

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, %

| | | MSCI/AREF UK Quarterly Property Fund Index * | | |
|--------------|----------------------------------|--|--------------------|-----------|
| | Royal London UK Real Estate Fund | 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 |

| 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 | 91.4 | 3.1 | 0.0 | 3.5 | -4.6 | 6.6 | 2.0 | 100.0 |
| Retail warehousing | 98.0 | 12.4 | 0.0 | 2.4 | -13.1 | 0.2 | -12.9 | 100.0 |
| Shopping centres | - | - | - | - | - | - | - | - |
| Central London offices | 53.7 | 19.6 | 9.7 | 10.8 | -0.7 | 6.8 | 6.2 | 100.0 |
| Other offices | 83.4 | 0.0 | 0.0 | 10.4 | -2.7 | 9.0 | 6.2 | 100.0 |
| Industrial | 78.5 | 1.2 | 0.0 | 12.8 | -1.1 | 8.6 | 7.5 | 100.0 |
| Other | 106.2 | 0.0 | 0.0 | 0.0 | -6.5 | 0.3 | -6.2 | 100.0 |
| Overall | 78.4 | 9.0 | 3.0 | 7.8 | -4.0 | 5.9 | 1.9 | 100.0 |

[illegible]

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