

Future Park Leasehold Property Fund (FUTUREPF)

Management's Discussion and Analysis for Q2/2023

HIGHLIGHTS

- **Total Income** in Q2/2023 reported 239.26 million baht, increased by 5.07 million baht or +2.2% QoQ. Comparing in Q2/2022 increased by 64.36 million baht or +36.8% YoY.
- **Total Expenses** in Q2/2023 reported 106.02 million baht, increased by 3.42 million baht or +3.3%QoQ and increased by 9.68 million baht or +10.1%YoY.
- **Net Investment Income** in Q2/2023 reported 133.25 million baht, increased by 1.66 million baht or +1.3%QoQ. Comparing in Q2/2022 increased by 54.68 million baht or +69.6%YoY.
- **Net Asset Value (NAV)** as of June 30, 2023 was 5,741.66 million baht, or equivalent to THB 10.8421 per unit.

Financial Performance

Unit: MB

Fund's Performance	Q2-2023	Q1-2023	% (QoQ)	Q2-2022	% (YoY)
Rental and Service Income*	235.23	231.89	1.4%	174.05	35.2%
Interest income	1.69	1.26	34.2%	0.51	233.4%
Other income	2.35	1.05	124.3%	0.35	572.2%
Total Income	239.26	234.19	2.2%	174.91	36.8%
Property Operating Expenses	13.47	11.90	13.2%	9.78	37.8%
Property Management Fee	23.26	22.56	3.1%	20.36	14.3%
Fund's related expenses	3.94	3.56	10.6%	3.88	1.5%
Financial Cost**	65.35	64.58	1.2%	62.32	4.9%
Total Expenses	106.02	102.60	3.3%	96.34	10.1%
Net Investment Income *	133.25	131.59	1.3%	78.57	69.6%
Net gain (loss) from changes in fair value of investments	(77.13)	26.63	-389.6%	119.62	-164.5%
Net increase (decrease) in Net Assets from Operations	56.12	158.22	-64.5%	198.19	-71.7%

Remark

* The fund has applied TFRS16 "Lease" which indicated that the Fund have to gradually recognize rental income and rental discount throughout the remaining lease terms by straight line method. Its resulted, the accounting record of rental and service income and net investment income in Q2/2023 was lower than an actual amount of 8.21 MB. Thus, the actual rental income and net investment income in Q2/2023 would be 243.44 MB and 141.46 MB respectively.

** The finance cost was recognized due to the fund has adopted financial reporting standards TFRS16 relating to lease liability which the fund has to gradually recognize its from 1 January 2020 onwards. It has been an accounting expense recognition and has not an actual cash outflow during the Y2020 – Y2026.

Future Park Leasehold Property Fund (FUTUREPF)

Management's Discussion and Analysis for Q2/2023

Financial and Operating Performance

Seeking benefit of the fund's asset on Q2/2023

On Q2/2023, the fund had accomplished and signed the lease contracts in total of 118 contracts or total rentable areas of 6,684.54 sqm. comprised of new tenants approximately 12% (Beauty & Salon, Food & Beverage, Fashion, and Mobile's equipment) and renew existing contracts approximately 86%. The percentage growth of rental reversion in average is at -0.3%.

The current structure of lease agreement comprised of the portion of Fixed rent rate at 78.23% and Percentage lease (Gross Profit sharing) is at 21.77% calculated by occupied rental areas as of Q2/2023 (the details are as shown on the fund's website)

The average occupancy rate on Q2/2023 reported at 94.0% dropped from 95.2% in Q1/2023 due to some shops which planned to open in Q2/2023 have postponed a schedule and promptly open their shops on Q3/2023 and some tenants considered not to renew their contacts. However, the average occupancy rate for this quarter is higher than an average rate of 92% in Q2/2022.

The rental areas management in the shopping center, the Property Manager has continuously conducted the marketing campaign with tenants and seeking benefit from common areas by conducting the seasonal marketing events to encourage the foot traffics in the shopping center and maintain number of existing customers as the budgeting and operational plan.

Total Income

Total Income in Q2/2023

Q2/2023 The Fund recognized the rental income of 235.23 million baht increased by 3.34 million baht or +1.4%QoQ added on an interest income and other income of 4.03 million baht. Thus, the total income was reported 239.26 million baht increased by 5.07 million baht or +2.2%QoQ.

Comparing to Q2/2022, the recognition of rental income increased by 61.18 million baht from 174.05 million baht or +35.2%YoY included interest income and other income, the total income of the fund increased by 64.36 million baht from 174.91 million baht or +36.8%YoY.

Total Expenses

In Q2/2023, the Fund reported the total expenses of 106.02 million baht increased by 3.42 million baht or +3.3%QoQ, the details are as follows:

1. Property operating expenses recognized of 13.47 million baht, increased by 1.57 million baht or +13.2%QoQ, the changes of such expenses mainly came from an increasing of marketing expenses such as marketing promotion campaign and interior decoration of the shopping center to attract and build up the foot traffic.
2. Property management fee was 23.26 million baht, increased by 0.70 million baht or +3.1%QoQ. It comprised of commission fee (renewal of existing lease and new leases), rental collection fee, Property management fee and incentive fee respectively.

