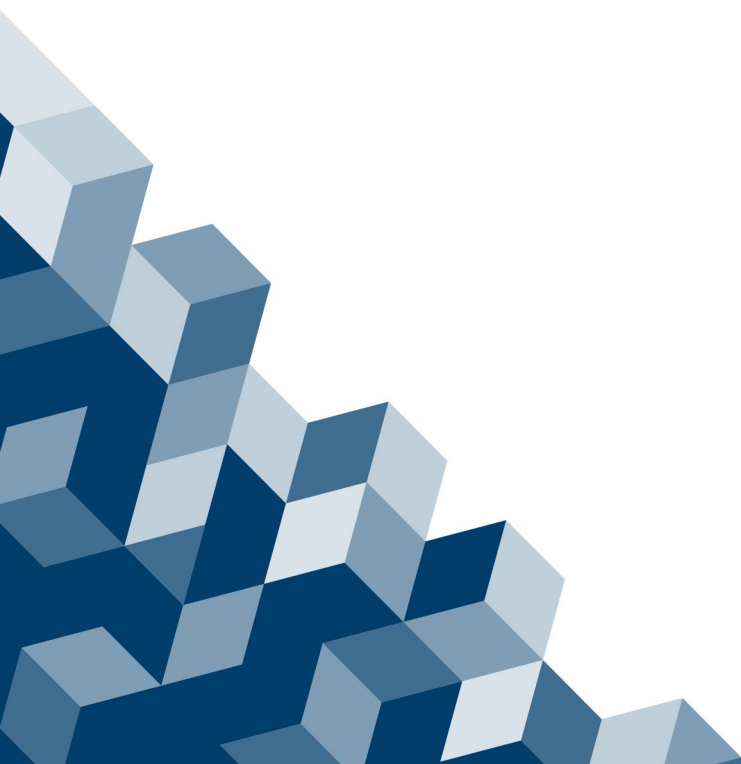


# Threadneedle Property Unit Trust

## Quarterly Report as at 30 June 2023

For Existing Investors only



# Contents

3	Prospectus updates
4	Mandate summary
5	Portfolio highlights
6	Market context
9	State of the market
10	Fund overview
11	Property portfolio sector and geographical positioning
12	Fund performance
13	Top 10 direct holdings and tenants
14	Investment activity
15	Responsible investment strategy
16	Responsible investment: environmental
17	Responsible investment: GRESB
18	Net Zero: Fund pathway
19	Realising latent value
20	ESG reporting: EPC data
21	ESG reporting: Energy consumption
22	ESG reporting: Greenhouse gas (GHG) emissions
23	ESG reporting: Water and waste consumption
24	ESG reporting: Flood risk
25	Risk management report
28	Glossary of terms
29	Important information

# Propectus updates

## Introduction of Strategic Partner unit class:

With effect 31 January 2023, and reflected in the updated Prospectus dated April 2023, the Fund has a Strategic Partner unit class.

For Units defined (at the absolute discretion of the Manager) from time to time as being held by a Strategic Partner, the Manager's and the Investment Advisor's aggregate charges will be calculated by taking the applicable percentage below, based on the gross asset value attributable to that Strategic Partner's Units for each month, and applying such percentage to the entire holding of such Strategic Partner:

- 0.55% per annum to the extent that the Strategic Partner's Units' gross asset value is at least £100 million, but less than £150 million;
- 0.50% per annum to the extent that the Strategic Partner's Units' gross asset value is at least £150 million, but less than £200 million; or
- 0.40% per annum to the extent that the Strategic Partner's Units' gross asset value is equal to or in excess of £200 million.

The Manager will retain discretion over whether Units should be designated as Strategic Partner's Units and in particular may determine whether Units should continue to be designated as falling within one of the Strategic Partner percentage rates notwithstanding that the gross asset value may be below the relevant threshold for such rate in respect of a particular month.

## Net Zero Carbon and SFDR:

As previously communicated, with effect 30 September 2022, the Fund, and its Luxembourg Feeder SA SICAV-SIF ('Feeder Fund'), have made formal commitments to promote Environmental Characteristics as defined under the SFDR. This is reflected in the key performance indicators which the Manager intends to monitor as part of its role:

- **Financial** – financial outcomes are measured with reference to total return and income distribution performance in relation to the Fund's financial benchmark (currently the MSCI/AREF UK All Balanced Open-Ended Property Fund Index).
- **Environmental** – environmental outcomes are measured with reference to climate impact. The Fund aims to improve the environmental performance potential and lower the energy use and carbon intensity of its assets.
- **Social** – social outcomes may be measured with reference to the qualitative impact that (i) major refurbishment projects may have on tenants and (ii) any other relevant property management initiatives. The Fund aims to record the social value of these initiatives at asset level. The Fund may continue to seek other measures to assess improvements in social outcomes.

For further information, please refer to the Prospectus, or contact the Investment Advisor.

# Mandate Summary

## Contact Information



Fund Manager	<b>James Coke</b>
Client Director Property	<b>James Allum</b>
Institutional Client Director	<b>Moira 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 Threadneedle Property Unit Trust 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 1,021 million
■ Benchmark	MSCI/AREF UK All Balanced Property Funds
■ Base currency	GBP
■ Reporting currency	GBP
■ Bid	263.81
■ Offer	282.50
■ NAV	266.98
■ Jersey domiciled property unit trust.	
■ Income distributed quarterly (can be reinvested)	
■ Prices and deals at month ends.	
■ Bid/offer spread maximum of 7.0%	

Source: Columbia Threadneedle Investments

# Portfolio Highlights



NAV £1.0 billion



107 properties



Average lot size  
£8.6 million



503 tenancies



Gross rent roll  
£59.0 million p.a.



WAULT 4.7 years  
(6.6 years)



Vacancy rate 7.9%  
(10.4%)



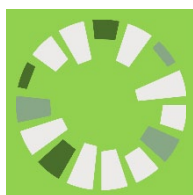
Net Initial Yield 6.0%  
(5.2%)



Equivalent Yield 7.5%  
(6.7%)



Cash 8.5%  
(5.7%)\*



GRESB Rating  
75/100



Total return -16.5%  
(-17.4%)\*  
(12 months)

Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index (figures in brackets) and \*MSCI/AREF All Balanced Property Fund Index. Cash is net debt % NAV. Total return is 12-month net fund NAV to NAV return. All as at 30 June 2023

