

Lothbury Property Trust

Fund Description

Lothbury Property Trust (LPT) 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.

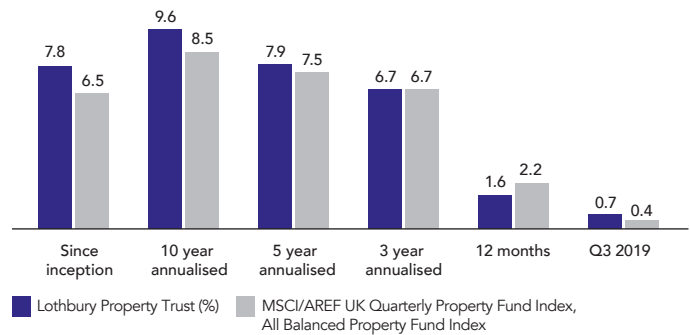
Fund Data

As at 30 September 2019

Net Asset Value	£1,722,667,774.68
Net Asset Value per Unit	£1,987.6846
Indicative Subscription Price per Unit	£2,106.9457
Indicative Redemption Price per Unit	£1,954.2832
Quarterly Distribution per Unit	£15.51

Fund Returns

As at 30 September 2019



Sector Breakdown

As at 30 September 2019



	Lothbury Property Trust (%)	Benchmark* (%)
Retail	28.5	12.6
Retail Warehouse	9.5	13.1
Office	25.2	28.2
Industrial	21.6	29.9
Living/Alternatives	11.2	10.2
Cash	4.0	6.0

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

Annual increase in GRESB score puts LPT in the upper quartile of the Peer Group

GRESB is the leading Environmental, Social & Governance (ESG) benchmark for Real Estate and Infrastructure investments globally. It measures participants' ESG credentials by the following criteria, Management, Policy & Disclosure, Risks & Opportunities, Monitoring and Environmental Management System (EMS), Performance Indicators, Building Certification, Stakeholder Engagement and New Construction. LPT made its first GRESB submission in 2012 and has continued to make a submission each year and is classed within the UK Diversified Non Listed Peer Group.

Through the implementation of our Three Responsible Pillars we have seen a year-on-year improvement of our GRESB score. These pillars are:

- Responsible Property Investment
- Responsible Property Management
- Responsible Property Development

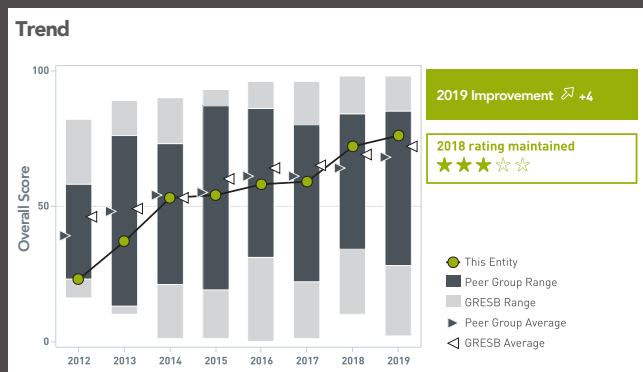
Our approach ensures that ESG initiatives are a priority throughout the life cycle of the Fund's assets and embedded in how we manage the portfolio. For 2019, LPT's overall score was 76, achieving a three star rating. This was a four point increase from 2018 and ranked in the upper quartile of the

Peer Group, placing 15th out of 79 entities. This score exceeded the peer average of 68 and the GRESB global average of 72.

The Fund improved its score through advancement in the following areas, Policy and Disclosure, Risks and Opportunities, Stakeholder Engagement and New Construction. Initiatives in these areas included, increased technical building assessment coverage, circulation of a tenant fit out guide and implementation of an EMS. GRESB currently record a score for New Construction and Major Renovations, however this receives a 0% weighting in the overall score. For 2019, LPT scored 97 out of 100 which was the highest Fund score in the UK and fourth globally.

