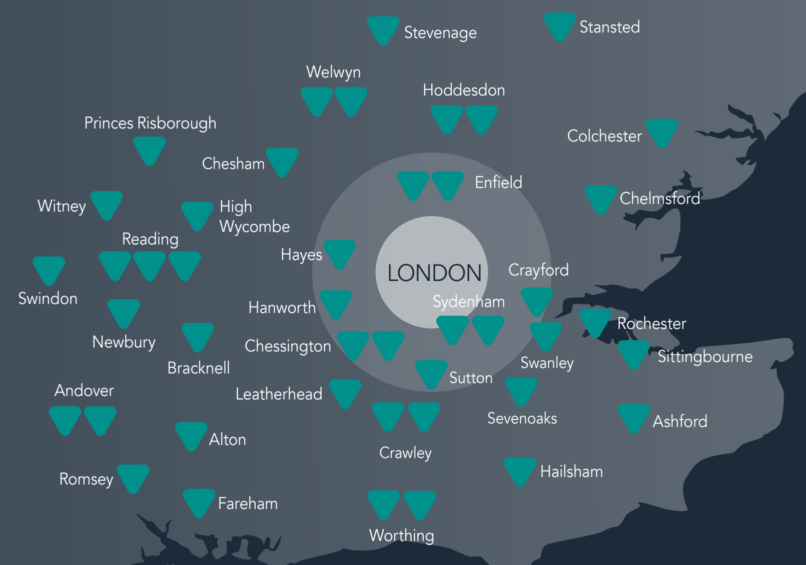
Clipstone Industrial REIT plc

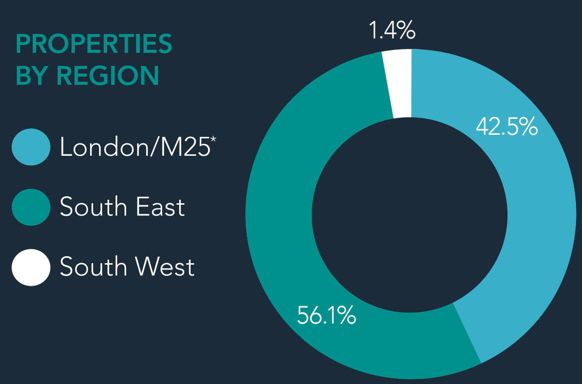
Investor Update – 31 March 2022

CURRENT STATUS OF THE FUND

Number of Properties:	44
Aggregate Value:	£373.6m
Net Asset Value per Share:	£1.9652
Portfolio Net Initial Yield:	4.1%
Portfolio Equivalent Yield:	4.7%
Portfolio Reversionary Yield:	4.7%
Total Passing Rent:	£16.5m pa
Total Headline Rent:	£17.7m pa
Passing Rent:	£9.28 psf
ERV:	£10.51 psf
Number of Units:	266
Number of Tenants:	220
Exposure to Largest Tenant: (shown as a percentage of total rent)	6.0%
Vacancy Rate:	2.0%
Loan to Value:	27.1%
Projected Dividends:	6.5p per share
Dividends at current NAV (£1.9652):	3.3%



