

The Local Authorities' Property Fund

Scheme Information

Effective from 4 May 2021

Issued by CCLA Fund Managers (the “Manager”)

This document constitutes Scheme Information for the Local Authorities’ Property Fund (the “**Fund**”), established by a Scheme approved by HM Treasury under section 11 of the Trustee Investments Act 1961, together with the trust deed dated 6 April 1972 establishing the Fund, as amended by supplemental trust deeds dated 6 April 1972, 13 September 1978, 21 April 2016 and 23 September 2019 (the “**Scheme**”).

Should the provisions of the Scheme and the Scheme Information be in conflict, the provisions of the Scheme shall prevail.

Any person relying on the information contained in this document, which was current at the date shown above, 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. The latest version of this document is available on www.ccla.co.uk.

While the Manager has taken all reasonable care to ensure that the facts stated in this Scheme Information are true, clear and not misleading, Unitholders and/or potential Unitholders should not treat this Scheme Information as advice relating to their own legal, tax or investment position. If a Unitholder or potential Unitholder is in any doubt as to the meaning of any information contained in this Scheme Information, they should consult their independent financial or other professional adviser.

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1. Definitions

1.1 Definitions

Administrator means CCLA Investment Management Limited, or such successor entity appointed administrator by the Manager from time to time.

AIFM refers to the alternative investment fund manager and has the same meaning as listed in the glossary to the FCA Regulations.

AIFMD Legislation refers to the Alternative Investment Fund Managers Regulations 2013, the Alternative Investment Fund Managers Directive 2011/61/EU and the Commission Delegated Regulation (EU) 231/2013 as applied in England and Wales from time to time including as retained, amended, extended, re-enacted or otherwise given effect on or after 11pm on 31 January 2020.

Annual Management Charge means the periodic charge applied to the Fund by the Manager in payment for carrying out its duties and responsibilities.

Application Form means the application form for Units available from the Manager's website.

Auditor means PricewaterhouseCoopers LLP, or such successor entity appointed as auditor by the Trustee from time to time.

Base Currency means pounds sterling, the currency of the Fund and in which the Report and Accounts of the Fund are prepared.

Bid price(s) means the price at which Units may be sold by investors.

Business Day means any day on which the London Stock Exchange is normally open for business, being a day other than a Saturday, Sunday, public or bank holiday in England.

Collective Investment Scheme(s) means a collective investment scheme as defined by section 235(1) of the FSMA 2000.

Council means the members of the Trustee that direct the activities of the Trustee.

Data Protection Legislation means the UK General Data Protection Regulation and the Data Protection Act 2018 or any successor legislations thereto, and any associated codes, regulation or guidance (as may be amended or replaced from time to time) and any related regulations and guidance and all other laws concerning the processing of data relating to living persons.

Dealing Day(s) means the day on which the Manager issues and/or redeems Units as set out in this Scheme Information.

Depository means HSBC Bank plc, or such other entity as may be appointed to act as depository by the Trustee and the Manager from time to time.

Depository Services Agreement means the agreement dated 22 July 2014 entered into by the Depository, the Trustee and the Manager appointing the Depository (as amended, supplemented or replaced from time to time).

Eligible Contributor(s) means a Local Authority (or nominee company acting on its behalf) which is and continues to be eligible to hold Units.

Exemption Order means Part IV of the Schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

External Property Valuer means such independent valuer or valuers as the Manager shall select from time to time.

FATCA means the Foreign Account Tax Compliance Act provisions of the United States Hiring Incentives to Restore Employment Act.

FCA means the Financial Conduct Authority of 12 Endeavour Square, London E20 1JN or such regulatory authority which may replace or succeed it from time to time.

FCA Regulations means the Handbook of Rules and Guidance issued by the FCA, as amended or replaced from time to time.

FSMA 2000 means the Financial Services and Markets Act 2000.

Fund means the Local Authorities' Property Fund.

Fund Property means the investments, assets and property of the Fund.

Group has the same meaning as listed in the glossary to the FCA Regulations.

HMRC means Her Majesty's Revenue & Customs.

Income Unit(s) means those Units which pay distributions to Unitholders.

Investment Management Agreement means the agreement dated 22 July 2014 between the Manager and the Investment Manager delegating the portfolio management and administration of the Fund Property to the Investment Manager and the Administrator (as amended, supplemented or replaced from time to time).

Investment Manager means CCLA Investment Management Limited.

Local Authority means a local authority, as defined in chapter 3 of the Local Government Act 2003.

Manager means CCLA Fund Managers Limited or such successor body corporate appointed as manager pursuant to the Scheme.

Money Laundering Regulations means The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as may be amended, updated or replaced from time to time.

Net Asset Value or **NAV** means the value of the Fund Property less all the liabilities of the Fund determined in accordance with the Scheme.

OEIC Regulations means the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228).

Offer price(s) means the price at which Units may be bought by investors.

Register means the register of Unitholders maintained by the Registrar on behalf of the Trustee.

Registrar means a corporate body appointed by the Trustee as registrar from time to time for the purpose of maintaining the Register.

Report and Accounts means the annual (audited) and interim (unaudited) report and financial statements for the Fund prepared by the Manager to the periods ending 31 March and 30 September respectively.

Scheme means the scheme approved by HM Treasury under Section 11 of the Trustee Investments Act 1961, together with the trust deed dated 6 April 1972 establishing the Fund, as amended by supplemental trust deeds dated 6 April 1972, 13 September 1978, 21 April 2016 and 23 September 2019.

Scheme Information means this Scheme Information of the Fund as amended or replaced from time to time.

Trustee means the Local Authorities' Mutual Investment Trust.

UK AIF(s) refers to an alternative investment fund in the United Kingdom and has the same meaning as listed in the glossary to the FCA Regulations.

Unitholder(s) means an Eligible Contributor who is registered as a holder of Units.

Unit(s) means Income Units in the Fund.

Valuation Date means the end of each calendar month.

References to any statutory provision or Regulatory Rule in this Scheme Information shall include any statutory provision or Regulatory Rule which amends or replaces it and any subordinate legislation made under it.

2. The Structure of the Fund

2.1 The Fund

The Fund is an open-ended, unregulated Collective Investment Scheme established under the Scheme. The Fund is a UK AIF and is managed by the Manager as an AIFM in accordance with the FCA Regulations and the AIFMD Legislation.

2.2 The Trustee

The Local Authorities' Mutual Investment Trust is the trustee of the Fund pursuant to the Scheme. The Trustee is a private company incorporated under the Companies Act 1948, limited by guarantee without share capital. The Trustee is managed through a Council, the current members of which are detailed in Appendix 1.

The Exemption Order provides that the Trustee is exempt from the general prohibition imposed by section 19 of FSMA 2000 in respect of operating a Collective Investment Scheme. In consequence, the Trustee and its members are not required to be authorised by the FCA.

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 Officers' Superannuation Committee and by the Trustee to represent Unitholders.

The Trustee is responsible for, among other things, the custody and control of the Fund Property.

The Trustee and the Manager meet at least half yearly and the Trustee receives quarterly written reports from the Manager. The Trustee's property sub-committee meets each quarter with the Manager and Investment Manager.

2.3 The Depositary

Pursuant to the Depositary Services Agreement and for the purposes of and in compliance with the AIFMD Legislation and the relevant FCA Regulations, the Depositary has been appointed as depositary to the Fund.

The Depositary is a public limited company incorporated in England and Wales with company registration number 00014259. HSBC Bank plc is a wholly owned subsidiary of HSBC Holdings plc. The Depositary's registered and head office is located at 8 Canada Square, London E14 5HQ and the principal business activity of the Depositary is the provision of financial services, including trustee and depositary services. HSBC Bank plc is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

The Depositary provides services to the Fund as set out in the Depositary Services Agreement and, in doing so, shall comply with the AIFMD Legislation, the OEIC Regulations and the relevant FCA Regulations.

The Depositary's duties include the following: -

- Ensuring that the Fund's cash flows are properly monitored and that all payments made by or on behalf of applicants upon the subscription to Units have been received.
- Safekeeping the assets of the Fund, which includes (i) holding in custody all financial instruments that can be physically delivered to the Depositary; and (ii) verifying the ownership of other assets and maintaining records accordingly.
- Ensuring that issues, redemptions and cancellations of Units are carried out in accordance with applicable law and the relevant FCA Regulations.
- Ensuring that the value of Units is calculated in accordance with applicable law and the relevant FCA Regulations.
- Carrying out the instructions of the Manager, unless they conflict with applicable law and the relevant FCA Regulations.
- Ensuring that in transactions involving the Fund's assets, any consideration is remitted to the Fund within the usual time limits.
- Ensuring that the Fund's income is applied in accordance with applicable law and the relevant FCA Regulations.

The appointment of the Depositary under the Depositary Services Agreement may be terminated without cause by not less than 90 days' written notice provided that the Depositary Services Agreement does not terminate until a replacement Depositary has been appointed.

