

Standard Life Investments Long Lease Property Fund

INVESTMENT POLICY AND OBJECTIVES

The Fund is a High Lease to Value Property Fund investing in a diversified portfolio of assets let to strong financial covenants, and maintaining a minimum average unexpired property lease length of 15 years.

The Fund aims to outperform the FT All Gilt Index by 2% per annum over rolling 5 year periods.

INVESTOR CONSTITUENCY

The Fund is open to investment to institutional UK tax exempt investors.

Fund details	
Type of fund	Managed Property Fund
Residence	United Kingdom
Launch date	September 2003
Open/closed-ended	Open-ended
Earliest date of winding up	Not applicable
Year-end	31 December
NAV (GBPm)	2569.0

Source : Standard Life Investments Long Lease Property Fund

Management/professional advisors	
Manager	Standard Life Investments Limited
Investment Advisor	Standard Life Investments Limited
Fund Manager	Les Ross
Fund manager – REITs/property shares	n/a
Trustee	n/a
Auditors	Ernst and Young LLP.

Source: Standard Life Investments Limited

Investment rates of return, %		MSCI/AREF UK Quarterly Property Fund Index		
	Standard Life Investments Long Lease Property Fund	Long Income Open-Ended Funds	All balanced open-ended funds	All funds
3 months	-0.7	-0.7	0.4	0.3
Year-to-date	0.9	-1.3	0.2	0.1
12 months	-18.1	-16.6	-17.4	-17.1
3 years+	-0.4	0.0	3.4	2.3
5 years+	1.9	1.8	2.2	1.1
10 years+	5.3	5.1	6.3	5.5

Source: MSCI/AREF UK Quarterly Property Fund Index

Property investment restrictions	
Maximum development exposure	25%
Maximum speculative development exposure	nil
Maximum rental exposure to a single tenant	20%
Maximum lot-size holding permitted at purchase	10%
Maximum exposure to limited partnerships	-
Maximum exposure to joint ventures	-
Maximum exposure to closed and open-ended property unit trusts	5%

Source: Standard Life Investments Limited

Portfolio distribution %		MSCI/AREF UK Quarterly Property Fund Index		
	Standard Life Investments Long Lease Property Fund	Long Income Open-Ended Property Funds	All balanced open-ended funds	All funds
Standard retail – South East	6.8	7.9	4.6	4.6
Standard retail – Rest of UK	9.1	5.8	1.4	2.3
Shopping centres	0.0	0.5	0.9	2.5
Retail warehouses	0.0	0.9	12.1	7.6
All UK retail	15.9	15.2	19.0	17.1
City offices	0.0	2.9	3.4	3.2
West End offices	1.7	3.8	7.5	5.1
Rest of South East offices	8.6	5.6	7.1	5.5
Rest of UK offices	9.3	9.6	4.9	5.3
All UK offices	19.6	21.9	22.9	19.1
South East industrial	7.8	4.8	24.5	20.3
Rest of UK industrial	15.1	10.2	13.7	11.8
All UK industrial	22.9	15.0	38.2	32.1
Other UK properties	40.1	44.9	12.5	25.9
Cash***	1.4	3.0	7.4	5.8
Overall	100.0	100.0	100.0	100.0

Source: Standard Life Investments Limited

Property ownership structure			
	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	103	2,520.1	98.7

Joint and indirect holdings	1	32.3	1.3
Listed investments	0	0.0	0.0
Total	104	2,552.5	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
FRIARS BRIDGE COURT, LONDON	LONDON	Office	100-150m	5.6
SALFORD VILLAGE LIVING, UNIVERSITY OF SALFORD, PEEL PARK CAMPUS, SALFORD, UK	SALFORD	Residential	100-150m	4.4
THE DIXON HOTEL, LONDON	LONDON	Hotel	100-150m	4.1
Next Distribution Centre	SOUTH ELMSALL	Industrial	80-100m	3.4
QVC, BUILDING 8 CHISWICK PARK	LONDON	Office	80-100m	3.2
Amazon, Hinckley	HINCKLEY	Industrial	60-80m	2.8
TRAVIS PERKINS, OMEGA NORTH, WARRINGTON, UK	WARRINGTON	Industrial	60-80m	2.6
ARCHWAY & BONNINGTON HOUSE, 1 MUIRFIELD CRESCENT, 47 MILLHARBOUR, LONDON, UI	LONDON	Other	60-80m	2.5
NAPIER UNIVERSITY, WEST FOUNTAINBRIDGE, EDINBURGH, UK	EDINBURGH	Residential	60-80m	2.4
MBMA CAMPUS, CHESTER BUSINESS PARK, CHESTER, UK	CHESTER	Office	60-80m	2.4
10 largest investments as % of portfolio				33.3

