



Trust Management (Suntec) Limited

Suntec Real Estate Investment Trust
("Suntec REIT")



EXTRAORDINARY GENERAL MEETING ON 4 DECEMBER 2020

RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS

ARA Trust Management (Suntec) Limited (the "Manager"), as manager of Suntec Real Estate Investment Trust ("Suntec REIT") would like to thank unitholders for submitting their questions in advance of Suntec REIT's Extraordinary General Meeting ("EGM") to be held by electronic means at 11.00 a.m. on 4 December 2020.

The Manager will address the substantial and relevant questions with regards to the proposed acquisition. As there are areas of overlap in the questions raised, we have grouped related and similar questions together and provided our corresponding responses to them.

Please refer to **Annex A** for the list of substantial and relevant questions, and the Manager's responses to these questions.

For full details on Suntec REIT's acquisition of 50.0% interest in Two Grade A Office Buildings with Ancillary Retail in Victoria, West End, London, United Kingdom, please refer to the circular of Suntec REIT dated 12 November 2020 ("Circular") available at the IPO Prospectus and Circulars section on Suntec REIT's website at https://suntecreit.listedcompany.com/ipo_circulars.html.

By Order of the Board
ARA Trust Management (Suntec) Limited
(as manager of Suntec Real Estate Investment Trust)
(Company registration no. 200410976R)

Chong Kee Hiong
Director
4 December 2020

Annex A

Please refer to our responses to the questions as set out in the table below:

Acquisition process and rationale

Questions	Responses
<p>1. We are entering a new market, namely London, United Kingdom (“UK”), in the midst of the Covid-19 pandemic. Please detail the level of expertise and due diligence done before entering the London property market.</p>	<p>For every acquisition, extensive due diligence (“DD”) covering technical, legal, financial, tax and property market were conducted. For the acquisition of the Nova Properties, independent, qualified and experienced consultants who are based in London conducted the full scope of the DD.</p> <p>In addition, Suntec REIT was assisted by ARA Dunedin, a subsidiary of ARA Asset Management (“ARA Group”). ARA Dunedin is a specialist UK real estate investor and active asset manager which is based in London. Suntec REIT leveraged on ARA Dunedin's extensive network and in-depth knowledge of the UK market in analysing this acquisition.</p>
<p>2. Have we seen the property ourselves, or was the deal discussed and agreed online/virtually?</p>	<p>The directors and business development staff of the Manager inspected the property in 2019. In person detailed discussions were also held by the Manager with the vendor as well as Land Securities (“Landsec”), the existing joint venture partner.</p>
<p>3. Do we understand the property market in the UK and do we have the requisite expertise and talent to manage? Specifically, who will manage the property in London, especially given flight restrictions?</p>	<p>The Manager has appointed ARA Dunedin as the owner's local representative as well as to provide ongoing local asset management services. ARA Dunedin has strong local asset management expertise and deep knowledge of the UK real estate market. The asset manager in Singapore will work closely with both ARA Dunedin and Landsec in managing the property.</p> <p>The property is developed by Landsec and Landsec will continue to provide property management services to the property.</p> <p>Landsec, listed on the London Stock Exchange, is a leading diversified UK property group with integrated development and asset management capabilities. As at 31 March 2020, Landsec owns and manages approximately 24.0 million sq ft of space and has a combined portfolio value of £12.8 billion.</p>
<p>4. Are we diversifying for the sake of diversifying? How does this transaction add to the whole portfolio of Suntec REIT?</p>	<p>The Manager actively sources for acquisitions that fits Suntec REIT's investment strategy and are Distribution Per Unit (“DPU”) accretive. Currently, the Singapore and Australia assets constitute approximately 83% and</p>

