

The Local Authorities' Property Fund

Fund Profile – 31 December 2017

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

Price at 31.12.17

Income units
Gross dividend yield

Net asset value

299.24p (xd)
4.58%*

* Based upon the net asset value and historic gross annual dividend of 13.7122p

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.

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

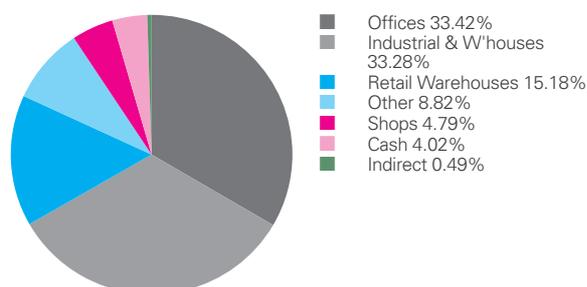
Suitable for Local Authorities, the Fund aims to provide investors with a high level of income and long-term capital appreciation.

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

Asset allocation by investment category 31 December 2017



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

Fund size: £931 million

Property portfolio details

Top 5 properties: 23.2% of the portfolio

Top 5 tenants: 19.9% of rental income

Weighted unexpired lease term: 6.7yrs

Vacancy rate: 7.6%

Asset allocation by region and category 31 December 2017



Fund Data and AREF/IPD™ Other Balanced Property Fund Index data as at 31 December 2017. Source: CCLA & AREF/IPD™

Top ten property holdings – total 37.28%

London, Kingsway
 London, Goodman's Yard
 London, Stockley Park, Longwalk
 London, Beckton Retail Park
 Bracknell, The Arena

Elstree, Centennial Park
 Bristol, Gallagher Retail Park
 Brighton, West Street
 Cambridge, Cambridge Science Park
 Bolton, Wingates Industrial Estate

Market update

Valuations rose modestly over the quarter, continuing the recovery which began in the final months of 2016. These gains, coupled with the high sector income yield, resulted in another year of attractive total returns. Transaction volumes were supported by international buyers, although their interest was typically in prestige assets. Domestic investors were busy, but over the year showed signs of a narrowing focus on industrial assets and those with long term income characteristics, including hotels. In contrast, support for the office sector was mixed and concerns continued in parts of the retail sector on rental sustainability in the face of excess supply and changing shopping patterns. Although asset prices have made progress, developer sentiment has been cautious, with the result that a number of potential projects have been delayed or cancelled. If demand continues near current levels, these decisions will have implications for availability in the next few years.

Fund activity

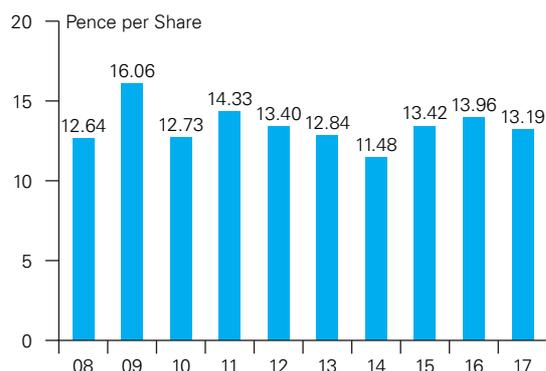
The Fund has continued to enjoy a strong inflow of new money. Reflecting these cash receipts and the wish to avoid a drag on returns from unwanted cash holdings, the focus of activity has been on acquisitions; five properties have been bought. These include two hotels, one on the outskirts of the City of London, the other in Brighton. The initial yields on both are under 4%, but rents are RPI based and the leases are long, 31 years in both cases. We have also bought three industrial warehouse investments, in Milton Keynes, Northampton and Bolton. Total expenditure has amounted to £127m, with another purchase expected to complete shortly. There was one sale, of a small retail asset, the proceeds were materially above valuation. Rent reviews made a positive contribution to income but these were being offset by the temporary rental loss from refurbishment work, such as in Kingsway. At the end of the quarter the void rate was 7.6%, similar to the level at the end of September and significantly below that of the market.

