

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.

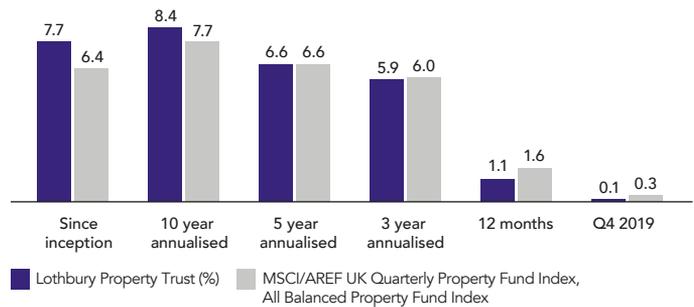
Fund Data

As at 31 December 2019

Net Asset Value	£1,691,759,791.94
Net Asset Value per Unit	£1,974.0291
Indicative Subscription Price per Unit	£2,092.4709
Indicative Redemption Price per Unit	£1,934.5486
Quarterly Distribution per Unit	£15.30

Fund Returns

As at 31 December 2019



Sector Breakdown

As at 31 December 2019



	Lothbury Property Trust (%)
Retail	23.3
Retail Warehouse	7.1
Office	25.7
Industrial	22.0
Living	11.8
Undergoing change of use*	7.3
Cash	2.7

* We have included an additional category 'Change of use' to the sector weightings. The assets that fall within this category are the Clarendon Shopping Centre in Oxford and Anchor Retail Park in London, the proposed change of use assumes receipt of planning permission on the basis submitted. It is envisaged that Living will be the principle use for these assets.

Note: Total percentages may be slightly higher or lower than 100% due to rounding.

Another year of Portfolio transition dominated by political uncertainty

The uncertain political situation in the UK undoubtedly had an effect on the property market in 2019, with many investors and occupiers choosing to postpone decisions until the political situation became clearer. In addition to this inertia, the property market was continuing to suffer with the well documented troubles in the retail market. Collectively, these issues contributed to reduced real estate returns in 2019 compared to 2018. Despite these difficulties, Lothbury Property Trust delivered a positive return of 1.1% for 2019.

Three purchases were completed for the Fund during the year, totalling over £37m. The first purchase to complete in January was the £13.7m purchase of a Travelodge hotel on the outskirts of Edinburgh. This asset is let on a long lease until April 2045, at £568,817 pa. and benefits from inflation linked rent reviews. This purchase complied with the Fund's recommended strategy of increasing exposure to the Living sector.

The second purchase was an industrial property in Birmingham, which is let to Dunlop Aircraft Tyres on a new lease for a term of 25 years at a rent of £879,909 pa. This rent was subject to annual upward only rent reviews in line with the retail price index, subject to a minimum of 2% per annum and a maximum of 4%. The purchase completed in March at a price of £16.8m.

Finally, a mixed office and retail property was acquired in Oxford city centre. The property adjoins Lothbury's large central Oxford holding at the Clarendon Centre and is let to Argos and a regional firm of lawyers. The purchase completed in September at a price of £7.1 m.

During the year, one of the larger office buildings at Broadland Business Park in Norwich was sold for £12.8m. The property comprised over 61,000 sq ft of office accommodation and was let to Aviva Central Services until 2029.

A number of key asset management transactions completed in 2019, which helped maintain the Fund's low core void rate of 1.75%. The Fund had limited exposure to tenant failure during the year and has maintained its policy of having a good range of financially secure tenants within the portfolio.

The active team continued to focus on delivering prime quality assets for the Fund through undertaking development and refurbishment projects during 2019. The team's ability to deliver such projects is a key differentiator for the Fund compared to its competitors.

The main development projects which were ongoing throughout 2019 were the construction of the hotel in York, which has been pre-let to Malmaison for a term of 35 years from completion and the construction of retail unit at the Farnborough Retail Park which has been pre let to Halfords on a new 10 year lease.

In addition, the design and planning process for the mixed use development scheme at the Clarendon Centre Oxford and the redevelopment of the Mile End Retail Park in London progressed during the year.



Fund Activity



Willow House, Norwich

During Q4, the team placed under offer a number of asset sales in line with the fund strategy.

- A small shop in Chester was placed under offer to a local consortium of investors at a price of £1.75m. This sale completed on January 15th 2020.
- In addition, terms were agreed to sell an office investment in Norwich on the Broadland Business Park at a price of £10.6m.

A number of key lettings and rent reviews, which positively contributed to the performance of the Fund also completed in Q4. Of note are the following;

- The rent passing on the student accommodation holding at Durham increased from £1,651,594 to £1,697,321 pa.

- A letting on Cornmarket to Mexican Grill Limited (trading as Tortilla) was completed at a rent of £177,500 pa.
- The Tesco distribution unit at Aylesford Priory Park increased from £767,000 pa to £855,500 pa.
- The rent review on the Holland & Barrett unit on Cheapside in the City of London increased from £246,000 pa to £282,000 pa.
- The annual rental on the Sainsbury's foodstore in Manchester increased from £1,956,649 pa to £2,015,246 pa.

UK Property Market

2019 was a year dominated by political uncertainty, which led to below average investment volumes in the first three quarters of the year. However, following a conclusive election result in December, Q4 volumes were recorded ahead of the five year average at £15.7bn (LSH UKIT). For the year, Colliers recorded annual investment volumes of £52bn in 2019, this is 18% down on 2018.

What was a subdued quarter for the number of transactional deals concluded, was at the same time a record for net investment volumes from overseas investors, which reached £10bn in Q4. This is 46% above the five year average and accounted for 65% of the Q4 volume (LSH UKIT).

The living sectors (student accommodation, PRS, hotels and healthcare) continued to see good investment interest and represented almost a third of the Q4 volume, with £4.7bn transacting. For the first time, a healthcare deal was the largest recorded transaction over the quarter, with Medical Properties Trust purchasing the BMI Healthcare Portfolio for £1.5bn. Strong demand remained for industrial with £2.1bn

transacted during Q4, which was the fourth strongest quarter on record, with 60% of this volume focussed on the distribution warehouse sub-sector. Office volume of £5.7bn in Q4 was marginally above the five year average. The central London investment volumes increased in Q4 following a quiet 2019. Overseas investors dominated the London market during the quarter (LSH UKIT).

Continued structural headwinds within the retail sector dampened transactional volumes. However, retail warehouses performed well against recent trends with growing interest from investors with change of use strategies. According to JLL, retail investment volumes reached £6.7bn in 2019, this is an 18% increase on 2018.

Defensive stock remains highly sought after by investors but the availability of such opportunities remain in short supply.

The LSH All Property average transactional yield increased by 39 basis points in Q4 to 5.77%. This reflected the pricing readjustment in the retail sector with

notional prime yields increasing by 25 bps in each of the sub-sectors during Q4. In contrast, the living sector saw the greatest contraction in yields over the quarter, reducing by 69 basis points to 4.53%. Central London office yields contracted by 35bps to their lowest level since Q4 2017.



Durham, Student Accommodation

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Data

All fund data as at 31 December 2019, 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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