

# Aegon UK Property Fund Limited

## INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to outperform competitor funds through superior sector allocations, superior stock selection and active management of individual properties within the portfolio. The Fund's benchmarks are the MSCI UK Monthly Property Index and Lipper median. The Fund is positioned to be relatively low-risk, focusing on delivery of an above-average income return, across a balanced property portfolio.

## INVESTOR CONSTITUENCY

Approved defined benefit and defined contribution occupational pension schemes.

Fund details	
Type of fund	Unit linked life and pension fund
Residence	United Kingdom
Launch date	January 1983
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 March
NAV (GBPm)	362.1

Source : Kames Capital

Management/professional advisors	
Manager	Kames Capital
Investment Advisor	Kames Capital
Fund Manager	David Wise/Sarah Cockburn
Trustee	Not applicable
Auditors	Ernst & Young LLP

Source : Kames Capital

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index *		
Aegon UK Property Fund Limited		Managed funds	All balanced funds	All funds
3 months	1.0	3.7	3.8	3.7
Year-to-date	1.9	6.0	6.0	5.6
12 months	1.1	8.4	8.5	6.9
3 years+	-0.8	2.3	3.0	1.8
5 years+	1.5	4.4	4.9	3.9
10 years+	2.8	6.0	6.7	6.1

Note: \* Weighted average returns + Annualised

Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	10%
Maximum speculative development exposure	10%
Maximum lot-size holding as a standing investment	10%
Maximum lot-size holding permitted at purchase	10%
Maximum exposure to limited partnerships	20%*
Maximum exposure to joint ventures	**
Maximum exposure to closed and open-ended property unit trusts	20%*

Note: \* Maximum of 20% indirect \*\* None specified

Source: Kames Capital

Portfolio distribution %		MSCI/AREF UK Quarterly Property Fund Index**		
Aegon UK Property Fund Limited*		Managed Funds	All balanced funds	All funds
Standard retail – South East	3.6	3.0	5.0	4.6
Standard retail – Rest of UK	0.0	3.1	2.3	3.2
Shopping centres	0.0	2.3	1.1	3.4

Retail warehouses	30.4	9.2	10.4	8.7
<b>All UK retail</b>	<b>34.1</b>	<b>17.6</b>	<b>18.8</b>	<b>20.0</b>
City offices	0.0	2.8	3.6	3.2
West End offices	0.0	10.6	8.5	7.5
Rest of South East offices	24.1	8.1	9.7	7.0
Rest of UK offices	9.7	4.6	5.4	5.0
<b>All UK offices</b>	<b>33.8</b>	<b>26.1</b>	<b>27.2</b>	<b>22.7</b>
South East industrial	26.2	26.5	23.8	19.5
Rest of UK industrial	0.0	12.6	12.6	10.3
<b>All UK industrial</b>	<b>26.2</b>	<b>39.2</b>	<b>36.4</b>	<b>29.9</b>
Other UK properties	0.0	9.5	10.6	21.9
Cash***	5.9	7.6	7.0	5.5
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

Source : \* Kames Capital

\*\* MSCI/AREF UK Quarterly Property Fund Index

#### Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	13	140.9	41.3
Joint and indirect holdings	4	186.1	54.6
Listed investments	5	14.0	4.1
<b>Total</b>	<b>22</b>	<b>341.0</b>	<b>100.0</b>

Source: Kames Capital

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

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
GATWICK DISTRIBUTION CENTRE	CRAWLEY	Industrial	29.0	8.5
KINGSTON PARK SHOPPING CENTRE	NEWCASTLE UPON TYNE	Retail Park	15.4	4.5
ST CATHERINES COURT	BRISTOL	Office	14.6	4.3
WESTON GROUP BUSINESS CENTRE	BISHOP'S STORTFORD	Office	13.5	3.9
HATHAWAY RETAIL PARK,FOUNDRY LANE	CHIPPENHAM	Retail Park	12.4	3.6
TEMPUS COURT, ONSLOW STREET	GUILDFORD	Office	11.8	3.4
MALLARDS REACH,BRIDGE AVENUE	MAIDENHEAD	Office	10.9	3.2
GEFCO UNIT CROSSWAYS BUSINESS PARK	DARTFORD	Industrial	10.3	3.0
RIVIERA WAY	TORQUAY	Retail Park	9.7	2.8
YSTWYTH RETAIL PARK, PARK AVENUE	ABERYSTWYTH	Retail Park	8.2	2.4
<b>10 largest investments as % of portfolio</b>			<b>135.5</b>	<b>39.7</b>

