

Schroders  
capital

50 years in  
Real Estate

January 2023



## ***GROUND RENTS INCOME FUND PLC ('GRIO')***

Unaudited portfolio valuation, regulatory reform  
update and shareholder consultation



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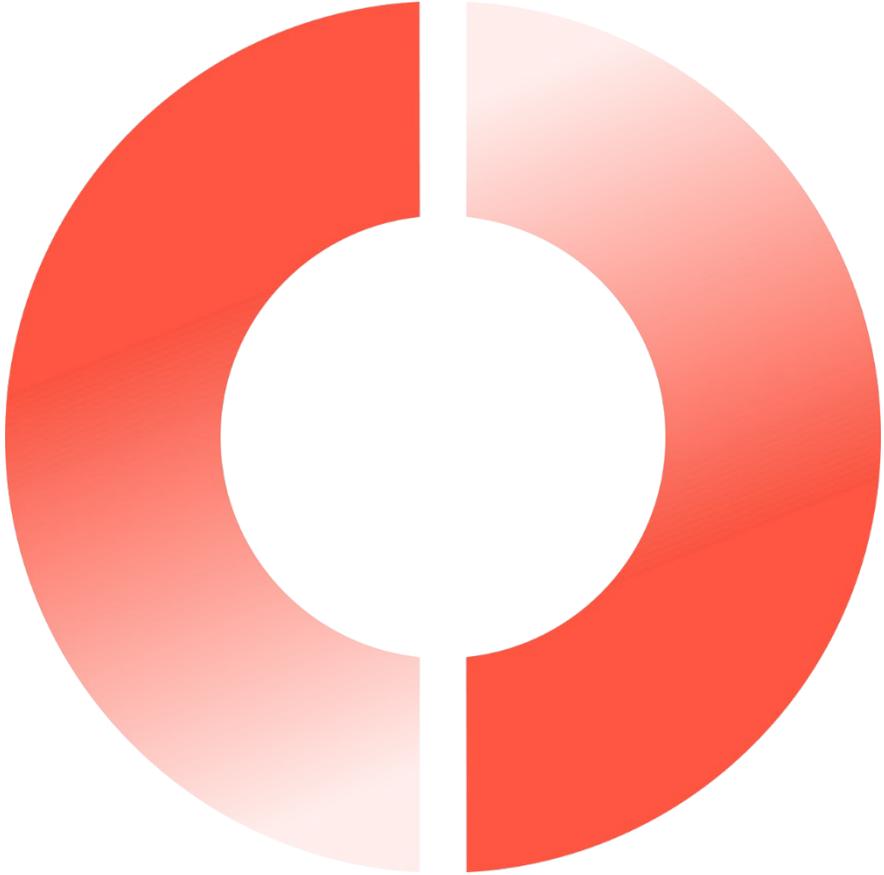
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Shareholder Consultation

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Summary



*OVERVIEW*

# Overview

## Unaudited portfolio valuation, regulatory reform update, and shareholder consultation

### Key points for shareholders to note are:

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The unaudited independent valuation of the portfolio as at 30 September 2022 was £109.0 million, reflecting a decline of 0.9% over the six month period from 31 March 2022, and a decline of 8.7% over the 12 month period from 30 September 2021.

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As at 30 September 2022, 21% of the portfolio by value was subject to a Material Valuation Uncertainty Clause, with a negative valuation adjustment for building safety regulatory reform of £11.4 million. Further progress since the 30 September 2022 valuation date means that the relevant percentage of assets impacted is now approximately 17%. The valuation also includes a negative valuation adjustment for residential leasehold regulatory reform of £3.8 million.

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The recent introduction of the Building Safety Act 2022 (“BSA”), and challenges associated with verifying the valuation adjustment, will lead to a delay producing the audited results for the year ending 30 September 2022, and may lead to an audit report modification.

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The Board and Manager endorse the BSA’s aims of improving building standards, but it has, despite the Company not developing any of its assets, increased the challenges associated with resolving complex building safety issues. Notwithstanding, since Schroders’ appointment as Manager in mid-2019, and subsequent Board appointments, progress is being made in protecting both leaseholders’ interests and our shareholders’ investments.

