Threadneedle Pensions Limited, Property Fund

Quarterly Report as at 31 March 2021

Confidential

Contents

Mandate Summary

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Fund Information

■ Total Assets	GBP 1,983 million
■ Benchmark	MSCI/AREF UK All Balanced Property Funds
■ Base currency	GBP
■ Reporting currency	GBP
■ Quoted price* (Currently Bid)	6.1593
■ NAV	6.2338

- UK pooled pension property fund
- Accumulation Units
- Prices and deals every UK business day

Mandate

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

Source: Columbia Threadneedle Investments
*Semi-swinging single price.
Quoted price and NAV are based on share class C (AMC of 0.75%) as at 31 March 2021

Portfolio Highlights

NAV £1.93 billion

268 properties

Average lot size
£6.7 million

1,306 tenancies

Gross rent roll
£116.2 million p.a.

WAULT 4.9 years
(to lease expiry)

Cash 8.3%

Vacancy rate
10.2%

GRESB Rating
71/100

%NIY

Net Initial Yield
5.8%

%EY

Equivalent Yield
7.3%

Total return 1.6%
(12 months net Nav to Nav)

Source: Columbia Threadneedle Investments, 31 March 2021

Market Context

Market Commentary

Macroeconomy

The Covid-19 pandemic continues to impact on society and the wider global economy, as the UK entered its third national lockdown for the full duration of the quarter.

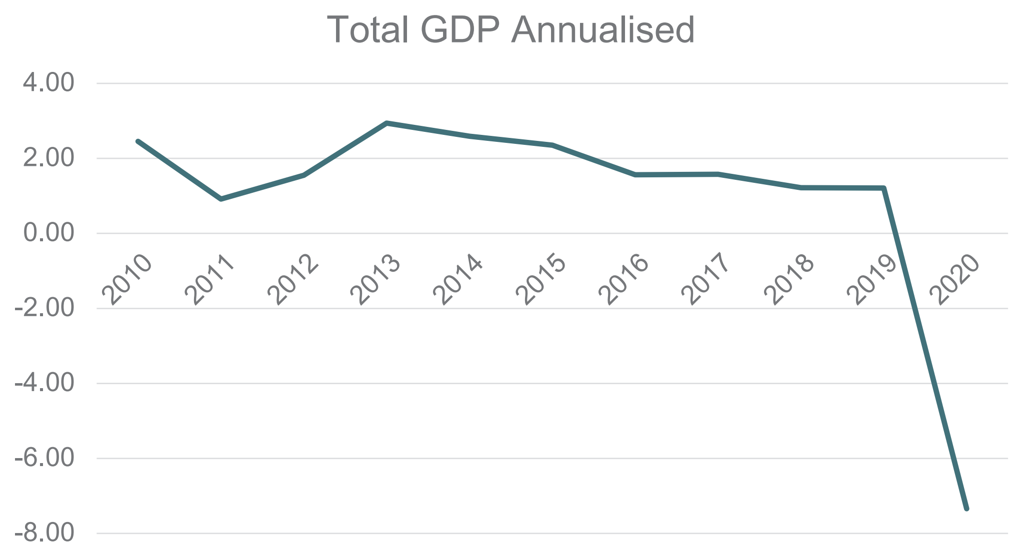
UK unemployment remains low at 5.0%, with the Job Retention Scheme continuing to support employees; however, the Office for Budget Responsibility has forecast an increase to 6.5% at the year end.

Sentiment favouring a return to socio-economic normality has been boosted by the pace of the UK's vaccine rollout, alongside the Government roadmap for the easing of lockdown restrictions. Latest GDP figures give an early indication of a positive economic outlook for 2021: although GDP declined 3.0% m/m in January, this is better than consensus expectations of a 4.9% fall and outperforms the 18.3% m/m contraction recorded during the first lockdown in April 2020. Forecasters seem increasingly hopeful GDP will regain its pre-pandemic level by early 2022, with the reopening of the economy well underway, supported by Government target to vaccinate all adults by the end of July.

Investment volumes

Total UK investment volumes stood at £7.5bn for Q1 2021, significantly below the five-yearly quarterly average of £14.2bn, ultimately a reflection of the impact of the third lockdown on investment activity. That being said, the total volume represents an improvement on the £5.0bn transacted during the first national lockdown, and investor sentiment / confidence remains robust.

10-year UK GDP (Annualised)



Source: Columbia Threadneedle Investments and MSCI UK Monthly Index, as at 31 March 2021

Market Commentary (continued)

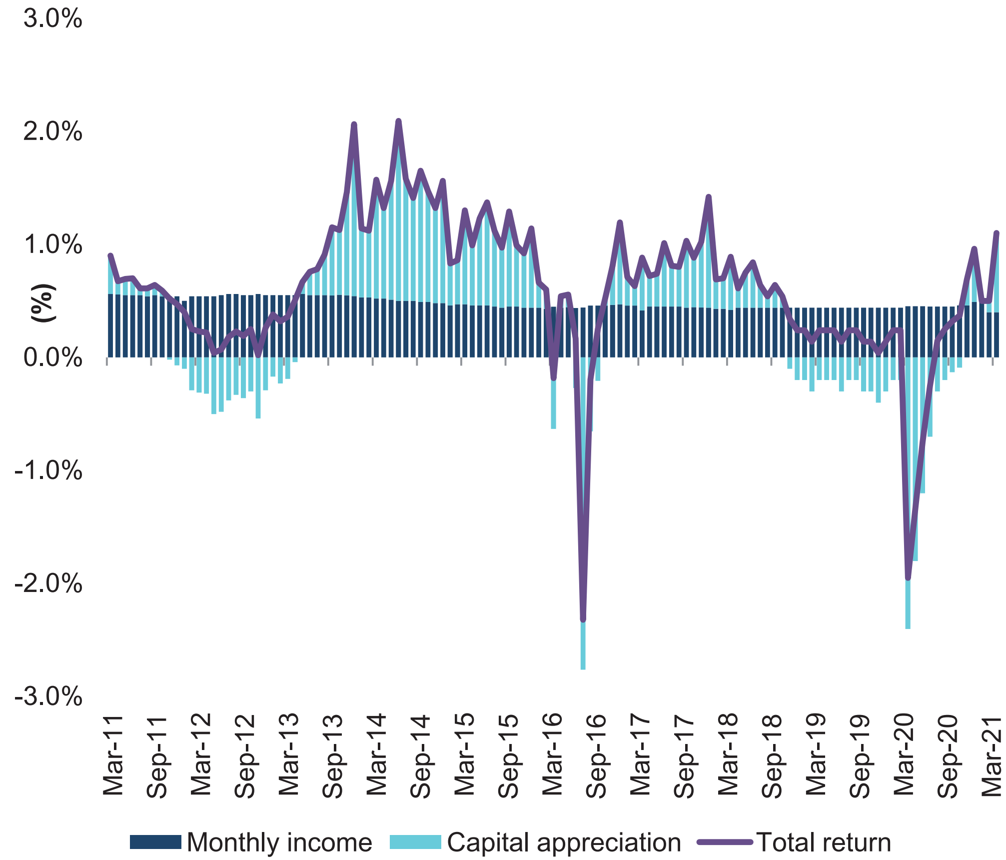
Returns

Total returns for UK commercial property remain positive, driven by a recovery in All Property capital values, reflecting the increased investor confidence. The UK property market (represented by the MSCI UK Monthly Property Index) generated a positive total return of 2.2% for Q1, comprising income return of 1.4% and capital growth at 0.8%. The performance is largely driven by continued capital value growth in the industrial and logistics sector as a result of the on-going the global shift towards e-commerce and the impact on supply chains.

Across sectors, valuation movements broadly reflected the perceived impact and resilience to the pandemic and the resultant acceleration of pre-existing trends. The industrial sector recorded capital value growth of 4.0% for Q1, while offices and retail recorded capital value declines of -1.1% and -1.2% respectively. Whilst the acceleration of industrial capital growth is broadly expected, a salient point to note is the return to positive capital value growth in the retail warehousing sector of +0.4%, up from -0.6% the previous quarter, an indication of the rising popularity with investors who are increasingly viewing the sector as a segment of retail that is more defensive against e-commerce and better protected from the negative impacts of the pandemic.

Capital value declines in the office sector reflect prevailing uncertainty in the occupational markets, as investors wait to see how the economy and its office workers emerge from lockdown prior to making investment decisions, with pricing cooling as a consequence of diminished investor appetite.

