

Ground Rents Income Fund plc

31 December 2017



The Gateway, Leeds

Fund Facts

Launch date:	13/08/2012
Unaudited NAV per share:	131.33p
Diluted unaudited NAV per share:	129.87p
Market capitalisation	£112.06m



Ordinary Share:	
ISIN:	GB00B715WG26
SEDOL (TISE):	B715WG2
SEDOL (SETSqx):	B8K0LM4
Ticker:	GRIOW

Warrant:	
ISIN:	GB00B8N43P05
SEDOL (TISE):	B8N43P0
SEDOL (SETSqx):	B8K0RP9
Ticker:	GRIW

Gearing (over gross asset value):	13.54%
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Annual management fee:	0.55% of market capitalisation
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Performance fee:	Nil
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Dividend:	Quarterly
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Quarterly Ex-Dividend date:	15 February 2018
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Data as at 31 December 2017

Investment Objective

Ground Rents Income Fund plc (GRIF) is a Real Estate Investment Trust (REIT), listed on The International Stock Exchange (TISE), formerly the Channel Islands Securities Exchange Authority Limited (CISEA) and traded on the SETSsx 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 company 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

On 21 December, the Government announced new measures in response to its leasehold market consultation. It proposed to introduce legislation to prohibit new-build leasehold houses and to set future residential ground rents to zero. It is also to consider introducing a 'prescribed formula' that would make it easier for leaseholders to buy their freehold. Disappointingly, little further detail was provided on this specific point, but the Directors take comfort that such a formula would also need to ensure 'fair compensation' to the landlord in such instances. In order to protect leaseholders the Government also announced plans to help professionalise residential managing agents and tackle unfair service charges. Importantly, the proposals will need to be reviewed by Parliament and the Law Commission, with the introduction of any new primary legislation being subject to the availability of Parliamentary time.

As a result of the Government's response, GRIF made an announcement explaining that it was committed to working with the Government to reform in an appropriate manner the industry and to support existing leaseholders. The Company also announced a temporary pause to its Asset Management Plan, which it now intends to restart following consultation with its major shareholders.

In light of this political risk and uncertainty, it was agreed that it remains in the Company's interest to continue to progress with its committed pipeline of asset purchases. As such, two sites in London and one in Birmingham were purchased in the period, which will provide £99.7k of additional RPI-linked income for a purchase price of £2.31 million (excluding costs), or a gross ground rent yield of 4.31%.

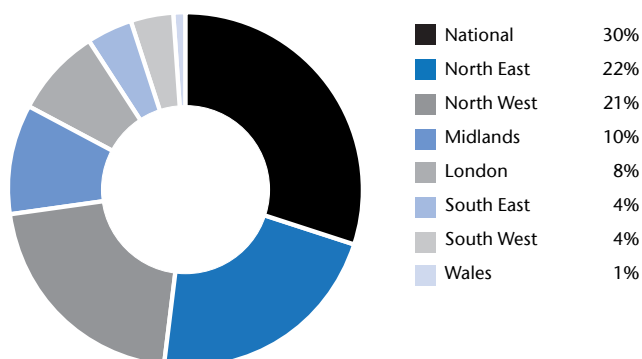
The rate of inflation as measured by the Retail Prices Index (RPI) crept up to 4.1% in the 12 months to December, the highest level in six years. Due to weak productivity gains, inflation, therefore, overtook pay growth in 2017, putting a squeeze on household budgets.

While the scrutiny on the sector has undoubtedly contributed to the weakness in the Company's share price return over the past 12 months, which represents an increase in yield of 52 basis points to 3.42% (based on historic financial year dividends), it is also important to keep in mind the movement in gilt yields, given that many investors primarily see the Company's ground rents as asset-backed, inflation-linked income. Over the same period, the policy-sensitive, two-year gilt yield increased 39 basis points to 0.44%.

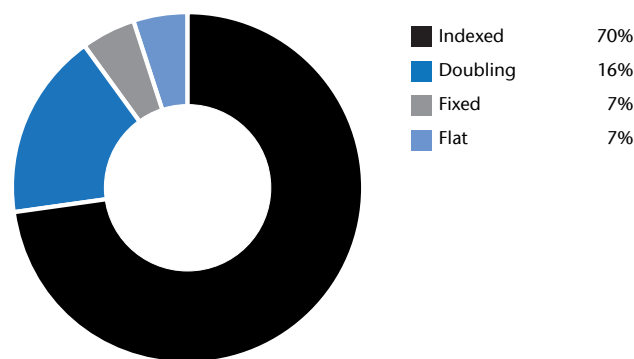
Ground Rents Income Fund plc (GRIF)

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 2017 valuation)



Vita Student Village York

Cost: £7,795,800
Value: £8,210,000
Income: £273,537
Yield: 3.33%
Ground Rent Review: Index linked every 5 years



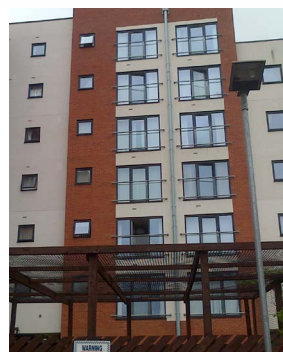
The Gateway Leeds

Cost: £2,360,000
Value: £4,420,000
Income: £138,000
Yield: 3.12%
Ground Rent Review: Doubles every 25 years



One Park West Liverpool

Cost: £2,700,000
Value: £4,009,000
Income: £150,131
Yield: 3.74%
Ground Rent Review: Index linked every 15/25 years



Ladywell Point Manchester

Cost: £2,575,652
Value: £3,275,000
Income: £131,000
Yield: 4.00%
Ground Rent Review: Doubles 2025 and 2035 only



Vita Student First Street, Manchester

Cost: £2,343,600
Value: £3,222,000
Income: £97,650
Yield: 3.03%
Ground Rent Review: Index linked every 10 years

For more information about these assets please visit 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 a guide to the future. 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.

GRIF is incorporated in England and Wales Company No. 8041022. Registered Office: 72 Welbeck Street, London W1G 0AY.