Schroders capital

21 November 2023

SCHRODER REAL ESTATE INVESTMENT TRUST LIMITED

Results for the six months ended 30 September 2023

Nick Montgomery
Head of UK Real Estate

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Portfolio Manager

SREIT well positioned with high income and low debt cost

01 Good quality, diversified portfolio with a reversionary yield of 8.1% (MSCI Benchmark: 5.9%)

02 7.7%[1] dividend yield fully covered by earnings at 102%[2]

03 Robust balance sheet provides dividend protection: 3.5% current average interest cost of which 91% is fixed rate or capped with 10.2 years average maturity

04 Share price at a 29% discount to NAV offers compelling value[3]

05 Thematic focus on sustainability – manufacture green premium, address carbon

Notes: 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 amounts originally invested. References to these assets are for illustrative purposes only and are not a recommendation to buy and/or sell.

Source: Schroders. Company data as at 30 September 2023. MSCI Benchmark is MSCI Balanced Monthly and Quarterly Index Funds.

[1]Based on share price of 43.25p as at close 17 November 2023 and an annualised dividend of 3.344pps.

[2]Based on EPRA earnings and dividends paid for the quarter ended 30 September 2023.

[3]Based on share price of 43.25p as at close 17 November 2023 and unaudited NAV of 60.5pps as at 30 September 2023.

Key highlights

Valuations stabilising for most sectors – risk of more persistent core inflation and shocks. SREIT underlying portfolio total return of 1.9% over the period (MSCI: -0.6%)

Strong asset fundamentals, particularly in multi-let industrial, combined with strong rental value growth across the portfolio driving relative outperformance

Completed significant development at Stanley Green Trading Estate in Manchester, completion of a smaller scheme at Hollin Lane in Stacey Bushes Industrial Estate imminent

56 new lettings, rent reviews and renewals across 505,782 sq ft completed, totalling £3.8 million in annualised rental income, and 7% ahead of opening ERV

Improved GRESB score to 79 out of 100 (2022: 77) and retained 1st position in the peer group

Manchester, Cheadle, Stanley Green Trading Estate

Stacey Bushes Ind Est – 19 Hollin Lane

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Note: All metrics for the period ended 30 September 2023 unless otherwise stated. Reference to 'Benchmark' is the MSCI UK Balanced Portfolios Quarterly Property Index.

Resilient NAV performance with positive total return

NAV per share decrease of -1.6% and a positive NAV total return of +1.1%

	£m	PPS
NAV as at 31 March 2023 (489,110,576 shares)	300.7	61.5
Unrealised change in the valuations of the direct real estate portfolio and Joint Ventures	(0.4)	(0.1)
Capital expenditure (direct portfolio and Joint Ventures)	(4.8)	(0.9)
EPRA earnings	8.4	1.7
Dividends paid	(8.2)	(1.7)
Gain related to interest rate hedging instruments	0.2	0.0
Other	0.1	0.0
NAV as at 30 September 2023 (489,110,576 shares)	296.0	60.5

LFL net of capex portfolio capital value decline: -1.0%
MSCI Benchmark: -2.7%

Operationally NZC development at Stanley Green Trading Estate, Manchester completed with scheme at Stacey Bushes Industrial Estate, Milton Keynes imminent

Major refurbishments progressed in the period at multi-let industrial estate Stirling Court, Swindon and multi-let office The Tun, Edinburgh – encouraging interest

Gain from sale of interest rate cap, acquired interest rate collar with a cap/floor of 4.25%/3.25% and maturity in June 2027 in line with the RCF maturity

Share price at 29% discount to NAV[1]

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5% increase in dividends vs. six months to September 2022

Dividend fully covered at 102%

£ million, six-month period ended 30 September	2022	2023	Change
Rental income – direct portfolio	12.7	12.7	-
Share of total net income in joint ventures	2.1	1.4	(33%)
Other income	0.1	1.0	+900%
Rental and related income	14.9	15.1	+1%
Property operating expenses	(1.7)	(1.9)	+12%
Fund and other expenses	(2.1)	(1.7)	(19%)
Bad debt provisions / write offs	(0.1)	0.1	200%
Finance costs	(2.4)	(3.2)	+33%
EPRA earnings	8.6	8.4	(2%)
Margin	58%	56%	(2%)
Dividends paid	(7.8)	(8.2)	+5%
EPRA dividend cover	110%	102%	(8%)

Income return of 3.1% (MSCI Benchmark: 2.3%)
Rental value growth of 2.4% (MSCI Benchmark: 1.7%)

JVs benefitted from receipt of previously provided arrears in 2022

Other income benefitted from dilapidations receipts in the period

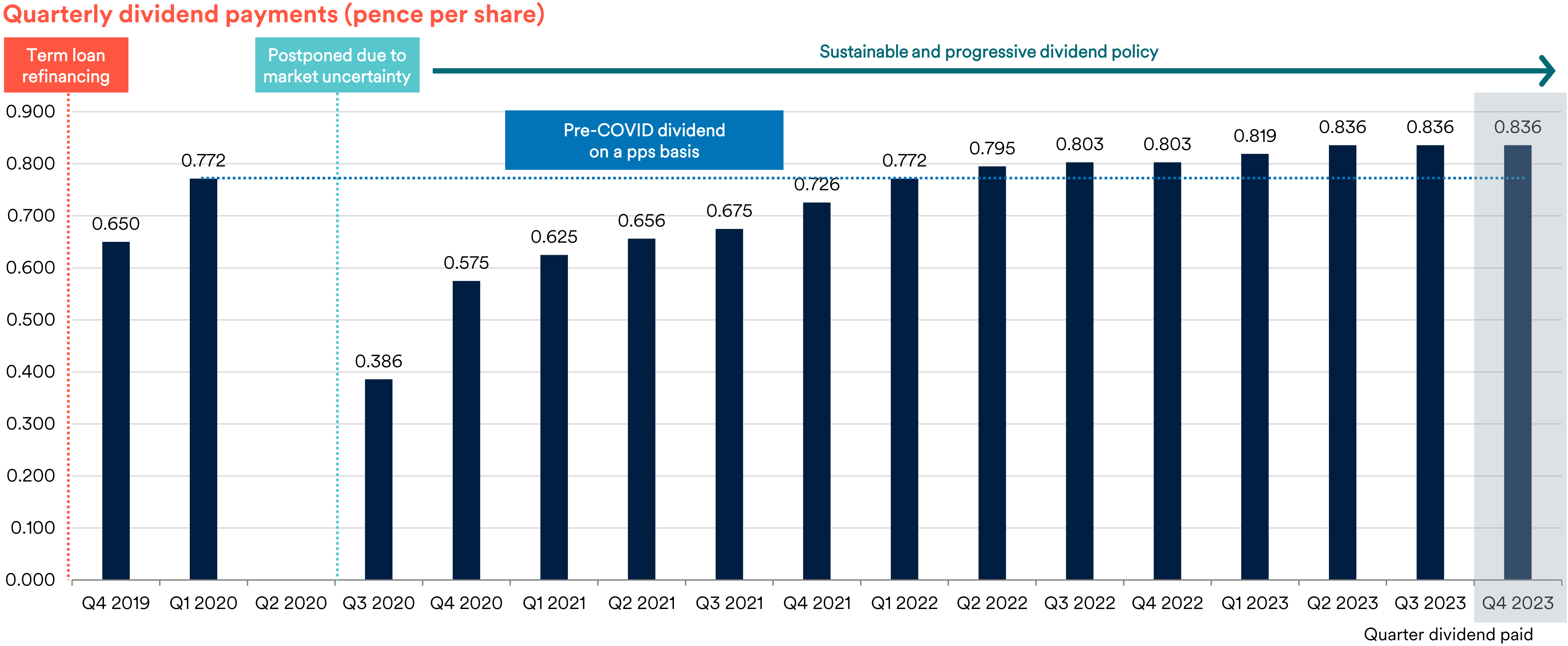
Increased finance costs driven by higher interest rates on the RCF

Net LTV 36.6% with planned disposals to bring in line with target range

5% increase in dividends paid compared to the six months ended September 2022, dividend fully covered at 102%

Opportunity to capture reversion to grow dividend

Targeting a sustainable and progressive dividend policy



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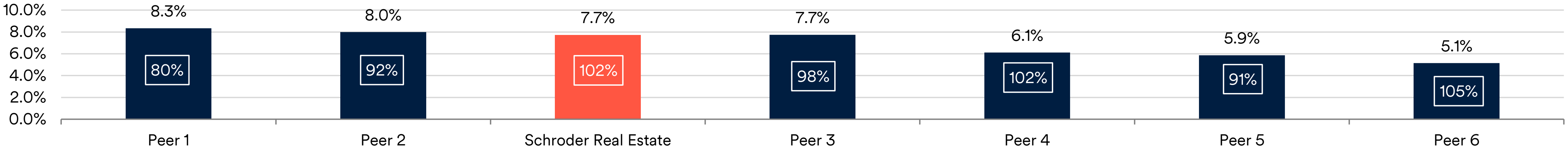
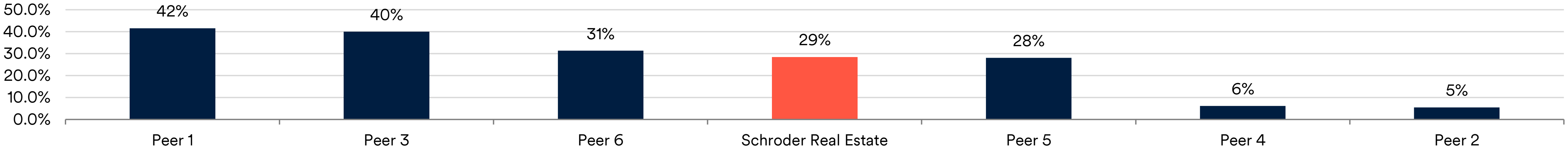
SREIT offers high income supported by low cost, long duration debt

Highest fully covered dividend yield in the peer group[1]

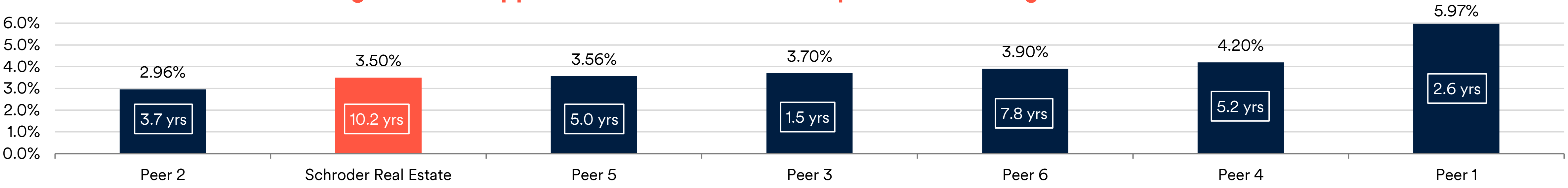


* Figures in white boxes represent latest disclosed dividend cover

Share price discount to NAV is compelling[2]



Attractive cost of debt and long duration supports future dividend – competitive advantage[3]



* Figures in white boxes represent weighted average debt maturity

Notes: Peers are AEW, API, BCPT, CREI, PCTN, UKCM. [1]Based on the most recent dividend announced as at 17 November 2023. Share price as at close 17 November 2023. Dividend cover based on earnings and dividend paid for quarter to 30 June 2023 except for Schroder Real Estate and Picton Property Income which are based on earnings and dividends paid for the six-months to 30 September 2023. [2]Based on share price as at close 17 November 2023 and NAV reported by the Company as at 30 September 2023. [3]As at 17 November based on the most recent available Company data, weighted average maturity as at 30 September 2023.

