CAPITAL MANAGEMENT

MLT adopts a proactive, disciplined and prudent approach in its capital management strategy to ensure optimal and stable returns for its Unitholders. The Manager focuses on maintaining a robust balance sheet and an efficient capital structure to support future growth opportunities, while staying nimble to navigate potential challenges. All our investments are made after carefully assessing risks, financing considerations and an appropriate mix of equity and debt to achieve an optimal structure. The Manager's capital management strategy involves maintaining a well-staggered debt maturity profile and implementing proactive hedging strategies to mitigate the impact of interest rate hikes and the weakening of regional currencies against the SGD during the year in review.

DIVERSIFIED SOURCES OF FUNDING

MLT remains committed to ensuring it has sufficient liquidity and flexibility to meet its refinancing and working capital requirements, while supporting portfolio growth and asset enhancement initiatives. During the year, the Manager undertook several initiatives to strengthen MLT's balance sheet while diversifying sources of funding to fund its acquisitions and capital expenditure.

ISSUANCE OF NEW MTN

In May 2022, MLT issued a new 7-year S$50.0 million fixed-rate medium term note ("MTN") to a new reputable investor at 3.512% per annum, pursuant to its S$3.0 billion Euro Medium Term Securities Programme. The proceeds from the issuance were used for general corporate purposes, including refinancing of existing borrowings. As at 31 March 2023, MLT has a total of S$645.5 million MTN in issuance. By tapping on the debt capital markets to secure long-term fixed rate financing, MLT is able to maintain a stable interest rate and utilise the additional credit facilities for other purposes where necessary.

Key Financial Metrics and Indicators

	As at 31 March 2023	As at 31 March 2022
Total Borrowings, excluding lease liabilities (S$ million)	4,877.4[1]	4,958.2
Total Deferred Consideration (S$ million)	13.7	21.7
Total Assets (S$ million)	13,423.2	13,689.8
Aggregate Leverage[2]	36.8%	36.8%
Unencumbered Assets as % of Total Assets	93.5%	93.1%
	FY22/23	**FY21/22**
Average Cost of Debt	2.5%	2.2%
EBITDA (S$ million)	529.5	499.7
Interest Expenses (S$ million)	131.4	100.5
Interest Cover Ratio (times)[3]	4.0	5.0

1 Total borrowings including lease liabilities is S$4,908.8 million and S$4,990.3 million as at 31 March 2023 and 31 March 2022, respectively.

2 As per Property Funds Appendix, the aggregate leverage includes proportionate share of borrowings and deposited property values of joint ventures as well as lease liabilities that are entered into in the ordinary course of MLT's business on or after 1 April 2019 in accordance with the Monetary Authority of Singapore guidance.

3 Ratio of EBITDA over interest expense for a 12-month period up to balance sheet date.

Financial Resources and Liquidity

	As at 31 March 2023 S$'million
Undrawn committed credit facilities	1,161.6
Undrawn uncommitted credit facilities	426.9
Total available credit facilities	1,588.5
Cash and cash equivalents[1]	302.5
Total	**1,891.0**
Issue Capacity under Euro Medium Term Securities Programme	**2,134.0**

1 Exclude restricted cash of S$7.6 million

RESET OF PERPETUAL SECURITIES

In March 2023, MLT reset the distribution rate of the S$180.0 million perpetual securities issued on 28 September 2017 to 5.2074% per annum. This helped preserve MLT's debt headroom to take advantage of new investment opportunities that may arise. In addition, MLT retains the financial flexibility to exercise its right to redeem the securities every 6 months, on any Distribution Payment Date in the future.

SUCCESSFUL EQUITY FUND RAISING

In the same month, MLT successfully raised proceeds of approximately S$200.0 million from an equity fund raising ("EFR") through a private placement to repay existing debts as well as to partially fund the acquisitions of a portfolio of properties in Japan, Australia and South Korea. Priced at the highest end of the indicative price range, the placement was approximately 3.9 times covered, with strong participation from new and existing investors. Its success bears testament to investors' confidence in MLT. The use of proceeds arising from the EFR was in accordance with the stated use and percentage allocated as set out in the relevant announcements dated 30 March 2023 and 11 April 2023.

