

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.

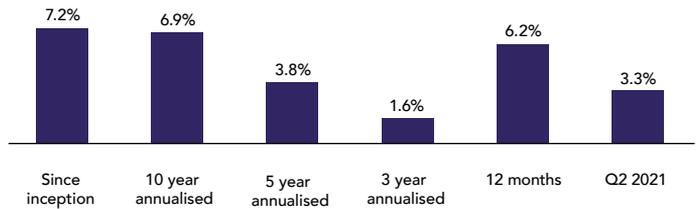
Fund Data

As at 30 June 2021

Net Asset Value	£1,585,507,727.00
Net Asset Value per Unit	£1,929.85
Subscription Price per Unit	£2,043.72
Redemption Price per Unit	£1,897.05
Quarterly Distribution per Unit	£13.65

Fund Returns

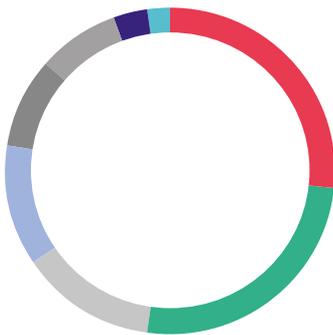
As at 30 June 2021



Note: All returns figures are net of fees.

Sector Breakdown

As at 30 June 2021



	Lothbury Property Trust (%)
Industrial	26.7
Office	25.6
Living	13.4
Food stores	11.9
High Street Retail	8.9
Retail Warehouse	7.9
Land	3.4
Cash	2.1

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

Feature

Malmaison Hotel – Rougier Street, York

Over the quarter, Lothbury Property Trust completed the conversion and redevelopment of the redundant Aviva office building in central York into a top class hotel, trading as Malmaison. The property is excellently located in the city being just five minutes' walk from both the main train station and the popular York Minster cathedral.

Originally built in the early 1960s, the property was a seven-storey office with basement car parking. Lothbury Property Trust purchased the empty office building in 2017 and immediately set about its redevelopment, which involved converting the office space to hotel use, as well as the addition of a completely new floor to create a roof terrace and restaurant, which offers seating for 150 covers and unparalleled views of the York skyline, including the York Minster and the historic city walls.

Throughout the development, the design approach was to try and retain the original building fabric including its notable stone cladding and mullion & transom window surrounds. The curtain walling fenestration was thermally and acoustically upgraded so no external alterations were required.

Sustainability was at the heart of the development, which is targeting a BREEAM score of 'Very Good'.

Given the proximity to the River Ouse, extra precautionary design adjustments were put in place to protect the building from any future flooding. Whilst there were already flood defences along the River Ouse close to the property, further flood defences were incorporated into the design of the building itself. These included demountable flood defences and reinforced doors being installed below ground floor level to withstand deep flood water depths together with the drainage system being fitted with non-return valves.



The completed hotel provides 150 bedrooms including a selection of suites, a state of the art gym and a boutique spa with four treatment rooms. In addition, it offers quality food and beverage facilities including the Sora Sky Bar which is located on the new roof level. Reflecting the requirements of today's flexible working patterns, the hotel also has three private meeting rooms, seating up to 180 people and six smaller pods within the Business Centre, that are available to hire by the hour, or for short to long-term lets.

On completion, the property was let to Malmaison on a 35-year lease, which benefits from a guarantee from Malmaison Hotel Du Vin Holdings Limited. The lease is subject to five-yearly upward only rent reviews linked to the Retail Price Index (RPI), capped at 4% per annum.

The Malmaison brand of hotels was established in 1994 and comprises 17 hotels focused on the luxury/ lifestyle end of the hotel market, with boutique style hotels in unique buildings in many of the UK's major cathedral/ heritage cities.

The Malmaison Group is a member of the Singapore-based, Frasers Hospitality Group.