Formalising sustainability at the centre of SREIT's investment proposition

We propose the following changes to **evolve and enhance SREIT's strategy**:

1. Updating the investment policy to include sustainability objectives and KPIs that will be used to measure and report on delivery of those objectives
2. Implementing a governance structure, including use of a proprietary, holistic, ESG scorecard, to enable a quantitative approach to evaluate every asset on the same criteria and provide regular and transparent asset-level reporting of sustainability credentials and improvements

The Board and Manager believe this strategy could:

- Enhance long term total returns for shareholders
- Differentiate the Company from peers
- Attract new investors who have specific sustainability objectives - "Sustainable Improver" under SDR
- Improve the liquidity and share price rating of the Company's shares

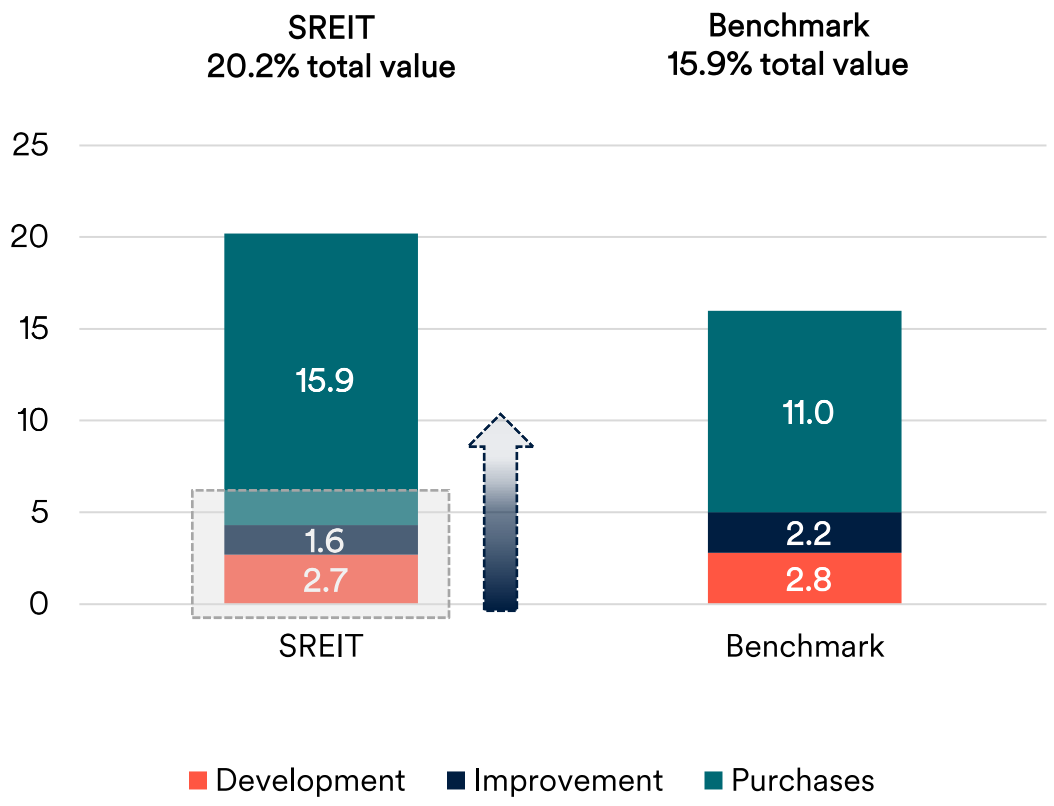
Source: Schroders, November 2023.

SREIT portfolio level returns – three years to 30 September 2023

Strategic evolution will increase investment in portfolio, expected to drive higher income growth

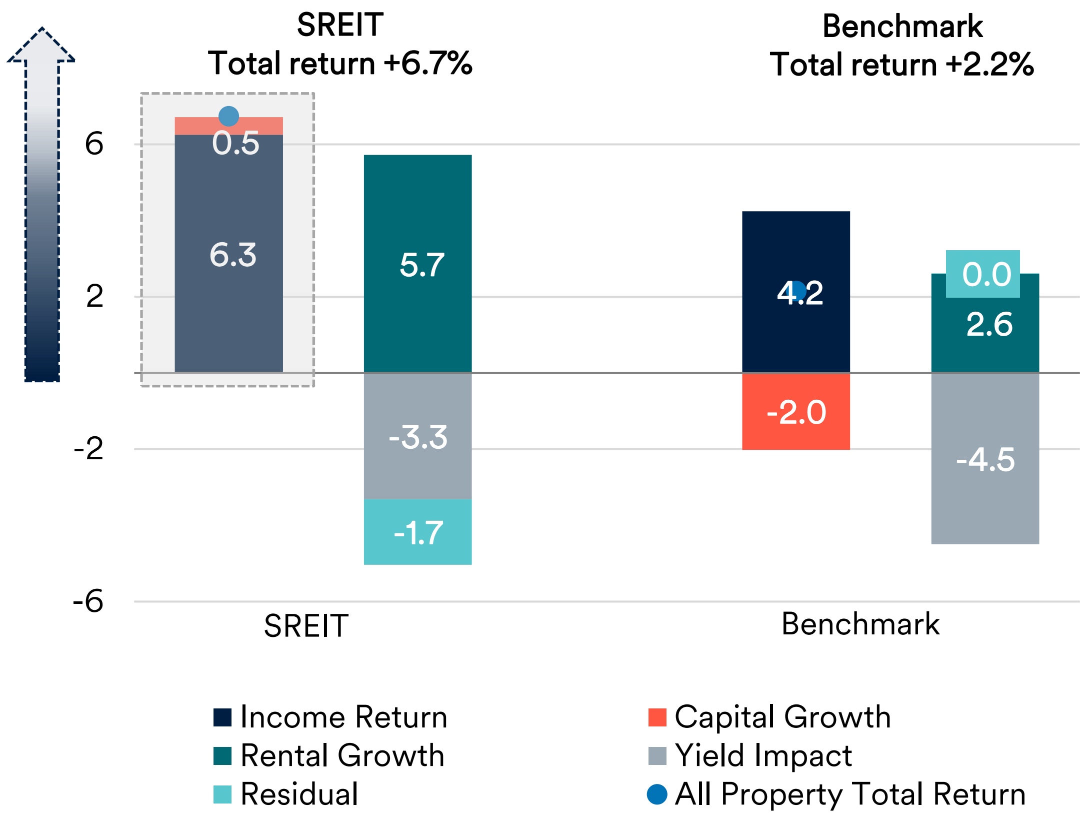
Last three years (% of portfolio value)

Expenditure - SREIT vs. MSCI Benchmark



Last three years (% per annum)

Performance components



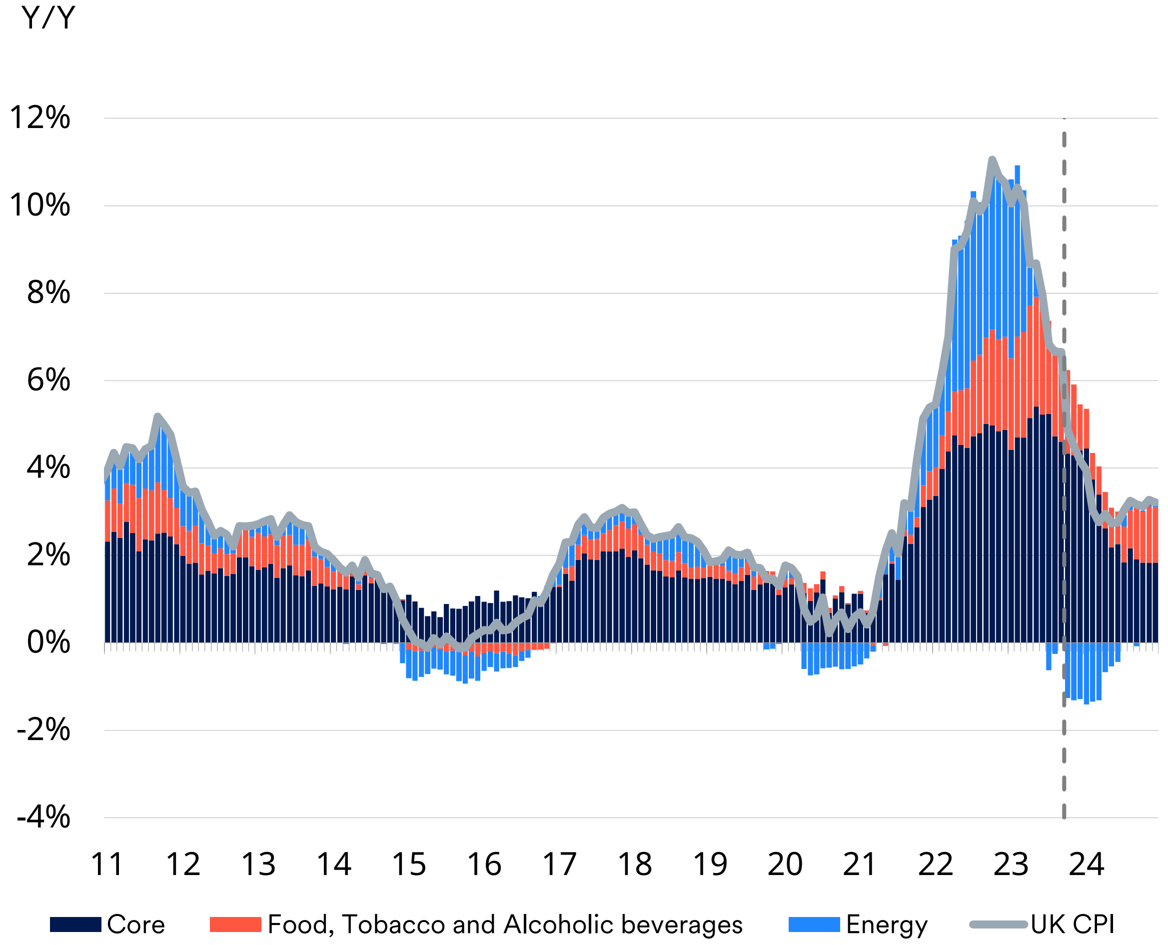
Source: MSCI Balanced Monthly and Quarterly Index Funds, September 2023.

