

SGX-ST ANNOUNCEMENT

For immediate release

FRASERS LOGISTICS & COMMERCIAL TRUST

(a real estate investment trust constituted on 30 November 2015 under the laws of the Republic of Singapore)

**RESPONSE TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS FOR
THE ANNUAL GENERAL MEETING ON 20 JANUARY 2021**

Frasers Logistics & Commercial Asset Management Pte. Ltd. (formerly known as Frasers Logistics & Industrial Asset Management Pte. Ltd.), as manager of Frasers Logistics & Commercial Trust (formerly known as Frasers Logistics & Industrial Trust) (“**FLCT**”, and as manager of FLCT, the “**REIT Manager**”), wishes to thank all unitholders of FLCT (the “**Unitholders**”) who have submitted their questions in advance of the 4th Annual General Meeting of FLCT (the “**AGM**”), which will be conducted virtually on 20 January 2021, 2.00 p.m. (Singapore Time) via the live audio-visual webcast or live audio-only stream.

The questions are grouped into the following key topics:

- A. COVID-19 pandemic
- B. Acquisitions/Divestments
- C. Capital Management
- D. Portfolio

The REIT Manager wishes to inform Unitholders that it has consolidated the questions received from the Unitholders and made editorial amendments to some of the questions to ensure that the meaning of each of the questions is clear. For the avoidance of doubt, the editorial amendments do not change the meaning of the questions.

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

BY ORDER OF THE BOARD

Frasers Logistics & Commercial Asset Management Pte. Ltd.
(formerly known as Frasers Logistics & Industrial Asset Management Pte. Ltd.)
As manager of Frasers Logistics & Commercial Trust
(formerly known as Frasers Logistics & Industrial Trust)
Company Registration No: 201528178Z

Catherine Yeo
Company Secretary
19 January 2021

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IMPORTANT NOTICE

The value of the units in FLCT (“**Units**”) and the income derived from them, if any, may fall or rise. The Units are not obligations of, deposits in, or guaranteed by, the REIT Manager or Perpetual (Asia) Limited, as trustee of FLCT. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors should note that they have no right to request the REIT Manager to redeem their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

The past performance of FLCT and the REIT Manager is not necessarily indicative of the future performance of FLCT and the REIT Manager.

ANNEX A: RESPONSES TO THE SUBSTANTIAL AND RELEVANT QUESTIONS FROM UNITHOLDERS

Capitalised terms used herein but not otherwise defined shall have the meanings ascribed to them in the Annual Report dated 18 December 2020.

A. COVID-19 PANDEMIC

1. What was the impact of the COVID-19 pandemic on the overall performance of FLCT? What measures have the REIT Manager taken to mitigate such impact?

- For FY2020, the total impact of the COVID-19 pandemic on distributable income was approximately \$5.7 million, comprising mainly rental waivers for tenants under the Singapore and Australian government concession deeds and provisions made for doubtful debts. Notwithstanding the waivers and provisions made, the REIT Manager was able to leverage the strength of FLCT's enlarged portfolio of high-quality properties and its management capabilities to deliver a 1.7% growth in DPU to 7.12 Singapore cents for FY2020, on the back of a record \$332.0 million in gross revenue, which rose 53.0% from \$217.1 million in FY2019.
- The FLCT portfolio has remained relatively resilient, underpinned by the quality of the assets, strategic locations, quality tenant base and favourable lease attributes.
- Retail tenants were more impacted by the COVID-19 pandemic, although the retail segment represents a small proportion of FLCT's overall portfolio, at just 2.5% of portfolio GRI as at 30 September 2020.
- The COVID-19 pandemic is unprecedented and still evolving, with uncertainties over its duration and the magnitude of the impact on the global economy. The REIT Manager will continue to focus on strengthening the portfolio, whilst maintaining a prudent approach to capital management, prioritising tenant retention and working closely with our tenants to navigate through this challenging period.

