

# 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.

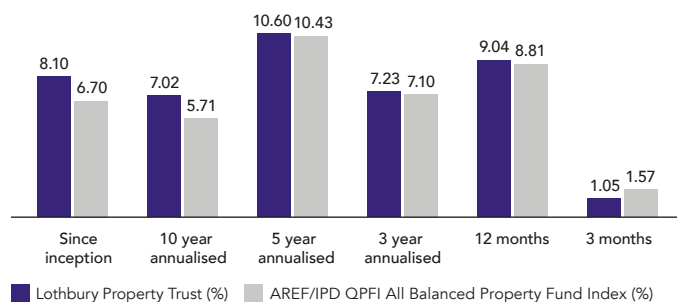
## Fund Data

As at 30 September 2018

Net Asset Value	£1,746,971,979.72
Net Asset Value per Unit	£2,020.2298
Indicative Subscription Price per Unit	£2,141.4436
Indicative Redemption Price per Unit	£1,987.1364
Quarterly Distribution per Unit	£14.8353

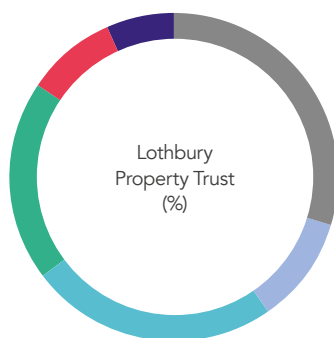
## Fund Returns

As at 30 September 2018



## Sector Breakdown

As at 30 September 2018



	Lothbury Property Trust (%)	Benchmark* (%)
Retail	29.8	13.9
Retail Warehouse	10.7	14.8
Office	24.3	28.7
Industrial	19.6	27.8
Other	9.1	9.2
Cash	6.4	5.6

\* Benchmark is the AREF/IPD UK Quarterly Property Fund Indices, All Balanced Property Fund Index.

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

# Responsible Property Investment

Incorporating Responsible Property Investment initiatives across the Lothbury Property Trust (LPT) portfolio is a key responsibility for the Fund Management team.

The Fund participates in GRESB which is the Global Real Estate Sustainability Benchmark which assesses the Environmental, Social and Governance (ESG) performance of real estate assets worldwide. Our commitment and success in this area is demonstrated by LPT's 2018 three star GRESB rating. The 2018 score of 72 out of 100 has been the highest score to date for the Fund and has resulted in LPT outperforming against its peer benchmark which averaged of 63 out of 100 for 2018.

In terms of scoring contribution, the Fund continues to benefit from Lothbury Investment Management's (LIM) sustainability management which ensures diligent policies and procedures are in place for the Fund. This includes the dedicated LIM sub-committee involved in reviewing ESG matters and implementing strategy.

LPT's improved score was obtained partly from undertaking the following key initiatives;

- A full EPC review of the portfolio was carried out to mitigate any risk associated with the Minimum Energy Efficiency Standards
- BREEAM certification has been completed for all development projects across the portfolio
- Measures have been taken to reduce energy consumption and improve efficiency for each of the Funds' assets. For example, in the office portfolio, the Building Management Systems (BMS) have been reprogrammed so that they operate on a reduced setting across public holidays (representing 3% of working days) to reduce consumption.

- At the Clarendon Shopping Centre the BMS has been replaced and the main lighting system has been reprogrammed to reduce electricity usage
- Across LPT's directly managed assets, green energy contracts have been implemented, where 100% of the energy is renewably sourced
- Monitoring and measurement of consumption through an Environment Management System via the appointed property managing agents has provided strong performance improvements
- Data management through an electronic 'dashboard' has been used to collate energy consumption records and has provided the necessary platform to perform further analysis
- In terms of building waste reduction, a bespoke process has been designed to ensure that all projects consider and achieve the best performance for materials and waste in parallel with normal project considerations

The greatest outperformance for the Fund was in Building Certification, where a GRESB score of 84 was achieved compared with 34 recorded by the peer average. For all new developments a minimum BREEAM grade of 'Very Good' is targeted. The most recent certification achieved was for the development of a 40,000 sq.ft distribution centre in Greenford, London, for Royal Mail. The development achieved a BREEAM rating of Excellent with an associated EPC rating of A. Examples of how this rating was achieved are summarised below:-

- 16% of the building's energy needs are generated from 188 photovoltaic panels
- Major leak detection measures were incorporated into the scheme to help prevent water wastage

