

Fund Facts



Fund Manager
James Coke
 Since: 01/2021

Fund aim

The objective of the Fund is to provide investors with an indirect investment exposure to a diversified, multi sector portfolio of commercial property assets throughout the UK. The Fund seeks to achieve investment returns from the sector by placing particular emphasis on relatively high income returns, strong stock selection and active management of assets.

Launch date (of original fund)
 1967

Benchmark¹

MSCI/AREF UK All Balanced Quarterly Property Fund Index

Fund size (Net Fund Value)*
 £1,513.4m

Cash Holding (of Net Fund Value)
 5.5%

Bid/Offer Spread
 7.2%

Annual management charge
 0.68% p.a. up to £200m; 0.60% p.a. thereafter

Stated AMC for Unit Class A, based on gross assets of the Fund. Alternative unit classes are available which may attract different fees.

Pay dates

Income is allocated to Unitholders monthly and is paid out at the end of each calendar quarter, or as soon as practical thereafter.

Gross distribution yield
 3.89% per annum

ISA
 No

Fund Codes:

Sedol Income: 0508667
 ISIN Income: GB0005086672

¹ The Benchmark was Russell/Mellon CAPS Pooled Pension Fund Property Median until 31/12/2013. AREF/IPD UK Quarterly Property Fund Index – All Balanced Property Fund Index Weighted Average until 08/12/2018 and MSCI AREF UK All Balanced Quarterly Property Fund Index thereafter.

For more information about this and the Threadneedle Property Unit Trust, speak to your usual Columbia Threadneedle Investments contact.

All information expressed in UK Sterling.

Information for Investment Professionals
 (not for onward distribution to, or to be relied upon by, private investors)

Fund Overview

- **Material Changes:** There are no material changes relating to arrangements for managing the liquidity of the fund.
- **Portfolio Activity:** The fund continues its successful programme of selling non-core assets, with a focus on the high-street retail sector and on selective offices that are compromised by uneconomic capex requirements, as we capitalise on active investor demand from private investors and developers seeking alternative-use opportunities. During the quarter, the fund sold a total of nine assets, generating total gross sales receipts of £17.0 million. Of these transactions, six were high-street assets, which generated an average premium of 20% to the prevailing independent valuations. The highlight of the quarter was the sale of AC Court, Thames Ditton, a multi-let office park with 30% vacancy and permitted development rights which we sold to an overseas developer for £10.2 million, representing a 7.3% premium to valuation. Total sales for 2021 totalled £101.3 million, of which 52% were retail assets, demonstrating the fund's strategic investment approach.

The fund completed two industrial purchases totalling £14.2 million: Swift 34 in Rugby (£4.8 million with a yield of 4.9%) and Crucible Business Park, Worcester (£9.3 million with a yield of 5.2%). The former is a modern refurbished unit let for 10 years, located adjacent to the fund's existing holding of Unit C Swift Point, resulting in a marriage value uplift. Crucible Business Park is a highly reversionary estate strategically located a mile from the M5, offering proactive asset-management opportunities to grow the rental income and increase net returns.

- **Rent Collection:** The fund continues to work with its tenants on a case-by-case basis to agree appropriate strategies for rent collection, having regard to government legislation, industry guidance and the cashflow position of its occupants. As a result of the work undertaken by its asset and property managers, rent collection for the quarter stands at 95.7% (as at 24 January 2022).
- **Liquidity:** The fund maintains a robust liquidity position, with cash of £82.8 million (equivalent to 5.5% of NAV). We continue to monitor liquidity closely to protect the fund against any residual market volatility, and to exploit buying opportunities as they arise.
- **Performance:** The fund delivered a total return of 7.3% for Q4, marginally underperforming (by -0.2%) its benchmark, largely as a result of significant capital appreciation across industrial, retail and West End office sectors; the fund is underweight in the latter (due to the 'trophy' nature of those assets which attract low yields inconsistent with the fund's investment approach). However, the fund outperformed its benchmark by 0.9% over the year, delivering an annual total return of 20%. This reflects the approach to defensively position the fund with high relative income yields, significant portfolio diversification, and the potential to add value through proactive asset management. The fund's total returns continue to be supported by a high relative distribution yield of 3.9%, being 30% above the benchmark level of 3.0% as at 31 December 2021.
- **Attribution:** During the 12 months ending 31 December 2021, the fund's directly held property assets generated relative total returns of +2.7% against the broader property market (as represented by the MSCI UK Monthly index). This was achieved through a positive relative income return of +1.0% and positive capital value growth of +1.7%. The fund's retail assets outperformed the wider market by +12.1%, delivering a total return of 28%, driven by retail warehouse capital appreciation of 24.7%. Offices, however, underperformed the market by 3.4%, producing a total return of 2.2%. The fund's industrial assets saw total returns from the sector outperform the market by 0.5%. Thanks to the recovery of the leisure sector, the fund's 'other' assets produced consecutive quarterly outperformance, recording a total return of 13.7% (+5.2% against benchmark). (Source: MSCI, TPUT directly held assets compared to the MSCI UK Monthly Property index – December 2021).
- **Outlook:** As the UK real-estate sector continues to offer attractive relative performance attributes, we continue to believe the fund is well placed to capture further positive growth prospects through its enduring focus on actively managing property assets to generate a high and sustainable-income yield advantage from a diverse asset and tenant base. The fund's property assets currently offer a net initial yield of 5.0% compared with 4.2% offered by the MSCI UK Monthly index. The fund's overweight positions to regional industrials and retail warehouses should provide a solid foundation for performance prospects over the course of 2022 on a relative basis.

