



Standard Life Investments Long Lease Property Fund

INVESTMENT POLICY AND OBJECTIVES

The Fund is a High Lease to Value Property Fund investing in a diversified portfolio of assets let to strong financial covenants, and maintaining a minimum average unexpired property lease length of 15 years.

The Fund aims to outperform the FT All Gilt Index by 2% per annum over rolling 5 year periods.

INVESTOR CONSTITUENCY

The Fund is open to investment to institutional UK tax exempt investors.

Fund details	
Type of fund	Managed Property Fund
Residence	United Kingdom
Launch date	September 2003
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 December
NAV (GBPm)	2492.3

Source : Standard Life Investments Long Lease Property Fund

Management/professional advisors	
Manager	Standard Life Investments Limited
Investment Advisor	Ernst and Young LLP
Fund Manager	Richard Marshall

Fund manager – REITs/property shares	n/a
Trustee	n/a
Auditors	KPMG LLP

Source: Standard Life Investments Limited

Investment rates of return, %

	Standard Life Investments Long Lease Property Fund	MSCI/AREF UK Quarterly Property Fund Index		
		Long Income Funds	All balanced funds	All funds
3 months	1.2	1.4	0.3	0.3
Year-to-date	1.2	1.4	0.3	0.3
12 months	6.7	6.6	4.8	4.1
3 years+	8.1	7.6	6.1	5.6
5 years+	7.9	7.9	9.1	8.5
10 years+	9.8	-	8.3	8.5

Source: MSCI/AREF UK Quarterly Property Fund Index (Sponsored by Property Match)

Property investment restrictions

Maximum development exposure	25%
Maximum speculative development exposure	nil
Maximum rental exposure to a single tenant	20%
Maximum lot-size holding permitted at purchase	10%
Maximum exposure to limited partnerships	-
Maximum exposure to joint ventures	-
Maximum exposure to closed and open-ended property unit trusts	5%

Source: Standard Life Investments Limited

Portfolio distribution %

MSCI/AREF UK Quarterly Property Fund Index

	Standard Life Investments Long Lease Property Fund	Long Income Property Funds	All balanced funds	All funds
Standard retail – South East	9.9	9.5	7.0	5.7
Standard retail – Rest of UK	13.6	9.4	3.6	3.8
Shopping centres	0.0	0.9	2.5	7.6
Retail warehouses	0.0	2.1	13.9	13.3
All UK retail	23.5	21.9	27.1	30.4
City offices	3.6	3.9	3.7	3.3
West End offices	5.4	2.2	8.3	7.3
Rest of South East offices	6.5	5.2	11.3	7.7
Rest of UK offices	11.1	9.2	5.8	4.9
All UK offices	26.5	20.5	29.0	23.2
South East industrial	4.5	2.2	19.1	15.3
Rest of UK industrial	7.6	6.4	10.1	8.0
All UK industrial	12.0	8.5	29.2	23.4
Other UK properties	33.4	47.1	9.7	18.8
Cash***	3.4	2.0	5.1	4.3
Overall	98.9	100.0	100.0	100.0

Source: Standard Life Investments Limited

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	102	2,402.5	98.9
Joint and indirect holdings	1	27.3	1.1
Listed investments	0	0.0	0.0
Total	103	2,429.8	100.0

Source: Standard Life Investments Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
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Salford Village Living	Salford	Other property	100-150m	4.2
33 Foley Street	London	Central London offices	80-100m	3.8
QVC, Building 8 Chiswick Park	London	Other offices	80-100m	3.7
1 St John's Lane	London	Central London offices	80-100m	3.7
Travis Perkins	Warrington	Industrial	60-80m	2.9
MBMA Campus	Chester	Other offices	60-80m	2.8
Napier University	Edinburgh	Other property	60-80m	2.8
Premier Inn	London	Other property	40-60m	2.5
Tesco Colchester	Colchester	Standard retail	40-60m	2.3
Archway & Bonnington House	London	Other property	40-60m	2.3
10 largest investments as % of portfolio				31.0

