

30 September 2017

**Investment Objective:** To provide an attractive level of income along with the prospect of income and capital growth from investing in a diversified UK commercial property portfolio. The Company invests in the three principal commercial property sectors: office, retail (including leisure) and industrial but may also invest up to 10 per cent in other commercial property and undertake property development (including speculative property development) up to 10 per cent of gross assets. The Company can invest up to 10 per cent in indirect property vehicles or funds.

**Company Description:** Standard Life Investments Property Income Trust Limited is a closed-ended, Guernsey registered investment company managed by Standard Life Investments with an independent Board of Directors. The Company trades as a UK REIT for tax purposes.

- Net asset value ("NAV") per ordinary share as at 30 Sep was 86.0p (30 Jun 2017 – 83.9p), a rise of 2.5% over the period, resulting in a NAV total return, including dividends, of 4.0% for Q3;
- The portfolio valuation increased by 1.5% on a like for like basis, whilst the MSCI/IPD Monthly Index rose by 1.3% over the same period
- LTV of 21.6% as at 30 Sep with uncommitted cash of £10m and the RCF of £35m still available for investment in future opportunities.
- Dividend yield of 5.3% based on a quarterly dividend of 1.19p and the share price of 92p as at 30 Sep compares favourably to the yield on the FTSE All-Share REIT Index (3.6%) and the FTSE All Share Index (3.7%) as at the same date.

Guernsey -  
domiciled UK  
REIT

Property Income

Quarterly

|                             |   |
|-----------------------------|---|
| Fund Manager                | Jason Baggaley  |
| Launch Date                 | 19 Dec 2003   |
| Sedol                       | 3387528   |
| Reuters                     | SLI.L   |
| Portfolio Value (incl cash) | £455.7m (at 30/09/2017)   |
| Market Capitalisation       | £361.2m (at 30/09/2017)   |
| Management Fee              | 0.75% of total asset up to £200m, 0.7% of total assets between £200m and £300m, and 0.65% thereafter. |

|                        |                                |
|------------------------|--------------------------------|
| Dividend*              | Annual gross dividend          |
|                        | 4.76 pence per share           |
| Ordinary Share Price   | 92.0 pence (as at 30/09/2017)  |
| NAV per Ordinary Share | 86.00 pence (as at 30/09/2017) |
| Loan to Value**        | 21.6% (as at 30/09/2017)       |

\* Dividend payable in May, Aug, Nov and March.

Standard Life Investments Property Income Trust plc ('the Company') currently conducts its affairs so that securities issued by it can be recommended by financial advisers to ordinary retail investors in accordance with the FCA's rules in relation to non-mainstream investment products and intends to continue to do so for the foreseeable future. The Company's securities are excluded from the FCA's restrictions which apply to non-mainstream investment products on the basis that the Company conducts its affairs as if it would be an investment trust if it was resident in the UK.

**This document is intended for use by individuals who are familiar with investment terminology. Please contact your financial adviser if you need an explanation of the terms used.**

## Portfolio Information

### UK Sub-Sector Weighting (total assets)

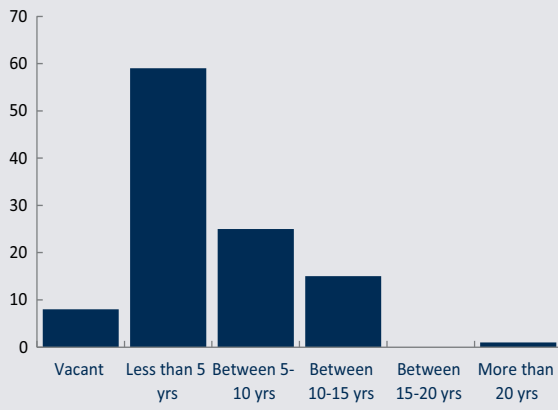
| Properties            | Company % |
|-----------------------|-----------|
| ROUK Industrial       | 35        |
| South East Offices    | 25        |
| Retail Warehouse      | 13        |
| SE Industrial         | 12        |
| High St. Retail       | 8         |
| ROUK Offices          | 4         |
| Central London Office | 3         |

### Top Ten Holdings

| Property/Direct Investment | Location    | Value Band % |
|----------------------------|-------------|--------------|
| Elstree Tower              | Borehamwood | £18 -20m     |
| Denby 242                  | Denby       | £18 -20m     |
| Symphony                   | Rotherham   | £16 -18m     |
| Currys PC World            | Preston     | £14 -16m     |
| Chester House              | Farnborough | £14 -16m     |
| Pinnacle                   | Reading     | £12 -14m     |
| New Palace Place           | London      | £12 -14m     |
| Howard Town Retail Park    | High Peak   | £12 -14m     |
| Hollywood Green            | London      | £12 -14m     |
| Charter Court              | Slough      | £12 -14m     |

## Company Information

### Lease Expiry/Break Profile



Average unexpired lease term to earliest of break or lease expiry is 5.2 years.

## Portfolio Performance

|   | Q3 (%) | 1 Year (%) | 3 Years (%) | 5 Years (%) |
|---|--------|------------|-------------|-------------|
| Portfolio Performance (Total Return annualised) | 3.1    | 11.7       | 10.9        | 11.5        |
| Benchmark (Total Return annualised)             | 2.4    | 9.6        | 8.8         | 10.0        |

### NAV and Share Price Total Return



Source: Thomson Reuters Datastream

Note: Past Performance is not a guide to future performance. The price of shares and the income from them may go down as well as up and cannot be guaranteed; an investor may receive back less than their original investment.

