QUARTERLY INVESTOR REPORT

CARBON NEUTRAL REAL ESTATE FUND

31 DECEMBER 2020

Premier House, Twickenham

REAL ESTATE

QUARTERLY INVESTOR REPORT
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INTRODUCTION AND KEY FACTS

Paul Street, London

Introduction

Carbon Neutral Real Estate LP (the "Partnership") is a Scottish Limited Partnership that invests via an English Limited Partnership (the "Limited Partnership") in real estate assets in the United Kingdom.

Threadneedle Carbon Neutral RE Trust (the "Trust"), a unit trust established in Jersey, invests in the Partnership. The Trust is an Alternative Investment Fund ("AIF") under the Alternative Investment Fund Managers Directive ("AIFMD"). The Trust is regulated by the Jersey Financial Services Commission and is treated as an unclassified fund for the purpose of the Collective Investment Funds (Jersey) Law 1998. The correspondence address for the Trust is that of its Manager, Threadneedle Investments (Channel Islands) Limited, IFC 1, The Esplanade, St Helier, Jersey, JE1 4BP.

The Partnership, Limited Partnership and Trust are together referred to in this report as the "Fund".

The Fund's investment objective is to compile a quality Investment Portfolio, comprising low carbon compliant real estate assets, primarily within the UK office sector. All of these assets will have been refurbished in whole or in part by the Fund, delivering high specification, low carbon workplaces to meet occupier demand across the UK in accordance with the investment policy and the investment restrictions set out in the Fund's Prospectus.

The Partnership was established in March 2010. The Manager of the Partnership is Threadneedle Portfolio Services Limited (the "Fund Manager"), an FCA authorised Alternative Investment Fund Manager. Other key advisory services are provided by Stanhope plc (the "Developer") and Carbon Trust Advisory Limited (the "Carbon Adviser").

The Fund Manager, Developer and Carbon Adviser are collectively referred to as the "Key Advisers".

The purpose of this report is to provide investors of the Trust and the Partnership with an overview of the activity and performance of their underlying property investments.

The Carbon Trust
Developing long term relationships

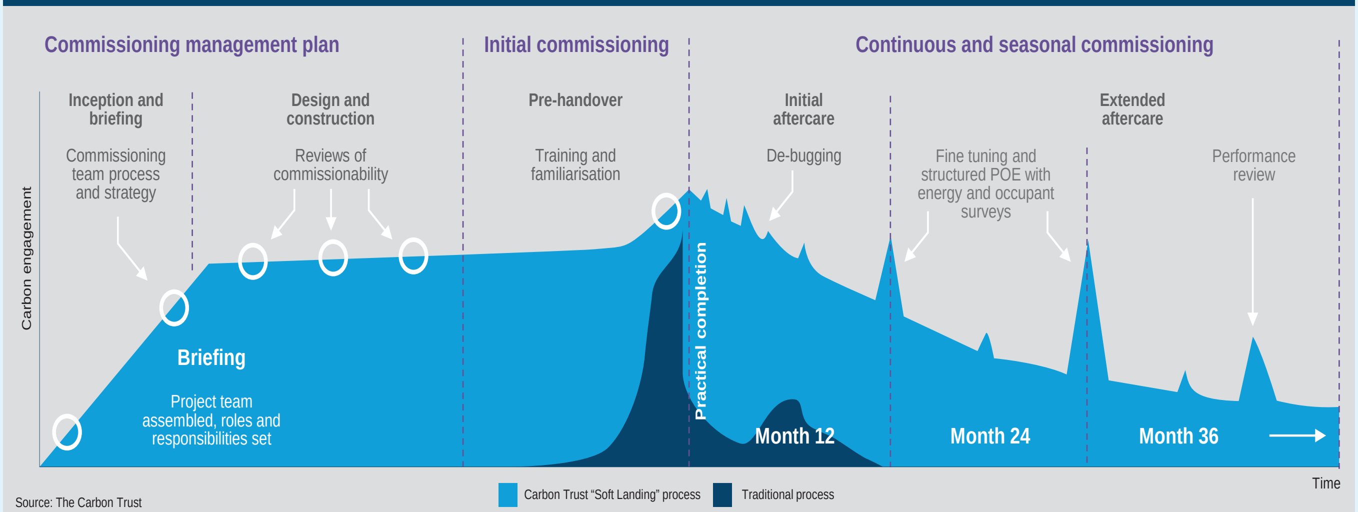
Background
Founded in 2001, the Carbon Trust is an independent, expert partner of leading organisations around the world, helping them contribute to and benefit from a more sustainable future through carbon reductions, resource efficiency strategies and commercialising low carbon technologies.

The Carbon Trust helps reduce carbon emissions and increase resource efficiency through a range of specialist help, support and advice; they have over 220 experts from 30 different nationalities with offices across five continents.

Since 2001 the Carbon Trust has been trusted by 75% of FTSE 100 companies and over 3,000 public sector organisations. (Source: The Carbon Trust, 31 December 2020).

