



UK COMMERCIAL PROPERTY TRUST

Investor Presentation – 12 February 2015

Presented by:

Christopher M.W. Hill, Chairman

Robert Boag, Standard Life Investments

Graeme McDonald, Standard Life Investments



A Standard Life Investments Company

This presentation is for professional clients and investment professionals only and should not be relied upon by retail clients.



Overview

- Buoyant growth in UK commercial property market in 2014, with property the strongest performer of all the major asset classes over the period;
- UKCPT has benefited from a combination of this positive sentiment and asset management initiatives with double digit percentage growth in NAV and share price in the period;
- Equity issuance of £81.6million* over the year, first equity issuance since 2010;
- Proceeds invested in an efficient and timely manner with £94million of acquisitions in 2014;
- Company continues to have lowest gearing of its peer group**, and is in a strong financial position ahead of Lloyds refinancing;
- Continued low void rates and strong rent collection performance.



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Financial Highlights



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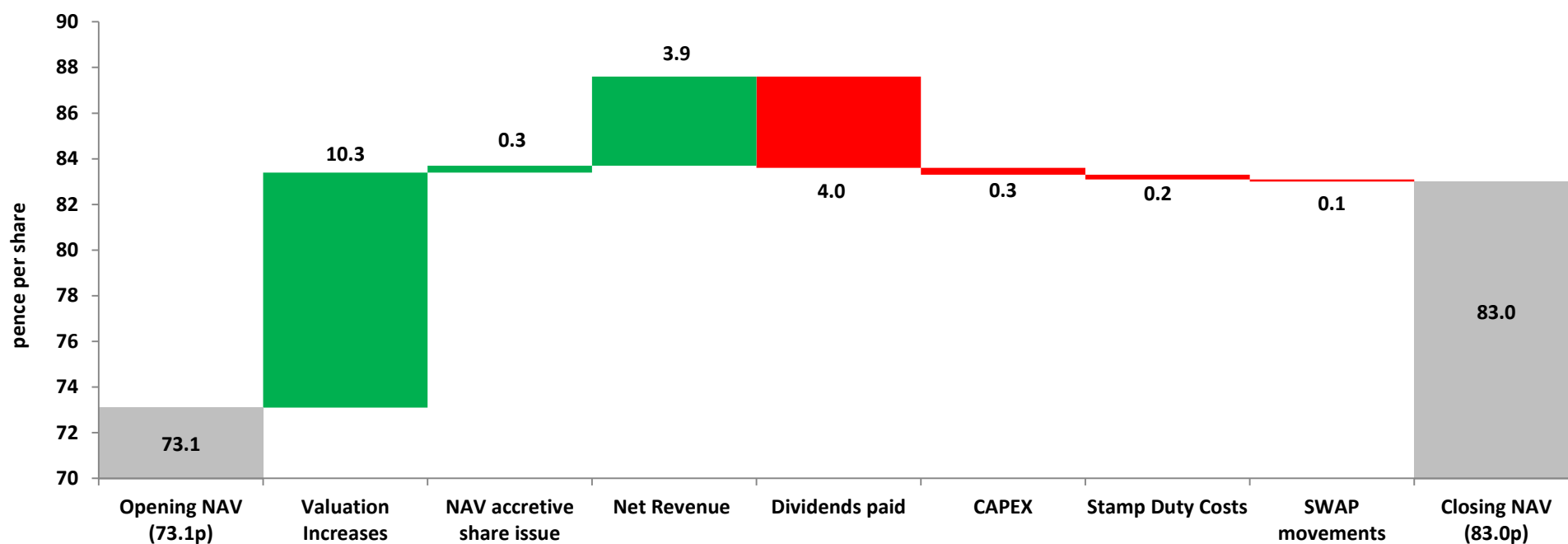


Financial Highlights as at 31 Dec 2014

- NAV per share of 83.0p as (31 December 2013: 73.1p);
- Above benchmark NAV & share price total returns over the year;
- Shares trading at c.6.3% premium to NAV;
- Gross gearing of 17.5%, lowest in Company's peer group and well within investment policy limit of 25%;
- Cash of £63.4million;
- Dividend yield of 4.2%.



