

Threadneedle Property Unit Trust

INVESTMENT POLICY AND OBJECTIVES

To invest in a diversified portfolio of property assets in the United Kingdom
To outperform the MSCI/AREF All Balanced Property Fund Index (Weighted Average)

INVESTOR CONSTITUENCY

Pension funds, charities, insurance companies and other corporate and institutional investors. Units may also be issued to wealthy individuals whom the manager considers have the appropriate experience to invest.

Fund details	
Type of fund	Unauthorised property unit trust
Residence	Jersey
Launch date	01-Jun-67
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31-Mar
NAV (GBPm)	1576.8

Source : Threadneedle Investments (Channel Islands) Limited

Management/professional advisors	
Manager	Threadneedle Investments (Channel Islands) Limited

Investment Advisor
Property advisor
Property Fund Manager
Trustee

Threadneedle Portfolio Services Limited
Threadneedle Property Investments Limited
Christopher Morrogh MA ARICS
BNP Paribas Depositary Services (Jersey) Limited and BNP Paribas Depositary Services Limited

Auditors PricewaterhouseCoopers CI LLP

Source : Threadneedle Investments (Channel Islands) Limited

Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index		
	Threadneedle Property Unit Trust	Other balanced funds	All balanced funds	All funds
3 months	0.59	0.64	0.59	0.36
Year-to-date	1.07	0.97	0.87	0.62
12 months	3.59	4.05	3.37	2.76
3 years+	5.74	6.62	6.31	5.59
5 years+	8.64	8.86	8.27	7.56
10 years+	8.52	9.06	8.70	9.06

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

Property investment restrictions

Maximum development exposure	10%
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 Investments (Channel Islands) Limited

Portfolio distribution %

	Threadneedle Property Unit Trust	MSCI/AREF UK Quarterly Property Fund Index**		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	5.3	7.61	7.06	5.74
Standard retail – Rest of UK	4.8	3.29	3.34	3.63
Shopping centres	0.3	1.83	2.46	7.32
Retail warehouses	15.5	13.25	13.56	13.00
All UK retail	25.9	25.97	26.43	29.68
City offices	3.4	3.72	3.70	3.30
West End offices	4.9	7.60	7.73	6.95
Rest of South East offices	15.6	11.59	11.13	7.66
Rest of UK offices	7.3	5.78	5.84	4.95
All UK offices	31.2	28.69	28.40	22.86
South East industrial	18.4	19.27	19.54	15.63
Rest of UK industrial	11.1	10.12	9.96	8.01
All UK industrial	29.4	29.39	29.50	23.64
Other UK properties	6.0	11.03	9.97	19.40
Cash***	7.5	4.92	5.70	4.42
Overall	100.0	100.0	100.0	100.0

Source : Threadneedle Investments (Channel Islands) Limited

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

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	224	1,443.5	98.0
Joint and indirect holdings	1	28.8	2.0
Listed investments	0	0	0.0
Total	225	1,472.4	100.0

Source : Threadneedle Investments (Channel Islands) Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
19,COMMERCE WAY	CROYDON	Industrial Other	25-50	2.3
TROWBRIDGE RETAIL PARK	TROWBRIDGE	Retail Park	25-50	1.9
46 FOLEY STREET	LONDON	Office	25-50	1.9
SKYDOME	COVENTRY	Leisure Park (whole or part)	20-25	1.7
FOSS ISLANDS RETAIL PARK	YORK	Retail Warehouse	20-25	1.5
WARWICK HOUSE	LONDON	Office	20-25	1.5
RED CENTRAL	REDHILL	Office	20-25	1.4
ABBEY VIEW	ST ALBANS	Office	20-25	1.4
AVON HOUSE	LONDON	Office	20-25	1.4
LANDSDOWNE GATE	SOLIHULL	Office	15-20	1.3
10 largest investments as % of portfolio			0.0	16.1

Source : Threadneedle Investments (Channel Islands) Limited

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	62	81.6	5.5
2.5 - 5	46	186.8	12.7
5-10	72	507.6	34.5
10-25	41	578.5	39.3
25 - 50	3	89.1	6.0
50 - 100	0	0.0	0.0
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	224	1443.5	98.0
Average lot size		6.4	

Source : Threadneedle Investments (Channel Islands) Limited

Property Yield

Voids as % of ERV

Net initial yield	5.80%	Investments	5.20%
Nominal equivalent yield	0.00%	Developments	0.00%
True equivalent yield	6.70%	Total	5.20%
Net reversionary yield	6.40%		

Source : Threadneedle Investments (Channel Islands) Limited

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	14.3	12.1
Retail warehousing	20.5	19.3
Shopping centres	0.6	0.5
Central London offices	5.8	6.1
Other offices	23.5	25.9
Industrial	27.7	29.5
Other	7.6	6.6
Overall	100.0	100.0

Source : Threadneedle Investments (Channel Islands) Limited

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	105.8	0.0	0.0	2.9	-17.2	8.5	-8.6	100.0
Retail warehousing	95.2	0.0	0.0	0.5	-9.5	13.8	4.3	100.0
Shopping centres	94.8	0.0	0.0	13.9	-9.9	1.1	-8.7	100.0
Central London offices	84.8	0.0	0.0	3.7	-1.1	12.7	11.5	100.0
Other offices	81.3	0.0	0.0	10.4	-1.8	10.1	8.3	100.0
Industrial	83.8	0.0	0.0	5.3	-0.6	11.4	10.8	100.0
Other	102.5	0.0	0.0	3.1	-8.7	3.2	-5.6	100.0
Overall	89.3	0.0	0.0	5.2	-5.2	10.7	5.4	100.0

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

Source : Threadneedle Investments (Channel Islands) 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