10-year UK Commercial property total returns (Monthly)



Source: Columbia Threadneedle Investments and MSCI UK Monthly Index, as at 31 March 2021

Market Context

Market Commentary (continued)

Occupational trends

Occupier activity across sectors remains subdued in light of the practical challenges of undertaking property inspections during lockdown and corporates delaying decision making until further clarify on the route out of restrictions is evident. In line with capital value trends, positive rental value growth was seen in the logistics sector (+1.0%) and more marginally in the office sector (+0.1%) offset by a decline in retail sector (-1.1%).

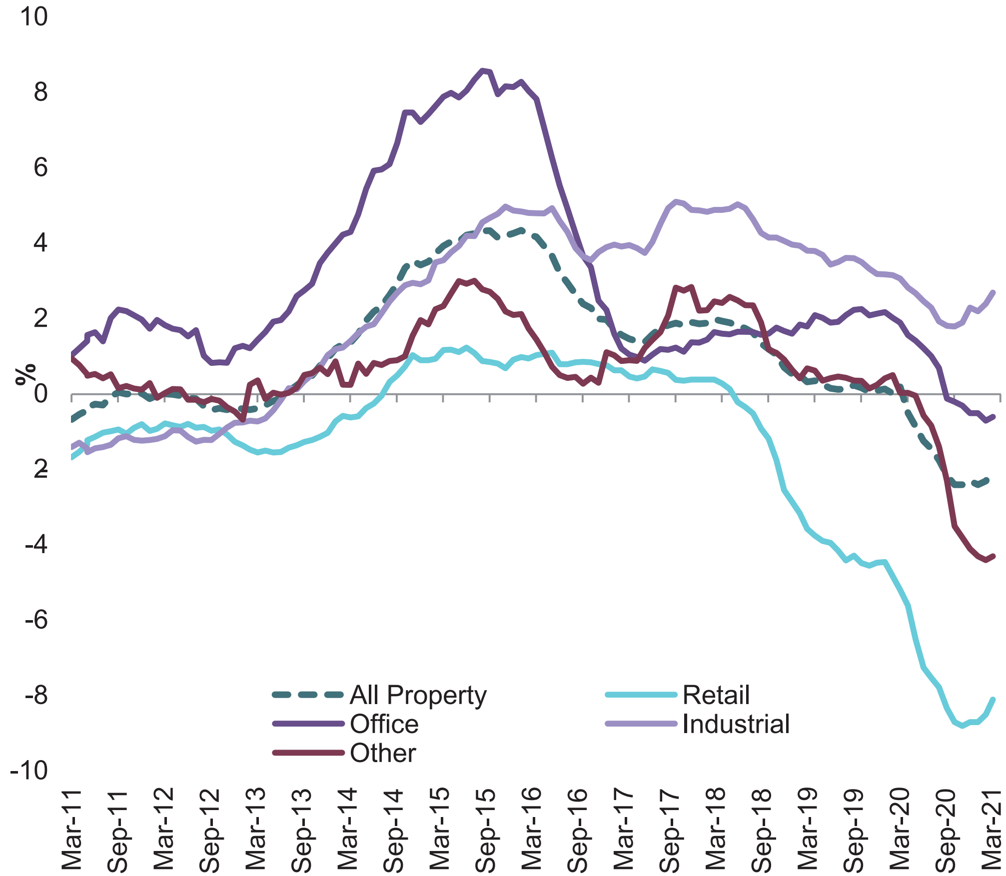
The outlook for office activity in Q2 is positive with preliminary data and evidence from Q1 suggesting that the pause in decision making is showing signs of ending as the general improvement in the economic outlook continues. For example, London office take-up in Q1 2021 topped 1.6 million sq ft, the highest total since Q1 2020.

Outlook

The 'All Property' Net Initial Yield at the end of March 2021 compressed to 4.9% from 5.0% at the previous quarter, reflecting the strong capital value growth in the industrial sector. With the Base Rate (0.1%) and 'risk free' rate of 10-year Gilts (0.7%) at historically low levels, commercial property continues to assert its highly attractive relative income attributes.

As business confidence strengthens and the economic recovery continues, we remain confident in the long-term performance of UK property, underpinned by a strategy of quality stock picking providing high relative income yields, significant levels of portfolio diversification and the potential to add value through pro-active asset management.

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



Source: Columbia Threadneedle Investments and MSCI UK Monthly Index, as at 31 March 2021

Fund Overview – Q1 2021

Material Changes

- There are no material changes relating to arrangements for managing the liquidity of the Fund.

Liquidity Management

- The value of the fund's portfolio as at 31 March 2021 was £1.983bn, with an uninvested cash balance of £163.9m, reflecting 8.3% of funds under management (FUM). Q1 2021 liquidity is above average liquidity levels. However, this defensive position is considered prudent given the unprecedented macroeconomic uncertainties that continue to face all UK investment markets, principally due to the seismic effects of the Covid-19 global pandemic.

Source: Columbia Threadneedle Investments as at 31 March 2021.

Investment Activity

- During Q1 2021, the fund made one strategic acquisition and no disposals.
- The fund acquired a modern, 2018 constructed, multi-let industrial/trade park located in a prominent position fronting a dominant A-road in Andover. The asset comprises two inward-facing terraces totalling 37,700 sq ft of accommodation across 8 units. It is let to 7 occupiers with a weighted average unexpired lease term to break of 6.6 years, and 76% of the income is from letting to large, national trade counter operators (minimum risk). The asset was acquired on an 'off market' basis for £6.0m, reflecting c. 5.4% NIY (6.0% reversionary yield) and a low capital value of £159 per sq ft. The acquisition strategically increases the fund's exposure to the South East industrial occupational market, which is characterised by high demand and low supply.

Source: Columbia Threadneedle Investments as at 31 March 2021.

Asset Management Overview

- Extracting latent value through proactive asset management initiatives remains a critical focus for the fund's management team. A total of 169 new lettings/lease renewals were successfully completed in the 12 months to the end of March 2021, with a combined rental value of c. £13.2m pa. Importantly, the fund continues to maintain high levels of tenant retention at 'tenant break option', with just 25 out of 167 options exercised (c. 85% retention rate). As a direct result of new letting activity (expiry of rent-free periods) and fixed rental value increases, the fund's property portfolio rent roll is set to increase by a further c. £7.3m pa over the next 12 months.

Source: Columbia Threadneedle Investments as at 31 March 2021.

- Asset Management Highlights for Q1 2021 included:
  - Across the fund's multi-let industrial estate in Deeside, 3 new lettings were concluded on a total of 47,550 sq ft, resulting in an additional £250,000 pa of rent and an occupational rate of c. 98% across the estate, significantly ahead of the c. 50% occupancy rate at acquisition in 2018.
  - At a multi-let office park in Leatherhead, renewal was secured to a strong covenant on part of their accommodation, retaining the occupier for a further term certain of 5 years on 14,300 sq ft at £25.00 psf and leasing a further 5,000 sq ft for 5 years at a stepped rent to £26.50 psf.
  - Renewal on a 3,200 sq ft industrial unit to a solid covenant in Coulsdon, retaining the occupier for a further term certain of 5 years at an agreed rent of £16.00 psf, c. 33% ahead of the independent valuers' estimated rental value (ERV).
  - Successfully obtaining planning consent in Huddersfield to convert vacant upper floor offices totalling 18,000 sq ft into student accommodation to provide 45 studio apartments plus an ancillary gym and café on the ground floor.
  - Renewal completed to secure covenant on 15,850 sq ft industrial unit in Warrington on a new 5-year lease with tenant break option in Year 3 on a stepped rent rising to £6.75 psf ahead of the independent valuer's ERV of £6.30 psf.
  - Settled an outstanding rent review on a 175,000 sq ft industrial/distribution unit in Winsford at £5.25 psf, c. 10% ahead of the ERV of £4.75 psf and resulting in c. £127,700 of additional annual rent for the fund.
  - Letting on a 16,800 sq ft self-contained office building in Watford with a guarantee from a government backed covenant on a 5-year lease with break option at Year 3 at a rent of £32.50 psf, c. 7% ahead of the independent valuer's ERV.

Source: Columbia Threadneedle Property Investments as at 31 March 2021.

