

Q2

Lothbury Property Trust Industrial Sector



Lothbury Property Trust

Fund Description

Lothbury is an offshore Trust investing in UK real estate. Regulated by the Central Bank of Ireland, it is capable of receiving investments from pension funds, charities, insurance and other companies and high net worth private individuals from within the UK or abroad.

Fund Objectives

- To provide an attractive investment opportunity for investors requiring indirect property exposure and to achieve competitive performance through a combination of good stock selection and active management initiatives.
- To manage portfolio risk by being advantageously positioned across the principal property sectors and regions and by maintaining a proportion of property investments which are readily saleable in the open market.

Fund Returns

as at 30 June 2014

	Lothbury Property Trust	UK QPFI All Balanced Property Fund Index (IPD)
3 months	2.9%	4.3%
12 months	13.2%	15.1%
3 year annualised	7.9%	6.6%
5 year annualised	11.0%	9.1%
10 year annualised	6.2%	4.1%

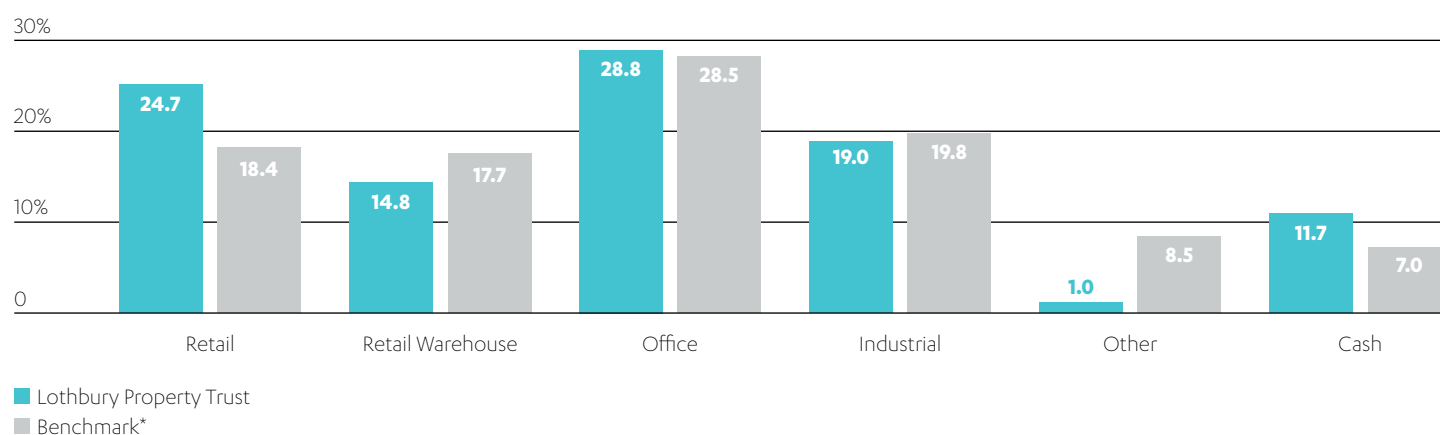
Fund Data

as at 30 June 2014

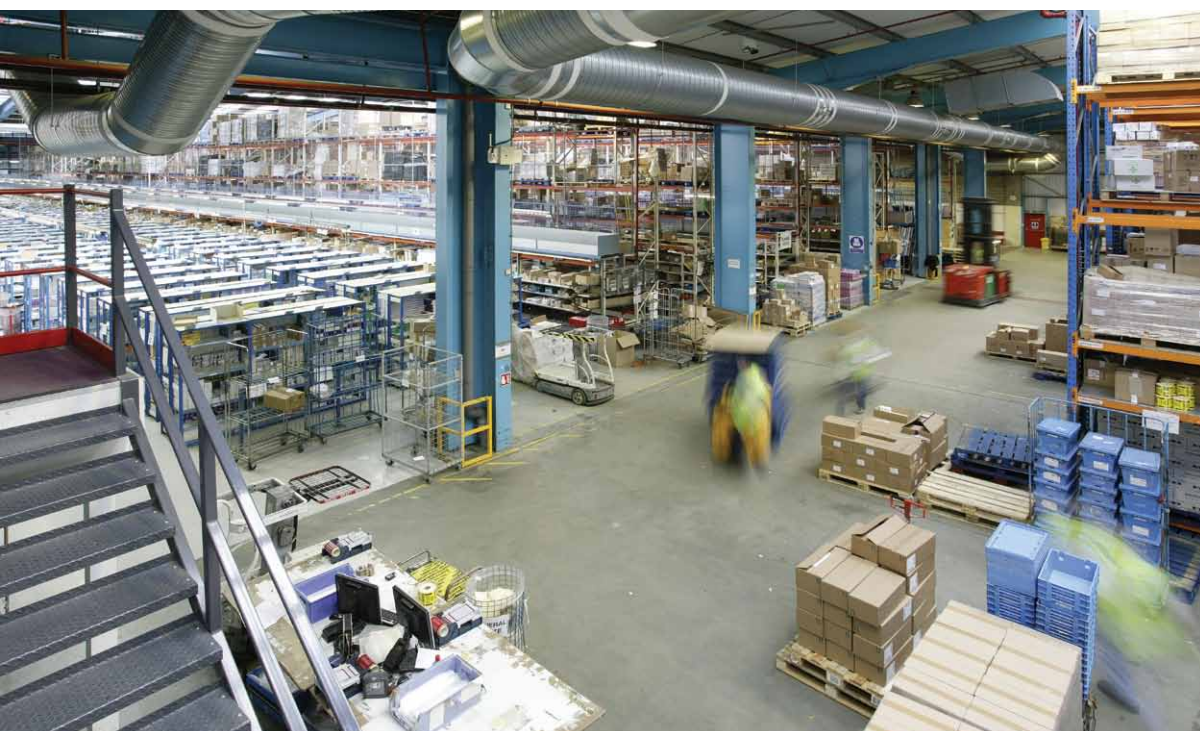
Net Asset Value	£1,096.6m
Number of Assets	54
Indicative Subscription Price	£1,632.00
