MANAGER'S DISCUSSION AND ANALYSIS

CEO'S REVIEW

Market Review

The COVID-19 pandemic and global economic recession took a sharp toll on the country's economy in 2020. This had significant potential implications for Axis-REIT as a property owner, as the Fund's performance is contingent on its tenants' operations, the property market and the broader economy.

Recognising the urgent need for a swift and decisive action plan to manage the impact of the pandemic, the Manager was quick to formulate a prudent and targeted COVID-19 Response and deploy its Business Continuity Plan. These measures were effective in containing and mitigating the impact of the pandemic on the Fund, enabling the Manager to focus on executing its operating strategies toward achieving the Fund's objectives.

An equally important factor that underscored the Fund's resilience is its inherent focus on prime industrial assets. This has shaped its portfolio to attract a strong tenant profile, comprising MNCs, LLCs and GLCs involved in a diverse range of sectors and industries, from manufacturing, logistics and warehousing, to essential goods and services. The Manager's foresight in embracing technology in marketing and tenant management processes in prior years also enabled us to continue leaning on and building out these assets during the year, which helped minimise disruptions from the pandemic as well.

The Fund's emphasis on long term, sustainable growth over the years has positioned it to enjoy continued expansion despite the adverse operating and economic environment in 2020. The Manager's prudent financial strategies ensured that the Fund has a strong balance sheet, with sufficient liquidity and headroom to pursue acquisitive opportunities, and to explore potential development projects, laying the foundation for continued growth in the years to come.

While we continue to monitor and proactively manage the risks arising from the uncertain operating and economic landscape, we are pleased to report success in mitigating the impact of the pandemic on the Fund thus far. We have closed FYE2020 on a strong note, with resilient operating and financial headlines, along with material progress in incorporating ESG considerations in our day to day operations.



Market & Operating Conditions and mitigating factors

Market & Operating Conditions	Mitigating Factor(s) / Initiatives Taken
▸ COVID-19 pandemic ▸ Implementation of the MCO, which caused widespread disruptions to business activities and a sharp economic downturn	▸ Manufacturing and Logistics Warehouse operators experienced limited disruption from the MCO ▸ A-list tenant base comprising MNCs, LLCs and GLCs that were resilient in withstanding the pandemic ▸ Quick deployment of a COVID-19 Response and Business Continuity Plan aimed at safeguarding the safety and health of our stakeholders while working with tenants to navigate the pandemic through: • a smooth transition to remote working, de-densification and split team arrangements, where necessary • implementing Standard Operating Procedures ("SOP") at all multi-tenanted buildings to ensure the safety of our employees and stakeholders • leveraging on technology for marketing, leasing and tenant engagement efforts • targeted assistance in the form of rental deferrals and season car park waivers for affected tenants
▸ Resilience in industrial real estate assets as government policies continue to encourage direct investments in the manufacturing sector ▸ Accelerated adoption of e-commerce amid the MCO ▸ Accommodative macroeconomic policies to support economic recovery and growth	▸ Continued marketing and leasing efforts to renew tenancies and secure new tenancies for manufacturing facilities and logistics warehouse properties ▸ Capitalised on the Fund's liquidity and strong financial position to pursue portfolio growth opportunities through acquisitions and development projects

Key highlights in 2020

1Q 2020

- Completion and handover of Axis Facility @ Batu Kawan, the Fund's third 'built-to-lease' development
- Completed the acquisitions of Axis Facility 2 @ Nilai and Axis Facility 2 @ Bukit Raja
- Declared a first interim DPU of 2.10 sen

2Q 2020

- Completed the acquisition of D37c Logistics Warehouse
- Declared a second interim DPU of 2.15 sen
- Accepted an offer to acquire three properties in Kulai
- Accepted an offer to acquire one property in Shah Alam

3Q 2020

- Signed a Sale & Purchase agreement to acquire one property in Shah Alam for RM11.9 million
- Declared a third interim DPU of 2.25 sen
- Signed a Sale & Purchase agreement to acquire one property in Shah Alam for RM95.0 million

4Q 2020

- Completed the acquisitions of Axis Shah Alam Distribution Centre 5 and Axis Industrial Facility @ Shah Alam
- Signed Sale & Purchase agreements to acquire three properties in Kulai, for RM28.2 million
- Application of IDRP for FYE2020's final income distribution
- Declared a final DPU of 2.25 sen
- Recorded a revaluation gain of RM19 million for FYE2020
- Accepted an offer to acquire one property in Bukit Raja, Shah Alam
- Accepted an offer to acquire one property in Pasir Gudang, Johor

FINANCIAL REVIEW

2020 was a challenging year with several unprecedented events including the global COVID-19 outbreak and the US-China trade war. These events have exerted extreme pressure on global businesses. The outbreak of the COVID-19 pandemic in the first half of 2020 put the global economy on pause, causing severe disruptions to overall business activities as social distancing regulations and cross-border controls resulted in a significant slowdown in economic activities.

The Manager swiftly reacted to the situation, quickly embracing the new normal to ensure uninterrupted operations and support for our tenants. Consequently, despite the sluggish market sentiment, the Fund's property income and realised net income after taxation increased by 4% and 8.1% year-on-year respectively, to RM224.7 million (FYE2019: RM216.0 million) and RM125.6 million (FYE2019: RM116.2 million).

The Fund's total income distribution rose 8.1% to RM126.2 million, although full year DPU, at 8.75 sen, was 5.5% lower as compared to the preceding year due to the enlarged Units in circulation following the placement exercise completed in the fourth quarter of 2019. At 8.75 sen, the Fund's DPU for FYE2020 translated to a distribution yield of 4.3%, based on its closing unit price of RM2.03 on 31 December 2020.

	FYE2019	FYE2020
Property income (excluding lease incentive adjustment and unbilled lease income receivables) (RM'000)	216,005	**224,712**
Realised net income after taxation (excluding lease incentive adjustment) (RM'000)	116,209	**125,586**
Income distribution (RM'000)	116,752	**126,203**
DPU (sen)	9.26 sen	**8.75 sen**

A snapshot of the Fund's key financial results is presented in the table below:

Summary of Results

	2016	2017	2018	2019	2020
Total Revenue (RM'000)	171,340	172,715	210,588	222,464	**232,234**
Property Operating Expenses (RM'000)	(27,048)	(26,512)	(27,827)	(30,756)	**(33,716)**
Net Property Income (RM'000)	144,292	146,203	182,761	191,708	**198,518**
Profit Income (RM'000)	678	984	725	1,434	**875**
Changes in Fair Value of Investment Properties (RM'000) *	25,206	25,441	35,607	94,064	**10,796**
Net Gain/(Loss) on Financial Liabilities measured at amortised cost (RM'000) **	2,446	1,163	3,687	(2,348)	**(428)**
Net Gain/(Loss) on Disposal of Investment Properties (RM'000)	-	(419)	-	-	**-**
Fair Value Change on Derivatives (RM'000)	(201)	206	(306)	(933)	**(905)**
Net Property and Investment Income (RM'000)	172,421	173,578	222,474	283,925	**208,856**
Non-Property Expenses (RM'000)	50,129	51,018	63,026	70,474	**66,285**

MANAGER'S DISCUSSION AND ANALYSIS

	2016	2017	2018	2019	2020
Net Income before Taxation (RM'000)	122,292	122,560	159,448	213,451	**142,571**
Breakdown of Net Income after Taxation:					
- Realised Income after Taxation (RM'000)	90,186	90,796	113,442	115,179	**124,938**
- Unrealised Income after Taxation (RM'000)	32,106	31,764	41,537	94,059	**17,126**
Income Available for Distribution (RM'000)	91,122	92,668	108,011	116,872	**126,390**
Earnings per Unit (Realised + Unrealised) ("EPU") (sen)	11.09	10.97	12.57	16.61	**9.86**
Income Distribution (RM'000)	91,067	92,457	107,825	116,752	**126,203**
Distribution Per Unit ("DPU") (sen)	8.25	8.26	8.74	9.26	**8.75**
Distribution Yield (based on closing market price on 31 December) (%)	5.12	5.51	5.60	5.23	**4.31**
EPU Yield (based on closing market price on 31 December) (%)	6.89	7.31	8.06	9.38	**4.86**
Management Expense Ratio ("MER") (%)	1.25	1.31	1.30	1.29	**1.27**
Annual Total Return (%) ***	3.20	(1.70)	9.83	19.40	**19.63**
Average Total Return (3 years) (%)	9.58	(1.08)	3.78	9.18	**16.29**
Average Total Return (5 years) (%)	10.96	5.31	7.37	5.20	**10.07**

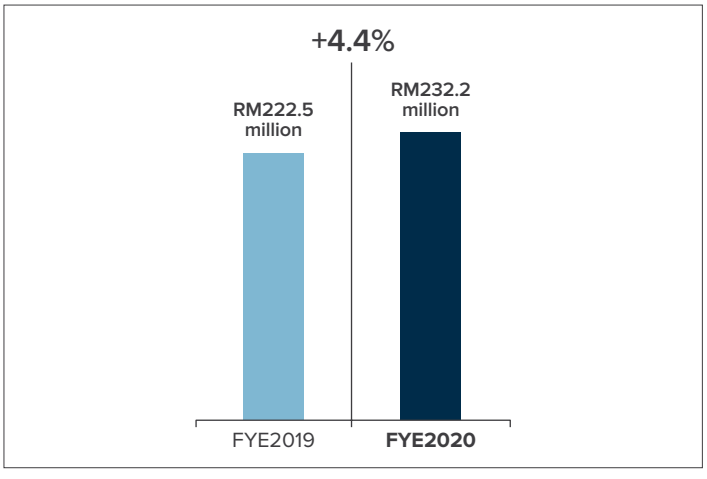
* *After offsetting unbilled lease income receivables.*
** *Unrealised gain/(loss) on discounted tenants' deposits received in compliance with the Malaysian Financial Reporting Standard ("MFRS") 139.*
*** *Based on movements in the Unit price and DPU yield.*

Revenue: Increased by RM9.7 million (+4.4%)

Despite the challenging backdrop, the Fund's revenue rose 4.4% to RM232.2 million, mainly due to rental contributions from: (i) new acquisitions completed during the year, (ii) full year contributions from properties that were acquired in FYE2019, and (iii) the commencement of the lease on Axis Facility @ Batu Kawan on 1 March 2020.

The combined effect of these factors, together with the 5.6% positive rental reversions across the portfolio, offset the impact of a dip in occupancy rates.

REVENUE



Revenue composition: Rental income accounted for 96.5% of total revenue

Rental income contributed RM224.0 million or 96.5% of total revenue, with the balance contributed by car park income and other income.

The lower car park income was due to waivers/rebates on seasonal car park rent extended to affected tenants during the MCO period and lower visitor car park income in FYE2020.

	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Rental income	161,201	159,491	199,527 *	211,475 *	**224,001** *
Car park income	6,475	7,817	5,890	6,355	**4,615**
Other income	3,664	5,407	5,171	4,634	**3,618**
Total	**171,340**	**172,715**	**210,588**	**222,464**	**232,234**

* *Includes the recognition of rental income pursuant to the requirements of MFRS16 on a straight-line basis, including rent-free periods*

Property Operating Expenses: RM3.0 million higher

Property operating expenses incurred during the year increased by RM3.0 million year-on-year to RM33.7 million, mainly due to the enlarged portfolio size and a one-off cost of close to RM1.0 million incurred to repair a collapsed retaining wall that damaged the driveways of two properties.

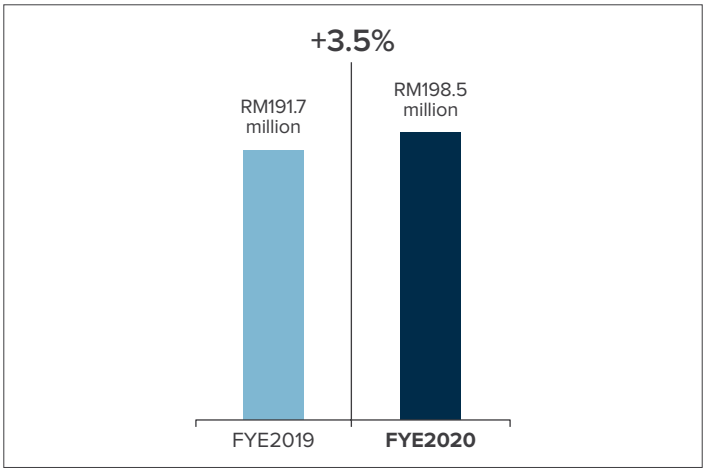
In order to uphold a high standard of hygiene amid the COVID-19 pandemic, the Manager stepped up preventive measures at multi-tenanted properties, raising the frequency of cleaning, sanitising and utilising anti-viral and anti-bacterial cleaning products. These led to an increase in property operating expenses during the year.

	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Assessment and quit rent	4,898	5,072	5,407	5,495	**6,203**
Property manager's fee and on-site personnel costs	6,249	5,905	6,900	7,633	**8,221**
Security	1,855	1,981	2,305	2,742	**3,147**
Takaful	1,544	1,168	1,521	1,393	**1,451**
Maintenance and others	12,502	12,386	11,694	13,493	**14,694**
Total	**27,048**	**26,512**	**27,827**	**30,756**	**33,716**

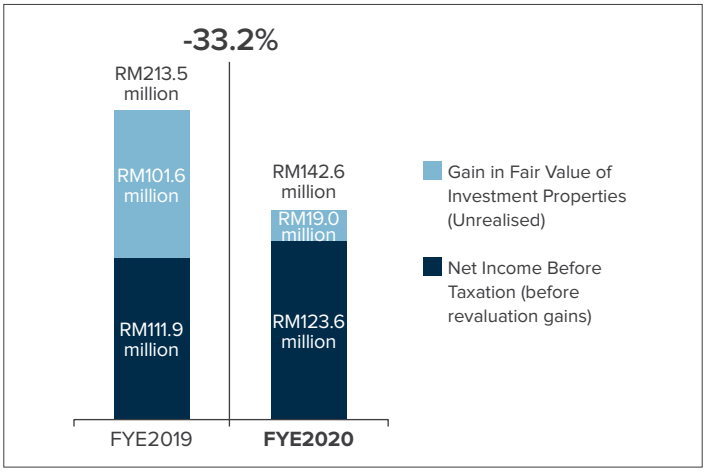
Net Property Income: RM6.8 million higher

Net property income for FYE2020 rose by 3.5% year-on-year to RM198.5 million as a result of the above-mentioned movements.

