

The Local Authorities' Property Fund

Fund Profile – 30 June 2013

An ideal choice for investors with long-term funds seeking a combination of capital and income growth

Price at 30.06.13

Net asset value

Income units 226.36p (xd)

Gross dividend yield 6.00%*

* Based upon the net asset value and an annual dividend of 13.59p, the gross income less management expenses.

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

The portfolio is actively managed and seeks to boost returns by lease and tenant management and property improvement.

The Fund has a broad sector spread to maximise the range of opportunities, with prudent diversification to keep risks under control.

Strong governance

The trustee is the Local Authorities' Mutual Investment Trust (LAMIT). LAMIT is controlled by representatives of the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and investors in the Fund. As trustee LAMIT approves the investment strategy and the risk profile of the portfolio and reviews performance.

Unique accounting advantages

Unlike other property funds of direct property purchases the Fund does not count as capital expenditure for English and Scottish local authorities. Dividends are treated as revenue income but the General Fund is protected from fluctuations in the unit price. The investment is treated as an available for sale financial asset.

Asset allocation by investment category 30 June 2013



Fund size £76 million

Property portfolio details

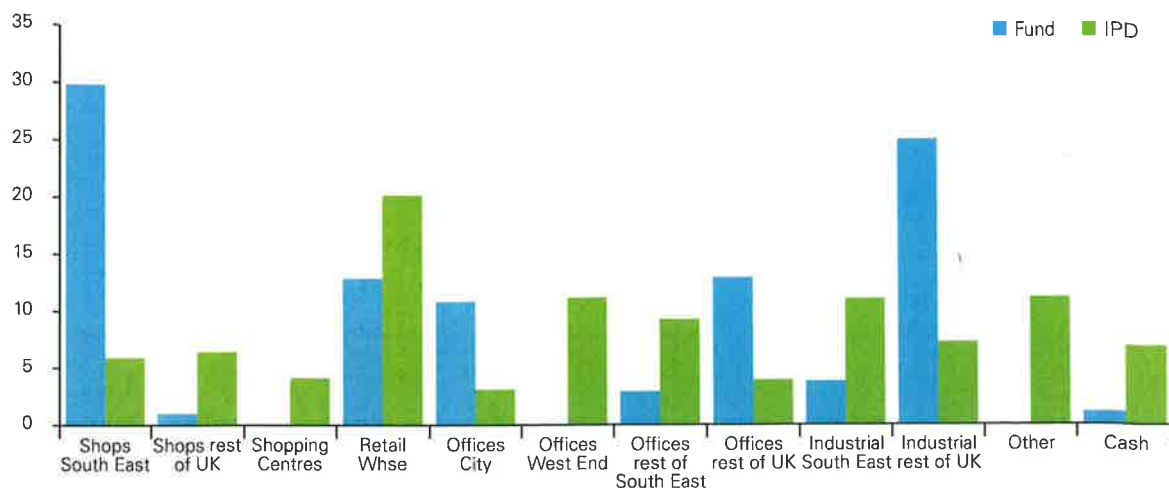
Top 5 properties = 48.5% of the portfolio

Top 5 tenants = 46.7% of rental income

Weighted unexpired lease term 4.7 years

Vacancy rate 10.5%

Asset allocation by region and category 30 June 2013



Fund Data and IPD Other Balanced Property Funds Index data as at 30 June 2013

Top ten property holdings – total 76.6%

London, Fenchurch Street
 Lutterworth, Magna Park
 Chichester, East Street
 Bishops Stortford, Stansted Road
 Reading, Broad Street
 London, Threadneedle Street
 Birmingham, Junction Six
 Glasgow, Blythswood Square
 Henderson UK Retail Warehouse Fund
 Bardonia, Interlink Park

Market update

Conditions in the sector have been challenging. Occupier markets have been weak and rents have been under pressure, particularly in the retail sector. Investment volumes have remained low and investor preference has been for top quality trophy assets. Activity, particularly in London, has been dominated by international investors.

Against this dull backcloth it is pleasing to note some recent signs of improvement. The availability of funding has improved and distressed sale volumes have fallen. Most encouragingly, investor interest has increased, attracted by the high income yields available and hopes that valuations, now stabilising will start to rise; if not in 2013 in 2014.

Fund activity

The Norwich shop previously let to Currys has been re-let to a new tenant and at a higher rent. At present the property is empty during refurbishment and this has pushed the void rate up to 10.5%, compared with 11.9% on the IPD Index. This is exceptional however and over the next month or so the rate will decline nearer to 3%. Other activity has seen a small vacant office holding in Slough sold and an extended lease agreed on a warehouse in Leicestershire.