CREDIT FACILITIES WITH COMPETITIVE TERMS

MLT enjoys strong support from a global network of over 20 banking partners. In the last financial year, MLT entered into S$1,106.4 million of new credit facilities with tenures ranging from 4 to 7 years. In aggregate, MLT has S$5,820.4 million of credit facilities at favourable terms and competitive pricing as of March 2023.

MLT procured its first sustainability-linked financing in 2019 and has since increased its green and sustainability-linked loans to S$1,131.6 million, which accounts for 19% of its total credit facilities.

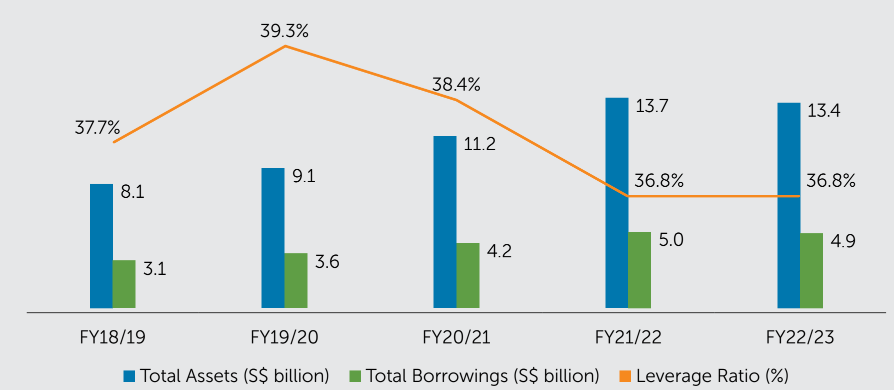
During the year, MLT completed three acquisitions and incurred capital expenditure totalling S$206.0 million. These investments were funded by diversified sources, including debt, issuance of 7-year S$50.0 million medium term notes and S$22.0 million worth of divestment proceeds. Taking into account S$285.9 million lower translated borrowings mainly due to weaker JPY, AUD, MYR and HKD, MLT's total debt decreased by S$81.0 million from the prior year.

ROBUST BALANCE SHEET

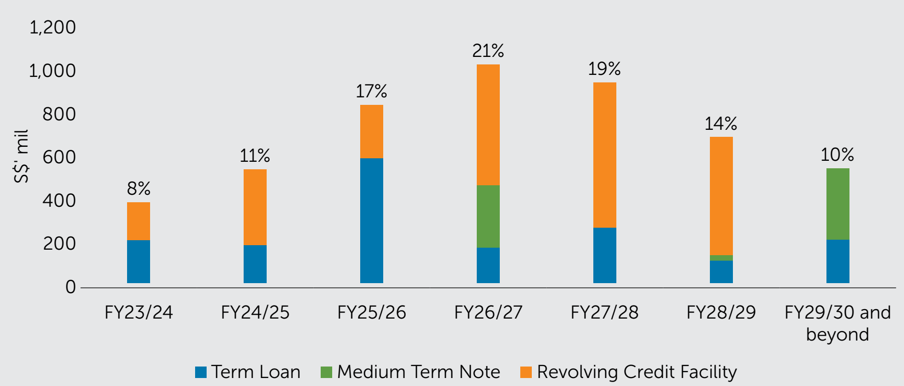
As at 31 March 2023, MLT has available committed credit facilities of S$1,161.6 million. Together with available uncommitted credit facilities and cash balance, MLT is well-positioned with S$1,891.0 million worth of financial resources and liquidity to capitalise on potential acquisition opportunities and withstand any liquidity crunch in the credit market that may arise.

MLT also has in place a S$3.0 billion Euro Medium Term Securities Programme that can be tapped for the issuance of MTNs and perpetual securities in various currencies. The Programme's capacity as at 31 March 2023 stands at S$2,134.0 million.

