

Kames Capital UK Active Value Property Unit Trust

INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to invest in predominantly multi-let commercial assets in the UK. Whilst the Fund's performance is measured relative to the All Balanced Funds Index component of the MSCI/AREF UK Pooled Quarterly Fund Index, its objective is to target a property level IRR of circa 8-10%.

The Fund has a strong focus on stock selection, with the main source of added value investment returns expected to be achieved from the picking of good quality assets offering attractive income returns, good value, or asset management potential.

INVESTOR CONSTITUENCY

Corporate and Local Authority Pension Schemes

Fund details

Type of fund	Authorised PUT
Residence	Jersey
Launch date	01-Oct-13
Open/closed-ended	Closed-ended
Earliest date of winding up	Oct-20
Year-end	31-Dec
NAV (GBPm)	235.0

Source: Kames Capital

Management/professional advisors

Manager	Kames Capital
Property advisor	-
Investment Advisor	Kames Capital
Fund Manager	Philip Bach
Corporate trustee	Saltgate Ltd
Auditors	Pricewaterhouse Coopers

Source: Kames Capital

Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index*		
	Kames Capital UK Active Value Property Unit Trust	Other balanced funds	All balanced funds	All funds
3 months	0.9	0.6	0.6	0.4
Year-to-date	0.9	1.0	0.9	0.6
12 months	6.0	4.1	3.4	2.8
3 years+	7.9	6.6	6.3	5.6
5 years+	8.9	8.9	8.3	7.6
10 years+	-	9.1	8.7	9.1

Source: Kames Capital

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	Nil
Maximum exposure to closed and open-ended property unit trusts	Nil

Note: * None specified

Source: Kames Capital

Portfolio distribution %

	Kames Capital UK Active Value Property Unit Trust	MSCI/AREF UK Quarterly Property Fund Index*		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	8.3	7.6	7.1	5.7
Standard retail – Rest of UK	5.1	3.3	3.3	3.6
Shopping centres	0.4	1.8	2.5	7.3
Retail warehouses	22.2	13.3	13.6	13.0
All UK retail	35.9	26.0	26.4	29.7
City offices	5.1	3.7	3.7	3.3
West End offices	0.0	7.6	7.7	7.0
Rest of South East offices	19.1	11.6	11.1	7.7
Rest of UK offices	17.1	5.8	5.8	4.9
All UK offices	41.4	28.7	28.4	22.9
South East industrial	4.0	19.3	19.5	15.6
Rest of UK industrial	10.1	10.1	10.0	8.0
All UK industrial	14.1	29.4	29.5	23.6
Other UK properties	3.2	11.0	10.0	19.4
Cash***	5.5	4.9	5.7	4.4
Overall	100.0	100.0	100.0	100.0

Source: Kames Capital

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	38	227.9	100.0
Joint and indirect holdings	0	0	0.0
Listed investments	0	0	0.0
Total	38	227.9	100.0

Source: Kames Capital

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Wigmore Place, Wigmore Lane, Luton	Luton	Offices	21.3	9.3
Olympus House, Olympus Avenue, Leamington	Leamington Spa	Offices	16.0	7.0
41-42 Trinity Square, London	London	Offices	12.3	5.4
Victoria Retail Park, Victoria Street North, Grimsby	Grimsby	Retail Warehouses	12.1	5.3
Cray House, 3 Maidstone Road, Sidcup	Sidcup	Offices	11.1	4.9
78-104 Town Square, Basildon	Basildon	Standard Retail	10.5	4.6
Bilston Glen Industrial Estate, Loanhead, Edinburgh	Edinburgh	Industrial	10.3	4.5
Orion Business Park, Bird Hall Lane, Stockport, SK3 0XG	Stockport	Offices	9.7	4.3
Portrack Interchange, Portrack Lane, Stockton-on-Tees	Stockton-on-Tees	Retail Warehouses	9.1	4.0
North Ayrshire Retail Park, Stevenston	Stevenston	Retail Warehouses	8.7	3.8
10 largest investments as % of portfolio			120.9	53.1

Source: Kames Capital

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	7	9.6	4.2
2.5 - 5	11	35.6	15.6
5-10	13	89.3	39.2
10-25	7	93.5	41.0
25 - 50	0	0.0	0.0
50 - 100	0	0.0	0.0
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	38	227.9	100.0
Average lot size		6.0	

Source: Kames Capital

Property Yield*

Voids as % of ERV*

Net initial yield	5.95%	Investments	10.69%
Nominal equivalent yield	7.30%	Developments	0.00%
True equivalent yield	7.63%	Total	10.69%
Net reversionary yield	6.73%		

