

Value & Income Trust Plc

AGM Presentation

Agenda

- Performance Overview
- Property Portfolio
- UK Equity Portfolio
- Outlook



Overview

Year to 31st March 2020

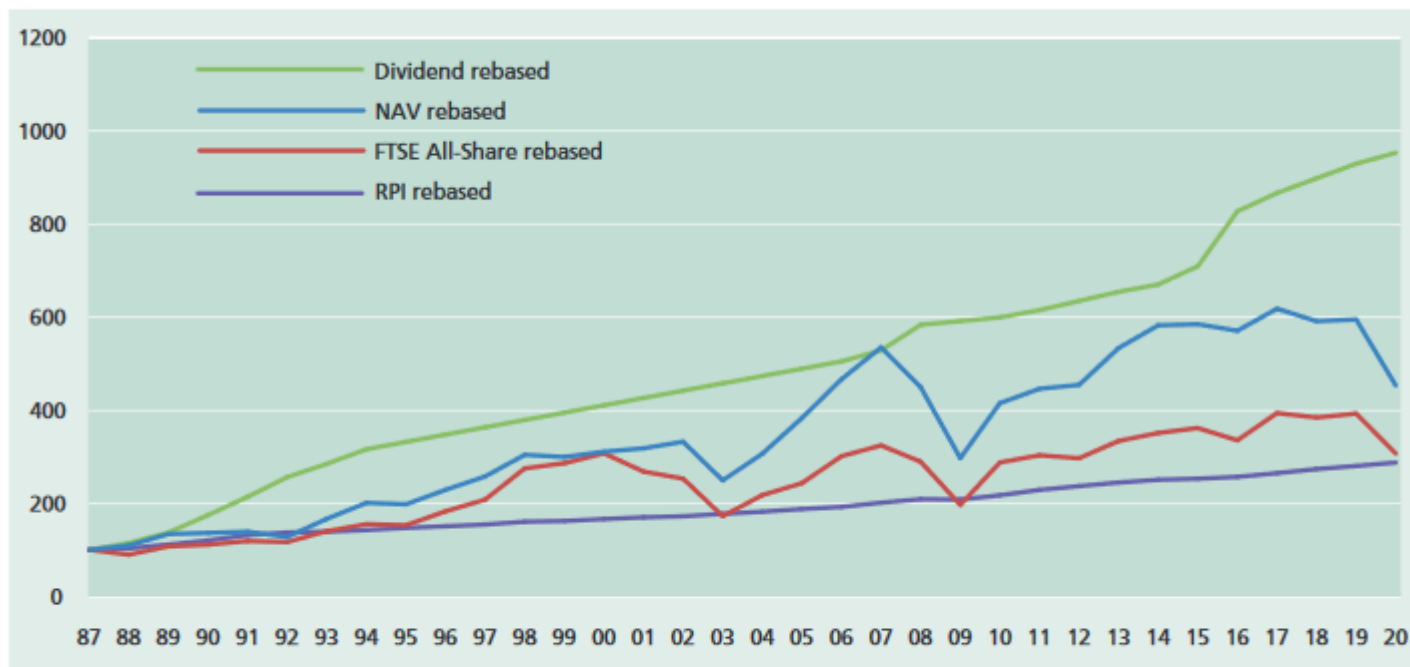
- Annual dividend increased by 2.5% to 12.1p, 33rd year of consecutive increases
- NAV total return -21.8% due to weak equity markets
- Share price total return -30.7% as the discount widens
- Property portfolio outperforms benchmark
- Equity portfolio underperforms over year as high yield shares especially weak during coronavirus sell-off
- Widespread dividend cuts

Source: BNP Paribas. Data to 31/3/2020



Overview

GROWTH IN NET ASSET VALUE*

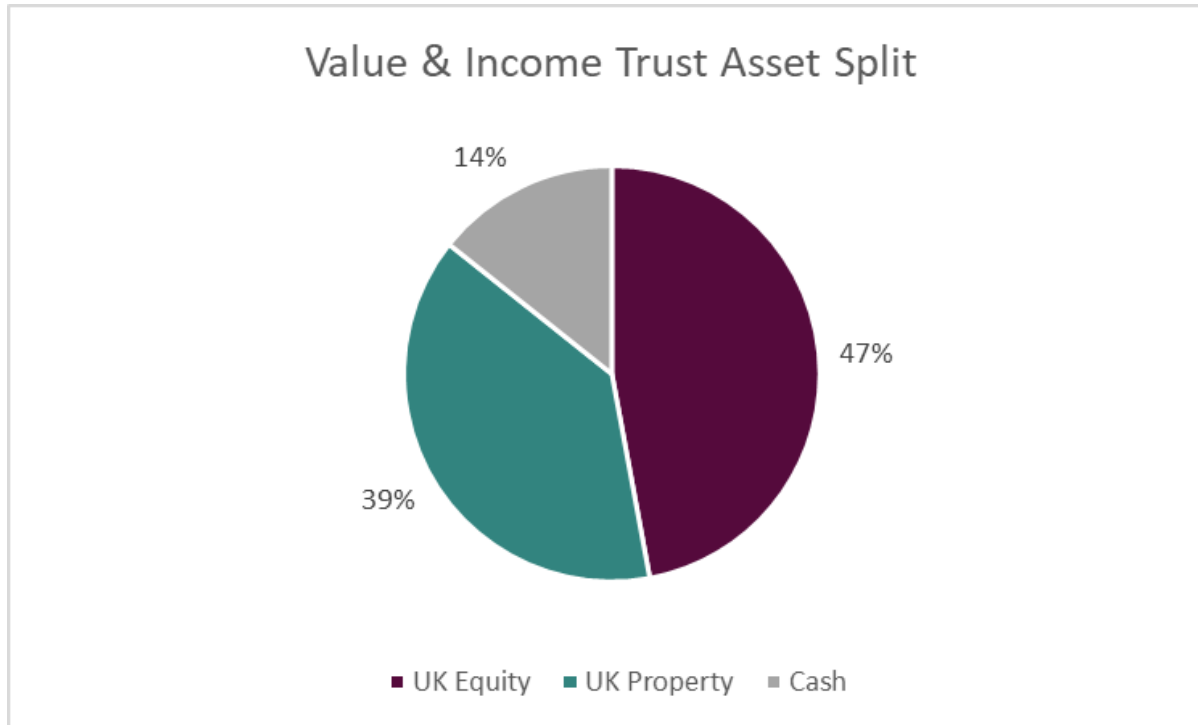


* Net Asset Value calculated with debt valued at par; rebased to 100 as at 31 March 1987.
(Source: Maven Capital Partners UK LLP, London Stock Exchange & Office for National Statistics)

