



SwissLife
Asset Managers

Swiss Life Asset Managers UK: Charity Investment Webinar

Wednesday 18 September 2024 at 14:30

The Property Income Trust for Charities (PITCH) Fund Update

Swiss Life Asset Managers UK Limited

Stable ownership with established long term client base



UK ADVISORY MANDATES:



CHARITIES & ENDOWMENTS:



Directly Managed
Flagship Fund



CHARITY ADVISORY MANDATE:



OTHER STRATEGIES:



INFRASTRUCTURE

BIODIVERSITY

(1) Figures as at 30.06.2024.

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Agenda

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|--------------|-----------------------------------|---|
| 14:30 | Welcome & Introduction | James Lloyd, Head of Charities & Endowments |
| 14:35 | Economic & Property Market Review | Tim Munn, Chief Investment Officer |
| 14:45 | PITCH Fund Update | Simon Martindale, Fund Director & Laura Sweet, Fund Manager |
| 15:00 | Q&A | |



James Lloyd
Head of Charities & Endowments



Tim Munn
Chief Investment Officer



Simon Martindale
Fund Director



Laura Sweet
Fund Manager

What Can Real Estate Provide For Charities?

Real Estate attributes in the context of a diversified investment portfolio

- **INCOME** – *the property portfolio delivering resilient and growing income*
- **INFLATION PROTECTION** – *real rental growth and inflation linked leases*
- **IMPACT** – *sustainable portfolios to ensure resilient income-led performance*

Economic & Property Market Review

Tim Munn – Chief Investment Officer

Reasons To Be Positive

2024 – 2025 UK Property Vintage

Lower
Inflation

Base Rate
Cuts

Value
Stabilising

Narrowing REIT
Discounts

Growing
Economy

Rents Rising

Five Year Outlook

Investment Property Forum (IPF) Consensus Forecasts - Sept 2024

Total Return for All Property

	2024	2025	2026	2024 – 2028
All Property	5.7%	8.4%	8.5%	7.6% p.a.

The IPF Consensus forecasts compare the market forecasts of 16 organisations – nine property advisors / research departments, five fund managers and two “other”.

1. Diversification Benefits

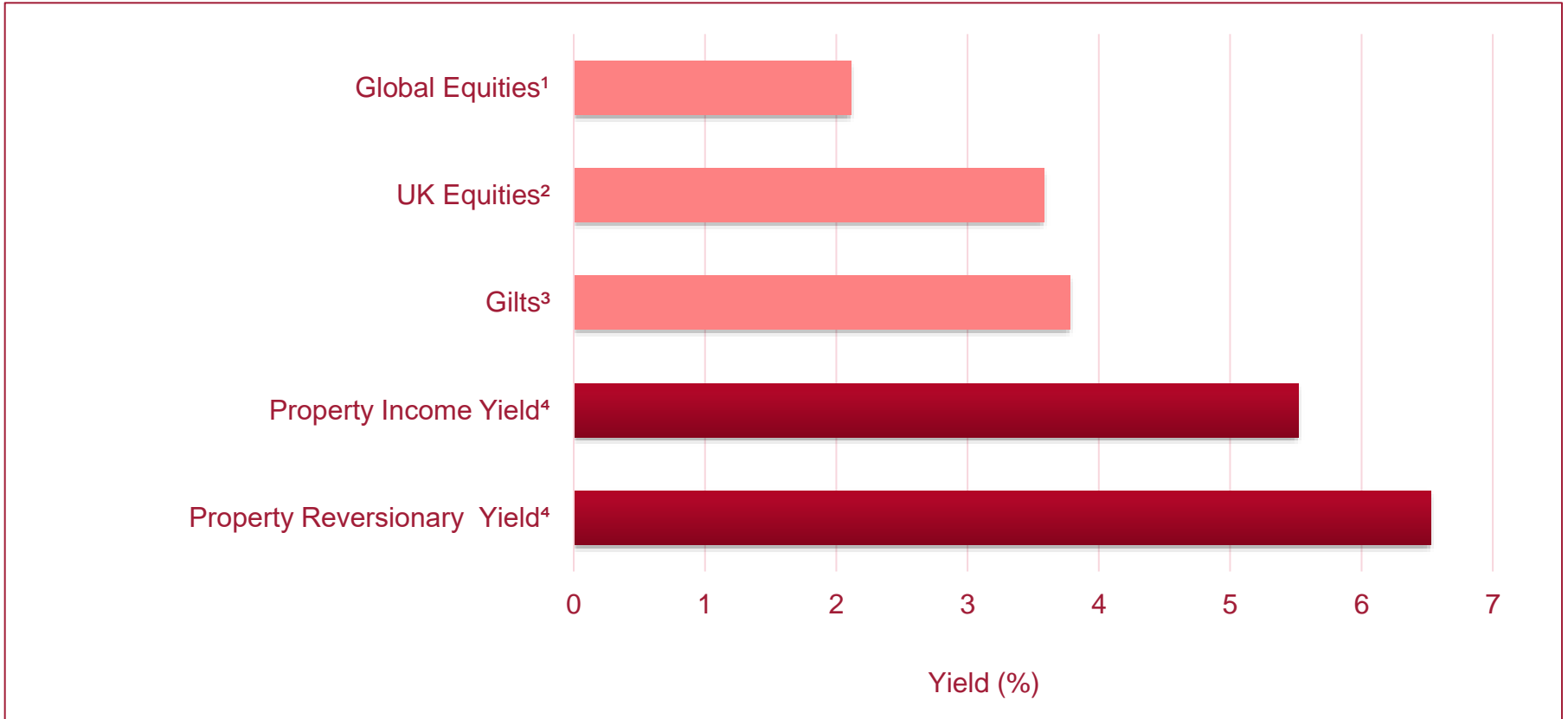
Correlation Between Long-term UK Commercial Property Returns and Other Asset Classes (1993 – 2023)

