

# Threadneedle Property Unit Trust

## Quarterly Report as at 30 September 2021

Confidential

Page 89



# Contents

3	Mandate summary
4	Portfolio highlights
5	Market context
8	Fund overview
9	Portfolio characteristics
10	Portfolio sector and geographical positioning
11	Performance
12	Top 10 direct holdings and tenants
14	Investment activity
15	UK real estate: responsible investment
15	UK real estate responsible investment update
16	Responsible investment: implementation
17	Responsible investment: portfolio monitoring
18	Responsible investment: GRESB
19	Responsible investment: case studies
20	ESG reporting: EPC data
21	ESG reporting: Energy consumption
22	ESG reporting: Greenhouse gas (GHG) emissions
23	ESG reporting: Water and waste consumption
24	ESG reporting: Flood risk
25	Risk management report
28	Glossary of terms
29	Important information

# Mandate Summary

## Contact Information



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Page 91













## Mandate

Threadneedle Property Unit Trust is an unclassified open-ended unit trust originally established in 1967. The Fund has been domiciled in Jersey since 2002. The objective of the Fund is to provide indirect investment exposure to a diversified portfolio of property assets in the United Kingdom. Unitholders have a right to the income of the Fund, which is allocated monthly and paid at the end of each quarter. As Investment Advisor to the Fund, Columbia Threadneedle Investments follows a longstanding consistent investment approach to deliver long term outperformance against the Fund's MSCI/AREF UK All Balanced Property Fund Index benchmark.

## Fund Information

- Total Assets GBP 1,423 million
- Benchmark MSCI/AREF UK All Balanced Property Funds
- Base currency GBP
- Reporting currency GBP
- Bid 291.49
- Offer 312.65
- NAV 295.09
- Jersey domiciled property unit trust.
- Income distributed quarterly (can be reinvested)
- Prices and deals at month ends.
- Bid/offer spread maximum of 7.2%

# Portfolio Highlights

	NAV £1.42 billion		174 properties		Average lot size £7.6 million
	746 tenancies		Gross rent roll £76.4 million p.a.		WAULT 4.7 years (6.5 years)
	Vacancy rate 6.5% (9.6%)		Net Initial Yield 5.4% (4.5%)		Equivalent Yield 6.4% (5.7%)
	Cash 5.7% (6.2%)*		GRESB Rating 75/100		Total return 13.5% (13.1%) (12 months net Nav to Nav)

Page 92

Source: Threadneedle Property Unit Trust, MSCI UK Monthly Property Index (figures in brackets) and \*MSCI/AREF All Balanced Property Fund Index net debt % NAV, all as at 30 September 2021

## Market Commentary

### Macroeconomy

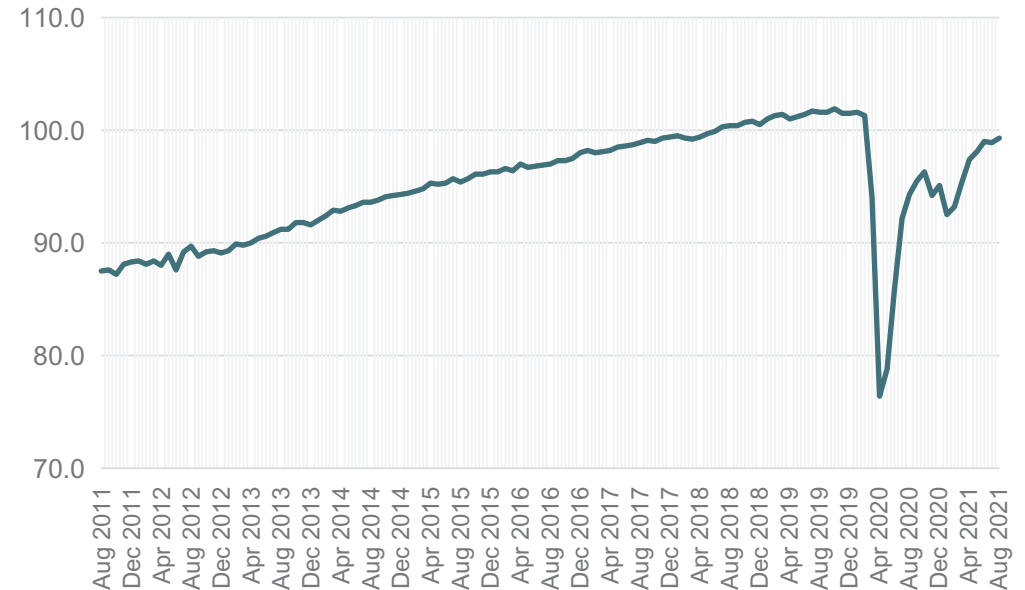
The UK economy has continued its post lockdown recovery, largely fuelled by a surge in consumer spending following the easing of social distancing restrictions and the success of the vaccination rollout. The economy is now 0.8% below its pre-pandemic level after recording estimated growth of 0.4% in August 2021 and 0.1% in July 2021, although notably slower than the 4.8% recorded in Q2 reflecting the rise in Covid infections and subsequent “pingdemic.”

Unemployment continues to decline, currently at 4.5% down from 4.6%, with ONS figures suggesting over one million job vacancies in the three months to August, the first time since records began. Whilst the return to pre-pandemic employment levels is welcome, concerns remain over labour shortages impacting on the pace of economic recovery.

Inflationary pressures continue to be felt as a result of rising fuel and energy prices – as at September, annual CPI stood at 3.1%, marginally down from 3.2% in August, though still significantly above the Bank of England’s target of 2.0%. The Bank of England has revised their forecast and estimate inflation to exceed 4.0% by year end before reverting to c3.0% in 2022.

In response to these inflationary pressures, an interest rate rise in H1 2022 remains a possibility, and is already anticipated by money markets.

10-year UK GDP (Indexed)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q3 2021 report as at 30 September 2021.