Future Park Leasehold Property Fund (FUTUREPF)

Management's Discussion and Analysis for Q2/2023

3. Fund-related expenses recorded 3.94 million baht, increased by 0.38 million baht or +10.6%QoQ. The changes of such expenses mainly came from increasing of the fund management fee such as an investment tax and other related fee.
4. Finance costs in Q2/2023 reported 65.35 million baht increased by 0.77 million baht or 1.2% QoQ, due to the fund has adopted the accounting standards TFRS16 relating to lease liability, whereby the Fund shall recognize its in to profit & loss over the lease terms from January 1, 2020, onwards. (it is an accounting expense recognition and has not an actual cash outflow during the Y2020 – Y2026)

Net Investment Income

On Q2/2023, the Fund reported total income of 239.26 million baht, adjusted by total expenses of 106.02 million baht, thus the net investment income was reported of 133.25 million baht increased by 1.66 million baht or +1.3%QoQ.

However, if the fund did not count an impact from lease modification according to TFRS16. It resulted, the accounting record of net investment income in Q2/2023 was lower than an actual amount of 8.21 million baht, the net investment income of the fund in Q2/2023 would be 141.46 million baht.

The change in fair value of investments in property

In Q2/2023, FUTUREPF invested in Leasehold rights (partially areas) of Future Park Rangsit Shopping Center, the leasehold period will be ended on December 31, 2041 (remaining lease period is approximate at 18.50 years) the fund appointed the independent appraiser to revalue the Investment Property on annual basis and review by quarterly which applied the income approach method. Assumptions were reflected by the current information and related risk factors on the discounted cash flow at the discount rate of 11%. As of June 30, 2023 the present value of asset (income method) was 5,435 million baht (Q4/2022 at 5,614 MB) added back the present value of lease liability of 5,546.41 million baht in accordance with the accounting standards to arrive at the carrying amount of the investment property by using the fair value model, then the fair value of investment property was 10,981.41 million baht.

Net increased (decreased) in net asset from operation.

In Q2/2023, the Fund reported net investment income of 133.25 million baht adjusted by net loss from change in fair value of investments of 77.13 million baht, thus the Fund had increased in net assets from operation of 56.12 million baht.

Distribution to Unitholders

The Fund (FUTUREPF) has the policy to pay the dividends to unitholders at least twice a year which the fund shall pay the dividend to the unitholders not less than 90% of adjusted net profit as per criteria specified in the dividend payment policy of the fund. Since inception dated, the Fund had paid the dividends to the unitholders in total of 66 times or the total amount of 18.8350 baht per unit.

Future Park Leasehold Property Fund (FUTUREPF)

Management's Discussion and Analysis for Q2/2023

In Q2/2023

The dividend payment for this period is number of 67: the Fund considered to pay the dividends from net investment income of the operational performance during April 1 – June 30, 2023 adjusted by the different amount of rental income (accounting record vs actual received) and other transactions to be inline with the fund's performance and cash status. Then the fund considered to pay the dividend from net investment income and retained earnings to unitholders was at the rate of 0.2049 baht per unit.

The capital reduction no.1: The fund has an excess of liquidity asset due to the loss from asset re-valuation in Q2/2023, therefore the fund considered to pay the capital reduction at the rate of 0.1451 baht per unit.

Thus, the total amount of dividend and capital reduction payment is 0.35 baht per unit or total amount payment of 185.35 million baht. The book closing date will be set on August 31, 2023 and the dividend payment shall be dated on September 14, 2023.

Balance Sheet

Unit: MB

Balance sheet	as of June 30, 2023	as of Dec 31, 2022
Investment in Leasehold Property (Fair value)*	10,981.41	11,030.48
Investment in Securities, Cash & Cash equivalents	635.31	600.41
Accrued rental income **	22.94	42.42
Other assets	56.32	58.57
Total assets	11,695.98	11,731.88
Lease liabilities	5,546.41	5,416.48
Deposits received from tenants	344.35	354.53
Other liabilities	63.56	68.14
Total Liabilities	5,954.32	5,839.15
Net assets	5,741.66	5,892.73
Capital received from Unitholders	5,633.16	5,633.16
Retained earnings	108.50	259.56
Net Asset Value (baht/unit)	10.8422	11.1274

Remark:

* The fair value of investment in leasehold property as of June 30, 2023, was 5,435 MB added back by the present value of lease liabilities of 5,546.41 MB to arrive at the carrying amount of the investment property using the fair value model in accordance with the accounting standards (TAS 40) Investment property.

** The accrued rental income of 22.94 MB was accounting record to comply with TFRS 16 "Lease" which indicate that the Fund have to calculate the rental discount on straight-line method over the remaining lease term.

Future Park Leasehold Property Fund (FUTUREPF)

Management's Discussion and Analysis for Q2/2023

As of June 30, 2023, the Fund recorded the total assets of 11,695.98 million baht, It comprises of the investment in leasehold property at fair value of 10,981.41 million baht, (included lease liabilities of 5,546.41 MB) followed by investment in securities and cash equivalents of 635.31 million baht, accrued rental income 22.94 million baht and other assets of 56.32 million baht respectively.

The total liabilities recorded 5,954.32 million baht, consists of lease liabilities 5,546.41million baht, deposits received from tenants of 344.35 million baht and other liabilities of 63.56 million baht respectively. Therefore, the net asset value of the fund as of June 30, 2023 was 5,741.66 million baht or equivalent to 10.8422 baht per unit.