



Lothbury Property Trust

Covent Garden, London



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 March 2015

	Lothbury Property Trust	UK QPFI All Balanced Property Fund Index (IPD)
3 months	3.0%	2.8%
12 months	16.8%	16.6%
3 year annualised	10.8%	9.4%
5 year annualised	9.8%	8.4%
10 year annualised	6.2%	4.3%

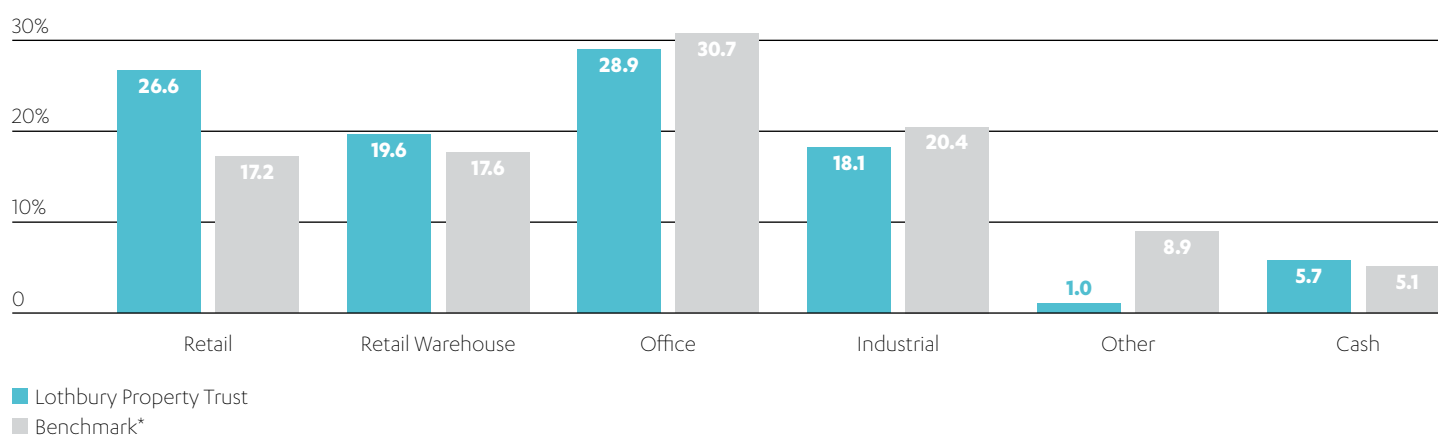
Fund Data

as at 31 March 2015

Net Asset Value	£1,290.6m
Number of Assets	55
Indicative Subscription Price	£1,802.90
Net Asset Value per Unit	£1,712.97
Indicative Redemption Price	£1,680.78
Distribution per Unit	£14.42

Property Sector Weightings

as at 31 March 2015



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





Lothbury Property Trust's flagship retail holding in Covent Garden was the best performing asset in the portfolio in 2014 recording a total return of over 40%.

The Covent Garden area of London is a major destination for Londoners, domestic visitors and international tourists alike and it is estimated that over 42 million people visit the locality annually. In recent years, the area has attracted high end retailers including Apple, Jo Malone, Links of London, Hackett and Burberry as well as a broad range of fashionable restaurants and bars. The area benefits from a very high pedestrian footfall and is a 7 day a week, 12 hour day retail trading location.

The Lothbury holding comprises six retail units with some ancillary self contained offices fronting the busy pedestrianised thoroughfare of James Street which links the Covent Garden tube station with the Piazza. The tenants of the retail units include high profile covenants including Mac Cosmetics, Fossil, Michael Kors and the Cambridge Satchel Company. The 2014 total return of this asset was underpinned by strong rental growth which was unlocked by an asset management initiative undertaken by the Lothbury asset management team.

In July, the team agreed a surrender of a lease at 31 James Street from Swarovski and simultaneously agreed a reletting of the property to the Cambridge Satchel Company at a significantly

higher rental tone which set a new record rental level in the Street of £820 Zone A. This deal represented an increase in rental tone of over 12% as the previous tone on this pitch was in the order of £730 Zone A which was established in 2013. Since undertaking this letting, rental levels have moved further in this pitch and are now rumoured to be closer to £1,000 Zone A.

The exceptional rental growth delivered by this asset in 2014 reflects the strength of this retailing location and the healthy demand from retailers to gain representation in the locality.

It is a key focus of the Lothbury team to explore ways of adding further performance to this asset which is the largest holding in the Lothbury portfolio. To this end, the next project which the Fund is planning to undertake is a reconfiguration of the retail unit at 25/26 James Street in order to increase the amount of retailing space by improving the ground floor layout and converting the first floor office space to retailing accommodation. In addition, the team are also planning to convert the 2nd and 3rd floors above from office use to a more valuable residential use. It is hoped that this project will start in the second half of 2015 and the unit will be ready for delivery in Q1 2016.





