

### Fund Aim and Investment Objective

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.



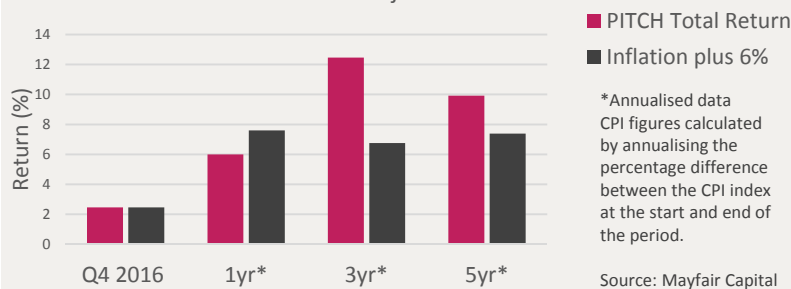
James Thornton  
Fund Director



Simon Martindale  
Fund Manager

### Long Term Performance

PITCH Returns relative to Fund objective



### Fund Review

- During Q4 the market saw a return of investor confidence with stronger buying activity and a hardening of yields for institutional grade investments let on long leases to good covenants. Buying interest has come from UK institutions, pension funds, local councils and overseas investors buoyed by Sterling weakness.
- PITCH returned 2.3% over the Quarter benefiting from its high distribution yield, valuation increases on its longer let investments and completion of asset management initiatives.
- Importantly, our income growth strategy resulted in a 6.5% increase in pence per unit distributions over the year.
- In terms of new investment activity PITCH acquired a prime Grade A office building in Nottingham for £6.9m (See over).
- The Fund is also under offer, completion due in January, to acquire one of the principal retail parks in Nottingham for £24.2m and a reversionary multi let office investment. The blended yield on these three new acquisitions is 6.6% to PITCH.
- In Q4 we concluded three asset management initiatives:
  - A lease extension to Go Outdoors at Loughborough.
  - A rent review on the Royal Mail warehouse in Peterborough resulting in a £300,000 valuation increase.
  - The removal of break options in the leases at Deansgate Manchester, resulting in a valuation uplift of £650,000.
- We also concluded some sales activity during the Quarter in excess of valuation.
- Whilst the economy is proving more resilient than many forecast, given the uncertain outlook. PITCH will continue with its defensive, income focussed strategy. Performance this year will be driven by income and asset managements opportunities in the portfolio.

### Historic Fund Return

Period	PITCH %	AREF/IPD <sup>1</sup> %
3 months	2.3	2.3
12 months	6.0	2.8
3 years <sup>2</sup>	12.4	10.7
5 years <sup>2</sup>	9.8	8.2

1. All Balanced Property Funds Index  
2. Annualised returns

Note: this Fund is not managed on a benchmark relative basis

### Key Fund Data

Gross asset value	£472.42m
Net asset value	£395.31m
Number of assets	54
Bid price	81.82 p.p.u
Offer price	84.24 p.p.u
Yield for rolling 12 months <sup>1</sup>	6.3%
Distribution history <sup>2</sup>	
Oct 2016	0.412 p.p.u
Nov 2016	0.407 p.p.u
Dec 2016	0.413 p.p.u
Borrowings (GAV)	16.0%
Borrowings (NAV)	19.1%
Vacancy Rate	1.8%
Weighted unexpired term <sup>3</sup>	8.2 years
Total expense ratio (GAV)	0.64%
Total expense ratio (NAV)	0.76%
Portfolio turnover ratio <sup>4</sup>	16.01%
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
- $(\text{purchases} + \text{sales}) - (\text{subscriptions} + \text{redemptions})$   
average fund value over 12 months

### Purchases - Nottingham – Park Row (Office)



A Grade A multi let office let to Nottingham City Council and Thompsons Solicitors for £6.9m (a yield of 6.4% to the Fund). The property is newly refurbished and provides a WAULT of in excess of 9 years. At an average passing rent of £17.50 per sq ft the building provides excellent prospects for rental growth in an under supplied office market.

