

Schroders



AGM presentation

Ground Rents Income Fund plc (“GRIO” or “the Company”)

11 March 2024

Notice of Annual General Meeting

Summary

- **Annual report and accounts to 30 September 2023** - The Company has delayed the release of its accounts from early 2024 to during the quarter ending 30 June 2024. This extension has been approved by Companies House and The International Stock Exchange Authority Limited and the Company expects to hold a separate Extraordinary General Meeting ('EGM') at which the accounts will be presented to Shareholders and resolutions relating to the Accounts will be proposed.
- **Leasehold and building safety reform** – In November 2023, the UK Government introduced the Leasehold and Freehold Reform Bill and published a related consultation on restricting ground rent in existing leases. The consultation represents a significant shift in the Government's approach to leasehold reform and could have a materially adverse impact on the value of the Company's underlying portfolio. As a result, the Company's independent valuer is likely to adopt a Material Uncertainty Clause for the whole portfolio until there is greater certainty. The Company has submitted a comprehensive response to the consultation, which has delayed the work required to finalise the year end accounts. The Company continues to work tirelessly to address headwinds arising from leasehold and building safety reform, whilst also demonstrating best-in-class residential asset management.
- **Continuation vote** – In April 2023, Shareholders passed resolutions to (i) realise the Company's assets in a controlled, orderly and timely manner, and (ii) replace the Company's extant wind-up resolution with a simple majority continuation vote to be held before 31 December 2024. During the quarter ending 31 December 2024 the Company expects to convene a EGM to hold the continuation vote, where the Board and the Manager will provide an update on the Company's progress in delivering on the new investment policy. Significant work is ongoing to improve the liquidity of the underlying portfolio, but uncertainty relating to leasehold reform means that transaction volumes are very low across the ground rent sector.

Notice of Annual General Meeting

Explanation of resolutions

- **Resolutions 1 to 4** - These resolutions invite Shareholders to re-elect each of the Directors for another year.
- **Resolution 5** - The Directors are seeking authority to allot a limited number of unissued Ordinary Shares for cash without first offering them to existing Shareholders in accordance with statutory pre-emption procedures. Whilst the Directors appreciate that the Company's circumstances make it unlikely that buyback or share issuance authorities will be used in the normal course of business, it is considered prudent to continue to request these authorities from shareholders.
- **Resolution 6** - In accordance with the Pre-emption Group's Statement of Principles on disapplying pre-emption rights, it is proposed to give the Directors authority to allot Ordinary Shares for cash on a non-pre-emptive basis (up to a maximum aggregate nominal amount of 10% of the Company's issued Ordinary Share capital excluding any Ordinary Shares held in treasury, as at the date of the Notice). This authority includes Ordinary Shares that the Company sells or transfers that have been held in treasury. The Board has established guidelines for treasury shares and will only reissue Ordinary Shares held in treasury at a price equal to or greater than the Company's net asset value (inclusive of current year income) plus any applicable costs.
- **Resolution 7** - The Directors believe it is in the best interests of the Company and its Shareholders to have a general authority for the Company to buy back its Ordinary Shares in the market as they keep under review the share price discount to net asset value. It is proposed to give the Company authority to make market purchases of up to 14.99% of the Ordinary Shares in issue as at the date of the Notice. The Directors will exercise this authority only if the Directors consider that any purchase would be for the benefit of the Company and its Shareholders, taking into account relevant factors and circumstances at the time.

The Board considers all of the Resolutions to be in the best interests of the Company and its Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions at the AGM.

Disposal of student ground rent assets

Summary

- On 22 February 2024, the Company completed the sale of its freehold ground rent assets in Bristol and Exeter, for a combined price of £3.45 million.
- The assets generate annual rent of £113,991 and are operated by Vita Student ('Vita') as purpose built student accommodation. The price represents a 4% premium to the 30 September 2023 independent valuation of £3.30 million and reflects a net initial yield of 3.1%.
- The assets were acquired by the Company's long leaseholder.
- Both assets were acquired from Vita in February 2014 for £2.42 million and were part of a six asset headlease restructure that generated an apportioned receipt of £354,000 for the subject assets.
- The disposal is in line with the Company's change of strategy, approved by shareholders in 2023, to realise assets in a controlled, orderly and timely manner.
- Further disposals are planned, with significant work ongoing to improve the liquidity of the underlying portfolio, but uncertainty relating to leasehold reform means that transactional volumes are very low across the ground rent sector. The disposal proceeds will be used to repay debt and also act as a cash reserve against possible building safety related costs and expenses.