Outlook

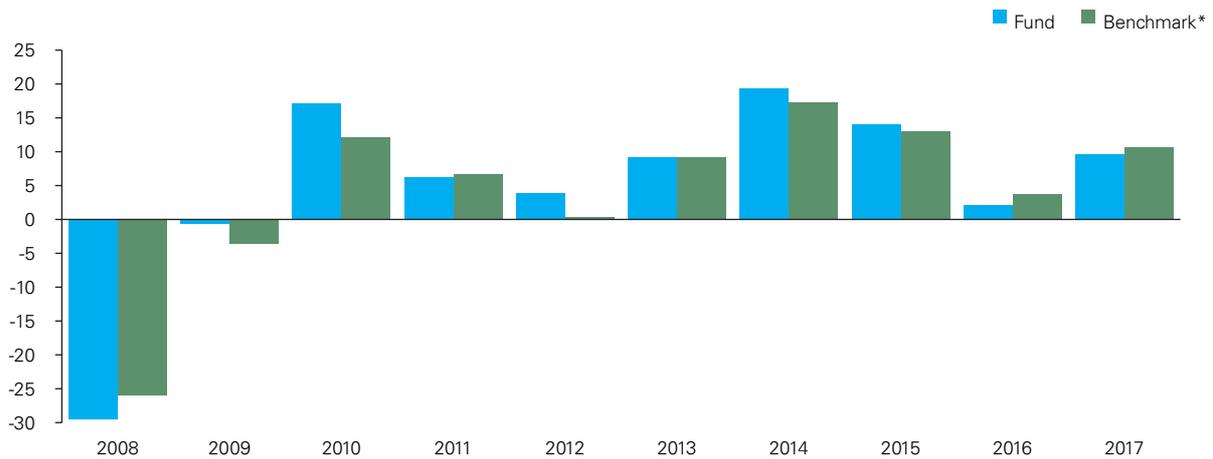
The sector continues to receive support from income-seeking investors. In addition, overseas buyers have remained an important source of demand. The excess speculative supply which has exacerbated previous cycles is largely absent this time, indeed recent project deferrals and cancellations could result in supply issues in the next few years. Against this, must be set the uncertainty created by Brexit and the impact of slowing economic growth, particularly on the retail sectors. Overall, we expect positive returns, but not at the rate achieved over the past year. A prudent expectation would be based on the returns provided by income.

Dividend history of The Local Authorities' Property Fund

Years to 31 March



Calendar performance versus the benchmark (net)



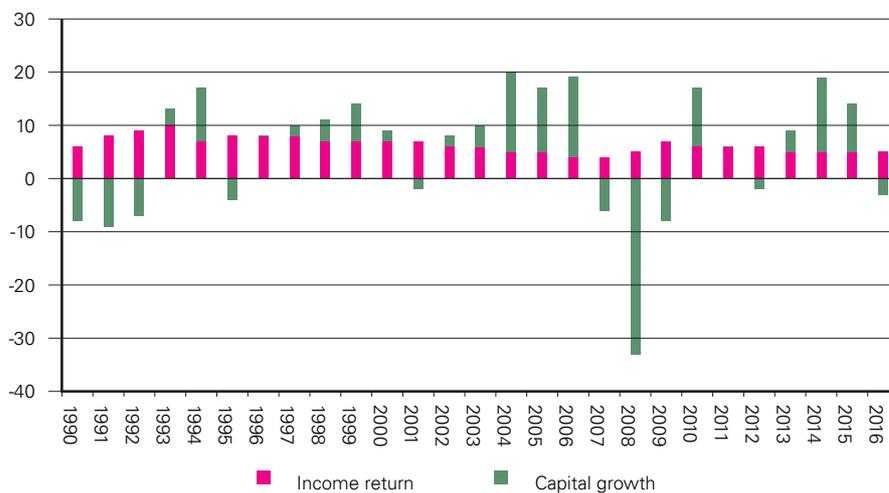
* The benchmark is the AREF/IPD™ Other Balanced Property Fund Index.

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

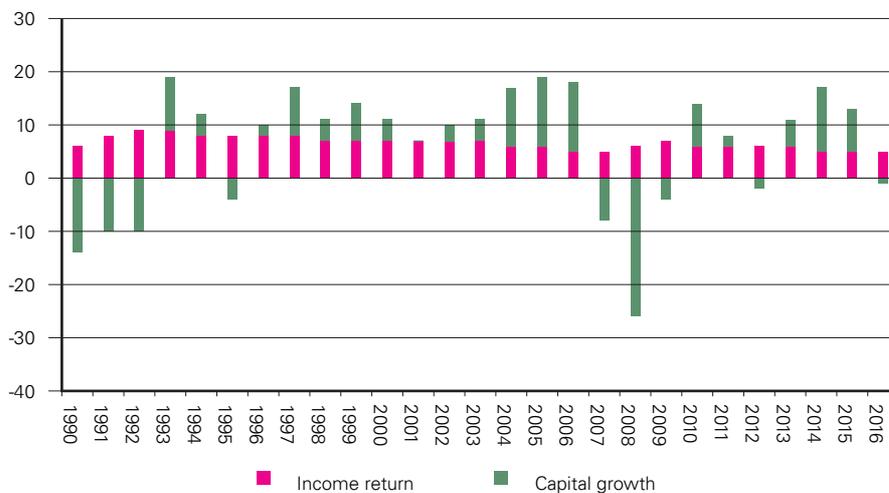
Source: CCLA & AREF/IPD™

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: CCLA & AREF/IPD™

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

	2017	2016	2015	2014	2013
The Local Authorities' Property Fund	+9.68%	+2.12%	+14.09%	+19.50%	+8.92%
Benchmark*	+10.58%	+3.66%	+12.97%	+17.34%	+9.25%

* 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.

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.