



SABANA INDUSTRIAL REAL ESTATE INVESTMENT TRUST

(a real estate investment trust constituted on 29 October 2010 under the laws of the Republic of Singapore)

RESPONSE TO REQUISITION NOTICE FROM QUARZ CAPITAL ASIA (SINGAPORE) PTE. LTD.

Sabana Real Estate Investment Management Pte. Ltd., as manager of Sabana Industrial Real Estate Investment Trust (“**Sabana Industrial REIT**”), and the manager of Sabana Industrial REIT, the “**Manager**” or “**SREIM**”), refers to the announcement dated 8 June 2023 in relation to the receipt of a letter (the “**Requisition Notice**”) from Quarz Capital ASIA (Singapore) Pte. Ltd. (“**Quarz**”) on 7 June 2023 requesting the Manager to convene an extraordinary general meeting of Sabana Industrial REIT.

The Manager is currently considering the Requisition Notice (including the proposed resolutions set out therein) and is seeking legal advice. The Manager will make further announcements on SGXNet in due course.

In the meantime, the Manager wishes to highlight to Unitholders of Sabana Industrial REIT (“**Unitholders**”) its initial assessment of the potential risks of Quarz’s proposed resolutions. The Requisition Notice and its reasoning are overly simplistic and lack clarity on how the proposals can be implemented or the timeline which they will take. The Manager notes that Quarz has not put forth clear strategies, a detailed roadmap with timelines or specific proposals to successfully effect the internalisation of the management function of Sabana Industrial REIT.

In particular, Quarz has not highlighted the inherent risks associated with its proposed resolutions, some of which are outlined below and in the rebuttal slides attached to give Unitholders a more complete and balanced picture.

Quarz has also made a number of misleading and/or unsubstantiated claims, speculating on the benefits of internalisation, while being silent on or downplaying key risks and potential repercussions of the proposed internalisation. Even assuming that the resolutions proposed by Quarz are passed, further steps may need to be taken by HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana Industrial REIT (the “**Trustee**”), to implement the internalisation of the manager of Sabana Industrial REIT, many of which are not within the usual scope of a REIT trustee’s work. This may include the Trustee convening further extraordinary general meetings (“**EGMs**”) to seek further directions from Unitholders for the implementation of the resolutions. The Trustee may also have to source for a new management team for the new manager and obtain regulatory approval and the Capital Markets Services (“**CMS**”) licence for REIT management (“**CMS Licence**”) issued by the Monetary Authority of Singapore (“**MAS**”) for the new internal manager. After the incumbent REIT manager is removed, the Manager, as interim manager, or as the case may be, the Trustee (and/or any advisor that may be appointed by the Trustee under the Trust Deed to assist the Trustee) may have to enter into discussions with the lenders as the removal of the incumbent REIT manager will trigger the removal of manager clause (the “**Removal of Manager Clause**”) that constitutes a review event under the loan facilities of Sabana Industrial REIT, which may in turn result in mandatory prepayment of the loans if no agreement is reached with the lenders on the review event. In REIT loans in Singapore, it is common for banks to impose restrictions relating to removal of the REIT manager. The above-mentioned uncertainties could result in considerable operational challenges and potential disruptions to the day-to-day management of Sabana Industrial REIT during the interim period which could severely affect the value of Sabana Industrial REIT and may impact the price of units in Sabana Industrial REIT (“**Units**”).

In addition, Quarz has not provided supporting data on the annual operating budget of the new internal management team, nor any estimate on the financial costs of internalisation. Additionally, significant resources may be required to implement some or all of the processes, including, among others, resources to identify or establish the new internal manager and to convene subsequent EGMs as may be required. Such costs will be borne by Sabana Industrial REIT (and hence indirectly, the Unitholders).

In short, Quarz has not assured Unitholders that their proposals are viable, and will not destroy value in the potentially unstable transition should the Manager be removed. **With the serious issues and uncertainties outlined above, should the resolution to remove the Manager be passed, there is no certainty of the REIT’s continuity.**

The Manager also wishes to highlight and correct some of the inaccuracies and misleading claims made in the Requisition Notice, a copy of which is appended to this announcement as **Appendix B**.

This announcement should be read in conjunction with the rebuttal slides released by Sabana Industrial REIT together with this rebuttal announcement. The rebuttal slides are available on SGXNet and Sabana Industrial REIT’s website at <https://www.sabana-reit.com.sg>.

Responses to inaccuracies, financial projections and assumptions listed in the Requisition Notice

1. Misleading assumptions used in Quarz’s financial projections for immediate cost savings attributed to internalisation

- (i) *Quarz: Immediate cost savings of ~S\$2.4 million per year through the internalisation of the REIT manager (Additional DPU of S\$0.0022 with upside of ~7.2%);¹*
Note 1: Assume Internal manager’s cost structure is equivalent to External Manager with Operating Profit Margin of ~55% (Average Operating Profit Margin of ~64% achieved by External Managers in Chart 2)

Response by the Manager

a) Misleading assumptions used in Quarz’s financial projections

- The cost savings assumption underlying Quarz’s assertion of immediate cost savings for Unitholders (as set out in page 2 of the Requisition Notice) is based on the average of the operating margins achieved by External Managers listed in its Chart 2 (as set out on page 2 of the Requisition Letter). Please refer to **Appendix B** for a copy of the Requisition Notice.
- However, this average operating margin assumption, which is used in the calculation of the pro-forma distribution per Unit (“**DPU**”) upside in the Requisition Notice, is hypothetical and not substantiated.
- Additionally, the Manager would like to clarify that the operating profit margin of SREIM does not affect the fees which it charges in managing the REIT. The current structure of the fees payable to the Manager is set out in the Trust Deed and is generally in line with the fee structure of other Singapore industrial REITs.
- Quarz has not provided an estimate of the financial costs of internalisation such as those relating to the setting up of the internal manager’s new office, installing systems and processes, purchasing hardware as well as licensing software and intellectual properties. Furthermore, there is no estimate of the costs required to recruit the full internal management team.

b) Internalising the REIT management function will not result in immediate gains to Unitholders

- An internalised REIT management function does not necessarily translate to higher DPU as compared to an external REIT manager as this would ultimately depend on how efficiently Sabana Industrial REIT will be managed by an internalised REIT manager.
- Further approvals from Unitholders may also have to be sought by the Trustee to effect the transition from an external manager to an internalised manager even if the resolutions are passed. A REIT manager must hold a CMS Licence issued by the MAS and operates under stringent regulatory controls. There is no assurance that the internalised REIT manager will be able to obtain the CMS Licence and continue to comply with the regulatory requirements to maintain its CMS Licence moving forward.

c) Sabana Industrial REIT has delivered strong total unitholder returns since the newly constituted board of directors of the Manager (the “Board”) and Chief Executive Officer came onboard in early 2018

Sabana Industrial REIT total unitholder returns since 2018	59.3%*
Sabana Industrial REIT total unitholder returns since its initial public offering in 2010	21.7%*

- Sabana Industrial REIT has outperformed the iEdge S-REIT Index based on Total Unitholders Returns in 2018 (+6.8%), 2021 (+37.4%), 2022 (+4.9%) and 2023 YTD (+3.4%).*
- Sabana Industrial REIT has ranked among the top five in total unitholder returns among S-REITs in 2018, 2021 and 2022.*

*Source: Bloomberg, as at 20 June 2023

2. Asset Enhancement Initiatives (“AEIs”) to 1 Tuas Avenue 4 and 151 Lorong Chuan (“New Tech Park”) currently underway by Manager; Misleading to attribute potential contributions to New Internal Manager

- (i) *Quarz: Complete the asset enhancement of 1 Tuas Avenue 4 and rent out ~90% of the asset at net rent of at least S\$1.45psf/month (Additional DPU of S\$0.0017 with upside of ~5.4%);*

Response by the Manager

a) The Manager is in the midst of carrying out AEI to 1 Tuas Avenue 4 to be completed in 2024; This is not a new strategy as Quarz claims

- As previously announced by Sabana Industrial REIT on 4 April 2023¹, the Manager had obtained provisional permission from the Urban Redevelopment Authority for additions and alterations works to 1 Tuas Avenue 4. The project is scheduled to obtain its Temporary Occupation Permit (“TOP”) by 1H 2024 and the Manager is currently in discussions with prospective tenants, including companies in the logistics and manufacturing trade sectors, among others.
- The Manager is on track to complete the asset enhancement of 1 Tuas Avenue 4. The upside is already present for Sabana Industrial REIT and this is not dependent on, nor should this be credited to, the internalisation of the REIT manager.

- (ii) *Quarz: Develop ~200,000 square feet of new space at NTP+ (Additional DPU of S\$0.0048² with upside of ~15.7%);*

b) Manager has announced further AEI plans for New Tech Park

- As indicated on page 14 of Sabana Industrial REIT’s annual report published on 27 March 2023 (the “Annual Report 2022”), the Phase 3 AEI plans for New Tech Park involve gross floor intensification as part of the Manager’s strategy to extract value organically from existing assets, and the Manager plans to disclose more details in the next few months. The indicated upside is based on unsubstantiated assumptions, and this is not dependent on, nor should this be credited to, the internalisation of the Manager.

3. Manager is open to carefully-evaluated yield-accretive acquisitions in Singapore or abroad, guided by prudent considerations; Misleading to attribute potential contributions to New Internal Manager

- (i) *Quarz: Undertaking S\$~85m of acquisitions funded with yield of 7.2% fully by debt (Additional DPU S\$0.002 with upside of ~6.7%).*

Response by the Manager

a) The Manager will pursue accretive acquisitions and continue to execute AEIs as part of the GROW VALUE phase of Sabana Industrial REIT’s Refreshed Strategy

- The Manager has not been rushing into acquisitions due to the current high interest rate environment. This is part of the Manager’s prudent capital management and the lack of suitable properties that fit the acquisition criteria and budget of Sabana Industrial REIT, and for potential acquisitions to be DPU-accretive for Unitholders.
- In addition to the focus on yield-accretive acquisitions, the Manager has other primary considerations to ensure that it builds a portfolio of good quality and defensive assets, which include, but are not limited to, the following:
 - Alternative industrial asset classes, e.g. ramp up warehouses and business parks;
 - Land lease tenure;
 - Location of the asset;
 - Existing condition of the building;
 - Existing tenant(s) profiles;
 - Existing lease terms including weighted average lease expiry;
 - Cost of funding; and
 - Implication on Sabana Industrial REIT’s gearing ratio.
- Please refer to **Appendix A** which tracks Sabana Industrial REIT’s records and performance since 2018.

4. Untapped gross floor area (“GFA”)/landbank is misleading, redevelopment done without proper evaluation can be value destructive

- (i) *Quarz: Develop more than 1 million square feet of untapped GFA/landbank with focus on sizeable key assets such as 33&35 Penjuru Lane, 26 Loyang Drive which can be transformed into New Economy ramp up logistic hubs or data centres (Additional DPU of S\$0.0039 with upside of ~12.9%).*

Response by the Manager

- These premises are currently fully leased and collectively contribute between 7.0% and 9.0% of Sabana Industrial REIT’s annual net property income.
- The notion of “untapped GFA” is misleading. For most of Sabana Industrial REIT’s properties, there is limited “excess” land (capable of independent development) for Sabana Industrial REIT to develop a second or third property. In order to create new GFA, it will first need to evict tenants and tear down the existing property in order to redevelop it to a bigger property. Construction for these properties usually takes approximately 24 to 30 months, during which the owner (or landlord) will not be able to collect any rent while incurring huge capital outlay for the redevelopment costs and related expenses.
- Undertaking redevelopment projects without proper cash flow planning and with the continuously elevated construction cost since 2020 would have a severe impact on the distribution per Unit (“DPU”) for Unitholders.
- Given that Sabana Industrial REIT has a considerably smaller portfolio than some other Industrial REITs, it is critical for the REIT manager to find a balance between current and future returns for Unitholders, while pursuing long-term sustainable growth for the REIT. All redevelopment projects must be carefully evaluated based on its risk-to-reward ratio to ensure appropriate return on investments, and to generate value for Unitholders.

¹ https://sabana.listedcompany.com/newsroom/20230404_180647_M1GU_URF3A190N8UN0NQ8.1.pdf

² Assume construction cost of ~\$300psf and net rent of at least ~\$3.5psf/month with occupancy rate of ~90%

5. Portfolio occupancy of 92.6% as at 31 March 2023, a new high since 1Q 2021; Misleading to use occupancy rate as of 31 December 2022

- (i) *Quarz: Despite the favourable industrial market in 2022, occupancy rates in key buildings with higher rental rates in Sabana REIT's portfolio have fallen significantly in 4Q2022 (e.g., Frontech Centre 94%→66%, 8 Commonwealth Lane 100%→82%, 10 Changi South St 2 80%→74% and NTP+ (81%→77%).*

Response by the Manager

a) Misleading to use occupancy rates as of 31 December 2022, when figures as of 31 March 2023 have been disclosed

- In relation to 15 Jalan Kilang Barat ("Frontech Centre"), as announced on 10 April 2023³, Sabana Industrial REIT has provided an interim update that it has seen an improvement in leasing activities in 1Q 2023, where three new leases totalling 9,100 sq ft were secured and occupancy stood at 81.0% as at 31 March 2023 compared to 65.9% as of 31 December 2022.
- In relation to 10 Changi South Street 2, as announced on 10 April 2023⁴, Sabana Industrial REIT had provided an interim update that it had secured new leases totalling 24,300 sq ft. Occupancy in 1Q 2023 stood at 84.4%.
- The occupancy rate of New Tech Park, which includes NTP+ mall (near akin to Business Parks), was approximately 79.1% as at 31 March 2023. This is comparable to the occupancy rate of Business Parks which is at 81.3%⁵. The Manager has maintained a strategic focus on rentals to support valuations and net asset value. The Manager also notes that New Tech Park has been a major driver of Sabana Industrial REIT's quarterly positive rental reversions since 1Q 2021.
- Sabana Industrial REIT had achieved a portfolio occupancy of 92.6% as at 31 March 2023, a new high since 1Q 2021.⁶

b) Misleading occupancy rate of NTP+ mall

- (ii) *Quarz: Increase occupancy rate at NTP+ to ~90% by capitalizing on excellent location (next to MRT) and innovative space usage e.g., subdividing space to increase rentability to technology (software development, electronics) and E-Commerce clients (Additional DPU of S\$0.0032 with upside of ~10.5%);*

Response by the Manager

- Unlike what Quarz stated at page 4 of the Requisition Notice, the occupancy rate of NTP+ mall is already approximately 98% as at 31 March 2023.

6. Misleading assertions about the "misalignment of interests between Sabana External REIT Manager and Unitholders".

Response by the Manager

a) The Manager holds a CMS Licence and operates under stringent regulatory controls, independent of ESR Group

- The Manager operates independently.
- The Board is independently appointed; all directors are approved by the relevant regulators.
- All the Directors of the Board comply with the criteria of independence set out in (i) the Singapore Code of Corporate Governance 2018, (ii) the Securities and Futures (Licensing and Conduct of Business) Regulations, and (iii) the listing manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual").
- The appointment of Ms Lee Kia Jong Elaine ("Mrs Elaine Lim") as Director was approved by the regulators. Mrs Elaine Lim's continuation as a Non-Independent Non-Executive Director of the Manager is in line with the approval.
- The Manager is dedicated to obtaining, taking into consideration prevailing market considerations, competitive rental terms from existing and new tenants for Sabana Industrial REIT's properties. All leasing rates, terms and property marketing information are determined based on prevailing market conditions, common market practices and commercial considerations.
- The Manager does not transact (i.e. acquire or divest properties) with ESR-LOGOS REIT despite having the same Sponsor.
- Should there be any potential transaction with the Sponsor or its related entities (excluding transactions with ESR-LOGOS REIT), the Manager has in place interested party transaction ("IPT") procedures which are reviewed by the Audit & Risk Committee ("ARC") to ascertain that the guidelines and procedures established to monitor IPTs have been complied with. In addition, the Trustee also has the right to review such audit reports. The ARC periodically reviews all IPTs to ensure compliance with the Manager's internal control procedures and with the relevant provisions of the Property Funds Appendix and/or the listing manual of the Singapore Exchange Securities Trading Limited (the "Listing Manual"). The review includes the examination of the nature of the transactions and the supporting documents or such other data deemed necessary by the ARC.

b) Sabana Industrial REIT's corporate governance ratings have improved significantly

- According to the Governance Index for Trusts ("GIFT") 2022 report, Sabana Industrial REIT's overall GIFT score improved to 71.5 points in 2022, from 54 points in 2021. Sabana Industrial REIT's 17.5-point improvement was the largest among all trusts in the study and its ranking improved by 24 positions to the 14th position.⁷
- Sabana Industrial REIT's Singapore Governance and Transparency Index score improved to 74.4 points in 2022, from 61.1 points a year ago. Sabana Industrial REIT's ranking improved by 8 positions to the 35th position.⁸

c) The Manager's interests are aligned with Unitholders. All fees payable to the Manager have been consistently adopted since the REIT's IPO.

