

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)	178.8

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, %		MSCI/AREF UK Quarterly Property Fund Index*		
	Kames Capital Active Value Property**	Managed funds	All balanced funds	All funds
3 months	2.6	3.7	3.8	3.7
Year-to-date	3.9	6.0	6.0	5.6
12 months	4.5	8.4	8.5	6.9
3 years+	2.4	2.3	3.0	1.8
5 years+	5.1	4.4	4.9	3.9
10 years+	6.9	6.0	6.7	6.1

Note: * Weighted average returns

+ Annualised

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

Source: MSCI/AREF UK Quarterly Property Fund Index

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**		
		Managed funds	All balanced funds	All funds
Kames Capital Active Value Property Fund*				
Standard retail – South East	3.8	3.00	4.96	4.63
Standard retail – Rest of UK	11.7	3.13	2.32	3.24
Shopping centres	0.0	2.32	1.10	3.40
Retail warehouses	20.5	9.17	10.38	8.75
All UK retail	36.0	17.62	18.76	20.01
City offices	0.0	2.78	3.60	3.20
West End offices	0.0	10.59	8.47	7.51
Rest of South East offices	12.9	8.09	9.74	7.00
Rest of UK offices	13.8	4.65	5.45	5.04
All UK offices	26.7	26.11	27.25	22.74
South East industrial	16.2	26.52	23.84	19.55
Rest of UK industrial	3.1	12.63	12.55	10.32
All UK industrial	19.3	39.15	36.39	29.86
Other UK properties	7.2	9.54	10.61	21.91
Cash***	10.8	7.57	6.99	5.47
Overall	100.0	100.00	100.00	100.00

Sources: * Kames Capital

** MSCI/AREF UK Quarterly Property Fund Index

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	34	156.7	100.0
Joint and indirect holdings	-	-	-
Listed investments	-	-	-
Total	34	156.7	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	21.3	13.6
SMITHFIELD BUILDING	MANCHESTER	Retail Other	9.5	6.1
MATALAN UNIT	BIRMINGHAM	Retail Shopping Centre	9.4	6.0
CLACTON FACTORY OUTLET	CLACTON-ON-SEA	Retail	7.5	4.8
PREECE HOUSE, 91-101, DAVIGDOR ROAD	HOVE	Office	7.3	4.6
242-252, LONDON ROAD, STAINES, TW14 4JQ	TWICKENHAM	Industrial Other	7.1	4.5
THE EAGLE BUILDING	EDINBURGH	Retail Other	6.9	4.4
NICHOLSON'S WALK	MAIDENHEAD	Office	6.7	4.3
HOME BASE, TY GLAS ROAD, CARDIFF, CF14 5EY	CARDIFF	Retail Warehouse	6.1	3.9
RAVENSIDE RETAIL PARK, VICTORIA ROAD, STOKE-ON-TRENT	STOKE-ON-TRENT	Retail Park	5.8	3.7
10 largest investments as % of portfolio			87.6	55.9

Source : Kames Capital

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 - 2.5	13	23.0	14.7
2.5 - 5	8	29.2	18.7

5-10	12	83.1	53.1
10-25	1	21.3	13.6
25 - 50	-	-	-
50 - 100	-	-	-
100-150	-	-	-
Over 150	-	-	-
Total	34	156.7	100.0
Average lot size		4.6	

Source : Kames Capital

Property Yield*		Voids as % of ERV*	
Net initial yield	6.07%	Investments	10.51%
Nominal equivalent yield	7.08%	Developments	0.00%
True equivalent yield	7.39%	Total	10.51%
Net reversionary yield	6.01%	Source : Kames Capital	

Source : Kames Capital

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	20.0	22.2
Retail warehousing	31.1	10.6
Shopping centres	0.0	16.3
Central London offices	0.0	0.0
Other offices	24.6	27.8
Industrial	13.4	17.8
Other	10.9	5.3
Overall	100.0	100.0

Source : Kames Capital

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	2.3	7.0	0.0	1.1	-16.9	5.6	-11.3	120.0
Retail warehousing	3.5	1.1	0.0	3.0	-12.7	2.4	-10.3	37.0
Shopping centres	-	-	-	-	-	0.0	-	-
Central London offices	-	-	-	-	-	0.0	-	-
Other offices	2.8	6.3	0.0	38.8	-8.2	3.7	-4.5	121.9
Industrial	1.5	8.7	0.0	4.9	-0.2	8.4	8.2	143.4
Other	1.2	0.0	0.0	0.0	-20.4	0.0	-20.4	52.9
Overall	11.4	0.0	0.0	0.1	-0.1	0.0	-0.1	108.2

Source : Kames Capital

Listed Investments			
	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Source : Kames Capital

The unexpired term of leases

Years	% of rent passing*
20 years or greater	0.1
15 years or greater, but less than 20	0.1
10 years or greater, but less than 15	2.7
5 years or greater, but less than 10	23.6
Less than 5 years	73.5

Source : Kames Capital

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

Joint and Indirect property holdings

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

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	%
Secretary of State for Scottish Ministers Office	5.3
Matalan Retail Limited	5.1
Mecca Bingo Limited	3.7
B&M Retail Limited	3.4
Wickes Building Supplies Limited	3.3
Motorpoint Limited	3.3
Design Blue Limited t/a D30	3.0
JD Sports Fashion plc - Turnover ONLY - H/O	2.9
Dunelm (Soft Furnishings) Limited	2.6
Ashtead Plant Hire Company Limited	2.5
Three largest tenants' contribution to rental income	14.2
Five largest tenants' contribution to rental income	20.8
Ten largest tenants' contribution to rental income	35.2

Source : Kames Capital

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	156.7	0.0	0.0	0.0	156.7
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	19.0	0.0	0.0	0.0	19.0
Other net assets/liabilities	3.1	0.0	0.0	0.0	3.1
Total net assets	178.8	0.0	0.0	0.0	178.8
Gearing (%)					
Net debt (cash)/properties	-12.2	-	-	-	-12.2
Net debt (cash)/equity	-10.6	-	-	-	-10.6

Source : Kames Capital

Quarterly data per unit

As at	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Bid (GBP)	2.29	2.25	2.24	2.26	2.26	2.29
Offer (GBP)	2.45	2.41	2.39	2.41	2.41	2.44
Mid (GBP)	2.37	2.33	2.32	2.34	2.34	2.37
Bid/offer spread	6.46%	6.37%	6.36%	6.16%	6.16%	6.13%
Net asset value (GBP)	2.32	2.28	2.27	2.29	2.29	2.32
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	2	1.2
1% or greater but less than 2%	0	0.0
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	98.8
Total	4	100.0
Major investors		
Largest holder	1	75.1
Three largest holders	3	99.7
Five largest holders	5	100.0
Ten largest holders	10	-
Internal/external investors		
Internal	2	98.8
External	2	1.2

Source : Kames Capital

Liquidity

Period	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021
Issues and redemptions						
Units in issue as at start of period	88,982,374	103,394,082	99,836,380	99,356,445	84,440,535	84,238,191
Units issued during period	25026887	2,332,433	298,422	228,246	450	13,080
Units redeemed during period	-10,615,179	-5,890,134	-778,358	-15,144,155	-202,794	-9,182,194
Units in issue at end of period	103,394,082	99,836,380	99,356,445	84,440,535	84,238,191	75,069,077
Unit transfers						
Matched bargains	-	-	-	-	-	-
Matched bargains %*	-	-	-	-	-	-

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

Source : Kames Capital