Fund Overview – Q1 2021

Covid-19 – Rent Collection Strategy

- The outbreak of the Covid-19 pandemic is having a materially negative impact on the revenue of many UK businesses, and short-term cash flow issues have the very real potential of driving some businesses into insolvency. A number of companies are seeking to reduce their cost base as a result, including rent.
- As Responsible Investors in Real Estate, CTI have taken the opportunity to proactively engage with tenants in order to ensure the best outcome for all parties, in difficult circumstances. The UK government introduced a moratorium on the landlord's ability to evict tenants for the non-payment of rent in April 2020. This legislation has subsequently been extended to 30 June 2021.
- Given the strategically diverse nature of the fund's occupier base (1,306 tenancies), the manager has not adopted a uniform approach and is proactively managing the tenant base in order to achieve the best result for both underlying investor and occupier alike.
- The CTI approach to rent collection across the funds is designed to be fair and reasonable. Where a tenant has requested a rent concession, this is assessed on a case-by-case basis and an appropriate response is provided, following approval by the property manager, oversight manager and asset manager. The final recommendation for any concession needs to be signed off by the appropriate fund manager prior to implementation.

Rent Collection Statistics

	Rent Demanded per Quarter £	Day 0	Day 7	Day 14	Day 21	Day 28	Last Day of Quarter
December 2019	£32,229,727	79%	85%	95%	97%	98%	99%
March 2020	£30,108,846	54%	60%	64%	65%	67%	88%
June 2020	£30,817,067	39%	50%	58%	63%	67%	82%
September 2020	£30,166,273	50%	61%	68%	74%	78%	88%
December 2020	£29,312,897	58%	62%	67%	71%	74%	87%
March 2021	£29,515,907	53%	70%	74%	78%	81%	TBC

Source: Columbia Threadneedle Property Investments as at April 2021.

Fund Overview – Q1 2021

Fund Sector Exposure Q1 2021

- The fund is structured to provide highly diversified and defensive total returns, with a focus on high relative income yield and proactive asset management. The portfolio is strategically positioned relative to Columbia Threadneedle's analysis of prevailing market conditions at both property and sub-sector level. Relative to the MSCI/AREF UK Quarterly 'All Balanced' Property Fund index weighted average (inclusive of cash holdings), the fund has the following strategic sub-sector key themes:
  - Overweight industrial, with 38.3% of portfolio exposure versus 34.5% for the benchmark in this key growth sector. Note – excluding the cash weighting, the fund has c. 47% of exposure to industrial at direct portfolio level, with a focus on smaller 'last mile' distribution assets situated in strategic urban logistics locations. The fund's investment team will continue to strategically increase exposure to the industrial market when markets revert to normality.
  - Overweight office (31.5% versus 27.9%), with the fund's exposure strategically weighted to the most dynamic Central London (15.0% versus 12.1%) and South East (12.0% versus 10.2%) occupational markets.
  - Underweight retail warehousing (9.2% versus 10.5%). This has been a long-term underweight position, as sector pricing has historically been driven by investors paying a premium for lease length and quantum (large lot sizes) at the expense of property fundamentals. Giving consideration to the continued CVA (company voluntary agreement) threat, magnified by the effects of Covid-19, facing tenants in this sector, and accelerated capital value decline witnessed in 2020, the fund's investment team considers that the sub-sector for strong tenant trading, convenience-led schemes at mid-teen rental levels now offers an attractive, sustainable income yield advantage to the market. Subject to robust stock selection, the fund manager considers the market dynamics favourable for increasing exposure to the sub-sector in 2021.
  - Underweight in-town retail (7.3% versus 8.8%). Excluding Greater London, the fund has just £50m (c. 3% of direct portfolio) of regional retail exposure, with a highly liquid average lot size of c. £2m (ensuring maximum diversity at both property and tenant level).

Source: Columbia Threadneedle Property Investments and MSCI/AREF UK Quarterly 'All Balanced' Property Fund index as at 31 March 2021.

Fund Performance – MSCI/AREF UK Quarterly 'All Balanced' Property Fund index – Q1 2021

MSCI/AREF UK Quarterly 'All Balanced' Property Fund index weighted average return statistics are measured at fund level (NAV to NAV, net of fees) and take into account cash holdings.

- In Q1 2021, the fund generated a total return of +2.2%, in line with the MSCI/AREF UK Quarterly 'All Balanced' Property Fund index (the benchmark) weighted average total return of +2.2%.
- For the year ending 31 March 2021, the fund generated a total return of +1.6%, underperforming benchmark return of +2.5%.
- Over the medium to long term, the fund has delivered annualised total returns against the benchmark of +1.9% versus +2.4% over three years, +3.8% versus +4.1% over five years and +6.5% versus +6.4% over 10 years.
- Over 15 years, the fund has outperformed, returning +4.3% versus the benchmark return of +3.6%.

With reference to performance attribution, the following factors should be considered:

- With c. £1.983bn of AUM, the fund is the sixth-largest fund in the MSCI/AREF UK Quarterly 'All Balanced' Property Fund index (the benchmark). The fund's size and significant diversification offer the investor base a sustainable, defensive, income focused total return. However, performance has the potential to fractionally lag that of smaller, less diversified, more nimble funds in periods of low total return.
- As an open-ended, daily dealt unit linked fund, the manager considers it prudent to adopt a cautious approach to liquidity management, especially in periods of sustained macroeconomic volatility. Since the announcement in February 2016 that the UK was to hold a referendum on EU membership, up to the present day's unquantifiable impact of the Covid-19 global pandemic, the economic backdrop has shown prolonged, unprecedented volatility. During this time, the fund has therefore maintained a defensively high relative cash position, albeit operating within the fund's long-term liquidity targets. The defensive liquidity position adopted over the last 3-5 years has served to moderately dilute the fund's relative returns.

Fund Overview – Q1 2021

- From a real estate perspective, as can be expected in a sustained 'risk off' investment climate, well-let, prime assets have delivered relative outperformance over the period from 2016 to 2020. Consistent with its long-term investment strategy, the fund is not overweight in this type of asset. However, over the medium to longer term where income forms the core component of total return, supported by proactive asset management led capital value gain, funds such as this should be well positioned to deliver relative outperformance.
- Further to the above, the relative underperformance of this fund in 2020 can be attributed to its underweight position in South East industrials (which includes Greater London) versus the benchmark (13.5% versus 22.7%). Over the 12 months to 31 March 2021, the South East industrial market recorded significant outperformance, recording capital growth of 11.0% versus 5.7% for the rest of the UK industrial market. The five largest funds within the index comprise c. 46% of the total benchmark (c. £13.87bn versus c. £30.0bn). All of these have major (>£50m) South East and Greater London industrial holdings, with a combined average weighting of c. 23.6%, ahead of the index figure of 22.7%. Q4 2020/Q1 2021 saw Greater London industrial transactions at record low yields of c. 2.5%, as investors underwrote the potential for future rental growth of c. 10% per annum over the next five years, despite the current recession and any lasting detrimental business impacts of Covid-19. The achieved record low yields on London industrial pricing has resulted in a disproportionate capital return for the South East industrial market. Over the last decade, the South East industrial sector has generated a low yielding income return compared to that of the rest of the UK industrial market. Given Columbia Threadneedle Investment's philosophy and investment approach of a high income yield contributing the greatest constituent of total returns, the fund has invested in industrial assets that have robust property fundamentals and offer an income yield advantage relative to the market; this strategy has been proven to outperform in the long term.
- Over the last 3-5 years, the fund's investment team has been strategically repositioning portfolio sub-sector weightings in order to ensure that the fund is well positioned to capitalise on market conditions over the next 3-5 years. Indeed, from a direct real estate perspective, the fund now has a c. 72% weighting to Greater London (All Sectors) and industrial markets, and has a structurally underweight position in the retail sector. This strategic repositioning is expected to set a solid foundation for the delivery of the fund's relative outperformance over the medium to long term.

Note that on a long-term basis, the fund has delivered material relative outperformance versus the more directly comparable range of UK property funds in the MSCI/AREF UK Quarterly 'Managed' Property Fund index peer group (£8.34bn index comprising five open-ended, daily dealt pension funds). The fund has generated returns of +1.6% versus +2.5% over 1 year, +1.9% versus +1.5% over 3 years, +3.8% versus +3.1% over 5 years, +6.5% versus +5.8% over 10 years and +4.3% versus +3.6% over 15 years.

Source: Columbia Threadneedle Property Investments & MSCI/AREF UK Quarterly 'All Balanced' and 'Managed' Property Fund indices as at 31 March 2021.

