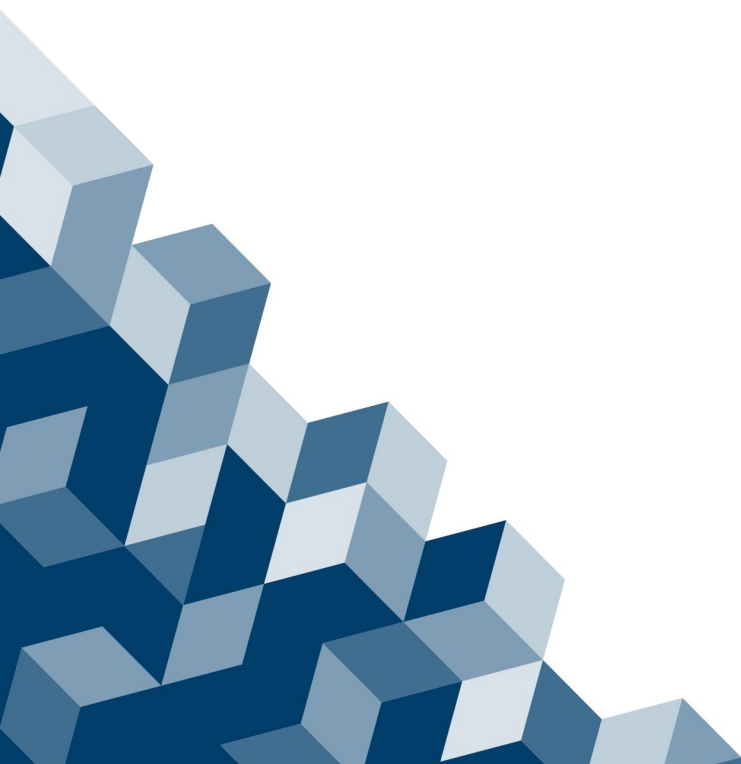


# Threadneedle Property Unit Trust

## Quarterly Report as at 31 March 2022

Confidential



# Contents

3	Mandate summary
4	Portfolio highlights
5	Market context
8	Fund overview
9	Portfolio characteristics
10	Portfolio sector and geographical positioning
11	Performance
12	Top 10 direct holdings and tenants
13	Investment activity
14	UK Real Estate: responsible investment
15	Responsible investment: key business initiatives
16	Responsible investment: highlights
17	Responsible investment: GRESB
18	Net Zero: Our corporate commitment
19	Net Zero: Fund pathway
20	Asset management activity
21	ESG reporting: EPC data
22	ESG reporting: Energy consumption
23	ESG reporting: Greenhouse gas (GHG) emissions
24	ESG reporting: Water and waste consumption
25	ESG reporting: Flood risk
26	Risk management report
29	Glossary of terms
30	Important information

# Mandate Summary

## Contact Information



Fund Manager	<b>James Coke</b>
Client Director Property	<b>James Allum</b>
Institutional Client Director	<b>Moirá Gorman</b>
Institutional Client Director	<b>Andrew Brown</b>
Central Contacts:	
Client Services Team	<b>clientservices@ columbiathreadneedle.com</b>
Consultant Relations Team	<b>consultantteam@ columbiathreadneedle.com</b>

## Mandate

Threadneedle Property Unit Trust is an unclassified open-ended unit trust originally established in 1967. The Fund has been domiciled in Jersey since 2002. The objective of the Fund is to provide indirect investment exposure to a diversified portfolio of property assets in the United Kingdom. Unitholders have a right to the income of the Fund, which is allocated monthly and paid at the end of each quarter. As Investment Advisor to the Fund, Columbia Threadneedle Investments follows a longstanding consistent investment approach to deliver long term outperformance against the Fund's MSCI/AREF UK All Balanced Property Fund Index benchmark.

## Fund Information

■ Total Assets	GBP 1,566 million
■ Benchmark	MSCI/AREF UK All Balanced Property Funds
■ Base currency	GBP
■ Reporting currency	GBP
■ Bid	318.77
■ Offer	341.80
■ NAV	322.68
■ Jersey domiciled property unit trust.	
■ Income distributed quarterly (can be reinvested)	
■ Prices and deals at month ends.	
■ Bid/offer spread maximum of 7.1%	

# Portfolio Highlights



NAV £1.6 billion



168 properties



Average lot size  
£8.6 million



723 tenancies



Gross rent roll  
£74.4 million p.a.



WAULT 4.6 years  
(6.6 years)



Vacancy rate 6.9%  
(9.8%)



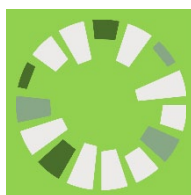
Net Initial Yield 4.8%  
(4.1%)



Equivalent Yield 6.0%  
(5.3%)



Cash 6.6%  
(4.6%)\*



GRESB Rating  
75/100



Total return 21.7%  
(12 months net Nav to Nav)  
(23.1%)\*

Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index (figures in brackets) and \*MSCI/AREF All Balanced Property Fund Index net debt % NAV, all as at 31 March 2022

# Market Context

## Market Commentary

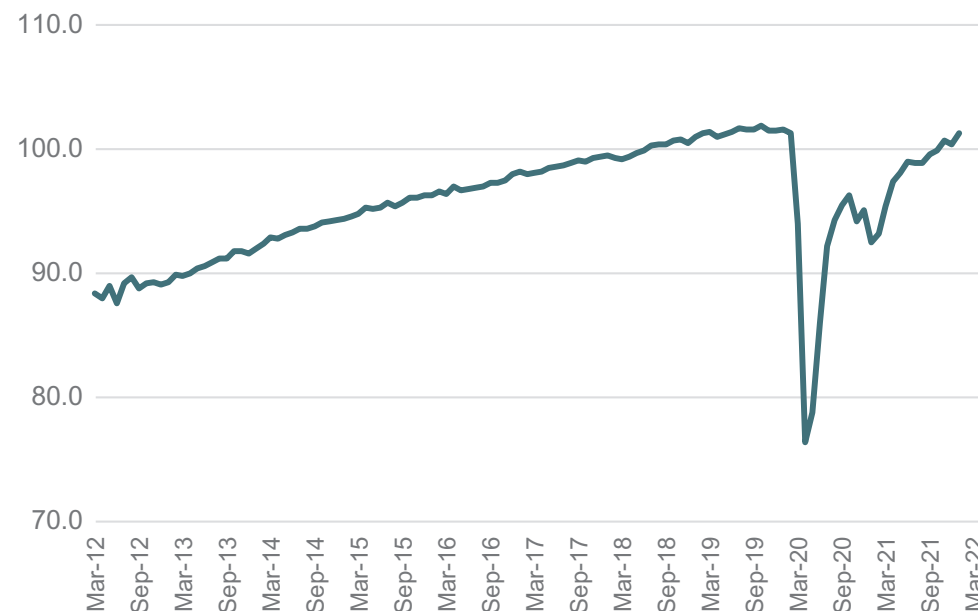
### Macroeconomy

The UK economy has continued its recovery despite the emergence of the Omicron Covid-19 wave, with GDP rising by 0.8% m/m in January 2022, more than reversing the 0.2% m/m contraction recorded in December 2021. The economy is now 1.5% above its pre-pandemic level following a further 0.1% m/m increase in February 2022.

Inflationary pressures have continued to impact upon global economies, compounded further by the Russian invasion of Ukraine and subsequent Western sanctions imposed on Russia which has elevated global gas and oil prices to their highest levels in more than a decade. CPI inflation rose to 7% in March 2022, from 6.2% in February, with forecasts suggesting a peak at c.8.8% in Q2 2022, remaining elevated throughout the rest of the year. In response to rising inflation, the Bank of England voted to increase interest rates to 0.75% in March 2022. Further rate increases are anticipated to be incremental, as the Bank balances a proportionate monetary response against a backdrop of higher prices and lower growth expectations.

The unemployment rate fell from 4.1% to 3.8% in the three months to February, representing a return to its pre-pandemic level, with the number of job vacancies reaching a high of 1.29 million. Whilst the labour markets remain buoyant, real terms pay continues to fall behind the pace of inflation, placing increasing pressure on household incomes. The government is not ignorant of these pressures and has committed a fiscal package of £22bn to help cushion the impact of inflation on households, which may limit any downward pressure on consumption.

## 10-year UK GDP (Indexed)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index, ONS GDP Monthly Estimate Feb 22, and LSH UKIT Q1 2022 report as at 31 March 2022.

# Market Context

## Market Commentary (continued)

### Investment volumes

Total UK commercial property investment volumes reached £16.8bn for Q1 2022 representing a 24% increase on the 5 yearly quarterly average, providing a strong indication of liquidity, and of sustained investor confidence in the UK property market.

