Threadneedle Pensions Limited, Property Fund

Quarterly Report as at 30 September 2021

Your success. Our priority.

Confidential

Contents

Mandate Summary

Contact Information

Fund Manager	**Robin Jones**
Client Director Property	**James Allum**
Institutional Client Director	**Moira Gorman**
Institutional Client Director	**Andrew Brown**
Central Contacts:	
Client Services Team	**clientservices@ columbiathreadneedle.com**
Consultant Relations Team	**consultantteam@ columbiathreadneedle.com**

Fund Information

■ Total Assets	GBP 2,092 million
■ Benchmark	MSCI/AREF UK All Balanced Property Funds
■ Base currency	GBP
■ Reporting currency	GBP
■ Quoted price* (Currently Bid)	6.7098
■ NAV	6.7934

- 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.

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

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

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

Source: Columbia Threadneedle Investments
*Semi-swinging single price.
Quoted price and NAV are based on share class C (AMC of 0.75%) as at 30 September 2021

Portfolio Highlights

NAV £2.092BN
6th largest Fund in Benchmark

Diversification at asset level
268 properties

Diversified income with
1,265 tenancies

Highly liquid portfolio with
Average lot size £7.2M

Gross rent roll £112.8M pa

WAULT 4.6 years*
(to lease break)

Cash 6.0%[1]

Vacancy rate 11.7%

GRESB Rating 2021 - 73/100

%NIY

Significant income advantage
Net Initial Yield 5.3%* (vs 4.7%†)

%EY

Equivalent Yield 6.3%* (vs 5.7%†)

Total return +4.4%[1]
(3 months net Nav to Nav)

Source: Columbia Threadneedle Investments, *CBRE Independent Valuation, [1]MSCI/AREF UK Quarterly Property Fund Index and †MSCI UK Monthly Property Index, as at 30 September 2021.
Note the Fund's cash figure stated includes debtors and creditors.

Market Context

Market Commentary

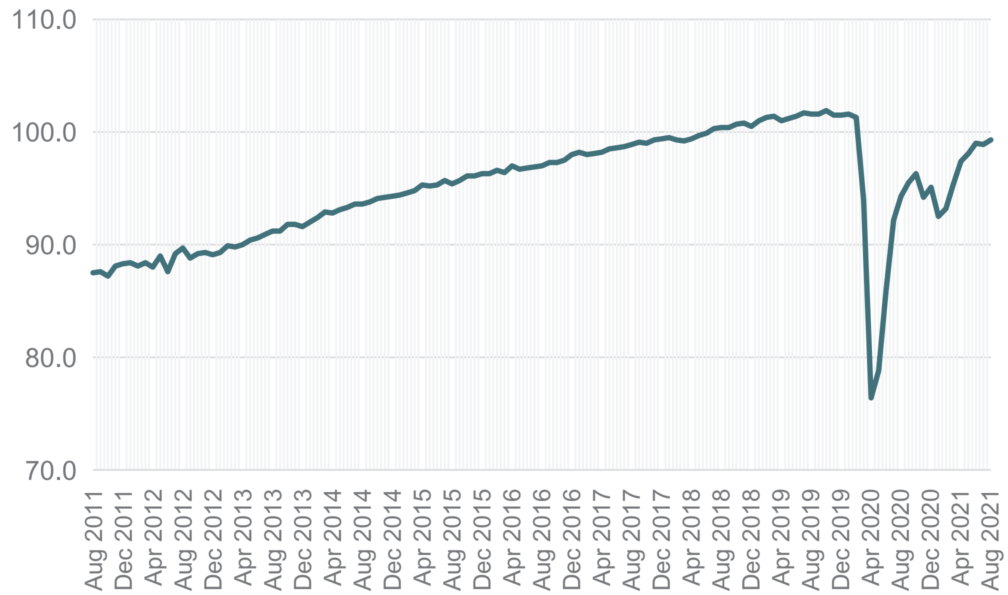
Macroeconomy

The UK economy has continued its post lockdown recovery, largely fuelled by a surge in consumer spending following the easing of social distancing restrictions and the success of the vaccination rollout. The economy is now 0.8% below its pre-pandemic level after recording estimated growth of 0.4% in August and 0.1% in July 2021. However, growth was notably slower than the 4.8% recorded in Q2 reflecting the rise in Covid-19 infections and subsequent 'pingdemic' requiring workers who have been exposed to the virus to self-isolate to help limit the spread.

Unemployment remained low at 4.5% for the three months to the end of August, trending downwards from 4.6% in the three months to the end of July. The UK government's furlough support scheme finished at the end of September with an estimated 1.5m people benefiting from its support at the close. The impact of its withdrawal on businesses is yet to be seen and, while the return to pre-pandemic employment levels is welcome, concerns remain over labour shortages restricting the pace of economic recovery.

Inflationary pressures continue to be evidenced as a result of rising fuel and energy prices. As at September, annual CPI was recorded at 3.1%, marginally down from 3.2% in August, though still significantly above the Bank of England's target of 2.0%. The Bank of England has revised the inflationary forecast and estimates inflation to exceed c.4.0% by year end, before reverting to c.3.0% in 2022. In response to these inflationary pressures, an interest-rate rise in Q4 2021 remains a possibility and is anticipated by money markets.

10-year UK GDP (Indexed)



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

Market Context

Market Commentary (continued)

Investment volumes

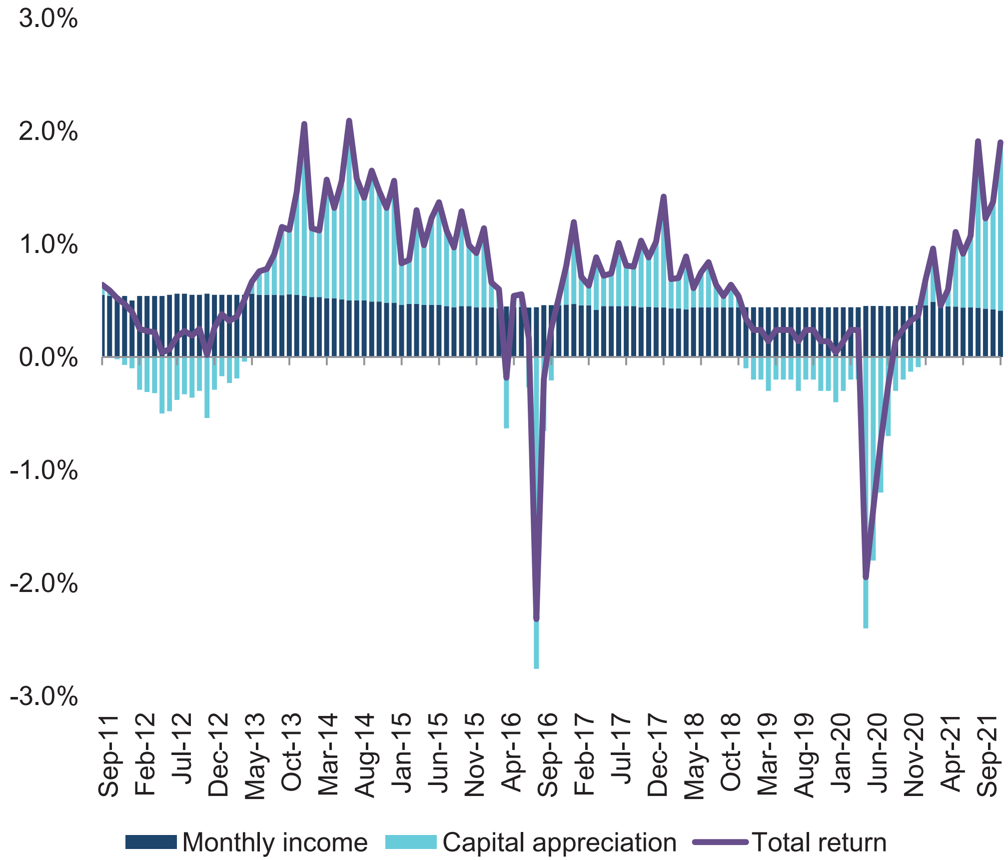
Total UK commercial property investment volumes recorded c.£13.5bn for Q3 2021, c.3% below Q2 2021 volumes and c.2% above the five-year quarterly average. Q3 volumes were bolstered by several large portfolio transactions, including Blackstone's acquisition of a Sale & Leaseback of Asda's distribution warehouses for c.£1.7bn, the largest warehouse transaction on record. UK commercial property investment volumes continue to recover from the economic shock of Covid-19, and there remains significant pent-up capital targeting the UK property market, reflecting increased global investor confidence.