Blackwater Shopping Park, Farnborough

UK Economy

The Office for National Statistics (ONS) estimated that UK GDP increased by 0.3% in the first quarter of 2015, compared with a growth of 0.6% in the final quarter of 2014. The largest contributor to this growth came from the services sector which increased by 0.5%. In contrast, the other three main industrial groupings within the economy decreased, with construction falling by 1.6%, production by 0.1% and agriculture by 0.2%. GDP was 2.4% higher in Q1 2015 when compared with the same quarter a year ago.

The UK Labour Market figures for December to February released by the ONS show further decreases in unemployment, to 5.6% of the economically active population. This shows a decrease on the September to November 2014 total of 5.8% and the total of 6.9% a year earlier. UK retail sales continued to show growth with year-on-year estimates of the quantity bought in the retail industry increasing by 4.2% when compared to March 2014. On the month, the quantity bought decreased by 0.5% compared with February 2015, with the largest decrease being reported for petrol stations, which fell by 6.2%. Average store prices continued to fall, with a decrease of 3.1% when compared to March 2014. The largest contribution to the year-on-year fall once again came from petrol stations, which fell by 12.8%.

The Bank of England maintained the base rate at 0.5% for the first quarter of 2015. Its Monetary Policy Committee also voted to maintain the quantitative easing programme at £375bn. Inflation (CPI) was unchanged in the year to March 2015, remaining at 0.0%.



The Paragon, Bristol

Property Investment Markets

Colliers International reported increased UK property investment activity for Q1 2015 of £17.4bn, up 20% on Q1 2014. This transactional activity was predominantly driven by portfolio deals with a property swap between Tesco and British Land valued at £733m leading the way. Other notable deals that occurred during the quarter include the acquisition of three London assets by Greystar for £600m and the purchase of 18 hotels by Cerberus Capital for £225m.

According to the IPD UK Monthly Index commercial property provided a total return of 3.0% for the first quarter of 2015, with capital values increasing by 1.6% and rental growth of 0.7% over the period. Industrials were the main contributor over the quarter returning 3.9%, with Offices providing a return of 3.7%. Retailers continue to underperform the other sectors in terms of capital value and rental value growth, with a total return of 2.2%. Within the Retail sector, properties with the lowest yields, the prime assets, are providing the majority of capital and rental growth whilst the poorer quality retail assets are either seeing no movement or are declining in value. Overall, Midtown and Outer London Offices were the outstanding performers of the quarter with returns of 5.1% and 4.6% respectively.

Yields fell further in Q1 2015, with IPD reporting that initial yields for all properties reduced to 5.3%, down 5 bps over the quarter. The initial yield for the Retail sector decreased over Q1 2015 by 7 bps to 5.56%, Offices by 3 bps to 4.57% and Industrials by 8 bps to 5.82%.

Commercial Property continues to outperform the other key investment markets over 12 months to the end of March 2015, with the IPD UK Monthly Property Index returning 18.3% compared to Equities returning 6.2% and Bonds 11.1%.



Clarendon Shopping Centre, Oxford

Fund Activity

The Lothbury fund management team has refreshed the line-up of retailers at the Clarendon Shopping Centre in Oxford over the first quarter of 2015 by securing four new lettings. The jewellery and watch retailer Goldsmiths signed a five year lease for a 1,939 sqft unit and Kiko Milano, an Italian make up retailer agreed a five year lease for a 1,310 sqft unit. Both units were built as part of the larger H&M development within the centre in 2014. Additionally, Swarovski agreed a 10 year lease for a unit with frontage on Queen Street and Krispy Kreme have also taken a 482 sqft unit on a five year lease.

Several rent reviews have been settled during the quarter which have moved the rental tone on at both the Blackwater Shopping Park in Farnborough and also at the Shires Retail Park in Leamington Spa. In addition, the team successfully renewed a five year lease at the Fleming Centre, Crawley. These deals, along with new lettings at the Bedford Street office building in London, the residential units above the Chester high street retail asset and at Broadland Business Park in Norwich, have helped reduce the void rate of the Fund to 1.37% as at 31 March 2015. This is down from 1.73% quarter-on-quarter.

At the 55 St. James's Street, London development the handover of the pub to Spirit Pub Co. took place in January, whilst the leasing of the ground floor and lower ground floor unit of the development has now completed with an established local art gallery taking up residence. Furthermore, a third pre-let exchanged at the proposed extension to Southampton Road Retail Park, Salisbury, with the fourth and final unit of the development currently in discussion. Detailed planning permission will be applied for in Q2 2015, with work anticipated to begin in Q3 2015 and practical completion in Q1 2016.

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Data

All fund data as at 31 March 2015, 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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