Investment performance %[#]

	Last 3 Months %*	Last 12 Months %*	Last 3 Years %*	Last 5 Years %*	Last 10 Years %*
Threadneedle Property Unit Trust	7.3	20.0	6.3	7.0	8.0
Weight Average	7.5	19.1	6.2	7.0	7.6

Performance returns reflect income accrued on a quarterly basis only.

As at 31.12.2021 Annualised returns, NAV to NAV, income reinvested at offer, net of fees.

Key Risks

Please note that past performance is no guarantee of future returns. The value of investments can go down as well as up and the investor may not get back the amount originally invested. It may be difficult or impossible to realise an investment in the Trust because the underlying property concerned may not be readily saleable. The value of the property in the Trust is a matter of a valuer's opinion.

Please note that the use of gearing creates additional risk by raising the Trust's exposure to capital risk and interest costs. In some circumstances the use of gearing can also affect the eligibility of the Trust for certain investors.

Where investments are made in assets that are denominated in foreign currency, changes in exchange rates may affect the value of the investments.

The fund 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.

Portfolio distribution %

Property Portfolio	Fund
Unit Shops	2.2
Shopping Centres	0.0
Supermarkets	1.0
Retail Warehouse	15.0
Total Retail	18.2
Town Centre Offices	23.4
Out of Town Offices	2.8
Total Offices	26.2
Industrial / Warehouse	49.2
Miscellaneous	6.4
Total	100.0

Geographical distribution %

	Fund
London – Inner	7.8
London – Outer	6.9
South East	40.3
South West	6.6
Eastern	3.3
East Midlands	3.8
West Midlands	11.7
Yorkshire / Humberside	7.8
North West	4.3
North East	1.7
Scotland	3.2
Wales	2.6
Northern Ireland	0.0
Total	100.0

Top ten direct holdings %

Description of individual properties	(% of fund value)
Croydon, 19 Commerce Way	3.8
Hayes, Springfield Rd Ind Est.	2.0
London W1, 46 Foley Street	1.9
Trowbridge, Trowbridge & Spitfire Retail Park	1.9
Hampton, Kempton Gate	1.5
Rugby, Unit C Swift Point	1.4
York, Foss Islands Retail Park	1.3
High Wycombe, Stirling Road	1.3
Wokingham, Ashville Park	1.3
London SW1, Warwick House	1.3

Risk & volatility statistics %

	3 years	5 years
Absolute Volatility	5.28	4.17
Tracking Error	0.92	0.74
Information Ratio	0.12	-0.02
Beta	1.02	1.02

Data is based on quarterly observations. Benchmark is the MSCI/AREF All Balanced Property Fund Index as at 31.12.2021.

Number of properties held: 169

Additional comments

Source of Index information: IPD Monthly Index.

Important information

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 may only be communicated in the UK 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 FSA'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.

In Jersey, the Trust is treated as an unclassified fund for the purposes of the Collective Investment Funds (Jersey) Law 1988 and regulated by the Jersey Financial Services Commission.

Units in the Trust may only be promoted in accordance with the aforementioned legislation.

This document should not be circulated to private investors.

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Threadneedle Investments (Channel Islands) Limited

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Regulated by the Jersey Financial Services Commission.

Telephone calls may be recorded.