MARKET CONTEXT

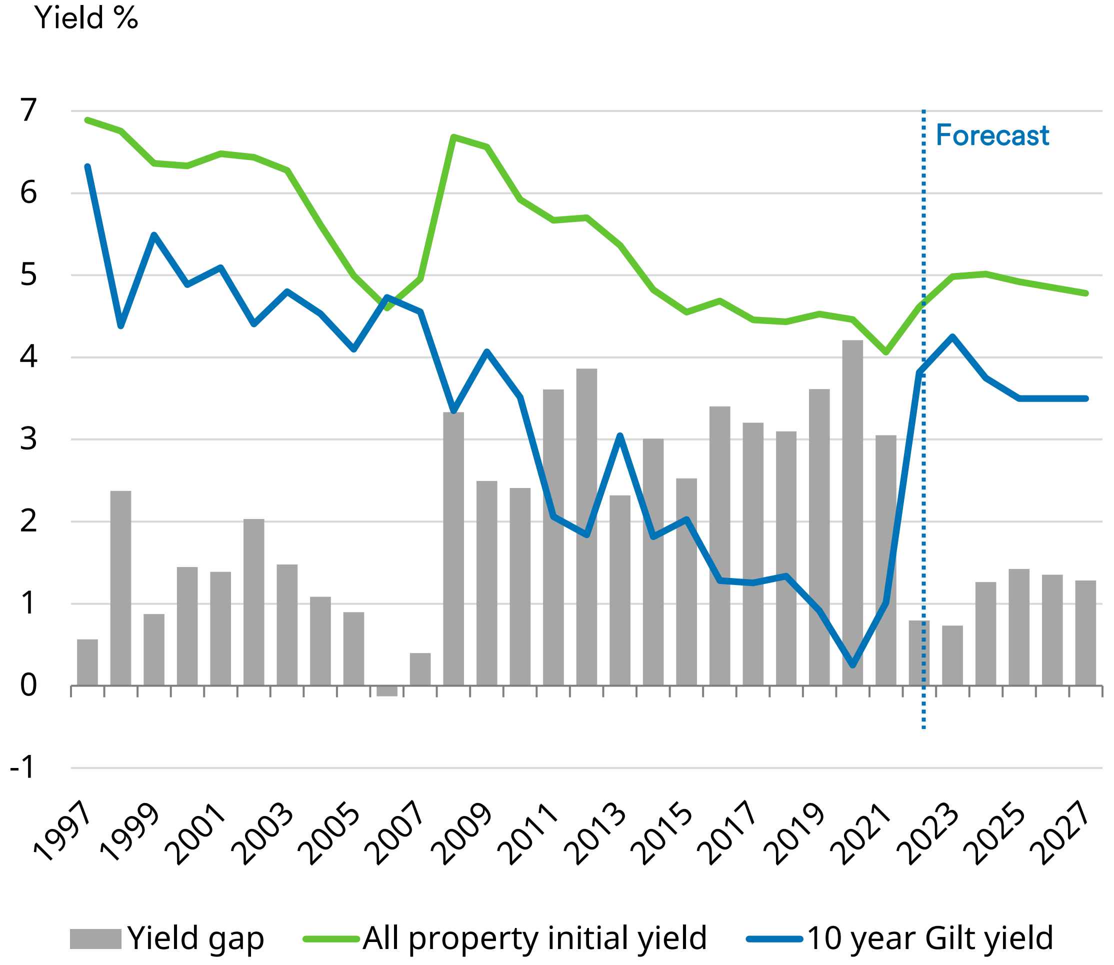
Inflation, interest rates and real estate yields

Interest rates close to (at?) peak – but yield gap to widen slightly before RE fairly priced

Inflation



All Property Initial Yield vs 10 Year Bond Yields



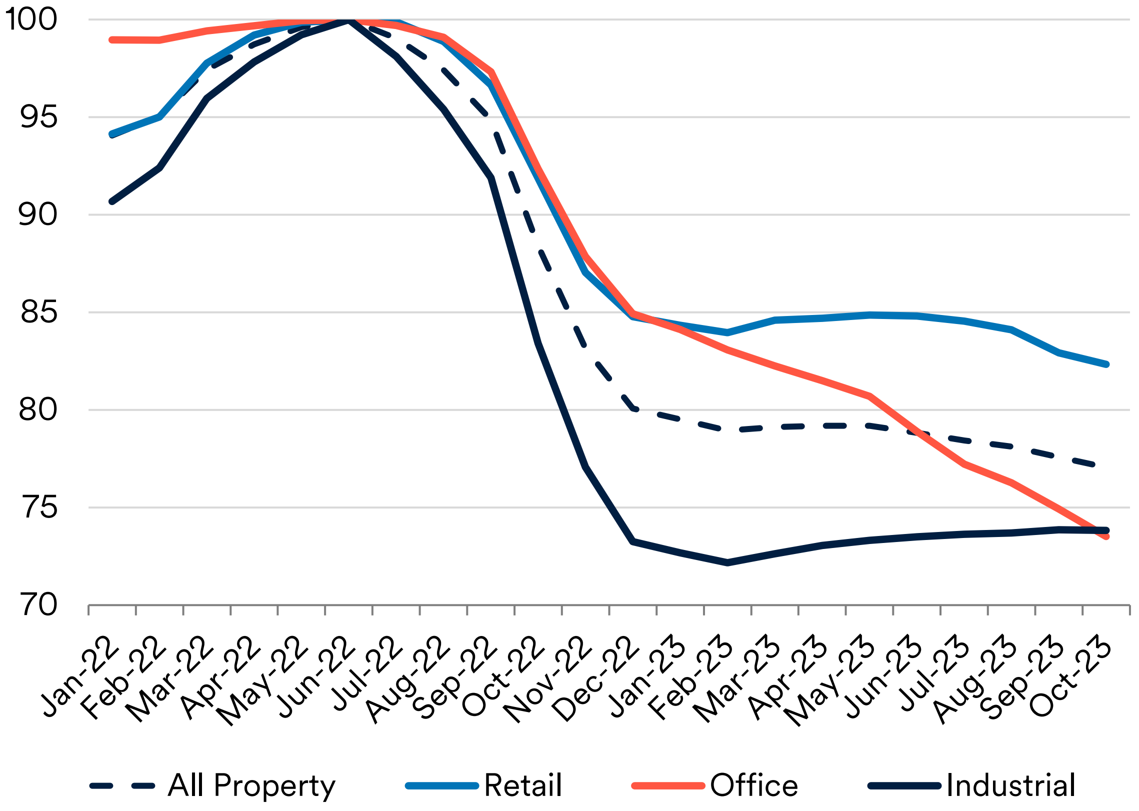
Source: PMA, Schroders. October 2023. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts.

UK real estate performance

Capital values stabilising, supported by positive (nominal) rental growth

Capital Values by Sector

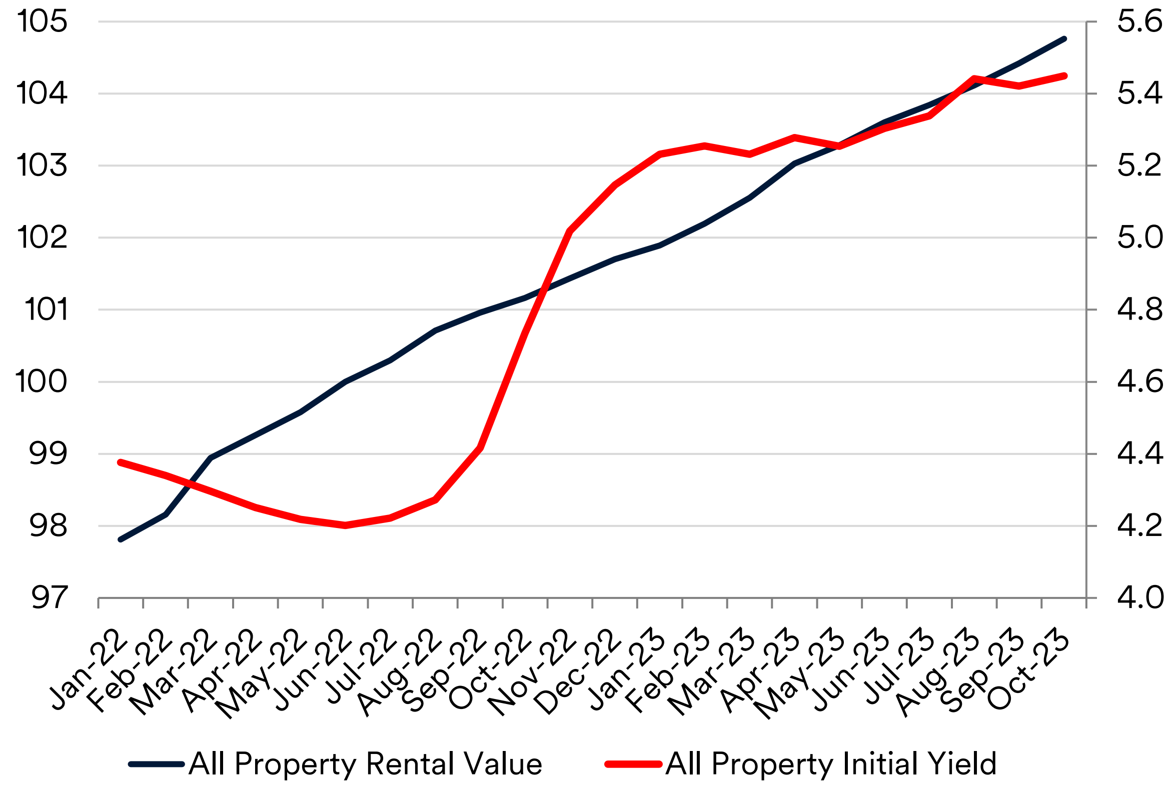
June 2022 = 100



Rental Values and Yields

Rental Values, June 2022 = 100

All Property Initial Yield %



Source: MSCI UK Monthly Index, Schroders. November 2023.

STRATEGY AND PORTFOLIO OVERVIEW

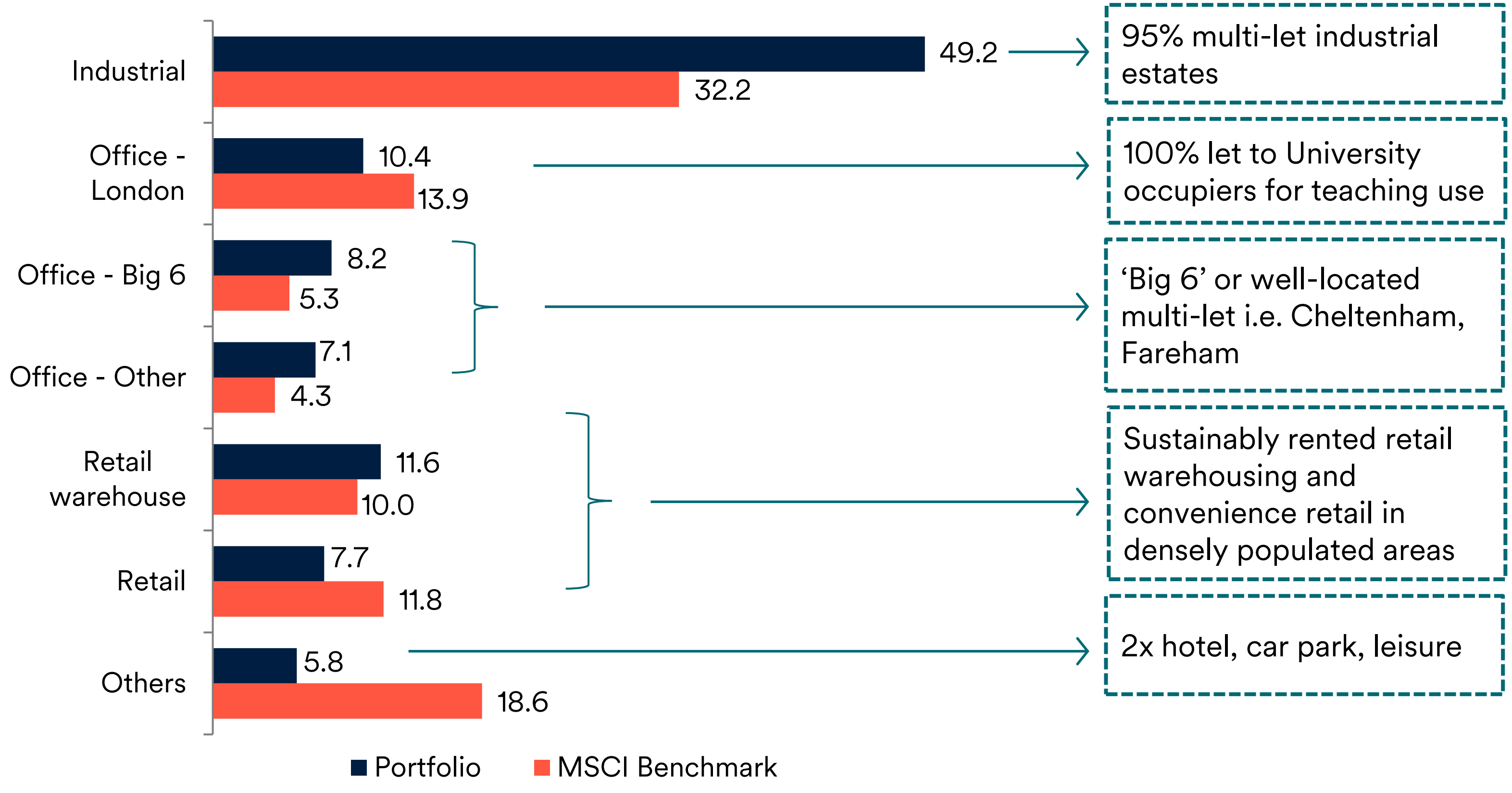
Portfolio analysis

Granular portfolio with high income return

Diversified portfolio

Company	SREIT Sept 2023 (MSCI Sept 2023)
Portfolio value (£m)	466.0
Number of properties	40
Number of tenants	322
Average lot size (£m)	11.6
Net initial yield (%)	5.8 (4.9)
Reversionary yield (%)[1]	8.1 (5.9)
Annual rent (£m)	28.8
Estimated rental value (£m)	37.9
WAULT (years)[2]	5.0 (11.1)
Void rate (%)[3]	11.2 (8.2)

