Royal London UK Real Estate Fund

Interim report

For the six month period ended 30 June 2021 (unaudited)

Contents

* The ACS Manager's report comprises these items.

+ The Investment Adviser's report includes a note on The Value Assessment.

ACS information

Authorised Contractual Scheme (the "ACS")

Royal London UK Real Estate Fund

Registered office:
55 Gracechurch Street, London EC3V 0RL

Authorised Contractual Scheme Manager (the "ACS Manager")

The ACS Manager is Royal London Unit Trust Managers Limited.

Place of business and Registered office:
55 Gracechurch Street, London EC3V 0RL

Authorised and regulated by the Financial Conduct Authority; a member of The Investment Association (IA).

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Directors of the ACS Manager

A.S. Carter (resigned 21 June 2021)

H.I. Georgeson (appointed 21 June 2021)

R.A.D. Williams

A. Hunt

R. Kumar

S. Spiller

C.R. Read

J.M. Brett (Non-executive Director)

N.A. O'Mahony (Non-executive Director) (resigned 31 July 2021)

Investment Adviser

Royal London Asset Management Limited

Place of business and Registered office:
55 Gracechurch Street, London EC3V 0RL

Authorised and regulated by the Financial Conduct Authority.

Depositary of the ACS Manager

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Registrar and Transfer Agents

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

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Administrator of the ACS Manager

HSBC Bank plc

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Standing Independent Valuers

Cushman & Wakefield LLP

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CBRE Limited

Henrietta House, Henrietta Place, London W1G 0BN

Property Manager

Jones Long LaSalle Limited (JLL)

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Legal Advisers to the ACS Manager

Eversheds Sutherland (International) LLP

One Wood Street, London EC2V 7WS

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Atria One, 144 Morrison Street, Edinburgh EH3 8EX

Report of the ACS Manager

We are pleased to present the interim report and financial statements covering the period from 1 January 2021 to 30 June 2021.

About the ACS

Royal London UK Real Estate Fund (the "ACS") is an authorised contractual scheme in co-ownership form under section 235A of the Financial Services and Markets Act 2000 and was authorised by the FCA with effect from 3 February 2017. The FCA's product reference number (PRN) for the ACS is 769047.

As a consequence of being constituted as an authorised co-ownership scheme, the ACS is treated as tax-transparent in the UK. The structure was designed with the intention of its being regarded as tax-transparent elsewhere. Unitholders which are resident for tax purposes in the UK or in any other jurisdiction which recognises the tax-transparency of the ACS will be treated as receiving their appropriate proportion of the net income arising from the Scheme Property as it arises.

The unitholders are not liable for the debts of the Fund.

Authorised status

The ACS is a stand-alone Collective Investment Scheme as defined in the Financial Services and Markets Act 2000. The ACS was authorised by the Financial Conduct Authority (FCA) on 3 February 2017. The ACS is a Qualified Investor Scheme (QIS) and qualifies as an Alternative Investment Fund within the meaning of Alternative Investment Fund Managers Directive ("AIFMD") for the purposes of the FCA Rules.

Royal London UK Real Estate Feeder Fund, a stand-alone open-ended investment company with variable capital (ICVC) with a Property Authorised Investment Fund (PAIF) status dedicated to investment in units of the ACS was launched for those investors unable to invest directly in the ACS.

The financial statements

The information for Royal London UK Real Estate Fund (the "ACS") has been included in these financial statements. We have provided a detailed description of the strategy that was adopted during the period under review.

This report has been prepared in accordance with the requirements of the Collective Investment Schemes Sourcebook as issued and amended by the Financial Conduct Authority.

For and behalf of Royal London Unit Trust Managers Limited

ACS Manager

H. I. Georgeson (Director)

J. M. Brett (Director)

25 August 2021

ACS Manager's Investment Adviser's report

Objective

The investment objective of the Royal London UK Real Estate Fund (the "ACS") is to aim to outperform the 12-month total return of the ACS's benchmark, the All Balanced Funds component of the AREF/MSCI UK Quarterly Property Fund Index. This index measures quarterly total returns on a net asset value basis.

Strategy

The ACS will invest in UK real estate across all major property sectors in a balanced portfolio. The portfolio will be significantly weighted toward London and the South East of England as a key driver to long-term returns, whilst also reducing the potential downside in a weak market. Diversification will also be provided by investing in key cities and locations across the UK to balance the risk profile of the portfolio and increase the running yield. Attention will be focused on securing prime properties in these strategic locations, to maintain exposure to assets with limited downside risk, plus strong asset management/ development potential in a recovering market. The long-term investment philosophy of the ACS requires strategic planning and preparation of asset management opportunities through market cycles, to position them for exploitation as and when market conditions are favourable. New acquisitions will be sought where they add to existing holdings.

Performance

For the six month period ended 30 June 2021, the ACS delivered a net return of 5.85%. This compares to its benchmark, the All Balanced Funds component of the AREF/MSCI UK Quarterly Property Fund Index which showed a return for the same period of 6.05%.

Since its launch in October 2017, the ACS has seen very strong investment performance in both absolute terms and in comparison to its benchmark. Since inception, the ACS has outperformed its benchmark by 358 basis points (20.61% vs 17.03%).

Market review

The UK has been at the forefront of the global vaccine effort. As of 10th July, over 80 million vaccinations have been given with around 87% of all adults having now received their first dose. Despite this remarkable achievement, progress in opening up the economy has been gradual and understandably cautious. Significantly, we have reached the stage where the UK government is confident enough to lift almost all legal restrictions on social contact in England, on 19 July. Since the turn of the year and leading up to this point, the UK commercial property market has remained relatively stable and more recently shown signs of positive momentum. As the economic recovery continues, this should support further demand for commercial property, from the perspective of both the occupier markets and from investors.

Focusing on the investment market, Colliers report that around £2.6bn was invested during May, down slightly from April's £2.9bn, but more than twice the corresponding 2020 figure of £1.2bn. In the first five months of the year, total investment volumes stood at £16.6bn. This is down slightly from £18.7bn over the same period in 2019 and £18.8bn in 2020. However, the 2020 figure was boosted by the £4.7bn iQ student portfolio deal, without which the 2021 figure would be up by 20% on the 2020 figure. This is despite strict travel restrictions, which have prevented many overseas buyers from visiting the UK and carrying out due-diligence or to inspect potential acquisitions. As travel restrictions are relaxed, we anticipate investment volumes should increase as pent up demand for UK property is released. A recent global investor survey carried out by CBRE indicates that London is the top ranked destination in EMEA, ahead of Berlin, Frankfurt, Paris and Amsterdam. Central London offices look relatively cheap in comparison to many European counterparts, so there is scope for momentum to pick up during the second half of the year.

The latest investment performance figures provided by the MSCI UK Monthly Index also signals an improving outlook. Year to date total returns, as at June stand at +6.2%. The market has now seen positive capital growth for eight consecutive months, with valuations surging by +1.5% in the month of June, the highest level of growth since June 2014. Divergence between sectors is stark though, with industrials significantly ahead of the rest of the market and pulling up the all sector average. The industrial sector has been buoyed by strong occupational fundamentals; increasing demand for warehousing space against very tight supply and low vacancy rates. In contrast, the pandemic has had a major impact on the occupational markets for both the retail and office sectors and they have lagged behind. Focusing on the retail sector, rents are still falling, but the rate of decline has decreased. Retail warehouse assets are becoming increasingly attractive as investors realise they have the potential for not only retail but also as a last mile logistics hub for the retailers. In office markets, faced with a prolonged period of uncertainty, corporate occupiers have understandably been reluctant to commit to longer term leases and take up levels have suffered as a result. With more certainty surrounding the timelines for recovery this should provide occupiers with greater clarity for relocation decisions. Encouragingly, leasing levels have begun to improve as occupiers shift their thoughts to the future office requirements. Polarisation is likely to become a theme as there is a flight to prime, well located buildings. ESG and flexibility are likely to be key differentiators going forward.

Looking ahead more generally, we feel there are reasons for optimism. Property looks good value relative to other asset classes. Government bond yields are higher than at the turn of the year, however the yield gap to property is still wide by historic standards at around 380 basis points (compared against 10 year gilts). The level of income generated by real estate is likely to draw investors towards the asset class. We

ACS Manager's Investment Adviser's report (continued)

Market review – continued

have seen considerable yield compression already this year for prime industrial assets and there is scope for this to transfer into other sectors, when occupational markets normalise. Prime Central London offices, (particularly those offering best in class space) are in short supply and are anticipated to see some inward yield movement. Consumer confidence has been improving of late and we could see a splurge of spending once the economy re-opens. However, it is abundantly clear that risks around mutated virus strains still exist and the current third wave of transmissions in the UK is a concern, particularly as it coincides with relaxation of restrictions on 19 July. It is likely that there will be some bumps in the road ahead. Only when government support is removed will it be possible to see how many of the firms currently operating with little or no working capital can survive. Much is riding on the way things evolve over the next six months, but the path out of the pandemic appears that bit closer.

Portfolio review and activities

The ACS's property portfolio is currently valued at £3.0bn, held in 80 properties with an estimated rental value of £144.0m, giving a portfolio income yield of 4.0% and a reversionary portfolio yield of 4.9%.

Balance sheet management

As at the 30 June 2021, the ACS held £122.7m in cash (ex. distribution) equating to 4.1% of the ACS's NAV.

The ACS currently has no gearing.

Rent collection

The ACS has a collection rate to date of 82.68% of the collectable March and June rent demands. The remainder is subject to either ongoing discussions with tenants, agreements that have been reached or potential legal action to pursue recovery.

Acquisition

There were no acquisitions for the six month period to 30 June 2021.

