Quarterly Update April 2014

Q1

Lothbury Property Trust

Regional Property Markets

LOTHBURY Investment Management

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 2014

	Lothbury Property Trust	UK QPFI All Balanced Property Fund Index (IPD)
3 months	**3.6%**	3.3%
12 months	**11.9%**	11.9%
3 year annualised	**7.8%**	5.7%
5 year annualised	**9.7%**	7.5%
10 year annualised	**6.2%**	4.2%

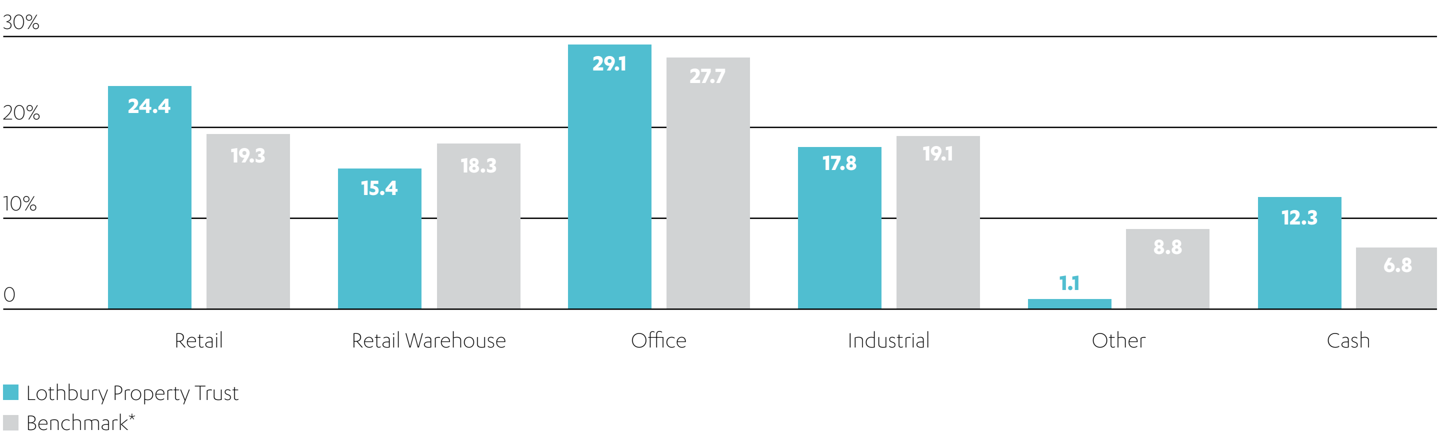
Fund Data

as at 31 March 2014

Net Asset Value	£1,032.3m
Number of Assets	51
Indicative Subscription Price	£1,598.54
Net Asset Value per Unit	£1,518.80
Indicative Redemption Price	£1,492.80
Distribution per Unit	£11.91

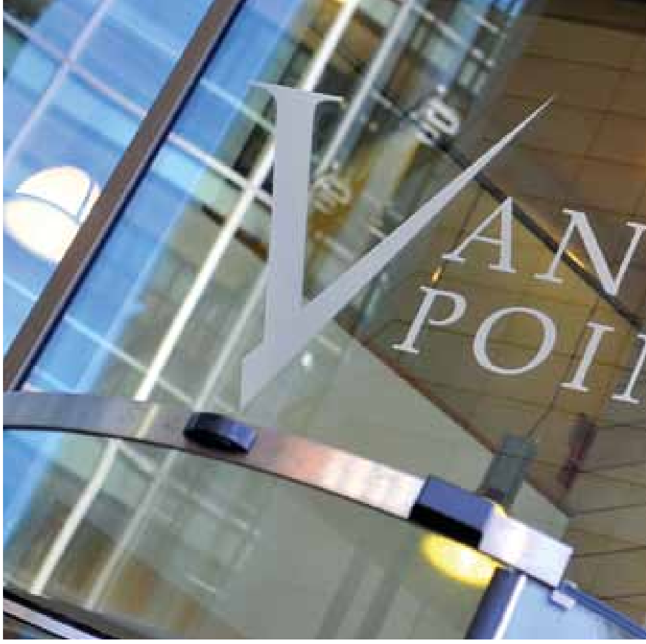
Property Sector Weightings

as at 31 March 2014



* AREF/IPD UK Quarterly Property Fund Indices, All Balanced Property Fund Index


jmw




the paragon

During 2013, we began to see a clear and more sustained economic recovery throughout London and the South East, however there are recent signs that the regional property markets are also beginning to benefit from the widening of the recovery.

