

---



MACARTHURCOOK

INDUSTRIAL

reit

MacarthurCook Industrial REIT 2Q2010 Results Powerpoint  
5 November 2009



## Important Notice

**This Presentation is focused on comparing actual results for the financial period from 1 April 2009 to 30 September 2009 (“1H 2010”) and 1 July 2009 to 30 September 2009 (“2Q 2010”) versus actual results year-on-year (“y-o-y”) and quarter-on-quarter (“q-o-q”). This Presentation shall be read in conjunction with MacarthurCook Industrial REIT’s (“MI-REIT”) results for 2Q 2010 as per the SGXNet Announcement.**

The information contained in this presentation is for information purposes only and does not constitute an offer to sell or any solicitation of an offer or invitation to purchase or subscribe for units in MI-REIT (the “units”), nor should it or any part of it form the basis of, or be relied upon in any connection with, any contract or commitment whatsoever.

The past performance of the Units and MacarthurCook Investment Managers (Asia) Limited’s (the “Manager”) is not indicative of the future performance of the Units and the Manager. Predictions, projections or forecasts of the economy or economic trends of the markets which are targeted by MI-REIT are not necessarily indicative of the future or likely performance of MI-REIT.

The value of the units and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager or HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of MI-REIT), or any of their respective affiliates. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Manager redeem or purchase their Units while the Units are listed. It is intended that holders of Units (“Unitholders”) may only deal in their Units through trading on 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.

## Important Notice

The presentation may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition, shifts in expected levels of property rental income, changes in operating expenses (including employee wages, benefits and training costs), property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the Manager's current view of future events.

This presentation has been prepared by the Manager. The information in this presentation has not been independently verified. No representation, warranty, express or implied, is made as to, and no reliance should be placed on, the fairness, accuracy, completeness or correctness of the information and opinions in this presentation. None of the Manager or any of its agents or advisers, or any of their respective affiliates, advisers or representatives, shall have an liability (in negligence or otherwise) for any loss howsoever arising from any use of this presentation or its contents or otherwise arising in connection with this presentation.

Neither this presentation, nor any copy or portion of it, may be sent, taken, transmitted or distributed, directly or indirectly, in or into the United States, Japan or Canada. This presentation is not an offer for sale of the securities in the United States, Japan, Canada or elsewhere. The securities of MI-REIT may not be offered or sold in the United States absent registration or an exemption from registration under the U.S. Securities Act of 1933, as amended. Any public offering of securities of MI-REIT in the United States would be made by means of a prospectus that would contain detailed information about the REIT and the Manager, as well as financial statements. The Manager does not intend to register any portion of the offering in the United States or to conduct a public offering of securities in the United States.

# Agenda

- 1. Key Highlights**
- 2. Financial Performance**
- 3. Portfolio Management**

# MI-REIT Key Highlights

- **MI-REIT Distributions:**
  - 1H 2010 distribution to Unitholders of S\$9.2 million
  - 1H 2010 distribution per unit (“DPU”) of 3.449 cents
  - 2Q 2010 distribution to Unitholders of S\$5.2 million
  - 2Q 2010 distribution per unit (“DPU”) of 1.939 cents
- **Net asset value** as at 30 September 2009: S\$0.94 per unit
- **Property portfolio:** 21 properties with a total carrying value of S\$490.6 million, as at 30 September 2009
- **Gearing:** 44.7% as at 30 September 2009
- **Distribution** of 100% of taxable income available for distribution in 2Q 2010
- **As at 30 September 2009, MI-REIT’s income stream continued to be supported by:**
  - 98.8% portfolio occupancy rate
  - A strong and diversified tenant profile
  - Average of 9.8 months security deposits across the portfolio
  - Weighted average lease duration of 4.2 years

# MI-REIT – Equity Fund Raising and Debt Refinance

- REFER TO SGX ANNOUNCEMENTS MADE TODAY ON THE EQUITY FUND RAISING AND DEBT REFINANCE

## Distribution Details

Stock Counter	Distribution Period	Distribution per unit (S\$ Cents)
MacCookIReit	1 July 2009 to 30 September 2009	1.939

### Distribution Timetable

Ex-Date: 11 November 2009, 9.00am  
(Units will be traded ex-distribution)

Books Closure Date: 13 November 2009, 5.00pm

Distribution Payment Date: 15 December 2009

# Financial Performance



## 1H 2010 Financial Results Summary

	1H 2010 S\$'000	1H2009 S\$'000	Variance
	Actual	Actual	(%)
<b>Gross Revenue<sup>1</sup></b>	22,789	24,814	(8.2)
<b>Net Property Income</b>	18,370	18,273	+0.5
<b>Total return after income tax and minority interest, before distribution</b>	(30,557)	14,414	>(100)
<b>Amount Available for Distribution<sup>2</sup></b>	9,188	13,616	(32.5)
<b>Distribution to Unitholders<sup>3</sup></b>	9,188	12,276	(25.2)
<b>DPU (S\$ Cents)</b>	3.449	4.70	(35.7)

