

Key fund facts

The Fund has exclusive use of the Low Carbon Charter, supported by the Carbon Trust, in seeking to acquire, refurbish and let UK commercial property

Partnership of three recognised and distinctive specialists: Carbon Trust, Threadneedle and Stanhope

The Fund will benefit from significant market potential driven by occupier demand and evolving legislation

Investment target is to generate profits of 15% on cost of end development and subsequently to outperform the IPD Quarterly Index Total Return for the Office Sector by 1% per annum*

*Target may not be achieved. The value of investments and any income from them can fall as well as rise.

Low-Carbon Workplace Fund

Investment rationale

Increasing occupier demand for low carbon commercial buildings in the UK is largely unsatisfied and is driven by a broad range of commercial imperatives. These include stakeholder sustainability awareness and increasing regulation, such as the Carbon Reduction Commitment.

To meet future targets and satisfy growing occupier demand, existing properties will need to be upgraded, as annual new build supply only accounts for 1-2% of stock. With approximately 80% of existing stock over 10 years old and unlikely to comply with low carbon requirements, the shortfall in suitable properties will have to be met primarily via refurbishment.

Due to the imbalance between supply and demand, low carbon properties should benefit from better security and quality of income, greater potential for capital gains, shorter void periods and access to pre-let developments.

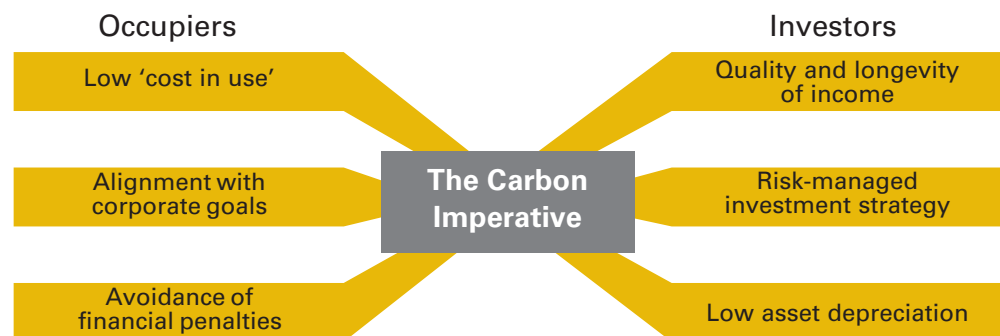
Investment opportunity

The Fund provides investors with the potential to achieve attractive returns from the refurbishment and ownership of low carbon compliant buildings benefiting from the Low Carbon Charter, which is exclusive to the fund and supported by the Carbon Trust. The fund will maintain a scalable and repeatable investment process managed by industry leaders in property investment management, design, carbon engineering / refurbishment, carbon compliance and standard setting.

Investment risk is offset by a unique occupational proposition that focuses on reduced emissions and lower energy costs, enhancing the potential to pre let properties at market levels. The end portfolio comprises properties that are resistant to functional and environmental obsolescence.

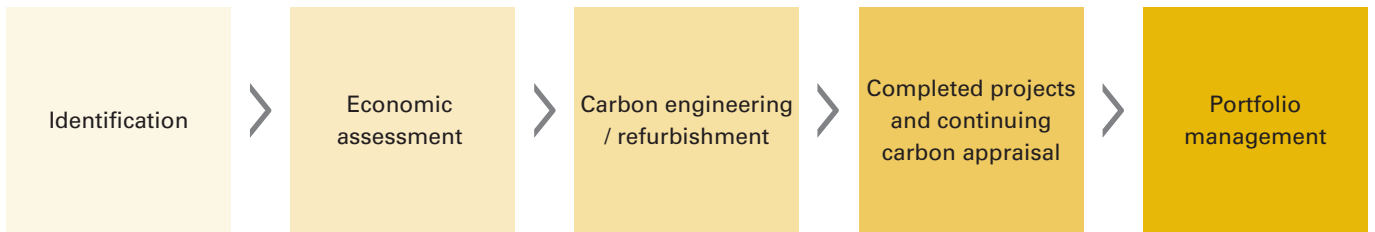
The carbon imperative

There are demonstrable benefits for both investors and occupiers as part of the imperative to reduce the carbon footprint within the UK commercial property market. This is illustrated in the diagram below:



Investment process

The process is illustrated in the diagram below:



Step 1: Identification

Threadneedle leads in the identification of suitable redundant/ obsolete/vacant/short-term let office property showing the optimal combination of location, building fabric, original construction, configuration and local market conditions, offering the potential for a desirable occupational solution that will benefit from the Low Carbon Charter.

Step 2: Economic assessment

The rigorous economic assessment by all three Partners to confirm the achievability of an economic, risk adjusted, profitable and low emission end product, which meets the needs of both occupiers and investors. The entry price, carbon engineering/ refurbishment budget and rental value equation will be computed under a number of potential scenarios.

Step 3: Carbon engineering / refurbishment

The 'on site' phase, where Stanhope and the Carbon Trust work in tandem to deliver the agreed physical and carbon specification, within the agreed budget and time scales. Concurrently, Threadneedle leads early engagement with the potential occupiers, supported by the Carbon Trust.

Step 4: Completed projects and continuing carbon appraisal

Following and during the completion of projects the Carbon Trust applies rigorous carbon oversight of the Fund's development and investment portfolios. Such oversight includes maintaining ongoing occupier engagement under the Low Carbon Charter, in order to provide training, support and assistance to occupiers with the target of ensuring annual certification under the Charter. This level of continuous occupier engagement provides the Fund with a clear competitive edge over its peers and increases the likelihood of occupier retention.

Step 5: Portfolio management

The strategic asset allocation of the portfolio is reviewed by reference to Threadneedle's assessment of the UK Investment Market and the relative prospects for the underlying geographical areas. Threadneedle utilises the capabilities of its large and long-established investment team and seeks to generate outperformance in line with similar track records of Threadneedle-managed property funds.

Strength in partnership

The investment objective will be delivered by the three partners, experts in their respective fields:



Low-Carbon Workplace LP portfolio assets



Premier House, Twickenham

- Acquisition price band £0-5m/£3m refurbishment programme.
- 38,000 sq ft office located in Twickenham, acquired off market at £105 capital value per sq ft.
- Comprehensive low carbon refurbishment incorporating building fabric improvements, heat recovery, chilled beam cooling solution.
- 26,000 sq ft pre-let to Thames Valley Housing Association for a 15-year term at £23.50 per sq ft with fixed uplifts.
- Forecast IRR – Realistic 3 years 22%/Pessimistic 5 years 12%.



The Billings, Guildford

- Acquisition price band £0-5m/£2m refurbishment programme.
- 19,000 sq ft office located in Guildford, acquired off market at £132 capital value per sq ft.
- Passive low carbon refurbishment incorporating chilled ceiling with mechanical ventilation. Further potential for future proofing using canal water for heating and cooling.
- Terms already agreed to the pre-letting of over 5,000 sq ft.
- Forecast IRR – Realistic 3 years 20%/Pessimistic 5 years 13%.



Mansel Court, Wimbledon

- Price band £0-5m/£2m refurbishment programme.
- 12,000 sq ft office located in Wimbledon, acquired off market at £220 capital value per sq ft.
- Major intervention including reclad, mixed mode operation with chilled slab and high efficiency lighting.
- Provision of additional 2,400 sq ft by infilling underground car park.
- Advanced discussions with local occupier to take 25% of refurbished space.
- Forecast IRR – Realistic 3 years 18%/Pessimistic 5 years of 11%.



Grove House, Hammersmith

- Acquisition price band £5-10m/£12m refurbishment programme.
- 63,000 sq ft office located close to Hammersmith Broadway, acquired off market at £170 capital value per sq ft.
- Low carbon refurbishment allowing mixed mode operation, natural ventilation supplemented by innovative mechanical cooling system affording maximum occupational capacity.
- Forecast IRR – Realistic 3 years 11%/Pessimistic 5 years 9%.

