

Operator: Ladies and gentlemen, welcome to ENBD REIT 30th of June NAV Update conference call. I will now hand over to your host, Mohamad Haidar. Sir, please go ahead.

Mohamad: Good morning ladies and gentlemen. And welcome to ENBD REIT 30th June 2017 NAV Update call hosted by Arqaam Capital. This is Mohamad Haidar from Arqaam Capital Research. And I'm joined today by ENBD REIT's management team, Mr. Anthony Taylor, Fund Manager, Mr. Asif Siddique, CFO, and Mr. Salman Bajwa, CEO from ENBD Asset Management. Please note that this is a live webcast call and the presentation will be displayed during the call, which can be accessed through the call invite. Without further delay, I will now hand over to call to Mr. Salman. Please, go ahead.

Salman: Thank you, Mohamad. Good afternoon, everyone. Welcome to the first analyst call for ENBD REIT post the IPO. It's my great pleasure to welcome you all. We look forward to these interactions starting from today. Just to give you an update about who is going to be on the call from our side. As the Fund Manager, I'm representing Emirates NBD Asset Management. I'm the CEO there. Anthony Taylor is the Senior Fund Manager on the REIT. And Muhammad Asif Siddique is the CFO. The other two core members of the team who are not able to be on the call today because of travel commitments are Tariq Bin Hendi, who's the Director of the REIT. And Tim Rose, who's Head of Real Estate at Emirates NBD Asset Management. So I'll handover to Anthony, now, to take us through the REIT itself and give you a high-level update on the portfolio, the occupancies, the trends that we've seen. And then, after, we'll follow that up by giving you more of the details through the financials. And then, post that, we will hold a Q&A session where we'll be happy to take any questions about the portfolio, the market trends, those kinds of things. So without delaying, I'll pass it over to Anthony to run it.

Anthony: Thank you, Salman. Hi, everyone. I'll just take you through the high-level portfolio, first. On slide three, there's a portfolio value today \$352 million across eight properties. Our sector splits across the portfolio is now 62% into offices, residential 38%, and we're pleased to confirm we have invested into what we identify as an alternative asset class, with the acquisition of our student accommodation property, which we'll take you through in more detail a bit later. In terms of occupancy across the portfolio, it's up to 86%. Unexpired lease term, it has increased now to 2.3 years. A loan to value of about 30% and a gross yield across the portfolio of 8.7.

Salman touched on who we are but just to give you a little bit more of a background, as this is our first call. We are ENBD REIT, which is a Shari'a compliant real estate investment trust listed on the NASDAQ Dubai. Our mandate is to invest into direct real estate within the UAE. Previously, ENBD REIT was a private fund, which has been around since 2005, so there is a long track record with this product. And it is managed by Emirates NBD Asset Management, which is a wholly owned subsidiary of the Emirates NBD Bank.

In terms of the DIFC REIT regulations, I think three key elements that we adhere to are the dividend payment needs to be 80% of your audited net income. We cannot exceed a 50% LTV. And developments, it's at 30% of our equity in the portfolio at any time. And we remain within those levels comfortably, today. In terms of the financial highlights, just quickly at a portfolio level as I mentioned the portfolio \$352 million. That works out to about 85% of the portfolio with 15% being cash, today. Gross asset value is just over \$400 million. Net asset value is just under \$300 million. At a net asset value per share of \$1.15. That's ex dividends as of the 30th of June. The dividends that was declared just before the end of that quarter was 0.038 dollars per share, so cum dividend, that was about \$1.188 per share.

The gross yield on the portfolio from the rental income only is 9.9%. And the net yield, which includes your rental and revaluations is at 7.1%. In terms of share price, as of the 30th of June, that was at \$1.08, which was about a 6% discounted in net asset value.

Looking at the real estate asset portfolio. So with our recent acquisition, we have now exceeded a million square feet. We've just gone over that. In terms of the portfolio values, our top two assets make up about 50% of the portfolio in value. Al Thuraya 1 and Burj Daman are the two largest, both offices. And then, we have increased our alternative asset sector with that acquisition of Uninest, which is at 10% of portfolio our value.

In terms of our geographic location, we still maintain offices in prime locations. So that is in Tecom with Al Thuraya. We have Burj Daman in the DIFC. And we have two office buildings in Dubai Healthcare City. In line with our strategy, we hold residential in what we consider more affordable areas. We have residential holding out in Dubailand, Remraam Development. We have an asset in Dubai Silicon Oasis and our third residential tower, Arabian Oryx House, sits in what is now called Barsha Heights. It used to be Tecom C along the Sheikh Zayed Road.