Fund Overview – Q1 2021

Asset Contributions

Top 3 Asset Contributions (12 months weighted)	Sector	Commentary
Boreham Airfield, Chelmsford	Miscellaneous	Capital value gain associated with the 635-acre former airfield/quarry site obtaining a change of use designation in the local plan to 'residential'. In addition, proactively agreeing a lease extension with a key occupier paying c. £2.1m pa served to enhance value.
Spade Lane, Sittingbourne	Industrial / Warehouse	c.150,000 sq ft South East distribution warehouse. South East industrial has seen significant capital value gain and income growth, outperforming the retail and office sub-sectors which have been adversely impacted by Covid-19.
Deeside Industrial Estate, Deeside	Industrial / Warehouse	North West c.885,000 sq ft multi-let industrial estate, which has witnessed significant rental and capital value gains through proactive asset management driving the rental tone across the estate from c. £5.25 psf to c. £6.50 psf.

Bottom 3 Asset Contributions (12 months weighted)	Sector	Commentary
Mercury Park, High Wycombe	Out of Town Offices	Asset repositioning in progress to refurbish vacant accommodation and improve amenity at the Park through developing communal space and a café. On-site amenity/café PC'd in Q4 2020.
Feethams, Darlington	Leisure Scheme	Anchored by a c.26,000 sq ft Vue Cinema and an 80-bed Premier Inn with numerous restaurant units. The leisure sector has witnessed significant capital and income decline due to Covid-19, with occupiers facing significant financial pressure due to a prolonged Lockdown period.
The Heals Building, London W1	Central London Offices / Retail	A prime 185,000 sq ft mixed use retail/ office building, which is forecast to significantly benefit from the enhanced connectivity and vibrance generated when the key Crossrail node at Tottenham Court Road station opens.

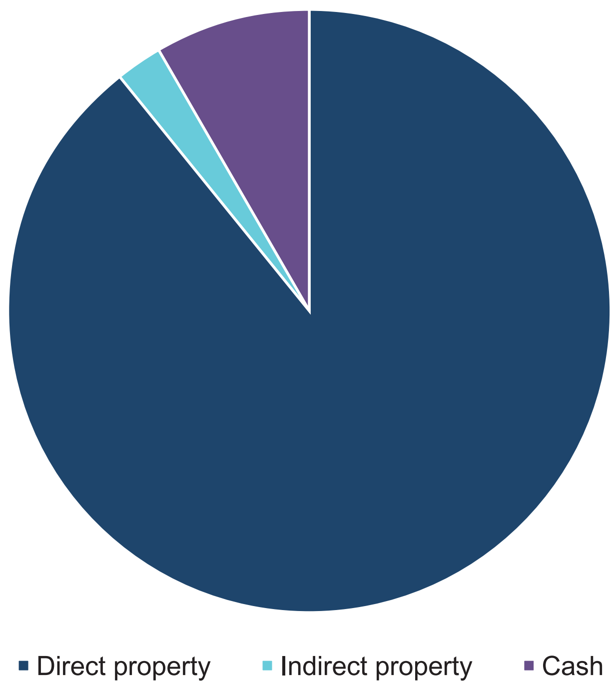
Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index 'Unfrozen', as at 31 March 2021.

Portfolio Characteristics

Net Fund Value	£1,983 million
Asset exposure	Property, Cash, Indirect
Cash	8.3%
Indirect	2.3%
Number of properties excl indirect	268
Average lot size	£6.7 million
Total gross passing rent	£116.2 million p.a.
Number of tenancies	1,653
Key tenants	Top 10 tenants form 19.3% of total rent roll.

	TPEN	MSCI Monthly Index
Net Initial yield	5.8*	4.7%
Equivalent yield	7.3%	6.1%
Average term to break	4.9 years	6.5 years
Vacancy rate	10.2**	9.8%

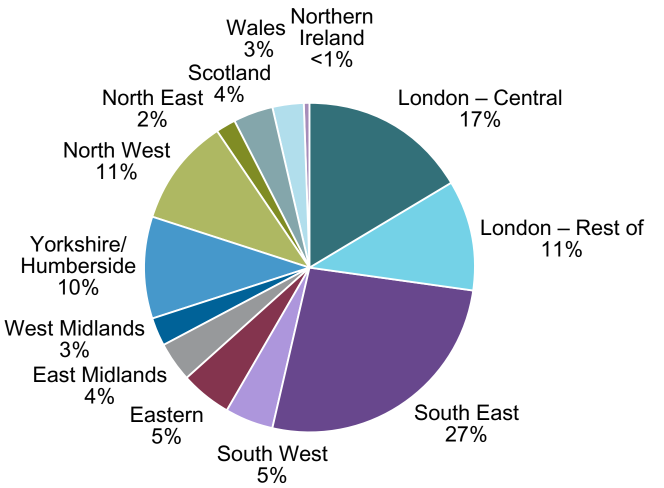
Fund composition



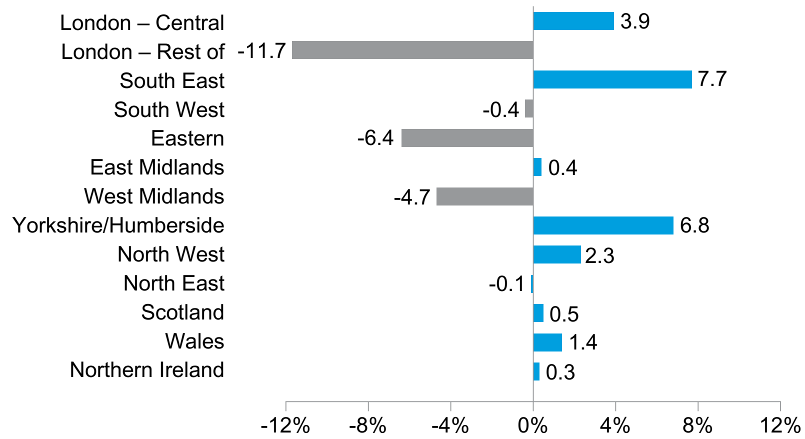
Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 31 March 2021
*Source: CBRE independent valuation as at 31 March 2021
**Source: MSCI UK Monthly Property Index as at 31 March 2021

Portfolio Sector and Geographical Positioning

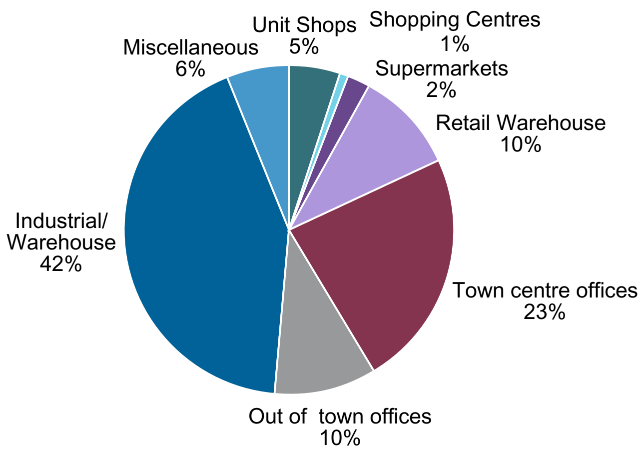
Portfolio weighting – geographical split



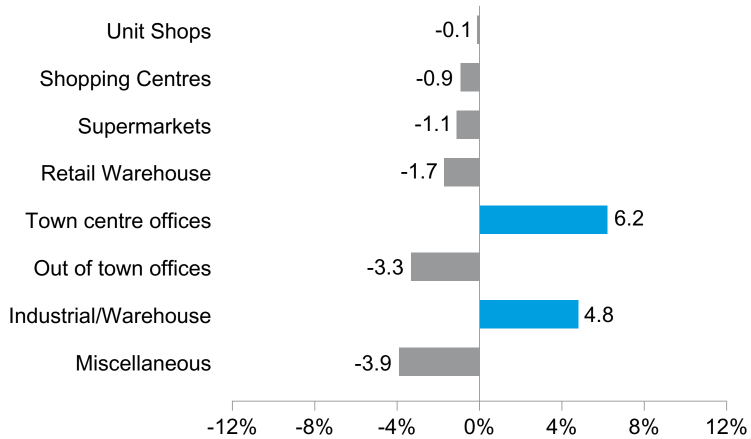
Relative portfolio weighting (%) versus MSCI Monthly Index



Property weighting – sector distribution



Relative portfolio weighting (%) versus MSCI Monthly Index

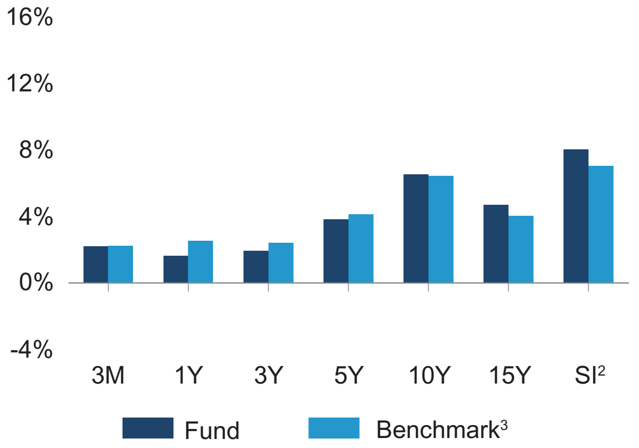


Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 31 March 2021
*Source: Retail (Unit Shops) overweight skewed by significant London retail/office holdings (including Heals Building & South Molton Street).

