96.0%

WALE by NLA

3.4 years

Latest Valuation

US\$345.0 million
(US\$648 psf)



PEACHTREE

Location

1100 Peachtree St,
Atlanta, GA

NLA

557,560 sq ft

Occupancy

93.7%

WALE by NLA

4.9 years

Latest Valuation

US\$203.7 million
(US\$365 psf)



PENN

Location

1750 Pennsylvania Ave,
Washington, D.C.

NLA

277,315 sq ft

Occupancy

99.2%

WALE by NLA

5.9 years

Latest Valuation

US\$189.0 million
(US\$682 psf)



PHIPPS

Location

3438 Peachtree
Road NE,
Atlanta, GA

NLA

475,199 sq ft

Occupancy

100.0%

WALE by NLA

9.0 years

Latest Valuation

US\$211.2 million
(US\$444 psf)

FIGUEROA



Property Valuation
329.3
US\$ million

Occupancy
93.9%

WALE by NLA
4.6 Years

865 S. Figueroa St, Los Angeles, CA



FREEHOLD
Land Tenure



US\$284.7 MILLION
(US\$410 psf)
Purchase Price on 19 May 2016

As at 31 December 2018



702,861 SQ FT
Net Lettable Area



US\$29.9 MILLION
Gross Revenue



29
Number of Tenants

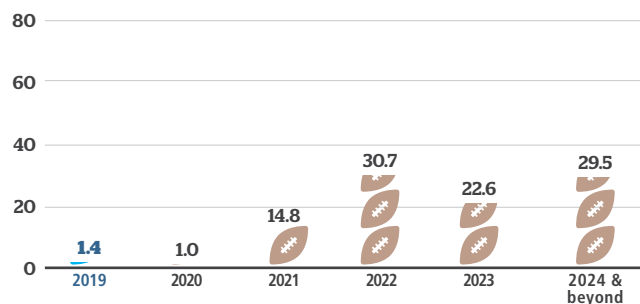


US\$16.1 MILLION
Net Property Income

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, a coffee shop, an adjacent car park with 841 lots and a courtesy shuttle service which travels throughout the surrounding downtown area.



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI



MICHELSON

Property Valuation
345.0
US\$ million

Occupancy
96.0%

WALE by NLA
3.4 Years

3161 Michelson Dr, Irvine, CA



FREEHOLD
Land Tenure



US\$317.8 MILLION
(US\$597 psf)
Purchase Price on 19 May 2016

As at 31 December 2018



532,663 SQ FT
Net Lettable Area



14
Number of Tenants



US\$29.0 MILLION
Gross Revenue

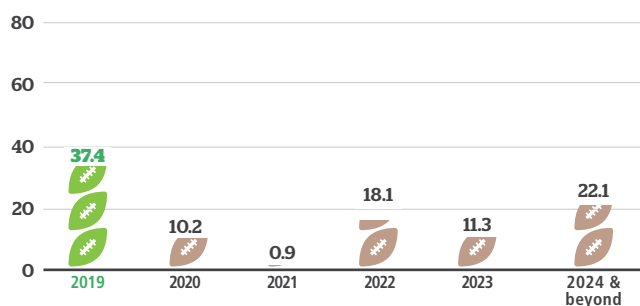


US\$20.3 MILLION
Net Property Income

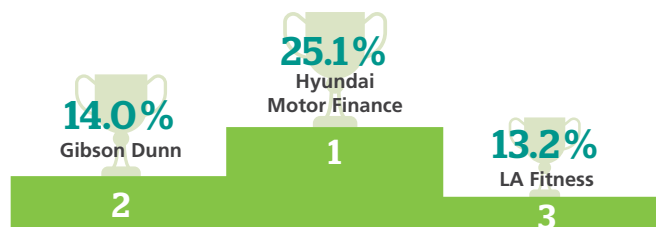
MICHELSON is a 19-storey Trophy-quality office building located in Irvine, Orange County, California, within a mile of John Wayne International Airport. The property is surrounded by hotels, high-end residential properties, restaurants and other retail offerings. On-site amenities include a café, penthouse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



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI



Note: Hyundai was renewed in January 2019.

PEACHTREE

1100 Peachtree St Atlanta, GA

Property Valuation
203.7
US\$ million

Occupancy
93.7 %

WALE by NLA
4.9 Years



FREEHOLD
Land Tenure



US\$175.0 MILLION
(US\$315 psf)
Purchase Price on 19 May 2016



557,560 SQ FT
Net Lettable Area



US\$19.7 MILLION
Gross Revenue



24
Number of Tenants



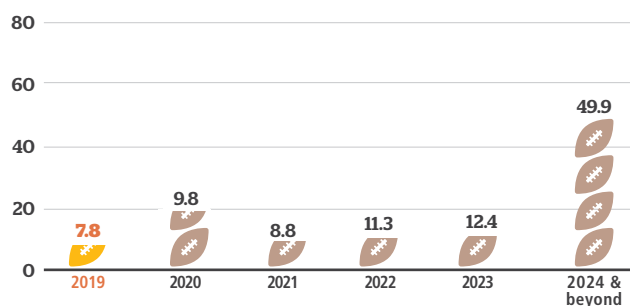
US\$12.6 MILLION
Net Property Income

As at 31 December 2018

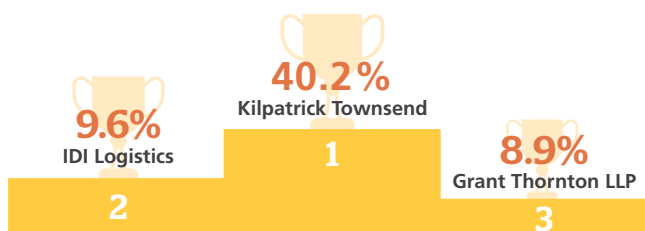
PEACHTREE is a 27-storey Class A office building located in the heart of Midtown Atlanta, well-connected to two subway stations. On-site amenities include a conference centre, fitness centre, a high-end restaurant and reserved parking in an attached car park with 1,221 lots.



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI



PLAZA

Property Valuation
119.8
US\$ million

Occupancy
98.9%

WALE by NLA
7.4 Years

500 Plaza Dr, Secaucus, NJ



FREEHOLD
Land Tenure



US\$115.0 MILLION
(US\$249 psf)
Purchase Price on 19 July 2017

As at 31 December 2018



461,525 SQFT
Net Lettable Area



US\$15.4 MILLION
Gross Revenue

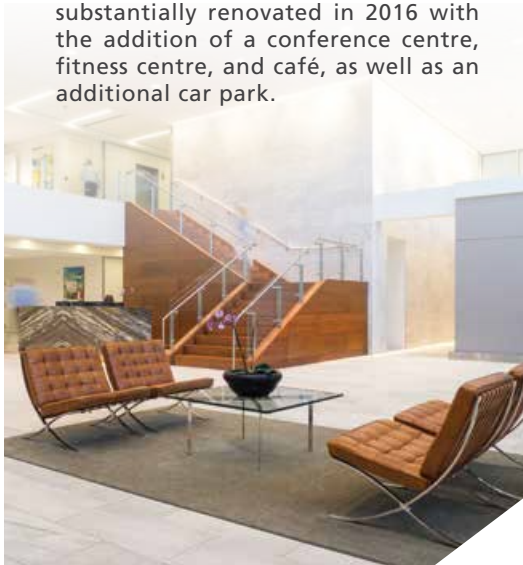


7
Number of Tenants

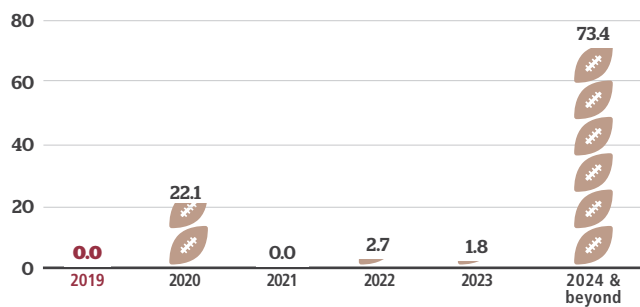


US\$8.8 MILLION
Net Property Income

PLAZA is an 11-storey Class A office building located in the Meadowlands section of Secaucus, New Jersey, three miles from Manhattan. The building was substantially renovated in 2016 with the addition of a conference centre, fitness centre, and café, as well as an additional car park.



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI



EXCHANGE

Property Valuation
340.7
US\$ million

Occupancy
97.7 %

WALE by NLA
6.1 Years

10 Exchange Place, Jersey City, NJ



FREEHOLD
Land Tenure



US\$315.1 MILLION
(US\$431 psf)
Purchase Price on 31 October 2017

As at 31 December 2018



732,169 SQ FT
Net Lettable Area



US\$31.9 MILLION
Gross Revenue

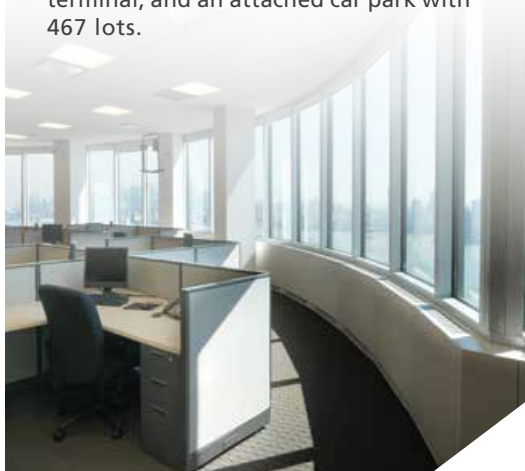


23
Number of Tenants

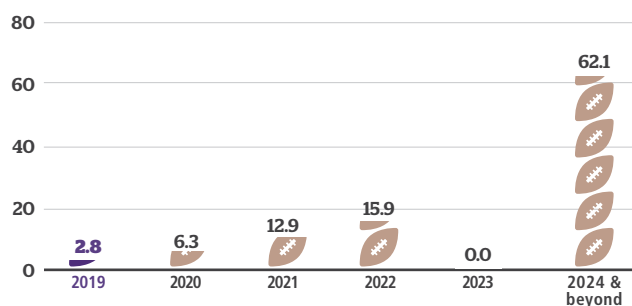


US\$21.1 MILLION
Net Property Income

EXCHANGE is a 30-storey Class A office building located along the Hudson River in Jersey City, New Jersey. The property offers unobstructed views of the Manhattan skyline, convenient access to New York City via an adjacent subway station and nearby water ferry terminal, and an attached car park with 467 lots.



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI



PENN

Property Valuation
189.0
US\$ million

Occupancy
99.2%

WALE by NLA
5.9 Years

1750 Pennsylvania Avenue, Washington, D.C.



FREEHOLD
Land Tenure



US\$182.0 MILLION
(US\$656 psf)
Purchase Price on 22 June 2018

As at 31 December 2018



277,315 SQ FT
Net Lettable Area



US\$8.9 MILLION
Gross Revenue



9
Number of Tenants

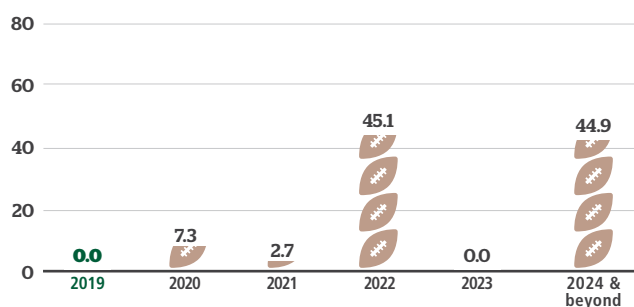


US\$5.2 MILLION
Net Property Income

PENN is a 13-storey Class A office building located in Washington, D.C. The property underwent significant renovations from 2012 to 2018, which included a refurbished two-storey main lobby, updated restrooms and common corridors. Penn's on-site amenities include U.S. Post Office, a new fully equipped tenant-only fitness centre and a three-level basement parking garage as well as secured bike storage.



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI



1 Acquired from John Hancock Life Insurance Company (U.S.A.). Penn's average valuation price per acquisition circular dated 27 April 2018 is US\$185.0 million. The independent valuers have valued the property based on the income capitalisation approach and the sales comparison approach. The income capitalisation approach consisted of a discounted cash flow analysis and a direct capitalisation method.

PHIPPS

Property Valuation
211.2
US\$ million

Occupancy
100.0%

WALE by NLA
9.0 Years

3438 Peachtree Road NE, Atlanta, GA



LEASEHOLD¹

(with rights to acquire Freehold)
Land Tenure



US\$205.0² MILLION

(US\$431 psf)
Purchase Price on 22 June 2018

As at 31 December 2018



475,199 SQ FT

Net Lettable Area



10

Number of Tenants



US\$9.8 MILLION

Gross Revenue



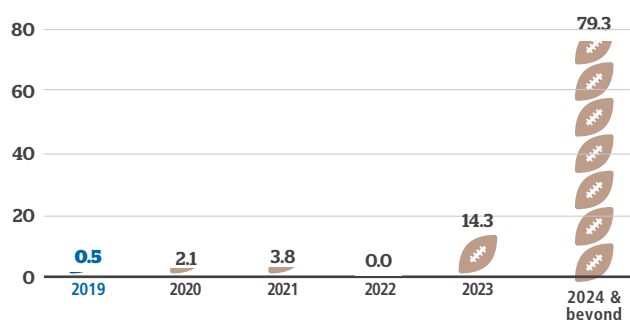
US\$6.6 MILLION

Net Property Income

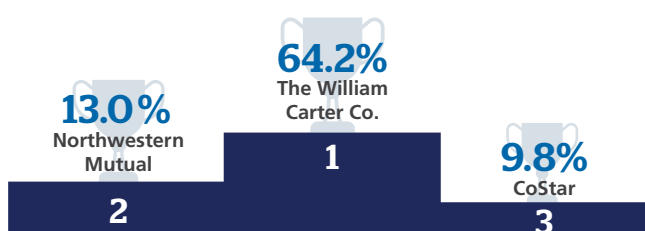
PHIPPS is a 19-storey Trophy office tower constructed in 2010 by the Sponsor. It has floor-to-ceiling window walls providing tenants with views at every direction. Phipps offers various facilities to its tenants, such as a farm-to-table café, a sundry shop, a fitness centre and a conference centre. There are five levels of covered parking with 1,150 parking stalls, as well as designated electric vehicle charging stations.



Property Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI



¹ The property is held in a leasehold until the end of 2020 to afford it certain real estate tax advantages but will be converted to a freehold for a nominal sum of US\$100.0 thereafter. For more details, see footnote on "bonds for title" arrangement on page 109 of this Annual Report.

² Acquired from John Hancock Life Insurance Company (U.S.A.). Phipps' average valuation price per acquisition circular dated 27 April 2018 is US\$209.2 million. The independent valuers have valued the property based on the income capitalisation approach and the sales comparison approach. The income capitalisation approach consisted of a discounted cash flow analysis and a direct capitalisation method.

INDEPENDENT MARKET REVIEW

by JLL as at 31 December 2018

U.S. Economy Overview

The U.S. economy maintained its solid footing throughout 2018, with leading and lagging indicators overwhelmingly positive as well as consumer and business sentiment alike staying at or near cyclical highs. At the same time, headwinds are beginning to mount given the potential for slowing growth as well as political uncertainty, with the U.S. government shutdown as well as rising debt and trade concerns hampering the outlook for 2019, although broader labor market and consumption trends look to largely stay put.

Among economic segments, the labor market is still the brightest spot: 2.6 million net new jobs were added over the course of 2018, bringing unemployment down to 3.9%, with most primary and secondary markets posting an even lower rate of unemployment. As with most of this cycle, professional services, education, health, trade, leisure and hospitality and have driven job creation, although all subsectors are in positive territory.

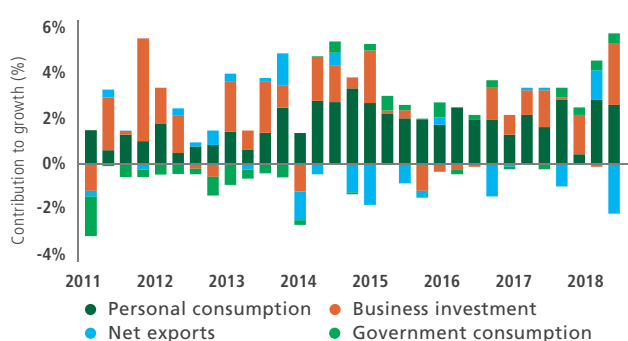
In 2018, the market also noticed two critical shifts, namely rising wage growth and record-high job openings. Even though labor shortages had begun to reach critical levels in late 2016 and more broadly in 2017, wage growth did not see meaningful increases as expected. By late 2018, however, wage growth consistently met or exceeded the 3.0% threshold. With hourly wages rising beyond the rate of inflation and employee confidence high given employers' moves to fill seats, this bodes

well for personal consumption expenditures that drive GDP growth. Evidence of the need for talent can be most easily seen in job openings, which breached the 7.0-million mark in 2018. Supplementary demand and confidence indicators also rose sharply, with quits up 6.6% over the year compared to a 3.3% spike in hires. As job growth continues to exceed the expansion of the labor force, this disconnect is expected to be exacerbated further heading into 2019.

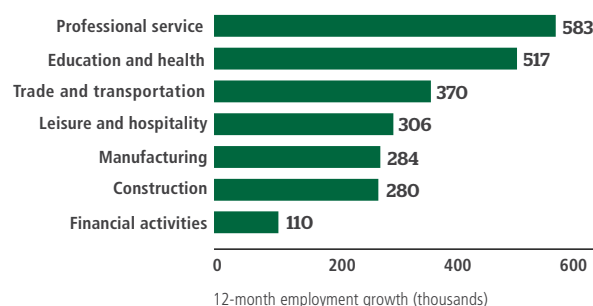
GDP also posted very promising figures in 2018, hitting a 4.2% annual rate in Q2 and not having fallen below 2.0% since Q2 2017. A surge in private business investment has been key to this growth, averaging 1.4% per quarter, with particular emphasis on intellectual property products. The impact of trade disputes between the U.S. and China has also started to be felt. In real terms, net exports have fallen by 12.5% over the year, driven largely by a decline in exports (particularly agricultural and mechanical goods) and the continued rise in imports. Had real net exports stayed steady in Q3 2018, overall output would have increased by 3.0% in over the year compared to its actual rise of 2.4%.

For 2019, GDP is likely to stay in the 2.3-3.7% range as net exports potentially fall further and personal consumption remains steady rather than expanding. The effects of the 2018-2019 government shutdown, the longest in history, will also be borne out in the data gradually. Knock-on effects are likely to hit across the board and a number of firms already downgrading Q1 growth.

GDP Growth Accelerated, but Likely to Slow



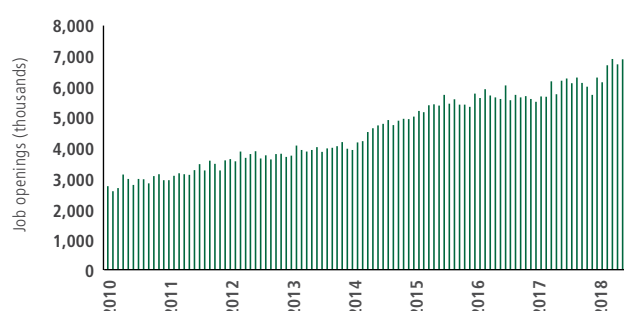
Business Services Sector Leading Job Growth



Consumer Confidence still at Record High



Job Openings Surpassed the 7 million Mark



INDEPENDENT MARKET REVIEW

by JLL as at 31 December 2018

U.S. Office Overview

2018 marked a transformative year for the U.S. office market, emblematic of changing conditions for tenants and landlords alike. Although still growing and in solidly positive territory, the market is seeing leverage become more balanced after a third year of more than 50 million sq ft (m.s.f.) of deliveries, near-full employment and resultant labor shortages are making corporate headcount increasingly difficult as well as boosting wages and in turn labor costs. However, the market proved resilient in 2018, beating leasing and occupancy growth expectations and setting the stage for an even-longer-than anticipated post-recession expansion.

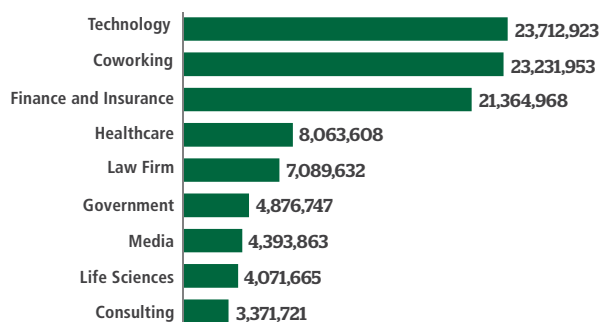
Over the course of the year, the U.S. office market registered 133.9 m.s.f. of leasing activity, slightly higher than 2017 volumes. As with recent years, technology and finance were some of the largest drivers of the leasing market, accounting for 30.3% of all deals. Notable in 2018 was the rapid ascent of coworking to becoming the second-largest industry by activity over the course of the year, racking up 23.2 m.s.f. of transactions. Flexible space providers have not only complemented tech and creative users in taking space in newer, unorthodox locations and asset types, but also increasingly acting as an anchor tenant for new construction. Other major sectors such as health, legal services, media, life sciences and general professional services were also consistent over the course of 2018.

As a result of this sustained momentum, the market posted a healthy 19.8 m.s.f. of net absorption, countering the expectation of a slower year than 2017. This growth was highly divergent based on asset class given intensifying flight to quality: Class A properties actually saw 45.1 m.s.f. of net absorption, but were countered by 7.0 m.s.f. of occupancy losses in Class B and C space.

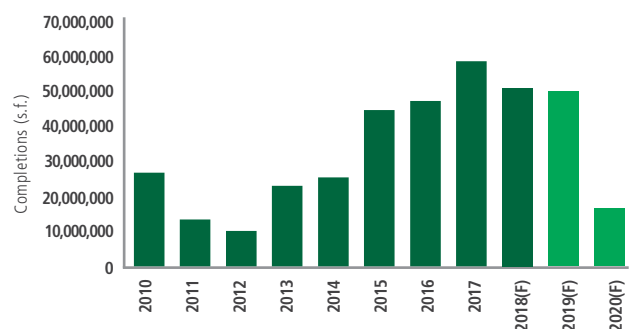
Similarly, vacancy is holding firm, particularly in urban areas where supply constraints were more acute than in the suburbs. In 2019, deliveries outpacing net absorption for a third-consecutive year and somewhat slower pace of macroeconomic growth are likely to place upward pressure on vacancy in both Class A and B products. Increasing concessions given a higher-vacancy environment will also bring down net effective rents, which have started to fall already in gateway geographies, further reshaping dynamics between landlords and tenants as owners of second-generation assets more aggressively reposition buildings to court value-conscious users in the face of a growing number of newly delivered available blocks.

We expect that the market will remain in positive territory in terms of occupancy and asking rent growth in 2019, although concessions will further eat into effective rents as vacancy rises to upwards of 15.5%, aided by a pullback in construction starts. Although rising short-term interest rates and a flattening yield curve may cause some concern among investors, a lack of investment alternatives and record levels of undeployed capital will likely keep sales volume and pricing steady in 2019.

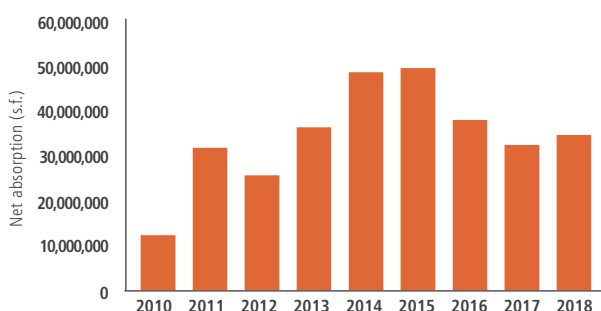
Coworking has Emerged as a Primary Leasing Driver



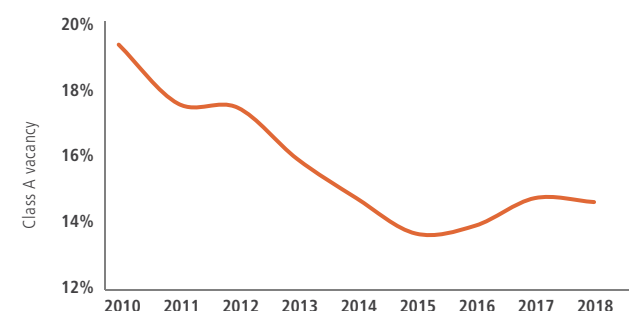
The Supply Wave will See its Last Major Year in 2019



Absorption Held Firm in 2018 Despite Hiring Constraints



Flight to Quality has Buffered Class A Vacancy Rise



ATLANTA (BUCKHEAD AND MIDTOWN)

Local Economy

Along with being the ninth most-populous and tenth most productive market in the country, Atlanta consistently ranks among the most diverse given its high concentration of corporate headquarters and particular strengths in professional services, finance, consumer products, logistics, entertainment and health, with an emerging tech presence as well. The region's status as key air and freight rail hub, low costs of living, pro-business governance and quality education and health institutions all contribute to its sustained growth and target for corporate relocations and expansion.

Atlanta's status as one of the country's fastest-growing major markets has yet to abate. It has posted 593,400 net new jobs since 2010, while its population has surged by 11.3 percent to nearly 5.9 million over the same time period. Unemployment has declined to 3.2 percent, having worn off its remaining slack and now approaching full employment similar to peer geographies.

Office Market Trends

After recording more than 3.2 million square feet of occupancy losses during the recession, Atlanta has absorbed 10.2 million square feet of space during its recovery, bringing vacancy down by 380 basis points to 16.4 percent. Buckhead and Midtown were responsible for more of this absorption than any other submarket, capturing 5.5 million square feet with strengths in media, finance, film production, professional services and R&D. Despite being the region's two most dynamic submarkets,

a lack of supply is hampering leasing activity and pushing tenants to longer-term solutions such as new development. Only one lease larger than 100,000 square feet took place in 2018 (Wells Fargo at 171 17th Street NW), with most activity between 30,000 and 99,999 square feet. From an industry standpoint, both Buckhead and Midtown – particularly the latter – have had an influx of coworking-driven leasing, with WeWork, Spaces, Regus and Gather accounting for nearly 300,000 square feet of transactions and the majority of leases larger than 30,000 square feet.

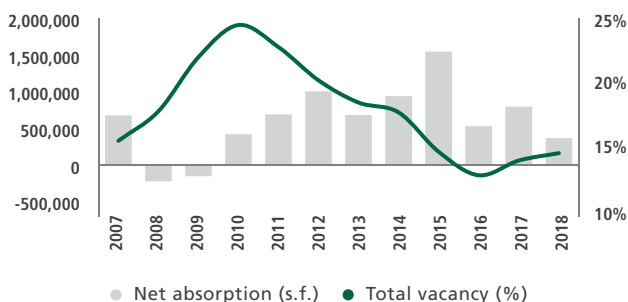
Sales activity, particularly in Buckhead, has been robust. Pricing surged by nearly 32 percent over the year with three sales of more than \$500 per square foot. Buckhead's newest development – Three Alliance – was one of these transactions, exemplifying investor demand for quality space in Atlanta.

