

# Ground Rents Income Fund plc

30 June 2018

Aurelia

## Fund Facts

Launch date:	13/08/2012
Unaudited NAV per share:	123.30p
Diluted unaudited NAV per share:	124.44p
Market capitalisation	£102.5m



Ordinary Share:	
ISIN:	GB00B715WG26
SEDOL (TISE):	B715WG2
SEDOL (SETSqx):	B8K0LM4
Ticker:	GRIOW

Warrant:	
ISIN:	GB00B8N43P05
SEDOL (TISE):	B8N43P0
SEDOL (SETSqx):	B8K0RP9
Ticker:	GRIW

Gearing (over gross asset value): 14.2%

Annual management fee: 0.55% of market capitalisation

Performance fee: Nil

Dividend: Quarterly

Quarterly Ex-Dividend date: 23 August 2018

Data as at 30 June 2018

Source: Brooks Macdonald

## Investment Objective

Ground Rents Income Fund plc (GRIF) ("the Company") is a Real Estate Investment Trust (REIT), listed on The International Stock Exchange (TISE) and traded on the SETSqx platform of the London Stock Exchange.

GRIF's investment strategy is focused on achieving stable, long-term performance by investing in long-dated UK ground rents, which have historically not suffered the same peaks and troughs as the economy and the wider property market.

GRIF's income derives from ground rents and associated income. The Group seeks to generate consistent income returns for shareholders by investing in a diversified portfolio of ground rents, including freeholds and head leases of residential, retail and commercial properties located in the UK. The company joined the REIT regime in August 2012.

## Market Commentary and Investment Update

There has been two significant changes at the Ministry of Housing, Communities & Local Government ('MHCLG') since the last update. James Brokenshire was appointed Secretary of State for Housing, while Kit Malthouse replaced Dominic Raab as Minister of State for Housing.

Both Brokenshire and Malthouse are well respected and it is hoped that with their respective professional backgrounds in commercial law and accountancy, a more pragmatic, well-thought-out approach to policymaking will be pursued by Government.

The Company and Investment Manager (Brooks Macdonald) have met with MHCLG and the Secretary of State on several occasions, including during roundtables referred to by Brokenshire in the House of Commons. At each opportunity, both have reiterated their support for sensible leasehold reform and a fairer system for homeowners. These include a prohibition on the sale of new leasehold houses, the need to professionalise and regulate residential managing agents to tackle unfair service charges, standardisation of the home buying process and a formal Industry Code of Conduct.

Following this detailed interaction, both the Government and the Law Commission have taken on board many of the challenges that we have highlighted; we believe homeowners genuinely benefit from having reasonable and transparent leasehold terms. They have begun to understand the value of having professional, independent parties oversee the long term management, health and safety and risk and governance of complex buildings. This stewardship role which is fulfilled by institutional investors such as ourselves, is why a transparent, fair and reasonable ground rent is required in such situations.

A further consultation on the level of future ground rents, which may be simplified by redefining a peppercorn rent, and the simplification of the enfranchisement process for leaseholders to exercise their right to buy their freehold, while also ensuring fair compensation to landlords, are expected in the autumn.

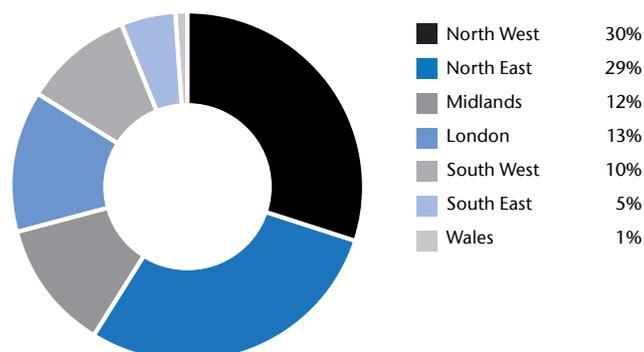
The Company's unaudited Net Asset Value (NAV) as at 31 March 2018 and Half Year Results for the six months ended 31 March 2018 were published in the period. The NAV per ordinary share was 124.58p, which represents a decrease of 5.4% from the audited NAV of 131.72p as at 30 September 2017. Legislative uncertainty continues to drive shareholder sentiment, however, the independent Savills valuation issued at 30 March 2018 according to RICS RedBook principles takes into account of the of the prevailing market and legislative conditions.