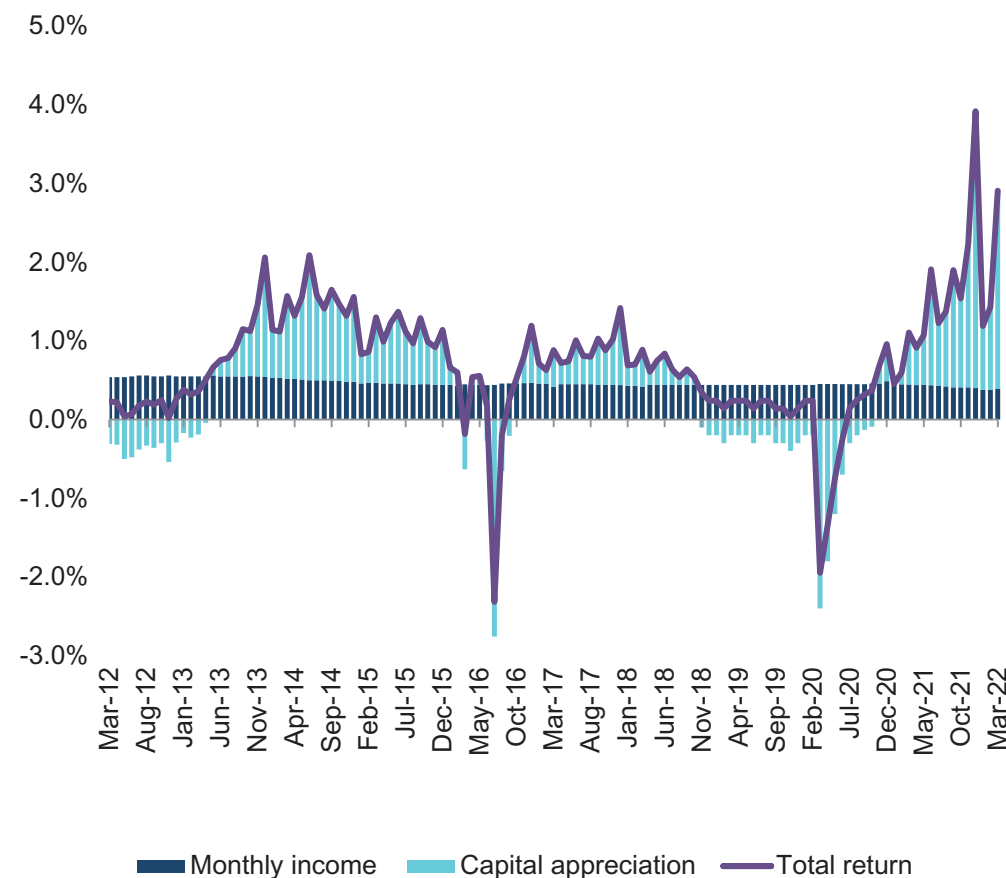
### Returns

Total returns for the UK property market continue to be positive, driven by sustained capital growth in the industrial and retail warehouse sectors. As represented by the MSCI UK Monthly Property Index, the market generated total returns of 5.6% for Q1, comprising an income return of 1.2% and capital growth of 4.4%.

The industrial sector recorded yet another strong quarter with capital value growth of 7.4%, while retail capital value growth reached 4.4%, which saw the shopping centre sub-sector return to positive capital growth of 0.4%. The office market saw capital growth remain positive at 0.6%, largely led by performance in the West End and City sub-markets, as investors recognise the dynamic occupational fundamentals of Central London.

On an annualised basis, total returns to 31<sup>st</sup> March 2022 were 23.9%, which represents the highest 12-month returns since September 1994.

## 10-year UK Commercial property total returns (Monthly)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q2 2022 report as at 31 March 2022.

# Market Context

## Market Commentary (continued)

### Occupational trends

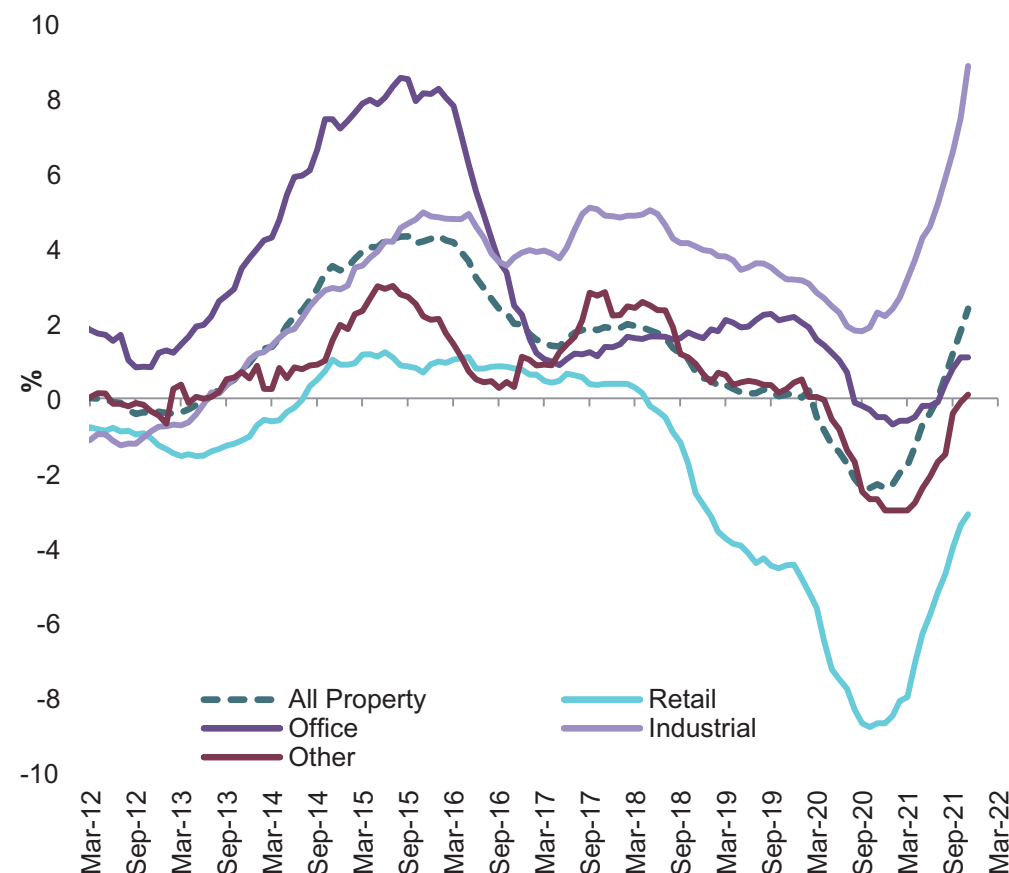
The occupier markets have been boosted by the end of Covid-19 restrictions, which has resulted in increased consumer and business confidence. The capital growth recorded in the industrial sector occurred in the context of continued strong occupier demand for logistics against a backdrop of severely constrained supply, leading to rental value growth of 3.4%. The retail sector saw rental values return to positive territory of 0.1%, as the retail warehousing sub sector recorded growth of 0.7%. The office market recorded continued stable growth of 0.3% despite the impact of the Omicron wave.

### Outlook

The “All Property” Net Initial Yield at the end of March 2022 compressed by a further 12bps to 4.3%, which is reflective of the positive capital appreciation evidenced above. Despite a rise in Base Rate (0.75%) and UK gilts reaching the highest point since October 2018 (1.98%, 19/04/22), the commercial property market continues to assert its highly attractive relative income attributes.

Whilst the Base Rate is expected to rise further during 2022, the impact on property pricing is likely to be less pronounced than in comparable periods historically due to more restrained lending practices and a high volume of investor capital seeking exposure to real assets. With inflationary pressures likely to remain elevated, the correlated nature of UK real estate rental income to inflation is likely to ensure capital flows continue to mitigate any short-term macroeconomic headwinds.

## 10-year UK Commercial property rental value growth (Annualised %)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q1 2022 report as at 31 March 2022.

# Fund Overview – Q1 2022

## Material Changes

- There are no material changes relating to arrangements for managing the liquidity of the Fund.