<p>5. What is the target/ideal allocation of assets in Singapore vs foreign market? What other countries is the REIT eyeing?</p>	<p>17% of Suntec REIT's assets under management ("AUM") respectively.</p> <p>The Manager is looking at an overseas geographical allocation target of between 30% to 40% of AUM in 3 to 5 years' time. Given the portfolio size of Suntec REIT, the Manager is of the view that the REIT should diversify into a third country to further enhance income and geographical stability.</p> <p>The Manager's investment focus is in key cities that have strong fundamentals, stable growth and similar risk-return profile as Singapore and Australia.</p> <p>The United Kingdom is a highly attractive investment destination due to the following:</p> <ul style="list-style-type: none"> - It is the 2nd largest economy in Europe - Received approximately US\$0.6 trillion in Foreign Direct Investments between 2015 and 2019; One of the top recipients in Europe - Home to highly innovative firms and world class science and research base - London's CBD office stock is the largest amongst key European cities, providing liquidity for investments; The London commercial property market is expected to remain resilient in the long term. <p>The benefits of the acquisition to the unitholders are as follow:</p> <ul style="list-style-type: none"> - Strategic expansion into Central London, UK - High quality, Grade A property in key location - 100% committed occupancy with long weighted average lease expiry ("WALE") of 11.1 years - Strong income stream from the office tenants which constitute approximately 90% of Nova Properties' total rental income - 2-year guarantee on the retail income to provide rental protection to ride out the current pandemic - Net Property Income ("NPI") Yield of 4.6% - DPU accretion of 2.3% - Enhances resilience, diversification and quality of Suntec REIT's portfolio
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	Please refer to paragraph 3 of the circular dated 12 November 2020
6. Were the currency and geopolitical risks considered and how will these be managed?	<p>The Manager had considered the geopolitical risks and is of the view that London will continue to be a key global market. Good quality assets in prime location such as the Nova Properties will be resilient to deliver returns in both the short and long-term horizon.</p> <p>The Manager intends to partially fund the acquisition with £200.0 million loans in British pound (“GBP”) to achieve natural hedge. In addition, the Manager also intends to hedge at least 50% of the GBP net income. The Manager will continue to look for opportunity to hedge the net open position further.</p>
<p>7. What is plan B for the REIT if Covid-19 stretches beyond the income guarantee?</p> <p>A S\$8.9 million income guarantee looks low because a NPI of 4.6%, written in the circular, should give an income of S\$36 million. Based on the calculations, Suntec REIT is only 25% covered.</p>	<p>The Nova Properties is a high quality Grade A property in a key location. It is 100% occupied by quality tenants from diversified sectors. The strong income stream from the office tenants constitute approximately 90% of Nova Properties’ total rental income while the balance 10% is from the ancillary retail tenants which provides amenities to the office community. In view of disruptions to the operations and income of the retail business arising from Covid-19, an income guarantee was negotiated despite the retail units being 100% leased.</p> <p>The Income Guarantee covers the loss of income for the retail units including rental not paid by retail tenants, loss of rent due to vacancy, costs incurred in marketing and/or re-letting any vacant retail units in the Property. The 2-year Income Guarantee Period allows proactive asset management to be carried out to weather the challenging market conditions.</p> <p>Of the total NPI from the Nova Properties, 89.6% is from office and retail contributes 10.4% to the NPI. This is approximately £2.05 million per annum or £4.1 million (approximately S\$7.3 million) for 2 years. Please refer to paragraph 2.6 of the circular dated 12 November 2020.</p>
8. What is the internal rate of return on investment and the incremental contribution from the proposed acquisition to net profit?	Please refer to the circular issued dated 2 November 2020 which provides illustrative pro forma financial effects of the proposed acquisition of the Nova Properties on Suntec REIT’s FY2019 financial statements.

	On a pro forma basis, incremental net income is S\$13.2 million per annum. Please refer to paragraph 4.1.1. of the circular dated 12 November 2020.
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Capital Management

Questions	Responses
1. Suntec REIT's aggregate leverage ratio ("ALR") was 41.3% and 37.7% as at 30 June 2020 and 31 December 2019 respectively. What is the impact to ALR with this acquisition?	On a pro forma basis, Suntec REIT's aggregate leverage ratio would increase from 41.3% to 43.5% if the Acquisition was completed on 30 June 2020. Please refer to paragraph 4.1.3. of the circular dated 12 November 2020.
2. What is the level of ALR the board would be comfortable with? How will management reduce the ALR?	The Manager strives to maintain an appropriate capital structure, taking into consideration the optimisation of returns to unitholders, interest coverage and aggregate leverage ratio. The target ALR for our REIT is between 40% to 45% with the appropriate interest coverage multiples.
3. Please confirm that there will not be any fund raising for this acquisition (e.g. rights issue, private placement, preferential offering).	The acquisition will be funded by GBP 200 million loans (at an indicative rate of 2.9% per annum), S\$200 million perpetual securities (at coupon rate of 3.8% per annum) and up to S\$217.8 million loans in Singapore dollars ("SGD") (at an indicative rate of 2.3% per annum).
4. What is the final amount of loans taken in GBP and SGD respectively for this acquisition and what is the respective cost of the loans? What is the REIT's latest debt and interest maturity profile with the addition of the GBP and SGD loans?	In addition to asset managing the performance of existing portfolio, the Manager continues to source for assets that further enhances the unitholders' returns. A holistic approach is taken when evaluating the merits of an acquisition. Other than the quality of the asset, DPU and Net Asset Value ("NAV") accretions are key priorities of the Manager. However, in order not to pass on an excellent acquisition opportunity that creates long term value for unitholders, stronger emphasis will be placed to ensure that the acquisition is DPU accretive to unitholders. Quality assets will eventually uplift the NAV of the REIT.
5. Can unitholders be assured that equity financing will not be considered for future acquisitions (e.g. the other 50% of the UK properties) since the price of the share is still very low?	The Manager takes a disciplined investment approach in evaluating acquisitions. The actual funding structure of an acquisition will depend on prevailing equity and debt market conditions.
6. Will there be a preferential offering to existing unitholders if there is an equity fund raising?	

