

Standard Life Investments Long Lease Property Fund

INVESTMENT POLICY AND OBJECTIVES

The Fund is a High Lease to Value Property Fund investing in a diversified portfolio of assets let to strong financial covenants, and maintaining a minimum average unexpired property lease length of 15 years.

The Fund aims to outperform the FT All Gilt Index by 2% per annum over rolling 5 year periods.

INVESTOR CONSTITUENCY

The Fund is open to investment to institutional UK tax exempt investors.

Fund details	
Type of fund	Managed Property Fund
Residence	United Kingdom
Launch date	September 2003
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 December
NAV (GBPm)	2598.4

Source : Standard Life Investments Long Lease Property Fund

Management/professional advisors	
Manager	Standard Life Investments Limited
Investment Advisor	Ernst and Young LLP
Fund Manager	Richard Marshall
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 Long Lease Property Fund	Long Income Funds	All balanced funds	All funds
3 months	1.6	1.4	0.3	0.0
Year-to-date	5.5	5.5	1.6	0.7
12 months	5.5	5.5	1.6	0.7
3 years+	8.0	7.6	6.0	5.3
5 years+	7.3	7.2	6.6	6.0
10 years+	8.4		7.7	7.7

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

Property investment restrictions	
Maximum development exposure	25%
Maximum speculative development exposure	nil
Maximum rental exposure to a single tenant	20%
Maximum lot-size holding permitted at purchase	10%
Maximum exposure to limited partnerships	-
Maximum exposure to joint ventures	-
Maximum exposure to closed and open-ended property unit trusts	5%

Source: Standard Life Investments Limited

Portfolio distribution %

	Standard Life Investments Long Lease Property Fund	MSCI/AREF UK Quarterly Property Fund Index		
		Long Income Property Funds	All balanced funds	All funds
Standard retail – South East	9.7	9.1	6.8	5.6
Standard retail – Rest of UK	13.1	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	22.8	20.8	23.9	26.5
City offices	3.6	3.8	3.3	2.9
West End offices	5.1	2.4	8.0	6.7
Rest of South East offices	6.3	5.5	10.8	7.6
Rest of UK offices	10.4	8.6	5.9	5.0
All UK offices	25.4	20.3	28.0	22.2
South East industrial	5.0	2.2	19.9	15.9
Rest of UK industrial	8.4	6.3	10.2	8.3
All UK industrial	13.4	8.6	30.1	24.2
Other UK properties	34.5	48.5	10.7	21.4
Cash***	2.8	1.8	7.3	5.7
Overall	98.9	100.0	100.0	100.0

Source: Standard Life Investments Limited

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	104	2,514.2	98.9
Joint and indirect holdings	1	28.4	1.1
Listed investments	0	0.0	0.0
Total	105	2,542.6	100.0

Source: Standard Life Investments Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
Salford Village Living	SALFORD	Apartments	100-150m	4.1
1 St John's Lane	LONDON	Office	80-100m	3.7
QVC, Building 8 Chiswick Park	LONDON	Office	80-100m	3.6
33 Foley Street	LONDON	Office	80-100m	3.5
Travis Perkins	WARRINGTON	Industrial	60-80m	2.8
Napier University	EDINBURGH	Apartments	60-80m	2.7
MBMA Campus	CHESTER	Office	60-80m	2.6
Premier Inn	LONDON	Hotel	60-80m	2.5
Archway & Bonnington House	LONDON	Other	40-60m	2.3
Tesco Colchester	COLCHESTER	Retail Other	40-60m	2.3
10 largest investments as % of portfolio				30.2

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	2	4.4	0.2
2.5 - 5	32	109.1	4.3
5-10	11	90.2	3.5
10-25	20	349.3	13.7
25 - 50	22	818.9	32.2
50 - 100	16	1038.6	40.8
100-150	1	103.7	4.1
Over 150	0	0.0	0.0
Total	104	2514.2	98.9
Average lot size		24.2	

Source: Standard Life Investments Limited

Property Yield	
Net initial yield	4.23%
Nominal equivalent yield	5.22%
True equivalent yield	5.24%
Net reversionary yield	5.56%

Source: Standard Life Investments Limited

Voids as % of ERV	
Investments	0.1%
Developments	0.0%
Total	0.1%

Rental income & ERV by type of property		
	Rental income %	Estimated rental value %
Standard retail	26.4	19.7
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	7.9	8.0
Other offices	20.2	18.1
Industrial	12.4	14.3
Other	33.1	40.0
Overall	100.0	100.0

Source: Standard Life Investments 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	29.2	0.0	0.0	0.0	-3.8	-9.3	-13.1	88.4
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	8.7	0.0	0.0	0.0	0.0	21.7	21.7	120.2
Other offices	22.4	0.0	0.0	0.1	-1.7	8.9	7.2	105.5
Industrial	13.8	2.9	0.0	0.0	-0.2	42.2	42.0	135.8
Other	36.7	4.0	0.0	0.0	-0.9	51.1	50.2	142.8
Overall	110.8	6.9	0.0	0.1	-6.6	22.6	16.1	118.3

