Frasers Centrepoint Trust

Knowledge sharing forum with investors

Venue: Frasers Property Learning Academy, Alexandra Point Level 6
Date: 21 August 2018
Forward-looking statements

- Certain statements in this Presentation constitute “forward-looking statements”, including forward-looking financial information. Such forward-looking statement and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of FCT or the Manager, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which FCT or the Manager will operate in the future. Because these statements and financial information reflect the Manager’s current views concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information.

- The Manager expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement or financial information contained in this Presentation to reflect any change in the Manager’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement or information is based, subject to compliance with all applicable laws and regulations and/or the rules of the SGX-ST and/or any other regulatory or supervisory body or agency.

- This Presentation contains certain information with respect to the trade sectors of FCT’s tenants. The Manager has determined the trade sectors in which FCT’s tenants are primarily involved based on the Manager’s general understanding of the business activities conducted by such tenants. The Manager’s knowledge of the business activities of FCT’s tenants is necessarily limited and such tenants may conduct business activities that are in addition to, or different from, those shown herein.

- This Presentation includes market and industry data and forecast that have been obtained from internal survey, reports and studies, where appropriate, as well as market research, publicly available information and industry publications. Industry publications, surveys and forecasts generally state that the information they contain has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of such included information. While the Manager has taken reasonable steps to ensure that the information is extracted accurately and in its proper context, the Manager has not independently verified any of the data from third party sources or ascertained the underlying economic assumptions relied upon therein.
Outline

- Frasers Centrepoint Trust Overview 4
- Some myths and misconceptions of a Retail REIT 13
Frasers Centrepoint Trust (FCT)

- Six suburban retail properties located in Singapore’s densely-populated residential areas, with excellent footfall catchment and connection to public transport infrastructure

- Tenancy-mix focused on necessity and convenience shopping; F&B and services which remain resilient through economic cycles

- Strong track record: 11 consecutive years of Distribution per Unit (DPU) growth since IPO in 2006

- Poised for Growth: Opportunities to acquire retail properties from Sponsor and 3rd parties; AEI and organic growth from current properties

- Sponsored by Frasers Property Limited

---

1. Based on closing price of $2.21 on 29 June 2018
2. As at 30 June 2018
Portfolio of six suburban retail properties

- Well-located suburban retail properties that enjoy good connectivity to public transport, high footfall and high occupancy

1. Also includes Yishun 10 retail podium located next to Northpoint City North Wing | Map source: URA Master Plan, Illustration not to scale
Many reasons for shoppers to visit our malls

- Diversified tenant base that focuses on necessity and convenience shopping; staple F&B; and services to sustain footfall and tenants’ sale

Necessity shopping

Fun for the family

Delightful shopper experiences

Everyday dining

Essential services

Social and family dining
Consistent performance

Revenue and Net Property Income (S$ million)

Net Property Income  Gross Revenue

* Revenue and Net Property Income in FY2016 and FY2017 were affected by the asset enhancement works at Northpoint City North Wing
Steady DPU growth

• 11 consecutive years of DPU growth

Distribution per Unit (S cents)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.03</td>
<td>6.55</td>
<td>7.29</td>
<td>7.51</td>
<td>8.2</td>
<td>8.32</td>
<td>10.01</td>
<td>10.93</td>
<td>11.187</td>
<td>11.608</td>
<td>11.764</td>
<td>11.9</td>
</tr>
</tbody>
</table>

* Annualised DPU for the period 5 Jul 06 (IPO) to 30 September 2006.
Strong financial position

Gearing level of SREIT by sector

- Office: 37.6%
- Healthcare: 36.1%
- Industrial: 35.2%
- Hospitality: 34.3%
- Retail: 32.1%
- Data Centre: 31.7%
- FCT: 29.3%

Overall average: 34.7%

FCT’s gearing level is one of the lowest among SREITs

<table>
<thead>
<tr>
<th>Key financial indicators as at 30 June 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gearing level</td>
</tr>
<tr>
<td>Interest Cover</td>
</tr>
<tr>
<td>Weighted average debt maturity</td>
</tr>
<tr>
<td>Percentage of borrowings on fixed rates or hedged via interest rate swaps</td>
</tr>
<tr>
<td>Unencumbered assets as % of total assets</td>
</tr>
<tr>
<td>All-in average cost of borrowings</td>
</tr>
<tr>
<td>Corporate credit rating</td>
</tr>
<tr>
<td>S&amp;P</td>
</tr>
<tr>
<td>Moody’s</td>
</tr>
</tbody>
</table>

1. The ratio of total outstanding borrowings over total assets as at stated balance sheet date
2. Earnings before interest and tax (EBIT) divided by interest expense
3. The percentage of borrowing on fixed or hedged to fixed interest rates increased to 63.9% subsequent to 30 June 2018, after FCT entered into an interest rate swap transaction in July 2018 for one of its bank borrowings

Source: OCBC Investment Research Weekly S-REITs Tracker, 6 August 2018
Clear growth strategies

- Growing the portfolio through accretive acquisitions of quality retail properties from Sponsor’s pipeline and/or 3rd party assets, in both Singapore and overseas
- To enhance the yield and returns for unitholders while improving portfolio diversification

**Acquisition Growth**

- Undertake asset enhancement initiative (AEI) works that:
  - provide sustainable income growth and capital value-add to our properties
  - reduce our carbon footprint, as part of our sustainability efforts
  - enhance shopper experience at our properties

**Enhancement Growth**

- Proactive asset and property management to maintain high property occupancy and positive rental reversions
- Optimize tenant-mix to drive sustainable rental growth
Frasers Property’s retail assets in Singapore

