

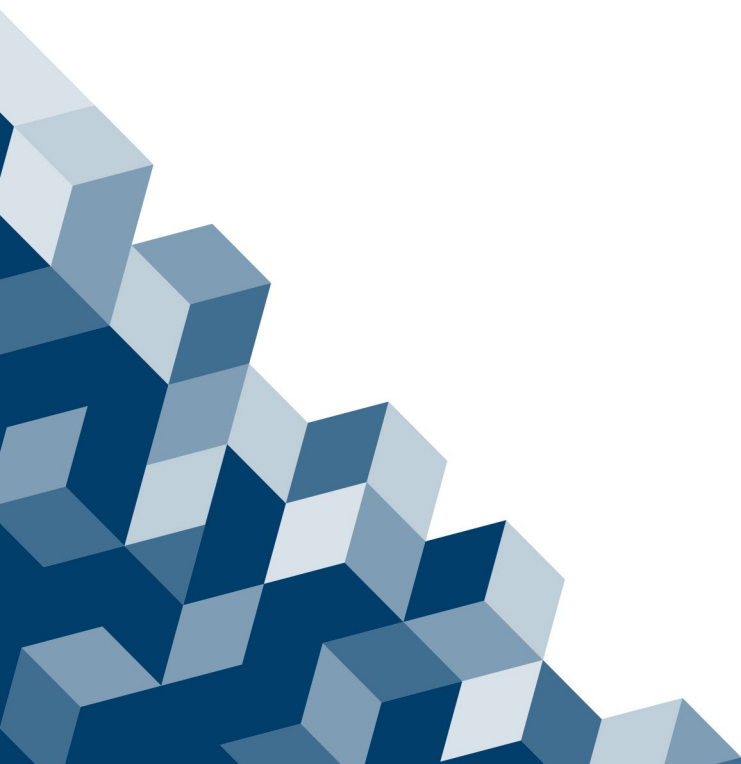


Your success. Our priority.

# Threadneedle Property Unit Trust

## Quarterly Report as at 30 September 2023

For Existing Investors only



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# 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 2023, 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 1,009 million
■ Benchmark	MSCI/AREF UK All Balanced Property Funds
■ Base currency	GBP
■ Reporting currency	GBP
■ Bid	260.11
■ Offer	278.47
■ NAV	263.23
■ Jersey domiciled property unit trust.	
■ Income distributed quarterly (can be reinvested)	
■ Prices and deals at month ends.	
■ Bid/offer spread maximum of 7.0%	

# Portfolio Highlights



**Past performance is not a guide to future returns.**

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 of 30 September 2023. WAULT is an abbreviation of weighted average unexpired lease term. It is used by property companies as an indicator of the average remaining life of the leases within their portfolios.

# Market Context

## Market Commentary

### UK Macroeconomy

The UK economy continues to demonstrate resilience against higher interest rates, stubborn inflation and stagnant productivity. UK GDP increased by 0.2% in the three months to August 2023, primarily driven by growth in the services sector. Whilst many leading economists anticipated a 25 bps interest rate hike in September, a sustained fall in inflation resulted in the MPC voting to maintain the base rate at 5.25%, thus ending the 14 consecutive rises experienced since the end of 2021, and raises the probability that a peak in borrowing costs has been reached, as a result of which forward-looking swap rates have moderated to c.4.5%.

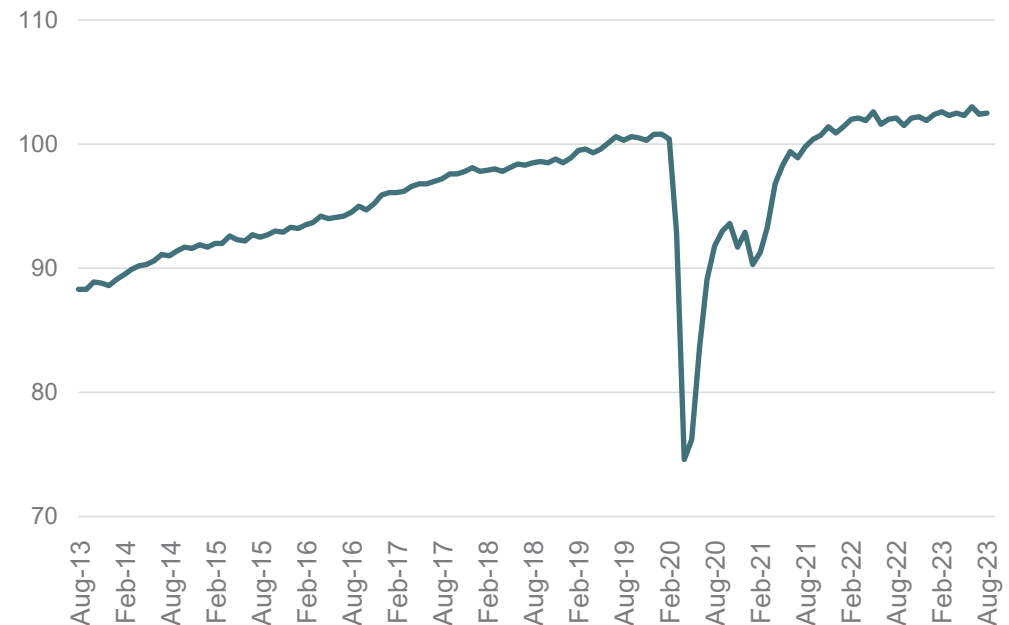
Whilst the labour market remains constrained by historical standards, lead indicators highlight unemployment increasing from 3.8% to 4.3% on the quarter and total average earnings falling from 8.5% to 8.1% in the three months to September.

