Threadneedle Pensions Limited, Property Fund

Quarterly Report as at 31 December 2021

Confidential

Contents

Mandate Summary

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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.

Fund Information

Total Assets	GBP 2,267 million
Benchmark	MSCI/AREF UK All Balanced Property Funds
Base currency	GBP
Reporting currency	GBP
Quoted price* (Currently Bid)	7.3298
NAV	7.4191

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

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 December 2021

Portfolio Highlights

- NAV £2.267bn
  6th largest Fund in Benchmark
- Diversification at asset level
  265 properties
- Diversified income with
  1,237 tenancies
- Highly liquid portfolio with
  Average lot size £7.5m
- Gross rent roll £107.5M pa
- WAULT 4.9 years*
  (to lease break)
- Cash 10.3%[1]
- Vacancy rate 10.3%
- GRESB Rating 2021 - 73/100
- %NIY
  Income advantage
  Net Initial Yield 4.9%* (vs 4.4%[†])
- %EY
  Equivalent Yield 6.0%* (vs 5.4%[†])
- Total return +9.1%[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 31 December 2021.
Note the Fund's cash figure stated includes debtors and creditors.

Market Context

Market Commentary

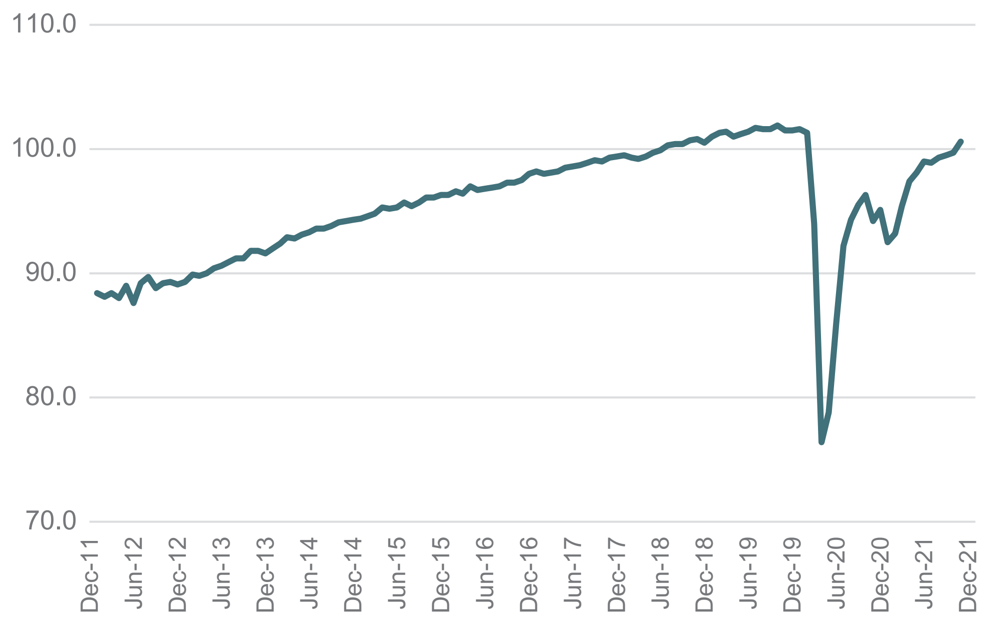
Macroeconomy

Despite the emergence of the Omicron Covid-19 variant, the UK's GDP grew by 0.9% in November 2021, which places the economy at 0.7% above its pre-pandemic level, indicating the scale of economic recovery.

The labour market have also recovered to pre-pandemic levels with unemployment falling to 4.1% at the end of December 2021 and figures from the Office for National Statistics suggesting that the strong demand for labour and limited supply pushed up the number of vacancies to a record 1.24m in the three months to December. At the same time, inflationary pressures are beginning to impact household wages in real terms, as quarterly average earnings growth eased from 4.9% to 4.2%, and real earnings fell as a result of inflation reaching 5.4% in December 2021.

With inflation reaching the highest point in nearly 30 years, pressure is increasing on the Bank of England to increase interest rates at a faster rate than previously guided, as economists forecast CPI peaking at over 7% by April 2022, then receding in the second half of the year. The fall in inflation will partly be facilitated by policy responses, such as a potential base rate increase to 0.5% and the end of quantitative easing. However, an increase in rates could be viewed as a positive signal to markets that the UK economy is past the need for emergency measures and is now on a gradual path towards normalisation of policy.

10-year UK GDP (Indexed)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q4 2021 report as at 31 December 2021.

Market Context

Market Commentary (continued)

Investment volumes

Total UK commercial property investment volumes reached c.£17.27bn for Q4 2021, representing a c.29% increase on the five-yearly quarterly average of c.£13.4bn; a salient indication of the sheer depth of investor demand and renewed investor confidence in the UK property markets.

In 2021, UK commercial property investment volumes totalled c.£56.9bn, representing a c.40% increase on 2020 volumes and c.15% ahead of volumes recorded pre-pandemic in 2019. Total investment volumes for 2021 were c.8% above the 10-year annual average.

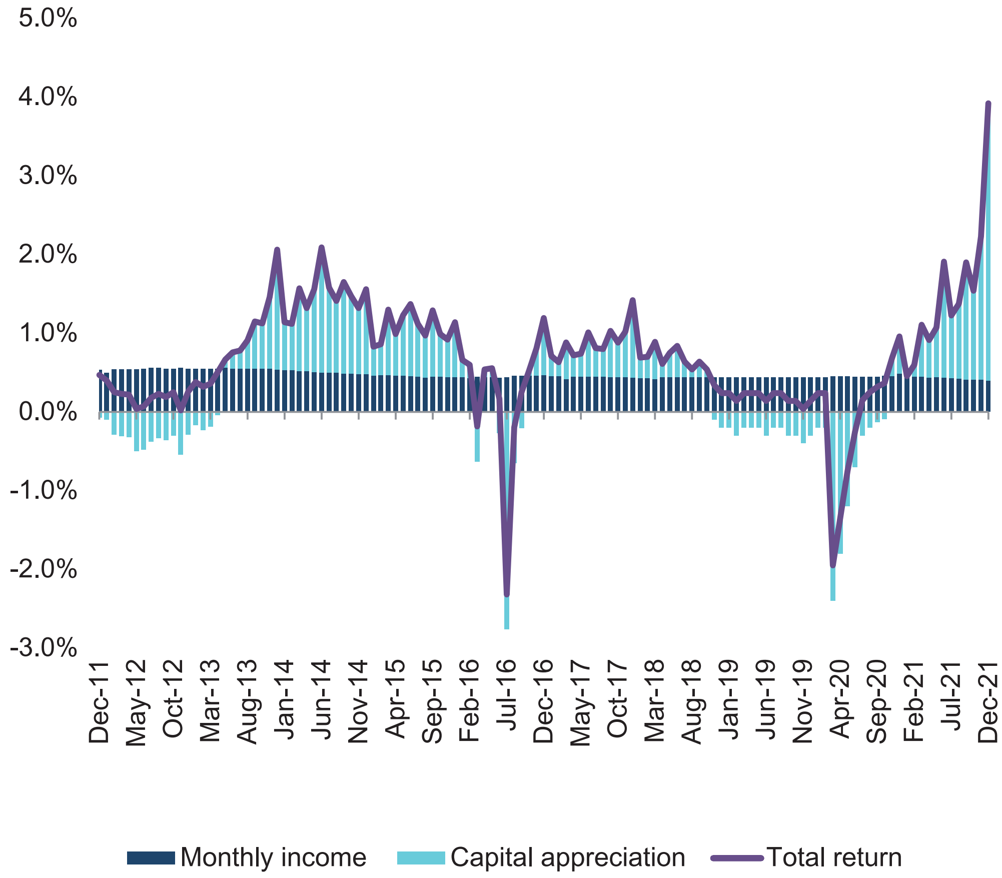
UK property market returns

Total returns for the UK property market continue to be positive, accelerated by a recovery in 'All Property' capital values reflecting the increase in transactional volumes. As represented by the MSCI UK Monthly Property index, the market generated total returns of 7.9% in Q4 2021, comprising an income return of 1.2% and capital growth of 6.6%. Capital values increased by 3.5% in December alone, representing one of the highest monthly increases in values for all commercial property since the index's inception. The growth was largely driven by the continued month-on-month performance in the industrial sector and the resurgence of retail warehousing, which has benefited from growing investor recognition given its resilience to e-commerce and relevance to future shopping habits.

