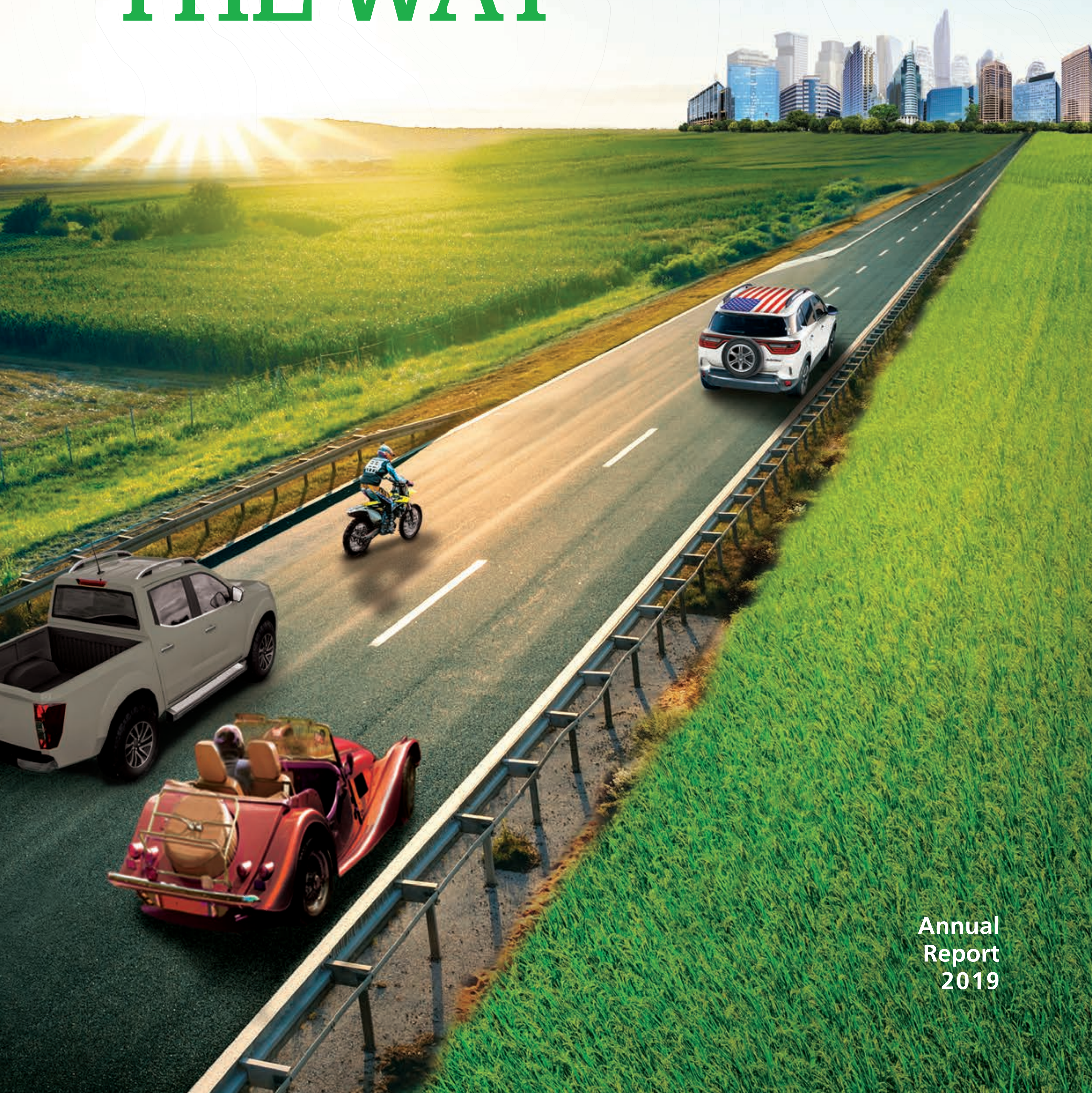
Manulife
US REIT

LEADING THE WAY



Annual Report 2019

ABOUT MANULIFE US REIT

Manulife US Real Estate Investment Trust (MUST or the REIT) is a Singapore Real Estate Investment Trust (REIT) listed on the Singapore Exchange Securities Trading Limited (the SGX-ST) since 20 May 2016.

MISSION

To provide Unitholders with sustainable distributions while maintaining an appropriate capital structure

VISION

To remain the leading U.S. office real estate investment trust backed by a portfolio of high-quality properties

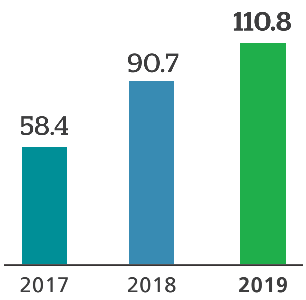
Its investment strategy is principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. MUST's portfolio comprises nine prime, freehold, Trophy or Class A quality office properties strategically located in California, Atlanta, New Jersey, Washington, D.C. and Virginia with a combined asset value of US$2.1 billion as at 31 December 2019.

Manulife US 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 providing forward-thinking solutions to help people with big financial decisions. It operates as John Hancock in the U.S., and Manulife elsewhere providing financial advice, insurance and wealth and asset management solutions for individuals, groups and institutions.

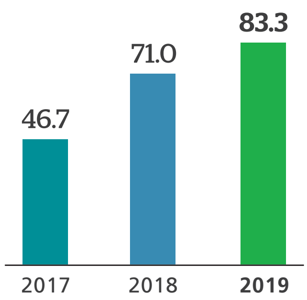
CONTENTS

FY2019 FINANCIAL AND PORTFOLIO HIGHLIGHTS

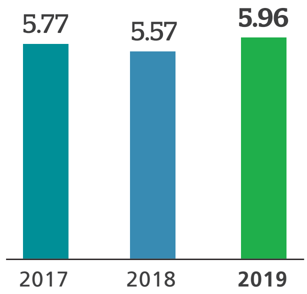
Net Property Income (NPI)
(US$ million)



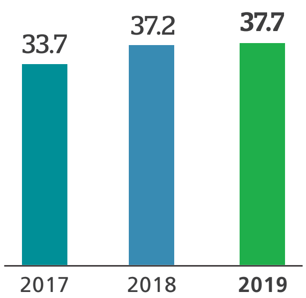
Distributable Income
(US$ million)



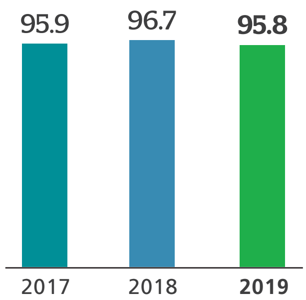
Distribution per Unit (DPU)
(US cents)



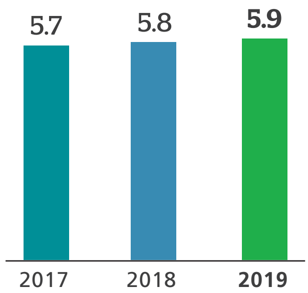
Gearing Ratio
(%)



Occupancy Rate
(%)



Weighted Average Lease Expiry[1]
(WALE) (years)

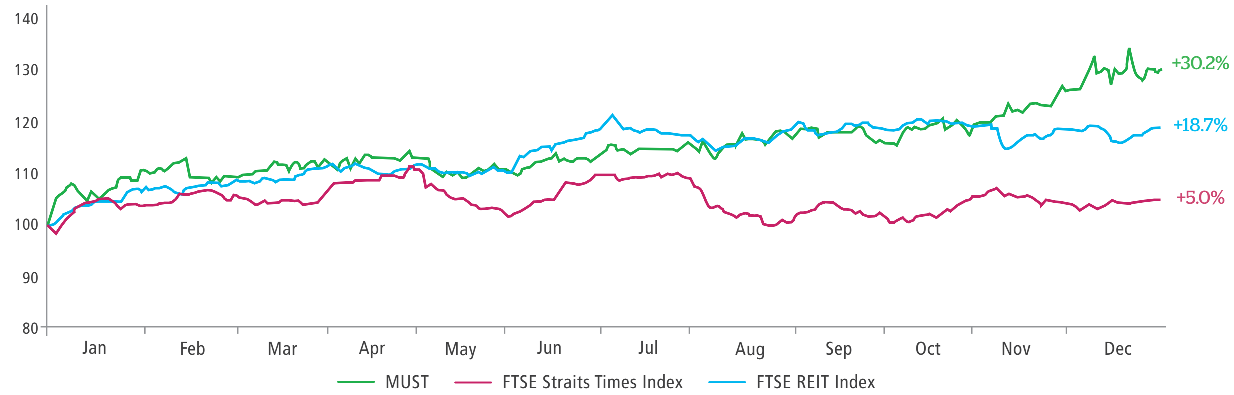


Key Financial Indicators	FY2019	FY2018	FY2017
Gross borrowings (US$ million)	**816.9**	670.8	461.9
Gearing ratio (%)	**37.7**	37.2	33.7
Weighted average cost of debt (%)	**3.37**	3.27	2.83
Weighted average debt maturity (years)	**2.8**	2.7	3.4
Interest cover ratio (times)	**3.8**	4.2	5.5
Market capitalisation (US$ billion)	**1.6**	1.0	0.9

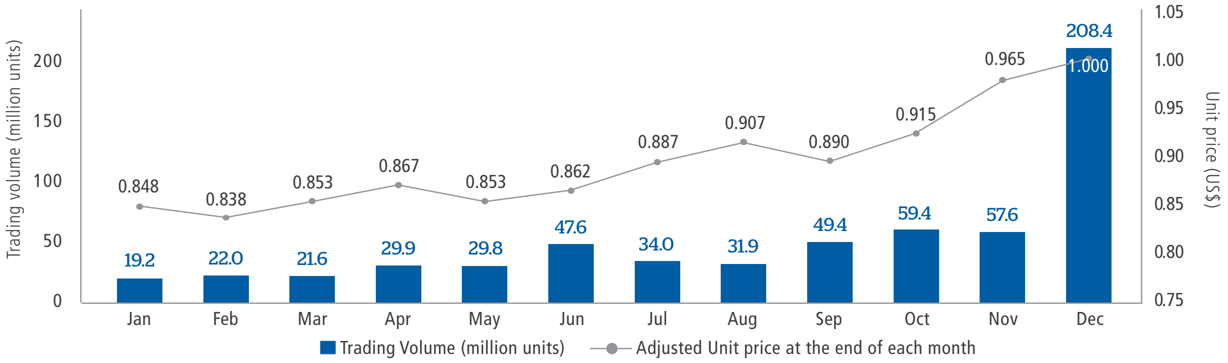
Portfolio	FY2019	FY2018	FY2017
Assets under Management (AUM) (US$ billion)	**2.1**	1.7	1.3
WALE[1] (years)	**5.9**	5.8	5.7
Occupancy rate (%)	**95.8**	96.7	95.9

1 By Net Lettable Area.

Relative Price Performance for the Period 2 January to 31 December 2019 (%)



Monthly Trading Performance



Unit Price Performance[1]	
Opening Unit price as at 2 January 2019[2] (US$)	0.768
Closing Unit price as at 31 December 2019 (US$)	1.000
High (US$)	1.050
Low (US$)	0.767
Average daily trading volume in FY2019 (million units)	2.44
Total trading volume in FY2019 (million units)	610.49
Market capitalisation as at 31 December 2019 (US$ billion)	1.6
Number of Units in issue as at 31 December 2019 (units)	1,568,672,703

FY2019 Distributions

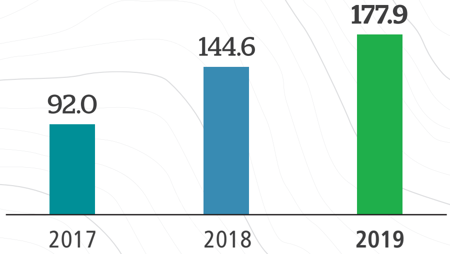
Manulife US REIT's distribution policy is to distribute at least 90.0% of its annual distributable income on a semi-annual basis. Since IPO, MUST has distributed 100.0% of its distributable income.

Financial Period	DPU (US cents)		Payment Date
	Tax-exempt Income[3]	Capital[4]	
1 January to 8 May[5]	1.21	0.93	30 July 2019
9 May to 30 June	0.53	0.37	27 September 2019
1 July to 29 September[6]	1.00	0.47	29 November 2019
30 September to 31 December	1.00	0.45	27 March 2020

1 Adjusted for rights issue and preferential offering.
2 Same as closing price as at 31 December 2018.
3 Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.
4 Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Manulife US REIT Units, the amount of capital distribution will be applied to reduce the cost base of their Manulife US REIT Units for Singapore income tax purpose.
5 Advanced distribution in relation to the private placement announced on 29 April 2019.
6 Advanced distribution in relation to the private placement announced on 19 September 2019.

ON THE RIGHT TRACK

Gross Revenue
(US$ million)



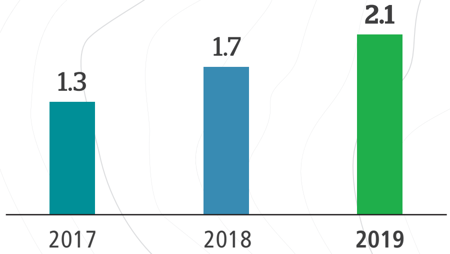
US$177.9 million

▲ 23.0% YoY

PENN
1750 PENNSYLVANIA AVE,
WASHINGTON, D.C.

GOING PLACES

AUM
(US$ billion)



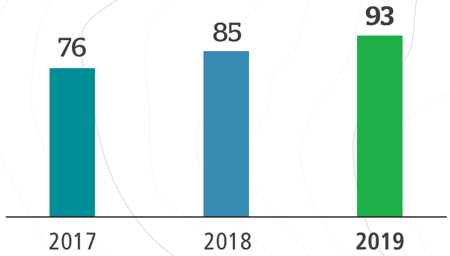
US$2.1 billion

▲ 20.5% YoY

CAPITOL
400 CAPITOL MALL,
SACRAMENTO, CA

GROWING RESPONSIBLY

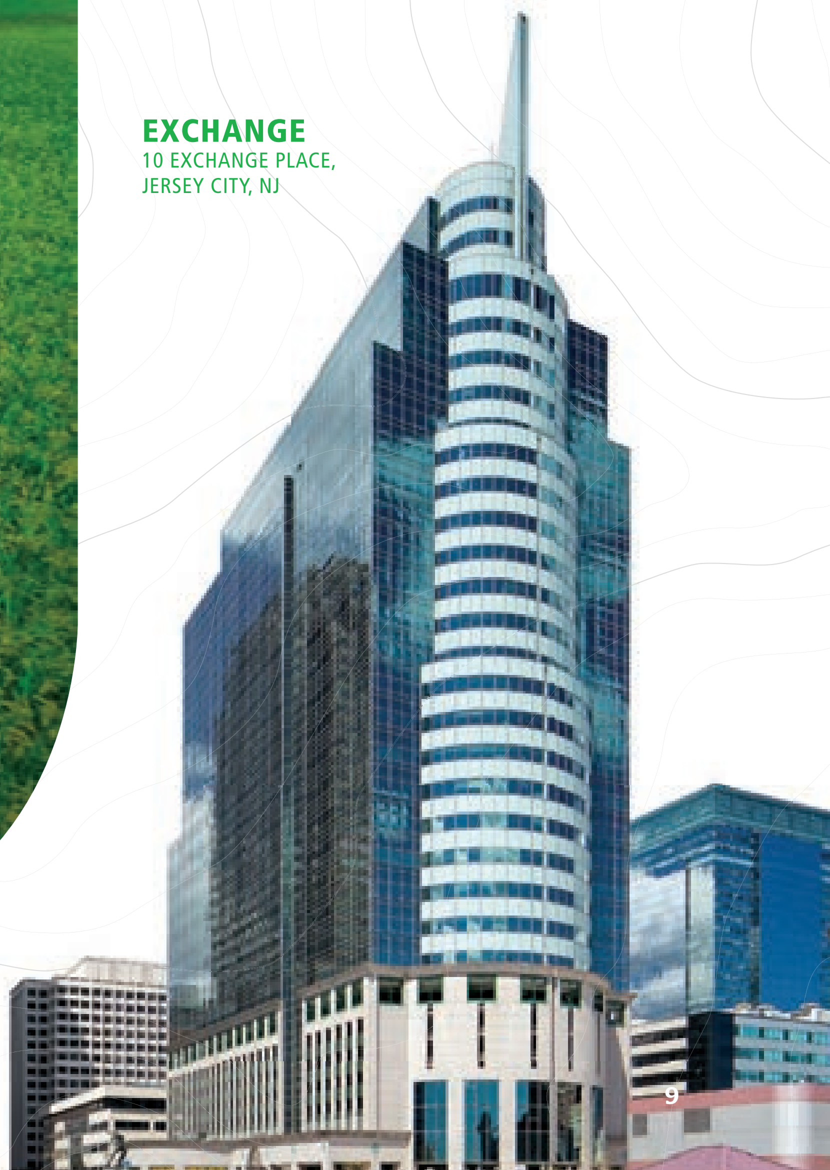
Global Real Estate Sustainability Benchmark (Score)



93

out of 100
3rd out of 12 listed U.S. office REITs

EXCHANGE
10 EXCHANGE PLACE,
JERSEY CITY, NJ



MESSAGE TO UNITHOLDERS

Dear Unitholders

On behalf of the Board of Directors and the Manager, we are pleased to report MUST's annual report for its financial year ended 31 December 2019 (FY2019).

FY2019 was the best year for MUST since its listing in May 2016. Implementing our strategy of securing accretive deals, diversifying our tenant representation and institutionalising our investor base, we achieved great success in becoming Singapore's U.S. REIT of choice. Year-on-Year (YoY), our Unit price increased 30.2% from US$0.768 to US$1.000. In FY2019, we delivered a stellar Total Shareholder Return (TSR) of 42.1% and MUST was ranked 6th out of 40 SREITs by TSR.

2019 ended on a high note when MUST achieved entry into the FTSE EPRA Nareit Global Developed Index. Post the index inclusion, our Unit price reached a high of US$1.050 with massive average daily trading volume for December 2019 of 9.9 million Units.

Testament to the execution of our business strategy, institutional investors now make up approximately 60.0% of our share register, excluding our Sponsor stake. This will promote stability enabling greater agility in our growth strategy over the decade ahead. Being the first U.S. REIT to be listed in Asia, we will continue to lead by example and deliver sustainable returns.

Robust Growth, Focused Acquisition Roadmap

Despite challenging global macroeconomic conditions, the U.S. economy continued to power on through 2019 and MUST rode the upswing to report strong NPI of US$110.8 million and distributable income of US$83.3 million, a YoY growth of 22.2% and 17.4%, respectively. In line with this robust performance, MUST declared distributions of 5.96 US cents per Unit for FY2019.

As at 31 December 2019, MUST's total AUM increased by US$356.3 million or 20.5%, to over US$2.1 billion boosted by the acquisitions of Centerpointe and Capitol.

MUST ended 2019 recording a long WALE of 5.9 years by Net Lettable Area (NLA) and a high committed occupancy rate of 95.8% compared to the U.S. Class A office average of 87.8%[1]. In addition, the portfolio achieved a positive rental reversion, and increased the diversity of its tenant base across multiple high-performing trade sectors with no single tenant contributing more than 5.9% of Gross Rental Income (GRI).

Having executed close to 445,200 sq ft of leases with long tenures averaging 7.9 years by NLA in FY2019, our further fortified and highly-quality portfolio will remain resilient during economic and market turmoil. Overall, we enhanced Unitholders' value through organic and inorganic growth, leading to higher property valuations.

We continue to rejuvenate our buildings in order to maintain their top-quality status and improve their sustainability factors. Through Asset Enhancement Initiatives (AEI), we will maintain the desirability of our properties to tenants enabling them to attract highly skilled office workers to our attractive live, work, play locations. The US$8.0 million lobby renovations at Figueroa, including a café and exterior landscaping, were completed in 1Q2020 and are already drawing more leasing enquiries. Similarly, we have continued the major US$12.0 million AEI facelift to the Exchange lobby plus security and elevator improvements, which will last for some 10-15 years. These improvements are delighting existing and prospective tenants alike and enabling us to drive rental rates.

To further increase diversity in the REIT's source of property income, we acquired two yield-accretive assets in 2019. These two properties, totalling approximately US$320.8 million are located in Virginia and Sacramento. MUST now owns nine premier U.S. Trophy/Class A buildings in key locations and top metropolitan statistical areas that are expected to remain resilient over the long term and also offer a pathway to growth.

Prudent Capital Management

MUST's gearing stood at 37.7% as at 31 December 2019, providing ample debt headroom for further acquisitions. As we work to grow our assets in 2020 and beyond, we will continue to manage our capital structure in a prudent manner and maintain gearing well within the current regulatory limit of 45.0%.

In May 2019, we secured a US$193.0 million 5-year committed credit facility from a Singapore-based bank club. It consisted of a term loan of US$33.0 million for the Centerpointe acquisition, a term loan of US$110.0 million to refinance the Figueroa mortgage and a US$50.0 million revolving credit facility. The 5-year term loan of US$33.0 million to partly fund the Centerpointe acquisition had a fixed rate of 3.77%.

On 12 July 2019, the Figueroa mortgage, good news facility and other costs totalling US$117.0 million was refinanced with a term loan of US$110.0 million and a US$7.0 million drawdown under the revolving credit facility. MUST benefitted from the low interest rate environment by locking in the US$110.0 million term loan at a fixed rate of 3.25%.

Following the financing of Capitol in October 2019 with a term loan at an attractive rate of 3.04%, the REIT's weighted average interest rate was reduced to 3.37%. As at 31 December 2019, MUST's weighted average debt maturity was 2.8 years with 95.1% of its loans fixed.

We will continue to increase MUST's financial flexibility by diversifying our sources of funding, lengthening our

1 CoStar report dated 2 January 2020.

weighted average debt maturity and unencumbering the remaining mortgages on our properties as appropriate.

High-Touch Stakeholder Engagement

During the year, we intensified our engagement with our Unitholders and the wider investment community. The key thrust was to add to the market's collective understanding of the U.S. economy and its commercial environment. As the first listed U.S. office REIT in Asia, we believed it was important to share our knowledge of the U.S. and its real estate sector. Besides participating in external panel discussions and investor education forums, we also organised thought leadership events branded the Green Dot Series in order to broaden investors' appreciation of U.S. REITs. More information on this can be found in the Investor Relations (IR) section and the Sustainability Report.

In addition, we organised IR events, such as our interactive conference style Investor Day 2019 which was well attended by close to 450 retail investors, as well as social events for analysts, media and investors. The Manager also arranged U.S. sites visits for analysts and media to gain a deeper understanding of the U.S. commercial sector and MUST's portfolio.

To cater to the increased following of financial bloggers, we collaborated with them to roll out a series of U.S. thought leadership articles to reach the ever-widening world of social media savvy investors.

At the end of 2017, proposed changes to the U.S. tax regulations (Proposed 267A Regulations) caused concern amongst investors as to the future level of tax they might have to pay on the REIT's assets or DPU. Once the regulations were clarified in December 2018, we invited our U.S. tax advisor over to Singapore and in January 2019 conducted tax seminars for analysts, media and investors. He explained the reasons why MUST does not expect the regulations to have any material impact on the consolidated net tangible assets and DPU of the REIT.

For further details of the Manager's IR programmes, please refer to the IR section on page 54 of the Annual Report.

Rising Industry Recognition

In order to build MUST as a trusted brand, we continue to raise the bar in transparency and investor engagement by further strengthening our corporate disclosure. In terms of corporate governance, MUST remained part of the SGX Fast Track Programme, and ranked 6th out of 46 REITs and Business Trusts by the Governance Index for Trust (GIFT) 2019.

Separately, our high-touch IR strategy was recognised by the investment community and IR professionals, garnering the highest number of nominations at the IR Magazine Awards – South East Asia 2019. Overall, MUST was declared winner for the Best in Country: Singapore and the Best Investor Relations Officer (Small to Mid-cap) categories.

MUST was recognised at the SIAS 20th Investors' Choice Awards 2019, with runner-up awards for the Singapore Corporate Governance, REITs & Business Trusts and Sustainability Award, REITs & Business Trusts.

Going forward, MUST will continue to lead the way by adopting the highest standards of corporate governance and IR practices, engaging stakeholders and standing at the forefront of U.S. office real estate thought leadership.

Hsieh Tsun-Yan
Chairman

Jill Smith
Chief Executive Officer

MESSAGE TO UNITHOLDERS

Growing Responsibly and Sustainably

In line with the growing importance of Environmental, Social and Governance (ESG) to investors and to MUST as a company, we have included sustainability as an integral part of our operations to ensure MUST's long-term business success.

In FY2019, we achieved significant progress in our sustainability journey, having attained a score of 93 and ranking 3rd out of 12 listed U.S. office REITs by the independent and highly regarded Global Real Estate Sustainability Benchmark (GRESB).

In terms of our Corporate Social Responsibility (CSR) programmes, MUST continued to promote its mission of Living through Giving. We actively gave back to communities not only in monetary terms but also participated in activities with a focus on the elderly. In order to support social enterprises as well as encouraging greater empathy for those who are less fortunate, we made a point of procuring the products and services of such businesses. We believe that this promotes financial independence which will be more sustainable for the beneficiaries in the long run.

To find out more about the Manager's CSR activities, please refer to the External Relations section in the Sustainability Report.

U.S. Outlook

In 2019, the U.S. annualised real Gross Domestic Product (GDP) grew by 2.3% led mainly by consumer and increased government spending offset by lower business investment. The unemployment rate was 3.5% which is near a 50-year low and U.S. workers benefitted from increasing hourly wages. All parts of the U.S. economy benefitted in 2019 from the U.S. Federal Reserves (Fed) three interest rate cuts which were driven by heightened trade tensions and fears over the outlook for the global economy.

A healthy U.S. economic backdrop combined with low interest rates will continue to drive the U.S. office real estate sector. In 2020, MUST stands to benefit from lower refinancing costs and lower debt funding for accretive acquisitions.

In light of the evolving risks to economic activity posed by the COVID-19 outbreak, the Fed cut interest rates by 50 basis points on 3 March 2020. The inter-meeting emergency cut is intended to provide meaningful support to the economy and help sustain U.S. economic expansion. While the fundamentals of the U.S. economy remain strong, further cuts this year are anticipated as the Fed closely monitors developments and their implications for the economic outlook. With increasing risks to global growth, U.S. and global investors are expected to continue to seek safe havens for their investments in US dollar-denominated high quality assets that offer stable yields.

Note of Appreciation

Having completed four years of rapid growth, the REIT is now in a strong position as the U.S. REIT of choice. We wish to express our appreciation to our Board of Directors, management team and staff for their strategic counsel and dedication to the REIT.

To our many existing and new Unitholders, we are deeply appreciative of your support. We also thank our Sponsor, business partners, advisors, tenants, and wider members of the investment community for their strong support.

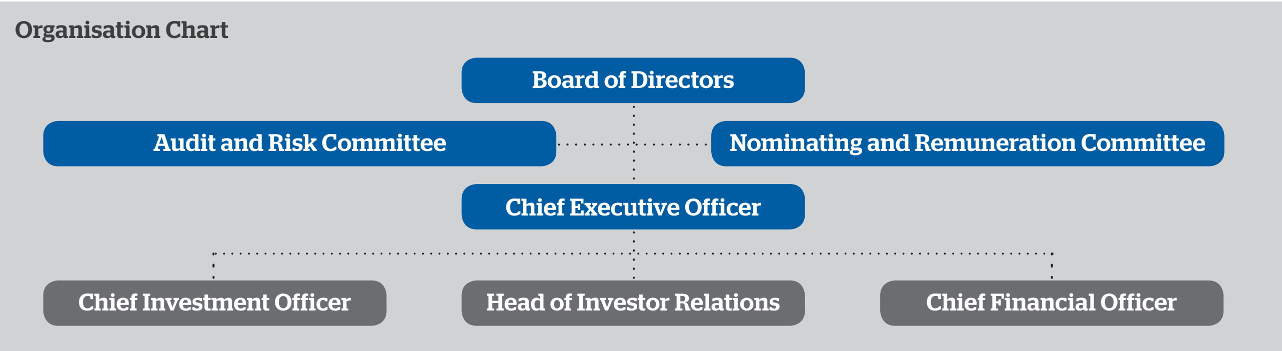
At this juncture, we wish to express our sadness on the loss of Mr Ho Chew Thim, Independent Non-Executive Director and Audit & Risk Committee Chairman who passed away in August 2019. Mr Ho was an inaugural member of the Board and we would like to place on record our appreciation for his invaluable contribution and dedicated service in the past three years.

We would like to extend our warmest welcome to Mr Stephen James Blewitt as Non-Independent and Non-Executive Director and Dr Koh Cher Chiew Francis as Independent and Non-Executive Director. We look forward to their counsel and guidance as we bring the REIT to greater heights in the decade ahead.

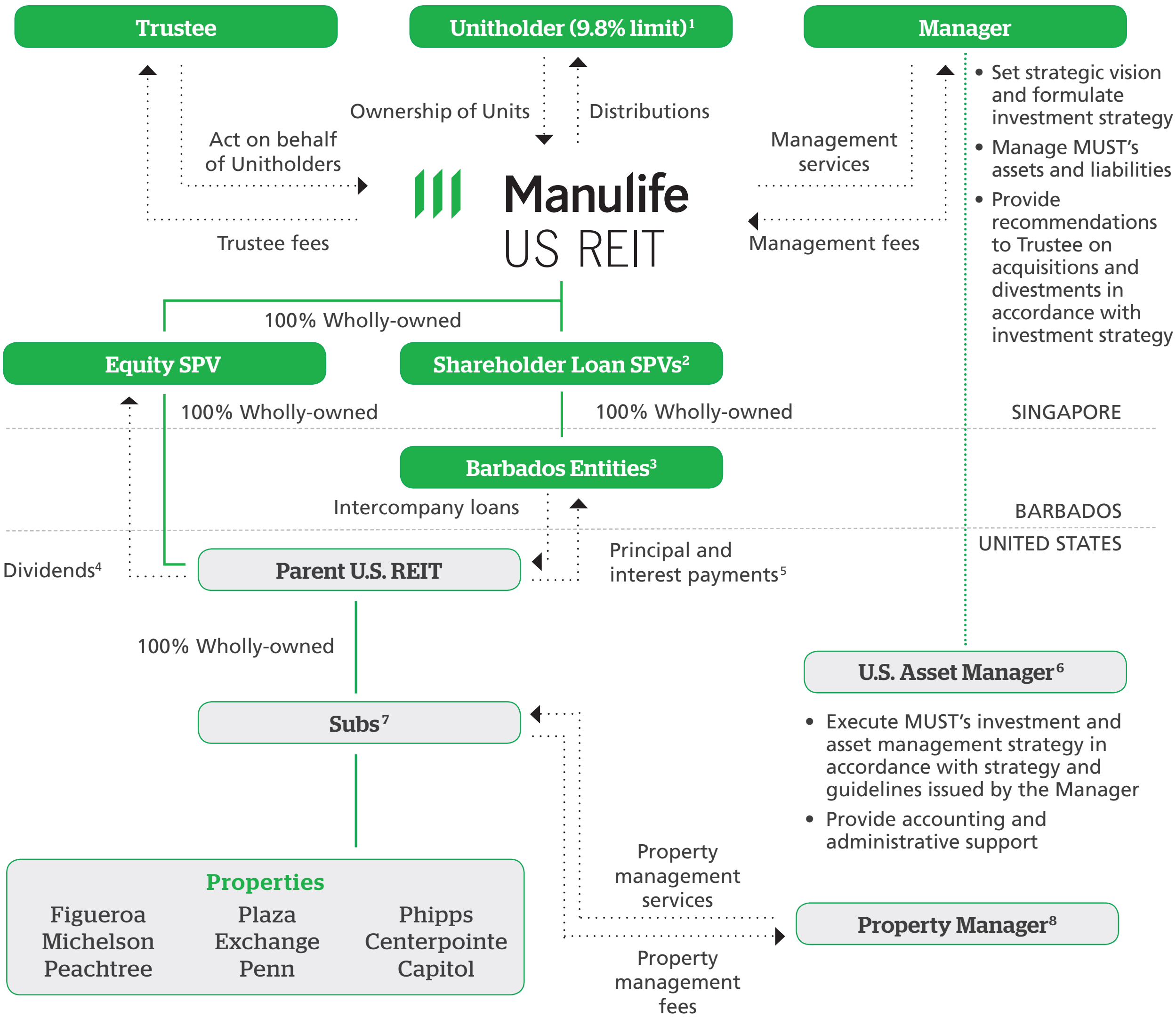
Hsieh Tsun-Yan
Chairman

Jill Smith
Chief Executive Officer

ORGANISATION CHART/TRUST AND TAX STRUCTURE



Trust and Tax Structure



1 No single investor to hold more than 9.8% (including the Sponsor) - 'Widely Held' (No more than 50% of shares can be owned by five or fewer individuals) rule for REITs in U.S.
2 There are seven wholly-owned shareholder loan SPVs and six of them have each made equity investments in two wholly-owned Barbados entities which had formed a Barbados limited partnership.
3 The Barbados limited partnerships have extended intercompany loans to the Parent U.S. REIT and the interest income on the loans is taxed in Barbados.
4 Subject to 30% withholding tax.
5 Principal repayments are not subject to U.S. withholding taxes. Interest payments that are finally distributed to Unitholders are not subject to U.S. withholding taxes, assuming Unitholders qualify for portfolio interest exemption and provide appropriate tax certifications, including an appropriate IRS Form W-8.
6 The U.S. Asset Manager is a subsidiary of the Sponsor.
7 Each Sub holds an individual property.
8 The Property Manager has entered into a master property management agreement with the Parent U.S. REIT and a property management agreement with each Sub.

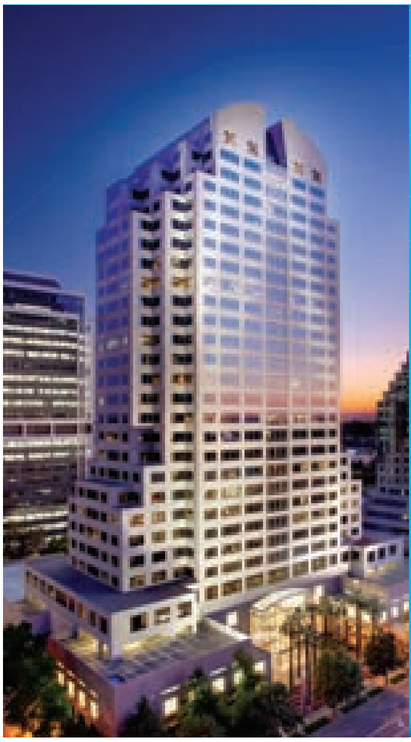
CREATING VALUE

The Manager recognises the importance of driving value creation and is committed to deliver long-term value to its Unitholders and stakeholders. Its long-term success is driven by its key strategies: (1) Organic Growth, (2) Inorganic Growth, (3) Capital Management and (4) Growing Responsibly.

ORGANIC GROWTH	INORGANIC GROWTH	CAPITAL MANAGEMENT	GROWING RESPONSIBLY
Increase distributions through proactive leasing while maintaining optimal occupancy levels	Yield-accretive acquisitions of Trophy/ Class A properties in key locations with strong fundamentals from 3rd parties or Sponsor	Optimise capital structure and increase financial flexibility	Make a difference through positive and purposeful contribution

FY2019 Achievements

Organic Growth	Inorganic Growth	Capital Management	Growing Responsibly
• FY2019 DPU increased to 5.96 US cents +7.0% YoY • High occupancy of 95.8% • Long WALE of 5.9 years	• Acquired two yield-accretive assets totalling US$320.8 million • AUM increased to US$2.1 billion +20.5% YoY • Market capitalisation increased to US$1.6 billion +59.6% YoY	• Refinanced Figueroa loan at 3.25% and unencumbered the property • Low gearing of 37.7% • Raised US$236.7 million via private placements and preferential offering	• Eight properties are either LEED™ certified or ENERGY STAR® • Recognised by SIAS and IR Magazine Awards for sustainability, governance and IR excellence



OUR SUCCESS STORY - CAPITOL, SACRAMENTO

In September 2019, MUST announced its acquisition of Capitol[1], a freehold, LEED™ Platinum and ENERGY STAR® certified top Class A office building for US$198.8 million.

Capitol is located in Sacramento, the capital of California - 5th largest economy in the world. Sacramento is widely recognised as the premier location for large corporations with government, law and lobby interests. The city is one of the most attractive business hubs in Western U.S. due to its relatively low cost of doing business, favourable labour environment, and extensive transport infrastructure.

Towering above the CBD and located in a live, work, play environment, this 29-storey property had a high occupancy of 94.9% and long WALE of 5.9 years at the point of acquisition. The property has best-in-class features, including distinctive design, 5-star onsite amenity base and high efficient building system.

The current average in-place rent of the property is approximately 11.5% below the potential asking rate of the property.

This highly accretive acquisition not only lowered our gearing, its equity fund raising of US$142.7 million also propelled MUST into the FTSE EPRA Nareit Global Developed Index.

1 Refer to SGX announcement dated 19 September 2019.

KEY EVENTS

2019

February
- FY2018 DPU decreased 3.5% YoY to 5.57 US cents

March
- Organised conference style Investor Day 2019
  - Launched Green Dot Series – a thought leadership initiative

April
- Annual General Meeting (AGM)
- 1Q2019 DPU increased 22.8% YoY to 1.51 US cents
- Announced acquisition of Centerpointe, Virginia for US$122.0 million
- Raised gross proceeds of US$94.0 million through private placement

August
- 2Q2019 DPU increased 17.7% YoY to 1.53 US cents
- Ranked 6th out of 46 REITs & Business Trusts by GIFT 2019

September
- Announced acquisition of Capitol, Sacramento for US$198.8 million
- Raised gross proceeds of US$142.7 million through private placement and preferential offering
- Received a score of 93 in GRESB 2019
- SIAS 20th Investors' Choice Awards 2019 – Runner-up for sustainability and governance

November
- 3Q2019 DPU decreased 2.0% YoY to 1.48 US cents
- Remained in the SGX Fast Track programme

December
- Winner: IR Magazine Awards – South East Asia 2019
  - Best Investor Relations Officer (Small to Mid-cap)
  - Best in Country - Singapore
- Entered into FTSE EPRA Nareit Global Developed Index

2020

February
- FY2019 DPU increased 7.0% YoY to 5.96 US cents

BOARD OF DIRECTORS

Hsieh Tsun-Yan
Chairman
Non-Executive Director

Academic and Professional Qualifications
- Bachelor of Science in Mechanical Engineering, University of Alberta
- Master of Business Administration, Harvard Business School

Date of First Appointment as a Director
- 17 June 2015

Date of Last Reappointment as a Director
- 15 May 2018

Length of Service as a Director (as at 31 December 2019)
- 4 years and 6 months

Board Committee Served on
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies
- Manulife Financial Corporation, Canada (Director)
- Singapore Airlines Limited (Executive Committee)

Present other Principal Commitments
- LinHart Group, Singapore (Lead Counsellor and Chairman)
- The Manufacturers Life Insurance Company (Director)
- National University of Singapore (NUS) Business School (Management Advisory Board Member)
- NUS Business School and Lee Kuan Yew School of Public Policy, Singapore (Provost's Chair Professor)
- The Institute of Policy Studies, Singapore (Academic Panel Member)
- Singapore Institute of Management (Governing Council Vice Chairman)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Singapore Institute of Management Pte. Ltd (Director)
- Duke-NUS Graduate Medical School, Singapore (Governing Board Member)

Experience
- Over 30 years of experience in international business, leadership development and corporate transformation
- Previously Director at McKinsey & Company

Lau Chun Wah @ Davy Lau
Independent
Non-Executive Director
Lead Independent Director

Academic and Professional Qualifications
- Bachelor of Arts, Tokyo University of Foreign Studies
- Master of Economics, Hitotsubashi University

Date of First Appointment as a Director
- 17 June 2015

Date of Last Reappointment as a Director
- 15 May 2018

Length of Service as a Director (as at 31 December 2019)
- 4 years and 6 months

Board Committee Served on
- Nominating and Remuneration Committee (Chairman)

Present Directorships in other Listed Companies
- International Housewares Retail Company Limited (Director)
- Eagle Hospitality REIT Management Pte. Ltd., manager of Eagle Hospitality Real Estate Investment Trust (Director)
- Eagle Hospitality Business Trust Management Pte. Ltd., trustee-manager of Eagle Hospitality Business Trust (Director)

Present other Principal Commitments
- DGL Group Inc., BVI (Chairman and Director)
- IVC Global Partners Pte Ltd, Singapore (Director)
- Sentiens Asia Pte Ltd, Singapore (Director)
- Hong Kong-ASEAN Economic Cooperation Foundation, Hong Kong (Director)
- Japan Home (Retail) Pte. Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Make-A-Wish Foundation (Singapore) Limited (Director)
- Ocean Rich Group Ltd, BVI (Director)
- AL Group Limited (Director)
- Gooute Pte Ltd, Singapore (Director)
- United World College of South East Asia, Singapore (Board of Governors)
- United World College of South East Asia – East, Singapore (Board of Governors)

Experience
- Over 20 years of experience in investments, advisory and executive search

Academic and Professional Qualifications
- CIMA, University of Central London
- Chartered Institute of Management Accountants, Fellow Member
- Chartered Global Management Accountants, Member

Date of First Appointment as a Director
- 17 June 2015

Date of Last Reappointment as a Director
- 15 May 2018

Length of Service as a Director (as at 31 December 2019)
- 4 years and 6 months

Board Committee Served on
- Audit and Risk Committee (Chairman)
- Nominating and Remuneration Committee (Member)

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- Advanced MedTech Holdings Pte. Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- British Chamber of Commerce Singapore (Treasurer)

Experience
- Over 30 years of experience in banking and finance
- Previously Chief Financial Officer Asia and Deputy Chief Executive, Singapore at Commerzbank AG

Academic and Professional Qualifications
- Bachelor of Science in Estate Management, University of Singapore
- Master of Philosophy in Environmental Planning, University of Nottingham
- Doctor of Philosophy (Urban Planning) with Certificate of Achievement in Urban Design, University of Washington
- Singapore Institute of Planners, Affiliate Member
- Singapore Institute of Surveyors and Valuers, Fellow

Date of First Appointment as a Director
- 9 June 2017

Length of Service as a Director (as at 31 December 2019)
- 2 year and 6 months

Board Committee Served on
- Audit and Risk Committee (Member)

Present Directorships in other Listed Companies
- Pan Hong Holdings Group Ltd. (Director)

Present other Principal Commitments
- VestAsia Group Pte. Ltd. (Chairman and Director)
- Department of Real Estate, National University of Singapore (Adjunct Associate Professor)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Ascendas Hospitality Fund Management Pte Ltd, manager of Ascendas Hospitality Real Estate Investment Trust (Director)
- Ascendas Hospitality Trust Management Pte Ltd, trustee-manager of Ascendas Hospitality Business Trust (Director)

Experience
- Over 40 years of experience in property industry
- Previously Senior Vice President at CapitaLand and supervised the establishment of CapitaLand Mall Trust and CapitaLand Commercial Trust

BOARD OF DIRECTORS

Koh Cher Chiew Francis
Independent Non-Executive Director

Academic and Professional Qualifications
- Doctor of Philosophy, University of New South Wales, Australia
- Master of Business Administration, University of British Columbia, Canada
- Bachelor of Business Administration with Honours (Second Class Honours Upper Division), University of Singapore
- CGMA, Chartered Global Management Accountant (U.K., U.S.A.)
- FCMA, Chartered Institute of Management Accountants (U.K.)
- CA, Institute of Singapore Chartered Accountants

Date of First Appointment as a Director
21 October 2019

Length of Service as a Director (as at 31 December 2019)
2 months

Board Committee Served on
- Audit and Risk Committee (Member)

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- Singapore Management University (SMU) (Special Advisor, Office of the President)
- SMU (Practice Professor of Finance)
- China Taiping Insurance (Singapore) Pte. Ltd. (Independent Non-Executive Director)
- Eunoia Junior College (Member, College Advisory Committee)
- Singapore College of Insurance (Member, Board of Governors)
- Drs Koh & Partners Pte. Ltd. (Secretary, Non-Executive Director)
- The Singapore Chinese Girls' School (Non-Executive Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Ngee Ann Polytechnic Investment Committee (Member)
- Ngee Ann Polytechnic Council (Member)
- Helvetic Investments Pte. Ltd. (Advisor)
- SAFRA Finance Committee (Advisor)
- SMU Investment Committee (Advisor)
- SMU (Mapletree Professor of Real Estate)

Experience
- Over 40 years of experience in investment, consulting, executive development and public service
- Previously Deputy Director of Government of Singapore Investment Corporation, involved in direct investments in various countries in Asia

Michael Floyd Dommermuth
Non-Executive Director

Academic and Professional Qualifications
- Bachelor of Science in Mathematics, Management Science, Carnegie-Mellon University, USA

Date of First Appointment as a Director
- 30 March 2015

Date of Last Reappointment as a Director
- 15 May 2018

Length of Service as a Director (as at 31 December 2019)
- 4 years and 9 months

Board Committee Served on
NIL

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- Manulife Investment Management (Hong Kong) Limited (Director) (formerly Manulife Asset Management (Hong Kong) Limited)
- PT Manulife Aset Manajemen Indonesia (Director)
- Manulife Investment Management (Singapore) Pte. Ltd. (Director) (formerly Manulife Asset Management (Singapore) Pte. Ltd.)
- Manulife Investment Management (Taiwan) Company Ltd. (Director) (formerly Manulife Asset Management (Taiwan) Company Ltd.)
- Manulife Asset Management (Japan) Ltd. (Director)
- Manulife TEDA Fund Management Co., Ltd. (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Manulife Financial Investment Ltd. (Director)

Experience
- Over 20 years in asset management, investments and investment operations
- Executive Vice President, Head of Wealth & Asset Management, Asia, Manulife Asset Management

Academic and Professional Qualifications
- Masters of Business Administration, Boston University, Graduate School of Management, USA
- Bachelor of Arts, Economics, University of Chicago, USA

Date of First Appointment as a Director
- 8 February 2019

Length of Service as a Director (as at 31 December 2019)
- 10 months

Board Committee Served on
NIL

Present Directorships in other Listed Companies
NIL

Present other Principal Commitments
- Manulife Investment Management Private Markets (US) LLC (Director) (formerly Hancock Capital Investment Management LLC)
- Hancock Natural Resource Group, Inc (Director)

Past Directorships or Principal Commitments held over the Preceding Three Years
- Hercules Fiber II, LLC (Director)
- SIGMA Corp. (Director)

Experience
- Over 35 years in asset management, investments and corporate finance
- Global Head of Private Markets, Manulife Financial Corporation

MANAGEMENT TEAM

Jill Smith
Chief Executive Officer

Ms Jill Smith is the Chief Executive Officer (CEO) of the Manager. She works with the Board to determine the strategy of MUST. Ms Smith is also responsible for the overall day-to-day management and operations of MUST, and works closely with the Manager's investment, asset management, financial, operations plus legal and compliance teams to meet MUST's strategic, investment and operational objectives.

Ms Smith has over 40 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 several Manulife overseas entities.

Prior to joining Manulife in 2007, Ms Smith was with Western Asset Management (Singapore), Rothschild Asset Management (Singapore) and Lazard Investors (Singapore). Before moving to Singapore in 1993, Ms Smith held a number of senior positions with leading U.K. financial companies.

Ms Smith holds a Bachelor of Arts (Honours) in Sociology and a Postgraduate Certificate of Education, both from Durham University, UK.

Caroline Fong
Head of Investor Relations

Ms Caroline Fong is the Head of IR and also the Chief Sustainability Officer and Chief Capital Market Strategist. She reports to the CEO and is responsible for IR, communication, sustainability and helps to steer the strategy and the equity capital markets requirements for MUST.

Ms Fong has over 15 years of experience in IR, capital markets and research. Prior to joining MUST, Ms Fong was Associate Director, IR and Corporate Finance in Temasek Holdings and Head of IR and Corporate Communications in ESR-REIT. At ESR-REIT, Ms Fong was instrumental in profiling the REIT to be the best performing industrial REIT and second best performing SREIT in 2013.

In addition, Ms Fong was formerly Head of IR for CapitaLand Mall Asia, where she was responsible for creating the narrative for the company's retail businesses in Singapore and four other countries. Early in her career, Ms Fong was Associate Director, Listings at the Singapore Exchange, where she advised companies on corporate governance and the regulatory framework for public-listed companies in Singapore.

Ms Fong holds a Masters in Finance and Investment from the University of Nottingham, UK and a Bachelor of Science (Honours) in Banking and Finance from the University of London, UK.

Jennifer Schillaci
Chief Investment Officer

Ms Jennifer Schillaci is the Chief Investment Officer of the Manager. She reports to the CEO, and together with the other members of the management team, executes the investment programme. In addition, Ms Schillaci directs the asset management, property management and acquisition teams in the U.S.

Ms Schillaci has more than 15 years of experience at MFC. Before joining the Manager, she was a Managing Director and Senior Portfolio Manager in Manulife Real Estate, the global real estate investment and management arm of MFC, where she was primarily responsible for the 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 REITs for institutional investors).

Previously, Ms Schillaci was an Investment Director with Manulife Real Estate where she was responsible for the successful execution of acquisition targets, concentrating primarily on west coast markets of the U.S., as well as the disposition of non-core assets plus the monitoring and analysis of the company's real estate investment performance. Prior to this role, she was the Leasing Manager responsible for negotiating and executing office leases for Manulife's real estate portfolio.

Ms Schillaci holds a Bachelor of Commerce (Honours) degree from the University of Toronto and holds the Chartered Financial Analyst designation.

Robert Wong

Chief Financial Officer *(Effective 18 November 2019)*

Mr Robert Wong is the Chief Financial Officer of the Manager. He reports to the CEO and is responsible for finance, capital management, treasury and accounting operations for MUST. He is also responsible for managing the debt and capital market programmes.

Mr Wong has over 20 years of experience in the finance and accounting professions, mainly in the real estate investment management industry.

Prior to his current appointment, he was Director, Finance and Operations at ARA Trust Management (Cache) Limited (Manager of Cache Logistics Trust). He was responsible for all aspects of financial and statutory reporting and compliance with SGX-ST and MAS, including financing and treasury activities, evaluating investment opportunities, risk management and compliance functions.

Before embarking on a career in the Singapore REIT sector, Mr Wong was Senior Vice President with CBRE Global Investors and ING Real Estate from 2007 to 2012. Prior to that, he was based in Australia where he held various finance and accounting positions with Mirvac Funds Management, Colonial First State Property and Westpac Investment Property Limited.

Mr Wong holds a Bachelor of Commerce from Murdoch University, Australia and is a member of CPA Australia.

