

### Fund Director's Commentary - James Thornton



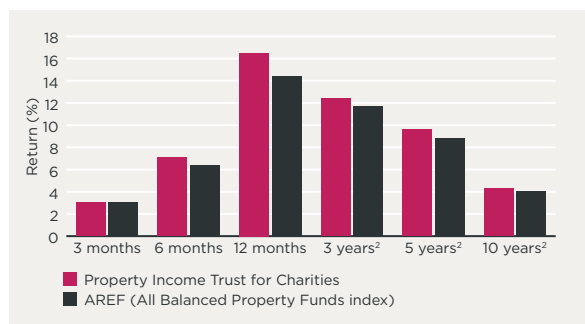
The UK economy expanded 0.7% over Q2 2015 up from 0.4% in Q1. Growth was driven by the service sector as construction output was flat and manufacturing activity fell marginally. Economic momentum is expected to be sustained in H2 2015 but next year the rate of expansion is expected to slow as households digest the first interest rate rise since 2007 and we see renewed fiscal tightening.

While inflation is likely to remain low for the rest of 2015 when previous falls in energy prices drop out of the annual comparison, inflation is expected to trend upwards. This will put pressure on the MPC and as a result, we anticipate a first interest rate hike early in mid-2016. Following this, slower economic growth is likely to ensure that the MPC raises rates gradually.

Against this backdrop, occupier demand for property has been improving and conditions for rental growth, continue to look favourable. In contrast, scope for further yield compression looks more limited but the expectation of rental growth in the context of a low interest rate environment means that property should be able to absorb a narrowing of the risk premium. Nevertheless, as yield compression draws to a close, capital growth and therefore, total returns will moderate.

Overall economic conditions appear relatively benign, but a number of headwinds remain. Externally, the UK remains vulnerable to events in Europe and emerging markets and at home, the EU referendum remains a risk to selected areas of the UK property market, such as London offices.

### Historic Fund Returns



Period	PITCH %	AREF <sup>1</sup> %
3 months	3.0	3.0
6 months	7.1	6.4
12 months	16.5	14.4
3 years <sup>2</sup>	12.4	11.7
5 years <sup>2</sup>	9.6	8.8
10 years <sup>2</sup>	4.3	4.0

Comparison against indices are for illustrative purposes only.

- All Balanced Property Funds Index
- Annualised returns

### Fund Review and Strategy

- The Fund returned 3.0% in Quarter 3, the AREF All Balanced Property Funds Index 3.0%.
- The distribution for the quarter amounted to 1.23 p.p.u. The historic yield for the previous twelve months now stands at 6%.
- Five transactions concluded during the quarter amounting to £44.7 million, two of which involved in specie and partial in specie transfers with investors. These comprise an office building in Milton Keynes and a warehouse / light industrial property in Havant. The Fund also acquired a second Travelodge investment in Norwich for £8.7 million yielding 6.2% in November (based on current RPI forecasts), a multi-let industrial in Hook for £13.0 million yielding 6.3%, and a final purchase being the Royal Mail warehouse in Peterborough for £15.7 million. This comprises a distribution unit with 16 years unexpired on the lease. Overall, these acquisitions yield 6.25% to the Fund.
- These purchases were funded through a combination of existing cash subscriptions and utilising the new borrowing facility entered into with Aviva. The Fund borrowed on an interest only fixed term basis for ten years at a rate of 3.1% (including margin). The LTV on the Fund now stands at 18.3% within the range agreed with the Fund's Investors' Committee.
- A number of asset management initiatives concluded, the highlight of which was the re-letting of a 60,000 sq ft warehouse unit at Bristol. DHL are entering into a new ten year term without break. As a result of this the Fund's overall void level reduces to 1.5% (and 0.7% excluding refurbishments).
- Finally, the Fund received notification from Royal Bank of Canada that it is withdrawing from offering corporate trustee services to property funds on a global basis. Accordingly, we have notified the FCA that the Fund will be moving to an alternative trustee, Vistra (UK) Limited. The cost of moving later this year to Vistra is being met by RBC whilst the new appointment is on a lower fee rate than prevailed with RBC.

### Fund Aim

The Property Income Trust for Charities (PITCH) is a unit trust designed as a pooled property vehicle available to all UK Charities and EU Qualifying Charities.

It was established to permit qualifying charities to co-invest in UK property in a manner that is tax efficient for both income and capital. It also has the advantage of allowing properties to be acquired free of Stamp Duty Land Tax.

The Trust's objective is to invest in commercial property throughout the UK. It aims to deliver an income yield of around 6.0% p.a, whilst at least maintaining the capital value in real terms. Income is distributed monthly. The Fund operates both ethical and environmental policies and seeks to be a socially responsible investor.

