

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	Exempt approved managed fund
Residence	United Kingdom
Launch date	31-Dec-79
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31-Dec
NAV (GBPm)	1560.4

Source : Threadneedle Pensions Ltd

Management/professional advisors	
Manager	Threadneedle Asset Management Limited
Investment Advisor	Threadneedle Portfolio Services Limited
Fund Manager	Nathan Hargreaves
Corporate trustee	Not applicable
Auditors	PricewaterhouseCoopers

Source : Threadneedle Pensions Ltd

Investment rates of 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	-	0.29	0.38	0.33
Year-to-date	-	0.09	0.16	0.12
12 months	-	-17.14	-17.39	-17.07
3 years+	-	3.32	3.39	2.28
5 years+	-	2.28	2.16	1.10
10 years+	-	6.60	6.31	5.45

Source: MSCI/AREF UK Quarterly Property Fund Index

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

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	4.3	4.9	4.6	4.6
Standard retail – Rest of UK	1.7	1.2	1.4	2.3
Shopping centres	0.0	0.6	0.9	2.5
Retail warehouses	13.8	12.4	12.1	7.6
All UK retail	19.8	19.1	19.0	17.1
City offices	5.9	3.3	3.4	3.2
West End offices	5.1	8.1	7.5	5.1
Rest of South East offices	10.1	7.5	7.1	5.5
Rest of UK offices	3.5	5.2	4.9	5.3
All UK offices	24.6	24.2	22.9	19.1
South East industrial	18.9	24.0	24.5	20.3
Rest of UK industrial	24.0	13.6	13.7	11.8
All UK industrial	42.9	37.6	38.2	32.1
Other UK properties	7.2	12.4	12.5	25.9
Cash***	5.5	6.7	7.4	5.8
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	172	1,477.0	98.2

Joint and indirect holdings	1	27.1	1.8
Listed investments	0	0	0.0
Total	173	1,504.1	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	73.2	4.9
Chelmsford, Boreham Airfield	Chelmsford	Miscellaneous	58.0	3.9
Watford, Penfold Works	Watford	Industrial / Warehouse	39.1	2.6
Sittingbourne, Sittingbourne Distribution Centre	Sittingbourne	Industrial / Warehouse	37.5	2.5
Cambridge, Compass Hse, Vision	Cambridge	Out of Town Offices	32.4	2.2
South Ockendon, Arisdale Ave	High Wycombe	Industrial / Warehouse	32.1	2.1
London EC1, Banner Street	London	Town Centre Offices	27.8	1.8
London EC1, 29-35 Farringdon Road	London	Town Centre Offices	26.3	1.7
Bristol, Next Distribution Warehouse	Bristol	Industrial / Warehouse	25.6	1.7
Wimbledon, Wellington	Wimbledon	Town Centre Offices	19.5	1.3
10 largest investments as % of portfolio			371.4	24.7

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	39	57.6	3.8
2.5 - 5	33	130.5	8.7
5-10	52	382.4	25.4
10-25	39	554.8	36.9
25 - 50	7	220.7	14.7
50 - 100	2	131.2	8.7
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	172	1477.0	98.2
Average lot size		8.6	

Source : Threadneedle Pensions Ltd

Property Yield		Voids as % of ERV	
Net initial yield	5.90%	Investments	10.40%
Nominal equivalent yield	-	Developments	0.00%
True equivalent yield	7.50%	Total	10.40%
Net reversionary yield	7.10%		

Source : Threadneedle Pensions Ltd

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	9.4	6.9
Retail warehousing	17.7	15.0
Shopping centres	0.0	0.0
Central London offices	8.7	10.8
Other offices	18.2	20.0
Industrial	40.2	42.8
Other	5.9	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	8.7	-	-	0.5	-1.74	-	-	87.1
Retail warehousing	16.5	-	-	0.4	-2.54	-	-	100.4
Shopping centres	-	-	-	-	0.00	-	-	-
Central London offices	8.1	-	-	3.2	-0.31	-	-	148.1
Other offices	16.9	-	-	3.8	-1.12	-	-	130.5
Industrial	37.3	-	-	4.5	-0.98	-	-	126.2
Other	5.5	-	-	0.3	-1.28	-	-	89.8
Overall	92.9	-	-	-	-	-	-	118.5

*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

Years	% of rent passing
20 years or greater	1.2
15 years or greater, but less than 20	0.1
10 years or greater, but less than 15	5.5
5 years or greater, but less than 10	17.8
Less than 5 years	75.4

Source : Threadneedle Pensions Ltd

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Carbon Neutral Real Estate	-	Indirect	CEPUT	23.8	27.1	1.8
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source : Threadneedle Pensions Ltd

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 : 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

Restrictions on holdings of cash/borrowings	
Maximum total gearing permitted	*
Cash holdings (maximum)	*
Cash holdings (minimum)	*

Source : Threadneedle Pensions Ltd

The contribution of major tenants to rental income	
Tenant	%
Next PLC	4.1
Magnet Limited (NOBIA AB)	2.2
John Lewis PLC	1.7
Norton Group Holdings Limited	1.7
Hanson Quarry Products Europe Limited	1.6
Currys PLC	1.5
Invesco LTD	1.5
Howard Tenens (North West) Limited	1.5
Matalan Retail Ltd	1.4
Primark Stores Limited	1.3
Three largest tenants' contribution to rental income	8.0
Five largest tenants' contribution to rental income	11.2
Ten largest tenants' contribution to rental income	18.4

Source : Threadneedle Pensions Ltd

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1477.0	0.0	27.1	0.0	1504.1
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	83.7	0.0	4.5	0.0	88.3

Other net assets/liabilities	-31.5	0.0	-0.5	0.0	-32.0
Total net assets	1529.2	0.0	31.1	0.0	1560.4
Gearing (%)					
Net debt (cash)/properties	-5.7	0.0	-16.8	-	-5.9
Net debt (cash)/equity	-5.5	0.0	-14.6	-	-5.7

Source : Threadneedle Pensions Ltd

Quarterly data per unit						
As at	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23
Bid (GBP)	*	*	*	*	*	*
Offer (GBP)	*	*	*	*	*	*
Mid (GBP)	*	*	*	*	*	*
Bid/offer spread	*	*	*	*	*	*
Net asset value (GBP)	8.98	9.43	8.98	7.78	7.83	7.91
Quarterly distribution (GBP)	7.73	9.17265	9.97	9.63	10.00	9.67
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	27	7.6
1% or greater but less than 2%	2	2.9
2% or greater but less than 4%	5	16.3
4% or greater but less than 8%	4	19.3
Greater than 8.0%	4	53.9
Total	42	100.0
Major investors		
Largest holder	1	24.1
Three largest holders	3	44.8
Five largest holders	5	59.9
Ten largest holders	10	80.6
Internal/external investors		
Internal	0	0.0
External	42	100.0

Source : Threadneedle Pensions Ltd

Liquidity						
Period	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023
Issues and redemptions						
Units in issue as at start of period	295,601,272	296,753,164	290,025,930	279,835,592	265,292,305	232,364,134
Units issued during period	32985003	19,319,637	15,438,988	5,430,278	2,398,889	0
Units redeemed during period	-31,833,111	-26,046,871	-25,629,327	-19,973,565	-35,327,060	0
Units in issue at end of period	296,753,164	290,025,930	279,835,592	265,292,305	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%

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

Source : Threadneedle Pensions Ltd