Source: Schroders, March 2024.



Vita Student, Bristol



Vita Student, Exeter

Outcome and timing of further legislative change remains highly uncertain

We continue to address headwinds and demonstrate best-in-class residential asset management

Disposals at a premium to latest valuation demonstrate progress implementing realisation strategy

Summary

Key points and next steps

- The Company continues to work tirelessly to address headwinds arising from leasehold and building safety reform, whilst also demonstrating best-in-class residential asset management. Against this challenging operational backdrop, the Company has continued to advocate for leasehold reform that fairly balances the legitimate property interests of responsible landlords with the interests of leaseholders, whilst also helping to deliver industry wide improvements in terms of transparency, value for money and service levels.
- Next steps:
 - Complete refinance to provide additional flexibility
 - Finalise year-end accounts that are due to be issued before 30 June 2024
 - Continue to improve the liquidity of the underlying portfolio
 - Complete further disposals but noting that uncertainty relating to leasehold reform means that transaction volumes are very low across the ground rent sector
 - EGM in the quarter ending 31 December 2024, where the Board and the Manager will provide an update on the Company's realisation strategy

Source: Schroders, March 2024

Important Information



Marketing material for professional investors or advisers only.

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. Exchange rate changes may cause the value of any overseas investments to rise or fall.

Schroders has expressed its own views and opinions in this document and these may change.

This information is not an offer, solicitation or recommendation to buy or sell any financial instrument or to adopt any investment strategy. Nothing in this material should be construed as advice or a recommendation to buy or sell. Information herein is believed to be reliable but we do not warrant its completeness or accuracy.

Any data has been sourced by us and is provided without any warranties of any kind. It should be independently verified before further publication or use. Third party data is owned or licenced by the data provider and may not be reproduced, extracted or used for any other purpose without the data provider's consent. Neither we, nor the data provider, will have any liability in connection with the third party data.

The material is not intended to provide, and should not be relied on for accounting, legal or tax advice. Reliance should not be placed on any views or information in the material when taking individual investment and/or strategic decisions. No responsibility can be accepted for error of fact or opinion.

Any references to securities, sectors, regions and/or countries are for illustrative purposes only.

Schroders will be a data controller in respect of your personal data. For information on how Schroders might process your personal data, please view our Privacy Policy available at www.schroders.com/en/privacy-policy or on request should you not have access to this webpage.

The forecasts stated in the presentation are the result of statistical modelling, based on a number of assumptions. Forecasts are subject to a high level of uncertainty regarding future economic, and market factors that may affect actual future performance. The forecasts are provided to you for information purposes as at today's date. Our assumptions may change materially with changes in underlying assumptions that may occur, among other things, as economic and market conditions change. We assume no obligation to provide you with updates or changes to this data as assumptions, economic and market conditions, models or other matters change.

This product is listed on the London Stock Exchange and is governed by its Board of Directors. The Board has appointed Schroder Real Estate Investment Management Limited as its investment manager and accounting agent. Schroder Real Estate Investment Management Limited was appointed on 13 May 2019. Schroder Real Estate Investment Management Limited is a member of the Schroders Group.

Issued in March 2024 by Schroder Real Estate Investment Management Limited, 1 London Wall Place, London EC2Y 5AU. Registration No 1188240 England. Authorised and regulated by the Financial Conduct Authority (FCA). Schroders compliance ID UP000486.

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.

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.

Chris Leek

Investment Manager

T +44 (0)7970 951 607

M +44 (0)207 658 6027

Chris.leek@schroders.com

Schroder Real Estate Investment Management Limited

2 St Peters Square, Manchester, M2 3AA

[schroders.com](https://www.schroders.com)

**BUILDING
CHANGE**

Schroders
capital