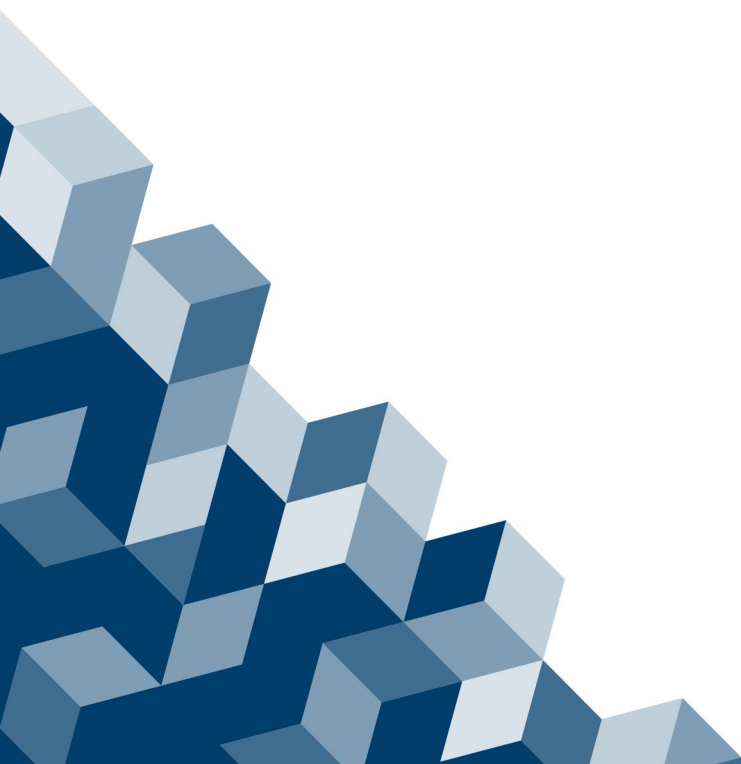


# Threadneedle Pensions Limited, Property Fund Quarterly Report as at 31 December 2022

Confidential



# Contents

3	Mandate summary
4	Portfolio highlights
5	Market context
8	Fund overview
9	Property portfolio sector and geographical positioning
10	Fund performance
11	Top 10 holdings and tenants
12	Investment activity
15	Responsible investment: key business initiatives
16	Responsible investment: environmental
17	Responsible investment: GRESB
18	Net Zero: Our corporate commitment
19	Net Zero: Fund pathways
20	Asset management activity
21	ESG reporting: EPC data
22	ESG reporting: Energy consumption
23	ESG reporting: Greenhouse gas (GHG) emissions
24	ESG reporting: Water and waste consumption
25	ESG reporting: Flood risk
26	Glossary of terms
28	Important information

# Mandate Summary

## Contact Information



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

## Mandate

To invest directly in UK commercial real estate including retail, office buildings and industrial properties.

We are delighted to announce the launch of three income share classes on the TPEN Property fund. This is in addition to the accumulation units currently offered through the fund, and is in response to client demand as DB schemes reach full funding/maturity and begin to distribute income to underlying pension fund holders. The new income share classes will offer asset allocation flexibility and will complement Columbia Threadneedle Investment's UK property investment philosophy of positioning funds with a focus on income, which we believe is the greatest contributor to total returns and the source of relative outperformance.

If you would like to switch into an income share class please contact your usual Relationship Manager, or Client Services on [clientservices@columbiathreadneedle.com](mailto:clientservices@columbiathreadneedle.com)

Additional information can be found on the website, along with the current Key Features Document.

Source: Columbia Threadneedle Investments

\*Semi-swinging single price.

Quoted price and NAV are based on share class C (AMC of 0.75%) as at 31 December 2022

## Fund Information

■ Total Assets	GBP 1,614 million
■ Benchmark	MSCI/AREF UK All Balanced Property Funds
■ Base currency	GBP
■ Reporting currency	GBP
■ Quoted price* (Currently Bid)	6.5625
■ NAV	6.6444
■ UK pooled pension property fund	
■ Accumulation Units	
■ Prices and deals every UK business day	



# Portfolio Highlights



**NAV £1.614bn<sup>1</sup>**  
6<sup>th</sup> largest Fund in Benchmark



Diversification at asset level  
**180 properties**



Diversified income with  
**971 tenancies**



Highly liquid portfolio with  
**Average lot size £8.4m**



Gross rent roll  
**£92.5m pa**



**WAULT to break 4.6 years** (vs 6.6 years<sup>2</sup>)



**Cash 4.1%<sup>1</sup>**  
(vs 5.4%<sup>1</sup>)



Vacancy rate  
**9.5%** (vs 9.8%<sup>2</sup>)



**GRESB Rating 2022 – 78/100**



Income advantage  
**Net Initial Yield 5.7%** (vs 5.0%<sup>2</sup>)



**Equivalent Yield 7.5%** (vs 6.5%<sup>2</sup>)



**Total return -13.5%<sup>1</sup>**  
(3 months net Nav to Nav)

Source: Columbia Threadneedle Investments, <sup>1</sup>MSCI/AREF UK Quarterly Property Fund Index and <sup>2</sup>MSCI UK Monthly Property Index at 31 December 2022. Cash is net debt % NAV (AREF methodology).

# Market Context

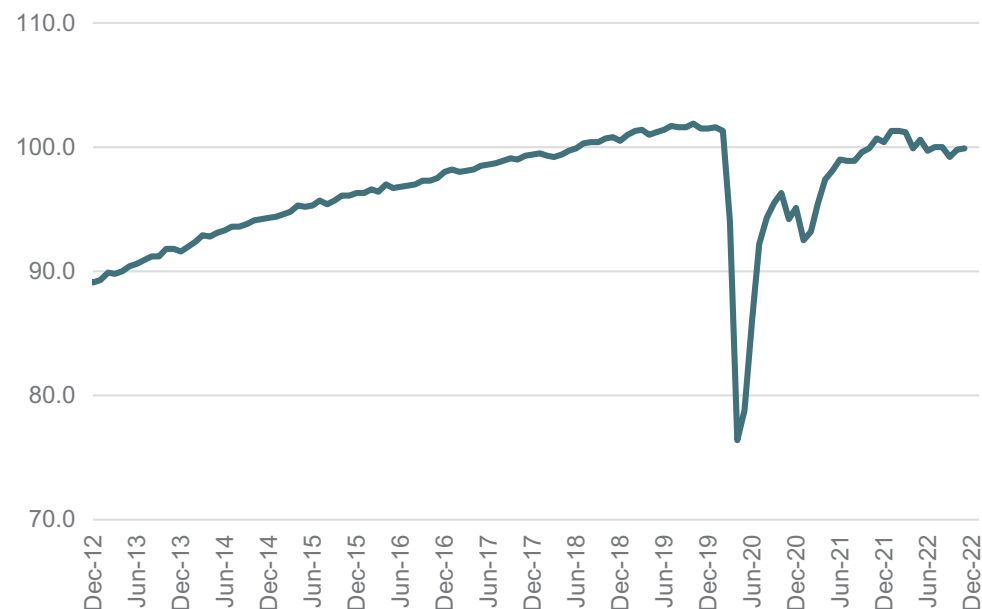
## Market Commentary

### UK Macroeconomy

The UK economy appears for now to have averted the technical recession economists expected in Q4 22 as a result of macro/global headwinds, rising inflation and domestic political volatility. UK GDP is estimated to have grown by 0.5% m/m in October and 0.1% m/m November, driven by increased retail and leisure consumer activity during the FIFA World Cup and run-up to Christmas. Whilst the m/m GDP is encouraging, recessionary concerns remain, and the three-month average GDP growth for September-November 2022 at -0.3% perhaps provides a more insightful indication of economic trajectory. The Sunak administration's return to fiscal orthodoxy had a calming influence on both Gilt and currency exchange rates: 10-year Gilt pricing moderated to c.3.5% in December from a peak of c.4.5% in October, and Stirling rebounded from a low of \$1.07 to recover to \$1.21 by 31 December.