Returns

Total returns for the UK property market continue to be positive (since June 2020), accelerated by a recovery in 'All Property' capital values as the UK emerges from Covid-related restrictions. In Q3 2021, the MSCI UK Monthly Property index generated 'All Property' total returns of 4.5%, comprising an income return of 1.2% and capital growth of 3.3%. The performance was largely driven by the continued capital value growth in the warehouse sector and the resurgence of the retail warehousing sector, which has benefited from growing investor recognition, given its resilience to e-commerce and relevance to future shopping habits.

Valuation movements reflected the acceleration of existing trends and the recovery of the wider economy. The warehouse sector recorded capital value growth of 6.2%, while retail capital value growth increased to 3.2% (driven by the retail warehousing sub-sector recording a 5.8% gain). The office sector recorded neutral capital growth as uncertainty continued to prevail in the occupational markets, reflecting a structural change in working habits. This however was an improvement on the 0.3% capital value decline in Q2. Sentiment in the office sector for 'best in class' assets is expected to improve in Q4 2021 and the first half of 2022, following the end of the work-from-home directive in Q3.

10-year UK Commercial property total returns (Monthly)



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

Market Context

Market Commentary (continued)

Occupational trends

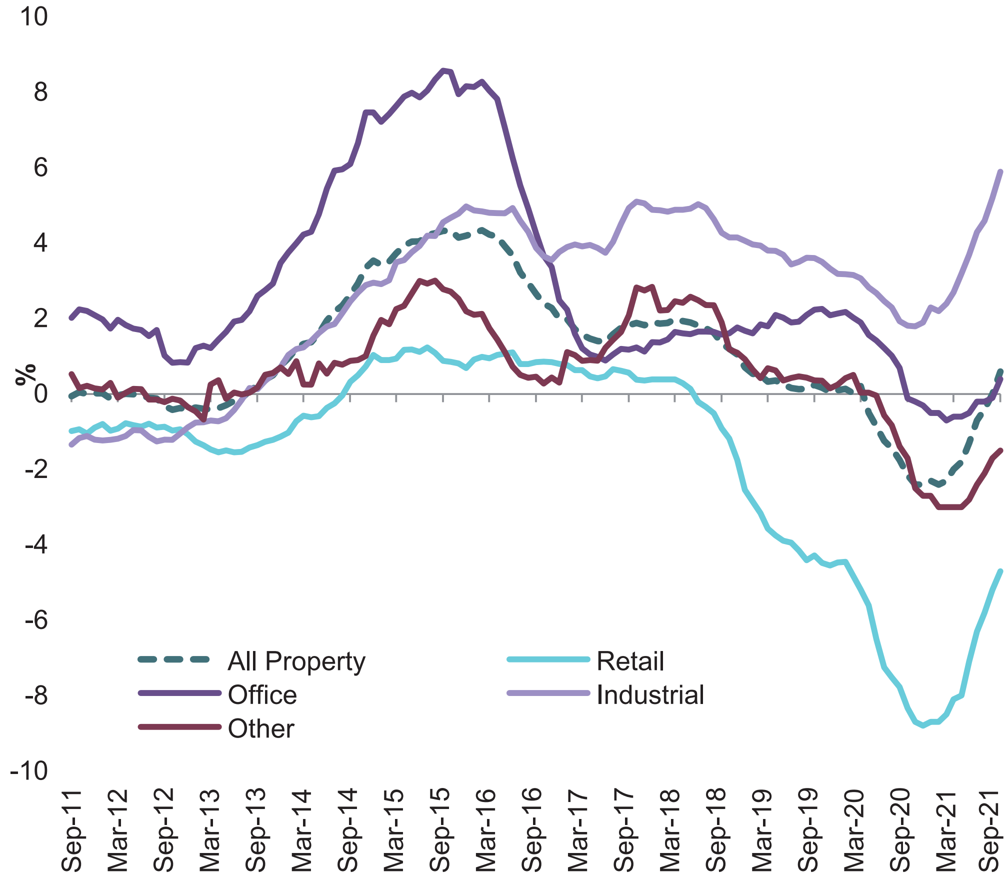
In line with capital market trends, occupier markets have been boosted by the increase in consumer and business confidence. The warehouse sector has seen consecutive performance largely as a result of diminishing availability causing inflationary pressure on rents, with the sector recording rental value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

Outlook

The ‘All Property’ net initial yield (NIY) compressed 13 bps to 4.71% over Q3 and, at the end of September, remained 14 bps above the previous peak at 4.57% recorded in 2007, reflecting the strong capital gain over 2021. With the base rate (0.1%) and ‘risk free’ rate of 10-year gilts (0.7%) at such low levels, the commercial property market continues to assert its highly attractive relative income attributes.

As we enter the final quarter, the UK property investment market shows continued levels of high investor demand for selected sectors, with a significant weight of investor capital pursuing limited supply.

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



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

Fund Overview – Q3 2021

Material Changes

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

Liquidity Management

- The value of the Threadneedle Pensions Limited Pooled Property Fund (TPEN PF) as at 30 September 2021 was £2.092bn, with an uninvested cash balance of £140.7m, reflecting 6.7% of funds under management (FUM). Q3 liquidity was consistent with target liquidity levels.

Source: Columbia Threadneedle Investments as at 30 September 2021.

Income Distribution Share Class

- At the start of Q3, the Product Committee at Columbia Threadneedle Investments finalised an Income Distribution Share Class that will be available from Q1 2022 for investors who wish to draw income from the TPEN Property Fund.

Investment Activity

- During Q3, TPEN PF made no acquisitions and one strategic disposal. Further details are as follows:
  - The disposal of a police motor complex totalling c.56,200 sq ft and adjoining land which is adjacent to the Chelmsford Police Headquarter building situated on the periphery of Chelmsford town centre, forming part of the former Boreham Airfield. The asset was sold for £3.5m, crystallising a c.25% premium to the Fund's Independent Valuation. The asset's sale is in line with the Fund's wider strategy to exit assets that are highly specialised in their existing use at pricing which reflects a significant premium to valuation.

Source: Columbia Threadneedle Investments as at 30 September 2021.

Asset Management Overview

- Extracting latent value through pro-active asset management initiatives remains a critical focus for the TPEN PF management team. A total of 226 new lettings/lease renewals were successfully completed in the 12 months to Q3 2021, with a combined rental value of c.£19.0m pa. Importantly, TPEN PF continues to maintain high levels of tenant retention at 'tenant break option', with just 29 out of 152 options exercised (c.81% retention rate). As a direct result of new letting activity (expiry of rent-free periods) and fixed rental value increases, TPEN PF's property portfolio rent roll is set to increase by a further c.£6.0m pa over the next 12 months.