Following December's recent high, the rate of inflation as measured by the Retail Prices Index (RPI) has stabilised over the period at 3.4% in the 12 months to June. This is still well ahead of the five-year rolling average of 2.4% and will help contribute to the Company's ground rent income. The Company therefore remains able to generate secure, index-linked revenues, which continue to be collected in line with expectations.

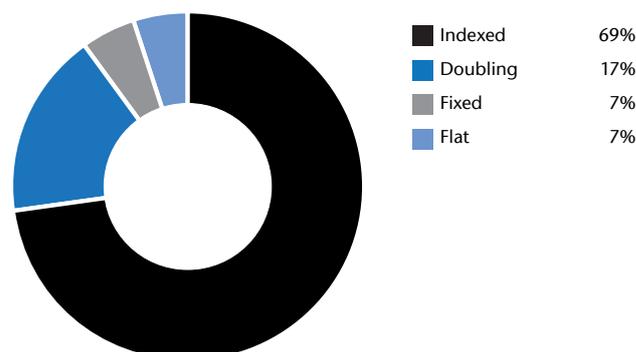
# Ground Rents Income Fund plc (GRIF)

## Portfolio

### Asset Location



### Type of Rent Review



Data relates to existing assets in the portfolio and includes assets that have exchanged but not completed. Based on current gross rent roll.

## Top 5 Assets (based on 31 March 2018 valuation)



### Vita Student Village York

Cost:	£7,795,800
Value:	£8,210,000
Income:	£273,537
Yield:	3.33%
Ground Rent Review:	Index linked every 5 years

### The Gateway Leeds

Cost:	£2,360,000
Value:	£4,140,000
Income:	£138,000
Yield:	3.33%
Ground Rent Review:	Doubles every 25 years

### One Park West Liverpool

Cost:	£2,700,000
Value:	£3,839,000
Income:	£149,681
Yield:	3.90%
Ground Rent Review:	Index linked every 15/25 years

### Wiltshire Leisure Village

Cost:	£2,393,881
Value:	£3,549,000
Income:	£104,388
Yield:	2.94%
Ground Rent Review:	Index linked every year

### Vita Student First Street, Manchester

Cost:	£2,340,000
Value:	£3,125,000
Income:	£97,650
Yield:	3.12%
Ground Rent Review:	Index linked every 10 years

For more information about these assets please visit [www.groundrentsincomefund.com](http://www.groundrentsincomefund.com)

## Contact Details

### Ground Rents Income Fund plc

Incorporated in England and Wales Company No. 8041022.

Registered Office: 72 Welbeck Street, London W1G 0AY

Website: [www.groundrentsincomefund.com](http://www.groundrentsincomefund.com)

Email: [info@groundrentsincomefund.com](mailto:info@groundrentsincomefund.com)

## Management Team

### Investment Manager

Brooks Macdonald Funds Limited

10th Floor

No 1 Marsden Street

Manchester

M2 1HW

**James Agar – Head of Specialist Funds**

Tel: 0207 659 3454

[james.agar@brooksmacdonald.com](mailto:james.agar@brooksmacdonald.com)

## Risk Warning

Investors should be aware that the price of shares in this company, and the income generated, can go down as well as up and that neither is guaranteed. Past performance is not reliable indicator of future results. Investors may not get back the amount invested. Changes in asset value may have an adverse effect on the price or income of an investment. Investors should be aware of the additional risks associated with investment in the UK ground rents market as more particularly set out in part 8 of the Listings Particulars dated 3 May 2013.

The information in this document does not constitute advice or a recommendation and you should not make any investment decisions on the basis of it. This document is for the information of the recipient only and should not be reproduced, copied or made available to others.

GRIF is incorporated in England and Wales Company No. 8041022. Registered Office: 72 Welbeck Street, London W1G 0AY.