### Ten largest tenants (by income)

Wincanton Holdings Ltd	5.0%
B&Q Plc	3.7%
Royal Mail Group Plc	3.5%
Bard Ltd	3.5%
Premier Inn Hotels Ltd	3.4%
Wickes Building Supplies Ltd	3.2%
Rehau Ltd	2.7%
Barnett Waddingham LLP	2.6%
Fellowes Ltd	2.6%
Kier Construction Ltd	2.5%
<b>Total</b>	<b>32.7%</b>

### Asset Management - Loughborough - (Retail Warehouse)



Contracts have been exchanged to restructure the letting of the Loughborough retail warehouse to Go Outdoors. The new 15-year lease increases the rent from £250,000 to £275,000 per annum in return for a 12-month incentive. The value increased by £400,000 as a result.

### Ten largest Assets (by value)

USAF <sup>1</sup>	5.5%
Doncaster (Trax Park)	4.9%
Croydon	4.8%
Manchester	4.4%
Peterborough	3.8%
Crawley	3.4%
Guildford	3.3%
Hook	3.2%
Widnes	3.0%
Amersham	2.9%
<b>Total</b>	<b>39.2%</b>

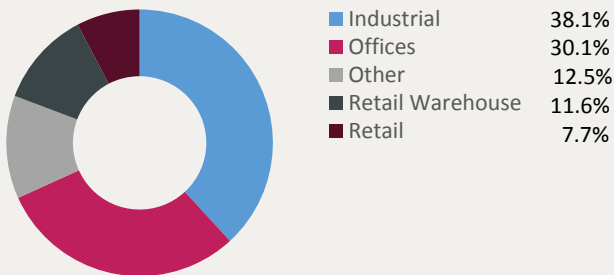
### Sales - Bright Horizons Portfolio



The Bright Horizons portfolio of day nursery properties were sold at auctions in October and December. The properties were acquired in April 2015 for a total value of £4.0m, which had risen to £4.7m immediately prior to sale. The auctions produced a total sale price of £6.5m which is 39% in excess of valuation and a capital gain of £1.8m.

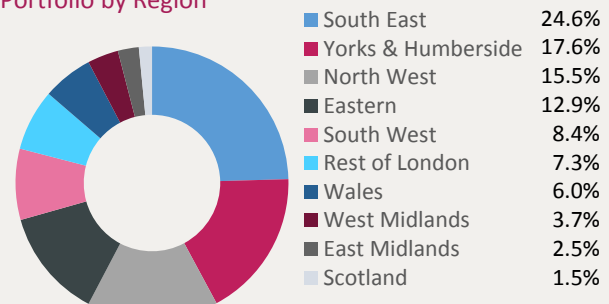
All information is correct as at 31 December 2016  
Source: Mayfair Capital  
1. Unite Student Accommodation Fund

### Portfolio by Sector



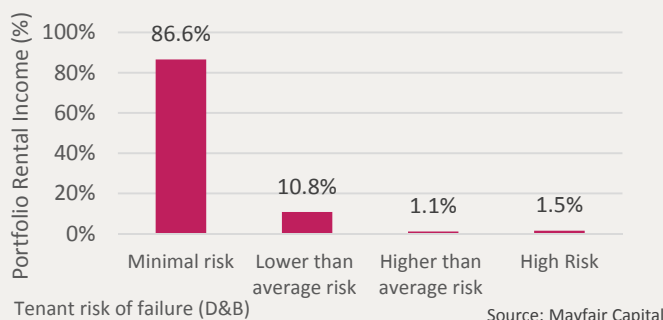
Source: Mayfair Capital

### Portfolio by Region



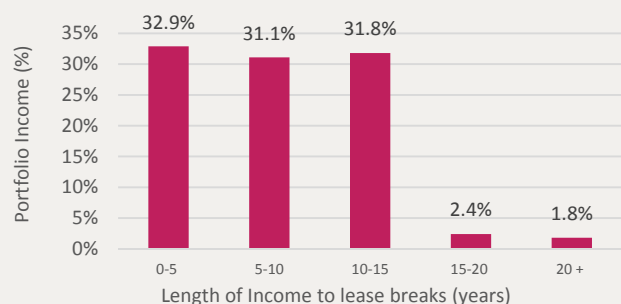
Analysis excludes the USAF unit holding  
Source: Mayfair Capital

