Schroders

For professional investors only

The London Borough of Tower Hamlets Superannuation Fund

Q4 2018

Investment Report
Schroder Real Estate Capital Partners

Q4/2018

Schroders

The London Borough of Tower Hamlets Superannuation Fund

In this report

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Overview

Portfolio Objective

To achieve a return of 0.75% pa net of fees over rolling three year periods above the MSCI/AREF UK Quarterly Property Funds Indices - All Balanced Funds Weighted Average (benchmark).

Portfolio Valuation

Value at 30 Sep 2018	GBP	161,978,177
Net cash flow	GBP	-
Value at 31 Dec 2018	GBP	163,272,798

Performance

Periods to 31 Dec 2018

Total returns GBP	3 months %	12 months %	3 years % pa	5 years % pa	10 years % pa
Portfolio (gross)	0.8	7.0	7.1	9.8	6.3
Portfolio (net)	**0.7**	**6.8**	**6.9**	**9.6**	**6.1**
MSCI/ AREF UK Quarterly Property Fund Index All Balanced Funds Weighted Average	0.9	6.5	6.4	9.7	7.3
Difference	**-0.1**	**+0.3**	**+0.4**	**-0.1**	**-1.3**

Breakdown of performance					
UK Investments (Gross)	0.9	7.5	7.3	10.4	7.5
European Investments (Gross)	-13.4	-19.7	27.4	15.8	1.3

Source: Schroders & MSCI/AREF UK Quarterly Property Fund Index, 31 December 2018.

The portfolio's returns are calculated on the basis that units in open-ended funds are valued at their mid price and closed-ended funds at their NAV price. Figures may be subject to rounding.

Summary

There were circa £4.0 million of purchases in the final quarter, with circa £2.3 million invested in Regional Office Property Unit Trust, £970,000 invested in Schroder Real Estate Real Income Fund and £700,000 invested in Multi-Let Industrial PUT.

Returns were marginally below the benchmark over three months (-0.1%), but remain ahead over twelve months (+0.3%) and three years (+0.4% per annum). Returns are marginally below benchmark over five years (-0.1% per annum), but are significantly below over ten years (-1.3% per annum) mainly due to the historic investments in continental Europe. UK performance is in-line with the benchmark in Q4, but exceeds benchmark over every other time period. As with preceding quarters, the industrial sector remains the strongest driver of returns over recent periods.

Portfolio Strategy

Portfolio sector structure remains favourable, with an underweight position to retail and London offices and overweight positions to industrials, regional offices and alternatives. We will add to regional offices and alternatives with accumulating income and the proceeds of sales. We are currently exploring opportunities in retirement villages and assisted living, which are supported by demographic trends and are less influenced by the economic cycle.

At quarter end there was circa £0.3 million of cash on account, representing circa 0.2% of portfolio value. There are currently no undrawn commitments.

UK Property Market Summary

The UK economy is at a fork in the road. If the UK agrees a deal with the EU then the economy should grow by 1.25-1.5% through 2019-2020. This is because a stronger pound should curb inflation and lift consumer spending as well as enable companies to trade under existing rules during the transition period. Conversely, economic growth could slow sharply if there is no deal as a weaker pound squeezes real wages, trade is disrupted and firms cut investment. Schroders' base case is that the EU and UK will agree a deal at the eleventh hour, because it is in both sides' best interests. However, to quote Mark Carney, Governor of the Bank of England, the risk that they fail to agree is uncomfortably high.

The UK real estate market is late cycle and we expect returns to slow following a higher-than-expected total return in 2018 of approximately 6%. We expect the market to remain highly polarised with industrial and regional office markets relatively well placed to withstand a period of economic weakness. In contrast, retail is already under pressure with further economic uncertainty adding to the structural pressures affecting the sector.

Industrial was the standout performer in 2018 with rental growth of 4-5%. Rents were supported by the growth of online retailing which has boosted occupational demand by 20-30% and by the loss of multi-let industrial estates to other uses, primarily housing. Looking ahead, we expect industrial rental growth to slow to 1-2% per annum over the next couple of years, as developers build more big distribution warehouses and as second-hand space from failed retailers comes back to the market. While a no-deal Brexit might lift demand in the short term, as suppliers stockpile more goods to cope with customs delays, the danger in the long term is that it would depress foreign inward investment projects in sectors such as aerospace, cars and pharmaceuticals and hit the components manufacturers who serve them.

Despite the uncertainty over the economy, office demand held up well in 2018 with a number of high profile lettings to tech & media (Channel 4 in Leeds, Facebook in London, Hut Group in Manchester), banks (Barclays in Glasgow) and the government (Glasgow, Manchester). While some of these lettings were due to expansion, a key priority for many occupiers was to upgrade their office space to attract and retain staff and improve wellbeing and productivity. We expect office rents in central London to fall by 5-7% per annum through 2019-2020, while rents outside will probably be flat. The difference will mainly be due to the higher level of building in London, particularly in the City, and the release of second-hand space as occupiers move into new offices. We also have concerns about the rapid growth of serviced offices in

London since 2016 and the durability of some providers.