# Market Context

## Market Commentary

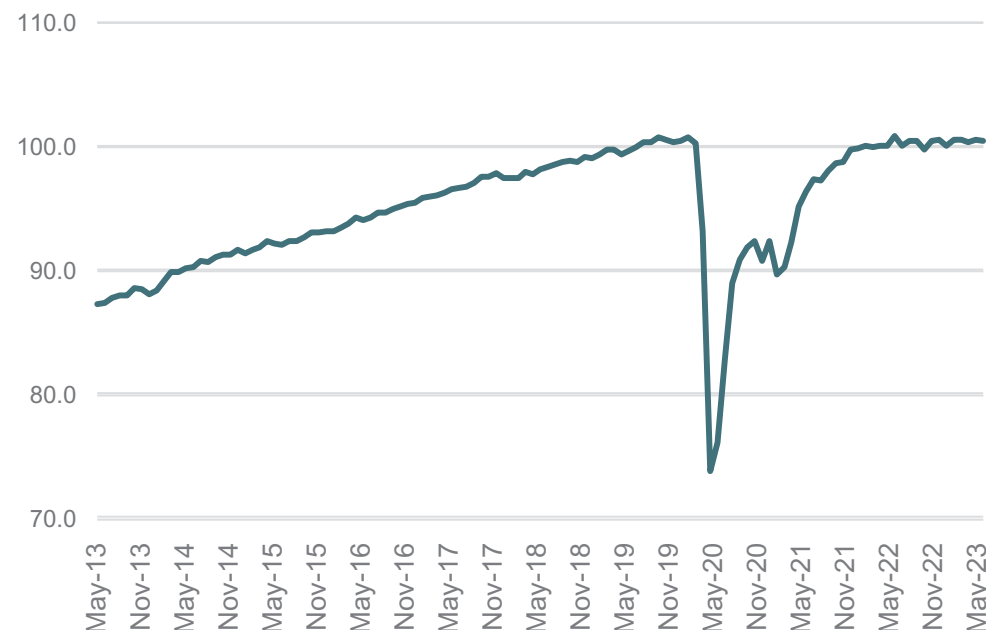
### UK Macroeconomy

After averting the technical recession economists expected in both Q4 22 and Q1 23, UK GDP saw no growth in the three months to May 2023, reflecting the ongoing global and domestic inflationary headwinds and recent tensions in the international banking system. With high inflation proving more persistent than anticipated, the Bank of England has continued its programme of interest rate rises, increasing the base rate 50bps to 5.0%, to reduce inflation towards the 2% target.

The consumer economy continues to outperform consensus expectations, with total retail sales volumes in June up by 0.7% month on month. The labour markets remain constrained; however, unemployment has increased marginally from 3.8% to 4.0% on the quarter. Average total pay excluding bonuses grew at a record high annual rate of 7.3%, which continues to fuel embedded inflationary concerns. Markets will be encouraged by a fall in headline CPI inflation, which was recorded at 7.9% in the 12 months to June 2023, down from the 8.7% recorded in May 2023. Core inflation decreased to 6.9% in the 12 months to June 2023, from 7.1% in May 2023, which was the highest rate for over 30 years.

An additional interest rate rise is anticipated at the next MPC meeting in August as the BoE seeks to lower the rate of core inflation. As the drag from higher interest rates filters through the economy, GDP growth is expected to be limited over the second half of the year.

### 10-year UK GDP (Indexed)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index, ONS GDP Monthly Estimate May 23 as at 30 June 2023.

# Market Context

## Market Commentary (continued)

### Investment volumes

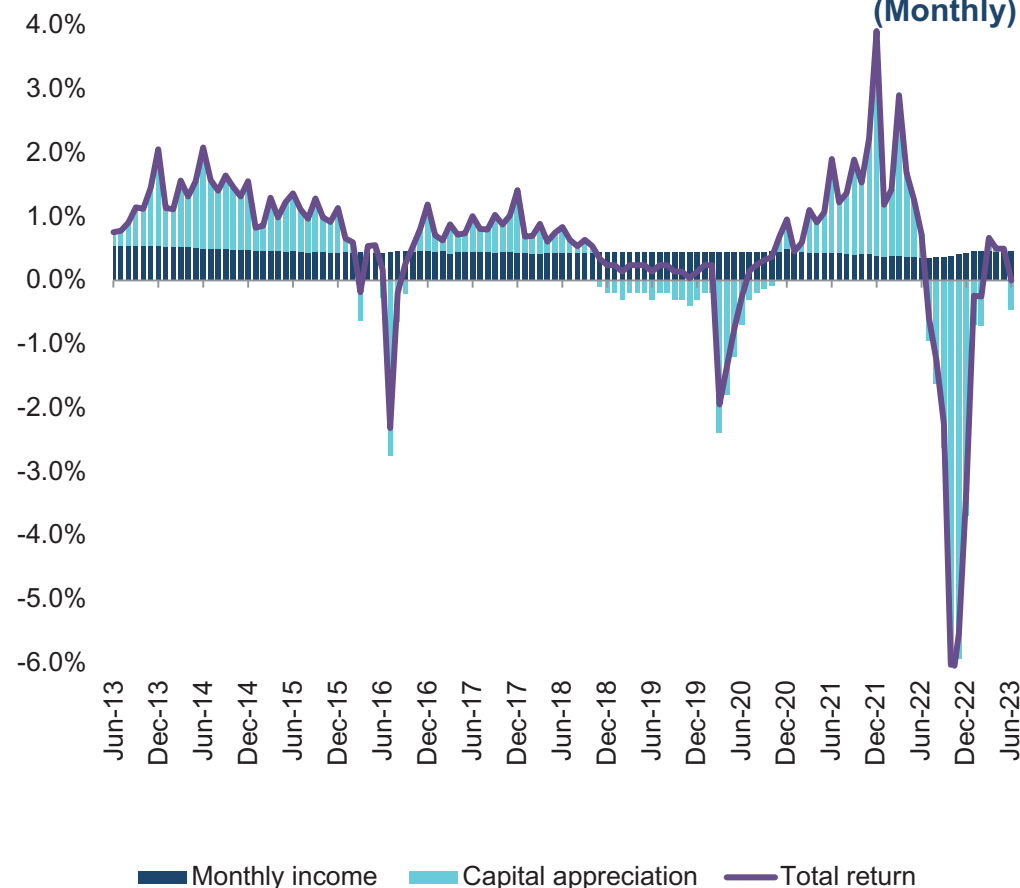
Total UK commercial property investment volumes reached £7.4bn for Q2 2023, which is 41% down on the 5-yearly quarterly average and an 11% decline on Q1 2023. As with Q1 23, reduced transactional volumes are to be expected, given prevailing pricing volatility through the period. Negative sentiment prevailed through the quarter, but confidence began to return through March, as pricing levels stabilised. We are aware that significant capital remains available for investment, particularly for high conviction growth sectors of industrial, retail warehousing and alternatives, subject to pricing fully reflecting interest rate / funding cost expectations.

### Returns

Total returns for UK Real Estate remained positive in Q2 23, delivering 1.0% as represented by the MSCI UK Monthly Property Index. All-property capital values saw a decline of -0.4% q/q, however this was an improvement on the -1.2% q/q seen in Q1 23, as valuation pressures begun to ease. The market delivered an income return of 1.4% q/q which highlights the assertive positive income potential of UK Real Estate.

The market has seen a divergence in sector performance, with capital values increasing in the industrial, retail warehousing and some alternatives sectors, but continuing to fall for offices. Retail warehousing was the best performing sub-sector, delivering capital growth of 0.9% q/q, as investors recognise the robust occupational resilience of the sector. Following a quarterly decline of -0.8% in Q1 23, capital growth in the industrial sector turned positive in June 2023, with a total return of 1.2% for Q2 23, emphasising the robust occupational dynamics which underpins the sector.

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



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q2 2023 report as at 30 June 2023.

# Market Context

## Market Commentary (continued)

The office sector continued a negative trajectory with capital value declines of -4.1% q/q, down from the -3.1% q/q in March 2023. This accelerated decline highlights the challenges faced by the continuing trends of hybrid working and heightened risks of obsolescence. “Other” assets, such as residential and student housing, recorded positive capital growth of 0.4% q/q, avoiding much of the capital volatility experienced in the traditional core sectors.