# Market Context

## Market Commentary (continued)

### Investment volumes

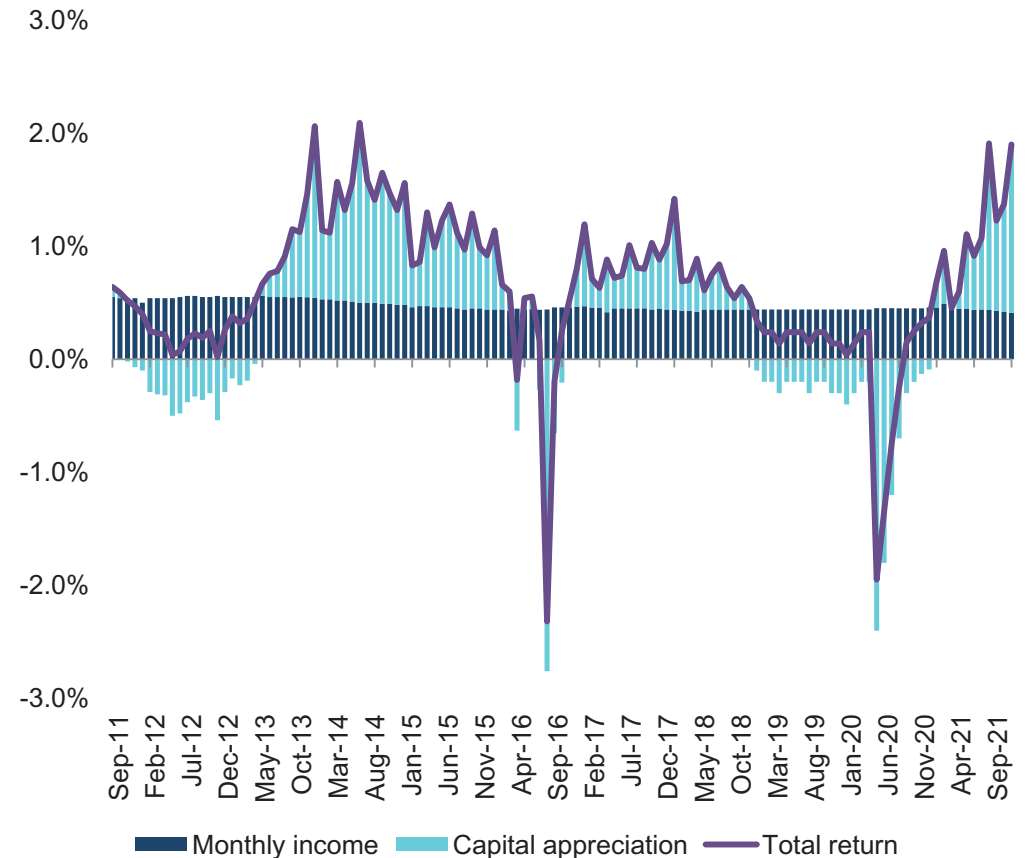
Total UK commercial property investment volumes reached £13.5bn for Q3 2021 representing a 2.5% increase on the 5 yearly quarterly average of £13.1bn. This reflects a consecutive quarter of pre-pandemic transactional levels, highlighting the renewed investor confidence in the UK property markets.

### Returns

Total returns for the UK property market continue to be positive, accelerated by a recovery in All Property capital values reflecting increased confidence. As represented by the MSCI UK Monthly Property Index, the market generated total returns of 4.5% for Q3, comprising an income return of 1.2% and capital growth of 3.3%. The performance is largely driven by the continued capital value growth in the industrial/logistics sector and the resurgence of the retail warehousing sector, which has benefited from growing investor recognition given its resilience to e-commerce and relevance to future shopping habits.

Valuation movements reflected the acceleration of existing trends and the recovery of the wider economy. The industrial sector recorded capital value growth of 6.2%, while retail capital value growth grew to 3.2% (driven by the retail warehousing sub-sector recording a 5.8% gain). The office sector saw neutral capital growth as the uncertainty prevailing in the occupational markets continues as result of a structural change in working habits, albeit an improvement on the 0.3% decline in Q2. Sentiment is expected to improve further into Q4 and H1 2022 following the 19<sup>th</sup> July end of working from home legislation.

10-year UK Commercial property total returns (Monthly)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q3 2021 report as at 30 September 2021.

# Market Context

## Market Commentary (continued)

### Occupational trends

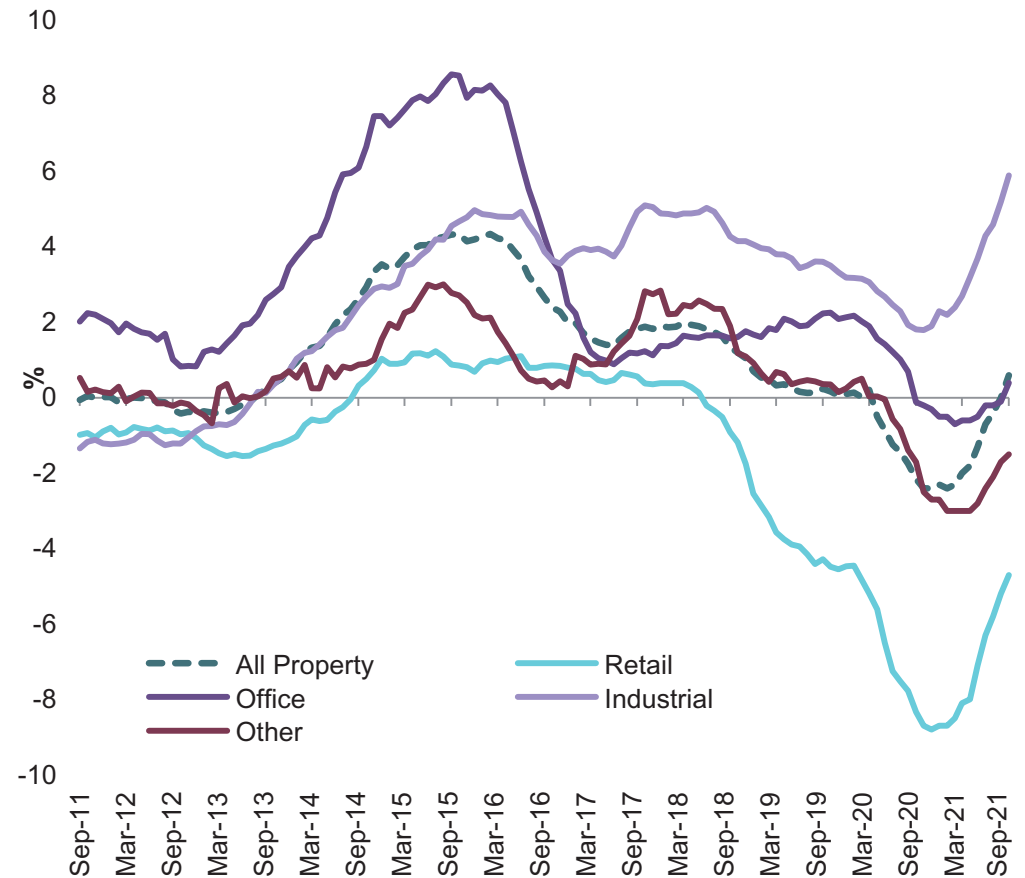
In line with capital market trends, occupier markets have been boosted by the increase in consumer and business confidence. The industrial sector has seen consecutive performance largely as a result of diminishing availability causing inflationary pressure on rents. The sector recorded rental value growth of 1.8%. The retail sector saw rental declines of -0.4%, whilst the office market saw continued growth at 0.3%, despite the structural headwinds of future working behaviours.

### Outlook

The “All Property” Net Initial Yield at the end of September 2021 compressed 10bps to 4.7% and currently just 14 bps above the previous peak at 4.57% recorded in 2007, reflecting the strong capital gain evidenced above. With the Base Rate (0.1%) and ‘risk free’ rate of 10-year Gilts (0.7%) at such low levels, the commercial property market continues to assert its highly attractive relative income attributes. Whilst gilt yields continue to rise marginally (up from 0.2% at the start of 2021), property yield compression is unlikely to be tempered as the current spread reflects a generous risk premium which should absorb modest interest rate rises over the short term.

