

LPI (Limited Price Inflation) Income Property Fund

INVESTMENT POLICY AND OBJECTIVES

The policy of the Fund is to provide pension investors with a secure inflation-hedged return using property as an alternative to traditional index-linked gilts and bonds. Its benchmark is the UK Retail Price Index ('RPI').

INVESTOR CONSTITUENCY

Approved UK defined benefit pension schemes.

Fund details

Type of fund	Pooled Direct Real Estate Fund
Residence	United Kingdom
Launch date	May 2010
Open/closed-ended	Open-ended**
Earliest date of winding up	Not applicable
Year-end	31 March
NAV (GBPm)	1451.9

Source: Legal & General Investment Management Limited

Management/professional advisors

Manager	Legal & General Investment Management Limited
Investment Advisor	Legal & General Investment Management Limited
Fund Manager	Derek Gilby
Corporate trustee	Not applicable
Auditors	PwC

Source: Legal & General Investment Management Limited

Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index*		
		Long Income Funds	All balanced funds	All funds
	LPI (Limited Price Inflation) Income Property Fund			
3 months	0.0	1.4	0.3	0.0
Year-to-date	0.0	5.5	1.6	0.7
12 months	0.0	5.5	1.6	0.7
3 years+	0.0	7.6	6.0	5.3
5 years+	0.0	7.2	6.6	6.0
10 years+	0.0		7.7	7.7

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

Note: * Weighted average returns + Annualised

Property investment restrictions

Maximum development exposure	15%
Maximum speculative development exposure	Nil
Maximum lot-size holding as a standing investment	25%
Maximum lot-size holding permitted at purchase	25%
Maximum exposure to limited partnerships	Nil
Maximum exposure to joint ventures	33%
Maximum exposure to closed and open-ended property unit trusts	Nil

Note: *None specified

Portfolio distribution %

	LPI (Limited Price Inflation) Income Property Fund + *	MSCI/AREF UK Quarterly Property Fund Index***		
		Long Income Funds	All balanced funds	All funds
Standard retail – South East	3.2	9.1	6.8	5.6
Standard retail – Rest of UK	8.1	9.0	3.2	3.6
Shopping centres	0.0	0.8	2.0	6.6
Retail warehouses	0.0	2.0	12.0	10.8
All UK retail	11.3	20.8	23.9	26.5
City offices	0.0	3.8	3.3	2.9
West End offices	0.0	2.4	8.0	6.7
Rest of South East offices	8.1	5.5	10.8	7.6
Rest of UK offices	24.9	8.6	5.9	5.0
All UK offices	33.0	20.3	28.0	22.2
South East industrial	0.0	2.2	19.9	15.9
Rest of UK industrial	12.2	6.3	10.2	8.3
All UK industrial	12.2	8.6	30.1	24.2
Other UK properties	40.4	48.5	10.7	21.4
Cash***	3.1	1.8	7.3	5.7
Overall	100.0	100.0	100.0	100.0

Note: + Includes the Fund's share of any properties held jointly or indirectly

Sources: * Legal & General Investment Management Limited

** MSCI/AREF UK Quarterly Property Fund Index (Sponsored by PropertyMatch)

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	71	1,406.2	100.0
Joint and indirect holdings	0	0.0	0.0
Listed investments	0	0.0	0.0
Total	71	1,406.2	100.0

Source: Legal & General Investment Management Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Private Individual, Doncaster	Doncaster	Industrial	75-80	0.0%
Private Individual, Birmingham	Birmingham	Office	75-80	0.0%
Private Individual, Liverpool	Liverpool	Office	75-80	0.0%
Private Individual, Newcastle	Newcastle	Other	55-60	0.0%
Private Individual, Pub Portfolio	Various	Other	55-60	0.0%
Private Individual, Glasgow	Glasgow	Standard Retail	50-55	0.0%
Private Individual, Aberystwyth	Aberystwyth	Other	50-55	0.0%
Private Individual, Glasgow	Glasgow	Office	45-50	0.0%
Private Individual, Littlehampton	Littlehampton	Standard Retail	45-50	0.0%
Private Individual, Epsom	Epsom	Office	45-50	0.0%
10 largest investments as % of portfolio			0.0	0%

Source: Legal & General Investment Management Limited

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	1	0.4	0.0
2.5 - 5	23	4.2	0.3
5-10	5	19.3	1.4
10-25	21	320.9	22.8
25 - 50	15	607.8	43.2

50 - 100	6	453.7	32.3
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	71	1406.2	100.0
Average lot size		19.8	

Source: Legal & General Investment Management Limited

Property Yield		Voids as % of ERV	
Net initial yield	3.79%	Investments	0.00%
Nominal equivalent yield	0.00%	Developments	0.00%
True equivalent yield	0.00%	Total	0.00%
Net reversionary yield	0.00%		

Source: Legal & General Investment Management Limited

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	13.5	12.1
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	30.3	34.8
Industrial	13.1	10.8
Other	43.1	42.3
Overall	100.0	100.0

