For professional clients only, not suitable for retail investors.

Royal London Property Fund

Interim Report

For the six month period ended 30 June 2024 (unaudited)

ROYAL LONDON
ASSET MANAGEMENT

Contents

* The Authorised Corporate Director's report comprises these items.

+ The Investment Adviser's report includes a note on The Value Assessment.

Company Information

Company

Royal London Property Fund
Registered in England with Company Number IC000822

Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised Corporate Director (the "ACD")

The ACD is Royal London Unit Trust Managers Limited which is the sole director.

Place of business and Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority; a member of The Investment Association (IA).

T: 020 3272 5000

F: 020 7506 6501

Directors of the ACD

H.I. Georgeson

R.A.D. Williams (Resigned 26 April 2024)

A.L. Hunt

J.S. Glen (Appointed 1 April 2024)

R. Kumar

S. Spiller

J.M. Brett (Non-executive Director)

J.M. Jackson (Non-executive Director)

Investment Adviser

Royal London Asset Management Limited

Place of business and Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority.

Depositary of the ACD

NatWest Trustee and Depositary Services Limited

1 Princes Street, London EC2R 8BP

Authorised and regulated by the Financial Conduct Authority.

Registrar

SS&C Financial Services Europe Limited

The Register may be inspected at:
SS&C House, St Nicholas Lane, Basildon, Essex SS15 5FS

Authorised and regulated by the Financial Conduct Authority.

Administrator to the ACD

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Independent Valuers

Cushman & Wakefield Debenham Tie Leung Limited

43/45 Portman Square, London W1A 3BG

Property Manager

Jones Long LaSalle Limited (JLL)

30 Warwick Street, London W1B 5NH

Independent Auditors

KPMG LLP
Chartered Accountants and Statutory Auditors

15 Canada Square, London E14 5GL

Report of the Authorised Corporate Director

We are pleased to present the Interim Report and Financial Statements for the Royal London Property Fund (the "Company"), covering the period from 1 January 2024 to 30 June 2024.

About the Company

The Company is an open-ended investment company with variable capital (ICVC) which has Property Authorised Investment Fund (PAIF) status, as defined in Part 4A of the Tax Regulations and the Glossary to the FCA Handbook, incorporated in England on 28 May 2010. It is governed by the OEIC Regulations, the Collective Investment Schemes Sourcebook (COLL) and its Instrument of Incorporation. Registered in England with Company Number IC000822.

The shareholders are not liable for the debts of the Company.

Authorised status

The Company is a single sub-fund and a stand-alone Collective Investment Scheme as defined in the Financial Services and Markets Act 2000 which is categorised as a non-Undertaking for Collective Investments in Transferrable Securities retail scheme (NURS). The Company was authorised by the Financial Conduct Authority ("FCA") on 28 May 2010 and its Instrument of Incorporation was registered with the Registrar of Companies for England and Wales. The Company qualifies as an Alternative Investment Fund within the meaning of Alternative Investment Fund Managers Directive ("AIFMD") for the purposes of the FCA Rules.

A unit trust in umbrella form (Royal London Property Trust) was launched for those investors unable to invest directly in the Company.

The financial statements

As required by the OEIC Regulations, information for the Company has been included in these financial statements. We have provided a detailed description of the strategy that was adopted during the period under review.

Change of Independent Auditors

With effect from 20 June 2024 PricewaterhouseCoopers LLP resigned as auditors of the Company. The Directors intend to appoint KPMG LLP as replacement.

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

For and behalf of Royal London Unit Trust Managers Limited

Authorised Corporate Director

R. Kumar (Director)

S. Spiller (Director)

21 August 2024

Investment Adviser's Report

Objective

The investment objective of the Company is to carry on Property Investment Business, and to manage cash raised from investors for investment in the Property Investment Business, with the intention of achieving a combination of capital growth and income (total return) over the long term (at least 7 years) by investing predominantly in UK commercial properties.

The Company is actively managed, meaning that the manager will use their expertise to select investments to meet the objective.

Strategy

The Company aims to maximise returns from an appropriately diversified portfolio across business sectors and regions. The Investment Adviser will seek to balance the income from 'core' holdings with active management, taking advantage of opportunities when they arise to enhance value. The Investment Adviser will aim to purchase properties of suitable quality and manage them actively and effectively, until positive market conditions allow them to sell on beneficial terms. The strategy is to mostly acquire properties which are fully let to tenants of sound financial strength, targeting a measured exposure to development property.

Performance

For the 6 month ended 30 June 2024, the Company generated a return of 2.38% (30/06/23: 0.31%), compared to its benchmark, the MSCI/AREF UK All Property Index which showed a return for the year of 1.72% (30/06/23: 0.09%).

Outperformance on a YTD basis has been driven by more resilient capital value movements, but the Company also benefits from a relatively higher income return.

Relative outperformance in each of the main sectors has been the key driver of overall relative performance. The portfolio's overweight position to the office sector has been detrimental to relative performance so far this year, with this sector of the market underperforming the All Sector average. An overweight position to industrial has been beneficial. Being underweight to unit shops has also supported relative returns.

Benchmark change

With effect from 1 July 2023, the Company changed its benchmark, MSCI/AREF UK Other Balanced Property Fund, to MSCI/AREF UK All Property Index. The MSCI/AREF UK Other Balanced Property Fund benchmark used by the Company for the 6 months comparative period to 30 June 2023 has been determined to be misaligned with the investment philosophy as directed by the Company's Prospectus.

Economic outlook

Data from business surveys indicated robust worldwide GDP growth towards the end of the second quarter. The global composite PMI, which gauges business activity across multiple sectors, was steady at levels suggestive of continued expansion in private sector output. Although business confidence experienced a slight decline as the quarter concluded, this may have been due to growing heightened political uncertainty associated with upcoming elections in France and the UK, as well as ongoing uncertainty surrounding the political climate in the US. Consumer confidence trends were mixed, with a fall observed in the US, while the UK and Eurozone saw increases. Bank lending conditions showed mixed signals, yet previous tightening along with restrictive monetary policies probably continued to hinder economic activity. Inflation releases were mixed over the quarter but were more inflation-target consistent in the US than in Q1 and UK inflation actually did hit the 2.00% target (even if services inflation remained strong). However, over Q2, markets pared back the number of rate cuts priced in for major economies again.

Towards the close of the second quarter, the composite PMI for the Eurozone hinted at steady private sector outputs. In comparison, by quarter's end, the UK and US PMIs indicated stronger economic growth, although the US Institute for Supply Management (ISM) surveys suggested a less positive outlook than the PMIs. As of early July, the Atlanta Federal Reserve's GDP Nowcast forecasted modest annualized US GDP growth of around 2.00% for Q2.

Central banks in the US and UK kept policy interest rates on hold, while the ECB cut rates 25 basis points in June. That ECB rate cut was in line with signalling from various ECB speakers and followed progress made in lowering inflation. ECB guidance beyond June were more ambiguous and data dependent. Although the Bank of England kept rates on hold in Q2, two (out of nine) MPC members voted for a rate cut at the June meeting. For the Federal Reserve, however, the median Fed participant was only forecasting one 25bp rate cut by the end of 2024 (from 75bp previously).

G7 CPI showed little change throughout the quarter (data until May). The most recent figures (June 2024) reveal that headline inflation in the US decreased over Q2 to an annual rate of 3.00%. In the UK, inflation saw a significant drop in April due to lower energy costs and base effects, and it continued to decline in May, aligning with the 2.00% inflation goal. Nonetheless, UK services inflation, which the Bank of England monitors as a measure of persistent inflation, stayed high. Throughout Q2, Eurozone CPI inflation remained fairly steady at around 2.50% (beyond the target), with services inflation consistently above 4.00% by quarter's end. In Europe, wage growth rates persisted at levels that might cause concern for central banks. As of the latest data for April, the annual growth rate for regular pay in the UK was still robust at 6.00% for the three months leading up to April (approximately the same as three months prior).