Correlation of Returns	UK Commercial Property ¹
UK Commercial Property ¹	1.00
UK Equities ²	0.46
Global Equities ³	0.33
Gilts ⁴	0.05

Source: (1) MSCI UK Annual Property Index (2023), (2) FTSE All-Share, (3) FTSE World, (4) UK 10Y Gilts, (5) FTSE EPRA/ NAREIT

2. High Yielding Asset Class

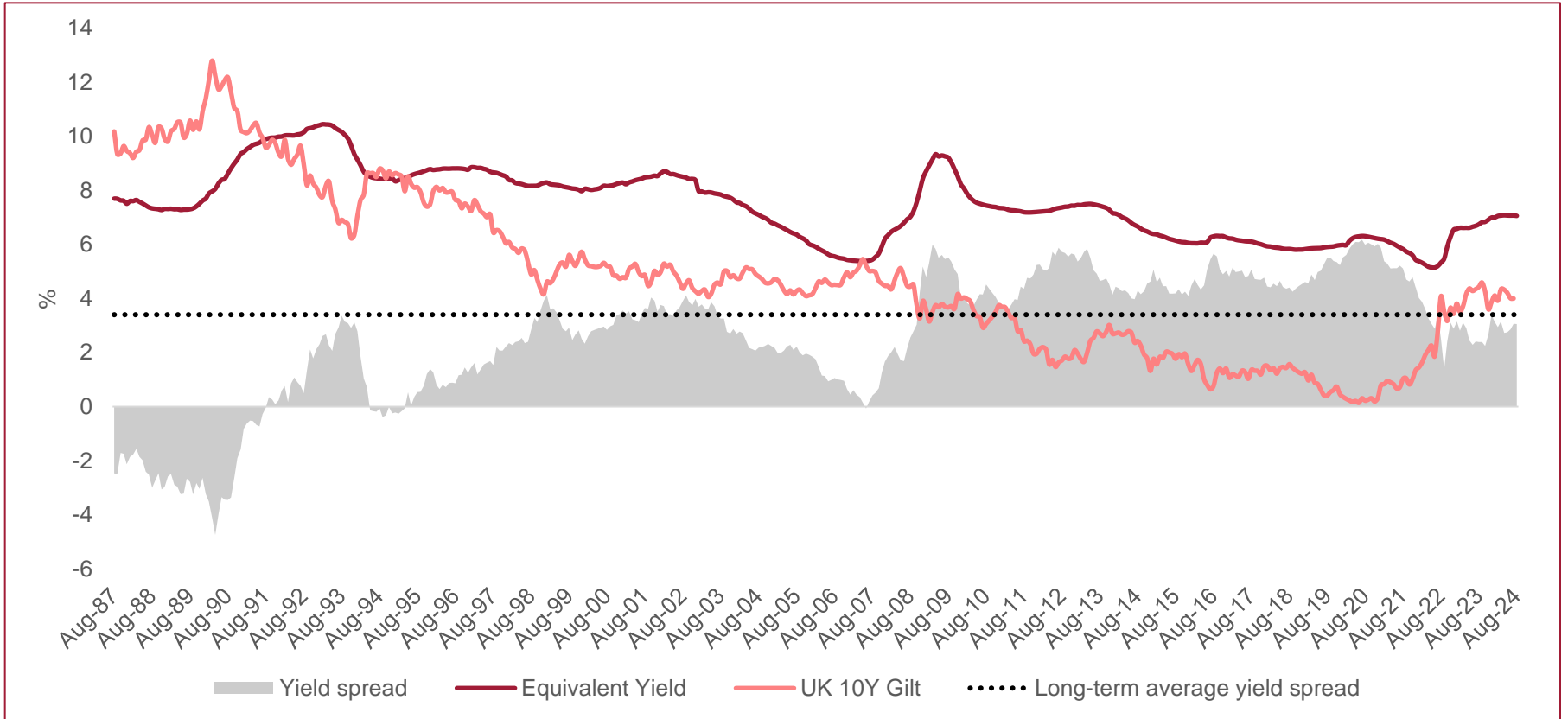
UK Commercial Property Yields vs. Other Asset Classes (August 2024)