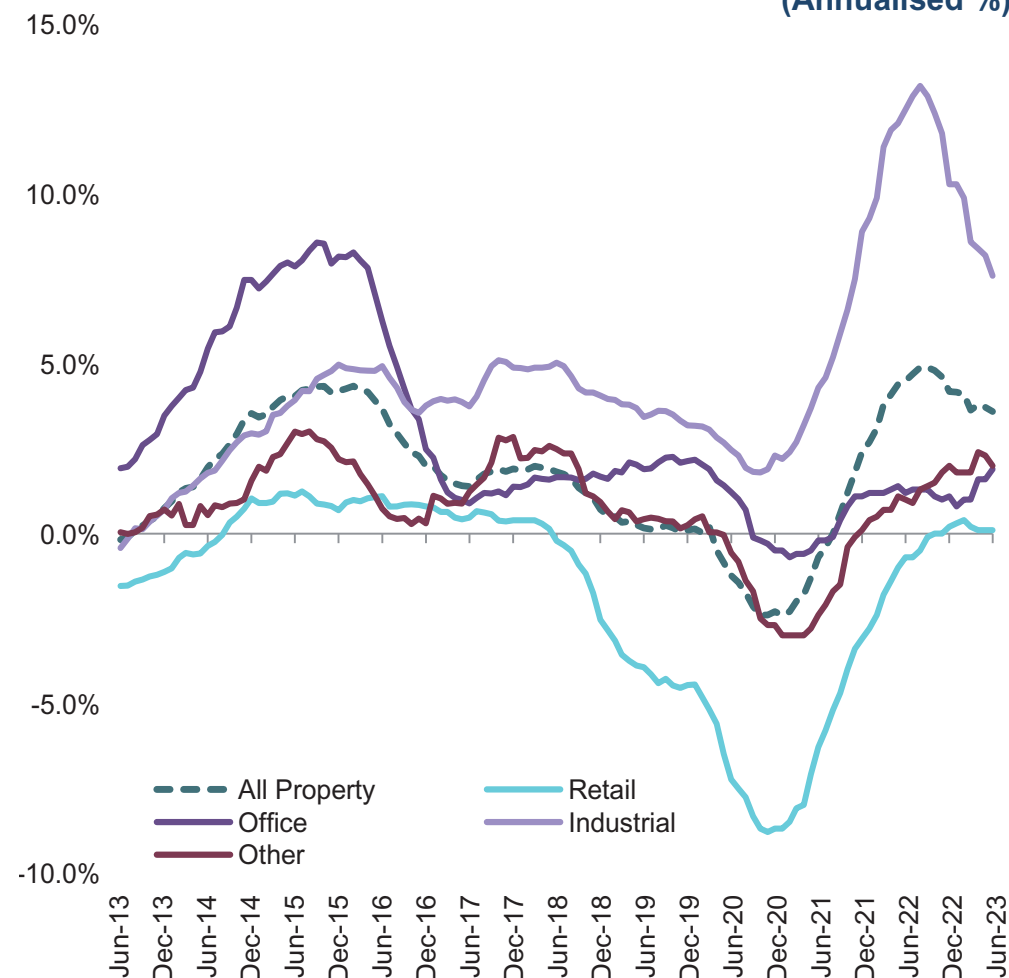
## Occupational trends

Despite the macro-economic challenges, core occupier markets have continued to demonstrate underlying resilience, with positive rental value growth of 1.0% q/q across all sectors, up from 0.8% q/q in March 2023. This increase was led by the industrial sector which recorded 1.8% rental growth in Q2 2023 and 7.6% annualised. Whilst rental growth remains robust, the market has seen a slowdown in take-up in accordance with the weakening GDP outlook, which has resulted in reduced levels of annualised rental growth; currently at 7.6%, down from 8.6% at the end of March 23. Conviction towards the sector, however, remains high when considering the fundamental shortage of supply and tight labour market. The retail sector saw rental values settle at 0.0% q/q, a decline on the 0.2% q/q of Q1 2023. Despite the structural impact of a change in working behaviours post-pandemic, offices rents remain positive, delivering rental growth of +1.0% q/q up from the modest +0.3% q/q in Q1 2023, predominantly driven by low levels of supply.

## Outlook

The “All Property” Net Initial Yield at the end of June 2023 increased by just 0.1% over the quarter to 5.3%. While primitive indications of a capital value recovery are evident, the asset class will not be immune to persistent inflationary pressure and subsequent monetary policy responses. High conviction sectors such as industrials and retail warehousing will continue to benefit from structural societal trends. A stable occupational market characterised by sustainable rental income and low vacancy rates, and very modest levels of debt by historic standards, should enable performance to remain positive on a relative basis. The extensive re-basing of capital values witnessed through H2 2022 arguably provides an attractive entry point for investors considering allocations to the sector.

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



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q2 2023 report as at 30 June 2023.



# State of the market

## Key sector metrics as at end June 2023

<div></div> <div>Trending key:</div>		<div><div></div></div> <div>Industrials</div>	<div><div></div></div> <div>Offices</div>	<div><div></div></div> <div>Retail</div>	<div><div></div></div> <div>Alternatives</div>
<div></div>	Strengthening				
<div></div>	Stable				
<div></div>	Weakening				
Headlines		Supply/demand imbalance continues to favour landlords	Occupier demand selective, ESG agenda increasing build/refurbishment costs	Occupiers favour out-of-town (omni-channel, lower costs)	Favourable supply/demand for 'Beds' and 'Meds'. Leisure remains challenged
Vacancy* (By Market Rent)		6.8% <div></div>	21.0% <div></div>	7.1% <div></div>	3.0% <div></div>
Rental Growth* (Annualised)		7.6% <div></div>	1.9% <div></div>	0.1% <div></div>	2.7% <div></div>
Prime Yield Pricing** (Net Initial Yield, rack rented)		Distribution Multi-let 5.25% <div></div> 5.25%	London (City) Regions 5.00% <div></div> 5.75%	High Street Warehouse 6.75% <div></div> 5.50%	Student Leisure 5.00% <div></div> 7.50%
Allocation		Favour multi-let estates and mid-box logistics. Neutral big-box distribution	Highly selective, favour urban and city centres Underweight out-of-town	Favour out-of-town / parks Underweight in-town / malls	Favour student (diversifier / inflation hedge), strategic land / 'meds' (capital growth)
Financial Metrics		■ Leverage to commercial real estate averaged <b>48%</b> in H1 2022, below 2007 peak (72%) and 2020 (61%) (CBRE Research) ■ SONIA 5-year Swap rate 4.95% and 5-year Gilts yield 4.83% (30 <sup>th</sup> June 2023) – trending <b>up</b> from February 2023			

Source: \*MSCI UK Monthly Property Index Vacancy rate and Market Value Rental Growth (Alternatives data is unweighted average Hotels, Residential, Other), as at 30 June 2023. Trends against average of prior 6-months. \*\*CBRE Prime Yields and trends, June 2023.

# Fund Overview – Q2 2023

## Material Changes

- The Fund's Prospectus was updated effective 31 January 2023 to reflect the introduction of a new Strategic Partner unit class.
- The Fund's Prospectus was updated effective 30 September 2022 to clarify its management approach with regard to operational Net Zero carbon emissions and environmental characteristics.
- There are no material changes relating to arrangements for managing the liquidity of the Fund.

## Liquidity

- The fund continues to maintain a robust liquidity position with gross cash of £84.9m equivalent to 8.3% of NAV (8.5% on the AREF net debt methodology).
- Liquidity continues to be closely monitored as a means to protect the Fund against anticipated market volatility, to meet anticipated redemptions and to exploit buying opportunities should they arise.

## Portfolio Activity

- In response to an increase in realisation requests received in Q422 & Q1 23, the Fund continued its disposal programme of non-core assets, deemed sub-scale and/or where capital expenditure is deemed uneconomic. The Fund also took the opportunity to capitalise on residual market liquidity for logistics, via disposal of non-core industrial assets.
- The Fund sold 16 assets during the quarter, delivering total sales of £94.4m.
- Highlights included the disposal of vacant offices at Carriage/Barratt House, Guildford, 40 Furnival Street, London and Belmont Place, Maidenhead for a combined sales value of £20.2m, which achieved average valuation premiums of c.45%. The Fund also disposed of Global House, Chertsey for £4.2m reflecting a net initial yield 9.0%. The property comprises a single let office with a short unexpired term of 2.7 years, presenting void and capex risk. The sale price reflected a 3.7% premium the latest independent valuation.
- Realisation requests stabilised into Q2 2023, and sales have consolidated the portfolio around core assets anticipated to deliver strong relative performance on a forward looking basis.

