

Q4

Lothbury Property Trust Review of 2014

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 31 December 2014

	Lothbury Property Trust	UK QPFI All Balanced Property Fund Index (IPD)
3 months	6.1%	4.6%
12 months	17.5%	17.2%
3 year annualised	10.1%	8.6%
5 year annualised	10.3%	8.8%
10 year annualised	6.2%	4.2%

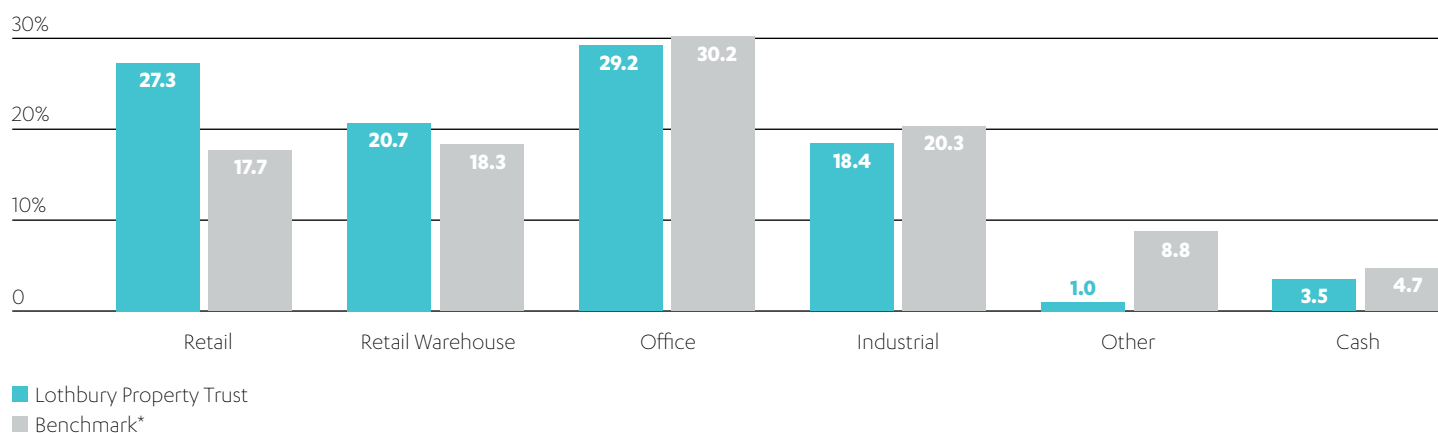
Fund Data

as at 31 December 2014

Net Asset Value	£1,223.2m
Number of Assets	55
Indicative Subscription Price	£1,765.10
Net Asset Value per Unit	£1,677.06
Indicative Redemption Price	£1,644.58
Distribution per Unit	£15.12

Property Sector Weightings

as at 31 December 2014



* AREF/IPD UK Quarterly Property Fund Indices, All Balanced Property Fund Index. All figures are rounded to one decimal place. Total percentages may be slightly higher or lower than 100% due to rounding.

The Paragon, Bristol



Premier Park, Manchester



Blackwater Shopping Centre, Farnborough



55 St James's Street, London



Broadland Business Park, Norwich





2014 marked another successful year for Lothbury Property Trust which grew in size by over 31% finishing the year with a net asset value of £1.223bn.

The Fund delivered another year of outperformance in 2014 reporting an annual total return of 17.5% against the IPD All Balanced Property Fund Index benchmark of 17.2%. The Fund's long track record of outperformance continued with Lothbury also recording outperformance against the benchmark over 3, 5 and 10 year periods.

2014 proved a very successful year in winning new equity into the Fund with over £163m of new subscriptions secured for the 12 months. This equity represented both additional investments from existing unit holders as well as £78m of new money from 9 new investor clients. This equity was successfully placed into the market with the Fund acquiring 8 new assets during the year, which amounted to a total expenditure of over £207m. Once again, the acquisitions represented purchases across the key property sectors of retail, retail warehousing, offices and industrial. The recovery in the regional property market was also reflected in the purchase strategy with acquisitions being made in cities including Bristol, Birmingham and Manchester.

The acquisitions included a flagship fully let open A1 Retail Park in Farnborough, Hampshire, two industrial estates in Manchester and Birmingham, a prime grade A office block in Bristol, and retail holdings in both Oxford and Berkhamsted. A small Central London office was also purchased as was some additional land at Broadland Business Park, Norwich.

The Active team remained busy throughout the year with the principal focus being the flagship London redevelopment at 55 St. James's Street, London SW1. These building works progressed to plan throughout 2014 and the entire development is due to complete in May 2015. On completion, the property will provide 23,000 sqft of Grade A office accommodation together with 5 apartments, a ground and basement showroom and an A3 retailing unit. The team also built a pre-let Costa Coffee drive thru unit at Broadland Business Park Norwich and has also pre-let some of the retail warehouse space at the proposed extension to the Dolphin Retail Park in Salisbury.

Lothbury's void rate finished the year at 1.73% which remains extremely low when compared to the IPD benchmark figure of 8.7%. Throughout the year, some key lettings completed in the Fund, which helped drive the overall performance. Most notable of these was the letting at 31 James Street, Covent Garden to the Cambridge Satchel Company on a new 10 year lease. This letting set a new rental level for this retailing pitch and represented an 11% increase in the rental tone of the asset.