2. With more employees working from home due to the COVID-19 pandemic, what is the impact on the leasing outlook for the commercial properties? What is the REIT Manager's strategy to mitigate risks that may arise from a drop in demand for commercial space? Are there any plans to reduce the weightage of the office/business park segment in the FLCT portfolio?

- While the COVID-19 pandemic may redefine future demand for office and working spaces in the longer term, the situation is still evolving and any long-term trends have yet to be determined. The REIT Manager has been closely monitoring the work-from-home arrangements brought about by the pandemic but remains optimistic that demand for physical office space will remain buoyant over the longer-term.
- Findings from a survey by JLL Asia Pacific¹ showed that employees increasingly missed the benefits of an office environment including the social and cultural aspects. Dedensification trends arising from the pandemic also potentially translate to a greater office area requirement per employee, in part off-setting any long-term trends for continued work from home.

¹ "Majority of Asia Pacific employees eyeing office return", Jones Lang LaSalle Asia Pacific, 22 July 2020.

3. Are the disruptions to the supply chain due to the COVID-19 pandemic favourable or unfavourable to FLCT? Will FLCT's industrial properties be able to participate in the vaccine supply chain and logistics?

- Based on our understanding of our tenants, there has been minimal impact on their supply chain arising from the COVID-19 pandemic. Operators within the consumer and logistics space have benefited from major structural changes driven by the acceleration of e-commerce activities during the pandemic.
- As at 30 September 2020, FLCT's logistics & industrial properties are 100% occupied and we understand that our tenants are presently not engaged in the storage and distribution of the vaccines.

B. ACQUISITIONS/ DIVESTMENTS

4. What is FLCT's acquisition and divestment strategy and where does the REIT Manager see such opportunities (in terms of sectoral and geographical location)?

5. What is the REIT Manager's target asset allocation by sector and geographical location?

6. What is a comfortable size and criteria that the REIT Manager looks for in acquisitions and will there be further yield accretive acquisitions and/or capital raise in 2021?

7. Would FLCT be expanding to the ASEAN region to leverage on the shift in manufacturing base from China?

8. What is the strategy to grow high-specs warehouses to support e-commerce growth?

9. What is the business strategy and outlook for FLCT over the next 3 to 5 years?

- The REIT Manager has exercised discipline in growing the REIT steadily over the years, ensuring that acquisitions undertaken are DPU-accretive and comprise properties that fit strategically with the overall FLCT portfolio, while selective divestments are undertaken to recycle capital from non-core assets.
- It is the REIT Manager's preference not to have any fixed targets on sector and geographical mix. Looking ahead, the REIT Manager remains focused on growing FLCT's existing presence in developed countries with good transparency, where it is also able to leverage on the in-depth local knowledge and established management capabilities of its Sponsor, Frasers Property Limited.
- FLCT's acquisition strategy is also supported by a right-of-first refusal ("ROFR") pipeline provided by its Sponsor, which has an aggregate value in excess of \$5 billion. FLCT may also participate in third-party acquisitions.
- In relation to capital raises, the REIT Manager continuously assesses conditions in the financial markets for opportunities to pursue fund-raising initiatives, including raising funds via bank borrowings, and debt capital and equity market issuances.
- Please also refer to pages 8 and 9 of the FY2020 Annual Report for details on FLCT's strategy.

- 10. Please provide details of the pipeline of properties from FLCT's Sponsor.**
- FLCT has access to a sizeable ROFR pipeline of more than \$5 billion granted by the Sponsor.
 - The ROFR pipeline is approximately 2.0 million sqm, of which the majority comprise logistics and industrial assets (75.5%), followed by office and business parks (19.2%) and CBD commercial (5.3%). By geography, the majority of the ROFR pipeline are located in Australia (36.0%), Germany (26.9%) and the UK (24.4%).
 - Please refer to page 16 of the AGM presentation slides dated 19 January 2021 for details of the ROFR pipeline.
- 11. Will there be a merger with Frasers Centrepoint Trust ("FCT") to grow the Trust? Will FLCT diversify into data centres given the resilient performance and income stability of this asset class especially during the COVID-19 pandemic? If not, why?**
- There are currently no plans for a merger with FCT or to diversify into data centres. The REIT Manager remains focused on FLCT's existing asset classes and sub-sectors.

