

Future Park Leasehold Property Fund (FUTUREPF)

Management's Discussion and Analysis for Q1/2024

HIGHLIGHTS

- **Total Income** in Q1/2024 reported 247.20 million baht, decreased by 4.86 million baht or -1.93% QoQ. Comparing in Q1/2023 increased by 13.01 million baht or +5.56% YoY.
- **Total Expenses** in Q1/2024 reported 109.41 million baht, decreased by 2.35 million baht or -2.11%QoQ but increased by 6.81 million baht or +6.6%YoY.
- **Net Investment Income** in Q1/2024 reported 137.79 million baht, decreased by 2.5 million baht or -1.78%QoQ. Comparing in Q1/2023 increased by 6.21 million baht or +4.7.1%YoY.
- **Net Asset Value (NAV)** as of March 31, 2024 was 5,515.98 million baht, or equivalent to THB 10.4160 per unit.

Financial Performance

Unit: Million baht

Fund's performance	Q1	Q4	% (+/-)	Q1	% (+/-)
	Y2024	Y2023	QoQ	Y2023	YoY
Rental and service income*	243.45	247.64	-1.69%	231.887	4.99%
Interest income	3.40	3.03	12.05%	1.257	170.09%
Other income	0.35	1.39	-74.60%	1.047	-66.28%
Total Income	247.20	252.06	-1.93%	234.191	5.55%
Property operating expenses	8.30	16.6	-50.01%	11.904	-30.29%
Property management fees	23.43	23.81	-1.60%	22.559	3.85%
Fund's operating expenses	9.97	4.44	124.55%	3.562	179.90%
Finance costs**	67.71	66.91	1.20%	64.575	4.85%
Total Expenses	109.41	111.76	-2.11%	102.6	6.63%
Net Investment Income*	137.79	140.3	-1.79%	131.591	4.71%
Net (loss) gain from change in fair value of investments	-66.66	18.56	-459.16%	26.629	-350.33%
Increase (decrease) in net assets from operations	71.13	158.86	-55.22%	158.22	-55.04%

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 Q1/2024 was lower than an actual amount of 3.48 MB. Thus, the actual rental income and net investment income in Q1/2024 would be 246.93 MB and 141.27 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 Q1/2024

On Q1/2024, the fund had negotiated and signed the lease contracts in total of 72 contracts or total rentable areas of 6,664.81 sqm. comprised of new tenants approximately 21% (Beauty, Food & Beverage, Fashion, and Mobile's equipment) and renewal existing contracts approximately 79%. The percentage growth of rental reversion in average is at 1.16%.

The current structure of lease agreement can be divided in to the portion of Fixed rent is approximately at 80% and Percentage lease (Gross Profit sharing) is approximately at 20% calculated by occupied rental areas as of Q1/2024 (the details are as shown on the fund's website)

The average occupancy rate on Q1/2024 reported at 93.0% decreased from 96% in Q4/2023 due to partial areas is now under decoration 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 operational plan.

Total Income

Total Income in Q1/2024

Q1/2024 The Fund recognized the rental and service income of 243.45 million baht decreased by 4.19 million baht or -1.72%QoQ added on an interest income and other income of 3.75 million baht. Thus, the total income was reported 247.2 million baht decreased by 4.86 million baht or -1.93%QoQ.

Comparing to Q1/2023, the recognition of rental and service income increased by 11.57 million baht from 231.89 million baht or +5%YoY included interest income and other income, the total income of the fund increased by 13.01 million baht from 234.19 million baht or +5.56YoY.

Total Expenses

In Q1/2024, the Fund reported the total expenses of 109.41 million baht decreased by 2.35 million baht or -2.11%QoQ, the details are as follows:

1. Property operating expenses recognized of 8.30 million baht, decreased by 8.31 million baht or -50.02%QoQ, the changes of such expenses mainly came from the decreasing of marketing expenses to be in-line with the marketing plan.
2. Property management fee was 23.43 million baht, decreased by 0.38 million baht or -1.59%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 9.97 million baht, increased by 5.53 million baht or +124.65%QoQ. The changes of such expenses mainly came from increasing of professional fee in order to feasibility study to convert property fund in to REITs and other related fee.
4. Finance costs in Q1/2024 reported 67.71 million baht increased by 0.8 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 Q1/2024, the Fund reported total income of 247.2 million baht, adjusted by total expenses of 109.41 million baht, thus the net investment income was reported of 137.79 million baht decreased by 2.5 million baht or -1.78%QoQ. Comparing to Q1/2023, the fund reported the net investment income of 131.59 million baht increased by 6.21 million baht or +4.7% YoY.

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 Q1/2024 was lower than an actual amount of 3.48 million baht, thus, the net investment income of the fund in Q1/2024 would be 141.27 million baht.

The change in fair value of investments in property

In Q1/2024, 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 17.75 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 March 31, 2024 the present value of asset (income method) was 5,151 million baht (Q4/2023 at 5,283 MB) added back the present value of lease liability of 5,747.15 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 10,898.15 million baht.

Net increased (decreased) in net asset from operation.

In Q1/2024, the Fund reported net investment income of 137.79 million baht adjusted by net loss from change in fair value of investments of 66.66 million baht, thus the Fund had increased in net assets from operation of 71.13 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 69 times or the total amount of 19.54934 baht per unit and paid the capital reduction in total 3 times by deducted the par value at 0.3556 baht per unit.

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In Q1/2024

The dividend payment for this period is number of 70: the Fund considered to pay the dividends from the fund operational performance during January 1 – March 31, 2024 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 0.13431 baht per unit and,

Considered to pay the capital reduction no.4: at the rate of 0.2208 baht per unit due to the fund has an excess of liquidity from net loss of asset re-valuation in Q1/2024.

Thus, on Q1/2024 the total amount of dividend and capital reduction payment is 0.35511 baht per unit or total amount payment of 188.05 million baht. The book closing date will be set on May 31, 2023 and the dividend and capital reduction payment shall be dated on June 14, 2024.

Balance Sheet

Unit: Million baht

Balance Sheet	as of Mar 31, 2024	as of Dec 31, 2023
Investments in Properties at fair value	10,898.15	10,962.44
Short-term securities, cash & equivalents	709.95	683.71
Accrued rental income	4.98	8.46
Other assets	53.20	59.87
Total Assets	11,666.28	11,714.48
Lease liabilities	5,747.15	5,679.44
Deposits received from tenants	349.73	344.71
Other liabilities	53.42	54.87
Total Liabilities	6,150.30	6,079.02
Net Asset	5,515.98	5,635.46
Capital received from unitholders	5,444.85	5,476.62
Retained earnings	71.13	158.84
Net asset value per unit (NAV)	10.4160	10.6416

Remark:

* The fair value of investment in leasehold property as of March 31, 2024, was 5,151 MB added back by the present value of lease liabilities of 5,747.15 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 4.98.29 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 March 31, 2024, the Fund recorded the total assets of 11,666.28 million baht, It comprises of the investment in leasehold property at fair value of 10,898.15 million baht, (included lease liabilities of 5,747.15 MB) followed by investment in securities and cash equivalents of 709.95 million baht, accrued rental income 4.98 million baht and other assets of 53.20 million baht respectively.

The total liabilities recorded 6,150.30 million baht, consists of lease liabilities 5,747.15 million baht, deposits received from tenants of 349.73 million baht and other liabilities of 53.42 million baht respectively. Therefore, the net asset value of the fund as of March 31, 2024 was 5,515.85 million baht or equivalent to 10.4160 baht per unit.