

# Standard Life Investments Pooled Pension Property Fund

## INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to deliver good long-term relative performance by investing in a diversified portfolio of UK commercial property. Its objective is to outperform its benchmark, the median return to the All Balanced Fund component of the MSCI/AREF UK Quarterly Property Fund Index on a rolling three-year basis

## INVESTOR CONSTITUENCY

The Fund is open to investment by all UK corporate pension funds and retail pension investors

Fund details	
Type of fund	Managed Fund
Residence	United Kingdom
Launch date	March 1980
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31-Dec
NAV (GBPm)	2696.0

Source: Standard Life Investments Limited

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

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

Source: Standard Life Investments Limited

#### Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index		
	Standard Life Investments Pooled Pension Property Fund	Managed Funds	All balanced funds	All funds
3 months	0.2	0.5	0.6	0.4
Year-to-date	-1.0	0.6	0.9	0.6
12 months	-1.1	1.6	3.4	2.8
3 years+	4.9	5.5	6.3	5.6
5 years+	6.1	7.0	8.3	7.6
10 years+	7.7	8.0	8.7	9.1

Source: Standard Life Investments Limited

#### Property investment restrictions

Maximum speculative development exposure	^10%
Maximum lot-size holding as a standing investment	15%
Maximum lot-size holding permitted at purchase	10%
Maximum exposure to limited partnerships	*Nil
Maximum exposure to closed and open-ended property unit trusts	20%

Source: Standard Life Investments Limited

#### Portfolio distribution %

	MSCI/AREF UK Quarterly Property Fund Index		
Standard Life Investments Pooled Pension Property Fund	Other balanced funds	All balanced funds	All funds

Standard retail – South East	7.8	7.6	7.1	5.7
Standard retail – Rest of UK	1.8	3.3	3.3	3.6
Shopping centres	6.1	1.8	2.5	7.3
Retail warehouses	13.6	13.3	13.6	13.0
<b>All UK retail</b>	<b>29.2</b>	<b>26.0</b>	<b>26.4</b>	<b>29.7</b>
City offices	8.3	3.7	3.7	3.3
West End offices	6.4	7.6	7.7	7.0
Rest of South East offices	2.1	11.6	11.1	7.7
Rest of UK offices	8.0	5.8	5.8	4.9
<b>All UK offices</b>	<b>24.8</b>	<b>28.7</b>	<b>28.4</b>	<b>22.9</b>
South East industrial	25.6	19.3	19.5	15.6
Rest of UK industrial	9.8	10.1	10.0	8.0
<b>All UK industrial</b>	<b>35.4</b>	<b>29.4</b>	<b>29.5</b>	<b>23.6</b>
Other UK properties	2.9	11.0	10.0	19.4
Cash***	4.9	4.9	5.7	4.4
<b>Overall</b>	<b>97.3</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Standard Life Investments Limited

#### Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	56	2,389.6	92.7
Joint and indirect holdings	4	187.8	7.3
Listed investments	0	0.0	0.0
<b>Total</b>	<b>60</b>	<b>2,577.4</b>	<b>100.0</b>

Source: Standard Life Investments Limited

#### Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
100 Cheapside	London	Office	100m-150m	5.1
Gravelly Industrial Park	Birmingham	Industrial	100m - 150m	5.1
Cambridge Retail Park	Cambridge	Retail	100m - 150m	4.1

3 - 8 St Andrew Square	Edinburgh	Office	80m - 100m	3.8
Plot 230 Magna Park	Milton Keynes	Industrial	80m - 100m	3.6
The Farmiloe Building	London	Office	80m - 100m	3.6
Thames Gateway Park	Dagenham	Industrial	80m - 100m	3.3
Thames Gateway Park Phase 3	Dagenham	Industrial	80m - 100m	3.1
Solihull Retail Warehouse Park	Solihull	Retail	80m - 100m	3.1
Ultrabox	Purfleet	Industrial	80m - 100m	3.1
<b>10 largest investments as % of portfolio</b>				<b>38.0</b>

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	0	0.0	0.0
2.5 - 5	0	0.0	0.0
5-10	4	35.5	1.4
10-25	18	253.0	9.8
25 - 50	14	670.5	26.0
50 - 100	18	1138.9	44.2
100-150	2	291.7	11.3
Over 150	0	0.0	0.0
<b>Total</b>	<b>56</b>	<b>2389.6</b>	<b>92.7</b>
Average lot size		42.7	

Source: Standard Life Investments Limited

Property Yield	
Net initial yield	4.48%
Nominal equivalent yield	5.13%
True equivalent yield	5.29%
Net reversionary yield	4.33%

Source: Standard Life Investments Limited

Voids as % of ERV	
Investments	8.33%
Developments	-0.10%
<b>Total</b>	<b>8.23%</b>

## Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	13.1	10.9
Retail warehousing	21.1	17.8
Shopping centres	11.1	8.7
Central London offices	10.1	12.3
Other offices	10.2	12.3
Industrial	32.6	32.0
Other	1.9	6.0
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

