

Fund Manager's Commentary - James Thornton



UK economic growth was disappointing in Q1 2015, expanding just 0.4%, down from 0.8% in Q4 2014. Recent sentiment data has been raising doubts about the ability of the UK economy to rebound in Q2 15.

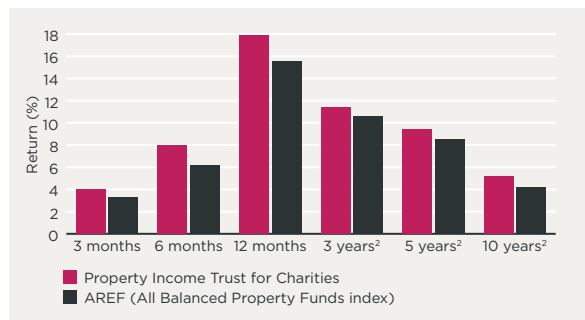
This weaker start to the year, has led to the Bank of England lowering its GDP growth expectations to 2.5% in 2015 and 2.6% in 2016, down from 2.9% in both years previously.

However, the UK labour market remains robust and regional labour market figures indicate that an improvement has been seen across the country. The tightening in the labour market is placing pressure on wages, which rose by 2.7% year-on-year in April (excluding bonuses). The EY Item Club are predicting disposable incomes will grow by 3.7% in 2015, the fastest rate for more than 20 years.

The UK dipped briefly into deflationary territory in April but this proved temporary with CPI standing at 0.0% in June. The Bank of England is anticipating that inflation will drift up towards 1% by the end of the year but recent falls in commodity prices suggest it could fall short of this level. Consequently, we are expecting interest rates to remain unchanged into next year.

We continue to anticipate that the UK economy will expand in line with average growth rates and combined with low levels of inflation, conditions remain attractive for property. However, there are headwinds in evidence, to events in Europe (EU referendum and Greece) and the US, which may lead to uncertainty in the medium term.

Historic Fund Returns



Period	PITCH %	AREF %
3 months	4.0	3.3
6 months	8.0	6.2
12 months	17.9	15.5
3 years ²	11.4	10.6
5 years ²	9.4	8.5
10 years ²	5.2	4.2

- All Balanced Property Funds Index
- Annualised returns

Comparison against indices are for illustrative purposes only.

Fund Review and Strategy

- PITCH returned 4.0% in Q2 (AREF 3.3%)
- The holding in WELPUT again made a strong contribution returning 7.7% over the quarter. Rental growth in central London is continuing to drive returns
- £31.43m was invested in Q2. The Fund acquired a "value add" style opportunity in Doncaster where a highly reversionary warehouse was acquired on a yield profile of 5.89% rising to 7.85% after a lease event in 18 months' time. The unit is let to Fellowes Ltd (with a North American guarantor)
- PITCH also added to its holding in the Unite UK Student Accommodation Fund (USAF) with an additional investment of £7.5m. USAF delivered 4% over the quarter, providing an immediate uplift on the price of the new units acquired
- At the end of the quarter contracts were exchanged to purchase Border Retail Park in Wrexham let to Wickes, Next, Pets at Home and Poundstretcher. The purchase price was £12.63m yielding 7.85% to the Fund
- Post the quarter end 2 warehouse properties were purchased adjacent to the Fund's existing holding on the Newmarket Business Park. The consideration was £3.83m delivering a yield to the Fund of 7.06%. The tenants are Smiths News and Countrywide Farmers Plc
- The blended yield to the Fund on these four acquisitions is 6.76%
- Given this investment activity, the temporary one month suspension imposed on new subscriptions in May 2015 has been lifted and the Fund is now open for new investment
- Net subscriptions of £20.7m were received into the Fund during Q2 2015; following the purchase activity outlined above and with the sale of an asset in Twickenham (see over), there was £8.6m capital cash available for investments as at 30/06/15. Subscriptions totalling £9.0m have been received for 1 July 2015 dealing day. The Fund has terms agreed on over £30m of new investments

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.

