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Royal London UK Real Estate Fund

Interim Report

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

ROYAL LONDON
ASSET MANAGEMENT

Contents

* The ACS Manager's report comprises these items.

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

ACS Information

Authorised Contractual Scheme (the "ACS")

Royal London UK Real Estate Fund

Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised Contractual Scheme Manager (the "ACS Manager")

The ACS Manager is Royal London Unit Trust Managers Limited.

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

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Directors of the ACS Manager

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)

H.I. Georgeson

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 ACS Manager

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Registrar and Transfer Agents

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Administrator of the ACS Manager

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Standing Independent Valuers

Cushman & Wakefield Debenham Tie Leung Limited

43/45 Portman Square, London W1A 3BG

CBRE Limited

Henrietta House, Henrietta Place, London W1G 0BN

Property Manager

Jones Lang LaSalle Limited (JLL)

30 Warwick Street, London W1B 5NH

Legal Advisers to the ACS Manager

Eversheds Sutherland (International) LLP

One Wood Street, London EC2V 7WS

Independent Auditors

KPMG LLP
Chartered Accountants and Statutory Auditors

15 Canada Square, London E14 5GL

Report of the ACS Manager

We are pleased to present the interim report and financial statements covering the period from 1 January 2024 to 30 June 2024.

About the ACS

Royal London UK Real Estate Fund (the "ACS") is an authorised contractual scheme in co-ownership form under section 235A of the Financial Services and Markets Act 2000 and was authorised by the FCA with effect from 3 February 2017. The FCA's product reference number (PRN) for the ACS is 769047.

As a consequence of being constituted as an authorised co-ownership scheme, the ACS is treated as tax-transparent in the UK. The structure was designed with the intention of its being regarded as tax-transparent elsewhere. Unitholders which are resident for tax purposes in the UK or in any other jurisdiction which recognises the tax-transparency of the ACS will be treated as receiving their appropriate proportion of the net income arising from the Scheme Property as it arises.

The unitholders are not liable for the debts of the ACS.

Authorised status

The ACS is a single sub-fund and a stand-alone Collective Investment Scheme as defined in the Financial Services and Markets Act 2000. The ACS was authorised by the Financial Conduct Authority (FCA) on 3 February 2017. The ACS is a Qualified Investor Scheme (QIS) and qualifies as an Alternative Investment Fund within the meaning of Alternative Investment Fund Managers Directive ("AIFMD") for the purposes of the FCA Rules.

Royal London UK Real Estate Feeder Fund, a stand-alone open-ended investment company with variable capital (ICVC) with a Property Authorised Investment Fund (PAIF) status dedicated to investment in units of the ACS was launched for those investors unable to invest directly in the ACS.

The financial statements

The information for Royal London UK Real Estate Fund (the "ACS") 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 ACS. 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

ACS Manager

R. Kumar (Director)

S. Spiller (Director)

21 August 2024

Investment Adviser's Report

Objective

The investment objective of the Royal London UK Real Estate Fund (the "ACS") is to outperform the 12 month total return of its benchmark, the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index. This index measures quarterly total returns on a net asset value basis.

Strategy

The ACS will invest in UK real estate across all major property sectors in a balanced portfolio with a strong emphasis towards prime assets in London and the South East. Stock selection will be paramount in acquisition decisions, and to exploit assets through active management and selective developments, while managing risks and void exposure.

Performance

Over the 6 months to 30 June 2024, the ACS delivered total returns of 3.54% (30/06/23: 0.78%) finishing ahead of the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index by 188 basis point at 1.67% (30/06/23: 0.16%).

On an annualised basis over the last five years, the ACS has delivered a total return of 3.36% per annum, which compares to 1.50% per annum, a margin of 185 basis points.

Outperformance during the last 6 months has been a function of more resilient capital value movement across the portfolio. This has been assisted by relatively strong returns in the retail warehouse portfolio and more resilient performance from our office assets, outside of the South East. In addition, the disposal of an industrial estate in Southall, West London generated significant outperformance for the ACS.

Since the ACS was launched in October 2017, it has delivered consistent outperformance against the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index, delivering outperformance in each calendar year and beating the benchmark by 171 basis points on an annualised basis. Since inception, the ACS is ranked first, with an annualised total return (net of fund management fees) of 4.40%.

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.

The latest data releases 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).

Investment Adviser's Report (continued)

Economic outlook – continued

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

Performance for the year to date has seen an improvement in momentum. Capital values across the portfolio have increased by 2.22% in aggregate over the last six months, which compares favourably with the benchmark level of -0.33%.

There has been considerable variance across the different market segments, with offices seeing the largest valuation falls so far this year, whereas other market sectors have been more resilient and fared better. The ACS's office portfolio has seen values decline by 2.80%, which compares favourably against the benchmark at -3.80%. Office sector performance was supported by the relative resilience at The Earnshaw, Parnell House and Soho Square/Frith Street, all in London.

Attribution of relative return shows that the structure/sector allocations of the ACS have been a marginal drag on year to date performance. An underweight position to both industrials and alternatives has been detrimental. However, this has been offset by strong selection scores, with the portfolio outperforming in the Office and Industrial sectors. Year to date performance in the industrial sector was particularly strong at 10.71% compared to the benchmark at 3.53%.

Income return over the year was lower than the benchmark, a function of the prime nature of the portfolio and the regional bias towards London, where yields are typically lower. Vacancy rate in the ACS has increased this year to 14.70% as at June 2024, this is the function of the vacancy at 111-117 New Bond Street with an ERV of £5.00m. This large space will be comprehensively refurbished and three new flagship stores will be created.

Rent collection

The ACS had a collection rate to date of 99.79% (30/06/23: 99.64%) 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.

Investment Adviser's Report (continued)

Portfolio review and activity – continued

Balance sheet management

As at the 30 June 2024, the ACS held £89.31m (30/06/23: £70.74m) in cash (ex. distribution) equating to 2.69% (30/06/23: 2.17%) of the ACS's NAV. A further £363.76m (30/06/23: £300.15m) of cash is invested in Royal London cash funds for an enhanced near cash return.