Source: Columbia Threadneedle Investments as at 30 September 2021.

- Asset Management Highlights for Q3 2021 included:
  - Letting of a 32,300 sq ft unit on a recently refurbished industrial unit in Basildon to a strong covenant on a new 10-year lease with tenant break option in Year 6 at £10.00 psf, c.15% ahead of Independent Valuers estimated rental value (ERV) of £9.25 psf, with 6 months rent-free and a 3-month tenant break penalty at option. This new lease reflects a capital value gain for the Fund of c.£1.6m.
  - Reversionary lease documented securing a further 5 year term to anchor occupier Homebase to December 2032 (35,000 sq ft unit) at a retail warehouse park in Haverfordwest at a rent passing of £408,000 pa, with a minimum rent review uplift in 2028 to £472,500 pa. The capital value gain for the Fund is c.£1m, as a result of reversionary lease.
  - 5-year letting and lease renewal documented on two warehouse units at a multi-let industrial estate in Coulsdon, at rental levels of £18.00 psf and £18.41 psf respectively, both significantly ahead of the Independent Valuers ERV of £15.50 psf.
  - Letting of vacant 5,810 sq ft suite to an office occupier at a multi-let office building in Dartford on a new 5-year lease at £116,200 pa (£20.00 psf). This letting will reduce the void within the building by c.27%.
  - Surrendered existing lease at Oxford Street, Swansea to Poundstretcher, which was in a company voluntary arrangement paying nil rent, and secured new 5-year letting to Poundland (D&B:4A2) at £70,000 pa.

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

Fund Overview – Q3 2021

Covid-19 – Rent Collection Strategy

- For many UK businesses, the outbreak of the Covid-19 pandemic has had a materially negative impact on revenue and short-term cashflow, increasing the likelihood of business insolvency.
- In April 2020, the UK government introduced a moratorium on the landlords' abilities to evict tenants for the non-payment of rent; this legislation has subsequently been extended to 31 March 2022.
- As Responsible Investors in Real Estate, TPEN PF have taken the opportunity to proactively engage with tenants in order to ensure the best outcomes for all parties in difficult circumstances.
- Given the strategically diverse nature of the TPEN PF occupier base (1,265 tenancies), the Manager has not adopted a uniform approach and is pro-actively managing the tenant base in order to achieve the best result for both underlying investor and occupier alike.
- The TPEN PF approach to rent collection has been 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, the oversight manager and the asset Manager. The final recommendation for any concession needs to be signed off by the appropriate fund manager prior to implementation.
- As an outcome of tenant concession requests TPEN PF has engaged with each occupier and agreed positions which are mutually beneficial including:
    - Rental deferments or monthly rental payments, where justified, in order to sustain occupational businesses. This has resulted in an accelerated recovery of rental collection for the Fund.
    - Negotiation of a number of lease extensions, removal of tenant break options or lease restructures in return for rent-free, improving the length of income across and securing the occupiers on more favourable market terms.

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%	91%
June 2021	£28,007,357	54%	73%	81%	86%	87%	94%
September 2021	£28,014,824	61%	77%	82%	86%	87%	TBC

Source: Columbia Threadneedle Property Investments, as at October 2021.

Fund Overview – Q3 2021

Fund Sector Exposure Q3

- TPEN PF 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 the property and sub-sector levels. 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 41.2% of portfolio exposure vs the Benchmark's 37.5% in this key growth sector. Excluding the cash weighting, the Fund has c.49% of exposure to industrials at direct portfolio level, with a focus on smaller 'last mile' distribution assets situated in strategic urban logistics locations. The TPEN PF investment team will continue to strategically increase exposure to the industrial market.
  - Overweight office (30.2% vs 26.8%), with the Fund's exposure strategically weighted to the most dynamic Central London (15.0% vs 12.0%) and South East (10.9% vs 9.5%) occupational markets.
  - Underweight retail warehousing (10.0% vs 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. Providing consideration to the strong and resilient occupier trading for several essential retailers in this sub-sector during Covid-19 and the accelerated capital value decline witnessed in 2020, the TPEN PF 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 in the market. Subject to robust stock selection, the Fund considers the market dynamics favourable to increasing its exposure to the sub-sector in 2021 and beyond.
  - Underweight in-town retail (7.1% vs 8.1%). Excluding Greater London, TPEN PF has just c.£47m (c.2.5% of direct portfolio) of regional retail exposure, with a highly liquid average lot size of c.£1.8m (ensuring maximum diversity at both property and tenant levels).

Source: Columbia Threadneedle Property Investments & MSCI/AREF UK Quarterly 'All Balanced' Property Fund Index as at 30 September 2021.

Fund Performance – MSCI/AREF UK Quarterly 'All Balanced' Property Fund Index – Q3

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 Q3 2021, TPEN PF generated a total return of 4.4%, marginally underperforming the MSCI/AREF UK 'All Balanced' Property Fund index (the Benchmark) weighted average total return of 4.5%.
- For the year ending 30 September 2021, TPEN PF generated a total return of 12.7%, underperforming the Benchmark return of 13.1%.
- Over the medium to long term, TPEN PF has delivered annualised total returns against the Benchmark respectively of 3.8% vs 4.0% over three years, 5.8% vs 6.0% over five years, 7.1% vs 7.0% over 10 years and 4.3% vs 3.5% over 15 years.

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

- With £2.092bn of AUM, TPEN PF is the sixth-largest fund in the MSCI/AREF UK Quarterly 'All Balanced' Property Fund index (Benchmark). The fund's size and significant diversification offer the investor base a sustainable, defensive and income-focused total return. However, performance has the potential to fractionally lag that of smaller, less diversified and more nimble funds in periods of low total returns.

Fund Overview – Q3 2021

- As an open-ended, daily dealt and unit-linked life fund, the manager considers it prudent to adopt a cautious approach to liquidity management, especially in periods of sustained macroeconomic volatility. As such, TPEN PF has maintained a defensively high relative cash position during periods of prolonged unprecedented volatility over the short to medium term, given the UK's EU Referendum outcome and the global Covid-19 pandemic, albeit operating within the Fund's long-term liquidity targets. The defensive liquidity position adopted over the last few years has served to moderately dilute TPEN PF's relative returns.
- From a real estate perspective, as can be expected in a sustained 'risk off' investment climate, well-let, prime assets have delivered relative outperformance during 2016-20. Consistent with our long-term investment strategy, TPEN PF 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 leading to capital value gain, funds such as TPEN PF should be well positioned to deliver relative outperformance.
- Further to the above, the relative underperformance of TPEN PF can be attributed to the Fund's underweight position to South East industrial (which includes Greater London) vs that of the Benchmark (14.5% vs 24.7%). Over the 12 months to September 2021, the South East industrial market recorded significant outperformance recording capital growth of c.26% vs the rest of the UK industrial market at c.21%. The largest five funds within the index comprise c.47% of the total Benchmark (c.£14.7bn vs c.£31.4bn), all of which have major (>£50m) South East and Greater London industrial holdings, with a combined average weighting of c.26.5% ahead of the index average of 24.7%. The last 12 months to September 2021 evidenced Greater London industrial transactions at record-low yields of c.2.5%, as investors underwrite the potential for future rental growth at c.10% pa over the next five years, despite the current economic challenges and any lasting detrimental business impacts of Covid-19. The record-low yields achieved on London industrial pricing resulted in a disproportionate capital return for the South East industrial market. Over the last decade South East industrial has generated a low-yielding income return compared to that of the rest of the UK industrial market. Given the Columbia Threadneedle Investments (CTI) philosophy and investment approach of a high-income yield contributing the greatest constituent to total returns, TPEN PF has invested in industrial assets which have robust property fundamentals and offer an income yield advantage to the market which has been proven to outperform in the long term.
- Over the last 3-5 years, the TPEN PF 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.74% weighting to Greater London (all sectors) and industrial markets and has a structurally underweight position in the retail sector. This strategic repositioning is anticipated to set a solid foundation for the delivery of TPEN PF's relative outperformance over the medium to long term.