Inflationary pressures persist, however the modest contraction in annual CPI from October (11.1%) to December (10.5%) suggests that peak inflation may be behind us. Labour markets remain constrained, with the unemployment rate unchanged at 3.7% in November, and wage growth remains strong, with the 3-month rate of average earnings growth increasing from 6.1% in October to 6.4% in November. The Bank of England raised the base rate to 3.5% in December, and financial markets now appear to be pricing peak rates of c.4.5%, as the economy proves more resilient than consensus expectations.

### 10-year UK GDP (Indexed)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index, ONS GDP Monthly Estimate November 22, and LSH UKIT Q4 2022 report as at 31 December 2022.

# Market Context

## Market Commentary (continued)

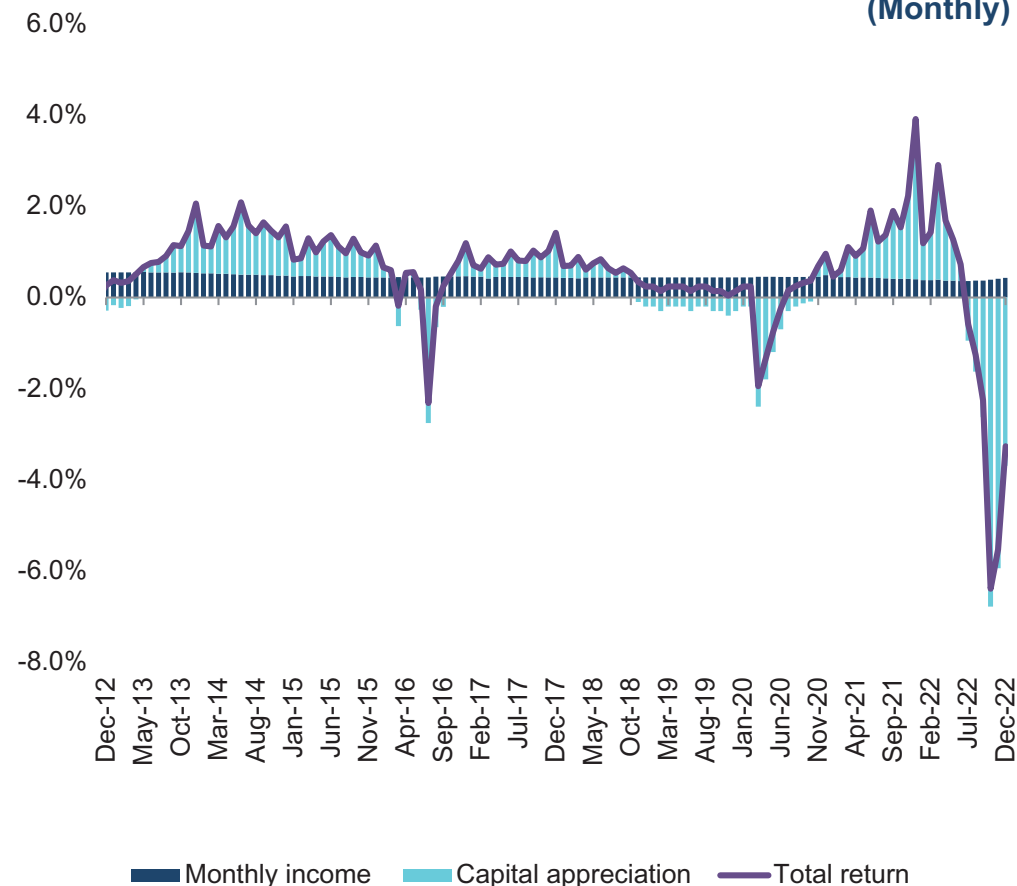
### Investment volumes

Total UK commercial property investment volumes reached £7.3bn for Q4 2022, which is c.44% down on the 5-yearly quarterly average. As with Q3, this is perhaps to be expected, given the social and macro-economic events which shaped H2 2022, which provoked a cautious response from property investors. Negative sentiment prevailed through the quarter, and investor caution is likely to persist until visibility improves on interest rate trajectories, and finance costs become clearer. Anecdotally however, we are aware that significant capital remains available for investment, subject to pricing fully reflecting interest rate / funding cost expectations. High volatility in gilt yields following the 'Mini-budget' on 23 September forced a large number of UK Defined Benefit Pension Schemes to significantly increase liquidity, and caused a sudden increase in redemption requests from open-ended property funds, some of which subsequently deferred or suspended redemptions. This position remains under review by most Managers.

### Returns

Q4 2022 saw an acceleration in capital declines, with capital growth as represented by the MSCI UK Monthly Property Index decreasing by -15.6% across all sectors. Total returns were -14.5% for Q4, being partially offset by an income return of +1.3%. While the speed of direct property capital value declines is unprecedented in recent times, it is a natural reaction to the changing opportunity cost of capital which was reflected across asset classes through 2022. In response to yields retreating from record low levels in the first half of 2022, the industrial sector recorded the largest fall in quarterly capital returns of -20.3%; however, it continues to be the sub-sector driving rental growth overall, given the robust underlying occupational dynamics.

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



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q4 2022 report as at 31 December 2022.

# Market Context

## Market Commentary (continued)

Retail capital values decreased -12.3% in the quarter and -9.4% year-on-year. Retail warehouses was the standout performing retail sub-sector for the year, recording -5.9% capital growth. The office sector saw capital declines of -12.7% for Q4 and -14.1% year-on-year. London offices proved to be more resilient than other UK regional markets, recording quarterly capital growth of -12.6% and -9.5% in the City and West End respectively.

## Occupational trends

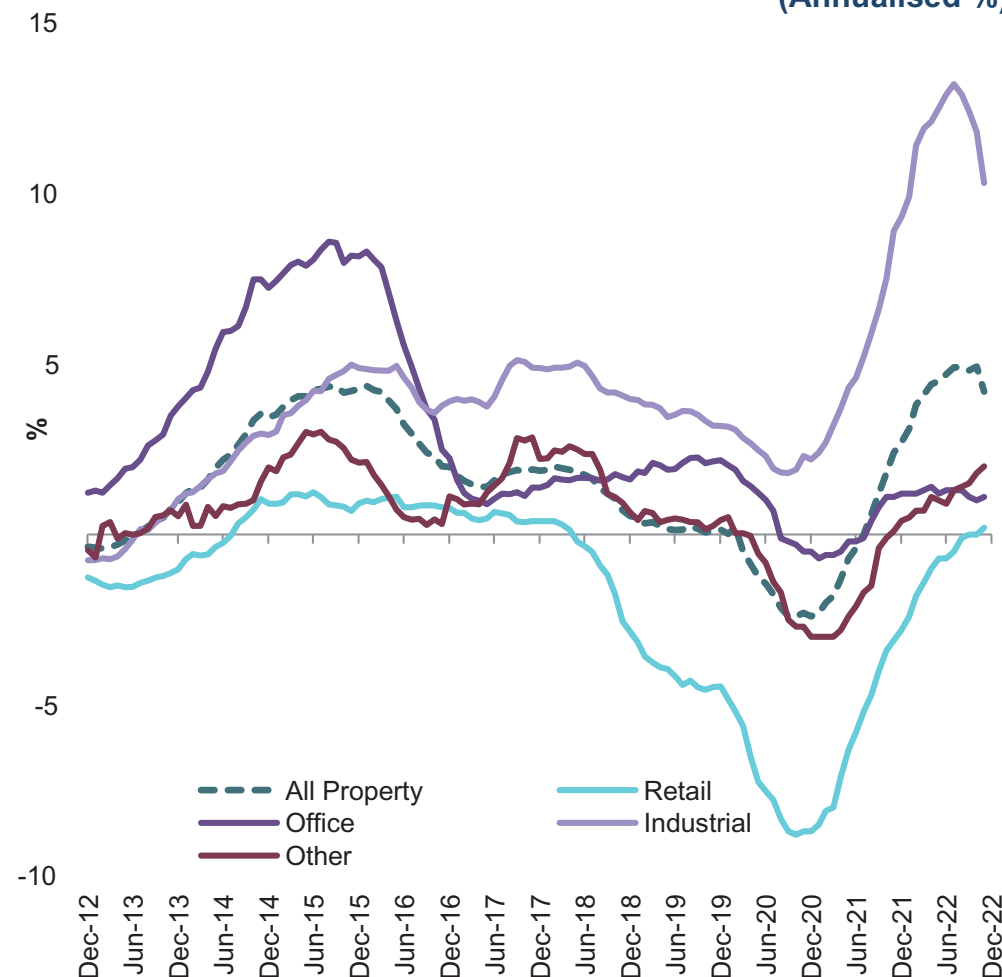
Despite the macro-economic challenges, core occupier markets have continued to demonstrate resilience. The industrial sector continued to record positive rental growth of +1.6% for the quarter and +10.3% year-on-year, in recognition of the continued strong occupier demand and severely constrained supply. The retail sector saw rental values slide into negative growth of -0.2% across the quarter (+0.2%/y/y); however retail warehouse rents remain stable at 0% for Q4. Despite the structural impact of a change in working behaviours post-pandemic, offices delivered rental growth of +0.3% for Q4 and +1.0% year-on-year, predominantly driven by Central London rental performance.

