



Canal &
River Trust

Keeping people, nature & history connected

Property, Investment & Utilities

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Investments

- Investment portfolio includes:
 - ✓ Property assets (income & growth)
 - ✓ Non-property assets
 - ✓ Joint venture investments
- Endowment portfolio – Defra grant agreement
- Investment policy
- Protector
- Investment Committee
- Performance benchmarking

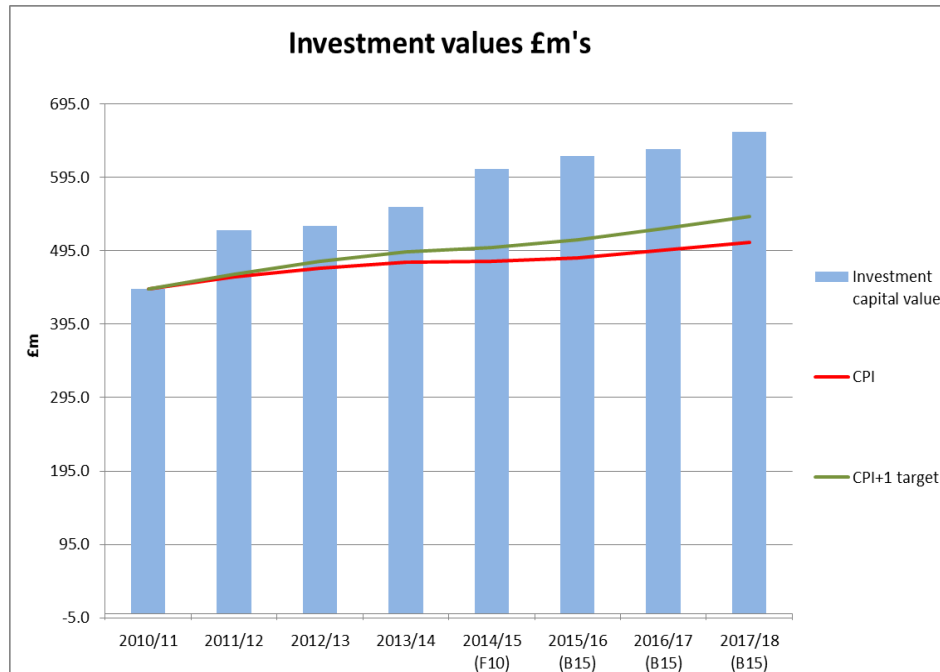
Utilities

- Generating income from:
 - ✓ Rights to lay pipes, cables, etc. in our land
 - ✓ Surface water drainage
 - ✓ Sale of surplus water
 - ✓ Innovative green/sustainable energy

