

The Local Authorities' Property Fund

Fund Profile – 31 December 2018

A unique, specialist Property Fund available only to Local Authority Investors

Price at 31.12.18

Income units
Gross dividend yield

Net asset value

308.53p (xd)
4.21% *

* Based upon the net asset value and historic gross annual dividend of 12.9794p. Distribution for the most recent quarter has been estimated.

Strong governance

The trustee is the Local Authorities' Mutual Investment Trust (LAMIT). LAMIT is controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund to represent unitholders. As fully independent trustee, LAMIT approves the investment strategy and the risk profile of the portfolio and reviews performance.

Meeting your needs

Suitable for Local Authorities, the Fund aims to provide investors with a high level of income and long-term capital appreciation.

The Property Fund is designed to achieve long term capital growth and a rising income from investments in the UK commercial property sector.

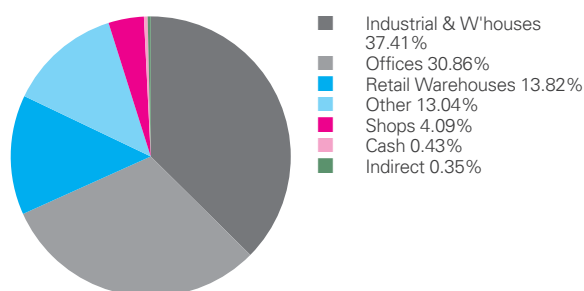
The portfolio is actively managed with a focus on asset selection. The intention is to boost returns by lease and tenant management and property improvement.

The Fund has a broad sector spread, with prudent diversification to keep risks under control.

Sector strategy

The portfolio favours industrial assets and well placed offices. The allocation to hotels has been increased. Traditional shop exposures are low, there are no holdings of shopping centres.

Asset allocation at 31 December 2018



The Fund has credit facilities which, at quarter end, were not utilised

Property portfolio details

Top 5 properties = 21.2 % of the portfolio

Top 5 tenants = 18.1% of rental income

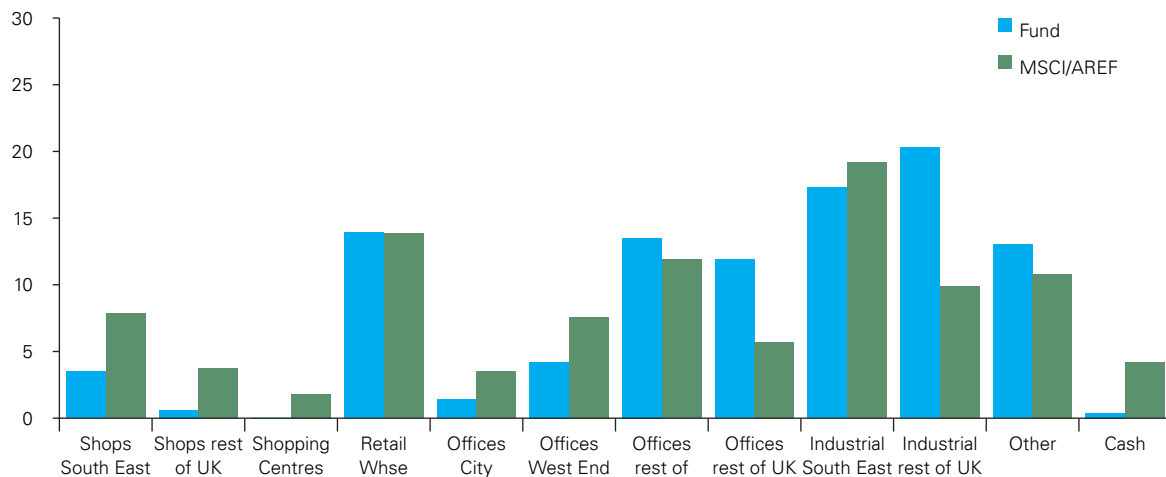
Weighted unexpired lease term years 7.0 yrs

Void rate excluding developments in progress 3.9%

Void rate including developments in progress 6.6%

Fund size: £1,099 million

Asset allocation by region and category 31 December 2018



Fund Data and MSCI/AREF UK Other Balanced Quarterly Property Fund Index data as at 31 December 2018. Source: CCLA & MSCI/AREF

