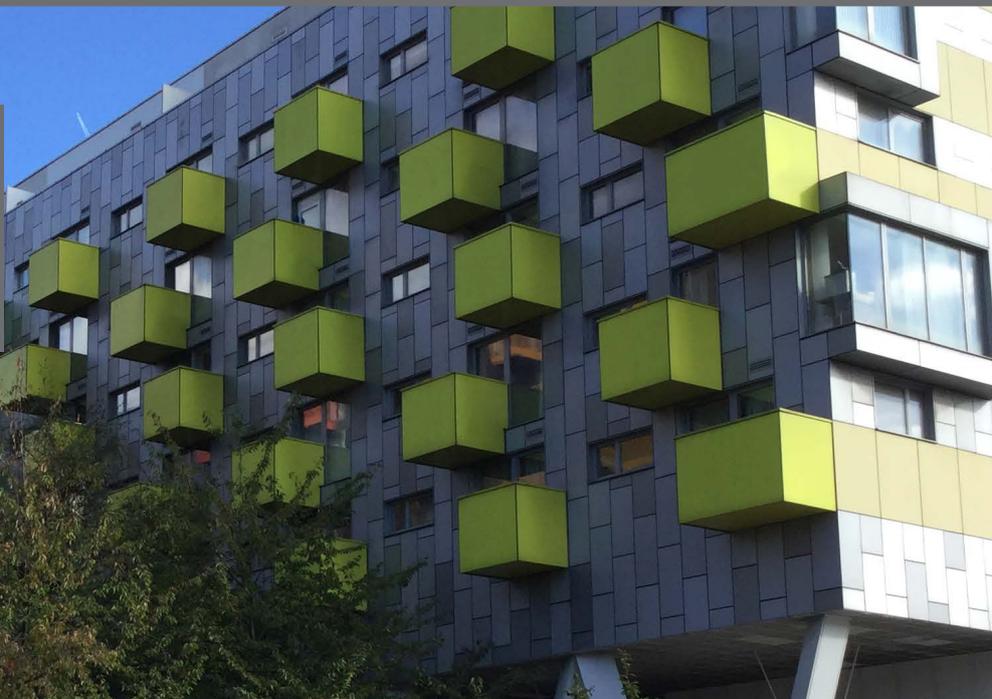


# Ground Rents Income Fund plc

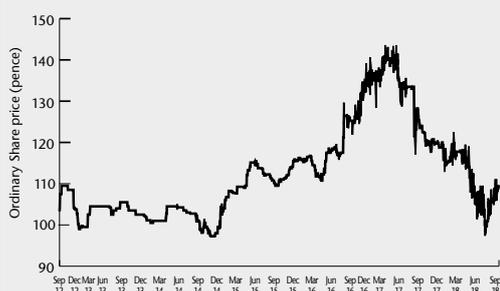
## 30 September 2018



The Ropeworks, Barking

### Fund Facts

Launch date:	13/08/2012
Audited NAV per share:	116.65p
Diluted audited NAV per share:	115.92p
Market capitalisation	£105.7m



Ordinary Share:	
ISIN:	GB00B715WG26
SEDOL (TISE):	B715WG2
SEDOL (SETSqx):	B8KOLM4
Ticker:	GRIO
Warrant:	
ISIN:	GB00B8N43P05
SEDOL (TISE):	B8N43P0
SEDOL (SETSqx):	B8KORP9
Ticker:	GRIW
Gearing (over gross asset value):	15.07%
Annual management fee:	0.55% of market capitalisation
Performance fee:	Nil
Dividend:	Quarterly
Quarterly Ex-Dividend date:	27 December 2018

Data as at 30 September 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

Political activity around leasehold reform continues, following the consultations from both the Government and the Law Commission on the future level of ground rents, enfranchisement, and improving the home buying process, as well as the recent Select Committee hearing. The Government has also announced its intention to implement regulation of residential property managers; we have called for this previously and we see it as a positive step to greater professionalism in the sector to protect consumers.

