INITIATION

REIT ▪ Singapore

Manulife US REIT

(MUST SP/MANU.SI)

Pure-play US REIT looking to double AUM in two years

BUY - INITIATION

Price as of 20 Feb 2018	0.915
12M target price (US$)	1.008
Previous target price (US$)	na
Upside, incl. div (%)	16.5

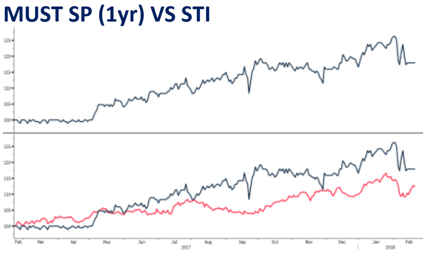
Trading data

Mkt Cap (S$m) / (US$m)	1,245 / 946
Issued Shares (m)	1,034
(3-Month) Vol / Val	2.9m / $2.7m
52 week lo / hi	$0.77 / $0.99
Free Float	94.5%

Major Shareholders

Manulife Financial Corp	5.3%
DBS Group Holdings	4.0%

MUST SP (1yr) VS STI



Source: Bloomberg

Event

As a pure-play US REIT, Manulife US REIT's (MUST) is expected to ride on the growing US economy and benefit from an uptick in rents, driven by favorable demand and supply dynamics in the Grade A office property market. With the management looking to grow its portfolio, we expect its acquisitions to be yield accretive and hence, provide a strong foundation for increasing its distribution.

Impact

Positive property markets picking up pace in key US cities and lending support to growth in rental revenues. Demand and supply dynamics in the key US cities, where MUST's properties are located, are generally on a positive trend, with higher demand for Grade A/Trophy office spaces. On the supply side, there is limited new construction of Grade A/Trophy office properties waiting to come on-stream in four out of the five areas that MUST's properties are in. We project rental revenues to grow by 21/15/13% in 2018/19/20F as tenants renew their leases.

Strong sponsor with robust pipeline of potential third-party acquisition opportunities to back ambitious plans to double AUM in two years. The "Manulife" and "John Hancock Real Estate" brand names allow for greater access to funding and US real estate investment opportunities. Additionally, MUST is able to leverage on its sponsor's robust pipeline of potential acquisition opportunities from third-party sellers.

Valuation & Action

We initiate coverage on MUST with a BUY recommendation in view of both its organic and inorganic growth prospects, which we expect to be well supported by favourable US market conditions. We assign MUST a target price of US$1.01 based on a DDM valuation methodology, representing a 16.5% upside including a dividend yield of 6.3% for 2018F. MUST currently trades at a 2018F P/B of 1.1x, higher than the average of 0.9x for its Singapore listed peers, which we believe is justified by its higher growth potential in the US.

Risks

Main risks include a faster-than-expected rate hike in the US and foreign exchange risk, stemming from a weaker US dollar.

Financials & Key Operating Statistics

YE Dec USD mn	2016	2017	2018F	2019F	2020F
Gross revenue	47.5	92.0	111.7	128.4	144.9
Net property income	30.0	58.4	70.3	80.9	91.3
Distributable income	22.3	46.7	62.9	71.1	79.3
DPS (US cents)	3.6	5.8	5.8	6.6	7.3
DPS growth (%)	-	62.5	0.4	13.2	11.5
Div Yield (%)	4.7	6.4	6.4	7.2	8.1
NAV (USD)	87.0	82.0	111.1	112.9	115.0
Price / Book (x)	0.9	1.1	0.8	0.8	0.8
NPI Margin (%)	63.1	63.4	63.0	63.0	63.0
Net Margin (%)	108.8	63.0	37.1	38.0	38.7
Gearing (%)	33.6	33.5	33.2	32.8	32.4
ROE (%)	9.4	6.8	4.8	5.6	6.3

Source: Company Data, KGI Research

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Investment Thesis

US property markets in key cities supported by growing economy

MUST's properties are strategically located in key US cities, which are currently riding on favourable economic trends. As the office property markets are highly correlated with the economy, MUST benefits from the cyclical upturn of the economy. This lends support to growth for MUST's portfolio by way of increased demand for office spaces, which supports higher rental income as businesses expand their premises and headcount. MUST allows investors domiciled outside of the US to participate in the growth of the commercial real estate sector through its tax efficient structure, exempting tax on dividends received by non-US tax residents.

Guidance to double AUM in two years

MUST's management has ambitious plans to double its AUM in two years to ~US$1.8bn, with its acquisitions to be funded by debt and equity. Although the effective cash received by unitholders may potentially be reduced in the short-term should the unitholders choose to participate in a rights issue, we see this as a med-long term positive for unitholders. Furthermore, we see this as a move for MUST to position itself for the future and to be on the same levels as most of its peers that have at least US$1bn in AUM. This will be be favourable as institutional funds have a mandate restricting investments in companies below US$1bn market cap and would provide MUST will an opportunity to grow its institutional following.

Despite its relatively short track record, the management has proven its ability to grow its portfolio both organically and inorganically since its IPO in 2016. Potential properties in the pipeline from the Sponsor are also strategically located in key US cities.

Acquisitions of yield accretive properties remain a key re-rating catalyst

Management has guided that acquisition targets are currently being reviewed. Given its ambitious plans, we expect these to pan out within the time frame as guided by the management. We see this as a re-rating catalyst and expect the acquisitions to be yield accretive, as we take reference from the acquisitions of 10 Exchange Place and 500 Plaza Drive in 2017. These acquisitions will lend support to sustainable distributable income as the portfolio becomes more diversified.

Portfolio of five prime freehold properties with attractive characteristics

MUST's portfolio is currently comprised of five Grade A/Trophy freehold properties located in key US cities. The portfolio has a long WALE of 5.7 years and an aggregate occupancy of 95.9% to provide support for sustainable distributions. Additionally, ~75% of its committed leases have fixed annual rental escalations of an average of ~2.8%.

Valuation

Figure 1: Sensitivity analysis

Cost of Equity	Target Price (US$)	Total return
7.5%	1.41	60%
8.0%	1.27	45%
8.5%	1.15	32%
9.0%	1.06	21%
9.3%	**1.01**	**16%**
9.5%	0.97	12%
10.0%	0.90	5%

Source: KGI Research

Our DDM derived fair value of US$1.01 for MUST, implies a 16.5% upside (including an implied dividend yield for 2018F of 6.3%). The following are assumptions embedded in our valuation:

- 9.3% cost of equity and 2.5% terminal growth rate;
- Portfolio occupancy to remain at an average of 96% until 2020F;
- NPI margins to remain at an average of 63.0% until 2020F;
- Growth in market rents to slow down to 12% by 2020F, compared to 2017 of 15.3%;
- Growth in average aggregated rent psf/year for the portfolio of 0.4/15/13% for 2018/19/20F, with respect to portfolio weighted average lease expiry profile as at 31 December 2017;
- Proportion of portfolio with fixed annual rental escalation to remain at ~75% until 2020F.