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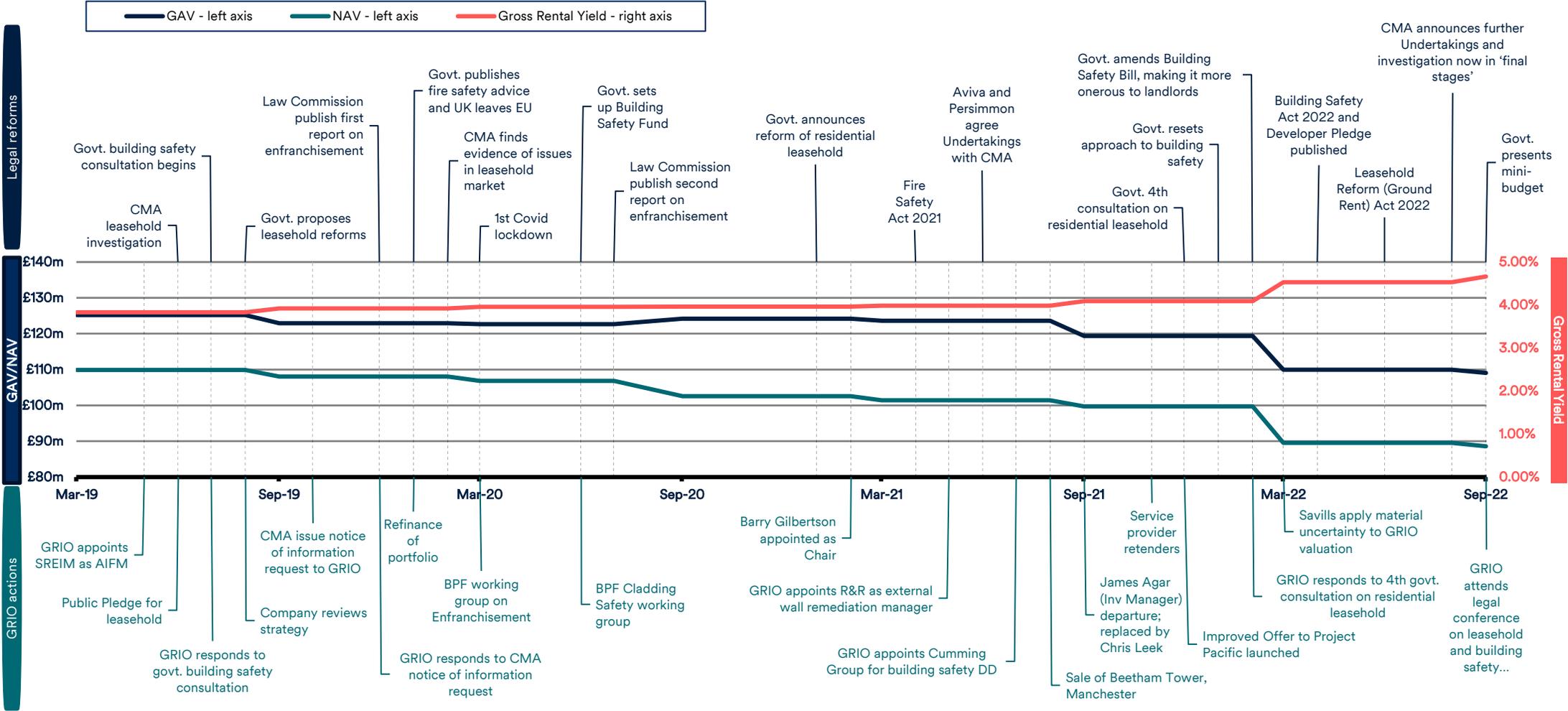
Whilst the BSA has increased the complexity of the challenges facing the Company, we are already acting to protect both leaseholders’ interests and our shareholders’ investments, with progress being made in key areas.

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Source: Schroders, January 2023.

# Strategy timeline

Significant activity since Schrodgers appointment in mid-2019, and subsequent Board appointments



Source: Schrodgers, January 2023.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.

# Unaudited Portfolio Valuation as at 30 September 2022

## Savills Portfolio Valuation Adjustments

	30-Sep-22 (unaudited)	31-Mar-22* (unaudited)	30-Sep-21 (audited)
<b>Portfolio Valuation:</b>			
Value (£m):	£109.0	£ 110.0	£ 119.4
Estimated, pro-forma unaudited NAV (£m)	£88.5	£ 89.5	£ 99.7
Pence per Share ('pps')	92.5	93.6	103.1
<b>Valuation Adjustments:</b>			
Building Safety Act adjustment (£m):	(£11.4)	(£13.9)	(£1.1)
Leasehold Reform adjustment (£m):	(£3.8)	(£4.6)	(£6.1)
<b>Total adjustment (£m):</b>	<b>(£15.3)</b>	<b>(£18.6)</b>	<b>(£7.2)</b>
<b>Material Valuation Uncertainty Clause:</b>			
Number of Assets	30	63*	17
Portfolio valuation where Building Safety Act related remediation may be required (%)	21%	31%*	11%

- Unaudited, independent valuation of £109.0 million as at 30 September 2022.
- Reflects a valuation decline of -0.9% vs. 31 March 2022 and -8.7% vs. 30 September 2021.
- Estimated, pro-forma unaudited NAV as at 30 September 2022 of £88.5 million or 92.5 pps (31 March 2022 unaudited: £89.5 million or 93.6pps; 30 September 2021 audited: £99.7 million or 103.1 pps).
- MUC\*\* relating to Building Safety Act adjustments applied to 30 out of 390 assets, or 21% of the unaudited portfolio value, as at 30 September 2022.
- Valuation also impacted by leasehold reform uncertainties.
- Aggregate valuation adjustments for building safety and leasehold regulatory reform of - £15.3m as at 30 September 2022 (31 March 2022: £18.6m; 30 September 2021 £7.2m)

**Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested.**  
Source: Schroders, January 2023.

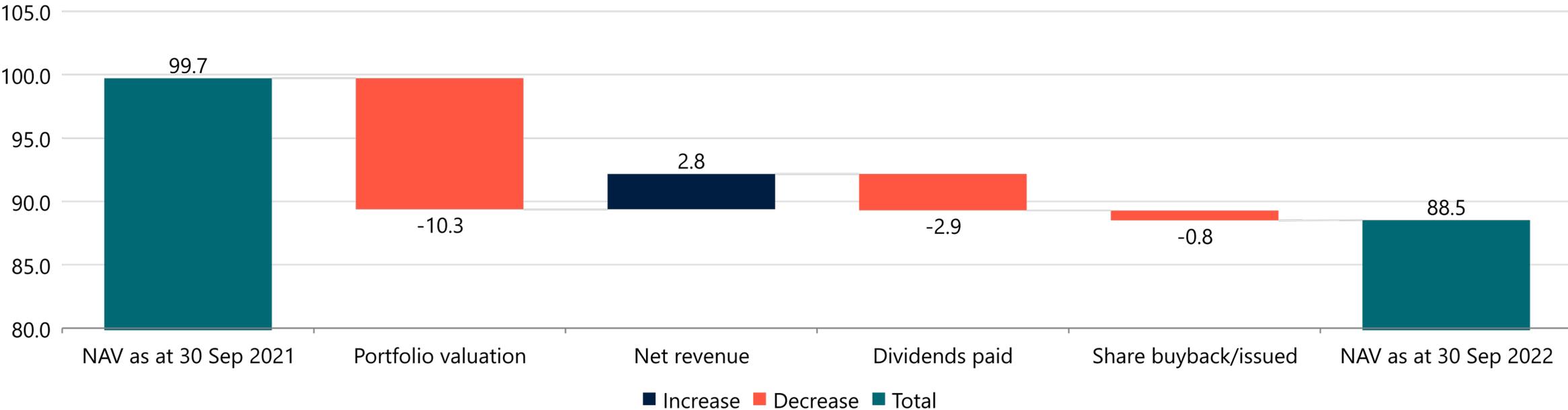
\*As at 31 March 2022 Savills adopted a valuation adjustment for the Building Safety Act, together with the MUC, for all mid-rise assets within the portfolio, irrespective of whether the need for building safety remediation had been identified. \*\*Royal Institution of Chartered Surveyors (the 'RICS'), have maintained the Material Valuation Uncertainty Clause ('MUC') relating to building safety issues.

# Unaudited NAV movement for the year ended 30 September 2022

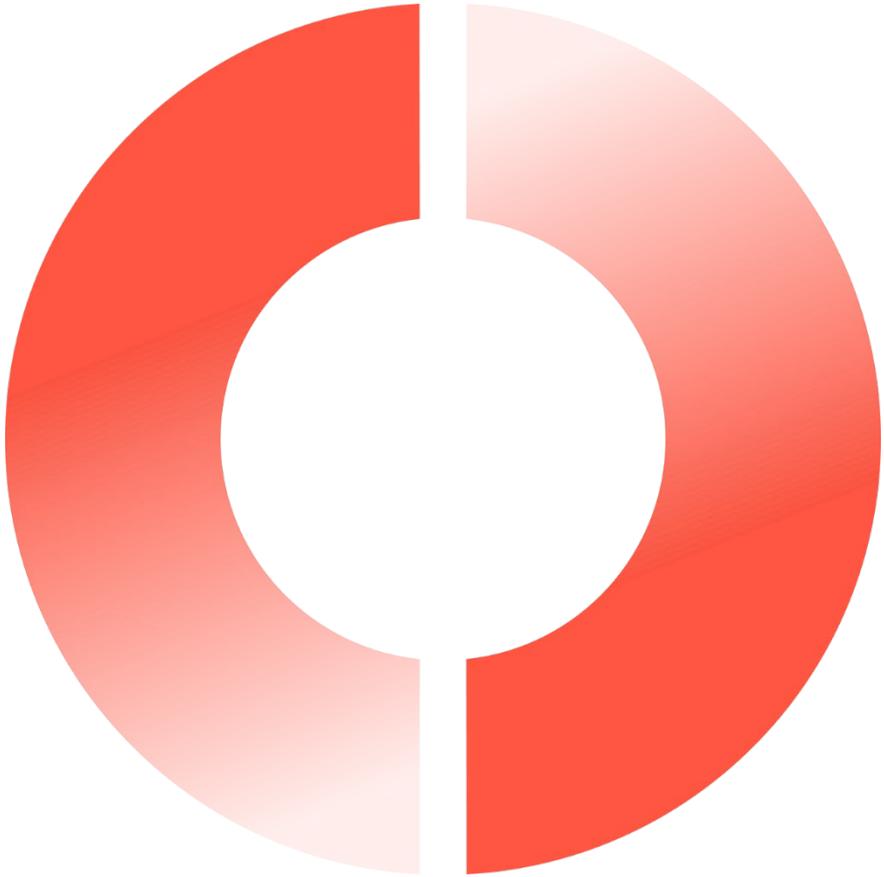
NAV decrease of 11.2% and a NAV total return of -7.4%

- Unaudited NAV of £88.5 million or 92.5 pps as at 30 September 2022, which compares with audited NAV of £99.7 million or 103.1 pps as at 30 September 2021
  - Unaudited NAV decline of 10.5 pps or -11.2% with a NAV total return, including dividends paid of £3.84 million, of -7.4%
  - Decrease in portfolio valuation of £10.4 million over financial year
  - Group loan to value ('LTV') of 19.3% as at 30 September 2022, compared to 16.3% as at 30 September 2021
- Cash at year end of £1.9 million as at 30 September 2022

NAV (£m)



Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them may go down as well as up and investors may not get back the amount originally invested. Source: Schroders, January 2023.