Strategic Context

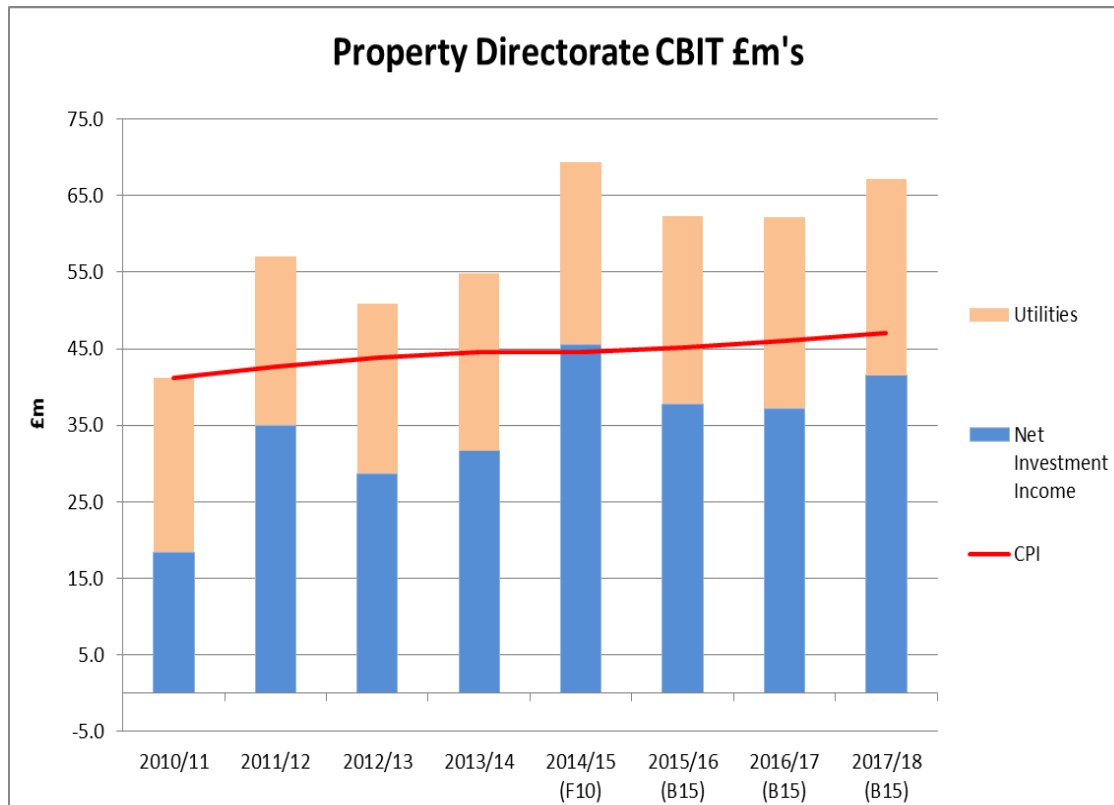
- **Headline** : grow income over time to contribute more towards the costs of looking after our waterway network.
 - ✓ Grow the capital value of our investment portfolio at greater than the rate of inflation.
 - ✓ At a given income return, this means our income grows faster than inflation, too.
 - ✓ Grow our utilities income at greater than the rate of inflation.

Investment Values



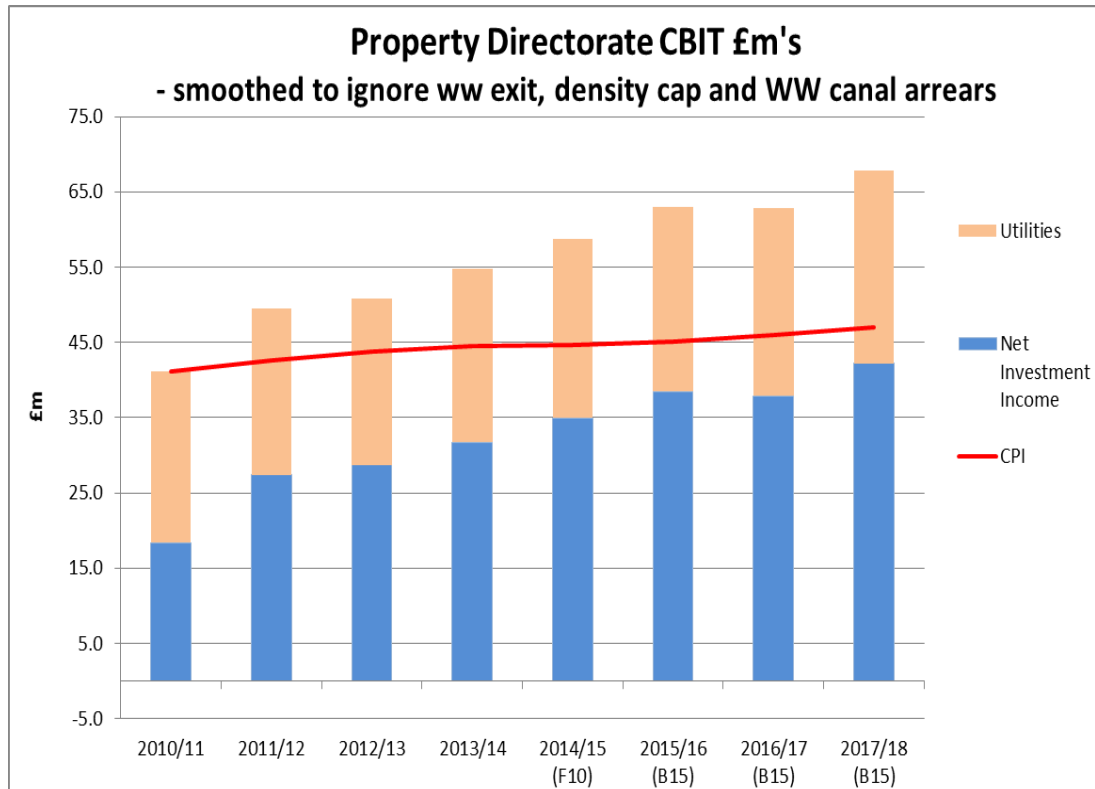
- Investment policy implemented 2014
- Property remains primary asset class 60% - 80% by value
- Increased diversification - £100m to non-property investments in 3 to 5 years
- £25m of debt to fund property acquisitions - 3% investment margin
- Capital growth comfortably ahead of CPI + 1 target driven by Wood Wharf lease in 11/12 and strong profits on disposals 14/15