The Depositary may delegate its safekeeping functions subject to the terms of the Depositary Services Agreement.

Unitholders have no personal right to directly enforce any rights or obligations under the Depositary Services Agreement.

In general, the Depositary is liable for losses suffered by the Fund as a result of its negligence or wilful default to properly fulfil its obligations. Subject to the paragraph below, and pursuant to the Depositary Services Agreement, the Depositary will be liable to the Fund for the loss of financial instruments of the Fund which are held in its custody. The Depositary will not be indemnified out of the Fund Property for the loss of financial instruments where it is so liable.

The liability of the Depositary will not be affected by the fact that it has delegated safekeeping to a third party save where this liability has been lawfully discharged to a delegate any such discharge will be notified to the Unitholders and consent will be obtained from the Manager to such delegation and

discharge. At the date of this Scheme Information, the Depositary has not discharged its liability for the safekeeping of assets in its safekeeping.

The Depositary will not be liable where the loss of financial instruments arises as a result of an external event beyond the reasonable control of the Depositary, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary. The Depositary shall not be liable for any indirect, special or consequential loss.

In the event there are any changes to the Depositary's liability under the AIFMD Legislation and the relevant FCA Regulations, the Manager will inform Unitholders of such changes without delay.

2.4 The Manager

CCLA Fund Managers Limited is the appointed AIFM and Manager of the Fund. The Manager is a limited liability company incorporated in England and Wales with company registration number 8735639, whose registered address and details are shown in Appendix 1.

The Manager is authorised and regulated by the Financial Conduct Authority in the conduct of investment business in the United Kingdom and is entered on the FCA's register under reference number 611707. The Manager has permission from the FCA to act as a full scope AIFM. The only business activity of the Manager is the management of UK AIFs as an AIFM. The ultimate holding company of the Manager is CCLA Investment Management Limited.

The Manager is appointed by the Trustee and is responsible for the investment management of the Fund, which includes portfolio management and risk management, and the administration and marketing of the Fund. The Manager's appointment may be terminated by the Trustee serving written notice on the Manager. The Manager is entitled to its pro rata fees and expenses as detailed in this Scheme Information to the date of termination of its appointment as Manager of the Fund and any additional expenses necessarily incurred in settling or realising any outstanding obligations.

Subject to the FCA Regulations and AIFMD Legislation the Manager may delegate (and authorise its delegate to sub-delegate) its duties as Manager. Under such authority the Manager has delegated the portfolio management of the Fund Property and the administration of the Fund to the Investment Manager and the Administrator under the Investment Management Agreement.

The Manager is responsible for all the investment management and administration services in relation to the Fund. These include:

- the day to day management of the Fund including the power to buy and sell investments and to operate bank accounts and to borrow;
- the preparation of any valuations or other calculations to be made under this Scheme Information;
- the receipt of contributions and the satisfaction of withdrawals;
- the decision as to whether any particular asset is to be accepted as a contribution;
- the keeping of such accounts as the Trustee may require;
- company secretarial services to the Trustee; and
- any matters incidental to the above matters.

The Manager is also responsible for the risk management of the Fund.

The Manager accepts responsibility for loss of the investments of the Fund to the extent that such loss is due to the negligence, wilful default or fraud of itself or any delegates. The Manager will not otherwise be liable for any loss to the investments of the Fund. No warranty is given by the Manager as to the performance or profitability of the Fund (or any part of it) or that the investment objective of the Fund will be successfully accomplished.

2.5 The Investment Manager

CCLA Investment Management Limited is the appointed Investment Manager of the Fund. The Investment Manager is a limited liability company incorporated in England and Wales with company registration number 2183088, whose address and details are shown in Appendix 1.

The Investment Manager is authorised and regulated by the Financial Conduct Authority in the conduct of investment business in the United Kingdom and is entered on the FCA's register under reference number 119281. The Investment Manager has permission that covers the provision of investment advice to a Local Authority in respect of the Units. The management of the properties held by the Fund itself is outside the scope of FSMA 2000.

The Investment Manager has been appointed by the Manager pursuant to the Investment Management Agreement to manage the Fund Property and to provide administrative services to the Fund under the Investment Management Agreement.

Under the terms of the Investment Management Agreement, the Investment Manager's appointment may be terminated on three months' written notice by the Investment Manager or by the Manager, or in certain limited circumstances immediately by the Manager. The Investment Manager accepts responsibility for loss of the investments of the Fund to the extent that such loss is due to the negligence, wilful default or fraud of itself or any delegates. The Investment Manager will not otherwise be liable for any loss to the investments of the Fund. No warranty

is given by the Investment Manager as to the performance or profitability of the Fund (or any part of it) or that the investment objective of the Fund will be successfully accomplished.

The Manager is responsible for any fees payable to the Investment Manager and meets the fees of the Investment Manager from the Annual Management Charge the Manager receives for its services to the Fund.

2.6 The Registrar

The Trustee has appointed CCLA Investment Management Limited to act as the Registrar of the Fund. The Registrar has been appointed to provide registrar services and to operate the Register.

2.7 The Administrator

CCLA Investment Management Limited is the appointed Administrator of the Fund and undertakes the Fund pricing and Fund accounting and carries out certain administrative tasks including the preparation of valuations and other activities on behalf of the Fund. The Administrator has been appointed under the Investment Management Agreement with the Manager and the Manager meets the fees of the Administrator from the Annual Management Charge it receives for its services to the Fund.

The Administrator provides the Manager with all administrative services necessary for the management of the Fund. These include:

- the valuation of the Fund Property in conjunction with an appointed independent External Property Valuer;
- the issue and redemption of Units; and
- the payment of dividends and the maintenance of the accounts of the Fund.

2.8 The Auditor

The Auditor of the Fund is PricewaterhouseCoopers LLP whose registered address is shown in Appendix 1.

2.9 Unitholders' Rights Against Service Providers

A number of third-party service providers provide services to the Fund, including the Investment Manager, the Auditor and the Administrator, whose details are set out in this Scheme Information (the "Service Providers"). No Unitholder will have any direct contractual claim against any Service Provider with respect to such Service Provider's default. This is without prejudice to any right a Unitholder may have to bring a claim against an FCA authorised Service Provider, the Manager, or the Depositary under Section 138D of FSMA 2000 (as a result of a breach of the FCA Regulations by such Service

Provider, the Manager or the Depositary), or any tortious or contractual cause of action.

3. Investment Objective and Policy of the Fund

3.1 Investment Objective

The Fund aims to provide a high level of income and long-term capital appreciation.

3.2 Investment Policy

The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties but may invest in other assets, which may be either liquid or illiquid in nature.

The Fund may invest a proportion of its assets in liquid instruments and cash in order to obtain appropriate levels of liquidity. Instruments used for this purpose may include cash and near cash equivalents, participation notes, UK real estate investment trusts, regulated or unregulated investment funds, and loan notes.

3.3 Responsible Property Investment

The Fund is managed in line with the Manager's Responsible Property Investment Policy. This integrates material environmental, social and governance issues into the investment process including pre-purchase due diligence and the ongoing management of properties in the Fund. Copies of the policy are available on request.

The Investment Manager is a signatory to the United Nations backed Principles for Responsible Investment (PRI). The annual PRI assessment is available on the Investment Manager's website.

3.4 Comparator Benchmark

The comparator benchmark for the Fund is the MSCI/AREF UK Other Balanced Quarterly Property Fund Index and is compiled, calculated and published by MSCI. It is calculated on a net asset value basis.

The comparator benchmark sets a standard against which the performance of the Fund can be assessed.

3.5 Changes to the Investment Objective and Policy

An amendment to the investment objective or policy of the Fund must be approved by HM Treasury and sanctioned by a special resolution of the Trustee.

4. Participation in the Fund

4.1 Target Investors

The Fund is intended for eligible Local Authority investors, with at least a basic knowledge of property related investments, which are seeking to invest in an actively managed fund that reflects the investment objective and investment policy of the Fund. Investors should be looking to invest for at least five years and understand that their capital may be at risk, have the ability to bear losses and appreciate that the value of their investment and any derived income may fall as well as rise.

The Fund has direct holdings in direct property, which is inherently illiquid, and investors should take particular note of the risk sections of this document, and the actions the Manager may have to take in stressed market conditions, such as suspending or delaying Fund dealings. The Fund also has a minimum redemption notice period of 90 days. The Fund is therefore not suitable for investors that might have a need for immediate liquidity in their investments.

Please note that the Manager is not required to assess the suitability or appropriateness of the Fund against each investor.

Investors must be able to be categorised as professional clients or, where appropriate, seek independent financial advice before investing.

4.2 Eligible Contributors to the Fund

Units can only be issued to and owned by Local Authorities in England, Wales, Scotland and Northern Ireland which are entitled to receive distributions from the Fund gross of tax. The Manager is required under Money Laundering Regulations to satisfy itself as to the identity of Eligible Contributors (please see section headed Anti-Money Laundering Requirements below).