- Low building air tightness was achieved to improve the overall energy efficiency of the building
- Electric vehicle charging points were installed
- External lighting controls have been fitted to ensure the minimisation of light pollution
- Anti-flooding measures were incorporated into the scheme, improving the property's resilience credentials

The recent refurbishment at 20 Rathbone Place, London is another good example of how responsible investment decisions are incorporated into building projects. The work on this asset included remodelling of the reception, cycle parking, and bin storage and shower facilities, together with a refurbishment of the 3rd, 4th & 6th floors. The refurbishment works included the following:-

- New lighting being installed to the office floors, providing more energy efficient fittings
- Improved bicycle facilities
- New showers and lockers in the building which illustrates the focus on health and wellbeing initiatives across the portfolio
- Building waste was reduced by 21% as a result of material reuse such as doors, blinds and flooring, as opposed to replacement
- Responsible sourcing of materials, including FSC certified timber and low VOC paints

Moving forward, a blend of measures is proposed that will improve the Funds sustainability credentials further. These include improvements in; LIM's policies, property assessments and data coverage.



## Fund Activity



Rathbone Place, London

Two further strategic retail sales completed in Q3 totalling £19.94m. The first was a retail unit in the prime pitch in Newbury which was arranged over ground, first and second floors and was let in its entirety to Boots UK Ltd. A 10 year lease renewal was completed with Boots in July 2017 meaning the asset had a 9 year unexpired lease term. The sale completed in July at a price of £4.85m, which reflected a net initial yield of 5.8%. The second sale which completed in August was Congleton Retail Park, Congleton. The Open A1 retail park was fully let to tenants including M&S Simply Food, Boots, B&M, Halfords and Laura Ashley. The sale completed at a price of £15.09m which reflected a yield of 6.4%.

During the quarter, a number of lettings completed which contributed to reducing the Fund's core void rate to 0.8%. At 4 Hardman Street, Manchester a new 10 year lease completed to Palladium Associates PLC at an annual rent of £59,892pa. At Broadland Business Park, Norwich a new lease and an extension of an existing lease completed with Tax Assist Direct, at a combined annual rent

of £155,498pa. Finally, two further lettings were completed at the Fund's multi-let industrial property at Poyle (Heathrow). Units 451 and 453 were let to GTS Enterprise Ltd and Akal Transport Ltd respectively at a combined annual rent of £230,000pa.

A number of the Fund's RPI rent reviews were documented during the quarter. These included the Sainsbury food stores located in both Calne and Manchester as well as the DSA test centre at Broadland Business Park, Norwich. In addition, an open market rent review was settled with Patisserie Valerie at 15 Bedford Street, London WC2 with the annual rent increasing from £100,000pa to £125,000pa.

In the active portfolio the refurbishment of the ground floor reception area and three upper office floors completed at 20, Rathbone Place London W1. The development of the Malmaison hotel in York is continuing to progress with the strip out works completing during the quarter. This hotel development is currently scheduled to complete in Q1 2020.

## UK Property Market

The Q3 2018 investment volume of £17bn was the highest in three years and 14% above the quarterly average (Lambert Smith Hampton (LSH) Q3 2018 UKIT). Two £1bn plus deals were a key factor, however the number of deals recorded was a high for the third quarter and 28% above the same quarter in 2017. Overseas investors were once again the dominant buyers with their volumes up 38% on the previous quarter and 20% above the five year average.

Industrial investment recorded the third strongest quarter on record with a transaction volume of £2.2bn and Offices recorded the strongest quarter since Q4 2015 with £6.7bn of transactions completing. The Build to Rent residential market continues to mature recording transactions of £1.8bn in the quarter.

The LSH All Property average transaction yield moved out by 22bps during Q3 to stand at 5.66%, effectively reversing the downward movement seen in Q2. The LSH notional prime yields remained broadly stable during Q3. Shopping centres were the only exception, with prime yields softening by 25bps which reflects the poor investor sentiment for this particular sector of the property market.



Broadland Business Park, Norwich



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## Data

All fund data as at 30 September 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.

### Lothbury Investment Management Limited

155 Bishopsgate  
London EC2M 3TQ

Tel: 020 3551 4900  
Fax: 020 3551 4920

[www.lothburyim.com](http://www.lothburyim.com)

[LothburyIMInvestorRelations@lothburyim.com](mailto:LothburyIMInvestorRelations@lothburyim.com)