## Rent Collection

- Rent collection for the forthcoming quarter stands at 96.9% (as at Day 21).

## Key Performance Indicators

- **Financial:** The Fund delivered a total return of 1.5% for Q2 23, outperforming its benchmark by +1.2%. The annualised total return at the end of June stands at -16.5%, which is +1.1% over benchmark. The Fund's total returns continue to be supported by a high relative distribution yield of 5.2%, 44.4% above the benchmark level of 3.6% as of 30 June 2023.
- **Environmental:** The Fund completed 23 refurbishment projects over the 12-months ending 30 June 2023, 91.0% of which (by value) delivered EPC 'B' or better. Like-for-like energy consumption on the landlord-managed portfolio for the period ending 31 March 2023 was -24.3% below full year 2019.
- **Social:** In Q4 2022 the Fund undertook a Social Value pilot on 30 of its assets.

## Attribution

- Over 12 months ending 30 June 2023, the fund's directly held property assets generated relative total returns +0.4% against the broader property market. This was achieved through a positive relative income return of +0.8% and negative relative capital value growth of -0.4%. The fund's retail assets performed better than the wider market by +2.7%, delivering a total return of -7.6%. Offices, however, underperformed by -1.5% relative to market, producing a total return of -18.2%. The Fund continues to take a pro-active approach to capital expenditure required to retain and enhance the long term value and deliver environmental improvements from its office portfolio, which is reflected in these figures. The Fund's Industrial assets delivered total returns of -22%, which outperformed the market by +1.9%. (Source: MSCI, TPUT directly held assets compared to the MSCI UK Monthly Property index).

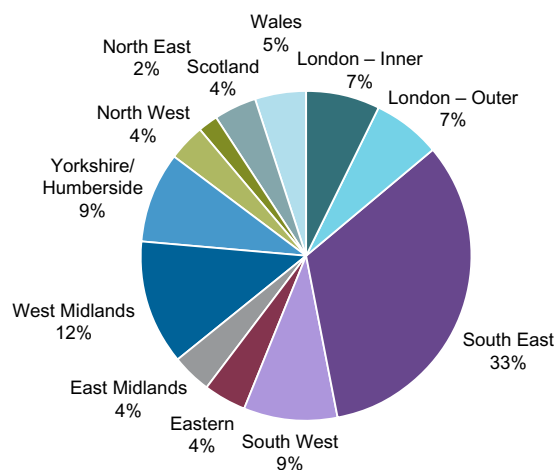
## Outlook

- With the downward pressure on capital values beginning to stabilise, UK Real Estate continues to offer attractive relative performance against other asset classes. We continue to believe the Fund is well placed to capture long-term sustainable growth through its focus on actively and responsibly managing property assets to generate a high and durable-income yield advantage from a diverse asset and tenant base. The Fund's property assets currently offer a high Net Initial Yield of 6.0% against 5.2% offered by the MSCI UK Monthly Index. The Fund's strategic sector weighting positions towards Landlord favourable core occupational markets should continue to provide a solid foundation for long-term out-performance.

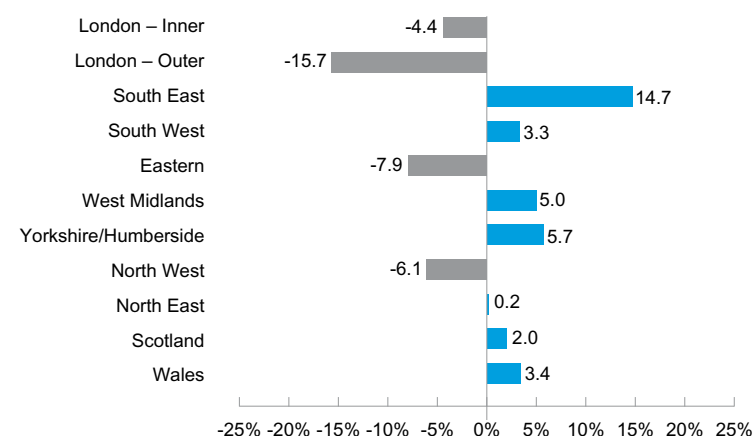
Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and AREF UK Quarterly 'All Balanced Open-Ended' Property Fund Index, 30 June 2023

# Property Portfolio Sector and Geographical Positioning

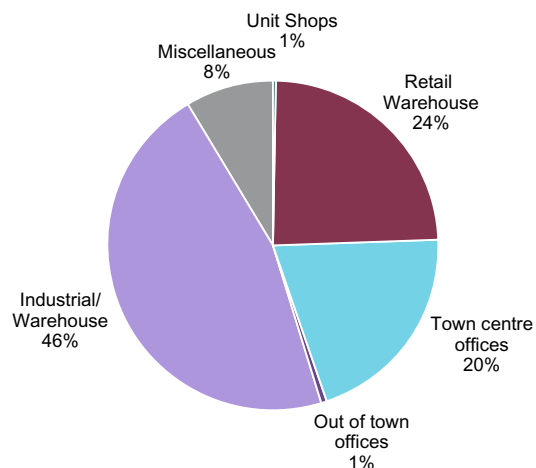
## Property portfolio weighting – geographical split



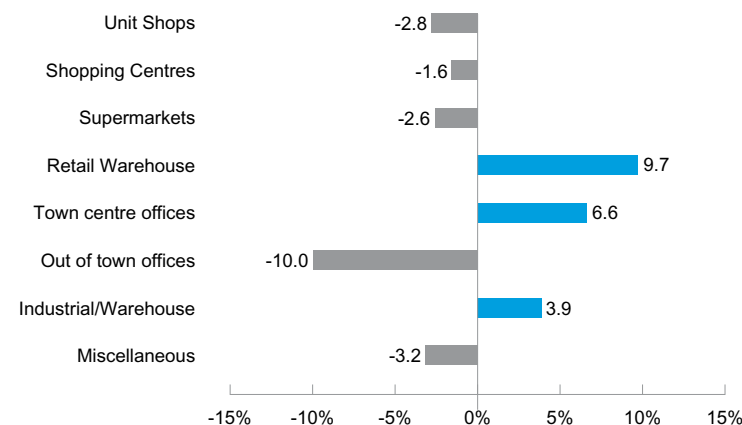
## Relative portfolio weighting (%) versus MSCI Monthly Index