## Portfolio Activity

- The Fund has continued to selectively acquire assets that are consistent with its investment approach. It completed two purchases during the quarter, the first of which was The Range in Clacton-on-Sea. This comprises a 26,445 square foot solus retail warehouse let to CDS (Superstores International) Limited, trading as The Range, for a term certain of 8.5 years. The rent passing of £338,400 p.a. reflected £11.79 per square foot (psf) which is considered broadly rack rented. The property was acquired for £5.08m which represents an attractive net income yield of 6.2%.
- The second purchase was of ACI House, 55/57 Clarendon Road, Watford for £13.65m, reflecting a net initial yield (NIY) of 7.0%. The property comprises a 48,176 square foot office, prominently located within Watford's premier town centre office district. Watford is a leading South East office sub-market which attracts high calibre occupiers including TK Maxx, Ralph Lauren, PWC and ASOS. The property is let in its entirety to ACI Worldwide (EMEA) Limited until 18 December 2023, at a rent passing of £1,020,000 p.a. This equates to a low rent passing of £20.75 psf, which is highly discounted to the prime rents of £37 psf that are achieved in the locality. The fund intends to undertake a comprehensive refurbishment and reposition the building to capitalise on positive supply dynamics, by providing best-in-class sustainable accommodation that is amenity-rich and aligned to modern occupier demands of flexible working, staff wellness and strong ESG credentials. This should enable the Fund to capitalise on an anticipated step-change in rental values.
- As part of the successful programme of selling non-core assets at premiums to valuations, the Fund capitalised on the highly liquid industrial capital market through the sale of Springfield Road Industrial Estate, Hayes, which generated a 38.2% premium to prior valuation, at a sale price of £32.0m. This reflected a NIY of 2.4%. The Fund also sold 6-7 D'Arblay Street, Soho for £5.9m, which reflected a NIY of 4.1%. The property comprises a c.4,830 square foot office let to a single occupier until 11 May 2029. The property was compromised by a poor EPC E rating, which fails to meet the statutory MEES requirements in 2030 and also does not align with the fund's core ESG objectives.
- Total sales for the quarter were £40.3m, of which £18.7m was reinvested into purchases. The residual sales proceeds will be used to fund further opportunistic purchases deemed to present attractive performance prospects, as well as capital expenditure projects to enhance existing asset values.

## Rent Collection

- The Fund continues to work with its tenants on a case-by-case basis to agree appropriate strategies for rent collection while considering government legislation, industry guidance and the cash flow position of the occupiers' businesses. As a result of the work undertaken by the fund's asset and property managers, rent collection for the forthcoming quarter stands at 88.8% (as at Day 21).

## Liquidity

- The Fund continues to maintain a robust liquidity position with gross cash of £104.1m, equivalent to 6.6% of NAV (net 6.2%). We continue to closely monitor liquidity to protect the Fund against any residual market volatility, and to exploit buying opportunities as they arise.

## Performance

- The Fund delivered a total return of 4.0% for Q1, marginally underperforming its benchmark by -1.5%. For the year ending 31 March 2022, the Fund produced a total return of 21.7%. This represents the highest total return since September 1994, and reflects the attractive characteristics of the Fund, namely high relative income yields, significant portfolio diversification and the potential to add value through proactive asset management. The Fund's total returns continue to be supported by a high relative distribution yield of 3.8%, which was 31% above the benchmark level of 2.9% as of 31 March 2022.

## Attribution

- During the 12 months ending 31 March 2022, the fund's directly held property assets generated relative total returns of +1.7% against the broader property market (as represented by the MSCI UK Monthly index). This was achieved through a positive relative income return of +1.0% and positive capital value growth of +0.7%. The Fund's retail assets performed better than the wider market by +11.0%, delivering a total return of 33.8%. This was driven by capital appreciation of 31.0% in the retail warehouse sub-sector. Offices, however, underperformed by -3.8% relative to the market, producing a total return of 3.0%. The fund has taken a proactive approach to capital expenditure required to retain and enhance the long-term value of its office portfolio, which is reflected in these figures. The fund's industrial assets delivered total returns of over 40%, but marginally underperformed the market by -1.8%. Anecdotal evidence suggests this disparity is at least partly the result of transactional evidence favouring greater yield compression on a recorded total return of 20.0% (+9.2% against benchmark) as a result of both income and capital outperformance. (Source: MSCI, TPUT directly held assets compared to the MSCI UK Monthly Property index – March 2022).

## Outlook

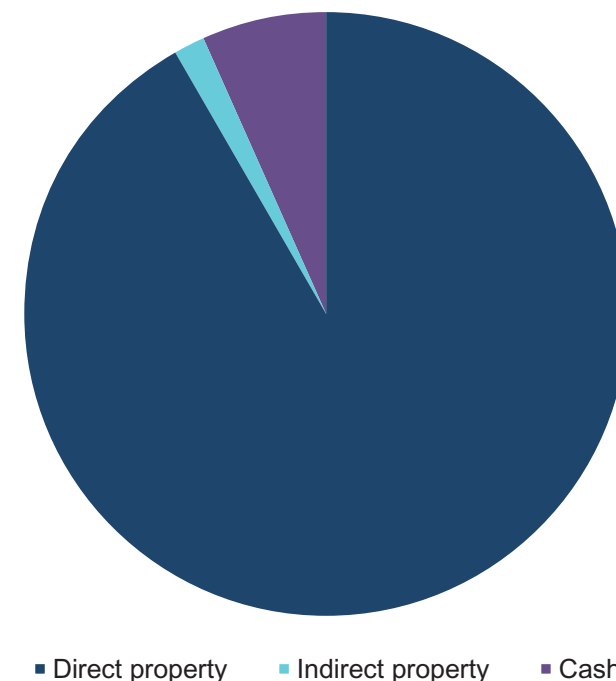
- As UK real estate continues to offer attractive relative performance attributes, we continue to believe the Fund is well placed to capture further growth prospects through its enduring focus on actively managing property assets to generate a high and sustainable income yield advantage from a diverse asset and tenant base. The Fund's property assets currently offer a NIY of 4.8% against 4.1% offered by the MSCI UK Monthly index. The Fund's overweight positions in regional industrials and retail warehouses should continue to provide a solid foundation for performance over the course of 2022.

# Portfolio Characteristics

<b>Net Fund Value</b>	£1,566 million
<b>Asset exposure</b>	Property, Cash, Indirect
<b>Cash</b>	6.6%
<b>Indirect</b>	1.7%
<b>Number of properties excluding indirect</b>	168
<b>Average lot size</b>	£8.6 million
<b>Total gross passing rent</b>	£74.4 million p.a.
<b>Number of occupied tenancies</b>	723
<b>Key tenants</b>	Top 10 tenants form 17.7% of total rent roll.
<b>Portfolio turnover ratio</b>	-7.94%

	TPUT	MSCI Monthly Index
<b>Net Initial yield</b>	4.8%	4.1%
<b>Equivalent yield</b>	6.0%	5.3%
<b>Distribution yield*</b>	3.8%	2.9%
<b>Average term to break</b>	4.6 years	6.6 years
<b>Vacancy rate</b>	6.9%	9.8%

**Fund composition**



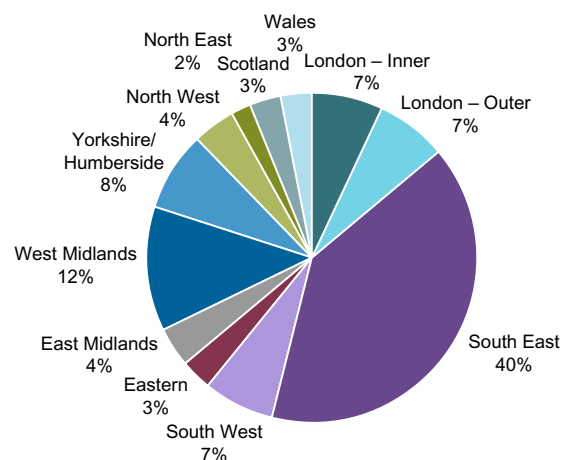
Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 31 March 2022.

\*Source: Columbia Threadneedle Investments as at 31 March 2022 compared to MSCI/AREF UK All Balanced Property Funds Weighted Average.