Disposals

Eden House, London

In February, the ACS completed on the sale of Eden House, London to Global Holdings for £51.0m. The sale price for Eden House was £1.85m above valuation which was considered at the top of the range for a vacant building - so an excellent result for the ACS.

21/23 Coney Street, York

In February also, the ACS completed on the sale of 21/23 Coney Street, York for £2.0m.

Developments

The ACS has a bias towards Central London development so progressing the development initiatives to take advantage of an improving tenant market, combined with a short term restricted supply pipeline for best in class offices, is key.

The Earnshaw, London

In May 2017, the ACS obtained planning permission for the redevelopment of Castlewood House plus a smaller, nearby ownership, Medius House, to be replaced by a new building comprising 139,000 sq ft of office accommodation, 20,000 sq ft of retail/restaurant space and 18 'affordable' residential units.

Castlewood and Medius House have now been demolished, other than the retained façade of Medius House, and Skanska UK Plc, have been appointed as main contractor. The new steel frame and floors are currently being erected, and overall completion is scheduled for Q1 2023. Considerable thought has gone into the planning and design of the proposed building, with the aim of being 'best in class' in all respects.

Marketing of the development has commenced and the new office building has been branded as 'The Earnshaw'. Interest has already been received from potential occupiers and it is anticipated that a pre-let can be secured during the construction phase.

The Distillery, Bristol

The site comprises four plots located in the heart of Bristol City centre, in close proximity to Bristol Temple Meads train station and the Cabot Circus Retail Quarter. Working with AWW architects the ACS secured detailed planning consents for the delivery of a 200 bed hotel on Plot 2 in the northwest corner of the site and a 92,000 sq ft, Grade A office development on plot 4.

During the design and planning process the team were able to secure a Pre-let to Jurys Hotels (now the Leonardo Group) for a new 35 year lease subject to 5 yearly index linked uplifts. The development reached practical completion in Q1 2021 and the lease is in the process of being documented. This letting will provide a strong index linked income for the ACS over the very long term.

The marketing and branding for the office scheme are progressing well with the development branded and marketed as 'The Distillery, Bristol'. The office element comprises two buildings being No. 1 & No 2 The Distillery of 37,800 sq ft and 53,874 sq ft respectively. Practical completion was reached in March 2021 and discussions are ongoing with prospective occupiers. The development is currently in the process of finalising its sustainability and environmental certifications and is expected to achieve a Building Research Establishment Environmental Assessment Method (BREEAM) Excellent rating and a Fitwel 2* rating. The Distillery incorporates a beautiful active stairwell which is aesthetically pleasing to encourage active movement within the buildings as well as a living wall located in the piazza courtyard entrance.

ACS Manager's Investment Adviser's report (continued)

Portfolio review and activities – continued

Asset management and lettings

Industrial

The ACS's high weighting to London and the South East continues to be highly beneficial to the ACS. The ACS's industrial portfolio saw capital growth of +9.7% over the quarter. High demand and significant forecasted rental growth, driven by the last mile logistics model, continues to increase rental and capital growth across the main urban areas.

Stourton Link, Leeds

The lease renewal of Unit 1 to Troy Foods (Salads) ltd was completed in Q1. The tenant signed a new 5 year lease at an annual rent of £218,772 (£6psf) with 4 months rent free. The new rent achieved reflected a 14.3% increase on the previous passing rent. The tenant had considered vacating the unit in order to consolidate into another premises they already occupy nearby. As a result of retaining them, the estate is fully let. This renewal will provide helpful evidence for the upcoming rent reviews of units 2 & 3, which are currently paying £5psf and £5.25psf respectively. The occupier demand in Leeds is very strong so it is anticipated that further external evidence will be created in the interim to push the rental tone on further. As a result of the transaction the asset saw an 11.4% increase in value on the previous quarter.

Ellerslie Square Industrial Estate, Brixton

The outstanding rent review of Unit 9, which is occupied by Fulham Timber Merchants Limited was completed in Q1. The new annual rent is £274,980 (£20psf), reflecting an 18% increase on the previous passing rent and 11% above ERV. This settlement will assist in the negotiations with Howdens on the lease renewal of unit 10.

Elsewhere on the estate, a planning application for a certificate of lawfulness for change of use to Class E was approved and has resulted in the last remaining void to go under offer to a climbing wall operator on 10 year straight lease, £332,334 per annum (£18psf) with 10 months rent free. Following the conclusion of this transaction, the estate will be fully let. This asset is in a prime location for trade and urban logistics and we have continually looked to move the rents on as supply has diminished. It is anticipated that this will continue.

Springfield Business Park, Chelmsford

Plans are being progressed to speculatively develop an industrial terrace delivering c 35,000 sq ft on the existing 'Phase 1' site, adjacent to the recently developed DPD distribution warehouse . The scheme will deliver a flexible building capable of being let as a single unit or split into 2 with the appropriate amenity and office provisions.

The building design and specification fully considers and incorporates the latest ESG standards, targeting 'A' EPC & BREEAM 'excellent' certifications. The project is currently in the tender phase and the programme assumes completion in May 2022. Given the huge lack of available supply in the local market we are expecting the units to let well, setting new headline rental evidence for the estate, and performing strongly for the ACS.

Redbourne Park, Liliput Road, Northampton

The first quarter saw the completion of the letting of the only void unit on the estate. Pattern UK Limited have taken units 5 & 6 on a 10 year lease with a 5th year break at a rent of £306,000 per annum (£7.50psf) with the first 10 months at half rent. Prior to the new tenant's occupation, the unit was extensively refurbished. As a result, the EPC increased from a C to an A. The headline rent of £7.50psf was 36% ahead of ERV. Elsewhere on the estate, the February 2020 rent review of units 3 & 4 was settled. The new rent was agreed at £243,000 per annum (£6.48psf) which represents a 53% increase on the previous passing rent and 18% above ERV.

Retail

Against the ongoing backdrop of the pandemic, the focus for the retail team remains on protecting income, disposing of assets that are expected to underperform and assessing repurposing options where appropriate.

Concessionary deals with occupiers have been agreed where necessary, if possible linked to changes to lease structures, such as removal of break options, or extensions to the lease term. The Government has recently extended the moratorium on pursuing tenants for rent arrears, so the restrictions on a landlord's remedies remain in place.

The Government has also recently announced its intention to introduce legislation to create a legally binding arbitration process where landlord and tenant have not been able to agree a compromise on pandemic rental arrears. It is hoped that this will encourage retailers that have been taking advantage of the moratorium to act more reasonably.

470/482 Oxford Street, London

The ACS owns a long leasehold interest in a block adjacent to Marks & Spencer's Marble Arch store. It comprises three shop units over ground and basement levels with the upper parts being let on a long lease to Marks & Spencer.

Marks & Spencer announced plans for the redevelopment of the store to create a new office development with an element of retail that Marks & Spencer will occupy. The proposed scheme included the ACS's ownership. Marks & Spencer has recently submitted a planning application for the proposed development. We continue to appraise the proposal to establish the best outcome for the ACS, which includes the funding of this flagship office development.

ACS Manager's Investment Adviser's report (continued)

Portfolio review and activities – continued

Asset management and lettings – continued

Offices

As the COVID-19 restrictions begin to be lifted tenant activity has started to increase with businesses focusing on their future occupational needs in a post pandemic world and being more prepared to make decisions.

The emphasis for the ACS is liaising with tenants, particularly the retail tenants of the mixed use buildings, over rent arrears and how these can be recovered over time, as well as tenant retention and minimising voids.

60 Fenchurch Street, London

60 Fenchurch Street is a 12 storey office building of 61,000 sq ft, located opposite Fenchurch Street station. The building comprises floors of 5,000 ft and is multilet to a number of professional firms including Sedgwick Insurance. HSBC vacated part of the lower floors of the building in July in line with their portfolio rationalisation, which creates the opportunity to undertake a comprehensive redesign of the Ground Floor reception and lower ground floor storage to provide a level of amenity space to be in line with competing schemes in the market. The 3rd Floor was vacated in October 2020 and we have designed, tendered and instructed a contractor on a refurbishment package to deliver a high quality, fully fitted office suite to the market. The works are underway and despite pandemic restrictions and a difficult market we already have a request for a proposal from a prospective tenant.

An architect and project manager have been appointed to produce a design solution and a final design has now been agreed. This will open up both ends of the building to increase prominence, establish break out and communal areas with a new impressive reception.

Trafalgar Buildings, London WC1

A reversionary lease has been completed with Regus Plc to remain in their demise of 30,000 sq ft at a rent of £577,460 pa with an expiry of June 2022 and to incorporate 3 month mutual rolling breaks effective from earliest December 2021. This is to retain income for the ACS until the property is ready for redevelopment and follows on from a similar reversionary lease completed with Pret A Manger last year.

Meanwhile, the ACS is progressing the detail of the redevelopment scheme and are working with the architect to move through to RIBA Stage 3. As part of this review there are improvements that the team will seek to make to the design to positively impact value. This will include an amendment to the planning consent to both the retail and office elements. At Ground floor the ambition is to add further Food and Beverage provision to position the scheme via securing destination brands. There is also the potential to increase the height of the roof slightly to enable greater floor to ceiling height and improved window alignment for the two upper floors, which will improve the occupier experience and therefore letability and overall value.

Kings Gate, Maidenhead

The holding comprises an established office cluster with associated parking located immediately off the forecourt of Maidenhead Mainline Train Station. Kings Gate comprises a 38,000 ft, four storey office building let to Cincom (a software developer) until December 2022.

The mini estate offers a long term redevelopment opportunity to increase massing and capitalise on the benefits of the delivery of the Elizabeth Line when the lease of the adjacent Sita House expires in 2030.