There is no pending redemption as at 30 June 2024.

The ACS currently has no gearing.

Disposals

In January, the ACS completed on the sale of 6-8a Church Street, Kingston for £2.55m. The sale accords with the ACS strategy to divest out of small lot sizes and was subsequently identified as a sale candidate as part of the 2024 Fund Strategy.

In April, the ACS completed on the sale of four industrial assets in Southall for a combined price of £315.00m to a specialist data centre provider, who paid a price considerably above the market value as an industrial asset. The estate comprises around 815,000 sq ft of aged industrial accommodation on 34 acres of land in West London, one of the core markets for data centres in the UK. The sale for data centre use offers the opportunity to exit at a best land value price, maximising the return secured for the ACS, with no development risk. These assets have been significant out-performers over recent years and the sale will contribute positively to fund performance for the year.

In June, the ACS completed on the sale of GP2002 Unit, Grove Park in Leicester for £10.33m. The property has historically performed well for the ACS but having completed the lease renewal in December 2023, it was decided there was limited scope for further value enhancement, with potential downside risk at the next reversion owing to what the market would deem to be the property's secondary specification and poor energy efficiency rating.

Also in June, the ACS completed on the sale of the affordable housing element of Medius House, 63-69 New Oxford Street in London for £3.66m. The sale is by way of grant of a 250 year head lease to the housing association. The ACS still retains the freehold and the ground/basement retail unit.

Acquisitions

In May, the ACS acquired £140.00m in 1 month duration Treasury Bills and £140.00m in 3 month duration Treasury Bills. The combine £280.00m investment into Treasury Bills allows the ACS to benefit from a yield in excess of 5.00% whilst it seeks to redeploy the capital into real estate assets. The ACS initial trade of £500,000 was at 5.24%. Splitting the investment 50.00% between one and three months durations provides flexibility for forecast capital expenditure payments and redeployment timescales, as well as removing any risk of becoming overdrawn.

In June, the ACS acquired a further £30.00m in 1 month duration Treasury Bills and £90.00m in 3 month duration Treasury Bills. This took the ACS total investment in Treasury Bills during the period to £400.00m with a mix of durations.

Asset management and lettings

Industrial

Unit 216A-D & 217A-D, Westminster Industrial Estate, Woolwich, Greater London: The ACS has successfully settled a rent review with SMP Group, the largest tenant by floor area and income at the Westminster Industrial Estate. The subject review relates to unit 216A-D and unit 217A-D (approx. 80,000 sq ft). The newly agreed rent is £956,810 per annum showing a 50.00% uplift on the previous rent (£644,383pa). As a result of this rent review and subsequent improvement on the valuers assumed settlement, the ACS benefited from a valuation increase of £825,000 on the quarter.

Elland Road Industrial Estate, Leeds: Unit 7, Elland Road Industrial Estate was let to Northside Truck & Van Limited on a lease expiring in November 2028, with an outstanding rent review from November 2023. The passing rent was £225,824 pa. After the usual negotiations, the ACS settled the rent review at a new passing rent of £320,000 pa, which reflects a 41.70% increase. During the negotiation it became apparent that the tenant was planning a major capital expenditure investment into the unit. Therefore a 6 year reversionary lease was also completed, extending their occupation until 2034, with open market rent reviews in 2028 and 2031. There was a period of 12 months at half rent as a tenant incentive.

Retail

Unit 4, Tunbridge Wells Shopping Park, Tunbridge Wells: In February 2024, the ACS exchanged an Agreement for Lease with Mountain Warehouse, subject to completion of landlord works. The rent will be the higher of £230,625 pa (£22.50 psf) or 12.00% of net sales. A 10 year lease was agreed with a break at the end of year 5 and an open market upward only rent review on the 5th anniversary. The tenant will benefit from a 12 month incentive package. Practical completion of the landlord works will be achieved on 8th April 2024 with the lease completing five working days thereafter.

149-151 Oxford Street, London: The retail element of the premises is occupied by Matalan who operated their break option effective 1st August 2024. In order to re-let the premises, it was agreed that the front elevation and internal ground floor required remodelling. In its current configuration, the building is unattractive both in terms of appearance and the retail layout. The brief was to create a façade that responded to the heritage of the site and its local context and improved the presence and lettability of the unit. In addition, minor improvements will be undertaken to the façade of the upper floors to rationalise the elevation. Planning permission for the remodelling was submitted to Westminster Council in March 2024 and granted in May 2024. As a result, the ERV is expected to increase to £1.35m pa compared with the valuation of £1.21m pa.

Investment Adviser's Report (continued)

Portfolio review and activity – continued

Asset management and lettings – continued

Offices

1-3 Long Acre & 20 Garrick Street, London: The 3 upper floors were all due to become vacant between April and September this year. Given the age of the building and current fit-out, this would normally have led to a full refurbishment project, followed by a leasing void and rent free period. RLAM have managed to re-let the 2nd & 3rd floors to an existing occupier, at the same rental level but without any rent free period or capital expenditure. With regard to the 4th floor the lease expires in October 2024 and we are in negotiation with the 2nd floor tenant to take the space on the same favourable terms as the 2nd & 3rd floors. This facilitates a 'block date' for the building in late 2029. This asset management initiative has maintained income for the ACS by preventing voids and reducing capital expenditure.

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.