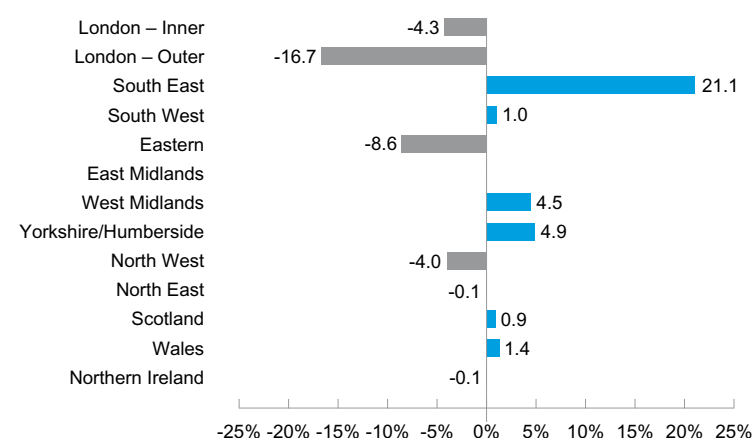
Distribution yield as at 31 March 2022

# Portfolio Sector and Geographical Positioning

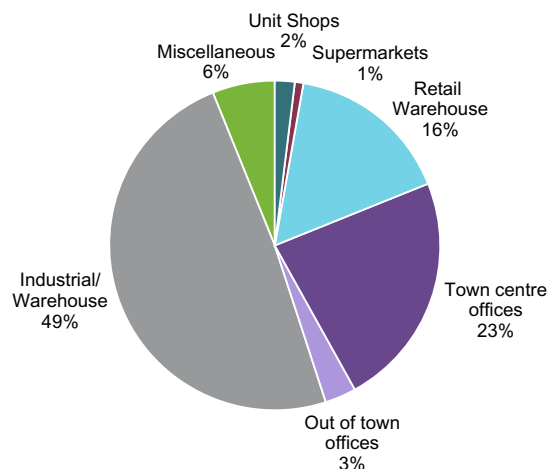
## Portfolio weighting – geographical split



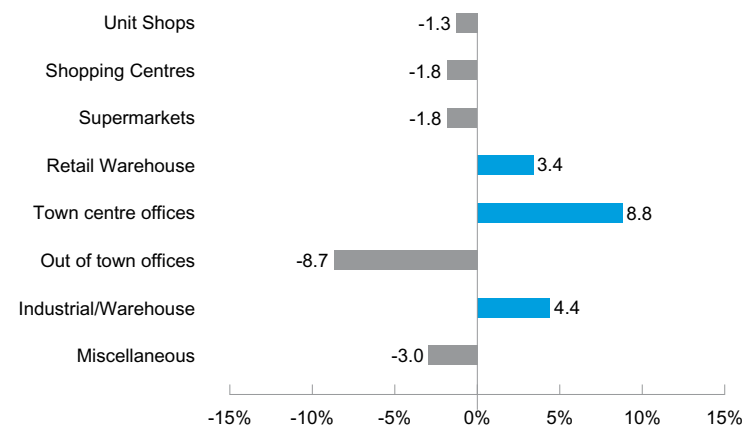
## Relative portfolio weighting (%) versus MSCI Monthly Index



## Portfolio weighting – sector distribution



## Relative portfolio weighting (%) versus MSCI Monthly Index

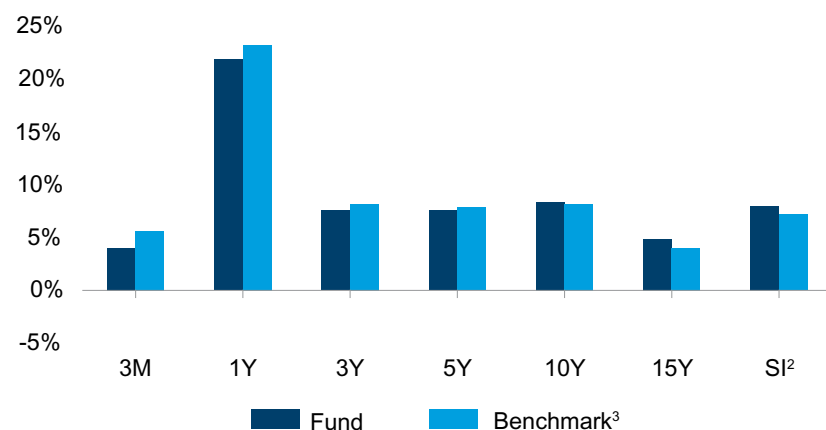


Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 31 March 2022

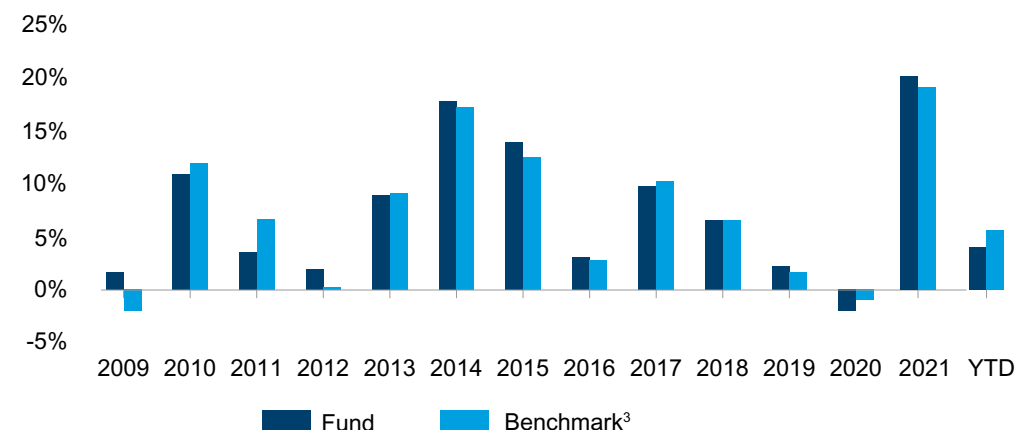
# Performance

## Long Term Performance

### Discrete periods<sup>1</sup>



### Calendar Years



### Fund Performance

### Annualised Performance

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	4.0	4.0	21.7	7.5	7.5	8.3	4.8	8.0
Benchmark**	5.6	5.6	23.1	8.1	7.8	8.1	4.0	7.1
Relative (Arithmetic)	-1.5	-1.5	-1.1	-0.6	-0.3	0.2	0.8	0.8

Source: AREF/IPD 31 March 1999

\* Since Inception – January 1999

\*\* MSCI/AREF UK All Balanced Property Funds Weighted Average. Based on NAV to NAV (net of fees) from 1/01/2014. Historical returns are for information purposes only.

Notes: 1. Periods > one year are annualised.

2. SI = Since Inception. 31 March 1999 Columbia Threadneedle Investments was appointed investment advisor to the Trust in November 1998.

3. Benchmark shown is the benchmark of the fund, as detailed on page 3.

Source: Portfolio – Columbia Threadneedle Investments. Based on NAV to NAV (net of fees).

Benchmark – MSCI/AREF UK All Balanced Property Funds Weighted Average. Based on NAV to NAV (net of fees) from 1/01/2014. Historical returns are for informational purposes only.

# Top 10 Direct Holdings and Tenants

## Property

Location	Name	Sector	Lot size (£m)
<b>Croydon</b>	19 Commerce Way	Industrial / Warehouse	50-100
<b>Trowbridge</b>	Trowbridge & Spitfire Retail Park	Retail Warehouse	25-50
<b>London W1</b>	46 Foley Street	Town Centre Offices	25-50
<b>Hampton</b>	Kempton Gate	Industrial / Warehouse	10-25
<b>York</b>	Foss Islands Retail Park	Retail Warehouse	10-25
<b>Rugby</b>	Swift Point	Industrial / Warehouse	10-25
<b>Wokingham</b>	Ashville Park	Industrial / Warehouse	10-25
<b>High Wycombe</b>	Stirling Road	Industrial / Warehouse	10-25
<b>London SW1</b>	Warwick House	Town Centre Offices	10-25
<b>St Albans</b>	Abbey View	Town Centre Offices	10-25

## Tenant

	% of rents passing
<b>EV Retail Limited</b>	3.5
<b>Tesco PLC</b>	2.4
<b>Travis Perkins PLC</b>	2.0
<b>Currys PLC</b>	2.0
<b>Norton Group Holdings Limited</b>	1.6
<b>AMC UK Holding Limited</b>	1.4
<b>Neuheim Lux Group Holding V</b>	1.4
<b>Envy Post Production Limited</b>	1.2
<b>Missouri Topco Limited</b>	1.2
<b>Pets At Home Holdings Limited</b>	1.2

Source: Columbia Threadneedle Investments as at 31 March 2022

# Investment Activity – Key Purchases and Sales Over Q1 2022

Property	Quarter	Sector	Price (£m)	Net Initial Yield
<b>Purchases</b>				
The Range, Clacton-on-sea	Q1 2022	Retail Warehouse	5-10	6.3
ACI House, Clarendon Road, Watford	Q1 2022	Town Centre Offices	10-25	7.0
<b>Sales</b>				
Albion Street, Derby	Q1 2022	Unit Shop	0-2.5	-1.8
14-16 Gloucester Road, Bristol	Q1 2022	Unit Shop	0-2.5	8.1
Springfield Road Industrial Estate, Hayes	Q1 2022	Industrial / Warehouse	25-50	2.4
The Old Mill, Old Mill Business Complex, Godalming	Q1 2022	Town Centre Offices	0-2.5	-
6/7 D'Arblay Street, London	Q1 2022	Town Centre Offices	5-10	4.1

Source: Columbia Threadneedle Investments as at 31 March 2022

Figures reflect headline prices and topped up rents where rental top ups provided by vendor.

