



WE CREATE
ENDURING VALUE
WITH QUALITY
INVESTMENT
PRODUCTS AND
PLATFORMS.

EARNINGS HIGHLIGHTS (\$ million)

	2020	2019	2018
Revenue	135	145	119
EBITDA	276	123	106
Operating Profit	273	120	106
Profit before Tax	304	239	220
Net Profit	280	214	192
Average Headcount (Number)	216	206	197
Manpower Cost	43	39	40

MAJOR DEVELOPMENTS IN 2020

Keppel Capital grew its assets under management¹ (AUM) from \$33 billion as at end-2019 to \$37 billion as at end-2020, and raised total equity of about \$4.5 billion in 2020.

Keppel's listed REITs and Trust continued to grow through strategic acquisitions to deliver sustainable returns to Unitholders.

Keppel Capital's private funds had an active year with the launch of new funds and strategic investments, as well as proactive asset management and value creation initiatives.

FOCUS FOR 2021/2022

Continue to grow the asset management business through harnessing the Group's synergies to co-create cashflow generating real assets for investors and Unitholders.

Collaborate with Keppel's various business units to tap third-party funds for growth and achieve higher returns for the Group.

Engender pull-through work for various business units in the creation of quality real assets.

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

OPERATING & FINANCIAL REVIEW

ASSET MANAGEMENT

EARNINGS REVIEW

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

In FY 2020, Asset Management recorded a revenue of \$135 million, \$10 million lower than FY 2019, mainly due to lower acquisition and divestment fees, partly offset by higher management fees.

The segment generated a net profit of \$280 million for FY 2020, a 31% growth from FY 2019, bolstered by gains from the reclassification of Keppel Infrastructure Trust (KIT), sale of units in Keppel DC REIT, divestment of interest in Gimi MS Corporation, as well as dividend income from KIT and higher contribution from Keppel DC REIT. These were partly offset by mark-to-market losses from investments, lower investment income and lower contributions from Keppel REIT and Alpha Data Centre Fund (Alpha DC Fund), as well as the absence of a dilution gain arising from Keppel DC REIT's private placement exercise in 2019.

OPERATING REVIEW

Keppel Capital's AUM¹ grew approximately 12% to \$37 billion as at end-2020 from \$33 billion as at end-2019, while asset management fees² were \$165 million in FY 2020, up from \$149 million in FY 2019. In 2020, Keppel Capital completed over \$7 billion of acquisitions and divestments. It also launched a series of new private fund initiatives across data centres, education, infrastructure, logistics, mezzanine debt and real estate, raising total equity of approximately \$4.5 billion from sovereign wealth funds and global institutional investors.

REAL ESTATE

In 2020, Keppel REIT Management remained focused on executing its portfolio optimisation strategy to improve portfolio yield, as well as generating stable income for the REIT and delivering sustainable growth in total Unitholder returns. During the year, Keppel REIT achieved practical completion for the Victoria Police Centre³ in Melbourne, Australia, and acquired Pinnacle Office Park in Sydney's Macquarie Park, a key Australian metropolitan office market. It also announced the proposed acquisition of Keppel Bay Tower in Singapore from Keppel Land, which complements the REIT's core CBD offering. The acquisition is consistent with both the Keppel Group's eco-system for value creation and Keppel REIT's strategy of strengthening and diversifying its portfolio, while staying focused on its core markets.



Keppel REIT expanded its presence in Australia with the acquisition of Pinnacle Office Park in Sydney's Macquarie Park.

Keppel REIT's portfolio performance remained resilient in 2020, supported by its quality well-located assets with established tenants from diversified sectors. As at end-2020, Keppel REIT reported high portfolio committed occupancy of 97.9% and a long portfolio weighted average lease expiry (WALE) of 6.7 years.

While telecommuting has become widely adopted during the COVID-19 pandemic, the Manager believes that companies will continue to need office space, although the form and function will evolve in line with the new ways of working and safe management considerations. In their evaluation of office requirements, tenants are likely to take into account the need for more robust business continuity plans, increased health and safety requirements, as well as spaces to facilitate collaboration, and to build corporate identity and culture.

Looking ahead, office spaces may be re-designed to cater to changing needs. Instead of traditional work desks and cubicles, more spaces for employees to meet, learn, brainstorm, interact and collaborate may be created. There may also be greater focus on health and wellness, which are already key features at Keppel REIT's properties. Keppel REIT will continue to be nimble, customer-focused and adapt to meet the evolving market requirements. The Manager will continue to optimise Keppel REIT's portfolio and calibrate its leasing and investment strategy to meet potential shifts in occupier demand.

Meanwhile, Keppel Pacific Oak US REIT's (KORE) leasing momentum held steady, with most of

the leasing activity occurring mainly in Seattle – Bellevue/Redmond, Atlanta and Sacramento. As at end-2020, portfolio committed occupancy was at 92.3% and portfolio WALE at 3.8 years⁴, while rental reversion was 10.2%, driven mainly by strong rent growth in Seattle – Bellevue/Redmond, Sacramento and Austin.

According to JLL Research, many businesses in the US are re-evaluating their space needs and moving toward decentralising their workforce. KORE's suburban office buildings and business campuses are well positioned to benefit from the potential shift away from downtown and CBD locations. At the same time, KORE's strategic exposure to the historically fast-expanding technology hubs provides future income resilience as businesses accelerate their digital transformation strategies due to COVID-19.

Meanwhile, Prime US REIT, in which Keppel Capital is a strategic partner, completed the maiden accretive acquisition of Park Tower in Sacramento, California, partially funded by proceeds from a US\$120 million private placement.

