For professional clients only, not suitable for retail investors.

Royal London Property Trust

Interim Report

For the six month period ended 30 June 2023 (unaudited)

ROYAL LONDON
ASSET MANAGEMENT

Contents

* The Manager's report comprises these items.

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

Trust Information

Trust

The Royal London Property Trust (the "Trust") is an authorised unit trust. The Trust is a feeder fund which has been established to facilitate investment into the Royal London Property Fund (the "Master Fund"). For more details, please refer to general information on pages 19 and 20.

Authorised Fund Manager (the "Manager")

The Manager is Royal London Unit Trust Managers Limited which is the sole director.

Place of business and Registered office:
80 Fenchurch Street, London EC3M 4BY

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

T: 020 3272 5000

F: 020 7506 6501

Directors of the Manager

H.I. Georgeson

R.A.D. Williams

A.L. Hunt

R. Kumar

S. Spiller

J.M. Brett (Non-executive Director)

J.M. Jackson (Non-executive Director)

Investment Adviser

Royal London Asset Management Limited

Place of business and Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised and regulated by the Financial Conduct Authority.

Trustee

NatWest Trustee and Depositary Services Limited

1 Princes Street, London EC2R 8BP

Authorised and regulated by the Financial Conduct Authority.

Registrar

SS&C Financial Services Europe Limited

The Register may be inspected at:
SS&C House, St Nicholas Lane, Basildon, Essex SS15 5FS

Authorised and regulated by the Financial Conduct Authority.

Administrator to the Trust

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

Authorised Fund Manager's Report

We are pleased to present the Interim Report and Financial Statements for the Royal London Property Trust (the "Trust"), covering the period from 1 January 2023 to 30 June 2023.

About the Trust

The Trust is a feeder fund which has been established to facilitate investment in the Royal London Property Fund (the "Master Fund").

Authorised status

The Trust was launched and authorised by the Financial Conduct Authority ("FCA") on 28 May 2010. The Trust is a stand-alone Collective Investment Scheme as defined in the Financial Services and Markets Act 2000 which is categorised as a non-Undertaking for Collective Investments in Transferrable Securities retail scheme (NURS) operating under Chapter 5 of COLL. The Trust qualifies as an Alternative Investment Fund within the meaning of Alternative Investment Fund Managers Directive ("AIFMD") for the purposes of the FCA Rules.

The financial statements

The information for the Trust 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

Manager

R. Kumar (Director)

S. Spiller (Director)

21 August 2023

Manager's Investment Adviser's Report

The investment objective of the Royal London Property Trust (the "Trust") is to achieve total return over the long term (at least 7 years) by investing solely in the Royal London Property Fund (the "Master Fund").

As the Trust's sole investment are shares held in the Master Fund, the Trust is subject to the same underlying risks and returns of the Master Fund, and as such, the commentary presented on pages 4 to 7 is consistent with those of the Master Fund. Any performance differential between the feeder and master therefore reflects different management charges that may be applicable, rather than any underlying investment reason.

It is intended that the Trust will be the feeder fund for the Master Fund at all times.

Objective

The investment objective of the Master Fund is to carry on Property Investment Business, and to manage cash raised from investors for investment in the Property Investment Business, with the intention of achieving a combination of capital growth and income (total return) over the long term (at least 7 years) by investing predominantly in UK commercial properties.

The Master Fund is actively managed, meaning that the manager will use their expertise to select investments to meet the objective.

Strategy

The Master Fund aims to maximise returns from an appropriately diversified portfolio consisting of Retail, Industrial Office and Alternative properties. The strategy of the Investment Advisor is to acquire properties of suitable quality for the Master Fund at times in market cycles when relative values are low, and to manage the properties actively and effectively until selected sales can be made to take advantage of buoyant conditions. It is intended that in most cases properties acquired for the Master Fund will be fully let and income producing to tenants of sound financial strength.

Performance

For the 6 month ended 30 June 2023, the Master Fund generated a return of 0.31% (30/06/22: 7.94%), compared to its benchmark, the Other Balanced Funds component of the AREF/MSCI UK Quarterly Property Fund Index which showed a return for the year of 0.09% (30/06/22: 10.27%).

Outperformance on a YTD basis has been driven by more resilient capital value movements, but the Master Fund also benefits from a relatively higher income return.

The portfolio's overweight position to the industrial sector has been beneficial so far this year, with this sector of the market outperforming the All Sector average. Being underweight to offices outside of Central London has also supported relative returns. Furthermore, the retail portfolio outperformed the retail average, with total returns of 8.11% compared to 2.12%.

Benchmark change

With effect from 1 July 2023, the Master Fund changed its benchmark, MSCI/AREF UK Other Balanced Property Fund, to MSCI/AREF UK All Property Index. The New Benchmark has been selected because it is a larger, more comprehensive benchmark which we believe is more representative of the overall property funds market.

Market review

2023 has so far been quite a difficult period to fathom, with the global economic outlook becoming more mixed as the year has progressed. There have been moments of optimism and it is fair to say that conditions have not been quite as bad as many forecasters feared. That said, there have also been strong headwinds and, of late, these challenges are threatening to blow the recovery off track. The UK has experienced persistently high rates of inflation, with the Bank of England rising rates in response, but further hikes are still anticipated. The UK has so far avoided a technical recession, but real GDP has barely grown at all since late 2021. Furthermore, the lags of monetary policy mean that a substantial chunk of the economic pain from those rate hikes has yet to be felt.

