

Lendlease Retail LP

INVESTMENT POLICY AND OBJECTIVES

To invest in prime shopping centre assets in the United Kingdom, including Bluewater (Kent) and Touchwood (Solihull).

To outperform the MSCI Shopping Centre benchmark by 10% on a rolling three-year basis

INVESTOR CONSTITUENCY

The partnership is open to investment by pension funds, charities, insurance & other companies and other intermediate investors from within the UK or abroad, subject to relevant local regulations.

Fund details	
Type of fund	Limited Partnership
Residence	United Kingdom
Launch date	31 June 1999
Open/closed-ended	Closed-ended
Earliest date of winding up	12 November 2017
Investor committee	Yes
Year-end	December
NAV (GBPm)	668.5

Source: Lendlease Real Estate Investments(Europe) Limited

Management/professional advisors

Partnership manager and operator	Lendlease Real Estate Investments (Europe) Limited
Property manager	Lendlease Real Estate Investment Services Limited
Property fund Manager	Jenny Harbord
Corporate trustee	Apex Financial Services (Corporate) Limited

Source: Lendlease Real Estate Investments(Europe) Limited

Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index		
	Lendlease Retail LP	Other balanced funds	All balanced funds	All funds
3 months	-1.6	0.6	0.6	0.4
Year-to-date	-4.6	1.0	0.9	0.6
12 months	-7.0	4.1	3.4	2.8
3 years+	-5.3	6.6	6.3	5.6
5 years+	-0.8	8.9	8.3	7.6
10 years+	5.9	9.1	8.7	9.1

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

Property investment restrictions

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

Source: Lendlease Real Estate Investments(Europe) Limited

Portfolio distribution %

MSCI/AREF UK Quarterly Property Fund Index

	Lendlease Retail LP	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	0.0	3.3	3.3	3.6
Shopping centres	98.8	1.8	2.5	7.3
Retail warehouses	0.0	13.3	13.6	13.0
All UK retail	98.8	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	0.0	11.6	11.1	7.7
Rest of UK offices	0.0	5.8	5.8	4.9
All UK offices	0.0	28.7	28.4	22.9
South East industrial	0.0	19.3	19.5	15.6
Rest of UK industrial	0.0	10.1	10.0	8.0
All UK industrial	0.0	29.4	29.5	23.6
Other UK properties	0.0	11.0	10.0	19.4
Cash***	1.2	4.9	5.7	4.4
Overall	100.0	100.0	100.0	100.0

Source: Lendlease Real Estate Investments(Europe) Limited

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	1	218.7	32.6
Joint and indirect holdings	1	451.9125	67.4
Listed investments	0	0	0.0
Total	2	670.6	100.0

Source: Lendlease Real Estate Investments(Europe) Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
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TOUCHWOOD	SOLIHULL	Retail Shopping Centre	218.7	32.6
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10 largest investments as % of portfolio			218.7	32.6

Source: Lendlease Real Estate Investments(Europe) 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	0	0.0	0.0
5-10	0	0.0	0.0
10-25	0	0.0	0.0
25 - 50	0	0.0	0.0
50 - 100	0	0.0	0.0
100-150	0	0.0	0.0
Over 150	1	218.7	32.6
Total	1	218.7	32.6

Average lot size

Source: Lendlease Real Estate Investments(Europe) Limited

Property Yield	
Net initial yield	4.87%
Nominal equivalent yield	0.00%
True equivalent yield	5.81%
Net reversionary yield	5.51%

Voids as % of ERV	
Investments	5.70%
Developments	0.00%
Total	5.70%

Source: Lendlease Real Estate Investments(Europe) Limited

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	0.0	0.0
Retail warehousing	0.0	0.0
Shopping centres	100.0	100.0
Central London offices	0.0	0.0
Other offices	0.0	0.0
Industrial	0.0	0.0
Other	0.0	0.0
Overall	100.0	100.0

Source: Lendlease Real Estate Investments(Europe) 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	-	-	-	-	-	-	-	0.0
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	86.6	0.0	0.0	0.0	0.0	13.4	13.4	100.0
Central London offices	-	-	-	-	-	-	-	-
Other offices	-	-	-	-	-	-	-	0.0
Industrial	-	-	-	-	-	-	-	0.0
Other	-	-	-	-	-	-	-	0.0
Overall	86.6	0.0	0.0	0.0	0.0	13.4	13.4	100.0

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

Source: Lendlease Real Estate Investments(Europe) Limited

Listed Investments

	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
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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	4.6
5 years or greater, but less than 10	19.0
Less than 5 years	76.3