NET PROPERTY INCOME



NET INCOME BEFORE TAXATION



Net Income Before Taxation: Lower revaluation gains

Axis-REIT recorded a net income before taxation of RM142.6 million for FYE2020, a decrease of 33.2% from the previous financial year.

This was due to lower unrealised gains in the fair value of investment properties of RM19.0 million in FYE2020, against RM101.6 million in the preceding year.

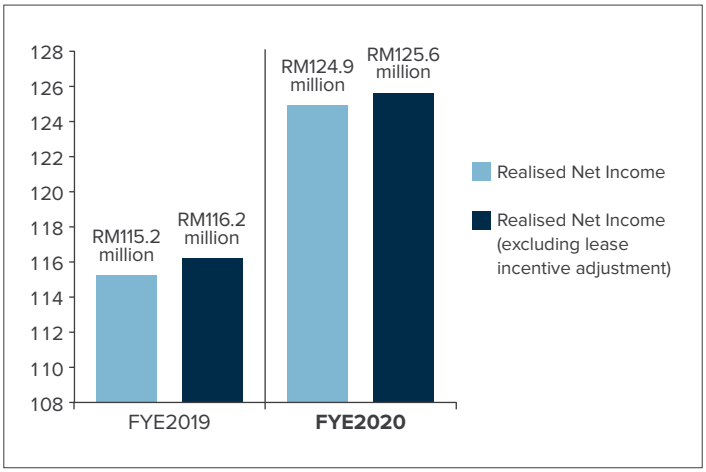
The Fund's DPU was not affected by the lower revaluation gain as it is non-cash in nature.

Realised Net Income excluding lease incentive adjustment: Up 8.1% at RM125.6 million

At the bottom line, Axis-REIT's realised net income, including the impact of lease incentive adjustment pursuant to MFRS16, rose 8.4% to RM124.9 million.

Excluding the lease incentive adjustment, realised net income for FYE2020 would have amounted to RM125.6 million against RM116.2 million in FYE2019 – a healthy 8.1% increase from the previous year, in line with the Fund's top line growth.

REALISED NET INCOME



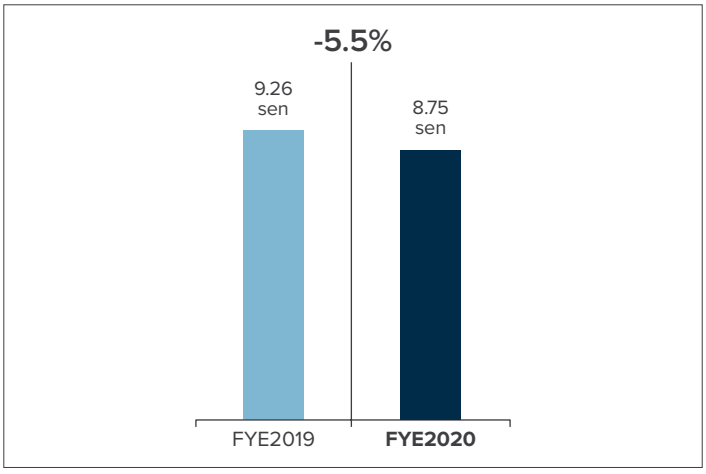
DPU: 8.75 sen

The Fund's distributable income for FYE2020 amounted to RM126.4 million, and the Fund undertook to distribute RM126.2 million, translating to a 99.9% payout ratio.

The Fund distributed 8.75 sen per unit for FYE2020. Despite the higher realised income, DPU for FYE2020 was marginally lower than the 9.26 sen declared for FYE2019. This was due to the larger number of Units in issue following the placement exercises implemented at the end of 2019.

Based on the closing price of RM2.03 on 31 December 2020, FYE2020's DPU translated to a commendable distribution yield of 4.31%.

DISTRIBUTION PER UNIT



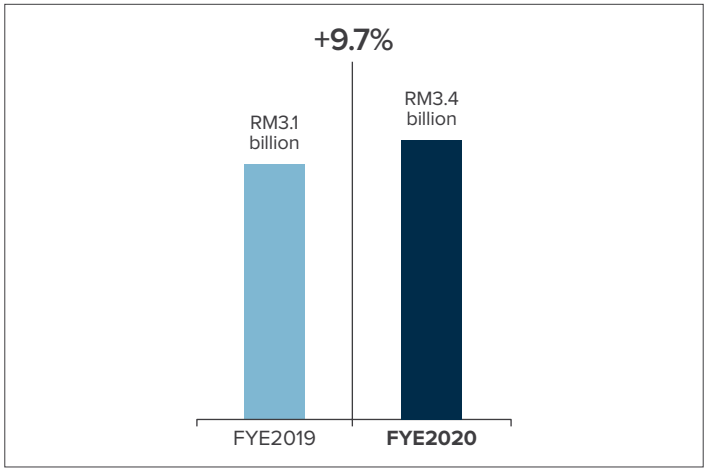
The application of the IDRP for FYE2019 in conjunction with the payment of the final DPU ("2019 IDRP") was successfully completed in March 2020. Pursuant to the 2019 IDRP, a total of 7,081,008 IDRP units were issued and listed on Bursa Securities on 10 March 2020. Consequently, the total number of Axis-REIT units in issue increased from 1,435,250,288 to 1,442,331,296 post the completion of the 2019 IDRP. The Fund retained RM11.7 million in capital from the 2019 IDRP, which was deployed towards AEIs of its property portfolio.

The Fund also announced an IDRP for FYE2020 ("2020 IDRP"), applied to the final DPU of 2.25 sen, of which 0.83 sen is taxable and 1.42 sen is non-taxable in the hands of Unitholders. The 2020 IDRP gives Unitholders the option to either:

a) reinvest the electable portion of 1.1 sen in new units of the Fund and receive the balance portion of 1.15 sen in cash, or
b) reinvest a partial electable portion of 0.55 sen in new units of the Fund and receive the balance portion of 1.70 sen in cash, or
c) choose not to participate in the IDRP option and receive the entire final DPU of 2.25 sen in cash.

The 2020 IDRP was offered to Unitholders at an attractive price RM1.88 per unit, pricing it at a 6.47% discount to the five-day volume weighted average market price of the Fund's Units. The 2020 IDRP is expected to be completed on 11 March 2021.

ASSETS UNDER MANAGEMENT



Financial Position

Total Assets: Up 9.7% year-on-year to RM3.4 billion

Axis-REIT maintained a strong financial position in FYE2020 that positions the Fund for growth in the years to come.

The Fund added RM263.2 million in asset value during FYE2020, including AEI investments in the portfolio amounting to RM7.4 million, and a revaluation gain of RM19.0 million on the Fund's investment properties. Consequently, the Fund's total assets stood at RM3.4 billion as at 31 December 2020 – an increase of 9.7% against the preceding financial year.

Portfolio Yield: Average net yield of 7.5%

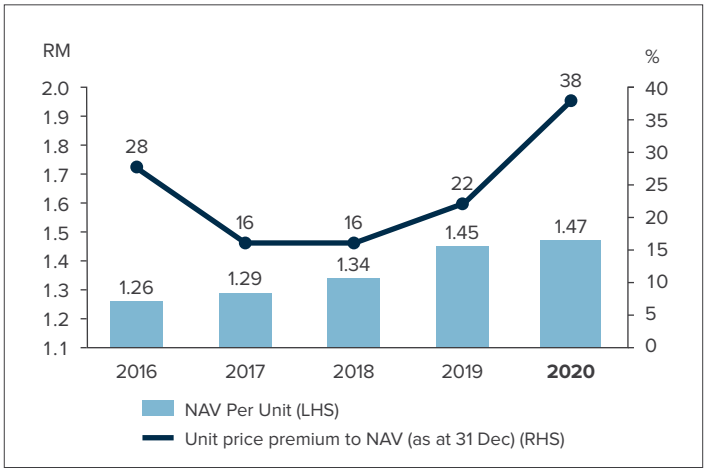
The Fund's portfolio delivered average gross and net yields of 8.8% and 7.5% respectively during FYE2020.

Logistics warehouse properties topped the portfolio with a net yield of 8.3% followed by hypermarkets at 8.2% and manufacturing facilities at 7.4%.

Despite the uncertainties and challenging business environment, the Fund's office properties delivered a commendable average gross and net yield of 8.9% and 6.3% respectively.

Asset type	Portfolio Yield (%)	
	Gross	Net
Office	8.9	6.3
Office Industrial	9.1	6.4
Logistics Warehouse	9.1	8.3
Manufacturing Facilities	8.3	7.4
Hypermarket	8.8	8.2
Average	**8.8**	**7.5**

NAV PER UNIT



NAV Per Unit: RM1.47 as at 31 December 2020

The Fund's NAV rose by 2.1% during FYE2020 to RM2.1 billion as at 31 December 2020, translating to an NAV per unit of RM1.47.

Based on Axis-REIT's closing Unit price of RM2.03 as at 31 December 2020, the Fund traded at a 38.1% premium to its NAV at the close of the year.

Summary of Performance

	2016	2017	2018	2019	2020
Total Asset Value (RM'000)	2,244,274	2,549,609	2,840,463	3,085,681	**3,364,083**
Net Asset Value ("NAV") (RM'000)	1,392,971	1,591,136	1,664,081	2,078,764	**2,123,004**
Units in Circulation ('000 units)	1,105,174	1,232,327	1,237,285	1,435,250	**1,442,331**
NAV per unit (RM)					
- As at 31 December	1.26	1.29	1.34	1.45	**1.47**
- Lowest NAV during the year	1.23	1.25	1.29	1.33	**1.46**
- Highest NAV during the year	1.26	1.29	1.34	1.45	**1.48**
Market Value per unit					
- As at 31 December (RM)	1.61	1.50	1.56	1.77	**2.03**
Highest Traded Price for the year (RM)	1.81	1.72	1.59	1.99	**2.25**
Lowest Traded Price for the year (RM)	1.50	1.45	1.19	1.55	**1.66**

Portfolio Valuation: 53 Properties valued at RM3.3 billion

As at 31 December 2020, Axis-REIT's portfolio comprised 53 properties with a total net lettable area ("NLA") of 10.5 million sq. ft., compared to 48 properties a year ago. A total of five properties were added to the portfolio in FYE2020. The portfolio is revalued annually, to comply with the SC's Guidelines on Listed REITs and MFRS140. Any increase or decrease in fair value is charged to the Statement of Profit or Loss as a net appreciation or depreciation on the revaluation of investment properties. For FYE2020, the independent valuation conducted on our investment properties valued the portfolio at RM3.3 billion, which included a revaluation gain of RM19.0 million for the year.

	2016	2017	2018	2019	2020
No. of properties	39	40	45	48	**53**
NLA ('million sq. ft.)	7.6	8.1	9.3	9.5	**10.5**
Portfolio carrying value before revaluation (RM million)	2,163.0	2,451.8	2,755.9	2,889.0	**3,261.2**
Portfolio carrying value after revaluation (RM million)	2,192.9	2,482.2	2,798.5	2,990.6	**3,280.2**
Unrealised gain/(loss) (RM'000)	29,861	30,395	42,558	101,553	**18,966**
Portfolio Total Investment Outlay (including enhancements) (RM million)	1,895.6	2,151.0	2,424.8	2,515.3	**2,786.0**
Accumulated Revaluation Gain/(Loss) (RM million)	301.5	331.2	373.7	475.3	**494.2**

A breakdown of the Fund's portfolio valuation by property is provided on pages 238 - 241 of this Report.

Financing Profile

	2016	2017	2018	2019	2020
Total financing (RM'000)	780,665	842,594	1,059,367	885,859	**1,112,183**
Total assets (RM'000)	2,244,274	2,549,609	2,840,463	3,085,681	**3,364,083**
Financing ratio	34.8%	33.0%	37.3%	28.7%	**33.1%**
Effective profit rate per annum (p.a.) *	4.3%	4.2%	4.3%	4.4%	**3.9%**
Percentage of short-term financing	58%	71%	77%	43%	**55%**
Percentage of medium and long-term financing	42%	29%	23%	57%	**45%**
Total unencumbered assets	15	15	19	16	**25**
Percentage of unencumbered assets over total assets	30%	27%	28%	27%	**44%**

* *For comparison purposes, the effective profit rate includes incidental costs of financing.*

Total Financing: RM226.3 million higher at RM1.1 billion

As at 31 December 2020, the Fund's total financing increased to RM1.1 billion (FYE2019: RM885.9 million), raising its financing ratio to 33.1% (FYE2019: 28.7%).

The Fund completed five acquisitions during FYE2020 and these acquisitions were fully funded by existing banking facilities. These properties were immediately income-generating, contributing to Axis-REIT's FYE2020 income upon completion of their acquisitions, and from FYE2021 onwards, the Fund will benefit from full-year income contributions from these properties.

During the year, the 7-year Sukuk amounting to RM70.0 million matured and the Fund used its existing short-term credit facilities to fully redeem the Sukuk. Following the redemption of the 7-year Sukuk, Axis-REIT's remaining Sukuk issuances amounted to RM350.0 million as at 31 December 2020.