Choong Chia Yee

Financial Controller

Mr Choong Chia Yee is the Financial Controller for the Manager. He is responsible for financial and management reporting, as well as day-to-day running of finance operations.

Mr Choong has over 20 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 was Vice President, Finance at Mapletree Logistics Trust and he held several positions in CapitaLand Mall Asia. He has extensive experience of corporate entities that have widespread international operations.

Mr Choong holds a professional qualification from the Chartered Institute of Management Accountants, U.K. He also holds the designations of Chartered Global Management Accountant, Chartered Accountant of Singapore and Chartered Accountant of Malaysia.

Daphne Chua

Head of Compliance

Ms Daphne Chua is the Head of Compliance for the Manager. She reports to the CEO and is responsible for making all regulatory filings on behalf of MUST, and assists MUST in complying with the applicable provisions of the Securities and Futures Act (SFA) and all other relevant legislations.

Ms Chua has over 20 years of experience in the field of compliance for a variety of global financial institutions and investment companies with operations in Singapore. She has also worked closely with various boards of Directors, senior management, independent and internal auditors, legal advisors and regulators, both in Singapore and internationally. In addition, Ms Chua has developed compliance and related policies and procedures for asset management, fund business units and other financial entities, by implementing local and international industry best practices.

Prior to joining the Manager in 2015, Ms Chua held a number of compliance positions including those for Manulife Asset Management (Singapore) Pte. Ltd., Credit Suisse Singapore Branch Private Banking, Prudential Fund Management Services Private Limited and Morgan Stanley in Singapore.

Ms Chua holds a Bachelor of Accountancy (with a Minor in Banking & Finance) (Honours) from Nanyang Technology University, Singapore.

FINANCIAL REVIEW

	FY2019 (US$'000)	FY2018 (US$'000)	Change (%)
Gross revenue	177,853	144,554	23.0
Property operating expenses	(67,077)	(53,889)	24.5
Net property income	**110,776**	**90,665**	**22.2**
Interest income	473	209	>100
Manager's base fee	(8,334)	(7,098)	17.4
Manager's performance fee	(1,360)	–	N.M.
Trustee's fee	(269)	(235)	14.5
Other trust expenses	(2,460)	(2,008)	22.5
Finance expenses	(26,180)	(19,247)	36.0
Net income before tax and fair value changes	**72,646**	**62,286**	**16.6**
Net fair value change in derivatives	(1,088)	–	N.M.
Net fair value change in investment properties	(13,512)	16,885	N.M.
Net income for the year before tax	**58,046**	**79,171**	**(26.7)**
Tax expense	(10,481)	(14,651)	(28.5)
Net income for the year	**47,565**	**64,520**	**(26.3)**
Income available for distribution to Unitholders for the year	**83,341**	**70,981**	**17.4**
DPU (US cents):			
- DPU	**5.96**	**5.57**	**7.0**
- Restated for preferential offering[1]	**5.96**	**5.56**	**7.2**

	FY2019	FY2018
Total operating expenses, including all fees, charges and reimbursable costs paid to the Manager and interested parties[2] (US$'000)	79,495	63,213
Net assets[3] (US$'000)	1,258,178	1,064,063
Total operating expenses as percentage of net assets (%)	6.3	5.9

Gross Revenue

MUST has achieved gross revenue of US$177.9 million in FY2019, an increase of 23.0% from FY2018 largely due to revenue contributions from Centerpointe and Capitol acquired during the year, full year contributions from Penn and Phipps acquired in FY2018 and a higher recoveries income on the back of higher property operating expenses, partially offset by lower rental income mainly from Michelson.

Property Operating Expenses

Property operating expenses increased by 24.5% to US$67.1 million due to the newly acquired properties and existing properties. As a result, NPI grew by 22.2% to US$110.8 million.

1 DPU has been restated for preferential offering of which 72,855,530 Units were issued on 18 October 2019.
2 Excludes net foreign exchange gains or losses and finance expenses.
3 Net assets as at 31 December 2019 and 31 December 2018.

	FY2019 (US$'000)	FY2018 (US$'000)	Change (%)
Portfolio excluding 2018 and 2019 acquisitions	126,022	125,876	0.1
2018 acquisitions	37,896	18,678	>100
2019 acquisitions	13,935	–	N.M.
Gross revenue	**177,853**	**144,554**	**23.0**
Portfolio excluding 2018 and 2019 acquisitions	48,126	46,990	2.4
2018 acquisitions	14,402	6,899	>100
2019 acquisitions	4,549	–	N.M.
Property operating expenses	**67,077**	**53,889**	**24.5**
Portfolio excluding 2018 and 2019 acquisitions	77,896	78,886	(1.3)
2018 acquisitions	23,494	11,779	99.5
2019 acquisitions	9,386	–	N.M.
Net property income	**110,776**	**90,665**	**22.2**

Management Fees

MUST's base fee and performance fee are based on its distributable income and DPU growth respectively, so as to better align the interests of the Manager and Unitholders. Under the Trust Deed, the Manager is entitled to receive a base fee of 10.0% per annum of the distributable income, as well as a performance fee of 25.0% of the difference in DPU in a financial year compared with the preceding financial year, multiplied by the weighted average number of issued Units.

The base fee for FY2019 was 17.4% higher than FY2018 due to higher distributable income. The Manager was also entitled to receive a performance fee for the financial year ended 31 December 2019 as the DPU for FY2019 is higher than FY2018. The Manager has elected to receive both the base fee and performance fee in Units.

Finance Expenses and Other Trust Expenses

Finance expenses of US$26.2 million were 36.0% higher than FY2018 largely due to additional borrowings used to partially fund the acquisitions of properties in FY2018 and FY2019 and to fund capital expenditures and leasing costs. In addition, higher interest costs were incurred on Figueroa mortgage refinanced at prevailing market rate which was higher than the rate on the previous loan.

Other trust expenses of US$2.5 million were 22.5% higher than FY2018 largely due to additional administrative and professional costs incurred arising from the newly acquired properties and higher distribution costs incurred in relation to advanced distributions.

Distributable Income

Distributable income of US$83.3 million was 17.4% higher than FY2018 largely due to income contributions from properties acquired in FY2018 and FY2019, partially offset by higher finance expenses, other trust expenses and current taxes. Despite the enlarged Units in issue after equity fund raising, DPU for FY2019 grew 7.0% to 5.96 US cents compared to FY2018 DPU of 5.57 US cents.

MUST continues to pay out 100.0% of the distributable income to the Unitholders.

FINANCIAL REVIEW

Portfolio and Net Asset Value (NAV)

The total assets of MUST have increased by 20.2% or US$363.6 million to US$2,166.5 million as at 31 December 2019. The increase in total assets was mainly due to properties acquired during the year.

Net assets attributable to Unitholders grew by 18.2% to US$1,258.2 million, translated to NAV per Unit of US$0.80 as at 31 December 2019. The adjusted NAV per Unit (excluding distributable income) was US$0.79.

Key Financial Indicators	As at 31 December 2019	As at 31 December 2018
Gross borrowings	US$816.9 million	US$670.8 million
Gearing ratio[1]	37.7%	37.2%
Weighted average cost of debt	3.37% p.a.	3.27% p.a.
Weighted average debt maturity	2.8 years	2.7 years
Interest cover ratio[2]	3.8 times	4.2 times
Unencumbered properties as % of total portfolio[3]	31.6%	–

Proactive and Prudent Capital Management

The Manager continues to maintain a proactive and prudent approach towards capital management to fund the growth of the portfolio while managing both interest rate and refinancing risks. MUST maintains strong and diversified banking relationships with reputable banks and has established various bank facilities and capital market programmes to enhance its financial flexibility and diversification in funding sources.

During the year, MUST has obtained trust-level loan facilities to refinance Figueroa mortgage facility and also to partially fund acquisitions, capital expenditures and leasing costs. As at 31 December 2019, 31.6% of MUST's properties were unencumbered.

The following table summarises the facilities that MUST had as at 31 December 2019.

Sources of Funding	Capacity (US$ million)	Amount utilised (US$ million)	Utilised (%)
Property loan facilities	553.6	553.6	100.0
Good news facilities	75.8	32.8	43.3
Trust-level loan facilities	223.0	223.0	100.0
Uncommitted revolving credit facility (RCF)	200.0	–	–
Committed RCFs	60.0	7.5	12.5
Multicurrency debt issuance programme	1,000.0	–	–
Total	**2,112.4**	**816.9**	**38.7**

The good news facilities and committed RCFs are used to fund capital expenditures, leasing costs and general working capital requirements. In addition, MUST has an uncommitted RCF of US$200.0 million used as bridge financing for acquisitions.

Financing Acquisition Growth

In May 2019, MUST raised US$94.0 million through a private placement of 114.1 million new Units, in combination with a trust-level loan to fund the acquisition of Centerpointe.

In September and October 2019, MUST raised total proceeds of approximately US$142.7 million through a private placement and a preferential offering to partially fund the acquisition of Capitol. The private placement drew strong demand from new and existing institutional and other accredited investors and was 7X oversubscribed at the top end of the issue price range. The preferential offering also saw high demand and was 147.0% subscribed. The balance of the funds required was funded by a new trust-level loan facility.

1 Based on gross borrowings as percentage of total assets.
2 Based on net income before finance expenses, taxes and net fair value change in investment properties and derivatives, over finance expenses.
3 Based on appraised values as at 31 December 2019.

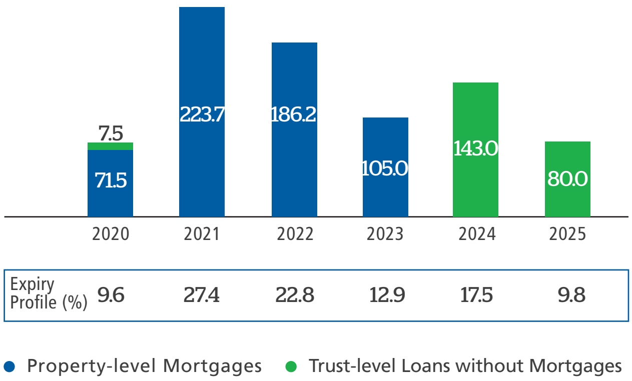
Stable Gearing and Well-Spread Debt Maturity Profile

As at 31 December 2019, the total gross outstanding debt of MUST was US$816.9 million with an aggregate leverage of 37.7%. Despite growing the portfolio by 20.5%, MUST was able to maintain a relatively low gearing ratio of 37.7%, a slight increase from 37.2% as at 31 December 2018.

To mitigate interest rate risk exposures, 95.1% of the gross borrowings has been hedged into fixed rates. The debt maturity profile was also well-staggered over five years with no more than 28.0% of debt maturing in any year. This minimises any refinancing risk in any one year and insulates MUST against short-term market liquidity crunches which may increase funding cost.

MUST uses derivative financial instruments to hedge its interest rate risk exposure. The net fair value of these derivatives represent 0.09% of the net assets of MUST as at 31 December 2019.

Debt Maturity Profile (US$ million)



Unit Buy-back Mandate

MUST has obtained the Unitholders' approval during its AGM in 2019 for its Unit buy-back mandate as part of its proactive capital management strategy. The Unit buy-back programme aims to enhance returns to Unitholders in the long term. The Unit buy-back mandate was not utilised in FY2019.

Use of Proceeds

Centerpointe

On 9 May 2019, an aggregate of 114,078,000 new Units were issued at US$0.824 per Unit with gross proceeds of US$94.0 million from the private placement.

Capitol

An aggregate of 91,325,000 private placement Units were issued at US$0.876 per Unit on 30 September 2019 with gross proceeds of US$80.0 million. An additional 72,855,530 preferential offering Units were issued at US$0.860 per Unit on 18 October 2019 with gross proceeds of approximately US$62.7 million.

The use of proceeds raised from these equity fund raisings are set out in the table below.

As the actual fees and expenses relating to the equity fund raisings were less than the estimated fees and expenses, the remaining balance was used to partially fund the acquisitions of the properties. Save for the redeployment of such amounts to partially fund the acquisitions of the properties, the use of the gross proceeds were in accordance with the percentage of the gross proceeds allocated to such use as announced in the relevant announcements.

	Intended use of proceeds (US$ million)	Actual use of proceeds (US$ million)	Balance of proceeds (US$ million)
Centerpointe			
To partially fund the acquisition	89.0	89.4	(0.4)
To pay the estimated fees and expenses in connection with the acquisition and private placement	5.0	4.6	0.4
Total	**94.0**	**94.0**	–
Capitol			
To partially fund the acquisition	135.4	136.0	(0.6)
To pay the estimated fees and expenses in connection with the acquisition, private placement and preferential offering	7.3	6.7	0.6
Total	**142.7**	**142.7**	–

OPERATIONAL REVIEW

Portfolio Summary

Manulife US REIT's portfolio encompasses nine high-quality office buildings located in key U.S. markets with an aggregate NLA of 4.7 million sq ft. As at 31 December 2019, the portfolio had a WALE of 5.9 years by NLA and by GRI and a committed occupancy rate of 95.8%.

Trophy/Class A Office Buildings to Remain Resilient and Relevant

Well located, high-quality offices have become much sought after and are forecasted to capture a disproportionately high share of demand. This trend is driven by the evolution of office work and competition over talent.

Advancements in digital technologies are reducing labour-intensive office jobs with high value-add activities that allow employees to focus on problem solving and creativity. There is increased awareness that such activities are best performed in the dynamic and open structure of modern office spaces which encourages cross-functional collaboration and idea sharing. Furthermore, an open and dynamic work environment helps to attract and retain employees. Due to increasingly tight labour conditions and demographic shifts pointing to a shrinking talent pool, this has made tenancy in Trophy and Class A offices increasingly important.

These structural changes in office demand, together with tenants' preference for buildings with amenities and technology, suggest that high-quality offices will continue to experience stronger demand and higher occupancy that can result in improved income and risk-adjusted investment return.

Building a Robust Portfolio - Accretive Acquisitions

During the year, Manulife US REIT made two high-quality acquisitions in two capital cities in the U.S. MUST complemented its existing exposure in Washington, D.C. Metro Area, the capital of the U.S. and the 5th largest market by GDP, with the purchase of Centerpointe. On the other side of the country, MUST strategically increased its exposure to the west coast with the purchase of Capitol in Sacramento, the state capital of California and the 5th largest economy in the world. Consistent with the stated investment strategy, both office properties optimise risk-adjusted returns and improve opportunities for future income and capital growth of the overall portfolio. They are located in desirable live, work, play locations while also diversifying the portfolio's income, tenant composition and geographical footprint.

CENTERPOINTE

Purchase price: US$122.0 million

The property consists of two office towers totalling approximately 420,000 sq ft and represents a best-in-class freehold Class A asset with premium quality construction, first-class on-site amenities, a structured parking garage and surface parking facilities. Located in Fairfax County, Virginia, a region of Washington, D.C., it is one of the most affluent counties in the U.S. It is also Northern Virginia's employment hub with the local economy supported by retail, healthcare, services and a range of government sector entities. There is currently no new supply of office product in the Fairfax Center submarket given the high cost for new construction. As a result, quality buildings like Centerpointe stand out and consistently outperform their peers in the submarket on occupancy, rents and tenant retention.

Strengths

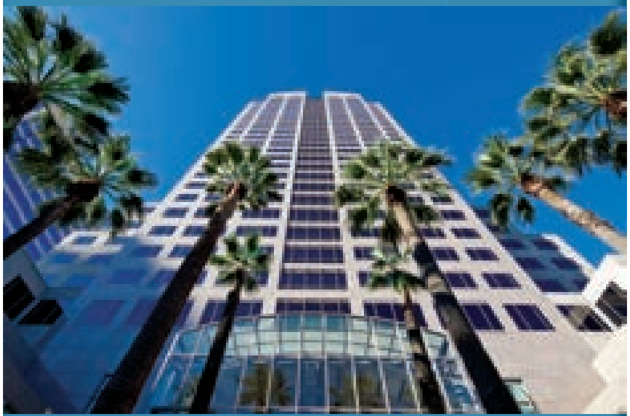
- Located within close proximity of major highways and airport
- Premium building due to construction quality, tenant amenities, and recent renovations
- Submarket's highest building which offers prominent signage opportunities to tenants
- Historical occupancy and rents substantially higher than the submarket averages
- 98.7% occupancy with high-quality, well-diversified tenant mix
- Long WALE of 6.1 years by NLA

Opportunities

- AEI opportunity to reposition Centerpointe I with a new lobby, which would create the ability to increase rents
- Opportunity to take advantage of potential economic and job growth from Amazon HQ2 in Arlington, 30 minutes away from Centerpointe

CAPITOL

Purchase price: US$198.8 million



Capitol is a best-in-class, trophy-quality, 29-storey, Class A office tower located in the heart of Sacramento's CBD. Recognised as one of the top offices in Sacramento, Capitol is currently well leased to high-quality credit and national tenants with long-term leases, which provides a secure long-term cash flow. Sacramento is the 6th largest city in California and the capital of the 5th largest economy in the world. The city is one of the most attractive business hubs in Western U.S. due to its relatively low cost of doing business, favourable labour environment, and extensive transport infrastructure. The key economic drivers include healthcare, government agencies and technology.

Strengths

- LEED™ Platinum certified premier quality building in Sacramento's downtown core
- 94.2% occupancy composed of high-quality and well-diversified tenancy
- Long WALE of 5.8 years by NLA
- Historical occupancy and rents substantially higher than the submarket averages
- No single tenant occupies more than 11.0% of NLA or GRI

Opportunities

- Mark-to-market opportunity as leases roll in the near-term
- Lack of new supply and low vacancy in Downtown Class A product provides strong market fundamentals for rental growth

Portfolio Valuation

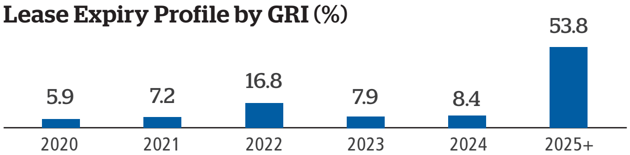
As at 31 December 2019, valuations were completed by Colliers International Valuation & Advisory Services, LLC for all properties, except for Exchange, which was completed by Newmark Knight Frank Valuation & Advisory, LLC, and Capitol, which was completed out by Cushman & Wakefield Western, Inc. These independent valuers were appointed by the Trustee of MUST on the recommendation of the Manager.

Property	Valuation (US$ million)		Change (%)
	31 December 2019	31 December 2018	
Figueroa	337.6	329.3	2.5
Michelson	345.0	345.0	0.0
Peachtree	210.7	203.7	3.4
Plaza	119.9	119.8	0.1
Exchange	348.6	340.7	2.3
Penn	189.0	189.0	0.0
Phipps	220.1	211.2	4.2
Centerpointe	122.8	–	N.M.
Capitol	201.3	–	N.M.
Total	**2,095.0**	**1,738.7**	**20.5**

Minimal Near-Term Lease Expiries

MUST actively manages its lease maturities through regular dialogues with tenants, enabling the Manager to better anticipate future tenant needs while creating a stronger lease expiry profile. In addition, the Manager engages top market leasing brokers to identify and attract prospective tenants to fill vacancies where needed. Only 5.9% of leases expire in 2020 and 7.2% expire in 2021, based on GRI. Furthermore, 53.8% of all leases mature in 2025 and beyond, based on GRI. As a result, the portfolio has a WALE of 5.9 years by NLA and GRI as at 31 December 2019.

Lease Expiry Profile by GRI (%)

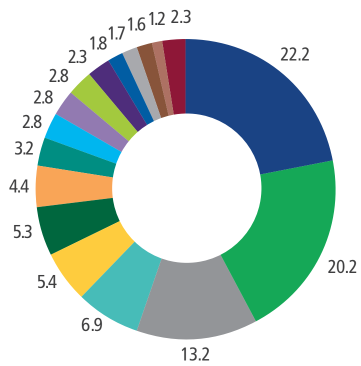


Well-Diversified Tenant Mix

The portfolio boasts a well-diversified tenant roster with 20 different trade sectors. The portfolio's top three largest trade sectors, Legal, Finance and Insurance and Retail Trade, made up approximately 55.6% of the portfolio's GRI. Of the tenants in the Legal sector, the portfolio houses some of the most prestigious law firms. Both of the 2019 additions of Centerpointe and Capitol aided in the improvement of the portfolio's tenant diversity. The share of GRI derived from the Information sector grew from being the 6th most represented industry with 4.7% as at 31 December 2018 to the 4th most represented industry with 6.9% as at 31 December 2019. The acquisitions in 2019 also helped to reduce the weighting of Retail Trade tenants from 16.2% as at 31 December 2018 to 13.2% as at 31 December 2019.

OPERATIONAL REVIEW

Trade Sector by GRI (%)



Others comprised of Administrative and Support Services (0.7), Construction (0.6), Wholesale Trade (0.5) and Education (0.5)

Note: Amounts may not sum to 100.0% due to rounding.

Tenant Retention

The REIT continued to attract and retain strong tenants in its buildings during 2019. The overall tenant retention rate for the portfolio in 2019 was 76.0%. This number is in line with historical averages as tenants looked to remain in the REIT's properties given their top-quality status within each respective market. Large renewals signed during the year were with tenants in the Finance and Insurance, Legal, and Advertising trade sectors.

Top 10 Tenants

The top 10 tenants contributed 34.6% of the portfolio's GRI as at 31 December 2019, down from 43.8% in the previous fiscal year. These high-quality organisations are the anchor tenants for the REIT's nine properties.

Top 10 Tenants by GRI (%)

Tenants	GRI
The William Carter Co.	5.9
The TCW Group	4.1
Kilpatrick Townsend	3.6
The Children's Place	3.5
US Treasury	3.3
United Nations Foundation	3.2
Quinn Emanuel Trial Lawyers	3.0
Hyundai Motor Finance	2.9
Amazon	2.8
Quest Diagnostics	2.3
Total	**34.6**

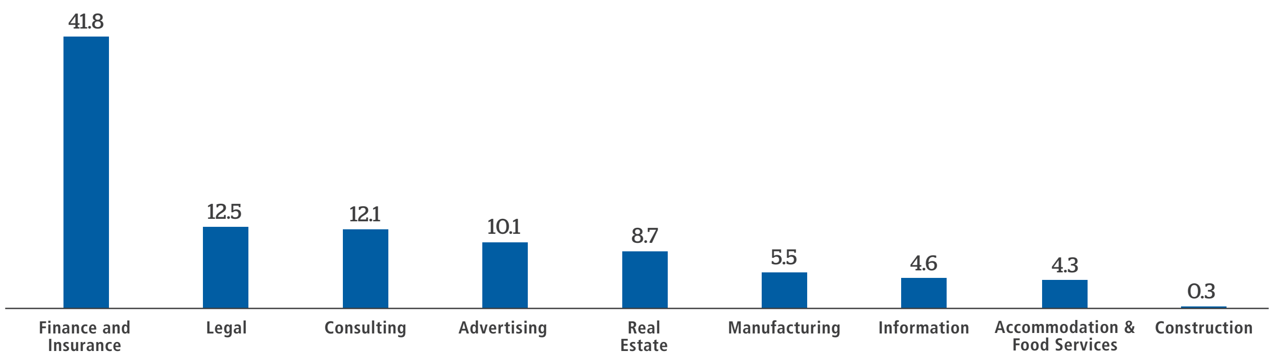
Trade Sectors of New Leases Signed in 2019

Of the new leases signed during 2019, nine different trade sectors were represented, including the portfolio's two largest sectors, Legal and Finance and Insurance. The new leases, including renewals, executed in FY2019 had a WALE by GRI of 8.1 years and accounted for 4.4% of GRI.

Strong Portfolio Occupancy Rate

As at 31 December 2019, the portfolio had a committed occupancy rate of 95.8%, and the committed occupancy rates for the individual properties ranged from 90.1% to 100.0%, higher than the U.S. market average for Class A properties of 87.8%.

Trade Sectors of New Leases Signed by NLA (%)



Note: Amounts may not sum to 100.0% due to rounding.

Since IPO, committed occupancy of the portfolio has remained stable at 95.0% to 97.0%, as properties continue to attract top tenants in their respective submarkets due to their high-quality and prime locations. The Manager has aggressively pursued both renewals and new leases that are accretive to the portfolio and has continued to invest in asset enhancement projects, further strengthening tenant appeal of the properties.

Moving forward, the Manager intends to maintain proactive communication with tenants, invest in speculative suite programmes to better position vacant units for leasing and work with top brokers of each submarket to ensure each property receives the strongest representation available.

Passing Rents and Positive Rental Reversion[1]

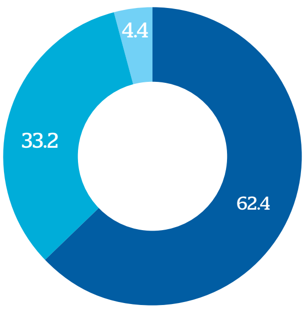
The average passing rent was US$39.64 psf as at 31 December 2019 as compared to US$39.95 psf as at 31 December 2018. This 0.8% decrease was mainly driven by the acquisitions of Centerpointe and Capitol as both of these assets have lower average passing rent than the portfolio's 31 December 2018 rate. This decrease was partially offset by the overall positive rental reversion rate that eligible 2019 renewals experienced during the year.

Since IPO, the portfolio's passing rents have experienced a significant upward trajectory, with current portfolio average passing rent approximately 3.6% higher than the portfolio at inception. In most of the portfolio's invested submarkets, the average Class A office market rents remain higher than passing rents of MUST's properties, showcasing the REIT's ability to drive additional rent growth.

Most of the portfolio's properties generated positive rental reversions ranging from 5.0% to 17.0%, on approximately 409,000 sq ft of leases executed during 2019.

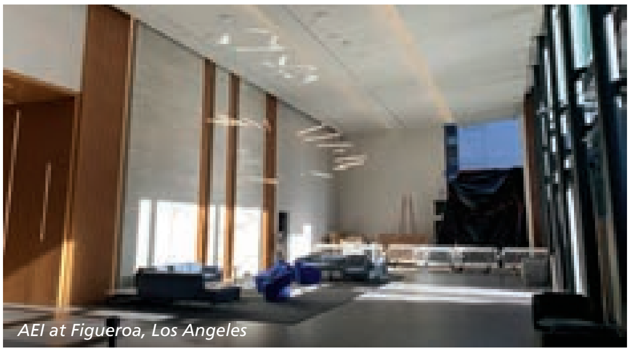
The portfolio continues to benefit from annual and periodic rental escalations from 95.6% of all leases. Embedded in almost all leases are rental escalations averaging 2.0% per annum, which provides for healthy organic growth. Leases signed during the year had rental escalations that averaged 2.6% per annum by NLA. Moving forward, the Manager will continue to seek rental escalations in new leases where possible.

Portfolio Rental Escalations by GRI (%)



Asset Enhancement Initiatives

During the year, the Manager conducted various capital projects at assets across the portfolio. Most noteworthy were the continuation of two large-scale AEIs at Figueroa and Exchange that aimed to increase revenues, attract top market tenants as well as retain the portfolio's strong existing tenant base. These capital improvement projects have also been viewed as maintaining, if not improving, the properties' competitiveness in the market, a thesis further validated by the REIT's continued property value appreciation. While all properties are in good condition and compete favourably in their respective markets, MUST remained focused on identifying those projects that created additional asset value while also driving net operating income growth through revenue generation and expense reduction.


AEI at Figueroa, Los Angeles

At Figueroa, work has substantially concluded on the main lobby renovation, which includes the addition of a chic new coffee bar as well as a completely changed look and feel of both the interior and exterior of the building's entrance.

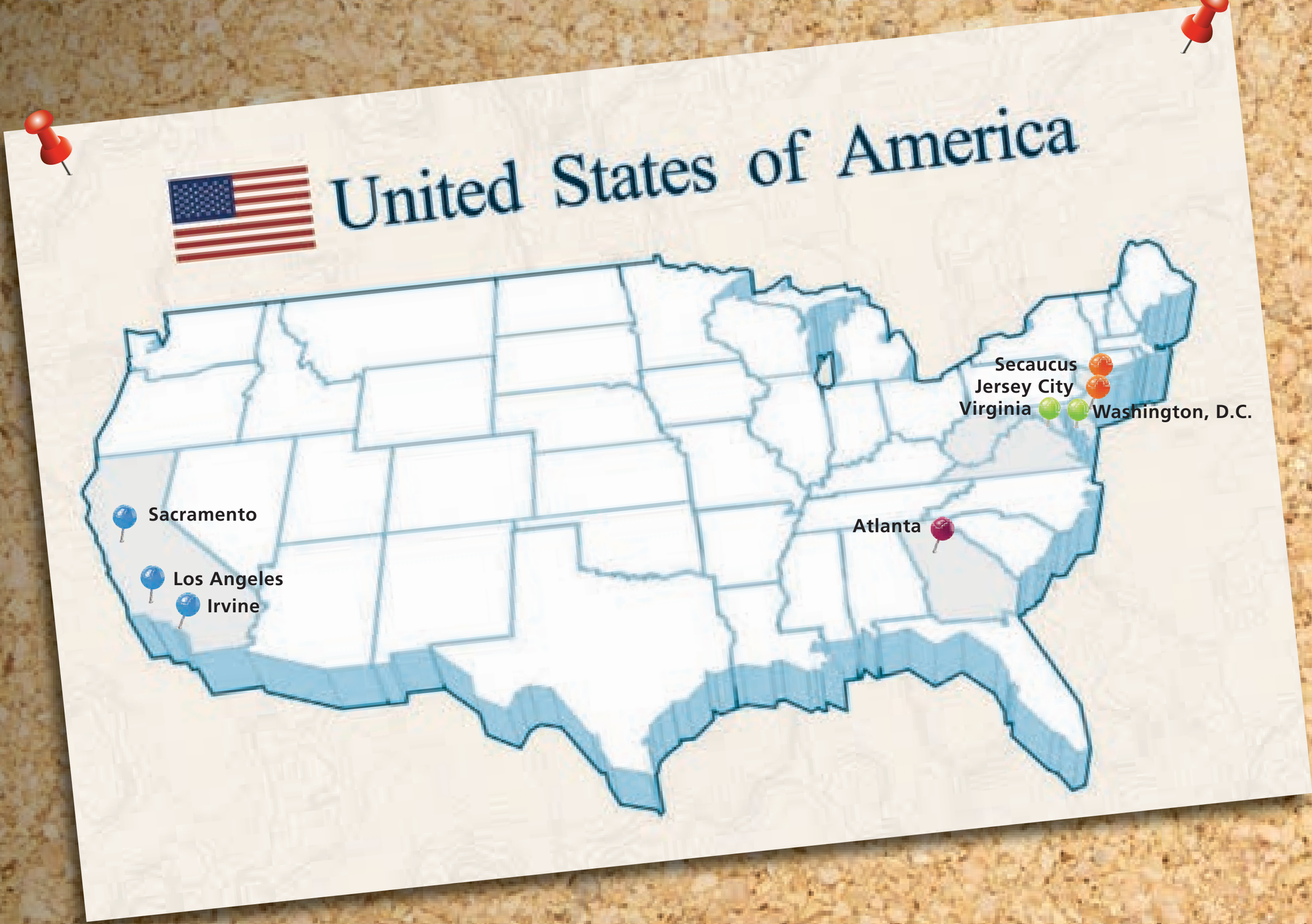
For Peachtree, new garage ticketing machines were added to improve parking ingress and egress efficiencies. In addition, the building's fire life safety system saw an upgrade with the replacement of its sprinkler piping.

At Plaza, work has begun on the elevator modernisation programme that will eventually see all elevator cabs and mechanicals upgraded. This project will continue in 2020.

As for Exchange, work is nearing completion on the main lobby renovation and is expected to be completed in 1H2020. Components of the lobby project include new floors and lighting, turnstiles, improved security desk with a new state of the art security system and an impressive glass wall feature.

1 Rental reversion is calculated based on the new lease's 1st year gross rent over the previous lease's expiring gross rent.

PROPERTY SUMMARY



Location
400 Capitol Mall
Sacramento, CA

NLA
500,662 sq ft

Occupancy
94.2%

WALE by NLA
5.8 years

Latest Valuation
US$201.3 million
(US$402 psf)

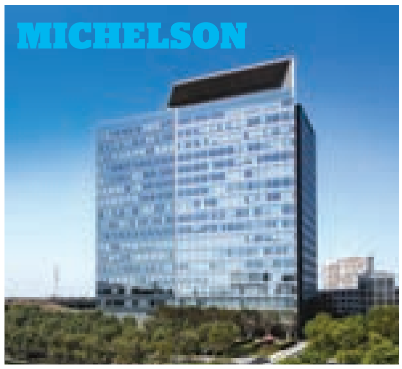
Location
865 S. Figueroa St,
Los Angeles, CA

NLA
702,951 sq ft

Occupancy
93.8%

WALE by NLA
3.7 years

Latest Valuation
US$337.6 million
(US$480 psf)



Location
3161 Michelson Dr,
Irvine, CA

NLA
532,933 sq ft

Occupancy
90.1%

WALE by NLA
6.1 years

Latest Valuation
US$345.0 million
(US$647 psf)

PLAZA

Location
500 Plaza Dr, Secaucus, NJ

NLA
461,525 sq ft

Occupancy
98.9%

WALE by NLA
6.4 years

Latest Valuation
US$119.9 million (US$260 psf)

EXCHANGE

Location
10 Exchange Place, Jersey City, NJ

NLA
736,383 sq ft

Occupancy
95.8%

WALE by NLA
6.7 years

Latest Valuation
US$348.6 million (US$473 psf)

PENN

Location
1750 Pennsylvania Ave, Washington, D.C.

NLA
277,597 sq ft

Occupancy
100.0%

WALE by NLA
4.9 years

Latest Valuation
US$189.0 million (US$681 psf)

CENTERPOINTE

Location
4000 & 4050 Legato Road, Fairfax, Virginia

NLA
420,013 sq ft

Occupancy
98.7%

WALE by NLA
6.1 years

Latest Valuation
US$122.8 million (US$292 psf)

PEACHTREE

Location
1100 Peachtree St, Atlanta, GA

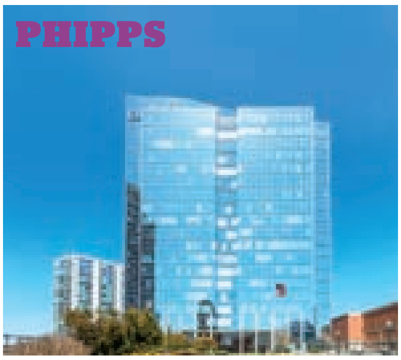
NLA
558,784 sq ft

Occupancy
95.0%

WALE by NLA
5.0 years

Latest Valuation
US$210.7 million (US$377 psf)

PHIPPS



Location
3438 Peachtree Road NE, Atlanta, GA

NLA
475,629 sq ft

Occupancy
100.0%

WALE by NLA
8.1 years

Latest Valuation
US$220.1 million (US$463 psf)

FIGUEROA

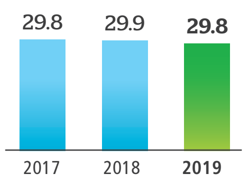
865 South Figueroa St, Los Angeles, CA

Valuation US$ **337.6** million | **NLA** **702,951** sq ft | **Occupancy** **93.8%** | **Class A** | ENERGY STAR

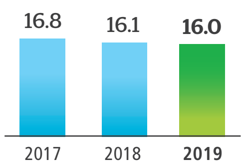
FIGUEROA is a 35-storey Class A office building located in the South Park district of Downtown Los Angeles, two blocks away from a variety of entertainment venues. The property offers ample amenities, which include a restaurant, a coffee shop, an adjacent car park with 841 lots and a courtesy shuttle service which travels throughout the surrounding downtown area.

Land Tenure	**Freehold**
Building Completion	**1991**
Acquisition Date	**19 May 2016**
Purchase Price	**US$284.7 million** (US$410 psf)
WALE by NLA	**3.7 years**
No. of Tenants	**29**

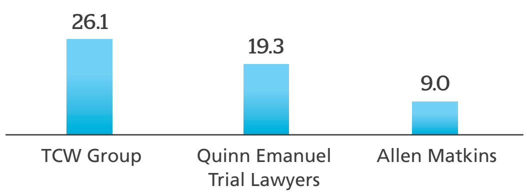
Gross Revenue
(US$ million)



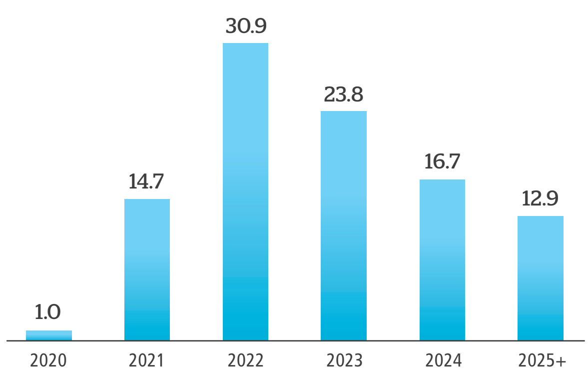
Net Property Income
(US$ million)



Top Three Tenants by GRI (%)



Lease Expiry Profile by NLA (%)



MICHELSON

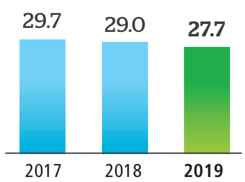
3161 Michelson Dr,
Irvine, CA

Valuation US$ **345.0** million | **NLA** **532,933** sq ft | **Occupancy** **90.1%** | **Trophy**

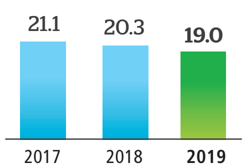
MICHELSON is a 19-storey Trophy-quality office building located in Irvine, Orange County, California, within a mile of John Wayne International Airport. The property is surrounded by hotels, high-end residential properties, restaurants and other retail offerings. On-site amenities include a café, penthouse sky garden and a large car park with 2,744 lots.

Land Tenure	**Freehold**
Building Completion	**2007**
Acquisition Date	**19 May 2016**
Purchase Price	**US$317.8 million** (US$597 psf)
WALE by NLA	**6.1 years**
No. of Tenants	**14**

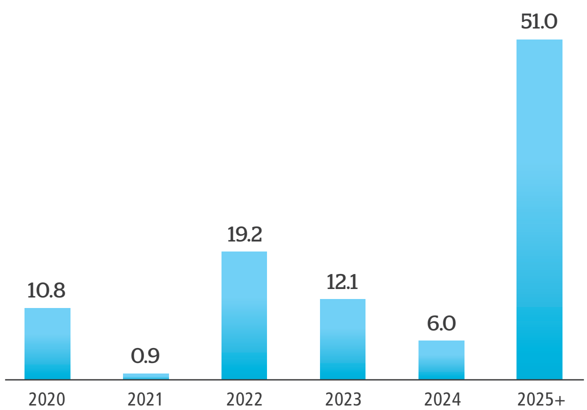
Gross Revenue
(US$ million)



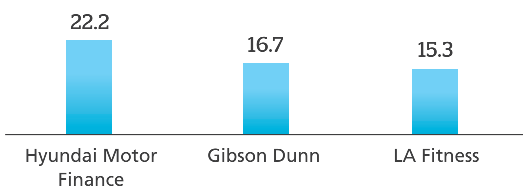
Net Property Income
(US$ million)



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI (%)



PEACHTREE

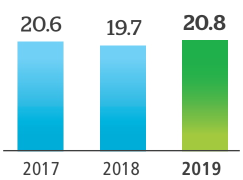
**1100 Peachtree St,
Atlanta, GA**

Valuation	NLA	Occupancy	Class A
US$ 210.7 million	558,784 sq ft	95.0%	ENERGY STAR

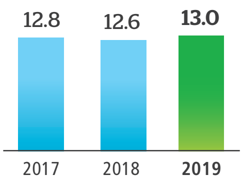
PEACHTREE is a 27-storey Class A office building located in the heart of Midtown Atlanta, well-connected to two subway stations. On-site amenities include a conference centre, fitness centre, a high-end restaurant and reserved parking in an attached car park with 1,221 lots.

Land Tenure	**Freehold**
Building Completion	**1991**
Acquisition Date	**19 May 2016**
Purchase Price	**US$175.0 million** (US$315 psf)
WALE by NLA	**5.0 years**
No. of Tenants	**25**

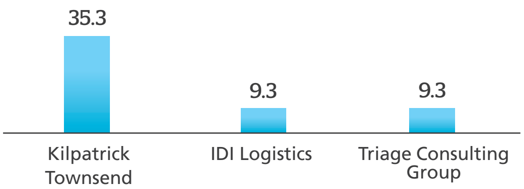
Gross Revenue
(US$ million)



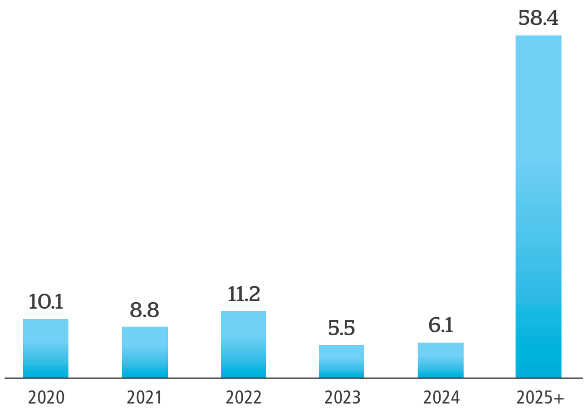
Net Property Income
(US$ million)



Top Three Tenants by GRI (%)



Lease Expiry Profile by NLA (%)



Note: Amounts may not sum to 100.0% due to rounding.

PLAZA

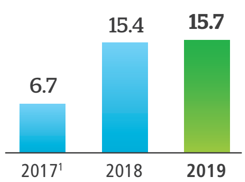
500 Plaza Drive, Secaucus, NJ

Valuation US$ **119.9** million | **NLA** **461,525** sq ft | **Occupancy** **98.9%** | **Class A** ENERGY STAR

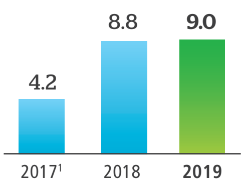
PLAZA is an 11-storey Class A office building located in the Meadowlands section of Secaucus, New Jersey, three miles from Manhattan. The building was substantially renovated in 2016 with the addition of a conference centre, fitness centre, and café, as well as an additional car park.

Land Tenure	**Freehold**
Building Completion	**1985**
Acquisition Date	**19 July 2017**
Purchase Price	**US$115.0 million** (US$249 psf)
WALE by NLA	**6.4 years**
No. of Tenants	**7**

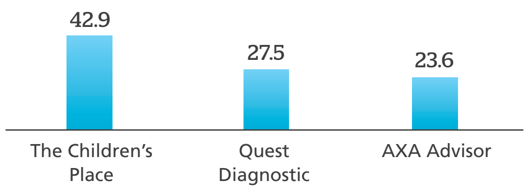
Gross Revenue
(US$ million)



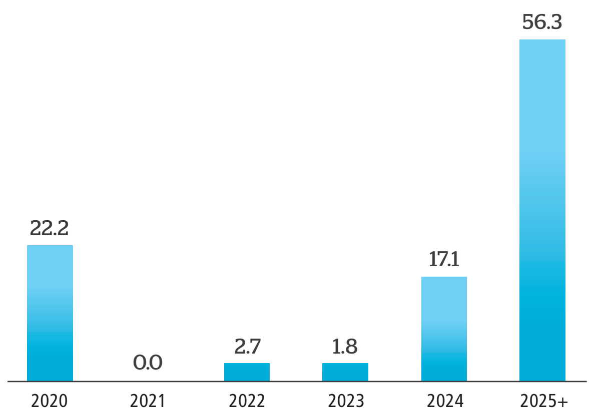
Net Property Income
(US$ million)



Top Three Tenants by GRI (%)



Lease Expiry Profile by NLA (%)



1 The acquisition was completed on 19 July 2017.

Note: Amounts may not sum to 100.0% due to rounding.

EXCHANGE

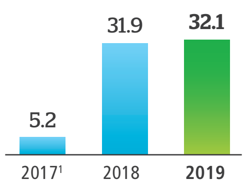
10 Exchange Place,
Jersey City, NJ

Valuation US$ **348.6** million | **NLA** **736,383** sq ft | **Occupancy** **95.8%** | **Class A**

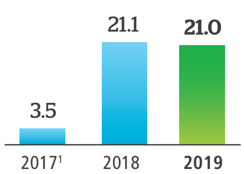
EXCHANGE is a 30-storey Class A office building located along the Hudson River in Jersey City, New Jersey. The property offers unobstructed views of the Manhattan skyline, convenient access to New York City via an adjacent subway station and nearby water ferry terminal, and an attached car park with 467 lots.

Land Tenure	**Freehold**
Building Completion	**1988**
Acquisition Date	**31 October 2017**
Purchase Price	**US$315.1 million** (US$431 psf)
WALE by NLA	**6.7 years**
No. of Tenants	**23**

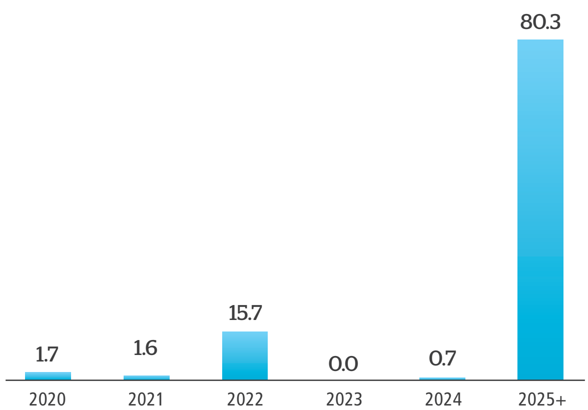
Gross Revenue
(US$ million)



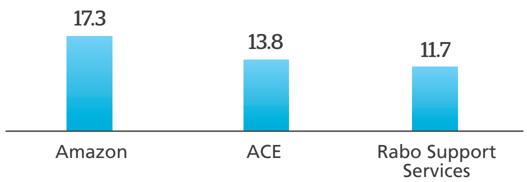
Net Property Income
(US$ million)



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI (%)



1 The acquisition was completed on 31 October 2017.

PENN

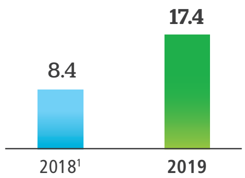
1750 Pennsylvania Ave,
Washington, D.C.

Valuation	NLA	Occupancy	
US$189.0 million	277,597 sq ft	100.0%	Class A

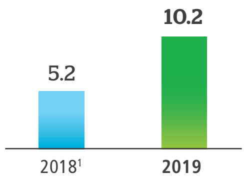
PENN is a 13-storey Class A office building located a block away from the White House in Washington, D.C., and in close proximity to the International Monetary Fund, the World Bank and the Federal Reserve. The Property is located within a highly amenitised mixed-use location that is walking distance away from multiple Metrorail stations and provides easy access to highways for suburban car commuters.

Land Tenure	**Freehold**
Building Completion	**1964**
Acquisition Date	**22 June 2018**
Purchase Price	**US$182.0 million** (US$656 psf)
WALE by NLA	**4.9 years**
No. of Tenants	**11**

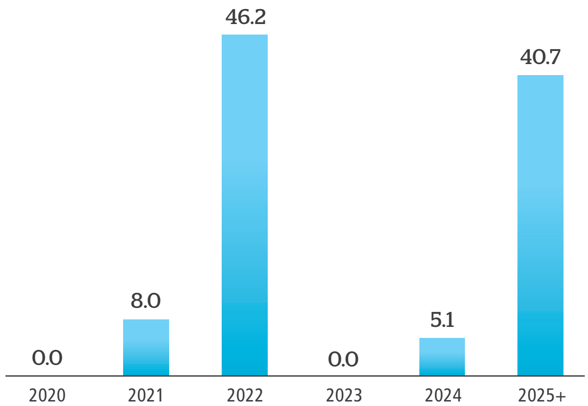
Gross Revenue
(US$ million)



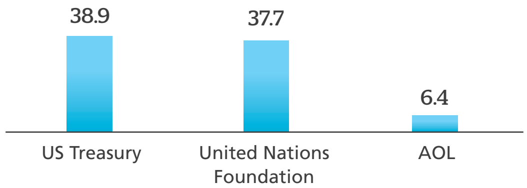
Net Property Income
(US$ million)



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI (%)



1 The acquisition was completed on 22 June 2018.

PHIPPS

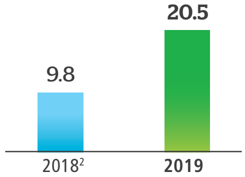
3438 Peachtre Road NE
Atlanta, GA

Valuation	NLA	Occupancy	
US$ 220.1 million	475,629 sq ft	100.0%	Trophy

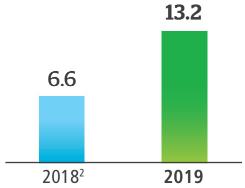
PHIPPS is a 19-storey Trophy office tower constructed in 2010 by the Sponsor. It has floor-to-ceiling window walls providing tenants with views in every direction. Phipps offers various facilities to its tenants, such as a farm-to-table café, a sundry shop, a fitness centre and a conference centre. There are five levels of covered parking with 1,150 parking stalls, as well as designated electric vehicle charging stations.

Land Tenure	**Leasehold**[1] (with the rights to acquire freehold)
Building Completion	**2010**
Acquisition Date	**22 June 2018**
Purchase Price	**US$205.0 million** (US$431 psf)
WALE by NLA	**8.1 years**
No. of Tenants	**10**

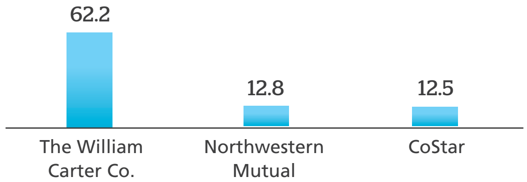
Gross Revenue
(US$ million)



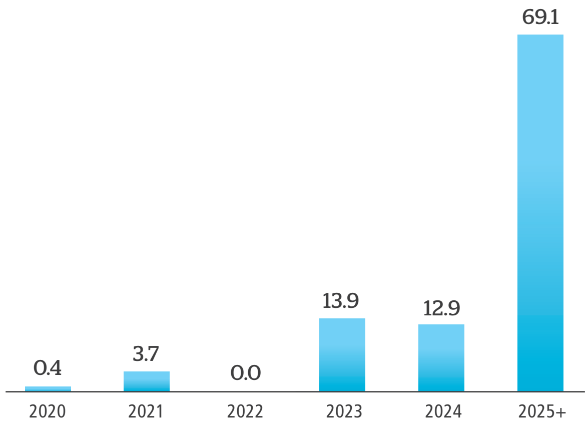
Net Property Income
(US$ million)



Top Three Tenants by GRI (%)



Lease Expiry Profile by NLA (%)



1 The property is held in a leasehold until the end of 2020 to afford it certain real estate tax advantages but will be converted to a freehold for nominal sum of US$100.0 thereafter. For more details, see footnote on 'bonds for title' arrangement on page 126 of this Annual Report.
2 The acquisition was completed on 22 June 2018.

