Fund Factsheet: Q4 2022

A Fund managed by Mayfair Capital

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.

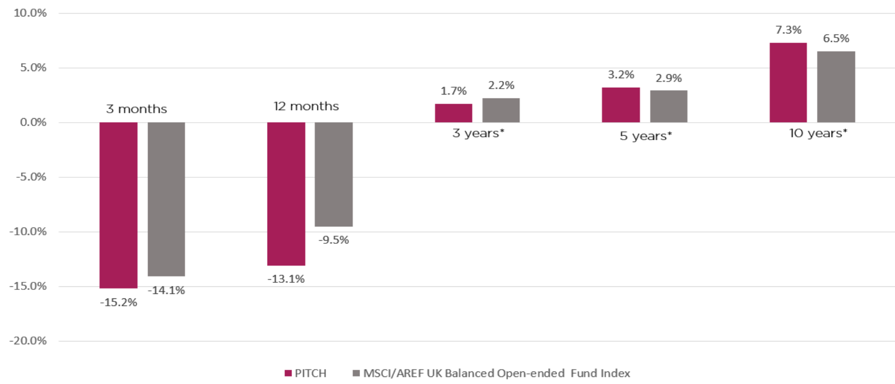
Fund Key Data

Gross asset value	£671.70m
Net asset value	£578.12m
Number of assets	50
Vacancy rate	6.7%
Weighted Av. Unexpired Lease Term (to breaks)	6.4 years
Distribution History	
Oct 2022	0.390 p.p.u.
Nov 2022	0.328 p.p.u.
Dec 2022	0.397 p.p.u.
Borrowings (GAV)	13.8%
Total expense ratio (GAV)	0.65%
Portfolio turnover ratio	-2.6%
EPC ratings A-C (based on area)	93.6%
Year End	31 December
Sedol number	B0517P1
ISIN number	GB00B0517P11

Key Statistics

£672m	5.3%	13.8%	6.7%	6.4
Gross Asset Value	Fund Yield (Rolling 12-months as % of NAV)	Borrowings (GAV)	Vacancy Rate	Weighted Unexpired Term (years)

Fund Returns (31 Dec 2022)



Market Update

The pace of valuation declines accelerated in Q4 as the market adjusted to a higher interest rate environment. This has been felt across all sectors; however, the steepest declines have been on lower yielding "growth" assets, where the risk premium over gilts has looked most exposed to rising rates. This includes industrial warehousing, which as implied by its lower yields, has been one of the strongest performing sectors over the past five years due to a continued structural shift to online retail, low levels of supply and excellent rental growth prospects. In the six months to 31 December 2022, industrial capital values have fallen by 26.7% according to the MSCI Monthly Index, however, this follows a sustained period of strong growth including 29% in 2021 alone.

This market correction has, to date, been driven almost entirely by capital market impacts. This has been compounded by a higher proportion of sellers, particularly defined benefit pension funds, which have been actively reducing allocations to property because of large falls in values in other asset classes. Despite looming recessionary pressures, occupational markets remain robust particularly for high quality, thematically aligned sectors with low vacancy rates such as warehousing. Consequently, this sector remained the most liquid in Q4 despite suffering the steepest valuation falls.

Fund Performance

Given its high weighting to industrial property and other thematic "growth" assets, the valuation of the PITCH portfolio fell by -15.8% in Q4. As explained above, the largest contribution came from the Fund's warehouse assets which decreased by -18% providing a total reduction over six months of -25%. Given its correlation with industrial property, retail warehousing was the next weakest performing, falling by -16.5% over the quarter and -20% over six months. The most resilient sector was residential where values remained flat.

Despite these capital impacts, there was strong income performance in Q4 due to successful letting activity (see below) and a continued reduction in the portfolio void rate. Underlying distributions (per unit) increased by 6.8% over the quarter with total 2022 distributions 7.3% higher than 12 months ago. We believe this reflects the high quality nature of the portfolio which has been enhanced in the past 24 months by an active sale and acquisition programme to align the Fund with investments able to command enduring tenant demand.

In overall terms, the Fund delivered a total return of -15.2% in Q4, equating to a full calendar year return of -13.1%. PITCH is not managed on a benchmark relative basis but the MSCI/AREF UK All Balanced Open-Ended Index returned -14.1% and -9.5% respectively over the same time periods. We think this underperformance is due to a combination of PITCH's overweight exposure to "growth" assets and the general lag in valuations across the market as valuers react to sales evidence. PITCH continues to generate an attractive long term performance track record with an annualised return over 10 years of 7.3%, which is 80 bps above this Index.

Fund Liquidity

We have continued to take a responsible approach to liquidity management and as such the Fund remains open for subscriptions and redemptions. Total cash at the end of December stood at £42m comprising 7.3% of NAV. All Q4 redemptions will be paid out at the usual time at the end of January 2023.