# UK Real Estate: Responsible Investment

## Key principles



*“The real estate industry has a critical role to play in mitigating climate change. We must work collectively to ensure our buildings evolve to deliver against Net Zero targets. Investing in this commitment now will create long-term value for all our stakeholders.”*

**Joseph Vullo, Head of UK Real Estate**

***“We strive to be responsible stewards of our clients assets”***



We manage assets in accordance with longstanding ESG principles, enshrined within our UK Real Estate ESG Policy Statement and Refurbishment Guide

***“It’s everyone’s responsibility”***



ESG principles and performance metrics are embedded within our investment, asset management, refurbishment and property management processes

***“Investing responsibly is complimentary to our funds’ financial objectives”***









Our active management bias provides the best potential to deliver positive environmental and social outcomes alongside financial performance

Source: Columbia Threadneedle Investments, as at 31 March 2022.

Sustainability risks are integrated into the fund’s investment decisions making process for financial Risk Management purposes only. The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus.

# Responsible Investment: key business initiatives

## Delivering positive outcomes

 Policy Statement	 Governance	 Environmental	 Net Zero	 Social	 Reporting
<ul style="list-style-type: none"> <li>■ ESG Working Group set up in 2018 to draw together existing workstreams and formalise existing longstanding working practices</li> <li>■ ESG Policy Statement and Refurbishment Guide enshrined 2019</li> <li>■ ESG incorporated within Managing Agent KPIs since 2021</li> <li>■ Personal ESG Goals introduced from 2021</li> </ul>	<ul style="list-style-type: none"> <li>■ UKRE business benefits from established robust UK and offshore governance framework</li> <li>■ Internally and externally audited</li> <li>■ Latest ISAE report released January 2022</li> <li>■ ESG governance and oversight framework improved 2021 by introduction of ESG Steering Group</li> </ul>	<ul style="list-style-type: none"> <li>■ GRESB participation since 2011 (TPUT)</li> <li>■ SDGs provide framework to independently monitor environmental performance</li> <li>■ On-going engagement with largest tenants to improve FRI data sharing</li> <li>■ Physical Risk Screening Assessments completed in November 2021, complementing prior workstreams</li> </ul>	<ul style="list-style-type: none"> <li>■ UKRE Net Zero Pathway published August 2021</li> <li>■ Fund Net Zero pathways published October 2021</li> <li>■ Fund Net Zero sensitivity analysis completed Q1 22</li> <li>■ Asset level Net Zero Carbon audits and Sustainability reports to be completed through 2022</li> <li>■ Fund targets to be set during 2022</li> </ul>	<ul style="list-style-type: none"> <li>■ Annual tenant engagement surveys</li> <li>■ Social Value Framework embedded within Refurbishment Guide and being trialled on largest service charges</li> <li>■ Community Spaces trial in vacant property</li> <li>■ Active Management provides ad-hoc engagement opportunities</li> <li>■ Wider social engagement via the Columbia Threadneedle Foundation</li> </ul>	<ul style="list-style-type: none"> <li>■ ESG introduced into standard reporting from 2017</li> <li>■ Responsible Investment Paper in 2019 updated investors on our approach and commitments</li> <li>■ Reporting suite has evolved over time taking into account prevailing regulations, including:               <ul style="list-style-type: none"> <li>■ SECR*</li> <li>■ SFDR*</li> <li>■ TCFD*</li> </ul> </li> </ul>

Source: Columbia Threadneedle Investments, as at 31 March 2022. \*Note, not all regulations are applicable to all UK Real Estate strategies. Material is illustrative only. Sustainability risks are integrated into the fund's investment decisions making process for financial Risk Management purposes only. The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus.

# Responsible Investment: portfolio monitoring

## Sustainability Dashboard – quarterly performance metrics

### Property infrastructure: EPCs

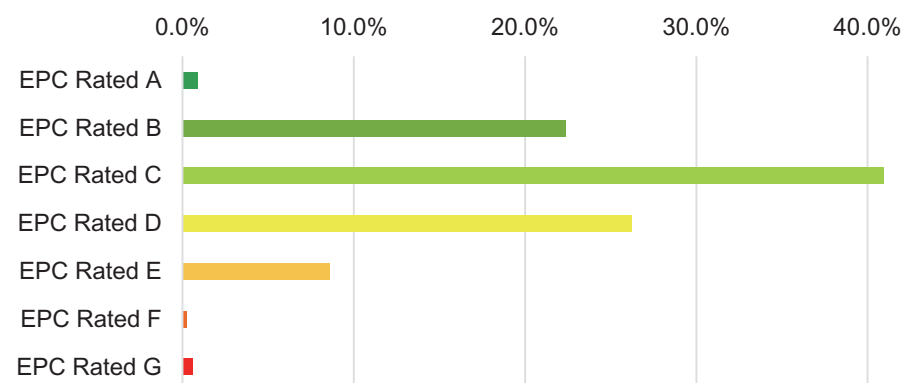
*Target EPC 'B' by 2030*



#### Key performance metrics

Portfolio coverage (whole portfolio)	97.8%
Works projects completed (past 12 months)	13
Refurbishments delivered 'B' or better	91.4%

#### Property Portfolio EPC Ratings by ERV



### Property performance: Energy use

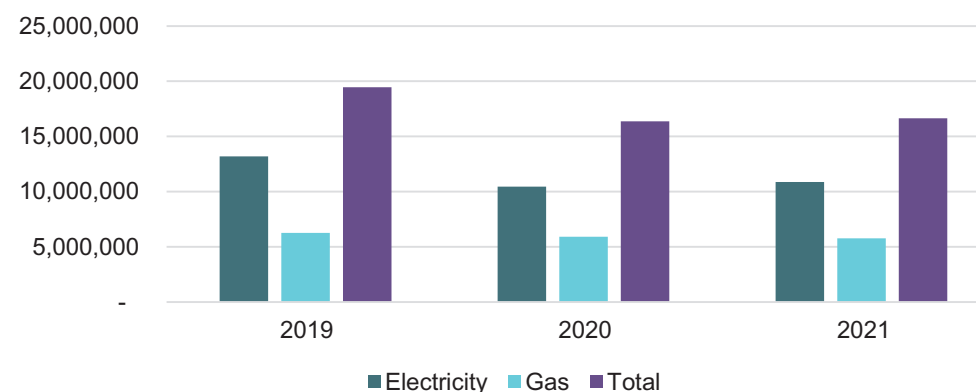
*Target 20% reduction by 2030\**



#### Key performance metrics

Portfolio coverage (LL managed portfolio)	85%
Energy consumption change L-f-L Y-on-Y*	+1.7%
Energy consumption change vs baseline*	-14.5%

#### Landlord portfolio like-for-like Energy Consumption (12-months to quarter end)



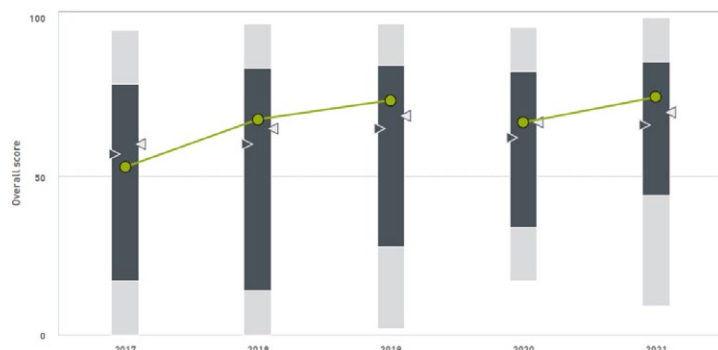
Source: Columbia Threadneedle Investments. EPC data as at 31 March 2022, portfolio coverage as % ERV. Refurbishments delivering EPC B or better expressed as % contract value excluding works which have no impact on EPC (e.g. redecoration). Energy data as at 31 December 2021, portfolio coverage as % floor area. \*Energy target expressed against 31 December 2019 baseline, based on assets where the fund has operational control (the 'landlord managed portfolio'). Targets are indicative and are in no way a guarantee of performance. Sustainability risks are integrated into the fund's investment decisions making process for financial Risk Management purposes only. The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus.