Note that on a long-term basis, the TPEN PF delivered material relative out-performance vs the more directly comparable range of UK property funds in the MSCI/AREF UK Quarterly 'Managed' Property Fund index peer group (£8.868bn index comprising five open-ended, daily dealt pension funds), generating returns of 3.8% vs 3.6% over three years, 5.8% vs 5.3% over five years, 7.1% vs 6.3% over 10 years and 4.3% vs 3.6% over 15 years.

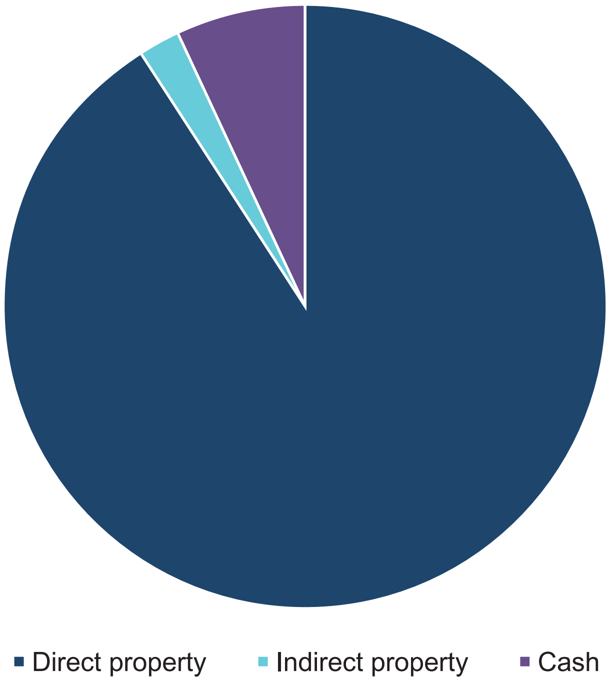
Source: Columbia Threadneedle Property Investments & MSCI/AREF UK Quarterly 'All Balanced' and 'Managed' Property Fund Indexes as at 30 September 2021.

Portfolio Characteristics

Net Fund Value	£2,092 million
Asset exposure	Property, Cash, Indirect
Cash	6.7%
Indirect	2.2%
Number of properties excl indirect	268
Average lot size	£7.2 million
Total gross passing rent	£112.8 million p.a.
Number of tenancies	1,642
Key tenants	Top 10 tenants form 18.4% of total rent roll.

	TPEN	MSCI Monthly Index
Net Initial yield	5.3*	4.5
Equivalent yield	6.9	5.7
Average term to break	4.7	6.5
Vacancy rate	11.7**	9.6

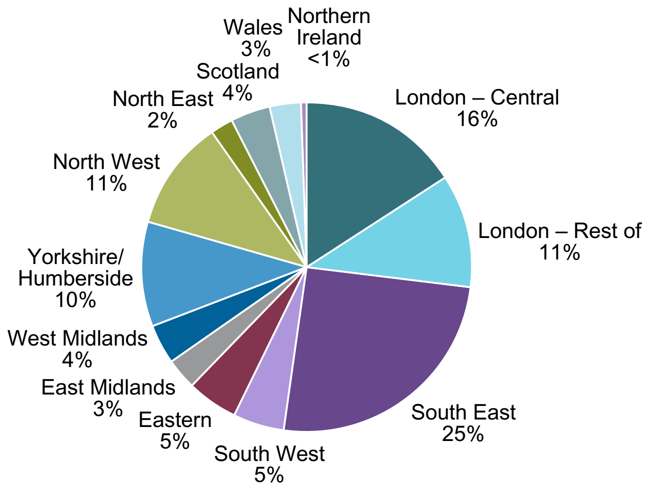
Fund composition



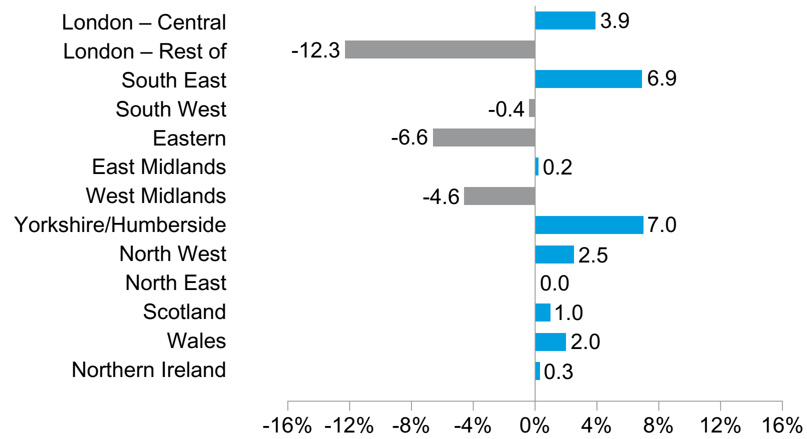
Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 30 September 2021
*Source: CBRE independent valuation as at 30 September 2021
**Source: MSCI UK Monthly Property Index as at 30 September 2021

Portfolio Sector and Geographical Positioning

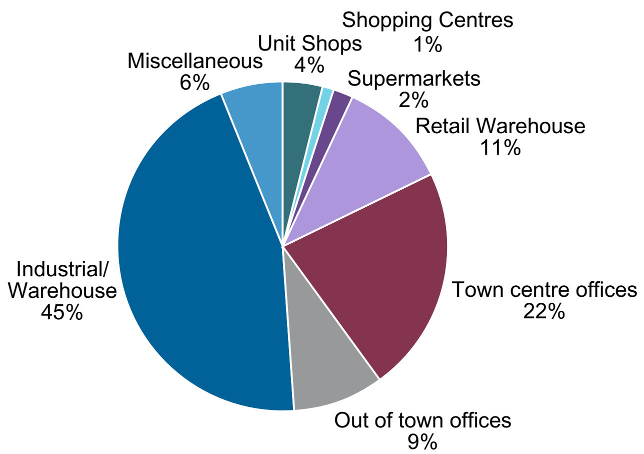
Portfolio weighting – geographical split



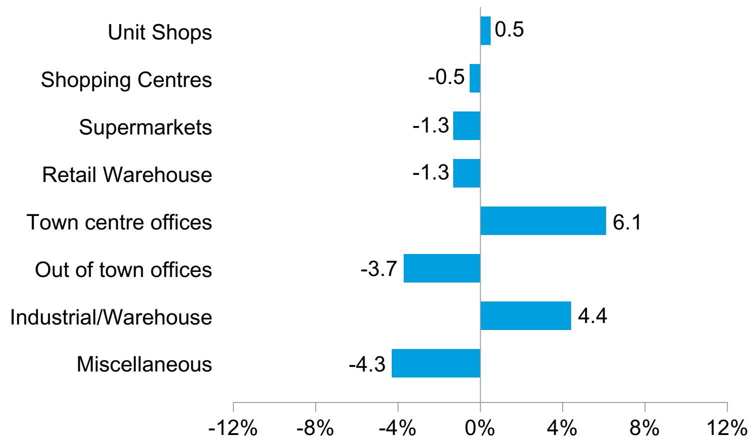
Relative portfolio weighting (%) versus MSCI Monthly Index