## Outlook

The “All Property” Net Initial Yield at the end of December 2022 increased by 70bps over the quarter to 5.1%, which highlights the capital declines explained above. Whilst the monthly rate of capital decline has moderated from October 2022, further capital value falls may reasonably be anticipated in the first half of 2023 as Valuer’s react to pricing evidence. While the asset class will not be immune to persistent inflationary pressure and subsequent monetary policy responses, 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.

Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q4 2022 report as at 31 December 2022.

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





# Fund Overview – Q4 2022

## Portfolio Activity

- During Q4 2022, the Threadneedle Pensions Limited Pooled Property Fund (TPEN PF) made 63 asset sales. Total sales for the quarter were c.£172m, representing a c.£20m (c.10%) discount to the Independent Valuation. Against the weakening economic outlook with the cost-of-living crisis, increased interest rates and debt financing costs, the Manager proactively sought to increase the Fund's liquidity position towards the end of the quarter. The Manager foresaw an increasing rate of investor redemptions, and so increased the sales pipeline to >c.£200m. Market volatility increased substantially as a result of the UK Government's mini-budget on 23 September which led to a rapid increase in UK gilt yields. This caused UK Defined Benefit (DB) pension funds to significantly increase redemptions to meet margin calls on Liability Driven Investment (LDI) products, prompting a liquidity crisis and an acceleration in the decline of property capital value as sales progressed to meet client demands.
- Extracting latent value through active asset management initiatives remains a critical focus for TPEN. A total of 194 new lettings/lease renewals were successfully completed in the 12 months to the end of Q4 2022, with a combined rental value of c.£15.5m per annum. Importantly, the TPEN PF continues to maintain high levels of occupier retention at 'tenant break options', with just 11 out of these 129 options being exercised (c.91% retention rate). As a direct result of new letting activity (expiry of rent-free periods) and fixed rental value increases, the total rent generated by the TPEN PF's property portfolio is set to increase by a further c.£7.1m per annum over the next 12 months.

## Rent Collection

- TPEN PF continues to work with occupiers on a case-by-case basis to agree appropriate strategies for rent collection, having regard both to UK government legislation, industry guidance, and the cash flow position of occupiers' businesses. As a result of the work undertaken by the Fund's asset and property managers, rent collection for the forthcoming quarter stands at c.92% (as at Day 21). It is forecasted that rent collection rates as at the last day of the quarter will recover to pre-pandemic levels of c.99% as the backlog of rent arrears as a result of the pandemic is cleared.

## Liquidity Management

- At the end of Q4 2022, the TPEN PF's liquidity position was c.£86.8m, equivalent to c.5.4% of net asset value (NAV), excluding debtors and creditors and increasing as a result of sale completions. A Redemption Deferral Policy (the Policy) for TPEN PF was enacted effective for investor dealings from 3 October 2022 to protect all Investors' interests as a result of the volatility in the investment market since 23 September 2022. The Policy takes into account the differing liquidity requirements of the fund's Defined Contribution (DC) and DB investor base and will be operated in a way that is appropriate and fair to each type of investor. The aim of the Policy is to defer investor redemptions, pricing and settling monthly, on a "first come, first served" basis but permitting "regular" (i.e. normal course of business) DC redemptions to be priced and settled on a daily basis in accordance with standard terms. The manager continues to monitor liquidity closely as a means of protecting the fund against the prevailing market volatility.

## Performance

- In Q4 2022, TPEN PF generated a total return of -13.5%, outperforming the MSCI/AREF UK 'All Balanced Open-Ended' Property Fund index (the benchmark) weighted average total return of -14.1%. For the year ending 31 December 2022, the TPEN PF generated a total return of -10.7%,

underperforming the benchmark return of -9.5%. Over the medium to long term, the TPEN PF has delivered annualised total returns against the benchmark of 2.1% versus 2.2% over three years; 2.8% versus 2.9% over five years; 6.5% versus 6.5% over 10 years; and 4.2% versus 3.5% over 15 years. The underperformance in 2022 is a result of an accelerated sales programme in the second half of 2022 to meet investor redemptions, as investors rebalanced portfolios away from an overweight property allocation following strong performance over 2021 and the first half of 2022.

*Source: MSCI/AREF UK Quarterly 'All Balanced Open-Ended' Property Fund index, as at 31 December 2022. Weighted average return statistics are measured at fund level (NAV to NAV, net of fees) and take into account cash holdings.*

## Attribution

- During the 12 months ending 31 December 2022, TPEN PF's directly held property assets (excluding property hold costs and cash) generated a total return of -9.2%, outperforming the broader property market on a relative basis by +1.4% (as represented by the MSCI UK Monthly index – frozen). This was achieved through a positive relative income return of +0.7% and relative capital value performance of +0.6%. TPEN PF's retail assets marginally underperformed the wider market by -0.4%, delivering a total return of -4.3% with a relative capital depreciation of -10.8%. Offices outperformed by -0.7% relative to the market, producing a total return of -10.9% over the previous 12 months; TPEN PF's proactive approach to the capital expenditure required to retain and enhance the long-term value of its office portfolio is reflected in these figures. TPEN PF's industrial assets delivered a total return of -12.2%, outperforming the market by +3.6%, with relative capital value performance to the market of +2.9% over the previous 12 months.

*Source: MSCI UK Monthly Property index (frozen) and TPEN PF's directly held assets compared to the MSCI UK Monthly Property index – December 2022).*

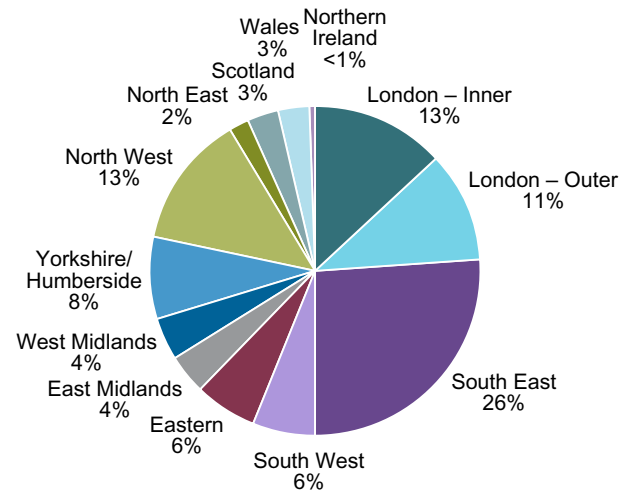
## Outlook

- Given the challenging macroeconomic backdrop, further capital value declines are anticipated in the UK commercial property market. The UK Government's mini-budget created a sharp increase in UK gilt yields, which decreased pension fund liabilities and reduced the need for growth assets such as property. Pension funds are therefore redeeming and selling property, but asset sales are being launched into a market that is liquidity-constrained as a result of increasing debt costs and an absence of low-cost investment capital seeking to acquire assets. The UK faces increasing inflationary pressures and interest rates to combat inflation along with higher energy costs as a result of the Ukraine conflict that have translated into a cost-of-living crisis; all these factors present significant challenges to consumers and businesses. This is likely to result in a recessionary environment that may result in a weakening of occupational demand, increased occupier delinquency and declining rental values. This dynamic is yet to fully materialise in the property market, but is a likely scenario which may depress capital values further.
- Columbia Threadneedle Investments believes TPEN PF is well placed to capture a positive total return over the long run through its enduring focus on actively managing property assets to generate a high and sustainable income yield advantage from a diverse asset and occupier base. TPEN PF's property assets currently offer a net initial yield of 5.7% against 5.0% recorded by the MSCI UK Monthly Property index (frozen) as at end December 2022. TPEN PF's overweight positions in industrials and retail warehouses should continue to provide a solid foundation for performance over the course of 2023.