Net Contribution



- Strong contribution growth – roughly 4 times the rate of consumer price inflation (CPI) over the period illustrated

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Property Investment - Income

- **Income Portfolio key plan features**

- ✓ Continue strategy of disposal of low value, low return assets without wider “value” and reinvestment in better quality

- ✓ Looking for strong fundamentals including:

- Location
- Capital growth potential
- Rental growth potential
- Strong, low-risk covenants



- ✓ £58.9m of total disposals during 2014/15

- ✓ Move away from “estates management” to “asset management” – strategic view rather than micro-view

Acquisitions

- £109m of property investments made in 5 years
- 17 acquisitions at average lot size £6.5m
- £8m p.a. annual rent acquired
- 7.3% average initial yield
- £8.4m capital gains to date (above purchase price)
- Good covenants and lease lengths
- Some asset management opportunities

Disposals

- £180m of property disposals over past 5 years
- Basic premise past 5 years:
 - selling lower yielding property earning <4% p.a.
 - buying higher yielding property earning >6% p.a.
 - churn margins will start to fall as stock improves
- Not all about current yields – focus on strong property fundamentals with asset management opportunities

Property Investment - Income



Property Investment - Income



Property Investment - Growth

- **Growth Portfolio Key plan features**

- ✓ Strategy to focus on generating improved capital value through securing planning consents and generally packaging sites for redevelopment.
- ✓ Capital profits can be reinvested in further growth opportunity or into income generating investment, property or non-property.
- ✓ Improvement of “place” and creation of high quality environment which people want to be “at”



Property Investment - Growth



Property Investment - Growth



- To create by 2025 a high quality, family orientated, sustainable and mixed-use waterside neighbourhood.
- The aspiration is to continue the 'ripple effect' of renewal and rejuvenation along the waterway corridor outward from the City Centre.
- To unlock the potential of the loop for moorings and waterway activity.

Joint Ventures

- **Joint Ventures plan - key priorities**
 - ✓ JV strategy to, firstly, seek substantial recovery of capital invested during the lean times through working out schemes and then an on-going “steady state” investment of circa £25m earning greater than 15% ROECE
 - ✓ Delivery of high quality places which showcase the waterside as an attractive place to be.
 - ✓ Where appropriate, improve facilities for waterway users – service stations, visitor moorings, residential moorings, etc.