Property weighting – sector distribution



Relative portfolio weighting (%) versus MSCI Monthly Index



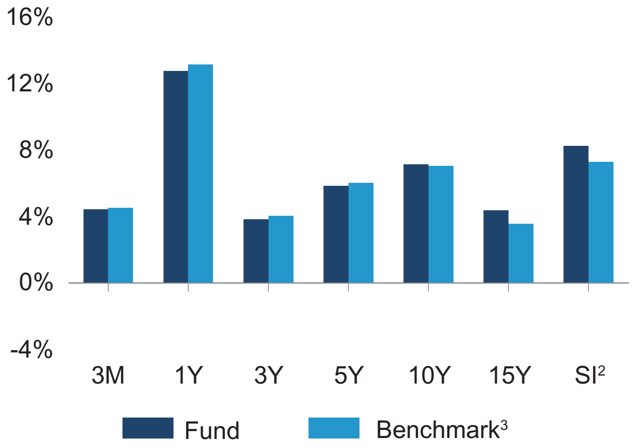
Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 30 September 2021

*Source: Retail (Unit Shops) overweight skewed by significant London retail/office holdings (including Heals Building & South Molton Street).

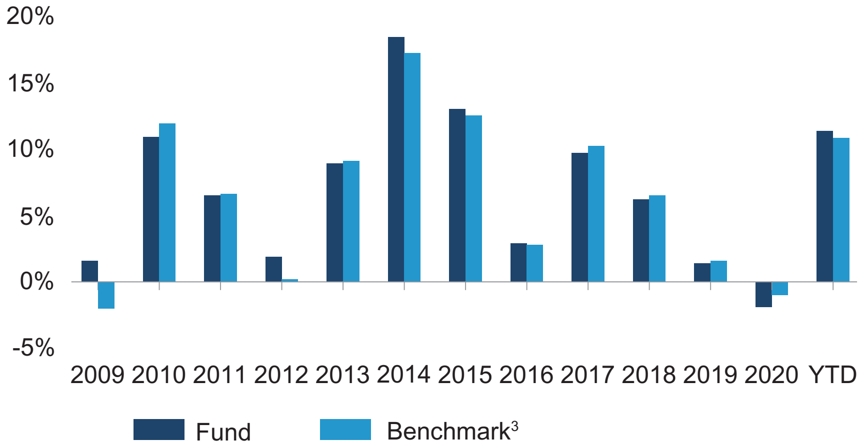
Performance

Long Term Performance

Discrete periods[1]



Calendar Years



Fund Performance **Annualised Performance**

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	4.4	11.3	12.7	3.8	5.8	7.1	4.3	8.2
Benchmark**	4.5	10.8	13.1	4.0	6.0	7.0	3.5	7.3
Relative (Arithmetic)	-0.1	0.5	-0.4	-0.2	-0.2	0.1	0.8	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	100-150
Deeside	Deeside Industrial Park	Industrial / Warehouse	50-100
Chelmsford	Boreham Airfield	Miscellaneous	50-100
Watford	Penfold Works	Industrial / Warehouse	25-50
Sittingbourne	Spade Lane D/Cen	Industrial / Warehouse	25-50
London EC1	Banner Street	Town Centre Offices	25-50
London EC1	29-35 Farringdon Road	Town Centre Offices	25-50
Bristol	Next Distribution Warehouse	Industrial / Warehouse	25-50
South Ockendon	Arisdale Avenue	Industrial / Warehouse	25-50
Wimbledon	Wellington	Out of Town Office	25-50

Tenant

	% of rents passing
Next PLC	3.2
Liberty global (Virgin Media)	3.0
Heidelberg Cement AG	2.2
Magnet Limited (NOBIA AB)	2.0
Travis Perkins PLC	1.7
John Lewis PLC	1.5
Wittington Investments Limited	1.3
Invesco LTD	1.2
Wilkinson Limited	1.2
XPO Logistics Inc.	1.2

Source: Columbia Threadneedle Investments as at 30 September 2021

Investment Activity – Key Purchases and Sales Over Q3 2021

Property	Quarter	Sector	Price (£m)	Net Initial Yield
Purchases				
None				
Sales				
Boreham Police Complex, Chelmsford (PART SALE)	Q3 2021	Miscellaneous	0-5	N/A

Source: Columbia Threadneedle Investments as at 30 September 2021

Responsible Investment: approach & resource

ESG principles and performance metrics are embedded throughout the core areas of our operations

FUND MANAGERS: responsible for all aspects of fund performance, including ESG performance

INVESTMENT ACTIVITY

- Environmental and Sustainability factors are core components of pre-acquisition due diligence
- Standing assets constantly reviewed and sales considered where performance likely to be impacted by ESG factors

ASSET MANAGEMENT

- Building improvements align landlord and tenant interests: better buildings maximise potential to deliver a ‘green premium’ while passively managed assets risk becoming environmentally obsolete (‘stranded’)

REFURBISHMENT

- Refurbishment offers the greatest potential to deliver environmental efficiencies and improvements, while retaining embedded carbon
- Refurbishment Guide enshrines clear ESG principles which our contractors adhere to

PROPERTY MANAGEMENT

- Responsible for day-to-day monitoring and improvement of key performance metrics, including:
  - Energy performance (EPCs) and consumption
  - GHG emissions
  - Water & waste

All operations undertaken within the framework of our robust Risk and Governance structures

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

Responsible Investment

Portfolio highlights

GRESB
★★★☆☆ 2021

Global Real Estate Sustainability Benchmark

- Sixth year of the Fund's submission to GRESB
- Scored 73 out of 100 (Peer Average = 69)
- Ranked 32nd within its peer group of 102 funds
- Improved score by +2 from 71/100 in 2020 submission
- 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.33.5% Jul20-Jun21 compared to Jul19-Jun20, associated carbon emissions reduced by 33.5%
- Absolute electricity consumption (top 20 assets) reduced by 23% and gas consumption increased by 7% 1Q21-on-1Q20

Improving asset energy performance

- c.47% of the portfolio rated EPC A-C (Oct 2021)
- Building refurbishments undertaken in line with our Refurbishment Guide seeking a minimum of EPC B to improve the energy efficiency of the Fund's assets
- 30 refurbishments completed over the last 12 months, deploying capital totalling c.£11.4 million

Source: Columbia Threadneedle Investments, as at 30 September 2021 unless otherwise stated. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

Responsible Investment: UK real estate business highlights

ENVIRONMENTAL

- Net Zero pathway will be published in Q3 2021
- SECR reporting shows continual improvements in energy consumption and GHG emissions
- Sustainability audits completed for top 20 assets
- Flood Risk monitored 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 30 September 2021.

