

# The Local Authorities' Property Fund

## Fund Profile – 30 September 2017

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

#### Price at 30.09.17

Income units  
Gross dividend yield

#### Net asset value

294.60p (xd)  
4.60%\*

\* Based upon the net asset value and historic gross annual dividend of 13.5553p

### Strong governance

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

### Unique accounting advantages

Unlike other property funds or direct property purchases, investment in the Fund does not count as capital expenditure for English and Scottish Local Authorities. Dividends are treated as revenue income, but the General Fund is protected from fluctuations in the unit price. The investment is treated as an available for sale financial asset.

### Meeting your needs

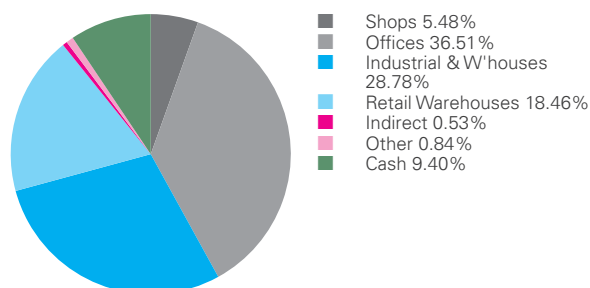
Suitable for Local Authorities, the Fund aims to provide investors with a high level of income and long-term capital appreciation.

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

### Asset allocation by investment category 30 September 2017



The Fund has a revolving credit facility which, at quarter end, had a nil balance.

**Total fund size: £836 million**

### Property portfolio details

Top 5 properties: 24.9% of the portfolio

Top 5 tenants: 18.3% of rental income

Weighted unexpired lease term: 5.0 years

Vacancy rate: 7.2%

## Asset allocation by region and category 30 September 2017



Fund Data and AREF/IPD™ Other Balanced Property Fund Index data as at 30 September 2017

### Top ten property holdings – total 36.50%

London, Kingsway	Bristol, Gallagher Retail Park
London, Stockley Park, Longwalk	Coventry, Torrington Avenue
London, Beckton Retail Park	Cambridge, Cambridge Science Park
Bracknell, The Arena	Leeds, Leeds Industrial Estate
Elstree, Centennial Park	London, Lime Street

### Market update

Valuations in the property sector rose modestly over the quarter, total returns were also supported by the high-income yield. Transaction volumes, which have recovered to trend levels in recent months, held steady, supported by continued interest from overseas based investors. Void rates remained at a relatively high level, but rental growth continued, although the rate was not even across the sector. At the sub-sector level, there were clear differences between the strongest and weakest performers. Industrials headed the list and retail lagged, notably shopping centres. There was a wide range of returns from offices, although the overall trend was positive.

### Fund activity

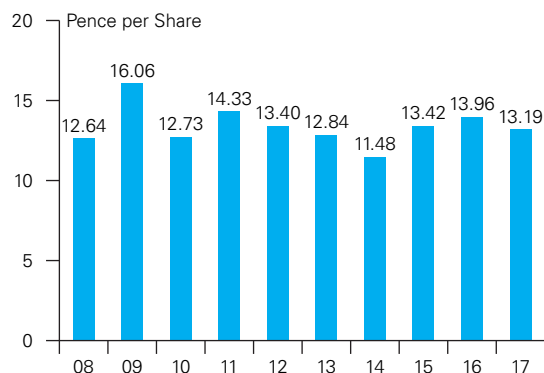
Cash flows into the Fund have continued at a high level. Three properties have been acquired: an office in the Thames Valley on an initial yield of 7.8%, an industrial property south of London which has attractive income growth prospects and a warehouse near St. Neots, again with strong income potential. Other activity includes the sale of two small industrial units for a total consideration of around £9.5m. It has been a busy period for lease management, which has resulted in a good income uplift. The major current refurbishment project is the office asset on Kingsway in London.

### Outlook

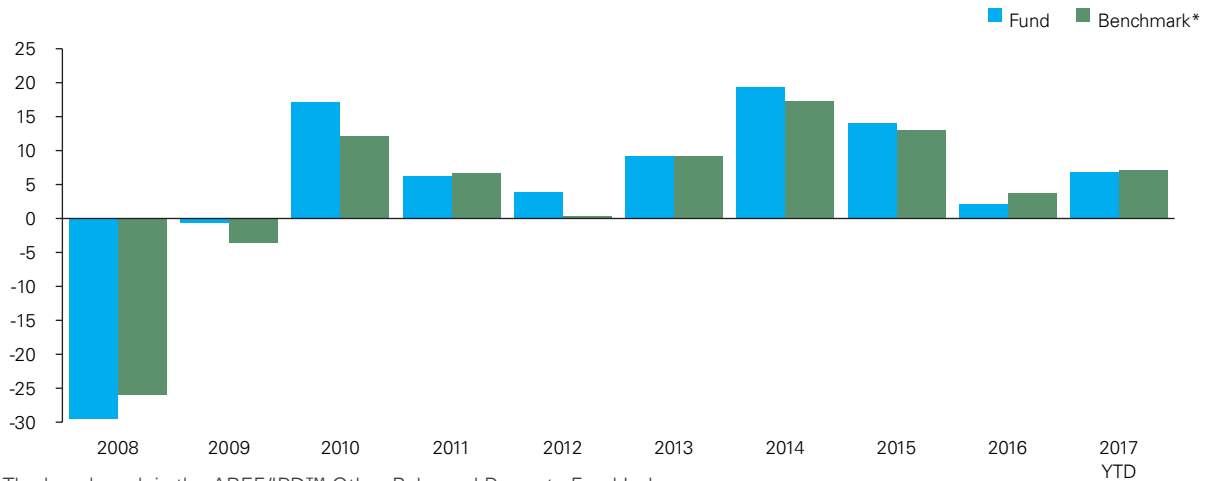
The sector is currently supported by an income yield which is attractive in absolute terms and relative to that on other assets. In addition, there is a steady demand from overseas investors and an absence of the excess supply which has dampened previous cycles. Against this must be set the uncertainty created by 'Brexit' and a slowing of the growth rate in the economy. In this environment we think that a prudent expectation is for returns which are broadly in line with the level of income received.

