

Kames Capital Active Value Property Fund

INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to outperform competitor funds through superior sector allocations, superior stock selection and active management of individual properties within the portfolio. The Fund's benchmark is the All Balanced Funds Index component of the MSCI/AREF UK Pooled Quarterly Fund Index.

The Fund is positioned to be relatively low-risk, focusing on delivery of an above-average income return, across a balanced property portfolio.

INVESTOR CONSTITUENCY

Approved defined benefit and defined contribution occupational pension schemes.

Fund details	
Type of fund	Managed fund
Residence	United Kingdom
Launch date	01-Dec-09
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31-Mar
NAV (GBPm)	225.6

Source : Kames Capital

Management/professional advisors	
Manager	Kames Capital

Property advisor	
Investment Advisor	Kames Capital
Fund Manager	David Wise/John Dear
Corporate trustee	Not applicable
Auditors	PricewaterhouseCoopers LLP

Source : Kames Capital

Investment rates of return, %

	Kames Capital Active Value Property**	MSCI/AREF UK Quarterly Property Fund Index*		
		Managed funds	All balanced funds	All funds
3 months	1.2	0.5	0.6	0.4
Year-to-date	2.0	0.6	0.9	0.6
12 months	4.2	1.6	3.4	2.8
3 years+	7.6	5.5	6.3	5.6
5 years+	8.2	7.0	8.3	7.6
10 years+	-	8.0	8.7	9.1

Note: * Weighted average returns

+ Annualised

** Returns for the Kames Capital Active Value Property Fund are provisional

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

Property investment restrictions

Maximum development exposure	10%
Maximum speculative development exposure	10%
Maximum lot-size holding as a standing investment	10%
Maximum lot-size holding permitted at purchase	10%
Maximum exposure to limited partnerships	Nil
Maximum exposure to joint ventures	*
Maximum exposure to closed and open-ended property unit trusts	Nil

Note: * None specified

Source : Kames Capital

Portfolio distribution %

		MSCI/AREF UK Quarterly Property Fund Index**		
Kames Capital Active Value Property Fund*		Managed funds	All balanced funds	All funds
Standard retail – South East	4.5	5.58	7.06	5.74
Standard retail – Rest of UK	11.9	3.50	3.34	3.63
Shopping centres	0.0	4.19	2.46	7.32
Retail warehouses	20.0	14.38	13.56	13.00
All UK retail	36.3	27.65	26.43	29.68
City offices	0.0	3.65	3.70	3.30
West End offices	0.0	8.08	7.73	6.95
Rest of South East offices	12.7	9.89	11.13	7.66
Rest of UK offices	12.3	6.02	5.84	4.95
All UK offices	25.0	27.63	28.40	22.86
South East industrial	9.8	20.29	19.54	15.63
Rest of UK industrial	2.1	9.53	9.96	8.01
All UK industrial	11.9	29.81	29.50	23.64
Other UK properties	6.7	7.08	9.97	19.40
Cash***	20.1	7.82	5.70	4.42
Overall	100.0	100.00	100.00	100.00

Sources: * Kames Capital

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

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	37	180.1	100.0
Joint and indirect holdings	-	-	-
Listed investments	-	-	-
Total	37	180.1	100.0

Source : Kames Capital

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
LORDSWOOD INDUSTRIAL ESTATE, REVENGE ROAD	CHATHAM	Industrial	18.6	10.3
SMITHFIELD BUILDING	MANCHESTER	Retail Other	11.6	6.4
MATALAN UNIT	BIRMINGHAM	Retail Shopping Centre	9.8	5.5
CLACTON FACTORY OUTLET	CLACTON-ON-SEA	Retail	8.2	4.6
RAVENSIDE RETAIL PARK, VICTORIA ROAD, STOKE-ON-TRENT	STOKE-ON-TRENT	Retail Park	7.4	4.1
THE EAGLE BUILDING	EDINBURGH	Retail Other	7.1	3.9
P & H HOUSE	HOVE	Office	7.0	3.9
PREECE HOUSE, 91-101, DAVIGDOR ROAD	HOVE	Office	7.0	3.9
LONDON ROAD AND BURRELL WAY	THETFORD	Retail Warehouse	6.8	3.8
NICHOLSON'S WALK	MAIDENHEAD	Office	6.7	3.7
10 largest investments as % of portfolio			90.2	50.1

Source : Kames Capital

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	9	17.2	9.5
2.5 - 5	15	55.6	30.9
5-10	11	77.2	42.8
10-25	2	30.2	16.8
25 - 50	-	-	-
50 - 100	-	-	-
100-150	-	-	-
Over 150	-	-	-
Total	37	180.1	100.0
Average lot size		4.9	

Source : Kames Capital

Property Yield*	
Net initial yield	5.89%
Nominal equivalent yield	7.03%
True equivalent yield	7.35%
Net reversionary yield	6.21%

Source : Kames Capital

Voids as % of ERV*	
Investments	8.10%
Developments	0.00%
Total	8.10%

Source : Kames Capital

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	22.9	18.4
Retail warehousing	29.6	26.2
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	29.0	35.6
Industrial	9.1	11.9
Other	9.4	7.9
Overall	100.0	100.0

