

Lothbury Property Trust

Fund Description

Lothbury Property Trust is a sub-fund of Lothbury Global Institutional Funds (LGIF), an umbrella unit trust. On 25 March 2014, LGIF was authorised as a Qualifying Investor Alternative Investment Fund.

Lothbury Property Trust as a sub-fund of LGIF is authorised by the Irish Central Bank under section 4 of the Unit Trusts Act, 1990.

Fund Objectives

The Fund's investment objective is to provide investors with capital appreciation and secure income returns, through prudent investment in assets across the UK's principal property sectors and geographic regions. It holds property investments which are readily saleable in the open market, with a core portfolio of prime assets to achieve stable returns, combined with active management initiatives to add value and enhance returns. The Fund can own property directly or through holding units in Property Unit Trusts.

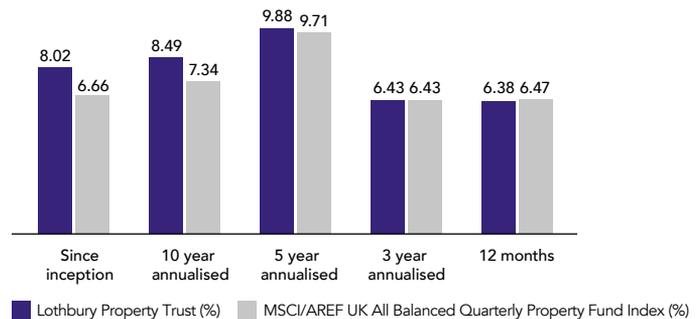
Fund Data

As at 31 December 2018

| | |
|--|-------------------|
| Net Asset Value | £1,748,641,463.09 |
| Net Asset Value per Unit | £2,017.12 |
| Indicative Subscription Price per Unit | £2,138.15 |
| Indicative Redemption Price per Unit | £1,983.97 |
| Quarterly Distribution per Unit | £15.37 |

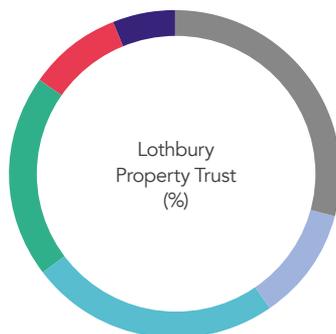
Fund Returns

As at 31 December 2018



Sector Breakdown

As at 31 December 2018



| | Lothbury Property Trust (%) | Benchmark* (%) |
|------------------|-----------------------------|----------------|
| Retail | 29.3 | 13.5 |
| Retail Warehouse | 11.0 | 14.2 |
| Office | 24.5 | 28.9 |
| Industrial | 20.0 | 28.8 |
| Alternatives | 9.2 | 9.5 |
| Cash | 6.0 | 5.0 |

* Benchmark is the MSCI/AREF UK All Balanced Quarterly Property Fund Index
 Note: Total percentages may be slightly higher or lower than 100% due to rounding.

2018 Review

2018 was a challenging year for the property market, particularly with the difficulties in the retail sector, as well as the uncertainty caused by Brexit. Despite this, Lothbury Property Trust benefitted from a rise in the NAV per unit over the year and gained new investors to the Fund. The Fund also maintained a stable distribution yield of 3.1%.

Transactions during 2018 were focussed on disposals of retail assets in order to meet the strategic target of decreasing the retail sector weighting within the portfolio. In total, £56.94m of retail properties were sold during the year.

The first disposal was during Q2 2018, when the Fund sold a large mixed use, multi-let asset on Glasgow's Buchanan Street for £31.00m. This property was secured on the covenants of Vodafone, Lush and Starbucks on the retail space, and had a variety of office tenants occupying the first to third floors above. It also had a longstanding restaurant operator on the lower floors. The second disposal in Q2 was a small retail unit in High Street Guildford for £6.00m, which was let to LK Bennett.

A further two strategic retail sales totalling £19.94m completed during Q3 2018. The first was a £4.85m retail unit on the prime pitch in Newbury which was let to Boots for a further nine years. The second sale was Congleton Retail Park, Congleton, a fully let Open A1 consented park, for £15.09m. The Fund acquired two assets during the year and exchanged contracts on a third. The first purchase was an industrial asset in Leeds for £9.15m. The property consists of two modern logistics units between the city centre and Junction 45 of the M1 motorway. The property is let to FedEx and Perspex Distribution on RPI-linked leases.

The final two purchases were undertaken as part of the strategic objective to increase the 'Alternatives' sector allocation weighting of the Fund. The Fund purchased a block of residential townhouses in Mile End, London for £7.50m, which is adjacent to the Fund's existing retail warehouse asset, Anchor Retail Park. Finally, the Fund exchanged contracts to purchase a Travelodge hotel in Edinburgh for £13.70m.

In the Active portfolio, the development of the Malmaison hotel in York continued. New windows have been installed and internal partitions for the bedrooms have been inserted. Construction of the new roof bar is going well, with the demolition of the top of the building successfully completed. In London, the refurbishment of the ground floor reception area and three office floors completed at 20 Rathbone Place. A record letting for the building at £89.50psf for the top floor was subsequently secured.