Aggregate Leverage Ratio Trend



Debt Maturity Profile as at 31 March 2023 (% of Total Debt)



	As at 31 March 2023
Total Borrowings, excluding lease liabilities (S$ million)	4,877.4
Average Debt Duration (years)	3.8

AGGREGATE LEVERAGE RATIO WELL BELOW REGULATORY LIMIT

As at 31 March 2023, MLT's aggregate leverage ratio was unchanged from the previous year at 36.8%, providing the Trust with a debt headroom of about S$3,523.6 million before the aggregate leverage ratio reaches the regulatory limit of 50.0%[1]. The relatively large headroom provides greater flexibility for MLT to manage its capital structure and capture potential acquisitive growth opportunities. Total debt (including perpetual securities) to net asset value ratio and total debt (including perpetual securities) less cash and cash equivalents to net asset value ratio as at 31 March 2023 was 72.8% and 72.6% respectively.

NO REFINANCING RISK AND WELL-STAGGERED DEBT MATURITY PROFILE

The Manager diligently explores refinancing of loans ahead of their maturities with existing and new banking partners to extend MLT Group's debt

1 The Monetary Authority of Singapore ("MAS") raised the aggregate leverage limit for S-REITs from 45.0% to 50.0% with effect from 16 April 2020, on condition of a minimum adjusted interest coverage ratio of 2.5 times.

CAPITAL MANAGEMENT

maturity and mitigate refinancing risks. Debt due in the next 12 months amounts to only S$374.1 million or 8% of total debt. Based on the available committed credit facilities of S$1,161.6 million, MLT has more than sufficient facilities to meet its maturing debt obligations in the coming financial year.

MLT Group's debt maturity profile remains well-staggered with a healthy weighted average debt duration of approximately 3.8 years as at 31 March 2023. The Group's refinancing risk exposure in any one financial year is no more than 21% of total debt. Approximately 92% of total debt is unsecured with minimal financial covenants.

INVESTMENT GRADE CREDIT RATING

In April 2023, Fitch affirmed a 'BBB+' long-term issuer default rating with a stable outlook to MLT and its Euro Medium Term Securities Programme of S$3.0 billion. The rating was underpinned by MLT's stable rental income generated from its diversified tenant base and its high-quality and diversified portfolio of logistics assets spread across nine markets within Asia Pacific.

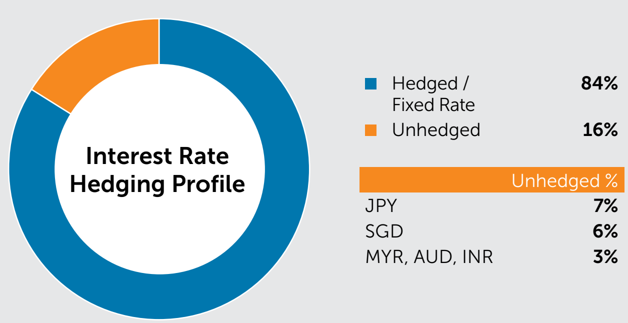
PRUDENT HEDGING STRATEGIES AMID A VOLATILE AND UNCERTAIN ENVIRONMENT

MLT's geographically diversified portfolio across nine regional markets subjects the Trust's operations to a variety of market risks, including interest rate and foreign exchange rate risks, amongst others. Exposure to these risks is managed via derivative financial instruments to minimise the impact of interest rate and foreign exchange rate volatilities on distribution income.

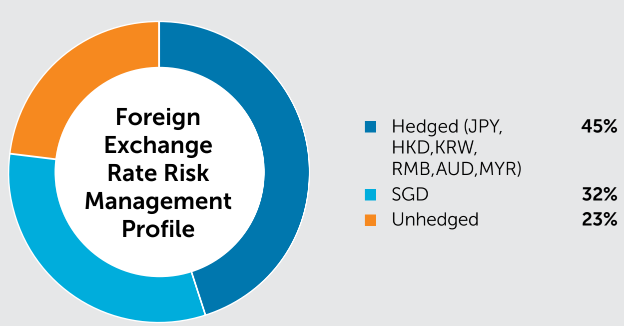
MANAGING INTEREST RATE RISK

Over the past year, global central banks hiked interest rates at a record pace in a bid to combat persistently high inflation. The US Federal Reserve raised rates by an unprecedented 450 basis points in FY22/23 alone. In Singapore, the 3-month Singapore Overnight Rate Average (SORA) also saw an increase of approximately 330 basis points within the same period. Central banks elsewhere in our markets, with the exception of Japan and China, have similarly raised interest rates aggressively to protect their currencies and combat inflation.