Any Local Authority (or a nominee company acting on its behalf) applying to participate must give a declaration of eligibility to invest in the Fund and indemnify the Fund for any liabilities arising from such Local Authority's ineligibility to participate in the Fund. The Trustee will require evidence of the Local Authority's eligibility to invest in the Fund and may defer the issue of Units until such time as the eligibility of the Local Authority has been confirmed.

Under the Scheme, the Trustee has the discretion to decline any contribution or to decline any particular asset by way of contribution.

4.3 Compulsory Sale of Units where a Unitholder Ceases to be an Eligible Contributor

Where a Unitholder:

- is found not to be eligible or becomes ineligible at a later date; or
- suffers a change in circumstances or is in breach of any applicable law or government rule or regulation which may affect its ability to be an Eligible Contributor,

it, or its nominee, must inform the Manager immediately and at the Manager's request must redeem their Units.

As soon as the Manager becomes aware or has reasonable grounds to believe that a Unitholder no longer satisfies the requirements to be an Eligible Contributor, the Unitholder will be deemed to have submitted a sell Units form to sell all the Units held by them in the Fund and the notice period for redemptions will be deemed to have been served. Where a Unitholder delays in informing the Manager that it has ceased to be, or may no longer be an Eligible Contributor, the Manager then has the right to treat the request to redeem Units as being made on the date on which the Unitholder's circumstances changed.

The Unitholder agrees that any proceeds of sale in relation to the Units sold as a result of the Unitholder ceasing to be an Eligible Contributor may be retained by the Manager in order to satisfy any losses suffered by the Fund as a result of the Unitholder ceasing to be an Eligible Contributor. Such losses may include, but shall not be limited to:

- any assessment for income or capital gains tax or any other tax to which the Fund would not have been assessed had the Unitholder remained as an Eligible Contributor;
- any distributions paid out to or settled in respect of the Unitholder's Units after the date on which the Unitholder ceased to be an Eligible Contributor; and
- all costs and expenses including professional fees incurred in connection with such assessment.

On the written request of the Manager any Unitholder who is required to sell their Units must:

- irrevocably appoint one or more of the directors of the Manager as its attorney to execute all instruments and other documentation required to effect a sale of its Units and the Unitholder agrees to ratify all and any acts of the attorney; and
- indemnify the Fund against all losses suffered by the Fund as a consequence of the Unitholder no longer remaining an Eligible Contributor.

If at the time a sell Units form is submitted (or is deemed to have been submitted) to the Manager, the Manager has received instructions to sell Units from one or more other Eligible Contributors, the sale of the Units held by a Unitholder who has ceased to be eligible to remain invested in the Fund will be sold in priority to all other sale requests in the queue.

In the event that dealings in the Fund are suspended any deemed or actual instructions for the compulsory sale of Units will not be frozen. In such circumstances the relevant Units will be cancelled and the Manager will make an appropriate provision for the sale proceeds due to the affected Unitholder.

Where an event occurs during a period of suspension that results in a Unitholder ceasing to be an Eligible Contributor, the Unitholder's rights to accrued income will be apportioned according to the date on which the event occurred that triggered the ineligibility.

The sale proceeds will be calculated at the Valuation Date after the lifting of the suspension and will be paid to the Unitholder within four Business Days of the Dealing Day.

4.4 Income Units

Eligible Contributors to the Fund may purchase Income Units. Income Units provide regular income distributions and each Unit represents one undivided share in the Fund Property. Holders of Income Units receive income distributions quarterly. Unitholders may elect to purchase additional Income Units by reinvesting income. Additional Income Units can be purchased at the Offer price.

4.5 Registration of Units

The Register is maintained on behalf of the Trustee by the Registrar. Holdings are usually registered in the name of Unitholders (or where applicable, holdings may be registered in the name of a nominee company acting on behalf of a Unitholder). No certificates are issued and the Register 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.

The Register may be inspected by or on behalf of Unitholders during normal business hours at the office of the Registrar. Entry in the Register is conclusive evidence of title to the Units. The Register contains the name of each Unitholder, the number of Units held and the name and address of the correspondent for each account. In addition, the Register may contain the following particulars:

- details of the nominee company acting on behalf of a Unitholder;
- client designation;
- bank account details for the remittance of distributions and withdrawals; and
- authorised signatory(ies) and the number of signatures required.

No notice of any trust, express, implied or constructive, shall be entered in the Register in respect of any Unit, and the Manager and the Trustee shall not be bound by any such notice.

The expenses of maintaining the Register are currently borne by the Manager and covered by the Annual Management Charge paid out of the Fund Property to the Manager.

4.6 Anti-Money Laundering Requirements

The Manager is required by law to maintain procedures to combat money laundering. In order to implement these procedures, electronic or manual identity checks will be undertaken by the Manager on certain persons named within the Application Form to satisfy itself as to the identity of Eligible Contributors. Proof of identity may sometimes be required either when buying or selling Units from time to time, even of existing Unitholders. The Manager may freeze or return investments and/or subscription amounts until the necessary evidence of identity can be obtained. In the case where Units are being sold, the remittance of proceeds may be delayed until proof of identity has been obtained.

4.7 Fair Treatment of Unitholders

The Manager has established policies and procedures and made arrangements to ensure the fair treatment of Unitholders. Such arrangements include, but are not limited to, ensuring that no one or more Unitholders are given preferential treatment over any rights and obligations in relation to their investment in the Fund that would result in a disadvantage to any other Unitholder. All rights and obligations to Unitholders, including those related to subscription and redemption requests, are set out in this Scheme Information.

The Manager has established fair and transparent pricing models and valuation systems and procedures for the Fund Property and endeavours to ensure that there are no undue costs being charged to the Fund and the Unitholders.

The Manager has also established procedures to identify, manage and monitor conflicts of interest and, where applicable, disclose those conflicts of interest to prevent them from adversely affecting the interests of the Unitholders. The Manager has established a process for recognising and dealing with complaints fairly.

4.8 Changes to Authorised Signatories and Correspondents

A Unitholder must immediately notify the Manager of any change in its authorised signatories or correspondent. Changes to the authorised signatories or correspondent for a Local Authority's holding of Units must be made on a change of

signatory/correspondent form or (where considered appropriate by the Manager to do so), mandate form duly completed by the Local Authority (or the nominee company acting on behalf of the Local Authority) and be authorised by the executive directors who have the authority to act on behalf of that Local Authority. Where an existing authorised signatory is removed by way of such instruction, the correspondent shall receive notification of the removal from the Manager. Where a correspondent is changed, the Manager will inform the outgoing correspondent.

5. Risks

Investors should consider the following risk factors before investing in the Fund.

5.1 General Investment Risks

Past performance is not a reliable indicator of future results. The price of Units and any income distributions from them may fall as well as rise. There can be no guarantee that any fund will achieve its investment objective or that a unitholder will recover the full amount invested in a fund. The capital return and income distributions of each fund are based on the capital appreciation of, and the income received from, the securities it holds, after deduction of expenses incurred. Therefore, each fund's return may be expected to fluctuate in response to changes in such capital appreciation or income.

The Fund is permitted to borrow up to 50% of the value of the Fund in order to purchase direct properties. A failure by the Fund to perform its obligations under the terms of any such loan would permit the lenders to demand early repayment of the finance and to realise any security they have over the Fund Property. Borrowing also increases risk by magnifying capital and income performance, gains and losses. The Fund may also be affected either directly or indirectly by changes in interest rates to the extent that this affects any borrowings, or, the property market generally.

The Fund's Units are intended only for long-term investment and are not suitable for money liable to be spent in the near future. Units are realisable on each monthly Valuation Date only, giving requisite notice.

5.2 Direct Property Risks

Pricing and Liquidity

Investors should note that as the Fund is structured as an unregulated fund the FCA rules concerning 'funds investing in inherently illiquid assets ("FIIA")' do not apply. Inherently illiquid assets are defined in the FCA Regulations and include (but are not limited to): immovables, an investment in an infrastructure

project, certain transferable securities and shares in another FIIA. In the event the Fund was to become regulated, it would be classified as a FIIA because more than 50% of its assets are invested in illiquid assets in the form of UK commercial property.

There is a risk that the price at which an asset in the Fund is valued may not be realisable in the event of a sale. This could be due to a lack of liquidity in the market. It may also be due to a mis-estimation of the asset's value. Where this occurs, the Manager may decide to postpone selling investments as to do so may have a material adverse impact on the value of the Units.

Valuation

Property and property related assets are inherently difficult to value because of the individual nature of each property. For example, a property's value may be affected by (amongst other things): (i) its location (noting that the desirability of an area may change over time), (ii) the characteristics of the building (wear and tear and advances in technology or tenant's requirements may render a building unattractive over time), and (iii) the length of a lease and creditworthiness of a tenant. 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 Date.