Acquisitions & Disposals

The Fund continued to allocate to the residential sector in Q4 with completion of a new build block of nine flats in Lichfield and five new build houses in Mansfield. Given the ongoing strength of the rental market 74% of the portfolio is already let, increasing to 85% including those units under offer.

Further residential investments are planned for 2023 to enhance portfolio diversification and take advantage of attractive buying opportunities.

There were two completed sales in Q4 of a small restaurant investment in Esher for £1.1m, which sold via auction, and an office in Nottingham for £5.7m.

Asset Management

The Fund completed three successful lettings and two lease renewals in Q4 adding some £910,000 of new annual income to the portfolio. This included a large warehouse letting in Stockport, two office lettings in Cardiff and Leeds and lease renewals on offices in Manchester and Guildford. This had the effect of reducing the vacancy rate to 6.7%. A further £600,000 of letting income is under offer which, on completion, will reduce the void rate to 5.2%.

ESG

PITCH announced in December 2022 its interim and long-term targets in connection with its commitment for the portfolio to be net zero carbon by 2050 or sooner in line with a 1.5 degree pathway. This included a commitment to reduce the carbon intensity of the portfolio (kgCO2e/m2) by 31.5% across all scopes by 2030. See [link here] for further details.

Fund Outlook and Strategy

Given the ongoing occupational demand-side strengths of warehousing, and other sectors with low vacancy rates, we believe value reductions for high quality assets are approaching a floor and we expect to see a recovery in total returns in 2023 led by robust income returns. This will favour those portfolios with an overweight exposure to high quality, thematically aligned properties such as PITCH.

Conversely, we think there is potential for further valuation reductions on poorer, secondary assets and those where occupational demand is most

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vulnerable to a weakening economy, such as segments of the market reliant on discretionary consumer spending, e.g. high street retail, fashion parks, vehicle sales, etc. PITCH has negligible exposure to these segments of the market.

Our primary focus over the coming months is to continue to manage cash responsibly and to maximise income returns. The Fund now offers an attractive yield to new investors of 5.3% and with strong rent collection levels (99% in 2022) and a reducing void, this will be an important driver of returns over the next 12 months.

Simon Martindale - Fund Director

New purchase – Mansfield

PITCH completed the acquisition of five new build, three bedroom houses in Mansfield in November acquired at an attractive -12% discount to asking price. The properties form part of a 63-home development by Woodall Homes. The Fund has exchanged on a further 13 houses which are due for completion in Q1 and Q2 2023.

Asset Management – Oakleigh House, Cardiff

The Fund let the final floor at this 40,000 sq ft office in Cardiff in December following a comprehensive refurbishment, which improved the EPC to B (from D). Optical Express have taken a 12-year lease (with no breaks) at a rent of £236,400 pa receiving a nine month rent free period. This follows the successful lease extension to Sedgewick on the three upper floors. The property now generates a total rental income of £918,000 pa, having grown this from £570,000 pa at purchase in 2014.

Five Largest Assets (by value)

Bristol, Paragon	5.3%
Newmarket	4.1%
Doncaster, Trax Park	4.0%
Doncaster, West Moor Park	3.8%
Cardiff, Capital Quarter	3.7%

Five Largest Tenants (by income)

BT Plc	5.4%
CDS Superstores Ltd (t/a The Range)	4.8%
Premier Inn Hotels Ltd	4.7%
Wincanton Holdings Ltd	4.2%
Asos.com Ltd	3.1%

Tenant Risk Rating (by rent)

Minimal risk	41.9%
Lower than average	40.4%
Higher than average	10.7%
High risk	7.0%

2022 GRESB RESULTS

GRESB Rating

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	18.5
B	28.9
C	46.2
D	6.4
E, F & G	0
Coverage	100

Lease Length (by rent)

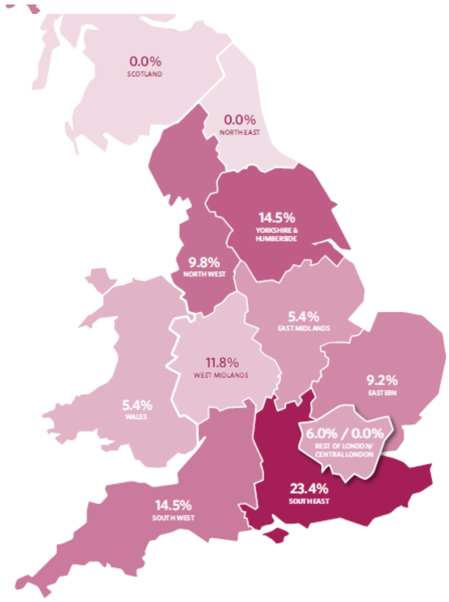
0-5 years	51.7%
5-10 years	31.6%
10-15 years	11.1%
15-20 years	1.3%
20+ years	4.3%

Portfolio Distribution (by sector)

Industrial	41.8%
Office	32.2%
Retail Warehouse	13.1%
Retail	3.2%
Other	9.7%

Rent subject to fixed uplifts	27.3%

Portfolio Locations (geographic weightings)



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