Outlook

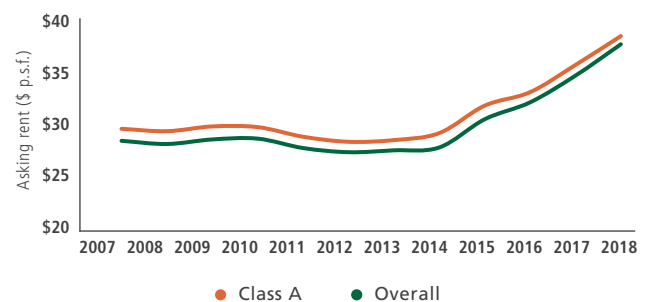
Midtown's supply shortages are not slated to go away even with an injection of new supply. Further migration from suburban users into the core, most recently Norfolk Southern's announcement that it will move its headquarters to southern Midtown, will induce further demand for space and reduce the amount of lots left for office, multifamily and hotel development.

Similarly, Buckhead's outlook is highly positive given its knowledge-based and high-value financial, legal and insurance tenant profile as well as proximity to skilled suburban talent. In both submarkets, demand for top-tier space will keep Class A vacancy stable and reduce the risk of oversupply.

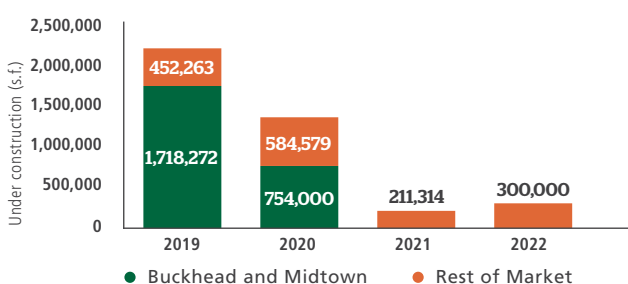
Vacancy is Barely Rising as Inbound Demand is Sustained



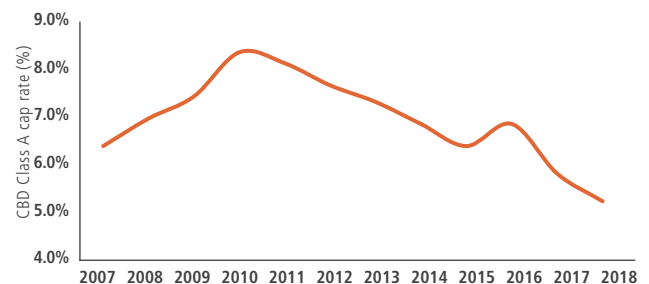
Asking Rents are Spiking as Top-priced Blocks Hit the Market



Buckhead/Midtown Capture the Majority of Construction



Cap Rate Compression Driven by Sustained Growth



INDEPENDENT MARKET REVIEW

by JLL as at 31 December 2018

LOS ANGELES (DOWNTOWN)

Local Economy

Traditionally powered by entertainment, media, tourism, 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.

A number of high-profile technology companies have opened or expanded offices in the city in recent years, most notably YouTube, Snap, Facebook, Salesforce and Electronic Arts. More than 1.4 million square feet of tech and media leasing took place in 2018, driving activity across the market in both established and emerging submarkets.

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. Since 2017, however, the market has begun to cool as a dearth of quality space in key submarkets has placed pressure on vacancy and rents, constraining occupiers in the process. Class A rents have spiked by 29.9 and 43.7 percent in Playa Vista and Santa Monica over the past four years, respectively, pushing activity to alternative locations such as Culver City and West LA.

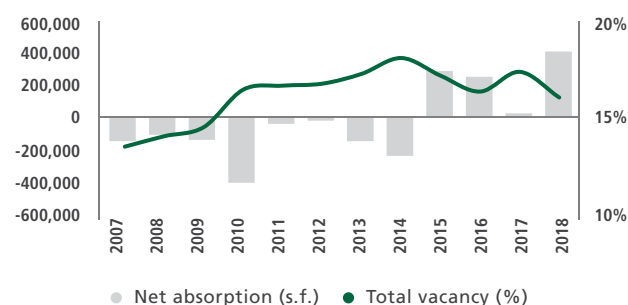
Although experiencing a multifamily renaissance, office activity is still muted given a lack of creative supply in the market and a lead time before many large-scale Arts District developments take shape. Compared to the Westside and Mid-Wilshire, activity remains focused on more traditional tenants such as legal and financial services firms: ASU Enterprise Partners, Federal Insurance, Dentons and Seyfarth Shaw contributed much of the large activity Downtown in 2018.

On the other hand, Honey's 130,000-square-foot lease at 4th & Traction further cemented the prominence of the Arts District and the rapid uptake of its abundant post-industrial inventory ripe for conversion. Additionally, the Arts District's walkability, connectivity and sustained amenitization are attracting tech, media and innovation-based users.

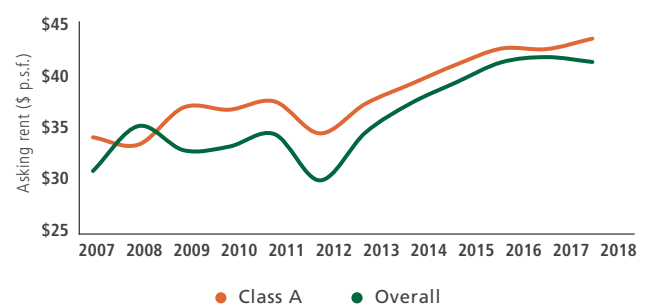
Outlook

Downtown Los Angeles will continue to see moderate activity, but its relatively aging core inventory and a paradigm shift in preferences from growth tenants in the tech, creative and content-producing will move the center of gravity for the submarket eastward to emerging pockets of the Arts District. Proposals for large-scale developments such as Alameda Square, 259 Bay Street and 2110 Bay Street could bring up to 1.2 million square feet of new creative office space to the area and usher in a step change in activity. The opening of the Crenshaw/LAX Line in 2020 will also make Downtown accessible from LAX with one transfer, further boosting its prospects.

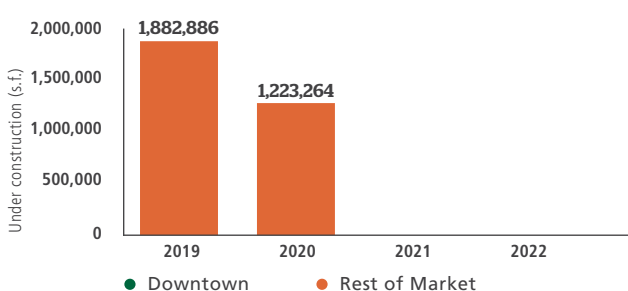
Downtown is Tightening Organically



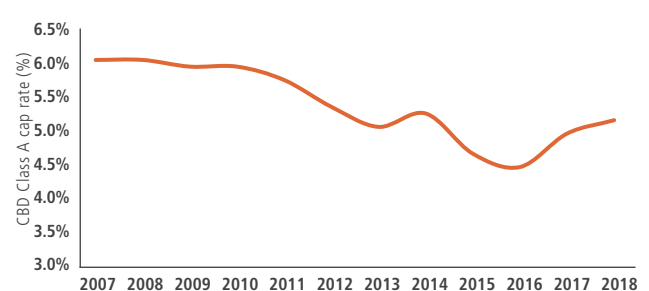
Demand for Creative Space is Driving Rent Growth



No Construction is Underway in Downtown LA



Cap Rates Inching Upwards After Sustained Declines



NEW JERSEY (HUDSON WATERFRONT AND MEADOWLANDS)

Local Economy

New Jersey has yet to fully return to pre-recession levels across all indicators, with slower job growth than neighboring New York City (albeit one of the key indicators that has reached its previous peak) and a demographic shift towards mixed-use environments working against a heavily suburban market. The Hudson Waterfront, however, has benefitted from strong transit links.

Job and economic growth in New Jersey in recent years has been predominately in skilled sectors such as life sciences, professional services and finance, as well as a robust logistics and warehousing sector. However, high costs of living and doing business, as well as demographic shifts, are highlighting the state's talent shortages outside of New York City-proximate submarkets such as the Hudson Waterfront and Newark.

Office Market Trends

As with the rest of the state, both the Hudson Waterfront and Secaucus (the Meadowlands) continue to deal with above average vacancy and a dearth of quality product in combination with competition New York City. Despite declining slightly, Hudson Waterfront vacancy of 18.1 percent remains well above its pre-recession single-digit figures, for instance. Still, users looking for mixed-use and transit-accessible space have found the Hudson Waterfront's proximity to New York at a lower price point appealing and, in turn, kept the market moving.

The submarket recorded four leases larger than 100,000 square feet over the course of 2018, all from high-profile financial services tenants (TD Ameritrade, JPMorgan Chase, E*TRADE and Sumitomo), of which two were new leases and the latter representing growth. A testament to the Hudson Waterfront's hub for financial tenants, particularly for back-office space, 52 percent of the more than 1.0 million square feet leasing activity this year came from banks and related institutions.

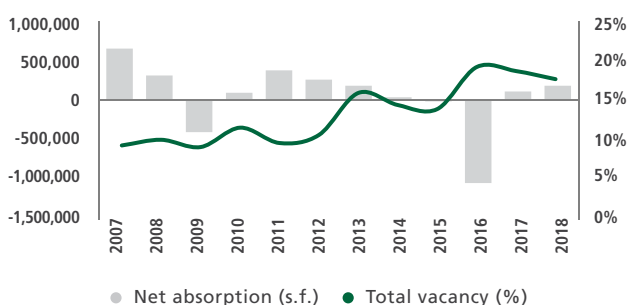
On the other hand, Secaucus leasing was minimal, albeit expansionary, during the year, largely from logistics and materials users. Similarly, sales activity was almost absent in 2018, with only one asset trading hands more than \$5 million: 600 Pavonia Avenue for \$20 million.

Outlook

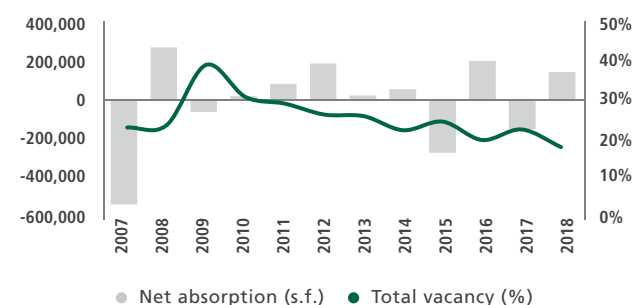
New Jersey's office market is expected to remain divergent between transit-oriented submarkets such as the Hudson Waterfront and Metropark and campus-heavy geographies. Vacancy is expected to stay elevated outside of select pockets, with rent growth muted on aggregate. A lack of construction has led to little in the way of quality product, making relocation and expansion harder.

Although the market has seen some large-scale leasing activity from newer entrants to the market as well as established tenants taking advantage of favorable lease terms, conditions will remain soft for the foreseeable future. Vacancy in the Hudson Waterfront in particular will likely remain above 15.0 percent barring a market-moving deal, but will also slowly tick downwards.

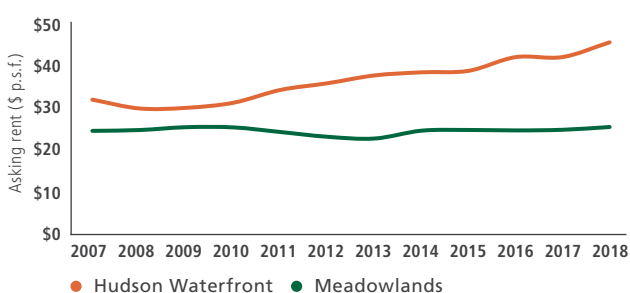
Hudson Waterfront still Recovering from 2016 Losses



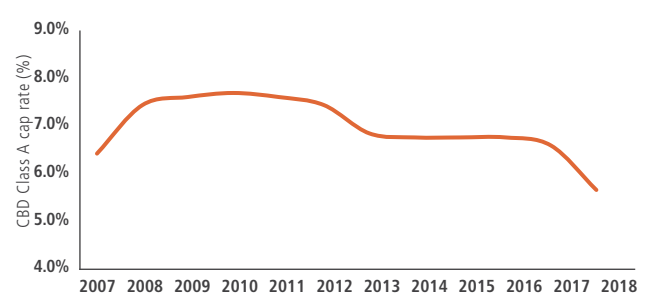
Secaucus Vacancy Falling Slightly



Hudson Waterfront Rents are on the Rise



Cap Rates have Fallen Below the 6.0% Mark



INDEPENDENT MARKET REVIEW

by JLL as at 31 December 2018

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 9.4 percent above its previous peak. With population growth since 2010 also totaling 6.0 percent, Orange County has grown 1.7x faster than Los Angeles County, further demonstrating the growth of the local economy.

Despite being near full employment, with unemployment currently standing at just 2.8 percent for the county as a whole, Orange County remains one of the strongest geographies economically in Southern California. The county's strengths in high-value tech, media and advanced engineering and manufacturing are and will remain drivers of growth.

Office Market Trends

The Airport Area, of which Irvine is a component, continues to command a premium to the broader market, although this has decreased somewhat to 8.0 percent, while Irvine ranks as the third-most expensive submarket in the county with Class A asking rents of \$41.04 per square foot. After a wave of new supply, the submarket's construction pipeline has gone quiet as developers have paused to assess market conditions characterized by incrementally rising vacancy and rent growth trending in a flatter direction compared to the rapid growth experienced from 2013 to 2017.

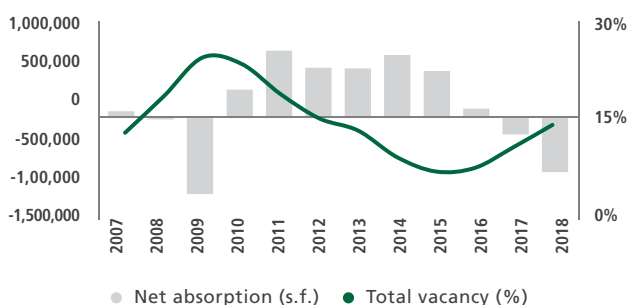
In 2018, Irvine was the dominant submarket for leasing activity in Orange County, accounting for 2.1 m.s.f. of the market's 5.6 m.s.f. of transactions. Among these was the largest lease of the year – Anduril's 155,000-square-foot lease at its new, under construction headquarters – as well as activity from health and software providers such as Covidien and Acorns. WeWork also signed onto Trammell Crow's signature Boardwalk development, as part of its expansion into suburban markets, while UCI Research Park dominated tenants' choices for growth.

Sales activity was modest but consistent in 2018, led by LBA's acquisition of 1-3 Glen Bell Way for \$104 million. Pricing continues to rise incrementally, however, evidenced by multiple transactions exceeding \$500 per square foot and a 38.6 percent rise in per-square-foot pricing on aggregate, indicative of investors' confidence in Orange County's position as a prominent secondary market.

Outlook

Although growth is beginning to stabilize after years of sustained occupancy and rent growth on the back of labor shortages and supply and demand coming closer to equilibrium, Orange County is poised for continued strength over the near term. Its size, reasonable price points for creative and R&D space compared to nearby Los Angeles and highly skilled talent pool keep it attractive for users seeking to relocate or expand. As companies continue to move to new-build campuses, a wider variety of blocks will become available.

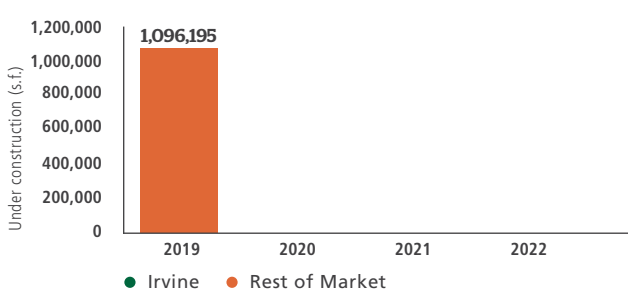
Vacancy Continues to Rise as Occupancy Losses Mount



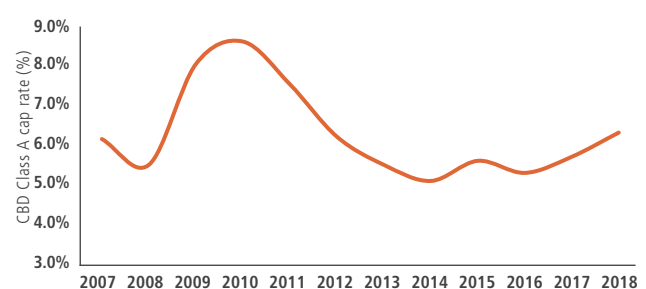
After a Boost from New Supply, Rent Growth is Stabilizing



No New Construction in Irvine will Allow for Tightening



Cap Rates are Rising Slightly after Reaching a Cyclical Low



WASHINGTON, D.C. (CBD)

Local Economy

The Metro DC region continues to see a bifurcation between macroeconomic and demographic indicators: despite population growth of 10.3 percent across the metro area – rising to 15.2 percent for the urban core – the District itself has seen occupancy rise by only 1.4 percent. For the CBD, whose tenant profile is significantly affected by rightsizings and consolidations from legal services, consulting and government-related users, this figure is even lower.

The region's demographic profile and labor pool, however, remain its major strength. Metro DC boasts among the highest educational attainment and household incomes in the country, while the city proper has undergone a massive renaissance over the past decade. Local expertise in high-growth areas such as cybersecurity, regulatory policy and intellectual property will help to boost and diversify the market as it transitions away from traditional economic anchors to emerging and alternative drivers of leasing activity and occupancy growth.

Office Market Trends

Large law firms across the city have increasingly looked to new developments in the western CBD and seven firms larger than 35,000 square feet have signed leases to relocate from outside of the CBD to new product located between 19th and 21st Street over the past three years. However, the near-term demand pipeline is very limited with only eight tenants larger than 50,000 square feet throughout the core with a lease expiring prior to 2022.

On the other hand, demand remains strong among small and mid-size nonprofits, tech and professional business services such as communications, public relations, advertising and finance including Edelman, Young & Rubicam and Avascent has driven leasing activity within buildings priced below \$65 per square foot.

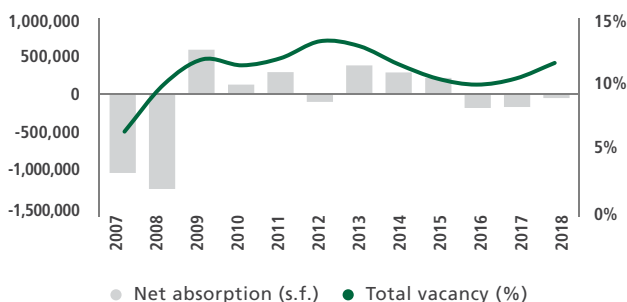
As a result of flight to quality, new ground-up Trophy product has continued to push rents into the mid-\$80s per square foot yet Class A (non-Trophy) product has faced growing competition that has resulted in limited rent growth and rent declines in cases given the glut of repositioned product priced between \$70 and \$80 per square foot.

Outlook

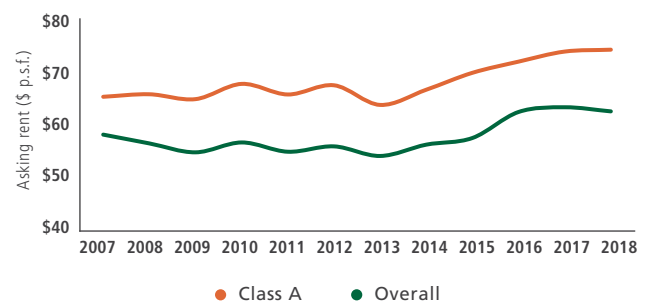
The continued growth in concession packages will remain a dominant trend in the CBD, with large, long-term leases seeing 16-20 months of free rent and exceeding \$125 per square foot in tenant improvement allowances in many cases. For the past four years, core DC concessions have topped all other markets; this is not expected to change for the foreseeable future.

At the same time, the CBD's status a fully built-out, 30-million square-foot submarket, the redevelopment of Class B and C office buildings in the form of both demolition and new ground-up projects, as well as repositioned reskinned product, will further flood the Trophy and Class A market with new supply.

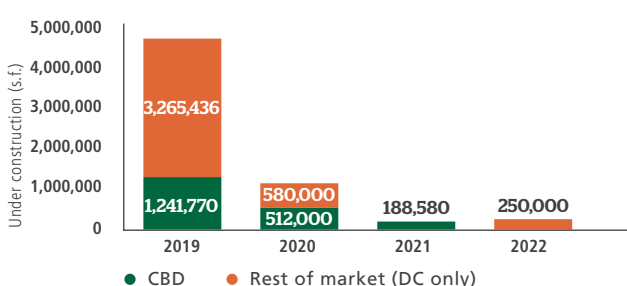
Vacancy is Rising as Give-Backs Continue



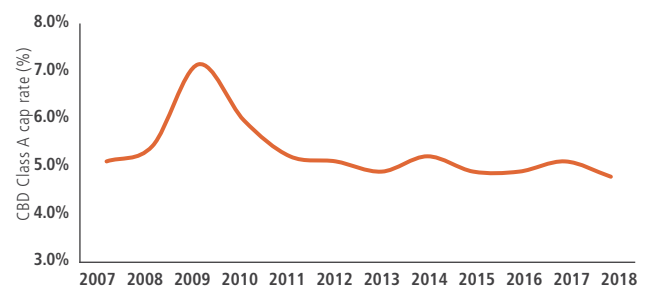
Rents are Stabilizing Given Tenant-Favorable Conditions



1.9 M.s.f. of New Supply to Push Vacancy Up Further



Cap Rates Remain Below the 5.0% Threshold



INDEPENDENT MARKET REVIEW

by JLL as at 31 December 2018

RECENT LEASING ACTIVITY

Atlanta (Buckhead and Midtown)

Tenant	Address	Class	Lease type	Size (s.f.)
Wells Fargo	171 17 th Street NW	A	Renewal	106,030
WeWork	756 W Peachtree Street NW	A	New	67,000
Spaces	1055 Howell Mill Road NW	A	New	56,121
Baker Donelson	3414 Peachtree Road NE	A	Renewal	50,248
Pandora	1155 Peachtree Street NE	A	New	49,500
Terminus	3340 Peachtree Road NE	A	New	42,000
Gather	715 Peachtree Street NE	A	New	31,000

Los Angeles (Downtown)

Tenant	Address	Class	Lease type	Size (s.f.)
Honey	4 th & Traction	A	Relocation	130,000
ASU Enterprise Partners	1111 S Broadway	A	New	85,118
Federal Insurance	555 S Flower Street	A	New	77,450
Arup	Wilshire Grand	Trophy	New	66,000
Payden & Rygel	Wells Fargo Center	Trophy	Renewal	53,132
PK Market	712 S Olive Street	A	New	51,692

New Jersey (Hudson Waterfront and the Meadowlands)

Tenant	Address	Class	Lease type	Size (s.f.)
TD Ameritrade	70 Hudson Street	A	New	155,000
JPMorgan Chase	480 Washington Boulevard	A	New	101,964
E*TRADE	200 Hudson Street	A	Renewal	90,900
Sumitomo Mitsui	200 Hudson Street	A	Expansion	90,900
Kuehne + Nagel	10 Exchange Place	A	Renewal	70,500
Federal Home Loan Bank	70 Hudson Street	A	New	63,816

Orange County (Irvine)

Tenant	Address	Class	Lease type	Size (s.f.)
Anduril	2722 Michelson Drive	A	Relocation	155,000
Covidien	UCI Research Park	B	Relocation	101,964
Acorns	UCI Research Park	B	Relocation	90,900
Skyworks	UCI Research Park	B	Expansion	90,900
WeWork	The Boardwalk	A	Expansion	63,816
LPA	UCI Research Park	B	Relocation	55,450

Washington, DC (CBD)

Tenant	Address	Class	Lease type	Size (s.f.)
Australian Embassy	1147 17 th Street NW	B	Relocation	101,173
Winston & Strawn	1901 L Street NW	A	Relocation	90,000
Gensler	2020 K Street NW	A	Renewal	71,132
BuckleySandler	2001 M Street NW	A	Relocation	65,576
Edelman	1875 I Street NW	B	Renewal	62,882
Greenberg Trarig	2101 L Street NW	A	Renewal	61,061

RECENT OFFICE SALES

Atlanta (Buckhead and Midtown)

Tenant	RBA (s.f.)	Sales price (\$)	Price (\$p.s.f.)	Buyer	Seller
Three Alliance	501,000	\$267,500,000	\$534	Stockbridge	Tishman Speyer
Lenox Park	1,077,599	\$251,500,000	\$233	Bridge	Fortress
Prominence	424,452	\$166,000,000	\$233	New York Life	Crocker
Lenox Building	351,184	\$96,500,000	\$275	TPA	Parmenter
Two Live Oak	279,143	\$82,600,000	\$296	Barings	Brookdale
Pershing Point Plaza	409,579	\$75,000,000	\$183	Dilweg	CBREI
1718 Peachtree Street NE	359,766	\$62,200,000	\$173	Noro/Devon	Atlanta Property
Peachtree Lenox Building	131,319	\$35,300,000	\$268	Nuveen	PM

Los Angeles (Downtown)

Tenant	RBA (s.f.)	Sales price (\$)	Price (\$p.s.f.)	Buyer	Seller
1000 Wilshire Boulevard	477,774	\$196,000,000	\$410	Cerberus	Lincoln/PCCP
CalEdison Building	294,954	\$130,100,000	\$457	Rising	Lionstone
1060 S Hope Street	78,500	\$63,200,000	\$805	Desmond	AEG
612 S Broadway	81,307	\$21,700,00	\$267	Reuven Gradon	-
312 E 2nd Street	54,827	\$17,600,00	\$322	Capstone	Charles Dunn

New Jersey (Hudson Waterfront and the Meadowlands)

Tenant	RBA (s.f.)	Sales price (\$)	Price (\$p.s.f.)	Buyer	Seller
600 Pavonia Avenue	85,000	\$20,000,000	\$235	Rhodium	-

Orange County (Irvine)