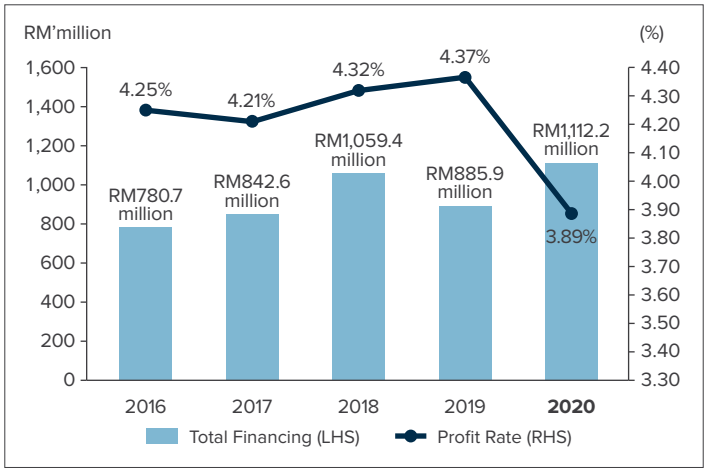
As at 31 December 2020, the effective profit rate of the Fund's financing portfolio stood at 3.9% p.a., down 0.5 percentage points from 4.4% in FYE2019. This was mainly due to a lower financing ratio following the equity placement exercises that were completed in end-FYE2019, and BNM's four Overnight Policy Rate ("OPR") cuts during the year, which resulted in a cumulative 125-bps reduction in the OPR.

Approximately 53% of the Fund's financing was maintained at fixed profit rates. The financing cost for approximately 13.5% of the Fund's outstanding financing, to an aggregate amount of RM150.0 million was hedged through Islamic Profit Rate Swaps.

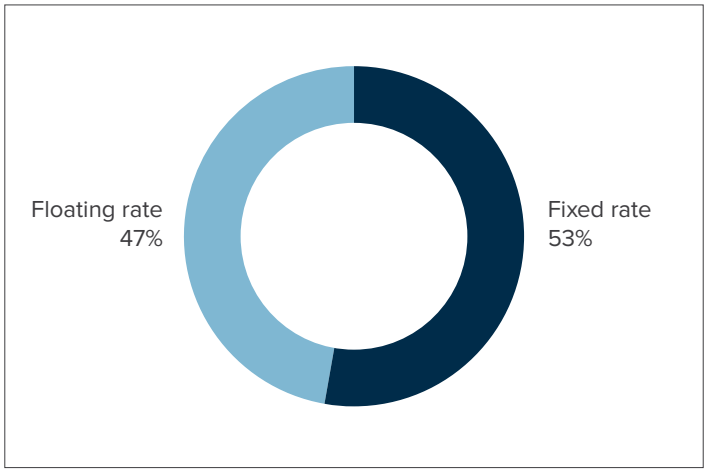
The Fund adopts a prudent and disciplined approach towards capital management to ensure financial flexibility in its funding structure and to mitigate concentration risk. We have strengthened our capital management to ensure the Fund's financial position is robust and well-prepared for any upcoming challenges and opportunities.

As at 31 December 2020, our financing portfolio (before incidental costs of financing) consisted of RM350.0 million in Sukuk issuances (7-year and 10-year tenures), RM151.5 million in term financing facilities and RM611.5 million in revolving credit facilities. The Fund's exposure to medium and long-term financing as at 31 December 2020 stood at 45%.

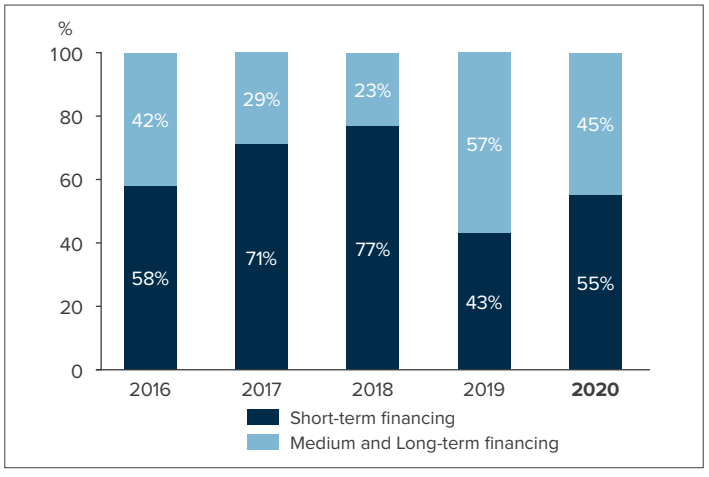
TOTAL FINANCING



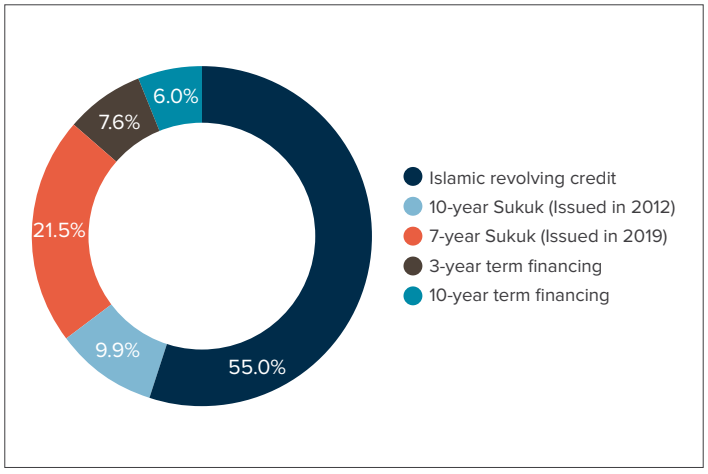
FIXED VS FLOATING RATES



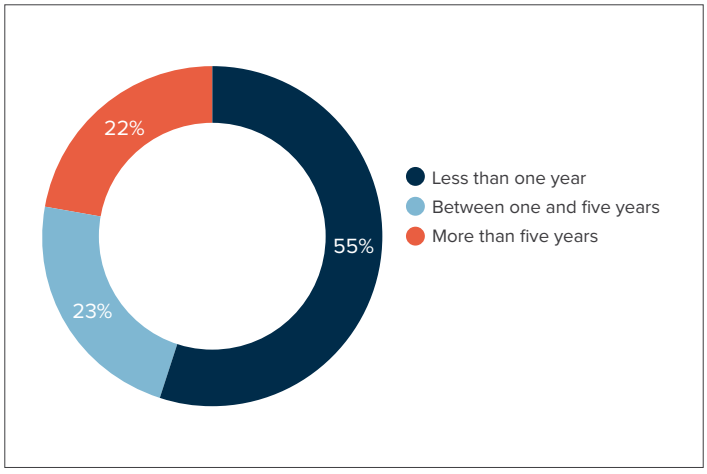
SHORT-TERM VS MEDIUM AND LONG-TERM FINANCING



FINANCING PROFILE AS AT 31 DECEMBER 2020



FINANCING MATURITY PROFILE AS AT 31 DECEMBER 2020



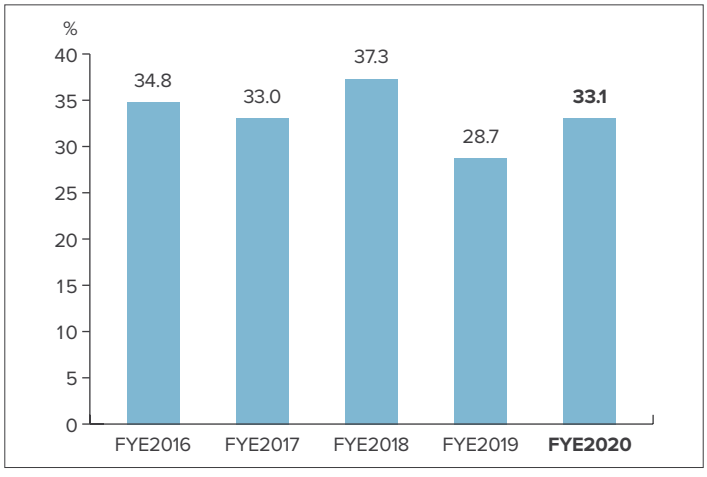
Financing Ratio: 33.1% as at 31 December 2020, well below regulatory limits

The Fund's financing ratio remained low, at 33.1% - well below the SC's Guidelines on Listed REITs' limits, providing comfortable financing headroom for potential acquisitions. The Fund's average all-in effective profit rate stood at 3.9% p.a. and all financing facilities are secured by properties.

The Fund's relatively low financing ratio paves the way for further acquisitions and growth as it gives the Fund headroom to take on a further RM570.0 million in financing facilities before the financing ratio breaches the 50% limit set by the SC under its Guidelines on Listed REITs.

During the year, the SC had announced a temporary increase in the gearing limit for MREITs, raising the cap to 60% until 31 December 2022.

FINANCING RATIO



Liquidity and Credit Position

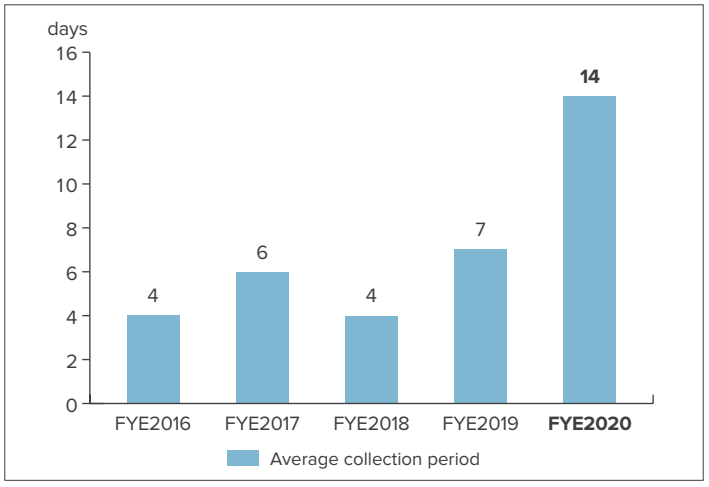
As at 31 December 2020, the Fund's cash balances and short-term Islamic deposits amounted to RM39.8 million, along with committed but undrawn financing facilities amounting to RM115.0 million, providing sufficient liquidity to satisfy its working capital and operating requirements.

We continuously monitor the Fund's liquidity against our strategic plans and ensure that the Fund has sufficient financial resources and credit facilities to meet our funding and working capital commitments.

Apart from our cash balances and credit facilities, we also monitor our rental income collection and manage the Fund's tenant and credit risks.

For FYE2020, the Fund's average collection period remained at a manageable 14 days, while trade receivables of the Fund stood at RM8.4 million. The trade receivables balance for FYE2020 was comparatively higher than that of FYE2019 mainly because two major tenants had delayed their payments during the financial year under review. However, most of the outstanding payments were subsequently collected in January and February 2021.

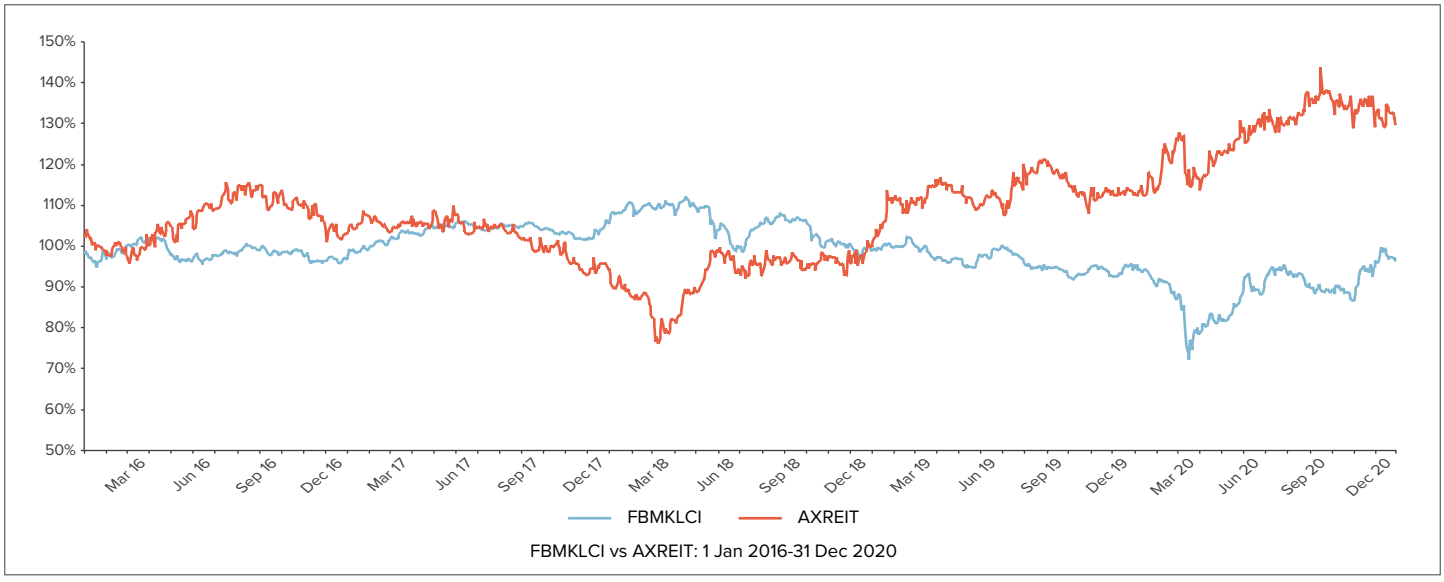
AVERAGE COLLECTION PERIOD



Our stringent approach to tenant and credit risk management has kept impairments on trade receivables to a minimum. In FYE2020, the Fund recorded an impairment loss on trade receivables amounting to RM70,000, which represents just 0.03% of the Fund's total annual gross revenue. The keen focus on receivables and well-established internal credit control processes has led to this excellent result.