> "We ensure high levels of contact time throughout all phases, using a 'soft landings' philosophy to make real performance match design intent"
>
> **Source: The Carbon Trust**

Carbon Trust property life-cycle involvement



Source: The Carbon Trust

UK COMMERCIAL PROPERTY MARKET COMMENTARY

Kew Road, Richmond-Upon-Thames

UK Market Commentary

- **The COVID–19 pandemic continues to impact daily life and global economic activity. The fourth quarter of 2020 saw the re-imposition of restrictions designed to control the spread of the virus, which intensified with the identification of a more infectious new variant in mid to late December. A significant degree of uncertainty persists in the wake of the government's latest lockdown announced on 4th January, running from 5th January with no fixed end date, although the current legislation remains in place until the end of March, with the future tiering of UK regions likely to follow that, as a significant period of time is envisaged before society re-emerges to anything resembling a 'new normal'. To date mandated closures have most significantly impacted on the retail and leisure sectors, with further distress likely to continue through H1 2021.**

- **Taking Q4 in isolation however, the UK property market, as represented by the MSCI UK Monthly Property Index, generated a total return of +2.0%, with income at +1.4% and capital value growth at +0.6%. This reflects a continuation of positive Total Returns for UK commercial property, which was seen in Q3 2020, driven by a recovery in All Property capital values, representing increased confidence, correlating with the development of the global vaccine program offering a route out of the pandemic.**

- **Looking across the sectors, valuation movements broadly reflected the perceived impact and resilience to the pandemic and the resultant acceleration of pre-existing trends. In Q4 2020 the industrial sector recorded capital value growth of +5.2%, while offices and retail recorded capital value declines of -0.4% and -0.5% respectively. Positive income returns resulted in sector level total returns for Q4 2020 of +1.2% for Industrial, +1.3% for offices and +1.8% for retail.**

- **Despite the prevailing uncertainty, the office sector has so far proved especially resilient. Rent collection across our office portfolios averaged 85% over Q4, which is the highest of all sectors, including industrials. Capital value falls have been modest, as a result of which total returns for the sector were -0.1% for Q4 2020 against +2.0% recorded by the MSCI UK Monthly All Property Index. This is very different to the volatility witnessed during the Global Financial Crisis, when office occupancy was heavily weighted towards financial services firms who were themselves at the epicentre of the crisis, resulting in the sector delivering total returns of -23.8% in 2008. Occupational markets are far better diversified now, and investor sentiment, while not ignorant of the sector headwinds, remains positive while the relative investment case against gilts and other international real estate markets is compelling.**

- **£12.4bn was invested into UK commercial property in Q4 2020, This meant that total investment volumes for the year reached £41.8bn, a fall of 22% on 2019, but a strong performance given the market was in all but hiatus in Q2 which saw the lowest quarterly investment volume since 2009, at £4.2bn. This is c.20% below the 5-year quarterly average. Despite some significant transactions in London, the lack of widespread activity in the capital was the principal reason for the lower transaction volumes. Investor demand for industrial property continues however, with the sector recording record investment volumes for 2020, reaching £4.7bn, a 25% increase on 2019, a 121% increase on the long term average and significant increase above the previous high water mark of 2014 by over £500m. Investment activity in the retail sector remained subdued but renewed interest in the retail warehouse sector drove retail investment volumes up in H2 2020.**

- **Following the resumption of more normal levels of investment market activity, the Material Uncertainty Clause (MUC) imposed by Independent Valuers in March 2020 was lifted on a sector-by-sector basis according to the availability of comparable evidence, restoring unit pricing certainty and resulting in the resumption of trading in some, but not all Open-ended UK property funds as at the end of September.**

- **The 'All Property' Net Initial Yield as at the end of Q4 2020 remained stable at 5.09%. With the Base Rate (0.10%) and 'risk free' rate of 10-year Gilts (0.39%) currently at historically low levels, the commercial property market continues to assert its highly attractive relative income attributes.**

- **Whilst 2021 has started with the rollout of the vaccination program which it is hoped will be widely distributed, starting with those considered most at risk, this brings further confidence that defensively positioned strategies with high relative income yields, significant levels of portfolio diversification and the potential to add value thorough pro-active asset management are most appropriately positioned to deliver relative out-performance.**

Central London Leasing

- In line with expectations, leasing activity across Central London remained muted in Q4 2020 as occupiers continue to adopt a 'wait and see' approach with businesses proceeding with caution against the uncertain economic backdrop.
- Central London take-up in Q4 2020 reached 0.69M sq ft, 14% below Q3 2020 and 74% below the 10-year quarterly average of 2.7M sq ft. This quarter recorded the lowest take-up since Q4 2002, with a total take up for 2020 of 4.6M sq ft, 59% below 2019 and 58% below the 10-year average.
- The largest deal to complete this quarter was the City University letting at 33 Finsbury Square, where they took 73,746 sq ft, at a rent of £55.12 psf.
- Professional Services sector accounted for the largest proportion of 2020 take up, comprising a 24% share. This was followed by the Media-Tech sector accounting for a 17% share and Insurance & Finance accounting for a 13% share.
- A slowdown in leasing activity and the release of tenant-controlled 'grey space' as businesses offload surplus space in the wake of uncertainty surrounding the pandemic has resulted in an increase of vacancy across the Central London office market.
- Grey space supply in Q4 2020 totalled 6.05M sq ft, a 28% increase compared to Q3 2020 levels, equating to 32% of overall supply. Since Mid-March, an additional 3.03M sq ft of tenant-controlled supply has been delivered to the market, this trend it anticipated to continue in the short term.
- Central London supply in Q4 2020 increased to 17.5M sq ft, an increase of 19.7% on Q3 2020. This equates to a Central London office vacancy rate of 7.0% (5.9% in Q3 2020), 200 bps above the 10-year average of 5.0%.
- 2020 saw 5.25m sq ft of new build development complete, 4.1% below the figure for 2019, but with further development pushed into 2021 due to Covid related construction delays. The projected figure for 2021 is 7.0m sq ft, of which 36.1% is pre-let.