PROPERTIES BY REGION



www.clipstone.co.uk

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

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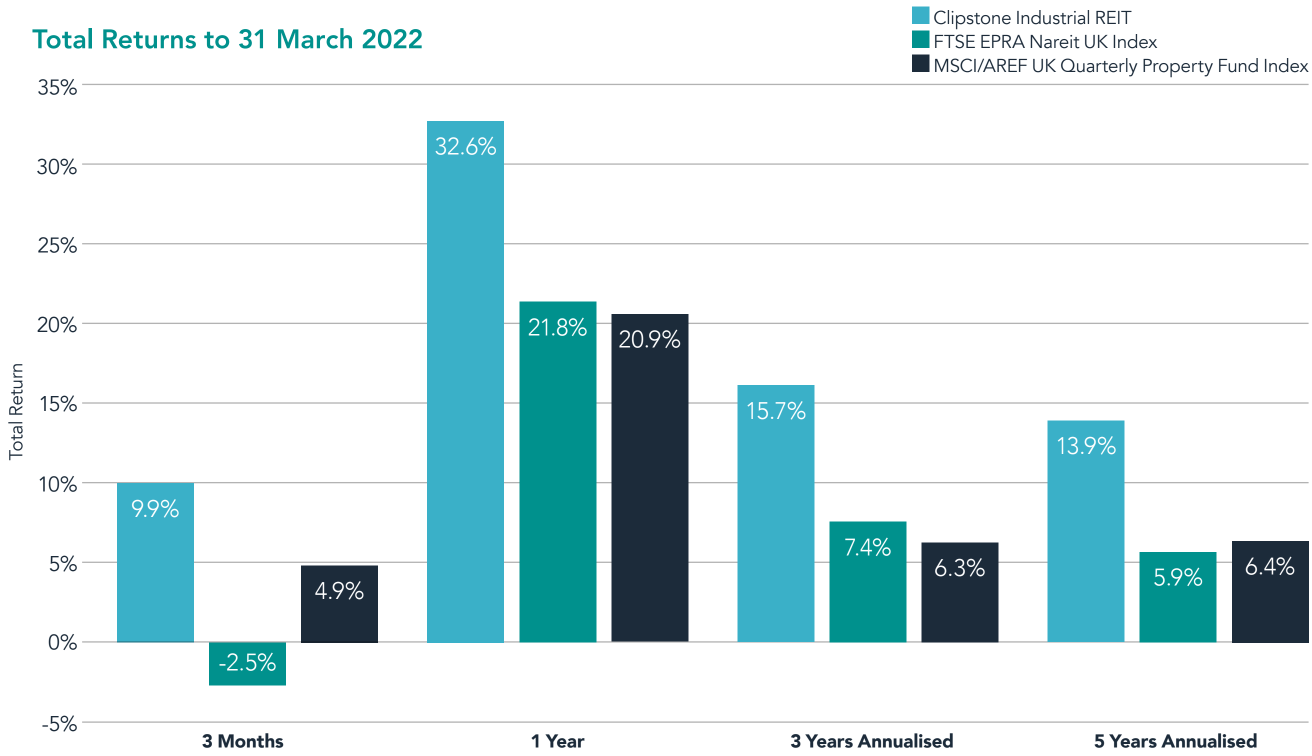
We are pleased to announce an increase in net asset value ("NAV") to £1.9652 per share at the end of March, an increase of 9.0% over the NAV at the end of the previous quarter. Shareholders' total return (NAV increase added to dividends paid) was 9.9% over the quarter and 32.6% over the last 12 months. Since our launch in December 2014, shareholders have benefited from a cumulative total return of 137.4%. The Company has outperformed the broader property market over all relevant time periods – the below chart shows the REIT's performance vs both London listed property stocks and the MSCI/AREF UK Quarterly Property Fund Index. The REIT has also been the sixth best performing portfolio in the MSCI UK Quarterly Property Index since joining in Q1 2019.

Total Returns to 31 March 2022



1 Activity During the Quarter

As well as a quarter of strong performance, this has been a busy period for the REIT. As shareholders know, we are using the current strong investment market to sell those properties within the portfolio that we consider non-core. We have previously sold our estate in Peterborough and during the quarter we sold a small unit scheme in Slough for £13.233m (a net initial yield of 3.47%). This is a 50% premium over the December 2021 valuation. We have two further sales under offer and expect to exchange both within the next few weeks, both at substantial premiums to valuation.

We are rotating the sale proceeds into new acquisitions. The sale of Slough was part of a property swap, under the terms of which the REIT sold Slough and simultaneously acquired a distribution warehouse in Reading from the purchaser. The Reading property is let to the strong covenant of DPD Group UK on a lease with 12.5 years remaining (with no breaks). It was acquired for £15.73m, being a net initial yield of 3.78%. We believe this is the type of property that will benefit from both the shortage of industrial space around London and the South East and the growth in demand for last mile logistics being generated by the consumer shift to online retailing. The DPD unit is also adjacent to our existing holding in Reading and we believe there is some marriage value in owning both properties and controlling a large site in a prime location in Reading. An aerial photograph of the new DPD unit is shown to the right, which also shows our existing Reading Audi site (the DPD warehouse is marked in blue, Audi in red).

During the quarter we also completed on the acquisition of Oakdene Trade Park, an industrial estate in Sevenoaks, close to the M25. Oakdene is a brand-new development that we have acquired for £8.75m, being a net initial yield of 4.05% and a reversionary yield of 4.40%. The estate had three vacant units on acquisition (which have the benefit of rent guarantees from the vendor). Since acquisition we have completed the letting of one of the vacant units. A CGI of Oakdene is shown to the right.