Last year was an annus horribilis for retail real estate as numerous retailers and restaurant chains ceased trading and others used company voluntary arrangements (CVAs) to negotiate rent reductions of 25%, or more. Moreover, it was not just secondary retail which suffered. Prime shopping centres and out-of-town parks were also hit. We expect that retail rents will continue to fall over the next few years as the internet's share of total sales climbs from 18% in 2018 towards 25% in 2023 and as traditional retailers either cut their store networks or fail. Unfortunately, history shows that most retailers who have been through a CVA subsequently go into insolvency. Convenience stores and retail warehouses with affordable rents and a low exposure to fashion will probably be the most defensive sub-sectors. A no-deal Brexit might help retail in tourist destinations, if it led to a further drop in sterling.

While data on investment volumes has not yet been published, our impression is that the investment market slowed in the final months of 2018. To a large extent this can be explained by uncertainty over Brexit and by the structural challenges facing the retail sector. However, two other factors also had an influence. First, the further fall in the industrial initial yield to a record low of 4.5% at the end of 2018 means that investor appetite towards the sector has cooled, despite good prospects for rental growth over the medium term. Second, local authority treasuries appear to have scaled back their purchases, following public criticism about the sharp increase in borrowing from the Public Works Loan Board.

We expect capital values in the main commercial sectors to continue to diverge over the next couple of years. For example, secondary shopping centre values could fall by more than 20%, whereas industrial and regional office capital values should hold steady, assuming the economy continues to grow.

Continental European Property Market Summary

Schroders forecasts that eurozone economic growth will slow from 1.9% in 2018 to around 1.5% p.a. through 2019-2020, in line with its long-term average. Slower growth in China and the US will weigh on exports and European manufacturers are expected to hold back on investment. We forecast that the European Central Bank (ECB) will finally begin to follow other central banks and raise the refincing interest rate from zero to 1% by the end of 2020. Consumer spending should be stable, partly because most mortgages in the eurozone have fixed rather than variable interest rates and partly because real incomes will be supported by rising employment, higher pay awards and lower oil prices.

Most major European cities saw a fall in office vacancy and increase in rents in 2018. Prime rents in city centres rose by 5-10% and the shortage of space meant that rents in adjacent locations often rose in parallel. The key driver was an increase in employment in media, tech and professional services. Demand from financial services was subdued, although there were a few Brexit-related lettings in Frankfurt, Luxembourg, Dublin, Amsterdam and Paris. We believe that the upswing in office rents will continue through 2019-2020, although we expect that the rate of growth will slow, in keeping with the broader economy. While office development has started to revive, the lack of bank finance for speculative schemes is exercising a restraining influence and should prevent an oversupply in most cities.

The European logistics sector saw strong demand last year from manufacturers, third party logistics providers (3PLs) and retailers, although total take-up was below the record set in 2017. The shortage of labour and rising labour costs in Germany and the Netherlands, and ongoing pressure on margins more widely, is encouraging occupiers to automate more tasks and to build new warehouses outside the main distribution hubs where staff are more available. In general, supply has kept pace with demand, so that prime rental growth has been weaker than in the office sector, at 1-2% p.a. We expect it to maintain that trend over the next few years. While demand from manufacturers might weaken, the growth in online retail will fuel demand for both big fulfilment centres and smaller "last mile delivery" units on industrial estates.

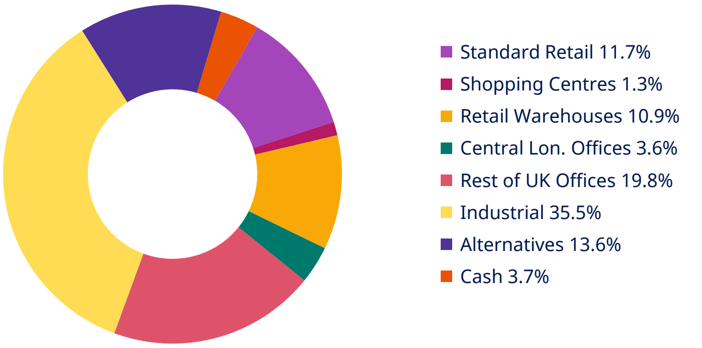
The retail sector is in flux. In northern Europe the main issue is the rapid growth of online retailing, which now exceeds 10% of total sales in France and Germany. As a result, stores sales are flat, or falling in volume terms and structural vacancy is increasing. In Italy and Spain, internet penetration is lower and stores sales are increasing, but there is growing amount of new space under construction. We believe that the most defensive retail types will be shops in big city centres and tourist destinations, convenience stores, mid-sized supermarkets and out-of-town retail warehouses selling bulky goods. We expect that department stores, shopping centres with a heavy reliance on clothing and footwear, shops in smaller cities and hypermarkets will suffer a sustained fall in rents.