*BUILDING SAFETY REFORM*

# Building Safety Reform and impact on the Company

## Material Valuation Uncertainty and potential for audit report modification

- Consistent with the approach taken for the unaudited interim results for the six month period ending 31 March 2022, Savills, in conjunction with industry peers and the Royal Institution of Chartered Surveyors (the ‘RICS’), have maintained the Material Valuation Uncertainty Clause (‘MUC’) relating to building safety issues, with the MUC technically not applying to the residential leasehold reform risk
- Including adjustments made in prior periods, the aggregate valuation adjustments adopted by Savills for building safety and residential leasehold regulatory reform are £11.4 million and £3.8 million respectively as at 30 September 2022, or £15.2 million in total (31 March 2022: £18.6 million in total; 30 September 2021: £7.2 million in total)
- Due to the very recent introduction of the Building Safety Act (“BSA”) in April 2022, Savills' valuation makes assumptions where the full extent of the Company’s liability for building safety works at the 30 relevant assets are currently unclear or unknown. This includes attributing a risk rating to each of the assets based on the relevant information provided by the Manager. This risk rating, adopted following the introduction of the BSA, is a means of quantifying the extent to which building safety remediation may be required, and whether those responsible for the defects, such as developers and contractors, remain in existence
- In order to provide shareholders with as much disclosure as possible, the Board and Manager are working with their key advisors and the Company’s auditor, PricewaterhouseCoopers LLP (‘PwC’), to more accurately verify the valuation adjustments used in the forthcoming audited year end accounts to 30 September 2022. To do so, we are adopting new Government guidance to verify the extent and cost of building safety remediation that is required across the portfolio, and the party, or parties, responsible for such costs. This is challenging due to the rapidly changing legislative environment and increased demand for specialist building consultants

# Building Safety Reform and impact on the Company

## Overview of provisions set out in the Building Safety Act 2022 ('BSA')

Type of building in portfolio*	Pledged Developer	Developer and other "Polluters" still in existence	Developer no longer in existence ('orphaned property')
<b>Not relevant</b> building (under 11 metres)			
	<ol style="list-style-type: none"> <li>The Government considers that there is no systemic fire safety issue in buildings below 11 metres in height.</li> <li>Leaseholder cost protections introduced by the BSA do not apply.</li> <li>Still able to pursue "Polluters" via existing means and new redress measures available for all properties regardless of height.</li> </ol>		
<b>Relevant</b> building (over 11 metres); <b>Relevant defect</b> (safety risk from fire or structural collapse, and created in last 30 years)	<p>Developer liable to pay for building safety remediation costs (both cladding and non-cladding).</p> <p>Government funding already received or relevant service charge costs already incurred reimbursed by the developer.</p>	<p>Landlord obliged to pursue developer under BSA. In interim or if unsuccessful:</p> <p><b>Cladding defects</b></p> <p>Remediation costs met by Government funding.</p> <p><b>Non-cladding defects</b></p> <p>Remediation costs cascade down a 'waterfall':</p> <ol style="list-style-type: none"> <li>Developer and other "Polluters"</li> <li>Landlord subject to 'contribution condition'</li> <li>'Qualifying' leaseholders paying a capped contribution (usually £10,000, or £15,000 in London). <b>'Non-qualifying' leaseholders, including professional buy-to-let investors, subject to all costs chargeable under lease.</b></li> <li>Landlord(s).</li> </ol>	<p><b>Cladding defects</b></p> <p>Remediation costs met by Government funding</p> <p><b>Non-cladding defects</b></p> <p>Remediation costs cascade down a 'waterfall':</p> <ol style="list-style-type: none"> <li>Developer and other "Polluters"</li> <li>Landlord subject to 'contribution condition'</li> <li>'Qualifying' leaseholders paying a capped contribution (usually £10,000, or £15,000 in London). <b>'Non-qualifying' leaseholders, including professional buy-to-let investors, subject to all costs chargeable under lease.</b></li> <li>Landlord(s).</li> </ol>

Source: Schrodgers, January 2023.

\*Assumes multi-occupancy residential building owned by third-party landlord (not leaseholder-owned).

# Building Safety Reform and impact on the Company

## BSA increased complexity of challenges facing the Company but progress being made ①

- Robust processes in place to manage building safety issues, including regular and transparent communication with leaseholders who are understandably frustrated by issues impacting their ability to sell, or even re-mortgage, their home
- Remedial work commenced at seven out of the 30 properties which is being funded by either the original developers or the Government, with qualifying applications for Government funding made at a further eight properties
- Working closely with the Government’s delivery partner for the Building Safety Fund (‘BSF’), Homes England, and the Greater London Authority, we are one of the first institutional landlords to agree a main Grant Funding Agreement (‘GFA’)
- Negotiations for a further three GFAs on the ‘Managed Estate’ (where the Company retains management responsibilities) are progressing in order to receive funding and complete works that will accelerate remediation and thereby enable leaseholders to sell or re-mortgage their homes
- Across the ‘Managed’ and ‘Non-managed Estate’ (where a Residents Management Company (‘RMC’) is responsible for managing the building), we are progressing, or are aware of, approximately £56 million of developer or Government funded remediation projects at 17 properties. This includes four properties where works have already been completed (over and above the 30 referenced above), at no significant cost to the Company. In these cases the Company's cost exposure was limited to professional and other fees

# Building Safety Reform and impact on the Company

## BSA increased complexity of challenges facing the Company but progress being made (2)

- New fire alarm systems installed at 10 properties, removing the requirement for expensive ‘waking watches’ whilst additional building safety works are addressed. In most cases, costs have initially been met by Government funding, and those organisations deemed ultimately responsible will be legally pursued where relevant
- With respect to the ‘Managed Estate’, which includes eight out of the 30 properties referenced above, we are actively pursuing six developers under the new powers provided by the BSA, including waking watch costs and higher insurance premiums payable by leaseholders due to building safety defects
- With respect to the ‘Non-Managed Estate’ which includes 22 out of the 30 properties referenced above we are assisting leaseholders (and their RMC where appropriate) wherever possible, such as providing consents for building safety assessments or leveraging contractual relationships where we hold collateral warranties from the original developer or contractor. Our approach recognises that many RMC’s are supported by little to no shareholder equity, and that management and responsibilities transfer to the landlord when an RMC ceases to exist. There can also be practical challenges associated with obtaining information relating to the Non-Managed Estate, as the RMC has responsibility for dealing with its leaseholders, as well as providing consent for access to its demise
- The Manager, in conjunction with our legal adviser, property manager and health and safety specialist, is putting in place the new landlord and leaseholder certification processes set out in the leaseholder protection regulations, as well as continually working towards establishing the ‘Golden Thread’ of building information for every asset

