

# Royal London UK Real Estate Fund

## INVESTMENT POLICY AND OBJECTIVES

The investment objective of the ACS is to aim to outperform the 12 month total return of the ACS's benchmark, the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index. This index measures quarterly total returns on a net asset value basis.

## INVESTOR CONSTITUENCY

The Fund is open to investment by UK and overseas sophisticated investors only

Fund details	
Type of fund	Co-ownership Authorised Contractual Scheme (CoACS)
Residence	United Kingdom
Launch date	1st October 2017
Open/closed-ended	Open-ended
Earliest date of winding up	n/a
Year-end	31 December
NAV (GBPm)	3315.6

Management/professional advisors	
Manager	Royal London Asset Management Ltd
Investment Advisor	Royal London Asset Management Ltd
Property Fund Manager	Stephanie Hacking
Depository	HSBC Bank plc
Auditors	PricewaterhouseCoopers LLP

	Royal London UK Real Estate Fund	MSCI/AREF UK Quarterly Property Fund Index *		
		Other balanced open-ended funds	All balanced open-ended funds	All funds
3 months	1.6	1.2	1.1	1.4
Year-to-date	3.5	1.7	1.7	1.7
12 months	2.1	-0.4	0.1	0.0
3 years+	3.5	0.4	0.6	0.0
5 years+	3.4	1.4	1.5	0.6
10 years+	-	5.1	4.8	4.0

Note: \* Weighted average returns + Annualised

Source: MSCI/AREF UK Quarterly Property Fund Index

Fund Restraints	
<b>Property investment restrictions</b>	
Maximum development exposure	25% of Net Asset Value
Maximum speculative development exposure	n/a
Maximum lot-size holding as a standing investment	n/a
Maximum lot-size holding permitted at purchase	n/a
Maximum exposure to limited partnerships	n/a
Maximum exposure to joint ventures	n/a
Maximum exposure to closed and open-ended property unit trusts	15% of Net Asset Value
<b>Restrictions on holdings of cash/borrowings</b>	
Maximum total gearing permitted	20% of NAV
Cash holdings (maximum)	n/a
Cash holdings (minimum)	n/a

	Royal London UK Real Estate Fund*	MSCI/AREF UK Quarterly Property Fund Index**		
		Other balanced open-ended funds	All balanced open-ended funds	All funds
Standard retail – South East	15.2	4.2	3.7	3.4
Standard retail – Rest of UK	1.1	1.1	1.1	1.2
Supermarkets	0.0	0.7	1.1	1.7
Shopping centres	0.0	0.6	0.9	0.6
Retail warehouses	9.2	12.3	12.0	7.4

<b>All UK retail</b>	25.5	<b>19.0</b>	<b>18.8</b>	<b>14.4</b>
City offices	4.8	3.0	3.1	2.6
West End offices	20.7	7.5	6.6	4.8
Rest of South East offices	1.5	6.3	6.3	5.2
Rest of UK offices	2.5	4.6	4.0	4.4
<b>All UK offices</b>	<b>29.5</b>	<b>21.4</b>	<b>20.0</b>	<b>17.0</b>
South East industrial	7.4	19.2	20.1	18.0
Rest of UK industrial	1.9	7.7	7.2	6.5
South East Distribution Warehouse	14.8	5.1	5.4	4.1
Rest of UK Distribution Warehouse	3.2	6.4	6.3	5.3
<b>All UK Industrial</b>	<b>27.3</b>	<b>38.3</b>	<b>39.1</b>	<b>33.8</b>
Residential excl Student Accomodation	0.0	0.5	1.3	2.4
Student Accomodation	0.0	2.8	3.3	10.7
Hotel	3.9	3.7	3.2	6.1
Leisure	0.0	1.8	2.2	4.1
Healthcare	0.0	1.8	1.3	1.4
Other UK properties	0.2	3.8	3.2	4.1
Cash***	13.6	6.8	7.7	6.0
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\*\* MSCI/AREF UK Quarterly Property Fund Index

^ Includes Investment in Indirects

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	61	2,562.2	97.1
Joint and indirect holdings	1	76.1	2.9
Listed investments	0	0	0.0
<b>Total</b>	<b>62</b>	<b>2,638.3</b>	<b>100.0</b>