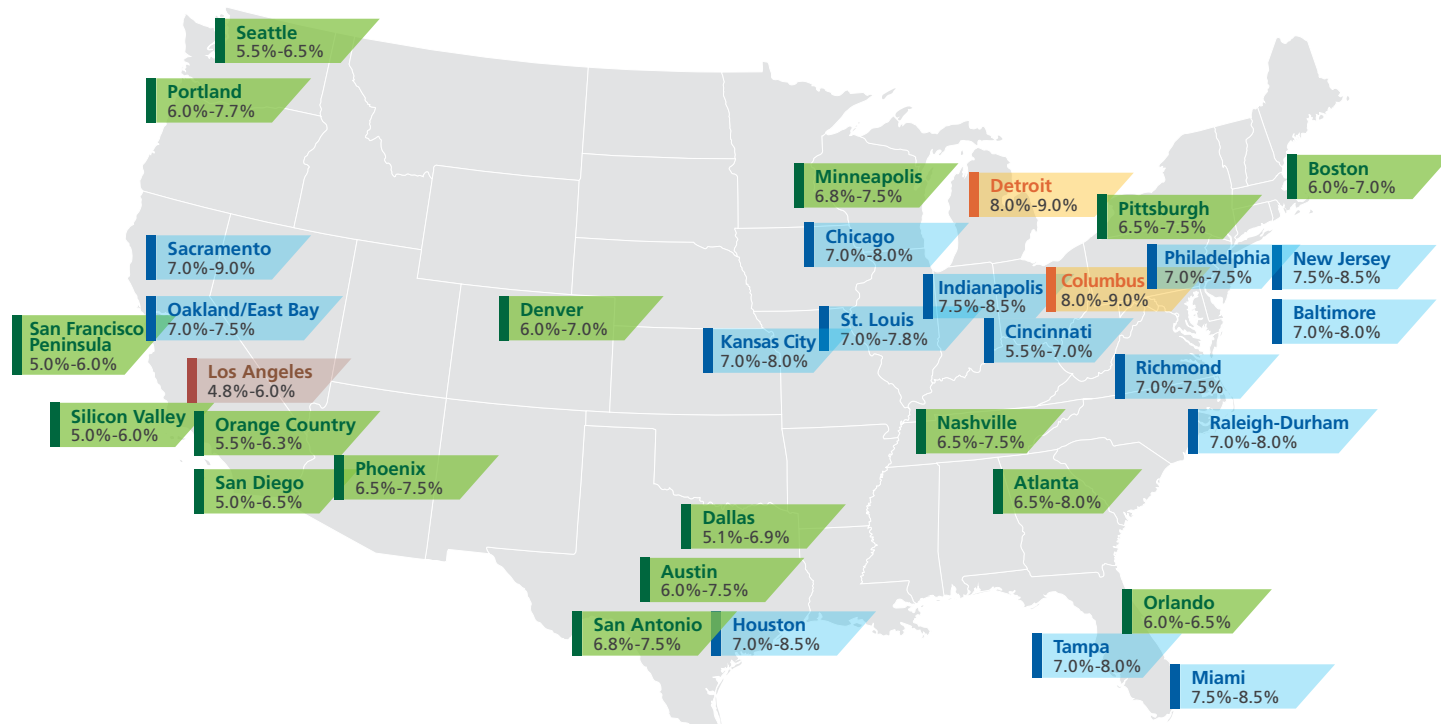
Tenant	RBA (s.f.)	Sales price (\$)	Price (\$p.s.f.)	Buyer	Seller
The Atrium	288,718	\$106,800,000	\$370	Kelemen Caamano	Cornerstone
1-3 Glen Bell Way	271,375	\$104,000,00	\$373	LBA	Transpacific
DuPont Center	250,782	\$87,900,000	\$350	Gildewell	KBS
2300 Main Street	132,064	\$46,600,000	\$353	GLL	Hines
Corporate Pointe	162,776	\$41,900,000	\$257	Kelemen Caamano	PS
17781 Cowan	34,211	\$17,500,000	\$512	Circle Vision	AmTrust

Washington, D.C. (CBD)

Tenant	RBA (s.f.)	Sales price (\$)	Price (\$p.s.f.)	Buyer	Seller
1800 M Street NW	535,253	\$421,000,000	\$787	Columbia/Allianz	Prudential
Lafayette Center	793,553	\$410,000,000	\$517	GIC/KIC	Beacon
1501 K Street NW	401,433	\$385,400,000	\$960	Ponte Gadea	JBG Smith/JPMC
2001 M Street NW	284,994	\$250,000,000	\$877	PNC	Brookfield
1900 N Street NW	271,433	\$224,900,000	\$829	CPP	JBG Smith
2099 Pennsylvania Ave NW	199,640	\$219,900,000	\$1,101	CommonWealth	Paramount

by JLL as at 31 December 2018

CBD Class A Cap Rates by Market



INVESTOR RELATIONS

MUST proactively engages the investment community through greater transparency and communication in order to create long-term value for its Unitholders

In view of Markets in Financial Instruments Directive (MiFID) II that kicked in from January 2018, the Manager has organised several small group meetings and 1-on-1 meetings directly with fund managers.

During the year, the Manager met more than 2,000 retail and institutional investors within Asia through conferences, teleconferences, meetings and roadshows in Bangkok, Hong Kong, Kuala Lumpur and Singapore. Analyst & Media briefings and investor luncheons were held for half-year and full-year financial results, and conference calls with media, analysts and investors were arranged for the other quarters. The Manager also reached out to the investment community via unique initiatives such as movie night, REIT Symposium and thought leadership programmes. This year, MUST extended its reach to the financial bloggers, an increasingly influential community, to provide them with a better understanding of MUST's performance and growth strategies.

Material information are disseminated timely through various communication channels including annual reports, sustainability reports, press releases, presentations, factsheets and property videos, which can be easily accessed from MUST's website at <http://www.manulifeusreit.sg>. To promote greater transparency, MUST's investor relations policy and FAQs have also been uploaded on the website. In 2018, the Manager started hosting 'live' audio webcasts of Analyst & Media briefings to allow local and overseas investors to participate, while taking the opportunity to solicit feedback and ask questions. Post briefings, archived webcast recordings are made available on MUST's website for a year. There is also an 'Email Alert' function on the website that enables investors to subscribe for regular updates.

AGM and EGM

MUST held its second AGM in April 2018 with full attendance from the Board of Directors and senior management. Unitholders were updated on MUST's FY2017 performance and outlook for the upcoming year, and all queries were addressed via a Q&A session. In May 2018, an EGM was held for the acquisition of Penn and Phipps from the Sponsor. Details of the proposed acquisition were presented to the Unitholders, and a short video was showcased to provide the audience with a better understanding of the properties and their submarkets. The meeting was attended by Directors and independent financial advisors to address queries from Unitholders. The proposed acquisition was approved with 99.8% supporting votes. All AGM and EGM resolutions were voted via electronic poll, with results announced during the sessions and published on SGXNet.

Prior to the upcoming AGM, Unitholders are encouraged to send in their questions via a general inquiry form at <http://www.manulifeusreit.sg/contact.html>.

U.S. Thought Leadership

As the first U.S. pure-play office REIT listed in Asia, MUST is constantly exploring new ways to deliver the latest U.S. updates to the investment community. In September 2018, the Manager invited Manulife's Global Chief Economist, Megan Greene based in U.S. for a thought leadership programme in Singapore. The programme focused on current and relevant topics such as the USD, the impact of rising interest rates on U.S. growth and the flow through effect on Asia's equity and bond markets, and the implications of U.S.-China trade war on Asia and Singapore.

Since its listing in 2016, MUST has engaged CDP investors through AGMs, investor days and annual report publications. Through sheer determination and persistence, the Manager managed to reach out to the investors who were hidden behind the nominees with the help of its unit registrar. These investors were invited to Manulife US REIT Day 2018 as part of its inaugural thought leadership programme. Apart from U.S. updates, the Manager took the chance to share MUST's strategies and performance in 1H2018. Investors also engaged in open discussions with our Global Chief Economist and the senior management team via a Q&A session. The luncheon received overwhelming responses and very positive feedback. The nominee investors were greatly appreciative of the Manager's engagement efforts as it was the first time most of them were invited to a corporate event in Singapore.

Institutional investors, analysts, media, and veterans from the real estate industry were also invited to separate sessions of the programme, and participants were able to take away important information that addressed their concerns regarding the latest development of the U.S. economy. Moving forward, the Manager intends to increase its efforts to engage the investment community whilst supporting various aspects of investor education.

In October 2018, an analyst report cited that a new U.S. tax rule could potentially reduce MUST's distribution by 30%. The inaccurate report caused panic and sent the unit price plunging to an all-year low of US\$0.695. The Manager acted swiftly and held clarification calls with the media, analysts, investors and remisiers to refute the misconceptions. Post the calls and the rectification reports, the unit price recovered to close to US\$0.76 the next day. On 20 December 2018, the U.S. Department of the Treasury announced the proposed U.S. Tax Act, 267A Regulations, and the Manager currently expects that it will not have any material impact on MUST. Riding on the interest of the U.S. tax debacle, the Manager invited MUST's U.S. tax advisor, David Kaplan from Sullivan and Worcester to Singapore in January 2019. During the 2-Day seminar, David shared on the background and stability of the U.S. tax structure to more than 60 analysts, media and investors.

INVESTOR RELATIONS

Moving forward, the Manager intends to increase its efforts to engage the investment community whilst supporting various aspect of investor education.

Awards and Accolades

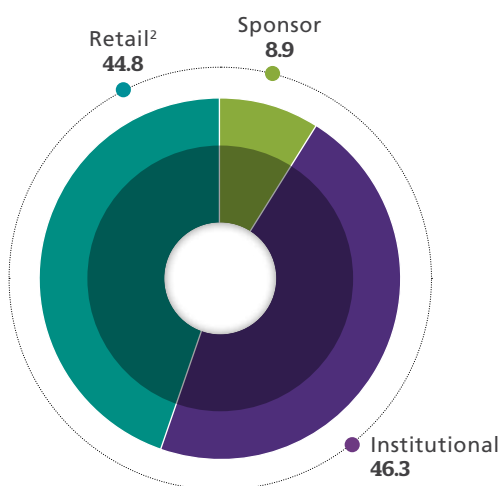
In December 2018, the Manager won numerous awards at the IR Magazine Awards – South East Asia 2018:

- Best Investor Relations Officer (Small to Mid-cap) for Caroline Fong, Head of Investor Relations – Winner
- Best Investor Event – Winner
- Best Overall Investor Relations (Small to Mid-cap) – 2nd Place
- Best in Country – Singapore – 2nd Place
- Best in Sector – Real Estate – 2nd Place

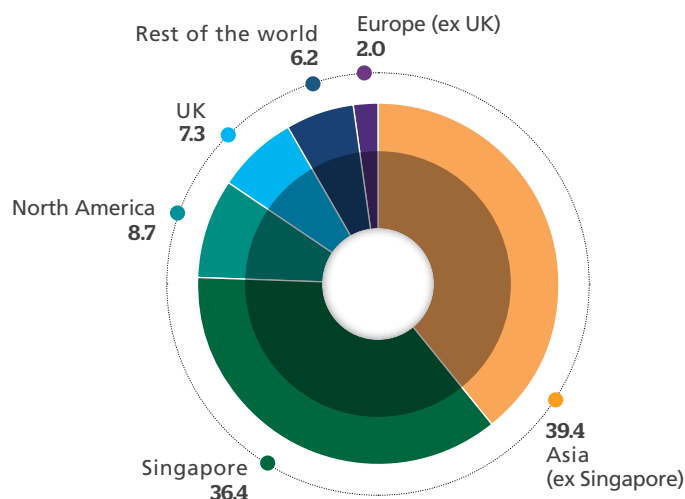
The Head of Investor Relations was also invited to the panel during the forum to share her insights with fellow investor relations officers. MUST is recognised across various platforms for its high standards of corporate governance. MUST was ranked 8th among 44 Singapore REITs and Business Trusts with a total score of 75.5 for GIFT 2018. It was also one of the 60 companies selected among more than 700 for SGX's Fast Track Programme, during its launch in 2018 to recognise companies with a good corporate governance standing and compliance track record.

MUST was awarded the Green Star and ranked 4th among 14 U.S. REITs by the GRESB annual benchmarking assessment in 2018.

Unitholders by Type¹ (%)



Unitholders by Geography^{1,3} (%)



Inclusion in Key Indices

- GPR General (World) Index
- GPR General ex-US Index
- GPR General Far East Index
- GPR General Far East ex-Japan Index
- GPR General Singapore Index
- GPR General Quoted (World) Index
- GPR General Quoted ex-US Index
- GPR General Quoted Far East Index
- GPR General Quoted Far East ex-Japan Index
- GPR General Quoted Singapore Index
- GPR/APREA Composite Index
- GPR/APREA Composite Singapore Index
- GPR/APREA Composite REIT Index
- GPR/APREA Composite REIT Singapore Index



- GPR/APREA Investable REIT 100 Index
- GPR/APREA Investable REIT 100 Singapore Index
- iEdge SG Real Estate Index
- iEdge S-REIT Index

¹ As at 31 December 2018.

² Includes High Net Worth.

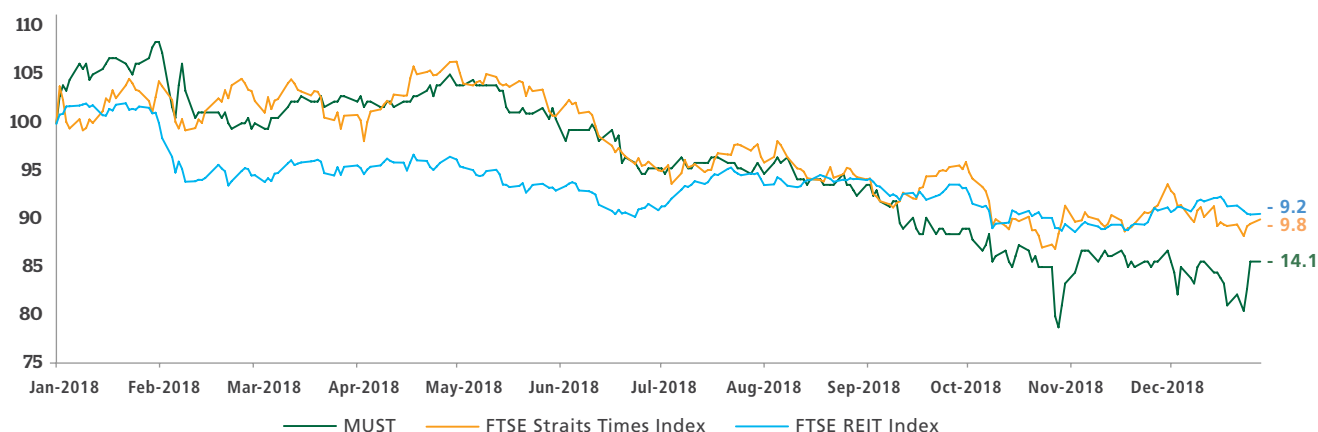
³ Excludes unidentified and unanalysed holdings.

FY2018 IR Calendar

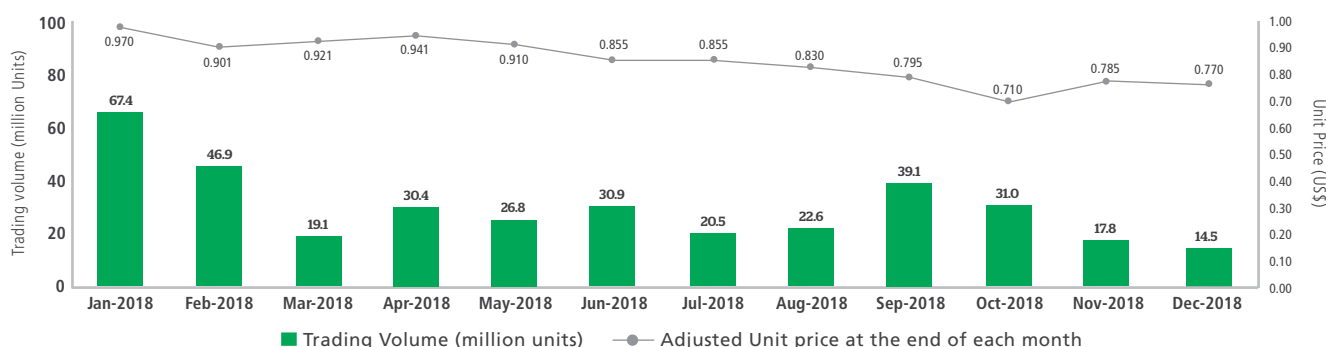
Date	Event
6 Feb 2018	FY2017 Results Announcement
6 Feb 2018	FY2017 post Results Analyst & Media Briefing
6 Feb 2018	FY2017 post Results Investor Luncheon
8 Feb 2018	Presentation to UOB Remisers
8 – 9 Feb 2018	Non-Deal Roadshow in Bangkok
12 – 13 Feb 2018	Non-Deal Roadshow in Hong Kong
28 Feb 2018	Movie Night for Investors, Media and Analysts
13 Apr 2018	Analyst & Media Briefing post Penn & Phipps Acquisition
23 Apr 2018	Annual General Meeting
30 Apr 2018	1Q2018 Results Announcement
3 – 8 May 2018	Roadshow in Singapore and Hong Kong
8 May 2018	Luncheon with DBS High Net Worth Investors
15 May 2018	Extraordinary General Meeting
19 May 2018	REIT Symposium 2018
6 Aug 2018	2Q2018 Results Announcement
6 Aug 2018	2Q2018 post results Analyst & Media Briefing
6 Aug 2018	2Q2018 post results Investor Luncheon
7 Aug 2018	Maybank Kim Eng Trading Representatives Luncheon
8 Aug 2018	KGI Securities Trading Representatives Luncheon
16 Aug 2018	SGX-Maybank Conference, Kuala Lumpur
23 Aug 2018	SGX-Citi-REITAS C-Suite Forum, Singapore
7 Sep 2018	SGX-DBS-REITAS Corporate Day, Bangkok
24 Sep 2018	Manulife US REIT Day 2018
25 Sep 2018	NUS Real Estate Breakfast Roundtable Discussion
26 Sep 2018	U.S. Thought Leadership Breakfast with Media and Analysts
26 Sep 2018	U.S. Thought Leadership Lunch with Institutional Investors
5 Nov 2018	3Q2018 Results Announcement
5 Nov 2018	3Q2018 post results Analyst & Media Conference Call
5 Nov 2018	3Q2018 post results Investor Luncheon
7 Nov 2018	Presentation to Philips Securities Remisers
14 Nov 2018	SGX-REITAS Education Series
11 Feb 2019	FY2018 Results Announcement
11 Feb 2019	FY2018 post Results Analyst & Media Briefing
11 Feb 2019	FY2018 post Results Investor Luncheon
13 Feb 2019	Non-Deal Roadshow in Bangkok

INVESTOR RELATIONS

Relative Performance for the Period 2 January to 31 December 2018 (%)



Monthly Trading Performance



Unit Price Performance¹

Opening Unit Price as at 2 January 2018 ² (US\$)	0.896
Closing Unit Price as at 31 December 2018 (US\$)	0.770
High (US\$)	0.980
Low (US\$)	0.710
Average Daily Trading Volume in FY2018 (million units)	1.5
Total Trading Volume in FY2018 (million units)	366.9
Market Capitalisation as at 31 December 2018 (US\$ million)	982.8
Number of Units in Issue as at 31 December 2018 (million units)	1,276.3

Analysts Coverage

- 1 CLSA Singapore
- 2 DBS Bank
- 3 Deutsche Bank
- 4 KGI Securities
- 5 Lim & Tan Securities
- 6 RHB Research
- 7 UOB Kay Hian

Form W-8Ben Enquiries

Toll free: 1800-238-0222
 From Overseas: +65-6238-0222
 Monday to Friday,
 excluding public holidays
 (9.00am to 6.00pm)
 Email: usreitinquiry@manulifeusreit.sg

IR Contact

For any feedback and inquiries, please contact:

Caroline Fong
 Head of Investor Relations
 Email: carol_fong@manulifeusreit.sg
 Website: www.manulifeusreit.sg

¹ Adjusted for rights issue and preferential offering.
² Same as closing price as at 29 December 2017.

ENTERPRISE RISK MANAGEMENT

All of MUST's activities involve elements of risk-taking. The objective is to balance the MUST'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.

ERM Framework



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 MUST's risk management practices. This allows individuals and groups to make better risk-return decisions that align with the MUST'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 MUST 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, 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.

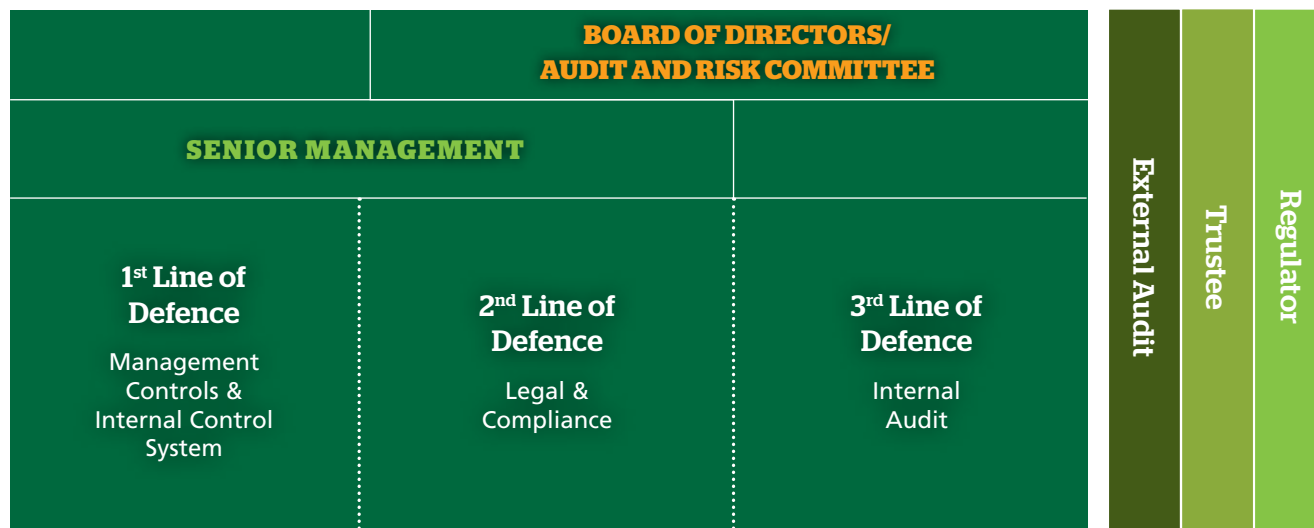
Risk-taking activities are managed within MUST's overall risk appetite and approved by both the ARC and the Board. Risk appetite defines the amount and types of risks MUST is willing to assume, which comprises risk philosophy, risk appetite statements and risk limits and tolerances.

This requires business units and functional support groups to identify and assess key and evolving risks arising from their activities on an on-going 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.

ENTERPRISE RISK MANAGEMENT

Three Lines of Defence



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 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 (SFA), Code of Collective Investment Scheme,

U.S., Barbados 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. Changes in legislations and regulations including amendments to laws and regulations, legal judgments and their interpretation may impact MUST's distributable income. The Manager actively monitors regulatory changes and its impact to MUST, and implements appropriate strategies to mitigate the impact.

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 MUST'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's substantial portion of borrowings are fixed rate interest-bearing borrowings. As such, MUST 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 and Trustee.

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.



Michelson, Irvine



SUSTAINABILITY REPORT CONTENTS

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61	Sustainability Approach	73	Ethical Corporate Behaviour
		76	GRI Content Index

ABOUT THIS REPORT

SUSTAINABILITY MISSION

To create value for stakeholders through continuous sustainability efforts based on the principle that 'A life is worth living through giving'



About This Report

Manulife US Real Estate Investment Trust (MUST or Manulife US REIT) is a Singapore Real Estate Investment Trust (REIT) managed by Manulife US Real Estate Management Pte. Ltd. (Manager), established with the investment strategy 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. The Manager is wholly owned by The Manufacturers Life Insurance Company (Sponsor) which is part of the Manulife Group (the Group). John Hancock Life Insurance Company (U.S.A.) (JHUSA) has been appointed as the property manager (Property Manager) for the properties.

This Sustainability Report covers MUST's sustainability approach, activities and performance from 1 January to 31 December 2018, with comparative data for the same period in 2017. This report has been prepared by the Manager in compliance with the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules 711A and 711B, with reference to the Global Reporting Initiative (GRI) Standards (2016), and includes consideration of the GRI Construction and Real Estate Sector Disclosures. The GRI Standards have been selected as they represent global practices in sustainability and are suited to the REIT industry and business model. The GRI Content Index and the relevant references are presented on pages 76 to 77 and should be read together with MUST's Annual Report 2018. A pdf version can be downloaded from <http://www.manulifeusreit.sg>.

Please forward any inquiries, comments or feedback to usreitinquiry@manulifeusreit.sg as the Manager continues its sustainability efforts to improve its reporting.

Reporting Scope

This report focuses on the activities of MUST, the Manager and the underlying properties in the U.S.: Figueroa in Los Angeles, Michelson in Irvine, Peachtree in Midtown Atlanta, Plaza in Secaucus and Exchange in Jersey City. Data from the 2018 acquisition of Penn in Washington D.C. and Phipps in Atlanta will be included in 2019's Sustainability Report.

Board Statement

The Board is pleased to present the MUST's 2nd Sustainability Report. Since our inaugural report for 2017, the Sustainability Steering Committee (SSC) has continued to drive sustainability within MUST. We have established four focus areas in our sustainability approach in which we believe sustainability can contribute to MUST's mission. These approaches are found on page 61. We monitor our sustainability performance and work with our Property Manager to identify opportunities to improve sustainability.

This report details our work over the year in the direction of sustainability, governance performance and presents our performance and targets. It is aligned to the SGX-ST Listing Rules 711A and 711B and references the internationally recognised GRI Standards (2016).

LETTER TO STAKEHOLDERS

Dear Stakeholders

We are delighted to present Manulife US REIT's 2nd Sustainability Report charting key achievements towards its goal of purposeful sustainability and reaffirming its Environmental, Social and Governance (ESG) programme for 2019 and beyond. Whilst our duty remains, first and foremost, to serve the interests of MUST's investors we are conscious of making a positive and purposeful contribution from all aspects of our work.

MUST not only aims to provide Unitholders with sustainable distributions but also to imbue a spirit of purposeful prosperity.

Fundamental to this approach in the words of the great statesman and leader, Sir Winston Churchill, *"We make a living by what we get, but we make a life by what we give"*.

Our sustainability mission is to create value for stakeholders through continuous sustainability efforts based on the principle that 'A life is worth living through giving'.

To achieve our mission, we aim to make a difference in four main areas by investing in: (1) sustainable properties and respect for the environment, (2) stakeholder engagement, (3) human capital and (4) ethical corporate behaviour.

Over the past year we have collaborated closely with Manulife's property and Corporate Social Responsibility (CSR) teams to develop and enhance our sustainability approach.



Sustainable Properties

It is generally known that top-quality properties and services attract and retain high-calibre tenants. As a result, REITs that own such assets are able to deliver more sustainable returns to unitholders. MUST's Trophy and Class A office properties, which enjoyed a 96.7% occupancy rate as at 31 December 2018 give us confidence that over the medium to long-term such assets will produce and enhance returns for our Unitholders.