Source: (1) FTSE World, (2) FTSE All Share, (3) 10Y Gilts, (4) MSCI UK Property Monthly Index August 2024

2. High Yielding Asset Class

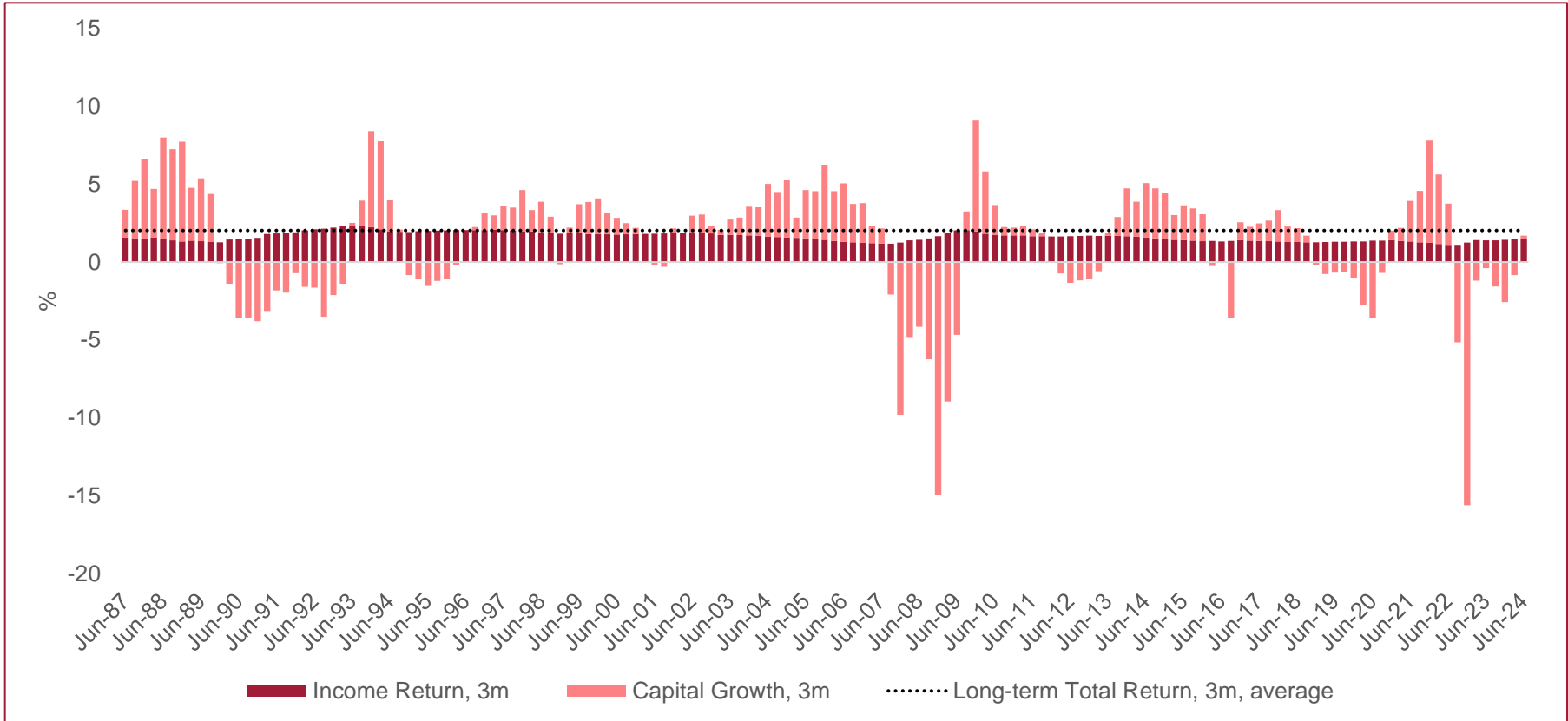
UK Property Yield vs. 10-year Gilt Yield 1987 - 2024



Source: MSCI UK Property Monthly Digest (August 2024); Macrobond (August 2024); Long-term average reflects 30 years to August 2024