## Property portfolio weighting – sector distribution



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

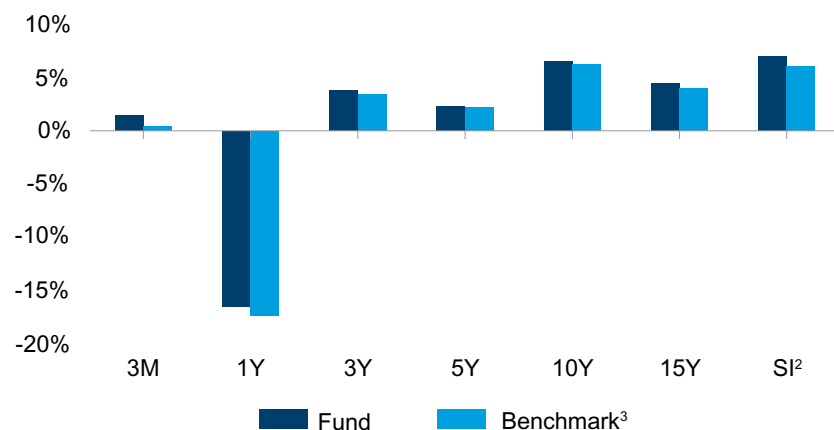


Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 30 June 2023

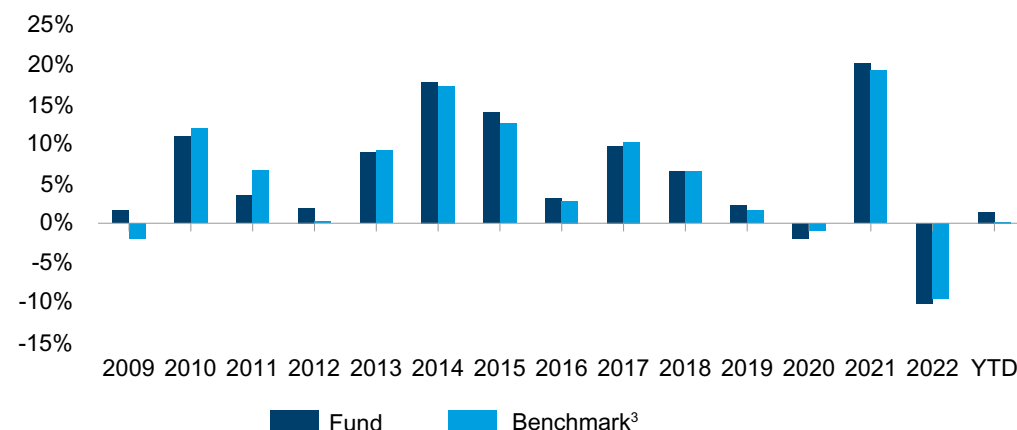
# Fund Performance

## Long Term Performance

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



### Calendar Years



### Fund Performance

### Annualised Performance

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	1.5	1.4	-16.5	3.8	2.3	6.5	4.5	7.0
Benchmark**	0.4	0.2	-17.4	3.4	2.2	6.3	4.0	6.1
Relative (Arithmetic)	1.2	1.2	1.1	0.4	0.2	0.2	0.4	0.8

Source: AREF/MSCI 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	25-50
<b>Trowbridge</b>	Spitfire Retail Park	Retail Warehouse	25-50
<b>London W1</b>	46 Foley Street	Town Centre Offices	10-25
<b>Hampton</b>	Kempton Gate	Industrial / Warehouse	10-25
<b>York</b>	Foss Islands Retail Park	Retail Warehouse	10-25
<b>Cardiff</b>	Newport Road	Retail Warehouse	10-25
<b>London SW1</b>	Warwick House	Town Centre Offices	10-25
<b>Rugby</b>	Swift Point	Industrial / Warehouse	10-25
<b>High Wycombe</b>	Stirling Road	Industrial / Warehouse	10-25
<b>Coventry</b>	Skydome	Miscellaneous	10-25

## Tenant

	% of rents passing
<b>B&amp;M European Value Retail S.A.</b>	4.0
<b>Tesco PLC</b>	2.5
<b>Currys PLC</b>	2.5
<b>Wickes Group PLC</b>	2.3
<b>Norton Group Holdings Limited</b>	2.0
<b>Tempur Sealy International Inc.</b>	1.9
<b>AMC Entertainment Holdings Inc.</b>	1.8
<b>ACI Worldwide (EMEA) Limited</b>	1.7
<b>Envy Post Production Limited</b>	1.5
<b>Missouri Topco Limited</b>	1.5

Source: Columbia Threadneedle Investments as at 30 June 2023

# Investment Activity – Key Purchases and Sales Over Q2 2023

Property	Quarter	Sector	Price (£m)	Net Initial Yield
<b>Purchases</b>				
None				
<b>Sales</b>				
Carriage & Barratt House, Guildford.	Q2 2023	Town Centre Offices	10-25	2.0
London EC4A, Furnival Street	Q2 2023	Town Centre Offices	5-10	n/a
Barley Castle, Warrington	Q2 2023	Industrial / Warehouse	2.5-5	–
Heron Industrial Estate, Reading	Q2 2023	Industrial / Warehouse	5-10	6.5
Global House, Chertsey	Q2 2023	Town Centre Offices	2.5-5	9.7
Croydon, Pioneer Industrial Estate	Q2 2023	Industrial / Warehouse	0-2.5	
Hayes, The Swallowfield Centre	Q2 2023	Industrial / Warehouse	0-2.5	4.6
Stevenage, Pin Green Ind. Est	Q2 2023	Industrial / Warehouse	10-25	
Maidenhead, Belmont Place	Q2 2023	Town Centre Offices	2.5-5	0.0
79/80 North Street, Chichester	Q2 2023	Unit Shop	0-2.5	9.6
Unit 14 Quarry Wood Industrial Estate, Maidstone	Q2 2023	Industrial / Warehouse	10-25	
2 Cranby Street, Birmingham	Q2 2023	Industrial / Warehouse	2.5-5	5.9
1 Westfield Road, Newhouse, Motherwell	Q2 2023	Industrial / Warehouse	5-10	
Macleay Street/Kirk Lane, Wick KW1 4NN	Q2 2023	Supermarket	0-2.5	8.4
Twickenham, 15-16 Church Street	Q2 2023	Town Centre Offices	2.5-5	8.3
Canterbury, Parade/Mercery La	Q2 2023	Unit Shop	2.5-5	9.3

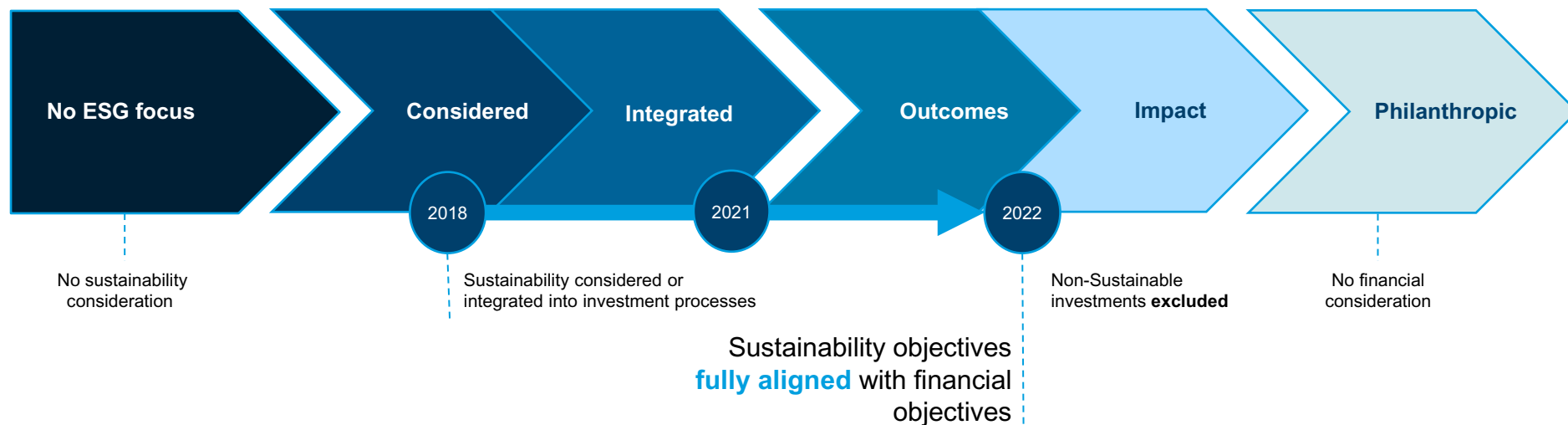
Source: Columbia Threadneedle Investments as at 30 June 2023