Source: BNP Paribas. Data to 31/3/2020, rebased to 100



Overview

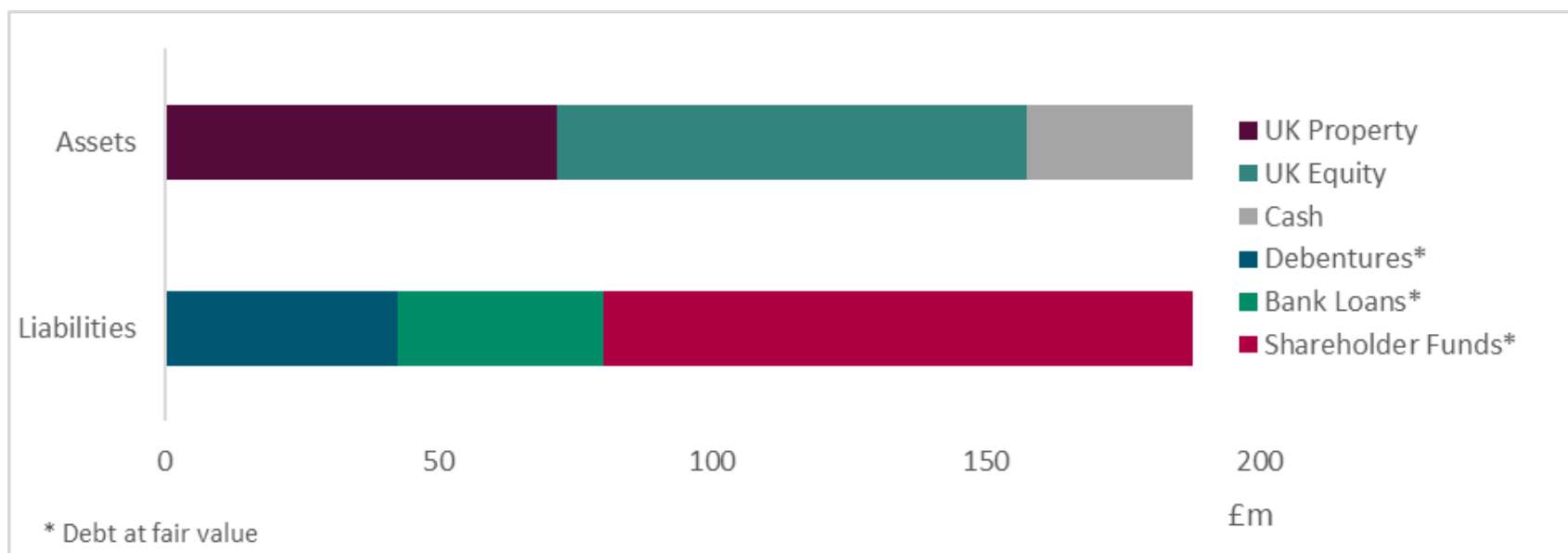


Source: BNP Paribas. Data to 31/3/2020



Overview

Year End Asset Split & Capital Structure



Source: BNP Paribas. Data to 31/3/2020



UK Property Portfolio

Contents

- Overview
- Portfolio Data
- Portfolio Update
- Outlook



VIT Property Portfolio

- Invests in UK Commercial Property
 - Index-related long let, strong income streams
 - Single let properties on full repairing and insuring leases
 - Delivers long-term above average real returns from a well spread diversified portfolio
 - Strategic insight into changing property subsectors
 - Strong track record of performance
 - Speed of purchases and sales compared to competitors
 - Direct involvement of Louise Cleary & Matthew Oakeshott (OLIM Property) and continuity of external advisors
-
- **Total Returns on VIT Property Portfolio between 8% and 12% a year over the past 3, 5, 10, 20 & 33 years with Total Returns above the MSCI averages over all these periods**



OLIM Property manage over £1 billion in UK discretionary commercial property portfolios with individual mandates for pension funds, investment trusts and Oxford colleges

- **Matthew Oakeshott - Chairman**

Joint founder of OLIM where he managed UK commercial property and equity portfolios from 1986 to 2006 and purely commercial property since then. S.G. Warburg & Co 1976, Director of Warburg Investment Management 1978. Investment Manager of Courtaulds Pension Fund 1981 to 1985. He led a management buyout of OLIM Property in 2012

- **Louise Cleary - Director**

Qualified as a Member of the Royal Institution of Chartered Surveyors in 1996. She has over 20 years experience of commercial property investment at Hermes Real Estate Investment Management, Land Securities and Asda Property Holdings and joined OLIM in 2009 and OLIM Property in 2012

- **Jo Seth-Smith – Investment Manager**

Qualified as a Member of the Royal Institution of Chartered Surveyors in 2003. She has over 17 years of commercial property investment experience at JLL, LaSalle Investment Management and Acuitus and joined OLIM Property in 2017

- **Sarah Martin – Investment Manager**

Joined OLIM Property 2019. She spent 15 years at JLL. As a Director in the Capital Markets team, she bought and sold over £1 billion worth of property in all sectors and sizes, both portfolios and single properties, for pension funds, local authorities, property companies and other domestic and international investors

- **Jo West – Investment Analyst**

Qualified as a member of the Royal Institution of Chartered Surveyors in 1992. She has over 20 years of commercial property valuation and investment experience at Donaldsons, Gooch & Wagstaff, CBRE and British Land and joined OLIM Property in 2018

OLIM Property Investment Team



Matthew Oakeshott
Chairman



Louise Cleary
Director



Jo Seth-Smith
Investment Manager



Sarah Martin
Investment Manager



Jo West
Investment Analyst

VIT Property Portfolio

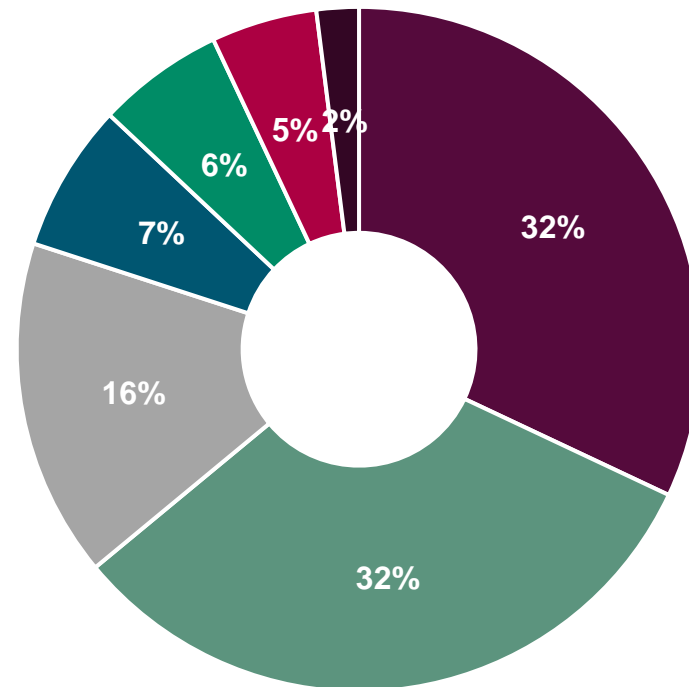
as at 31 March 2020

Industrials	Pubs	Leisure	Roadside
			
<ul style="list-style-type: none"> • 6 Properties • £1,479,569 Rent • WAULT* 12 Years 	<ul style="list-style-type: none"> • 11 Properties • £1,305,504 Rent • WAULT* 19 Years 	<ul style="list-style-type: none"> • 4 Properties • £669,199 Rent • WAULT* 21 Years 	<ul style="list-style-type: none"> • 2 properties • £323,848 Rent • WAULT* 7 years
Other	Supermarket	Summary	
		<p>Portfolio Value: £70,200,000 Net Contracted Rental Income as a % Portfolio Value: 6.4% No. of Properties: 26 (23 are freehold and 3 long leasehold) No. of Tenancies: 28 (Let on full repairing and insuring leases) Indexed Contracted Income: 86% WAULT: 17 years (15 years if tenants exercise break options) Annual Total Return March 2019 to March 2020: 6.3% Growth on Held Properties: Capital: 2.7% Income: 1.4%</p>	
<ul style="list-style-type: none"> • 2 Properties • £638,481 Rent • WAULT* 13 Years 	<ul style="list-style-type: none"> • 1 Property • £65,000 Rent • WAULT* 11 Years 		