### Portfolio by Covenant Rating



Source: Mayfair Capital

### Portfolio by Unexpired Lease Profile



Source: Mayfair Capital

Market Commentary

UK economic expansion was revised upwards from 0.5% to 0.6% in Q3 2016 and the annual rate of growth increased to 2.2% from 2.0% the previous quarter. Sentiment surveys suggest this momentum has been maintained into Q4. The Purchasing Managers' Index (PMI) recorded a strong finish to the year indicating that the pace of growth in Q4 2016 will be consistent with the previous quarter.

Most forecasters anticipate that UK economic growth in 2017 will slow. This is being driven by weaker household spending, as consumers face headwinds from higher inflation and weaker employment growth, combined with low levels of business investment.

A weaker pound alongside the recovery in commodity prices pushed inflation (CPI) up to 1.6% in December and further increases are anticipated. CPI is expected to head up towards 3% over the next 12 to 18 months but should then start to edge back down as the impact of sterling's depreciation drops out of the inflation calculation. Furthermore, there is expected to be little or no inflation pressures from increasing wages.

Heightened uncertainty will also mean companies are likely to be more risk averse. While CFOs have become markedly more positive about the UK outlook, Deloitte's latest CFO survey points to ongoing low levels of risk appetite and expectations that corporate spending will decrease in 2017.

On a more positive note, depreciation of the pound should boost exports and there is already evidence that export order books are increasing. Nevertheless, a stronger trade performance is expected to only partially offset the squeeze on consumers' incomes and lower investment.

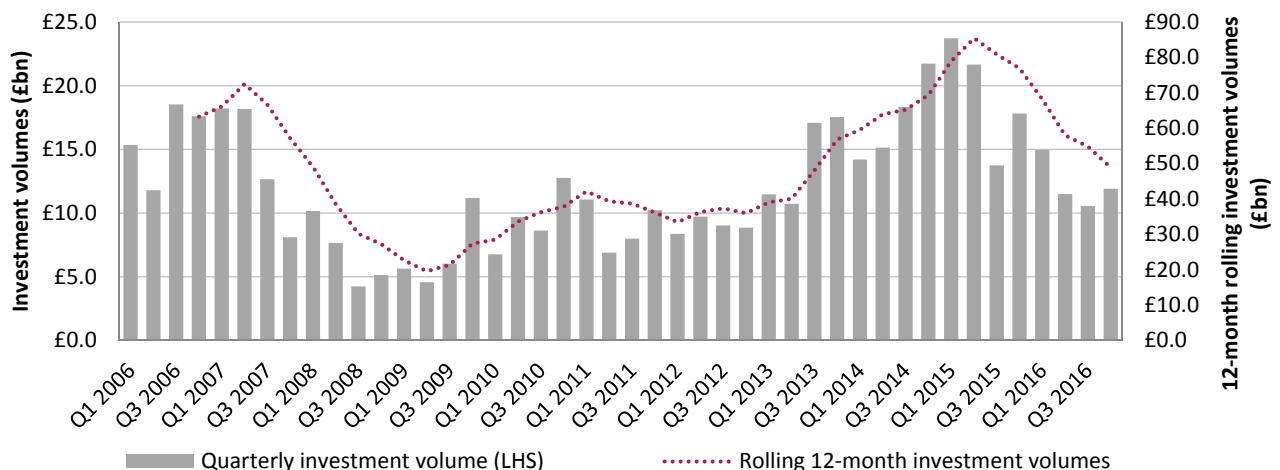
No change in monetary policy is anticipated this year assuming current forecasts are correct. The Monetary Policy Committee (MPC) is expected to look through higher rates of inflation as long as they are anticipated to be temporary and the relatively minor changes to fiscal policy announced in the Autumn Statement are unlikely to dramatically alter the MPC's economic outlook.

