

Davy Irish Property Fund

Q4 2019 Report

3 Months to 31 December 2019

Welcome to the Quarterly Report for the Davy Irish Property Fund (“DIPF” or “the Fund”)

Overview

- Overall Fund performance is 2.72% for the full year and -1.06% for the quarter.
- Gross Asset Value (GAV) at 31 December 2019 is €256m, as compared to €260m at the end of Q3 2019.
- Q4 dividend per unit is €226.30 and €863.09 for the rolling 12 months to 31 December 2019.
- The Fund continues to deliver strong income. The annualised quarterly dividend has increased to just below 6.0%.
- The Fund vacancy rate across all assets is currently at 3.07% by value.

Key Fund Metrics

-1.06%

Total Return – Q4



€256m^{1,2}

Gross Asset Value



-2.56%

Capital Return – Q4



€184m¹

Net Asset Value



+1.49%

Income Return – Q4



€14,783

NAV per Unit



Fund Performance – Unit Class D

	Capital return	Income return	Total return
QTR	-2.56%	1.49%	-1.06%
YTD	-2.95%	5.67%	2.72%
1 yr	-2.95%	5.67%	2.72%
3 yr p.a.	0.03%	5.08%	5.11%
5 yr p.a.	6.27%	5.86%	12.12%

¹ This figure has been rounded by Davy

² Gross Asset Value means the Net Asset Value of the Fund plus borrowings

All data refers to Unit Class D (Distributing) - Sedol Number 9795233

All performance figures are for the period ending 31 December 2019
3 and 5 year figures show the annual average performance for those periods

These figures are net of fees. Capital Return represents Net Asset Value (NAV) excluding dividends. Income Return represents dividends distributed.

Sources: Northern Trust and J&E Davy

Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. The income you get from this investment may go down as well as up.

Warning: Forecasts are not a reliable indicator of future results.

It's not just business. It's personal.

Performance

The Fund's bid unit price at 31 December 2019 was €14,783. This reflects a decrease of 2.56% in the unit price of the Fund for the quarter. The distribution yield for the quarter was 1.49% giving a total return of -1.06%.

As part of the 2020 budget announcement in October Minister for Finance Paschal Donohoe revealed his decision to raise the rate of stamp duty on commercial real-estate transactions from 6 per cent to 7.5 per cent.

This is the second time in three budgets where the finance Minister had "unexpectedly" increased the rate of commercial stamp duty and many industry participants have described Mr Donohoe's move as being "unhelpful" in relation to Ireland's efforts to attract international investment to the commercial real estate sector.

This increase in stamp duty had a direct negative impact of the portfolio valuation in the month of October so is reflected these quarterly return numbers. The total effect was a one off reduction of 1.8% in the Funds Unit price during the quarter.

Over and above the stamp duty impact our retail portfolio continued to come under some valuation pressure in particular Nutgrove Shopping Centre which suffered a 2.7% valuation reduction (ex stamp duty impact).

The Funds retailers across Nutgrove, Grafton Street and Henry Street have been trading well and we have seen consumer sentiment continue to improve particularly in Dublin. We have seen no indications of rent reductions or company voluntary arrangements ("CVA") like that been experiencing in the UK. Despite these strong operational metrics it appears that the Irish investment market is experience some contagion from the US and UK markets. Historically many of the buyers of retail assets have been US and UK Funds however given the issues in their local markets they are not currently looking to deploy capital in the Irish sector. This lack of international capital is causing yields to move out and putting pressure on valuations

We firmly believe that a real estate portfolio that is looking to provide stable income and capital appreciation through long term investment should have an allocation to the retail sector and believe that a retail strategy that revolves around food anchored convenience shopping centres and prime high street assets will deliver this over the longer term

On the upside our office and industrial portfolio valuations continue to strengthen on the back of a strong letting of some ground floor space at 20 on Hatch and positive movement in Estimated rental value (ERV) at our industrial units at Parkway Business Centres in Tallaght.



