

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 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.

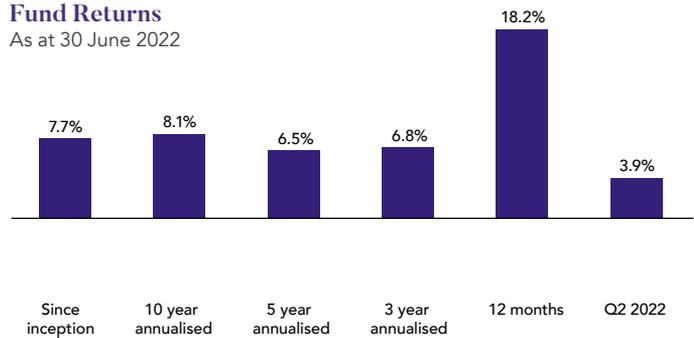
Fund Data

As at 30 June 2022

Net Asset Value	£1,691,987,959.86
Net Asset Value per Unit	£2,224.47
Subscription Price per Unit	£2,355.71
Redemption Price per Unit	£2,186.65
Quarterly Distribution per Unit	£15.07

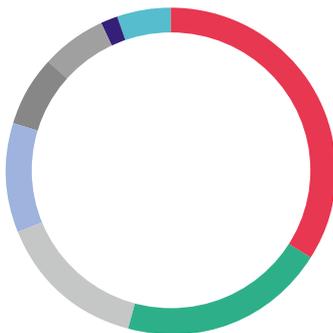
Fund Returns

As at 30 June 2022



Sector Breakdown

As at 30 June 2022



	Lothbury Property Trust (%)
Industrial	33.9
Office	20.4
Living	14.8
Food Stores	10.7
High Street Retail	7.1
Retail Warehouse	6.2
Land	1.8
Cash	5.1

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

Feature

Oxford – The Clarendon Quarter

Oxford is one of the fastest growing cities in the UK, and is well known internationally, due to its heritage status and its world class university (ranked 1st in the Times Global Higher Education World University Rankings 2022). Together with London and Cambridge, the city forms part of the 'Golden Triangle', which represents an area of technological and scientific innovation and accelerated business growth. Oxford's importance is reflected in its position as the 4th ranked City in terms of science & technology intensity in the WIPO Global Innovation Index 2021.

Lothbury Property Trust owns a prime two-acre site in the heart of Oxford, which was previously a shopping centre and office property known as the Clarendon Centre. Given the deteriorating retail market and the Fund's strategy to reduce exposure to retail assets across the portfolio, the Lothbury team formulated a strategy in 2019 to repurpose the shopping center into a high quality, 265,000 sq ft mixed use development.

The completed project, which will be known as the 'Clarendon Quarter', is to be highly sustainable, with a BREEAM rating of 'Excellent' being targeted for the development and with all EPC ratings being a minimum of grade B.

The Clarendon Quarter will comprise highly sought-after Research & Development laboratories, sustainable office space and purpose-built student accommodation. All these uses are in high demand within Oxford and should provide resilient income flows with good potential for income growth for the Fund.

Planning consent for the entire development was achieved in April 2022 and the first Phase of the works (Phase 1A) commenced on site in November 2021. This phase involves a comprehensive refurbishment of an existing office building known as North Bailey House. This office building, which is due to complete in Q1 2023 will comprise 25,897 sq ft of high-quality Grade A space with a roof terrace and a 5,934 sq ft ground and lower ground

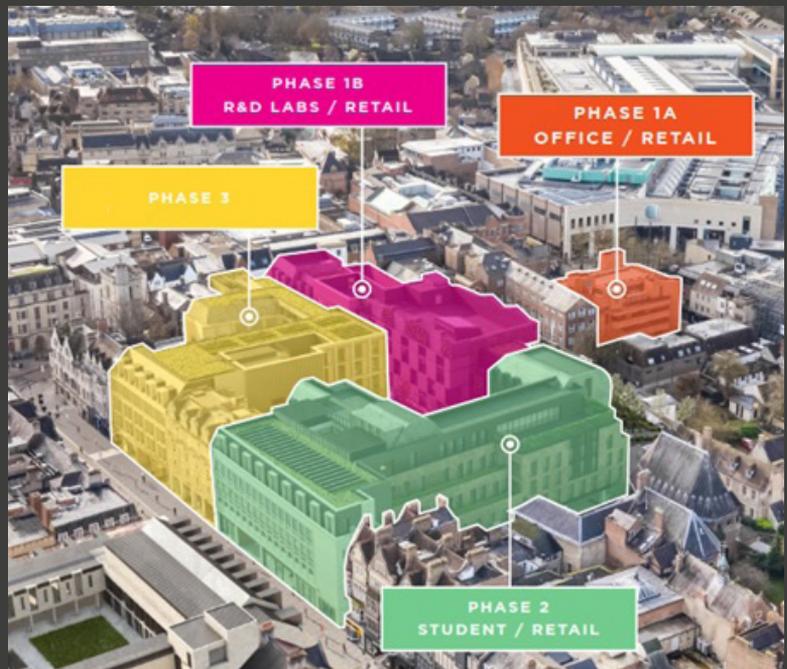
floor retail unit. Due to the distinct shortage of quality Grade A office space in Oxford city centre, office rental levels have been rapidly growing and it is anticipated that rents in excess of £50psf will be achieved on the office lettings at North Bailey House.