Unemployment rates stayed low in the US, UK, and Eurozone. Although, the UK showed clearer signs of a softening labour market. In 2024, unemployment increased during the February-April period; payroll numbers dropped in April and May, and job openings have been decreasing overall.

Investment Adviser's Report (continued)

Economic outlook – continued

The latest data released indicate that the UK has recovered from its technical recession in the first quarter, with signs of sustained economic expansion into the second quarter. GDP saw a real term increase of 0.70% over Q1, following a decline of 0.30% in the final quarter of the previous year. The economic growth for Q2 appears promising, as suggested by the GDP figures for April and even more so with the unexpectedly strong GDP data for May (which became available in early July).

PMI business survey data signalled positive private sector activity growth in April, May and June, staying above the 50 'no growth' level. Retail sales were mixed over the quarter with weather effects likely dampening sales in April, but over the three months to May retail sales volumes rose 1.00% compared with the previous three months.

Market review

The decisive nature of the outcome of the General Election and the size of Labour's majority in theory gives the new government plenty of leeway to change policy in their priority areas, but that doesn't mean that the going will be easy. The result is unlikely to shift the near-term outlook for economic growth, but after a sustained period of instability, UK politics may have reached an inflection point. For existing and potential investors in UK assets, this should offer reassurance, particularly when contrasted with the heightening levels of political uncertainty in the US and in Europe.

UK real estate pricing continues to look relatively attractive in comparison to many European markets, with capital values now on average around 25.00% lower than their peak two years earlier, according to the MSCI UK Monthly Index. Concerns around the future path of interest rates have weighed heavily on decision making and investment volumes so far this year look soft when compared to historic long-term averages. According to data from RCA, UK deal volumes in Q2, were broadly unchanged from the levels seen during Q1, at around £10.2bn. YTD volumes over the first six months of the year stand at c.£20.3bn, which is roughly 27.00% down on the five year average. BNP Paribas commentary suggests that investor focus this year has been directed towards build-to-rent residential, food stores, logistics and hotels.

The latest investment performance figures from MSCI demonstrates an uptick in market sentiment. Total returns in Q2 were 1.71% across all sectors, with June marking the sixth consecutive month of positive total returns and the third month in a row where capital growth was marginally positive. Yields across most sectors appear to be stabilising, with pockets of yield compression where investor activity is centred. JLL Monthly Yield sheet suggests that prime yields for retail warehouse parks moved in by 75 basis during the quarter, from 6.25% in March to 5.50% in June. This movement has seen the retail sector outperform during Q2, with total returns of 2.79%. This compares favourably with returns in the industrial sector at 1.89% and with the office sector, which lagged behind at –0.19%. Yields for secondary offices with poor ESG credentials are still trending weaker, but the prime end of the office sector is more robust. A number of trophy assets in Central London have come to the market lately and could provide crucial evidence to the wider market. It will be interesting to see how competitive bidding for these assets gets.

With inflation returning to target levels and the outlook for GDP growth being for a steady recovery through the remainder of 2024 and into 2025, a stable and predictable political environment should give investors more confidence and serve as a tailwind for liquidity. With real estate yields showing signs of plateauing and rental growth resulting positive asset value growth, momentum may be turning a corner. We therefore expect to see investment volumes to gradually trend upwards.

Looking further ahead, the Labour policy pledges on business rates and planning reform as well as plans for a National Wealth Fund to unlock private investment could be very significant, if the stated objectives are met. Details on how these plans might work in practice have so far have been light. It could take several years for these plans to come to fruition and for their impacts to be felt. The next Budget will be crucial in providing more context and will indicate how committed they are to structural reform and bringing forward change.

Portfolio review and activity

At a property portfolio level, capital growth over the last six months has been more resilient than the benchmark at an all sector level. On average values in the portfolio have grown modestly by 0.21% whereas in the benchmark they have fallen by 0.46%. Performance in each sector has been relatively positive with strong outperformance coming from the Alternatives sector (Total returns of 5.28% vs 2.33%).

Performance in the retail sector has been driven by the retail warehouse portfolio (3 assets, located in Milton Keynes, Leeds and Shoreham). The aggregate 6 month return of these three assets was 6.59%, comfortably higher than the retail warehouse benchmark average of 4.45%.

The office portfolio has seen capital values decline by 1.39% on a YTD basis, but this represented outperformance when compared to the benchmark average of -3.16%. The three office properties in the West End of London provided resilient performance with values only falling by 0.27% over the six months to June 2024.

The Industrial portfolio outperformed over the last six months, with total returns of 3.64% compared to the benchmark average of 3.16%.

Investment Adviser's Report (continued)

Portfolio review and activity – continued

Vacancy rate in the Fund as at 30 June 2024 was 5.50% (30/06/23: 6.00%), which remains below the benchmark level at 8.70% (30/06/23: 11.00%). The Fund also has vacant space at Downley Road, Havant, but this asset is a development property, so not included in the vacancy rate calculation, as per MSCI's standard methodology.

Rent collection

The Company had a collection rate of 99.99% (30/06/23: 99.68%) of the rent demanded for the half year ending 30 June 2024. The remainder is subject to either ongoing discussions with tenants, agreements that have been reached or potential legal action to pursue recovery.

Balance sheet management

As at the 30 June 2024, the Company held £34.05m (30/06/23: £35.58m) in cash equating to 8.59% (30/06/23: 8.77%) of the Company's net asset value.

The Company currently has no gearing.

Acquisitions

In March, the Company completed the acquisition of Downley in Havant for £5.13m. The site, totalling 4.19 acres, was acquired from the Administrators of Dunham-Bush Limited. The business plan is to demolish the existing building, which is no longer fit for purpose and to construct a best in class 3 unit terrace of warehouses, providing 104,320 sq ft of lettable floor area. The new development will be targeting EPC A+ and BREEAM Outstanding. The anticipated GDV is £28.00m. The acquisition is in line with Company's strategy of acquiring an industrial development site to generate enhanced returns.

Disposals

In June, the Company completed on the sale of the freehold interest of The Braccans, Bracknell for £2.80m to BMR Property Ltd, who plan to convert the vacant office building into residential. The Company achieved a price above current book value (£2.75m) and this sale supports the Company's strategy to exit small secondary assets and redeploy capital towards better best-in-class buildings which will positively contribute to the Company's performance.

Asset management and lettings

The following are the key asset management activities completed by the Company during the period.

Industrial

Midpoint 105, Minworth, Birmingham: In January 2024 the Company agreed a lease renewal for a further two years subject to breaks at a rent of £1.06m pa with the Tenant, GSF Car Parts.

The newly agreed rent is a 60.00% increase on the previous passing rent agreed in 2018 and breaks back to £10 psf. This new rent does reflect a premium to account for the short term flexible nature of the new lease.

The tenant has an option to extend this two year agreement for a further five years.

Unit 5 & 24, Junction 8 Industrial Estate, Ellesmere Port: During Q2 2024 the Company agreed two lease renewals with West Midlands Ambulance Service NHS Trust (Unit 5) and Owen Springs Limited (Unit 24), respectively.

The newly agreed rent on Unit 5 is a 38.00% increase on the previous passing rent agreed in 2019 and breaks back to £7 psf. Unit 24 rent reflects a 55.00% increase on the previous rent and breaks back to £8.50 psf.