Source: BNP Paribas. Data to 31/3/2020. * **WAULT** – Weighted Average Unexpired Lease Term to the first break option

VIT Property Portfolio Sector Weighting % Capital Value

- Industrials - 32%
- Pubs - 32%
- Other (Caravan Park & Library) - 16%
- Leisure Bowling - 7%
- Roadside - 6%
- Leisure Bingo - 5%
- Supermarkets - 2%
- Shops & Retail Warehouses - 0%

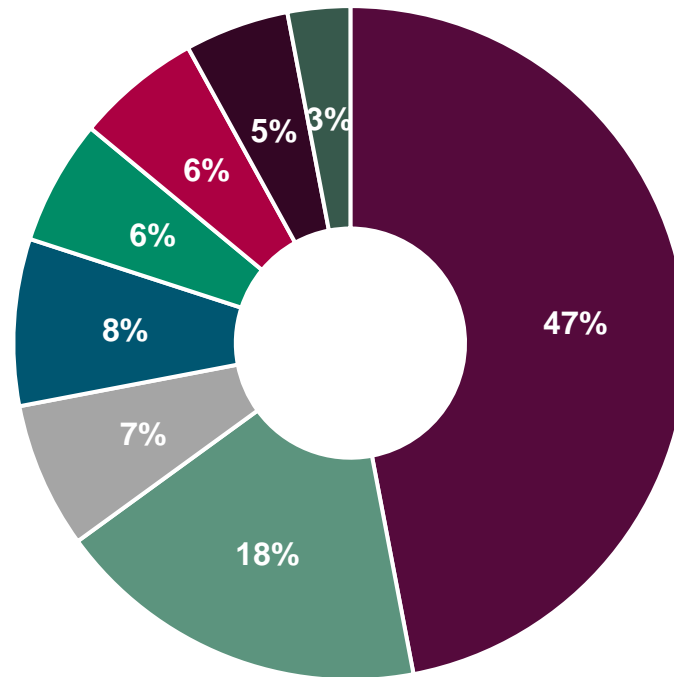


Source: BNP Paribas. Data to 31/3/2020



VIT Property Portfolio by Region % Capital Value

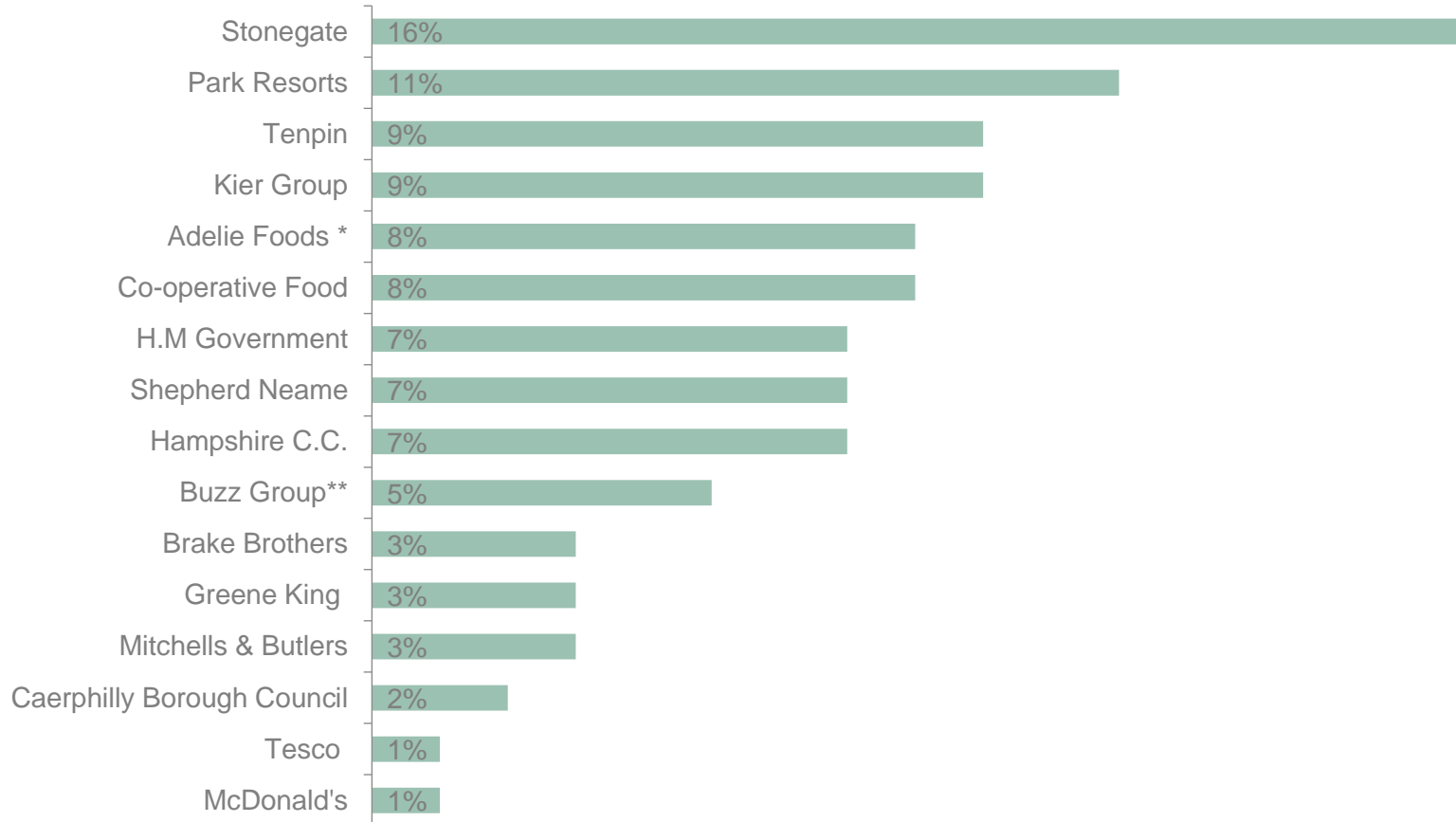
- South East - 47% (8 Properties)
- North - 18% (8 Properties)
- East Anglia - 7% (2 Properties)
- London - 8% (2 Properties)
- South West - 6% (2 Properties)
- Midlands - 6% (2 Properties)
- Scotland - 5% (1 Property)
- Wales - 3% (1 Property)



Source: BNP Paribas. Data to 31/3/2020



VIT Property Portfolio Contracted Income by Tenant %



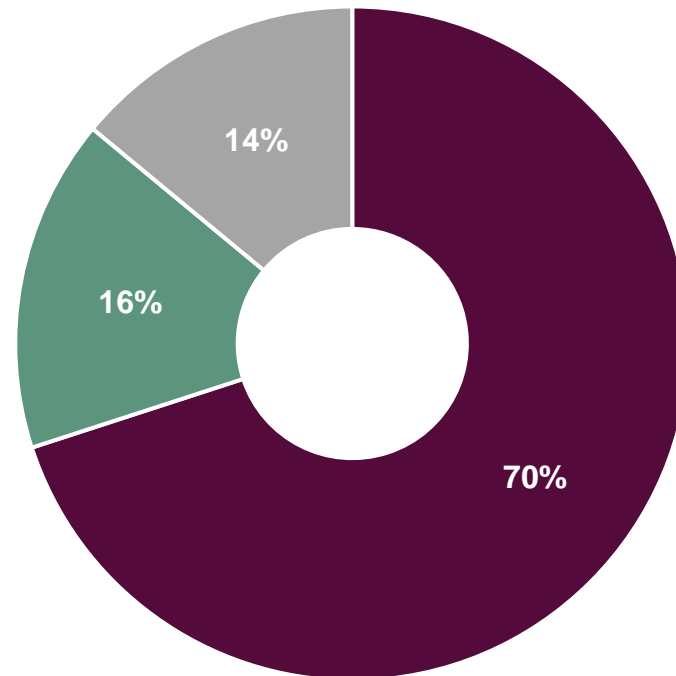
Source: BNP Paribas. Data to 31/3/2020 * Went into Administration end May 2020 ** CVA approved August 2020 Bradford & Manchester Cat 1 – lease terms to remain