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

Source: Standard Life Investments 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

The unexpired term of leases	
Years	% of rent passing
20 years or greater	49.3
15 years or greater, but less than 20	29.2
10 years or greater, but less than 15	17.9
5 years or greater, but less than 10	3.6
Less than 5 years	0.0

Source: Standard Life Investments Limited

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
SL COMMERCIAL GROUND RENT PENSION FUND	Other	Indirect	0.0	7.1	28.4	1.1
-	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: Standard Life Investments 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	

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	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: 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 quarter		
Valuers	Jones Lang LaSalle		
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)	5%
Cash holdings (minimum)	*

Source: Standard Life Investments Limited

The contribution of major tenants to rental income

Tenant	%
Tesco Stores Limited	7.8
Premier Inn Hotels Limited / Whitbread plc	5.9
J Sainsbury plc / Sainsbury's Supermarkets Limited	4.8
Marston's plc	4.6
Asda Stores Limited	4.0
Salford Villages Limited / University of Salford	3.8
QVC	3.7
Save the Children Fund	3.6
Lloyds Bank plc	3.5
Poundland Limited	3.5
Three largest tenants' contribution to rental income	18.5
Five largest tenants' contribution to rental income	27.1
Ten largest tenants' contribution to rental income	45.2

Source: Standard Life Investments Limited

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2514.2	0.0	28.4	0.0	2542.6
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	74.1	0.0	0.0	0.0	74.1
Other net assets/liabilities	-18.4	0.0	0.0	0.0	-18.4
Total net assets	2569.9	0.0	28.4	0.0	2598.4
Gearing (%)					
Net debt (cash)/properties	-2.9	-	0.0	-	-2.9
Net debt (cash)/equity	-2.9	-	0.0	-	-2.9

Source: Standard Life Investments 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)	3.1437	3.1968	3.2413	3.2910	3.3319	3.3889
Offer (GBP)	3.3930	3.4542	3.4978	3.5523	3.5968	3.6581
Mid (GBP)	3.2684	3.3255	3.3695	3.4217	3.4643	3.5235
Bid/offer spread	7.3%	7.5%	7.3%	7.4%	7.4%	7.4%
Net asset value (GBP)	3.1905	3.2451	3.2894	3.3400	3.3815	3.4394
Quarterly distribution (GBP)	0.00	0.00	0.00	0.00	0.00	0.00
Yield	0.00	0.00	0.00	0.00	0.00	0.00%

Source: Standard Life Investments Limited

Unit pricing

The Fund is valued each working day and a unit price is set, which will apply to all units that are bought or sold on the following working day. The method of calculating the unit price (i.e. 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 three pricing bases; the offer basis, the bid basis and the mid basis. In general, there is a positive cash flow into the fund, which means that an offer basis will be used. This basis takes account of the cost of buying investments. However, if there is an overall cash flow out of the fund, the pricing basis may be switched to a bid basis. This means that a lower unit price will apply, reflecting the cost of selling the underlying investments. We believe that by pricing the fund in this way we are being fair and equitable to both new and existing clients. As far as possible, we try to match buyers and sellers of our units. The Fund will try to minimise the cost of any transactions for its clients by only making adjustments to the pricing basis when absolutely necessary.

Distributions

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

Minimum investment/disinvestment

Minimum initial investment: GBP3,000,000

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 reserves the right to defer redemptions for up to 12 months pending consideration of specific fund/market conditions. The Manager will also try to match buyers and sellers of units in the Fund at mid price.

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 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	58	23.1
1% or greater but less than 2%	14	19.9
2% or greater but less than 4%	10	26.2
4% or greater but less than 8%	2	12.1
Greater than 8.0%	2	18.7
Total	86	100.0

Major investors		
Largest holder	1	9.5
Three largest holders	3	25.8
Five largest holders	5	34.6
Ten largest holders	10	48.3
Internal/external investors		
Internal	0	0.0
External	86	100.0

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
Issues and redemptions						
Units in issue as at start of period	612,923,688	630,000,734	631,529,339	646,035,268	706,504,102	734,021,364
Units issued during period	192,119,988	8,745,675	18,065,672	63,519,187	34,717,260	30,892,736
Units redeemed during period	-2,134,951	-7,217,070	-3,559,743	-3,050,353	-7,199,997	-9,433,102
Units in issue at end of period	630,000,734	631,529,339	646,035,268	706,504,102	734,021,364	755,480,998
Unit transfers						
Matched bargains	10,074,373	15,495,227	13,610,689	9,176,378	355,822	7,983,339
Matched bargains %*	1.60%	2.50%	2.10%	1.30%	0.05%	1.06%

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

Source: Standard Life Investments Limited