# Building Safety Reform and impact on the Company

## Progress being made dealing with legacy issues as well as managing leasehold reform risk

- Having resolved the highly complex legacy litigation at Beetham Tower in Manchester in August 2021, the Board and Manager are to deal with legacy issues relating to historic transactions and portfolio activity carried out prior to the current Board and Manager's appointments with the Company. These legacy issues are granular, time consuming, and generally relate to disputes concerning legal title, disrepair and property management
- Continued progress implementing 'Project Pacific', an asset management programme to remove doubling residential ground rents from the portfolio at no cost to the leaseholder. This project was voluntarily initiated by the Company in 2017, well before Government reform. To date, 446 leaseholders have taken up the Project Pacific offer, which represents approximately 15% of qualifying leases and 2% of total leases across the portfolio
- To accelerate this programme of activity, leaseholders with doubling ground rents that may be considered onerous were provided with an improved offer during the financial year. Acceptance should enable the leaseholder to secure improved mortgage terms and improve the liquidity of their home
- Against the backdrop of the cost of living crisis, we are demonstrating the benefits of institutional ownership in the ground rents sector through activity such as bulk buying utilities and lower building insurance premiums

# Building Safety Reform and impact on the Company

## Key risk non-recoverable costs and impact on cashflow

Remediation, as of 30-Sept-22	Number of Assets		% of Portfolio Value (30-Sept-22)	
	MEST / NREST / Total	MEST / NREST / Total	MEST / NREST / Total	MEST / NREST / Total
Assets Requiring Remediation:	8 / 22 / 30		8.9% / 12.0% / 20.8%	
Building Safety Act remediation works completed	4		5%	

Remediation, as of Dec-2022	Number of Assets		% of Portfolio Value (30-Sept-22)	
	MEST / NREST / Total	MEST / NREST / Total	MEST / NREST / Total	MEST / NREST / Total
Assets Requiring Remediation:	6 / 22 / 28		5.0% / 12.0% / 17.0%	
Remedial Work Commenced:	1 / 6 / 7		0.5% / 6.2% / 6.6%	
In addition, Government funding applications ongoing:	3 / 5 / 8		1.0% / 2.7% / 3.7%	
In addition, pursuing responsible parties and/or awaiting mid-rise Government funding:	4 / 11 / 15		7.4% / 3.1% / 10.5%	

### Clarifications

- Managed Estate (MEST) - properties where GRIO is responsible for management, repair and maintenance
- Non-Managed Estate (NREST) - those properties where a third party, such as a Residents' Management Company is responsible for management, repair and maintenance

### Key observations

- **21%** of portfolio subject to a Material Valuation Uncertainty Clause as a result of the BSA, representing a negative valuation adjustment for building safety regulatory reform of **£11.4m\***
- As at December 2022 the number of building requiring remediation decreased to 28, representing approximately **17%** of the portfolio
- Remedial work commenced at **7** of the 30 properties, funded by either the original developers or the Government
- **5%** of the portfolio value has already completed building remediation works

### Next steps

- Verification strategy

Source: Schroders, January 2023.

\*Based on the independent portfolio valuation as at 30 September 2022.

# Building Safety Reform and impact on the Company

## Mitigating the potential for audit report modification

### Next steps

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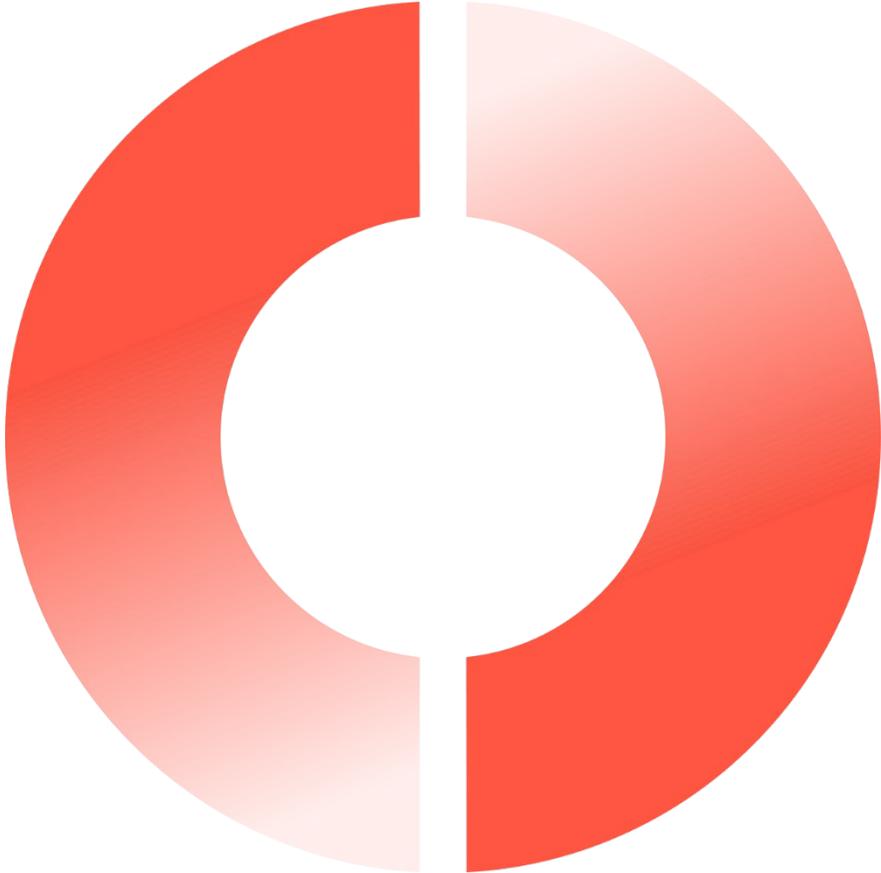
- More accurately verify the valuation adjustments used in the forthcoming audited year end accounts. Strategy includes:
    - i. Obtaining building safety assessments (FRAEW, PAS9980)
    - ii. Verifying the extent and cost of building safety remediation required where relevant
    - iii. Substantiating which parties are responsible for such costs (e.g. developers, Government, leaseholders and building owners)
    - iv. Pursuing those parties responsible for effecting such remediation (e.g. Residents Management Companies and their agents)
- 



