Clipstone Industrial REIT plc

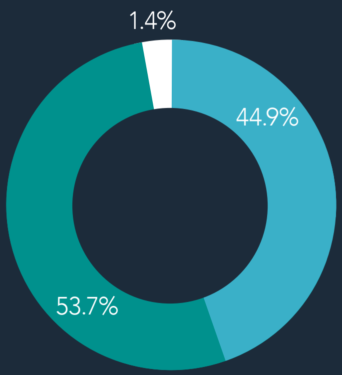
Investor Update – 31 December 2021

CURRENT STATUS OF THE FUND

Number of Properties:	43
Aggregate Value:	£334.9m
Net Asset Value per Share:	£1.8028
Portfolio Net Initial Yield:	4.5%
Portfolio Equivalent Yield:	5.0%
Portfolio Reversionary Yield:	4.9%
Total Passing Rent:	£16.2m pa
Total Headline Rent:	£17.1m pa
Passing Rent:	£9.28 psf
ERV:	£10.15 psf
Number of Units:	278
Number of Tenants:	229
Exposure to Largest Tenant: (shown as a percentage of total rent)	6.2%
Vacancy Rate:	1.6%
Loan to Value:	26.6%
Projected Dividends:	6.5p per share
Dividends at current NAV (£1.8028):	3.6%

PROPERTIES BY REGION

- London/M25*
- South East
- South West



*London / M25 includes properties within the M25 and within a circa 10-mile drive of the M25.

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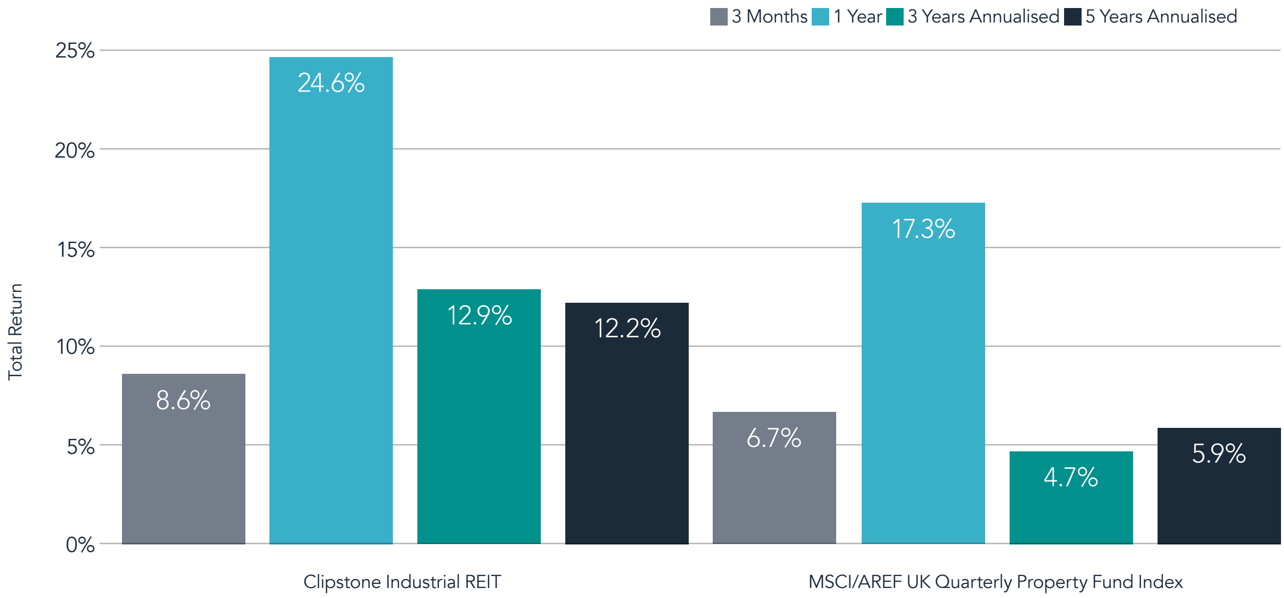
We are pleased to announce an increase in net asset value ("NAV") to £1.8028 per share at the end of December, an increase of 7.3% over the NAV at the end of the previous quarter. Shareholders' total return (NAV increase added to dividends paid) was 8.6% over the quarter and 24.6% over the last 12 months. Since our launch in December 2014, shareholders have benefited from a cumulative total return of 119.6%. The Company has outperformed the broader property market over all relevant time periods (as illustrated below) and has been the seventh best performing fund in the MSCI UK Quarterly Property Index since joining in Q1 2019.