Source: Kames Capital

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

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	3	5.4	1.6
2.5 - 5	0	0.0	0.0
5-10	2	17.9	5.2
10-25	7	88.6	26.0
25 - 50	1	29.0	8.5
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>13</b>	<b>140.9</b>	<b>41.3</b>
Average lot size		10.8	

Source: Kames Capital

Property Yield*	
Net initial yield	5.54%
Nominal equivalent yield	-
True equivalent yield	6.28%
Net reversionary yield	6.42%

Source: Kames Capital

Voids as % of ERV*	
Investments	13.26%
Developments	0.00%
<b>Total</b>	<b>13.26%</b>

Source: Kames Capital

#### Rental income & ERV by type of property\*

	Rental income %	Estimated rental value %
Standard retail	5.2	4.8
Retail warehousing	40.7	39.4
Shopping centres	0.0	0.0
Central London offices	0.0	0.0
Other offices	40.4	37.4
Industrial	13.6	18.5
Other	0.0	0.0
<b>Overall</b>	<b>100.0</b>	<b>100.0</b>

Source: Kames Capital

#### 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	0.5	0.0	0.0	5.5	-25.7	5.7	-19.9	105.7
Retail warehousing	3.5	11.7	0.0	15.4	-21.6	23.8	2.2	112.1
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	-	-	-	-	-	-	-	-
Other offices	3.5	0.0	0.0	5.6	-4.4	7.2	2.8	107.2
Industrial	1.2	0.0	0.0	48.2	0.0	57.8	57.8	157.8
Other	-	-	-	-	-	-	-	-
<b>Overall</b>	<b>8.7</b>	<b>4.8</b>	<b>0.0</b>	<b>15.4</b>	<b>-11.9</b>	<b>20.8</b>	<b>8.8</b>	<b>116.0</b>

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

Source: Kames Capital

#### Listed Investments

	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
ASSURA PLC REIT	-	1.7	0.5
BIG YELLOW GROUP ORD REIT	-	2.0	0.6
SECURE INCOME REIT PLC	-	4.2	1.2
TRITAX BIG BOX REIT PLC	-	3.3	1.0
UNITE GROUP PLC REIT	-	2.9	0.9
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
	-	14.0	4.1

#### The unexpired term of leases

Years	% of rent passing
20 years or greater	9.5
15 years or greater, but less than 20	0.0
10 years or greater, but less than 15	0.0
5 years or greater, but less than 10	19.1
Less than 5 years	71.4

Source: Kames Capital

#### Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
AEGON TARGET HEALTHCARE PROPERTY UT	-	Indirect	-	-	30.3	8.9
AEGON PROPERTY FEEDER B ACC	-	Indirect	-	-	11.3	3.3
PBUKPR -AEGON ACTIVE VALUE PROPERTY FUND	-	Indirect	-	-	134.1	39.3
UK ACTIVE VALUE PROPERTY UNIT TRUST	-	Indirect	-	-	10.4	3.0
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source: Kames Capital

#### Debt analysis

Fixed rate borrowings		
Amount drawn (GBPm)	Average rate (%)	Average unexpired term (years)
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

Source: Kames Capital

Variable rate borrowings		
Amount drawn (GBPm)	Rate above LIBOR (incl expenses) (%)	Off balance sheet debt (GBPm)+
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-

#### Development exposure\*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	-	-	-	-
% of all directly held properties*	-	-	-	-

\* Includes joint ventures in which the Fund has an interest of 50% or more

Source: Kames Capital

#### Valuations/performance monitors/affiliations

Frequency of valuation	Monthly, as at the last day of the month
Valuers	Jones Lang LaSalle
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	No
Member of the Association of Real Estate Funds	Full member

Source: Kames Capital

#### Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	
for investment purposes	Nil
for liquidity purposes	10%
Cash holdings (maximum)	To be determined by the Manager
Cash holdings (minimum)	To be determined by the Manager

Source: Kames Capital

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

Tenant	%
MAERSK LINE (UK) LIMITED	12.9
WESTON (BUSINESS CENTRES) LTD	9.5
MARKS & SPENCERS PLC	7.6
B&M RETAIL LTD	5.4
DACHSER UK LTD	4.6
DUNELM (SOFT FURNISHINGS) LTD	4.6
SAFFERY CHAMPNESS	3.8
MATALAN RETAIL LTD	3.7
NEXT GROUP PLC	2.8
PETS AT HOME LTD	2.7
Three largest tenants' contribution to rental income	30.0
Five largest tenants' contribution to rental income	40.1
Ten largest tenants' contribution to rental income	57.6

Note \* The fund has approximately 13% of its underlying income exposed to tenants considered as Public Sector.