Net Asset Value per Unit	£1,550.59
Indicative Redemption Price	£1,523.30
Distribution per Unit	£12.82

Property Sector Weightings

as at 30 June 2014



* AREF/IPD UK Quarterly Property Fund Indices, All Balanced Property Fund Index





Lothbury boosts the portfolio's industrial sector weighting to 19% in 2014.

The UK property investment market continued to perform strongly in the first half of the year, with gains being seen in both prime and secondary markets. The market is being helped by the greater availability of real estate debt and equity finance, with finance providers buoyed by steadily improving property fundamentals and the stronger outlook for the economy which is benefitting many UK regional markets. During the quarter, Lothbury Property Trust acquired a prime industrial asset in Manchester off market, complementing the other recent industrial acquisition in Birmingham which was made at the end of Q1.

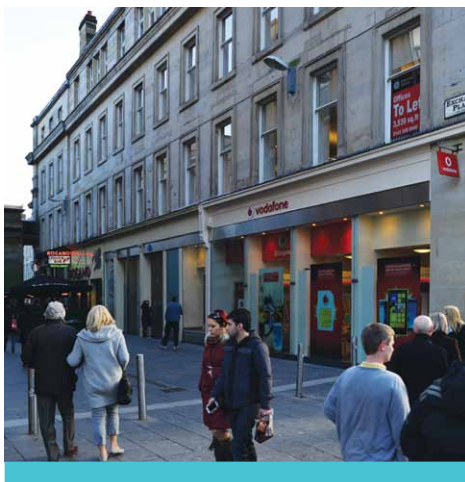
The acquisition of prime multi let industrial stock has been a strategic target for the fund and the completion of the Manchester industrial asset saw the sector weighting rise to 19% which is in line with the Fund's benchmark (AREF/ IPD UK quarterly property Fund index) of 19.8%, including cash.