Source: Kames Capital

Source: Kames Capital

Rental income & ERV by type of property*

	Rental income %	Estimated rental value %
Standard retail	16.1	14.1
Retail warehousing	29.5	22.9
Shopping centres	0.3	3.6
Central London offices	0.5	5.1
Other offices	35.9	40.3
Industrial	12.8	10.9
Other	5.0	3.2
Overall	100.0	100.0

Source: Kames Capital

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	90.0	12.1	0.0	7.2	-19.4	10.1	-9.3	100.0
Retail warehousing	101.6	0.0	0.0	0.0	-8.2	6.6	-1.6	100.0
Shopping centres	6.6	0.0	0.0	0.0	0.0	93.4	93.4	100.0
Central London offices	7.6	0.0	0.0	84.9	0.0	7.5	7.5	100.0
Other offices	70.2	0.0	0.0	12.6	-2.4	19.5	17.1	100.0
Industrial	92.5	0.0	0.0	2.0	-1.5	7.0	5.5	100.0
Other	124.0	0.0	0.0	0.0	-24.0	0.0	-24.0	100.0
Overall	78.8	1.7	0.0	10.7	-6.5	15.3	8.8	100.0

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	0.3
15 years or greater, but less than 20	0.0
10 years or greater, but less than 15	1.4
5 years or greater, but less than 10	37.5
Less than 5 years	60.8

Source: Kames Capital

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)+
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: Kames Capital

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: Kames Capital

Valuations/performance monitors/affiliations

Frequency of valuation	Quarterly
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	%
TUI	12.0
B & Q plc	5.5
London & Quadrant Housing Trust	5.1
Sportdirect.com Retail Limited	3.5
GOODRICH CONTROL SYSTEMS	3.5
Poundstretcher	3.2
Wickes	3.1
RBS	2.6
Nuffield Health	2.5
Royal and Sun Alliance Plc	2.4
Three largest tenants' contribution to rental income	22.6
Five largest tenants' contribution to rental income	29.7
Ten largest tenants' contribution to rental income	43.4

Source: Kames Capital

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	227.9	0.0	0.0	0.0	227.9
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	13.2	0.0	0.0	0.0	13.2
Other net assets/liabilities	-6.0	0.0	0.0	0.0	-6.0

Total net assets	235.0	0.0	0.0	0.0		235.0
Gearing (%)						
Net debt (cash)/properties	-5.8	-	-	-		-5.8
Net debt (cash)/equity	-5.6	-	-	-		-5.6

Source: Kames Capital

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)	-	-	-	-	-	-
Offer (GBP)	-	-	-	-	-	-
Mid (GBP)	-	-	-	-	-	-
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	1.12	1.14	1.18	1.18	1.17	1.17
Quarterly distribution (GBP)	0.01	0.00	0.01	0.01	0.01	0.01
Yield	4.08%	3.24%	2.45%	2.31%	2.59%	3.16%

Source: Kames Capital

Unit pricing

The NAV of the Fund is calculated on a quarterly basis by the Managing Trustee, Saltgate Ltd.

Distributions

Quarterly income distributions are made from the Fund.

Minimum investment/disinvestment

Minimum initial investment: £2,500,000

Minimum additional investment: £2,500,000

Minimum redemption: N/A

Creation, transfer and realisation of units

On the expiry of the investment period (3 years from inception of the Fund) and thereafter on an annual rolling basis all unitholders may make a request to redeem up to 10% of their units in issue, subject to the minimum holding (£1,500,000).

Taxation

Capital Gains Tax

The fund is a Jersey PUT and subject to applicable governing law.

Income Tax

The fund is a Jersey PUT and subject to applicable governing law.

Stamp duty reserve tax

As above

Charges

Annual charges:

The annual management charge, which is based on the value of the Fund, is 0.5% per annum for first close investments and 0.6% per annum for all other investments.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	0	0.0
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%	1	5.1
Greater than 8.0%	6	94.9
Total	7	100.0
Major investors		
Largest holder	1	26.2
Three largest holders	3	64.2
Five largest holders	5	88.3
Ten largest holders	10	100.0
Internal/external investors		
Internal	1	5.1
External	6	94.9

Source: Kames Capital

Liquidity					
Period		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		266,659,217	266,659,217	232,776,767	215,009,304
Units issued during period		-	-	0	0
Units redeemed during period		-	-33882450.59	- 17,767,462	-14,923,621
Units in issue at end of period		266,659,217	232,776,766	215,009,304	200,085,684
Unit transfers					
Matched bargains		-	-	-	-
Matched bargains %*		-	-	-	-

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

Source: Kames Capital