- All fees payable to the Manager by Sabana Industrial REIT have been consistently adopted since the initial public offering in 22 November 2010. Moreover, the Manager notes that it does not charge any project management fees for the AEl's it carries out for Sabana Industrial REIT, unlike the case for some other REITs.
- Since 2018, the performance of Sabana Industrial REIT has improved and the Manager's current focus is to intensify Sabana Industrial REIT's GROW VALUE phase of its Refreshed Strategy. Sabana Industrial REIT has received awards that attest to the performance of Sabana Industrial REIT. For instance, The Edge Singapore Billion Dollar Club ("BDC") recognised Sabana Industrial REIT as the top performer in total unitholder returns in the REITs sector for the Centurion Club 2022.⁹
- Based on metrics from BDC, which showcases excellence in companies listed on the Singapore Exchange, Sabana Industrial REIT had outperformed other REITs with a market capitalisation of under \$1 billion in total unitholder returns to investors for the three years from 31 March 2019 to 31 March 2022.¹⁰

7. Potential consequences of a "Removal of Manager" event present a real risk and are not a 'scare tactic'

- (i) *Quarz: "The current External Manager, in its desperation to make unitholders continue paying fees, may resort to 'scare tactics' such as 'change of control provisions' to preserve its own interest."*

³ https://sabana.listedcompany.com/newsroom/20230410_184020_M1GU_GB9H161UTTU5GONQ.1.pdf

⁴ https://sabana.listedcompany.com/newsroom/20230410_184020_M1GU_GB9H161UTTU5GONQ.1.pdf

⁵ Source: JTC Quarterly Market Report – Industrial Properties 1Q 2023; <https://stats.jtc.gov.sg/content/static/Documents/Quarterly%20Market%20Report%202023Q1.pdf>

⁶ https://sabana.listedcompany.com/newsroom/20230419_072738_M1GU_W6HYRTDIX6HREYR9.1.pdf

⁷ Sabana Industrial REIT's Annual Report 2022, page 23

⁸ Sabana Industrial REIT's Annual Report 2022, page 23

⁹ <https://www.theedgesingapore.com/billion-dollar-club/billion-dollar-club-2022/2022-billion-dollar-club-honours-list>

¹⁰ <https://www.theedgesingapore.com/billion-dollar-club/billion-dollar-club-2022/2022-billion-dollar-club-honours-list>

Response by the Manager

- The removal of SREIM as manager of Sabana Industrial REIT and the subsequent internalisation of the REIT management function would trigger the Removal of Manager Clause that constitutes a review event under Sabana Industrial REIT's existing financing arrangements. It is common for banks to impose restrictions on the removal of the REIT manager in REIT loans in Singapore, and the inclusion of the Removal of Manager Clause in Sabana Industrial REIT's loan agreements was not at the Manager's request.
- Unitholders should note that there could therefore be serious consequences for Sabana Industrial REIT and its Unitholders arising from its existing financing arrangements if the Manager is removed. The removal of SREIM as manager of Sabana Industrial REIT would trigger the Removal of Manager Clause and is a review event under various loans of Sabana Industrial REIT. If triggered, this may result in mandatory prepayment by Sabana Industrial REIT of its outstanding loans and interest if no satisfactory agreement is reached with the lenders following the review event.

8. Factual Inaccuracy

(i) *Quarz: However, they seem to have shown little to no interest in resolving these issues besides a 'lowball' merger offer from ESR Logos REIT at an implied price of S\$0.30 which is at a ~42% discount to the NAV of Sabana REIT then.*

Response by the Manager

a) Inaccurate and misleading

- Unlike what Quarz states at page 11 of the Requisition Notice, the implied offer price was \$0.377 (not \$0.30), as stated in the scheme document dated 12 November 2020.¹¹

9. Misleading statements

(i) *Quarz: In April 2022, the board of the External Manager attempted to appoint Mr Charlie Chan as an 'independent director' despite him receiving a substantial premium of ~S\$22 million over market price from ESR Group. This appointment was rejected by more than 77% of unitholders at the AGM.*

Response by the Manager

a) Quarz was the party that recommended Mr Charlie Chan as an Independent Director.

- However, Quarz subsequently mounted a public campaign to remove Mr Charlie Chan from the Board within a few weeks of his appointment.

(ii) *Quarz cited Croesus Retail Trust and Netlink NBN Trust as examples of Internal Manager Models in Singapore*

Response by the Manager

a) Both examples cited are not REITs.

- Both examples listed are business trusts, which are built upon a different legal structure as compared to REITs. There is no precedent for the internalisation of a REIT manager in Singapore.

10. Misleading Assertion

(i) *Quarz: The internalization of the Sabana REIT Manager will once and for all resolve the above corporate governance issues. It will also substantially improve accountability and corporate governance at Sabana REIT.*

Response by the Manager

a) The proposed internalisation of the REIT manager is a complex process that will take substantial amount of time and resources to effect, with considerable uncertainty and many inherent risks

- It will take time for the Trustee (and/or any advisor that may be appointed by the Trustee under the Trust Deed to assist the Trustee) to assemble a new team of directors and staff of the new internal manager who are experienced and qualified. There is no assurance that experienced directors and employees will be readily available, and this may result in a prolonged period of uncertainty for Sabana Industrial REIT and its Unitholders between the passing of the proposed resolution to remove the existing Manager and the actual identification and appointment of the suitably qualified directors and management team for the internal manager. Such uncertainty will not be in the interest of Unitholders and could potentially destroy value of Sabana Industrial REIT.
- While the Requisition Notice envisages that the existing staff could be retained for continuity, there is no assurance that the existing staff of the Manager would remain throughout the ensuing period of uncertainty following the passing of the resolutions or be willing to join the internal manager. The success of a REIT manager's performance is dependent on the experienced leadership of directors and stable performance of employees with the requisite experience in the industrial real estate sector and the relevant financial, technical and corporate credentials in REIT management. Time and costs will also likely need to be incurred in searching for qualified directors and employees for the internalised REIT manager.
- A REIT manager must hold a CMS Licence and the appointment of a new REIT manager entity (including any new CEO and directors) will be subject to MAS' rigorous review and screening and this will take time before approval may be given.

In view of the foregoing, the Manager wishes to reiterate that Quarz's Requisition Notice and its proposed resolutions are incomplete, lack clarity and fail to outline the many inherent risks in execution which ought to have been clearly disclosed to provide Unitholders with a balanced picture of its proposals. Quarz has not put forth clear strategies, a detailed roadmap with timelines or specific proposals to successfully effect the internalisation of the management function of Sabana Industrial REIT.

In short, Quarz has not assured Unitholders that their proposals are viable, and will not destroy value in the potentially unstable transition should the Manager be removed. With these serious issues and uncertainties, there is no certainty of the REIT's continuity.

Cautionary Statement

The Manager will make further announcements on the SGXNet in the event there are any material developments which warrant disclosure, in compliance with its obligations under the Listing Manual. Unitholders and investors are advised to refrain from taking any action in respect of their Units which may be prejudicial to their interests, and to exercise caution when dealing in the Units. Persons who are in doubt as to the action they should take should consult their stockbroker, bank manager, solicitor or other professional advisers.

In the meantime, Unitholders and investors are advised to refrain from taking any action in respect of their Units which may be prejudicial to their interests, and to exercise caution when dealing in the Units.

¹¹ https://sabana.listedcompany.com/newsroom/20201112_080021_M1GU_55U1SSA79AYWU931.3.pdf



By Order of the Board
Sabana Real Estate Investment Management Pte. Ltd.
(Company Registration No: 201005493K, Capital Markets Services Licence No: CMS100169)
As Manager of Sabana Industrial Real Estate Investment Trust

Han Yong Lee (Donald)
Chief Executive Officer
22 June 2023

For enquiries, please contact:

Low Hooi Hoon
Investor Relations and Corporate Communications
Sabana Real Estate Investment Management Pte. Ltd.
DID: +65 6580 7857
Email: hooihoon.low@sabana.com.sg

Sabana Industrial REIT

Sabana Industrial REIT was listed on the SGX-ST on 26 November 2010. As at 31 December 2022, Sabana Industrial REIT has a diversified portfolio of 18 quality properties in Singapore, in the high-tech industrial, warehouse and logistics, chemical warehouse and logistics, as well as general industrial sectors. The total assets of the Group amount to more than S\$0.9 billion as at 31 December 2022. Sabana Industrial REIT is a constituent of the SGX S-REIT Index, MSCI Singapore Micro Cap Index, and FTSE ST Singapore Shariah Index.

Sabana Industrial REIT is managed by Sabana Real Estate Investment Management Pte. Ltd. (in its capacity as the Manager of Sabana Industrial REIT) in accordance with the terms of the trust deed dated 29 October 2010 (as amended, varied or supplemented from time to time). Sabana Industrial REIT is a real estate investment trust constituted on 29 October 2010 under the laws of Singapore.

For further information on Sabana Industrial REIT, please visit www.sabana-reit.com.

Important Notice

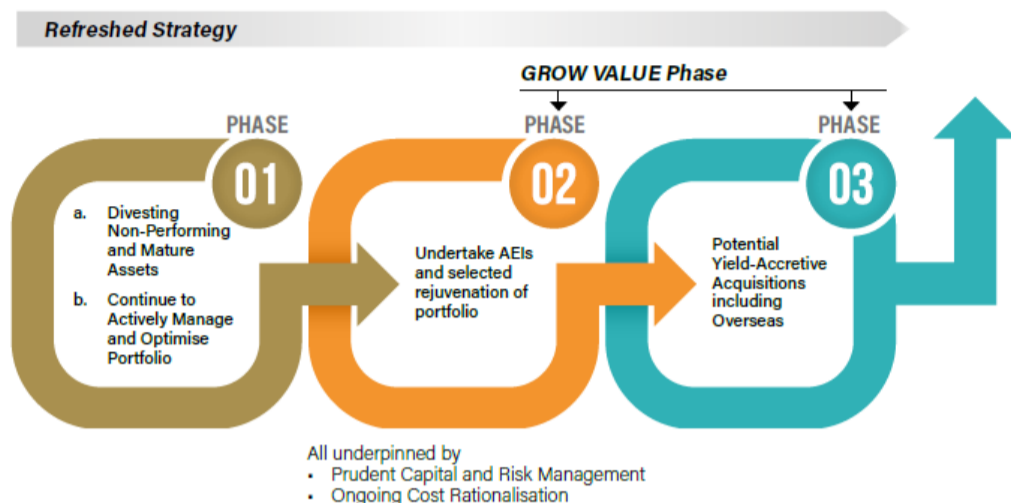
The value of units in Sabana Industrial REIT (“Units”) and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, HSBC Institutional Trust Services (Singapore) Limited, as trustee of Sabana Industrial REIT, or any of their respective 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 unitholders may only deal in their Units through trading on the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

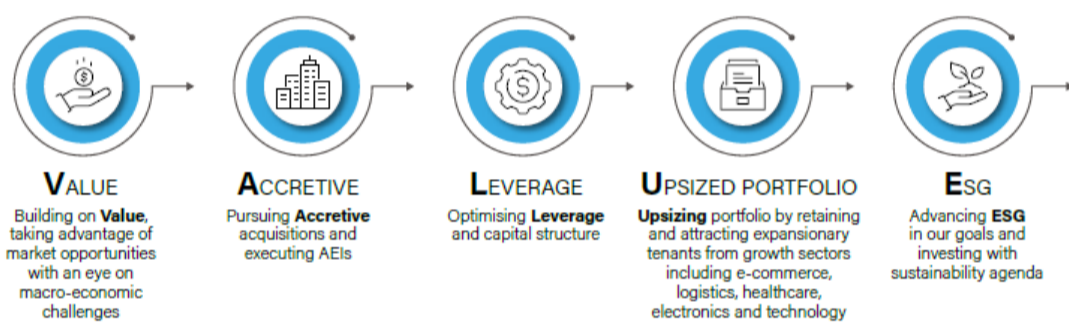
SABANA INDUSTRIAL REIT HAS CONSISTENTLY DELIVERED PERFORMANCE SINCE THE NEW MANAGEMENT TEAM CAME ONBOARD IN EARLY 2018 AND LAUNCHED THE REFRESHED STRATEGY

The Refreshed Strategy was launched by the current management team of the Manager in 2018 to build a resilient portfolio and deliver long-term and sustainable value for Unitholders. The Refreshed Strategy is set out in three phases: Phase 1 involves divesting non-performing and mature assets, while continuing to actively manage and optimise Sabana Industrial REIT’s portfolio. Phase 2 relates to AEIs and rejuvenation of selected assets. Phase 3 sets the stage for yield-accretive acquisitions in Singapore and overseas. The Manager’s current focus is to further intensify Sabana Industrial REIT’s progress under Phase 2 and move into Phase 3 to GROW VALUE for Unitholders.

On the GROW VALUE phase of Refreshed Strategy with five strategic priorities

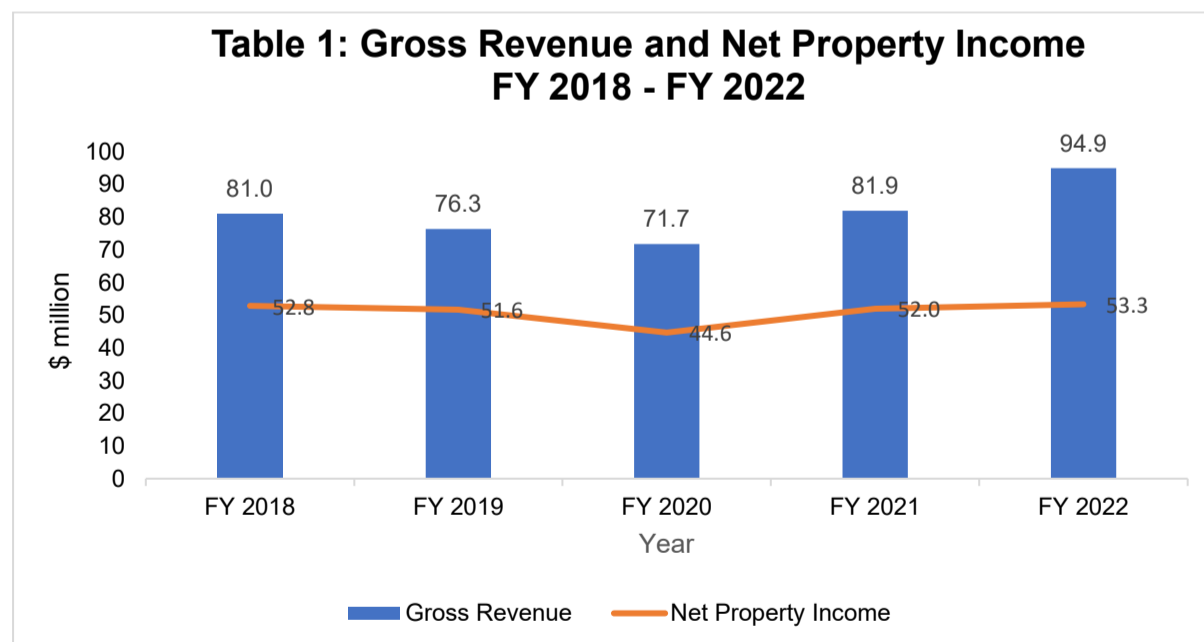


Five Strategic VALUE Priorities for Phases 2 and 3 of Refreshed Strategy

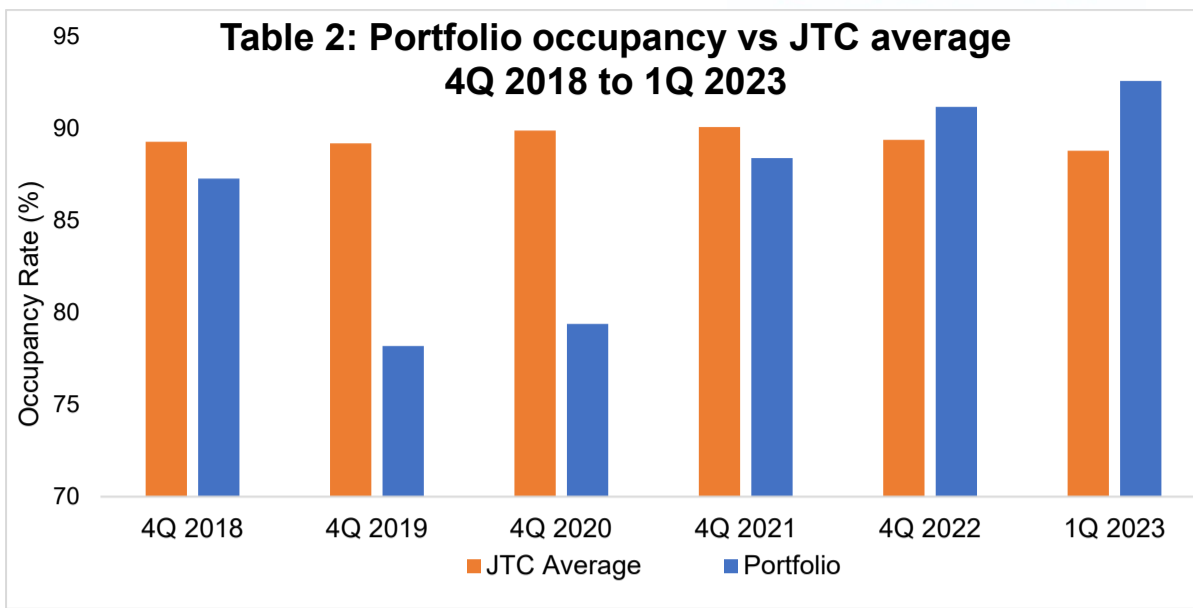


Targeting to achieve upsized portfolio valuation of more than \$1 billion between 2025 and 2027

