

## OPERATING & MARKET REVIEW

# ASSET MANAGEMENT

» WE CREATE ENDURING VALUE WITH QUALITY INVESTMENT PRODUCTS AND PROVIDE A PLATFORM FOR RECYCLING CAPITAL AND TAPPING THIRD-PARTY FUNDS FOR GROWTH.

### EARNINGS HIGHLIGHTS (\$ million)

	2021	2020	2019
Revenue	162	135	145
EBITDA	116	276	123
Operating Profit	113	273	120
Profit before Tax	327	304	239
Net Profit	301	280	214

### PROGRESS IN 2021

- Assets under management (AUM) grew by about 14% yoy to \$42 billion<sup>1</sup>.
- Raised total equity of about \$3.5 billion and completed around \$5.5 billion in acquisitions and divestments.
- Listed REITs and business trust continued to grow through strategic acquisitions, delivering sustainable returns and stable recurring income.
- Keppel Capital inked four separate managed accounts with global investors to invest in core infrastructure assets, high quality logistics assets and commercial real estate.

### FOCUS FOR 2022/2023

- Grow the Group's AUM to \$50 billion by end-2022, with target to further grow to \$100 billion.
- Support Keppel's asset-light strategy by harnessing synergies across the Group to co-create quality solutions and deliver strong returns to investors.
- Facilitate the integration of Keppel's business units through OneKeppel Teams to build competitive advantage and tap third-party funds for growth.
- Pursue and develop innovative solutions in collaboration with other Keppel business segments and drive value chain integration.

The Asset Management segment comprises Keppel Capital, as well as the Group's holdings in the listed REITs and business trust, and private funds.

Despite gradual economic recovery, 2021 remained a challenging year for the global economy, with the emergence of new COVID-19 variants, continuing supply chain disruptions and geopolitical tensions. At the same time, volatility in global markets and inflation continued to fuel demand for real assets with long-term stable cash flows.

2021 was an active year for the Asset Management segment, which continued to create value for Keppel and investors. Keppel Capital grew its AUM<sup>1</sup> to \$42 billion, an increase of about 14% from \$37 billion a year ago. Looking ahead, Keppel Capital is on track to achieve its \$50 billion AUM target by end-2022 and aims to further grow its AUM to \$100 billion over time. Keppel Capital's asset management fees<sup>2</sup> rose steadily to \$233 million in 2021, an increase of approximately 29% yoy.

Keppel continues to receive strong demand from investors for the funds under management, which are invested in real assets that can serve as effective hedges

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against rising inflation. During the year, Keppel Capital raised total equity of about \$3.5 billion, and completed around \$5.5 billion in acquisitions and divestments.

Value creation remained a key focus for the listed REITs and business trust, which continued to grow through acquisitions and portfolio optimisation efforts during the year. In the private funds space, Keppel Capital achieved final close for Keppel Asia Infrastructure Fund (KAIF) and Keppel Data Centre Fund II (KDCF II), while continuing to invest strategically and proactively manage its portfolios to create and extract value in a timely manner.

During the year, the OneKeppel Data Centre and OneKeppel Infrastructure teams, comprising talent and expertise from various business units and functions, were established to focus on investments in data centres and various infrastructure asset classes respectively, including

renewables, decarbonisation and environmental solutions. OneKeppel Teams adopt a cradle-to-maturity approach in evaluating opportunities across the projects' development stages, whether they are investments by the Group's operating entities, private funds, and/or listed REITs and business trust, thereby encouraging the integration of Keppel's business units and value chains.

As part of Keppel's integrated ecosystem, Keppel Capital is uniquely positioned to meet the rising demand for high-quality real assets that the Group can develop and operate. As it works toward Vision 2030, Keppel Capital will harness synergies across the Group to identify emerging opportunities and capture new profit pools across the lifespan of its investments.

### REAL ESTATE

During the year, Keppel REIT Management continued with its portfolio optimisation efforts with the aim of enhancing the REIT's income resilience and improving total returns to Unitholders.

In 2021, Keppel REIT grew its portfolio in Singapore and Australia with the acquisition of Keppel Bay Tower, Singapore's first Green Mark Platinum (Zero Energy) commercial building, and Blue & William, a sustainable Grade A office building currently under development in North Sydney.

The addition of these two high quality buildings reinforces the Manager's discipline to build a sustainable portfolio that supports climate action as businesses move towards a low-carbon future. During the year, Keppel REIT also unlocked value with the divestment of 275 George Street in Brisbane, Australia.



Keppel REIT's sustainable Grade A office building, Blue & William, which is under development in North Sydney, is designed to achieve the 5 Star Green Star Design and As Built Rating by the Green Building Council of Australia, as well as the 5.5 Stars National Australian Built Environment Rating System Base Building Energy Rating.

<sup>1</sup> Gross asset value of investments and uninvested capital commitments on a leveraged basis to project fully-invested AUM.

<sup>2</sup> Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in an associate with whom Keppel has strategic alliance.

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»» As it works toward Vision 2030, Keppel Capital will harness synergies across the Group to identify emerging opportunities and capture new profit pools across the lifespan of its investments, from cradle to maturity.

With COVID-19 becoming increasingly endemic, Grade A commercial buildings with strong safety and service levels remain well positioned to attract and retain tenants. With sustainability at the core of the Keppel Group's strategy, the Manager will continue to actively manage its portfolio of Grade A commercial buildings to ensure stable and sustainable distributions to Unitholders and achieve long-term growth.