Total Returns to 31 December 2021



1 **Occupational and Investment Markets**

This has been another strong quarter for the REIT, driven by continued occupational demand for our properties combined with an acute shortage of industrial space across the South East. Occupier demand is being strengthened by changes in the way we live, often aided by technology. For example, the growth in online retailing, expansion of the Life Sciences sector, data centers, dark kitchens and 10-minute delivery firms are all phenomena that increase the demand for industrial space. We believe this is particularly relevant around Greater London and urban areas in the South East – our targeted geographies. This strong demand, coupled with depleted supply, is continuing to exert further upward pressure on rents.

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Investor Update – 31 December 2021 *continued*

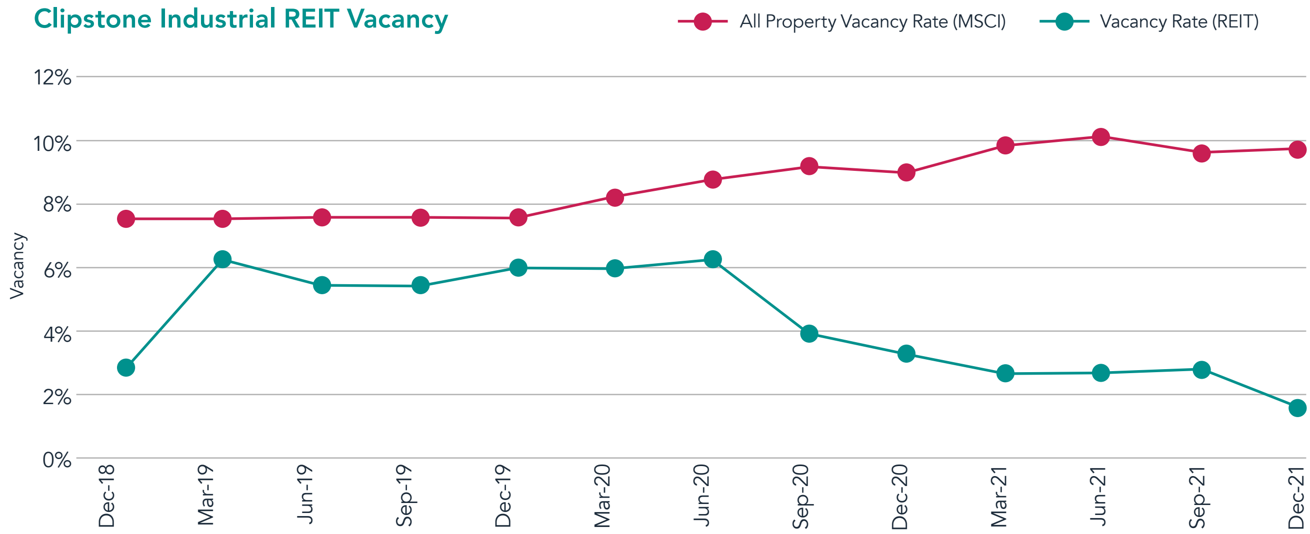
Current occupational demand is reflected in our continued low void rate, which dropped to 1.6% by floor space at 31 December (2.8% at 30 September). This 1.6% constitutes six vacant units, from our portfolio of 278 units. Remarkably, at 31 December all six of these vacant units were under offer (at a combined 20% premium to previous passing rents). Whilst we do not expect to achieve full occupancy due to other lease events within the portfolio, this exceptionally low vacancy rate illustrates the level of occupier demand for our properties and leaves us in a strong position when negotiating new leases and rent reviews.