Impairment Losses on Trade Receivables	2016 (RM'000)	2017 (RM'000)	2018 (RM'000)	2019 (RM'000)	2020 (RM'000)
Impairment losses on trade receivables/bad debts written off/(written back)	474	(369)	215	(26)	**70**
Trade receivables	1,469	2,628	4,630	4,207	**8,379**
Total annual gross revenue	166,685	167,761	197,241	216,005	**224,712**
Impairment losses on trade receivables/bad debts written off/(written back) as a % of gross revenue	0.28	-	0.11	-	**0.03**
Average collection period (in days)	4	6	4	7	**14**

UNIT PRICE PERFORMANCE



FBMKLCI vs AXREIT: 1 Jan 2016-31 Dec 2020

Axis-REIT's Unit price outperformed the FTSE Bursa Malaysia-Kuala Lumpur Composite Index ("FBMKLCI") in 2020. The Fund's unit price rose 14.7% in 2020, against the FBMKLCI's 2.4% increase.

We attribute the Fund's price performance to investors' preference for defensive stocks amid economic headwinds from the COVID-19 pandemic, which adversely impacted the Malaysian and global economies since the first quarter of 2020.

BNM's implementation of a cumulative 125-basis point reduction in the OPR in 2020 lowered the rate to 1.75% by the close of 2020, creating a record-low interest rate environment.

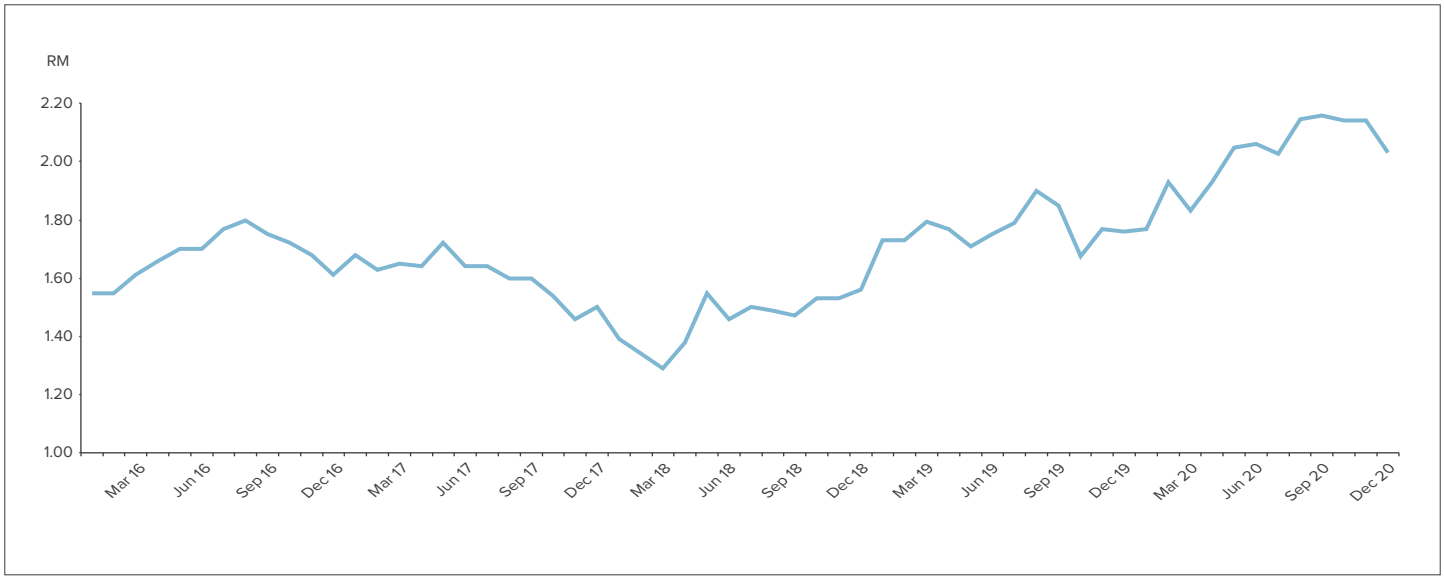
Unit Price and Volume Overview

Opening Unit Price	RM1.76 (4 January 2020)
Closing Unit Price	RM2.03 (31 December 2020)
Highest Traded Price	RM2.25 (September 2020)
Lowest Traded Price	RM1.66 (March 2020)
Number of Unitholders	6,776 (31 December 2020)
Number of Unitholdings	1,442,331,296 units

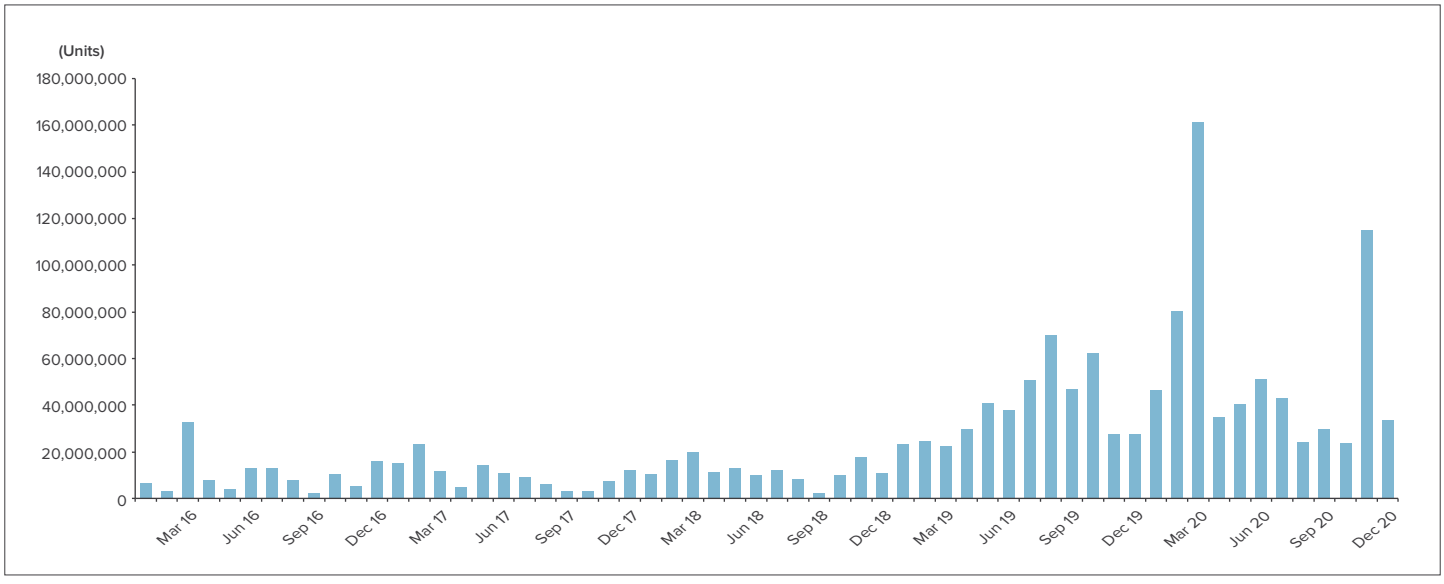
5-Year Unit Price Performance Highlights

	2016	2017	2018	2019	2020
Closing Unit Price as at 31 December (RM)	1.61	1.50	1.56	1.77	2.03
High	1.81	1.72	1.59	1.99	2.25
Low	1.50	1.45	1.19	1.55	1.66
NAV	1.26	1.29	1.34	1.45	1.47
Market Capitalisation (RM'000)	1,779,329	1,848,490	1,930,165	2,540,393	2,927,933

5-YEAR UNIT PRICE MOVEMENT



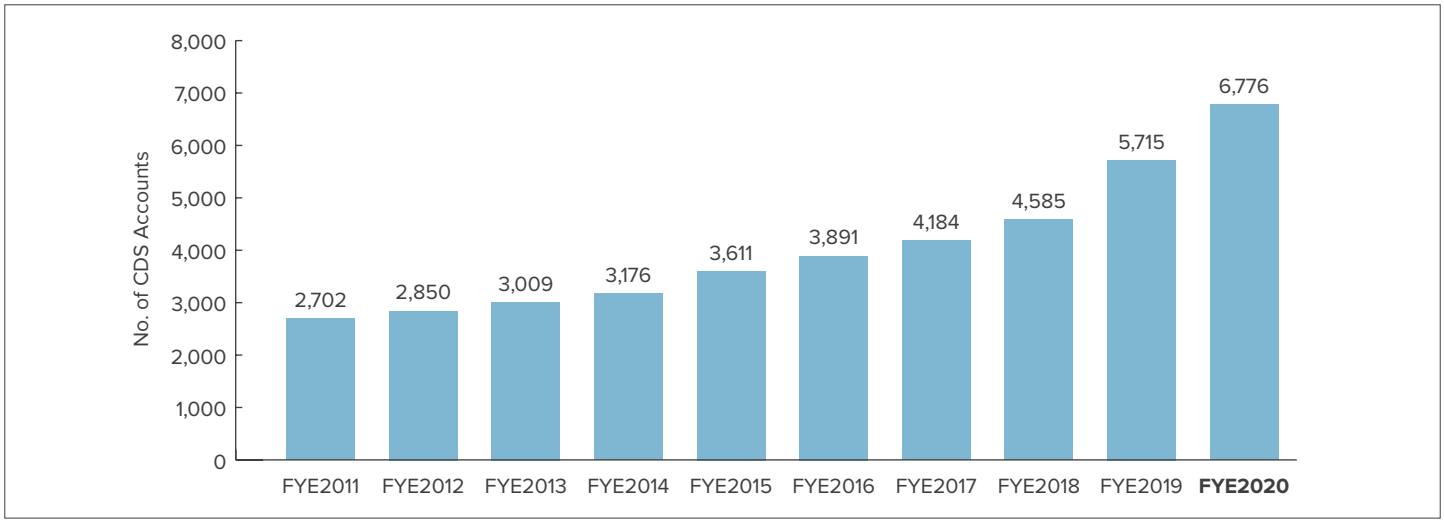
MONTHLY TRADING VOLUME



Transaction volume highlights

Total trading volume (January-December 2020)	684,361,252 units
Average Monthly Volume	57,030,104 units
Highest Monthly Volume	161,306,000 units (March 2020)
Lowest Monthly Volume	23,791,500 units (October 2020)

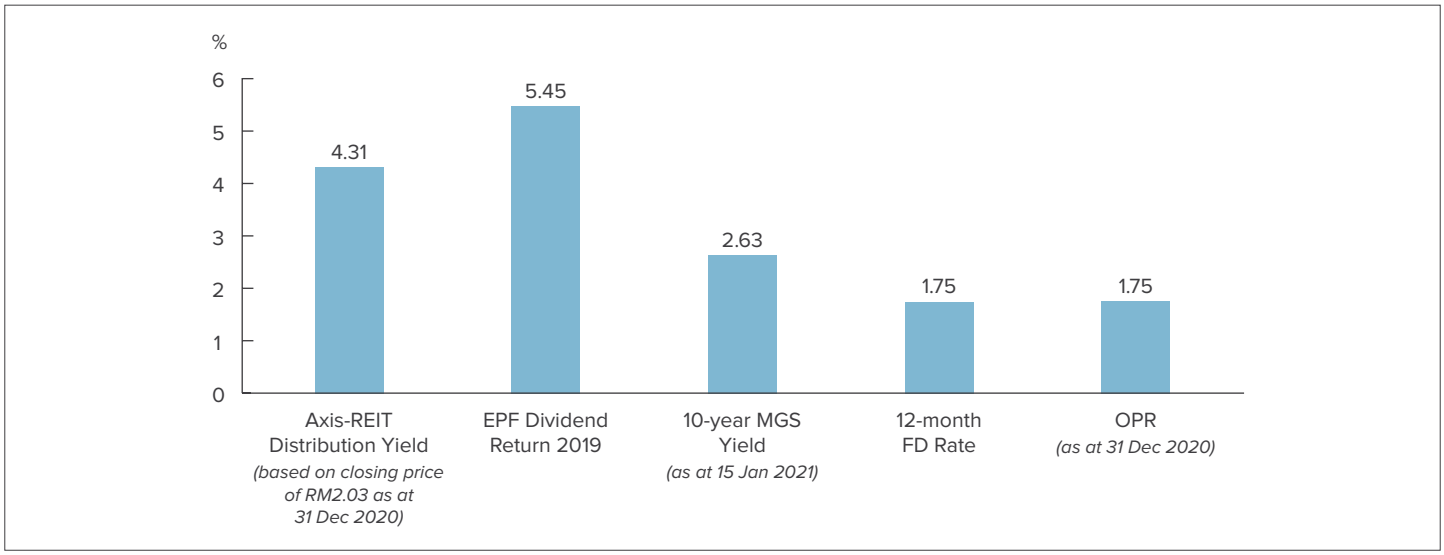
NUMBER OF CDS ACCOUNT HOLDERS



Data from Bursa Securities showed that Axis-REIT Units traded on 6,776 Central Depository System ("CDS") accounts in 2020, an 18.6% increase from 5,715 accounts in 2019.

We attribute the increase to our strong track record of delivering returns and distributions during the year, as well as an increased interest in defensive stocks amid global economic headwinds in 2020.

COMPARATIVE ANNUAL RETURN



Axis-REIT continued to deliver robust returns to Unitholders, with cumulative DPU for FYE2020 amounting to 8.75 sen.

This translates to a distribution yield of 4.3% based on the Fund's closing Unit price of RM2.03 as at 31 December 2020.

In the current prevailing low interest rate environment, the distribution yield to the Fund's Unitholders is highly competitive.

