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Custodian Property Income REIT: Fund Manager Review – August 2026

This document provides a review of Custodian Property Income REIT based on the information supplied, including the March 2026 factsheet, June 2026 presentation, 2026 Annual Report, Edison research note and the notes from the latest manager presentation.

This review is slightly different from a normal open-ended fund review because Custodian Property Income REIT is an investment trust / listed REIT. It is also a specialist UK commercial property income strategy, so we need to consider the portfolio, income, dividend cover, gearing, discount risk, property valuations, tenant quality and the role it could play in a retirement income portfolio.

Strategy Overview & Objective

Custodian Property Income REIT invests in a diversified portfolio of smaller UK commercial properties, primarily outside London.

The aim is to deliver:

- A high level of income
- A stable and covered dividend
- Diversified exposure to UK commercial property
- Potential for long-term capital growth
- Rental growth through active asset management

The Annual Report describes the company as investing in diversified regional properties leased mainly to institutional-grade tenants, focused on delivering strong income returns.

The strategy is not trying to own trophy London offices or large institutional buildings.

It is focused on:

Smaller regional commercial property

This matters because Custodian believes smaller lot sizes can provide a higher income yield without necessarily increasing property-specific risk, provided the portfolio is diversified properly. The March 2026 factsheet states that the company seeks to deliver a higher level of fully covered dividend by pursuing a smaller regional property strategy.

In simple terms:

Custodian is trying to turn diversified UK commercial property into a high and stable income stream.

At a Glance

Area	Detail
Trust	Custodian Property Income REIT
Ticker	CREI
Structure	UK-listed REIT / investment trust structure
Launch	Main market listed in March 2014
Investment Manager	Custodian Capital Limited
Fund Manager	Richard Shepherd-Cross MRICS
Portfolio value	£669.3m as at 31 March 2026
Number of properties	174
Number of tenancies	470
NAV per share	99.7p as at 31 March 2026
Dividend per share	6.0p for FY26
Dividend cover	104.8% / c.105%
Dividend yield	7.5% as at 31 March 2026
Net gearing / LTV	25.9%
Ongoing charges	2.62%, or 1.28% excluding direct property expenses
Occupancy	92.4%
Weighted EPC rating	B (48)

The official final results confirmed 3.3% EPRA EPS growth to 6.3p, a 105% covered dividend of 6.0p and a 7.5% dividend yield as at 31 March 2026. The annual report also shows NAV total return of 10.0% for FY26 and share price total return of 12.7%.

A Note on Investment Trusts and REITs

Custodian is not an open-ended property fund.

That matters.

Open-ended property funds can face liquidity problems when investors want to sell and the underlying property cannot be sold quickly. A listed REIT avoids that problem at fund level because investors buy and sell shares on the stock market.

However, this creates a different risk.

The share price can trade above or below the value of the underlying property portfolio.

This means Custodian can trade:

- At a premium to NAV
- At a discount to NAV
- In line with NAV

As at 31 March 2026, the share price was 79.9p and NAV was 99.7p, implying a material discount.

This is where the opportunity becomes interesting.

If an investor buys at a discount, they are effectively buying the property portfolio for less than the stated NAV.

But this does not guarantee a profit.

The discount can narrow.

It can also widen.

In simple terms:

The discount can be your friend or your enemy.

The Yield Opportunity

The most interesting part of Custodian is the income.

The dividend for the year was 6.0p per share and was fully covered by recurring earnings. The Annual Report shows EPRA earnings per share of 6.3p and dividend cover of 104.8%.

At a share price of 79.9p, the 6.0p dividend equated to a 7.5% dividend yield.

That is attractive.

But it needs explaining properly.

If an investor buys at a lower share price, they receive the same dividend per share as every other shareholder, assuming the dividend is maintained.

So, if someone buys shares when the yield is 7.5%, and the dividend is maintained, their yield on original cost remains around that level.

If the discount narrows and the share price rises, the yield for a new investor buying later would fall.

The original investor may then have:

- The income they bought into
- A higher share price
- Potential capital growth from discount narrowing

This is the attractive part of high-yielding investment trusts.

But there is a major caveat.

The yield is only locked in if the dividend is maintained.

A high yield can reflect opportunity.

It can also reflect risk.

So the question is not simply:

What is the yield?

The better question is:

How secure is the yield?