3. Income Driven Performance

Property Performance, 1987 – 2024, 3 monthly

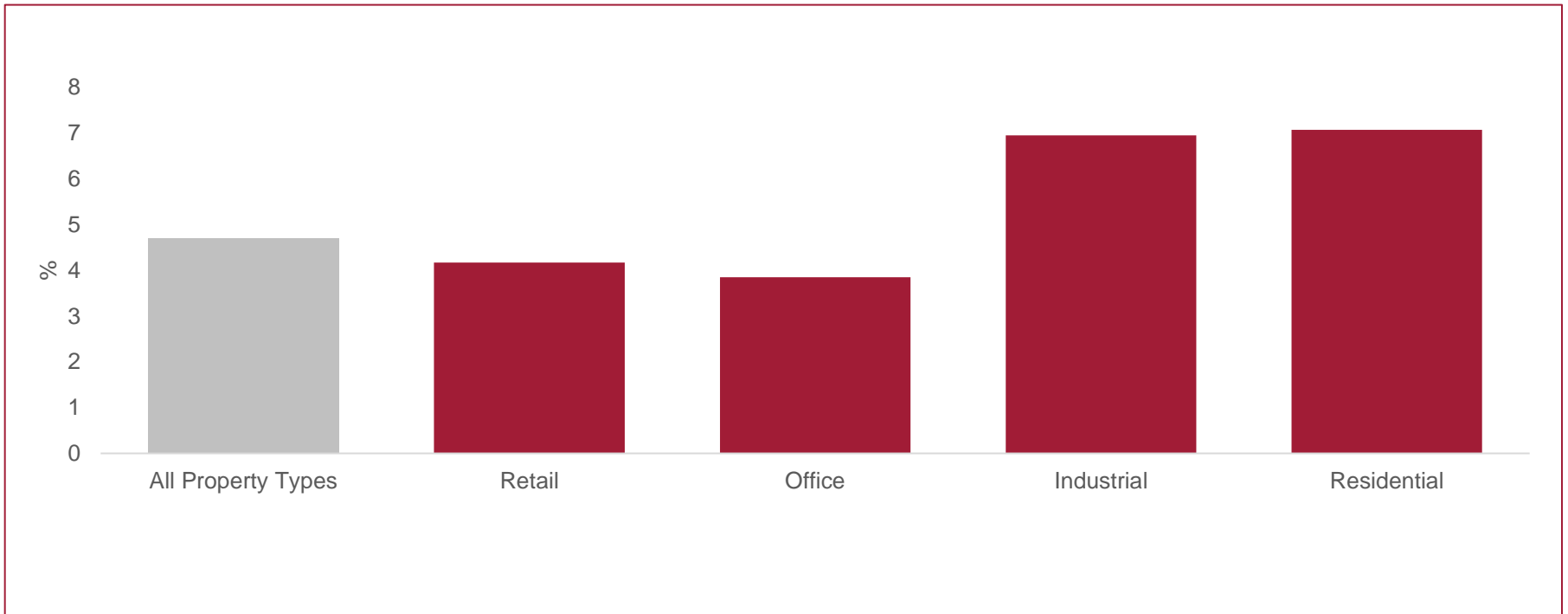


Source: MSCI UK Property Monthly Index, June 2024

4. Inflation Hedging Characteristics

Real Total Return, % p.a

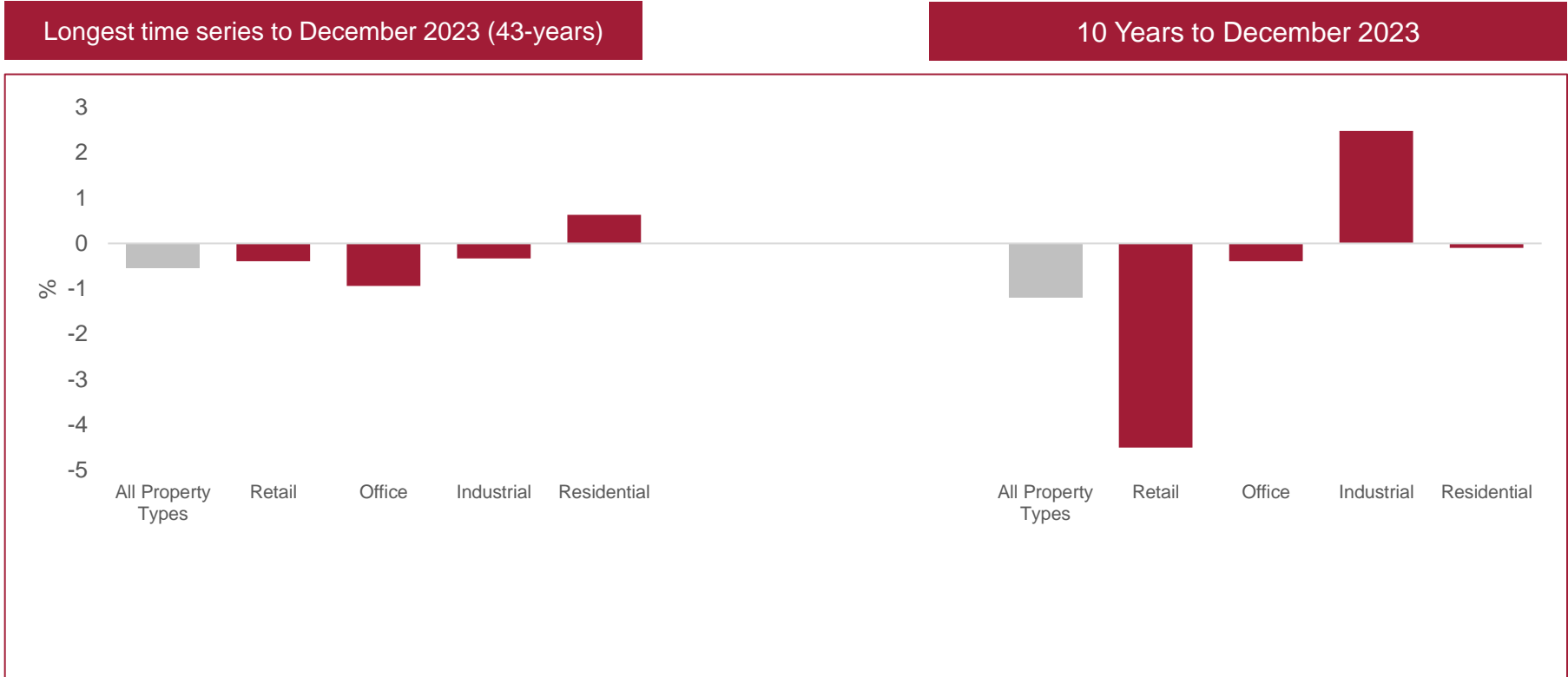
Longest time series to December 2023 (43-years)