Benchmark : SLI / MSCI (IPD) quarterly version of monthly valued funds.

For full details of the fund's objective, policy, investment and borrowing powers and details of the risks investors need to be aware of, please refer to the prospectus.

### Market Commentary

Although forecasts for economic growth remain stronger than immediately after the Brexit referendum, economists generally expect a modest further slow-down in GDP growth for the UK economy as we move into 2018. Despite the expected moderation in the economy, returns from All Property remain robust at 10.4% p.a. in the twelve months to end September. This compares to 5.1% p.a. in the year to end June. Furthermore, UK property has recovered all of the capital losses incurred immediately post the Brexit referendum. Over the twelve months to end September, capital values rose by 4.5% p.a. Rental growth remains robust and at a market level rents have increased by 1.8% p.a. over the past year.

As for the equity markets, the FTSE All Share and the FTSE 100 total returns rose by 2.1% and 1.8% respectively over the period 30/06/17 to 30/09/17. For listed real estate equities, total returns were static over the quarter.

In sector terms, the industrial sector has continued to demonstrate its strength, generating a total return of 18.6% p.a. in the twelve months to end September. Retail was the laggard sector in the same period, recording total returns of 7.6% p.a., although significantly ahead of the

total returns delivered in the twelve months to end June. Despite the uncertainty associated with the sector as a result of Brexit, offices recorded a total return of 8.1% p.a. in the year to end September. Industrial values continued to rise strongly over the twelve months to end September also although both the other two sectors have only experienced modest capital growth. Retail capital growth continues to be the weakest with values increasing by 1.4% p.a. over the twelve months to end September, whilst office values grew by 3.1% p.a. over the same time frame. Rents remained largely stable over the last twelve months, but within sectors, retail rental growth, at 0.6% p.a., continued to be considerably weaker than the other sectors - below office rental growth at 1.1% p.a. and industrials at 4.9% p.a. in the twelve months to end September.

### Outlook

UK real estate continues to provide an elevated yield compared to other assets and the market has fully recovered the capital value losses that were sustained during the Brexit upheaval last year. With continued capital growth comes concern about how long this cycle will last. Several indicators remain supportive; lending to the sector is at a lower level than in 2007/2008 and liquidity remains reasonable. Additionally,

development continues to be relatively constrained by historic standards, and existing vacancy rates are below average levels in most markets, which should all help to maintain the positive returns the sector is currently recording. In this environment, the steady secure income component generated by the asset class is likely to be the key driver of returns going forward. The market is likely to continue to be sentiment driven in the short term as the politics and economic impact associated with the UK's withdrawal from the European Union continues to evolve. The retail sector continues to face a series of headwinds that may hold back recovery in less strong locations due to oversupply and structural changes. Given the backdrop of continuing heightened macro uncertainty, investors are becoming more risk averse and better quality assets are once again broadly outperforming those of poorer quality. Prime/good quality assets with stronger tenants on longer leases are likely to prove most resilient in the weaker economic environment we anticipate as we head into 2018.

### Fund Manager Commentary

At a property level performance has generally been in line with the wider market. However, one of the more noticeable features of the last 6 months for the fund has been the increase in voids, up to the current level of 7.9% as at 30 September. This is higher than we would like although it should be highlighted 3.3% of this void is under offer to let or sell and 0.8% relates to a new purchase where we received 18 months rental cover. Out of the 7.9% void by income, 5% has been vacant for less than 6 months.

During Q3 the dividend was only covered 97%, however for the year to date it is

covered by 106%. The new voids, and having cash to invest, means we are confident that cover will be maintained in the future.

Sales and purchases over the quarter continued our strategy of reducing future void and capex risk, and investing into multi let assets that have strong potential for future performance. The sale of our largest asset, Elstree Tower, has a delayed completion, enabling the Company to continue to collect rental income until February 2018, and the two office purchases in Reading and Manchester offer plenty of asset management opportunities in good quality well located buildings.

The Company retains its undrawn Revolving Credit Facility (£35m) as well as uncommitted cash (£10m) for reinvestment, and had an LTV as at 30 September, of 21.6%. The cost of the debt has been hedged, and is fixed at 2.7%, as compared to a running yield on the investment portfolio of 5.6%. The interest rate swap has a liability of £1.9m reflected in the NAV. This will revert to nil at maturity in April 2023.

\*Any data contained herein which is attributed to a third party ("Third Party Data") is the property of (a) third party supplier(s) (the "Owner") and is licensed for use by Standard Life Aberdeen\*\*. Third Party Data may not be copied or distributed. Third Party Data is provided "as is" and is not warranted to be accurate, complete or timely. To the extent permitted by applicable law, none of the Owner, Standard Life Aberdeen\*\* or any other third party (including any third party involved in providing and/or compiling Third Party Data) shall have any liability for Third Party Data or for any use made of Third Party Data. Past performance is no guarantee of future results. Neither the Owner nor any other third party sponsors, endorses or promotes the fund or product to which Third Party Data relates.

\*\*Standard Life Aberdeen\*\* means the relevant member of the Standard Life Aberdeen group, being Standard Life Aberdeen plc together with its subsidiaries, subsidiary undertakings and associated companies (whether direct or indirect) from time to time.

[www.aberdeenstandard.com](http://www.aberdeenstandard.com)

### Contact us

Telephone

0345 266 0078

E-mail

[globalclientmanagement@standardlife.com](mailto:globalclientmanagement@standardlife.com)