

The Property Income Trust for Charities (PITCH) helps over 1,300 charities to invest in property in an ethical, responsible and tax-efficient way.

Fund update

Property markets continued to be negatively impacted by Covid-19 during Q2 with investment volumes of only £7.4bn, the lowest level since 2012. This resulted in falling valuations with the MSCI All Property Index showing a -3.6% decrease in capital values over three months. The worst hit sectors continued to be the retail, hospitality and leisure sectors where many businesses remained closed.

One sector that is proving more resilient to the effects of the pandemic continued to be industrial/logistics property, where an acceleration of online spending led to the strongest quarter of occupational take-up on record. Capital values for this sector were broadly flat over the quarter. PITCH invested heavily into distribution warehousing from 2013 onwards meaning it now has a relatively high weighting to this sector of 38%.

Towards the end of Q2 there was increased investment activity in certain key sectors meaning that the 'material uncertainty clause' has now been removed on valuations of industrial property, supermarkets, Central London offices, student accommodation and 'annuity-style' long income. All remaining property sectors however, including regional offices, retail, hotels and leisure remain subject to qualified valuations.

PITCH, as with the majority of institutional funds, continues to be suspended for dealing as at 30 June 2020. In order for the Fund to re-open, the Fund's Trust Deed requires the material pricing uncertainty to have been lifted on at least 80% of the portfolio. Given the improved recent sentiment, we are hopeful that this threshold will have been reached by the end of Q3 2020. The final decision to re-open, however, remains with the Fund Manager.

PITCH returned -2.3% in Q2 driven mostly by negative valuation declines on its retail holdings, where five retailers entered into an administration or CVA process, comprising some 2.8% of

portfolio income. Two of these retailers (comprising 1% of income) remained unaffected by this and continue to trade on the same lease terms reflecting the quality of the underlying buildings. All Retail remains a small portion of the PITCH portfolio comprising only 14% of value.

The Fund's holding in the Unite Student Accommodation Fund returned -0.7% in Q2 mainly due to a reduction in income following the Manager's decision to refund students who had vacated prior to the end of the 2019/20 academic year. We are closely monitoring occupancy levels for the 2020/21 academic year. Initial observations are that student numbers are expected to be more resilient than initially feared. This is likely to have a bearing on future income distributions and valuations. We continue to monitor all options for PITCH in relation to its holding in this vehicle.

Rent Collection and Distributions

As expected, rent collection has proven more challenging in Q2 particularly within those sectors where tenants have had to close for trading. As with the previous quarter, we have adopted a firm but fair approach in our dealings with tenants regarding requests for concessions. At the time of reporting we had collected 67% of all rent, which increases to 79% allowing for those on monthly payment plans. We expect this total to increase marginally over the coming few weeks as a number of late payments are collected. The balance of arrears is mostly subject to a deferral agreement with only a small proportion, at around 5% of rent, at risk of being permanently written off.

At this stage in the rent collection process, we anticipate that Q3 distributions will be broadly in line with that paid out in Q2, amounting to a circa 15-20% reduction in pre Covid-19 levels. On this basis our current forecasts are for the Fund's year-end distribution yield to be circa 20% lower than 2019 levels. The nature of the accounting treatment of deferred income

means that we hope to be able to deliver enhanced distributions to investors during 2021.

Asset Management

This quarter we agreed to carry out a 40,000 sq ft warehouse extension for ASOS at West Moor Park in Doncaster, which triggered a lease term increase. This is a positive event for the Fund, which reinforces our thematic approach to investing and the importance of asset management in delivering performance. Further details are provided overleaf.

The Fund's void rate increased to 7.3% in Q2. This followed the vacancy of two office floors at Jessop House in Cheltenham and the administration of Chiquitos at the restaurant on the Greenwich Peninsula. Both assets are situated in strong locations, which offer good prospects for reletting. Excluding those buildings currently undergoing refurbishment, the void rate is 5.3%.

Fund Outlook

Despite increased investment activity in recent weeks, we expect some valuations to continue to come under pressure during H2 2020 as further price discovery becomes available from completed transactions. For this reason, we continue to advocate a robust cash weighting. PITCH currently holds £83m net of all outstanding redemptions, which equates to 14% of NAV. This provides a hedge against Fund borrowings, allowing for the impact of lower valuations, and to take advantage of potential buying opportunities.

In view of the threat of a potential second wave of Covid-19, future performance will be dependent on portfolio composition, the resilience of the tenant base and rent collection rates. Given the structure of the PITCH portfolio and rent collection levels to date, we consider the Fund is relatively well placed in the context of the current market.