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

# Responsible Investment strategy

‘Active’ provides the best potential for positive ‘Outcome’

## Evolution of Responsible Investment approach:



## Key principles:

- The Fund is committed to an investment approach which aims to deliver positive financial, environmental and social outcomes
- Commitment to achieve operational Net Zero by 2040 is enshrined within SFDR Article 8 Disclosure
- Principles consistent with Columbia Threadneedle’s commitments as a responsible business and investor

Source: Columbia Threadneedle Investments, as at 31 December 2022. Fund aims 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: environmental

## Sustainability Dashboard – key performance indicators

### Property infrastructure: EPCs

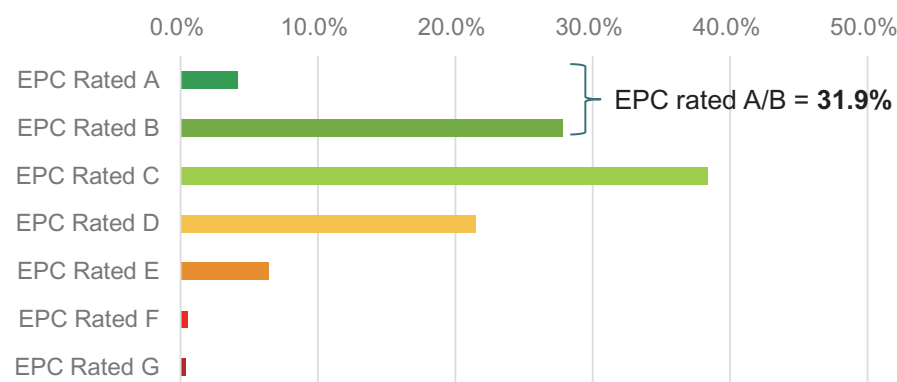
Target EPC 'B' by 2030



#### Key performance metrics

Portfolio coverage (whole portfolio, % ERV)	99.2%
Works projects completed (past 12 months)	23
Refurbishments delivering 'B' or better	91.0%

#### EPC distribution by ERV



### Property performance: Energy use

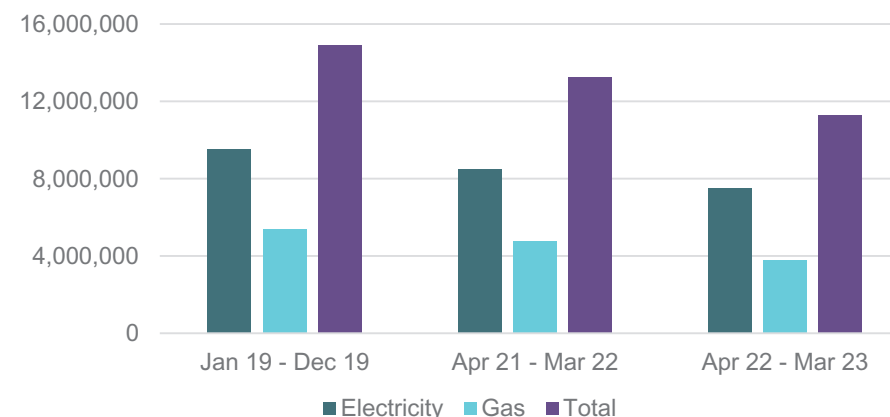
Target 20% reduction by 2030\*



#### Key performance metrics

Portfolio coverage (LL managed portfolio, % floor area)	91.1%
Energy consumption change L-f-L Y-on-Y	-14.8%
Energy consumption change vs baseline*	-24.3%

#### Landlord Portfolio Like-for-Like Energy Consumption (kWh)



Source: Columbia Threadneedle Investments. EPC portfolio coverage as % ERV, as at 30 June 2023. 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 March 2023. Portfolio coverage as % floor area. \*Energy target and consumption change vs baseline expressed against 12-months to 31 December 2019 baseline, based on assets where we have operational control (the 'landlord managed portfolio'). Baseline subject to change as assets are sold from the portfolio and can no longer be included in the baseline calculation. 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.



# Responsible Investment: GRESB

## Threadneedle Property Unit Trust 2022 GRESB results



G R E S B

★ ★ ★ ☆ ☆ 2022

### Global Real Estate Sustainability Benchmark

#### Key takeaways

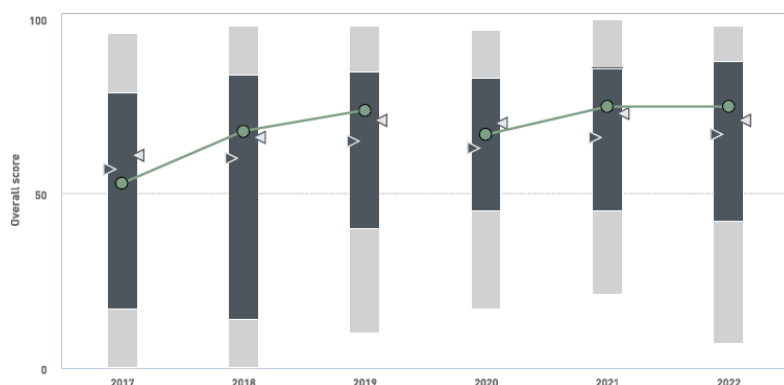
- Eleventh year of the Fund's submission to GRESB
- Scored 75 out of 100 (Peer Average = 70)
- Ranked 26<sup>th</sup> within its peer group of 93 funds

#### Strengths

- Management scored 30/30
- Targets, data monitoring and data review all score well
- Tenant and community engagement improvement

#### Areas of improvement

- Building certification (minor improvement on 2021)
- Water data coverage requires improvement
- Scope for further improvement on energy and GHG data coverage – consistent engagement with tenants required to improve data coverage on FRI buildings



Source: Columbia Threadneedle Investments, as at 30 September 2022. 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.

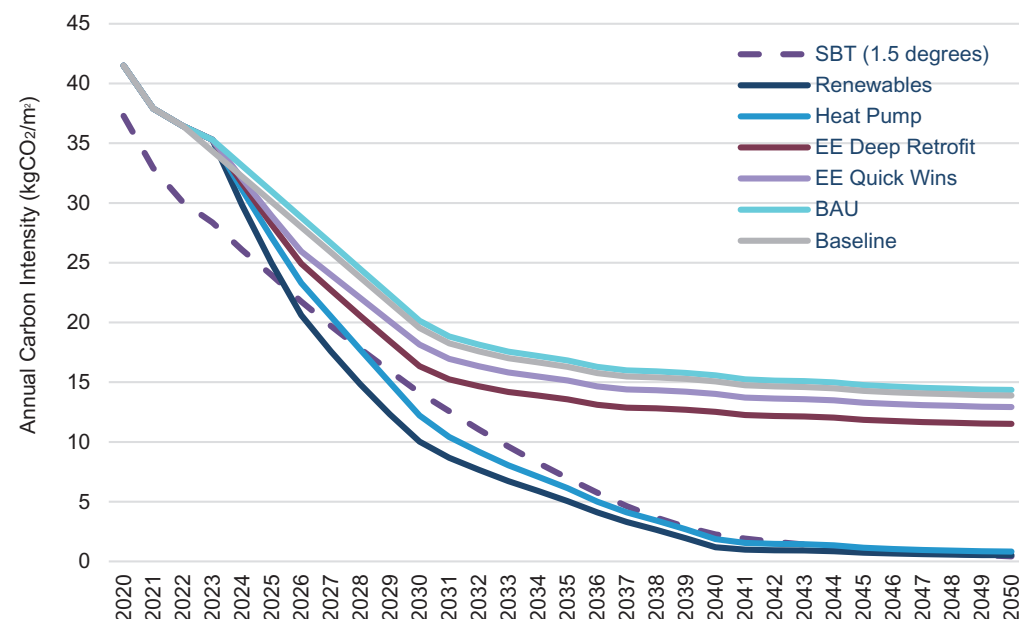
# Responsible Investment: Net Zero carbon

