SINGAPORE BUSINESS TRUST SECTOR

Return OF Capital, No Exception

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CORPORATE MONITOR LIMITED

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ACTIVISM+

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EXECUTIVE SUMMARY

This report is a follow-up on Corporate Monitor Limited's (CML) fourth REIT report which looked at whether Singapore REITs (S-REIT) provide a return on capital, or return of capital. This report performs similar research on the Business Trust (BT) sector. To be clear, the BT sector excludes REITs that have a stapled security structure comprising a REIT and business trust, and only focuses on pure business trusts, of which there are 5[1].

We conclude that BTs essentially provide only return of capital, because they pay distributions which are be substantially higher than net profit, and deplete their net asset value (NAV) in the process. For example, in FY2025[2], NetLink NBN Trust ("NetLink") paid out S$207 million in distribution when net profit after tax was S$95 million. NetLink is not alone. CML computed the cumulative distributions and compared it with each BT's cumulative net profit, and in all 5 cases, distributions greatly exceeded net profits[3]. BTs are able to do so, whereas REITs and regular businesses can only pay dividends/distributions out of their net profits.

Put another way, BTs pay distributions from their capital/asset base, and as a result, their NAV all shrank if they do not raise new equity. This is compounded by the fact that many assets owned by BTs have limited useful lives.

To confirm this, CML also computed a metric known as Total Value to Paid-in Capital (TVPI) to assess if BTs provided a return ON capital (R-ON-C) or return OF capital (R-OF-C), which is the same methodology for CML's report on REITs. TVPI measures the total distributions versus total funds raised by REIT and BT. If this ratio is above 1, this shows that the REIT/BT returned more capital to investors than it took in (return on capital or R-ON-C), if it is below 1, then the REIT/BT is merely returning capital it raised (return OF capital scenario or R-OF-C). CML also took net asset value (NAV) changes into account as these represent an increase/decrease in the value of the portfolio that could translate into higher/lower distributions in the future.

Hence, 2 TVPI were calculated – one before NAV change, and one after accounting for NAV changes. However, most BTs have a decreasing NAV – therefore TVPI after NAV change is lower than before NAV change.

We reach the same conclusion: that all BTs provide only R-OF-C. All the 5 BTs saw TVPIs of below 1 before and after NAV change. This conclusively proves that these BTs raised more capital than they paid out.

[1] The 5 pure business trusts are Asia Pay Television Trust, First Ship Lease Trust, Hutchison Port Holdings Trust, Keppel Infrastructure Trust, and NetLink NBN Trust.
[2] FY2025 represents the fiscal year ending 31 March 2025.
[3] Both Hutchison Port Holdings Trust and First Ship Lease Trust have incurred cumulative losses.

KIT reported an NAV increase as a result of frequent equity raises (KIT is the most prolific equity raiser of all the 5 BTs), otherwise its NAV would decline like other BTs. The equity raises funded KIT's many acquisitions over the years, and as a result, 103.6% of KIT's 2025 NAV is goodwill. With many of KIT's new assets booking lower funds from operations for a few consecutive years, asset impairments could be on the cards. In fact, KIT already wrote down one of these post-2022 acquisitions. KIT's NAV should, therefore, be taken with caution.

There can be light in the tunnel if a BT can continue to generate, preferably growing, cash flows and distributions even as its NAV declines. Just 1 out of 5 BTs, NetLink NBN Trust (NetLink), registered a positive distribution per unit (DPU) compound annual growth rate (CAGR) since their IPOs.

NetLink operates the only fibre optics infrastructure in Singapore and is regulated by the Infocomm Media Development Authority (IMDA), earning predictable (albeit marginally declining) revenues and profits. Fibre optics networks can operate for decades without degrading and obsolescence is unlikely. This means that a major capital expenditure (capex) is unlikely in the foreseeable future. NetLink has been able to fund minor capex out of its operating cash flow while paying distributions. It is no surprise that NetLink has not raised equity since its 2017 IPO.

To conclude, there is no doubt that all the BTs are providing only R-OF-C. Unitholders are merely receiving the very capital they invested. The yield is illusory, as complete capital recovery is unlikely in the near term. Several BTs have been delisted over the years, such as Accordia Golf Trust, Religare Health Trust and Indiabulls Property Investment Trust. These 3 BTs suffered from declining distributions since IPO, and some even completely stopped paying out distributions.

Those with a long enough investment horizon may see complete capital recovery possibly from NetLink in 4-5 years. It is also helpful that NetLink is the only internally-managed BT, which charged unitholders only S$1 million in total fees annually. Contrast that with KIT, whose trustee-manager collected nearly S$30 million in fees in 2025 alone.