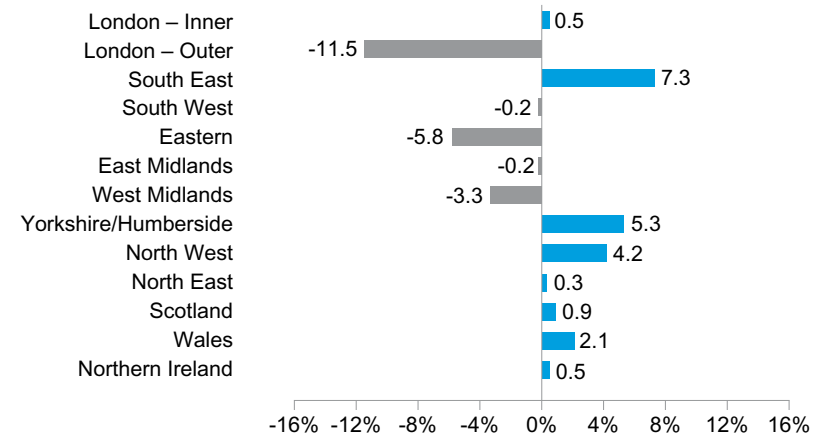


# Property Portfolio Sector and Geographical Positioning

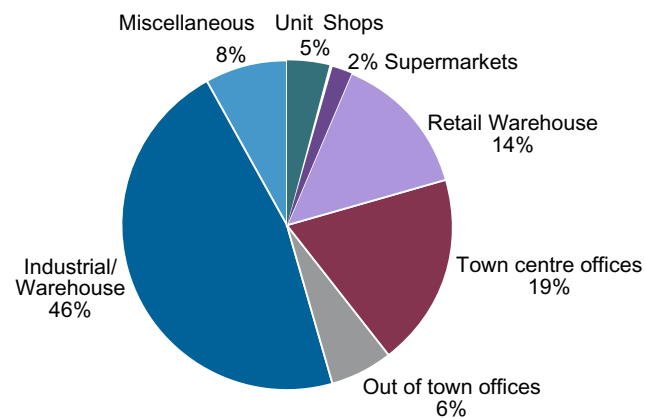
## Property portfolio weighting – geographical split



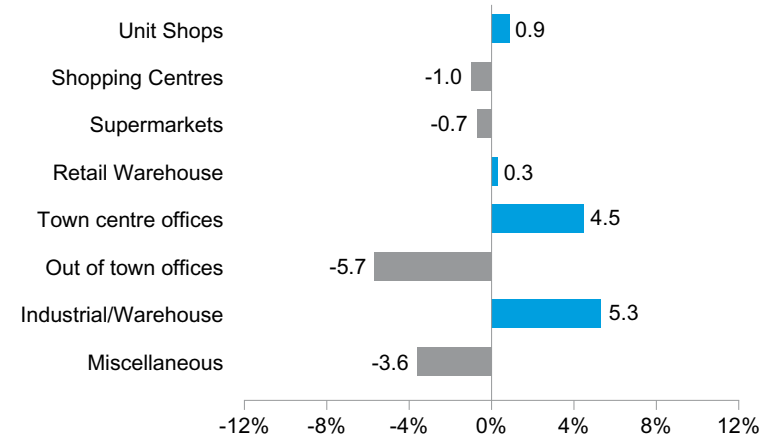
## Relative portfolio weighting (%) versus MSCI Monthly Index



## Property property weighting – sector distribution



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

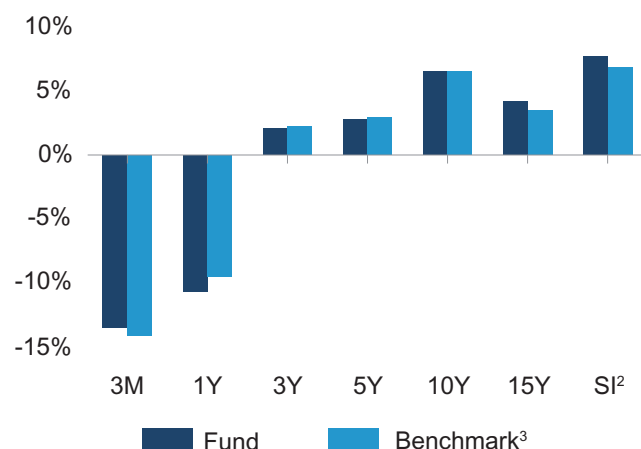


Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 31 December 2022

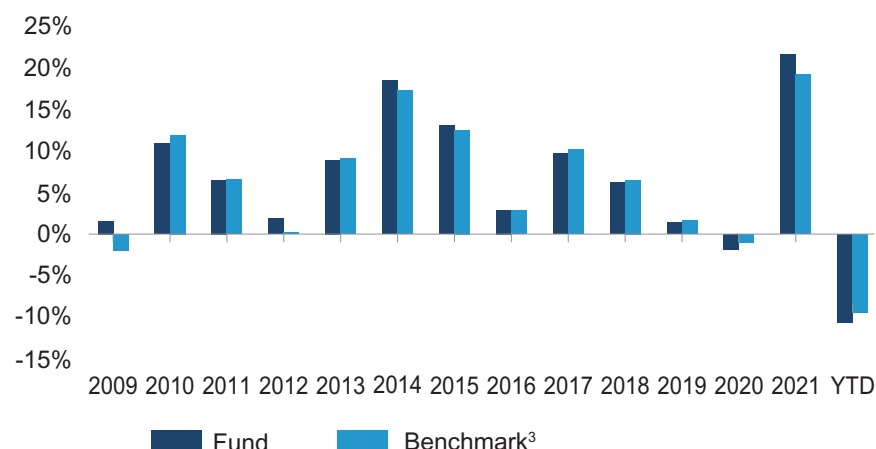
# Fund Performance

## Long Term Performance

Discrete periods<sup>1</sup>



Calendar Years



### Fund Performance

### Annualised Performance

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	-13.5	-10.7	-10.7	2.1	2.8	6.5	4.2	7.7
Benchmark**	-14.1	-9.5	-9.5	2.2	2.9	6.5	3.5	6.8
Relative (Arithmetic)	0.6	-1.2	-1.2	-0.1	-0.1	0.0	0.7	0.9

Source: AREF/MSCI

\* Since Inception – March 1995

\*\* 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.

3. Benchmark is MSCI/AREF UK All Balanced Property Funds Weighted Average. Based on NAV to NAV (net of fees). Historical returns are for information purposes only.

Columbia Threadneedle Investments was appointed investment advisor to the Trust in November 1998.