In Q4 2021, the industrial sector recorded significant capital value growth of 12.4%, while retail capital value growth grew to 4.1% (driven by the retail warehousing sub-sector recording a 7.0% gain). The office sector recorded capital growth at 1.6% led by a standout performance in the West End sub-market (5.3%), as investors recognised the robust occupational fundamentals of Central London.

In the 12 months to December 2021, 'All Property' total returns were 19.9%, comprising a positive income return at 5.3% and capital value growth at 13.9%.

10-year UK Commercial property total returns (Monthly)



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q4 2021 report as at 31 December 2021.

Market Context

Market Commentary (continued)

Occupational trends

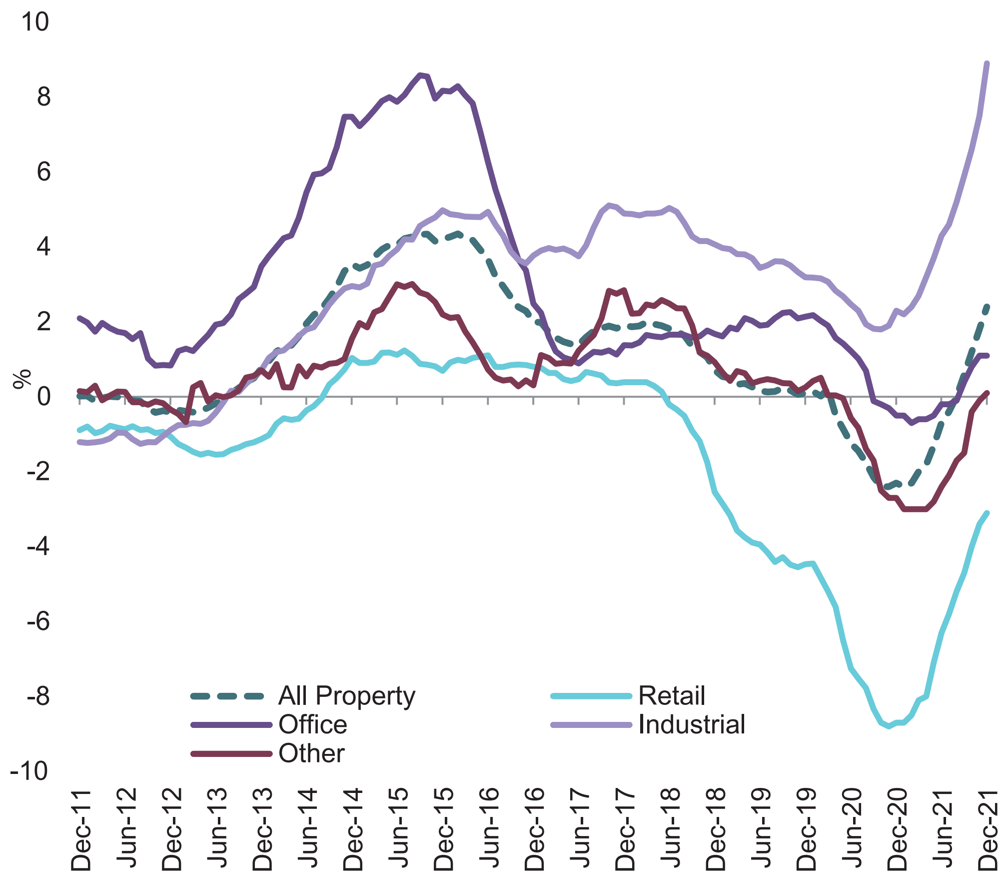
The occupier markets have been boosted by the relaxation of Covid-19 restrictions and an increase in consumer and business confidence. The capital growth recorded in the industrial sector occurred in the context of continued strong occupier demand for logistics against a backdrop of severely constrained supply. This led to rental value growth of 4.0%. The retail sector saw rental declines of -0.5%, although rental growth returned to the retail warehousing sub-sector at 0.1%. The office market saw continued rental growth at 0.6% concentrated in prime buildings, despite the UK government announcing a return to home-working in mid-December for up to six weeks.

Outlook

The 'All Property' net initial yield (NIY) at the end of December 2021 compressed by a further 30 basis points (bps) to 4.4%, which is below the previous peak of 4.5% recorded in 2007, reflecting the robust capital gain evidenced above. With the base rate (0.25%) and 'risk free' rate of 10-year gilts (c.0.7%) at such low levels, the commercial property market continues to assert its highly attractive relative income attributes. While expectations of a rise in interest rates place upward pressure on UK gilt yields (up from c.0.2% at the start of 2021), property yield compression is unlikely to be tempered, as the current spread reflects a generous risk premium, which should absorb modest interest-rate rises over the short term.

The UK property investment market performed exceptionally well in 2021 and is well placed to capitalise on positive macro socioeconomic trends. The consequence of record yield compression may see assets becoming fully priced, in which case 2022 would see a greater focus on 'value' as returns normalise to levels seen before the pandemic.

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



Source: Columbia Threadneedle Investments, MSCI UK Monthly Property Index and LSH UKIT Q4 2021 report as at 31 December 2021.

Fund Overview – Q4 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 31 December 2021 was £2.267bn, with an uninvested cash balance of £257.2m, reflecting 10.3% of funds under management (FUM). Q4 liquidity is marginally higher than target liquidity levels with TPEN PF due to complete on a number of strategic acquisitions in January 2022, which should bring liquidity in line with target parameters.

Source: Columbia Threadneedle Investments as at 31 December 2021.

Income Distribution Share Class

- At the start of Q3 2021, 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 Q4, TPEN PF made three selective acquisitions and seven strategic disposals, the highlights of which are as follows.
  - The acquisition of a multi-let period office building located in prime central Manchester comprising c.17,514 sq ft over ground and five upper floors, which was comprehensively refurbished in 2013 to EPC B. The asset is let at a rent of £314,118 per annum, reflecting a modest approximately £24.50 per square foot (psf) versus an estimated rental value (ERV) of approximately £33.00 psf and an attractive weighted average unexpired lease term (WAULT) to break of approximately two years. The asset was acquired for £7.0m, reflecting c.5.8% NIY (7% reversionary yield or RY) and a modest capital value of £400 psf. The acquisition strategically increases the Fund's exposure to prime office assets in key UK cities capable of delivering a high sustainable income yield whilst offering potential to add value through proactive asset management.
  - The acquisition of an attractive mixed-use retail and office building totalling c.12,860 sq ft in Richmond, Surrey, which consists of three retail units arranged at ground level and office accommodation over three upper floors adjacent to Richmond overground train station. The asset is let at a rent passing of £501,960 per annum with a WAULT to break of approximately three years. The asset was acquired for £7.35m, reflecting c.6.4% NIY and 7% RY once the office accommodation is fully leased. The acquisition strategically increases the Fund's exposure to highly liquid prime retail assets in London, capable of delivering a high sustainable income yield while offering potential to add value through proactive asset management.
  - The disposal of a c.188,000 sq ft Grade II* listed office and retail building situated on Tottenham Court Road, London W1. The building requires significant non-recoverable capital expenditure to appeal to modern office occupier which is non-value accretive as the property is held via two onerous leasehold titles of c.41 years and c.141 years with c.30% of rents received payable. The asset was sold for a gross price of £117.25m, at a net receipt c.10% above Independent Valuation and c.£2m in excess of the asset's previous peak Independent Valuation in May 2016. The asset's sale is in line with the Fund's strategy to reduce asset-concentration risk and the Fund's exposure to Central London offices, which are forecast to underperform in the short term.