## Formally committed to operational Net Zero by 2040

### Impact of interventions on energy use

Interventions	EVORA Modelled timeframe	EVORA Modelled cost	EVORA Modelled energy use change
Business as usual	2022-40	–	26%
Quick wins	2023-26	£1.7m	7%
Major asset refurbishment	2023-30	£20.5m	6%
Renewables (PV)	2023-30	£27.8m	17%
Electrification of heat	2023-45	£40.4m	11%
<b>Cumulative cost &amp; saving impact</b>		<b>£90.5m / £5.3m p.a.</b>	<b>67%</b>
Offsetting	2040	£0.2m p.a.	Residual

### Portfolio annual carbon intensity



- Net Zero pathway completed in October 2021 and updated February 2022 and February 2023
- Due to the replacement of gas with electricity, a 67% reduction in energy use equates to a **93%** reduction in carbon intensity\*
- Between 2017-2021 the Fund completed **128** capital projects investing an average **£8.7 million** per annum in building improvements
- Project cap ex investment increased to **£11.2 million** to 30 June 2023, with **91.0%** of reprojects by value delivered EPC 'A' or 'B' ratings

Source: EVORA CTI TPUT Fund Decarbonisation Pathway Update, 1 March 2023. \*energy and carbon reductions expressed as % against 2022 baseline. Project Capital expenditure source: Columbia Threadneedle Investments, as at 30 June 2023. 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.

# Realising latent value

## Asset repositioning: monetising building improvements

### St Albans: 21,250 sq. ft. office

- Detached office building built in 1990 underwent £2.9 million refurbishment designed to optimise whole life carbon efficiency
- Project delivered EPC 'A' rating, Air Rated and BREEAM 'Very Good' certified

### Sheffield: 31,000 sq. ft. logistics warehouse

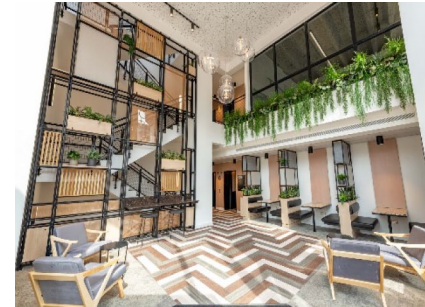
- Comprehensive refurbishment focused on ESG enhancements including Solar Panels, EV charging and removal of gas: Total project cost £1.25m – delivered EPC 'A' rating

### Glasgow: 25,550 sq. ft. retail warehouse

- Comprehensive refurbishment of units A & B to enable 20-year letting to Lidl – delivered Scottish EPC 'B' rating

### London: rolling refurbishment of industrial estate

- Units 8, 13 & 17 refurbished in Q1 2023, delivering EPC 'A' ratings
- Peak rents achieved on estate reflect £18 per sq. ft.



### Outcomes:



**Financial**



**Environmental**



**Social**

Rents achieved on project completions represent uplifts of between **28%** and **48%** on pre-refurbishment passing rents

Solar panels, removal of gas and introduction of EV charging typically deliver best in class EPC 'A' ratings

Projects used local contractors which directly supported local employment – as measured by National TOMs framework

Source: Columbia Threadneedle Investments, as at 30 June 2023. Capital value and rental statistics quoted correct as at time of project completion but are subject to change. \*Rent achieved is headline rent on expiry of tenant incentive periods

# ESG Reporting: EPC Data (whole portfolio)

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

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023
<b>Property assets</b>	173	168	167	165	163	145	123	108
<b>Rateable units</b>	804	775	755	749	735	681	582	542
<b>EPC coverage (% rateable units)</b>	97.8%	98.8%	97.6%	98.9%	99.3%	99.3%	99.7%	99.3%
<b>EPC rated A (% rateable units)</b>	0.5%	0.6%	0.7%	0.7%	1.6%	1.8%	2.6%	3.1%
<b>EPC rated B (% rateable units)</b>	16.9%	16.9%	17.7%	20.0%	21.8%	21.7%	23.2%	24.0%
<b>EPC rated C (% rateable units)</b>	38.7%	39.5%	38.4%	39.3%	39.7%	38.5%	41.2%	40.2%
<b>EPC rated D (% rateable units)</b>	30.3%	29.9%	28.7%	28.3%	26.7%	28.0%	24.4%	24.4%
<b>EPC rated E (% rateable units)</b>	10.2%	11.0%	11.1%	9.7%	8.8%	7.6%	6.5%	6.1%
<b>EPC rated F (% rateable units)</b>	0.5%	0.4%	0.3%	0.4%	0.4%	0.4%	0.7%	0.7%*
<b>EPC rated G (% rateable units)</b>	0.6%	0.5%	0.5%	0.5%	0.3%	0.6%	0.9%	0.6%*

Source: Columbia Threadneedle Investments, based on % rateable units, as at 30 June 2023. \*Two retail properties have units rated EPC 'F' and one property has units rated EPC 'G' all of which are located in Scotland which is subject to differing rating systems and regulations. Targets are indicative and are in no way a guarantee of performance

# ESG Reporting: Energy Consumption (whole portfolio)

**Target: 20% reduction in energy consumption by 2030, where the landlord has operational control**

	2018	2019	2020	2021	2022
<b>Property assets</b>	242	218	198	168	144
<b>Landlord managed assets (S/C)</b>	98	92	90	84	73
<b>Data coverage: landlord-managed assets (gross floor area)</b>	84%	79%	77%	83.6%	91.7%
<b>Total Landlord-Managed portfolio energy consumption – absolute</b>	Not measured explicitly prior to 2021			20,555,492 kWh	24,813,947 kWh
<b>Tenant managed assets (FRI)</b>	144	126	108	84	71
<b>Data coverage: tenant-managed assets (gross floor area)</b>	20.5%	23.0%	29.0%	62.6%	77.7%
<b>Total Tenant-Managed portfolio energy consumption – absolute</b>	Not measured explicitly prior to 2021			19,841,073 kWh	20,507,706 kWh
<b>Data coverage: whole portfolio (gross floor area)</b>	53.4%	55.7%	61.7%	78.4%	85.8%
<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%)	40,396,565 kWh (86.2%)	45,321,654 kWh (12.2%)
<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%)	27,353,014 kWh (98.6%)	31,621,383 kWh (15.6%)
<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%)	13,043,551 kWh (99.0%)	13,700,270 kWh (5.0%)

## EVORA Notes:

- Increased total energy consumption is partly attributable to increased tenant data coverage across the portfolio
- Property Assets can transition between Landlord-Managed and Tenant-Managed between reporting years, contributing to changes in consumption between these asset classes in the portfolio

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated. Please note whole portfolio coverage data mobilised annually and will show as static in intervening periods. All targets relate to assets where we have operational control (the 'landlord managed portfolio'). Targets are indicative and are in no way a guarantee of performance