Source: Standard Life Investments Limited

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	2	4.1	0.2
2.5 - 5	32	109.7	4.5
5-10	13	101.7	4.2
10-25	17	290.7	12.0
25 - 50	21	776.1	31.9
50 - 100	16	1018.4	41.9
100-150	1	101.8	4.2
Over 150	0	0.0	0.0
Total	102	2402.5	98.9
Average lot size		23.6	

Source: Standard Life Investments Limited

Property Yield

Net initial yield	4.11%
Nominal equivalent yield	5.08%
True equivalent yield	5.25%
Net reversionary yield	5.68%

Voids as % of ERV

Investments	0.1%
Developments	0.0%
Total	0.1%

Source: Standard Life Investments Limited

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	27.2	20.5
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	8.2	8.1
Other offices	21.4	18.9
Industrial	11.9	14.7
Other	31.2	37.8
Overall	100.0	100.0

Source: Standard Life Investments Limited

Comparison of rents passing and ERV by type of property*

Sector	Rent passing %	Pre-lets & rent-free periods %	Development voids %	Other voids %	Over rented %	Reversionary potential %	Net reversionary potential %	ERV %
Standard retail	110.4	0.0	0.0	0.0	-12.2	1.8	-10.4	100.0
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	83.3	0.0	0.0	0.0	0.0	16.7	16.7	100.0
Other offices	94.0	0.0	0.0	0.0	-6.4	12.4	6.0	100.0
Industrial	67.3	20.3	0.0	0.0	-0.5	13.0	12.5	100.0
Other	68.7	2.8	0.0	0.2	-1.6	30.1	28.4	100.0
Overall	83.0	4.0	0.0	0.1	-4.4	17.3	12.9	100.0

*Comprising the ERV of developments in progress or contracted which have not been pre-let

Source: Standard Life Investments Limited

Listed Investments

	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
	0.0		-

	0.0	-
	0.0	-
	0.0	-
	0.0	-
	0.0	0.0

The unexpired term of leases

Years	% of rent passing
20 years or greater	36.5
15 years or greater, but less than 20	41.7
10 years or greater, but less than 15	18.1
5 years or greater, but less than 10	3.7
Less than 5 years	0.1

Source: Standard Life Investments Limited

Joint and indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
SI Commercial Ground Rent Pension Fund	Other property	Indirect	0.0	7.2	27.3	1.1
-			0.0		0.0	-
-			0.0		0.0	-
-			0.0		0.0	-
-			0.0		0.0	-
-			0.0		0.0	-

Source: Standard Life Investments Limited

Debt analysis

Fixed rate borrowings			Variable rate borrowings		
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
0	0	0	0	0	0

0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0

Source: Standard Life Investments Limited

Development exposure*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	0	0	0
% of all directly held properties*	0.00%	0.00%	0.00%	0.00%

* Includes joint ventures in which the Fund has an interest of 50% or more

Source: Standard Life Investments Limited

Valuations/performance monitors/affiliations

Frequency of valuation	Valuations are undertaken on a rolling basis, so that each property is revalued at least once every quarter
Valuers	Jones Lang LaSalle
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Full member

Source: Standard Life Investments Limited

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	*
for investment purposes	nil
for liquidity purposes	nil
Cash holdings (maximum)	5%
Cash holdings (minimum)	*

Source: Standard Life Investments Limited

The contribution of major tenants to rental income

Tenant	%
Tesco Stores Ltd	8.1
Whitbread Group Plc	6.1
Marstons Estates Ltd	4.8
Sainbury's Ltd	4.8
Asda Stores Ltd	4.2
Salford University	3.8
QVC	3.8
Save the Children Fund	3.7
Lloyds Bank Plc	3.7
Park Holidays UK	3.5
Three largest tenants' contribution to rental income	19.0
Five largest tenants' contribution to rental income	27.9
Ten largest tenants' contribution to rental income	46.5

Source: Standard Life Investments Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2402.5	0.0	27.3	0.0	2429.8
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	85.7	0.0	0.0	0.0	85.7
Other net assets/liabilities	-23.2	0.0	0.0	0.0	-23.2
Total net assets	2465.0	0.0	27.3	0.0	2492.3
Gearing (%)					
Net debt (cash)/properties	-3.6	-	0.0	-	-3.5
Net debt (cash)/equity	-3.5	-	0.0	-	-3.4