The stubborn momentum of wage growth, recent events in the Middle East and the consequential rise in oil prices, may support a 'higher for longer' interest rate narrative, although there is by no means consensus around this outcome.

### UK Real Estate: investment volumes

Total UK commercial property investment volumes reached c.£7.4bn for Q3 2023, a 37% decline on the 5-yearly quarterly average and lowest levels since Q3 2020. Reduced transactional volumes are to be expected given the prevailing pricing volatility through the period. We are aware that significant capital remains available for investment, particularly for high conviction growth sectors of industrial, retail warehousing and alternatives, however at a cost of capital which reflects prevailing interest rate / funding cost expectations.

10-year UK GDP (Indexed)



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

# Market Context

## Market Commentary (continued)

### Returns

Total returns for UK Real Estate turned negative in Q3 2023, delivering -0.2% as represented by the MSCI UK Monthly Property Index, led by a -1.6% q/q decline in capital values, being partially offset by an income return of 1.4% q/q.

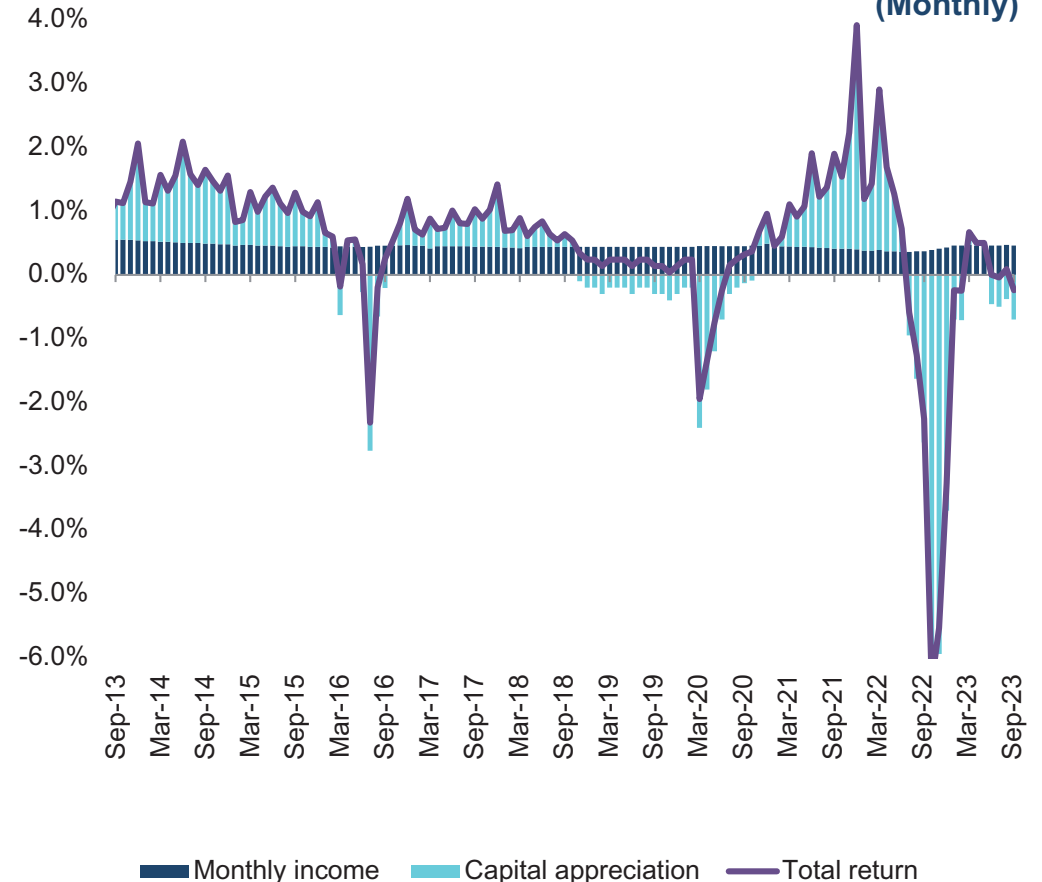
The market has seen a divergence in sector performance, with the office sector recording quarterly capital declines of -5.0% (-4.1% Q2 2023) and a total return of -3.7%, a result of structural occupational trends and heightened obsolescence risk. The industrial market was the best performing sector, delivering a total return of 1.7% for Q3 2023, with capital growth of 0.5% and a positive income return of 1.2%; emphasising the robust occupational dynamics which underpins the sector. The retail sector recorded total returns of -0.5%, with retail warehousing contributing -2.4% capital declines, as yields adjust to higher costs of borrowing. The corresponding income return remains positive at 1.7% in recognition of high occupancy levels and a limited development pipeline.

“Other” assets, such as residential and student housing, recorded modest capital declines of -0.9% q/q and avoided much of the capital volatility experienced by traditional core sectors.

### Occupational trends

Despite macro-economic challenges, core occupier markets continue to show underlying resilience, with positive rental value growth of 0.8% q/q across all sectors, a marginal decline from 1.0% q/q in Q2 2023. This growth was led by the industrial sector which delivered 1.5% rental growth over the quarter.

10-year UK Commercial property total returns (Monthly)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q3 2023 report as at 30 September 2023.

# Market Context

## Market Commentary (continued)

Whilst rental growth remains robust, the market, especially the “big box” sub-sector, has seen a slowdown in take-up, resulting in reduced levels of annualised rental growth; currently at 6.9%, down from 7.6% at the end of Q2 2023. Conviction towards the sector, however, remains high when considering the fundamental shortage of supply and tight labour market.

