

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)	2826.1

Management/professional advisors	
Manager	Royal London Asset Management Ltd
Investment Advisor	Royal London Asset Management Ltd
Property Fund Manager	Drew Watkins
Depository	HSBC Bank plc
Auditors	PricewaterhouseCoopers LLP

	Royal London UK Real Estate Fund	MSCI/AREF UK Quarterly Property Fund Index *		
		Other Balanced Funds	All balanced funds	All funds
3 months	-0.2	0.2	0.2	-0.2
Year-to-date	-2.6	-3.1	-3.1	-4.2
12 months	-2.5	-2.8	-2.8	-4.2
3 years+	3.6	3.1	2.6	1.6
5 years+	-	4.6	4.1	3.3
10 years+	-	6.7	6.4	6.1

Note: * Weighted average returns + Annualised

Source: MSCI/AREF UK Quarterly Property Fund Index

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

	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	20.3	6.5	5.6	5.1
Standard retail – Rest of UK	1.0	2.3	2.6	3.4
Shopping centres	0.0	1.1	1.6	4.6
Retail warehouses	9.6	11.4	11.0	9.6
All UK retail	31.0	21.4	20.8	22.8
City offices	8.7	4.1	3.7	3.1
West End offices	21.2	7.6	8.5	7.7
Rest of South East offices	2.4	11.5	10.8	7.8
Rest of UK offices	1.7	6.2	5.8	5.1

All UK offices	34.0	29.5	28.9	23.7
South East industrial	21^	20.7	21.2	17.1
Rest of UK industrial	4.4	11.1	10.9	8.9
All UK Industrial	25.3	31.8	32.0	26.0
Other UK properties	7.6	11.5	10.6	21.9
Cash***	2.1	5.9	7.7	5.6
Overall	100.0	100.0	100.0	100.0

** MSCI/AREF UK Quarterly Property Fund Index

^ Includes Investment in Indirects

Property ownership structure

	Number of assets	Valuation (GBPm)	% of total portfolio
Direct holdings	85	2,706.2	97.8
Joint and indirect holdings	1	61.0	2.2
Listed investments	0	0	0.0
Total	86	2,767.2	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	*
1A WIMPOLE STREET	LONDON	Office	100-200	*
25 WILTON ROAD	LONDON	Office	100-200	*
HAM YARD HOTEL	LONDON	Hotel – Not categorised	100-200	*
55/59 LONG ACRE	LONDON	Retail Other	50-100	*
1/3 ST PAULS CHURCHYARD & 1/9 LUDGATE HI	LONDON	Office	50-100	*
CASTLEWOOD HOUSE	LONDON	Office	50-100	*
85-96 JERMYN STREET	LONDON	Office	50-100	*
SOHO SQ, FRITH & DEAN 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	6	11.1	0.4
2.5 - 5	7	25.1	0.9
5-10	9	65.2	2.4
10-25	30	476.2	17.2
25 - 50	17	669.4	24.2
50 - 100	11	758.1	27.4
Over 100	4	453.0	16.4
Total	85	2706.2	97.8
Average lot size		31.8	

Property Yield*

Net initial yield	3.88%
Nominal equivalent yield	5.01%
True equivalent yield	5.03%
Net reversionary yield	5.15%

Voids as % of ERV*

Investments	7.99%
Developments	0.65%
Total	8.64%

Rental income & ERV by type of property*

	Rental income %	Estimated rental value %
Standard retail	18.8	21.6
Retail warehousing	17.9	14.4
Shopping centres	0.0	0.0
Central London offices	24.2	29.6
Other offices	4.3	4.0

Industrial	27.3	25.2
Other	7.5	5.2
Overall	100.0	100.0

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	21.4	0.3	4.4	5.9	-5.5	47.0	41.5	147.1
Retail warehousing	20.3	6.4	0.0	9.7	-14.2	3.5	-10.7	103.2
Shopping centres	-	-	-	-	-	-	-	-
Central London offices	27.5	0.7	0.0	19.2	-3.2	37.3	34.0	156.8
Other offices	4.9	0.0	0.0	16.7	-4.8	19.8	15.0	119.8
Industrial	31.1	0.0	0.0	7.5	-1.5	18.4	16.9	118.4
Other	8.5	0.0	0.0	0.0	-10.1	-10.1	-20.2	89.9
Overall	113.8	1.4	0.8	10.2	-5.7	23.6	17.9	128.3

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

Listed Investments

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

The unexpired term of leases

Years	% of rent passing
20 years or greater	6.2
15 years or greater, but less than 20	3.0
10 years or greater, but less than 15	4.9
5 years or greater, but less than 10	23.8
Less than 5 years	62.0

Joint and Indirect property holdings

Holdings	Sector	Joint/Indirect	Vehicle Type	Ownership %	Valuation	Est. % of total portfolio
L&G INDUSTRIAL PROPERTY INVESTMENT FUND (IPIF)	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

	Not yet started	In progress+	All developments	Cost to complete schemes in progress+
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

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	%
Beverage Services Limited	4.1
Dixons Carphone Plc (Currys / PC World / Carphone Warehouse)	3.0
Marks and Spencer PLC	2.8
Firmdale Holdings Ltd	2.8
Genesis Oil and Gas Consultants Ltd	2.7
Hogan Lovells International LLP	2.2
Hugo Boss UK Limited	1.9
J Sainsbury Plc (Sainsbury's / Argos / Habitat)	1.9
Matalan Retail Limited	1.7
Twentieth Century Fox Film Co	1.4
Three largest tenants' contribution to rental income	9.9
Five largest tenants' contribution to rental income	15.4
Ten largest tenants' contribution to rental income	24.6

Balance sheet/gearing

	Direct holdings	Joint holdings	Indirect investments	Listed investments	Total
Balance sheet (GBPm)					
Properties at valuation	2706.2	0.0	61.0	0.0	2767.2
Listed investments	0.0	0.0	0.0	0.0	0.0
Debt	0.0	0.0	0.0	0.0	0.0
Cash	58.9	0.0	0.0	0.0	58.9
Other net assets/liabilities	0.0	0.0	0.0	0.0	0.0
Total net assets	2765.1	0.0	61.0	0.0	2826.1
Gearing (%)					
Net debt (cash)/properties	-2.2	0.0	0.0	-	-2.1
Net debt (cash)/equity	-2.1	0.0	0.0	-	-2.1

Quarterly data per unit

As at	30-Jun-19	30-Sep-19	31-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20
Bid (GBP)	105.016	104.850	104.087	102.246	99.902	99.13
Offer (GBP)	109.814	109.640	108.842	106.917	104.466	103.66
Mid (GBP)	107.415	107.245	106.464	104.582	102.184	101.40
Bid/offer spread	4.37%	4.37%	4.37%	4.37%	4.37%	4.37%
Net asset value (GBP)	106.616	106.447	105.672	103.803	101.424	100.64
Quarterly distribution (GBP)	0.957	0.790	0.888	0.908	0.797	0.57
Yield	3.56%	3.57%	3.50%	3.41%	3.34%	3.14%

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	Year to Dec 2020

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

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