Top ten property holdings – total 34.97%

London, Kingsway
 London, Beckton Retail Park
 London, Goodman's Yard
 London, Stockley Park, Longwalk
 Elstree, Centennial Park

Leeds, Park row
 Bracknell, The Arena
 Coventry, Torrington Avenue
 Bristol, Gallagher Retail Park
 Brighton, West Street

Market update

The prime focus of our strategy is on asset selection and management. We try to identify assets which, through active management, can make a significant contribution to both capital and income returns. This is supported by an active approach to sub-sector weightings which are biased to reflect our view of long-term prospects. At present, this means a relatively high weighting to industrial and office assets and a low exposure to retail. Recent activity has resulted in an increase of holdings in the 'other' sector, a grouping which includes hotels and car showrooms.

Fund activity

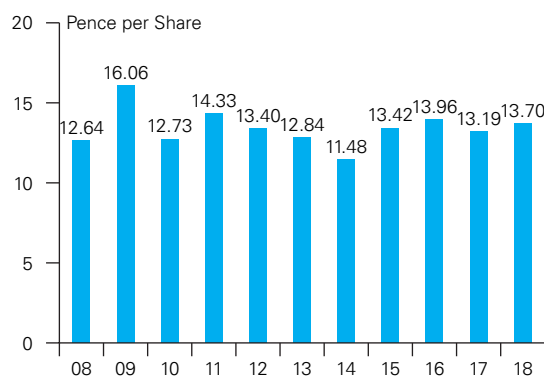
Cash flows into the Fund continued with just over £36m received during the period. Three assets were acquired, the largest a warehouse in Northampton at a cost of around £19.4m. The other two buys, a Glasgow office and an industrial asset in Aberdeen, augmented existing holdings. They are attractive in their own right, but provide the potential for added value from development. Lease management activity continued at a high level, the key lettings were of the Blythswood Square office in Glasgow and at Kingsway in London. As a result of these changes, the void rate fell to around 7% from 8.9% at the end of September. The Fund is not materially affected by the spate of store closures and CVA issuance in the retail sector. Similarly, exposure to standard retail units is low and there are no holdings in shopping centres.

Outlook

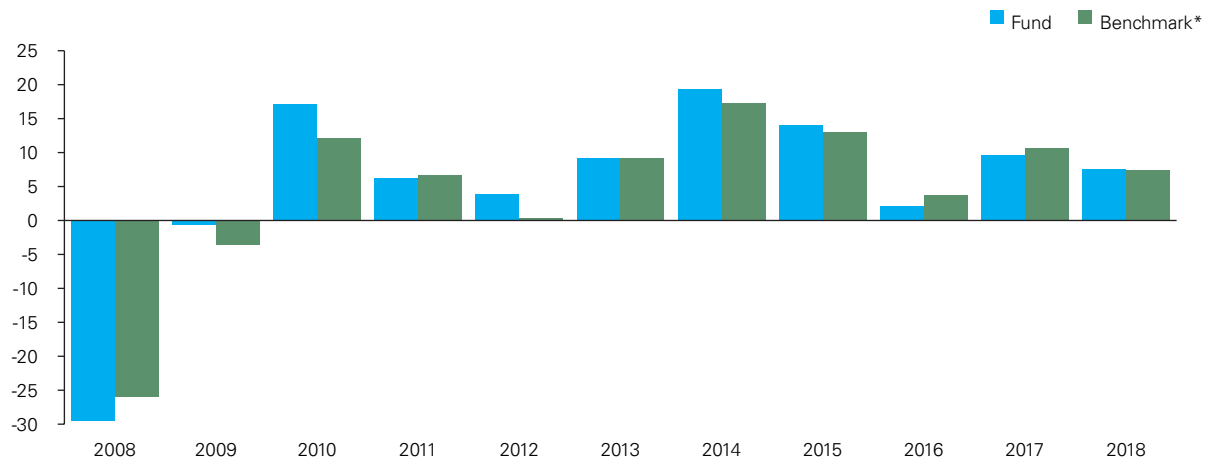
In the near term Brexit uncertainties will continue to depress transaction volumes. Underlying this, the sub-sector trends evident in 2018 are likely to continue; sources of secure income such as industrial assets and others, including hotels will remain in favour, conventional retail will stay under pressure. Overall capital values are expected to decline, but we expect total returns to stay positive reflecting the sector's high yield.