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

# Top 10 Holdings and Tenants

## Property

Location	Name	Sector	Lot size (£m)
<b>Deeside</b>	Deeside Industrial Park	Industrial / Warehouse	50-75
<b>Chelmsford</b>	Boreham Airfield	Miscellaneous	50-75
<b>Watford</b>	Penfold Works	Industrial / Warehouse	25-50
<b>Sittingbourne</b>	Spade Lane DC	Industrial / Warehouse	25-50
<b>South Ockendon</b>	Next DC	Industrial / Warehouse	25-50
<b>Cambridge</b>	Compass Hse, Vision	Out of Town Office	25-50
<b>London EC1</b>	29-35 Farringdon Rd	Town Centre Office	25-50
<b>London EC1</b>	28-42 Banner Street	Town Centre Office	25-50
<b>Bristol</b>	G Park, Next DC	Industrial / Warehouse	25-50
<b>Woodford</b>	Woodford Ind. Est.	Industrial / Warehouse	10-25

## Tenant

	% of rents passing
<b>Next Group Plc</b>	4.1
<b>Magnet Limited (NOBIA AB)</b>	2.3
<b>John Lewis Partnership Plc (Waitrose)</b>	1.9
<b>Norton Group Holdings (The Range)</b>	1.7
<b>Heidelberg Cement AG (Hanson)</b>	1.6
<b>Currys Plc</b>	1.5
<b>Invesco Ltd</b>	1.5
<b>Howard Tenens (North West) Limited</b>	1.5
<b>Matalan Retail Ltd</b>	1.4
<b>Primark Stores Limited</b>	1.3

Source: Columbia Threadneedle Investments as at 31 December 2022

# Investment Activity – Key Purchases and Sales Over Q4 2022

Property	Quarter	Sector	Price (£m)	Net Initial Yield
<b>Purchases</b>				
Former Railway Yard, Cambridge	Q4 2022	Land	2.5-5	–
<b>Sales</b>				
Cambridge, Newmarket Road	Q4 2022	Industrial / Warehouse	0-2.5	VP
Units 1-8 Cascades Centre, Howard St & Frederick St, Rotherham	Q4 2022	Unit Shop	0-2.5	18.7
Colchester, Newcomen Way	Q4 2022	Industrial / Warehouse	0-2.5	6.2
Birmingham, Witton Road	Q4 2022	Industrial / Warehouse	0-2.5	6.3
Doncaster, Unit C1 Herons Green	Q4 2022	Industrial / Warehouse	0-2.5	6.0
Barnsley, Unit 4 Shawfield Rd	Q4 2022	Industrial / Warehouse	0-2.5	5.1
Bromsgrove, Buntsford Park Rd	Q4 2022	Industrial / Warehouse	0-2.5	5.8
Wolverhampton, Lanesfield Drive	Q4 2022	Industrial / Warehouse	0-2.5	6.0
Birmingham, 2 Ardath Road	Q4 2022	Industrial / Warehouse	0-2.5	6.0
Dalston, Connect House	Q4 2022	Industrial / Warehouse	0-2.5	6.4
Bristol, Axis Hawkfield Bus.Pk	Q4 2022	Industrial / Warehouse	0-2.5	6.4
Swindon, Watt Close	Q4 2022	Industrial / Warehouse	0-2.5	6.1
Lichfield, 58 Britannia Way	Q4 2022	Industrial / Warehouse	0-2.5	6.6
Swansea, Christopher Court	Q4 2022	Industrial / Warehouse	0-2.5	6.7
Warwick, Tachbrook Park Drive	Q4 2022	Industrial / Warehouse	0-2.5	5.8
Stafford, 1 St Albans Road	Q4 2022	Industrial / Warehouse	0-2.5	6.1
Oxford, Unit 1-2 Shelley Court	Q4 2022	Industrial / Warehouse	0-2.5	6.1
Northampton, Kingsfield Ind Est	Q4 2022	Industrial / Warehouse	0-2.5	6.4
Middlesbrough, Fleming Road	Q4 2022	Industrial / Warehouse	0-2.5	6.0
Manchester, Shield Drive	Q4 2022	Industrial / Warehouse	0-2.5	6.1
Bromley, Beeline House	Q4 2022	Industrial / Warehouse	0-2.5	6.0

# Investment Activity – Key Purchases and Sales Over Q4 2022

Property	Quarter	Sector	Price (£m)	Net Initial Yield
Poole, Ling Road	Q4 2022	Industrial / Warehouse	0-2.5	6.2
Cambridge, 72A Ainsworth St	Q4 2022	Industrial / Warehouse	0-2.5	5.7
Reading, 37 Boulton Road	Q4 2022	Industrial / Warehouse	0-2.5	6.5
Croydon, 5 Factory Lane	Q4 2022	Industrial / Warehouse	5-10	5.8
Glasgow, Unit 7 Hornall Road	Q4 2022	Industrial / Warehouse	2.5-5	6.1
Scunthorpe, Foxhills Industrial Estate	Q4 2022	Industrial / Warehouse	2.5-5	10.6
The Courier Building Inverness (Part Sale)	Q4 2022	Unit Shop	0-2.5	VP
Watford - 28-34 Greenhill Crescent	Q4 2022	Industrial / Warehouse	5-10	5.3
5-7 Regal Drive, Walsall Enterprise Park, Walsall	Q4 2022	Industrial / Warehouse	0-2.5	VP
Vale of Neath Retail Park, Neath	Q4 2022	Retail Warehouse	0-2.5	8.6
City Point (aka 93 St Peters St), St Albans	Q4 2022	Unit Shop	0-2.5	5.7
180-184 Earls Court Road, London	Q4 2022	Unit Shop	2.5-5	6.6
366 Walton Summit Centre, Four Oaks Road, Preston	Q4 2022	Industrial / Warehouse	5-10	6.5
5-9 Church Street, Croydon	Q4 2022	Unit Shop	0-2.5	9.0
Epsom, Oaks House	Q4 2022	Town Centre Offices	0-2.5	8.0
York, Stonegate	Q4 2022	Unit Shop	0-2.5	9.1
Bilston, The Market Centre	Q4 2022	Shopping Centre	0-2.5	18.9
Telford, 2 Hawksworth Road	Q4 2022	Out of Town Offices	0-2.5	7.0
Tunbridge Wells, Courier Hse	Q4 2022	Town Centre Offices	2.5-5	6.7
Bellshill, James Street (Part Sale)	Q4 2022	Industrial / Warehouse	0-2.5	6.5
Londonderry, Unit 29 Springtown Industrial Estate	Q4 2022	Industrial / Warehouse	0-2.5	5.1
London N8, Cranford Way	Q4 2022	Industrial / Warehouse	10-25	7.9
Kettering, Tanners Gate	Q4 2022	Retail Warehouse	0-2.5	8.1
Harrogate, 19-21 Cambridge St	Q4 2022	Unit Shop	0-2.5	VP
Sherburn in Elmet, Lancaster Close	Q4 2022	Industrial / Warehouse	0-2.5	5.7
Stonegate, York	Q4 2022	Unit Shop	0-2.5	8.3







# Investment Activity – Key Purchases and Sales Over Q4 2022

Property	Quarter	Sector	Price (£m)	Net Initial Yield
Hill Street & Water Lane, Richmond	Q4 2022	Unit Shop	0-2.5	5.9
Stoke-on-Trent, Dewsbury Road	Q4 2022	Industrial / Warehouse	0-2.5	5.2
Bexleyheath, 1 West Street	Q4 2022	Industrial / Warehouse	0-2.5	4.4
Andover, 284 Weyhill Road	Q4 2022	Industrial / Warehouse	0-2.5	5.0
Darlington, 13 Dudley Road	Q4 2022	Industrial / Warehouse	0-2.5	5.2
Flitwick, Unit 4 Commerce Way	Q4 2022	Industrial / Warehouse	0-2.5	4.8
Leeds, Elmfield Way	Q4 2022	Retail Warehouse	2.5-5	7.6
West Wickham, 38-40 Croydon Rd	Q4 2022	Retail Warehouse	2.5-5	7.0
Wakefield, Calder Island Way	Q4 2022	Miscellaneous	0-2.5	6.8
Watford, St Albans Road	Q4 2022	Town Centre Offices	5-10	9.8
Tunbridge Wells, Century Place	Q4 2022	Out of Town Offices	5-10	10.4
Dartford, Riverbridge House	Q4 2022	Out of Town Offices	5-10	7.9
Sheffield, Trade Point	Q4 2022	Industrial / Warehouse	5-10	6.1
Normanton, Foxbridge Way	Q4 2022	Industrial / Warehouse	10-25	6.1
Waindyke Way, Normanton	Q4 2022	Industrial / Warehouse	5-10	6.1
Doncaster, Balby Road	Q4 2022	Industrial / Warehouse	5-10	5.9

