

## Royal London Property Fund

### INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to provide the investor with an income return from a diversified portfolio of UK properties, while making acquisitions and disposals at the right time in the market cycle to extract maximum capital growth. The Fund's benchmark is the Other Balanced Fund component of the MSCI/AREF UK Quarterly Property Fund Index.

### INVESTOR CONSTITUENCY

The Fund is open to investment by institutional investors including pension funds, SIPPs, investment trusts and charities, wealth managers and individual investors.

Fund details	
Type of fund	Property Authorised Investment Fund
Residence	United Kingdom
Launch date	May 1991*
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 June
NAV (GBPm)	403.0

Source: Royal London Asset Management

Management/professional advisors	
Manager	Royal London Asset Management Ltd
Investment advisor	Royal London Asset Management Ltd
Property fund manager	Gareth Dickinson
Depository	National Westminster Bank Plc
Auditors	PricewaterhouseCoopers

Source: Royal London Asset Management

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index		
	Royal London Property Fund	Other balanced funds	All balanced funds	All funds
3 months	0.3	0.3	0.3	0.0
Year-to-date	0.6	1.8	1.6	0.7
12 months	0.6	1.8	1.6	0.7
3 years+	4.0	6.5	6.0	5.3
5 years+	4.9	7.2	6.6	6.0
10 years+	7.0	8.1	7.7	7.7

Source: Royal London Asset Management

Property investment restrictions	
Maximum development exposure	*
Maximum speculative development exposure	10%
Maximum lot-size holding as a standing investment	15%
Maximum lot-size holding permitted at purchase	15%
Maximum exposure to limited partnerships	*
Maximum exposure to joint ventures	*

Maximum exposure to closed and open-ended property unit trusts

\*

Source: Royal London Asset Management

## Portfolio distribution %

	Royal London Property Fund	MSCI/AREF UK Quarterly Property Fund Index		
		Other balanced funds	All balanced funds	All funds
Standard retail – South East	7.3	7.4	6.8	5.6
Standard retail – Rest of UK	3.4	3.0	3.2	3.6
Shopping centres	0.0	1.3	2.0	6.6
Retail warehouses	11.0	12.3	12.0	10.8
<b>All UK retail</b>	<b>21.7</b>	<b>24.0</b>	<b>23.9</b>	<b>26.5</b>
City offices	5.5	3.6	3.3	2.9
West End offices	14.4	7.6	8.0	6.7
Rest of South East offices	7.6	11.6	10.8	7.6
Rest of UK offices	1.9	6.3	5.9	5.0
<b>All UK offices</b>	<b>29.5</b>	<b>29.1</b>	<b>28.0</b>	<b>22.2</b>
South East industrial	19.2	19.6	19.9	15.9
Rest of UK industrial	13.3	10.5	10.2	8.3
<b>All UK industrial</b>	<b>32.5</b>	<b>30.1</b>	<b>30.1</b>	<b>24.2</b>
Other UK properties	9.5	11.7	10.7	21.4
Cash***	6.7	5.1	7.3	5.7
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source: Royal London Asset Management

## Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	34	375.8	100.0
Joint and indirect holdings	0	0	0.0
Listed investments	0	0	0.0
<b>Total</b>	<b>34</b>	<b>375.8</b>	<b>100.0</b>

Source: Royal London Asset Management

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

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
15-18 RATHBONE PLACE	LONDON	Office	30-40	*
TRIDENT INDUSTRIAL ESTATE	HODDESDON	Industrial	20-30	*
41 EASTCHEAP	LONDON	Office	20-30	*
28-32 LEXINGTON STREET	LONDON	Office	20-30	*
CAIRNGORM RETAIL PARK	MILTON KEYNES	Retail Park	20-30	*
UNIT 5 NORREYS DRIVE	MAIDENHEAD	Office	10-20	*
COMPASS BUSINESS PARK	CHESSINGTON	Industrial	10-20	*
WAITROSE	RAYNES PARK	Retail Other	10-20	*
KINGS RIDE PARK	ASCOT	Industrial	10-20	*
JUNCTION 8 BUSINESS PARK	ELLESMERE PORT	Industrial	10-20	*

### 10 largest investments as % of portfolio

Source: Royal London Asset Management

## Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	2	3.1	0.8
2.5 - 5	4	16.7	4.4
5-10	14	107.6	28.6
10-25	14	248.5	66.1