For Custodian, the dividend cover, rental growth and diversification make the income case more credible than a simple headline yield would suggest.

Income in Retirement

This is where Custodian could become interesting for retirement planning.

In retirement, many clients want income.

Traditionally, this might come from:

- Natural income from funds
- Cash reserves
- Bond coupons
- Annuities
- Drawdown withdrawals
- Selling units from growth assets

A high-yielding investment trust can provide another source of income.

The appeal is obvious.

If a portfolio can generate more natural income, the client may need to sell fewer units to fund withdrawals.

This can be helpful in retirement, particularly when markets are weak.

However, this should not be over-sold.

Income is not risk-free.

Property income can fall.

Dividends can be cut.

Share prices can be volatile.

Discounts can widen.

Gearing can magnify losses.

So the sensible way to think about Custodian is not as a retirement solution on its own.

It is potentially one part of a diversified retirement income basket.

Building a Basket of High-Yielding Investment Trusts

There is a wider discussion here.

A basket of good-quality, high-yielding investment trusts can be attractive for retirement income.

The idea is simple:

- Buy assets trading at discounts
- Receive a higher income yield on the purchase price
- Diversify across different income sources
- Benefit if discounts narrow over time
- Avoid being forced to sell growth assets at the wrong time

That can work well.

But only if the basket is built carefully.

The danger is chasing yield.

A high yield can be a sign of value, but it can also be a warning sign.

A good income trust should be assessed on:

- Dividend cover
- Balance sheet strength
- Asset quality
- Gearing
- Discount level
- Discount history
- Liquidity
- Income growth potential
- Management quality
- Sector risk
- Whether the dividend is sustainable

For Custodian, the income case is supported by a covered dividend, rental growth and a diversified property portfolio. But it is still UK commercial property.

So it should not dominate the income basket.

A sensible high-income investment trust basket might include different sources of income, rather than relying only on property.

Custodian could have a role in that basket, but it should be sized carefully.

Investment Philosophy

The investment philosophy is built around three ideas.

1. Smaller Regional Property Can Offer Better Income

Custodian believes smaller regional properties can offer a yield premium.

The Annual Report states that the smaller-lot strategy has delivered higher yields with lower volatility, while maintaining diversification and avoiding unnecessary concentration.

The manager argues that smaller assets can provide enhanced income because they are less competed for by very large institutions.

This is not about buying low-quality assets.

It is about buying smaller properties that are still fit for purpose, well located and capable of attracting tenants.

2. Diversification Reduces Tenant and Property Risk

The portfolio has 174 properties and 470 tenancies.

No single tenant accounted for more than 3.5% of rent roll, and no single property accounted for more than 1.7% of rent roll.

This matters.

Property can be risky if one tenant leaves a major building.

Custodian reduces this risk by spreading income across many properties, tenants, sectors and regions.

3. Rental Growth Drives Long-Term Returns

The manager is clear that rental growth is the key driver.

The June presentation states that rental growth is the driver of earnings, with contractual rent up 3.4%, estimated rental value up 3.3%, a 105% covered dividend and 13% reversionary potential.

This is important.

If returns come from rental growth rather than just property yield compression, the return may be more durable.

In simple terms:

Custodian wants income today, but with rental growth tomorrow.

Team & Resources

The portfolio is managed by Custodian Capital Limited.

Richard Shepherd-Cross is Managing Director and Fund Manager. He has over 30 years' experience in commercial property and qualified as a Chartered Surveyor in 1996. Before joining Mattioli Woods, he worked at JLL, where he ran the national portfolio investment team.

The Annual Report notes that Richard established Custodian Capital as the property fund management subsidiary of Mattioli Woods and was instrumental in the 2014 launch of Custodian Property Income REIT.

This is a strength.

Commercial property is local, operational and asset-management heavy.

It is not just a spreadsheet exercise.

The manager needs to understand:

- Tenants
- Lease terms

- Local property markets
- Rental demand
- Refurbishment opportunities
- EPC requirements
- Debt costs
- Asset disposals
- Capex decisions
- Occupier behaviour

The team appears well aligned to this type of strategy.

Portfolio Overview

Custodian is diversified by sector, location and tenant.

