

Threadneedle Pensions Ltd

INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to deliver good long-term relative performance by being fully invested in a diversified portfolio of UK commercial property. Its objective is to outperform its benchmark, the MSCI/AREF UK Quarterly Property Fund Index, weighted average, total return, by 1.0% pa or better (net of fees), on a rolling three-year basis

INVESTOR CONSTITUENCY

Approved defined benefit and defined contribution occupational pension schemes

Fund details	
Type of fund	Managed Property Fund
Residence	United Kingdom
Launch date	31-Dec-79
Open/closed-ended	Open-ended
Earliest date of winding up	n/a
Year-end	31-Dec
NAV (GBPm)	1471.5

Source : Threadneedle Pensions Ltd

Management/professional advisors	
Manager	Threadneedle Asset Management Limited
Investment Advisor	Threadneedle Portfolio Services Limited
Fund Manager	Nathan Hargreaves
Corporate trustee	n/a
Auditors	PricewaterhouseCoopers

Source : Threadneedle Pensions Ltd

Fund level total return, %		MSCI/AREF UK Quarterly Property Fund Index		
	Threadneedle Pensions Ltd	Other balanced open-ended funds	All balanced open-ended funds	All funds
3 months	-	1.2	1.1	1.4
Year-to-date	-	1.7	1.7	1.7
12 months	-	-0.4	0.1	0.0
3 years+	-	0.4	0.6	0.0
5 years+	-	1.4	1.5	0.6
10 years+	-	5.1	4.8	4.0

Source: MSCI/AREF UK Quarterly Property Fund Index

Fund Restraints	
Property investment restrictions	
Maximum development exposure	n/a
Maximum speculative development exposure	n/a
Maximum lot-size holding as a standing investment	n/a
Maximum lot-size holding permitted at purchase	n/a
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
Restrictions on holdings of cash/borrowings	
Maximum total gearing permitted	n/a
Cash holdings (maximum)	n/a
Cash holdings (minimum)	n/a

Source : Threadneedle Pensions Ltd

Portfolio distribution %		MSCI/AREF UK Quarterly Property Fund Index**		
	Threadneedle Pensions Ltd	Other balanced open-ended funds	All balanced open-ended funds	All funds

Standard retail – South East	2.6	4.2	3.7	3.4
Standard retail – Rest of UK	0.9	1.1	1.1	1.2
Supermarkets	0.0	0.7	1.1	1.7
Shopping centres	0.0	0.6	0.9	0.6
Retail warehouses	14.2	12.3	12.0	7.4
All UK retail	17.7	19.0	18.8	14.4
City offices	4.4	3.0	3.1	2.6
West End offices	5.2	7.5	6.6	4.8
Rest of South East offices	9.2	6.3	6.3	5.2
Rest of UK offices	3.2	4.6	4.0	4.4
All UK offices	22.1	21.4	20.0	17.0
South East industrial	7.8	19.2	20.1	18.0
Rest of UK industrial	9.3	7.7	7.2	6.5
South East Distribution Warehouse	10.8	5.1	5.4	4.1
Rest of UK Distribution Warehouse	16.2	6.4	6.3	5.3
All UK industrial	44.1	38.3	39.1	33.8
Residential excl Student Accommodation	0.0	0.5	1.3	2.4
Student Accommodation	0.0	2.8	3.3	10.7
Hotel	0.0	3.7	3.2	6.1
Leisure	5.2	1.8	2.2	4.1
Healthcare	0.0	1.8	1.3	1.4
Other UK properties	2.3	3.8	3.2	4.1
Cash***	8.6	6.8	7.7	6.0
Overall	100.0	100.0	100.0	100.0

Source : Threadneedle Pensions Ltd

** MSCI/AREF UK Quarterly Property Fund Index

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	158	1,365.0	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0	0.0
Total	158	1,365.0	100.0

Source : Threadneedle Pensions Ltd

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Deeside, Deeside Industrial Park	Deeside	Industrial / Warehouse	76.2	5.6
Chelmsford, Boreham Airfield	Chelmsford	Miscellaneous	58.0	4.2
Watford, Penfold Works	Watford	Industrial / Warehouse	38.1	2.8
Sittingbourne, Sittingbourne Distribution Centre	Sittingbourne	Industrial / Warehouse	35.4	2.6
Cambridge, Compass Hse, Vision	Cambridge	Out of Town Offices	30.3	2.2
South Ockendon, Arisdale Ave	South Ockendon	Industrial / Warehouse	29.9	2.2
London EC1, 29-35 Farringdon Road	London	Town Centre Offices	24.9	1.8
London EC1, Banner Street	London	Town Centre Offices	24.2	1.8
Bristol, Next Distribution Warehouse	Bristol	Industrial / Warehouse	22.9	1.7
London W1, 6 Cavendish Square	London	Town Centre Offices	18.3	1.3
10 largest investments as % of portfolio			358.2	26.2

Source : Threadneedle Pensions Ltd / MSCI estimates

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	33	46.3	3.4
2.5 - 5	29	116.0	8.5
5-10	53	390.6	28.6
10-25	37	544.2	39.9
25 - 50	4	133.7	9.8
50 - 100	2	134.2	9.8
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	158	1365.0	100.0
Average lot size		8.6	

Source : Threadneedle Pensions Ltd

Property Yield	
Net initial yield	6.30%
Nominal equivalent yield	-
True equivalent yield	8.10%
Net reversionary yield	7.50%

Source : Threadneedle Pensions Ltd

Voids as % of ERV	
Investments	9.50%
Developments	0.00%
Total	9.50%

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	6.0	4.2
Retail warehousing	18.7	15.3
Shopping centres	0.0	0.0
Central London offices	9.6	11.0
Other offices	18.3	20.5
Industrial	41.3	44.4
Other	6.0	4.5
Overall	100.0	100.0