The most recent economic news has surprised on the upside though, with CPI inflation falling to 7.9% year-on-year in June, coming down faster than the 8.2% drop economists were expecting. This comes at a welcome time for the property sector, which had seen confidence erode in recent months as inflation proved more sticky than previous anticipated. Borrowing costs and swap rates rose rapidly, back up to levels last seen during Liz Truss' fleeting premiership. Expectations of higher rates for longer had seen sharp increases in current and expected short-term interest rates and had also caused long-term interest rates to increase. The 10-year gilt yield (as of 7 June 2023) had risen by over 50bps since the beginning of the year, from around 3.70% to close to 4.50%.

Against this backdrop of rising debt costs and a much tighter credit market, investors in real estate have become more cautious again and sentiment which was improving at the end of Q1 is more subdued. This is reflected in activity, with buyers pausing transactions or stepping back from the market. The latest investment deal volumes data from MSCI points towards a UK aggregate of c. £6.9bn completed during Q2, which is down by around 30% from the previous quarter and at levels not seen since the global financial crisis.

Echoing the quiet investment market, the UK commercial property performance over the last quarter was subdued. Total returns measured by the MSCI UK Monthly Index were positive at +1.0%, but capital values on average across all sectors fell by -0.4%. Notably, performance has deteriorated for three consecutive months, with total returns in the month of June flat

Manager's Investment Adviser's Report (continued)

Market review – continued

at 0.0%. This reverses the trend seen in Q1, where we had seen five consecutive months of positive momentum. Beneath the headline figures though, there remains a variance across the sub sectors of the market. Beset by concerns around hybrid working and capex requirements to meet ESG requirements, offices have been marked down during Q2, with yields drifting out and values falling by -4.1%. In contrast, retail and industrial sectors have held up better, with both showing positive capital growth over the quarter (at +0.3% and +1.2% respectively), albeit with signs that momentum is slowing.

Occupational markets are faring slightly better though. A shortage of available space at the prime end is driving positive rental growth. There remains strong demand from tenants looking for better quality, more efficient space with greater pressure and emphasis on corporate occupiers to deliver on net zero carbon targets.

Looking ahead, a recovery in either investment volumes or capital values could be uneven, with investors currently exhibiting more appetite for residential, logistics and operational assets. We also anticipate a divergence in the fortunes of prime versus secondary quality assets across most sectors, with concerns around obsolescence and the costs of repurposing/redeveloping stranded assets likely to impair value more at the secondary end. Recent interest rate increases, and wider economic concerns have stalled the nascent recovery in investor sentiment. As inflationary pressures begin to ease though, investors will be looking for the turning point and we expect confidence to return quickly and investment volumes to bounce back although not until 2024.

Portfolio review and activity

At a property portfolio level, capital growth over the last six months has been more resilient than the benchmark at an all sector level. On average value in the portfolio have fallen, but not at the same level as the falls seen in the benchmark (-1.71% vs -1.92%). The two main drivers of this position have been the retail and office sectors, which have both outperformed the benchmark.

Performance in the retail sector has been driven by the retail warehouse portfolio (3 assets, located in Milton Keynes, Leeds and Shoreham). The aggregate 6 month return of these three assets was 11.13%, comfortably higher than the retail warehouse benchmark average of 3.20%. A lease regear with Pets at Home, at Spring Ram Retail Park in Leeds has been beneficial. Our retail warehouse portfolio has seen moderate levels of rental value growth in the last six months, positive at 1.60%, which contrasts with the benchmark average were rental values have been broadly flat at 0.09%.

The office portfolio has seen capital values decline by -3.58% on a YTD basis, but this represented outperformance when compared to the benchmark average of -6.35%. The three office properties in the West End of London provided resilient performance with values only falling by -0.87% over the six months to June 2023.

The Industrial portfolio underperformed over the last six months, with values down by -2.18% compared to the benchmark average of -0.20%

Vacancy rate in the Master Fund as at 30 June 2023 was 6.0% (30/06/22: 3.4%), which represents an increase in absolute terms, but remains below the benchmark level at 11.0% (30/06/22: 9.9%). The Master Fund has an agreement for a new letting at 41 Eastcheap, London which upon completion should see the vacancy rate drop back down towards 5.0%.

Rent collection

The Master Fund had a collection rate of 99.68% (30/06/22: 93.19%) of the rent demanded for the half year ending 30 June 2023. The remainder is subject to either ongoing discussions with tenants, agreements that have been reached or potential legal action to pursue recovery.

Balance Sheet management

As at the 30 June 2023, the Master Fund held £35.58m (30/06/22: £43.50m) in cash equating to 8.77% (30/06/22: 8.00%) of the Master Fund's net asset value.

The Master Fund currently has no gearing.

Acquisitions and disposals

There were no transactions in the period.

Asset management and lettings

The following are the key asset management activities completed by the Master Fund during the period.

Industrial

King's Ride, Ascot: In March 2023, the Master Fund secured a very good rent review settlement on Unit 2, 3 and 4 Kings Ride in Ascot with a key occupier, occupying 3 out of the 6 units on the estate. The reviews were agreed at £13.17 psf (against ERV of £12.83 and current rental of £10.08 psf). This was a key pivot point providing helpful evidence in the first quarter of 2023 for subsequent lease renewals on the estate.

Trident Industrial Estate, Hoddesdon: In May 2023, the Master Fund completed on a lease renewal at Unit 6 Trident Industrial. A fantastic result increasing the WAULT to break by 5 years and to expiry by 10 years, inclusive of a break penalty, 3 months rent free at £105,000 pax / £10.60psf, achieving 45% increase from passing and 4% in excess of ERV at event date. First deal on the estate to achieve in excess of £10.50psf, providing useful evidence for upcoming asset management activity.

Manager's Investment Adviser's Report (continued)

Portfolio review and activity – continued

Offices

15 Rathbone Place, London: Redeveloped in 2017 this building comprises of basement, ground and first to fifth-floor levels. In 2021, former tenant 'WireWax' assigned their 5-year lease to FRP Advisory with an expiry date of March 2023. Through careful negotiation a 5 year (3rd year break) renewal lease with FRP Advisory was agreed with a £6.50psf increase in rent. If the 3rd floor had become vacant, the Cap Rate would have softened, a 6/9 void would have been inputted and the value would have reduced by £400,000.