1. INTRODUCTION

In this fifth report on the REIT and Business Trust (BT) sector, Corporate Monitor Limited ("CML") looks at the BT sector[4] to determine if they provide a return on capital ("R-ON-C"), or if they are merely returning a portion of the capital that has been raised ("R-OF-C"). CML's fourth S-REIT report looked at the same issue, but excluded the BT sector. To be clear, this report looks at pure business trusts, and excludes REITs that have a stapled security structure comprising a REIT and business trust (e.g. hospitality REITs).

There are two fundamental differences between BTs and REITs. Firstly, BTs can pay distributions out of cash flow, unlike normal companies which can only pay dividends out of profits. Without such constraints, BTs can and have paid out more distributions than profits (see below for an explainer on why this is so). Secondly, REITs own a portfolio of income-generating real estate assets, while BTs own operational businesses. Some BTs' assets may also have shorter useful lives and are depreciating in nature (please see **Appendix 1**), whereas real estate assets have the potential to see revaluation gains. Both REITs and BTs are subject to business cycles and competitive forces, but real estate assets with longer useful lives can ride out these cycles.

These differences, as we shall see, are key determinants as to whether BTs provide R-ON-C or R-OF-C.

BTs also conduct equity fundraising exercises involving private placements or preferential offers. See **Exhibit 1** for details of the fundraising frequency[5] for each BT. NetLink and Hutchison have not raised equity since IPO, and Asian Pay Television Trust only once. KIT is the most prolific equity raiser.

[4] Business Trusts refer to pure business trusts and do not include stapled securities which are a combination of a REIT and business trust.

[5] Fundraising frequency is defined as the number of years where the BT conducted a fundraising exercise, divided by the total number of years the BT has traded post-listing. The study is up till 2024 (or fiscal 2025).

Exhibit 1: S-BTs Fundraising Frequency

Year	Asian Pay Television Trust	First Ship Lease Trust	Hutchison Port Holdings Trust	Keppel Infrastructure Trust	NetLink NBN Trust
2009		✓			
2010					
2011		✓			
2012					
2013					
2014					
2015				✓	
2016					
2017					
2018					
2019		✓		✓	
2020	✓				
2021					
2022					
2023				✓	
2024				✓	
Fundraising Years	1	3	0	4	0
Years Listed	12	18	14	14	7
Fundraising Frequency	**8.3%**	**16.7%**	**0.0%**	**28.6%**	**0.0%**

Source: CML's Computation

2. BUSINESS TRUSTS SUFFER FROM DEPRECIATING NAV

BTs pay far more distributions than their profits, and in the process, deplete their equity. CML compiled the cumulative distributions from all the BTs and compared them against their cumulative profits, as shown in **Exhibit 2** below.

Exhibit 2: Business Trusts' Cumulative Distributions and Profits

Up till >>	Dec 2024	Dec 2024	Dec 2024	Dec 2024	Mar 2025
Business Trust >>	**APTT**	**FSLT**	**HPHT**	**KIT**	**NetLink**
	S$ '000	**US$ '000**	**HK$ '000**	**S$ '000**	**S$ '000**
Cumulative Distributions	726,276	371,814	29,941,570	2,018,989	1,426,292
Cumulative Profits/(Losses)	51,000	-142,432	-13,369,397	360,244	649,362
Multiple (Distributions/Profits)	14.2	N.A.	N.A.	5.6	2.2

Source: CML's Computation

How Do BTs Generate More Cash (and Distributions) Than Their Profits?

For BTs, distributions are paid out of cash flow. Like conventional businesses, BTs generate cash flow from operating, investing, and financing activities. Operating cash flow is usually higher than profit by the amount of depreciation, as depreciation is a non-cash item. This is assuming working capital changes and other items are immaterial.

Cash flow can also be generated by investing activities if asset disposals are greater than acquisitions and capital expenditures. Finally, cash flow can also be generated from financing activities such as equity and/or debt issuances, either at the BT level or at the underlying asset level.

In addition, BTs have to depreciate their assets. Most also own assets with limited useful lives. Together, these factors result in NAV losses for all BTs, unless they raise more equity to offset such NAV losses. KIT is the only one to have done so (more on KIT's NAV later). **Exhibit 3** below shows the NAV changes for the 5 BTs.