Figure 2: DDM valuation

USD cents, YE 31 December	FY17	FY18F	FY19F	FY20F	FY21F	FY22F	FY23F	FY24F	FY25F
DPU	5.8	5.8	6.6	7.3	7.5	7.7	7.9	8.1	8.3
YoY (%)		*0.4%*	*13.2%*	*11.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*	*2.5%*
Terminal value per unit									124.7
Cost of Equity		9.30%							
Target Price (US$)		**1.01**							
Upside/(Downside)		*10.1%*							

Source: KGI Research

Comparables

We compare MUST to other Singapore-listed and US-listed office REITs. We note that MUST is currently trading at a 2017 P/B of 1.1x, higher than its Singapore peer average of 0.9x. However, MUST's dividend yield is on the higher end of the spectrum at 6.3% for 2018F. Compared to its US peers, MUST's P/B is significantly below the average of 2.0x. In terms of dividends, MUST offers the second highest amongst its US peers. Given its high dividend yield and growth prospects, we think MUST would appeal to investors seeking commercial real estate exposure and growth opportunities.

Figure 3: Comparable REITs in Singapore and US

Company Name	Last Price	Currency Adj. Market Cap (US$ m)	Gearing (%)	Dividend yield (%)		P/B (x)		6M Average daily trading volume (S$ '000)	(YTD) Price Performance
				FY17	FY18F	FY17	FY18F		
Manulife US REIT	**USD 0.92**	**945.9**	**35.0%**	**6.4%**	**6.3%**	**1.1**	**1.1**	**2,456.1**	**1.1%**
Singapore Listed Office REITs									
Capitaland Commercial Trust	SGD 1.77	4,853.3	29.8%	4.5%	5.0%	1.1	1.0	21,455.1	-8.3%
Suntec REIT	SGD 1.94	3,923.0	35.9%	4.7%	5.1%	1.0	0.9	12,029.4	-9.8%
Keppel REIT	SGD 1.22	3,139.6	33.9%	4.5%	4.8%	0.9	0.9	6,163.6	-3.2%
OUE Commercial REIT	SGD 0.71	833.1	38.6%	6.5%	6.5%	0.8	0.7	299.1	-1.4%
Frasers Commercial Trust	SGD 1.43	955.5	36.7%	7.1%	6.8%	0.9	0.9	2,493.0	-4.0%
Average		**2,740.9**	**35.0%**	**5.5%**	**5.6%**	**0.9**	**0.9**	**8,488.0**	**-5.3%**
Median		**3,139.6**	**35.9%**	**4.7%**	**5.1%**	**0.9**	**0.9**	**6,163.6**	**-4.0%**
US Listed Office REITs									
Boston Properties Inc	USD 119.64	18,463.5	55.9%	2.3%	2.7%	3.3	2.0	90,335.8	-8.0%
Vornado Realty Trust	USD 67.66	12,854.3	63.0%	3.4%	3.7%	3.7	3.8	85,298.1	-13.5%
Alexandria Real Estate Equities	USD 122.66	12,418.0	42.4%	2.6%	3.0%	2.1	1.6	87,038.2	-6.1%
SL Green Realty Corp	USD 96.20	9,654.2	44.7%	3.1%	3.4%	1.6	2.2	95,212.0	-4.7%
Kilroy Realty Corp	USD 68.43	6,755.5	37.2%	2.2%	2.5%	1.8	1.3	39,402.3	-8.3%
Douglas Emmett Inc	USD 36.53	6,194.2	51.3%	2.3%	2.7%	2.5	1.4	32,681.5	-11.0%
Hudson Pacific Properties Inc	USD 30.75	4,817.9	38.2%	2.9%	3.5%	1.3	1.0	32,062.5	-10.2%
Cousins Properties Inc	USD 8.66	3,637.1	27.9%	3.2%	2.9%	1.3	1.4	28,315.0	-6.4%
Paramount Group Inc	USD 14.30	3,438.1	41.4%	2.4%	3.0%	0.8	0.8	18,718.8	-9.8%
PS Business Parks Inc	USD 114.35	3,116.2	0.0%	2.6%	2.9%	4.2	2.5	11,133.1	-8.6%
Brandywine Realty Trust	USD 16.52	2,945.3	51.1%	3.5%	4.3%	1.6	1.7	25,294.0	-9.2%
Corporate Office Properties Tru	USD 25.92	2,625.3	55.6%	3.8%	4.3%	1.9	1.8	24,487.4	-11.2%
Piedmont Office Realty Trust	USD 18.63	2,652.1	46.5%	4.3%	5.9%	1.3	1.4	18,260.0	-5.0%
Columbia Property Trust	USD 21.73	2,605.4	41.3%	3.5%	3.7%	1.0	1.1	14,938.0	-5.3%
Mack-Cali Realty Corp	USD 18.87	1,696.7	57.5%	2.1%	3.9%	1.1	0.8	13,509.6	-12.5%
City Office REIT	USD 10.67	384.2	59.1%	7.1%	8.8%	1.7	0.7	2,703.3	-18.0%
Average		**5,891.1**	**44.6%**	**3.2%**	**3.8%**	**2.0**	**1.6**	**38,711.8**	**-9.2%**
Median		**3,537.6**	**45.6%**	**3.0%**	**3.4%**	**1.7**	**1.4**	**26,804.5**	**-8.9%**

Source: KGI Research

Key risks

Regulatory risks with respect to US taxes and REIT regulations

Changes to these regulations could adversely affect MUST's parent US REIT's ability to maintain its REIT status. This would in turn affect MUST's tax efficiency. Distributions to unitholders would be reduced.

Exchange rate fluctuations and changes in foreign exchange regulations

Dividends are declared in USD. However, unitholders who elect to receive declared distributions in SGD will be exposed to exchange rate fluctuations. Changes in the US political and economic conditions would potentially have adverse effects on the USD. Apart from dividends, the NAV of the units, and foreign currency value of the proceeds received upon the sale of the units in Singapore would also be affected.

Competition from newly developed Class A/Trophy commercial properties

Rents in the respective micro-markets may be depressed by new Grade A/Trophy office spaces coming on-stream. These would also lead to competitive pricing pressures and could result in tenants moving to cheaper locations at the end of their lease cycles. This consequently gives rise to higher occupancy if MUST is unable to backfill those vacant spaces. Rental income will be affected.

