

Fund Bulletin

31st December 2007

Market Outlook

Demand for UK property investments has fallen significantly and the outlook has weakened and become increasingly uncertain. Although valuers respond to changing market conditions relatively slowly, the pace of markdowns has accelerated and further reductions in capital valuations should be expected in the first half of 2008. Secondary property is most vulnerable but low yielding prime stock is also highly susceptible to reductions in valuations.

Some improvement could be seen in the second half of 2008 provided economic conditions remain benign and positive rental value growth is achieved. However, there is a possibility that positive total returns may not be seen again until 2009.

Performance

The attractive longer term performance record of the Fund relative to the benchmark has been maintained. The Fund returned -7.6% for the quarter, which compares favourably with market indices and the Fund's benchmark, the IPD Balanced PUT Index. The asset allocation policy continued to benefit performance whilst active management provided some support for asset valuations. This was sufficient to compensate for capital expenditure on projects.

The Fund performed well against benchmark at the NAV level after all expenses, as shown in the table below. The Fund is ungeared, although the short term borrowing facility is currently in use. Gearing, which is a feature of many funds in the sector, had a noticeable positive impact on the performance of the benchmark over the period of strong market returns but is now magnifying the impact of the downturn.



Paul Hannam
Head of Property

Performance

(after management expenses - NAV to NAV)

31 December 2007

| | 3 Months | 1 Year | 3 Years | 5 Years |
|---|-------------|-----------|------------|------------|
| | % | % | % | % |
| The Local Authorities' Property Fund | -7.6 | -2.3 | 11.0 | 12.8 |
| IPD Balanced PUT Index | -8.4 | -5.4 | 10.4 | 11.9 |

Source: IPD

The Local Authorities' Property Fund is a collective investment scheme investing in commercial and industrial property in the United Kingdom. It is an open-ended fund operating like a property unit trust.

The Local Authorities' Mutual Investment Trust (LAMIT) is the Trustee of the Local Authorities' Property Fund ('LAPF'), which is constituted under a Scheme approved by the provisions of the 1961 Trustee Investment Act. LAMIT is controlled by Members and Officers appointed by the Associations of Local Authorities in England, Wales, Scotland and Northern Ireland and by Trust members representing the Fund's Unitholders.

The LAPF is managed by CCLA Investment Management Ltd which is part-owned by LAMIT. The other owners are church and charitable organisations. This arrangement has been in place for some 40 years. The current Fund Manager is Paul Hannam, Head of Property at CCLA.

The Units of the Fund can only be issued to and owned by local authorities in the UK. The LAPF is primarily intended for Pension Fund monies but, subject to investment powers, can also be used for other types of long-term monies controlled by local authorities. Around 20 authorities currently invest the Fund.

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Risk Warning:

Please remember that the value of the Fund's units and the income from them can fall as well as rise and a local authority may not get back the amount originally invested. Past performance is no guarantee of future returns. The unit value will reflect fluctuations in property values. The units are intended only for long-term investment and are not suitable for money liable to be required to be spent in the near future. They are realisable only on each monthly valuation date and a period of notice, not exceeding six months, may be imposed for the redemption of units. Eligibility – The units of the Fund can only be issued to and owned by local authorities in England, Wales, Scotland and Northern Ireland. The Fund is primarily intended for local authority pension fund monies but, subject to investment powers, can also be used for other types of long-term monies controlled by local authorities. The Manager is required under the Money Laundering Regulations 2003 and FSA money laundering rules to satisfy themselves as to the identity of participants in the Fund. Issued by CCLA Investment Management Limited.

CCLA Investment Management Limited (registered in England No. 2183088 at the above office) is authorised and regulated by the Financial Services Authority (FSA) under the Financial Services and Markets Act 2000 (FSMA) and is the manager of The Local Authorities' Property Fund. The Trustee is The Local Authorities' Mutual Investment Trust (registered in England No. 700132 at the above office). Under the provisions of the FSMA, the Trustee of the Fund, is not considered to be operating the Fund by way of business. In consequence, it is not required to be regulated by the FSA and the members of LAMIT are not required to be authorised by the FSA for this purpose.



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