

Ground Rents Income Fund plc

March 2020

Investment Objective

Ground Rents Income Fund plc 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 United Kingdom.

Risk Considerations

The Company may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up and down, which may adversely impact the performance of the fund. The Company may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the assets purchased increases in value by more than the cost of borrowing, or reduces the returns if they fail to do so. As a result of fees being charged to capital, the distributable income of the fund may be higher but there is the potential that performance or capital value may be eroded. The Government has been considering reform to the residential leasehold sector since 2017, the timescale and outcome of which is uncertain and could adversely impact the value of the Company's portfolio.

Manager's Commentary

Since the on-set of the Covid-19 pandemic our focus has been on the safety and wellbeing of our leaseholders, managing agents, their on-site staff and other stakeholders. Asset management has focussed on implementing updated best practice property management procedures to ensure residents are safe in their homes.

As a result of Covid-19, a statement highlighting Material Valuation Uncertainty has been included in valuations across all real estate sectors as at 31 March 2020. Subject to this statement, the Company's portfolio was valued at £122.6 million as at 31 March 2020 which represents a fall in value of £0.3 million or -0.2% compared to 30 September 2019.

In January 2020 the Company refinanced its £19.5 million term loan with a new five-year £25.0 million debt facility comprising a £12.5 million term loan and a £12.5 million revolving credit facility. This extends the debt maturity profile, reduces interest costs and provides operational flexibility.

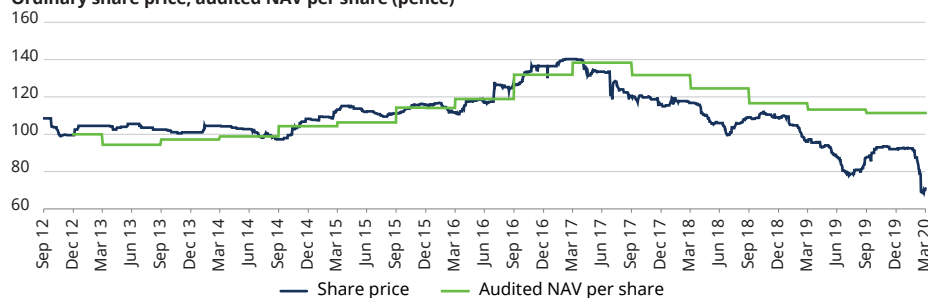
Also in January 2020 the Law Commission published its report on enfranchisement. Its recommendations were generally positive in promoting a more equitable, transparent system for consumers, whilst considering the interests of all stakeholders. This was followed by the Competition and Markets Authority (CMA) leasehold investigation update, which highlighted concerns including doubling ground rents. The Company has sought to address these concerns, with its 2017 Asset Management Plan.

The Company continues to pay dividends in line with its previously announced strategy, which reflects the robust nature of the portfolio and our focus on socially responsible income collection during Covid-19. Future dividends will be reviewed in light of any Covid-19 related impact on net income.

Whilst the full impact of Covid-19 is uncertain, the near-term outlook for the Company will be influenced by leasehold reform and the CMA investigation. The Company has a diversified portfolio of assets with defensive, index-linked income characteristics and a strong balance sheet with low gearing.

Performance Analysis

Ordinary share price, audited NAV per share (pence)



Performance (%)	6 months	1 year	3 years p.a.	5 years p.a.	Since launch	Average p.a. since launch
Share Price ¹	-19.1	-26.0	-20.3	-8.9	-28.6	-4.7
Shareholder Total Return ²	-17.3	-23.6	-17.6	-5.8	-8.7	-1.3
NAV Total Return ^{3, *}	1.8	1.9	-3.9	4.3	42.2	5.2

Discrete Yearly Performance (%)	Q1 2019	Q1 2018	Q1 2017	Q1 2016	Q1 2015
	Q1 2020	Q1 2019	Q1 2018	Q1 2017	Q1 2016
Share Price ¹	-26.0	-17.8	-16.8	25.8	-1.5
Shareholder Total Return ²	-23.6	-14.6	-14.1	29.8	1.7
NAV Total Return ^{3, *}	1.9	-6.0	-7.3	20.1	15.7

Fund Manager

James Agar

Managed fund since

13 August 2012

Fund launch date**

13 August 2012

Latest published Net Asset Value (NAV)*

£108 million

Net loan to value***

10.9%

Latest published NAV per ordinary share*

111.3p (undiluted) / 110.9p (diluted)

Share price****

71.00p

Dividend yield*****

5.6%

Premium/(discount) to latest published NAV*

(36.2%)

Ongoing costs*****

2.0%

Source: Schroders unless otherwise stated.

* NAV is as at the most recent announcement (for year end 30 September or half year end 31 March) and the diluted per ordinary share figure incorporates the exercise of warrants in issue.