- Verification exercise may lead Savills to change its valuation adjustment, which could increase or decrease the valuation as at 30 September 2022 to be used in the audited accounts at the same date
  - Further progress since the valuation date means that the relevant percentage of assets impacted is now approximately 17% (proforma)
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- If sufficient verification cannot be provided, then the Company's accounts may be subject to an audit report modification
  - The Company has obtained approval from The International Stock Exchange ('TISE') to extend the filing date from 31 March 2022 to 30 June 2023, with the accounts being made available earlier if possible. The Company will also seek approval from Companies House, if required, in early 2023
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*SHAREHOLDER CONSULTATION*

# Continuation Vote

## Summary and consequences

- The Company's Articles of Association (the 'Articles') contain provisions that provide shareholders with a vote on the future of the Company, commonly known as a 'Continuation Vote'. Such votes are relatively common in investment trusts as a means of enabling shareholders to realise their investment at, or close to, net asset value where, as in the Company's situation, the shares have traded at a persistent and material discount to net asset value per share.
- The Company's Continuation Vote requires the Board to convene a General Meeting between now and 13 August 2023, with the Articles providing that:
  - i. the Board must table a proposal for shareholders to vote on a resolution for a voluntary wind-up (the 'Wind-up Resolution') and subsequent liquidation of the Company; and
  - ii. **any single shareholder who votes for the Wind-up Resolution is deemed to hold sufficient voting rights so as to ensure that the resolution is passed**
- This means that the Wind-up Resolution can be passed with the vote of one shareholder irrespective of the number of shares it holds in the Company. The effect is that, **in the absence of any alternative proposal approved by shareholders, it is highly likely that the Wind-up Resolution will be passed.**
- **The Articles allow for the Board to be released from its obligations to propose a Wind-up Resolution if a special resolution of the shareholders is passed prior to 13 August 2023.** The Articles do not specify the terms of such a special resolution, and therefore the Board and its advisors have been giving consideration to proposals to be put to shareholders to facilitate the passing of a special resolution to release the Board from the requirement to propose the Wind-up Resolution by 13 August 2023.
- **In the absence of an alternative, special resolution, a single shareholder voting in favour of the Wind-up Resolution will lead to the immediate winding up of the Company. If a Wind-up Resolution is passed, the Company would cease activities and all management powers would pass from the Board to an appointed Liquidator with immediate effect, which would constitute an event of default under the Company's loan facility with Santander and result in an immediate suspension of the shares. Given general market uncertainty, and based on the views from the Company's advisors, the impact would likely be a forced sale of the underlying portfolio (in whole or in parts) at depressed prices.**

# Continuation Vote

## Shareholder consultation, alternative proposals to the Wind-up Resolution

- The Company faces continuing headwinds relating to building safety and leasehold reform that are largely outside of our control, which have led to falling capital values and weak sentiment in the ground rent market sector more broadly. Whilst the Company has a clear strategy for managing the risks associated with these headwinds, until market conditions and liquidity improve, we believe that the portfolio may not be realisable on acceptable terms. Consequently, whilst progress is being made to improve liquidity of the underlying assets to satisfy more demanding buyer due diligence requirements, there is no certainty that the portfolio could be made ‘ready for sale’ to achieve optimum pricing over the short to medium term.
- The Board and Manager recognise that, based on shareholder feedback and the prevailing share price discount, a liquidity event more reflective of true net asset value would be attractive to shareholders. As part of assessing the options, we are assuming that any extension to the term of the Company granted by the release of the need to propose a Wind-up Resolution by 23 August 2023 will be used to improve liquidity and crystallise the optimum return for all shareholders.
- Should shareholders wish to proceed with an alternative to the Wind-up Resolution, the Board, with the full support of the Manager, proposes amendments to the investment policy to enable a realisation of assets in a controlled, orderly and timely manner, with the objective of achieving a balance between periodically returning cash to shareholders and optimising the realisation value of the Company’s investments.
- Two alternative proposals are summarised as follows:

1

Postponing the Company’s obligation to hold a vote on the Wind-up Resolution by the current deadline of 13 August 2023 to 31 December 2024\* ('Option 1'); or

2

Removing the Company’s obligation to hold a vote on the Wind-up Resolution and replacing it with an alternative proposal and vote before 31 December 2024 to decide whether the life of the Company should continue (a 'Continuation Vote') which requires either (i) a simple majority of votes cast to pass; or (ii) a majority of not less than 75% of votes cast to pass. If this Continuation Vote is not passed, then the Board would be required to present alternative proposals to shareholders within an expedited timeframe ('Option 2').