Property Market

The value of property 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 (and therefore the income received by the Fund) is dependent to a large extent upon the occupancy levels of any property and the rents paid by the 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.

Investors into the Fund should appreciate that these factors affecting the property market generally can have a direct impact on the value of the Fund Property and the income derived thereof.

Planning laws

The value of properties can also be negatively impacted by changes in planning laws.

Counterparty risk

Additional risks may arise in the event that there is a failure by a counterparty to perform its obligations

under a contract or other agreement (including failure arising from the insolvency of a tenant of a property).

Liability risk

Property ownership assumes associated risks including, without limitation, environmental and third-party liability risk the value of which may exceed the value of the property itself.

5.3 Risk Associated with Investment in Other Collective Investment Schemes

The Fund may invest in one or more Collective Investment Schemes including schemes that are managed by the Manager or affiliated companies. In some cases, these Collective Investment Schemes may be unregulated. The Fund may invest in Collective Investment Schemes and other assets which may, on occasions, be illiquid.

5.4 Political Risk

The value of the Fund's assets may be affected by uncertainties such as political developments, changes in government policies and taxation.

5.5 Diversification Risk

The Fund is invested in direct property and assumes the property related risks outlined under 'Direct Property Risks'. The Fund invests in UK properties only and as such is not as diversified as if it were invested across several asset classes and/or several geographical locations. Any change in legal, tax or regulatory requirements affecting the Fund, or its investments, may be amplified by this lack of diversification.

5.6 Credit Risk

The Fund may have a credit risk on the issuer of debt securities or deposits in which it invests which will vary depending on the issuer's ability to make principal and interest payments on the obligation.

The Fund may also have credit risk on the parties with which it trades. For example, if a trading party becomes insolvent or bankrupt or defaults in some way, the Fund may experience delays in liquidating the underlying assets and the securities' value may decrease.

5.7 Interest Rate Risk

Investment in both fixed rate and floating rate securities involves interest rate risk. Any change to the interest rate relevant for floating rate securities may result in income either increasing or decreasing. Changes to prevailing rates or changes in expectations of future rates may also result in an

increase or decrease in the value of the securities held.

In a negative interest rate environment, there is a risk that income derived from these types of securities will cease and could result in a reduction in their capital value.

5.8 Operational Risks (including Cyber Security and Identity Theft)

An investment in the Fund, like any fund, can involve operational risks arising from factors such as processing errors, human errors, inadequate or failed internal or external processes, failure in systems and technology, changes in personnel, infiltration by unauthorised persons and errors caused by the Manager, the Trustee or Service Providers such as the Investment Manager or the Administrator. While the Fund seeks to minimise such events through controls and oversight, there may still be failures that could cause losses to the Fund. The Manager, Investment Manager, Administrator and Trustee each maintain appropriate information technology systems. However, like any other system, these systems could be subject to cyber security attacks or similar threats resulting in data security breaches, theft, a disruption in the Manager's, Investment Manager's, Administrator's and/or Trustee's service or ability to close out positions and the disclosure or corruption of sensitive and confidential information. Notwithstanding the existence of policies and procedures designed to detect and prevent such breaches and ensure the security, integrity and confidentiality of such information as well as the existence of business continuity and disaster recovery measures designed to mitigate any such breach or disruption, such security breaches may potentially also result in loss of assets and could create significant financial and/or legal exposure for the Fund.

5.9 Liquidity Risk

The liquidity of an investment is generally considered to be a measure of how quickly it can be converted into cash without impacting its value while the liquidity of a fund is considered to be the ability to fulfil redemption requests without a price discount to the assets that are sold to meet that request.

Direct property is an illiquid investment relative to other asset classes (such as equities or bonds). Assets that comprise real property take time to sell, and when market conditions are uncertain, it can be even more difficult to find a buyer than in normal market conditions which can impact on a property's price.

Liquidity risks may crystallise due to a number of events which may have a direct impact on the valuation of the Fund Property and the redemption of Units. For example, liquidity risks may crystallise

when investors wish to redeem their Units before they fall in price during times of market stress or uncertainty. Liquidity risks may also crystallise in circumstances where a Unitholder with significant holdings in the Fund seeks to redeem all or a substantial portion of its holdings with the effect that a number of assets in the Fund need to be sold to meet the redemption request, which may take some time to sell.

The Units are intended only for long-term investment and are not suitable for money to be spent in the near future. Investments are realisable on each monthly Valuation Date but redemptions are subject to a 90 day period of notice, which may be increased to up to six months in accordance with the provisions of this Scheme Information.

5.10 Notice Period

Redemptions are subject to a notice period (currently 90 calendar days and which can be increased to up to six months if so determined by the Manager). Unitholders should be aware that they may not be able to redeem their Units as quickly as they would like to, and that this may have an impact on the price they receive on redemption and may consequently impact the Unitholder's own liquidity.

5.11 Suspension and Deferral Risk

In certain circumstances, the rights for Unitholders to redeem Units may be suspended, as further set out in this Scheme Information. Unitholders should note that where a suspension is implemented, they may not be able to redeem their Units as quickly as they would like to, and that this may have an impact on the price they receive on redemption and may consequently impact the Unitholder's own liquidity.

The Manager is able to defer redemptions of Units (in whole or part) where the Manager considers that there is insufficient liquidity in the Fund to meet instructions to sell Units, for such period of time as the Manager considers appropriate. Unitholders should note that where deferral is applied, they may not be able to redeem their Units as quickly as they would like to, and that this may have an impact on the price they receive on redemption and may impact the Unitholder's own liquidity.

5.12 Insurance of Immovable Property

All immovable property forming part of the Fund Property will be insured against the risk of physical loss or damage and other perils considered appropriate by the Manager. However, there is no guarantee that any or all claims on the insurance will be payable in any given circumstance. Where insurance policies do not meet any liability, in whole or in part, any outstanding liability will be met out of the Fund Property.

5.13 Risk Management Process and Liquidity Management

The Manager employs a risk management process, including the use of appropriate stress-testing procedures, which enables it to identify, measure, manage and monitor at any time the relevant risks of the positions to which the Fund is or may be exposed and their contribution to the overall risk profile of the Fund.

The Manager maintains a liquidity management process to monitor the liquidity risk of the Fund, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions.

The liquidity management systems and procedures allow the Manager to apply various tools and arrangements necessary to ensure that the Fund is sufficiently liquid to respond appropriately to redemption requests. Such tools include (but are not limited to): i) fair value adjustment, which could be applied to the properties held in the Fund in exceptional market conditions to reflect fair and reasonable prices and enable quicker sales of properties in times of increased redemption requests, ii) changing the price investors pay to buy or sell Units to reflect increased costs incurred by the Fund, for example, because of large dealing volumes, iii) deferring requests from Unitholders to sell Units to a later Valuation Date and iiiii) increasing the cash held by the Fund to enhance liquidity in accordance with the investment policy.

Other arrangements may also be used in response to redemption requests, including, in extreme cases, temporary suspension which, if activated, will restrict the redemption rights investors benefit from in normal circumstances as set out in this Scheme Information.

6. Investment Powers, Controls and Restrictions

6.1 Investment and Borrowing Powers

The Fund's powers of investment are not restricted either to particular types of property, or subject to the consent of HM 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, whilst holding some more liquid instruments and cash for liquidity purposes.

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 Fund Property, provided that the aggregate borrowing does not exceed 25% of

the Net Asset Value of the Fund Property. With the prior written approval of the Trustee, the Manager may borrow for any purpose set out above up to the limit of 50% of the Net Asset Value of the Fund Property.

The total amount of borrowing and any change to the level of the maximum borrowing permitted by the Manager will be disclosed to the Unitholders in the Report and Accounts.

The Fund will maintain a suitable spread between different types of direct property and geographical location. Consideration will be given to the property's specific location, standard of construction, quality of the tenant's covenant and the occupational lease terms preferably embodying upwards only rent reviews at intervals of not more than five years.

6.2 Investment in In-House Collective Investment Schemes

The Fund may invest in other Collective Investment Schemes which may be operated or managed by the Manager or an associate of the Manager.

6.3 Leverage

This section explains in what circumstances and how the Manager may use leverage as defined by the AIFMD Legislation ("**Leverage**") in respect of the Fund and the maximum level of Leverage permitted.

Leverage means any method by which the Fund increases its exposure whether through borrowing cash or securities or leverage embedded in derivative positions or any other means. The sources of Leverage which can be used when managing the Fund include cash borrowing.

Leverage may be used to facilitate the purchase of Fund Property and may also be used to meet redemption requests when appropriate.

The Manager is required to calculate and monitor the level of Leverage of the Fund. Leverage is expressed as a ratio between the exposure of the Fund and its Net Asset Value (Exposure/NAV). The exposure of the Fund shall be calculated in accordance with the commitment method ("**Commitment Method**") and the gross method ("**Gross Method**").