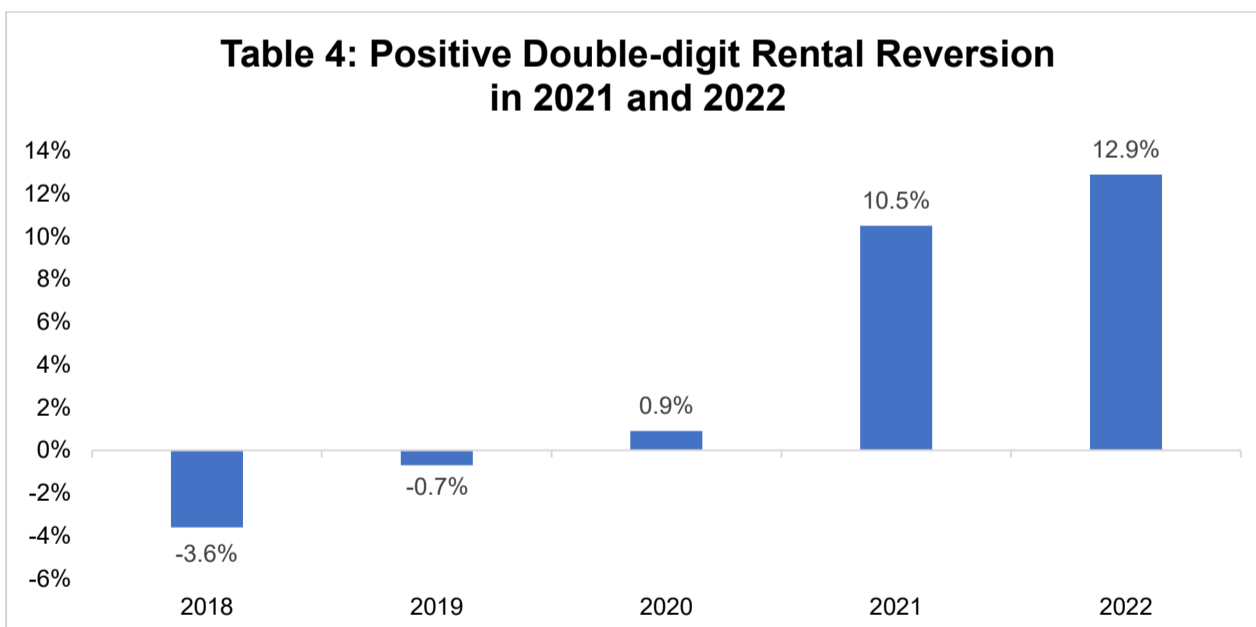
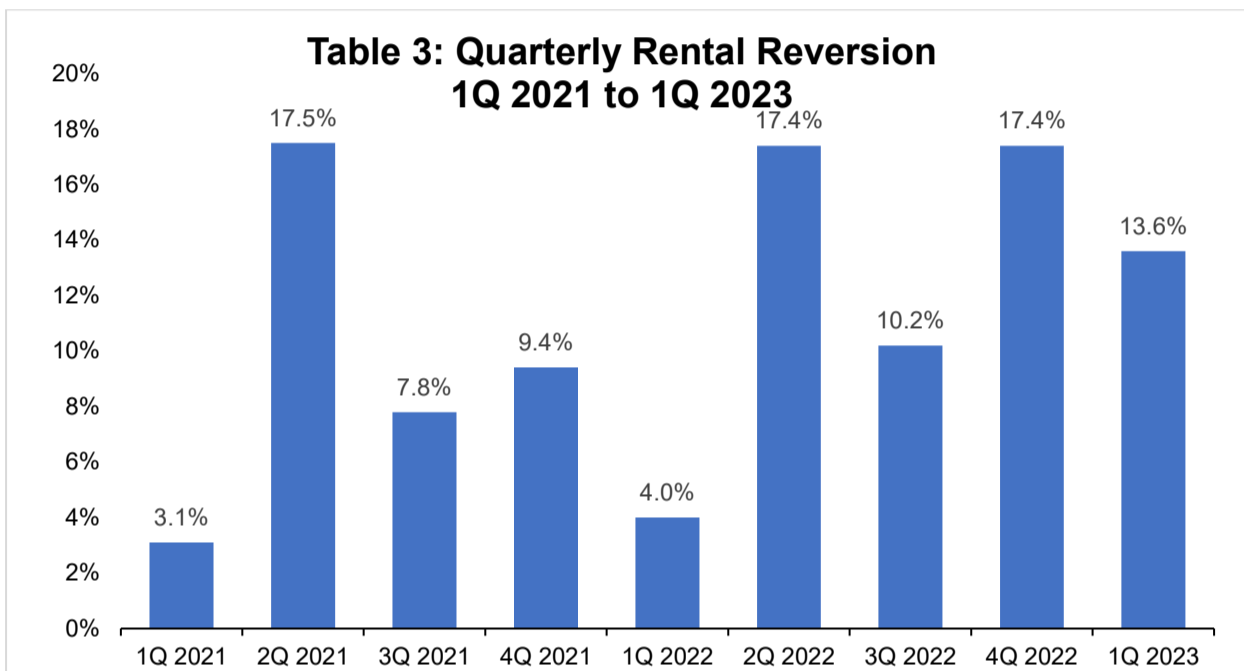
Underpinned by the Refreshed Strategy, Sabana Industrial REIT has delivered on its strategy despite the challenging and volatile conditions in the past few years. The REIT recovered from the pandemic to register steadfast performance and achieved resilient DPU in FY 2021 and FY 2022. The successful completion of NTP+ AEI has resulted in higher rentals for new and renewed leases in New Tech Park. This is despite a decline in portfolio properties from 20 properties in early 2018 to the current 18 properties. (Table 1)



Sabana Industrial REIT has achieved a portfolio occupancy of 92.6% as at 31 March 2023, a new high since 1Q2021. Portfolio occupancy exceeded JTC average in 4Q 2022 and 1Q2023, underpinned by strong demand in the Warehouse and Logistics segment. (Table 2)



Besides achieving record high portfolio occupancy rate since 1Q 2021, the Manager has consistently delivered positive rental reversion rate, one of the highest amongst its industrial peers. This is contributed by the Manager's ability to obtain lease renewal from tenants in the expansionary sectors, and reflective of the Manager's proactive leasing strategy and strong landlord-tenant relationships. (Tables 3 and 4)



Furthermore, the Manager has strengthened the financial fundamentals of Sabana Industrial REIT. The Manager procured the conversion of all of Sabana Industrial REIT's borrowings from secured to unsecured facilities in less than six months following the completion of Sabana Industrial REIT's da-Shariah process in October 2021. The Manager also helped to secure Sabana Industrial REIT's maiden sustainability-linked loan in February 2022. Sabana Industrial REIT's gearing ratio of 33.1% as of 31 March 2023 is amongst the lowest for Singapore-listed REITs.

APPENDIX B
Requisition Notice

Date: Wednesday 7 June 2023

Attention: The Board of Directors

Sabana Real Estate Investment Management Pte. Ltd.
(As Manager of Sabana Industrial REIT)
151 Lorong Chuan
2-03 New Tech Park
Singapore 556741

Dear Sirs,

RE: REQUISITION TO CONVENE AN EXTRAORDINARY GENERAL MEETING FOR REMOVAL OF MANAGER PURSUANT TO CLAUSE 24.1.4 READ WITH SCHEDULE 1, PARAGRAPH 2 OF THE SECOND AMENDING AND RESTATED DEED DATED 24 MARCH 2016

1. We are unitholders holding more than 10% of the total units of SGX-listed Sabana Industrial Trust (“**Sabana REIT**”, “**Sabana**” or “**Trust**”) managed by Sabana Real Estate Investment Pte Ltd (“**Sabana REIT Manager**”, “**SREI**”, “**Manager**” or “**Sabana Manager**”).
2. We hereby give you notice pursuant to Clause 24.1.4 read with Schedule 1, paragraph 2 of the Second Amending and Restating Deed dated 24 March 2016 (“**Deed**”) to convene an Extraordinary General Meeting (“**EGM**”) and table the following resolutions to unitholders for the purposes of passing the following resolutions: -

ORDINARY RESOLUTIONS

RESOLVED:

RESOLUTION 1: That Sabana Real Estate Investment Management Pte. Ltd. be removed as the Manager of Sabana Industrial REIT as soon as practicable after this resolution is passed.

RESOLUTION 2: That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to:

- i) effect the internalization of the REIT Management function by incorporating a subsidiary (“Internal Manager”) wholly owned by the Trustee and appointing such a subsidiary to act as the manager of Sabana Industrial REIT (the “Management Subsidiary”);
 - ii) hire and appoint qualified candidates as directors and staff of the Internal Manager in accordance with the applicable requirements of the *Securities and Futures Act 2001*;
 - iii) consider the retention of Sabana REIT’s existing staff in order to maintain the continuity of Sabana REIT’s operations;
 - iv) amend the provisions of the Deed such that each director of the Internal Manager may be appointed and/or removed by a simple majority of unitholders;
 - v) amend the provisions of the Deed such that each director of the Internal Manager must be endorsed or re-endorsed by unitholders at every 3rd annual general meeting of Sabana REIT; and
 - vi) amend the provisions of the Deed such that any change of control in the Internal Manager may only be effected upon approval of a simple majority of unitholders.
3. Our reasoning for the proposed resolutions is outlined in the following pages:

IMPORTANT: YOU WILL BE MAKING A BINARY DECISION. REMOVE THE MANAGER OR KEEP THE MANAGER. IT IS YOUR CHOICE. NOT VOTING IS A VOTE TO KEEP THE MANAGER. DO NOTHING AND YOU WILL CONTINUE TO LOSE. PLEASE ATTEND THE MEETING AND VOTE FOR THE ADOPTION OF ALL THE RESOLUTIONS.

Please register at: www.savesabanareit.com

Join Telegram Group: <https://t.me/savesabanareit> for more updates and information.

Quarz will hold a webinar for all unitholders on **Thursday 6th of July 2023 at 8.00pm**

Link to webinars is: <https://us02web.zoom.us/j/88970799227> (Meeting ID 889 7079 9227)

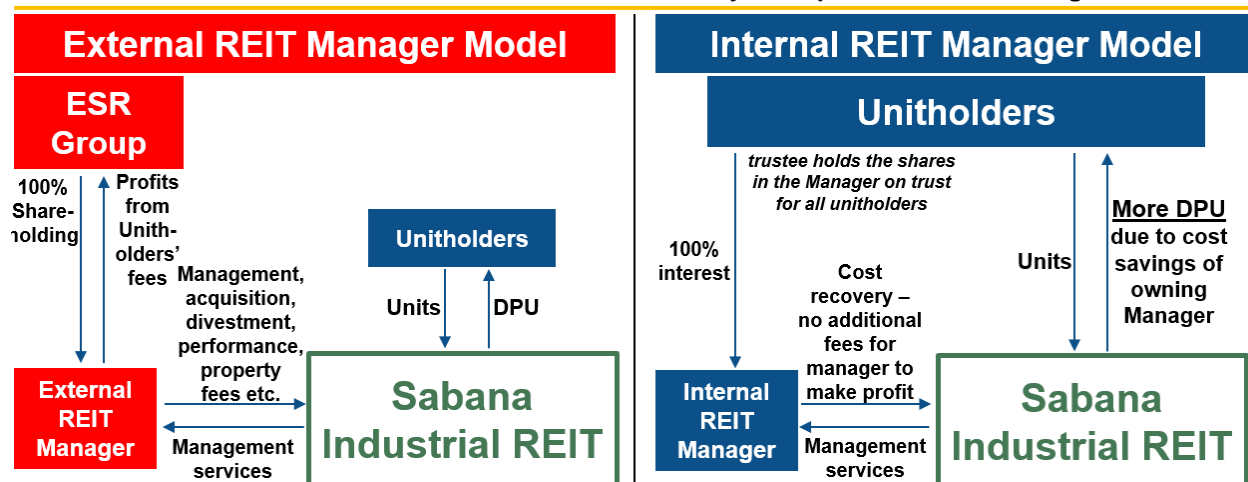
YouTube link to video: <https://youtube.com/@quarzcapi2614>

Please contact us: +65 8684 6968 for any assistance.

HOW DO UNITHOLDERS BENEFIT FROM REPLACING THE CURRENT EXTERNAL MANAGER WITH A NEW INTERNAL MANAGER?

Unitholders are proposing to remove the current External REIT Manager (“External Manager”), Sabana Real Estate Investment Pte Ltd, and to replace it with a newly set-up Internal REIT Manager (“Internal Manager”) owned by all unitholders. This process is known as “internalization”.

Chart 1: Unitholders will Own 100% of the Newly Set-Up Internal REIT Manager



The internalization is projected to increase the dividend paid to unitholders by more than ~7.2% to S\$0.0327 per unit (~7.6% Dividend Yield¹) once the External Manager is removed.

This increase would mainly come from cost savings of about ~S\$7.25 million of fees² (of which S\$4.4 million are management fees, equivalent to ~14% of distributable income) and net profit which unitholders currently pay to the External Manager and its shareholder, ESR Group.

The removal of the External Manager will also likely eliminate all other fees such as performance, acquisition, divestment, lease and property management fees which needs to be paid by unitholders to the External Manager.

As the Internal Manager will be fully owned by and aligned with all unitholders, its sole goal will be to increase dividend growth, unit price and corporate governance for unitholders as fast as possible.

Chart 2: Profits of External Manager Eliminated with Immediate Cost Savings for Unitholders

Name	Market Cap (S\$m)	Total Assets 2021 (S\$m)	Total Assets 2022 (S\$m)	Operating Profit Margin 2021 (%)
AIMS APAC REIT	950	2,404	2,336	83.1
IREIT Global	561	1,589	1,490	46.0
FIRST REIT	527	1,050	1,199	57.7
Elite Comm REIT	254	963	789	68.5
Average	573	1,501	1,454	63.8
Sabana REIT	474	972	983	29.8

Average Operating Profit Margin (%) of ~64% for External REIT Managers.

Ops Profit Margin for Sabana REIT Manager is currently the lowest due to paying the directors and CEO one of the highest salaries and fees among SGX-listed REITs when adjusted for Sabana's Market Cap & portfolio size

**all dividend/income/gain from units held by REIT Managers are excluded from revenue and operating profit to ensure fair comparison*

¹ Based on unit price of S\$0.430.