Structure as a % of value[1]



Notes: [1]MSCI Benchmark as at 30 September 2023, unattributed indirects of 3.7% not shown. Benchmark figures do not sum due to rounding [2]Weighted average unexpired lease term assuming earlier of lease break and expiry. [3]Void estimated rental value as a percentage of portfolio estimated rental value. 'Office – London' includes Central and Greater London.

Attractive and granular tenant base increases resilience

Focused on operational excellence to attract occupiers on better terms

#	Tenant	Annual rent (£m)	% of portfolio
1	University of Law Limited	2.00	6.94
2	Siemens Mobility Limited	1.22	4.24
3	Express Bi Folding Doors Limited	0.65	2.26
4	Jupiter Hotels Limited	0.65	2.26
5	Buckinghamshire New University*	0.58	2.01
6	Matalan Retail Limited	0.57	1.98
7	The Secretary of State	0.54	1.88
8	Cineworld Cinema Properties Ltd	0.52	1.81
9	TK Maxx HomeSense	0.51	1.77
10	Premier Inn Hotels Limited	0.47	1.63
11	IXYS UK Westcode Limited	0.47	1.63
12	Lidl Great Britain Limited	0.42	1.46
13	Ingeus UK Limited	0.41	1.42
14	Wickes Limited	0.40	1.39
15	Balfour Beatty Group Limited	0.39	1.35
Total for the top 15 tenants by annual rent		9.80	34.03

Analysis of lease structures

Lease type	% of annual rent
Inflation linked	11%
Fixed uplifts	10%
OMV RRs or flat rent to expiry	79%
Total	100%

Notes: Portfolio data as at 30 September 2023. *With effect from January 2024 the rent increases to £1.3 million per annum, making the university our second largest tenant by annual rent.

Void analysis

11.2% within ten-year range of 5-13% (8.9% excluding the vacant new units at Stanley Green TE)

Asset	Sector	Void ERV as at 30 Sept 2023	Void ERV as a percentage of portfolio ERV	Under refurbishment	Let/under offer or negotiations
Cheadle, Stanley Green Trading Est	Industrial	£964,637	2.5%	-	2.1%
Manchester, City Tower	Office/hotel/retail/ leisure/car park	£727,311	1.9%	-	0.2%
Swindon, 21/27 Stirling	Industrial	£444,680	1.2%	1.2%	-
Marlow, Pacific House	Office	£386,075	1.0%	-	-
Milton Keynes, Stacey Bushes	Industrial	£301,273	0.8%	-	0.1%
Leeds, Coverdale House	Office	£297,515	0.8%	-	0.8%
Edinburgh, The Tun	Office	£199,152	0.5%	-	0.5%
Birkenhead, Valley Park	Industrial	£177,398	0.5%	-	0.3%
Leeds, Headingley Central	Mixed-use	£150,250	0.4%	-	-
Norwich, Union Park	Industrial	£137,660	0.4%	-	0.2%
Subtotal top 10		£3,785,951	10.0%	1.2%	4.2%
Total		£4,266,088	11.2%	1.2%	4.2%

Generating strong returns through value-add investment

Stanley Green Trading Estate, Cheadle, Greater Manchester – Phase I development

Valuation	
Acquisition date:	17 Dec 2020
Acquisition price:	£17.25m
Capex spent to 30 September 2023:	£9.0m
30 September 2023 valuation:	£39.5m
Increase in valuation:	2.3x

Value add	
New Phase I development:	11 warehouse and trade units across 80,275 sq ft
Target rent:	£1.3m pa, £16.41 per sq ft
Letting:	28% let with a further 60% under offer / negotiation
Sustainability:	‘A+’ EPC, BREEAM Excellent

Total return to 30 September 2023	Asset	MSCI All Industrial
1 year:	+20.4%	-15.0%
Since acquisition (annualised):	+21.3%	+7.4%

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Key upcoming asset management initiatives

	St John's Retail Park, Bedford and Watling Street, Bletchley	The Tun, Edinburgh	Stirling Court, Swindon
Asset			
Incremental rent	£245,000 minimum (Not included in ERV at 30 September 2023)	£300,000 (Included in ERV at 30 September 2023)	£450,000 (Included in ERV at 30 September 2023)
Estimated end value	£4,200,000 (estimate) (Value £1,824,000 at 30 September 2023)	£12,200,000 (estimate) (Value £10,250,000 at 30 September 2023)	£9,200,000 (estimate) (Value £6,700,000 at 30 September 2023
Cost to build / capex	£1,700,000 remaining (Of £1,700,000 total budget)	£200,000 remaining (Of £2,000,000 total budget)	£1,100,000 remaining (Of £1,400,000 total budget
Description	– Well located retail warehouse assets in densely populated urban areas with growing local catchments, combined total value £39.3 million – 15-year leases without breaks, with rent reviews every fifth year linked to RPI, with a collar of 1% p.a. and a cap of 3% p.a. – Starbucks will construct the restaurants to a minimum BREEAM rating of 'Very Good' – Capex paid on completion, expected early 2024	– 42,000 sq ft office, valued at £10.3 million, reflecting a net initial yield of 5.6% and a reversionary yield of 9% – Recent leisure and office lettings completed at £87,000 p.a., increasing total occupancy to 80%. Existing tenants include BBC and Vattenfall – Sustainability-driven asset management initiatives include refurbished vacant space to achieve EPC B with improved natural light and fresh air, and plans to increase building's end of journey provision	– Three industrial units totalling 85,300 sq ft in an established location, valued at £6.7m, reflecting a reversionary yield of 9.25% – Refurbishing to achieve EPC B, including rooftop photovoltaic panels – First letting completed at £186,500 p.a. (£7.26 per sq ft) with a target rent for remaining two units c. £450,000 p.a. (£7.50 per sq ft)

Source: Schroders Capital, data as at 30 September 2023.

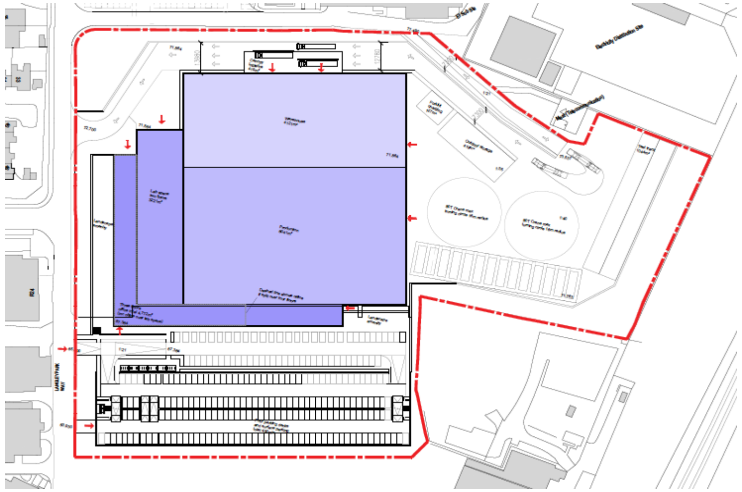
Meeting major tenant requirements

Development at Langley Park, Chippenham: SREIT is in discussions with a major tenant at the site to develop a bespoke 200,000 sq ft manufacturing facility to meet their operational needs and sustainability ambitions.

Multi-let industrial estate valued at £25.5 million, reflecting a net initial yield of 6.1% and a reversionary yield of 8.2%. Acquired in late 2020 for £19.3 million, with the asset now generating £2.2 million of rent per annum.

Capitalising on SREIT's expertise to potentially deliver a bespoke scheme enabling operational excellence and supporting a major corporate in their commitment to become carbon neutral by 2030.

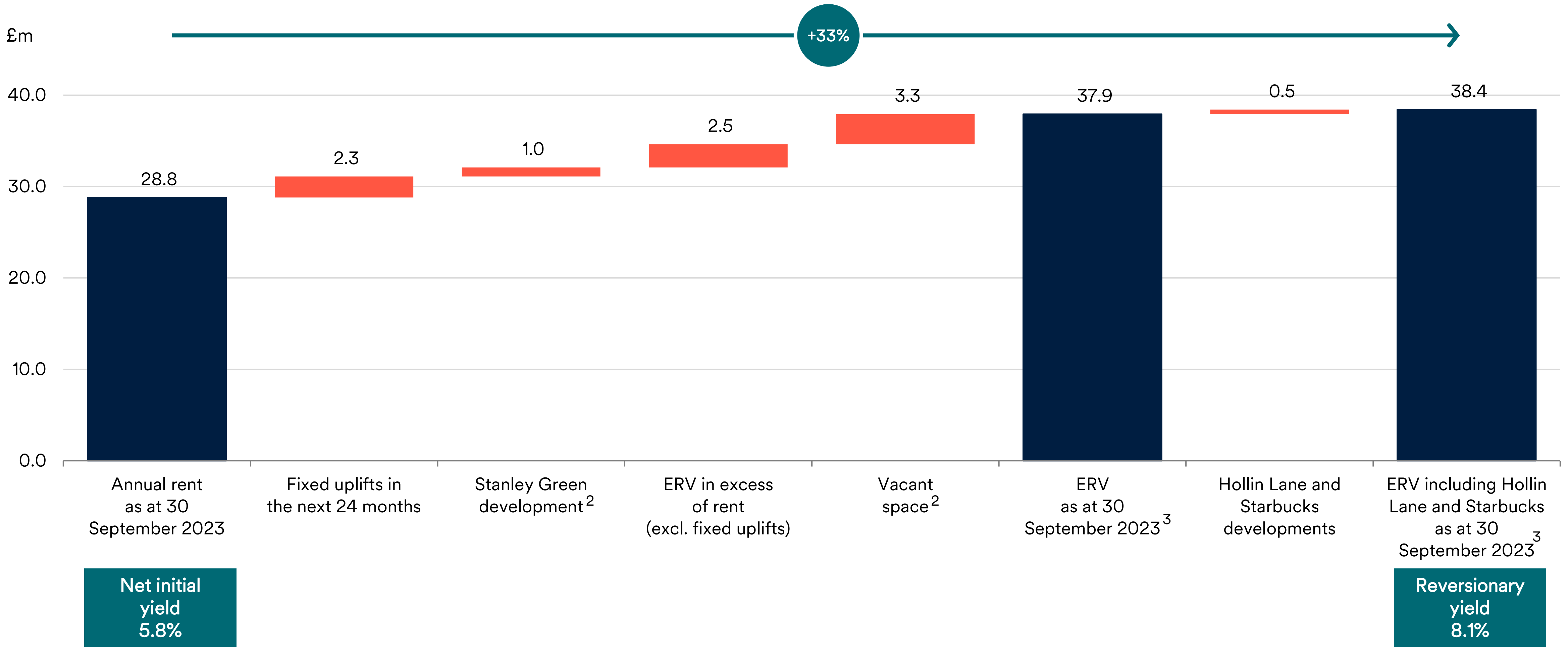
Corporate commitments include carbon, energy and sustainability certification KPIs that are mandatory for the tenant's construction and major refurbishment projects to improve operational sustainability performance. Alternative strategies such as a refurbishment of existing or potential residential use running in parallel.