CENTERPOINTE

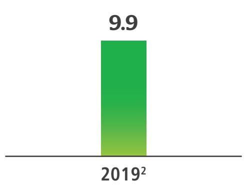
Centerpointe I & II,
4000 & 4050 Legato Road
Fairfax, VA

Valuation	NLA	Occupancy	
US$122.8 million	420,013 sq ft	98.7%	Class A

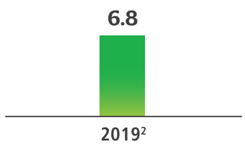
CENTERPOINTE is a two-tower, 11-storey freehold Class A office building located in Fairfax Center, a submarket within Fairfax County, Virginia, in the Washington, D.C., Metro Area. Centerpointe is located within 10 minutes from the Vienna/Fairfax-GMU Metrorail station, providing direct access to Arlington and downtown Washington, D.C. via the Metrorail Orange line. The property is approximately 15 minutes from Dulles International Airport and 30 minutes from Reagan National Airport.

Land Tenure	**Freehold**
Building Completion	**1987/1989**
Acquisition Date	**10 May 2019**
Purchase Price[1]	**US$122.0 million** (US$290 psf)
WALE by NLA	**6.1 years**
No. of Tenants	**21**

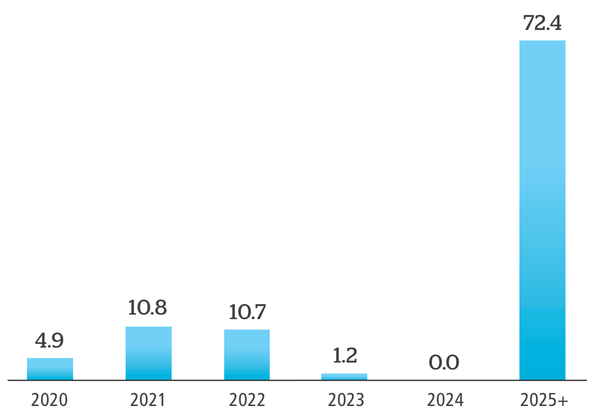
Gross Revenue
(US$ million)



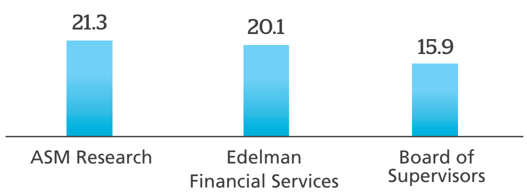
Net Property Income
(US$ million)



Lease Expiry Profile by NLA (%)



Top Three Tenants by GRI (%)



1 Acquired from Centerpointe (Fairfax) Holding LLC. and Centerpointe's valuation was US$122.1 million as announced on 29 April 2019. The independent valuer had valued the property based on the income capitalisation approach and the sales comparison approach. The income capitalisation approach consisted of a discounted cash flow analysis and direct capitalisation method.

2 The acquisition was completed on 10 May 2019.

CAPITOL

400 Capitol Mall
Sacramento, CA

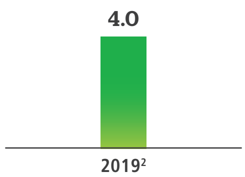
Valuation	NLA	Occupancy	
US$ 201.3 million	500,662 sq ft	94.2%	Class A

ENERGY STAR

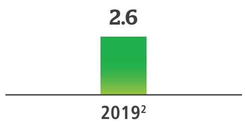
CAPITOL is a freehold 29-storey Class A office building located at 400 Capitol Mall, Sacramento, California, and is a 15-minute drive to Sacramento International airport. The property is the tallest building in Sacramento, towering 423 feet high and is uniquely positioned in the CBD. It is within walking distance to Golden 1 Center, the Downtown Commons, and benefits from the exposure to the live, work, play environment of Sacramento's Downtown Core and its growing influx of high-end residential, hotel and retail developments.

Land Tenure	**Freehold**
Building Completion	**1992**
Acquisition Date	**29 October 2019**
Purchase Price[1]	**US$198.8 million** (US$397 psf)
WALE by NLA	**5.8 years**
No. of Tenants	**42**

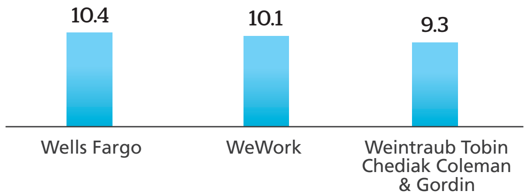
Gross Revenue
(US$ million)



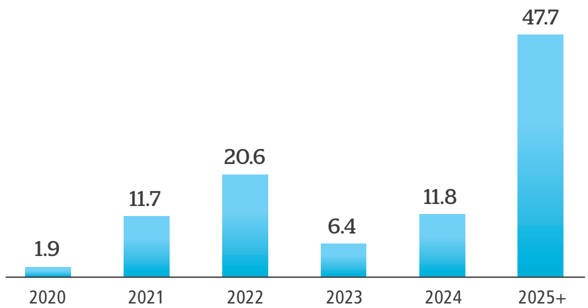
Net Property Income
(US$ million)



Top Three Tenants by GRI (%)



Lease Expiry Profile by NLA (%)



Note: Amounts may not sum to 100.0% due to rounding.

1 Acquired from 400 Capitol Mall Owner, L.P. and Capitol's valuation was US$200.5 million as announced on 19 September 2019. The independent valuer had valued the property based on the income capitalisation approach and the sales comparison approach. The income capitalisation approach consisted of a discounted cash flow analysis and direct capitalisation method.
2 The acquisition was completed on 29 October 2019.

INDEPENDENT MARKET REPORT

By JLL as at 31 December 2019

U.S. Economy Overview

Nine years into an unprecedented cyclical expansion – the longest since the post-war boom – the U.S. economy is still leading most developed countries and consistently adding jobs, registering healthy GDP growth and characterized by high (albeit plateauing) consumer, business and employee confidence and sentiment. Although geopolitical risks remain omnipresent and the global economy is expected to cool, the domestic expansion is unlikely to cease in 2020, but will invariably move to a slower "new normal" as demographic and structural factors command a greater presence.

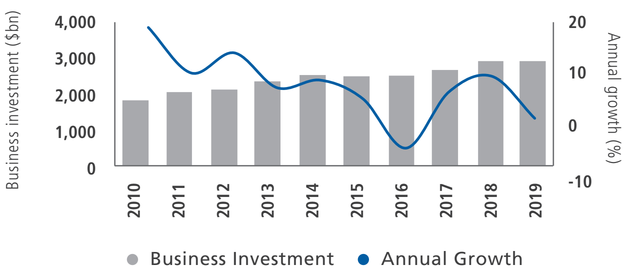
GDP is still in positive territory, although forecasts have been more cautious than in previous years. Over the first three quarters of 2019, the adjusted annual rate of output growth was 2.4%, below the nearly 3% recorded over the same time period in 2018. Although consumption has held up on the back of wage growth largely staying above 3% annually, business investment was contractionary in both Q2 and Q3 and is barely 1% higher than this time last year. Net exports have also fallen into a similar pattern as tariffs and trade policy uncertainty are eating at export volumes.

The U.S. economy saw the addition of 2.1 million new jobs over the course of 2019, bringing total cyclical expansion employment growth to nearly 22.6 million jobs. In turn, unemployment has fallen to yet another low of 3.5%, with bachelor's degree holders in even shorter supply at 1.9%. Gains in 2019 shifted even more to education and health, which contributed nearly one-third of all jobs throughout the year. Talent shortages in both primary and secondary markets have hit office-using employment growth, resulting in professional services no longer being the leader in annual job creation. As unemployment in many of these geographies continues to stay below the 3% mark, domestic migration patterns will determine which metro areas will have runway moving forward.

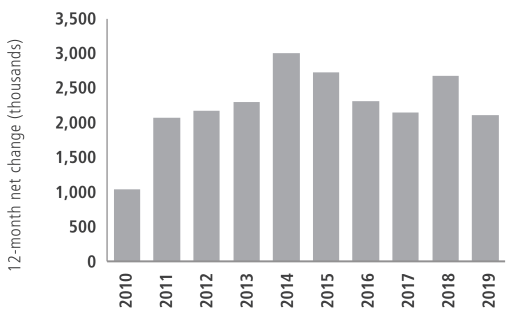
Other indicators demonstrate sustained strength but a similar pattern of levelling off in recent months and quarters. The consumer confidence index, for instance, is holding firm at 126 points after rapid escalation in 2017 and 2018. Similarly, job openings remain above the 7-million mark, but have yet to rise since mid-2018. Even quits, one of the clearest metrics of employee confidence, are tapering at 3.5 million as counter-offers to retain employees rise at or above inflation. The main exception to these trends has been inflation, which rose to 2% in its most recent reading after being below consensus for much of the year. Still, disposable incomes are rising in real terms, which will keep personal consumption and in turn GDP moving upward for a few more quarters.

Heading into 2020, both the global and domestic economy will have to face numerous escalating political headwinds along with a slowing expansion of the labor market and more metered optimism from consumers and employers. This shift in the economy will ultimately lead to a similar cooling in the office market, just as waves of new supply hit.

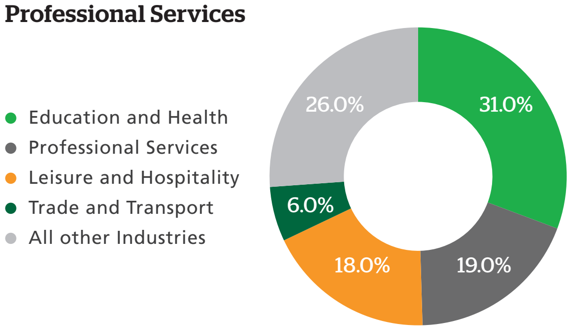
Business Investment is Stabilising as GDP Cools



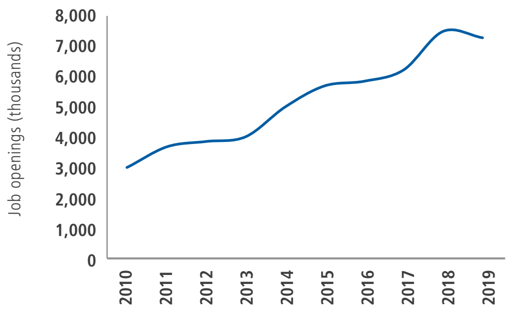
Job Creation Remains Healthy, up 2.1 million in 2019



Half of Annual Job Growth in Education/Health/Professional Services



Job Openings have Levelled Off but Still Above 7 million



INDEPENDENT MARKET REPORT

U.S. OFFICE OVERVIEW

A robust 2019 was characterized by sustained tenant demand (particularly from tech), expansion into new supply leading to widespread occupancy gains, continued but cooler rent growth and a robust development pipeline that will extend the current cycle out to 2023. This bump in activity comes at the same time as the foundations for a number of critical changes in the office market take place, which will lead to a 2020 and 2021 with more modest absorption, neutral effective rent growth on average, further new-block options and continued give-backs exerting additional pressure on vacancy in second-generation assets.

Leasing activity cooled during Q4 as coworking took a pause on the back of WeWork's restructuring. Previously a top-two-or-three driver of tenant demand, coworking barely registered during the final three months of the year, but was still the third-largest industry segment throughout 2019. Tech remained dominant, accounting for 23.6 m.s.f. (or more than 19%) of transaction activity during the year. This was significantly larger than the 15.9 m.s.f. taken down by finance and insurance users, demonstrating the continued resilience of the tech sector as well as its importance to the current economic expansion.

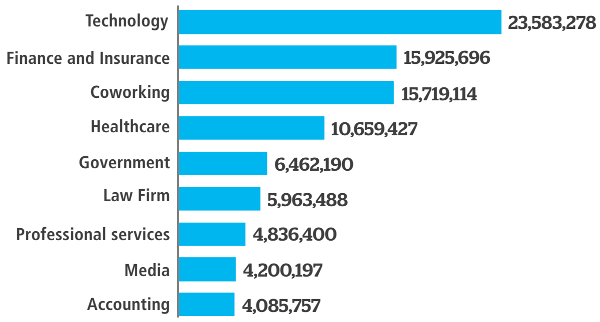
Owing to numerous major occupiers expanding into newly delivered supply pre-leased since 2016, net absorption spiked to a cycle-high 67.3 m.s.f. over the course of the year. Heading into 2020, absorption is expected to cool significantly as give-backs intensify, with most pre-leasing for 2020-2022 deliveries coming from tenants in existing assets planning to rightsize into top-tier space, while slowing employment growth will make headcount expansion on the whole more difficult. Even excluding coworking's expansion earlier in 2019, creative and many professional services tenants' pent-up demand for new space is only now finally being met.

After dipping continuously for roughly a year, vacancy ended the year at 14.3% as new supply and intra-market movement began to open up much-needed blocks of space. Similar increases in vacancy rise in direct and total terms, however, meant that sublease vacancy showed no meaningful change, indicating that a major tipping point is still a few quarters away rather than imminent.

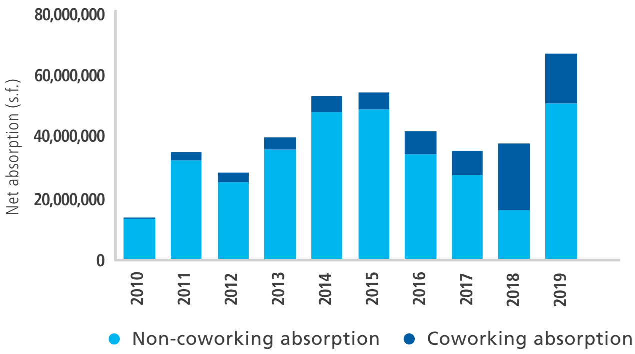
Asking rents are starting to plateau, with annual increases down to 3.1% at Q4 compared to 3.6% in Q1. Pulling down asking rent growth has been a marked pullback in the suburbs, which surged last year as new, vacant blocks hit the market, while CBD rents are recovering on the back of similarly higher priced blocks delivering after a 2018 with little in the way of new space leading to down-weighting.

Overall development is firm at 118.6 m.s.f. nationally as a number of mid-sized properties broke ground, helping to counter the 16 m.s.f. of completions that took place during the quarter, capped by the delivery of Pioneer's HQ in Houston, Qualtrics Tower in Seattle and Centene Plaza in Clayton, all of which total more than 600,000 s.f. in size.

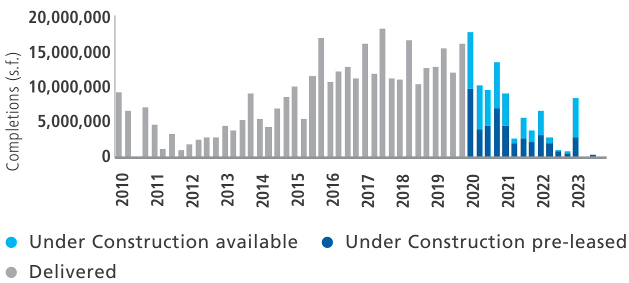
Despite Q4 Pause, Coworking was Key to 2019 Leasing



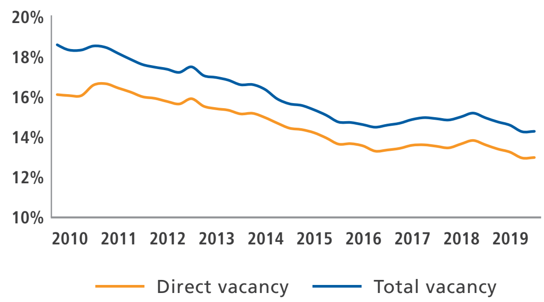
Expansion from Tech and Coworking Accelerated Absorption



After 2020, New Supply will Drop Off Considerably



Vacancy is Finally Beginning to Turn, will Rise in 2020



ATLANTA (BUCKHEAD AND MIDTOWN)

Local Economy

Along with being the ninth most-populous and tenth most-productive market in the country, Atlanta consistently ranks among the most diverse given its high concentration of corporate headquarters and particular strengths in professional services, finance, consumer products, logistics, entertainment and health, with an emerging tech presence as well. The region's status as key air and freight rail hub, low costs of living, pro-business governance and quality education and health institutions all contribute to its sustained growth and target for corporate relocations and expansion.

Inbound domestic migration continues to keep population growth and job creation positive despite severe talent shortages, particularly for skilled employees. Employment is rising at an above-average annual rate of 2.2 percent, equating to 61,200 net new jobs over the past year alone and up by more than 252,000 over the past five years. Although likely to cool somewhat in line with broader labor market and macroeconomic fundamentals, Atlanta is in a favorable demographic position over the longer term given its lower cost of living and doing business.

Office Market Trends

Atlanta's office market had a solid 2019, with Buckhead and Midtown in particular driving activity. The two submarkets posted a total of 549,353 square feet of occupancy growth throughout the year, although the completion of Coda (anchored by Georgia Tech), 725 Ponce (McKinsey and Pagerduty) and the second phase of NCR's new headquarters brought nearly 1.3 million square feet to the market and helped to boost vacancy to 15%. Despite its incremental rise, this is still below the market average of 17.7%. Similarly, rents of more than $38 per square foot are roughly 29% higher than typical market rents, indicative of strong tenant demand and preferences for amenitized, accessible product.

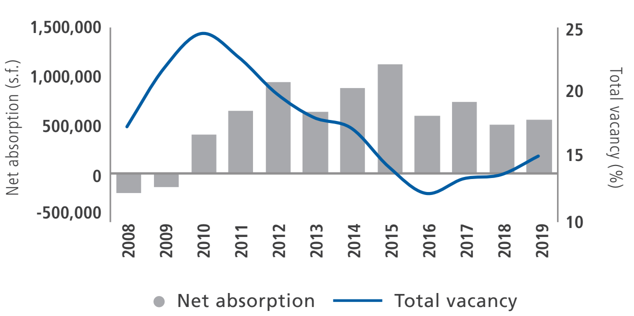
The investment sales market was healthy in 2019, with overall volumes up 27% over the year, but still well below the $700+ million in deals recorded in 2015 and 2016 as opportunities for additional trades remain scarce. This has had the effect of pushing sales into the mid-tier range, in turn bringing average pricing slightly below the $200-per-square threshold.

Outlook

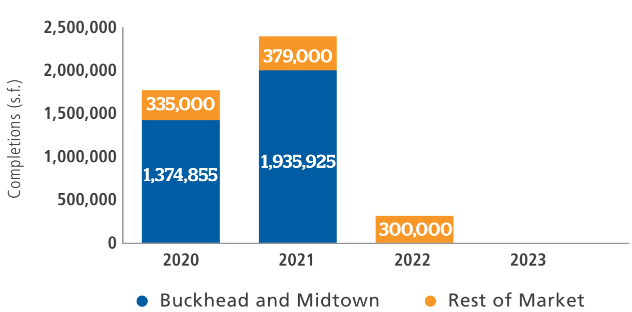
A significant amount of new supply is expected to deliver over the coming years throughout the region: of the 4.3 million square feet of office space under construction across Atlanta, 3.3 million square feet of this is found in Midtown and Buckhead. Inbound migration from the suburbs and consolidation from existing and new-to-market users are fueling this boom, as evidenced by Norfolk Southern and Anthem's build-to-suits being among the largest projects in the region.

Despite this injection of quality product, demand is unlikely to meaningfully abate at the current rate of growth; even a slowdown would still mean positive net absorption over the near-term. In turn, Buckhead and Midtown will remain the tightest submarkets in the metro area.

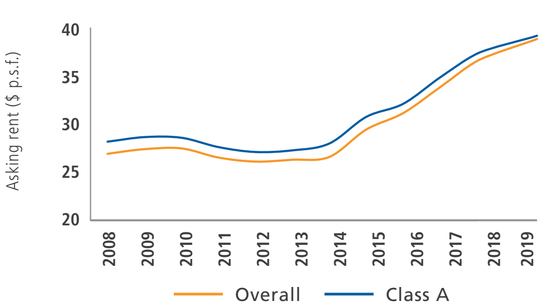
New Construction is Slowly Boosting Vacancy



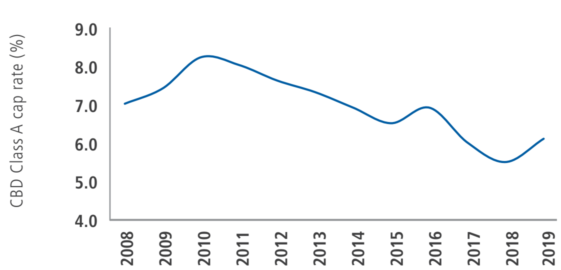
Buckhead/Midtown Capture the Majority of Construction



Asking Rents Continue to Rise Given Sustained Demand



A Lack of Tradeable Inventory is Halting Cap Rate Declines



INDEPENDENT MARKET REPORT

LOS ANGELES (DOWNTOWN)

Local Economy

Los Angeles is riding the wave of creative industry growth, particularly streaming and content development. High-profile tech and media tenants such as Google, Netflix and Apple are staking out their respective segments of the office market, leading to intensive development and its resultant declines in vacancy and rising rents. The local economy is taking this in stride: arts and entertainment now accounts for $44.5 billion of the region's $787.2 billion economy and is growing 45% faster than the market-wide average. Los Angeles' comparative advantage in terms of industry-specific institutional presence and density of skilled employees will keep this trend solid into the 2020s.

Office Market Trends

Downtown Los Angeles continued to register inconsistency in office market demand and activity in 2019 even as the regional market and in particular the Westside and certain Mid-Wilshire and South Bay submarkets are undergoing intensive redevelopment and posting sustained demand from a wide array of users. After a stronger 2018, net absorption ended 2019 slightly into negative territory, leading to a resultant 20-basis-point increase in vacancy.

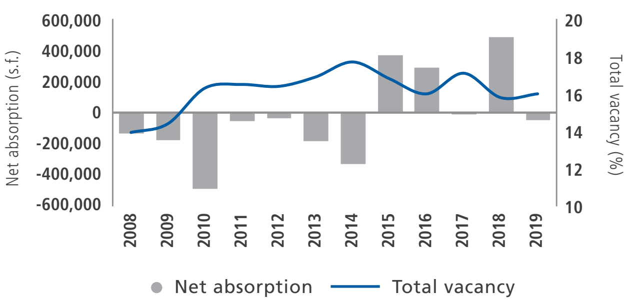
However, asking rents are still rising given general market tightness and anticipation of some spillover from cost-conscious users into the urban core as well as potential demand arising from Downtown's widespread multifamily and hotel boom, which is still in full swing. As of 2019 and even into early 2020, this isn't translating into corporate-grade construction as of yet, although a number of projects are currently in the planning stages. Almost all of this is expected to occur in the Arts District rather than the traditional CBD core of Bunker Hill and the Financial District as developers seek to match tenants' desire for creative space and lure users from the Westside, where development opportunities are significantly more limited.

As with the leasing market, sales velocity was highly restrained in 2019, with only one major sale taking place: the purchase of the Ford Factory for $195 million. This acquisition was notable not only as the most expensive trade in the past five years for an office building larger than 100,000 square feet, but also for being solidly in the Arts District and a post-industrial asset rather than traditional or Trophy product. This further underlines investors' confidence in Los Angeles as a creative hub and the importance of non-traditional spaces for expansion and capital value growth.

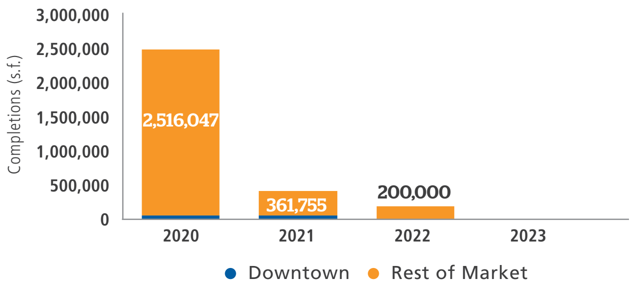
Outlook

Despite subdued activity in recent years and likely in the coming quarters, the long-term prospects for Downtown Los Angeles are strong. The market's trend of clustering into key nodes is also likely to occur gradually in the eastern part of Downtown on the back of thousands of new residential units and further adaptive reuse and infill development. Improving connectivity to Downtown with the completion of the Expo Line and the upcoming extension of the Purple Line to Mid-Wilshire, Beverly Hills and Century City may induce additional tenant demand to Downtown.

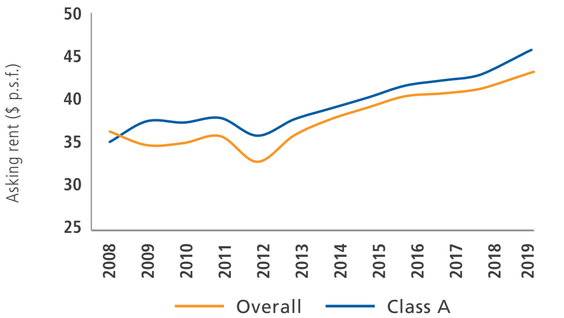
Downtown Remains Less Active than the Westside



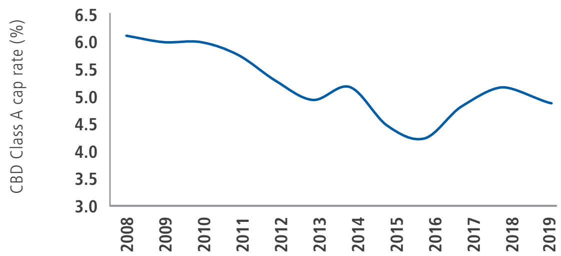
Downtown Construction is Still Near Non-existent



Rents are Slowly Rising in Line with Stable Demand



Cap Rates are Down, but Elevated Compared to Market



NEW JERSEY
(HUDSON WATERFRONT AND THE MEADOWLANDS)

Local Economy

Northern New Jersey is still in growth mode, but slower than New York City and the Tri-State Area as a whole. Over the year, employment in Northern New Jersey rose by 0.7% (the equivalent of 9,100 jobs), whereas New York City's 78,300 net new jobs were created at a rate of 1.7%. Still, the area's 3.3% unemployment rate is below the regional average and its employment base is among the most skilled nationally.

A combination of consolidation of satellite campuses into Manhattan to maximize catchment, preferences for urban rather than suburban locations and the movement of back-offices found in the suburbs to lower-cost secondary markets are all hitting New Jersey, Long Island, Westchester County and Fairfield County's office markets. These trends are unlikely to subside and will mean that owners will have to be creative and cooperative in order to maintain occupancy levels.

Office Market Trends

The Hudson Waterfront and Secaucus had a solid year for leasing activity, even with net absorption ultimately turning negative and leading to rising vacancy. The Depository Trust & Clearing Corporation and Pershing both renewed leases in excess of 400,000 square feet, while Whole Foods leased space for its new North American headquarters at 210 Hudson Street in Jersey City. Small give-backs of higher-priced space were also responsible for asking rents rising slightly, but even faster growth in concessions to counter build-out costs and to retain or attract tenants is placing effective rents under greater strain.

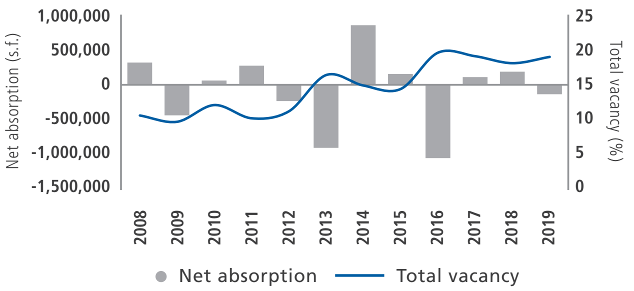
These transactions come at a time when the Northern New Jersey office market is in a period of transition and flux, having to compete with New York for high-growth tech talent but still more expensive than many secondary markets. The ability of the submarket to retain notable tenants speaks to the strength of the region's labor market and access to key financial and regulatory institutions along with global connectivity.

Northern New Jersey sales activity was largely drawn from the disposition of Newport Center 4 and 6 by LeFrak to Harbor and iStar, respectively, for a total of $504 million. Per-square-foot pricing of more than $300 is still favorable compared to Manhattan, providing an opportunity for investors looking for yield in the Tri-State Area given cap rate stabilization at roughly 6% in 2019.

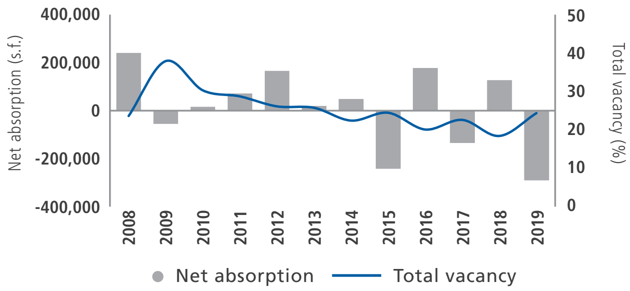
Outlook

Northern New Jersey's growth trajectory is unlikely to substantively change over either the near- or long-term given its proximity to New York City and the higher cost of living and doing business. The state's major industries of life sciences and health are likely to stay clustered in existing campus locations, leading growth for the Hudson Waterfront and Secaucus to be found in consulting, professional services, finance, regulatory compliance and logistics as well as from cost-conscious users such as non-profits and associations. Jersey City's robust multifamily pipeline may help to alleviate some talent shortages for employers, however.

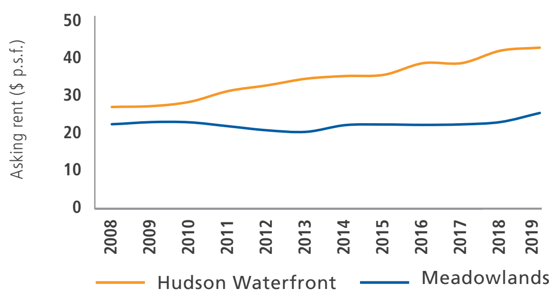
Vacancy is Budging Upward on the Hudson Waterfront



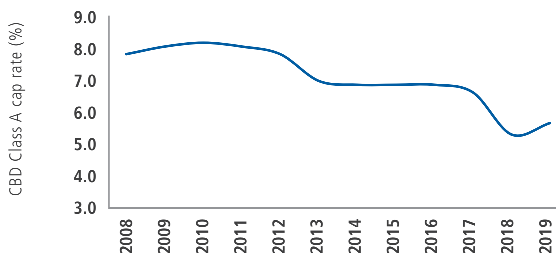
Meadowlands Vacancy Approaching 25% as Losses Mount



Hudson Waterfront Rents are Still Rising, Though



Cap Rates are Stabilizing at 6%



INDEPENDENT MARKET REPORT

ORANGE COUNTY (IRVINE)

Local Economy

Orange County's skilled labor force and specialization in key growth industries such as advanced manufacturing, specialized finance, research and development, virtual reality software and media and entertainment have all helped it stay at the top of Southern California's economic leaderboard. Demographically, its 5.8% population growth since 2010 is double the 2.9% rate of neighboring Los Angeles County, notable in spite of the relative increase in housing and transportation costs that residents face compared to elsewhere in the region.

Although slowing, more than 155,300 net new jobs have been created and unemployment is close to Bay Area levels at only 2.5%, in comparison to the 4%+ routinely seen in Los Angeles County. Finance in particular is driving gains, with year-over-year growth at 2.7% as of year-end 2019, while leisure and hospitality is still the county's dominant employment driver.

Office Market Trends

Irvine and Irvine Spectrum had their joint-best year in 2019 since 2011, recording a total of more than 1.2 million square feet of absorption and vacancy falling by 140 basis points after jumping in 2017 and 2018 on the back of a swath of new deliveries and resultant relocations and consolidations. At 14.3%, vacancy is now only slightly above the county-wide rate of 13.4% and is likely to fall or remain stable over the near-term.

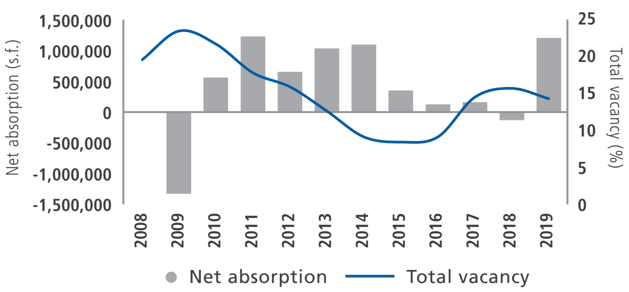
Given their premium location and wider array of inventory, Irvine and Irvine Spectrum continue to reap the benefits of Orange County's strength in tech, entertainment, advanced manufacturing, finance and research and development. Alteryx, TGS, Hyundai Capital and Ford led leasing activity throughout the year, helping to eat away at available blocks. In turn, asking rents hit a new high of more than $37 per square foot, underlining confidence from landlords about demand prospects.

Outlook

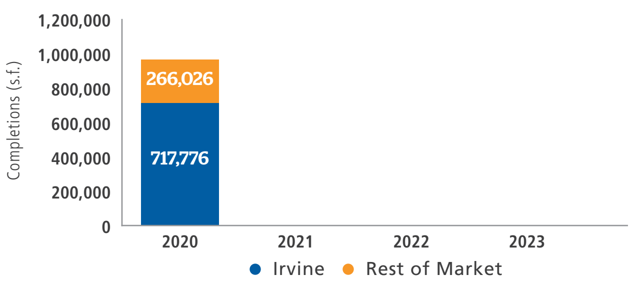
Irvine and in particular Irvine Spectrum is likely to see some degree of moderation as talent shortages hinder headcount growth strategies from corporate occupiers and additional new supply comes to the market. Although less than 1 million square feet of space is currently under construction throughout Orange County, nearly all of this is underway in Irvine at the Irvine Company's Spectrum Terrace complex. At the same time, a lack of deliveries beyond 2020 may help to buffer against further increases in vacancy over the longer term and reduce the potential for oversupply or correction.

Irvine is also likely to benefit from the continued search for yield from many institutional investors as barriers to entry in gateway markets continue to price out potential buyers. Sales activity throughout 2019 in both the submarket and the county as a whole was robust, with Opus Center II and 2211 Michelson Drive both selling for more than $100 million and $400 per square foot. Orange County's wealth of properties suitable for R&D, lab and flex/light industrial space provides additional opportunities for repositioning and capital value growth.

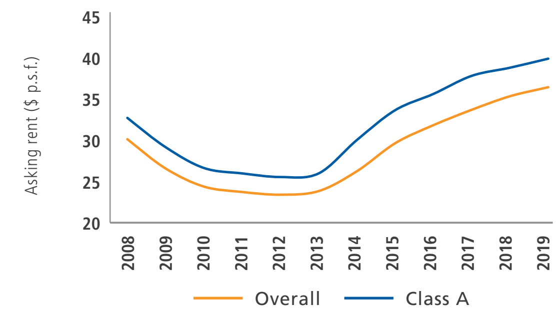
Vacancy Falling as New Supply is Absorbed at a Clip



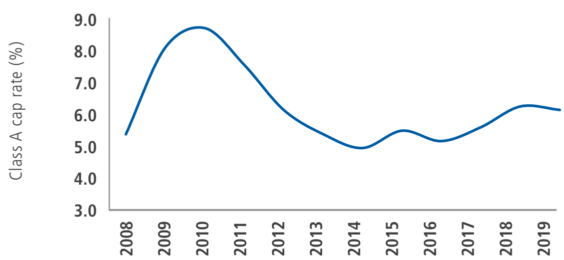
No New Construction in Irvine will Allow for Tightening



Rents are Rising Steadily, Nearing the $40 Mark



Cap Rates are Leveling off at Slightly Above 6%



WASHINGTON, D.C. (CBD)

Local Economy

The Metro DC region continues to see a bifurcation between macroeconomic and demographic indicators: despite population growth of 10.3 percent across the metro area – rising to 15.2 percent for the urban core – the District itself has seen occupancy rise by only 3.5 percent. For the CBD, whose tenant profile is significantly affected by rightsizings and consolidations from legal services, consulting and government-related users, this figure is even lower. As a result, nearly all of this occupancy growth took place in submarkets outside of the CBD.

The region's demographic profile and labor pool, however, remain its major strength. Metro DC boasts among the highest educational attainment and household incomes in the country, while the city proper has undergone a massive renaissance over the past decade. Local expertise in high-growth areas such as cybersecurity, regulatory policy and intellectual property will help to boost and diversify the market as it transitions away from traditional economic anchors to emerging and alternative drivers of leasing activity and occupancy growth.

Office Market Trends

Rightsizings, relocations and consolidations continued to drive the story of the CBD in 2019. The submarket recorded its fourth consecutive year of net occupancy loss, bringing to 13.9% at year-end. Since Q1 2016, more than 1.2 million square feet of negative net absorption has taken place, creating an exceedingly tenant-favorable submarket given the District's strong demographics and socioeconomic growth profile.

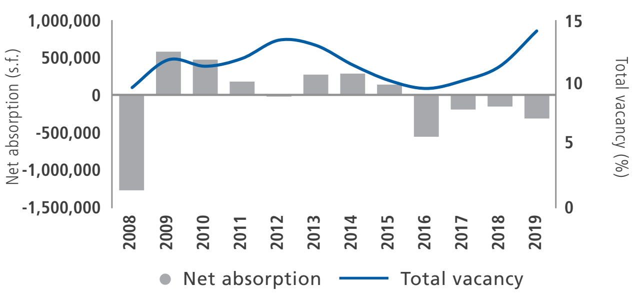
New supply has also been partially responsible for this spike in vacancy, but development activity is more muted in the CBD than in many other parts of the urban core. Only one building – 1900 N Street NW – hit the market in the CBD, although more than half of the 271,433-square-foot asset was still available at the time of delivery. Compounded by relatively light leasing velocity throughout the region, landlords have held off on additional rent increases, as asking rents demonstrated yet another year of hovering around the $63-per-square-foot mark.

Outlook

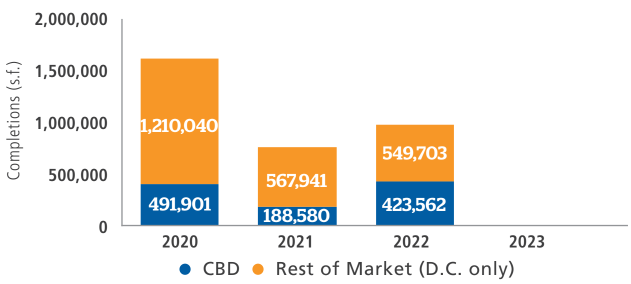
Although some recovery has been seen and macroeconomic indicators at the regional level are solid, the CBD is expected to stay tenant-favorable for the foreseeable future. A combination of movement to emerging submarkets at the fringe of the region's core, a lack of organic growth from traditional users and continued speculative deliveries with only moderate preleasing are going to keep vacancy elevated barring an unforeseen structural change in market dynamics.

On the other hand, sales activity remains buoyant given DC's status as a counter-cyclical primary market and its relatively wide array of tradeable options compared to other gateways. Multiple transactions of more than $700 per square foot took place over the course of 2019, led by Akridge's sale of 1711 Rhode Island Avenue for more than $1,000 per square foot, and we expect healthy investment activity even with likely oversupply.

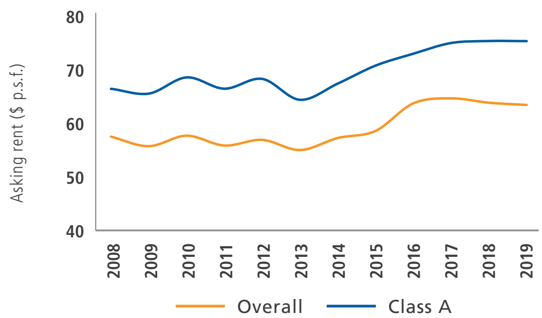
Further Occupancy Losses Pushed Vacancy to 13.9%



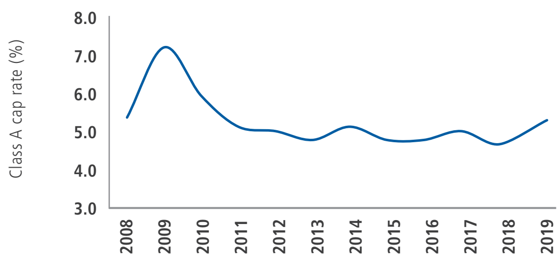
New Construction is Less Concentrated in the CBD



Asking Rents have been Stable since 2016



Cap Rates aren't Budging Given Shifting Fundamentals



INDEPENDENT MARKET REPORT

NORTHERN VIRGINIA
(FAIRFAX CENTER AND FAIRFAX CITY)

Local Economy

Northern Virginia is the largest employment cluster in Metro DC, home to 1.5 million of the region's nearly 3.4 million workers, and is the focus for its defense, contracting, cybersecurity, engineering and data hosting and processing industries. Coupled with a slightly older but highly educated and affluent population, it is driving the metro area's recovery in recent years with its concentration of high-growth sectors.

Office Market Trends

Like much of Northern Virginia's office market, and in particular those submarkets not accessible to Washington, DC by Metro, Fairfax Center and Fairfax City have registered somewhat static movement from tenants and have had a market characterized by stubborn and elevated vacancy and minimal rent growth. In 2019, only Camber's renewal at 12730 Fair Lakes Circle exceeded 100,000 square feet, while almost all leasing transactions were from defense and contracting users, which are benefitting from increased Department of Defense and related federal funding.

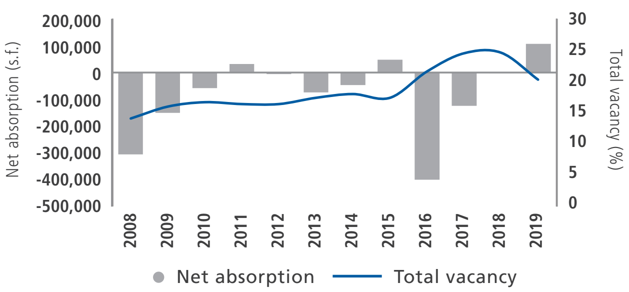
As tenants continue to consolidate operations in submarkets and assets with existing or future Metro access, particularly on the Silver Line, Fairfax has yet to see many of the gains from recent macroeconomic gains in Northern Virginia. Occupancy losses of more than 527,000 square feet since 2010 pushed vacancy beyond the 20% mark, while rents have stayed flat at around $27 per square foot for more than a decade. Further contributing to this has been the lack of new supply in the submarket as a result of these same trends, leading to increasing amounts of functionally obsolete and less-desirable space compared to submarkets such as Reston, Tysons Corner and the Rosslyn-Ballston Corridor.

Despite relatively anemic tenant activity, sales volumes have been healthy in Fairfax Center and Fairfax City in recent years, reaching a high of $356 million in 2019 across more than 2 million square feet of product. Of this, roughly one-third came from Manulife US REIT's acquisition of Centerpoint I and II, with the remainder largely a result of Radix purchasing the four-building Fair Lakes portfolio from C-III. Investors with experience in handling defense and contracting as well as more value-conscious tenants as well as those ready to invest meaningful capital into repositioning may find gains in Fairfax despite reduced Metro accessibility and aging inventory.

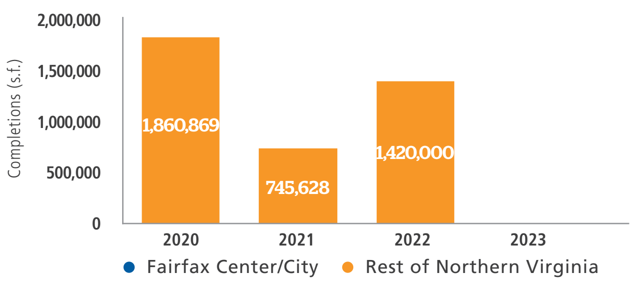
Outlook

Fairfax Center and Fairfax City will continue to see residual activity from a combination of small-to-mid-sized defense-related tenants as well as users priced or spaced out of more high-profile nearby submarkets. At the same time, their distance from the region's urban core, a lack of Metro accessibility and lower quality of office space will challenge owners and require meaningful improvements in amenitization, workplaces and financial incentives for tenants in order to maintain or grow occupancy. Recent moves to increase Department of Defense's budget will provide a short-term boost for the submarket and catalyze additional demand in the region that may spill over, but will not be enough to address many of the underlying issues in these submarkets.

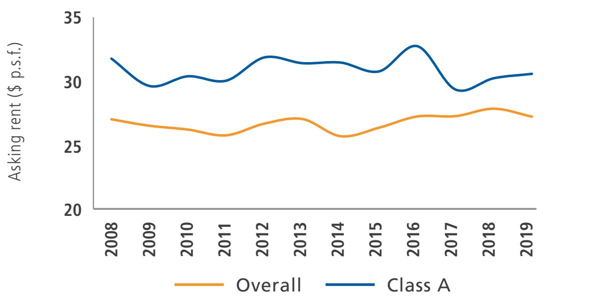
Occupancy Beginning to Rise in 2019



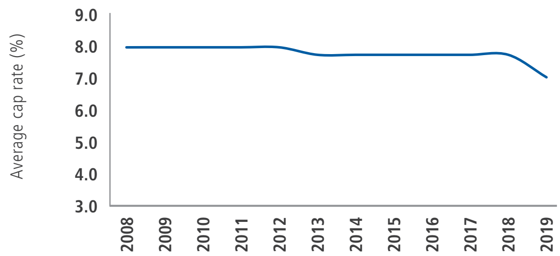
New Construction has Shifted Away from Fairfax



Rent Growth has been Minimal Given Subdued Demand



Cap Rates have had Little Movement this Cycle



SACRAMENTO (OVERALL)

Local Economy

Sacramento's status as the capital of California gives it a unique economic and demographic dynamic conducive to stability and long-term holds. Metro area growth of 9.1% since 2010 is healthy, albeit slightly slower than many peer markets, but has helped to keep total non-farm employment growth at or above 1.5% annually in recent years.

Like the rest of metropolitan California, slack is minimal (3.2% unemployment), but net domestic outflows are also nowhere near as severe as in the Bay Area or Los Angeles given the lower cost of living. Government is an outsized share of employment at 23.1%, but is by no means the only driver of growth: professional services, education, health and trade are all adding jobs at a faster rate as the region diversifies, helping to boost occupancy gains in the office sector accordingly.

Office Market Trends

After a prolonged recession with vacancy above 20% through early 2013, Sacramento continues to register highly positive absorption given its size. Starting in 2011, it has seen more than 6 million square feet of occupancy growth, halving vacancy in the process to just 12.1%. As a result, asking rents continue to trend upwards at an annual rate of 4.5%, well above the national average.

Sacramento is notable among markets across the United States for its thin development pipeline. Since 2010, only 1.2 million square feet has hit the market, with no year apart from 2013 seeing more than 200,000 square feet of completions. As a result, tenants ranging from law firms and professional services seeking quality space along with price-sensitive users are feeling a crunch unlikely to go away in the coming years. These conditions are similar for both the CBD and the suburbs, although the CBD's rent premium has widened even more to 47.9% as of year-end 2019.

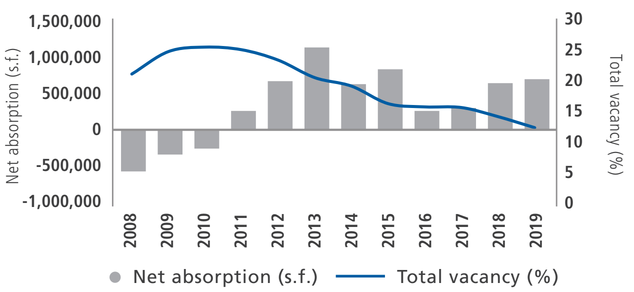
Underlying fundamentals are giving way to sustained transaction activity, driven by this consistent expansion along with Sacramento's government presence and relative affordability compared to the rest of Northern California. 2019 was the second consecutive year of more than $1 billion in trades and the third this cycle (2016 being the first). Pricing is rising even faster than asking rents, jumping to $230 per square foot over the year.

Outlook

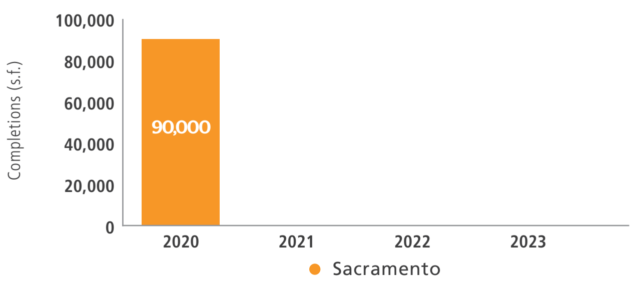
Moving forward, Sacramento will remain exceedingly tight for most occupiers in the absence of a significant bump in groundbreakings. Even so, new supply would only begin to deliver in earnest by late 2021 at the earliest, prolonging landlord-favorable conditions for the foreseeable future.

Population and business spillover from the Bay Area will act as a continued demand valve for the market, while the presence of the state government will further insulate Sacramento from a downturn. This will help to ameliorate concerns from investors about fewer barriers to entry in the market compared to San Francisco and Silicon Valley, among other metro areas.

