



SUNLIGHT REIT

Stock code: 435

FY2021/22 Annual Results Investor Presentation

6 September 2022





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Results Summary

- Sunlight REIT managed to deliver relatively stable operating results, supported by a high level of occupancy and strict cost control.
- Decent leasing demand from mid-sized office and eatery tenants was a bright spot during the Year, contributing to a satisfactory retention rate for the overall portfolio.
- The success in securing a spate of sustainability-linked loans illustrates Sunlight REIT's credit strength and its firm commitment to sustainability.

Revenue

HK\$'M

802.9

799.3 (FY2020/21)

▲ **0.5%** YoY

Net Property Income (NPI)

HK\$'M

641.9

639.7 (FY2020/21)

▲ **0.4%** YoY

Distribution Per Unit (DPU)

HK cents

25.0

25.6 (FY2020/21)

▼ **2.3%** YoY

Net Asset Value Per Unit (NAV)

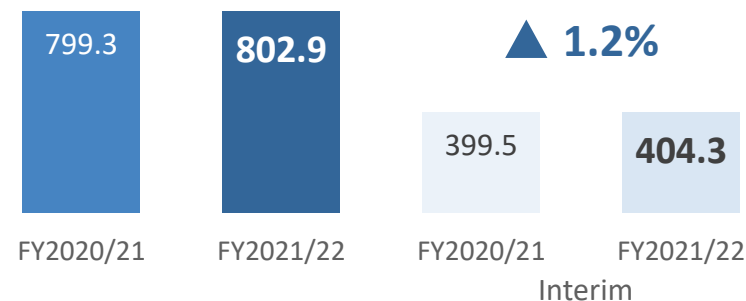
HK\$

8.36

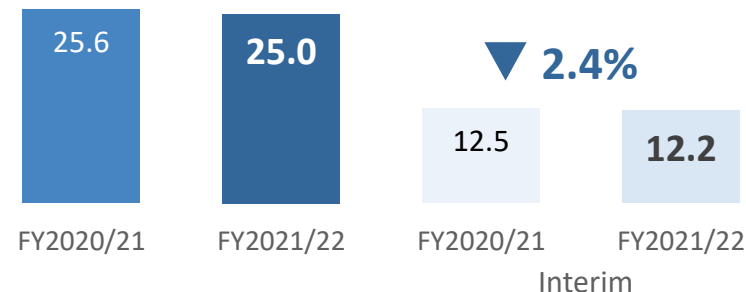
8.45 (30 June 2021)

▼ **1.1%** YoY

Revenue (HK\$'M)

▲ **0.5%**


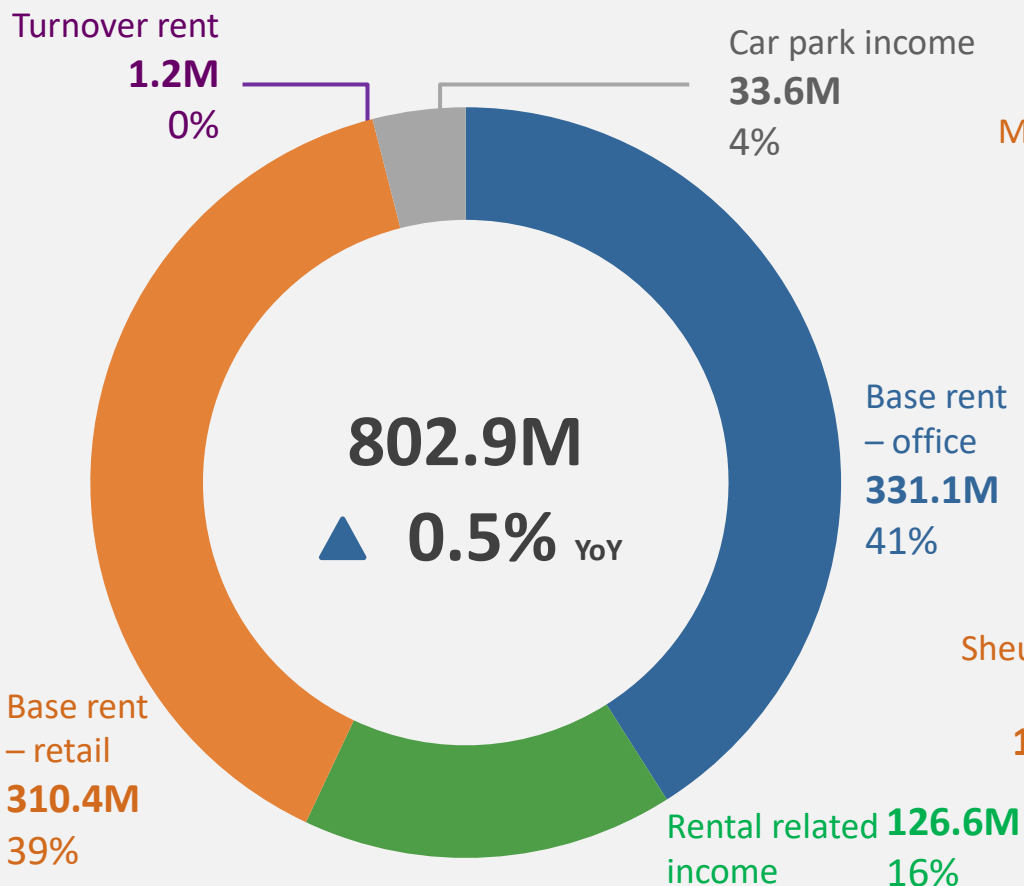
DPU (HK cents)

▼ **2.3%**


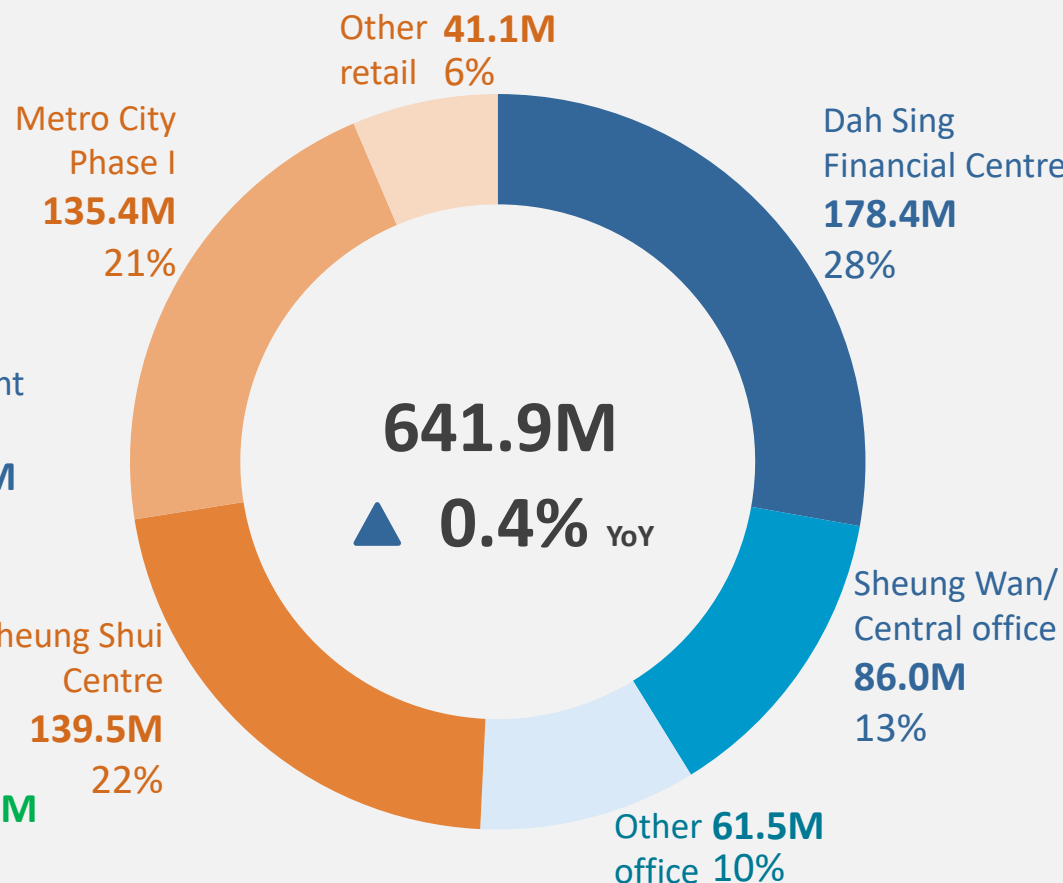
Income Derived from a Diversified and Balanced Portfolio

- Improvements in NPI were mainly driven by a higher office occupancy rate, increased car park income and lower amortized rental concessions.

Revenue by Income Type (HK\$)



NPI by Property (HK\$)



Financial Position

HK\$'M	30 Jun 2022
Non-current assets	18,253.3
Current assets	707.1
Total assets	18,960.4
Current liabilities	1,654.2
Non-current liabilities	3,254.8
Total liabilities	4,909.0
Net assets	14,051.4
Gearing ratio	23.3%
No. of units in issue	1,681.7M

Selected items (HK\$'M)	30 Jun 2022	YoY
Investment properties	18,095.2	-1.3%
<i>Office</i>	9,893.9	-1.3%
<i>Retail</i>	8,201.3	-1.4%
<ul style="list-style-type: none"> A decrease in property valuation reflected a softening in the market rents of certain office and retail properties. 		
Total borrowings	4,413.2	-0.1%
<i>Current</i>	1,300.0	-35.2%
<i>Non-current</i>	3,113.2	29.0%
<ul style="list-style-type: none"> The proportion of sustainability-linked loans increased to over 60% of total borrowings. 		