Dividend history of The Local Authorities' Property Fund

Years to 31 March



Calendar performance versus the benchmark (net)



* The benchmark is the MSCI/AREF UK Other Balanced Quarterly Property Fund Index.

Performance shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed.

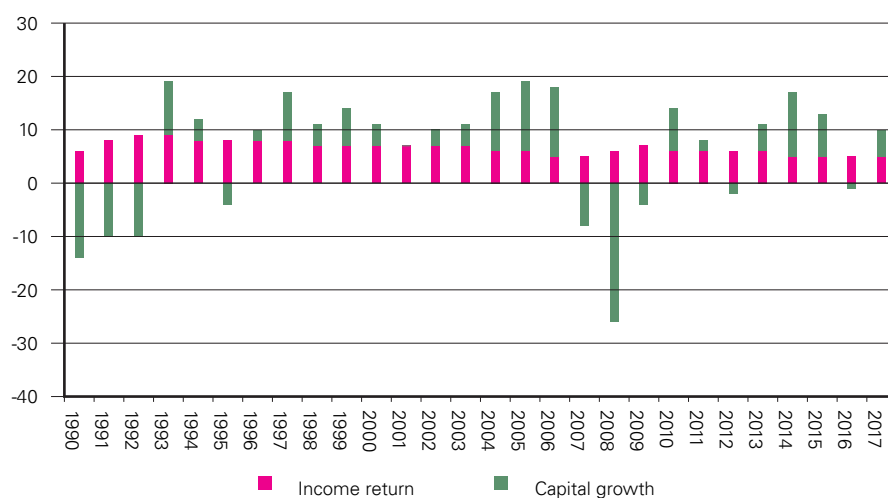
Source: CCLA & MSCI/AREF

Note: Fund calendar performance refers to total return whereas investment returns (shown below) splits the total return between income and capital. A small difference arises as a result of the compounding on the income and capital components.

The Local Authorities' Property Fund investment returns (after expenses)



MSCI/AREF UK Annual Property Digest returns (before expenses)



Source: CCLA & MSCI/AREF

Income from Property and the Fund has been consistent even in downturns, a reflection of its contractual basis.

Long-term performance

Total return performance (net) 12 months to 31 December

	2018	2017	2016	2015	2014
The Local Authorities' Property Fund	+7.60%	+9.68%	+2.12%	+14.09%	+19.50%
Benchmark	+7.43%	+10.58%	+3.66%	+12.97%	+17.34%

The benchmark is the MSCI/AREF UK Other Balanced Quarterly Property Fund Index.

Performance shown after management fees and other expenses. Past performance is not a guide to future performance and future returns are not guaranteed.

Source: CCLA & MSCI/AREF

Costs and charges

Our policy is always to keep costs and charges low - we believe that high costs and charges have a very damaging cumulative effect on investor returns. We negotiate to keep expenses low and monitor dealing costs closely. We have no entry or exit fees, the only income taken by the investment manager is the annual charge of 0.65%.

Key facts

Dealing day	Month end valuation day*
Minimum initial investment	£25,000
Minimum subsequent investment	£10,000
Dividend payment dates	End January, April, July & October
Annual management charge	0.65% (deducted from income)
Unit types available	Income
Sedol number	0521664
ISIN number	GB0005216642

Income payments are now made gross of tax.

Any outstanding historic tax reclaims should be addressed to:

Glynis Free
Specialist Repayment Team
7 South
Ty - Glas
Cardiff CF14 8HR
Telephone 03000 580618 9.30am - 1pm

* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a Bank Holiday the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. CCLA have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the following risk factors identified as specific to the Fund before investing: Counterparty/Tenant/Credit Risk (financial institution/tenants may not pay), Market Risk (investment value affected by market conditions), Operational Risk (general operational risks), Expiry/Maturity Profile (timing of maturity of tenancies), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

Disclosures

Investment in the Fund is for Eligible Local Authorities only. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated. Investments in the Fund and the Fund itself are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund. The Fund is an Alternative Investment Fund and an Unregulated Collective Investment Scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001. CCLA Fund Managers Limited (registered in England No. 8735639 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund. For information about how we obtain and use your personal data please see our Privacy Notice at <https://www.ccla.co.uk/our-policies/data-protection-privacy-notice>.