# ESG Reporting: Greenhouse Gas (GHG) Emissions (whole portfolio)

**Target: 30% reduction in GHG emissions by 2030, where the landlord has operational control**

	2018	2019	2020	2021	2022
<b>Property assets</b>	242	218	198	168	144
<b>Landlord managed assets (S/C)</b>	98	92	90	84	73
<b>Data coverage: landlord-managed assets (gross floor area)</b>	84%	79%	77%	83.6%	91.7%
<b>Tenant managed assets (FRI)</b>	144	126	108	84	71
<b>Data coverage: tenant-managed assets (gross floor area)</b>	17.0%	17.6%	29.0%	62.6%	77.7%
<b>Data coverage: whole portfolio (gross floor area)</b>	48.8%	50.0%	61.7%	78.4%	85.8%
<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%)	8,194 tonnes (106.61%)	8,616 tonnes (5.1%)

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated. Please note whole portfolio coverage data mobilised annually and will show as static in intervening periods. All targets relate to assets where we have operational control (the 'landlord managed portfolio'). Targets are indicative and are in no way a guarantee of performance

# ESG Reporting: Water and Waste Consumption (whole portfolio)

**Target: 100% data coverage, 100% diversion of waste to landfill and 75% recycling rate, where landlord has ops. control**

		2018	2019	2020	2021	2022
<b>Property assets</b>		242	218	198	168	144
<b>Landlord managed assets (S/C)</b>		98	92	90	84	73
<b>Data coverage: landlord-managed assets (gross floor area)</b>	Water	39%	39%	31%	30.1%	38.2%
	Waste	14%	27%	27%	22.9%	21.5%
<b>Tenant managed assets (FRI)</b>		144	126	108	84	71
<b>Data coverage: tenant-managed assets (gross floor area)</b>	Water	0	8.0%	8.7%	39.2%	53.0%
	Waste	0	13.2%	14.07%	32.3%	52.1%
<b>Data coverage: whole portfolio (gross floor area)</b>	Water	15.7%	23.2%	24.0%	38.8%	44.3%
	Waste	7.0%	20.0%	21.1%	27.0%	34.3%
<b>Total water consumption – absolute</b>		130,373 m <sup>3</sup>	279,902 m <sup>3</sup>	271,535 m <sup>3</sup>	79,332 m <sup>3</sup>	92,766 m <sup>3</sup>
<b>Total waste consumption – absolute</b>		399.00 tonnes	788.72 tonnes	8,795.74 tonnes	2,516 tonnes	2,081 tonnes

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated. Please note whole portfolio coverage data mobilised annually and will show as static in intervening periods. All targets relate to assets where we have operational control (the 'landlord managed portfolio'). Targets are indicative and are in no way a guarantee of performance

# ESG Reporting: Flood Risk (proxy climate change risk)

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

Portfolio risk exposure by value	2019	2020	2021	2022	30 June 2023
<b>Property assets</b>	206	199	168	145	107
<b>Low</b>	164 (74.9%)	158 (75.1%)	135 (74.5%)	115 (74.2%)	84 (76.7%)
<b>Medium</b>	33 (21.6%)	32 (21.3%)	27 (22.3%)	24 (22.1%)	19 (19.9%)
<b>High</b>	5 (2.2%)	5 (2.1%)	3 (1.7%)	5 (3.1%)	3 (2.7%)
<b>Extreme</b>	4 (1.4%)	4 (1.5%)	3 (1.5%)	1 (0.6%)	1 (0.7%)

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

Source: Columbia Threadneedle Investments, as at 30 June 2023. 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 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) – June 2023

The key areas of risk impacting this fund as at the end of June 2023 are outlined below:

Low Risk
  Medium Risk
  High Risk

RISK DESCRIPTION	SENSITIVITY	MEASURES	RISK COMMENT (Limits exceeded / positive risks)
Liquidity	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.	Liquidity at quarter end: 8.3%
Leverage	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	Current leverage: Nil
Development	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.	Total Current Development as % NAV: Nil
Market	Medium – Fund exposed to impact of volatility within the market	5 year monthly total return volatility using the MSCI UK Monthly Property Index	5 year monthly total return volatility as at end-June 2023: 16.57% <sup>1</sup>
Single Occupancy Risk Exposure	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.	Current highest rental income from one tenant: 4.0% of total rental income
High Value Property	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.	Largest current property asset as % of GAV: 3.9%
Single Investor	Medium – Monthly dealt fund with no restriction on maximum investment	Optimum maximum exposure of no more than 10% total investment from one single investor	Highest single investment at quarter end: 12.61% <sup>2</sup>
Vacancy Rates	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.	Total Estimated Rental Value of vacant space at end of quarter: 7.9%
Rental collection	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	Quarter ending June 2023: 96.97% collected at day 21.
Counterparty	Low – Minimal Counterparty Exposure	No Maximum restriction within scheme.	Deposits with single bank at end of quarter: 8.4% of GAV
Leasehold interest	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.	Value of leasehold properties with less than 60 years unexpired: Less than 1% of NAV

<sup>1</sup> **Market Risk** – The property market suffered material valuation volatility in Q4 2022 driven by significant macroeconomic uncertainty. Valuation movements have returned to 'normal levels' since, with this lower volatility forecast to continue in the near-term.

<sup>2</sup> **Single Investor** – Increased investor level due to investor previously purchasing additional units in the Fund. Exposure level not a concern, but longer-term aim is to bring position back into compliance.

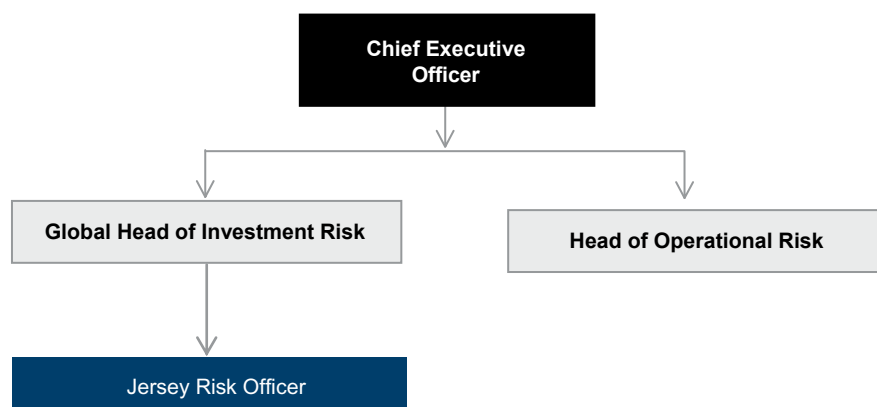
# The Columbia Threadneedle Risk Management System

The Columbia Threadneedle Investments Real Estate Investment Risk Team is based in London and provides oversight risk management services to TPSL. It forms part of the Global Investment Risk Team, which collectively provides investment risk management services to all Columbia Threadneedle entities. The Investment Risk Team function is led by the Global Head of Investment Risk, reporting to the Chief Executive Officer.

The Risk Team:

- Oversees implementation of the risk management policy and procedures;
- Oversees compliance with risk limits within each property fund;
- Provides advice to TPSL as regards the identification of the risk profile of a Fund;
- Provides regular reports to the TPSL Board 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 Investment Risk Team as it relates to property risk is provided below. The Investment Risk Team has an independent reporting line to the CEO of Columbia Threadneedle:



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

- Market Risk Data
- Leverage Risk
- Liquidity rates against desired ratios
- 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 fund to ensure that the risks faced by the fund are assessed adequately and controlled appropriately. The Investment Risk Team are responsible for overseeing that the provision of data to the Jersey Risk Officer, risk analysis and recommendation is reliable, timely and accurate.

#### **Material Changes**

During the quarter no material changes have occurred.

**Kevin Mundy**  
**Jersey Risk Officer**

**June 2023**

# 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. MSCI 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 MSCI. 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 your sole use as existing investor only.

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.

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The Trust invests 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.

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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

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