VIT Property Portfolio Indexed Related Rent Reviews

as at 31 March 2020

- Retail Price Index (36% Annual Reviews, 34% Five Yearly Reviews)
- Fixed Increases (6% Annual Reviews, 10% Five Yearly Reviews)
- Open Market (7% Three Yearly, 7% Five Yearly)



VIT Property Portfolio Sector Change 2009 to 2020 % Capital Value

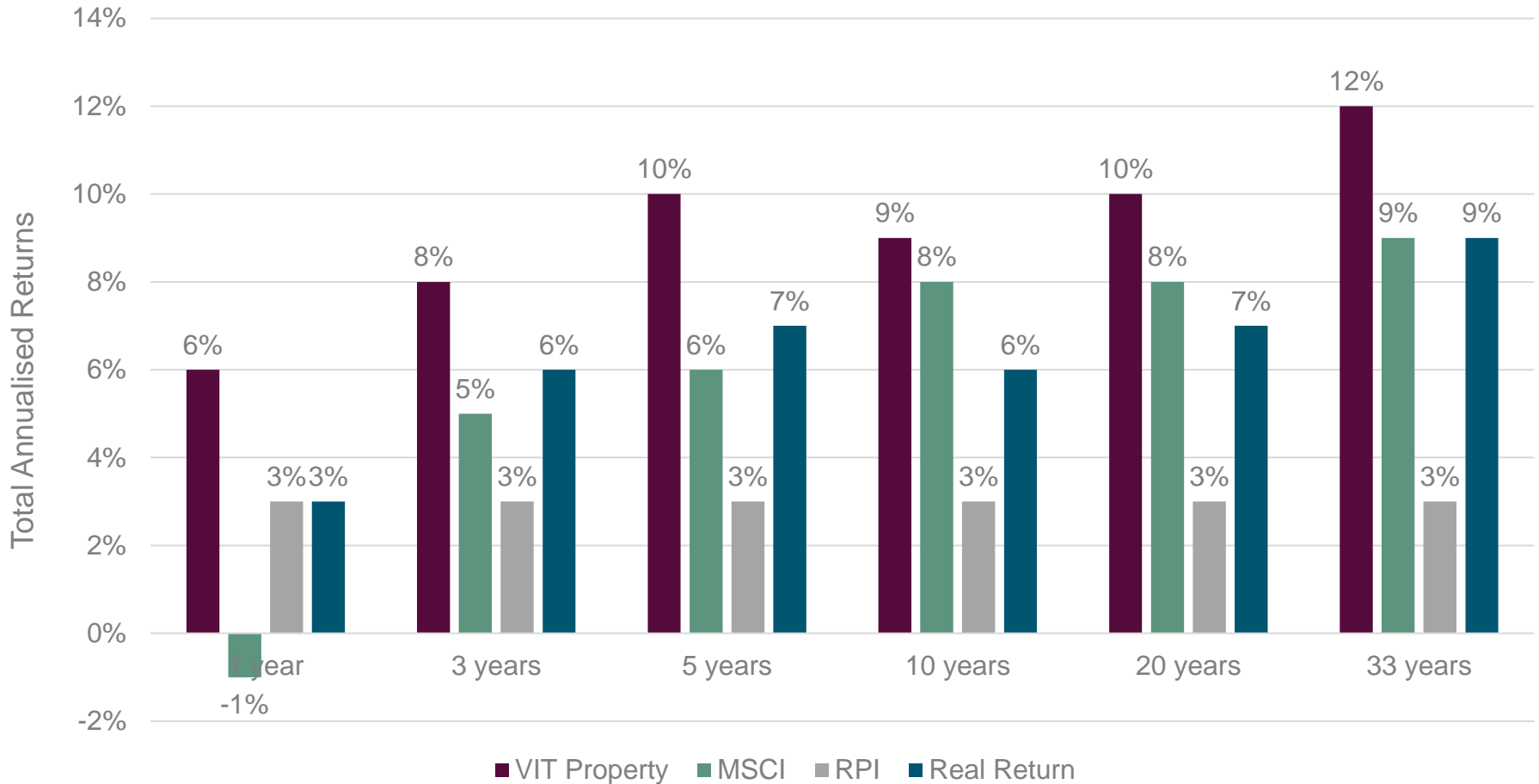
Sector	March 2009	March 2014	March 2020
Shops	56%	39%	0%
Out of Town Retail	1%	0%	0%
Supermarkets	-	5%	2%
Sub total - All Retail	57%	44%	2%
Pubs / Restaurants	11%	17%	32%
Leisure	-	-	12%
Industrial	6%	8%	32%
Automotive & Roadside	17%	16%	6%
Other (Caravan Park & Library)	9%	15%	16%
Total	100%	100%	100%

Source: BNP Paribas. Data to 31/3/2020



VIT Property Portfolio Total Returns (% p.a.)

Data to 31/3/2020



Total Returns on VIT Property Portfolio between 8% and 12% a year over the past 3, 5, 10, 20 & 33 years with Total Returns above the MSCI averages over all these periods



VIT Property Portfolio Year to March 2020

- **Outperformance:** Outperformance of the main Benchmark for commercial property continued
- **Annual Total Return:** 6.3% (-0.6% MSCI Benchmark)
- **Contracted Income Yield:** 6.4%
- **Growth on held properties:** Income growth 1.4% & Capital growth 2.7%
- **Index-Related Income:** 79% March 2019 to 86% March 2020
- **WAULT:** 17 years at 31 March 2020 (15 years if all tenant break options exercised)
- **Purchases:** 5 properties (4 freehold & 1 long leasehold) for £10,800,000 (Net initial Yield 6.9%, WAULT 21 years, all Index-Related)
- **Sold:** 5 properties for £9,200,000 (5% above valuation, Net Initial Yield 7.4% WAULT 9 years, 51% of the rents with open market rent reviews)
- **Shop Sector Weighting:** 6% down to 0%

Source: OLIM Property. Data to 31/3/2020



VIT Property Portfolio

March 2020 to Date

as at 26 August

- **Capital Value:** £75,700,000 (£70,200,000 as at 31 March plus 3 new purchases)
- **Purchases Completed:** 3 freehold supermarket properties let to Co-op for £5,500,000 excluding costs (Net initial Purchase Yield 6.2%, WAULT 13 years, all Index-Related)
- **Income Yield:** 6.2%
- **No. of Properties:** 29 (26 freehold & 3 leasehold)
- **No. of Tenancies:** 31
- **Rent Reviews:** 5 completed (4 index-related & 1 with a fixed increase – 2.6% increase over passing rent)
- **Index-Related Contracted Income:** 87% up from 86%
- **WAULT:** 16 years (15 years if all tenant break options exercised)
- **Independent External Valuation:** Twice yearly independent portfolio valuations by Savills (end March and end September)