As we enter the final quarter, the UK property investment market shows no signs of slowing, with a significant weight of capital pursuing limited supply. Inflationary pressure may see further allocation of capital to the property markets as investors seek real assets that offer secure income shielded from its effects.

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



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q3 2021 report as at 30 September 2021.

# Fund Overview – Q3 2021

## 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, typically targeting private investors attracted by the gross yields offered by the high street retail sector, as a means to generate liquidity and maximise future fund performance potential. The sales programme has also focused on uneconomic, capex intensive offices, targeting overseas and family office buyers. During the quarter the Fund sold a total of 16 assets, of which nine were high street assets and three offices, generating total gross sales receipts of £44.4 million. Of these transactions, six high street assets were sold at auction, generating an average premium of 17.1% above the prevailing independent valuations. The highlight transaction of the quarter was the sale of a part vacant multi-let office in Bristol, Royal London Buildings, to an overseas buyer for £6million, representing an 8.6% premium to valuation.

## 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 both to government legislation, industry guidance and the cash flow position of its occupiers' businesses. As a result of the work undertaken by its asset and property managers, rent collection for the quarter stands at 93% (as at 21st Oct 2021).

## Liquidity

- The fund continues to maintain a robust liquidity position with cash of £79.9m equivalent to 5.6% of NAV. We continue to monitor liquidity closely as a means to protect the Fund against any residual market volatility, and to exploit buying opportunities should they arise.

## Performance

- The fund returned a third consecutive quarter of outperformance, delivering a total return of 4.7%, +0.2% against its benchmark. The continued outperformance is reflective of the strategic approach to a defensively positioned 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%, 22% above the benchmark level of 3.2% as of 30 September 2021.

## Attribution

- During the 12 months ending 30 September 2021, the fund's directly held property assets generated relative total returns of +2.3% against the broader property market (as represented by the MSCI UK Monthly index). This was achieved through a positive relative income return of +0.9% and positive capital value growth of +1.4%. The fund's retail assets performed better than the wider market by +9.9%, delivering a total return of 18%. Offices, however, underperformed by -2.0% relative to market, producing a total return of 0.9%. The Fund's strategic overweight Industrial position has seen total returns from the sector outperform the market by +0.2%. The fund's 'other' assets returned to outperformance for the first time this year, as a result of the leisure sector recovery, recording a total return of 6.2% (+2.1% against benchmark). (Source: MSCI, TPUT directly held assets compared to the MSCI UK Monthly Property index – September 2021).

## Outlook

- As the UK economic recovery continues to demonstrate sustained monthly growth, we continue to believe the Fund is well placed to capture further positive relative performance 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 5.4% against 4.5% offered by the MSCI UK Monthly Index. The Fund's overweight positions to regional industrials and retail warehouses should provide positive performance prospects over the course of Q4 2021 and indeed H1 2022 on a relative basis.

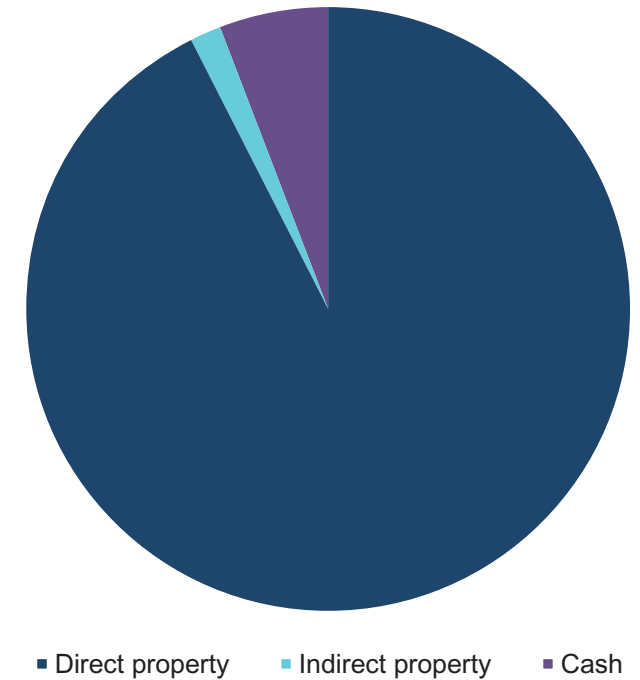


# Portfolio Characteristics

<b>Net Fund Value</b>	£1,423 million
<b>Asset exposure</b>	Property, Cash, Indirect
<b>Cash</b>	5.6%
<b>Indirect</b>	1.9%
<b>Number of properties excluding indirect</b>	174
<b>Average lot size</b>	£7.6 million
<b>Total gross passing rent</b>	£76.4 million p.a.
<b>Number of occupied tenancies</b>	746
<b>Key tenants</b>	Top 10 tenants form 16.6% of total rent roll.
<b>Portfolio turnover ratio</b>	-8.59%

	<b>TPUT</b>	<b>MSCI Monthly Index</b>
<b>Net Initial yield</b>	5.4%	4.5%
<b>Equivalent yield</b>	6.4%	5.7%
<b>Distribution yield*</b>	3.9%	3.2%
<b>Average term to break</b>	4.7 years	6.5 years
<b>Vacancy rate</b>	6.5%	9.6%

**Fund composition**



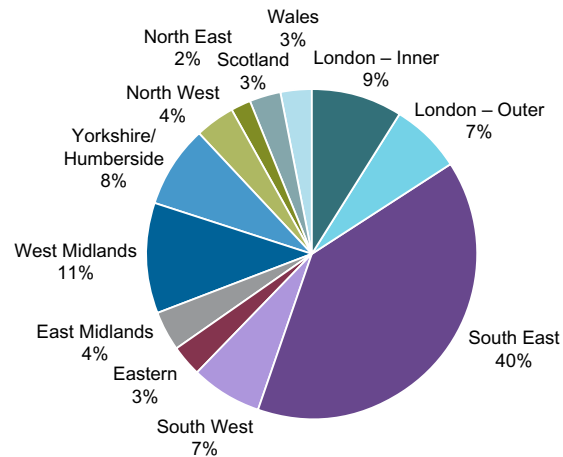
Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 30 September 2021.

\*Source: Columbia Threadneedle Investments as at 30 September 2021 compared to MSCI/AREF UK All Balanced Property Funds Weighted Average.