25 - 50	0	0.0	0.0
50 - 100	0	0.0	0.0
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
<b>Total</b>	<b>34</b>	<b>375.8</b>	<b>100.0</b>
Average lot size		11.1	

Source: Royal London Asset Management

Property Yield		Voids as % of ERV	
Net initial yield	5.02%	Investments	1.56%
Nominal equivalent yield	0.00%	Developments	0.00%
True equivalent yield	5.42%	Total	1.56%
Net reversionary yield	5.23%		

Source: Royal London Asset Management

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	11.5	11.3
Retail warehousing	14.6	13.7
Shopping centres	0.0	0.0
Central London offices	17.5	18.8
Other offices	14.7	11.8
Industrial	32.3	35.6
Other	9.4	8.8
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

Source: Royal London Asset Management

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	2.3	5.7	0.0	0.0	-6.5	2.0	-4.5	102.0
Retail warehousing	2.9	7.8	0.0	0.0	-12.3	-1.8	-14.0	98.2
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	3.5	4.5	0.0	7.5	-1.8	11.5	9.7	111.5
Other offices	3.0	0.0	0.0	0.0	-17.5	-16.5	-34.0	83.5
Industrial	6.5	4.0	0.0	1.0	-0.2	15.0	14.8	115.0
Other	1.9	0.0	0.0	0.0	-1.9	-1.9	-3.9	98.1
<b>Overall</b>	<b>20.2</b>	<b>3.9</b>	<b>0.0</b>	<b>1.6</b>	<b>-5.7</b>	<b>4.2</b>	<b>-1.4</b>	<b>104.2</b>

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

Source: Royal London Asset Management

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

The unexpired term of leases	
Years	% of rent passing
20 years or greater	0.0
15 years or greater, but less than 20	2.3

10 years or greater, but less than 15	11.7
5 years or greater, but less than 10	28.2
Less than 5 years	57.8

Source: Royal London Asset Management

#### 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: Royal London Asset Management

#### 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: Royal London Asset Management

#### 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: Royal London Asset Management

#### Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, on the last working day of the month
Valuers	Cushman and Wakefield
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: Royal London Asset Management

#### Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	10.0%
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Source : Royal London Property Fund

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

Tenant	%
GLAXOSMITHKLINE SERVICES	8.5
TECHNICOLOUR LIMITED	5.6
PREMIER INN HOTELS LTD	4.8
PARTS ALLIANCE GROUP LTD	3.3
FURNITURE VILLAGE LTD	3.3
WAITROSE	3.2

DFS FURNITURE CO LTD	2.8
BROCADE COMMUNICATIONS UK LIMITED	2.6
SMITH INTERNATIONAL (NORTH SEA) LTD	2.6
STAPLETON'S (TYRE SERVICES) LIMITED	2.6
Three largest tenants' contribution to rental income	18.9
Five largest tenants' contribution to rental income	25.6
Ten largest tenants' contribution to rental income	39.5

Source: Royal London Asset Management

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	375.8	0.0	0.0	0.0	375.8
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	27.2	0.0	0.0	0.0	27.2
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	403.0	0.0	0.0	0.0	403.0
Gearing (%)					
Net debt (cash)/properties	-7.2	-	-	-	-7.2
Net debt (cash)/equity	-6.7	-	-	-	-6.7

Source: Royal London Asset Management

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)	3.070	3.061	3.028	3.000	2.980	2.961
Offer (GBP)	3.295	3.292	3.250	3.234	3.209	3.183
Mid (GBP)	3.183	3.176	3.139	3.117	3.095	3.072
Bid/offer spread	6.8%	7.0%	6.8%	7.2%	7.2%	7.0%
Net asset value (GBP)	3.113	3.105	3.070	3.045	3.023	3.003
Quarterly distribution (GBP)	0.026	0.022	0.032	0.029	0.028	0.030
Yield	3.1%	3.2%	3.5%	3.6%	3.7%	4.0%

Source: Royal London Asset Management

## Unit pricing

The share price is calculated monthly on valuation day, the last working day of each month.

## Distributions

Distributions of income are made monthly, on the 14th of each month.

