

# Schroders Capital UK Real Estate Fund

## INVESTMENT POLICY AND OBJECTIVES

The investment objective of the Fund is to achieve a blend of income and capital growth for investors through investment in UK property. Risk is diversified by the Fund holding a mixed portfolio of retail, office, industrial and other property (including leisure) throughout the UK. The Fund seeks to provide a return of 0.5% per annum (net of fees) above its benchmark (MSCI/AREF UK Quarterly Property Fund Index – All Balanced Fund Weighted Average) over rolling three year periods.

## INVESTOR CONSTITUENCY

The Fund, previously named Schroder Exempt Property Unit Trust, converted on 31 July 2012 into a Property Authorised Investment Fund ('PAIF'). As a result it is now available for investment not only to exempt funds, but to a wider range of UK and foreign professional investors including insurance companies, diversified multi-asset funds, financial institutions, discretionary asset managers. It is not suitable for retail investors. For full details see the Prospectus on the Fund's web-site [www.schroders.com/sref](http://www.schroders.com/sref)

Fund details	
Type of fund	Property authorised investment fund
Residence	United Kingdom
Launch date	June 1971 (See 'Investor constituency' above)
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 March
NAV (GBpm)	1910.6

Source: Schroders

Management/professional advisors	
Authorised Corporate Director ('ACD')	Schroder Unit Trusts Limited
Investment Manager	Schroder Real Estate Investment Management Limited
Fund Manager	Rob Cosslett
Depository	Natwest Trustee & Depositary Services Limited
Auditors	PricewaterhouseCoopers

Source: Schroders

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index		
Schroders Capital UK Real Estate Fund		Other balanced open-ended funds	All balanced open-ended funds	All funds
3 months	-2.3	0.3	0.4	0.3
Year-to-date	-3.9	0.1	0.2	0.1
12 months	-20.2	-17.1	-17.4	-17.1
3 years+	0.6	3.3	3.4	2.3
5 years+	0.8	2.3	2.2	1.1
10 years+	6.2	6.6	6.3	5.5

Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	20% of NAV
Maximum speculative development exposure	15% of NAV
Maximum lot-size holding as a standing investment	15% of NAV
Maximum lot-size holding permitted at purchase	15% of NAV
Maximum exposure to limited partnerships/joint ventures	35% of NAV
Maximum exposure to dosed and open-ended property unit trusts	None specified
Maximum leverage	25% of NAV

Source: Schroders

Portfolio distribution %		**MSCI/AREF UK Quarterly Property Fund Index		
Schroders Capital UK Real Estate Fund		Other balanced open-ended funds	All balanced open-ended funds	All funds
Standard retail – South East	11.2	4.9	4.6	4.6
Standard retail – Rest of UK	3.4	1.2	1.4	2.3
Shopping centres	0.6	0.6	0.9	2.5
Retail warehouses	0.5	12.4	12.1	7.6
<b>All UK retail</b>	<b>15.6</b>	<b>19.1</b>	<b>19.0</b>	<b>17.1</b>
City offices	6.2	3.3	3.4	3.2
West End offices	5.0	8.1	7.5	5.1
Rest of South East offices	26.3	7.5	7.1	5.5
Rest of UK offices	4.2	5.2	4.9	5.3
<b>All UK offices</b>	<b>41.6</b>	<b>24.2</b>	<b>22.9</b>	<b>19.1</b>
South East industrial	21.7	24.0	24.5	20.3
Rest of UK industrial	10.0	13.6	13.7	11.8
<b>All UK industrial</b>	<b>31.6</b>	<b>37.6</b>	<b>38.2</b>	<b>32.1</b>
Other UK properties	9.1	12.4	12.5	25.9
Cash	2.0	6.7	7.4	5.8
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Sources: \* Schroders \*\* MSCI/AREF UK Quarterly Property Fund Index

Note: Schroder UK Real Estate portfolio distribution is based on total property valuation plus cash held in direct vehicles but excludes cash held in indirect vehicles

Property ownership structure
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	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	50	1,603.1	83.9
Joint and indirect holdings	8	307.1	16.1
Listed investments	0	0.0	0.0
<b>Total</b>	<b>58</b>	<b>1,910.2</b>	<b>100.0</b>

Source: Schroders

#### Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
RUSKIN SQUARE, BUILDING 1 (HMRC)	CROYDON	Office	100-150m	*
WENLOCK WORKS (SHEPHERDESS WALK)	LONDON	Office	100-150m	*
CRAYFORD INDUSTRIAL PARK	CRAYFORD	Industrial Other	100-150m	*
HARTLEBURY TRADING ESTATE	KIDDERMINSTER	Industrial	50-100m	*
X2,HATTON CROSS,EASTERN PERIMETER ROAD	HATTON CROSS	Industrial	50-100m	*
ONE LYRIC	LONDON	Office	50-100m	*
THE BREWERY, ROMFORD,ROMFORD,	ROMFORD	Retail Park	50-100m	*
WOKING BUSINESS PARK	WOKING	Industrial	50-100m	*
CITY TOWER	MANCHESTER	Office	50-100m	*
STEEL PARK	WOLVERHAMPTON	Industrial Other	50-100m	*