The retail sector saw values turn positive in September 2023, with positive rental value growth of 0.3% q/q, an increase on the flat growth of Q2 2023.

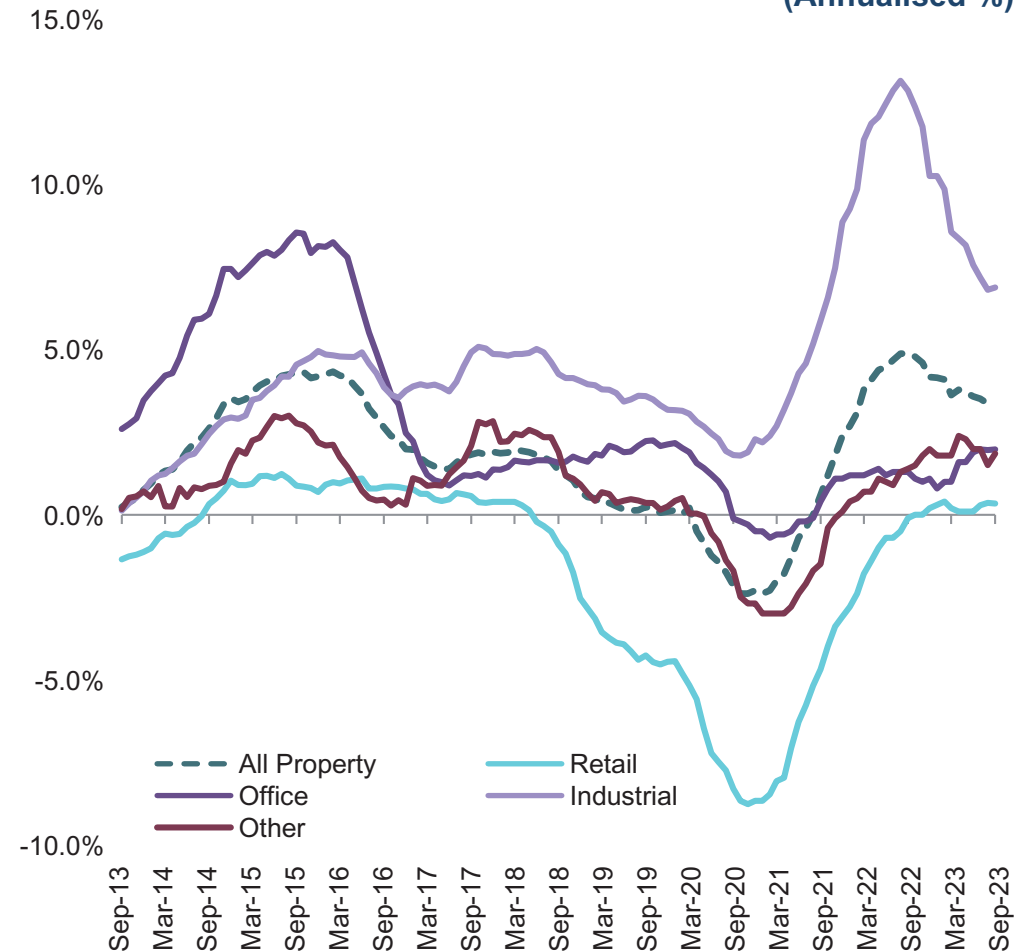
Despite a structural change in working behaviours post-pandemic, offices rents remain positive, delivering rental growth of +0.3% q/q down from the modest +1.0% q/q in Q2 2023, largely because of low national supply and strong Central London performance.

## Outlook

The “All Property” Net Initial Yield at the end of September 2023 increased by 12bps over the quarter to 5.4%. While the All Property Equivalent Yield of 6.8% continues to represent a reasonable risk premium over gilts and swaps, further pressure on capital values is anticipated in some sectors, especially offices, for the remainder for 2023 as valuations take account of prevailing pricing.

Investors will be encouraged by the BoE decision to pause on an additional consecutive rate hike, as greater clarity emerges over the on trajectory of rates course of Q4 2023. 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, will benefit on a relative basis. The extensive re-basing of capital values witnessed since June 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 Q3 2023 report as at 30 September 2023.



# State of the market

## Key sector metrics as at end September 2023

	Trending key:											
		Strengthening		<b>Industrials</b>		<b>Offices</b>		<b>Retail</b>		<b>Alternatives</b>		
<b>Headlines</b>	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					
<b>Vacancy*</b> (By Market Rent)	6.6%		22.0%		6.4%		3.3%					
<b>Rental Growth*</b> (Annualised)	6.9%		1.9%		0.3%		2.9%					
<b>Prime Yield Pricing**</b> (Net Initial Yield, rack rented)	Distribution Multi-let	5.25% 5.25%		London (City) Regions	5.50% 6.00%		High Street Warehouse	6.75% 6.00%		Student Leisure	5.00% 7.75%	
<b>Allocation</b>	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)					
	<b>Finance:</b> 5-year Gilt: 4.3% 5-year Swap: 4.5%			<b>Real estate:</b> NIY: 5.4% EQV: 6.8%			<b>Spread: 2.5%</b> (5-year Gilt to EQV)					

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

# Fund Overview – Q3 2023

## Material Changes

- The Fund's Prospectus was updated effective 31 January 2023 to reflect the introduction of a new Strategic Partner unit class.
- 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 £83m equivalent to 8.2% of NAV (9.3% 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