Source: Columbia Threadneedle Investments as at 31 December 2021.

Asset Management Overview

- Extracting latent value through proactive asset management initiatives remains a critical focus for the TPEN PF management team. A total of 220 new lettings/lease renewals were successfully completed in the 12 months to end-2021, with a combined rental value of c.£18.0m per annum. Importantly, TPEN PF continues to maintain high levels of tenant retention at 'tenant break option', with just 23 out of 141 options exercised (c.84% 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.£6.73m per annum over the next 12 months.

Source: Columbia Threadneedle Investments as at 31 December 2021.

Fund Overview – Q4 2021

- Asset Management Highlights for Q4 2021 included:
  - Surrender of an existing lease on 20,575 sq ft within a prime office building in Norwich, with the occupier upsizing within the building to 24,200 sq ft taking part of the existing space, rebasing the rental level to £14.00 psf and securing a new 10-year lease with a tenant break option in year five. This significantly improved the investment value of the asset and ensured a key occupier with the building was secured for a pro-longed term certain.
  - Letting of a vacant 173,640 sq ft distribution warehouse in Rugby on a new five-year lease at £5.25 psf, with an incentive package equating to six months' rent free. The rent secured is c.5% ahead of the Independent Valuer's ERV.
  - 10-year letting on a 6,000 sq ft office suite in Farrington, London EC1, to a robust covenant at a rent of £66.75 psf, removing all void from the building and resulting in it being fully let.
  - Completed the assignment of a 45,000 sq ft retail warehouse unit from an occupier in administration to Go Outdoors Retail Limited with a guarantor from JD Sports Fashion Plc (D&B:5A1) improving the security of income on the property.
  - Two new letting at a multi-let shed estate in Watford on 6,150 and 5,900 sq ft units securing respective rental levels of £14.00 psf and £14.25 psf, c.5% ahead of the target ERV for a term certain of five years.
  - Lease renewal for a further five years on a 1,785 sq ft office suite in London EC4 at a rental level of £62.95 psf, c.9% ahead of the Independent Valuer's ERV.

Source: Columbia Threadneedle Property Investments as at 31 December 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 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 has 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 (1,237 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 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:
  - Rent 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 arrangements, improving the length of income across properties and securing occupiers on more favourable market terms.

Fund Overview – Q4 2021

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%	94%
December 2021	£26,031,625	65%	69%	73%	80%	83%	TBC

Source: Columbia Threadneedle Property Investments, as at January 2022.

Fund Sector Exposure as at Q4 2021

- 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 (the Benchmark) index weighted average (inclusive of cash holdings), the Fund has the following strategic sub-sector key themes:
  - Overweight industrials, with 44.2% of portfolio exposure versus the Benchmark's 39.7% in this key growth sector. Excluding the cash weighting, the Fund has c.54% (c.£1.078bn) 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.
  - Underweight the office sector (23.5% versus 25.7%), with the majority of the Fund's exposure strategically weighted to the most dynamic Central London (9.0% versus 11.4%) and South East (10.2% versus 9.1%) occupational markets.
  - Overweight in retail warehousing (10.8% versus 10.6%), providing consideration to the strong and resilient occupier trading for several essential retailers in this sub-sector during Covid-19. The TPEN PF investment team considers that, in addition to strong tenant trading and convenience-led schemes at mid-teen rental levels, the sub-sector 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 2022.
  - Underweight in-town retail (5.9% versus 7.4%). Excluding Greater London, TPEN PF has just c.£55m (c.2.7% of direct portfolio) of regional retail exposure, with a highly liquid average lot size of c.£2.0m (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 31 December 2021.

Fund Overview – Q4 2021

Fund Performance – MSCI/AREF UK Quarterly 'All Balanced' Property Fund Index – Q4 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 Q4 2021, TPEN PF generated a total return of 9.1%, significantly outperforming the MSCI/AREF UK 'All Balanced' Property Fund index (the Benchmark) weighted average total return of 7.5%.
- For the year ending 31 December 2021, TPEN PF generated a total return of 21.5%, significantly outperforming the Benchmark return of 19.1%.
- Over the medium to long term, TPEN PF has delivered annualised total returns against the Benchmark respectively of 6.5% versus 6.2% over three years, 7.1% versus 7.0% over five years, 7.9% versus 7.6% over 10 years and 4.7% versus 3.8% over 15 years.

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

- With £2.267bn 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.
- 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 and unprecedented volatility over the short to medium term, given Brexit and the global Covid-19 pandemic, albeit operating within the Fund's long-term liquidity targets.
- 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 2016-21. 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 gains, funds such as TPEN PF should be well positioned to deliver relative outperformance.
- Over the last three to five 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 three to five years. Indeed, from a direct real-estate perspective, the Fund now has a c.64% weighting to Greater London (all sectors) and industrial markets and has a structurally underweight position in the in-town 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 outperformance versus the more directly comparable range of UK property funds in the MSCI/AREF UK Quarterly 'Managed' Property Fund index peer group (£9.701bn index comprising five open-ended, daily dealt pension funds), generating returns of 6.5% versus 6.8% over three years, 7.1% versus 6.8% over five years, 7.9% versus 7.2% over 10 years and 4.7% versus 4.0% over 15 years.

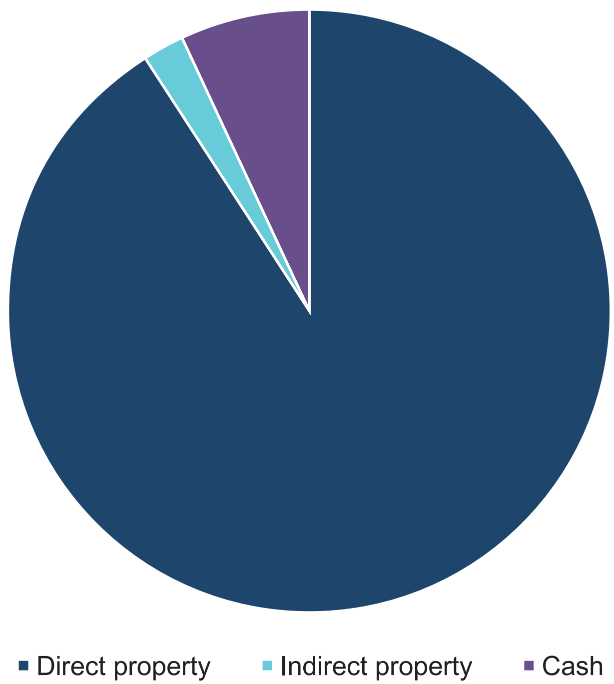
Source: Columbia Threadneedle Property Investments & MSCI/AREF UK Quarterly 'All Balanced' and 'Managed' Property Fund indices as at 31 December 2021.

Portfolio Characteristics

Net Fund Value	£2,267 million
Asset exposure	Property, Cash, Indirect
Cash	11.3%
Indirect	2.2%
Number of properties excl indirect	265
Average lot size	£7.5 million
Total gross passing rent	£107.5 million p.a.
Number of tenancies	1,563
Key tenants	Top 10 tenants form 19.5% of total rent roll.

