



Darwin Leisure Property Fund

Monthly Update – July 2023

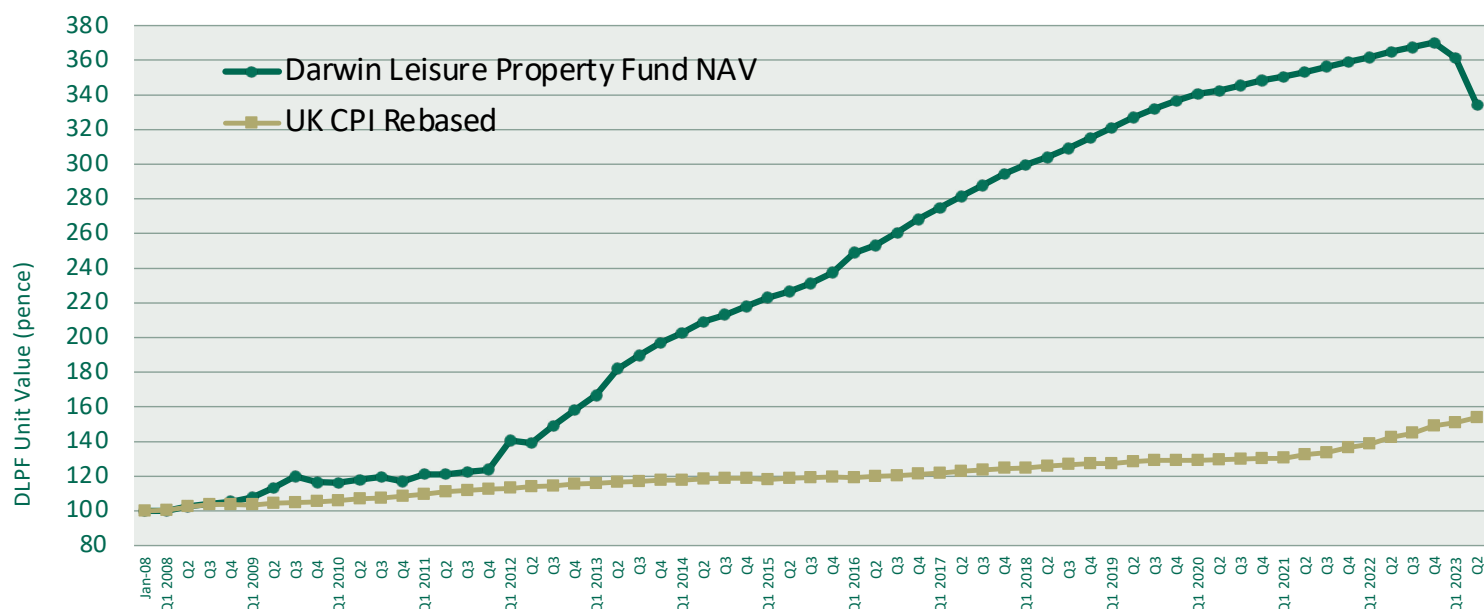
“Exit Penalty” Units



	NAV Price	Cumulative Performance %					Annual Return %	Total Return %		Annualised Return % per annum	
Unit Class	Current Month	1 Month	3 Month	6 Month	12 Month	YTD Return	2022	3 Year	5 Year	3 Year	5 Year
E Exit Penalty GBP Launch date: 6/8/12	1.5026	-24.27	-28.20	-31.96	-31.39	-31.92	+2.19	-28.24	-21.28	-10.47	-4.67
F Exit Penalty EUR Launch date: 6/8/12	1.4326	-24.04	-26.37	-29.89	-32.81	-29.53	-3.13	-24.94	-21.45	-9.12	-4.81
G Exit Penalty USD Launch date: 6/8/12	1.4749	-23.43	-26.60	-29.04	-27.53	-27.66	-8.66	-30.33	-23.52	-11.35	-5.22
I Exit Penalty SGD Launch date: 1/5/13	1.3192	-24.75	-26.85	-28.23	-30.23	-28.15	-9.05	-31.99	-24.19	-12.06	-5.39
C Accumulation Launch date: 1/1/08	2.5331	-24.21	-28.04	-31.67	-30.76	-31.58	+3.10	-26.22	-17.14	-9.64	-3.69

Source Darwin Alternatives. All data as at 31 July 2023 unless otherwise stated. C Accumulation Unit data included to provide historical returns for Fund.