OPERATIONS REVIEW

PORTFOLIO OVERVIEW

Portfolio Size	:	53 properties
Number of Tenants	:	150
Revenue	:	RM232.2 million
Total Space Under Management	:	10,478,726 sq. ft.
Occupancy	:	91%
Net Property Income	:	RM198.5 million

Axis-REIT has a growing portfolio of office and industrial properties located in key urban industrial hubs throughout Peninsular Malaysia. The Fund's mission, in investing in such income-generating properties, is to provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management, and preserving capital values.

In response to the unprecedented events of 2020, we were quick to implement a clear and decisive strategy that prioritised protecting our stakeholders while maintaining the business. Towards this end, we implemented business continuity plans, remote working and strict SOPs to safeguard our employees, tenants, suppliers and contractors.

With these measures in place, and with the Fund's strong fundamentals and focus on industrial real estate, we were able to focus our efforts and attention on our core strategy of managing and growing the property portfolio.

Our approach in managing our property portfolio and tenant base is focused on maintaining a high level of tenant satisfaction and retention, keeping portfolio occupancy rates high, and generating positive rental reversions. Toward this end, along with our proactive property and tenant management efforts, we undertook several initiatives during 2020, which included:

(i) improving *'Hello Axis'*, launching a mobile application feature to facilitate easier access to the tenant management portal for both tenants and the Manager's tenant care team;

(ii) embarking on digital marketing campaigns to improve our marketing reach and performance, and mitigate disruptions caused by the MCO; and

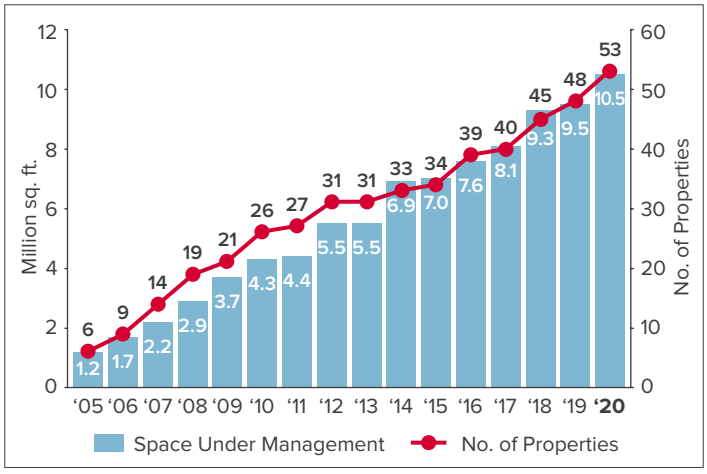
(iii) continued asset maintenance discipline and AEIs.

Our continued focus on managing the property portfolio has enabled us to deliver commendable operating results for FYE2020 despite the overwhelming headwinds in the macroeconomic and business landscape. Our key achievements included:

- Continued expansion in our portfolio of properties and space under management. During FYE2020, the Fund added five properties to its portfolio, bringing the portfolio to 53 properties, with close to 10.5 million sq. ft. of space under management as at 31 December 2020;
- Sustained occupancy levels across our portfolio, with occupancy dipping just 1 percentage point to 91% as at 31 December 2020;
- A tenant retention rate of 77% with a 5.6% positive rental reversion across the portfolio;
- Improved tenant satisfaction levels.

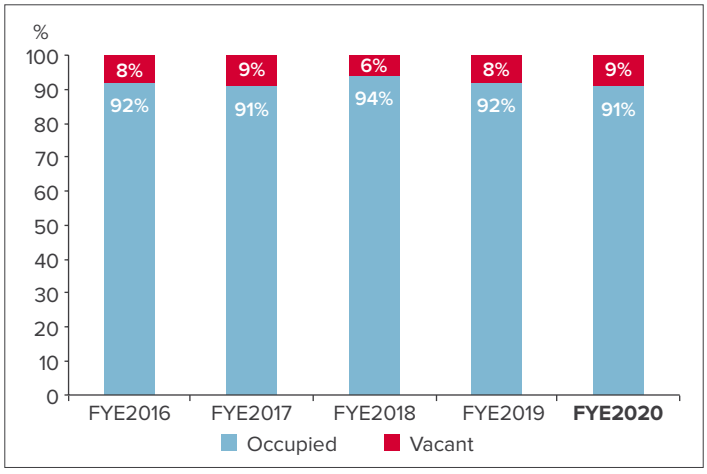
Further details of our operating performance are presented in the following pages.

SPACE UNDER MANAGEMENT: GREW 10% TO 10.5 MILLION SQ. FT.



During 2020, the Fund added five properties to its portfolio, bringing the portfolio to 53 properties and raising total space under management by 10% to 10.5 million sq. ft.

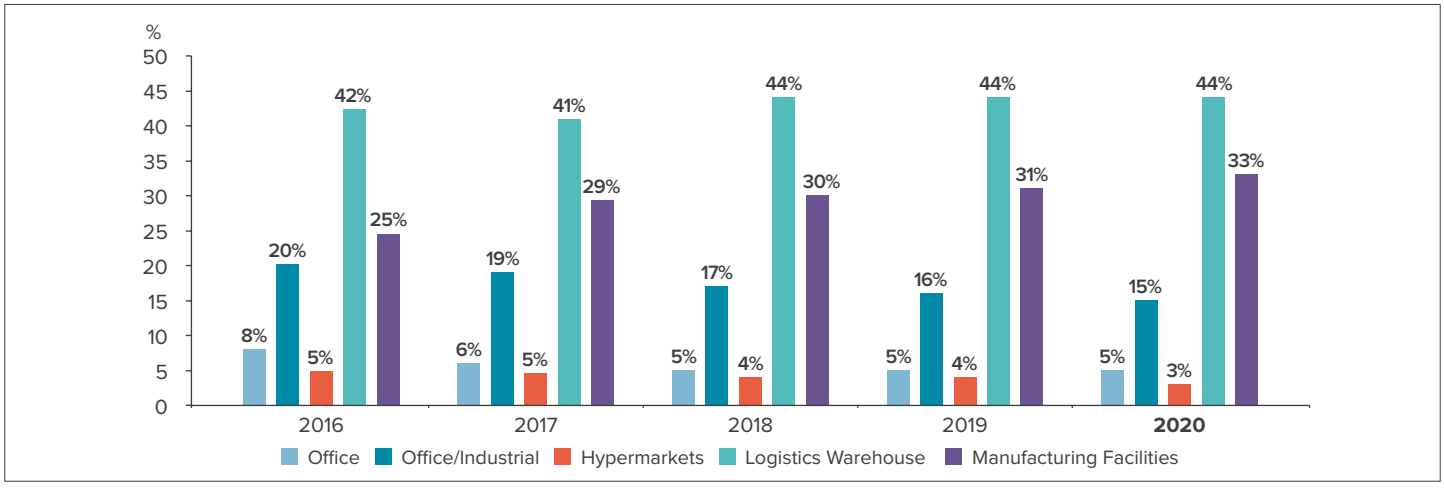
PORTFOLIO OCCUPANCY: MARGINALLY LOWER, AT 91%



Axis-REIT's portfolio occupancy stood at 91% as at 31 December 2020, a decline from 92% as at 31 December 2019.

The dip was due to a tenant vacating the D8 Logistics Warehouse in Johor, and the non-renewal of tenancies by certain tenants. Axis-REIT has since aggressively marketed the vacant space to fill the vacancy in the portfolio.

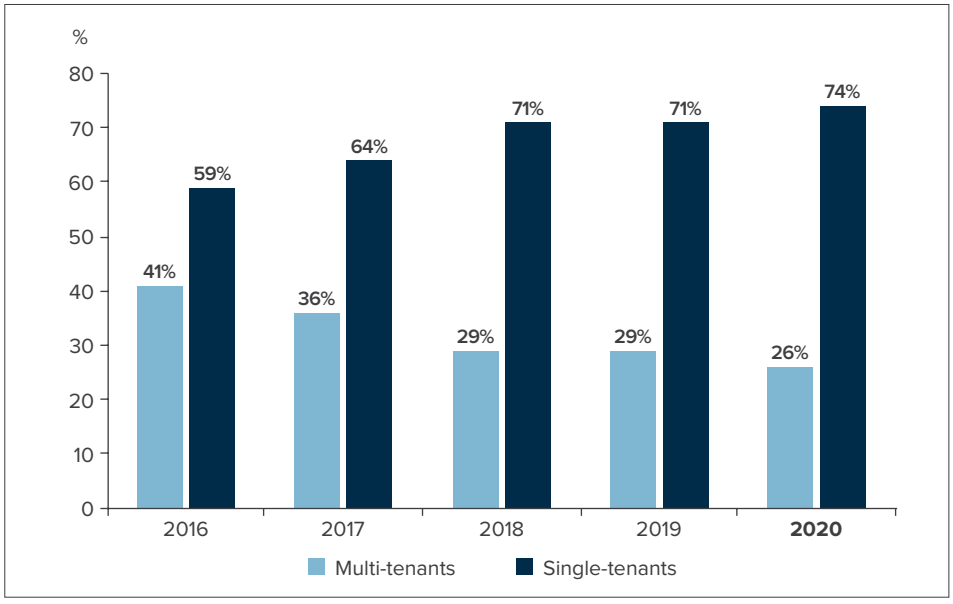
PORTFOLIO DIVERSIFICATION BY TYPE: CONTINUED FOCUS ON INDUSTRIAL PROPERTIES



Axis-REIT's portfolio remains focused on industrial properties. As at 31 December 2020, 92% of its portfolio (by NLA) were industrial titles.

In terms of property type, the portfolio remained stable, concentrated on logistics warehouse properties, manufacturing facilities and office/industrial properties.

PORTFOLIO DIVERSIFICATION BY TENANCY TYPE: INCREASING PROPORTION OF SINGLE-TENANT PROPERTIES



The Fund's increasing focus on manufacturing and logistics warehouse facilities over the years has raised the proportion of single-tenanted properties in its portfolio.

The proportion of single-tenanted properties rose to 74% in FYE2020. These properties provide stable, long-term organic rental income growth, as their leases are typically long-term leases with pre-agreed rental step ups.

Single-tenanted properties also usually feature lower operating costs as maintenance costs are borne by tenants.

Our single-tenanted properties are typically tenanted by multi-national companies or government-linked companies, which present a lower risk of default.

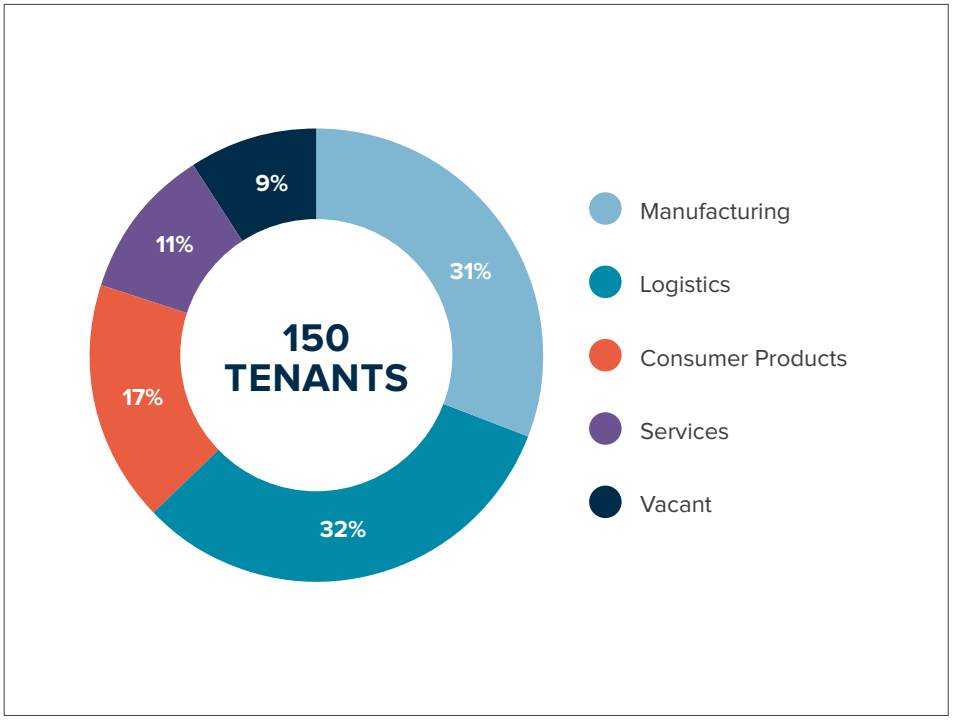
The Fund's tenant base remained stable and well-diversified, with 150 tenants as at 31 December 2020.

In terms of industry exposure, our tenants are predominantly involved in manufacturing and logistics, consumer products and service industries.

