



Threadneedle Pensions Ltd

INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to deliver good long-term relative performance by being fully invested in a diversified portfolio of UK commercial property. Its objective is to outperform its benchmark, the MSCI/AREF UK Quarterly Property Fund Index, weighted average, total return, by 1.0% pa or better (net of fees), on a rolling three-year basis

INVESTOR CONSTITUENCY

Approved defined benefit and defined contribution occupational pension schemes

Fund details	
Type of fund	Exempt approved managed fund
Residence	United Kingdom
Launch date	31-Dec-79
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31-Dec
NAV (GBPm)	2028.6

Source : Threadneedle Pensions Ltd

Management/professional advisors	
Manager	Threadneedle Asset Management Limited
Investment Advisor	Threadneedle Portfolio Services Limited
Fund Manager	Nathan Hargreaves

Corporate trustee

Not applicable

Auditors

PricewaterhouseCoopers

Source : Threadneedle Pensions Ltd

Investment rates of return, %

MSCI/AREF UK Quarterly Property Fund Index

	Threadneedle Pensions Ltd	Other balanced funds	All balanced funds	All funds
3 months	0.39	0.33	0.28	0.26
Year-to-date	0.39	0.33	0.28	0.26
12 months	4.59	5.69	4.78	4.06
3 years+	5.89	6.88	6.15	5.60
5 years+	9.33	9.63	9.06	8.52
10 years+	8.01	8.54	8.26	8.46

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

Property investment restrictions

Maximum development exposure	*
Maximum speculative development exposure	*
Maximum lot-size holding as a standing investment	*
Maximum lot-size holding permitted at purchase	*
Maximum exposure to limited partnerships	*
Maximum exposure to joint ventures	*
Maximum exposure to closed and open-ended property unit trusts	*

Source : Threadneedle Pensions Ltd

Portfolio distribution %

MSCI/AREF UK Quarterly Property Fund Index**

	Threadneedle Pensions Ltd	Other balanced funds	All balanced funds	All funds
Standard retail – South East	9.5	7.7	7.0	5.7
Standard retail – Rest of UK	3.4	3.6	3.6	3.8
Shopping centres	2.7	1.9	2.5	7.6
Retail warehouses	10.9	13.5	13.9	13.3
All UK retail	26.6	26.6	27.1	30.4
City offices	6.0	3.8	3.7	3.3
West End offices	5.0	7.6	8.3	7.3
Rest of South East offices	14.0	11.8	11.3	7.7
Rest of UK offices	2.8	5.8	5.8	4.9
All UK offices	27.8	28.9	29.0	23.2
South East industrial	11.1	18.9	19.1	15.3
Rest of UK industrial	19.8	10.1	10.1	8.0
All UK industrial	30.9	29.1	29.2	23.4
Other UK properties	5.8	11.0	9.7	18.8
Cash***	9.0	4.4	5.1	4.3
Overall	100.0	100.0	100.0	100.0

Source : Threadneedle Pensions Ltd

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

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	276	1,828.9	97.5
Joint and indirect holdings	1	46.6	2.5
Listed investments	0	0	0.0
Total	277	1,875.5	100.0

Source : Threadneedle Pensions Ltd

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
London W1 The Heals Building	London	Unit Shop	106.6	5.7
Deeside, Deeside Industrial Park	Deeside	Industrial / Warehouse	48.2	2.6
Chelmsford, Boreham Airfield	Chelmsford	Miscellaneous	45.0	2.4
London EC1,29-35 Farringdon Rd	London	Town Centre Offices	33.4	1.8
London EC1,Banner Street	London	Town Centre Offices	33.1	1.8
High Wycombe, Mercury Park	High Wycombe	Out of Town Offices	32.4	1.7
Watford, Penfold Works	Watford	Industrial / Warehouse	31.5	1.7
Sittingbourne,Spade Lane D/Cen	Sittingbourne	Industrial / Warehouse	22.8	1.2
Chester, Deva Retail Park	Chester	Retail warehouse	22.1	1.2
Wimbledon, Wellington	Wimbledon	Out of Town Offices	21.9	1.2
10 largest investments as % of portfolio			396.8	21.2

Source : Threadneedle Pensions Ltd / MSCI estimates

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	99	127.3	6.8
2.5 - 5	58	199.8	10.7
5-10	61	431.7	23.0
10-25	51	740.1	39.5
25 - 50	6	223.4	11.9
50 - 100	0	0.0	0.0
100-150	1	106.6	5.7
Over 150	0	0.0	0.0
Total	276	1828.9	97.5
Average lot size		6.6	

Source : Threadneedle Pensions Ltd

Property Yield

Net initial yield	5.90%
Nominal equivalent yield	0.00%

Voids as % of ERV

Investments	9.70%
Developments	0.00%

True equivalent yield	6.90%	Total	9.70%
Net reversionary yield	6.60%		

Source : Threadneedle Pensions Ltd

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	16.7	15.4
Retail warehousing	14.7	11.5
Shopping centres	3.9	4.0
Central London offices	9.2	11.7
Other offices	15.9	20.4
Industrial	33.7	32.8
Other	5.9	4.3
Overall	100.0	100.0

Source : Threadneedle Pensions Ltd

Comparison of rents passing and ERV by type of property*

Sector	Rent passing %	Pre-lets & rent-free periods %	Development voids %	Other voids %	Over rented %	Reversionary potential %	Net reversionary potential %	ERV %
Standard retail	92.6	-	-	3.4	(6.5)	10.5	4.0	100.0
Retail warehousing	109.9	-	-	1.1	(13.6)	2.6	(11.0)	100.0
Shopping centres	83.6	-	-	12.4	(9.3)	13.2	4.0	100.0
Central London offices	67.7	-	-	15.2	(3.4)	20.6	17.2	100.0
Other offices	66.7	-	-	21.8	(4.1)	15.6	11.5	100.0
Industrial	88.0	-	-	5.6	(4.6)	11.0	6.4	100.0
Other	118.4	-	-	2.5	(15.7)	(5.2)	(20.9)	100.0
Overall	85.6	0.0	0.0	9.3	-6.4	11.4	5.1	100.0