Source : Threadneedle Pensions Ltd

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	5.6	-	-	0.4	-1.3	-	-	83.1
Retail warehousing	17.3	-	-	0.5	-2.2	-	-	97.1
Shopping centres	-	-	-	-	0.0	-	-	-
Central London offices	8.9	-	-	2.6	-0.2	-	-	136.8
Other offices	17.0	-	-	5.0	-1.1	-	-	132.9
Industrial	38.2	-	-	2.6	-0.8	-	-	127.8
Other	5.5	-	-	0.2	-1.4	-	-	89.0
Overall	92.4	-	-	-	-	-	-	118.8

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

Source : Threadneedle Pensions Ltd

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

The unexpired term of leases % of rent passing		
Years	Including breaks	Excluding breaks
20 years or greater	1.5	1.8
15 years or greater, but less than 20	1.7	2.7
10 years or greater, but less than 15	3.2	6.2
5 years or greater, but less than 10	18.7	32.4
Less than 5 years	74.9	56.8

Source : Threadneedle Pensions Ltd

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation (GBPm)	Est. % of total portfolio
Carbon Neutral Real Estate	-	Indirect	CEPUT	23.8	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source : Threadneedle Pensions Ltd

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

Variable rate borrowings		
Amount drawn (GBPm)	Rate above Risk Free Rates (incl expenses) (%)	Off balance sheet debt (GBPm)+
0	0	0
0	0	0
0	0	0
0	0	0
0	0	0

Source : Threadneedle Pensions Ltd

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 Pensions Ltd

Valuations/performance monitors/affiliations

Frequency of valuation	Monthly
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 Pensions Ltd

The contribution of major tenants to rental income

Tenant	%
Next PLC	4.1
The Range	1.7
Hanson Quarry Products Europe Limited	1.6
Magnet Limited (NOBIA AB)	1.6
Currys PLC	1.5
Invesco LTD	1.5
Howard Tenens (North West) Limited	1.5
Matalan Retail Ltd	1.5
Primark Stores Limited	1.3
GXO Logistics Inc.	1.3
Three largest tenants' contribution to rental income	7.4
Five largest tenants' contribution to rental income	10.5
Ten largest tenants' contribution to rental income	17.5

Source : Threadneedle Pensions Ltd

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1365.0	0.0	0.0	0.0	1365.0
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	128.7	0.0	0.4	0.0	129.1
Other net assets/liabilities	-22.4	0.0	-0.1	0.0	-22.6
Total net assets	1471.2	0.0	0.3	0.0	1471.5
Gearing (%)					
Net debt (cash)/properties	-9.4	0.0	0.0	-	-9.5
Net debt (cash)/equity	-8.7	0.0	-144.1	-	-8.8

Source : Threadneedle Pensions Ltd

Quarterly data per unit

As at	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24	30-Jun-24
Bid (GBP)	*	*	*	*	*	*

Offer (GBP)	*	*	*	*	*	*
Mid (GBP)	*	*	*	*	*	*
Bid/offer spread	*	*	*	*	*	*
Net asset value (GBP)	7.83	7.91	7.94	7.85	7.93	8.03
Quarterly distribution (GBP)	10.00	9.67	10.19	10.72	10.77	10.17
Yield	-	-	-	-	-	-

Source : Threadneedle Pensions Ltd

Unit pricing

The unit price is calculated daily at midday as a semi-swinging single price. The single price is net asset value unless the net cash inflow/outflows at the fund level exceed GBP10,000, in which case a dilution levy is applied. The dilution levy is 5.8% for inflows and 1.2% for outflows.

Distributions

The fund does not distribute income. Its gross income is reinvested in the fund.

Minimum investment/disinvestment

There is no minimum level of initial investment in, or of divestment from the fund.

Creation, transfer and realisation of units

Units may be created at any time at the discretion of the manager, subject to written notification no later than 11am on the day of the transaction.

Units may be redeemed at any time on receipt of written notification by the manager no later than 11am on the day of the transaction.

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

CGT and income tax: the fund is exempt from UK capital gains tax and UK income tax.

Stamp duty reserve tax: transfers of units do not attract SDRT.

Charges

Management charges vary in the range 0.45% pa to 0.95% pa, depending on the type of pension fund (defined benefit or defined contribution) and according to the size of the funds invested. Typically, the fee for a defined benefit client is 0.75% pa.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	22	5.3
1% or greater but less than 2%	4	5.8
2% or greater but less than 4%	3	10.2
4% or greater but less than 8%	7	34.4
Greater than 8.0%	2	44.4
Total	38	100.0
Major investors		
Largest holder	1	33.5
Three largest holders	3	50.4
Five largest holders	5	60.6
Ten largest holders	10	82.6
Internal/external investors		
Internal	0	0.0
External	38	100.0

Source : Threadneedle Pensions Ltd

Liquidity						
Period	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023	Year to Dec 2024
Issues and redemptions						
Units in issue as at start of period	296,753,164	290,025,930	279,835,592	265,292,305	232,364,134	232,364,134
Units issued during period	193,196,37	15,438,988	5,430,278	2,398,889	0	0
Units redeemed during period	-26,046,871	-25,629,327	-19,973,565	-35,327,060	0	0
Units in issue at end of period	290,025,930	279,835,592	265,292,305	232,364,134	232,364,134	232,364,134
Unit transfers						
Matched bargains	0	0	0	0	0	0

Matched bargains %*	0	0	0	0.00%	0	0.00%
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* as % of units in issue at the end of the period

Source : Threadneedle Pensions Ltd
