

March 2023

Investment Objective

Participating Shares Class D3 USD INC invest solely in a Supermarket located in Greater Manchester, UK and let to Tesco PLC on a long, inflation-linked lease. The target annual distribution of the shares is \$7 (paid monthly).

Performance Overview



Cumulative Net Performance (%)

	Total Return	Distributions
2021 (*)	6.75	5.25
2022	13.53	6.91
2023 YTD	0.88	1.61

Source: Rasmala's Internal Performance Measurement Team (%). Performance is net of fees and expenses based on the Long Income Fund D3 USD Income share class as of 31st March 2023.
*Launch date of performance measurement period is 31st March 2021.
Historical performance is not and should not be construed as being indicative for the future or likely performance.

Portfolio Manager Commentary

The asset performed well for a second year in a row with the valuation up £1m YoY given the share class a total return of 13.5% for the year. Given the strong covenant strength of the tenant, all rents were paid on time and in full. Holders of shares received their monthly distributions of \$0.58 per share, equivalent to an annualized yield of 7% of issue price.^{1,2}

The asset had a strong valuation uplift in Q1 22 but fell sharply in Q3 22 due to cap rates moving outwards as a result of the Bank of England's ("BoE") rate hikes from 75bps to 350bps to tackle the high inflationary environment. Yields across all sectors increased due to low investment activity and high cost of financing.³

In March 2022, the rent of the property increased by over 16% and we expect to capture further upside at the next rent review in March 2027 given the current inflationary environment. The share class is partially hedged to take advantage of the pound appreciating.^{1,2}

Tesco PLC remains in a financially strong position with Bloomberg consensus expecting an increase of sales of +2.5% for the financial year. Moody's, Standard & Poor's and Fitch continue to assign an investment grade covenant strength to Tesco PLC with a stable outlook.

With the BoE looking to further hike rates in 2023 to rapidly tackle inflation, we could see further devaluation of assets in the short term, however, long term basis the outlook of this investment remains positive supported by the strong demand for the asset class and persistent inflationary environment benefiting properties with inflation linked leases such as this. Stores will become even more important as logistic costs continue to soar; occupiers are directing consumers back to stores to increase efficiencies.^{1,2}

Source:

¹ Rasmala Real Estate Funds Team

² CBRE Valuation Q1 2023

³ <https://www.bankofengland.co.uk/boeapps/database/Bank-Rate.asp>



Share Class Information

Fund	Rasmala Long Income Fund
Share Class	Class D3 USD INC
Currency	USD
Asset Type	Supermarket
Location	Manchester, UK
Tenant	Tesco PLC
Dividend Frequency	Monthly
ISIN Number	KYG7387W3408
NAV/Share	\$107.82
Monthly Dividend	\$0.58
Inception Date	31/03/2021
Investment Manager	Rasmala Investment Bank Limited
Administrator	Apex Fund Services Ltd.
Auditor	PricewaterhouseCoopers
Legal Advisors	Maples & Calder LLP
Sharia Advisor	Dar Al Sharia Limited

Asset Information^{1,2}

Asset Class	Supermarket
Property Valuation	£29,153,765
Last Valuation Report	31 March 2023
LTV	59%
Loan	£17,160,000
Rental Reviews	5-yearly RPI (0%,4%) Rent Review March 2027
Cap Rate	5.75%
Rent expiry date	25 Mar 2037
Current Rent	£1,675,875
Market Rent	£1,494,802
Expected Rent (Mar 2027)	£1,887,065
Expected Growth	12.60%

Additional share classes

Share Class	Price /Share 31/03/2023	MTD (%)	YTD (%)	Since Inception (%)	Inception Date	ISIN Number
D3 USD Inc	107.82	0.38	0.88	22.25	31/03/2021	KYG7387W3408
D5 USD Inc	87.26	0.23	0.68	0.48	31/03/2022	KYG7387W3994
D6 USD Inc	86.78	0.33	0.96	-0.65	24/05/2022	KYG7387W4075
D7 USD Inc	87.78	0.33	0.97	-1.14	30/06/2022	KYG7387W4158

Source: Apex Fund Services.

Distribution policy and capital depletion

The share class aims to make regular distributions at a pre-announced rate reviewed on a quarterly basis by the Directors of the Fund. Distribution rates are set on the basis of the average anticipated total return of the share class, are funded by available cash and can exceed the income of the underlying investment. In the event that the rate of distributions falls short of the total return achieved during a given period, the share price will decline by an amount corresponding to the shortfall leading to capital depletion.

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