Source data – MSCI UK Monthly Property Index and Savills UK Market in Minutes: UK Commercial 21st January 2021.
Please note that past performance is not a guide to future performance.

- There has been no sign of a marked shift in headline rents achieved (perhaps due to lack of evidence), though rent free periods have lengthened. Average prime rents for the West End remained stable at £107.50 psf and for the City at £78.83 psf.

Central London Investment

- Despite overall investment volumes remaining supressed on recent years, the Central London investment market has shown signs of recovery in Q4 2020 as global capital seeks defensive investments.
- Investment volumes for 2020 reached £9.3BN, this is 30% down from 2019 which stood at £13.3BN, and 12% below the long-term average.
- Q4 2020 saw 72 investment transactions, giving a total of 164 transactions for the year, reflecting a 25% decrease from 2019 levels.
- The largest transaction of the quarter was Sun Venture's purchase of 1&2 Ludgate EC4, comprising 389,615 sq ft from Lane Securities. The sale price was £552m reflecting a 4.20% yield.
- In the first half of the year, overseas investor activity remains subdued in terms of volumes however they dominated the market in terms of share, accounting for 78% of capital deployed, up 12.8% from 2019.
- This has been driven by European investors, accounting for a 38% share of investment volumes in 2020, ahead of the 30% share reported over the same period last year.
- Prime yields at Q4 2020 remain stable at 3.5% in the West End and 4.0% in the City.
- Given the removal of uncertainty surrounding Brexit, the Central London market remains attractive with a deep pool of capital eager to invest, with significant demand from overseas investors capitalising on the yield advantage on offer over other major European cities. As prime stock remains in high demand it is anticipated that little or no movement will be seen on prime yields in the short term.

Source data – MSCI UK Monthly Property Index and Savills UK Market in Minutes: UK Commercial 21st January 2021.
Please note that past performance is not a guide to future performance.

KEY ADVISERS' REPORT

69 Carter Lane London, EC4

Highlights

- **Appointment of new Fund Manager:** on 1st January 2021, Gerry Frewin, existing manager of the Threadneedle UK Property Authorised Investment Fund, was appointed Fund Manager of the Carbon Neutral Real Estate Fund. Gerry's expertise is in managing a diverse UK wide portfolio across all sectors whilst undertaking complex repositioning and refurbishment projects to enhance Fund performance and these are key attributes he will bring to the role.

- **Name change:** reflecting the certification of its office investment portfolio to operational carbon neutrality in 2019, Columbia Threadneedle Investments is delighted to announce the Threadneedle Low Carbon Workplace Fund has changed its name to the Threadneedle Carbon Neutral Real Estate Fund ('the Fund') with effect from 14 May 2020. The name change reflects the status of the Fund as a pioneer of carbon reduction in commercial real estate assets through value-add refurbishment and continued operational carbon management.

- **Asset Management:** During Q4, the government imposed moratorium, preventing the Landlord from using enforcement action as a means to collect rent arrears, was extended through until March 2021. Despite this, the fund's rent collection statistics remain positive in comparison to the funds peer group and the wider market. The rent collection statistics show 85% of the Q4 rent was collected by day 28 and we anticipate close to 100% of the Q4 rent will be collected in Q1 2021 as a result of some ongoing lease restructuring discussions with existing tenants.

  We continue to work with the all of our tenants to maintain a thorough understanding of their intentions in light of the impact of the COVID-19 pandemic. The fund remains 100% let and there are no active construction projects on site.

Source data – Threadneedle Portfolio Services Limited as at 31 December 2020.
Please note that past performance is not a guide to future performance.

Overview

Since the Fund's launch in March 2010, investor equity commitments of £218.6M have been fully drawn in order to fund the acquisition of nine low carbon projects (three properties having since been sold). The key purpose of the 2019 fund restructure was to position the Fund for a further capital raise program throughout 2020 and the Fund Manager's Investment Team continue to monitor the Investment Market with the objective of identifying and reviewing a pipeline of potential new refurbishment projects. In relation to the Investment Portfolio, all six standing properties remain fully let.

Investment Portfolio

As at 31 December 2020, the Fund's Investment Portfolio, represented by six properties, was independently valued at £172.3M. Currently, there are no properties under refurbishment.

The annual contracted rent roll of the Investment Portfolio as at 31 December 2020 is £9.9M, generated from 19 tenancies. Current passing rent has increased from previous quarter to £9.9M.

