

Fidelity UK Real Estate Fund

INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to provide capital appreciation along with an attractive and stable income return.

INVESTOR CONSTITUENCY

The Fund is available to institutional investors only. (The minimum subscription required to participate is £1 million.)

Fund details	
Type of fund	PAIF (Property Authorised Investment Fund)
Residence	United Kingdom
Launch date	May 2008 (conversion to a PAIF as at October 2016)
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 March
NAV (GBPm)	596.0

Source: FIL Limited

Management/professional advisors	
Manager	Fidelity International
Fund Manager	Alison Puhar
Corporate trustee	JP Morgan
Auditors	PricewaterhouseCoopers LLP

Source: FIL Limited

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index		
	Fidelity UK Real Estate Fund	Other balanced funds	All balanced funds	All funds
3 months	0.5	0.3	0.3	0.0
Year-to-date	1.9	1.8	1.6	0.7
12 months	1.9	1.8	1.6	0.7
3 years+	7.4	6.5	6.0	5.3
5 years+	7.5	7.2	6.6	6.0
10 years+	8.1	8.1	7.7	7.7

Source: MSCI/AREF UK Quarterly Property Fund Index (Sponsored by PropertyMatch)

Property investment restrictions	
Maximum development exposure	15.0% of GAV
Maximum speculative development exposure	15.0% of GAV
Maximum lot-size holding as a standing investment	15.0% of GAV
Maximum lot-size holding permitted at purchase	15.0% of GAV
Maximum exposure to limited partnerships	15.0% of GAV
Maximum exposure to joint ventures	15.0% of GAV
Maximum exposure to closed and open-ended property unit trusts	15.0% of GAV
Maximum exposure to listed companies and trusts (1)	15.0% of GAV

Source: FIL Limited

Portfolio distribution %

	MSCI/AREF UK Quarterly Property Fund Index			
	Fidelity UK Real Estate Fund	Other balanced funds	All balanced funds	All funds
Standard retail – South East	0.0	7.4	6.8	5.6
Standard retail – Rest of UK	3.6	3.0	3.2	3.6
Shopping centres	0.0	1.3	2.0	6.6
Retail warehouses	8.7	12.3	12.0	10.8
All UK retail	12.3	24.0	23.9	26.5
City offices	0.0	3.6	3.3	2.9
West End offices	0.0	7.6	8.0	6.7
Rest of South East offices	22.6	11.6	10.8	7.6
Rest of UK offices	21.1	6.3	5.9	5.0
All UK offices	43.7	29.1	28.0	22.2
South East industrial	14.7	19.6	19.9	15.9
Rest of UK industrial	18.9	10.5	10.2	8.3
All UK industrial	33.7	30.1	30.1	24.2
Other UK properties	0.0	11.7	10.7	21.4
Cash***	10.3	5.1	7.3	5.7
Overall	100.0	100.0	100.0	100.0

Source: FIL Limited

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	43	542.6	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
Total	43	542.6	100.0

Source: FIL Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Black Bull yard	London	Office	25-30	5.4
St Martins Business Centre	Bedford	Industrial	25-30	4.9
The Meridian	Manchester	Office	20-25	4.6
Martland Park	Wigan	Industrial	20-25	4.5
Harbourgate	Portsmouth	Industrial	20-25	4.1
2, Princes Way	Solihull	Office	20-25	4.1
3, City Place	Crawley	Office	20-25	4.0
200 Berkshire Place	Reading	Office	20-25	3.8
Phoenix House	Reading	Office	20-25	3.8
Pall-Ex Distribution Centre	Coalville	Industrial	20-25	3.6
10 largest investments as % of portfolio				42.8

Source: FIL Limited

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	1	1.8	0.3
2.5 - 5	4	16.0	2.9
5-10	16	120.3	22.2
10 - 25	20	348.8	64.3
25 - 50	2	55.8	10.3
50 - 100	0	0.0	0.0

100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	43	542.6	100.0
Average lot size		12.6	

Source: FIL Limited

Property Yield		Voids as % of ERV	
Net initial yield	5.38%	Investments	15.15%
Nominal equivalent yield	0.00%	Developments	0.00%
True equivalent yield	6.18%	Total	15.15%
Net reversionary yield	6.63%		

Source: FIL Limited

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	3.7	3.9
Retail warehousing	12.9	10.4
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	53.5	54.1
Industrial	29.9	31.6
Other	0.0	0.0
Overall	100.0	100.0

Source: FIL Limited

Over Renting and Reversionary Potential, % Rent Passing

Sector	Rent Passing, GBP Millions	Rent Free, % Rent Passing	Development vacancy, % Rent Passing	Investment vacancy, % Rent Passing	Over rented, % Rent Passing	Reversionary potential, % Rent Passing	Reversionary potential Net of Over renting, % Rent Passing	Market Value, % Rent Passing
Standard retail	1.2	-	-	0.3	-	0.0	-	130.5
Retail warehousing	4.0	-	-	0.2	-0.2	-	-	99.3
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	16.7	-	-	2.9	-	1.2	-	124.6
Industrial	9.3	-	-	2.4	-	0.4	-	130.3
Other	-	-	-	-	-	-	-	-
Overall	31.2	-	-	5.8	-0.2	1.6	1.4	123.3

*Comprising the ERV of developments in progress or contracted which have not been pre-let