Both tenants agreed five year lease extensions, with Unit 5 having an annual rolling tenant break, whilst Unit 24 has a tenant break in year three.

Offices

41 Eastcheap, London: The property is a high quality office building of c.20,000 sq ft located in the City of London's insurance district EC3. The offices are arranged over basement, lower ground and six upper floors.

The refurbished 4th floor has been pre-let to BCS Data Centres Limited at a rent of £67.50 per sq ft for a term of 5 years with a tenant break option at the 3rd year. The 4th floor has been comprehensively refurbished to provide fully fitted (CAT A +) office space with the works completing in April. BCS Data Centres Limited have a lease on the lower ground floor and have expanded their occupation to include the whole 4th floor. There is a much greater supply of fully fitted office space in the City which has led to less rental growth. The pre-let has removed the leasing void risk, maintained the rental value and enabled the Company to retain an existing tenant who did not exercise their break option on the lower ground floor. Following completion of the 4th floor letting the building will be fully let.

Retail

Unit 1, Cairngorm Retail Park, Milton Keynes: In June 2024, the Company completed a lease regear with DFS. A Deed of Variation was entered into to reduce the rent on the current lease from £634,505 pa to £420,000 pa with effect from 25 March 2024.

A 10 year reversionary lease was also agreed to commence from expiry of the current lease. The commencing rent on the reversionary lease will be £401,120 pa and there will be a rent review in year 5.

The transaction has resulted in a valuation uplift of £750,000.

Investment Adviser's Report (continued)

Responsible Property Investment (RPI)

Since the start of 2024, we have continued to make significant progress in delivering against our Responsible Property Investment (RPI) Strategy and our Net Zero Carbon Pathway. We are undertaking several programmes of works to embed these strategies and create positive environmental and social outcomes for our investors, occupiers and other key stakeholders.

- Completed the development of our Social Value Framework which identified opportunities to embed social value in our existing processes and procedures. The framework is accompanied by core key performance indicators (KPIs) which will be used to track and report on the progress of our interventions. Our next step in developing our social value strategy will be to test the framework to establish a consistent implementation approach to social value across the Company.
- Continued undertaking Energy Performance Certificate (EPC) assessments across all of our assets using the new methodology which came into effect in June 2022. In the year to June 2024, the number of A+ to B rated EPCs has increased from 44 to 56, whilst the number of C to G rated EPCs has decreased from 82 to 67. Additionally, EPC Building Upgrade Reports (BURs) are being produced on all units with an EPC rating below a B in response to the potential legislation requiring all commercial buildings to achieve an EPC B rating by 2030. As of June 2024, 82% of units with an EPC rating below a B have had a BUR completed. This highlights our focus on reducing the Company's transitional risk, whilst delivering more operationally efficient assets for our occupiers.
- Continued our efforts in collecting occupier consumption data through the installation of utility loggers across our largest single-let properties and Automatic Meter Reading (AMRs) devices on all refurbishments and developments. We have also used two specialist consultancies to access aggregated, anonymous energy data at the building level directly from a national database across single-let units in the Company to further increase occupier data coverage.
- Completed flood risk assessments across all assets to identify those at highest risk of flooding both in the present day and in the future using climate projections. More detailed assessments are currently being undertaken on a further three assets in the Company where the first assessments identified a flood risk of medium or above in the present day or an increase to medium risk under the climate change scenario. Where required, mitigation measures are recommended, along with estimated costs to then be implemented.
- Completed a desk-based biodiversity baselining exercise across all assets within the Company in support of the development of our biodiversity framework. This framework will use the baseline to set out quantifiable targets across different asset typologies to improve levels of biodiversity across the Company, alongside the creation of sector-specific nature-based solution (NBS) design guides that can be used to inform interventions across our properties.
- Following the success of the RPI training day in September 2023 for the Property team, we have commenced mandatory RPI training on a quarterly basis. These half day sessions cover various aspects of sustainability within the context of the Royal London Asset Management Property team, using our RPI strategy to create points of discussion and frame scenarios across investment, development and asset management activities. To date, these training sessions have covered NZC and occupier engagement.

Stephanie Hacking
Portfolio Fund Manager
Royal London Asset Management Limited
19 August 2024

This report covers investment performance, activity and outlook. The Company's Annual Assessment of Value report is available on www.rlam.com. Portfolio holdings are subject to change, for information only and are not investment recommendations.

The Task Force on Climate-related Financial Disclosures (TCFD) Report for Property Funds can be found on our website, at https://www.rlam.com/uk/institutional-investors/our-capabilities/property/responsible-property-investment/. This report has been prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change. The views expressed are the author's own and do not constitute investment advice and are not an indication of future Company's performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

Source: Royal London Asset Management Limited, unless otherwise stated.

Portfolio Statement

As at 30 June 2024

Investments	Holding	Tenure	Sector	30 June 2024 Market value (£'000)	Total net assets (%)
Direct Properties					
Direct Properties Market Values up to £10m – 22.77% (31/12/23 – 22.22%)					
Cambridge – 24/26 Hills Street		Freehold	Offices		
Colchester – Axial Way		Freehold	Alternatives		
Eastleigh – St Georges Industrial Estate		Freehold	Industrial		
Havant – Downley Road		Freehold	Industrial		
Hove – 154 Old Shoreham Road		Freehold	Retail Warehouse		
Leeds – Spring Ram Retail Park		Freehold	Retail Warehouse		
Loughborough – Southfield Road		Leasehold	Alternatives		
Manchester – Fabrica, Great Ancoats Retail Park		Freehold	Alternatives		
Newbury – Newbury Trade Park		Freehold	Industrial		
Northampton – Swan Street		Leasehold	Alternatives		
Tamworth – Unit 2 Alpha Park		Freehold	Industrial		
Winchester – 18/20 High Street		Freehold	Retail		
Total Direct Properties Market Values up to £10m				**85,350**	**22.77**
Direct Properties Market Values between £10m and £20m – 35.15% (31/12/23 – 41.04%)					
Ascot – Kings Ride Park		Freehold	Industrial		
Aylesford – Bellington Way		Freehold	Industrial		
Birmingham – Midpoint 105		Freehold	Industrial		
Chessington – Compass Business Park		Freehold	Industrial		
Ellesmere Port – Junction 8 Business Park		Leasehold	Industrial		
London EC3M – 41 Eastcheap		Freehold	Offices		
London W1 – 28-32 Lexington Street		Freehold	Offices		
Northampton – Lodge Farm Trade Park		Freehold	Industrial		
Raynes Park – Coombe Lane		Leasehold	Retail		
Total Direct Properties Market Values between £10m and £20m				**131,750**	**35.15**
Direct Properties Market Values over £20m – 31.17% (31/12/23 – 25.64%)					
Hoddesdon – Trident Industrial Estate		Freehold	Industrial		
London W1 – 44-45 Great Marlborough Street		Freehold	Offices		
London W1 – 15-18 Rathbone Place		Freehold	Offices		
Milton Keynes – Cairngorm Retail Park		Freehold	Retail Warehouse		
Total Direct Properties Market Values over £20m				**116,850**	**31.17**
Collective Investment Schemes – 2.36% (31/12/23 – 2.41%)					
Industrial Property Investment Fund	5,278		Collective	8,394	2.24
Octopus Healthcare Fund	354		Collective	452	0.12
Total Collective Investment Schemes				**8,846**	**2.36**
Portfolio of investments				**342,796**	**91.45**
Adjustments to Fair Value*				**(2,563)**	**(0.68)**
Net other assets				**34,594**	**9.23**
Total net assets				**374,827**	**100.00**

* Fair value adjustments include lease incentive, rent free debtor and finance lease payables.