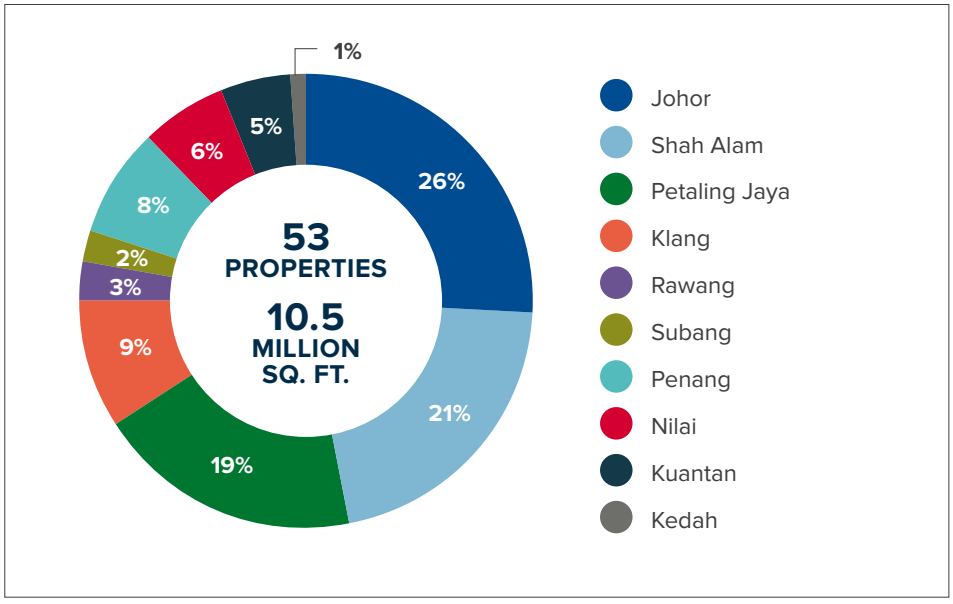
Our 10 biggest tenants (by revenue contribution) accounted for 46.8% of monthly rental, and are as follows:

- Nestle Products Sdn Bhd
- LF Logistics Services (M) Sdn Bhd
- Yongnam Engineering Sdn Bhd
- Wasco Coatings Malaysia Sdn Bhd
- Schenker Logistics (Malaysia) Sdn Bhd
- Upeca Aerotech Sdn Bhd
- Pos Logistics Berhad
- Tesco Stores (Malaysia) Sdn Bhd
- Teraju Sinar Sdn Bhd
- Northport (Malaysia) Berhad

TENANT PROFILE: 150 TENANTS; TOP 10 TENANTS ACCOUNTED FOR 46.8% OF REVENUE



PORTFOLIO DIVERSIFICATION BY GEOGRAPHIC LOCATION: GROWING PRESENCE IN KEY INDUSTRIAL HUBS



In terms of geographical diversification, Axis-REIT's portfolio is spread throughout the prime industrial areas of Peninsula Malaysia.

The acquisitions completed during the year were located in Nilai, Shah Alam and Johor, raising our presence in these rapidly-growing industrial hubs that have high growth potential.

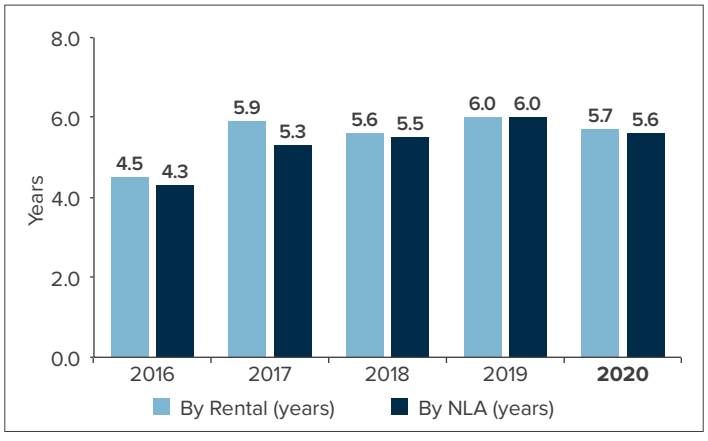
Looking ahead, our pipeline of ongoing acquisitions continues to build on this strategy of growing our portfolio of industrial properties in key industrial hubs.

TENANCIES COMMITTED

During FYE2020, leases for 1.7 million sq. ft. of space in our portfolio came up for renewal. Through proactive portfolio management, the Real Estate Team was able to successfully contract tenancies for 1.37 million sq. ft. or 80% of the space for which leases had come up for renewal during the year. This included the renewal of tenancies for 1.3 million sq. ft., which translates to a tenant retention rate of 77%. The efforts of the Real Estate Team also generated a positive rental reversion of 5.6%. Our portfolio WALE declined slightly, to 5.6 years in terms of NLA and 5.7 years in terms rental income.

For more information on how we manage our tenants, please refer to the Management of Sustainability Matters section on pages 104 - 106 of this Report.

PORTFOLIO WALE: SLIGHTLY LOWER AT 5.6 YEARS AS AT END-FYE2020



As at 31 December 2020, the Fund's portfolio WALE (by NLA) had dipped to 5.6 years, from 6.0 years a year earlier.

The decrease was caused by non-renewals by certain tenants amid the COVID-19 pandemic and ensuing economic headwinds.

Portfolio Lease Expiry Profile by Location, 2020 – 2022

Property Location	Year 2020	% of Total NLA	% of Rental Income/ month	Year 2021	% of Total NLA	% of Rental Income/ month	Year 2022	% of Total NLA	% of Rental Income/ month
Petaling Jaya	625,591	5.96	9.92	563,707	5.38	9.68	493,891	4.71	8.12
Shah Alam	412,015	3.93	3.86	612,547	5.85	5.79	105,550	1.01	1.23
Klang	-	-	-	-	-	-	149,605	1.43	1.19
Johor	468,936	4.48	2.97	772,475	7.37	5.08	216,988	2.07	1.98
Nilai	-	-	-	-	-	-	291,642	2.78	1.41
Penang	205,151	1.96	2.37	-	-	-	395,225	3.77	2.96
TOTAL	**1,711,693**	**16.33**	**19.12**	**1,948,729**	**18.60**	**20.55**	**1,652,901**	**15.77**	**16.89**

Portfolio Lease Expiry Profile by Property Type, 2020 – 2022

Property Type	Year 2020	% of Total NLA	% of Rental Income/ month	Year 2021	% of Total NLA	% of Rental Income/ month	Year 2022	% of Total NLA	% of Rental Income/ month
Office	137,864	1.32	3.12	134,059	1.28	3.46	113,742	1.09	2.42
Office Industrial	487,727	4.65	6.80	429,648	4.10	6.23	410,399	3.92	6.30
Logistics Warehouse	1,086,102	10.36	9.20	1,087,123	10.38	8.17	645,445	6.15	5.07
Manufacturing Facilities	-	-	-	297,899	2.84	2.69	483,315	4.61	3.10
Hypermarket	-	-	-	-	-	-	-	-	-
TOTAL	**1,711,693**	**16.33**	**19.12**	**1,948,729**	**18.60**	**20.55**	**1,652,901**	**15.77**	**16.89**

34% of the Fund's portfolio is situated on freehold land.

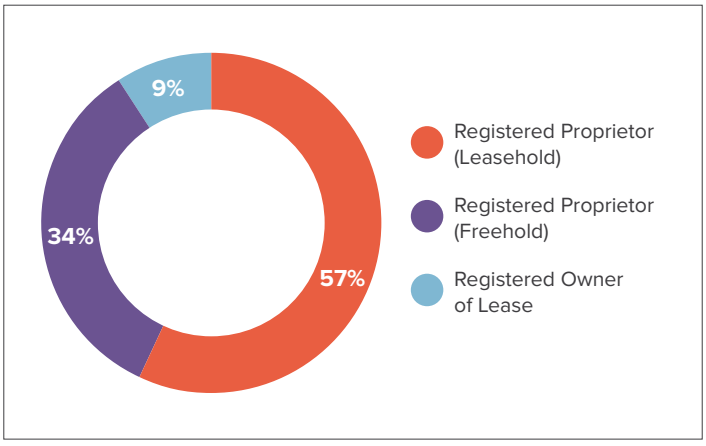
With the remaining 57% of its portfolio sitting on leasehold titles and 9% on land owned under registered lease, the Manager actively monitors and manages the lease expiry profiles of Axis-REIT's portfolio.

During FYE2020, there were no lease renewals completed as the leasehold properties in our portfolio had, on average, 49 years to expiry, with the shortest remaining lease period at a comfortable 29 years.

For FYE2020, the Fund's portfolio land tenure profile was as follows:

- No of leasehold properties: 35
- Average remaining lease period: 49 years
- Median remaining lease period: 46 years
- Longest remaining lease period: 89 years
- Shortest remaining lease period: 29 years

LAND TENURE MANAGEMENT: STABLE WITH AVERAGE REMAINING LEASE ON LEASEHOLD TITLES AT 49 YEARS



INVESTMENT REVIEW

With the Fund's firm focus on industrial assets, our priority is to ensure superior asset selection through both acquisitions and 'built-to-lease' developments that will improve the overall quality of our portfolio. Our selection process ensures that asset acquisitions are yield-accretive, provide income generating potential and are strategic in enhancing the overall portfolio.

Throughout 2020, we continued to build out our 'built-to-lease' property development pipeline, with efforts across the spectrum from exploring potential opportunities and engaging in negotiations, right up to the handover of completed projects. 'Built-to-lease' developments are an additional avenue of organic growth for the Fund that enables us to upgrade our portfolio while developing business space solutions that cater to the specific needs of tenants.

In FYE2020, Axis-REIT completed five acquisitions with a total consideration of RM258.9 million and saw the commencement of the lease at its third development project, Axis Facility @ Batu Kawan. In addition, the Fund also invested RM7.4 million in AEIs during the year.

Collectively, the acquisitions completed in FYE2020 added approximately 945,138 sq. ft. of NLA to the portfolio. Details of the property acquisitions completed in FYE2020 are presented in the following pages.



SALIENT DETAILS OF ACQUISITIONS COMPLETED IN 2020

Property Name	:	Axis Facility 2 @ Nilai
Address	:	Lot 749, Kawasan Perindustrian Nilai II, 71800 Nilai, Negeri Sembilan Darul Khusus
Property Description	:	Single-storey factory/warehouse with a double-storey office annex and other ancillary buildings
Property Type	:	Manufacturing Facility
Property Age	:	5 years
Title Details	:	PN 6235, Lot No. 749, Pekan Nilai, District of Seremban, State of Negeri Sembilan Darul Khusus
Land Tenure	:	99-year leasehold interest expiring on 19 August 2089
Nett Lettable Area	:	246,500 sq. ft.
Existing Use	:	Factory/warehouse and office for the manufacturing and sale of plastics and packaging products
Occupancy Rate	:	100%
Tenant	:	K-Plastics Industries Sdn Bhd
Tenancy/Lease Period	:	10 years
WALE	:	10 years
Date of Acquisition	:	28 February 2020
Purchase Price	:	RM50.0 million
Date of Valuation	:	25 July 2019
Valuation	:	RM51.0 million (as at 25 July 2019)
Independent Valuer	:	PPC International Sdn Bhd
Vendor	:	K-Plastics Industries Sdn Bhd



Property Name	:	Axis Facility 2 @ Bukit Raja
Address	:	No. 4, Solok Waja 3, Kawasan Perindustrian Bukit Raja, 41050 Klang, Selangor Darul Ehsan
Property Description	:	Two blocks of detached factory with a double-storey office building annex and other ancillary structures
Property Type	:	Manufacturing Facility
Property Age	:	34 years
Title Details	:	H.S.(D) 24275, PT No. 3499, Mukim of Bukit Raja, District of Klang, State of Selangor Darul Ehsan.
Land Tenure	:	99-year leasehold interest expiring on 22 October 2088
Nett Lettable Area	:	149,605 sq. ft.
Existing Use	:	Manufacturing and distribution of office equipment, security equipment and steel-related products.
Occupancy Rate	:	100%
Tenant	:	Lion Steelworks Sdn Bhd
Tenancy/Lease Period	:	2 years and 5 months
WALE	:	2.4 years
Date of Acquisition	:	17 March 2020
Purchase Price	:	RM37.0 million
Date of Valuation	:	25 October 2019
Valuation	:	RM39.0 million (as at 25 October 2019)
Independent Valuer	:	PA International Property Consultants Sdn Bhd
Vendor	:	Lion Steelworks Sdn Bhd



MANAGER'S DISCUSSION AND ANALYSIS

Property Name	:	D37c Logistics Warehouse
Address	:	Plot D37c, Jalan DPB 3, Distripark B, Pelabuhan Tanjung Pelepas, 81560 Gelang Patah, Johor
Property Description	:	Single-storey warehouse together with a three-storey office building and other ancillary buildings
Property Type	:	Logistics Warehouse
Property Age	:	2 years
Title Details	:	Held under master titles H.S.(D) 303868 for Lot PTD No. 2423 and H.S.(D) 303949 for Lot PTD No. 2426, both in Mukim of Tanjung Kupang, District of Johor Bahru, State of Johor Darul Ta'zim
Land Tenure	:	35 years tenure remaining on the sub-lease from Pelabuhan Tanjung Pelepas Sdn. Bhd.
Nett Lettable Area	:	222,723 sq. ft.
Existing Use	:	General Warehouse
Occupancy Rate	:	100%
Tenant	:	Schenker Logistics (Malaysia) Sdn Bhd
Tenancy/Lease Period	:	10 years
WALE	:	7.9 years
Date of Acquisition	:	9 June 2020
Purchase Price	:	RM65.0 million
Date of Valuation	:	26 August 2019
Valuation	:	RM65.0 million (as at 26 August 2019)
Independent Valuer	:	First Pacific Valuers Property Consultants Sdn Bhd
Vendor	:	Rancak Beta Sdn Bhd



Property Name	:	Axis Shah Alam Distribution Centre 5
Address	:	Lot 45 (177), Jalan Utas 15/7, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan
Property Description	:	Two single-storey warehouses and a double-storey office annex as well as other ancillary buildings
Property Type	:	Logistics Warehouse
Property Age	:	29 years; refurbished in 2018
Title Details	:	H.S.(D) 172525, PT Lot No. 156, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Land Tenure	:	99-year leasehold interest expiring on 10 July 2074
Nett Lettable Area	:	285,249 sq. ft.
Existing Use	:	General Warehouse
Occupancy Rate	:	100%
Tenant	:	One Total Logistics (M) Sdn Bhd
Tenancy/Lease Period	:	The entire property is tenanted to One Total Logistics Sdn Bhd until 30 June 2023 via four tenancy agreements (including its supplemental agreements thereof) of various tenures
WALE	:	2.7 years
Date of Acquisition	:	10 November 2020
Purchase Price	:	RM95.0 million
Date of Valuation	:	21 August 2020
Valuation	:	RM95.0 million (as at 21 August 2020)
Independent Valuer	:	PA International Property Consultants (KL) Sdn Bhd
Vendor	:	Axis Development Sdn Bhd ("ADSB")*

** ADSB is a company related to certain Directors of the Manager.*





MANAGER'S DISCUSSION AND ANALYSIS

Property Name	:	Axis Industrial Facility @ Shah Alam
Address	:	Lot 16, Jalan Pengapit 15/19, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan
Property Description	:	A single-storey detached warehouse building and other ancillary buildings
Property Type	:	Manufacturing Facility
Property Age	:	38 years
Title Details	:	H.S.(D) 172560, PT Lot No. PT207, Town of Shah Alam, District of Petaling, State of Selangor Darul Ehsan
Land Tenure	:	99-year leasehold interest expiring on 8 April 2078
Nett Lettable Area	:	41,061 sq. ft.
Existing Use	:	Warehouse
Occupancy Rate	:	100%
Tenant	:	GT-Max Construction Sdn Bhd
Tenancy/Lease Period	:	3 years
WALE	:	3 years
Date of Acquisition	:	3 December 2020
Purchase Price	:	RM11.9 million
Date of Valuation	:	1 July 2020
Valuation	:	RM12.8 million (as at 1 July 2020)
Independent Valuer	:	Rahim & Co International Sdn Bhd
Vendor	:	Melewar Steel Services Sdn Bhd



Completion and Handover of Axis Facility @ Batu Kawan

On 15 July 2019, Axis-REIT signed an agreement to develop a warehouse in Batu Kawan, Penang, for Federal Express Services (M) Sdn Bhd ("FedEx"). Known as Axis Facility @ Batu Kawan, the project is Axis-REIT's third 'built-to-lease' development project. The greenfield development, built to the specifications of FedEx, comprises a 44,000-sq. ft. warehouse facility, sited on 2.5 acres of land. In return, FedEx is committed to a 10 + 5 year lease on the property.