For the UK economy to experience a sustained recovery from the recession it is vital that growth spreads out from London and into the regions. For much of the last three years it had looked as if the UK was two economies with London recovering strongly and the rest of the country languishing in recession. This is no longer the case, the key towns and cities which have healthy and robust local economies are well placed to support growth. Recent indicators are pointing to a much more broad based recovery. The prospect for the regional economies is good: they are forecast to grow by c. 2.5% p.a. over the next five years, which is a significant improvement on the previous five.

Over the course of the recovery, investors have begun to revise their investment criteria away from London and income protection investments towards a recovery focussed strategy targeting higher returns with a degree of higher risk. The key markets outside London and the South East have benefitted from this renewed investor appetite. With a lack of development in the regional markets resulting in historic low levels of supply, investors are prepared to take on letting risk as certain markets are experiencing strong letting activity and rental growth is becoming more widespread. Both regional offices and industrial markets experienced increased take up and reductions in availability during 2013. Savills estimate that regional office take up for Q1 2014 is 4% up on the same time in 2013, with particularly strong growth of 48% in Manchester. Naturally, investor focus is on prime assets but towards the end of 2013, investor demand also increased for more secondary assets as investors became attracted by the high yields compared to prime investments. According to LSH, during Q1 2014 investment in the regions doubled when compared to the same quarter in 2013. Investment in commercial property outside London accounted for 39% of the quarterly total, the highest percentage recorded since Q3 2011. Of these transactions, UK institutions accounted for 39% of the total with overseas investors contributing approximately 25%. (CBRE)

This increased demand for regional property has been reflected in the pricing as transactional yields have compressed. For example, provincial office yields have reduced by 185 bps over the last 12 months, reducing from 8.47% to 6.62% (LSH). Both yields for office and industrial now sit below their 10 year average, however retail with its wider structural issues still sits above this average. Given the improving economic backdrop and the growing investor demand for opportunities outside London and the South East we expect these yields to compress further over the course of 2014.

Fund Structure Changes

In order to comply with the new Alternative Investment Fund Managers Directive (AIFMD), the Lothbury Global Institutional Funds (the Fund), of which Lothbury Property Trust is a sub-Fund, was required to appoint an Alternative Investment Fund Manager (AIFM). Lothbury Investment Management Limited (the Investment Manager) was approved as an AIFM by the FCA on 19 February 2014.

A further requirement of the AIFMD was amending to the Trust Deed in order to provide AIFMD compliant depositary services to the Fund. On 27 January 2014 the Directors of Lothbury Fund Managers Limited (the Manager) held a unitholder meeting to vote on a number of extraordinary resolutions relating to changes to the Fund documentation, which reflected the regulatory changes introduced under AIFMD as well as several general updates. All resolutions were passed at the unitholder meeting and the new Trust Deed and Fund Prospectus were dated and distributed on 25 March 2014.

Buchanan Street, Glasgow

UK Economy

The Office for National Statistics (ONS) estimated that UK GDP increased by 0.8% in the first quarter of 2014, the fifth consecutive quarter of GDP growth. This growth also saw a 3.1% rise compared with the same quarter 12 months ago. Output increased in three of the four main industrial groupings within the UK economy compared with Q4 2013. These increases were 0.9% in services, 0.8% in production and 0.3% in construction. Output saw a decrease by 0.7% in agriculture. The lower growth in construction may have been affected by storms and high rainfall across much of the UK in January and February. The ONS has decided not to classify this as a statistical special event as it is deemed to not have had a huge impact on GDP growth over the whole quarter.

UK unemployment rates decreased to 6.9% for the months December to February 2014, down from 7.1% for September to November 2013 and 7.9% from a year earlier. The ONS announced that UK retail sales increased by 4.2% for the year to March 2014, with cold weather in the previous year believed to be a factor in the year-on-year rise. Sales volumes were up 3.8% in the first three months of the year compared with the first quarter of 2013. Non-food stores saw the highest year-on-year increase, 9.6%, since April 2002. The amount spent online increased by 7.1% in March 2014 compared with March 2013 and by 1.4% compared with February 2014.