With the pending lease expiry the office team are engaged with multiple sub tenants in order to negotiate lease extensions and maintain income through to 2030. This will require some investment in the common parts of the building and form part of surrender negotiations with the current tenant. Negotiations are ongoing with the various occupiers and the ACS has engaged a planning consultant to provide representations on the future redevelopment to be incorporated in the local plan.

Responsible Property Investment (RPI)

The ACS fully recognises the property it owns contributes towards Climate Change and that it is becoming increasingly urgent to manage and mitigate this impact into the future. To address this, and as part of our aspiration to be a leader in Responsible Property Investment (RPI), a strategy has been developed that will enable this to be achieved. The development of our RPI strategy has led to the creation of a new strategic framework.

This identifies the material sustainability issues that we consider are most applicable to the ACS and includes focus areas of activity, supported by the foundation of responsible decision making. This strategic framework is linked directly to an action plan which includes the updating of our procedures and the monitoring of progress to ensure we achieve our goals. This applies throughout our fund strategy, acquisitions, developments, and asset management of all commercial real estate assets owned by the ACS.

The ACS is also currently finalising its Net Zero Carbon pathway which we propose to launch later this year, and at the same time sign up to the Better Buildings Partnership (BBP) Climate Commitment. The Commitment requires signatories to publish their net zero carbon pathways and delivery plans and disclose the energy performance of their assets. It has an overreaching objective of delivering net zero buildings incorporating both direct and indirect investments, operational and embodied carbon. Signatories will also report annually on the progress against their pathways and disclose the energy performance of their portfolios, demonstrating a clear intention to improve transparency within the market.

ACS Manager's Investment Adviser's report (continued)

Responsible Property Investment (RPI) – continued

The ACS is about to launch a trial programme of installing utility monitors. This will enable the occupier to better understand the electricity, gas and water profile of their premise, and allow us to monitor the utility consumption of the property portfolio.

Investment outlook

Having slowed in Q1, business surveys suggest that the global economic recovery picked up sharply in late Q1/early Q2 as European economies reopened after lockdowns and with COVID-19 case numbers having fallen back in the US, UK and parts of Europe. Fiscal policy and monetary policy remained a critical underlying support for the economy in Q2. The US fiscal package passed in March will have supported the US economy – and beyond. The UK economy is likely to have grown strongly in Q2 reflecting re-opening (the economy contracted in Q1).

The pace of UK GDP growth slowed in May, after a strong bounce in March and April. With COVID-19 case numbers resurgent in June and despite further reopening, growth may have slowed further in the last month of the quarter if households became more cautious in their social interactions; Google mobility data for the UK shows a fall in activity in areas associated with retail and recreation from early June. Business survey data through to June, however, look consistent with continued relatively strong growth in the UK.

Supply chain issues caused problems for UK manufacturers in Q2, as well as generated inflationary pressure. Consumer price inflation climbed over the quarter, on base effects, supply chain issues and re-opening effects. UK CPI inflation reached 2.5% year-on-year in June – well above the Bank of England's 2% inflation target. The Bank of England adjusted their own expectations over the quarter and signalled that they expect inflation to peak above 3%. RPI inflation finished the quarter at 3.9%Y, its highest level since the start of 2018.

The delta variant has grown as a threat to the UK outlook over the rest of the year. However, at this stage, the second half of 2021 is expected to see robust, albeit slower, economic growth as the successful vaccine rollout has left the UK government comfortable with reopening even further rather than rolling back, or even pausing its 'roadmap' out of lockdown. Consumer spending and business investment should be growth supportive given healthy aggregate finances. Data continue to show that UK households in aggregate have a high savings rate and built bank deposits at pace during the crisis. As fear of COVID-19 falls again and confidence rises, there is potential spending power to fuel a further rise in consumer spending. However, the rise in COVID-19 cases from late Q2 may dent consumer confidence for a time and data continues to suggest that the increase in UK savings has strongly favoured those on higher incomes/those who were already wealthy.

Monetary policy remained accommodative, but the Bank of England decided to slow the pace of asset purchases in May. Fiscal policy is set to become less supportive in the UK. Several key elements of UK emergency fiscal support are set to end by the Autumn, including the furlough scheme and additional Universal Credit payments.

Tensions between the UK and EU on post-Brexit trade relations were tense for much of the quarter. The two sides have agreed to more talks to resolve issues around trade in Northern Ireland. A serious deterioration in relations could damage business confidence and trading conditions.

Drew Watkins
Portfolio Fund Manager
30 June 2021
Royal London Asset Management

This report covers investment performance, activity and outlook. For a wider look at the ACS, our Annual Value Assessment report is available on www.rlam.co.uk. Portfolio holdings are subject to change, for information only and are not investment recommendations.

The views expressed are the author's own and do not constitute investment advice and are not an indicator of future the ACS's performance.

Source: Royal London Asset Management, unless otherwise stated.

Portfolio statement

As at 30 June 2021

Investments	Holding	Tenure	Sector	30 June 2021 Market value (£'000)	Total net assets (%)
Direct Properties					
Direct Properties Market Values up to £25m – 20.60% (31/12/20 – 19.94%)					
Bedfont – Cargo 30		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 1 and 2		Freehold	Industrial		
Chelmsford – 5 Springfield Business Park Phase 3		Freehold	Industrial		
Chelmsford – Land at Springfield Business Park		Freehold	Industrial		
Chester – 22/24 Eastgate Street and 30 Eastgate Row		Freehold	Retail		
Daventry – Distribution Centre		Freehold	Industrial		
Egham – Runnymede Centre		Freehold	Industrial		
Gatwick – 2 City Place		Freehold	Offices		
Guildford – Woodbridge Road		Freehold	Retail Warehouse		
Hayes – Pasadena Close		Freehold	Industrial		
Hedge End – Royal London Park		Freehold	Industrial		
Hemel – Robert Dyas		Freehold	Industrial		
Kingston-upon-Thames – 6/8a Church Street		Freehold	Retail		
Leeds – Phase 1 and 2 Manston Industrial Estate		Leasehold	Industrial		
Leeds – Stourton Link Haigh Park Road		Freehold	Industrial		
Leicester – GP2002 Unit Grove Park		Freehold	Industrial		
London EC4 – 32/33a Farringdon Street		Freehold	Offices		
London NW10 – 1-11 Cumberland Avenue		Freehold	Industrial		
London W1 – 103/103a Oxford Street		Freehold	Retail		
London W1 – 22 Old Bond Street		Leasehold	Retail		
London WC1 – Medius House		Freehold	Offices		
London WC2 – 2-4 Bucknall Street and 12 Dyott Street		Freehold	Offices		
Maidenhead – 68 Lower Cookham Road, Whitebrook Park		Freehold	Offices		
Maidenhead – Beach House		Freehold	Offices		
Maidenhead – King's Gate		Freehold	Offices		
Manchester – Davenport Green		Freehold	Other Commercial		
Manchester – H&M – Kings Court		Leasehold	Retail		
Newcastle – Central Exchange Buildings		Freehold	Retail		
Northampton – Units 1-5 Brackmills Industrial Estate		Freehold	Industrial		
Oxford – Centremead / Ferry Mills		Freehold	Industrial		
Redhill – Gatton Park Business Centre		Freehold	Industrial		
Southall – 169 Brent Road		Freehold	Industrial		
Southall – Brent Park Industrial Estate		Freehold	Industrial		
Southall – Bulls Bridge Trading Estate		Freehold	Industrial		
Southall – Units 3-6 Boeing Way		Freehold	Industrial		
Southampton – Southampton Mail Centre		Freehold	Industrial		
Staffordshire – Tamworth Audi Garage		Freehold	Other Commercial		
Tamworth – Cardinal Point Retail Park		Freehold	Retail Warehouse		
Tamworth – Plot 1- Mini Car Showroom		Freehold	Other Commercial		
Tamworth – Unit 1, Cardinal Point		Freehold	Industrial		
Tamworth – Plot 4 – BMW Car Showroom		Freehold	Other Commercial		
Tamworth – Ventura Park Trading Estate		Freehold	Industrial		
Tunbridge Wells – Longfield Road Retail Park		Freehold	Retail Warehouse		
Windsor – Minton Place and Consort House		Freehold	Offices		
Total Direct Properties Market Values up to £25m				**617,995**	**20.60**
Direct Properties Market Values between £25m and £50m – 13.83% (31/12/20 – 17.07%)					
Chatham – Horsted Retail Park		Freehold	Retail		
Leeds – Colton Retail Park		Freehold	Retail Warehouse		
London EC1 – 14-21 Holborn Viaduct		Freehold	Offices		
London EC4 – Meridian House		Freehold	Offices		
London NW10 – Cumberland and Whitby Avenue		Freehold	Industrial		
London WC2 – 20 and 1-3 Long Acre and 20 Garrick Street		Freehold	Offices		
London WC2 – Trafalgar Buildings		Freehold	Offices		
Norwich – Sprowston Retail Park		Freehold	Retail		
Preston – Capitol Leisure Park		Freehold	Leisure		
Preston – Capitol Retail Park		Freehold	Retail Warehouse		
Watford – Century Retail Park		Freehold	Retail Warehouse		
Total Direct Properties Market Values between £25m and £50m				**414,755**	**13.83**

Portfolio statement (continued)