Exhibit 3: Business Trusts – NAV Changes

Business Trust	Currency	Increase/(Decrease) in NAV (Millions)	Total Equity Raised Excluding IPO (Millions)	NAV Change Without Equity Raises (Millions)
Asian Pay Television Trust	SGD	-650	45	-695
First Ship Lease Trust	USD	-423	64	-487
Hutchison Port Holdings Trust	HKD	-44,056	0	-44,056
Keppel Infrastructure Trust	SGD	184	1,505	-1,321
NetLink NBN Trust	SGD	-781	0	-781

Source: Respective BTs' Annual Reports

3. RETURN OF CAPITAL (R-OF-C)

Because all BTs pay more distributions than their profits and hence deplete their equity, they are, by definition, providing only a R-OF-C. The TVPI analysis confirms this conclusion. All 5 of the BTs reported Total Value to Paid-in Capital (TVPI) before NAV change of less than 1 (see **Exhibit 4**), meaning they have distributed less than the equity that they raised. Please refer to **Appendix 2** for an explanation of TVPI, which is used to determine if a REIT/BT has paid out more than it raised.

Exhibit 4: Business Trusts – TVPI Before NAV Change

Business Trust	Currency	Numerator (Distributions) Millions	Denominator (Capital Raises) Millions	TVPI Before NAV Change
Keppel Infrastructure Trust	SGD	2,019	2,224	0.91
Hutchison Port Holdings Trust	HKD	29,942	42,495	0.70
Asian Pay Television Trust	SGD	726	1,062	0.68
First Ship Lease Trust	USD	372	554	0.67
NetLink NBN Trust	SGD	1,426	2,335	0.61

Unsurprisingly, because of steady asset depreciation resulting in NAV erosion, the TVPI after NAV change for the BT sector was consistently below 1 (with the exception of KIT), as shown in **Exhibit 5** below.

Exhibit 5: Business Trusts – TVPI Before and After NAV Changes

Business Trust	TVPI Before NAV Changes	TVPI After NAV Changes
Keppel Infrastructure Trust	0.91	0.99
NetLink NBN Trust	0.61	0.28
Asian Pay Television Trust	0.68	0.07
First Ship Lease Trust	0.67	-0.09
Hutchison Port Holdings Trust	0.70	-0.33

KIT is the only BT whose TVPI after NAV change was higher than its TVPI before NAV change, but there are some nuances about KIT's NAV.

Firstly, KIT has raised substantial equity to offset the decline in NAV, as demonstrated in **Exhibit 3.** The trustee-manager therefore deserves no credit for the increase in NAV. In fact, KIT made many acquisitions with such equity fundraising and its NAV includes substantial goodwill. As of 2025, 103.6% of KIT's NAV is made up of goodwill. Secondly, many assets acquired after 2022 have reported year-on-year declines in funds from operations (FFO) for 2025. Given the declining FFO, asset write-downs may be required. In fact, this is what KIT did with Borkum Riffgrund 2 (BKR2), a German offshore wind farm. In 2025, BKR2 took a S$38 million impairment because of lower-than-normal wind speeds for that year. For these reasons, the increase in KIT's NAV should be viewed with caution.

CML concludes that BTs are merely providing return OF capital, by depleting the asset base to pay distributions. The TVPIs confirm this conclusion. Unitholders are just receiving the very capital they contributed.

4. ANY LIGHT IN THE TUNNEL?

Given the dismal performance so far, the only light in the tunnel is if these BTs can continue to deliver distributions despite the declining NAV. It will be even better if distributions are increasing. Of the 5 BTs, only NetLink posted a positive DPU compound annual growth rate[6] (CAGR) (see **Exhibit 6**).

Exhibit 6: Business Trusts – DPU Track Record

Business Trust	DPU CAGR
Asian Pay Television Trust	-17.1%
NetLink NBN Trust	1.6%
Keppel Infrastructure Trust	-3.2%
Hutchison Port Holdings Trust	-10.9%
First Ship Lease Trust	-100.0%

Source: CML's Compilation

NetLink continued to post higher year-on-year DPU, although revenue and profit have been declining marginally. Longer-term, however, NetLink is better positioned. It owns Singapore's only fibre optic network infrastructure and earns regulated, predictable (albeit marginally declining) profits. Since fibre optics networks can operate for decades without degrading and obsolescence risk is lower, major replacement capex is unlikely. NetLink can fund minor capex out of operating cash flow and has not raised equity since its 2017 IPO. If this continues to be the case, unitholders can recover all of their capital (and maybe more) in 4-5 years.

It should be noted that NetLink is unique in owning an asset which is a natural monopoly. There is no economic logic to construct a duplicate fibre optic network. NetLink may face declining revenue but there is no market risk, unlike the other BTs.

For KIT, many of its post-2022 acquisitions reported lower funds from operation for 2025. Its DPU increase in recent years relied on loading more debt and other financial management of the

[6] The DPU CAGR is computed by taking the latest DPU (for 2025) and comparing it with the first full year of DPU after listing. For NetLink NBN Trust (which has a 31 March fiscal year-end), CML used the DPU for FY2025 ending 31 March 2025.

underlying assets. An example was Aramco Gas Pipeline Company (AGPC), which recorded a cash surplus of S$51 million from “capital management”. CML believes that there is a limit to relying on debt and financial management, and operating cash flow should be the primary source of cash for distribution. KIT’s DPU may therefore not be sustainable.