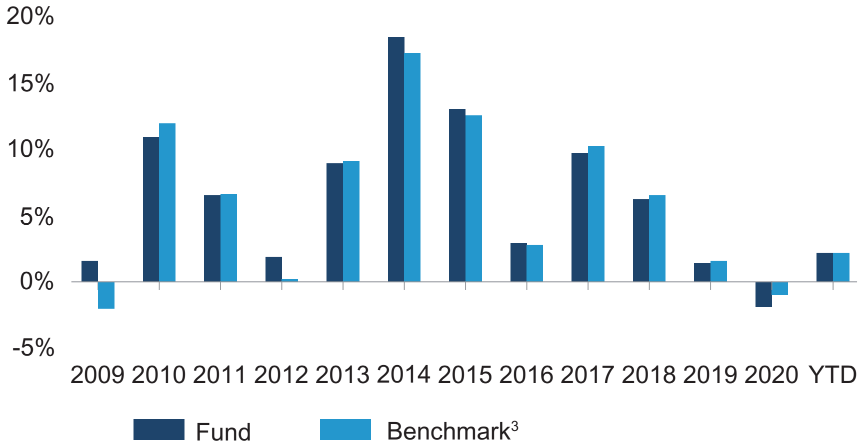
Performance

Long Term Performance

Discrete periods[1]



Calendar Years



Fund Performance **Annualised Performance**

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	2.2	2.2	1.6	1.9	3.8	6.5	4.3	8.0
Benchmark**	2.2	2.2	2.5	2.4	4.1	6.4	3.6	7.1
Relative (Arithmetic)	0.0	0.0	-0.9	-0.5	-0.3	0.1	0.6	0.9

Source: AREF/IPD
* Since Inception – March 1995
** MSCI/AREF UK All Balanced Property Funds Weighted Average. Based on NAV to NAV (net of fees) from 1/01/2014. Historical returns are for information purposes only.

Notes: 1. Periods > one year are annualised.
2. SI = Since Inception.
3. Benchmark is MSCI/AREF UK All Balanced Property Funds Weighted Average. Based on NAV to NAV (net of fees). Historical returns are for information purposes only.
Columbia Threadneedle Investments was appointed investment advisor to the Trust in November 1998.

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

Top 10 Holdings and Tenants

Property

Location	Name	Sector	Lot size (£m)
London W1	The Heals Building	Town Centre Offices	50-100
Chelmsford	Boreham Airfield	Miscellaneous	50-100
Deeside	Deeside Industrial Park	Industrial / Warehouse	25-50
London EC1	Banner Street	Town Centre Offices	25-50
Watford	Penfold Works	Industrial / Warehouse	25-50
London EC1	29-35 Farringdon Road	Town Centre Offices	25-50
Sittingbourne	Spade Lane D/Cen	Industrial / Warehouse	25-50
Bristol	Next Distribution Warehouse	Industrial / Warehouse	25-50
Wimbledon	Wellington	Out of Town Office	25-50
South Ockendon	Arisdale Avenue	Industrial / Warehouse	10-25

Tenant

	% of rents passing
Next PLC	2.8
Liberty global (Virgin Media)	2.8
XPO Logistics	2.4
Heidelberg Cement AG	2.1
Magnet Limited (NOBIA AB)	1.9
Travis Perkins PLC	1.7
John Lewis PLC	1.5
Co-operative Group Ltd	1.4
J Sainsbury PLC	1.4
Wittington Investments Limited	1.3

Source: Columbia Threadneedle Investments as at 31 March 2021

Investment Activity – Key Purchases and Sales Over Q1 2021

Property	Quarter	Sector	Price (£m)	Net Initial Yield
Purchases				
Glenmore Trade Park, Andover	Q1 2021	Industrial / Warehouse	5-10	4.7
Sales				
None				

Source: Columbia Threadneedle Investments as at 31 March 2021

Responsible Investment

ESG principles embedded throughout portfolio activities

1. Property investment (asset acquisition)

CTI undertake forensic due diligence and survey all properties considered for acquisition. Consideration is given to factors including energy performance / MEES, environmental risks and impact / flood risk, and areas for potential improvement in terms of sustainability performance.

2. Strategic asset management

CTI develop and implement building-specific asset strategies, identifying opportunities to add value. These strategies promote environmental, energy and water efficiency, waste management and sustainability best practices, acknowledging asset value can be enhanced by minimising environmental externalities.

3. Refurbishment & building improvement

Refurbishments offer the greatest potential to improve the impact of our buildings on society and the environment. CTI's Refurbishment Guide promotes high standards and construction projects incorporate a set of minimum requirements relating to build quality, health and well-being, energy efficiency, water, transport, materials, waste management & pollution.

4. Property management

CTI continually monitor and seek to improve the day-to-day impact of our assets on the environment. CTI's Oversight Managers collaborate with third party managing agents to deliver objectives against clearly defined targets relating to energy use, waste, water and GHG emissions.

5. Risk & governance

CTI's integrated Property Governance team provide 'first line' risk and governance oversight to our property professionals. The team provides a liaison function with Group Investment and Operations Risk and Compliance ('second line' functions), and with Audit ('third line') as required.

Responsible Investment

Portfolio highlights

Global Real Estate Sustainability Benchmark

- Fifth year of the Fund's submission to GRESB
- Scored 71 out of 100 (Peer Average = 65)
- Ranked 19th within its peer group of 84 funds
- Benchmark re-weighted for 2020 submission – TPEN score reduced marginally as a consequence (73/100 in 2019)
- Full analysis set out in Section 6

Energy consumption & GHG emissions

- Sustainability audits on top 20 energy consuming assets
- Absolute landlord procured total energy consumption decreased c.38% Jan20-Dec 20 compared to Jan19-Dec19, associated carbon emissions reduced by 44%
- L-f-L total energy (top 20 assets) reduced by 16% Jan20-Dec 20 compared to Jan19-Dec19 associated carbon emissions reduced by 21%
- Absolute electricity consumption (top 20 assets) reduced by 28% and gas consumption reduced by 13% 4Q20-on-4Q19 (Covid-impact)

Improving asset energy performance

- c.44.2 of the portfolio rated EPC A-C (April 2021)
- Building refurbishments undertaken in line with our Refurbishment Guide seeking to improve the energy efficiency of the Fund's assets
- 25 refurbishments completed in 2020, deploying capital totalling c.£17 million

Source: Columbia Threadneedle Investments, as at 31 March 2021 unless otherwise stated. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

Columbia Threadneedle Investments – UK Real Estate

Responsible investment update

ENVIRONMENTAL

- Net Zero pathway will be published 2021
- Quarterly and annual SECR reporting – shows continual improvement in energy and GHG emissions
- Sustainability audits completed for top 20 assets
- Monitor Flood Risk annually

SOCIAL

- Annual tenant engagement surveys
- Social Value Assessments
- Developing a Social Value Framework incorporating refurbishment and management (e.g. by utilising the Columbia Threadneedle Foundation)

GOVERNANCE

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

Source: Columbia Threadneedle Investments, as at 31 March 2021.