Source: Schroders, November 2023. Portfolio data as at 30 September 2023.

Operational excellence in asset management

Attractive reversionary income yield of 8.1% (Benchmark[1] 5.9%)



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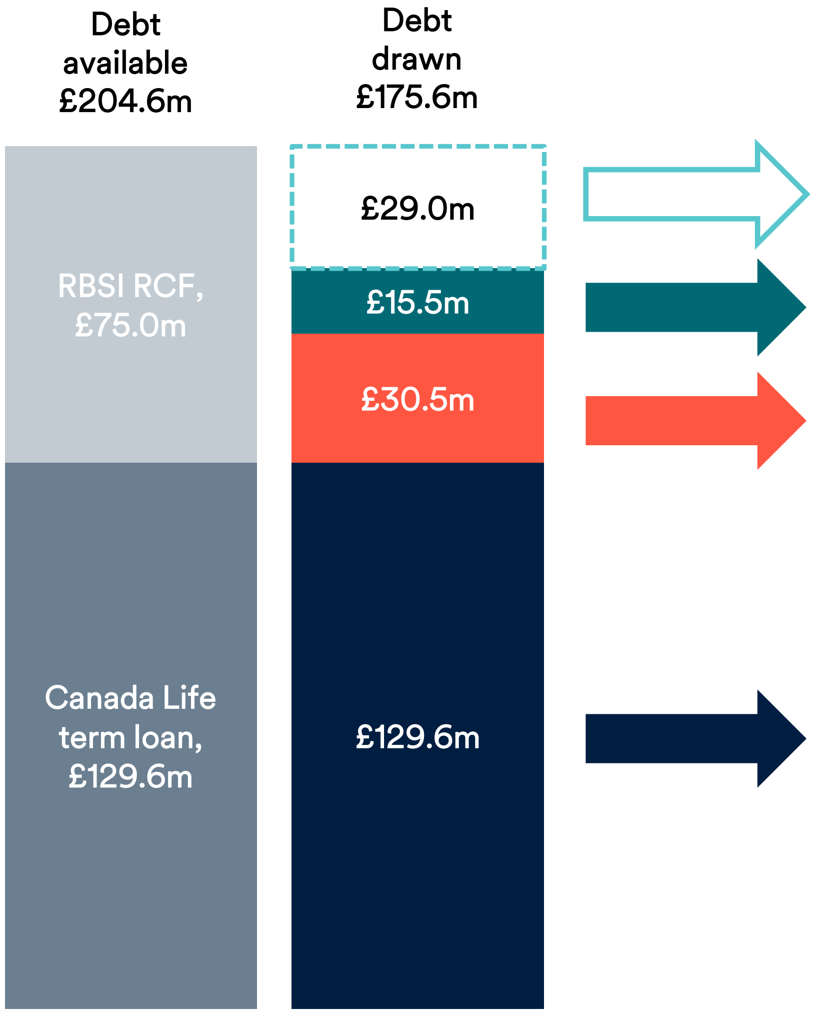
Balance sheet as at 30 September 2023

Fixed or capped interest rates for 91% of drawn debt



Undrawn RCF
Non-utilisation cost of 0.62%

Drawn RCF – no interest rate hedge
Floating interest cost of Sonia + 1.65%[1]

Drawn RCF – with interest rate collar
Capped interest cost of 4.25% + 1.65%

Canada Life term loan
Average fixed interest cost of 2.5%
Average maturity of 12.6 years

Overall loan to value, net of cash

36.6%

Average interest rate on drawn debt

3.5%

Average maturity of drawn debt

10.2 years

Term loan average maturity 12.6 years
RCF maturity 3.7 years

Note: [1]As at 30 September 2023 the applicable Sonia rate was 5.19%, therefore the interest rate for the unhedged RCF at the period end was 6.84%.

Summary

Higher income and sector leading debt profile underpins earnings

- Challenging period with rising interest rate environment impacting asset values
- However, delivered a positive NAV total return of +1.1%, with a 5% increase in dividends paid which remain fully covered by earnings
- Valuations stabilising for most sectors – risk of more persistent core inflation and shocks
- Portfolio weightings and asset management activity supporting performance relative to the MSCI Benchmark
- Low fixed cost, long duration debt provides a strong competitive advantage
- Higher yielding portfolio and pipeline of activity to support future income growth
- Strategic evolution - thematic focus on sustainability leverages Schroders capabilities to:
  - *Enhance long term total returns for shareholders*
  - *Differentiate the Company from peers*
  - *Attract new investors who have specific sustainability objectives - "Sustainable Improver" under SDR*
  - *Improve the liquidity and share price rating of the Company's shares*

+1.3% 1 year TR vs. B'mark[1]

3.5% Cost of debt[2]

8.1% ERV yield

7.7% Dividend yield[3]

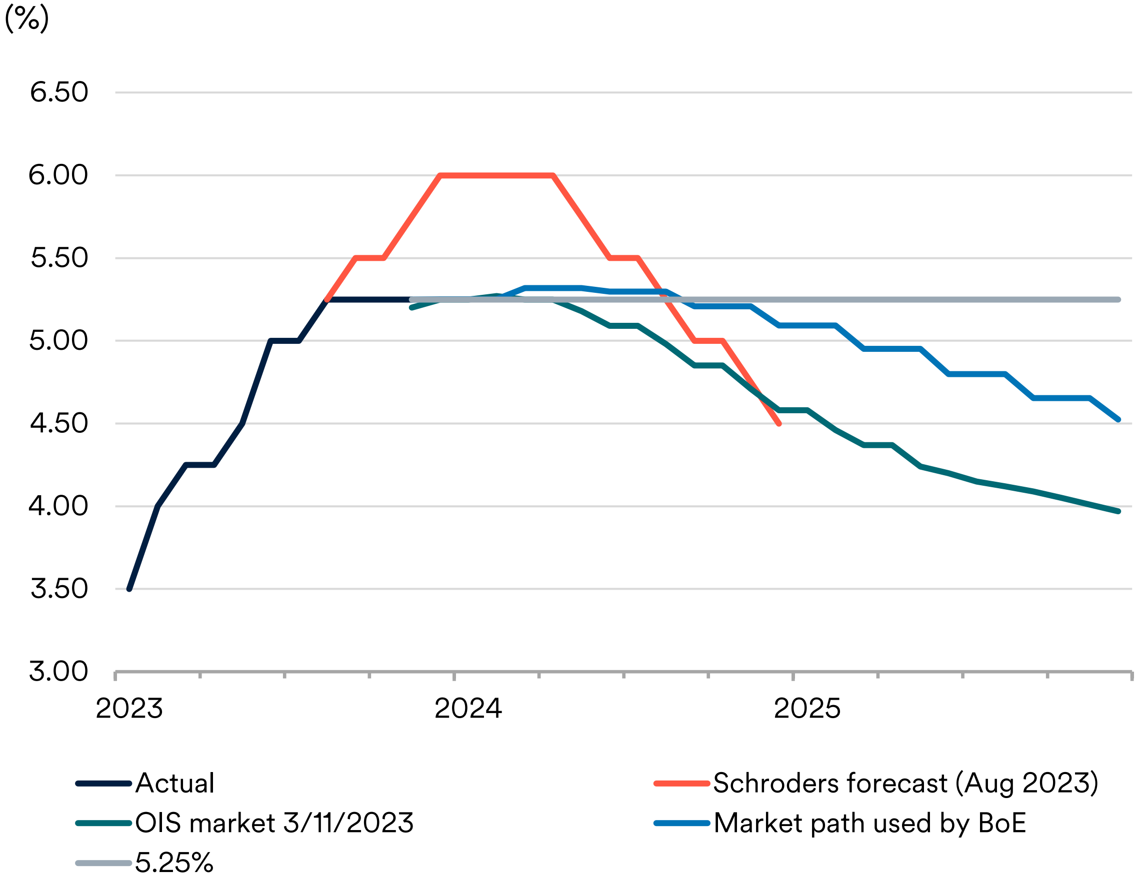
Source: Portfolio data as at 30 September 2023. [1]Benchmark is the MSCI UK Balanced Portfolios Quarterly Property Index. [2]Cost of debt based on daily Sonia rate of 5.19% as at 30 September 2023. [3]Dividend yield based on share price of 43.25p as at close 15 November 2023 and an annualised dividend of 3.344 pps.

APPENDIX

Policy rate profile lowered after BoE pauses in September

Markets now have rates on hold until end of next year

Rates forecast revisions vs. OIS market



Interest rate implied probabilities from options

	4	4.25	4.5	4.75	5	5.25	5.5	5.75	6
14-Dec-23	0	0	0	0	0	96.9	3.1	0	0
01-Feb-24	0	0	0	0	0	95.3	4.6	0.1	0
21-Mar-24	0	0	0	0	15.7	80.4	3.9	0	0
09-May-24	0	0	0	4.6	34.8	57.8	2.7	0	0
20-Jun-24	0	0	2.7	22.1	48.1	25.9	1.2	0	0
01-Aug-24	0	1	9.8	31.6	40	16.9	0.7	0	0
19-Sep-24	0.6	6.5	23.5	36.9	25.5	6.7	0.3	0	0
07-Nov-24	2.8	12.9	28.5	32.6	18.5	4.3	0.2	0	0
19-Dec-24	6.6	18.7	30.1	27.3	13.1	2.8	0.1	0	0