Demand for commercial properties is highly correlated with the economy

A growing economy is synonymous with higher business capital expenditure and expansion initiatives. Similarly, as the economy weakens, businesses tend to downsize their headcount or even office premises. These in turn would have adverse impacts on the demand for office spaces and result in lower rents and higher vacancy rates.

Company Overview

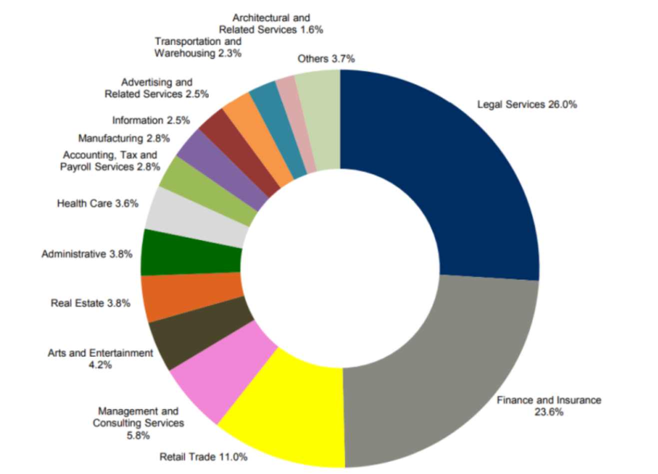
First pure-play US REIT in Asia

MUST is the first pure-play US office REIT in Asia. MUST's principal investment strategy is to invest, directly or indirectly, in income-producing office real estate in key US cities, as well as real estate-related assets. The Manager seeks to grow its portfolio via three strategies: (1) Proactive asset management and asset enhancement strategy, (2) Investments and acquisition growth strategy and (3) Capital management strategy.

Property portfolio

The property portfolio is comprised of five prime, freehold, quality commercial properties, strategically located in key US cities – Los Angeles, Irvine, Atlanta, Secaucus and Jersey City. With an aggregate Net Lettable Area (NLA) of 2.9mn sq ft, the portfolio is valued at US$1,312.8mn. The portfolio comprises 100 tenants across various trade sectors, with Legal Services and Finance and Insurance companies accounting for almost 50% of total portfolio rental income. The portfolio WALE stands at a long 5.7 years, with less than 15% of the leases (by cash rental income) due for renewal from 2018 to 2020, providing cash flow stability, while still presenting opportunity for organic growth as new leases are signed or renewed.

Figure 4: Cash rental income breakdown by trade sector



Source: Company, KGI Research

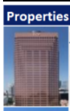
Figure 5: Top 10 tenants by cash rental income (CRI)

Tenant	Sector	Leased Area (sq ft)	% of CRI
Kilpatrick	Legal Services	227,799	6.7%
TCW	Financial and Insurance	188,835	6.4%
Hyundai Capital	Financial and Insurance	96,921	5.8%
The Children's Place	Retail Trade	197,949	5.4%
Quinn Emanuel	Lega Services	126,505	4.5%
Amazon Corporation	Retail Trade	129,259	4.4%
Quest Diagnostics	Health Care	131,612	3.5%
Gibson, Dunn	Legal Services	77,677	3.2%
LA Fitness	Arts and Entertainment	91,023	3.0%
Rabo Support Services	Management and Consulting	73,248	3.0%
		1,340,828	**45.9%**

Source: Company, KGI Research

Figure 6: Cash rental income breakdown by trade sector

Properties


Figueroa, Los Angeles
- Surrounded by entertainment venues e.g., Staples Center, the LA Convention Center and LA Live
- Booming residential creates appealing live, work, play environment


Michelson, Irvine
- Attractive corporate location with diversified economy
- Surrounded by hotel developments, high-end condominiums and apartments, restaurants and a wide range of retail offerings

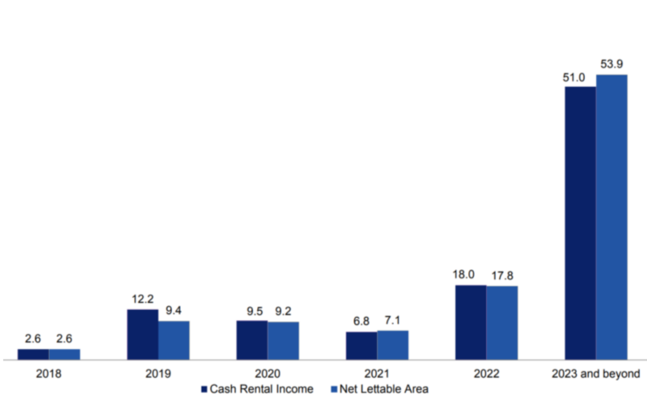

Peachtree, Atlanta
- 20 minutes from Atlanta Hartsfield-Jackson International Airport – busiest airport in the world
- Surrounded by high-end condominiums, luxury apartments and numerous dining options


Plaza, Secaucus
- Located within 550-acre mixed-use amenity base of Harmon Meadow in Secaucus
- Surrounded by 1 million sq ft of retail space - 25 restaurants, 9 hotels, leisure and sports facilities, cinema, with residential apartments under construction


Exchange, Jersey City
- Vibrant urban-suburban market across the Hudson River from Manhattan
- 10 minutes by train and ferry, 20 minutes by car to New York City

Source: Company, KGI Research

Figure 7: Lease expiry profile as at 31 Dec 2017; WALE of 5.7 years

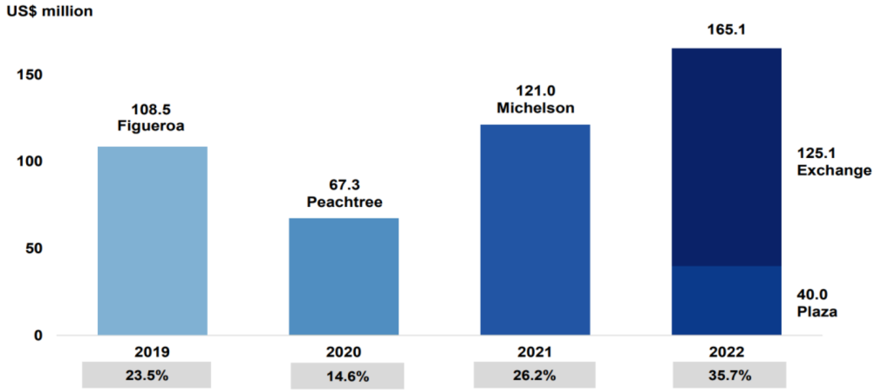


Source: Company, KGI Research

Debt maturity profile

MUST is relatively sheltered from the risk of interest rate hikes in the near term with 100% of its debt fixed and a long weighted average debt maturity of 3.1 years. As MUST moves into 2019, the REIT will have to refinance ~23% of its debt, and will see the impact on its cost of debt, which currently stands at ~2.5%.