² Sabana Industrial REIT Annual Report 2022

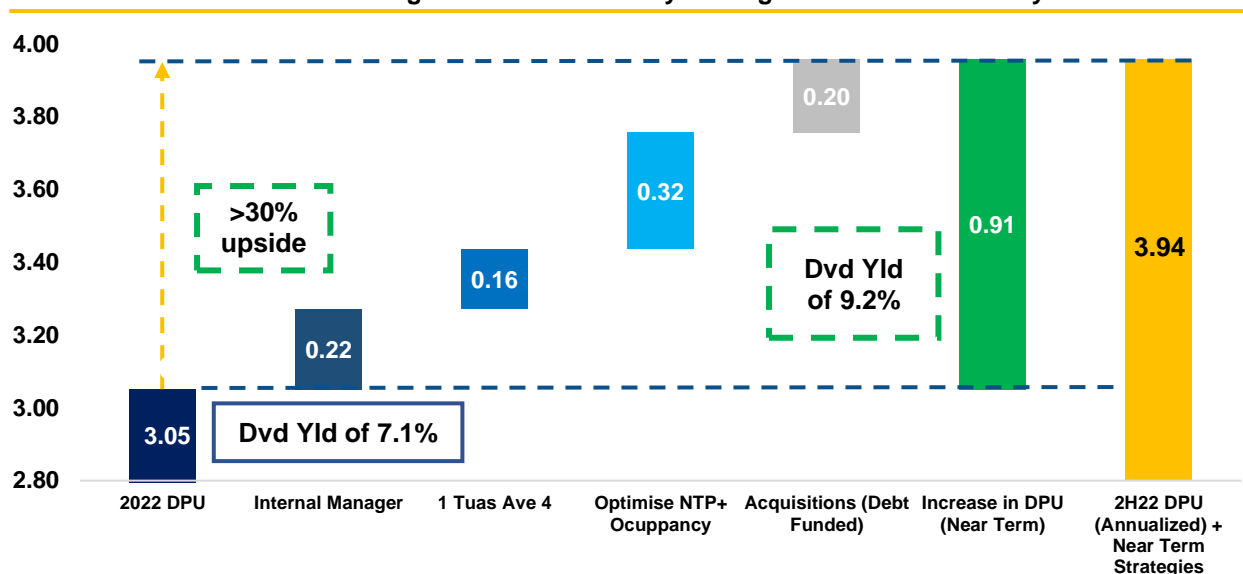
MAIN GOAL OF THE NEW INTERNAL MANAGER IS TO INCREASE DPU AND UNIT PRICE ABOVE S\$0.53 (NAV)

The new Internal Manager will be owned by and work for the benefit of all unitholders with the **sole goal of increasing dividend and unit price above S\$0.53 by quickly executing on key strategies.**

The new Internal Manager can immediately execute on the following key strategies to potentially increase DPU and unit price by ~30% to more than ~S\$0.55 (potential dividend yield of >9.2% at current price):

1. Immediate cost savings of ~S\$2.4³ million per year through the internalization of the REIT manager (Additional DPU of S\$0.0022 with upside of ~7.2%);
2. Complete the asset enhancement of 1 Tuas Ave 4 and rent out ~90% of the asset at net rent of at least S\$1.45psf/month (Additional DPU of S\$0.0017 with upside of ~5.4%);
3. Increase occupancy rate at NTP+ to ~90% by capitalizing on excellent location (next to MRT) and innovative space usage e.g., subdividing space to increase rentability to technology (software development, electronics) and E-Commerce clients (Additional DPU of S\$0.0032⁴ with upside of ~10.5%); and
4. Undertaking S\$~85m of acquisitions funded with yield of ~7.2% fully by debt (Additional DPU S\$0.002 with upside of ~6.7%).

Chart 3: Internal Manager's Execution of Key Strategies to Increase DPU by ~30%



In addition, the Internal Manager can execute other attractive and executable mid-term strategies which can potentially further drive Sabana REIT's unit price beyond S\$0.55, such as the following:

5. Develop ~200,000 square feet of new space at NTP+ (Additional DPU of S\$0.0048⁵ with upside of ~15.7%); and
6. Develop more than 1 million square feet of untapped GFA/landbank with focus on sizeable key assets such as 33&35 Penjuru Lane, 26 Loyang Drive which can be transformed into New Economy ramp up logistic hubs or data centres (Additional DPU of S\$0.0039⁶ with upside of ~12.9%).

³ Assume Internal manager's cost structure is equivalent to External Manager with Operating Profit Margin of ~55% (Average Operating Profit Margin of ~64% achieved by External Managers in Chart 2)

⁴ Assume net rent of at least ~S\$3.3/psf/month

⁵ Assume construction cost of ~\$300psf and net rent of at least ~\$3.5psf/month with occupancy rate of ~90%

⁶ Assume construction cost of ~\$180psf and net rent of at least ~\$1.4psf/month with occupancy rate of ~90%

The Internal Manager's complete execution of all the above catalysts in the short and mid-term can deliver a potential total DPU upside of almost ~60% to S\$0.0483 (potential dividend yield of ~11.2%).

IN ADDITION, THE RESOLUTION ALSO SEEKS TO EMPOWER UNITHOLDERS TO APPOINT, APPROVE AND RE-ELECT DIRECTORS TO REPRESENT THEIR INTERESTS. THIS RESULTS IN THE COMPLETE ALIGNMENT OF INTERESTS BETWEEN THE INTERNAL MANAGER AND UNITHOLDERS.

By removing the current External Manager and appointing an Internal Manager, unitholders will finally benefit from a “win-win” solution which potentially results in higher DPU, unit price and better corporate governance!

UNDERPERFORMANCE OF SABANA REIT AND THE EXTERNAL MANAGER

Sabana REIT is the only SGX-listed REIT with predominately Singapore industrial properties that is trading at a substantial discount of ~20% to its NAV of S\$0.53.

Since ESR Group took control of the REIT manager in 3Q2019, the occupancy rate of Sabana REIT has constantly been below its REIT peers as well as the JTC national average.

Sabana REIT's Dividend per unit (“DPU”) in 2H2022 has already declined by more than 7% and 8% when compared to 2H2021 and 1H2022, whereas its SGX-listed peers have either nearly flat or increasing DPUs.

Despite the favourable industrial market in 2022, occupancy rates in key buildings with higher rental rates in Sabana REIT's portfolio have fallen significantly in 4Q2022 (e.g., Frontech Centre 94%→66%, 8 Commonwealth Lane 100%→82%, 10 Changi South St 2 80%→74% and NTP+ (81%→77%).

Sabana REIT's NAV has also plummeted by ~8% from S\$0.57 in 4Q2019 to S\$0.53 in 4Q2023.

Due to these failures in maintaining occupancies, Sabana REIT's DPU and unit price are forecasted to further decline in 2023. The current performance of the REIT as described above is already costing unitholders substantial loss in terms of DPU and unit price.

If substantial unitholders have not increased their stakes over the last 2-3 years, Sabana REIT's unit price might have potentially decreased to <S\$0.40 given the worsening DPU, NAV and continuing bad performance of the External Manager

If such performance continues, this may result in a further decline of DPU and unit price, especially when measured against the NAV of S\$0.53.

Chart 4: Sabana REIT Manager has Performed the Worst Among Listed Peers

Name	Occupancy Rate %					NAV Per Unit	Price	Premium to NAV %	Change in DPU 2H22 YoY %	Change in DPU 2H22 HoH %
	4Q18	4Q19	4Q20	4Q21	4Q22					
JTC National Average	89.3	89.2	89.9	90.2	89.4					
AIMS APAC REIT	93.9	89.4	95.7	97.6	97.8	1.35	1.24	-7.9	11.3	11.6
CapL Ascendas REIT (SG)	87.3	87.2	88.4	90.2	92.1	2.37	2.69	13.5	4.3	0.7
ESR Logos REIT	93.0	90.5	91.0	93.7	92.7	0.35	0.32	-8.0	7.5	5.5
Mapletree Ind Trust (SG)	87.7	90.5	92.2	93.7	96.9	1.85	2.22	20.0	-3.7	-1.9
Mapletree Log Trust (SG)	97.0	97.2	98.1	98.1	98.3	1.44	1.68	16.7	0.9	-0.5
Average of Peers	91.8	91.0	93.1	94.7	95.6			6.8	4.1	3.1
Sabana REIT	84.4	75.4	76.5	85.4	88.2	0.53	0.43	-18.9	-7.0	-8.2

*(SG) – occupancy rate of Singapore portfolio of the respective REITs/Trust

Occupancy rate of Sabana REIT includes 1 Tuas Ave 4 which is vacant & under AEI. While some peer REITs/Trust exclude properties under AEI when calculating occupancy rate, these are insignificant omissions (<1.5%) vs Sabana REIT where 1 Tuas Ave 4 is ~3.8% of total GFA

Since ESR took control of Sabana REIT Manager in 3Q2019, Sabana REIT's occupancy and discount to NAV have been the worst among its S-REIT peers. Its DPU suffered the biggest decline in 2H2022

POTENTIAL CONFLICTS OF INTEREST ON THE PART OF THE EXTERNAL MANAGER

ESR Group has 100% ownership in the External Manager of Sabana REIT. Yet at the same time, ESR Group is the 99% owner of the manager of ESR Logos REIT. It is also the largest unitholder in the REIT with a 16.4% stake.

As both ESR Logos REIT and Sabana REIT primarily invest in Singapore industrial properties, ESR Group's significant ownership of the managers in both REITs results in the overlap of investment mandates which can potentially cause critical conflicts of interest issues relating to asset acquisitions, divestment, and strategic decisions between the REITs.

These potential conflicts of interest can seriously and negatively impact Sabana unitholders' unit price and DPU.

In addition, ESR Group's stake in ESR REIT at ~S\$401m⁷ is ~4.1x more than its ~S\$98m stake in Sabana REIT. ESR Logos REIT's manager also earns nearly 5 times of the management fee as compared to Sabana REIT's External Manager.

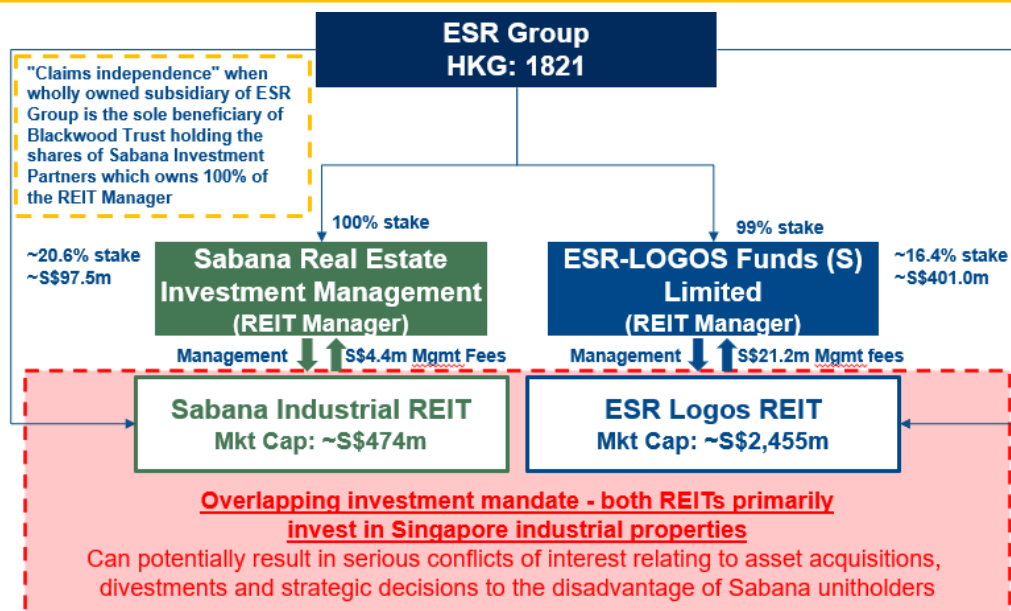
As a HK listed company with fiduciary duties towards its own investors, it is unsurprising that ESR Group would prioritise the interests of ESR Logos REIT over those of Sabana REIT which, if true, would be to the detriment of Sabana REIT unitholders.

One such example was in 2020, when Sabana REIT had been offered what was, in our view, an unexpectedly low implied price of S\$0.30⁸ to merge with ESR Logos REIT, which potentially benefited ESR Logos REIT and ESR Group at the expense of Sabana REIT unitholders.

The potential conflicts of interest and corporate governance flaws can depress Sabana REIT's DPU and unit price.

The removal of the current REIT Manager and the setup of a new Internal Manager will immediately end this issue relating to corporate governance. With an independent mandate, an Internal Manager can make strategic decisions that would serve unitholders' interests and achieve a higher DPU and unit price for unitholders.

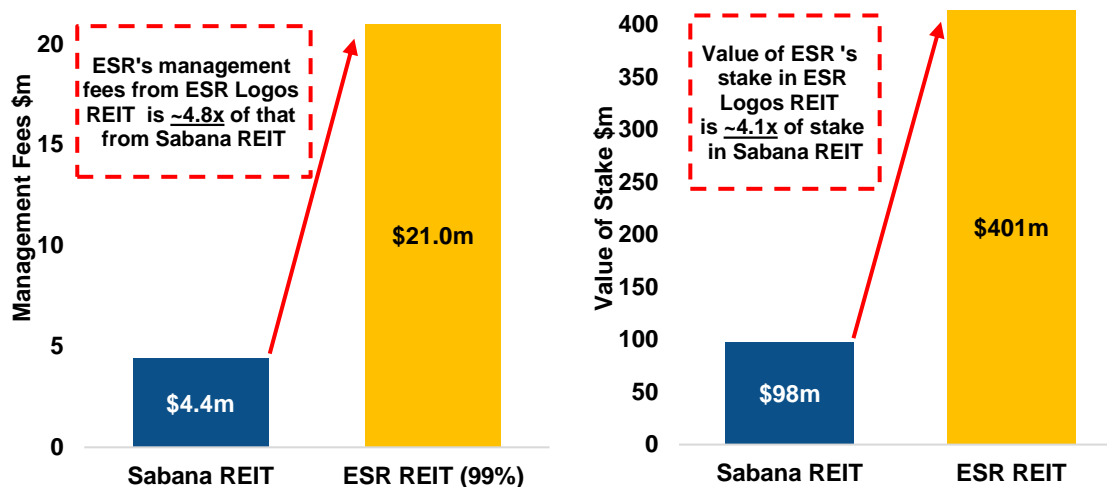
Chart 5: Overlapping Investment Mandate and Potential Conflicts of Interests due to ESR Group's ownership of Sabana and ESR Logos REIT Managers



⁷ Unit price of S\$0.32 on 5 June 2023

⁸ Merger offer of 0.94x ESR Logos REIT unit for 1 Sabana REIT unit (ESR Logos REIT unit price of S\$0.32 on 5 June 2023)

Chart 6: ESR Group's Significantly Higher Fees and Value of Stake in ESR Logos REIT



THE EXTERNAL MANAGER MODEL PRESENTS A POTENTIAL MISALIGNMENT OF INTERESTS BETWEEN THE EXTERNAL MANAGER AND UNITHOLDERS

More than ~97% and ~90% of REITs in the US and Australia with market capitalizations exceeding ~S\$1.4 trillion⁹ are managed by Internal Managers. By comparison, the Singapore-listed REIT market only started in 2002¹⁰ and has a total market capitalization of ~S\$100 billion¹¹.

As the REIT market in US and Australia have been in existence since 1970s, the general investors' sentiments backed by numerous academic studies is that the External Manager Model tends to underperform the Internal Manager Model, especially in terms of DPU and unit price.

This is because the External Manager Model suffers from a misalignment of interests between the External Manager in question and unitholders of a REIT.

While an Internal Manager works to increase the DPU and unit price of unitholders, an External Manager tends to serve the interests of its owner, namely the Sponsor, by increasing its profitability where possible.

An External Manager can increase the profitability of its Sponsor by:

- A. increasing Acquisition Fees from doing more acquisitions;
- B. increasing Management Fees by acquiring and enlarging the portfolio; or
- C. acquiring the Sponsor's properties at a profit for the Sponsor's benefit.

The External Manager could increase its fees by acquisitions, which is funded by increasing borrowings and/or doing placements and rights to raise capital from unitholders and new investors.

However, excessive acquisitions financed by borrowings and higher leverage levels can put the REIT on a weaker financial footing.

Consistent placements and rights offerings, which are often done at a discount from the market price, may cause downward pressure on the unit price.

Both such options may lower DPU and unit price and, would be in direct conflict with unitholders' interests.