As at 30 June 2021

Investments	Holding	Tenure	Sector	30 June 2021 Market value (£'000)	30 June 2021 Total net assets (%)
Direct Properties Market Values between £50m and £100m – 36.70% (31/12/20 – 34.11%)					
Bristol – 1-3 & 5-9 Broad Plain*		Freehold	Offices		
Brixton – Ellerslie Square Industrial Estate		Freehold	Industrial		
Greenford – Westway Shopping Park		Freehold	Retail		
Hayes – 1/3 Uxbridge Road		Freehold	Industrial		
London EC3 – 62-63 Fenchurch Street		Freehold	Offices		
London EC4 – 1-3 St Pauls Churchyard		Freehold	Offices		
London SE1 – Land at Six Bridges Trading Estate		Freehold	Industrial		
London SE18 – Westminster Industrial Estate		Freehold	Industrial		
London SW1 – 85/87 Jermyn Street		Freehold	Offices		
London SW6 – Hurlingham Retail Park		Freehold	Residential		
London W1 – Frith & Dean Street and Soho Square		Freehold	Offices		
London W1 – 149 &151/151a Oxford Street		Freehold	Retail		
London WC1 – Castlewood House*		Freehold	Offices		
London WC2 – 9-12 Bow Street and Hanover Place		Freehold	Retail		
Salford – Metroplex Business Park		Freehold	Industrial		
Southall – International Trading Estate		Freehold	Industrial		
Total Direct Properties Market Values between £50m and £100m				**1,101,000**	**36.70**
Direct Properties Market Values greater than £100m – 23.15% (31/12/20 – 24.24%)					
London SW1 – Parnell House		Freehold	Offices		
London W1 – 120-122 New Bond Street		Freehold	Retail		
London W1 – Ham Yard Hotel		Freehold	Hotel		
London W1 – Kingsley House		Freehold	Offices		
London W1 – 470/482 Oxford Street and Granville Place		Leasehold	Retail		
Total Direct Properties Market Values greater than £100m				**694,335**	**23.15**
Collective Investment Schemes – 2.31% (31/12/20 – 2.14%)					
Industrial Property Investment Fund	47,845		Collectives	69,222	2.31
Total Collective Investment Schemes				**69,222**	**2.31**
Portfolio of investments				**2,897,307**	**96.59**
Fair value adjustments**				**(27,538)**	**(0.92)**
Net other assets				**129,862**	**4.33**
Total net assets				**2,999,631**	**100.00**

* Bristol – 1-3 & 5-9 Broad Plain, London WC1 – Castlewood House and London WC1 – Medius House are partly under development.

** Fair value adjustments include lease incentives, rent free debtors and finance lease payables.

Summary of material portfolio changes

For the six month period ended 30 June 2021

Significant purchases

	Cost £'000
There have been no purchases during the period	–

Significant sales

	Net proceeds £'000
London E1 – Eden House	50,190
York – 21/23 Coney Street	1,971
Prior year post sales costs	(43)
Total proceeds from sales for the period	**52,161**

Significant capital expenditure

	Cost £'000
London WC1 – Castlewood House	9,047
Bristol – 1-3 & 5-9 Broad Plain	3,865
London W1 – 120-122 New Bond Street	1,605
London EC1 – 14-21 Holborn Viaduct	1,538
Leeds – Colton Retail Park	1,171
Watford – Century Retail Park	1,149
Subtotal	**18,375**
Total capital expenditure for the period	**21,365**

The purchases, sales and top 6 capital expenditure detail the material changes in the portfolio during the period.

Comparative tables

Class W Gross Income

Change in net assets per unit	30/06/21 (£)	31/12/20 (£)	31/12/19 (£)	31/12/18 (£)
Opening net asset value per unit	102.48	105.67	107.00	102.34
Return before operating charges*	6.41	1.26	3.74	9.71
Operating charges**	(0.10)	(0.77)	(0.81)	(1.54)
Return after operating charges*	6.31	0.49	2.93	8.17
Distribution on income units	(1.97)	(3.68)	(4.26)	(3.51)
Closing net asset value per unit	106.82	102.48	105.67	107.00
* after direct transaction costs of:	0.03	0.10	0.05	0.02
Performance				
Return after charges	6.16%	0.46%	2.74%	7.98%
Other information				
Closing net asset value (£'000)	2,943,894	2,824,172	2,912,142	2,948,838
Closing number of units	27,558,517	27,558,517	27,558,517	27,558,517
Operating charges excluding property expenses**	0.02%	0.02%	0.19%	0.70%
Property expenses	0.17%	0.74%	0.58%	0.76%
Operating charges	0.19%	0.76%	0.77%	1.46%
Direct transaction costs	0.03%	0.10%	0.05%	0.01%
Prices				
Highest unit price	110.03	106.92	109.88	110.21
Lowest unit price	101.89	99.13	104.09	101.87

** From 1 April 2019 Class W – Gross Income Units no longer charge a Management fee.

Class Z Gross Income

Change in net assets per unit	30/06/21 (£)	31/12/20 (£)	31/12/19 (£)	31/12/18** (£)
Opening net asset value per unit	102.48	105.67	107.00	102.34
Return before operating charges*	6.40	1.26	3.75	9.71
Operating charges	(0.45)	(1.49)	(1.38)	(1.54)
Return after operating charges*	5.95	(0.23)	2.37	8.17
Distribution on income units	(1.61)	(2.96)	(3.70)	(3.51)
Closing net asset value per unit	106.82	102.48	105.67	107.00
* after direct transaction costs of:	0.03	0.10	0.05	0.02
Performance				
Return after charges	5.81%	(0.22)%	2.21%	7.98%
Other information				
Closing net asset value (£'000)	55,737	53,470	55,136	55,830
Closing number of units	521,767	521,767	521,767	521,767
Operating charges excluding property expenses	0.70%	0.72%	0.72%	0.70%
Property expenses	0.17%	0.74%	0.58%	0.76%
Operating charges	0.87%	1.46%	1.30%	1.46%
Direct transaction costs	0.03%	0.10%	0.05%	0.01%
Prices				
Highest unit price	110.03	106.92	109.88	110.21
Lowest unit price	101.89	99.13	104.09	101.87

** Class Z Gross Income share class launched on 2 January 2018.

It should be remembered that past performance is not a reliable indicator of future performance and that the value of units, and the income derived from them, can vary.

Direct transaction costs are stated after deducting the proportion of the amounts collected from dilution adjustments that relate to direct transaction costs.

Financial statements

Statement of total return

For the six month period ended 30 June 2021

	30 Jun 2021 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2020 £'000
Income				
Net capital gains/ (losses)		122,057		(126,323)
Revenues	63,240		95,000	
Expenses	(8,188)		(37,071)	
Interest payable and similar charges	(1)		7,052	
Net revenue before taxation	55,051		64,981	
Taxation	–		–	
Net revenue after taxation		55,051		64,981
Total return/(loss) before distributions		177,108		(61,342)
Distributions		(55,119)		(57,929)
Change in net assets attributable to unitholders from investment activities		**121,989**		**(119,271)**

Statement of change in net assets attributable to unitholders

For the six month period ended 30 June 2021

	30 Jun 2021 £'000	30 Jun 2021 £'000	30 Jun 2020 £'000	30 Jun 2020 £'000
Opening net assets attributable to unitholders		**2,877,642**		**2,967,278**
Amounts receivable on issue of units	–		–	
Amounts payable on cancellation of units	–		–	
		–		–
Change in net assets attributable to unitholders from investment activities		121,989		(119,271)
Closing net assets attributable to unitholders		**2,999,631**		**2,848,007**

Balance sheet

As at 30 June 2021

	30 Jun 2021 £'000	31 Dec 2020 £'000
Assets		
Fixed assets:		
Land and buildings		
Investment property	2,639,247	2,552,764
Property under construction	161,300	164,110
Investments	69,222	61,591
Total fixed assets	2,869,769	2,778,465
Current assets:		
Debtors	82,683	78,428
Cash and bank balances	122,681	97,324
Total current assets	205,364	175,752
Total assets	3,075,133	2,954,217
Liabilities		
Creditors:		
Other creditors	48,432	51,389
Finance lease payable	1,158	1,158
Distribution payable	25,912	24,028
Total liabilities	75,502	76,575
Net assets attributable to unitholders	**2,999,631**	**2,877,642**

Financial statements (continued)

Statement of cash flows

For the six month period ended 30 June 2021

	30 Jun 2021 £'000	30 Jun 2020 £'000
Net cash inflow from operating activities	**47,840**	**38,542**
Cash flows from servicing of finance		
Distribution paid to unitholders	(53,235)	(60,684)
Interest received	–	40
Interest paid	(1)	–
Net cash outflow from servicing of finance	**(53,236)**	**(60,644)**
Cash flows from investing activities		
Payments to acquire investments	(21,365)	(58,434)
Receipts from sale of investments	52,118	104,512
Net cash inflow from investing activities	**30,753**	**46,078**
Net cash inflow before financing activities	**25,357**	**23,976**
Cash flows from financing activities		
Finance lease payments	–	(7,052)
Net cash outflow from financing activities	**–**	**(7,052)**
Net increase in cash during the period	**25,357**	**16,924**
Cash balance brought forward	97,324	42,853
Cash and bank balances at the end of the period	**122,681**	**59,777**

Notes to the financial statements

For the six month period ended 30 June 2021

1. Significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the period and all the years presented, unless otherwise stated.

Basis of preparation

The financial statements of the ACS have been prepared in compliance with the FCA's Collective Investment Schemes Sourcebook ("COLL") and in accordance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017 (the "2014 SORP") and the Prospectus and the ACS Deed. These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through profit or loss.

Going concern

The ACS Manager has examined significant areas of possible financial risks including the impact of COVID-19 and has not identified any material uncertainty that casts significant doubt upon the ACS's ability to continue as a going concern for a period of not less than twelve months from the date of the approval of the financial statements. The ACS Manager has satisfied themselves that the ACS has adequate resources to continue in operational existence for the foreseeable future.

Based on the above and after due consideration, the ACS Manager believes it is still appropriate to continue to adopt the going concern basis in preparing the financial statements.

Summary of significant accounting policies

Basis of valuation of investments

Fair value of investment property

Investment properties owned by the ACS which are classified under land and buildings are held either to earn rental income or for capital appreciation or both. Investment properties are measured initially on acquisition at their costs, including transaction costs. Acquisitions of investment properties are recognised where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract. Additions to investment properties consist of costs of a capital nature.