- Following significant sales volumes to meet redemptions on standard terms during H1 2023, disposal activity through the third quarter reverted to more normal levels, with just one sale completed delivering £0.2m.
- The Fund sold Unit 3, Chase Retail Park at auction for £205,000. The property comprised a self-contained restaurant which formed part of the Fund's wider holding of Chase Retail Park. Following a new letting, the Fund crystallised a sale at auction which represented a 20% premium to the latest independent valuation.
- Realisation requests stabilised into 3Q23, and sales have consolidated the portfolio around core assets anticipated to deliver strong relative performance on a forward looking basis.
- Asset management highlights include the c.170,000 sq. ft. letting of Units A & B Reevesland Industrial Estate, Newport at the prevailing ERV of £5.25psf on a 10 year lease. This represented a rental increase of 55% over the previous passing rent.
- The Fund continues to take a pro-active approach to capital expenditure required to retain and enhance long term value and deliver environmental improvements from its portfolio.

## Rent Collection

- Rent collection for the forthcoming quarter stands at 97.5% (as at Day 21).

## Key Performance Indicators

- **Financial:** The Fund delivered a total return of -0.1% for 3Q23, outperforming its benchmark. The annualised total return at the end of September stands at -12.8%, which is +1.8% over benchmark. The Fund's total returns continue to be supported by a high relative distribution yield of 5.3%, 43% above the benchmark level of 3.7% as of 30 September 2023.
- **Environmental:** The Fund completed 21 projects over the 12 months ending 30 September 2023, with 66.5% delivering EPC A/B. This percentage was lower than in previous quarters due to a significant warehouse roof replacement project, which did not directly improve the property EPC, but which will allow the installation of solar panels at a later date.
- **Social:** The Fund continues to undertake social value projects associated with project work, in accordance with its refurbishment guide.

## Attribution

- Over the 12 months ending 30 September 2023, the fund's directly held property assets generated relative total returns +1.5% against the broader property market. This was achieved through a positive relative income return of +1.0% and positive capital value growth of +0.5%. The fund's retail assets performed better than the wider market by +2.8%. Outperformance was also delivered in the industrial and office sectors relative to market, producing relative total returns of +2.4% and +0.4% respectively. (Source: MSCI, TPUT directly held assets compared to the MSCI UK Monthly Property index).

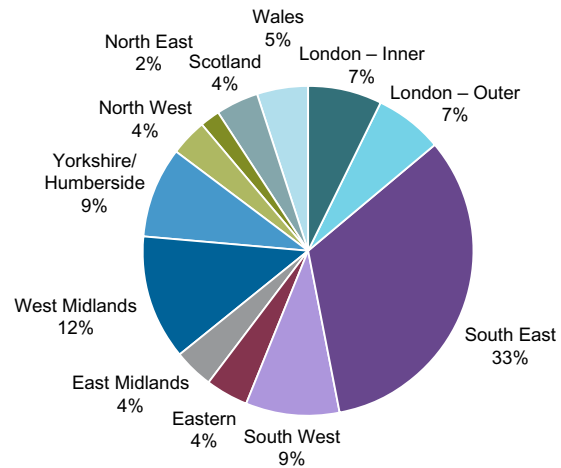
## Outlook

- Whilst downward pressure on capital values is anticipated to as the market adjusts to inflation and interest rate expectations, UK Real Estate continues to offer attractive relative performance characteristics, including resilient rental growth. 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 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.

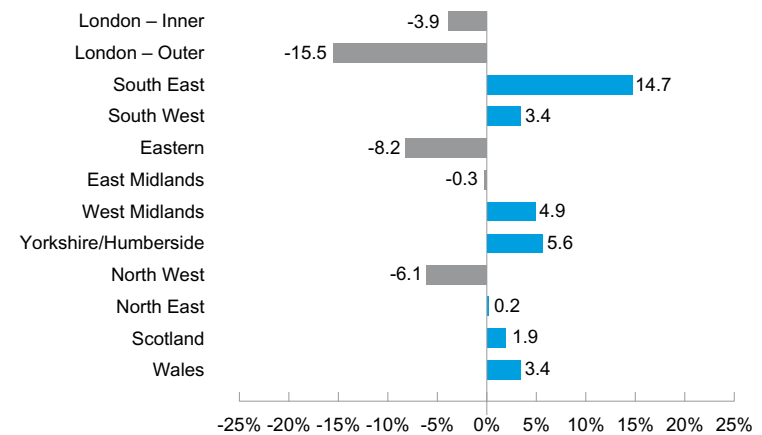
Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and AREF UK Quarterly 'All Balanced Open-Ended' Property Fund Index, 30 September 2023

# Property Portfolio Sector and Geographical Positioning

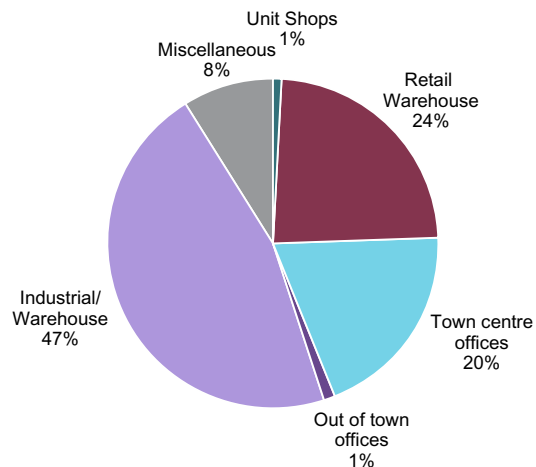
## Property portfolio weighting – geographical split



