

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)	402.6

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

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	0.1	0.6	0.6	0.4
Year-to-date	0.0	1.0	0.9	0.6
12 months	1.8	4.1	3.4	2.8
3 years+	4.0	6.6	6.3	5.6
5 years+	6.4	8.9	8.3	7.6
10 years+	7.9	9.1	8.7	9.1

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 %

MSCI/AREF UK Quarterly Property Fund Index

	Royal London Property Fund	Other balanced funds	All balanced funds	All funds
Standard retail – South East	7.9	7.6	7.1	5.7
Standard retail – Rest of UK	5.8	3.3	3.3	3.6
Shopping centres	0.0	1.8	2.5	7.3
Retail warehouses	12.4	13.3	13.6	13.0
All UK retail	26.1	26.0	26.4	29.7
City offices	5.4	3.7	3.7	3.3
West End offices	14.5	7.6	7.7	7.0
Rest of South East offices	8.0	11.6	11.1	7.7
Rest of UK offices	1.8	5.8	5.8	4.9
All UK offices	29.6	28.7	28.4	22.9
South East industrial	18.7	19.3	19.5	15.6
Rest of UK industrial	13.1	10.1	10.0	8.0
All UK industrial	31.8	29.4	29.5	23.6
Other UK properties	9.5	11.0	10.0	19.4
Cash***	3.0	4.9	5.7	4.4
Overall	100.0	100.0	100.0	100.0

Source: Royal London Asset Management

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	36	390.7	100.0
Joint and indirect holdings	0	0	0.0
Listed investments	0	0	0.0
Total	36	390.7	100.0

Source: Royal London Asset Management

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
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15-18 RATHBONE PLACE	LONDON	Office	30-40	*
28-32 LEXINGTON STREET	LONDON	Office	20-30	*
CAIRNGORM RETAIL PARK	MILTON KEYNES	Retail Park	20-30	*
TRIDENT INDUSTRIAL ESTATE	HODDESDON	Industrial	20-30	*
41 EASTCHEAP	LONDON	Office	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	3	5.2	1.3
2.5 - 5	2	8.3	2.1
5-10	15	108.5	27.8
10-25	15	232.6	59.5
25 - 50	1	36.2	9.3
50 - 100	0	0.0	0.0
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	36	390.7	100.0
Average lot size		10.9	

Source: Royal London Asset Management

Property Yield	
Net initial yield	4.99%
Nominal equivalent yield	5.08%
True equivalent yield	5.25%

Voids as % of ERV	
Investments	2.63%
Developments	0.00%
Total	2.63%

Net reversionary yield 5.25%

Source: Royal London Asset Management

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	13.8	13.6
Retail warehousing	15.5	14.8
Shopping centres	0.0	0.0
Central London offices	16.5	17.9
Other offices	14.2	11.3
Industrial	31.2	34.0
Other	8.8	8.5
Overall	100.0	100.0

Source: Royal London Asset Management

Comparison of rents passing and ERV by type of property*

Sector	Rent passing %	Pre-lets & rent-free periods %	Development voids %	Other voids %	Over rented %	Reversionary potential %	Net reversionary potential %	ERV %
Standard retail	96.5	0.0	0.0	4.9	-4.6	3.2	-1.5	100.0
Retail warehousing	99.4	5.2	0.0	0.0	-7.7	3.1	-4.7	100.0
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	88.0	0.0	0.0	8.8	-1.6	4.9	3.2	100.0
Other offices	119.7	0.0	0.0	0.0	-21.0	1.3	-19.7	100.0
Industrial	87.3	1.3	0.0	1.2	-0.2	10.4	10.2	100.0
Other	99.4	0.0	0.0	0.0	-0.7	1.4	0.6	100.0
Overall	95.1	1.2	0.0	2.6	-4.6	5.6	1.0	100.0

*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
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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	4.1
10 years or greater, but less than 15	15.0
5 years or greater, but less than 10	25.7
Less than 5 years	55.2

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	8.1
Technicolour Limited	5.3
Premier Inn Hotels Ltd	4.6

Parts Alliance Group Ltd	3.2
Furniture Village Ltd	3.1
Waitrose	3.0
DFS Furniture Co Ltd	2.7
Stapleton's (Tyre Services) Limited	2.5
Brocade Communications UK Limited	2.5
Smith International (North Sea) Ltd	2.5
Three largest tenants' contribution to rental income	17.9
Five largest tenants' contribution to rental income	24.2
Ten largest tenants' contribution to rental income	37.4

Source: Royal London Asset Management

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	390.7	0.0	0.0	0.0	390.7
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	11.9	0.0	0.0	0.0	11.9
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	402.6	0.0	0.0	0.0	402.6
Gearing (%)					
Net debt (cash)/properties	-3.0	-	-	-	-3.0
Net debt (cash)/equity	-3.0	-	-	-	-3.0

Source: Royal London Asset Management

Quarterly data per unit

As at	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19	30-Jun-19
Bid (GBP)	3.057	3.056	3.070	3.061	3.028	3.000
Offer (GBP)	3.285	3.282	3.295	3.292	3.250	3.234
Mid (GBP)	3.171	3.169	3.183	3.176	3.139	3.117

Bid/offer spread	6.9%	6.9%	6.8%	7.0%	6.8%	7.2%
Net asset value (GBP)	3.101	3.099	3.113	3.105	3.070	3.045
Quarterly distribution (GBP)	0.025	0.028	0.026	0.022	0.032	0.029
Yield	3.4%	3.4%	3.1%	3.2%	3.5%	3.6%

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 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	15	1.5
1% or greater but less than 2%	1	1.3
2% or greater but less than 4%	2	6.2
4% or greater but less than 8%	3	14.7
Greater than 8.0%	2	76.3
Total	23	100.0
Major investors		
Largest holder	1	53.3
Three largest holders	3	82.4
Five largest holders	5	91.1
Ten largest holders	10	99.4

Internal/external investors

Internal 2 76.3

External 21 23.7

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
Issues and redemptions						
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	118,917
Units redeemed during period	-1447388	-449431	-6,235,507	-1,718,698	-314,151	-1,362,661
Units in issue at end of period	65,835,647	70,951,553	66,603,576	65,088,098	65,067,878	63,824,134
Unit transfers						
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