Source: OLIM Property. Data to 26/8/2020



Effects of COVID-19 on VIT Property Rental Payments

Q2 MARCH Quarter to 24 June 2020

- 82% Rent for the quarter received
- 5% On Agreed Payment Plans
- 7% Milton Keynes Adelle Foods went into Administration May 2020
- 6% Bradford & Manchester Buzz Bingo rent free for March quarter agreed

Q3 JUNE Quarter to end September 2020 – Rent collected as at 21 August

- 64% Rent for the quarter received
- 34% On Agreed Payment Plans across the quarter (note: Buzz Bingo CVA now approved to pay June quarter monthly & Milton Keynes Administrator paying monthly from June)
- 2% One tenant has paid 50% of June quarter – in discussions with the tenant directly to agree a Payment Plan



Property Market - Outlook

- UK commercial property market is seeing profound Covid changes
- Falling property rents, rising valuation yields and downwards capital values. The commercial property valuers material uncertainty clause has now been lifted on industrials, offices, student housing & supermarkets
- Property investors are firefighting, ensuring tenants who can pay their rent, do; agreeing phased payment plans with tenants who are basically sound but temporarily closed; and aiding weaker tenants who really cannot pay and need help to keep a property occupied
- There are vast variations between tenants, sectors and property types and the immediate and longer-term effects of this crisis
- Structural changes in property use – ruin of the high street & shopping centres
- Strong sectors – supermarkets, convenience stores, well-let warehouses/distribution units



Property Market – Outlook

- Hotels & Pubs & leisure hit hard but fittest will survive now the hospitality sector can reopen
- Lease lengths will shorten, upwards only rent reviews under pressure, break options will be exercised along with increasing number of CVA's
- The Government under tenant pressure suspended until end of Sept 2020 landlord's traditional tools for rent collection – eviction orders, use of Commercial Rent Arrears Recovery (CRAR) bailiffs and statutory demands for winding up
- This property downturn is different from previous ones as some strong tenants are trying not to pay their rent even though they can
- After tough discussions with tenants, robust and well advised landlords manage to get their tenants to pay with some phasing where necessary
- There are upsides: Landlords can trade short-term rent concessions for long term lease improvements



Property Market

Covid-19 effect on Property sub sectors

- **Offices** – Long term effect of the pandemic will be a reduction in demand due to flexible and remote working
- **Retail** – Many bricks and mortar retailers were struggling before COVID and will not re-open.
- **Supermarket and convenience stores plus petrol filling stations** - Shining light within the property sectors with increased turnover during the crisis with their long and often index-related leases
- **Warehouse/industrial** – well located should prove resilient especially with the growth of online sales
- **Alternatives Leisure** – most have long index-related leases. Pubs, restaurants, gyms, bingo halls, bowling alleys, cinemas can now re-open with social distancing measures.
- **Caravan Parks** – Could be the biggest winner from the crisis in the leisure sector, offering an affordable second home and a cheap domestic holiday option – staycation!
- **Hotels** – will vary by tenant and location
- **Care Homes** – Costs have risen but high quality homes with self-funded residents will continue to outperform those dependent on public funding
- **Student Housing** – Faces serious challenges with many courses now virtual



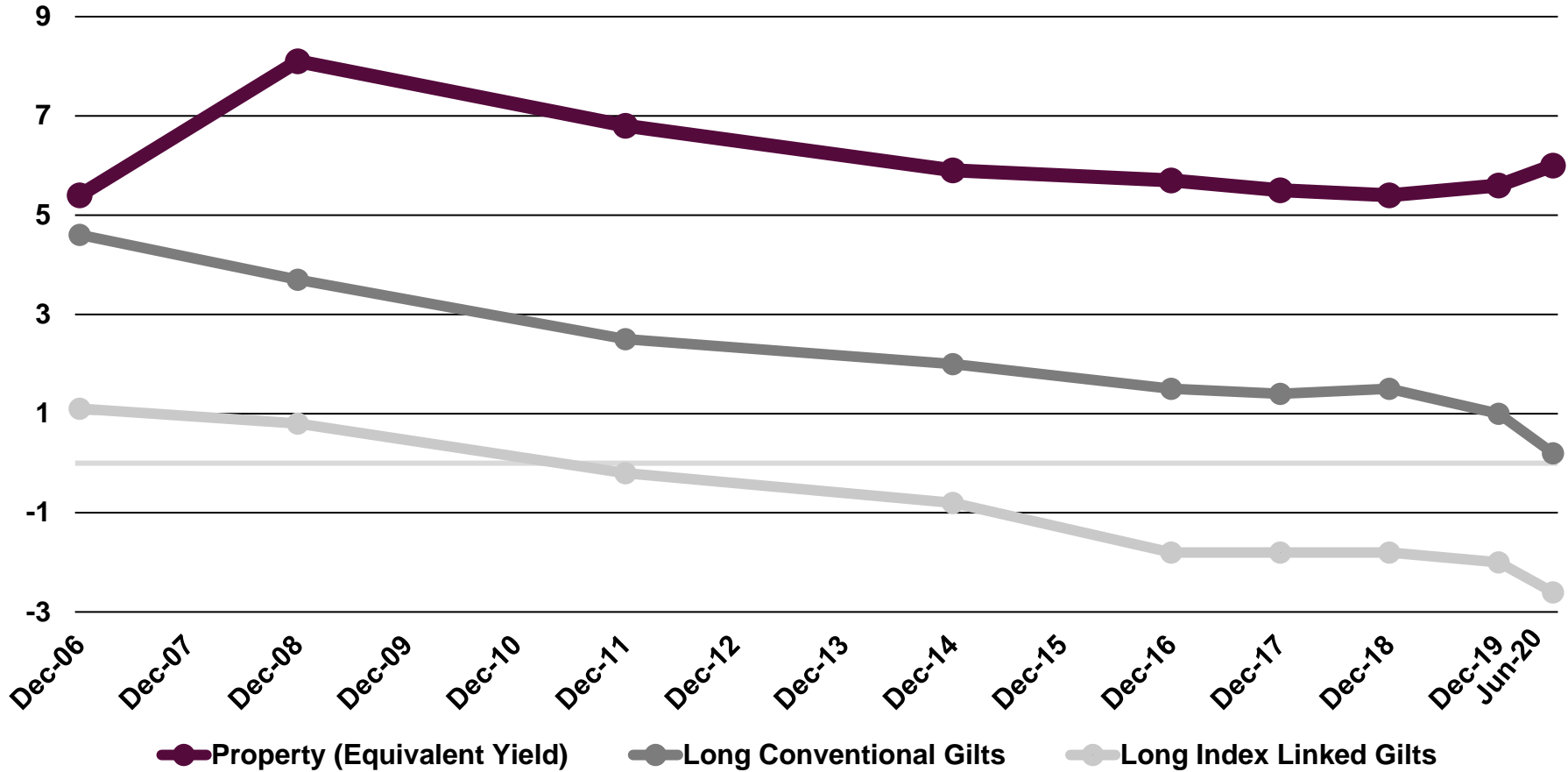
Conclusion

- Most sectors of UK Commercial property market face a difficult 2020
- Many tenants will struggle into 2021
- Offices and non-food retail property will suffer most
- Well-let warehouses, supermarkets and some alternative sectors likely long term winners
- Safe long term income should be valued highly after the crisis is over
- Continue dialogue with tenants
- Stick to strong tenants paying realistic rents on long index-linked leases in which OLIM Property specialises