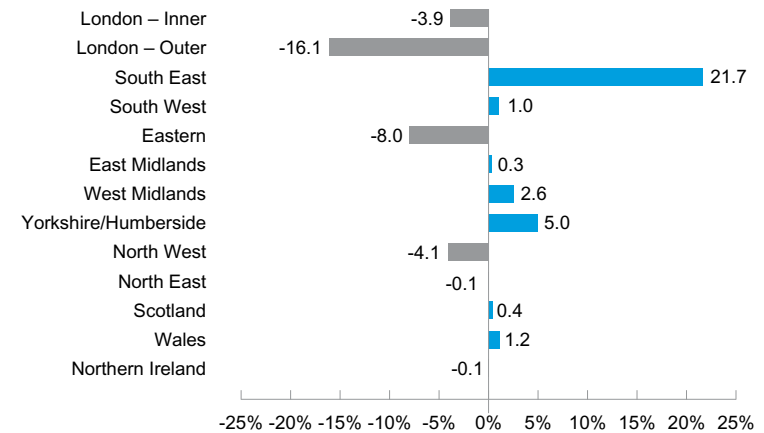
Distribution yield as at 30 September 2021

# Portfolio Sector and Geographical Positioning

## Portfolio weighting – geographical split

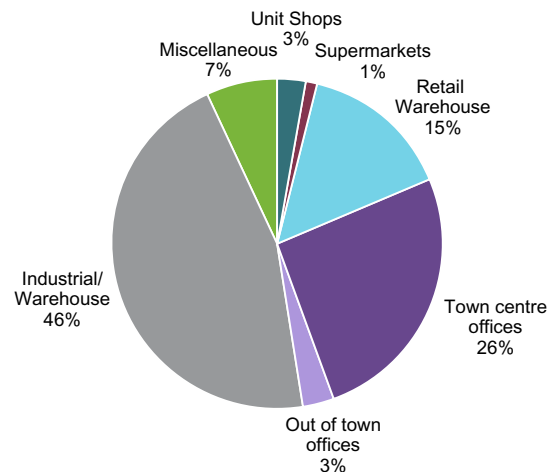


## Relative portfolio weighting (%) versus MSCI Monthly Index

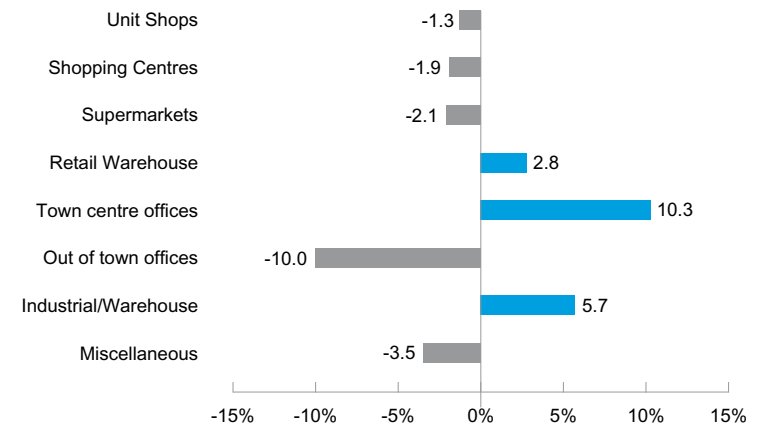


Page 98

## Portfolio weighting – sector distribution



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

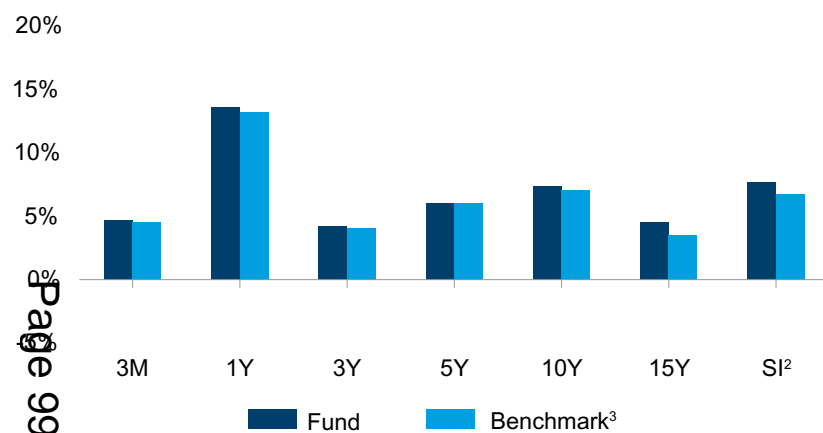


Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 30 September 2021

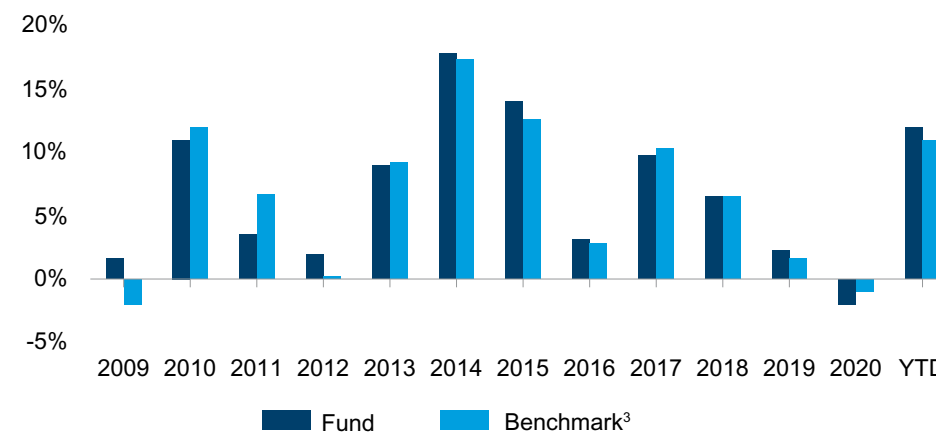
# Performance

## Long Term Performance

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



### Calendar Years



### Fund Performance

### Annualised Performance

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	4.7	11.9	13.5	4.2	6.0	7.3	4.5	7.6
Benchmark**	4.5	10.9	13.1	4.0	6.0	7.0	3.5	6.7
Relative (Arithmetic)	0.2	1.0	0.4	0.2	0.0	0.3	1.0	0.9

Source: AREF/IPD 31 March 1999

\* Since Inception – January 1999

\*\* MSCI/AREF UK All Balanced Property Funds Weighted Average. Based on NAV to NAV (net of fees) from 1/01/2014. Historical returns are for information purposes only.

Notes: 1. Periods > one year are annualised.

2. SI = Since Inception. 31 March 1999 Columbia Threadneedle Investments was appointed investment advisor to the Trust in November 1998.

3. Benchmark shown is the benchmark of the fund, as detailed on page 3.

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

Benchmark – MSCI/AREF UK All Balanced Property Funds Weighted Average. Based on NAV to NAV (net of fees) from 1/01/2014. Historical returns are for informational purposes only.