- Northpoint City North Wing
- Causeway Point
- YewTee Point
- Waterway Point (FPL owns 33.3%)
- The Centrepoint
- Anchorpoint
- Changi City Point
- Bedok Point
- Robertson Walk
- Valley Point
- Eastpoint

(6) Owned by FCT
(5) Owned and managed by Frasers Property Limited ("FPL"), including properties held through joint ventures
(1) Managed by Fraser Property Limited, owned by 3rd party

Illustration is not to scale
Summary

Quality assets and management skillsets

- Well-located suburban retail properties that enjoy good connectivity to public transport, high footfall and high occupancy
- Diversified tenant base that focuses on necessity and convenience shopping; staple F&B; and services to sustain footfall and tenants’ sale
- Skillsets that are fundamental to successful AEI with good returns on investment and capital value creation

Growing DPU and strong financial position

- Growing DPU and NAV through prudent asset, capital and risk management
- Strong financial position with low gearing and cost of borrowings
- Strong support from sponsor Frasers Property Limited

Poised for further growth

- Opportunities to acquire retail assets from Sponsor and/or 3rd parties, both in Singapore and overseas
- Positive macro-environment factors that support consumption growth in suburban retail sector (low unemployment rate, growing median household income, growing population in the suburban residential areas, better public transport connectivity)
Some myths and misconception of a Retail REIT
Some Myths and Misperceptions of a Retail REIT

1. The malls are dead – killed by e-commerce

2. Rising interest rates should be mitigated by aggressive hedging

3. Retail mall as an asset will eventually lose its value
Myth #1: Is the mall dead?

What we read and heard:

- Photos of empty malls, reported in both overseas and the local mainstream and social media
- E-commerce is replacing physical shopping and people stop going to malls
- News about major retailers (e.g. Toys R us) failing and closing their stores
Impact on malls could be due to many reasons other than e-commerce:
- oversupply, economy slow down, changing consumer taste and lifestyle

Impression amplified by “personal experience”

Retail business is location-biased and country-specific:
- Suburban malls vs City malls
- Singapore / Asia vs US & European

Truth: The death part is exaggerated
The total retail sales continue to grow even as e-commerce grows

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales in billion U.S. $</th>
<th>E-commerce share of total global retail sales</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>1,548</td>
<td>7.4%</td>
</tr>
<tr>
<td>2016</td>
<td>1,845</td>
<td>8.6%</td>
</tr>
<tr>
<td>2017</td>
<td>2,304</td>
<td>10.2%</td>
</tr>
<tr>
<td>2018</td>
<td>2,842</td>
<td>11.9%</td>
</tr>
<tr>
<td>2019</td>
<td>3,453</td>
<td>13.7%</td>
</tr>
<tr>
<td>2020</td>
<td>4,135</td>
<td>15.5%</td>
</tr>
<tr>
<td>2021</td>
<td>4,878</td>
<td>17.5%</td>
</tr>
</tbody>
</table>

Sources: eMarketer; Website (retailtechnews.com)
© Statista 2018

Additional Information: Worldwide eMarketer: 2015 to 2017
Singapore total retail sales and % of online sales

Source: Department of Statistics Singapore
Malls are not dead, but they are evolving

- E-commerce and Physical retail are not mutually exclusive
- There is a saturation point where e-commerce players will turn to opening physical stores for growth:
  Omni-channel processes start to take root:
  - Alibaba buys physical supermarket chain (Hema, Sun Art, Lianhua) and mall (Intime)
  - Amazon buys Whole Foods
  - Tencent buys supermarket chain (Yonghui Superstore) and stake in China’s largest mall operator Wanda Commercial
Myth #2: The impact of rising interest rates

- REITs like low interest rates and so do most businesses, except those on the capital-provider side (banks and lenders)

- The borrowing cost also depends on other factors:
  - Base rate used (e.g. SOR: which also depends on the US/SGD exchange rate)
  - Proportion of floating versus fixed interest rate
  - Bank’s spread and the upfront fees

Q: Will rising interest rates affect the valuations of the property portfolio?

Q: When everyone agrees that interest rate is going to rise, should one hedge to the max?
The impact on REIT unit price performance

The Fed has raised interest rates 7 times since 2015, but impact on the REITs are offset by other factors such as growth, strong financial position and market forces.
The impact on capitalisation rates of properties

While interest rate has increased, the valuation cap rates for retail properties have remained relatively stable and even compressed in recent years.

The cap rates as used by independent valuers, as at 30 September of each year (FCT’s financial year end)
When everyone agrees that interest rate is going to rise, should one hedge to the max?

Comparison of interest costs between fully hedged and unhedged borrowings

Average differential about 75bps
Myth #3: Will the value of malls decline?

Value of retail properties continue to increase over the years

Capital Values of 3 FCT malls
(Causeway Point + Northpoint City North Wing + Anchorpoint)

Values as at 30 September of each year (FCT’s financial year end)
Retail REITs are doing well versus REIT Index

The major Retail REITs outperforms the FTSE SREIT Index

- Frasers Centrepoint Trust
- Mapletree Commercial Trust
- Capitaland Mall Trust

Source: Bloomberg, 27 July 2018
Recap

1. Malls are not dead, but they are evolving

2. Impact of rising interest rates
   • Impact on REIT share price – low correlation with interest rate trend
   • Impact on valuation cap rates – no apparent correlation for retail properties
   • Should you hedge to the max?

3. Value of retail properties remain resilient
Experience matters.