- Following the successful completion of Net Zero Carbon (NZC) audits across four multi-let offices within the ACS last year, we have commissioned a further five NZC audits across three multi-let offices and two single-let offices within the ACS. These audits benchmark the performance of the asset against the 1.5-degree pathway set out by the Carbon Risk Real Estate Monitor (CRREM) and the UK Green Building Council (UKGBC) Paris-proof Energy Use Intensity (EUI) target of 70 kWh/m2 by 2030. These audits identify interventions required to decarbonise our assets with regard to the lease profile and lifecycle of existing equipment, enabling us to achieve our target of NZC by 2040 across our whole portfolio.
- 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. We have now entered the pilot stage of the strategy where we will test the framework on five representative assets, of which two are within the ACS, across all typologies enabling us to establish an effective approach to implementing the framework across the ACS.
- 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 95 to 194, whilst the number of C to G rated EPCs has decreased from 375 to 271. 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, 68% of units with an EPC rating below a B have had a BUR completed. This highlights our focus on reducing the ACS'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 549 single-let units to further increase occupier data coverage across the ACS.
- 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 five assets within the ACS where the 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 ACS in support of the development of our biodiversity framework. The framework will use this baseline to set quantifiable targets for different asset typologies to improve levels of biodiversity across the ACS, alongside the creation of sector-specific nature-based solution (NBS) design guides that can be used to inform interventions across our properties.

Investment Adviser's Report (continued)

Responsible Property Investment (RPI) – continued

- Following the success of the RPI training day held 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 ACS' 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 indicator of future the ACS's performance.

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 £25m – 11.94% (31/12/23 – 13.59%)					
Bedfont – Cargo 30		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 1		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 2		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 3		Freehold	Industrial		
Chelmsford – Land at Springfield Business Park		Freehold	Industrial		
Eastleigh – Royal London Park		Freehold	Industrial		
Gatwick – 2 City Place		Freehold	Offices		
Leeds – Phase 1 and 2 Manston Industrial Estate		Leasehold	Industrial		
Leeds – Stourton Link Haigh Park Road		Freehold	Industrial		
London W1 – 103/103a Oxford Street		Freehold	Retail		
London W1 – 22 Old Bond Street		Leasehold	Retail		
London WC1 – Medius House		Freehold	Offices		
London WC2 – 2-4 Bucknall Street and 12 Dyott Street		Freehold	Offices		
Maidenhead – 68 Lower Cookham Road, Whitebrook Park		Freehold	Offices		
Maidenhead – Beach House		Freehold	Offices		
Maidenhead – King's Gate		Freehold	Offices		
Manchester – Davenport Green		Freehold	Other Commercial		
Manchester – H&M – Kings Court		Leasehold	Retail		
Northampton – Units 1-5 Brackmills Industrial Estate		Freehold	Industrial		
Oxford – Centremead / Ferry Mills		Freehold	Industrial		
Redhill – Gatton Park Business Centre		Freehold	Industrial		
Southampton – Southampton Mail Centre		Freehold	Industrial		
Tamworth – Audi Garage, Cardinal Point		Freehold	Other Commercial		
Tamworth – Cardinal Point Retail Park		Freehold	Retail Warehouse		
Tamworth – Distribution Unit, Winchester Road		Freehold	Industrial		
Tamworth – Plot 1- Mini Car Showroom		Freehold	Other Commercial		
Tamworth – Plot 4 – BMW Car Showroom		Freehold	Other Commercial		
Tamworth – Ventura Park Trading Estate		Freehold	Industrial		
Tunbridge Wells – Longfield Road Retail Park		Freehold	Retail Warehouse		
Windsor – Minton Place and Consort House		Freehold	Offices		
Total Direct Properties Market Values up to £25m				**395,574**	**11.94**
Direct Properties Market Values between £25m and £50m – 13.23% (31/12/23 – 15.53%)					
Chatham – Horsted Retail Park		Freehold	Retail		
Daventry – Distribution Centre		Freehold	Industrial		
Hayes – Pasadena Close		Freehold	Industrial		
Hemel Hempstead – Robert Dyas		Freehold	Industrial		
Leeds – Colton Retail Park		Freehold	Retail Warehouse		
London EC3 – 62-63 Fenchurch Street		Freehold	Offices		
London NW10 – 1-11 Cumberland Avenue		Freehold	Industrial		
London NW10 – Cumberland and Whitby Avenue		Freehold	Industrial		
London W1 – 149 &151/151a Oxford Street		Freehold	Retail		
London WC2 – 20 and 1-3 Long Acre and 20 Garrick Street		Freehold	Offices		
Norwich – Sprowston Retail Park		Freehold	Retail		
Watford – Century Retail Park		Freehold	Retail Warehouse		
Total Direct Properties Market Values between £25m and £50m				**438,560**	**13.23**
Direct Properties Market Values between £50m and £100m – 32.30% (31/12/23 – 32.60%)					
Bristol – 1-3 & 5-9 Broad Plain		Freehold	Offices		
Brixton – Ellerslie Square Industrial Estate		Freehold	Industrial		
Greenford – Westway Shopping Park		Freehold	Retail		
Hayes – 1/3 Uxbridge Road		Freehold	Industrial		
London EC1 – 14-21 Holborn Viaduct*		Freehold	Offices		
London EC4 – 1-3 St Pauls Churchyard		Freehold	Offices		
London SE1 – Land at Six Bridges Trading Estate		Freehold	Industrial		
London SE18 – Westminster Industrial Estate		Freehold	Industrial		
London SW1 – 85/87 Jermyn Street		Freehold	Offices		
London SW1 – Parnell House		Freehold	Offices		
London W1 – Frith & Dean Street and Soho Square		Freehold	Offices		
London W1 – 470/482 Oxford Street and Granville Place		Leasehold	Retail		
London W1 – Kingsley House		Freehold	Offices		
London WC2 – 9-12 Bow Street and Hanover Place		Freehold	Retail		
Salford – Metroplex Business Park		Freehold	Industrial		
Total Direct Properties Market Values between £50m and £100m				**1,071,025**	**32.30**

Portfolio Statement (continued)