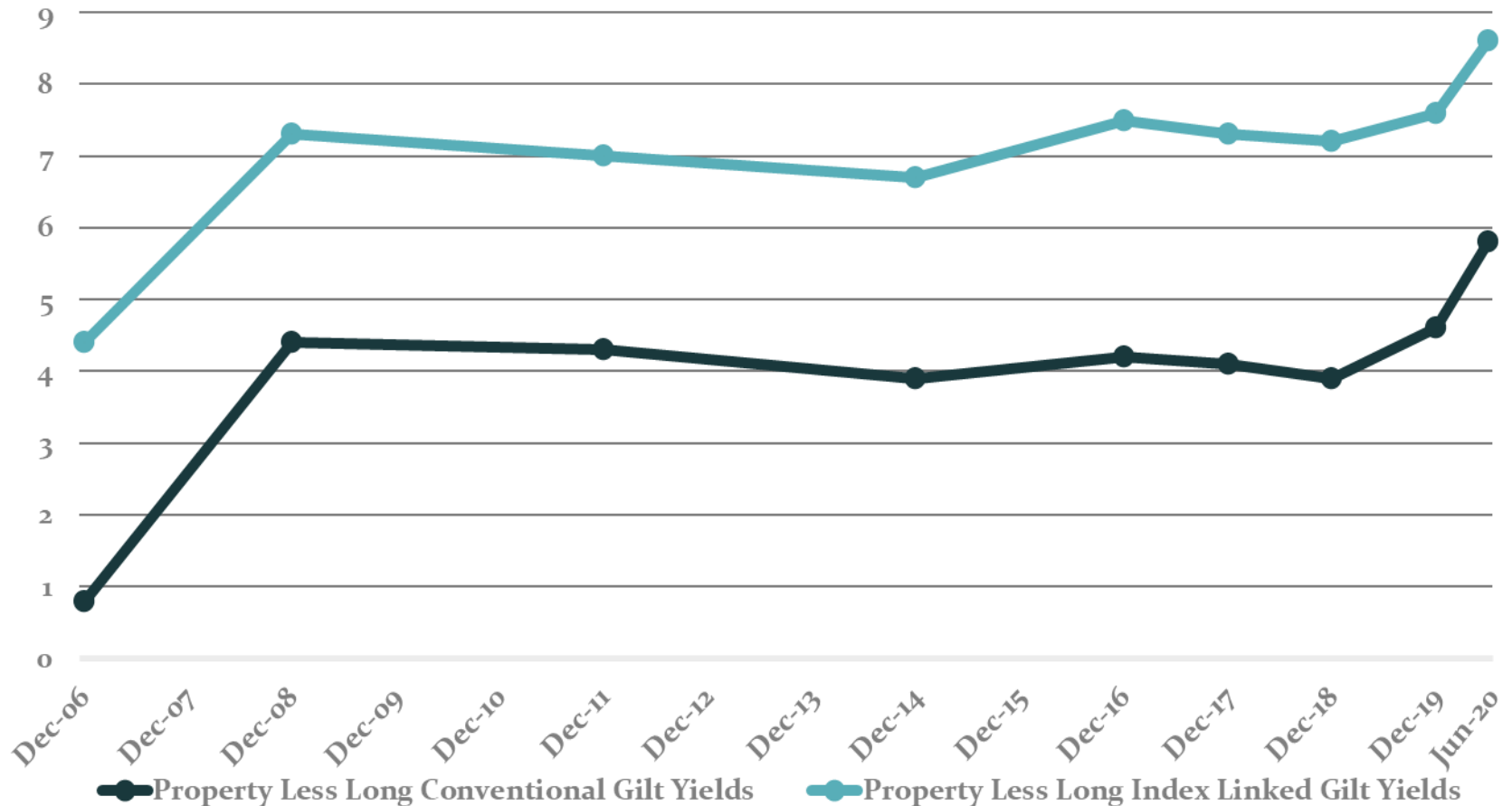


Comparative Yields % – End December

(Except 2020 End June)



Yield Gaps: Property Less Gilt Yields %



Comparative Yields % – End December

(Except 2020 End June)

		2020*	2019	2018	2017	2016	2014	2011	2008	2006
Property (Equivalent Yield)		6.0	5.6	5.4	5.5	5.7	5.9	6.8	8.1	5.4
Long Gilts	Conventional	0.2	1.0	1.5	1.4	1.5	2.0	2.5	3.7	4.6
	Index Linked	-2.6	-2.0	-1.8	-1.8	-1.8	-0.8	-0.2	0.8	1.1
UK Equities		4.7	4.1	4.5	3.6	3.5	3.4	3.5	4.5	2.9
R.P.I.(Annual Rate)		1.0	2.2	3.2	4.1	2.5	2.0	4.8	0.9	4.4
Yield Gaps:	Property less Conventional Gilts	5.8	4.6	3.9	4.1	4.2	3.9	4.3	4.4	0.8
	Less Index Linked Gilts	8.6	7.6	7.2	7.3	7.5	6.7	7.0	7.3	4.4
	Less Equities	1.3	1.5	0.9	1.9	2.2	2.5	3.3	3.6	2.5

Source: MSCI and ONS

* All Figures End December except 2020 End June.



UK Equity Portfolio

- Markets Background
- Performance
- Portfolio Changes
- Outlook



UK Equities – Markets Background

Equities (Capital Returns)	3 Mths	6 Mths	12 Mths
FTSE All Share	-26.0%	-23.5%	-21.9%
FTSE 100	-24.8%	-23.4%	-22.1%
FTSE 250	-31.0%	-24.3%	-21.0%
MSCI World ex UK (\$)	-21.4%	-15.0%	-12.1%
USA - S&P 500 (\$)	-20.0%	-13.2%	-8.8%
FTSE World Europe ex UK (€)	-21.4%	-17.4%	-13.2%
Japan - Nikkei 225 (¥)	-20.0%	-13.0%	-10.8%
FTSE Asia Pacific ex Japan (\$)	-21.6%	-13.7%	-18.1%
FTSE Emerging All-Cap (\$)	-24.9%	-16.5%	-20.3%
Bonds (Total Returns)	3 Mths	6 Mths	12 Mths
FTSE Govt. All Stocks	6.3%	2.2%	9.9%
FTSE Index Linked All Stocks	1.6%	-7.0%	2.2%
FTSE Sterling Corporate Bonds	-5.2%	-5.5%	0.4%
Yields	31/03/20	31/12/19	31/03/19
Gilt - 10 Years	0.35%	0.82%	1.00%
FTSE All Share	5.53%	4.09%	4.22%
Currencies			
US\$	1.24	1.33	1.30
Yen	133.6	144.1	144.4
€	1.13	1.18	1.16
Sterling Trade Weighted Index	77.5	80.1	78.9
Commodities			
Brent Crude (\$)	22.7	66.0	68.4
Copper LME 3m (\$)	4,951	6,174	6,483

Source: OLIM, Bloomberg Data to 31/3/2020

- 2019 gains wiped out in Q1 2020
 - Rapid sell-off as C-19 implications become clear
 - UK underperforms world markets
 - Mid-caps, high yield underperform
- £ Bonds
 - Positive return as safe havens sought
 - Negative real rates persist
- Currency
 - £ weak across the board
- Commodities
 - Extraordinary conditions in the oil market as Saudis launch price war
 - Other industrial commodities weak



UK Equities – FTSE All Share Index



ASX Index (FTSE All-Share Index) Line Chart VIT Pres Gr Daily 31MAR2019-31MAR20

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Source: Bloomberg Data to 31/3/2020



UK Equities – Background

- Until Feb 2020 markets had been making steady progress and economic optimism was growing.
- The economic and investment background changed profoundly in Q1 2020 as the impact of the coronavirus became clearer.
- Scale of economic impact uncertain but large contraction likely in short term.
- Massive government and central bank intervention.
- Oil price collapse.



