



Standard Life Investments Pooled Pension Property Fund

INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to deliver good long-term relative performance by investing in a diversified portfolio of UK commercial property. Its objective is to outperform its benchmark, the median return to the All Balanced Fund component of the MSCI/AREF UK Quarterly Property Fund Index on a rolling three-year basis

INVESTOR CONSTITUENCY

The Fund is open to investment by all UK corporate pension funds and retail pension investors

Fund details	
Type of fund	Managed Fund
Residence	United Kingdom
Launch date	March 1980
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31-Dec
NAV (GBPm)	2789.3

Source: Standard Life Investments Limited

Management/professional advisors	
Manager	Standard Life Investments Limited
Investment Advisor	Ernst and Young LLP
Fund Manager	David Stewart

Fund manager – REITs/property shares	n/a
Trustee	n/a
Auditors	KPMG LLP

Source: Standard Life Investments Limited

Investment rates of return, %

		MSCI/AREF UK Quarterly Property Fund Index		
	Standard Life Investments Pooled Pension Property Fund	Managed Funds	All balanced funds	All funds
3 months	-1.3	0.1	0.3	0.3
Year-to-date	-1.3	0.1	0.3	0.3
12 months	-0.2	2.5	4.8	4.1
3 years+	3.3	4.5	6.1	5.6
5 years+	7.1	7.8	9.1	8.5
10 years+	7.3	7.7	8.3	8.5

Source: Standard Life Investments Limited

Property investment restrictions

Maximum speculative development exposure	^10%
Maximum lot-size holding as a standing investment	15%
Maximum lot-size holding permitted at purchase	10%
Maximum exposure to limited partnerships	*Nil
Maximum exposure to closed and open-ended property unit trusts	20%

Source: Standard Life Investments Limited

Portfolio distribution %

	MSCI/AREF UK Quarterly Property Fund Index		
Standard Life Investments Pooled Pension Property Fund	Other balanced funds	All balanced funds	All funds

Standard retail – South East	7.8	7.7	7.0	5.7
Standard retail – Rest of UK	1.8	3.6	3.6	3.8
Shopping centres	6.2	1.9	2.5	7.6
Retail warehouses	14.0	13.5	13.9	13.3
All UK retail	29.9	26.6	27.1	30.4
City offices	7.7	3.8	3.7	3.3
West End offices	8.2	7.6	8.3	7.3
Rest of South East offices	2.2	11.8	11.3	7.7
Rest of UK offices	7.8	5.8	5.8	4.9
All UK offices	26.0	28.9	29.0	23.2
South East industrial	25.0	18.9	19.1	15.3
Rest of UK industrial	8.3	10.1	10.1	8.0
All UK industrial	33.3	29.1	29.2	23.4
Other UK properties	2.8	11.0	9.7	18.8
Cash***	5.3	4.4	5.1	4.3
Overall	97.2	100.0	100.0	100.0

Source: Standard Life Investments Limited

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	56	2,455.9	92.5
Joint and indirect holdings	4	199.2	7.5
Listed investments	0	0.0	0.0
Total	60	2,655.1	100.0

Source: Standard Life Investments Limited

Largest direct investments by lot size & percentage of total portfolio

Property	Location	Sector	Valuation (GBPm)	% of total portfolio
100 Cheapside	London	Office	100m-150m	5.0
Gravelly Industrial Park	Birmingham	Industrial	100m - 150m	4.9
Cambridge Retail Park	Cambridge	Retail	100m - 150m	4.0

3 - 8 St Andrew Square	Edinburgh	Office	80m - 100m	3.7
Plot 230 Magna Park	Milton Keynes	Industrial	80m - 100m	3.6
Thames Gateway Park	Dagenham	Industrial	80m - 100m	3.2
The Farmiloe Building	London	Office	80m - 100m	3.1
County Mall Shopping Centre	Crawley	Retail	80m - 100m	3.1
Thames Gateway Park Phase 3	Dagenham	Industrial	80m - 100m	3.0
Solihull Retail Warehouse Park	Solihull	Retail	80m - 100m	3.0
10 largest investments as % of portfolio				36.6

Source: Standard Life Investments 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	0	0.0	0.0
5-10	4	34.9	1.3
10-25	18	292.2	11.0
25 - 50	14	551.8	20.8
50 - 100	18	1290.5	48.6
100-150	2	286.5	10.8
Over 150	0	0.0	0.0
Total	56	2455.9	92.5
Average lot size		43.9	

Source: Standard Life Investments Limited

Property Yield	
Net initial yield	4.70%
Nominal equivalent yield	5.30%
True equivalent yield	5.48%
Net reversionary yield	4.39%

Source: Standard Life Investments Limited

Voids as % of ERV	
Investments	6.42%
Developments	0.00%
Total	6.42%

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	12.8	11.0
Retail warehousing	22.9	18.7
Shopping centres	10.9	9.1
Central London offices	11.9	14.1
Other offices	6.8	12.3
Industrial	32.8	32.0
Other	1.9	2.8
Overall	100.0	100.0

Source: Standard Life Investments 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	97.9	0.3	0.0	4.1	-2.3	0.0	-2.3	100.0
Retail warehousing	103.6	0.4	0.0	4.4	-8.5	0.0	-8.5	100.0
Shopping centres	100.6	0.1	0.0	2.6	-3.3	0.0	-3.3	100.0
Central London offices	71.6	23.3	0.0	4.0	0.0	1.1	1.1	100.0
Other offices	46.6	20.6	0.0	28.5	0.0	4.3	4.3	100.0
Industrial	86.5	4.0	0.0	2.6	0.0	6.9	6.9	100.0
Other	56.7	0.0	0.0	0.0	0.0	43.3	43.3	100.0
Overall	84.4	7.2	0.0	6.4	-2.1	4.1	2.0	100.0