Under the Gross Method, the exposure of the Fund is calculated as follows:

- a) include the sum of all assets purchased, plus the absolute value of all liabilities;
- b) exclude the value of cash and cash equivalents which are highly liquid investments held in the Base Currency of the Fund, that are:
 - readily convertible to a known amount of cash; and
 - are subject to an insignificant risk of change in value;

- c) derivative instruments are converted into the equivalent position in their underlying assets;
- d) exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- e) include exposure resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of the cash borrowed; and
- f) include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

Under the Commitment Method, the exposure of the Fund is largely calculated in the same way as under the Gross Method; however, whilst certain cash instruments and cash borrowings are included, the exposure of derivative or security positions employed in hedging and netting arrangements are not included in this calculation, provided certain conditions are met. These conditions aim to ensure that only those trades which offset the risks linked to other trades, leaving no material residual risk, are taken into account.

Further information regarding these different Leverage calculation methods can be found in the AIFMD Legislation and the Investment Risk Policy, which is available upon request from the Manager.

The Investment Manager does not actively use financial derivatives when managing the Fund.

The total amount of Leverage employed by the Fund will be disclosed in the Fund's Report and Accounts.

The maximum levels of Leverage are as follows;

Gross Method: 150%

Commitment Method: 150%

It is not intended that the Depositary or any sub-custodian shall be entitled to re-use for its own benefit any of the Fund's assets with which it has been entrusted.

7. Pricing of Units and Valuation of the Fund

7.1 Valuation Date

The Fund is valued monthly on the Valuation Date for the issue and redemption of Units and the value of the Fund shall be the value of its assets, including capital cash, less the value of its liabilities.

7.2 Valuation of the Fund

The valuation of the Fund Property is determined as follows;

- units in a Collective Investment Scheme – if the scheme is single priced then that price will be

used. If the scheme is dual priced the mid-market price will be used.

- direct property – an External Property Valuer is responsible for providing property values for the Fund. All properties are valued at every month end at open market value in accordance with the Red Book of the Royal Institute of Chartered Surveyors (RICS). Additions to the portfolio are valued externally after acquisition.
- exchange traded securities – at mid-market prices at the Valuation Date.
- other assets – all other assets at a value which, in the opinion of the Manager, represents a fair and reasonable value based on independent inputs.

Further details of the Manager's Valuation Policy, including the use of fair value adjustment as outlined elsewhere in this Scheme Information, is available from the Manager upon request.

7.3 Buying and Selling Prices

To calculate the issue and redemption price (Offer and Bid prices) of the Units the net capital asset value of the Fund Property 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 existing Unitholders from being adversely affected in respect of the value 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.

7.4 Publication of Prices

The Fund's Unit Bid and Offer prices are displayed on the Manager's website www.ccla.co.uk.

The Fund's past performance is set out in Appendix 2 and is also available on the Manager's website www.ccla.co.uk.

8. Dealing in Units

8.1 Issue and Redemption of Units

Instructions for the issue or redemption of Units must be made in writing to the Manager at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Purchases of Units can be made on any Valuation Date, sales of Units are subject to a notice period (see Notice to Redeem paragraph below).

Application monies paid by cheque should be drawn on a United Kingdom or European Economic Area (EEA) 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 or CCLA Fund Managers Limited will be returned.

Contract notes will normally be dispatched 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.

Except during periods of temporary suspension, the Manager will accept orders for the redemption of Units on any business day between 9.00am and 5.00pm.

Redemption instructions must be received by 5.00pm on a business day. Redemption instructions, once received by the Manager, are irrevocable and cannot be withdrawn. Proceeds in respect of the redemption of Units are remitted within four Business Days after the Valuation Date on which the Units are redeemed.

Subject to the paragraphs below regarding Deferral of Redemptions and Suspension of Dealing, requests to sell Units will be dealt with on the first Valuation Date after expiry of the required notice period (see Notice to Redeem paragraph below).

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.

8.2 Authority to Open and Operate Accounts

The Manager is entitled to assume that the persons signing the Application Form as authorised officials are duly authorised on behalf of the Local Authority to open an account in the Local Authority's name and to purchase the Fund's Units. 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.

8.3 Notice to Redeem

Except in the circumstances below, Units are redeemable at the option of a Unitholder on a Valuation Date, upon at least 90 calendar days' prior written notice to the Manager. Redemption instructions, once received by the Manager, are irrevocable and cannot be withdrawn.

For the good management of the Fund and in the interest of other Unitholders, the Manager may, at its discretion, extend the notice period to up to 6 months to allow for the orderly disposal of properties held within the Fund. In the event that the notice

period is extended, Unitholders will be notified in writing and sales will be processed in the strict order of the instructions to sell being received. The Unitholder will receive the price ruling as at the Valuation Date on which the redemption is processed.

8.4 Deferral of Redemptions

If on a Valuation Date the Manager considers that there is insufficient liquidity in the Fund to meet instructions to redeem Units, the Manager may delay, in whole or part, the redemption instructions for such period of time as the Manager considers appropriate. To the extent that redemption instructions are not processed in full in respect of the relevant Valuation Date the redemption instructions will be treated as being made again in respect of each subsequent Valuation Date until all the deferred redemption instructions have been completed in full. The Unit price for a deferred redemption will be the Unit price calculated at the Valuation Date on which the redemption instruction is honoured.

If the Manager delays the processing of any redemption instructions, for whatever reason, then the redemption instructions will be placed in a queue and will be acted on in the following order:

1. any compulsory redemption instructions (whether in whole or part) will take priority in the sale queue and will be acted on in advance of any other redemption instructions irrespective of when the other redemption instructions were received by the Manager;
2. redemption instructions made in respect of an earlier Valuation Date will be processed in priority to those made in respect of a later Valuation Date;
3. without prejudice to (1) above, all redemption instructions in respect of a particular Valuation Date shall be ranked and treated equally in priority, irrespective of the date or time such redemption instructions were actually received by the Manager in respect of that Valuation Date;
4. the Manager can accept in part an instruction to redeem Units and, in the event that the Manager does so, the instruction to sell Units shall be redeemed in proportion and pro rata with any other instructions to redeem Units which are to be treated *pari passu* with it;
5. in the event that dealings in the Fund are suspended for any reason, the queue of redemption instructions will be frozen until the suspension is lifted. After the suspension has been lifted the Manager shall process redemption instructions in accordance with the provisions set out in this Scheme Information; and
6. in the event that a decision has been made to wind up the Fund any redemption instructions which have been deferred will be acted on in priority to the deemed redemption requests that

arise as a result of the decision to wind up the Fund.

Where a request for the redemption of Units is deferred, the Manager will inform Unitholders in writing of the number of their Units that have not yet been processed. Other than in the case of a compulsory redemption instruction, a Unitholder may, by notice in writing to the Manager, cancel the whole or part of a sale instruction that has been deferred and is in a queue to be processed. Any cancellation request will be binding on the Unitholder and any subsequent request to redeem Units will be treated as a new request to redeem Units.

In the event that the Manager delays the Valuation Date of the Fund on the basis that there is insufficient liquidity in the Fund to meet the sale instructions the Manager will, without disadvantaging the remaining Unitholders in the Fund, concurrently take all necessary steps to liquidate assets in the Fund to meet the instructions to redeem Units.

8.5 Minimum Initial and Subsequent Investments

The normal minimum initial investment in the Units is £25,000. Subsequent investments of £10,000 or above can be made thereafter. The Manager reserves the right to waive the minimum initial and subsequent investment amounts.

8.6 Exchanging Existing Property for Units and In-specie Redemptions

The Manager may accept a transfer of property into the Fund in exchange for Units but only if it is judged by the Manager to be in the best interests of existing Unitholders. An External Property Valuer nominated by the Manager, and independent of the investor and Manager, shall produce a valuation of the property which an investor has offered to exchange for Units at the expense of the applicant. The property will be valued in accordance with the RICS Appraisal and Valuation Standards. If accepted, the exchange would be made at the open market value of the property at the Net Asset Value of the Units issued. In general, the costs of the conveyance shall be borne by the applicant by deduction from the value of the property being exchanged for Units. Such costs will include valuation and legal costs and disbursements of the applicant and the Fund. However, the Manager (acting in consultation with the Trustee) may agree at their discretion to contribute towards the costs of the conveyance (including but not limited to legal and valuation costs) where they believe it is in the interests of the Fund to do so. The Manager has absolute discretion as to which properties it will accept.

Where a Unitholder makes an application to redeem Units the Manager may, with the agreement of the Trustee and in consultation with the redeeming Unitholder, arrange to transfer Fund Property out of

the Fund in place of payment in cash for the Units, but only if it is judged by the Manager not to disadvantage the remaining Unitholders. The value of the Fund Property being transferred out of the Fund in place of cash will be determined by the Manager by reference to the value of the Fund Property at the most recent Valuation Date, unless the Manager, after consultation with the Trustee, considers it to be desirable to carry out an additional valuation. If accepted, the exchange will be made at the value of the Fund Property being transferred out, calculated in accordance with this paragraph and the Net Asset Value of the Units being redeemed, plus any applicable costs (for example, the costs of conveyance).