Responsible Investment: responding to the regulatory environment

2019: Columbia Threadneedle UKRE Responsible Investment Policy Statement

2021: Columbia Threadneedle UKRE 'Pathway to Net Zero'

PRA Supervisory Statement: (SS3/19) Insurers Managing the Financial Risks from Climate Change

SECR: April 2019 Energy Use and Scope 1&2 emissions report requirements introduced

TCFD – 2023-25: recommends disclosure on how organisations are addressing climate related risks and opportunities covering:

- Governance,
- Risk Management,
- Metrics and Targets

EU Taxonomy statements from 2022 (UK to follow – TBC)

EU SFDR: Sustainability risk integrated into investment and risk management processes by March 2021. Adverse impacts to sustainability factors to be made from January 2022

MEES/EPCs: energy White Paper includes improvements to EPCs and requirement for EPCs to be B by 2030. Operational Rating to be developed in 2023

Net Zero: Target to neutralise carbon emissions within portfolios by 2050

2018 2020 2022 2025 2030 2040 2050

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

Responsible Investment: governance

Permanent project groups are empowered to effect change.
ESG Steering Group provides oversight and conduit to Leadership

UK Real Estate Leadership

ESG STEERING GROUP

Strategy & Oversight

- Oversees ESG strategy & approves overall framework targets and output
- Monitor performance and make recommendations to the PBMT/PC
- Clear reporting lines to and from three standing project groups

PROJECT INNOVATION GROUP

Technical

- Promote best practice in refurbishment and redevelopment, with a focus on incorporating smart technologies, health and wellbeing best practice and producing an agreed net zero carbon pathway document

Building Consultants

ESG ADVISORY GROUP

Thought Leadership

- Forum for discussion of ESG best practice
- Representation from across the real estate team, wider business (including regulatory, compliance and Responsible Investments) and external advisors

External advisors

ESG FUND PERFORMANCE GROUP

Implementation

- Drive ESG performance at Fund level – set targets and track progress
- ESG Lead (asset manager) appointed to each fund / co-ordinates fund efforts
- Quarterly management meetings

Managing Agents & EVORA

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

Responsible Investment: implementation

Bespoke Fund targets

All Funds operate within the overarching principles enshrined by the ESG Policy Statement. Fund Managers are responsible for all aspects of Fund performance, including ESG performance. ESG Leads liaise with Fund Managers to determine targets and monitor performance appropriate to each Fund's investment strategy.

Key considerations:

- What targets are appropriate to the fund strategy?
- What is the appropriate timeframe to deliver against fund targets (within the overarching regulatory framework overseen by the ESG Steering Group)?
- What level of data coverage is achievable on the fund's assets? (how much space is tenant / landlord?)
- GRESB – does the fund participate? What are its GRESB rating ambitions?
- Achieving Net Zero – does the Fund have ambitions to achieve this before 2050?

Once fund targets are set, the ESG Fund Performance Group monitors implementation and delivery:

- Targeted EPC improvement strategy on asset-by-asset basis
- Energy Consumption & GHG Emissions – monitoring progress in conjunction with managing agents and Evora
- Water and Waste Data – monitoring progress in conjunction with the managing agents and Evora
- Sustainability Audits – monitoring output and implementing recommendations
- Climate Change – Portfolio Flood Risk Analysis / Fund climate screening analysis

Threadneedle Pensions Limited Pooled Property Fund

Responsible investment highlights

Energy performance potential
EPCs

- Portfolio coverage: c.94%
- Rated E or above represent c.92% of the portfolio
- Rated C or above represent c.46% of the portfolio
- 30 October projects completed (past 12 months)

Note: As at 15 July 2021

Carbon and climate
GHG emissions / flood risk

- Total GHG portfolio coverage (% area): 61.7%
- L-f-L Greenhouse Gas Emissions -22.7%
- 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 March 2021
Note: % area coverage whole building area assumed in calculations

Energy consumption

- Total Portfolio coverage (% area): 61.7%
- L-f-L total energy consumption: -22.2%
- L-f-L electricity consumption: -28.5%
- L-f-L gas consumption: -11.2%

Note: L-f-L = top 20 assets year-on-year change to 31 March 2021
Note: % area coverage whole building area assumed in calculations

Water and waste

- Total Water portfolio coverage (% area): 25.6%
- L-f-L water consumption: -63.0%
- Total Waste portfolio coverage (% area): 26.2%
- L-f-L waste consumption: -59.6%

Note: L-f-L = top 20 assets year-on-year change to 31 March 2021
Note: % area coverage whole building area assumed in calculations

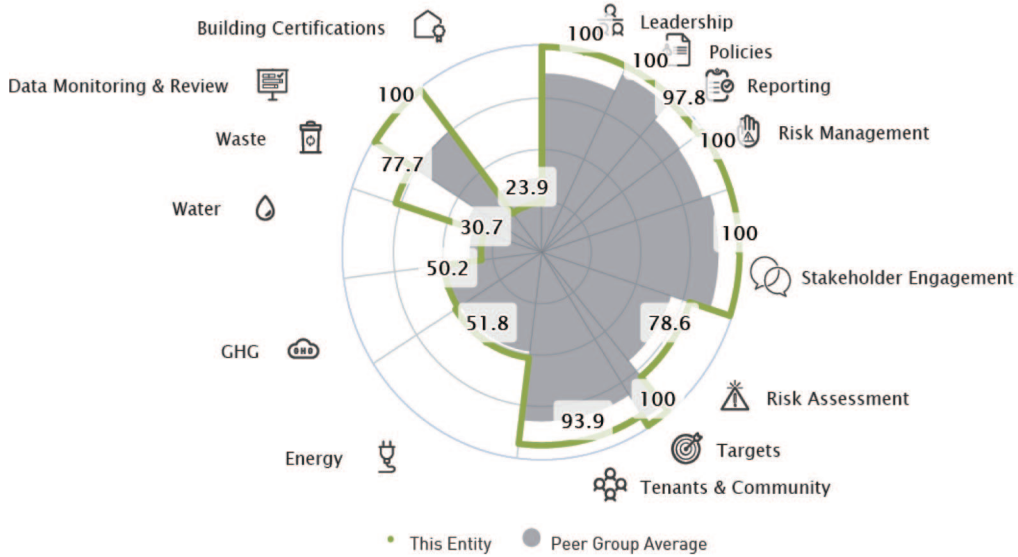
Source: Columbia Threadneedle Investments, as at 31 March 2021 unless stated otherwise. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

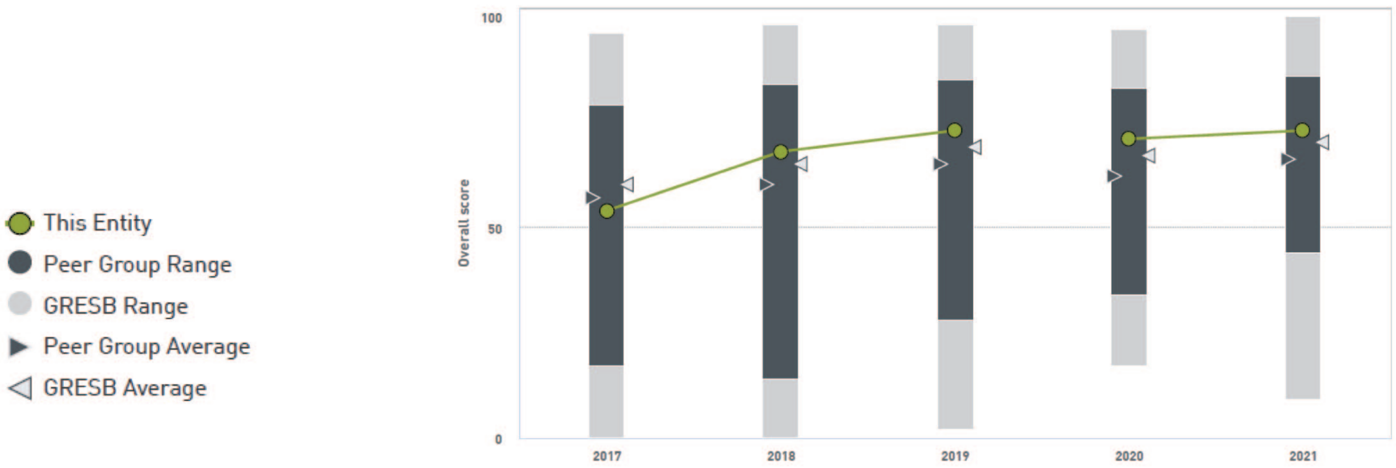
Threadneedle Pensions Limited Pooled Property Fund

Responsible investment GRESB – 3 stars

Global Real Estate Sustainability Benchmark

- 2021 is the sixth year of the Fund's submission to GRESB
- Three stars and a score of 73/100 (Peer average = 69)
- Ranked 32nd within its peer group of 102 funds
- Improved score by +2 from 71/100 in 2020 submission (Peer average = 65)
- TPEN achieved higher scores than the peer group in all aspects of the Management Component; leadership, policies, reporting, risk management, stakeholder engagement and in all but three of the Performance component aspects (risk assessments, targets, tenants & community, energy, waste, data monitoring & review).