As at 30 June 2024

Investments	Holding	Tenure	Sector	30 June 2024 Market value (£'000)	Total net assets (%)
Direct Properties Market Values greater than £100m – 19.82% (31/12/23 – 26.31%)					
London W1 – 120-122 New Bond Street		Freehold	Retail		
London W1 – Ham Yard Hotel		Freehold	Hotel		
London WC1 – The Earnshaw, New Oxford Street, London		Freehold	Offices		
Total Direct Properties Market Values greater than £100m				**657,050**	**19.82**
Collective Investment Schemes – 13.26% (31/12/23 – 11.42%)					
Industrial Property Investment Fund	47,845		Collectives	76,091	2.29
Royal London Short Term Fixed Income E Fund	95,045,740		Collectives	107,232	3.23
Royal London Short Term Fixed Income Fund	48,791,865		Collectives	54,728	1.65
Royal London Short Term Money Market Fund	182,242,349		Collectives	201,796	6.09
Total Collective Investment Schemes				**439,847**	**13.26**
Government Bonds – 7.85% (31/12/23 – 0.00%)					
United Kingdom Treasury Bill 0% 07/24	500,000		Bonds	498	0.02
United Kingdom Treasury Bill 0% 15/07/2024	30,000,000		Bonds	29,928	0.90
United Kingdom Treasury Bill 0% 05/08/2024	141,806,000		Bonds	141,041	4.25
United Kingdom Treasury Bill 0% 16/09/2024	90,000,000		Bonds	88,988	2.68
Total Government Bonds				**260,455**	**7.85**
Portfolio of investments				**3,262,511**	**98.40**
Adjustments to Fair Value**				**(38,448)**	**(1.16)**
Net other assets				**91,549**	**2.76**
Total net assets				**3,315,612**	**100.00**

* London EC1 – 14-21 Holborn Viaduct is under construction.

** Adjustments to Fair Value include lease incentives, rent free debtors and finance lease payables.

Summary of Material Portfolio Changes

For the six month period ended 30 June 2024

Significant Purchases

	Cost £'000
UK Treasury Bill 0% 05/08/2024	141,083
United Kingdom Treasury Bill 0% 03/06/2024	110,290
United Kingdom Treasury Bill 0% 16/09/2024	88,842
Royal London Short Term Money Market Fund	73,043
United Kingdom Treasury Bill 0% 15/07/2024	29,881
United Kingdom Treasury Bill 0% 10/06/2024	29,700
Royal London Short Term Fixed Income E Fund	2,015
Royal London Short Term Fixed Income Fund	1,458
United Kingdom Treasury Bill 0% 07/24	498
Total purchases for the period	**476,810**

Significant Sales

	Net proceeds £'000
Southall – International Trading Estate	243,900
United Kingdom Treasury Bill 0% 03/06/2024	110,716
Southall – Brent Park Industrial Estate	40,300
United Kingdom Treasury Bill 0% 10/06/2024	29,840
Southall – 169 Brent Road	17,100
Southall – Bulls Bridge Trading Estate	13,700
Leicester – GP2002 Unit Grove Park	10,325
London WC1 – Medius House	3,660
Kingston-upon-Thames – 6/8a Church Street	2,545
Total proceeds from sales for the period	**472,086**

Significant Capital Expenditure

	Cost £'000
London EC1 – 14-21 Holborn Viaduct	27,889
London EC3 – 62-63 Fenchurch Street	2,700
Maidenhead – King's Gate	1,537
London W1 – 120-122 New Bond Street	1,210
Hayes – 1/3 Uxbridge Road	854
Chelmsford – 5 Springfield Business Park	713
Subtotal	**34,903**
Total capital expenditure for the period	**37,119**

The purchases, sales and top 6 capital expenditure detail the material changes in the portfolio during the period.

Significant Valuation Movements

	Valuation Changes £'000
London EC1 – 14-21 Holborn Viaduct	24,150
Greenford – Westway Shopping Park	3,450
Hayes – 1/3 Uxbridge Road	2,850
London W1 – 470/482 Oxford Street and Granville Place	(8,125)
London W1 – Kingsley House	(9,350)
Total significant valuation movements for the period	**12,975**

Comparative Tables

Class W Gross Income

Change in net assets per unit	30/06/24 (£)	31/12/23 (£)	31/12/22 (£)	31/12/21 (£)
Opening net asset value per unit	107.54	111.14	119.98	102.48
Return before operating charges*	4.44	(1.24)	(6.28)	21.71
Operating charges**	(0.27)	(0.56)	(0.63)	(0.16)
Return after operating charges*	4.17	(1.80)	(6.91)	21.55
Distribution on income units	(2.24)	(1.80)	(1.93)	(4.05)
Closing net asset value per unit	109.47	107.54	111.14	119.98
* after direct transaction costs of:	0.01	0.02	0.03	0.03
Performance				
Return after charges	3.88%	(1.62)%	(5.76)%	21.03%
Other information				
Closing net asset value (£'000)	3,016,916	2,963,543	3,062,888	3,306,449
Closing number of units	27,558,517	27,558,517	27,558,517	27,558,517
Operating charges excluding property expenses	0.01%	0.01%	0.01%	0.01%
Property expenses	0.48%	0.49%	0.50%	0.14%
Operating charges	0.49%	0.50%	0.51%	0.15%
Direct transaction costs	0.01%	0.02%	0.03%	0.03%
Prices				
Highest unit price	112.76	114.16	136.59	123.58
Lowest unit price	107.06	105.92	109.47	101.89

Class V Gross Income

Change in net assets per unit	30/06/24 (£)	31/12/23 (£)	31/12/22** (£)
Opening net asset value per unit	107.54	111.14	132.84
Return before operating charges*	4.44	(1.24)	(20.21)
Operating charges	(0.27)	(0.56)	(0.54)
Return after operating charges*	4.17	(1.80)	(20.75)
Distribution on income units	(2.24)	(1.80)	(0.95)
Closing net asset value per unit	109.47	107.54	111.14
* after direct transaction costs of:	0.01	0.02	0.03
Performance			
Return after charges	3.88%	(1.62)%	(15.62)%
Other information			
Closing net asset value (£'000)	152,452	149,755	154,776
Closing number of units	1,392,603	1,392,603	1,392,603
Operating charges excluding property expenses	0.01%	0.01%	0.01%
Property expenses	0.48%	0.49%	0.42%
Operating charges	0.49%	0.50%	0.43%
Direct transaction costs	0.01%	0.02%	0.03%
Prices			
Highest unit price	112.76	114.16	136.59
Lowest unit price	107.06	105.92	109.47