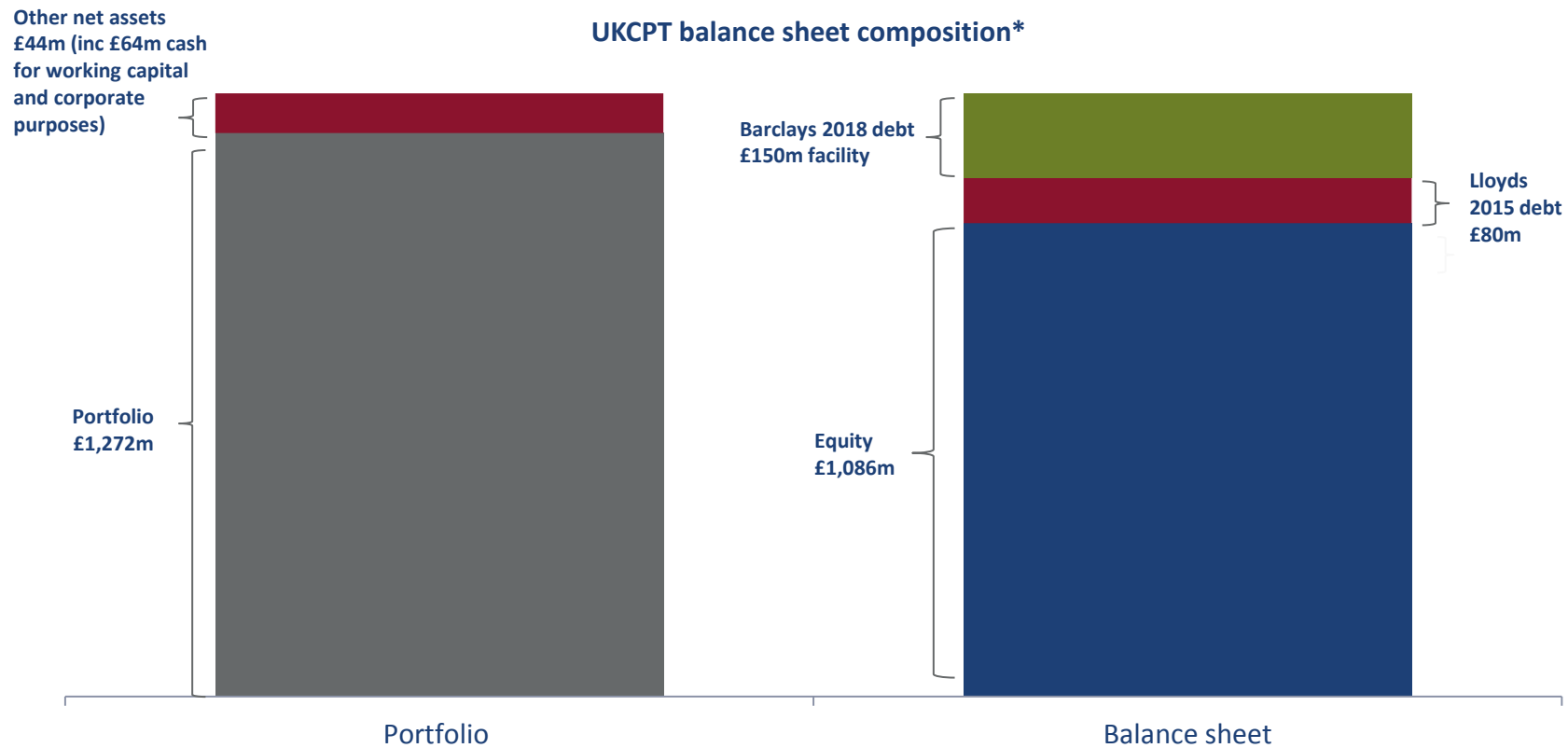
NAV Movement for year to 31 December 2014*



