

The Local Authorities Property Fund

INVESTMENT POLICY AND OBJECTIVES

The Fund provides facilities exclusively for local authorities to invest in commercial and industrial property on a collective basis, to obtain a spread of investment risk with constant expert property management. Its objective is to provide a satisfactory total capital and income return over the long term. 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 only to Local Authorities' in England, Wales, Scotland, and Northern Ireland

Fund details	
Type of fund	Unregulated Collective Investment Scheme
Residence	United Kingdom
Launch date	Apr-72
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31-Mar
NAV (GBPm)	1178.2

Source: CCLA Investment Management Limited

Management/professional advisors	
Operator	Local Authorities Mutual Investment Trust (LAMIT)
Manager & administrator	CCLA Fund Managers Limited

Fund Manager

Paul Hannam

Trustee

Local Authorities Mutual Investment Trust (LAMIT)

Auditors

PricewaterhouseCoopers LLP

Source: CCLA Investment Management Limited

Investment rates of return, %

MSCI/AREF UK Quarterly Property Fund Index*				
	The Local Authorities Property Fund	Other balanced funds	All balanced funds	All funds
3 months	1.1	0.6	0.6	0.4
Year-to-date	1.6	1.0	0.9	0.6
12 months	5.5	4.1	3.4	2.8
3 years+	7.3	6.6	6.3	5.6
5 years+	8.8	8.9	8.3	7.6
10 years+	10.6	9.1	8.7	9.1

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

Note: * Weighted average returns

Property investment restrictions

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

Source: CCLA Investment Management Limited

Portfolio distribution %

MSCI/AREF UK Quarterly Property Fund Index**
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	THE LOCAL AUTHORITIES' PROPERTY FUND +	Other balanced funds	All balanced funds	All funds
Standard retail – South East	3.3	7.6	7.1	5.7
Standard retail – Rest of UK	0.5	3.3	3.3	3.6
Shopping centres	0.0	1.8	2.5	7.3
Retail warehouses	11.7	13.3	13.6	13.0
All UK retail	15.4	26.0	26.4	29.7
City offices	1.2	3.7	3.7	3.3
West End offices	3.9	7.6	7.7	7.0
Rest of South East offices	16.3	11.6	11.1	7.7
Rest of UK offices	11.2	5.8	5.8	4.9
All UK offices	32.6	28.7	28.4	22.9
South East industrial	16.0	19.3	19.5	15.6
Rest of UK industrial	18.8	10.1	10.0	8.0
All UK industrial	34.8	29.4	29.5	23.6
Other UK properties	14.8	11.0	10.0	19.4
Cash***	2.3	4.9	5.7	4.4
Overall	100.0	100.0	100.0	100.0

Source: CCLA Investment Management Limited

Note: +Including the fund's share of any properties held jointly or through indirect holdings

** MSCI/AREF UK Quarterly Property Fund Index (Sponsored by PropertyMatch)

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	75	1,147.1	99.5
Joint and indirect holdings	1	5.9	0.5
Listed investments	0	0	0.0
Total	76	1,153.0	100.0

Source: CCLA Investment Management Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
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Beckton Retail Park	London	Retail warehouses	55.0	4.8
Imperial House	London	Offices/Shops	52.7	4.6
Palace House	London	Offices/Shops	48.9	4.2
Travelodge Hotels Limited	London	Other property	48.6	4.2
3 Longwalk	Uxbridge	Offices	40.6	3.5
Phase 300 Centennial Park	Elstree	Industrial	37.4	3.2
1 Park Row	Leeds	Offices	35.6	3.1
The Arena	Bracknell	Offices	29.4	2.5
Peugeot Parts Distribution Facility	Coventry	Industrial	28.7	2.5
Travelodge Hotel	Brighton	Other property	28.0	2.4
10 largest investments as % of portfolio			404.7	35.1

Source: CCLA Investment Management Limited

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	0	0.0	0.0
2.5 - 5	7	28.4	2.5
5-10	24	178.5	15.5
10-25	32	484.2	42.0
25 - 50	7	210.3	18.2
50 - 100	5	245.8	21.3
100-150	0	0.0	0.0
Over 150	0	0.0	0.0
Total	75	1147.1	99.5
Average lot size		15.3	

Source: CCLA Investment Management Limited

Property Yield

Net initial yield	4.70%
Nominal equivalent yield	5.48%
True equivalent yield	5.67%
Net reversionary yield	5.04%

Voids as % of ERV

Investments	2.90%
Developments	4.30%
Total	7.20%

Source: CCLA Investment Management Limited

Source: CCLA Investment Management Limited

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	3.6	3.3
Retail warehousing	12.5	10.8
Shopping centres	0.0	0.0
Central London offices	8.8	8.1
Other offices	28.2	31.6
Industrial	34.6	34.7
Other	12.3	11.4
Overall	100.0	100.0

Source: CCLA Investment Management Limited

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	94.2	0.0	0.0	3.2	-4.4	7.0	2.6	100.0
Retail warehousing	101.7	0.0	0.0	1.6	-6.7	3.4	-3.3	100.0
Shopping centres	-	-	-	-	-	-	-	0.0
Central London offices	95.7	0.0	0.0	1.6	-0.1	2.8	2.7	100.0
Other offices	78.4	0.0	12.8	3.5	-1.1	6.5	5.4	100.0
Industrial	87.6	0.0	0.0	3.8	-0.9	9.5	8.5	100.0
Other	95.4	0.0	0.0	0.0	-0.1	4.7	4.6	100.0
Overall	88.0	0.0	4.0	2.8	-1.6	6.7	5.1	100.0