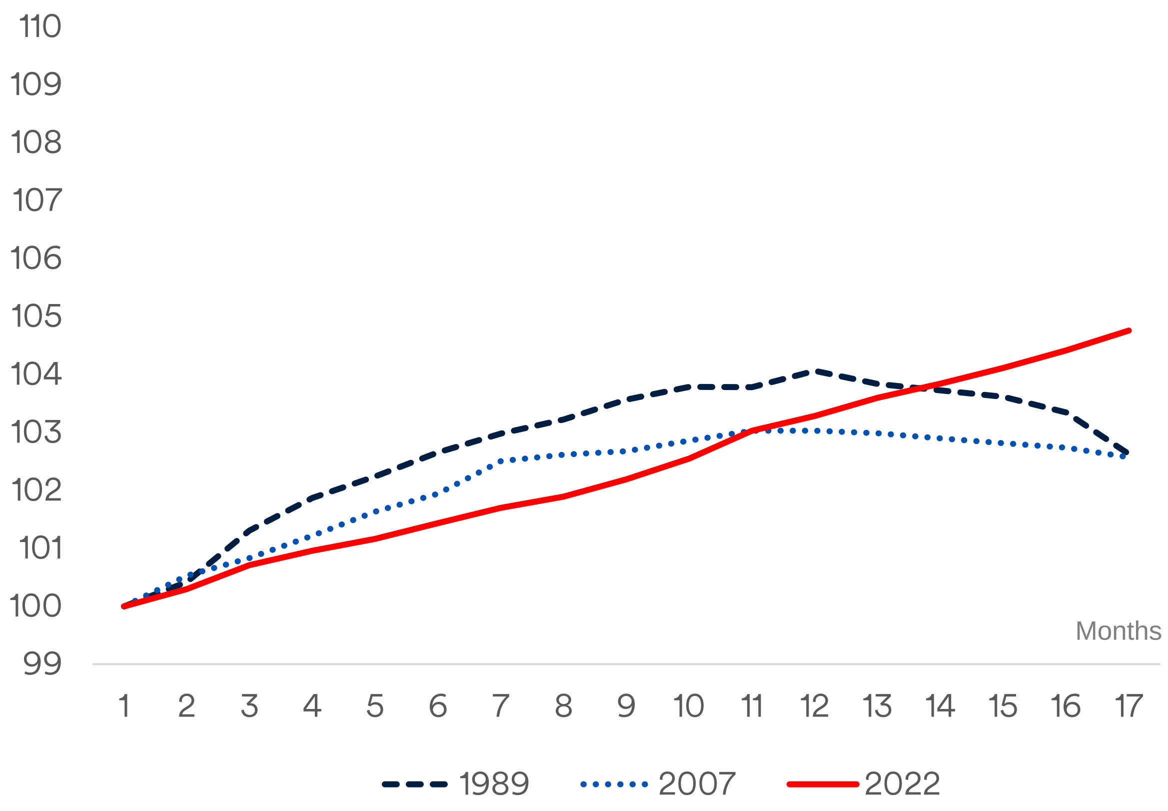
Source: Refinitiv, Eikon, GS (OIS data taken 20 November), BoE. Schroders Economics Group. 6 November 2023.

Industrial rental growth

Industrial rental growth now outperforms the 1990s

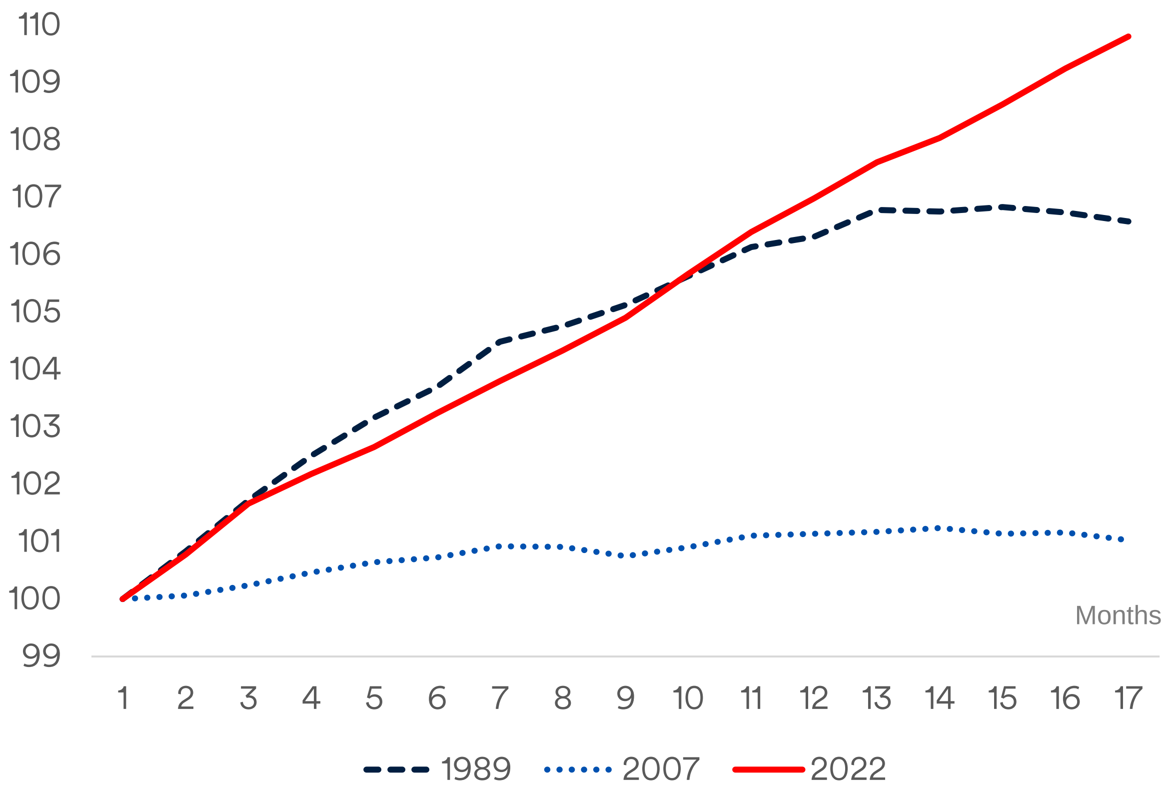
All UK Property

Rental Growth Index vs. prior downturn



All UK Industrial

Rental Growth Index vs. prior downturn

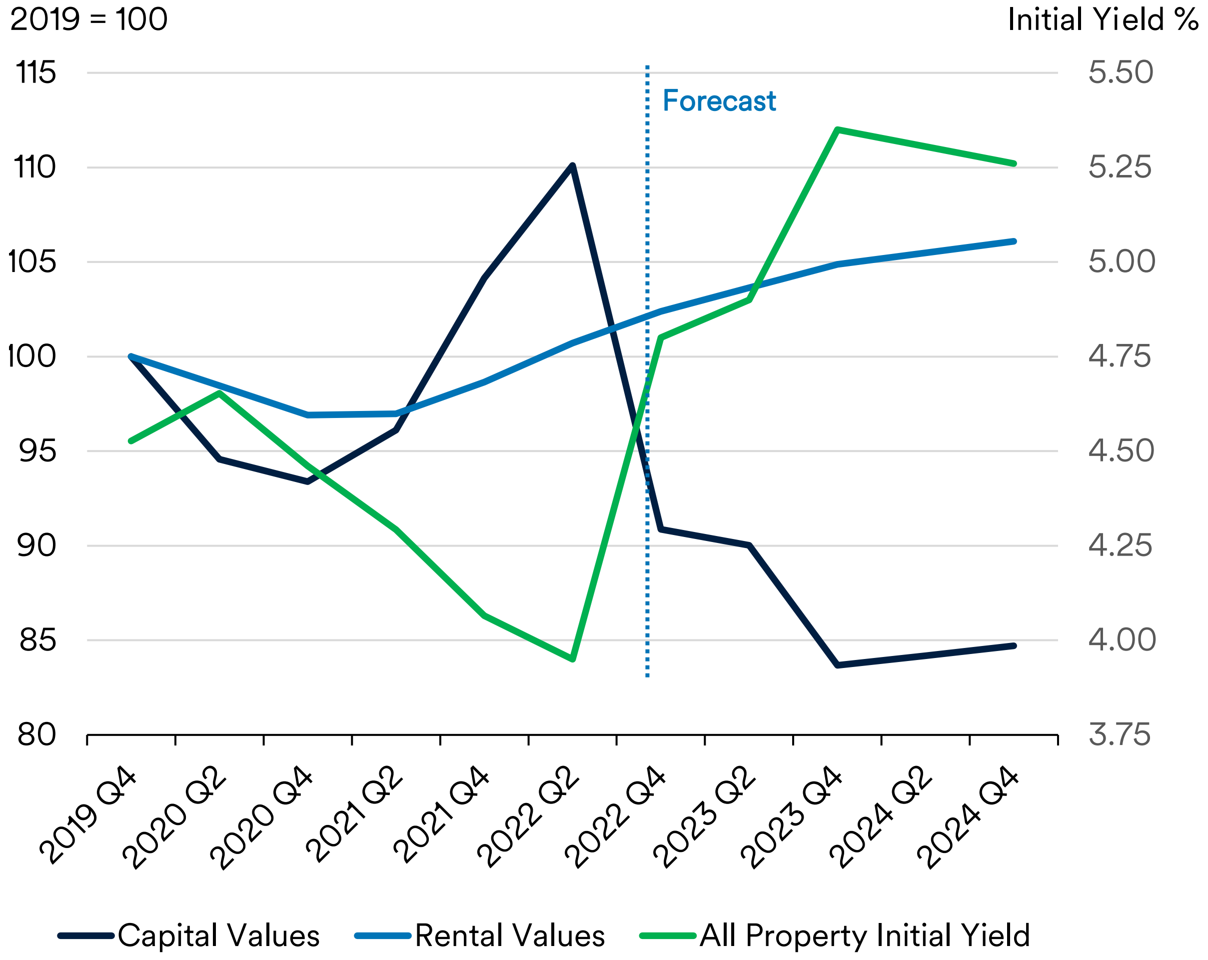


Source: MSCI UK Monthly Index November 2023, Schroders. November 2023.

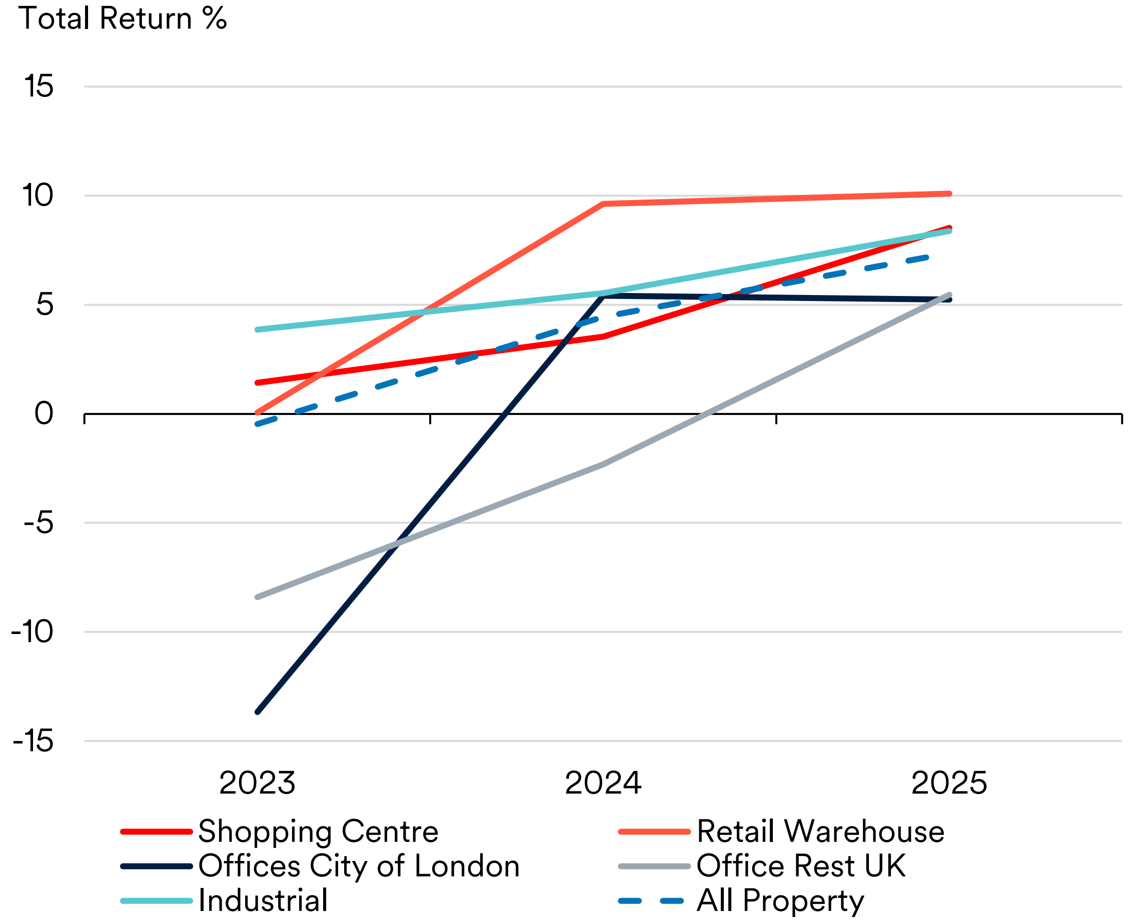
UK real estate performance

Capital values to stabilise in early 2024. Retail parks and industrial likely to lead the recovery

