



# Royal London Property Fund

## INVESTMENT POLICY AND OBJECTIVES

The objective of the Fund is to provide the investor with an income return from a diversified portfolio of UK properties, while making acquisitions and disposals at the right time in the market cycle to extract maximum capital growth. 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 by institutional investors including pension funds, SIPPs, investment trusts and charities, wealth managers and individual investors.

| Fund details                |                                     |
|-----------------------------|-------------------------------------|
| Type of fund                | Property Authorised Investment Fund |
| Residence                   | United Kingdom                      |
| Launch date                 | May 1991*                           |
| Open/closed-ended           | Open-ended                          |
| Earliest date of winding up | Not applicable                      |
| Year-end                    | 31 June                             |
| NAV (GBPm)                  | 403.1                               |

Source: Royal London Asset Management

| Management/professional advisors |                                   |
|----------------------------------|-----------------------------------|
| Manager                          | Royal London Asset Management Ltd |
| Investment advisor               | Royal London Asset Management Ltd |
| Property fund manager            | Gareth Dickinson                  |
| Depository                       | National Westminster Bank Plc     |

Source: Royal London Asset Management

**Investment rates of return, %**

|              |                            | MSCI/AREF UK Quarterly Property Fund Index |                    |           |
|--------------|----------------------------|--|--------------------|-----------|
|              | Royal London Property Fund | Other balanced funds                       | All balanced funds | All funds |
| 3 months     | -0.1                       | 0.3  | 0.3                | 0.3       |
| Year-to-date | -0.1                       | 0.3  | 0.3                | 0.3       |
| 12 months    | 2.5                        | 5.7  | 4.8                | 4.1       |
| 3 years+     | 4.5                        | 6.9  | 6.1                | 5.6       |
| 5 years+     | 7.1                        | 9.6  | 9.1                | 8.5       |
| 10 years+    | 7.7                        | 8.5  | 8.3                | 8.5       |

Source: Royal London Asset Management

**Property investment restrictions**

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

Source: Royal London Asset Management

**Portfolio distribution %**

MSCI/AREF UK Quarterly Property Fund Index

|                              | Royal London<br>Property Fund | Other<br>balanced<br>funds | All balanced<br>funds | All funds    |
|------------------------------|-------------------------------|----------------------------|-----------------------|--------------|
| Standard retail – South East | 8.2                           | 7.7                        | 7.0                   | 5.7          |
| Standard retail – Rest of UK | 5.9                           | 3.6                        | 3.6                   | 3.8          |
| Shopping centres             | 0.0                           | 1.9                        | 2.5                   | 7.6          |
| Retail warehouses            | 12.5                          | 13.5                       | 13.9                  | 13.3         |
| <b>All UK retail</b>         | <b>26.6</b>                   | <b>26.6</b>                | <b>27.1</b>           | <b>30.4</b>  |
| City offices                 | 5.4                           | 3.8                        | 3.7                   | 3.3          |
| West End offices             | 14.4                          | 7.6                        | 8.3                   | 7.3          |
| Rest of South East offices   | 8.2                           | 11.8                       | 11.3                  | 7.7          |
| Rest of UK offices           | 1.7                           | 5.8                        | 5.8                   | 4.9          |
| <b>All UK offices</b>        | <b>29.7</b>                   | <b>28.9</b>                | <b>29.0</b>           | <b>23.2</b>  |
| South East industrial        | 13.2                          | 18.9                       | 19.1                  | 15.3         |
| Rest of UK industrial        | 12.9                          | 10.1                       | 10.1                  | 8.0          |
| <b>All UK industrial</b>     | <b>26.1</b>                   | <b>29.1</b>                | <b>29.2</b>           | <b>23.4</b>  |
| Other UK properties          | 9.6                           | 11.0                       | 9.7                   | 18.8         |
| Cash***                      | 7.9                           | 4.4                        | 5.1                   | 4.3          |
| <b>Overall</b>               | <b>100.0</b>                  | <b>100.0</b>               | <b>100.0</b>          | <b>100.0</b> |

Source: Royal London Asset Management

#### Property ownership structure

|                             | Number of assets | Valuation (GBPm) | % of total<br>portfolio |
|-----------------------------|------------------|------------------|-------------------------|
| Direct holdings             | 35               | 371.1            | 100.0                   |
| Joint and indirect holdings | 0                | 0                | 0.0                     |
| Listed investments          | 0                | 0                | 0.0                     |
| <b>Total</b>                | <b>35</b>        | <b>371.1</b>     | <b>100.0</b>            |