** Class V Gross Income unit class was launched on 31 March 2022.

Comparative Tables (continued)

Class X Gross Income

Change in net assets per unit	30/06/24*** (£)
Opening net asset value per unit	100.00
Return before operating charges*	3.28
Operating charges	(0.32)
Return after operating charges*	2.96
Distribution on income units	(2.24)
Closing net asset value per unit	100.72
* after direct transaction costs of:	0.08
Performance	
Return after charges	2.96%
Other information	
Closing net asset value (£'000)	99,460
Closing number of units	987,500
Operating charges excluding property expenses	0.36%
Property expenses	0.27%
Operating charges	0.63%
Direct transaction costs	0.07%
Prices	
Highest unit price	103.75
Lowest unit price	99.21

*** Class X Gross Income unit class was launched on 1 April 2024.

Class Z Gross Income

Change in net assets per unit	30/06/24 (£)	31/12/23 (£)	31/12/22 (£)	31/12/21 (£)
Opening net asset value per unit	107.54	111.14	119.98	102.48
Return before operating charges*	4.44	(0.85)	(5.82)	21.71
Operating charges	(0.65)	(1.33)	(1.52)	(0.90)
Return after operating charges*	3.79	(2.18)	(7.34)	20.81
Distribution on income units	(1.86)	(1.42)	(1.50)	(3.31)
Closing net asset value per unit	109.47	107.54	111.14	119.98
* after direct transaction costs of:	0.01	0.02	0.03	0.03
Performance				
Return after charges	3.52%	(1.96)%	(6.12)%	20.31%
Other information				
Closing net asset value (£'000)	46,784	56,109	57,990	62,601
Closing number of units	427,359	521,767	521,767	521,767
Operating charges excluding property expenses	0.71%	0.72%	0.73%	0.71%
Property expenses	0.48%	0.49%	0.50%	0.14%
Operating charges	1.19%	1.21%	1.23%	0.85%
Direct transaction costs	0.01%	2.00%	0.03%	0.03%
Prices				
Highest unit price	112.76	114.16	136.59	123.58
Lowest unit price	107.06	105.92	109.47	101.89

It should be remembered that past performance is not a reliable indicator of future performance and that the value of units, 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)		57,461		(16,276)
Revenue	83,226		68,684	
Expenses	(16,814)		(15,827)	
Interest payable and similar charges	(1)		(1)	
Net revenue before taxation	66,411		52,856	
Taxation	–		–	
Net revenue after taxation		66,411		52,856
Total return before distributions		123,872		36,580
Distributions		(66,417)		(52,943)
Change in net assets attributable to unitholders from investment activities		**57,455**		**(16,363)**

Statement of Change in Net Assets Attributable to Unitholders

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 unitholders		**3,169,407**		**3,275,654**
Amounts receivable on issue of units	98,598		–	
Amounts payable on cancellation of units	(10,000)		–	
		88,598		–
Dilution adjustment		152		–
Change in net assets attributable to unitholders from investment activities		57,455		(16,363)
Closing net assets attributable to unitholders		**3,315,612**		**3,259,291**

Balance Sheet

As at 30 June 2024

	30 Jun 2024 £'000	31 Dec 2023 £'000
Assets		
Fixed assets:		
Tangible assets		
Investment property	2,472,261	2,733,789
Property under construction	51,500	27,350
Investments	700,302	361,776
Total fixed assets	3,224,063	3,122,915
Current assets:		
Debtors	69,536	71,590
Cash and bank balances	89,311	45,104
Total current assets	158,847	116,694
Total assets	3,382,910	3,239,609
Liabilities		
Creditors:		
Other creditors	31,970	37,078
Finance lease payable	1,154	1,155
Distribution payable	34,174	31,969
Total liabilities	67,298	70,202
Net assets attributable to unitholders	**3,315,612**	**3,169,407**

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	**59,724**	**58,917**
Distribution paid to unitholders	(64,211)	(49,511)
Interest received	3,066	2,267
Interest paid	(2)	–
Net cash generated (used in)/from operating activities	**(1,423)**	**11,673**
Cash flows from investing activities		
Payments to acquire investments and capital expenditure	(513,929)	(292,504)
Receipts from sale of investments	470,809	228,688
Net cash outflow from investing activities	**(43,120)**	**(63,816)**
Net cash outflow before financing activities	**(44,543)**	**(52,143)**
Cash flows from financing activities		
Amounts received from creation of units	98,598	–
Amounts paid on cancellation of units	(10,000)	–
Dilution adjustment	152	–
Net cash inflow from financing activities	**88,750**	**–**
Net increase/(decrease) in cash during the period	**44,207**	**(52,143)**
Cash balance brought forward	45,104	122,883
Cash and bank balances at the end of the period	**89,311**	**70,740**

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 periods/years presented, unless otherwise stated.

Basis of preparation

The financial statements of the ACS, which is a single sub-fund, have been prepared in compliance with the FCA's Collective Investment Schemes Sourcebook ("COLL") and in accordance with the United Kingdom Generally Accepted Accounting Practice, 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") and the Prospectus and the Co-ownership and Supplemental Co-ownership Deed in respect of the ACS. 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 profit or loss.

Going concern

The ACS Manager has undertaken a detailed assessment, and continues to monitor the ACS'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 ACS continues to be open for trading and the ACS Manager is satisfied the ACS 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 ACS 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 quarterly basis by either Cushman & Wakefield Debenham Tie Leung Limited or CBRE Limited on the basis of "Fair Value" as defined in the International Valuation Standards of the ('RICS') Valuation Global Standards 2017 (the "RICS Red Book") and 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 ACS's properties are subject to an on-going rolling programme of internal and external inspection by the standard independent valuers each year.

Fair value of property under construction

Property under construction owned by the ACS for such purposes which are classified under land and buildings are measured initially on acquisition at its cost, including transaction costs. The fair value of the property under construction for continuing use as investment property has been determined on the same basis as the investment property taking into consideration costs for construction and development as well as capital expenditure outlays using recognised valuation techniques.