Due to the above and the preference of investors towards the Internal Manager Model, many REITs in the US and Australia have converted from External to an Internal Manager Model.

⁹ NAREIT NYSE listed REITs equity market capitalization in April 2023

¹⁰ First REIT to list in Singapore was CapitaLand Mall Trust in 2002

¹¹ REITAS Overview of the S-REIT Industry

Chart 7: Misalignment of Interests between Sabana External REIT Manager and Unitholders

Sabana REIT External Manager	New Internal REIT Manager	New Internal Manager- Unitholders Are the <u>No. 1 Priority</u>
<p>Owned By ESR Group</p> <p>Works for ESR Group</p> <p>'Board' Claims it Appoints Directors and not ESR Group</p> <p>Earn Fees and Profits from Unitholders</p> <p><u>Increase Profit for ESR by:</u></p> <ul style="list-style-type: none"> • Increasing Acquisitions Fees • Increasing Management Fees • Buying Sponsor's assets at a profit for Sponsor <p>Lack Alignment of Interest with Unitholders</p> <p>Weak Corporate Governance</p> <p>Overlapping Investment Mandate</p> <p>Potential Conflicts of Interest</p>	<p>Owned by All Unitholders</p> <p>Works for the Unitholders</p> <p>Unitholders Appoint Directors</p> <p>Cost Recovery – Cost Savings Pass Back to Unitholders</p> <p><u>Increase Profit for Unitholders by:</u></p> <ul style="list-style-type: none"> • Increase in DPU (dividend) • Increase in Unit Price <p>Full Alignment of Interest with Unitholders</p> <p>Strong Corporate Governance</p>	

EXAMPLES WHERE THE EXTERNAL REIT MANAGER MODEL HAS NEGATIVELY IMPACTED THE UNIT PRICE AND DPU OF UNITHOLDERS

Manulife US REIT, Eagle Hospitality Trust and Dasin Retail Trust are three such examples of how the misalignment of interests between an External manager and unitholders can substantially reduce unit prices by more than 80%.

As pointed out in a BT article by Ben Paul¹², the current high leverage problem at Manulife US REIT can be attributed to its External Manager's persistence in acquiring properties despite the already high leverage of 41% in 2021. Since its IPO in May 2016¹³, the External REIT Manager has collected more than S\$80m¹⁴ of management, performance, and acquisitions fees from unitholders. This is while unitholders suffered a plunge of ~80%¹⁵ in their unit price.

Despite the distressed situation which the REIT is currently in, its External Manager, instead of supporting the REIT, is now currently in discussion with Mirae to enable the sponsor and the External manager's owner to cash out at a substantial profit.

Over at Eagle Hospitality Trust, the sponsor who owned the External Manager injected their hotel assets into the REIT at inflated valuations through the usage of master leases with the sponsor.

The sponsor subsequently defaulted on these master leases, which resulted in financial distress to the REIT and it was eventually wound up.

While unitholders' investments were completely wiped out, the sponsor and the owner of the manager of Eagle Hospital Trust benefited from monies used to purchase the properties even though the REIT closed down.

At Dasin Retail Trust ("DRT"), Mr. Zhang Zhencheng, a minority shareholder of DRT's trustee-manager, and major unitholder of DRT filed a claim in the High Court against the lead independent director of the DRT's External Manager. Zhang alleged that the lead independent director pushed for a legally binding MOU which required DRT to buy assets in China from the foreign seller. This is when the REIT is potentially

¹² Paul, Ben. "Manulife US Reit's manager and sponsor group need to deliver real value rather than just words" Business Times, 13 Feb 2023

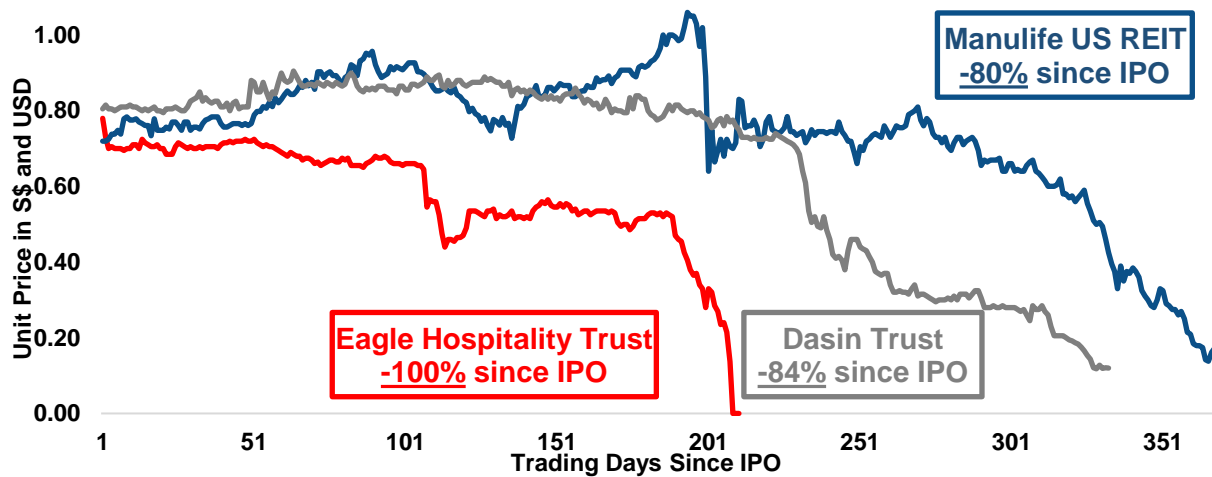
¹³ Manulife US REIT IPO price of USD0.83 per unit

¹⁴ USD61.6million of acquisition, management and performance fees from unitholders, annual reports 2016-2022

¹⁵ Unit price of USD0.17 on 5 June 2023

in distress with the unit price collapsing by more than 80%¹⁶ since IPO and should be disposing assets to repay bank loans.

Chart 8: Examples of REITs Badly Managed with External REIT Manager Model



SUCCESSFUL EXAMPLES OF THE INTERNAL MANAGER MODEL IN SINGAPORE

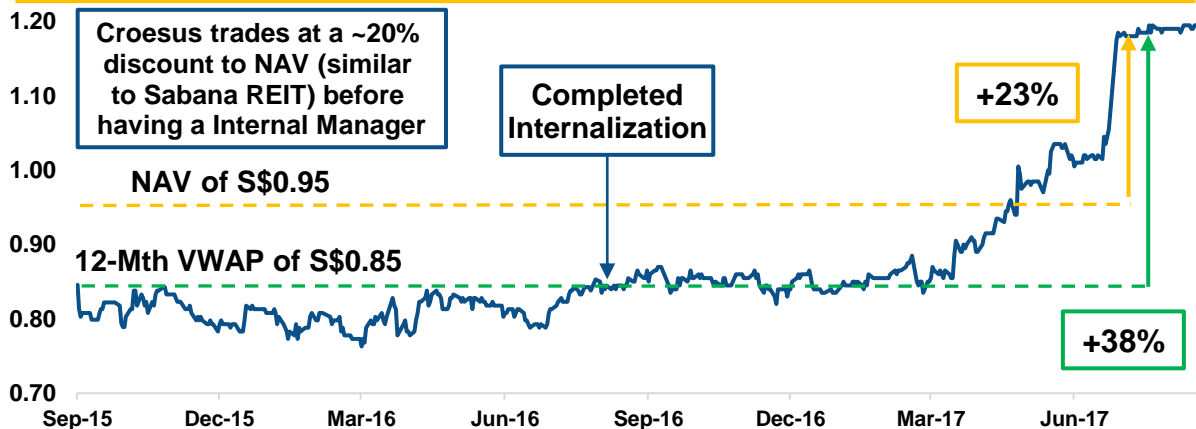
Similar to Sabana REIT, Croesus Retail Trust’s unit price had consistently traded at a sharp discount of ~20% to its book value of ~S\$0.95 prior to their internalisation.

Croesus Retail Trust conducted the internalization of its manager in August 2016 to align the manager’s interest with its unitholders and to increase DPU, unit price and corporate governance.

Croesus Retail Trust saw its 4Q2017 (Quarter end June 2017) DPU increase by more than 18% year-on-year as its internal manager worked hard to increase rental income and reduce interest cost.

In less than 10 months after the manager was internalized, Croesus Retail Trust sold itself to Blackstone at a premium of ~23% to its book value and a premium of ~38% to its VWAP in the last 12 months.

Chart 9: 10 Months After Croesus Internalization, Takeover by Blackstone at 23% above NAV

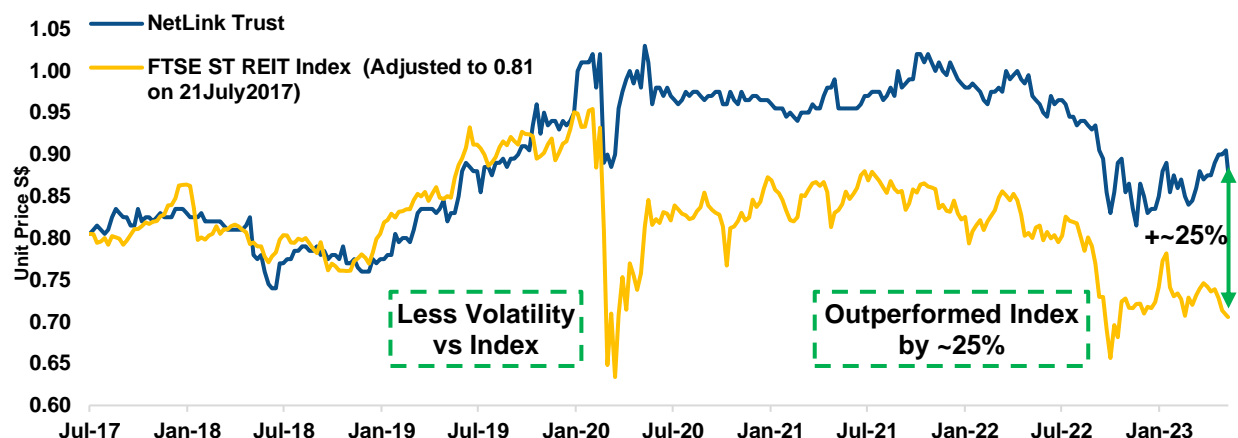


Another example is NetLink Trust, which also has an internal Trust Manager since its IPO. NetLink Trust has outperformed the benchmark FTSE ST REIT Index by more than 25% and has also successfully grown DPU without any need for acquisitions and with low net gearing level of ~20%.

¹⁶ Unit price of S\$0.127 on 5 June 2023 and IPO price of S\$0.80

The Trust has been ranked No. 1 in ASEAN Corporate Governance Scorecard as well as the Governance Index for Trusts.

Chart 9: NetLink Trust has Outperformed Benchmark Index (All with External Managers)



ARE THE RISKS REGARDING THE CHANGE OF CONTROL PROVISIONS AND THE BANK LOAN “REAL”?

The current External Manager, in its desperation to make unitholders continue paying fees, may resort to ‘scare tactics’ such as ‘change of control provisions’ to preserve its own interest.

This is despite the Internal Manager being able to deliver dividend and unit price upside to unitholders fairly quickly in the near future.

Sabana REIT’s leverage, at only 33.1%, is the 6th lowest leverage level among ~40 SGX-listed REITs. With the low leverage, it would take Sabana REIT less than 6 years to pay off the entire loan from Sabana’s net property income (“NPI”). In comparison, it will take Keppel and Suntec REIT more than 11 years to pay off its entire loan from NPI¹⁷.

Chart 10: Sabana REIT has the 6th Lowest Leverage Among SGX-listed REITs

SGX REITs with Lowest Leverage				SGX REITs with Highest Leverage			
Rank	Name	Leverage (%)	Fixed Rate Debt (%)	Rank	Name	Leverage (%)	Fixed Rate Debt (%)
1	Sasseur REIT	25.7	77.2	33	Mapletree PanAsia Trust	40.9	75.5
2	Fraser Log Trust	27.8	76.2	34	CapLand Int Trust	40.9	77.0
3	Paragon REIT	29.8	84.0	35	ESR Logos REIT	41.6	72.7
4	Far East Hosp Trust	32.0	47.3	36	Suntec REIT	42.8	72.0
5	IREIT Global	32.3	96.9	37	Lippo Malls	42.9	38.7
6	Sabana REIT	33.1	82.8	38	Prime US REIT	43.7	79.0
7	Digital Core	34.4	74.0	39	Elite Comm REIT	46.6	68.0
8	Fraser Hospitality Trust	35.2	86.5	40	Manulife US REIT	49.5	80.2

¹⁷Leverage in 1Q2023

The loans are backed by strong rental income from its property portfolio which is entirely in Singapore.

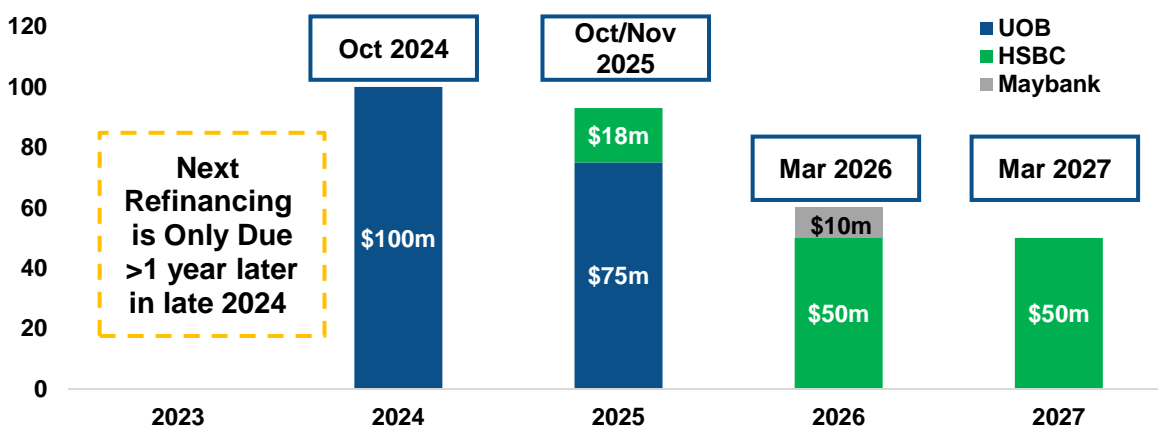
Singapore is a highly transparent and attractive market with a substantial number of institutional investors and sovereign funds looking to invest in attractive and high yielding industrial assets with similar attributes to properties owned by Sabana REIT.

¹⁷ 2022 Annual Reports of Suntec REIT and Keppel REIT

All these further improve the high-quality collateral of Sabana REIT to UOB, HSBC and Maybank, which are the Trust's main financiers.

As such, we are highly confident that Sabana REIT's current financiers which strongly uphold ESG (Environmental Social and Corporate Governance), will choose to support good corporate governance and ~10,000 Sabana REIT unitholders (many of whom are Singaporeans and also their clients) over an External Manager, especially if the latter is removed by unitholders via the EGM due to potential corporate governance concerns and conflicts of interest.

Chart 11: Sabana REIT's Leverage is only 33.1% with Next Refinancing More Than 1 Year Later



Once an Internal Manager is appointed that solely focuses on quickly improving occupancy rate and dividend per unit above all else, this will be a win-win for the banks as they will be supporting a REIT with an even stronger portfolio and cashflow.

ESR GROUP IS THE “BIGGEST LOSER” IF A CHANGE OF CONTROL PROVISION PROBLEM OCCURS

If the “threat” of the change of control provision materializes, ESR Group, as the largest unitholder with a ~21% stake (valued at ~S\$98million), would be the biggest loser as they have more than ~S\$130million at risk including the Sabana External Manager.

The potential loss of Sabana REIT Manager will also cast serious doubts on ESR Group's entire REIT management business model where it and its associates own more than 13 REIT Managers.

It may also potentially result in ESR Group ‘ESG hungry’ capital partners such as GIC, OMERS and APG to reconsider and/or stop new and existing investments with the firm given the negative corporate governance implications.

This can potentially result in the further substantial loss of ESR Group's market capitalization and valuation. ESR Group's share price has already collapsed nearly -30% and -55% since its IPO and late 2021¹⁸.

If ESR's share price was to correct severely due to the above, it could expose the board of directors to potential lawsuits from its shareholders.