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

Source: CCLA Investment Management 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

The unexpired term of leases

Years	% of rent passing
20 years or greater	5.9
15 years or greater, but less than 20	3.4
10 years or greater, but less than 15	15.4
5 years or greater, but less than 10	22.8
Less than 5 years	52.5

Source: CCLA Investment Management Limited

Joint and indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Nuveen - UK Retail Warehouse Fund	Retail warehouses	Indirect	CEPUT	100.0	5.9	0.5
-	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: CCLA Investment Management 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	0
0	0	0	0	0	0	0

Source: CCLA Investment Management Limited

Development exposure*

	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	6	30.3	36.3	6.86
% of all directly held properties*	0.52%	2.64%	3.16%	0.60%

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

Source: CCLA Investment Management Limited

Valuations/performance monitors/affiliations

Frequency of valuation-external	Monthly at every month end
Frequency of valuation-internal	See note below
External Valuers	BNP Paribas Real Estate
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: CCLA Investment Management Limited

Note: The manager reviews the external valuations in the intervening months in consultation, when deemed necessary, with the external valuers. (Additions to the portfolio are valued externally after acquisition.)

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	*
Cash holdings (maximum)	*
Cash holdings (minimum)	*

Source: CCLA Investment Management Limited

The contribution of major tenants to rental income

Tenant	%
Travelodge Hotels Limited	5.0
Marks & Spencer Plc	4.2
AstraZeneca UK Limited	3.2
B&Q Plc	2.8
Pinsent Masons LLP	2.7
Peugeot Motor Company Plc	2.3
Tesco Stores Limited	2.2
Sainsbury's Bank Plc	2.0
IGE Energy Services (UK) Limited	1.8
Car Shops Limited	1.8
Three largest tenants' contribution to rental income	12.4
Five largest tenants' contribution to rental income	17.9
Ten largest tenants' contribution to rental income	28.0

Source: CCLA Investment Management Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	1147.1	0.0	5.9	0.0	1153.0
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	-2.5	0.0	-2.5
Cash	27.6	0.0	0.1	0.0	27.7
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	1174.7	0.0	3.5	0.0	1178.2
Gearing (%)					
Net debt (cash)/properties	-2.4	-	40.7	-	-2.2
Net debt (cash)/equity	-2.4	-	68.6	-	-2.1

Source: CCLA Investment Management Limited

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)	297.33	298.90	298.97	303.75	301.95	302.19
Offer (GBP)	322.40	324.10	324.17	329.35	327.40	327.66
Mid (GBP)	309.86	311.50	311.57	316.55	314.68	314.93
Bid/offer spread	7.78%	7.78%	7.78%	7.78%	7.78%	7.78%
Net asset value (GBP)	302.01	303.61	303.67	308.53	306.70	306.94
Quarterly distribution (GBP)	3.21	3.28	3.17	3.32	1.10	1.17
Yield	4.54%	4.49%	4.29%	4.22%	1.48%	1.52%

Source: CCLA Investment Management Limited

Unit pricing

The unit price is calculated at the end of each month by the manager. Accrued income is accounted for separately from capital and is not reflected in the fund's unit price.

Distributions

Distributions of income are now made quarterly (one month after each quarter-end)

Minimum investment/disinvestment

Minimum initial investment: GBP 25,000

Minimum additional investment: GBP 10,000

Minimum redemption: GBP 0

Creation, transfer and realisation of units

Local authorities may invest in the fund on any month-end valuation date.

Withdrawals from the fund may also be requested on any month-end valuation date. The fund may, however, at its discretion, defer the processing of any withdrawal for such a period from the relevant valuation date as it may think fit, to allow time for the sale of properties, if required. (See "Redemption notices outstanding".)

Taxation

Capital Gains Tax

The fund is exempt from capital gains tax.

Income Tax

The Fund is not subject to capital gains tax or income tax. Dividends are paid gross.

Stamp duty reserve tax

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

Charges

The property manager and administrator are together entitled to a fee equivalent to 0.65% pa of the value of the fund.

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	217	50.2
1% or greater but less than 2%	13	17.8
2% or greater but less than 4%	7	18.9
4% or greater but less than 8%	1	4.4
Greater than 8.0%	1	8.7
Total	239	100.0
Major investors		
Largest holder	1	8.7
Three largest holders	3	16.8
Five largest holders	5	23.1
Ten largest holders	10	33.9
Internal/external investors		
Internal	0	0.0
External	239	100.0

Source: CCLA Investment Management 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	48,290,835	107,966,980	195,123,413	232,063,024	311,069,844	356,200,898

Units issued during period	67487301	87,157,523	36,973,355	79,471,275	45,157,980	11,515,977
Units redeemed during period	-7811156	-1,090	-33,744	-464,455	-26,926	-55,428
Units in issue at end of period	107,966,980	195,123,413	232,063,024	311,069,844	356,200,898	367,661,447
Unit transfers						
Matched bargains	-	-	-	-	0	0
Matched bargains %*	-	-	-	-	0	0.00%

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

Source: CCLA Investment Management Limited