Source: Schroders, January 2023.

\*Note that in the announcement this was stated as 31 December 2025.

# Continuation Vote

Shareholder consultation, consideration of alternative proposals to the Wind-up Resolution

## Option 1

- The principle of one shareholder being able to trigger a liquidation remains;
- The deadline for the vote on the Wind-up Resolution being extended to 31 December 2024\*; and
- Amendments to the investment policy to enable a realisation of assets in a controlled, orderly and timely manner.

## Option 2

- Removing the need for the vote on the Wind-up Resolution in its entirety and providing the Board instead with an obligation to hold a Continuation Vote by 31 December 2024. Such a vote would act as a milestone for the Board to provide shareholders with an update on progress in implementing the strategy determined following the consultation;
- Question whether the vote be passed by a simple majority of not less than 50%, or a majority of not less than 75% (in both cases as a percentage of votes cast)?; and
- Amendments to the investment policy to enable a realisation of assets in a controlled, orderly and timely manner.

Source: Schroders, January 2023.

\*Note that in the announcement this was stated as 31 December 2025.

# Continuation Vote

## Shareholder consultation, additional considerations

### Current debt and potential refinancing

- The Company's external loan with Santander matures in January 2025. Alongside the measures described, we will consult on proposals to extend this facility for a short period of time.

### Board and external advisor fees

- The Board and management team continue to grapple with a range of legacy issues, as well as major new workstreams relating to building safety. This is critical work to support the strategy and improve portfolio liquidity. Whilst Schroders Alternative Investment Fund Management Agreement includes the ability to charge extra fees for out-of-scope work, the sheer range of projects means it is an inefficient mechanism. We would therefore like to consult with shareholders on the Manager's current fee arrangement with a view to simplifying its terms and aligning the Manager's interests with the interests of the Company's shareholders.
- We also wish to consult shareholders on an increase in the Directors aggregate fee cap from the current level of £150,000 per annum. This also follows an increase in the size of the Board from three to four members in 2021.

### Dividend policy

- Although the Company benefits from growing underlying rental income, the headwinds relating to building safety and legacy issues across the portfolio are increasing frictional costs, and therefore diluting earnings. This scenario combined with the potential costs associated with the matters described and a rising interest rate environment, means the long-term sustainability of the dividend may be impacted. This possible outcome is the final point for discussion with shareholders as part of the consultation.

# Santander debt facility

## Summary of terms and next steps

### Summary

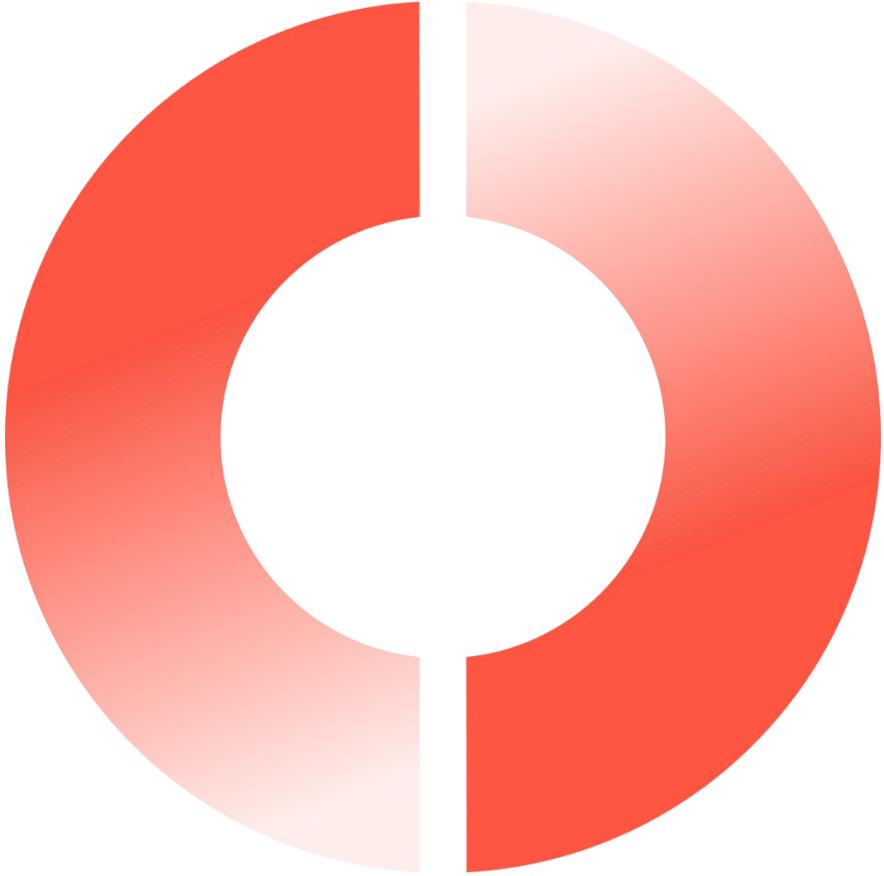
- The Company has a £25 million facility with Santander UK Plc which matures in January 2025, comprising a £12.5 million term loan and a £12.5 million revolving credit facility (RCF)
- The interest payable on the term facility is fixed at 2.68% per annum, while the RCF attracts a rate of 1.85% above the SONIA realised rate per annum, subject to a cap of 1.0% on £5.5 million of the total £12.5 million. The total 'all in' interest rate is approximately 2.62% per annum
- At 30 September 2022, £21 million was drawn on the Company's RCF and term loan combined. The Loan to Value ("LTV") on the charged pool of assets is 41.8% versus a covenant of 50%, and £4 million of the facility remains undrawn
- The Company has £61.2 million of uncharged assets as per the independent portfolio valuation and the Group level LTV based on gross assets is 18.8% against a restriction of 25%



### Next steps



Source: Schroders, January 2023.



