

AVIVA INVESTORS UK PROPERTY FEEDER ACC FUND - GBP

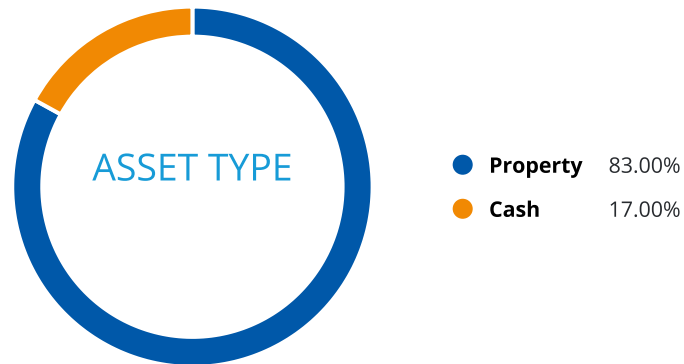
INVESTMENT RESEARCH NOTE
FEBRUARY 2024

Risk warning: The past is not necessarily a guide to future performance. The value of your investment and the income from it can fall as well as rise and is not guaranteed. You may not get back the full amount invested. Our views are based upon our understanding of current legislation in England. Levels and bases of, and reliefs from, taxation are subject to change and their value to you will depend upon your personal circumstances. You should not act on any of the information without seeking professional advice. clarity Ltd is authorised and regulated by the Financial Conduct Authority (FCA).

SUMMARY

The fund is a Property Authorised Investment Fund run by experienced Property Managers, Andrew Hook and Will Hutchinson. The Investment Team objective is to provide a combination of income and growth through investing generally in commercial UK property although occasionally may invest in residential and develop property using derivatives to reduce some of the risks of the market. The fund is designed to suit investors seeking high quality properties as part of a low-turnover portfolio. UK Property benefit from economies of scale which make the fund attractive from a cost perspective.

The underlying fund is around £715m in size and as a group, Aviva has over £20bn of AUM in real estate, with over 180 investment professionals. 70% of Group property assets are in the UK, allowing the fund managers to draw on considerable internal resources.



INVESTMENT PROCESS

The Investment Team is focused on property selection and active management combining a top-down approach focusing on creating the sector strategy and bottom-up for the identification of added value initiatives. The fund managers seek to acquire undervalued assets, and as one of the largest UK property fund managers, the fund has access to most of the market intermediaries and the investment opportunities that arise in the market. The fund managers judge the return required from any individual property which needs to reflect the level of risk implicit in the asset. To manage the risk inherent within fund, the managers evaluate specific factors as location, supply, tenant credit risk as well as level of over-renting.

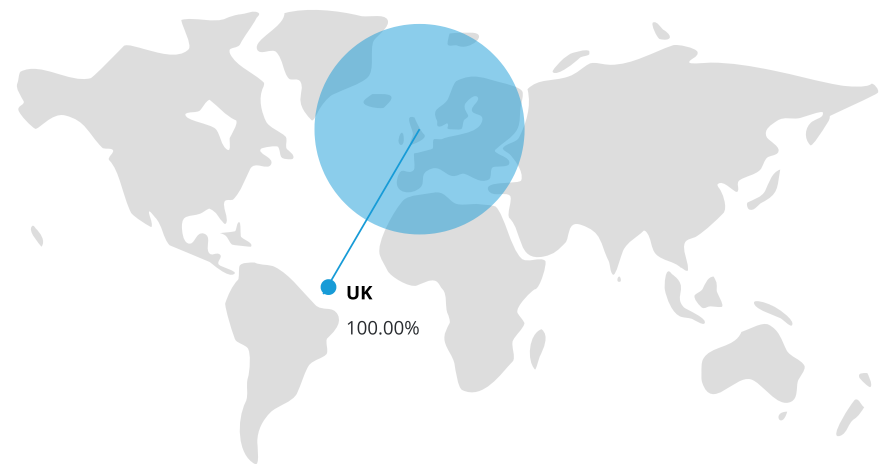
Over the last 2 years the fund has been restructured, focusing more on obtaining exposure to long term positive trends in the property market, both in terms of geography and usage. This has focused the fund into areas perceived to have stronger and more resilient structural attractions, such as Cambridge, Manchester and sub-sectors such as shared multi-use work and leisure spaces. The rationale for this is to try and insulate the fund as much as possible from the more immediate structural headwinds that have overwhelmed companies such as INTU plc, a quoted UK mid cap REIT which had too much exposure to lower quality and structurally challenged property categories and too much leverage on the balance sheet..