Source: FIL Limited

Listed Investments

	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
0	0.0	0.0	0.0
0	0.0	0.0	0.0
0	0.0	0.0	0.0
0	0.0	0.0	0.0
0	0.0	0.0	0.0
0	0.0	0.0	0.0

The unexpired term of leases

Years	% of rent passing
20 years or greater	0.0
15 years or greater, but less than 20	0.0

10 years or greater, but less than 15	6.5
5 years or greater, but less than 10	33.6
Less than 5 years	59.9

Source: FIL Limited

Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0
0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: FIL Limited

Debt analysis

Fixed rate borrowings			Variable rate borrowings		
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0

Source: FIL Limited

Development exposure*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	0	0	0
% of all directly held properties*	0.00%	0.00%	0.00%	0.00%

* Includes joint ventures in which the Fund has an interest of 50% or more

Source: FIL Limited

Valuations/performance monitors/affiliations

Frequency of valuation	Monthly on the last day of the month
Property valuer	Knight Frank
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Full member

Source: FIL Limited

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	25.0%
for investment purpose	25.0%
for liquidity purpose	*
Cash holdings (maximum)	40.0%
Cash holdings (minimum)	*

Source: FIL Limited

The contribution of major tenants to rental income

Tenant	%
NPOWER LIMITED	5.1
VIRGIN MEDIA LIMITED	4.1
ESURE PROPERTY LIMITED	4.1
PALL-EX INTERNATIONAL LIMITED	4.1
RESTORE DIGITAL LIMITED	3.8
NOVO NORDISK LIMITED	3.2
NTT UNITED KINGDOM LIMITED	3.2
THE FIRST SECRETARY OF STATE	3.1
NATIONAL WESTMINSTER BANK PUBLIC LIMITED COMPANY	3.0
KUEHNE + NAGEL LIMITED	2.8
Three largest tenants' contribution to rental income	13.3
Five largest tenants' contribution to rental income	21.1
Ten largest tenants' contribution to rental income	36.4

Source: FIL Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	542.6	0.0	0.0	0.0	542.6
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	62.2	0.0	0.0	0.0	62.2
Other net assets/liabilities	-8.8	0.0	0.0	0.0	-8.8
Total net assets	596.0	0.0	0.0	0.0	596.0
Gearing (%)					
Net debt (cash)/properties	-11.5	-	-	-	-11.5
Net debt (cash)/equity	-10.4	-	-	-	-10.4

Source: FIL Limited

Quarterly data per unit

As at	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Bid (GBP)	5,527.01	5,657.01	5,664.94	5,674.79	5,740.06	5,767.00
Offer (GBP)	5,946.79	6,086.66	6,095.18	6,105.79	6,176.02	6,205.00
Mid (GBP)	5,736.90	5,871.84	5,880.06	5,890.29	5,958.04	5,986.00
Bid/offer spread	7.06%	7.06%	7.06%	7.06%	7.06%	7.06%
Net asset value (GBP)	5,596.97	5,728.62	5,736.64	5,746.63	5,812.72	5,840.00
Quarterly distribution (GBP)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.00	0.00	0.00	0.00	0.00	0.00%

Source: FIL Limited

Unit pricing

The unit price is calculated as at the last day of each month. Income is included in the unit price.

Distributions

Distributions of income are made quarterly, on 22 April, 22 July, 22 October and 22 January.

Minimum investment/disinvestment

Minimum initial investment: GBP 1,000,000

Minimum additional investment: GBP150,000

Minimum redemption: None specified

Creation, transfer and realisation of units

Applications to subscribe for shares in the Fund must be received in the month prior to the next dealing date. Dealing dates are set on the 22nd of each calendar month or the business day prior if this date falls on a weekend or a bank holiday.

Redemptions of shares

Applications to redeem shares in the Fund must be received by the ACD at least 6 months prior to the relevant dealing date. Dealing dates are set on the 22nd of each calendar month or the business day following if this date falls on a weekend or a bank holiday. In the normal course of business the Manager will seek to meet redemptions within 6 months of receiving an application however may in exceptional circumstances have to postpone a redemption request for a further 24 months should liquidity not be available.

Taxation

The company is an open-ended investment company, and is treated as such for UK tax purposes. The company has elected into the Property Authorised Investment Fund tax regime.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	6	2.0
1% or greater but less than 2%	7	10.0
2% or greater but less than 4%	5	15.0
4% or greater but less than 8%	3	15.5
Greater than 8.0%	5	57.5
Total	26	100.0
Major investors		
Largest holder	1	22.4
Three largest holders	3	41.4
Five largest holders	5	57.5
Ten largest holders	10	80.7
Internal/external investors		
Internal	1	1.5
External	25	98.5

Source: FIL Limited

Liquidity						
Period	Year to Dec 2014	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019
Issues and redemptions						
Units in issue as at start of period	53,832	81,100	107,747	102,397	116,550	131,238
Units issued during period	27,268	26,413	-	15,249.98	27,647.67	0
Units redeemed during period	-	-114	-5,350	-1,096.5	-12,961	71
Units in issue at end of period	81,100	107,398	102,397	116,550	131,238	131,309
Unit transfers						
Matched bargains	46	-	-	-	0	0
Matched bargains %*	0.1%	-	-	-	0.0%	0.0%

* as % of units in issue at the end of the period

Source: FIL Limited