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 ACS 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 ACS Manager.

Fair value of debt securities

Debt securities held by the ACS have been valued at market value. Market value is defined by the Statement of Recommended Practice as fair value which generally is the bid value of each security.

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.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

1. Significant accounting policies – continued

Basis of valuation of investments – continued

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 year in which termination takes place.

Provision for bad and doubtful debts

It is the policy of the ACS 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.

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.

Units

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

Taxation

For both UK income tax and corporation tax purposes, the ACS will be treated as transparent with regards to income. Consequently, its income and expenses (i.e., net income) are treated for UK tax purposes as arising or accruing to each Unitholder in proportion to the value of the Units beneficially owned by that Unitholder as if the net income had arisen or accrued to that Unitholder directly.

Revenue recognition

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

All dividends (including distributions from collective investment schemes) on investments marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deductions at source and net of attributable tax credits.

Distributions from collective investment schemes and dividends received from quoted equity and non-equity shares are credited to revenue when the security is quoted ex-dividend. Accumulation of revenue relating to accumulation units or shares held in underlying funds is recognised as revenue and included in the amount available for distribution.

Revenue received from investments in authorised collective investment schemes, which are purchased during the period, will include an element of equalisation which represents the average amount of revenue included in the price paid for shares or units. Equalisation received and accrued from distributions or accumulations on units or shares in underlying investments is treated as capital and deducted from the cost of investment.

Rental income

Rental income is accounted for on an accruals basis. Rental income received in advance are 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 over the life of the tenancy 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 ACS 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.

Interest earned on interest bearing securities are determined on an effective yield basis. Effective yield is a revenue calculation that reflects the amount of amortisation of any discount or premium on the purchase price over the remaining life of the security.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

1. Significant accounting policies – continued

Expenses recognition

Expenses are charged against 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 the 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 quarterly, 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 quarter is payable the last working day of the following quarter.

Service charge expenses

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

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

Distribution to unitholders

Dividends and other distributions to ACS's unitholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the ACS's Depositary. These amounts are recognised in the Statement of Total Return.

Dilution levy

In certain circumstances the ACS Manager may charge a dilution levy on the sale or repurchase of units. The levy is intended to cover certain dealing charges not included in the value of the ACS used in calculating the unit price, which could have a dilutive effect. Normally the ACS 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 ACS Manager.

Related party transactions

The ACS 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 ACS Manager, separate disclosure is necessary to understand the effect of the transactions on the ACS'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.

Estimation of fair value of investment property

Investment property is measured at fair value which represents a significant proportion of the ACS's net assets at 76.12% (31/12/23: 87.12%). Therefore, the estimates and assumptions made to determine their carrying value during valuation are critical to the ACS'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 ACS's portfolio had an equivalent yield of 5.35% (31/12/23: 5.12%). If the yield of every property within the portfolio increased by 0.25% (31/12/23: 0.25%) it is estimated that the net asset would fall by 3.81% (31/12/23: 4.23%). If the yield decreased by 0.25% (31/12/23: 0.25%) it is estimated that the net asset value would rise by 4.22% (31/12/23: 4.72%). The 0.25% benchmark has been used to measure sensitivity analysis as the ACS Manager believes that it is a good indicator of materiality in yield 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	5.30%	0.25%	38,139,000	1.25%	(34,602,000)	(1.13)%
Offices	5.71%	0.25%	41,236,000	1.35%	(37,439,000)	(1.23)%
Retail	4.93%	0.25%	43,049,000	1.41%	(38,342,000)	(1.26)%
Other	5.72%	0.25%	6,655,000	0.22%	(6,097,000)	(0.20)%

Estimation of fair value of property under construction

Valuations of property under construction have been based on the assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. The assumption has also been made that a duty of care and all appropriate warranties are available from the professional team and contractors, which will be assignable to third parties.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

2. Estimates and judgements – continued

Critical judgements in applying the ACS's accounting policies

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

3. Distribution policies

Basis of distribution

Revenue is generated by the ACS's investments during each accounting period. The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable of the relevant unit class and deducting the charges and expenses paid or payable out of income in respect of that accounting period. The ACS Manager then makes such other adjustments as it considers appropriate in relation to Taxation, income unlikely to be received, income which should not be accounted for on an accruals basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

In order to conduct a controlled distribution flow to unitholders, interim distributions will be made at the ACS Manager's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed, at unit class level, to the unitholders in accordance with the ACS's Prospectus.

All unit classes of the ACS are priced and distributed on a quarterly basis therefore there are no group 2 units at the end of each distribution period and therefore no equalisation is applied to unit class prices.

Apportionment to unit classes

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

Revenue from debt securities

For the purposes of the calculation of the distribution, revenue from debt securities is computed on an effective yield basis.

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 ACS.

4. Risk management policies

In accordance with its investment objective, the ACS 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 ACS's operations; and
- Short term borrowings used to finance investments activity.

The risks set out below do not purport to be exhaustive and the ACS 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 ACS's investments including, but not limited to, adverse property valuation movements.

Since the fair value of investment property represents a significant proportion of the ACS's net assets at 76.12% (31/12/23: 87.12%), property values are exposed to a number of risk factors which may affect the total return of the ACS. These may be attributable to changes to global or local economic and geo-political 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; real estate tax 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 risk is minimised through holding a geographically diversified portfolio that invests across various property sectors.

The ACS Manager may make use of Efficient Portfolio Management techniques to reduce risk and/or costs in the ACS and to produce additional capital or income in the ACS in a manner which is economically appropriate and with an acceptable level of risk. Techniques used by the ACS Manager may include using derivatives for hedging against price or currency fluctuations, engaging in securities lending and reverse repurchase transactions.

The ACS adheres to the investment guidelines and investment and borrowing powers established in the Prospectus, Co-ownership and Supplemental Co-ownership Deed in respect of the ACS and in the rules governing the operation of open ended investment companies.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

4. Risk management policies – continued

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 ACS 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.