The supply and demand imbalance for South East industrials is also fuelling a highly competitive investment market. In a high inflation and low interest rate environment, investors are attracted to commercial property, which is traditionally seen as a hedge against inflation. The retail property sector is struggling with weak occupational demand caused by the growth in online retailing and the outlook for offices is now less certain due in part to the current trend for working from home, so much of the capital flowing into commercial property is targeting the industrial sector.

All this means we have the confluence of three positive factors generating strong investor returns – rent inflation, reducing vacancies and falling investment yields. In addition, we expect these market conditions to continue, at least in the short term, although longer term we are conscious of the risks facing commercial property, not least the very real risk of continued increases in interest rates. Therefore, we are taking advantage of the current strong investment market to work through the portfolio to ensure it is resilient should market conditions change, through active asset management and also by selling those properties that we consider may under perform in a more difficult economic environment. Whilst we did not complete any sales during the quarter, we hope to be able to announce a number of sales shortly.

Our consistently low vacancy rate compares favourably to the MSCI All Property Index, as shown below.

Clipstone Industrial REIT Vacancy



Clipstone Industrial REIT plc

Investor Update – 31 December 2021 *continued*

During the quarter the REIT's passing rents increased by 1.8%, as we completed 14 lease events, all at materially higher rents (as set out below).

Property	Date of Event	Event	Previous rent pa	New Headline Rent pa	Uplift
Chelmsford	Dec-21	New Letting	Acquired Vacant	£52,097	N/A
Welwyn Garden City	Dec-21	New Letting	£34,111	£61,000	79%
Enfield	Oct-21	Rent Review	£33,165	£47,500	43%
Chesham	Oct-21	New Letting	£22,500	£32,000	42%
Welwyn Garden City	Nov-21	Lease Renewal	£17,500	£22,850	31%
Crayford	Nov-21	Lease Renewal	£45,500	£58,150	28%
Chesham	Dec-21	Lease Renewal	£17,459	£21,750	25%
Swindon	Dec-21	New Letting	£32,000	£39,900	25%
Slough	Nov-21	Lease Renewal	£52,629	£64,000	22%
Hayes	Oct-21	Lease Renewal	£43,500	£51,750	19%
Slough	Oct-21	Lease Renewal	£20,286	£24,000	18%
Reading	Dec-21	New Letting	£32,245	£37,730	17%
Enfield	Oct-21	Lease Renewal	£65,000	£75,000	15%
Stansted	Dec-21	New Letting	£28,800	£31,000	8%

The passing rent across the portfolio was £9.28 per square foot at 31 December, whereas the Valuer's estimate of market rent was £10.15 per square foot. This evidences the potential for us to increase rents further to current market levels. Longer-term we believe market rents in our sector will continue to increase due to the supply and demand dynamics. We are not alone in this view – Colliers' forecasts are shown below.

Forecast Rental Growth — 5 years to 2025 (Colliers International September 2021)