### Dividend history of The Local Authorities' Property Fund

Years to 31 March



## Calendar performance versus the benchmark (net)



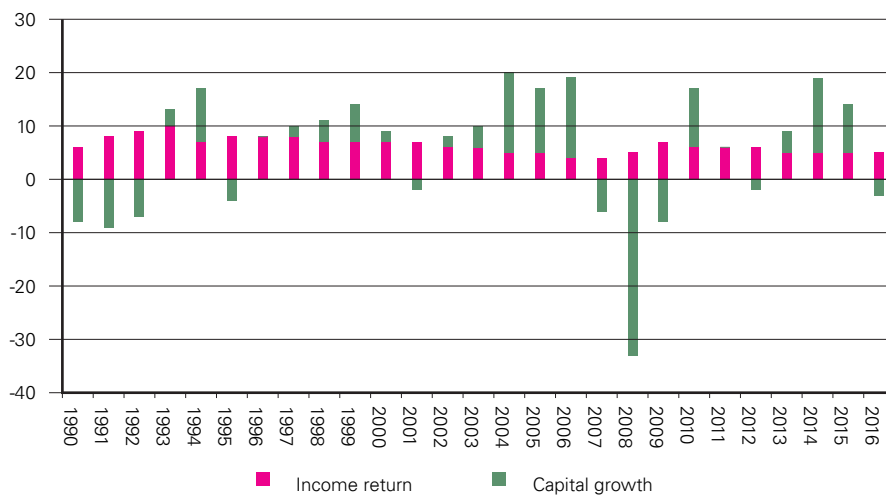
\* The benchmark is the AREF/IPD™ Other Balanced Property Fund Index.

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

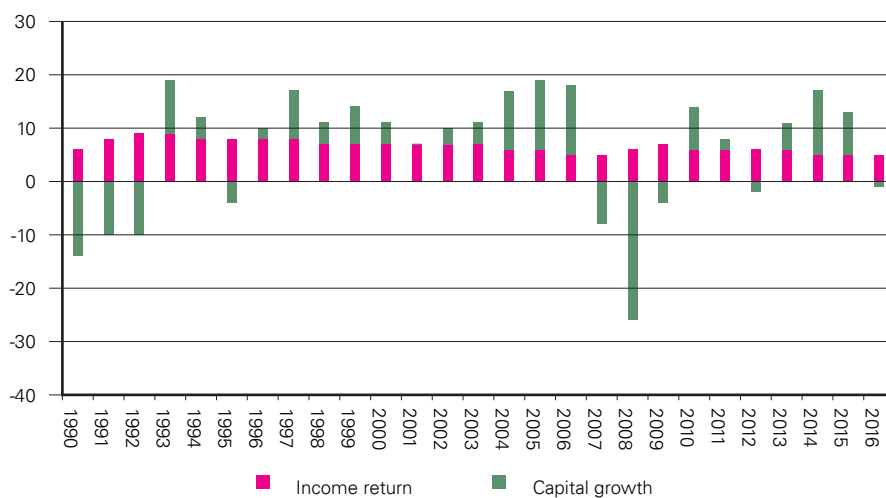
Source: CCLA & AREF/IPD™

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)



## AREF/IPD™ UK Annual Property Digest returns (before expenses)



Source: AREF/IPD™

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

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## Long-term performance

### Total return performance (net) 12 months to end of September

	2017	2016	2015	2014	2013
The Local Authorities' Property Fund	+9.36%	+2.93%	+15.25%	+20.23%	+4.50%
Benchmark*	+9.47%	+4.31%	+14.78%	+17.27%	+3.87%

\* The benchmark is the AREF/IPD™ Other Balanced 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 & AREF/IPD™

## 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.

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## Disclosure

This document is issued for information purposes only and it does not constitute the provision of financial, investment or other professional advice. Investment in the Fund is for Eligible Local Authorities only. All sources are CCLA, unless otherwise indicated.

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 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 Registered office Senator House, 85 Queen Victoria Street, London EC4V 4ET) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund.

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