

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.

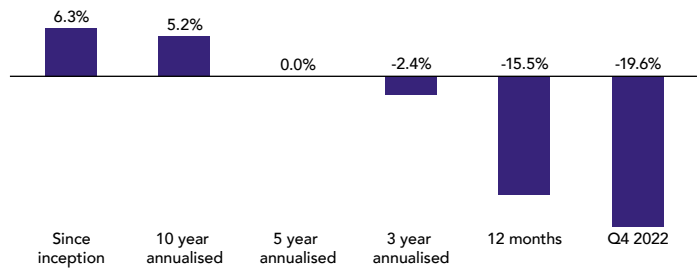
Lothbury Property Trust as a sub-fund of LGIF is authorised by the Irish Central Bank under section 4 of the Unit Trusts Act, 1990.

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 Returns

As at 31 December 2022



Note: All returns figures are net of fees

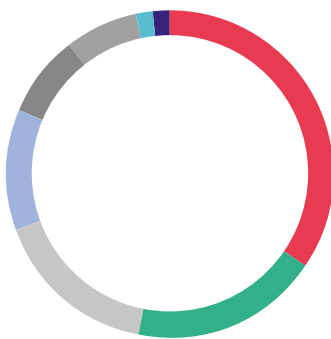
Fund Data

As at 31 December 2022

Net Asset Value	£1,099,974,940.66
Net Asset Value per Unit	£1,688.35
Subscription Price per Unit	£1,705.23
Redemption Price per Unit	£1,659.65
Quarterly Distribution per Unit	£14.65

Sector Breakdown

As at 31 December 2022



	Lothbury Property Trust (%)
Industrial	34.5
Office	18.8
Living	16.3
Food Stores	11.8
High Street Retail	8.3
Retail Warehouse	7.0
Cash	1.9
Land	1.4

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

Feature

Portfolio review of 2022



North Bailey House, Oxford

Lothbury Property Trust had a productive year in 2022, which included securing outline planning consent in April for the Fund's high profile Oxford redevelopment project (The Clarendon Quarter) as well as completing on 10 strategic sales and some key asset management transactions. The Fund also successfully maintained its high 4-Star rating in the 2022 Global Real Estate Sustainability Benchmark (GRESB) submission.

Once completed, the Clarendon Quarter will be a vibrant, highly sustainable, mixed use scheme that will comprise of a range of uses including, student accommodation, life sciences, offices and retail. The first of four phases, involves the comprehensive refurbishment of a 26,600 sq ft 1970s office building known as North Bailey House (NBH). NBH progressed well during 2022, is targeting a BREEAM Excellent accreditation and has sustainable features in its design, including air source heat pumps and PV Panels. Strong occupational demand has been received for the office accommodation and it is envisaged the lettings could achieve record rents for the city. Evaluation work continues on the remaining phases of the Clarendon Quarter, the second one of which will contain 30,000 NIA of pre-let laboratory space and approximately 50,000 GIA of retail space which has been pre let to McDonald's.

The Active team also successfully refurbished the Lakeside 300 office building at the Broadland Business Park in Norwich during the year, improving both the specification and the sustainability credentials of the property and also secured planning consent for Phase 1 of the development of the Fund's industrial estate at Poyle, near Heathrow Airport.

In terms of transactions, ten sales amounting to approximately £214m completed during 2022. Five of the disposals were offices and three were from the retail portfolio. The remaining two sales comprised a hotel and a sale of a vacant plot of land.

The five office sales accounted for about 83% by value of all the 2022 sales. Three of the office sales were in Central London whilst the other two were located in Bristol and Uxbridge. The need for Lothbury to ensure its assets are capable of meeting future environmental credential standards was one of the key drivers behind the office disposals. The Lothbury team undertook a significant amount of analysis on the office portfolio in terms of quantifying the likely capital expenditure required for each office to ensure it could meet sustainability targets and the revised MEEES regulations. The analysis indicated that in some cases the amount of capital expenditure required was not viable. Where this was the case, this analysis contributed to the sales decisions.

The retail disposals comprised two small shops in Exeter and Kingston and a Sainsbury's foodstore in Calne, Wiltshire. These three sales were made in accordance with the ongoing strategy to reduce the retail exposure within the Fund. The hotel asset disposal, was a Travelodge in Edinburgh.

The asset management team also completed some significant lettings throughout 2022 which contributed to the Fund producing a stable and defensive income return and helped maintain the Fund's low core portfolio void rate of 2.02% as at the end of December. Some of the key transactions included lettings at the Fund's Manchester office building in Spinningfields and also at the flagship retail holding in Covent Garden.

The team also worked hard to ensure that rental collection levels were maximised throughout the year and arrears were kept to a minimum, which is illustrated by the Fund recording an average rent collection level per quarter of 99.5%, during 2022.

The Fund maintained its high sustainability score in the Global Real Estate Sustainability Benchmark (GRESB) during 2022 and was awarded a 4 star rating in the Standing Investments category. In this category, the Fund scored 81/100 and was placed fifth out of 80 UK balanced funds. The Net Zero Pathway for the Fund is currently being drafted and will be issued to unitholders during 2023.

Fund Activity



Hardman Street, Manchester

During Q4 2022, LPT disposed of three assets totalling approximately £20m. These sales comprised one office property, one hotel and one retail holding.

The office disposal was located in Uxbridge and was sold to the tenant, Pearson Group Property for £5.9m in December. The small shop which was sold was located in Kingston upon Thames and was let to River

Island. The sale price was £4.3m and the sale completed in November. The hotel which was sold comprised a 115-bedroom Travelodge hotel located in Cameron Toll, Edinburgh. This sold in November for £10.05m.