Source: Royal London Asset Management

#### Largest direct investments by lot size & percentage of total portfolio

| Property | Location | Sector | Valuation<br>(GBPm) | % of total<br>portfolio |
|----------|----------|--------|---------------------|-------------------------|
|----------|----------|--------|---------------------|-------------------------|

|                          |                |                        |       |   |
|--------------------------|----------------|------------------------|-------|---|
| 15-18 Rathbone Place     | London         | Central London offices | 30-40 | * |
| Cairngorm Retail Park    | Milton Keynes  | Retail warehouses      | 20-30 | * |
| 28-32 Lexington Street   | London         | Central London offices | 20-30 | * |
| 41 Eastcheap             | London         | Central London offices | 20-30 | * |
| Unit 5 Norreys Drive     | Maidenhead     | Other offices          | 20-30 | * |
| Waitrose                 | Raynes Park    | Standard retail        | 10-20 | * |
| Compass Business Park    | Chessington    | Industrial             | 10-20 | * |
| Kings Ride Park          | Ascot          | Industrial             | 10-20 | * |
| Junction 8 Business Park | Ellesmere Port | Industrial             | 10-20 | * |
| Lodge Farm Trade         | Northampton    | Industrial             | 10-20 | * |

#### 10 largest investments as % of portfolio

Source: Royal London Asset Management

#### Direct portfolio structure by lot-size bands

| Value band (GBPm) | Number of assets | Valuation (GBPm) | % of total portfolio |
|-------------------|------------------|------------------|----------------------|
| 0 -2.5            | 3                | 5.2              | 1.4                  |
| 2.5 - 5           | 2                | 8.9              | 2.4                  |
| 5-10              | 15               | 108.4            | 29.2                 |
| 10-25             | 14               | 212.6            | 57.3                 |
| 25 - 50           | 1                | 36.2             | 9.7                  |
| 50 - 100          | 0                | 0.0              | 0.0                  |
| 100-150           | 0                | 0.0              | 0.0                  |
| Over 150          | 0                | 0.0              | 0.0                  |
| <b>Total</b>      | <b>35</b>        | <b>371.1</b>     | <b>100.0</b>         |
| Average lot size  |                  | 10.6             |                      |

Source: Royal London Asset Management

#### Property Yield

|                          |       |
|--------------------------|-------|
| Net initial yield        | 5.03% |
| Nominal equivalent yield | 5.23% |
| True equivalent yield    | 5.41% |
| Net reversionary yield   | 5.24% |

#### Voids as % of ERV

|              |              |
|--------------|--------------|
| Investments  | 1.80%        |
| Developments | 0.00%        |
| <b>Total</b> | <b>1.80%</b> |

Source: Royal London Asset Management

#### Rental income & ERV by type of property

|                        | Rental income % | Estimated rental value % |
|------------------------|-----------------|--------------------------|
| Standard retail        | 14.0            | 14.3                     |
| Retail warehousing     | 16.8            | 15.7                     |
| Shopping centres       | 0.0             | 0.0                      |
| Central London offices | 17.3            | 18.9                     |
| Other offices          | 14.9            | 12.2                     |
| Industrial             | 27.7            | 30.0                     |
| Other                  | 9.3             | 8.9                      |
| <b>Overall</b>         | <b>100.0</b>    | <b>100.0</b>             |

Source: Royal London Asset Management

#### 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        | 93.9           | 7.7                            | 0.0                 | 0.0           | -3.4          | 1.8                      | -1.6                         | 100.0        |
| Retail warehousing     | 103.1          | 5.2                            | 0.0                 | 0.0           | -9.5          | 1.2                      | -8.3                         | 100.0        |
| Shopping centres       | -              | -                              | -                   | -             | -             | -                        | -                            | -            |
| Central London offices | 88.0           | 0.0                            | 0.0                 | 8.8           | -1.6          | 4.9                      | 3.2                          | 100.0        |
| Other offices          | 117.3          | 0.0                            | 0.0                 | 0.0           | -18.6         | 1.3                      | -17.3                        | 100.0        |
| Industrial             | 88.5           | 0.6                            | 0.0                 | 0.4           | -0.8          | 11.2                     | 10.5                         | 100.0        |
| Other                  | 99.4           | 0.0                            | 0.0                 | 0.0           | -0.7          | 1.4                      | 0.6                          | 100.0        |
| <b>Overall</b>         | <b>95.9</b>    | <b>2.1</b>                     | <b>0.0</b>          | <b>1.8</b>    | <b>-4.8</b>   | <b>5.0</b>               | <b>0.2</b>                   | <b>100.0</b> |

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

Source: Royal London Asset Management

#### 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                   | 0.0               |
| 15 years or greater, but less than 20 | 6.3               |
| 10 years or greater, but less than 15 | 13.4              |
| 5 years or greater, but less than 10  | 26.9              |
| Less than 5 years                     | 53.4              |

Source: Royal London Asset Management

#### Joint and indirect property holdings

| Holdings | Sector | Joint/Indirect | Vehicle Type | Ownership % | Valuation | 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                       |