Figure 8: Well-balanced debt maturity profile with a weighted average debt maturity of 3.1 years



Source: Company

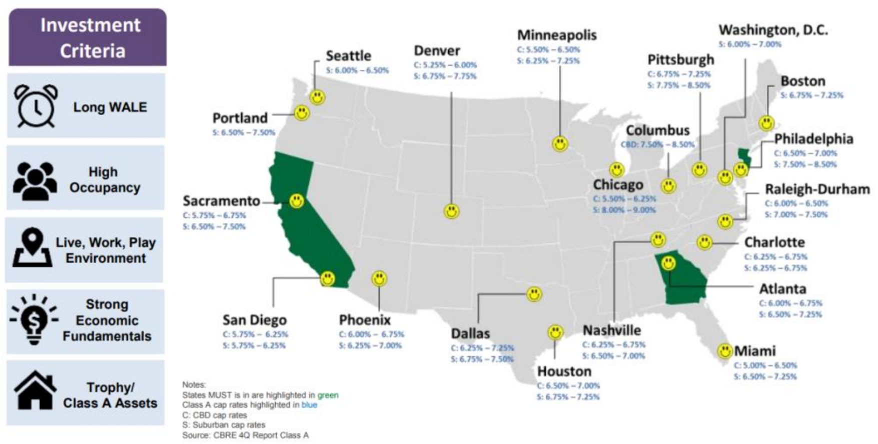
REIT structure

MUST invests in properties in the US through special purpose vehicles (SPVs) that are wholly-owned subsidiaries of the Parent US REIT and organised so as to qualify as US REITs. Qualifying as a US REIT allows MUST to deduct dividends paid to its shareholders from its US federal taxable income. In the event of a disposal of properties, MUST is able to structure the transaction as a sale of the shares of the US REIT which owns the property, rather than a sale of the underlying property. This, in effect, simplifies legal transfer and eliminates any otherwise applicable US branch profits tax on the transaction.

The sponsor – The Manufacturers Life Insurance Company

The sponsor of MUST is part of Manulife, a leading Canada-based financial services group. Its real estate investment and management arm operate under the John Hancock Real Estate brand. The "Manulife" and "John Hancock Real Estate" brand names allow for greater access to funding and US real estate investment opportunities. Additionally, MUST is able to leverage on its sponsor's robust pipeline of potential third party acquisition opportunities from third party sellers.

Figure 9: Vast choices of yield accretive assets in key US cities



Source: Company

US commercial property market and trends

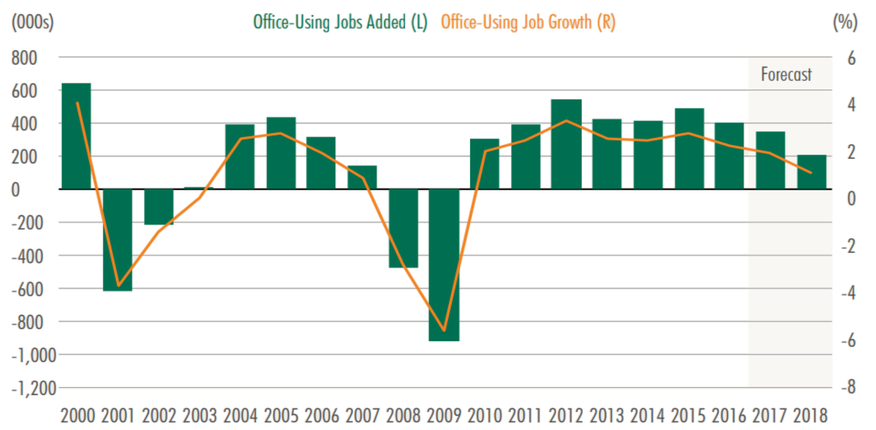
Commercial property sector continues to grow, albeit at a slower pace

Performance for the broad US commercial real estate sector is projected to remain positive in 2018, according to CBRE. More specifically, the office market should continue to grow at 2% for 2018, slightly lower than 2017 of 2.4%, due to higher completions and the tight labour market's impact on tenant demand. On the economic front, US GDP grew at an annualized rate of 2.6% in 4Q17, slightly slower than the 3.2% registered in 3Q17.

Tax cuts could potentially boost the job market, but gains will be modest

With the economy operating at or near capacity, employers will find it difficult to fill skilled positions from the current workforce. While a rise in participation would help, growth of the labour force will be limited due to the aging population, according to CBRE. Likewise, the recent tax reform could be a slight stimulus for job creation, but will unlikely be significant given the economy is almost operating at full capacity.

Figure 10: Economy operating at almost full capacity with job creation projected to slow down

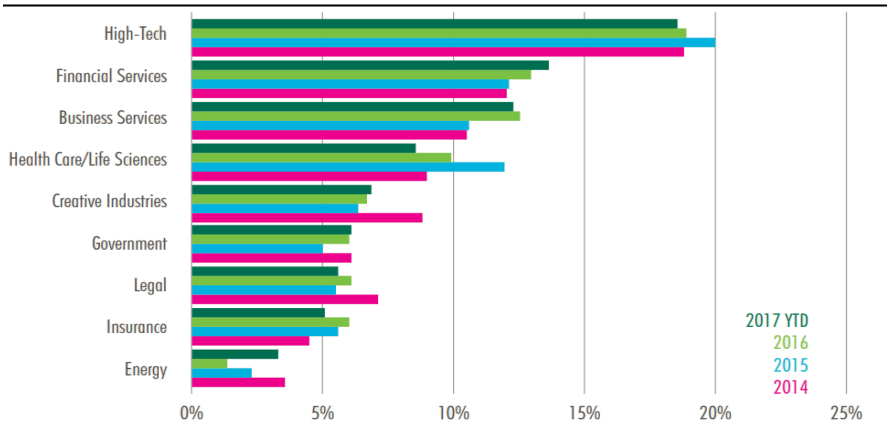


Source: CBRE Econometric Advisors

Leasing activity in recent years driven by the technology and financial sectors

According to CBRE, 20% of the take up in office spaces can be attributed to tenants in the technology sector. Given the demand for lower-cost technology hubs, this trend is likely to continue through 2018, with the technology sector expanding at about twice the rate of overall job growth. Prospects of reduced financial industry regulation have also fuelled optimism in the financial services sector, and have since increased their share of office leasing activity in 2017.