The net initial yield on the Investment Portfolio is 5.4% with the Investment Portfolio benefiting from a vacancy rate of 0% (MSCI benchmark of 9.0%) and with a weighted average lease length below the MSCI benchmark (2.9 years compared to MSCI benchmark of 6.4 years). Furthermore, liquidity is substantial with cash levels as at 31 December 2020 (after liabilities payable immediately post quarter end) equating to 12.9% of net asset value.

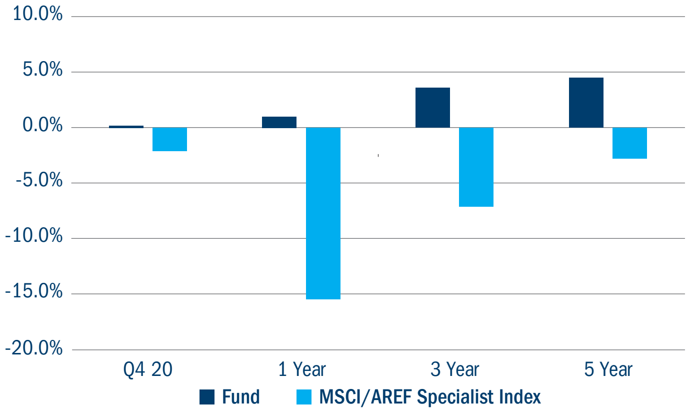
The Fund's annual distribution yield (on NAV) for the 12 months to 31 December 2020 was 3.6%. This is anticipated to increase in future quarters with cash levels having reduced. For example, annualising the quarterly distribution for Q4 2020 gives a distribution yield over 4%. In an investment landscape that continues to remain starved of income, the Key Advisers consider that the Investment Portfolio remains well placed with a distribution yield generated from a portfolio of high quality low-carbon compliant real estate assets that benefit from zero vacancy.

Fund Performance

The total property level return for Q4 2020 of 0.5% was above the MSCI All Office Quarterly Index ("MSCI Office Index") total return of -0.8%. Over medium/long term measures, the Fund performs favourably with total property returns of +1.6% over one year, a 3-year annualised return of +5.0% and a 5-year annualised return of +6.0%, compared to MSCI Office Index returns of -1.4%, +3.1% and +4.0% respectively.

NAV to NAV investment return to unitholders for Q4 2020 was +0.2%, above the MSCI/ AREF UK Quarterly Specialist Property Fund (Weighted Average) Index ("MSCI/AREF Specialist Index") of -2.1%. During the twelve months to end December 2020, the Fund delivered a total return of +1.0%, 16.5 percentage points above the MSCI/AREF Specialist Index total return of -15.5%. Medium/long term Fund performance demonstrates a 3-year annualised return of +3.6% and a 5-year annualised return of +4.5%, in excess of the MSCI/AREF Specialist Index by 10.7 and 7.3 percentage points respectively.

Fund Performance – Total Return to 31 December 2020 versus MSCI/AREF Specialist Index



Past performance is not a guide to future returns.

Investment Strategy

The Fund's Investment Strategy is focused on the acquisition and subsequent refurbishment of UK real estate. In addition, subject to supportive investment and occupational market dynamics, the Fund Manager will look to raise further capital to further pursue this strategy.

Concurrently, the Key Advisers deploy an asset management strategy focused on maintaining high-level low carbon compliant rental income aimed at removing void risk and creating value for investors within both the Investment Portfolio and future Refurbishment Portfolios.

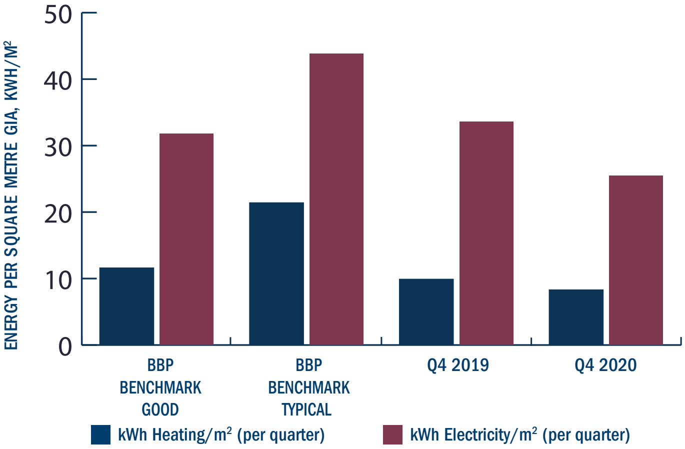
Fund Manager
February 2021

Source data – MSCI/AREF Specialist Index and Threadneedle Portfolio Services Limited as at 31 December 2020.
Past performance is not a guide to future performance.

CARBON TRUST UPDATE

Quarterly Summary

1. Q4 Energy Performance Comparison: 2019 against 2020



In the latter part of 2020, occupancy levels continued to improve despite the imposition of a second lockdown and the winter bank holidays compared the previous quarter. The introduction of further social distancing restrictions and apprehension around public transport during the quarter has meant that tenant use of their offices has been highly variable, ranging between 7% to 28%, and averaging around 16% compared to the same period in 2019.