	TPEN	MSCI Monthly Index
Net Initial yield	4.9*	4.2
Equivalent yield	6.4	5.4
Average term to break	4.8	6.5
Vacancy rate	12.1**	9.8

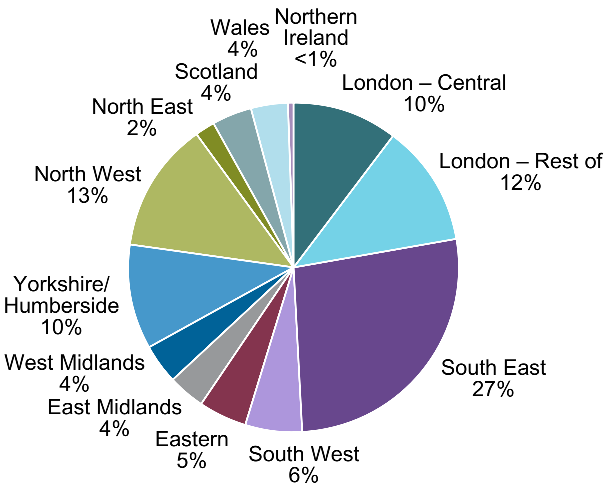
Fund composition



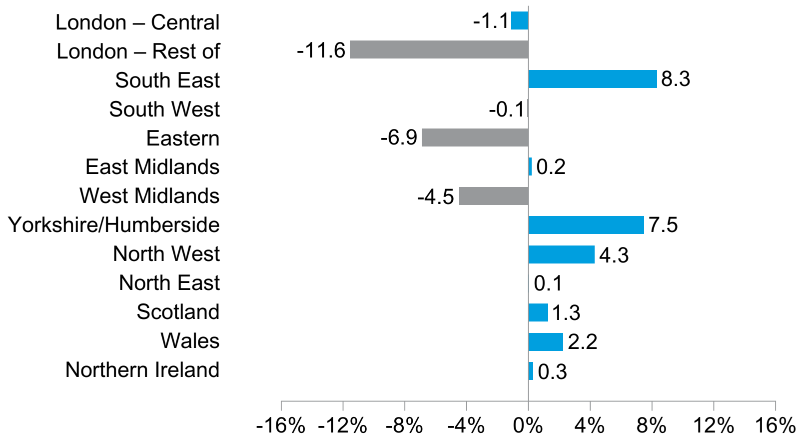
Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 31 December 2021
*Source: CBRE independent valuation as at 31 December 2021
**Source: MSCI UK Monthly Property Index as at 31 December 2021

Portfolio Sector and Geographical Positioning

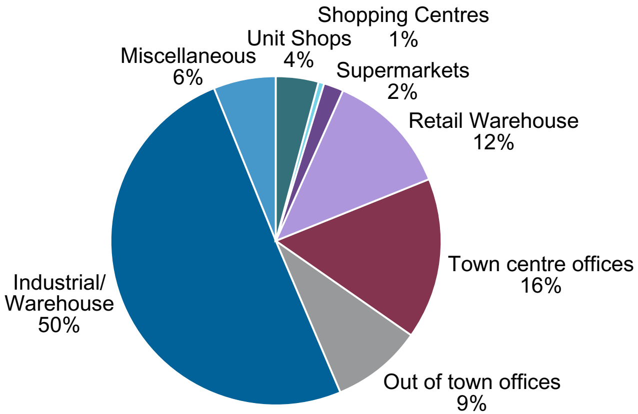
Portfolio weighting – geographical split



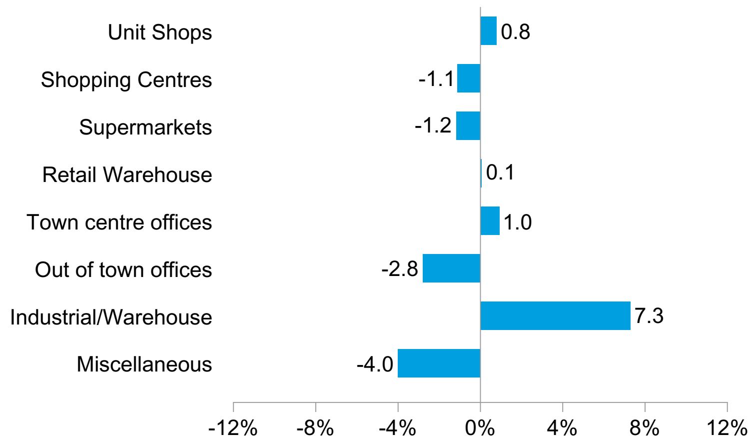
Relative portfolio weighting (%) versus MSCI Monthly Index



Property weighting – sector distribution



Relative portfolio weighting (%) versus MSCI Monthly Index

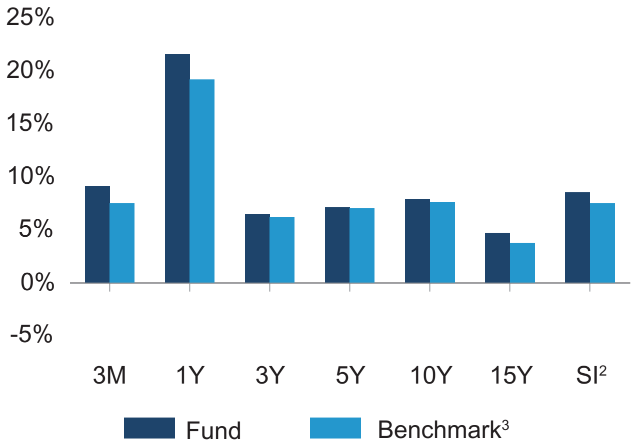


Source: Columbia Threadneedle Investments and MSCI UK Monthly Property Index as at 31 December 2021
*Source: Retail (Unit Shops) overweight skewed by significant London retail/office holdings (including Heals Building & South Molton Street).

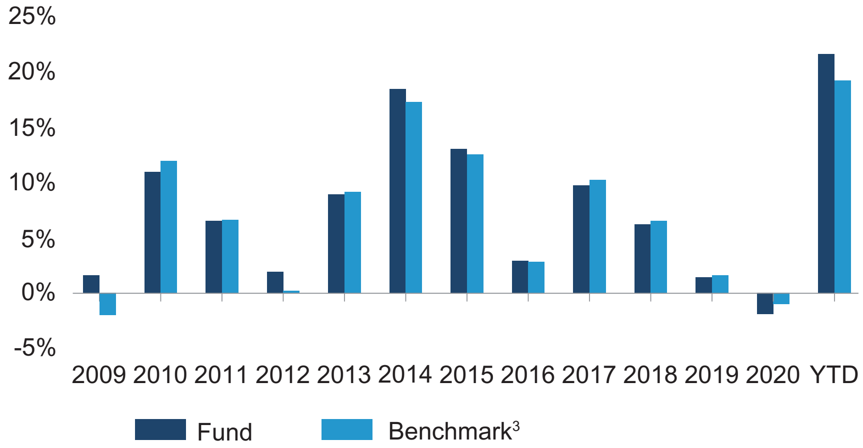
Performance

Long Term Performance

Discrete periods[1]



Calendar Years



Fund Performance **Annualised Performance**

	3M %	YTD %	1Y %	3Y %	5Y %	10Y %	15Y %	SI* %
Fund	9.1	21.5	21.5	6.5	7.1	7.9	4.7	8.5
Benchmark**	7.5	19.1	19.1	6.2	7.0	7.6	3.8	7.5
Relative (Arithmetic)	1.5	2.0	2.0	0.3	0.1	0.3	0.9	1.0

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)
Deeside	Deeside Industrial Park	Industrial / Warehouse	50-100
Chelmsford	Boreham Airfield	Miscellaneous	50-100
Sittingbourne	Spade Lane D/Cen	Industrial / Warehouse	50-100
Watford	Penfold Works	Industrial / Warehouse	25-50
South Ockendon	Arisdale Avenue	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
Wimbledon	Wellington	Out of Town Office	25-50
Woodford	400 Rodding Lane	Industrial / Warehouse	10-25