# Top 10 Direct Holdings and Tenants

## Property

Location	Name	Sector	Lot size (£m)
Croydon	19 Commerce Way	Industrial / Warehouse	25-50
London W1	46 Foley Street	Town Centre Offices	25-50
Trowbridge	Trowbridge & Spitfire Retail Park	Retail Warehouse	25-50
Payes	Springfield Rd Ind Est.	Industrial / Warehouse	10-25
High Wycombe	Stirling Road	Industrial / Warehouse	10-25
London SW1	Warwick House	Town Centre Offices	10-25
Hampton	Kempton Gate	Industrial / Warehouse	10-25
St Albans	Abbey View	Town Centre Offices	10-25
York	Foss Islands Retail Park	Retail Warehouse	10-25
Wokingham	Ashville Park	Industrial / Warehouse	10-25

## Tenant

	% of rents passing
B & M Retail Limited	3.1
Tesco PLC	2.3
Travis Perkins PLC	2.0
DSG Retail Limited	1.9
AMC UK Holdings Limited	1.4
Neuheim Lux Group Holding V SARL	1.4
Envy Post Production Limited	1.2
Missouri Topco Limited	1.1
Xpediator PLC	1.1
Norton Group Holdings Limited	1.1

Source: Columbia Threadneedle Investments as at 30 September 2021

# Investment Activity – Key Purchases and Sales Over Q3 2021

Property	Quarter	Sector	Price (£m)	Net Initial Yield
<b>Purchases</b>				
Unit 13, Orion Park, Crewe	Q3 2021	Industrial	0-2.5	6.0
<b>Sales</b>				
45 High Street, Worcester	Q3 2021	Unit Shop	0-2.5	8.5
1 Park Street, Bristol	Q3 2021	Miscellaneous	0-2.5	7.4
27 Westbury Road, Bristol	Q3 2021	Unit Shop	0-2.5	8.2
Asda, 215 Brixham Road, Paignton	Q3 2021	Supermarket	5-10	5.2
South Dales Manor, Sawston	Q3 2021	Industrial / Warehouse	5-10	3.3
Royal London Buildings, Bristol	Q3 2021	Town Centre Offices	5-10	7.1
37/39 Broadwalk, Harlow	Q3 2021	Unit Shop	5-10	11.5
Loxley House, Riverside Business Park, Nottingham	Q3 2021	Out of Town Offices	0-2.5	6.6
Rath House, Slough	Q3 2021	Town Centre Offices	5-10	7.0
Meadowlands Retail Park, March	Q3 2021	Retail Warehouse	5-10	8.5

Source: Columbia Threadneedle Investments as at 30 September 2021  
 Figures reflect headline prices and topped up rents where rental top ups provided by vendor.

# UK Real Estate: Responsible Investment

## Key principles applied in practice



*“The real estate industry has a critical role to play in mitigating climate change. We must work collectively to ensure our buildings evolve to deliver against Net Zero targets. Investing in this commitment now will create long-term value for all our stakeholders.”*

**Joseph Vullo, Head of UK Real Estate**

Page 102

***“We strive to be responsible stewards of our clients capital”***



We manage assets in accordance with longstanding ESG principles, enshrined within our UK Real Estate Policy Statement

***“It’s everyone’s responsibility”***



ESG principles and performance metrics are embedded within our investment, asset management, refurbishment and property management processes

***“Investing responsibly is complimentary to our funds’ financial objectives”***



As active managers, we continually adapt and improve our assets to reflect market dynamics and ultimately maximise value for our investors

# UK Real Estate Responsible Investment update

## ENVIRONMENTAL



Page 103

- UKRE Net Zero pathway published
- Fund-level Net Zero pathway work underway
- Top 20 assets: Net Zero and Sustainability reports
- Updated reporting suite drawing together KPIs

## SOCIAL



- Annual tenant engagement surveys
- On-going engagement with largest tenants to improve FRI data sharing
- Social Value Assessments trialled – now developing a Social Value Framework

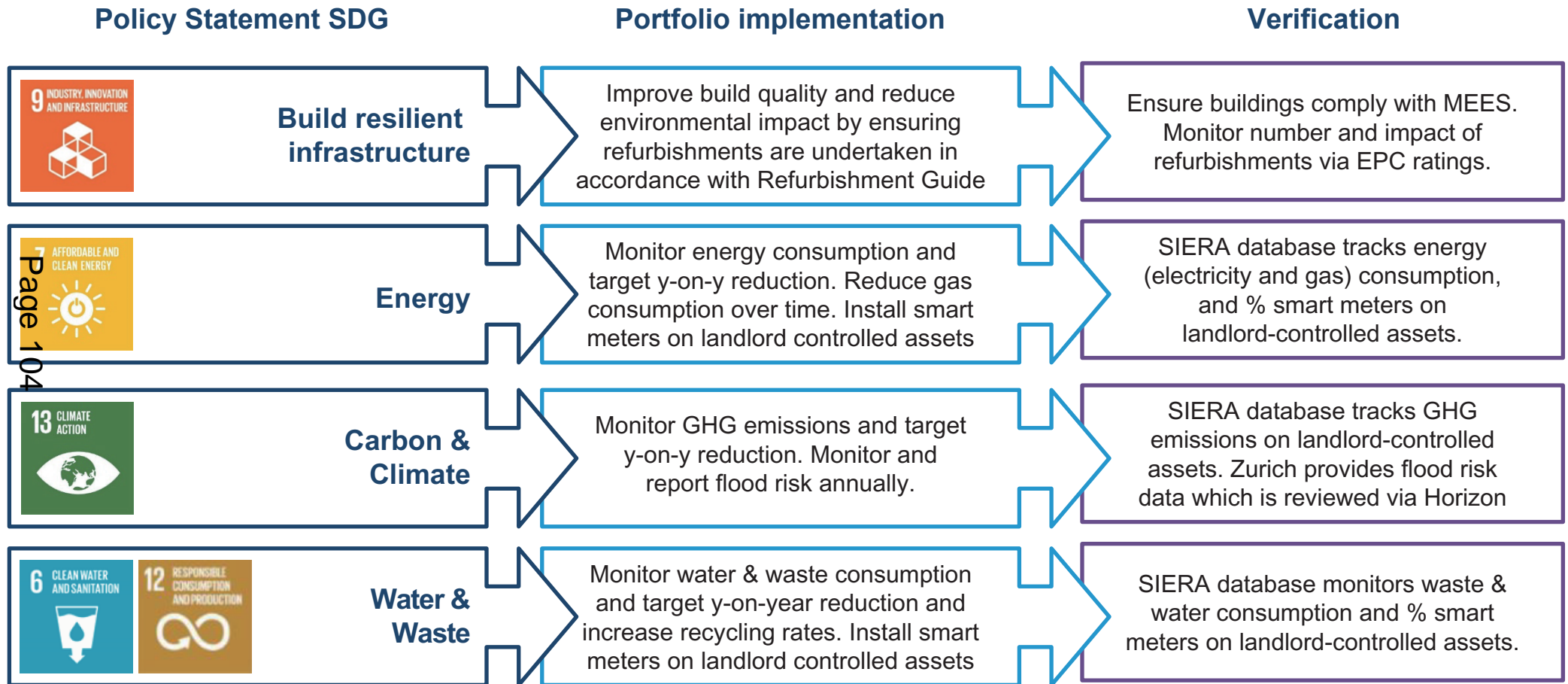
## GOVERNANCE



- Robust established governance structures
- ESG governance and oversight framework improved 2021
- Consistently highly scoring in GRESB
- ISAE enhancements to capture ESG

# Responsible Investment: Implementation

## ESG Policy Statement sets a clearly defined Road Map to achieve corporate Sustainable Development Goals



Source: Columbia Threadneedle Investments, as at 30 September 2021.



