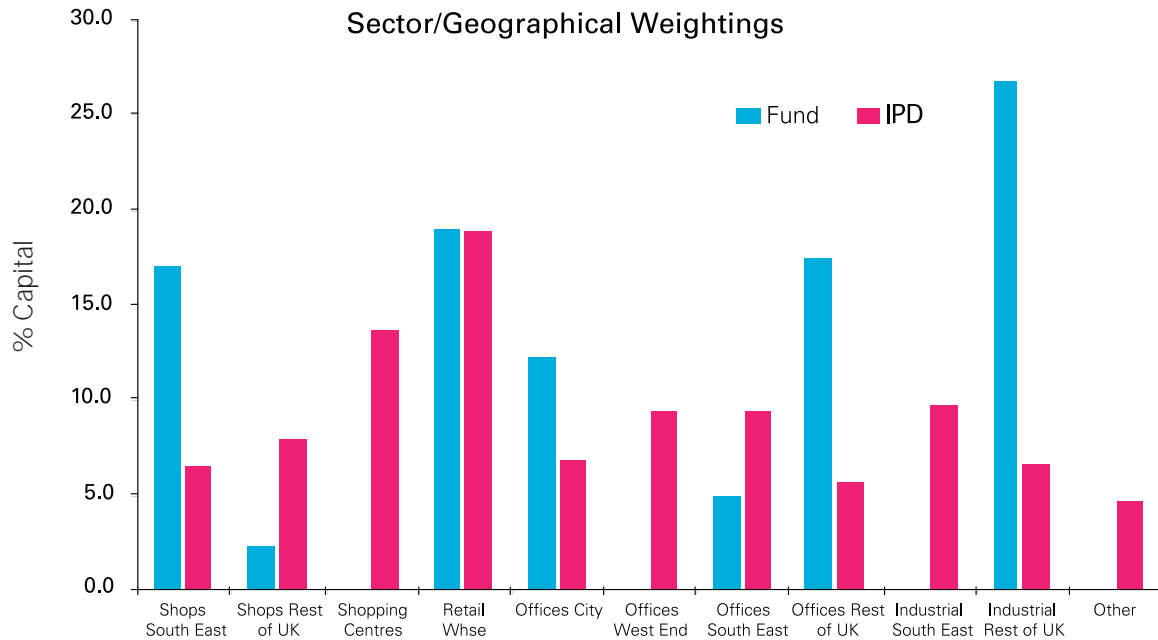
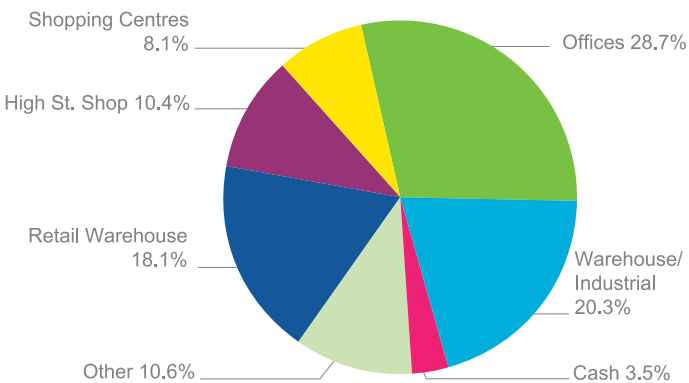


Not all of the news was positive however. Allied Carpets, a tenant on the Ashford Retail Park, went into administration and a retail store in Leicester and an office in Slough both lost tenants on lease expiry. Despite this the overall void rate has reduced to 8.1% compared to 11.2% in March.



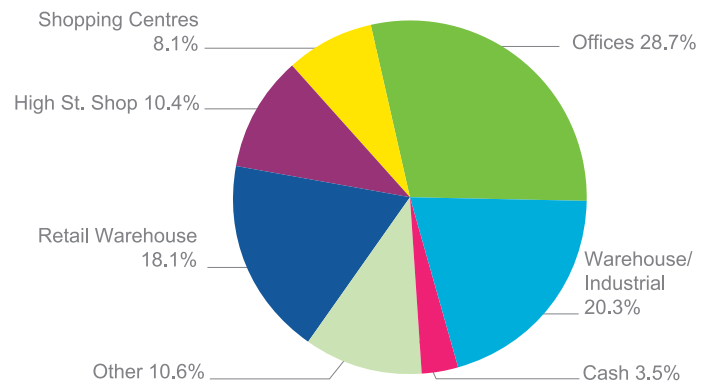
Sector Weightings

LAPF



30 September 2009

Balanced PUT Index



Strategy

Our approach will continue to target an attractive income flow to investors. There is a good weighting to our favoured sectors, retail and industrial, whilst recent disposals have given an increased level of flexibility to take advantage of the changing environment.

Consideration will be given to raising debt gearing to increase the exposure to rising markets and, because of the difference between cost of finance and available yields, this will also support income.

Outlook

We expect autumn data releases to validate current signals that the cycle is stabilising with prices in some areas turning upwards. Our current view is that prospects are most secure for prime assets but it may be that the momentum is such that secondary grades also benefit.

Although our overall position is optimistic, the sector is not risk free – over supply and rental weakness are powerful factors that will damage the prospects of individual properties and could affect the sector as a whole.



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The Local Authorities Property Fund

Fund Update 30th September 2009

The Fund is designed to provide long term growth in capital and income from an actively managed portfolio of commercial property investments.

Recent Performance

Over the six months to end September the Fund produced a positive total return to investors. Although the unit price declined by -3.4% to 190.25p the income payment for the period offset the negative capital result. The income distribution was 7.0738p per unit, the yield on the Fund is currently 8.1%

Performance (after management expenses – NAV to NAV)	30 September 2009				
	3 Months %	6 Months %	1 Year %	3 Years %	5 Years %
The Local Authorities' Property Fund	+ 3.4	+ 0.1	- 28.4	- 14.2	- 2.2
IPD Balanced PUT Index	+ 1.8	- 2.2	-23.6	- 13.4	-1.5

Source: The Manager/IPD

Market Background

In the early months of the period market conditions remained difficult with transaction volumes at low levels. Potential vendors found valuations too low to be attractive whilst buyers, observing an apparently downward trend in prices and concerned by both the general economic conditions and falling rental values, simply held back.

Over the summer sentiment towards the sector began to improve as a number of factors improved. Economic news suggested more stable conditions and prompted hopes of recovery. Other asset classes, and in particular equities, moved higher whilst stronger data from within the sector itself suggested that the picture was not as bleak as had been feared. The result was an increased level of buy side enquiry, and with sellers still reluctant to trade, confidence grew that prices were stabilising.

Activity

Two assets have been sold over the period. The mixed retail and office investment in Jermyn Street was disposed of on a yield of 6.5%, the proceeds raised amounted to £7.5 million. A bulky goods retail warehouse in Sunderland was also sold, raising a further £4.1 million. The property was sold on a high current yield but was over rented and part vacant in an area suffering from occupational weakness.

Management activity over the period has been successful at protecting income and controlling vacancies.

Three of the floors of the refurbished office accommodation in Fenchurch Street were let and a long term void on a trading estate in Norwich also found a tenant. The office building in Austin Friars has been let and is fully income producing. The lease is linked to a sale agreement on the property which will ultimately lead to disposal on a delayed completion date. Other activity has improved lease terms and rental flows.