Largest direct investments by lot size & percentage of total portfolio				
Property	Location	Sector	Valuation (GBPm)	% of total portfolio
The Earnshaw, 77-99 New Oxford Street	LONDON	Office	200-300	*
111-117 & 120-122 New Bond St, 21-37 Brook St, 4-20 Avery Row & 1-13 Lancashire Court	LONDON	Retail Other	200-300	*
Ham Yard Hotel	LONDON	Hotel	100-200	*
25 Wilton Road & 295 Vauxhall Bridge Road	LONDON	Office	50-100	*
Westminster Industrial Estate	LONDON	Industrial	50-100	*
1a Wimpole Street	LONDON	Office	50-100	*
470-482 Oxford Street	LONDON	Retail Other	50-100	*
The Distillery, 1-3 & 5-9 Broad Pain and 102 Avon Street	BRISTOL	Office	50-100	*
1-3 Uxbridge Road	HAYES	Industrial	50-100	*
9-12 Bow Street & 57/59 Long Acre	LONDON	Retail Other	50-100	*
<b>10 largest investments as % of portfolio</b>				

Note: \* RLAM has requested MSCI not to make this estimate

Direct portfolio structure by lot-size bands			
Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	1	1.2	0.0
2.5 - 5	5	15.5	0.6
5-10	5	37.9	1.4
10-25	20	340.9	12.9
25 - 50	12	438.6	16.6
50 - 100	15	1071.0	40.6
100 - 150	1	117.9	4.5
Over 150	2	539.2	20.4
<b>Total</b>	<b>61</b>	<b>2562.2</b>	<b>97.1</b>
Average lot size		42.0	

Property Yield*		Voids as % of ERV*	
Net initial yield	4.06%	Investments	12.27%
Nominal equivalent yield	-	Developments	1.76%
True equivalent yield	6.01%	Total	14.03%

Net reversionary yield

5.22%

**Rental income & ERV by type of property\***

	Rental income %	Estimated rental value %
Standard retail	17.0	16.4
Retail warehousing	18.5	12.3
Shopping centres	0.0	0.0
Central London offices	23.7	31.8
Other offices	7.7	7.6
Industrial	30.1	29.9
Other	3.1	1.8
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

**Over Renting and Reversionary Potential, % Rent Passing**

Sector	Rent Passing, GBP Millions	Rent Free , % Rent Passing	Development vacancy, % Rent Passing	Investment vacancy, % Rent Passing	Over rented,% Rent Passing	Reversionary potential,% Rent Passing	Reversionary potential Net of Over renting,% Rent Passing	Market Value,% Rent Passing
Standard retail	17.4	2.4	1.1	46.3	-22.9	40.1	17.2	140.1
Retail warehousing	19.0	3.1	-	-	-7.1	-3.1	-10.2	96.9
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	24.4	60.8	12.1	11.5	-4.7	94.5	89.8	194.5
Other offices	7.9	3.5	-	37.7	-2.4	43.7	41.3	143.6
Industrial	30.9	5.8	-	16.0	-0.1	44.3	44.3	144.3
Other	3.2	-	-	-	-13.0	-13.0	-25.9	87.0
<b>Overall</b>	<b>102.7</b>	<b>17.4</b>	<b>3.1</b>	<b>18.3</b>	<b>-6.9</b>	<b>45.0</b>	<b>38.0</b>	<b>145.0</b>

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

**Listed Investments**

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

**The unexpired term of leases % of rent passing**

Years	Including breaks	Excluding breaks
20 years or greater	11.7	11.7
15 years or greater, but less than 20	0.0	0.0
10 years or greater, but less than 15	16.3	17.9
5 years or greater, but less than 10	29.2	48.6
Less than 5 years	42.7	21.7

**Joint and Indirect property holdings**

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation (GBPm)	Est. % of total portfolio
IPIF Units	Industrial	Indirect	-	100.0	76.1	2.9
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

**Debt analysis**

Fixed rate borrowings			Variable rate borrowings		
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)	Amount drawn (GBPm)	Rate above Risk Free Rates (incl expenses) (%)	Off balance sheet debt (GBPm)+
-	-	-	-	-	-
-	-	-	-	-	-

-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

#### Development exposure\*

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

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

#### Valuations/performance monitors/affiliations

Frequency of valuation	Quarterly
Valuers	Cushman & Wakefield and CBRE
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Yes