1. Gross revenue was lower in 1H 2010 due mainly to the refund of prior year service charges and a lower recovery of property tax and land rent from the tenants due to the rebates from the authorities as announced in the 2009 Singapore Budget. The refund and property tax and land rent rebates also correspondingly reduce property operating expenses.
2. The amount available for distribution to Unitholders was lower in 1H 2010 due to higher borrowing costs and a reduction in taxable income resulting from a claim for industrial building allowance in 1Q2010.
3. MI-REIT's distribution policy is to distribute at least 90% of the Trust's taxable income for the full financial year.

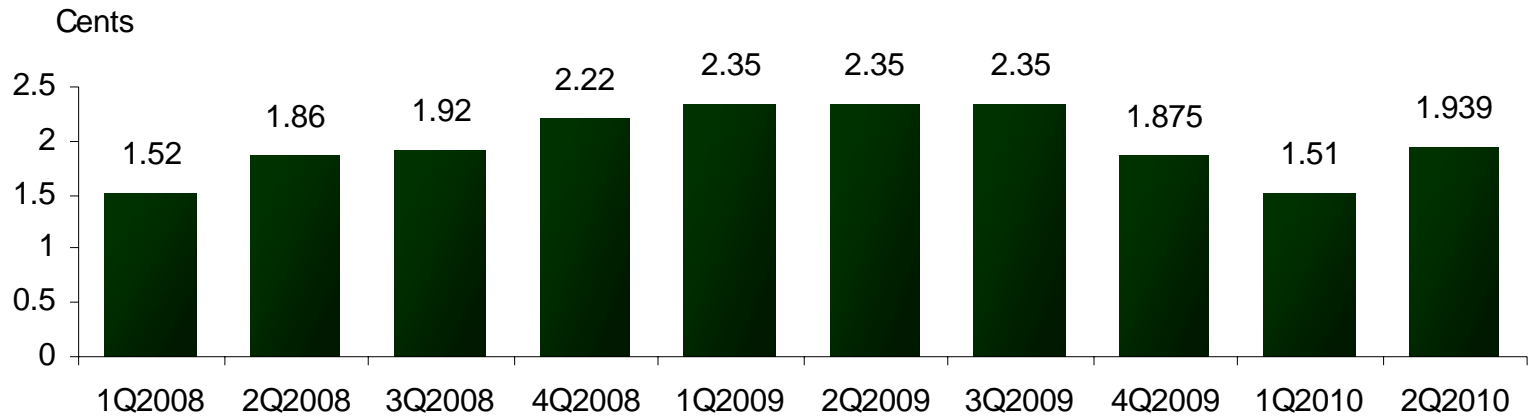
## 2Q 2010 Financial Results Summary

	2Q 2010 S\$'000	2Q2009 S\$'000	Variance
	Actual	Actual	(%)
<b>Gross Revenue<sup>1</sup></b>	11,825	12,390	(4.6)
<b>Net Property Income</b>	9,053	9,244	(2.1)
<b>Total return after income tax and minority interest, before distribution</b>	(32,738)	5,522	>(100)
<b>Amount Available for Distribution<sup>2</sup></b>	5,166	6,996	(26.2)
<b>Distribution to Unitholders<sup>3</sup></b>	5,166	6,138	(16.0)
<b>DPU (S\$ Cents)</b>	1.939	2.35	(17.5)