The next phase to start will be 1B, which will comprise a part redevelopment of some existing buildings on the site, together with an element of new construction and will create 50,278 sq ft of R & D laboratory space with 7,610 sq ft of retail and café accommodation over lower ground and ground floors. 97% of this phase has already been pre-let and construction is due to commence in the latter part of Q4 2022 with completion scheduled for Q4 2024. The laboratory space has been pre let to a new joint venture company called Clarendon Labs which is backed by OSE (Oxford Science Enterprises). OSE was set up in 2015 and has been phenomenally successful in the funding of spin out

R & D companies from Oxford University. The retail unit has been pre-let to McDonalds, who will relocate from their existing unit on Cornmarket to the newly created prime unit on Queen Street.

Phase 2, which is targeted to start in June 2023, is to comprise approximately 93,500 sq ft of predominantly purpose-built student accommodation, together with four retail units. Advanced discussions are ongoing with one of the prestigious Oxford colleges to pre-let the student rooms on a long inflation linked lease.

The final phase comprises 75,000 sq ft and currently has planning consent for offices and retail space. However, the team are currently reviewing the most appropriate use of this phase given the changing market conditions. It is not envisaged that construction works will begin on this phase until Q1 2025.



Clarendon Quarter, Oxford

Fund Activity



Hardman Street, Spinningfields, Manchester

Four sales were completed from the Fund during June, which comprised three office buildings and a food store. All of the office buildings were multi-let, two were in Central London and one was located in Bristol. The sale proceeds totalled circa £115m during the quarter.

Two key lettings were completed during Q2 at the prime Manchester office building in Spinningfields at headline rentals of £34 psf. The first to complete was a 5-year letting of the part sixth floor to HGF, with a 3-year tenant break option at a rent of £127,636 pa. The second to complete was a letting of the fifth floor to Systra Limited on a 10-year lease, with a 5-year break option, at £199,920 pa.

A new headline rental tone of £10.25 psf was achieved with the letting of Unit 7 at Premier Park, the Fund's Manchester multi-let industrial estate. This was secured on a letting to Whole Leaf Tea on a new

5-year lease at a rent of £107,184 pa. Also at this estate, a lease renewal was completed with the BBC for a new 8.75-year term at an annual rent of £98,620 pa.

At the Fund's flagship retail holding in Covent Garden, a lease regearing was completed with Skechers at a rebased market rent. This resulted in them signing a new 10-year lease (with a 5-year mutual break option).

At the Fund's Edinburgh airport property let to FedEx, the rent review was agreed, which secured a £64,325 pa uplift with the rent rising from £485,675 pa to £550,000 pa. Furthermore, another review was settled at one of the office buildings at the Broadland Business Park with Loveday and Partners, which saw the rent increase from £32,400 pa to £37,800 pa.

Collectively, successful asset management initiatives helped maintain Lothbury's core portfolio vacancy rate at its consistently low level of 1.3%.

UK Property Market

Overall, the UK commercial property market generally performed well in Q2 2022 with the MSCI quarterly index recording an all-property total return of 2.98% over the quarter².

Whilst investment volumes were down 6% on Q1 at £15.7bn, this remained 15% above the long-term quarterly average¹. Q2 volumes were, however, quite uneven with an all-time monthly high of £9bn being reached in May before sliding to £2.2bn in June which was their lowest level since the height of the pandemic in 2020¹.

Transaction volumes in the industrial sector were 39% above the five-year quarterly average in Q2 at £3.3bn. However, by the end of the quarter, there was evidence of outward pressure on prime industrial yields due to the increasing cost of capital³. Despite the investment market starting

to cool, at the end of Q2 the occupational story remained positive with tenant demand still outstripping supply³.

Industrial and Retail warehousing outperformed all other sectors, delivering Q2 total returns of 4.60% and 4.95% respectively. However, their level of outperformance reduced significantly from Q1. The Office sector continued to lag the other sectors recording Q2 total returns of only 1.43%².

On a sub sector basis, total returns ranged from 0.99% (West End & Mid Town) to 2.49% (City of London)². Central London transactional volumes recorded £2.1bn in Q2 which was 10% below their five-year trend. On a more positive note, regional offices hit a four-year high with transaction volumes reaching £1.2bn in Q2.

Retail investment fell by 37% from Q1's four-year high to £1.2bn in Q2. This was largely due to a significant drop in retail warehousing transaction volumes where a lack of large deals saw activity fall to a two-year low of £420m¹. For the first time in six years, Q2 shopping centre transaction volumes were ahead of both retail warehousing and high street retail at £484m with most purchases involving plans for repositioning and/or town centre regeneration¹.



Southampton Road Retail Park, Salisbury

1 Lambert Smith Hampton – UK Investment Transactions Bulletin Q2 2022

2 MSCI UK Quarterly Property Index (June 2022)

3 Savills Research – Big Shed Briefing July 2022

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Data

All fund data as at 30 June 2022, 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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