#### 10 largest investments as % of portfolio

Source: Schroders

#### Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	3	3.5	0.2
2.5 - 5	1	4.8	0.3
5-10	3	20.4	1.1
10-25	1-	161.5	8.5
25 - 50	16	584.4	30.6
50 - 100	8	568.2	29.7
100-150	2	260.3	13.6
Over 150	0	0.0	0.0
<b>Total</b>	<b>50</b>	<b>1797.0</b>	<b>83.9</b>
Average lot size		35.9	

Source: Schroders

Property Yield		Voids as % of ERV	
Net initial yield	5.40%	Investments	6.40%
Nominal equivalent yield	-	Developments	-
True equivalent yield	6.20%	Total	-
Net reversionary yield	6.20%		

Source: Schroders

#### Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	8.7	7.4
Retail warehousing	12.4	9.6
Shopping centres	0.5	0.9
Central London offices	8.5	11.1
Other offices	32.2	33.9
Industrial	26.9	28.6
Other	10.7	8.6
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

Source: Schroders

#### Over Renting and Reversionary Potential, % Rent Passing

Sector	Rent Passing, GBP Millions	Rent Free , % Rent Passing	Development vacancy, % Rent Passing	Investment vacancy, % Rent Passing	Over rented,% Rent Passing	Reversionary potential,% Rent Passing	Reversionary potential Net of Over renting,% Rent Passing	Market Value,% Rent Passing
Standard retail	9.6	3.0	0.0	6.9	-19.2	17.6	-1.6	108.2
Retail warehousing	13.7	3.3	0.0	0.0	-18.8	13.1	-5.7	97.6
Shopping centres	0.6	0.0	0.0	0.0	-18.8	137.1	118.3	218.3
Central London offices	9.4	0.0	0.0	63.6	-0.2	1.4	1.3	164.9
Other offices	35.6	0.4	0.0	15.1	-4.7	22.4	17.7	133.3
Industrial	29.8	1.6	0.0	12.0	-0.9	21.5	20.6	134.2
Other	11.9	1.0	0.0	0.0	-18.9	19.1	0.2	101.1
<b>Overall</b>	<b>110.5</b>	<b>1.9</b>	<b>3.7</b>	<b>15.2</b>	<b>-5.9</b>	<b>19.1</b>	<b>13.2</b>	<b>126.6</b>

\*Comprising the % rent passing of developments in progress or contracted which have not been pre-let

Source: Schroders

#### The unexpired term of leases

Years	% of rent passing
20 years or greater	3.3
15 years or greater, but less than 20	11.8
10 years or greater, but less than 15	13.7
5 years or greater, but less than 10	22.5
Less than 5 years	48.7

Source: Schroders

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
CITY TOWER, MANCHESTER	Retail and Office	JO	CEPUT	50.0	-	-
BRACKNELL	Retail and Office	JO	CEPUT	4.1	-	-
MONKS CROSS RETAIL PARK, YORK	Retail Warehouse	JO	Trust for Land	25.0	-	-
WEST INDIA QUAY, LONDON E14	Other	JO	CEPUT	50.0	-	-
STORE UNIT TRUST, LONDON	Office	JO	CEPUT	50.0	-	-
ROMFORD PROPERTY UNIT TRUST	Retail Warehouse	JO	CEPUT	50.0	-	-
HENDERSON UK RETAIL WAREHOUSE FUND	Retail Warehouse	IND	CEPUT	2.2	-	-
CITY OF LONDON OFFICE UNIT TRUST (CLOUT)	Office	JO	CEPUT	26.8	-	-

Source: Schroders

Development exposure *				
	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	0.0	0.0	0
% of all directly held properties*	0.00%	0.00%	0.00%	0.00%

\* Includes joint ventures in which the Fund has an interest of 50% or more

Source: Schroders

Valuations/performance monitors/affiliations	
Valuation point	Monthly at 8am on the first business day of each calendar month
Valuer	BNP Paribas Real Estate
Portfolio performance monitored by MSCI	Yes
Constituent of the MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Full Member

Source: Schroders

Restrictions on holdings of cash/borrowings	
Maximum total gearing permitted	25% of NAV
For investment purpose	*
For liquidity purpose	*
Cash holdings (maximum)	10.0%
Cash holdings (minimum)	*

Source: Schroders

The contribution of major tenants to rental income	
Tenant	%
THE SECRETARY OF STATE	7.7
THE OFFICE GROUP	4.9
CHECKOUT LTD	3.9
ARRIVAL	3.4
TATA STEEL UK LTD	3.2
LLOYDS TSB BANK PLC	2.6
MARKETING VF LIMITED	2.4
QUEEN MARY UNIVERSITY OF LONDON	2.2
STAYCITY HEATHROW LIMITED	2.0
THE UNIVERSITY OF LAW LIMITED	2.0
Three largest tenants' contribution to rental income	16.5
Five largest tenants' contribution to rental income	23.1
Ten largest tenants' contribution to rental income	34.3

