

# Ground Rents Income Fund plc

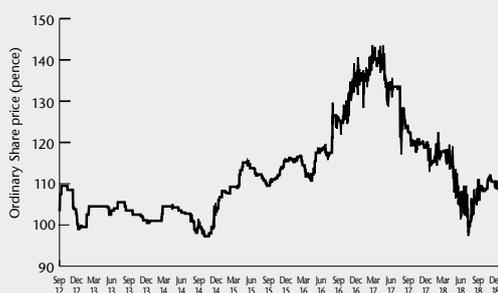
31 December 2018



The Foundry, Manchester

## Fund Facts

Launch date:	13/08/2012
Audited NAV per share:	117.38p
Diluted audited NAV per share:	116.62p
Market capitalisation	£105.3m



Ordinary Share:	
ISIN:	GB00B715WG26
SEDOL (TISE):	B715WG2
SEDOL (SETSqx):	B8KOLM4
Ticker:	GRI0

Warrant:	
ISIN:	GB00B8N43P05
SEDOL (TISE):	B8N43P0
SEDOL (SETSqx):	B8KORP9
Ticker:	GRIW

Gearing (over gross asset value): 15.05%

Annual management fee: 0.55% of market capitalisation

Performance fee: Nil

Dividend: Quarterly

Quarterly Ex-Dividend date: 14 February 2019

Data as at 31 December 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

The Government's consultation on implementing reforms to the leasehold system concluded on 26 November 2018 and the Law Commission's consultation on enfranchisement and lease extensions concluded on 7 January 2019. GRIF submitted comprehensive responses to both consultations and the findings and recommendations are due to be published later this year.

As was emphasised to Government, we agree with the proposal to ban the sale of new leasehold houses and we support the establishment of a regulatory-backed Code of Conduct to protect all stakeholders in the residential sector. It is also right and proper that Government seeks to ensure consumers are being charged reasonable ground rents, but we believe that a £10 cap is ill-conceived and inconsistent with what would be required to uphold a workable Code of Conduct. This is because such a proposal would sweep aside the financial incentive for professional freeholders to take on an impartial, long-term stewardship role for buildings, to the detriment of consumers.

As was emphasised to the Law Commission, we support efforts to make the enfranchisement process simpler and more effective. The Law Commission must, however, ensure that the methodology for premium valuations provides freeholders with fair compensation under human rights law. To read the responses in full go to the Company Documentation section of the website ([www.groundrentsincomefund.com/investor-relations/company-documentation](http://www.groundrentsincomefund.com/investor-relations/company-documentation)).

In February 2019, the Ministry of Housing, Communities and Local Government (MHCLG) gave evidence to the Housing, Communities and Local Government Committee (HCLGC) on leasehold reform. Heather Wheeler MP, Minister for Housing and Homelessness, explained that consumers benefited from being able to make a choice between commonhold and leasehold and that many 'lock up and go' homeowners preferred the latter so that a third party freeholder held the management responsibilities for their building.

The Minister went on to explain that the media coverage about onerous ground rents needed to be put into context. Only a very small proportion of the circa four million residential leases in England and Wales were thought to have onerous ground rents, and while MHCLG supported freeholders' voluntary asset management plans, such as that being offered by GRIF, only a small percentage of leaseholders had taken up such offers.

Finally, HCLGC expressed concern about the unintended consequences of implementing MHCLG's cap on residential ground rents and reflected industry concerns of complex, high-rise buildings being held in common. Lakhbir Hans, Deputy Director for Leasehold, Commonhold and Rentcharges, explained that MHCLG was considering how such views fitted into the future leasehold system along with Dame Judith Hackitt's recommendations on the vitally important role of a responsible Duty Holder.

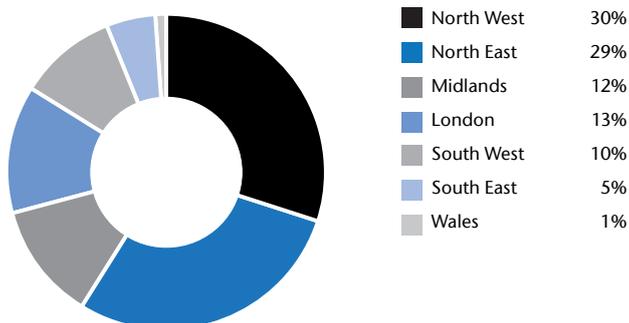
On 31 January 2019, a High Court judgment largely found in favour of the hotel leaseholder at Beetham Tower Manchester and against its landlord, North West Ground Rents Limited (NWGR), one of GRIF's wholly-owned subsidiaries. GRIF has since released two statements in connection with the judgement ([www.groundrentsincomefund.com/investor-relations](http://www.groundrentsincomefund.com/investor-relations)) and appropriate next steps are currently being considered by both NWGR and GRIF.

In December 2018, GRIF purchased The Foundry, a small commercial site in Manchester with RPI-linked income, for £0.27 million (excluding costs). The transaction demonstrates GRIF's ability to acquire commercial ground leases in an increasingly competitive area of the market and to continue providing shareholders with similar income-driven returns to those in the residential market but without the current legislative uncertainty.

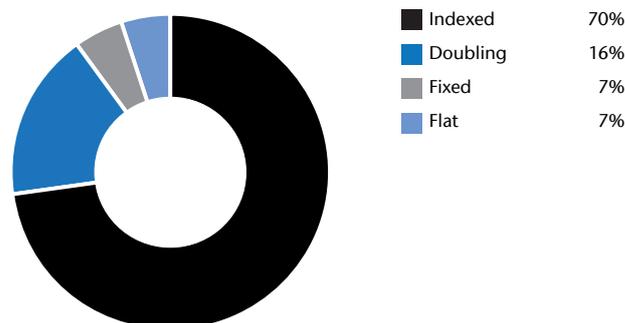
# Ground Rents Income Fund plc (GRIF)

## 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		The Gateway Leeds		Wiltshire Leisure Village		Vita Student First Street, Manchester		Ladywell Point Manchester	
Cost:	£7,795,800	Cost:	£2,360,000	Cost:	£2,393,881	Cost:	£2,340,000	Cost:	£2,575,652
Value:	£8,210,000	Value:	£3,860,000	Value:	£3,344,000	Value:	£2,930,000	Value:	£2,740,500
Income:	£273,537	Income:	£138,000	Income:	£107,877	Income:	£97,650	Income:	£130,500
Yield:	3.33%	Yield:	3.58%	Yield:	3.23%	Yield:	3.33%	Yield:	4.76%
Ground Rent Review:	Index linked every 5 years	Ground Rent Review:	Doubles every 25 years	Ground Rent Review:	Index linked every year	Ground Rent Review:	Index linked every 10 years	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

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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 affect 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.

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