Included in the ACS Manager's responsibilities for managing and monitoring the liquidity risk of the ACS is to maintain liquidity risk management policies and procedures. The liquidity risk management policies and procedures include the management, implementation and maintaining of appropriate liquidity limits for the ACS and monitoring and assessing the policies and procedures of the Investment Adviser for the ACS in managing the ACS's liquidity limits. In determining its risk management policies, the ACS Manager has taken into account the nature, scale and complexity of its activities including those of the delegated Investment Adviser, and has liquidity risk profiles that are consistent with those required for a well-functioning and robust system including the requirement to meet redemption requests from unitholders on each dealing day.

In exceptional circumstances, such as market uncertainty, the ACS Manager may defer redemptions where the ACS Manager considers it to be in the best interests of the unitholders. The deferral period for any redemption request is a maximum of 12 months from the original dealing day when the request for redemption would otherwise have been processed. When deemed appropriate by the ACS Manager, acting in the best interests of the unitholders, redemption will be deferred in whole or in part by the ACS Manager within this timeline.

Also during periods of uncertainty or volatile markets, the Investment Adviser may choose to hold a substantial proportion of the property of the ACS in money-market instruments and/or cash deposits, provided that the ACS satisfies all the rules in the COLL on the types of permitted investments.

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

	Within three months	Over three months but not more than one year	Over one year
30 June 2024	**£000**	**£000**	**£000**
Cash at bank	89,311	–	–
	%	**%**	**%**
Unitholding that can be redeemed	–	100.00	–
Portfolio capable of being liquidated	12.57	84.98	2.45
31 December 2023	**£000**	**£000**	**£000**
Cash at bank	45,104	–	–
	%	**%**	**%**
Unitholding that can be redeemed	–	100.00	–
Portfolio capable of being liquidated	9.54	88.25	2.21

The following table provides a maturity analysis of the ACS'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
30 June 2024	**£000**	**£000**	**£000**
Distribution payable	34,174	–	–
Finance lease payable	98	391	7,581
Other creditors	31,970	–	–
	66,242	**391**	**7,581**
31 December 2023	**£000**	**£000**	**£000**
Distribution payable	31,969	–	–
Finance lease payable	98	392	7,629
Other creditors	37,078	–	–
	69,145	**392**	**7,629**

Credit and counterparty risk

Credit risk is the risk that counterparty will default on its contractual obligations resulting in financial loss to the ACS. The ACS 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 ACS 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.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

4. Risk management policies – continued

Credit and counterparty risk – continued

In managing counterparty and concentration of credit risk, rental income from any one tenant or tenants, specific industry sectors and or regions within the ACS 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 ACS Manager. 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 ACS might not be able to recover cash or assets of equivalent value in full. The ACS has been closely monitoring the ability to tenants to pay their rent and adjusting bad debt provision accordingly. The ACS 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 ACS'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 ACS is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

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

The ACS's cash and short term deposits at 30 June 2024 amounted to £89.31m (31/12/23: £45.10m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

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 £89.31m (31/12/23: £45.10m). This represents 2.69% (31/12/23: 1.42%) of gross assets of the ACS.

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 ACS.

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

Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts held by the ACS will be affected by fluctuations in interest rates. In times of low nominal interest rate, there may be no negative or low interest paid on these holdings. In such circumstances, the ACS could be subject to losses especially after charges are deducted. The ACS continuously reviews interest rates and the assessment of this may result in a change in investment strategy. The ACS held £89.31m (31/12/23: £45.10m) cash at the period end and has minimal exposure to interest rate risk since it has no gearing.

The ACS assesses the interest rate risk as being 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 ACS's ability to raise rents in markets with low vacancy rates, thus outpacing rising inflation and potentially increasing income distribution to unitholders/shareholders. The ACS 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 ACS 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 ACS Manager 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 ACS Manager and the Investment Adviser 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.

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

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2024

4. Risk management policies – continued

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 ACS, the ACS Manager may from time to time use leverage of up to 20% of the net asset value, 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 ACS).

Currently the ACS 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 ACS 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.

A key element of the ACS'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 ACS's goals.

Economic and political risk

The performance of the ACS may be adversely affected by the impact of geopolitical and general economic conditions under which the ACS 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 ACS 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 ACS, which has its assets predominantly based in the UK, are not likely to be materially affected by the situation in Ukraine but by the political and economic climate in the UK.

Distribution Tables

For the six month period ended 30 June 2024

Class W Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2024	Total distribution per unit 2023
March				
Group 1	110.0201		110.0201	85.6731
Group 2	110.0201	–	110.0201	85.6731
June				
Group 1	113.6697		113.6697	94.6408
Group 2	113.6697	–	113.6697	94.6408

Class V Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2024	Total distribution per unit 2023
March				
Group 1	110.0201		110.0201	85.6731
Group 2	110.0201	–	110.0201	85.6731
June				
Group 1	113.6697		113.6697	94.6408
Group 2	113.6697	–	113.6697	94.6408

Class X Gross Income*

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2024	Total distribution per unit 2023
March				
Group 1	–		–	–
Group 2	–	–	–	–
June				
Group 1	87.1746		87.1746	–
Group 2	87.1746	–	87.1746	–

* Class X Gross Income unit class was launched on 1 April 2024.

Class Z Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2024	Total distribution per unit 2023
March				
Group 1	91.3041		91.3041	66.4898
Group 2	91.3041	–	91.3041	66.4898
June				
Group 1	94.7524		94.7524	75.2980
Group 2	94.7524	–	94.7524	75.2980

All unit classes of the ACS are priced and distribute on a quarterly basis therefore there are no group 2 units at the end of each distribution period and therefore no equalisation is applied to unit class prices.