28/32 Lexington Street, London: In March 2023, the Master Fund completed on the renewal of the lease to the existing tenant – Streamland Media (formerly The Farm productions). The existing lease was outside the 54 Act, but the existing tenant only wanted a 12 month extension at nil uplift. The Master Fund was able to leverage its position and secure an 18 month extension at an increased rent. Further, as the building will be redevelopment at expiry, the Master Fund also agreed the tenant's dilapidations liability upfront at £28psf – a significant improvement vs negotiating at the end of the term.

Retail

Spring Ram Retail Park, Leeds: An attractive 12-unit trade scheme has 5 ongoing rent reviews within a 12-month period, to ensure the Master Fund is delivering growth – in Q4 2022 RLAM settled on Unit 12 rent review (Q1 2022 – 25 Mar 2022) at £14.30 psf / £37,122 pax resulting in a uplift of 30p against ERV, this provide good on estate evidence for the remaining 4 reviews to settle in Q1 2023 and anchor tenant Halfords renewal in May.

The Master Fund has also completed a lease regear with Pets at Home to vary the existing lease, which expires in August 2024, by reducing the passing rent of £367,149 pa to £295,000 pa. Simultaneously, the tenant entered into a five-year reversionary lease at a rent of £295,000 pa. This secured a rent above the ERV of £278,000 pa and a further five years term certain to August 2029.

Responsible Property Investment (RPI)

In the year to June 2023, the Master Fund's commitment to achieving our net zero carbon targets within the designated timeframe remained a top priority, as we strived to improve the operational performance of our assets and identify necessary interventions. Significant progress continues to be made in gathering utility consumption data from occupiers across all assets, particularly across our single let units where data is more challenging to receive. Understanding the Master Fund's operational performance data is critical to tracking progress towards our net zero carbon commitments.

To gather our occupier utility consumption data, we have been implementing various initiatives. We have been focused on the installation of Automatic Meter Reading (AMR) devices, particularly across our managed assets within the Master Fund, providing us with automated utility consumption data. Across our single-let assets, a signed Letter of Authority (LOA) from an occupier. Therefore, we have been proactive in identifying any void units where we can install an AMR device, along with looking to engage with our top retailers in signing a LOA to allow the installation of an AMR device to facilitate automatic data sharing.

Additionally, the Master Fund has engaged with Arbnco who have access to the national energy database, allowing us to obtain anonymous aggregated energy data at a building-level. We have selected 30 units to source utility consumption data through Arbnco. In 2022, the Master Fund received excellent results across a range of ESG benchmarks and certifications.

We are pleased to report that we have successfully collected data across approximately 36% of our units by floor area within the Master Fund thus far and are actively expanding these initiatives to cover additional assets. This ongoing effort will further strengthen our understanding of consumption patterns and enable us to implement targeted strategies for reducing emissions. Furthermore, by leveraging this comprehensive data collection approach, we are gaining a clearer picture of the environmental impact of the Master Fund, allowing us to identify areas of improvement and prioritise interventions that align with our net zero carbon targets.

Economic overview

Business surveys suggest that Q2 2023 was a period of positive global activity growth, but with some softening by the end of the quarter. The June 2023 Global PMI composite business survey measure dropped to 52.7 from 54.4, the lowest since February. The PMI indicators remained particularly weak for manufacturers, who continued to reduce inventories. Economists remained concerned that tighter monetary policy could lead to further slowing in global growth; central banks raised interest rates again in Q2. Following the collapse of SVB, data releases in Q2 confirmed some tightening of bank lending conditions in the US. Headline inflation also fell significantly in some major economies over the quarter, coming in softer than expected in the US and Euro area for June.

Inflation has remained at extremely high levels across many developed economies throughout Q2 but at headline level generally fell. As of the June 2023 data, US headline year-on-year CPI inflation had fallen to 3.0% (y-o-y) from a peak of 9.1% from a year earlier. In the UK, headline CPI fell to 7.9% year-on-year in June, down from 8.7%.

Central banks continued to hike rates. Q2 saw 25bp of interest rate hikes in the US. At the June meeting, US central bank policymaker forecasts suggested that they are not done yet and their forecasts were consistent with a couple more 25bp rate hikes in 2023. The ECB raised rates 50bp over the same period. At the June meeting, the ECB signalled a further hike in July against a backdrop of sticky inflation and with the

Manager's Investment Adviser's Report (continued)

Economic overview – continued

staff CPI forecasts revised up. The Bank of England hiked rates another 75bp over Q2 to 5.00% (including a larger than expected increase of 50bp in June in response to concerns about inflation).

Unemployment rates remained at exceptionally low levels in the US, UK, and Euro area. However, there were some further signs of marginally less tightness. Unemployment rates rose a touch over the quarter in the US and UK. In the UK, job vacancies continued to fall (albeit from still remarkably high levels) and there was a further fall in inactivity.

Meanwhile the economic growth remains relatively static. After rising 0.1% (q-o-q) in Q1 2023 again, UK real GDP rose 0.2% (m-o-m) in April but fell 0.1% (m-o-m) in May (when the UK also had an additional bank holiday). Overall, the UK economy has grown little since late 2021. GDP as of May was only 0.2% above pre-pandemic levels. Although weakening over the quarter, the PMI composite business survey measure was consistent with increasing private sector output in June – recording 52.8 by June.

UK recession remains a concern, where the UK economy faces several challenges. Inflation remains very high; strike action impacted some areas of the economy and mortgage rates were still significantly higher than pre-pandemic levels and continued to rise over the quarter. According to Bloomberg consensus figures UK forecasters no longer expect a central case recession in 2023 (or 2024).