Source: MSCI UK Property Annual Index, 2023

4. Inflation Hedging Characteristics

Real Rental Growth, % p.a



Source: MSCI UK Property Annual Index, 2023

5. Property is a Real Asset

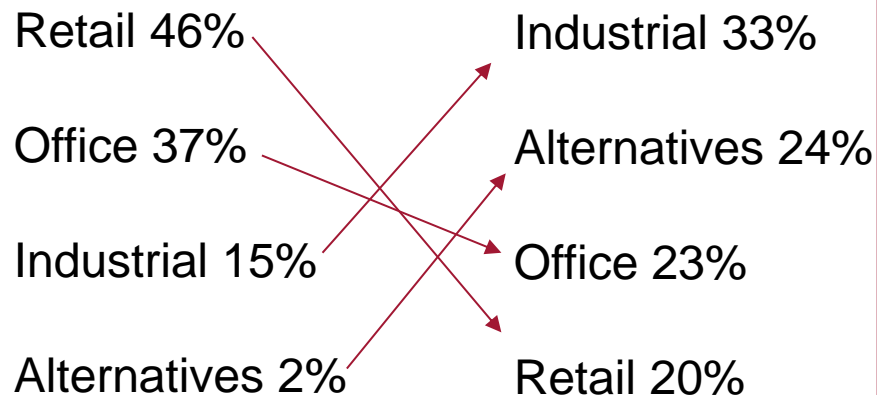
The Importance of Active Management

1. Lease lengths have shortened

Average Remaining Lease Term (Inc. Breaks)