*Source: Standard Life Investments as at 31 December 2014 – based on weighted average number of shares in issue for 2014



Strong Balance Sheet





UKCPT Debt

Lloyds Facility

- £80m facility agreed with Lloyds TSB Banking Group in June 2008;
- Current Margin - 60 bps above Libor;
- Matures June 2015;
- Fully drawn down with interest rates swaps covering full £80m to mitigate interest rate risk;
- All covenants comfortably met;
- Currently in advanced negotiations to refinance;
- Announcement expected in the near future.

Barclays Facility

- £150m seven year facility agreed in May 2011;
- Ratcheted margin depending on LTV levels of between 160-200 bps above Libor;
- Fully drawn down at a margin of 170 bps above Libor;
- Interest rate swaps covering full £150m to mitigate interest rate risk;
- All covenants comfortably met.

Overall gearing of 17.5% at blended rate of 3.85%



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Property Review



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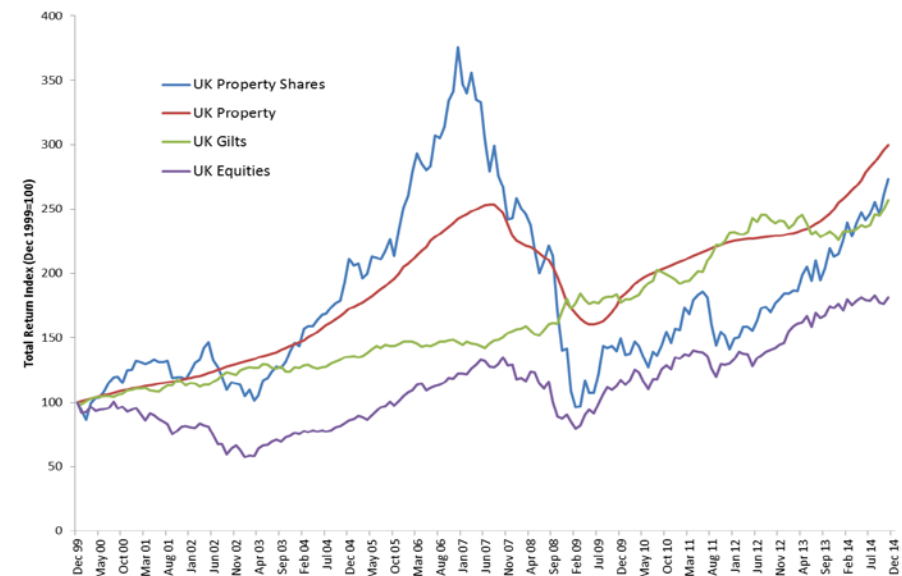
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UK Commercial Property Trust

- The top performing asset class over the course of 2014 was Property shares with a substantial gain of 24.3%. Direct property, however, delivered an impressive total return of 17.4% in the year according to the IPD Balanced Monthly & Quarterly benchmark;
- Commercial property total returns continued to exceed equities, gilts and property shares since the start of the millennium;
- Overall investment in UK property reached £59.6bn in 2014; Investment in London is still strong and dominated by overseas investors with investment improving in the regions particularly from Institutions;
- Property has a clear place in a multi-asset portfolio and the stronger yield, lower correlation characteristics remain popular – competition for assets will remain intense.

	2014
Property Shares (FTSE All-Share REIT Index)	24.3%
Property	17.4%
Equities	15.6%
Gilts	1.2%





Portfolio Strategy

Portfolio Strategy

Sales

- Exit assets where there is significant capital expenditure anticipated with limited return prospects;
- Moderate Company's exposure to high street retail, shopping centres and regional offices.