¹⁸ ESR Group's share price of HKD11.94 on 5th of June 2023, IPO price of HKD16.8 and 31st Dec 2021 price of HKD 26.35

RETAINING EXISTING STAFF AND HIRING BEST CANDIDATES IN THE MARKET

Once unitholders cease all payment of fees to Sabana's External Manager, it is very likely that the External Manager will have to terminate most of its employees. This is as 100% of all revenue and profits of the External Manager are contributed by Sabana REIT and unitholders.

The new Internal Manager welcomes all management and staffs who prioritise the interest of and are aligned with unitholders to join the refreshed team.

In addition, Singapore is the 3rd largest listed REIT market in Asia Pacific with a ready and deep talent pool of professionals. The ongoing consolidation in the SGX-listed REIT market with more than 10 mergers and the privatization acquisitions in the SGX-listed REIT space over the last 7 years have resulted in highly qualified personnel being let go due to duplicity, despite their substantial REIT expertise.

We look forward to the new Internal Manager hiring the best and the brightest from this strong talent pool, complemented by hires from the old External Manager, so that it is best placed to achieve the goal of increasing DPU and unit price with a target of at least S\$0.53.

UPHOLDING HIGH STANDARDS OF CORPORATE GOVERNANCE VIA INTERNALIZATION

The MAS has previously affirmed that "high standards of corporate governance, characterised by strong accountability and transparency, are critical in upholding investor confidence in our Singapore's capital markets".

ESR Group has had nearly 4 years to resolve the potentially critical overlapping investment mandate which leads to conflicts of interest issues.

However, they seem to have shown little to no interest in resolving these issues besides a 'lowball' merger offer from ESR Logos REIT at an implied price of S\$0.30¹⁹ which is at a ~42% discount to the NAV of Sabana REIT then.

The External Manager's board of directors actively promoted the offer to the benefit of ESR Group and ESR Logos REIT despite its hugely negative impact on Sabana REIT unitholders.

The External Manager then passed on the entire cost of the failed merger to unitholders. This is despite unitholders already publicly informing the Manager that the transaction will be overwhelmingly voted down by unitholders due to its inferior price.

In April 2022, the board of the External Manager attempted to appoint Mr Charlie Chan as an 'independent director' despite him receiving a substantial premium of ~S\$22 million over market price from ESR Group. This appointment was rejected by more than 77% of unitholders at the AGM.

Additionally, in April 2023, even though about 90% of all unitholders at the AGM rejected the endorsement of Ms Elaine Lim, instead of respecting the votes of unitholders and upholding corporate governance, the board of the External Manager decided to go through a convoluted process of appointing her as a 'non independent director'.

The internalization of the Sabana REIT Manager will once and for all resolve the above corporate governance issues. It will also substantially improve accountability and corporate governance at Sabana REIT.

The regulators, by supporting this Internalization proposal, may also clearly demonstrate to existing External Managers of REITs listed on SGX that actions which damage unitholders' interest and confidence

¹⁹ Merger offer of 0.94 ESR Logos REIT unit for 1 Sabana REIT unit. Assuming ESR Logos REIT price of S\$0.32 as of 5th June 2023.

of investors, as well as lower the corporate governance standards and the reputation of Singapore's financial market, will no longer be tolerated.

We are confident that MAS and SGX RegCo will safeguard the interest of unitholders' interest and act swiftly if the board and the owner of the Sabana REIT's External Manager were to prioritise the interest of ESR Group and protect the value of their stake in the Manager over those of independent unitholders.

VOTE FOR THE REMOVAL OF THE CURRENT EXTERNAL MANAGER

**VOTE FOR THE SETUP OF A NEW INTERNAL MANAGER THAT IS
ALIGNED WITH ALL UNITHOLDERS' INTERESTS TO INCREASE DPU,
UNIT PRICE AND CORPORATE GOVERNANCE**

Increase Sabana REIT's DPU, Unit Price and Corporate Governance through: VOTE FOR the Removal of The Current Manager VOTE FOR the Setup of An Internal Manager

This presentation is a research report and is for informational purposes only. Opinions expressed are solely those of Quarz Capital and this is not a recommendation to purchase securities discussed herein. This presentation is confidential and may not be reproduced or distributed without the expressed consent of Quarz Capital. Please refer to the next slide for additional disclosures.



Quarz Capital LEGAL DISCLAIMER

DISCLAIMER

As of the publication date of this report, Quarz Capital and its affiliates (collectively "Quarz"), others that contributed research to this report and others that we have shared our research with (collectively, the "Authors") have long positions in and own options on the stock of the company covered herein (Sabana Industrial REIT) and stand to realize gains in the event that the price of the stock increases. Following publication of the report, the Authors may transact in the securities of the company covered herein. All content in this report represent the opinions of Quarz. The Authors have obtained all information herein from sources they believe to be accurate and reliable. However, such information is presented "as is", without warranty of any kind – whether express or implied. The Authors make no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results obtained from its use. All expressions of opinion are subject to change without notice, and the Authors do not undertake to update or supplement this report or any information contained herein.

This document is for informational purposes only and it is not intended as an official confirmation of any transaction. All market prices, data and other information are not warranted as to completeness or accuracy and are subject to change without notice. The information included in this document is based upon selected public market data and reflects prevailing conditions and the Authors' views as of this date, all of which are accordingly subject to change. The Authors' opinions and estimates constitute a best efforts judgment and should be regarded as indicative, preliminary and for illustrative purposes only.

Any investment involves substantial risks, including, but not limited to, pricing volatility, inadequate liquidity, and the potential complete loss of principal. This report's estimated fundamental value only represents a best efforts estimate of the potential fundamental valuation of a specific security, and is not expressed as, or implied as, assessments of the quality of a security, a summary of past performance, or an actionable investment strategy for an investor.

This document does not in any way constitute an offer or solicitation of an offer to buy or sell any investment, security, or commodity discussed herein or of any of the affiliates of the Authors. Also, this document does not in any way constitute an offer or solicitation of an offer to buy or sell any security in any jurisdiction in which such an offer would be unlawful under the securities laws of such jurisdiction. To the best of the Authors' abilities and beliefs, all information contained herein is accurate and reliable. The Authors reserve the rights for their affiliates, officers, and employees to hold cash or derivative positions in any company discussed in this document at any time. As of the original publication date of this document, investors should assume that the Authors are long units of Sabana Industrial REIT and have positions in financial derivatives that reference this security and stand to potentially realize gains in the event that the market valuation of the company's common equity is higher than prior to the original publication date. These affiliates, officers, and individuals shall have no obligation to inform any investor about their historical, current, and future trading activities. In addition, the Authors may benefit from any change in the valuation of any other companies, securities, or commodities discussed in this document. Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of the Authors' operations and their affiliates. The compensation structure for the Authors' analysts is generally a derivative of their effectiveness in generating and communicating new investment ideas and the performance of recommended strategies for the Authors. This could represent a potential conflict of interest in the statements and opinions in the Authors' documents.

The information contained in this document may include, or incorporate by reference, forward-looking statements, which would include any statements that are not statements of historical fact. Any or all of the Authors' forward-looking assumptions, expectations, projections, intentions or beliefs about future events may turn out to be wrong. These forward-looking statements can be affected by inaccurate assumptions or by known or unknown risks, uncertainties and other factors, most of which are beyond the Authors' control. Investors should conduct independent due diligence, with assistance from professional financial, legal and tax experts, on all securities, companies, and commodities discussed in this document and develop a stand-alone judgment of the relevant markets prior to making any investment decision.

**VOTE FOR the below resolutions at EGM**

ORDINARY RESOLUTIONS		FOR	AGAINST
1	That Sabana Real Estate Investment Management Pte. Ltd. be removed as the manager of Sabana Industrial REIT as soon as practicable after this resolution is passed	✓	
2	<p>That the Trustee of Sabana Industrial REIT, HSBC Institutional Trust Services (Singapore) Limited, be directed to:</p> <p>i. effect the internalization of the REIT Management function by incorporating a subsidiary ("Internal Manager") wholly owned by the Trustee and appointing such a subsidiary to act as the manager of Sabana Industrial REIT (the "Management Subsidiary");</p> <p>ii. hire and appoint qualified candidates as directors and staff of the Internal Manager in accordance with the applicable requirements of the <i>Securities and Futures Act 2001</i>;</p> <p>iii. consider the retention of Sabana REIT's existing staff in order to maintain the continuity of Sabana REIT's operations;</p> <p>iv. amend the provisions of the Deed such that each director of the Internal Manager may be appointed and/or removed by a simple majority of unitholders;</p> <p>v. amend the provisions of the Deed such that each director of the Internal Manager must be endorsed or re-endorsed by unitholders at every 3rd annual general meeting of Sabana REIT; and</p> <p>vi. amend the provisions of the Deed such that any change of control in the Internal Manager may only be effected upon approval of a simple majority of unitholders.</p>	✓	

3

**Join to receive updates and information**

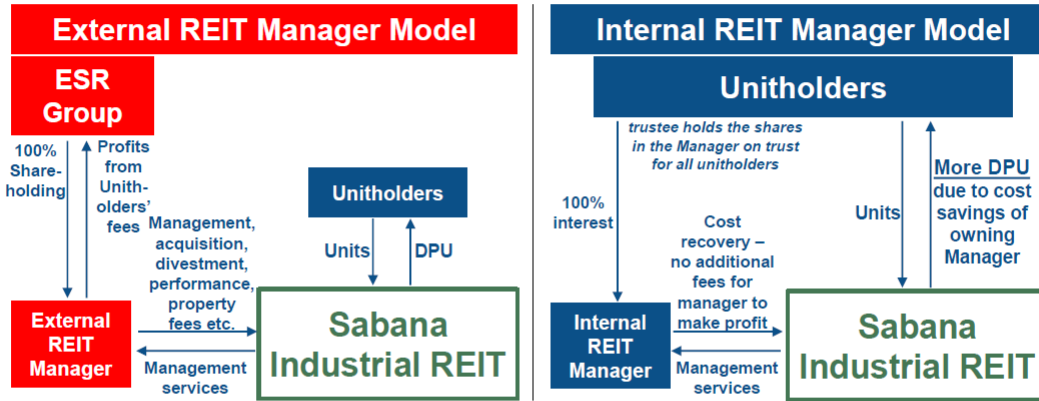
Join to receive information on how to take action and vote to improve the DPU, unit price and corporate governance at Sabana REIT	
Register at website	WWW.SAVESABANAREIT.COM
Join Telegram Group	https://t.me/savesabanareit
Zoom Webinars Timings, Links and ID	<p>Thursday 6th of July 2023 at 8.00pm</p> <p>https://us02web.zoom.us/j/88970799227</p> <p>(meeting ID 889 7079 922)</p>
Youtube Video	https://youtube.com/@quarzcapi2614
Contact No.	+65 8684 6968

4



Benefits and upside from internalization – (1/2)

Unitholders will own 100% of the newly set-up Internal REIT Manager



Unitholders are proposing to remove the current External REIT Manager ("External Manager") and to replace it with a newly set-up Internal REIT Manager ("Internal Manager") owned by all unitholders (referred to as "internalization")

DPU will increase mainly from cost savings of eliminating ~\$7.25 million of fees (\$4.4 million management fees, ~14% of distributable income) and net profit which unitholders currently pay to the External Manager owned by ESR

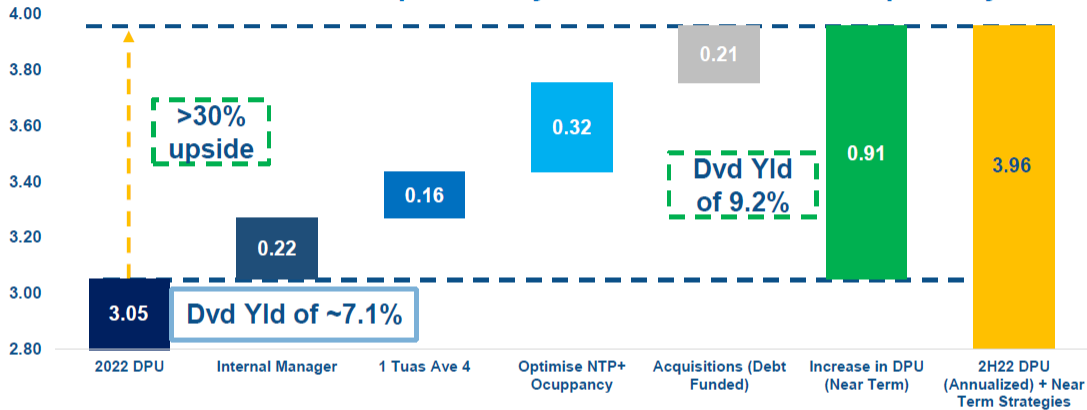
Removal of the External Manager will also eliminate all other fees (e.g. performance, acquisition, divestment, lease and management fees) paid by unitholders to the External Manager.

The internalization is projected to increase the DPU to unitholders by more than ~7.2% to \$0.0327 per unit (~7.6% Dividend Yield) once the External Manager is removed.



Benefits and upside from internalization – (2/2)

Internalization can potentially increase DPU and unit price by ~30%



1. Cost savings of ~\$2.4million p.a. through elimination of fees charged by current manager (+DPU of \$0.0022, upside of ~7.2%)
2. Complete the asset enhancement of 1 Tuas Ave 4 and rent out 90% of the asset at net rent of \$1.45psf/mth (+DPU of \$0.0017, upside of ~5.4%)
3. Increase occupancy rate at NTP+ to ~90% through innovative space usage (+DPU of \$0.0032, upside of ~10.5%)
4. Undertaking ~ \$85m of acquisition funded with yield of 7.2% fully by debt (+DPU of \$0.002, upside of ~6.7%)

Cost savings & Internal Manager's prompt execution of key strategies can potentially increase DPU and unit price by ~30% to more than ~\$0.55 (potential dividend yield of >9.2%).



Current Manager Should Be Removed

Sabana External REIT Manager is the worst performing among peers

Name	Occupancy Rate %					NAV Per Unit	Price	Premium to NAV %	Change in DPU 2H22 YoY %	Change in DPU 2H22 HoH %
	4Q18	4Q19	4Q20	4Q21	4Q22					
JTC National Average	89.3	89.2	89.9	90.2	89.4					
AIMS APAC REIT	93.9	89.4	95.7	97.6	97.8	1.35	1.24	-7.9	11.3	11.6
CapL Ascendas REIT (SG)	87.3	87.2	88.4	90.2	92.1	2.37	2.69	13.5	4.3	0.7
ESR Logos REIT	93.0	90.5	91.0	93.7	92.7	0.35	0.32	-8.0	7.5	5.5
Mapletree Ind Trust (SG)	87.7	90.5	92.2	93.7	96.9	1.85	2.22	20.0	-3.7	-1.9
Mapletree Log Trust (SG)	97.0	97.2	98.1	98.1	98.3	1.44	1.68	16.7	0.9	-0.5
Average of Peers	91.8	91.0	93.1	94.7	95.6			6.8	4.1	3.1
Sabana REIT	84.4	75.4	76.5	85.4	88.2	0.53	0.43	-18.9	-7.0	-8.2

Since ESR took over Sabana External Manager in 3Q2019, Sabana REIT's occupancy rate & discount to NAV at -19% has been the worst among its listed S-REIT peers

NAV per unit fell ~8% from S\$0.57 in 2019 to S\$0.53, 2H2022 DPU suffered largest YoY/HoH decline

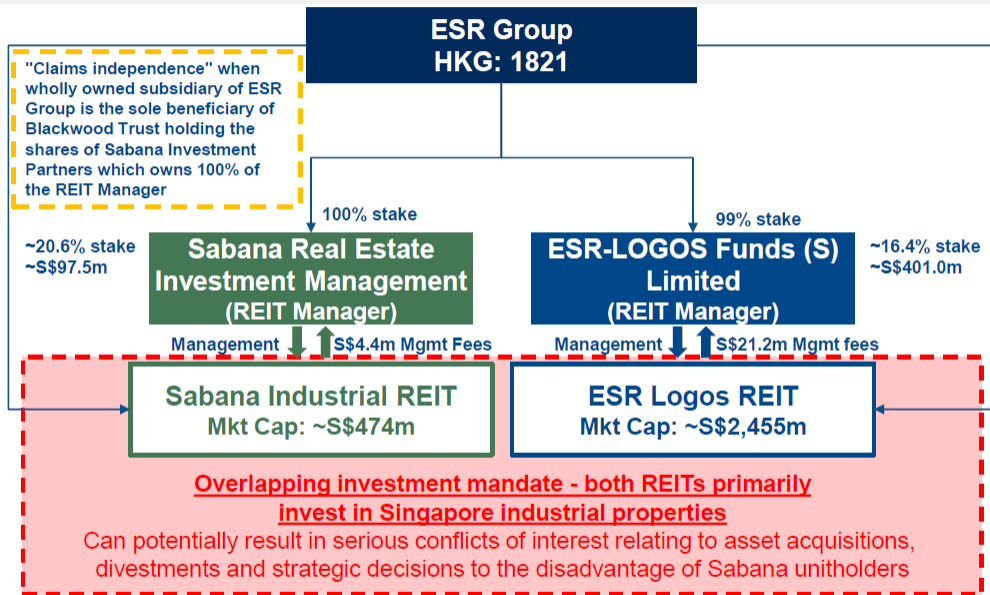
Occupancy rate in key assets plummeted in 4Q2022: Frontech Centre 94%→66%, 8 Commonwealth Lane 100%→82%, 10 Changi South St 2 80%→74% and NTP+ (81%→77%)

