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- This advertisement has not been reviewed by the Monetary Authority of Singapore.
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: 12 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.

Market Cap of S$2.1 billion
Bloomberg: FCT SP
Reuters: J69U.SI
SGX: J69U

Total appraised value of S$2.75 billion

Total net lettable area of 1.1 million square feet

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1. Based on closing price of $2.29 on 28 February 2019
2. As at 30 September 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
FCT malls are well-connected with public transport nodes

Northpoint City, located in Yishun Central

Northpoint City North Wing

North Park Residences

Yishun MRT Station

Linkway to the Expo MRT Station of Downtown Line from basement of Changi City Point

Through-block link at Causeway Point leading to Woodlands MRT station and Bus Interchange

YewTee MRT Station next to YewTee Point
Consistent performance

Revenue and Net Property Income (S$ million)

Net Property Income  Gross Revenue

Revenue +6.5% yoy  NPI + 5.9% yoy

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

12 consecutive years of DPU growth

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

### Key financial indicators as at 31 Dec 2018

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gearing level(^1)</td>
<td>28.8%</td>
</tr>
<tr>
<td>Interest Cover(^2)</td>
<td>5.92 times</td>
</tr>
<tr>
<td>Weighted average debt maturity</td>
<td>1.8 years</td>
</tr>
<tr>
<td>Percentage of borrowings on fixed rates or hedged via interest rate swaps</td>
<td>54%(^3)</td>
</tr>
<tr>
<td>Unencumbered assets as % of total assets</td>
<td>85.8%</td>
</tr>
<tr>
<td>All-in average cost of borrowings</td>
<td>2.7%</td>
</tr>
<tr>
<td>Corporate credit rating</td>
<td></td>
</tr>
<tr>
<td>• S&amp;P</td>
<td>BBB+ (Stable)</td>
</tr>
<tr>
<td>• Moody’s</td>
<td>Baa1 (Stable)</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

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\(^1\) Source: OCBC Investment Research Weekly S-REITs Tracker, 11 March 2019

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### Gearing level of SREIT by sector\(^1\)

<table>
<thead>
<tr>
<th>Sector</th>
<th>Gearing Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Industrial</td>
<td>36.4%</td>
</tr>
<tr>
<td>Hospitality</td>
<td>36.2%</td>
</tr>
<tr>
<td>Office</td>
<td>35.6%</td>
</tr>
<tr>
<td>Healthcare</td>
<td>35.6%</td>
</tr>
<tr>
<td>Retail</td>
<td>31.8%</td>
</tr>
<tr>
<td>Data Centre</td>
<td>30.8%</td>
</tr>
<tr>
<td>FCT</td>
<td>28.8%</td>
</tr>
</tbody>
</table>

Overall average: 34.6%

FCT’s gearing level is one of the lowest among SREITs.
Clear growth strategies

**Acquisition Growth**
- Northpoint 2 YewTee Point (2010)
- Bedok Point (2011)
- Changi City Point (2014)
- Yishun 10 Retail Podium (2016)

**Enhancement Growth (AEI)**
- Anchorpoint (2008)
- Northpoint (2010)
- Causeway Point (2012)
- Northpoint City North Wing (2017)
- Causeway Point UPL* (2019)

**Future**
- Northpoint South Wing (Singapore)
- Waterway Point (33.3%) (Singapore)
- Acquisition opportunities of 3rd party assets in S’pore and overseas

**Organic Growth**
- Rental Growth
- High Occupancy
- High Footfall

*UPL: Underground Pedestrian Link*
Some misconceptions in Retail & Retail REITS
Some Misconceptions in Retail & Retail REITs

1. The brick-and-mortar retail malls are dying due to e-commerce
2. Rising interest rates should be mitigated by aggressive hedging
3. Retail mall as an asset will eventually lose its value
Misconception 1: Brick-and-mortar retail malls are dying due to e-commerce

- Decline for some brick-and-mortar malls due to other reasons:
  - Competition / Oversupply
  - Economy slow down
  - Changing consumer taste and lifestyle