Lothbury's portfolio continues to comprise prime quality assets, which offer strong performance potential and liquidity for the unit holders. The Fund remains biased to London and the South East and its high calibre portfolio is reflected in the low void rate within the Fund.





Buchanan Street, Glasgow

UK Economy

The Office for National Statistics (ONS) estimated that UK GDP increased by 0.5% in the final quarter of 2014, compared with a growth of 0.7% in the third quarter. Although, the growth has slowed over the past two quarters, GDP is now estimated to be 3.4% higher than the pre-economic downturn peak of Q1 2008. Output increased in two of the four main industrial groupings within the UK economy in Q4 2014. These increases were 1.3% in agriculture and 0.8% in services. In contrast, output decreased by 1.8% in construction and 0.1% in production. GDP for the whole of 2014 was 2.6% up on 2013.

UK unemployment rates continued to decrease to 5.8% for the months September to November 2014, lower than for June to August 2014 (6.0%) and a year earlier (7.1%). UK retail sales increased in December 2014 by 0.4% when compared to November 2014. This followed a monthly increase of 1.6% in November, with some stores experiencing better sales as a result of 'Black Friday' which may have reduced sales in December. Year on year estimates showed growth in December 2014 of 4.3% when compared with one year prior. Average store prices fell by 2.2% in December 2014 compared to twelve months prior, the largest decrease since June 2002 when prices fell by 2.5%. The biggest contributor to price falls came from petrol stations which fell by 9.7%. Petrol prices are at their lowest level since October 2009 and diesel prices at their lowest since March 2010.

The Bank of England maintained the base rate at 0.5% over the final quarter of 2014. Its Monetary Policy Committee also voted to maintain the quantitative easing programme at £375bn. Inflation (CPI) was 0.5% in December 2014, down from 1.0% a month earlier. RPI inflation was 1.6% for the year ending December 2014.



Meteor Park, Birmingham

Property Investment Markets

CBRE reported record UK property investment activity for 2014 at £61.7bn, compared to £54.5bn in 2013 and just beating the previous highest level of investment on record in 2006. The high demand for Central London offices was a key driver of this activity, with investment into the sector more than doubling from Q3 2014. Investment into the UK regions also continued to perform strongly, with an increase of 41% from the previous quarter, to total £21.1bn for the full year.

According to the IPD UK Monthly Property Index, commercial property provided total returns of 4.4% for the quarter and 19.3% for the year. This compares to total returns of 11.5% for 2013. Commercial property continued to outperform other asset classes, with Equities returning 0.5% and Bonds returning 11.8% over twelve months. Offices and industrials were the strongest performing sectors, recording total returns of 5.6% and 6.0% for Q4 2014 respectively. Offices returned 24.3% for the whole of 2014, whilst industrials returned 24.4% for the same period. With the continued low occupier demand the retail sector returned 2.8% for Q4 2014, a decrease from the previous quarter's return of 3.9%, and returned 14.1% for the twelve months to December 2014. Rental value growth saw significant improvement across all UK property, posting growth of 1.3% for Q4 2014. Rental growth for the year was 2.7%, with growth trending upwards in the final quarter of the year suggesting further growth to come.

Yields continued to fall throughout 2014, with the UK All Property average standing at 5.6% as at 31 December 2014, a fall of 8 bps over the quarter. The average fall in prime yields over the year was 41 bps, compared to 32 bps decrease that occurred in 2013. Yield compression was seen across all sectors, whilst being geographically diverse across the country.



Clarendon Shopping Centre, Oxford

Fund Activity

The Fund made one addition to the portfolio during Q4 2014, increasing its share to two thirds of the Clarendon Unit Trust, which wholly owns the Clarendon Shopping Centre in Oxford. LPT has held an interest in the unit trust since inception. This now values the Fund's share of the asset in excess of £82m.

During the quarter, several asset management initiatives were completed. These included the architectural company Building Design Partnership, occupier of three office floors at Buchanan Street, Glasgow, surrendering one floor and signing a new 10 year lease for the remaining two floors. The newly available floor was then leased to the property company Lendlease. Additionally, Porters English Restaurant, a Covent Garden institution, has agreed a lease to move the entire business to the Fund's retail holding at 300 High Street, Berkhamsted on a new 25 year term. These deals reflect the strength of the assets the Fund has been buying within the past 24 months. Finally, Barclays Bank plc took an assignment of TDR Capital's office space at 1 Stanhope Gate, London W1 during the quarter.

The structure and roof of the office development at 55 St. James's Street, London completed in December 2014 and work has progressed well on the first fix M&E installation. The external cladding of Portland stone and brick has commenced and windows will start to be installed from mid-January. The handover of the pub to Spirit Pub Co. is set to take place in January and discussions are also currently ongoing for the early leasing of the ground and basement floors of the development. The Costa Coffee 'drive thru' at Broadland Business Park in Norwich completed in December 2014, enabling the tenant to fit out and open for trade on the weekend before Christmas.

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Data

All fund data as at 31 December 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

2 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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