If substantial unitholders did not increase their stakes, Sabana REIT unit price could have potentially decreased to <S\$0.40 given the worsening performance of the External Manager

*(SG) – occupancy rate of Singapore portfolio of the respective REITs/Trust
Occupancy rate of Sabana REIT includes 1 Tuas Ave 4 which is vacant & under AEI. While some peer REITs/Trust exclude properties under AEI when calculating occupancy rate, these are insignificant omissions (<1.5%) vs Sabana REIT where 1 Tuas Ave 4 is ~3.8% of total GFA



Current manager continues to underperform – (1/2)



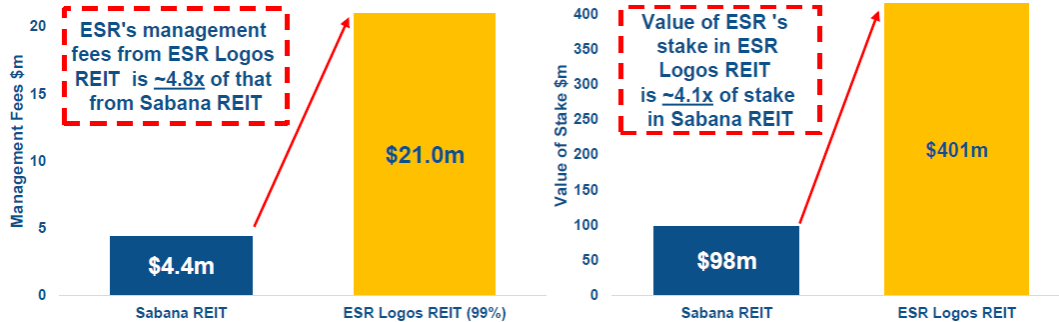
After nearly ~4 years, ESR Group continues to show ZERO INTEREST in resolving the potential serious conflicts of interest issues which can depress Sabana unitholders' DPU and unit price

* Management fees from ESR Logos REIT and Sabana REIT 2022 Annual Reports



Current manager continues to underperform – (2/2)

ESR Group prioritizing ESR Logos REIT due to larger stake and fees?



ESR Group's management fees and value of its stake in ESR Logos REIT is ~4.8x and ~4.1x larger than its management fees and value of stake in Sabana REIT

As a Hong Kong listed company with fiduciary duties towards its investors, ESR Group will potentially prioritize ESR Logos REIT over Sabana REIT due to the above

This could be seen in 2020 when the directors of the External Manager of Sabana REIT recommended a lowball merger at implied price of S\$0.30 a discount of >40% to NAV

Offer was potentially beneficial to ESR REIT & ESR and disadvantageous to Sabana unitholders

As a result of the above corporate governance flaws, Sabana REIT's DPU and unit price can continue to potentially stay depressed or even fall further

* Management fees from ESR Logos REIT and Sabana REIT 2022 Annual Reports, merger offer of 0.94x ESR Logos REIT (current price of S\$0.32) unit for 1 Sabana REIT Unit. ESR Logos REIT unit price of S\$0.32 on 5 June 2023



Misalignment of interest of Sabana External Manager

Misalignment of interests between External Manager and unitholders?

Sabana REIT External Manager	New Internal REIT Manager
Owned By ESR Group	Owned by All Unitholders
Works for ESR Group	Works for the Unitholders
'Board' Claims it Appoints Directors and not ESR Group	Unitholders Appoint Directors
Earn Fees and Profits from Unitholders	Cost Recovery – Cost Savings Pass Back to Unitholders
<u>Increase Profit for ESR by:</u>	<u>Increase Profit for Unitholders by:</u>
<ul style="list-style-type: none"> Increasing Acquisitions Fees Increasing Management Fees Buying Sponsor's assets at a profit for Sponsor 	<ul style="list-style-type: none"> Increase in DPU (dividend) Increase in Unit Price
Lack Alignment of Interest with Unitholders	Full Alignment of Interest with Unitholders
Weak Corporate Governance	Strong Corporate Governance
Overlapping Investment Mandate	
Potential Conflicts of Interest	

New Internal Manager-
Unitholders Are the
No. 1 Priority

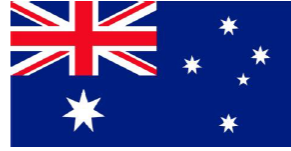


The replacement of the ESR Group owned External Manager by an Internal Manager will resolve the potential corporate governance flaws and can potentially result in higher DPU and unit price to Sabana unitholders in the future



Internally managed REITs - the norm

Internally managed REIT is the norm in developed REIT markets



- Market capitalization of REIT sector in US and Australia (“AU”) exceeds ~\$1.4 trillion vs (~\$100 billion for Singapore), REIT markets in existence since 1970s vs 2002 in Singapore
- ~97% and ~90% of REITs in US and AU managed by internal managers
- While Internal Managers works to increase the DPU and unit price of unitholders, External Managers also works for its owner, the sponsor, by increasing its profitability where possible.
- **An External Manager can increase the profitability of its sponsor by:**
 - A. Increasing acquisition fees from doing more acquisitions;
 - B. Increasing management fees by acquiring and enlarging the portfolio; and/or
 - C. Acquiring the sponsor’s properties at a profit for the sponsor’s benefit

Unitholders in Australia and US have strong preference for Internal Manager Model due to its complete alignment of interests with unitholders, better performance and stronger corporate governance

As such, most of the REITs converted to the Internal Manager Model to benefit unitholders



External REIT managers performing badly – (1/2)



- IPOed in May 2019 at USD 0.78 and suspended in March 2020 (-100%)
- Sponsor who also owns and controls REIT manager injected hotel assets at inflated valuation using master leases with sponsor
- Sponsor stopped paying leases in 2020 resulting in loans to default
- Unitholders’ investment completely wiped out
- Sponsor ‘walked away’ with hundreds of millions of unitholders’ monies used to purchase the properties from sponsor



- IPOed in Jan 2017 at S\$0.80 vs current price of S\$0.127
- Acquired ~\$375m of mall assets from then sponsor and raised leverage level from ~33% in June 2019 to 38.5% in sept 2020
- Sino Ocean Capital became new sponsor of REIT after purchasing units and stake in manager from previous sponsor
- From 2021, REIT faced refinancing issues due to leverage and cashflow issues
- Ex sponsor alleged that independent director pushed for a legally binding MOU for REIT to buy assets in China on terms that disadvantage unitholders

*Unit prices as of 1 June 2023



External REIT Managers performing badly – (2/2)



- IPOed in May 2016 at USD 0.83 vs current price of USD 0.170 (-80%)
- Sponsor sold more than ~USD 1.4 billion of assets to the REIT
- External Manager also collected more than ~\$80 million of fees from unitholders since IPO.
- Despite already high leverage of ~41% in 2021, External Manager continued acquiring assets
- When unit price collapsed in 2022, sponsor started discussion with Mirae to sell External REIT Manager at a potentially substantial profit

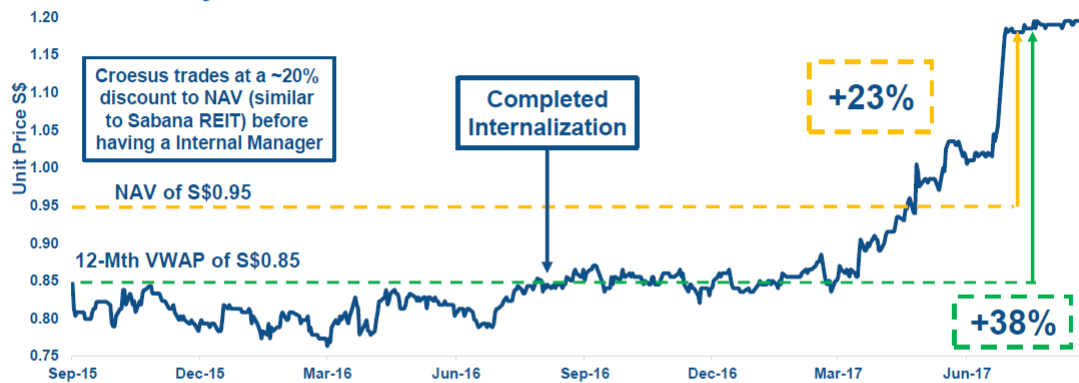
Manulife US REIT, Eagle Hospitality Trust and Dasin Retail Trust are three examples of how misaligned interests between External Managers and unitholders can substantially negatively impact unit prices and DPU

Unit prices as of 1 June 2023



Successful examples of Internal Managers – (1/2)

Takeover by Blackstone at 23% above NAV after Croesus' internalization

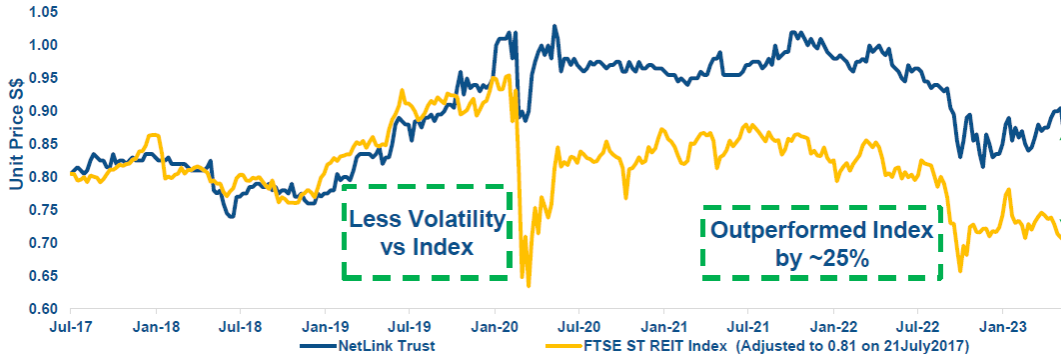


- Croesus Retail Trust's unit price had consistently traded at a sharp discount of 20% to its book value of ~\$0.95 (similar to the situation at Sabana REIT)
- Trust conducted the internalization of its manager in August 2016 to align the manager's interest with unitholders and focus on increasing DPU, unit price and corporate governance
- DPU increase by more than 15% YoY in 3Q2017 as the Internal Manager worked hard to reduce interest cost by 12% to 1.69% and increase rental income
- In less than 10 months after the manager was internalized, Croesus Trust sold itself to Blackstone at a premium of ~23% to its book value and a premium of ~38% to its VWAP in the last 12 months



Successful examples of Internal Managers – (2/2)

NetLink Trust has outperformed its benchmark index by 25% since IPO



- NetLink Trust has delivered a total return (including dividend) of 44% since IPO
- DPU increased by ~8% without any need for acquisitions
- Unit price has outperformed index (REITs/Trusts with External Managers) with low net gearing of ~20%
- Complete alignment of interest with unitholders
- Best in class corporate governance – appointment and re-election of directors (every 3 years) are all subjected to unitholders' approval
- Ranked No 1 in ASEAN Corporate Governance Scorecard, Governance Index for Trusts

15



Fabricated "scare tactics" – (1/2)

Sabana REIT has the 6th lowest leverage among SGX-listed REITs

SGX REITs with Lowest Leverage				SGX REITs with Highest Leverage			
Rank	Name	Leverage (%)	Fixed Rate Debt (%)	Rank	Name	Leverage (%)	Fixed Rate Debt (%)
1	Sasseur REIT	25.7	77.2	33	Mapletree PanAsia Trust	40.9	75.5
2	Fraser Log Trust	27.8	76.2	34	CapLand Int Trust	40.9	77.0
3	Paragon REIT	29.8	84.0	35	ESR Logos REIT	41.6	72.7
4	Far East Hosp Trust	32.0	47.3	36	Suntec REIT	42.8	72.0
5	IREIT Global	32.3	96.9	37	Lippo Malls	42.9	38.7
6	Sabana REIT	33.1	82.8	38	Prime US REIT	43.7	79.0
7	Digital Core	34.4	74.0	39	Elite Comm REIT	46.6	68.0
8	Fraser Hospitality Trust	35.2	86.5	40	Manulife US REIT	49.5	80.2

*Leverage in 1Q2023

- External Manager might use "change of control provisions" as "scare tactics" to make unitholders continue paying fees (manager can generate profit for ESR Group, CEO and directors can continue to be paid one of the highest salaries and fees among SGX-listed REITs)
- Sabana has the 6th lowest leverage and strong cashflow - takes less than 6 years to pay off its entire loan from Net property income (vs >11 years for Keppel and Suntec REITs)
- Property portfolio entirely in Singapore –transparent, stable and attractive market where institutional investors/sovereigns fund are looking to invest in attractive and high yielding industrial properties

Sabana REIT's low leverage is backed by its strong cashflow (<6 years to pay off loan from property income) and high quality "Singapore only" property portfolio

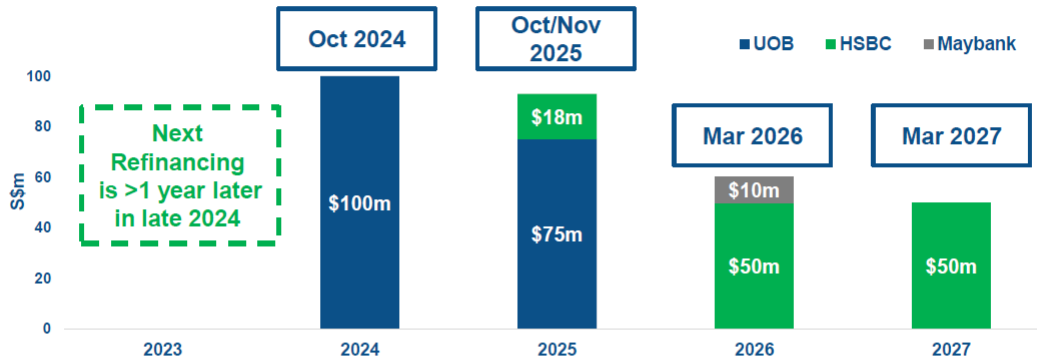
*as of 31st March 2023

16



Fabricated "scare tactics" – (2/2)

Leverage of only 33.1% with next refinancing >1 year later



- Internal Manager will focus on quickly improving occupancy rate and dividend per unit above all else
- Win-Win for main financiers as they will be supporting a REIT with even stronger portfolio and cashflow

Confident that Sabana REIT's current bankers (UOB, HSBC, Maybank) will choose to support corporate governance and >10,000 Sabana unitholders many of whom are Singaporeans and also their clients over an External Manager which has been removed by unitholders due to potential conflict of interest, corporate governance concerns and severe underperformance



ESR loses the most from "change of control" issue

ESR Group would be "biggest loser" in a "change of control" situation

- ESR Group's investment in Sabana REIT ~21% stake (valued at ~\$98million), External Manager (purchased for >\$30million)
- Stand to lose entire investment if there is any change of control provision issue
- Potential loss may cast serious doubts on ESR Group's entire REIT management business model where it and its associates own more than 13 REIT managers.
- May potentially result in ESR Group 'ESG hungry' capital partners such as GIC, OMERS and APG to reconsider and/or stop new and existing investments with the firm given the negative corporate governance implications
- This can potentially result in the further substantial loss of ESR Group's market capitalization and valuation. ESR Group's share price has already collapsed nearly -30% and -55% since its IPO and late 2021

If ESR's share price was to correct severely due to the above, it could expose the board of directors to potential lawsuits from its shareholders.

