



ASCOTT RESIDENCE TRUST

A stapled group comprising:

Ascott Real Estate Investment Trust

(A real estate investment trust constituted on 19 January 2006 under the laws of the Republic of Singapore)

Ascott Business Trust

(A business trust constituted on 9 September 2019 under the laws of the Republic of Singapore)

Managed by

Ascott Residence Trust Management Limited
(Company Registration No. 200516209Z)

Managed by

Ascott Business Trust Management Pte. Ltd.
(Company Registration No. 201925299R)

ANNOUNCEMENT

Annual General Meeting to be held on 19 April 2021 Responses to Substantial and Relevant Questions

The Managers of Ascott Residence Trust (“ART”) would like to thank all Stapled Securityholders who submitted their questions in advance of our Annual General Meeting (“AGM”) to be held virtually via “live audio-visual webcast and live audio-only stream” at 10:00am on Monday, 19 April 2021.

We have grouped the most asked questions into a few key topics below.

- A. COVID-19 Updates
- B. Strategy and Outlook
- C. Others

Please refer to our responses to these substantial and relevant questions in the following pages. Due to the high volume and overlaps in questions received, we apologise that we are unable to respond to all of them.

The CEO of ART’s Managers, Ms Beh Siew Kim will deliver a presentation to Stapled Securityholders at the AGM. Please refer to the AGM presentation slides and all AGM-related documents at: https://investor.ascottresidencetrust.com/agm_egm.html.

Following the conclusion of the AGM, the voting results of the AGM will be uploaded on SGXNet and made available on ART’s website. The minutes of the AGM will be published on SGXNet and ART’s website on or before 19 May 2021.

Ascott Residence Trust 2021 Annual General Meeting
Responses to Substantial and Relevant Questions

By Order of the Boards

ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED

(Company Registration No. 200516209Z)

As manager of Ascott Real Estate Investment Trust

ASCOTT BUSINESS TRUST MANAGEMENT PTE. LTD.

(Company Registration No. 201925299R)

As trustee-manager of Ascott Business Trust

Karen Chan
Company Secretary
16 April 2021

Important Notice

The past performance of Ascott Residence Trust (“**ART**”) is not indicative of future performance. The listing of the stapled securities in ART (the “**Stapled Securities**”) on the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) does not guarantee a liquid market for the Stapled Securities. The value of the Stapled Securities and the income derived from them may fall as well as rise. Stapled Securities are not obligations of, deposits in, or guaranteed by, Ascott Residence Trust Management Limited as manager of Ascott Real Estate Investment Trust or Ascott Business Trust Management Pte. Ltd. as trustee-manager of Ascott Business Trust (collectively, the “**Managers**”) or any of their respective affiliates. An investment in the Stapled Securities is subject to investment risks, including the possible loss of the principal amount invested. Investors have no right to request that the Managers redeem or purchase their Stapled Securities while the Stapled Securities are listed on the SGX-ST. It is intended that holders of Stapled Securities may only deal in their Stapled Securities through trading on the SGX-ST.

This announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the Stapled Securities.