Summary of Material Portfolio Changes

For the six month period ended 30 June 2024

Significant Purchases

	Cost £'000
Havant – Downley Road	5,130
Subtotal	**5,130**
Total purchases for the period	**5,130**

Significant Sales

	Net Proceeds £'000
Bracknell – 1 The Braccens	2,834
Subtotal	**2,834**
Total proceeds from sales for the period	**2,834**

Significant Capital Expenditure

	Cost £'000
London EC3M – 41 Eastcheap	642
Cambridge – 24/26 Hills Street	535
Hoddesdon – Trident Industrial Estate	448
Havant – Downley Road	347
Eastleigh – St Georges Industrial Estate	120
Subtotal	**2,092**
Total capital expenditure for the period	**2,299**

Significant Valuation Movements

	Valuation Changes £'000
Hoddesdon – Trident Industrial Estate	1,250
Milton Keynes – Cairngorm Retail Park	1,100
Ellesmere Port – Junction 8 Business Park	550
Ascot – Kings Ride Park	450
London EC3M – 41 Eastcheap	(600)
Subtotal	**2,750**

The purchases, sales, top 5 capital expenditure and top 5 valuation movements detail the material changes in the portfolio during the period.

Comparative Tables

Class A Accumulation

Change in net assets per share	30/06/24 (p)	31/12/23 (p)	31/12/22 (p)	31/12/21 (p)
Opening net asset value per share	753.51	760.31	834.78	714.13
Return before operating charges*	22.84	13.46	(56.72)	134.34
Operating charges	(8.60)	(20.26)	(17.75)	(13.69)
Return after operating charges*	14.24	(6.80)	(74.47)	120.65
Closing net asset value per share	**767.75**	**753.51**	**760.31**	**834.78**
Retained distribution on accumulation shares	12.57	23.86	23.49	20.87
* after direct transaction costs of:	0.00	0.10	0.60	3.48
Performance				
Return after charges	1.89%	(0.89)%	(8.92)%	16.89%
Other information				
Closing net asset value (£'000)	362,857	355,757	368,877	404,353
Closing number of shares	47,262,708	47,213,538	48,516,569	48,438,047
Operating charges excluding property expenses	0.31%	0.75%	0.87%	0.70%
Property expenses	0.22%	0.67%	0.25%	0.19%
Operating charges	0.53%	1.42%	1.12%	0.88%
Direct transaction costs	0.00%	0.01%	0.07%	0.47%
Prices				
Highest share price	757.39	751.31	888.90	823.37
Lowest share price	746.07	735.23	749.69	706.05

Class B Income

Change in net assets per share	30/06/24 (p)	31/12/23 (p)	31/12/22 (p)	31/12/21 (p)
Opening net asset value per share	272.37	284.63	321.53	282.72
Return before operating charges*	9.48	2.20	(25.52)	50.21
Operating charges	(2.06)	(5.65)	(2.46)	(3.27)
Return after operating charges*	7.42	(3.45)	(27.98)	46.94
Distributions on income shares	(4.54)	(8.81)	(8.92)	(8.13)
Closing net asset value per share	**275.25**	**272.37**	**284.63**	**321.53**
* after direct transaction costs of:	0.25	0.04	0.11	1.12
Performance				
Return after charges	2.72%	(1.21)%	(8.70)%	16.60%
Other information				
Closing net asset value (£'000)	11,970	14,125	15,052	38,531
Closing number of shares	4,348,459	5,185,856	5,288,315	11,983,720
Operating charges excluding property expenses	0.31%	0.75%	0.87%	0.70%
Property expenses	0.22%	0.67%	0.25%	0.19%
Operating charges	0.53%	1.42%	1.12%	0.88%
Direct transaction costs	0.00%	0.01%	0.07%	0.47%
Prices				
Highest share price	270.75	277.87	336.47	316.32
Lowest share price	269.19	268.38	280.59	277.59

It should be remembered that past performance is not a reliable indicator of future performance and that the value of shares, and the income derived from them, can vary.

Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Financial Statements

Statement of Total Return

For the six month period ended 30 June 2024

	30 Jun 2024 £'000	30 Jun 2024 £'000	30 Jun 2023 £'000	30 Jun 2023 £'000
Income				
Net capital gains/(losses)		865		(5,920)
Revenue	10,627		10,677	
Expenses	(3,067)		(3,831)	
Net revenue before taxation	7,560		6,846	
Taxation	–		–	
Net revenue after taxation		7,560		6,846
Total return before distributions		8,425		926
Distributions		(7,550)		(6,846)
Change in net assets attributable to shareholders from investment activities		**875**		**(5,920)**

Statement of Change in Net Assets Attributable to Shareholders

For the six month period ended 30 June 2024

	30 Jun 2024 £'000	30 Jun 2024 £'000	30 Jun 2023 £'000	30 Jun 2023 £'000
Opening net assets attributable to shareholders		**369,882**		**383,929**
Amounts receivable on creation of shares	371		374	
Amounts payable on cancellation of shares	(2,297)		(639)	
		(1,926)		(265)
Change in net assets attributable to shareholders from investment activities		875		(5,920)
Dilution adjustment		58		33
Retained distributions on accumulation shares		5,938		5,358
Closing net assets attributable to shareholders		**374,827**		**383,135**

Balance Sheet

As at 30 June 2024

	30 Jun 2024 £'000	31 Dec 2023 £'000
Assets		
Fixed assets:		
Land and buildings	331,387	325,850
Investments	8,846	8,901
Total fixed assets	340,233	334,751
Current assets:		
Debtors	10,180	11,812
Cash and bank balances	33,488	32,245
Total current assets	43,668	44,057
Total assets	383,901	378,808
Liabilities		
Creditors:		
Other creditors	8,261	8,111
Finance lease payable	783	783
Distribution payable	30	32
Total liabilities	9,074	8,926
Net assets attributable to shareholders	**374,827**	**369,882**

Financial Statements (continued)

Statement of Cash Flows

For the six month period ended 30 June 2024

	30 Jun 2024 £'000	30 Jun 2023 £'000
Net cash inflow from operating activities	**9,007**	**8,575**
Distributions to shareholders	(1,614)	(1,509)
Interest received	335	200
Net cash generated from operating activities	**7,728**	**7,266**
Cash flows from investing activities		
Payments to acquire investments and capital expenditure	(7,429)	(109)
Receipts from sale of investments	2,812	–
Net cash outflow from investing activities	**(4,617)**	**(109)**
Net cash inflow before financing activities	**3,111**	**7,157**
Cash flows from financing activities		
Amounts received from creation of shares	371	374
Amounts paid on cancellation of shares	(2,297)	(639)
Dilution adjustment	58	33
Net cash outflow from financing activities	**(1,868)**	**(232)**
Net increase in cash during the period	**1,243**	**6,925**
Cash and bank balances brought forward	32,245	26,661
Cash and bank balances at the end of the period	**33,488**	**33,586**

Notes to the Financial Statements

For the six month period ended 30 June 2024

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the accounting periods/years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Company have been prepared in compliance with the FCA's Collective Investment Schemes Sourcebook ("COLL") and in accordance with the UK Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the UK and the Republic of Ireland'' (''FRS 102''), the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017 (the "2014 SORP") the Prospectus and Instrument of Incorporation. These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through the profit or loss.

Going concern

The ACD has undertaken a detailed assessment, and continues to monitor the Company's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Company continues to be open for trading and the Manager is satisfied the Company has adequate financial resources to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, it is appropriate to adopt the going concern basis in preparing the financial statements.