Source: Schroders

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1603.1	297.1	10.0	0.0	1910.2
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	-48.2	-24.3	-4.1	0.0	-76.6
Cash	36.5	2.2	0.0	0.0	38.7
Other net assets/liabilities	37.0	0.9	0.5	0.0	38.3
Total net assets	1628.4	275.9	6.4	0.0	1910.6
Gearing (%)					
Net debt (cash)/properties	0.7	7.4	40.7	-	2.0
Net debt (cash)/equity	0.7	8.0	63.7	-	2.0

Sources: ~Schroders; +MSCI

Quarterly data per unit						
As at	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23
Bid (cBp)	53.07	53.91	51.89	44.00	42.84	41.44
Offer (GBp)	56.19	57.12	55.04	46.80	45.72	44.27
Bid/offer spread	5.6%	5.6%	5.7%	6.0%	6.3%	6.4%
Net asset value (GBp)	53.85	54.71	52.66	44.64	43.48	42.06
Quarterly distribution (GBp)	0.40	0.43	0.44	0.43	0.46	0.40
Yield	2.8%	2.9%	3.2%	3.8%	4.0%	4.1%

Source: Schroders/The MSCI/AREF UK Pooled Property Fund Index

### Share pricing

The price at which shares in the Fund may be issued or redeemed is calculated as at 8am on the first business day of each calendar month. The share price is based on property and other asset valuations as at the last business day of the immediately preceding month. Income is not included in the share price.

### Minimum investment/disinvestment

The minimum initial investment in the Fund is GBP100,000 and the minimum holding following a redemption of shares is also GBP100,000. The minimum subsequent investment in the Fund is GBP20,000.

### Subscriptions for shares

The Fund is open to subscriptions on a monthly basis. Subscription day is the first working day of the month but Application Forms and cleared funds must be received by the ACD by midday on the preceding working day.

### Redemptions of shares

The Dealing Day for redemptions is the first business day of each quarter, but requests to redeem shares must be received by the Registrar by midday on the last business day three months before the relevant Dealing Day.

The ACD may, in exceptional circumstances, suspend the issue or redemption of shares if, in its judgement and that of the Depositary, it is the interests shareholders to do so. Redemptions may be deferred for up to two years.

### Transfers of shares

The Fund's Secondary Market Facilitator operates a Share matching service between sellers and buyers of shares. A waiting list is maintained and matching is operated on the following basis:-

- First price: shares available from sellers seeking the lowest price per share will be offered to buyers by order of date of receipt of the relevant form
- Secondly, notification date: where multiple sellers are looking to sell at a given price, preference will be given to sellers by order of date of receipt of the relevant form. Where multiple buyers are looking to buy shares for which the relevant forms were received on the same day, matching will be allocated pro-rata to the number of shares applied for (subject to any minimum trade requirements specified by a party).

The buyer and seller of secondary market shares will be subject to a commission at the rate of 0.2% (subject to a minimum of GBP50).

Shares may also be exchanged between buyers and sellers without the involvement of the Secondary Market Facilitator. The re-registration of such shares will take place on the first business day of each month following the receipt of a completed stock transfer form.

### Tax and Distributions

Distributions are paid monthly in arrears on the last business day of each calendar month.

Tax exempt investors are eligible to invest in the PAIF and will receive income gross. They may elect to automatically reinvest income. Corporate investors who invest through the Feeder Fund will receive income net of corporation tax (currently at the rate of 20%).

### Management Fees

The standard annual management charge is 0.70% of NAV per annum. A Shareholder may be eligible for a volume-based discount depending on the Net Asset Value of the Fund that is attributable to the Shareholder, including any aggregation of holdings in accordance with Section 3.5 of the Fund Prospectus. 50% of the Annual Management Charge is allocated to capital and 50% to income.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	152	39.3
1% or greater but less than 2%	24	34.0
2% or greater but less than 4%	7	17.6
4% or greater but less than 8%	2	9.0
Greater than 8.0%	0	0.0
<b>Total</b>	<b>185</b>	<b>100.0</b>
Major investors		
Largest holder	1	4.8
Three largest holders	3	11.7
Five largest holders	5	17.5
Ten largest holders	10	28.6
Internal/external investors		
Internal	35	22.1
External	150	77.9

Source: Schroders

Liquidity						
Period	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023
<b>Issues and redemptions</b>						
Units in issue as at start of period	53,832,374	54,283,191	50,183,398	48,350,682	48,568,223	48,746,918
Units issued during period	450,817	361,159	74,122	860,334	411,256	234,866
Units redeemed during period	0	-4,460,952	-1,906,838	-642,793	-232,560	-3,557,987
Units in issue at end of period	54,283,191	50,183,398	48,350,682	48,568,223	48,746,918	45,423,797
<b>Unit transfers</b>						
Matched bargains	2,997,863	2,663,264	1,056,225	5,692,448	1,699,020	495,592
Matched bargains %*	5.5%	5.3%	2.2%	11.7%	3.5%	1.1%

\* as % of units in issue at the end of the period

Source: Schroders