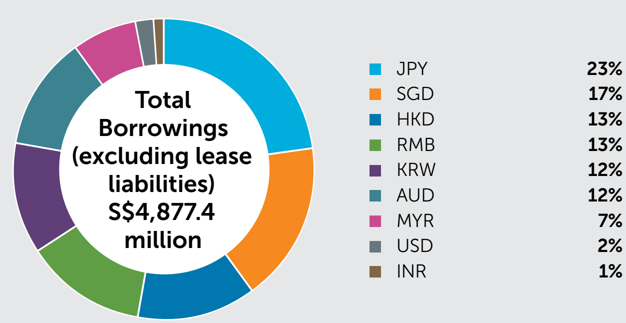
Interest Rate Hedging Profile as at 31 March 2023



Foreign Exchange Rate Risk Management Profile as at 31 March 2023



Debt Profile (Currency Breakdown) as at 31 March 2023



Currency	S$ million	% of total debt
JPY	1,137	23%
SGD	812	17%
HKD	661	13%
RMB	646	13%
KRW	591	12%
AUD	582	12%
MYR	316	7%
USD	97	2%
INR	35	1%
Total	**4,877**	**100%**

Against this backdrop, MLT's average cost of debt for FY22/23 increased to 2.5% per annum, compared to 2.2% per annum in FY21/22, a result of the Manager's disciplined and proactive hedging strategy which partially mitigated the impact of sharply higher interest rates. MLT's interest cover ratio and adjusted interest cover ratio stood at a healthy 4.0 times and 3.5 times respectively as at 31 March 2023.

MLT manages its interest costs by maintaining a prudent mix of fixed and floating rate debt. The Manager hedges its exposure to interest rate volatilities through interest rate swaps, by issuing fixed rate MTNs, or by drawing loans on a fixed rate basis. With 84% of MLT's total debt being hedged into fixed rates, any movement in base interest rates will have minimal impact on the Trust's interest expense and distribution income. At the same time, the floating rate portion of the debt provides MLT with the flexibility to repay debts from divestment of assets or available cash, as well as to rebalance its portfolio.

Interest Rate Sensitivity Analysis

A 0.25% movement in the base rate would have an estimated 0.04 SGD cent impact on DPU per annum.

Estimated DPU impact per annum (SGD cent)	
0.25% increase in interest rate	-0.04
0.25% decrease in interest rate	+0.04

Managing Foreign Exchange Rate Risk

To mitigate the impact of foreign exchange rate risk, the Manager adopts various hedging strategies that include:

- The use of foreign currency denominated borrowings to match the currency of the underlying assets as a natural hedge, where feasible, after taking into account cost, tax and other considerations;
- The use of cross currency swaps to swap a portion of debt in another currency into the currency of the underlying assets; and
- Entering into currency forward contracts to hedge the foreign currency income received or to be received into SGD.

During FY22/23, all currencies except the Hong Kong Dollar depreciated against the Singapore Dollar. In particular, the Chinese Yuan, Japanese Yen, South Korean Won and Australian Dollar, which accounted for 46% of FY22/23 revenue, depreciated by between approximately 7% to 15% against the Singapore Dollar.

MLT's proactive hedging strategy helped it navigate the challenging foreign exchange environment, as its currency forward contracts mitigated the impact of foreign exchange volatilities on distributable income. Looking ahead, 77% of MLT's distributable income for FY23/24 had been hedged into or derived in Singapore Dollar.

In managing the company's interest rate profile and foreign exchange exposures, the Manager continues to take into consideration the market outlook, expected cashflows from business operations and any acquisition and divestment plans.

NET FAIR VALUE OF FINANCIAL DERIVATIVES

MLT's net derivative financial assets of S$212.0 million represented 2.82% of the net assets of MLT Group as at 31 March 2023. The fair value derivatives for FY22/23 is included in the financial statements as derivative financial instruments.