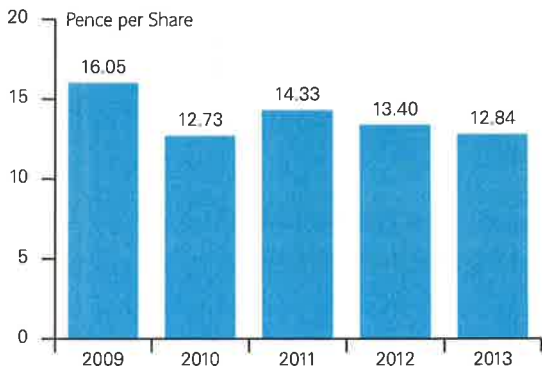
Outlook

In the immediate future we expect the two tier market to continue. The best returns will be earned by trophy assets and those with clear and secure income streams, secondary properties will produce a wider range of results but overall are expected to lag. Looking beyond this however we believe the sector is going through a process of transition which will lead to improved overall returns and a change of leadership, away from top prime properties, which are now only fair value, to good quality secondary stock. Supply of good assets at current prices is thin and demand is clearly increasing as a wider range of investors try to lock in to the exceptional income yields currently available. We expect a gradual improvement in values in the months ahead but there is a chance that the upturn is swifter and more substantial if buyers become more aggressive.

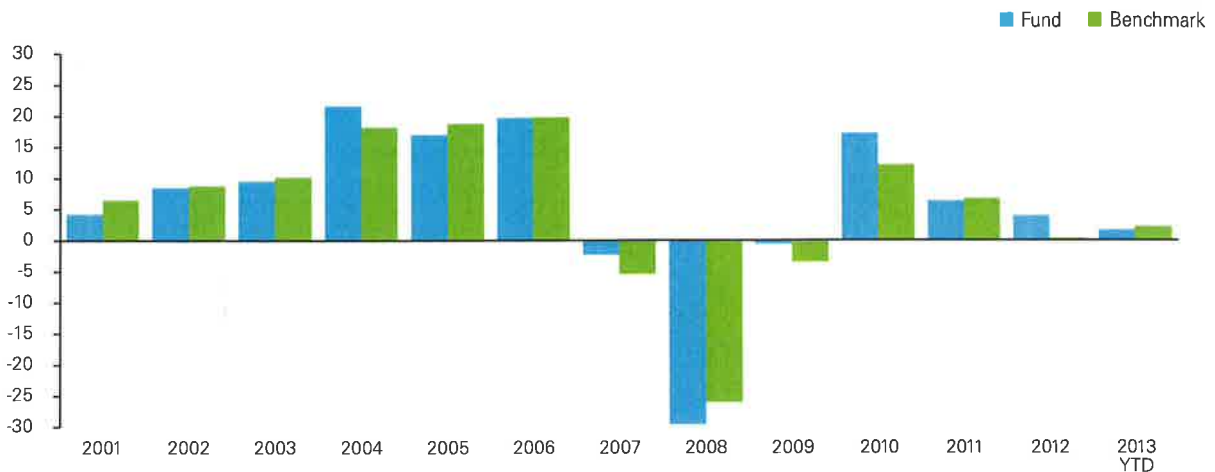
The importance of income

Dividend history of The Local Authorities' Property Fund

Years to 31 March



Calendar performance versus the benchmark



The benchmark is the IPD Other Balanced Property Funds Index.

Source: CCLA – Please note that past performance is no guarantee of future returns.

Long term performance

Total return performance (net) 12 months to end of June

	2013	2012	2011	2010	2009
The Local Authorities' Property Fund	+2.6%	+6.9%	+7.9%	+28.7%	-34.4%
Benchmark*	+1.4%	+3.8%	+7.9%	+19.0%	-29.5%

* The benchmark is the IPD Other Balanced Property Funds Index.

Source: CCLA – Please note that past performance is no guarantee of future returns.

Costs and charges

Our policy is always to keep costs and charges low - we believe that high costs and charges have a very damaging cumulative effect on investor returns. We negotiate to keep expenses low and monitor dealing costs closely. We have no entry or exit fees, the only income taken by the investment manager is the annual charge of 0.65%.

Key facts

Bid/offer spread	7.3%
Dealing day	Month end valuation day*
Minimum initial investment	£250,000
Minimum subsequent investment	£10,000
Dividend payment dates	End January, April, July & October
Annual management charge	0.65% (deducted from income)
Unit types available	Income
Sedol number	0521664
ISIN number	GB0005216642

* Instructions for the issue or redemption of units must be received by CCLA no later than 5pm on the business day prior to the Valuation Date. If the valuation day is a Bank Holiday the dealing day will be the previous working day. Units are only realisable on each monthly dealing date and redemptions may not be readily realisable; a period of notice not exceeding six months may be imposed for the redemption of units.