We hope this strategy of selling non-core properties and re-investing the proceeds into more modern properties (where we consider prospects are stronger) will not only increase investor returns, but also ensure the REIT proves more robust should market conditions weaken. For example, the Slough property was built in the 1980s whereas Oakdene is brand new and Reading was built in 2014. The ESG credentials of the new properties are better, with Slough's EPCs ranging from B to E, whereas Oakdene's EPCs are all A rated and the Reading DPD's EPC is a B. Finally, the new acquisitions benefit from longer unexpired lease terms – the weighted average unexpired lease term ("WAULT") of Slough was 1.6 years to break and 3.2 years to lease expiry, whereas Oakdene and DPD have a combined WAULT of 11.5 years to break and 12.7 years to expiry.

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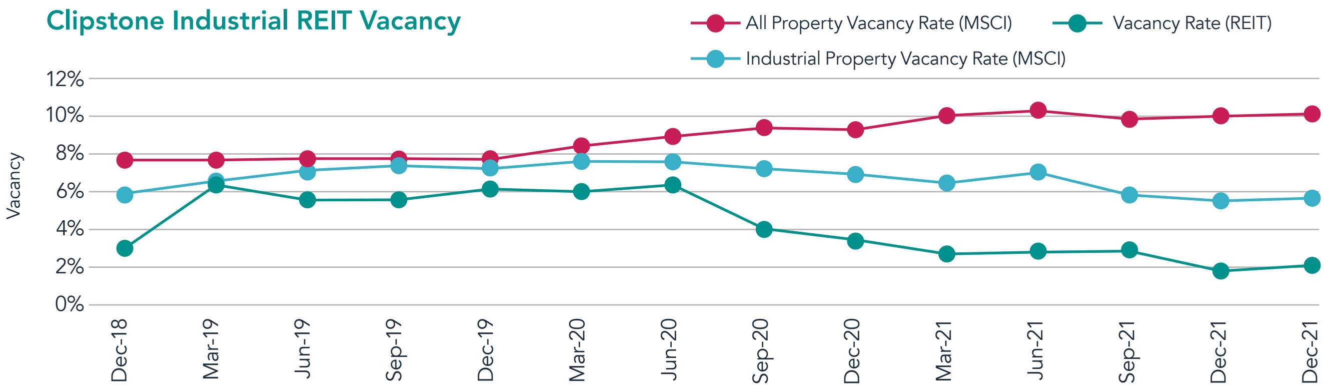
Investor Update – 31 March 2022 *continued*

2 The Occupational Market

Occupational demand for our properties remains strong and, coupled with the acute shortage of industrial space across the South East, this is continuing to exert further upward pressure on rents.

This occupational demand is reflected in our continued low void rate, which was 2.0% (by floor space) at 31 March 2022, up from to 1.6% at 31 December 2021. However, it should be noted that during the quarter we acquired Oakdene, which had three vacant units on acquisition, one of which has been let since the quarter end and a further one of which is under offer. Excluding Oakdene our vacancy rate at 31 March 2022 would have been 1.3%. This low vacancy rate not only improves investor returns, but also leaves us in a strong position when negotiating new leases and is assisting us generate rental growth. Our consistently low vacancy rate compares favourably to the MSCI Property Index, as shown below.



During the quarter the REIT's headline rents increased by 1.4%, as we completed 13 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	Jan-22	New Letting	N/A[1]	£87,500	N/A
Chelmsford	Feb-22	New Letting	N/A	£69,363	N/A
Colchester	Jan-22	Rent Review	£51,000	£74,500	46%
Crayford	Feb-22	Rent Review	£44,118	£59,600	35%
Bracknell	Mar-22	New Letting	£18,000	£23,500	31%
Hailsham	Feb-22	Rent Review	£38,000	£47,500	25%
Bracknell	Mar-22	Rent Review	£42,850	£51,750	21%
Andover	Jan-22	New Letting	£19,500	£22,500	15%
Hailsham	Mar-22	New Letting	£54,850	£62,672	14%
Swindon	Feb-22	New Letting	£35,250	£39,750	13%
Alton	Mar-22	Lease Renewal	£44,444	£49,050	10%
Stevenage	Mar-22	New Letting	£57,000	£62,368	9%
Hanworth	Mar-22	Rent Review	£54,300	£59,033	9%

[1]Chelmsford is a new development, so the vacant units have never been let previously.

