



The Local Authorities' Property Fund

Scheme Information



Scheme Information

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Effective from April 2011

This Scheme Information summarises the terms on which the Fund operates. For full information as to the terms on which the units of the Fund are issued, reference should be made to the Fund's Trust Deeds. Copies are available on request from the Manager.

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The Fund

The Local Authorities' Property Fund (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.

Trustee

The Local Authorities' Mutual Investment Trust (the Trustee) is the Trustee of the Fund. It is a company incorporated under the Companies Act 1948, limited by guarantee and not having a share capital. Under the provisions of the Financial Services and Markets Act 2000 (FSMA), LAMIT, as 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. The Trustee is controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officer' Superannuation Committee and by the Trustee to represent unitholders.

Manager

CCLA Investment Management Limited (the Manager), registered in England as a company No. 2183088, authorised and regulated by the Financial Services Authority (FSA), manages the Fund's

properties and provides administrative and registrar services for the Fund and company secretarial services to the Trustee under Agreements dated 1 October 1998.

Investment Objectives of the Fund

• Investment Objectives

The Fund is invested in commercial and industrial properties in the United Kingdom. It aims to provide, over the long term, a satisfactory total capital and income return on the units of the Fund.

• Investment Powers

The Fund's powers of investment are not restricted either to particular types of property, or subject to the consent of H M Treasury, to specific parts of the world, but it is the present policy to confine investment to freehold and leasehold commercial and industrial property in the United Kingdom.

The Fund is permitted to finance developments of, or improvements to, both freehold and leasehold property or purchase a right or interest in, or over, freehold or leasehold land, or borrow for the purpose of gearing against the property assets of the Fund; provided that the aggregate borrowing does not exceed 25% of the value of the property of the Fund on any quarterly valuation date. With the prior written approval of the Council, the Manger may borrow for any purpose set out above up to the limit of 50% of the net asset value of the Fund.

- **Investment Restrictions**

The Fund will maintain a suitable spread between different types of property and geographical location. Importance will be attached to location, standard of construction and quality of covenant with lease terms preferably embodying upwards only rent reviews at intervals of not more than five years.

- **Performance Benchmark**

The performance benchmark for the Fund is the Balanced Property Unit Trust Index compiled and calculated by Investment Property Databank (IPD) and published by HSBC and the Association of Real Estate Funds (AREF), calculated on a net asset value basis; or such other performance benchmark as the Manager may agree.

Administration

The Manager provides the Trustee with all administrative and registrar services necessary for the management of the Fund. These include the valuation of the Fund's assets in conjunction with an appointed External Property Valuer, the issue and redemption of units in the Fund, the operation of the Fund's unit Register, the payment of dividends and the maintenance of the accounts of the Fund. The Fund operates on a financial year to 31 March.

Eligible Contributors

The units of the Fund can only be issued 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 Trustee under the Scheme and the Manager under the Money Laundering Regulations are required to satisfy themselves as to the identity of participants in the Fund.

Unit of the Fund

The Fund issues units which pay dividends quarterly.

Valuations

The Fund is valued monthly, at the end of each calendar month, for the issue and redemption of units (the Valuation Date). Properties held by the Fund are valued at open market value. The assets of the Fund valued also include capital cash.

To calculate the issue and redemption price (offer and bid prices) of the units the net capital asset value of the Fund shall be divided by the number of units in issue. The Trustee may increase the issue price by such a surcharge and reduce the redemption price by such a deduction as in either case it may think fit with a view to protecting the holders of subsisting units from being adversely affected in respect of the values of the units by the effects of contributions and/or withdrawals. The Trustee may vary the amount of the surcharge or deduction at any time.

The valuation of the Fund's properties is made by an External Property Valuer at each quarter-end and by the Manager, in consultation when necessary with External Property Valuers, on other monthly valuation dates. Additions to the portfolio are valued externally after acquisition.

Issue and Redemption of Units

Instructions for the issue or redemption of units must be made in writing to the Manager at 80 Cheapside, London, EC2V 6DZ.

Purchases or sales of the Fund's Units can be made on any month end Valuation Date, subject to a period of notice or delay (or successive periods of notice or delay) of such period (or periods) as the Trustee or Manager may impose to permit properties to be sold to meet withdrawals or to protect the interest of Unitholders in the Fund.