Source: Columbia Threadneedle Investments as at 31 December 2022

# Responsible Investment: key business initiatives

## Delivering positive outcomes

 Policy Statement	 Governance	 Environmental	 Net Zero	 Social	 Reporting
<ul style="list-style-type: none"> <li>• ESG Working Group set up in 2018 to draw together existing workstreams and formalise existing longstanding working practices</li> <li>• ESG Policy Statement and Refurbishment Guide enshrined 2019</li> <li>• ESG incorporated within Managing Agent KPIs since 2021</li> <li>• Personal ESG Goals introduced from 2021</li> </ul>	<ul style="list-style-type: none"> <li>• UKRE business benefits from established robust UK and offshore governance framework</li> <li>• Internally and externally audited</li> <li>• Latest ISAE report released January 2022</li> <li>• ESG governance and oversight framework improved 2021 by introduction of ESG Steering Group</li> </ul>	<ul style="list-style-type: none"> <li>• GRESB participation since 2016 (TPEN PF)</li> <li>• SDGs provide framework to independently monitor environmental performance</li> <li>• On-going engagement with largest tenants to improve FRI data sharing</li> <li>• Physical Risk Screening Assessments completed in November 2021, complementing prior workstreams</li> </ul>	<ul style="list-style-type: none"> <li>• UKRE Net Zero Pathway published August 2021</li> <li>• Fund Net Zero pathways published October 2021</li> <li>• Fund Net Zero sensitivity analysis completed Q2 22</li> <li>• Asset level Net Zero Carbon audits and Sustainability reports to be completed through 2022</li> <li>• Fund targets to be set during 2022</li> </ul>	<ul style="list-style-type: none"> <li>• Annual tenant engagement surveys</li> <li>• Social Value Framework embedded within Refurbishment Guide and being trialled on largest service charges</li> <li>• Community Spaces trial in vacant property</li> <li>• Active Management provides ad-hoc engagement opportunities</li> <li>• Wider social engagement via the Columbia Threadneedle Foundation</li> </ul>	<ul style="list-style-type: none"> <li>• ESG introduced into standard reporting from 2017</li> <li>• Responsible Investment Paper in 2019 updated investors on our approach and commitments</li> <li>• Reporting suite has evolved over time taking into account prevailing regulations, including:               <ul style="list-style-type: none"> <li>■ SECR*</li> <li>■ SFDR*</li> <li>■ TCFD*</li> </ul> </li> </ul>

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



# Responsible Investment: environmental

## Sustainability Dashboard – quarterly performance metrics

### Property infrastructure: EPCs

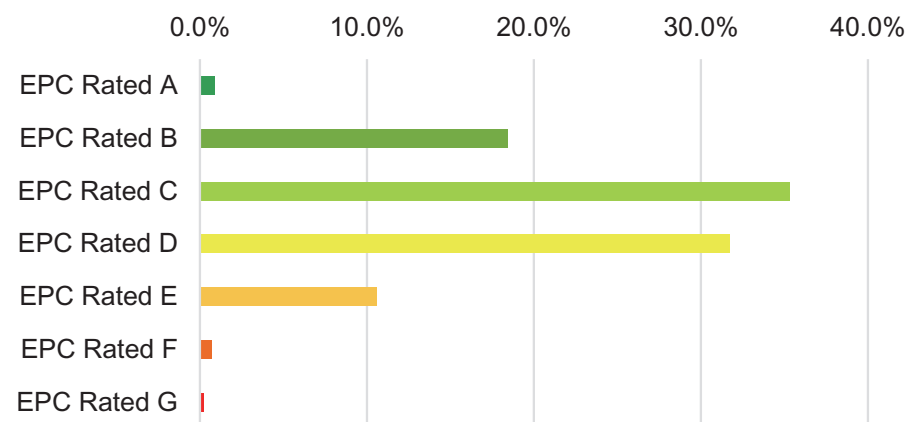
*Target EPC 'B' by 2030*



#### Key performance metrics

Portfolio coverage (whole portfolio, % ERV)	98.4%
Works projects completed (past 12 months)	30
Refurbishments delivering 'B' or better	91%

Property Portfolio EPC Ratings by ERV



### Property performance: Energy use

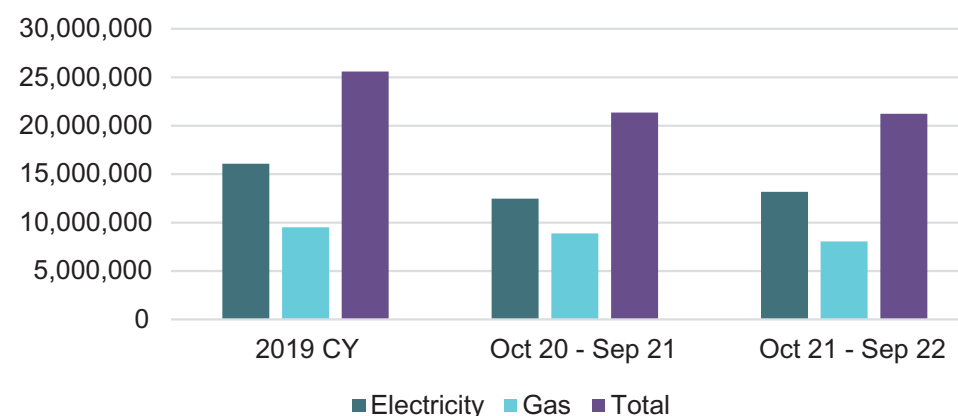
*Target 20% reduction by 2030\**



#### Key performance metrics

Portfolio coverage (LL managed portfolio, % floor area)	82.7%
Energy consumption change L-f-L, Y-on-Y	-0.5%
Energy consumption change vs baseline*	-17.0%

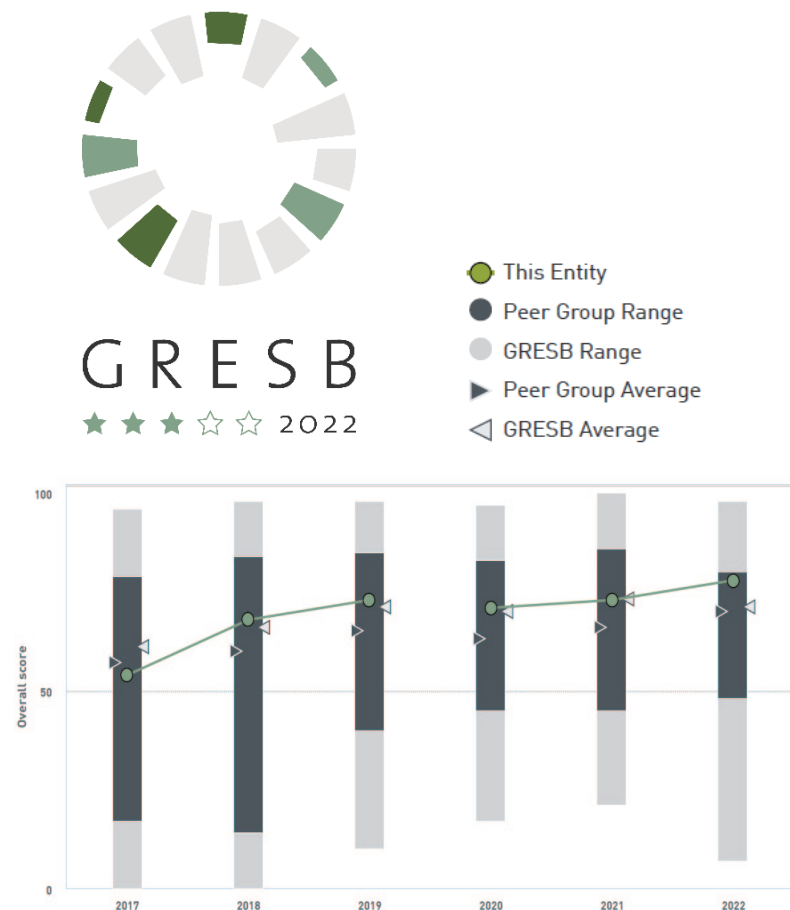
Landlord portfolio Like-for-Like Energy Consumption