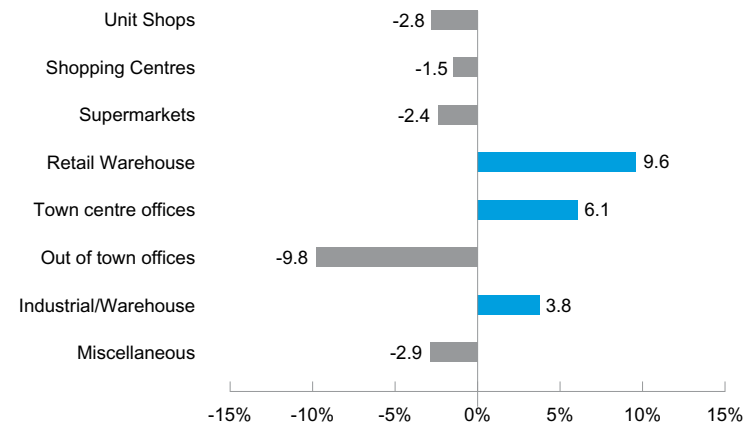
## Relative portfolio weighting (%) versus MSCI Monthly Index



## Property portfolio weighting – sector distribution



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

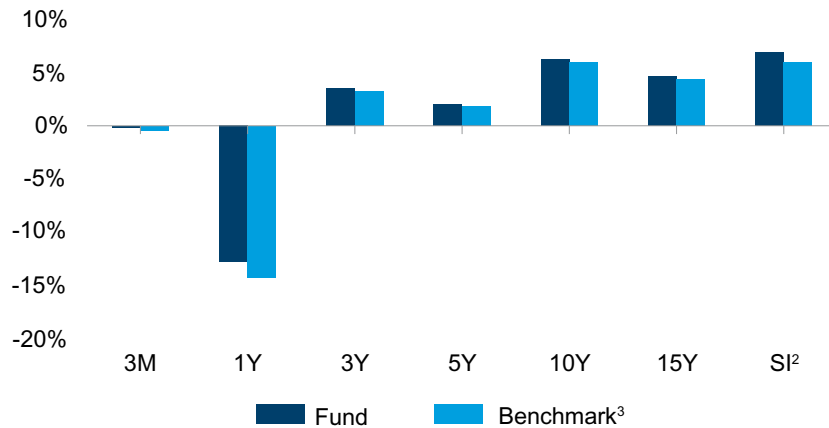


Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 30 September 2023

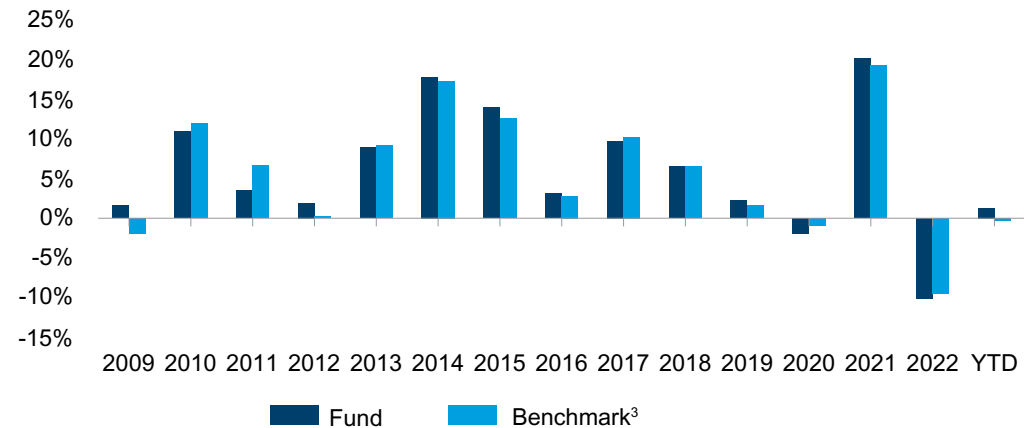
# Fund Performance

## Long Term Performance

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



### Calendar Years



### Fund Performance

### Annualised Performance

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	-0.1	1.3	-12.8	3.5	2.0	6.3	4.7	6.9
Benchmark**	-0.4	-0.3	-14.3	3.2	1.8	6.0	4.4	6.0
Relative (Arithmetic)	0.3	1.6	1.8	0.3	0.2	0.2	0.3	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>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
<b>Wokingham</b>	Ashville Park	Industrial / Warehouse	10-25

## Tenant

	% of rents passing
<b>B&amp;M European Value Retail S.A.</b>	3.2
<b>Tesco PLC</b>	2.6
<b>Currys PLC</b>	2.5
<b>Wickes Group PLC</b>	2.3
<b>Norton Group Holdings Limited</b>	2.0
<b>ACI Worldwide (EMEA) Limited</b>	2.0
<b>Tempur Sealy International Inc.</b>	1.9
<b>Pets At Home Holdings Limited</b>	1.8
<b>AMC Entertainment Holdings Inc.</b>	1.8
<b>Envy Post Production Limited</b>	1.5