C. CAPITAL MANAGEMENT

- 12. Is an aggregate leverage of 40% to 45% a comfortable level for FLCT?**
- The REIT Manager intends to maintain an aggregate leverage ratio of below 40%. As at 30 September 2020, FLCT's aggregate leverage was 37.4%.
- 13. How does the REIT Manager intend to leverage on the current low interest rate environment?**
- As at 30 September 2020, 54.6% of borrowings were at fixed rates thus allowing the REIT Manager to leverage the current low interest rate environment.
- 14. Will there be further foreign exchange risk in FY2021 from rental collections from the properties in Australia and Europe? What are the steps taken to mitigate such risk?**
- The REIT Manager manages foreign exchange volatility on distributable income with currency forward contracts and hedge distributions on a six-month rolling basis. In addition, the REIT Manager endeavours to use borrowings in the same currency or if in a different currency, swapped, as a partial hedge to fund investments, serving as a natural hedge.
- 15. Can the DPU continue to grow for the next 3 years in a sustainable manner? What is the projected DPU for FY2021 and when will the payment of full dividends be restored?**
- The REIT Manager is unable to provide any forecast to DPU. Nevertheless, the REIT Manager will continue to focus on delivering sustainable long-term growth in DPU and stable and regular distributions to Unitholders. FLCT paid out 100% of its income available for distribution to Unitholders for FY2020.

D. PORTFOLIO

16. What was the reason for the wide range of capitalisation rates adopted for the valuation of the properties in Australia?

- The capitalisation rates adopted for the logistics and industrial portfolio were between 5.00% and 16.22%, while those for the commercial portfolio were between 4.88% and 7.00%.
- The outlier capitalisation rates adopted for the logistics and industrial portfolio were mainly attributed to the shorter leasehold term of certain assets such as those located in Victoria (>8.00%), New South Wales (>8.00%), South Australia (9.00% to 9.25%) and Western Australia (16.22%). In any case, these properties constitute only a small proportion (2.6%) of the FLCT portfolio value as at 30 September 2020. Please refer to page 243 of the FY2020 Annual Report for details of the capitalisation rates.

17. Why did the industrial properties record a negative rental reversion despite the rising or stable industrial rents over the last few years?

- In FY2020, the logistics and industrial portfolio recorded a rental reversion of -3.5% for 9.6% of total portfolio lettable area, as the fixed annual increments over the lease term have surpassed market rental growth.
- For the logistics and industrial portfolio, new leases and renewals in FY2020 include fixed annual increments ranging from 3.0% to 3.5% in Australia while European leases tend to generally benefit from CPI-linked indexation.

18. Please provide a Y-o-Y comparison of the performance of the logistics and industrial and commercial portfolio.

- Please refer to the following for details of the segmental revenue and results:

	FY20	FY19	Change
	S\$'000	S\$'000	%
<u>Revenue</u>			
Industrial (Australia)	159,739	158,195	1.0
Industrial (Europe)	88,143	58,881	49.7
Commercial (Australia)	30,537	-	N.M.
Commercial (Singapore)	39,785	-	N.M.
Commercial (United Kingdom)	13,825	-	N.M.
Total revenue	332,029	217,076	53.0
<u>Net property income</u>			
Industrial (Australia)	133,027	127,479	4.4
Industrial (Europe)	78,633	52,262	50.5
Commercial (Australia)	22,033	-	N.M.
Commercial (Singapore)	26,372	-	N.M.
Commercial (United Kingdom)	9,750	-	N.M.
Total net property income	269,815	179,741	50.1

The revenue and net property income for FY2020 includes the contribution from the Merger from 15 April 2020.