

Royal London UK Real Estate Fund

INVESTMENT POLICY AND OBJECTIVES

The investment objective of the ACS is to aim to outperform the 12 month total return of the ACS's benchmark, the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index. This index measures quarterly total returns on a net asset value basis.

INVESTOR CONSTITUENCY

The Fund is open to investment by UK and overseas sophisticated investors only

Fund details

Type of fund	Co-ownership Authorised Contractual Scheme (ACS)
Residence	United Kingdom
Launch date	1st October 2017
Open/closed-ended	Open-ended
Earliest date of winding up	n/a
Year-end	31 December
NAV (GBPm)	2993.8

Management/professional advisors

Manager	Royal London Asset Management Ltd
Investment Advisor	Royal London Asset Management Ltd
Property Fund Manager	Drew Watkins
Depositary	HSBC Bank plc

Investment rates of return, %

	Royal London UK Real Estate Fund	MSCI/AREF UK Quarterly Property Fund Index *		
		Other Balanced Funds	All balanced funds	All funds
3 months	0.8	0.6	0.6	0.4
Year-to-date	1.5	1.0	0.9	0.6
12 months	5.0	4.1	3.4	2.8
3 years+	-	6.6	6.3	5.6
5 years+	-	8.9	8.3	7.6
10 years+	-	9.1	8.7	9.1

Note: * Weighted average returns + Annualised

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

Property investment restrictions

Maximum development exposure	25% of Net Asset Value
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	15% of Net Asset Value

Portfolio distribution %

	Royal London UK Real Estate Fund*	MSCI/AREF UK Quarterly Property Fund Index**		
		Other Balanced Funds	All balanced funds	All funds
Standard retail – South East	21.3	7.6	7.1	5.7
Standard retail – Rest of UK	2.1	3.3	3.3	3.6
Shopping centres	0.0	1.8	2.5	7.3

Retail warehouses	13.2	13.3	13.6	13.0
All UK retail	36.6	26.0	26.4	29.7
City offices	8.3	3.7	3.7	3.3
West End offices	19.5	7.6	7.7	7.0
Rest of South East offices	2.5	11.6	11.1	7.7
Rest of UK offices	0.7	5.8	5.8	4.9
All UK offices	31.0	28.7	28.4	22.9
South East industrial	18.4 [^]	19.3	19.5	15.6
Rest of UK industrial	4.2	10.1	10.0	8.0
All UK Industrial	22.6	29.4	29.5	23.6
Other UK properties	5.7	11.0	10.0	19.4
Cash***	4.1	4.9	5.7	4.4
Overall	100.0	100.0	100.0	100.0

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

[^] Includes Investment in Indirects

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	92	2,810.5	97.9
Joint and indirect holdings	1	59.4	2.1
Listed investments	0	0	0.0
Total	93	2,869.9	100.0

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
111-122 NEW BOND STREET	LONDON	Retail Other	200-300	*
470-476 OXFORD STREET	LONDON	Retail Other	100-200	*
PARNELL HOUSE	LONDON	Office	100-200	*
KINGSLEY HOUSE	LONDON	Office	100-200	*
HAM YARD HOTEL	LONDON	Hotel – Not categorised	100-200	*

55/59 LONG ACRE	LONDON	Retail Other	100-200	*
1/3 ST PAULS CHURCHYARD & 1/9 LUDGATE HI	LONDON	Office	50-100	*
20TH CENTURY HOUSE	LONDON	Office	50-100	*
WESTWAY CROSS RETAIL PARK	GREENFORD	Retail Park	50-100	*
60 FENCHURCH STREET	LONDON	Office	50-100	*

10 largest investments as % of portfolio

Note: * RLAM has requested MSCI not to make this estimate

Direct portfolio structure by lot-size bands

Value band (GBPm)	Number of assets	Valuation (GBPm)	% of total portfolio
0 -2.5	3	4.3	0.2
2.5 - 5	12	48.0	1.7
5-10	12	91.1	3.2
10-25	33	561.6	19.6
25 - 50	14	549.5	19.1
50 - 100	12	732.5	25.5
Over 100	6	823.5	28.7
Total	92	2810.5	97.9
Average lot size		30.5	

Property Yield*

Net initial yield	4.07%
Nominal equivalent yield	4.84%
True equivalent yield	4.99%
Net reversionary yield	5.29%

Voids as % of ERV*

Investments	7.44%
Developments	3.69%
Total	11.12%

Rental income & ERV by type of property*

	Rental income %	Estimated rental value %
Standard retail	26.6	22.8

The unexpired term of leases

Years	% of rent passing
20 years or greater	4.9
15 years or greater, but less than 20	3.0
10 years or greater, but less than 15	6.1
5 years or greater, but less than 10	32.8
Less than 5 years	53.2

Joint and indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
INDUSTRIAL PROPERTY INVESTMENT FUND	Industrial	INDIRECT RE - LIMITED PARTNERSHIP	-	100.0	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