As a result the number of individual properties has been reduced from 850 to around 560, which reduces the workload and cost of managing the fund. London and the South East are the largest exposures by geography, with over 60% as of March 2019.

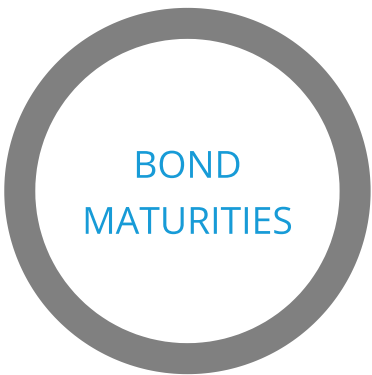
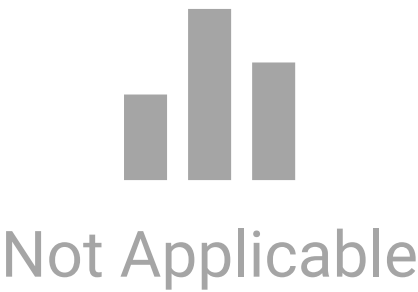
Cash is held to provide liquidity and as of March 2019 it was 17% of the fund. Prior to 2008 cash would typically have been around 5%. This elevated cash position acts as a liquidity buffer but it is dilutive to returns in rising markets. As of June 2019, the property portfolio had a yield of around 4.1%, which fell to an achieved yield of 3.8% once the impact of the cash is taken into account. The distribution yield that is expected to be received by investors over the next 12 months, was 1.6% as of June 2019

AGGREGATED NET EXPOSURE

REGIONAL EXPOSURE



EQUITY MARKET CAP (%)