As at 31 March 2026, the sector split by income was:

- Industrial – 42%
- Retail warehouse – 22%
- Other – 15%
- Office – 14%
- High street retail – 7%

The regional split by income included West Midlands 18%, North-West 16%, South-East 16%, East Midlands 15%, Scotland 12%, South-West 9%, North-East 9%, Eastern 4% and Wales 1%.

This is a diversified UK regional commercial property portfolio.

It is not a pure logistics REIT.

It is not a retail warehouse REIT.

It is not an office trust.

That diversification is useful.

However, the portfolio is still heavily exposed to the UK economy and UK commercial property cycle.

Tenant Quality and Income Diversification

The tenant base is one of the more important parts of the story.

The top tenants include InPost, Wickes, B&M, B&Q, Matalan, DFS, Sainsbury's, Next and others.

The June presentation states that no one property let to a single tenant represents more than 1.8% of income, and the largest tenant, InPost, represented 3.45% of rent roll across eight properties.

The presentation also states that 82% of tenants are lower than average risk based on Experian credit rating.

This helps the income case.

The risk is not removed.

Tenants can fail.

Buildings can become vacant.

But the portfolio is diversified enough that one tenant issue should not dominate the entire company.

Dividend Cover and Reversionary Potential

The dividend was 6.0p for FY26 and was 104.8% covered by recurring earnings.

The company has also identified a gap between current passing rent and estimated rental value.

The presentation shows passing rent of £49.2m and ERV of £55.6m, giving 13% reversionary potential.

This matters because it suggests there is potential for future income growth as leases renew, rents are reviewed and vacant units are re-let.

Edison also notes that the end-FY26 ERV was £55.6m, with contracted passing rent of £49.2m, and identifies the £6.4m upside as a combination of market rent reversion and vacancy reduction.

In simple terms:

The current dividend is covered, and there is some visible rental upside.

That is exactly what we want to see in an income-focused property trust.

Performance Overview

Performance has improved.

For FY26:

- NAV total return was 10.0%
- Share price total return was 12.7%
- NAV per share increased by 3.7%
- Dividend per share was 6.0p
- Dividend cover was 104.8%

The Annual Report states that the NAV total return was made up of 6.3% dividends paid and a 3.7% capital increase.

The March 2026 factsheet also shows:

Period	NAV Total Return	Share Price Total Return
Quarter	1.4%	-5.9%
1 year	10.0%	13.6%
3 years	18.3%	9.5%
5 years	31.8%	18.5%

This shows the investment trust point very clearly.

NAV and share price do not always move together.

Over five years, the NAV return was materially stronger than the share price return, reflecting the impact of discount movement.

This is why discount risk matters.

Recent Developments

The year to March 2026 was a year of growth.

The company completed three acquisitions of privately owned property companies, with a combined portfolio price of £63.8m.

These were:

- Merlin Portfolio – £19.4m
- Grove Court Portfolio – £35.9m
- Scorpion Portfolio – £8.5m

The June presentation describes these as all-share or majority-share corporate acquisitions, providing diversification, enhanced stable income, succession solutions for vendors and tax-efficient transactions.

Edison notes that the acquisitions added £66m of assets and around £5.1m of annual rent roll at acquisition, with an immediately accretive c.7% net initial yield.

This is a useful growth route.

Because the shares trade at a discount, raising new cash equity can be unattractive. But acquiring private property companies using shares on a NAV-for-NAV basis can still grow the portfolio without issuing shares at the public market discount.

That is clever.

But it needs monitoring.

Growth should only be positive if acquisitions are accretive, fit the strategy and do not weaken the balance sheet.

Balance Sheet and Gearing

The balance sheet is important because this is property.

Net gearing was 25.9% at 31 March 2026, down from 27.9% the year before.

The factsheet shows:

- LTV: 25.9%
- 69% of facilities fixed rate
- 31% revolving credit facility
- Weighted average cost of debt: 4.1%
- Weighted average unexpired term of fixed debt: 3.1 years

The presentation sets this against a portfolio income yield of 6.4% and an equivalent yield of 7.8%.

This is important.

If the portfolio income yield remains comfortably above the cost of debt, gearing can support earnings.

But if debt costs rise, rents fall, vacancies increase or valuations decline, gearing can work the other way.

The Edison note highlights that refinancing risk remains relevant, especially as lower-cost fixed debt matures and market interest rates remain higher.

Macro Environment

The current backdrop is mixed.