	<10 Years	>10 Years
2002	45%	55%
2024	70%	30%

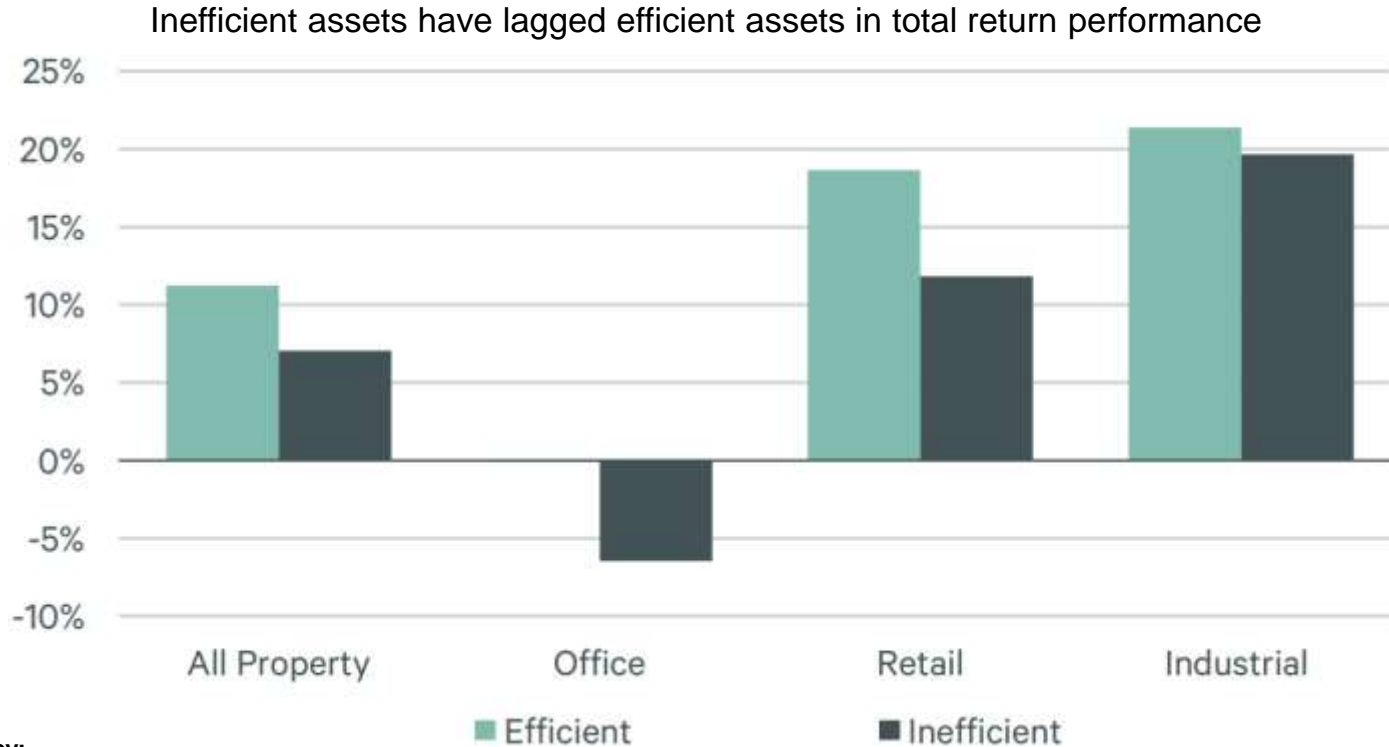
2. Sector allocations have shifted



Source: Investment Property Forum UK Consensus Forecasts September 2024

5. Property is a Real Asset

The Importance of Active Management: ESG



Energy Efficiency:

“Efficient” Assets: EPC A-B = 20% of assets

“Inefficient” Assets: EPC C or less = 80% of assets

Source: CBRE Sustainability Index, H1 2024. Index sample comprises c 1,200 assets of c£24.4 billion combines. 23% Offices, 27% Retail, 30% Industrial, 20% other.

Summary

2024 – 2025 a good vintage for UK property

Benefits of UK property:

- Diversification
- High relative income
- Predictable income-driven performance
- Inflation hedging characteristics
- Real asset – Rewards active management & Impact

The Property Income Trust for Charities Fund Update

Simon Martindale – PITCH Fund Director

Laura Sweet – PITCH Fund Manager

PITCH Summary

PITCH helps c. 1,000 UK Charities to invest in property in an ethical, responsible and tax efficient way