Intense competition among investors has driven yields on prime assets to record low levels. Prime office yields in most central business districts (CBD) are between 2.9-3.5%, and prime shopping centre and logistics yields are between 3.5-4.25% and 4.0-4.5%, respectively.

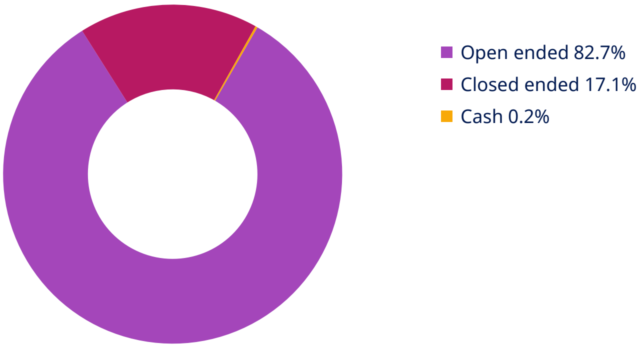
While the increase in interest rates and bond yields will put upward pressure on real estate yields, we think that the increase in office and logistics yields over the next few years will be limited to 0.25-0.4%, assuming that the eurozone economy continues to grow. Historically, real estate yields are more strongly correlated with prospects for rental growth than bond yields. The exception is likely to be the retail sector where investors' concerns about the challenge from online sales could prompt a sharper increase in yields.

Portfolio Analysis

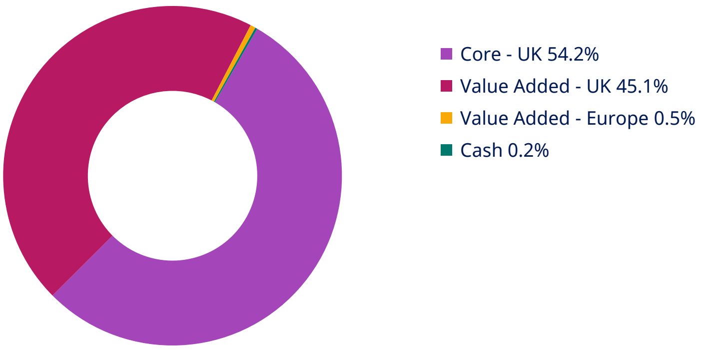
UK Portfolio sector exposure (including cash held by underlying property funds)



Open/closed-ended exposure



Fund style exposure



Source: Schroders & MSCI/AREF UK Quarterly Property Fund Index, 31 Dec 2018. Totals subject to rounding. Cash includes look through cash in underlying holdings in the top chart.

Largest Stock Positions at 31 Dec 2018

Largest Positions	Style	% of NAV
SCHRODER UK REAL ESTATE FUND	Core	12.0
MAYFAIR CAPITAL PROPERTY UNIT TRUST	Core	11.3
SCHRODER REAL ESTATE REAL INCOME FUND	Value-added	10.8
METRO PROPERTY UNIT TRUST	Core	10.6
INDUSTRIAL PROPERTY INVESTMENT FUND	Value-added	10.4
HERMES PROPERTY UNIT TRUST	Core	8.2
BLACKROCK UK PROPERTY FUND	Core	7.9
MULTI-LET INDUSTRIAL PROPERTY UNIT TRUST	Value-added	7.6
REGIONAL OFFICE PROPERTY UNIT TRUST	Value-added	7.4
STANDARD LIFE POOLED PENSION PROPERTY FUND	Core	4.2

Full details of holdings can be found in the Appendix.

Performance Review

Returns were marginally below the benchmark over three months (-0.1%), but remain ahead over twelve months (+0.3%) and three years (+0.4% per annum). Returns are marginally below benchmark over five years (-0.1% per annum), but are significantly below over ten years (-1.3% per annum) mainly due to the historic investments in continental Europe. UK performance is in-line with the benchmark in Q4, but exceeds benchmark over every other time period. As with preceding quarters, the industrial sector remains the strongest driver of returns over recent periods.

Performance was below benchmark over the quarter (-0.1%). Core funds, value-add funds and cash all had a broadly neutral impact on performance. Continental Europe (-0.1%) made a small negative contribution to returns.

Industrial Property Investment Fund (IPIF) was again the strongest contributor to performance in the quarter, followed by Multi-Let Industrial Property Unit Trust (Multi-Let). UK Retail Warehouse Fund and Hercules Unit Trust (both invested in retail warehouses) were the weakest contributors over the quarter, reflecting weakening sentiment in the retail sector.

Performance was above benchmark over one year, outperforming the benchmark by +0.3%. Value add and core funds have both contributed strongly (+0.5% and +0.4% respectively), but cash and Europe (both -0.2%) have detracted from returns.