UK Equities – Background

- UK GDP grew by 1.1% in 2019. Expectations for growth were rising.
- Coronavirus lockdown brought the economy to a halt.
- UK GDP fell by over 20% in Q2 2020 as lockdown measures restricted economic activity
- Interest rates cut to 0.1%, £300bn of QE, massive fiscal support for the economy.
- Unprecedented dividend cuts.



UK Equities – Performance

Total Return	9 Months 31/3/19 to 31/12/19	3 Months 31/12/19 to 31/10320	12 Months to 31/3/20
VIT Equity Portfolio	+10.3%	-30.8%	-23.7%
FTSE All Share Index	+8.9%	-25.2%	-18.5%
FTSE Higher Yield Index	+4.6%	-27.2%	-23.8%

Source: BNP Paribas, Bloomberg Data to 31/3/2020



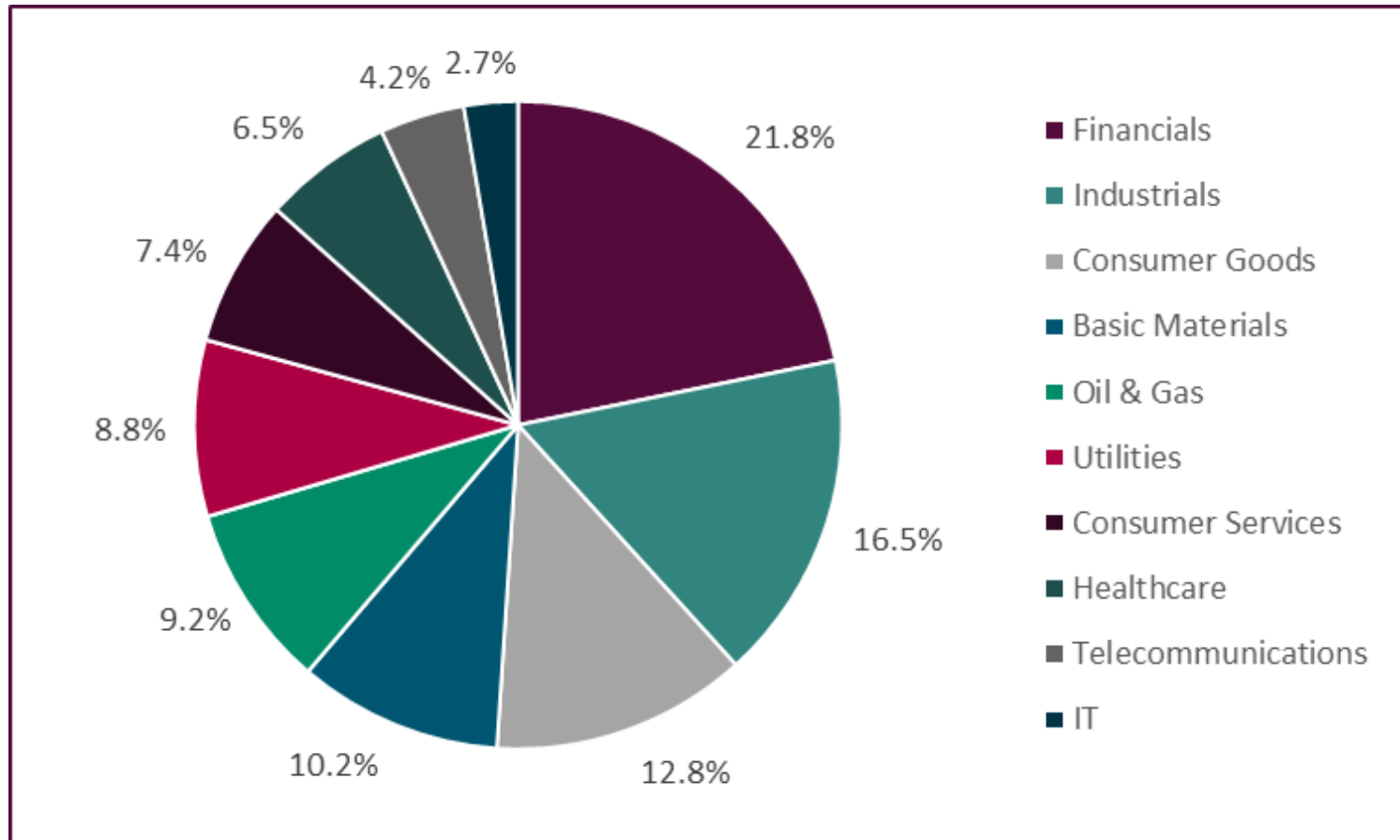
UK Equities Performance

- Portfolio outperformed in the 9 months to 31/12/19
- Sharply underperformed in the virus inspired sell-off
- High yielding shares underperformed
- High weightings in Travel & Leisure and Life Assurance sectors, underweighting in Pharmaceuticals hurt performance
- Travel & Leisure share prices hard hit by lockdown – Restaurant Group, Cineworld, Go-Ahead, Marston's
- Utilities were a positive influence but significantly outweighed by other negatives.

Source: BNP Paribas, OLIM, Bloomberg. Data to 31/3/2020



UK Equities – Year End Sector Split



Source: BNP Paribas. Data to 31/3/2020

UK Equities – Year End Portfolio Top 20

	Value £m	Portfolio %		Value £m	Portfolio %
Unilever	£6.5m	7.2%	Legal & General	£3.3m	3.7%
GlaxoSmithKline	£5.9m	6.0%	Beazley	£3.3m	3.7%
Pennon	£4.5m	4.9%	DS Smith	£3.2m	3.5%
BP	£4.3m	4.7%	Phoenix Group	£2.9m	3.2%
Vodafone	£4.1m	4.5%	BHP	£2.8m	3.1%
Croda International	£4.1m	4.5%	Prudential	£2.6m	2.9%
Spectris	£3.9m	4.3%	Britvic	£2.6m	2.9%
Vodafone	£3.8m	4.2%	Rotork	£2.6m	2.9%
HSBC	£3.6m	4.0%	Rio Tinto	£2.5m	2.8%
United Utilities	£3.5m	3.9%	FDM	£2.4m	2.7%

Source: BNP Paribas, Bloomberg, OLIM. Data to 31/3/2020



UK Equities – Portfolio Changes to 31/3/20

- Complete Sales: Centrica, BT Group, Eddie Stobart Logistics, Johnson Matthey, Cineworld, Restaurant Group, Crest Nicholson
- Reductions: Beazley, Unilever, Spectris, Croda, Hansard Global
- New Holdings: FDM Group, M&G
- Additions: Lloyds Banking Group, Vodafone, ITV, Royal Dutch Shell, PayPoint, Phoenix, DS Smith, BHP

Source: BNP Paribas. Data to 31/3/2020



UK Equities – Portfolio Changes to 31/3/20

- Two distinct phases – pre and post virus
- Pre-virus trades aimed at increasing portfolio quality and dividend growth potential e.g. BT, Centrica sales, FDM purchase
- Post-virus trades: sold those holdings with weaker balance sheets and worst affected by lockdown measures, e.g. Cineworld, Restaurant Group sales. Purchases aimed at those companies able to continue paying dividends even in the current difficult circumstances, e.g. PayPoint, BHP purchases

