

Ground Rents Income Fund plc

December 2019

Investment Objective

Ground Rents Income Fund plc 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 United Kingdom.

Risk Considerations

The Company may be concentrated in a limited number of geographical regions, industry sectors, markets and/or individual positions. This may result in large changes in the value of the fund, both up and down, which may adversely impact the performance of the fund. The Company may borrow money to invest in further investments, this is known as gearing. Gearing will increase returns if the value of the assets purchased increases in value by more than the cost of borrowing, or reduces the returns if they fail to do so. As a result of fees being charged to capital, the distributable income of the fund may be higher but there is the potential that performance or capital value may be eroded. The Government has been considering reform to the residential leasehold sector since 2017, the timescale and outcome of which is uncertain and could adversely impact the value of the Company's portfolio.

Manager's Commentary

The Company announced its results for the year ending 30 September 2019 on 12 December 2019. The NAV was £108 million or 111.3 pence per share (pps), reflecting a decrease of 4.6% over the year. This was driven by a 3.6% decline in the independent valuation of the underlying portfolio to £122.9 million, reflecting uncertainty related to leasehold reform.

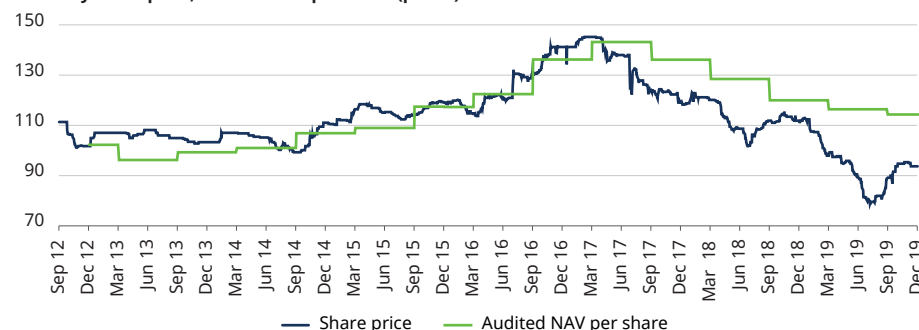
During the financial year the Company moved to the industry practice of paying dividends in arrears, resulting in one less dividend being paid in the year. NAV total return, including dividends paid totalling £2.85 million or 3.00 pps, was therefore -2.1%.

Shortly after Schroders' appointment the Board and Manager conducted a review of strategy to determine the best course to maximise sustainable shareholder total returns. Following this review the strategy is focused on initiatives to increase net income and on engagement with Government and other stakeholders regarding leasehold reform and building safety. Progress is being made and on 10 January 2020 the Company refinanced its £19.5 million term loan with a new five year facility comprising a £12.5 million term loan and a £12.5 million revolving credit facility. £15.5 million is currently drawn on the facility which provides greater operational flexibility and delivers an interest rate saving of approximately £195,000 p.a. (assuming new interest rate hedging having been agreed at current rates).

The Law Commission recently published its report on enfranchisement premiums. The report, as part of the Government's leasehold reform agenda, sets out three options that aim to reduce premiums payable by leaseholders whilst ensuring sufficient compensation is paid to landlords. Government will now consider what, if any, legislative reforms are required.

Performance Analysis

Ordinary share price, audited NAV per share (pence)



Performance (%)	6 months	1 year	3 years p.a.	5 years p.a.	Since launch	Average p.a. since launch
Share Price ¹	4.0	-15.2	-12.3	-3.2	-12.0	-1.9
Shareholder Total Return ²	5.1	-12.5	-9.4	0.0	10.5	1.5
NAV Total Return ³ , *	0.1	-1.1	-2.4	4.7	48.5	6.0

Discrete Yearly Performance (%)	Q4 2018 Q4 2019	Q4 2017 Q4 2018	Q4 2016 Q4 2017	Q4 2015 Q4 2016	Q4 2014 Q4 2015
Share Price ¹	-15.2	-6.4	-15.1	17.9	6.9
Shareholder Total Return ²	-12.5	-3.0	-12.5	21.8	10.4
NAV Total Return ³ , *	-1.1	-8.5	2.9	19.4	13.1

Fund Manager
James Agar

Managed fund since
13 August 2012

Fund launch date**
13 August 2012

Latest published Net Asset Value (NAV)*
£108 million

Net loan to value***
10.9%

Latest published NAV per ordinary share*
111.3p (undiluted) / 110.9p (diluted)

Share price****
92.00p

Dividend yield*****
4.3%

Premium/(discount) to latest published NAV*
(17.3%)

Ongoing costs*****
2.0%

Source: Schroders unless otherwise stated.
* NAV is as at the most recent announcement (for year end 30 September or half year end 31 March) and the diluted per ordinary share figure incorporates the exercise of warrants in issue.
** Schroders appointed 13 May 2019.
*** Approximate net of cash loan to value on the basis of the Savills portfolio valuation.
**** Source: Factset, price at close.
***** Historic rolling annual dividend as a percentage of the current share price.
***** Ongoing costs are total expenses (excluding direct property expenses and finance costs) as a percentage of average net assets. The Key Information Document (KID) ongoing cost of 2.68% includes finance costs.

