

Investment policy

The Company's investment objective is to provide Shareholders with an attractive level of income together with the potential for capital growth from investing in a diversified portfolio of commercial real estate properties in the UK.

The Company's investment policy is:

- a) To invest in a diversified portfolio of UK commercial real estate properties principally characterised by individual values of less than £10 million at acquisition.
- b) The property portfolio should not exceed a maximum weighting to any one property sector, or to any geographic region, of greater than 50%.
- c) To focus on areas with high residual values, strong local economies and an imbalance between supply and demand. Within these locations the objective is to acquire modern buildings or those that are considered fit for purpose by occupiers.
- d) No one tenant or property should account for more than 10% of the total rent roll of the Company's portfolio at the time of purchase, except:
 - (i) in the case of a single tenant which is a governmental body or department for which no percentage limit to proportion of the total rent roll shall apply; or
 - (ii) in the case of a single tenant rated by Dun & Bradstreet with a credit risk score higher than 2, in which case the exposure to such single tenant may not exceed 5% of the total rent roll (a risk score of 2 represents "lower than average risk").
- e) The Company will not undertake speculative development (that is, development of property which has not been leased or pre-leased), save for refurbishment of existing holdings, but may invest in forward funding agreements or forward commitments (these being, arrangements by which the Company may acquire pre-development land under a structure designed to provide the Company with investment rather than development risk) of pre-let developments where the Company intends to own the completed development.
- f) The Company may use gearing, including to fund the acquisition of property and cash flow requirements, provided that the maximum gearing shall not exceed 35% of the Company's total assets at the time of borrowing aggregate market value of all the properties of the Company. Over the medium term the Company is expected to target borrowings of 25% of the Company's total assets aggregate market value of all the properties of the Company at the time of borrowing.
- g) The Company reserves the right to use efficient portfolio management techniques, such as interest rate hedging and credit default swaps, to mitigate market volatility.
- h) Uninvested cash or surplus capital or assets may be invested on a temporary basis in:
 - (i) cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single-A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency; or
 - (ii) any "government and public securities" as defined for the purposes of the FCA rules.
- i) Borrowing limits gearing, calculated as borrowings as a percentage of the aggregate market value of all the properties of the Company's gross assets, may not exceed 35% at the time such borrowings are incurred.