Subsequent to initial recognition, investment properties are valued individually on a quarterly basis by either Cushman & Wakefield Debenham Tie Leung Limited or CBRE Limited on the basis of "Fair Value" as defined in the International Valuation Standards of the ('RICS') Valuation Global Standards 2017 (the "RICS Red Book") and in accordance with FRS 102.

Fair value represents the figure that would appear in a hypothetical contract of sale between a willing buyer and a willing seller and is a product of rent and yield derived using comparison techniques. In undertaking the valuation of properties under this method, an assessment has been made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transactions, together with evidence of demand within the vicinity of the subject property. With the benefit of such transactions, capitalisation rates have then been applied to the properties, taking into account size, location, terms, covenant and other material factors. Fair value of investment property includes deductions for credit worthiness, CVAs based on certain tenants and sectors.

Land and buildings held under finance leases are recognised as investment properties of the ACS at their fair value after assessing the agreements that transfer the right of uses assets at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to the Statement of Total Return.

The value at which the properties are stated in the Balance Sheet are reduced by the total of the unamortised incentives which are included as separate assets within debtors, and is increased by the total of the unamortised finance lease obligations which are included under liabilities as finance lease payables.

The difference between the fair value of an investment property at the reporting date and its carrying amount prior to re-measurement is included in the statement of total return as a valuation gain or loss within the 'net capital gains/(losses)' note on page 14.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Disposal of an investment property is recognised where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the Statement of Total Return in the period in which the property is derecognised as a realised gain or loss within the 'net capital gains/(losses)' note on page 14.

The ACS's properties are subject to an on-going rolling programme of internal and external inspection by the standard independent valuers during the period. While not all properties have been inspected in the first six months the standing independent valuers are comfortable this has had no impact on the valuation.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

1. Significant accounting policies – continued

Basis of valuation of investments – continued

Fair value of property under construction

Property under construction owned by the ACS for such purposes which are classified under land and buildings are measured initially on acquisition at its cost, including transaction costs. The fair value of the property under construction for continuing use as investment property has been determined on the same basis as the investment property taking into consideration costs for construction and development as well as capital expenditure outlays using recognised valuation techniques.

The fair value is assessed by reference to market prices at the reporting date for similar completed property, less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. Development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of properties under construction.

A property under construction is derecognised upon disposal or when it is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property is included in the Statement of Total Return in the period in which the property is derecognised within the 'net capital gains/(losses') note on page 14. Disposal of a property under construction is recognised where, by the end of the accounting period, there is a legally binding, unconditional and irrevocable contract.

Fair value of collective investment schemes

Units in collective investments schemes are valued at bid-price if dually priced as provided by the relevant fund managers. The fair value of single priced collective investment schemes is their single price.

Leased assets

At inception the ACS assesses agreements that transfer the right of use assets. The assessment considers whether the arrangement is, or contains, a lease based on the substance of the arrangement.

Finance leased assets

Leases of assets that transfer substantially all the risks and rewards incidental to ownership are classified as finance leases. Finance leases are capitalised at commencement of the lease as assets at the fair value of the leased asset or, if lower, the present value of the minimum lease payments calculated using the equivalent yield. Incremental direct costs incurred in negotiating and arranging the lease, are included in the cost of the asset. The capital element of lease obligations is recorded as a liability on inception of the arrangement. Lease payments are apportioned between capital repayment and finance charge, using the effective interest rate method, to produce a constant rate of charge on the balance of the capital repayments outstanding.

Lessor operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Lease incentives

Incentives received to enter into an operating lease are credited to the Statement of Total Return account, to reduce the lease expense, on a straight-line basis over the period of the lease.

Lease payments arising from as a direct consequence of the COVID-19 pandemic and related rent concessions are recognised over the periods that the change is intended to compensate, as this generally reflects the economic substance of the intended benefit of these concessions and their temporary nature and only if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is less than the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no significant change to other terms and conditions of the lease.

As a result of the above, the ACS has adjusted certain receivables to distinguish temporary rent concessions separately from other changes in lease payments. The impact of this is the reduction of rental income from tenants where rental concessions been granted during the period.

Financial instruments

The Company has complied with Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at amortised cost using the effective interest method.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

1. Significant accounting policies – continued

Financial assets – continued

The ACS assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired as follows:

- If there is objective evidence (such as significant financial difficulty of the tenant, breach of contract, or it becomes probable that the tenant debtor will enter bankruptcy), the asset is tested for impairment. Tenants who are in administration or are expected to enter into administration but still trading are assigned an appropriate impairment loss rate of up to 100%. For tenants who have entered bankruptcy, in liquidation, in administration and no longer trading, or are in other financial reorganisation, they are determined individually by the ACS as deemed uncollectable and a full impairment loss is assigned.
- Any breach of contract or delinquency resulting from a lease receivable over 30 days or rental concessions granted to the tenant that the ACS would not have otherwise consider for economic and legal reasons is an objective evidence of impairment. An impairment loss is calculated for each tenant using a provision matrix comprising predetermined ageing default rates and credit risk scores derived from the latest quarterly MSCI Weighted Average Credit Risk Score for the ACS.

  MSCI Weighted Average Credit Risk Score is based on the Dun & Bradstreet Failure Score for each sub portfolio which gives the likelihood that an organisation will obtain legal relief from its creditors or cease operations over the next 12 month period. It aggregates each company's information from a variety of sources including ratios and trends taken from financial accounts. Factors assessed also include trade experiences, liquidity, solvency, profitability, debt, late filing and detrimental notes. Behind the Failure Score is an associated probability of failure. The ACS applies a much high percentage in each case to reflect the prudence of the ACS's assessment of the recoverability of lease receivables.

  For tenants within the Industrial and Office sectors, the probability of failure is applied on a group basis whereas for tenants in retail and alternative sectors (hotels, car showrooms and restaurants), the probability of failure is applied individually based on the latest available information on each tenant including, leasing history and covenant strength, evidence of payment history, requests for payment holidays or rental reductions, market condition under which the tenant trades, current credit rating and other specific information about the tenant's financial or trading circumstances.
- For rental income receivable, the ACS considers whether the tenant is in a short term or a long term difficulty using the same assessment listed above for lease receivables. Where the ACS determines that certain tenants are in short term difficulties, it calculates an impairment loss based on the recovery rate for their corresponding lease receivables. Where the ACS determines certain tenants are in long term difficulties, the ACS writes off the entire rental income receivables (including, lease incentives or rent free balances).
- In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the ACS will not be able to collect all of the amounts due under the original terms of the invoice.

The amount of the loss is measured as the difference between the asset's carrying amount and the estimated recoverable amount and is recognised in the Statement of Total Return.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in the Statement of Total Return.

Cash and bank balances

Cash is cash in hand and at bank. Bank overdrafts are shown within borrowings in current liabilities where held.

Financial liabilities

Basic financial liabilities, including trade and other payables are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the credit instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities are derecognised when the liability is extinguished, that is when the contractual obligation is discharged, cancelled or expires.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

1. Significant accounting policies – continued

Creditors

The ACS sometimes obtains deposits from tenants as a guarantee for returning the property at the end of the lease term in a specified good condition or for the lease payments for a period typically 12 months. Such deposits are treated as financial liabilities and they are initially recognised at fair value. The difference between fair value and cash received is considered to be part of the minimum lease payments received for the operating lease. The deposit is subsequently measured at amortised cost.

Units

Units are classified as equity. Incremental costs directly attributable to the issue of new units are shown in equity as a deduction, net of tax, from the proceeds. Units have no par value and, within each Class subject to their denomination, are entitled to participate proportionally in the profits arising in respect of, and in the proceeds of, the winding up of the ACS. Units do not carry preferential or pre-emptive rights to acquire further units.

Taxation

As the ACS is a stand-alone ACS the ACS isn't subject to UK tax on income or capital gains.

Provisions

Provisions for legal claims are recognised when:

1. The ACS has a present legal or constructive obligation as a result of past events;
2. It is probable that an outflow of resources will be required to settle the obligation; and
3. The amount can be reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

The ACS makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management consider factors including the current credit rating of the debtor, the ageing profile of debtors and historical experience to make provisions for bad and doubtful debts.

Revenue recognition

Revenue includes rental income, insurance and service charges from investment properties.

All dividends (including distributions from collective investment schemes) on investments marked ex-dividend up to the accounting date are included in revenue inclusive of any tax deductions at source and net of attributable tax credits.

Distributions from collective investment schemes and dividends received from quoted equity and non-equity shares are credited to revenue when the security is quoted ex-dividend. Accumulation of revenue relating to accumulation units or shares held in underlying funds is recognised as revenue and included in the amount available for distribution.

Revenue received from investments in authorised collective investment schemes, which are purchased during the period, will include an element of equalisation which represents the average amount of revenue included in the price paid for shares or units. Equalisation received and accrued from distributions or accumulations on units or shares in underlying investments is treated as capital and deducted from the cost of investment.

Rental income

Rental income is accounted for on an accruals basis. Rental income received in advance are deferred and recognised in the period to which it relates. Rental income from properties where leases have been entered into, which have been let subject to an initial rent free period, or lease incentive, are accounted for on a straight-line basis over the life of the tenancy in accordance with FRS 102. Additional rental income arising from rent reviews will be recognised once the review is complete.

COVID-19 related rent concessions

Rent concessions as a direct consequence of the COVID-19 pandemic where reduction in lease payments have been granted are recognised over the periods that the changes in lease payments are intended to compensate. This has resulted in a decrease in rental income for the period.

Service charge income

The service charge is operated by the ACS on a self-funding basis by collecting and disbursing service charge income to cover service charge expenses. Service charge income is recognised in the Statement of Total Return on an accruals basis.