The Group and Investment Manager continue to be supportive of the Government's aim of improving the housing market for consumers, but believe that introducing a nominal ground rent cap on future residential leases risks many unforeseen consequences, such as a two-tier housing market. This may impact property values, lead to differential mortgage pricing, and reduce consumer choice, all of which would be detrimental to homeowners.

We strongly believe that consumers benefit when reasonable, fair and transparent ground rent terms are in place. This is because such ground rent attracts professional, institutional freeholders to take on a long-term, impartial stewardship role for buildings and safeguard all stakeholders. Indeed, the recent Independent Review of Building Regulations and Fire Safety, led by Dame Judith Hackitt, called for such responsibilities to be carried out by a 'Duty holder' who has the requisite skills and experience to be ultimately responsible for the management, maintenance and safety of buildings.

We are also supportive of the Law Commission's aim of simplifying the current enfranchisement regime. Positive steps to minimise unnecessary processes and costs are welcome. However, it must ensure that the methodology for premium valuations provides freeholders with fair compensation under Article 1 of the First Protocol to the European Convention of Human Rights.

Ground rent transactional volumes have weakened and the bid spread on assets being marketed for sale has widened as investors have reacted to market uncertainty. Weaker volumes and wider spreads are in part driven by the responses of the two distinct types of investor that we have explained previously (in our 31 March 2018 commentary).

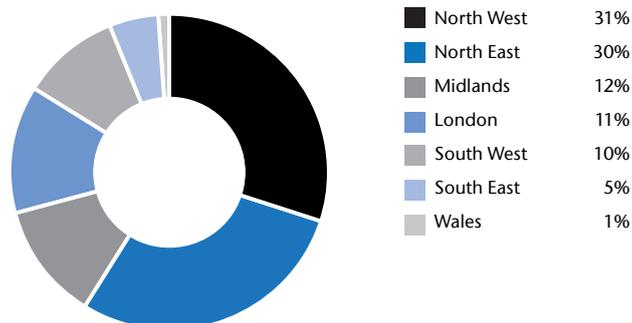
Corresponding interest in commercial ground leases has risen since mid-2017, with a number of large-scale transactions having occurred. We believe this area of the market could present GRIF with an opportunity to grow and provide shareholders with similar income-driven returns to those in the residential market, but without the current legislative uncertainty.

The Group's Asset Management Plan to address doubling ground rents has experienced only an 8% take-up of the offer to convert doubling reviews to the lesser of inflation or doubling. This figure rises to 15% for the 2% of the Group's leaseholders with 10-year doubling ground rents. The offer remains open until 2 May 2019.

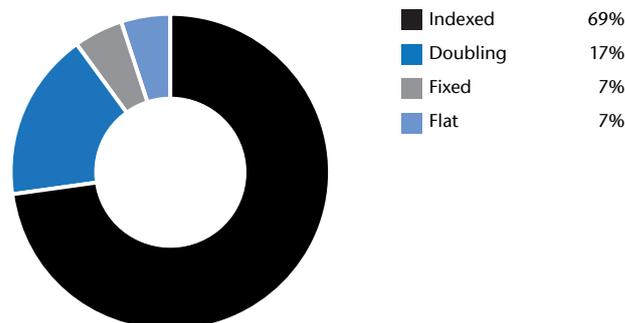
# Ground Rents Income Fund plc (GRIF)

## 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 30 September 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:	£3,860,000
Income:	£138,000
Yield:	3.58%
Ground Rent Review:	Doubles every 25 years

### Wiltshire Leisure Village

Cost:	£2,393,881
Value:	£3,344,000
Income:	£107,877
Yield:	3.23%
Ground Rent Review:	Index linked every year

### Vita Student First Street, Manchester

Cost:	£2,340,000
Value:	£2,930,000
Income:	£97,650
Yield:	3.33%
Ground Rent Review:	Index linked every 10 years

### Ladywell Point Manchester

Cost:	£2,575,652
Value:	£2,740,500
Income:	£130,500
Yield:	4.76%
Ground Rent Review:	Doubles 2025 and 2035 only

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

## Contact Details

### Ground Rents Income Fund plc

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

## Management Team

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## 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.