Source: Columbia Threadneedle Investments as at 30 September 2023

# Investment Activity – Key Purchases and Sales Over Q3 2023

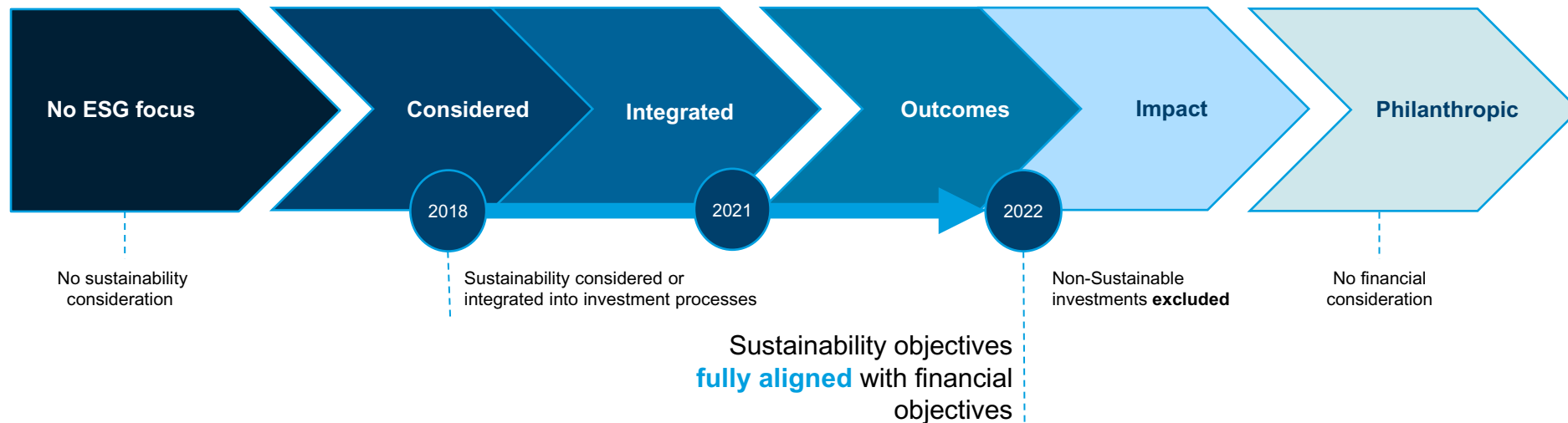
Property	Quarter	Sector	Price (£m)	Net Initial Yield
<b>Purchases</b>				
None				
<b>Sales</b>				
Unit 3, Chase Retail Park	Q3 2023	Retail Warehouse	0-2.5	9.0

Source: Columbia Threadneedle Investments as at 30 September 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:



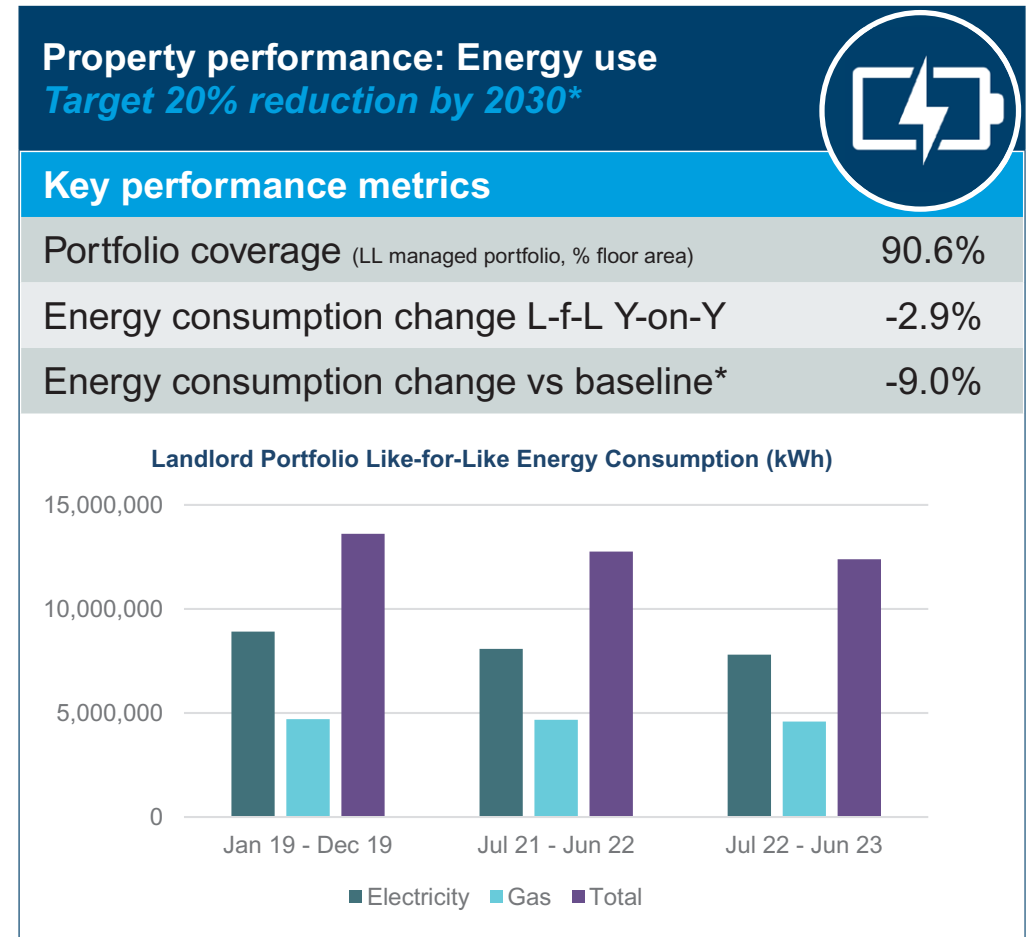
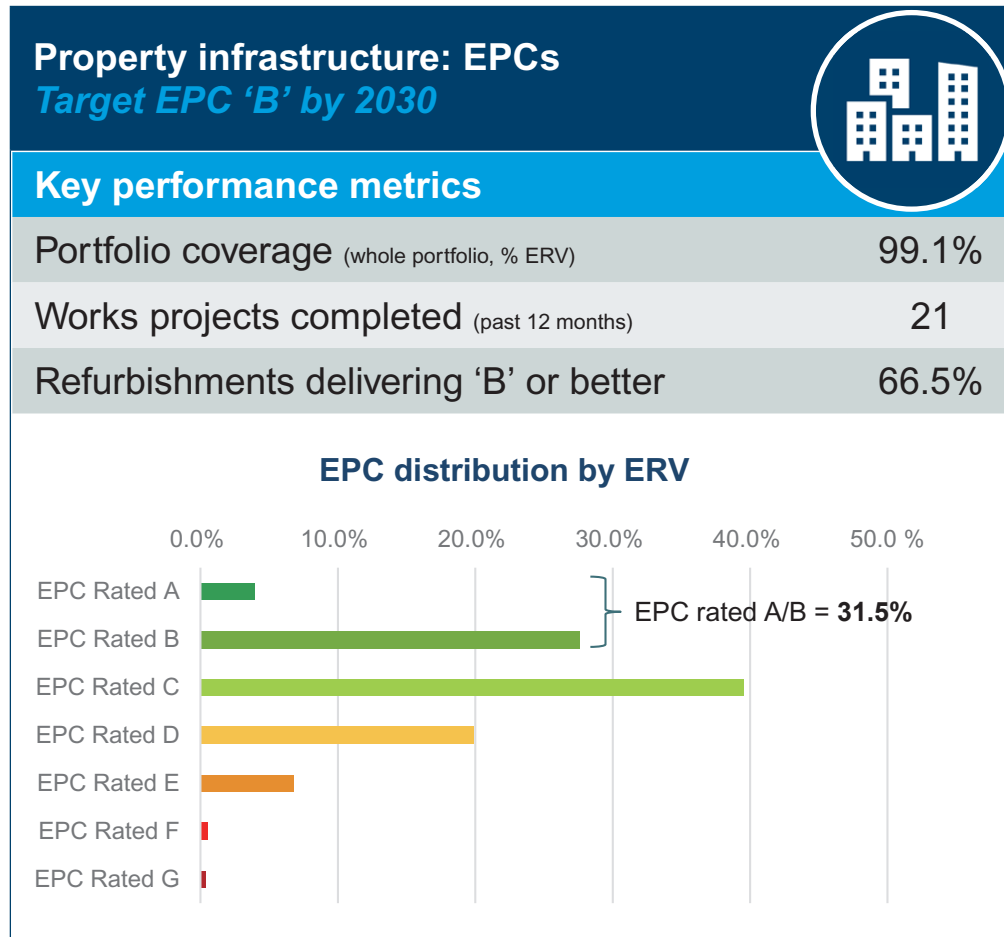
## Key principles:

- 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 30 September 2023. 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 – quarterly performance metrics



Source: Columbia Threadneedle Investments. EPC portfolio coverage as % ERV, as at 30 September 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 30 June 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 2023 GRESB results



### Global Real Estate Sustainability Benchmark

#### Key takeaways

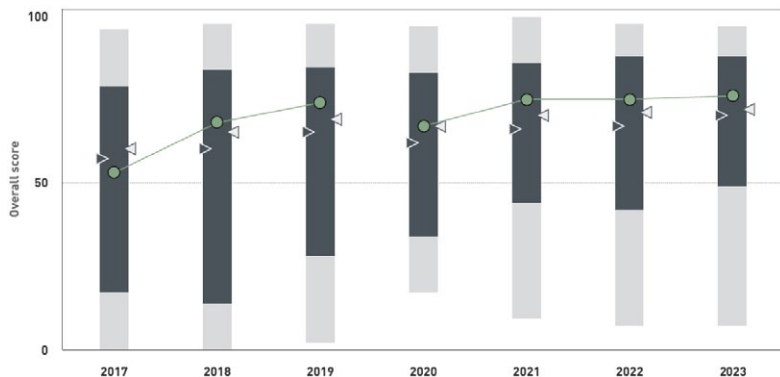
- Twelfth year of the Fund’s submission to GRESB
- Scored 76 out of 100 (Peer Average = 73)
- Ranked 48<sup>th</sup> within its peer group of 113 funds

#### Strengths

- Management (scored 30/30)
- Tenant and community engagement score improvement
- Energy score improvement and above peer average

#### Areas of improvement

- Data coverage scores adversely impacted by high selling activity – coverage for GHG, water and waste were all below 2021 levels, reflecting portfolio composition volatility
- Building certification (minor improvement on 2022)
- Property-level roll out of Net Zero Carbon pathways continues



Source: Columbia Threadneedle Investments, as at 30 September 2023. 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.