Basis of valuation of investments

Fair value of investment property

Investment properties owned by the Company which are classified under land and buildings are held either to earn rental income or for capital appreciation or both. Investment properties are measured initially on acquisition at their costs, including transaction costs. Acquisitions of investment properties are recognised where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract. Additions to investment properties consist of costs of a capital nature.

Subsequent to initial recognition, investment properties are valued individually on a monthly basis by Cushman & Wakefield Debenham Tie Leung Limited in accordance with the Royal Institution of Chartered Surveyors ('RICS') Valuation Global Standards 2017 ("The Red Book") on the basis of Fair Value in accordance with FRS 102.

Fair value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller and is a product of rent and yield derived using comparison techniques.

The Company's properties are subject to an ongoing rolling programme of internal and external inspection by the standard independent valuers each year.

Fair value of collective investment schemes

Units in collective investments schemes are valued at bid-price if dually priced as provided by the relevant fund managers. The fair value of single priced collective investment schemes is their single price.

The Company considers the availability and punctuality of the valuation provided by the fund manager, which is based on the net asset value and, if necessary, can adjust it to obtain the best estimates of fair value at the reporting date. The fair value assigned to the collective investment schemes are based on a fair value pricing methodology as determined by the ACD.

Finance leased assets

Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the equivalent yield. Incremental direct costs incurred in negotiating and arranging the lease, are included in the cost of the asset. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Lessor operating leases

Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Lease incentives

Incentives received to enter into an operating lease are credited to the Statement of Total Return account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Provision for bad and doubtful debts

It is the policy of the Company to make provision for bad and doubtful debts which are based on objective evidence of impairment using available information to determine whether it has become probable, for example, that a debtor will enter bankruptcy. The amount of the loss is measured as the difference between the asset's carrying amount and the estimated recoverable amount and is recognised in the Statement of Total Return.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

1. Significant accounting policies – continued

Cash and bank balances

Cash is cash in hand and at bank. Bank overdrafts are shown within borrowings in current liabilities where held.

Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the credit instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Shares

Shares are recognised as financial liabilities and are measured based on the NAV per share for each relevant share class as set out within the comparative tables.

Taxation

The Company qualifies as a Property Authorised Investment Fund ("PAIF") for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax. The Company would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made or a tax charge otherwise arises.

The Company's distributions will be split into three streams for United Kingdom tax purposes:

1. Property income distributions, representing income from its property investment business;
2. PAIF dividend distributions representing any dividends received by it; and
3. PAIF interest distributions representing the net amounts of all other income received.

Capital allowances are accrued in line with the other policies in these statements. Capital deductions increase the distributable income of the Company. This income is classified as dividend for the purpose of the three streams.

Income tax has been provided for at an appropriate rate for distribution to Shareholders and the calculation of the Share price is net of tax. Property Income is taxed at 20%, interest income being taxed at 20% and dividend income at 0%.

Revenue recognition

Revenue includes rental income, insurance and service charges from investment properties and distributions from collective investment schemes.

Rental income

Rental income is accounted for on an accruals basis. Rental income received in advance is deferred and recognised in the period to which it relates. Rental income from properties where leases have been entered into, which have been let subject to an initial rent free period, or lease incentive, are accounted for on a straight-line basis in accordance with FRS 102. Additional rental income arising from rent reviews will be recognised once the review is complete.

Service charge income

The service charge is operated by the Company on a self-funding basis by collecting and disbursing service charge income to cover service charge expenses. Service charge income is recognised in the Statement of Total Return on an accruals basis.

Interest income

Interest income from bank balances and deposits is recognised on an accruals basis.

Collective Investment Schemes

Dividend income from collective investment schemes are accounted for on an accruals basis.

Expenses recognition

Expenses are classified as revenue based on the nature of the expenses such as, audit, fund management, service charge or other operating expenses. Expenses relating to or incidental to the purchase and sale of land and buildings and property under construction and stamp duty land tax are treated as capital. All expenses are recognised in Statement of Total Return in the period in which they are incurred (on an accruals basis).

Fund manager's fee

The fund manager's fee is calculated monthly, accrued on a daily basis by reference to the net asset value of each share class on that dealing day and the amount due for each month is payable the last working day of the following month.

The manager's fee is based on 0.60% of the net asset value of the previous month accrued on a daily basis across all share classes.

As per the letter to the shareholders dated 19 April 2023, the ACD reduced the periodic management charge from 0.75% to 0.60% with effect from 1 July 2023.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

1. Significant accounting policies – continued

Service charge expenses

Service charge expenses represent the aggregate of all service charge expenses incurred by the Company's property portfolio and reported by the managing agent at period end.

Service charge expenses are recognised in the Statement of Total Return on an accrual basis.

Distribution to Shareholders

Dividends and other distributions to the Company's Shareholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the Company's Depositary. These amounts are recognised in the Statement of Total Return. The reinvestment of the accumulation distribution is recognised in the Statement of Change in Net Assets Attributable to Shareholders.

Dilution levy

In certain circumstances the ACD may charge a dilution levy on the sale or repurchase of shares. The levy is intended to cover certain dealing charges not included in the value of the Company used in calculating the share price, which could have a dilutive effect. Normally the Company will only charge such a levy on a sub-fund experiencing large levels of net purchases or net redemptions relative to its size. Any dilution levy is charged at the discretion of the ACD.

Related party transactions

The Company discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the ACD, separate disclosure is necessary to understand the effect of the transactions on the Company's financial statements.

2. Estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Key accounting estimates and assumptions

Estimation of fair value of investment property

Investment property is measured at fair value which represents a significant proportion of the Company's net assets at 88.41% (31/12/23: 88.09%). Therefore, the estimates and assumptions made to determine their carrying value during valuation are critical to the Company's financial position and performance.

The valuation derived is only an opinion and is a product of rent and yield derived using comparison techniques. In undertaking the valuation of properties under this method, an assessment has been made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transaction, together with evidence of demand within the vicinity of subject property.

Sensitivity analysis

The values of investment properties are driven by their rental yield. At the period end, the Company's portfolio had an equivalent yield of 5.78% (31/12/2023: 5.77%). If the yield of every property within the portfolio increased by 0.25% (31/12/2023: 0.25%) it is estimated that the net asset would fall by 3.70% (31/12/2023: 3.76%). If the yield decreased by 0.25% (31/12/2023: 0.25%) it is estimated that the net asset value would rise by 4.04% (31/12/2023: 4.11%). The 0.25% benchmark has been used to measure sensitivity analysis as the ACD believes that it is a good indicator or materiality in yield movements. movements. These estimates are subject to the prevailing conditions at the period end.

The current equivalent yield by sector is shown in the following table, along with the potential impact to values if all the properties in the sector increased or decreased by 0.25%.

Sector	Weighted average equivalent yield	Yield shift by Sector	Change in value if decrease in yield	NAV impact	Change in value if increase in yield	NAV impact
Industrial	5.99%	0.25%	6,191,000	1.65%	(5,686,000)	(1.52)%
Offices	5.17%	0.25%	5,575,000	1.49%	(5,044,000)	(1.35)%
Retail	6.20%	0.25%	2,011,000	0.54%	(1,854,000)	(0.49)%
Other	6.23%	0.25%	1,386,000	0.37%	(1,278,000)	(0.34)%

Critical judgements in applying the Company's accounting policies

The Company makes assessments on whether it requires any critical judgements in applying accounting policies. There were no critical judgements applied to any of the Company's accounting policies for the current period.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

3. Distribution policies

Basis of distribution

The distribution policy of the Company is to distribute or accumulate all available property rents, interest and dividend income earned on an accruals basis, after deduction of charges and expenses payable, subject to adjustment for income tax and for any other expenses which may be transferred to capital (abortive costs and property gains and losses). Under the PAIF structure, the Company distributes income in three streams (property rents, interests and dividend income).

