

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.

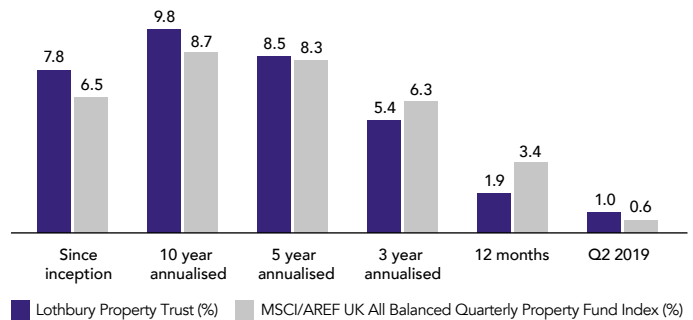
Fund Data

As at 30 June 2019

Net Asset Value	£1,730,683,898.77
Net Asset Value per Unit	£1,988.5568
Indicative Subscription Price per Unit	£2,107.8702
Indicative Redemption Price per Unit	£1,955.2550
Quarterly Distribution per Unit	£15.6015

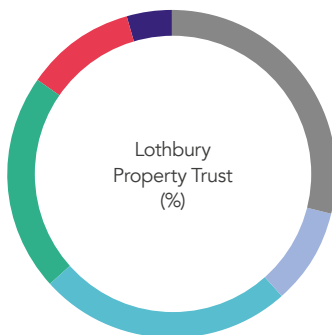
Fund Returns

As at 30 June 2019



Sector Breakdown

As at 30 June 2019



	Lothbury Property Trust (%)	Benchmark* (%)
Retail	28.9	12.9
Retail Warehouse	9.6	13.6
Office	24.8	28.4
Industrial	21.4	29.5
Living/Alternatives	10.9	10.0
Cash	4.3	5.7

* Benchmark is the MSCI/AREF UK All Balanced Quarterly Property Fund Index
 Note: Total percentages may be slightly higher or lower than 100% due to rounding.

Asset Management boosts returns

The Lothbury Asset Management team have successfully completed a number of key asset management initiatives over Q2 2019, which have contributed to the Fund's outperformance against the benchmark over the quarter.

Across the Fund's national Industrial portfolio, there have been a number of transactions which have resulted in a growth in rents and therefore a boost in capital values. At Lothbury's industrial estate Priory Park in Aylesford, Kent, a complicated transaction was completed, which involved two of the existing tenants on the park 'swapping' premises. The deal involved Kent Frozen Foods and Digital Pipeline simultaneously surrendering their existing leases on units 4 and 3E and then completing new leases on each other's units. The rents which were achieved on the new units ranged from £9 to £10 psf and represented new record rental levels for the park. In tandem with this transaction, Kent Frozen Foods also restructured their lease on unit 3A at the park by removing their break option and extending their lease term. These transactions collectively resulted in this industrial property being the best performing asset in the Fund over Q2.

A new 10 year letting at the Fund's Birmingham industrial holding to Network Rail Infrastructure Limited also delivered good performance. A headline rental level of £7.25 psf was achieved, which is recognised as a new market leading rental level for units of this type in the area.

Some significant asset management transactions were also completed in the Fund's office portfolio over Q2. In the regions, a new 10 year letting completed to National Farmers Union (NFU) at the Broadland Business Park in Norwich. The letting was completed at a headline rental of £15 psf and the transaction resulted in the business park being 100% let. Within the London Office portfolio, the 3rd and 4th floors of 20 Rathbone Place were let to a serviced office operator, Bespoke Managed Space, on 10 year leases with 5 year break options. The combined annual rental on these two floors totalled in excess of £940,000 pa. A rent review was also completed on the 5th floor of this office property during the quarter, which resulted in the annual rent rising by over 15% above the previous passing level.

Despite the ongoing difficulties in the retail market, a lease restructuring was also completed with "Pets at Home" at the Silkbridge retail park in Hendon during Q2. This asset management project involved agreeing the removal of the 2019 tenant's break option together with negotiating a new reversionary lease from 2024 with the tenant. This transaction had a positive effect on the performance of the retail park and removed the risk of a potential void at the park should Pets at Home have chosen to exercise their break option.

It is Lothbury Investment Management's (LIM) view that successful asset management will be critical in maintaining and growing the income return of the portfolio and will be instrumental in contributing to the Fund's overall performance. The team of experienced asset managers at LIM remain highly focussed on identifying and executing such transactions across the Lothbury Property Trust portfolio.



Fund Activity



Malmaison Hotel, York

During Q2 a number of key asset management initiatives were completed which positively contributed to the performance of the Fund, particularly across the Industrial portfolio.

Most notable of these occurred at Priory Park industrial estate, Aylesford where two tenants swapped premises. This transaction involved negotiation of surrenders and re-lettings on both of the units. Another key deal in the Industrial portfolio occurred at the Fund's Birmingham holding at Meteor Park. In the Office portfolio, new lettings were achieved at Rathbone Place, London and Broadland Business Park in Norwich. Each of these deals are discussed in more detail in the Feature text on the preceding page.

Regarding activities on the Active portfolio, the development of the York hotel, which

has been pre-let to Malmaison progressed well during the quarter. The final elements to the building's envelope are now being completed along with the internal partitioning to create the various different room types. This will enable the fit out elements of the works to progress so that the hotel can open on schedule in Q2 2020.

At the Farnborough Retail Park, works have commenced on the construction of the new 8,000 sq ft unit which has been pre let to Halfords. The unit is due to complete in Q1 2020. When the works have finished, Halfords will commence their 10 year lease at the park and will be paying a rental of £276,000 pa, after a 6 month rent free period. In tandem with signing the Agreement to Lease with Halfords, a 5 year reversionary lease has also been signed with DSG (trading as Currys) which will be effective from September 2019.

UK Property Market

The uncertainty around Brexit is continuing to cause caution in the UK commercial property market which has been reflected in a reduced level of transactions over Q2. The Lambert Smith Hampton UK Investment transactions report (UKIT) for Q2 reported transactions totalling £8.8bn which is down 22% on Q1 2019 and some 40% below the 5 year quarterly average.

Total returns for 2019 are also declining with the MSCI monthly benchmark reporting a return of 0.6% for Q2.

Investment demand remains focussed on the Industrial and Alternatives sectors, and for long income assets with inflation linked lease structures. Retail remains out of favour from most investors and is continuing to suffer with weak occupational demand and falling rental values.

Overseas investors remain active but are taking a more cautious view which is reflected in the lower than average levels of transactions. Investors from the USA and Asia have been most active over the quarter (LSH).

The LSH All property average transaction yield rose to 5.7% in Q2 which is its highest level for 4 years. It's movement not only reflects softening prices (particularly in secondary assets) but also a lack of high quality prime product.



Broadland Business Park, Norwich

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Data

All fund data as at 30 June 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. Following 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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