



ARTORIUS WEALTH

INVESTMENT ACTIVITY

May 2017



LONDON

MANCHESTER

ZURICH



Focussed property investment

Whilst the mainstream media remains focussed on politics, we continue to seek out long-term investment opportunities for our clients. The majority of the asset allocation within portfolios is made along generic lines, utilising exchange traded funds and unit trust/OEICs, and that has been the case with our property exposure to date. As detailed in previous reports, we look for investment opportunities that benefit from developing themes within the economy.

The growth of e-commerce is a compelling story in the UK and we consider a property based investment to be a relatively low risk method of gaining exposure to this theme in our client portfolios. Tritax Big Box REIT plc has a leading position in this increasingly important sub-sector of the UK industrial property market.

To date, the Strategic Asset Allocation to the Real Estate sector has comprised of holdings in two large UK property funds, namely Aberdeen and M&G. Such funds are generalist in nature and highly correlated with the performance of the IPD (Investment Property Databank) index. Their property portfolios include heavy concentrations in the south-east of England and London offices.

Tritax Big Box's investment strategy is to capitalize on the demand for 'big-box' logistics sites in the UK. This is being driven by e-retailing and the need for companies in a wide range of sectors to maintain competitiveness from streamlining their distribution networks. Economies of scale are

leading to the development of extremely large warehouse and distribution complexes across the UK. Suitable sites with good transport links are in limited supply, particularly in the south-east of England, and Tritax has developed an attractive diversified portfolio of properties across the UK. Acquired sites are distributed throughout England, with natural concentrations along the main motorways.

The growing demand for big-box sites, accompanied by strong investor support for the company, has enabled Tritax to raise substantial additional equity since it listed in 2013. We have participated in the latest £350 million fund raise, which has resulted in us being able to buy a proportion of our holdings below the prevailing market price.

For a balanced medium risk sterling client, this focussed property investment will comprise 1.5% of the portfolio.

Attractions of the e-commerce sector

The UK has one of the strongest growth e-commerce markets in the world with internet based retail sales forecast to increase 88% between 2014 and 2020 (source eMarketer, October 2016). This is expected to result in e-commerce sales approaching 25% of total UK retail sales by 2020.

Tritax Big Box REIT is the only listed UK property investment vehicle to provide investors with focussed exposure to the 'big-box' asset class. The company has grown to 36 properties on a let or pre-let basis to institutional grade tenants.



Interest Rates and the attraction of yield

Whilst the long-term drivers of the e-commerce market and demand for distribution sites seem to be established, the investment returns generated for shareholders will likely be impacted directly and indirectly by the future course of interest rates.

Tritax is solely focussed on the UK market, a feature in common with our other Real Estate portfolio constituents. Therefore, it is primarily the direction of UK interest rates that concerns us regarding this holding.

The Bank of England has recently retained UK base rates at the record low of 0.25%. Present market futures rates imply a gradual increase in UK interest rates over the next five years, but remaining very low by historical standards.

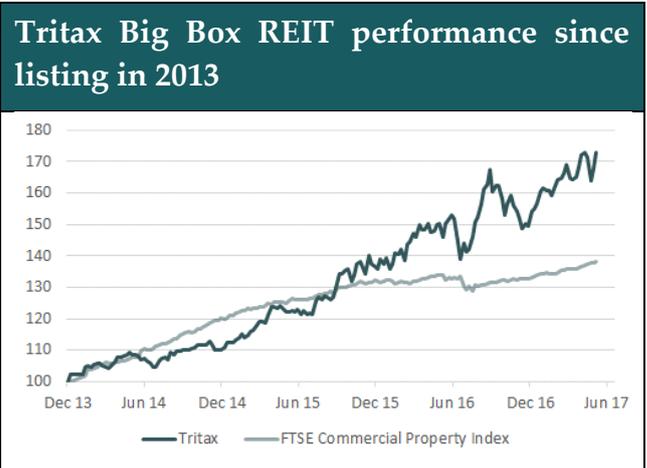
We consider the rental covenants of Tritax to be strong, consisting primarily of large established companies, such as Amazon, DHL, Marks & Spencer and Tesco. Upward-only rental agreements provide Tritax with the ability to provide its shareholders with capital growth and income growth over the long-term.

Investment decision

The Investment Team have taken the decision to allocate 15% of the Real Estate allocation to Tritax Big Box REIT plc in appropriate client portfolios. The company's diversified portfolio of 'big-box' warehouse and distribution sites is considered a useful way

of gaining exposure to the established trend growth in e-commerce and the necessity for companies in a variety of sectors to maintain their competitive position through efficient distribution of goods.

The performance of the Tritax Big Box REIT has been good since listing in 2013. It is more volatile than the wider commercial property sector, but we think that this is compensated by the attractions of higher yield and a more concentrated strategy for inclusion in a balanced portfolio.



Source: Artorius Wealth, Bloomberg

Note

The choice of securities depends on the tax status of particular client portfolios. For example, offshore bonds and resident non-domiciled clients would not be expected to incorporate this security, as it is a UK registered company. All UK resident on-shore portfolios will incorporate Tritax within their Real Estate allocation, funded by the partial selling of the existing real estate funds.



Asset Allocation Positioning

Equities	⊖	Fixed Income	⊖	Alternatives	⊖
US	⊖	Government	⊖	UK Real Estate	⊖
UK	⊖	Investment Grade	⊕	Infrastructure	⊖
Europe ex UK	⊖	High Yield	⊖	Private Equity	⊖
Japan	⊖	Emerging Market	⊖		
Pacific ex Japan	⊖	Cash	⊕		
Emerging Markets	⊕				

⊕ = Positive view
 ⊖ = Negative view
 ⊖ = Neutral

Source: Artorius Wealth

Our **Tactical Asset Allocation (TAA)** tilt vs the **Strategic Asset Allocation (SAA)** reflect our shorter-term views. Actual client portfolios will vary according to mandate, benchmark, risk profile and the availability of individual asset classes in different regions.

ASSET CLASS OVERVIEW

	SAA	Commentary	TAA
UK Real Estate	10%	Within the UK property sector, we hold most our allocation in large diversified property funds, whose property portfolios comprise offices, retail and industrial properties. Within appropriate portfolios, we hold 15% of this asset class allocation in Tritax Big Box REIT to gain exposure to the strong demand for large warehouse and distribution centres in the UK.	-

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Source: Artorius Wealth

Key: The numbers reflect a quantitative description of our tactical positions relative to the strategic benchmarks. Our Strategic Asset Allocation (SAA) solutions offer a blend of assets that over a medium term (5-7 years) will, in our view, provided the optimal mix of returns and risk at a given level of risk tolerance. Our Tactical Asset Allocation (TAA) tilt vs the Strategic Asset Allocation (SAA) reflect our shorter-term views. Actual client portfolios will vary according to mandate, benchmark, risk profile and the availability of individual asset classes in different regions. The SAA and TAA positions reflect a medium risk sterling on-shore based client portfolio. Views are subject to change and implementation in portfolios will reflect specific client requirements.



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