IPIF and Multi-Let were also the strongest contributors to performance over one year. UK Retail Warehouse Fund and Hercules Unit Trust were again the weakest contributors, followed by Standard Life Pooled Pension Property Fund (Standard Life).

The mandate has outperformed the benchmark over three years by +0.4% per annum. Value add funds made a +0.7% per annum contribution to relative returns. Core-style funds and continental Europe (both +0.1% per annum) had a small positive impact on returns. Cash holdings (-0.2% per annum) detracted from returns.

IPIF and Metro Property Unit Trust were the strongest performing holdings over three years. Standard Life and Aviva Investors Pensions Limited (Aviva – fully disinvested) were the weakest contributors, followed by West End of London Property Unit Trust (also fully disinvested).

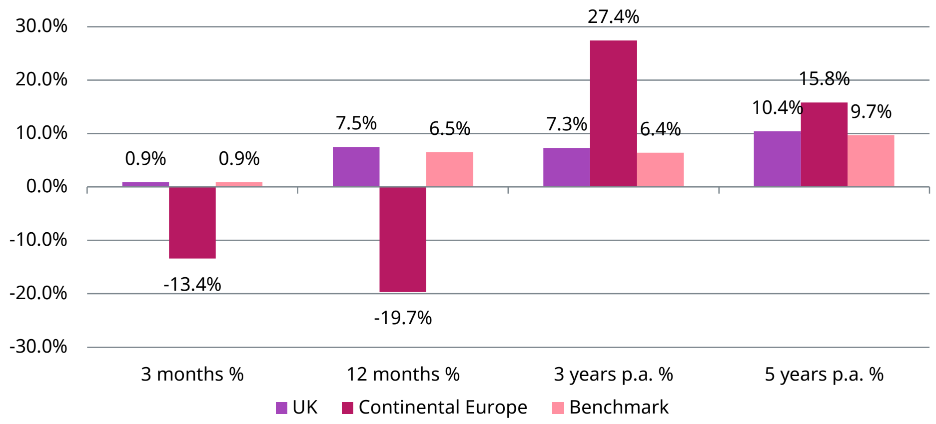
Performance was slightly below benchmark over five years (-0.1% per annum). Value add funds (+0.5% per annum) and core funds (+0.1% per annum) both made positive contributions to returns. Continental Europe (-0.2% per annum) and cash (-0.3% per annum) have both dragged returns over the same period.

IPIF and Hermes PUT were the strongest drivers of returns over a five year period. Aside from cash, CEF I was the weakest fund contributor followed by Standard Life.

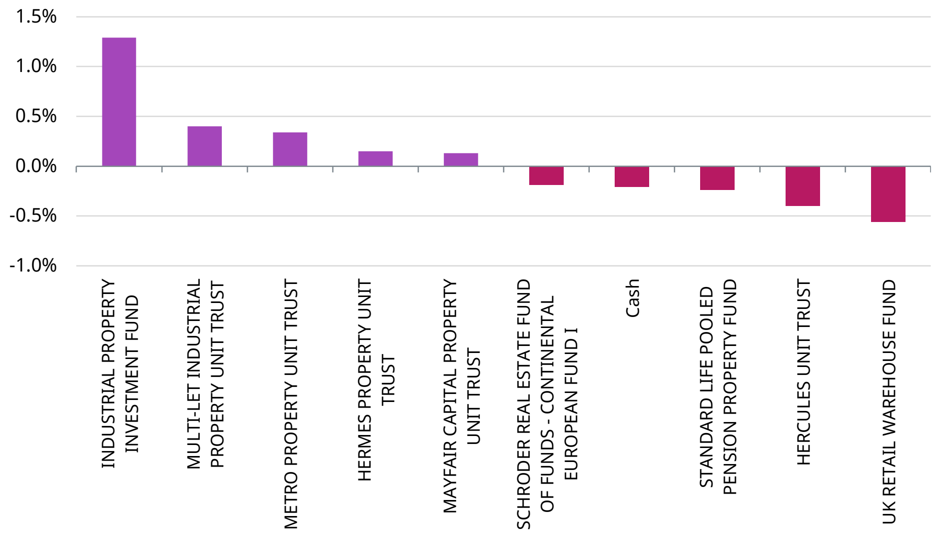
Ten year returns are -1.3% per annum below benchmark. Value add funds (+0.4% per annum) and core funds (+0.1% per annum) both made positive contributions to returns. Continental Europe (-0.9% per annum), cash (-0.3% per annum) and opportunity funds (-0.3% per annum) have all diluted returns.

UK relative performance is in-line with the benchmark over the quarter but above benchmark over every other reporting period.