All Property Capital Values, 2019-2024



Total Returns, by Main Segment



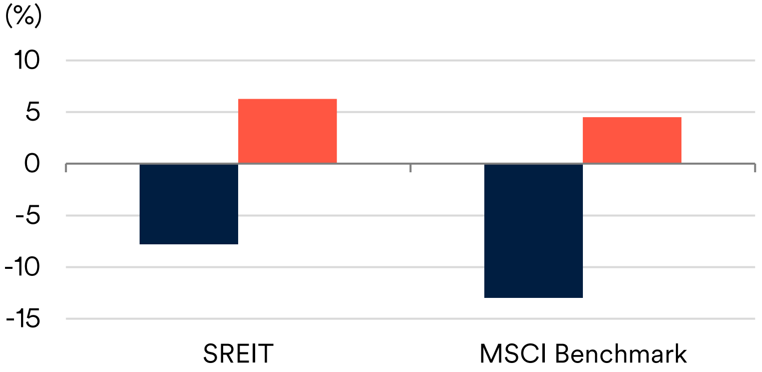
Source: Schroders. November 2023. Note forecasts are for average grade buildings, not prime. The forecasts should be regarded as illustrative of trends. Actual figures will differ from forecasts.

Long term outperformance of the portfolio vs. MSCI Benchmark[1]

Higher income and asset management generating relative outperformance

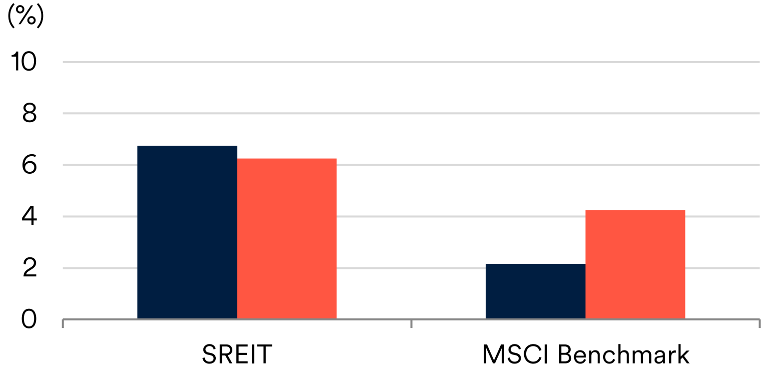
One year portfolio total return

5.9% relative outperformance p.a.



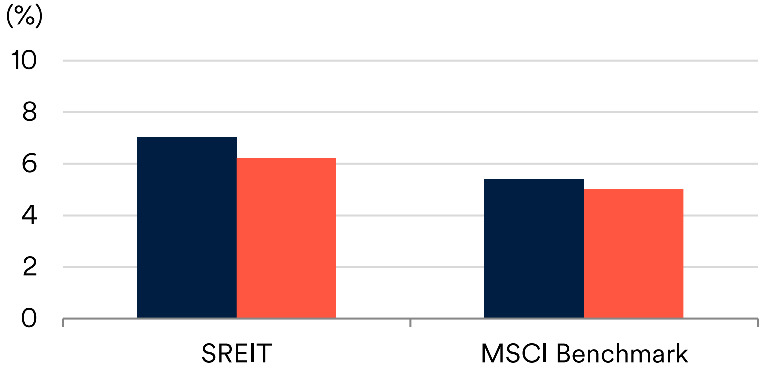
Three-year portfolio total return

4.5% relative outperformance p.a.



Since IPO portfolio total return[2]

1.6% relative outperformance p.a.



■ Total Return ■ Income Return

MSCI sector/total return	SREIT total return (%)					MSCI Index total return (%)					Relative (%)				
To 30 September 2023	Three months	Six months	One year	Three years (p.a.)	Since IPO[2] (p.a.)	Three months	Six months	One year	Three years (p.a.)	Since IPO[2] (p.a.)	Three months	Six months	One year	Three years (p.a.)	Since IPO[2] (p.a.)
Industrial	2.2	5.3	-4.9	14.3	10.2	1.2	3.3	-15.6	8.7	8.6	1.0	2.0	12.8	5.2	1.4
Offices	-1.0	-3.5	-12.1	-0.3	6.6	-3.4	-6.7	-17.6	-4.5	5.4	2.5	3.4	6.7	4.3	1.1
Retail	-0.6	2.3	-8.7	4.3	3.9	-0.6	0.4	-8.2	1.9	3.1	0.0	1.8	-0.6	2.4	0.8
Other commercial	-1.7	1.5	-2.6	9.7	3.4	-0.5	-0.4	-6.9	1.5	6.3	-1.2	1.9	4.6	8.1	-2.7
All	0.6	1.9	-7.8	6.7	7.0	-0.7	-0.6	-12.9	2.2	5.4	1.3	2.5	5.9	4.5	1.6

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.

Notes: [1]MSCI Benchmark is the MSCI UK Balanced Portfolios Quarterly Property Index. Latest data to 30 September 2023. [2]IPO in July 2004.

Impact of refinancing charge in October 2019

This is no longer in the three-year NAV performance

Discrete yearly performance (%)	12 months to Sept-2023	12 months to Sept-2022	12 months to Sept-2021	12 months to Sept-2020	12 months to Sept-2019
Share Price[1]	-4.7	-0.3	61.8	-39.5	-3.2
SREIT NAV Total Returns[2]	-14.8	18.5	18.3	-12.6	2.8
SREIT Real Estate Total Returns[3]	-7.8	15.4	14.3	-1.1	5.4
MSCI Balanced Monthly and Quarterly Index funds[3]	-12.9	10.1	11.2	-2.5	2.6

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 amounts originally invested.

Schroder Real Estate Investment Trust – Risk Considerations:

Investments in real estate are relatively illiquid and more difficult to realise than equities or bonds. Yields may vary and are not guaranteed. The use of gearing is likely to lead to volatility in the Net Asset Value ('NAV') meaning that a relatively small movement either down or up in the value of the Company's total assets will result in a magnified movement in the same direction of that NAV. There is no guarantee that the market price of shares in Investment Companies such as SREIT will fully reflect their underlying NAV. The value of real estate is a matter of a valuer's opinion rather than fact.

The trust may be concentrated in a limited number of geographic regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up or down, which may adversely impact the performance of the funds.

The Company may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the assets purchased increase in value by more than the cost of borrowing, or reduce returns if they fail to do so.

Source: [1]Schroders, Datastream, bid to bid price with net income reinvested in GBP. [2]The Company completed the refinancing of its £129.6 million loan with Canada Life in October 2019. This extended the average maturity from 8.5 to 16.5 years and reduced the interest rate from 4.4% to 2.5% per annum. The refinancing generated an immediate interest saving of £2.5 million per annum. The refinancing incurred a one-off cost of £27.4 million. [3]MSCI Balanced Monthly and Quarterly Index funds (including indirect investments on a like-for-like basis).

Diversified portfolio of assets with good fundamentals

Offering significant asset management potential

#	Property	Sector	Value (£m)	% Portfolio[1]
1	Milton Keynes, Stacey Bushes Ind Est	Industrial	51.6	11.1
2	Leeds, Millshaw Park Industrial Estate	Industrial	46.5	10.0
3	Cheadle, Stanley Green Trading Estate	Industrial	39.5	8.5
4	London, University of Law Campus (50% share)	Office/university	37.0	7.9
5	Manchester, City Tower (25% share)	Office/hotel/retail/car park	30.6	6.6
6	Bedford, St. John's Retail Park	Retail warehouse	30.3	6.5
7	Chippenham, Langley Park Industrial Estate	Industrial	25.5	5.5
8	Norwich, Union Park Industrial Estate	Industrial	22.3	4.8
9	Leeds, Headingley Central	Hotel/retail/leisure	20.4	4.4
10	Manchester, St. Ann’s House	Office/retail	12.5	2.7
11	Birkenhead, Valley Park Industrial Estate	Industrial	12.4	2.7
12	Telford, Horton Park Industrial Estate	Industrial	12.3	2.6
13	Uxbridge, 106 Oxford Road	Office/university	11.7	2.5
14	Edinburgh, The Tun	Office	10.3	2.2
15	Milton Keynes, Matalan	Retail warehouse	9.1	2.0
	Sub-total top 15 properties		372.0	79.8

Notes: Portfolio data as at 30 September 2023. [1]Column does not sum due to rounding.


Cheadle, Stanley Green Trading Estate


Bedford, St John’s Retail Park

Like-for-like capital growth net of capex

	Qtr to Dec 22	Qtr to Mar 23	Qtr to Jun 23	Qtr to Sept 23	6 months to Sept 2023	12 months to Sept 2023	3 years to Sept 2023	5 years to Sept 2023
Portfolio								
Industrial	-13.2%	1.3%	1.8%	0.9%	2.7%	-9.7%	8.6%	6.3%
Offices	-9.6%	-2.5%	-4.2%	-2.7%	-6.8%	-17.8%	-6.7%	-4.5%
Retail warehouse	-14.0%	2.1%	0.0%	-3.0%	-2.9%	-14.7%	2.0%	-4.3%
Standard retail	-10.6%	-6.0%	2.4%	-1.4%	1.0%	-15.2%	-7.6%	-10.4%
Other	-9.1%	0.0%	0.0%	-4.4%	-4.4%	-13.1%	-1.5%	-7.6%
All property	**-11.8%**	**-0.5%**	**-0.3%**	**-0.9%**	**-1.2%**	**-13.3%**	**0.5%**	**-1.3%**
Benchmark								
Industrial	-19.5%	-0.6%	1.0%	0.1%	1.1%	-19.1%	4.7%	3.7%
Offices	-11.0%	-2.7%	-4.3%	-4.4%	-8.5%	-20.7%	-7.9%	-5.3%
Retail warehouse	-12.2%	0.6%	0.7%	-2.2%	-1.6%	-13.1%	1.7%	-5.5%
Standard retail	-9.6%	-1.5%	-1.3%	-2.1%	-3.4%	-14.0%	-6.3%	-7.2%
Other	-7.5%	-1.2%	-1.1%	-1.7%	-2.8%	-11.2%	-2.7%	-2.5%
All property	**-13.2%**	**-1.3%**	**-1.1%**	**-1.8%**	**-2.9%**	**-16.8%**	**-2.0%**	**-2.9%**
Relative								
Industrial	6.4%	1.9%	0.8%	0.7%	1.5%	9.5%	3.9%	2.7%
Offices	1.4%	0.2%	0.1%	1.6%	1.7%	2.9%	1.2%	0.8%
Retail warehouse	-1.7%	1.5%	-0.6%	-0.7%	-1.4%	-1.6%	0.2%	1.2%
Standard retail	-1.0%	-4.5%	3.7%	0.7%	4.3%	-1.2%	-1.3%	-3.2%
Other	-1.5%	1.2%	1.1%	-2.7%	-1.6%	-1.9%	1.2%	-5.1%
All property	**1.4%**	**0.8%**	**0.8%**	**0.9%**	**1.7%**	**3.4%**	**2.5%**	**1.7%**

Source: MSCI. Reference to ‘Benchmark’ is the MSCI UK Balanced Portfolios Quarterly Property Index.