** Schroders appointed 13 May 2019.

*** Approximate net of cash loan to value on the basis of the Savills portfolio valuation.

**** Source: Factset, price at close.

***** Historic rolling annual dividend as a percentage of the current share price.

***** Ongoing costs are total expenses (excluding direct property expenses and finance costs) as a percentage of average net assets. The Key Information Document (KID) ongoing cost of 2.68% includes finance costs.

REIT Status

The Company is a Real Estate Investment Trust ("REIT"). The UK REIT regime affords the Company a number of potential efficiencies in its tax affairs including exemption from UK corporation tax on profits and gains from its UK property rental business. The Company intends to comply with the rules of the REIT regime in order to achieve these potential benefits.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them can go down as well as up and you may not get back the amount originally invested.

Issued in July 2020.

¹ Source: Schroders, Datastream, bid to bid price with net income reinvested in GBP.

² Source: Schroders, Datastream, bid to bid price.

³ Source: Schroders, NAV to NAV (per share) plus dividends paid.

Top 10 Assets*

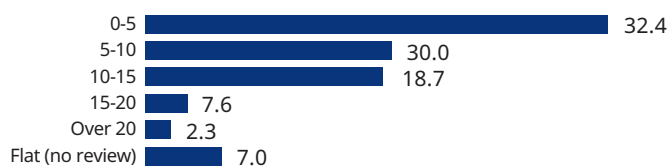
Assets	Ground rent p.a. (£'000)	%*	Value (£m)	%**
1. Vita Student Village, York	274	5.7	7.9	6.5
2. Masshouse Plaza (Hive and H&I), Birmingham	137	2.8	3.9	3.2
3. The Gateway, Leeds	138	2.9	3.6	2.9
4. One Park West, Liverpool	150	3.1	3.4	2.8
5. Wiltshire Leisure Village, Royal Wootton Bassett	111	2.3	3.2	2.6
6. Ladywell Point, Manchester	131	2.7	3.2	2.6
7. Rathbone Market, London	122	2.5	3.1	2.5
8. First Street, Manchester	98	2.0	2.7	2.2
9. Richmond House, Southampton	79	1.6	2.3	1.9
10. City Island, Leeds	81	1.7	1.9	1.5
Sub total	1,321	27.3	35.5	28.7

Source: Schroders.*Percentage of total portfolio ground rent income. **Percentage of total portfolio valuation.

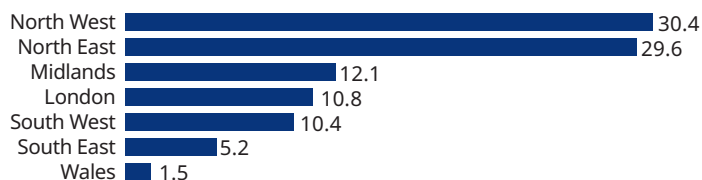
Rent Review Weightings (%)*



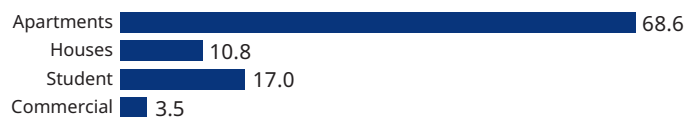
Years to Next Review (%)*



Regional Weightings (%)*



Unit Weightings (%)*



Source for 4 charts: Schroders. *Based on total portfolio ground rent income.

**Only 4.1% of portfolio ground rent income is deemed 'onerous' or residential ground rents that double more frequently than every 20 years.

Information

Schroder Real Estate
Investment Management Limited
1 London Wall Place,
London EC2Y 5AU, United Kingdom

Tax Status UK Real Estate Investment Trust

Fund Base Currency GBP

Ex Dividend Date March, June, September, December

Dealing Both ordinary shares and warrants can be purchased on the London Stock Exchange (LSE) and The International Stock Exchange (TISE)

Dividend Payment Date March, June, September, December

Investment Management Fee 1.0% of NAV per annum up to £200 million, 0.9% of NAV per annum between £200 million and £400 million and 0.8% thereafter*

Ordinary Share

Warrant

LSE Ticker

GRIO

GRIW

TISE Ticker

GRI

GRIW

SEDOL (LSE)

B8K0LM4 (SETSqx)

B8K0RP9

SEDOL (TISE)

B715WG2

B8N43P0

Bloomberg

GRIO:LN

GRIW:LN

Reuters

GRIO.L

GRIW.L

ISIN

GB00B715WG26

GB00B8N43P05

ISA Eligible

Yes

Yes

* For the initial twelve-month period of Schroders' appointment as Investment Manager, the fee will be 0.9% of NAV with the potential to earn up to 1.0% of NAV subject to delivering income-enhancing initiatives

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