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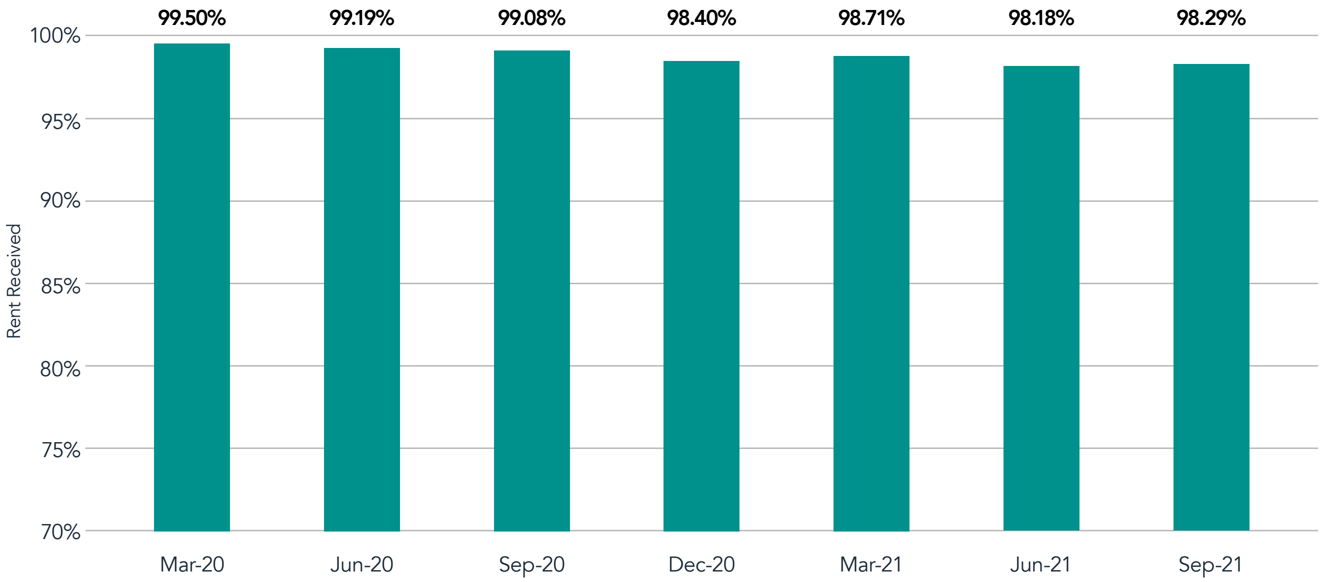
Investor Update – 31 December 2021 *continued*

2 Rent Collection, LTV and Dividend

As shown below, we have now collected over 98% of rents during the seven quarters up to September 2021, and the current December quarter is in line with previous quarters. We now consider that rent collection has normalised to pre-Covid levels.



On 31 January the Board confirmed the next dividend, at the annualised rate of 6.5p per share, will be paid on 23 February. Despite recent increases in interest rates and the expectation of further rate rises to come, we are confident that while underying economic activity remains robust we will be able to increase the dividend rate in due course.

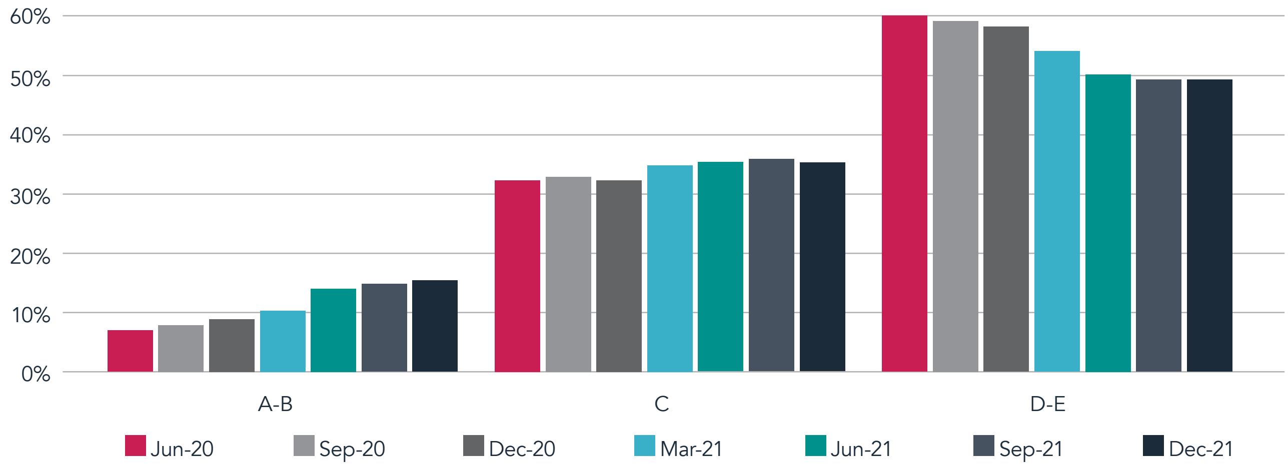
The loan to value fell to 26.6% at 31 December which is at the lower end of our target range of 25% to 35%. We consider this to be a modest level of gearing, providing a manageable level of risk, while improving returns to shareholders. We stress test our debt arrangements quarterly and it would require falls in property values or rent of more than half to breach our covenants at current interest rates. Even if interest rates increased by 200 basis points, it would require a loss of income in excess of 35% for covenants to be breached.