Source: BNP Paribas. Data to 31/3/2020

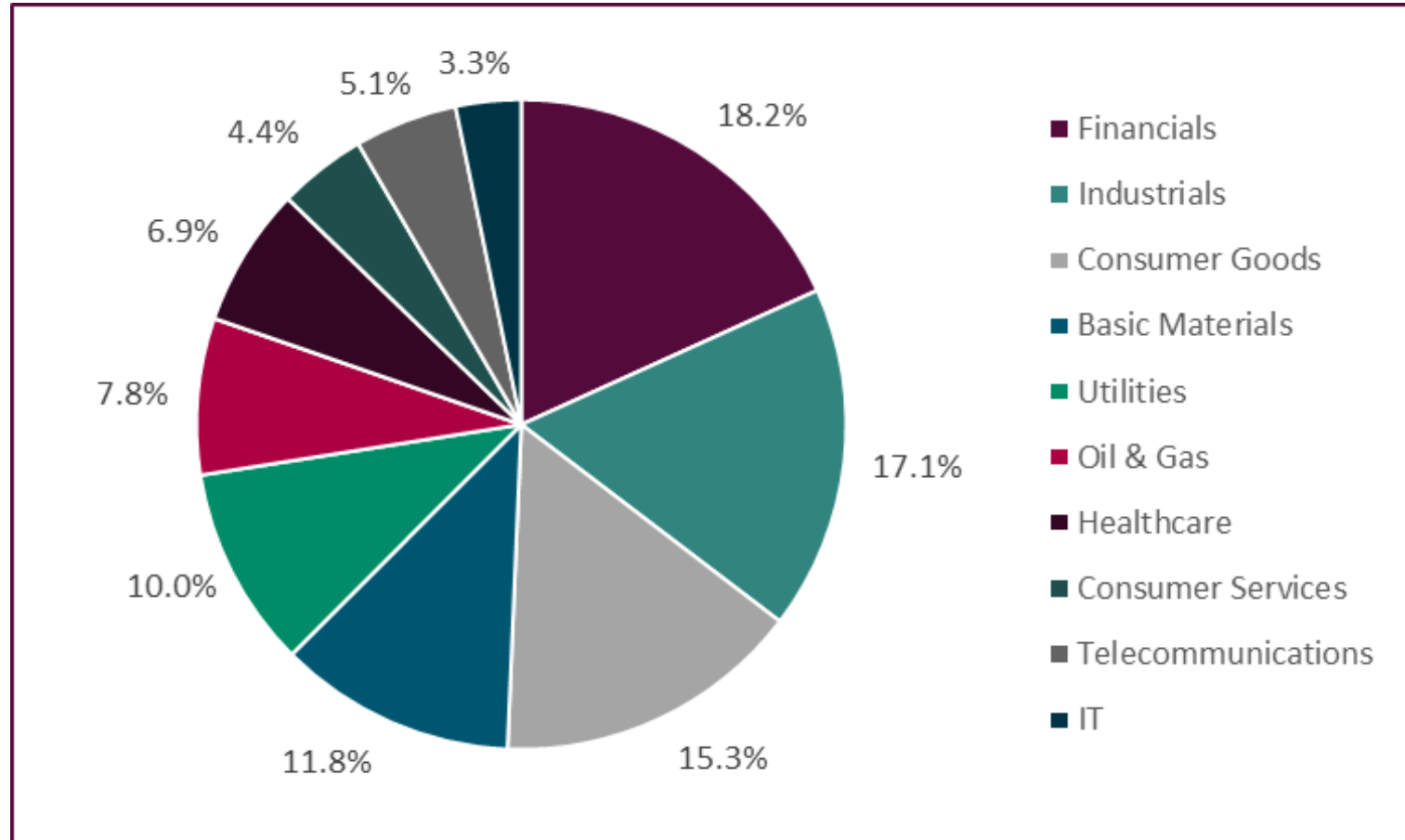


UK Equities – Portfolio Changes since 31/3/20

- 3 new holdings since year-end - Wm Morrison Supermarkets, Telecom Plus, National Grid
- All have strong balance sheets, secure & growing dividends, largely unaffected by lockdown measures
- Disposed Lloyds Banking Group, Marston's
- Dividend paying capacity substantially reduced and directly exposed to weak UK economy
- Various sales of low yielding holdings to fund property purchases



UK Equities – Current Sector Split



Source: BNP Paribas. Data to 31/7/2020



UK Equities – Current Portfolio Top 20

	Value £m	Portfolio %		Value £m	Portfolio %
Unilever	£6.4m	7.4%	Royal Dutch Shell	£3.2m	3.8%
GlaxoSmithKline	£6m	6.9%	Rotork	£3.2m	3.8%
Vodafone	£3.9m	4.6%	Rio Tinto	£3m	3.6%
Spectris	£3.7m	4.3%	Phoenix Group	£3m	3.5%
Legal & General	£3.7m	4.3%	Beazley	£2.9m	3.4%
BHP Group	£3.6m	4.2%	FDM Group	£2.8m	3.3%
United Utilities	£3.5m	4.1%	DS Smith	£2.6m	3.0%
Croda International	£3.4m	4.0%	Devro	£2.5m	2.9%
BP	£3.4m	4.0%	Britvic	£2.4m	2.8%
Pennon	£3.3m	3.9%	Prudential	£2.3m	2.7%

Source: BNP Paribas, Bloomberg, OLIM. Data to 31/7/2020



UK Equities – Portfolio Changes

- Portfolio more resilient to difficult economic conditions
- Top 20 holdings have all continued to pay dividends / resumed payments bar DS Smith, Beazley & Britvic which are all expected to return to the dividend list
- Increase weightings in defensive sectors e.g Utilities
- Reductions in financials weightings



UK Equities - Outlook

- Coronavirus has changed the economic and investment background profoundly
 - Global economic contraction at least twice as severe as in the financial crisis
 - Government and central bank responses have been unprecedented outside times of war
- Shape of recovery dependent on success of virus containment
 - Speed of easing of lockdown measures crucial to a return to normality
 - Easing measures must continue if major loss of productive capacity is to be avoided
- Strong balance sheets crucial for survival
- Interest rates slashed, more QE announced, direct monetisation of government deficits possible
- Equities are the barometer of virus containment success



UK Equities - Outlook

- Unprecedented dividend cuts, deferments, suspensions and even cancellations of previously declared payments
- Royal Dutch Shell cut its dividend for the first time since the Second World War
- UK dividend future suggesting 35% fall in FTSE 100 dividends in 2020. Some improvement over recent weeks as companies begin reinstating payments
- Dividend recovery dependent on pace of economic bounce-back as lockdown measures eased
- Companies adversely affected by long-term social distancing measures may not return to paying dividends for many years



UK Equities - Outlook

➤ Market Valuation

- UK equities relatively if not absolutely undervalued: 20.1x 2020 (high degree of error expected), falling to 14.0x 2021,
- Circa 3.5% dividend yield after cuts with dividend and earnings rebound in 2021
- Bond yields at lows well below prevailing inflation in UK, inflation risk rising

➤ Conclusion

- Expect continued volatility globally, equity returns muted until pandemic eases after initial bounce-back
- UK equities offer better relative value than bonds and cash accepting current volatility
- Value opportunities appearing

Source: BNP Paribas, Bloomberg, OLIM. Data as at 21/8/2020



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Data

All data is for periods ending 31st March 2020 unless otherwise stated.

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