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The passing rent across the portfolio was £9.28 per square foot at 31 March, whereas the Valuer's estimate of market rent was £10.51 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 Annual Rental Growth — 5 years to 2026 (Colliers International March 2022)

3 The Investment Market

The rental growth prospects for South East industrials combined with deep pools of capital looking to invest in the sector is fueling a highly competitive investment market. These factors are driving investment yields to record lows. This means we have the confluence of three positive factors generating value for shareholders – rent inflation, a low vacancy rate and falling investment yields. However, we are conscious of the risks facing commercial property - the risk created by global political uncertainty, but also the risk of inflation, continued increases in interest rates and the unknown impact of the anticipated unwinding of quantitative easing. Historically, increases in interest rates have had a negative impact on commercial property values – as interest rates rise it will likely have a negative impact on investment yields, not least because the cost of borrowing may match or even exceed investment yields, so squeezing or eradicating income returns, particularly for smaller investors who are not able to borrow at the low margins available to larger institutional or private equity buyers. The increases in interest rates implemented to date do not appear to have dampened investor appetite for South East industrials, but we are monitoring the situation closely.

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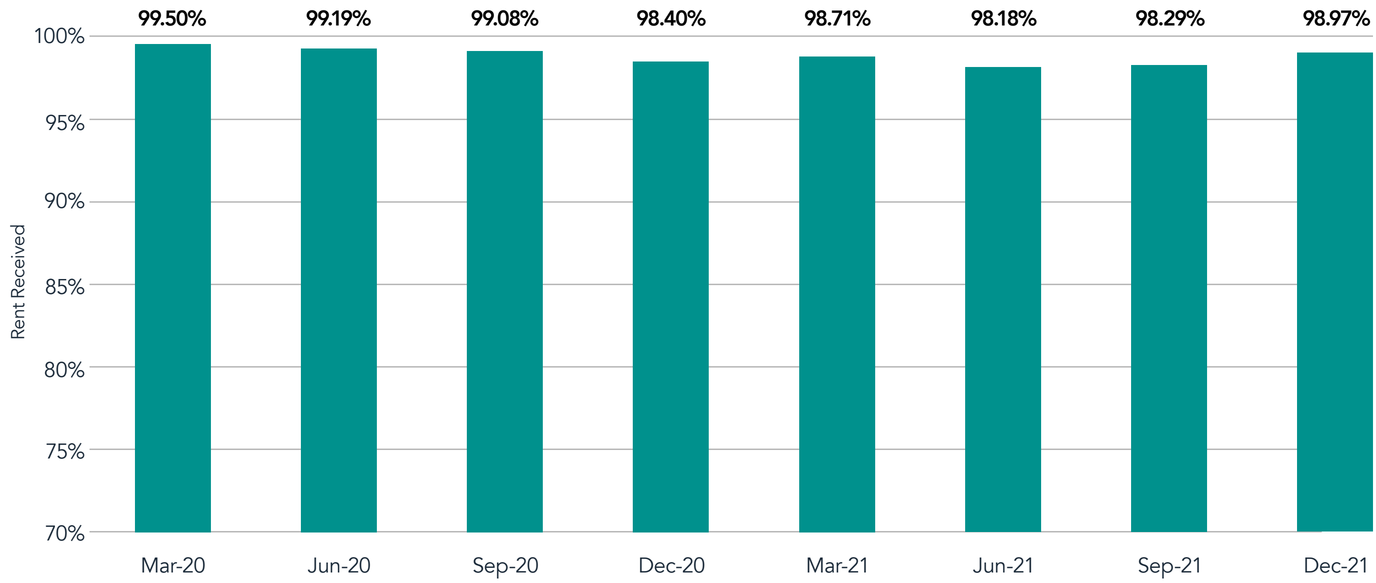
Investor Update – 31 March 2022 *continued*

4 Rent Collection, Dividend and Gearing

As shown below, we have now collected over 98% of rents during the eight quarters up to December 2021, and the current March quarter is showing an improvement over previous quarters. We now consider that rent collection has normalised to pre-Covid levels.