Source: Standard Life Investments Limited

Quarterly data per unit

As at	31-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Bid (GBP)	2.9680	3.0232	3.0819	3.1437	3.1968	3.2413
Offer (GBP)	3.1980	3.2554	3.3268	3.3930	3.4542	3.4978
Mid (GBP)	3.0830	3.1393	3.2043	3.2684	3.3255	3.3695
Bid/offer spread	7.2%	7.1%	7.4%	7.3%	7.5%	7.3%
Net asset value (GBP)	3.0112	3.0668	3.1278	3.1905	3.2451	3.2894
Quarterly distribution (GBP)	-	0.00	0.00	0.00	0.00	0.00
Yield	0.00	0.00	0.00	0.00	0.00	0.00%

Source: Standard Life Investments Limited

Unit pricing

The Fund is valued each working day and a unit price is set, which will apply to all units that are bought or sold on the following working day. The method of calculating the unit price (i.e. the pricing basis) depends mainly on the overall cash flow of the fund and, more specifically, whether these cash flows result in Standard Life Investments having to purchase, sell or simply transfer stock. This gives rise to three pricing bases; the offer basis, the bid basis and the mid basis. In general, there is a positive cash flow into the fund, which means that an offer basis will be used. This basis takes account of the cost of buying investments. However, if there is an overall cash flow out of the fund, the pricing basis may be switched to a bid basis. This means that a lower unit price will apply, reflecting the cost of selling the underlying investments. We believe that by pricing the fund in this way we are being fair and equitable to both new and existing clients. As far as possible, we try to match buyers and sellers of our units. The Fund will try to minimise the cost of any transactions for its clients by only making adjustments to the pricing basis when absolutely necessary.

Distributions

The fund does not distribute income. Its gross income is reinvested in the fund.

Minimum investment/disinvestment

Minimum initial investment: GBP3,000,000

Creation, transfer and realisation of units

Units in the Fund may be created at any time at the discretion of the Manager. Units may be redeemed at any time on receipt of written notice to the Manager. The Manager reserves the right to defer redemptions for up to 12 months pending consideration of specific fund/market conditions. The Manager will also try to match buyers and sellers of units in the Fund at mid price.

Taxation

CGT and income tax: the fund is exempt from UK capital gains tax and UK income tax.

Stamp duty reserve tax: transfers of units do not attract SDRT.

Charges

The annual management charge is equivalent to 0.50% of the net asset value of the fund.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	61	22.6
1% or greater but less than 2%	13	18.8
2% or greater but less than 4%	11	29.9
4% or greater but less than 8%	2	10.3
Greater than 8.0%	2	18.4
Total	89	100.0
Major investors		
Largest holder	1	9.4
Three largest holders	3	23.8
Five largest holders	5	32.6
Ten largest holders	10	47.7
Internal/external investors		
Internal	0	0.0
External	89	100.0

Source: Standard Life Investments Limited

Liquidity						
Period	Year to Dec 2014	Year to Dec 2015	Year to Dec 2016	Year to Dec 2017	Year to Dec 2018	Year to Dec 2019
Issues and redemptions						
Units in issue as at start of period	612,923,688	630,000,734	631,529,339	646,035,268	706,504,102	734,021,364
Units issued during period	192,119,98	8,745,675	18,065,672	63,519,187	34,717,260	25,886,175
Units redeemed during period	-2,134,951	-7,217,070	-3,559,743	-3,050,353	-7,199,997	-2,215,370
Units in issue at end of period	630,000,734	631,529,339	646,035,268	706,504,102	734,021,364	757,692,169
Unit transfers						
Matched bargains	10,074,373	15,495,227	13,610,689	9,176,378	355,822	0

Matched bargains %*

1.60%

2.50%

2.10%

1.30%

0.05%

0.00%

* as % of units in issue at the end of the period

Source: Standard Life Investments Limited