Key Statistics

£663m
Gross Asset Value

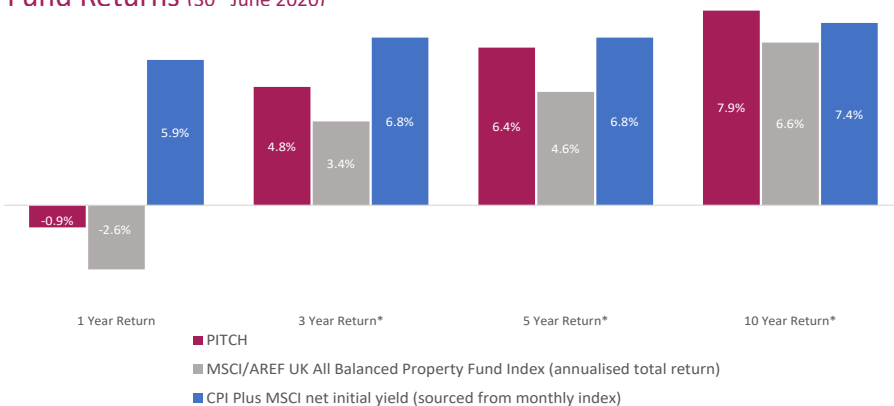
5.2%
Fund Yield (Rolling 12-months as % of NAV)

11.4%
Borrowings (GAV)

7.3%
Vacancy Rate

6.5
Weighted Unexpired Term (years)

Fund Returns (30th June 2020)



Source: MSCI and CPI index (30.06.2020)
*annualised

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Fund Key Data

Gross asset value	£662.73m
Net asset value	£587.00m
Number of assets	53
Vacancy rate	7.3%
Weighted Av. Unexpired Lease Term	6.5 years
Distribution History	
Apr 2020	0.313 p.p.u.
May 2020	0.241 p.p.u.
Jun 2020	0.290 p.p.u.
Borrowings (GAV)	11.4%
Total expense ratio (GAV)	0.65%
Portfolio turnover ratio	-2.4%
Year End	31 December
Sedol number	B0517P1
ISIN number	GB00B0517P11

Five Largest tenants (by income)

Admiral PLC	4.7%
Wincanton Holdings Ltd	4.3%
Kier Construction Ltd	4.3%
Sky CP Ltd	3.6%
Antolin Interiors Ltd	3.2%

Five Largest Assets (by value)

Unite Student Accommodation Fund	5.1%
Capital Quarter, Cardiff	5.0%
Doncaster, Trax Park	4.0%
Croydon, Premier Inn	3.8%
Newmarket	3.8%

Lease Length (by rent)

0-5 years	45.1%
5-10 years	39.7%
10-15 years	7.8%
15-20 years	7.4%
20+ years	0.0%

Portfolio Distribution (by sector)

Industrial	38.3%
Office	35.2%
Retail Warehouse	10.4%
Retail	4.2%
Other	11.9%

Tenant Risk Rating (by rent)

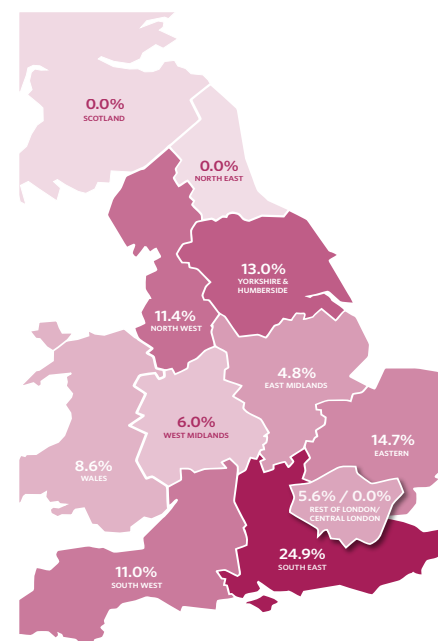
Minimal risk	47.0%
Lower than average	42.2%
Higher than average	8.1%
High risk	2.7%

ASOS, Doncaster



Portfolio Distribution

(geographic weightings)



Asset Management

We have agreed to undertake a 40,000 sq ft extension of the Fund's warehouse in Doncaster, let to ASOS, alongside a lease term increase. This follows the online retailer's strong recent sales growth and reinforces its long term commitment to the building, which is ideally specified for the warehouse market. The works will deliver additional accommodation to enable ASOS to serve increasing online demand and will give rise to a material valuation increase once finished. The property has been a strong performing asset for the Fund having delivered an IRR of 11.3% since inception.

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