On 3 May 2022 the Board declared the next dividend at the annual dividend rate of 6.5p per share. The dividend of 1.625p per share will be paid on 26 May 2022.

The loan to value stood at 27.1% at 31 March 2022, 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 and rents of 50% to breach our covenants at current interest rates. Even if interest rates increased by 200 basis points from the base rate of 75 basis points as at 31 March 2022, it would require a loss of income in excess of 28% for covenants to be breached.

During the quarter we utilised the remaining £12.25m fixed rate facility with LGIM in order to fund the acquisitions of Oakdene and the DPD unit in Reading. We completed the loan with LGIM in May 2021 - it is a £30m loan at a fixed rate of 2.20% for seven years. In addition to the LGIM loan we also have a floating rate loan with Barclays - this is for £75.64m at 1.61% over Sonia (at 31 March £71.41m was drawn under this facility). Whilst increases in interest rates do not impact our LGIM interest payments, they do increase costs under our Barclays facility as it is an unhedged floating rate loan, although at present increases in interest costs are being off-set by increases in rent.

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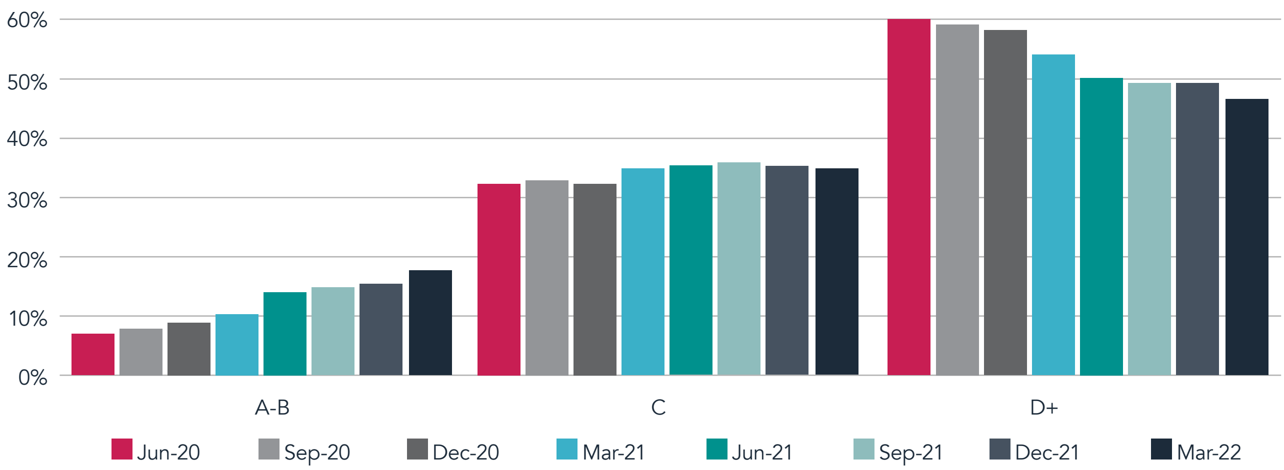
Investor Update – 31 March 2022 *continued*

5 Environmental, Social and Governance (ESG)

During the quarter we continued our work with Evora Global to develop the baseline carbon footprint, and examine the possible interventions to reduce our emissions, which will inform our net zero strategy. Tenant energy usage makes up the vast majority of the REIT's carbon footprint, and therefore collecting data from our tenants and proactively engaging with them will be key in achieving our goals. We will report on our baseline and our net zero strategy in the upcoming annual report.

It is a legal requirement to obtain an Energy Performance Certificate (or EPC) for a property before it is let. In 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. We are already taking this into account in refurbishments, fitting LED lighting accompanied by sensors, and improving insulation, amongst other enhancements which help to make our buildings more energy efficient. With all refurbishments we are aiming to achieve at least a "C" EPC rating, and ideally a "B" where it is economically viable.

Our ESG targets, policies, and reports can be found on our website:
http://www.clipstone.co.uk/environmental-social-and-governance-policies/

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 £14.1m on 31 March 2022

Bracknell

Before → After

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

Value: £7.55m in Nov 2013 to £18.05m on 31 March 2022

Chessington

Before → After

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

Value: £4m in June 2017 to £11.25m on 31 March 2022

Fareham

Before → After

Refurbishment cost: £270,000

Value: £1.9m in May 2015 to £3.3m on 31 March 2022

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 1.61% 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