The Bank of England maintained the base rate at 0.5% over the first quarter of 2014 and held the target size of the quantitative easing programme at £375bn. Inflation (CPI) fell to 1.6% in March 2014, down from 1.7% a month earlier. This is the third consecutive month that inflation has been below the Bank of England's 2% target rate and is the lowest rate since October 2009. RPI inflation also fell to 2.5% from 2.7% for the same period.

Vantage Point, Manchester

Property Investment Markets

Investment activity for Q1 2014 was reported by Lambert Smith Hampton to total £10.88bn. This figure reflects a 36% decrease from the Q4 2013 figure; however this is still the third highest level recorded since 2007. The fall in investment activity appears to be due to the number of large deals completed in Q4 2013 and the current limited availability of investment stock.

Although volumes fell over Q1, the property transactional yield hardened by 12 basis points over the quarter. The IPD UK Monthly Property Index posted capital growth of 2.3% during his period with total returns for the IPD UK Monthly Property Index at 3.9%, a decrease from the 4.7% returned in Q4 2013. This compares to a three month return on Equities of -1.5% and Bonds of 2.5%.

IPD reported that even though returns in the unlisted sector fell back in Q1, the continuing strong performance of underlying real estate boosted the annual rate of return, recorded at 11.4% for the 12 months ending 31 March 2014.

Of the three unlisted fund types, balanced property funds have once again delivered the strongest performance, at 3.3% for the first quarter of 2014. Amongst specialist funds, both the Central London office and industrial portfolios performed strongly and those targeting retail warehousing generally outperformed those focused on shopping centres.

There still remains division between sectors. According to the IPD UK Monthly Property Index, offices and industrials recorded three month total returns of 5.2% and 5.0% respectively. The retail sector, remaining influenced by low occupier demand and online competition, returned 2.6%. Capital values in the retail sector increased by 1.0% over Q1 whilst rental growth declined by 0.2%. Comparatively, values for offices rose by 3.7% and for industrial units by 3.2%, with rental growth increasing in both sectors by 1.3% and 0.5% respectively. The IPD All Property Equivalent Yield decreased from 7.18% in December 2013 to 7.01% in March 2014 and the IPD All Property Initial Yield decreased from 6.07% to 5.89% over the same period.

Meteor Park, Birmingham

Fund Activity

The Fund acquired two new properties during the quarter. The first purchase of the year consisted of The Paragon, a prime office building acquired for £29.45m in Bristol. The 100% occupied property boasts a variety of prestigious tenants including Ernst & Young, Mercer, Thrings Solicitors and Brewin Dolphin.

The second purchase was the £18.23m acquisition of Meteor Park, Birmingham. This industrial estate situated adjacent to junction 6 of the M6 motorway, otherwise known as 'Spaghetti Junction', provides a 230,000 sq ft fully let site with tenants across the light industrial, logistics and service sectors. Both of these purchases help to reinforce the Fund's strategy to increase its holdings in the regional UK markets.

One of the secondary assets within the LPT portfolio was sold in Q1 due to its small lot size. A 1980s, 19,495 sq ft office building in Milton Keynes was sold to a developer during the quarter for £1.3m.

During Q1 2014 several asset management initiatives were completed, helping to bring down the portfolio's void rate to 1.1%. The first saw the letting of a vacant unit at the Priory Park industrial estate in Maidstone. A 10 year lease was signed at £7 per sq ft with Movianto UK Limited, a healthcare logistics company which now means that this industrial park is fully let. The second lease agreed saw Mercedes-Benz UK Limited move into the Delaware Drive industrial site in Milton Keynes, on a short-term deal. Finally, the team extended the head leasehold interest of the High Street, Exeter retail property, to 150 years unexpired.

The active team continues apace with the development of a flagship office building at 55 St. James's Street, London SW1, with a targeted completion date for the project of April 2015. In addition, the design of the office and residential scheme at Soho Square and Dean Street, London is underway with planning anticipated to be submitted imminently.

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3. high net worth organisations to whom Article 22 of the PCIS Exemptions Order and Article 49 of the Financial Promotion Order apply (broadly, companies or partnerships with net assets of £5m sterling or more and trustees of trusts with assets of £10m or more); and

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Data
All fund data as at 31 March 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
4 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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