

November 3, 2021

Mr. Hubert Chak
Group Executive Director and Chief Executive Officer
Room 2002, 20/F Lee Garden Six
111 Leighton Road, Causeway Bay
Hong Kong

Dear Mr. Chak,

We hope this letter finds you well! First and foremost, we would like to congratulate SF Real Estate Investment Trust (“SF REIT” or the “Company”) for its recent IPO, and for becoming the first logistic-oriented REIT listed in Hong Kong. With its high quality modern logistic portfolio and the sponsor’s asset pipeline, we believe that the Company is well-positioned to capture the growing e-commerce industry in Greater China. As a unitholder, we would also like to thank the management team for their close communication with us. Further to our conversations, below are some observations and recommendations that management can consider.

1. Establish a corporate website and platform for investor relations

We acknowledge that SF REIT’s corporate filings and information are accessible through a third-party online platform. However, we believe that it would be ideal for the Company to set up its own official website for investors to access financial reports, presentations, the IR Calendar, and other corporate announcements. We also recommend that the Company arranges and publishes its audio and/or video webcasts for its interim and annual financial results to facilitate closer communication with its investors.

2. Interest rate hedges on offshore debt facilities

The Company has a strong balance sheet with a 30 percent gearing ratio and over 8x interest coverage ratio. While we appreciate the Company’s prudent balance sheet and stable cash flow, we noticed that close to 90 percent of the Company’s debt consists of floating interest rate loans. Although this is beneficial to the Company while global interest rates remain low, in anticipation of rising rates next year and thereafter, we hope the Company will begin to lock in some fixed interest rate loans. According to our research, fixed interest rate loans account for roughly 70 percent of total borrowing for regional logistics REITs. Perhaps the Company can consider this figure as a reference guide.

3. Introduce a distribution reinvestment program

As SF REIT distributes over 90 percent of its net income to investors, its yield is attractive to long term investors. To create a long-term compounding effect, we highly encourage the Company to offer script or cash distribution. This way, the Company can increase its unit float without diluting any unitholders, whilst allowing long-term investors to reinvest its distribution into the Company efficiently and at a low cost.

If you have any questions or feedback, please feel free to contact us. Thank you for your attention.

Sincerely,



Ronald W. Chan
Chief Investment Officer
Chartwell Capital Limited



Aditya Salim
Senior Investment Analyst
Chartwell Capital Limited