	2015	2016	2017	2018	2019
Capital Return	20.7%	8.7%	0.8%	2.3%	-2.95%
Income Return	3.6%	4.7%	4.5%	4.8%	5.67%
Total Return	24.3%	13.4%	5.4%	7.1%	2.72%

These figures are net of fees and represent calendar year performance for unit class D. Capital Return represents Net Asset Value (NAV) excluding dividends. Income Return represents dividends distributed. Source: Northern Trust & J&E Davy

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Top 3 Holdings

Nutgrove Shopping Centre



Size 111,000 sq ft
Ownership 67%
Tenants Multi Tenanted. Anchored by Tesco, Dunnes and Penneys
WAULT 6 Years

20 On Hatch



Size 44,000 sq ft
Ownership 100%
Tenants MetLife, Medtronic
WAULT 6.49 Years

Percy Place



Size 36,000 sq ft
Ownership 75.91%
Tenants Multi Tenanted
WAULT 7.91 Years

Distributions

The distribution of net Q4 Income was declared at the end of the quarter and will be distributed during January. This distribution equates to € 226.30 per unit and brings the income distributed for the rolling 12-month period to €863.09 per unit or 5.67%.

In January 2018, the Fund introduced a scrip share class. This class is for investors who would prefer not to receive cash distributions but receive additional units to the same value instead. There has been strong demand for this non-distributing unit share from both existing investors who have elected to switch unit class and from new investors into the Fund.

Portfolio Breakdown



Office **49%**
 Retail **44%**
 Industrial **7%**

Office

8 properties
 227,821 sq ft
 25 tenants

Retail

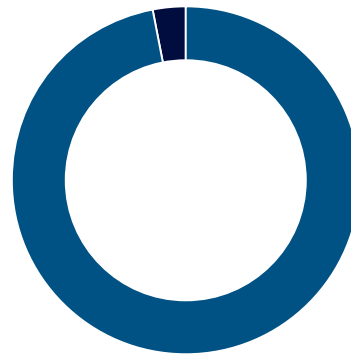
16 properties
 184,243 sq ft
 86 tenants

Industrial

4 properties
 183,148 sq ft
 11 tenants

All data correct as at 31 December 2019
 Source: J&E Davy unless otherwise stated
 All data refers to Unit Class D (Distributing) - Sedol Number 9795233

Geographical Split



Dublin **96%**
 Outside Dublin **4%**

Source Net Asset Value NAV - Northern Trust
 *WAULT = weighted average unexpired lease term Vacancy Rate by Value of the Fund

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During 2019 we undertook a LinkedIn campaign designed to provide our investors and others the opportunity to better get to know the assets within the Fund. We identified three of our flagship assets and provide a story, a history of the assets. Most funds are made with ones & zeros. Ours is made with bricks & mortar. The stories from the campaign for Nutgrove Shopping Centre, 20 on Hatch and Percy Place are detailed below.

Nutgrove Shopping Centre

The Nutgrove Shopping Centre is one of the first suburban retail centres in Ireland, familiar to generations of Dublin shoppers. Located in Rathfarnham, south County Dublin, the 111,000 sq. ft centre was originally built on part of the old Lamb's Jam orchards. Famously, it is home to the first drive-through restaurant in Europe, a McDonald's, which opened at the centre in 1985.

The property currently includes over 70 shops with major brands including our anchor tenants: Penneys, Dunnes Store and Tesco. As well as nearly 1,000 free car parking spaces.

Davy acquired the property in 1989 for just over €15 million and it has remained a strong contributor to fund growth ever since. As a staple 'go to' destination for South Dublin shoppers, Nutgrove's future remains positive.



20 On Hatch

Hatch Street is named after John Hatch, great-great grandfather of playwright J.M. Synge, and the man responsible for developing the area during Dublin's late 18th century building boom. Now this leafy business district, nestled between St. Stephen's Green and the Grand Canal, is home to such famous corporate neighbours as LinkedIn, Dropbox, Slack and IDA Ireland.

20 On Hatch, a modern 44,000 sq. ft property, is an elegant addition to the district and a welcome part of our fund. It was acquired by Davy in 2014 for €27.5m and is currently leased to MetLife.

Percy Place

The Locks, Percy Place, is a showcase property in the centre of Dublin's business district, overlooking the banks of the Grand Canal. A picturesque stroll for busy office workers, the building can be found, nestled between the historic canal locks.

Out front is The Barge Horse, a charming bronze statue, sculpted by Maurice Harron in 1999. A tribute to the hard-working canal horses and the children who tended to them on the country's canal networks. Not too far away sits the statue of Patrick Kavanagh contemplating his own 'Canal Bank Walk'.

The property is ideally located, a short distance from the Grand Canal Dock Dart Station, Ballsbridge Village and the Aviva Stadium.

The 36,000 sq. ft building itself was acquired by Davy in 1997 for just over €6.5m and is currently leased by multiple tenants.



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