### Key Fund Data (as at 30 Sep 2015)

Gross asset value	£463.11m
Net asset value	£377.69m
Number of assets	66
Bid price	80.78 p.p.u
Offer price	83.46 p.p.u
Yield for rolling 12 months <sup>1</sup>	6.0%

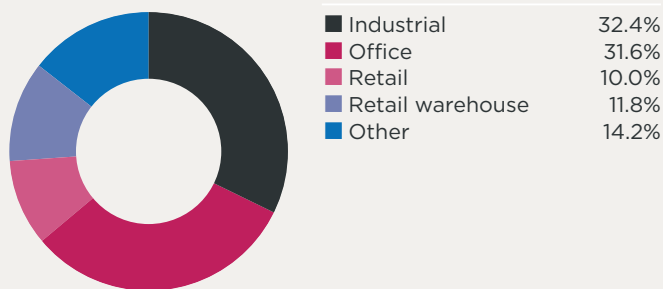
#### Distribution history<sup>2</sup>

July 2015	0.389 p.p.u
Aug 2015	0.403 p.p.u
Sept 2015	0.436 p.p.u

Borrowings (GAV)	18.25%
Borrowings (NAV)	22.37%
Vacancy rate	1.5%
Weighted unexpired term <sup>3</sup>	9.2 years
Total expense ratio (NAV)	0.79%
Total expense ratio (GAV)	0.65%
Portfolio turnover ratio <sup>4</sup>	31.7%
Year end	31 December
Sedol number	BO517P1
ISIN number	GBOOBO517P11

- distributions payable in the last 12 months as a % of the last NAV
- pence per unit (p.p.u.); distributions are quoted on a paid basis in line with AREF reporting
- incl. breaks
- $\frac{(\text{purchases} + \text{sales}) - (\text{subscriptions} + \text{redemptions})}{\text{average fund value over 12 months}}$

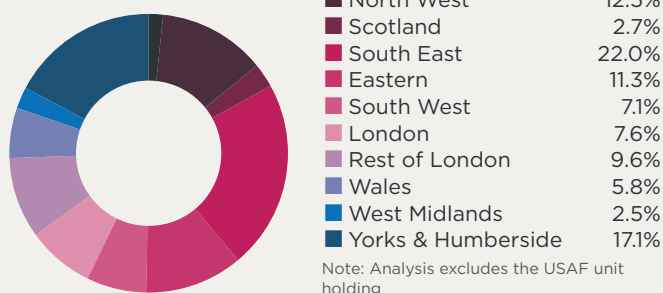
### Portfolio by Sector



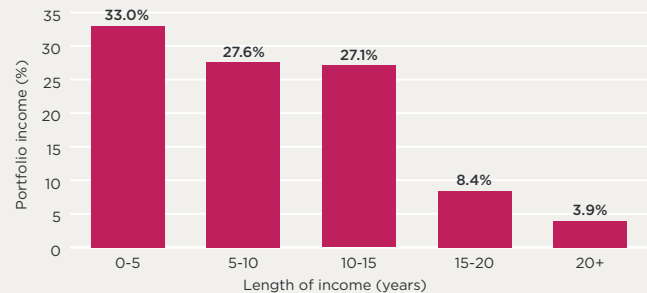
### Portfolio by Covenant Rating



### Portfolio by Region



### Portfolio by Unexpired Lease Profile



## Asset Management



**2 Europa View, Sheffield Business Park**

- Let to Fulcrum Infrastructure Services Ltd until June 2016
- Lease extension agreed to take expiry date to June 2026 and nine-months rent free
- Value increased by 15%
- Strategy to sell now that value maximised



**DHL Building, Bristol**

- Vacant industrial unit of 62,000 sqft
- New lease agreed to DHL for 10-years at market rent with 5-month's rent free
- Works undertaken to enhance building with new access doors
- Value increased by over 25%
- Portfolio void rate now stands at 1.5% (0.7% excluding refurbishments)

### 10 Largest Tenants (by income)

Wincanton Holdings Ltd	4.8%
Travelodge Hotels Ltd	3.7%
B&Q	3.6%
Bard Ltd	3.4%
Royal Mail Group Plc	3.3%
Premier Inn Hotels Ltd	3.3%
Wickes Building Supplies Ltd	3.1%
Barnett Waddingham LLP	2.5%
Fellows Ltd	2.5%
Northern Foods Ltd	2.2%
<b>TOTAL</b>	<b>32.4%</b>

All information is correct as at 30 September 2015  
Source: Mayfair Capital

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