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	26	54.7	2.1
2.5 - 5	8	20.7	0.8
5-10	10	82.6	3.2
10-25	19	310.5	12.2
25 - 50	23	828.5	32.5
50 - 100	14	863.9	33.8
100-150	3	359.3	14.1
Over 150	0	0.0	0.0
Total	103	2520.1	98.7
Average lot size		24.5	

Source: Standard Life Investments Limited

Property Yield		Voids as % of ERV	
Net initial yield	4.58%	Investments	1.9%
Nominal equivalent yield	5.22%	Developments	0.0%
True equivalent yield	5.40%	Total	1.9%
Net reversionary yield	3.56%		

Source: Standard Life Investments Limited

Rental income & ERV by type of property

	Rental income %	Estimated rental value %
Standard retail	19.8	13.8
Retail warehousing	0.0	0.0
Shopping centres	0.0	0.0
Central London offices	6.1	6.0
Other offices	15.2	16.5
Industrial	22.2	24.5
Other	36.7	39.1
Overall	100.0	100.0

Source: Standard Life Investments Limited

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	24.5	0.0	0.0	0.0	-20.6	-19.9	-40.5	80.1
Retail warehousing	-	-	-	-	-	-	-	-
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	7.5	0.0	0.0	0.0	0.0	13.0	13.0	113.0
Other offices	18.8	0.0	0.0	14.2	-7.6	23.9	16.3	123.9
Industrial	27.5	4.7	0.0	0.0	-0.2	26.1	25.9	126.1
Other	45.4	0.0	0.0	0.0	-12.3	21.9	9.6	121.9
Overall	123.7	1.0	0.0	2.2	-9.8	14.3	4.5	114.3

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

Source: Standard Life Investments Limited

Listed Investments

	% of Issue held	Valuation (GBPm)	Est. % of total portfolio
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
	0.0	0.0	0.0

The unexpired term of leases

Years	% of rent passing
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20 years or greater	45.5
15 years or greater, but less than 20	25.0
10 years or greater, but less than 15	21.1
5 years or greater, but less than 10	8.0
Less than 5 years	0.4

Source: Standard Life Investments Limited

Joint and Indirect property holdings						
Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
Units in Standard Life Commercial Ground Rent Fund	Other	INDIRECT RE - LIMITED PARTNERSHIP	-	8.3	32.3	1.3
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-

Source: Standard Life Investments 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		

Source: Standard Life Investments Limited

Development exposure*				
	Capital value of developments			Cost to complete schemes in progress+
	Not yet started	In progress+	All developments	
GBPm	0	0	0	0.000
% of all directly held properties*	0.00%	0.00%	0.00%	0.00%

* 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 quarter
Valuers	Cushman & Wakefield
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	*
for liquidity purposes	nil
Cash holdings (maximum)	5%
Cash holdings (minimum)	*

Source: Standard Life Investments Limited

The contribution of major tenants to rental income	
Tenant	%
Amazon UK Services Limited	6.4
Tesco Stores Limited	5.1
Viapath Services LLP	4.8
Marston's plc	4.8
Premier Inn Hotels Limited / Whitbread plc	4.5
J Sainsbury plc / Sainsbury's Supermarkets Limited	4.1
Salford Villages Limited / University of Salford	3.8
QVC	3.7
Next Group plc	3.4
Secretary of State for Communities & Local Government	3.4
Three largest tenants' contribution to rental income	16.3
Five largest tenants' contribution to rental income	25.6
Ten largest tenants' contribution to rental income	43.9