ESR Group's share price of HKD11.94 on 5th of June 2023, IPO price of HKD16.8 and 31st Dec 2021 price of HKD 26.35



Hire best team for Internal Manager

1) retaining existing staff & 2) hire best candidates in the market

Retain existing staff from External Manager:

- 100% of revenue and profit of External Manager from Sabana REIT and unitholders – fees will cease once External Manager is removed
- External Manager will likely terminate most employees
- Welcome all management and staffs who prioritize the interests of and are aligned with unitholders to join the new Internal Manager

Hire "best and brightest" candidates in the market:

- Singapore is the 3rd largest listed REIT market in Asia Pacific with a ready and deep talent pool of professionals.
- ongoing consolidation in the SGX-listed REIT market with more than 10 mergers and the privatization acquisitions in the SGX-listed REIT space over the last 7 years have resulted in highly qualified personnel being let go due to duplicity, despite their substantial REIT expertise.

By hiring the best and the brightest from market to complement hires from the old External Manager, the Internal Manager is potentially the best placed to achieve the goal of increasing DPU and unit price to at least S\$0.53

19



Regulators should support internalization at Sabana

MAS has affirmed that “*high standards of corporate governance, characterized by strong accountability and transparency, are critical in upholding investor confidence in our Singapore’s capital markets*”

- ESR Group has had nearly 4 years to resolve the potentially critical overlapping investment mandate which leads to conflicts of interest issues.
- Seem to have shown little to no interest in resolving these issues besides a ‘lowball’ merger offer from ESR Logos REIT at an implied price of S\$0.30 at a 40% discount to the NAV of Sabana REIT.
- The External Manager passed on the entire cost of the failed merger to unitholders.
- In April 2022, the board of the External Manager attempted to appoint Mr. Charlie Chan as an ‘independent director’ despite him receiving a substantial premium of ~S\$22 million over market price from ESR Group. This appointment was rejected by more than 77% of unitholders.
- In April 2023, even though ~90% of all unitholders rejected the endorsement of Ms. Elaine Lim, instead of respecting the votes of unitholders and corporate governance, the board went through convoluted process to continue appointing her as a director.

Internalization of the Sabana REIT manager will once and for all resolve the above corporate governance issues. It will also substantially improve accountability and corporate governance at Sabana REIT.

The regulators, by supporting this internalization proposal, may also clearly demonstrate to existing External Managers of REITs listed on SGX that actions which damage unitholders’ interest and confidence of investors, as well as lower the corporate governance standards and the reputation of Singapore’s financial market, will no longer be tolerated

20

Frequently Asked Questions on EGM Resolutions

1. What are the 2 resolutions to be voted on?

The first resolution is to remove the current External Manager due to its poor performance and potential conflicts of interest. Once removed, unitholders will not need to pay any fees to the External Manager.

The second resolution is to setup a new Internal Manager which will be owned by all unitholders. In addition, the resolution also seeks to empower unitholders to appoint, approve and re-elect directors to represent their interests. This results in the complete alignment of interests between the Internal Manager and unitholders.

If these resolutions are passed and implemented, we project that these would increase unitholders' DPU by more than ~7% to S\$0.033 per unit (~7.6% Dividend Yield) through the elimination of fees paid to the External Manager.

The main goal of the new Internal Manager would be to increase DPU and unit price by more than 30% to above S\$0.53 (NAV per unit).

The new Internal Manager will be able to achieve the above by executing on key strategies such as increasing occupancy rate, asset enhancements and development projects for the benefit of Sabana REIT unitholders.

2. What are the disadvantages of the current model of Sabana External Manager?

Sabana unitholders currently pay more than S\$7.25 million per year, including S\$4.4 million of management fees (~14% of annual dividend per unit), to Sabana REIT Manager which is 100% owned by ESR Group.

These fees from unitholders go toward paying the directors and CEO of the External Manager some of the highest salaries and fees among SGX-listed REITs. Even after paying these salaries, the External Manager makes another S\$1.2 million in profit, which ESR Group benefits from as its 100% owner.

If Sabana REIT makes acquisitions, divestments and increases its portfolio size, unitholders will have to pay even more fees to the External Manager.

These fees paid to Sabana External Manager still have to be paid regardless of the performance of DPU and unit price.

This means that even if the unit price and DPU decreases after the acquisitions, unitholders will have to pay even more fees to the External Manager.

For example, the management fees paid by ESR Logos REIT unitholders to its External Manager (which is also owned by ESR Group, similar to Sabana REIT) increased by more than ~222% from S\$6.5 million in 2013 to S\$21.2 million in 2022.

However, the DPU paid to unitholders plunged by ~40% from 5 cents in 2014 to 3 cents in 2022. The unitholders' NAV per unit also declined by ~48% from S\$0.681 to S\$0.348 in first quarter 2023.

It is clear that this arrangement does not make sense for us as unitholders.

3. What is internalization and will I receive more dividend per unit?

Internalization means the end of the payment of management fees and profits to the Sabana External Manager owned by ESR Group. All other fees such as acquisition, divestment, performance and property management fees paid to External Manager will be eliminated, resulting in significant cost savings.

The Trustee will setup a new manager which is owned by and for all unitholders.

The CEO, directors and staffs will be employed in-house and directly by the REIT's Internal Manager.

It is also envisaged that the REIT will be able to control the salaries paid to the CEO and directors of the Internal Manager which, if implemented, will result in enormous cost savings.

4. How does internalization get unitholders' unit price back to Sabana REIT's NAV of S\$0.53?

As the fees and profit paid to the External Manager would be eliminated and the cost of the CEO, directors and staff can be better managed, unitholders are projected to see a ~7% jump in dividend per unit from S\$0.0305 to S\$0.0327, increasing the dividend yield to ~7.6%.

The new Internal Manager can immediately execute the strategies below which, if implemented, may potentially increase DPU and unit price by another ~30% to more than ~S\$0.55 (potential dividend yield of >9.2% at current price):

1. Immediate cost savings of ~S\$2.4 million per year through the internalization of the REIT manager (Additional DPU of S\$0.0022 with upside of ~7.2%);
2. Complete the asset enhancement of 1 Tuas Ave 4 and rent out ~90% of the asset at net rent of at least S\$1.45psf/month (Additional DPU of S\$0.0017 with upside of ~5.4%);
3. Increase occupancy rate at NTP+ to ~90% by capitalizing on excellent location (next to MRT) and innovative space usage e.g., subdividing space to increase rentability to technology (software development, electronics) and E-Commerce clients (Additional DPU of S\$0.0032 with upside of ~10.5%); and
4. Undertaking S\$~85m of acquisition funded with yield of 7.2% fully by debt (Additional DPU S\$0.002 with upside of ~6.7%).

In addition, the Internal Manager can execute other attractive and executable mid-term strategies which can potentially further drive Sabana REIT's unit price beyond S\$0.55, such as the following:

1. Develop ~200,000 square feet of new space at NTP+ (Additional DPU of S\$0.0048 with upside of ~15.7%); and
2. Develop more than 1 million square feet of untapped GFA/landbank with focus on sizeable key assets such as 33&35 Penjuru Lane, 51 Penjuru Road, 26 Loyang Drive which can be transformed into New Economy ramp up logistic hubs or data centres (Additional DPU of S\$0.0039 with upside of ~12.9%).

The Internal Manager's complete execution of all the above catalysts in the short and mid-term can deliver a potential total DPU upside of more than 58% to S\$0.0483 (potential dividend yield of ~11.2%).

5. Are there any examples of internalization in Singapore? Did unitholders benefit from such an arrangement?

Yes. Croesus Retail Trust successfully internalized its Manager in August 2016.

Croesus Trust saw its 4Q2017 (Quarter end June 2017) DPU increase by more than 18% year-on-year as its Internal Manager worked hard to rental income and reduce interest cost.

In just a short 10 months after internalization, Blackstone offered to buy Croesus Retail REIT at S\$1.17 in cash at a premium of 38% to its 12-month volume average price of S\$0.85. The offer was also at a 23% premium to its NAV of S\$0.95.

This demonstrates the potential benefit that unitholders can stand to gain under an Internal Manager who is fully devoted to increasing the DPU and unit price of unitholders.

The press and analysts were also highly supportive of the internalization undertaken by Croesus Retail Trust:

"The proposal is a 'good step in the right direction' and may also prompt smaller REITs to move towards a similar direction." Straits Times (14 June 2016)

"Good show of commitment to unitholders that they are keeping their 'skin in the game'... Studies have shown that internal managed trusts tend to trade at a premium to externally managed ones." Business Time (24 June 2016)

"Higher valuations garnered by internally managed REITs reflect great investor confidence. The markets for stocks of REITs with better corporate governance tends to be more liquid and efficient than those for other REITs." The Edge (week of 20-26 June 2016)

6. How common is having an Internal Manager in the REIT sector?

In the US and Australia, which are more developed REIT markets when compared to Singapore, more than ~97% and ~90% of the REITs managing more than S\$1.4 trillion of market capitalization are managed by Internal Managers. The Singapore REIT market only started in 2002 and only has a market capitalization of ~S\$100 billion.

When REITs started in the US and Australia in the 1970s, it was mostly managed by External Managers. However, it soon became clear to investors that externally-managed REITs performed worse in terms of DPU and unit price than internally-managed REITs.

This is because External Managers may tend to serve the interests of its owners, namely the Sponsor, by increasing its profitability where possible.

To increase fees and profits, External Managers may resort to undertaking unnecessary acquisitions, increasing leverage, and purchasing the pipeline assets of its sponsor.

Eventually, most investors in these developed markets are not inclined to accept the External Manager Model anymore.

As a result, many externally-managed REITs had to adopt the Internal Manager Model due to its superior performance in unit price and dividend as well as robust corporate governance.

7. ESG (Environmental, social governance) and corporate governance is very important to me. Is the Internal Manager better in this?

Absolutely Yes. The Internal Manager will have a much higher level of ESG and corporate governance compared to the current structure for the following reasons:

Firstly, there is no potential or actual conflicts of interest as the Internal Manager is owned by all unitholders.

The resolutions envisage that a simple majority of unitholders will have the ability to vote in directors who can protect their interest and increase the DPU and unit price. As such, these would incentivise the management team and directors of the Internal Manager to work fully for the benefit of unitholders.

8. Internalization seems great for unitholders. Why is the directors and management of the External Manager saying no to this?

The ESR Group-owned External Manager has made its CEO and directors some of the most highly paid personnel among SGX-listed REITs despite the drop in DPU to unitholders and despite the unit price of the REIT trading at a ~20% discount to its NAV of S\$0.53.

By contrast, almost all of Sabana REIT's industrial peers trade closer to their NAV.

If the External Manager is voted out, the directors and CEO might be terminated or otherwise might have to reduce their salaries or have them pegged to the share price and DPU of the REIT.

9. Do we have to pay ESR Group for the manager?

No. We do not have to pay ESR Group for the manager.

10. Are the risks regarding the change of control provisions and the bank loan "real"?

No. The External Manager may try to create "fear" in unitholders to prevent itself from being voted out. This is because it knows that internalization is much more beneficial and increases DPU for unitholders, but is not in the interest of the External Manager.

If internalization happens, the External Manager will no longer be able to collect fees which are equivalent to more than ~15% of DPU from unitholders.

Firstly, Sabana REIT's leverage at 33.1% is the 6th lowest among SGX-listed REITs. It would take less than 6 years to pay off the entire loan from Sabana REIT's net property income. In comparison, it would take Keppel and Suntec REIT potentially more than 15 years to pay off their entire loans from NPI.

Sabana REIT's entire portfolio is in Singapore which is a highly developed market with substantial number of institutional investors and sovereign funds looking to invest in attractive and high yielding industrial property assets. These assets share similar attributes with properties owned by Sabana REIT. As such, the banks know that the loans are backed by these high-quality properties.

Sabana REIT's next financing is only due in November 2024.

Given the high-quality collateral in its portfolio, we are highly confident that the REIT's current reputable bankers such as UOB, HSBC and Maybank, which strongly uphold ESG, will choose to support good corporate governance and the more than ~10,000 unitholders (many of whom are Singaporeans and are also their clients) over an External Manager, especially if the latter has been removed by unitholders due to potential conflicts of interest, corporate governance flaws and underperformance as a result of the EGM.

Should the new Internal Manager focus on improving occupancy rate and dividend per unit above all else, this would be a clear win-win for these banks as the loans to the REIT will be backed by even stronger properties and cashflow.

11. Who will lose the most if there are any issues with the change of control provisions?

ESR has a ~21% stake in Sabana REIT valued at ~S\$98 million, and it also bought the External Manager for more than S\$30 million.

If there are any issues with the change of control provisions, ESR has potentially more than ~S\$130 million of investment at risk.

This will also cast serious doubts on ESR Group's entire REIT management business model, considering ESR Group and its associates own more than 13 REIT managers.

ESR Group's capital partners such as GIC, OMERS and APG might potentially stop and/or re-consider new and existing investments with the firm given the negative implications that this would have on its corporate governance.

This could potentially result in further substantial loss of ESR Group's market capitalization and valuation. ESR Group's share price has already collapsed -30% and -55% since its IPO and since late 2021.²⁰

If ESR's share price was to correct severely due to the above, it could expose the board of directors to potential lawsuits from its shareholders.

12. How do you find good people to run Sabana REIT after internalization?

In the event of an internalization, the External Manager will likely have to cease its operations once it is removed from managing Sabana REIT. As such, it is highly likely that the External Manager will terminate most of the staff.

The new Internal Manager will target to retain all competent staff and directors from the current External Manager who have the relevant expertise in managing and operating the REIT and are motivated to increase the unit price and DPU to all unitholders.

Additionally, there have been more than 10 mergers and privatisations in the SGX-listed REIT market which have resulted in highly qualified staff of REIT Managers being let go due to duplicity. Singapore also has a deep talent pool of real estate professionals as the 3rd largest listed REIT market in Asia Pacific and as a regional financial hub.

The new Internal Manager can hire the best and the brightest from this strong talent pool, complemented by previous hires from the External Manager, to continue running Sabana REIT with the goal of increasing DPU and unit price for unitholders.

²⁰ ESR Group's share price of HKD11.94 on 5th of June 2023, IPO price of HKD16.8 and 31st Dec 2021 price of HKD 26.35

13. Why is Quarz pushing for Internalization? Are they paid to do this?

No, we are not paid to do this. Our interests are aligned with all unitholders. If the DPU and unit price goes up, we and all unitholders win together.

Quarz has been an investor in Sabana REIT since 2019, before ESR Group's purchase of the controlling stake in Sabana REIT Manager.

We invested in Sabana REIT due to the multiple attractive catalysts such as the increase in occupancy rate, asset enhancement opportunities and development of more than 1 million square feet of untapped GFA/landbank which can together potentially increase dividend yield and unit price substantially to more than S\$0.53 if the External Manager can execute well.

However, the External Manager's execution has continued to remain weak. This can potentially be attributed to the overlapping investment mandate and potential conflicts of interest due to ESR Group's ownership of the External Manager.

By removing the External Manager and replacing it with an Internal Manager, Sabana REIT can potentially increase its DPU and unit price for all unitholders.

14. Sounds good. How do I make sure internalization happens?

Please take action to VOTE FOR Resolutions 1 and 2 at the EGM.

ESR and its affiliates which hold more than 25% unitholding will most probably vote against the resolutions as they want to continue to benefit from the management fees and profits that unitholders pay to the REIT manager.

If all unitholders VOTE FOR Resolutions 1 and 2, and the internationalization occurs successfully, we will be able to increase our DPU and unit price all together.

Based on our projections, the internalization will increase the DPU of unitholders by more than 7%. Together with the prompt execution of the other strategies, the new Internal Manager may potentially increase DPU and unit price upside by ~30% to more than ~S\$0.55 (potential dividend yield of >9.2% at current price).

15. Where do I get more information?

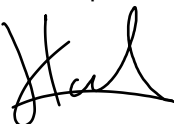
- Please register at: www.sabanareit.com
- Join Telegram Group: <https://t.me/savesabanareit> for more updates and information.
- Quarz will hold a webinars for all unitholders on Thursday 6th of July 2023 at 8.00pm
- The link to the webinar is: <https://us02web.zoom.us/j/88970799227> (Meeting ID 889 7079 9227)
- YouTube link to video: <http://youtube.com/@quarzcapital2614>
- Please contact us at +65 8684 6968 for any assistance.

Sincerely yours,



Jan F. Moermann

Chief Investment Officer
Quarz Capital ASIA (Singapore) Pte. Ltd.



Havard Chi Cher Pan

Unitholder and Head of Research
Quarz Capital ASIA (Singapore) Pte. Ltd.