Case study

Supermarket Income REIT plc

Primary themes

Environmental | Social | Governance ✓

Approach

Direct ✓ | Collaborative | Escalation ✓

Objective

Achieved ✓ | Ongoing | Not met | N/A – interaction

Context

Supermarket Income REIT (SUPR) invests in grocery-anchored real estate across the UK. Over recent years, the company's performance and dividend coverage had weakened due to financial mismanagement by its external manager. Specifically, the manager failed to hedge the firm's floating-rate debt at a time when interest rates were historically low, leaving the company exposed when rates rose sharply from 2022 onwards. This materially increased financing costs, compressed earnings, and eroded the inflation-linked correlation between rental income and dividends.

Engagement objective

The company's business model also became less competitive as higher borrowing costs reduced its ability to acquire new assets. To address dividend pressure, the external manager proposed acquiring overseas assets in unfamiliar markets, introducing both execution and foreign exchange risk. In our view, this strategy exposed shareholders to new risks without resolving the underlying capital structure weakness.

We considered this a material stewardship issue, given the demonstration of poor governance and misaligned incentives between the external manager and shareholders, and the implications for both shareholder value and market integrity.

About the engagement

Our engagement began with a series of meetings with the external manager, followed by direct discussions with the Chair of the Board. We raised concerns about the company's leverage strategy, dividend sustainability, and the proposal to invest in overseas assets outside its area of expertise. We urged the Board to instead focus on improving balance sheet resilience by disposing of select UK assets and using the proceeds to deleverage and restore dividend coverage.

We also challenged the Board's decision-making processes and its close alignment with the external investment advisor. We emphasised that the Board appeared to prioritise assets under management (and associated advisory fees) over value creation for shareholders. Our dialogue sought greater independence between the Board and advisor and improved risk oversight, particularly around debt management.

After continued dialogue, we escalated our engagement to reinforce these concerns with the Chair and Remuneration Committee, stressing the need for governance reform and cost transparency. We shared our expectation that the company should internalise its management to better align leadership incentives with long-term shareholder outcomes.

This engagement represented a measured escalation consistent with the UK Stewardship Code 2026, where investors are expected to intensify engagement when progress is insufficient. In this case, Jupiter's investment managers moved from interactions to direct engagements with the Chair, including formal advocacy for structural reform.

Outcome

Following several rounds of engagement, Supermarket Income REIT announced a major shift in strategy that directly addressed our concerns about governance, cost efficiency and capital discipline. The company decided to bring its management function in-house, reducing its reliance on an external manager. This change is expected to make operations more efficient, cut unnecessary costs, and improve alignment between management incentives and shareholder interests.

In addition, SUPR entered a new partnership to sell a portion of its properties to a joint venture, generating funds to reduce debt and strengthen the balance sheet. The company also committed to speeding up the sale of other assets to support a more sustainable financial structure.

Collectively, these actions mark a significant step forward in restoring investor confidence, protecting dividend stability, and ensuring that management decisions are firmly focused on shareholder value.

We view this as a positive outcome from our sustained engagement, which helped encourage the company to make meaningful governance and financial reforms. We continue to monitor the progress of these initiatives closely and will maintain dialogue with the Board to ensure that these commitments translate into lasting value for shareholders.