Figure 11: Economy operating at almost full capacity with job creation projected to slow down



Source: CBRE Econometric Advisors

Office construction to taper in 2018

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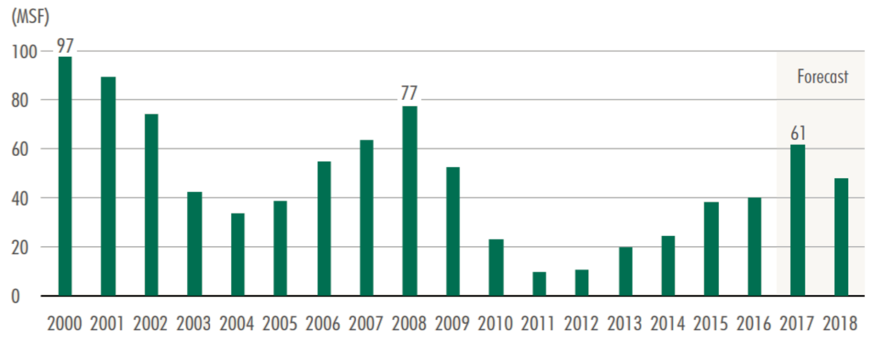
Figure 12: Office supply coming on-stream to taper in 2018

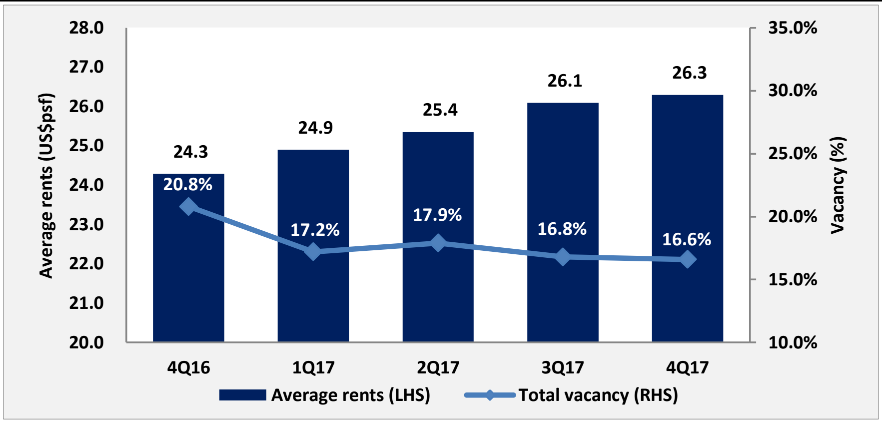


Source: CBRE Econometric Advisors

Midtown, Atlanta (Peachtree)

Atlanta's office market ended on a strong note, absorbing over 600,000 sq ft in 4Q17, the highest quarter in 2017. However, for the full year, net absorption was below 1mn sq ft for the first time in six years and the second consecutive year absorption levels declined. This was mainly driven by sizeable contractions, consolidations and relocations. Colliers Research noted that office vacancy increased YoY for the first time since 2010 and was not the result of dire economic conditions, but rather the delivery of over 2.1mn sq ft of office space, adding to the existing inventory in 2017. Rental rates were also impacted by the addition of more modern space and also by continued leasing of existing space. Atlanta's overall office rental rate average rose 6.1% YoY, the second highest increase in 5 years. Midtown (where Peachtree is located) saw the highest rent growth registering a 15.3% annual increase.

Figure 13: Midtown, Atlanta (Class A) average asking rents and total vacancy rates – Peachtree



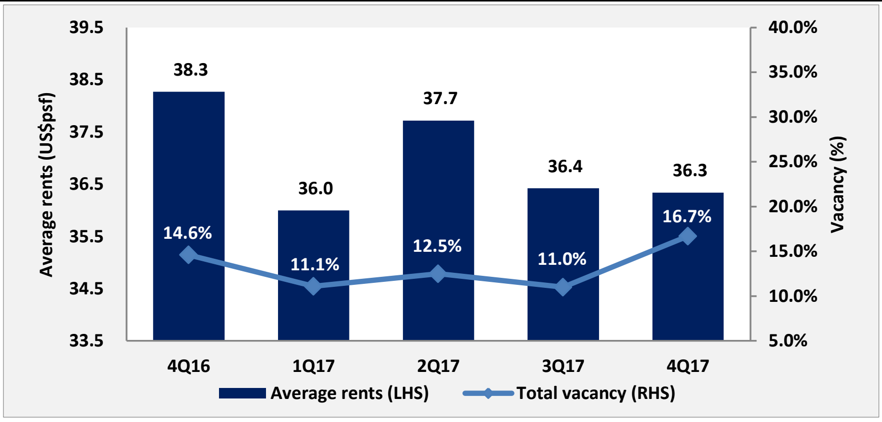
Source: Jones Lang LaSalle, Colliers Research, KGI Research

Downtown, Los Angeles (Figueroa)

Net absorption declined in 4Q17 compared to 3Q17, recording 104,100 sq ft of demand for office spaces. Correspondingly, vacancy rates declined 0.3% for the quarter to stabilize at 20%, on the back of move-ins within the financial district and Greater Downtown district. Traditional tenants in the finance, insurance and real estate (FIRE) industries continue to dominate the tenant base in the market, although these sectors have seen a fair amount of downsizing. According to

Colliers, vacancy is expected to increase as new construction deliveries in the Greater Downtown submarket have the potential to outweigh demand from tenants. On a more positive note for MUST, South Park (where Figueroa is located) has traditionally been one of the better performing areas within Downtown Los Angeles, albeit slightly declining in occupancy rates and average asking rents.

Figure 14: South Park (Class A) average asking rents and total vacancy rates – Figueroa

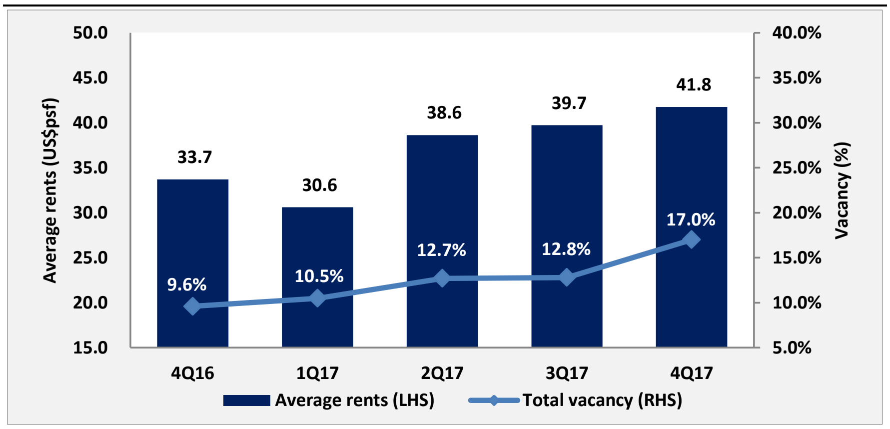


Source: Jones Lang LaSalle, Avison Young, KGI Research

Irvine, Orange County, Los Angeles (Michelson)