## Minimum investment/disinvestment

Minimum initial	GBP100,000
Minimum additional investment:	GBP100,000
Minimum redemption:	GBP100,000
Minimum holding:	GBP100,000

## Creation, transfer and realisation of units

Investment into the Fund is on the monthly Dealing Day. This is the seventh business day of each month. All deals will be transacted at

the price which is determined at the Valuation Point for that month (the last business day of the prior month as described following). Applications to purchase shares on a particular Dealing Day must be received by RLAM in writing before close of business on the 15th of each month. (e.g. applications received on or before 15 June will be invested at the price determined on the last day of June, with the investment made on the 7th business day of July.)

Investments can be made at any time during the month. Any cash received prior to the Dealing Day will be held in a Designated Client Money Account until the next Dealing Day when shares will be purchased with this cash holding. Interest will not be paid on cash while awaiting investment.

Late applications will be carried forward to the next Dealing Day.

Shares can be sold/redeemed at any time. Applications to redeem shares must be received by RLAM, in writing, at least three months in advance of the relevant Valuation Point. (e.g. applications received on or before 1 June will be redeemed at the price determined on the last business day of August, with the redemption made on the 7th business day of September.)

If the ACD is instructed to send the money to the investor's bank or building society account this will be accepted as a request to send money by telegraphic transfer (the ACD reserves the right to pass on the cost for this service). If the investor sells enough Shares that the value of their holding falls below the minimum holding amount required, then the ACD has the right to sell all of the investor's remaining shares.

A contract note will be sent confirming the transaction.

If a redemption request exceeds 5% of the value of the Fund, then the ACD, following consultation with the Depositary that it is in the best interest of the holders and the Fund, may defer a request to redeem shares and carry forward any redemption applications to the next Dealing Day, subject to a maximum delay of one Dealing Day.

## **Taxation**

The following is a summary of current law and practice and is subject to change. The information should not be regarded as legal or tax advice.

### **Capital Gains Tax**

The Fund is exempt from capital gains tax.

### **Income Tax**

While distributions of income are made net of income tax, shareholders are able to reclaim the tax deducted, and vouchers for this purpose are sent to shareholders with each distribution.

### **Stamp duty reserve tax**

Transfers of shares are subject to SDRT, currently 0.5%.

### **Charges**

#### **Preliminary charge:**

The Fund no longer has a preliminary charge.

#### **Annual charge**

The manager is entitled to a minimum fee equivalent to 0.75% pa of the net asset value of the Fund (which is deducted on a monthly basis).

#### **Performance fee**

The Fund's quartile ranking against the Other Balanced Fund Index component of the MSCI/AREF UK Quarterly Property Fund Index for the most recently available Year will be taken and applied to the following table:

If performance as compared to the Other Balanced Funds Index component of the MSCI/AREF UK Quarterly Property Fund Index falls into the fourth (bottom) quartile of the index, then the performance fee will be negative at -0.10%. (Any negative performance fee will be deducted from the AMC and will not result in a rebate to the unitholder.)

If performance falls into the third quartile of the index, then no performance fee will be payable.

If performance falls into the second quartile of the index, then a performance fee of 0.10% will be payable.

If performance falls into the first (top) quartile of the index, then a performance fee of 0.30% will be payable.

The performance fee will be calculated, and paid out of Scheme Property on a monthly basis, at each monthly valuation point and will be paid to the Investment Adviser at the same time as the periodic management charge is also paid to the ACD.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	14	1.4
1% or greater but less than 2%	1	1.2
2% or greater but less than 4%	1	2.6

4% or greater but less than 8%	3	14.9
Greater than 8.0%	2	79.9
<b>Total</b>	<b>21</b>	<b>100.0</b>
Major investors		
Largest holder	1	53.4
Three largest holders	3	86.0
Five largest holders	5	94.8
Ten largest holders	10	99.6
Internal/external investors		
Internal	2	79.9
External	19	20.1

Source: Royal London Asset Management

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	55,529,574	65,835,647	70,951,553	66,603,576	65,088,098	65,067,878
Units issued during period	11753460	5,565,337	1,887,531	203,220	293,931	243,358
Units redeemed during period	-1447388	-449431	-6,235,507	-1,718,698	-314,151	-1,467,893
Units in issue at end of period	65,835,647	70,951,553	66,603,576	65,088,098	65,067,878	63,843,343
<b>Unit transfers</b>						
Matched bargains	-	-	7396207	-	0	0
Matched bargains %*	-	-	0.111	-	0	0.00%

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

Source: Royal London Asset Management