Debt details

Consolidated net LTV is 36.6% versus target long-term strategic range of 25–35%

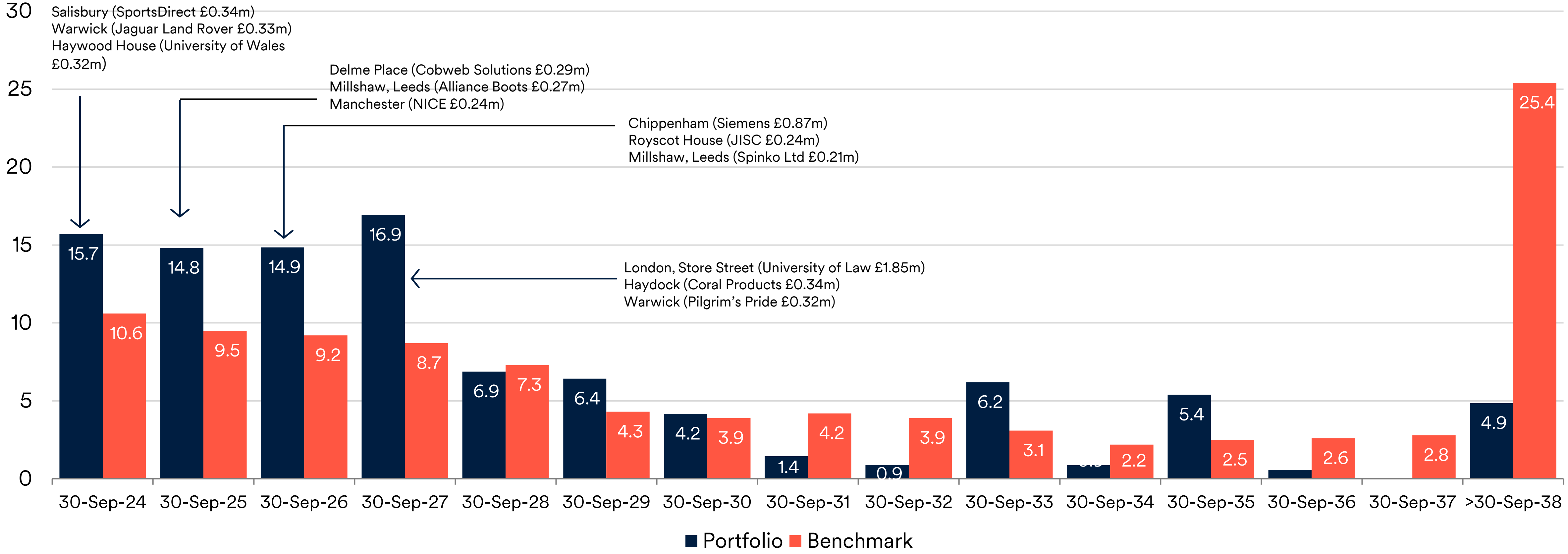
- The Company has two debt facilities – a £129.6 million long term fixed loan and a £75.0 million revolving credit facility – providing operational flexibility
- The covenants as at 30 September 2023 in the table below are based on:
  - Total debt of £175.6 million (which includes a drawn balance of £46.0 million in relation to the RCF)
  - Portfolio value of £466.0 million and cash of £5.1 million (including cash held in Joint Ventures)

Lender		Loan (£m)	Maturity	Total interest rate (%)	Assets value (£m)	Cash (£m)	Net loan to value ratio (%)[1]	LTV ratio covenant (%)[1]	ICR (%)[2]	ICR covenant (%)[2]	Forward ICR (%)[2]	Forward ICR covenant (%)[2]	Maximum valuation decline to breach (%)[3]	Maximum net rent decline to breach (%)[4]
Canada Life		129.6	50%: 15/10/2032 50%: 15/10/2039	2.5[5]	269.6	0.7	47.8	65	611	185	469	185	26	61
RBSI	Uncapped	15.5	06/06/2027	6.8[6]	159.4	0.0	28.9	65[7]	279	N/A	245	200	56	18
	Capped	30.5	06/06/2027	5.9[9]										
Uncharged assets					37.0	4.5								
Total		175.6		3.5[8]	466.0	5.1	36.6							

Source: Schroders, October 2023. [1]Loan to Value ('LTV') is the loan balance (net of cash) divided by the property value as at 30 September 2023. This covenant is calculated by dividing the rental income received for the quarter preceding the Interest Payment Date ('IPD'), less void rates, void service charge and void insurance, by the interest paid in the same quarter. In addition, there is a projected Interest Cover Ratio ('ICR') covenant This covenant is calculated by dividing the forecast contracted rent for the four quarters following the period end, less forecast void rates, void service charge and void insurance, by forecast interest paid. [3]Maximum valuation decline is based on the existing security pool. If uncharged assets were added to the security pool, and after utilising available cash, the maximum decline on the Canada Life portfolio prior to a covenant breach would be 38% (RBS: 68%). [4]Maximum rental decline is based on the existing security pool. If uncharged assets were added to the security pool, the maximum decline on the Canada Life portfolio prior to a covenant breach would be 65% (RBS: 35%). [5]Fixed total interest rate for the loan term. [6]Total interest rate as at 30 September 2023 comprising SONIA of 5.19% and the margin of 1.65% at an LTV below 60% and a margin of 1.95% above 60% LTV. Interest rate of 0.62% on unutilised RCF. [7]Covenant 65% for Y1-3 and 60% for Y4-5. [8]The fully drawn cost of debt would be 3.9% per annum. [9]The cost of debt with SONIA capped at 4.25%.

Lease expiry profile

% of rent as at 30 September 2023 to expire in each period assuming earliest break[1]



Note: [1]Benchmark is the MSCI Balanced Monthly and Quarterly Index funds as at 30 September 2023.

Results for the period ended 30 September 2023

Key Income Statement and Balance Sheet metrics

Half year ended	30 September 2023	30 September 2022	% change
IFRS profit	£3.5m	£2.7m	30%
EPRA[1] earnings	£8.4m	£8.6m	(2%)
EPRA[1] earnings per share	1.7 pps	1.7 pps	-
Dividends per share paid	1.67 pps	1.60 pps	+4%

As at	30 September 2023	30 September 2022	% change
Investment properties[2]	£457.9m	£523.5m	(13)%
Cash	£4.9m	£8.2m	(40)%
Net current assets	£7.9m	£9.3m	(15)%
Debt	(£174.7)m	(£175.0)m	-
Net asset value	**£296.0m**	**£366.0m**	**(19)%**
Net asset value per ordinary share	60.5 pps	74.8pps	(19%)
Property valuation[3]	£466.0m	£532.0m	(12%)
Loan to value, net of cash	36.6%	31.4%	+17%

Source: Schroders, November 2023. [1]European Public Real Estate Association ("EPRA") earnings calculated as the IFRS total comprehensive net income (i.e. after fund expenses and finance costs) excluding realised and unrealised gains/(losses) on investment properties; the share of all capital items on joint venture investments; and any realised and unrealised gains/(losses) on interest rate derivatives. Earnings per share is based on the weighted average number of shares in issue during the reporting period. [2]Excludes leasehold interests grossed up under IFRS 16 and. [3]Independent valuers' valuations of investment properties and joint ventures.

Statement of Comprehensive Income

Half year ended	30 September 2023 £m	30 September 2022 £m
Rental income – direct portfolio	12.7	12.7
Share of total net income in joint ventures	1.4	2.1
Other income	1.0	0.1
Property operating expenses	(1.0)	(1.1)
Net rental and related income, including joint ventures	**14.1**	**13.8**
Gain on the disposal of investment property	-	1.5
Net unrealised valuation loss on investment property	(0.6)	(3.7)
Fund expenses	(2.5)	(2.8)
Finance costs – net interest payments	(3.2)	(2.4)
Refinancing costs	-	(0.2)
Gain related to interest rate hedging instruments	0.2	-
Share of net valuation loss in joint ventures	(4.5)	(3.5)
Profit and total comprehensive income for the period	**3.5**	**2.7**

Ongoing charges – fund only expenses	**1.19%**	**1.18%**
Ongoing charges – fund and property expenses	**2.38%**	**1.99%**

Source: Schroders, November 2023.

EPRA earnings

IFRS earnings excluding capital items such as unrealised property gains/(losses) and gains/(losses) on asset disposals, together with any realised or unrealised gains or losses on interest rate derivatives

Half year ended	30 September 2023 £m	30 September 2022 £m
IFRS profit after tax	3.5	2.7
Excluding:		
Gains on the disposals of investment property	-	(1.5)
Net unrealised valuation losses on investment property	0.6	3.7
Refinancing costs	-	0.2
Gain related to the disposal of interest rate hedging instruments	(0.2)	-
Net change in the fair value of hedging instruments	(0.1)	-
Share of net valuation losses in joint ventures	4.5	3.5
EPRA earnings	**8.4**	**8.6**
Weighted average number of shares	**489,110,576**	**490,784,091**
EPRA earnings per share (pence)	**1.7 pps**	**1.7 pps**

Source: Schroders, November 2023.

Risk Considerations

Prospective Investors should be aware of the associated risks and special factors of the Real Estate asset class which are not related to investments in traditional listed instruments. Attention is drawn to the following specific risks:

Credit risk	A decline in the financial health of an issuer could cause the value of its bonds, loans or other debt instruments to fall or become worthless.
Currency risk	The fund may lose value as a result of movements in foreign exchange rates.
Interest rate risk	The fund may lose value as a direct result of interest rate changes.
Liquidity risk	The fund is investing in illiquid instruments. Illiquidity increases the risks that the fund will be unable to sell its holdings in a timely manner in order to meet his financial obligations at a given point in time. It may also mean that there could be delays in investing committed capital into the asset class.
Market risk	The value of investments can go up and down and an investor may not get back the amount initially invested.
Operational risk	Operational processes, including those related to the safekeeping of assets, may fail. This may result in losses to the fund.
Performance Risk	Investment objectives express an intended result but there is no guarantee that such a result will be achieved. Depending on market conditions and the macro economic environment, investment objectives may become more difficult to achieve.
Property development risk	The Fund may invest in property development which may be subject to risks including, risks relating to planning and other regulatory approvals, the cost and timely completion of construction, general market and letting risk, and the availability of both construction and permanent financing on favourable terms.
Real estate and property risk	Real estate investments are subject to a variety of risk conditions such as economic conditions, changes in laws (e.g. environmental and zoning) and other influences on the market.
Concentration risk	The company may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the company, both up or down, which may adversely impact the performance of the company.
Gearing risk	The company may borrow money to make further investments, this is known as gearing. Gearing will increase returns if the value of the investments purchased increase by more than the cost of borrowing, or reduce returns if they fail to do so. In falling markets, the whole of the value in that investment could be lost, which would result in losses to the fund.

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