In today's competitive business environment, office properties that make the most of eco-efficiency, and that offer innovative and cost-effective space are much sought after. We aim to meet this demand through our sustainability programmes which in turn improves the financial returns of MUST. We work with our Property Manager to operate and invest in our properties in a sustainable way. As a result, all MUST's properties demonstrate strong sustainability performance as evidenced by the fact that all have Energy Star, LEED™ Gold certifications or both. We are pleased to announce that we have achieved LEED™ Gold for Exchange in 2018 and that, including the two new properties acquired in 2018, four out of our seven properties are LEED™ Gold certified. We are targeting to obtain LEED™ Gold for the remaining properties over the next few years. Our Property Manager recently rolled out a new Sustainable Buildings Standards programme to improve sustainability for all properties. This aligns with JHUSA's Sustainability Real Estate Policy as well as the industry best practices such as Global Real Estate Sustainability Benchmark (GRESB), Leadership in Energy and Environmental Design (LEED) and Building Owners and Managers Association (BOMA) BEST®. In 2018, our properties achieved Greenhouse Gas (GHG) emission reductions and MUST received 5 Star in the 2018 GRESB annual benchmark assessment. GRESB 5 Star is the highest rating and is recognised for being an industry leader. Each year, only 20.0% of participating entities are awarded 5 Star rating.

Stakeholder Engagement

We are very aware that REIT investors have numerous investment options and key criteria will be to ensure the stability and longevity of their distributions. Proactive stakeholder engagement is important to obtain valuable feedback. To that end, in 2018 we commenced our specially tailored 3-Day U.S. Thought Leadership Programme at which the Manulife's Global Chief Economist from the U.S. presented on key issues such as the U.S.-China trade wars and the direction of interest rates to our stakeholders. We also engaged the investment community through platforms such as live and archived audio webcasts for our financial and acquisition briefings. More details can be found on page 49 of MUST's Annual Report 2018.

Our community involvement goes beyond volunteering hours and monetary donations. In 2018, we created employment in the local community and encouraged self-dependency, commissioning several Singapore social enterprises to design our Chinese New Year red packets and corporate gifts. Our volunteer hours increased 80.5 hours during the year to 178.5 hours and the Manager and staff donated S\$20,000 to charities that aim to help the needy such as the aged poor.

Human Capital

Employee retention is a key challenge that all organisations face. The management team encourages an active learning culture, believing that investing in human capital is vital for the success of MUST. We also aim to attract and retain the best talent in order to help us drive a high level of service. The Nominating and Remuneration Committee (NRC) also provides support and guidance on a wide variety of different aspects of human capital.

Training is an essential part of developing, retaining talent and helping employees to achieve their personal and business goals. In 2018, we provided an average of 33.3 training hours per employee, an increase from the 2017 average of 26.1 training hours. A diverse employee base also leads to a dynamic and productive environment and our employee contingent is made up of 70.6% female and 29.4% male.

Ethical Corporate Behaviour

Finally, it is of paramount importance that providing regular distributions and achieving long-term growth in Distribution per Unit (DPU) and Net Asset Value (NAV) have to be achieved through ethical and responsible corporate practices. This Sustainability Report and other public documents, as well as compliance and alignment to all relevant laws and regulations, enable us to provide stakeholders with the certainty that MUST is being managed to high standards of corporate governance. Transparency also provides reassurance and comfort to all stakeholders. From April 2018, MUST was one of the 60 companies included in the SGX Fast Track programme during its launch

by the Singapore Exchange Regulation (SGX RegCo). The programme recognises listed companies with a good corporate standing and those that have maintained a good compliance track record. We are also pleased to announce that our score in the Governance Index for Trusts (GIFT) improved from 69.0 in 2017 to 75.5 in 2018 and that we have had no incidents of non-compliance with any laws and regulations over the last year.







With the strong support by the Board, as well as our stakeholders, we will endeavour to strengthen our sustainability focus while delivering stable returns to Unitholders.

Jill Smith

Chief Executive Officer






FY2018 SUSTAINABILITY HIGHLIGHTS

	FY2018 Highlights
 Investments	<ul style="list-style-type: none"> Achieved a 5 Star ranking in GRESB – awarded to the top 20.0% Improved GRESB ranking with a score of 85 in FY2018 from 76 in FY2017
 Approach	<ul style="list-style-type: none"> Aligned sustainability efforts with the United Nations Sustainable Development Goals (SDGs) with additional SDGs in FY2018
 Properties	<ul style="list-style-type: none"> Achieved LEED™ Gold for Exchange GHG emission reduced by 7.2% YoY GHG emission intensity reduced by 6.7% YoY
 Outreach	<ul style="list-style-type: none"> Doubled the number of investors met in FY2018 to 2,000 Volunteer hours increased by 82.1% to 178.5 hours in FY2018
 Employees	<ul style="list-style-type: none"> Increased staff strength from 13 to 17 through hiring across different ages and gender; low turnover with 2 resigned Average training hours per employee increased by 27.6% to 33.3 hours in FY2018
 Regulatory Governance	<ul style="list-style-type: none"> No incident of non-compliance with laws and regulations resulting in fines or sanctions GIFT score improved from 69.0 in FY2017 to 75.5 in FY2018 Recognised as SGX Fast Track entity

SUSTAINABILITY APPROACH

MUST operates in an ESG aware world, where business activities cannot be isolated from their external impacts. For example, office buildings are known to emit substantial GHG emissions through the use of energy, such as electricity, a fact that both ourselves and our tenants are aware of. By addressing sustainability or ESG, we not only minimise environmental and social impacts and maximise environmental and social benefits, we also reduce costs, capture demand for

sustainable products, meet stakeholders' expectations and minimise risks. We addressed this issue by increasing the eco-efficiency of our assets and have the double benefit of reducing our impact on the environment, as well as reducing building costs whilst improving building quality. The identification and development of the business case in order to create the sustainability benefits are summarised below:

 Sustainability Focus Area	 Business Case	 Environmental and Societal Benefits
Sustainable Properties	<ul style="list-style-type: none"> • Reduce operating costs by encouraging eco-efficiency and using fewer resources • Meet increasing tenant demand for sustainable and health and wellness oriented real estate products and services 	<ul style="list-style-type: none"> • Less pressure on natural resources such as natural gas and water • Lower GHG emissions • Healthier workspaces and more satisfied tenants
Stakeholder Engagement	<p>Investment Community</p> <ul style="list-style-type: none"> • Respond to the needs of the financial community through meetings, seminars and thought-leadership programmes • Communicate our business strategy to increase confidence in MUST <p>Tenant Community</p> <ul style="list-style-type: none"> • Foster stronger relations with the tenants through various activities <p>Local Community</p> <ul style="list-style-type: none"> • Understand local community's needs and how MUST can optimise community involvement 	<ul style="list-style-type: none"> • Share information and educate financial community • Improve financial stability • Effective communication • Higher tenant satisfaction
Human Capital	<ul style="list-style-type: none"> • Recruit self-motivated, dynamic talents who bring sound ideas and good decision-making process to steer MUST in the right direction • Gain and retain individuals whose ideologies and values align with those of MUST in order to provide the quality of service that is expected 	<ul style="list-style-type: none"> • Provide first-rate job opportunities for the local talent market • Provide skilled jobs which contribute to the local socio-economic setting
Ethical Corporate Behavior	<ul style="list-style-type: none"> • Mitigate financial, operational and reputational risks associated with non-compliance • Give stakeholders comfort that MUST is well-governed and well-managed 	<ul style="list-style-type: none"> • Engage in advancing public policy discussion that promotes environmental and social improvements

SUSTAINABILITY APPROACH

Collaborating With Our Sponsor

Our Sponsor has a number of sustainability commitments. It is a signatory to the United Nations-supported Principles for Responsible Investment (PRI)¹ and the Equator Principles and is a member of the United Nations Environmental Programme Finance Initiative (UNEP FI). The Sponsor has been producing public sustainability reports for many years, for example the Manulife Financial Corporation Corporate Citizenship Report and Public Accountability Statement. It takes part in the Carbon Disclosure Project and is included in the Dow Jones Sustainability Index. Further, Manulife became the first life insurance company in the world to issue a green bond in 2017. The proceeds from a green bond are linked to green assets, such as renewable energy projects, green buildings and sustainably managed forests. The green bond

was a natural progression in terms of how Manulife can contribute to society's sustainability agenda as well as fit into the capital strategy.

Working with our Property Manager

Our Property Manager has a long track record of sustainability management. It has been measuring energy consumption and GHG emissions since 2005 and has participated in the GRESB assessment for all their funds since 2016. Its sustainability vision is to drive leadership in sustainable real estate practices across its global organisation and provide healthy and efficient workplaces for tenants while enhancing long-term returns. This vision, along with their Sustainable Real Estate Policy, is aligned with MUST's sustainability focus areas and objectives.

The Sustainable Building Standards

In 2018, our Property Manager rolled out their Sustainable Building Standards programme. The purpose is to build a consistent sustainability experience for tenants, employees and visitors. It also acts as a benchmark of sustainability performance and as tools and resources for property teams. The 13 standards align with the commitments in the Sustainable Real Estate Policy, as well as with industry best practices, including GRESB, LEED™ and BOMA BEST®.

Properties have the option of reaching one of five levels for each of the standards in order to adjust for differing applications at buildings of differing use. For example, tenant engagement level one involves communicating with tenants on sustainability and providing tips to reduce their environmental footprint. Higher levels of tenant engagement (levels two through four) involve holding events and campaigns, such as e-waste drives, at the property. Achieving level five requires forming a tenant-landlord green team to work collaboratively to implement initiatives at the property.

The standards are being rolled out to all properties including those in the MUST's portfolio. We are delighted to support this initiative.

SUSTAINABLE BUILDING STANDARDS

STANDARDS	LEVELS				
 MINIMIZE OUR ENVIRONMENTAL IMPACT	1	2	3	4	5
1. Energy management and assessments	○	○	○	○	○
2. Energy measurement and analysis	○	○	○	○	○
3. Water management and assessments	○	○	○	○	○
4. Waste management	○	○	○	○	○
5. Alternative transportation	○	○	○	○	○
 SUPPORT HEALTH AND WELLNESS					
6. Indoor environmental quality	○	○	○	○	○
7. Health and wellness programming	○	○	○	○	○
 PROMOTE RESPONSIBLE BUSINESS PRACTICES					
8. Procurement program and tracking	○	○	○	○	○
 ENGAGE OUR STAKEHOLDERS					
9. Tenant engagement	○	○	○	○	○
10. Community engagement	○	○	○	○	○
11. Employee engagement	○	○	○	○	○
 BE ACCOUNTABLE FOR OUR PERFORMANCE					
12. Certifications and sustainability brand	○	○	○	○	○
13. Sustainability management	○	○	○	○	○

¹ Manulife Asset Management is a PRI signatory, part of the Manulife Group.

Sustainability Governance

MUST established an SSC in 2017 which continued to drive sustainability in 2018. The Chief Sustainability Officer, Caroline Fong, leads the SSC which includes MUST's senior management, representatives from the Manager and the Property Manager. Together the group drives sustainability strategies and action plans, sets targets, oversees monitoring processes and reviews sustainability performance. The committee is supported by employees, key stakeholders and Sponsor. The SSC reports to the Board on a regular basis to keep them updated on progress.

SSC Organisation Chart



Materiality Assessment

In 2017, we conducted a materiality assessment to identify sustainability or ESG factors that were most relevant to MUST. Relevance was determined using the GRI Materiality and Stakeholder Engagement principles and was based on their impact on our business and the importance of factors to stakeholders. In 2018, we reviewed the relevance of these factors in the context of our four sustainability focus areas. Our material ESG factors remain the same as in 2017 and are listed in the table below.

We considered our sustainability activities in the context of our business as well as the industry, global and local landscape. We also assessed how our efforts contribute to the achievement of the SDGs. The SDGs are the blueprint to achieve a better and more sustainable future for all. They address global challenges, including those related to poverty, inequality, climate, environmental degradation, prosperity, peace and justice. In the table below, we demonstrate which SDGs our material ESG factors support.

Sustainability Focus Area	Material ESG Factors	SDGs Supported
Sustainable Properties	 <ul style="list-style-type: none"> Economic Performance¹ Investment Management Energy, Emissions and Water 	    
Stakeholder Engagement	 <ul style="list-style-type: none"> Engaging Communities 	
Human Capital	 <ul style="list-style-type: none"> Talent Retention Training, Education and Leadership Diversity and Equal Opportunity 	 
Ethical Corporate Behaviour	 <ul style="list-style-type: none"> Regulatory Compliance 	

¹ Refer to the Letter to Unitholders and Financial Statements of MUST's Annual Report 2018.

SUSTAINABLE PROPERTIES



Investment Management

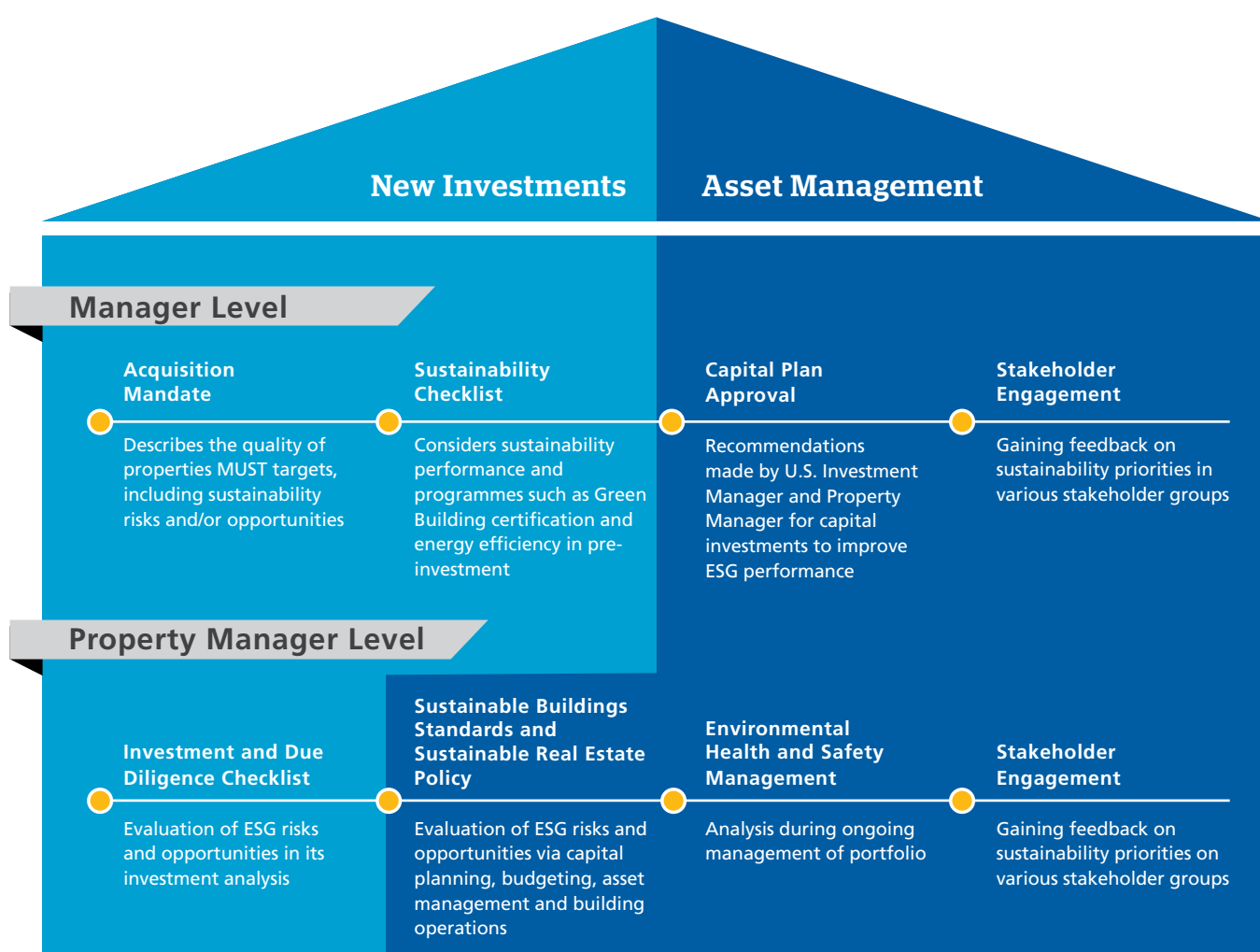
Managing our investments is a vital factor for our business. Our investment decisions affect the quality of assets, DPU and NAV. When making these decisions, we must consider internal and external aspects that may have an impact, including sustainability-related ones.

We manage our assets responsibly, in that we seek to mitigate sustainability risks and take advantage of sustainability opportunities. Our responsible property investment

practices start at the point of deciding which assets to acquire and continue through management of the assets, to disposal.

Responsible Property Investment

We have a number of policies and initiatives at different levels that enhance our responsible property investment practices. These cover new investment acquisition processes as well as active asset management and property management.



New Investments

When evaluating a new investment, we are guided by our acquisition mandate when considering the appropriateness of the investment. New acquisitions are sourced by the U.S. asset manager, communicated to MUST's Chief Investment Officer (CIO), vetted by the management team and ultimately

approved by the Board. During due diligence, we examine both environmental and other sustainability risks and opportunities. The investment team is required to complete a 'Sustainability in Investment and Due Diligence Form' that summarises the ESG performance of the property for all investments.

Asset Management

To maintain and enhance the quality of our assets, we continually monitor their performance and review the need for ongoing capital and operational improvements. This is overseen by the Property Manager's Engineering and Technical Services team, which reviews our performance and makes recommendations on capital plans. This proactive approach helps to avoid negative surprises, which results in cost savings and maintains a high level of tenant satisfaction.

The Property Manager incorporates the evaluation of ESG risks and opportunities into its investment analysis and the ongoing management of its portfolio. It is aided by the Sustainability Checklist.

The Property Manager utilises its property management, asset management and portfolio management expertise to maintain high quality services. MUST's CIO updates the Board quarterly on the performance of the portfolio as well as any acquisition activity.

As part of our responsible property investment practices, MUST participates in the GRESB Real Estate Assessment. GRESB is an investor-led initiative that assesses the ESG performance of real estate companies and funds. We are delighted to have increased our score from 76 in 2017 to 85 in 2018, meeting our 2018 target. This score of 85 is higher than our peer average of 80 and puts us 4th out of 14 in our peer group: 'Office – United States – Listed'. Our strengths from the 2018 GRESB Assessment included achieving above average energy, water and GHG reductions, reporting energy, water and waste data for 100.0% of our properties, having strong stakeholder engagement, including 80.0% of employees trained on sustainability, and having a strong suite of policies, procedures and reporting in place.

Energy, Emissions and Water

The United Nations Environment Global Status Report 2018 states that buildings emit 36.0% of global GHG, and account for 36.0% of energy consumption. Increasing eco-efficiency of buildings can have significant environmental benefits. Energy and water use can be costly for properties and therefore reducing their usage can lead to substantial savings.

We support our Property Manager in its endeavours to implement numerous initiatives that manage the energy and water use in our assets. The introduction of the Sustainable Building Standards to complement their Sustainable Real Estate policy has been a welcome initiative. All properties under MUST have been assessed against these standards and will continue to be assessed on a half-yearly basis.

Achieving LEED™ for Exchange

In 2018, Exchange in Jersey City implemented a number of initiatives that led to the achievement of LEED™ GOLD certification and ENERGY STAR® certification with a score of 83, putting the building in the top 20.0% of buildings for energy conservation in U.S. These initiatives include:

- Over 60.0% of the building occupants take an alternative form of transportation to driving alone, including walking, public transit, and carpooling
- Reduced indoor water consumption by over 30.0% compared to an average baseline building
- Diverted over 50.0% of ongoing waste and 100.0% of durable goods waste away from landfills through recycling and reuse
- Diverted over 80.0% of construction waste away from landfills through recycling and reuse
- Utilised certified green cleaning products over 75.0% of the time
- Completed a Light Emitting Diode (LED) retrofit of common area stairwells, saving an estimated 33,358 kWh annually



Exchange, New Jersey

SUSTAINABLE PROPERTIES

As part of the Sustainable Building Standards programme, each property has a 'Green Champion'. These champions are responsible for coordinating sustainability efforts at the properties and reporting on the Sustainable Building Standards.



Being the green champion for my building is important to me because it's my part in protecting the environment for this generation and future generations, it is everyone's responsibility. The rollout of our sustainability building standards have provided the properties accountability and guidelines for measured achievements helping us to strive to attain that next level. It was interesting to me to see what we have accomplished and how far we all still need to go in our efforts for sustainability. We have enjoyed the interaction with our tenants and to find out how passionate some of them are about the environment, what we can do as a community and how we can help them better achieve their sustainability goals.

Green Champion, Property Manager at Peachtree



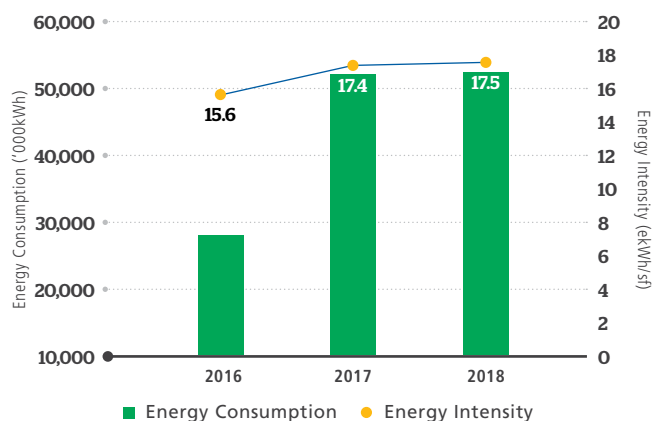
Certifications and Energy Ratings

There are two popular green building ratings bodies in the U.S., ENERGY STAR and LEED. ENERGY STAR is a U.S. Environmental Protection Agency programme that helps businesses save money and protect the climate through energy efficiency. The programme has tools for commercial buildings that calculates a 1–100 ENERGY STAR score, which has become the industry standard for rating a facility's energy performance¹. The 1–100 score is a percentile ranking, so a property with a score of 93 is among the top 7.0% of similar properties for energy efficiency.

LEED is the most widely used green building rating system in the world. LEED provides a framework to create healthy, highly efficient and cost-saving green buildings. LEED certification is a globally recognised symbol of sustainability achievement². All our properties are certified by one or both of these.

Property	Certification
Figueroa	ENERGY STAR®
Michelson	ENERGY STAR® LEED™ Gold
Peachtree	ENERGY STAR®
Plaza	ENERGY STAR®
Exchange	ENERGY STAR® LEED™ Gold

2016 - 2018 Energy Consumption and Intensity³



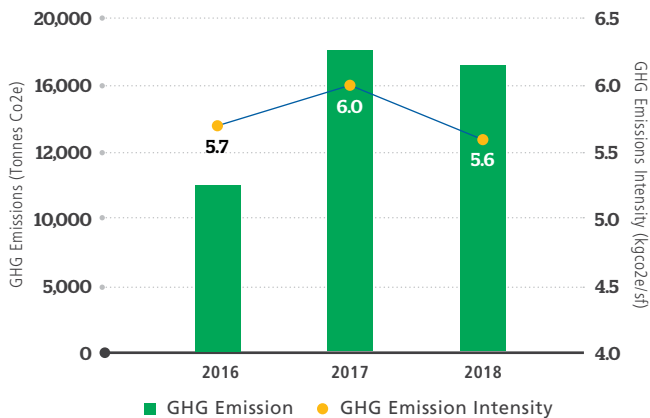
Note: Energy intensity was calculated by dividing total energy consumption/ total gross floor area

¹ www.energystar.gov

² www.usgbc.org/leed

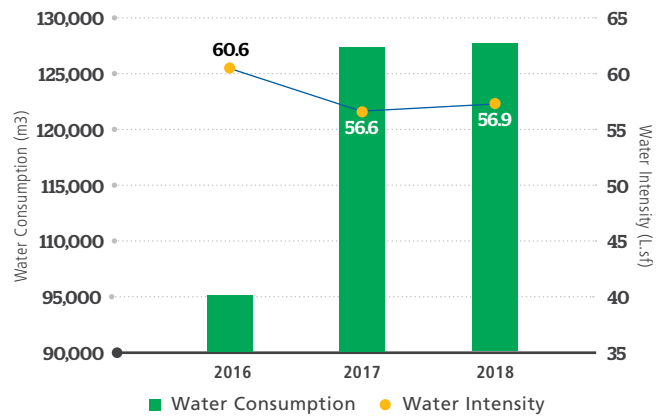
³ 2016 data is based on three properties; 2017 and 2018 data are based on five properties.

2016 - 2018 GHG Emission and Intensity¹



Note: GHG emission intensity was calculated by dividing total GHG emission/total gross floor area

2016 - 2018 Water Consumption and Intensity²



Note: Water intensity was calculated by dividing total water consumption/total gross floor area

Energy, Water and Waste Reduction Efforts – The Manager

In October 2018, the Manager's office moved to a new Singapore location, 8 Cross Street. To reduce waste, the carpet that was replaced was sent to be recycled into new carpets. Lights and air conditioners are also turned off automatically at preset timing every night and over the

weekends to reduce energy consumption. Indoor plants are placed in MUST's office as they bring about many benefits to the office such as improving air quality by removing harmful pollutants, stabilising humidity, reducing noise levels and they are known to increase productivity. Recycling activities for coffee capsules, plastic and cans were introduced since 2017 and staff are encouraged to print only when necessary, in double-sided on Forest Stewardship Certified (FSC) paper.

FY2018 Performance and FY2019 Targets

	FY2018 Performance	FY2019 Targets
GRESB	<ul style="list-style-type: none"> Achieved 5 Star ranking – with a score of 85 (FY2017: 76) 	<ul style="list-style-type: none"> Maintain or improve scores
Energy Consumption and Intensity	<ul style="list-style-type: none"> Energy consumption increased by 0.1%³ YoY (FY2017: reduced by 4.6% YoY) Energy intensity increased by 0.6%³ YoY (FY2017: reduced by 4.6% YoY) 	<ul style="list-style-type: none"> Maintain or reduce energy consumption and intensity
GHG Emission and Intensity	<ul style="list-style-type: none"> GHG emission reduced by 7.2% YoY (FY2017: reduced by 4.8% YoY) GHG emission intensity reduced by 6.7% YoY (FY2017: reduced by 4.9% YoY) 	<ul style="list-style-type: none"> Maintain or reduce GHG emission and intensity
Water Consumption and Intensity	<ul style="list-style-type: none"> Water consumption increased by 0.4%⁴ YoY (FY2017: reduced by 8.8% YoY) Water intensity increased by 0.4%⁴ YoY (FY2017: reduced by 8.8% YoY) 	<ul style="list-style-type: none"> Maintain or reduce water consumption and intensity

1 2016 data is based on three properties; 2017 and 2018 data are based on five properties.

