



The Local Authorities' Property Fund

Fund Profile – 31 December 2010

An ideal choice for charity trustees with long-term funds seeking a combination of capital and income growth.

Prices at 31.12.10

Income units

Net asset value

233.22p

Gross dividend yield

5.45%*

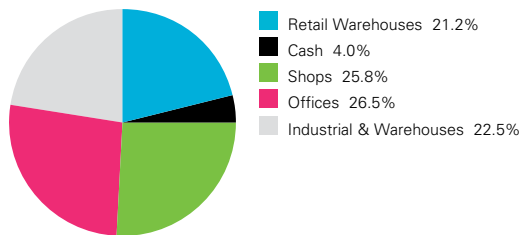
* Based upon the net asset value and historic annual dividend of 12.7127p, the gross income less management expenses.

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

The portfolio is actively managed and seeks to boost returns by lease and tenant management and property improvement.

The Fund has a broad sector spread to maximise the range of opportunities, diversification to keep risks under control.

Asset allocation by investment category 31 December 2010



Fund size £75 million

Property portfolio details

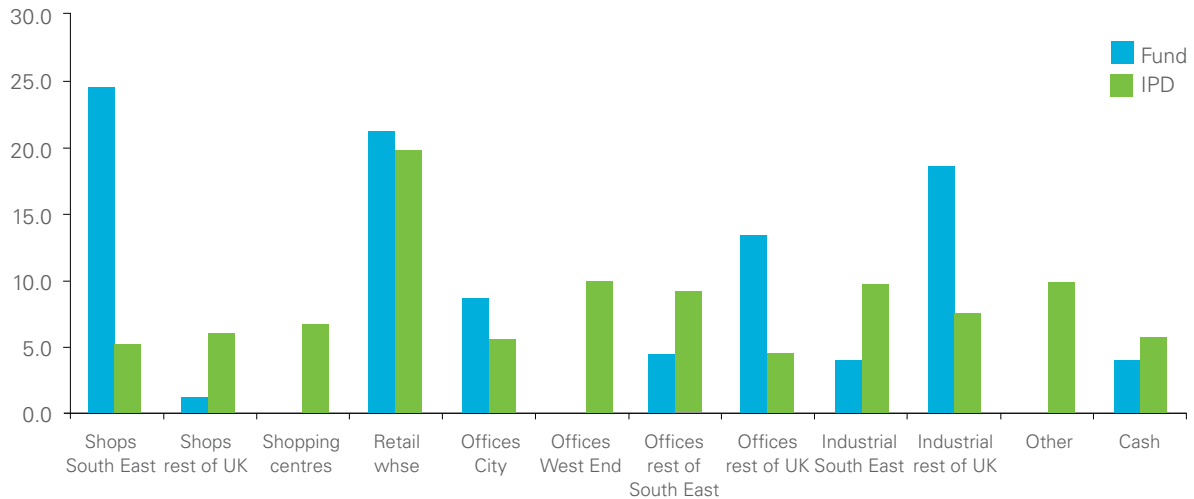
Top 5 properties = 53.6% of the portfolio

Top 5 tenants = 36.7% of rental income

Weighted unexpired lease term 5.4 years

Vacancy rate 11.0%

By region and category 31 December 2010



Fund Data as at 31 December 2010 and IPD Balanced Property Unit Trust data as at 31 December 2010.

Market update

The higher valuations achieved in the earlier months of 2010 were maintained through the year despite a sharp decline in trading activity levels. This reflected a natural pause after strong growth but also a weakening in sentiment in the face of mixed economic and property market news. Sector returns were strong however; IPD reported capital growth for all property of 9.8% and a total return including income of 17.6% for 2010. The best area was the South East, the best sector London Offices.

Fund activity

- No investments were bought or sold in the quarter to end December 2010.
- Two vacant units were let, an office in Threadneedle Street and a shop in Leicester.
- Rent increases have been achieved on an office in Glasgow and an industrial unit in Norwich.
- A floor in a Glasgow office property has become vacant after a lease expiry.
- Development options for the key site in Ashford are being appraised.

Strategy

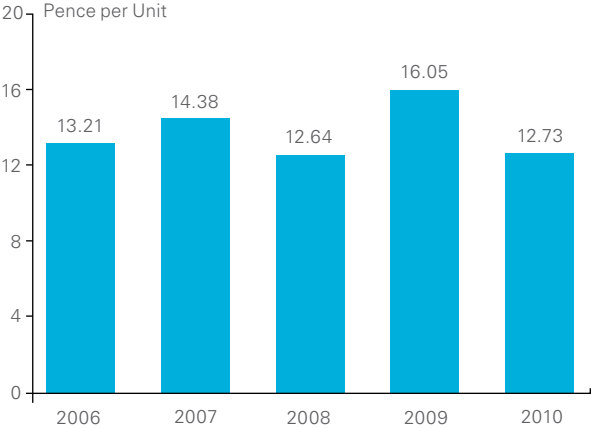
The Local Authorities' Property Fund was created to provide local authorities with an opportunity to invest in property on a collective basis and strategically the Fund seeks to provide a spread of investment risk by holding a well diversified portfolio of property assets. However, tactically, the portfolio is weighted to reflect the performance outlook for the UK property investment sectors, whilst the size of the Fund means it has the ability to be relatively dynamic with regards weightings. Investment transactions can rapidly re-model the Fund to reflect the outlook and this flexibility has benefited the Fund's performance record. Also influential is the investment policy that places much focus on the performance features of individual assets, in particular on the potential for active management to add value. Whilst this investment policy has also helped to shape past performance, the nature of the environment at the present time and the outlook suggests that this approach will see the Fund well placed to benefit further from the current recovery and in the future.

Outlook

Our view is that although some significant challenges remain, the scale of the downside risks for valuations should not be overstated. Trading volumes picked up again in the final quarter of 2010 and the weakness of pricing so far has been concentrated in secondary stocks with less secure income streams. Capital trends have remained slightly positive as investor support has continued for prime investments in general and Central London markets in particular, with competition remaining for a limited supply of attractive investment opportunities. At some point the differential between prime and secondary investments will make the latter segment attractive to investors able to accept a higher level of risk. In the medium term we expect investor returns to be dominated by income flows with the contribution from capital relatively flat.

The importance of income

Dividend history of The Local Authorities' Property Fund
Years to 31 March





Long term performance

Total return performance (net) 12 months to end of December

	2010	2009	2008	2007	2006
The Local Authorities' Property Fund	+17.4%	-0.6%	-29.6%	-2.3%	+19.7%
Benchmark*	+12.1%	-3.5%	-26.0%	-5.4%	+19.8%

*The benchmark is the IPD Balanced Property Unit Trust Index.

Source CCLA – Please note that past performance is no guarantee of future returns. Investments in long term funds can go down as well as up and you may not get back the original amount invested.

Costs and charges

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

Key facts

Bid/offer spread	4.9%
Dealing day	Month end valuation day*
Minimum initial investment	£250,000
Minimum subsequent investment	£10,000
Dividend payment dates	End January, April, July & October
Annual management charge	0.65% (deducted from income)
Unit types available	Income
Sedol number	0521664
ISIN number	GB0005216642

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

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The Fund is an unregulated collective investment scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

CCLA Investment Management Limited (registered in England no. 2183088 at the office above) is authorised and regulated by the Financial Services Authority and is the manager of The Local Authorities' Property Fund.

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