Source: Columbia Threadneedle Investments. EPC portfolio coverage as % ERV, as at 31 December 2022. 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 September 2022. 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 quarterly as assets are removed 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 2022 results

## Threadneedle Pensions Limited Pooled Property Fund



### Global Real Estate Sustainability Benchmark

#### Key takeaways

- Seventh year of the Fund's submission to GRESB
- Scored 78 out of 100 (Peer Average = 73)
- Improved score by +5 from 73/100 in 2021 submission

#### Strengths

- Management scored 30/30 vs Benchmark 27/30
- Improvements recognised in data monitoring and coverage across energy, GHG, water and waste consistently score ahead of Benchmark
- ESG breakdown
  - Environmental 41/62 vs Benchmark 37/62
  - Social 18/18 vs Benchmark 17/18
  - Governance 20/20 vs Benchmark 19/20

#### Areas of improvement

- Building certification (note: inconsistent with Fund strategy) and technical building risk assessments for utilities

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

# Responsible Investment: Net Zero carbon

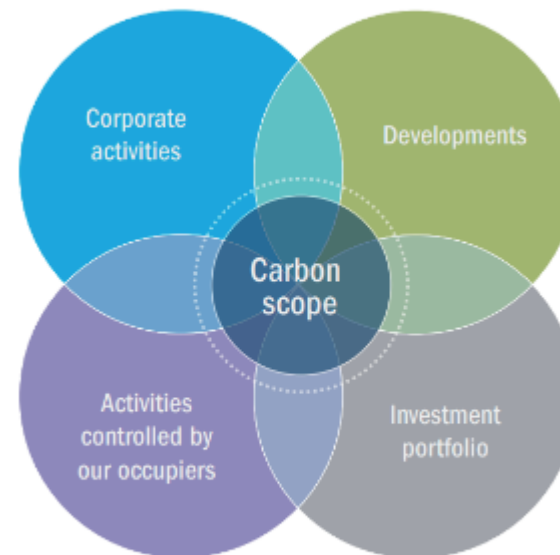
## UK Real Estate commitment to decarbonise our portfolios

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

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

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

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



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

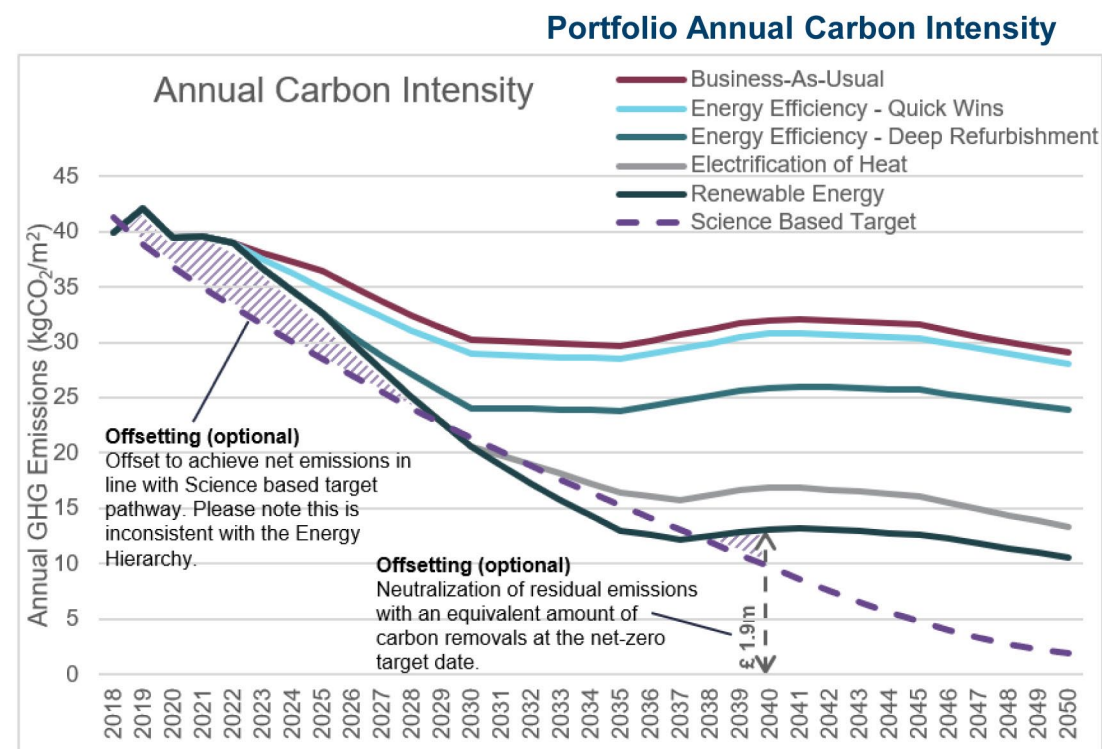
All landlord-controlled emissions, water and waste consumed and produced through our managed portfolio

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

# Responsible Investment: Net Zero fund pathway

## Threadneedle Pensions Limited Pooled Property Fund pathway to Net Zero

Action	EVORA Modelled time	EVORA Modelled cost	Est. Energy consumption saving
Quick wins	2022-25	£5.2m	c.4%
Major asset refurbishment	2022-30	£66.7m	c.14%
Use of renewables	2025-37	£33.8m	c.33%
Electrification of heat	2030-35	£102.5m	
Offsetting	2040	£1.9m pa	Residual
<b>Cumulative cost &amp; saving impact</b>		<b>£211m / £12m pa</b>	<b>c.51%</b>



- Net Zero pathway completed in October 2021 and sensitivity analysis completed in May 2022
- Between 2017-2022 Threadneedle Pensions Limited completed **221** capital projects investing an average **£19.6 million** per annum in building improvements
- Capital expenditure incurred in 12 months to 31 December 2022 is approximately **£18.7 million**




Source: EVORA Net Zero Target & Sensitivity Analysis, TPEN as at May 2022. Sustainability risks are integrated into the fund's investment decisions making process for financial Risk Management purposes only. The decision to invest in the promoted fund should also take into account all the characteristics or objectives of the promoted fund as described in its prospectus. Capital expenditure incurred and budgeted for remained of 2022 as at 25 October 2022. Sustainability risks are integrated into the fund's investment decision making process for financial Risk Management purposes only

# Asset management activity

## Refurbishment & letting: St John's Square, London EC1

- **Approximately 7,400 sq ft self contained office building** (with public house at ground floor level), located in the centre of Clerkenwell, EC1
- The Fund has undertaken an extensive Grade A refurbishment of first and second floors totalling approximately 3,150 sq ft to include a Cat A+ fitted solution which PC'd in January 2022
- Cat A+ fitted solution accommodation let to two separate occupiers on headline rental levels of £66 per sq ft and £66.50 per sq ft respectively by June 2022
- The third to fifth floors totalling approximately 4,220 sq ft are currently undergoing refurbishment in line with the same Cat A+ fitted solution specification, due to PC Q3 2022
- An Agreement for Lease has Conditionally Exchanged on approximately 3,250 sq ft (approximately 77% of total void) reducing post refurbishment void with an achieved headline rent of £71.20 per sq ft on the fourth floor



<b>Outcomes:</b>	 <b>Financial</b>	Rental uplift <b>+14%</b> on pre-refurbishment office ERV (£62.50 per sq ft to £71.20 per sq ft)
	 <b>Environmental</b>	EPC improved to a 'B' rating (prior 'C'), retention of existing light fittings on first and second floors, new VRF / LED lighting, new timber floor finishes, Smart Tech ready
	 <b>Social</b>	Local employment created / shower facility upgraded