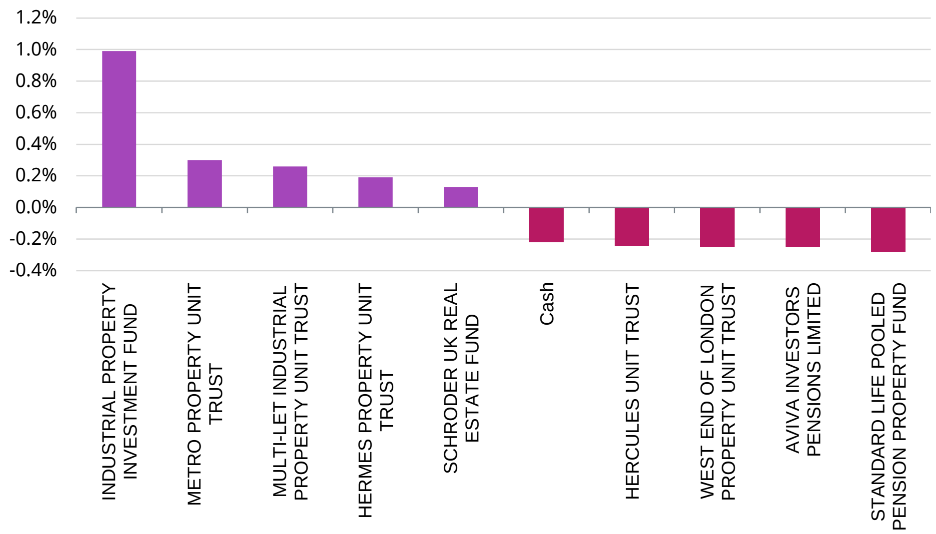
Total return by region
Periods to end 31 Dec 2018



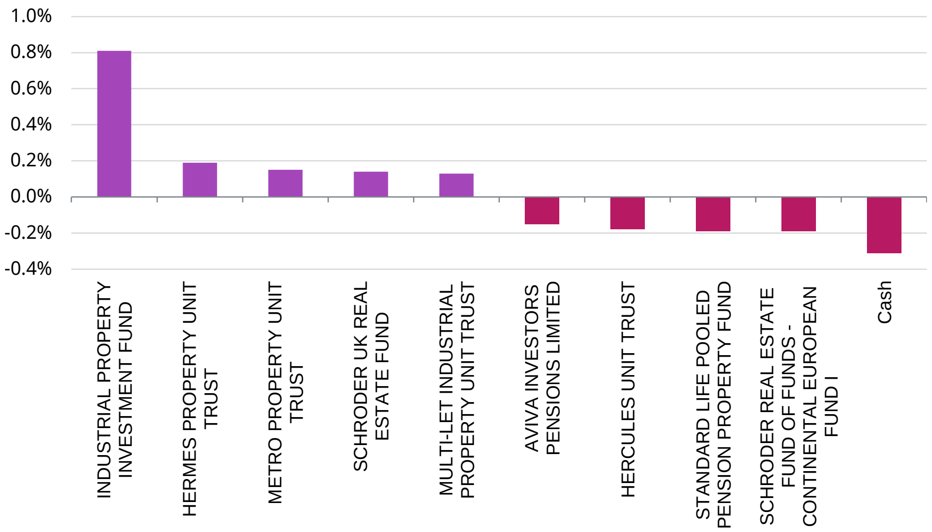
Total return attribution relative to benchmark top & bottom five contributors 12 months to 31 Dec 2018



Total return attribution relative to benchmark top & bottom five contributors 3 years to 31 Dec 2018



Total return attribution relative to benchmark top & bottom five contributors 5 years to 31 Dec 2018



Benchmark is MSCI/ AREF UK Quarterly Property Fund Index All Balanced Funds Weighted Average.
Source: Schroders & MSIC/ AREF UK Quarterly Property Index.
Note: Stock and fund style attribution is presented gross of fees. Periods over 12 months are annualised. Totals may be subject to compounding.

Portfolio Activity

There were circa £4.0 million of purchases in the final quarter, with circa £2.3 million invested in Regional Office Property Unit Trust, £970,000 invested in Schroder Real Estate Real Income Fund and £700,000 invested in Multi-Let Industrial PUT.

Purchases

Fund	Investment GBP	No. of units	Entry cost/(discount) (%)
MULTI-LET INDUSTRIAL PROPERTY UNIT TRUST	700,000	502.79	3.8
REGIONAL OFFICE PROPERTY UNIT TRUST	2,344,365	2,126.39	3.9
SCHRODER REAL ESTATE REAL INCOME FUND A UNITS	970,000	662.22	1.7

Sales

Fund	Disinvestment GBP	No. of units	Realised loss/gain GBP
None			

Stock Activity
3 months to 31 Dec 18

Purchases	
Multi-let Industrial Property Unit Trust	Funds were called at offer price to finance the acquisition of a property in Milton Keynes.
Schroder Real Estate Real Income Fund	Units were acquired at offer price to participate in the Leisure Fund equity raise.