Work on the facility commenced in August 2019, and we successfully obtained the Certificate of Completion and Compliance on 28 February 2020. The facility was handed over for tenant occupation on 1 March 2020.

Axis Facility @ Batu Kawan

Features	:	• Customised warehouse designed and built to FedEx's specifications • Rainwater harvesting system installed to cater for delivery truck cleaning activities
Property Type	:	Logistics Warehouse
Land Area	:	2.5 acres
Land Tenure	:	30 years (sub-leased land from Penang Development Corporation)
Net Lettable Area	:	44,000 sq. ft.
Development Cost	:	RM14.6 million (including land and incidental costs)
Market Value	:	RM19.0 million
Lease Commencement	:	1 March 2020
Occupancy Rate	:	100%
Tenant	:	Federal Express Services (M) Sdn Bhd
Tenancy/Lease Period	:	10 years
WALE	:	10 years



MANAGER'S DISCUSSION AND ANALYSIS

Having laid extensive groundwork in prior years to build a robust pipeline of potential acquisition targets, the Investments Team had a very productive year in 2020. In addition to the five acquisitions completed in FYE2020, we concluded one more acquisition in January 2021, with a further five ongoing property acquisitions slated for completion in the first half of 2021. Cumulatively, we expect to conclude RM243.7 million in acquisitions in the first half of 2021.

Asset Enhancement Initiatives: Total investment of RM7.4 million

In addition to property and land acquisitions, the Fund also invests in AEIs to preserve the value of the existing portfolio and to maintain high tenant satisfaction rates. During FYE2020, Axis-REIT undertook five major AEIs across our portfolio, incurring a total investment of RM7.4 million.

In addition to enhancing the overall features and quality of our assets, our AEIs in 2020 also incorporated ESG considerations, which included initiatives such as the installation of resource-efficient fittings and equipment. These initiatives are aimed at managing the Fund's energy and carbon footprint to minimise the environmental impact of our assets and operations.

Details of our AEIs and initiatives to reduce energy and water consumption across our portfolio are presented in the Management of Sustainability Matters section on pages 121 - 126 of this Report.

INVESTOR RELATIONS & MEDIA COVERAGE

INVESTOR ENGAGEMENT & OUTREACH

We continued to improve our engagement with the Fund's investors and the broader investment community throughout 2020 as part of our corporate governance goals to disseminate timely, transparent and full disclosure of the Fund's material information. For a large part of this year, corporate presentations and briefings, including our Annual General Meeting, commenced as usual albeit via virtual platforms.

We continue to actively participate in various industry-themed events particularly in finance, regulatory, real estate and government investment-centric events. The following is a summary of public and private events in which the Management Team participated in 2020.

3
Investor Conferences

2
Analyst Briefings

12
One-on-One and Private Group Meetings / Site Visits / Roadshows

2
REIT / Property / SME / Industry Events

1
AGM

In addition to these events and meetings, Axis-REIT continued to publish timely updates via Bursa Securities' listed company announcements page, as well as its own corporate website, at www.axis-reit.com.my.

INVESTMENT RESEARCH COVERAGE

Axis-REIT is currently covered by 11 research houses, and our Investor Relations Department continues to engage the analyst community with the aim of maintaining clear communications over the Fund's results, strategy and outlook.

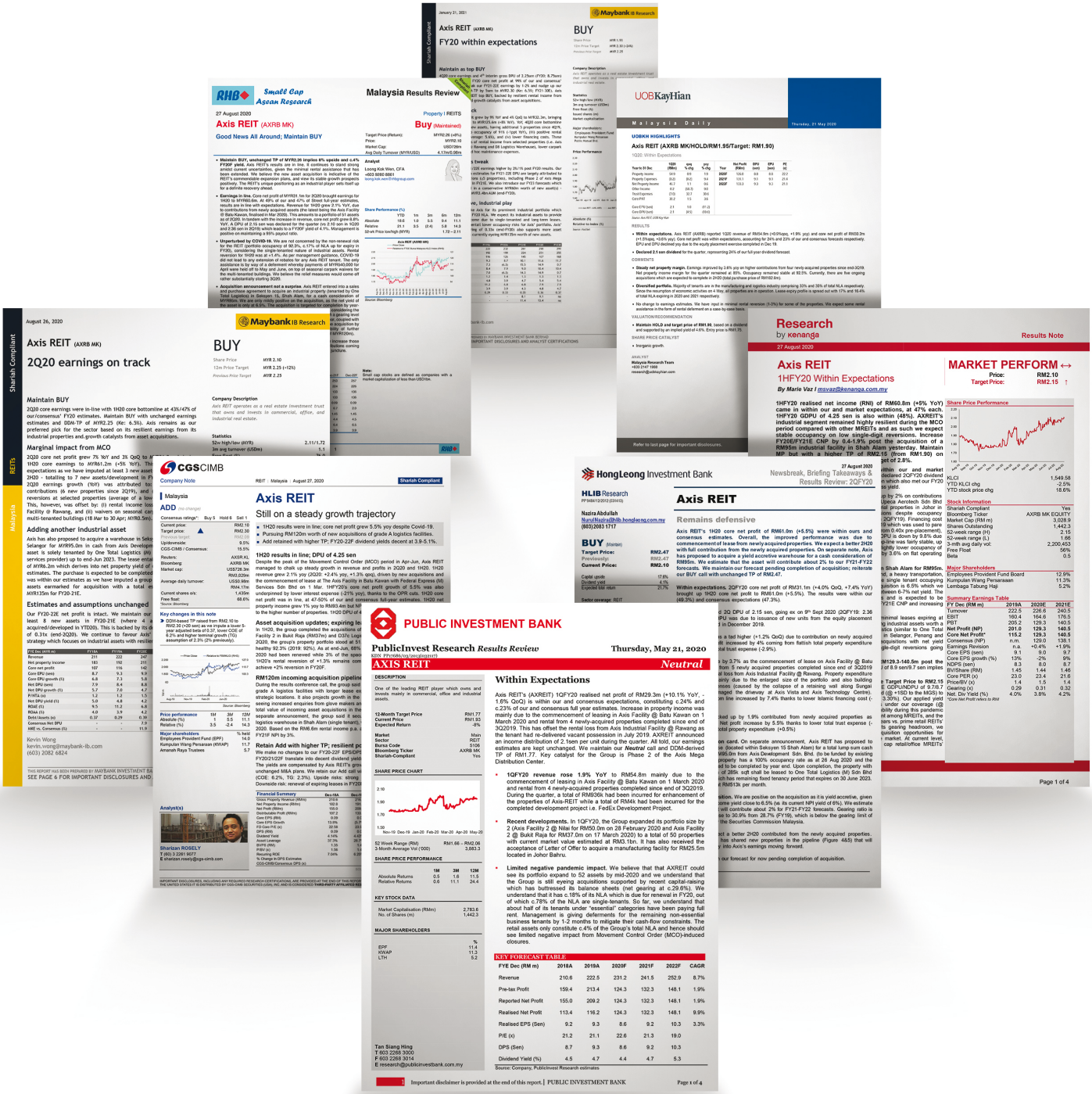
- Affin-Hwang Investment Bank
- Kenanga Investment Bank
- Alliance Investment Bank
- Maybank Kim Eng Investment Bank
- CIMB Investment Bank
- MIDF Research
- Hong Leong Investment Bank
- RHB Research
- CLSA
- KAF
- UOB Kay Hian Research

INVESTOR EVENTS

In 2020, the Management Team participated in the following public and private events.

Date	Description
21 January	1Q2020 Analyst Briefing
22 January	Investor Meeting: Singular Asset Management
31 January	Investor Meeting: B&I Capital
14 February	Investor Meeting: Asset Management One (Tokyo)
3 March	Investor Meeting: CGS-CIMB Group Meeting
2 April	Investor Meeting: KWAP
6 April	Investor Meeting: Maybank Kim Eng Group Meeting
9 April	Investor Meeting: Hong Leong Investment Bank Group Meeting
30 April	Investor Meeting: Kenanga Investment Bank Group Meeting
28 May	Investor Meeting: CLSA Group Meeting
11 June	Bursa-Daiwa-Affin Hwang Malaysia Corporate Day
17 June	Axis-REIT Annual General Meeting (Virtual)
18 June	Investor Meeting: Sumitomo Mitsui DS Asset Management (Singapore)
22 June	Investor Meeting: Hong Leong Assurance
23 June	JLL: The Rise of the Logistics Sector webinar
26 August	3Q2020 Analyst Briefing
27 August	Investor Meeting: B&I Capital
1 September	Invest Malaysia Kuala Lumpur 2020: Macquarie / Bursa Malaysia
28 September	Maybank Investor Forum: Malaysia REITS – The Past, the Present & the Outlook
1 December	2nd Annual Malaysian REIT Forum 2020 - MREITS: Navigating the New Normal

RESEARCH COVERAGE



SELECTED MEDIA COVERAGE

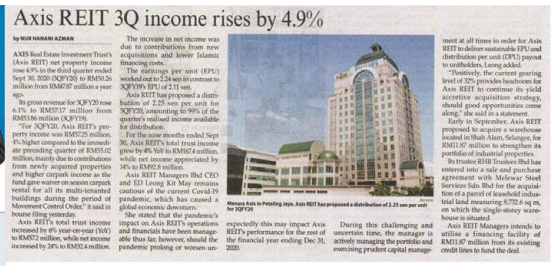
Scan here for full media coverage


直擊CEO

梁潔美：精購資產＋卓越服務

AXIS以客爲尊

購高素質資產 提供穩定回酬



Axis REIT 3Q income rises by 4.9%

by NUR HANANI AZMAN

AXIS Real Estate Investment Trust's (Axis REIT) net property income rose 4.9% in the third quarter ended Sept 30, 2020 (3QFY20) to RM50.2m from RM47.8m a year ago.

Its gross revenue for 3QFY20 rose 6.1% to RM57.17 million from RM53.86 million (3QFY19).

"For 3QFY20, Axis REIT's property income was RM52.25 million, 4% higher compared to the immediate preceding quarter of RM50.02 million, mainly due to contributions from newly acquired properties and higher carpark income as the fund gave waiver on season carpark rental for all its multi-tenanted buildings during the period of Movement Control Order," it said in bourse filing yesterday.

Axis REIT's total trust income increased by 6% year-on-year (YoY) to RM72 million, while net income increased by 24% to RM52.4 million.

The increase in net income was due to contributions from new acquisitions and lower Islamic financing costs.

"The earnings per unit (EPU) worked out to 2.26 sen in contrast to 3QFY19's EPU of 2.11 sen.

Axis REIT has proposed a distribution of 2.25 sen per unit for 3QFY20, amounting to 99% of the quarter's realised income available for distribution.

For the nine months ended Sept 30, Axis REIT's total trust income grew by 4% YoY to RM204 million, while net income appreciated by 14% to RM59.8 million.

Axis REIT Managers Bhd CEO and ED Leong Kit May remains cautious of the current Covid-19 pandemic, which has caused a global economic downturn.

She stated that the pandemic's impact on Axis REIT's operations and financials have been manageable thus far, however, should the pandemic prolong or worsen unexpectedly this may impact Axis REIT's performance for the rest of the financial year ending Dec 31, 2020.

During this challenging and uncertain time, the manager is actively managing the portfolio and exercising prudent capital management at all times in order for Axis REIT to deliver sustainable EPU and distribution per unit (DPU) payout to unitholders, Leong added.

"Positively, the current gearing level of 32% provides headroom for Axis REIT to continue its yield accretive acquisition strategy, should good opportunities come along," she said in a statement.

Early in September, Axis REIT proposed to acquire a warehouse located in Shah Alam, Selangor, for RM11.87 million to strengthen its portfolio of industrial properties.

Its trustee RHB Trustees Bhd has entered into a sale and purchase agreement with Mclewar Steel Services Sdn Bhd for the acquisition of a parcel of leasehold industrial land measuring 8,732.6 sq m, on which the single-storey warehouse is situated.

Axis REIT Managers intends to utilise a financing facility of RM11.87 million from its existing credit lines to fund the deal.