Source: Standard Life Investments Limited

Balance sheet/gearing					
	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2520.1	0.0	32.3	0.0	2552.5
Listed investments	0.0	0.0	0.0	0.0	0.0

Debt	0.0	0.0	0.0	0.0	0.0
Cash	37.5	0.0	0.0	0.0	37.5
Other net assets/liabilities	-21.0	0.0	0.0	0.0	-21.0
Total net assets	2536.7	0.0	32.3	0.0	2569.0
Gearing (%)					
Net debt (cash)/properties	-1.5	-	0.0	-	-1.5
Net debt (cash)/equity	-1.5	-	0.0	-	-1.5

Source: Standard Life Investments Limited

Quarterly data per unit						
As at	31-Mar-22	30-Jun-22	30-Sep-22	31-Dec-22	31-Mar-23	30-Jun-23
Bid (GBP)	4.1280	3.8380	3.7454	3.1151	3.4884	3.4682
Offer (GBP)	4.4477	4.1419	4.0418	3.3643	3.7680	3.7483
Mid (GBP)	4.2878	3.9900	3.8936	3.2397	3.6282	3.6083
Bid/offer spread	7.2%	7.3%	7.3%	7.4%	7.4%	7.5%
Net asset value (GBP)	4.1879	4.2782	4.1802	3.4817	3.5408	3.5208
Quarterly distribution (GBP)	0.00	-0.01	-0.01	0.00	0.00	0.00
Yield	0.00	0.00	0.00	-0.01	-0.01	-0.01

Source: Standard Life Investments Limited

Unit pricing

The Fund is valued each working day and a unit price is set, which will apply to all units that are bought or sold on the following working day. The method of calculating the unit price (i.e. 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 three pricing bases; the offer basis, the bid basis and the mid basis. In general, there is a positive cash flow into the fund, which means that an offer basis will be used. This basis takes account of the cost of buying investments. However, if there is an overall cash flow out of the fund, the pricing basis may be switched to a bid basis. This means that a lower unit price will apply, reflecting the cost of selling the underlying investments. We believe that by pricing the fund in this way we are being fair and equitable to both new and existing clients. As far as possible, we try to match buyers and sellers of our units. The Fund will try to minimise the cost of any transactions for its clients by only making adjustments to the pricing basis when absolutely necessary.

Distributions

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

Minimum investment/disinvestment

Minimum initial investment: GBP3,000,000

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 reserves the right to defer redemptions for up to 12 months pending consideration of specific fund/market conditions. The Manager will also try to match buyers and sellers of units in the Fund at mid price.

Taxation

CGT and income tax: the 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	58	22.2
1% or greater but less than 2%	13	17.7
2% or greater but less than 4%	5	13.6
4% or greater but less than 8%	1	4.9
Greater than 8.0%	4	41.7
Total	81	100.0
Major investors		
Largest holder	1	13.6
Three largest holders	3	33.6
Five largest holders	5	46.6
Ten largest holders	10	60.1
Internal/external investors		
Internal	0	0.0
External	81	100.0

Source: Standard Life Investments Limited

Liquidity						
Period	Year to Dec 2018	Year to Dec 2019	Year to Dec 2020	Year to Dec 2021	Year to Dec 2022	Year to Dec 2023
Issues and redemptions						
Units in issue as at start of period	706,504,102	734,021,364	755,480,998	744,481,206	829,252,449	787,558,764
Units issued during period	347,172,60	30,892,736	393,345	102,257,757	5,439,345	2,637,345
Units redeemed during period	-7,199,997	-9,433,102	-11,393,138	-17,486,513	-47,133,030	-60,523,659
Units in issue at end of period	734,021,364	755,480,998	744,481,206	829,252,449	787,558,764	729,672,451
Unit transfers						
Matched bargains	355,822	7,983,339	388,398	33,785,802	8,159,434	0
Matched bargains % *	0.05%	1.06%	0.05%	4.07%	1.04%	0.00%

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

Source: Standard Life Investments Limited