Sales
None

Return of Capital
None

Drawdown	
Regional Office Property Unit Trust	Funds were drawn at offer price to complete the acquisition of a portfolio of assets in Chiswick, Glasgow and St Albans.

Redemptions Outstanding

Fund	Curr	Est. proceeds	No. of units	Date proceeds expected	Notice date
None					

Portfolio Commitments

Fund	Curr	Total commitment	Drawn	Balance	Latest possible drawdown
None					

Strategy

2018 proved to be a difficult year for retailers, with household names such as HMV, House of Fraser, Poundworld, Evans Cycles and Maplin going into administration. CVA's (company voluntary arrangement) including New Look, Homebase, Mothercare and Carpetright have led to hundreds of store closures and Marks and Spencer and Debenhams have announced store closures in 2019.

The industrial sector continues to perform strongly and, in contrast to the retail sector, has been a beneficiary of the growth in online sales. Historically low rents, strong occupier demand, limited new development and some schemes being converted to other higher value uses (principally residential) have contributed to strong rental growth in the industrial sector through 2018.

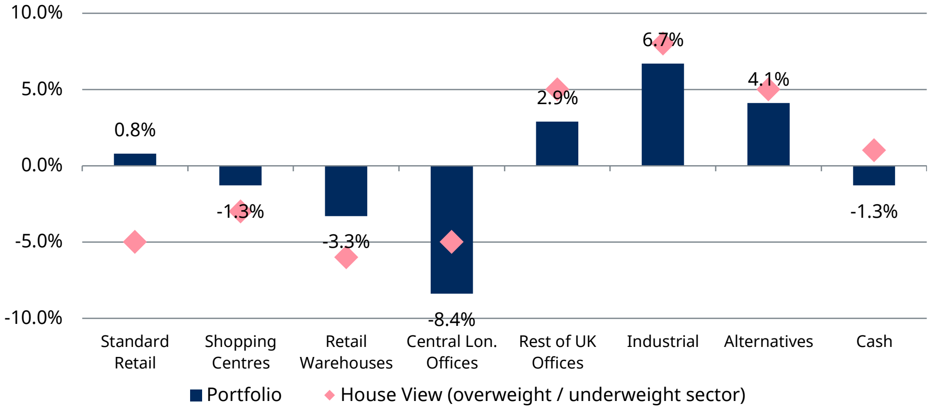
There was a wide range of returns posted by the balanced funds at quarter end, with those with a higher exposure to the retail sector typically performing more poorly. We will continue to reduce exposure to weaker performing funds, subject to pricing and market liquidity, and will continue to favour preferred sectors i.e. regional offices, industrial and alternatives.

Investments in real estate debt look particularly attractive at the moment due to their equity preservation characteristics, predictable income streams and low costs of entry.

Portfolio sector structure remains favourable, with an underweight position to retail and London offices and overweight positions to industrials, regional offices and alternatives. We would look to add to regional offices and alternatives with accumulating income and the proceeds of sales. We are currently exploring opportunities in retirement villages and assisted living, which are supported by demographic trends and are less influenced by the economic cycle.

At quarter end there was circa £0.3 million of cash on account, representing circa 0.2% of portfolio value. There are currently no undrawn commitments.

UK portfolio sector weightings relative to benchmark



Source: Schroders & MSIC/AREF UK Quarterly Property Fund Index, 31 Dec 2018.

Governance

Investment Resolution	Date	Voting Recommendation
Hercules Unit Trust	22 Oct 2018	Against
1. Fund extension from 22 September 2020 up to and including 22 September 2030. 2. In the event that the resolution to extend the term of the trust is passed, the holders that voted in favour of the resolution can purchase units from the dissenting unit holders at the end of the current life of the fund. 3. Relevant amendments to the trust instrument.		
Hermes PUT	14 Dec 2018	In favour
1. Allow the Hermes PUT Committee and the Trust Manager to reapportion functions, roles and responsibilities in accordance to the FCA's Senior Managers Certification Regime (SMCR). 2. Trust Instrument to be amended to allow for fee flexibility to certain investors in particular larger unit holders. 3. It is proposed to amend the Trust Instrument to permit a change of the Trust Manager where it is required to do so to comply with a change in law.		
Schroder Real Estate Real Income Fund	19 Dec 2018	Did not vote
1. Amend the reference index used to measure performance from UK Retail Price Index (RPI) + 5% to UK Consumer Price Index (CPI) + 3.5%.		

Sustainability

We have integrated the results of our 2018 Environmental, Social and Governance (ESG) Survey, sent to managers on our UK Investment Platform, into a proprietary model developed by Schroder Real Estate Capital Partners (SRECaP). The model enables us to objectively score and rank funds across a wide range of parameters including ESG. The ESG metrics focus on the fund rather than the wider company and look for evidence of sustainability initiatives. For example, commitments to improve the physical sustainability of assets (e.g. energy and water efficiency and waste management); good fund governance; and tenant and community engagement. These metrics are grouped into an overall ESG score that, in combination with other parameters, are aggregated to provide an overall manager score, which we review on a quarterly basis. The weight attached to each parameter can be flexed according to market conditions and how our clients deem their importance.