Key features

Please refer to the Fund's Prospectus for additional information.

- Investment vehicles: Indirectly via Jersey domiciled unit trust, Threadneedle Low-Carbon Workplace Trust; directly into the limited partnership Low-Carbon Workplace LP (subject to manager/partner discretion).
- Minimum investment: £250,000 (manager discretion may be applied to lower amounts).
- Holding period: 5 years and thereafter a quarterly redemption process limited to 25% of holding per quarter.
- Income distributions: Quarterly from the Investment Portfolio.
- Unit transfers: subject to manager discretion.
- Target equity raise: £150m over 18 months increasing to £300m over 36 months.

Fees

Development portfolio

	Development Management Fee	Carbon Adviser Fee
Construction cost ¹		
£20m+	2.5%	0.3%
£10m – £20m	3.0%	0.3%
<£10m ² (0->£75psf)	3.5% – 6.0%	0.35% – 0.6%

Investment Management Fee ³	Carbon Adviser Fee ¹
0.5%	0.3%

Development performance fee

- 30% of net gain.
- Property transfer value set by two appointed independent valuation firms.

Note: Detailed arrangements about the calculation and structure of fees are set out in the Fund's prospectus.

¹ Fees based on construction cost per project, which excludes any site acquisition costs.

² When construction cost is less than £10m, the fee varies by the cost per square foot of the total office net internal area.

³ Fee based on net asset value of investment portfolio and exclude any development properties, calculated and paid quarterly.

⁴ Benchmark is IPD Quarterly Index Total Return for the Office Sector.

Investment performance fee

- 20% of excess return over benchmark⁴ +1%, plus,
- 10% of excess return (if any) over benchmark +3%.

Calculated

- 31 March each year and paid in equal parts over 3-year period with clawback.

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Status of this Document

This document is not an offer to invest in the Low-Carbon Workplace Fund. An investment in the Fund can only be made on the basis of the Prospectus which sets out more detailed information about the Fund, including risk factors and tax considerations for potential investors. Nothing in this document should be taken as a recommendation to acquire an interest in the Fund.

The information and opinions contained in this document are for background purposes only and do not purport to be full or complete. The research and analysis included in this document has been produced by Threadneedle for its own investment management activities, may have been acted upon prior to publication and is made available here incidentally. In some instances the information contained in this publication, other than statements of fact, was obtained from external sources believed to be reliable but its accuracy or completeness cannot be guaranteed. Any opinions expressed are made as at the date of publication but are subject to change without notice.

Investment Warning

Investment in the Fund carries substantial risk. There can be no assurance that the Fund's investment objective will be achieved. The value of the Fund's investments and the income derived from those investments is not fixed and may fall as well as rise. There can be no guarantee that any appreciation in the value of the Fund's investments will occur. Exchange rate movements may also affect the value of an investment.

Past performance is not a guide to future returns. The Fund will invest in different properties from those in which Threadneedle's previous property funds invested, and these previous funds may have invested at different points in the economic cycle and in different market conditions.

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UK Regulation – For UK Investors Only

The Threadneedle Low-Carbon Workplace Trust ("the Trust", which forms part of the Fund), available only to UK resident taxpayers, is an unregulated collective investment scheme in the UK. As such, units in the Trust may not be offered or sold in the UK except as permitted by the Financial Services and Markets Act 2000 and the regulations/FSA Rules made under it. This document may not be communicated to any person in the UK except in circumstances permitted by that Act or those regulations/rules.

The Manager of the Trust is not authorised to carry on investment business in the UK and investors are advised that the protections afforded by the UK regulatory system may not apply to an investment in the Fund and compensation will not be available under the UK Financial Services Compensation Scheme.

Threadneedle Asset Management Limited*

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Threadneedle Investments (Channel Islands) Limited

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