Gilt yields are expected to continue their upward trend due to higher inflation expectations, continued economic growth and increases in US Treasury yields. However, the current ultra-loose monetary policy should ensure that any rise will be gradual. Capital Economics forecast that 10 year gilt yields will reach 2.0% by end-2018, in line with current market expectations.

The outlook is characterised by uncertainty, however, and as a result there are a number of risks to growth, of which the global geopolitical backdrop is most significant. Consequently, we expect to see further volatility in the economy and global markets as the year progresses.

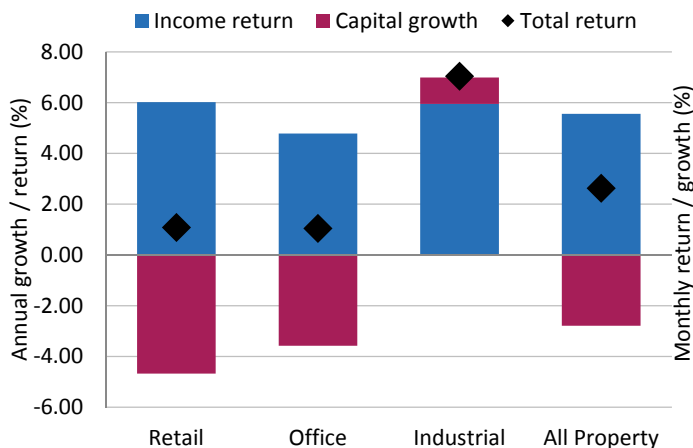
UK Property Market Analysis

UK commercial property investment activity

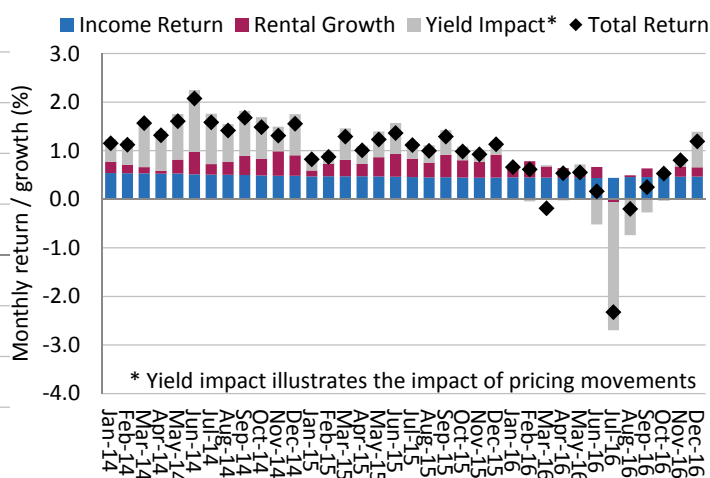


- Investment volumes have been subdued in H2 2016 but there continues to be strong demand for good quality assets from a range of investors

IPD 2016 total returns split by sector



Composition of IPD All Property Total Return



Source: IPD Monthly Index (December 2016)

- Capital values stabilised towards the end of 2016 as rental growth offset outward yield shift
- Over 2016 the MSCI All Property Monthly Index returned 2.6% with capital values declining 2.8%
- Headline figures mask significant polarisation within the market between both prime and secondary properties and the different sectors
- Industrial property has proved most resilient in recent months and was the outperformer in 2016
- Outlook is expected to be characterised by high levels of volatility but we expect the uncertainty this creates to result in mispricing and opportunities for investment

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