PropertyMatch

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)	**592.3**

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, %

	Fidelity UK Real Estate Fund	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
3 months	0.2	0.6	0.6	0.4
Year-to-date	0.3	1.0	0.9	0.6
12 months	4.5	4.1	3.4	2.8
3 years+	6.5	6.6	6.3	5.6
5 years+	9.7	8.9	8.3	7.6
10 years+	9.3	9.1	8.7	9.1

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 %

	Fidelity UK Real Estate Fund	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	0.0	7.6	7.1	5.7
Standard retail – Rest of UK	4.1	3.3	3.3	3.6
Shopping centres	0.0	1.8	2.5	7.3

Retail warehouses	9.2	13.3	13.6	13.0
All UK retail	**13.3**	**26.0**	**26.4**	**29.7**
City offices	0.0	3.7	3.7	3.3
West End offices	0.0	7.6	7.7	7.0
Rest of South East offices	23.0	11.6	11.1	7.7
Rest of UK offices	21.2	5.8	5.8	4.9
All UK offices	**44.2**	**28.7**	**28.4**	**22.9**
South East industrial	20.4	19.3	19.5	15.6
Rest of UK industrial	15.6	10.1	10.0	8.0
All UK industrial	**36.0**	**29.4**	**29.5**	**23.6**
Other UK properties	0.0	11.0	10.0	19.4
Cash***	6.4	4.9	5.7	4.4
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	45	560.0	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
Total	**45**	**560.0**	**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	5.2
St Martins Business Centre	Bedford	Industrial	25-30	4.7
The Meridian	Manchester	Office	20-25	4.4
Martland Park	Wigan	Industrial	20-25	4.4
2, Princes Way	Solihull	Office	20-25	4.3
200 Berkshire Place	Reading	Office	20-25	3.9

Harbourgate	Coalville	Industrial	20-25	3.9
Phoenix House	Reading	Office	20-25	3.8
3, City Place	Crawley	Office	20-25	3.6
Pall-Ex Distribution Centre	Coalville	Industrial	20-25	3.5
10 largest investments as % of portfolio				**41.7**

Source: FIL Limited

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	0	0.0	0.0
2.5 - 5	5	18.8	3.4
5-10	18	134.1	23.9
10 - 25	20	352.0	62.9
25 - 50	2	55.2	9.8
50 - 100	0	0.0	0.0
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	**45**	**560.0**	**100.0**
Average lot size		12.4	

Source: FIL Limited

Property Yield

Net initial yield	5.36%
Nominal equivalent yield	0.00%
True equivalent yield	6.14%
Net reversionary yield	6.59%

Source: FIL Limited

Voids as % of ERV

Investments	11.73%
Developments	0.00%
Total	11.73%

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	4.2	4.4

Retail warehousing	12.7	10.4
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	53.4	51.8
Industrial	29.7	33.4
Other	0.0	0.0
Overall	**100.0**	**100.0**

Source: FIL 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	77.2	0.0	0.0	22.8	0.0	0.0	0.0	100.0
Retail warehousing	99.2	0.0	0.0	0.8	0.0	0.0	0.0	100.0
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	84.1	0.0	0.0	15.9	0.0	0.0	0.0	100.0
Industrial	72.6	0.0	0.0	27.4	0.0	0.0	0.0	100.0
Other	-	-	-	-	-	-	-	0.0
Overall	**81.6**	**0.0**	**0.0**	**18.4**	**0.0**	**0.0**	**0.0**	**100.0**

*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

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	6.0
5 years or greater, but less than 10	32.0
Less than 5 years	62.0

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			
	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: 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	5.0
VIRGIN MEDIA LIMITED	4.0
ESURE PROPERTY LIMITED	4.0

PALL-EX INTERNATIONAL LIMITED	3.5
118 LIMITED	3.4
RESTORE SCAN LIMITED	3.1
THE FIRST SECRETARY OF STATE	3.0
NATIONAL WESTMINSTER BANK REPUBLIC LIMITED COMPANY	2.9
DIMENSION DATA NETWORK SERVICES LIMITED	2.8
KUEHNE + NAGEL	2.7
Three largest tenants' contribution to rental income	12.9
Five largest tenants' contribution to rental income	19.7
Ten largest tenants' contribution to rental income	34.2

Source: FIL Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	560.0	0.0	0.0	0.0	560.0
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	38.5	0.0	0.0	0.0	38.5
Other net assets/liabilities	-6.2	0.0	0.0	0.0	-6.2
Total net assets	592.3	0.0	0.0	0.0	592.3
Gearing (%)					
Net debt (cash)/properties	-6.9	-	-	-	-6.9
Net debt (cash)/equity	-6.5	-	-	-	-6.5

Source: FIL 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)	5,300.18	5,431.69	5,527.01	5,657.01	5,664.94	5,674.79
Offer (GBp)	5,702.73	5,844.22	5,946.79	6,086.66	6,095.18	6,105.79
Mid (GBp)	5,501.46	5,637.96	5,736.90	5,871.84	5,880.06	5,890.29
Bid/offer spread	7.06%	7.06%	7.06%	7.06%	7.06%	7.06%
Net asset value (GBp)	5,367.27	5,500.44	5,596.97	5,728.62	5,736.64	5,746.63

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 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	5	1.5

1% or greater but less than 2%	7	10.0
2% or greater but less than 4%	5	15.1
4% or greater but less than 8%	4	24.0
Greater than 8.0%	4	49.4
Total	**25**	**100.0**
Major investors		
Largest holder	1	22.3
Three largest holders	3	41.3
Five largest holders	5	57.4
Ten largest holders	10	81.2
Internal/external investors		
Internal	1	1.5
External	24	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	27268	26,413	-	15249.98	27647.67	0
Units redeemed during period	-	-114	-5350	-1096.5	-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