These variable occupancy patterns across the portfolio are highly influential on energy consumption as we seek to match individual operation of the systems in each building to the tenant's usage patterns. Efficient running of each building is particularly challenging under covid-secure protocols that require social distancing, distributing low occupancy density throughout the whole office space so the whole building requires heating, power lighting and ventilation. Over the quarter total portfolio electricity consumption has been 26% lower than the same quarter in 2019.

Low occupancy across whole assets can also adversely affect other energy uses. Reduced numbers of building users means there is a lack of additional heat gain from staff and equipment that must be offset by additional usage of the heating systems when in use. Fortunately a combination of control improvements, modified equipment scheduling and milder weather over the quarter compared to last year has led to a 16% reduction in total heating energy use.

Overall, like for like total portfolio energy consumption has fallen by 22% compared to the same period in 2019, reducing our total carbon emissions by 43.7 tCO2, which is the equivalent to 13.5 round trip flights from London Heathrow to New York JFK. In this quarter the portfolio is on average 22% better than the leading industry 'Good' benchmark for energy performance in commercial offices.

Carbon Neutral Real Estate Fund and Net Zero Carbon

The greenhouse gases arising from buildings represent almost 40% of global emissions, including the energy used in their operation and the manufacturing and transportation of materials used to construct and maintain them. To avoid catastrophic impacts from climate change, global temperature rise must be limited to well below 2°C, ideally only 1.5°C. To do this, global emissions need to have been rapidly reduced to near zero by 2050, while any remaining emissions are offset with equivalent removals from the atmosphere.

For more than 10 years the Fund has been rapidly reducing the emissions of existing commercial buildings through deep, carbon-focused retrofits. More recently the Fund has achieved carbon neutrality for all operational energy use across the whole portfolio. Building on these successes, adopting the challenge to achieve net zero carbon emissions was the logical next major step for the CNRE Fund.

In 2019, the Fund was among the first signatories to the Better Buildings Partnership Climate Commitment, pledging to achieve net zero carbon emissions across all Fund activities. In December 2020 we published our Net Zero Carbon Pathway, outlining our key actions, measurements and disclosures in achieving this target.

In the Pathway we outlined our net zero carbon vision: reducing our lifecycle emissions along a Paris agreement aligned 1.5°C science-based trajectory, sourcing all energy from renewable sources, and offsetting remaining emissions through certified greenhouse gas removals.

While the vision sounds simple enough, the 1.5°C aligned net zero trajectory requires year-on-year emissions reductions of 4.2% from energy, , waste, water, construction, maintenance and services. This is highly complex to accomplish, however the Fund has major advantages.

- Refurbishment-led strategy. Construction carbon emissions are reduced by retaining carbon-intensive building elements and limiting new material use. Going forward more natural, carbon-sequestering materials like timber will be used, and we will increase reused and recycled materials and products.
- 100% data coverage. Thanks to extensive metering and tenant engagement, we know where our carbon footprint comes from and how to tackle it. The majority of our peers have little or no information on energy use or other emissions sources related to their tenants.
- Carbon neutrality for operational energy. Undertaking this process has already established a rigorous approach for offsetting the remaining operational emissions in a clear, transparent way, in line with best practice for net zero emissions.

The Fund's Net Zero Pathway represents a robust approach to achieving net zero emissions, with clear and credible targets and transparent disclosure of performance.

The CNRE Fund Net Zero Carbon Pathway can be found at: https://prod-drupal-files.storage.googleapis.com/documents/resource/public/CNRE-Net-Zero-Pathway.pdf

ASSET & FUND ENVIRONMENTAL PERFORMANCE

Energy Efficiency

The Fund's buildings have been refurbished to be highly efficient and sustainable, each asset in the portfolio achieving a final EPC rating of 'B', which represents an average improvement of 67% compared to their original ratings. This environmentally and sustainability focused design places them in the top 11% of modern UK non- domestic buildings*.

With this excellent platform of energy efficiency, the environmental performance of the portfolio is ahead of the leading industry Real Estate Environmental Benchmark provided by the Better Buildings Partnership (BBP), which annually measures actual in-use energy and emissions of UK commercial buildings.

Considerate Constructors Scheme (CCS)

The Fund focuses on sustainability during the construction phase, as well after completion and in use, requiring the main contractor to achieve at least 4 out of 5 stars under the Considerate Constructors scheme independent assessments. Through this the Fund ensures that each project is meeting key criteria that affect the local environment:

- Generating less construction waste from site
- Diverting 85% of construction waste from landfill
- Minimising local disruption from noise, dust and pollution

All projects to date have achieved the required 4/5 stars.

Reducing Embodied Carbon Impact

All construction requires energy for manufacture of components and materials, delivery, fabrication and assembly, resulting in the associated carbon emissions from these processes being 'embedded' in the final building. Re-using the key building elements, the foundations and superstructure, and minimising demolition works, the Fund's refurbishments create new space at a fraction of the embodied carbon impact of new build construction. This was measured in the most recently completed buildings and embodied carbon levels were calculated to be 2.5 times to 4 times lower than that of a typical newly built office†.