# Responsible Investment: Portfolio Monitoring

## Energy performance potential EPCs



- Portfolio coverage: 97.8%
- Average EPC rating: C
- 22 works projects completed (past 12 months)
- 82.1% of refurbishments delivered 'B rating' or better

## Carbon and climate GHG emissions / flood risk



- GHG portfolio coverage: 60.2%\*
- L-f-L Greenhouse Gas Emissions -27.8%\*
- Flood risk portfolio coverage: 100%
- High / extreme risk: 8 assets / 3.4% value

Note: L-f-L = top 20 assets year-on-year change to 31 December 2020

## Energy consumption



- Portfolio coverage: 60.2%\*
- L-f-L total energy consumption: -21.9%
- L-f-L electricity consumption: -33.0%
- L-f-L gas consumption: -18.0%

Note: Note: L-f-L = top 20 assets year-on-year change to 31 December 2020

## Water and waste



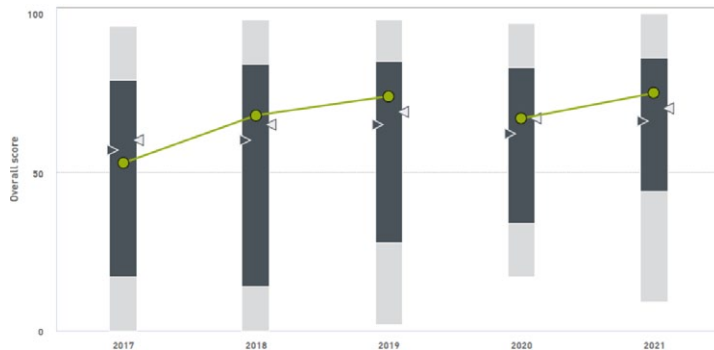
- Water portfolio coverage: 24.5%\*
- L-f-L water consumption: N/A
- Waste portfolio coverage: 20.9%\*
- L-f-L waste consumption: N/A

# Responsible Investment: GRESB



**G R E S B**  
★ ★ ★ ☆ ☆ 2021

Page 106



## Global Real Estate Sustainability Benchmark

### Key takeaways

- Tenth year of the Fund's submission to GRESB
- Scored 75 out of 100 (Peer Average = 69)
- Ranked 25<sup>th</sup> within its peer group of 102 funds

### Strengths

- Management scored 30/30
- Improvements recognised in reporting
- Data monitoring (especially energy and GHG) consistently score well

### Areas of improvement

- Building certification (note: inconsistent with Fund strategy)
- Water / waste landlord data coverage currently incomplete
- Engagement with tenants required to improve data coverage on FRI buildings

# Responsible Investment: Case Studies



## Skydome, Coventry

- 161,900 sq. ft. leisure complex
- Fund's highest energy consuming asset
- Sustainability audits undertaken since 2018, resulting in y-on-y reductions in consumption and GHG emissions
- Cap ex of £1.4 million allocated in 2021 (S/C recoverable) to replace legacy boilers, upgrade and improve the BMC, and replace the roof
- New 359kWp photovoltaic (PV) system using high wattage panels will be installed on the roof
- Forecast to generate approx. 302,404 kWh, meeting approx. 10% of the electricity consumption at the site.



## Unit C, Swift Point, Rugby

- 122,000 sq. ft. industrial warehouse
- Full refurbishment: cost £2.0 million (£16 per sq. ft.)
- Previous tenant vacated in December 2019 - £1.35m dilapidations settlement
- Refurbishment to Grade A resulted in EPC improvement from C to B (37) rating
- New letting secured within 3 months of PC
- Achieved rent at £6.25 per sq. ft.\* represents an uplift of +15.7% on previous passing rent
- Capital uplift +30.0%

Source: Columbia Threadneedle Investments

# ESG Reporting: EPC Data

	2020	April 2021	July 2021	October 2021	Indicative Target
Property assets	199	190	184	173	–
Rateable units	861	849	841	804	–
EPC coverage (% rateable units)	88.6%	93.6%	96.8%	97.8%	100%
EPC rated A (% rateable units)	0.2%	0.4%	0.4%	0.5%	>25%
EPC rated B (% rateable units)	11.3%	15.3%	16.3%	16.9%	>50%
EPC rated C (% rateable units)	34.7%	36.4%	37.1%	38.7%	<25%
EPC rated D (% rateable units)	30.0%	30.0%	31.9%	30.3%	0% by end 2030
EPC rated E (% rateable units)	10.0%	9.7%	10.0%	10.2%	0% by end 2030
EPC rated F (% rateable units)	0.9%	1.1%	0.6%	0.5%	0% by end 2022
EPC rated G (% rateable units)	0.8%	0.9%	0.6%	0.6%	0% by end 2021

Source: Columbia Threadneedle Investments. TPUT direct property portfolio. All data as at 30 September 2021 unless otherwise stated.

# ESG Reporting: Energy Consumption

	2018	2019	2020	12-months ending 31 March 2021	Target
<b>Property assets</b>	242	240	198	190	n/a
<b>Landlord managed assets (S/C)</b>	98	97	90	89	n/a
<b>Data coverage: landlord-managed assets (gross floor area)</b>	89%	79%	77%	84%	100%
<b>Tenant managed assets (FRI)</b>	144	143	108	101	n/a
<b>Data coverage: tenant-managed assets (gross floor area)</b>	20.5%	23.0%	29.0%	29.33%	TBA
<b>Data coverage: whole portfolio (gross floor area)</b>	53.4%	55.7%	61.7%	60.18%	TBA
<b>Total portfolio energy consumption – absolute</b>	26,921,092 kWh (12.2%)	25,489,785 kWh (-5.3%)	21,701,092 kWh (-15.0%)	39,620,283 kWh (84.8%)	TBA
<b>Total portfolio electricity consumption – absolute</b>	16,444,766 kWh (21.4%)	17,842,685 kWh (8.5%)	13,773,889 kWh (-30.5%)	27,258,720 kWh (100.8%)	TBA
<b>Total portfolio gas consumption – absolute</b>	10,476,323 kWh (20.9%)	7,577,826 kWh (-27.7%)	6,554,657 kWh (-15.6%)	12,361,563 kWh (89.9%)	TBA

Source: Columbia Threadneedle Investments. TPUT direct property portfolio. All data as at 30 September 2021 unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway in 2021

# ESG Reporting: Greenhouse Gas (GHG) Emissions

	2018	2019	2020	12-months ending 31 March 2021	Target
<b>Property assets</b>	242	218	198	190	n/a
<b>Landlord managed assets (S/C)</b>	98	92	90	89	n/a
<b>Data coverage: landlord-managed assets (gross floor area)</b>	86%	86%	86%	84%	100%
<b>Tenant managed assets (FRI)</b>	144	143	108	101	n/a
<b>Data coverage: tenant-managed assets (gross floor area)</b>	17.0%	17.6%	29.0%	29.33%	TBA
<b>Data coverage: whole portfolio (gross floor area)</b>	48.8%	50.0%	61.7%	60.18%	TBA
<b>GHG emissions – absolute (year on year % difference)</b>	7,615 tonnes (7.6%)	5,993 tonnes (-21.3%)	3,966.0 tonnes (-33.8%)	8,052 tonnes (105.6%)	TBA