2 2016 data is based on three properties; 2017 and 2018 data are based on four properties.

3 Data has not been normalised to account for year-on-year weather fluctuations. Energy intensity increased due to weather related consumption increases in 2018.

4 Water consumption increased due to a mechanical failure of a water valve which was subsequently repaired, as well as weather related. Exchange was not included in the water consumption due to inaccurate meter readings in 2018.

STAKEHOLDER ENGAGEMENT



Engaging Communities

Engaging different communities is important for MUST's success. These communities include the investment, tenant and local community. This year, we maintained tenant participation in our tenant satisfaction survey at 74%, more than doubled the number of investors we met with, increased the amount raised for charity by 43.9% and increased volunteer hours by MUST's employees by 82.1%.

Investment Community

In 2018, we increased our outreach and engagement to wider groups of investment community. Our investment community

comprises of institutional and retail investors, analysts, media and financial bloggers. We engaged our investors on a number of platforms in order to share information about MUST as well as garner feedback on investment needs and demands. Knowledge about these needs and demands can provide insight into how MUST can develop and adjust to trends, increasing its future resilience. For the first time, MUST held a 3-Day U.S. Thought Leadership Programme in 2018 and invited Manulife's Global Chief Economist to deliver views on key issues such as USD, the impact of rising interest rates on U.S. growth and the flow-through effect on Asia's equity and bond markets, and the implications of the ongoing U.S.-China trade war on Asia and Singapore.

Key Engagement Initiatives

 Events	<ul style="list-style-type: none"> • AGMs • EGMs • Conferences/Seminars • U.S. Thought Leadership Programmes • Investor Days • Social Events
 Meetings	<ul style="list-style-type: none"> • Results Briefings with Audio webcast/Luncheons • Conference Calls • Local and Overseas Roadshows • Media Interviews
 Publications	<ul style="list-style-type: none"> • Annual and Sustainability Reports • SGX Announcements • Investor Presentations • Press Releases • Investor Packs • Factsheets • Newspaper Advertisements • Circulars
 Website	<ul style="list-style-type: none"> • Dedicated Customer Service Hotline for General Inquiries • Dedicated Investor Relations Contact • Property Videos on Website for Investor Education • Archived Audio webcasts • Email Alerts of MUST's Announcements/News

Tenant Community

Engaging the tenant community is important for several reasons. The first is for us to obtain feedback on our property management in order to serve our tenants better, the second is to encourage sustainable property practices amongst our tenants and the third is to share new programmes with them. Our engagements include community events such as 'immunisation programme' and 'blood donation drive'.

Tenant Survey

Here at MUST, we value tenants' feedback greatly. The Property Manager engages Kingsley Associates to conduct

tenant satisfaction surveys in alternate years at all MUST's properties to better understand and serve its tenants. The survey gathered information on tenants' overall satisfaction, perception of property, satisfaction with management, leasing and maintenance, renewal intentions and likelihood of property recommendations. In 2018, we received responses from just under 74% of requested tenants in the portfolio. The survey was broken into four sub-groups where tenant satisfaction was measured. These sub-groups were then aggregated into an overall satisfaction level. Tenants ranked each category on a 1 to 5-star scale, from poor to excellent, respectively. When asked whether a tenant would recommend their respective property to a potential tenant, roughly 86% of respondents provided

a 4 or 5-star rating. In terms of tenant satisfaction regarding property management services at their respective buildings, 93% of respondents provided a 4 or 5-star rating. Satisfaction of the leasing process was rated a 4 or 5-star by more than 86% of tenants who responded. In the area of building qualities, almost 96% of respondents rated a 4 or 5-star. When looking at tenant's overall satisfaction, an overwhelming 9 out of 10 tenants responded with a 4 or 5-star rating. The next survey will take place in 2020.

Tenant Engagement

Blood Drive/Health Screening

During the year, a combination of blood drives and health screenings were available in all our properties. The events were hosted by the American Red Cross and aimed at promoting healthy living as well as engaging the community to donate blood for those in need.

Eyeglasses and Sunglasses Drive

During the year, Michelson partnered with VSP Eyes of Hope to host eyeglasses and sunglasses drive to benefit members in the local community in need of eyewear. Donation boxes were set up in the lobby and approximately 100 pairs of eyewear were donated.

Food Drive

During the month of November, Plaza carried out a food drive with Person-to-Person benefitting local area families. Donation boxes were set up in the lobby and the event recorded approximately 50lbs of food donations.

Tenants' Health and Wellness

Flu Immunisation

The importance of vaccination is the best way to help prevent the misery of influenza and its complications. As part of our wellness and healthy living initiatives, the Property Manager hosted a flu shot event in Figueroa where 59 participants received their annual vaccinations. With this success, we hope that we can implement such initiatives in all our properties.

Well-being

To promote wellness, healthy living tips were posted regularly via the buildings screen. Surveys were conducted to assess the health and wellness topics which our tenants wish to pursue.

Local Community

The Manager strongly believes in proactive engagement with the community in order to give back to the society in which we work. Our local community work involves adopting and supporting meaningful causes, charities and community groups, including monetary donations. In addition, volunteering encourages team bonding and open communication among staff members.

In May 2018, in conjunction with our 2nd listing anniversary, 13 staff brought 20 elderly members of the Young Women Christian Association (YWCA) on an outing to the S.E.A. Aquarium™ in Sentosa. The event which was jointly organised by YWCA and Wheels-on-Meals, created an opportunity for the elderly, some of whom are wheelchair-bound, to get out of their home for a wonderful and interactive session. In addition, the elderly were given coupons to purchase their snacks to encourage independence during the outing. In October 2018, we donated our fridge and proceeds from the sale of office items to YWCA when we moved office.

Into our 2nd year partnership with St Luke's Hospital, a community hospital, we celebrated the Mid-Autumn Festival in September 2018 with 20 elderly patients by organising a goldfish lantern-making session. The lantern-making session helped the elderly with co-ordination, cognitive abilities and concentration as well as brought joy and warmth to them.

MUST was the Supporting Partner of the Singapore Kindness Run in 2018, to help build a kinder and more inclusive running community. As a Supporting Partner, the amount raised went to beneficiaries such as the Prison Fellowship Singapore, which brings holistic restoration to inmates and their families and Faith Acts, a community care service that helps children with learning needs, youth-at-risk, vulnerable families and seniors.

Christmas, a festive celebration of love, joy and peace, saw staff getting together to spread the spirit of giving. Staff participated in the Christmas gift donation drive by 'ItsRainingRaincoats', an initiative to spread kindness to the migrant workers of all faith in Singapore and targets to give the 700,000 unsung heroes in Singapore a Christmas present each. MUST's staff contributed 120 individually wrapped gift packs which included items such as T-shirts, socks and toiletries.

Apart from volunteering together with MUST, employees are given two days of volunteer leave per year to encourage additional volunteerism.

STAKEHOLDER ENGAGEMENT

Beyond Volunteering

In December 2018, the Manager aimed to go beyond volunteer hours and donations by creating employment for social enterprises. These included TeddyThotz, a social enterprise in retail which employs the vulnerable in the community. They were commissioned to design and create MUST's corporate gifts. The Manager also commissioned 'Friends of the Disabled Society' under its Skills & Entrepreneurship Programme, to design MUST's Chinese New Year red packets for 2019. 'Friends of the Disabled Society' caters to the emotional, social and physical needs of the disabled through its various programmes. Under this programme, the disabled are trained in craft skills, such as drawing & painting, to be self-sufficient with the opportunity to earn additional income.

Additional activities in 2018:

Month	Activities	Beneficiary
April	Donated more than 50 pairs of pre-loved and new shoes.	Soles4Souls
June	Donated approximately 60kg of pre-loved and new clothes. Proceeds from the clothes sold at SCWO's New2U Thrift shop went towards the Star Shelter and various SCWO initiatives.	Singapore Council of Women's Organisation (SCWO)
December	Purchased staples such as rice, noodles and milk powder as part of Manulife annual GWA Star Charity Pledge a Grocery Item where Manulife will match every dollar of grocery value pledged.	SCWO



FY2018 Performance and FY2019 Targets

	FY2018 Performance	FY2019 Targets
Investment Community	<ul style="list-style-type: none"> Met with more than 2,000 investors (FY2017: 1,000 Investors) 	<ul style="list-style-type: none"> Maintain or increase engagement activities
Tenant Community	<ul style="list-style-type: none"> 74%¹ tenants completed the tenant satisfactions surveys (FY2016: 76%²) 96% of respondents rated us at 4 or above for building quality on a scale of 1-5, 5 being the best (FY2016: 96%) 	<ul style="list-style-type: none"> Maintain or increase tenants' participation Maintain or improve survey scores
Local Community	<ul style="list-style-type: none"> Amount raised increased by 43.9% to S\$20,000 (FY2017: S\$13,900) Volunteer hours increased by 82.1% to 178.5 hours (FY2017: 98 hours) 	<ul style="list-style-type: none"> Maintain or increase amount raised Maintain or increase volunteer hours

¹ Data is based on 5 properties: Figueroa, Michelson, Peachtree, Exchange and Phipps.

² Data is based on 3 properties: Figueroa, Michelson and Peachtree.

HUMAN CAPITAL



Talent Retention

It is not a surprise that hiring talented people for the job is essential for the success of a business. At the Manager, our high standards demand a certain type of employee who identifies with Manulife's values and is able to take MUST to new levels of success. Employee turnover can impact the productivity of a team, especially in smaller teams such as ours. Thus, we work hard to maintain a working environment that attracts and retains talent.

We provide flexible work arrangements where practicable to accommodate challenges in our employees' personal lives. For purposes of transparency, our employee handbook contains details of employee benefits as well as what is expected of them in terms of professionalism, behaviour and decorum. In order to measure employee satisfaction, we conduct yearly Employee Engagement Survey.

Health and Wellness Programmes

We aim to improve our staff health and wellness, and in 2018 we initiated several programmes to enhance this.

In April 2018 we engaged the Singapore Association of the Visually Handicapped (SAVH) to provide massages for employees in MUST's office. SAVH is the national voluntary welfare organisation for the visually impaired. The massage not only promotes relaxation for staff and also creates employment for the professionally trained masseurs in SAVH.

As part of our efforts to encourage healthy eating habits by adopting a balanced diet, we invited a nutritionist to conduct a health talk on 'Eating for a Healthier You' in November 2018. Employees are encouraged to develop healthy eating habits through a monthly 'Fruits Day'.

A range of exercise activities, health screening programmes and other health benefits were also offered to employees throughout the year. At any time, staff including their immediate family members, with personal issues, are able to receive professional advice from external consultants through phones, emails or face-to-face session. Employees and their family members are also entitled to discounts on Manulife's insurance policies. Regular lunches were organised to foster bonding, greater communication within the team and to celebrate the success of MUST. The Manager also participated in the 'Eat with your Family Day' in May 2018 where staff are encouraged to leave work early to eat and bond with their families.

Training, Education and Leadership

Training and education to staff not only increases job satisfaction and retention, it also provides them with the required skills and tools. This ensures that they are equipped to deliver high-quality work for the business as well as contribute to their personal progression.

The Manager offers a comprehensive suite of learning programmes and courses that cultivate various skills. As well as attending training suggested by their managers, employees are encouraged to take charge of their own learning. One of our senior executive attended a Executive Certificate in Real Estate Finance as part of her career development. This active role which the Manager undertakes in relation to its employees' professional growth can also be seen in a specially-tailored course on communication skills for another senior executive. Manulife also supports the pursuit of external qualifications under the Education Support Scheme for eligible employees. Employees were also encouraged to upgrade their skills through technology by leveraging on Manulife's web-based training platform. The training covers areas such as company and industry knowledge, information technology and compliance. The manager provides Work Life Coaching to employees which includes an annual performance and career review for all employees, during which learning and development needs are identified.

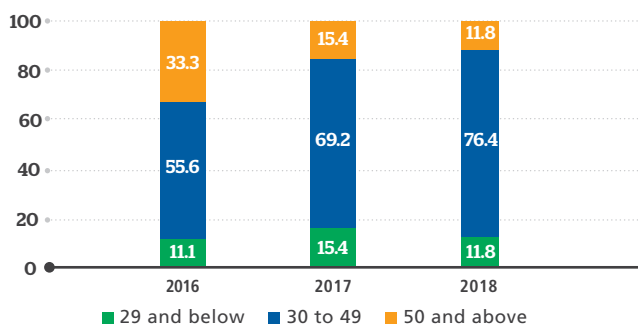
Our senior management team is proactive in its participation of industry roundtables and conferences. In 2018, our Head of Investor Relations provided training on the Investor and Media Relations module at the REITAS 2-Day Professional Development Series: REIT Management. Other panel sessions and events in which our management took part this year included the IR Magazine Forum & Awards and the Bank of America Merrill Lynch 'The Power of Global Connection' conference held in December 2018.

The Manager takes a holistic view in the training and development of its employees. During the year, the Manager provided first-aid Cardio Pulmonary Resuscitation (CPR) and Automated External Defibrillator (AED) training to our employees. The session provided hands-on learning and covered critical skills to enable them to respond to life threatening situations. As at end December 2018, about 58.8% of the staff are certified CPR and AED providers.

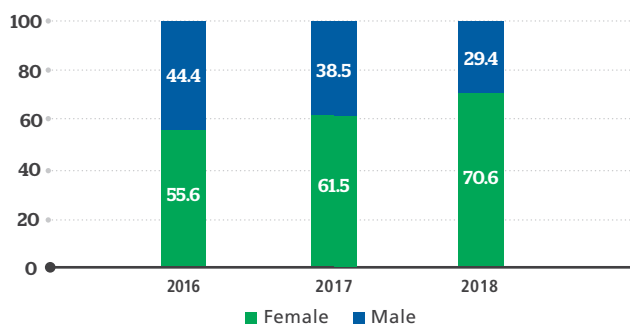
In 2018, the average training hours per employee totalled 33.3 hours. This is an increase of 27.6% compared to 2017.

HUMAN CAPITAL

Employee Diversity by Age (%)



Employee Diversity by Gender (%)

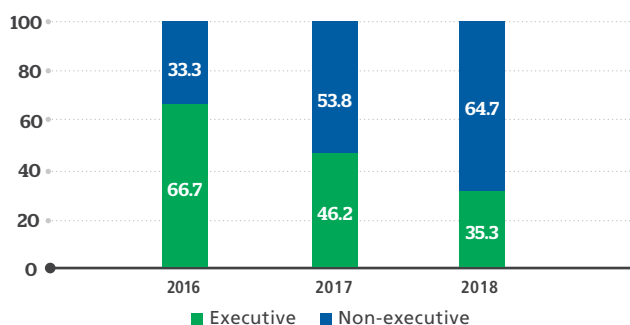


Diversity and Equal Opportunity

A diverse workforce allows us to tap into different perspectives and insights that help to increase the quality and creativity in the workplace. The Manager reports its diversity data to the Board bi-annually and has clear policies stated in the employee handbook. The Manager does not tolerate any form of discrimination in the workplace. To ensure that employees are treated equally and fairly, equal employment opportunities are offered to individuals across different ages, genders and ethnic groups. Employee remuneration packages are based on their performance and are assessed yearly. The Manager recognises the value of feedback and continues to implement the Employee Engagement Survey, where 100% of the employees completed in 2018.

In March 2018, MUST celebrated International Women's Day where female employees were released from work earlier. This is part of the Global Woman's Alliance (GWA) in Manulife Group where GWA organises several events to educate, inspire and support their employees. Stories and journeys of individuals were showcased to encourage and motivate employees to excel in their roles. Conversely, in November

Employee Diversity by Type (%)



2018, we celebrated International Men's Day where male employees were released from work earlier.

As at 31 December 2018, the Manager had a total of 17 staff with a broad gender mix of employees with 70.6% female and 29.4% male from three ethnicities (Chinese, Asian and Caucasian). The team is made up of 35.3% executives and 64.7% non-executives.

FY2018 Performance and FY2019 Targets

	FY2018 Performance	FY2019 Targets
Talent Retention	<ul style="list-style-type: none"> Increased staff strength to 17 through hiring across different ages and gender; low turnover with 2 resigned (FY2017: 13 employees) 100.0% participation rate - Employee Engagement Survey (FY2017: 100.0%) 	<ul style="list-style-type: none"> Maintain or increase the number of employees Maintain employees' participation
Diversity	<ul style="list-style-type: none"> By age: <ul style="list-style-type: none"> 29 and below: 11.8% (FY2017: 25.4%) 30 to 40: 76.4% (FY2017: 69.2%) 50 and above: 11.8% (FY2017: 15.4%) By gender: <ul style="list-style-type: none"> Female: 70.6% (FY2017: 61.5%) Male: 29.4% (FY2017: 38.5%) By type: <ul style="list-style-type: none"> Executive: 35.3% (FY2017: 46.2%) Non-executive: 64.7% (FY2017: 53.8%) 	<ul style="list-style-type: none"> Continue to hire employees with diversified age, gender and type
Training Hours	<ul style="list-style-type: none"> Average training hours per employee increased by 27.6% to 33.3 hours (FY2017: 26.1 hours) 	<ul style="list-style-type: none"> Maintain or increase average training hours per employee

ETHICAL CORPORATE BEHAVIOUR



Regulatory Compliance

The REIT industry is a highly regulated sector and as such the Manager and its Board and management come together to act in the best interests of Unitholders to ensure compliance with local and foreign laws and regulations. Non-compliance with such requirements are likely to lead to financial penalties as well as reputational risks and damages.

As MUST is listed on the SGX and the Manager is licensed by the Monetary Authority of Singapore, we are required to comply with a range of rules and regulations; specific policies and procedures (as shown on page 74) are instituted to ensure that MUST adheres to the various regulatory and operational requirements. In addition, the Manager as a subsidiary of Manulife Group is also subject to certain Group-wide policies and procedures.

The Manager aligns its corporate governance to the high standards expected of the Sponsor, a Securities and Exchange Commission registered company. The Manager's compliance team works closely with Manulife Group's legal and compliance teams and together with external legal counsel in Singapore and U.S., to ensure that MUST and the Manager operate within its regulatory ambit. Details on corporate governance can be found on page 78 of MUST's annual report.

As at 31 December 2018, eight out of 17 full-time employees of the Manager are registered representatives of the Manager under the Securities and Futures Act (SFA) of Singapore. The representatives are responsible for functions ranging from management, investment, finance to investor relations. The representatives attended regular trainings to ensure that they are kept abreast of market regulations. The compliance team reviews all marketing materials to ensure adherence to relevant rules and regulations and that information presented therein are not misleading to stakeholders.

Mandatory and voluntary trainings are provided to all employees to ensure that they comprehend what is expected of them and their reporting obligations. New hires are subject to mandatory orientation and induction programmes. On top of that, the compliance team also provides regular updates to the Board and employees on regulatory and internal requirements.

The Property Manager has a compliance team to manage compliance matters at the property level. For our tenants, the Property Manager conducts regular education sessions and tenant engagement meetings where a range of issues can be raised. Grievance mechanisms such as feedback channels, anonymous hotlines and whistle-blowing channels are made available to all other stakeholders.

To manage compliance risk, the compliance team is actively involved and consulted on all business activities, from concept to execution. Periodic submission of data to respective regulators and application and review of licences are also tracked. The internal audit team reviews processes and procedures, and the Manager follows an established and comprehensive enterprise risk management framework where regular reports are submitted to the Board.

As a testament to our robust compliance policies and procedures, MUST was selected by SGX to be placed on its inaugural Fast Track programme in April 2018. As an SGX Fast Track entity, MUST is recognised for its high corporate governance standards and good compliance track record. Companies in the programme enjoy prioritised clearance for selected corporate action submissions to SGX RegCo.

ETHICAL CORPORATE BEHAVIOUR

Internal Policy and Process	Objectives	Availability
Insider Trading Policy	Provides guidance to directors, officers and employees in the context of dealing in the Units of MUST	Internal Policy
Global Privacy Risk Management Policy	Describes the framework within which MUST manages privacy risk when handling personal information	Internal Policy
Information Risk Management Policy	Aids in identifying, assessing, treating, reporting and managing significant information risks in support of and in alignment with operational risk management	Internal Policy
Independent Nomination and Remuneration Committee	Ensures long-term effectiveness of the Board by making recommendations on the composition of the Board	Internal Policy
Conflict of Interests and Interested Person Transaction Process	Compliance with Capital Markets Services Licence requirements for Real Estate Investment Trust Management under the SFA of Singapore	Internal Policy
Conflict of Interest Declaration		
Fit and Proper Declaration		
Global Business Continuity and Disaster Recovery Policy	Outlines the process in the event of any disaster	Internal Policy
Enterprise Risk Management Policy	Provides a structured approach to implementing risk taking and risk management activities at an enterprise level	Internal Policy
Whistle-blowing Mechanism	Encourages stakeholders 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	Available on MUST website (http://www.manulifeusreit.sg/whistle-blowing-policy.html)
Anti-Fraud Policy	Describes a framework within which MUST strives to: (1) prevent, identify, and detect fraud; and (2) ensure that adequate controls are in place to accomplish those objectives	Internal Policy
Anti-Money Laundering and Anti-Terrorist Financing Policy	Outlines the responsibilities, accountabilities and processes to ensure that MUST effectively mitigates the risks associated with money laundering and terrorist financing activities	Internal Policy
Code of Business Conduct and Ethics	Affirms MUST's commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest	Internal Policy

Internal Policy and Process	Objectives	Availability
Personal Data Protection Act (PDPA)	Ensures MUST's compliance with the PDPA	The PDPA is available on https://www.pdpc.gov.sg/legislation-and-guidelines/personal-data-protection-act-overview
Social Media Policy	Minimises reputational, business, compliance and legal risks associated with social media usage	Internal Policy
Timely Disclosure of Information	Minimises reputational and business risks and compliance with marketing and exchange regulations	Internal Policy
Review Accuracy of Information on Corporate Website and all Marketing Collaterals		
Health and Safety Policy	Ensures safety of all users of our properties and compliance with the WSHA	Internal Policy and Process The WSHA is available on https://sso.agc.gov.sg/Act/WSHA2006
Workplace Safety and Health Act (WSHA)		

FY2018 Performance and FY2019 Target

	FY2018 Performance	FY2019 Targets
Fines or Sanctions for Non-compliance	<ul style="list-style-type: none"> No incident of non-compliance with laws and regulations resulting in fines or sanctions in the year ended 31 December 2018 	<ul style="list-style-type: none"> Maintain zero incidents of non-compliance with relevant laws and regulations



GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Manulife US REIT
102-2	Activities, brands, products, and services	Cover Page Operational Review, page 26
102-3	Location of headquarter	Singapore
102-4	Location of operations	Property Summary, page 30
102-5	Ownership and legal form	Trust and Tax Structure, page 14
102-6	Markets served	Property Summary, page 30
102-7	Scale of the organisation	FY2018 Financial Highlights, page 1 Financial Review, page 22 Property Summary, page 30
102-8	Information on employees and other workers	Human Capital, page 71 Manulife US REIT did not have any significant variation
102-9	Supply chain	Stakeholder Engagement, page 68
102-10	Significant changes to organisation and its supply chain	Manulife US REIT did not have any significant variation
102-11	Precautionary principle or approach	Manulife US REIT does not specifically address the principles of the Precautionary approach.
102-12	External initiatives	Manulife US REIT supports the SDGs and takes part in GRESB
102-13	Membership of associations	REITAS The Property Manager
Strategy		
102-14	Statement from senior decision-maker	Letter to Stakeholders, page 58 About this Report, page 57
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	About this Report, page 57
Governance		
102-18	Governance structure	Sustainability Approach, page 61
Stakeholder Engagement		
102-40	List of stakeholder groups	Stakeholder Engagement, page 68
102-41	Collective bargaining agreements	Manulife US REIT does not have any collective bargaining agreements in place
102-42	Identifying and selecting stakeholders	Stakeholder Engagement, page 68
102-43	Approach to stakeholder engagement	Stakeholder Engagement, page 68
102-44	Key topics and concerns raised	Stakeholder Engagement, page 68

GRI Standards (2016)		Notes/Page number(s)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	FY2018 Financial Highlights, page 1 Financial Review, page 22
102-46	Defining report content and topic Boundaries	Sustainable Approach, page 61
102-47	List of material topics	Sustainable Approach, page 61
102-48	Restatements of information	No restatements
102-49	Changes in reporting	No changes in reporting
102-50	Reporting period	1 January 2018 – 31 December 2018
102-51	Date of most recent report	The previous Sustainability Report was included in MUST’s Annual Report 2017
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About this Report, page 57
102-54	Claims of reporting in accordance with GRI Standards	About this Report, page 57
102-55	GRI content index	GRI Content Index, page 76
102-56	External assurance	Manulife US REIT has not sought external assurance for this reporting period and may consider it for future periods.
Management Approach		
103-1	Explanation of the material topic and its boundary	About this Report, page 57
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
Material Topics		
Economic Performance		
201-1	Direct economic value generated and distributed	FY2018 Financial Highlights, page 1 Letter to Unitholders, page 10
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Ethical Corporate Behavior, page 73
Energy		
302-1	Energy consumption within the organisation	Energy, Emission and Water, page 66
Water		
303-1	Water withdrawal by source	Energy, Emission and Water, page 66
Emission		
305-2	Energy indirect (scope 2) GHG Emission	Energy, Emission and Water, page 66
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Ethical Corporate Behavior, page 73
Employment		
401-1	New employee hires and employee turnover	Human Capital, page 71
Training and Education		
404-1	Average hours of training per year per employee	Human Capital, page 71
Customer Health and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Ethical Corporate Behavior, page 73
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Ethical Corporate Behavior, page 73

CORPORATE GOVERNANCE

As at 31 December 2018

The Manager has general powers of management over the assets of MUST. The Manager's main responsibility is to manage MUST's assets and liabilities for the benefit of Unitholders. The Manager sets the strategic direction of MUST 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, amongst 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 MUST 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 SFA on 2 July 2015 and is regulated by the Monetary Authority of Singapore (MAS).

The Manager was appointed in accordance with the terms of the Trust Deed constituting MUST dated 27 March 2015 (as amended, varied or supplemented from time to time). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

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, which comprises a majority of Independent Directors, 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 MUST'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 MUST, including acquisitions and divestments, funding and hedging activities, approval of the annual budget and review of its performance. 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 meeting attendance of the Board, the ARC, the NRC and General Meetings (i.e. AGM & EGM) held in FY2018 is as follows:

Name of Directors	Board		Audit and Risk Committee		Nominating and Remuneration Committee		General Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Hsieh Tsun-Yan	6	6	6	6*	2	2	2	2
Mr Lau Chun Wah @ Davy Lau	6	6	6	6*	2	2	2	2
Mr Ho Chew Thim	6	6	6	6	2	2*	2	2
Dr Choo Kian Koon	6	6	6	6	2	2*	2	2
Ms Veronica Julia McCann	6	6	6	6	2	2	2	2
Mr Michael Floyd Dommermuth	6	4	6	5*	2	2*	2	2
Mr Kevin John Eric Adolphe (Stepped down as of 14 September 2018)	6	4	6	4*	2	0*	2	1

Note:

*Attendance by invitation

CORPORATE GOVERNANCE

As at 31 December 2018

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 with formal training to ensure that any newly-appointed Directors are familiar with MUST's business, strategies and directions and the regulatory environment in which MUST operates as well as the main corporate governance practices of the Manager. There was one new Director appointed to the Board on 8 February 2019. Mr Stephen James Blewitt was appointed to replace Mr Kevin John Eric Adolphe.