DPU at a Glance

Annual Distributable Income

HK\$'M

431.1

438.3 (FY2020/21)

▼ 1.7% YoY

Distribution Yield¹

6.8%

30 Jun 2022

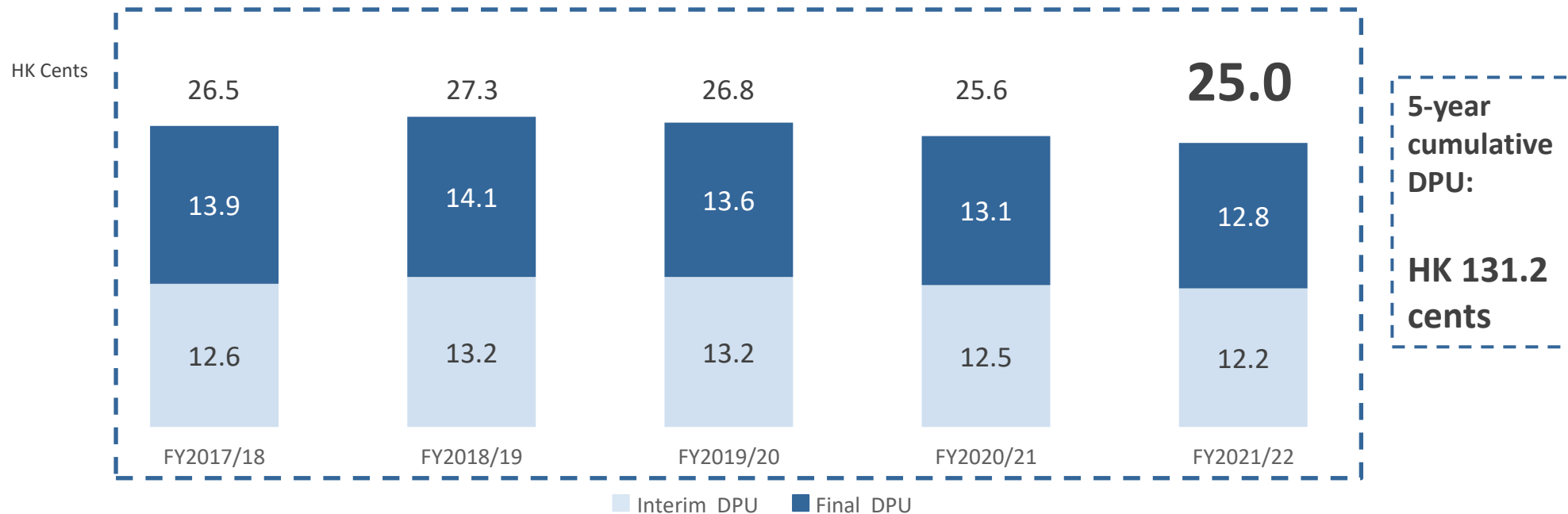
6.9%

06 Sep 2022

Payout Ratio

97.4%

97.5% (FY2020/21)



Note:

1. Distribution yield based on the closing price of (i) HK\$3.65 on the last trading day of FY2021/22 and (ii) HK\$3.63 on the results announcement date.



02

Portfolio Performance

Overall Operating Performance

Occupancy Rate

30 Jun 2022

94.7%

94.5% (31 Dec 2021)

93.7% (30 Jun 2021)

Passing Rent (HK\$ psf.)

30 Jun 2022

45.4

46.1 (31 Dec 2021)

47.7 (30 Jun 2021)

Rental Reversion

FY2021/22

-5.2%

-6.2% (FY2020/21)

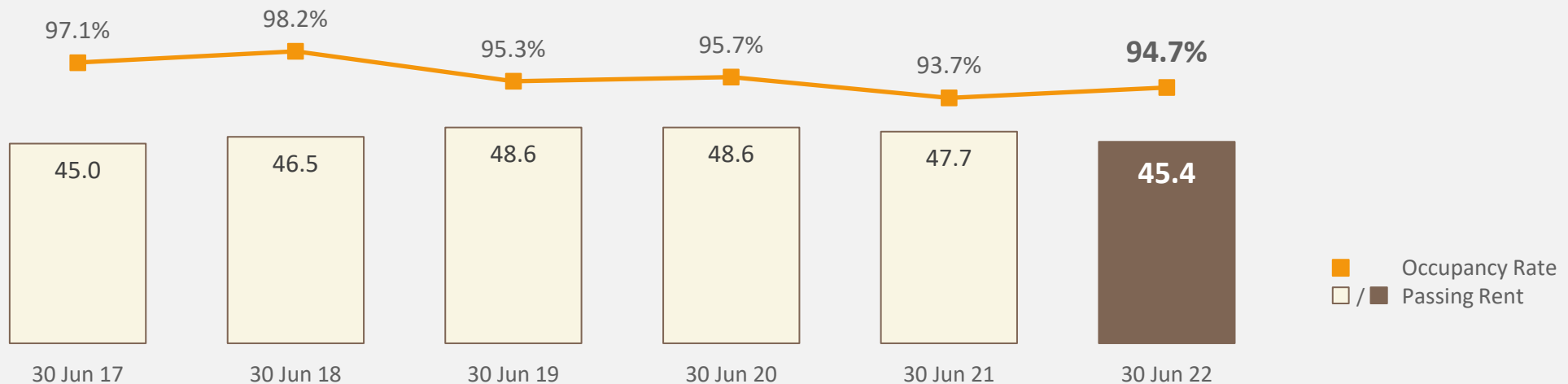
No. of Leases (30 Jun 2022)

824

Average Lease Length

3.2 years

Occupancy Rate¹ and Passing Rent¹ (HK\$/sq. ft.)



Note:

1. All figures have been adjusted to exclude disposed properties.

Operating Performance of Office Portfolio

Rental Reversion

FY2021/22

-5.5%

-5.3% (FY2020/21)

Retention Rate

FY2021/22

82%

53% (FY2020/21)

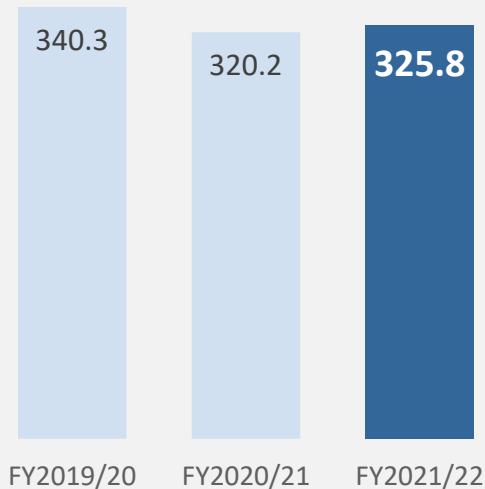
Lease Expiry in FY2022/23

36.8% Office GRA

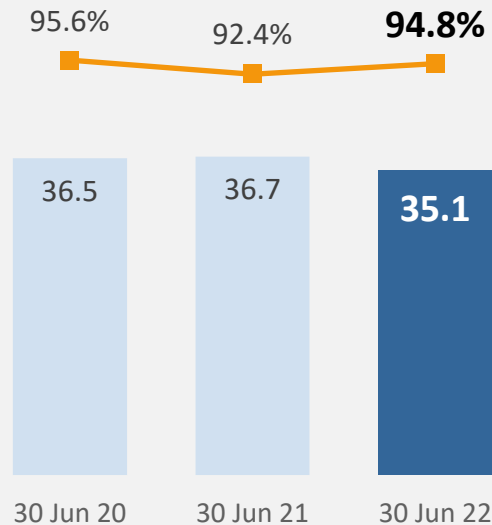
FY2021/22: 29.1%

NPI (HK\$'M)

▲ **1.7% YoY**



Occupancy Rate and Passing Rent (HK\$/sq. ft.)