Joint Ventures

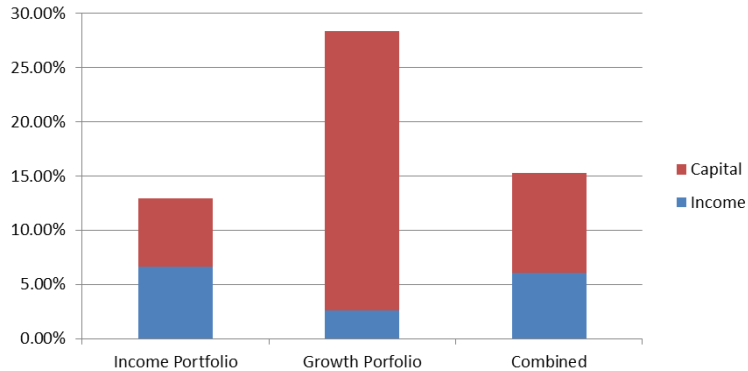


Joint Ventures



Performance v benchmark 2013/14

Property Total Returns % 2013/14



- 15% blended return 2013/14
- 6% income (net), 9% capital

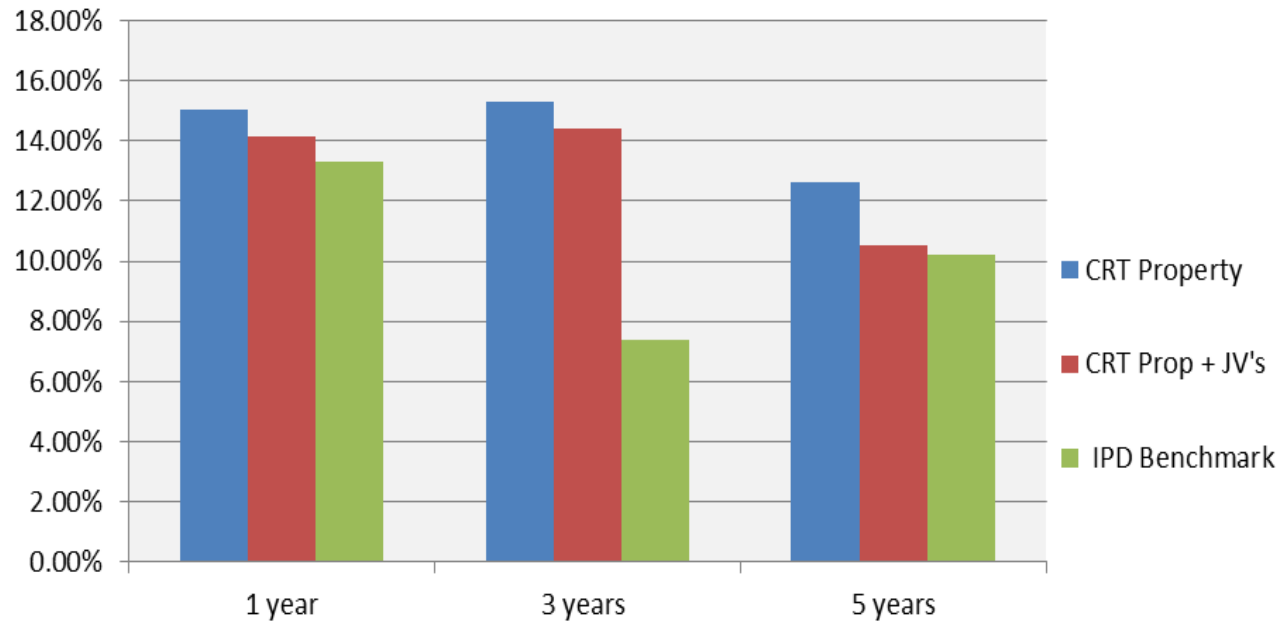
- Outperformed UK commercial property benchmarks

Property Total Returns % 2013/14



Performance v benchmark - longer periods

Annualised total returns



- Outperformance compared to UK property market over short and medium term

Non Property Investments

- **Diversified Portfolio Key plan features**

- ✓ Commencing 2014/15 – aim to diversify from significant exposure to property.
- ✓ Circa £100m investment over 3-5 years.
- ✓ Selected Partners Capital LLP as our “outsourced investment office”.
- ✓ Investment in private equity, global equities, credit, fixed income, etc. – assets not directly correlated to property
- ✓ Annual total return target approx. 9%
- ✓ Circa £80m invested by March 2015 funded from Canary Wharf Loan notes and property disposals
- ✓ Diversification strategy ahead of plan



Utilities

- **Utilities Key Plan Features**

- ✓ Continue to maintain and develop long term strategic relationships with the major utility companies and other utility customers.
- ✓ Seek to achieve the highest unit payments for utility apparatus in the UK
- ✓ Work with existing and new customers to help design innovative solutions to support their businesses.
- ✓ Achieve a settlement with Thames Water for the River Lee supply.
- ✓ Market the canal network as a “heat sink” to cool developments, without adversely affecting the waterway environment.
- ✓ Establish where surplus water capacity exists and establish routes to market.
- ✓ Work with private sector promoters to develop income streams from sustainable energy, minimising risk and cost to the Trust.
- ✓ Continue to examine “watergrid” potential (common carriage)

Projects



Projects