3 Environmental, Social and Governance (ESG)

During the quarter we commenced working with Evora Global to collect tenant energy usage data and develop a baseline carbon footprint for the fund which will inform our net zero strategy using science-based targets. Tenant energy usage makes up the vast majority of the REIT's carbon footprint, and therefore collecting data from our tenants and pro-actively engaging with them will be key in achieving our goals. We hope to be able to report on our baseline and our net zero strategy before the end of 2022.

As you may be aware, it is a legal requirement to obtain an Energy Performance Certificate (or EPC) for a property before it is let. After April 2023 commercial landlords cannot continue to let a property with an "F" or "G" rating, of which there are none in our portfolio. By 2027 the law on Minimum Energy Efficiency Standards will likely mandate that a commercial property cannot be let with an EPC score below a "C", and by 2030 this will rise to a "B". Whilst we have been making progress towards these minimums there is still work to be done.

REIT EPC rating



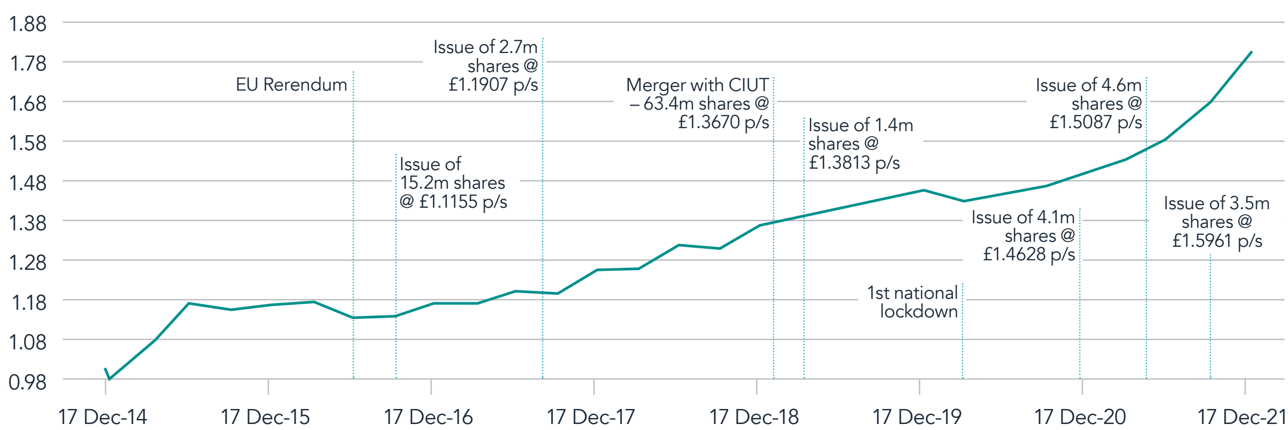
As part of our Net Zero strategy, we will address this requirement and ensure that all of our buildings meet the legal minima and that refurbishments are completed at the optimum time, and to the most economically sensible standard. That may mean some investment in improving buildings is targeted for future years when we anticipate that technology will have improved and/or become economically viable.