Valuation (HK\$'M)	30 Jun 2022	30 Jun 2021	Change
<i>Dah Sing Financial Centre</i>	5,172.0	5,236.9	-1.2%
<i>Sheung Wan/ Central office properties</i>	2,819.3	2,836.9	-0.6%
<i>Other office properties</i>	1,902.6	1,948.4	-2.4%
Sub-total	9,893.9	10,022.2	-1.3%

Operating Performance of Retail Portfolio

Rental Reversion

FY2021/22

-5.0%

-7.2% (FY2020/21)

Retention Rate

FY2021/22

77%

67% (FY2020/21)

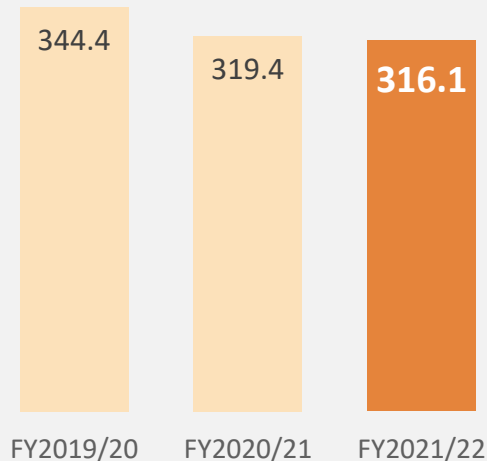
Lease Expiry in FY2022/23

45.7% Retail GRA

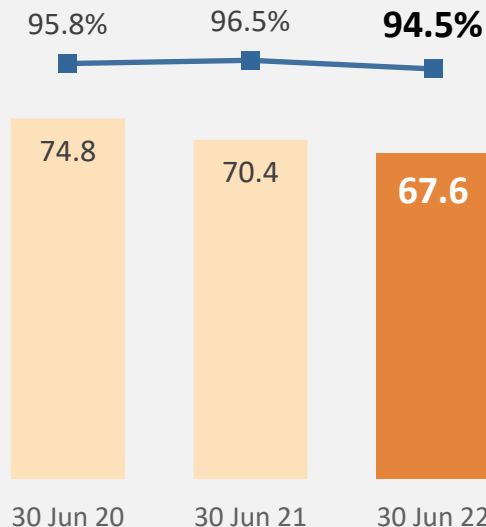
FY2021/22: 37.1%

NPI (HK\$'M)

▼ **1.1% YoY**



Occupancy Rate and Passing Rent (HK\$/sq. ft.)



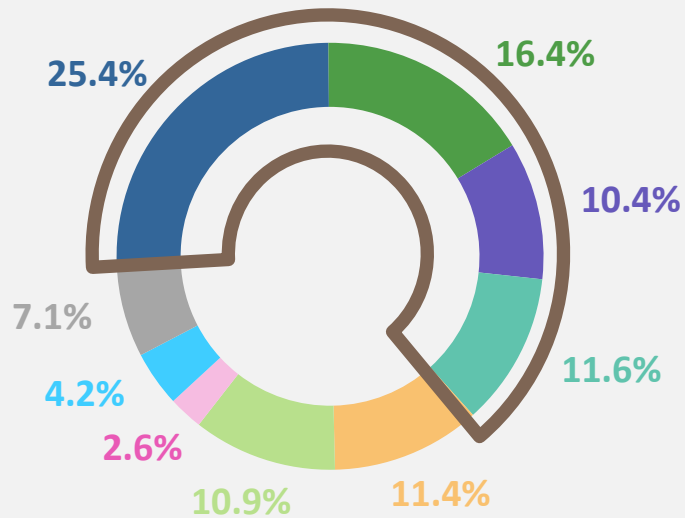
Valuation (HK\$'M)	30 Jun 2022	30 Jun 2021	Change
<i>Sheung Shui Centre</i>	3,780.0	3,892.6	-2.9%
<i>Metro City Phase I</i>	3,107.0	3,097.4	0.3%
<i>Other retail properties</i>	1,314.3	1,329.5	-1.1%
Sub-total	8,201.3	8,319.5	-1.4%

Retail Portfolio - Tenant Mix Optimization

Tenant Mix (30 Jun 2022)

Sheung Shui Centre

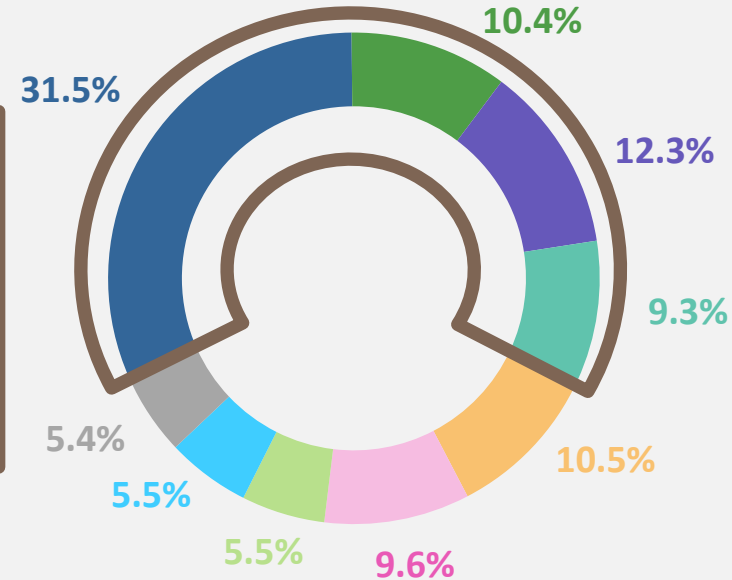
64%



Metro City Phase I

64%

Non-Discretionary Trades:
 Food and beverage
 Financial
 Education
 Supermarket and foodstuff



- Food and beverage
- Fashion and jewellery
- Financial
- Lifestyle
- Education
- Others
- Supermarket and foodstuff
- Vacant
- Healthcare and beauty

Retail Portfolio - Special Efforts to Drive Local Consumption

Marketing initiatives

- Launched several seasonal promotional campaigns to stimulate footfall and consumer spending.



eShop@Sunlight

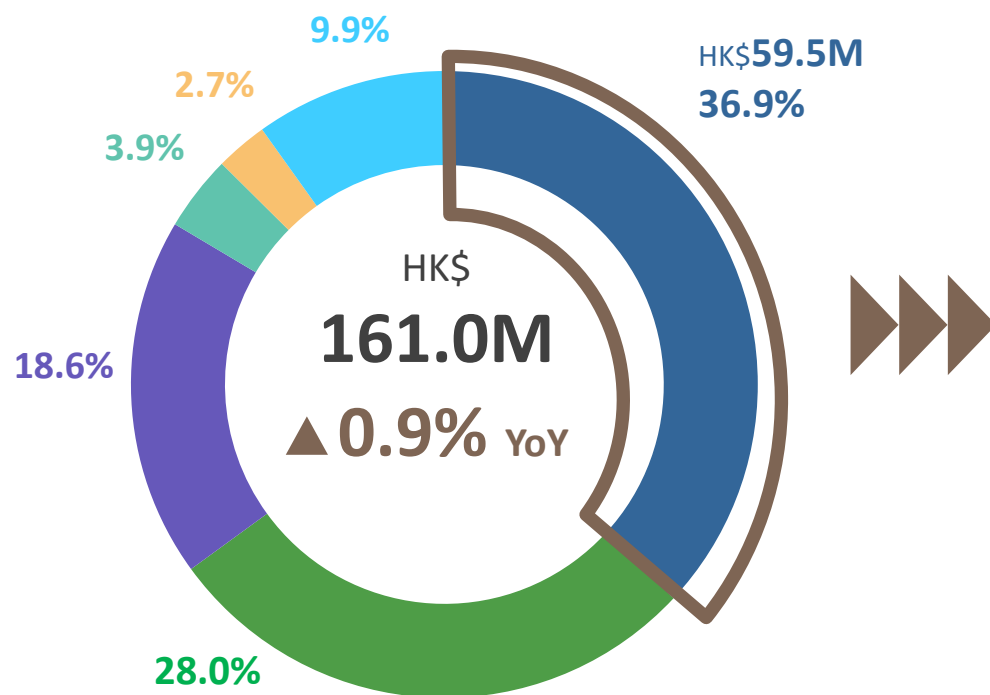
- Offered discounted cash coupons through the e-shopping platform to boost tenants' sales.



Disciplined Cost Control

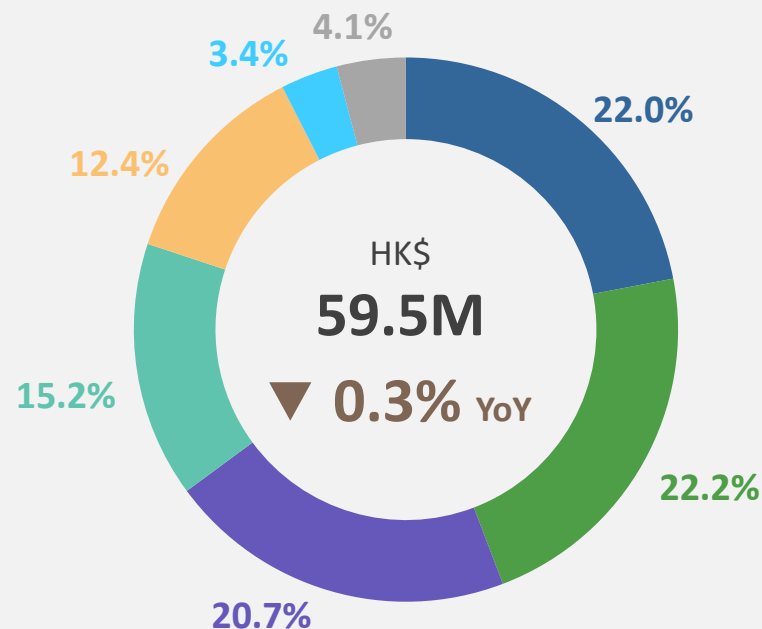
- Cost-to-income ratio was almost unchanged at 20.1%, mainly attributable to lower rental commissions and repair & maintenance expenses. However, in view of the deferred rental payments by tenants, provision for credit losses on rental receivable has increased.

Property Operating Expenses



- Building management fees
- Property Manager's fees
- Government rent and rates
- Car park operating costs
- Marketing and promotion expenses
- Other direct costs¹

Building Management Fees



- Repair and maintenance
- Electricity
- DMC contribution
- Cleaning
- Security
- Festive decoration
- Others

Note:

- Including provision for credit losses on rental receivables.