We continue to work with funds we identified in our 2018 survey as requiring further work to align their approach with the Schroders Real Estate Sustainability Policy. We will target a minimum ESG score which we would typically expect all funds to strive to achieve in order to qualify for inclusion on our Investment Platform.

Social impact investing

As a natural progression from standard ESG practices, SRECaP is beginning to focus on the wider social impact of our investments as well as financial performance. We are seeking to develop some analysis that can objectively monitor both the social and environmental impacts of our investments.

We believe it is important to understand and develop community relationships to ensure our investments provide sustainable and long-term social solutions. We are in a good position to do this across our in-house funds and partnership funds through our control over individual investments and asset management initiatives. We will also closely monitor third party funds.

In our next survey update, scheduled for 2019, we plan to measure a range of social impact factors alongside ESG to produce a social impact rating that will become part of our manager scoring system. Below are some case studies from our 2018 survey that provide examples of sustainability campaigns and community engagement on specific assets across two of the funds on our Investment Platform.

Schroder UK Real Estate Fund - The Lexicon Shopping Centre, Bracknell and Ruskin Square office and residential development, Croydon

Through the Bracknell Regeneration Partnership, Schroders has developed a master plan comprising new shopping, housing, social amenity, green spaces and transport routes, all helping to reinvigorate and reposition the town. The Partnership has developed initiatives with a multitude of local groups but the project's success heavily depends on the community's support and trust. Success to date is evident. In December 2017, The Lexicon Shopping Centre, one of the largest town centre regeneration projects in the UK was awarded two Revo Gold Awards winning Gold in the Re:new category and 'Best of Best' in the Re:turn category. Revo is an organisation that aims to shape the future of retail property by working with the government and others to help develop a beneficial regulatory environment. Bracknell has also won the Britain in Bloom Award for a third year and the Green Apple Award for waste management.

The Lexicon, Bracknell

Ruskin Square, Croydon

Investors in the fund's Ruskin Square development in Croydon are funding an 'on Side Youth Zone' intended to enhance the community and provide a safe, communal area for the local youth to engage in activities and socialise.

These two assets are the largest in Schroder UK Real Estate Fund, comprising circa 12% of the fund's NAV.

Local Retail Fund (Schroder Partnership Strategy)

The majority of assets within Local Retail Fund support the convenience and top-up shopping needs of the local community. The fund works hard to ensure the tenant mix is appropriate for the local catchment, continually looking to improve the quality of the buildings and local shopping environment. Examples of community engagement include:

- Where asset management initiatives require planning stakeholders are consulted to ensure their views are considered before submitting applications.
- Meeting with local parish councillors to discuss suitable remedies for anti-social behaviour and the installation of a Parish council noticeboard at the Storrington asset.
- Granting a licence for the installation of a community art project, 'Hands Sculpture' at the Partington asset.
- Installation of CCTV and improved lighting at multiple schemes to improve neighbourhood security.
- Implementation of parking controls to improve accessibility at various schemes.

Storrington, West Sussex

Partington, Manchester

Appendix

Investment Restrictions

Parameters	Restriction	Current status
Max. exposure to any common investment fund (CIS)	30%	12.0%
Max. in Schroder in-house funds (Manager & Adviser)	60%	19.9%
Min. exposure to open-ended funds	45%	82.9%
Max. exposure to opportunity funds	20%	0.0%
Max. exposure to property index certificates	20%	0.0%
Max. exposure to listed property securities	10%	0.0%
Max. exposure to Continental Europe	20%	0.5%

Source: Schroders, to 31 December 2018.

Notes:

Valuation data represents value calculated as at the final business day of the quarter to which this Investment Report relates. Pricing occurs 10 days following quarter end. Accordingly, the above noted column entitled "current status" refers to the quarter end valuation data.

The Investment Management Agreement (as amended from time to time) constitutes the final record of applicable investment restrictions incumbent on Schroder Real Estate Investment Management Limited. In the event of any inconsistency between the Investment Restrictions appearing in this Investment Report and the Investment Management Agreement, the Investment Management Agreement shall prevail.