The Board receives regular updates on any new and material changes to applicable regulations. The management also arranges relevant training for Directors on matters such as directors' duties and responsibilities and code of ethics and Directors are also encouraged to put forward to the NRC training topics on which they would like to receive training on. The Manager believes that the provision of continuing education opportunities to Directors will keep them updated on matters relevant to their appointments and responsibilities.

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, audit and accounting and the real estate 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. 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 planning 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
Mr Hsieh Tsun-Yan	Chairman and Non-Executive Director and Nominating and Remuneration Committee Member
Mr Lau Chun Wah @ Davy Lau	Independent Non-Executive Director, Lead Independent Director and Chairman of the Nominating and Remuneration Committee
Mr Ho Chew Thim	Independent Non-Executive Director and Chairman of the Audit and Risk Committee
Ms Veronica Julia McCann	Independent Non-Executive Director, Audit and Risk Committee Member and Nominating and Remuneration Committee Member
Dr Choo Kian Koon	Independent Non-Executive Director and Audit and Risk Committee Member
Mr Michael Floyd Dommermuth	Non-Executive Director
Mr Stephen James Blewitt (Appointed as of 8 February 2019)	Non-Executive Director
Mr Kevin John Eric Adolphe (Stepped down as of 14 September 2018)	Non-Executive Director

The Board reviews and assesses the independence of each Director in accordance with the CG Code and Regulations 13D to 13H¹ of Securities and Futures (Licensing and Conduct of Business) Regulations (SF(LCB)R). Under the SF(LCB)R, an Independent Director means a Director who:

- (i) is independent from the management of the manager and the REIT that is managed or operated by the manager;
- (ii) is independent from any business relationship with the manager and the REIT that is managed or operated by the manager;
- (iii) is independent from every substantial shareholder of the manager, and every substantial unitholder of the REIT;
- (iv) is not a substantial shareholder of the manager, or a substantial unitholder of the REIT that is managed or operated by the manager; and
- (v) has not served as a director of the manager 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 and the CG Code; Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Kevin John Eric Adolphe have also not served as a Director of the Manager for continuous period of nine years or longer.

The following further sets out the assessment of each Director's independence against the requirements under the SF(LCB)R and CG Code.

	Board of Directors	Mr Hsieh Tsun-Yan ⁽¹⁾	Mr Lau Chun Wah @ Davy Lau	Mr Ho Chew Thim	Ms Veronica Julia McCann	Dr Choo Kian Koon	Mr Michael Floyd Dommermuth ⁽¹⁾	Mr Kevin John Eric Adolphe ⁽¹⁾ (Stepped down as of 14 September 2018)
(i) had been independent from the management of the Manager and MUST during FY2018			✓	✓	✓	✓		
(ii) had been independent from any business relationship with the Manager and MUST during FY2018	✓	✓	✓	✓	✓	✓	✓	✓
(iii) had been independent from every substantial shareholder of the Manager and every substantial unitholder of MUST during FY2018		✓	✓	✓	✓	✓		
(iv) had not been a substantial shareholder of the Manager or a substantial unitholder of MUST during FY2018	✓	✓	✓	✓	✓	✓	✓	✓
(v) has not served as a director of the Manager for a continuous period of nine years or longer as at the last day of FY2018	✓	✓	✓	✓	✓	✓	✓	✓

Note:

- (1) Mr Hsieh Tsun-Yan was an appointed Director to the Board of MFC, ultimate parent of the Manager. MFC is also a deemed substantial Unitholder of MUST. Mr Michael Dommermuth and Mr Kevin Adolphe were employed by subsidiaries of MFC. As such, during FY2018, each of them is deemed (a) to have a management relationship with the Manager and MUST; and (b) connected to a substantial shareholder of the Manager and substantial Unitholder of MUST. The Board of the Manager is satisfied that, as at the last day of FY2018, Mr Hsieh Tsun-Yan, Mr Michael Dommermuth and Mr Kevin Adolphe were able to act in the best interests of all the Unitholders of MUST as a whole. As at the last day of FY2018, Mr Hsieh Tsun-Yan, Mr Michael Dommermuth and Mr Kevin Adolphe were able to act in the best interests of all the Unitholders of MUST as a whole.

1 The SF(LCB)R were amended by the Securities and Futures (Licensing and Conduct of Business) (Amendment No.2) Regulations 2018 which came into operation on 8 October 2018. One of the amendments to the SF(LCB)R was the insertion of Regulations 13D to 13H which relate to board composition and director's independence.

CORPORATE GOVERNANCE

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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 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 is available to the Board and Unitholders where they have concerns and for which contact through the normal channels of communication with the Chairman or management has failed to resolve or are inappropriate or inadequate.

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 an NRC at the outset to make recommendations to the Board for the appointment and reappointment of each Director. The NRC's written terms of reference, as approved by the Board, sets out its scope of authority and responsibilities in performing its functions. 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 2018, the members of the NRC were:

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

The NRC is responsible for reviewing the succession plans for the Board and Board Committee (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 based on the skills required and skills represented on the Board and whether the candidate's skills, knowledge and professional experience will complement the existing Board, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by the MAS (which require the candidate to be, amongst other things, competent, honest, to have integrity and be financially sound). The NRC will also ensure that the candidate(s) is/are aware of the expectations and the level of commitment required of the proposed directorship; and
5. the NRC makes recommendations to the Board for approval.

The NRC's responsibilities also include:

- developing a process for evaluation of the performance of the Board, its Board Committees and Directors;
- reviewing the training and professional development programmes for the Board;
- the appointment and reappointment of Directors (including alternate Directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director;
- determining annually, and as when circumstances require, if a Director is independent; and
- deciding if a Director is able to and has been adequately carrying out his duties as a Director of the company, taking into consideration the Director's principal commitments;

The CG Code requires listed companies to impose a limit on the number of listed company board appointments which any director may hold and to disclose such appointments in the annual report. However, the Board believes that it is not practicable to impose a limit on the maximum number of listed company board representations each Director may hold or in relation to this requirement stipulate the amount of time that each Director should devote to the affairs of the Manager. 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. A Director's capacity is determined by metrics such as his/her attendance at Board and Board Committee meetings and contributions to the effective supervision of MUST.

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. The current composition of the Board provides diversity on skills, experience, gender and knowledge.

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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. The process for FY2018 was facilitated by Boardroom Corporate & Advisory Services Pte. Ltd., the Manager's corporate secretary.

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. The scope of evaluation in the Board questionnaire include (1) Board composition, (2) Board processes, internal control & risk management, (3) Board access to information, (4) Board accountability and committee effectiveness. The survey also requires the Board to consider whether the creation of value for Unitholders has been taken into consideration in its decision-making process. In addition, each Director is requested to rate their peers and themselves annually. The results of the survey are first reviewed by the NRC Chairman and subsequently presented and deliberated by the Board, and all necessary follow-up actions will be undertaken with a view to enhance the effectiveness of the Board in the discharge of its duties and responsibilities.

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 ongoing 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 ongoing 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 MATTER

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;
- 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; and
- reviewing the disclosures in the annual report on the Manager's remuneration policies, level and mix of remuneration, and the procedure for setting remuneration.

The NRC reviews the remuneration policy and the overall remuneration packages for executive officers and Directors annually taking into account feedback from MFC's executive compensation governance and human resource teams. The NRC, Board and MFC teams come together to ensure that the Manager's remuneration policy is aligned with the wider Manulife Group's compensation policy and is benchmarked to the market and that the remuneration payable is in line with the objectives of the remuneration policies.

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. On an annual basis, performance measures such as Financial Success, other Quantitative Measures of Success and a qualitative measure, Building for the Future, are set by the Manager. A performance scorecard monitors factors including distributable income, DPU, brand building, corporate governance and the development and implementation of infrastructure. At the end of each calendar year the performance scores are calculated and awards made accordingly. These factors were chosen because of their measure of both short and longer term goals and to capture the qualitative versus quantitative targets of performance measurement.

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The Manager's NRC and Board review the performance measures and the outcome on an annual cycle. The performance conditions for 2018 were met. 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. The NRC ensured that the Manager's compensation program conforms to the Financial Stability Board's (FSB) principles for sound compensation practices and the FSB's implementation standards. The FSB is an international body endorsed by the G20 nations that monitors and makes recommendations about the global financial system. The FSB set of principles were developed in 2009 to align compensation with prudent risk-taking.

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 which has been linked to MUST Units from its listing in 2016 onwards. MUST RSUs are vested on a three year cycle. 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 Director Mr Michael Dommermuth for FY2018. The stock options pursuant to the Stock Option Plans will vest over a period of four years and expire 10 years later.

Deferred Share Units have also been granted by MFC to Mr Hsieh Tsun-Yan for FY2018. 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 Dommermuth and Mr Hsieh have been granted as part of their remunerations package as employee and Director of the Manulife Group respectively. Mr Dommermuth and Mr Hsieh's holdings in MFC shares are non-material. 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 Mr Dommermuth is employed by the Manulife Group and Mr Hsieh is currently an Independent Director of MFC. Further, there is unlikely to be any potential misalignment of interests given that 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 and Interested Party Transactions (Related Party Transaction) with an entity within the Manulife 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 FY2018. There are no termination, retirement and post-employment benefits granted to the Directors, CEO and key management personnel over and above what have been disclosed.

The Manager is cognizant of the requirements under MAS' Notice to All Holders of a CMS Licence for REIT 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 dollar remuneration of the CEO and the aggregate total remuneration paid to the top five executive officers (which shall not include the CEO and executive officers who are Directors) for the following reasons:

- remuneration matters are highly confidential and sensitive;
- with keen competition for the limited talent pool in the Singapore REIT management industry, such disclosures 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 performance of MUST; and
- remuneration of the Manager's CEO is paid out of the fees which the Manager receives from MUST and not by MUST.

The Directors' fees for the financial year ended 31 December 2018 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 of the Board and any of the Board Committees, project meetings and verification meetings. The Directors' compensation packages are benchmarked to the market to ensure competitiveness.

Name of Directors	Fees for FY2018 (\$)	Variable or performance related income/bonuses	Benefits-in-kind
Mr Hsieh Tsun-Yan	88,750	–	–
Mr Lau Chun Wah @ Davy Lau	80,000	–	–
Mr Ho Chew Thim	85,000	–	–
Ms Veronica Julia McCann	85,000	–	–
Dr Choo Kian Koon	75,000	–	–

There were no employees who were immediate family members of a Director or the CEO, and whose remuneration exceeds S\$50,000 for FY2018.

Remuneration Band and Names of CEO and Executive Officers	Base Salary Inclusive of Employer's CPF	Variable or Performance-related Bonus Inclusive of Employer's CPF ⁽¹⁾	Benefits-in-kind	RSUs
S\$750,001 to S\$1,000,000				
Ms Jill Smith	57%	31%	1%	11% ⁽³⁾
S\$500,001 to S\$750,000				
Ms Jennifer Schillaci	39%	28%	16%	17% ⁽³⁾
Mr Jag Obhan	30%	18%	44% ⁽²⁾	8% ⁽³⁾
S\$250,000 to S\$500,000				
Ms Caroline Fong	73%	24%	3%	NA ⁽⁴⁾
Ms Daphne Chua	78%	20%	2%	NA ⁽⁴⁾
Mr Choong Chia Yee	66%	32%	2%	NA ⁽⁴⁾
Total for CEO and Executive Officers		S\$3,107,753		

Notes:

(1) The amounts disclosed relates to bonuses paid in 2018 for FY2017.

(2) The benefits-in-kind relates to expat benefits arrangement to the employee.

(3) The payout relates to RSUs granted by MFC in 2015 in relation to work within the Manulife Group prior to the listing of MUST. After the listing of MUST in 2016, RSUs granted to staff were linked to MUST Units.

(4) No MUST RSUs were vested in 2018.

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(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, sustainability 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 ERM Framework which has been reviewed by the ARC and approved by the Board. Details of the Manager's ERM framework can be found on pages 53 to 55 of this annual report.

In respect of FY2018, the Board has received assurance from the CEO and CFO of the Manager that:

- a) the financial records of MUST have been properly maintained and the financial statements for the financial year ended 31 December 2018 give a true and fair view of MUST's operations and finances; and
- b) MUST's internal controls, including financial, operational, compliance, sustainability and information technology controls and risk management systems are adequate and effective.

Based on the risk management and internal controls systems established and maintained by the Manager, reviews conducted by MUST'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 MUST's risk management systems and systems of internal controls were adequate and effective in addressing financial, operational, compliance, sustainability and information technology risks for the financial year ended 31 December 2018.

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 MUST's annual results and property valuations, and two weeks before the public announcement of MUST'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 Manulife US 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 an interested person and/or, as the case maybe, an interested party (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

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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. Interested person transactions undertaken during the financial year are set out on page 143 of this annual report.

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 MUST'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 MUST'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 3rd parties which are unrelated to the Manager; and
- 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 in performing its functions. The ARC is composed of three members, all of whom are Independent Directors resident in Singapore.

As at 31 December 2018, the members of the ARC were:

1. Mr Ho Chew Thim (Chairman)
2. Ms Veronica Julia McCann
3. Dr Choo Kian Koon

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.

CORPORATE GOVERNANCE

As at 31 December 2018

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;
- 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 its internal controls and risk management framework;
- the appointment, reappointment 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, reappointment 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 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, sustainability and information technology controls and risk management processes;

- 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 FY2018, the ARC reviewed and approved both the internal and external auditors' 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, sustainability and information technology controls. All audit findings and recommendations put up by the internal and external auditors were forwarded to the ARC. Significant issues were discussed at these meetings.

Taking cognizance 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 FY2018. 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 FY2018 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, Colliers International Valuation & Advisory Services, LLC. The ARC discussed the portfolio property valuation methodologies and assumptions used by the valuer with management.

2. Taxation

The ARC discussed with management and auditors the deferred tax liabilities recorded in FY2018 and tax matters in relation to the proposed regulation (the "Proposed 267A Regulations") under Section 267A of the United States Internal Revenue Code of 1986, as amended ("Section 267A") released by the United States Department of the Treasury on 20 December 2018 as well as the announcement by the Government of Barbados on 20 November 2018 that Barbados will converge its local and international tax rates. It was proposed that from 1 January 2019, domestic companies in Barbados will pay the same tax rates as international companies, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases.

The above are included as key audit matters in the Auditor's Report (pages 99 to 102 of the annual report).

For FY2018, an aggregate amount of US\$312,040 comprising non-audit service fees of US\$67,229 and audit service fees of US\$244,811 was paid/payable to MUST's external auditor. The non-audit fees were paid to the auditors for services rendered in relation to the acquisition of Penn and Phipps and the establishment of the multicurrency debt issuance programme.

In FY2018, 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.

CORPORATE GOVERNANCE

As at 31 December 2018

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, reappointment 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 FY2018, the ARC has reviewed and is satisfied as to the independence, adequacy and effectiveness of the internal audit function. The ARC is also of the opinion that the internal audit function is independent, effective and adequately resourced.

(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 IR 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. The Trust Deed is available for inspection at the Manager's office (prior appointment would be appreciated). All announcements such as press releases, presentation slides, annual and sustainability reports and financial statements are uploaded onto SGXNet in a timely and accurate manner. These information are concurrently available at www.manulifeusreit.sg. In order to obtain regular updates, Unitholders may also subscribe to the email alert found on the website.

The Manager has a dedicated IR team that regularly interacts with Unitholders, analysts, fund managers and the media to engage and facilitate communication. In FY2018, the Manager met with over 2,000 retail and institutional investors within Asia through conferences, conference calls, meetings and non-deal roadshows 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.

More information of the Manager's IR activities can be found on pages 49 to 52 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 AGM. When an EGM is convened, copies 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 up to two 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 MUST. Prior to the AGM, Unitholders are encouraged to email their questions to usreitinquiry@manulifeusreit.sg. They are also 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 MUST 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 MUST.

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 or 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. An independent scrutineer is also appointed to count and validate the votes at the meetings. The results of all votes cast for and against each resolution and the respective percentages are immediately displayed at the meetings and announced via SGXNet after the meetings on the same day.



FINANCIAL STATEMENTS

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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 103 to 142, 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 2019

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 103 to 142 comprising the Statements of Financial Position of the Trust and its subsidiaries (the “Group”) and the Trust as at 31 December 2018, 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 year ended 31 December 2018, Statement of Portfolio of the Group as at 31 December 2018 and notes to the financial statements are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2018, the consolidated financial performance, distribution, consolidated cash flows, consolidated changes in unitholders’ funds and portfolio holdings of the Group, and changes in unitholders’ funds of the Trust, 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 2019

INDEPENDENT AUDITOR'S 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 Statements of Financial Position of the Group and the Trust as at 31 December 2018, 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 year ended 31 December 2018, Statement of Portfolio of the Group as at 31 December 2018 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 are properly drawn up 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, so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2018, the consolidated financial performance, distribution, consolidated cash flows, consolidated changes in unitholders' funds and portfolio holdings of the Group, and changes in unitholders' funds of the Trust for the year then ended.

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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical requirements in accordance with the IESBA Code. In addition, 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.

INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

Key Audit Matters (cont'd)

Valuation of investment properties

As at 31 December 2018, the carrying amount of investment properties was US\$1,738.7 million which accounted for 96.4% 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 external appraisers engaged by the Manager. As disclosed in Note 6, valuations of investment properties are highly sensitive to changes in the significant unobservable inputs, particularly those relating to market rents, discount rates and capitalisation rates. Accordingly, we have identified this as a key audit matter.

The Manager uses external appraisers to support its determination of the individual fair value of the investment properties. Our audit procedures included, amongst others, an assessment of the Group's process relating to the selection of the external appraisers, the determination of the scope of work of the appraisers, and a review of the valuation reports issued by the external appraisers. We evaluated the objectivity, independence and expertise of the external appraisers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

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 historical rates and 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 Note 6 to the consolidated financial statements.

Taxation – U.S. Tax Reform

In December 2018, the United States Department of the Treasury released the proposed regulations under Section 267A of the United States Internal Revenue Code, as amended. The final regulations under Section 267A, which is anticipated to be promulgated no later than June 2019, could differ from the proposed regulations. Separately, in November 2018, the Government of Barbados announced changes to the corporate income tax rates in Barbados. As disclosed in Note 18 to the consolidated financial statements, the changes resulting from US tax reform legislation and related administrative guidance, including the application of the proposed regulations, are complex and require significant judgment which may have an impact on the current and deferred tax provisions of the Group. Accordingly, we have identified this as a key audit matter.

Our audit procedures included, amongst others, a review by our internal tax specialists of the analysis and conclusions reached by the Manager and their 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 taxes, including the assessment of correspondences with the tax authorities obtained by the Manager.

We also assessed the adequacy of the Group's disclosures concerning income taxes included in Notes 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.

INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

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 IFRSs, relevant provisions of the Trust Deed and relevant requirements of 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.

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 AUDITOR'S REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 US\$'000	Group 2017 US\$'000	Trust 2018 US\$'000	Trust 2017 US\$'000
Current assets					
Cash and cash equivalents	4	54,093	49,674	4,224	4,953
Prepaid expenses		998	815	8	8
Trade and other receivables	5	9,074	5,913	25,105	15,995
		64,165	56,402	29,337	20,956
Non-current assets					
Investment properties	6	1,738,700	1,312,800	–	–
Investment in subsidiaries	7	–	–	921,048	751,259
		1,738,700	1,312,800	921,048	751,259
Total assets		1,802,865	1,369,202	950,385	772,215
Current liabilities					
Trade and other payables	8	16,826	18,238	802	912
Loans and borrowings	9	109,889	–	–	–
Security deposits		489	127	–	–
Rent received in advance		1,662	867	–	–
		128,866	19,232	802	912
Non-current liabilities					
Loans and borrowings	9	557,311	458,369	–	–
Security deposits		1,619	1,721	–	–
Preferred units	10	102	571	–	–
Deferred tax liabilities	11	50,904	37,203	–	–
		609,936	497,864	–	–
Total liabilities		738,802	517,096	802	912
Net assets attributable to Unitholders		1,064,063	852,106	949,583	771,303
Represented by:					
Unitholders' Fund		1,064,063	852,106	949,583	771,303
Net assets attributable to Unitholders		1,064,063	852,106	949,583	771,303
Units in issue and to be issued ('000)	12	1,280,245	1,036,073	1,280,245	1,036,073
Net asset value per Unit (US\$) attributable to Unitholders	13	0.83	0.82	0.74	0.74

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Note	2018 US\$'000	Group 2017 US\$'000
Gross revenue	14	144,554	92,040
Property operating expenses	15	(53,889)	(33,689)
Net property income		90,665	58,351
Interest income		209	11
Manager's base fee		(7,098)	(4,672)
Trustee's fee		(235)	(172)
Other trust expenses	16	(2,008)	(1,638)
Finance expenses	17	(19,247)	(9,506)
Net income before tax and fair value change in investment properties		62,286	42,374
Net fair value change in investment properties	6	16,885	31,395
Net income for the year before tax		79,171	73,769
Tax expense	18	(14,651)	(15,805)
Net income for the year attributable to Unitholders		64,520	57,964
Earnings per Unit ("EPU") (cents)			
Basic and diluted EPU	19	5.50	7.24 ¹

¹ The figures have been restated to reflect the effect of the preferential offering, through which 227,935,981 Units were issued on 20 June 2018 and the rights issue, through which 299,288,423 Units were issued on 25 October 2017.

DISTRIBUTION STATEMENT

For the year ended 31 December 2018

	Group	
	2018 US\$'000	2017 US\$'000
Amount available for distribution to Unitholders at the beginning of the year	26,529	22,306
Net income for the year	64,520	57,964
Distribution adjustments (Note A)	6,461	(11,248)
Income available for distribution to Unitholders	70,981	46,716
Amount available for distribution to Unitholders	97,510	69,022
Distributions to Unitholders:		
– Distribution of US 3.55 cents per Unit for the period 20 May 2016 to 31 December 2016	–	(22,289)
– Distribution of US 3.20 cents per Unit for the period 1 January 2017 to 28 June 2017	–	(20,204)
– Distribution of US 2.57 cents per Unit for the period 29 June 2017 to 31 December 2017	(26,567)	–
– Distribution of US 2.53 cents per Unit for the period 1 January 2018 to 30 June 2018	(32,127)	–
Total distribution to Unitholders	(58,694)	(42,493)
Amount available for distribution to Unitholders at the end of the year	38,816	26,529
Distribution per Unit ("DPU") (cents):		
– DPU ¹	5.57	5.77
– DPU restated for preferential offering and rights issue ²	5.57	5.48
Note A – Distribution adjustments comprise:		
– Property related non-cash items ³	(3,531)	(3,537)
– Amortisation of upfront debt-related transaction costs ⁴	1,095	570
– Manager's base fee paid/payable in Units	7,098	4,672
– Property Manager's management fee paid/payable in Units	3,531	2,172
– Trustee's fee	235	172
– Net fair value change in investment properties	(16,885)	(31,395)
– Deferred tax expense	13,701	14,812
– Redemption of preferred units	218	–
– Other items ⁵	999	1,286
Distribution adjustments	6,461	(11,248)

- 1 The DPU relates to the distributions in respect of the relevant financial year. The distribution relating to the second half of the financial year will be paid subsequent to the financial year end.
- 2 The figures have been restated to reflect the effect of the preferential offering of which 227,935,981 Units were issued on 20 June 2018 and the rights issue through which 299,288,423 Units were issued on 25 October 2017.
- 3 This includes amortisation of tenant improvement allowance, leasing commissions and free rent incentives, and straight line rent adjustments.
- 4 Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
- 5 This includes non-tax deductible items and adjustments as well as rent free reimbursements. These rent free reimbursements were in relation to the vendors of Plaza and/or Exchange that had granted rent free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisitions, these vendors reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent free reimbursements are applied towards the distributable income.