Dah Sing Financial Centre



Wan Chai

Appraised Value:

HK\$5,172M

Cap Rate:

Office: 3.75%

Retail: 3.65%

Rental Reversion

FY2021/22

-7.1%

-2.2% (FY2020/21)

Retention

FY2021/22

96%

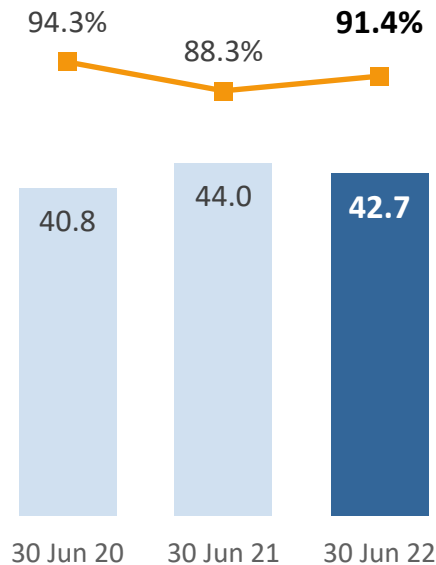
Expiry Profile

by GRA

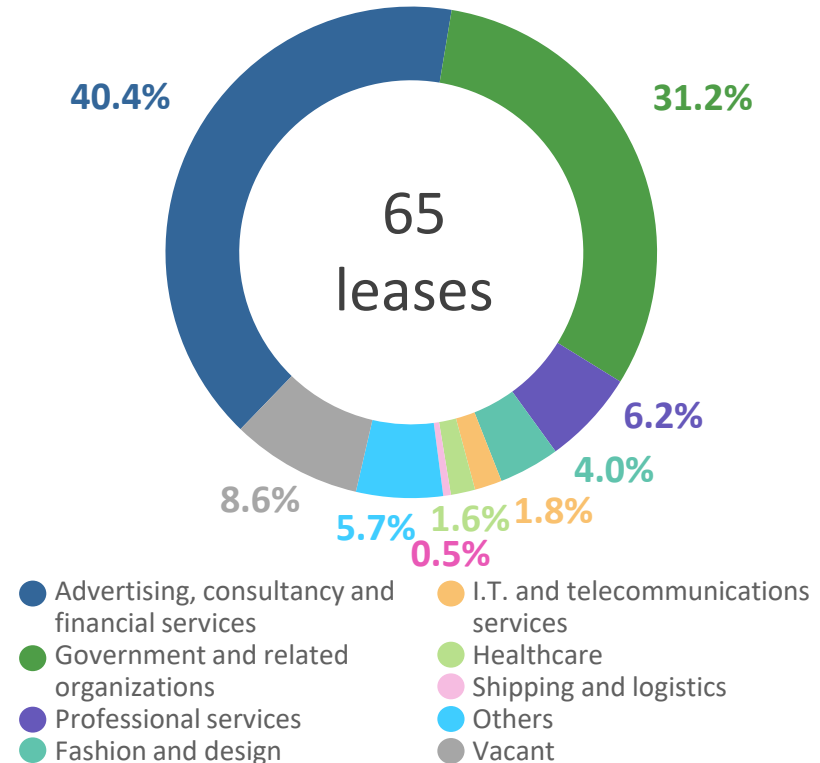
24.5% (FY2022/23)

25.0% (FY2023/24)

Occupancy Rate and Passing Rent (HK\$/sq. ft.)



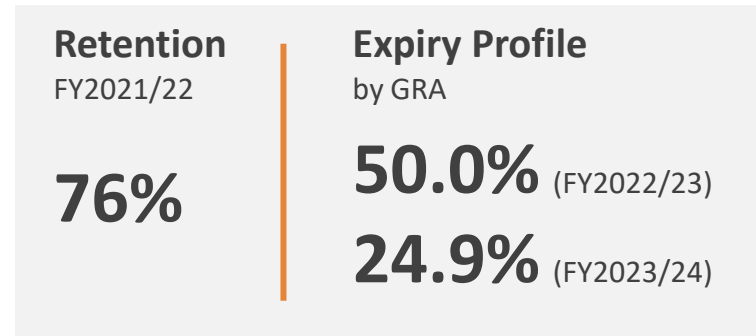
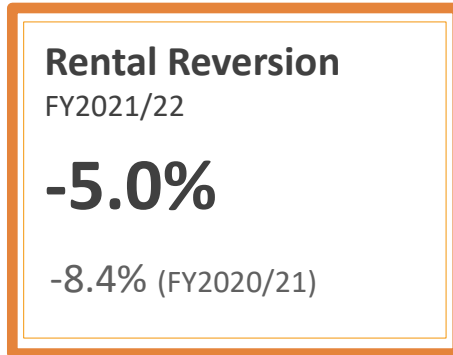
Tenant Mix (30 Jun 2022)



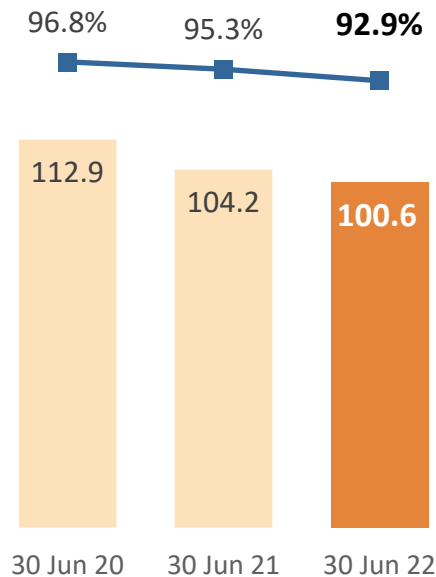
Sheung Shui Centre



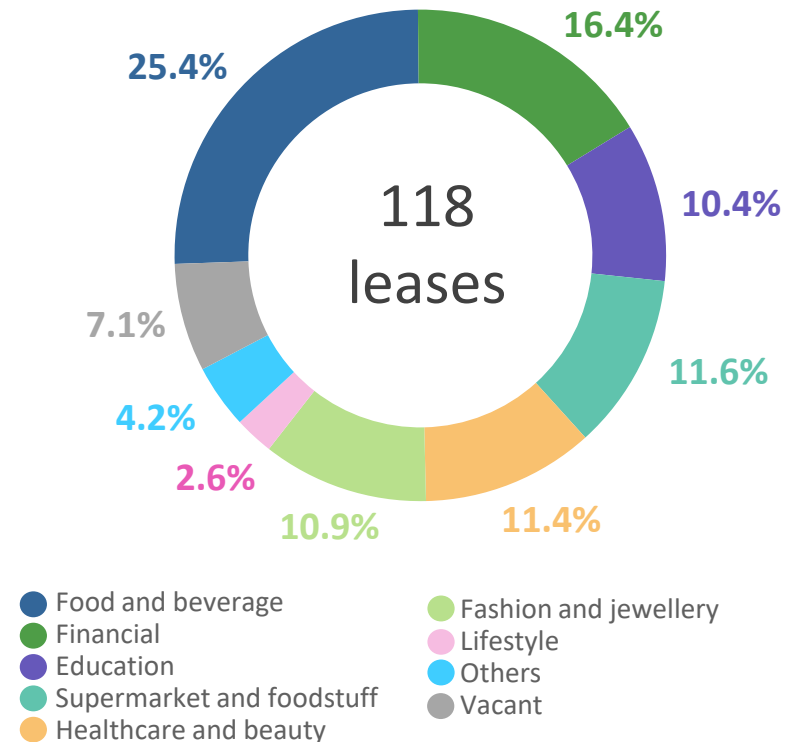
Sheung Shui
 Appraised Value:
HK\$3,780M
 Cap Rate:
4.30%



Occupancy Rate and Passing Rent (HK\$/sq. ft.)



Tenant Mix (30 Jun 2022)



Metro City Phase I



Tseung Kwan O

Appraised Value:
HK\$3,107M

Cap Rate:
4.30%

Rental Reversion

FY2021/22

-4.9%

-9.0% (FY2020/21)

Retention

FY2021/22

73%

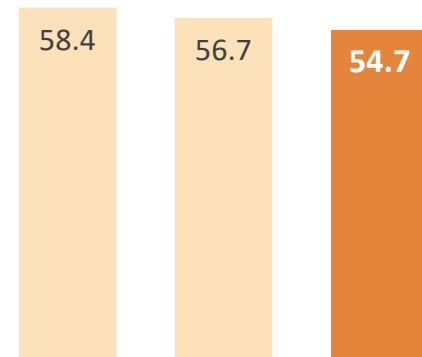
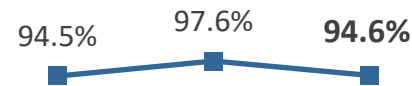
Expiry Profile

by GRA

47.3% (FY2022/23)

21.6% (FY2023/24)

Occupancy Rate and Passing Rent (HK\$/sq. ft.)



30 Jun 20 30 Jun 21 30 Jun 22

Tenant Mix (30 Jun 2022)



Refurbishment of Metro City Phase I Property

- Objective: Revitalize the image of the property and strengthen its competitive position.
- Scope of works: Enhance the key common facilities and layout reconfiguration on the upper floor.
- Estimated budget: HK\$20 million.