Hopefully you will have all seen our first ESG report which was included in our annual report and accounts this year. This report encompasses the work of both the REIT and Clipstone Investment Management towards achieving our ESG targets. Our targets and policies can be found on our website.

4 Conclusion

For now, we expect the favourable market conditions described above to continue, and we will strive to improve the overall quality of the portfolio by selective acquisitions, implementing our sales programme and continuing our asset management operations. This is an attractive portfolio that should weather the commercial property market should conditions deteriorate. As shown in the NAV chart below the REIT's NAV proved resilient through both the EU Referendum when the UK voted to leave the EU and COVID-19. We are working to ensure it will also weather any future market turbulence, and continue to outperform the broader market.

Clipstone Industrial REIT NAV per share



Clipstone Industrial REIT plc

Investor Update – 31 December 2021 *continued*

Background to Clipstone Industrial REIT plc

The REIT's strategy is to acquire good quality industrial property across the South of the UK, predominantly in London and the South East.

There are several reasons why the REIT targets this sector, as set out below.

1 If the UK economy improves demand from existing and prospective tenants will increase. We believe demand will be most prevalent around London and the South East, where the economic environment is strongest and where there is the tightest supply of land. This demand should translate into fewer vacancies and higher rents.

2 Industrial space in the South East, and particularly in Greater London, has reduced over the last 30 years (a 20% decrease in London between 2001 and 2016 to quote a report by Colliers). The land has gone to higher value uses, such as residential. We expect this trend to continue. Reduction in supply should lead to improved returns.

3 Development of multi-let industrials remains sporadic. There is a shortage of development land in London and the South East, and where land is available for development it often goes to higher value uses. Where developers build industrial, they tend to opt for larger, single let units, which are more cost-efficient to build* and where you only need to find one tenant, as opposed to a number of tenants for a multi-let scheme. In addition, pre-let development is rare in the multi-let sector. These factors continue to constrain multi-let development in the South East, and so enhance the lack of supply referred to at paragraph 2 above.

4 The growth in online retailing is one of the factors driving increased demand for industrial space, a trend we expect to continue. We expect this to have the most impact in and around London, where there is a large and affluent population with a higher propensity to shop online (a recent Knight Frank report found that the top 30 locations in the UK with the most online shoppers were all in London). In addition, the expansion of the Life Sciences sector, data centres, dark kitchens and 10-minute delivery firms are all phenomena that increase the demand for warehouse space.

5 Smaller, multi-let industrials are less exposed to the widely publicised problems facing UK retailers, as the occupational market for multi-let industrials is highly diversified and not overly dependent on the retail market.

6 Clipstone targets industrial estates capable of improvement by intensive management. That improvement is achieved by refurbishment, by the upgrading of an estate through better parking and signage, by aggressive marketing to let vacant units, by seeking to improve the calibre of tenants on an estate, by the lengthening of leases and by increasing rents. Refurbishment of industrial property can be achieved at a low cost yet have a material impact on rents and capital value. We have specialist asset managers who are experts in this field.

*A large single-let industrial unit can be built for approximately £50 psf, whereas a multi-let scheme can cost in the region of £100 psf.

Example Asset Management Projects

Valleylink Industrial Estate, Enfield

Before → After

Refurbishment cost: £400,000 (£9.90 psf)

Value: £3.8m in August 2012 to £13.25m on 31 December 2021

Bracknell

Before → After

Refurbishment cost: £450,000 (£8.64 psf)