Stephanie Hacking
Portfolio Fund Manager
Royal London Asset Management Limited
26 July 2023

This report covers investment performance, activity and outlook. The Trust's Annual Assessment of Value report is available on www.rlam.com. Portfolio holdings are subject to change, for information only and are not investment recommendations.

The Task Force on Climate-related Financial Disclosures Report for Property Funds can be found on our website, at https://www.rlam.com/uk/institutional-investors/our-capabilities/property/responsible-property-investment/. This report has been prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change.

The views expressed are the author's own and do not constitute investment advice and are not an indication of future Trust's performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

Source: Royal London Asset Management Limited, unless otherwise stated.

Portfolio Statement

As at 30 June 2023

Holding	Investment	Fair/Market value (£'000)	Total net assets (%)
Property Authorised Investment Fund 100.00% (31/12/22 – 100.00%)			
33,421,241	Royal London Property Fund Class 'A'	253,894	100.00
Total value of investments		**253,894**	**100.00**
Net other assets		**–**	**–**
Total net assets		**253,894**	**100.00**

As a clarification to the SORP the amounts disclosed in a Feeder fund Portfolio Statement should reflect the accounts value in the underlying Master Fund. The Master Fund is a Related Party.

Summary of Material Portfolio Changes

For the six month period ended 30 June 2023

Significant Purchases

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

Significant Sales

	Proceeds £'000
There have been no sales during the period	–

Comparative Table

Class A Accumulation

Change in net assets per unit	30/06/23 (p)	31/12/22 (p)	31/12/21 (p)	31/12/20 (p)
Opening net asset value per unit	760.31	834.78	714.13	738.92
Return before operating charges	(0.63)	(74.47)	120.65	(24.79)
Operating charges	0.00	0.00	0.00	0.00
Return after operating charges	(0.63)	(74.47)	120.65	(24.79)
Closing net asset value per unit	**759.68**	**760.31**	**834.78**	**714.13**
Retained distribution on accumulation units	11.04	23.49	20.87	22.08
Performance				
Return after charges	(0.08)%	(8.92)%	16.89%	(3.36)%
Other information				
Closing net asset value (£'000)	253,894	254,105	278,994	141,966
Closing number of units	33,421,241	33,421,241	33,421,241	19,879,542
Operating charges	0.00%	0.00%	0.00%	0.00%
Prices				
Highest unit price	751.31	888.90	823.37	730.86
Lowest unit price	741.00	749.69	706.05	689.88

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.

Financial Statements

Statement of Total Return

For the six month period ended 30 June 2023

	£'000	30 Jun 2023 £'000	£'000	30 Jun 2022 £'000
Income				
Net capital (losses)/ gains		(5,569)		17,007
Revenue	6,200		4,943	
Expenses	–		–	
Net revenue before taxation	6,200		4,943	
Taxation	(842)		(865)	
Net revenue after taxation		5,358		4,078
Total return before distributions		(211)		21,085
Distributions		(3,691)		(4,078)
Change in net assets attributable to unitholders from investment activities		**(3,902)**		**17,007**

Statement of Change in Net Assets Attributable to Unitholders

For the six month period ended 30 June 2023

	£'000	30 Jun 2023 £'000	£'000	30 Jun 2022 £'000
Opening net assets attributable to unitholders		**254,105**		**278,994**
Amounts receivable on creation of units	–		–	
Amounts payable on cancellation of units	–		–	
		–		–
Change in net assets attributable to unitholders from investment activities		(3,902)		17,007
Retained distributions on accumulation units		3,691		4,078
Closing net assets attributable to unitholders		**253,894**		**300,079**

Balance Sheet

As at 30 June 2023

	30 Jun 2023 £'000	31 Dec 2022 £'000
Assets		
Fixed assets:		
Investments	253,894	254,105
Current assets:		
Debtors	–	–
Cash and bank balances	–	–
Total assets	253,894	254,105
Liabilities		
Creditors:		
Other creditors	–	–
Distribution payable	–	–
Total liabilities	–	–
Net assets attributable to unitholders	**253,894**	**254,105**

Notes to the Financial Statements

For the six month period ended 30 June 2023

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 all the periods/years presented, unless otherwise stated.

Basis of preparation

The financial statements of the Trust 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 UK 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"), the Prospectus and Trust 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 the profit or loss.

Going concern

The Manager has undertaken a detailed assessment, and continues to monitor the Trust's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Trust continues to be open for trading and the Manager is satisfied the Trust has adequate financial resources to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. The Manager has also considered the Master Fund's strategy, forecasted cash flows, liquidity, borrowing facilities, redemptions and subscriptions, operational resilience of its service providers and expected investment activities of the Master Fund and has not identified any material uncertainty that casts significant doubt upon the Master Fund'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 Manager has satisfied themselves that the Trust has adequate resources to continue in operational existence for the foreseeable future. Accordingly, it is appropriate to adopt the going concern basis in preparing the financial statements.

Cash flow statement

The Trust is required to produce a cash flow statement in accordance with FRS 102 7.IA as the Trust's investments in the Master Fund are made up mainly of immovable property which are highly illiquid. However, as the Trust does not hold cash or have a bank account, it would not be possible to prepare a cash flow statement.

Basis of valuation of investments

The Trust invests all of its capital in Class A Accumulation Units (institutional) of the Master Fund. This is valued at fair value, which is deemed to be the net asset value per share reported in the comparative table in the Trust's Annual Report and financial statements at the end of the current accounting period.

Revenue recognition

Distributions from collective investment schemes (the "Master Fund") 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.

Distributions received from the underlying investment in the Master Fund are recognised on an accrual basis. Distributions received from the Master Fund are in three streams (dividend, interest and property).