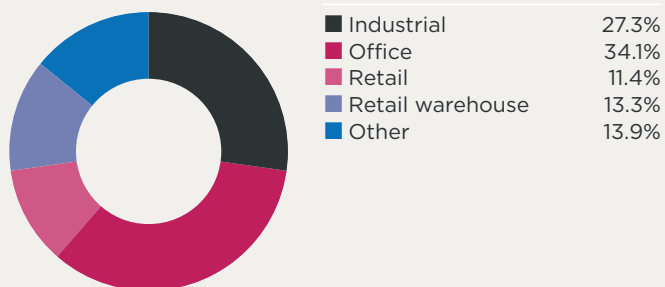
Key Fund Data (as at 30 Jun 2015)

Gross asset value	£412.69m
Net asset value	£351.98m
Number of assets	59
Bid price	79.69 p.p.u
Offer price	82.18 p.p.u
Yield for rolling 12 months ¹	6.4%
Distribution history ²	
Jun 2015	0.367 p.p.u
May 2015	0.412 p.p.u
Apr 2015	0.441 p.p.u

Borrowings (LTV) ³	14.77%
Borrowings (NAV)	16.96%
Vacancy rate	3.0%
Weighted unexpired term ⁴	8.7 years
Total expense ratio (NAV)	0.77%
Total expense ratio (GAV)	0.65%
Portfolio turnover ratio ⁵	27.69%
Year end	31 December
Sedol number	BO517P1
ISIN	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
- on total portfolio value
- incl. breaks
- (purchases + sales) - (subscriptions + redemptions) / average fund value over 12 months

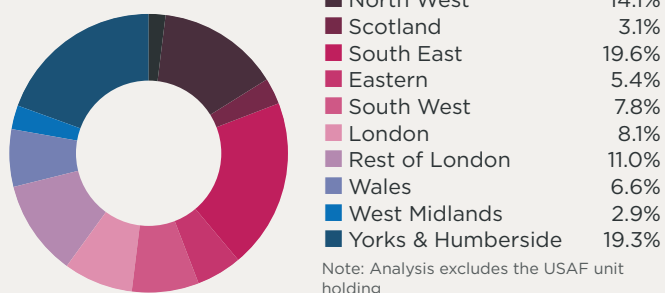
Portfolio by Sector



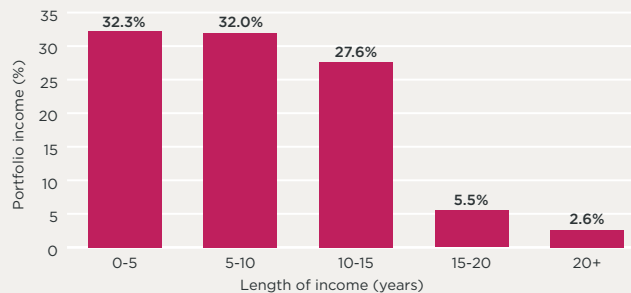
Portfolio by Covenant Rating



Portfolio by Region



Portfolio by Unexpired Lease Profile



Asset Management



- Mixed use property with offices let to Secretary of State until 2018 and three retail units
- Opportunity to take advantage of strong investor market for London suburbs and assets with future residential potential
- Strong investor interest resulted in highly competitive bidding
- Sold for £5.2m - well in excess of valuation

New Acquisition



- Highly prominent, well diversified distribution warehouse in strong industrial location
- A 'value add' acquisition currently let at low rent of £3.55 per sq ft vs an ERV of £4.75 per sq ft
- Purchase for £11.3m, showing an initial yield to the Fund of 5.9% and reversionary yield of 7.9%

10 Largest Tenants (by income)

Wincanton Holdings Ltd	5.4%
B&Q	4.1%
Bard Ltd	3.8%
Premier Inn Hotels Ltd	3.8%
Wickes Building Supplies Ltd	3.5%
Barnett Waddingham LLP	2.9%
Fellowes Ltd	2.8%
Northern Foods Ltd	2.5%
Travelodge Hotels Ltd	2.5%
Debenhams Retail Plc	2.5%
TOTAL	33.8%

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

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