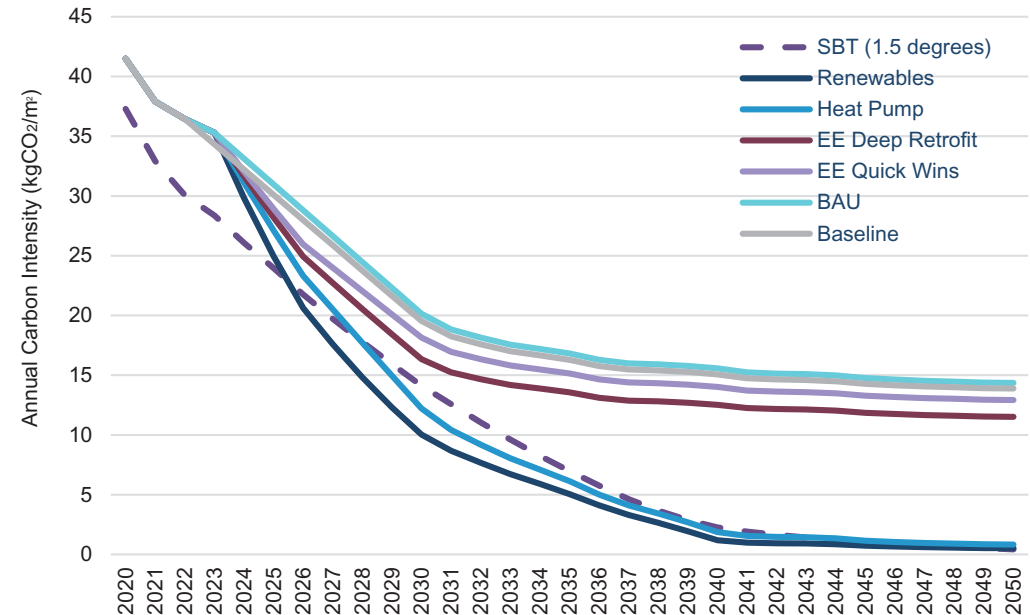
# Responsible Investment: Net Zero carbon

## 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 **£7.0 million** to 30 September 2023, with **66.5%** 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.



<b>Outcomes:</b>	 <b>Financial</b>	Rents achieved on project completions represent uplifts of between <b>28%</b> and <b>48%</b> on pre-refurbishment passing rents
	 <b>Environmental</b>	Solar panels, removal of gas and introduction of EV charging typically deliver best in class EPC 'A' ratings
	 <b>Social</b>	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

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

	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022	Q1 2023	Q2 2023	Q3 2023
<b>Property assets</b>	168	167	165	163	145	123	108	107
<b>Rateable units</b>	775	755	749	735	681	582	542	525
<b>EPC coverage (% rateable units)</b>	98.8%	97.6%	98.9%	99.3%	99.3%	99.7%	99.3%	98.9%
<b>EPC rated A (% rateable units)</b>	0.6%	0.7%	0.7%	1.6%	1.8%	2.6%	3.1%	3.0%
<b>EPC rated B (% rateable units)</b>	16.9%	17.7%	20.0%	21.8%	21.7%	23.2%	24.0%	24.6%
<b>EPC rated C (% rateable units)</b>	39.5%	38.4%	39.3%	39.7%	38.5%	41.2%	40.2%	39.6%
<b>EPC rated D (% rateable units)</b>	29.9%	28.7%	28.3%	26.7%	28.0%	24.4%	24.4%	23.6%
<b>EPC rated E (% rateable units)</b>	11.0%	11.1%	9.7%	8.8%	7.6%	6.5%	6.1%	6.3%
<b>EPC rated F (% rateable units)</b>	0.4%	0.3%	0.4%	0.4%	0.4%	0.7%	0.7%*	0.8%*
<b>EPC rated G (% rateable units)</b>	0.5%	0.5%	0.5%	0.3%	0.6%	0.9%	0.6%*	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

**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>	<i>Not measured explicitly prior to 2021</i>			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>	<i>Not measured explicitly prior to 2021</i>			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

**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

**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

## 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) – September 2023

The key areas of risk impacting this fund as at the end of September 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: 7.1%
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-Sept 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: 3.2% 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: 4.0%
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: 12.9% <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: 8.9%
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 Sept 2023: 97.5% collected at day 21.
Counterparty	Low – Minimal Counterparty Exposure	No Maximum restriction within scheme.	Deposits with single bank at end of quarter: 8.2% 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.

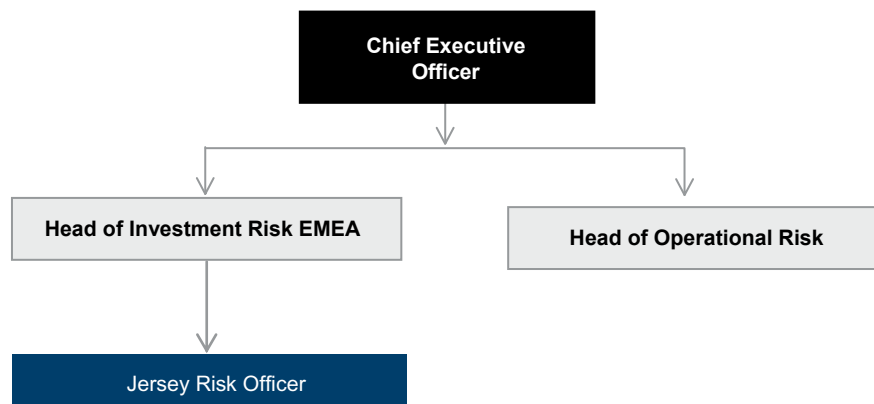
# The Columbia Threadneedle Risk Management System

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 Head of Investment Risk EMEA, 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**

**September 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 preceding 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.

Threadneedle Property Unit Trust is an unclassified open-ended unit trust domiciled in Jersey, governed by a fourth amended and restated trust instrument under Jersey law dated 4 December 2014 (as may be amended from time to time) made between the Manager and the Trustees (the "Trust Instrument"). This Trust is not registered for sale outside the United Kingdom and may not be offered to the public in any other country.

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.

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