

The Local Authorities' Property Fund Fund Profile – 31 December 2009

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.

Price at 31.12.09	Net Asset Value
Income Units	210.37p (xd)
Gross Dividend Yield	6.85% *

* Based upon the net asset value and historic annual dividend of 14.4137p, the gross income less management expenses.

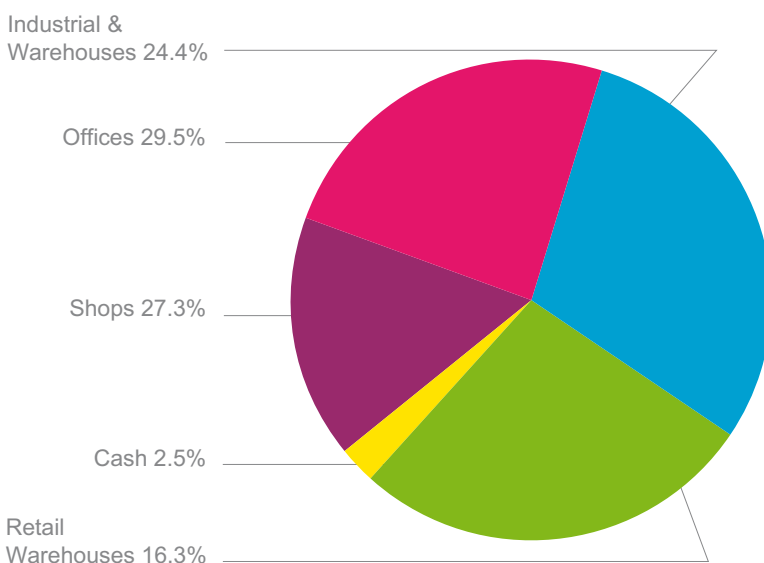
The Property Fund is designed to achieve long term capital growth and a rising income from investments in the commercial property sector.

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 and keep risks under control.

Asset Allocation

by Investment Category
31 December 2009



Fund Size £68 million

Property Portfolio Details

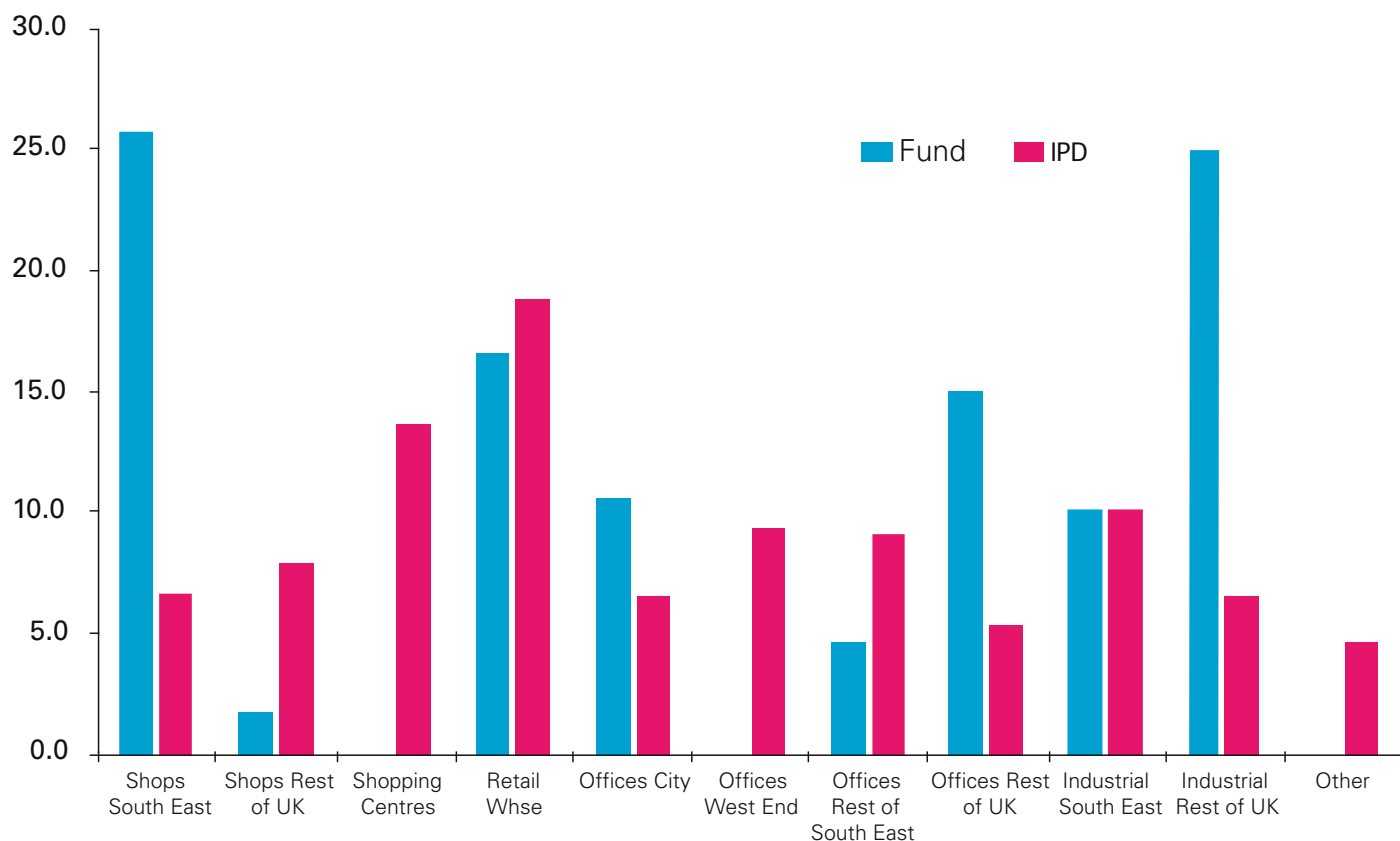
Top 5 properties = 48.2%
of the portfolio

