SwissLife Asset Managers

PITCH

Property Income Trust For Charities

Fund Factsheet: Q4 2023

A Fund managed by Swiss Life Asset Managers UK

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

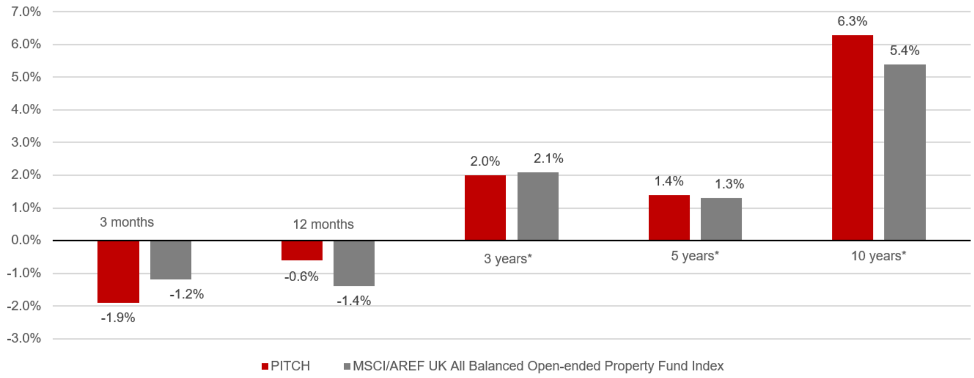
Fund Key Data

Gross asset value	£588.58m
Net asset value	£520.85m
Number of assets	48
Vacancy rate	7.7%
Weighted Av. Unexpired Lease Term (to breaks)	5.4 years
Distribution History (p.p.u - pence per unit)	
Oct 2023	0.384 p.p.u.
Nov 2023	0.379 p.p.u.
Dec 2023	0.347 p.p.u.
Borrowings (GAV)	11.4%
Total expense ratio (GAV)	0.69%
Portfolio turnover ratio	1.6%
EPC ratings A-C (based on ERV)	91.2%
Year End	31 December
Sedol number	B0517P1
ISIN number	GB00B0517P11

Key Statistics

£589m	6.2%	11.4%	7.7%	5.4
Gross Asset Value	Fund Yield (Rolling 12-months as % of NAV)	Borrowings (GAV)	Vacancy Rate	Weighted Unexpired Term (years to break)

Fund Returns (31 December 2023)



Market Update

Economic uncertainty weighed heavily on the property market in Q4 2023 as the dual impact of high interest rates and stubborn inflation materially reduced transaction volumes, with many investors content to pause any buying activity before the year end. As a result, many sales failed to transact, although we have seen renewed activity at the start of 2024.

Against this backdrop capital values fell -2.6%, as measured by the MSCI Monthly Index, with offices once more the main drag on market performance suffering -5.5% valuation decline. Even more resilient sectors such as industrials and alternatives fell by -0.7% and -2.2% respectively.

As we have seen throughout 2023, nearly all sectors recorded rental growth in Q4 proving ongoing resilience in the occupational market, particularly at the prime end of the market where supply remains constrained. The industrial sector saw 2.2% quarterly rental growth over the quarter delivering annual growth of 7.6%, which exceeded inflation over the same period.

Fund Performance

PITCH returned -1.9% in Q4 due to downward valuation movement in its offices and the negative contribution of debt, despite deleveraging over the quarter. Once again the top performing assets were in the industrial and residential sectors, which continued to provide resilient capital performance and strong rental growth. The Fund produced an annual total return for 2023 of -0.6%, which comfortably outperformed the MSCI/AREF UK All Balanced Open Ended Index by 80 basis points. The Fund has outperformed the same Index over five and ten years.

PITCH delivered a distribution yield for 2023 of 6.2% pa, providing an attractive level of income compared with other asset classes. For existing investors, PITCH grew monthly distributions by 10% in the 12 months to December 2023 largely due to asset management activities. This added some £1.6m of new annual income to the portfolio.

Fund Liquidity

PITCH repaid a £26m maturing debt facility in Q4 to reduce the Fund's LTV from 14.5% to 11.4%. This leaves two outstanding fixed rate loans providing a fixed interest rate of 2.8%, which remains accretive to the Fund's income distributions.

In view of the debt repayment, the Fund continued sales activity to return its cash weighting to target (c.5% of NAV). Two sales are under offer and expected to complete in February 2024, which will increase cash to circa £37m (7.1% of NAV). This will ensure that the Fund remains compliant with its redemption liabilities with Q4 redemptions being repaid in line with the Trust Deed terms.

Acquisitions & Disposals

The Fund completed one acquisition in Q4 for its residential strategy of four 'eco homes' in Leeds totalling £2.1m. Our investment into residential continues to thrive delivering valuation growth of 0.6% in 2023 compared with the significant correction witnessed across the commercial property sectors. The residential portfolio is currently 97% occupied and has generated annual rental growth of 5.4% ensuring PITCH remains well diversified in the face of changing secular trends that have weakened the traditional mainstream sectors of Retail and Offices.

As mentioned above, the Fund is under offer to dispose of two regional offices for an aggregate of £22m. On completion, these will reduce the office weighting to c.24% as planned.

Asset Management

The refurbishment of the office at Wallbrook Court, Oxford is progressing well with works scheduled to complete on time towards the end of Q1 2024. This has coincided with positive letting activity with completion of a letting on the ground floor of Hanborough House and the whole of Eaton House placed under offer on attractive terms delivering strong rental growth (see case study below). The activity proves that not all offices are challenged.