Tenant

	% of rents passing
Next PLC	3.3
Liberty global (Virgin Media)	3.2
Heidelberg Cement AG	2.3
Magnet Limited (NOBIA AB)	2.1
Travis Perkins PLC	1.8
John Lewis PLC	1.6
Co-Operative Group Limited	1.4
Currys PLC	1.3
Invesco Limited	1.3
Wilkinson	1.3

Source: Columbia Threadneedle Investments as at 31 December 2021

Investment Activity – Key Purchases and Sales Over Q4 2021

Property	Quarter	Sector	Price (£m)	Net Initial Yield
Purchases				
Eastgate Retail Park, Accrington	Q4 2021	Retail Warehouse	2.5-5	7.8%
The Quadrant, Richmond	Q4 2021	Unit Shop	5-10	6.4%
Clarence House, Manchester	Q4 2021	Town Centre Offices	5-10	5.8%
Sales				
230 Newmarket Road, Cambridge	Q4 2021	Miscellaneous	5-10	N/A
2/6 St Sepulchre Gate, Doncaster	Q4 2021	Unit Shop	0-2.5	N/A
St Ebbes Street, Oxford	Q4 2021	Unit Shop	0-2.5	N/A
Heals Building, London	Q4 2021	Town Centre Offices	100-150	N/A
Brickyard Road, Walsall	Q4 2021	Industrial / Warehouse	0-2.5	N/A
Ramsden House, Huddersfield	Q4 2021	Unit Shop	0-2.5	N/A
Old Kent Road, London	Q4 2021	Unit Shop	2.5-5	N/A

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

Responsible Investment
Portfolio highlights

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.25.8% Oct20-Sept21 compared to Oct19-Sept20, associated carbon emissions reduced by 25.8%
- Absolute electricity consumption decreased by 57% and gas consumption decreased by 85% Jul-Sept21-on-Jul-Sept20

Improving asset energy performance

- c.45% of the portfolio rated EPC A-C (Jan 2022)
- 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
- 24 refurbishments completed over the last 12 months, deploying capital totalling c.£8.2 million

Source: Columbia Threadneedle Investments, as at 31 December 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: business update

ENVIRONMENTAL

- UKRE Net Zero pathway published August 2021
- Fund Net Zero pathway published October 2021
- Top 20 assets: Net Zero and Sustainability reports
- Updated reporting suite drawing together KPIs

SOCIAL

- Annual tenant engagement surveys
- On-going engagement with largest tenants to improve FRI data sharing
- Social Value Framework embedded within our Refurbishment Guide

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 December 2021.

Net Zero: The regulatory environment
Key milestones

June 2019: UK becomes first major economy to pass laws to end its contribution to global warming by 2050

CTI ACTION: UKRE RI Policy Statement & Refurbishment Guide introduced

CTI ACTION: UKRE ‘Pathway to Net Zero’ published. ESG teams restructured. Reporting improved & updated

KEY TARGET: MEES EPC ‘E’ rating required

KEY TARGET: MEES EPC ‘C’ rating required

KEY TARGET: MEES EPC ‘B’ rating required

LEGISLATIVE LONGSTOP: Net Zero carbon emissions within portfolios by 2050

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

TCFD: recommends disclosure on how organisations are addressing climate related risks and opportunities covering:

- Governance,
- Risk Management,
- Metrics and Targets

SECR (2019): Energy Use and Scope 1 & 2 emissions reporting introduced

SFDR: Sustainability risk integrated into investment and risk management processes (from March 2021) Adverse impacts to sustainability factors to be made (from Jan 2022)

2019 2020 2021 2022 2023 2024 2025 2027 2030 2040 2050

Source: Columbia Threadneedle Investments, as at 31 December 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, 31 December 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 December 2021.
UN logos. Use does not imply UN endorsement of this fund. Use for promotion of the SDGs. The mention of any specific shares or bonds should not be taken as a recommendation to deal.

Responsible Investment: implementation

Bespoke Fund targets

All Funds operate within the overarching principles enshrined by the UK Real Estate 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?
- 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.93%
- Rated E or above represent c.92% of the portfolio
- Rated C or above represent c.45% of the portfolio
- 24 works refurbishment projects completed (past 12 months)

Note: As at January 2022

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

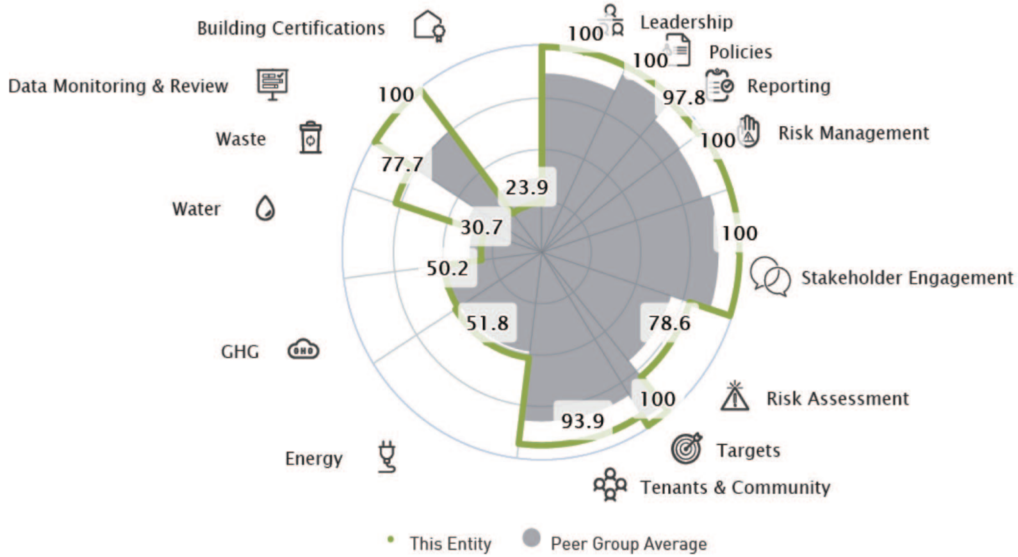
Source: Columbia Threadneedle Investments, as at 31 March 2021, unless stated otherwise. Note: *data as at January 2022.

Threadneedle Pensions Limited Pooled Property Fund

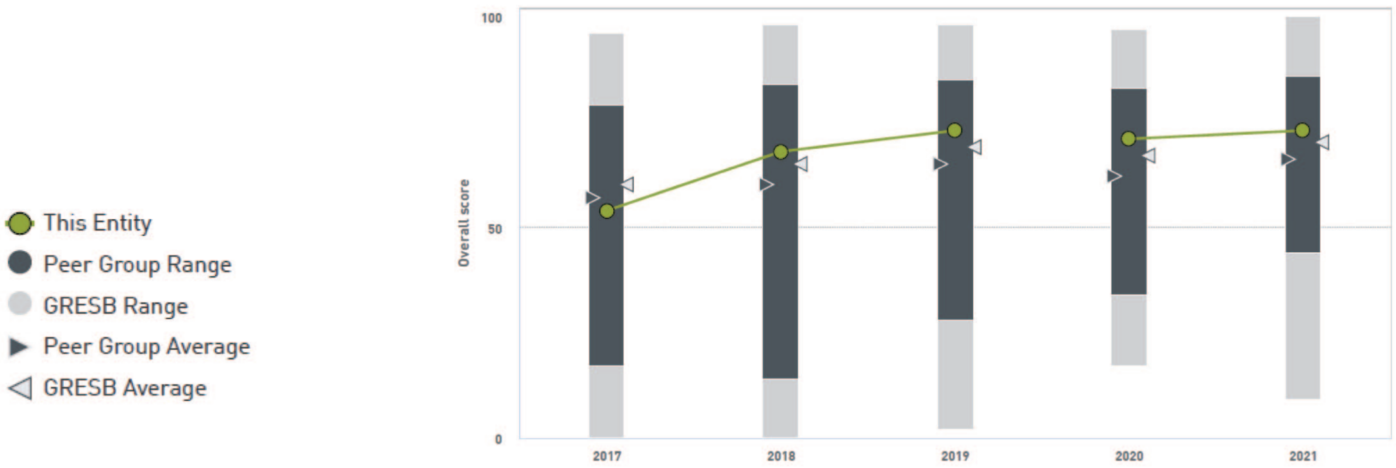
Responsible investment GRESB – 3 stars

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).