# Responsible Investment: GRESB

## Threadneedle Property Unit Trust 2021 GRESB results



**G R E S B**  
★ ★ ★ ☆ ☆ 2021



### Global Real Estate Sustainability Benchmark

#### Key takeaways

- Tenth year of the Fund's submission to GRESB
- Scored 75 out of 100 (Peer Average = 69)
- Ranked 25<sup>th</sup> within its peer group of 102 funds

#### Strengths

- Management scored 30/30
- Improvements recognised in reporting
- Data monitoring (especially energy and GHG) consistently score well

#### Areas of improvement

- Building certification (note: inconsistent with Fund strategy)
- Water / waste landlord data coverage currently incomplete
- Engagement with tenants required to improve data coverage on FRI buildings

Source: Columbia Threadneedle Investments, as at 30 September 2021. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners. Sustainability risks are integrated into the fund's investment decisions making process for financial Risk Management purposes only. The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus.

# Responsible Investment: Net Zero carbon

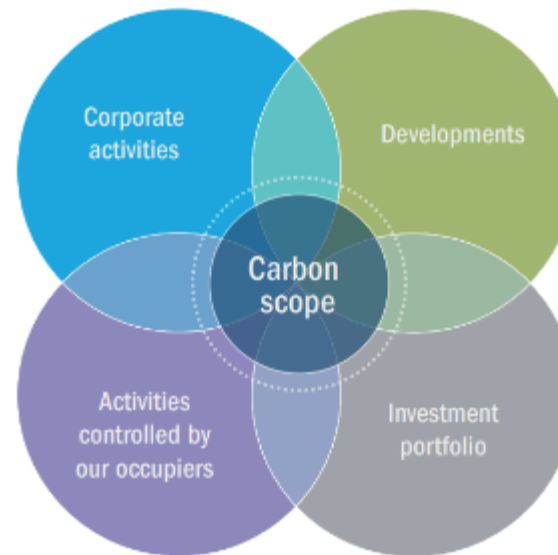
## UK Real Estate commitment to decarbonise our portfolios

*Our commitment is to achieve Net Zero carbon across all commercial real estate assets managed for our clients by 2050 or sooner.*

- Each fund will set interim targets to measure and drive progression towards the ultimate 2050 target
- This commitment covers whole building emissions including our occupiers
- Driving change through the supply chain requires effective occupier and supplier engagement
- Initiatives underway include our Stewardship Code for contractors, and Green Lease clauses which we encourage our occupiers to adopt

All operational energy and water consumption, all waste produced and all travel associated with our business activities

All embodied carbon within developments, refurbishments and the fit-outs that we manage



All occupier-controlled energy, water and waste consumed and produced through our managed portfolio

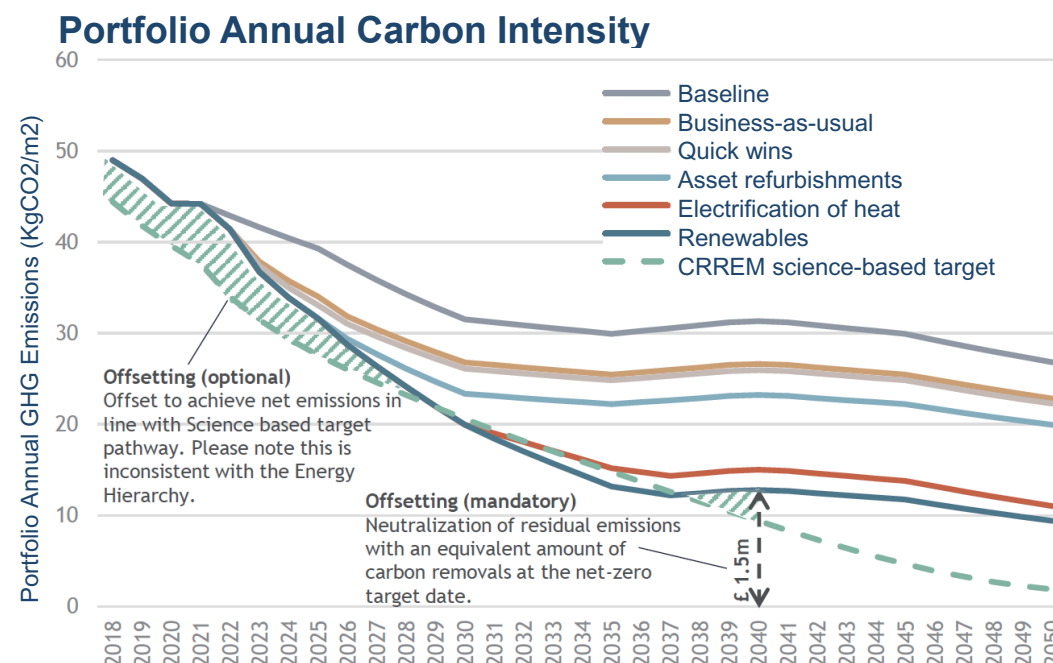
All landlord-controlled emissions, water and waste consumed and produced through our managed portfolio

Source: Columbia Threadneedle Investments UK Real Estate Net Zero Strategy & Pathway, as at August 2021. Sustainability risks are integrated into the fund's investment decisions making process for financial Risk Management purposes only. The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus.

# Responsible Investment: Net Zero fund pathway

## Threadneedle Property Unit Trust pathway to Net Zero

Action	EVORA Modelled time	EVORA Modelled cost	Est. Energy consumption saving
Quick wins	2022-25	£2.2m	<10%
Major asset refurbishment	2022-30	£30.0m	c30%
Use of renewables	2025-37	£15.9m	c27%
Electrification of heat	2030-35	£48.6m	
<b>Cumulative cost &amp; saving impact</b>		<b>£96.7m / £5.4m p.a.</b>	<b>c67%</b>
Offsetting	2040	£1.5m p.a.	Residual



- Net Zero pathway completed in October 2021 and sensitivity analysis completed in February 2022
- Between 2017-2021 Threadneedle Property Unit Trust completed **128** capital projects investing an average **£8.7 million** per annum in building improvements
- Cap ex budgeted for 2022 is approximately **£14.6 million**
- Yield impact would be offset by rental increase of **+2.0%** based on current passing rent

Source: EVORA Net Zero Target & Sensitivity Analysis, Threadneedle Property Unit Trust, as at 31 March 2022.. Sustainability risks are integrated into the fund's investment decisions making process for financial Risk Management purposes only. The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus.

# Asset management activity

## Building improvements: Skydome, Coventry

- **161,900 sq. ft. leisure complex. Fund's highest energy consuming asset**
- Sustainability audits undertaken since 2018, resulting in increased awareness of energy action plan
- Capex of £1.4 million allocated to replace legacy boilers, upgrade and improve the BMC and replace the roof
- New energy efficient boilers have reduced energy consumption by 25% against preceding average use
- New 417kWp photovoltaic (PV) system using high wattage panels have been installed on the roof, which supply power equivalent to approximately 10.8% of current electricity usage, reducing demand on the Grid
- Phase 2 works being considered (additional PV panels and upgrade of AHUs)



### Outcomes:



Financial



Environmental



Social

50% of the cost of replacing the boilers and roof covering is being recovered through the S/C. PV panels forecast to generate annualised IRR in excess of 15%

New boilers have reduced energy consumption by 25%. New PV panels generate an additional 10.8% of current electricity usage

Greener energy benefits all users. Additional on-going projects

# ESG Reporting: EPC Data

**Target: MEES Regulations require minimum EPC 'C' by 2027 and 'B' by 2030**

	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Target
Property assets	190	184	173	168	167	–
Rateable units	849	841	804	775	755	–
EPC coverage (% rateable units)	93.6%	96.8%	97.8%	98.8%	97.6%	100%
EPC rated A (% rateable units)	0.4%	0.4%	0.5%	0.6%	0.7%	c25%
EPC rated B (% rateable units)	15.3%	16.3%	16.9%	16.9%	17.7%	c75%
EPC rated C (% rateable units)	36.4%	37.1%	38.7%	39.5%	38.4%	0% by end 2030
EPC rated D (% rateable units)	30.0%	31.9%	30.3%	29.9%	28.7%	0% by end 2027
EPC rated E (% rateable units)	9.7%	10.0%	10.2%	11.0%	11.1%	0% by end 2027
EPC rated F (% rateable units)	1.1%	0.6%	0.5%	0.4%*	0.3%*	0% by end 2022
EPC rated G (% rateable units)	0.9%	0.6%	0.6%	0.5%**	0.5%**	0% by end 2021

Source: Columbia Threadneedle Investments. Notes: As at 31 March 2022. \* three properties have units rated EPC 'F'; two are located in Scotland which is subject to differing rating systems and regulations, and one is being refurbished to EPC 'A' specification (TBC) \*\* one property has units rated EPC 'G', this is located in Scotland and is subject to planned refurbishment in 2022. Targets are indicative and are in no way a guarantee of performance