CCLA INVESTMENT MANAGEMENT LTD

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D10/JUL13

Important Information

Investors are not certain to make profits; losses may be made. Any forward looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

The Fund is an unregulated collective investment scheme established under a Scheme approved by H M Treasury under Section 11 of the Trustee Investments Act 1961 and is subject to provisions of a Trust Deed dated 6 April 1972 and a supplemental Trust Deed dated 13 September 1978. The Fund operates as an open-ended Fund under Part IV of the schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

CCLA Investment Management Limited (registered in England No. 2183088 at the office below) is authorised and regulated by the Financial Conduct Authority and is the manager of the Local Authorities Property Fund.



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Local Authority Property Fund

Key points:

- An introduction to CCLA
- Why consider property?
- The Fund

CCLA:

- A specialist fund manager.
- We work only for Charity, Local Authority and Church investors, all of our resources are dedicated to the sector.
- We are owned by our clients, including the Local Authority sector. We avoid the conflict that commercial external shareholders can bring – do you prioritise your shareholders' or your clients' interest?
- We are property specialists with real expertise and an excellent record.

Why property?

Property is interesting because of the characteristics of the sector and the current position in the investment cycle.

Characteristics

Income provides the main source of return from the sector. Income (rent) is contractual and so predictable over the longer term. Looking back into the past we can see that whilst property values can weaken in times of economic difficulty, income payments have continued. Total returns from property have offset the effects of inflation.

Why now?

The sector is particularly attractive at the moment because large parts are suffering depressed valuations which have pushed yields up to levels which are elevated relative to history. In the past couple of years 'trophy' assets, particularly in London, have been well supported, particularly by overseas investors. Elsewhere however prices have been in decline, to the extent that values fell for 18 of the 20 months to July and valuations are still below 2007 levels in many cases. Property has massively underperformed other assets such as fixed income securities and equities. There is now very strong values available from good quality properties with strong tenants but which are on sub-5 year leases.

The Fund:

www.ccla.co.uk

The Local Authority Property Fund is diversified and actively managed to keep specific asset risks low.

- It is available to only local authority investors.
- It has a portfolio of good quality assets.
- It provides a high income yield which is currently about 6%. We believe this income to be sustainable over time.
- It has an excellent performance record over all periods.
- It has a strong governance regime. The LAMIT Council is controlled by representatives of the LGA, the Convention of Scottish Local Authorities, NILGO and investors in the Fund.
- It has unique accounting advantages not available to other property funds or directly held properties. Investment in the Fund does not count as capital expenditure. Holdings are held on the balance sheet at acquisition cost.

Our approach:

We do not take a 'buy and hold' approach to investment. We are active managers and asset selection - finding the right property at the right time - is at the heart of what we do. The portfolio is diversified by location and sector but is not an index clone. Each asset we hold has been bought for a specific purpose. A key target is to maintain the high income payment to investors.

Sector outlook:

Valuations are low but investor interest is clearly increasing. This is slowly being reflected in prices, which are strengthening. We expect this process to continue for the next month or two, with more substantial progress at the end of this year and into 2014.

Regulatory information and risk warning

We do not represent that this information, including any third party information, is accurate or complete and it should not be relied upon as such. Opinions expressed herein are subject to change without notice.

The services described are provided by CCLA Investment Management Limited (CCLA), a firm authorised and regulated by the Financial Conduct Authority. This document is issued for information purposes only and is not a solicitation to buy or sell any investment. Nothing in the document should be deemed to constitute the provision of financial, investment or other professional advice.

Past performance is not an indication of future performance. Values of investments, and any income derived from them, may fall as well as rise and you may not get back the amount you invested. Exchange rate changes may have an adverse effect on the value, price or income of investments. The levels and bases of, and relief from, taxation may change. You should obtain tax advice where appropriate before proceeding with any investment. Investments in higher yielding bonds issued by borrowers with lower credit ratings may result in a greater risk of default and have a negative impact on income and capital value. Income payments may constitute a return of capital in whole or in part. Income may be achieved by foregoing future capital growth. There may be additional risks associated with investment in emerging and developing markets.

Where reference is made to Funds CCLA is the appointed Manager and these may be Unregulated Collective Investment Schemes. The Funds may deal infrequently and may limit redemption. Share values may reflect fluctuations in property and share prices. Fund charges may be applied to capital which may result in capital erosion.

Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligation to update or revise these. Actual results could differ materially from those anticipated.

