

Business model and strategy

Custodian REIT offers investors the opportunity to access a diversified portfolio of UK commercial real estate through a closed-ended fund. The Company seeks to provide investors with an attractive level of income and the potential for capital growth, becoming the REIT of choice for private and institutional investors seeking high and stable dividends from well-diversified UK real estate.

The Company's investment policy¹⁶ is summarised below:

To invest in a diverse portfolio of UK commercial real estate, principally characterised by individual property values of less than £10m at acquisition.

The property portfolio should be diversified by sector, location, tenant and lease term, with a maximum weighting to any one property sector or geographic region of 50%.

To focus on areas with high residual values, strong local economies and an imbalance between supply and demand, acquiring modern buildings or those considered fit for purpose by occupiers.

No one tenant or property should account for more than 10% of the rent roll at the time of purchase, except for:

- (i) governmental bodies or departments; or
- (ii) single tenants rated by Dun & Bradstreet as having a credit risk score higher than two¹⁷, where exposure may not exceed 5% of the rent roll.

The Company will not undertake speculative development except for the refurbishment of existing holdings, but may invest in forward funding agreements where the Company may acquire pre-let development land and construct investment property with the intention of owning the completed development.

The Company may use gearing provided that the maximum LTV shall not exceed 35%, with a medium-term net gearing target of 25% LTV.

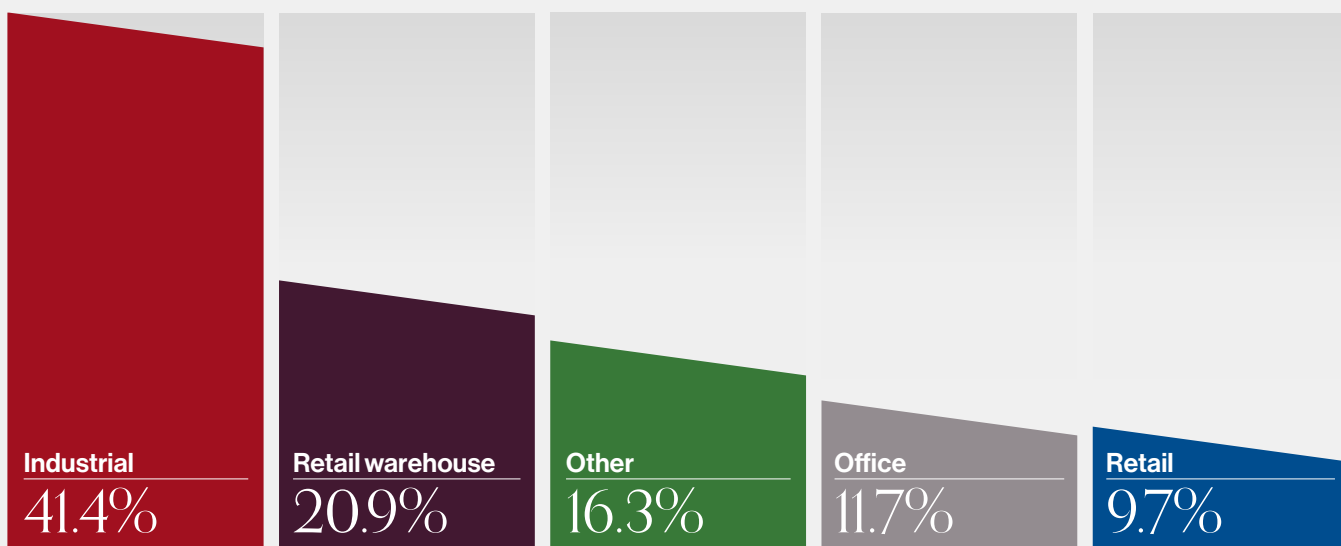
The Board reviews the Company's investment objectives at least annually to ensure they remain appropriate to the market in which the Company operates and in the best interests of shareholders.

Our portfolio

% of portfolio income

Total portfolio rent roll

£38.7m



¹⁶ A full version of the Company's Investment Policy is available at custodianreit.com/wp-content/uploads/2021/02/CREIT-Investment-policy.pdf

¹⁷ A risk score of two represents "lower than average risk".

Diverse portfolio

Top ten tenants	Asset locations	Annual passing rent (£m)	% portfolio income
Menzies Distribution	Aberdeen, Edinburgh, Glasgow, Ipswich, Norwich, Stockton-on-Tees, Swansea, Weybridge	1.6	3.8%
B&Q	Banbury, Galashiels, Weymouth	1.4	3.2%
B&M Retail	Swindon, Ashton-under-Lyne, Plymouth, Carlisle	1.3	2.9%
VW Group	Derby, Stafford, Shrewsbury	0.8	2.0%
Superdrug	Weston-super-Mare, Avonmouth, Southsea, Worcester	0.8	1.9%
Wickes Building Supplies	Winnersh, Burton upon Trent	0.8	1.8%
Williams Motor Co (t/a Williams BMW and Mini)	Stockport	0.6	1.5%
Regus (Maidstone West Malling)	West Malling	0.6	1.5%
First Title (t/a Enact Conveyancing)	Leeds	0.6	1.5%
H&M	Winsford	0.6	1.5%

Our Environmental, Social and Governance (ESG) objectives

Minimising our environmental impact

Seek to reduce pollution and comply with all relevant environmental legislation, gather and analyse data on the environmental performance of our properties and measure environmental performance against targets.

Engaging with our stakeholders

The Board and Investment Manager ensure ESG progress is discussed and embedded across all work done. The Investment Manager liaises closely with tenants to understand consumption trends and data and understand where we can upgrade and optimise buildings for tenant well-being and environmental impact reductions.

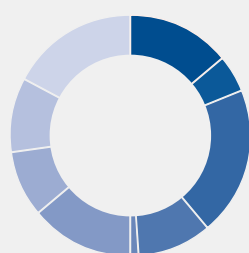
Supporting local communities

The Company is committed to engaging constructively with central and local government to ensure we support the wider community through local economic and environmental plans and strategies and play our part in providing the real estate fabric of the economy, giving employers a place of business.

Transparent disclosure

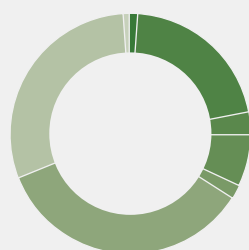
The Investment Manager has been working with the Company's environmental consultants, Carbon Intelligence, to put in place an environmental vision and strategy including implementation of environmental key performance indicators, data collection and monitoring and long-term emissions targets.

Portfolio income split by region



- South East: 14%
- Eastern: 5%
- West Midlands: 20%
- South West: 10%
- Wales: 1%
- East Midlands: 14%
- Scotland: 9%
- North East: 10%
- North West: 17%

Other sub-sector income split



- Hotel: 1%
- Restaurant: 21%
- Healthcare: 3%
- Trade Counter: 7%
- Nursery: 2%
- Motor Trade: 35%
- Leisure: 30%
- Place of Worship: 1%

Financial resilience

Net gearing

24.9%

31 Mar 2021

22.4%

31 Mar 2020

Number of property assets

159 assets

31 Mar 2021

161 assets

31 Mar 2020

Debt facility average maturity

7.4 years

31 Mar 2021

7.8 years

31 Mar 2020