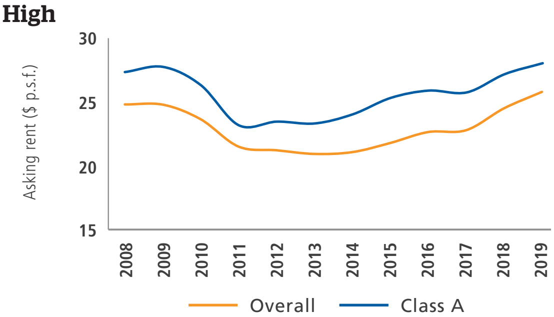
Vacancy Dropping Rapidly as Absorption Continues Apace



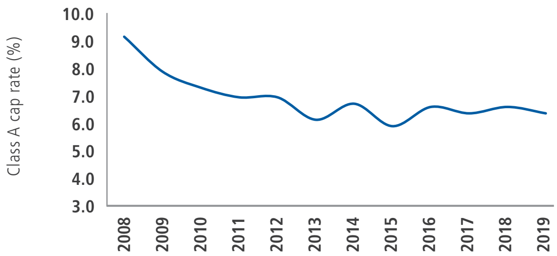
Exceedingly Thin Pipeline means no Imminent Oversupply



Asking Rents have Finally Exceeded their Pre-Recession High



Cap Rates have Dipped only Slightly in Recent Years



INDEPENDENT MARKET REPORT

2019 LEASING ACTIVITY

Atlanta (Buckhead and Midtown)

Tenant	Address	Class	Lease type	Size (s.f.)
Norfolk Southern	1200 Peachtree Street NE	A	New lease	370,651
Marsh	3560 Lenox Road NE	A	Renewal	91,332
JLL	3344 Peachtree Road NE	Trophy	Expansion	77,606
Samsara	1170 Peachtree Street NE	A	New lease	64,983
Weinberg Wheeler	3344 Peachtree Road NE	Trophy	Renewal	63,980
Common Grounds	999 Peachtree Street NE	A	New lease	49,506

Los Angeles (Downtown)

Tenant	Address	Class	Lease type	Size (s.f.)
Local Initiative Health Authority	1200 W 7th Street	B	Expansion	334,423
Gibson Dunn	333 S Grand Avenue	Trophy	Renewal	215,000
Union Bank	445 S Figueroa Street	B	Renewal	161,903
Ghost Management	767 S Alameda Street	A	New lease	113,692
WeWork	1023 S Broadway	B	New lease	78,000
WeWork	1003 E 4th Place	A	New lease	61,247

New Jersey (Hudson Waterfront/Secaucus)

Tenant	Address	Class	Lease type	Size (s.f.)
Depository Trust & Clearing Corp.	570 Washington Boulevard	A	Renewal	415,164
Pershing	95 Columbus Drive	A	Renewal	400,000
ACE	10 Exchange Place	A	Renewal	78,709
FINRA	32nd Street	A	New lease	54,000
Gucci	70 Hudson Street	A	New lease	51,824
Whole Foods	210 Hudson Street	A	New lease	48,844

Orange County (Irvine)

Tenant	Address	Class	Lease type	Size (s.f.)
WeWork	17300 Laguna Canyon Road	A	New lease	116,261
Alteryx	17200 Laguna Canyon Road	A	Relocation	116,261
TGS	17500 Laguna Canyon Road	A	New lease	114,875
Hyundai Capital	3161 Michelson Drive	A	Renewal	97,587
Ford	3 Glen Bell Way	B	Renewal	87,693
Rutan & Ticker	18565 Jamboree Road	A	Relocation	85,577

Washington, D.C. (CBD)

Tenant	Address	Class	Lease type	Size (s.f.)
Mayer Brown	1999 K Street NW	Trophy	Renewal	175,000
World Bank	1776 G Street NW	B	Renewal	161,070
King & Spalding	1700 Pennsylvania Avenue NW	B	Renewal	83,000
U.S. Customs & Border Protection	1717 H Street NW	B	Renewal	71,411
Danaher	2200 Pennsylvania Avenue NW	Trophy	Renewal	52,000
McGuire Woods	888 16th Street NW	A	Relocation	50,000

Northern Virginia (Fairfax Center/Fairfax City)

Tenant	Address	Class	Lease type	Size (s.f.)
Camber	12730 Fair Lakes Circle	A	Renewal	108,762
Alion	12601 Fair Lakes Circle	A	Renewal	35,085
Trident	10201 Lee Highway	C	Renewal	27,040
Burdette Smith	4114 Legato Road	A	Relocation	18,667
All Native	10300 Eaton Place	B	New lease	15,500
VSA	13135 Lee Highway	C	New lease	12,678

Sacramento (overall)

Tenant	Address	Class	Lease type	Size (s.f.)
Clear Blue	820-840 Stillwater Road	B	New lease	187,391
Regents of UC Davis	10888 White Rock Road	A	New lease	68,000
WeWork	660 J Street	B	New lease	65,799
WeWork	400 Capitol Mall	A	New lease	47,316
York Risk Services	1101 Creekside Ridge Drive	A	Renewal	44,746
Adventist Health System	1075 Creekside Ridge Drive	A	Renewal	26,418

2019 OFFICE SALES

Atlanta (Buckhead and Midtown)

Building	RBA (s.f.)	Sales price ($)	Price ($ p.s.f.)	Buyer	Seller
Salesforce Tower	631,808	205,000,000	324	Banyan Street/KKR	Oaktree
715 Peachtree Street NE	318,445	124,000,000	390	Northwood	Pacific Coast/ Carter
1200 Peachtree Street NE	370,000	82,000,000	222	Cousins	Norfolk Southern
Piedmont Center 14	300,301	58,000,000	193	Ardent	Lone Star
Silhouette	116,620	24,800,000	213	Sid Mookerji	Dau
Peachtree Palisades East	224,824	23,400,000	104	Holder	ELV

Los Angeles (Downtown)

Building	RBA (s.f.)	Sales price ($)	Price ($ p.s.f.)	Buyer	Seller
Ford Factory	257,028	195,000,000	759	Access	Shorenstein

New Jersey (Hudson Waterfront/Secaucus)

Building	RBA (s.f.)	Sales price ($)	Price ($ p.s.f.)	Buyer	Seller
Newport Office Center 4	867,000	375,000,000	433	Harbor	LeFrak
Newport Office Center 6	430,239	129,000,000	300	iStar	LeFrak

INDEPENDENT MARKET REPORT

2019 OFFICE SALES

Orange County (Irvine)

Building	RBA (s.f.)	Sales price ($)	Price ($ p.s.f.)	Buyer	Seller
Opus Center II	308,000	125,000,000	406	Greenlaw	Knobbe
2211 Michelson Drive	271,556	115,500,000	425	Greenlaw	Kilroy
15750 Alto Parkway	101,000	32,000,000	317	IRA	Wells Fargo
23 Pasteur	125,000	28,000,000	224	TGS	Wells Fargo
Van Karman Tech Center	100,461	25,400,000	253	Dayani	KBS

Washington, D.C. (CBD)

Building	RBA (s.f.)	Sales price ($)	Price ($ p.s.f.)	Buyer	Seller
1625 I Street NW	405,000	259,000,000	640	Westbrook	Brookfield/EDGE
815 Connecticut Avenue NW	236,000	231,300,000	980	Ponte Gadea	Blackstone
McPherson Building	252,834	209,100,000	827	Northwestern Mutual	ADIA
World Bank Building	265,850	129,500,000	487	World Bank	WashREIT
1711 Rhode Island Avenue NW	108,806	119,000,000	1,094	EXAN	Akridge
Washington Park	134,000	103,000,000	769	European Union	Deka

Northern Virginia (Fairfax Center/Fairfax City)

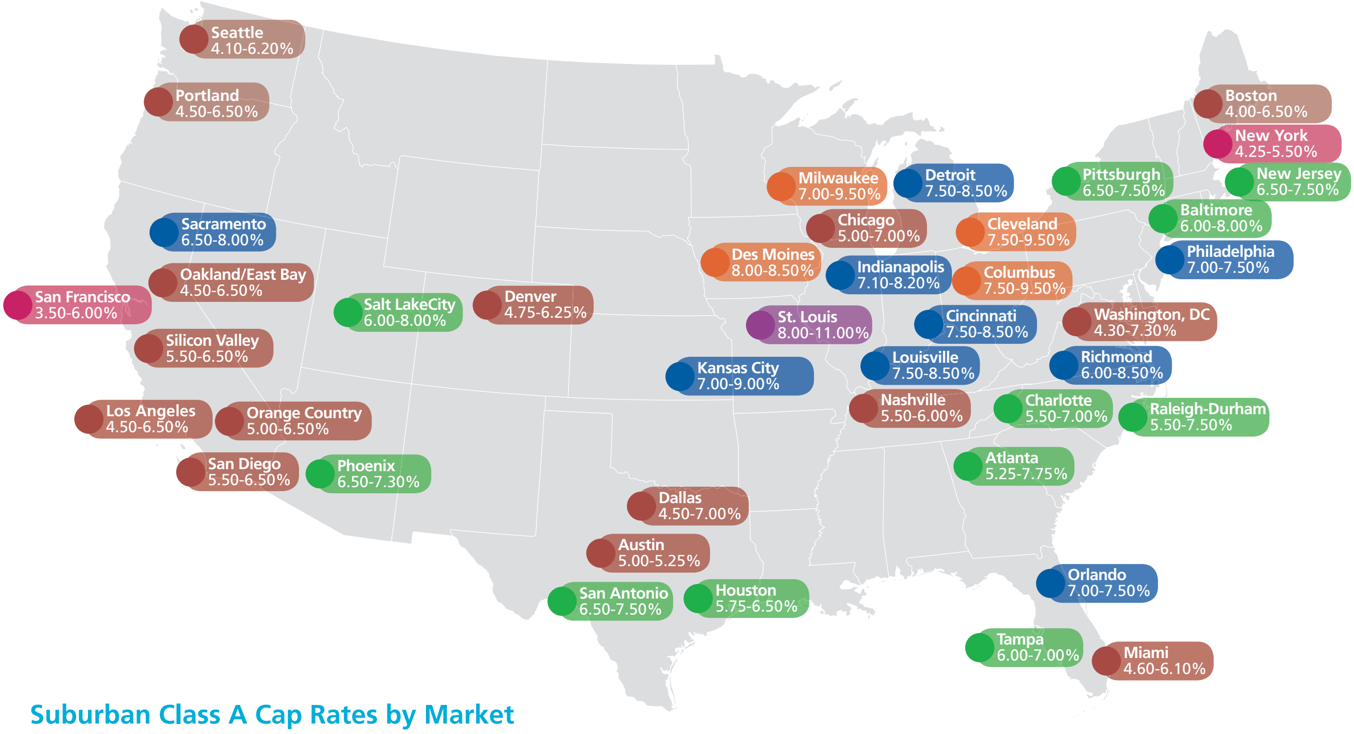
Building	RBA (s.f.)	Sales price ($)	Price ($ p.s.f.)	Buyer	Seller
Centerpointe I-II	421,859	122,000,000	289	Manulife US REIT	Alony Hetz
Fair Lakes I-IV	463,459	78,500,000	169	Radix	C-III
Fair Ridge Center	68,000	25,900,000	381	Hovnanian	Xingguo Chen
Greenbriar Corporate Center	111,721	13,100,000	117	PSF 1 Fairfax	CWCapital
4401 Village Drive	62,074	11,000,000	177	MAR-JAC	Virginia Int'l University
Eaton Place	103,173	10,500,000	102	Kenwood	Polinger

Sacramento (overall)

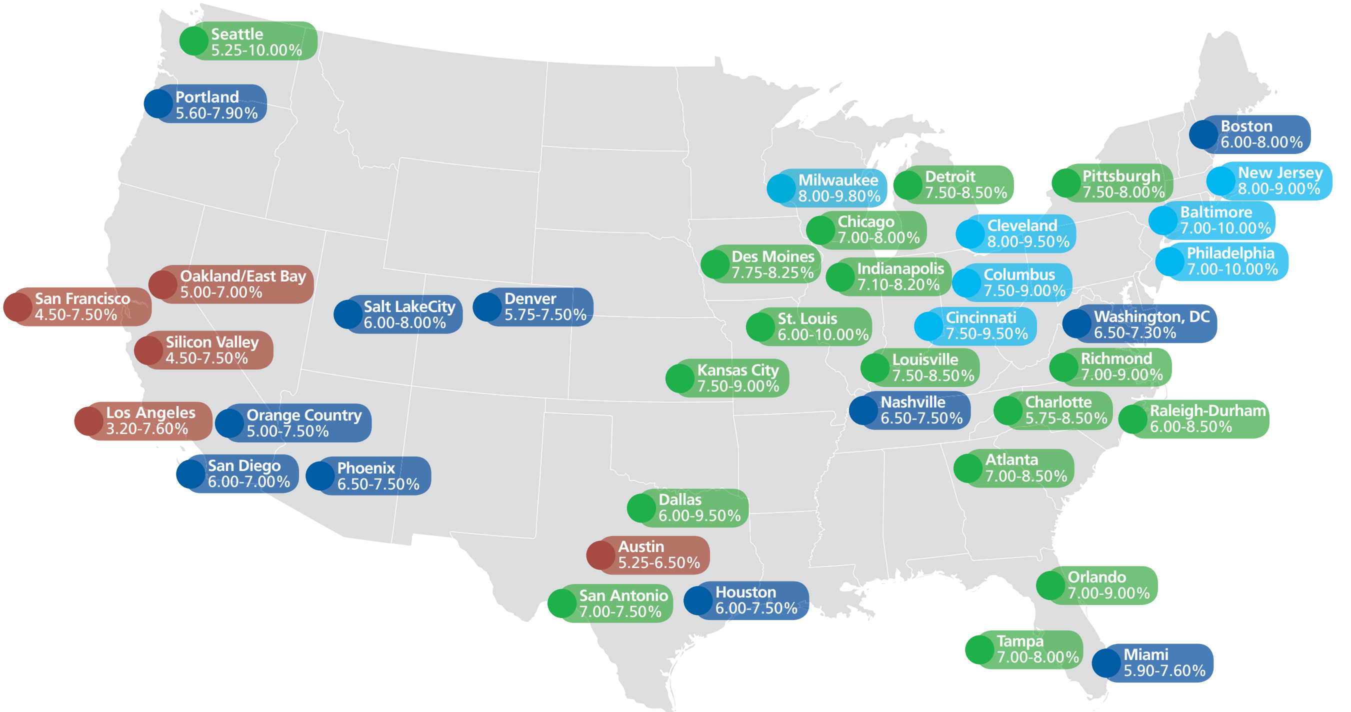
Building	RBA (s.f.)	Sales price ($)	Price ($ p.s.f.)	Buyer	Seller
400 Capitol	502,365	198,800,000	396	Manulife US REIT	Starwood
Emerald Tower	383,238	127,000,000	331	Evergreen/UAIC	Hines/Sterling
Benvenuti Plaza	399,636	114,600,000	287	Boyd Watterson	Oaktree/Hines/JMA
Parkway Corporate Plaza	287,000	79,000,000	275	Morgan Stanley/Anchor	Broe/Bluett
Folsom Corporate Center	150,709	31,900,000	212	Basin Street	Swift
Sprint Office Building	104,042	25,200,000	242	Boyd Watterson	Strada

CAP RATES BY MARKET

CBD Class A Cap Rates by Market



Suburban Class A Cap Rates by Market



INVESTOR RELATIONS

The Manager proactively engages the investment community with timely and transparent communication in order to create long-term value for its Unitholders.

In 2019, the Manager met with more than 1,100 retail and institutional investors through meetings, conferences, calls and roadshows.

Thought Leadership

In 2019, the IR team pushed frontiers and introduced a series of initiatives and events. Some of these included a topical section of the U.S. commercial sector in its quarterly financial slides, rallying the media and regulatory bodies in Singapore to promote the U.S. REIT sector and holding a conference style Investor Day.

As the first U.S. office REIT listed on SGX-ST, the IR team recognised the need to focus on thought leadership. To show its commitment on educating and sharing knowledge about the U.S., the Green Dot Series – a thought leadership initiative was launched in March 2019 during its Investor Day 2019. Unique to MUST, the Investor Day was conducted as a conference with panel discussions. Top fund managers from AEW, Eastspring and Lion Global were invited to share their views on the equity market. Bankers and regulators were also asked to provide colour on the surge of offshore listings in Singapore.

GREEN DOT SERIES
A THOUGHT LEADERSHIP INITIATIVE

Being the first U.S. office REIT listed on SGX-ST, the IR team saw the need for investor education on the U.S. economy and office real estate market. To show its commitment on this front, the IR team launched its thought leadership initiative – Green Dot Series in March 2019.

Green is Manulife's corporate colour, and as the Green Dot in Asia, MUST aspire to be the leader in driving investors' understanding of the world's largest real estate market.

For more information on our thought leadership initiative, please refer to our Sustainability Report on page 61.

Stakeholder Engagement

On the stakeholder engagement front, the Manager continued to improve its communications and disclosures. The IR team has put in place an IR policy which can be obtained via MUST's website. Different events have been curated to target different segments of MUST's stakeholders.

MUST provides the investment community with regular updates using IR tools such as press releases, presentation slides, annual reports/sustainability reports and factsheets. All announcements are issued in a timely manner through SGXNet, uploaded on MUST's website and disseminated via email alerts to its subscribers. Unitholders can contact MUST via email or its dedicated hotline found on its website.

MUST convened its 3^{rd} AGM on 24 April 2019 with full attendance from the Board of Directors and senior management. During the AGM, a short video of its properties was showcased before the presentation of the REIT's strategy and business performance. Unitholders were also encouraged to email their questions to the IR team prior the AGM. For greater transparency, resolutions were voted using electronic polling with the results being announced and published on SGXNet. As part of going green, the REIT passed a resolution for its annual report to be communicated electronically. The document, results and minutes of the AGM are also available on its website www.manulifeusreit.sg.

Throughout the year, the IR team organised trips and social events like movie night and a coffee tasting seminar. With a total of five U.S. REITs in Singapore, the Manager conducted U.S. site visits for analysts and media. They visited not just properties of MUST, but also those of its peers and spoke to brokers and valuers to gain a deeper understand of the U.S. real estate sector. Efforts to promote MUST paid off with more media coverage and two new analysts initiating coverage – Maybank Kim Eng Research and CGS-CIMB Research.

Awards and Accolades

Through its proactive IR efforts and investor engagement, MUST achieved the most successful equity fund raising in 3Q2019 since its IPO. The private placement was attained at the tightest discount of 2.0% to adjusted volume weighted average price and more than 7X oversubscribed at the top end of the range.

One of the key focus during the year was to strengthen and diversify MUST's investor base. As at 31 December 2019, MUST succeeded in increasing its institutional investors from 46.3% to 52.5% as compared to a year ago. This momentum should continue with MUST's entry into the FTSE EPRA Nareit Global Developed Index on 23 December 2019 which resulted in higher trading liquidity and visibility to global investors.

The Manager has also been recognised by SIAS and IR Magazine Awards for its sustainability, governance and IR excellence.

In 2019, MUST rolled out a series of thought leadership and stakeholder engagement initiatives as shown in the table. The success of the new and on-going events was evident through the awards and accolades achieved.

Thought Leadership

	Event
NEW	• Conference style Investor Day 2019
NEW	• Launched Green Dot Series – a thought leadership initiative
NEW	• Collaborating with media on articles covering U.S.
NEW	• Rallying media and regulatory bodies to showcase U.S.
NEW	• Topical U.S. section in quarterly financial slides
	• 2-Day U.S. tax seminar

Stakeholder Engagement

	Event
NEW	• Conferences and roadshows - Seoul, U.S.
NEW	• Dedicated IR contact on website
NEW	• Minutes of AGM/EGM on website
NEW	• IR Policy and MFC Code of Business Conduct & Ethics on website
NEW	• Social events - movie night and coffee tasting seminar
	• Audio webcast for half-yearly results
	• Quarterly analyst & media briefings/calls
	• AGM/EGM
	• U.S. site visit

Awards and Accolades

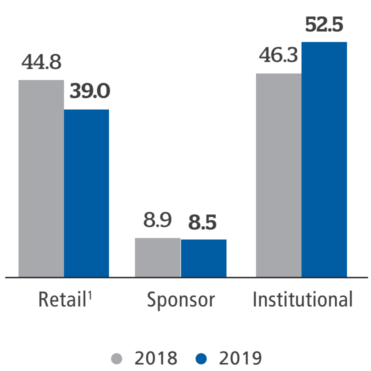
- Entry into FTSE EPRA Nareit Global Developed Index
- SIAS 20th Investors' Choice Award – Runner-up:
  - Singapore Corporate Governance, REITs & Business Trusts
  - Sustainability Award, REITs & Business Trusts
- IR Magazine Awards – South East Asia 2019:
  - Best in Country: Singapore
  - Best IR (Small to Mid-cap): Caroline Fong, Head of IR
- Analysts initiating coverage:
  - Maybank Kim Eng Research
  - CGS-CIMB Research

Inclusion in Key Indices

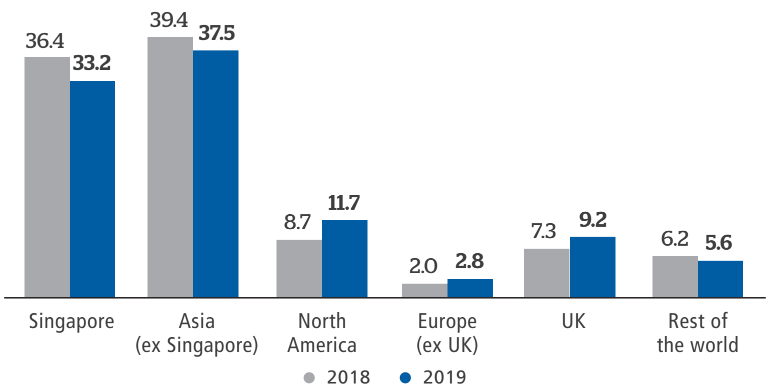
- GPR General (World) Index
- GPR General ex-US Index
- GPR General Far East Index
- GPR General Singapore Index
- GPR General Quoted (World) Index
- GPR General Quoted ex-US Index
- GPR General Quoted Far East Index
- GPR General Quoted Singapore Index
- GPR/APREA Composite Index
- GPR/APREA Composite Singapore Index
- GPR/APREA Composite REIT Index
- GPR/APREA Composite REIT Singapore Index
- GPR/APREA Investable REIT 100 Index
- GPR/APREA Investable REIT 100 Singapore Index
- iEdge S-REIT Index
- iEdge SG ESG Leaders Index
- iEdge SG ESG Transparency Index
- iEdge SG Real Estate Index

INVESTOR RELATIONS

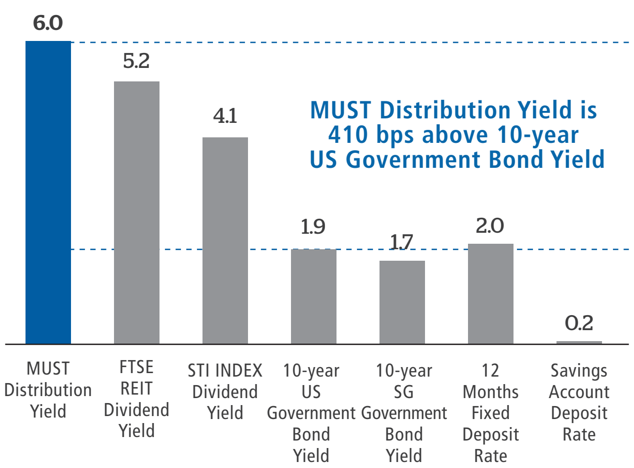
Unitholders by Type (%)



Unitholders by Geography[2] (%)



MUST's Distribution Yield vs Other Investments (%)



Source: Bloomberg as at 31 December 2019

Analysts Coverage	
1	CGS-CIMB Research
2	CLSA Singapore Pte Ltd
3	DBS Bank Ltd
4	KGI Securities
5	Lim & Tan Securities
6	Maybank Kim Eng Research
7	RHB Securities Singapore Pte Ltd

IR Contact

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Monday to Friday,
excluding public holidays (9.00am to 6.00pm)

Email: usreitinquiry@manulifeusreit.sg

1 Includes high net worth investors.
2 Excludes unidentified and unanalysed holdings.

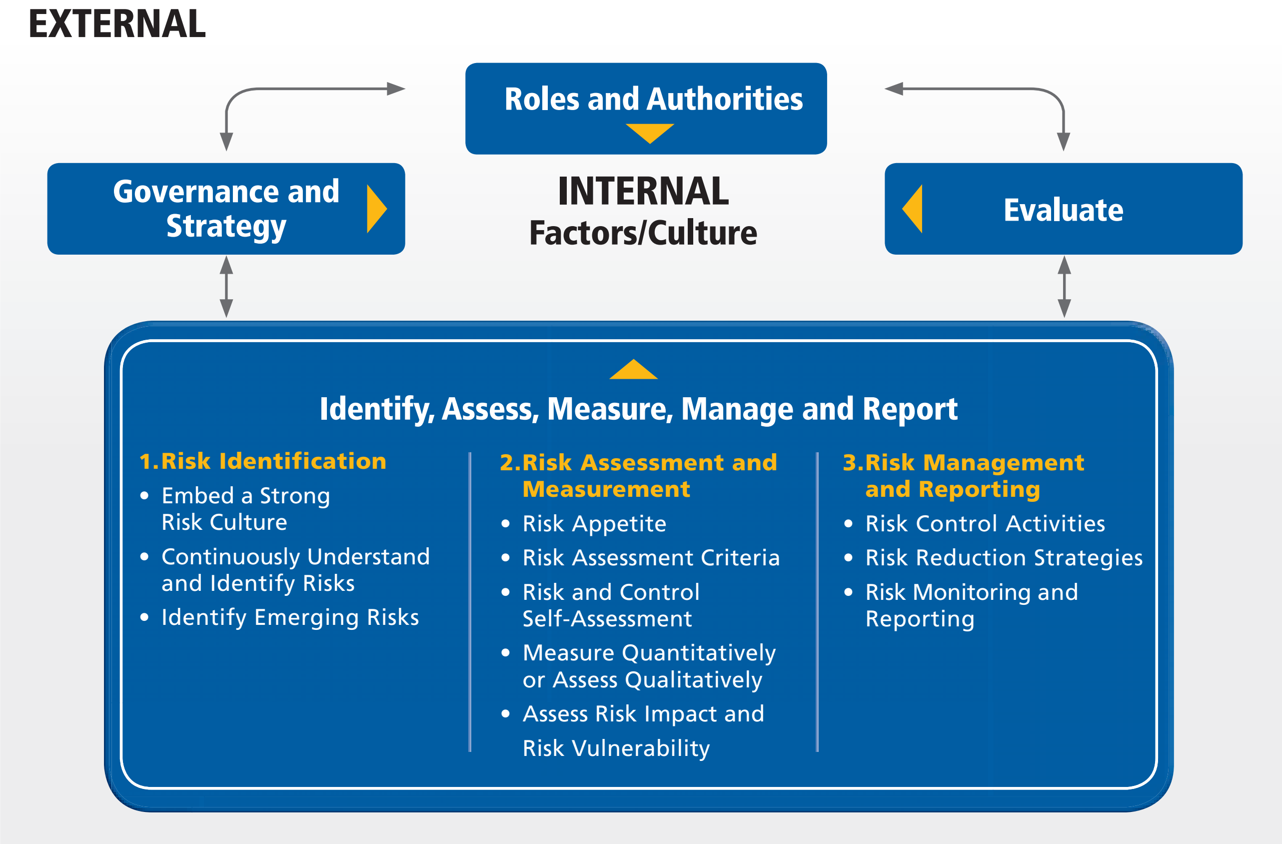
IR Calendar

Quarter	Date	Event
1st Quarter 2019	11 Feb	FY2018 Results Announcement
		FY2018 Results: Analyst & Media Briefing
		FY2018 Results: Investor Luncheon
	13 Feb	Non-Deal Roadshow, Bangkok
	6 Mar	SGX-DBSV-NH Singapore Corporate Day, Seoul
	27 Mar	Investor Day 2019
2nd Quarter 2019	24 Apr	Annual General Meeting
	25 Apr	1Q2019 Results Announcement
		1Q2019 Results: Analyst & Media Conference Call
		1Q2019 Results: Investor Luncheon
	30 Apr	Centerpointe Acquisition: Analyst & Media Conference Call
	19 to 21 May	U.S. Site Visit
	22 May	SGX-DBSV Singapore Corporate Day, New York
	18 Jun	Non-Deal Roadshow, Kuala Lumpur
3rd Quarter 2019	14 Aug	2Q2019 Results Announcement
		2Q2019 Results: Analyst & Media Briefing
	16 Aug	2Q2019 Results: Investor Luncheon
	22 Aug	Citi-REITAS-SGX Singapore REITs & Sponsor Day, Singapore
	5 Sep	SGX-REITAS-DBSV Corporate Day, Bangkok
	19 Sep	Capitol Acquisition: Analyst & Media Conference Call
		SGX Corporate Connect PLUS, Singapore
4th Quarter 2019	4 Nov	3Q2019 Results Announcement
		3Q2019 Results: Analyst & Media Conference Call
		3Q2019 Results: Investor Luncheon
	5 Nov	Lunch Presentation to Philips Securities' Trading Representatives
	6 Nov	SGX-NH Corporate Presentation, Singapore
	18 Nov	SGX-BOS Seminar: Trends in Asia Real Estate
	19 Nov	SGX-KIS Corporate Presentation, Singapore
	22 Nov	REITAS - Intermediate Education Series, Singapore
1st Quarter 2020	7 Jan	DBSV Pulse of Asia, Singapore
	5 Feb	FY2019 Results Announcement
		FY2019 Results: Analyst & Media Conference Call/Briefing
	6 Feb	FY2019 Results: Investor Luncheon

ENTERPRISE RISK MANAGEMENT

All of MUST's activities involve elements of risk-taking. The objective is to balance the REIT's level of risk with its business, growth and profitability goals, in order to achieve consistent and sustainable performance over the long-term that benefits MUST and its Unitholders.

ERM Framework



The Manager employs an enterprise-wide approach to all risk-taking and risk management activities supporting the business objectives. Under the Enterprise Risk Management (ERM) framework, risk management strategies are established for each of the principal risks. The Manager embeds a strong risk culture and a common approach to risk management integral to the REIT's risk management practices. This allows individuals and groups to make better risk-return decisions that align with the REIT's overall risk appetite, strategic objectives and our Unitholders' requirements.

These ERM practices are influenced and impacted by internal and external factors, which can significantly impact the levels and types of risks MUST might face in its pursuit to strategically optimise risk-taking and risk management. The Manager's ERM framework incorporates relevant impacts and mitigating actions as appropriate.

The Board is responsible for the governance of risk across the REIT and ensuring sound risk management and internal control systems. This includes the overall risk strategy based on risk appetite, risk identification, risk measurement and assessment, risk monitoring and reporting, risk control and mitigation. The Board is supported by the Audit and Risk Committee (ARC) for the oversight of risk management and delegates this through a governance framework that is centred on the three lines of defence model:

- MUST's 1st line of defence includes the management team and respective leaders of the Manager, also referred to as business units and functional support groups. They are ultimately accountable for the risks they assume and for the day-to-day management of the risks and related controls.

- The 2nd line of defence includes the oversight functions such as the Legal and Compliance teams. The ARC also contributes to the oversight of risk-taking and risk mitigation activities.

- The 3rd line of defence comprises the outsourced Internal Audit team from the Sponsor, which provides independent assurance that controls are adequate, effective and appropriate in relative to the risk inherent in the business, and that risk mitigation programmes and risk oversight functions are effective in managing risks.

Three Lines of Defence

Risk-taking activities are managed within the REIT's overall risk appetite and approved by both the ARC and the Board. Risk appetite defines the amount and types of risks MUST is willing to assume, which comprises risk philosophy, risk appetite statements and risk limits and tolerances.

This requires business units and functional support groups to identify and assess key and evolving risks arising from their activities on an ongoing basis. A standard inventory of risks is used in all aspects of risk identification, measurement and assessment, and monitoring and reporting.

Risk limits and tolerances are reviewed on an annual basis to ensure that they remain appropriate taking into consideration MUST's overall risk objectives and risk management plans, business strategy and changing external environment.

Risk reduction strategies and activities are defined individually for each risk and can include full or partial risk offset, full risk elimination or risk reduction within limits. Financial risk mitigation tactics include ensuring aggregate risk exposures remain within MUST's risk appetite and limits. In addition, another tactic is to follow MUST's approved plans so as to reduce aggregate risk exposure and keep them within risk limits.

The identification and assessment of external environment for emerging risks plays a pivotal role in the ERM Framework. The ability to detect and adapt to changes in the environment may not only prevent problems arising but also help the Manager identify new opportunities.

The risk reporting will be presented to the ARC and the Board to highlight but not limited to the risk profile, risk dashboard on high risks, unresolved major risk issues and new or emerging risks. The following describes the risk management strategies to identify certain key risks.

Economic Risk

MUST may be adversely affected by economic and real estate market conditions in the U.S. These conditions may have a negative impact on the ability of tenants to pay their rents in a timely manner or to continue their leases. This in effect may reduce MUST's cash flow, which may cause a decline in rents and market value of the properties. The Manager manages this by adopting a disciplined approach towards financial management and monitors economic developments closely.

Regulatory and Compliance Risks

MUST is required to comply with applicable and relevant legislations and regulations that include the SGX-ST Listing Rules, International Financial Reporting Standards, SFA, Code of Collective Investment Scheme, U.S., Barbados and Singapore tax laws, regulations and rulings. The Manager has established a compliance monitoring programme to assist in ensuring compliance with regulatory requirements, company policies and procedures. Changes in legislations and regulations including amendments to laws and regulations, legal judgements and their interpretation may impact MUST's distributable income. The Manager actively monitors regulatory changes and its impact to the REIT, and implements appropriate strategies to mitigate the impact.

Fraud and Bribery Risks

The Manager is committed to the highest standards of integrity and has no tolerance for any fraud and bribery in its business conduct. The Manager has a Code of Business Conduct and Ethics in place that affirms its commitment to ethical conduct and its practice of complying with all the applicable laws, so as to avoid actual or potential conflicts of interest. In addition, it has a whistleblowing policy that serves to encourage its employees and any other individuals to raise concerns about possible improprieties in matters of financial reporting and other malpractices in confidence via various channels.

ENTERPRISE RISK MANAGEMENT

Liquidity and Funding Risks

The Manager closely monitors and actively manages the REIT's debt maturity profile, operating cash flow and the availability of funding. To manage this liquidity risk, the Manager establishes various banking facilities to ensure that sufficient funds are available to meet its capital, refinancing and operating needs.

Interest Rate Risk

A substantial portion of MUST's borrowings are fixed rate interest-bearing loans. Some of MUST's debts carry floating interest rates, and consequently, the interest cost to MUST for such loans will be subject to fluctuations in interest rates. As part of MUST's interest rate management strategies, the Manager uses derivative financial instruments such as interest rate swaps to partially mitigate its exposure to the interest rate fluctuations which minimise adverse effects from the unpredictability of financial markets on MUST's financial performance. The exposure to interest rate risks is further managed through regular reviews with senior management on the optimal mix of fixed and floating rate borrowings.

Leasing Risk

MUST is subject to the risk of non-renewal, non-replacement of leases and a decrease in demand for office space. Any downturn in the businesses, bankruptcy or insolvency of a tenant may result in such tenant deciding not to renew its lease at the end of a lease cycle or to terminate the lease before it expires. The Manager establishes a diversified tenant base, continuously monitors the lease expiry profile and undertakes proactive tenant engagement. The Manager has also established leasing guidelines to ensure lease concentration risk is mitigated.

Credit Risk

Credit risk is the risk of financial loss to MUST should a tenant fail to meet its contractual obligations and arises principally from rental arrears. Some of the factors that affect the ability of tenants to meet their obligations under their leases include poor economies in which they have business operations, competition and their financial position. The Manager manages credit risk through staggered lease maturities and diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the gross revenue. In addition, MUST also obtains security deposits and letters of credit from tenants.

Property Management Risk

The Manager has established processes and procedures that seek to ensure that the buildings operate efficiently and are well-equipped in managing the risk that arises from the operations and management of the buildings. These include the Building Safety Solution and Life Safety System. The Manager is committed to creating and cultivating environment-friendly, safe and healthy workplaces.

Investment Risk

The acquisition of properties contributes to the growth objectives of MUST. The risks involved in investment activities are managed through a rigorous and disciplined set of evaluation processes which include, but are not limited to meeting investment criteria, discounted cash flow assessment, yield accretion test, due diligence reviews and independent valuations. All investment decisions are reviewed and approved by the Board.

Information Technology, Business Disruption and System Failure Risks

The Manager has an enterprise-wide business continuity and disaster recovery programme. This includes policies, plans and procedures that seek to minimise the impact of natural or man-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. The business continuity team also establishes and conducts regular testing.

Property Damage Risk

Significant damage to property as a result of severe events caused by natural and other disasters, human negligence or wilful attack may severely disrupt MUST's business operations and lead to the loss of rental from tenants. Each property has adequate insurance coverage for the risks such as all risk, wind, flood, fire, earth movement, gross rent loss, vandalism/public disturbance and terrorism. With support from its Sponsor, the Manager has in place a global Business Continuity Plan (BCP). This includes policies and procedures that seek to minimise the impact of natural or man-made disasters, and is designed to ensure that key business functions can continue normal operations in the event of a major disruption. The business continuity team establishes and conducts regular BCP testing.

Centerpointe, Virginia

SUSTAINABILITY REPORT 2019

CONTENTS

ABOUT THIS REPORT

To create value for stakeholders through continuous sustainability efforts based on the principle that

'A life is worth living through giving'

About Manulife US REIT

Manulife US REIT (MUST or the REIT) is a Singapore Real Estate Investment Trust (REIT) managed by Manulife US Real Estate Management Pte. Ltd. (the Manager), established with the investment strategy principally to invest, directly or indirectly, in a portfolio of income-producing office real estate in key markets in the United States (U.S.), as well as real estate-related assets. The Manager is wholly owned by The Manufacturers Life Insurance Company (Sponsor) which is part of the Manulife Group (Group). John Hancock Life Insurance Company (U.S.) (JHUSA) has been appointed as the property manager (Property Manager) for the properties.

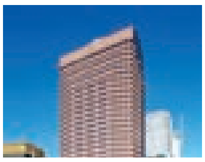
This Sustainability Report covers the REIT's sustainability approach, initiatives and performance from 1 January to 31 December 2019, with comparative data for the same period in 2017 and 2018. This report has been prepared by the Manager in compliance with the Singapore Exchange Securities Trading Limited (SGX-ST) Listing Rules 711A and 711B, with reference to the Global Reporting Initiative (GRI) Standards (2016), and includes consideration of the GRI Construction and Real Estate Sector Disclosures. The GRI Content Index outlines the material indicators relevant to MUST and can be found on pages 89 to 91 of this Annual Report. A pdf version can be downloaded from http://www.manulifeusreit.sg.

Please forward any inquiries, comments or feedback on the REIT's sustainability performance to usreitinquiry@manulifeusreit.sg as the Manager continues its effort to improve its reporting.

Reporting Scope

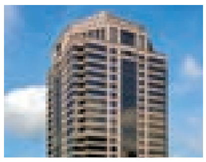
As at 31 December 2019, the REIT owns a total of nine properties. However, this report focuses on the activities of the Manager, the REIT and its seven properties in the U.S.

The reporting for Centerpointe in Virginia and Capitol in Sacramento will be included in 2020's sustainability report when their full year data is available.



FIGUEROA
Los Angeles

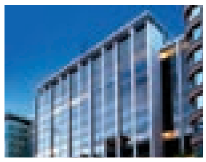
MICHELSON
Irvine



PEACHTREE
Atlanta

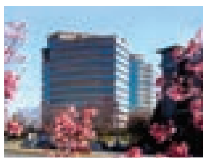
PLAZA
Secaucus

EXCHANGE
Jersey City



PENN
Washington, D.C.

PHIPPS
Atlanta

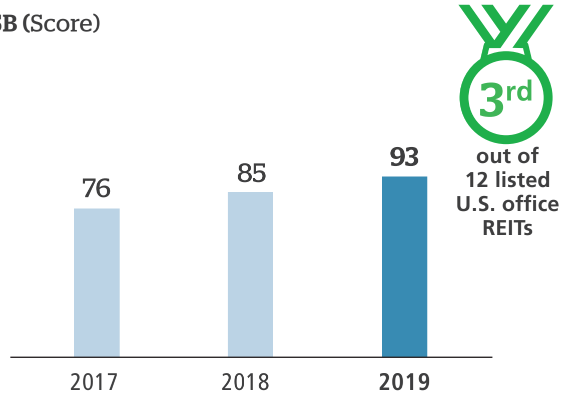


CENTERPOINTE
Virginia

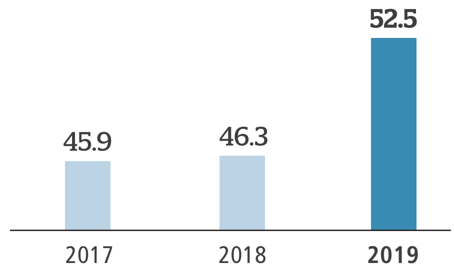
CAPITOL
Sacramento

ESG REPORT CARD

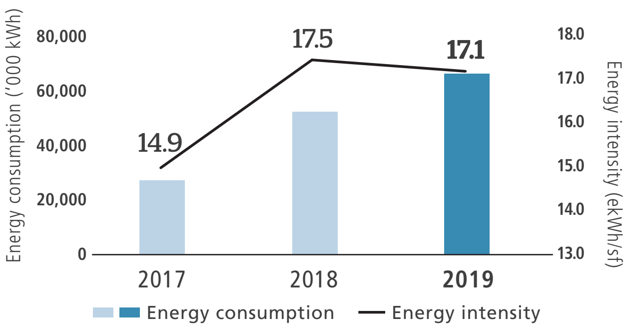
GRESB (Score)



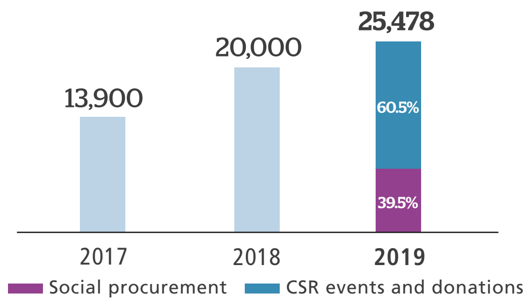
Institutional Investors Holdings (%)



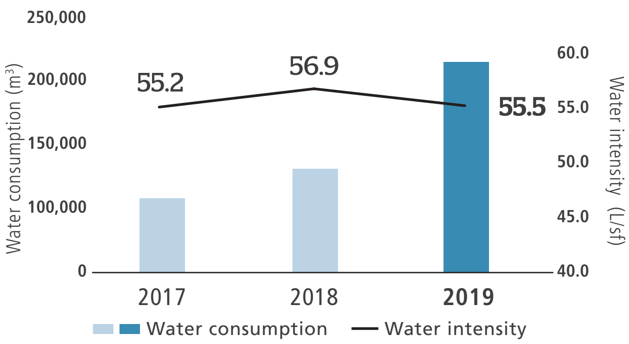
Energy Consumption and Intensity[1]



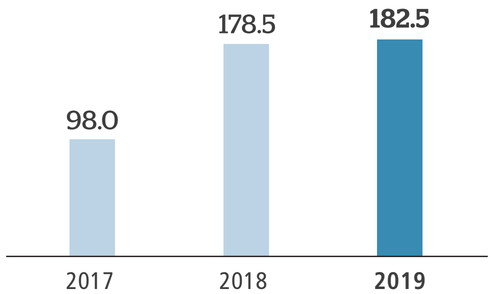
CSR Contribution (S$)



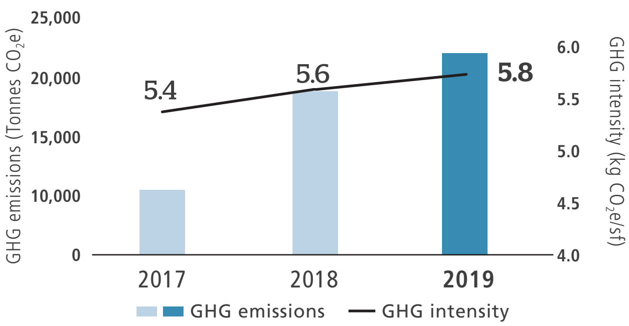
Water Consumption and Intensity



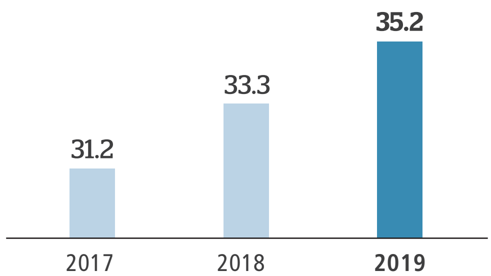
Time Volunteered (Hours)



GHG Emissions and Intensity



Training per Employee (Hours)



1 Normalised for weather, occupancy and extraordinary usage in 2019.

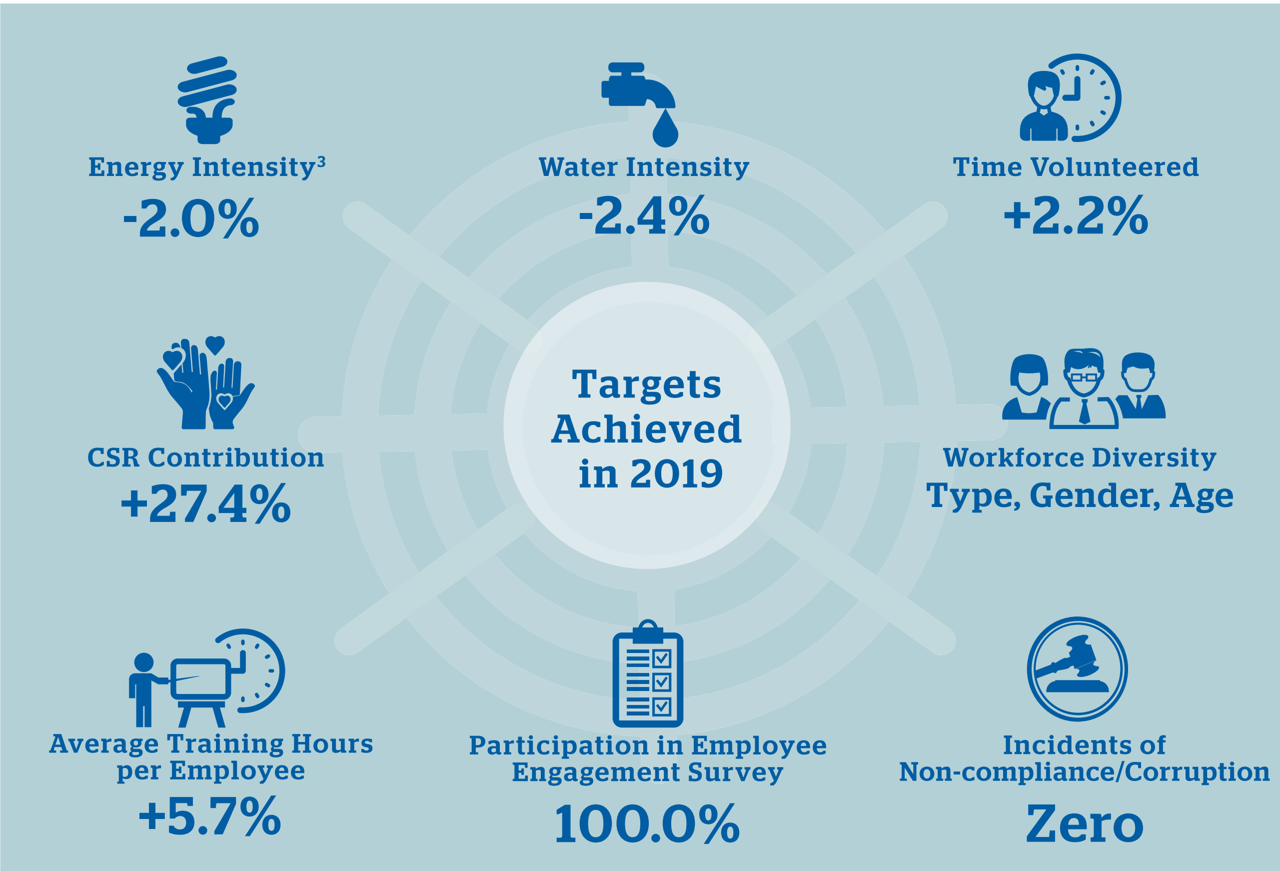
BOARD STATEMENT

The Board recognises that responsible investing is a continuous journey and strives to constantly evaluate and integrate the best Environmental, Social and Governance (ESG) practices in MUST's business operations and activities. To remain as a sustainability leader in the industry, the Board works closely with the Property Manager and other members of MUST's Sustainability Steering Committee (SSC) to drive the REIT's sustainability efforts and work towards its long-term sustainability goals. Through this cohesive working relationship and prioritisation of sustainability, MUST has successfully achieved the following targets set out for 2019 as shown below.

In 2019, MUST attained numerous accolades cementing its status as a leader in driving sustainability practices. In particular, the REIT was awarded 5 Stars by the Global Real Estate Sustainability Benchmark (GRESB) for the 2nd year running, with a high score of 93 and a stellar ranking of 3rd out of a peer group of 12 listed U.S. office REITs. MUST also ranked 6th out of 46 REITs and Business Trusts by the Governance Index for Trust (GIFT) 2019, with an improved score of 78.5 from 75.5 in 2018.

MUST was recognised by Securities Investors Association Singapore (SIAS) 20th Investors' Choice Awards for both Sustainability and Corporate Governance, and was also one out of the 59 listed companies in Singapore to retain its SGX Fast Track status. Another notable achievement was the REIT's inclusion in iEdge SG ESG Leaders Index[1] and iEdge SG ESG Transparency Index[2], recognising its established ESG practices. The inclusion in iEdge SG ESG Leaders Index also further proves MUST's status as a leader in sustainability practices, as this index includes only the top 25.0% of the index's global peer group. Such achievements exemplify the Board's commitment to uphold high standards of corporate governance.

To deliver a positive impact to our stakeholders and the environment, four strategic areas supporting MUST's sustainability mission had been identified. It is our pleasure to present MUST's 3rd Sustainability Report encompassing these four focus areas: Sustainable Properties, External Relations, Human Capital and Ethical Corporate Behaviour.