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2018

	Note	Attributable to Unitholders		
		Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Group				
At 1 January 2018		765,004	87,102	852,106
Operations				
Net income for the year		–	64,520	64,520
Net increase in net assets resulting from operations		–	64,520	64,520
Unitholders' transactions				
Issue of new Units:				
– Preferential offering	12	197,165	–	197,165
– Manager's acquisition fee paid in Units	12	2,903	–	2,903
– Manager's base fee paid/payable in Units		7,098	–	7,098
– Property Manager's management fee paid/payable in Units		3,531	–	3,531
Issuance costs	12	(4,566)	–	(4,566)
Distributions	12	(28,865)	(29,829)	(58,694)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		177,266	(29,829)	147,437
At 31 December 2018		942,270	121,793	1,064,063
At 1 January 2017		495,331	51,674	547,005
Operations				
Net income for the year		–	57,964	57,964
Net increase in net assets resulting from operations		–	57,964	57,964
Unitholders' transactions				
Issue of new Units:				
– Equity placement	12	80,512	–	80,512
– Rights issue	12	208,005	–	208,005
– Manager's acquisition fee paid in Units	12	2,363	–	2,363
– Manager's base fee paid/payable in Units		4,672	–	4,672
– Property Manager's management fee paid/payable in Units		2,172	–	2,172
Issuance costs	12	(8,094)	–	(8,094)
Distributions	12	(19,957)	(22,536)	(42,493)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		269,673	(22,536)	247,137
At 31 December 2017		765,004	87,102	852,106

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2018

	Note	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Trust				
At 1 January 2018		765,004	6,299	771,303
Operations				
Net income for the year		–	30,843	30,843
Net increase in net assets resulting from operations		–	30,843	30,843
Unitholders' transactions				
Issue of new Units:				
– Preferential offering	12	197,165	–	197,165
– Manager's acquisition fee paid in Units	12	2,903	–	2,903
– Manager's base fee paid/payable in Units		7,098	–	7,098
– Property Manager's management fee paid/payable in Units		3,531	–	3,531
Issuance costs	12	(4,566)	–	(4,566)
Distributions	12	(28,865)	(29,829)	(58,694)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		177,266	(29,829)	147,437
At 31 December 2018		942,270	7,313	949,583
At 1 January 2017				
At 1 January 2017		495,331	9,603	504,934
Operations				
Net income for the year		–	19,232	19,232
Net increase in net assets resulting from operations		–	19,232	19,232
Unitholders' transactions				
Issue of new Units:				
– Equity placement	12	80,512	–	80,512
– Rights issue	12	208,005	–	208,005
– Manager's acquisition fee paid in Units	12	2,363	–	2,363
– Manager's base fee paid/payable in Units		4,672	–	4,672
– Property Manager's management fee paid/payable in Units		2,172	–	2,172
Issuance costs	12	(8,094)	–	(8,094)
Distributions	12	(19,957)	(22,536)	(42,493)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		269,673	(22,536)	247,137
At 31 December 2017		765,004	6,299	771,303

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2018

	Note	Group 2018 US\$'000	2017 US\$'000
Cash flows from operating activities			
Net income for the year before tax		79,171	73,769
Adjustments for:			
Amortisation	6	(3,531)	(3,537)
Interest income		(209)	(11)
Finance expenses	17	19,247	9,506
Manager's base fee paid/payable in Units		7,098	4,672
Property Manager's management fee paid/payable in Units		3,531	2,172
Net fair value change in investment properties	6	(16,885)	(31,395)
Unrealised transaction losses/(gains) effect of foreign exchange		26	(110)
Operating income before working capital changes		88,448	55,066
Changes in working capital:			
Trade and other receivables		(3,161)	(3,606)
Prepaid expenses		(183)	(131)
Trade and other payables		(5,998)	861
Security deposits		260	186
Rent received in advance		795	801
Cash from operating activities		80,161	53,177
Tax paid		(260)	(993)
Interest paid		(17,274)	(8,432)
Net cash from operating activities		62,627	43,752
Cash flows from investing activities			
Acquisition of investment properties and related assets and liabilities		(388,527)	(425,003)
Payment for capital expenditure, acquisition fee and other costs related to investment properties		(10,806)	(9,294)
Interest received		209	11
Net cash used in investing activities		(399,124)	(434,286)
Cash flows from financing activities			
Proceeds from issuance of preferred units	10	–	164
Redemption of preferred units	10	(687)	–
Proceeds from issuance of Units	12	197,165	288,517
Payment of transaction costs relating to issuance of Units	12	(4,566)	(8,094)
Proceeds from loans and borrowings		208,900	205,900
Repayment of loans and borrowings		–	(40,000)
Payment of transaction costs relating to loans and borrowings		(1,195)	(2,288)
Distributions to Unitholders		(58,694)	(42,493)
Net cash from financing activities		340,923	401,706
Net increase in cash and cash equivalents		4,426	11,172
Cash and cash equivalents at beginning of the year		49,674	38,433
Effect of exchange rate fluctuations on cash held in foreign currency		(7)	69
Cash and cash equivalents at end of the year	4	54,093	49,674

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

STATEMENT OF PORTFOLIO

As at 31 December 2018

Description of Property	Tenure of Land	Occupancy Rates ¹	Occupancy Rates ¹	Fair Value	Fair Value	Percentage of Total Net	Percentage of Total Net
		as at	as at	as at	as at	Assets as at	Assets as at
		31 December 2018	31 December 2017	31 December 2018	31 December 2017	31 December 2018	31 December 2017
		%	%	US\$'000	US\$'000	%	%
Group							
Commercial Office Properties							
Figueroa	Freehold	93.9	92.9	329,300	326,000	30.9	38.3
Michelson	Freehold	96.0	96.5	345,000	342,000	32.4	40.1
Peachtree	Freehold	93.7	96.8	203,700	194,200	19.1	22.8
Plaza	Freehold	98.9	98.9	119,800	118,000	11.3	13.9
Exchange	Freehold	97.7	95.7	340,700	332,600	32.0	39.0
Penn	Freehold	99.2	–	189,000	–	17.8	–
Phipps	Leasehold ²	100.0	–	211,200	–	19.9	–
Investment properties				1,738,700	1,312,800	163.4	154.1
Other assets and liabilities (net)				(674,637)	(460,694)	(63.4)	(54.1)
Net assets				1,064,063	852,106	100.0	100.0

1 Based on committed leases.

2 Phipps is subject to a so-called “bonds for title” arrangement under which fee simple title to Phipps is owned by the Development Authority of Fulton County, Georgia (the “Development Authority”), which will lease Phipps to Hancock S-REIT ATL Phipps LLC as a way to reduce the real estate taxes payable on Phipps for a specified period. Under this arrangement, no money changes hands for the lease. After this arrangement expires in December 2020, Hancock S-REIT ATL Phipps LLC will acquire fee simple title to Phipps from the Development Authority for US\$100 and will commence paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area. Given the expense reimbursement structure of the leases at Phipps, the difference in real estate taxes payable following the expiration of this arrangement will largely be borne by the tenants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 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 8 Cross Street, #16-03 Manulife Tower, Singapore 048424.

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 the management of the Trust and its property operations. The fee structures of these 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 years ended 31 December 2018 and 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, 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL (CONT'D)

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

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 year with the DPU in the preceding financial year (calculated before accounting for the performance fee, but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year.

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.

No performance fees were payable for the financial years ended 31 December 2018 and 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). Under Appendix 6 of the CIS Code (the "Property Funds Appendix"), in respect of any acquisition of real estate assets from interested parties, such a fee will be in the form of Units issued by the Trust at prevailing market price. Such Units may not be sold within one year from the date of their issuance. With respect to acquisitions from third parties, 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 \$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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1 GENERAL (CONT'D)

(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 subsidiary of Hancock S-REIT Parent Corp. (the "U.S. Sub") 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.

The Property Management Fee is payable to the Property Manager in the form of cash and/or Units as each U.S. Sub may elect, in such proportions as may be determined by each U.S. Sub.

Leasing Fee

The Property Manager is entitled to a leasing fee from each U.S. Sub 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 amendment") 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 U.S. Sub (or such U.S. Sub'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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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.

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 year ended 31 December 2018

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combination* 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 an asset or liability are 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 that 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 where necessary to align with the policies adopted by the Group.

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 profit or loss. 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 carried at fair value in accordance with IFRS 9 *Financial Instruments*.

Transactions eliminated on consolidation

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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 currency

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 year ended 31 December 2018

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 classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group's non-derivative financial assets comprise of cash and cash equivalents and trade and other receivables ("Loans and receivables"). Loans and receivables are classified in the amortised cost measurement category.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using effective interest method and are subject to impairment. Financial assets measured at amortised cost are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

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, loans and borrowings, and preferred units.

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

The Group recognises an allowance for expected credit losses ("ECLs") for all trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Non-derivative financial assets (cont'd)

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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.

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

3.7 Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Revenue (cont'd)

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. The operating lease agreements include certain services to tenants comprising the overall property management, including common area maintenance services (such as cleaning, security, landscaping, utilities, and repairs and maintenance) as well as other administrative and support services. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components and are within the scope of IFRS 15 *Revenue from Contracts with Customers*. The Group has allocated the consideration in the contract to the separate lease and non-lease components on a relative basis. These services, which are provided to tenant in exchange for operating cost recoveries, are considered to be a single performance obligation delivered to tenants over time.

Lease cancellation fees are recognised as revenue on a straight-line basis over the remaining term of the lease 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.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

3.8 Finance expenses

Finance expenses comprise interest expense on loans and borrowings, amortisation of transaction costs incurred on the borrowings, commitment fees 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Tax (cont'd)

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.

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:

- 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
- 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 year that such a determination is made.

On 20 December 2018, the United States Department of the Treasury released proposed regulations (the "Proposed 267A Regulations") under Section 267A of the United States Internal Revenue Code of 1986, as amended ("Section 267A"). The final regulations under Section 267A, which the United States Department of the Treasury has stated it expects to promulgate no later than 22 June 2019, could differ materially from the Proposed 267A Regulations. Separately, on 20 November 2018, the Government of Barbados has announced that Barbados will converge its local and international tax rates. It was proposed that from 1 January 2019, domestic companies will pay the same tax rates as international companies, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases (the "Proposed Barbados Tax Changes").

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Tax (cont'd)

The Proposed 267A Regulations together with the Proposed Barbados Tax Changes are not expected to necessitate any further changes to Manulife US REIT's structure (including Barbados entities set-up on 1 January 2018) at this point in time in order to preserve the deductibility of interest paid on Manulife US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations together with the Proposed Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

3.10 Distribution Policy

Manulife US REIT's distribution policy is to distribute at least 90% of its annual distributable income. 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 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits which are subject to an insignificant risk of changes in value.

3.13 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.

The Group's investment properties are 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 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 2018 and which the Group had not early adopted.

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 *Revenue from Contracts with Customers*. 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.

4. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Cash at bank	54,093	49,674	4,224	4,953

Cash at banks earns interest based on bank deposit rates.

5. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Trade receivables	5,161	1,479	–	–
Other receivables	3,913	4,434	2,105	1,785
Dividends receivable	–	–	23,000	14,210
	9,074	5,913	25,105	15,995

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 trade 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

5. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to US\$5,161,000 (2017: US\$1,479,000) 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:

	2018 US\$'000	Group 2017 US\$'000
Past due 0 to 1 month	2,793	1,176
Past due 1 to 3 months	1,447	265
Past due 3 to 6 months	921	38
	<u>5,161</u>	<u>1,479</u>

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.

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

	2018 US\$'000	Group 2017 US\$'000
<u>Consolidated Statement of Financial Position</u>		
As at 1 January	1,312,800	833,800
Acquisitions (including acquisition costs) ¹	394,704	435,924
Capital expenditure capitalised	10,780	8,144
Fair value changes in investment properties	20,416	34,932
As at 31 December	<u>1,738,700</u>	<u>1,312,800</u>
<u>Consolidated Statement of Comprehensive Income</u>		
Fair value changes in investment properties	20,416	34,932
Net effect of amortisation and straight lining	(3,531)	(3,537)
Net fair value changes recognised in the statement of comprehensive income	<u>16,885</u>	<u>31,395</u>

¹ Includes acquisition fees

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 INVESTMENT PROPERTIES (CONT'D)

The investment properties are pledged as security to secure bank loans (see Note 9). Details of the investment properties as at 31 December 2018 and 31 December 2017 which are all located in United States of America are set out below:

Description of property	Tenure	Location	Existing use	Appraised value	
				2018 US\$'000	2017 US\$'000
Group					
Los Angeles Figueroa	Freehold	865 S. Figueroa Street Los Angeles, California 90017	Commercial	329,300	326,000
Irvine Michelson	Freehold	3161 Michelson Drive Irvine, Orange County, California 92612	Commercial	345,000	342,000
Atlanta Peachtree	Freehold	1100 Peachtree Street Atlanta, Fulton County, Georgia 30309	Commercial	203,700	194,200
New Jersey Plaza	Freehold	500 and 600 Plaza Drive, Secaucus, Hudson County, New Jersey 07094	Commercial	119,800	118,000
New Jersey Exchange	Freehold	10 Exchange Place, Jersey City, Hudson County, New Jersey 07302	Commercial	340,700	332,600
Washington D.C. Penn	Freehold	1750 Pennsylvania Avenue NW, Washington D.C. 20006	Commercial	189,000	–
Atlanta Phipps	Leasehold ¹	3438 Peachtree Road NE, Atlanta, Fulton County, Georgia 30326	Commercial	211,200	–
Total				1,738,700	1,312,800

- 1 Phipps is subject to a so-called "bonds for title" arrangement under which fee simple title to Phipps is owned by the Development Authority, which will lease Phipps to Hancock S-REIT ATL Phipps LLC as a way to reduce the real estate taxes payable on Phipps for a specified period. Under this arrangement, no money changes hands for the lease. After this arrangement expires in December 2020, Hancock S-REIT ATL Phipps LLC will acquire fee simple title to Phipps from the Development Authority for US\$100 and will commence paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area. Given the expense reimbursement structure of the leases at Phipps, the difference in real estate taxes payable following the expiration of this arrangement will largely be borne by the tenants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value

(i) Fair value hierarchy

The investment properties are stated at fair value based on independent valuations. These independent valuations were undertaken by Colliers International Valuation & Advisory Services, LLC 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 significant unobservable inputs used in the measurement of fair value of investment properties:

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 2018: US\$23.50 – US\$55.00 (2017: US\$20.00 – 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 2018: 6.00% – 8.00% (2017: 6.50% – 7.50%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
	Terminal capitalisation rate 2018: 5.25% – 6.75% (2017: 5.50% – 6.75%)	

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

6 INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

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

Valuation techniques and significant unobservable inputs (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 2018: US\$23.50 – US\$55.00 (2017: US\$20.00 – 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 2018: 4.75% – 6.25% (2017: 5.00% – 6.50%)	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 2018: US\$265 – US\$700 (2017: US\$255 – US\$587)	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 analysis of the valuation to changes in the most significant assumptions underlying the valuation of investment properties:

	Group	
	2018 US\$'000	2017 US\$'000
Fair value of investment properties as at 31 December		
Increase in discount and terminal capitalisation rate of 25 basis points	(82,574)	(61,130)
Decrease in discount and terminal capitalisation rate of 25 basis points	90,328	66,859

7. INVESTMENT IN SUBSIDIARIES

	Trust	
	2018 US\$'000	2017 US\$'000
Unquoted equity investment at cost	921,048	751,259

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

7 INVESTMENT IN SUBSIDIARIES (CONT'D)

Details of the key subsidiaries of the Trust are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held	
			2018 %	2017 %
Direct subsidiaries:				
Manulife US REIT Alpha (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 2 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Manulife US REIT Beta 3 (Singapore) Pte. Ltd. ¹	Singapore	Investment holding	100	100
Indirect subsidiaries:				
Hancock S-REIT Parent Corp. ²	United States	Investment holding	100	100
Hancock S-REIT LA Corp. ²	United States	Property owner	100	100
Hancock S-REIT Irvine Corp. ²	United States	Property owner	100	100
Hancock S-REIT ATL LLC (formerly known as Hancock S-REIT ATL Corp.) ²	United States	Property owner	100	100
Hancock S-REIT SECA LLC (formerly known as Hancock S-REIT SECA Corp.) ²	United States	Property owner	100	100
Hancock S-REIT JCITY LLC (formerly known as Hancock S-REIT JCITY Corp.) ²	United States	Property owner	100	100
Hancock S-REIT DC 1750 LLC ²	United States	Property owner	100	–
Hancock S-REIT ATL Phipps LLC ²	United States	Property owner	100	–
MUSREIT HoldCo (Barbados) 1 SRL ³	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 2 SRL ³	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 3 SRL ³	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 1 SRL ⁴	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 2 SRL ⁴	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 3 SRL ⁴	Barbados	Investment holding	100	100
MUSREIT (Barbados) 1 LP ³	Barbados	Investment holding	100	–
MUSREIT (Barbados) 2 LP ³	Barbados	Investment holding	100	–
MUSREIT (Barbados) 3 LP ³	Barbados	Investment holding	100	–

1 Audited by Ernst & Young LLP Singapore

2 Audited by Ernst & Young LLP Canada

3 Not required to be audited according to the local regulations

4 Audited by Ernst & Young Ltd Barbados

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

8. TRADE AND OTHER PAYABLES

	Group		Trust	
	2018	2017	2018	2017
	US\$'000	US\$'000	US\$'000	US\$'000
Trade payables	162	495	47	135
Amounts due to related parties (non-trade)	37	96	37	96
Accrued expenses	11,701	5,356	718	681
Property tax payable	766	2,786	–	–
Other payables	4,160	9,505	–	*
	<u>16,826</u>	<u>18,238</u>	<u>802</u>	<u>912</u>

* Less than US\$1,000

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

9. LOANS AND BORROWINGS

	Group	
	2018	2017
	US\$'000	US\$'000
Current		
Secured bank loans	110,000	–
Less: Unamortised transaction costs	(111)	–
	<u>109,889</u>	<u>–</u>
Non-current		
Secured bank loans	560,800	461,900
Less: Unamortised transaction costs	(3,489)	(3,531)
	<u>557,311</u>	<u>458,369</u>
	<u>667,200</u>	<u>458,369</u>

The Trust, through its subsidiaries, has in place an aggregate of US\$747.4 million (2017: US\$546.9 million) of loan facilities (the "Facilities") secured on, amongst others, the properties owned by the respective subsidiaries and the Trust has an aggregate of US\$210.0 million (2017: US\$130.0 million) of revolving credit facilities.

The current portion of the secured bank loans relates to Figueroa's loans which are maturing in July 2019. The Group currently has the option to exercise the 1-year extension under Figueroa's existing loan arrangements and the ability to issue unsecured senior notes under the US\$1 billion Multicurrency Debt Issuance Programme to refinance the current borrowings. The Group has sufficient financing options to refinance the portion of borrowings that are maturing within the next 12 months.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 LOANS AND BORROWINGS (CONT'D)

As at 31 December 2018 and 31 December 2017, the outstanding principal, interest rate and maturity of the Facilities are as set forth below:

Group	Nominal interest rate %	Term	Year of maturity	Face value 2018 US\$'000	Carrying amount 2018 US\$'000	Face value 2017 US\$'000	Carrying amount 2017 US\$'000
Figueroa	2.39	3 years	2019	108,000	107,889	108,000	107,686
Figueroa ¹	LIBOR + 1.50	3 years	2019	2,000	2,000	500	500
Michelson	2.52	5 years	2021	121,000	120,498	121,000	120,310
Peachtree	2.46	4 years	2020	67,000	66,796	67,000	66,668
Peachtree ¹	LIBOR + 1.50	4 years	2020	300	300	300	300
Plaza	3.60	5 years	2022	40,000	39,586	40,000	39,425
Exchange	3.48	5 years	2022	125,100	123,791	125,100	123,480
Exchange ¹	LIBOR + 1.50	5 years	2022	6,900	6,900	–	–
Penn	4.08	3 years	2021	95,500	94,982	–	–
Phipps	4.42	5 years	2023	105,000	104,458	–	–
				670,800	667,200	461,900	458,369

¹ Relates to good news facilities drawn to fund capital expenditures and leasing costs with variable interest rates.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	1 January 2018 US\$'000	Financing cash flows US\$'000	Non-cash changes Transaction cost US\$'000	Finance expense US\$'000	31 December 2018 US\$'000
Group					
Loans and borrowings	458,369	208,900	(69)	–	667,200
Preferred shares	571	(687)	–	218	102

Property Financing

As of 31 December 2018, Manulife US REIT has loan facilities of US\$747.4 million (2017: US\$546.9 million) consisting of an initial funding of US\$661.6 million (2017: US\$461.1 million) as well as good news facilities of up to US\$85.8 million (2017: US\$85.8 million) ("Mortgage Facilities"). The Mortgage Facilities have been obtained from Wells Fargo Bank, National Association and Royal Bank of Canada (for certain Mortgage Facilities) ("Mortgage Lenders").

The Mortgage Facilities are secured by, amongst other collateral:

- (i) a first mortgage on each of Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn and Phipps respectively (each, the "Property");
- (ii) an assignment of each of the U.S. Subs' 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 U.S. Subs' right 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 relevant Property.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

9 LOANS AND BORROWINGS (CONT'D)

Property Financing (cont'd)

In addition, Hancock S-REIT Parent Corp., which directly holds each of the U.S. Subs, has granted a limited guarantee to the Mortgage Lenders in respect of certain obligations of the U.S. Sub 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 U.S. Subs in favour of the Mortgage Lenders. Each of the Mortgage Facilities is not cross-defaulted or cross-collateralised with the other Mortgage Facilities.

The average cost of debt funding of US\$670.8 million (2017: US\$461.9 million) under the Mortgage Facilities was 3.27% (2017: 2.83%) per annum.

As at 31 December 2018, US\$9.2 million (2017: US\$0.8 million) have been drawn down on the good news facilities.

Revolving Credit Facility

As at 31 December 2018, Manulife US REIT has a US\$10.0 million revolving credit facility with DBS Bank Ltd ("US\$10.0 million Revolving Credit Facility") and a separate 1-year uncommitted US\$200.0 million revolving credit facility with DBS Bank Ltd. ("US\$200.0 million Revolving Credit Facility", together with the US\$10.0 million Revolving Credit Facility, the "Revolving Credit Facilities"). The facility amount of the US\$200.0 million Revolving Credit Facility had been increased from US\$120.0 million to US\$200.0 million.

Both the Revolving Credit Facilities are secured by:

- (i) the shares of Manulife US REIT's wholly owned subsidiaries, Manulife US REIT Alpha (Singapore) Pte. Ltd. ("Alpha") and Manulife US REIT Beta (Singapore) Pte. Ltd. ("Beta");
- (ii) an assignment of all inter-company loans from the Trustee to any other subsidiaries of Manulife US REIT; and
- (iii) an assignment of certain bank accounts by the Trustee.

In addition:

- (i) the US\$10.0 million Revolving Credit Facility is secured by an assignment of all inter-company loans from Beta and MUSREIT (Barbados) 1 LP ("Barbados LP1") to any other subsidiaries of Manulife US REIT; and
- (ii) the US\$200.0 million Revolving Credit Facility is secured by the shares of Manulife US REIT's wholly owned subsidiary, Manulife US REIT Beta 2 (Singapore) Pte. Ltd. ("Beta 2"), Manulife US REIT Beta 3 (Singapore) Pte. Ltd. and all other direct subsidiaries wholly owned by Manulife US REIT from time to time, and an assignment of all inter-company loans from Beta 2, Barbados LP1, MUSREIT (Barbados) 2 LP, MUSREIT (Barbados) 3 LP and any future loan subsidiaries to any other subsidiaries of Manulife US REIT.

There are no amounts outstanding on the Revolving Credit Facilities as at 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

10. PREFERRED UNITS

	2018 US\$'000	Group 2017 US\$'000
As at 1 January	571	407
Issuance of preferred units (net of issuance costs)	–	164
Redemption of preferred units	(469)	–
As at 31 December	102	571

In 2017, the indirect subsidiaries of the Trust issued 250 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 12.0% per annum and 12.5% per annum for preferred units issued in 2017 and 2016 respectively, 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.

On 1 January 2018, the preferred units issued by each of Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL LLC, Hancock S-REIT SECA LLC and Hancock S-REIT JCITY LLC were redeemed. The total redemption amount was approximately to US\$0.7 million.

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

11. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	2018 US\$'000	Group 2017 US\$'000
Investment properties	50,904	37,203

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

	At 1 January 2017 US\$'000	Statement of Comprehensive Income (Note 18) US\$'000	At 31 December 2017 US\$'000	Statement of Comprehensive Income (Note 18) US\$'000	At 31 December 2018 US\$'000
Deferred tax liabilities					
Investment properties					
– Change in fair value of investment properties	17,250	10,949	28,199	4,654	32,853
– Tax depreciation	5,141	3,863	9,004	9,047	18,051
	22,391	14,812	37,203	13,701	50,904

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust			
	2018		2017	
	No of Units '000	US\$'000	No of Units '000	US\$'000
Units in issue				
As at 1 January	1,033,722	762,833	627,863	493,875
Issuance of Units:				
– Equity placement	–	–	97,003	80,512
– Rights issue	–	–	299,288	208,005
– Preferential offering	227,936	197,165	–	–
– Manager's base fee paid in Units	7,588	6,604	4,782	4,180
– Property Manager's management fees paid in Units	3,736	3,247	2,176	1,949
– Acquisition fee paid in Units	3,342	2,903	2,610	2,363
Issuance costs	–	(4,566)	–	(8,094)
Capital distribution	–	(28,865)	–	(19,957)
As at 31 December	1,276,324	939,321	1,033,722	762,833
Units to be issued				
Manager's base fee payable in Units	2,604	1,958	1,585	1,464
Property Manager's management fees payable in Units	1,317	991	766	707
	3,921	2,949	2,351	2,171
Total Units issued and to be issued as at 31 December	1,280,245	942,270	1,036,073	765,004

Units issued during the year were as follows:

- 7,587,718 (2017: 4,781,742) new Units were issued at issue prices ranging from US\$0.8007 to US\$0.9256 (2017: US\$0.8282 to US\$0.9260) per Unit, amounting to US\$6,604,000 (2017: US\$4,180,000) as satisfaction of the Manager's base fee payable in Units for the period from 1 October 2017 to 30 September 2018 (2017: 1 October 2016 to 30 September 2017).
- 3,736,605 (2017: 2,176,628) new Units were issued at issue prices ranging from US\$0.8007 to US\$0.9256 (2017: US\$0.8400 to US\$0.9450) per Unit, amounting to US\$3,247,000 (2017: US\$1,949,000) as satisfaction of the Property Manager's management fee payable in Units for the period from 1 October 2017 to 30 September 2018 (2017: 1 October 2016 to 30 September 2017).
- 3,341,968 (2017: 2,609,700) new Units were issued at an issue price of US\$0.8685 (2017: US\$0.9056) per Unit as satisfaction of the Acquisition Fee in connection with the acquisition of Penn and Phipps (2017: Exchange).
- On 20 June 2018, 227,935,981 new Units were issued at an issue price of US\$0.865 per Unit in connection with the preferential offering.
- On 29 June 2017, 97,003,000 new Units were issued at an issue price of US\$0.830 per Unit in connection with the private placement.
- On 25 October 2017, 299,288,423 new Units were issued at an issue price of US\$0.695 per Unit in connection with the rights issue.
- There were 2,603,759 (2017: 1,585,034) Units to be issued in satisfaction of the Manager's base fee and 1,316,764 (2017: 765,458) Units to be issued in satisfaction to Property Manager's management fee for the period from 1 October 2018 to 31 December 2018 (2017: 1 October 2017 to 31 December 2017) based on the volume weighted average price for the last 10 Business Days immediately preceding the year end of US\$0.7522 (2017: US\$0.9236). 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 the year end or (ii) the closing price on the day of issuance of Units in payment of property management fees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

12. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

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; and
- 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.

Issuance costs comprise professional, advisory and underwriting fees and other costs related to the issuance of Units. Included in issuance costs are US\$41,084 (2017: US\$82,649) of fees paid to the auditors of the Group.