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	99.4	0.0	0.0	5.5	-4.9	0.0	-4.9	100.0
Retail warehousing	98.6	0.3	0.0	5.4	-4.3	0.0	-4.3	100.0
Shopping centres	105.8	0.0	0.0	3.0	-8.8	0.0	-8.8	100.0
Central London offices	68.0	26.6	0.0	3.5	0.0	1.8	1.8	100.0
Other offices	68.4	0.8	0.0	28.5	0.0	2.4	2.4	100.0
Industrial	84.4	3.9	1.3	6.4	0.0	4.0	4.0	100.0
Other	27.1	50.9	0.0	0.0	0.0	22.0	22.0	100.0
<b>Overall</b>	<b>83.0</b>	<b>7.7</b>	<b>0.4</b>	<b>7.8</b>	<b>-2.1</b>	<b>3.1</b>	<b>1.0</b>	<b>100.0</b>

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

Source: Standard Life Investments Limited

#### The unexpired term of leases

Years	% of rent passing
20 years or greater	5.7
15 years or greater, but less than 20	8.7
10 years or greater, but less than 15	12.9
5 years or greater, but less than 10	26.5

Less than 5 years

46.2

Source: Standard Life Investments Limited

#### Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Gross Fund Holding In Jput Rp	Retail warehouses	Indirect	PUT	5.0	18.0	0.7
Gross Fund Holding In Jput Sc	Shopping Centres	Indirect	PUT	4.5	54.6	2.1
Investment in GRUT	Retail	Indirect	PUT	50.0	37.9	1.5
County Mall Shopping Centre	Retail	Indirect	PUT	100.0	77.4	3.0
-	-	-	-	-	-	-
-	-	-	-	-	-	-

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	7.8	76.8	84.6	96.7
% of all directly held properties*	0.33%	3.21%	3.54%	4.05%

\* 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 month
Valuers	CB Richard Ellis
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)	10%
Cash holdings (minimum)	*

Source : Standard Life Investments Pooled Pension Property Fund

### The contribution of major tenants to rental income

Tenant	%
John Lewis	6.0
DSG Retail	4.2
Carpetright	4.2
Asda	2.8
Sainsburys	2.6
Tesco	2.6
Goodwin Procter (UK) LLP	2.5
Debenhams	2.1
Brake Bros	1.9
The London School of Economics	1.5
Three largest tenants' contribution to rental income	14.3
Five largest tenants' contribution to rental income	19.7
Ten largest tenants' contribution to rental income	30.4

Source: Standard Life Investments Limited

### Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2389.6	0.0	187.8	0.0	2577.4
Listed investments	0.0	0.0	0.0	0.0	0.0

Debt	0.0	0.0	0.0	0.0	0.0
Cash	133.9	0.0	0.0	0.0	133.9
Other net assets/liabilities	-15.2	0.0	0.0	0.0	-15.2
Total net assets	2508.3	0.0	187.8	0.0	2696.0
Gearing (%)					
Net debt (cash)/properties	-5.6	-	0.0	-	-5.2
Net debt (cash)/equity	-5.3	-	0.0	-	-5.0

Source: Standard Life Investments Limited

Quarterly data per unit						
As at	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Bid (GBp)	2.69	2.73	2.77	2.73	2.70	2.71
Offer (GBp)	2.88	2.92	2.97	2.94	2.90	2.91
Mid (GBp)	2.78	2.82	2.87	2.83	2.80	2.81
Bid/offer spread	6.52%	6.60%	6.80%	7.15%	7.00%	7.03%
Net asset value (GBp)	2.73	2.76	2.81	2.77	2.73	2.74
Yield	n/a	n/a	n/a	n/a	n/a	n/a

Source: Standard Life Investments Limited

## Unit pricing

The fund is valued at the close of business each working day and a unit price is set that will apply to all units bought and sold the following day. The method of calculating the unit price (ie 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 four pricing bases, offer, bid, mid and middle price. Middle price is simply the average of the bid and offer price. Mid price is 1.64% above bid price, and is the price basis on which the fund transfers units between buyers and sellers on the same day.

## Distributions

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

## Minimum investment/disinvestment

Minimum initial investment: GBP 50,000

## 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 has the right to delay redemptions for up to 12 months pending consideration of specific fund/market conditions. The manager will also attempt to match units in the fund with other parties at mid price.

## Taxation

### CGT and income tax:

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	224	30.8
1% or greater but less than 2%	9	13.4
2% or greater but less than 4%	7	21.1
4% or greater but less than 8%	2	8.5
Greater than 8.0%	2	26.2
<b>Total</b>	<b>244</b>	<b>100.0</b>
Major investors		
Largest holder	1	14.9
Three largest holders	3	30.6
Five largest holders	5	38.5
Ten largest holders	10	53.7
Internal/external investors		
Internal	12	23.1
External	232	76.9

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
<b>Issues and redemptions</b>						
Units in issue as at start of period	1,270,663,099	1,331,573,412	1,346,687,918	1,256,348,164	1,162,271,895	1,071,252,639
Units issued during period	60,910,312	15,114,506	-90,339,754	-94,076,268	-91,019,256	-89,075,314
Units in issue at end of period	1,331,573,412	1,346,687,918	1,256,348,164	1,162,271,895	1,071,252,639	982,177,325
<b>Unit transfers</b>	-	-	-	-		
Matched bargains	-	-	-	-	0	0
Matched bargains %*					0	0.00%

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

Source: Standard Life Investments Limited