The Fund has been extremely successful in maintaining the exceptionally low void rate on the portfolio of 1.1% against the benchmark (MSCI UK Monthly Property Index) of 7.5%. This reflects both the quality of the portfolio and the efficient management of the portfolio assets by the team. Furthermore, the Fund has had limited exposure to CVA's, the most notable of which was the Homebase unit at Southampton Road Retail Park in Salisbury, as discussed in the Fund Activity.



Fund Activity



Residential Assets – Mile End, London

During Q4, the Fund purchased a block of residential townhouses in the Mile End area of London for £7.50m and also exchanged contracts to purchase a hotel in Edinburgh which is let to Travelodge for £13.70m. This purchase subsequently completed in January 2019. The lease, which is linked to RPI rent reviews, will generate an income of £506,800 per annum, with a further rental uplift expected in two years. There were no disposals over the quarter.

The residential asset is located adjoining the Fund's retail warehouse park fronting the Mile End Road and comprises 11 townhouses arranged over three floors. Seven of the townhouses were let on Assured Shorthold Tenancies and the remaining four were being marketed for letting. This was a strategic acquisition undertaken to facilitate future development plans at the Mile End Retail Park. The Fund management team is currently assessing a potential change of use to residential units at this site.

A key letting which completed during Q4 was the letting of the recently refurbished sixth floor at 20 Rathbone Place London, which was let on a 10 year term at a rent in excess of £377,000 per annum. This rental reflects a headline rental rate of £89.50psf

and shows the strong occupier demand for offices in the area, which will benefit from the future Crossrail hub at Tottenham Court Road. Another important Q4 letting transaction was the completion of the Agreement to Lease a retail warehouse unit at Southampton Retail Park in Salisbury which was formerly occupied by Homebase. Following the announcement of Homebase undertaking a CVA, terms were immediately agreed for The Range to take the unit on a new 15 year lease, thereby mitigating a potential void at the property.

Two rental increases were agreed on the rent reviews of the Halfords and Wickes units at Silkbridge Retail Park in Hendon during Q4 and another good settlement was documented at the Fund's student accommodation property at Sheraton Park in Durham which resulted in the rent rising from £1,600,000 per annum to £1,651,593 per annum.

The development of the pre-let Malmaison hotel in York continued successfully during the quarter and the Active team also co-ordinated significant improvement works to the car parking and access at Blackwater Retail Park in Farnborough.

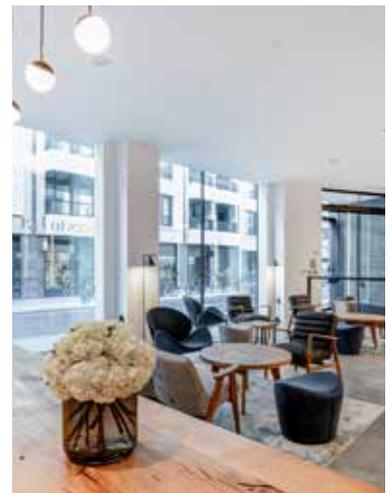
UK Property Market

The Q4 2018 investment volume of £16.4bn contributed to a total volume for 2018 to £61.4bn. This is the second strongest year in the last decade (Lambert Smith Hampton (LSH) Q4 2018 UKIT). The quarterly volume was boosted in particular by Permodalan Nasional Berhad and The Employees Provident Fund of Malaysia's £1.6bn acquisition of Battersea Power Station. This was the largest single property deal in the UK since Q4 2013 and the fourth largest in history. Q4 also saw a flurry of major portfolio transactions, including 10 deals above £100m.

The LSH All Property average transaction yield also reduced by 32 bps to 5.34% during the quarter, its lowest level since Q4 2007 and the sharpest quarter on quarter shift in average prices in over four years. This movement reflects an investor focus on secure, quality assets amid elevated levels of uncertainty over the near term outlook.

The polarisation between retail and industrial has continued. The industrial sector saw a record quarterly volume of £2.3bn in Q4, taking 2018's volume to a new annual record of £8.4bn. Retail investment volume of £1.3bn in the same period was at its lowest since Q1 2012, the average transaction yield in the sector contracted to a 12 year low, reflecting a strong aversion to occupational risk.

Despite the ongoing uncertainty over the UK's future relationship with the EU, overseas investors continue to show faith in the core fundamentals of UK real estate while taking advantage of the favourable exchange rate. LSH recorded overseas investment of £8.1bn over the quarter, 15% above the five year quarterly average, and dominated by Far Eastern buyers who invested a record £4.8bn.



20 Rathbone Place, London

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Data

All fund data as at 31 December 2018, unless stated otherwise.

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 Irish business day of each month.

Prospectus and Trust Deed

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

Subscriptions

Monthly. Applications to be received by the last Irish 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 Irish business days before the last Irish business day in the quarter. The unit holder will be notified of the redemption price. Redemptions paid on the last Irish business day of the following quarter.

Secondary Market Trading

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

Distributions

Quarterly. On the last Irish business day of April, July, October and January. Charges Investment Management fee of 0.70% per annum.

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