Source: Legal & General Investment Management Limited

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	7.7	0.0	0.0	0.0	-17.4	0.0	-17.4	109.1	
Retail warehousing	-	-	-	-	-	-	-	-	
Shopping centres	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-	
Central London offices	-	-	-	-	-	-	-	-	
Other offices	17.2	35.0	0.0	0.0	-67.9	0.0	-67.9	139.5	
Industrial	7.5	0.0	0.0	0.0	-3.9	0.0	-3.9	99.5	
Other	24.5	26.5	0.0	0.0	-16.6	0.0	-16.6	119.1	
Overall	57.0	22.0	0.0	0.0	-30.6	0.0	-30.6	121.4	

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

Source: Legal & General Investment Management 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
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	0.0

The unexpired term of leases	
Years	% of rent passing
20 years or greater	81.3
15 years or greater, but less than 20	18.7
10 years or greater, but less than 15	0.0
5 years or greater, but less than 10	0.0
Less than 5 years	0.0

Source: Legal & General Investment Management Limited

Joint and indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
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	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	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	0.0	0.0	0.0

Source: Legal & General Investment Management 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	0	0	0	0

Source: Legal & General Investment Management 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: Legal & General Investment Management Limited

Valuations/performance monitors/affiliations	
Frequency of valuation	Monthly, as at the last day of the month
Valuers	Knight Frank
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: Legal & General Investment Management Limited

Restrictions on holdings of cash/borrowings	
Maximum total gearing permitted	
for investment purposes	Nil
for liquidity purposes	Nil
Cash holdings (maximum)	20%
Cash holdings (minimum)	None

Source: Legal & General Investment Management Limited

The contribution of major tenants to rental income	
Tenant	%
Private Individual	7.6
Private Individual	7.5
Private Individual	6.3
Private Individual	6.2
Private Individual	5.8
Private Individual	5.3
Private Individual	4.7

Private Individual	4.6
Private Individual	4.3
Private Individual	4.3
Three largest tenants' contribution to rental income	21.5
Five largest tenants' contribution to rental income	33.4
Ten largest tenants' contribution to rental income	56.6

Source: Legal & General Investment Management Limited

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1406.2	0.0	0.0	0.0	1406.2
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	45.7	0.0	0.0	0.0	45.7
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	1451.9	0.0	0.0	0.0	1451.9
Gearing (%)					
Net debt (cash)/properties	-3.3	-	-	-	-3.3
Net debt (cash)/equity	-3.1	-	-	-	-3.1

Source: Legal & General Investment Management Limited

Quarterly data per unit						
As at	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19	30-Sep-19	31-Dec-19
Bid (GBP)	-	-	-	-	-	-
Offer (GBP)	-	-	-	-	-	-
Mid (GBP)	-	-	-	-	-	-
Bid/offer spread	-	-	-	-	-	-
Net asset value (GBP)	1.9591	2.0339	2.0652	2.0953	2.1277	2.1568

Source: Legal & General Investment Management Limited

Unit pricing

The unit price is calculated monthly following the revaluation of the Fund's portfolio.

Distributions

The Fund is an accumulation fund and its gross income is reinvested.

Minimum investment/disinvestment

The minimum investment in the fund is GBP1.00m

Creation, transfer and realisation of units

Units may be created at any time at the discretion of the manager.

Trustees wishing to redeem units may give notice on Redemption Notice Day which is the last day of each month. To avoid penalizing other investors in the Fund and ensure stability, Trustees should expect to wait nine months between any redemption request and the receipt of the proceeds.

The manager will attempt to match buyers and sellers of units in the Fund on a monthly basis.

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 Fund Manager is entitled to a Management Charge (payable quarterly) equivalent to 0.35% per annum of the net asset value of the Fund.

Unit holder analysis	
Number of unitholders	Total % held

Less than 1% of units in issue	30	11.1
1% or greater but less than 2%	9	12.2
2% or greater but less than 4%	9	22.7
4% or greater but less than 8%	7	37.5
Greater than 8.0%	2	16.6
Total	57	100.0
Major investors		
Largest holder	1	8.7
Three largest holders	3	23.3
Five largest holders	5	34.9
Ten largest holders	10	54.6
Internal/external investors		
Internal	0	0.0
External	57	100.0

Source: Legal & General Investment Management 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	237,399,704	392,130,331	468,379,340	533,542,516	586,363,861	673,616,855
Units issued during period	155,256,847	79,028,941	69,425,939	58,935,132	92,392,386	28,656,960
Units redeemed during period	-52,621,9	-2,779,933	-4,262,762	-6,113,786	-5,139,392	-18,837,303
Units in issue at end of period	392,130,331	468,379,340	533,542,516	586,363,861	673,616,855	683,436,512
Unit transfers						
Matched bargains	-	-	-	-	0	0
Matched bargains %*	-	-	-	-	0	0

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

Source: Legal & General Investment Management Limited