Distribution in respect of Income shares is paid out at the end of the relevant accounting period whilst distribution in respect of Accumulation shares is retained at the end of each distribution period and will be reflected in the price of each Accumulation share at the end of the relevant accounting period and represents a reinvestment of revenue.

All Share classes of the Company are priced and distribute on a monthly basis therefore there are no group 2 shares at the end of each distribution period and therefore no equalisation is applied to share class prices.

Apportionment to share classes

The allocation of revenue and expenses to each share class is based on the proportion of the Company's assets attributable to each share class on the day the revenue is earned or the expenses are suffered.

Expenses

In determining the net revenue available for distribution, expenses that are deemed to be capital in nature or are related to the purchase and sale of investments are ultimately charged to the capital of the Company.

4. Performance fee

In addition to the periodic management charge, the ACD is permitted under COLL to pay the Investment Adviser a performance fee from the Company.

This performance fee will only be paid after consideration of all other payments out of the Company and provided the Company meets certain performance objectives. Any such performance fee payable by the Company shall be paid in its entirety to the Investment Adviser.

The performance fee is payable monthly in arrears based on the performance of the Company over the prior 12 months. The performance fee will only be charged based on the formula shown below and depending on the Company's relative performance within the Benchmark Index.

Benchmark index

The Benchmark Index will be the MSCI/AREF UK Other Balanced Quarterly Property Fund Index ("Index"). This index is an industry standard property index which provides a broad and fair representation of the UK property funds peer group.

The Index is calculated and published on a quarterly basis following each calendar quarter end. Therefore, the performance fee accrued and paid for each month will be based on prior performance and may at times not reflect the Company's current performance.

If there is at any time another index which in the opinion of the Investment Adviser matches more effectively the objective of the Company, the ACD may, with the agreement of the Depositary and by giving not less than 60 days' written notice to Shareholders, substitute that index for the one referred to above and the performance fee shall be based on that new index instead.

As per the letter to shareholders dated 19 April 2023 in relation to changes in the objective and use of a new benchmark the MSCI/AREF UK All Property Index. The use of the benchmark will change from being a target to a comparator benchmark, meaning that outperforming it will not be an objective of the Company, although you will be able to use the new Benchmark to measure the Company's performance.

Performance fee calculation

The Company's quartile ranking against the Index for the most recently available period will be taken and applied to the following table:

- If performance as compared to the Index falls into the fourth (bottom) quartile of the index, then the performance fee will be negative at -0.10%.
- 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 calculation will be based on the most recently available MSCI PPFI Index rankings. The Index is typically published by MSCI in the third or fourth week of each calendar quarter; therefore the new Fund Performance ranking will be available for the three months following such publication. (If, for example, the Index for the year ending 31 December is published late in January, then this ranking will be used to determine the performance fee to be applied for January, February and March of that year).

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

4. Performance fee – continued

Performance fee calculation –continued

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

As per the letter to shareholders dated 19 April 2023, the ACD has amended the Company's investment objective to remove the performance target and removal of the performance fee with effect from 1 July 2023.

5. Risk management policies

In accordance with its investment objective, the Company holds financial instruments which may comprise:

- UK property and shares in collective investment schemes;
- Cash, liquid resources and short-term debtors and creditors that arise directly from the Company's operations; and
- Short term borrowings used to finance investments activity.

The risks set out below do not purport to be exhaustive and the Company may be exposed to risks of an exceptional nature from time to time.

Market price risk and valuation of property

Market risk is the risk of loss resulting from fluctuations in the market value of the Company's investments including, but not limited to, adverse property valuation movements.

Since the fair value of investment property represents a significant proportion of the Company's net assets at 88.41% (31/12/23: 88.09%), property values are exposed to a number of risk factors which may affect the total return of the Company. These may be attributable to changes to global or local economic conditions; local market conditions such as the price volatility of the UK commercial property markets or performance of individual properties; the financial conditions of tenants; changes in interest rates or exchange rates and other operational expenses; environmental laws and regulations; planning laws and other governmental legislation; energy prices and the relative attractiveness of real estate types or locations. In addition, real estate is subject to long-term cyclical trends that give rise to significant volatility in values.

Market price risk is minimised through holding a diversified portfolio that invests across various property sectors.

The ACD may employ derivatives solely for the purposes of Efficient Portfolio Management. The use of derivatives for EPM purposes is not expected to affect the risk profile of the Company. The use of these instruments may however from time to time expose the Company to volatile investment returns and increase the volatility of the net asset value of the Company. The Company does not currently use derivatives for investment purposes.

The Company adheres to the investment guidelines and investment and borrowing powers established in the Prospectus, instrument of incorporation and in the rules governing the operation of open ended investment companies.

Liquidity risk

Liquidity risk is the risk that cash cannot be raised, or investments sold at limited cost or in an adequate time frame to meet financial commitments such as redemptions.

Since the Company invests mainly in immovable property, which is relatively illiquid and more difficult to realise than most equities or bonds, it can be exposed to liquidity risk surrounding its capacity to maintain sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet its obligations to fund its distribution payments and redemptions.

In normal circumstances, the Company permits redemptions on a monthly basis but with shareholder's required to provide 3 months' advance notice of their intention to redeem, although the ACD may waive this notice period at its discretion provided that this does not materially prejudice shareholders. The ACD also has additional tools to deal with liquidity constraints which could arise. The Company may (i) borrow cash to meet redemptions within the limits, that is, the value of the assets involved in Property Investment Business will be at least 60% of the value of the total value of the assets held by the Company at the end of each of its accounting periods; (ii) defer a redemption request to the next dealing day where requested redemptions exceed 5% of the Net Asset Value or (iii) apply the in specie redemption provisions issue in which shares in the Company are exchanged for assets as well as cash in excess of £10m.

The ACD has established a liquidity management policy and procedures for the qualitative and quantitative assessment of existing positions taken by the Company and to assess whether intended investments would have a material impact on the overall liquidity profile of the Company. In following these procedures, the assessment by the ACD takes account of actual and anticipated subscription and redemption flows, investor concentration, the current level of readily realisable assets in the Company and the time required to realise further assets, prices and/or spreads of investments in both normal and exceptional liquidity conditions. These factors are monitored and managed to ensure the liquidity profile of the Company is aligned appropriately with the anticipated redemption flows. The ACD conducts regular stress testing (at least annually) of the Company's portfolio in order to fully understand the liquidity profile of the Company.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

5. Risk management policies – continued

Liquidity risk – continued

The following table provides a profile of the Company's liquidity.

	Within three months	Over three months but not more than one year	Over one year
As at 30 June 2024	**£000**	**£000**	**£000**
Cash at bank	33,488	–	–
	%	**%**	**%**
Shareholding that can be redeemed	100	–	–
Portfolio capable of being liquidated	–	100	–
As at 31 December 2023	**£000**	**£000**	**£000**
Cash at bank	32,245	–	–
	%	**%**	**%**
Shareholding that can be redeemed	100	–	–
Portfolio capable of being liquidated	–	100	

The following table provides a maturity analysis of the Company's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	Within one year	Over one year but not more than five years	Over five years
As at 30 June 2024	**£000**	**£000**	**£000**
Distribution payable	30	–	–
Finance lease payable	50	202	11,277
Other creditors	8,261	–	–
	8,341	**202**	**11,277**
As at 31 December 2023			
Distribution payable	32	–	–
Finance lease payable	50	202	11,302
Other creditors	8,111	–	–
	8,193	**202**	**11,302**

Credit and counterparty risk

Credit risk is the risk that counterparty will default on their contractual obligations resulting in financial loss to the Company. The Company will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

Concentration of credit risk refers to disproportionally large risk exposure to specific credit risks, such as, certain individual tenants, specific industry sectors and/or regions of the counterparty. The Company could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the counterparty.