Revenue is accrued in line with the Master Fund and is recognised when the Master Fund is priced ex-dividend.

Treatment of expenses

All expenses (other than those relating to the purchase and sale of units in the Master Fund) are charged to, and paid for, by the Master Fund. These include the annual management charge and fund administration charge of 0.75%.

As per the letter to unitholders dated 19 April 2023, the ACD of the Master Fund has reduced the periodic management charge from 0.75% to 0.60% with effect from 1 July 2023.

Taxation

The sole investment of the Trust is its holding of A Accumulation Shares in the Master Fund which qualifies as a Property Authorised Investment Fund ("PAIF").

In outline, the relevant tax treatment of the PAIF is that it is not liable to tax on capital gains realised on the disposal of its investments. The income generated by its underlying property investment business is exempt from tax in the Master Fund, as are any dividends received on underlying equity instruments. Its other income (which will mainly comprise interest) although technically taxable will be distributed as a tax-deductible payment so no tax should in practice be payable on it.

The Trust is an authorised scheme and accordingly is not liable to tax on capital gains on the disposal of any of its property, that it shares in the Master Fund.

The Trust will be deemed to receive the appropriate proportion of the income accumulated on its holding of A Accumulation Shares in the Master Fund. This will be streamed (for tax purposes only) into up to three parts depending on the nature of the income generated by the PAIF. The property income accumulations stream will be accumulated net of basic rate of tax (20%) withheld by the Master Fund, and this will satisfy the corporation tax liability of the Trust.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2023

1. Significant accounting policies – continued

Taxation – continued

Any dividends received by the Master Fund will constitute a separate stream of PAIF dividend accumulations for tax purposes. No further tax will be payable by the Trust on this income, and the remaining income will be PAIF interest accumulations which will be accumulated net of basic rate of income tax (20%) withheld by the Master Fund, which will satisfy the Trust's corporation tax liability on it.

Corporate unitholders holding accumulation units in the Trust which are within the charge to corporation tax will be treated for tax purposes as receiving income which, depending on the breakdown of the income of the underlying Master Fund, may be streamed into two parts (in these cases, the amounts will be indicated on the tax voucher). The income accumulated that represents income other than the Master Fund dividend accumulations, should be treated by corporate investors as an annual payment (made after deduction of income tax at the rate of 20%). Unitholders subject to corporation tax on the income allocation may offset the basic rate income tax credit against their tax liability, while corporate investors that are exempt from corporation tax on the income, for example where a life office holds the units as pension business, may reclaim the amount specified on their tax voucher from HMRC. Income allocations representing the Master Fund dividend accumulation will not generally be subject to corporation tax when received by a corporate shareholder but the notional tax credit attached cannot be reclaimed from HMRC. Income tax has been provided for at an appropriate rate for distribution to shareholders and the calculation of the share price is net of tax. Income received from investment in the Fund is taxed depending on the income stream. Property Income is taxed at 20%, interest income being taxed at 20% and dividend income at 0%.

Deferred tax is provided on all timing differences that have originated but not reversed by the Balance Sheet date.

Deferred tax assets are recognised only to the extent that it is more likely than not that there will be taxable profits from which the future reversal of the underlying timing differences can be deducted.

2. Distribution policies

Basis of distribution

The Trust invests in accumulation shares in the Master Fund. Accordingly, it does not receive income distribution (although it is treated for accounting and tax purposes as doing so). Instead the Master Fund's accumulating income will be reflected monthly in the increasing value of the units in the Trust.

Unitholders are treated for tax purposes as receiving income on accumulation shares and units for every distribution period, even though the income has actually been accumulated, so unitholders will be deemed to receive dividend distributions with their accompanying tax credits, reflecting the income accumulated in the Master Fund.

Revenue attributable to accumulation unitholders is retained at the end of the distribution period and represents a reinvestment of revenue.

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 Master Fund.

3. Risk management policies

The sole investment in the Trust is units in the Master Fund and is subject to the same underlying risks of the Master Fund. The Trust has a concentrated portfolio (it invests 100% of its assets in the "Master Fund") and if this investment declines in value or is otherwise adversely affected, it will have a direct effect on the Trust's value.

With the exception of the above, the risk factors applicable to the "Master Fund" also apply to the Trust as follows:

Market price risk and valuation of property

The Trust invests solely in the A Accumulation Shares of the Master Fund which is a collective investment scheme. The value of this collective investment scheme is not fixed and may go down as well as up. This may be the result of a specific factor affecting the value of an individual property or investment within the Master Fund or be caused by general market factors (such as government policy or the health of the underlying economy) which can affect the entire portfolio. The Investment Adviser of the Master Fund seeks to minimise these risks by holding a diversified portfolio of direct property and other investments spread across all market sectors in line with the Master Fund's objectives. In addition, the management of the Master Fund complies with the Financial Conduct Authority COLL sourcebook, which includes rules limiting the size of investment in any particular holding. As a NURS invested in a single, qualifying property authorised investment fund, the aforementioned limit is not applicable to the Trust's own investment in the Master Fund.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2023

3. Risk management policies – continued

Sensitivity analysis

The only investment within the Trust is in the Master Fund and is dependent on the same sensitivities. 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	Equivalent yield	Risk % by Sector	Value if increase by risk %	NAV impact	Value if increase by risk %	NAV impact
Industrial	5.84%	0.25%	6,314,000	1.65%	(5,778,000)	(1.51)%
Offices	4.81%	0.25%	6,611,000	1.73%	(5,935,000)	(1.55)%
Retail	5.66%	0.25%	2,528,000	0.66%	(2,311,000)	(0.60)%
Other	6.07%	0.25%	1,421,000	0.37%	(1,308,000)	(0.34)%

Liquidity risk

The Trust does not hold cash or have a bank account. The Trust's assets comprise holding of A Accumulation Shares in the Master Fund which qualifies as a PAIF. Accordingly, it does not receive income payments (although it is treated for accounting and tax purposes as doing so). Instead the Master Fund's accumulating income will be reflected monthly in the increasing value of the units in the Trust.