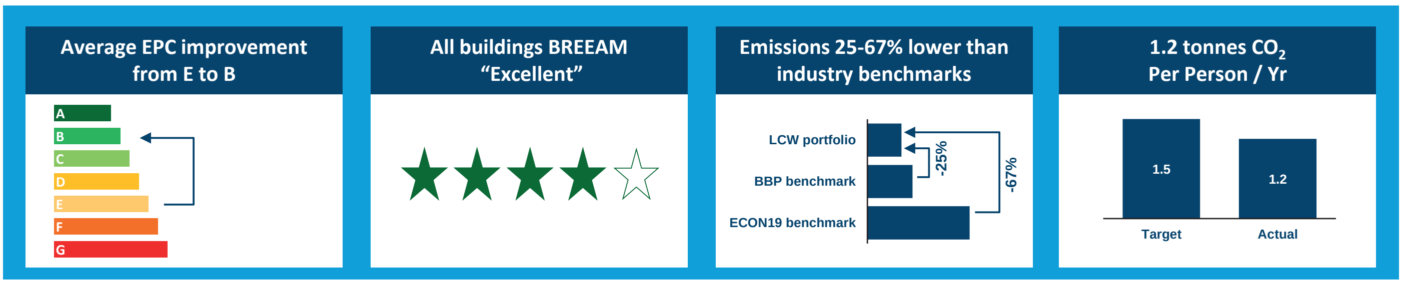
Wellbeing

Measuring wellbeing through building user feedback surveys provides the Fund with an insight into how sustainability and efficiency has an impact on the occupiers, allowing for adjustment and improvement in current building management as well as incorporating learnings into future sustainable building design. A key KPI for the Fund is to achieve 75% overall satisfaction levels, a target which has been met in all surveys undertaken to date.

Waste Reduction

Diverted from landfill where possible.
Recycled or reused.

Contractor accreditations and membership[1]



Source: Threadneedle Portfolio Services Limited, 31 December 2020.
[1]Accreditations include: BS ISO14001: 2015 Carbon Disclosure Project, UKGBC- Gold Member, CRC Energy Efficiency Scheme, CEMARS, Institute of Environmental Management and Assessment, SKA Technical Committee Members, Strategic Partnership with Delos, the organisation behind the WELL Building Standard.
*Source: UK Government live tables on energy certificates, Q3 2017 through Q2 2018.
https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates
† Embodied carbon calculations were undertaken by the same structural engineer on 3 projects, based on sub- and superstructure models of each building, compared to typical construction calculations they had completed. HTS, April 2018.

Grove House, Hammersmith

5-Star GRESB Performance Global ESG Benchmark

GRESB REAL ESTATE ★★★★★

"Certifying to the Low Carbon Workplace Standard has been a great experience. It helps us to communicate our commitment to lowering our carbon emissions and to demonstrate that our efforts have had a real impact"

Winton Capital Management

WINTON

Source: GRESB, 31 December 2020.

LOW CARBON WORKPLACE & SUSTAINABLE DEVELOPMENT GOALS

3 GOOD HEALTH AND WELL-BEING

Support health and wellbeing for occupants and communities

7 AFFORDABLE AND CLEAN ENERGY

Use efficiency and renewables to provide affordable, reliable, and clean energy

8 DECENT WORK AND ECONOMIC GROWTH

Create jobs in construction, refurbishment, and maintenance

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Spur industry innovation and creation of climate-resilient infrastructure

11 SUSTAINABLE CITIES AND COMMUNITIES

Form the fabric of sustainable cities and communities

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Reduce waste of resources to support responsible consumption and production

13 CLIMATE ACTION

Reduce GHG emissions to support climate action

15 LIFE ON LAND

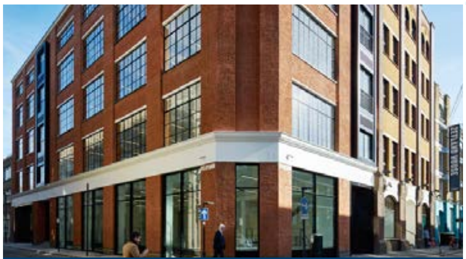
Save water and resources to support life on land