Over in the United States (US), Keppel Pacific Oak US REIT (KORE) expanded and solidified its presence in the fast-growing 18-Hour cities of Nashville, Tennessee, and Denver, Colorado, with the acquisitions of Bridge Crossing and 105 Edgeview respectively. Both cities are key growth markets that demonstrate positive economic and office fundamentals, as well as benefit from significant technology investments.

Notwithstanding the continued challenges posed by COVID-19, KORE will continue to focus on its key growth markets in the US, seeking high-quality assets and accretive acquisitions in Super Sun Belts and 18-Hour Cities, where demand for quality office spaces has been increasing as more people move out of the densely populated cities.

Meanwhile, Prime US REIT, in which Keppel Capital is a strategic partner, completed the acquisitions of Sorrento Towers in San Diego, California, and One Town Center in Boca Raton, Florida.

In the private equity space, Alpha Investment Partners (Alpha) secured a \$360 million separate managed account (SMA) from PGGM, a cooperative Dutch pension fund service provider to focus on core-plus opportunities in commercial real estate.

In January 2022, Keppel Vietnam Fund (KVF) and a co-investor of KVF, together with Keppel Land, entered into a binding heads of agreement with Phu Long Real Estate Joint Stock Company and its subsidiary to acquire an interest in three residential land plots in Mailand Hanoi City, Hoai Duc District, in Hanoi. This marks the first acquisition by KVF since it achieved first closing of US\$400 million.

**DATA CENTRES**

Value creation remains a priority for Keppel DC REIT Management, which continued to deliver on acquisitions and portfolio optimisation efforts, in line with its aim to grow its portfolio with at least 90% of its AUM invested in data centres.

During the year, Keppel DC REIT acquired three assets across the Netherlands, China and the UK, as well as invested in the bonds and preference shares issued by M1 Network Private Limited. It also completed the divestment of iseek Data Centre in Brisbane, Australia, which is in line with Keppel DC REIT's strategy to continually review and selectively consider divestments to ensure an optimal portfolio mix.

Keppel DC REIT is well positioned to benefit from the acceleration of digitalisation. Its strong operational expertise, extensive industry network and healthy balance sheet enable it to capture strategic opportunities for growth. Keppel DC REIT will also leverage the Keppel ecosystem which provides end-to-end solutions from project development to facilities management and innovative carbon reduction solutions to grow sustainably.

Collectively, Keppel Data Centres and the private data centre funds under Keppel Capital have more than \$2 billion worth of assets under management and development, which Keppel DC REIT can potentially acquire.

Meanwhile, Keppel's private data centre funds, which are managed by Alpha, work in close collaboration with Keppel Data Centres to capture investment opportunities in greenfield and brownfield data centre assets in Asia Pacific and Europe.

In 2021, KDCF II secured Asian Infrastructure Investment Bank as an investor and achieved a closing with US\$1.1 billion in total commitments, including co-investment capital. During the year, KDCF II also acquired its first project to develop a greenfield data centre in Shanghai. Since its launch in December 2020, KDCF II has attracted a diverse group of investors from Asia and Europe,



◀ KDCF II, in collaboration with Keppel Data Centres, is developing a greenfield data centre in Shanghai, China.



As part of the Group's plan to grow its renewable energy portfolio, Keppel announced the acquisition of a majority joint venture stake in leading solar platform, Cleantech.

including sovereign wealth funds, financial institutions, insurance funds and pension funds.

### INFRASTRUCTURE

Keppel Infrastructure Fund Management (KIFM), the Trustee-Manager of Keppel Infrastructure Trust (KIT) delivered stable performance in 2021, and declared a higher Distribution per Unit (DPU) of 3.78 cents in FY 2021, a 1.6% increase yoy. This is KIT's first DPU increase since FY 2016, and was supported by the strong and stable performance by Ixom and resilient cashflow contribution from KIT's overall portfolio.

Following a strategic review, KIFM has identified its targeted sectors for growth, focusing on core and core plus infrastructure businesses and assets in the developed markets of Asia Pacific and Europe, the Middle East and Africa. With a focus on evergreen, yield accretive businesses and assets that will benefit from secular growth trends, KIFM will continue to build a well-diversified portfolio of infrastructure businesses and assets that can generate long-term growth in distributions and contribute to building a sustainable future.

In February 2022, KIFM completed KIT's minority investment in Aramco Gas Pipelines Company, which holds a 20-year lease and lease back agreement over the usage rights of Aramco's gas pipelines network. KIT will receive quarterly payments backed by a minimum volume commitment from Aramco. Beyond income diversification, the investment also supports the energy

transition of the Saudi economy through the use of gas.

On the private funds side, KAIF achieved its final close at the end of 2021, having received capital commitments of approximately US\$1 billion from global institutional investors. In December 2021, Keppel Corporation, together with KAIF and a co-investor of KAIF, jointly acquired a majority joint venture stake in Cleantech Renewable Assets (Cleantech), a leading solar platform. The investment in Cleantech marks KAIF's first renewable energy investment and will form its beachhead into the burgeoning solar energy sector in Asia Pacific.

Seizing opportunities from the rising demand for infrastructure assets, Keppel Capital inked two SMAs for an aggregate of US\$600 million from international financial institutions. Many investors see infrastructure as an attractive asset class that is less susceptible to major economic cycles and short-term fluctuations, and which also provides sustainable, stable and predictable income streams.

### ALTERNATIVE ASSETS

In 2021, Keppel Capital partnered a global institutional investor to launch a China logistics property fund to invest in developing high-quality logistics assets in key logistics hubs in China. The inaugural China-focused logistics property fund has an initial total equity commitment of around RMB1.4 billion.

Meanwhile, Keppel-Pierfront Private Credit Fund achieved its second close of approximately US\$500 million, including co-investment capital.