Since the Trust solely invests in the Master Fund that comprises 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 Master Fund's 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.

In normal circumstances, the Trust permits redemptions on a monthly basis but with unitholders required to provide 3 months' advance notice of their intention to redeem, although the Manager may waive this notice period at its discretion provided that this does not materially prejudice unitholders. The Manager also has additional tools to deal with liquidity constraints which could arise. The Master Fund may (i) borrow cash to meet redemptions within the limits, that is, the value of the assets involved in property investment business will be at least 60% of the total value of the assets held by the Master Fund at the end of each of its accounting periods; (ii) defer a redemption request to the next dealing day where requested redemptions exceed 5% of the Net Asset Value or (iii) apply the in specie redemption provisions issue in which shares in the Master Fund are exchanged for assets as well as cash in excess of £10m.

The Manager has established a funds liquidity management policy and procedures for the qualitative and quantitative assessment of existing positions taken by the Trust and to assess whether intended investments would have a material impact on the overall liquidity profile of the Trust. In following these procedures, the assessment by the Manager takes account of actual and anticipated subscription and redemption flows, investor concentration, the current level of readily realisable assets in the Trust and the time required to realise further assets, prices and or spreads of investments in both normal and exceptional liquidity conditions. These factors are monitored and managed to ensure the liquidity profile of the Trust is aligned appropriately with the anticipated redemption flows. The Manager conducts regular stress testing (at least annually) of the Trust's portfolio in order to fully understand the liquidity profile of the Trust.

The following table provides a profile of the Trust's liquidity:

	Within three months	Over three months but not more than one year	Over one year
As at 30 June 2023	**£000**	**£000**	**£000**
Cash at bank	–	–	–
	%	%	%
Unitholding that can be redeemed	–	–	100.00
Portfolio capable of being liquidated	–	100.00	–
As at 30 December 2022	**£000**	**£000**	**£000**
Cash at bank	–	–	–
	%	%	%
Unitholding that can be redeemed	–	–	100.00
Portfolio capable of being liquidated	–	100.00	–

Credit and counterparty risk

Credit risk is the risk that counterparty will default on their contractual obligations resulting in financial loss to the Master Fund. The Master Fund 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.

Concentration of credit risk refers to disproportionally large risk exposure to specific credit risks, such as, certain individual tenants, specific industry sectors and or regions of the counterparty. The Master Fund could be subject to significant losses if it holds a large position in a particular investment that declines in value or is otherwise adversely affected, including default of the counterparty.

In managing counterparty and concentration of credit risk, rental income from any one tenant or tenants, specific industry sectors and or regions within the Master Fund 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 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.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2023

3. Risk management policies – continued

Credit and counterparty risk – continued

In the event of the insolvency of a counterparty, the Master Fund might not be able to recover cash or assets of equivalent value in full. The Master Fund has been closely monitoring the ability of tenants to pay their rent and adjusting bad debt provision accordingly. The ACD also works with the tenants to determine any rent concessions on a case-by-case basis.

There are no significant concentrations of credit risk, whether through exposure to certain individual tenants, specific industry sectors and or regions. The credit ratings of the investments are monitored frequently for credit deterioration. By diversifying the portfolio, where this is appropriate and consistent with the Master Fund's objectives, the risk that a significant change in the credit risk or quality of certain individual tenants, particular sector, specific industry and or regions will have a material impact on the Net Asset Value of the Master Fund is minimised. The investment concentrations within the portfolio are disclosed in the portfolio statement by investment type.

The Master Fund 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.

The Master Fund's cash and short term deposits at 30 June 2023 amounted to £33.59m (31/12/2022: £26.66m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 30 June 2023, the fair value of all interest rate derivative assets by held by the Master Fund was £nil (31/12/2022: £nil).

At 30 June 2023, taking into consideration any offset arrangements, the largest combines credit exposure by the Master Fund to a single counterparty arising from money market deposits, liquid investments and derivatives was £33.59m (31/12/2022: £26.66m). This represents 8.59% (31/12/2022: 6.80%) of gross assets of the Master Fund.

The deposit exposures are with UK banks.

Currency risk

All financial assets and financial liabilities of the Trust are in sterling; thus the Trust has no exposure to currency risk at the Balance Sheet date.

Interest rate risk

Interest receivable on bank deposits or payable on bank overdrafts held by the Master Fund will be affected by fluctuations in interest rates and hence the accumulation income receivable by the Trust from the Master Fund. The Manager continuously reviews interest rates and the assessment of this may result in a change in investment strategy.

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

Inflation risk

Inflationary risk is the risk that the future value of an investment, asset, or income stream, in real terms, will be reduced by unanticipated inflation.

A key to the effectiveness of managing inflationary risk associated with the fall in real income or returns lies in the Trust's ability to raise rents in markets with low vacancy rates, thus outpacing rising inflation and potentially increasing income distribution to unitholders/shareholders. The Master Fund also use built-in rent escalators that are tied to inflation that can directly drive rental income which protects the income-generation of existing leases. The Master Fund also allow new leases to capitalise on rising market rents when the leases are being agreed. In general, Property investment has served as a hedge against inflation over the long term and tend to be less sensitive to inflationary risk and may even benefit from unanticipated inflation.