Purchases

- Acquire selective institutional grade assets which retain an income focus with minimal capital expenditure;
- Remain focused on industrials and alternative sectors for security and longevity of portfolio income as well as Central/Greater London Offices;
- Preferred lot size of £20m to £50m and c5.0% income yield.

Asset Management Activity

- Asset management activity focused on retaining and enhancing income, particularly in the retail portfolio;
- Reduction of exposure to voids.

Overall

- Retain prime nature of portfolio for long term sustainable performance;
- Focus on income and asset management;
- Emphasis on growing income.

Progress made to date*

Sales

- £53m of sales at or above valuation;
- £4.8m Rental Income, 3yrs 4mths average lease length;
- Reduced exposure to regional offices and shopping centres.

Purchases

- £97m invested in prime Industrial and Leisure assets;
- Total Rental Income £6.2m; Income Yield of 5.9%;
- Average Lease length 16yrs 5mths, 53% of income benefiting from guaranteed fixed uplifts.

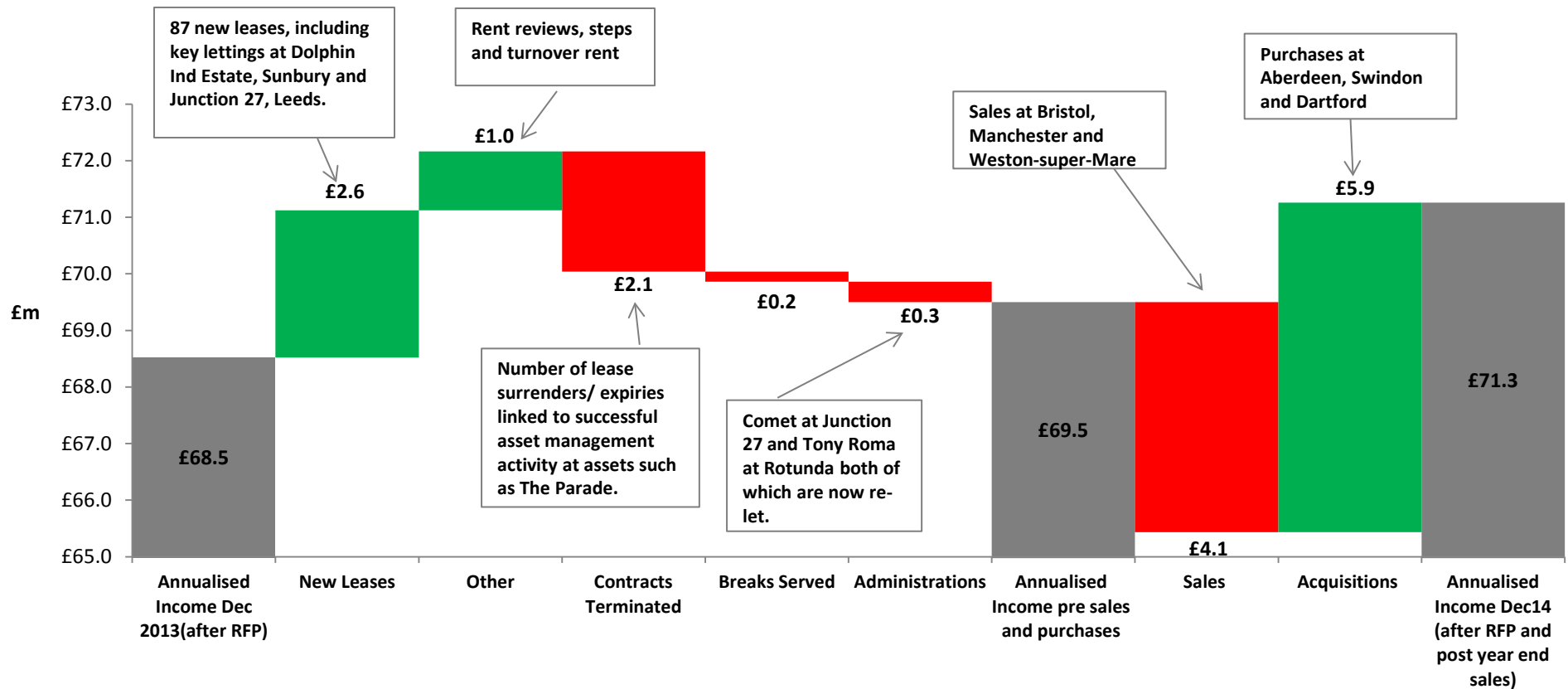
Overall

- Void rate fallen to 2.6 % compared to benchmark of 6.8%;
- Average lease length increased;
- Reweighted portfolio mix
- Further successful asset management initiatives highlighted later

*Source: Standard Life Investments - Jan 14 to date



Income Summary





Asset Management crucial to Income and Values

Retail and Leisure

- Lettings to Multi York and Betta Living of former Comet unit at Junction 27 Retail Park Leeds;
- Pre-let to H&M at The Parade, Swindon. Completion March 2015;
- Flexible lettings in Weston-super-Mare and Shrewsbury improving net operating income;
- Letting to Five Guys Burgers at Rotunda, Kingston Upon Thames and Yo Sushi, Kensington High Street.

Office

- Lease renewal at No 15 Great Marlborough Street at £2.1m pa for 5years;
- Lettings and lease re-gears across office portfolio resulting in 100% office occupancy.

Industrial

- Lettings involving £472k of income at Dolphin Industrial Estate, Sunbury, Gatwick Gate, Crawley and Emerald Park Bristol;