Earlier this year the fund purchased Meteor Park in Birmingham, a four unit industrial estate totaling 226,358 sq ft built to a high-quality, modern specification in 2009. The estate is situated within close proximity to the famous 'Spaghetti Junction' interchange on the M6, making it one of the most accessible estates in central Birmingham and the wider West Midlands region. The West Midlands has been a true success story in terms of investment into manufacturing and subsequent productivity, particularly in the automotive sector, against a backdrop of deindustrialisation elsewhere in the UK. The estate is home to a diverse mix of tenants engaged in automotive componentry manufacture, document storage, third party logistics and vocational training. Rents currently range from £4.75 to £6.00 which offers strong rental growth prospects in the immediate future.

The latest industrial acquisition for the Fund is known as Premier Park and comprises a 20 unit industrial estate totaling approximately 195,000 sq ft located prominently on Trafford Park Industrial Estate which is one of the North West's prime locations for industrial and distribution warehousing. It is a major centre of employment with 1,500 companies based on the park, employing approximately 46,000 people and provides easy access to both Manchester city centre and the national motorway network. Premier Park was developed in 2008 to a high specification and provides unit sizes ranging from 4,000 sq ft to a combined unit of 35,000 sq ft. The property, which offers 24 hour security, is let to a range of tenants including BBC and Indesit with rents ranging from £5.40 psf to £7 psf providing a good basis for rental growth in the future.

Lothbury's industrial portfolio totals in excess of £207 million and comprises of 15 assets of which approximately 70% by value are located in the south east. They are a hybrid of multi let and distribution assets which are well located and generally well secured. Across the entire industrial portfolio, there is only one void unit which is now under offer.





Buchanan Street, Glasgow

UK Economy

The Office for National Statistics (ONS) estimated that UK GDP increased by 0.8% in the second quarter of 2014, the second consecutive quarter on quarter increase of 0.8%. GDP was 3.1% higher in Q2 2014 compared with the same quarter a year ago. The figures show the economy is now 0.2% ahead of its pre-crisis peak, which was reached in the first quarter of 2008. The largest contribution to Q2 2014 GDP growth came from services which increased by 1%, contributing 0.77 percentage points to the increase in GDP. There was also a contribution of 0.05 percentage points from production which rose by 0.4%, with energy supply increasing by 4.7% following a decrease of 6.4% in Q1 2014 and manufacturing increasing by 0.2% following an increase of 1.5% in Q1 2014.

UK unemployment rates decreased further to 6.5% for the months March to May 2014, the lowest since October to December 2008. Retail sales in June rose by 0.1% from May, leaving them 3.6% higher than a year ago. The sales increase in the second quarter, at 1.6%, was the largest for any calendar quarter in the past 10 years. This increase was the sixteenth consecutive quarter that recorded growth and is the longest period of sustained growth since November 2007. The quantity bought also increased in Q2 2014 compared with Q2 2013 by 4.5%.

The Bank of England maintained the base rate at 0.5% over the second quarter of 2014 and held the target size of the quantitative easing programme at £375bn. Inflation (CPI) was 1.9% in June 2014, up from 1.5% a month earlier. RPI inflation was also up from 2.5% to 2.6% for the same period.



Vantage Point, Manchester

Property Investment Markets

CBRE reported the UK investment activity for Q2 2014 as £13.85bn. This figure reflects a 15% increase from the Q2 2013 figure. In the UK, investors continued to be more active outside of Central London in Q2 2014. Approximately 60% of total investment transactions in the UK occurred outside the capital.