Source: Lendlease Real Estate Investments(Europe) Limited

Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
BLUEWATER PARK SHOPPING CENTRE	Retail Shopping Centre	DIRECT RE - INDIVIDUAL PROPERTY	-	25.0	451.9	67.4
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source: Lendlease Real Estate Investments(Europe) Limited

Debt analysis

Fixed rate borrowings	Variable rate borrowings
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Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)
0	0.00%	0
0	0.00%	0
0	0.00%	0
0	0.00%	0
0	0.00%	0

Source: Lendlease Real Estate Investments(Europe) Limited

Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
0	0.00%	0
0	0.00%	0
0	0.00%	0
0	0.00%	0
0	0.00%	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: Lendlease Real Estate Investments(Europe) Limited

Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, on the last day of each calendar month
Valuers	CB Richard Ellis
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: Lendlease Real Estate Investments(Europe) Limited

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	20%
Cash holdings (maximum)	*
Cash holdings (minimum)	*

Source: Lendlease Real Estate Investments(Europe) Limited

The contribution of major tenants to rental income

Tenant	%
Touchwood Car Park	10.6
Cine-UK Limited	4.0
H&M	3.9
Next	3.9
Hollister	3.2
Commercialisation	2.7
Superdrug Stores Plc	2.7
River Island Clothing Co Limited	2.2
Inditex	2.2
Tesla Motors	2.0
Three largest tenants' contribution to rental income	18.5
Five largest tenants' contribution to rental income	25.6
Ten largest tenants' contribution to rental income	37.4

Source: Lendlease Real Estate Investments(Europe) Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	218.7	451.9	0.0	0.0	670.6
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	8.5	0.0	0.0	0.0	8.5
Other net assets/liabilities	-10.6	0.0	0.0	0.0	-10.6
Total net assets	216.6	451.9	0.0	0.0	668.5
Gearing (%)					
Net debt (cash)/properties	-3.9	0.0	-	-	-1.3
Net debt (cash)/equity	-3.9	0.0	-	-	-1.3

Source: Lendlease Real Estate Investments(Europe) 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)	147,250	145,342	143,688	141,768	135,615	131,522
Offer (GBP)	147,250	145,342	143,688	141,768	135,615	131,522
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	147,250	145,342	143,688	141,768	135,615	131,522
Quarterly distribution (GBP)	-	-	-	-	1,844	1,996
Yield	2.5%	1.9%	0.9%	0.0%	1.4%	1.5%

Source: Lendlease Real Estate Investments(Europe) Limited

Net asset value

Net assets per unit are recalculated each month following the revaluation of the portfolio. Any performance fees payable are deducted from income. The Partnership has no fixed rate debt

Distributions

The partnership distributes 100% of its income, the payment dates being the last working day of the first month of each quarter.

Minimum investment/disinvestment

A minimum of £100,000.

Creation, transfer and realisation of units

The partnership is a closed fund, whose equity base cannot be enlarged or decreased except by special resolution. The transfer of a partnership interest requires the permission of the general partner.

Taxation

The partnership is tax transparent, and its income is distributed gross of tax. The admission of a new partner would not give rise to a capital gains tax liability, but the disposal of a partnership interest may give rise to a capital gains tax liability.

Charges

General partner

The general partner is entitled to a fee of 0.3% of the average funds under management. The fees paid to the general partner include the total fees payable to the Operator and the Asset manager

Partnership manager and property investment manager

The Operator (Partnership Manager) and the Asset manager are together entitled to a fee from that payable to the General Partner.

Performance fee

The Operator is also entitled to a performance-related fee in the event that the performance of the fund exceeds the benchmark return by greater than 10% over a three-year rolling period. This fee is equivalent to 0.15% of the amount by which the performance of the fund exceeds that of the benchmark and is payable from income. (The benchmark is the shopping centre sub-index of the MSCI Annual Index.)

Unit holder analysis

	Number of unitholders	Total % held
Less than 1% of units in issue	33	1.4
1% or greater but less than 2%	14	3.6
2% or greater but less than 4%	7	2.4
4% or greater but less than 8%	8	19.1
Greater than 8.0%	0	73.5
Total	62	100.0
Major investors		
Largest holder	1	73.5
Three largest holders	3	83.4
Five largest holders	5	92.6
Ten largest holders	10	100.0
Internal/external investors		
Internal	1	4.3
External	61	95.7

Source: Lendlease Real Estate Investments(Europe) 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	5,083	5,083	5,083	5,083	5,083	5,083
Units issued during period	-	-	-	-	0	0
Units redeemed during period	-	-	-	-	0	0
Units in issue at end of period	5,083	5,083	5,083	5,083	5,083	5,083
Unit transfers						
Matched bargains	-	-	-	-	0	0
Matched bargains %*	-	-	-	-	0	0

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

Source: Lendlease Real Estate Investments(Europe) Limited