

# Future Park Leasehold Property Fund (FUTUREPF)

## Management's Discussion and Analysis for Q3/2023

### HIGHLIGHTS

- **Total Income** in Q3/2023 reported 245.35 million baht, increased by 6.08 million baht or +2.5% QoQ. Comparing in Q3/2022 increased by 43.59 million baht or +21.6% YoY.
- **Total Expenses** in Q3/2023 reported 104.6 million baht, decreased by 1.42 million baht or -1.3%QoQ but increased by 1.18 million baht or +1.1%YoY.
- **Net Investment Income** in Q3/2023 reported 140.75 million baht, increased by 7.5 million baht or +5.6%QoQ. Comparing in Q3/2022 increased by 42.41 million baht or +43.1%YoY.
- **Net Asset Value (NAV)** as of September 30, 2023 was 5,667.24 million baht, or equivalent to THB 10.7016 per unit.

### Financial Performance

Unit: Million baht

Fund's performance	Q3	Q2	% (+/-)	Q3	% (+/-)
	Y2023	Y2023	QoQ	Y2022	YoY
Rental income*	241.42	235.23	2.6%	200.48	20.4%
Interest income	2.63	1.69	55.6%	0.61	331.1%
Other income	1.3	2.35	-44.7%	0.67	94.0%
<b>Total Income</b>	<b>245.35</b>	<b>239.27</b>	<b>2.5%</b>	<b>201.76</b>	<b>21.6%</b>
Property operating expenses	9.42	13.47	-30.1%	14.36	-34.4%
Property management fees	23.02	23.26	-1.0%	22.4	2.8%
Fund's operating expenses	6.04	3.94	53.3%	3.6	67.8%
Finance costs**	66.12	65.35	1.2%	63.06	4.9%
<b>Total Expenses</b>	<b>104.6</b>	<b>106.02</b>	<b>-1.3%</b>	<b>103.42</b>	<b>1.1%</b>
<b>Net Investment Income*</b>	<b>140.75</b>	<b>133.25</b>	<b>5.6%</b>	<b>98.34</b>	<b>43.1%</b>
<b>Net (loss) gain from change in fair value of investments</b>	<b>-29.82</b>	<b>-77.13</b>	<b>-61.3%</b>	<b>27.78</b>	<b>-207.3%</b>
<b>Increase (decrease) in net assets from operations</b>	<b>110.93</b>	<b>56.12</b>	<b>97.7%</b>	<b>126.12</b>	<b>-12.0%</b>

#### 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 Q3/2023 was lower than an actual amount of 6.65 MB. Thus, the actual rental income and net investment income in Q3/2023 would be 248.07 MB and 147.40 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.

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### Financial and Operating Performance

Seeking benefit of the fund's asset on Q3/2023

On Q3/2023, the fund had accomplished and signed the lease contracts in total of 108 contracts or total rentable areas of 7,845.72 sqm. comprised of new tenants approximately 25% (Beauty & Salon, Food & Beverage, Fashion, and Mobile's equipment) and renewal existing contracts approximately 75%. The percentage growth of rental reversion in average is at +0.61%.

The current structure of lease agreement can be divided in to the portion of Fixed rent is approximately at 78% and Percentage lease (Gross Profit sharing) is approximately at 22% calculated by occupied rental areas as of Q3/2023 (the details are as shown on the fund's website)

The average occupancy rate on Q3/2023 reported at 96.0% increased from 94% in Q2/2023 due to the fund is able to acquire the new tenants to fill-in vacancy areas and have more occupied areas from renewal existing lease contracts when compared to Q1-2/2023 and some tenants considered not to renew their contacts.

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 Q3/2023

**Q3/2023** The Fund recognized the rental income of 241.42 million baht increased by 6.19 million baht or +2.6%QoQ added on an interest income and other income of 3.93 million baht. Thus, the total income was reported 245.35 million baht increased by 6.08 million baht or +2.5%QoQ.

Comparing to Q3/2022, the recognition of rental income increased by 40.94 million baht from 200.48 million baht or +20.4%YoY included interest income and other income, the total income of the fund increased by 43.59 million baht from 201.76 million baht or +21.6%YoY.