GRESB ★★★☆☆ 2021



Source: GRESB Benchmark Report 2021. All intellectual property rights in the brands and logos set out in this slide are reserved by respective owners.

Net Zero: Our corporate commitment

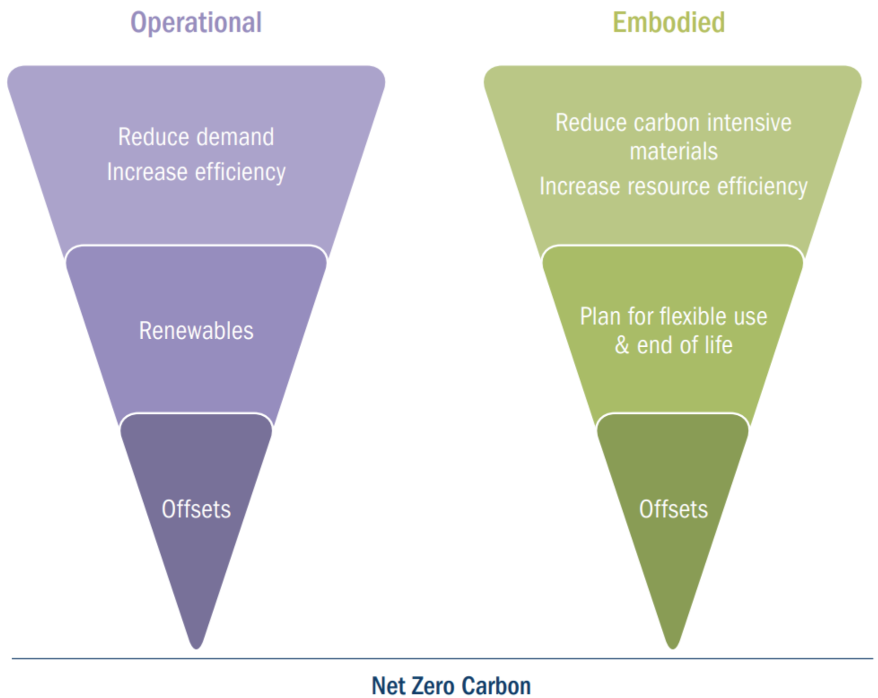
The UK Green Building Council defines net zero carbon (operational energy) as:

"When the amount of carbon emissions associated with the building's operational energy on an annual basis is zero or negative. A net zero carbon building is highly energy efficient and powered from on-site and/or off-site renewable energy sources, with any remaining carbon balance offset."

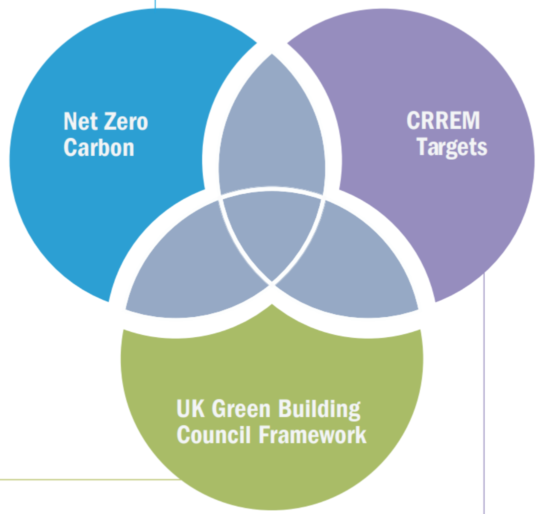
It defines net zero carbon (construction energy) as:

"When the amount of carbon emissions associated with the building's product and construction stages up to practical completion is zero or negative through the use of offsets or the net export of on-site renewable energy."

The hierarchy for action in order to achieve this position is widely agreed to be:



Our commitment is to achieve net zero carbon across all of the commercial real estate assets managed for our clients by 2050 or sooner. This commitment covers whole building emissions including our occupiers. Each fund will set interim targets in order to measure and drive our progression towards the ultimate 2050 target.



To achieve net zero, we are committed to the principles defined by the UKGBC Framework, using the energy hierarchy framework to drive down the demand of our properties to energy intensity levels that are "Paris proof". We will increase renewable energy supply and only consider verified offsetting as the final step.

CRREM modelling determines our trajectory to reduce the operational carbon and energy intensity of our landlord-controlled emissions (Scope 1 and 2) by **60%** (according to UKGBC framework estimates of the total reductions required) against a 2019 base year.

Source: Columbia Threadneedle Investments UK Real Estate Net Zero Strategy & Pathway, August 2021

Net Zero: Fund pathways

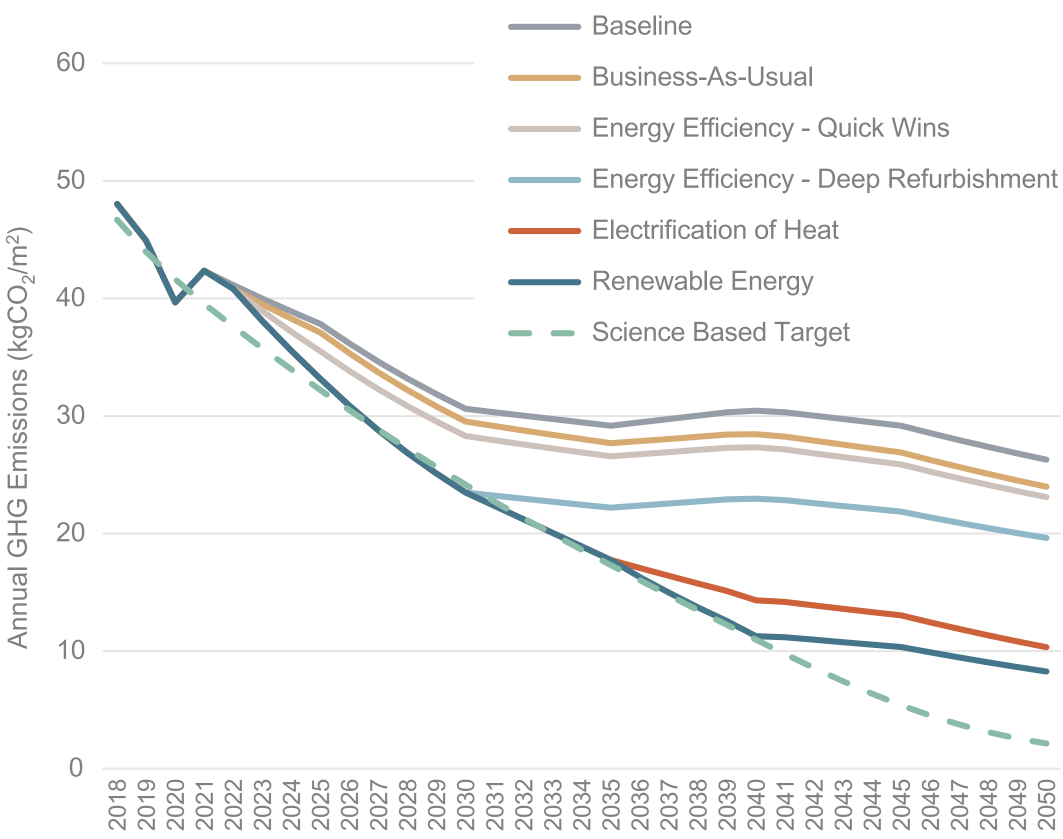
A road map to eliminate carbon from our investment portfolios