Artist's impression of Phase I renovation works



Sustainability - Achievements in Green Building Certification



- **BEAM Plus Existing Buildings V2.0 (Comprehensive Scheme) – Platinum Rating**

- ✓ Dah Sing Financial Centre

- **BEAM Plus Existing Buildings V2.0 (Selective Scheme) – Excellent Grade**

- *Materials and Waste Aspects, and Indoor Environmental Quality*

- ✓ Strand 50

- *Site Aspects*

- ✓ Sheung Shui Centre

- ✓ Metro City Phase I

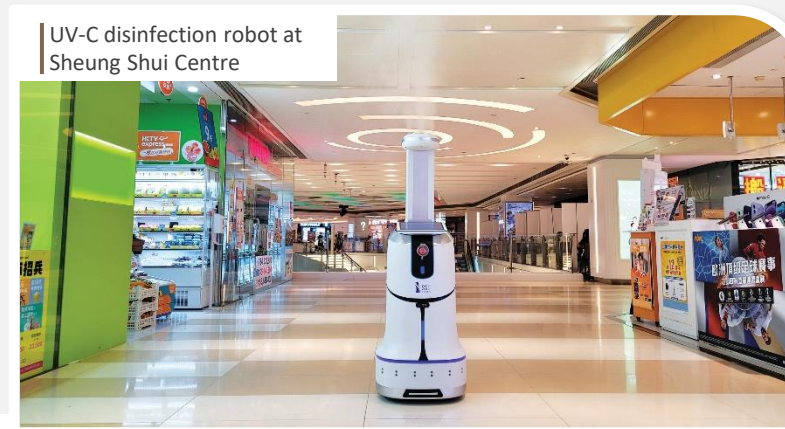
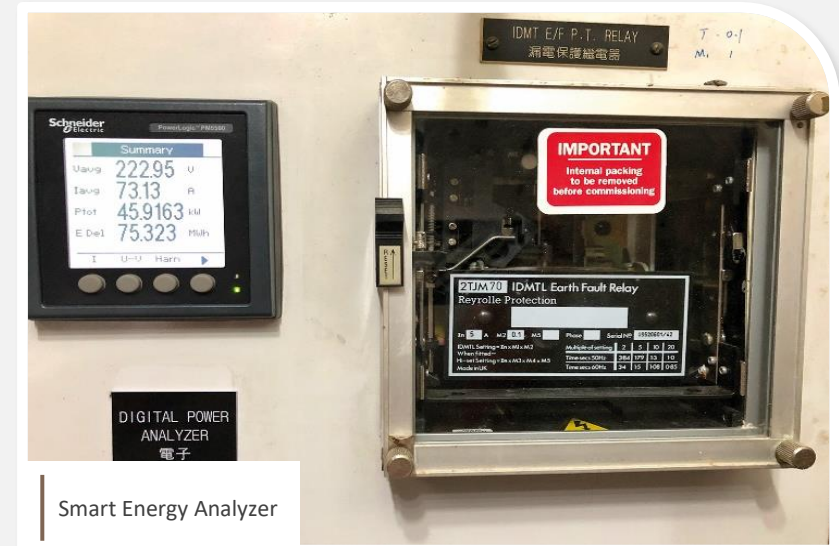
- ✓ Kwong Wah Plaza

- ✓ Righteous Centre

- ✓ 235 Wing Lok Street Trade Centre

Sustainability - Proptech Applications

- Objective: Enhance operational efficiency and identify emerging physical risks.



03

Capital Management



Healthy Debt Structure

Total Borrowings

HK\$'M

4,413

4,418 (30 Jun 2021)

▼ 0.1% YoY

Interest Margin

HIBOR + 0.79%

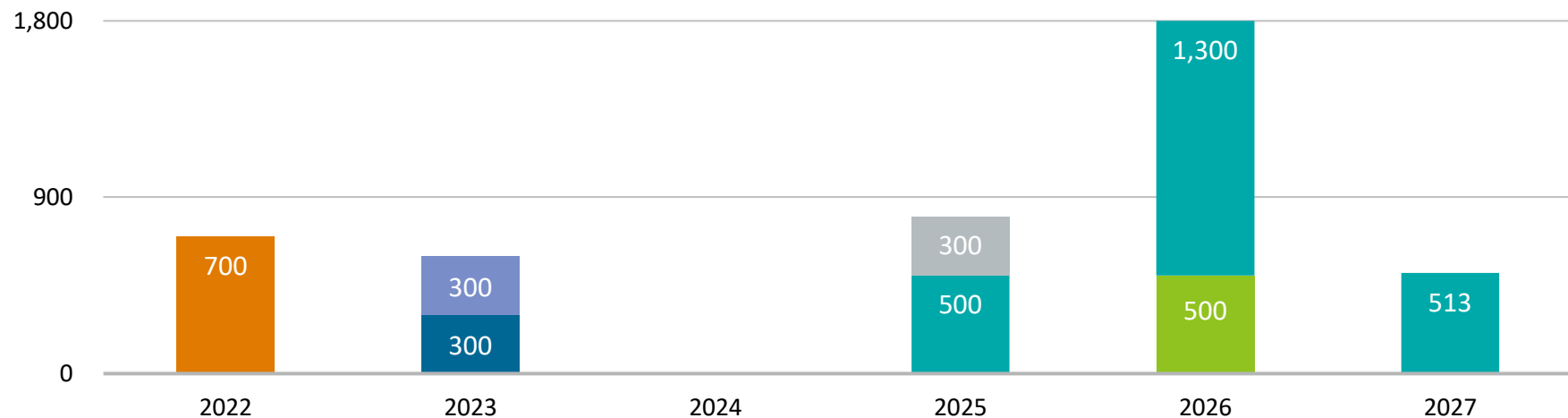
HIBOR + 0.74% (30 Jun 2021)

- Finance costs increased 5.0%, reflecting higher funding costs and increased average borrowings.
- The refinancing of the term loans due for the Year were favourably concluded.

Maturity Profile of Total Borrowings

(30 Jun 2022)

(HK\$' million)

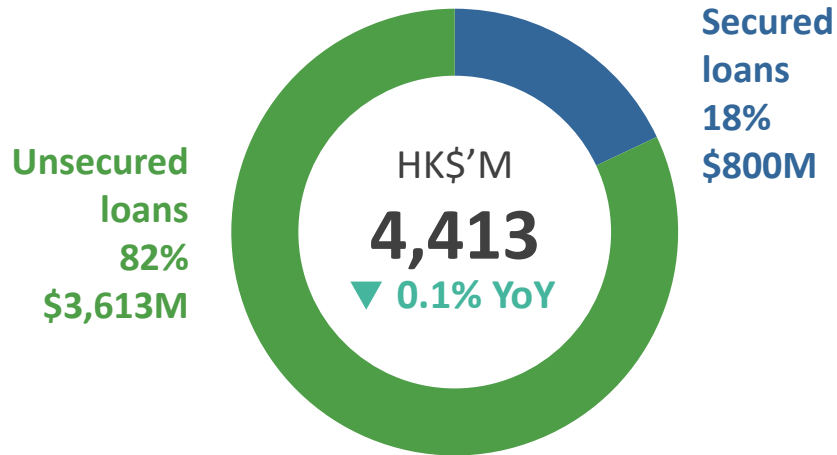


■ Secured loans
 ■ Secured SLLs
 ■ Unsecured loans
 ■ Unsecured SLLs
 ■ Unsecured revolving credit facilities
 ■ Unsecured medium term notes

Robust Interest Rate Management

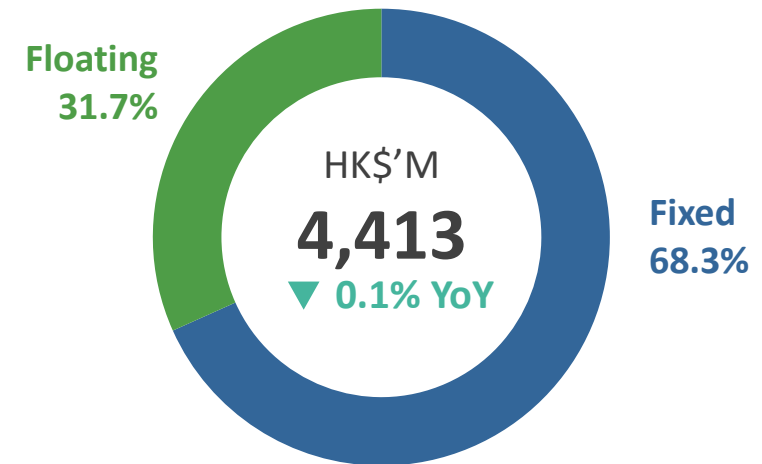
Total Borrowings Composition

(30 Jun 2022)



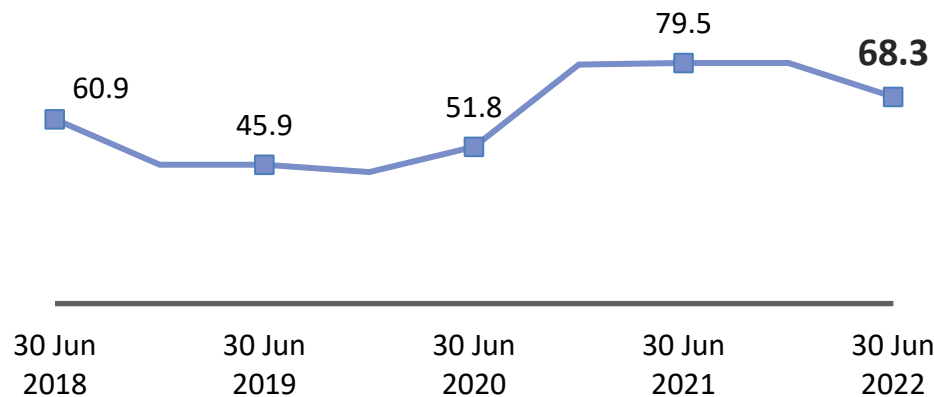
Fixed vs Floating Rate Exposure

(30 Jun 2022)



Fixed Rate Borrowings as a % of Total Borrowings

(%)



- A total of HK\$1,300 million in sustainability-linked loans were completed during the Year.
- Approximately 68% of total indebtedness is anchored to fixed rates after the unwinding of HK\$500 million worth of interest rate swaps.