According to the IPD UK Monthly Property Index, commercial property values in the UK increased by 3.5% in the three months to June, and 1.6% over the month, which saw a further rise on the 1.1% growth seen in May. The June capital value growth was the highest monthly increase in 2014, and the strongest monthly increase since May 2013. According to the IPD UK Monthly Property Index, capital values have now increased by 10.1% over 14 months of consecutive growth, although they are still well below the peak levels of 2007. UK commercial real estate returned 5.1% for Q2 2014, with income return at 1.5%. This compares to a Q2 2014 return on Equities of 3.4% and Bonds of 0.9%.

According to the IPD UK Monthly Property Index, offices and industrials recorded three month total returns of 6.1% and 5.9% respectively. The retail sector, remaining influenced by low occupier demand, returned 4.1%. Capital values in the retail sector increased by 2.5% over Q2 whilst rental growth was 0.0%. Comparatively, values for offices rose by 4.7% and for industrial units by 4.1%, with rental growth increasing in both sectors by 2.0% and 0.7% respectively. The IPD All Property Equivalent Yield decreased from 7.02% in March 2014 to 6.80% in June 2014 and the IPD All Property Initial Yield decreased from 5.90% to 5.71% over the same period.

Strong returns are also benefitting from an increasingly healthy rental market, with market rental values rising by 0.8% for all property for the three months to June. For the market as a whole, rental values have now risen in 11 successive months.



Clarendon Shopping Centre, Oxford

Fund Activity

The Fund acquired three new properties for a total of £40.10m during Q2 2014. The first, was a new development in the affluent town of Berkhamsted consisting of an M&S Simply Food and a Costa Coffee which was bought for £12.45m. The second was a fully let West end office building in Rathbone place, London W1 which was bought for £8.40m and is anticipated to benefit from the new cross-rail hub at nearby Tottenham Court Road. Finally, the Premier Park industrial estate located in the Trafford Park area of Manchester was acquired for £19.25m and comprises approximately 192,000 sq ft of well let quality space.

During Q2 2014, the team completed several asset management initiatives. These included negotiating lease surrenders and relettings at both a unit in the Clarendon Shopping Centre, Oxford, and a retail unit at the Buchanan Street, Glasgow property. These have been leased to Blott and Lush respectively and are evidence of the strategy to improve the tenant mix at both assets. The team also successfully let part of the 4th floor at Vantage Point, Manchester and also signed a ten year reversionary lease with Holland & Barrett at Cheapside, London EC2. Furthermore, the James Street, Covent Garden asset continues to provide valuation performance as a result of an agreed reletting of one of the units at a higher rental tone.

These asset management initiatives, as well as the strength of the Fund's portfolio, resulted in the extremely low void rate of 0.97% of the portfolio at the quarter end. This is a record low rate for the Fund and compares to a Benchmark average of 10.9%.

The flagship office development at 55 St. James's Street, London SW1 is progressing well and remains on course to complete in Q2 2015. The construction of the Costa Coffee outlet is also proceeding well at Broadland Business Park, Norwich and is due to complete by Q4 2014.

Negotiations with a number of potential tenants for prelets at the extension to the Dolphin retail park in Salisbury are in legal hands which could facilitate a start on site later this year.

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Data

All fund data as at 30 June 2014, unless stated otherwise. These historic figures have been verified by Investment Property Databank.

The views expressed are those of Lothbury Investment Management Limited.

Unit Holder Information

Launch Date

4 February 2000.

Valuation Point

11.59pm on the last business day of each month.

Prospectus

Copies of the Prospectus and Application Form are available from Lothbury Investment Management Limited.

Subscriptions

Monthly. Applications to be received by the last business day of the month. Settlement to take place in the first week of the following month. Minimum investment is €100,000.

Redemptions

Quarterly. Notice to be served ten business days before the last business day in the quarter. The unit holder will be notified of the redemption price. Redemptions paid on the last business day of the following quarter.

Secondary Market Trading

No Stamp Duty is payable on the purchase of existing units.

Distributions

Quarterly. Paid gross of tax on the last business day of April, July, October and January. Charges Investment Management fee of 0.70% per annum.

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