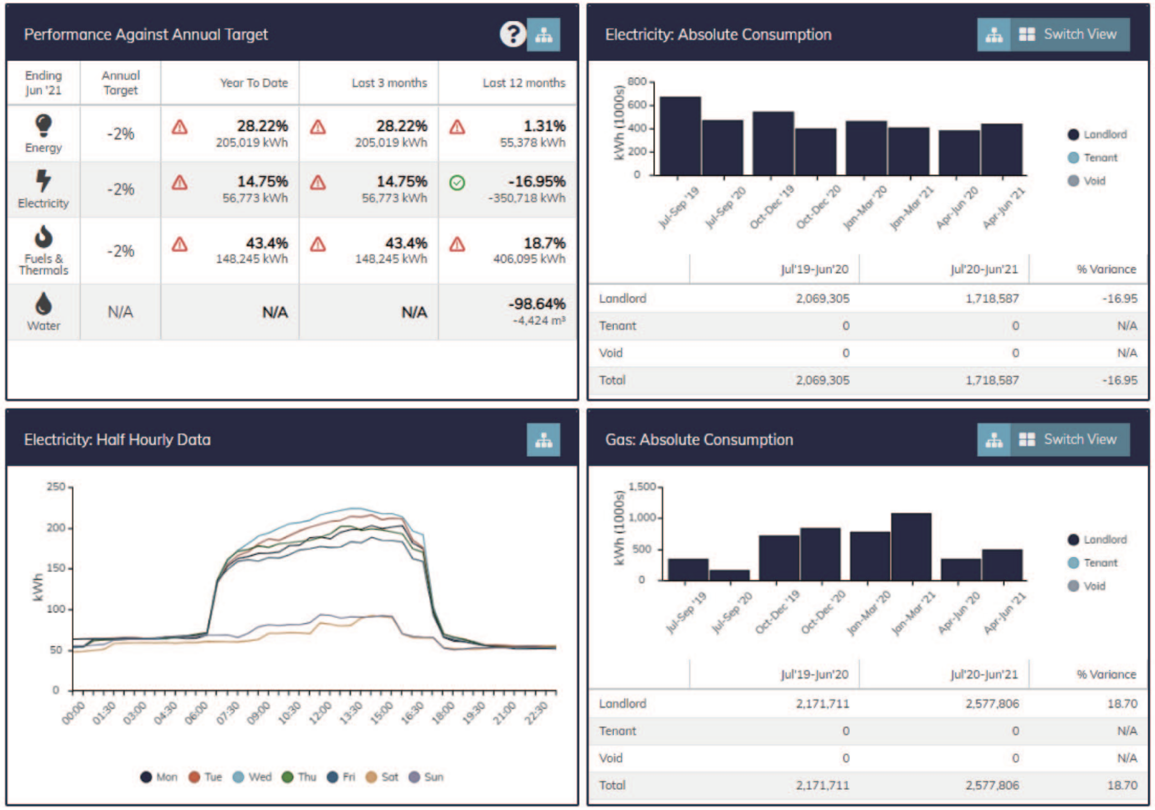


Source: GRESB Benchmark Report 2020. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

Threadneedle Pensions Limited Pooled Property Fund

EVORA example report – Matrix House, Basingstoke

- 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.

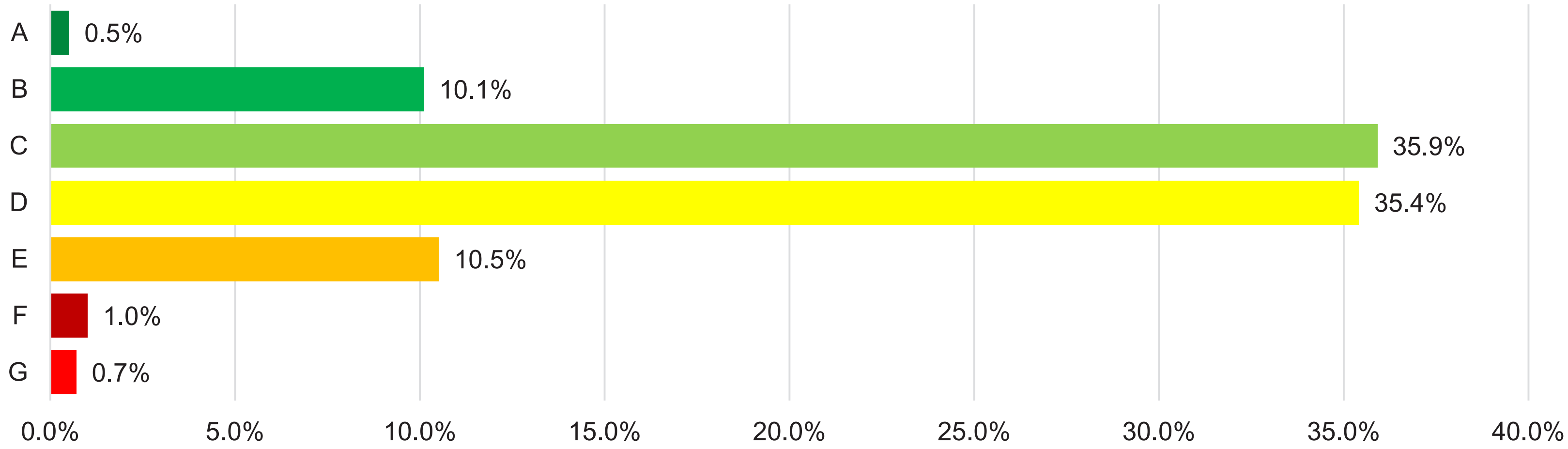


Source: Columbia Threadneedle Investments, as at 31 December 2020.

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.92% of the portfolio) and when considering those rated C or above represent c.47% 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, as at October 2021.