In general, the costs of the conveyance shall be borne by the Unitholder by:

- deduction from the value of the property where a property is being exchanged for Units; or
- addition to the value of the Fund Property being transferred out where Units are being redeemed in exchange for Fund Property.

Such costs will include valuation and legal costs and disbursements of the Unitholder and the Fund. In the event that the costs of conveyance together with the value of the Fund Property being transferred out of the Fund exceed the Net Asset Value of the Units held by the Unitholder, the Unitholder will make a payment in cash to the Fund for the difference. However, the Manager (acting in consultation with the Trustee) may agree at their discretion to contribute towards the costs of the conveyance (including but not limited to legal and valuation costs) where they believe it is in the interests of the Fund to do so. The Manager has absolute discretion as to which direct properties it will accept into or transfer out of the Fund.

8.7 Trustee's Refusal to Issue or Cancel Units

The Trustee has the power to refuse to issue or cancel Units where:

- a) the Trustee is of the opinion that it is appropriate to do so; or
- b) the Trustee considers that there may be an issue with the Manager's ability or competence to continue as the Manager of the Fund; or
- c) on receipt of instructions from the Manager to issue or cancel Units, the Trustee is of the opinion that such action would result in a breach of law or regulation; or
- d) the applicant may be ineligible for the Fund; or
- e) there may be potential detriment to the Fund; or
- f) it is not in the interests of Unitholders that:
 - Units should be issued; or
 - Units should be cancelled; or
 - Units should be issued or cancelled in the number requested by the Manager.

In all the cases where the Trustee refuses to issue or cancel Units the Trustee must give notice to the Manager that the Trustee refuses to issue or, as the case may be, cancel, all, or a specified number of, the Units.

On giving such a notice the Trustee is relieved of the obligation to issue or cancel the number of Units to which the notice relates.

8.8 Suspension of Dealing

Suspension in exceptional circumstances

The Manager may, with the prior agreement of the Trustee, and shall if the Trustee so requires, temporarily suspend the issue, cancellation, buying and redemption of Units if the Manager or the Trustee is of the opinion that due to exceptional circumstances there is good and sufficient reason to do so, having regard to the best interests of the Unitholders. During a period of suspension, no Units may be bought or redeemed.

The Manager will notify the Unitholders in writing of the suspension as soon as reasonably practicable after the suspension commences. The Manager will review the grounds for the suspension every 28 days to ensure that the suspension only continues for so long as it is justified having regard to the interests of the Unitholders. Unitholders will be informed of the outcome of this review.

Suspension during periods of material valuation uncertainty

The Manager with the agreement of the Trustee may temporarily suspend the issue, cancellation, buying and redemption of Units where the External Property Valuer has expressed material uncertainty about the value of one or more immoveables under management, and that material uncertainty applies to at least 20% of the value of the Fund Property.

Alternatively, dealing in Units may continue during a period of material valuation uncertainty where the Manager and the Trustee agree that dealing should continue and the Manager and the Trustee have a reasonable basis (not solely reliant on a fair value price adjustment) for determining that the suspension of the Fund would not be in the best interests of the Unitholders.

The Manager and the Trustee may agree to resume dealings in Units as soon as reasonably practicable after the External Property Valuer's material uncertainty assessment applies to less than 20% of the value of the Fund Property.

Pricing after a suspension

Once the suspension has been lifted the Manager expects Units to be priced at the next Valuation Date.

Compulsory sales of Units during periods of suspension

During a period of suspension any application for the compulsory sale of Units will not be frozen. The Units will be cancelled and the Fund will maintain and hold a suitable provision for the amount due to the redeeming Unitholder. The sale proceeds will be calculated using the Unit price at the next Valuation Date after the suspension has been lifted.

Application to sell Units during periods of suspension

If dealing in the Fund is suspended for any reason, any application to redeem Units (other than for Units which are being compulsorily redeemed) will be frozen until such time as the suspension of dealing is lifted. After the suspension has been lifted the Manager shall process redemption instructions in accordance with the provisions set out in this Scheme Information.

8.9 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 Unitholders and/or other Local Authorities.

This would enable investors to transfer holdings on terms set between themselves. The investors must instruct the Registrar to amend the Register to record the transfer of the Units to the new Unitholder.

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.

8.10 Execution Services

In accordance with the FCA Regulations, the Investment Manager must act in the best interests of the Fund when executing decisions to deal on behalf of the Fund and must establish and implement an Order Execution Policy to allow it to obtain the best possible result and to ensure that all sufficient steps are taken to act in the Unitholders’ best interests in line with its Treating Customers Fairly Policy.

The Investment Manager’s Order Execution Policy sets out the basis upon which the Investment Manager will effect transactions and place orders in relation to the Fund whilst complying with its obligations in relation to execution. Details of the Order Execution Policy are available on the Manager’s website www.ccla.co.uk. A copy will also be made available on request.

9. Distributions to Unitholders

9.1 Dividends

Dividends are calculated and declared quarterly at the end of March, June, September and December.

The dividend is based upon undistributed income received and receivable to each quarterly date less any costs and expenses for the period. Income is allocated to Unitholders monthly but is not included in the Unit price.

Dividends in respect of the preceding quarter are usually paid at the end of January, April, July and October (or if this should not be a Business Day, the prior Business Day). Monies will be paid directly to a nominated bank account.

Changes in tax law and regulations may affect the basis of calculation and payment of dividends.

10. Reporting

10.1 Regular Statements

Statements of Units, management expenses and dividends paid are provided as at 30 September and 31 March.

10.2 Report and Accounts of the Fund

The Report and Accounts of the Fund are normally prepared for the half year to 30 September (unaudited) and the year to 31 March (audited).

The Manager will make available on its website, www.ccla.co.uk, the annual Report and Accounts for the period to 31 March (the accounting reference date) and the half-yearly Report and Accounts for the period to 30 September (the interim accounting date) within six months of the end of the relevant period.

The Report and Accounts include, amongst other things, information on the Fund’s;

- assets and liabilities (including the percentage of the Fund Property that is subject to special arrangements arising from its illiquid nature);
- income and expenditure;
- total amount of Leverage employed;
- activities of the financial year; and
- risk profile.

The Report and Accounts will also include details of:

- the Manager’s risk management systems;
- details of any changes to the Fund’s liquidity management;
- the remuneration paid by the Manager to its staff;
- any material changes to the information in the Scheme Information;

- any change to the Fund's use of Leverage, including the maximum level of Leverage the Fund may employ; and
- any further disclosures required by the AIFMD Legislation.

11. Complaints and Compensation

11.1 Complaints

The Manager has established a complaints handling procedure to investigate complaints received.

Any complaints regarding the operation or marketing of the Fund should be addressed in writing to the addresses shown in Appendix 1.

A copy of the Manager's complaints policy is available on www.ccla.co.uk.

11.2 Compensation

The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund. The Manager will not be liable for any loss arising where it has acted on the instructions of the Unitholder in accordance with the mandate.

Further information on any compensation scheme or any other investor compensation scheme of which the Manager is a member is available from the Manager on request or via www.fscs.org.uk.

12. Charges and Expenses

12.1 Remuneration and Expenses of the Depositary

The Depositary is entitled to a periodic fee which is agreed between the Manager, the Depositary and the Trustee. The Depositary is paid an annual fee of £15,000. This is charged to the Fund and paid on a monthly basis.

12.2 Remuneration and Expenses of the Manager

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). 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.

Further information on costs and charges can be found on the Manager's website www.ccla.co.uk.

12.3 Preliminary Charge

The Manager makes no preliminary charge on the issue of Units.

12.4 Redemption Charge

The Manager makes no redemption charge on the redemption of Units.

12.5 Inducements

In accordance with the FCA Regulations, the Manager when executing orders or placing orders with other entities in relation to financial instruments for execution on behalf of the Fund must not accept and retain any fees, commission or monetary benefits from a third party.

The Manager must not accept any non-monetary benefits when executing orders or placing orders with other entities for execution in relation to financial instruments on behalf of the Fund, except those which are capable of enhancing the quality of the service provided to the Fund, and which are of a scale and nature such that they could not be judged to impair the Manager's compliance with its duty to act honestly, fairly and professionally in the best interests of the Fund.

12.6 Research

Certain brokers may from time to time provide research services to the Investment Manager which are used by the Investment Manager in its management of the Fund. The costs and expenses for such research services will be borne by the Investment Manager.