The recent acquisitions that we've acquired was the student accommodation which also sits out in Dubailand but in a location called Dubai Residential Complex at the intersection of the Al Ain Road and the 611, which is directly opposite the Al Ain Road to Academic City. And the most recent acquisition, which we've announced is the South View School. Please keep in mind, this was after the 30th of June so it's not included in any of the numbers. But that sits also in the Remraam development, along the E611.

In terms of locations, we are still 100% invested in Dubai, today. We acknowledge we are a UAE-focused fund. We do have an appetite to invest into Abu Dhabi to about 10% to 20% of the portfolio value. So we will be focusing on that in other acquisitions that are expected to come through. In terms of the investment strategy, it is to continue to build that alternative asset class. We are looking to grow that to about 20% to 30% of the portfolio. Currently sitting at 13%, following the acquisition of the South View School.

Just a point on this. While we're focusing on that alternative sector, the key feature for us is long-term leases. And those may also come through by way of offices or residential acquisitions, which can have long-term leases attached to them as well. So although the focus is alternatives, that doesn't exclude the other sectors from our acquisition pipeline as well.

Just to touch briefly on the market where we sit today. I think it's safe to say that the market has been relatively soft. What we've seen in the office market is it has been robust during the last couple of quarters. And occupancies and rates have remained at current levels. On the residential side, we have seen some softening of rental rates in the markets. There are fragments of positive signs coming back to the market, a lot hovering around the Expo 2020, in terms of contracts now being awarded and that's starting to bring positive sentiment back. But I think it's safe to say as of today, the positive sentiment has not turned that residential market, yet and we're still looking forward for that to happen in the coming quarters.

So just unpacking the portfolio a little bit more. We have a slide on, the chart on slide 13. Which, on the left-hand side, your bar chart says, looking back for the last 12 years, in terms of what the composition is of your rental income. And on the right-hand side is your annual contractual rentals

going forward as of the 30th of June. As you can see, that increases by about 10%. That's largely due to the acquisition we did with the Uninest transaction. In terms of your office rentals coming through, that's expected to remain relatively stable for the coming quarters. And potentially increasing with the additional leasing out at Burj Daman.

On the residential side...and we'll pick up on this in a bit more detail later but that is expected to come down slightly in the next quarter with the rental guarantee expiring at Binghatti Terraces in Dubai Silicon Oasis. As well as the vacating of Media Rotana from Remraam asset. And we'll give you some sort of color around both those events in the next couple of slides.

In terms of the overall occupancy, as mentioned at the start, that's at 86%, today, with, the largest impact on that number not being higher, remains Burj Daman, which is still at 56%. Similar to what it was in March.

So on the office sector, which makes up 62% of the portfolio by value, your occupancy rate across all office assets is at 78%. As I touched on, Burj Daman is keeping that low and the rest are in the 80% and 90%. For us, a key focus of this portfolio is improving the weighted unexpired lease term, so your WAULT. And on the office portfolio, Burj Daman and Dubai Healthcare 49 are doing quite nicely at over four years. Al Thuraya One, our largest asset is now under one year. That is a historical feature of this building. Where a lot of leases are signed on an annual basis. We now have an agreement with Tecom, we can enter into long-term leases. So, typically, we're signing up to three years. And we will expect that to move up in the coming months as those leases get renewed on longer terms. Dubai Healthcare City 25 typically, the leases share three to five years. This is just a point in time where we have about 40% of the building coming up for renewals in this financial year. Most of those are being negotiated again on three to five year terms, so expect that to move up, as well, across the office portfolio.

On the residential portfolio, it's just under 30% by value. Again, in terms of our occupancy, this is high. We do anticipate this will come down slightly in the September NAV numbers. Just given, like I mentioned earlier, Binghatti Terraces, this reflects the rental guarantee for the first one year post the acquisition. That rental guarantee has expired in July. So post the 30th of June NAV, the occupancy has come down. We have appointed Asteco Property Managers to manage this building for us. And they are leasing the building out at the moment. We're at around 50% occupancy, so we are seeing good traction on the leasing. And we expect that to pick up further, as we come out of summer.

On the Remraam property Media Rotana have also vacated over the summer, in July. And we have appointed property managers, Core Savills, to manage that building. They have started leasing there and we're around 20% occupied today, on the leasing out of that. So again, there is traction on both of these assets. What we expect to see is, obviously, the residential portfolio occupancy will come down in September, but that will pick up to similar levels by the end of the year.