- Rental growth captured at Hatfield and Northampton Distribution Warehouses;
- 98% Occupancy in Industrial Portfolio.



Five Guys, Rotunda, Kingston



Dolphin Industrial Estate, Sunbury



Portfolio Sales – Portfolio repositioning continues

- Sales totalling £53m of shorter income, capital intensive assets;
- Opportunity to benefit from improving sentiment in secondary shopping centre and regional office markets and realise proceeds from successful asset management;
- Secondary Shopping Centres - Sovereign Centre, Weston -super - Mare sold to UK asset manager with US Private Equity client;
- Regional Offices - Pall Mall Court, Manchester and Freshford/WCA House, Bristol sold to UK Regional Office Funds;
- Short term impact on income offset by improved overall return prospects for portfolio, once proceeds re-invested, and reduction in capital expenditure requirements.



Sovereign Centre, Weston-super-Mare



Pall Mall Court, Manchester



Acquisitions in line with Portfolio Strategy

Aberdeen Gateway, Aberdeen

- Purchase of three, fully pre-let, predominantly industrial properties completed for £46.4million;
- Combined Valuation uplift as at 31 December absorbed overall acquisition costs;
- £3.0million per annum of income from tenants with secure covenants representing 6.3% net income yield;
- Average Lease length 18yrs 11 mths with all leases benefiting from guaranteed fixed uplifts 2.75%-3.0% per annum;
- Long term investment by landlord and tenants, notwithstanding current oil price volatility.



Completed Total building at Aberdeen Gateway



Aberdeen Gateway – Strong asset despite oil price volatility

Unit	Area (sq ft)	Use	Tenant	D&B Rating	Rent(pa)	Term	RR Provisions
Unit A	180,730	Industrial	Total E&P Ltd	4A1	£1,837,019	20 years	5yrly Min 3%pa comp or OMV.
Unit C2	25,633	Office	EnSCO Services Ltd (Guaranteed by EnSCO Plc)	5A1	£506,250	15 years	5yrly fixed at 2.75% pa comp.
Unit D1	60,054	Industrial	Tetra Technologies UK Ltd (Guaranteed by Tetra Technologies Inc)	5A1	£692,500	20 years	5yrly Min 2.75% pa comp or OMV.
	266,417				£3,035,769	Av 18yrs 11 mths	