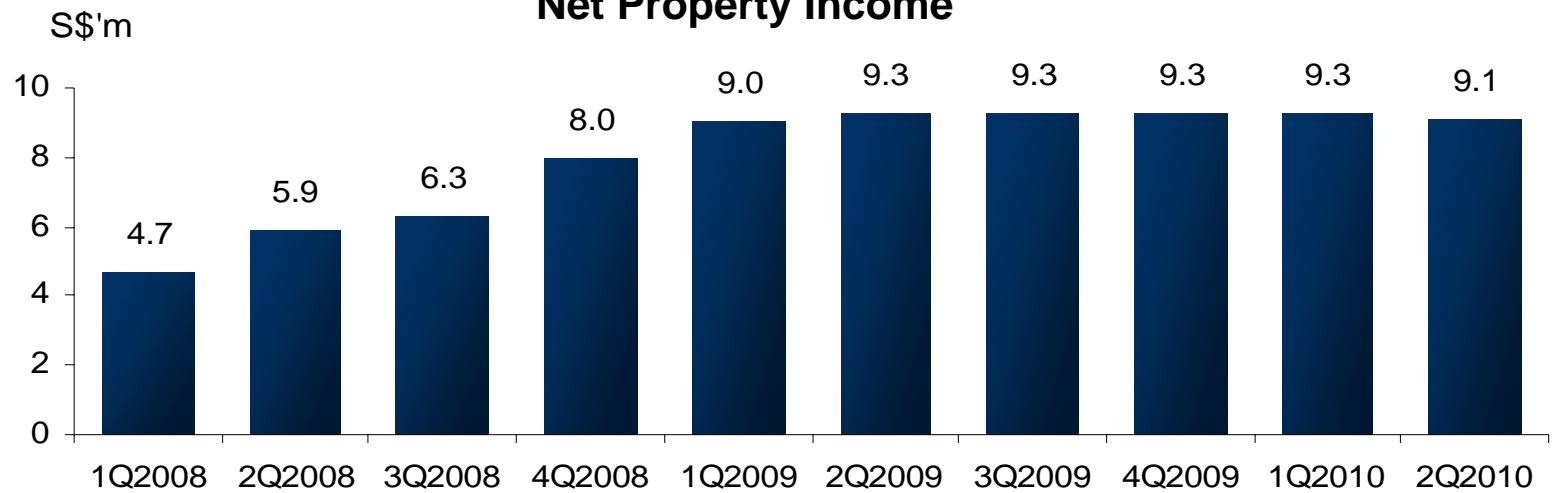
1. Underlying rental income for 2Q 2010 remained largely stable compared to 2Q2009. The fall in gross revenue is largely attributable to a reduction in service charge revenue (which corresponds to a fall in property operating expenses for the quarter).
2. The amount available for distribution to Unitholders was lower in 2Q 2010 mainly due to higher borrowing costs incurred.
3. For 2Q 2010, the Manager has resolved to distribute 100% of taxable income available for distribution.

# 2Q 2010 DPU and Net Property Income

## DPU



## Net Property Income



## Balance Sheet

	30 September 2009	31 March 2009
Total Assets (S\$'M)	505.2	544.0
Comprising (S\$'M):		
- Investment Properties	490.6	530.3
- Cash and Cash Equivalents	8.7	10.0
- Trade and Other Receivables	5.9	3.7
Total Liabilities (S\$'M)	255.5	254.7
Net Assets (S\$'M)	249.7	289.2
<b>NAV per unit</b>	<b>S\$0.94</b>	<b>S\$1.09</b>
Total Debt <sup>1</sup> (S\$'M)	226.0	224.4
Gearing <sup>2</sup>	44.7%	41.2%

	1H 2010	1Q2010
Interest Expense (S\$'000) <sup>3</sup>	5,219	2,477.2
Interest Coverage Ratio <sup>4,5</sup>	3.09	3.28 times

Footnotes:

1. Interest-bearing borrowings before adjustment for unamortized borrowing costs.
2. Total debt as a % of Total Assets
3. Interest expense is calculated net of interest income/expenses received/paid from derivative financial instruments.
4. Ratio of EBITDA over interest expense.
5. Interest coverage ratio complies with bank covenants.

# Portfolio Management

## A Resilient Portfolio

**As at 30 September 2009, MI-REIT's rental income continues to be supported by the following factors:**

- Portfolio is 98.8% occupied;
- 65.2% of rental income derived from companies that are publicly listed or are subsidiaries of publicly listed companies;
- 18 properties acquired in sale and lease-back transactions; a greater degree of financial due diligence is conducted on the tenants and their ability to meet the lease commitments;
- 19 properties have head lease arrangements;
- 13 properties have subtenant arrangements which provide additional income protection;
- Security deposits on all of the properties;
- Built-in rental escalations for 19 of the properties support organic rental growth;
- Tenant diversification, with no single tenant contributing more than 20.2% of rental income;
- Weighted average lease term to expiry (WALE) of 4.2 years;
- Flexible layouts / high building specs increase properties' attractiveness to wide range of tenants;
- Diversification across the main industrial sub-sectors.