I'll move onto, now, to our acquisitions, our two acquisitions. And take you through those, in detail. The first one being our South View School, which is out in Remraam, Dubailand. This is a build to suit opportunity at a total value of 55 million dirhams. So how it works is, we take over the ownership of the land. There is an identified operator who will manage the development through to completion, which is expected end of July 2018 to open in September of 2018. And along the way, as the REIT and the owner of the property, we will progress pay out the construction to the contractors. ENBD REIT will appoint its own cost consultant to manage that outflow of capital during the construction, we will earn 5% return on the outlays. On completion and on the school opening in September next year,

that return will increase to a 9% yield on the assets.

The operator has committed to an initial term of nine years with obligations for a further 15 years on the lease. So it effectively works out to a 24-year lease with the operator. And the ground lease is 26 years initial term, plus a renewal for 10 years. So a total of 36 years on the ground lease.

In terms of the operator, who they are -- Interstar Advisory Services. They currently manage a number of schools within the UAE and India. Probably, their most well-known school is the Victory Heights Primary School in Dubai Sports City. They also manage three Delhi Private Schools in the Gardens, Sharjah, and Academic City, as well as the Wonder Years Nursery.

They obviously have the track record in this area. What we do like about this proposal in the Remraam community is the affordability of this education offering. We have seen, over the last couple of...well, last 12 months, that there has been a bit of pressure on some of the high-end education offerings. And again, a lot of people are looking for a more affordable alternative and this fits nicely into that bracket.

The other acquisition that we acquired back in May is the purpose built student accommodation. As I mentioned this sits in the Dubai Residential Complex in Dubailand. It was purpose built by a global specialist GSA, which is Global Student Accommodation. They have entered into a sale and leased structure for seven years, so that expires in May 2024 at an 8% yield. Three years, flat for the first flat rental. And then there's a 5% increase every two years thereafter.

GSA has a well-established global track record, in terms of offering student accommodations. The founder was originally out of the UNITE group and Urbanest in the UK. As GSA they currently manage a number of student accommodation assets across Europe, Ireland, and out into the East as well. So this is their first Dubai asset and they're also looking to expand going forward as well.

So that's the portfolio. We'll obviously take questions a bit later. But before then, I'll hand over to Asif to run you through the financials. So over to you, Asif.

Asif: Thanks, Anthony. As this is our first presentation, we have detailed information available in the appendixes, about the statements. But, briefly, financial positions has three components. The first one is, investment properties, second one is Islamic deposit, and the last one is Mudaraba payable. Investment properties, as you know, we have eight properties at this moment and Anthony touched on them in detail. It's a Shari'a compliant product and we have Islamic deposits placed accordingly. So we have \$71 million either in cash or in Wakalas. Wakalas are typically three to nine months maturity but with a breakable clause, which means that at the time deployment we will not have any issues with that. Mudaraba payables, it's a five year facility at competitive rate. And we have availed \$117 million out that. And \$74 million dollars is still available with that. Once the deployment opportunities happen, we will transfer those to \$70-odd million amount to the investment properties, which will take our investment property from \$350 million dollars to half a billion dollars. With that, I'll move to the income statement.

Where, on the left-hand side you can see the bar chart is showing three components of our total income. The first one is the main one, is rental income, which is the consistent one. And then we have profit shares from Islamic Deposit. And the last one is unrealized gain.

Rental income is 12-13 up from the previous quarter. We acknowledge the historic information is not

available, here. But due to the different structures, we were unable to put that information as a comparative. But going forward, in the next presentation you will see the comparative information on a quarterly basis. So \$7.2 million dollar income is from the current portfolio, which has the unit of rental income, which is 4% up from the previous quarter. That is the main component for the 12% increase.

Then we have the profit share, which is mainly on the Islamic deposit. We have kept that amount in the deposit so that we can cover the cost on the cash. Once the deployment will happen on acquisitions, the rental income bar will go up and the profit share will diminish. Lastly, unrealized gain. Unrealized gain is on the various properties in this quarter and it's totaling \$2.5 million dollars.

Our total income is \$10 million dollars. On the right-hand side, on the bar chart, you can see that \$10 million is ending up with a net profit of \$5 million dollars, which is around 51% margin. The blue portion is operating expenses, which is mainly on the annual maintenance contract, or owner's association, or utilities cost. The orange one is fund expenses, which has the profit expense on the Mudaraba, which is around \$1.4 million dollars. The management fee, which, currently, we are paying 50% of the new money as per the prospectus. Once 80% deployment of cash will happen, then the full management fee of 1.5% will kick in. So at this moment, we are paying 50% of the management fee on the new money raised at the IPO.