Not Applicable



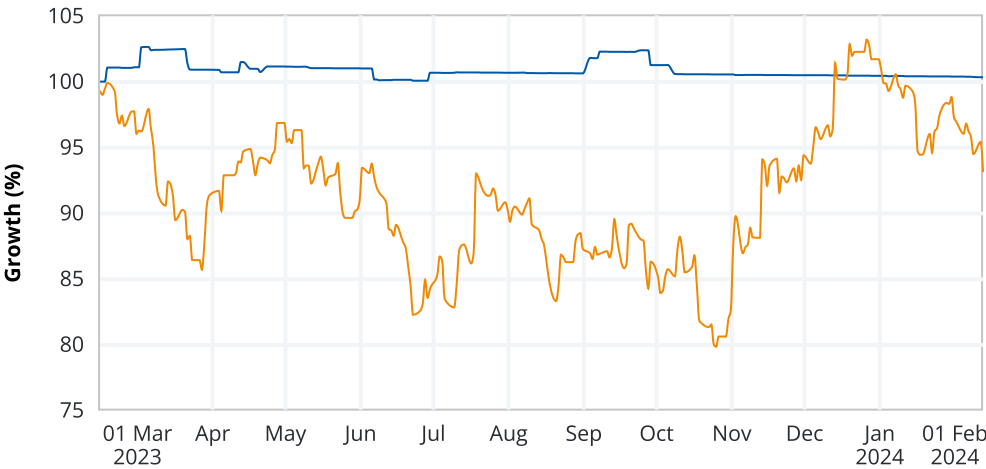
Not Applicable

OVERALL PERFORMANCE

● Aviva Investors UK Property Feeder Acc Fund 2 GBP ● FTSE 350 Real Estate Index

GROWTH (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



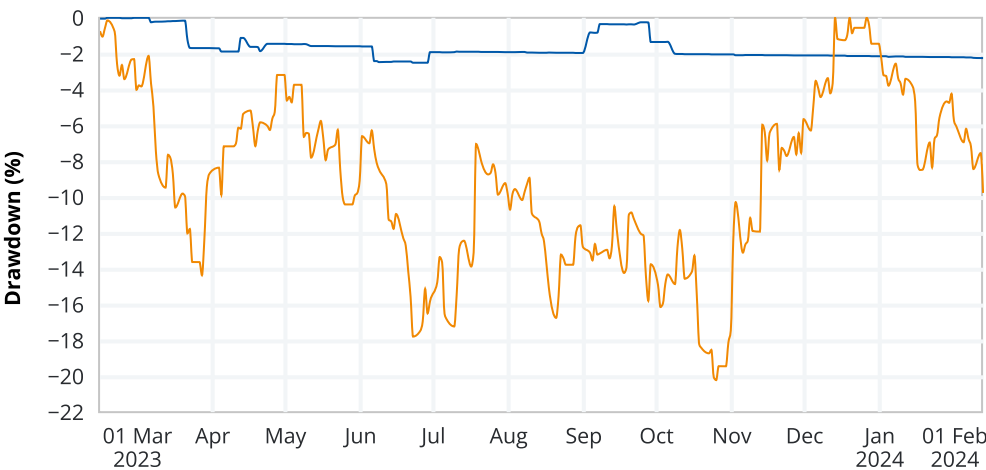
GROWTH (%) - FROM INCEPTION

24 Aug 2012 - 13 Feb 2024



DRAWDOWN (%) - OVER 1 YEAR

14 Feb 2023 - 13 Feb 2024



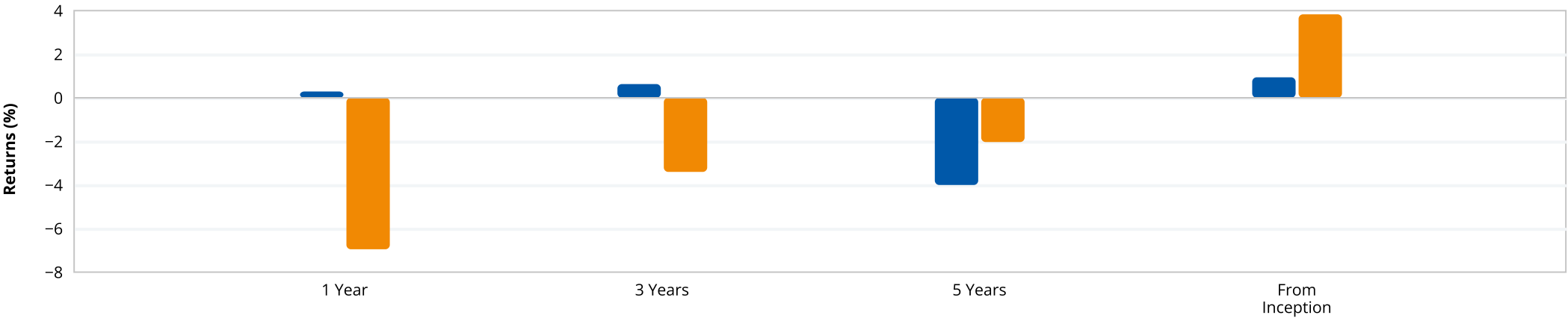
DRAWDOWN (%) - FROM INCEPTION

24 Aug 2012 - 13 Feb 2024



RETURNS

● Aviva Investors UK Property Feeder Acc Fund 2 GBP ● FTSE 350 Real Estate Index



MONTHLY BREAKDOWN AND YEARLY TOTALS (%)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YEAR
2024	-0.06	-0.05											-0.10
2023	-0.85	0.06	-0.18	0.24	-0.14	-0.33	0.00	-0.05	0.62	-0.70	-0.06	-0.05	-1.43
2022	0.05	0.29	0.45	4.24	2.06	-0.16	2.00	1.01	-2.67	-1.36	-4.11	0.70	2.24
2021	-0.49	-1.12	-1.44	-0.25	-0.21	0.48	0.99	0.10	-0.91	0.04	-1.27	4.99	0.74
2020	-0.12	-0.17	-2.84	-2.02	-1.23	-2.39	-0.80	-0.85	-0.44	-1.01	-0.92	-1.48	-13.42
2019	-0.57	-0.52	-0.77	-0.19	0.13	-0.55	0.50	-0.23	-0.92	-2.40	-1.29	-1.00	-7.56

Capped to 6 years.