Orange County ended 2017 with healthy fundamentals. Overall vacancy held steady at 11.1% for the year. Leasing activity for the year was also similar to 2016, with over 7.2mn sq ft leased throughout 2017. Top lease for the quarter was Vyaire Medical, occupying two of the four buildings at the Quad @ Discovery Business Center, an Irvine company workplace campus scheduled to come on-stream in the summer of 2018. It was also noted that the take up in Class A leases hit a record volume in 2017, according to JLL. According to Cushman & Wakefield, overall rental rates are expected to increase. Additionally, they are also expecting vacancy rates to rise on the back of construction completions in 2018. New developments in the pipeline include: Sand Canyon Business Center, 400 Spectrum Center, and Five Point Gateway in South County and The Boardwalk in the Airport Area. While these have significantly boosted market average rents, rents will be impacted by the competition as they gradually come on-stream.

Figure 15: Irvine, Orange County (Class A) average asking rents and total vacancy rates – Michelson

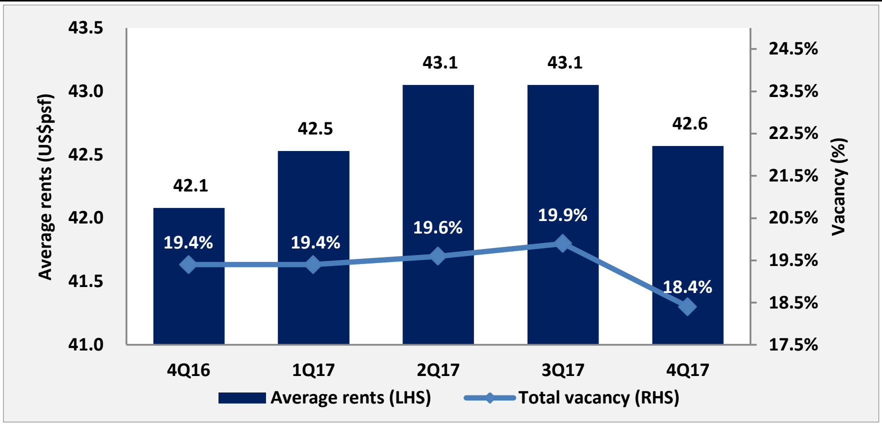


Source: Jones Lang LaSalle, Cushman & Wakefield, KGI Research

Jersey City (Exchange) & Secaucus (Exchange), Northern New Jersey

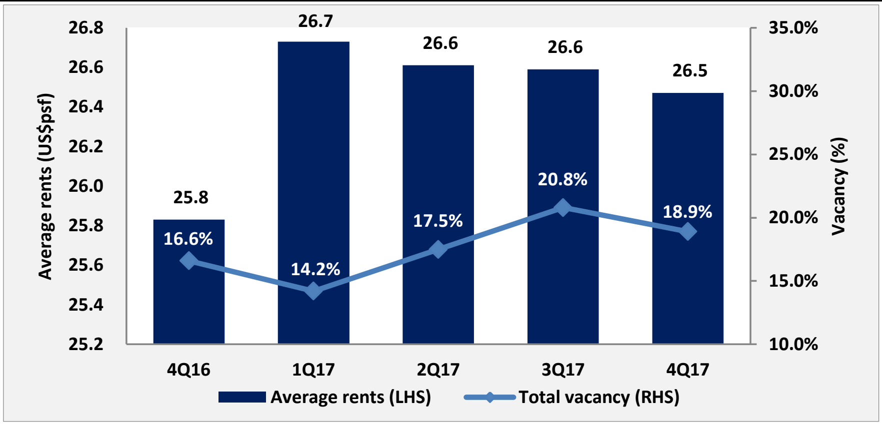
With the Northern and Central New Jersey overall vacancy rate ranging below 25% for the past six years, the demolition or conversion of older, vacant office buildings to alternative uses will accelerate in 2018. More than 400,000 sq ft was removed from the state's office inventory in 2017. An additional 1mn sq ft is expected to be redeveloped in 2018, with a majority of these projects involving older and out-dated office buildings in Bergen and Morris counties. The removal of these buildings will help to exert downward pressures on the state's vacancy rate.

Figure 16: Hudson Waterfront (Class A) average asking rents and total vacancy rates – Exchange



Source: Jones Lang LaSalle, Cushman & Wakefield, KGI Research

Figure 17: Meadowlands (Class A) average asking rents and total vacancy rates – Plaza



Source: Jones Lang LaSalle, Cushman & Wakefield, KGI Research

Financials

FYE 31 December

INCOME STATEMENT (USD mn)	2016A	2017A	2018F	2019F	2020F
Gross revenue	47.5	92.0	111.7	128.4	144.9
Property expenses	(17.5)	(33.7)	(41.3)	(47.5)	(53.6)
Net property income	**30.0**	**58.4**	**70.3**	**80.9**	**91.3**
REIT Manager's fees	(2.2)	(4.7)	(6.3)	(7.2)	(8.1)
REIT Trustee's fees	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Net interest expense	(5.1)	(9.5)	(9.5)	(9.5)	(9.5)
Other expenses	(0.8)	(1.6)	(2.0)	(2.3)	(2.6)
Net profit/(loss)	**21.7**	**42.4**	**52.4**	**61.7**	**70.9**
Change in fair value - investment ppty	52.3	31.4	0.0	0.0	0.0
Total return before tax	**74.1**	**73.8**	**52.4**	**61.7**	**70.9**
Income tax	(22.4)	(15.8)	(11.0)	(13.0)	(14.9)
Total return after tax	51.7	58.0	41.4	48.8	56.0
Distributable income	22.3	46.7	62.9	71.1	79.3