In the event of the suspension of redemption requests in full or part (i) those applications for the redemption of Units first made in respect of an earlier month end Valuation Date will be dealt with in priority to those first made in respect of a later month end Valuation Date (ii) without prejudice to (i) all applications for the redemption of Units made in respect of particular month end Valuation Date shall be treated *pari passu*, irrespective of the time such applications for the redemption of Units were actually received in respect of that month end Valuation Date and (iii) the Manager can accept in part an application for the redemption of Units and, in the event that it does so, such application for redemption of Units (and any other applications for redemption of Units which are to be treated *pari passu* with it) shall be redeemed in part *pro rata*.

Application monies paid by cheque should be drawn on an EEA (European Economic Area) banking institution and

made payable to The Local Authorities' Property Fund. They must be received by the Manager not later than 5.00pm on the business day prior to the Valuation Date. Application monies so received will not earn interest and will be paid into a Fund bank account. Cheques made payable to CCLA Investment Management Limited will be returned.

Contract notes will normally be despatched by close of business on the next business day after the issue of the units. The contract note will show *inter alia*, the number of units and the issue or redemption price. Units will be issued to the nearest round number.

Redemption instructions must be received by 5.00pm on the business day preceding a Valuation Date and may be subject to a period of notice. Cheques in respect of redemption of units are issued within four business days after the Valuation Date on which the units are redeemed.

If a delay is imposed, proceeds of units redeemed (or the cost of units issued) will be calculated on the Valuation Date when the units can be redeemed (or issued) by the Fund and not on the Valuation Date when notice is received.

Secondary Market Units

From time to time the Manager may become aware of opportunities for unitholders to trade units other than via the Manager (the Secondary Market). In which case and at its discretion the Manager may, but is not obliged to, inform other unitholders and or other local authorities.

This can enable investors to transfer holdings on terms set between themselves, with the transfer or instructing the Manager as Registrar to amend its records accordingly.

Local Authorities should note that the Manager does not make a market and, therefore, may not be aware of every opportunity that exists to trade on the secondary market.

Minimum Investment

The minimum sum that can be invested initially is £250,000. Thereafter additions to unitholdings can be made of £10,000 or above.

Exchanging Existing Property

The Fund may consider accepting existing properties in exchange for units of the Fund. However, the Trustee may do so but only if it is judged to be in the best interest of existing unitholders of the Fund and on the basis of an independent professional valuation. If accepted, the exchange would be made at the open market value of the property at the net asset value of the units issued. The Trustee has absolute discretion as to which properties it will accept.

Registration of Units

Units are registered in the name of the local authority or in recognised bank nominee names under a designated account. No certificates are issued and the Register of the unitholdings is the definitive evidence of title. The units have no par value and entitle the holder to a proportionate interest in the Fund. Units cannot be assigned or transferred except from one local authority to another

subject to the payment of Stamp Duty Reserve Tax payable by the Trustee and recharged to the purchaser. The number of units held will be certified on written request for audit or other purposes.

Publication of Prices

The Fund's unit Price is published in the Financial Times.

Management Charges

- **Annual Management Charge**

The Manager makes an annual charge on the assets of the Fund at a fixed rate of 0.65% per annum (plus VAT if applicable and if any). The Annual Management Charge is based on the valuation of the Fund on the last day of the preceding month. The charge accrues daily and is deducted from the income of the Fund on the last business day of each month. The Manager makes no charge in respect of transactions carried out by the Fund.

- **Preliminary Charge**

The Manager makes no Preliminary Charge on the issue of units.

Costs and Expenses

The following expenses incurred for the Fund shall be paid either directly by the Fund or by the Trustees and recharged to the Fund:

- a) legal and other costs associated with obtaining and maintaining any authorisation or registration of the Fund
- b) any governmental duties payable in respect of the issue of the Fund's units
- c) cost of property transactions including, but not limited to, stamp duty, agents and survey fees

- d) External Property Valuer's fees
- e) legal Fees
- f) professional and agency fees
- g) audit fees
- h) bank charges
- i) any rates, taxes, insurance premiums, costs of security, maintenance and repairs and other costs and service charges related to specific properties which cannot be recovered
- j) the fee of any External Property Adviser to the Trustee
- k) cost of liability insurance for the Trustee
- l) costs incurred in respect of unitholder meetings or in modifying the constitution of the Fund
- m) such other fees or expenses as may from time to time be agreed with the Trustee

Taxation

The Trustee is not subject to capital gains tax but is subject to income tax at the basic rate. For each dividend payment, vouchers confirming the deduction of income tax are supplied for use by unitholders, as appropriate.