Source: Royal London Asset Management

#### 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 |

Source: Royal London Asset Management

#### Development exposure\*

|                                    | Capital value of developments |              |                  | Cost to complete schemes in progress+ |
|------------------------------------|-------------------------------|--------------|------------------|---------------------------------------|
|                                    | Not yet started               | In progress+ | All developments |                                       |
| GBPm                               | 0                             | 0            | 0                | 0                                     |
| % 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: Royal London Asset Management

#### Valuations/performance monitors/affiliations

|   |   |
|---|---|
| Frequency of valuation                                    | Monthly, on the last working day of the month |
| Valuers   | Cushman and 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: Royal London Asset Management

#### Restrictions on holdings of cash/borrowings

|                                 |       |
|---------------------------------|-------|
| Maximum total gearing permitted | 10.0% |
|---------------------------------|-------|

Source : Royal London Property Fund

#### The contribution of major tenants to rental income

| Tenant                   | %   |
|--------------------------|-----|
| Glaxosmithkline Services | 8.3 |
| Technicolour Limited     | 5.4 |
| Premier Inn Hotels Ltd   | 4.7 |
| Parts Alliance Group Ltd | 3.2 |

|  |      |
|--|------|
| Waitrose   | 3.1  |
| DFS Furniture Co Ltd                                 | 2.8  |
| Brocade Communications UK Limited                    | 2.6  |
| Smith International (North Sea) Ltd                  | 2.6  |
| Stapleton's (Tyre Services) Limited                  | 2.4  |
| Accor  | 2.4  |
| Three largest tenants' contribution to rental income | 18.4 |
| Five largest tenants' contribution to rental income  | 24.7 |
| Ten largest tenants' contribution to rental income   | 37.4 |

Source: Royal London Asset Management

#### Balance sheet/gearing

|                              | Direct holdings | Joint holdings | Indirect investments | Listed investments | Total |
|------------------------------|-----------------|----------------|----------------------|--------------------|-------|
| Balance sheet (GBPm)         |                 |                |                      |                    |       |
| Properties at valuation      | 371.1           | 0.0            | 0.0                  | 0.0                | 371.1 |
| Listed investments           | 0.0             | 0.0            | 0.0                  | 0.0                | 0.0   |
| Debt                         | 0.0             | 0.0            | 0.0                  | 0.0                | 0.0   |
| Cash                         | 32.0            | 0.0            | 0.0                  | 0.0                | 32.0  |
| Other net assets/liabilities | 0.0             | 0.0            | 0.0                  | 0.0                | 0.0   |
| Total net assets             | 403.1           | 0.0            | 0.0                  | 0.0                | 403.1 |
| Gearing (%)                  |                 |                |                      |                    |       |
| Net debt (cash)/properties   | -8.6            | -              | -                    | -                  | -8.6  |
| Net debt (cash)/equity       | -7.9            | -              | -                    | -                  | -7.9  |

Source: Royal London Asset Management

#### Quarterly data per unit

| As at            | 31-Dec-17 | 31-Mar-18 | 30-Jun-18 | 30-Sep-18 | 31-Dec-18 | 31-Mar-19 |
|------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| Bid (GBP)        | 3.042     | 3.057     | 3.056     | 3.070     | 3.061     | 3.028     |
| Offer (GBP)      | 3.268     | 3.285     | 3.282     | 3.295     | 3.292     | 3.250     |
| Mid (GBP)        | 3.155     | 3.171     | 3.169     | 3.183     | 3.176     | 3.139     |
| Bid/offer spread | 6.9%      | 6.9%      | 6.9%      | 6.8%      | 7.0%      | 6.8%      |



|                              |       |       |       |       |       |       |
|------------------------------|-------|-------|-------|-------|-------|-------|
| Net asset value (GBP)        | 3.085 | 3.101 | 3.099 | 3.113 | 3.105 | 3.070 |
| Quarterly distribution (GBP) | 0.020 | 0.025 | 0.028 | 0.026 | 0.022 | 0.032 |
| Yield                        | 3.4%  | 3.4%  | 3.4%  | 3.1%  | 3.2%  | 3.5%  |

Source: Royal London Asset Management

### Unit pricing

The share price is calculated monthly on valuation day, the last working day of each month.

### Distributions

Distributions of income are made monthly, on the 14th of each month.

### Minimum investment/disinvestment

|                                |            |
|--------------------------------|------------|
| Minimum initial                | GBP100,000 |
| Minimum additional investment: | GBP100,000 |
| Minimum redemption:            | GBP100,000 |
| Minimum holding:               | GBP100,000 |

### Creation, transfer and realisation of units

Investment into the Fund is on the monthly Dealing Day. This is the seventh business day of each month. All deals will be transacted at the

price which is determined at the Valuation Point for that month (the last business day of the prior month as described following). Applications to purchase shares on a particular Dealing Day must be received by RLAM in writing before close of business on the 15th of each month. (e.g. applications received on or before 15 June will be invested at the price determined on the last day of June, with the investment made on the 7th business day of July.)