5. BUSINESS TRUSTS WITH FOREIGN ASSETS

One pattern emerged in CML’s research: BTs with mostly foreign assets have performed poorly. This is confirmed by the poor TVPIs and declining DPU.

Although by no means representative, Asian Pay Television Trust (APTT) can illustrate the poor performance of a foreign business that a Singaporean unitholder may find hard to be kept appraised of.

APTT faces a challenging business outlook. Firstly, its core basic cable TV division saw continued subscriber attrition with total subscribers in the fourth quarter of 2025 falling by 4,000 from the previous quarter to 610,000, while average revenue per user (ARPU) declined from NT$416 to NT$411. The saving grace is the broadband business which continued to grow, albeit with lower ARPU. This is the result of fierce competition from internet protocol television (IPTV), and the increased popularity of online video. APTT saw total revenue for 2025 dip by 2.5% year on year to S$245.7 million, with EBITDA (earnings before interest, taxes, depreciation and amortisation) falling by 8.7% year on year to S$135.5 million.

Secondly, APTT’s debt burden is so precarious that it has to raise equity in the broadband business to reduce debt, which will dilute its earnings in the future. Despite this, APTT’s debt to EBITDA ratio is still elevated at 7.7x, due to the declining EBITDA. Even its trustee-manager is not expecting a turnaround and is focused on conserving cash flow. Capex has been cut and 2026’s full-year DPU will fall by 20% year on year.

CONCLUSION

All the BTs have delivered a partial return OF capital. Investors are merely receiving a portion of the capital they put in. Worse, several BTs have failed over the years. For example, Accordia Golf Trust, whose distributions declined after its IPO, sold its golf courses back to its parent. Indiabulls Property Investment Trust halted distributions entirely when it was hobbled by the Global Financial Crisis amid plunging rental rates in Mumbai.

After analysing each of the 5 BTs, we believe only NetLink may, in 4 to 5 years, distribute enough to cover the equity it raised at IPO, based on the current run rate. Even if it did, it will be 12-13 years since its IPO. Few investors will be happy receiving back only the principal after 13 years. Unitholders in other BTs fare even worse.

APPENDIX

Appendix 1: Asset Accounting Treatment for REITs and Business Trusts

REITs and BTs have very different portfolios of assets. REITs essentially own a portfolio of real estate assets while BTs are a group of diverse operating businesses that own assets such as infrastructure (Keppel Infrastructure Trust) or vessels (First Ship Lease Trust).

The properties within the REIT are mostly classified as “investment properties” (IPs). Most REITs adopt fair value accounting rather than historical cost accounting which requires the IPs to be depreciated. Based on fair value accounting, an annual review of these IPs is required and any increase or decrease in their market value is booked as a fair value gain/loss in the statement of comprehensive income within the Income Statement. As IPs can increase in value, such REITs may demonstrate an increase in net asset value (NAV) over time.

BTs, on the other hand, own depreciating assets and will see their NAV decline over the years. Accounting standards also do not allow for fair value increases to be recorded even if the underlying assets’ market value is above their book value.

Appendix 2: TVPI Methodology

As a recap on how CML determined if a REIT/BT belongs to the R-ON-C or R-OF-C group, we used a methodology called "Total Value to Paid-in Capital", or TVPI[7].

CML totalled all the money raised by BTs, inclusive of the proceeds from their IPOs and subsequent fundraising exercises (i.e. private placements and preferential offers). This total represents the sum of all the equity raised by the BT.

Next, CML added up the cumulative distributions paid to unitholders over the same period. At the same time, we also noted the change in net asset value (NAV) for the BT's portfolio from its IPO to date. The NAV change can be thought of as manager's value-add, which will hopefully be crystallised in the future, accompanied by higher distributions. Based on these numbers, 2 TVPI ratios were computed.

TVPI before NAV change = Total distributions / total equity raised.

This is the tougher test. If a BT has already distributed more cash than the equity it has raised, the surplus and NAV increase represents the upside.

TVPI after NAV change = (Total distributions +/- NAV changes) / total capital raised.

This ratio may provide a more complete picture as BTs are operating businesses with the opportunity to create value for their unitholders through business growth. Business growth should translate into a stronger balance sheet over time and a higher NAV.

[7] TVPI, also known as the "investment multiple", measures the total value of the S-REIT relative to the amount of capital raised by it to date. See https://www.moonfare.com/glossary/total-value-to-paid-in-capital-tvpi for more details.