

QUESTIONS & ANSWERS

DEALING SUSPENSION

Threadneedle Property Unit Trust Luxembourg Feeder SA SICAV SIF

INTRODUCTION

Columbia Threadneedle has temporarily suspended dealing in Threadneedle Property Unit Trust Luxembourg Feeder SA SICAV-SIF (“the Feeder Fund”), with effect from 24 March 2020. This decision has been taken by the Fund Board in consultation with the AIFM and Depositary. The Commission de Surveillance du Secteur Financier (CSSF) has been informed.

1. Which funds have you suspended dealing in and from what date?

We suspended dealing in Threadneedle Property Unit Trust Luxembourg Feeder SA SICAV SIF with effect from 24 March 2020.

2. Why have you decided to suspend dealing?

The Feeder Fund predominantly invests in Threadneedle Property Unit Trust (equating to c99% of the Feeder Fund’s NAV). The Master Fund suspended dealing on 24 March 2020 as a result of its independent property valuer, CBRE, deploying a ‘market uncertainty clause’ which means that it is unable to provide an appropriate level of certainty regarding the valuation of the Master Fund’s assets in the current market environment. As a result, we have suspended the Feeder Fund until such time that a more certain valuation can be ascertained. The decision was made with the aim of preventing any shareholders being disadvantaged by those redeeming or investing in the Feeder Fund at an uncertain price.

3. Who made the decision to suspend dealing?

This decision has been taken by the Feeder Fund’s Board in consultation with the AIFM and Depositary. The Commission de Surveillance du Secteur Financier (CSSF) have been informed.

4. I saw you suspended the Threadneedle PAIF and Threadneedle TPEN Property last week. Why did you not suspend the Feeder Fund as soon you were notified of the situation by CBRE?

Following notification that the Master Fund had suspended dealing on 24 March 2020, the Feeder Fund board convened, along with consulting the AIFM and Depositary the same day. During this Board meeting it was agreed that suspension was in the best interest of clients.

5. Why are the Master Fund independent valuers not able to provide a valuation of the assets?

Due to the Coronavirus (Covid 19) and the resulting uncertainty on markets and economies, our independent valuers, CBRE, believe it is unable to value the assets of the Master Fund. Valuations typically rely on recent property sales, however market activity is being impacted in many sectors. As a result, CBRE considers that it can attach less weight to previous market evidence for comparison purposes, to inform opinions of value and that the current response to COVID-19 means that it is faced with an unprecedented set of circumstances on which to base a judgement.

6. Was the fund suspended because of outflows?

No, the Feeder Fund's dealing was suspended because of uncertainty in the value of the assets in the fund.

7. When will you start dealing in the fund again?

The Feeder Fund is expected to reopen when the Master Fund's suspension has lifted which is expected to be when the Master Fund can provide a more appropriate level of certainty regarding the valuation of the assets in the Master Fund. We do not have an estimate of when that will be. The Master Fund may come out of suspension once reliance on valuations is reached, however investors should note that outstanding or immediate redemptions may require the Board of Directors to immediately instigate redemption deferral powers.

8. Are the funds still being priced?

Yes, during the period of suspension, we will continue to value the Feeder Fund. However, investors should note that there is a degree of uncertainty due to the current market environment and whilst the Feeder Fund is suspended.

9. Will secondary trades in Units still be possible?

Yes, however, investors should note that there is a degree of uncertainty for published share pricing due to the current market environment and whilst the Feeder Fund is suspended.

10. Can I still receive a valuation while the funds are suspended?

Yes, you can still receive an indicative valuation. However, shareholders should note that there is a degree of uncertainty due to current market conditions.

11. Are you charging fees whilst the fund is suspended?

Yes, as we continue to actively manage the Feeder Fund it will continue to accrue AIFM fees, but they will not be paid to us until the fund returns to normal daily dealing.

12. Will distribution payments continue?

The Feeder Fund will endeavour to continue to make distribution payments.

13. What is Columbia Threadneedle's view on commercial property?

- Despite the yield compression witnessed over the past few years, the gross income yield of 5.1 offered by UK commercial property (MSCI IPD UK Monthly Index) remains attractive to investors.
- Income is once again providing the core component of the total return in line with the long running average. Since 2000, 70% of the total return (according to the MSCI Monthly index) has been provided by income and hence our investment philosophy centres on buying good quality assets let to sustainable tenants off sustainable rents.
- While property returns are continuing to moderate, the case for property remains compelling on an income and portfolio diversification basis.

14. What is the current strategy and positioning of the Master Fund?

- Columbia Threadneedle's investment philosophy takes a long-term view and is income led. We have an inherent preference for income-focused investment portfolios that are highly diversified by sector, geography and sheer volume of properties and tenancies, in order to mitigate risk.
- The fund has strong diversification at both portfolio (c.955 tenancies and 218 properties) and investor levels.
- The strategic portfolio positioning has focused on the strongest underlying sub-sectors, with around 33% of the direct property exposure in the industrial market, and only 7% in the troubled High Street retail market excluding supermarkets. This is significantly overweight and underweight respectively versus the MSCI UK Monthly Property Index.
- The portfolio has an average lot size of c.£6.5m which can aid liquidity.
- In addition, there is significant unrealised potential to add value through pro-active asset management across the portfolio, despite the potential challenges of a post Brexit occupational market.
- The fund has no exposure to property company shares, speculative property development and zero property level debt.
- It also has a significant income yield advantage (c.70 basis points) versus the IPD Monthly benchmark (5.7%* vs 5.0).

15. Will you contact me when the fund is open again?

Yes, we will communicate to you when the Feeder Fund returns to normal monthly dealing and also publish a note on our website. In the meantime, please contact your Relationship Manager if you have any questions.

16. What is the AUM of the Feeder Fund?

The last published AUM was £75.3m as at 29 February 2020.

17. Will any of your other property funds need to suspend for the same reason?

We suspended dealing in the Threadneedle Property Authorised Investment Fund and its feeder fund, the Threadneedle UK Property Authorised Trust on 18 March 2020. We suspended dealing in the Threadneedle Pension (TPEN) Property Fund on 20 March 2020 and Low Carbon Workplace Fund and its feeder, Threadneedle Low-Carbon Workplace Trust, on 24 March 2020.

All data as at 31 December 2019. Source: Columbia Threadneedle Investments; MSCI UK Monthly Property Index.

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