

# LETTER TO SHAREHOLDERS

10 May 2020

Dear Emirates REIT shareholders and Sukuk holders,

I understand that many of you have concerns with the performance of the share price of the REIT over the past two years.

I would like to explain what factors we believe have led to the drop in value, and what steps we are taking in an attempt to correct it.

Contrary to claims made on social media, the reasons behind the recent share price performances are contextual and market specific.

First of all, the UAE real estate sector remains on a cyclical downswing and the REIT is not immune to the effect that this has had on investor sentiment. But it is worth noting that the current share price of the REIT gives it a market capitalisation of USD 60m. At a time when the REIT holds USD 44m in cash alone, we believe the current market capitalisation as not being reflective of the true value of the REIT.

However, we acknowledge that the decision by the REIT in January not to pay a discretionary interim dividend had a significant impact on the share price. I want to be clear; this decision was not taken lightly and came about in response to issues with a particular large tenant and also due to uncertain market conditions.

While no-one could have predicted the impact of COVID-19, the market forecasts at that time meant that we wanted to ensure the fund maintained enough liquidity, should it be required.

Following the announcement of this decision, some investors sold-off a large number of shares and this caused a further significant drop in value, aggravated by the low liquidity of the market.

Since the decision was taken, the downturn in the global economy has seen many other organisations around the world follow the same route, choosing to suspend dividends and preserve cash as a reaction to the uncertainty in the market caused by COVID-19. Therefore, we stand behind the decision not to pay a discretionary interim dividend, which has improved the resilience of the REIT and made it better placed to exploit the opportunities that lie ahead created by the current market conditions.

At a time when the local macro-economics are challenging, it seems the fallout from recent corporate scandals in the UAE have acted as a significant deterrent to foreign investors. Although these scandals had nothing to do with the REIT, they have had repercussions on all UAE-listed securities. Having been very successful at marketing the shares and Sukuk units of Emirates REIT abroad, this has left the REIT disproportionately exposed to the drop in interest from foreign investors in local markets. Today, Emirates REIT has reached its lowest level of non GCC ownership since the IPO at 29%.

Despite the difficult market conditions, we have been increasingly concerned that our share price is trading at unusually low levels, compared with the rest of the REIT market, and that it has experienced unusual price movements.

Our investigations have found evidence of irregular trading activity by certain market participants. In light of these potentially abusive market practices, we have reported those activities to the relevant regulatory authorities.

Furthermore, in order to protect our shareholders from the abusive actions of these individual traders, the REIT has sought legal advice and will be taking whatever steps it can to prevent further abusive market practices, and to hold those responsible to account.

We are also aware that there are several parties seemingly targeting Emirates REIT and Equitativa through an aggressive campaign of negative stories and false rumours conducted both online and offline. We believe this campaign is seeking to undermine investor confidence and negatively influence the REIT share value, which could have damaging consequences for our shareholders and Sukuk holders.

Part of that campaign focuses on our management fee structure.

It is important to make clear, that Emirates REIT is not just a buy and sell property fund. It is a multi-faceted REIT that buys prime properties with the purpose of repositioning them, develops new office and retail concepts as well as new build to suit properties, like some of our education assets.

This of course implies a higher upside, but with that also, sometimes, come challenges that require much more management, resource and investment than just a broker and a small back office team. We do not believe there is another REIT in the region that operates in this way, and we remain of the view that the current level of management fees reflect the active management strategy and are necessary to ensure the REIT can continue to operate effectively and grow.

With this in mind, the boards are confident in their view that the management fees are structured in a fair and transparent way, with no hidden costs. They have been benchmarked against other REITs in the region and the boards believe they are representative of the level of services that are provided, contrary to the claims suggested.

We want to assure you that any suggestion that the Fund is overcharging on management fees, is in our view both unfounded and ignores the fact that the REIT is actively managed.

Transparency has always been a core principle at Emirates REIT, and we remain committed to keeping our shareholders updated with timely and precise information relating to the financial performance of the REIT. However, for the purposes of consistency and in light of continued market volatility, Emirates REIT has made the decision to move reporting of its revenues and NAV to a quarterly cycle. This will ensure our NAVs are aligned with the quarterly valuation cycles of our external valuers.

Lastly, our Boards are in the final stages of evaluating options to increase the share liquidity and the value of the REIT. This includes discussions about a potential measure to enhance share support, which would provide investors with the comfort that their objectives are aligned with those of the REIT manager.

I want to reassure shareholders, that despite challenging market conditions, the Management Board's focus remains on operational efficiency, asset enhancement and tenant retention. More than ever, the board is fully committed to enhancing the REIT's operations and is focusing efforts to reach optimal occupancy rates, maximise rental revenues, and take advantage of the inevitable opportunities that the current challenging market conditions will create.

Yours sincerely,

Sylvain Vieujot  
CEO Equitativa (Dubai) Limited

## Disclaimer

The information of this letter does not constitute or form part of all of, and should not be construed as, any offer of, or any invitation to purchase or sell, or any solicitation of any offer to purchase, or otherwise acquire, or a recommendation regarding, any securities of Emirates REIT, nor shall it or any part of it form the basis of, or be relied on in connection with, any contract or any commitment whatsoever or any investment decision. Any information and opinions contained in this Letter are provided as at the date of this Letter or as at the other date if indicated and are subject to change without notice. No reliance may be placed for any purpose whatsoever on the information contained in this Letter or on assumptions made as to its completeness. This message, including any attachments may contain confidential and privileged material; it is intended only for the person to whom it is addressed. Its contents do not constitute a commitment by Equitativa (Dubai) Limited except where provided for in a written agreement. Equitativa (Dubai) Limited assumes no liability or responsibility for the consequences arising out of a delay and/or loss in transit of this message, or for corruption or other error(s) arising in its transmission and for any misuse or fraudulent use which may be made thereof. If you are not the intended recipient, please contact us and abstain from any disclosure, use or dissemination. Equitativa (Dubai) Limited is duly licensed and regulated by the Dubai Financial Services Authority (DFSA).

