

TICON Property Fund (TFUND)

Management's Discussion and Analysis for 4Q2016

Analysis of Operating Results

Unit : Million Baht

	Y2016	Y2015	% Change (YoY)	4Q2016	4Q2015	% Change (YoY)	3Q2016	% Change (QoQ)
Rental and service income	902.7	881.5	2.4	227.2	225.8	0.6	224.2	1.4
Interest received and other income	15.3	17.6	(12.7)	4.8	2.8	73.1	4.1	18.9
Total income	918.0	899.1	2.1	232.0	228.6	1.5	228.2	1.7
Property Management fees	91.3	101.9	(10.4)	23.6	32.6	(27.6)	26.0	(9.2)
Repair and maintenance expenses	60.5	50.8	19.1	3.9	10.9	(64.3)	15.9	(75.5)
Operating expenses	1.0	5.4	(80.7)	0.3	0.5	(41.2)	(4.1)	93.3
fund-related expenses	33.6	33.1	1.7	8.9	8.6	3.4	8.4	6.2
Total expenses	186.5	191.1	(2.4)	36.7	52.6	(30.2)	46.1	(20.5)
Net investment income	731.6	708.0	3.3	195.4	176.1	11.0	182.1	7.3
Net realized gains (losses) on investments	4.3	45.7	(90.6)	0.0	28.3	(100.0)	4.29	0.0
Net unrealized gains (losses) on investments	196.1	294.0	(33.3)	71.9	133.5	(46.1)	108.93	(34.0)
Net increase in net assets resulting from operations	932.0	1,047.7	(11.0)	267.3	337.8	(20.9)	295.3	(9.5)
Net investment income to total income ratio	79.7%	78.7%		84.2%	77.0%		79.8%	

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Total Incomes

For this quarter, the Fund had a total income of Baht 232.0 million, increased by Baht 3.4 million or 1.5% compared to 4Q2015. It was resulted from the slight increase in rental and service income as a result of increased average occupancy rate to 73.5% and interest received and other income.

Compared to 3Q2016, the Fund had a total income increased by Baht 3.8 million or 1.7%, which was mainly resulted from the increase in rental and service income

In 2016, the Fund had a total income of Baht 918.0 million, increased by Baht 18.9 million or 2.1% from last year. It was resulted from the increase in the average occupancy rate to 73.2% from 71.6% in 2015. For this year, total income came from rental and service income of Baht 902.7 million and interest received and other income of Baht 15.3 million.

Total Expenses

For this quarter, the total expenses amounted to Baht 36.7 million, which decreased by Baht 15.9 million or 30.2% compared to 4Q2015. The details are shown as follows:

1. The decrease in property management fees by Baht 9.0 million or 27.6% because the Fund did not have any commission fees for solicitation of a new tenant and commission fees on sale of property that paid to property manager as occurred in 4Q2015.
2. The decrease in repair and maintenance expenses by Baht 7 million or 64.3%, as a result of reversal of provision for expense.

For QoQ, the Fund had total expenses decreased by Baht 9.4 million or 20.5%, which due to the decreasing of property management fees and repair and maintenance expenses.

For 2016, the Fund had total expenses of Baht 186.5 million, dropped by Baht 4.6 million or 2.4% compared to last year. It was due to the decrease in property management fees and operating expenses.

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Net Investment Income

For 4Q2016, the Fund had a net investment income of Baht 195.4 million, raised by Baht 19.3 million YoY, and Baht 13.3 million QoQ. Because the Fund had total income increased while total expenses lessened. Net investment income margin increased to 84.2% from 77.0% in 4Q2015 and from 79.8% in 3Q2016.

In 2016, net investment income increased by Baht 23.6 million or 3.3% from last year. Because the Fund had total income increased while total expenses dropped. Net investment income margin slightly increased to 79.7% from 78.7% in 2015.

Net Increase in Net Assets

For this quarter, the Fund recorded net increase in net assets from operations of Baht 267.3 million, dropped from Baht 337.8 million in 4Q2015. It was due to the decreasing in unrealized gains on investments to Baht 71.9 million from Baht 133.5 million in 4Q2015. Moreover, the Fund did not have any realized gains on investments while there was Baht 28.3 million realized gains on investments in the same period of last year.

Compared to 3Q2016, the Fund had net increase in net assets from operations lessened by Baht 28.0 million. It was due to the decrease in realized gains and unrealized gains on investments.

In 2016, the Fund had realized gains on investments (gains from sale of land with factory in September 2016) of Baht 4.3 million which dropped from Baht 45.7 million in 2015. The Fund also had unrealized gains on investments decreased to Baht 196.1 million from Baht 294.0 million in last year. So the Fund recorded Baht 932.0 million of net increase in net assets, dropped from Baht 1,047.7 million in last year.

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Balance Sheet

Unit : Million Baht

	As 31 Dec 2016	As 31 Dec 2015
Investments in properties at fair value	12,717.6	12,531.9
Investments in securities and cash at banks	793.7	769.7
Other assets	19.2	20.5
Total assets	13,530.4	13,322.1
Accrued expenses	44.7	42.5
Deposits from rental and service	325.2	315.6
Other liabilities	10.7	10.3
Total liabilities	380.6	368.5
Fund registered and capital from the unitholders	11,824.8	11,824.8
Retained earnings	1,325.1	1,128.8
Net assets	13,149.9	12,953.6
Net asset value per unit	11.4392	11.2685

As of 31 December 2016, the Fund had total Assets of Baht 13,530.4 million. The major assets consisted of Baht 12,717.6 million investments in properties and Baht 793.7 million investments in securities and cash at banks. Total liabilities amounted to Baht 380.6 million, most were in the form of deposits from rental and service.

Net assets recorded at Baht 13,149.9 million, equivalent to Baht 11.4392 per unit which rose from Baht 11.2685 at the end of last year.