Top 5 tenants = 36.3%
of rental income

Weighted unexpired lease term
6.0 years

Vacancy rate 7.5%

by Region & Category 31 December 2009



Fund Data as at 31 December 2009 and IPD Quarterly & Monthly Valued Funds as at 31 December 2009

Market Update

The final quarter of 2009 proved to be the turning point in the market as property investors responded to the improvement in economic conditions and easier – but still not easy – availability of finance. The increased volume of transactions boosted confidence in the validity of valuations and was a major factor in creating a steady flow of buying interest from investors keen to lock-in to the high yields available and the recovery potential of the sector. With a growing pool of purchasers, prices moved steadily higher. Retail property and investments with strong income characteristics benefited most from the recovery. Demand for retail warehouse investments has been particularly strong, and the industrial sector has also fared well. In contrast, office property, reflecting concerns for future rental growth, and assets with less secure income streams, have lagged.

Fund Activity

During the quarter the Fund completed its first acquisition for over two years. This retail property consists of two prime units in Reading, a strong regional shopping centre. The price paid was £7.5m, providing a net yield of 5.5%. We can also report letting activity in the City of London, at Threadneedle Street, where one of the two vacant office floors has been let. In addition, the vacant shop in Leicester has been let on a temporary basis, removing the rates liability and producing a small income while a longer term tenant is found. The void rate in the portfolio has reduced to 7.5%, compared with the average rate of 12.1% recorded by IPD.

Strategy

We believe the Fund is well placed to benefit from further recovery in direct property. The Fund holds good weightings in the retail and industrial sectors, strengthened by the recent acquisition. In addition, cash holdings are low and increased use is being made of the loan facility. A fully invested Fund is a key target at this time.

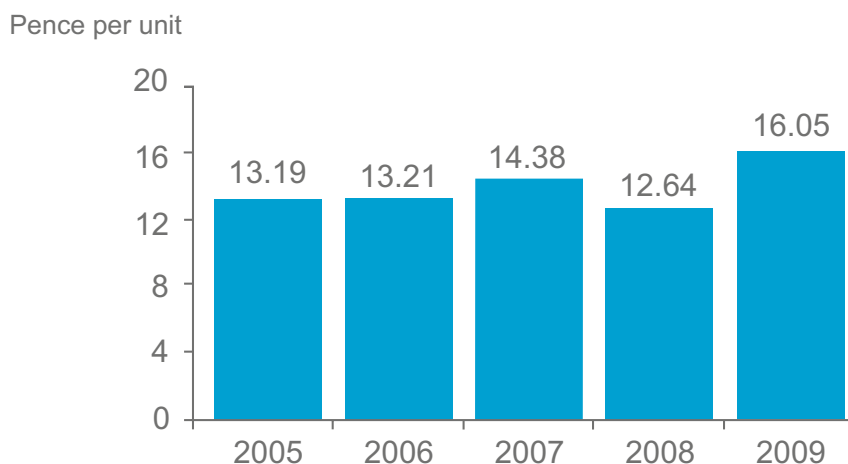
A relatively wide yield premium still exists between prime and secondary assets and this creates an opportunity for active management to add value. That said, the economic and market environment argues for a prudent approach, with an asset level focus over and above market sector allocation strategies. The threat of vacancy, the disappearance of reversions and the re-emergence of rents significantly in excess of current market levels, all pose significant risks to income. Overall however we believe that there is potential for further increases in capital values and income distributions.

Outlook

We are optimistic on the outlook for the sector but recognise that there are serious challenges ahead. Although prices have risen, yields are still attractive, particularly relative to those available on other asset classes. In addition, falling rents have shown signs of stabilising, albeit mostly in prime areas. However, although transaction volumes have improved they remain low and activity is concentrated still in the best quality assets; interest needs to become more broadly based if momentum is to continue. And of course the economic and financial environment remains challenging. Notwithstanding this uncertain outlook, the current attraction of property investment should be recognised, and although the performance generated in Q4 2009 was significant, in the context of the scale of the downturn since 2007, this recovery, potentially has much further to run.

The Importance of Income

Dividend History of The Local Authorities' Property Fund



Long Term Performance

Total Return Performance (net) 12 months to end of December (%)

	2009	2008	2007	2006	2005
The Local Authorities' Property Fund	-0.6	-29.6	-2.3	+19.7	+17.0
Benchmark*	-3.5	-26.0	-5.4	+19.8	+18.9

* 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.

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 below) is authorised and regulated by the Financial Services Authority and is the manager of the Local Authorities Property Fund.