Actions to achieve Net Zero within the investment portfolio are already well underway:

Action	EVORA Modelled time	EVORA Modelled cost	Est. Energy consumption Savings
Quick wins	2023-40	£5.0m	4%
Major asset refurbishment	2023-40	£64.6m	15%
Use of renewables	2036-40	£29.9m	12%
Electrification of heat	2031-40	£93.0m	22%
Cumulative cost & saving impact		**£192.5m / £10.7m pa**	**54%**

- In 2017-2021 TPEN completed **191** capital projects investing an average **c.£19.5 million** per annum in building improvements
- Cap exp. budgeted for 2022 is **c.£37.8 million**

TPEN Annual Carbon Intensity

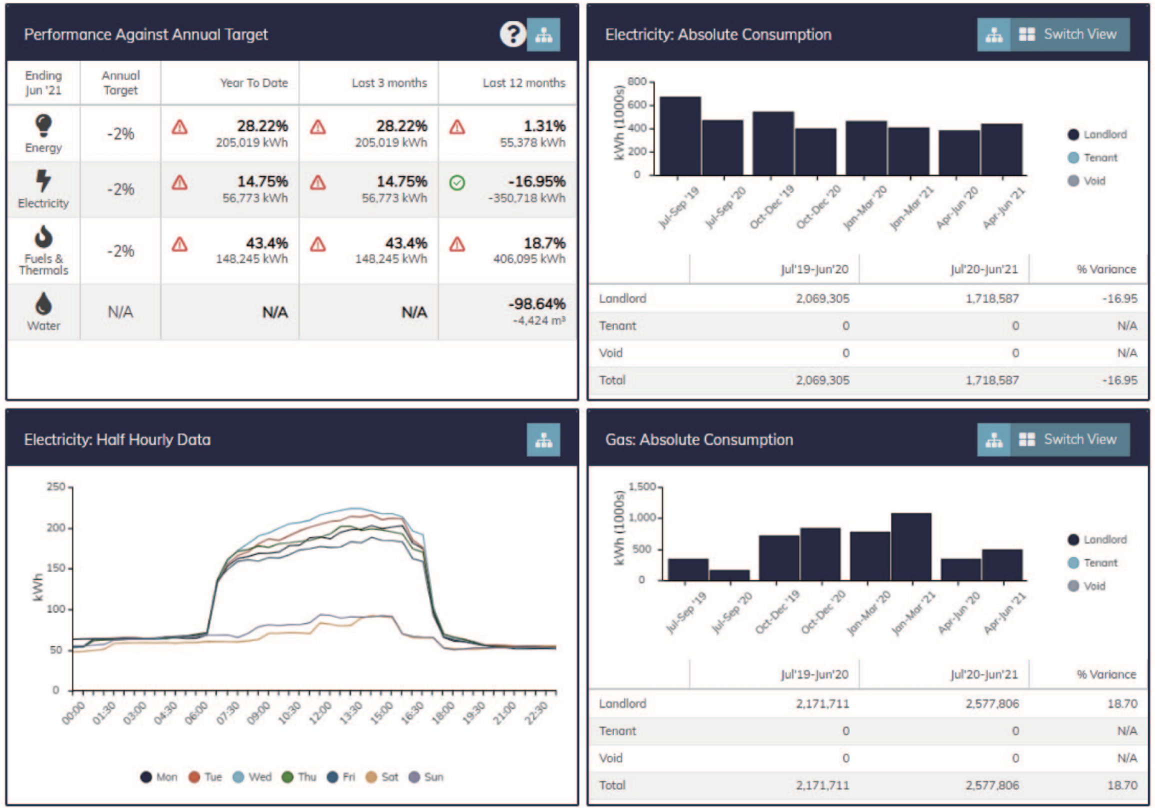


Source: EVORA Net Zero Target, TPEN Fund, October 2021 (Utilising 2019 Baseline)

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.

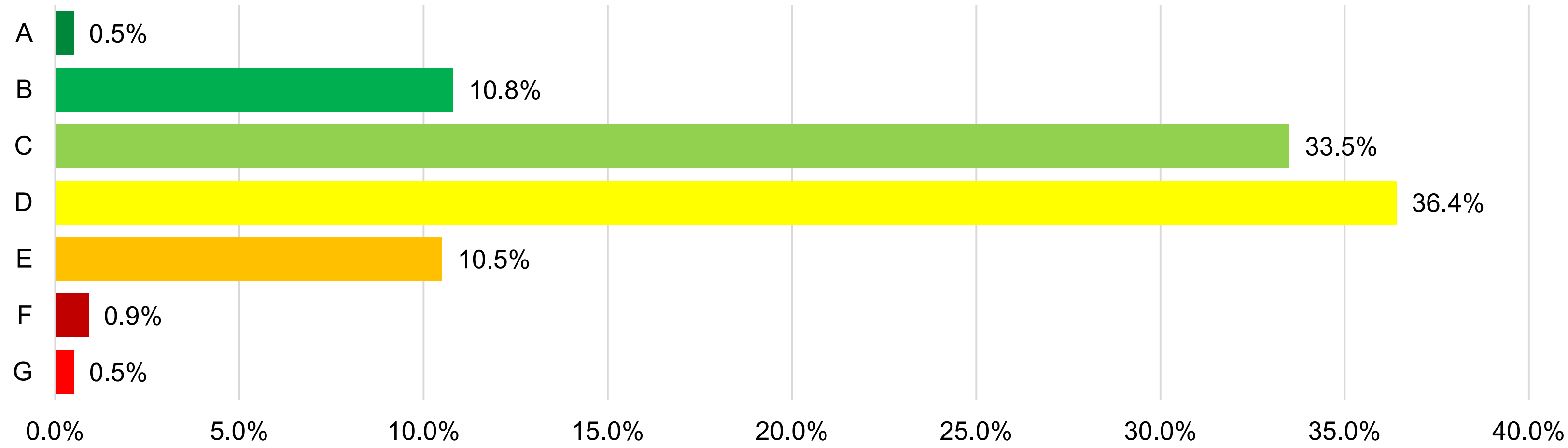


Source: Columbia Threadneedle Investments, as at 30 June 2021.

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.45% 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 January 2022.