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

Source: Standard Life Investments Limited

The unexpired term of leases

Years	% of rent passing
20 years or greater	5.5
15 years or greater, but less than 20	8.9
10 years or greater, but less than 15	12.2
5 years or greater, but less than 10	26.5

Less than 5 years

47.0

Source: Standard Life Investments Limited

Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Gross Fund Holding In Jput Rp	Retail warehouses	Indirect	PUT	5.0	18.6	0.7
Gross Fund Holding In Jput Sc	Shopping Centres	Indirect	PUT	4.5	58.0	2.2
Investment in GRUT	Retail	Indirect	PUT	50.0	40.9	1.5
County Mall Shopping Centre	Retail	Indirect	PUT	100.0	81.7	3.1
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source: Standard Life Investments Limited

Development exposure*

Capital value of developments				
	Not yet started	In progress+	All developments	Cost to complete schemes in progress+
GBPm	7.8	61.5	69.3	12.227654
% of all directly held properties*	0.32%	2.50%	2.82%	0.50%

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

Source: Standard Life Investments Limited

Valuations/performance monitors/affiliations

Frequency of valuation	Valuations are undertaken on a rolling basis, so that each property is revalued at least once every month
Valuers	CB Richard Ellis
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: Standard Life Investments Limited

Restrictions on holdings of cash/borrowings

Maximum total gearing permitted	*
for investment purposes	Nil
for liquidity purposes	Nil
Cash holdings (maximum)	10%
Cash holdings (minimum)	*

Source : Standard Life Investments Pooled Pension Property Fund

The contribution of major tenants to rental income

Tenant	%
John Lewis	5.5
DSG Retail	4.4
Carpetright	4.0
Asda	2.7
Sainsburys	2.4
Tesco	2.4
Goodwin Procter (UK) LLP	2.3
Debenhams	2.0
Brake Bros	1.8
B&Q	1.6
Three largest tenants' contribution to rental income	13.9
Five largest tenants' contribution to rental income	18.9
Ten largest tenants' contribution to rental income	29.0

Source: Standard Life Investments Limited

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2455.9	0.0	199.2	0.0	2655.1
Listed investments	0.0	0.0	0.0	0.0	0.0

Debt	0.0	0.0	0.0	0.0	0.0
Cash	147.9	0.0	0.0	0.0	147.9
Other net assets/liabilities	-13.7	0.0	0.0	0.0	-13.7
Total net assets	2590.1	0.0	199.2	0.0	2789.3
Gearing (%)					
Net debt (cash)/properties	-6.0	-	0.0	-	-5.6
Net debt (cash)/equity	-5.7	-	0.0	-	-5.3

Source: Standard Life Investments Limited

Quarterly data per unit						
As at	30-Dec-17	31-Mar-18	30-Jun-18	30-Sep-18	31-Dec-18	31-Mar-19
Bid (GBp)	2.64	2.69	2.73	2.77	2.73	2.70
Offer (GBp)	2.83	2.88	2.92	2.97	2.94	2.90
Mid (GBp)	0.03	2.78	2.82	2.87	2.83	2.80
Bid/offer spread	6.67%	6.52%	6.60%	6.80%	7.15%	7.00%
Net asset value (GBp)	2.68	2.73	2.76	2.81	2.77	2.73
Yield	n/a	n/a	n/a	n/a	n/a	n/a

Source: Standard Life Investments Limited

Unit pricing

The fund is valued at the close of business each working day and a unit price is set that will apply to all units bought and sold the following day. The method of calculating the unit price (ie the pricing basis) depends mainly on the overall cash flow of the fund and, more specifically, whether these cash flows result in Standard Life Investments having to purchase, sell or simply transfer stock. This gives rise to four pricing bases, offer, bid, mid and middle price. Middle price is simply the average of the bid and offer price. Mid price is 1.64% above bid price, and is the price basis on which the fund transfers units between buyers and sellers on the same day.

Distributions

The fund does not distribute income. Its gross income is reinvested in the fund.

Minimum investment/disinvestment

Minimum initial investment: GBP 50,000

Creation, transfer and realisation of units

Units in the fund may be created at any time at the discretion of the manager. Units may be redeemed at any time on receipt of written notice to the manager. The manager has the right to delay redemptions for up to 12 months pending consideration of specific fund/market conditions. The manager will also attempt to match units in the fund with other parties at mid price.

Taxation

CGT and income tax:

Fund is exempt from UK capital gains tax and UK income tax.

Stamp duty reserve tax

Transfers of units do not attract SDRT.

Charges

The annual management charge is equivalent to 0.50% of the net asset value of the fund.

Unit holder analysis

	Number of unitholders	Total % held
Less than 1% of units in issue	242	27.8
1% or greater but less than 2%	10	14.2
2% or greater but less than 4%	8	24.3
4% or greater but less than 8%	2	9.5
Greater than 8.0%	2	24.2
Total	264	100.0
Major investors		
Largest holder	1	14.2
Three largest holders	3	29.4
Five largest holders	5	37.6
Ten largest holders	10	53.7
Internal/external investors		
Internal	12	22.1
External	252	77.9

Source: Standard Life Investments 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	1,270,663,099	1,331,573,412	1,346,687,918	1,256,348,164	1,162,271,895	1,071,252,639
Units issued during period	60,910,312	15,114,506	-90,339,754	-94,076,268	-91,019,256	-51,352,248
Units in issue at end of period	1,331,573,412	1,346,687,918	1,256,348,164	1,162,271,895	1,071,252,639	1,019,900,391
Unit transfers	-	-	-	-		
Matched bargains	-	-	-	-	0	0
Matched bargains %*					0	0.00%

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

Source: Standard Life Investments Limited