# ESG Reporting: Energy Consumption

	2018	2019	2020	12-months ending 31 March 2021	Target
<b>Property assets</b>	242	240	198	190	n/a
<b>Landlord managed assets (S/C)</b>	98	97	90	89	n/a
<b>Data coverage: landlord-managed assets (gross floor area)</b>	89%	79%	77%	84%	100%
<b>Tenant managed assets (FRI)</b>	144	143	108	101	n/a
<b>Data coverage: tenant-managed assets (gross floor area)</b>	20.5%	23.0%	29.0%	29.33%	TBA
<b>Data coverage: whole portfolio (gross floor area)</b>	53.4%	55.7%	61.7%	60.18%	TBA
<b>Total portfolio energy consumption – absolute</b>	26,921,092 kWh (12.2%)	25,489,785 kWh (-5.3%)	21,701,092 kWh (-15.0%)	39,620,283 kWh (84.8%)	TBA
<b>Total portfolio electricity consumption – absolute</b>	16,444,766 kWh (21.4%)	17,842,685 kWh (8.5%)	13,773,889 kWh (-30.5%)	27,258,720 kWh (100.8%)	TBA
<b>Total portfolio gas consumption – absolute</b>	10,476,323 kWh (20.9%)	7,577,826 kWh (-27.7%)	6,554,657 kWh (-15.6%)	12,361,563 kWh (89.9%)	TBA

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway. Please note whole portfolio coverage data mobilised annually and will show as static in intervening periods.

# ESG Reporting: Greenhouse Gas (GHG) Emissions

	2018	2019	2020	12-months ending 31 March 2021	Target
<b>Property assets</b>	242	218	198	190	n/a
<b>Landlord managed assets (S/C)</b>	98	92	90	89	n/a
<b>Data coverage: landlord-managed assets (gross floor area)</b>	86%	86%	86%	84%	100%
<b>Tenant managed assets (FRI)</b>	144	143	108	101	n/a
<b>Data coverage: tenant-managed assets (gross floor area)</b>	17.0%	17.6%	29.0%	29.33%	TBA
<b>Data coverage: whole portfolio (gross floor area)</b>	48.8%	50.0%	61.7%	60.18%	TBA
<b>GHG emissions – absolute (year on year % difference)</b>	7,615 tonnes (7.6%)	5,993 tonnes (-21.3%)	3,966.0 tonnes (-33.8%)	8,052 tonnes (105.6%)	TBA

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway. Please note whole portfolio coverage data mobilised annually and will show as static in intervening periods.

# ESG Reporting: Water and Waste Consumption

		2018	2019	2020	12-months ending 31 March 2021	Target
<b>Property assets</b>		242	218	196	190	n/a
<b>Landlord managed assets (S/C)</b>		98	92	90	89	n/a
<b>Data coverage: landlord-managed assets (gross floor area)</b>	Water	39%	39%	31%	33%	100%
	Waste	14%	27%	27%	24%	100%
<b>Tenant managed assets (FRI)</b>		144	143	124	101	n/a
<b>Data coverage: tenant-managed assets (gross floor area)</b>	Water	0	8.0%	8.7%	13.00%	TBA
	Waste	0	13.2%	14.07%	17.00%	TBA
<b>Data coverage: whole portfolio (gross floor area)</b>	Water	15.7%	23.2%	24.0%	24.49%	TBA
	Waste	7.0%	20.0%	21.1%	20.94%	TBA
<b>Total water consumption – absolute</b>		130,373 m <sup>3</sup>	279,902 m <sup>3</sup>	271,535 m <sup>3</sup>	46,787 m <sup>3</sup>	TBA
<b>Total waste consumption – absolute</b>		399.00 tonnes	788.72 tonnes	8,795.74 tonnes	1,586.35 tonnes	TBA

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway. Please note whole portfolio coverage data mobilised annually and will show as static in intervening periods.

# ESG Reporting: Flood Risk

**Target: to monitor and report flood risk for every asset on an annual basis**

Portfolio risk exposure by value	2019	2020	2021	2022 (31 March)	Target
<b>Property assets</b>	206	199	168	165	n/a
<b>Low</b>	164 (74.9%)	158 (75.1%)	135 (74.5%)	133 (74.9%)	n/a
<b>Medium</b>	33 (21.6%)	32 (21.3%)	27 (22.3%)	27 (22.0%)	n/a
<b>High</b>	5 (2.2%)	5 (2.1%)	3 (1.7%)	4 (2.5%)	n/a
<b>Extreme</b>	4 (1.4%)	4 (1.5%)	3 (1.5%)	1 (0.6%)	n/a

Extreme risk assets	High risk assets
Sheffield, The Square	Bristol, 786 Fishponds
	Redhill, Red Central
	Galashiels, Gala Water Park
	London E10, Lea Bridge Road

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated.

Notes: Two assets rated 'High Risk' sold in Q4 2021: Derby, 20-25 Albert Street and Bristol, 2 Zetland Road. Flood Risk Assessments commissioned on residual High / Extreme risk assets.

Physical Risk Screening Analysis undertaken November 2021 to compliment the above flood risk statistics and is available on request.

# Risk Management Report – Threadneedle Property Unit Trust (TPUT) – March 2022

The key areas of risk impacting this fund as at the end of March 2022 are outlined below:

Key:  Low Risk  Medium Risk  High Risk

RISK DESCRIPTION	SENSITIVITY	MEASURES	RISK COMMENT (Limits exceeded/ positive risks)
<b>Liquidity</b>	Medium – Open ended Fund but Trust Deed provides the manager with the power to control inflows and outflows if in the interests of remaining Unit Holders.	Current target liquidity of 6.5% of GAV with temporary ceiling of 8.5% under Trust inflow protocol.	<b>Liquidity at quarter end: 6.6%</b>
<b>Leverage</b>	Low – Scheme restricts allowable leverage limits	Trust deed permits leverage up to 35% of NAV. Investment Guidelines strategic aim of borrowing at maximum 10% of GAV	<b>Current leverage: Nil</b>
<b>Development</b>	Low – significant spread of property with no current speculative development.	Trust deed sets a maximum 20% of NAV (not let or pre-let). Investment Guidelines restrict to maximum 10% of NAV (not let or pre-let) to be in course of substantial development.	<b>Total Current Development as % NAV: Nil</b>
<b>Market</b>	Medium – Fund exposed to impact of volatility within the market	5 year monthly total return volatility using the MSCI UK Monthly Property Index	<b>5 year monthly total return volatility as at end-March 2022: 8.70%</b>
<b>Single Occupancy Risk Exposure</b>	Low – good spread and diversity of tenants	Trust Deed: Exposure to single tenant as percentage of total rental income not to exceed 20%. Investment Guidelines: restricted to 10% of total rental income.	<b>Current highest rental income from one tenant: 3.48% of total rental income.</b>
<b>High Value Property</b>	Low – Pre-purchase due diligence and diversity of portfolio.	Trust Deed: Maximum allowable value of any one purchase: 15% of NAV. Investment Guidelines: Maximum 10% of GAV on an ongoing basis.	<b>Largest current property asset as % of GAV: 4.0%</b>
<b>Single Investor</b>	Medium – Monthly dealt fund with no restriction on maximum investment	Optimum maximum exposure of no more than 10% total investment from one single investor	<b>Highest single investment at quarter end: 6.10%</b>
<b>Vacancy Rates</b>	Low – good spread and diversity of tenants	No specific tolerance in Trust Deed but up to 15% of total Estimated Rental Value (ERV) excluding property under redevelopment would be regarded as tolerable.	<b>Total Estimated Rental Value of vacant space at end of quarter: 6.9%</b>
<b>Rental collection</b>	Medium – Large number of properties with rental income focused on wide number of tenants.	Target: 95% of Rental Income to be collected within 21 days of quarter day	<b>Quarter ending March 2022: 88.82% collected at day 21<sup>1</sup></b>
<b>Counterparty</b>	Low – Minimal Counterparty Exposure	No Maximum restriction within scheme.	<b>Deposits with single bank at end of quarter: 6.66% of GAV.</b>
<b>Leasehold interest</b>	Low – Low incidence of short leasehold interest	Trust Deed: not more than 15% of NAV to comprise leasehold interests with less than 60 years unexpired.	<b>Value of leasehold properties with less than 60 years unexpired: Less than 1% of NAV</b>

<sup>1</sup> Collection of rent has been significantly impacted by the COVID-19 pandemic and is being closely monitored.