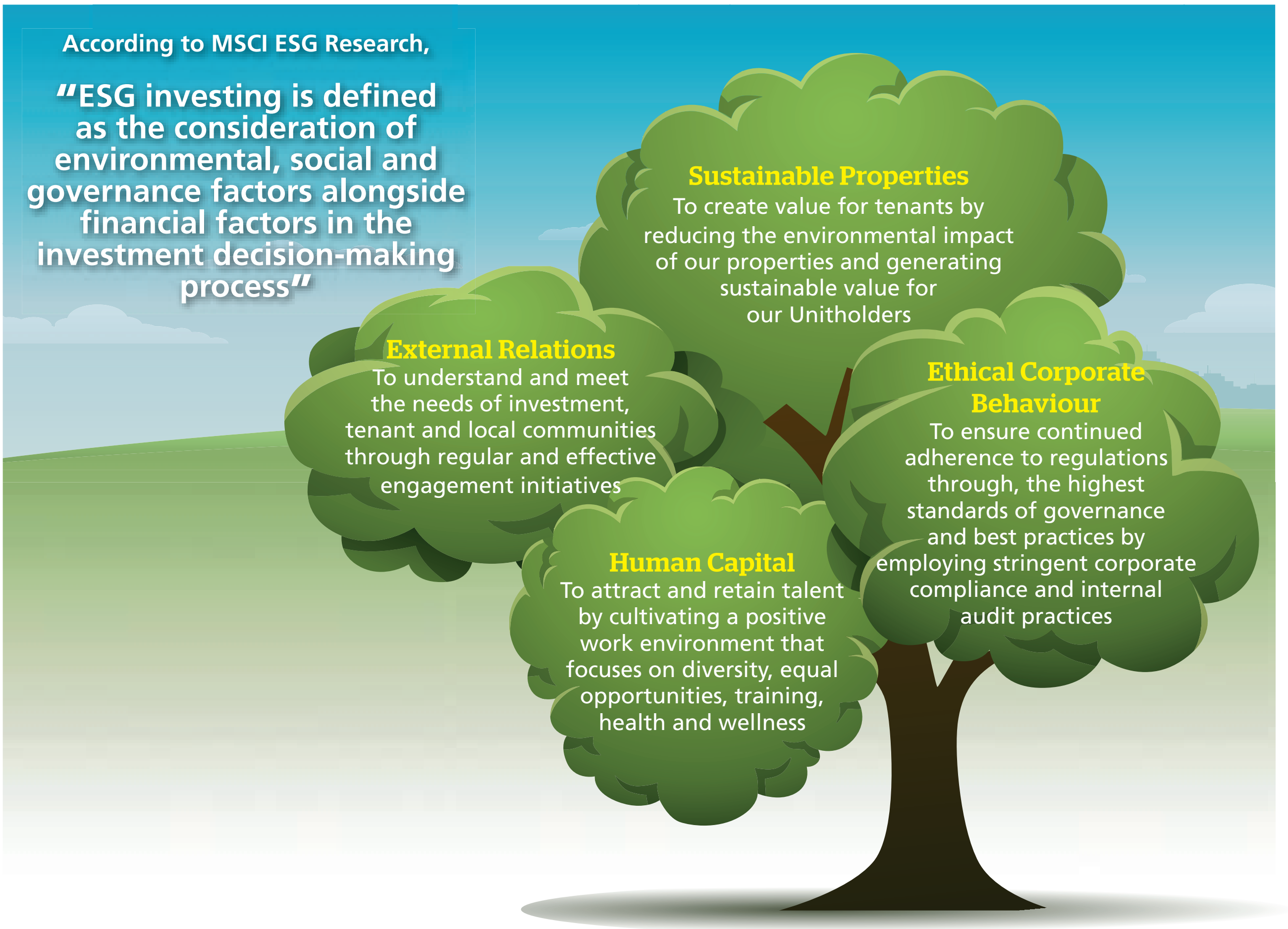
1 The iEdge SG ESG Leaders Index is an ESG-factor index that measures the performance of stocks in the leaders index with a weighting tilted towards the company's ESG rating as provided by Sustainalytics.
2 The iEdge SG ESG Transparency Index is an ESG-factor index that measures the performance of stocks in the broad sustainability index with a weighting tilted towards the company's ESG rating as provided by Sustainalytics.
3 Normalised for weather, occupancy and extraordinary usage in 2019.

MESSAGE TO STAKEHOLDERS

Dear Stakeholders

At MUST, we believe that to ensure the long-term success of our business, sustainability, as seen through the lens of strong ESG, will continue to be an integral part of MUST's operations. We are pleased to present our 3rd Sustainability Report which showcases the progress in our ESG journey in 2019.

In 2019, we witnessed a surge in demand by investors for sustainable returns. To meet this growing call from investors, and following management's own commitment to sustainability, we enhanced ESG practices across our operations whilst ensuring that the interests of our Unitholders were not compromised. Throughout the year, we reaffirmed MUST's four main sustainability objectives.



Sustainable Properties

MUST's high-quality buildings exhibit eco-efficiencies and cost effectiveness that contributed to its financial and ESG performance. For FY2019, MUST recorded Year-On-Year (YoY) increases for Net Property Income (NPI) and Distribution per Unit (DPU) of 22.2% and 7.0% respectively.

To minimise MUST's environmental footprint, we worked closely with the Property Manager to execute numerous ESG initiatives targeting the reduction of energy and water consumption and Greenhouse Gas (GHG) emissions across the portfolio. We rolled out several programmes such as the Sustainability Building Standards to provide tenants and visitors alike with a consistent sustainability experience and other initiatives that will encourage sustainability as a way of life.

The effectiveness of these initiatives is evident in that five of our properties are Leadership in Energy and Environmental Design (LEED™) certified - four LEED™ Gold and one, the most distinguished, LEED™ Platinum.

In addition, the majority of our properties are ENERGY STAR® certified having met rigorous energy performance standards established by the U.S. Environmental Protection Agency. To be eligible for an ENERGY STAR® certification, properties are required to receive a score of at least 75.0% indicating that ENERGY STAR® certified buildings such as MUST's, are among the top 25th percentile of similar properties for energy efficiency.

MESSAGE TO STAKEHOLDERS

External Relations

In 2019, we increased touchpoints with our external stakeholders in order to create long-term value for the investment, tenant and local communities.

Investment Community
MUST has a well-established stakeholder outreach programme in place, tailored to address the varying needs of the investment community. Apart from regular meetings and conferences with investors, analysts and media, social events such as coffee tasting seminar and movie night were organised to encourage networking with our senior management.

In 2019, we extended the outreach of our thought leadership programme to members of the investment community, to raise the collective understanding and appreciation of the U.S. economy and its office real estate market.

For MUST's 4th Investor Day in March 2019, we invited renowned and distinguished panellists from the investment industry to share their views and insights on the equity market, foreign listings and U.S. tax. This event received an overwhelming response and was attended by close to 450 retail Unitholders. Of this number, 61.8% attended our Investor Day for the 1st time.

As part of our thought leadership initiative, and following a positive response from the investment community, we launched our Green Dot Series showcasing important features of U.S. office real estate to assert our thought leadership commitment and expanded our outreach to the retail investors. Initiatives under the Green Dot Series included a dedicated section in our quarterly results presentations highlighting relevant topics of interest such as an explanation of the difference between Trophy, Class A and lower class buildings in the U.S. Under the Green Dot Series, we also collaborated with financial bloggers to launch a series of U.S. real estate thought leadership articles.

The success of our thought leadership programme has enabled us to reach many more investors of all types and given us greater geographical reach. This has attracted more investors translating into an increase in MUST's Unit price and an overall total shareholder return of 42.1% for 2019. This year, we also achieved further investor relations accolades for excellence from IR Magazine Awards – Southeast Asia 2019 – 'Best in Country: Singapore' and 'Best Investor Relations (IR) Officer (Small to Mid-cap)' for Caroline Fong, Head of IR. Caroline Fong is also the Chief Sustainability Officer (CSO) and Chief Capital Market Strategist.

Tenant Community
As part of MUST's sustainable growth, we are keen to maintain a strong rapport with our tenants. In 2019, we organised regular tenant appreciation as well as community and health awareness events. In addition to conducting tenant satisfaction surveys every alternate year at all properties, we rolled out tenant satisfaction checks on particular buildings to assess any additional needs, for example - extra amenities to keep up-to-date on the changing trends and concerns of our tenants. The continuous engagement with our tenant community has contributed to a high tenant retention rate of 76.0% and high occupancy of 95.8% as at 31 December 2019.

Local Community
In terms of support for the local community, we reaffirmed our commitment to help the disadvantaged such as the elderly. Beyond community service activities, we integrated the procurement of goods and services from various local social enterprise groups across all possible business functions, including corporate gifts and corporate catering. Through our continuous efforts in 2019, we have channelled more than S$10,000 to the support of social enterprises. It has been a delight to witness how much pleasure a simple corporate gift such as a set of handcrafted coasters, from a social enterprise, has given to all recipients. This personifies management's philosophy of purposeful prosperity.

Additionally, we have participated in several donation drives throughout the year to encourage the spirit of giving whilst promoting a culture of recycling of various items by staff. This year, we recorded a total of 182.5 volunteer hours and increased our CSR contribution to S$25,478. We have continued to build a strong community partnership with St. Luke's Hospital, Methodist Welfare Services, Project Dignity and TeddyThotz through repeated engagement, with the objective of supporting and bringing joy to the elderly. These initiatives are aligned with Singapore's Ministry of Health's agenda of supporting the aging population.

Human Capital

MUST's stellar financial and ESG performance in 2019 would not have been possible without the commitment of its energetic and talented workforce. In 2019, apart from subsidising staff health screening, we organised fitness classes and several seminars focusing on mental and physical health. In 2020, we will schedule regular health talks and fitness classes to look after the physical and mental well-being of our employees. During the COVID-19 alert, the health of our staff is a priority and we are providing support in a range of different ways over and above our Business Continuity Plan.

Throughout the year, we identified needs and goals of each employee and encouraged them to attend suitable courses. Each employee is allocated a minimum of S$2,000 per year to attend relevant training programmes. In 2019, the training hours per employee increased 5.7% from 2018 to

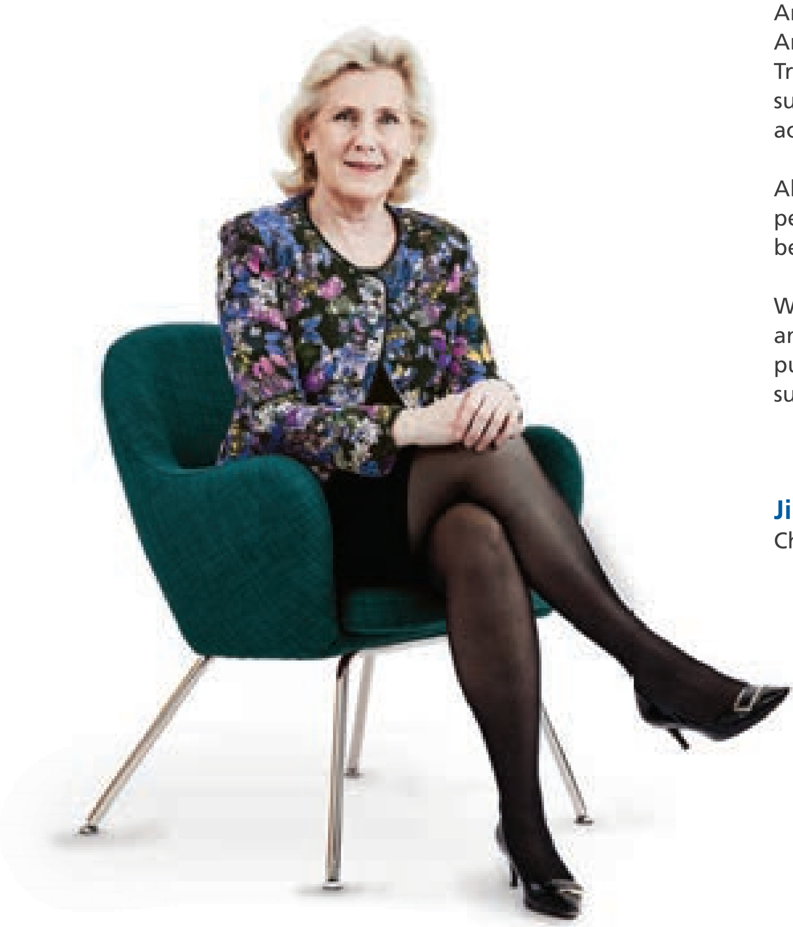
1 Source: CoStar report dated 2 January 2020.

35.2 hours. For 2020, we have asked each staff to nominate their own preferred training courses in order to tailor such education to their career ambitions. By helping employees with their personal development, we are able to attract and retain the best talent helping MUST scale greater heights in terms of sustaining and improving Unitholder returns.

One of the new staff initiatives in 2019 was to appoint a small group of employees every quarter - known as Ambassadors of Change, to gather feedback from staff at all levels and to generate ideas for improving staff engagement. This included outings, 'Breakfast on the House' and other opportunities to exchange ideas in order to cultivate a positive work environment. We have given employees a wellness half-day off every quarter and encouraged more frequent 'Work At Home' and 'Eat with Your Family' days. These initiatives received an overwhelmingly positive response and we witnessed a significant improvement in our annual employee engagement score which was conducted by leading independent provider Gallup, Inc.

Ethical Corporate Behaviour

Ethical and responsible corporate practices remain of paramount importance to MUST and are essential to long-term growth in DPU and Net Asset Value (NAV). MUST has a robust corporate governance structure and we closely monitor any changes in relevant laws and regulations to ensure that our internal policies and practices remain compliant and of the very highest standard. This year, we published additional information on our IR Policy, Code of Business Conduct and Ethics as well as detailed Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) meeting minutes on our website.



MUST was ranked 6th out of 46 REITs and Business Trusts in GIFT 2019 for its high standard of corporate governance, with an improved score of 78.5 versus 75.5 in 2018. We also received accolades from SIAS 20th Investors' Choice Awards 2019 for both Corporate Governance and Sustainability.

In 2019, there have been no incidents of non-compliance with any laws and regulations pertaining to the following economic, environmental and social areas:

- Zero incidents of non-compliance concerning the health and safety impact of products and services
- Zero incidents of non-compliance with regard to marketing communications
- Zero incidents of non-compliance with laws and regulations in social and economic areas
- Zero incidents of corruption

For the 1st time, MUST clinched a silver award at the 33rd Annual Report Competition Awards in the Traditional Annual Report category for 'Real Estate Investment Trust: Commercial/Industrial/Office'. This highlighted the successful communication and commitment to transparency across MUST's entire operation.

Above all, through all our sustainability practices, we aim to perpetuate the long-term success of MUST's business and to benefit our Unitholders.

We would like to express our deepest thanks to our Board and stakeholders for their strong support. Together, let us pursue sustainability in all its forms and lead the way to a sustainable future for MUST.

Jill Smith
Chief Executive Officer

SUSTAINABILTY APPROACH

As a recognised sustainability leader in the REIT industry, we have analysed our business operations and identified key ESG risks, and opportunities. We aim to create long-term value for our stakeholders by minimising negative impacts of our operations while leveraging on opportunities to maximise environmental and societal benefits.

In 2019, most of our properties received or maintained one LEED™ or ENERGY STAR® certification, a strong testament of our commitment to reduce the use of energy, water and other resources across the operation of our properties.

Sustainability Structure

Collaborating with our Sponsor

We remain aligned to the goals of our Sponsor, Manulife Group, which has contributed to a number of sustainability commitments:

- Signatory to the United Nations-supported Principles for Responsible Investment[1]
- Signatory to the Equator Principles and a member of the United Nations Environmental Programme Finance Initiative
- Published sustainability reports for several years (e.g. Manulife Financial Corporation Sustainability Report and Public Accountability Statement)
- Participated in the Carbon Disclosure Project
- Listed in the Dow Jones Sustainability Index
- 1st life insurance company in the world to issue a Green Bond[2] in 2017

Working with our Property Manager

Our Property Manager seeks to drive leadership in sustainable real estate practices across its global organisation and to provide healthy and efficient workplaces for tenants while enhancing long-term returns. To achieve its vision, our Property Manager has monitored the energy and water consumption and GHG emissions for the properties since 2005. Furthermore, it has participated in the annual GRESB Real Estate Assessment for all its funds since 2016 and achieved GRESB 5 Stars ranking which is awarded to the top 20.0% of selected entities, including MUST.

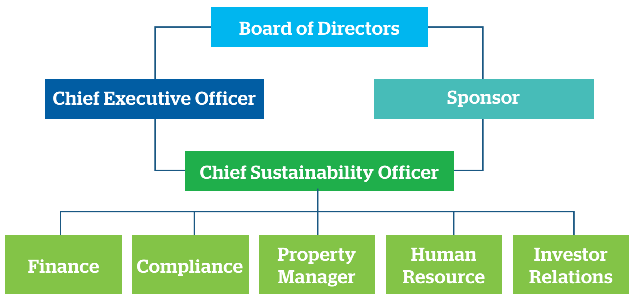
To build a consistent sustainability experience for tenants, employees and visitors, our Property Manager launched its internal Sustainable Building Standards programme in 2017. The programme outlines operational standards in 13 sustainability focus areas. The programme enables target setting and benchmarking across a global portfolio for these 13 standards:

1. Energy management and assessments
2. Energy measurement and analysis
3. Water management and assessments
4. Waste management programme
5. Alternative transportation
6. Indoor environmental quality
7. Health and wellness programming
8. Procurement programme and tracking
9. Tenant engagement
10. Community engagement
11. Employee engagement
12. Certifications and sustainability brand
13. Sustainability management

Properties implement actions to achieve one of five levels for each of the standards in order to adjust for differing applications at buildings of varying use. For example, tenant engagement level one involves communicating with tenants on sustainability and providing tips to reduce their environmental footprint. Higher levels of tenant engagement (levels two through four) involve holding events and campaigns, such as e-waste drives at the property. Achieving level five requires forming a tenant-landlord green team to work collaboratively to implement initiatives at the property. These 13 standards are aligned to the commitments in the Sustainable Real Estate Policy, as well as with industry best practices, including GRESB, LEED™ and BOMA BEST®. The programme is implemented at all Manulife's properties including those in MUST's portfolio. In 2019, the Property Manager set a target for all office properties to achieve an average of level three across all 13 standards.

Sustainability Steering Committee (SSC)

MUST's SSC was established in 2017 to drive sustainability strategies and action plans, set targets, oversee monitoring processes and review sustainability performance at the REIT's level. It is led by CSO, Caroline Fong, and includes representatives from Finance, Compliance, Property Manager, Human Resource and IR departments. The organisation chart below describes the sustainability governance structure within the organisation:



1 Manulife Investment Management which is part of Manulife Group, is a PRI signatory.
2 Green Bond is a way for issuers to raise money specifically for environmentally friendly projects.

Sustainability Strategy

In 2017, a three phase materiality assessment was conducted to identify material ESG topics relevant to MUST:

1 Identification of material topics was performed to evaluate the relevance of the selected ESG factors against current business operations.

2 Several rounds of internal discussions were conducted between management and employees that were proxy to the various stakeholder groups.

3 A management review was conducted to evaluate and prioritise the importance of the ESG factors raised by considering the company's significant economic, environmental, and/or social impact in its daily operation. The top ESG factors were consolidated and subsequently endorsed by our management.

In 2019, we reviewed the relevance of these factors in the context of our four sustainability focus areas. Our material ESG factors have remained the same since 2017 and are listed in the table below. In addition, we have aligned our sustainability initiatives and activities to the United Nations Sustainable Development Goals (SDGs). The SDGs are a universal call to action to end poverty, protect the planet and improve the lives and prospects of everyone, everywhere. The 17 goals were adopted by all UN Member States in 2015, as part of the 2030 Agenda for Sustainable Development which set out a 15-year plan to achieve the Goals. The SDGs address global challenges, including those related to poverty, inequality, climate, environmental degradation, prosperity, peace and justice.

The table below demonstrates the mapping of our material ESG topics and activities to the SDGs:

Sustainability Focus Area	Material Topics	SDGs Supported	Highlights of Environmental and Social Benefits
Sustainable Properties	• GRI 201 – Economic Performance • GRI 302 – Energy • GRI 303 – Water • GRI 305 – Emissions	7 AFFORDABLE AND CLEAN ENERGY 11 SUSTAINABLE CITIES AND COMMUNITIES 12 RESPONSIBLE CONSUMPTION AND PRODUCTION 13 CLIMATE ACTION 17 PARTNERSHIPS FOR THE GOALS	• Less pressure on natural resources such as natural gas and water • Lower GHG emissions • Healthier workspaces and more satisfied tenants
External Relations	• GRI 413 – Local Communities	17 PARTNERSHIPS FOR THE GOALS	• More relevant investment options and better financial stability for the investment community • Drive social benefits through inclusive tenant and local community investment
Human Capital	• GRI 401 – Employment • GRI 404 – Training and Education • GRI 405 – Diversity and Equal Opportunity	5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH	• Provide career opportunities that elevate the local talent market, which contributes to the local socio-economic setting
Ethical Corporate Behavior	• GRI 205 – Anti-corruption • GRI 307 – Environmental Compliance • GRI 416 – Customer Health and Safety • GRI 417 – Marketing and Labelling • GRI 419 – Socioeconomic Compliance	8 DECENT WORK AND ECONOMIC GROWTH	• Engage in advancing public policy discussion that promotes environmental and social improvements

SUSTAINABILTY APPROACH

Stakeholder Engagement

One of MUST's main sustainability goals is to maximise value for its stakeholders, namely investors, analysts, media, regulators, tenants, local community, Directors and employees. To promote regular engagement with these stakeholders throughout the year, we established a high-touch programme launching a wide variety of engagement initiatives tailored to meet the different needs of each stakeholder group. These regular engagements helped us to recognise the changing needs and concerns of our stakeholders, and also ensure that their interests are promptly met in our pursuit of good sustainability practices.

Both the Manager and Property Manager obtain regular feedback from various stakeholder groups on their sustainability priorities, and MUST's Chief Investment Officer (CIO) updates the Board of Directors quarterly on the performance of the portfolio as well as any new investments. From FY2020 onwards, the Board of Directors will meet at regular intervals.

External Stakeholders

Stakeholder	Engagement Method	Frequency of Engagement	Expectations/Interests
Investors	• Thought leadership programmes • 1-on-1 and group meetings/calls • Website with email alerts, general hotline, dedicated IR contact, property videos, AGM meeting notes and audio webcast	Ongoing	• Sustainable financial, portfolio and ESG performance • Good corporate governance and transparency • Access to senior management • Investor education on U.S. economy and real estate sector
	• Local and overseas roadshows/conferences • Local and overseas conference calls	Quarterly	
	• AGMs • Investor days • Networking events	Annually	
	• EGMs	When Required	
Analysts and Media	• Thought leadership programmes • 1-on-1 and group meetings/calls • Media interviews • Website with email alerts, general hotline, dedicated IR contact, property videos, AGM minutes and audio webcasts • Briefings • Conference calls	Ongoing	• Sustainable financial, portfolio and ESG performance • Good corporate governance and transparency • Access to senior management • Investor education on U.S. economy and real estate sector
	• Networking events	Annually	
Regulators	• AGMs/EGMs • Annual reports • Sustainability reports • SGX announcements • Circulars • Website	Ongoing	• Good corporate governance and transparency • Compliance with policies, rules and regulations
Tenants	• Tenant appreciation events • Sustainability educational events • Donation drives (e.g. stationery, clothes and blood)	Ongoing	• Safe, comfortable and productive working environment • Energy-efficient space • On-site amenities • Engagement activities
	• Tenant satisfaction survey	Alternate year	
Local Community	• Social enterprise procurement • Donation drives (e.g. clothes, shoes and books)	Ongoing	• Interaction and fulfilling relationships with the wider community • Financial independence • Support in monetary donation/ donation drives
	• CSR events	Semi-annually	
	• Cash donations	Annually	

Internal Stakeholders

Stakeholder	Engagement Method	Frequency of Engagement	Expectations/Interests
Directors	• Meetings/calls	Ongoing	• Regular and timely updates on REIT's operations and performance
	• Board meetings	Quarterly[1]	
Employees	• Employee coffee chat • Breakfast on the House • Work At Home days	Monthly	• Fair and equal opportunities • Safe and healthy working environment • Effective trainings • Regular engagements
	• Health talks and fitness classes • Company cohesion activities • Eat with Your Family days • Half-days • Celebratory events	Quarterly	
	• Performance reviews	Semi-annually	
	• Employee engagement surveys	Annually	

Material Topics & Boundaries

Material Topics	Material Sub-topics	Aspect Boundary (Where the Impact Occurs)
Sustainable Properties		
Economic Performance	GRI 201 – 1: Direct economic value generated and distributed	MUST
Energy	GRI 302 – 1: Energy consumption within the organisation	MUST, tenants
	GRI 302 – 3: Energy Intensity	MUST, tenants
Water	GRI 303 – 1: Water withdrawal by source	MUST, tenants
Emissions	GRI 305 – 1: Direct (Scope 1) GHG emissions	MUST, tenants
	GRI 305 – 2: Emission Indirect (Scope 2) GHG emissions	MUST, tenants
	GRI 305 – 4: GHG emission intensity	MUST, tenants
External Relations		
Local Communities	GRI 413 – 1: Operations with local community engagement, impact assessments, and development programmes	MUST
Human Capital		
Employment	GRI 401 – 1: New employment hires and employee turnover	MUST
Training and Education	GRI 404 – 1: Average hours of training per year per employee	MUST
	GRI 404 – 2: Programmes for upgrading employee skills and transition assistance programmes	MUST
	GRI 404 – 3: Percentage of employees receiving regular performance and career development reviews	MUST
Diversity and Equal Opportunities	GRI 405 – 1: Diversity of employees	MUST
Ethical Corporate Behaviour		
Anti-corruption	GRI 205 – 3: Confirmed incidents of corruption and action taken	MUST
Enviromental Compliance	GRI 307 – 1: Non-compliance with environmental laws and regulations	MUST
Customer Health and Safety	GRI 416 – 2: Incidents of non-compliance concerning the health and safety impacts of products and services	MUST
Market and Labelling	GRI 417 – 3: Incidents of non-compliance concerning marketing communications	MUST
Socioeconomic Compliance	GRI 419 – 3: Incidents of non-compliance with laws and regulations in the social and economic area	MUST

1 From FY2020, the Board of Directors will meet at regular intervals.

SUSTAINABLE PROPERTIES

OBJECTIVES

To create value for tenants by reducing the environmental impact of our properties and generating sustainable value for our Unitholders

Tenant Community

Unitholders

INITIATIVES AND RATIONALE

- Participated in the GRESB Real Estate Assessment 2019
- Implemented Sustainable Buildings Standards programme to build a consistent sustainability experience for tenants and visitors
- Nominated green champions at all properties to coordinate sustainability efforts and report on the Sustainable Building Standards
- Please refer to page 74 to 75 of this Sustainability Report for full list of initiatives to reduce energy and water consumption and GHG consumption/emissions across all our properties

PERFORMANCE IN 2019

LEED™ Platinum: Capitol

LEED™ Gold: Michelson, Exchange, Penn, Phipps

ENERGY STAR®: Figueroa, Michelson, Peachtree, Plaza, Exchange, Phipps, Capitol

GRESB Rating: ★★★★★

- 3rd out of 12 listed U.S. office REITs
- Score of 93
  - Environmental – 89
  - Social – 98
  - Governance – 97

Runner Up –
Sustainability Award
for REITs and Business Trusts

SIAS INVESTORS' CHOICE AWARDS

Energy Intensity
17.1 ekWh/sf (-2.0% YoY)

Water Intensity
55.5 L/sf (-2.4% YoY)

GHG Intensity
5.8 kg CO_2e/sf (+2.4% YoY)

TARGETS FOR 2020

Improve or maintain GRESB score

Reduce or maintain energy, water and GHG intensity

Investment Management

Due to the growing importance of sustainability, we have strengthened our sustainable practices by aligning our interests with those of our stakeholders. At the same time, by creating more efficient, environmentally friendly, healthy and attractive spaces for tenants, we are improving the competitiveness of our assets.

With our core business in investment management we enforce responsible and sustainable practices at all levels of MUST's operations.

To maintain relevance and competitiveness in our core business, and to extend our lead as a responsible investment manager, we have implemented many sustainable policies and practices firm-wide. Before we adopt new policies, we carefully evaluate all internal and external impacts, and we pilot the policies. Applying these stringent criteria ensures that MUST makes responsible investment decisions, which ultimately boosts both the standard and the value of the services and assets we provide to our investors.

New Investments

When evaluating a new investment, we are guided by our acquisition mandate. The CIO and U.S. asset manager sources potential acquisition opportunities and together with the Manager who vets the properties and the Board ultimately approves them. During due diligence, we examine environmental and social sustainability risks and opportunities. The Property Manager will complete a Sustainability in Investment and Due Diligence Form, which summarises the property's ESG performance and ensures ESG factors are considered and communicated.

To ensure a seamless due diligence and investment process, we incorporate ESG considerations, such as environmental contamination, energy performance, and tenant engagement programmes into our standard Due Diligence Checklist. Dedicated specialists in our Engineering and Technical Services department support our investment teams by sharing their expertise in building engineering, sustainability and environmental and safety hazards.

SUSTAINABLE PROPERTIES

Asset Management
With the increased focus on environmental protection due to the threat of climate change, MUST is committed to operating sustainably. We have implemented various initiatives and policies to drive a greener future. Increasing the eco-efficiency of buildings also has significant potential environmental benefits and cost-savings that will translate into sustainable income performance for our Unitholders.

Energy and water are vital resources for our buildings' operations. To manage energy and water consumption and the associated costs, we have implemented a comprehensive set of initiatives:

- Electrical vehicle charging points at eight of MUST's properties
- Water saving taps at all properties
- Use 3rd party systems to report on energy, water consumption, GHG emissions, and waste production and diversion
- Conduct an energy audit every five years
- Conduct periodic indoor air quality audits
- Implement an environmental management system
- Adopt an automatic meter reading system
- Obtain green building certification, where appropriate
- Follow our Sponsor's Sustainable Real Estate Policy
- Prepare an Environmental Inspection Report
- Prepare a Building Status Report

To maintain the quality of our sustainable portfolio, the Property Manager's Engineering and Technical Services team regularly monitors the assets' performance. This proactive approach helps us assess the need for on-going capital and operational improvements, provides timely recommendations on capital plans, reduces costs and increases tenant satisfaction.

Equipped with tools such as the Asset Management Sustainability Checklist, the Property Manager incorporates ESG risks and opportunities evaluation into its investment analysis and the ongoing management of the portfolio. The Property Manager also uses its property management, asset management, and portfolio management expertise to maintain high-quality services.

Apart from proactive asset management, we also seek to enhance the value of our properties through Asset Enhancement Initiatives (AEI). In 2018, we launched a US$8.0 million AEI at Figueroa for lobby renovation, café and exterior landscaping, and a US$12.0 million AEI at Exchange for lobby renovation and a new glass wall feature. Both projects are scheduled for completion in 2020 and are expected to help attract and retain tenants. Such asset management aligns with MUST's goal to continuously improve tenant satisfaction while ensuring our properties meet or exceed the sustainable standards set by the industry.

In addition, consistent with U.S. industry practice, MUST's properties are insured against fire accident, property damage, terrorism, quake, business interruption and public liability, including personal injury.

Energy, Water and Emissions

Throughout the year, we worked closely with our Property Manager to reduce the environmental impact of our properties and manage expenses from energy and water consumption. Due to numerous property-level resource management initiatives in 2019, MUST recorded the following reductions in its energy and water intensity.

Consumption/Emissions		
	2019[1]	2018[2]
Energy ('000kWh)	66,861.3	52,659.8
Water (m^3)	212,555.3	128,967.4
GHG (tonnes CO_2e)	22,055.3	16,952.7

Intensity			
	2019[1]	2018[2]	Change (%)
Energy[3] (ekWh/sf)	17.1	17.5	-2.0
Water[4] (L/sf)	55.5	56.9	-2.4
GHG[5] (kg CO_2e/sf)	5.8	5.6	+2.4

Energy
In the U.S., there are two widely-recognised green building rating bodies – LEED™ and ENERGY STAR®. As the most extensively used green building rating system in the world, LEED™ is a globally recognised symbol of sustainability achievement. LEED™ provides a framework to create healthy, highly efficient and cost-effective green buildings. As at 31 December 2019, five of the nine properties in MUST's portfolio are LEED™ certified. This includes four LEED™ Gold certifications and one LEED™ Platinum certification.

ENERGY STAR® is a U.S. Environmental Protection Agency programme that helps businesses save money and protect the environment through energy efficiency. ENERGY STAR® has become the industry standard to rate a facility's energy performance, and according to studies by the programme, certified buildings are likely to have lower operating costs, more marketable, contribute fewer GHG emissions, command higher rental rates, and have increased asset

1 2019 data is based on seven properties (Figueroa, Michelson, Peachtree, Plaza, Exchange, Penn and Phipps).
2 2018 data is based on five properties (Figueroa, Michelson, Peachtree, Plaza, Exchange).
3 Energy intensity was calculated by total energy consumption (normalised for weather, occupancy and extraordinary usage in 2019)/total gross floor area.
4 Water intensity was calculated by total water consumption/total gross floor area. Water consumption in Exchange was not included in 2018 data due to inaccurate meter readings.
5 GHG intensity was calculated by total GHG emissions/total gross floor area.

value. As at 31 December 2019, seven of nine properties in MUST's portfolio are ENERGY STAR® certified.

Certification	Property
LEED™ Platinum	Capitol
LEED™ Gold	Michelson, Exchange, Penn, Phipps
ENERGY STAR®	Figueroa, Michelson, Peachtree, Plaza, Exchange, Phipps, Capitol

Fixtures in our properties were replaced with energy-efficient Light Emitting Diode (LED) bulbs that save up to 90.0% of energy as opposed to conventional lightbulbs with the same light intensity output. We have also installed waste diversion and recycling facilities in our properties

The following initiatives are also aimed at promoting energy efficiency at our properties:

- System retro-commissioning
- Smart building technologies
- Building automation system upgrades/replacements
- High-efficiency equipment and appliances
- Lighting upgrades
- Earth Hour events

Due to these initiatives, MUST's portfolio recorded an energy intensity of 17.1 ekWh/sf for 2019, a 2.0% reduction from the previous year. Out of the five properties with comparable data for 2018, four recorded reduced energy intensity YoY.

Water

Water is a precious commodity that needs to be properly managed to ensure environmental sustainability in our business operations. To manage our water consumption, we have:

- Installed low flow fixtures, which are plumbing fixtures that use significantly less water than conventional fixtures
- Metered our water subsystems, which seeks to monitor and better manage water usage
- Implemented the collection and reuse of greywater
- Carried out improvements to cooling tower water management to allow circulatory water to be more efficiently treated
- Implemented native landscaping, which provides important habitat for wildlife and dramatically reduces the environmental impacts associated with lawn care
- Installed rain sensors for irrigation, which helps conserves water usage while maintaining the lawn

As a result of these initiatives, MUST's portfolio recorded a water intensity of 55.5 L/sf for 2019, a 2.4% reduction from the previous year. Out of the four properties with comparable data for 2018, three recorded reduced water intensity YoY.

Emissions

MUST recognises the significance of climate change and seeks to reduce the amount of emissions from all aspects of its business operations. To minimise our environmental footprint, we have launched/continued the following initiatives:

- Made capital upgrades, piloted innovative technologies, adjusted operating practices and worked with tenants to reduce energy usage, the main driver of GHG emissions at our properties
- Purchased energy from renewable sources
- Installed electric vehicle charging stations, to promote the use of electric vehicles

MUST's portfolio recorded a GHG intensity of 5.8 kg CO_2e/sf for 2019, an increase of 2.4% from the previous year. This is due to the electricity grid emissions intensity in the markets of the two properties acquired in 2018. The Property Manager will continue to monitor the emissions of these properties closely in 2020.

Out of the five properties with comparable data for 2018, four recorded reduced GHG intensity YoY.

Capitol, Sacramento

SUSTAINABLE PROPERTIES

REDUCING OUR ENVIRONMENTAL FOOTPRINT – THE MANAGER

In 2019, we have reduced our environmental footprint through initiatives carried out in our Singapore office at Manulife Tower. This includes the installation of a centralised automated sensor system to prevent unnecessary wastage of energy. The system is linked to the lights and air conditioners, switching these appliances off automatically after 7 pm on weekdays and the entire day on weekends.

Recycling facilities for paper, plastic and cans are located in the lobby of the office to cultivate environmentally friendly practices in the workplace. Our staff have proactively set up a recycling corner in the office to collect all recyclables for weekly drop off at the recycling facilities. Employees are also encouraged to print only when necessary, using the double-sided setting on Forest Stewardship Certified (FSC) paper.

Achieving Tangible Results

For the 3rd year running, in 2019, we participated in GRESB Real Estate Benchmark Assessment to identify the sustainability strengths and weaknesses of MUST's portfolio. GRESB is an investor-led initiative that assesses the ESG performance of real estate companies and funds. We are delighted to record a stellar performance with a GRESB score of 93, a significant increase from the score of 85 for the previous year. This score is also significantly above the peer average of 72, ranking MUST 3rd out of the 12 listed U.S. office REITs. Our key strengths identified in the 2019 GRESB Assessment include:

- Comprehensive policies and disclosures
- High building certification and rating coverage within the portfolio
- 100.0% energy, water and GHG emission data coverage
- Reduction in energy and water consumption and GHG emissions
- Strong stakeholder engagement practices (e.g. tenant engagement, satisfaction survey)

Capitol, Sacramento

EXTERNAL RELATIONS

17 PARTNERSHIPS FOR THE GOALS

OBJECTIVES

To understand and meet the needs of the investment, tenant and local communities through regular and effective engagement initiatives

Investment Community

Tenant Community

Local Community

INITIATIVES AND RATIONALE

Investment Community

- Engaged Unitholders, analysts and media through meetings and social events (see page 78 of this Sustainability Report)
- Launched Green Dot Series to raise collective understanding of U.S. economy and office real estate sector
- Collaborated with financial bloggers to launch a series of educational articles to reach social media savvy investors

Tenant Community

- Regular tenant appreciation, community and health awareness events to create a positive and inclusive working environment (see page 79 of this Sustainability Report)
- Conducted tenant satisfaction surveys every alternate year to understand tenants' satisfaction, needs and concerns - last survey: 2018

Local Community

- Organised indoor activities/ haircut sessions and whipped up Thanksgiving Lunch for the isolated elderly
- Maximised social impact by channeling CSR, corporate gifts and employee engagement budget towards social procurement
- Participated in donation drives for clothes, shoes and books
- Donated more than 100 bottles of hand sanitisers to elderly in view of COVID-19

PERFORMANCE IN 2019

Investment Community

- Met more than 1,100 investors including 200 institutional investors
- Awarded Best in Country, Investor Relations – Singapore and Best Investor Relations Officer (Small to Mid-cap) by IR Magazine Awards, South East Asia

Tenant Community

- Maintained high tenant retention rate of 76.0% and high occupancy of 95.8% as at 31 December 2019

Local Community

- Total volunteer hours of 182.5 hours (+2.2% YoY)
- Total CSR contribution of S$25,478 (+27.4% YoY)

TARGETS FOR 2020

Maintain continuous engagement with the investment community through different initiatives

Maintain or increase tenant satisfaction rate, retention rate and occupancy rate

Maximise social impact via engagement of elderly community, social procurement and donations

EXTERNAL RELATIONS

One of MUST's sustainability goals is to maximise value for our external stakeholders. We place utmost importance in maintaining an open and regular communication with them. By understanding their needs and interests, we were able to develop effective engagement initiatives specially tailored for each stakeholder group this year.

Investment Community

In 2019, we stepped up our efforts to engage different members of the investment community, including institutional and retail investors, analysts, media and financial bloggers. Our three main modes of engagement are:

1. **Regulatory reporting and other communication materials**
   Strengthening corporate disclosures to enhance transparency and accessibility of information

2. **Engagement events**
   Maintaining effective interaction and providing regular access to senior management

3. **Green Dot Series – a thought leadership initiative**
   Increasing awareness and understanding of U.S. economy and office real estate sector

MUST is guided by SGX-ST regulatory requirements and its IR Policy in its engagement initiatives. We have engaged the investment community regularly via these initiatives in 2019:

Regulatory	Non-Regulatory
• AGMs/EGMs • Annual reports • Sustainability reports • SGX announcements • Circulars • Corporate website	• Results briefings with audio webcasts • Results luncheons • Roadshows/conferences/seminars • Conference calls • Media interviews • Retail investor days • Green Dot Series initiatives • Social events • U.S. site visits • Investor presentations/press releases • Quarterly factsheets • Investor packs on tax forms • Newspaper advertisements • Website initiatives: ∘ General hotline ∘ Dedicated IR contact ∘ Property videos ∘ Archived audio webcasts ∘ Email alerts ∘ Investor FAQ ∘ IR policy

INVESTOR DAY 2019

Investor Day 2019 was organised to engage retail investors and provide a platform for interaction between Unitholders and the management team. Apart from presenting on MUST's financial performance, panel discussions were organised to raise the local investors' understanding of the equity market, offshore REITs and U.S. tax. Q&A was conducted via pigeonhole for the 1st time to encourage interaction and was well-received with high participation rate from the Unitholders.

The conference style event was attended by 450 retail investors, a 24.7% increase from the previous retail investor day in 2017. Unitholders appreciated the sharing of insights from the panel speakers as it provided them with fresh perspectives on relevant issues. Through a post-event survey, more than 93.0% of Unitholders rated MUST's presentation and panel discussions as 'Excellent' or 'Good' and more than 84.6% of the respondents indicated that they would be interested to participate in similar events.

With the encouraging responses from this event, MUST will continue to increase its thought leadership efforts to reach out to different groups of the investment community under its Green Dot Series programme, to enhance the community's understanding and appreciation of the U.S. office real estate market.

Our proactive engagement with the investment community has delivered exceptional results in 2019. Apart from clinching two awards at the IR Magazine Awards – Southeast Asia 2019, we saw a strengthened investor base made up of 52.5% institutional investors as at 31 December 2019. A highly institutionalised investor base could signify a more stable Unit price, higher trading liquidity and stronger support in our future growth plans.

Tenant Community

Regular engagement with the tenant community is essential to maintain a strong relationship with existing tenants, attract interest from potential tenants, and receive prompt feedback when issues arise to ensure that immediate action is taken. This high-level engagement also allows us to encourage sustainable property practices among tenants and to share new programmes with them with greater ease.

The Property Manager oversees MUST's tenant engagement programme to ensure alignment with the Sustainable Building Standards and organises various activities throughout the year to create a positive and inclusive working environment. In 2019, we engaged our tenants through the following initiatives:

To gain a better understanding of our tenants' needs and concerns, the Property Manager engages Kingsley Associates to conduct tenant satisfaction surveys every alternate year at all MUST's properties. The survey gathered information on tenants' overall satisfaction, perception of property, satisfaction with management, leasing and maintenance, renewal intentions and likelihood of property recommendations. In 2018, 90.0% of the tenants who participated in the survey responded with a 4 or 5-star rating on overall satisfaction. The next survey will take place in 2020.

As at 31 December 2019, MUST's portfolio has a well-diversified tenant base with a high tenant retention rate of 76.0% and an occupancy rate of 95.8%.

EARTHQUAKE TRAINING AT MICHELSON, IRVINE

Readiness in the face of natural disasters is highly sought after by tenants. In our bid to equip our tenants with necessary knowledge and skills to respond to such emergencies, we conducted earthquake training in Michelson, not only for our tenants but also for their key stakeholders. Everyone was educated on the building procedures during an earthquake and were then encouraged to pass this information on to their respective colleagues. Following the success and excellent feedback received from this event, we are looking to implement similar initiatives for the rest of our properties to prepare our tenants for any potential emergencies.

EXTERNAL RELATIONS

Local Community

Beyond generating sustainable income, we are committed to creating positive impact on the local community with the spirit of purposeful prosperity. With the rapidly aging population in Singapore and in-line with the focus of our Sponsor, our CSR programme focuses on contributing to the local elderly community via three main approaches.

Engaging the Isolated Elderly

Since IPO, we have organised many CSR events to engage the elderly community. In 2019, to fulfil our goal of bringing joy to the elderly who are integral building blocks of society, we collaborated with QB House to organise a 'Haircut and Tea-break with the Elderly' at the Methodist Welfare Services (MWS) Senior Activity Centre. Our staff befriended the isolated elderly and spent an afternoon with them by playing games and other activities. At this event, the participants enjoyed several rounds of bingo games, before being treated to a sumptuous tea-break and a free haircut session. While bringing joy to the participants, we believe that volunteerism and friendship should not be a one-off event. Thus, we have decided to work with MWS on a longer-term basis to befriend this particular group of isolated elderly. Such initiatives assist not only the beneficiaries, but our employees as well, as they appreciate the opportunity of giving back to the society.

Social Procurement

Apart from community services, we have integrated the procurement of social enterprises across all possible business functions to encourage the underprivileged elderly to find a purpose in life and be financially independent. Some of these initiatives include the commissioning of artworks, production of corporate gifts, and engagement of dining and catering services for internal and external events.

In 2019, for the 2nd year running, we commissioned an underprivileged artist to design MUST's red packets. The unique design of a Chinatown scene with children holding U.S. flags was created by a talented artist with hearing impairment from 'Friends of the Disabled Society' – Skills & Entrepreneurship programme. Under this programme, physically disabled artists are trained to develop their entrepreneur skills through the creation and sale of their products, allowing them to be self-sufficient and boosting their confidence at the same time. Names of the artist and social enterprise were featured on the back of MUST's red packets to increase awareness and garner support from the community. The design was featured in The Straits Times in February 2019, and also received overwhelming interest from both our internal and external stakeholders. Through this initiative, we aim to provide opportunities for disabled individuals to showcase their talents so that they will not be marginalised in our society.

In 2019, we engaged Project Dignity as a long-term social enterprise partner for the catering of both MUST's internal and external events. To encourage employees to take on a more active role, we organised a cook out session and split our staff into teams to prepare a hearty Thanksgiving lunch for the elderly in MWS. In 2019, more than S$10,000 was channelled from the Manager towards social procurement to show our support for the local social enterprises. This was an 11X increment from the S$900 spent in 2018.

Unique red packet design by Friends of the Disabled Society

Celebrating Thanksgiving with MWS elderly

Cash Donation and Donation Drives

In 2019, the Manager donated S$15,000 to a hospital and a welfare organisation. We hope the donation will contribute to the health and wellness programmes targeted to meet the physical and emotional needs of the ill or isolated elderly. Throughout the year, our employees also came together to donate cash, pre-loved shoes, clothes and books via donation drives organised by Soles4Soul Shoe, Movement for Intellectually Disabled of Singapore and Singapore Council of Women's Organisations. We are also proud to support volunteerism among our staff – all employees are given two days of volunteer leave to participate in the causes they are passionate about outside MUST's CSR programmes.

During the COVID-19 outbreak in early 2020, MUST donated more than 100 bottles of hand sanitisers to the elderly from MWS to keep the community safe and healthy.

HUMAN CAPITAL

5 GENDER EQUALITY
8 DECENT WORK AND ECONOMIC GROWTH

OBJECTIVES

To attract and retain talent by cultivating a positive work environment that focuses on diversity, equal opportunities, training, health and wellness

Employees

INITIATIVES AND RATIONALE

Diversity and Equal Opportunity

- Practised fair treatment in recruitment and provided equal opportunities regardless of type, gender or age
- Provided training on importance of diversity and inclusion

Health and Wellness

- Subsidised health screening
- Organised health talks and fitness classes
- Encouraged regular movement by providing height adjustable desks
- Provided free professional advice and counselling from external consultants

Training and Development

- Organised writing workshop to strengthen staff's communication skills
- Subsidised relevant training to equip employees with skills needed to deliver high-quality work

Talent Retention

- Undertook half-yearly performance reviews to discuss each employee's performance, achievements and career goals
- Undertook annual employee engagement survey to understand employees' job satisfaction, needs and concerns
- Selected a different group of employees every quarter as Ambassadors of Change (AoC), to gather feedback from the rest of the team
- Organised regular company cohesion activities such as Breakfast on the House (BOTH), employee appreciation luncheons and movie outings to promote interdepartmental communication and work-life balance

PERFORMANCE IN 2019

Average training hours per employee of
35.2 hours
(+5.7% YoY)

100% participation in annual employee engagement survey with **significant increase** in engagement score

TARGETS FOR 2020

- Continue to hire employees with diversified age, gender and type
- Organise regular health talks or fitness classes for all employees
- Maintain or increase average training hours per employee

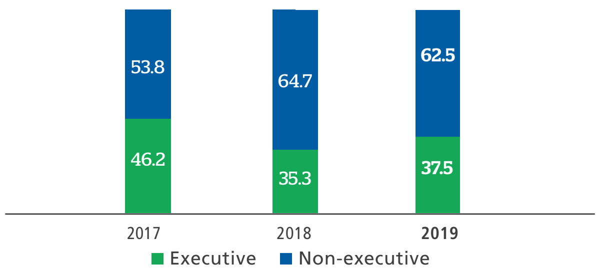
HUMAN CAPITAL

Diversity and Equal Opportunity

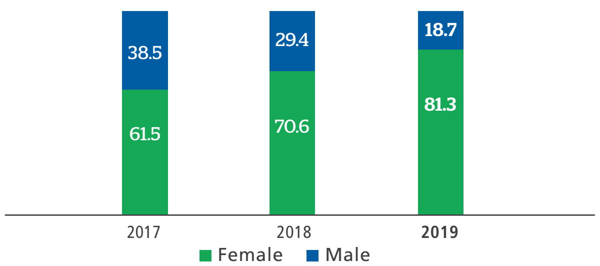
At MUST, we deeply value diversity within our workforce. We believe that a diverse workforce provides access to a talent pool with a wide range of different skills and talents essential for MUST to stay at the forefront of this competitive industry. The Manager has a zero-tolerance policy on any form of discrimination in the workplace. To ensure fair and equal treatment to all employees, equal employment opportunities are offered to individuals regardless of their age, gender or ethnicity. Employee remuneration packages are based solely on employee's individual performance without biasedness and are assessed annually. Furthermore, in compliance to our diversity policies, the Manager reports its diversity data to its Board of Directors bi-annually and has clear policies stated in the employee handbook.

As at 31 December 2019, the Manager had in total 16 full-time staff in a well-balanced mix by type, gender, and age. We are extremely proud that our continuous effort in ensuring diversity, even at the executive level has paid off, as we now have 66.7% of our senior executive positions held by women.

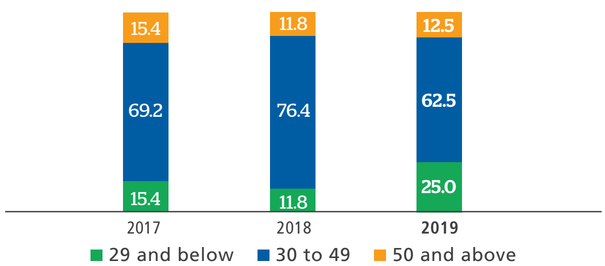
Employee Diversity by Type (%)



Employee Diversity by Gender (%)



Employee Diversity by Age (%)



Health and Wellness

Health Talks and Fitness Classes

In 2019, several programmes were initiated to ensure that our employees remain motivated and healthy. With mental health issues becoming increasingly important in today's society, we organised mental health talks with topics such as depression and dementia to provide our employees with the necessary knowledge to cope with or support those afflicted with such health issues. We hope to dispel the current stigma of mental health by cultivating a corporate culture that is open and supportive of employees' mental well-being. Fitness classes were also organised to ensure that the physical well-being of our employees are not neglected due to work commitments. These classes include 'Release and Stretch', which aim to help employees relax their muscles after a long day of work.

Full-time employees are entitled to discounted insurance policies, and other products and services. Staff and their family members with personal issues are able to receive professional advice from external consultants through phones, emails or face-to-face sessions.

In 2020, we target to organise regular health talks or fitness classes to ensure that the health and wellness of employees are well-managed.

Comfortable and Productive Working Environment

In addition, ergonomic furniture are incorporated in the office to create a comfortable and productive work environment. Height-adjustable desks are provided to encourage employees to alternate between standing and sitting, which will help to increase brain activity and promote blood circulation and prevent muscle, back and heart problems. Employees also benefit from an improved indoor air quality with air purifiers and indoor plants to remove harmful pollutants, stabilise humidity and reduce noise levels.