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

Source : Threadneedle Pensions Ltd

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

The unexpired term of leases

Years	% of rent passing
20 years or greater	0.9
15 years or greater, but less than 20	4.6
10 years or greater, but less than 15	7.3
5 years or greater, but less than 10	20.2
Less than 5 years	67.0

Source : Threadneedle Pensions Ltd

Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Low Carbon Workplace Trust	Other property	Indirect	CEPUT	15.9	46.6	2.5
-	-	-	0.0	-	-	-
-	-	-	0.0	-	-	-
-	-	-	0.0	-	-	-
-	-	-	0.0	-	-	-
-	-	-	0.0	-	-	-

Source : Threadneedle Pensions Ltd

Debt analysis

Fixed rate borrowings	Variable rate borrowings
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Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0

Source : Threadneedle Pensions Ltd

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

Development exposure*

Capital value of developments				
	Not yet started	In progress+	All developments	Cost to complete schemes in progress+
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 : Threadneedle Pensions Ltd

Valuations/performance monitors/affiliations

Frequency of valuation	Monthly
Valuers	CBRE Limited
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 : Threadneedle Pensions Ltd

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	*
Cash holdings (maximum)	*

Cash holdings (minimum)

*

Source : Threadneedle Pensions Ltd

The contribution of major tenants to rental income

Tenant	%
LIBERTY GLOBAL PLC	2.7
HANSON QUARRY PRODUCTS EUROPE LTD	2.1
MAGNET LTD (NOBIA AB)	2.0
Nike (UK) Limited	1.7
Dixons Carphone plc (DSG Retail Ltd)	1.7
Travis Perkins plc	1.7
J Sainsbury PLC	1.5
Co-operative Group Limited	1.5
JOHN LEWIS PARTNERSHIP	1.5
NEXT PLC	1.4
Three largest tenants' contribution to rental income	6.8
Five largest tenants' contribution to rental income	10.3
Ten largest tenants' contribution to rental income	17.7

Source : Threadneedle Pensions Ltd

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1828.9	0.0	46.6	0.0	1875.5
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	183.7	0.0	1.5	0.0	185.2
Other net assets/liabilities	-31.6	0.0	-0.6	0.0	-32.1
Total net assets	1981.1	0.0	47.5	0.0	2028.6
Gearing (%)					
Net debt (cash)/properties	-10.0	0.0	-3.1	-	-9.9

Net debt (cash)/equity	-9.3	0.0	-3.1	-	-9.1
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Source : Threadneedle Pensions Ltd

Quarterly data per unit						
As at	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Bid (GBP)	*	*	*	*	*	*
Offer (GBP)	*	*	*	*	*	*
Mid (GBP)	*	*	*	*	*	*
Bid/offer spread	*	*	*	*	*	*
Net asset value (GBP)	6.50	6.64	6.77	6.88	6.97	7.00
Quarterly distribution (GBP)	8.19	8.66	8.37	8.83	10.63	2.3
Yield	-	-	-	-	-	-

Source : Threadneedle Pensions Ltd

Unit pricing

The unit price is calculated daily at midday as a semi-swinging single price. The single price is net asset value unless the net cash inflow/outflows at the fund level exceed GBP10,000, in which case a dilution levy is applied. The dilution levy is 5.8% for inflows and 1.2% for outflows.

Distributions

The fund does not distribute income. Its gross income is reinvested in the fund.

Minimum investment/disinvestment

There is no minimum level of initial investment in, or of divestment from the fund.

Creation, transfer and realisation of units

Units may be created at any time at the discretion of the manager, subject to written notification no later than 11am on the day of the transaction.

Units may be redeemed at any time on receipt of written notification by the manager no later than 11am on the day of the transaction.

The manager has the right to delay redemptions for up to a maximum of 12 months in the event of there being insufficient cash in the fund.

Taxation

CGT and income tax: the fund is exempt from UK capital gains tax and UK income tax.

Stamp duty reserve tax: transfers of units do not attract SDRT.

Charges

Management charges vary in the range 0.45% pa to 0.95% pa, depending on the type of pension fund (defined benefit or defined contribution) and according to the size of the funds invested. Typically, the fee for a defined benefit client is 0.75% pa.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	48	11.3
1% or greater but less than 2%	10	13.7
2% or greater but less than 4%	9	27.3
4% or greater but less than 8%	1	5.7
Greater than 8.0%	3	42.0
Total	71	100.0
Major investors		
Largest holder	1	21.2
Three largest holders	3	42.0
Five largest holders	5	51.5
Ten largest holders	10	67.8
Internal/external investors		
Internal	0	0.0
External	71	100.0

Source : Threadneedle Pensions Ltd

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	271,931,384	292,058,208	296,989,016	290,410,155	295,601,272	296,753,164
Units issued during period	48954366	21,869,919	62,660,138	32,321,257	32,985,003	7,653,593
Units redeemed during period	-28,827,541	-16,939,111	-69,238,999	-27,130,140	-31,833,111	-12,612,955
Units in issue at end of period	292,058,208	296,989,016	290,410,155	295,601,272	296,753,164	291,793,801
Unit transfers						
Matched bargains	-	-	-	0	0	0
Matched bargains %*	-	-	-	0.00%	0	0.00%

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

Source : Threadneedle Pensions Ltd