The completion of this development has resulted in Lothbury Property Trust owning one of the premier hotels in the historic city of York which has long been unrepresented by hotels of this calibre. The investment offers a long secure income stream benefiting from inbuilt income growth by virtue of the five-yearly RPI rental uplifts.

Fund Activity



55 St James's Street, London

Q2 2021 proved a busy quarter in terms of Fund activity for the Lothbury Property Trust.

Key transactions were concluded in the Central London office portfolio which maintained occupancy and rental levels in the Fund's two largest London office buildings. At the 55 St. James's Street property, the existing tenant Albacore,

took additional space and a lease re-gear on their existing accommodation at rental levels of £115 psf. At 1 Stanhope Gate, Barclays Bank vacated their space in the building at their March lease expiry, but the accommodation was immediately re-let to the other tenant in the building, Evercore Partners International, until March 2027 at rental levels between £100 / £110 psf.

On the Central London retail portfolio, a high profile letting was completed with Swatch on the ground and basement of 31 James Street, Covent Garden. Alongside this letting, the upper parts of the property have recently been converted from ancillary retail use to three residential apartments, which will be retained and let on Assured Shorthold Tenancies.

Outside London, a rent review at the Bristol office building on space let to Ernst & Young recorded a healthy increase in rent passing to £575,520 pa. Successful rental uplifts were also achieved on rent reviews of the food store assets at Cambridge (Tesco) and Mile End, London (Asda) which cumulatively added over £75,000 pa to the Fund's income.

In line with the Fund's strategy to reduce the retail exposure in the portfolio, a sale of a small high street retail investment in Leeds completed in May 2021 at a price of £2.7m and a small multi-let retail/residential property in Chichester exchanged contracts for sale in June at £1.2m, which completed in Q3.

UK Property Market

The UK economy continued its recovery after the sixth consecutive month of economic growth with 0.1% growth in July and 1.0% growth in June, being just 2.1% below the pre-pandemic level. Services, hospitality, entertainment, recreation and health activities were major contributors to the growth after the UK government eased restrictions on the 17 May.¹

The economic recovery was also reflected in the improved rent collection figures. In the wider market, 73.9% of rent was reported to be collected by commercial property owners 21 days after the quarter-end date. This is 6.6 percentage points higher than in the previous quarter and 14.7 percentage points higher than in the same quarter of 2020. The major improvements are in the retail and leisure sectors, as they benefited most from easing of the restrictions.²

In the investment market, Q2 saw an above-average quarterly volume of £13.9bn, 7% above the five-year quarterly average. A quarter of this volume was

transacted in the industrial sector, taking H1 volumes to record highs. The office sector saw a significant rebound of 72% relative to Q1 figures with a volume of £4.6bn leaving it just 9% below the five-year average. Office parks accounted for £1.0bn of this volume, £714m of this was Brookfield's acquisition of the Arlington Portfolio. Comprising 36 assets spanning the UK's science 'golden triangle', the deal reflects strong investor appetite for science covenants in the current climate. Central London offices also saw a rebound by 50% to Q1 volumes, but still remained subdued at £2.5bn, which is 18% below the five-year average. In the retail sector, which recorded the volume of £1.5bn, just 10% below the five-year average³.

MSCI all property net initial yield continued moving inward and decreased by a further 9bp in Q2. The strongest yield contraction by 19bp was recorded in the industrial sector. The standard retail segment saw similar to Q1 yields, while shopping centre yields moved 28bp outwards and retail



Greenford, London

warehouse yields compressed by 10bp. The office sector also saw mixed movement within its subsectors with the city and regional yields contracting by 25bp and 9bp, respectively, while West End and Rest of South East offices moving outward by 5bp and 2bp respectively.⁴

1 ONS, GDP monthly estimate, UK: July 2021

2 Remit Consulting, Improvement in payment of commercial property rents continues, 3 August 2021

3 UK Investment Transaction Bulletin, Q2 2021, Lambert Smith Hampton

4 MSCI UK Monthly Property Index

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Data

All fund data as at 30 June 2021, 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.

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