The Manager address inflationary risk associated with increased costs by adjusting its cash flows for inflation to prevent changes in purchasing power especially in relation to capital expenditure such as construction and refurbishment costs. The Manager employ various risk management measures such as, the use of fixed price contract sums; inflation contingency in budgets and in appraisals; early procurement of risk packages; and protection against amendments in construction contracts where the contractor may seek to include an exclusion related to material inflation or supply chain issues.

On the other hand, sharp increase in construction and building costs may constrain the growth of new property stocks to some degree which would support property values. In fact, construction cost inflation has outrun other measures of inflation in recent years since high construction costs imply increased replacement costs for buildings and making existing property investments more valuable. The inflation risk is low for the Trust and therefore no sensitivity analysis has been performed.

Leverage risk

In managing the assets of the Trust, the 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 Trust. Currently the Trust has no borrowings of cash or securities and as such no disclosure is required under the AIFM Directive.

Climate risk

Climate risk is the risk that asset valuations and the wider economy are negatively impacted by the transition to a low-carbon economy, as well as the physical risk to asset holdings as a result of severe weather events and longer-term shifts in climate.

Notes to the Financial Statements (continued)

For the six month period ended 30 June 2023

3. Risk management policies – continued

Climate risk – continued

The built environment is particularly susceptible to the effects of climate change. It affects the exposure of our assets to physical risks, such as flooding. It influences transition risks, such as divestment away from high-risk assets. It contributes to urban heat islands and impacts the health and wellbeing of occupants and local communities.

The Master Fund has reviewed the carbon footprint and emissions trajectory of its property portfolio for the coming decades. Based on this review, it has developed an informed pathway to decarbonise the property portfolio and achieve net zero carbon. This pathway is aligned with the latest industry guidance and principles for the built environment on how to reduce and compensate for its emissions meaningfully and accountably.

A key element of the Master Fund's risk mitigation strategy is set out within its new Responsible Property Investment (RPI) framework which covers four strategic focus areas:

- Investing in a resilient portfolio
- Developing for the future
- Managing assets for positive impact
- Responsible decision making.

Ten material Environmental, Social & Governance (ESG) issues form the foundation of the RPI framework, of which one was identified as the 'Transition to net zero carbon'. A set of Key Performance Indicators (KPIs) will be developed to track quantitative performance against achieving net zero carbon and actions will be undertaken as necessary to ensure fulfilment of the Master Fund's goals.

Economic and geopolitical risks

The performance of the Trust may be adversely affected by the impact of geopolitical and general economic conditions under which the Trust operates.

Political risks include changes in landlord and tenant, planning, trust or other law in the UK could also materially affect the investment returns.

Geopolitical risk feeds through into real economic activity because uncertainty over future economic conditions, particularly when caused by a large-scale war, causes firms and consumers to adopt a 'wait and see' approach, cutting back on investment and consumption plans.

Russia's invasion of Ukraine continues to carry huge risks for a world economy that's yet to fully recover from the pandemic shock. The Master Fund has no exposure to Russian companies as commercial tenants or investment. The UK has few direct economic links to Russia since trade between the two is small relative to the size of either economy. Moreover, Russia is not closely integrated in the global financial system.

However, sanctions imposed on Russia as a response by the UK and its allies have had a significant impact on the UK economy due to the disruption to the supply of energy to Europe which has affected wholesale prices in the UK to a greater extent than implied by direct trade links. The full economic impact of the war on Western economies including the UK with higher inflation, volatile financial markets and adverse economic environment will depend on the extent to which the conflict, and therefore the severity of sanctions and economic disruption, escalates and how long it lasts.

The returns that are likely to be achieved on an investment in the Company, which has its assets predominantly based in the UK, are not likely to be materially affected by the situation in Ukraine but by the political and economic climate in the UK.

Distribution Table

For the six month period ended 30 June 2023

Class A Accumulation

Distributions in pence per unit

Distribution period	Distribution per unit	Equalisation	Total distribution per unit 2023	Total distribution per unit 2022
January				
Group 1	1.7849		1.7849	1.8311
Group 2	1.7849	–	1.7849	1.8311
February				
Group 1	2.0348		2.0348	1.7355
Group 2	2.0348	–	2.0348	1.7355
March				
Group 1	1.9461		1.9461	2.0630
Group 2	1.9461	–	1.9461	2.0630
April				
Group 1	1.9662		1.9662	2.7503
Group 2	1.9662	–	1.9662	2.7503
May				
Group 1	1.9424		1.9424	2.2137
Group 2	1.9424	–	1.9424	2.2137
June				
Group 1	1.3686		1.3686	1.6089
Group 2	1.3686	–	1.3686	1.6089

Fact File

Royal London Property Trust

Launch date	Class A – Accumulation units (Institutional)	28 May 2010
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	31 January (Final)	
	Last business day of every month (Interim)	
Minimum investment	£100,000	
Management charges*	Preliminary charge	0.00%
	Manager's periodic management charge	0.75%
	Performance fee	-0.10% to +0.30%

* As per the letter to shareholders dated 19 April 2023, the ACD of the Master Fund has amended the Master Fund's investment objective to remove the performance target, removal of the performance fee and reduction in the periodic management charge from 0.75% to 0.60% with effect from 1 July 2023.

The Trust was launched following the conversion of the Royal London Exempt Property Unit Trust on 28 May 2010 into the Royal London Property Fund.

General Information

The Royal London Property Trust (the "Trust") is an authorised unit trust. The Trust is a feeder fund which has been established to facilitate investment into the Royal London Property Fund (the "Master Fund").

The Master Fund is a Property Authorised Investment Fund ("PAIF"). The PAIF is an open ended investment company ("OEIC") and PAIFs may invest in real property (commercial and residential) and units in UK Real Estate Investment Trusts (UK REITs).