### Total Expenses

**In Q3/2023**, the Fund reported the total expenses of 104.60 million baht decreased by 1.42 million baht or -1.3%QoQ, the details are as follows:

1. Property operating expenses recognized of 9.42 million baht, decreased by 4.05 million baht or -30.1%QoQ, the changes of such expenses mainly came from the decreasing of marketing expenses such as marketing promotion campaign and interior decoration of the shopping and decreasing of repair and maintenance expenses.
2. Property management fee was 23.02 million baht, decreased by 0.24 million baht or -1%QoQ. It comprised of commission fee (renewal of existing lease and new leases), rental collection fee, Property management fee and incentive fee respectively.

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3. Fund-related expenses recorded 6.04 million baht, increased by 2.1 million baht or +53.3%QoQ. The changes of such expenses mainly came from increasing of investment tax, stamp duty, professional fee in order to feasibility study to convert property fund in to REITs and other related fee.
4. Finance costs in Q3/2023 reported 66.12 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 Q3/2023, the Fund reported total income of 245.35 million baht, adjusted by total expenses of 104.60 million baht, thus the net investment income was reported of 140.75 million baht increased by 7.5 million baht or +5.6%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 Q3/2023 was lower than an actual amount of 6.65 million baht, the net investment income of the fund in Q3/2023 would be 147.40 million baht.

### The change in fair value of investments in property

In Q3/2023, 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 18.25 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 September 30, 2023 the present value of asset (income method) was 5,341 million baht (Q4/2022 at 5,614 MB) added back the present value of lease liability of 5,612.53 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 10,953.53 million baht.

### Net increased (decreased) in net asset from operation.

In Q3/2023, the Fund reported net investment income of 140.75 million baht adjusted by net loss from change in fair value of investments of 29.82 million baht, thus the Fund had increased in net assets from operation of 110.93 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 67 times or the total amount of 19.0399 baht per unit and the first capital reduction by deducted the par value at 0.1451 baht per unit.

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#### In Q3/2023

The dividend payment for this period is number of 68: the Fund considered to pay the dividends from the fund 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 in-line 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 at the rate of 0.2095 baht per unit and,

Considered to pay the capital reduction no.2: at the rate of 0.1505 baht per unit due to the fund has an excess of liquidity from net loss of asset re-valuation in Q3/2023.

Thus, in Q3/2023 the total amount of dividend and capital reduction payment is 0.3600 baht per unit or total amount payment of 190.64 million baht. The book closing date will be set on November 28, 2023 and the dividend payment shall be dated on December 12, 2023.

#### Balance Sheet

Unit: Million baht

Balance Sheet	as of Sep 30, 2023	as of Dec 2022
Investments in Properties at fair value	10,953.53	11,030.48
Short-term securities, cash & equivalents	654.62	600.41
Accrued rental income	16.29	42.42
Other assets	63.01	58.57
<b>Total Assets</b>	<b>11,687.45</b>	<b>11,731.88</b>
Lease liabilities	5,612.53	5,416.48
Deposits received from tenants	343.72	354.53
Other liabilities	63.96	68.14
<b>Total Liabilities</b>	<b>6,020.21</b>	<b>5,839.15</b>
<b>Net Asset</b>	<b>5,667.24</b>	<b>5,892.73</b>
<b>Capital received from unitholders</b>	<b>5,556.32</b>	<b>5,633.16</b>
<b>Retained earnings</b>	<b>110.92</b>	<b>259.56</b>
<b>Net asset value per unit (NAV)</b>	<b>10.7016</b>	<b>11.1274</b>

#### Remark:

\* The fair value of investment in leasehold property as of September 30, 2023, was 5,341 MB added back by the present value of lease liabilities of 5,612.53 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 16.29 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.

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**As of September 30, 2023**, the Fund recorded the total assets of 11,687.45 million baht. It comprises of the investment in leasehold property at fair value of 10,953.53 million baht, (included lease liabilities of 5,612.53 MB) followed by investment in securities and cash equivalents of 654.62 million baht, accrued rental income 16.29 million baht and other assets of 63.01 million baht respectively.

The total liabilities recorded 6,020.21 million baht, consists of lease liabilities 5,612.53 million baht, deposits received from tenants of 343.72 million baht and other liabilities of 63.96 million baht respectively. Therefore, the net asset value of the fund as of September 30, 2023 was 5,667.24 million baht or equivalent to 10.7016 baht per unit.