Source: Columbia Threadneedle Investments. TPUT direct property portfolio. All data as at 30 September 2021 unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway in 2021

# ESG Reporting: Water and Waste Consumption

		2018	2019	2020	12-months ending 31 March 2021	Target
<b>Property assets</b>		242	218	196	190	n/a
<b>Landlord managed assets (S/C)</b>		98	92	90	89	n/a
<b>Data coverage: landlord-managed assets (gross floor area)</b>	Water	39%	39%	31%	33%	100%
	Waste	14%	27%	27%	24%	100%
<b>Tenant managed assets (FRI)</b>		144	143	124	101	n/a
<b>Data coverage: tenant-managed assets (gross floor area)</b>	Water	0	8.0%	8.7%	13.00%	TBA
	Waste	0	13.2%	14.07%	17.00%	TBA
<b>Data coverage: whole portfolio (gross floor area)</b>	Water	15.7%	23.2%	24.0%	24.49%	TBA
	Waste	7.0%	20.0%	21.1%	20.94%	TBA
<b>Total water consumption – absolute</b>		130,373 m <sup>3</sup>	279,902 m <sup>3</sup>	271,535 m <sup>3</sup>	46,787 m <sup>3</sup>	TBC
<b>Total waste consumption – absolute</b>		399.00 tonnes	788.72 tonnes	8,795.74 tonnes	1,586.35 tonnes	TBC

Source: Columbia Threadneedle Investments. TPUT direct property portfolio. All data as at 30 September 2021 unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway in 2021

# ESG Reporting: Flood Risk

Portfolio risk exposure by value	2020 (April)	2021 (April)	2021 (November)	Target
<b>Property assets</b>	200	190	173	n/a
<b>Low</b>	159 75.4%	152 74.8%	137 74.4%	TBA
<b>Medium</b>	31 20.7%	30 21.7%	28 22.2%	TBA
<b>High</b>	5 2.3%	5 2.0%	5 1.8%	TBA
<b>Extreme</b>	5 1.5%	3 1.5%	3 1.6%	TBA

Extreme risk assets	High risk assets
Sheffield, The Square	Derby, 20-25 Albert Street (exchanged to sell)
Bristol, 11-13 Gloucester Road	Bristol, 2 Zetland Road (exchanged to sell)
London E10, Lea Bridge Road	Bristol, 786 Fishponds
	Redhill, Red Central
	Galashiels, Gala Water Park

Source: Columbia Threadneedle Investments. TPUT direct property portfolio. All data as at 30 September 2021 unless otherwise stated



# Risk Management Report – Threadneedle Property Unit Trust (TPUT) – September 2021

The key areas of risk impacting this fund as at the end of September 2021 are outlined below:

Key:  Low Risk  Medium Risk  High Risk

RISK DESCRIPTION	SENSITIVITY	MEASURES	RISK COMMENT (Limits exceeded/ positive risks)
Liquidity	Medium – Open ended Fund but Trust Deed provides the manager with the power to control inflows and outflows if in the interests of remaining Unit Holders.	Current target liquidity of 6.5% of GAV with temporary ceiling of 8.5% under Trust inflow protocol.	Liquidity at quarter end: 5.6%
Leverage	Low – Scheme restricts allowable leverage limits	Trust deed permits leverage up to 35% of NAV. Investment Guidelines strategic aim of borrowing at maximum 10% of GAV	Current leverage: Nil
Development	Low – significant spread of property with no current speculative development.	Trust deed sets a maximum 20% of NAV (not let or pre-let). Investment Guidelines restrict to maximum 10% of NAV (not let or pre-let) to be in course of substantial development.	Total Current Development as % NAV: Nil
Market	Medium – Fund exposed to impact of volatility within the market	5 year monthly total return volatility using the IPD all property index	5 year monthly total return volatility as at end-September 2021: 8.47%
Single Occupancy Risk Exposure	Low – good spread and diversity of tenants	Trust Deed: Exposure to single tenant as percentage of total rental income not to exceed 20%. Investment Guidelines: restricted to 10% of total rental income.	Current highest rental income from one tenant: 3.14% of total rental income.
High Value Property	Low – Pre-purchase due diligence and diversity of portfolio.	Trust Deed: Maximum allowable value of any one purchase: 15% of NAV. Investment Guidelines: Maximum 10% of GAV on an ongoing basis.	Largest current property asset as % of GAV: 3.3%
Single Investor	Medium – Monthly dealt fund with no restriction on maximum investment	Optimum maximum exposure of no more than 10% total investment from one single investor	Highest single investment at quarter end: 6.14%
Vacancy Rates	Low – good spread and diversity of tenants	No specific tolerance in Trust Deed but up to 15% of total Estimated Rental Value (ERV) excluding property under redevelopment would be regarded as tolerable.	Total Estimated Rental Value of vacant space at end of quarter: 6.5%
Rental collection	Medium – Large number of properties with rental income focused on wide number of tenants.	Target: 95% of Rental Income to be collected within 21 days of quarter day	Quarter ending September 2021: 84.92% collected at day 21. <sup>1</sup>
Counterparty	Low – Minimal Counterparty Exposure	No Maximum restriction within scheme.	Deposits with single bank at end of quarter: 5.83% of GAV.
Leasehold interest	Low – Low incidence of short leasehold interest	Trust Deed: not more than 15% of NAV to comprise leasehold interests with less than 60 years unexpired.	Value of leasehold properties with less than 60 years unexpired: Less than 1% of NAV

<sup>1</sup> Collection of rent has been significantly impacted by COVID-19 pandemic and is being closely monitored.

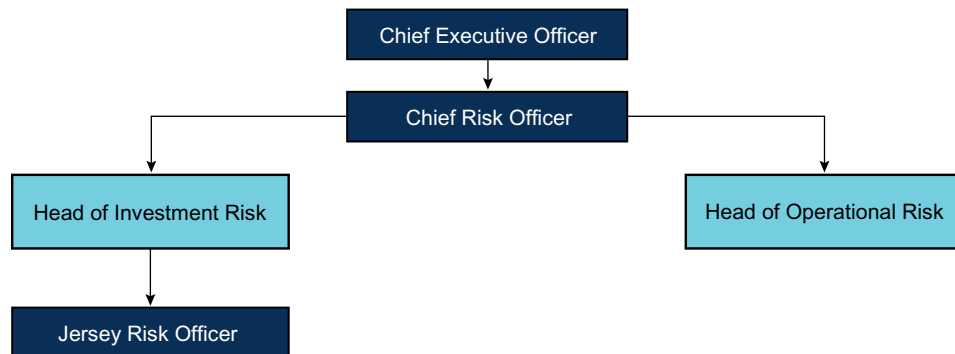
# The Columbia Threadneedle Investments EMEA Property Risk Management System

The Columbia Threadneedle Investments EMEA Property Risk Management Team (the “Risk Team”), collectively provides risk management services to all Columbia Threadneedle Investments entities. The Risk Team function is led by the Head of Investment Risk and the Head of Operational Risk reporting to the Chief Executive Officer of Columbia Threadneedle Investments.