To maintain LPT's record of annual progression, further ESG improvements will continue to be implemented across the portfolio. An area of focus is Performance Indicators which GRESB places a significant weighting of 25.2%. As the built environment contributes approximately 40% of the UK's carbon emissions, we place a particular emphasis on reducing the Fund's carbon foot print. As part of our ESG objectives the following utility saving targets from 2016 to 2020 are in place:

	Target by end 2020	Progress to end 2018
Greenhouse Gas Emissions	-45.0%	-35.0%
Total Electricity Consumption	-7.5%	-4.5%
Total Gas Consumption	-12.5%	-8.0%



The Fund has direct control over the managed portfolio, which accounts for less than a quarter of the portfolio's utility consumption. In order to increase data coverage and implement energy efficiencies for the entire portfolio, we engage with the Fund's tenants on a regular basis. The Fund currently has coverage data for 81% on electricity and 57% on gas across the entire portfolio. We are working to improve this coverage and the targets for 2020 are set at 85% and 65%, respectively. As part of our commitment towards a Pathway to Net Zero, Green energy contracts were put in place across our managed portfolio in 2018, to ensure that all energy is renewably sourced with efficiency measures implemented at every opportunity. We will aim to continue increasing the Green contract coverage across the portfolio.

The Fund currently has 37% of the portfolio assets with a BREAM New Construction rating of Excellent or Very Good. We are aiming to expand the Fund's BREAM ratings by obtaining Operational Green Certifications on the standing assets through either BREEAM In use or Fitwel certifications.

The 2020 GRESB submission includes a Resilience module which assesses the transitional and physical risks of climate change. Although this is not scored, LPT will be completing the module in anticipation that this will be migrated into the 2021 submission.

GRESB continues to evolve, but remains the preeminent benchmark to compare ESG performance with our Peer Group and the global market, it is a key tool in assessing areas of strength and weakness. We are pleased to see the Fund's GRESB score improving every year.

Fund Activity



North Bailey House, Oxford

During Q3, the team completed a number of key rent reviews, which positively contributed to the performance of Lothbury Property Trust. The Fund's flagship office building in Bristol benefitted from rent reviews on 21,500 sq ft of office space, as well as the ground floor retail unit let to Pret a Manger. These rent reviews collectively boosted the passing rent of the property by over £90,850 pa.

Rental uplifts were also delivered on an industrial unit at Premier Park in Manchester let to Whirlpool and an industrial unit let to Restore plc at Meteor Park, Birmingham.

During Q3, a number of transactions were completed at the Clarendon Shopping Centre in Oxford which included a lease renewal on the office suite let to Oxford School of English and the letting of a retail unit fronting Queen street which was let to 'the Works'.

During the quarter, the sale of one of the office properties on the Broadland Business Park in Norwich completed at a value of £12.9m and a purchase of an office/retail property in Oxford was also completed for £7.1m.

The Oxford property comprises of basement, ground and first floor retail with office accommodation above. It is let to three tenants including Argos and Royds Withy King, a regional firm of solicitors. This property which is close to the Fund's existing holding ownership at the Clarendon Shopping Centre offers short term asset management opportunities as well as longer term redevelopment options and should benefit from the strong rental growth occurring in the Oxford office market.

The Fund activity over the quarter has resulted in void rate in Lothbury's core portfolio remaining extremely low at 2.4%.

UK Property Market

Despite the Brexit impasse, research from UKIT LSH states that a total of £13.9bn was invested in Q3 2019, this was a 58% increase on the Q2 volumes. Furthermore, their research indicates the following. Although Q3 was 19% down on the same quarter in 2018, it was only 4% below the five year quarterly average. The 'living' sectors led the Q3 market recovery with a near-record volume of £5.5bn. Office transactions totalled £4.9bn in Q3, up 22% on the previous quarter. However, volume was down slightly in Central London, due to a relative lack of large scale transactions. The Industrial sector received £1.9bn of investment in Q3, making it the fifth strongest quarter in the last decade. Contrastingly, retail property remained out of favour with most investors with volumes only just exceeding £1bn in Q3, making it the weakest quarter in more than 18 years. (UKIT LSH).

While the UK may be experiencing political uncertainty, this has not dented its safe haven status for international investors. According to Savills, for the year to date (to end Q3) international investment levels were down 24% compared to 2018. However, this was universal across all investor groups. Transaction volumes by US and Middle Eastern investors increased by 56% and 15% respectively over the period. Similarly, there was increased activity by Malaysian investors, although total volumes by Asian buyers are down. (Savills).

After rising in both of the previous two quarters, the LSH All Property average transaction yield moved back inwards in Q3. It hardened by 31 basis points, to 5.38%, bringing it back close to the 11-year low of 5.34% recorded in Q4 2018. The inward yield movement reflected the increased number of better quality larger assets being traded during the quarter.



Sheraton Park, Durham University

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Data

All fund data as at 30 September 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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