ESG framework

TPEN case study – environmental

8 Park Row, Leeds

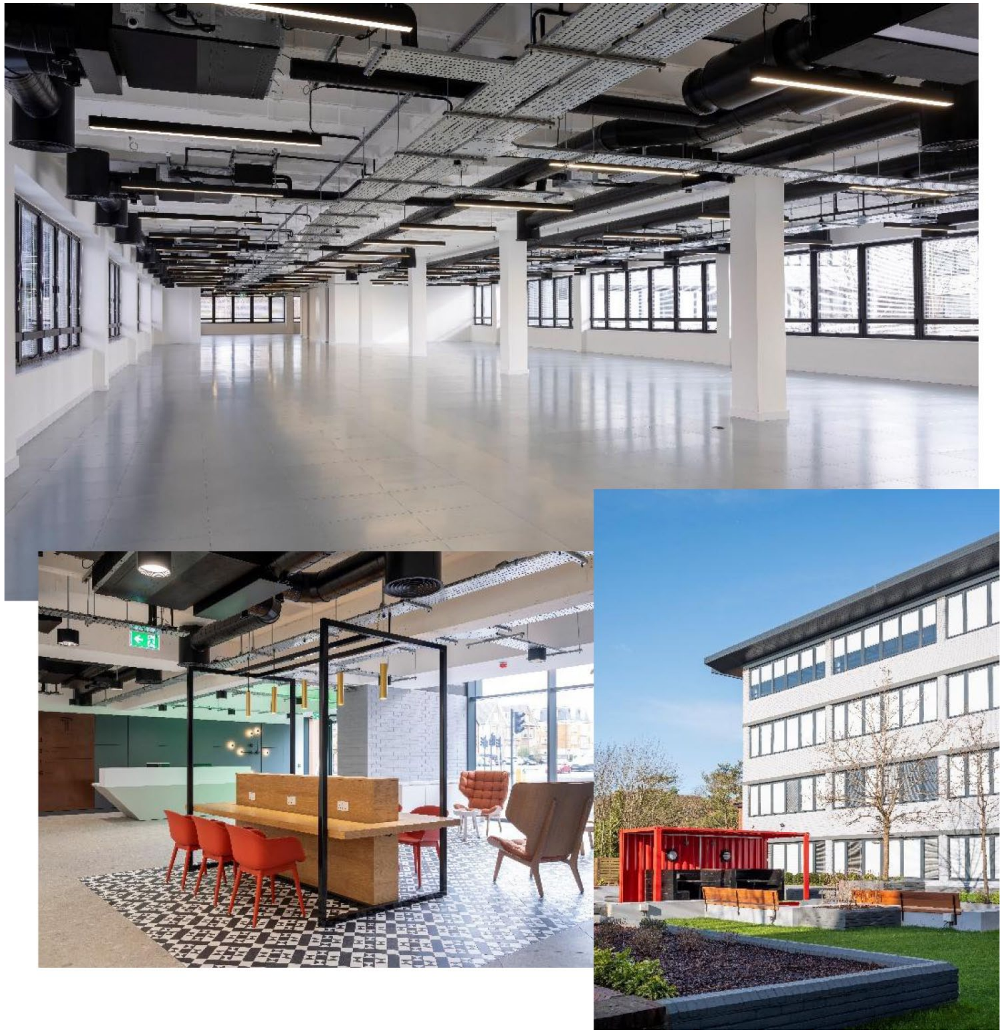
- The Fund strategically obtained vacant possession of this core 26,760 sq ft Leeds city centre office in April 2020 to undertake a comprehensive refurbishment of the building in order to re-market at an enhanced rent.
- The refurbishment includes CAT A office specification, the creation of a communal 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

T Bromley, Bromley

- This 52,550 sq ft multi-let office building in Bromley has undergone a comprehensive Grade A refurbishment by the Fund significantly improving it's ESG credentials and on-site amenity.
- The asset offers occupiers best in class office accommodation and upon re-letting the Fund anticipates to achieve market leading rental levels.
- Significantly improved the energy performance of the asset from and EPC rating of E/F to B.
- New specification included:
  - New LED lighting with perimeter daylight dimming fittings
  - Removal of wet heating system and replacement with new heating/cooling systems with heat recovery
  - Electric panels heaters where required
  - Removal of gas supplies
  - Water heating by localised water boilers, rather than a central boiler
  - Provision of new cycle storage, shower and changing facilities
  - Electric vehicle charging points fitted in car park
  - New landscaping to courtyard garden
  - New garden meeting pod and seating for occupiers
- Extensive refurbishment completed July 2020.



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.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio EPC data

	2020	2021 (as at January)	Indicative Target
Property assets	268	273	–
Rateable units	1,379	1,348	–
EPC coverage (% rateable units)	89.8%	93.1%	100%
EPC rated A (% rateable units)	0.5%	0.5%	>25%
EPC rated B (% rateable units)	7.5%	10.8%	>50%
EPC rated C (% rateable units)	33.4%	33.5%	<25%
EPC rated D (% rateable units)	35.6%	36.4%	0% by end 2030
EPC rated E (% rateable units)	9.6%	10.5%	0% by end 2030
EPC rated F (% rateable units)	1.5%	0.9%	0% by end 2022
EPC rated G (% rateable units)	1.0%	0.5%	0% by end 2021

Source: Columbia Threadneedle Investments. TPEN direct property portfolio. All data as at January 2022, unless otherwise stated.

Threadneedle Pensions Limited Pooled Property Fund

Portfolio energy consumption data

	2018	2019	2020	2021	Target
Property assets	287	282	274	tbc	n/a
Landlord managed assets (S/C)	117	117	114	tbc	n/a
Data coverage: landlord-managed assets (gross floor area)	86%	85.5%	89.3%	tbc	100%
Tenant managed assets (FRI)	170	165	160	tbc	n/a
Data coverage: tenant-managed assets (gross floor area)	13%	18.5%	19.9%	tbc	TBA
Data coverage: whole portfolio (gross floor area)	52%	54.5%	58.2%	tbc	TBA
Total portfolio energy consumption – absolute	46,035,566 kWh (-1.43%)	52,388,890 kWh (14.24%)	32,900,067 kWh (-28.61%)	tbc	TBA
Total portfolio electricity consumption – absolute	33,461,837 kWh (-7.50%)	36,182,812 kWh (8.13%)	20,102,857 kWh (-44.44%)	tbc	TBA
Total portfolio gas consumption – absolute	12,573,729 kWh (0.34%)	16,206,078 kWh (28.39%)	12,797,210 kWh (-21.03%)	tbc	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

	2018	2019	2020	2021	Target
Property assets	287	282	274	tbc	n/a
Landlord managed assets (S/C)	117	117	114	tbc	n/a
Data coverage: landlord-managed assets (gross floor area)	86%	85.5%	89.3%	tbc	100%
Tenant managed assets (FRI)	170	165	160	tbc	n/a
Data coverage: tenant-managed assets (gross floor area)	13%	18.5%	19.9%	tbc	TBA
Data coverage: whole portfolio (gross floor area)	52%	54.5%	58.2%	tbc	TBA
GHG emissions – absolute (year on year % difference)	46,035,566 kWh (-1.43%)	52,388,890 kWh (14.24%)	32,900,067 kWh (-28.61%)	tbc	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

		2018	2019	2020	2021	Target
Property assets		287	282	274	tbc	n/a
Landlord managed assets (S/C)		117	117	114	tbc	n/a
Data coverage: landlord-managed assets (gross floor area)	Water	39.4%	32%	34.6%	tbc	100%
	Waste	86.1%	33%	40.8%	tbc	100%
Tenant managed assets (FRI)		170	165	160	tbc	n/a
Data coverage: tenant-managed assets (gross floor area)	Water	0	4%	14.3%	tbc	TBA
	Waste	0	4%	11.4%	tbc	TBA
Data coverage: whole portfolio (gross floor area)	Water	21.6%	22.0%	25.1%	tbc	TBA
	Waste	13.5%	26.8%	27.1%	tbc	TBA
Total water consumption – absolute		88,180 m^3	232,058 m^3	192,443 m^3	tbc	TBC
Total waste consumption – absolute		1,634 tonnes	3,247 tonnes	3,321 tonnes	tbc	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)	2022 (January)	Target
Property assets	253	261	n/a
Low	192 78.8%	200 79.4%	TBA
Medium	52 17.8%	52 17.8%	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	Riverbridge House, 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 January 2022 unless otherwise stated.

Fund Prospects

As at the end of 2021, there continues to be significant global capital targeting the UK commercial property sector as all investment markets recover following the shock of the global pandemic.

In the 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 £2.267bn 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.£107.5m 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 (4.9%* versus 4.4%[1]).
  - Maximum diversification at portfolio level, with 265 properties and 1,237 tenancies.
  - Highly liquid average lot size of c.£7.5m.
  - Strategic portfolio positioning, with a focus on the strongest underlying sub-sectors (c.54%* 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 31 December 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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