On the positive side:

- UK commercial property valuations have shown signs of recovery
- Rental growth has been positive
- Supply of modern or refurbished buildings is limited
- Industrial and retail warehouse demand remains supportive
- Real assets may have some inflation linkage
- Discounts in listed property may provide opportunity

On the negative side:

- Gilt yields remain volatile
- Higher interest rates pressure property valuations
- Refinancing costs are higher than in the past
- UK political uncertainty can affect sentiment
- Geopolitical events can affect inflation and bond markets
- Investor sentiment towards listed real estate remains fragile

The manager commentary notes that valuations have been recovering since Q3 2024, mainly through positive asset management, lease renewals, rental growth and refurbishment, rather than significant yield compression.

That is encouraging.

It suggests the recovery is being driven by income and asset management rather than simply hoping interest rates fall.

Discount and Yield Dynamics

This is the most interesting part for income investors.

When an investment trust trades at a discount, an investor can buy the assets at less than their stated NAV.

In Custodian's case, the discount has also increased the yield available to new buyers.

That creates two potential sources of return:

- Income from the dividend
- Capital growth if the discount narrows

Edison notes that the discount had narrowed from around 30% to around 13% by mid-June 2026, helped by corporate activity in the REIT sector and improved sentiment, although it remained a discount.

The key point is this:

If an investor buys when the yield is high, and the dividend is maintained, the income on their original purchase price remains attractive.

If the share price later rises because the discount narrows, the running yield for new buyers will be lower.

That is not a problem for the original buyer.

But it means the entry point matters.

However, this should not be confused with certainty.

A discount can stay wide for a long time.

A dividend can be cut.

NAV can fall.

Property valuations can weaken.

So the opportunity is real, but so is the risk.

ESG and Asset Quality

The environmental side matters for property.

Buildings need to remain lettable and compliant.

Custodian has been investing in refurbishment and environmental improvements. The Annual Report states that the weighted average EPC rating improved to B (48), from C (51) the previous year.

The manager notes that improving environmental performance can help attract better tenants, achieve higher rents and re-let properties faster.

This is important.

ESG here is not just a label.

It affects the future income stream.

If a building becomes environmentally obsolete, it may be harder to let and could require significant capital expenditure.

So the EPC improvement is a practical positive.

Strengths

1. Attractive Yield

The headline yield is the most obvious attraction.

A covered dividend of 6.0p and a 7.5% yield as at 31 March 2026 is appealing for income-focused investors.

2. Fully Covered Dividend

The dividend was 104.8% covered by recurring earnings.

That is important because uncovered income is always more fragile.

3. Diversified Portfolio

The trust has 174 properties and 470 tenancies, reducing reliance on any one asset or tenant.

4. Smaller Lot Strategy

The smaller regional property approach appears to provide an income advantage.

5. Rental Growth

ERV increased 3.3% like-for-like and there is 13% reversionary potential between passing rent and ERV.

6. Asset Management

The trust is actively improving assets, securing lease renewals, completing rent reviews and investing in refurbishment.

7. Accretive Acquisitions

The three FY26 corporate acquisitions increased scale and added income at attractive yields.

8. Discount Opportunity

Buying at a discount may provide future capital upside if sentiment improves.

9. Experienced Manager

Richard Shepherd-Cross and the Custodian team have long experience in UK commercial property.

10. Retirement Income Relevance

The trust has a clear potential role as part of a diversified retirement income basket.

Key Risks & Considerations

1. Investment Trust Discount Risk

The share price can trade below NAV.

The discount can narrow, but it can also widen.

2. UK Commercial Property Risk

This is a UK commercial property strategy.

It is exposed to the UK economy, tenant demand, rental levels and property valuations.

3. Interest Rate and Gilt Yield Risk

Listed property has been highly sensitive to gilt yields.

Higher rates can pressure both property valuations and share prices.

4. Gearing Risk

Gearing can support earnings when property yields exceed debt costs.

But it can magnify losses if property values fall or debt costs rise.

5. Refinancing Risk

Some debt will eventually need refinancing, and refinancing may be more expensive than historic fixed-rate debt.

6. Dividend Risk

The dividend is covered today, but it is not guaranteed.

Vacancy, tenant failures, higher debt costs or falling rents could reduce cover.