The Trust was created because corporate investors are required by the FCA and HMRC to invest into PAIFs via a feeder fund in order to counter potential tax avoidance rules which prevent corporate investors from holding 10% or more of a PAIF but the rules allow them to participate through an intermediate feeder fund. Therefore, the feeder fund's sole investment comprises shares in the PAIF. As the feeder fund owns only shares of the PAIF, it will have the same ultimate investments, assets and liabilities as the PAIF. It will also have the same price, charges and performance as the PAIF. Consequently, these financial statements should be read in conjunction with the financial statements for the PAIF.

Pricing and dealing

The buying (offer) price and selling (bid) price of units are determined by reference to the underlying market value of the net assets of the Trust at the relevant valuation point. Unit prices are normally calculated monthly however, if the markets are exceptionally volatile the Manager may conduct more frequent valuations to reflect any significant changes in the value of the Trust's underlying assets.

Dealing in units conducted on a monthly basis; on the seventh business day following the end of the previous month, between 9:00 a.m. and 5:00 p.m.

Buying units

Investors should complete an application form available from the Manager and send it to the Manager, on or before the 15th of the month prior to the Dealing Day, at its administration centre with a cheque payable to Royal London Unit Trust Managers Limited. 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 AFM once it is in receipt of cleared funds for the application.

Selling units

To redeem units, investors should provide a written instruction, three months in advance of a monthly Dealing Day, to the Manager at its administration centre with instructions to redeem the relevant number (if known) or value of units. 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.

Cancellation rights

Where a person purchases units the Conduct of Business Sourcebook (as amended from time to time) may give the investor the right to cancel the relevant purchase within 14 days of receipt of the requisite notice of a right to cancel. The right to cancel does not arise if (a) the investor is not a private customer, (b) the investor is not an execution-only customer, (c) the agreement to purchase is entered into through a direct offer financial promotion, or (d) the agreement is entered into under a customer agreement or during negotiations (which are not ISA related) intended to lead to a client agreement.

Accumulation of income

All net income is automatically accumulated within the Trust and reflected in the price of units.

UK taxation

This information is based on United Kingdom law and practice known at the date of this document. Unitholders are recommended to consult their professional adviser if they are in any doubt as to their tax position.

The sole investment of the Trust is its holding of A Accumulation Shares in the PAIF.

In outline, the relevant tax treatment of the PAIF is that it is not liable to tax on capital gains realised on the disposal of its investments. The income generated by its underlying property investment business is exempt from tax in the PAIF, as are any dividends received on underlying equity instruments. Its other income (which will mainly comprise interest) although technically taxable will be distributed as a tax-deductible payment so no tax should in practice be payable on it.

The Trust is an authorised scheme and accordingly is not liable to tax on capital gains on the disposal of any of its property, that it shares in the PAIF.

General Information (continued)

UK taxation – continued

The Trust will be deemed to receive the appropriate proportion of the income accumulated on its holding of A Accumulation Shares in the Master Fund. This will be streamed (for tax purposes only) into up to three parts depending on the nature of the income generated by the PAIF. The property income accumulations stream will be accumulated net of basic rate of tax (20%) withheld by the PAIF, and this will satisfy the corporation tax liability of the Trust. Any dividends received by the PAIF will constitute a separate stream of PAIF dividend accumulations for tax purposes. No further tax will be payable by the Trust on this income, and the remaining income will be PAIF interest accumulations which will be accumulated net of basic rate of income tax (20%) withheld by the PAIF, which will satisfy the Trust's corporation tax liability on it.

Corporate unitholders holding accumulation units in the Trust which are within the charge to corporation tax will be treated for tax purposes as receiving income which, depending on the breakdown of the income of the underlying PAIF, may be streamed into two parts (in these cases, the amounts will be indicated on the tax voucher). The income accumulated that represents income other than the PAIF dividend accumulations, should be treated by corporate investors as an annual payment (made after deduction of income tax at the rate of 20%). Unitholders subject to corporation tax on the income allocation may offset the basic rate income tax credit against their tax liability, while corporate investors that are exempt from corporation tax on the income, for example where a life office holds the units as pension business, may reclaim the amount specified on their tax voucher from HMRC. Income allocations representing the PAIF dividend accumulation will not generally be subject to corporation tax when received by a corporate shareholder but the notional tax credit attached cannot be reclaimed from HMRC.

For any individual unitholders who are taxpayers, the gross dividend accumulations will be subject to UK income tax. A dividend accumulation is normally treated as being the top slice of income. The tax credit can be used to reduce the tax liability. A unitholder taxable at either the basic rate of tax (10% on dividends) will have no further tax to pay, whilst a unitholder taxable at the higher rate of tax (32.5% on dividends) will be liable to further tax equal to 22.5% of the gross income (equivalent to 25% of the net receipt), and unitholders liable to the additional rate of tax (42.5% on dividends) will be liable to further tax equal to approximately 36% of the gross income. UK resident individuals not liable to tax on all or part of their income allocation are unable to reclaim any part of the notional tax credit.

For all income allocations: A tax voucher showing the amount of the income distributed or deemed to be distributed to the unitholders and the notional tax credits and tax deducted will be sent to the unitholders at the time of the distribution.

Capital gain: The sale of units by unitholders will constitute a disposal for the purposes of tax on capital gains. For unitholders within the charge to corporation tax, net capital gains on disposal of holdings in the Trust will normally be added to their profits chargeable to corporation tax or exempt from it, depending on the circumstances of each unitholder. Individual unitholders resident or ordinarily resident in the UK will not be liable to tax on their capital gains, unless their chargeable gains from all sources are in excess of the annual exemption.

Trust 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

For further information please contact:

Royal London Asset Management Limited
80 Fenchurch Street,
London EC3M 4BY

020 3272 5950
bdsupport@rlam.co.uk
www.rlam.com

Ref: SREP RLAM PD 0291

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ASSET MANAGEMENT