#### The contribution of major tenants to rental income

Tenant	%
LONDON WILTON ROAD CENTRE LIMITED	5.9
BEVERAGE SERVICES LIMITED	4.8
MARKS AND SPENCER P.L.C.	3.1
FIRMDALE HOLDINGS LTD	3.1
GENESIS OIL AND GAS CONSULTANTS LTD	3.0
HUGO BOSS UK LIMITED	2.2
MATALAN RETAIL LIMITED	2.0
TJX UK	1.7
SAINSBURY'S SUPERMARKETS LTD	1.7
ROYAL MAIL GROUP LIMITED	1.6
Three largest tenants' contribution to rental income	13.8
Five largest tenants' contribution to rental income	19.9
Ten largest tenants' contribution to rental income	29.0

#### Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2562.2	0.0	76.1	0.0	2638.3
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	260.5	0.0	260.5
Cash	416.9	0.0	0.0	0.0	416.9
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	2979.1	0.0	336.5	0.0	3315.6
Gearing (%)					
Net debt (cash)/properties	-16.3	-	-342.3	-	-25.7
Net debt (cash)/equity	-14.0	-	-77.4	-	-20.4

#### Quarterly data per unit

As at	31-Mar-23	30-Jun-23	30-Sep-23	31-Dec-23	31-Mar-24	30-Jun-24
Bid (GBP)	109.171	108.927	108.172	105.923	107.062	107.831
Offer (GBP)	114.159	113.904	113.114	110.763	111.953	112.764
Mid (GBP)	111.665	111.415	110.643	108.343	109.508	110.298
Bid/offer spread	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%
Net asset value (GBP)	110.834	110.586	109.819	107.536	108.693	109.473
Quarterly distribution (GBP)	0.665	0.753	0.598	0.894	0.913	0.948
Yield	2.24%	2.28%	2.39%	2.71%	2.91%	3.06%

Source: RLAM

#### Unit pricing

Valuation Point:

23.59 U.K. time each Dealing Day (and the valuation shall exclude any income in respect of the interim accounting period ending on that Dealing Day)

Dealing frequency:

Quarterly on the last calendar day of each calendar quarter (i.e. the 31 March, 30 June, 30 September and 31 December) (a Dealing Day)

## Distributions

the 15th calendar day following the end of the relevant accounting period

## Minimum investment/disinvestment

Minimum initial investment: £50m

Minimum subsequent investment: £10m

Minimum holding: £10m

Minimum redemption £10m

## Creation, transfer and realisation of units

Subscription Cut-Off Point:

In order for an application to be dealt with at the above Valuation Point on any Dealing Day an order must have been received by 17.00 U.K. time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. In respect of the initial offer of Units only, the ACS Manager may, at its discretion, accept certain applications for Units which are received after the

Subscription Cut-Off Point.

Subscription Cut-Off Point:

## Taxation

The ACS is transparent and is not a taxable entity for UK tax purposes. As such, it is not subject to tax in the UK on income or gains arising on underlying investments.

The ACS is a type of UK fund structure developed to be tax-transparent in the UK and elsewhere. While it is expected that non-UK tax authorities will also recognise it as being tax-transparent, this may not prove to be the case in all jurisdictions.

## Charges

Annual Management Charge: 0.70%

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	0	0.0
1% or greater but less than 2%	1	1.4
2% or greater but less than 4%	1	3.0
4% or greater but less than 8%	1	4.6
Greater than 8.0%	2	91.0
<b>Total</b>	<b>5</b>	<b>100.0</b>
Major investors		
Largest holder	1	52.4
Three largest holders	3	95.6
Five largest holders	5	100.0
Ten largest holders	-	-
Internal/external investors		
Internal	4	97.0
External	1	3.0

Liquidity						
Period	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023	Year to Dec 2024
<b>Issues and redemptions</b>						
Units in issue as at start of period	28,080,283	28,080,283	28,080,283	28,080,283	30,865,488	30,865,488
Units issued during period	0	-	-	2,785,204.99	0	908,525.08
Units redeemed during period	-	-	-	-	-	-
Units in issue at end of period	28,080,283	28,080,283	28,080,283	30,865,488	30,865,488	31,774,013
<b>Unit transfers</b>						
Matched bargains	-	-	-	-	-	-
Matched bargains %*	-	-	-	-	-	-

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