7. Vacancy Risk

Occupancy was 92.4%, which is healthy, but still means there is void exposure.

8. Valuation Risk

Property valuations are estimates.

Actual sale prices can differ from book values, especially in stressed markets.

9. Sector Exposure

Industrial and retail warehouse are currently supportive, but sector leadership can change.

Office and high street retail remain more challenged areas of the market.

10. Liquidity and Share Price Volatility

The shares are listed, but share prices can move quickly and may be affected by sentiment as much as fundamentals.

Role in a Portfolio

Custodian could have a role as:

High-Income Satellite

For portfolios where the investment committee wants exposure to high, covered income from UK commercial property.

Retirement Income Basket Holding

Custodian could form part of a diversified basket of income-producing investment trusts.

Real Asset Exposure

The trust offers exposure to commercial property and rental growth.

Discount Recovery Opportunity

The shares may benefit if listed property sentiment improves and the discount narrows.

It is less suitable as:

- A core global equity replacement
- A cautious cash substitute
- A guaranteed income solution
- A low-risk retirement income product
- A short-term trading position
- A sole property allocation
- A holding for clients who cannot tolerate capital volatility

In simple terms:

This is an income-focused property satellite.

It is not a guaranteed retirement income fund.

Key Monitoring Points

The trust should be monitored against the following:

1. Dividend Cover

Does EPRA earnings continue to cover the 6.0p dividend?

2. Rental Growth

Is ERV continuing to grow?

3. Reversion Capture

Is the 13% reversionary potential turning into passing rent?

4. Occupancy

Is occupancy improving or deteriorating?

5. Tenant Quality

Are tenant defaults increasing?

6. Discount

Is the discount narrowing, stable or widening?

7. Debt Costs

Are refinancing and RCF costs putting pressure on earnings?

8. Gearing

Is LTV remaining close to the 25% target?

9. Asset Sales

Are disposals supporting or challenging the stated NAV?

10. Capex and EPC

Is capital expenditure maintaining asset quality and future lettability?

Money Wise UK View

Custodian Property Income REIT is an interesting income-focused investment trust. The attraction is clear.

It offers:

- A high dividend yield
- A fully covered dividend
- Diversified UK commercial property exposure
- Smaller regional assets with higher income characteristics
- Rental growth potential
- A material discount to NAV
- Experienced property management
- A clear role as a retirement income satellite

The point I find most interesting is the yield.

If an investor buys at a high yield and the dividend is maintained, that income stream can be attractive for retirement planning.

If the discount narrows in the future, new investors may receive a lower yield because the share price has risen, but existing investors may benefit from both the original higher yield on cost and potential capital growth.

That is the attraction of buying good-quality income assets when they are out of favour.

But it must be balanced.

This is not risk-free income.

The risks are equally clear:

- Investment trust discount risk
- Gearing
- UK commercial property exposure
- Interest rate sensitivity
- Refinancing risk
- Tenant and vacancy risk
- Property valuation risk
- Dividend risk

For retirement planning, I would not want this to stand alone.

But as part of a carefully built basket of good-quality, high-yielding investment trusts, it could have a role.

The key is not to chase the highest yield.

The key is to find income that is covered, supported by assets, diversified and capable of growing over time.

Custodian has several of those characteristics.

The dividend is covered.

The portfolio is diversified.

Rental growth is coming through.

The discount provides potential upside.

The balance sheet appears sensibly managed, although debt costs must be watched.

A balanced conclusion:

- Attractive income opportunity
- Useful retirement income satellite
- Discount may offer capital upside
- Covered dividend is a positive
- Rental growth supports the case
- Gearing and rate sensitivity need monitoring
- Not a core holding
- Not a substitute for a diversified retirement plan

In simple terms:

Custodian looks like a credible high-income property trust, not just a high-yield trap.

But the yield should be respected, not blindly chased.

It may have a place in a diversified income portfolio, particularly for clients who understand investment trust discounts, property risk and the possibility that both capital values and income can change.

Disclaimer

Past performance is not a reliable guide to future returns. The value of investments and the income from them can fall as well as rise and investors may get back less than they invested.

Investment trusts and REITs can trade at a discount or premium to net asset value. Gearing can increase gains but can also magnify losses. Property investments may be affected by valuation changes, tenant defaults, vacancy, interest rates, refinancing costs, liquidity conditions and wider economic factors.

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