We have detailed information available in the appendixes. The first one is financial position. We have touched on the main key areas investment properties, then Islamic Deposit and cash, and the last one Mudaraba facility. There are trade payables and trade receivables which is mainly the dividend of around \$9 million dollars. And then, management fee and other payables which is included in this financial position. Then in the income statement, which is the total income of \$10 million. Then operating expenses is around 16% of income and we have a margin of 85% to 84% on this operating income.

As I have already touched on the main expenses in the fund, we have around \$3.3 million expenses with one off expenses are in the range of \$500,000 to \$600,000, which will not repeat in the Q3. We have 51% margin. As one-off expenses will go out, our margin will increase to 56%. And if we strip out the unrealized gains then we will end up with a low 40% margin. With that, we are open to any questions. I'll hand it over to Mohamad. Thank you.

Operator: Thank you. Ladies and gentlemen, we will now start our question and answer session. If you wish to ask a question, please press zero-one on your telephone keypad. Thank you for holding. Our first question comes from Ankit Gupta, SHUAA Capital. Please, go ahead.

Ankit: Hello, gentlemen. Thanks for the call and taking my questions. I have primarily questions related to the properties, which you are currently leasing in the residential space for, say, Binghatti Terraces and Remraam. If you can give us some color on what are the passing rates rental ratios realizing per square foot? That would, indeed, be helpful. Thank you.

Anthony: So, thanks, Ankit it's Anthony, here. On Binghatti Terraces, we don't typically look at rental rates on a per square foot basis. For the residential properties, we look at them per unit. And there is obviously quite a big range in composition of the unit rates around the building. But I think it's safe to say that in terms of what we had on our rental guarantee for the building of about \$14.5 million, what we have seen over the last couple of months with what the market is comfortable in paying is that that's probably down by about 10%. So we'll be looking for a total gross income from properties at around the AED13 million to AED13.5 million once we are fully occupied.

Ankit: Thanks, Anthony. On that note, what are the expenses related to the property manager on this one? What you will end up paying Asteco?

Anthony: They get paid a rate around 2% of the gross rental income.

Ankit: Thanks. What about the other one, Remraam?

Anthony: It's at a similar rate, as well.

Ankit: No. I mean like are you looking at it again, as a square foot basis over there? Or, again, as a unit basis? And what are your indications based on recent contractual income guarantee, which was around 10.1% gross yield? What are we looking at on that basis if you were to assume 100% occupancy?

Anthony: Yes, I think they would also expect to see about 10% of the previous gross rental that was paid. If I recall correctly, that was about AED 8.4 million by Media Rotana. And so that will come down into the sort of mid to low AED 7 million on Remraam.

Ankit: Thank you, that's helpful.

Operator: Our next question comes from Dawod Alghoul, Amanat Holdings. Please, go ahead.

Dawod: Thank you for taking my question. My question is related to the share price. Right now, it's substantially below the NAV that you just showed to us in the presentation. Also, we noticed that post the dividends declaration, the price went through below one dollar. And I was wondering for the reason for such a decline?

Anthony: Thank you. It's...I can't give an exact reason for why the share price is at where it is today. I think where we were at the IPO, in terms of our strategy and our deployment for the proceeds raised, we went out saying that we would probably looking to a three to nine month deployment, obviously, targeting the earlier of that range at the time of listing. We're now six months in and we've executed the two acquisitions but there is a large amount of cash still waiting to be deployed. And that may have some element on the share price. But in terms of the dividend that we paid out in June at 6.4%, that was slightly off the 7% target. Again, it probably doesn't reflect why the share price is trading at where it is, today.

Salman: Sorry. Just to add to that. This is Salman, here. So I think that's a fair question. And, look, it's something that we obviously track quite closely. As Anthony touched on, you know, you've got a couple of factors, here. One, obviously, we've got the slow summer months. So from a volume point of view, the exchanges are low even if you look at daily trade liquidity on the DFM. So separate from the stock, we have been in a fairly quiet zone.

The other specific thing is, we're obviously restricted, in terms of what we can communicate. But the key thing, if you think about from a story point of view, so post what was actually put out during the IPO, is how the cash gets deployed. Now, we've had a limited chance to do that. But we're pretty confident that in the coming weeks, you will be seeing more information coming out. And that then gives other prospective investors more of an insight into...and confidence, in terms of the track record of the deployment and where that leaves the portfolio going forward. So at the moment, obviously, the portfolio's got a fair amount of cash that is sitting there. So it's not utilizing the optimum yield as

the portfolio had forecast to do or will be doing going forward. But within a very short period of time, as sort of this type of information come out, I think we would see...and our expectation would be that you would see a lot more of a bid come through for the stock. And that should have enough lifting effect on the portfolio and the share price.