Source: Kames Capital

#### Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	140.9	0.0	186.1	0.0	327.0
Listed investments	0.0	0.0	0.0	14.0	14.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	20.6	0.0	0.0	0.0	20.6

Other net assets/liabilities	0.5	0.0	0.0	0.0	0.5
Total net assets	162.0	0.0	186.1	14.0	362.1
Gearing (%)					
Net debt (cash)/properties	-14.6	-	-	-	-6.3
Net debt (cash)/equity	-12.7	-	-	-	-5.7

Source: Kames Capital

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)	2.094	2.066	2.069	2.069	2.053	2.07
Offer (GBP)	2.247	2.215	2.215	2.228	2.209	2.21
Mid (GBP)	2.171	2.140	2.142	2.148	2.131	2.14
Bid/offer spread	6.80%	6.73%	6.60%	7.10%	7.04%	6.51%
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

Source: Kames Capital

## Unit pricing

The unit price is calculated on the last business day of each month. Income is not included in the unit price. Some of the vehicles through which the Fund holds directly-held investments have fixed-rate debt. The market value of this debt is not published and it does not reflect in the monthly recalculation of the Fund's net asset value.

## Distributions

Distributions are made monthly, normally on the 20th of each month or the following working day. Ex-distribution dates are the penultimate working day of each month, i.e. the day before pricing. Distributions are paid to the unitholders shown on the register on the ex-distribution dates.

## Minimum investment/disinvestment

The minimum initial investment is GBP250,000, although the manager, at their discretion, can allow investors to invest as little as GBP25,000 where it is satisfied that the investor has received financial advice or the investment is made on the investor's behalf by a discretionary investment manager. Existing unitholders may increase or decrease their holdings by minimum amounts of GBP10,000 (rounded to the nearest number of whole units). No redemption notice will be accepted that would result in a holding falling to below the minimum holding value determined by the manager (currently GBP10,000).

## Creation, transfer and realisation of units

The fund is open to subscriptions on a monthly basis, with applications to be received at least three business days before subscription day, which is the last working day of the month.

As from March 2009, the Manager has the discretion to defer redemptions if it deems it in the interest of continuing unitholders to do so.

Redeeming unitholders may not withdraw their realisation notice in respect of units which the Manager has notified the unitholder that it has determined can be redeemed or any units which are within the last 3 months of the 24-month redemption window.

The manager will attempt, where possible, the matching of buying and selling orders. Such transfers are effective from the last business day of the month during which they take place.

## 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

Since it is registered in Jersey, the fund is not subject to UK capital gains tax. Those investors who are subject to tax may be liable to capital gains tax on the redemption or sale of their units in the trust.

### Income Tax

While distributions of income are made net of UK Income Tax, non-taxpayers are entitled to reclaim any tax deducted at source.

### Stamp duty reserve tax

No stamp duty is payable on the transfer of existing units.

## Charges

The trust instrument empowers the manager and investment advisor to make an annual charge totalling not more than 2% of the net asset value of the fund (including accrued income). However, the total charge is currently 1% pa and the manager has undertaken to give at least three months' notice of any increase in this figure.

The manager and investment advisor currently bear the cost of fees of service providers in relation to day-to-day management and rent collection of directly held properties, valuations, the trustees' and auditors' fees, custodian fees and the costs of preparing reports and accounts for unitholders, and market research and performance measurement. These costs may, alternatively, be charged to unitholders. The manager has undertaken to give at least three months' notice before so doing.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue		
1% or greater but less than 2%		
2% or greater but less than 4%		
4% or greater but less than 8%		
Greater than 8.0%		
<b>Total</b>		
Major investors	The AEGON UK Property Fund is a unit linked fund with over 100,000 investors,	
Largest holder	none of whom has a significant percentage holding in the fund	
Three largest holders		
Five largest holders		
Ten largest holders		
Internal/external investors		
Internal		
External		

Source: Kames Capital

Liquidity						
Period	Year to Dec 2016	Year to Dec 2017	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	295,899,202	185,884,568	155,965,710	125,984,094	113,177,592	77,589,358
Units issued during period	20,836,387	24,668,768	18,104,612	16,323,662	6,556,151	4,864,613
Units redeemed during period	-130,851,021	-54,587,626	-48,086,227	-29,130,164	-42,144,385	-5,589,336
Units in issue at end of period	185,884,568	155,965,710	125,984,094	113,177,592	77,589,358	76,864,635
<b>Unit transfers</b>						
Matched bargains	-	-	-	-	-	-
Matched bargains %*	-	-	-	-	-	-

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

Source: Kames Capital