During the year, Alpha Investment Partners (Alpha) launched the follow-on Alpha Asia Macro Trends Fund IV (AAMTF IV), achieving first close of US\$295 million including co-investments.

In collaboration with Keppel Land, Alpha launched the Keppel Vietnam Fund, a Vietnam-focused real estate fund with a first closing of US\$400 million.

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

² Includes 100% fees from subsidiary managers, joint ventures and associated entities, as well as share of fees based on shareholding stake in associates with which Keppel has strategic alliance.

³ Formerly known as 311 Spencer Street.

⁴ By cash rental income.

DATA CENTRES

Keppel DC REIT Management delivered strong performance supported by acquisitions. The REIT strengthened its European presence with the acquisitions of the remaining 999-year leasehold land interest at Keppel DC Dublin 1 in Ireland, Kelsterbach Data Centre in Germany and Amsterdam Data Centre in the Netherlands. Capitalising on strong demand for data centre space, the Manager embarked on proactive asset enhancement initiatives to improve portfolio returns, including fitout works to convert unutilised space to data centre space and improve energy efficiency at various facilities.

As at end-2020, Keppel DC REIT's portfolio occupancy remained high at 97.8% with a long WALE of 6.8 years by leased area, which will continue to provide income visibility to Unitholders.

In the private equity space, Alpha DC Fund, the Group's first data centre fund launched in 2016, continued to expand its portfolio with quality assets. During the year, Alpha DC Fund made its first foray into China's fast-growing data centre market, through the acquisition and development of a high-specification data centre in Huizhou's Tonghu Smart City in Guangdong Province for RMB 1.5 billion. By end-2020, Alpha DC Fund's portfolio spanned over 1.38 million square feet of gross floor area with investments in key economic hubs including Singapore, Malaysia, Indonesia, Germany, Australia and China.

Building on the success of Alpha DC Fund, Keppel Capital launched the US\$1 billion Keppel Data Centre Fund II (KDC Fund II), which will focus on strategic data centre investments in Asia Pacific and Europe.

KDC Fund II has attracted initial capital commitments from various financial institutional investors and achieved a first close of over US\$500 million.

INFRASTRUCTURE

In March 2020, KIT was reclassified from an associated company to an investment of Keppel. KIT, in which Keppel retains a strategic interest, delivered resilient performance in FY 2020, driven by robust operations and growth across its portfolio of essential and highly defensive businesses and assets through the COVID-19 pandemic.

During the year, KIT announced the acquisition of Philippine Tank Storage International (Holdings) Inc., which owns Philippine Coastal Storage & Pipeline Corporation, the largest petroleum products import storage facility in the Philippines. The acquisition, which was completed in January 2021, increases KIT's exposure to essential evergreen businesses, strengthening long-term sustainability of cash flows and the Trust's growth prospects.

In the private equity space, Keppel Capital achieved rolling closes for the Keppel Asia Infrastructure Fund (KAIF), with total aggregate capital commitments close to its target fund size of US\$1 billion. KAIF will leverage Keppel Capital's fund management expertise and investor network, and amalgamate these with the Group's project development and asset management capabilities, to grow its portfolio which will include both operational assets and select greenfield projects in the Asia Pacific region. During the year, KAIF acquired an interest in the Gimi FLNG facility, which is currently undergoing conversion at Keppel Offshore & Marine.

Keppel Capital also announced a strategic cooperation with National Pension Service of Korea to explore investment opportunities for private infrastructure in Asia.

ALTERNATIVE ASSETS

In 2020, Keppel Capital entered the private educator sector with the Keppel Education Asset Fund, raising more than half of its target commitment of US\$500 million. As its first investment, the Fund acquired a 70% stake in a premium K12 school property in China. Other education-related assets in the Fund's deal pipeline include properties located in Singapore, Australia, China, South Korea and Vietnam. Keppel Capital also completed the acquisition of a 50% interest in Watermark Retirement Communities, a US senior living operator.

Alpha, together with Manulife Financial Corporation and Mega Manunggal Property, launched a new venture focusing on Indonesia's fast-growing logistics property sector. Comprising Keppel-MMP Indonesia Logistics Fund, an Indonesian parallel fund, as well as co-investment capital from Manulife, the venture has attained an initial close of US\$100 million.

MARKET REVIEW & OUTLOOK

As a result of the COVID-19 pandemic, which has further accelerated the growth of the digital economy, sectors such as data centres and logistics performed well in 2020. Quality and well-located office properties have also demonstrated resilience and Keppel Capital continues to see keen competition for such office assets. In the real estate space, there could be increased demand for city-fringe or metropolitan office spaces as some tenants seek cost-effective solutions or hub-and-spoke business models for both regular operations and business continuity purposes.

On the other hand, the pandemic and the disruptions that it has created may give rise to opportunities to acquire quality alternative assets at potentially attractive valuations. These include various asset classes such as infrastructure, senior living and education, which are well sought after by investors.

In line with Vision 2030, which charts the Group's growth as one integrated business providing solutions for sustainable urbanisation, Keppel Capital will work closely with business units across the Group to co-create real assets that the Group can develop, own and operate, thus pursuing growth opportunities and capturing new profit pools.

Moving forward, Keppel Capital will continue to harness the Group's synergies to co-create quality solutions and deliver higher returns to shareholders and investors. Keppel Capital will continue toward its goal of being the trusted choice for investors looking to invest in prime real assets that the Keppel Group can develop and operate.



Keppel Capital is expanding its portfolio with new asset classes such as education assets.