A. COVID-19 Updates	
1.	<p>Please provide an update on ART’s recovery amid COVID-19. Do you see occupancy levels stabilising or improving in the coming months?</p>
	<p>The road to recovery is gradual and uneven, and dependent on the easing of travel restrictions.</p> <p>In the fourth quarter of 2020 (4Q 2020), the average occupancy of our portfolio was mid 40%, a sequential improvement from the preceding quarter (3Q 2020). With average room rates remaining stable, the revenue per available unit (RevPAU) of our portfolio showed a corresponding quarter-on-quarter increase in 4Q 2020.</p> <p>While domestic travel picked up in 3Q 2020, demand was dampened by new COVID-19 outbreaks during the winter. Following the resurgence of the virus, movement restrictions were re-introduced in some countries and continued to remain in place in the new year. This further curtailed the demand for travel in the first two months of 2021, which is a traditionally low season for corporate travel. As such, the average occupancy of our portfolio dipped slightly before picking up in March 2021 when some restrictions were eased.</p> <p>Our long stays have provided resilience to the portfolio’s performance. During the financial year ended 31 December (FY 2020), countries such as China and Vietnam, which have longer average length of stay, performed better than those traditionally dependent on transient travellers. In addition, our master leases and management contracts with minimum guaranteed income, which made up two-thirds of our gross profit in FY 2020, partially mitigated the absence of demand.</p> <p>Notwithstanding the headwinds, there is notable pent-up domestic demand in several countries, and the rollout of immunisation programmes, travel bubbles and vaccine passports is expected to drive the recovery of the travel sector. According to the World Tourism Organization (UNWTO), international arrivals are expected to decline about 85% in the first quarter of 2021 before a potential rebound in the second half of the year. With our scale and diversified presence, coupled with the operational expertise of our Sponsor and operators, we are confident that ART is well-placed to capture the upturn.</p> <p>More details will be shared during our 1Q 2021 business updates announcement.</p>
2.	<p>What strategies have ART undertaken to address the challenges brought about by COVID-19?</p>
	<p>The COVID-19 outbreak has impacted the travel industry in unprecedented ways, with lower occupancies and room rates being observed across all our markets. Together with our lessees and operators, we responded swiftly, taking effective steps to protect the health and safety of our guests and employees, while capturing new sources of business, managing costs and conserving cashflow.</p> <p>We delivered stringent hygiene and cleanliness standards as well as safe distancing measures at all our properties. This is demonstrated through the ‘Ascott Cares’ commitment implemented in our properties managed by our Sponsor, The Ascott Limited (Ascott), as well as the other programmes by our third-party operators. Ascott also partnered with Bureau Veritas to provide independent audits and certification for the hygiene and safety standards of all our Ascott-managed properties worldwide.</p> <p>In addition, we increased our adoption of digital solutions and contactless technologies, such as mobile apps, service robots and 3D virtual tours, to provide convenience, value and safety to our guests.</p> <p>Leveraging the operational excellence of our operators, we pursued alternative sources of business and enhanced our product offerings to meet current needs. Ascott’s ‘Work in Residence’ and ‘Space-as-a-Service’ initiatives were introduced in about 40 ART properties.</p>

	<p>Under the 'Work in Residence' initiative, we reconfigured our apartments into productive workspaces, appealing to those looking for alternative work-from-home locations. Under the 'Space-as-a-Service' initiative, we capitalised on the adaptability and central locations of our properties to offer new uses of space to more customers.</p> <p>In managing costs, we temporarily closed some of our properties to consolidate resources. Several of them were on master leases and ART continued to receive rental even when they were closed. We also reviewed our operating cost structure and implemented comprehensive cost-containment measures.</p> <p>Discretionary expenditure and uncommitted capital expenditure were deferred, and support measures by various governments were further pursued to defray expenses.</p> <p>Rental support was granted to some of our lessees. In December 2020, expiring master leases in France were renewed with adjustments made to the rent structure, and they have been extended by two to three years, providing stability to ART's income over the next few years. These changes will affect ART's income in the coming months but are crucial in tiding ART over the immediate operating challenges. We will continue to work with our lessees and operators towards a more sustainable recovery.</p> <p>With our efforts, ART's portfolio continued to generate gross operating profit and positive cashflow. With about S\$1 billion in cash on-hand, available credit facilities and net divestment proceeds to be received as at 31 December 2020, we have sufficient liquidity to cover approximately three years' fixed costs under a worst-case, zero-income scenario.</p>
<p>3.</p>	<p>Which markets are performing better, and which are not doing as well? Which properties are temporarily closed?</p>
	<p>COVID-19 has impacted the markets we are present in to varying extents. Countries such as China and Vietnam, which have longer average length of stay, have been more resilient and performed better in FY 2020, while properties traditionally dependent on transient travellers, such as Japan and the United States of America have been more impacted.</p> <p>The pace of recovery varies across countries and is dependent on the easing of travel restrictions.</p> <p>China, which was the epicentre of the outbreak but also the first to successfully contain the virus, has led the recovery. Notwithstanding sporadic outbreaks, domestic leisure travel returned in the second half of 2020, with spikes in demand during the weekends and holidays. Demand from the corporate segment picked up subsequently, with the resumption of business and meeting activities.</p> <p>A similar recovery pattern is being observed in other countries with large domestic markets including Australia, Japan and Malaysia. There is notable pent-up domestic demand as movement restrictions are eased, which is supported by a higher take-up in vaccines and the reopening of borders.</p> <p>Europe is expected to take a longer time to recover as lockdown measures have been re-introduced in some countries experiencing a resurgence.</p> <p>As at 31 December 2020, operations at 10 ART properties (5 in France, 2 in Japan, 1 each in Belgium, Spain and South Korea) were temporarily ceased to consolidate resources. Several of the properties are on master leases and ART continues to receive rental even when they are closed. The properties will be progressively reopened depending on market conditions.</p>

