

# AXA UK Long Lease Property Fund

## INVESTMENT POLICY AND OBJECTIVES

The Fund seeks to provide real estate based stable long term income mostly from rents with inflation indexation or fixed periodic uplifts and the potential for capital growth to aim to meet the investment objectives of investors with long term liabilities. The Fund aims to invest directly in a diversified portfolio of UK Real Estate assets and maintain a weighted unexpired lease term ("WAULT") in excess of 20 years at a fund level and higher portfolio level tenant covenant strength relative to the MSCI All Quarterly and Monthly Valued Funds measured by portfolio covenant strength tests. The Fund targets a long term net income distribution of 4.5% p.a.

## INVESTOR CONSTITUENCY

The Fund is regulated in Jersey as an expert fund. It is suitable only for those who fall within the definition of 'expert investors' for the purposes of the Jersey Expert Fund Guide published by the Commission.

Fund details	
Type of fund	Unauthorised Open ended Property Unit Trust
Residence	Jersey
Launch date	31 October 2012
Open/closed-ended	Open Ended
Earliest date of winding up	N/a
Year-end	31st March
NAV (GBPm)	444.6

Management/professional advisors	
Fund Investment Advisor and Partnership Manager	AXA Investment Managers UK
Partnership Investment Advisor	AXA IM UK
Fund Manager	Ian Pollard
Managing Trustee	Saltgate Ltd
Auditors	PwC

	AXA UK Long Lease Property Fund	MSCI/AREF UK Quarterly Property Fund Index *		
		Long Income Funds	All balanced funds	All funds
3 months	2.9	3.1	3.8	3.7
Year-to-date	4.8	5.0	6.0	5.6
12 months	8.8	7.3	8.5	6.9
3 years+	5.6	5.4	3.0	1.8
5 years+	6.9	6.5	4.9	3.9
10 years+	-		6.7	6.1

Note: \* Weighted average returns + Annualised

Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	20%
Maximum speculative development exposure	0%
Maximum lot-size holding as a standing investment	15%
Maximum lot-size holding permitted at purchase	15%
Maximum exposure to limited partnerships	0%
Maximum exposure to joint ventures	0%
Maximum exposure to closed and open-ended property unit trusts	0%

Portfolio distribution %	MSCI/AREF UK Quarterly Property Fund Index**
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	AXA UK Long Lease Property Fund*	Long Income Property Funds	All balanced funds	All funds
Standard retail – South East	12.2	8.1	5.0	4.6
Standard retail – Rest of UK	13.1	8.6	2.3	3.2
Shopping centres	0.0	0.6	1.1	3.4
Retail warehouses	0.0	1.8	10.4	8.7
<b>All UK retail</b>	<b>25.4</b>	<b>19.1</b>	<b>18.8</b>	<b>20.0</b>
City offices	0.0	3.9	3.6	3.2
West End offices	0.9	6.1	8.5	7.5
Rest of South East offices	0.0	5.0	9.7	7.0
Rest of UK offices	0.0	8.6	5.4	5.0
<b>All UK offices</b>	<b>0.9</b>	<b>23.7</b>	<b>27.2</b>	<b>22.7</b>
South East industrial	5.8	3.2	23.8	19.5
Rest of UK industrial	15.1	7.6	12.6	10.3
<b>All UK Industrial</b>	<b>20.8</b>	<b>10.8</b>	<b>36.4</b>	<b>29.9</b>
Other UK properties	47.7	44.2	10.6	21.9
Cash***	5.2	2.3	7.0	5.5
<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

#### Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	37	407.3	100.0
Joint and indirect holdings	0	0	0.0
Listed investments	0	0	0.0
<b>Total</b>	<b>37</b>	<b>407.3</b>	<b>100.0</b>

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

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
JURYS INN HOTEL	LIVERPOOL	Hotel	25-50m	-
HOLLAND & BARRETT DC1	BURTON-ON-TRENT	Industrial	25-50m	-
TESCO	DERBY	Retail Other	25-50m	-
NAPIER UNIVERSITY	EDINBURGH	Apartments- Applicable Not Categorized	10-25m	-
MANOR LODGE	CHELMSFORD	Healthcare	10-25m	-
KNEBORTH CARE HOME	KNEBORTH	Healthcare	10-25m	-
FINZELS REACH	BRISTOL	Hotel	10-25m	-
ACCOR IBIS HOTEL	LONDON	Hotel	10-25m	-
GEOPOST	FELTHAM	Industrial	10-25m	-
BELONG VILLAGE CARE HOME	NEWCASTLE	Healthcare	10-25m	-
<b>10 largest investments as % of portfolio</b>				<b>53.4</b>

#### Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	2	4.4	1.1
2.5 - 5	8	28.2	6.9
5-10	10	78.0	19.1
10-25	14	212.8	52.2
25 - 50	3	98.2	24.1
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>37</b>	<b>421.5</b>	<b>103.5</b>
Average lot size		11.4	

Property Yield*	
Net initial yield	4.40%
Nominal equivalent yield	-
True equivalent yield	4.70%
Net reversionary yield	5.59%

Voids as % of ERV*	
Investments	0.00%
Developments	-
Total	-

Rental income & ERV by type of property*		
	Rental income %	Estimated rental value %
Standard retail	26.0	31.0
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	1.0	0.8
Other offices	0.0	0.0
Industrial	22.0	18.4
Other	50.9	49.9
<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	5.3	0.0	0.0	0.0	-17.1	40.2	23.2	140.2	
Retail warehousing	-	-	-	-	-	-	-	-	
Shopping centres	-	-	-	-	-	-	-	-	
Central London offices	0.2	0.0	0.0	0.0	-4.8	-4.8	-9.5	95.2	
Other offices	-	-	-	-	-	-	-	-	
Industrial	4.5	0.0	0.0	0.0	-4.0	-1.7	-5.8	98.3	
Other	10.4	0.0	0.0	0.0	-2.0	15.6	13.5	115.6	
<b>Overall</b>	<b>20.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-6.4</b>	<b>18.0</b>	<b>11.6</b>	<b>118.0</b>	