Others

Questions	Responses
<p>1. Why is there is a drag right on property sale at a price of not lower than 97.5% of the Rights of First Offer (“ROFO”) price if the ROFO is not exercised? Also, how the ROFO and drag right work?</p>	<p>The existing partnership deeds has a provision which allows any partner (the “Selling Partner”) to serve a notice on the other partner (the “Non-Selling Partner”) requesting that the Nova Properties (or any of Nova North, Nova South and The Nova Building, which comprise part of the Property) (the “Relevant Drag Building(s)”) be sold in the market (the “Property Drag”).</p> <p>Before the exercise of the Property Drag, the Non-Selling Partner has a ROFO to purchase the Relevant Drag Building(s) at a price offered by the Selling Partner (“Offer Price”). If the Non-Selling Partner does not exercise the ROFO, the Selling Partner has the right to market and sell the Relevant Drag Building(s) at a price not lower than 97.5% of the Offer Price (the “Sale Consideration”). The amended partnership deeds which will take effect upon completion of the acquisition, contain an additional protection which requires the Sale Consideration to be equal to or higher than an independent valuation commissioned by the Non-Selling Partner. If the Sale Consideration is lower than the independent valuation, the Property Drag may only be exercised with the consent of both the Selling Partner and the Non-Selling Partner so as to protect the interests of the Unitholders. If the party purchasing the Relevant Drag Building(s) is an interested party of Suntec REIT (as defined in the Property Funds Appendix), the Property Drag may only be exercised subject to approval of the Unitholders so as to protect the interests of the Unitholders.</p> <p>By way of illustration, if Landsec (Selling Partner) wishes to sell its interest in the Relevant Drag Building(s), Suntec REIT (Non-Selling Partner) has a ROFO to purchase Landsec’s interest in the Relevant Drag Building(s) at the Offer Price. If Suntec REIT does not exercise the ROFO, Landsec can only sell the Relevant Drag Building(s) at a Sale Consideration being not lower than 97.5% of the Offer Price and not lower than the independent valuation commissioned by Suntec REIT. As the ROFO is over the underlying real estate (i.e. Nova North, Nova South and The Nova Building), if the ROFO is not exercised, Suntec REIT’s interest in the Relevant Drag Building(s) would have to be sold for a purchase price being not lower than 97.5%</p>

	<p>of the Offer Price and not lower than the independent valuation commissioned by Suntec REIT, and subject to the usual market conditions precedent for such sale and purchase agreements.</p> <p>Please refer to paragraphs 2.3 and 2.9 of the circular dated 12 November 2020.</p>
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ABOUT SUNTEC REIT

Listed on 9 December 2004, Suntec REIT holds properties in Suntec City, Singapore's largest integrated commercial development (including one of Singapore's largest shopping Mall), a 60.8% interest in Suntec Singapore Convention & Exhibition Centre, a one-third interest in One Raffles Quay, a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and the Marina Bay Link Mall, and a 30.0% interest in 9 Penang Road. Suntec REIT holds a 100% interest in a commercial building located at 177 Pacific Highway, Sydney, a 100% interest in a commercial building located at 21 Harris Street, Pyrmont, Sydney, a 50.0% interest in Southgate Complex, Melbourne, a 50.0% interest in a commercial building located at Olderfleet 477 Collins Street, Melbourne and a 100% interest in a commercial building located at 55 Currie Street, Adelaide, Australia. Its aim is to invest in income-producing real estate which is primarily used for office and/or retail purposes. Suntec REIT is managed by an external manager, ARA Trust Management (Suntec) Limited. For more details, please visit www.suntecreit.com.

ABOUT ARA TRUST MANAGEMENT (SUNTEC) LIMITED

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

ARA is a leading APAC real assets fund manager with a global reach. With S\$110 billion¹ in gross assets under management as at 30 June 2020, ARA manages listed and unlisted real estate investment trusts (REITs), private real estate equity and credit funds, and infrastructure funds in 28 countries. As part of its investor-operator philosophy, ARA also operates a real estate management services division with local teams to manage its assets worldwide.

ARA's multi-platform, multi-product global fund management business is supported by dedicated local teams with in-depth knowledge and expertise and empowered by a forward-looking real estate technology strategy. Built on a foundation of strong corporate governance and business integrity, ARA counts some of the world's largest pension funds, sovereign wealth funds, financial institutions, endowments and family offices as its investors.

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

¹ Includes assets under management by ARA Asset Management Limited and the Group of companies (“ARA Group”) and its Associates as at 30 June 2020