The Risk Team:

- Oversees implementation of the risk management policy and procedures;
- Oversees compliance with risk limits within each property fund;
- Provides advice regarding the identification of the risk profile of a Fund;
- Provides regular reports to various Boards and relevant committees on:
  - the consistency between the current level of risk incurred by each Fund and the risk profile agreed for that Fund;
  - the compliance of the Funds with risk limits identified in fund prospectus or investment management agreements; and
  - the adequacy and effectiveness of the risk management process, indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies;
- Ensures regular reports are provided outlining the current level of risk incurred by the relevant fund and any actual or foreseeable breaches to their limits, so as to ensure that prompt and appropriate remedial action can be taken.

A structure chart of the Risk Team as it relates to property risk is provided below. The Risk Team has an independent reporting line to the CEO of Columbia Threadneedle Investments:



Threadneedle Investments (Channel Islands) Limited as Manager of the Fund have appointed an independent Jersey Risk Officer.

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

- Market price risk data
- Leverage and interest rate risk
- Liquidity and cash flow risk
- Tenant credit rating
- Tenant exposure
- Rental income and collection
- Vacancy rates within the fund

Data is monitored in conjunction with the investment rationale for the property Funds and any Investment Management agreements in place to ensure that the risks faced by the Fund are assessed adequately and controlled appropriately.

The Risk Team is responsible for overseeing the provision of data, risk analysis and recommendations that are reliable, timely and accurate and its performance is the subject of regular periodic reviews by the Columbia Threadneedle Investments (Group level) internal audit function.

Columbia Threadneedle Investments purchases Professional Indemnity insurance in order to cover its perceived risks to a level in accordance with regulatory requirements and commensurate with its needs as a responsible asset manager.

This insurance is purchased as part of the Columbia Threadneedle Investments Group insurance arrangements, is reviewed on an annual basis and is administered by the Property Governance and Insurance Team.

Columbia Threadneedle Investments' fund managers and support staff collectively meet on a monthly basis to discuss all funds and potential impacts/strategy in an open forum, which is attended by the Property Governance and Insurance Team.

### **Material Changes**

Rental collection – The risk rating changed from Green to Red as only 57.55% of rent was collected within 21 days of quarter day due to the current exceptional market environment.

**Kevin Mundy**  
**Jersey Risk Officer**  
**September 2021**

# Glossary of Terms

- **NAV:** The net asset value of the Fund will be calculated as at the last Business Day of each month (a “Pricing Day”). More details are available in the Prospectus.
- **Bid/Offer Spread:** The bid/offer spread on units reflects the costs of buying and selling investments.
- **Initial yield:** The rent passing net of ground rent, NR, as a percentage of the gross capital value, GCV, at the same date.

NR / GCV

- **Reversionary yield:** The open market rental value net of ground rent, NOMRV, as a percentage of the gross capital value, GCV, at the same date.

NOMRV / GCV

- **Equivalent yield:** The estimate of the discount rate which equates the future income flows relative to gross capital value. The equivalent yield discounts the current rental value in perpetuity beyond the last review date recorded for the tenancies in the subset. IPD 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 IPD. All valuations used in the Monthly Index are conducted by qualified valuers, independent of the property owners or managers, working to RICS guidelines. The Monthly Index shows total return on capital employed in market standing investments. Standing investments are properties held from one monthly valuation to the next. The market results exclude any properties bought, sold, under development, or subject to major refurbishment in the course of the month. The monthly results are chain-linked into a continuous, time-weighted, index series.

- **MSCI/AREF UK All Balanced Property Funds Weighted Average:** The MSCI/AREF UK All Balanced Property Funds Weighted Average Index measures Net Asset Value total returns on a quarterly basis. NAV in Index is the NAV of the index after the elimination of cross-holdings and deduction of management fees. Returns to the MSCI UK Monthly Property Index and to the MSCI/AREF UK All Balanced Property Funds Weighted Average Index are not directly comparable. This is largely because the UK Monthly Index measures the performance only of direct property market investments and because it excludes the impact on returns of developments and transactions. In contrast, returns to the MSCI/AREF UK All Balanced Property Funds Weighted Average Index include the impact of both developments and transactions as well as the returns from other assets (such as cash and indirect property investments), and the impact of leverage, fund-level management fees and other non-property outgoings.

- **Portfolio turnover ratio:** Defined as the total value of the quarterly purchases and sales minus the total value of the funds’ new issues and redemptions expressed as a percentage of the average NAV over the preceding four quarters.

# Important Information

For investment professionals use only (not for onward distribution to, or to be relied upon by private investors).

Past performance is not a guide to future performance. The value of investments and any income from them can go down as well as up. This material is for information only and does not constitute an offer or solicitation of an order to buy or sell any securities or other financial instruments, or to provide investment advice or services.

The research and analysis included in this document has been produced by Columbia Threadneedle Investments for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. Any opinions expressed are made as at the date of publication but are subject to change without notice. Information obtained from external sources is believed to be reliable but its accuracy or completeness cannot be guaranteed.

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.

Information for holder of units of the Threadneedle Pension Property Fund: Threadneedle Pensions Limited provides insurance policies that entitle to holder to the value determined with reference to the underlying investment in a pooled pension fund. The holder of a policy does not own the units in the selected fund. Columbia Threadneedle Investments does not give investment advice.

In the UK, the Trust is an unregulated collective investment scheme for the purposes of Section 238 of the Financial Services and Markets Act 2000. Accordingly, this document must not be communicated to retail persons in the UK but may only be communicated to persons described in the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions Order) 2001 and to persons whom units are permitted to be promoted in accordance with the FCA's

Conduct of Business rules. Approved for UK purposes by Threadneedle Asset Management Limited and Threadneedle Portfolio Services Limited. Authorised and regulated by the Financial Conduct Authority. Investors are advised that the protections afforded by the UK regulatory system may not apply to an investment in the Fund and compensation will not be available under the UK Financial Services Compensation Scheme.

In Jersey, the Trust, which is regulated by the Jersey Financial Services Commission, is treated as an unclassified fund for the purposes of the Collective Investment Funds (Jersey) Law 1998. Units in the Trust may only be promoted in accordance with the aforementioned legislation.

This document should not be circulated to private investors.

This document does not constitute or form any part of any offer to issue or sell, or any solicitation of any offer to subscribe or purchase, any units nor shall it or the fact of its distribution form the basis of, or be relied on in connection with any contract therefore. Recipients of this document who intend to apply for units are reminded that any such application may be made solely on the basis of the information and opinions contained in the prospectus and seek independent taxation advice.

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Columbia Threadneedle Investments is the global brand name of the Columbia and Threadneedle group of companies.

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