Acquisitions in line with Portfolio Strategy (cont)

Regent Circus, Swindon

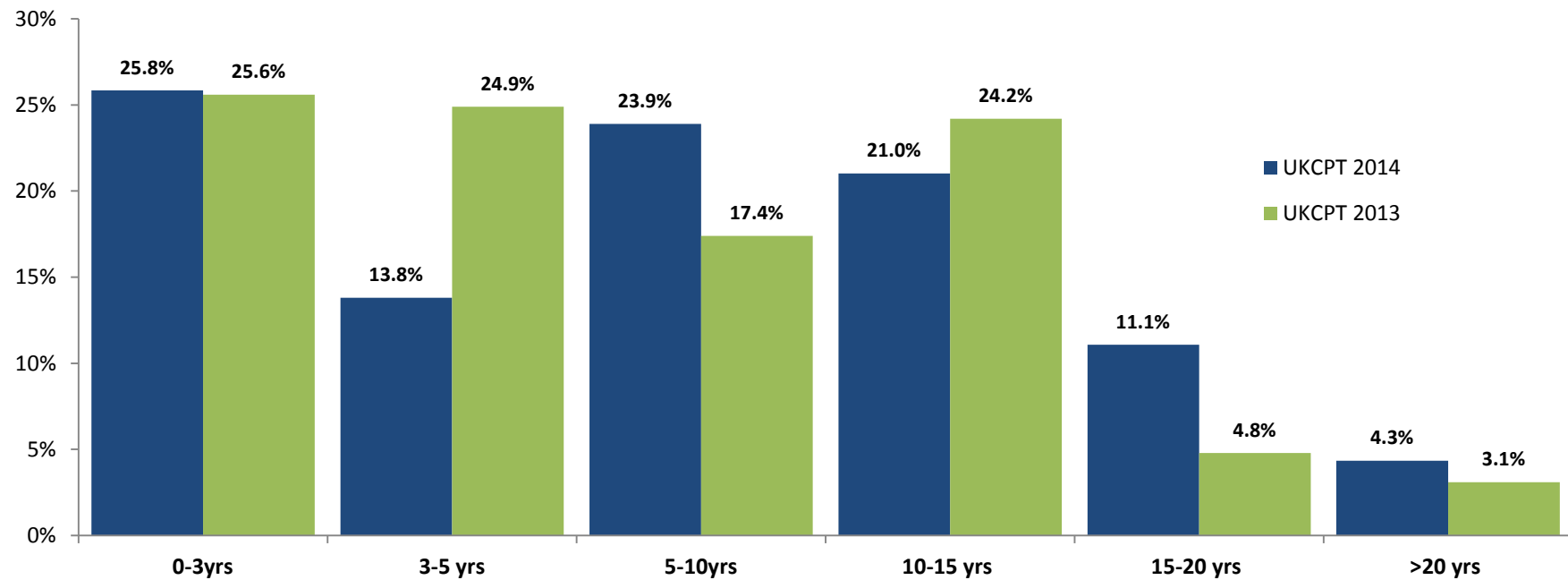
- Purchase of supermarket and leisure scheme with total commitment of £40.3million;
- 97,000 sq.ft purpose built family-orientated leisure and supermarket development, 86% pre-let;
- Will generate £2.2million of income after rent free periods from tenants with secure covenants. Anchored by Morrisons and Cineworld;
- Average lease length of 18yrs 8mths with cinema lease also incorporating fixed rental increases;
- Increases exposure in favoured leisure sector.



CGI view of Regent Circus



Portfolio Strategy Progress – Lease Lengths Pushed Out....