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

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

The unexpired term of leases	
Years	% of rent passing
20 years or greater	40.6
15 years or greater, but less than 20	44.8
10 years or greater, but less than 15	14.6
5 years or greater, but less than 10	0.0
Less than 5 years	0.0

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

## 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	

## 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

## Valuations/performance monitors/affiliations

Frequency of valuation	Quarterly
Valuers	CBRE
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	No
Member of the Association of Real Estate Funds	Yes

## Restrictions on holdings of cash/borrowings

Maximum total gearing permitted*	2%
for investment purposes	0%
for liquidity purposes*	2%
Cash holdings (maximum)	-
Cash holdings (minimum)	-

\* Note: This is an internal Fund Manager Guideline

## The contribution of major tenants to rental income

Tenant	%
JURYS HOTEL MANAGEMENT (UK) LIMITED	not specified
TESCO	not specified
CARE UK	not specified
HOLLAND & BARRETT RETAIL LIMITED	not specified
IBIS (ACCOR)	not specified
PREMIER INN HOTELS LTD	not specified
DPD GROUP UK LTD	not specified
NAPIER UNIVERSITY	not specified
PITCHER & PIANO / MARSTON	not specified
OXFORD INSTRUMENTS	not specified
Three largest tenants' contribution to rental income	not specified
Five largest tenants' contribution to rental income	0.0
Ten largest tenants' contribution to rental income	0.0

## Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	421.5	0.0	0.0	0.0	421.5
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	23.1	0.0	0.0	0.0	23.1
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	444.6	0.0	0.0	0.0	444.6
Gearing (%)					
Net debt (cash)/properties	-5.5	-	-	-	-5.5
Net debt (cash)/equity	-5.2	-	-	-	-5.2

Quarterly data per unit						
As at	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20	31-Mar-21	30-Jun-21
Bid (GBP)	11,914.140	11,668.443	11,785.940	11,883.530	11,984.790	12,190.84
Offer (GBP)	12,870.670	12,604.269	12,728.830	12,832.870	12,942.660	13,182.05
Mid (GBP)	12,392.405	12,136.356	12,257.385	12,358.200	12,463.725	12,686.45
Bid/offer spread	7.43%	7.42%	7.41%	7.40%	7.40%	7.52%
Net asset value (GBP)	n/a	n/a	n/a	n/a	n/a	n/a
Quarterly distribution (GBP)	n/a	n/a	n/a	n/a	n/a	n/a
Yield	n/a	n/a	n/a	n/a	n/a	n/a

Note

### Unit pricing

The Unit Price is calculated quarterly on working day ten post quarter end.

### Distributions

Income distributions are made quarterly, on business day 19 post quarter end. There is a Dividend Re-Investment Plan ("DRIP").

### Minimum investment/disinvestment

£1million

### Creation, transfer and realisation of units

Unitholders wishing to subscribe for Units must deliver to the Managing Trustee and the Fund Investment Adviser written notice at least ten Business Days prior to a Quarter End ("Dealing Day") stating the amount they wish to subscribe for. Subscriptions are drawn down from Unitholders on an as-needed basis, for specific investments and to cover fees, costs and expenses. Unitholders whose Subscription Agreements are accepted on the same Dealing Day are grouped into the same Drawdown Vintage; each Unitholder's undrawn Subscription Amount will be drawn down pro-rata with the other Unitholders' undrawn Subscription Amounts in the same Drawdown Vintage.

Units may be redeemed on each Quarter End, on delivery to the Managing Trustee and Fund Investment Adviser of a written Redemption Notice in advance of the Quarter End stating the value of the Units they wish to redeem. This is subject to a minimum redemption of at least £1 million and the minimum lock up period of two years. Redemption requests are subject to the Queueing System and the Gate System. If more than 10% of the GAV is in the redemption queue, the Managing Trustee will not accept new Redemption Notices until the total redemption requests in the queue are below 2.5% of the GAV.

### Taxation

This is a summary of the Partnership Manager's understanding of the tax position of the Fund as at January 2016. Prospective investors should take their own tax advice as to the particular taxation effects on their investment in the Fund. The Fund is an open-ended Jersey unit trust and should be treated as transparent for the purposes of UK tax on income. As an offshore entity, it should be outside the scope of UK tax on chargeable gains.

The Partnership is an English limited partnership. As such, it should be transparent for UK tax purposes in respect of income and gains.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	1	0.1
1% or greater but less than 2%	1	1.7
2% or greater but less than 4%	1	3.5
4% or greater but less than 8%	0	0.0

Greater than 8.0%	3	94.7
<b>Total</b>	<b>6</b>	<b>100</b>
<b>Major investors</b>		
Largest holder	1	0.0
Three largest holders	3	0.0
Five largest holders	5	0.0
Ten largest holders	10	0.0
<b>Internal/external investors</b>		
Internal	1	16.0
External	5	84.0

## Liquidity

Period	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021
<b>Issues and redemptions</b>				
Units in issue as at start of period	29849	31347	35,208	35,254
Units issued during period	1498	4465	46	11
Units redeemed during period	0	-604	0	0
Units in issue at end of period	31347	35208	35,254	35,265
<b>Unit transfers</b>				
Matched bargains	0	0	0	0
Matched bargains %*	0	0	0	0.00

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