- Impression amplified by “personal experience”

- Retail business is location-biased and country-specific:
  - Suburban malls v City malls
  - Singapore / Asia v US & European
WW retail sales continue to grow even as e-commerce grows

Brick-and-mortar retail sales still account for more than 80% of the sales

Source: www.emarketer.com, Jan 2018
E-commerce is <10% of total retail sales in Singapore

Singapore Total Retail Sales and % of Online Sales

Source: Department of Statistics Singapore
Seasonal Adjustment: Seasonal effects are observed in the RSI as there are usually intra-year periodic variations that repeat during the fixed period of time every year. To better reflect the underlying trends of the monthly sales, the RSI index is seasonally adjusted to remove the seasonal effects.

The RSI covers retail sales of: (a) (multi-channel) retailers in Singapore that sell via both physical stores and online/ecommerce sites; (b) retailers in Singapore that sell via physical stores only; and (c) retailers in Singapore that sell mainly via online/e-commerce sites.

Source: Department of Statistics Singapore, March 2019
Prime Rent Up

For the whole of 2018, average islandwide prime rents as tracked by CBRE Research increased by 1.2% y-o-y on the back of a gradual increase in retail sales and tourism growth. – CBRE, Q4 2018

<table>
<thead>
<tr>
<th>Sub-market</th>
<th>Q 4 18 Prime Rent</th>
<th>Q-o-Q Change</th>
<th>Y-o-Y Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Orchard Road</td>
<td>$31.70</td>
<td>0.0%</td>
<td>1.3%</td>
</tr>
<tr>
<td>Suburban</td>
<td>$29.15</td>
<td>0.0%</td>
<td>1.2%</td>
</tr>
</tbody>
</table>
Convergence of online and brick-and-mortar; emphasis on retail as an experience and

Muji to continue expansion in Singapore

Satoru Matsuzaki, Muji President

“In a world of online shopping, it is more important than ever that Muji stores provide an experience for consumers rather than just a routine purchase”

Straits Times, 11 March 2019

Habitat by Honest Bee

“The future of shopping may not be a binary battle between online sites and bricks-and-mortar shops, but an amalgam of the two”

Straits Times, 21 October 2018
Suburban malls remain very much relevant

They offer convenience, wide range of options, delightful experience – because experience matters

- Necessity & convenience shopping
- Fun for the family
- Delightful shopper experiences
- Everyday dining
- Essential services
- Social and family dining
Misconception 2: Rising interest rates should be mitigated by aggressive hedging

- Generally true for all REITs and is also true for 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 v fixed interest rate
  - Bank’s Spread and the upfront fees

- Will rising interest rates affect the valuations of the property portfolio?

- When everyone agrees that interest rate is going to rise, should one hedge to the max?
Interest rate hikes

The Fed has raised interest rates 9 times since 2015, fed fund rate is up 200 bps since December 2015, but rate of increase for local borrowing cost is slower.

Source: Bloomberg, FCT
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
Misconception 3: Retail mall as an asset will eventually lose its value

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)
Misconception 3: Retail mall as an asset will eventually lose its value

- The retail properties on a per square foot basis continue to increase in value over the years

Retail Property Capital Value
(Causeway Point + Northpoint City North Wing + Anchorpoint)

S$ per sq foot of NLA

- 2010: $1,805
- 2011: $1,972
- 2012: $2,134
- 2013: $2,391
- 2014: $2,496
- 2015: $2,595
- 2016: $2,695
- 2017: $2,876
- 2018: $2,971
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)
Limited upcoming new retail supply after 2019

Composition of supply from 2019 to 2022:

- Orchard: 6%
- Rest of Central: 4%
- Outside Central Region: 32%
- Fringe: 28%
- Downtown Core: 30%

Note: Numbers include additional space carved out during AEI and if the development is closed entirely the total new NLA of enhanced asset is included. Future supply tracks projects with NLA of 20,000 sf and more.

Source: CBRE Research
Recap

1. Brick-and-mortar malls not dying but evolving with e-commerce

2. Impact of rising interest rates on
   - 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.