

Kames Capital UK Active Value Property Unit Trust II

INVESTMENT POLICY AND OBJECTIVES

The Fund reflects an active value property investment strategy with the aim of achieving an attractive income return for investors. The Fund targets investment in commercial assets in the UK, with the focus on the three main commercial sectors of office, industrial and retail. With a strong focus on stock selection, the Fund will invest only in direct real estate assets with minimal exposure to debt and no exposure to indirect property vehicles. The main source of added investment return is expected to be achieved through the picking of good quality assets offering attractive income returns, good value, or asset management potential. Active asset management will include change of use; new lettings; refurbishment; and extending leases.

INVESTOR CONSTITUENCY

Fund details	
Type of fund	Authorised PUT
Residence	Jersey
Launch date	11/07/2016
Open/closed-ended	Closed-ended
Earliest date of winding up	26/05/2023
Year-end	31-Dec
NAV (GBPm)	158.6

Management/professional advisors	
Manager	Kames Capital
Investment Advisor	Kames Capital
Property Fund Manager	Megan Harwood
Depository	Saltgate Ltd
Auditors	PWC

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index *		
	Kames Capital UK Active Value Property Unit Trust II	Other Balanced Funds	All balanced funds	All funds
3 months	3.5	6.7	7.5	6.7
Year-to-date	12.7	18.0	19.1	17.3
12 months	12.7	18.0	19.1	17.3
3 years+	4.8	5.9	6.2	4.7
5 years+	6.2	7.1	7.0	5.9
10 years+	-	7.8	7.6	6.9

Note: * Weighted average returns + Annualised

Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	Not specified
Maximum speculative development exposure	0.1
Maximum lot-size holding as a standing investment	10% of GAV
Maximum lot-size holding permitted at purchase	Not specified
Maximum exposure to limited partnerships	0
Maximum exposure to joint ventures	0
Maximum exposure to closed and open-ended property unit trusts	0

Portfolio distribution %		MSCI/AREF UK Quarterly Property Fund Index**		
	Kames Capital UK Active Value Property Unit Trust II*	Other Balanced Funds	All balanced funds	All funds
Standard retail – South East	4.1	5.3	4.6	4.4
Standard retail – Rest of UK	3.9	1.6	1.9	2.9
Shopping centres	0.0	0.5	0.9	3.0
Retail warehouses	20.7	11.1	10.6	8.7
All UK retail	28.7	18.4	18.0	19.1
City offices	0.0	3.7	3.5	3.5
West End offices	0.0	8.0	7.9	7.0
Rest of South East offices	22.8	9.8	9.1	6.6
Rest of UK offices	3.8	5.6	5.2	4.7
All UK offices	26.6	27.1	25.6	21.9
South East industrial	0.0	25.0	25.9	21.9
Rest of UK industrial	38.8	14.2	13.8	11.1
All UK industrial	38.8	39.2	39.7	33.0
Other UK properties	0.0	10.7	10.2	21.1
Cash***	5.9	4.6	6.5	4.8
Overall	100.0	100.0	100.0	100.0

** MSCI/AREF UK Quarterly Property Fund Index

^ Includes Investment in Indirects

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	21	152.2	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0	0.0
Total	21	152.2	100.0

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Easter Park, Lenton Lane	Nottingham	Industrial	24.4	16.0
The Point, Saracen Street	Glasgow	Industrial	16.5	10.8
Starlaw Park	Livingston	Industrial	14.9	9.8
The Yard, Maidenhead	Maidenhead	Office	8.4	5.5
St John's Place, Easton Street, High Wycombe	High Wycombe	Office	7.9	5.2
The Range, Silksworth	Sunderland	Retail Warehouse	7.6	5.0
Campbells Meadow Retail Park	King's Lynn	Retail Warehouse	7.6	5.0
Homebase, Stockport Road East, Bredbury	Stockport	Retail Warehouse	7.5	4.9
Griffin House, 135-143 High Street	Crawley	Office	7.5	4.9
Blackwood Retail Park, Blackwood	Blackwood	Retail Warehouse	7.3	4.8
10 largest investments as % of portfolio			109.6	72.0