In managing counterparty and concentration of credit risk, rental income from any one tenant or tenants, specific industry sector and/or regions within the Company is monitored so that it does not exceed a certain threshold of the aggregate revenue in relation to the property investments in any accounting period as determined from time to time by the ACD. Rent is collected from tenants in advance, usually quarterly. Cash is placed on deposit with reputable financial institutions and is subject to limits as disclosed in the Prospectus.

In the event of the insolvency of a counterparty, the ACD might not be able to recover cash or assets of equivalent value in full. The ACD has been closely monitoring the ability of tenants to pay their rent and adjusting bad debt provision accordingly. The ACD also works with the tenants to determine any rent concessions on a case-by-case basis.

There are no significant concentrations of credit risk, whether through exposure to certain individual tenants, specific industry sectors and/or regions. The credit ratings of the investments are monitored frequently for credit deterioration. By diversifying the portfolio, where this is appropriate and consistent with the Company's objectives, the risk that a significant change in the credit risk or quality of certain individual tenants, particular sector, specific industry and/or regions will have a material impact on the Net Asset Value of the Company is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

The Company adhere to regulatory and fund management guidance and investment strategy and that mitigates any risk of excessive exposure to any particular type of sector or tenant type.

The Company's cash and short term deposits at 30 June 2024 amounted to £33.49m (31/12/2023: £32.25m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

5. Risk management policies – continued

Credit and counterparty risk – continued

At 30 June 2024, the fair value of all interest rate derivative assets held by the Company was £nil (31/12/2023: £nil).

At 30 June 2024, taking into consideration any offset arrangements, the largest combines credit exposure to a single counterparty arising from money market deposits, liquid investments and derivatives was £33.49m (31/12/2023: £32.25m). This represents 8.72% (31/12/2023: 8.51%) of gross assets of the Company.

The deposit exposures are with UK banks.

Currency risk

Currency of foreign exchange risk is a financial risk that exists when a financial transaction is denominated in a currency other than the domestic currency of the Company.

All financial assets and financial liabilities of the Company are in sterling; thus the Company has no exposure to currency risk at the Balance Sheet date.

Interest rate risk

The Company may at certain times invest cash on deposit. The Company held £33.49m (31/12/23: £32.25m) cash at the end of the period and has minimal exposure to interest rate risk. In times of low nominal interest rate, there may be no, negative or low interest paid on these holdings. In such circumstances, the Company could be subject to losses especially after charges are deducted.

The ACD assesses the interest rate risk and has determined that the interest rate risk is low and therefore no sensitivity analysis has been performed.

Inflation risk

Inflationary risk is the risk that the future value of an investment, asset, or income stream, in real terms, will be reduced by unanticipated inflation.

A key to the effectiveness of managing inflationary risk associated with the fall in real income or returns lies in the Company's ability to raise rents in markets with low vacancy rates, thus outpacing rising inflation and potentially increasing income distribution to shareholders. The Company also use built-in rent escalators that are tied to inflation that can directly drive rental income which protects the income-generation of existing leases. The Company also allow new leases to capitalise on rising market rents when the leases are being agreed. In general, Property investment has served as a hedge against inflation over the long term and tend to be less sensitive to inflationary risk and may even benefit from unanticipated inflation.

The ACD address inflationary risk associated with increased costs by adjusting its cash flows for inflation to prevent changes in purchasing power especially in relation to capital expenditure such as construction and refurbishment costs. The ACD employ various risk management measures such as, the use of fixed price contract sums; inflation contingency in budgets and in appraisals; early procurement of risk packages; and protection against amendments in construction contracts where the contractor may seek to include an exclusion related to material inflation or supply chain issues.

On the other hand, sharp increase in construction and building costs may constrain the growth of new property stocks to some degree which would support property values. In fact, construction cost inflation has outrun other measures of inflation in recent years since high construction costs imply increased replacement costs for buildings and making existing property investments more valuable.

The ACD assesses the inflation risk and has determined that inflation risk is low and therefore no sensitivity analysis has been performed.

Leverage risk

Leverage risk is the uncertainty introduced by the method by which the ACD finances parts of its investments through borrowing.

In managing the assets of the Company, the ACD may from time to time use leverage, either in the form of borrowings (for example, for the purposes of funding acquisitions in anticipation of receiving subscriptions or to meet redemption requests as part of the liquidity management of the Company). Currently the Company has no borrowings of cash or securities and as such no disclosure is required under the AIFM Directive.

Climate risk

Climate risk is the risk that asset valuations and the wider economy are negatively impacted by the transition to a low-carbon economy, as well as the physical risk to asset holdings as a result of severe weather events and longer-term shifts in climate.

The built environment is particularly susceptible to the effects of climate change. It affects the exposure of our assets to physical risks, such as flooding. It influences transition risks, such as divestment away from high-risk assets. It contributes to urban heat islands and impacts the health and wellbeing of occupants and local communities.

The Company has reviewed the carbon footprint and emissions trajectory of its property portfolio for the coming decades. Based on this review, it has developed an informed pathway to decarbonise the property portfolio and achieve net zero carbon. This pathway is aligned with the latest industry guidance and principles for the built environment on how to reduce and compensate for its emissions meaningfully and accountably.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

5. Risk management policies – continued

Climate risk – continued

A key element of the Company's risk mitigation strategy is set out within its new Responsible Property Investment (RPI) framework which covers four strategic focus areas:

- Investing in a resilient portfolio
- Developing for the future
- Managing assets for positive impact
- Responsible decision making.

Ten material Environmental, Social & Governance (ESG) issues form the foundation of the RPI framework, of which one was identified as the 'Transition to net zero carbon'. A set of Key Performance Indicators (KPIs) will be developed to track quantitative performance against achieving net zero carbon and actions will be undertaken as necessary to ensure fulfilment of the Company's goals.

Economic and geopolitical risk

The performance of the Company may be adversely affected by the impact of geopolitical and general economic conditions under which the Company operates.

Political risks include changes in landlord and tenant, planning, trust or other law in the UK could also materially affect the investment returns.

Geopolitical risk feeds through into real economic activity because uncertainty over future economic conditions, particularly when caused by a large-scale war, causes firms and consumers to adopt a 'wait and see' approach, cutting back on investment and consumption plans.

The ongoing conflicts in Ukraine and in the Middle East continue to carry huge risks for the world economy. If geopolitical uncertainties persist, volatility in energy prices and inflation could return. The company has no exposure to Russian companies as commercial tenants or investment.

However, sanctions imposed on Russia as a response by the UK and its allies have had a significant impact on the UK economy due to the disruption to the supply of energy to Europe which has affected wholesale prices in the UK to a greater extent than implied by direct trade links. The full economic impact of the conflicts on Western economies including the UK with higher inflation, volatile financial markets and adverse economic environment will depend on the extent to which the conflicts, and therefore the severity of sanctions and economic disruption, escalates and how long they last.

The returns that are likely to be achieved on an investment in the Company, which has its assets predominantly based in the UK, are not likely to be materially affected by the situation in Ukraine or the Middle East but by the political and economic climate in the UK.

