

Fund Factsheet: Q2 2023

A Fund managed by Swiss Life Asset Managers UK

PITCH

Property Income Trust For Charities

The Property Income Trust for Charities (PITCH) helps 1,200 charities to invest in property in an ethical, responsible and tax-efficient way.

Fund Key Data

Gross asset value	£650.36m
Net asset value	£556.07m
Number of assets	48
Vacancy rate	6.1%
Weighted Av. Unexpired Lease Term (to breaks)	6.1 years
Distribution History (p.p.u - pence per unit)	
Apr 2023	0.358 p.p.u.
May 2023	0.574 p.p.u.
Jun 2023	0.361 p.p.u.
Borrowings (GAV)	14.3%
Total expense ratio (GAV)	0.68%
Portfolio turnover ratio	-6.7%
EPC ratings A-C (based on area)	88.8%
Year End	31 December
Sedol number	B0517P1
ISIN number	GB00B0517P11

Market Update

Total returns from the property market improved in Q2 relative to the first quarter as the pace of capital declines moderated. However, transactional volumes in H1 2023 stand at £8.5bn which is circa 42% below the 10-year average due to the continuing impact of a higher interest rate environment.

Once again, performance across sectors remains polarised with industrials, retail warehousing and the living sectors outperforming due to favourable supply-demand fundamentals and a continuation of rental growth. This remains firmly at odds with the office sector, which recorded negative capital growth of -4.1% dragged down by the performance of secondary offices as investors grapple with the implications posed by net zero commitments and increased hybrid working.

At present tenant demand has not been noticeably impacted by the current economic climate and we have been encouraged by letting activity across the PITCH portfolio with seven new leases completed in Q2. Rising costs and regulatory impacts though are beginning to influence occupier requirements with an increasing focus on sustainable buildings which offer strong energy efficiency credentials.

Fund Performance

PITCH returned 1.1% in Q2 comprised of -0.5% capital growth and 1.6% income return. Consistent with the market, capital growth was derived from the Fund's industrial and retail warehouse assets but offset by valuation falls in offices.

It was a particularly strong quarter for income which rose by 20% quarter-on-quarter due to a reducing vacancy rate and the impact of a successful surrender negotiation on a building in Solihull. The Fund's longer term performance at

Key Statistics

£650m
Gross Asset Value

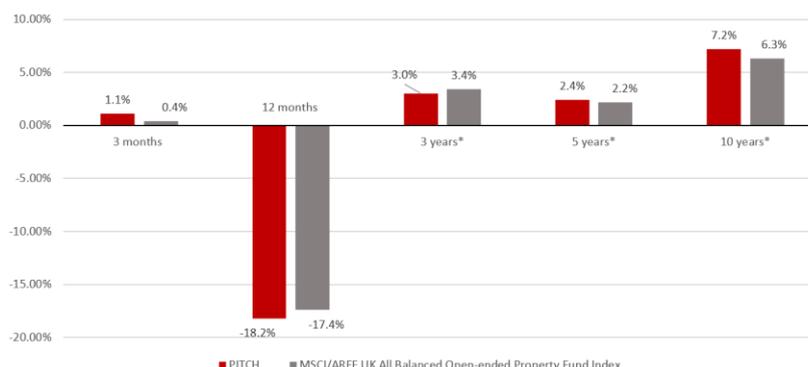
5.7%
Fund Yield
(Rolling 12-months
as % of NAV)

14.3%
Borrowings
(GAV)

6.1%
Vacancy Rate

6.1
Weighted
Unexpired
Term (years
to break)

Fund Returns (30 June 2023)



7.2% annualised over ten years remains well above the wider market as measured by the MSCI/AREF UK All Balanced Open Ended Index, which returned 6.7% over 10 years.

Fund Liquidity

The Fund attracted £12.2m of new subscriptions in Q2 with redemptions limited to only £5.7m. Together with receipts from three sales (see below), this increased cash to £44m. The Fund has a £26m loan that matures in December 2023, which based on current interest rates, is likely to be repaid. This will reduce the LTV to circa 10%.

Acquisitions & Disposals

There were no new acquisitions in Q2, however, the Fund has placed under offer a number of 'eco home' residential opportunities in Sheffield and Leeds. Together with existing acquisitions in hand at Godalming, this will increase PITCH's allocation to residential to circa 3.5% of portfolio value, approaching the initial allocation of 5%.

As previously reported, the Fund completed two office disposals in Q2 in Guildford and Bristol for a combined total of £21m, transacting at a small discount to valuation. Both sales were implemented following completion of successful asset management, resulting in significant rental increases. The office weighting now stands at 28.6%.

Asset Management

PITCH had an active and successful quarter for leasing activity completing seven lettings, two lease renewals and two rent reviews, which have added circa £900,000 of new annual income to the portfolio. The particularly pleasing aspect is the level of real rental growth delivered from these initiatives with two warehouse lettings in Avonmouth and Northampton having delivered 6.5% pa and 6.4% pa growth respectively over five years. A further rent review on a warehouse in Coventry delivered 5.6% pa growth. This compares with CPIH growth (inflation) of 4.4% pa in the five years to May 2023. In our view, this reinforces the

value of an active management approach rather than relying too heavily on long leases with indexation.