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)+
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-

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

Valuations/performance monitors/affiliations

Frequency of valuation	Quarterly
Valuers	Cushman & Wakefield and CBRE
Portfolio performance monitored by MSCI	Yes
Constituent of MSCI/AREF UK Quarterly Property Fund Index	Yes
Member of the Association of Real Estate Funds	Yes

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	20% of NAV
for investment purposes	-
for liquidity purposes	-
Cash holdings (maximum)	-
Cash holdings (minimum)	-

The contribution of major tenants to rental income

Tenant	%
Dixons Carphone Plc (Currys / PC World / Carphone Warehouse)	4.5
Beverage Services Limited	3.7
Victorias Secret UK Ltd	3.5
Marks and Spencer PLC	2.6
Kingfisher Plc (B&Q / Screwfix)	2.6

Genesis Oil and Gas Consultants Ltd	2.4
Firmdale Holdings Ltd	2.3
Hogan Lovells International LLP	2.1
Hugo Boss UK Limited	1.8
J Sainsbury Plc (Sainsbury's / Argos / Habitat)	1.8
Three largest tenants' contribution to rental income	11.6
Five largest tenants' contribution to rental income	16.9
Ten largest tenants' contribution to rental income	27.2

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2810.5	0.0	59.4	0.0	2869.9
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	123.9	0.0	0.0	0.0	123.9
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	2934.4	0.0	59.4	0.0	2993.8
Gearing (%)					
Net debt (cash)/properties	-4.4	0.0	0.0	-	-4.3
Net debt (cash)/equity	-4.2	0.0	0.0	-	-4.1

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)	101.869	103.600	104.261	105.398	105.076	105.02
Offer (GBP)	106.523	108.333	109.024	110.213	109.876	109.81
Mid (GBP)	104.196	105.966	106.642	107.805	107.476	107.42
Bid/offer spread	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%
Net asset value (GBP)	103.420	105.177	105.848	107.003	106.676	106.62
Quarterly distribution (GBP)	0.773	0.958	0.786	0.988	1.061	0.96
Yield	-	-	3.31%	3.28%	3.56%	3.56%

Source: RLAM

Unit pricing

Valuation Point:

23.59 U.K. time each Dealing Day (and the valuation shall exclude any income in respect of the interim accounting period ending on that Dealing Day)

Dealing frequency:

Quarterly on the last calendar day of each calendar quarter (i.e. the 31 March, 30 June, 30 September and 31 December) (a Dealing Day)

Distributions

the 15th calendar day following the end of the relevant accounting period

Minimum investment/disinvestment

Minimum initial investment: £50m

Minimum subsequent investment: £10m

Minimum holding: £10m

Minimum redemption £10m

Creation, transfer and realisation of units

Subscription Cut-Off Point:

In order for an application to be dealt with at the above Valuation Point on any Dealing Day an order must have been received by 17.00 U.K. time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. In respect of the initial offer of Units only, the ACS Manager may, at its discretion, accept certain applications for Units which are received after the Subscription Cut-off Point.

Redemption Cut-Off Point:

In order for a redemption request to be dealt with at the above Valuation Point on any Dealing Day, the instruction must have been received by 17.00 U.K. time on the last Business Day that is at least six months prior to the relevant Dealing Day. Instructions received after this point will be dealt with on the next applicable Dealing Day.

Subscription Settlement Time:

By 17.00 U.K. time at the Business Day, two full Business Days prior to the relevant Dealing Day

Redemption Settlement Time:

T+3

Taxation

The ACS is transparent and is not a taxable entity for UK tax purposes. As such, it is not subject to tax in the UK on income or gains arising on underlying investments.

The ACS is a type of UK fund structure developed to be tax-transparent in the UK and elsewhere. While it is expected that non-UK tax authorities will also recognise it as being tax-transparent, this may not prove to be the case in all jurisdictions.

Charges

Annual Management Charge: 0.70%

Unit holder analysis		
	Number of unitholders	Total % held
Less than 1% of units in issue	0	0.0
1% or greater but less than 2%	1	1.9
2% or greater but less than 4%	0	0.0
4% or greater but less than 8%	0	0.0
Greater than 8.0%	2	98.1
Total	3	100.0
Major investors		
Largest holder	1	56.5
Three largest holders	3	100.0
Five largest holders	0	0.0
Ten largest holders	0	0.0
Internal/external investors		
Internal	3	100.0
External	0	0.0

Liquidity				
Period		Year to Dec 2017	Year to Dec 2018	Year to Dec 2019
Issues and redemptions				
Units in issue as at start of period		27,558,517	27,558,517	28,080,283

Units issued during period	-	521,767	0
Units redeemed during period	-	-	0
Units in issue at end of period	27,558,517	28,080,283	28,080,283
Unit transfers			
Matched bargains	-	-	-
Matched bargains %*	-	-	-

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