Fact File

Royal London UK Real Estate Fund

Launch date	Class W – Gross Income Units	1 October 2017
	Class V – Gross Income Units	31 March 2022
	Class Z – Gross Income Units	2 January 2018
	Class X – Gross Income Units	1 April 2024
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	15 January (Final)	
	15 April	
	15 July	
	15 October	
Minimum investment	£50m	
Management charges	Preliminary charge	
	Class W – Gross Income Units	1.25%
	Class V – Gross Income Units	1.25%
	Class X – Gross Income Units	1.25%
	Class Z – Gross Income Units	0.00%
	Annual management charge	
	Class W – Gross Income Units	0.00%
	Class V – Gross Income Units	0.00%
	Class X – Gross Income Units	0.70%
	Class Z – Gross Income Units	0.70%

General Information

Pricing and dealing

For the purposes of determining the prices at which Units may be purchased from or redeemed by the ACS Manager, the ACS Manager will carry out a valuation of the Fund's Property at 23:59 UK time each Dealing Day (the "valuation point") on the last Business Day (a day on which the London Stock Exchange Limited is open for business) of each calendar quarter, unless otherwise agreed by the Depositary. However, the ACS Manager may, at its discretion, value the Fund at any other time. The valuation shall exclude any income in respect of the interim accounting period ending on that Dealing Day.

Dealing in Units are conducted on a quarterly basis; on the last calendar day of each calendar quarter (i.e. the 31 March, 30 June, 30 September and 31 December) (a Dealing Day), between 9:00 and 17:00 UK time.

Subscription of units

In order for an application to be dealt with at the above Valuation Point on any Dealing Day, an investor should complete an application form available from the ACS Manager and returned by 17:00 UK time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. In respect of the initial offer of Units only, the ACS Manager may, at its discretion, accept certain applications for Units which are received after the Subscription Cut-off Point. On acceptance of the application, Units will be sold at the relevant sale price, and a contract note confirming the sale price and the number of units sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of Units will only be deemed to have been accepted by the ACS Manager once it is in receipt of cleared funds for the application.

Redemption of units

To redeem units, an investor should provide a written instruction by 17:00 UK time on the last Business Day that is at least six months prior to the relevant Dealing Day to the ACS Manager at its administration centre with instructions to redeem the relevant number (if known) or value of units. Instructions received after this point will be dealt with on the next applicable Dealing Day. The units 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.

Settlements time

Subscription settlement is by 17:00 UK time at the Business Day, two full Business Days prior to the relevant Dealing Day. Redemption settlement is by 17:00 UK time at the Business Day, three full Business Days prior to the relevant Dealing Day.

Distribution dates

Distribution of income is on the 15th calendar day following the end of the relevant accounting period.

UK taxation

The ACS is transparent and is not a taxable entity for UK tax purposes. As such, it is not subject to tax in the UK on income or gains arising on underlying investments. Distributions to Unitholders in the Gross Class will not be subject to UK withholding tax, but distributions to any investors in the Net Class will be made with a tax credit for the basic rate income tax withheld from the distributions.

The following applies to Unitholders which are resident in the UK. It does not apply to Unitholders holding Units as trading assets, or subject to particular tax regimes.

Income tax: For both UK income tax and corporation tax purposes, the ACS will be treated as transparent with regard to income. Consequently, its income and expenses (i.e. net income) are treated for UK tax purposes as arising or, as the case may be, accruing to each Unitholder in proportion to the value of the Units beneficially owned by that Unitholder as if the net income had arisen or, as the case may be, accrued to that Unitholder directly.

Unitholders who are exempt from tax on income will be treated as receiving their proportionate share of the net income of the ACS in which they invest, regardless of whether the net income is distributed to them. As the income will retain its original character in the hands of Unitholders, Unitholders exempt from tax on income should be able to benefit from their proportionate share of any tax credits for UK tax withheld at source and to reclaim such amounts from HMRC.

Any Unitholders liable to tax on income will be liable on their proportionate share of the net income of the ACS, regardless of whether the net income is distributed to them. Such income will retain its original character in the hands of Unitholders, and its nature will determine whether any tax credits are available for Unitholders generally and whether Unitholders that are subject to corporation tax can benefit from the dividend exemption. The ACS Manager intends to ensure that an appropriate share of the capital allowances are available to taxpaying Unitholders. In the case of Unitholders in the Net Class, UK taxpaying Unitholders should be able to offset the tax withheld against their UK tax liability on the income.

Unitholders will require detailed information about the income they receive from the ACS, and the ACS Manager intends to supply the necessary information to them in an appropriate form and a timely manner.

General Information (continued)

UK taxation – continued

Chargeable gains: For the purposes of UK tax on chargeable gains only, the Units in the ACS will be deemed to be chargeable securities and the underlying assets not to be chargeable assets with the result that Unitholders will not be liable to tax on chargeable gains realised by the ACS. Any Unitholders liable to tax on chargeable gains will be liable on their proportionate share of such gains arising from the redemption of Units depending on their own UK tax position.

Stamp taxes: No UK SDLT, stamp duty reserve tax (SDRT) or stamp duty will be due on initial subscriptions for Units. Surrenders (i.e. the redemption or Switching) of Units are not subject to UK SDLT, SDRT or stamp duty provided the surrender does not form part of arrangements of which the main purpose, or one of the main purposes, is the avoidance of stamp tax.

SDLT or SDRT will be payable on the purchase in the market by the ACS of property in England and Northern Ireland or UK equities respectively. This will be accounted for from the ACS on behalf of Unitholders. In the event that the ACS acquires and holds property in Scotland then Scottish Land and Buildings Transaction Tax (LBTT) will be due on the purchase of units (whether by subscription or transfer). LBTT will be due on a proportionate part of market value (at the time of unit purchase) of the Scottish Property held by the ACS.

For the first contribution of property to the ACS there was a 100% 'seeding relief' from SDLT. However should any seeding investor reduce its interest in the ACS below the value for which relief was obtained at any time during a three year period following completion of the initial property contribution into the ACS, then the ACS will be subject to a proportionate withdrawal of the seeding relief. In this event the seeding investor will be required to compensate the ACS for this cost.

LBTT will also be payable on the purchase by the ACS of any Scottish property.

Similarly, Welsh Land Transaction Tax (LTT) will be payable on the purchase by the ACS of any Welsh property.

Authorisation

The ACS was authorised by the Financial Conduct Authority on 3 February 2017.

ACS Manager 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.

Contact Us

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