As a result of these activities, the vacancy rate has fallen to 6.1%, which remains well below the MSCI Monthly Index void rate of 11.1%. It should also be noted, the Fund is not expecting any material vacancies over the coming 12 months.

ESG

Swiss Life Asset Managers UK has launched a social value initiative in partnership with PITCH titled 'Empowering Places 2023' aimed at bringing about positive societal benefits in locations in which the Fund invests. This 'place based' strategy will support local community initiatives and charities with three key focus areas: 1) creating healthy, sustainable and inclusive communities; 2) promoting access to education and skills for underserved groups and 3) creating an inclusive economy within our value chain. This commitment comprises a total of £20,000 for the first year.

Fund Outlook and Strategy

As demonstrated by the success of its leasing activity and strong income return, PITCH is proving resilient to the impact of higher interest rates and the weak economic environment. We believe that this is an endorsement of the high quality, thematic nature of the portfolio and our active management approach, which is now being borne out through a reduced vacancy rate and most importantly, through the delivery of strong rental growth, in many cases ahead of inflation.

Whilst further rate rises look possible, investors continue to be drawn to those sectors and assets offering secure income and rental growth, most notably the industrial, retail warehouse and living sectors, where pricing looks fairly valued. This is in contrast to the office sector, where the spread between prime and secondary assets is growing, in particular those requiring capital expenditure to meet upcoming new Minimum Energy Efficiency Standards (MEES).

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Although PITCH has a reasonable weighting to offices, in the main these are high quality buildings in well located, thematic locations which have been substantially refurbished in recent years to meet current occupier demand. This is evidenced by the EPC ratings across the PITCH office portfolio, of which 65% are rated A-B and the remainder C. An asset management plan is in place to ensure compliance by the upcoming MEES deadlines.

With PITCH's income focused strategy, we expect the Fund to deliver positive total returns over the remainder of the year and into 2024. The Fund continues to add new income to the portfolio and the defensive quality of our tenants compares favourably with our peers - PITCH is currently ranked in the upper quartile of the MSCI/AREF UK All Balanced Open Ended Index by weighted credit rating of its tenants. This should protect PITCH against tenant defaults in the face of any corporate headwinds.

Simon Martindale – Fund Director

Asset Management – Rockingham Gate, Avonmouth



PITCH completed a letting to a substantial inventory management company, ByBox, on a new ten year lease with a tenant break option in the fifth year. The agreed rent of £213,826 pa delivered a 33% increase against the previous passing rent. Due to the strength of the local market no rent free period was agreed. The lease is subject to long lease clause provisions.

Sale – Toledo Drive, Coventry



The Fund negotiated a successful rent review on its warehouse in Coventry resulting in a 28% rental increase to £742,500 pa. This comfortably exceeds the expected rent increase at purchase by 14% and is an endorsement of the thematic quality of the warehouse and its attractiveness to occupiers. We expect further rental growth to be delivered at the next lease event given its strong location in the heart of the prime UK logistics market income ahead of inflation by 5.1% pa.

Five Largest Assets (by value)

Bristol, Paragon	5.3%
Newmarket	4.5%
Doncaster	4.3%
Doncaster, West Moor Park	3.9%
Hook	3.5%

Five Largest Tenants (by income)

BT Plc	5.6%
Premier Inn Hotels Ltd	4.8%
Wincanton Holdings Ltd	4.4%
Asos.com Ltd	3.2%
Sky CP Ltd	3.1%

Tenant Risk Rating (by rent)

Minimal risk	33.7%
Lower than average	49.1%
Higher than average	9.0%
High risk	8.2%

2022 GRESB RESULTS



GRESB SCORE	75/100
OVERALL SCORE PEER COMPARISON	18th out of 80
ESG BREAKDOWN	
ENVIRONMENTAL	38/62
SOCIAL	18/18
GOVERNANCE	19/20

EPC Profile

EPC Rating	Portfolio by floor area %
A	19.1
B	25.3
C	44.4
D	11.2
E, F & G	0
Coverage	100



Lease Length (by rent)

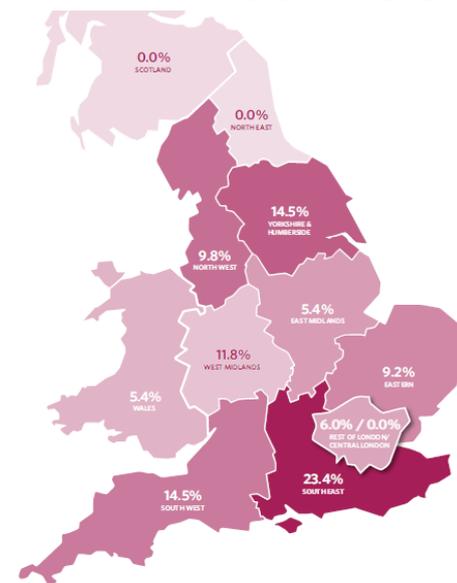
0-5 years	56.8%
5-10 years	27.5%
10-15 years	10.1%
15-20 years	1.1%
20+ years	4.5%

Portfolio Distribution (by sector)

Industrial	43.9%
Office	28.6%
Retail Warehouse	14.3%
Retail	3.3%
Other	9.9%

Rent subject to fixed uplifts	25.4%
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Portfolio Locations (geographic weightings)



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