# MI-REIT's Portfolio as at 30 September 2009

	Property / Address	Fair Value as at 30 September 2009 (S\$m) <sup>1</sup>	Fair Value as at 30 June 2009 (S\$m)
<b>Warehouse &amp; Logistics</b> Total: S\$305.1m Percentage: 61.8%	8 & 10 Pandan Crescent	122.9	131.3
	31 Admiralty Road	15.0	14.2
	10 Changi South Lane	26.5	33.5
	23 Changi South Avenue 2	16.0	22.5
	103 Defu Lane 10	11.3	13.8
	61 Yishun Industrial Park A	22.2	23.6
	11 Changi South Street 3	22.4	20.2
	Asahi Ohmiya Warehouse	<b>31.0<sup>2</sup></b>	28.7
	7 Clementi Loop	12.2	16.8
	15 Tai Seng Drive	25.6	26.5
<b>Manufacturing</b> Total: S\$176.2 m Percentage: 35.7%	1 Bukit Batok Street 22	20.0	22.5
	20 Gul Way	41.2	43.8
	3 Tuas Avenue 2	22.0	21.9
	8 & 10 Tuas Avenue 20	12.6	12.2
	8 Senoko South Road	11.3	12.0
	10 Soon Lee Road	9.4	9.4
	1 Kallang Way	13.2	13.4
	135 Joo Seng Road	23.3	23.3
	26 Tuas Avenue 7	9.4	9.3
	541 Yishun Industrial Park A	13.8	15.9
<b>Research &amp; Technology</b> Total: S\$12.7 m Percentage: 2.5%	2 Ang Mo Kio Street 65	12.7	14.8
	<b>Total Portfolio Value</b>	<b>494.0</b>	<b>529.6</b>
	Adjustment for the effect of: -Straight-lining of rental income	(3.4)	(3.2)
	<b>Total Carrying Amount</b>	<b>490.6</b>	<b>526.4</b>

- 1) External valuations were prepared for MI-REIT's Singapore and Japan properties by CB Richard Ellis and Richi Valuation Institute, Japan, as at 30 September 2009, respectively.
- 2) The Asahi Ohmiya Warehouse was valued at JPY 1.97 billion (conversion to SGD at JPY/SGD exchange rate of 63.46.)

# Security of Rental Income

## 1) Head Lease Arrangements

- 19 properties in the portfolio under head lease arrangements
- 18 properties were acquired in sale and lease-back transactions, which allow a greater degree of financial due diligence to be conducted on the tenants and their ability to meet the lease commitments
- The portfolio is 98.8% occupied

## 2) Additional income protection from subleases

- 13 of the properties have additional sublease arrangements
- These provide an additional extra layer of income protection as both the occupier and the head lessee have a financial commitment
- MI-REIT has the right to take over existing sub-tenancies upon the expiry of the head lease

## 3) Security Deposits

- All of the properties in the MI-REIT portfolio are supported by security deposits (in the form of cash or bankers' guarantees)
- As at 30 September 2009, the deposits ranged from 3 months rental to 18 months rental, with an average of 9.8 months rental per property for the portfolio.

Security Deposits	3 months rental or less	6 months rental	10 months rental	12 months rental	14 months rental	15 months rental	16 months rental	18 months rental
Number of Properties	4	5	1	6	1	1	1	2



# Organic Rental Income Growth

## Regular income growth from built-in rental escalations

- 19 of the properties have contracted rental escalations staggered throughout their leases;
- 17 of the properties have escalations that range from 2.5% to 8.0%, whilst one has annual escalation of 1.5% and another at Consumer Price Index;
- Rental escalations for the following are scheduled in FY2010:
  - ✓ 31 Admiralty Road – 5% rental increase
  - ✓ 3 Tuas Avenue 2 – 5% rental increase
  - ✓ 8 & 10 Tuas Avenue 20 – 5% rental increase
  - ✓ 10 Soon Lee Road – 5% rental increase
  - ✓ 26 Tuas Avenue 7 – 5% rental increase
  - ✓ 10 Changi South Lane – 3.25% rental increase
  - ✓ 1 Kallang Way 2A – 3.0% rental increase
  - ✓ 135 Joo Seng Road – 5.0% rental increase
  - ✓ 7 Clementi Loop – 5.0% rental increase
  - ✓ 1 Bukit Batok Street 22 -1.5% annual rental increase

## Built-in Rental Escalations Support Organic Growth

Property	Year of Lease commencement	Year of Rental Escalation from Lease Commencement Date	% of Rental Escalation per Year
1	FY2008	Annual	1.50%
2	FY2008	Year 2	2.50%
3	FY2008	Years 3,5,7	3.00%
4	FY2008	Year 3, 5	3.25%
5	FY2008	Years 3, 5	5.00%
6	FY2008	Year 3,5,7,9	5.00%
7	FY2008	Years 3,5	5.00%
8	FY2008	Years 3,5,7	5.00%
9	FY2008	Years 3,5,7,9	5.00%
10	FY2008	Years 2,4	5.00%
11	FY2008	Years 2,4	5.00%
12	FY2008	Year 3	5.00%
13	FY2008	Year 3,5	5.00%
14	FY2008	Years 4,7	6.00%
15	FY2008	Years 4,7, 10	7.00%
16	FY2008	Year 4	7.50%
17	FY2008	Years 4, 7, 10	7.50%
18	FY2008	Year 4,7,10	8.00%
19	December 2004 (Novation to MI-REIT on 17 Dec 2007)	Years 7,8,9,10	CPI Index

<sup>1</sup> The leases for 15 Tai Seng Drive and the Asahi Ohmiya Warehouse in Japan are not subject to rental escalation clauses.

**Thank You**