REIT Status

The Company is a Real Estate Investment Trust ("REIT"). The UK REIT regime affords the Company a number of potential efficiencies in its tax affairs including exemption from UK corporation tax on profits and gains from its UK property rental business. The Company intends to comply with the rules of the REIT regime in order to achieve these potential benefits.

Past performance is not a guide to future performance and may not be repeated. The value of investments and the income from them can go down as well as up and you may not get back the amount originally invested.

Issued in February 2020.

¹ Source: Schroders, Datastream, bid to bid price with net income reinvested in GBP.

² Source: Schroders, Datastream, bid to bid price.

³ Source: Schroders, NAV to NAV (per share) plus dividends paid.

Top 10 Assets*

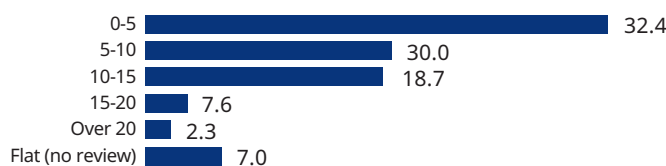
Assets	Ground rent p.a. (£'000)	%*	Value (£m)	%**
1. Vita Student Village, York	274	5.7	7.9	6.5
2. Masshouse Plaza (Hive and H&I), Birmingham	137	2.8	3.9	3.2
3. The Gateway, Leeds	138	2.9	3.6	2.9
4. One Park West, Liverpool	150	3.1	3.4	2.8
5. Wiltshire Leisure Village, Royal Wootton Bassett	111	2.3	3.2	2.6
6. Ladywell Point, Manchester	131	2.7	3.2	2.6
7. Rathbone Market, London	122	2.5	3.1	2.5
8. First Street, Manchester	98	2.0	2.7	2.2
9. Richmond House, Southampton	79	1.6	2.3	1.9
10. City Island, Leeds	81	1.7	1.9	1.5
Sub total	1,321	27.3	35.5	28.7

Source: Schroders.*Percentage of total portfolio ground rent income. **Percentage of total portfolio valuation.

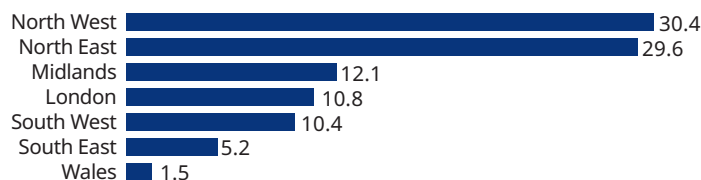
Rent Review Weightings (%)*



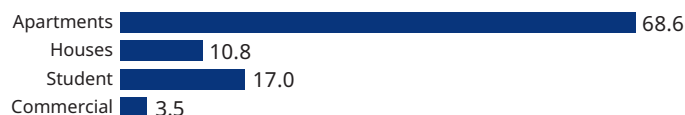
Years to Next Review (%)*



Regional Weightings (%)*



Unit Weightings (%)*



Source for 4 charts: Schroders. *Based on total portfolio ground rent income.

**Only 4.1% of portfolio ground rent income is deemed 'onerous' or residential ground rents that double more frequently than every 20 years.

Information

Schroder Real Estate
Investment Management Limited
1 London Wall Place,
London EC2Y 5AU, United Kingdom

Tax Status	UK Real Estate Investment Trust	
Fund Base Currency	GBP	
Ex Dividend Date	March, June, September, December	
Dealing	Both ordinary shares and warrants can be purchased on the London Stock Exchange (LSE) and The International Stock Exchange (TISE)	
Dividend Payment Date	March, June, September, December	
Investment Management Fee	1.0% of NAV per annum up to £200 million, 0.9% of NAV per annum between £200 million and £400 million and 0.8% thereafter*	
Ordinary Share	Warrant	
LSE Ticker	GRI0	GRIW
TISE Ticker	GRI	GRIW
SEDOL (LSE)	B8K0LM4 (SETSqx)	B8K0RP9
SEDOL (TISE)	B715WG2	B8N43P0
Bloomberg	GRI0:LN	GRIW:LN
Reuters	GRI0.L	GRIW.L
ISIN	GB00B715WG26	GB00B8N43P05
ISA Eligible	Yes	Yes

* For the initial twelve-month period of Schroders' appointment as Investment Manager, the fee will be 0.9% of NAV with the potential to earn up to 1.0% of NAV subject to delivering income-enhancing initiatives

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