Investments can be made at any time during the month. Any cash received prior to the Dealing Day will be held in a Designated Client Money Account until the next Dealing Day when shares will be purchased with this cash holding. Interest will not be paid on cash while awaiting investment.

Late applications will be carried forward to the next Dealing Day.

Shares can be sold/redeemed at any time. Applications to redeem shares must be received by RLAM, in writing, at least three months in advance of the relevant Valuation Point. (e.g. applications received on or before 1 June will be redeemed at the price determined on the last business day of August, with the redemption made on the 7th business day of September.)

If the ACD is instructed to send the money to the investor's bank or building society account this will be accepted as a request to send money by telegraphic transfer (the ACD reserves the right to pass on the cost for this service). If the investor sells enough Shares that the value of their holding falls below the minimum holding amount required, then the ACD has the right to sell all of the investor's remaining shares.

A contract note will be sent confirming the transaction.

If a redemption request exceeds 5% of the value of the Fund, then the ACD, following consultation with the Depositary that it is in the best interest of the holders and the Fund, may defer a request to redeem shares and carry forward any redemption applications to the next Dealing Day, subject to a maximum delay of one Dealing Day.

## **Taxation**

The following is a summary of current law and practice and is subject to change. The information should not be regarded as legal or tax advice.

### **Capital Gains Tax**

The Fund is exempt from capital gains tax.

### **Income Tax**

While distributions of income are made net of income tax, shareholders are able to reclaim the tax deducted, and vouchers for this purpose are sent to shareholders with each distribution.

### **Stamp duty reserve tax**

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

## Charges

### Preliminary charge:

The Fund no longer has a preliminary charge.

### Annual charge

The manager is entitled to a minimum fee equivalent to 0.75% pa of the net asset value of the Fund (which is deducted on a monthly basis).

### Performance fee

The Fund's quartile ranking against the Other Balanced Fund Index component of the MSCI/AREF UK Quarterly Property Fund Index for the most recently available Year will be taken and applied to the following table:

If performance as compared to the Other Balanced Funds Index component of the MSCI/AREF UK Quarterly Property Fund Index falls into the fourth (bottom) quartile of the index, then the performance fee will be negative at -0.10%. (Any negative performance fee will be deducted from the AMC and will not result in a rebate to the unitholder.)

If performance falls into the third quartile of the index, then no performance fee will be payable.

If performance falls into the second quartile of the index, then a performance fee of 0.10% will be payable.

If performance falls into the first (top) quartile of the index, then a performance fee of 0.30% will be payable.

The performance fee will be calculated, and paid out of Scheme Property on a monthly basis, at each monthly valuation point and will paid to the Investment Adviser at the same time as the periodic management charge is also paid to the ACD.

## Unit holder analysis

|                                | Number of unitholders | Total % held |
|--------------------------------|-----------------------|--------------|
| Less than 1% of units in issue | 15                    | 1.6          |
| 1% or greater but less than 2% | 1                     | 1.3          |
| 2% or greater but less than 4% | 4                     | 13.1         |
| 4% or greater but less than 8% | 1                     | 6.1          |
| Greater than 8.0%              | 2                     | 77.9         |
| <b>Total</b>                   | <b>23</b>             | <b>100.0</b> |
| Major investors                |                       |              |
| Largest holder                 | 1                     | 54.9         |
| Three largest holders          | 3                     | 84.0         |
| Five largest holders           | 5                     | 91.2         |
| Ten largest holders            | 10                    | 99.4         |

Internal/external investors

Internal 2 77.9

External 22 22.1

Source: Royal London Asset Management

| 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 |
| <b>Issues and redemptions</b>        |                  |                  |                  |                  |                  |                  |
| Units in issue as at start of period | 55,529,574       | 65,835,647       | 70,951,553       | 66,603,576       | 65,088,098       | 65,067,878       |
| Units issued during period           | 11753460         | 5,565,337        | 1,887,531        | 203,220          | 293,931          | 54,170           |
| Units redeemed during period         | -1447388         | -449431          | -6,235,507       | -1,718,698       | -314,151         | -1,309,182       |
| Units in issue at end of period      | 65,835,647       | 70,951,553       | 66,603,576       | 65,088,098       | 65,067,878       | 63,812,866       |
| <b>Unit transfers</b>                |                  |                  |                  |                  |                  |                  |
| Matched bargains                     | -                | -                | 7396207          | -                | 0                | 0                |
| Matched bargains %*                  | -                | -                | 0.111            | -                | 0                | 0.00%            |

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

Source: Royal London Asset Management