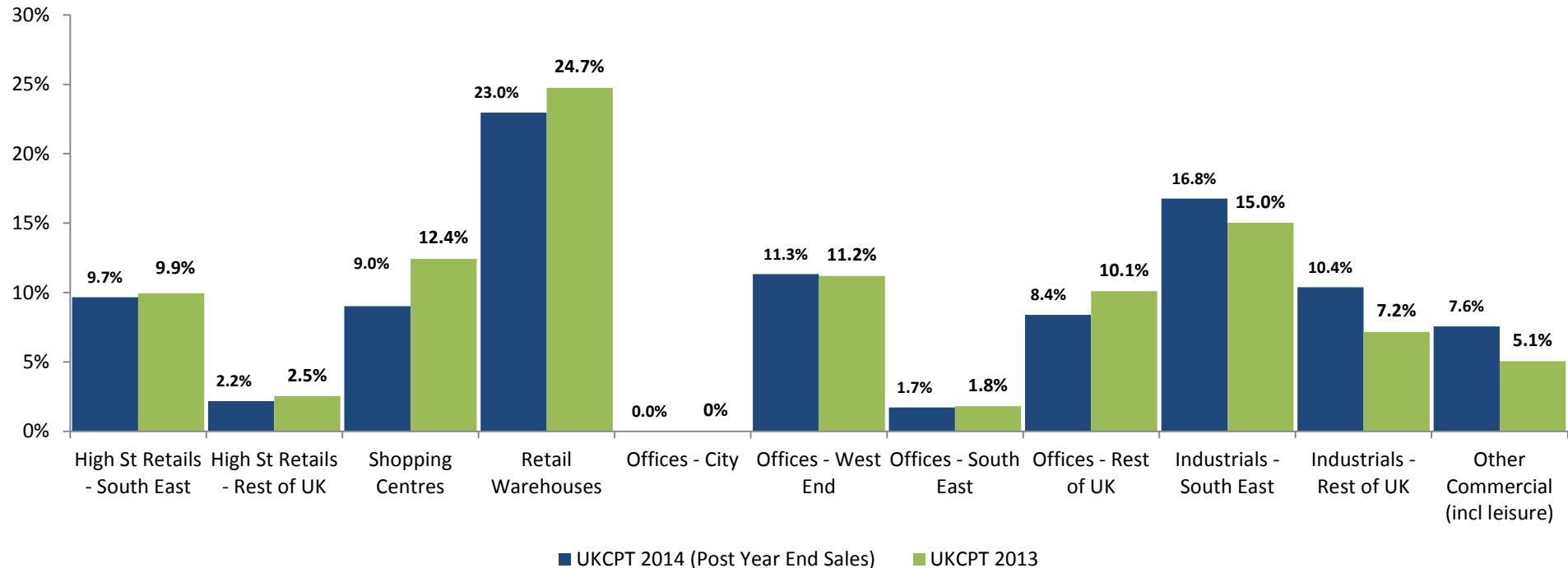


Average weighted lease length has increased from 7yrs 11mths to 8yrs 9mths



.....Combined with Portfolio Repositioning in Favoured Sectors

Sub-Sector Breakdown





Market Outlook and Forecasts

- Another buoyant year in prospect from an investment perspective;
- Expectations for interest rate increases have been pushed out;
- Falling oil prices are a welcome boost to consumption; inflation expected to remain at low levels despite uncertainty arising from potential election hiatus and ongoing Eurozone issues;
- Rental growth momentum has increased as capital growth momentum decelerates – normalisation of returns expected further out;
- As we continue to move through the cycle our real estate forecasts reflect ongoing positive returns.



Summary

- Successful year for the Company with above benchmark NAV & share price performance, significant NAV accretive share issuance while maintaining the Company's premium rating;
- Notable progress made in implementing the Company's portfolio strategy with the purchase of properties in the favoured industrial and leisure sectors, while selling other non-core assets with limited return prospects;
- Positive outlook for UK commercial property in 2015 and beyond, especially given ongoing repositioning of portfolio;
- UKCPT is now in an excellent position with a growing portfolio of prime assets which, together with considerable financial resources and debt refinancing opportunity, should form the base for future positive performance.



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