Performance



Source: Darwin Alternatives. As at: 31 July 2023. Darwin Leisure Property Fund performance shown is for “C” Class Accumulation Units and based on the published NAV price.

Investment Statement – July 2023

There has been a significant decrease in the value of the NAV of the Fund this month. This has been driven by a change to the Weighted Average Cost of Capital, the measure used to discount free cash flow as part of the DCF valuation of the Fund’s assets. The WACC rate is not driven by Fund performance, it is a completely independent assessment of a valuation input and the change in rate has been driven solely by the increase in the Risk Free Rate.

The decision to change this discount rate has followed a sustained upwards movement in the Risk Free Rate, which has increased by circa 0.5% since the start of the year and 2% in the last 12 months.

The WACC is reviewed by the Board on a quarterly basis and both the Board and the Independent Valuer have always considered the long-term nature of the Fund, so have avoided changing the WACC during short term periods of market volatility. The Fund WACC has therefore remained at the same rate for a number of years. It is now, however the view of both the Board and the Fund Valuer that the Risk Free Rate is expected to stay at a heightened level for an extended period and they therefore believe that now is the right time to make an adjustment. Consequently, this decision to increase the WACC to 10.15% was approved by the Board of the Investment Manager following discussions with the Fund’s Independent Valuer.

Continued overleaf

The new WACC rate of 10.15% sits comfortably within the suitable range of WACCs which have been calculated by the Valuer. We would not therefore expect further increases to the WACC unless there are significant sustained further changes to the level of inflation and interest rates in the UK. In the same way that the WACC has increased following a sustained upward movement in the Risk Free Rate, it is possible that the WACC will reduce should there be a sustained downward movement in the rate.

The Fund Valuer has confirmed that they are seeing many clients increase their WACC rates as a result of the continued rise in the Risk Free Rate and that this is not therefore something which is only impacting the Darwin Leisure Property Fund. The Valuer believes that the Board have taken the appropriate action in changing the WACC at this time, and welcome their approach to try and ensure that there should be no further changes required in the short term.

The impact of the change to the WACC has been substantial, but investors can take comfort that the Board will apply the same processes to reduce the WACC should there be a sustained decrease in the Risk Free Rate.

The performance of the portfolio for the month was in line with what we have experienced in recent months, which has also contributed to overall Fund performance. It has been a difficult summer so far and whilst occupancy has remained strong, reflecting the robustness of the Darwin Escapes brand, rental yields remain lower than anticipated and holiday home sales appear particularly impacted by the cost-of-living crisis – a factor which is industry wide. However, we have recently started to see a change in tide with holiday home sales whilst Hosesasons have been at pains to point out how relatively well we are performing against the whole industry.

The portfolio management team is continuing to look at initiatives to reduce costs. With occupancy levels more volatile outside of peak periods, we want to create a cost base that is reactive to periods when the parks are quieter. A key element of this is to have a more flexible workforce and we are introducing training and development initiatives to ensure that team members can be utilised across a number of operational areas in order to create a more efficient workforce.

We are continuing to see a trend of last-minute bookings for holiday rentals (as we saw in the previous financial crisis). The last week of July was a strong booking week and much of this was for August holidays. There is still some limited availability for further summer holiday bookings and therefore we are expecting bookings in the coming weeks will bring us closer to achieving the original budget set for this financial year. We have also seen an encouraging level in forward rental bookings for 2024, similar to that seen at this point last year, which strongly suggests that booking volatility is stabilising. As confidence gradually starts to return to the market, we anticipate an improvement in holiday rental yield.

Finally, the cost-of-living crisis has been a jolt to the system but as this unwinds, then the spending power of consumers will improve and their undoubted desire to continue to take short breaks and holidays within the UK will increase and we will, because the brand is so desirable, benefit as a result. After all, two years ago, we had only recently come out of sustained periods of lockdown and now we look back at Covid as a bump in the road, and we believe that this is too.