ESG framework

TPEN case study – environmental

8 Park Row, Leeds

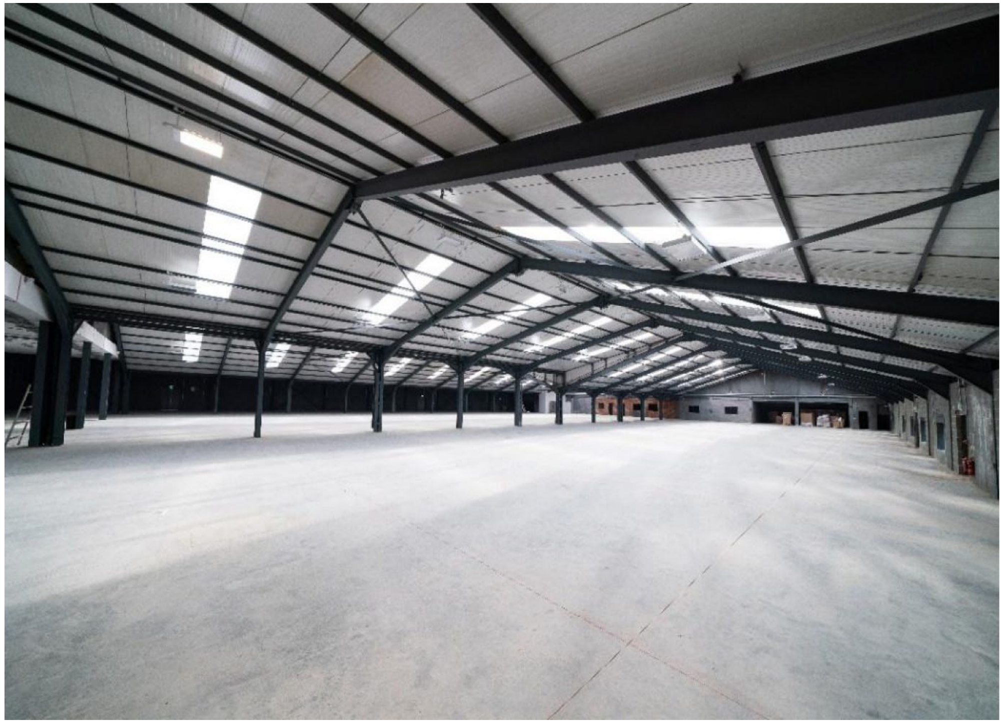
- The Fund strategically obtained vacant possession of this core 26,760 sq ft Leeds city centre office in April 2020 to undertake a comprehensive refurbishment of the building in order to re-market at an enhanced rent.
- The refurbishment includes CAT A office specification, the creation of a communal business lounge and common parts improvements.
- Substantially improved the energy performance of the asset from and EPC rating of D to B and achieves a BREEAM rating of Very Good.
- New specification included:
  - WiredScore Gold
  - New entrance screens & doors to reduce heat loss
  - Smart metering strategy in conjunction with intelligent building app to allow real time visibility of building efficiency
  - New high efficiency VRF heating/cooling and mechanical ventilation with heat recovery
  - Indoor air quality plan implemented
  - LED lighting with movement and daylight sensor control throughout
  - Upgraded thermal performance to roof
  - Enhanced shower facilities and 30 cycle spaces
  - c.22% of parking spaces with electric charging
- Extensive refurbishment due to PC December 2021.

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

	2020	2021 (as at October)	Indicative Target
Property assets	268	268	–
Rateable units	1,379	1,382	–
EPC coverage (% rateable units)	89.8%	94.3%	100%
EPC rated A (% rateable units)	0.5%	0.5%	>25%
EPC rated B (% rateable units)	7.5%	10.1%	>50%
EPC rated C (% rateable units)	33.4%	35.9%	<25%
EPC rated D (% rateable units)	35.6%	35.4%	0% by end 2030
EPC rated E (% rateable units)	9.6%	10.5%	0% by end 2030
EPC rated F (% rateable units)	1.5%	1.0%	0% by end 2022
EPC rated G (% rateable units)	1.0%	0.7%	0% by end 2021

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at October 2021, unless otherwise stated.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio energy consumption data

	2017	2018	2019	2020	Target
Property assets	295	287	282	274	n/a
Landlord managed assets (S/C)	119	117	117	114	n/a
Data coverage: landlord-managed assets (gross floor area)	87%	86%	85.5%	89.3%	100%
Tenant managed assets (FRI)	176	170	165	160	n/a
Data coverage: tenant-managed assets (gross floor area)	12.3%	13%	18.5%	19.9%	TBA
Data coverage: whole portfolio (gross floor area)	43.3%	52%	54.5%	58.2%	TBA
Total portfolio energy consumption – absolute	48,753,549 kWh	46,035,566 kWh (-1.43%)	52,388,890 kWh (14.24%)	32,900,067 kWh (-28.61%)	TBA
Total portfolio electricity consumption – absolute	36,174,505 kWh	33,461,837 kWh (-7.50%)	36,182,812 kWh (8.13%)	20,102,857 kWh (-44.44%)	TBA
Total portfolio gas consumption – absolute	12,579,044 kWh	12,573,729 kWh (0.34%)	16,206,078 kWh (28.39%)	12,797,210 kWh (-21.03%)	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	295	287	282	274	n/a
Landlord managed assets (S/C)	119	117	117	114	n/a
Data coverage: landlord-managed assets (gross floor area)	87%	86%	85.5%	89.3%	100%
Tenant managed assets (FRI)	176	170	165	160	n/a
Data coverage: tenant-managed assets (gross floor area)	12.3%	13%	18.5%	19.9%	TBA
Data coverage: whole portfolio (gross floor area)	43.3%	52%	54.5%	58.2%	TBA
GHG emissions – absolute (year on year % difference)	48,753,549 kWh	46,035,566 kWh (-1.43%)	52,388,890 kWh (14.24%)	32,900,067 kWh (-28.61%)	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		295	287	282	274	n/a
Landlord managed assets (S/C)		119	117	117	114	n/a
Data coverage: landlord-managed assets (gross floor area)	Water	29%	39.4%	32%	34.6%	100%
	Waste	25%	86.1%	33%	40.8%	100%
Tenant managed assets (FRI)		176	170	165	160	n/a
Data coverage: tenant-managed assets (gross floor area)	Water	0	0	4%	14.3%	TBA
	Waste	0	0	4%	11.4%	TBA
Data coverage: whole portfolio (gross floor area)	Water	12.5%	21.6%	22.0%	25.1%	TBA
	Waste	6.5%	13.5%	26.8%	27.1%	TBA
Total water consumption – absolute		51,1151 m^3	88,180 m^3	232,058 m^3	192,443 m^3	TBC
Total waste consumption – absolute		935 tonnes	1,634 tonnes	3,247 tonnes	3,321 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 (July)	2021 (October)	Target
Property assets	253	268	n/a
Low	192 78.8%	206 80.1%	TBA
Medium	52 17.8%	53 17.0%	TBA
High	6 2.4%	6 2.0%	TBA
Extreme	3 1.0%	3 0.9%	TBA

Extreme risk assets	High risk assets
Unit B, Wyld Road, Bridgwater	1-6 Broadway, Wood Green, London N22
7 Farrell Street, Warrington	RiverbridgeHouse, Dartford
World of Golf, New Malden	Unit 2&3, Christopher Court, Mona Close, Swansea
	The Priory Centre, Worksop
	261-309 High Road, Loughton
	Trade Point, Sheffield

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at October 2021 unless otherwise stated

Fund Prospects

As we enter the final quarter of the year, there continues to be significant global capital targeting the UK commercial property sector as all investment markets recover following the shock of the Covid-19 global pandemic.

In CTI 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 TPEN PF continues to be well positioned against this uncertain backdrop, as evidenced by the following factors:

- TPEN PF is a major open-ended product with £2.092bn 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.
- Part of the rental income generated from the TPEN PF (c.£112.8m pa) is to be distributed to investors on a quarterly basis from Q1 2022, with the majority reinvested in the Fund to further enhancing underlying Fund liquidity.
- Fund features include:
  - Significant income yield advantage versus the MSCI UK Monthly Property index (5.3%* versus 4.7%[1]).
  - Maximum diversification at portfolio level, with 268 properties and 1,265 tenancies
  - Highly liquid average lot size of c.£7.2m.
  - Strategic portfolio positioning, with a focus on the strongest underlying sub-sectors (c.49%* 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.

Source: Columbia Threadneedle Investments, *CBRE Independent Valuation and [1]MSCI UK Monthly Property Index as at 30 September 2021.

Glossary of Terms

- **NAV:** The net asset value of the Fund will be calculated as at the last Business Day of each month (a “Pricing Day”). More details are available in the 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.

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

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