Insurance income

The insurance revenue receivable from tenants is based on the insurance premiums paid by the ACS as property owners on behalf of the tenants. Insurance revenue is recognised as receivable when the insurance renewal tenancy schedule is finalised with the insurance brokers.

Insurance income is recognised in the Statement of Total Return on an accruals basis.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

1. Significant accounting policies – continued

Revenue recognition – continued

Interest income

Interest income from bank balances and deposits is recognised on an accruals basis.

Dividend income

Dividend income is recognised when the right to receive payment is established.

Expenses recognition

Expenses are classified as revenue based on the nature of the expenses such as, audit, fund management, service charge or other operating expenses. Expenses relating to or incidental to the purchase and sale of land and buildings and property under construction and stamp duty land tax are treated as capital.

All expenses are recognised in the Statement of Total Return in the period in which they are incurred (on an accruals basis).

Fund manager's fee

In payment for carrying out its duties and responsibilities the ACS Manager is entitled to take a Fund manager's fee from the ACS's revenue as a percentage of the relevant value of the asset of each unit class of the ACS. The Fund manager's fee is calculated quarterly, accrued on a daily basis by reference to the net asset value of each class on that dealing day and the amount due for each quarter is payable the last working day of the following quarter.

Recoverable service charge expenses

Recoverable service charges expenses represent the aggregate of all service charge expenses incurred by the ACS's property portfolio and reported by the managing agent at period end.

Recoverable service charge expenses are recognised in the Statement of Total Return on an accruals basis.

Irrecoverable service charge expenses

In certain circumstances where service charges are not recoverable from the occupiers, for example, when the property is unoccupied or due to lease deficiencies, the ACS as the property owner will be required to reimburse such expenses. These are called irrecoverable service charges or void expenses.

Irrecoverable service charges are recognised in the Statement of Total Return on an accruals basis.

Write-offs

The ACS Manager writes off a financial asset including bad debts when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Bad debts are written off or derecognised when they become uncollectable and are therefore considered to be losses to the ACS. Bad debts are written off at the discretion of the ACS Manager following recommendation by the managing agent.

Financial assets written off may still be subject to enforcement activities under the ACS's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in Statement of Total Return.

Distribution to unitholders

Dividends and other distributions to ACS's unitholders are recognised as a liability in the financial statements in the period in which the dividends and other distributions are approved by the ACS's Depositary. These amounts are recognised in the statement of changes in net assets attributable to unitholders.

Dilution levy

In certain circumstances the ACS Manager may charge a dilution levy on the sale or repurchase of units. The levy is intended to cover certain dealing charges not included in the value of the ACS used in calculating the unit price, which could have a dilutive effect. Normally the ACS will only charge such a levy on a sub-fund experiencing large levels of net purchases or net redemptions relative to its size. Any dilution levy is charged at the discretion of the ACS Manager.

Related party transactions

The ACS discloses transactions with related parties which are not wholly owned within the same Group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the ASC Manager, separate disclosure is necessary to understand the effect of the transactions on the ACS's financial statements.

2. Estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience as adjusted for current market conditions and other factors.

Key accounting estimates and assumptions

The ACS makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting period are addressed below.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

2. Estimates and judgements – continued

Key accounting estimates and assumptions – continued

Estimation of fair value of investment property

Investment property is measured at fair value which represents a significant proportion of the ACS's net assets at 93.3% (31/12/20: 94.4%). Therefore, the estimates and assumptions made to determine their carrying value during valuation are critical to the ACS's financial position and performance.

The valuation derived is only an opinion and is a product of rent and yield derived using comparison techniques. In undertaking the valuation of properties under this method, an assessment has been made on the basis of a collation and analysis of appropriate comparable investment, rental and sale transaction, together with evidence of demand within the vicinity of subject property.

Sensitivity analysis

The values of investment properties are driven by their expected rental yield. The current expected yield by sector is shown in the following table, along with the potential impact to values if all the properties in the sector increased or decreased based on a risk based percentage.

Sector	Expected Yield	Risk % by Sector	Value if increase by risk %	NAV impact	Value if increase by risk %	NAV impact
Industrial	4.25%	0.25%	51,767,000	1.73%	(45,784,000)	(1.53)%
Offices	3.77%	0.50%	94,198,000	3.14%	(76,021,000)	(2.53)%
Retail Warehouses	4.68%	0.75%	25,121,000	0.75%	(19,136,000)	(0.64)%
Alternatives	4.77%	0.75%	25,779,000	0.86%	(18,705,000)	(0.62)%
Leisure & Retail	4.95%	1.00%	202,447,000	6.75%	(127,558,000)	(4.25)%

Estimation of fair value of property under construction

The valuation of property under construction have been based on the assumption that all works of construction have been satisfactorily carried out in accordance with the building contract and specifications, current British Standards and any relevant codes of practice. The assumption has also been made that a duty of care and all appropriate warranties are available from the professional team and contractors, which will be assignable to third parties.

3. Distribution policies

Basis of distribution

Revenue is generated by the ACS's investments during each accounting period. The amount available for distribution in any accounting period is calculated by taking the aggregate of the income received or receivable of the relevant unit class and deducting the charges and expenses paid or payable out of income in respect of that accounting period. The ACS Manager then makes such other adjustments as it considers appropriate in relation to taxation, income unlikely to be received, income which should not be accounted for on an accruals basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

In order to conduct a controlled distribution flow to unitholders, interim distributions will be made at the ACS Manager's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed, at unit class level, to the unitholders in accordance with the ACS's prospectus.

All unit classes of the ACS are priced and distributed on a quarterly basis therefore there are no group 2 units at the end of each distribution period and therefore no equalisation is applied to unit class prices.

Apportionment to share classes

The allocation of revenue and expenses to each unit class is based on the proportion of the ACS's assets attributable to each share class on the day the revenue is earned or the expenses are suffered.

Expenses

In determining the net revenue available for distribution, expenses that are deemed to be capital in nature or are related to the purchase and sale of investments are ultimately charged to the capital of the ACS.

4. Risk management policies

In accordance with its investment objective, the ACS holds financial instruments such as UK properties. The risks set out below do not purport to be exhaustive and the ACS may be exposed to risks of an exceptional nature from time to time.

Market price risk and valuation of property

Since the fair value of investment property represents a significant proportion of the ACS's net assets at 93.3% (31/12/20: 94.4%), property values are exposure to a number of risk factors which may affect the total return of the ACS. These factors include the change in general climate, local conditions, the physical characteristics of the building (apart from normal wear and tear, advances in technology or requirements of tenants may render a building less attractive over time), property management, competition on rental rates, length of the lease(s) (if a building is let to a good quality tenant for a long period of time then the value of the property will reflect this even if general economic conditions are more volatile), attractiveness and location of the properties (the attractiveness of a particular location may change over time), financial condition of tenants (the value of a building is a function of its rental income and therefore the creditworthiness of the underlying tenants, which may deteriorate over time), buyers and sellers of properties, quality of maintenance, insurance and management services and changes in operation costs.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

4. Risk management policies – continued

Market price risk and valuation of property – continued

Property valuation is a technical procedure of calculation based on interpreting comparable rental and yield evidence of completed sales in the market and applying that market information to form a judgement as to the likely sale price of the subject property. Therefore, the value is based on the approach to the calculation, the quality and availability of market information and judgement in forming a view of the likely sale price.

Immovable property and immovable property-related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to uncertainty and are a matter of an independent valuers' opinion. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where a sale occurs shortly after the valuation date.

Market risk is minimised through holding a geographically diversified portfolio that invests across various property sectors. The ACS adheres to the investment guidelines and investment and borrowing powers established in the Prospectus, ACS Deed and in the rules governing the operation of open ended investment companies.

Liquidity risk

Since the ACS invests mainly in immovable property, which is relatively illiquid and more difficult to realise than most equities or bonds, it can be exposed to liquidity risk surrounding its capacity to maintain sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet its obligations to fund its distribution payments and redemptions. If an asset cannot be liquidated in a timely manner, then it may be harder to attain a reasonable price.

In normal circumstances, redemption requests will be processed under valid instructions to redeem units received before a redemption cut-off point by the ACS Manager which will be processed at the redemption price for the relevant unit class calculated at the applicable valuation point. In order for a redemption request to be dealt with at the above valuation point on any dealing day, the instruction must have been received at least 6 months prior to the relevant dealing day.

In exceptional circumstances, such as market uncertainty, the ACS Manager may defer redemptions where the ACS Manager considers it to be in the best interests of the unitholders. The deferral period for any redemption request is a maximum of 12 months from the original dealing day when the request for redemption would otherwise have been processed. When deemed appropriate by the ACS Manager, acting in the best interests of the unitholders, redemption will be deferred in whole or in part by the ACS Manager within this timeline. The ACS Manager must give unitholders notice of the deferral no later than two calendar months prior to the original dealing day. The price at which such units will be redeemed will be the redemption price on the dealing day on which the units are actually redeemed. The ACS Manager may cancel the deferral (wholly or in part) by giving notice to Unitholders no later than one calendar month prior to the next dealing day. Where a deferral is cancelled the redemption will be settled on the dealing day immediately following the date of the notice of cancellation. Any deferred redemption will be processed on a first come, first served basis. Those redeeming unitholders at the front of the queue will be processed first. Requests for redemption that have been accepted at an earlier dealing day will be dealt with pro-rata prior to any requests for redemption that are accepted at a later dealing day. Requests for redemption may be deferred in whole or in part several times save that any such deferred request may only be deferred to a dealing day which is no more than 12 months after the original dealing day. Neither the ACS Manager nor Investment Adviser is aware of any redemption requests pending or any indication that any of the unitholders intend to redeem units in the ACS in the near future.