Resilient Credit Profile

Gearing Ratio

23.3%

23.0% (30 Jun 2021)

Interest Coverage Ratio

5.8x

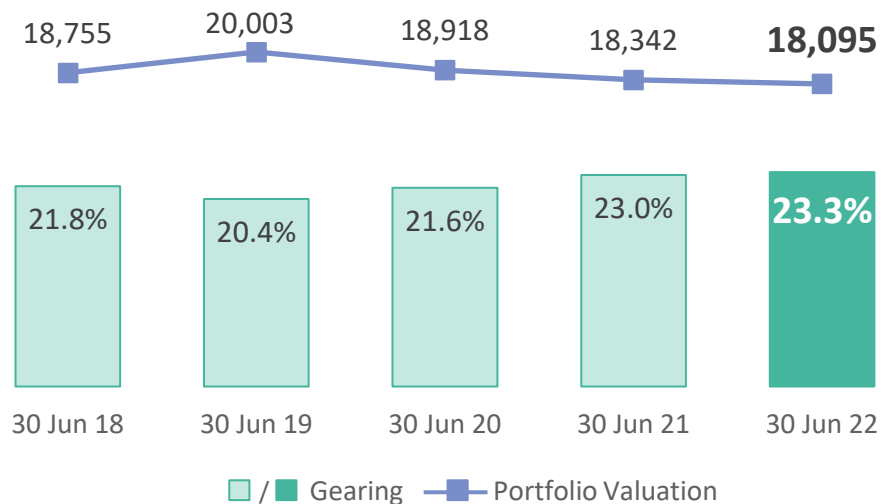
6.3x (FY2020/21)

Weighted Average Funding Cost

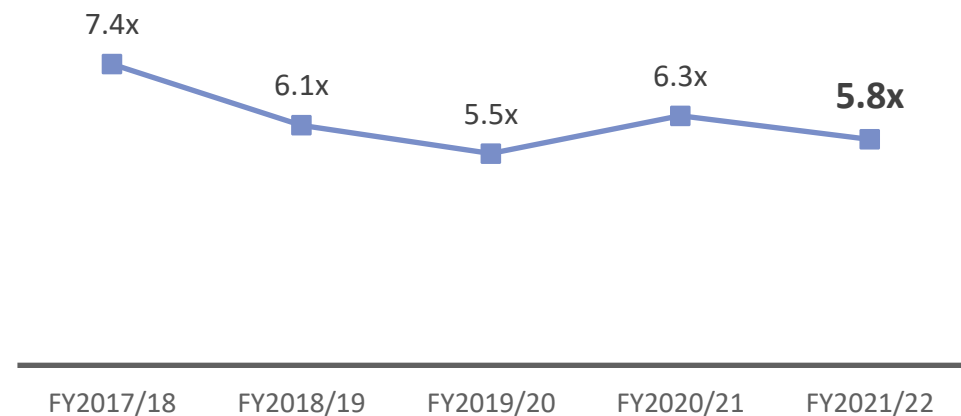
2.1% p.a.

2.0% p.a. (FY2020/21)

Gearing Ratio & Portfolio Valuation (HK\$'M)



Interest Coverage Ratio¹



Note:

1. Interest coverage ratio is calculated by dividing EBITDA by interest expenses incurred on total borrowings.



04

Outlook & Strategy

Outlook & Strategy

Office Outlook

- **Rental performance will be constrained** by a combination of high vacancy, substantial new office supply, sluggish demand from multinational corporations and Mainland Chinese companies yet to return to a more aggressive expansion mode.
- **Financial institutions may curtail their space requirements** ahead on the back of business digitization and continuation of work-from-home arrangements.

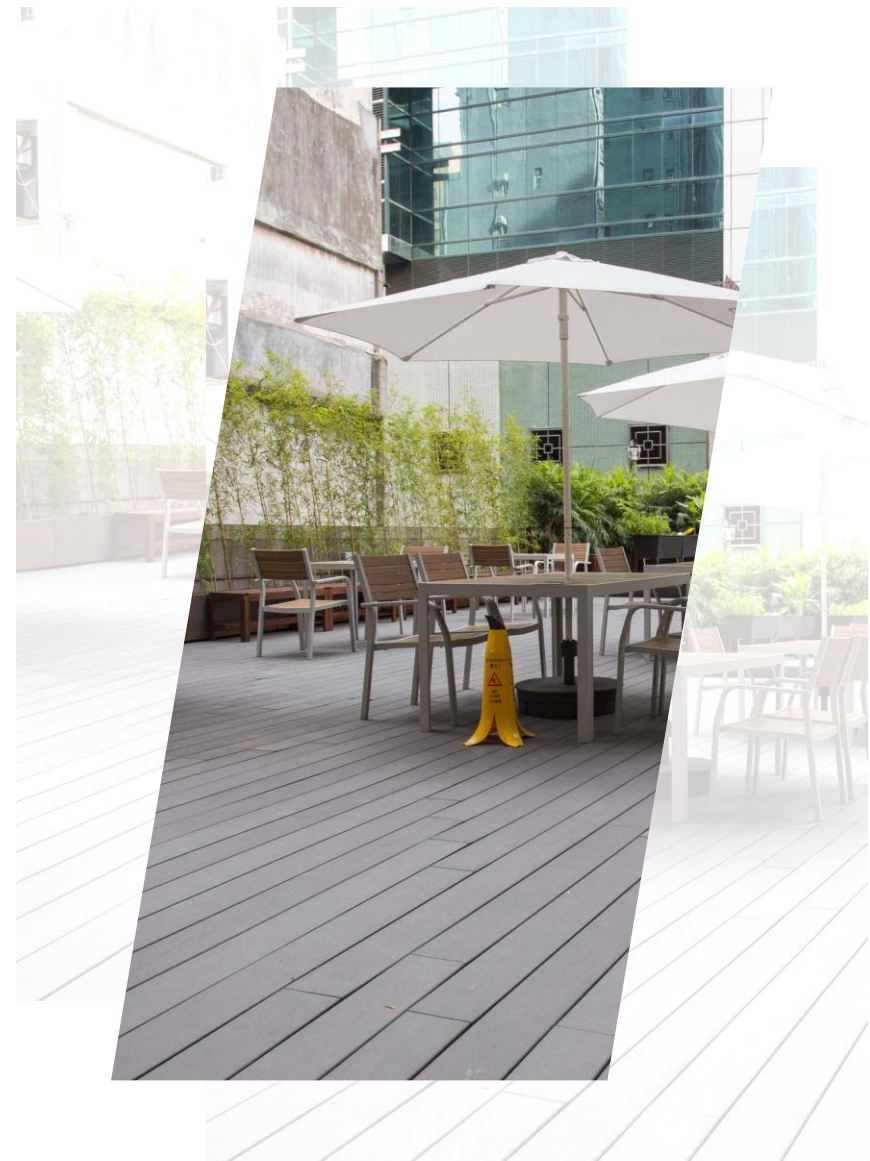
Retail Outlook

- Leasing demand for community malls is stabilizing, but **tenants have become more prudent on expansion**. However, the Manager is hopeful of **a gradual improvement in retail occupancy**.
- The retail premises are witnessing **a shift in trade mix**, with F&B outlets and grocery stores more inclined to renew their leases or commit new spaces.
- The manager is hopeful of achieving a **respectable retention rate** with a **lower incidence of rental concessions**. However, **negative reversion** may remain a possible feature, particularly for leases entered into prior to the onset of the pandemic.