Responsible Investment: Implementation

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

Policy Statement SDG	Portfolio implementation	Verification
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE — **Build resilient infrastructure**	Improve build quality and reduce environmental impact by ensuring refurbishments are undertaken in accordance with Refurbishment Guide	Ensure buildings comply with MEES. Monitor number and impact of refurbishments via EPC ratings.
7 AFFORDABLE AND CLEAN ENERGY — **Energy**	Monitor energy consumption and target y-on-y reduction. Reduce gas consumption over time. Install smart meters on landlord controlled assets	SIERA database tracks energy (electricity and gas) consumption, and % smart meters on landlord-controlled assets.
13 CLIMATE ACTION — **Carbon & Climate**	Monitor GHG emissions and target y-on-y reduction. Monitor and report flood risk annually.	SIERA database tracks GHG emissions on landlord-controlled assets. Zurich provides flood risk data which is reviewed via Horizon
6 CLEAN WATER AND SANITATION; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION — **Water & Waste**	Monitor water & waste consumption and target y-on-year reduction and increase recycling rates. Install smart meters on landlord controlled assets	SIERA database monitors waste & water consumption and % smart meters on landlord-controlled assets.

Source: Columbia Threadneedle Investments, as at 31 March 2021.

Threadneedle Pensions Limited Pooled Property Fund

Responsible investment highlights

Energy performance potential
EPCs

- Portfolio coverage: 92.4%
- Rated E or above represent c.90.2% of the portfolio
- Rated C or above represent c.44.2% of the portfolio
- 25 works projects completed (past 12 months)

Note: As at 28 April 2021

Carbon and climate
GHG emissions / flood risk

- Total GHG portfolio coverage (% area): 56.84%
- L-f-L Greenhouse Gas Emissions -21.2%
- Flood risk portfolio coverage: 100%
- High / extreme risk: 9 assets / 3% value

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

Energy consumption

- Total Portfolio coverage (% area): : 56.84%
- L-f-L total energy consumption: -15.6%
- L-f-L electricity consumption: -17.0%
- L-f-L gas consumption: -13.2%

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

Water and waste

- Total Water portfolio coverage (% area): 24.36%
- L-f-L water consumption: N/A
- Total Waste portfolio coverage (% area): 27.65%
- L-f-L waste consumption: N/A

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

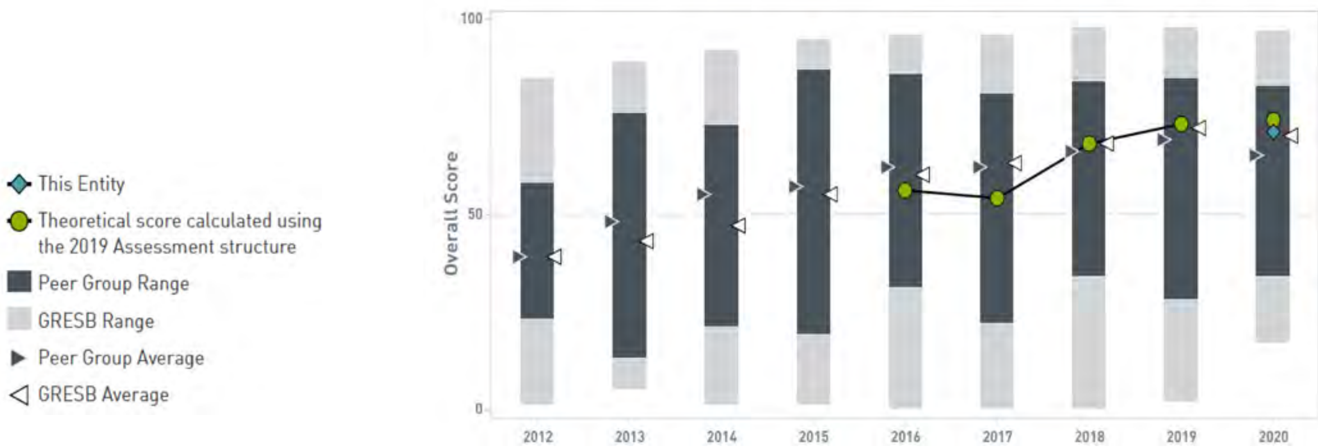
Source: Columbia Threadneedle Investments, as at 31 December 2021.

Threadneedle Pensions Limited Pooled Property Fund

Responsible investment GRESB – 3 stars

Global Real Estate Sustainability Benchmark

- 2020 is the fifth year of the Fund's submission to GRESB
- Three stars and a score of 71/100 (Peer average = 65)
- Ranked 19th within its peer group of 84 funds
- Benchmark reweighted for 2020: TPEN score reduced in consequence
- TPEN achieved higher scores than the peer group in; leadership, policies, reporting, stakeholder engagement, aspects of the Management component and in all but one of the Performance component aspects (risk assessments, targets, tenants & community, energy, GHG, water, waste, data monitoring & review).



Source: GRESB Benchmark Report 2020. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

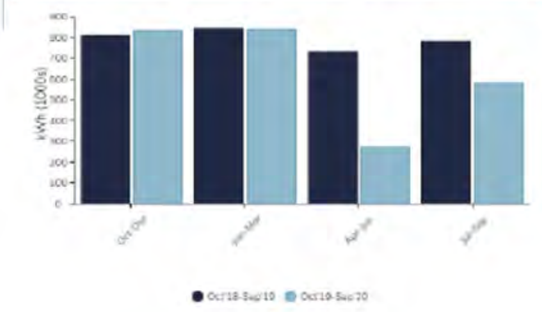
Threadneedle Pensions Limited Pooled Property Fund

EVORA example report – The Heal's Building

- On a quarterly basis EVORA produce a Energy Performance and Greenhouse Gas emissions report which identifies energy consumption at the "Top 20" energy consuming assets (multi-let only).
- The total energy consumption is compared over the last 12 months and on a year-on-year basis against the CTI annual target showcasing performance.
- A detailed Sustainability Audit is then produced identifying recommendations / works which are a combination of service charge, non-recoverable and capex items which will assist in reducing energy consumption and the likely cost.
- This audit is then presented to the asset manager and managing agents who review each recommendation and action where financially viable.

M8247 London W1, The Heals Building

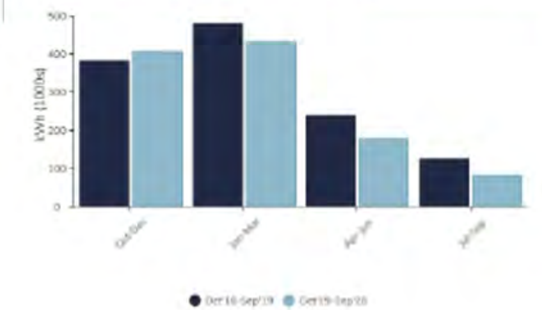
Electricity Chart Quarterly - Heals Building



Asset Target Table - Heals Building

Ending Sep '20	Annual Target	Year To Date	Last 3 months	Last 12 months
Energy	-2%	-40.44% 1,117,342 kWh	-26.59% 663,664 kWh	-17.36% 3,626,636 kWh
Electricity	-2%	-43.42% 856,235 kWh	-25.4% 581,776 kWh	-20.16% 2,526,189 kWh
Fuels & Thermals	-2%	-28.01% 261,107 kWh	-34.04% 81,888 kWh	-10.12% 1,100,448 kWh

Gas Chart Quarterly - Heals Building



Asset Commentary - Heals Building

Year/Qtr	Comment

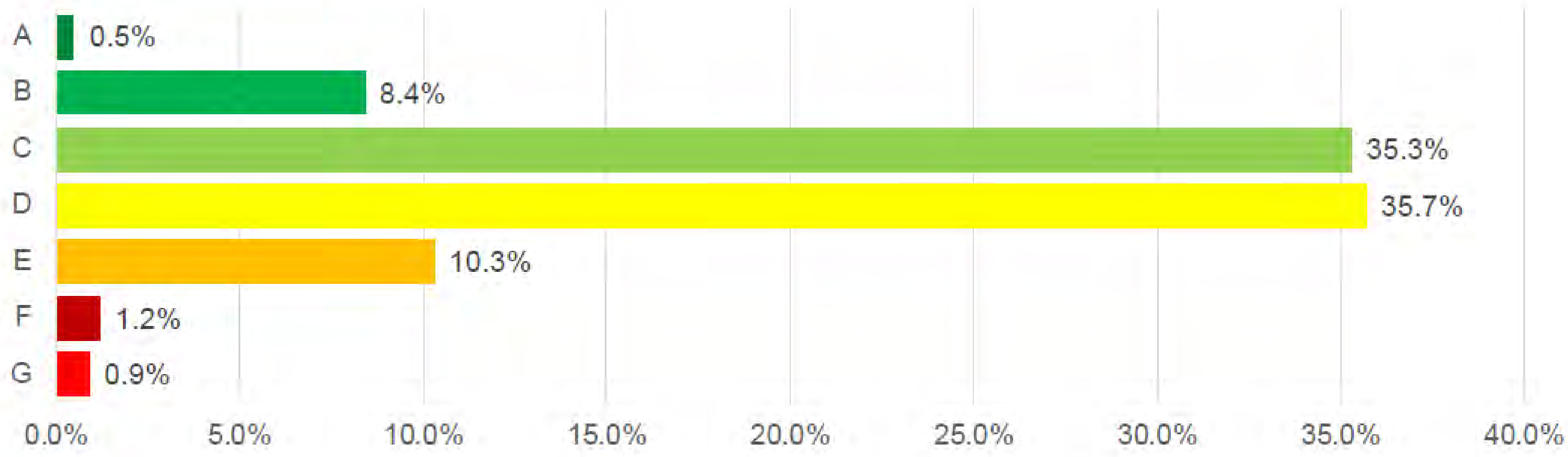
- *Reduced consumption due to measures put in place during the pandemic. BMS timings revised due to low occupancy rates*

Source: Columbia Threadneedle Investments, as at 31 December 2020.