Protecting our Employees during COVID-19 Outbreak

The health and safety of our employees are a top priority at MUST. During the COVID-19 outbreak in 2020, the Manager responded quickly to provide employees with masks, hand sanitisers and contactless infrared thermometers. Staff were split into two groups to alternate between working from home and the office every two weeks. Large-scale meetings were converted into conference calls and temperature screenings were conducted upon entry into Manulife Tower to ensure the safety of employees.

Training and Development

All staff are given equal opportunities for their professional and personal development, with a comprehensive series of programmes made available.

Management Development Training
To cope with the changing regulatory landscape, managerial development training was organised in 2019 to improve our leaders' capabilities. In particular, one of our senior executive officers attended a Senior Leadership Development Programme by Ivey Business School with coaching sessions to gain deeper insights on strategy, leadership and culture in a dynamic work environment. Other members of the senior management also attended a Transformation Ready Leadership Workshop to reaffirm Manulife's core values and create an environment to help other employees apply these values. After attending these courses, our senior executive officers will drive further progress within MUST by passing on relevant knowledge to the rest of our employees. This mechanism is important as the core of our human resource policy focuses on the development and growth of all employees.

Our senior management team is also dedicated in its participation for industry roundtables and conferences. For the 2nd year running, our Head of IR provided training on the Investor and Media Relations module at the REIT Association of Singapore (REITAS) 2-Day Professional Development Series: REIT Management.

Relevant and Useful Training for All Other Employees
MUST ensures that all employees attend various relevant courses throughout the year to enhance their work performance. For instance, members of the SSC were encouraged to attend an online course conducted by SGX – Preparing a Sustainability Report. An employee also attended a GRI Standards Certified Training Course conducted by CSRWorks, and received a GRI Certified Training Program Certificate upon the completion of the course. Apart from focusing on sustainability training, other relevant courses on compliance, human resource and written communication were also provided to all employees in 2019.

Funding CMFAS Module 10 Examinations for Employees
To ensure that our employees remain highly skilled in the execution of their roles, we have also established a funded programme to support our employees in attaining the Capital Markets and Financial Advisory Services (CMFAS) Module 10 certification conducted by The Institute of Banking & Finance (IBF) Singapore. The module covers a comprehensive set of topics such as REIT Management, Financing in REITs, Legal Framework of S-REITs, Market Conduct and many others, allowing our employees to stay relevant and be well-equipped on REIT management knowledge. In 2019, two more of our employees obtained the IBF Module 10 certification with MUST's full support.

In 2019, 100.0% of our employees received training, and the average training hours per employee was 35.2 hours. In terms of training hours per employee category, executives clocked an average of 38.6 training hours while non-executives clocked an average of 33.2 training hours. The hours received by both executives and non-executives are balanced and showcases MUST's commitment towards driving employee growth and development regardless of hierarchy.

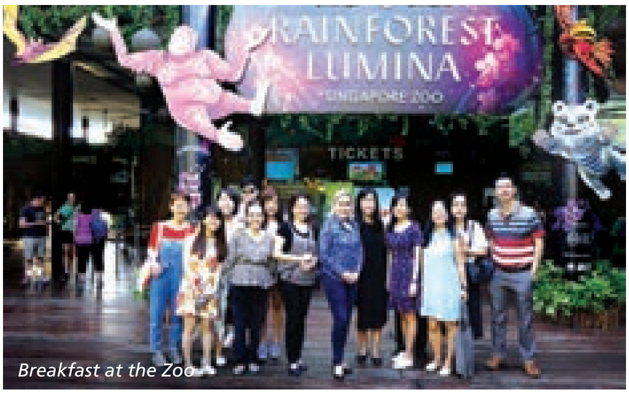
Monitoring Employee's Performance
A performance review is conducted semi-annually to monitor the progress of all employees and measure the effectiveness of MUST's training programmes. In the 1st phase of the performance review, employees are required to perform a self-assessment on their accomplishments and how these results were achieved. Following this phase, Senior managers will engage in a review with their employees to discuss their work performance, challenges faced and applicable training programmes that would aid in their professional growth.

Talent Retention

Employee Engagement
In 2019, the Manager implemented many new initiatives in its journey to cultivate a motivated and engaged workforce. In particular, a group of employees was selected every quarter to be MUST's AoC. The AoC is responsible for gathering feedback and ideas from the rest of the team on cohesion activities as well as changes they would like to see in the workplace.

This brought along many new initiatives including BOTH, where employees were encouraged to share and discuss their feedback and concerns over a regular team breakfast. This has also proved to be an excellent platform for senior executive officers to share the REIT's vision, goals, and updates. The latest BOTH was organised at Singapore Zoo, where employees enjoyed breakfast while dining with the orangutans.

The AoC also implemented many new initiatives including more frequent 'Work At Home' and 'Eat with Your Family' days. Every quarter, employees are also given a half-day off to enjoy some 'me-time'. These initiatives promoted interdepartmental communication and work-life balance, and were well received by all employees, as reflected by a significant increase in this year's employee engagement survey score.



Breakfast at the Zoo

HUMAN CAPITAL

Stock Ownership Plans for All Employees
Starting from July 2019, all Manulife's employees in Singapore, including MUST's employees were eligible for Manulife's Global Share Ownership Plan (GSOP). Under this plan, all employees may apply up to 5.0% of their annual base earnings towards the purchase of common shares of Manulife Financial Corporation (MFC). MFC matches a percentage of the employee's eligible contributions capped at a certain amount. All contributions are used to purchase common shares in the open market and can be vested immediately.

This new initiative received positive response from our staff and some 37.5% of MUST's employees have participated in this programme this year. By providing an opportunity for our employees to share tangibly in Manulife's success, we were able to increase employee engagement and cultivate an ownership mentality within our workforce. Including staff who were granted Restricted Share Units under the Long Term Incentive Scheme, 68.8% of MUST employees benefitted from employee stock plans under MFC/MUST in 2019.

Monitoring Employee Satisfaction
An employee engagement survey is conducted annually to obtain feedback from our employees and to assess the engagement level of our workforce. In 2019, our employee engagement survey was conducted by an independent survey firm – Gallup, Inc. and reflected a significant increase in MUST's engagement score.

By engaging an independent survey firm for our annual employee engagement review, we were also able to benchmark our results against industry-specific data for more meaningful comparison.

For 2019, MUST has an average monthly resignation rate of 2.0%, below the Singapore real estate services industry of 2.5%[1]. The average monthly recruitment rate stands at 2.0%, also lower from Singapore's real estate services industry average of 3.2%[1].

RECOGNISING OUR STAR EMPLOYEES

John Cassaday, Manulife's Chairman and Hsieh Tsun-Yan, Manulife's Director and MUST's Chairman

In 2019, our Head of IR and CSO, Caroline Fong received a prestigious accolade from Manulife's annual global Stars of Excellence Awards. The award recognises individuals and teams who have excelled in their roles based on Manulife's core values.

Out of the 34,000 staff worldwide, only 100 employees were selected to receive the award in Toronto, Canada, which was presented by Manulife's President and CEO. The gala dinner was attended by Manulife's Board of Directors and senior executive officers. Caroline was recognised for driving the successful initial public offering of Manulife US REIT, doubling its AUM in two years and institutionalising the REIT's investor base with greater geographical reach. By honouring MUST's top achievers through Manulife's recognition programme, we were able to drive employee satisfaction and create a greater workplace experience for our employees.

1 Source: Ministry of Manpower. Average Monthly Recruitment/Resignation Rate during a quarter is defined as the average number of persons recruited/resigned in a month during the quarter divided by the average number of employees in the establishment. The annual figures are the simple averages of the quarterly figures.

ETHICAL CORPORATE BEHAVIOUR

8 DECENT WORK AND ECONOMIC GROWTH

OBJECTIVES

To ensure continued adherence to rules and regulations through the highest standards of governance and best practices by employing stringent corporate compliance and internal audit practices

Investment Community

Tenants

Employees

INITIATIVES AND RATIONALE

- **Strengthened governance disclosures in 2018 and 2019 annual reports**
- **Published additional information on website:**
  - Code of Business Conduct and Ethics
  - IR Policy
  - AGM/EGM minutes
- **Encouraged Unitholders to email questions prior to AGM**

PERFORMANCE IN 2019

- No incidents of non-compliance with laws and regulations resulting in fines or sanctions
- No incidents of corruption

Remained on **SGX Fast Track**, as recognition of high standards of corporate governance and maintenance of good compliance record

Runner Up –
Singapore Corporate Governance Award
for REITs and Business Trusts

SIAS INVESTORS' CHOICE AWARDS

GIFT

Ranked 6th out of 46 REITs and Business Trusts with a total score of 78.5
(2018: ranked 8th with score of 75.5)

TARGETS FOR 2020

Maintain zero incidents of non-compliance with relevant laws and regulations resulting in fines or sanctions

Maintain zero incidents of corruption

Strengthen disclosures through annual reports, sustainability reports and website

ETHICAL CORPORATE BEHAVIOUR

Corporate governance is the system by which companies are directed and controlled. It is intended to increase MUST's accountability to various stakeholders. Good corporate governance within MUST will thus allow us to avoid any potential detrimental breaches before they occur.

Regulatory Compliance

Due to REITs operating in a highly regulated sector, the Board of Directors and management have to work together to safeguard the interests of Unitholders by ensuring compliance with local and foreign laws and regulations. Any form of non-compliance, breaches in regulations or corruption linked back to MUST will result in financial penalties and severely damage our reputation and stakeholder trust.

Being listed on SGX-ST and regulated by the Monetary Authority of Singapore, MUST and its Manager are required to comply with a range of rules and regulations. Specific policies and procedures are also instituted (as shown on page 87 to 88) to ensure that MUST complies with the various regulatory and operational requirements. The Manager, as a subsidiary of Manulife Group, is also subjected to certain Group-wide policies and procedures.

MUST's Sponsor is a Securities and Exchange Commission registered company and the Manager aligns its corporate governance to the high standards expected of MUST's Sponsor. The Manager's compliance team works closely with the Sponsor's legal and compliance teams plus appointed external legal counsel in Singapore and the U.S., to ensure that MUST and the Manager operate within their regulatory ambit. Details on corporate governance can be found on page 92 of MUST's 2019 Annual Report.

As of 31 December 2019, nine out of 16 full-time employees of the Manager are holders of the Capital Markets Services (CMS) licence under the Securities and Futures Act (SFA) of Singapore, out of which seven have at least five years of experience relating to trust management. The CMS licence holders are responsible for functions ranging from management, investment, finance to investor relations. The CMS licence holders attended regular training to ensure that they stay up-to-date with the market regulations.

The compliance team reviews all marketing materials to ascertain their compliance with relevant rules and regulations and that no information presented is capable of misleading stakeholders. These stringent requirements are necessary as we produce a large number of marketing materials with specific and regulated information. Any breaches of regulation in regards to marketing can lead to costly fines and misplace our stakeholder's trust in MUST.

Both compulsory and voluntary trainings are made available to all employees to ensure that they fully understand what is required of them and their reporting obligations. New hires are subject to mandatory orientation and induction programmes. In addition, the compliance team frequently delivers regular updates on legal and organisational standards to the Board of Directors and employees. Firm-wide training on anti-bribery and anti-corruption is also rolled out to all employees to create an awareness of the importance of complying with relevant anti-bribery and anti-corruption laws as well as to educate employees on dealing with gifts and entertainment. Such stringent internal practices are required to prevent any breach from happening. Furthermore, issues like health and safety are extremely sensitive and any breaches of such regulations will have consequences beyond just fines. They may draw unwanted negative media attention, leading to loss of reputation, and may even inhibit MUST's ability to continue operations if the breach is severe. Therefore, by equipping our employees with the necessary skills, we are able to avoid any potential breaches altogether.

Being the owner of the properties, we have a responsibility to ensure that our tenants and users of our properties remain safe from injury at any time when they are present in our properties. The Property Manager has a compliance team to manage compliance at the property level. The Property Manager conducts regular training and engagement sessions for the tenants where they are free to raise relevant issues they are facing. Grievance mechanisms such as feedback channels, anonymous hotlines, and whistle-blowing channels are also available for all other stakeholders.

To manage compliance risk, the compliance team is actively involved and consulted on all business activities, from concept to execution. Periodic submission of data to respective regulators and application and review of licences are also tracked. The internal audit team reviews processes and procedures, and the Manager follows an established and comprehensive enterprise risk management framework where regular reports are submitted to the Board.

We take pride in our corporate governance practices and being one of the leading examples in Singapore. This is exemplified by the improvement in 2019's score for GIFT and, being an award recipient in the SIAS 20th Investors' Choice Awards 2019. MUST was also one of the 59 listed companies in Singapore to retain the SGX Fast Track status. As an SGX Fast Track issuer, MUST is recognised for its high corporate governance standards and good compliance track record. Companies in this programme enjoy prioritised clearance for selected corporate action submissions to SGX Reg Co. Furthermore, MUST is also included in iEdge SG ESG Leaders Index, which proves its status as a leader of sustainability practices among our peer groups. Ultimately, MUST recognises the importance of having a robust governance structure that is supported by comprehensive compliance policies and procedures to drive long-term growth.

To increase the REIT's transparency, we have strengthened our disclosures in this year's Annual Report with the inclusion of the following information:

- Board Diversity Policy
- Anti-corruption programmes and procedures
- Enhanced disclosure on Directors' training
- Methodology used to calculate rental reversions

Corporate Policies & Procedures

Policies & Procedures	Objectives	References
Insider Trading Policy	Provides guidance for the Directors, officers, and employees in the context of dealing in the Units of MUST	Internal Policy
Global Privacy Risk Management Policy	Describes the framework within which MUST manages privacy risk when handling personal information	Internal Policy
Information Risk Management Policy	Aids in identifying, assessing, treating, reporting and managing significant information risks in support of and in alignment with operational risk management	Internal Policy
Independent Nominating and Remuneration Committee	Ensure the long-term effectiveness of the Board by making recommendations on the composition of the Board	Internal Policy
Conflict of Interest and Interested Person Transaction Process	Compliance with CMS Licence requirements for Real Estate Investment Trust Management under the SFA of Singapore	Internal Policy
Disclosure of Interest		
Fit and Proper Declaration		
Global Business Continuity Policy	Outlines the process in the event of any disaster	Internal Policy
Global Disaster Recovery Policy		
Enterprise Risk Management Policy	Provides a structured approach to implementing risk-taking and risk management activities at an enterprise level	Internal Policy
Whistle-blowing Policy	Encourage stakeholders and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence	Available on MUST's website (http://www.manulifeusreit.sg/whistle-blowing-policy.html)
Anti-Fraud Policy	Describes a framework within which MUST strives to: (1) prevent, identify, and detect fraud; and (2) ensure that adequate controls are in place to accomplish those objectives	Internal Policy
Anti-Money Laundering and Anti-Terrorist Financing Policy	Outlines the responsibilities, accountabilities, and processes to ensure that MUST effectively mitigates the risks associated with money laundering and terrorist financing activities	Internal Policy
Global Entertainment & Gift Policy	Ensure that MUST, the Manager and its employees do not engage in shared business entertainment or gift practices that constitute (or appear to constitute) a corrupt business practice, including bribery	Internal Policy

ETHICAL CORPORATE BEHAVIOUR

Policies & Procedures	Objectives	References
Code of Business Conduct and Ethics	The code affirms MUST's commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest	The Manulife Code of Business Conduct and Ethics is available on http://www.manulifeusreit.sg/about.html
Personal Data Protection Act (PDPA)	Ensure MUST's compliance with the PDPA	The PDPA is available on https://www.pdpc.gov.sg/legislation-and-guidelines
Social Media Policy	Minimise reputational, business, compliance and legal risks associated with social media usage	Internal Policy
Timely disclosure of information	Minimise reputational and business risk and compliance with marketing and exchange regulations	Internal Policy
Review the accuracy of the information on the corporate website		
Review accuracy of all marketing collaterals before publication		
Tracking periodic submissions to respective regulators		
Health and Safety Policy	Ensure the safety of all users of our properties and ensure compliance with the WSHA	Internal Policy Internal Process
Workplace Safety and Health Act (WSHA)		The WSHA is available on https://sso.agc.gov.sg/Act/WSHA2006
Internal Audit	Ensure that all processes and procedures are compliant with regulations and laws and that the Manager follows an established and comprehensive ERM framework where regular reports are submitted to the Board	Internal Policy

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
General Disclosures		
Organisational Profile		
102-1	Name of the organisation	Manulife US REIT
102-2	Activities, brands, products, and services	About This Report, page 62 Property Summary, page 30
102-3	Location of headquarter	Singapore
102-4	Location of operations	Property Summary, page 30
102-5	Ownership and legal form	Organisation Chart/Trust and Tax Structure, page 13
102-6	Markets served	Property Summary, page 30
102-7	Scale of the organisation	FY2019 Financial and Portfolio Highlights, page 2 Financial Review, page 22 Property Summary, page 30
102-8	Information on employees and other workers	Human Capital – page 81 Manulife US REIT did not have any significant variation in employment numbers in 2019
102-9	Supply chain	External Relations – page 77
102-10	Significant changes to organisation and its supply chain	Manulife US REIT did not have any significant variation in employment numbers in 2019
102-11	Precautionary principle or approach	Ethical Corporate Behaviour – Our Strategy, page 85
102-12	External initiatives	Sustainable Approach, page 68 Sustainable Properties, page 72
102-13	Membership of associations	Real Estate Developers' Association of Singapore/REITAS The Property Manager, JHUSA Sustainable Real Estate Policy, page 68
Strategy		
102-14	Statement from senior decision-maker	Board Statement, page 64 Letter To Stakeholders, page 65
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behaviour	Sustainability Approach, page 68
Governance		
102-18	Governance structure	Ethical Corporate Behaviour, page 85
Stakeholder Engagement		
102-40	List of stakeholder groups	Sustainability Approach, page 68
102-41	Collective bargaining agreements	Manulife US REIT does not have any collective bargaining agreements in place
102-42	Identifying and selecting stakeholders	Sustainability Approach, page 68
102-43	Approach to stakeholder engagement	Sustainability Approach, page 68
102-44	Key topics and concerns raised	Sustainability Approach, page 68

GRI CONTENT INDEX

GRI Standards (2016)		Notes/Page number(s)
Reporting Practice		
102-45	Entities included in the consolidated financial statements	FY2019 Financial and Portfolio Highlights, page 2 Financial Review, page 22
102-46	Defining report content and topic boundaries	Sustainability Approach, page 68
102-47	List of material topics	Sustainability Approach, page 68
102-48	Restatements of information	No restatements
102-49	Changes in reporting	No changes in reporting
102-50	Reporting period	1 January 2019 – 31 December 2019
102-51	Date of most recent report	Manulife US REIT Annual Report 2018 – Sustainability Report 2018
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	About This Report, page 62
102-54	Claims of reporting in accordance with GRI Standards	About This Report, page 62
102-55	GRI content index	GRI Content Index, page 89
102-56	External assurance	Manulife US REIT has not sought external assurance for this reporting period and may consider it for future periods.
Management Approach		
103-1	Explanation of the material topic and its boundary	Please refer to section on each material factor • Economic Performance, page 65 • Anti-corruption, page 85 • Energy, page 74 • Water, page 75 • Emissions, page 75 • Environmental Compliance, page 73 • Employment, page 81 • Training and Education, page 82 • Diversity and Equal Opportunity, page 82 • Customer Health and Safety, page 79 • Market and Labelling, page 88 • Socioeconomic Compliance, page 88
103-2	The management approach and its components	
103-3	Evaluation of the management approach	
Material Topics		
Economic Performance		
201-1	Direct economic value generated and distributed	FY2019 Financial and Portfolio Highlights, page 2 Message to Unitholders, page 10
Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	Ethical Corporate Behaviour, page 85
Energy		
302-1	Energy consumption within the organisation	ESG Report Card, page 63
302-3	Energy intensity	ESG Report Card, page 63
Water		
303-1	Water withdrawal by source	ESG Report Card, page 63
Emission		
305-2	Energy indirect (scope 2) GHG Emission	ESG Report Card, page 63
305-4	GHG emissions intensity	ESG Report Card, page 63

GRI Standards (2016)		Notes/Page number(s)
Environmental Compliance		
307-1	Non-compliance with environmental laws and regulations	Ethical Corporate Behaviour, page 85
Employment		
401-1	New employee hires and employee turnover	Human Capital, page 81
Training and Education		
404-1	Average hours of training per year per employee	ESG Report Card, page 63
404-2	Programmes for upgrading employee skills and transition assistance programmes	Human Capital, page 81
404-3	Percentage of employees receiving regular performance and career development reviews	Human Capital, page 81
Diversity and Equal Opportunity		
405-1	Diversity of employees	Human Capital, page 81
Customer Health and Safety		
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Ethical Corporate Behaviour, page 85
Market and Labelling		
417-3	Incidents of non-compliance concerning marketing communications	Ethical Corporate Behaviour, page 85
Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	Ethical Corporate Behaviour, page 85

CORPORATE GOVERNANCE

The Manager has general powers of management over the assets of MUST. The Manager's main responsibility is to manage MUST's assets and liabilities for the benefit of Unitholders. The Manager sets the strategic direction of MUST and gives recommendations to DBS Trustee Limited (the Trustee), on the acquisition, divestment, development and/or enhancement of assets of MUST in accordance with its stated investment strategy.

The Manager provides, amongst others, the following services to the REIT:

- Investment: Formulating MUST's investment strategy, including determining the location, sub-sector type and other characteristics of MUST's property portfolio. Overseeing negotiations and providing supervision in relation to investments of MUST and making final recommendations to the Trustee.

- Asset management: Formulating MUST's asset management strategy, including determining the tenant mix, asset enhancement works and the rationalisation of operation costs. Providing supervision in relation to asset management of MUST and making final recommendations to the Trustee on material matters.

- Capital management: Formulating the plans for equity and debt financing for MUST's property acquisitions, distribution payments, expense payments and property maintenance payments. Executing the capital management plans, negotiating with financiers and underwriters and making final recommendations to the Trustee.

- Accounting: Preparing accounts, financial reports and Annual Reports for MUST on a consolidated basis.

- Compliance: Making all regulatory filings on behalf of MUST, and using its commercially reasonable best efforts to assist MUST in complying with the applicable provisions of the relevant legislation pertaining to the location and operations of MUST, the Listing Manual of the SGX-ST (the Listing Manual), the Trust Deed, any tax ruling and all relevant contracts.

- Investor relations: Communicating and liaising with investors, analysts and the investment community.

The Manager has been issued a Capital Markets Services licence (CMS Licence) for REIT management pursuant to the SFA on 2 July 2015 and is regulated by the Monetary Authority of Singapore (MAS).

The Manager was appointed in accordance with the terms of the Trust Deed constituting MUST dated 27 March 2015 (as amended, varied or supplemented from time to time). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

This report describes the Manager's main corporate governance framework and practices with reference to the Code of Corporate Governance 2018 (CG Code). Compliance with, and observation of, the Principles of the CG Code (the Principles and each Principle) are mandatory and to the extent there are any variations from the Provisions of the CG Code, these are stated and explained as to how the Manager's practices are still consistent with the aim and philosophy of the Principle in question.

(A) BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1

The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board, which comprises a majority of Independent Directors, is collectively responsible for the overall corporate governance of the Manager, including establishing goals for management and monitoring the achievement of these goals. The Board also sets the values and ethical standards of MUST. The Board seeks to ensure that the Manager manages MUST's assets and liabilities for the benefit and in the best interests of Unitholders.

All Board members participate in matters relating to corporate governance, business operations and risks, financial performance, and the nomination and review of the Directors.

The key roles of the Board are to:

- guide the corporate strategy and directions of the Manager;
- ensure that senior management discharges business leadership and demonstrates the highest quality of management skills with integrity and enterprise; and
- oversee the proper conduct of the Manager.

The Manager has adopted the MFC Code of Business Conduct and Ethics. It affirms MUST's commitment to ethical conduct and its practice of complying with all applicable laws and avoiding potential or actual conflicts of interest. The MFC Code of Business Conduct and Ethics is available on MUST's website.

Two Board Committees, namely the ARC and Nominating and Remuneration Committee (NRC) have been constituted with written terms of reference to assist the Board in discharging its responsibilities and may decide on matters within its terms of reference and applicable limits of authority. The terms of reference of the respective Board Committees set out their compositions, authorities and duties, including reporting back to the Board. All terms of reference are reviewed and updated when necessary to ensure their continued relevance. Notwithstanding the delegation of authority to the Board Committees, the ultimate responsibility for decision-making and oversight rests with the Board as a whole. The composition of the ARC and NRC, the terms of reference, and a summary of each committee's activities, are disclosed in the subsequent sections of this corporate governance report.

Each of these Board Committees operates under delegated authority from the Board, with the Board retaining overall oversight. The Board may form other Board Committees as dictated by business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The Manager has also adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to the Board Committees and management. Approval sub-limits are also provided at management level to optimise operational efficiency.

The Board has reserved authority to approve certain matters which have been clearly communicated to management in writing and these include, among others:

1. acquisitions and divestments;
2. equity fund raising and new debt financing;
3. income distributions and other returns to Unitholders; and
4. matters which involve a conflict of interest for a controlling Unitholder or a Director.

CORPORATE GOVERNANCE

The Board meets regularly to deliberate the strategies of MUST, including acquisitions and divestments, funding and hedging activities, approval of the annual budget and review of its performance. The Constitution of the Manager also permits the Directors to participate via audio or video conference. The Board or the relevant Board Committee will also review MUST's key financial risk areas and the outcome of such reviews will be disclosed in the Annual Report or where the findings are material, immediately announced via SGXNet.

The meeting attendance of the Board, the ARC, the NRC and General Meetings (i.e. AGM & EGM) held in FY2019 is as follows:

Name of Directors	Board		Audit and Risk Committee		Nominating and Remuneration Committee		General Meeting	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Mr Hsieh Tsun-Yan	5	5	5	5*	2	2	1	1
Mr Lau Chun Wah @ Davy Lau	5	5	5	5*	2	2	1	1
Mr Ho Chew Thim (Passed away on 6 August 2019)	5	3[1]	5	3[1]	2	1*[1]	1	1
Ms Veronica Julia McCann	5	5	5	5	2	2	1	1
Dr Choo Kian Koon	5	5	5	5	2	2*	1	1
Dr Koh Cher Chiew Francis (Appointed as of 21 October 2019)	5	1[2]	5	1[2]	2	1*[2]	1	–[3]
Mr Michael Floyd Dommermuth	5	5	5	5*	2	2*	1	1
Mr Stephen James Blewitt (Appointed as of 8 February 2019)	5	5	5	5*	2	2*	1	1

Upon appointment, each Director is provided with a formal letter of appointment setting out the Director's duties and obligations. The Manager has put in place an orientation programme with formal training to ensure that any newly-appointed Directors are familiar with MUST's business, strategies and directions and the regulatory environment in which MUST operates as well as the main corporate governance practices of the Manager. There was one new Director appointed to the Board on 21 October 2019. Dr Koh Cher Chiew Francis was appointed to replace Mr Ho Chew Thim.

The Board receives regular updates on any new and material changes to applicable regulations. The management also arranges relevant training for Directors on matters such as directors' duties and responsibilities and code of ethics. Directors are also encouraged to put forward to the NRC training topics on which they would like to receive training on. In FY2019, the training and professional development programmes for Directors included seminars organised by REITAS and the Institute of Singapore Chartered Accountants on the duties, responsibilities and liabilities of an Independent Director as well as ethics and corporate governance issues. The costs of training are borne by the Manager. The Board also received updates on MAS and SGX-ST regulatory changes as well as their implications on MUST and the Manager. The Manager believes that the provision of continuing education opportunities to Directors will keep them updated on matters relevant to their appointments and responsibilities.

* Attendance by invitation

1 Mr Ho Chew Thim was present at all Board, ARC and NRC meetings held prior to his passing.

2 Dr Koh Cher Chiew Francis was present at all Board, ARC and NRC meetings held subsequent to his appointment.

3 The AGM was held prior to Dr Koh Cher Chiew Francis's appointment.

Directors who have no prior experience as a director of an issuer listed on the SGX-ST will be provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the SGX-ST.

Management provides the Board with complete, adequate and timely information prior to Board meetings and on an ongoing basis through regular updates on financial results, market trends and business developments so as to enable the Board to effectively discharge its duties. Papers for the ARC, NRC and Board meetings (including complete and adequate background information and explanatory updates on the affairs of MUST) are sent in advance of the Board meetings so that the respective Board Committees and Board members have sufficient time to review the information provided and enable them to make informed decisions to discharge their duties and responsibilities.

The Board meets regularly to review the performance of MUST. The financial results of MUST are also reviewed by the Board before dissemination to Unitholders via SGXNet within the reporting deadlines stipulated in the Listing Manual of the SGX-ST, and where applicable, media releases and analysts' briefings. In presenting the financial reports, the Board aims to provide a balanced and understandable assessment of MUST's performance, position and prospects.

The Board has separate and independent access to senior management and the company secretary at all times. The company secretary attend to the administration of corporate secretarial matters and ensure all Board procedures and requirements of the Companies Act, Cap.50, and the Listing Manual of the SGX-ST are complied. The company secretary also attends all Board and Board Committee meetings. The appointment and removal of the company secretary are subject to the approval of the Board as a whole. The Board also has access to independent professional advice where appropriate and when requested, at the Manager's expense.

The Board recognises that Directors owe a fiduciary duty to the Manager and should act objectively in the best interests of the Manager and hold management accountable for performance. At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and in the best interests of MUST. Further, the Directors must have appropriate experience and expertise to manage MUST's business. The Manager requires that its Directors disclose their interests in transactions and any conflicts of interests. The Directors recuse themselves from any discussions and decisions involving the issues of conflict. Each of the Directors has complied with the above.

BOARD COMPOSITION AND GUIDANCE

Principle 2

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board is represented by members with a broad range of commercial experience including expertise in funds management, audit and accounting and the real estate industry. Each Director of the Manager has been appointed on the basis of his/her professional experience and ability to contribute to the proper guidance of MUST. Save in relation to Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt as disclosed below, none of the Directors of the Manager are related to one another, the Manager, any related corporations, substantial shareholder or officers of the Manager or any substantial Unitholder.

The Board comprises seven Non-Executive Directors, of whom four are Independent. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic planning process. This, together with a clear separation of the roles of the Chairman and the CEO, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

CORPORATE GOVERNANCE

The composition and size of the Board is reviewed regularly to ensure that the Board has the appropriate mix of expertise, experience and other aspects of diversity to avoid groupthink and foster constructive debate. The Board's policy on diversity and composition, including its objectives and progress made towards implementation, is described under the section "Board Membership" on page 98.

Name of Directors	Position
Mr Hsieh Tsun-Yan	Chairman and Non-Executive Director and Nominating and Remuneration Committee Member
Mr Lau Chun Wah @ Davy Lau	Independent Non-Executive Director, Lead Independent Director and Chairman of the Nominating and Remuneration Committee
Mr Ho Chew Thim (Passed away on 6 August 2019)	Independent Non-Executive Director and Chairman of the Audit and Risk Committee
Ms Veronica Julia McCann	Independent Non-Executive Director, Chairman of the Audit and Risk Committee and Nominating and Remuneration Committee Member
Dr Choo Kian Koon	Independent Non-Executive Director and Audit and Risk Committee Member
Dr Koh Cher Chiew Francis (Appointed as of 21 October 2019)	Independent Non-Executive Director and Audit and Risk Committee Member
Mr Michael Floyd Dommermuth	Non-Executive Director
Mr Stephen James Blewitt	Non-Executive Director

The Board reviews and assesses the independence of each Director in accordance with the CG Code and Regulations 13D to 13H[1] of Securities and Futures (Licensing and Conduct of Business) Regulations (SF(LCB)R).

Under the CG Code, an Independent Director means a director who is independent in conduct, character and judgement and has no relationship with the Manager, its related corporations or its officers and with substantial Unitholders that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of MUST.

Under the SF(LCB)R, an Independent Director means a Director who:

(i) is independent from the management of the manager and the REIT that is managed or operated by the manager;

(ii) is independent from any business relationship with the manager and the REIT that is managed or operated by the manager;

(iii) is independent from every substantial shareholder of the manager, and every substantial unitholder of the REIT;

(iv) is not a substantial shareholder of the manager, or a substantial unitholder of the REIT that is managed or operated by the manager; and

(v) has not served as a director of the manager for a continuous period of nine years or longer.

1 The SF(LCB)R were amended by the Securities and Futures (Licensing and Conduct of Business) (Amendment No.2) Regulations 2018 which came into operation on 8 October 2018. One of the amendments to the SF(LCB)R was the insertion of Regulations 13D to 13H which relate to board composition and director's independence.

Accordingly, the Board has reviewed and determined that each of the four aforementioned Independent Directors satisfies the above criteria of independence as set out in the CG Code and the SF(LCB)R. Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt have also not served as a Director of the Manager for a continuous period of nine years or longer.

Board of Directors	Mr Hsieh Tsun-Yan	Mr Lau Chun Wah @ Davy Lau	Ms Veronica Julia McCann	Dr Choo Kian Koon	Dr Koh Cher Chiew Francis	Mr Michael Floyd Dommermuth	Mr Stephen James Blewitt
(i) is independent in conduct, chararcter and judgement and has no relationship with the Manager, its related corporations or its officers and with substantial Unitholders that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of MUST	√	√	√	√	√	√	√
(ii) had been independent from the management of the Manager and MUST during FY2019		√	√	√	√		
(iii) had been independent from any business relationship with the Manager and MUST during FY2019	√	√	√	√	√	√	√
(iv) had been independent from every substantial shareholder of the Manager and every substantial unitholder of MUST during FY2019		√	√	√	√		
(v) had not been a substantial shareholder of the Manager or a substantial unitholder of MUST during FY2019	√	√	√	√	√	√	√
(vi) has not served as a director of the Manager for a continuous period of nine years or longer as at the last day of FY2019	√	√	√	√	√	√	√

1 Mr Hsieh Tsun-Yan was an appointed Director to the Board of MFC, ultimate parent of the Manager. MFC is also a deemed substantial Unitholder of MUST. Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt were employed by subsidiaries of MFC. As such, during FY2019, each of them is deemed (a) to have a management relationship with the Manager and MUST; and (b) connected to a substantial shareholder of the Manager and substantial Unitholder of MUST. The Board of the Manager is satisfied that, as at the last day of FY2019, Mr Hsieh Tsun-Yan, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt were able to act in the best interests of all the Unitholders of MUST as a whole.

CORPORATE GOVERNANCE

To facilitate open discussions and the review of the performance and effectiveness of management, time is set aside at the end of every Board meeting for closed door discussions between the Directors, led by the Lead Independent Director or other Independent Directors as appropriate, without the presence of management and feedback, if any, is provided to the CEO and management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The positions of Chairman of the Board and CEO are separately held by two persons in order to maintain an effective check and balance. The Chairman of the Board is Mr Hsieh Tsun-Yan, while the CEO is Ms Jillian Avis Kathryn Smith. The Chairman and the CEO are not immediate family members.

There is a clear separation of the roles and responsibilities between the Chairman and the CEO of the Manager. The Chairman is responsible for the overall management of the Board as well as ensuring that the members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans. The CEO has full executive responsibilities over the business directions and operational decisions in the day-to-day management of the Manager.

This provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate on the business activities of the Manager.

In accordance with Provision 3.3 of the CG Code, Mr Lau Chun Wah @ Davy Lau had been appointed as the Lead Independent Director as the Chairman was not an Independent Director. The Lead Independent Director is available to the Board and Unitholders where they have concerns and for which contact through the normal channels of communication with the Chairman or management has failed to resolve or are inappropriate or inadequate. As the Lead Independent Director, Mr Lau Chun Wah @ Davy Lau has the discretion to hold meetings with the Independent Directors (without the presence of Management) as he deems appropriate or necessary, and he will provide feedback to the Chairman, where appropriate. Contact details of the Lead Independent Director are available on MUST's website at http://www.manulifeusreit.sg/contact.html.

BOARD MEMBERSHIP

Principle 4

The Board has a formal and transparent process for the appointment and reappointment of directors, taking into account the need for progressive renewal of the Board.

To ensure the long-term effectiveness of the Board, the Manager has established an NRC at the outset to make recommendations to the Board for the appointment and reappointment of each Director. The NRC's written terms of reference, as approved by the Board, sets out its scope of authority and responsibilities in performing its functions. The NRC comprises three Directors, the majority of whom are independent. The Chairman of the NRC is the Lead Independent Director of the Manager.

As at 31 December 2019, the members of the NRC were:

1. Mr Lau Chun Wah @ Davy Lau (Chairman)
2. Mr Hsieh Tsun-Yan
3. Ms Veronica Julia McCann

The NRC is responsible for reviewing the succession plans for the Board and Board Committees (in particular, the Chairman of the Board) and senior management (in particular, the CEO). In this regard, it has put in place a formal process for the renewal of the Board and the selection of new Directors. The NRC leads the process and makes recommendations to the Board as follows:

1. the NRC reviews annually the balance and diversity of skills, experience, gender and knowledge required by the Board and the size of the Board which would facilitate decision-making;

2. in light of such review and in consultation with management, the NRC assesses if there are any inadequate representations in respect of those attributes and if so, prepares a description of the role and the essential and desirable competencies for a particular appointment;

3. external help (for example, the Singapore Institute of Directors, search consultants or advertisements) may be used to source for potential candidates if need be. Directors and management may also make suggestions;

4. the NRC meets the shortlisted candidate(s) to assess suitability based on the skills required and skills represented on the Board and whether the candidate's skills, knowledge and professional experience will complement the existing Board, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by the MAS (which require the candidate to be, amongst other things, competent, honest, to have integrity and be financially sound). The NRC will also ensure that the candidate(s) is/are aware of the expectations and the level of commitment required of the proposed directorship; and

5. the NRC makes recommendations to the Board for approval.

The NRC's responsibilities also include:

- developing a process for evaluation of the performance of the Board, its Board Committees and Directors;

- reviewing the training and professional development programmes for the Board;

- the appointment and reappointment of Directors (including alternate Directors, if applicable), having regard to the composition and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance including, if applicable, as an Independent Director;

- determining annually, and as when circumstances require, if a Director is independent; and

- deciding if a Director is able to and has been adequately carrying out his duties as a Director of the company, taking into consideration the Director's principal commitments;

The CG Code requires listed companies to disclose the number of listed company directorships and principal commitments of each director in the Annual Report and where a director holds a significant number of such directorships and commitments, it provides the Board's reasoned assessment of the ability of the director to diligently discharge his or her duties. The Board believes that it is not practicable to impose a limit on the maximum number of listed company board representations each Director may hold or stipulate the amount of time that each Director should devote to the affairs of the Manager. The effectiveness of the Board and contributions of each Director cannot be assessed solely on a quantitative basis. The number of listed company directorships and principal commitments of each Director, such as whether they are in full-time employment and the nature of their other responsibilities, are considered on a case-by-case basis and taken into account in the NRC's and the Board's assessment of the ability of each Director to diligently discharge his or her duties as a Director. A Director with multiple directorships and significant commitments is expected to ensure that sufficient attention can be given to the affairs of the Manager. A Director's capacity is determined by metrics such as his/her attendance at Board and Board Committee meetings and contributions to the effective supervision of MUST.

Each Director is or has been a senior executive and has knowledge about, and/or experience in, serving as Director of listed corporations. Further, each of the Directors confirms that he/she is able to devote sufficient time to discharge his/her duties as Director of the Manager.

CORPORATE GOVERNANCE

The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to MUST's business. The current Board comprises individuals who are business leaders and professionals with financial, banking, real estate, investment and accounting backgrounds. The Board recognises the benefits of having a diverse Board. Diversity in the Board's composition not only contributes to the quality of its decision making through diversity of perspectives in its boardroom deliberations, the varied backgrounds of the Directors also enable management to benefit from their respective expertise and diverse backgrounds.

Towards this end, the Board has approved and adopted, with the recommendation of the NRC, a Board Diversity Policy which sets out the Manager's approach to achieve diversity on the Board. Under the Board Diversity Policy, the NRC will, in identifying qualified candidates for nomination to the Board, consider prospective candidates based on merit, having regard to competencies, expertise, skills, background and other qualities, which have been identified from time to time by the Board as being important in fostering a diverse and inclusive culture which solicits multiple perspectives and views and is free of conscious or unconscious bias and discrimination. The NRC will also consider relevant legal and regulatory requirements, and give due consideration to characteristics such as gender, age, ethnicity, cultural background, educational background and industry knowledge in order to arrive at an optimum balanced composition of the Board.

The Board has set an objective to appoint at least 25% Independent Directors that are female with a view to increasing that to 40% over time to achieve greater gender parity. Consideration will also be given to the diversity of the entire Board with the objective, over time, of 33% of Directors that are female. The NRC will ensure that, in the nomination process, the pipeline of candidates will have at least one female out of every two candidates until the diversity goal is achieved. As part of the Board renewal process, the NRC will review these objectives from time to time and may recommend changes or may recommend additional objectives to achieve greater diversity.

BOARD PERFORMANCE

Principle 5

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

The NRC has developed a process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board. The process for FY2019 was facilitated by Boardroom Corporate & Advisory Services Pte. Ltd. (Boardroom), the Manager's corporate secretary. Save for Boardroom's appointment as external facilitator to conduct the Board evaluation and as the Manager's corporate secretary, Boardroom does not have any other connection with the Manager or any of the Directors.

On an annual basis, all Directors are requested to complete the Board Performance Questionnaire and all respective Board Committee members are also requested to complete the ARC and NRC Performance Questionnaires. For FY2019, the evaluations were based on a set of specific issues which had been identified in the preceding year's performance evaluations as having potential room for further improvements. The scope of evaluation in the Board questionnaire for the preceding year included (1) Board composition, (2) Board processes, internal control & risk management, (3) Board access to information, (4) Board accountability and committee effectiveness. The survey also required the Board to consider whether the creation of value for Unitholders has been taken into consideration in its decision-making process.

In addition, each Director is requested to rate their peers and themselves annually on areas including interactive skills, knowledge and directors' duties. The results of the survey are first reviewed by the NRC Chairman and subsequently presented and deliberated by the Board, and all necessary follow-up actions will be undertaken with a view to enhance the effectiveness of the Board in the discharge of its duties and responsibilities.

Based on the Board assessment exercise, the Board is of the view that it has met its performance objectives, and that each of its members is contributing to the overall effectiveness of the Board.

(B) REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

LEVEL AND MIX OF REMUNERATION

Principle 7

The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

DISCLOSURE ON REMUNERATION

Principle 8

The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

The role of the NRC is to make recommendations to the Board on all appointment and remuneration matters. The NRC also reviews and makes recommendations on succession plans for the Board and the executive officers.

The NRC's responsibilities in relation to remuneration matters also include, amongst others:

- reviewing and recommending to the Board a general framework of remuneration for the Board and the executive officers;
- reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the executive officers;
- reviewing MUST's obligations arising in the event of termination of executive Directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- reviewing the disclosures in the Annual Report on the Manager's remuneration policies, level and mix of remuneration, and the procedure for setting remuneration.

The NRC reviews the remuneration policy and the overall remuneration packages for executive officers and Directors annually taking into account feedback from MFC's executive compensation governance and human resource teams. The NRC, Board and MFC teams come together to ensure that the Manager's remuneration policy is aligned with the wider Manulife Group's compensation policy and is benchmarked to the market and that the remuneration payable is in line with the objectives of the remuneration policies.

The NRC and the Board have given assurance that the level and structure of remuneration of Directors align with the long-term interests and risk management policies of MUST for FY2019.

CORPORATE GOVERNANCE

The Manager's compensation programme is well balanced, competitive, performance-based and aligned with the achievement of each employee's short, medium and long-term goals. On an annual basis, performance measures such as Financial Success, other Quantitative Measures of Success and a qualitative measure, Building for the Future, are set by the Manager. A performance scorecard monitors factors including distributable income, DPU, total Unitholders' returns, corporate governance, brand building and the development and implementation of infrastructure. At the end of each calendar year the performance scores are calculated and awards made accordingly. These factors were chosen because of their measure of both short and longer term goals and to capture the qualitative versus quantitative targets of performance measurement.

The Manager's NRC and Board review the performance measures and the outcome on an annual cycle. In determining the actual quantum of the variable component of remuneration paid to the key management personnel, the NRC had taken into account the extent to which the performance conditions, as set out above, have been met. The NRC is of the view that the performance conditions for 2019 were met and remuneration was aligned with performance during FY2019.

While the approach reflects a pay-for-performance culture, it is also designed to attract, motivate and retain high-performing and high-potential employees in their respective field of expertise. Employees are also incentivised through annual variable bonus awards that are tied to a variety of financial and non-financial measures and key staff are eligible for a Long Term Incentive Scheme. The NRC has reviewed information provided by the independent external remuneration consultant. The NRC has ensured that the Manager's compensation programme conforms to the Financial Stability Board's (FSB) principles for sound compensation practices as well as the FSB's implementation standards. The FSB is an international body endorsed by the G20 nations that monitors and makes recommendations about the global financial system. The FSB's set of principles were developed in 2009 to align compensation with prudent risk-taking.

The Long Term Incentive Scheme is designed to motivate the performance of management personnel, and promote greater alignment of interests with Unitholders. Based on Manulife's internal equity policy, the CEO and key management personnel of the Manager are granted Restricted Share Units (RSUs) under the Long Term Incentive Scheme which has been linked to MUST Units from its listing in 2016 onwards. MUST RSUs are vested on a three year cycle. The RSUs entitles the holder to receive payment in cash linked to the value of the MUST Units at the time of vesting. No employee share option schemes or share schemes have been implemented by MUST. The Long Term Incentive Scheme has been put in place to increase the Manager's flexibility and effectiveness in its continuing efforts to reward, retain and motivate employees to achieve superior performance and to motivate them to continue to strive for long-term Unitholder value.

Certain key management personnel are subject to a claw-back policy which requires repayment of all or a portion of the incentive awards that have already been paid and/or cancellation of some or all of the vested or unvested awards, if fraud, theft, embezzlement or serious misconduct has been committed, whether or not there is a financial restatement.

Long-term incentives in the form of Stock Option Plans, which permit the option holder to purchase shares in MFC, were also granted by MFC to the Non-Independent Non-Executive Directors, Mr Michael Floyd Dommermuth and Mr Stephen James Blewitt for FY2019. The stock options pursuant to the Stock Option Plans will vest over a period of four years and expire 10 years later.

Deferred Share Units have also been granted by MFC to Mr Hsieh Tsun-Yan for FY2019. While such Deferred Share Units vest in full upon granting, eligible Directors may only exchange their Deferred Share Units for cash or shares in MFC within one year after stepping down from the Board of MFC. Where an eligible Director chooses to receive MFC shares in exchange for their Deferred Share Units, the MFC shares shall be issued from treasury shares and/or shares purchased from the open market. Therefore, no new shares in MFC are or will be issued to satisfy the grant of MFC shares in exchange for Deferred Share Units.

The Stock Option Plans and the Deferred Share Units granted by MFC to Mr Dommermuth, Mr Blewitt and Mr Hsieh have been granted as part of their remuneration package as employee and Director of the Manulife Group respectively. Mr Dommermuth, Mr Blewitt and Mr Hsieh's holdings in MFC shares are non-material. Accordingly, the Stock Option Plans and the Deferred Share Units will not result in a misalignment of interests of the Directors with the long-term interests of the Unitholders given Mr Dommermuth and Mr Blewitt are employed by the Manulife Group and Mr Hsieh is currently an Independent Director of MFC. Furthermore, there is unlikely to be any potential misalignment of interests given that Mr Dommermuth, Mr Blewitt and Mr Hsieh act as Non-Independent Non-Executive Directors and do not hold executive positions in the Manager. As Non-Independent Directors, they would in any event have to abstain from approving and recommending any Interested Person Transactions and Interested Party Transactions (Related Party Transaction) with an entity within the Manulife Group, mitigating any potential misalignment of interests with those of Unitholders.

There are no termination, retirement and post-employment benefits granted to the Directors, CEO and key management personnel over and above what have been disclosed.

The Manager is cognizant of the requirements under MAS' Notice to All Holders of a CMS Licence for REIT Management to disclose:

(a) the remuneration of the CEO and each individual director on a named basis; and

(b) the remuneration of at least the top five executive officers (which shall not include the CEO and executive officers who are directors), on a named basis, in bands of S$250,000.

The Manager has assessed and decided not to disclose the dollar remuneration of the CEO and the aggregate total remuneration paid to the top five executive officers (which shall not include the CEO and executive officers who are Directors) for the following reasons:

- remuneration matters are highly confidential and sensitive;
- with keen competition for the limited talent pool in the Singapore REIT management industry, such disclosures may result in talent retention issues;
- the Manager is of the view that such non-disclosure will not be prejudicial to the interests of Unitholders as the information provided regarding the Manager's remuneration policies, structure and composition of remuneration and procedures for determining remuneration is sufficient to enable Unitholders to understand the alignment of remuneration paid to the CEO and the key executive officers with the performance of MUST and value creation for Unitholders; and
- remuneration of the Manager's CEO and the key executive officers is paid out of the fees which the Manager receives from MUST and not by MUST.

The Directors' fees for the financial year ended 31 December 2019 are set out in the table below. Non-Executive Directors who are full-time employees of the Manulife Group do not receive any Directors' fees. The Directors' fees comprise a base retainer as a Director, an additional fee for serving on any Board Committees and an attendance fee for participation in meetings of the Board and any of the Board Committees, project meetings and verification meetings. This serves to compensate the Directors according to the level of responsibility, time and effort required for the role. The Directors' compensation packages are benchmarked to the market to ensure competitiveness.

Name of Directors	Fees for FY2019 (S$)	Variable or performance related income/bonuses	Benefits-in-kind
Mr Hsieh Tsun-Yan	100,000	–	–
Mr Lau Chun Wah @ Davy Lau	79,700	–	–
Mr Ho Chew Thim(1)	51,041	–	–
Ms Veronica Julia McCann(2)	88,695	–	–
Dr Choo Kian Koon	75,000	–	–
Dr Koh Cher Chiew Francis(3)	14,717	–	–

1 Mr Ho Chew Thim was appointed as an Independent Non-Executive Director and Chairman of the Audit and Risk Committee with effect from 17 June 2015. Mr Ho passed away on 6 August 2019.

2 Ms Veronica Julia McCann was appointed as an Independent Non-Executive Director, Member of the Audit and Risk Committee and Member of the Nominating and Remuneration Committee with effect from 17 June 2015. She was subsequently appointed as Chairman of the Audit and Risk Committee on 21 October 2019.