Menara Axis in Petaling Jaya. Axis REIT has proposed a distribution of 2.25 sen per unit for 3QFY20

Axis REIT stable despite MCO

KUALA LUMPUR: Axis Real Estate Investment Trust's (Axis REIT) earnings are expected to remain stable despite the implementation of the movement control order (MCO) as as most of its tenants remained in operations during that period.

Following a conference call with the management of Axis REIT, the research team at Kenanga Investment Bank Bhd (Kenanga Research) said it came away feeling reassured about the REIT's industrial-based earnings stability.

There was no loss of rental during the MCO period, only rental deferments. Given the business nature of Axis REIT tenants which are in industrial/office space, Axis REIT stands in better stead compared to retail and hospitality MREITs as most manufacturing tenants remained in operations during the MCO period from March to May 2020," it said.

Channel checks with management revealed that all top 10 tenants that make up 46.6 per cent of portfolio revenue were in operations during the MCO.

"Furthermore, all of Axis REIT's 150 tenancies have no allowance for tenant to ask for discount (no force majeure clause).

"However, the group will consider rental deferment on a case-to-case basis for struggling tenants, but the percentage of rental deferment during the March to May 2020 MCO phase has been minimal at this juncture," the research team said.

For now, Kenanga Research said Axis REIT's portfolio outlook remains stable. It explained that tenant retention remains stable currently with occupancy remaining close to current level of 92 per cent (as in the financial year 2019).

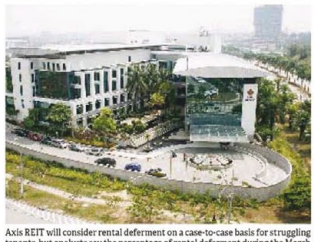
"Management believes most tenants prefer to stay put under current circumstances and expect decent rental reversions of circa two per cent in FY20 (similar to FY19A reversions). However, we caution that current expectations of reversions are still dependent on the extent of the MCO and impact of the Coronavirus Disease 2019 (Covid-19) on tenants," it added.

All in, Kenanga Research said the group is seeing more targets for acquisition coming up as companies may favour an asset light model (sale and lease back) in light of Covid-19, but they have yet to see any significant increase in cap rates and is still targeting seven per cent net yields on future acquisitions.

"Group gearing remains low at 0.29-folds currently (from 0.4-folds in 3Q19) post the recent 16 per cent private placement to pare down borrowings," it noted.

Going forward, management could easily gear up by its capex amount of RM135 million (management guided they would utilise 100 per cent short-term borrowings), which by our assumptions would only increase gearing up to 0.33-folds from current levels, which is low compared to REITs maximum gearing limit of 0.5-folds, implying that Axis REIT could borrow an additional RM1.1 billion before hitting its maximum gearing limit)," it added.

Kenanga Research upgraded its call on Axis REIT to 'market perform' as it favoured the group for its earnings stability during this pandemic given its exposure to the most resilient segment among MREITs, and the nature of its long-term leases.


Axis REIT will consider rental deferment on a case-to-case basis for struggling tenants, but analysts say the percentage of rental deferment during the March to May 2020 MCO phase has been minimal at this juncture.

成长策略有支撑 雅饰表现续稳健

吉隆坡22日讯｜随着雅饰房地产（AXREIT，5106，主板房产信托股）再次交出亮丽季度业绩，分析员看好其资产收购及专注于物流及仓库领域的成长策略，并认为该公司将可在充满挑战的环境下，继续拥有稳健的表现。

雅饰房地产周三（21日）公布，2020财政年第3季（截至9月30日止）净利按年上涨23.87%，至3239万令吉；营业额则按年增加6.13%，至5717万令吉。

雅饰房地产在第3季的盈利，与安联星展投行分析员的预期相符。该公司预计将在2020财政年结束之前完成6项收购。

雅饰房地产正在与一些承包商洽商讨落实Axis Mega DC项目的第2阶段。鉴于市场对于物流及仓库设施的需求，安联星展投行分析员相信这个项目可为公司带来正面的盈利贡献。

指出，现在的低利率环境及证券监督委员会（SC）暂时提高大马房产信托负债比率上限，从50%提升至60%直至2022年12月的措施，将继续支撑雅饰房地产的成长策略。

至于租约方面，该公司共有16.76%的净可出租面积租约将在2020财政年到期，而19.1%的租约则将在2021财政年到期。另外，该公司在2020财政年共有76%的租客成功续约。

收购更具优势

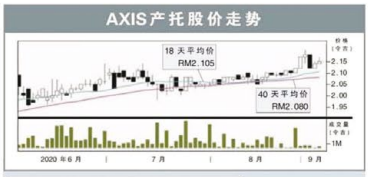
及仓库领域将持续保持稳定，甚至比零售、酒店及办公楼领域更有弹性。

该分析员预期，工业及仓库空间的需求将在2020年下半年保持强劲，并获利于供应链走廊，

雅饰房地产股价走势



AXIS产托股价走势



AXIS 产托业绩预测

截至 12 月底财年	2020	2021	2022
营业额（令吉）	2.31 亿	2.37 亿	2.44 亿
核心净利（令吉）	1.32 亿	1.38 亿	1.44 亿
核心每股净利（仙）	8.9	9.3	9.7
核心本益比（倍）	24.1	23.1	22
净周息率（%）	3.7	3.8	4

资料来源：MIDF 投行研究

04/09/2020 行情
闭市价：2.15 令吉
起落：+1 仙
最高：2.17 令吉
最低：2.14 令吉
成交量：139 万 3400 股
52 周最高：2.20 令吉
52 周最低：1.66 令吉

Axis REIT likely to be relatively more stable, defensive amid Covid-19

Axis Real Estate Investment Trust (April 14, RM1.86)

Maintain buy with a higher target price (TP) of RM2.47: Axis Real Estate Investment Trust's (Axis REIT) portfolio has increased by two to a total of 50 properties. More than 50% of Axis REIT's tenants are still operating during the movement control order (MCO), and the warehouse logistics and hypermarkets are fully operating.

Besides, 20% of manufacturing facilities are still in operations.

Overall, Axis REIT remains relatively more stable and defensive amid the Covid-19 outbreak and MCO given its well-diversified portfolio, focusing on industrial properties, with considerable tenants offering essential services.

Further, 150 of 154 tenants do not have a force majeure clause, hence Covid-19 and the MCO should not materially impact Axis

Axis REIT's acquisition plan is still ongoing amid the MCO but may be delayed as it cannot go on-site to do due diligence.

95% of the dividend payout ratio for the first quarter (1Q) to 3Q, and at least 99% for 4Q, in line with the REIT policy of earnings distribution of more than 95% to enjoy tax-free benefits.

On acquisition targets, Axis REIT currently has two assets in the pipeline: A manufacturing facility in Shah Alam, Selangor at about RM56 million and a manufacturing facility in Kota Kinabalu, Sabah at about RM60 million.

TheStar

Kenanga upgrades Axis REIT to 'market perform'

ANALYST REPORTS

Friday, 08 May 2020 9:00 AM MYT



KUALA LUMPUR: Axis Real Estate Investment Trust may be faring better than than of other REITs due to its tenants operating in the industrial and office space.

According to Kenanga research, all Top 10 tenants that make up 46.6% of Axis REIT's portfolio revenue remained in operations during the movement control order (MCO).

AXIS产托9500万买仓库

（吉隆坡27日讯）AXIS产托（AXREIT，5106，主板产托股）宣布出价9500万令吉，买下位于雪兰莪莎阿南的仓库产业。

该公司昨日发布文告指出，该产业目前出租给One Total Logistics（马）私人有限公司，租约将在2023年6月到期，每月租金为51万3448令吉。

该产业建在工业土地上，净出租面积达28万5249平方英尺，包括两个单层仓库、一个双层办公室，及其他附属


梁洁美

Axis REIT 3QFY20 profit of RM32m within expectations

AXIS REAL ESTATE INVESTMENT TRUST

FYE DEC	2019A	2020A	2021F	2022F
REVENUE (RM mil)	222.5	231.2	241.5	252.9
REALISED NET PROFIT (RM mil)	116.2	124.3	132.3	148.1
REALISED EPS (sen)	9.3	8.6	9.2	10.3
P/E (x)	22.8	24.5	23.0	20.5

HIGHEST RETURNS TO SHAREHOLDERS OVER THREE YEARS | HIGHEST GROWTH IN PROFIT AFTER TAX OVER THREE YEARS

REIT

Axis Real Estate Investment Trust

LARGELY INSULATED FROM SHORT-TERM VOLATILITY

BY SYAHIRAH SYED JAAFAR

Axis Real Estate Investment Trust (Axis-REIT) has stayed resilient and showed steady growth momentum, and has rewarded its shareholders favourably as a result. It won *The Edge* Billion Ringgit Club award for the highest returns to shareholders over three years as well as the highest growth in profit after tax over three years in the REIT sector.

In FY2019, it turned in a net property income (NPI) of RM191.71 million on revenue of RM222.46 million — 4.9% and 5.6% increases from RM182.76 million and RM210.59 million in FY2018 respectively. In FY2017, it recorded an NPI of RM146.2 million and revenue of RM172.72 million.

With a portfolio focused on industrial properties, Axis-REIT has been largely insulated from the short-term volatility arising from the global economic and political uncertainties, the group said in its 2019 annual report.

To illustrate, the REIT recorded a compound



With higher income, the REIT's distribution per unit (DPU) paid to unitholders has also grown steadily since 2016. In FY2019, it paid out 9.26 sen, higher than 8.74 sen in FY2018 and 8.26 sen in FY2017. In 2016, unitholders received 8.25 sen.

Although the annualised distribution yield fell to 5.23% in FY2019, it had been consistently growing, from 5.12% in FY2016 to 5.6% in FY2018. The lower yield could be due mainly to the rise



steadily after it slipped to a nearly five-year low of RM1.033 in March 2018 from RM1.369 on June 30, 2017. It rose to RM2.017 on June 30, 2020, up 95.2% from the trough. This translates into total

office real estate stood at 48 properties last year, located across the Klang Valley, Johor, Penang, Pahang, Negeri Sembilan and Kedah.

The sustained demand for strategically lo-

AWARDS & RECOGNITION

Axis-REIT is proud to be the recipient of the following accolades in 2020:

- **The Edge Billion Ringgit Club 2020**
  - Highest Growth in Profit after Tax over Three Years (REIT Category)
- **The Edge Billion Ringgit Club 2020**
  - Highest Returns to Shareholders over Three Years (REIT Category)
- **Sin Chew Business Excellence Awards 2020**
  - Property Excellence Award
- **Asiamoney Asia's Outstanding Companies Poll 2020**
  - Real Estate (Malaysia)
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
  - Best Industrial REIT (Malaysia)
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
  - Best Islamic REIT (Malaysia)
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
  - Best CEO (Malaysia): Leong Kit May
- **The Asia Pacific Best of the Breeds REITs Awards 2020**
  - Best CFO (Malaysia): Nikki Ng
- **Mira Investor Relations Awards 2020**
  - Best CEO for IR: Leong Kit May
- **NACRA 2020 Excellence Awards**
  - Gold



Receiving The Edge Billion Ringgit Club 2020 Awards

MARKET OUTLOOK & PRIORITY

Looking ahead, people and businesses are increasingly adapting to the new normal, and as countries have begun rolling out COVID-19 vaccination programmes, there is optimism for a sustainable recovery in business activities and the broader economy. Yet, while we look forward to putting the COVID-19 pandemic behind us, we are cognisant of the continued risks – at the time of reporting, Malaysia has experienced a spike in COVID-19 cases which has necessitated the imposition of a protracted MCO. This, in turn, threatens to dampen business activities and the anticipated economic recovery in 2021. The emergence of clusters of COVID-19 cases among manufacturing workers also highlights how even industrial operations and tenants might still be susceptible to unscheduled disruptions. In all this, we are vigilant in monitoring the situation and the potential implications on our tenants' and our operations, and we remain on standby to formulate and deploy further COVID-19 Response initiatives, as and when necessary.

Notwithstanding the elevated economic and pandemic-related risks, we remain confident over the outlook of the Industrial property segment, premised on:

- Sustained demand for manufacturing and industrial facilities, supported by accommodative and investment-friendly policies and incentives that will continue to draw direct investments into the manufacturing sector; and
- Rising demand for warehouses and logistics facilities amid accelerating e-commerce trends.

Meanwhile, the broader office segment continues to experience pronounced pressure on rental rates and occupancy levels amid unfavourable demand-supply conditions, particularly in the central Kuala Lumpur City area. However, we expect better resilience in Petaling Jaya, where the Fund's office portfolio is concentrated, given its wider tenant profile and the improved transport infrastructure around the Klang Valley that continues to support demand in decentralised locations.

With these considerations in mind, the Manager will continue to adopt a holistic approach in extending the Fund's leadership as an Office/Industrial space provider through:

- Pursuing portfolio growth through acquisition strategies and selective 'built-to-lease' property developments, emphasising the selection of superior, income-generating, yield-accretive industrial assets;
- Maintaining a high level of tenant satisfaction through constructive tenant engagement and disciplined AEIs to maintain high portfolio occupancy rates while achieving positive rental reversions;
- Increasingly incorporating ESG considerations into our operations, which would range from implementing pollution and waste management practices, to imposing ESG requirements and criteria in materials, vendor and tenant selection; and
- Optimising the Fund's capital structure through further financing and equity issuances, to ensure there is sufficient liquidity and headroom to support the Fund's growth ambitions.

Having navigated the unprecedented events of 2020 with considerable success, we are cautious but confident in our strategic approach to 2021, balancing the need to remain clear and focused in executing our operating strategies, while maintaining the agility and decisiveness that served us well in managing the pandemic thus far. This approach will guide us through 2021, with the ultimate aim of delivering on the Fund's mission of providing consistent and growing distributions to our Unitholders.