Direct portfolio structure by lot-size bands			
Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 - 2.5	2	4.1	2.7
2.5 - 5	6	19.4	12.7
5 - 10	10	73.0	48.0
10 - 25	3	55.8	36.7
25 - 50	0	0.0	0.0
50 - 100	0	0.0	0.0
Over 100	0	0.0	0.0
Total	21	152.2	100.0
Average lot size		7.2	

Property Yield*		Voids as % of ERV*	
Net initial yield	5.21%	Investments	11.96%
Nominal equivalent yield	6.34%	Developments	0.00%
True equivalent yield	6.59%	Total	11.96%
Net reversionary yield	6.19%		

Rental income & ERV by type of property*		
	Rental income %	Estimated rental value %
Standard retail	13.2	9.2
Retail warehousing	20.8	24.9
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	28.1	34.0
Industrial	37.9	32.0
Other	0.0	0.0
Overall	100.0	100.0

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	1.15	0.00	0.00	0.00	-21.96	6.31	-15.65	84.35
Retail warehousing	1.82	34.83	0.00	9.50	-18.28	19.24	0.96	145.30
Shopping centres	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Central London offices	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Other offices	2.45	0.00	0.00	45.88	-0.98	1.83	0.85	146.73
Industrial	3.31	0.00	0.00	2.85	-2.02	1.43	-0.59	102.26
Other	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-
Overall	8.74	0.07	0.00	0.16	-0.08	0.06	-0.02	121.34

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

Listed Investments

	% of issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

The unexpired term of leases

Years	% of rent passing
20 years or greater	0.6
15 years or greater, but less than 20	0.8
10 years or greater, but less than 15	1.0
5 years or greater, but less than 10	18.9
Less than 5 years	78.7

Joint and Indirect property holdings

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

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

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

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

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	Minimal
for investment purposes	
for liquidity purposes	
Cash holdings (maximum)	Not specified
Cash holdings (minimum)	Not specified

The contribution of major tenants to rental income

Tenant	%
HHGL Limited t/a Homebase In Administration	8.3
SeeWoo Foods (Glasgow) Ltd	6.0
Sabre Retail Fashions Ltd	4.7
Core Fulfilment Limited	4.0
Young's Seafood Ltd	3.9
WH Smith Retail Holdings Ltd	3.3
Pets at Home Ltd	3.2
Hyaltech Ltd	2.6
Arrow	2.5
Halfords Limited	2.4

Three largest tenants' contribution to rental income	19.0
Five largest tenants' contribution to rental income	26.8
Ten largest tenants' contribution to rental income	40.9

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	152.2	0.0	0.0	0.0	152.2
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	9.6	0.0	0.0	0.0	9.6
Other net assets/liabilities	-3.1	0.0	0.0	0.0	-3.1
Total net assets	158.6	0.0	0.0	0.0	158.6
Gearing (%)					
Net debt (cash)/properties	-6.3	-	-	-	-6.3
Net debt (cash)/equity	-6.0	-	-	-	-6.0

Quarterly data per unit						
As at	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21	30-Sep-21	31-Dec-21
Bid (GBP)	0.000	0.000	-	-	-	-
Offer (GBP)	0.000	0.000	-	-	-	-
Mid (GBP)	0.000	0.000	-	-	-	-
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	0.939	0.938	0.953	0.980	-	1.03
Quarterly distribution (GBP)	0.009	0.011	0.005	0.007	-	-
Yield	0.049	0.046	0.036	0.032	-	-

Source:

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
Minimum redemption

Creation, transfer and realisation of units

On 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

The Fund is a Jersey PUT and subject to the applicable governing laws regarding Income Tax, Capital Gains Tax and Stamp Duty Reserve Tax.

Charges

The annual management charge, which is based on the value of the Fund, is 0.5% per annum for first close investors 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%	1	3.0
4% or greater but less than 8%	0	0.0
Greater than 8.0%	4	97.0
Total	5	100.0
Major investors		
Largest holder	1	32.3
Three largest holders	3	81.9
Five largest holders	0	0.0
Ten largest holders	0	0.0
Internal/external investors		
Internal	0	0.0
External	5	100.0

Liquidity			
Period	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021

Issues and redemptions			
Units in issue as at start of period	0	0	0
Units issued during period	0	0	0
Units redeemed during period	0	0	0
Units in issue at end of period	0	0	0
Unit transfers			
Matched bargains	0	0	0
Matched bargains %*	-	-	-

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