

# BUALUANG FUND



## INVESTOR NEWSLETTER ISSUE 3 3Q 2018



### Message from the Management Company

#### To Trust Unitholders Bualuang Office Leasehold Real Estate Investment Trust

In 3Q2018, B-WORK recorded total income and net investment income of THB 141.30mn and THB 76.70mn, respectively.

The Meeting of Real Estate Investment Committee of BBL Asset Management Company Limited, acting as a REIT Manager of Bualuang Office Leasehold Real Estate Investment Trust (“B-WORK”), held on November 13, 2018 passed a resolution of capital reduction of B-WORK by decreasing the value of trust units at the rate of Baht 0.1843 per trust unit . The capital reduction was due to an unrealised loss on investment from the revaluation of investment in leasehold properties by an independent appraiser. As a result, B-WORK considers distributing this excess liquidity from operation to the unitholders through a capital reduction.

#### QUARTERLY HIGHLIGHTS (1 JUL - 30 SEP 2018)

- Total income in 3Q 2018 was THB 141.30mn
- Net investment income in 3Q 2018 was THB 76.70mn
- As of 30 Sep 2018, Net Asset Value (NAV) was THB 3,698.25mn, or THB 10.0277 per unit

NOTE: Due to rounding, numbers presented throughout this document may not add up precisely to the total.

## FINANCIAL PERFORMANCE

| Unit (THB mn)   | 2Q 2018       | 3Q 2018        | QoQ              |
|---|---------------|----------------|------------------|
| <b>Total Income</b>                                     | <b>143.67</b> | <b>141.30</b>  | <b>(1.64%)</b>   |
| Rental and services income                              | 134.91        | 133.28         | (1.21%)          |
| Interest income   | 0.50          | 0.80           | 60.00%           |
| Other incomes   | 8.26          | 7.22           | (12.59%)         |
| <b>Total Expense</b>                                    | <b>64.15</b>  | <b>64.60</b>   | <b>0.70%</b>     |
| Costs of rental and services                            | 38.63         | 39.55          | 2.38%            |
| Fees and expenses for property management               | 15.31         | 14.71          | (3.92%)          |
| Administrative expenses                                 | 0.33          | 0.35           | 6.06%            |
| Amortisation of deferred expenses                       | 0.13          | 0.13           | -                |
| Finance cost  | 9.75          | 9.86           | 1.13%            |
| <b>Net investment income</b>                            | <b>79.51</b>  | <b>76.70</b>   | <b>(3.53%)</b>   |
| <b>Total unrealised gain (loss) on investments</b>      | <b>-</b>      | <b>(78.85)</b> | <b>N/A</b>       |
| <b>Increase in net assets resulting from operations</b> | <b>79.51</b>  | <b>(2.15)</b>  | <b>(102.70%)</b> |

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**TOTAL INCOME**

Total income for 3Q 2018 was THB 141.30mn, decreasing 1.64% QoQ. The details are as follows:

- Rental and services income was THB 133.28mn, decreasing 1.21% QoQ, due mainly to a decline in utilities revenues which was in line with a decrease in utilities expenses.
- Interest income was THB 0.80mn, rising 60.00% QoQ, as a result of an increase in interest income from fixed deposits.
- Other incomes were THB 7.22mn, decreasing 12.59% QoQ, due to a reduction in after-hours air conditioner revenue.

**TOTAL EXPENSE**

Total expense for 3Q 2018 was THB 64.60mn, increasing 0.70% QoQ. The details are as follows:

- Costs of rental and services were THB 39.55mn, increasing 2.38% QoQ, due mainly to the raising minimum wage.
- Fees and expenses for property management were THB 14.71mn, decreasing 3.92% QoQ.
- Administrative expenses were THB 0.35mn, increasing 6.06% QoQ.
- Amortisation of deferred expenses was THB 0.13mn, in line with the previous quarter.
- Finance cost was THB 9.86mn, increasing 1.13% QoQ.

**NET INVESTMENT INCOME**

B-WORK recorded net investment income of THB 76.70mn. The net investment income dropped 3.53% QoQ due to a reduction in after-hours air conditioner revenue and increasing in operation costs from raising minimum wage.

**TOTAL UNREALISED GAIN (LOSS) ON INVESTMENTS**

In this quarter, B-WORK recognised an unrealised loss on investments, which were non-cash transaction due to the revaluation of investment in leasehold properties, accounted as a new fair value, by an income approach method from an independent appraiser. The new fair value of investment in leasehold properties recorded at THB 4,491mn, resulting in total unrealised loss on investments of THB 78.85mn.