Designed for UK charities



Attractive long term returns



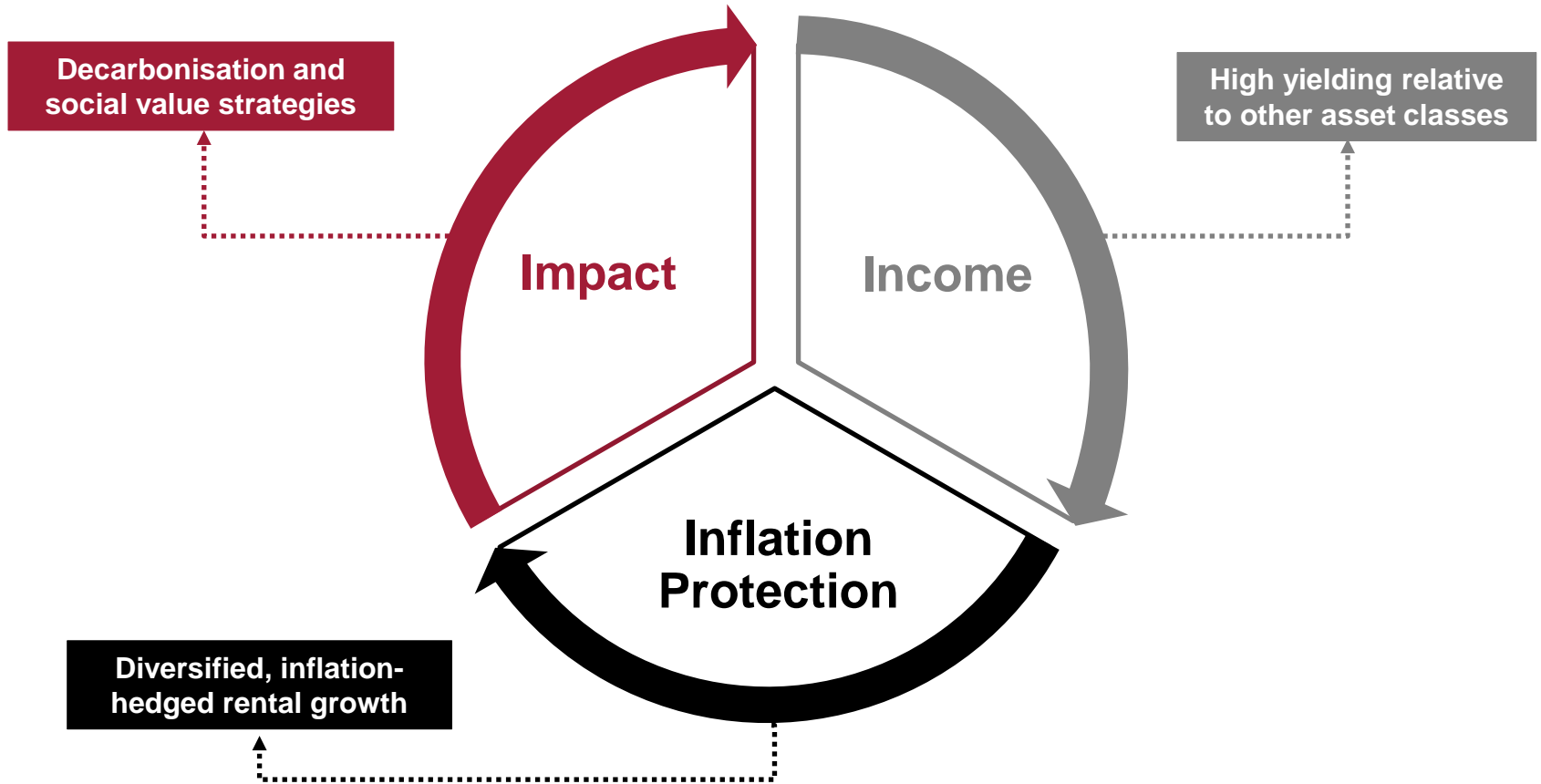
Strong liquidity track record



Market leading ESG credentials

What Do Charities Want From Property?

To deliver attractive and resilient income that will grow over time whilst investing responsibly



PITCH Strategy Response

Our drivers of performance

1. Thematic Investment

Growth Sectors:

- Industrial
- Residential

High Income:

- Retail Warehousing
- Grade A offices

Inflation-linkage:

- Hotels
- Care Homes
- Supermarkets

2. Active Management

Shorter Leases

- From strong rental growth sectors

Leaner Portfolios

- "Quality over quantity"

Operational Strategies

3. ESG

EPC Compliance

- 91% of the portfolio rated A-C (by ERV)

Decarbonisation Pathway and Strategies

- 36% reduction in Green House Gas emissions since 2019

Social Value Projects

- In and around the portfolio

PITCH Positioning

A balanced mix of lease lengths and sectors to deliver resilient and growing income



Growth Sectors



Industrial



Residential

Short leases to keep pace with inflation

Index-linked/Fixed Leases



Care Homes



Hotels

RPI: 46%
CPI: 22%
Fixed: 32%

High Income



Grade A Offices



Retail Warehousing

Source: SLAM UK, Q2 2024

PITCH Growth Sector – Industrial/Logistics

Thematic assets and active management have delivered rental growth above inflation

LARGEST WEIGHTING



Industrial 15%
Logistics 30%

RESILIENT INCOME



Vacancy Rate 0.9%
WAULT 4.1 years
Under Rented 32%

STRONG PERFORMANCE



9.8% pa total return (10yrs)
CPI: 3.4% pa (10yrs)

DONCASTER

Rent: 13.3% pa
(6.8 years)
CPI: 4.5% pa



NORTHAMPTON

Rent: 5.2% pa
(6.1 years)
CPI: 4.4% pa



Source: SLAM UK, MSCI, ONS

PITCH Growth Sector - Residential

The only sector to have consistently outperformed RPI inflation over the long term



Supply and Demand Dynamics:

number of private renters has increased by 2.9% p.a. since 2001**



Rental Growth:

5.1% p.a. average rental increase



Affordability:

c.28% of PITCH residents are key workers earning below UK average income



Sustainability:

49% benefit from solar panels



Sky House, Rotherham



Forest View, Mansfield



Citu, Leeds

Source: Swiss Life Asset Managers UK 06.2024

*Over 12 months, measured by lease event

**ONS, English Housing Survey 2022/23

PITCH Growth Sector - Residential

The only sector to have consistently outperformed RPI inflation over the long term

Residential Key Points

1 4.8% NIY*, 5.6% NRY**

2 99% Occupancy

3 75 Houses, 19 Flats

4 Resilient Performance

All data is rolling 12 Months to 30 June 2024



Source: Swiss Life Asset Managers UK 06.2024

* NIY = Net Initial Yield

**NRY = Net Reversionary Yield

PITCH High Income - Offices

Emerging opportunities amidst structural change

Performance

- The new high yielding sector
- Prime rental growth

Environmental & Social

- Energy efficient outperformance
- Tenant amenity & wellness

Operational Focus

- Customer focused
- Serviced Offices

The Property Income Trust For Charities

Wallbrook Court, Oxford

- £2.4m refurbishment
- Zero void period
- 16% pa rental growth



Active Refurbishment

- £11m since 2021
- 99% rated EPC A-C
- 80% rated EPC A-B



Jessop House, Cheltenham

- U/O for serviced offices
- Management agreement
- Targeting 20% premium over market rent



ESG – Environmental Impact



GRESB 2023



Data coverage	YE 2018	YE 2019	YE 2020	YE 2021	YE 2022
Energy	20%	34% ↑	54% ↑	56%↑	72%↑
GHG	26%	35% ↑	55% ↑	53%↓	70%↑
Water	11%	18% ↑	45% ↑	30%↓	51%↑
Waste	14%	22% ↑	32% ↑	49%↑	62%↑

“9 solar installations across the PITCH portfolio with 2 projects completed in 2024.”