Threadneedle Pensions Limited Pooled Property Fund

Energy Performance Certificates – portfolio overview

- The energy efficiency rating of a building is a measure of how efficiently energy has been used, the value is for comparative purposes and does not represent actual units. Buildings are graded from A (more energy efficient), to G (less energy efficient).
- The Minimum Energy Efficiency Standards places restrictions on properties which are considered 'sub-standard' i.e. below rating of E. For properties which have a rating of F or G (unless covered by an exemption) the landlord cannot:
  - grant a new tenancy (to include the renewal or extension of an existing tenancy) – this has been in force since 1st April 2018; or
  - allow an existing tenancy to continue after 31st March 2023.
- The graph below gives an overview of the EPC ratings for the property portfolio in TPEN, the majority of which are rated E or above (c.90.2% of the portfolio) and when considering those rated C or above represent c.44.2% of the portfolio.
- Those that are classified as not assessed within the portfolio comprise assets which are long let or where the EPC has expired but a tenant remains in occupation. The Fund procures a valid up to date EPC on properties when the unit becomes vacant, at lease renewal / extension or when the asset is to be sold in line with MEES requirements.



Source: Columbia Threadneedle Investments, 28 April 2021.

ESG framework

TPEN case study – environmental

Mill Road, Rugby

- This 173,639 sq ft industrial/warehouse in Rugby was acquired by the Fund in June 2016 and was originally let to a tenant for mainly packaging and redistribution.
- Following the tenant departure last year, the Fund undertook a comprehensive refurbishment of the premises in order to re-market at enhanced rent.
- Substantially improved the energy performance of the asset from and EPC rating of D to B.
- New specification included:
  - Replacement of old sodium lighting to new LED lighting with perimeter daylight dimming fittings
  - Removal of wet heating system and replacement with heating/cooling VRF systems with heat recovery .
  - New double glazed window to main office section.
  - Electric panel heaters where required.
  - Water heating by localised water boilers rather than central boiler.
  - Installation of shower facilities for enhanced staff amenity
  - Installation of x4 electric vehicle charging points.
- Extensive refurbishment completed January 2021.

ESG framework

TPEN case study – social

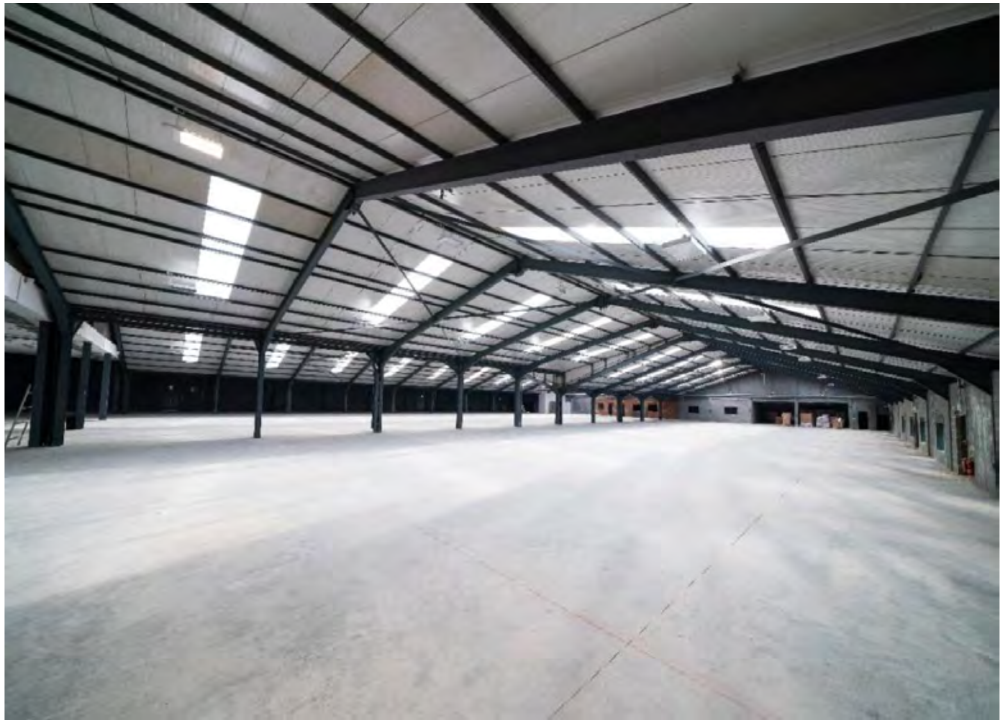
Wellington, Wimbledon Hill Road, Wimbledon SW19

- Consultation with the local community during the pre-application process raised concerns over the ground floor use due to the school opposite the premises, which resulted in a voluntary exclusion of fast food users from the scheme.
- As part of the planning application the Fund offered to incorporate a public amenity square at the corner of the site.
- The team held regular meetings with local community groups to listen and react to concerns, and organised site visits for pupils of the neighbouring school, teaching the students about property development in complex urban environments.
- Working with Community and Planning departments, the original designs were amended to remove the proposed fifth floor and reduce the number of car parking spaces from 24 to eight, reducing car usage and associated carbon emissions in Wimbledon town centre.
- The scheme has been rated BREEAM ‘Very Good’ and delivered a significantly improved EPC rating of B (from a previous rating of E) demonstrating improvements in energy and water use, health and wellbeing, pollution, transport, materials, waste, ecology and management processes.
- Refurbishment/extension completed June 2019.

ESG framework
TPEN case study – environmental

3 Spilsby Road, Harold Wood Industrial Estate, Romford

- The 57,700 sq ft industrial/warehouse in Romford was acquired by the Fund in September 2017, let on a short-term basis to a tenant which used the building for heavy a manufacturing use.
- Following the tenants departure the Fund undertook a comprehensive refurbishment of the unit and returned the premises into a lettable state.
- Substantially improved the energy performance of the asset in the process enhancing EPC rating from an E104 to B33.
- New specification included:
  - New LED lighting with perimeter daylight dimming fittings
  - Removal of wet heating system and replacement with heating/cooling VRF systems with heat recovery
  - Electric panels heaters where required
  - Removal of gas supplies
  - Water heating by localised water boilers, rather than a central boiler.
- Extensive refurbishment completed June 2019.