Value: £7.55m in Nov 2013 to £16.7m on 31 December 2021

Chessington

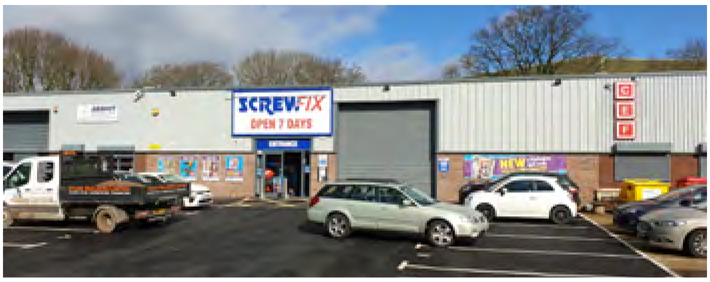
Before → After

Redevelopment cost (includes demolition)**:** £2.73m (£103 psf)

Value: £4m in June 2017 to £10.7m on 31 December 2021

Fareham

Before → After



Refurbishment cost: £270,000

Value: £1.9m in May 2015 to £3.1m on 31 December 2021

Fund Details

Structure	Real Estate Investment Trust (REIT) listed on The International Stock Exchange
AIFM	Clipstone Capital Limited, which is authorised and regulated by the Financial Conduct Authority
Property Manager	Clipstone Investment Management Limited
PE Depositary	Langham Hall UK Depositary LLP
Target Investors	High net worth individuals, family offices, pension funds (including SIPPs and SSASs), endowment funds and institutional investors
Fees	Clipstone Investment Management Limited fee of 1.25% of NAV per annum up to NAV of £225m, 1% for amounts over £225m and a profit share (on ultimate sale of the Properties) of 20% (over a 9% per annum hurdle)
Minimum Investment	£25,000
Debt Terms	£75.64m at 1.6% margin over Sonia and £30m at a fixed rate of 2.2% for seven years
Non-executive Directors	Karl Sternberg (Chairman) and Anna Rule (CVs overleaf)
ISIN:	GB00BMSJTT43

The Listing Document containing full details relating to the REIT is available on request.

Non-executive directors of the REIT

Karl Sternberg

Independent Non-Executive Chairman

Non-executive director of Jupiter Fund Management plc, JPMorgan Elect Plc, Alliance Trust PLC, Herald Investment Trust plc, Lowland Investment Company PLC and The Howard de Walden Estate. He is also Chairman of Monks Investment Trust.

Student (Fellow) of Christ Church and Chairman of the Investment Committee.

Formerly Non-executive Director of RailPen Investments (the asset manager of the Railways Pension Scheme) and Chairman of the Board Investment Committee of Friends Life Group plc.

Previously Chief Investment Officer of Deutsche Asset Management, including the UK property business, and Chief Executive of Oxford Investment Partners.

Anna Rule MRICS

Independent Non-Executive Director

Anna has over 20 years' property industry experience. She is currently Head of Real Assets at RPMI Railpen, where her responsibilities include the management of Railpen's £2.2 billion of property assets. Railpen (The Railways Pension Scheme) is one of the UK's largest and longest established pension funds with £30 billion of assets under management.

Previously at Cushman Wakefield and then a fund manager for a number of institutional funds at Aviva Investors.

Anna is a Member of the Royal Institution of Chartered Surveyors and a non-executive director of The King's Fund.

Clipstone Investment Management – employee structure chart

- **Toby Dean - CEO**
  - **Investment and Asset Management**
    - **Marc Cowley** (CIO)
      - **Andrew Windle** (Fund Manager)
      - **Paul Priestley** (Head of Asset Management)
  - **Accounts/ESG/Compliance***
    - **Richard Demarchi** (COO)
      - **Victoria Wombwell** (Financial Controller)
        - **Stevie Arnold** (Bookkeeping/Administration)

- **Advisory Board**
  - **Andrew Hynard - Chairman**
  - **Toby Dean**
  - **Marc Cowley**

*Clipstone Capital Limited is authorised and regulated by The Financial Conduct Authority
NOTE: The CVs of the above employees of Clipstone Investment Management are available at http://www.clipstone.co.uk/our-people