This is our understanding of the tax position as of the date of these Scheme Particulars. The tax position may change in the future. Investors should obtain their own tax advice in respect of their own position.

Dividends

Dividends are paid quarterly to a nominated bank account in respect of the three months to the end of June, September, December and March. They are paid one month after each quarter end. Income is calculated as income

receivable by the Fund whether already received or not, less any costs and expenses accrued to date. Income is allocated to unitholders monthly but is not included in the unit price.

Treating Customers Fairly

CCLA is committed to Treating Customers Fairly (TCF). CCLA has reviewed this Scheme Information in the context of TCF and believes it is in accordance with its commitment.

Authority to Open and Operate an Account

The Manager is entitled to assume that the person(s) signing an Application Form to purchase the Fund's units in a local authority's name are duly authorised. In the case of sales, money is only remitted to the local authority or its bank but not to third parties. Where instructions are received in respect of units held in a nominee name, the written confirmation from the local authority may be required by the Manager.

Acceptance of Terms and Conditions

By completing the Application Form, the unitholder acknowledges and accepts the terms and conditions of the unitholding and agrees to be bound by the provisions of this Brochure and of the Trust Deeds of the Fund.

Amendments

The Trustee and the Manager reserve the right to amend these terms and conditions at any time. Unitholders will be notified of any amendment material to them.

Regular Statements

Statements of unitholdings, Management Expenses and Dividends paid are provided as at 30 September and 31 March.

CCLA reserve the right to charge reasonable expenses in relation to printing and postage of any additional documentation required by the client.

Custody of Assets

The Trustee has appointed both The Royal Bank of Scotland plc, Securities Department, and Lovells to hold in safe custody the deeds, leases and other documents relating to the properties owned by the Fund. The Royal Bank of Scotland plc has also been appointed by the Trustee to hold cash balances of the Fund. The Trustee may review these arrangements from time to time.

Report and Accounts

Report and Accounts of the Fund are prepared at 30 September and 31 March, being the half year and year ends respectively. All Accounts are audited. Copies of the Half Year and Annual Report and Accounts are sent to all unitholders.

Regulatory Position

The Fund is constituted by a Scheme and Trust Deeds under the Trustee Investments Act 1961 and is an unregulated collective investment scheme. 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. Under the provisions of the Financial Services and Markets Act 2000 (FSMA), LAMIT as 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. The Manager is regulated by the FSA and this covers any investment advice given by the Manager about the Fund's units to a local authority. The management of the properties of the Fund is outside the scope of the FSMA.

Compensation

Investments in The Local Authorities' Property Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Funds.

As the Fund is not an Authorised Unit Trust within the meaning of the FSMA 2000, investments in the Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

Further information is available from the Manager on request or via www.fscs.org.uk or at their address below:

Financial Services
Compensation Scheme,
7th Floor,
Lloyds Chambers,
Portsoken Street,
London,
E1 8BN.

Risk Warning

The value of the Property Fund 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 Fund's shares and the income from them can fall as well as rise and an investor may not get back the amount originally invested.

Property and property related assets are inherently difficult to value because of the individual nature of each property. As a result, valuations are open to substantial subjectivity. There is no assurance that the valuations of the properties will reflect the sale price achieved even where such sale occurs shortly after a Valuation Point.

The performance of the Fund could adversely be affected by a downturn in the property market in terms of capital value or a weakening of rental yields. The income received by the Fund is dependent to a large extent upon the occupancy levels of any property owned by the Fund and the rents paid by these tenants. Rental revenues and property values are affected by changes in the general economic climate and local conditions. Property values are dependent in particular on current rental values, prospective rental growth, lease lengths, tenant creditworthiness and the valuation yield (which is itself related to interest rates, the market appetite for property investments in general and with reference to the specific property in question) together with the nature,

location and physical condition of the property concerned.

The units are intended only for long-term investment and are not suitable for money to be spent in the near future. They are realisable only on each monthly Valuation Date and a period of notice may be imposed for the redemption of units.

Complaints

Complaints concerning the operation or marketing of the Fund should be referred in writing to the Compliance Officer of the Manager, or to the Trustee: The Compliance Officer, CCLA Investment Management Limited, 80 Cheapside, London, EC2V 6DZ or to: The Secretary, Local Authorities' Mutual Investment Trust, 80 Cheapside, London, EC2V 6DZ.