Appendix

Portfolio Valuation
MID and NAV values

Fund	Description	Value at 30 Sep 2018 GBP	Value at 31 Dec 2018 GBP	Portfolio Value %
BLACKROCK UK PROPERTY FUND	Core	12,857,207	12,893,401	7.9
HERMES PROPERTY UNIT TRUST	Core	13,403,134	13,430,073	8.2
MAYFAIR CAPITAL PROPERTY UNIT TRUST	Core	18,387,176	18,394,060	11.3
METRO PROPERTY UNIT TRUST	Core	17,137,209	17,260,443	10.6
SCHRODER UK REAL ESTATE FUND	Core	19,572,438	19,602,821	12.0
STANDARD LIFE POOLED PENSION PROPERTY FUND	Core	6,926,924	6,876,934	4.2
Sub total Core		**88,284,088**	**88,457,730**	**54.2**
HERCULES UNIT TRUST	Value Add	4,469,883	4,317,608	2.6
INDUSTRIAL PROPERTY INVESTMENT FUND	Value Add	16,468,453	17,006,211	10.4
LOCAL RETAIL FUND	Value Add	4,588,992	4,597,309	2.8
MULTI-LET INDUSTRIAL PROPERTY UNIT TRUST	Value Add	11,383,853	12,371,901	7.6
REGIONAL OFFICE PROPERTY UNIT TRUST	Value Add	9,857,930	12,074,207	7.4
SCHRODER REAL ESTATE REAL INCOME FUND	Value Add	16,627,074	17,570,721	10.8
UK RETAIL WAREHOUSE FUND	Value Add	4,205,162	3,710,053	2.3
UNITE UK STUDENT ACCOMMODATION FUND	Value Add	2,052,803	2,066,358	1.3
Sub total Value Add		**69,654,150**	**73,714,368**	**45**
SCHRODER REAL ESTATE FUND OF FUNDS - CONTINENTAL EUROPEAN FUND I	Europe	933,763	808,595	0.5
Sub total Europe		**933,763**	**808,595**	**0.5**
EUR CASH	Cash	34	34	0.0
GBP CASH	Cash	3,053,706	292,070	0.2
GBP INCOME RECEIVABLES	Cash	52,436	0	-
Sub total Cash		**3,106,176**	**292,105**	**0.2**
Total		**161,978,177**	**163,272,798**	**100.0**

Totals may be subject to rounding.

Portfolio valuations are calculated on the basis that units in open-ended funds are valued at their mid price and closed-ended funds at their NAV price.

Source: Schroders, periods to 31 December 2018.

The exchange rate as at 31 December 2018 was £1 to €1.11411.

Appendix

Retail Occupier Update

In recent reports we made reference to the high profile CVAs and administrations within the UK retail sector. Over the quarter there have been further failures that we have sought to quantify.

Having spoken with the managers of your underlying holdings, we have determined that four events require scrutiny:

- **American Golf** – went into administration in October
- **Evans Cycles** – went into administration in October
- **HMV** – went into administration following weak Christmas trading
- **Regis** – hairdressing group applied for a CVA in October

The portfolio had exposure to five affected stores, namely: one American Golf; two Evans Cycles; one HMV; and one Regis units. We estimate the total combined loss to portfolio income to be 0.03%.

The sector continues to receive negative press and we will continue to monitor events closely.

Appendix

Partnership Fund Transactions

Fund	Local Retail Fund
Transaction Type	Disposal
Sector	Standard Retail
Address	The Grove, Stratford, London E15
Price	£2,100,000 (6.8% Net Initial Yield)
Principal Tenant(s)	Foxtons

Fund	Mayfair Capital PUT
Transaction Type	Acquisition
Sector	Industrial
Address	Fullarton Drive, Cambuslang, Glasgow
Price	£8,000,000 (5.3% Net Initial Yield)
Principal Tenant(s)	Scottish Power

Fund	Metro PUT
Transaction Type	Disposal
Sector	Industrial
Address	Unit 12E Dore House Industrial Estate, Sheffield
Price	£100,000 (£76 per sq ft)
Principal Tenant(s)	Transport & Logistics Training Ltd

Fund	Multi-Let Industrial PUT
Transaction Type	Acquisition
Sector	Industrial
Address	Crownhill Business Centre, Milton Keynes
Price	£12,575,000 (5.8% Net Initial Yield)
Principal Tenant(s)	Lyco Group Ltd, Voxeljet UK Ltd, Nippon Thompson Europe BV

Fund	Regional Office PUT
Transaction Type	Acquisition
Sector	Rest of UK Offices
Address	The Building, Chiswick, London W4
Price	£14,900,000 (5.5% Net Initial Yield)
Principal Tenant(s)	MarketOne Europe LLP, Berry Appleman & Leiden Ltd

Fund	Regional Office PUT
Transaction Type	Acquisition
Sector	Rest of UK Offices
Address	Delta House, Glasgow
Price	£7,400,000 (8.0% Net Initial Yield)
Principal Tenant(s)	The Scottish Ministers, NewLaw Legal Ltd

Fund	Regional Office PUT
Transaction Type	Acquisition
Sector	Rest of UK Offices
Address	Building 1 Centrium, St Albans
Price	£8,700,000 (6.5% Net Initial Yield)
Principal Tenant(s)	Outsourced Professional Admin Ltd, BAM Construct UK Ltd

Notes

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