The unexpired term of leases	
Years	% of rent passing
20 years or greater	0.3
15 years or greater, but less than 20	2.7
10 years or greater, but less than 15	4.8
5 years or greater, but less than 10	22.0
Less than 5 years	70.2

Source : Threadneedle Investments (Channel Islands) Limited

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
LOW CARBON WORKPLACE TRUST	Other	INDIRECT RE	OE-PUT	11.0	28.8	2.0
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 : Threadneedle Investments (Channel Islands) Limited

Debt analysis

Fixed rate borrowings		
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 Investments (Channel Islands) Limited

Variable rate borrowings		
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			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 : Threadneedle Investments (Channel Islands) Limited

Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, as at the last business day in the month
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 Investments (Channel Islands) Limited

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	20%
for investment purposed	*

for liquidity purposes	*
Cash holdings (maximum)	8%
Cash holdings (minimum)	*

Source : Threadneedle Investments (Channel Islands) Limited

The contribution of major tenants to rental income

Tenant	%
Cd&R European Value Retail Investment SARL	3.0
Dixons Carphone PLC	2.3
Travis Perkins PLC	1.6
Booker Group PLC	1.5
Wilko Retail Limited	1.4
Dreams Topco Limited	1.2
National Grid PLC	1.1
Julian Holdings Limited	1.1
Matalan Finance PLC	1.0
WH Smith PLC	1.0
Three largest tenants' contribution to rental income	6.8
Five largest tenants' contribution to rental income	9.7
Ten largest tenants' contribution to rental income	15.0

Source : Threadneedle Investments (Channel Islands) Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1443.5	0.0	28.8	0.0	1472.4
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	118.4	0.0	0.2	0.0	118.6
Other net assets/liabilities	-13.8	0.0	-0.3	0.0	-14.1

Total net assets	1548.1	0.0	28.7	0.0		1576.8
Gearing (%)						
Net debt (cash)/properties	-8.2	-	-0.7	-		-8.1
Net debt (cash)/equity	-7.6	-	-0.7	-		-7.5

Source : Threadneedle Investments (Channel Islands) Limited

Quarterly data per unit						
As at	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Bid (GBP)	291.57	293.75	294.97	294.04	292.23	290.55
Offer (GBP)	312.57	315.07	316.57	315.52	313.30	311.40
Mid (GBP)	302.07	304.41	305.77	304.78	302.77	300.98
Bid/offer spread	6.72%	6.77%	6.82%	6.81%	6.73%	6.70%
Net asset value (GBP)	295.15	297.37	298.56	297.62	295.72	294.01
Quarterly distribution (GBP)	3.53	3.52	3.37	3.73	3.32	3.46
Yield	4.71%	4.70%	4.76%	4.75%	4.71%	4.72%

Source : Threadneedle Investments (Channel Islands) Limited

Unit pricing

The unit price is calculated on the pricing day, following the monthly valuation of the portfolio. Net income is not included in the calculation. Redemptions are priced on a 'Bid Price basis'. The bid price quoted is based on the static bid/offer spread.

Distributions

Distributions of income are made quarterly as soon as is practical following the last days of March, June, September and December.

Minimum investment/disinvestment

The minimum initial subscription for units is GBP250,000. However, the manager may accept lesser amounts (with a minimum of

GBP25,000) where the manager is satisfied that the investor has received financial advice, or the investment is made on the investor's behalf by a discretionary investment manager. The minimum amounts required for any subsequent investment is determined by the manager and is currently GBP10,000. Subscriptions may be accepted or rejected by the manager in its discretion.

Creation, transfer and realisation of units

The Realisation Price is determined (under normal circumstances) on the fifth Pricing Day following receipt of notice, with settlement as soon as practicable following the realisation price being fixed. The Manager has the power to defer settlement of redemptions to protect continuing Unitholders, in which circumstances the Realisation Price will be determined on the first Pricing Day at which the Manager deems it appropriate to settle such redemption. (See "Redemption notices outstanding", overleaf.)

Taxation

Capital gains tax: since it is registered in Jersey, the trust is not subject to UK capital gains tax. Those investors who are subject to tax may be liable to capital gains tax on the redemption or sale of their units in the trust.

Income tax: distributions to UK resident unitholders are paid gross of tax. Distributions to non-UK resident unitholders are paid net of tax.

Stamp duty reserve tax: the trust's registration in Jersey means that the surrender and issue of units does not attract SDRT.

Charges

Management fees

For unitholders categorised as charities, UK pension funds or other tax exempt holders, the fee is 0.68% pa of gross assets up to GBP200m. For gross assets above GBP200m, the charge (in respect of the increment) reduces to 0.60% pa. For unitholders in all other categories of investor, the charge is 0.75% pa of gross assets.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	151	28.1
1% or greater but less than 2%	23	31.9
2% or greater but less than 4%	7	19.5
4% or greater but less than 8%	4	20.6
Greater than 8.0%	0	0.0
Total	185	100.0

Major investors		
Largest holder	1	5.7
Three largest holders	3	16.0
Five largest holders	5	24.5
Ten largest holders	10	37.7
Internal/external investors		
Internal	1	4.8
External	184	95.2

Source : Threadneedle Investments (Channel Islands) 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	3,613,097	4,173,624	4,576,028	4,669,058	5,242,277	5,363,287
Units issued during period	613,639	414,714	108,490	583,211	146,107	43,782
Units redeemed during period	-53,113	-12,309	-15,460	-9,992	-25,097	-43,902
Units in issue at end of period	4,173,624	4,576,028	4,669,058	5,242,277	5,363,287	5,363,167
Unit transfers						
Matched bargains	-	-	-	-	0	0
Matched bargains %*	-	-	-	-	0	0.00%

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

Source : Threadneedle Investments (Channel Islands) Limited