Source : Kames Capital

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	109.7	3.4	0.0	0.6	-15.0	1.3	-13.7	100.0
Retail warehousing	99.9	1.2	0.0	3.5	-10.0	5.4	-4.6	100.0
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	72.0	15.1	0.0	16.4	-8.0	4.5	-3.5	100.0
Industrial	67.3	2.1	0.0	12.4	-0.2	18.5	18.3	100.0

Source : Kames Capital

[illegible]

Source : Kames Capital

Years	% of rent passing*
20 years or greater	0.1
15 years or greater, but less than 20	0.0
10 years or greater, but less than 15	10.0
5 years or greater, but less than 10	22.3
Less than 5 years	67.6

Source : Kames Capital

*The numbers for the Kames Capital Active Value Property Fund reflect that all break options have been exercised

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Source : Kames Capital

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)+
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

Source : Kames Capital

Development exposure*

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

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

Source : Kames Capital

Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, as at the end of each month
Valuers	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 : Kames Capital

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	
for investment purposes	Nil
for liquidity purposes	10%
Cash holdings (maximum)	20%
Cash holdings (minimum)	Nil

Source : Kames Capital

The contribution of major tenants to rental income

Tenant	%
Matalan Retail Limited	4.8
Mecca Bingo Limited	4.7
Secretary of State for Scottish Ministers Office	4.0
Wickes Building Supplies Limited	3.1
The Secretary of State for the Environment	3.1
Waterstones Booksellers Limited	2.8
Design Blue Limited t/a D30	2.8
CDS (Superstores International) Limited	2.8
Motorpoint Limited	2.7
HHGL Limited t/a Homebase	2.6
Three largest tenants' contribution to rental income	13.6
Five largest tenants' contribution to rental income	19.7
Ten largest tenants' contribution to rental income	33.3

Source : Kames Capital

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
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Balance sheet (GBPm)						
Properties at valuation	180.1	0.0	0.0	0.0		180.1
Listed investments	0.0	0.0	0.0	0.0		0.0
Debt	0.0	0.0	0.0	0.0		0.0
Cash	45.4	0.0	0.0	0.0		45.4
Other net assets/liabilities	0.0	0.0	0.0	0.0		0.0
Total net assets	225.6	0.0	0.0	0.0		225.6
Gearing (%)						
Net debt (cash)/properties	-25.2	-	-	-		-25.2
Net debt (cash)/equity	-20.1	-	-	-		-20.1

Source : Kames Capital

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)	2.15	2.19	2.22	2.24	2.26	2.28
Offer (GBp)	2.30	2.34	2.38	2.39	2.41	2.43
Mid (GBp)	2.22	2.27	2.30	2.31	2.33	2.36
Bid/offer spread	6.59%	6.41%	6.47%	6.40%	6.33%	6.18%
Net asset value (GBp)	2.18	2.22	2.25	2.26	2.28	2.31
Quarterly distribution (GBp)	-	-	-	-	-	-
Yield	-	-	-	-	-	-

Source : Kames Capital

** Figures for the Kames Capital Active Value Property Fund are provisional

Unit pricing

The unit price is calculated at midday on a forward-pricing basis for deals to be carried out the next working day. The fund has a bid/offer spread, reflecting the costs of purchasing and selling direct property in which the fund is invested.

Distributions

The fund does not distribute income. Income is reinvested in the fund.

Minimum investment/disinvestment

Minimum initial investment: £100,000

Minimum additional investment: None

Minimum redemption: None

Creation, transfer and realisation of units

The fund is daily dealt and monthly valued.

Units may be redeemed at any time on receipt of written notice to the manager.

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

Capital Gains Tax

The fund is for tax exempt pension funds.

Income Tax

The fund is for tax exempt pension funds.

Stamp duty reserve tax

Purchases and transfers of units do not attract SDRT.

Charges

Annual charges: The annual management charge is equivalent to 0.5% of the value of the fund.

Unit holder analysis

	Number of unitholders	Total % held
Less than 1% of units in issue	1	0.2
1% or greater but less than 2%	1	1.7
2% or greater but less than 4%	0	0.0
4% or greater but less than 8%	0	0.0
Greater than 8.0%	2	98.1

Total	4	100.0
Major investors		
Largest holder	1	0.0
Three largest holders	3	0.0
Five largest holders	5	0.0
Ten largest holders	10	0.0
Internal/external investors		
Internal	3	98.3
External	1	1.7

Source : Kames Capital

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	72,775,492	74,403,438	88,982,374	103,394,082	99,836,380	99,356,445
Units issued during period	2160635	15,557,223	25,026,887	2,332,433	298,422	180,164
Units redeemed during period	-532,689	-978,288	-10,615,179	-5,890,134	-778,358	-1,898,426
Units in issue at end of period	74,403,438	88,982,374	103,394,082	99,836,380	99,356,445	97,638,182
Unit transfers						
Matched bargains	-	-	-	-	-	-
Matched bargains %*	-	-	-	-	-	-

Note: * As % of units in issue at the end of the period

Source : Kames Capital