**INCREASE (DECREASE) IN NET ASSETS RESULTING FROM OPERATIONS**

Net assets resulting from operations decreased by THB 2.15mn, decreasing 102.70% QoQ, due to B-WORK recognised unrealised loss on investments from the appraisal value of THB 78.85mn.

BALANCE SHEET

**TOTAL ASSETS**

Total assets of B-WORK as of 30 Sep 2018 were THB 4,854.21mn. These consist of investment in leasehold properties at fair value of THB 4,491.00mn, investment in securities and cash at financial institutions of THB 269.19mn and other assets of THB 94.01mn.

**TOTAL LIABILITIES**

Total liabilities were THB 1,155.96mn. These consist of account payables, accrued expenses, and rental and services income received in advance of THB 124.99mn, deposits from rental and services of THB 109.44mn, long-term loan of THB 920.00mn and other liabilities of THB 1.53mn.

**NET ASSET VALUE**

Net asset value as of 30 Sep 2018 was THB 3,698.25mn, or THB 10.0277 per unit.

| Unit (THB mn)  | As of 30/6/2018 | As of 30/9/2018 |
|--|-----------------|-----------------|
| <b>Total Assets</b>  | <b>4,975.14</b> | <b>4,854.21</b> |
| Investment in leasehold properties at fair value                                       | 4,569.85        | 4,491.00        |
| Investment in securities and cash at financial institutions                            | 306.85          | 269.19          |
| Other assets   | 98.44           | 94.01           |
| <b>Total Liabilities</b>   | <b>1,162.85</b> | <b>1,155.96</b> |
| Accounts payable, accrued expenses, and rental and services income received in advance | 131.99          | 124.99          |
| Deposits from rental and service   | 109.27          | 109.44          |
| Long-term loan   | 920.00          | 920.00          |
| Other liabilities  | 1.59            | 1.53            |
| <b>Net asset value</b>   | <b>3,812.29</b> | <b>3,698.25</b> |
| <b>Capital from unitholders</b>  | <b>3,688.00</b> | <b>3,688.00</b> |
| <b>Retained earnings</b>   | <b>124.29</b>   | <b>10.25</b>    |
| <b>Net asset value</b>   | <b>3,812.29</b> | <b>3,698.25</b> |
| <b>Net asset value per unit</b>  | <b>10.3370</b>  | <b>10.0277</b>  |

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HISTORICAL DIVIDEND PAYOUT

| No. | Dividend Period          | Dividend (Baht / Unit) |
|-----|--------------------------|------------------------|
| 1   | 6 Feb 2018 – 30 Jun 2018 | 0.3034                 |

HISTORICAL CAPITAL REDUCTION

| No. | Capital Reduction (Baht / Unit) |
|-----|---------------------------------|
| 1   | 0.1843                          |

| The 1 <sup>st</sup> Capital Reduction Timetable  |             |
|--|-------------|
| Ex-Capital Return Date XN                        | 23 Nov 2018 |
| Book Closure Date                                | 27 Nov 2018 |
| Payment Date                                     | 11 Dec 2018 |
| Decreasing Value of Units (Baht / Unit)          | 0.1843      |
| Par Value Before Capital Reduction (Baht / Unit) | 10.0000     |
| Par Value After Capital Reduction (Baht / Unit)  | 9.8157      |

## SUMMARY

|                           |   |
|---------------------------|---|
| <b>REIT name</b>          | Bualuang Office Real Estate Investment Trust (B-WORK)                                     |
| <b>Initial investment</b> | 30 Years leasehold right in land and office<br>Buildings of TRUE Tower 1 and TRUE Tower 2 |
| <b>Term of the REIT</b>   | Indefinite  |
| <b>REIT manager</b>       | Bualuang Asset Management Company Limited   |
| <b>Trustee</b>            | Krungthai Asset Management Public Company Limited   |
| <b>Property Manager</b>   | True Properties Company Limited   |
| <b>Offering value</b>     | Not exceeding THB 3,688 mn  |
| <b>Offering unit</b>      | Not exceeding 368.8mn units   |
| <b>Offering price</b>     | THB 10.00   |

**Management Company**  
 **Bualuang Fund**  
BBL Asset Management

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