Key Data						
Fund NAV:	£409.7m	€478.7m	\$526.8m	\$5699.9m	Dealing & Valuation Frequency:	Monthly
Dealing Date:	1 st business day of each month				Minimum Subscription:	10,000 in relevant currency
TER:	1.89%				Annual Management Fee:	1.75%

Strategy

The Darwin Leisure Property Fund purchases holiday parks that are set in excellent locations and where we believe we can increase income returns and generate capital growth through:

- Delivering a “Best in Class” experience for holiday home owners and holiday makers, creating a competitive advantage.
- Improved operational management to streamline the cost base and exploit economies of scale.
- Improvements in on-site facilities.
- Exploitation of planning gains to transform tenting and touring sites into high yield lodge developments.

Fund Summary

- The Darwin Leisure Property Fund is an open-ended unit trust listed on The International Stock Exchange.
- The objective of the Fund is to preserve and grow capital and provide income returns above the rate of inflation. The Fund aims to make annualised total returns of 6-8%.
- The Fund is not geared and it is not intended to be so.
- The Fund invests in holiday parks throughout the UK, which comprise either Tenting & Touring, Static Caravan or Lodge accommodation. The accommodation comprises of a mix of holiday rental and owner-occupied units.

Portfolio

Park	Location	Occupancy Type	No. of Pitches	% of Portfolio (by acre)
Aberconwy	North Wales	Owner	300	10.6%
Bath Mill	Somerset	Rental	64	6.8%
Beach Cove	Devon	Rental	27	0.9%
Canterbury Reach	Kent	Rental	27	1.2%
Cheddar Woods	Somerset	Owner & Rental	177	8.5%
Hawkchurch	Devon	Owner & Rental	120	2.0%
Keswick Reach	Cumbria	Rental	176	10.2%
Mullion Cove	Cornwall	Rental	28	0.7%
New Pines	North Wales	Owner & Rental	421	8.2%
Piran Meadows	Cornwall	Owner & Rental	186	9.6%
Sandymouth	Cornwall	Rental	130	8.2%
Seaview	North Wales	Owner & Rental	110	2.7%
Talacre Beach	North Wales	Owner & Rental	632	9.9%
Thanet Well	Cumbria	Owners & Rental	63	3.4%
Tilford Woods	Surrey	Rental	33	1.7%
Wareham Forest	Dorset	Rental	55	2.7%
Woodside Bay	Isle of Wight	Rental	120	11.9%
Woodside	Isle of Wight	Rental	36	0.7%

Trustee:
Butterfield Bank (Guernsey) Limited

Administrator:
Vistra Fund Services (Guernsey) Limited

Business Valuers:
Evelyn Partners
(formerly Smith & Williamson)

Property Valuers:
JLL

Auditors:
Grant Thornton Limited

Lawyers:
Guernsey: Collas Crill
London: Field Fisher Waterhouse

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Authority

This is a marketing communication. Please refer to the prospectus of the Darwin Leisure Property Fund before making any final investment decisions.

Disclaimer: The purpose of this document is to provide summary information for “Exit Penalty” Unit Classes and does not constitute a recommendation to buy or sell units in the fund. Any decision to buy and sell shares should be made after seeking appropriate professional advice and on the basis of the Fund’s Prospectus, available from the Administrator to investors in certain jurisdictions where the fund has been authorised. The fund can only be marketed to Eligible Investors as defined in the Prospectus. The Fund is not marketed or sold in any jurisdiction that is not legally permitted. Investments in property carry specific risks and may not guarantee a return, and the value and the income on them may go up or down, so that you may not realise the amount originally invested. Changes in exchange rates between currencies may cause the value of investments to go up or down. Persons in receipt of the information contained herein are required to inform themselves about, and observe such restrictions. Past performance is not necessarily a guide to future performance. The value of investments and the income from them can fluctuate and is not guaranteed. The views expressed are as at the date hereof and are subject to change. This document does not constitute investment or any advice. This document is produced by Darwin Alternative Investment Management Limited.