Also during periods of uncertainty or volatile markets, the Investment Adviser may choose to hold a substantial proportion of the property of the ACS in money-market instruments and/or cash deposits, provided that the ACS satisfies all the rules in the COLL on the types of permitted investments.

Included in the ACS Manager's responsibilities for managing and monitoring the liquidity risk of the ACS is to maintain liquidity risk management policies and procedures. The liquidity risk management policies and procedures include the management, implementation and maintaining of appropriate liquidity limits for the ACS and monitoring and assessing the policies and procedures of the Investment Adviser for the ACS in managing the ACS's liquidity limits. In determining its risk management policies, the ACS Manager has taken into account the nature, scale and complexity of its activities including those of the delegated Investment Adviser, and has liquidity risk profiles that are consistent with those required for a well-functioning and robust system including the requirement to meet redemption requests from unitholders on each dealing day.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

4. Risk management policies – continued

Liquidity risk – continued

The following table provides a profile of the ACS's liquidity.

	Within three months	Over three months but not more than one year	Over one year
30 June 2021	**£000**	**£000**	**£000**
Cash at bank	122,681	–	–
	%	**%**	**%**
Unitholding that can be redeemed	–	100.00	–
Portfolio capable of being liquidated	4.06	81.31	14.63
31 December 2020	**£000**	**£000**	**£000**
Cash at bank	97,324	–	–
	%	**%**	**%**
Unitholding that can be redeemed	–	100.00	–
Portfolio capable of being liquidated	1.81	73.39	24.80

The following table provides a maturity analysis of the ACS's financial liabilities showing the remaining contractual maturities on an undiscounted basis.

	Within one year	Over one year but not more than five years	Over five years
30 June 2021	**£000**	**£000**	**£000**
Distribution payable	25,912	–	–
Finance lease payable	98	394	7,873
Other creditors	48,432	–	–
	74,442	**394**	**7,873**
31 December 2020			
Distribution payable	24,028	–	–
Finance lease payable	98	394	7,922
Other creditors	51,389	–	–
	75,515	**394**	**7,922**

Credit and counterparty risk

The ACS is exposed to credit risk in the event of default by an occupational tenant. The ACS would suffer a rental shortfall and incur additional costs, including legal expenses, in maintaining, insuring and re-letting the property.

In managing credit risk, rental income from any one tenant or tenants within the ACS is monitored so that it does not exceed a certain threshold of the aggregate revenue in relation to the property investments in any accounting period as determined from time to time by the ACS Manager. Rent is collected from tenants in advance, usually quarterly. Cash is placed on deposit with reputable financial institutions and is subject to limits as disclosed in the Prospectus.

The ACS will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes. The ACS Manager may pass cash or other assets to its counterparties as margin or collateral to an unlimited extent. Subject to the Regulations, at any one time, the ACS may be exposed to the creditworthiness of its counterparties in respect of all or part of such margin or collateral. In the event of the insolvency of a counterparty, the ACS Manager might not be able to recover cash or assets of equivalent value in full.

Property credit risk may arise from tenant default in the ACS's properties through their inability to meet rental payments, as a result the ACS's income may be impacted and additional costs incurred, such as legal expenses. In the likely even of default by an occupational tenant, there will be rental shortfall and additional costs incurred in maintaining, insuring and re-letting the property.

Consequences of COVID-19 include increased credit and counterparty risks on the entirety of the real estate industry. The ACS is significantly exposed to highly affected sectors such as hotel and leisure, retail and office investments which can hamper future and current cash flows and investment performance. The solvency of counterparties such as tenants in the affected sectors has given the ACS Manager greater focus in adopting additional risk management measures to mitigate the lasting impact of the pandemic. The risk management tools include assisting tenants to survive whilst acting to safeguard the interests of the Unitholders. The ACS has granted rental concessions in the form of rental deductions and rent free periods to some tenants as a short term measure whilst reassessing planned investments and strategy based on market developments in the long term.

The ACS Manager and Investment Adviser have assessed the recoverability of the ACS's assets, including trade and other receivables, recorded as at 30 June 2021 at the date of issue of the financial statements and have made the appropriate adjustments where required.

The ACS Manager and Investment Adviser adhere to regulatory and fund management guidance and investment strategy and that mitigates any risk of excessive exposure to any particular type of sector or tenant type.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

4. Risk management policies – continued

Currency risk

All financial assets and financial liabilities of the ACS are in sterling thus the ACS has no exposure to currency risk at the balance sheet date.

Interest rate risk

The ACS may at certain times invest cash on deposit. The ACS held £122.7m (31/12/20: £97.3m) cash at the period end and has minimal exposure to interest rate risk. In times of low nominal interest rate, there may be no, negative or low interest paid on these holdings. In such circumstances, the ACS could be subject to losses especially after charges are deducted.

The ACS has the ability to borrow up to 10% of the value of the ACS, but it did not take advantage of this.

The interest rate risk is low for the ACS and therefore no sensitivity analysis has been performed.

Inflation risk

Inflation may, over time, reduce the value of your investments in real terms.

The inflation risk is low for the ACS and therefore no sensitivity analysis has been performed.

Leverage risk

In managing the assets of the ACS, the ACS Manager may from time to time use leverage, either in the form of borrowings (for example, for the purposes of funding acquisitions in anticipation of receiving subscriptions or to meet redemption requests as part of the liquidity management of the ACS). Currently the ACS has no borrowings of cash or securities and as such no disclosure is required under the AIFM Directive.

Coronavirus risks

The ongoing Coronavirus (COVID-19) pandemic has magnified the key existing risks associated with property values and the performance of the ACS's investment.

Property valuations

It is now over a year since the declaration of COVID-19 pandemic on 11 March 2020 and the recommendation by RICS of the use of the Material Uncertainty Clause on 17 March 2020. Although it has since been recommended that material valuation uncertainty should no longer apply to most sectors and assets classes, the decision on whether to apply the material valuation uncertainty clause in any sector are based on individual valuer judgement and in each case will depend upon the circumstances of the valuation. Many of the property assets valued with reference to trading potential have been the subject of enforced closure for a prolonged period and although most businesses have now been allowed to re-open, not all have done so and, in many cases, it is too early to properly assess the trading potential of these assets with a sufficient degree of certainty. In these circumstances it would be appropriate for the valuer to continue to apply a material uncertainty declaration until such time as the impact on the trading potential of the asset and sector can be seen more clearly. RICS recommendations are based on a high-level overview of market conditions, and necessarily cannot consider factors applying to specific assets, regions or markets. The decision whether to insert, maintain or remove commentary that a valuation is materially uncertain remains with the valuer, considering the specific attributes and performance of the individual asset and its market, and they should have a sound rationale for the decision they reach upon such consideration. None of the properties within the ACS' valuations issued on 30 June 2021 were reported as being subject to 'material valuation uncertainty.'

Rental collection

Key credit risk management tools to mitigate the risks of non-payment of rents by tenants include granting of rental concessions, such as monthly payments plan and short-term deferrals. There is also the risk of further government actions that protect some tenants from facing legal actions for non-payment of their rents.

The UK Government announced on 16 June 2021 that businesses that have had to remain closed during the COVID-19 pandemic and are unable to pay rent on their commercial property will continue to be protected from eviction until 25 March 2022. In addition, the UK Government has also announced that legislation will be introduced in this parliament to ringfence outstanding unpaid rent that has built up when a business has had to remain closed during the pandemic. Landlords are expected to make allowances for the ringfenced rent arrears from these specific periods of closure due to the pandemic and share the financial impact with their tenants. The legislation is intended to assist tenants and landlords to work together to come to an agreement on how to handle the money owed – this could be done by waiving some of the total amount or agreeing a longer-term repayment plan. This agreement should be between the tenant and landlord and, if in some cases, an agreement cannot be made, the law will ensure a binding arbitration process will be put in place so that both parties can come to a formal agreement. This will be a legally binding agreement that both parties must adhere to.

For the six month period to 30 June 2021, rent demanded was £58.50m of which £48.36m was paid giving the ACS a collection rate to date of 82.68% of the annual rent demand. The remainder is subject to either ongoing discussions with tenants, agreements that have been reached or potential legal action to pursue recovery. The ACS through its Investment Adviser have been proactive in engaging with the tenants and are trying to consider the individual circumstances of each occupier. The ACS is also keeping in close contact with its managing agents and other landlords to gauge the stance others are taking and understand themes as they emerge.

Notes to the financial statements (continued)

For the six month period ended 30 June 2021

4. Risk management policies – continued

Liquidity

The principal risks and uncertainties due to the ongoing pandemic relate to increased short-term market volatility, including impact on fund liquidity, and the potential adverse long-term effects of disruption to the global economy and markets. The ACS Manager continues to assess the liquidity risks to ascertain whether there was sufficient liquidity in the ACS to meet its operational costs and redemption requests if the situation arose. The ACS is a Qualified Investor Scheme and is not bound by the FCA rule requiring the suspension of a non-UCIT retail scheme fund where material uncertainty applies to the value of immovables which constitute 20% of the scheme's value. Moreover, the ACS unitholders are made up entirely of internal investors whom the ACS does not receive any notice to redeem units which has a potential full redemption period of 18 months.

Key liquidity risk management tools employed in addition to those discussed earlier included targeted sales to increase the cash weighting and provide further comfort on liquidity concerns of the ACS whilst the lockdown persisted. Additionally, the ACS sought a reduction in the committed liabilities and increased its engagement with the unitholders to understand the probability of redemptions.

At 30 June 2021, the ACS held £122.68m in cash equating to 4.10% of NAV. The ACS had no pending acquisitions with two properties had been identified for sale during 2021, with a combined valued of £59.35m. If all properties were sold during this period the cash holding would increase to £182.03m, equating to 6.06% of NAV. The ACS had £81.26m of capital expenditure committed in 2021, reducing the cash weighting to 3.36% of NAV.