Source: Columbia Threadneedle Investments. \*Rent achieved is headline rent on expiry of tenant incentive periods

# Threadneedle Pensions Limited Pooled Property Fund

## Portfolio 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
Property assets	224	224	224	234	181
Rateable units	1,020	1,099	1,100	1,170	1,058
EPC coverage (% rateable units)	84.8%	92.7%	94.3%	98.5%	98.4%
EPC rated A (% rateable units)	0.4%	0.6%	0.6%	0.6%	0.9%
EPC rated B (% rateable units)	10.1%	12.2%	13.7%	16.7%	18.4%
EPC rated C (% rateable units)	30.4%	34.2%	35.5%	35.1%	35.3%
EPC rated D (% rateable units)	32.8%	33.6%	32.6%	34.4%	31.7%
EPC rated E (% rateable units)	9.4%	10.5%	10.5%	11.0%	10.6%
EPC rated F (% rateable units)	0.6%	0.6%	0.3%	0.5%	0.7*
EPC rated G (% rateable units)	0.3%	0.3%	0.3%	0.1%	0.2%**

Source: Columbia Threadneedle Investments, based on % rateable units, as at 31 December 2022. \* seven units rated EPC 'F'; four are located in Scotland which is subject to differing rating systems and regulations, and the other four in relation to residential flats \*\* two units rated EPC 'G', located in Scotland and let for term certain of 10 years+. Targets are indicative and are in no way a guarantee of performance



# Threadneedle Pensions Limited Pooled Property Fund

## Portfolio energy consumption data

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

	2018	2019	2020	2021
<b>Property assets</b>	287	282	274	259
<b>Landlord managed assets (S/C)</b>	117	117	114	112
<b>Data coverage: landlord-managed assets (gross floor area)</b>	86%	85.5%	89.3%	86.0%
<b>Total Landlord-Managed portfolio energy consumption – absolute</b>	<i>Not measured explicitly prior to 2021</i>			23,884,957 kWh
<b>Tenant managed assets (FRI)</b>	170	165	160	147
<b>Data coverage: tenant-managed assets (gross floor area)</b>	13%	18.5%	19.9%	61.5%
<b>Total Tenant-Managed portfolio energy consumption – absolute</b>	<i>Not measured explicitly prior to 2021</i>			31,223,040 kWh
<b>Data coverage: whole portfolio (gross floor area)</b>	52%	54.5%	58.2%	78.3%
<b>Total portfolio energy consumption – absolute</b>	46,035,566 kWh (-1.43%)	52,388,890 kWh (14.24%)	32,900,067 kWh (-28.61%)	55,107,997 kWh (67.50%)
<b>Total portfolio electricity consumption – absolute</b>	33,461,837 kWh (-7.50%)	36,182,812 kWh (8.13%)	20,102,857 kWh (-44.44%)	37,083,099 kWh (84.46%)
<b>Total portfolio gas consumption – absolute</b>	12,573,729 kWh (0.34%)	16,206,078 kWh (28.39%)	12,797,210 kWh (-21.03%)	18,024,898 kWh (40.85%)

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 2021 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.



# Threadneedle Pensions Limited Pooled Property Fund

## Portfolio greenhouse gas (GHG) emission data

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

	2018	2019	2020	2021
<b>Property assets</b>	287	282	274	259
<b>Landlord managed assets (S/C)</b>	117	117	114	112
<b>Data coverage: landlord-managed assets (gross floor area)</b>	86%	85.5%	89.3%	86.0%
<b>Tenant managed assets (FRI)</b>	170	165	160	147
<b>Data coverage: tenant-managed assets (gross floor area)</b>	13%	18.5%	19.9%	61.5%
<b>Data coverage: whole portfolio (gross floor area)</b>	52%	54.5%	58.2%	78.3%
<b>GHG emissions – absolute (year on year % difference)</b>	11,783 tonnes (-21.70%)	12,245 tonnes (3.92%)	7,041 tonnes (-42.50%)	11,171 tonnes (58.66%)

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

# Threadneedle Pensions Limited Pooled Property Fund

## Portfolio water and waste consumption data

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

		2018	2019	2020	2021
<b>Property assets</b>		287	282	274	259
<b>Landlord managed assets (S/C)</b>		117	117	114	112
<b>Data coverage: landlord-managed assets (gross floor area)</b>	Water	39.4%	32%	34.6%	32.1
	Waste	86.1%	33%	40.8%	26.9
<b>Tenant managed assets (FRI)</b>		170	165	160	147
<b>Data coverage: tenant-managed assets (gross floor area)</b>	Water	0	4%	14.3%	26.5
	Waste	0	4%	11.4%	15.6
<b>Data coverage: whole portfolio (gross floor area)</b>	Water	21.6%	22.0%	25.1%	36.5
	Waste	13.5%	26.8%	27.1%	21.8
<b>Total water consumption – absolute</b>		88,180 m <sup>3</sup>	232,058 m <sup>3</sup>	192,443 m <sup>3</sup>	71,530 m <sup>3</sup>
<b>Total waste consumption – absolute</b>		1,634 tonnes	3,247 tonnes	3,321 tonnes	1,740 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

# Threadneedle Pensions Limited Pooled Property Fund

## Portfolio flood risk data (proxy climate change risk)

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

Portfolio risk exposure by value	2018	2019	2020	2021	2022
<b>Property assets</b>	268	268	268	262	178
<b>Low</b>	205 (78.9%)	205 (79.4%)	205 (79.9%)	200 (79.1%)	129 (77.1%)
<b>Medium</b>	53 (17.5%)	53 (17.2%)	53 (17.0%)	52 (17.7%)	45 (21.1%)
<b>High</b>	6 (2.7%)	6 (2.5%)	6 (2.2%)	6 (2.0%)	3 (0.8%)
<b>Extreme</b>	4 (0.9%)	4 (0.9%)	4 (0.9%)	4 (1.3%)	1 (0.9%)

Extreme risk assets	High risk assets
World of Golf, New Malden (small element of site)	7 Farrell Street, Warrington
	The Priory Centre, Worksop
	261-309 High Road, Loughton

Source: Columbia Threadneedle Investments. All data as at 31 December unless otherwise stated. Notes: Flood Risk Assessments commissioned on residual three High / two Extreme risk assets – assessments to be reviewed by Fund's insurer and risk rating to be reassessed. Physical Risk Screening Analysis undertaken November 2021 to compliment the above flood risk statistics and is available on request.

# 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 Key Features Document.
- **Bid/Offer Spread:** The bid/offer spread on units reflects the costs of buying and selling investments.
- **Semi-swinging single price:** Prices of units in the Funds are calculated on a semi-swinging single pricing basis and valued daily at midday. The price of a unit will be based on the value of the underlying investments of the relevant Fund subject to the charges applicable to the relevant Class and, normally, it will be at this price that units are allocated (purchased) or realised (surrendered). In certain circumstances, however, the price may be subject to further adjustment, as explained below. The actual cost of purchasing and selling a Fund’s underlying investments may be higher or lower than the mid-market price used in calculating the semi-swinging single unit price. In such circumstance (e.g. as a result of large volumes of transactions), this may have a materially adverse effect on existing investors in the Fund. In order to prevent this effect (called ‘dilution’), TPL may need to make a ‘dilution adjustment’ that will be incorporated in the price. Such an adjustment is paid into or maintained within the Fund for the protection of investors and is only applied when the interest of investors requires it. For the Property Fund a dilution adjustment will usually be applied and included in the unit price.
- **Pricing basis:** Dependent on the general trend of flows in or out of the fund, the pricing basis of the Property Fund will either be at Offer (Inflow) or Bid (Outflow). This means that units in the fund are either priced on a Net Asset Value (NAV) less circa 1.2% or a NAV plus circa 5.8%.
- **Initial yield:** The rent passing net of ground rent, NR, as a percentage of the gross capital value, GCV, at the same date.  
  
GCV / NR
- **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.  
  
GCV / NOMRV
- **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:** This 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.

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

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