BALANCE SHEET (USD mn)	2016A	2017A	2018F	2019F	2020F
Cash and cash equivalents	38.4	49.7	59.5	75.8	94.0
Trade and other receivables	2.3	5.9	7.0	8.1	9.1
Other current assets	0.7	0.8	0.8	0.8	0.8
Total current assets	**41.4**	**56.4**	**67.3**	**84.7**	**103.9**
Investment properties	833.8	1,312.8	1,312.8	1,312.8	1,312.8
Intangibles, others	0.0	0.0	0.0	0.0	0.0
Total assets	**875.2**	**1,369.2**	**1,380.1**	**1,397.5**	**1,416.7**
Trade and other payables	9.8	18.2	22.0	25.3	28.6
Other current liabilities	0.2	1.0	1.0	1.0	1.0
Total current liabilities	**10.0**	**19.2**	**23.0**	**26.3**	**29.6**
LT Borrowings	294.2	458.4	458.4	458.4	458.4
Other non-current liabilities	24.0	39.5	39.5	39.5	39.5
Total liabilities	328.2	517.1	520.9	524.2	527.4
Unitholders' funds and reserves	547.0	852.1	859.2	873.3	889.3
Total liabilities and equity	**875.2**	**1,369.2**	**1,380.1**	**1,397.5**	**1,416.7**

CASH FLOW STATEMENT (USD mn)	2016A	2017A	2018F	2019F	2020F
Total return before tax	**74.1**	**73.8**	**52.4**	**61.7**	**70.9**
Depreciation & Amortisation	(3.3)	(3.5)	(3.5)	(3.5)	(3.5)
Other non-cash adjustments	(48.3)	(23.6)	17.8	18.7	19.7
Changes in working capital	(11.4)	(1.9)	2.7	2.3	2.3
Taxes paid	0.0	(1.0)	0.0	0.0	0.0
Cash flows from operations	**11.0**	**43.8**	**69.4**	**79.2**	**89.3**
Capital expenditure	(0.5)	(9.3)	0.0	0.0	0.0
Acquisition of investment properties	(758.4)	(425.0)	0.0	0.0	0.0
Other investing cashflow	0.0	0.0	0.0	0.0	0.0
Cash flows from investing	**(758.9)**	**(434.3)**	**0.0**	**0.0**	**0.0**
Borrowings raised / (repaid)	296.0	165.9	0.0	0.0	0.0
Equity raised / (bought back)	519.6	288.7	0.0	0.0	0.0
Dividends paid	0.0	(42.5)	(59.6)	(62.9)	(71.1)
Other financing cashflow	(29.3)	(10.4)	0.0	0.0	0.0
Cash flows from financing	**786.3**	**401.7**	**(59.6)**	**(62.9)**	**(71.1)**
FX Effects, Others	(0.0)	0.1	0.0	0.0	0.0
Net increase in cash	**38.4**	**11.2**	**9.8**	**16.4**	**18.2**
Beginning Cash	0.0	38.4	49.7	59.5	75.8
Ending cash	**38.4**	**49.7**	**59.5**	**75.8**	**94.0**

KEY RATIOS	2016A	2017A	2018F	2019F	2020F
DPS (USD cents)	3.6	5.8	5.8	6.6	7.3
Dividend yield %	4.7	6.4	6.4	7.2	8.1
NAV per share (USD cents)	87.0	82.0	111.1	112.9	115.0
Price/NAV (x)	0.9	1.1	0.8	0.8	0.8
Profitability (%)					
NPI Margin	63.1	63.4	63.0	63.0	63.0
Net Margin	108.8	63.0	37.1	38.0	38.7
ROE	9.4	6.8	4.8	5.6	6.3
ROA	5.9	4.2	3.0	3.5	4.0
Financial Structure (x)					
Interest Coverage	5.3	5.5	6.5	7.5	8.5
Gearing	33.6	33.5	33.2	32.8	32.4

Source: Bloomberg, KGI Research

Appendix

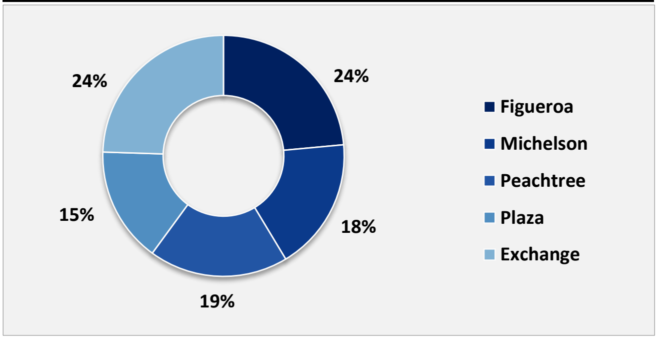
Key Management	
Jillian Smith Chief Executive Officer	▪ Ms Jill Smith is responsible for the overall day-to-day management and operations of the REIT, and works closely with the Manager's investment, asset management, financial, operations plus legal and compliance personnel to meet the REIT's strategic, investments and operational objectives. ▪ Ms Smith has over 35 years of experience as an investment management professional in Asia and Europe. She has extensive experience in portfolio management, business development and management, as well as in sales and marketing. Prior to joining the Manager, Ms Smith held several senior executive positions within Manulife Asset Management. She was Senior Managing Director, Chief Executive Officer and Chief Investment Officer for Manulife Asset Management (Singapore) Pte. Ltd. Ms Smith was previously a Director of Manulife Asset Management (Malaysia) and Manulife Advanced Fund SPC, Cayman Islands Monetary Authority. She also served as Head of ASEAN Investment Operations with Manulife Asset Management Asia.
Jagjit Obhan Chief Financial Officer	▪ Mr Jagjit Obhan is responsible for finance, accounting and applying the appropriate capital management strategy for the REIT. ▪ Mr Obhan has over 16 years of experience in audit, banking, corporate finance, real estate and regulatory reporting. Prior to joining the Manager in 2015, Mr Obhan was Managing Director and Head of Third Party Finance for Manulife Asset Management Private Markets, where he was responsible for finance, treasury and debt financing, and reporting functions for real estate, private debt and commercial mortgage funds.
Jennifer Schillaci Chief Investment Officer	▪ Ms. Jennifer Schillaci directs the asset management, property management and acquisition teams in the U.S. ▪ Ms. Schillaci has more than 14 years of experience within Manulife Financial Corporation ("Manulife"), Prior to joining Manulife US REIT, she was a Managing Director and Senior Portfolio Manager in Manulife Real Estate, the global real estate investment and management arm of Manulife, where she was primarily responsible for the on-going investment strategy and portfolio management, including acquisitions, dispositions and financing, of both the Manulife Canadian Property Portfolio and the Manulife Canadian Real Estate Investment Fund (private REIT).
Caroline Fong Head of Investor Relations	▪ Ms Caroline Fong is responsible for managing the expectations and relationships of the investment and media community with the REIT. ▪ Ms Fong has over 12 years of experience in investor relations, capital markets and research. Prior to joining MUST, Ms Fong was Associate Director, Investor Relations and Corporate Finance in Temasek Holdings and Head of Investor Relations and Corporate Communications in Cambridge Industrial Trust (CIT). At CIT, Ms Fong was instrumental in profiling the REIT to be the best performing industrial REIT and second best performing SREIT in 2013.
Choong Chia Yee Financial Controller	▪ Mr Choong Chia Yee is responsible for financial and management reporting, as well as day-to-day running of finance operations. ▪ Mr Choong has over 18 years of experience in accounting, finance, strategic planning, budgeting, tax, initial public offering, audit, regulatory reporting and compliance. Prior to joining the Manager in November 2016, Mr Choong held positions in public-listed companies in both SGX-ST and Bursa Malaysia, including Mapletree Logistics Trust and CapitaLand Mall Asia, and has extensive experience in corporate entities with widespread international operations.