Distribution Tables

For the six month period ended 30 June 2024

Class A Accumulation

Distribution in pence per share

Distribution period	Property income distribution per share	Interest income distribution per share	Dividend income distribution per share	Equalisation	Total distribution per share 2024	Total distribution per share 2023
January						
Group 1	2.7973	0.1134	0.0997	–	3.0104	1.7849
Group 2	2.7973	0.1134	0.0997	–	3.0104	1.7849
February						
Group 1	1.7224	0.0957	0.1000	–	1.9181	2.0348
Group 2	1.7224	0.0957	0.1000	–	1.9181	2.0348
March						
Group 1	1.6652	0.1039	0.0990	–	1.8681	1.9461
Group 2	1.6652	0.1039	0.0990	–	1.8681	1.9461
April						
Group 1	1.9271	0.0955	0.1003	–	2.1229	1.9662
Group 2	1.9271	0.0955	0.1003	–	2.1229	1.9662
May						
Group 1	1.5596	0.0865	0.0998	–	1.7459	1.9424
Group 2	1.5596	0.0865	0.0998	–	1.7459	1.9424
June						
Group 1	1.7124	0.0927	0.1002	–	1.9053	1.3686
Group 2	1.7124	0.0927	0.1002	–	1.9053	1.3686

Distribution Tables (continued)

For the six month period ended 30 June 2024

Class B Income

Distribution in pence per share

Distribution period	Property income distribution per share	Interest income distribution per share	Dividend income distribution per share	Equalisation	Total distribution per share 2024	Total distribution per share 2023
January						
Group 1	1.0158	0.0412	0.0362	–	1.0932	0.6680
Group 2	1.0158	0.0412	0.0362	–	1.0932	0.6680
February						
Group 1	0.6231	0.0346	0.0362	–	0.6939	0.7599
Group 2	0.6231	0.0346	0.0362	–	0.6939	0.7599
March						
Group 1	0.6010	0.0375	0.0357	–	0.6742	0.7249
Group 2	0.6010	0.0375	0.0357	–	0.6742	0.7249
April						
Group 1	0.6939	0.0344	0.0361	–	0.7644	0.7305
Group 2	0.6939	0.0344	0.0361	–	0.7644	0.7305
May						
Group 1	0.5601	0.0311	0.0358	–	0.6270	0.7199
Group 2	0.5601	0.0311	0.0358	–	0.6270	0.7199
June						
Group 1	0.6136	0.0332	0.0359	–	0.6827	0.5060
Group 2	0.6136	0.0332	0.0359	–	0.6827	0.5060

Fact File

Royal London Property Fund

Launch date	Class A – Accumulation shares	28 May 2010
	Class B – Income shares	28 May 2010
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	31 January (Final)	
	Last business day of every month (Interim)	
Minimum investment	£100,000	
Management charges*	Preliminary charge	0.00%
	ACD's periodic management charge	0.60%
	Performance fee	0.00%

* As per the letter to shareholders dated 19 April 2023, the ACD has amended the Fund's investment objective to remove the performance target, removal of the performance fee and reduction in the periodic management charge from 0.75% to 0.60% with effect from 1 July 2023.

General Information

Pricing and dealing

For the purposes of determining the prices at which shares may be purchased from or redeemed by the ACD, the ACD will carry out a valuation of the Scheme Property at 5:00 p.m. (the "valuation point") on the last business day (a day on which the London Stock Exchange Limited is open for business) of each calendar month, unless otherwise agreed by the Depositary. However, the ACD may, at its discretion, value the Company at any other time.

Dealing in shares conducted on a monthly basis; on the seventh business day following the end of the previous month, between 9:00 a.m. and 5:00 p.m.

Buying shares

Investors should complete an application form available from the ACD and send it to the ACD, on or before the 15th of the month prior to the Dealing Day, at its administration centre with a cheque payable to Royal London Unit Trust Managers Limited. On acceptance of the application, shares will be sold at the relevant sale price, and a contract note confirming the sale price and the number of shares sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application.

Selling shares

To redeem shares, investors should provide a written instruction, three months in advance of a monthly Dealing Day, to the ACD at its administration centre with instructions to redeem the relevant number (if known) or value of shares. The shares will be repurchased at the price calculated at the valuation point on the appropriate Dealing Day. Proceeds of redemption (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid no later than the close of business on the fourth business day following receipt of a signed form of renunciation.

Cancellation rights

Where a person purchases shares the Conduct of Business Sourcebook (as amended from time to time) may give the investor the right to cancel the relevant purchase within 14 days of receipt of the requisite notice of a right to cancel. The right to cancel does not arise if (a) the investor is not a private customer, (b) the investor is not an execution-only customer, (c) the agreement to purchase is entered into through a direct offer financial promotion, or (d) the agreement is entered into under a customer agreement or during negotiations (which are not ISA related) intended to lead to a client agreement.

UK taxation

This information is based on United Kingdom law and practice known at the date of this document. Shareholders are recommended to consult their professional adviser if they are in any doubt as to their tax position.

The Company is an authorised scheme and accordingly is not liable to tax on capital gains on the disposal of any of its property (including interest-bearing securities and derivatives).

The Company qualifies as a PAIF for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax. The Company would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made or a tax charge otherwise arises.

The Company's distributions will be split into three streams for United Kingdom tax purposes:

- property income distributions, representing income from its property investment business;
- PAIF dividend distributions representing any dividends received by it; and
- PAIF interest distributions representing the net amounts of all other income received.

Tax-exempt shareholders: Shareholders who are exempt from tax on income will be able to reclaim from HM Revenue & Customs the basic rate of tax withheld on the payment of property income distributions and PAIF interest distributions. The tax credits on PAIF dividend distributions cannot be reclaimed.

Corporate shareholders: Property income distributions are generally paid to corporation tax payers without the deduction of tax at source and taxed as profits of a property business. PAIF interest distributions are also generally paid gross to corporation tax payers, and are taxed as yearly interest in their hands. PAIF dividend distributions are treated in the same way as dividends paid by United Kingdom companies, and are therefore exempt from corporation tax.

General Information (continued)

UK taxation – continued

Individual shareholders: Property income distributions and PAIF interest distributions will be made to shareholders subject to deduction of tax at 20%. Individuals will be liable for income tax on this income at their marginal rate and may set off the tax credit against their liability. PAIF dividend distributions will carry a notional tax credit rate at the rate of 10% of the gross income. It will be taxable at the appropriate dividend tax rate and the tax credit may be used to reduce the tax liability. The tax credit only applies to pay dates until 5 April 2016.

For all income allocations: A tax voucher showing the amount of the income distributed or deemed to be distributed to the shareholder and the notional tax credits and tax deducted will be sent to the shareholders at the time of a distribution.

Capital gains: The sale of the shares by a shareholder will constitute a disposal for the purposes of tax on capital gains. The extent of any liability to tax will depend upon the particular circumstances of shareholders. For shareholders within the charge to corporation tax, net capital gains on shares should be added to their profits chargeable to corporation tax.

Any individual shareholders resident or ordinarily resident in the United Kingdom will generally be liable to tax on their capital gains. A shareholder who is an individual, and is not resident or ordinarily resident in the United Kingdom, would not normally be liable to United Kingdom tax on capital gains.

SDLT: Stamp Duty Land Tax (SDLT) is payable by the Company on the purchase of property investments.

Fund reports and Prospectus

Copies of the latest yearly and half yearly financial statements and copies of the Prospectus may be obtained from Royal London Unit Trust Managers Limited upon request or at the following address, http://www.rlam.com.

Contact Us

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