13. NET ASSET VALUE PER UNIT

	Note	Group 2018	Group 2017	Trust 2018	Trust 2017
Net asset value per Unit is based on:					
– Net assets (US\$'000)		1,064,063	852,106	949,583	771,303
– Total Units issued and to be issued at 31 December ('000)	12	1,280,245	1,036,073	1,280,245	1,036,073

14. GROSS REVENUE

	Group 2018 US\$'000	Group 2017 US\$'000
Rental income	82,450	51,031
Recoveries income	49,918	31,795
Car park income	11,247	8,338
Others	939	876
	<u>144,554</u>	<u>92,040</u>

The Group adopted IFRS 15 *Revenue from Contracts with Customers* which is effective for annual periods beginning on or after 1 January 2018 and has applied the standard retrospectively. Under IFRS 15, service component within leasing contracts is accounted for separately from rental income. The pattern of revenue recognition has however remained unchanged.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

14. GROSS REVENUE (CONT'D)

The effects of adopting IFRS 15 on the presentation of each revenue line item for the year ended 31 December 2017 are as follows:

	Previously reported US\$'000	2017 Reclassification US\$'000	As restated US\$'000
Rental income	61,140	(10,109)	51,031
Recoveries income	21,686	10,109	31,795
Car park income	8,338	–	8,338
Others	876	–	876
	92,040	–	92,040

15. PROPERTY OPERATING EXPENSES

	2018 US\$'000	Group 2017 US\$'000
Real estate taxes	17,315	10,894
Repairs and property maintenance expenses	13,189	8,579
Utilities	7,711	4,453
Property management fees and reimbursements	8,393	4,746
Other operating expenses	7,281	5,017
	53,889	33,689

16. OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	2018 US\$'000	Group 2017 US\$'000
Audit fees paid to:		
– Auditors of the Group	245	224
Valuation fees	79	28
Tax and legal expenses ¹	666	636
Investor relations and related expenses	251	343
Foreign exchange differences	16	(90)
Other expenses	751	497
	2,008	1,638

¹ Includes US tax reform restructuring costs

17. FINANCE EXPENSES

	2018 US\$'000	Group 2017 US\$'000
Interest expense on loans and borrowings	17,880	8,819
Amortisation of upfront debt-related transaction costs	1,095	570
Dividends on preferred units	16	66
Redemption of preferred units	218	–
Commitment fees	38	51
	19,247	9,506

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

18. TAX EXPENSE

	Group	
	2018	2017
	US\$'000	US\$'000
Current tax expense		
Withholding tax	188	981
Income tax	762	12
	<u>950</u>	<u>993</u>
Deferred tax expense/(income)		
Movement in temporary differences	13,701	15,928
Reduction in tax rate	–	(1,116)
	<u>13,701</u>	<u>14,812</u>
	<u>14,651</u>	<u>15,805</u>
Reconciliation of effective tax rate		
Net income for the year before tax	<u>79,171</u>	<u>73,769</u>
Tax calculated using Singapore tax rate of 17% (2017: 17%)	13,459	12,541
Effect of different tax rate in foreign jurisdictions	1,192	3,264
	<u>14,651</u>	<u>15,805</u>

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.

On 20 December 2018, the United States Department of the Treasury released the Proposed 267A Regulations under Section 267A. The final regulations under Section 267A, which the United States Department of the Treasury has states it expects to promulgate no later than 22 June 2019, could differ materially from the Proposed 267A Regulations. Separately, on 20 November 2018, the Government of Barbados has announced that Barbados will converge its local and international tax rates. It was proposed that from 1 January 2019, domestic companies will pay the same tax rates as international companies, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases.

The Proposed 267A Regulations together with the Proposed Barbados Tax Changes are not expected to necessitate any further changes to Manulife US REIT's structure (including Barbados entities set-up on 1 January 2018) at this point in time in order to preserve the deductibility of interest paid on Manulife US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations together with the Proposed Barbados Tax Changes will not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

19. EARNINGS PER UNIT

Basic earnings per Unit is based on:

	2018 US\$'000	Group 2017 US\$'000
Net income for the year	64,520	57,964

	2018 Number of Units '000	Group 2017 Number of Units '000
Weighted average number of Units	1,172,308	800,367 ¹

1 The figures have been restated to reflect the effect of the preferential offering of which 227,935,981 Units were issued on 20 June 2018 and the rights issue through which 299,288,423 Units were issued on 25 October 2017.

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

- (i) The weighted average number of Units in issue for the year; 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 year.

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

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 borrowings 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. 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 aggregate leverage ratio is calculated as total borrowings and deferred payments divided by total assets. As at 31 December 2018, the aggregate leverage ratio is 37.2% (2017: 33.7%). The Group has complied with the Aggregate Leverage limit of 45.0% during the financial year.

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 year ended 31 December 2018

20. FINANCIAL RISK MANAGEMENT (CONT'D)

Overview of risk management

The Group's activities expose it to market risk (including foreign currency risk and 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 a currency other than the functional currency of the Group, and such changes will impact the Group's profit.

The Group 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 exposures to currency risk of the Group and the Trust are as follows:

	Group		Trust	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
Cash and cash equivalents	412	583	406	568
Trade and other payables	(448)	(677)	(418)	(640)
Net liabilities	(36)	(94)	(12)	(72)

A 5.0% weakening of USD against the following foreign currency at the reporting date would decrease the profit or loss by the amounts shown below. This sensitivity analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group		Trust	
	2018 US\$'000	2017 US\$'000	2018 US\$'000	2017 US\$'000
SGD	(2)	(5)	(1)	(4)

A 5.0% strengthening of USD against the above currency would have had an opposite effect of similar quantum on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

As at 31 December 2018, the Group had US\$661.6 million (2017: US\$461.1 million) of fixed rate interest-bearing borrowings and US\$9.2 million (2017: US\$0.8 million) of variable rate interest-bearing borrowings. The Group had not been exposed to significant cash flow risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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. 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. At the end of the reporting period, approximately 55% (2017: 58%) of the Group's trade receivables were due from 3 major tenants.

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 and credit facilities 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 9.

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					
2018					
Non-derivative financial liabilities					
Trade and other payables and security deposits	18,934	18,934	17,315	557	1,062
Preferred units	102	125	–	–	125
Loans and borrowings	667,200	736,838	131,029	605,809	–
	686,236	755,897	148,344	606,366	1,187
2017					
Non-derivative financial liabilities					
Trade and other payables and security deposits	20,086	20,086	18,365	578	1,143
Preferred units	571	750	750	–	–
Loans and borrowings	458,369	509,155	13,271	495,884	–
	479,026	529,991	32,386	496,462	1,143
Trust					
2018					
Non-derivative financial liabilities					
Trade and other payables	802	802	802	–	–
2017					
Non-derivative financial liabilities					
Trade and other payables	912	912	912	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

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			
		Loans and receivables	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
	Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group								
2018								
Financial assets not measured at fair value								
Cash and cash equivalents	4	54,093	–	54,093				
Trade and other receivables [^]	5	8,702	–	8,702				
		<u>62,795</u>	<u>–</u>	<u>62,795</u>				
Financial liabilities not measured at fair value								
Trade and other payables	8	–	16,826	16,826				
Loans and borrowings	9	–	667,200	667,200			661,862	661,862
Security deposits		–	2,108	2,108				
Preferred units	10	–	102	102			125	125
		<u>–</u>	<u>686,236</u>	<u>686,236</u>				
2017								
Financial assets not measured at fair value								
Cash and cash equivalents	4	49,674	–	49,674				
Trade and other receivables [^]	5	4,884	–	4,884				
		<u>54,558</u>	<u>–</u>	<u>54,558</u>				
Financial liabilities not measured at fair value								
Trade and other payables	8	–	18,238	18,238				
Loans and borrowings	9	–	458,369	458,369			451,509	451,509
Security deposits		–	1,848	1,848				
Preferred units	10	–	571	571			750	750
		<u>–</u>	<u>479,026</u>	<u>479,026</u>				

[^] Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

21 FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

		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
Trust								
2018								
Financial assets not measured at fair value								
Cash at bank	4	4,224	–	4,224				
Trade and other receivables^	5	24,733	–	24,733				
		<u>28,957</u>	<u>–</u>	<u>28,957</u>				
Financial liabilities not measured at fair value								
Trade and other payables	8	–	802	802				
2017								
Financial assets not measured at fair value								
Cash at bank	4	4,953	–	4,953				
Trade and other receivables^	5	14,966	–	14,966				
		<u>19,919</u>	<u>–</u>	<u>19,919</u>				
Financial liabilities not measured at fair value								
Trade and other payables	8	–	912	912				

^ Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

22. COMMITMENTS

(a) Operating lease commitments – as lessor

Non-cancellable operating lease rentals are receivable as follows:

	2018 US\$'000	Group 2017 US\$'000
Within 1 year	112,151	88,561
After 1 year but within 5 years	349,709	287,057
After 5 years	271,274	180,770
	<u>733,134</u>	<u>556,388</u>

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.

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	2018 US\$'000	Group 2017 US\$'000
Capital commitments in respect of investment properties	<u>2,174</u>	<u>–</u>

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 year:

	2018 US\$'000	Group 2017 US\$'000
Acquisition of investment properties from a related party	387,000	315,113
Rental received/receivable from a related party	626	465
Manager's acquisition fee paid	2,903	3,513
Manager's base fee paid/payable	7,098	4,672
Trustee's fee paid/payable	235	172
Property manager's management fee paid/payable	3,531	2,172
Reimbursements and leasing fees to a related party	3,804	1,584
Settlement of liabilities including withholding taxes	<u>106</u>	<u>139</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

24. FINANCIAL RATIOS

	2018 %	Group 2017 %
Ratio of expenses to weighted average net assets ¹		
– including performance component of the Manager's management fees	0.96	1.02
– excluding performance component of the Manager's management fees	0.96	1.02
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 incur any performance fee for the financial year ended 31 December 2018.

2 The annualised ratio is computed based on the lesser 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

Distributions

On 11 February 2019, the Manager announced a distribution of US 3.04 cents per Unit for the period from 1 July 2018 to 31 December 2018.

26. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 13 March 2019.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year 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 year 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.		
– Base fees	7,098	–
– Acquisition fees	2,903	–
John Hancock Life Insurance Company (U.S.A.) ("JHUSA")		
– Acquisition of properties	387,000	–
– Rental and other related income	626	–
– Property management fees and leasing fees including reimbursable	7,335	–
– Reimbursement of withholding taxes paid by JHUSA to Inland Revenue Service on behalf of Manulife US REIT	106	–
DBS Trustee Ltd		
– Trustee fees	235	–

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

The fees and charges payable by Manulife US REIT to the Manager under the Trust Deed and to JHUSA under the Master Property Management Agreement and the Property Management Agreements form part of the Exempted Agreements as set out in Manulife US REIT's Prospectus dated 12 May 2016, each of which constitutes an Interested Person Transaction. Accordingly, such transactions 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 the 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 year ended 31 December 2018, an aggregate of 14,666,291 Units were issued and subscribed for in relation to the Manager's base fees, Manager's acquisition fees and Property Manager's management fees. On 27 February 2019, an aggregate of 3,789,951 Units were issued in relation to the payment of Manager's base fees and Property Manager's management fees for the fourth quarter of 2018.

STATISTICS OF UNITHOLDINGS

As at 6 March 2019

ISSUED AND FULLY PAID UNITS

There were 1,280,114,375 Units issued in MUST as at 6 March 2019 (voting rights: one vote per Unit).

There is only one class of Units in MUST.

No treasury units and no subsidiary holdings held.

Market Capitalisation: US\$1,081,696,647 based on market closing price of US\$0.845 per Unit on 6 March 2019.

DISTRIBUTION OF UNITHOLDINGS

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 – 99	20	0.37	772	0.00
100 – 1,000	275	5.19	222,384	0.02
1,001 – 10,000	2,096	39.54	11,665,757	0.91
10,001 – 1,000,000	2,881	54.35	141,926,470	11.09
1,000,001 AND ABOVE	29	0.55	1,126,298,992	87.98
TOTAL	5,301	100.00	1,280,114,375	100.00

TWENTY LARGEST UNITHOLDERS

No.	Name	No. of Units	%
1	DBS NOMINEES (PRIVATE) LIMITED	499,653,378	39.03
2	RAFFLES NOMINEES (PTE.) LIMITED	180,536,695	14.10
3	CITIBANK NOMINEES SINGAPORE PTE LTD	150,381,462	11.75
4	HSBC (SINGAPORE) NOMINEES PTE LTD	71,819,629	5.61
5	DBSN SERVICES PTE. LTD.	63,037,357	4.92
6	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	54,810,616	4.28
7	DB NOMINEES (SINGAPORE) PTE LTD	29,507,443	2.31
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	13,686,110	1.07
9	LIEW CHEE KONG	6,079,862	0.47
10	UOB KAY HIAN PRIVATE LIMITED	5,692,607	0.44
11	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	5,405,446	0.42
12	PHILLIP SECURITIES PTE LTD	5,060,223	0.40
13	KGI SECURITIES (SINGAPORE) PTE. LTD.	4,254,580	0.33
14	BPSS NOMINEES SINGAPORE (PTE.) LTD.	3,913,450	0.31
15	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,864,766	0.30
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,401,752	0.27
17	ABN AMRO CLEARING BANK N.V.	3,310,777	0.26
18	OCBC SECURITIES PRIVATE LIMITED	3,021,347	0.24
19	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	2,684,762	0.21
20	STONE FOREST PTE LTD	2,440,000	0.19
	TOTAL	1,112,562,262	86.91

STATISTICS OF UNITHOLDINGS

As at 6 March 2019

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 6 March 2019)

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Manulife (International) Limited	80,473,188	6.29	–	–	80,473,188	6.29
Manulife International Holdings Limited ⁽²⁾	–	–	80,473,188	6.29	80,473,188	6.29
Manulife Financial Asia Limited ⁽³⁾	1	n.m. ⁽⁸⁾	117,669,783	9.19	117,669,784	9.19
Manulife Holdings (Bermuda) Limited ⁽⁴⁾	–	–	117,669,784	9.19	117,669,784	9.19
The Manufacturers Life Insurance Company ⁽⁵⁾	–	–	117,669,784	9.19	117,669,784	9.19
Manulife Financial Corporation ⁽⁶⁾	–	–	117,669,784	9.19	117,669,784	9.19
Prudential Corporation Asia Limited ⁽⁷⁾	–	–	76,839,142	6.00	76,839,142	6.00
Prudential Plc ⁽⁷⁾	–	–	76,839,142	6.00	76,839,142	6.00

Notes:

- (1) The percentage of unitholding is calculated based on the total number of 1,280,114,375 Units in issue as at 6 March 2019.
- (2) Manulife (International) Limited ("MIL") is a wholly-owned subsidiary of Manulife International Holdings Limited ("MIHL"). MIHL is therefore deemed interested in MIL's direct interest in 80,473,188 Units.
- (3) MIHL, Manufacturers Life Reinsurance Limited ("MLRL") and Manulife US Real Estate Management Pte. Ltd. ("MUSREM") are wholly-owned subsidiaries of Manulife Financial Asia Limited ("MFAL"). MFAL is therefore deemed interested in (i) MIHL's deemed interest in 80,473,188 Units; (ii) MLRL's direct interest in 30,670,793 Units; and (iii) MUSREM's direct interest in 6,525,802 Units.
- (4) MFAL is a wholly-owned subsidiary of Manulife Holdings (Bermuda) Limited ("MHBL"). MHBL is therefore deemed interested in (i) MFAL's direct interest in 1 Unit; and (ii) MFAL's deemed interest in 117,669,783 Units.
- (5) MHBL is a wholly-owned subsidiary of The Manufacturers Life Insurance Company (the "Sponsor"). The Sponsor is therefore deemed interested in MHBL's deemed interest in 117,669,784 Units.
- (6) The Sponsor is a wholly-owned subsidiary of Manulife Financial Corporation ("MFC"). MFC is therefore deemed interested in the Sponsor's deemed interest in 117,669,784 Units.
- (7) Prudential Corporation Asia Limited ("PCAL") and Prudential Plc are deemed interested in MUST's Units held and managed by PCAL's subsidiaries as fund managers.
- (8) Not meaningful.

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2019)

Directors	Direct interest		Deemed interest	
	No. of Units	% ⁽¹⁾	No. of Units	% ⁽¹⁾
Hsieh Tsun-Yan ⁽²⁾	942,325	0.074	–	–
Ho Chew Thim	172,000	0.013	–	–
Lau Chun Wah @ Davy Lau	–	–	–	–
Veronica Julia McCann ⁽³⁾	421,449	0.033	–	–
Choo Kian Koon	–	–	–	–
Michael Floyd Dommermuth	–	–	–	–
Stephen James Blewitt ⁽⁴⁾	–	–	–	–

Notes:

- (1) The percentage of unitholding is calculated based on the total number of 1,276,324,424 Units in issue as at 21 January 2019.
- (2) The 942,325 Units are jointly owned by Hsieh Tsun-Yan and his spouse, Hsieh Siauyih Goon.
- (3) The 421,449 Units are jointly owned by Veronica Julia McCann and her spouse, Steven John Baggott.
- (4) Stephen James Blewitt was appointed as a Director of the Manager on 8 February 2019.

FREE FLOAT:

Based on information available to the Manager as at 6 March 2019, 90.69% of the Units in MUST are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

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 Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, Level 3, Room 300–302, on 24 April 2019 at 10.00 a.m. to transact 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 year ended 31 December 2018 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 resolutions:

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 Instrument 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 and subsidiary holdings, 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 and subsidiary holdings, if any) (as calculated in accordance with sub-paragraph (2) below);
- (2) subject to such manner of calculation as may be prescribed by 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 and subsidiary holdings, if any) shall be based on the total number of issued Units (excluding treasury Units and subsidiary holdings, 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; and
 - (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 the 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))

4. That:

- (a) approval be and is hereby given to amend the provisions in the Trust Deed regarding the repurchase and redemption of the Units of Manulife US REIT in the manner set out in **Annex A** of the Letter to Unitholders dated 2 April 2019 (the “Unit Buy-Back Trust Deed Supplement”); and
- (b) 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 interests of Manulife US REIT to give effect to the Unit Buy-Back Trust Deed Supplement.

(Extraordinary Resolution 4)

(See Explanatory Note (ii))

5. That subject to and conditional upon the passing of Extraordinary Resolution 4:

- (a) the exercise of all the powers of the Manager to repurchase issued Units for and on behalf of Manulife US REIT not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Manager in accordance with the Trust Deed from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) market repurchase(s) on the SGX-ST and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted; and/or
 - (ii) off-market repurchase(s) in accordance with any equal access scheme(s) as may be determined or formulated by the Manager as it considers fit in accordance with the Trust Deed, as proposed to be supplemented by the Unit Buy-Back Trust Deed Supplement,

and otherwise in accordance with all applicable laws and regulations including the rules of the SGX-ST or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, be and is hereby authorised and approved generally and unconditionally (the “Unit Buy-Back Mandate”);

NOTICE OF ANNUAL GENERAL MEETING

- (b) (unless revoked or varied by the Unitholders in a general meeting) the authority conferred on the Manager pursuant to the Unit Buy-Back Mandate may be exercised by the Manager at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
- (i) the date on which the next AGM of Manulife US REIT is held;
 - (ii) the date by which the next AGM of Manulife US REIT is required by applicable laws and regulations or the Trust Deed to be held; or
 - (iii) the date on which repurchases of Units pursuant to the Unit Buy-Back Mandate are carried out to the full extent mandated;
- (c) in this Resolution:
- "Average Closing Price"** means the average of the closing market prices of the Units over the last five Market Days, on which transactions in the Units were recorded, immediately preceding the date of the market repurchase or, as the case may be, the date of the making of the offer pursuant to the off-market repurchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days;
- "date of the making of the offer"** means the date on which the Manager makes an offer for an off-market repurchase, stating therein the repurchase price (which shall not be more than the Maximum Price for an off-market repurchase) for each Unit and the relevant terms of the equal access scheme for effecting the off-market repurchase;
- "Market Day"** means a day on which the SGX-ST and/or, as the case may be, such other stock exchange for the time being on which the Units may be listed and quoted, is open for trading in securities;
- "Maximum Limit"** means that number of Units representing 2.5% of the total number of issued Units as at the date of the passing of this Resolution; and
- "Maximum Price"** in relation to a Unit to be repurchased, means the repurchase price (excluding brokerage, stamp duty, commission, applicable goods and services tax and other related expenses) which shall not exceed 105.0% of the Average Closing of the Units for both a Market Repurchase in accordance with Rule 884 of the Listing Manual, and an Off-Market Repurchase;
- (d) 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 interests of Manulife US REIT to give effect to the transactions contemplated and/or authorised by this Resolution.

(Ordinary Resolution 5)

(See Explanatory Note (iii))

NOTICE OF ANNUAL GENERAL MEETING

6. That:

- (a) approval be and is hereby given to amend the provisions in the Trust Deed regarding electronic communications of notices and documents to Unitholders in the manner set out in **Annex A** of the Letter to Unitholders dated 2 April 2019 (the “**Electronic Communications Trust Deed Supplement**”); and
- (b) 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 interests of Manulife US REIT to give effect to the proposed Electronic Communications Trust Deed Supplement.

(Extraordinary Resolution 6)

(see *Explanatory Note (iv)*)

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
Gwendolin Lee Soo Fern
Company Secretaries

Singapore
2 April 2019

EXPLANATORY NOTES:

i. Ordinary Resolution 3

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 and subsidiary holdings, 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 and subsidiary holdings, if any).

For determining the aggregate number of Units that may be issued, the percentage of issued Units (excluding treasury Units and subsidiary holdings, if any) will be calculated based on the issued Units (excluding treasury Units and subsidiary holdings, 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 Ordinary Resolution 3 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 acquisitions 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

ii. Extraordinary Resolution 4

Extraordinary Resolution 4 above, if passed, will approve the supplement of the Trust Deed with the Unit Buy-Back Trust Deed Supplement, which is set out in **Annex A** of the Letter to Unitholders dated 2 April 2019.

(See Annex A of the Letter to Unitholders dated 2 April 2019 in relation to the Unit Buy-Back Trust Deed Supplement for further details.)

iii. Ordinary Resolution 5

Ordinary Resolution 5 above, if passed, will empower the Manager from the date of the AGM until (i) the date on which the next AGM of Manulife US REIT is held, (ii) the date by which the next AGM of Manulife US REIT is required by applicable laws and regulations or the Trust Deed to be held, or (iii) the date on which the repurchases of Units pursuant to the Unit Buy-Back Mandate are carried out to the full extent mandated, whichever is the earliest, to exercise all the powers to repurchase issued Units for and on behalf of Manulife US REIT not exceeding in aggregate 2.5% of the total number of Units as at the date of the passing of this Resolution, whether by way of market repurchase(s) or off-market repurchase(s), on the terms of the Unit Buy-Back Mandate set out in the Letter to Unitholders dated 2 April 2019 unless such authority is revoked or varied by the Unitholders in a general meeting. As the Unit Buy-Back Trust Deed Supplement is required for the adoption of the Unit Buy-Back Mandate, Ordinary Resolution 5 is conditional upon the passing of Extraordinary Resolution 4.

(See Annex A of the Letter to Unitholders dated 2 April 2019 in relation to the proposed adoption of the Unit Buy-Back Mandate for further details.)

iv. Extraordinary Resolution 6

In connection with the amendments to the Companies Act, Chapter 50 of Singapore (the “**Companies Act**”), companies are allowed to send notices and documents electronically to their shareholders with the express, deemed or implied consent (the “**Deemed Consent Regime**” and the “**Implied Consent Regime**”, respectively) of the shareholders if the constitution of the company provides for it and the specified modes of electronic communications are set out in the constitution of the company (the “**Companies Act Electronic Communications Amendments**”). The SGX-ST has recently amended the listing rules of the SGX-ST (the “**Listing Rules**”) to align the Listing Rules with the Companies Act Electronic Communications Amendments, with issuers allowed to transmit certain types of notices and documents to shareholders (or Unitholders, in the case of a listed real estate investment trust (“**REIT**”) such as Manulife US REIT) electronically with the express, deemed or implied consent of shareholders.

Although Manulife US REIT is not bound by the Companies Act, it is nonetheless bound by the Listing Rules as a listed REIT. Accordingly, the Manager proposes to amend the Trust Deed to adopt certain provisions of the Listing Rules to implement the Implied Consent Regime and the Deemed Consent Regime and allow for such electronic transmission of notices and documents in relation to Manulife US REIT.

(See Annex A of the Letter to Unitholders dated 2 April 2019 in relation to the proposed Electronic Communications Trust Deed Supplement for further details.)

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 (as defined herein).

“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 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 id purported to be used by them.
4. Prior to the AGM, Unitholders are encouraged to email their questions to usreitinquiry@manulifeusreit.sg.
5. **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", and the units of Manulife US REIT, the "Units"), 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 Suntec Singapore International Convention & Exhibition Centre, 1 Raffles Boulevard, Singapore 039593, Level 3, Room 300-302 on Wednesday, 24 April 2019 at 10.00 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.	Resolutions	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾
ORDINARY BUSINESS			
1	<u>Ordinary Resolution</u> To receive and adopt the Trustee's Report, the Manager's Statement and the Audited Financial Statements of Manulife US REIT for the financial year ended 31 December 2018 together with the Auditors' Report thereon.		
2	<u>Ordinary Resolution</u> 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	<u>Ordinary Resolution</u> To authorise the Manager to issue Units and to make or grant convertible Instruments.		
4	<u>Extraordinary Resolution</u> To approve the amendments to the provisions in Manulife US REIT's Trust Deed in relation to the Unit Buy-Back Trust Deed Supplement.		
5	<u>Ordinary Resolution</u> To authorise the Manager to repurchase issued Units in accordance with the Manulife US REIT's Trust Deed, as proposed to be supplemented by the Unit Buy-Back Trust Deed Supplement under Extraordinary Resolution 4 above.		
6	<u>Extraordinary Resolution</u> To approve the amendments to the provisions in Manulife US REIT's Trust Deed in relation to the Electronic Communications Trust Deed Supplement.		

⁽¹⁾ If you wish to exercise all your votes "For" or "Against", please tick (✓) within the relevant boxes provided. Alternatively, please indicate the number of Units, as appropriate, in the boxes provided.

Dated this _____ day of _____ 2019

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
 - (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 proxy need not be a 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 **10.00 a.m. on 21 April 2019**, being not less than seventy-two (72) hours before the time appointed for the AGM.
5. A Unitholder should insert the total number of Units held in the Proxy Form. 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.
6. 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.
7. The Proxy Form must be executed under the hand of the appointor or of his attorney duly authorised in writing or if the appointor is a corporation, it must be executed either under its common seal or under the hand of an officer or attorney so authorised.
8. 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.
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 **10.00 a.m. on 21 April 2019**, being not less than seventy-two (72) hours before the time appointed for holding the AGM.

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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 2 April 2019.

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MANULIFE US REAL ESTATE MANAGEMENT PTE. LTD.
(as Manager of Manulife US Real Estate Investment Trust)
C/O Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

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CORPORATE DIRECTORY

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Fax: +65 6801 1056
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

Dr Choo Kian Koon
Independent Non-Executive Director

Mr Michael Dommermuth
Non-Executive Director

Mr Stephen Blewitt
Non-Executive Director

Audit and Risk Committee

Mr Ho Chew Thim
Chairman

Dr Choo Kian Koon

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

Ms Jennifer Schillaci
Chief Investment Officer

Ms Caroline Fong
Head of Investor Relations

Mr Jagjit Obhan
Chief Financial Officer

Mr Choong Chia Yee
Financial Controller

Ms Daphne Chua
Head of Compliance

Company Secretaries

Mr Lai Kuan Loong Victor

Ms Gwendolin Lee Soo Fern

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Singapore 048583
Tel: +65 6535 7777
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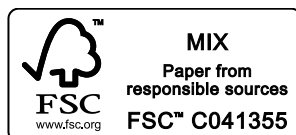
Partner-in-charge
Mr Nelson Chen
Appointment Date: 13 May 2016

Unit Registrar

Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
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For updates or change of mailing address,
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US REIT

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