3 Dr Koh Cher Chiew Francis was appointed as an Independent Non-Executive Director and Member of the Audit and Risk Committee with effect from 21 October 2019.

CORPORATE GOVERNANCE

There were no employees who were substantial Unitholders of MUST or substantial shareholders of the Manager, or immediate family members of a Director, the CEO, a substantial Unitholder of MUST or a shareholder of the Manager, and whose remuneration exceeds S$100,000 for FY2019.

2019 Remuneration Band and Names of CEO and Executive Officers	Base Salary Inclusive of Employer's CPF	Variable or Performance-related Bonus Inclusive of Employer's CPF[1]	Benefits-in-kind	RSUs
S$750,001 to S$1,000,000				
Ms Jill Smith	51%	35%	1%	13%[3]
S$500,001 to S$750,000				
Ms Jennifer Schillaci[2]	33%	26%	23%	18%[4]
Ms Caroline Fong	63%	29%	2%	6%[3]
S$250,000 to S$500,000				
Ms Daphne Chua	73%	21%	2%	4%[3]
Mr Choong Chia Yee	72%	25%	3%	NA
Total for CEO and Executive Officers[5]				**S$2,911,189**

(C) ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9

The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Manager has put in place a system of internal controls including financial, operational, compliance, sustainability and information technology controls and risk management processes to manage risk and safeguard the interests of Unitholders. The Manager employs an enterprise-wide approach to all risk-taking and risk management activities, adopting an ERM Framework which has been reviewed by the ARC and approved by the Board. Details of the Manager's ERM framework can be found on pages 58 to 60 of this Annual Report.

1 The amounts disclosed relates to bonuses paid in 2019.
2 The benefits-in-kind relates to expat benefits arrangement to the employees.
3 The payout relates to RSUs granted to eligible employees with MUST units in 2017. Units were vested and paid in 2019.
4 The payout relates to Deferred Incentive Plan (DIP) and RSUs granted by Manulife Financial Corporation in relation to work within the Manulife group prior to joining the Manager in 2018.
5 Total excludes the CFO Mr Robert Wong, who joined the Manager on 18 November 2019.
The remuneration band of the previous CFO, Mr Jag Obhan, was deemed to be S$500,001 to S$750,000.

In respect of FY2019, the Board has received assurance from:

(a) the CEO and CFO of the Manager that the financial records of MUST have been properly maintained and the financial statements for the financial year ended 31 December 2019 give a true and fair view of MUST's operations and finances; and

(b) the CEO and CFO of the Manager (being the key management personnel responsible for risk management and internal control systems) that MUST's internal controls, including financial, operational, compliance, sustainability and information technology controls and risk management systems are adequate and effective.

Based on the risk management and internal control systems established and maintained by the Manager, reviews conducted by MUST's internal auditors and external auditors as well as management and the ARC's review of the above assurance from the CEO and CFO; pursuant to Rule 1207(10) of the Listing Manual, the Board with the concurrence of the ARC, is of the opinion that MUST's risk management systems and systems of internal controls were adequate and effective in addressing financial, operational, compliance, sustainability and information technology risks for the financial year ended 31 December 2019.

Whistle-Blowing Policy

The Manager has put in place a whistle-blowing policy which serves to encourage its employees and any other persons to raise concerns about possible improprieties in matters of financial reporting and other malpractices (including fraud, corruption, bribery or blackmail, criminal offences, failure to comply with a legal or regulatory obligation, miscarriage of justice, endangering the health and safety of an individual and concealment of any of the aforementioned) in confidence.

Concerns about illegal, unprofessional, fraudulent or other unethical behaviour may be referred to the ARC Chairman or the Ethics Hotline at www.manulifeethics.com. Any concerns which are not resolved by these channels may be raised with the Lead Independent Director of the Manager or Manulife's Global Compliance Chief or General Counsel may be contacted. Accounting and auditing complaints or concerns may be raised with the ARC Chairman. Following a review of the complaint or concern, the ARC Chairman, where appropriate, will take steps to have the matter investigated and, if warranted, will request that the Board and management implement corrective measures.

Dealings in Units

Each Director and the CEO of the Manager is to give notice to the Manager of any acquisition of Units or of changes in the number of Units which he/she holds or in which he/she has an interest, within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of Units which he/she holds or in which he/she has an interest. All dealings in Units by the Directors and the CEO of the Manager will be announced via SGXNet.

The Directors and employees of the Manager are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- in the period commencing one month before the public announcement of MUST's results and property valuations, in a prescribed embargo period immediately preceding, and up to the time of each public announcement of MUST's financial results and property valuations during a financial year;

- at any time while in possession of price sensitive information.

The Directors and employees of the Manager are also prohibited from communicating price sensitive information to any person. Under the policy, Directors and employees of the Manager are also discouraged from trading on short-term or speculative considerations. In addition, Directors, the CEO and employees of the Manager are required to obtain pre-approvals from the Manager's Head of Compliance before dealing in any Units under the Manager's internal policy.

Pursuant to Section 137ZC of the SFA, the Manager is required to, inter alia, announce to the SGX-ST the particulars of any acquisition or disposal of interest in Units by the Manager as soon as practicable, and in any case no later than the end of the business day following the day on which the Manager became aware of the acquisition or disposal.

CORPORATE GOVERNANCE

Potential Conflicts of Interest

The Manager has also instituted the following procedures to deal with potential conflicts of interest issues:

- the Manager will not manage any other REIT which invests in the same type of properties as MUST;
- all executive officers are working exclusively for the Manager and do not hold other executive positions in other entities, save for any wholly-owned subsidiaries of the Manager;
- all resolutions in writing of the Directors in relation to matters concerning Manulife US REIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one Independent Director;
- at least half the Board comprises Independent Directors;
- in respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested Director will abstain from deliberation and voting. In such matters, the quorum must comprise a majority of the Directors and must exclude such interested Director;
- in respect of matters in which the Sponsor and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters. In such matters, the quorum must comprise a majority of the Independent Directors and must exclude nominee Directors of the Sponsor and/or its subsidiaries;
- save as to resolutions relating to the removal of the Manager, the Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the Manager and/or any of its associates has a material interest; and
- it is also provided in the Trust Deed that if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of MUST with an interested person and/or, as the case maybe, an interested party of the Manager (Related Party), the Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of MUST, has a prima facie case against the party allegedly in breach under such agreement, the Manager shall be obliged to take appropriate action in relation to such agreement. The Directors (including the Independent Directors) will have a duty to ensure that the Manager so complies. Notwithstanding the foregoing, the Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of the REIT with a Related Party of the Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders. Any decision by the Manager not to take action against a Related Party of the Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

Related Party Transactions

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future Related Party Transactions:

- will be undertaken on normal commercial terms; and
- will not be prejudicial to the interests of MUST and the Unitholders.

As a general rule, the Manager must demonstrate to its ARC that such transactions satisfy the foregoing criteria. This may entail:

- obtaining (where practicable) quotations from parties unrelated to the Manager; or
- obtaining two or more valuations from independent professional valuers (in compliance with the Property Funds Appendix).

The Manager will maintain a register to record all Related Party Transactions which are entered into by MUST and the bases, including any quotations from unrelated parties and independent valuations, on which they are entered into. Interested person transactions undertaken during the financial year are set out on page 166 of this Annual Report.

The Manager will also incorporate into its internal audit plan a review of all Related Party Transactions entered into by MUST. The ARC shall review the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with. The Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with.

The following procedures will be undertaken with respect to Related Party Transactions:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of MUST's net tangible assets will be subject to review by the ARC at regular intervals;

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of MUST's latest audited net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if the transactions are on normal commercial terms and not prejudicial to the interests of MUST and its Unitholders and are consistent with similar types of transactions made by the Trustee with 3rd parties which are unrelated to the Manager; and

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same Related Party during the same financial year) equal to or exceeding 5.0% of the value of MUST's latest audited net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Furthermore, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

Where matters concerning MUST relate to transactions entered into or to be entered into by the Trustee for and on behalf of MUST with a Related Party of the Manager (which would include relevant Associates (as defined in the Listing Manual) thereof) or MUST, the Trustee is required to consider the terms of such transactions to satisfy itself that such transactions are conducted:

- on normal commercial terms;

- are not prejudicial to the interests of MUST and the Unitholders; and

- are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question.

The Trustee has the discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the Manager or the Trustee. If the Trustee is to sign any contract with a Related Party of the Manager or the Trustee, the Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to REITs.

MUST will comply with Rule 905 of the Listing Manual by announcing any interested person transaction in accordance with the Listing Manual if the value of such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of MUST's latest audited net tangible assets.

The aggregate value of all Related Party Transactions which are subject to Rules 905 and 906 of the Listing Manual in a particular financial year will be disclosed in the Annual Report of MUST for the relevant financial year.

CORPORATE GOVERNANCE

The ARC will periodically review all Related Party Transactions to ensure compliance with the Manager's internal control system, the relevant provisions of the Listing Manual, and the Property Funds Appendix. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary by the ARC.

AUDIT COMMITTEE

Principle 10

The Board has an Audit Committee which discharges its duties objectively.

The ARC is governed by a set of written terms of reference approved by the Board, setting out its scope of authority and responsibilities in performing its functions. The ARC is composed of three members, all of whom are Independent Directors resident in Singapore. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains. None of the ARC members were previously partners of the incumbent external auditors, Ernst & Young LLP (EY), within the period of two years commencing on the date of their ceasing to be a partner of EY. The ARC also does not comprise any member who has any financial interest in EY.

As at 31 December 2019, the members of the ARC were:

1. Ms Veronica Julia McCann (Chairman)

2. Dr Choo Kian Koon

3. Dr Koh Cher Chiew Francis

The role of the ARC is to monitor and evaluate the adequacy and effectiveness of the Manager's internal controls and risk management systems at least annually. The ARC also reviews the quality and reliability of information prepared for inclusion in financial reports, and is responsible for the nomination of external auditors and reviewing the adequacy and effectiveness of external audits in respect of cost, scope and performance.

The ARC's responsibilities also include:

- monitoring the procedures established to regulate Related Party Transactions, including ensuring compliance with the provisions of the Listing Manual relating to interested person transactions;

- reviewing transactions constituting Related Party Transactions;

- reviewing, on an annual basis, a report on the asset allocation conflict decisions pursuant to the sponsor allocation process;

- deliberating on conflicts of interest situations involving MUST, including situations where the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of MUST with a Related Party (as defined herein) of the Manager and where the Directors, controlling shareholder of the Manager and Associates are involved in the management of or have shareholding interests in similar or related business as the Manager, and in such situations, the ARC will monitor the investments by these individuals in MUST's competitors, if any, and will make an assessment whether there is any potential conflict of interest;

- reviewing the results and scope of external audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;

- reviewing arrangements by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow up action;

- reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor Related Party Transactions have been complied with;
- ensuring that the internal audit and accounting function is adequately resourced and has appropriate standing with MUST;
- reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of MUST's risk management system;
- reviewing the statements included in MUST's Annual Report on its internal controls and risk management framework;
- the appointment, reappointment or removal of internal auditors (including the review of their fees and scope of work);
- monitoring the procedures in place to ensure compliance with applicable legislation, regulations, the Listing Manual and the Property Funds Appendix;
- making recommendations to the Board on the proposals for the selection, appointment, reappointment, resignation and removal of the external auditor based on a thorough assessment of the external auditors' functioning;
- reviewing the external audit fees (remuneration and terms of engagement of the external auditors) and making recommendations to the Board on the proposal;
- reviewing the nature and extent of non-audit services performed by external auditors;
- reviewing, on an annual basis, the independence and objectivity of external auditors;
- meeting with external and internal auditors, without the presence of the executive officers, at least on an annual basis;
- assisting the Board to oversee the formulation, updating and maintenance work of adequate and effective risk management framework;
- reviewing the system of internal controls including financial, operational, compliance, sustainability and information technology controls and risk management processes;
- reviewing the financial statements and the internal audit report;
- reviewing and providing their views on all hedging policies and instruments to be implemented by MUST to the Board;
- reviewing the assurances from the CEO and CFO on the financial records and financial statements;
- reviewing and approving the procedures for the entry into of any foreign exchange hedging transactions and monitoring the implementation of such policy, including reviewing the instruments, processes and practices in accordance with the policy for entering into foreign exchange hedging transactions;
- investigating any matters within the ARC's terms of reference, whenever it deems necessary; and
- reporting to the Board on material matters, findings and recommendations.

The ARC has direct and unrestricted access to the external auditors and internal auditors. The ARC also meets (a) with the external auditors and (b) with the internal auditors, in each case without the presence of management, at least annually to discuss matters or concerns.

During FY2019, the ARC reviewed and approved both the internal and external auditors' plans to ensure that the scope of audit was sufficient for purposes of reviewing the significant internal controls of MUST and the Manager. Such significant controls comprise financial, operational, compliance, sustainability and information technology controls. All audit findings and recommendations put up by the internal and external auditors were forwarded to the ARC. Significant issues were discussed at these meetings.

CORPORATE GOVERNANCE

Taking cognizance that the external auditor should be free from any business or other relationships with MUST that could materially interfere with its ability to act with integrity and objectivity, the ARC undertook a review of the independence of the external auditor and gave careful consideration to MUST's relationships with them during FY2019. In determining the independence of the external auditor, the ARC reviewed all aspects of MUST's relationships with it including the processes, policies and safeguards adopted by MUST and the external auditor relating to audit independence. The ARC also considered the nature of the provision of the non-audit services in FY2019 and the corresponding fees and ensured that the fees for such non-audit services did not impair or threaten the audit independence. Based on the review, the ARC is of the opinion that the external auditor is, and is perceived to be, independent for the purpose of MUST's statutory financial audit.

In the review of the financial statements, the ARC has discussed with management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements. The following significant matters impacting the financial statements were discussed with management and the external auditor.

1. Valuation of Properties

   The ARC evaluated the qualifications, competence and independence of the valuers, Colliers International Valuation & Advisory Services, LLC, Newmark Knight Frank Valuation & Advisory, LLC and Cushman & Wakefield Western, Inc. The ARC discussed the portfolio property valuation methodologies and assumptions used by the valuers with management.

2. Taxation

   The ARC discussed with management and auditors the deferred tax liabilities recorded in FY2019 and tax matters in relation to the proposed regulation (the "Proposed 267A Regulations") under Section 267A of the United States Internal Revenue Code of 1986, as amended ("Section 267A") released by the United States Department of the Treasury on 20 December 2018, as well as the increase in corporate tax in Barbados effective 1 January 2019. All registered and incorporated entities in Barbados including domestic societies will pay the same tax rates, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases.

   The above are included as key audit matters in the Auditor's Report (pages 116 to 117 of the Annual Report).

For FY2019, an aggregate amount of US$350,332 comprising non-audit service fees of US$54,405 and audit service fees of US$295,927 was paid/payable to MUST's external auditor. The non-audit fees were paid to the auditors for services rendered in relation to the acquisitions of Centerpointe and Capitol.

In FY2019, changes to accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the ARC at its meetings.

The Manager confirms, on behalf of MUST, that MUST has complied with Rule 712 and Rule 715 of the SGX Listing Manual in relation to the appointment of its auditing firm.

The Manager outsourced its internal audit function to the Sponsor. The Sponsor's internal audit team follows the standards established by the Institute of Internal Auditors (IIA) for the professional practice of internal auditing. The internal audit team is staffed with qualified and competent individuals who are trained, supervised, coached and developed appropriately to be in compliance with the IIA standards.

The internal audit function reports directly to the ARC. The internal audit team has unfettered access to the Manager's documents, records, properties and employees, including access to the ARC, and has appropriate standing within MUST. The ARC comprising only Independent Directors exercises oversight over the internal audit activities of the Manager, including reviewing internal audit reports, reviewing the adequacy and effectiveness of the internal audit function, the appointment, reappointment or removal of internal auditors and meeting with internal auditors without the presence of management.

The ARC has considered the appropriateness of using the Sponsor's internal audit team for the internal audit function and with respect to FY2019, the ARC has reviewed and is satisfied as to the independence, adequacy and effectiveness of the internal audit function. The ARC is also of the opinion that the internal audit function is independent, effective and adequately resourced.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11

The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12

The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Manager is committed to promoting regular and effective communication with Unitholders in order to allow them to make informed and sound investment decisions. The Trust Deed is available for inspection at the Manager's office (prior appointment would be appreciated). All announcements such as press releases, presentation slides, annual and sustainability reports and financial statements are uploaded onto SGXNet in a timely and accurate manner. This information is concurrently available at www.manulifeusreit.sg. In order to obtain regular updates, Unitholders may also subscribe to the email alert found on the website.

The Manager has a dedicated IR team that regularly interacts with Unitholders, analysts, fund managers and the media to engage and facilitate communication. In FY2019, the Manager met with over 1,100 retail and institutional investors within Asia through conferences, conference calls, meetings and non-deal roadshows in Bangkok, Kuala Lumpur, Singapore and U.S.

The Manager has in place an IR Policy which outlines the principles and practices followed by the Manager to ensure regular, effective and fair communication of accurate and timely information to the investment community in order that current and prospective Unitholders are able to make well-informed investment decisions. It also provides a specific IR contact, through which Unitholders are able to ask questions and receive responses in a timely manner, within two business days. The IR Policy is published on MUST's website at http://investor.manulifeusreit.sg/policy.html.

MUST's distribution policy is to distribute at least 90.0% of its distributable income and distributions are paid on a semi-annual basis in which the Manager determines the actual level of distribution. For every dividend declaration made, Unitholders will be notified via an announcement made through SGXNet.

More information of the Manager's IR activities can be found on pages 54 to 57 of this Annual Report.

The Manager strongly believes in the principle of encouraging greater Unitholder participation and exercising their votes at the general meetings.

Annual reports and circulars are sent to Unitholders before the AGM. When an EGM is convened, copies of the circular will be sent to Unitholders containing matters that will be raised for Unitholders' consideration and approval. These notices are also advertised in the local papers and published on SGXNet. The Manager is not implementing absentia voting methods such as voting via mail, email or fax) until issues such as the authentication of Unitholder's identity and other related security and integrity of such information can be resolved. Notwithstanding the foregoing, Unitholders are able to appoint up to two proxies to vote on their behalf should they be unable to attend the meeting. Based on the above, the Board is of the view that Unitholders will still be able to participate effectively in and vote at the general meetings even in the absence of absentia voting through appointment of proxies.

Unitholders are strongly encouraged to communicate their views on matters pertaining to MUST. Prior to the AGM, Unitholders are encouraged to email their questions to usreitinquiry@manulifeusreit.sg. They are also able to raise questions on the motions being considered at these meetings where representatives of the Directors (including Chairman of the Board, ARC and NRC) and senior management of MUST will be present to address their questions and clarify any issues on the proposed resolutions. All the Directors attended the general meeting held during their tenure in FY2019. Directors' attendance at such meetings held during the financial year is disclosed on page 94 of this Annual Report. The external auditors are also present to address enquiries on the audit and financial statements of MUST.

A distinctly separate issue is proposed as a separate resolution at general meetings to protect the interests and rights of Unitholders. Each resolution proposed at a general meeting will be conducted through electronic voting to ensure full transparency in the voting process. Unitholders or their proxies present at these meetings are able to vote on all proposed resolutions at these meetings in which the voting and vote counting procedures are disclosed at these meetings. An independent scrutineer is also appointed to count and validate the votes at the meetings. The results of all votes cast for and against each resolution and the respective percentages are immediately displayed at the meetings and announced via SGXNet after the meetings on the same day.

Minutes of the general meetings, recording of the substantial and relevant comments made, questions raised and responses from the Board and management, are prepared and are available to Unitholders for their inspection upon request. Minutes of the general meetings are also uploaded on MUST's website.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH SHAREHOLDERS

Principle 13

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

The Manager believes that engaging stakeholders is imperative for the success of MUST's performance. MUST has identified its stakeholders based on their impact on MUST's business and those with a vested interest in MUST's operations.

MUST's stakeholders include investors, analysts, media, tenants and the local community. MUST was able to strengthen its relationships with its stakeholders and obtain valuable feedback through open and regular communications, and tailored various engagement initiatives to meet stakeholders' needs.

More information of MUST's key engagement initiatives, performance and targets set for the forthcoming year can be found on pages 70 to 71 and 77 of this Annual Report.

MUST maintains a corporate website to communicate and engage with stakeholders which can be accessed at http://www.manulifeusreit.sg.

FINANCIAL STATEMENTS

REPORT OF THE TRUSTEE

For the year ended 31 December 2019

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Manulife US Real Estate Investment Trust (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of units ("Unitholders") in the Trust. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Manulife US Real Estate Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries during the period covered by these financial statements set out on pages 120 to 165, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
13 March 2020

STATEMENT BY THE MANAGER

For the year ended 31 December 2019

In the opinion of the directors of Manulife US Real Estate Management Pte. Ltd. (the "Manager"), the manager of Manulife US Real Estate Investment Trust (the "Trust"), the accompanying financial statements set out on pages 120 to 165 comprising the Statements of Financial Position of the Trust and its subsidiaries (the "Group") and the Trust as at 31 December 2019, the Statements of Changes in Unitholders' Funds of the Group and the Trust, and the Consolidated Statement of Comprehensive Income, Distribution Statement, Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2019, Statement of Portfolio of the Group as at 31 December 2019 and notes to the financial statements are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2019, the consolidated financial performance, distribution, consolidated cash flows, consolidated changes in unitholders' funds and portfolio holdings of the Group, and changes in unitholders' funds of the Trust, in accordance with the International Financial Reporting Standards and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 27 March 2015 (as amended and restated) and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet the respective financial obligations as and when they materialise.

For and on behalf of the Manager,
Manulife US Real Estate Management Pte. Ltd.

Hsieh Tsun-Yan
Director

Singapore
13 March 2020

INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") and its subsidiaries (collectively, the "Group"), which comprise the Statements of Financial Position of the Group and the Trust as at 31 December 2019, the Statements of Changes in Unitholders' Funds of the Group and the Trust, and the Consolidated Statement of Comprehensive Income, Distribution Statement, Consolidated Statement of Cash Flows of the Group for the year ended 31 December 2019, Statement of Portfolio of the Group as at 31 December 2019 and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the Statement of Financial Position and the Statement of Changes in Unitholders' Funds of the Trust are properly drawn up in accordance with the International Financial Reporting Standards ("IFRSs"), relevant provisions of the Trust Deed and relevant requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore (the "MAS"), so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2019, the consolidated financial performance, distributions, consolidated cash flows, consolidated changes in unitholders' funds and portfolio holdings of the Group, and changes in unitholders' funds of the Trust for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code") and we have fulfilled our other ethical requirements in accordance with the IESBA Code. In addition, we are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

Key Audit Matters (cont'd)

Valuation of investment properties

As at 31 December 2019, the carrying amount of investment properties was US$2,095.0 million which accounted for 96.7% of total assets. The valuation of the investment properties is significant to our audit due to the magnitude and the complexity of the valuation which is highly dependent on a range of estimates made by the external appraisers engaged by the Manager. As disclosed in Note 7, valuations of investment properties are highly sensitive to changes in the significant unobservable inputs, particularly those relating to market rents, discount rates and capitalisation rates. Accordingly, we have identified this as a key audit matter.

The Manager uses external appraisers to support its determination of the individual fair value of the investment properties. Our audit procedures included, amongst others, an assessment of the Group's process relating to the selection of the external appraisers, the determination of the scope of work of the appraisers, and a review of the valuation reports issued by the external appraisers. We evaluated the objectivity, independence and expertise of the external appraisers and read their terms of engagement to ascertain whether there are matters that might have affected the scope of their work and their objectivity.

We involved our internal real estate and valuation specialists to assist us in assessing the appropriateness of the valuation model and the reasonableness of the significant assumptions by reference to historical rates and benchmark market data. Our procedures also included validating the reliability of property related data used by the external appraisers. In addition, we discussed with the external appraisers the valuation techniques and basis for the significant assumptions used. We assessed the overall appropriateness of the movements in fair value of the investment properties and the associated deferred tax consequences arising from the fair value changes. We also assessed the adequacy of disclosures in Note 7 to the consolidated financial statements.

Taxation - U.S. Tax Reform

In December 2018, the United States Department of the Treasury released the proposed regulations under Section 267A of the United States Internal Revenue Code, as amended. As disclosed in Note 20 to the consolidated financial statements, the changes resulting from U.S. tax reform legislation and related administrative guidance, including the application of the proposed regulations, are complex and require significant judgement which may have an impact on the current and deferred tax provisions of the Group. The regulations under Section 267A is still in proposed form and could differ from the final regulations when promulgated. Accordingly, we have identified this as a key audit matter.

Our audit procedures included, amongst others, a review by our internal tax specialists of the analysis and conclusions reached by the Manager and their tax advisors regarding the current transfer pricing arrangements, portfolio interest exemption, tax group structure and tax positions of the Group. We also involved our internal tax specialists in the assessment of fiscal developments in countries in which the Group operates, and in the recalculation of the amounts recognised as deferred tax, including the assessment of correspondences with the tax authorities obtained by the Manager.

We also assessed the adequacy of the Group's disclosures concerning income taxes included in Notes 13 and 20 to the consolidated financial statements.

Other Information

The Manager is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

to the Unitholders of Manulife US Real Estate Investment Trust

Responsibilities of the Manager for the Financial Statements

The Manager is responsible for the preparation and fair presentation of financial statements in accordance with the IFRSs, relevant provisions of the Trust Deed and relevant requirements of the CIS Code issued by the MAS, and for such internal control as the Manager determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The responsibilities of the Manager include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT
to the Unitholders of Manulife US Real Estate Investment Trust

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Nelson Chen.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
13 March 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group		Trust	
	Note	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Current assets					
Cash and cash equivalents	4	60,748	54,093	4,287	4,224
Prepayments		1,207	998	69	8
Trade and other receivables	5	7,614	9,074	18,459	25,105
Other asset	6	1,405	–	–	–
		70,974	64,165	22,815	29,337
Non-current assets					
Investment properties	7	2,095,000	1,738,700	–	–
Investment in subsidiaries	8	–	–	1,342,496	921,048
Financial derivatives	11	487	–	487	–
		2,095,487	1,738,700	1,342,983	921,048
Total assets		2,166,461	1,802,865	1,365,798	950,385
Current liabilities					
Trade and other payables	9	26,866	16,826	2,251	802
Loans and borrowings	10	78,945	109,889	7,500	–
Security deposits		274	489	–	–
Rent received in advance		4,829	1,662	–	–
		110,914	128,866	9,751	802
Non-current liabilities					
Loans and borrowings	10	733,079	557,311	220,538	–
Financial derivatives	11	1,575	–	1,575	–
Security deposits		2,900	1,619	–	–
Preferred units	12	102	102	–	–
Deferred tax liabilities	13	59,713	50,904	–	–
		797,369	609,936	222,113	–
Total liabilities		908,283	738,802	231,864	802
Net assets attributable to Unitholders		1,258,178	1,064,063	1,133,934	949,583
Represented by:					
Unitholders' Fund		1,258,178	1,064,063	1,133,934	949,583
Net assets attributable to Unitholders		1,258,178	1,064,063	1,133,934	949,583
Units in issue and to be issued ('000)	14	1,573,459	1,280,245	1,573,459	1,280,245
Net asset value per Unit (US$) attributable to Unitholders	15	0.80	0.83	0.72	0.74

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Gross revenue	16	177,853	144,554
Property operating expenses	17	(67,077)	(53,889)
Net property income		110,776	90,665
Interest income		473	209
Manager's base fee		(8,334)	(7,098)
Manager's performance fee		(1,360)	–
Trustee's fee		(269)	(235)
Other trust expenses	18	(2,460)	(2,008)
Finance expenses	19	(26,180)	(19,247)
Net income before tax and fair value changes		72,646	62,286
Net fair value change in derivatives	11	(1,088)	–
Net fair value change in investment properties	7	(13,512)	16,885
Net income for the year before tax		58,046	79,171
Tax expense	20	(10,481)	(14,651)
Net income for the year attributable to Unitholders		47,565	64,520
Earnings per Unit ("EPU") (cents)			
Basic and diluted EPU	21	3.40	5.49[1]

1 The figures have been restated to reflect the effect of the preferential offering, under which 72,855,530 Units were issued on 18 October 2019.

The accompanying notes form an integral part of the financial statements.

DISTRIBUTION STATEMENT
For the year ended 31 December 2019

	Group 2019 US$'000	Group 2018 US$'000
Amount available for distribution to Unitholders at the beginning of the year	38,816	26,529
Net income for the year	47,565	64,520
Distribution adjustments (Note A)	35,776	6,461
Income available for distribution to Unitholders for the year	83,341	70,981
Amount available for distribution to Unitholders	122,157	97,510
Distributions to Unitholders:		
– Distribution of US 2.57 cents per Unit for the period from 29 June 2017 to 31 December 2017	–	(26,567)
– Distribution of US 2.53 cents per Unit for the period from 1 January 2018 to 30 June 2018	–	(32,127)
– Distribution of US 3.04 cents per Unit for the period from 1 July 2018 to 31 December 2018	(38,800)	–
– Distribution of US 2.14 cents per Unit for the period from 1 January 2019 to 8 May 2019	(27,395)	–
– Distribution of US 0.90 cents per Unit for the period from 9 May 2019 to 30 June 2019	(12,578)	–
– Distribution of US 1.47 cents per Unit for the period from 1 July 2019 to 29 September 2019	(20,596)	–
Total distribution to Unitholders	(99,369)	(58,694)
Amount available for distribution to Unitholders at the end of the year	22,788	38,816
Distribution per Unit ("DPU") (cents):		
– DPU[1]	5.96	5.57
– DPU restated for preferential offering[2]	5.96	5.56
Note A – Distribution adjustments comprise:		
– Property related non-cash items[3]	(3,707)	(3,531)
– Amortisation of upfront debt-related transaction costs[4]	1,412	1,095
– Manager's base fee paid/payable in Units	8,334	7,098
– Manager's performance fee payable in Units	1,360	–
– Property Manager's management fee paid/payable in Units	4,276	3,531
– Trustee's fee	269	235
– Net fair value change in derivatives	1,088	–
– Net fair value change in investment properties	13,512	(16,885)
– Deferred tax expense	8,809	13,701
– Redemption of preferred units	–	218
– Other items[5]	423	999
Distribution adjustments	35,776	6,461

1 The DPU relates to the distributions in respect of the relevant financial year. The distribution for the period from 30 September 2019 to 31 December 2019 will be paid subsequent to the financial year end. The distribution for the period from 1 July 2018 to 31 December 2018 was paid in 2019.

2 The figures have been restated to reflect the effect of the preferential offering, under which 72,855,530 Units were issued on 18 October 2019.

3 This includes straight line rent adjustments and amortisation of tenant improvement allowance, leasing commissions and free rent incentives.

4 Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.

5 This includes non-tax deductible items and other adjustments including rent free reimbursements. The rent free reimbursements were in relation to the vendors of Exchange, Centerpointe and Capitol that had granted rent free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisitions, these vendors reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent free reimbursements are applied towards the distributable income.

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2019

	Note	Attributable to Unitholders Units in issue and to be issued US$'000	Retained earnings US$'000	Total US$'000
Group				
At 1 January 2019		942,270	121,793	1,064,063
Operations				
Net income for the year		–	47,565	47,565
Net increase in net assets resulting from operations		–	47,565	47,565
Unitholders' transactions				
Issue of new Units:				
– Private placements	14	174,000	–	174,000
– Preferential offering	14	62,656	–	62,656
– Manager's base fee paid/payable in Units		8,334	–	8,334
– Manager's performance fee payable in Units		1,360	–	1,360
– Property Manager's management fee paid/payable in Units		4,276	–	4,276
Issuance costs	14	(4,707)	–	(4,707)
Distributions	14	(39,870)	(59,499)	(99,369)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		206,049	(59,499)	146,550
At 31 December 2019		1,148,319	109,859	1,258,178
At 1 January 2018		765,004	87,102	852,106
Operations				
Net income for the year		–	64,520	64,520
Net increase in net assets resulting from operations		–	64,520	64,520
Unitholders' transactions				
Issue of new Units:				
– Preferential offering	14	197,165	–	197,165
– Manager's acquisition fee paid in Units	14	2,903	–	2,903
– Manager's base fee paid/payable in Units		7,098	–	7,098
– Property Manager's management fee paid/payable in Units		3,531	–	3,531
Issuance costs	14	(4,566)	–	(4,566)
Distributions	14	(28,865)	(29,829)	(58,694)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		177,266	(29,829)	147,437
At 31 December 2018		942,270	121,793	1,064,063

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the year ended 31 December 2019

	Note	Units in issue and to be issued US$'000	Retained earnings / (Accumulated losses) US$'000	Total US$'000
Trust				
At 1 January 2019		942,270	7,313	949,583
Operations				
Net income for the year		–	37,801	37,801
Net increase in net assets resulting from operations		–	37,801	37,801
Unitholders' transactions				
Issue of new Units:				
– Private placements	14	174,000	–	174,000
– Preferential offering	14	62,656	–	62,656
– Manager's base fee paid/payable in Units		8,334	–	8,334
– Manager's performance fee payable in Units		1,360	–	1,360
– Property Manager's management fee paid/payable in Units		4,276	–	4,276
Issuance costs	14	(4,707)	–	(4,707)
Distributions	14	(39,870)	(59,499)	(99,369)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		206,049	(59,499)	146,550
At 31 December 2019		1,148,319	(14,385)	1,133,934
At 1 January 2018		765,004	6,299	771,303
Operations				
Net income for the year		–	30,843	30,843
Net increase in net assets resulting from operations		–	30,843	30,843
Unitholders' transactions				
Issue of new Units:				
– Preferential offering	14	197,165	–	197,165
– Manager's acquisition fee paid in Units	14	2,903	–	2,903
– Manager's base fee paid/payable in Units		7,098	–	7,098
– Property Manager's management fee paid/payable in Units		3,531	–	3,531
Issuance costs	14	(4,566)	–	(4,566)
Distributions	14	(28,865)	(29,829)	(58,694)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		177,266	(29,829)	147,437
At 31 December 2018		942,270	7,313	949,583

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	Note	Group 2019 US$'000	Group 2018 US$'000
Cash flows from operating activities			
Net income for the year before tax		58,046	79,171
Adjustments for:			
Amortisation	7	(3,707)	(3,531)
Interest income		(473)	(209)
Finance expenses	19	26,180	19,247
Manager's base fee paid/payable in Units		8,334	7,098
Manager's performance fee payable in Units		1,360	–
Property Manager's management fee paid/payable in Units		4,276	3,531
Net fair value change in derivatives	11	1,088	–
Net fair value change in investment properties	7	13,512	(16,885)
Unrealised transaction (gains)/losses effect of foreign exchange		(1)	26
Operating income before working capital changes		108,615	88,448
Changes in working capital:			
Trade and other receivables		1,460	(3,161)
Prepayments		(209)	(183)
Other asset		(1,405)	–
Trade and other payables		(971)	(5,998)
Security deposits		561	260
Rent received in advance		3,167	795
Cash from operating activities		111,218	80,161
Tax paid		(1,151)	(260)
Interest paid		(23,902)	(17,274)
Net cash from operating activities		86,165	62,627
Cash flows from investing activities			
Acquisition of investment properties and related assets and liabilities		(310,954)	(388,527)
Payment for capital expenditure, acquisition fee and other costs related to investment properties		(45,027)	(10,806)
Interest received		473	209
Net cash used in investing activities		(355,508)	(399,124)
Cash flows from financing activities			
Redemption of preferred units	12	–	(687)
Proceeds from issuance of Units	14	236,656	197,165
Payment of transaction costs relating to issuance of Units	14	(4,707)	(4,566)
Proceeds from loans and borrowings		268,406	208,900
Repayment of loans and borrowings		(122,300)	–
Payment of transaction costs relating to loans and borrowings		(2,694)	(1,195)
Distributions paid to Unitholders		(99,369)	(58,694)
Net cash from financing activities		275,992	340,923
Net increase in cash and cash equivalents		6,649	4,426
Cash and cash equivalents at beginning of the year		54,093	49,674
Effect of exchange rate fluctuations on cash held in foreign currency		6	(7)
Cash and cash equivalents at end of the year	4	60,748	54,093

The accompanying notes form an integral part of the financial statements.

STATEMENT OF PORTFOLIO

As at 31 December 2019

Description of Property	Tenure of Land	Occupancy Rates[1] as at 31 December 2019 %	Occupancy Rates[1] as at 31 December 2018 %	Fair Value as at 31 December 2019 US$'000	Fair Value as at 31 December 2018 US$'000	Percentage of Total Net Assets as at 31 December 2019 %	Percentage of Total Net Assets as at 31 December 2018 %
Group							
Commercial Office Properties							
Figueroa	Freehold	93.8	93.9	337,600	329,300	26.8	30.9
Michelson	Freehold	90.1	96.0	345,000	345,000	27.4	32.4
Peachtree	Freehold	95.0	93.7	210,700	203,700	16.8	19.1
Plaza	Freehold	98.9	98.9	119,900	119,800	9.5	11.3
Exchange	Freehold	95.8	97.7	348,600	340,700	27.7	32.0
Penn	Freehold	100.0	99.2	189,000	189,000	15.0	17.8
Phipps	Leasehold[2]	100.0	100.0	220,100	211,200	17.5	19.9
Centerpointe	Freehold	98.7	–	122,800	–	9.8	–
Capitol	Freehold	94.2	–	201,300	–	16.0	–
Investment properties				2,095,000	1,738,700	166.5	163.4
Other assets and liabilities (net)				(836,822)	(674,637)	(66.5)	(63.4)
Net assets				1,258,178	1,064,063	100.0	100.0

1 Based on committed leases.

2 Phipps is subject to a so-called "bonds for title" arrangement under which fee simple title to Phipps is owned by the Development Authority of Fulton County, Georgia (the "Development Authority"), which will lease Phipps to Hancock S-REIT ATL Phipps LLC as a way to reduce the real estate taxes payable on Phipps for a specified period. Under this arrangement, no money changes hands for the lease. After this arrangement expires in December 2020, Hancock S-REIT ATL Phipps LLC will acquire fee simple title to Phipps from the Development Authority for US$100 and will commence paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area. Given the expense reimbursement structure of the leases at Phipps, the difference in real estate taxes payable following the expiration of this arrangement will largely be borne by the tenants.

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

These notes form an integral part of the financial statements.

1. GENERAL

Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") is a Singapore real estate investment trust constituted pursuant to a trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") made between Manulife US Real Estate Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group" and individually as "Group entities".

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 May 2016.

The registered office and principal place of business of the Manager is located at 8 Cross Street, #16-03 Manulife Tower, Singapore 048424.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The primary objective of the Group is to provide Unitholders with regular and stable distributions and to achieve long-term growth in distributions and the net asset value per Unit, while maintaining an appropriate capital structure.

The consolidated financial statements relate to the Trust and its subsidiaries.

The Trust has entered into several service agreements in relation to the management of the Trust and its property operations. The fee structures of these services are as follows:

(a) Manager's fees

The Manager is entitled under the Trust Deed to receive the following remuneration for the provision of asset management services:

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee of 10.0% per annum of Trust's annual distributable income (calculated before accounting for the base fee and the performance fee). The base fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its base fee in the form of Units for the financial years ended 31 December 2019 and 31 December 2018.

The portion of the base fee, payable either in the form of cash or Units, is payable quarterly in arrears. Where the base fee is payable in Units, Units will be issued based on the volume weighted average price for a Unit for all trades transacted on SGX-ST in the ordinary course of trading for a period of 10 business days (as defined in the Trust Deed) immediately preceding the relevant business day.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. GENERAL (CONT'D)

(a) Manager's fees (cont'd)

Performance fee

Pursuant to the Trust Deed, the Manager is entitled to a performance fee of 25.0% of the difference in Distribution Per Unit ("DPU") in a financial year with the DPU in the preceding financial year (calculated before accounting for the performance fee, but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year.

The performance fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its performance fee in the form of Units for the financial year ended 31 December 2019. No performance fee was payable for the financial year ended 31 December 2018.

Acquisition fee

Pursuant to the Trust Deed, the Manager is entitled to receive an acquisition fee of 0.75% of the acquisition price of any real estate purchased, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate acquired) from related parties and 1.0% of the acquisition price for all other cases (or such lower percentage as may be determined by the Manager in its absolute discretion). Under Appendix 6 of the CIS Code (the "Property Funds Appendix"), in respect of any acquisition of real estate assets from interested parties, such a fee will be in the form of Units issued by the Trust at prevailing market price. Such Units may not be sold within one year from the date of their issuance. With respect to acquisitions from third parties, the acquisition fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager.

Divestment fee

Pursuant to the Trust Deed, the Manager is entitled to receive a divestment fee of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price of any real estate sold or divested, whether directly or indirectly through one or more subsidiaries, by the Trust (pro-rated if applicable to the proportion of the Trust's interest in the real estate sold or divested).

The divestment fee is payable to the Manager either in the form of cash or Units as the Manager may elect, in such proportions as may be determined by the Manager. Any payment to third party agents or brokers in connection with the disposal of any assets shall be paid to such persons out of the deposited property, and not out of the divestment fee received or to be received by the Manager.

No divestment fee was payable for the financial years ended 31 December 2019 and 31 December 2018.

(b) Trustee's fee

The Trustee's fee shall not exceed 0.1% per annum of the value of the deposited property, subject to a minimum of S$10,000 per month, excluding out-of-pocket expenses and GST, in accordance with the Trust Deed. The Trustee's fee is accrued daily and will be paid monthly in arrears in accordance with the Trust Deed. The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee was paid a one-time inception fee.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. GENERAL (CONT'D)

(c) Fees under the property management agreements

Under the property management agreement in respect of the properties, the property manager will provide property management services, lease management services and construction supervision services. The Property Manager is entitled to the following fees:

Property management fee

The Property Manager is entitled to a monthly property management fee from each subsidiary of Hancock S-REIT Parent Corp. (the "U.S. Sub") for each property equal to the Applicable Fee Percentage (as defined herein) of the gross income from such property for each month, if any, for such month, payable monthly in arrears. The "Applicable Fee Percentage" is 2.5% for properties with greater than 300,000 square feet of net lettable area and 3.0% for properties with up to 300,000 square feet of net lettable area. The Applicable Fee Percentage for a property shall be adjusted every five years to reflect market management fees paid by owners of properties similar to such property in the same submarket to managers affiliated with owners.

The Property Management Fee is payable to the Property Manager in the form of cash and/or Units as each U.S. Sub may elect, in such proportions as may be determined by each U.S. Sub.

Leasing Fee

The Property Manager is entitled to a leasing fee from each U.S. Sub equal to US$1.00 multiplied by the lettable square footage of any lease or amendment to a lease adding lettable space or extending the term (a "lease amendment") during the term of the applicable property management agreement or, as to any lease or lease amendment as to which the Property Manager shall have submitted a proposal and had direct communication with the tenant prior to expiration or earlier termination of the applicable property management agreement, if such lease or lease amendment is executed within six months thereafter; provided that no leasing fee shall be due and payable with respect to any lease amendment which merely confirms the exercise of any renewal, expansion or extension option contained in any lease and does not require material negotiation by the Property Manager, nor shall the Property Manager be entitled to any leasing fee as to any extension or renewal of a lease for a period less than one year. The leasing fee in connection with any lease or lease amendment shall be due and paid upon execution of the lease or lease amendment.

Construction Supervision Fee

The Property Manager is entitled to a construction supervision fee ("Construction Supervision Fee") from each U.S. Sub (or such U.S. Sub's taxable REIT subsidiary ("TRS") if in connection with services that are to be performed for such TRS) in connection with any construction project (including any series of related construction projects) the cost of which, excluding design fees and permit costs (the "Construction Cost"), is in excess of US$500,000 in any 12-month period, other than ordinary maintenance and repair and other than any costs incurred or improvements performed to leased premises pursuant to a lease equal to:

(i) 5.0% of the Construction Cost for any construction project (or series of related projects) between US$500,000 and US$1,000,000; and
(ii) 3.0% of the Construction Cost or any construction project (or series of related projects) in excess of US$1,000,000.

In addition, the Property Manager shall receive any construction, supervision or management fees that may be charged pursuant to a lease or otherwise relating to any alterations performed to any premises under a lease provided that the Construction Supervision Fee shall not be duplicative of any such fee.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), and the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

2.3 Functional and presentation currency

The financial statements are presented in United States Dollars ("US$" or "USD"), which is the functional currency of the Trust. All financial information presented has been rounded to the nearest thousand (US$'000), unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements and accounting estimates in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is described in the following notes:

- Note 7 – Valuation of investment properties
- Note 11 – Fair value of derivatives
- Note 20 – Provision of taxation

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group uses third party appraisal firms and financial institutions to perform valuations. The Manager assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS, including the level in the fair value hierarchy in which such valuations should be classified.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: for unadjusted prices quoted in active markets for identical assets or liabilities;

- Level 2: for inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

2. BASIS OF PREPARATION (CONT'D)

2.4 Use of estimates and judgements (cont'd)

Measurement of fair values (cont'd)

- Level 3: for inputs that are based on unobservable market data. These unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the Group's own data).

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied by the Group consistently to the year presented in these financial statements.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with IFRS 3 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is an asset or liability are recognised in profit or loss.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. Any goodwill that arises is tested annually for impairment. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

When the acquisition of an investment property does not represent a business combination, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based on their relative fair values at the date of purchase. Acquisition-related costs are capitalised to the investment property at the time the acquisition is completed.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 Basis of consolidation (cont'd)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Group.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or carried at fair value in accordance with IFRS 9 *Financial Instruments*.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Trust.

Changes in the Trust's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Trust.

3.2 Foreign currency

Foreign currency transactions and balances

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical costs are translated using the exchange rate at the date of the transaction. Foreign currency differences arising from settlement of monetary items or retranslation of monetary items at the end of reporting period are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 Foreign currency (cont'd)

Foreign operations

The assets and liabilities of foreign operations are translated to presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to presentation currency at exchange rates at the dates of the transactions.

The exchange differences arising on the translation are recognised in other comprehensive income.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is transferred to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in other comprehensive income and accumulated under foreign currency reserve in equity.

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation, or both. Investment properties are not for sale in the ordinary course of business, used in the production or supply of goods or services, or for administrative purposes. Investment properties are measured at cost, including transaction costs, on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. The Trust Deed requires the investment properties to be valued by independent registered valuers in such manner and frequency required under the Property Funds Appendix of the CIS Code issued by the MAS.

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised and the carrying amounts of the replaced components are written off to profit or loss. To the extent that lease commissions paid increase the future economic benefits of investment properties, they are capitalised as part of the assets.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the investment property) is recognised in profit or loss.

3.4 Financial instruments

Non-derivative financial assets

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

The Group's non-derivative financial assets comprise of cash and cash equivalents and trade and other receivables, which are classified in the amortised cost measurement category.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Financial assets at amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost using effective interest method and are subject to impairment. Financial assets measured at amortised cost are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Non-derivative financial liabilities

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group classifies non-derivative financial liabilities as financial liabilities at amortised cost. Such financial liabilities are recognised initially at fair value and any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Interest expense, and gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Financial liabilities at amortised cost comprise trade and other payables, security deposits, loans and borrowings, and preferred units.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legally enforceable right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Financial instruments (cont'd)

Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group does not hold or issue derivative financial instruments for trading purposes. The Group has not elected to apply hedge accounting for its derivative financial instruments.

Preferred units

Preferred units are classified as financial liabilities if they are redeemable on a specific date or at the option of the holders of such units, or if dividend payments are not discretionary. Non-discretionary dividends thereon are recognised as finance expenses in profit or loss as accrued.

Preferred units are recognised initially at fair value and any directly attributable transaction costs.

3.5 Impairment

Non-derivative financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all trade and other receivables. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating units ("CGU") is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 Impairment (cont'd)

Non-financial assets (cont'd)

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that a prior loss should be reversed. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, if no impairment loss had been recognised.

3.6 Unitholders' funds

Unitholders' funds are classified as equity.

Issuance costs relate to expenses incurred in connection with the issue of Units. These expenses are deducted directly against Unitholders' funds.

3.7 Revenue

Revenue is recognised when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Rental income from operating leases

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease term and is included in revenue in profit or loss due to its operating nature. The difference between revenue recognised and the contractual cash received is included in the carrying value of the investment property and subsequently adjusted to fair value change in profit or loss. Tenant lease incentives are included in the cost basis of the investment property and recognised as a reduction of rental revenue on a straight-line basis over the term of the lease.

Recoveries from tenants are recognised as revenue in the period in which the applicable costs are incurred. The operating lease agreements include certain services to tenants comprising the overall property management, including common area maintenance services (such as cleaning, security, landscaping, utilities, and repairs and maintenance) as well as other administrative and support services. These services are specified in the lease agreements and separately invoiced. The Group has determined that these services constitute distinct non-lease components and are within the scope of IFRS 15 *Revenue from Contracts with Customers*. The Group has allocated the consideration in the contract to the separate lease and non-lease components on a relative basis. These services, which are provided to tenant in exchange for operating cost recoveries, are considered to be a single performance obligation delivered to tenants over time.

Lease cancellation fees are recognised as revenue on a straight-line basis over the remaining term of the lease once an agreement is reached with the tenant to terminate the lease and the collectability is reasonably assured.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Revenue (cont'd)

Car park income

Car park income consists of monthly and hourly parking income. Monthly and hourly parking income are recognised on utilisation of car parking facilities. In addition, car park income represents the right to park in a determined amount of parking stalls on certain tenant leases.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

3.8 Finance expenses

Finance expenses comprise interest expense on loans and borrowings, amortisation of transaction costs incurred on the borrowings, commitment and financing fees, and dividends on preferred units that are recognised in profit or loss. Borrowing costs are recognised in profit or loss using the effective interest method.

3.9 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous periods. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

IFRIC Interpretation 23 *Uncertainty over Income Tax Treatment* (the "Interpretation") addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 *Income Taxes*. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:

- whether an entity considers uncertain tax treatments separately;
- the assumptions an entity makes about the examination of tax treatments by taxation authorities;
- how an entity determines taxable profit/tax loss, tax bases, unused tax losses, unused tax credits and tax rates; and
- how an entity considers changes in facts and circumstances.

The Group determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty.

The Group applies significant judgement in identifying uncertainties over income tax treatments. Since the Group operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its consolidated financial statements.

Upon adoption of the Interpretation, the Group considered whether it has any uncertain tax positions, particularly those relating to the U.S. Tax reform in which the Group's operate in. The Group determined, based on its tax compliance, that it is probable that its tax treatments (including those for the subsidiaries) will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Tax (cont'd)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- the temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised except for:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the year that such a determination is made.

On 20 December 2018, the United States Department of the Treasury released proposed regulations (the "Proposed 267A Regulations") under Section 267A of the United States Internal Revenue Code of 1986, as amended ("Section 267A").