12.7 Other Expenses

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

1. legal and other costs associated with obtaining and maintaining any authorisation or registration of the Fund;
2. any governmental duties payable in respect of the issue of the Fund's Units;
3. cost of property transactions including, but not limited to, stamp duty, agents and survey fees;
4. External Property Valuer's fees;
5. legal fees;
6. professional and agency fees;
7. audit fees;
8. bank charges;
9. 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;
10. the fee of any external property adviser;
11. cost of liability insurance for the Trustee;

12. costs incurred in respect of Unitholder meetings or in modifying the constitution of the Fund; and
13. such other fees or expenses as may from time to time be agreed with the Trustee.

13. Conflicts of Interest

13.1 Conflicts of Interest Policy

The Manager and Investment Manager operate a Conflicts of Interest Policy to ensure that their clients are treated fairly. The policy seeks to avoid circumstances which they consider may give rise to potential conflicts of interest and materially disadvantage their clients. It describes the controls and arrangements for preventing the Manager, the Investment Manager and their staff from:

- favouring one client over another;
- making a financial gain, or avoiding a financial loss, at the expense of the client;
- favouring a member of staff over a client;
- providing to (or receiving from) a person other than the client, an inducement in relation to a service provided to the client, in the form of a financial interest;
- market abuse and disclosing confidential information;
- giving or receiving gifts and entertainment, monetary or otherwise that would be in breach of the Conflicts of Interest Policy;
- favouring one of the Investment Manager's owners, The CBF Church of England Investment Fund (53.69%), COIF Charities Investment Fund (22.37%), the Local Authorities' Mutual Investment Trust (13.42%), the Executive Directors of the Investment Manager (8.19%), the CCLA Employee Share Trust (2.09%) and the CCLA Share Incentive Plan (0.24%) at the disadvantage of its clients;
- not disclosing the Investment Manager's close association with The CBF Church of England Funds, COIF Charities Funds and the Local Authorities' Property Fund or its ownership (above); and
- not disclosing any remaining conflicts of interest to clients before advising or transacting on their behalf.

Full details of the Conflicts of Interest Policy are available on request and on the Manager's website www.ccla.co.uk.

13.2 Depository Conflicts of Interest

From time to time actual or potential conflicts of interest may arise between the Depository and its delegates, for example, and without prejudice to the generality of the foregoing, where an appointed delegate is an affiliated group company and is providing a product or service to the Fund and has a financial or business interest in such product or

service or where an appointed delegate is an affiliated group company which receives remuneration for other related products or services it provides to the Fund. The Depository maintains a conflict of interest policy to address this.

In addition, actual or potential conflicts of interest may also arise between the Fund, the Unitholders or the Manager on the one hand and the Depository on the other hand. For example, such actual or potential conflict may arise because the Depository is part of a legal entity or is related to a legal entity which provides other products or services to **the Fund or the Manager** and from which fees and profits in relation to the provision of those products or services may arise and from which the Depository may benefit directly or indirectly. In addition, the Depository may have a financial or business interest in the provision of such products or services, or receives remuneration for related products or services provided to **the Fund**, or may have other clients whose interests may conflict with those of **the Fund**, the Unitholders or the Manager.

In particular, HSBC Bank plc may provide foreign exchange services to the Fund for which they are remunerated out of the Fund Property. HSBC Bank plc or any of its affiliates or connected persons may also act as market maker in the investments of the Fund; provide broking services to the Fund and/or to other funds or companies; act as financial adviser, banker, derivatives counterparty or otherwise provide services to the issuer of the investments of the Fund; act in the same transaction as agent for more than one client; have a material interest in the issue of the investments of the Fund; or earn profits from or have a financial or business interest in any of these activities.

The Depository will ensure that any such additional services provided by it or its affiliates are on terms which are not materially less favourable to the Fund than if the conflict or potential conflict had not existed.

The Depository has a conflict of interest policy in place to identify, manage and monitor on an on-going basis any actual or potential conflict of interest. The Depository has functionally and hierarchically separated the performance of its depository tasks from its other potentially conflicting tasks. The system of internal controls, the different reporting lines, the allocation of tasks and the management reporting allow potential conflicts of interest and the Depository's issues to be properly identified, managed and monitored.

13.3 Material Interests and Conflicts

The Manager, the Investment Manager, the Depository and/or the Administrator are or may be involved in other financial, investment and professional activities which may, on occasion, cause

conflicts of interest in the management of the Fund. In addition, the Fund may enter into transactions at arm's length with companies in the same Group as the Manager.

The Depositary may, from time to time, act as depositary of other funds.

Each of the parties will, to the extent of their ability and in compliance with the FCA Regulations and the AIFMD Legislation, ensure that the performance of their respective duties will not be impaired by any such involvement.

The Fund has the power to invest in other funds operated or managed by the Manager or an associate of the Manager and a rebate of charges is made to ensure no double charging of the management fee. The Manager operates a client relationship management service to offer suitable support to Local Authorities. It should be noted that this service is associated with the Fund and that the Trustee owns 13.42% of the share capital of the Investment Manager as at 31 December 2020.

14. Taxation

14.1 General

The Fund is not subject to capital gains tax or income tax. Dividends are paid gross.

This is the Manager's understanding of the tax position as at the date of this Scheme Information. The tax position may change in the future. Unitholders should obtain their own tax advice in respect of their own position. Unitholders will be notified in writing with regards to any material changes in the tax position of the Fund.

14.2 FATCA

FATCA was implemented to enable the Internal Revenue Service to combat US tax evasion. It requires "foreign financial institutions" (such as the Fund) to report on US investors. Failure to comply (or be deemed compliant) with these requirements may mean that foreign financial institutions are subject to US withholding taxes on certain US-sourced income and gains. Under an intergovernmental agreement between the US and the United Kingdom, the Fund may be deemed compliant if it identifies and reports US taxpayer information directly to HMRC.

Similar reporting requirements may also apply to the Fund in respect of any Unitholders who are not solely UK tax resident following laws enacted to implement the OECD Common Reporting Standard for Automatic Exchange of Financial Account Information (CRS).

Accordingly, Unitholders should note that:

- they may be asked to provide additional information (including information regarding their tax residence) to the Manager to enable the Fund to satisfy these obligations;
- the Manager may be required to report these details to HMRC; and
- HMRC may subsequently exchange this information with other governments or tax authorities in other jurisdictions.

Institutional Unitholders may be required to provide a Global Intermediary Identification Number (GIIN). Failure to provide the requested information may subject a Unitholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Unitholder's interest in its Units. The GIIN for the Fund is available on request.

By signing the Application Form to subscribe for Units, each Unitholder agrees and acknowledges that, in certain circumstances, the Manager will be obliged to share this information with UK tax authorities, who may pass it on to other tax authorities. Unitholders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA or CRS on their interest in the Fund.

15. Termination

15.1 Winding Up

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

Once the Trustee has specified the date on which the Fund is to be wound up the Manager shall no longer effect any applications for the purchase or redemption of Units. As soon as practicable after the Fund falls to be wound up the Fund Property will be realised and after paying the costs of winding up and all other liabilities properly payable out of the Fund Property the net Fund Property will be distributed to the Unitholders pro rata to the Units held by each Unitholder. The Manager has discretion to make in-specie redemptions in place of payments in cash.

16. General Information

16.1 Data Protection

The Manager is a data controller in accordance with the Data Protection Legislation and will hold personal data about each Unitholder's representatives (referred to below as "**representatives**") that has been supplied to the Manager (whether by the representative, a Unitholder or otherwise) as set out in the Manager's

Privacy Notice. Each Unitholder agrees to ensure that the contact details and other personal data provided for it and its representatives to the Manager remains up to date at all times.

The Unitholder acknowledges that the Fund may invest in investment schemes operated and managed by the Manager and/or by third parties (referred to below as **"investment schemes"**) and that the Manager may need to pass data, including personal data regarding the representatives, to those investment schemes. The Manager will not pass on any personal data to any other third party or permit the investment schemes to pass the personal data to third parties except: (i) where, in relation to the performance of its services to the Unitholder, the Manager (or the investment scheme) sub-contracts part of the services or any support services; (ii) as agreed by the Unitholder; or (iii) where required to do so for legal or regulatory purposes as set out in the Manager's Privacy Notice.

The Manager (and the investment schemes) may keep records of all business transactions for at least seven years. Unitholders have a right to inspect copies of contract notes and entries in the Manager's books or computerised records relating to their transactions. Their representatives also have certain rights under applicable Data Protection Legislation, including the right to access copies of their personal data and change the permissions given in respect of the processing of it. The Manager will treat all Unitholders' records as confidential and so reserves the right to provide copies of the Unitholder/representative's particular record, rather than allow access to files which may contain information about other Unitholders. Requests to access the above records/personal data or to exercise any other rights under applicable Data Protection Legislation should be directed to The Data Protection Adviser at the Manager's office, Senator House, 85 Queen Victoria Street, London EC4V 4ET.