Figure 18: Company profile

Manulife US Real Estate Investment Trust (MUST) is a Singapore real estate investment trust (REIT) listed on Singapore Exchange Securities Trading Limited (the SGX-ST) since 20 May 2016. Its investment strategy is principally to invest in a portfolio of income-producing office real estate in the US, as well as real estate-related assets. The REIT is managed by Manulife US Real Estate Management Pte. Ltd. (the Manager) which is wholly owned by the Sponsor, The Manufacturers Life Insurance Company (Manulife), part of the Manulife Group. The Sponsor's parent company, Manulife Financial Corporation (MFC), is a leading international financial services group.

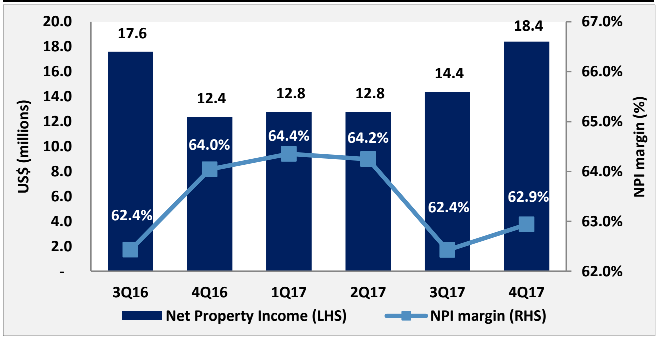
Source: Company

Figure 19: Portfolio breakdown by NLA (sq ft)



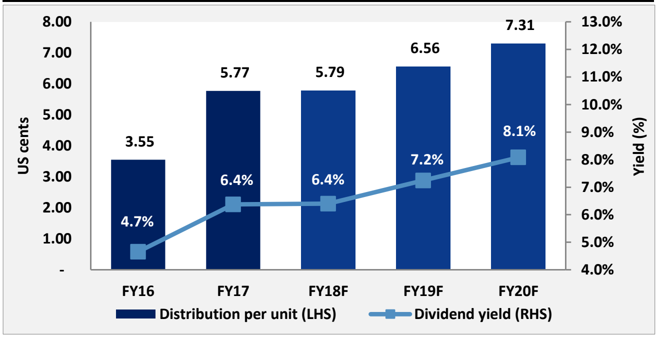
Source: KGI Research

Figure 20: Quarterly NPI and NPI Margin



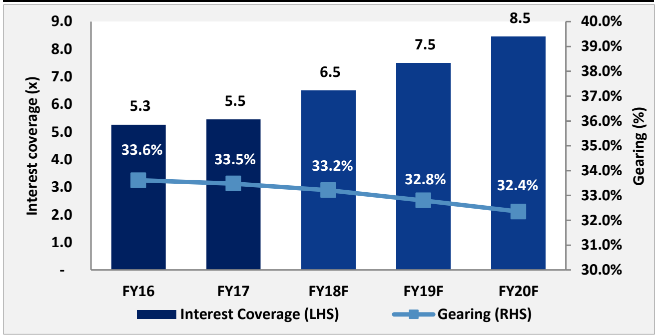
Source: KGI Research

Figure 21: DPU and Dividend yield



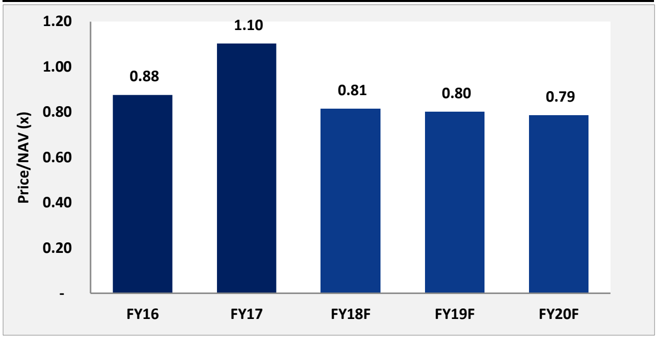
Source: KGI Research

Figure 22: Interest coverage and Gearing



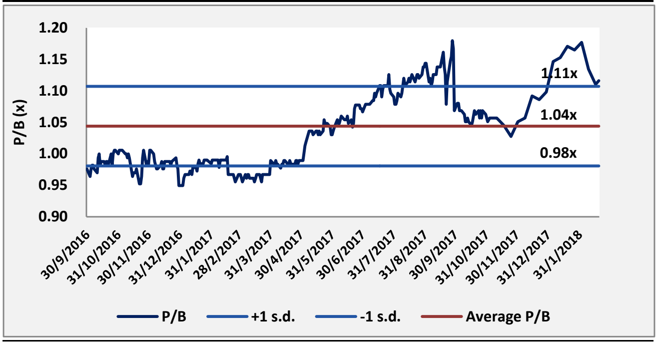
Source: KGI Research

Figure 23: Price/NAV



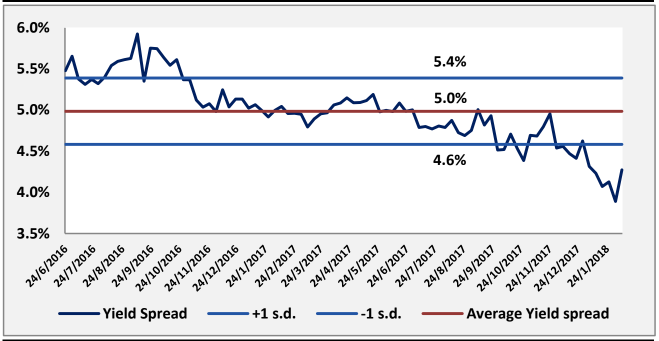
Source: KGI Research

Figure 24: Historical weekly P/B band



Source: KGI Research

Figure 25: Yield spread above 10 yield government bond yield



Source: KGI Research

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Rating	Definition
	KGI Securities Research's recommendations are based on an Absolute Return rating system.
BUY	>10% total return over the next 12 months
HOLD	-10% to +10% total return over the next 12 months
SELL	<-10% total return over the next 12 months

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