ANNUALISED ROLLING RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Aviva Investors UK Property Feeder Acc Fund 2 GBP	0.29	0.63	-4.00	0.94
FTSE 350 Real Estate Index	-6.95	-3.40	-2.03	3.83

CUMULATIVE RETURNS (%)

	1 YEAR	3 YEAR	5 YEAR	INCEPTION
Aviva Investors UK Property Feeder Acc Fund 2 GBP	0.29	1.90	-18.39	11.31
FTSE 350 Real Estate Index	-6.93	-9.80	-9.72	53.55

● Aviva Investors UK Property Feeder Acc Fund 2 GBP ● FTSE 350 Real Estate Index

PERFORMANCE - OVER 1 YEAR14 Feb 2023 - 13 Feb 2024

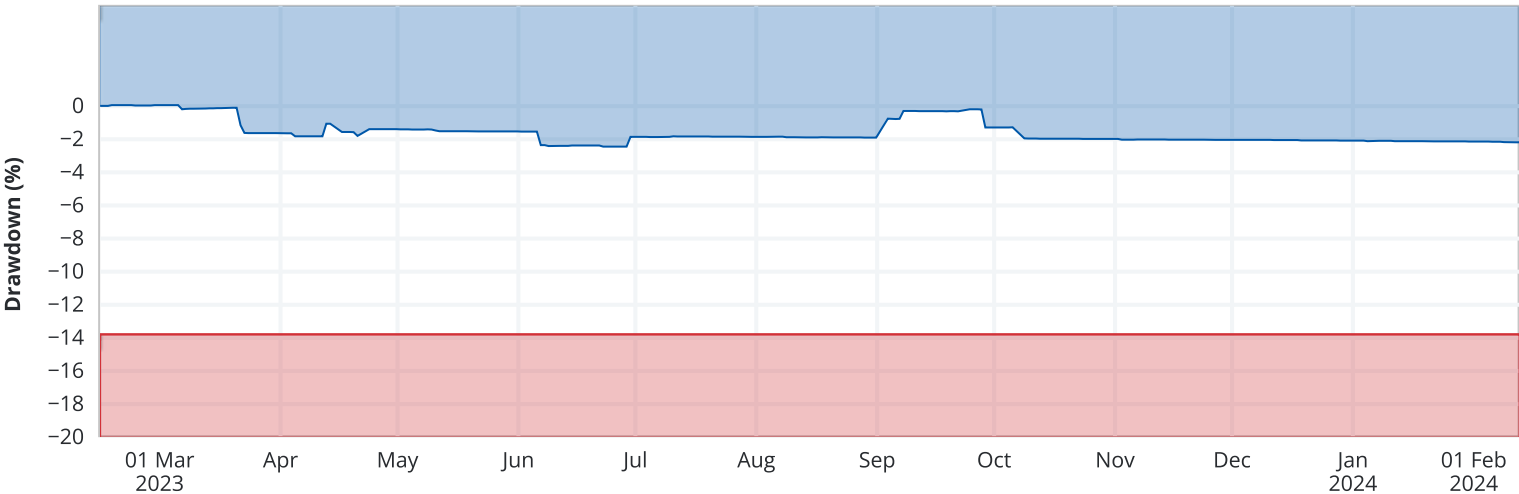
	●	●
RETURNS (%)	0.29	-6.95
VOLATILITY (%)	3.21	24.26
ALPHA	-0.12 *	
BETA	0.03 *	1.00
CORRELATION	0.11 *	1.00
SHARPE RATIO	-1.34	-0.37
SORTINO RATIO	-2.05	-0.58
MAX DRAWDOWN (%)	-2.51	-20.10

*Calculated over a 3 year period where history permits.

PERFORMANCE - FROM INCEPTION24 Aug 2012 - 13 Feb 2024

	●	●
RETURNS (%)	0.94	3.83
VOLATILITY (%)	5.25	19.96
ALPHA	-0.01	
BETA	0.03	1.00
CORRELATION	0.11	1.00
SHARPE RATIO	-0.01	0.15
SORTINO RATIO	-0.01	0.21
MAX DRAWDOWN (%)	-23.55	-41.65

SIMPLE STRESS TEST DRAWDOWN (%)14 Feb 2023 - 13 Feb 2024



Stress test notes

The chart shows the calculated drawdown over a trailing 12-month period. The Review Point is a potential intervention point. Any drawdown above this line indicates a typical drawdown in a normal market cycle. Should the drawdown exceed the Review Point, then this indicates that market conditions may be abnormal. This is the point at which immediate action should be considered.

DISCLAIMER

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