Strategy

- To strengthen the portfolio by:
 - ✓ Actively exploring opportunities to expand the portfolio
 - ✓ Undertaking asset enhancement initiatives
 - ✓ Prudent capital management



05

Appendix

Sunlight REIT at a Glance

Market Capitalization

HK\$'M

6,138.2

30 Jun 2022

Discount to NAV

56.3%

30 Jun 2022

Annualized Total Return

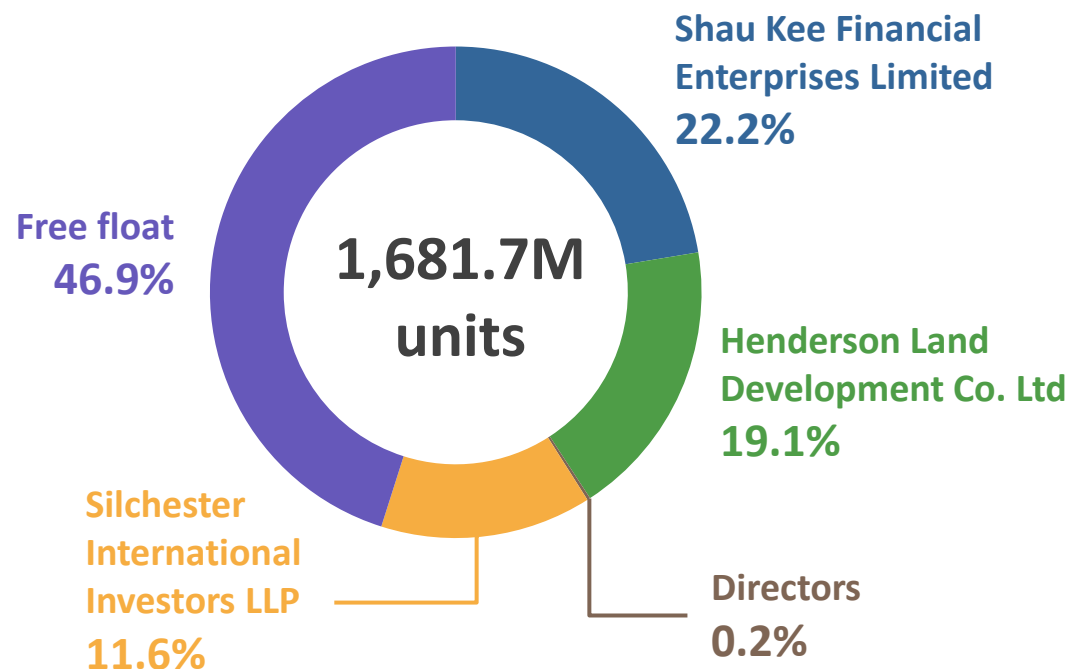
Since listing

9.7%

30 Jun 2022

Unitholding Structure

(30 Jun 2022)



Consolidated Statement of Profit or Loss

HK\$'M	FY2021/22	FY2020/21	YoY
Revenue	802.9	799.3	0.5%
Property operating expenses	(161.0)	(159.6)	0.9%
Net property income	641.9	639.7	0.4%
Other income	5.3	9.0	-40.9%
Administrative expenses	(105.8)	(107.6)	-1.6%
(Decrease) / increase in fair value of investment properties	(263.9)	(605.2)	-56.4%
(Loss)/ profit from operations	277.5	(64.1)	N/A
Finance costs on interest bearing liabilities	(98.4)	(93.7)	5.0%
Income tax	(76.2)	(75.9)	0.4%
Profit/ (loss) after taxation	102.9	(233.7)	N/A

Portfolio at a Glance

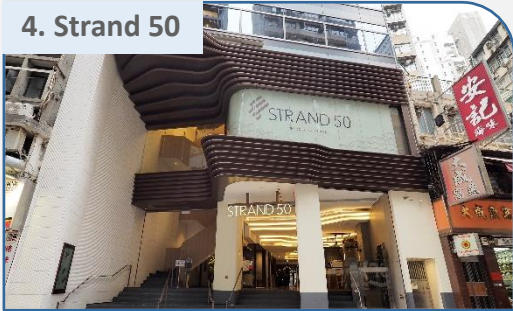
1. Dah Sing Financial Centre



GRA: 376,381 sq. ft.

Sheung Wan/Central Office Properties (GRA: 274,223 sq. ft.)

4. Strand 50



- 5. 135 Bonham Strand Trade Centre Property
- 6. Winsome House Property
- 7. 235 Wing Lok Street Trade Centre

Other Office Properties (GRA: 194,019 sq. ft.)

- 8. The Harvest
- 9. Righteous Centre
- 10. Java Road 108 Commercial Centre
- 11. On Loong Commercial Building
- 12. Sun Fai Commercial Centre Property
- 13. Wai Ching Commercial Building Property



**Total Gross Rentable Area:
1,236,422 sq. ft.**

2. Sheung Shui Centre



GRA: 122,339 sq. ft.

3. Metro City Phase I



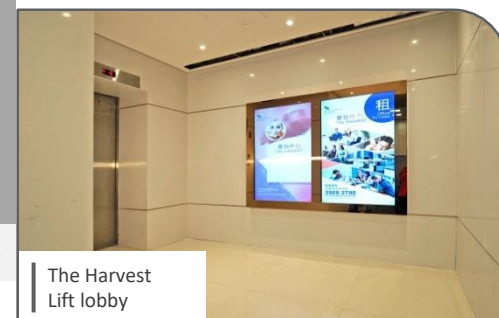
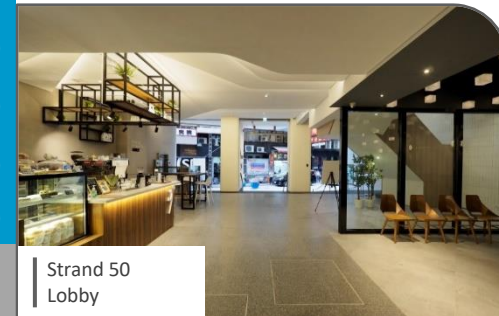
GRA: 188,889 sq. ft.

Other Retail Properties (GRA: 80,571 sq. ft.)

- 14. Kwong Wah Plaza Property
- 15. Beverley Commercial Centre Property
- 16. Supernova Stand Property

Key Office Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate at 30 June (%)		Passing rent at 30 June (HK\$ / sq. ft.)		Rental reversion (%)		Capitalization rate at 30 June 2022 (%)		Appraised value at 30 June 2022 (HK\$'000)
	2022	2021	2022	2021	FY2021/22	FY2020/21	Office	Retail	
Dah Sing Financial Centre ¹	91.4	88.3	42.7	44.0	(7.1)	(2.2)	3.75	3.65	5,172,000
Sheung Wan/Central Office Properties									
Strand 50	99.7	95.8	32.4	32.1	0.4	(1.1)	3.45	3.80	1,316,900
135 Bonham Strand Trade Centre Property	99.1	93.1	27.1	27.9	(5.7)	(9.1)	3.55	3.80	578,400
Winsome House Property	97.2	94.3	39.9	42.7	(7.8)	(11.0)	3.55	3.60	556,200
235 Wing Lok Street Trade Centre	96.8	88.6	19.8	20.9	(3.4)	(11.5)	3.55	3.80	367,800
Other Office Properties									
The Harvest	80.4	100.0	36.7	53.2	0.0	(10.7)	3.30	3.10	597,000
Righteous Centre	100.0	100.0	34.5	33.9	(1.3)	(6.0)	3.75	3.50	537,000
Java Road 108 Commercial Centre	100.0	96.1	25.0	24.9	(1.1)	(9.1)	3.75	4.00	276,200
On Loong Commercial Building	100.0	100.0	27.6	31.2	(17.0)	(9.8)	3.65	3.70	246,600
Sun Fai Commercial Centre Property	98.5	100.0	21.4	21.7	(4.9)	(9.7)	3.80	4.05	165,700
Wai Ching Commercial Building Property	97.2	91.7	17.0	17.4	(4.5)	(0.4)	3.55	3.90	80,100
Average	94.8	92.4	35.1	36.7	(5.5)	(5.3)	Sub-total		9,893,900

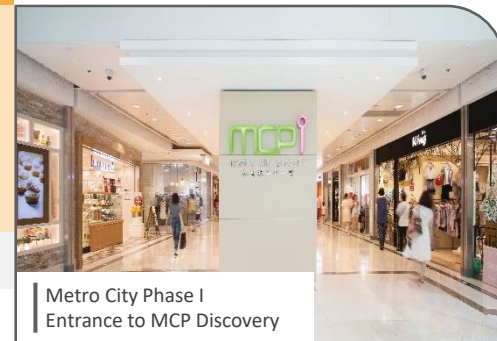


Note:

1. The property was previously known as Sunlight Tower (renamed with effect from 8 March 2021).

Key Retail Portfolio Statistics

Property	Operational statistics						Property financials		
	Occupancy rate at 30 June (%)		Passing rent at 30 June (HK\$ / sq. ft.)		Rental reversion (%)		Capitalization rate at 30 June 2022 (%)		Appraised value at 30 June 2022 (HK\$'000)
	2022	2021	2022	2021	FY2021/22	FY2020/21	Office	Retail	
Sheung Shui Centre Shopping Arcade	92.9	95.3	100.6	104.2	(5.0)	(8.4)	N/A	4.30%	3,780,000
Metro City Phase I Property	94.6	97.6	54.7	56.7	(4.9)	(9.0)	N/A	4.30%	3,107,000
Other Retail Properties									
Kwong Wah Plaza Property	98.4	97.7	50.5	53.5	(4.7)	6.4	3.60%	3.60%	1,165,000
Beverley Commercial Centre Property	81.9	77.5	30.6	32.8	(10.2)	(32.5)	N/A	4.10%	75,100
Supernova Stand Property	100.0	100.0	57.2	57.2	N/A	(10.7)	N/A	3.80%	74,200
Average	94.5	96.5	67.6	70.4	(5.0)	(7.2)	Sub-total		8,201,300



Timeline of Major Asset Recycling and Enhancement



ASSET RECYCLING

On Loong Commercial Building (ownership unification)

Acquisition amount: HK\$24M



The Harvest (previously known as Fung Shun Commercial Building)