Dawod: Thank you.

Operator: Ladies and gentlemen, as a reminder, if you wish to ask a question, please press zero-one on your telephone keypad. Ladies and gentlemen, I would like to remind you, if you have any further questions, please press zero-one on your telephone keypad. Our next question is from Mohamad Haidar. Please, go ahead.

Mohamad: Thank you. Hello, everybody. I have a question on dividends. I know that the policy is to distribute at least 80% of audited net income. So should we think of this payout...or should we apply it on the cash profit or on the reported profit, which it also includes the non-cash gained? That's my first question. My second question, what are you targeting in for 2017 dividends in absolute terms? Should we expect growth over last year's distributions or flat dividends? Or are you targeting to maintain a dividend, here, similar to what you recently achieved? Thank you.

Anthony: Thanks, Mohamad. I think just to address the first part of the question. On the 80% of annual net income, that is a guideline by the DFSA regulations. It is our intention to distribute as much of our net income as possible. For the first six months of ending 30th of June, we distributed close to 100% and there was an element of revaluation gain in that amount. As we invest the remaining cash and draw on the debt facility, we expect to see that revaluation gains getting replaced by contractual rental income. So for the financial year ending March, we expect the contractual income to be a large component of the dividend that's been paid.

In terms of what we distributed last year, for the 12 months, ending in December, we had distributed a 5.8% dividend. Our expectation this year is that will be distributing close to 7%. So it is expected to improve. And again, with the change in structure and deployment of the capital into assets, that will be largely made up of the rental revenue generated.

Mohamad: That's very helpful. Thank you. I have another question on the leasing activity in Burj Daman. So we know it's currently at roughly 55% occupancy. So does the remaining 45% occupancy require any type of additional capex renovation or design capex before it could made available to the public. And what type of units are currently offered at Burj Daman? Are they core and shell or serviced units? And if you can share the leasing rate or the rents on each type of units please?

Anthony: Sure. So to start with, in terms of our holding at Burj Daman. We have already gone out and spent capital expenditure on fitting out the different units to different levels of the building. On the tenth floor we've fitted out to Category A fit out, which is your ceilings, all your fire systems, obviously the raised flooring is in the building already and this means the tenant can move in a lot quicker with their internal fit out and be up and running.

On the fourteenth floor, we have subdivided the space into units, which range from just over 2,000 square feet up to about 5,000 square feet per unit. We have fitted it out with partitions. We have left the ceilings and the fire systems out. The reason for that is some tenants do look for flexibility when they move into a space. And if we go in and put in those services, they typically get removed if the tenant requires a slightly different areas to what's been created. So we have combinations to facilitate

different types of tenant's requirements and that same finish is on the fifteenth floor. Where we have a tenant has taken half of that space and they have, at their cost, subdivided it. So effectively, we have a partitioned unit with no ceilings or fire systems on the 15<sup>th</sup> floor.

So in terms of our capital expenditure for the space, we do not expect that to increase, in terms of the leasing that we anticipate to come forward now. I do caveat that by saying, there is always the opportunity to incentivize tenants coming into the building, where you offer the tenant themselves a fit out contribution. It is something that we would look at. But that gets added to the total rental that they pay and amortized over the term of their lease. So it is a recovery that we would get back. And that tenant with that type of incentive would be paying above market rates for the rental.

In terms of where we're seeing rates, today, in the building. Those range between AED 220 per square foot, this is on a net basis. You have to add the service charge to that which is around 30 dirhams a square foot, up to about 250 per square foot for some of the smaller areas.

Asif: Asif, here, also. In addition to Anthony's point. Owner's Association cost for the full tenth, fourteenth, and half of fifteenth floor. So we will not have to incur any additional cost if we would lease it out.

Mohamad: That's perfect. Thank you, both of you. Thank you.

Operator: Ladies and gentlemen, as a reminder, if you have any further questions, please press zero-one on your telephone keypad. We have no further questions. Mr. Mohamad Haidar, back to you for the conclusion.

Mohamad: Thank you. Thank you, everybody for joining the call. Anthony and the management team, if you have any closing remarks, the floor is yours.

Anthony: Thank you, Mohamad. I'd just like to say thank you to everyone who joined the call, today. It's obviously the first of many to follow. If there are any suggestions that you have, in terms of how we present these numbers, if you'd like to see ratios or numbers presented elsewhere, please contact us, our details are on the website and we will look to include those in presentations going forward.