In terms of asset management transactions, the team completed some good lettings during Q4. A new lease was completed at the Fund's Manchester office building where 3,212 sq ft was let to John Good Logistics for a 10-year lease term at a rental equating to £34 psf. At the newly refurbished office building, Lakeside 300, at Broadland Business Park, Norwich a five-year letting was completed on part of the 2nd floor at a rental level equating to £18.50 psf. Furthermore, a new letting was also completed at Unit 3D at Priory Park, the Fund's multi-let industrial estate in Aylesford, Kent.

Some successful lease renewals were also completed during Q4. At the Fund's prime Birmingham multi-let industrial estate, Meteor

Park, Hermes Parcellforce renewed their lease and completed a 10-year lease at a significantly increased rental level £960,000 pa (previous rent was £546,568 pa). In addition, the rent at the Sainsbury's in Fallowfield, Manchester was also reviewed and increased from £2,155,429 pa to £2,263,201 pa during the quarter.

The Active team continued with the prime office redevelopment at North Bailey House in Oxford during Q4. Letting interest in this building has been exceptionally competitive and terms have been agreed to let all the space in the building at a rental which is likely to be a record level for the Oxford market. Also, in September the Fund secured planning consent for the redevelopment of the Colndale Road industrial estate at Poyle, near Heathrow airport. The planning consent provides for the delivery of 76,000 sq ft of new multi let industrial logistics space in a range of unit sizes.

UK Property Markets

UK Commercial Property Market Q4 2022

Economy

Following a tumultuous Q3 2022, the financial markets and economy calmed significantly in Q4 2022. From highs of c.4.5% in October, the 10-year government bond yield fell back to fluctuate between 3.15% and 3.75% during the month of December. Both the FTSE and sterling recovered over the same period, as the UK moved back into line with other developed markets.

The real economy has held up better than initially expected, with the UK avoiding a recession in Q4 2022. However, forward-looking indicators are still pointing towards a modest slowdown in the first half of 2023.

Property Markets

The higher bond yields in Q3 translated into higher property yields, which in turn led to a pause in investment activity. Overall investment volumes fell to their lowest quarter in four years, as All Property equivalent yields rose by 100 bps to 6.55%, and capital values dropped by -13.0%. This was the second-fastest quarterly decline in values on record, since the -14.3% observed in Q4 2008¹.

Retail

Retail sales volumes fell by -1.0% and yet price inflation meant that sales by value rose by 0.6% over Q4. Retail footfall improved in the weeks

leading up to Christmas. However, levels for December as a whole were c.+10% above those in 2021².

After remaining broadly unchanged in Q3, rents in Q4 turned slightly negative. Capital values fell by -10.5% in Q4. Equivalent yields rose by 90 bps to 7.10%, which was by less than those of the Office and Industrial sectors¹. With only £659 m of Retail transacting in Q4, this was the lowest quarterly volume on record³.

Office

Central London Offices lettings fell back in Q4 but were nonetheless in line with the long-term average⁴. The year as a whole was boosted by a large number of prelettings, because availability of high-quality space remains low. Overall vacancy stands at 9.9%. Average rents maintained their growth into Q4, rising by c.30 bps over the quarter¹. Birmingham, Leeds and Manchester all finished the year strongly.

Investment dropped sharply in Q4, by -60% q-on-q³. Prime yields moved out by 25-50 bps in Central London. West End prime initial yields reached 3.50% by year-end but have since moved higher still⁵.

Industrial

Take-up of Big Box Logistics space slowed further in Q4, but the year as a whole fell only slightly short of two peak years of 2020 and 2021. Availability rose slightly to 3.94%⁶. Rental growth was firmly positive but continued to slow from the highs achieved earlier in 2022¹.

Investment into the Industrial sector over Q4 fell sharply, with £2.1bn the lowest quarter

since 2019. Prime yields for Logistics increased by 100 bps over the quarter to 5.0%, almost as much as secondary yields at 125 bps⁷. Equivalent yields in Industrials increased sharply by 125 bps to 5.84%¹.

The result was a greater negative yield impact for this sector than for others, and particularly for lower-yielding prime assets. Total returns were strongly negative at -18.4% in Q4, the worst of the main sectors¹.

Alternatives

In stark contrast to other sectors, Residential saw its second-highest volume of transactions in Q4, at £4.5bn³. This was almost entirely due to the sale of the Student Roost portfolio for £3.34bn by GIC and Greystar.

Also contrary to the slowing rental growth trend seen in other sectors, the Residential sector is seeing rental growth increase. Quarterly growth of 0.6% over Q3 was surpassed by 1.8% in Q4. As a result, total returns were the least negative of all the sectors in Q4, at -3.7%¹.



Powis Place, Aberdeen

1 MSCI UK Monthly Index (12/22) 4 Colliers (12/22)
2 Springboard (12/22) 5 Knight Frank (12/22)
3 MSCI (12/22) 6 Savills (12/22)
7 CBRE (12/22)

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Data

All fund data as at 31 December 2022, unless stated otherwise.

The views expressed are those of Lothbury Investment Management Limited.

Unitholder Information

Launch Date

2 February 2000.

Valuation Point

11.59pm on the last Irish business day of the calendar month preceding the relevant Dealing Day.

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 5pm on the last Business Day of the calendar month preceding the relevant Dealing Day. Settlement to take place up to three Business Days following the relevant Dealing Day. Minimum investment is €100,000.

Redemptions

Quarterly. Notice to be served by 5pm on the date which is 10 Business Days before the penultimate Calendar Quarter End Date before that Dealing Day. The Unitholder will be notified of the Redemption price. Redemptions paid up to the fifth Business Day after the Pricing Day immediately following the relevant Dealing Day subject to the Manager's discretion to delay or suspend redemptions and/or the payment of redemption proceeds as further described in this Supplement.

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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