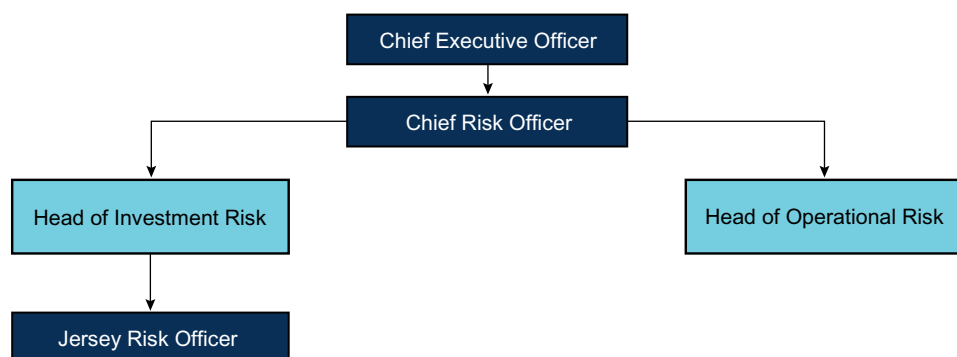
# The Columbia Threadneedle Investments EMEA Property Risk Management System

The Columbia Threadneedle Investments EMEA Property Risk Management Team (the “Risk Team”), collectively provides risk management services to all Columbia Threadneedle Investments entities. The Risk Team function is led by the Head of Investment Risk and the Head of Operational Risk reporting to the Chief Executive Officer of Columbia Threadneedle Investments.

The Risk Team:

- Oversees implementation of the risk management policy and procedures;
- Oversees compliance with risk limits within each property fund;
- Provides advice regarding the identification of the risk profile of a Fund;
- Provides regular reports to various Boards and relevant committees on:
  - the consistency between the current level of risk incurred by each Fund and the risk profile agreed for that Fund;
  - the compliance of the Funds with risk limits identified in fund prospectus or investment management agreements; and
  - the adequacy and effectiveness of the risk management process, indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies;
- Ensures regular reports are provided outlining the current level of risk incurred by the relevant fund and any actual or foreseeable breaches to their limits, so as to ensure that prompt and appropriate remedial action can be taken.

A structure chart of the Risk Team as it relates to property risk is provided below. The Risk Team has an independent reporting line to the CEO of Columbia Threadneedle Investments:



Threadneedle Investments (Channel Islands) Limited as Manager of the Fund have appointed an independent Jersey Risk Officer.

The Jersey Risk Officer oversees regular monitoring of risk data associated with the Fund. Typically, this data comprises a combination of:

- Market price risk data
- Leverage and interest rate risk
- Liquidity and cash flow risk
- Tenant credit rating
- Tenant exposure
- Rental income and collection
- Vacancy rates within the fund

Data is monitored in conjunction with the investment rationale for the property Funds and any Investment Management agreements in place to ensure that the risks faced by the Fund are assessed adequately and controlled appropriately.

The Risk Team is responsible for overseeing the provision of data, risk analysis and recommendations that are reliable, timely and accurate and its performance is the subject of regular periodic reviews by the Columbia Threadneedle Investments (Group level) internal audit function.

Columbia Threadneedle Investments purchases Professional Indemnity insurance in order to cover its perceived risks to a level in accordance with regulatory requirements and commensurate with its needs as a responsible asset manager.

This insurance is purchased as part of the Columbia Threadneedle Investments Group insurance arrangements, is reviewed on an annual basis and is administered by the Property Governance and Insurance Team.

Columbia Threadneedle Investments' fund managers and support staff collectively meet on a monthly basis to discuss all funds and potential impacts/strategy in an open forum, which is attended by the Property Governance and Insurance Team.

### **Material Changes**

Rental collection – The risk rating changed from Green to Red as only 57.55% of rent was collected within 21 days of quarter day due to the current exceptional market environment.

**Kevin Mundy**  
**Jersey Risk Officer**  
**March 2022**

# Glossary of Terms

■ **NAV:** The net asset value of the Fund will be calculated as at the last Business Day of each month (a “Pricing Day”). More details are available in the Prospectus.

■ **Bid/Offer Spread:** The bid/offer spread on units reflects the costs of buying and selling investments.

■ **Initial yield:** The rent passing net of ground rent, NR, as a percentage of the gross capital value, GCV, at the same date.

$NR / GCV$

■ **Reversionary yield:** The open market rental value net of ground rent, NOMRV, as a percentage of the gross capital value, GCV, at the same date.

$NOMRV / GCV$

■ **Equivalent yield:** The estimate of the discount rate which equates the future income flows relative to gross capital value. The equivalent yield discounts the current rental value in perpetuity beyond the last review date recorded for the tenancies in the subset. IPD projected cash flows are estimated from records of current tenant rents, ground rents, open market rental values, rent review and lease expiry dates, and tenant options to break, assuming upward only rent reviews to expiry of the lease and that tenant options to break are exercised when the tenant rent exceeds the market rent.

■ **Distribution yield:** Except where indicated, a fund’s distribution yield is the sum of its distributions per unit over 12 months as a percentage of its net asset value per unit at the end of that period. The distributions used in the calculation are those earned/accrued, rather than paid, during the twelve months, and are gross of tax, net of fees.

■ **MSCI UK Monthly Property Index:** The MSCI UK Monthly Property Index measures returns to direct investment in commercial property. It is compiled from valuation and management records for individual buildings in complete portfolios, collected direct from investors by IPD. All valuations used in the Monthly Index are conducted by qualified valuers, independent of the property owners or managers, working to RICS guidelines. The Monthly Index shows total return on capital employed in market standing investments. Standing investments are properties held from one monthly valuation to the next. The market results exclude any properties bought, sold, under development, or subject to major refurbishment in the course of the month. The monthly results are chain-linked into a continuous, time-weighted, index series.

■ **MSCI/AREF UK All Balanced Property Funds Weighted Average:** The MSCI/AREF UK All Balanced Property Funds Weighted Average Index measures Net Asset Value total returns on a quarterly basis. NAV in Index is the NAV of the index after the elimination of cross-holdings and deduction of management fees. Returns to the MSCI UK Monthly Property Index and to the MSCI/AREF UK All Balanced Property Funds Weighted Average Index are not directly comparable. This is largely because the UK Monthly Index measures the performance only of direct property market investments and because it excludes the impact on returns of developments and transactions. In contrast, returns to the MSCI/AREF UK All Balanced Property Funds Weighted Average Index include the impact of both developments and transactions as well as the returns from other assets (such as cash and indirect property investments), and the impact of leverage, fund-level management fees and other non-property outgoings.

■ **Portfolio turnover ratio:** Defined as the total value of the quarterly purchases and sales minus the total value of the funds’ new issues and redemptions expressed as a percentage of the average NAV over the proceeding four quarters.

# Important Information

For investment professionals use only (not for onward distribution to, or to be relied upon by private investors).

Past performance is not a guide to future performance. The value of investments and any income from them can go down as well as up. This material is for information only and does not constitute an offer or solicitation of an order to buy or sell any securities or other financial instruments, or to provide investment advice or services.

The research and analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed.

The funds invest in assets that are not always readily saleable without suffering a discount to fair value. The portfolio may have to lower the selling price, sell other investments or forego another, more appealing investment opportunity. Where investments are made in assets that are denominated in foreign currency, changes in exchange rates may affect the value of the investments.

Information for holder of units of the Threadneedle Pension Property Fund: Threadneedle Pensions Limited provides insurance policies that entitle to holder to the value determined with reference to the underlying investment in a pooled pension fund. The holder of a policy does not own the units in the selected fund. Columbia Threadneedle Investments does not give investment advice.

In the UK, the Trust is an unregulated collective investment scheme for the purposes of Section 238 of the Financial Services and Markets Act 2000. Accordingly, this document must not be communicated to retail persons in the UK but may only be communicated to persons described in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions Order) 2001 and to persons whom units are permitted to be promoted in accordance with the FCA's

Conduct of Business rules. Approved for UK purposes by Threadneedle Asset Management Limited and Threadneedle Portfolio Services Limited. Authorised and regulated by the Financial Conduct Authority. Investors are advised that the protections afforded by the UK regulatory system may not apply to an investment in the Fund and compensation will not be available under the UK Financial Services Compensation Scheme.

In Jersey, the Trust, which is regulated by the Jersey Financial Services Commission, is treated as an unclassified fund for the purposes of the Collective Investment Funds (Jersey) Law 1998. Units in the Trust may only be promoted in accordance with the aforementioned legislation.

This document should not be circulated to private investors.

This document does not constitute or form any part of any offer to issue or sell, or any solicitation of any offer to subscribe or purchase, any units nor shall it or the fact of its distribution form the basis of, or be relied on in connection with any contract therefore. Recipients of this document who intend to apply for units are reminded that any such application may be made solely on the basis of the information and opinions contained in the prospectus and seek independent taxation advice.

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Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.