Business continuity

There has been increased operational and business continuity risk for the ACS Manager and the Investment Adviser since the outbreak of COVID-19 and the earlier imposition of government restrictions on travelling to and from the office. To mitigate this risk, the ACS Manager and its Investment Adviser activated their business continuity policy which resulted in the seamless transition to a 'working from home' operating model since March 2020 without deterioration to investment operations. Virtual meetings of the ACS Manager and the ACS's Shareholders have been held frequently to discuss any impacts on the ACS's operations and performance. There has been an increase in the frequency of communications to shareholders throughout with notes issued weekly by the Investment Adviser on macro developments and insights on market conditions, investor activity, fund liquidity, investment performance and continuity of operations and services.

As part of the latest COVID-19 Response Roadmap from the UK Government, it is no longer instructing people to work from home if they can, so employers can start to plan a return to workplaces gradually. In line with this advice, staff of the ACS Manager and the Investment Adviser are being encouraged to return to the office with the target of the new hybrid model being fully operational in October 2021. In addition, the ACS Manager and the Investment Adviser have reviewed their business continuity plans considering the ability to work from home has been so successful and it has been updated to reflect that in a denial of access event, all staff would work from home.

Economic and political risk

The performance of the ACS may be adversely affected by the impact of general economic conditions, by conditions in the property market, changes in occupancy practices or by the particular financial condition of parties doing business with the ACS.

The returns that are likely to be achieved on an investment in the ACS, which has its assets predominantly based in the UK, are likely to be materially affected by the political and economic climate in the UK. In particular, changes in rates of inflation may affect the ACS's income and capital value or the value of an investment. Changes in landlord and tenant, planning, trust or other law in the UK could also materially affect the investment returns.

Assessment of the risk relating to the UK exiting the European Union (Brexit)

There are longer-term risks for real estate funds like the ACS since the UK and EU's new Trade and Cooperation Agreement to govern the future trading relationship does not cover financial service. The very limited nature of the financial services provisions in the Agreement was largely expected and in our experience most financial service providers had factored in the loss of the passport to their Brexit contingency plans.

In the event, the ACS Manager aim to maintain a strong liquidity buffer and a broad mix of high-quality assets across sectors and geographies, with a focus on location, depth of occupational demand, strength of tenant and lease length.

The Directors of the ACS Manager have satisfied themselves that there are adequate plans to mitigate the downside impact on the operations of the ACS. Units in the ACS are currently not actively sold to any investors outside of the UK in the European Economic Area.

Distribution tables

for the six month period ended 30 June 2021

Class W Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2021	Total distribution per unit 2020
March				
Group 1	104.3407		104.3407	109.2235
Group 2	104.3407	–	104.3407	109.2235
June				
Group 1	92.6154		92.6154	97.7526
Group 2	92.6154	–	92.6154	97.7526

Class Z Gross Income

Distribution in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2021	Total distribution per unit 2020
March				
Group 1	86.6525		86.6525	90.8320
Group 2	86.6525	–	86.6525	90.8320
June				
Group 1	74.5621		74.5621	79.6863
Group 2	74.5621	–	74.5621	79.6863

All unit classes of the ACS are priced and distribute on a quarterly basis therefore there are no group 2 units at the end of each distribution period and therefore no equalisation is applied to unit class prices.

Fact file

Royal London UK Real Estate Fund

Launch date	Class W – Gross Income Units	1 October 2017
	Class Z – Gross Income Units	2 January 2018
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	15 January (Final)	
	15 April	
	15 July	
	15 October	
Minimum investment	£50m	
Management charges	Preliminary charge	
	Class W – Gross Income Units	1.25%
	Class Z – Gross Income Units	0.00%
	Annual management charge	
	Class W – Gross Income Units	0.00%
	Class Z – Gross Income Units	0.70%

General information

Pricing and dealing

For the purposes of determining the prices at which Units may be purchased from or redeemed by the ACS Manager, the ACS Manager will carry out a valuation of the Fund's Property at 23:59 UK time each Dealing Day (the "valuation point") on the last Business Day (a day on which the London Stock Exchange Limited is open for business) of each calendar quarter, unless otherwise agreed by the Depositary. However, the ACS Manager may, at its discretion, value the Fund at any other time. The valuation shall exclude any income in respect of the interim accounting period ending on that Dealing Day.

Dealing in Units are conducted on a quarterly basis; on the last calendar day of each calendar quarter (i.e. the 31 March, 30 June, 30 September and 31 December) (a Dealing Day), between 9:00 and 17:00 UK time.

Subscription of units

In order for an application to be dealt with at the above Valuation Point on any Dealing Day, an investor should complete an application form available from the ACS Manager and returned by 17:00 UK time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. In respect of the initial offer of Units only, the ACS Manager may, at its discretion, accept certain applications for Units which are received after the Subscription Cut-off Point. On acceptance of the application, Units will be sold at the relevant sale price, and a contract note confirming the sale price and the number of units sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of Units will only be deemed to have been accepted by the ACS Manager once it is in receipt of cleared funds for the application.

Redemption of units

To redeem units, an investor should provide a written instruction by 17:00 UK time on the last Business Day that is at least six months prior to the relevant Dealing Day to the ACS Manager at its administration centre with instructions to redeem the relevant number (if known) or value of units. Instructions received after this point will be dealt with on the next applicable Dealing Day. The units will be repurchased at the price calculated at the valuation point on the appropriate Dealing Day. Proceeds of redemption (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid no later than the close of business on the fourth Business Day following receipt of a signed form of renunciation.

Settlements time

Subscription settlement is by 17:00 UK time at the Business Day, two full Business Days prior to the relevant Dealing Day. Redemption settlement is by 17:00 UK time at the Business Day, three full Business Days prior to the relevant Dealing Day.

Distribution dates

Distribution of income is on the 15th calendar day following the end of the relevant accounting period.

UK taxation

The ACS is transparent and is not a taxable entity for UK tax purposes. As such, it is not subject to tax in the UK on income or gains arising on underlying investments. Distributions to Unitholders in the Gross Class will not be subject to UK withholding tax, but distributions to any investors in the Net Class will be made with a tax credit for the basic rate income tax withheld from the distributions.

The following applies to Unitholders which are resident in the UK. It does not apply to Unitholders holding Units as trading assets, or subject to particular tax regimes.

Income tax: For both UK income tax and corporation tax purposes, the ACS will be treated as transparent with regard to income. Consequently, its income and expenses (i.e. net income) are treated for UK tax purposes as arising or, as the case may be, accruing to each Unitholder in proportion to the value of the Units beneficially owned by that Unitholder as if the net income had arisen or, as the case may be, accrued to that Unitholder directly.

Unitholders who are exempt from tax on income will be treated as receiving their proportionate share of the net income of the ACS in which they invest, regardless of whether the net income is distributed to them. As the income will retain its original character in the hands of Unitholders, Unitholders exempt from tax on income should be able to benefit from their proportionate share of any tax credits for UK tax withheld at source and to reclaim such amounts from HMRC.

Any Unitholders liable to tax on income will be liable on their proportionate share of the net income of the ACS, regardless of whether the net income is distributed to them. Such income will retain its original character in the hands of Unitholders, and its nature will determine whether any tax credits are available for Unitholders generally and whether Unitholders that are subject to corporation tax can benefit from the dividend exemption. The ACS Manager intends to ensure that an appropriate share of the capital allowances are available to taxpaying Unitholders. In the case of Unitholders in the Net Class, UK taxpaying Unitholders should be able to offset the tax withheld against their UK tax liability on the income.

General information (continued)

UK taxation – continued

Unitholders will require detailed information about the income they receive from the ACS, and the ACS Manager intends to supply the necessary information to them in an appropriate form and a timely manner.

Chargeable gains: For the purposes of UK tax on chargeable gains only, the Units in the ACS will be deemed to be chargeable securities and the underlying assets not to be chargeable assets with the result that Unitholders will not be liable to tax on chargeable gains realised by the ACS. Any Unitholders liable to tax on chargeable gains will be liable on their proportionate share of such gains arising from the redemption of Units depending on their own UK tax position.

Stamp taxes: No UK SDLT, stamp duty reserve tax (SDRT) or stamp duty will be due on initial subscriptions for Units. Surrenders (i.e. the redemption or Switching) of Units are not subject to UK SDLT, SDRT or stamp duty provided the surrender does not form part of arrangements of which the main purpose, or one of the main purposes, is the avoidance of stamp tax.

SDLT or SDRT will be payable on the purchase in the market by the ACS of property in England and Northern Ireland or UK equities respectively. This will be accounted for from the ACS on behalf of Unitholders. In the event that the ACS acquires and holds property in Scotland then Scottish Land and Buildings Transaction Tax (LBTT) will be due on the purchase of units (whether by subscription or transfer). LBTT will be due on a proportionate part of market value (at the time of unit purchase) of the Scottish Property held by the ACS.

For the first contribution of property to the ACS there was a 100% 'seeding relief' from SDLT. However should any seeding investor reduce its interest in the ACS below the value for which relief was obtained at any time during a three year period following completion of the initial property contribution into the ACS, then the ACS will be subject to a proportionate withdrawal of the seeding relief. In this event the seeding investor will be required to compensate the ACS for this cost.

LBTT will also be payable on the purchase by the ACS of any Scottish property.

Similarly, Welsh Land Transaction Tax (LTT) will be payable on the purchase by the ACS of any Welsh property.

Authorisation

The Fund was authorised by the Financial Conduct Authority on 3 February 2017.

ACS Manager reports and Prospectus

Copies of the latest yearly and half yearly financial statements and copies of the Prospectus may be obtained from Royal London Unit Trust Managers Limited upon request.

Contact us

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