B. Strategy and Outlook	
4.	If travel does not resume within the next 1-2 years, what are ART's plans to continue delivering value to Stapled Securityholders?
	<p>The road to recovery is gradual and uneven, and dependent on the easing of travel restrictions. According to the UNWTO, international arrivals are expected to decline about 85% in the first quarter of 2021 before a potential rebound in the second half of the year. A full recovery to 2019 levels could take 2.5 to 4 years.</p> <p>COVID-19 has brought to the fore the resilience of the long-stay lodging asset class. The long stay guests at our serviced residences and rental housing properties have helped to cushion the impact from the absence of international and transient travellers. Our balanced mix of stable and growth income through the different contract types has also mitigated the impact of COVID-19.</p> <p>Operationally, we will continue to work with our lessees and operators to seize opportunities for future growth, while keeping a lid on costs. The hospitality landscape has evolved with a shift in customer needs. Travellers now prioritise cleanliness and hygiene, and prefer flexible bookings, self-guided road trips and staycations over group travel. Attuned to these new preferences, our operators have embraced agility, introducing new uses of space, innovative sales and marketing campaigns, and accelerated their adoption of digital technology.</p> <p>We will also continue to look for yield-accretive investment opportunities to redeploy the proceeds from our recent divestments. Our focus will be on building a higher proportion of longer-stay accommodation assets to enhance the income stability of our portfolio. The net gains unlocked from our portfolio reconstitution activities also give us the capacity to supplement the distributions to our Stapled Securityholders, if necessary.</p>
5a.	In evaluating opportunities for investment, which markets does ART favour in the next 3 to 5 years?
	<p>COVID-19 has brought to the fore the resilience of the long-stay lodging asset class. The long stay guests at our serviced residences helped to cushion the impact from the absence of international and transient travellers. Our rental housing properties in Japan, which have leases of more than a year, were a standout as they continued to register occupancies above 90% despite COVID-19. The leaner cost structure also enabled most of our long-stay properties to remain profitable during the pandemic.</p> <p>As such, we continue to favour serviced residences and rental housing properties, while maintaining our foothold in business hotels.</p> <p>We plan to increase our asset allocation in longer-stay properties to enhance the stability of our income. We have expanded our investment strategy to include student accommodation properties, and announced the acquisition of Signature West Midtown, our maiden student accommodation property.</p> <p>The student accommodation asset class will offer a new platform for growth and is countercyclical in nature as students tend to invest in education during a recession in preparation for economic recovery. As such, our foray into the student accommodation asset class will also mitigate the near-term headwinds faced by traditional hospitality asset classes. Amid the uncertainties around COVID-19, we will invest cautiously in quality assets in fundamentally strong markets.</p>

5b.	Do you have a target asset allocation?
	<p>With the addition of Signature West Midtown to our portfolio, longer-stay assets (rental housing and student accommodation properties) comprise about 7% of ART's total assets. In the medium term, we hope to increase the allocation to about 10-15%.</p> <p>We will continue to maintain a balanced mix of stable and growth income through the different contract types. This balanced mix has provided income stability to our Stapled Securityholders and enabled us to enjoy higher earnings in markets that experience an upturn, mitigating any downturns in poorer performing markets.</p>
5c.	Would you consider acquiring the multifamily properties from CapitaLand?
	<p>In general, multifamily properties have similar characteristics, income and risk profiles as rental housing and student accommodation properties.</p> <p>Multifamily properties have been very resilient during COVID-19 and we would be keen to explore investment opportunities which are yield-accretive and complement our portfolio.</p>

C. Others	
6.	What are the implications of the restructuring of CapitaLand Limited to CapitaLand Investment Management (CLIM) on ART?
	<p>The proposed restructuring of CapitaLand Limited will sharpen the focus and further enhance its efforts to expand and scale up its asset and investment management capabilities.</p> <p>ART will continue to be the dedicated Singapore-listed hospitality trust under CLIM. The proposed restructuring is not expected to affect the day-to-day business activities and ongoing operations of ART.</p>
7.	What is the objective of ART's Stapled Security buyback mandate?
	<p>The Stapled Security buyback mandate is a flexible and cost-effective capital management tool for the Managers of ART to enhance the return on equity for Stapled Securityholders and/or the net asset value per Stapled Security of ART. The mandate, when exercised at appropriate times, may be used to mitigate short-term market volatility, offset the effects of short-term speculative trading and bolster market confidence in ART.</p>
8.	What are your plans for the properties in Indonesia, which have land leases expiring in 2024?
	<p>The lease renewal process typically occurs 2 years before the expiry date and is largely administrative at minimal costs. As such, we do not foresee issues with renewing the leases when they are due. Upon renewal, the leases will be extended for another 20 years.</p>