Acquisition amount: HK\$658M



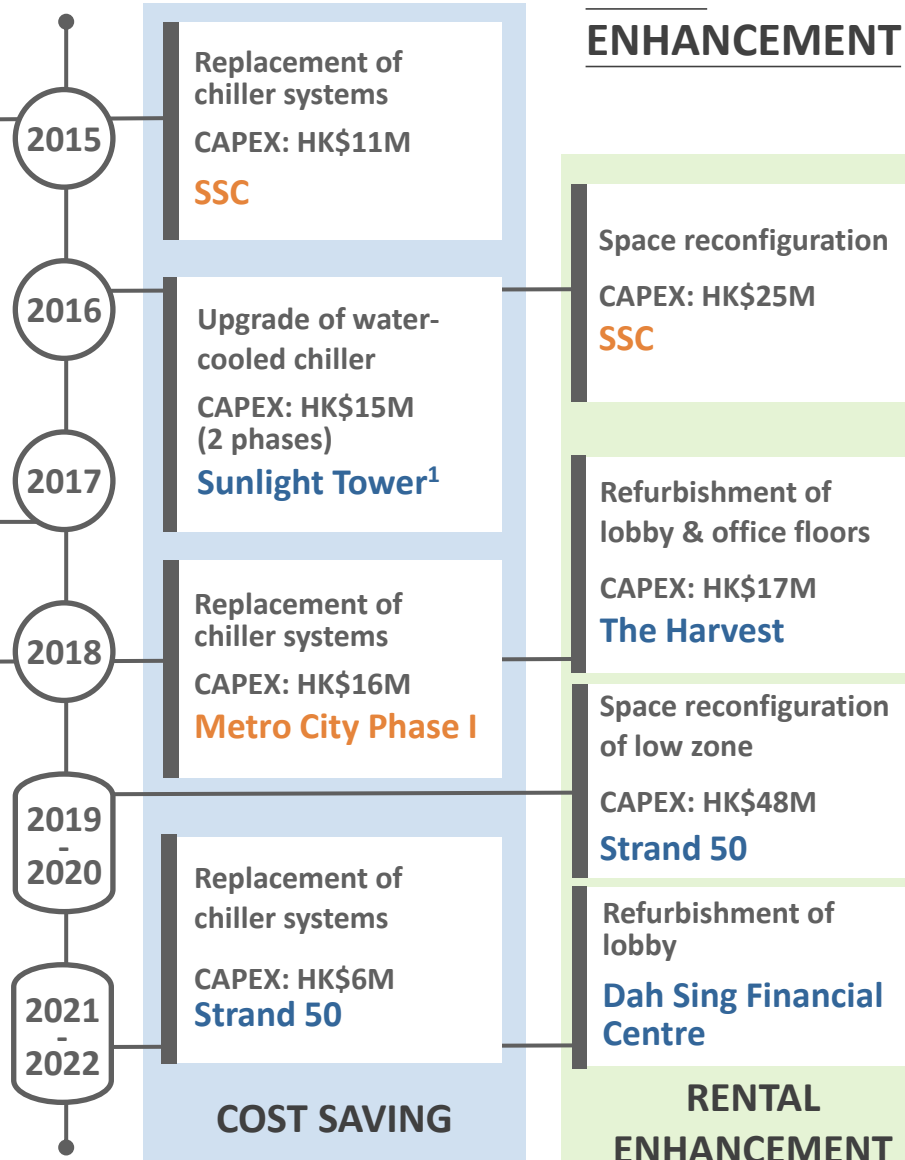
Everglory Centre Yue Fai Commercial Centre Royal Terrace Property

Disposal proceeds: HK\$920M



Palatial Stand Property

Disposal proceeds: HK\$101M






ASSET ENHANCEMENT

Sustainability Targets¹

Land



Green buildings

Target	Status	Progress in FY2021/22
Obtain green building certifications for four properties (DSFC, SSC, MCPI and Strand 50) by FY2025/26	Achieved 	<p>All the four properties obtained green building certifications</p> <ul style="list-style-type: none"> • DSFC: BEAM Plus - Existing Buildings V2.0 Comprehensive Scheme Platinum • Strand 50: BEAM Plus - Existing Buildings Selective Scheme (Materials and Waste Aspects, and Indoor Environmental Quality) Excellent • SSC and MCPI: BEAM Plus - Existing Buildings Selective Scheme (Site Aspects) Excellent <p>Another three properties also obtained green building certifications:</p> <ul style="list-style-type: none"> • Righteous Centre, 235 Wing Lok Street Trade Centre and Kwong Wah Plaza Property: BEAM Plus - Existing Buildings Selective Scheme (Site Aspects) Excellent
Obtain good class or above IAQ certificates for 50% of properties (in terms of total GRA) by FY2025/26	Achieved 	<p>65% of properties (in terms of total GRA) obtained good class or above IAQ certificates:</p> <ul style="list-style-type: none"> • DSFC: Excellent Class • Strand 50, SSC and MCPI: Good Class
Adopt one building innovation and/or ESG-related proptech annually	Achieved 	<ul style="list-style-type: none"> • Adopted solar panels at rooftop of SSC with power analyzers and energy analysis platform

Note 1: The sustainability targets cover the wholly-owned properties. The baseline year for energy consumption and carbon emissions as well as water consumption is FY2015/16, while the baseline year for training hours per employee, volunteering hours and CSR budget is FY2017/18.

Sustainability Targets (cont'd)

Land





Energy and carbon emissions

Target	Status	Progress in FY2021/22
Reduce 25% energy consumption and carbon emissions by FY2030/31	In progress ■■■■■	Reduced 18% energy consumption and 47% carbon emissions
Conduct carbon audit by FY2025/26	In progress ■■■■■	Conducted carbon audit at DSFC



Waste and water

Divert 25% waste from landfill by FY2030/31	In progress ■■■■■	Diverted 6% waste from landfill
Reduce 25% water consumption by FY2030/31	In progress ■■■■■	Reduced 14% water consumption
Develop policy and system to record quantity of certain recyclables ¹ for selected wholly-owned properties by FY2021/22	Achieved 	<ul style="list-style-type: none"> Established waste and water policy as well as waste management guideline in FY2020/21 Added more recycling bins in wholly-owned properties Recorded the quantity of certain recyclables for two additional wholly-owned properties (The Harvest and Righteous Centre)
Conduct water risk assessment by FY2021/22	Achieved 	Divided the water risk assessment of wholly-owned properties into two phases and all completed the first phase by FY2021/22. The second phase of the assessment will be conducted based on the result found in the first phase in order to seize opportunities for performance improvement.

Sustainability Targets (cont'd)

Land



Climate change

Target	Status	Progress in FY2021/22
Adopt Task Force on Climate-related Financial Disclosures (TCFD) framework for climate-related disclosure by FY2025/26	In progress ■■■■■	Reviewed ESG governance and corporate risk management structure to ensure the climate-related issues are integrated in business strategies and risk management framework

Human



Employee well-being

Target	Status	Progress in FY2021/22
Conduct annual employee well-being survey by FY2022/23	In progress ■■■■■	Integrated as part of employee satisfaction survey to understand employee well-being



Health and safety

Evaluate occupational health and safety training needs of employees by FY2025/26	In progress ■■■■■	Made first attempt to include occupational health and safety related questions as part of employee satisfaction survey
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Training and development

Increase 30% training hours per employee by FY2030/31	In progress ■■■■■	Increased 12.5% training hours per employee
Develop employee learning and development plan by FY2025/26	In progress ■■■■■	Conducted employee training survey to facilitate the training plan development

Sustainability Targets (cont'd)

Partnership



Tenant satisfaction and well-being

Target

Status

Progress in FY2021/22

Establish a green lease programme by FY2025/26

In progress



- Provided green tips and green fitting-out guidelines for tenants to collaborate on environmental protection
- Reviewed relevant green leasing practices and partnership programmes in current real estate market



Supply chain management

Develop supply chain risks assessment system by FY2025/26

In progress



- Established sustainable procurement policy in FY2020/21
- Developed supplier self-assessment form to evaluate the ESG performance of suppliers

Develop and implement green procurement system by FY2025/26

Achieved



- Established sustainable procurement policy in FY2020/21
- Revised green procurement guideline in FY2021/22
- Reviewed the implementation of green procurement system in FY2021/22

Sustainability Targets (cont'd)

Partnership



Sustainable financing

Target	Status	Progress in FY2021/22
Develop sustainable finance framework by FY2025/26	In progress ■■■■	<ul style="list-style-type: none"> Completed three SLLs with an aggregate amount of over HK\$1.5 billion in FY2020/21 Completed a SLL and a second tranche of existing SLL in an aggregate amount of HK\$1.3 billion in FY2021/22



Strategic partnerships with NGOs

Conduct impact measurement for major corporate social responsibility initiatives by FY2030/31	In progress ■■■■	In planning stage to start the community impact measurement
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Neighbourhood



Community investment

Target	Status	Progress in FY2021/22
Increase 50% volunteering hours by FY2030/31	In progress ■■■■	Decreased 49% ¹ volunteering hours
Increase 100% CSR budget by FY2030/31	In progress ■■■■	Increased 14% CSR budget

Note 1: The decrease in total volunteering hours as compared to the baseline year was mainly due to the cancellation of CSR activities attributable to the COVID-19 outbreak in Hong Kong. We will scale up our efforts in community partnership programmes and take part in volunteering services once the pandemic situation has become more stable.

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