*SUMMARY*

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*Continued headwinds  
impacting performance  
and liquidity*

*Progress being made  
protecting shareholders  
investments and  
leaseholders' interests*

*Important to obtain swift  
agreement on the  
Continuation Vote process*

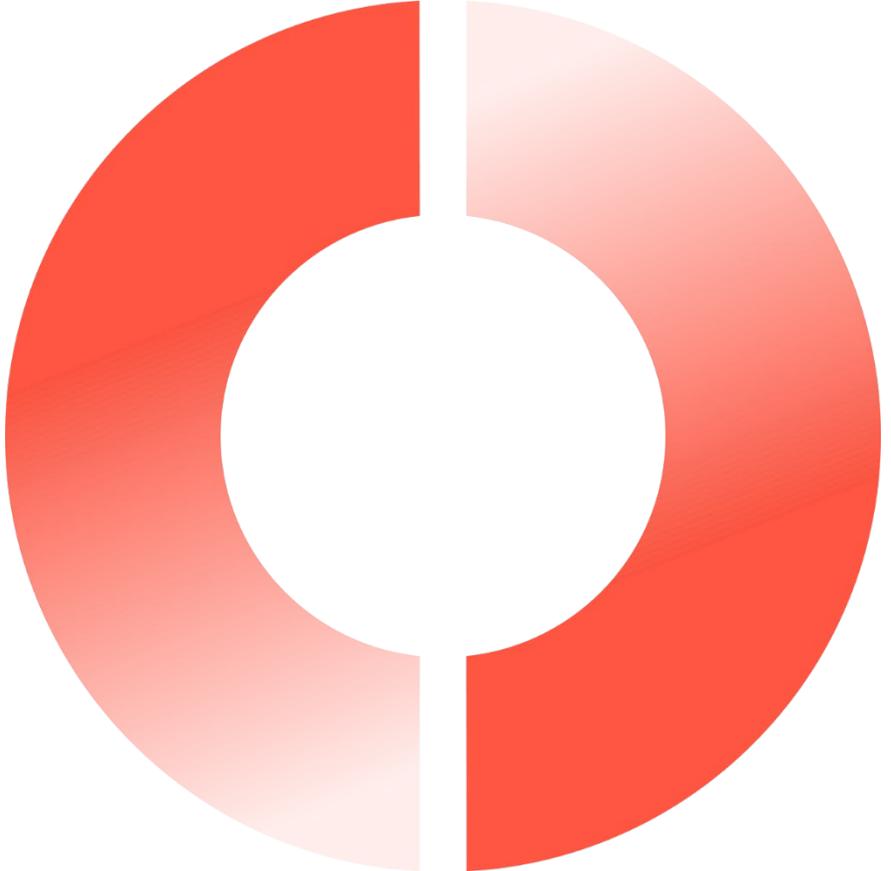
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# Summary

## Key points, next steps and timeline

- GRIO continues to operate in an increasingly challenging regulatory environment, and we are working hard to protect both our shareholders' investments and our leaseholders' interests
- Since Schroders' appointment in mid-2019, and subsequent new Board appointments from late 2019, progress has been made to reduce risk and manage historic, legacy issues such as Beetham Tower
- Consultation ongoing with larger shareholders during January, as well as smaller holders that reach out directly to the Company. Consultation feedback will be shared with all shareholders via regulatory announcements
- Assuming this consultation process is concluded by the latest end of February 2023, and in the hope that a consensus can be found, the Company would aim to issue a shareholder circular before the end of March 2023, with a General Meeting taking place in May 2023, all in sufficient time before the deadline for presenting the winding-up resolution in August
- Preparation of the Company's audited accounts to 30 September 2022 will run in parallel with this process

Source: Schroders, January 2023.



# Important Information



## **Marketing material for professional investors or advisers only.**

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# Important Information



## **Ground Rents Income Fund Plc – Risk Factors:**

The Company borrows for investment purposes. This will magnify any gains or losses made by the Company.

The Company has no maturity date. The Company may only be terminated by a continuation vote, a shareholders' voluntary liquidation or by a compulsory liquidation if the Company were unable to pay its debts. The Company owns a portfolio of assets with the income generated from the collection of ground rents.

Potential legislative reform may impact the Company's value and future income streams. However, any reform would be required to strike a fair balance between leaseholders and landlords with legitimate property interests.

The Company invests in real estate which may be viewed as a higher risk and illiquid investment and may, therefore, be adversely affected by a decrease in market liquidity for the assets in which it invests

You may not be able to sell your product easily or you may sell at a price that significantly impacts on how much you get back. This product does not include any protection from future market performance so you could lose some or all of your investment.

The Company will invest solely in property located in the UK. This can carry more risk than investments spread over a number of countries. The performance of the Company would be adversely affected by a downturn in the property market in terms of capital value or a weakening of rental yields. The Company invests in real estate which may be viewed as a higher risk and illiquid investment and may, therefore, be adversely affected by a decrease in market liquidity for the assets in which it invests.

The Company has the ability to use gearing as part of its investment strategy. The use of gearing will increase the risk profile of the Company and the volatility of the value of Shares, and will amplify losses in the event of a decline in gross asset values. Gearing may create significant underperformance, particularly in times of a falling property market. Borrowing costs may, from time to time, exceed returns on property.

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