ESG framework

TPEN case study – social

Unit B Loampit Vale, Lewisham, London SE13

- Planning permission was attain in February 2018 for a 30 storey, 242 unit residential apartment scheme on the site of a solus 11,750 sq ft retail warehouse unit let to Carpetright.
- The consented scheme incorporates a ‘public realm square’ that will provide the gateway entrance for the new Bakerloo line extension Lewisham station. The landscaping of the square was designed following public/local community consultation to include seating and garden features.
- During the planning process the Fund attended 3 public consultations/community events to review the design of the scheme. The asset management team incorporated the detailed feedback received in these sessions into the design of the scheme.
- In addition, the asset management team attended a number of question and answer sessions with Councillors and the wider local community.
- Newsletters detailing the proposed scheme were distributed to the local community and feedback was actioned where appropriate.
- The proposed development is forecast to be a positive improvement for the local community and has been well received.
- Asset sold in September 2018 capitalising on the planning permission to a reputable contractor/developer.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio EPC data

	2019	2020	April 2021	Indicative Target
Property assets	-	199	190	-
Rateable units	-	861	849	-
EPC coverage (% rateable units)	-	88.6%	93.6%	100%
EPC rated A (% rateable units)	-	0.2%	0.4%	>25%
EPC rated B (% rateable units)	-	11.3%	15.3%	>50%
EPC rated C (% rateable units)	-	34.7%	36.4%	<25%
EPC rated D (% rateable units)	-	30.0%	30.0%	0% by end 2030
EPC rated E (% rateable units)	-	10.0%	9.7%	0% by end 2030
EPC rated F (% rateable units)	-	0.9%	1.1%	0% by end 2022
EPC rated G (% rateable units)	-	0.8%	0.9%	0% by end 2021

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at 31 December 2020 unless otherwise stated.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio energy consumption data

	2017	2018	2019	2020	Target
Property assets	244	242	240	198	n/a
Landlord managed assets (S/C)	98	98	97	90	n/a
Data coverage: landlord-managed assets (gross floor area)	86%	89%	79%	77%	100%
Tenant managed assets (FRI)	146	144	143	108	n/a
Data coverage: tenant-managed assets (gross floor area)	15.7%	20.5%	23.0%	29.0%	TBA
Data coverage: whole portfolio (gross floor area)	46.2%	53.4%	55.7%	61.7%	TBA
Total portfolio energy consumption – absolute	22,214,508 kWh	26,921,092 kWh (12.2%)	25,489,785 kWh (-5.3%)	21,701,092 kWh (-15.0%)	TBA
Total portfolio electricity consumption – absolute	13,550,513 kWh	16,444,766 kWh (21.4%)	17,842,685 kWh (8.5%)	13,773,889 kWh (-30.5%)	TBA
Total portfolio gas consumption – absolute	8,663,996 kWh	10,476,323 kWh (20.9%)	7,577,826 kWh (-27.7%)	6, 554, 657 kWh (-15.6%)	TBA

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at 31 December 2020 unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway in 2021.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio greenhouse gas (GHG) emission data

	2017	2018	2019	2020	Target
Property assets	244	242	218	198	n/a
Landlord managed assets (S/C)	98	98	92	90	n/a
Data coverage: landlord-managed assets (gross floor area)	86%	86%	86%	86%	100%
Tenant managed assets (FRI)	146	144	143	108	n/a
Data coverage: tenant-managed assets (gross floor area)	14.0%	17%	17.6%	29.0%	TBA
Data coverage: whole portfolio (gross floor area)	39.3%	48.8%	50.0%	61.7%	TBA
GHG emissions – absolute (year on year % difference)	7,094 tonnes	7,615 tonnes (7.6%)	5,993 tonnes (-21.3%)	3966.0 tonnes (-33.8%)	TBA

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at 31 December 2020 unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway in 2021.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio water and waste consumption data

		2017	2018	2019	2020	Target
Property assets		244	242	218	196	n/a
Landlord managed assets (S/C)		98	98	92	90	n/a
Data coverage: landlord-managed assets (gross floor area)	Water	39%	39%	39%	31%	100%
	Waste	8%	14%	27%	27%	100%
Tenant managed assets (FRI)		146	144	143	124	n/a
Data coverage: tenant-managed assets (gross floor area)	Water	0	0	8.0%	8.7%	TBA
	Waste	0	0	13.2%	14.07%	TBA
Data coverage: whole portfolio (gross floor area)	Water	12.3%	15.7%	23.2%	24.0%	TBA
	Waste	5.0%	7.0%	20.0%	21.1%	TBA
Total water consumption – absolute		56,305 m^3	130,373 m^3	279,902 m^3	271,535 m^3	TBC
Total waste consumption – absolute		58.09 tonnes	399.00 tonnes	788.72 tonnes	8795.74 tonnes	TBC

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at 31 December 2020 unless otherwise stated. Targets to be advised following publication of Columbia Threadneedle Investments' UK Real Estate Net Zero Pathway in 2021.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio flood risk data (proxy climate change risk)

Portfolio risk exposure by value	2020 (April)	2021 (April)	Target
Property assets	200	190	n/a
Low	159 75.4%	152 74.8%	TBA
Medium	31 20.7%	30 21.7%	TBA
High	5 2.3%	5 2.0%	TBA
Extreme	5 1.5%	3 1.5%	TBA

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

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at 31 December 2020 unless otherwise stated

Fund Prospects

All investment markets continue to face unprecedented volatility as the world comes to terms with the effects of the Covid-19 global pandemic. The UK commercial real estate market is forecast to experience challenges until the economy returns to some form of normality following the debilitating effects of a prolonged lockdown period.

In Columbia Threadneedle Investments Real Estate team's analysis, defensively positioned funds with high relative income yields, significant levels of portfolio diversification and the potential to add value thorough proactive asset management are best positioned to deliver relative outperformance over the long term. The fund continues to be well positioned against this uncertain backdrop, as evidenced by the following factors:

- The fund is a major open-ended product with £1.983bn in FUM and benefits from a well-diversified underlying client base.
- Time-proven liquidity protocols have historically ensured disciplined control of investor inflows and outflows when necessary to protect the interests of existing investors.
- The rental income generated (c. £116.2m per annum) is reinvested in the fund, further enhancing underlying fund liquidity.
- Fund features include:
  - Significant income yield advantage versus the MSCI UK Monthly Property index (5.9%* versus 5.0%[1]).
  - Maximum diversification at portfolio level with 268 properties and 1,306 tenancies.
  - Highly liquid average lot size of c. £6.7m.
  - Strategic portfolio positioning, with a focus on the strongest underlying sub-sectors (c. 47%* of direct property exposure to the buoyant industrial market, with a 'last mile' focus).
  - Significant unrealised potential to add value through proactive asset management across the portfolio.
  - Defensive fund positioning with zero property-level debt, no exposure to property company shares and selective speculative property development in compelling sub-markets.

Past performance is not a guide to future returns.
Source: Columbia Threadneedle Investments, *CBRE Independent Valuation and [1]MSCI UK Monthly Property index as at 31 March 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 Key Features Document.
- **Bid/Offer Spread:** The bid/offer spread on units reflects the costs of buying and selling investments.
- **Semi-swinging single price:** Prices of units in the Funds are calculated on a semi-swinging single pricing basis and valued daily at midday. The price of a unit will be based on the value of the underlying investments of the relevant Fund subject to the charges applicable to the relevant Class and, normally, it will be at this price that units are allocated (purchased) or realised (surrendered). In certain circumstances, however, the price may be subject to further adjustment, as explained below. The actual cost of purchasing and selling a Fund’s underlying investments may be higher or lower than the mid-market price used in calculating the semi-swinging single unit price. In such circumstance (e.g. as a result of large volumes of transactions), this may have a materially adverse effect on existing investors in the Fund. In order to prevent this effect (called ‘dilution’), TPL may need to make a ‘dilution adjustment’ that will be incorporated in the price. Such an adjustment is paid into or maintained within the Fund for the protection of investors and is only applied when the interest of investors requires it. For the Property Fund a dilution adjustment will usually be applied and included in the unit price.
- **Pricing basis:** Dependent on the general trend of flows in or out of the fund, the pricing basis of the Property Fund will either be at Offer (Inflow) or Bid (Outflow). This means that units in the fund are either priced on a Net Asset Value (NAV) less circa 1.2% or a NAV plus circa 5.8%.
- **Initial yield:** The rent passing net of ground rent, NR, as a percentage of the gross capital value, GCV, at the same date.

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

  GCV / NOMRV
- **Equivalent yield:** The estimate of the discount rate which equates the future income flows relative to gross capital value. The equivalent yield discounts the current rental value in perpetuity beyond the last review date recorded for the tenancies in the subset. 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:** This Index measures Net Asset Value total returns on a quarterly basis. NAV in Index is the NAV of the index after the elimination of cross-holdings and deduction of management fees. Returns to the MSCI UK Monthly Property Index and to the MSCI/AREF UK All Balanced Property Funds Weighted Average Index are not directly comparable. This is largely because the UK Monthly Index measures the performance only of direct property market investments and because it excludes the impact on returns of developments and transactions. In contrast, returns to the MSCI/AREF UK All Balanced Property Funds Weighted Average Index include the impact of both developments and transactions as well as the returns from other assets (such as cash and indirect property investments), and the impact of leverage, fund-level management fees and other non-property outgoings.

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

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