The Proposed 267A Regulations are not expected to necessitate any further changes to Manulife US REIT's structure (including Barbados entities set-up on 1 January 2018) at this point in time in order to preserve the deductibility of interest paid on Manulife US REIT's intercompany financing arrangements. As such, the Manager currently expects that the Proposed 267A Regulations will not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT. The final regulations under Section 267A could differ materially from the Proposed 267A Regulations.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Tax (cont'd)

Separately, with effect from 1 January 2019, all registered and incorporated entities in Barbados including domestic Societies will pay the same tax rates, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases (the "Barbados Tax Changes"). The Barbados Tax Changes did not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

3.10 Distribution Policy

Manulife US REIT's distribution policy is to distribute at least 90% of its annual distributable income. The actual level of distribution will be determined at the discretion of the Board of Directors of the Manager.

3.11 Leases – As lessor

The Group adopted IFRS 16 *Leases* which is effective for annual periods beginning on or after 1 January 2019. Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 3.7.

3.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and demand deposits which are subject to an insignificant risk of changes in value.

3.13 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer and the directors of the Manager to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group's investment properties comprise commercial office properties located in the United States. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in United States. Accordingly, no segment information has been presented in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations have been issued as of the reporting date but are not yet effective for the financial year ended 31 December 2019.

The new or amended standards and interpretations are not expected to have any significant impact on the financial statements of the Group, and the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

Amendments to IFRS 3: Definition of a Business

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 *Business Combinations* to help entities determine whether an acquired set of activities and assets is a business or not.

The amendments mainly include:

- clarification that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- removal of the assessment of whether market participants are capable of replacing any missing outputs or processes and continuing to produce outputs;
- adding guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrowing the definitions of business and outputs by focusing on goods or services provided to customers and by removing the reference to an ability to reduce costs; and
- adding an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments must be applied to transactions that are either business combinations or asset acquisitions for which the acquisition date is on or after the first annual reporting period beginning on or after 1 January 2020. The amendments will, therefore, not impact the Group's consolidated financial statements when they become effective. The Group expects that the amendments will reduce the number of transactions that are accounted for as a business combination.

Amendments to IAS 1 and IAS 8: Definition of Material

In October 2018, the IASB issued amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity".

IAS 1 and IAS 8 are effective for annual periods beginning on or after 1 January 2020. The amendments to the definition of material is not expected to have a significant impact on the Group's consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

4. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Cash at bank	60,748	54,093	4,287	4,224

Cash at banks earns interest based on bank deposit rates.

5. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Trade receivables	3,156	5,161	–	–
Other receivables	4,458	3,913	2,574	2,105
Dividends receivable	–	–	15,885	23,000
	7,614	9,074	18,459	25,105

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. The Group's historical experience in the collection of trade receivable falls within the recorded allowances, if any. Due to these factors, the Manager believes that no additional credit risk, beyond amounts provided for collection losses, is inherent in the Group's trade receivables.

Receivables that are past due but not impaired

The Group has trade receivables amounting to US$3,156,000 (2018: US$5,161,000) that are past the due date at the end of the reporting period, but not impaired.

The ageing of trade receivables at the end of the reporting date is as follows:

	Group	
	2019 US$'000	2018 US$'000
Past due 0 to 1 month	2,000	2,793
Past due 1 to 3 months	690	1,447
Past due more than 3 months	466	921
	3,156	5,161

The Group believes that no impairment losses are necessary in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the Group and maintain security deposits or letter of credits for certain tenants as collateral.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired relate to creditworthy debtors and counterparties with good payment record.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

6. OTHER ASSET

Other asset relates to the funds held in escrow specifically to reimburse a certain tenant in Centerpointe for tenant improvement costs to be incurred by the tenant in accordance with the lease agreement.

7. INVESTMENT PROPERTIES

	Group	
	2019 US$'000	2018 US$'000
Consolidated Statement of Financial Position		
As at 1 January	1,738,700	1,312,800
Acquisitions[1]	321,078	394,704
Capital expenditure capitalised	45,027	10,780
Fair value changes in investment properties	(9,805)	20,416
As at 31 December	2,095,000	1,738,700
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(9,805)	20,416
Net effect of amortisation and straight lining	(3,707)	(3,531)
Net fair value changes recognised in the statement of comprehensive income	(13,512)	16,885

1 Includes acquisition fees and acquisition costs

Investment properties comprise commercial office properties which are leased to external tenants.

Certain investment properties are pledged as security to secure bank loans (see Note 10). Details of the investment properties as at 31 December 2019 and 31 December 2018 which are all located in United States are set out below:

Description of property	Tenure	Location	Existing use	Appraised value 2019 US$'000	Appraised value 2018 US$'000
Group					
Los Angeles					
Figueroa	Freehold	865 S. Figueroa Street, Los Angeles, California 90017	Commercial	337,600	329,300
Irvine					
Michelson	Freehold	3161 Michelson Drive, Irvine, Orange County, California 92612	Commercial	345,000	345,000
New Jersey					
Plaza	Freehold	500 and 600 Plaza Drive, Secaucus, Hudson County, New Jersey 07094	Commercial	119,900	119,800
Exchange	Freehold	10 Exchange Place, Jersey City, Hudson County, New Jersey 07302	Commercial	348,600	340,700

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

7. INVESTMENT PROPERTIES (CONT'D)

Description of property	Tenure	Location	Existing use	Appraised value 2019 US$'000	2018 US$'000
Group (cont'd)					
Atlanta					
Peachtree	Freehold	1100 Peachtree Street NE, Atlanta, Fulton County, Georgia 30309	Commercial	210,700	203,700
Phipps	Leasehold[1]	3438 Peachtree Road NE, Atlanta, Fulton County, Georgia 30326	Commercial	220,100	211,200
Washington, D.C.					
Penn	Freehold	1750 Pennsylvania Avenue NW, Washington, D.C. 20006	Commercial	189,000	189,000
Fairfax					
Centerpointe	Freehold	4000 & 4050 Legato Road, Fairfax, Virginia 22033	Commercial	122,800	–
Sacramento					
Capitol	Freehold	400 Capitol Mall, Sacramento, California 95814	Commercial	201,300	–
Total				2,095,000	1,738,700

1 Phipps is subject to a so-called "bonds for title" arrangement under which fee simple title to Phipps is owned by the Development Authority, which will lease Phipps to Hancock S-REIT ATL Phipps LLC as a way to reduce the real estate taxes payable on Phipps for a specified period. Under this arrangement, no money changes hands for the lease. After this arrangement expires in December 2020, Hancock S-REIT ATL Phipps LLC will acquire fee simple title to Phipps from the Development Authority for US$100 and will commence paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area. Given the expense reimbursement structure of the leases at Phipps, the difference in real estate taxes payable following the expiration of this arrangement will largely be borne by the tenants.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value

(i) Fair value hierarchy

As at 31 December 2019, the investment properties were stated at fair value based on independent valuations undertaken by Colliers International Valuation & Advisory Services, LLC for all properties except for Exchange, which was undertaken by Newmark Knight Frank Valuation & Advisory, LLC, and Capitol, which was undertaken by Cushman & Wakefield Western, Inc. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

As at 31 December 2018, the investment properties were stated at fair value based on independent valuations undertaken by Colliers International Valuation & Advisory Services, LLC. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values were generally calculated using the income approach. The two primary income approaches that may be used are the Discounted Cash Flow ("DCF") and the Direct Capitalisation Method ("DCM"). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. DCM measures the relationship of value to the stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The market or direct comparison approach may also be used, which is based on sound considerations for similarity and comparability between properties. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

7. INVESTMENT PROPERTIES (CONT'D)

Measurement of fair value (cont'd)

(ii) Level 3 fair value

Valuation techniques and significant unobservable inputs

The following table shows the significant unobservable inputs used in the measurement of fair value of investment properties:

Valuation techniques	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow approach	Rental rate per square foot per year 2019: US$24.00 – US$55.00 (2018: US$23.50 – US$55.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Discount rate 2019: 6.00% – 8.00% (2018: 6.00% – 8.00%) Terminal capitalisation rate 2019: 5.00% – 7.50% (2018: 5.25% – 6.75%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Direct capitalisation method	Rental rate per square foot per year 2019: US$24.00 – US$55.00 (2018: US$23.50 – US$55.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Capitalisation rate 2019: 4.75% – 7.00% (2018: 4.75% – 6.25%)	Higher capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Market or Direct comparison approach	Price per square foot 2019: US$260 – US$689 (2018: US$265 – US$700)	Higher price per square foot would result in a higher fair value, while a lower price per square foot would result in a lower fair value.

The table below presents the sensitivity analysis of the valuation to changes in the most significant assumptions underlying the valuation of investment properties:

	Group	
	2019 US$'000	2018 US$'000
Fair value of investment properties as at 31 December		
Increase in discount and terminal capitalisation rate of 25 basis points	(97,175)	(82,574)
Decrease in discount and terminal capitalisation rate of 25 basis points	106,155	90,328

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

8. INVESTMENT IN SUBSIDIARIES

	Trust	
	2019 US$'000	2018 US$'000
Unquoted equity investment at cost	1,342,496	921,048

Details of the key subsidiaries of the Trust are as follows:

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held 2019 %	2018 %
Direct subsidiaries:				
Manulife US REIT Alpha (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 2 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 3 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	100
Manulife US REIT Beta 4 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	–
Manulife US REIT Beta 5 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	–
Manulife US REIT Beta 6 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	–
Manulife US REIT Beta 7 (Singapore) Pte. Ltd.[1]	Singapore	Investment holding	100	–
Indirect subsidiaries:				
Hancock S-REIT Parent Corp.[2]	United States	Investment holding	100	100
Hancock S-REIT LA Corp.[2]	United States	Property owner	100	100
Hancock S-REIT Irvine Corp.[2]	United States	Property owner	100	100
Hancock S-REIT ATL LLC (formerly known as Hancock S-REIT ATL Corp.)[2]	United States	Property owner	100	100
Hancock S-REIT SECA LLC (formerly known as Hancock S-REIT SECA Corp.)[2]	United States	Property owner	100	100
Hancock S-REIT JCITY LLC (formerly known as Hancock S-REIT JCITY Corp.)[2]	United States	Property owner	100	100
Hancock S-REIT DC 1750 LLC[2]	United States	Property owner	100	100
Hancock S-REIT ATL Phipps LLC[2]	United States	Property owner	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

8. INVESTMENT IN SUBSIDIARIES (CONT'D)

Name of subsidiaries	Country of incorporation	Principal activities	Effective equity interest held 2019 %	2018 %
Indirect subsidiaries:				
Hancock S-REIT Centerpointe LLC[2]	United States	Property owner	100	–
Hancock S-REIT Sacramento LLC[2]	United States	Property owner	100	–
MUSREIT HoldCo (Barbados) 1 SRL[3]	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 2 SRL[3]	Barbados	Investment holding	100	100
MUSREIT HoldCo (Barbados) 3 SRL[3]	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 1 SRL[4]	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 2 SRL[4]	Barbados	Investment holding	100	100
MUSREIT Intermediary (Barbados) 3 SRL[4]	Barbados	Investment holding	100	100
MUSREIT (Barbados) 1 LP[3]	Barbados	Investment holding	100	100
MUSREIT (Barbados) 2 LP[3]	Barbados	Investment holding	100	100
MUSREIT (Barbados) 3 LP[3]	Barbados	Investment holding	100	100

1 Audited by Ernst & Young LLP Singapore
2 Audited by Ernst & Young LLP Canada
3 Not required to be audited according to the local regulations
4 Audited by Ernst & Young Ltd Barbados

9. TRADE AND OTHER PAYABLES

	Group 2019 US$'000	Group 2018 US$'000	Trust 2019 US$'000	Trust 2018 US$'000
Trade payables	1,752	162	95	47
Amounts due to related parties (non-trade)	1	37	1	37
Accrued expenses	10,573	11,701	1,063	718
Property tax payable	2,162	766	–	–
Interest payable	2,685	1,819	999	–
Other payables	9,693	2,341	93	–
	26,866	16,826	2,251	802

Other payables include tenant improvement payables of US$9.4 million (2018: US$2.0 million). The non-trade amounts due to related parties are unsecured, interest-free and repayable on demand in cash.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

10. LOANS AND BORROWINGS

	Group 2019 US$'000	Group 2018 US$'000	Trust 2019 US$'000	Trust 2018 US$'000
Current				
Secured bank loans	71,517	110,000	–	–
Less: Unamortised transaction costs	(72)	(111)	–	–
Revolving credit facility	7,500	–	7,500	–
	78,945	109,889	7,500	–
Non-current				
Secured bank loans	737,889	560,800	223,000	–
Less: Unamortised transaction costs	(4,810)	(3,489)	(2,462)	–
	733,079	557,311	220,538	–
	812,024	667,200	228,038	–

As at 31 December 2019, the Group had gross borrowings of US$816.9 million (2018: US$670.8 million) comprising of (i) US$586.4 million (2018: US$670.8 million) drawn from property-level loan facilities, and (ii) US$230.5 million (2018: nil) drawn from Trust-level Credit Facilities (defined herein) (together with property-level mortgage facilities, collectively, the "Facilities"). The average interest rate on borrowings as at 31 December 2019 was 3.37% (2018: 3.27%) per annum.

The Group is in a net current liabilities position due to the mortgage loan facility for Peachtree which is maturing in the third quarter of 2020, with an option to exercise 1-year extension. The Group has sufficient financing options to refinance the portion of borrowings that are maturing within the next 12 months.

The outstanding principal, interest rate and maturity of the Facilities as at 31 December 2019 and 31 December 2018 are as set forth below:

	Nominal interest rate %	Year of maturity	Face value 2019 US$'000	Carrying amount 2019 US$'000	Face value 2018 US$'000	Carrying amount 2018 US$'000
Group						
Figueroa	2.39	2019	–	–	108,000	107,889
Figueroa[1]	LIBOR + 1.50	2019	–	–	2,000	2,000
Michelson	2.52	2021	121,000	120,692	121,000	120,498
Michelson[1]	LIBOR + 1.50	2021	7,173	7,173	–	–
Peachtree	2.46	2020	67,000	66,928	67,000	66,796
Peachtree[1]	LIBOR + 1.50	2020	4,517	4,517	300	300
Plaza	3.60	2022	40,000	39,694	40,000	39,586
Exchange	3.48	2022	125,100	124,115	125,100	123,791
Exchange[1]	LIBOR + 1.50	2022	21,116	21,116	6,900	6,900
Penn	4.08	2021	95,500	95,182	95,500	94,982
Phipps	4.42	2023	105,000	104,569	105,000	104,458
Bank loans	3.04 – 3.77	2024 – 2025	223,000	220,538	–	–
Revolving credit facility	3.27	2020	7,500	7,500	–	–
			816,906	812,024	670,800	667,200

1 Relates to good news facilities drawn to fund capital expenditures and leasing costs with variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. LOANS AND BORROWINGS (CONT'D)

	Nominal interest rate %	Year of maturity	Face value 2019 US$'000	Carrying amount 2019 US$'000	Face value 2018 US$'000	Carrying amount 2018 US$'000
Trust						
Bank loans	3.04 – 3.77	2024 – 2025	223,000	220,538	–	–
Revolving credit facility	3.27	2020	7,500	7,500	–	–
			230,500	228,038	–	–

Reconciliation of movements of liabilities to cash flows arising from financing activities:

		Financing cash flows			Other changes		
	1 January US$'000	Net proceeds from/ repayment of loans and borrowings US$'000	Redemption of preferred units US$'000	Payment of transaction costs US$'000	Finance expense US$'000	Others US$'000	31 December US$'000
Group							
2019							
Loans and borrowings	667,200	146,106	–	(2,694)	1,412	–	812,024
Preferred units	102	–	–	–	–	–	102
	667,302	146,106	–	(2,694)	1,412	–	812,126
2018							
Loans and borrowings	458,369	208,900	–	(1,195)	1,095	31	667,200
Preferred units	571	–	(687)	–	218	–	102
	458,940	208,900	(687)	(1,195)	1,313	31	667,302

Property Financing

As of 31 December 2019, Manulife US REIT has loan facilities of US$629.4 million (2018: US$747.4 million) consisting of US$553.6 million (2018: US$661.6 million) of fixed rate borrowings drawn to fund properties acquired, as well as good news facilities of up to US$75.8 million (2018: US$85.8 million) ("Mortgage Facilities") to fund future capital expenditures and leasing costs on a floating rate basis. Of the Mortgage Facilities of US$629.4 million (2018: US$747.4 million), the total amount drawn as at 31 December 2019 was US$586.4 million (2018: US$670.8 million).

The Mortgage Facilities are secured by, amongst other collateral:

(i) a first mortgage on each of Michelson, Peachtree, Plaza, Exchange, Penn and Phipps respectively (each, the "Property");

(ii) an assignment of each of the U.S. Subs' rights, title and interest in present and future leases, subleases, licenses and all other agreements relating to the management, leasing and operation of the respective Property; and

(iii) an assignment of each of the U.S. Subs' right to all goods, building and other materials, supplies, inventory, equipment, machinery, fixtures, furniture and other personal property, together with all payments and other rents and security deposits in respect of the relevant Properties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

10. LOANS AND BORROWINGS (CONT'D)

Property Financing (cont'd)

In addition, Hancock S-REIT Parent Corp., which directly holds each of the U.S. Subs, has granted a limited guarantee to the Mortgage Lenders in respect of certain obligations of the U.S. Subs under the Mortgage Facilities as well as a hazardous materials indemnity agreement.

Each of the Mortgage Facilities includes customary representations, warranties and covenants (including due-on-sale and due-on-encumbrance provisions) by the U.S. Subs in favour of the Mortgage Lenders. Each of the Mortgage Facilities is not cross-defaulted or cross-collateralised with the other Mortgage Facilities.

Trust-level Credit Facilities

During the year, the Group entered into certain loan agreements for an aggregate principal amount of up to US$273.0 million, consisting of US$223.0 million of floating rate borrowings drawn to part finance the acquisition of properties, capital expenditures and leasing costs as well as a revolving credit facility of US$50.0 million for general corporate and working capital purposes (the "Trust-level Credit Facilities"). The Group entered into interest rate swaps to hedge the floating rate under each loan facility to a fixed rate. Of the Trust-level Credit Facilities of US$273.0 million, the total amount drawn as at 31 December 2019 was US$230.5 million, including US$7.5 million drawn down from the revolving credit facility.

The Trust-level Credit Facilities have been obtained from Bank of China Limited, Singapore Branch, BNS Asia Limited, DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and Standard Chartered Bank, Singapore Branch as lenders.

The Trust-level Credit Facilities are secured by, amongst other collateral:

(i) share charges over the Singapore subsidiaries of Manulife US REIT;

(ii) assignments of certain bank accounts; and

(iii) assignments of certain inter-company loans within the Group and certain share pledges over shares in the relevant U.S. Subs which hold Figueroa, Centerpointe and Capitol respectively.

In addition, Manulife US REIT has a US$10.0 million revolving credit facility with DBS Bank Ltd ("US$10.0 million Revolving Credit Facility") and a separate 1-year uncommitted US$200.0 million revolving credit facility with DBS Bank Ltd. ("US$200.0 million Revolving Credit Facility", together with the US$10.0 million Revolving Credit Facility, the "DBS Revolving Credit Facilities").

The DBS Revolving Credit Facilities are secured by:

(i) share charges over certain of Manulife US REIT's wholly owned subsidiaries;

(ii) an assignment of all inter-company loans from the Trustee to any other subsidiaries of Manulife US REIT;

(iii) an assignment of certain bank accounts by the Trustee; and/or

(iv) an assignment of certain inter-company loans within the Group.

There are no amounts outstanding on the DBS Revolving Credit Facilities as at 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

11. FINANCIAL DERIVATIVES

	Group and Trust 2019 US$'000
Non-current	
Derivative assets	
Interest rate swaps used for hedging	487
Derivative liabilities	
Interest rate swaps used for hedging	(1,575)
	(1,088)
Financial derivatives as a percentage of the Group's net assets	0.1%
Financial derivatives as a percentage of the Trust's net assets	0.1%

During the year, the Group entered into interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing borrowings by swapping the interest expense on these borrowings from floating rates to fixed rates. As at the reporting date, the notional principal amount of the financial instruments was US$223,000,000.

The changes in fair value of the interest rate swaps are recognised in profit or loss for the financial year.

Offsetting financial assets and financial liabilities

The Group entered into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the Statements of Financial Position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The following table sets out the carrying amounts of recognised financial instruments that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statements of Financial Position:

	Gross amounts of recognised financial instruments US$'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position US$'000	Net amounts of financial instruments presented in the Statement of Financial Position US$'000	Related financial instruments that are not offset US$'000	Net amount US$'000
Group and Trust					
2019					
Financial assets					
Interest rate swaps	487	–	487	(402)	85
Financial liabilities					
Interest rate swaps	1,575	–	1,575	(402)	1,173

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

12. PREFERRED UNITS

	Group	
	2019 US$'000	2018 US$'000
As at 1 January	102	571
Redemption of preferred units	–	(469)
As at 31 December	102	102

The preferred units are issued by indirect subsidiaries of the Trust with a par value of US$0.01 per preferred unit, and they rank senior to all units of the indirect subsidiaries. Each holder of the preferred units is entitled to receive cumulative preferential cash dividends (recorded as finance expense) at a rate 12.5% per annum per preferred unit plus all accrued and unpaid dividends which is payable annually in arrears.

The preferred units are not convertible into, or exchangeable for, any other property or securities of the subsidiaries. The Board of Directors of the subsidiaries may, in its sole and absolute discretion, cause the subsidiaries to redeem units of the preferred units at US$1,000 per unit plus all accrued and unpaid dividends.

On 1 January 2018, the preferred units issued by each of Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL LLC, Hancock S-REIT SECA LLC and Hancock S-REIT JCITY LLC were redeemed. The total redemption amount was approximately to US$0.7 million.

The preferred units have been classified as financial liabilities in accordance with IAS 32.

13. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group	
	2019 US$'000	2018 US$'000
Investment properties	59,713	50,904

Movements in deferred tax liabilities of the Group during the year are as follows:

	At 1 January 2018 US$'000	Statement of Comprehensive Income (Note 20) US$'000	At 31 December 2018 US$'000	Statement of Comprehensive Income (Note 20) US$'000	At 31 December 2019 US$'000
Deferred tax liabilities					
Investment properties					
– Change in fair value of investment properties	28,199	4,654	32,853	(2,253)	30,600
– Tax depreciation	9,004	9,047	18,051	11,062	29,113
	37,203	13,701	50,904	8,809	59,713

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. UNITS IN ISSUE AND TO BE ISSUED

	Group and Trust			
	2019		2018	
	No of Units '000	US$'000	No of Units '000	US$'000
Units in issue				
As at 1 January	1,276,324	939,321	1,033,722	762,833
Issuance of Units:				
– Private placements	205,403	174,000	–	–
– Preferential offering	72,856	62,656	227,936	197,165
– Manager's base fee paid in Units	9,518	8,030	7,588	6,604
– Property Manager's management fees paid in Units	4,572	4,077	3,736	3,247
– Manager's acquisition fee paid in Units	–	–	3,342	2,903
Issuance costs	–	(4,707)	–	(4,566)
Capital distribution	–	(39,870)	–	(28,865)
As at 31 December	1,568,673	1,143,507	1,276,324	939,321
Units to be issued				
Manager's base fee payable in Units	2,250	2,262	2,604	1,958
Manager's performance fee payable in Units	1,353	1,360	–	–
Property Manager's management fees payable in Units	1,183	1,190	1,317	991
	4,786	4,812	3,921	2,949
Total Units issued and to be issued as at 31 December	1,573,459	1,148,319	1,280,245	942,270

Units issued were as follows:

- 9,517,888 (2018: 7,587,718) new Units were issued at issue prices ranging from US$0.7522 to US$0.9088 (2018: US$0.8007 to US$0.9256) per Unit, amounting to US$8,030,000 (2018: US$6,604,000) as satisfaction of the Manager's base fee payable in Units for the period from 1 October 2018 to 30 September 2019 (2018: 1 October 2017 to 30 September 2018).

- 4,571,861 (2018: 3,736,605) new Units were issued at issue prices ranging from US$0.8350 to US$0.9650 (2018: US$0.8007 to US$0.9256) per Unit, amounting to US$4,077,000 (2018: US$3,247,000) as satisfaction of the Property Manager's management fee payable in Units for the period from 1 October 2018 to 30 September 2019 (2018: 1 October 2017 to 30 September 2018).

- On 9 May 2019 and 30 September 2019, 114,078,000 and 91,325,000 new Units were issued at an issue price of US$0.824 and US$0.876 per Unit respectively in connection with the private placements.

- On 18 October 2019 and 20 June 2018, 72,855,530 and 227,935,981 new Units were issued at an issue price of US$0.860 and US$0.865 per Unit respectively in connection with the preferential offerings.

- In 2018, 3,341,968 new Units were issued at an issue price of US$0.8685 per Unit as satisfaction of the acquisition fee in connection with the acquisition of Penn and Phipps.

- There were 2,250,000 (2018: 2,603,759) Units to be issued in satisfaction of the Manager's base fee for the period from 1 October 2019 to 31 December 2019 and 1,183,370 (2018: 1,316,764) Units to be issued in satisfaction to Property Manager's management fee for the period from 1 October 2019 to 31 December 2019 (2018: 1 October 2018 to 31 December 2018) and 1,353,016 Units to be issued in satisfaction of the Manager's performance fee for the year ended 31 December 2019 based on the volume weighted average price for the last 10 Business Days immediately preceding the year end of US$1.0055 (2018: US$0.7522). Actual Units from payment of property management fees may be different as it will be based on the higher of (i) volume weighted average price for last 10 Business Days immediately preceding the year end or (ii) the closing price on the day of issuance of Units in payment of property management fees.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

14. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of Unitholders are contained in the Trust Deed and included the right to:

- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust; and
- attend all Unitholders' meetings. The Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or Unitholders representing not less than 10% of the total Units issued give written request for a meeting to be convened.

A Unitholder has no equitable or proprietary interest in the underlying asset of the Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate or interest in any asset and the real estate-related assets (or any part thereof) of the Group.

A Unitholder's liability is limited to the amount paid or payable for any Units. The provisions of the Trust Deed provide that no Unitholders will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

Issuance costs comprise professional, advisory and underwriting fees and other costs related to the issuance of Units. Included in issuance costs are US$54,405 (2018: US$41,084) of fees paid to the auditors of the Group.

15. NET ASSET VALUE PER UNIT

	Note	Group		Trust	
		2019	2018	2019	2018
Net asset value per Unit is based on:					
– Net assets (US$'000)		1,258,178	1,064,063	1,133,934	949,583
– Total Units issued and to be issued at 31 December ('000)	14	1,573,459	1,280,245	1,573,459	1,280,245

16. GROSS REVENUE

	Group	
	2019 US$'000	2018 US$'000
Rental income	99,679	82,450
Recoveries income	64,575	49,918
Car park income	13,087	11,247
Others	512	939
	177,853	144,554

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

17. PROPERTY OPERATING EXPENSES

	Group	
	2019 US$'000	2018 US$'000
Real estate taxes	23,007	17,315
Repairs and property maintenance expenses	15,830	13,189
Utilities	9,202	7,711
Property management fees and reimbursements	10,658	8,393
Other operating expenses	8,380	7,281
	67,077	53,889

18. OTHER TRUST EXPENSES

Included in other trust expenses are the following:

	Group	
	2019 US$'000	2018 US$'000
Audit fees paid to:		
– Auditors of the Group	296	245
Valuation fees	96	79
Tax and legal expenses[1]	683	666
Investor relations and related expenses	236	251
Foreign exchange differences	5	16
Other expenses	1,144	751
	2,460	2,008

1 Includes U.S. tax reform restructuring costs

19. FINANCE EXPENSES

	Group	
	2019 US$'000	2018 US$'000
Interest expense on loans and borrowings	24,594	17,880
Amortisation of upfront debt-related transaction costs	1,412	1,095
Dividends on preferred units	16	16
Redemption of preferred units	–	218
Commitment and financing fees	158	38
	26,180	19,247

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

20. TAX EXPENSE

	Group 2019 US$'000	Group 2018 US$'000
Current tax expense		
Withholding tax	33	188
Income tax	1,639	762
	1,672	950
Deferred tax expense		
Movement in temporary differences	8,809	13,701
	10,481	14,651
Reconciliation of effective tax rate		
Net income for the year before tax	58,046	79,171
Tax calculated using Singapore tax rate of 17% (2018: 17%)	9,868	13,459
Effect of different tax rate in foreign jurisdictions	613	1,192
	10,481	14,651

Provision for Taxation

Uncertainties exist with respect to the interpretation of complex tax regulations in the jurisdictions in which the Group operates and the amount and timing of future taxable income. Given the span of tax regulations which may apply to the various taxable entities or persons within the Group, the cross-border and long-term nature and complexity of the contractual arrangements and the conditions to the tax rulings which have been obtained, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions recorded or require new or additional tax provisions to be recorded. The Group establishes provisions, based on reasonable estimates, for anticipated tax liabilities or possible consequences of audits by the tax authorities of the respective jurisdictions in which it operates. The amount of such provisions is based on various factors, such as differing interpretations of tax regulations between the taxable entity or person involved and the relevant tax authority and anticipated future changes in the tax laws that may have a direct impact on any tax ruling or favourable tax treatment relied upon. Such instances may arise on a wide variety of issues depending on the conditions prevailing in the domicile of the respective entity or person involved.

On 20 December 2018, the United States Department of the Treasury released the Proposed 267A Regulations under Section 267A. The Manager currently expects that the Proposed 267A Regulations will not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT. The final regulations under Section 267A could differ materially from the Proposed 267A Regulations.

Separately, with effect from 1 January 2019, all registered and incorporated entities in Barbados including domestic Societies will pay the same tax rates, on a sliding scale of 5.5%, reducing to 1.0% as taxable income increases. The Barbados Tax Changes did not have any material impact on the consolidated net tangible assets or distributions per unit of Manulife US REIT.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

21. EARNINGS PER UNIT

Basic earnings per Unit is based on:

	Group	
	2019 US$'000	2018 US$'000
Net income for the year	47,565	64,520

	2019 No. of Units '000	2018 No. of Units '000
Weighted average number of Units	1,399,467	1,175,801[1]

1 The figures have been restated to reflect the effect of the preferential offering under which 72,855,530 Units were issued on18 October 2019.

Basic EPU is calculated based on the weighted number of Units for the year. This is comprised of:

(i) the weighted average number of Units in issue for the year; and

(ii) the estimated weighted average number of Units issuable as payment of the Manager's base and performance fees and Property Manager's management fees for the year.

Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. FINANCIAL RISK MANAGEMENT

Capital management

The Manager's objective when managing capital is to optimise the Group's capital structure within the borrowing limits set out in the CIS Code by the MAS to fund future acquisitions and asset enhancement projects at the Trust's properties. To maintain or achieve an optimal capital structure, the Manager may issue new Units or source additional borrowings from both financial institutions and capital markets.

The Group has a policy to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Manager monitors the yield, which is defined as net property income from the property divided by the latest valuation for the property. The Manager also monitors the level of distributions made to Unitholders.

The Group seeks to maintain a balance between the higher returns that might be possible with higher level of borrowings and the advantages and security afforded by a sound capital position.

The Group is subject to the aggregate leverage limit as defined in the Property Funds Appendix. The Property Funds Appendix stipulates that the total borrowings and deferred payments (collectively the "Aggregate Leverage") of a property fund shall not exceed 45.0% of the fund's deposited property.

The aggregate leverage ratio is calculated as total borrowings and deferred payments divided by total assets. As at 31 December 2019, the aggregate leverage ratio is 37.7% (2018: 37.2%). The Group has complied with the Aggregate Leverage limit of 45.0% during the financial year.

The Manager actively monitors the term of each loan facility, the weighted average cost of debt, and variable debt as a proportion of overall debt outstanding. The Manager also monitors the debt covenants on an ongoing basis and ensures there is sufficient cash available to make the payments under the loan agreement.

Overview of risk management

The Group's activities expose it to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk in the normal course of its business. The Group's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors of the Manager is responsible for setting the objectives and underlying principles of financial risk management for the Group. This is supported by comprehensive internal processes and procedures which are formalised in the Manager's organisational and reporting structure, operating manuals and delegation of authority guidelines.

Market risk

Foreign Currency risk

Foreign currency risk arises when transactions are denominated in a currency other than the functional currency of the Group, and such changes will impact the Group's profit.

The Group has transactional currency exposures arising from cash and cash equivalents and trade and other payables that are denominated in a currency other than its functional currency. These transactions are mainly denominated in Singapore Dollars ("SGD"). Where appropriate, based on the prevailing market conditions, the Group may adopt suitable hedging strategies to minimise any foreign exchange risk.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. FINANCIAL RISK MANAGEMENT (CONT'D)

Market risk (cont'd)

Foreign Currency risk (cont'd)

The exposures to currency risk of the Group and the Trust are as follows:

	Group		Trust	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
Cash and cash equivalents	585	412	533	406
Trade and other payables	(828)	(448)	(749)	(418)
Net liabilities	(243)	(36)	(216)	(12)

A 5.0% weakening of USD against the following foreign currency at the reporting date would decrease the profit or loss by the amounts shown below. This sensitivity analysis assumes that all other variables, in particular, interest rates, remain constant.

	Group		Trust	
	2019 US$'000	2018 US$'000	2019 US$'000	2018 US$'000
SGD	(12)	(2)	(11)	(1)

A 5.0% strengthening of USD against the above currency would have had an opposite effect of similar quantum on the above currency to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

As at 31 December 2019, the Group had US$776.6 million (2018: US$661.6 million) of fixed rate interest-bearing borrowings, including borrowings which are hedged with interest rate swaps, and US$40.3 million (2018: US$9.2 million) of unhedged variable rate interest-bearing borrowings. The Group had not been exposed to significant interest rate risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers. In addition, tenants may experience financial difficulty and are unable to fulfil their lease commitments or tenants may fail to occupy and pay rent in accordance with lease agreements. The Group mitigates credit risk through staggered lease maturities, diversification of revenue sources by ensuring no individual tenant contributes a significant percentage of the Group's gross revenue and obtaining security deposits or letter of credits from the tenants. At the end of the reporting period, approximately 56% (2018: 55%) of the Group's trade receivables were due from 3 tenants.

The Group believes that there is no credit risk inherent in the Group's trade receivables, based on historical payment behaviours and the security deposits held. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

Cash is placed with financial institutions which are regulated.

The financial derivatives are entered into with bank and financial institution counterparties which are regulated.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

22. FINANCIAL RISK MANAGEMENT (CONT'D)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors the liquidity risk of the Group and maintains a level of cash and credit facilities deemed adequate to finance its operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

The Group's credit facilities are set out in Note 10.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount US$'000	Contractual cash flows US$'000	Cash flows Within 1 year US$'000	Within 2 to 5 years US$'000	More than 5 years US$'000
Group					
2019					
Non-derivative financial liabilities					
Trade and other payables and security deposits	30,040	30,040	27,140	2,033	867
Preferred units	102	125	–	–	125
Loans and borrowings	812,024	897,945	106,004	711,165	80,776
	842,166	928,110	133,144	713,198	81,768
2018					
Non-derivative financial liabilities					
Trade and other payables and security deposits	18,934	18,934	17,315	557	1,062
Preferred units	102	125	–	–	125
Loans and borrowings	667,200	736,838	131,029	605,809	–
	686,236	755,897	148,344	606,366	1,187
Trust					
2019					
Non-derivative financial liabilities					
Trade and other payables	2,251	2,251	2,251	–	–
Loans and borrowings	228,038	264,945	14,901	169,268	80,776
	230,289	267,196	17,152	169,268	80,776
2018					
Non-derivative financial liabilities					
Trade and other payables	802	802	802	–	–

The maturity analyses show the contractual undiscounted cash flows of the Group's financial liabilities on the basis of their earliest possible contractual maturity. The cash inflows/outflows relate to these instruments held for risk management purposes and which are usually not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that have simultaneous gross cash settlement e.g. interest rate swaps. Net settled derivative instruments are included in the maturity analyses as they are held to hedge the cash flow variability of the Group's floating rate interest-bearing loans.

The interest payments on floating rate loans and borrowings in the table above reflect market forward interest rates at the period end and these amounts may change as market interest rates changes.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. FAIR VALUES OF ASSETS AND LIABILITIES

(a) Classification and fair value of financial instruments

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Carrying amount				Fair value			
	Note	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	FVTPL US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group									
2019									
Financial assets not measured at fair value									
Cash and cash equivalents	4	60,748	–	–	60,748				
Trade and other receivables^	5	6,921	–	–	6,921				
		67,669	–	–	67,669				
Financial assets measured at fair value									
Financial derivatives	11	–	–	487	487	–	487	–	487
Financial liabilities not measured at fair value									
Trade and other payables	9	–	26,866	–	26,866				
Loans and borrowings	10	–	812,024	–	812,024	–	–	822,290	822,290
Security deposits		–	3,174	–	3,174				
Preferred units	12	–	102	–	102	–	–	125	125
		–	842,166	–	842,166				
Financial liabilities measured at fair value									
Financial derivatives	11	–	–	1,575	1,575	–	1,575	–	1,575

^ Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

		Carrying amount			Fair value			
	Note	Financial assets at amortised cost US$'000	Financial liabilities at amortised cost US$'000	Total carrying amount US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group								
2018								
Financial assets not measured at fair value								
Cash and cash equivalents	4	54,093	–	54,093				
Trade and other receivables^	5	8,702	–	8,702				
		62,795	–	62,795				
Financial liabilities not measured at fair value								
Trade and other payables	9	–	16,826	16,826				
Loans and borrowings	10	–	667,200	667,200	–	–	661,862	661,862
Security deposits		–	2,108	2,108				
Preferred units	12	–	102	102	–	–	125	125
		–	686,236	686,236				

^ Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

23. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(a) Classification and fair value of financial instruments (cont'd)

	Note	Carrying amount				Fair value			
		Financial assets at amortised cost	Financial liabilities at amortised cost	FVTPL	Total carrying amount	Level 1	Level 2	Level 3	Total
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Trust									
2019									
Financial assets not measured at fair value									
Cash and cash equivalents	4	4,287	–	–	4,287				
Trade and other receivables^	5	17,766	–	–	17,766				
		22,053	–	–	22,053				
Financial assets measured at fair value									
Financial derivatives	11	–	–	487	487	–	487	–	487
Financial liabilities not measured at fair value									
Trade and other payables	9	–	2,251	–	2,251				
Loans and borrowings	10	–	228,038	–	228,038	–	–	230,500	230,500
		–	230,289	–	230,289				
Financial liabilities measured at fair value									
Financial derivatives	11	–	–	1,575	1,575	–	1,575	–	1,575
2018									
Financial assets not measured at fair value									
Cash and cash equivalents	4	4,224	–	–	4,224				
Trade and other receivables^	5	24,733	–	–	24,733				
		28,957	–	–	28,957				
Financial liabilities not measured at fair value									
Trade and other payables	9	–	802	–	802				

^ Excluding GST receivables

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

23. FAIR VALUES OF ASSETS AND LIABILITIES (CONT'D)

(b) Measurement of fair values

The following is a description of the valuation techniques and inputs used in the measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Financial derivatives

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Loans and borrowings

The fair values of loans and borrowings are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

24. COMMITMENTS

(a) Operating lease commitments - as lessor

Non-cancellable operating lease rentals are receivable as follows:

	Group	
	2019 US$'000	2018 US$'000
Within 1 year	143,786	112,151
After 1 year but within 5 years	473,304	349,709
After 5 years	351,524	271,274
	968,614	733,134

The above operating lease receivables are based on the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for under the lease agreements.

(b) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group	
	2019 US$'000	2018 US$'000
Capital commitments in respect of investment properties	10,954	2,174

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 December 2019

25. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions were carried out at terms agreed between the parties during the financial years:

	Group	
	2019 US$'000	2018 US$'000
Acquisition of investment properties from a related party	–	387,000
Rental received/receivable from a related party	675	626
Manager's acquisition fee paid	3,208	2,903
Manager's base fee paid/payable	8,334	7,098
Manager's performance fee payable	1,360	–
Trustee's fee paid/payable	269	235
Property manager's management fee paid/payable	4,276	3,531
Leasing fees to a related party	338	159
Construction supervision fee to a related party	669	–
Reimbursements to a related party	6,391	3,645
Settlement of liabilities including withholding taxes	94	106

26. FINANCIAL RATIOS

	Group	
	2019 %	2018 %
Ratio of expenses to weighted average net assets[1]		
– including performance component of the Manager's management fees	1.09	0.96
– excluding performance component of the Manager's management fees	0.97	0.96
Portfolio turnover rate[2]	–	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee for the financial year ended 31 December 2018.

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value in accordance with the formulae stated in the CIS Code.

27. SUBSEQUENT EVENT

Distribution

On 5 February 2020, the Manager announced a distribution of US 1.45 cents per Unit for the period from 30 September 2019 to 31 December 2019.

28. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements were authorised for issue by the Manager and the Trustee on 13 March 2020.

INTERESTED PERSON TRANSACTIONS

The transactions entered into with interested persons during the financial year, which fall under the Listing Manual of the SGX-ST and Property Funds Appendix of the Code of Collective Investment Scheme, are as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to Rule 920) US$'000	Aggregate value of all interested person transactions conducted under Unitholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) US$'000
Manulife US Real Estate Management Pte. Ltd.		
– Base fees	8,334	–
– Performance fees	1,360	–
– Acquisition fees	3,208	–
John Hancock Life Insurance Company (U.S.A) ("JHUSA")		–
– Rental and other related income	675	–
– Property management fees, leasing fees and construction supervision fees including reimbursable	11,674	–
– Reimbursement of withholding taxes paid by JHUSA to U.S. Internal Revenue Service on behalf of Manulife US REIT	94	–
DBS Trustee Ltd		
– Trustee fees	269	–

Save as disclosed above, there were no additional interested person transactions (excluding transactions less than S$100,000) and Manulife US REIT has not obtained a general mandate from Unitholders for interested person transactions.

The fees and charges payable by Manulife US REIT to the Manager under the Trust Deed and to JHUSA under the Master Property Management Agreement and the Property Management Agreements form part of the Exempted Agreements as set out in Manulife US REIT's Prospectus dated 12 May 2016, each of which constitutes an Interested Person Transaction. Accordingly, such transactions are deemed to have been specifically approved by the Unitholders upon subscription for the Units and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that specific information on these agreements have been disclosed in the Prospectus and there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Manulife US REIT.

Please also see Related Party Transactions in Note 25 to the Financial Statements.

Subscription of Manulife US REIT Units

For the financial year ended 31 December 2019, an aggregate of 14,089,749 Units were issued and subscribed for in relation to the Manager's base fees and Property Manager's management fees. On 27 February 2020, an aggregate of 3,433,370 Units were issued in relation to the payment of Manager's base fees and Property Manager's management fees for the fourth quarter of 2019.

STATISTICS OF UNITHOLDINGS

As at 6 March 2020

ISSUED AND FULLY PAID UNITS

There were 1,572,106,073 Units issued in MUST as at 6 March 2020 (voting rights: one vote per Unit).

There is only one class of Units in MUST.

No treasury units and no subsidiary holdings held.

Market Capitalisation: US$1,603,548,194 based on market closing price of US$1.020 per Unit on 6 March 2020.

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 – 99	48	0.86	1,877	0.00
100 – 1,000	351	6.28	265,361	0.02
1,001 – 10,000	2,212	39.60	11,918,353	0.76
10,001 – 1,000,000	2,947	52.76	140,098,550	8.91
1,000,001 AND ABOVE	28	0.50	1,419,821,932	90.31
TOTAL	**5,586**	**100.00**	**1,572,106,073**	**100.00**

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	DBS NOMINEES (PRIVATE) LIMITED	595,440,955	37.88
2	RAFFLES NOMINEES (PTE.) LIMITED	253,965,954	16.15
3	CITIBANK NOMINEES SINGAPORE PTE LTD	231,196,284	14.71
4	DBSN SERVICES PTE. LTD.	124,284,011	7.91
5	HSBC (SINGAPORE) NOMINEES PTE LTD	74,999,377	4.77
6	DB NOMINEES (SINGAPORE) PTE LTD	29,301,642	1.86
7	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	20,157,060	1.28
8	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	16,841,241	1.07
9	BPSS NOMINEES SINGAPORE (PTE.) LTD.	13,166,446	0.84
10	PHILLIP SECURITIES PTE LTD	8,701,214	0.55
11	UOB KAY HIAN PRIVATE LIMITED	5,920,773	0.38
12	ABN AMRO CLEARING BANK N.V.	5,856,216	0.37
13	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,183,048	0.33
14	LIEW CHEE KONG	4,400,000	0.28
15	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	3,869,943	0.25
16	KGI SECURITIES (SINGAPORE) PTE. LTD.	3,537,473	0.23
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	3,288,180	0.21
18	OCBC SECURITIES PRIVATE LIMITED	3,172,477	0.20
19	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	2,791,720	0.18
20	STONE FOREST PTE LTD	2,570,000	0.16
	TOTAL	**1,408,644,014**	**89.61**

STATISTICS OF UNITHOLDINGS

As at 6 March 2020

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS

(As recorded in the Register of Substantial Unitholdings as at 6 March 2020)

Name of Substantial Unitholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Units	%[1]	No. of Units	%[1]	No. of Units	%[1]
Manulife (International) Limited	84,657,792	5.38	–	–	84,657,792	5.38
Manulife International Holdings Limited[2]	–	–	84,657,792	5.38	84,657,792	5.38
Manulife Financial Asia Limited[3]	1	n.m[8]	134,879,304	8.58	134,879,305	8.58
Manulife Holdings (Bermuda) Limited[4]	–	–	134,879,305	8.58	134,879,305	8.58
The Manufacturers Life Insurance Company[5]	–	–	134,879,305	8.58	134,879,305	8.58
Manulife Financial Corporation[6]	–	–	134,879,305	8.58	134,879,305	8.58
Prudential Corporation Asia Limited[7]	–	–	92,263,485	5.87	92,263,485	5.87
Prudential plc[7]	–	–	92,263,485	5.87	92,263,485	5.87
Drachs Investments No 3 Limited	79,391,724	5.05	–	–	79,391,724	5.05

Notes:

(1) The percentage of unitholding is calculated based on the total number of 1,572,106,073 Units in issue as at 6 March 2020.

(2) Manulife (International) Limited ("**MIL**") is a wholly-owned subsidiary of Manulife International Holdings Limited ("**MIHL**"). MIHL is therefore deemed interested in MIL's direct interest in 84,657,792 Units.

(3) MIHL, Manufacturers Life Reinsurance Limited ("**MLRL**") and Manulife US Real Estate Management Pte. Ltd. ("**MUSREM**") are wholly-owned subsidiaries of Manulife Financial Asia Limited ("**MFAL**"). MFAL is therefore deemed interested in (i) MIHL's deemed interest in 84,657,792 Units; (ii) MLRL's direct interest in 46,356,369 Units; and (iii) MUSREM's direct interest in 3,865,143 Units.

(4) MFAL is a wholly-owned subsidiary of Manulife Holdings (Bermuda) Limited ("**MHBL**"). MHBL is therefore deemed interested in (i) MFAL's direct interest in 1 Unit; and (ii) MFAL's deemed interest in 134,879,304 Units.

(5) MHBL is a wholly-owned subsidiary of The Manufacturers Life Insurance Company (the "**Sponsor**"). The Sponsor is therefore deemed interested in MHBL's deemed interest in 134,879,305 Units.

(6) The Sponsor is a wholly-owned subsidiary of Manulife Financial Corporation ("**MFC**"). MFC is therefore deemed interested in the Sponsor's deemed interest in 134,879,305 Units.

(7) Prudential Corporation Asia Limited ("**PCAL**") and Prudential plc are deemed interested in Manulife US REIT's Units held and managed by PCAL's subsidiaries as fund managers.

(8) Not meaningful.

UNITHOLDINGS OF THE DIRECTORS OF THE MANAGER

(As recorded in the Register of Directors' Unitholdings as at 21 January 2020)

Directors	Direct interest		Deemed interest	
	No. of Units	%[1]	No. of Units	%[1]
Hsieh Tsun-Yan[2]	991,325	0.063	–	–
Lau Chun Wah @ Davy Lau	–	–	–	–
Veronica Julia McCann[3]	443,364	0.028	–	–
Dr Choo Kian Koon	–	–	–	–
Dr Koh Cher Chiew Francis[4]	–	–	–	–
Michael Floyd Dommermuth	–	–	–	–
Stephen James Blewitt	–	–	–	–

Notes:

(1) The percentage of unitholding is calculated based on the total number of 1,568,672,703 Units in issue as at 21 January 2020.

(2) The 991,325 Units are jointly owned by Mr Hsieh Tsun-Yan and his spouse, Hsieh Siauyih Goon.

(3) The 443,364 Units are jointly owned by Ms Veronica Julia McCann and her spouse, Steven John Baggott.

(4) Dr Koh Cher Chiew Francis was appointed as a Director of the Manager on 21 October 2019.

FREE FLOAT:

Based on information available to the Manager as at 6 March 2020, 91.33% of the Units in MUST are held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST is complied with.

CORPORATE DIRECTORY

Manager

Manulife US Real Estate Management Pte. Ltd.
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Fax: +65 6801 1056
Email: usreitinquiry@manulifeusreit.sg
Website: www.manulifeusreit.sg

Board of Directors

Mr Hsieh Tsun-Yan
Chairman & Non-Executive Director

Mr Davy Lau
Independent Non-Executive Director,
Lead Independent Director

Ms Veronica McCann
Independent Non-Executive Director

Dr Choo Kian Koon
Independent Non-Executive Director

Dr Koh Cher Chiew Francis
Independent Non-Executive Director

Mr Michael Dommermuth
Non-Executive Director

Mr Stephen Blewitt
Non-Executive Director

Audit and Risk Committee

Ms Veronica McCann
Chairman

Dr Choo Kian Koon

Dr Koh Cher Chiew Francis

Nominating and Remuneration Committee

Mr Davy Lau
Chairman

Mr Hsieh Tsun-Yan

Ms Veronica McCann

Management Team

Ms Jill Smith
Chief Executive Officer

Ms Caroline Fong
Head of Investor Relations

Ms Jennifer Schillaci
Chief Investment Officer

Mr Robert Wong
Chief Financial Officer

Mr Choong Chia Yee
Financial Controller

Ms Daphne Chua
Head of Compliance

Company Secretary

Ms Ngiam May Ling
Appointment Date: 12 December 2019

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Partner-in-charge
Mr Nelson Chen
Appointment Date: 13 May 2016

Unit Registrar

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SCAN ME

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LEADING THE WAY

Annual Report 2019