



# The Local Authorities' Property Fund

## Fund Profile – 30 September 2010

The Fund provides Local Authorities with access to the commercial property market by means of a well diversified portfolio of high quality, directly held properties.

### Prices at 30.09.10

Income units

### Net asset value

233.19 (xd)

Gross dividend yield

5.32%\*

\* Based upon the net asset value and historic annual dividend of 12.4040p, the gross income less management expenses.

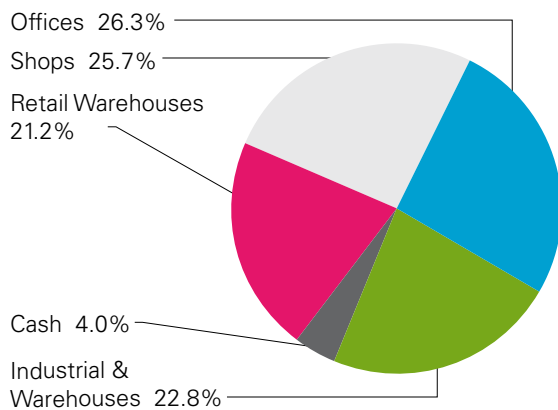
The Property Fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

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 30 September 2010



### Property portfolio details

Top 5 properties = 53.3% of the portfolio

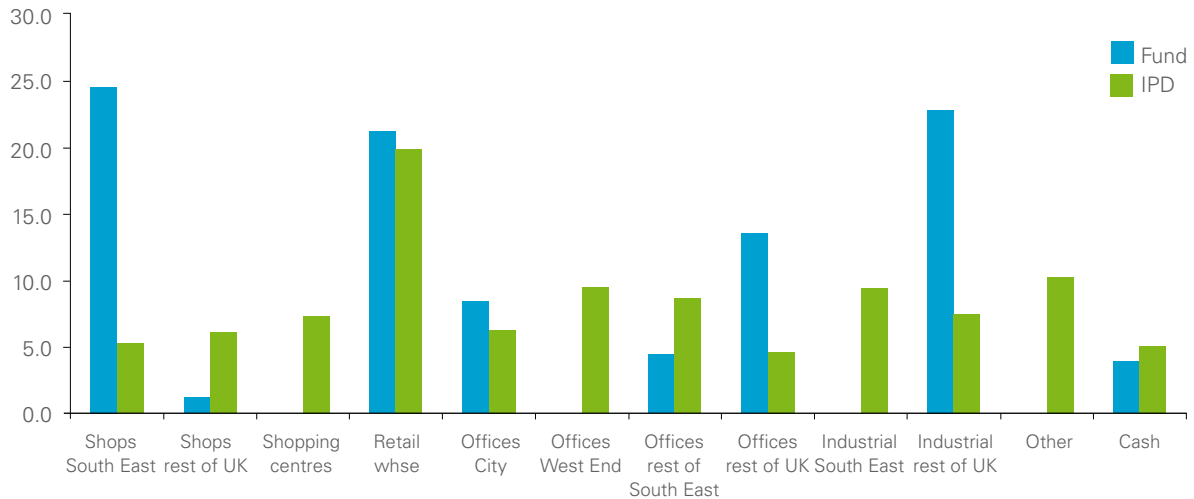
Top 5 tenants = 37.2% of rental income

Weighted unexpired lease term 5.7 years

Vacancy rate 9.9%

**Fund size £75 million**

## by region and category 30 September 2010



Fund Data and IPD Balanced Property Unit Trust data as at 30 September 2010

### Market update

The improvement in valuations which began in the later months of 2009 lost momentum as the summer began and has now stalled. Part of the reason for this is a sharp decline in transactional activity but there has also been an increase in concern over the likely impact of a challenging economic environment on the sector. Conditions in the occupier markets have continued to stabilise but from a weak base, void levels remain uncomfortably high. The brightest sector is Central London in terms of both demand and rental trends.

### Fund activity

One property has been sold, the small office holding in Austin Friars in the City of London. The proceeds of the transaction were £2.1 million.

We have completed the letting of the Fenchurch Street site, achieving a higher rent on this final phase of the project.

Refurbishment continues on the site at Ashford and the property is attracting a lot of interest from potential buyers. Our plans continue to be to let to a new occupier in the near future.

The void rate on the portfolio is 9.9% but this includes the Ashford property and so can reasonably be expected to decline significantly in the near future. Despite the rental improvements achieved and the continued downward drift in rents overall, the portfolio remains reversionary. This, and the reduction in the void rate, will support income growth in the future.

### Strategy

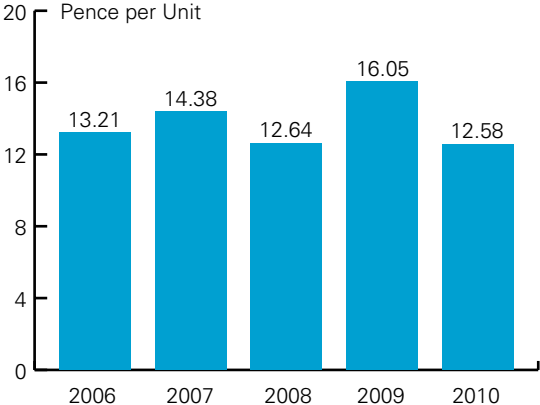
The Local Authorities' Property Fund was created to provide local authorities with an opportunity to invest in property on a collective basis and strategically the Fund seeks to provide a spread of investment risk by holding a well diversified portfolio of property assets. However, tactically, the portfolio 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

We think that the mood of caution which has descended on the sector is excessive, trading volumes are improving again, albeit slowly and there is a clear interest in sensibly priced opportunities. Real forward momentum however will require greater certainty in a number of areas and we do not expect to see this in the immediate future, we are hopeful though for 2011. In the meantime the attraction is the high and solid income the sector can provide.

### 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 September (%)

	2010	2009	2008	2007	2006
The Local Authorities' Property Fund	+29.8	-28.4	-19.4	+9.5	+21.7
Benchmark*	+18.9	-23.6	-20.9	+7.3	+22.5

\* 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 numbers	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.

D10/Nov10

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