Source: Swiss Life Asset Managers UK 06.2024

ESG - Social Impact

Empowering places, Social Value Strategy

Focus Areas of our UK Social Value Strategy:



1

Creating healthy, sustainable and inclusive communities in and around our assets



2

Promoting access to education and skills for underserved groups



3

Creating an inclusive economy within our value chain and collaborating with our partners to maximise impact



Charities Supported in 2023:



Source: Swiss Life Asset Managers UK 04.2024 | *Swiss Life Asset Managers UK and The Property Income Trust for Charities have each contributed £10,000 to the UK Community Fund to support local community projects in 2023. All donations are paid for separately.



PITCH Fund Profile & Performance



PITCH Key Data

A lean, high quality portfolio providing resilient and growing income

£548m
GAV

44
Properties

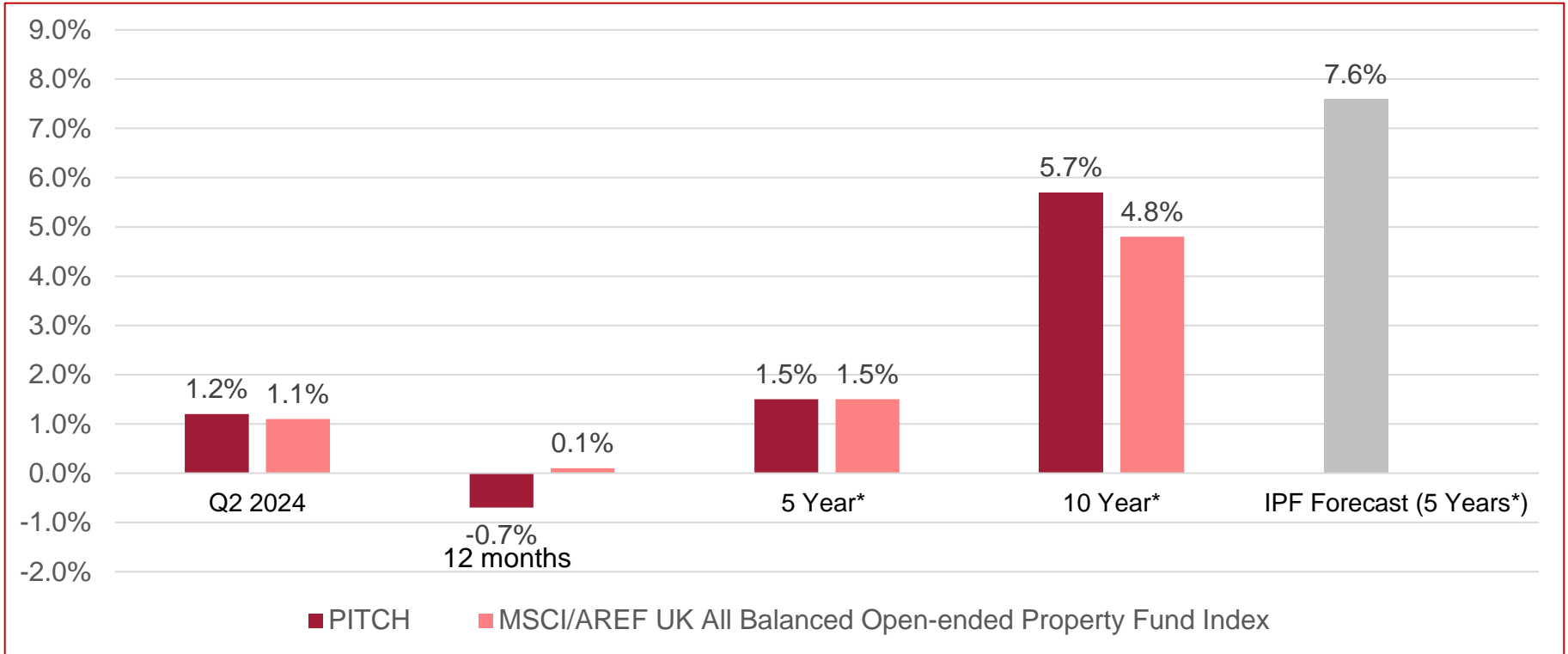
7.4%
Void Rate

6.1%
Distribution Yield*

12.2%
LTV

Fund Performance Outlook

To deliver a relatively high and sustainable income return and maintain capital values in real terms



Source: Swiss Life Asset Managers UK, 30.06.2024
* Annualised Return

PITCH Outlook

Positioned for growth



INCOME - The Fund is delivering an attractive yield, enhanced by moderate leverage



RENTAL GROWTH - A balanced portfolio positioned to deliver inflation-hedged rental growth



MANAGEMENT - Actively managed with a lean composition



IMPACT - Increasing energy efficiency and decarbonisation; social value delivery in and around portfolio

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Q & A

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Laura Sweet – PITCH Fund Manager