16.2 Title Documents to Fund Property

The Trustee has appointed Hogan Lovells International LLP, whose registered address is shown in Appendix 1, to hold in safekeeping the deeds, leases and other documents relating to the properties situated in England that are owned by the Fund.

The Trustee has appointed DLA Piper, whose registered address is shown in Appendix 1, to hold in safekeeping the deeds, leases and other documents relating to properties situated in Scotland that are owned by the Fund.

The Trustee may review these arrangements from time to time.

16.3 Telephone and Electronic Communications

Please note the Manager may record telephone calls for training and monitoring purposes and to confirm instructions.

16.4 Amending this Scheme Information

The Trustee and the Manager reserve the right to amend the Scheme Information at any time. Subject, where applicable, to the approval of HM Treasury where necessary as set out in the Scheme and this Scheme Information, and in relation to any changes to the investment objective and policy only in accordance with the provisions dealing with such changes as set out in this Scheme Information. Unitholders will be notified of any amendment material to them.

The Manager will endeavour to give Unitholders 90 days' notice of significant changes to the Scheme Information. When changes are required for regulatory or other reasons it may not always be possible to give 90 days' notice.

In certain limited circumstances the Trustee and/or the Manager (as appropriate) may decide that very minor changes to the investment policy and/or investment objective of the Fund (for example, those aimed at clarification of the investment objective and/or policy) would be considered a "notifiable change" within the meaning in the FCA Regulations. Such alterations may be made by providing Unitholders with access to an updated copy of this Scheme Information.

16.5 Professional Liability

The Manager holds professional indemnity insurance to cover professional liability risk.

16.6 Acceptance of Terms and Conditions

By completing the Application Form the Unitholder acknowledges and accepts the terms and conditions set out in this Scheme Information and the Scheme and agrees to be bound by them.

16.7 Applicable Law and Jurisdiction

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.

This Scheme Information summarises the terms on which the Fund operates. For full information as to the terms on which Units are issued, reference should be made to the Scheme which is available upon request from the Manager.

By applying for Units, a Unitholder acknowledges that it will be subject to the exclusive jurisdiction of

the courts of England and Wales to settle any dispute or claim arising out of or in connection with such a Unitholder's investment in the Fund or any related material.

16.8 Additional Information

A Unitholder is entitled to request an unaudited periodic report to be provided after the end of the period to which it relates.

The Manager will make available copies of the Scheme Information, Key Information Document, factsheet and annual and half yearly Report and Accounts on its website www.ccla.co.uk.

If a hard copy or an email copy of any of these documents or the Scheme is required, please contact Client Services on 0800 022 3505.

Appendix 1 – Directory

The Council of the Trustee

The Trustee of the Fund is The Local Authorities' Mutual Investment Trust which is a private company limited by guarantee without share capital. The Trustee operates through a Council.

The members of the Council are:

T. Beattie
P. Clokie
R. Kemp CBE
A. Naylor
C. Noble
S. Pickup OBE
C. Clement-Williams
D. Donnelly
G. Macgregor
C. West

Manager

The Manager of the Fund is CCLA Fund Managers Limited which is a limited liability company incorporated in England and Wales and is authorised and regulated by the Financial Conduct Authority in the conduct of investment business. The Manager is authorised by the FCA as a full scope AIFM and is entered on the FCA's register under reference number 611707.

The main business activity of the Manager is the management of unregulated Collective Investment Schemes in the form of UK AIFs.

CCLA Fund Managers Limited is a wholly owned subsidiary of CCLA Investment Management Limited. Registered Office at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Incorporated on 16 October 2013.

Directors of CCLA Fund Managers Limited are:

R. Horlick (Chairman)*
J. Bevan
P. Hugh Smith
J. Jesty*
C. Johnson*
G. Newson*
A. Robinson
A. Roughead*
E. Sheldon
C. West*

(* indicates a Non-Executive Director)

Investment Manager

The Investment Manager of the Fund is CCLA Investment Management Limited which is a limited liability company incorporated in England and Wales and is authorised and regulated by the Financial Conduct Authority in the conduct of investment business. Registered Office at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Incorporated on 26 October 1987.

Directors of CCLA Investment Management Limited are:

R. Horlick (Chairman)*
J. Bevan
P. Hugh Smith
J. Jesty*
C. Johnson*
G. Newson*
A. Robinson
A. Roughead*
E. Sheldon
C. West

(* indicates a Non-Executive Director)

CCLA Client Services telephone helpline number is 0800 022 3505. Please note telephone calls may be recorded.

Depository

The Depository of the Fund is HSBC Bank plc which is a public limited company, incorporated in England and Wales. It is a 100% subsidiary of HSBC Holdings plc, incorporated in England with limited liability. Its principal business is banking. The Head Office, which is also the Registered Office, is at 8 Canada Square, London E14 5HQ. The Depository is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Administrator

The Administrator of the Fund is CCLA Investment Management Limited.

Registrar

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

Auditor

The Auditor of the Fund is PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT.

Address for Complaints

Complaints regarding the operation or marketing of the Fund should be addressed to: the Manager at; The Head of Client Services, CCLA Fund Managers Limited, 85 Queen Victoria Street, London, EC4V 4ET; or the Investment Manager at; The Head of Client Services, CCLA Investment Management Limited, 85 Queen Victoria Street, London, EC4V 4ET; or the Trustee at; The Secretary, Local Authorities' Mutual Investment Trust, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

Property Valuer

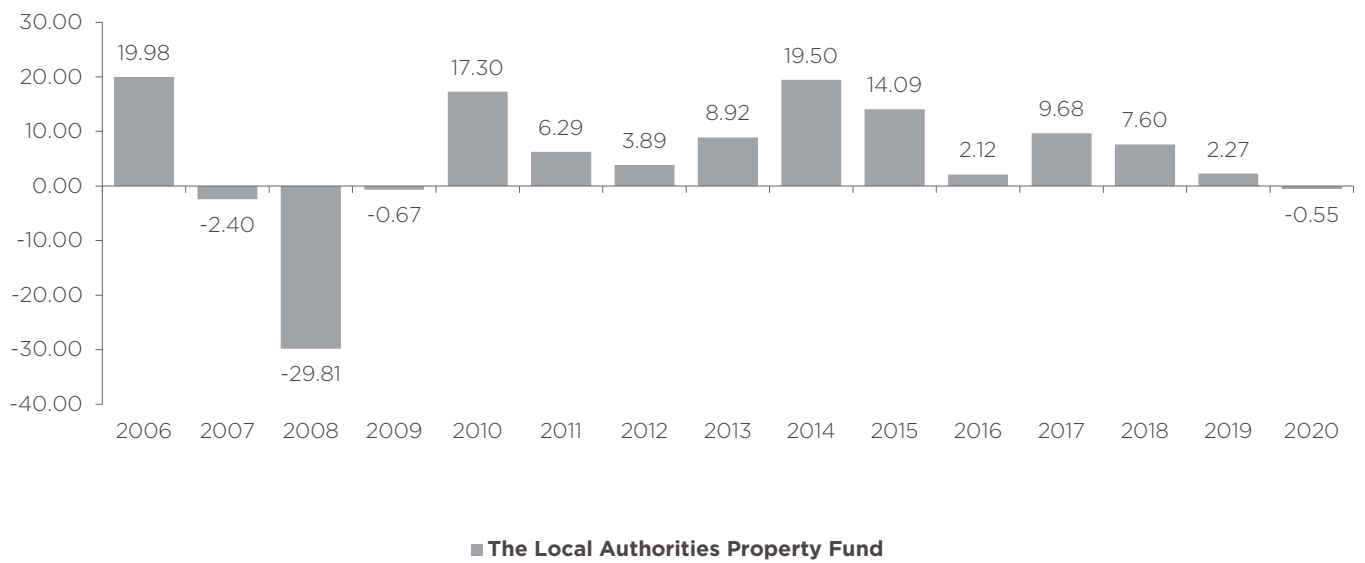
The property valuer of the Fund is Knight Frank, 55 Baker Street, London W1U 8AN

Property Lawyers

The property lawyers of the Fund are Hogan Lovells International LLP, Atlantic House, Holborn Viaduct, London EC1A 2FG and DLA Piper Scotland LLP, Collins House, Rutland Square, Edinburgh EH1 2AA.

Appendix 2 – Past Performance

The performance below is shown net of all Fund charges and expenses. It has been calculated in the Base Currency of the Fund.



The Fund launched in April 1972. Past performance is not a reliable indicator of future results.

CCLA Investment Management Limited

Freephone 0800 022 3505
clientservices@ccla.co.uk

www.ccla.co.uk

CCLA Investment Management Limited
(Registered in England & Wales No. 2183088)
and CCLA Fund Managers Limited (Registered
in England & Wales No. 8735639) are authorised
and regulated by the Financial Conduct Authority.
Registered address: Senator House, 85 Queen
Victoria Street, London EC4V 4ET.

CCLA

BECAUSE GOOD IS BETTER