The Fund's warehouses delivered attractive rental growth over the quarter following a lease renewal with Bunzl's multi let 'mid box' warehouse in Avonmouth as well as a positive rent review on the logistics warehouse in Runcorn. These delivered growth of 3.4% pa and 3.2% pa over five years.

The Fund's vacancy rate rose marginally to 7.7% in Q4 2023 mainly due to the early surrender of part of an office lease at The Paragon, in Bristol, with the tenant committing to a longer lease on the retained space. This allows us to refurbish the vacant space and target a new occupier at a higher rent . We expect the void rate to fall in Q1 2024 once lettings under offer complete and upon completion of sales activity.

ESG

PITCH recently updated its decarbonisation pathway analysis as part of its annual performance monitoring of its CO2 emissions reduction targets. This involved a full review of the carbon baseline, estimation methodology and pathway assumptions. This has shown that the Fund has achieved a 36% GHG intensity reduction since 2019, with the Fund team implementing key decarbonisation actions in refurbishments, through tenant engagement and in implementing the solar strategy, to stay on track with a 1.5˚ target.

Fund Outlook and Strategy

After a challenging 18-month period during which we have seen a material correction in property values across the market, the pricing outlook for the asset class in 2024 is markedly improved, especially for those sectors and buildings with enduring occupational appeal and offering strong rental growth. We expect this outlook to further improve upon the prospect of a reduction in interest rates and a widening risk premium for property over gilts.

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The property market is dynamic. With the acceleration in structural trends, average lease lengths continue to shorten and the traditional sectors of Retail and Offices remain challenged hastening a change in investors' approach and sector allocations. At the same time, we have also seen an exodus of defined benefit pension scheme investors from the market. These investors have traditionally favoured passively managed, long leased "bond-proxy" property investments, but the justification for these investments in a higher interest rate environment are not so compelling as they once were.

Investors need to adapt their real estate exposure to benefit from the changing market dynamics and structural trends to remain relevant and perform well over time. Investment managers need to adopt an increasingly active and innovative approach to generate resilient and sustainable, income led returns. As a thematic investor, we have been aligning PITCH to benefit from these changes through our move into residential and our active sale programme exiting assets that may struggle to command enduring occupier appeal. This ongoing strategy will ensure that PITCH remains a highly compelling investment proposition, providing good diversification from other asset classes, whilst continuing to deliver attractive, long term returns for investors.

Simon Martindale – Fund Director

Acquisition – Citu, Leeds

PITCH has acquired four 'eco homes' in central Leeds from a sustainably focused developer, Citu, for £2.1m. These modular-constructed homes are built to 'Passivhaus' standards featuring PV solar panels, heat pumps and heat recovery technology. PITCH's allocation to residential is now 4% of portfolio value across a total of 72 units in seven different locations.

Asset Management – Oxford

The Fund completed a letting to Connect Health in the ground floor of Hanborough House for £130,800 pa on a ten year term with a break option in the fourth year. The agreed rent is 86% ahead of the previous passing level demonstrating the positive supply/demand fundamentals of the Oxford office market.

Five Largest Assets (by value)

Bristol, Paragon	5.0%
Newmarket	4.6%
Doncaster	4.5%
Doncaster, West Moor Park	4.1%
Hook	3.8%

Five Largest Tenants (by income)

BT Plc	5.5%
Premier Inn Hotels Ltd	5.2%
Wincanton Holdings Ltd	4.3%
Asos.com Ltd	3.8%
Sky CP Ltd	3.1%

Tenant Risk Rating (by rent)

Minimal risk	33.3%
Lower than average	48.1%
Higher than average	8.1%
High risk	10.5%

2023 GRESB RESULTS

GRESB Rating ★★★★☆

GRESB SCORE	83/100
OVERALL SCORE PEER COMPARISON	5th out of 100
ESG BREAKDOWN	
ENVIRONMENTAL	44/62
SOCIAL	18/18
GOVERNANCE	20/20

EPC Profile	
EPC Rating	Portfolio by ERV %
A	17.9
B	36.9
C	36.4
D	8.8
E, F & G	0
Coverage	100

Signatory of: UK Stewardship Code | 2021

charitytimes Awards 2022 Recognising leadership and professionalism Winner The Property Income Trust for Charities

charitytimes Awards 2023 Recognising leadership and professionalism Shortlisted

RACE TO ZERO

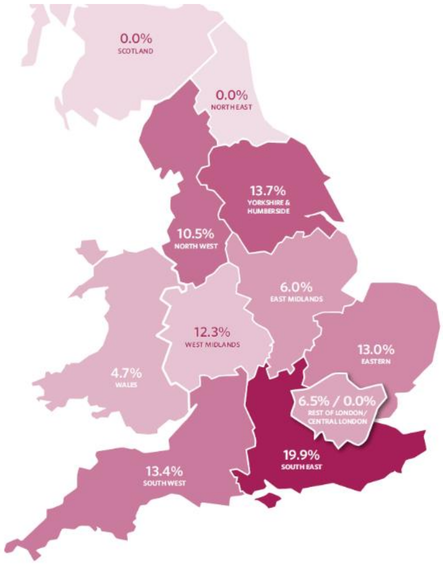
Lease Length (by rent)

0-5 years	64.7%
5-10 years	23.4%
10-15 years	8.7%
15-20 years	0.4%
20+ years	2.8%

Portfolio Distribution (by sector)

Industrial	43.3%
Office	27.4%
Retail Warehouse	14.0%
Retail	3.3%
Other	12.0%
Rent subject to fixed uplifts	27.6%

Portfolio Locations (geographic weightings)



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