17 PARTNERSHIPS FOR THE GOALS

Help to form partnerships for the goals

Source: http://www.worldgbc.org/green-building-sustainable-development-goals

CURRENT INVESTMENT PORTFOLIO


41 Luke Street, London EC2

£172m investment portfolio


Grove House, Hammersmith

£44psf average rent

<£770psf average capital value

Investor Distribution 3.6% pa

Modern portfolio providing protection against future environmental legislation


69 Carter Lane, London EC4

100% let


Mansel Court, Wimbledon

3.5% reversionary potential to current ERV


63 Kew Road, Richmond-Upon-Thames

£9.9M contracted rent

5.4% running yield


Premier House, Twickenham

WAULT to expiry 4.6 years

WAULT to break 2.9 years

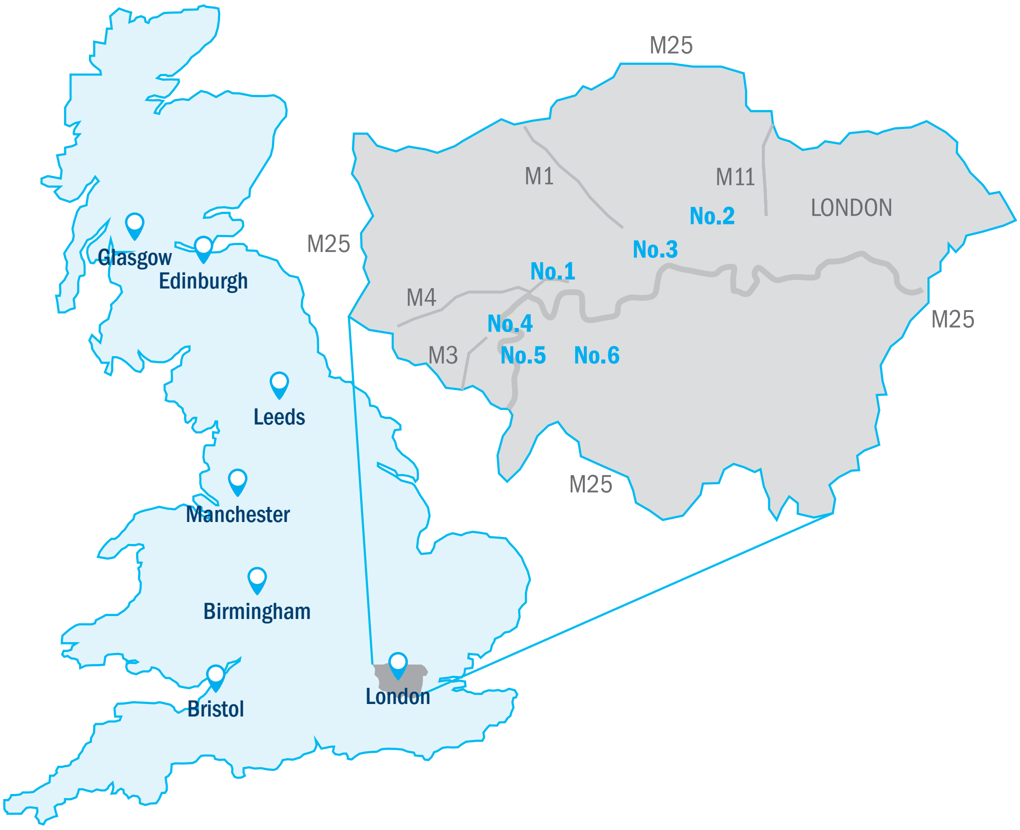

41 Luke Street, London EC2

Source: Threadneedle Portfolio Services Limited, 31 December 2020.

No.1 | Grove House, Hammersmith

No.2 | 41 Luke Street, London EC2

No.3 | 69 Carter Lane, London EC4



No.4 | 63 Kew Road, Richmond-Upon-Thames

No.5 | Premier House, Twickenham

No.6 | Mansel Court, Wimbledon

Property Name	Region	Market Value	Rental Value
Grove House, Hammersmith	Greater London	£42,600,000	£2,675,100
41 Luke Street, London EC2	Central London	£35,430,000	£2,004,000
69 Carter Lane, London EC4	Central London	£35,050,000	£1,782,000
63 Kew Road, Richmond-upon-Thames	Greater London	£23,475,000	£1,500,600
Premier House, Twickenham	Greater London	£18,325,000	£1,239,100
Mansel Court, Wimbledon	Greater London	£17,440,000	£1,069,300

Source data – Threadneedle Portfolio Services Limited as at 31 December 2020.

ADDITIONAL INFORMATION

Grove House, Hammersmith

Material Changes

The Fund Manager confirms that there have been no material changes to the following terms set out within the Fund's Prospectus in the quarter ending 31 December 2020;

- Liquidity of underlying assets or the Fund's Liquidity Management Policy;
- Special arrangements in relation to the Investor redemptions protocol;
- The Fund's Valuation Policy.

Gerry Frewin, February 2021

Risk Management Report

Threadneedle Portfolio Services Limited ("TPSL") was approved by the Financial Conduct Authority as an Alternative Investment Fund Manager on 4 July 2014 and as such, under the terms of the relevant European Directive is obliged to provide an independent report of risks faced by Funds under management.

The key areas of risk impacting this fund as at December 2020 are outlined below:

Key:

Low Risk | Medium Risk | High Risk

Risk Description	Sensitivity	Measures	Risk Comment (Limits exceeded/positive risks)
Liquidity	Low – minimum 5 year investment period	Maximum liquidity margin 10% of Net Asset Value (NAV)	Liquidity at quarter end: **14.24%**
Leverage	Low – non leveraged fund	Maximum Leverage – Gross Method: 1 Maximum Leverage – Commitment Method: 1	Gross level: **0.87** Commitment Level: **1**
Development Portfolio Exposure	High – Properties are purchased in order to be refurbished to the LCW standard	Percentage of total Portfolio by value under refurbishment	Percentage of refurbishment properties: **0.0%**
Development Portfolio Letting Risk	High – Properties under refurbishment are vacant	Percentage of property let 24 months after completion of refurbishment - target 80%	Property let 24 months after refurbishment: **100%**
Market	Medium – Fund exposed to impact of volatility within the market	5 year monthly total return volatility using the MSCI UK All Property Index	5 year monthly total return volatility as at 31 December 2020: **10.0%**
Tenancy Exposure	Medium – Diversity of tenants	Exposure to single tenant as percentage of total contracted rental income	Current contracted rental income from one tenant: **25.70%**
Asset Concentration	Low – Fund's exposure to single assets within the Investment Portfolio	Maximum value of any single property not to exceed 25% of GAV of the fund	Maximum single asset exposure: **21.49%** of GAV
Investment Portfolio Vacancy Rates	Low – Completed projects deliver substantial income and newly let properties to the investment portfolio	Up to 15% of total Expected Rental Value (ERV) would be regarded as tolerable	Total vacant ERV of available space at end of quarter: **0%**
Rental collection	Medium – Low rating dictated by tenant quality, however increased due to low diversification. Small number of properties with rental income focused on limited number of tenants currently	95% of Rental Income to be collected within 21 days of quarter day	Quarter ending December 2020: **77%** collected at day **21**.

Single Tenancy – The Fund is sensitive to single occupancy exposure because it owns several properties with relatively limited scope to spread the risk. The highest single tenancy exposure is to Winton Capital Management, who are responsible for 25.70% of the Fund's rental income.

Liquidity – The current level of cash in the Fund stands above the maximum liquidity margin of 10% following the disposal of 70 Wilson Street to meet investor redemptions.

Asset Concentration – Whilst the fund continues to meet its formal investment restriction, limiting asset concentration at the point of purchase, single asset concentration is currently at 21.49% of GAV.

Source data – Threadneedle Portfolio Services Limited as at 31 December 2020.

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

A structure chart of the 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:

The Risk Team oversees TPSL's regular monitoring of risk data associated with property funds. Each fund manager receives data relating to the funds within his control. Typically, this data comprises a combination of:

- Market Risk Data (see below)
- Leverage Risk
- Liquidity rates against desired ratios
- Tenant credit rating
- Tenant exposure
- Rental Income and Collection
- Vacancy rates within the fund

Data is monitored in conjunction with the investment rationale for the 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 remuneration of the Risk Team is entirely independent of TPSL and is not influenced by the TPSL Board.

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 TAM internal audit function.

TPSL 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 Threadneedle Asset Management Group insurance arrangements, is reviewed on an annual basis and is administered by the Property Governance and Insurance Team.

TPSL 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.

Management and Administration of the Partnership

General Partner
Sackville LCW (GP) Limited
Cannon Place
78 Cannon Street
London
EC4N 6AG

Developer
Stanhope Plc
2nd Floor
100 New Oxford Street
London
WC1A 1HB

Carbon Adviser
Carbon Trust Advisory Ltd
Dorset House
27-45 Stamford Street
London
SE1 9NT

Independent Auditors
PricewaterhouseCoopers LLP
7 More London
Riverside
London
SE1 2RT

Managing Agents
Savills
7-10 Chandos Street
Cavendish Square
London
W1G 9EH

Banker
Lloyds Bank Plc
City Office
Gillingham, Kent
ME8 0LS

Manager (Regulated by the FCA)
Threadneedle Portfolio Services Limited
Cannon Place
78 Cannon Street
London
EC4N 6AG

Standing Independent Valuers
Jones Lang LaSalle
22 Hanover Square
London
W1S 1JA

Legal Advisers
Hogan Lovells International LLP
Atlantic House
50 Holborn Viaduct
London
EC1A 2FG

Management and Administration of the Trust

Manager
(regulated by the Jersey Financial Services Commission)
Threadneedle Investments (Channel Islands) Limited
IFC 1
The Esplanade
St Helier
Jersey
JE1 4BP

Board of the Manager
Chairman

R Prosser	BSc FCA
K Mundy	ACIS
P Le Marquand	BSc (Hons) MRICS

Trustee
(regulated by the Jersey Financial Services Commission)
BNP Paribas Depositary Services Limited
IFC 1
The Esplanade
St Helier
Jersey
JE1 4BP

Administrator/Registrars
(regulated by the Jersey Financial Services Commission)
BNP Paribas Securities Services S.C.A., Jersey Branch
IFC 1
The Esplanade
St Helier
Jersey
JE1 4BP

Jersey Legal Advisers
Mourant
22 Grenville Street
St Helier
Jersey
JE4 8PX

UK Legal Advisers
Hogan Lovells International LLP
Atlantic House
50 Holborn Viaduct
London
EC1A 2FG

Independent Auditors
PricewaterhouseCoopers LLP
7 More London
Riverside
London
SE1 2RT

Bankers (Capital)
(regulated by the Jersey Financial Services Commission)
BNP Paribas Securities Services S.C.A., Jersey Branch
IFC 1
The Esplanade
St Helier
Jersey
JE1 4BP

Bankers (Income)
Lloyds Bank Plc
City Office
Gillingham
Kent
ME8 0LS

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