Material Interests and Conflicts

The Manager operates a client relationship management service and the Fund's trustee, The Local Authorities' Mutual Investment Trust, owns 15% of the share capital of CCLA Investment Management Limited. The Manager operates a Conflicts of Interest Policy to ensure fair treatment of its clients. A brief summary is provided in Appendix 1 of this document.

Trustee Meetings

The Trustee and the Manager meet at least half yearly and the Trustee receives quarterly written reports from the Manager. The Trustee's Property Subcommittee meet each quarter with the Manager.

Winding Up

The Trustee has the power to wind up the Fund in accordance with the Trust Deed.

Applicable Law

Any agreement to invest in the Fund is governed by English law and subject to all applicable laws, regulations and rules. In the event of a conflict between such agreement and any such laws, regulations and rules, the latter shall prevail.

Data Protection

The Manager is the data controller and in accordance with data protection legislation will hold relevant personal details which have been supplied to the Manager for the purposes of fulfilling its obligations to unitholders. Data will be stored by the Manager, either on computer or hard copy, in order to fulfil the services described. This will be treated as confidential. Any personal data will be maintained in accordance with the provisions of the Data Protection Act 1998. The Manager may pass your data to others in order to fulfil the service obligations described.

The Manager may use the information to contact you from time to time by post, fax, e-mail or telephone to bring your attention to additional products or services which may be of interest to you. You may ask us to stop doing this by contacting us at any time.

The Manager will keep records of all business transactions for at least five years. You have a right to inspect copies of contract notes and entries in The Manager's books or computerised

records relating to your transactions. The Manager will treat all unitholders' records as confidential and so reserve the right to provide copies of your particular record, rather than allow access to files which may contain information about other clients.

Scheme Information

Any person relying on the information contained in the document which was current at the date shown, should check with the Manager that the document is the most current version and that no revisions or corrections have been made to the information contained herein. Copies of this document are available free of charge.

Appendix 1

The Manager

The Manager, CCLA Investment Management Limited, is a limited liability company registered in England and Wales with its Registered Office at 80 Cheapside, London EC2V 6DZ. Incorporated on 26 October 1987.

The directors of CCLA are:

J. Dawnay (Chairman)*

J. Bevan

S. Curran

R. Fitzalan Howard*

C. Peters

M. Quicke

A. Robinson

T. Salmon*

J. Tattersall*

R. Williams*

(* indicates a Non-Executive Director)

CCLA Customer Telephone Helpline Number is 0800 022 3505. Please note telephone calls may be recorded.

Registrar

The Registrar of the Fund is CCLA Investment Management Limited. The Register of unitholders may be inspected at the Registered Office of CCLA Investment Management Limited.

Regulator

CCLA Investment Management Limited is authorised and regulated by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

Conflicts of Interest Policy

CCLA operates a Conflicts of Interest Policy to ensure that our clients are

fairly treated. Our policy seeks to avoid circumstances which we consider may give rise to potential conflicts of interest and materially disadvantage our clients. It describes the controls and arrangements for preventing CCLA and its staff from:

- favouring one client above another;
- market abuse and disclosing confidential information;
- giving or receiving gifts and entertainment, monetary or otherwise, that would be in breach of our Conflicts of Interest Policy;
- favouring one of CCLA's owners, The CBF Church of England Investment Fund (60%), COIF Charities Investment Fund (25%) and the Local Authorities' Mutual Investment Trust (15%) at the disadvantage of its clients;
- not disclosing CCLA's close association with The CBF Church of England Funds, COIF Charity Funds and the Local Authorities' Property Fund or its ownership (above); and
- not disclosing any remaining conflicts of interest to our clients before we advise or transact on their behalf.

Full details of CCLA's Conflicts of Interest Policy are available on request.

This document, issued by CCLA Investment Management Limited, is effective from April 2011.

CCLA

CCLA INVESTMENT MANAGEMENT LTD

80 Cheapside

London EC2V 6DZ

Client Service:

Freephone: 0800 022 3505

Fax: 0844 561 5126

CCLA Investment Management Limited (registered in England No. 2183088 at the above office) is authorised and regulated by the Financial Services Authority.

www.ccla.co.uk

Printed on 100% post consumer waste and is certified by the Forest Stewardship Council (FSC).