ROYAL LONDON

INTERIM REPORT

Royal London UK Real Estate Feeder Fund Interim Report for the six month period ended 30 June 2020 (unaudited)

ASSET MANAGEMENT

COMPANY INFORMATION

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* The ACD Manager's report comprises of these items.
+ The Investment Adviser's Report includes a note on the Value Assessment.

Company

Royal London UK Real Estate Feeder Fund

Registered office:
55 Gracechurch Street, London EC3V 0RL

Authorised Corporate Director (the "ACD")

The ACD is Royal London Unit Trust Managers Limited

Place of business and Registered office:
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Authorised and regulated by the Financial Conduct Authority; a member of The Investment Association (IA).

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Directors of the ACD

Directors: A.S. Carter,
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R. Kumar,
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* Non-executive Director

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 ACD

HSBC Bank plc
8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Registrar and Transfer Agents

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REPORT OF THE AUTHORISED CORPORATE DIRECTOR

About the Company

The Royal London UK Real Estate Feeder Fund (the "Company") is an open-ended investment company with variable capital (ICVC) which has Property Authorised Investment Fund (PAIF) status, as defined in Part 4A of the Tax Regulations and the Glossary to the FCA Handbook. It is governed by the OEIC Regulations, the Collective Investment Schemes sourcebook (COLL) and its Instrument of Incorporation. Registered in England with Company Number IC001092.

The shareholders are not liable for the debts of the Company.

Authorised Status

The Company is a stand-alone Collective Investment Scheme as defined in the Financial Services and Markets Act 2000. The Company was authorised by the Financial Conduct Authority (FCA) on 7 June 2017 and its Instrument of Incorporation was registered with the Registrar of Companies for England & Wales on 1 October 2017. The Company qualifies as an Alternative Investment Fund within the meaning of Alternative Investment Fund Managers Directive ("AIFMD") for the purposes of the FCA Rules.

The Company is a Qualified Investor Scheme (QIS) and a feeder fund dedicated to investment in units of the Royal London Real Estate Fund (the "Master Fund"), details of which are set out on Part 2 of Appendix 1 of the Prospectus. The Company qualifies as a PAIF for tax purposes.

The Financial Statements

We are pleased to present the interim report and financial statements covering the period from 1 January 2020 to 30 June 2020. As required by the OEIC Regulations, information for Royal London Real Estate Feeder Fund (the "Company") 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

Authorised Corporate Director

A.S. Carter (Director)

R Kumar (Director)

24 August 2020

INVESTMENT ADVISER'S REPORT

Objective

The investment objective of the Royal London UK Real Estate Feeder Fund (the "Company") is to achieve capital growth and income by investing solely in the Royal London UK Real Estate Fund (the "Master Fund").

The investment objective of the Company means that it may be appropriate for it to hold cash or near cash. This will only occur where the Investment Adviser reasonably regards it as necessary to enable the pursuit of the Company's objective, redemption of units, efficient management of the Company in accordance with its objective, or for the purpose ancillary to its objective.

As the Company's sole investment are units held in the Master Fund, the Company is subject to the same underlying risks and returns of the Master Fund, and as such, the commentary presented on pages 4 to 8 is consistent with those of the Master Fund.

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

The investment objective of the Master Fund is to outperform the 12 month total return of the Master Fund'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 main strategy of the Master Fund is to invest primarily 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 and development potential in a recovering market. The long-term investment philosophy of the Master Fund requires strategic planning and preparation of asset management opportunities through market cycles, thereby positioning them for exploitation as and when market conditions are favourable. New acquisitions will be sought where they add synergies to existing holdings.

As well as investing directly, the Master Fund's may invest in indirect UK property through collective investment schemes, REITs, other transferable securities and derivatives. The Master Fund may also invest in cash, money market instruments and collective investment schemes for cash management purposes and may also use derivatives for the purposes of Efficient Portfolio Management.

Performance

For the six month period ended 30 June 2020, the Company's performance mirrored that of the Master Fund which had a return of -2.42%, compared to the All Balanced Funds component of the AREF/MSCI UK Quarterly Property Fund Index, which showed a return for the same period of –3.25%.

The Master Fund's rate of capital growth over the 12 months period was negative, albeit more resilient than the benchmark. However, the Master Fund's property level income return on a like-for-like basis was actually lower than the benchmark.

Following its launch in October 2017, the Master Fund has seen very strong investment performance, in both absolute terms and in comparison to its benchmark. Since inception, the Master Fund has outperformed its benchmark by 350 basis points (11.40% v 7.90%).

Market review

Retail sector

Prior to the COVID-19 pandemic, a significant part of the retail sector was already in structural decline. With the exception of prime, central London locations, rental values had declined on average by around 5% during 2019.

The first half of 2020 saw an already under pressure retail market head into uncharted waters. The lockdown announced by the UK Government meant that all non-essential retailers were forced to close on 23 March. Although approximately one third of UK retail stores were permitted to continue to trade, only 50% or so of those did, as fears for the safety of staff and customers led many retailers to remain closed.

The lockdown has caused an unprecedented decline in retail spending. In March, the ONS reported the sharpest decline in retail sales volume since the tracker began, down 5.8% year on year. Food stores sales were boosted by panic buying but non-food store sales dipped significantly. April saw another record fall with 14% of stores recording zero turnover. It is too early to tell how sales will rebound now that non-essential stores are permitted to reopen. Evidence from some of our own assets has been encouraging, however footfall data suggest numbers are a little over half of the level seen in the same period last year.

Spending online has increased significantly in lockdown and reached its highest level at 30.7% of total sales. Overall, demand for physical floorspace is expected to reduce, stores to close and void levels to rise. Some retailers will continue to focus on bricks and mortar and could expand their portfolios but this is likely to be the exception and focused on the value end, which does not lend itself as well to online.

With an increased level of void in many locations, maintaining rental tone is likely to be very challenging. Referring to the MSCI UK Monthly Index, retail rental values fell by 3.0% during Q2, the pace of decline increasing from Q1. Over the last twelve months retail rental values have fallen on average by 7.2% and we expect this trend to continue.

Industrial sector

The industrial sector experienced a cooling of momentum during 2019, yet remained the best performing sector of the UK commercial property market, underpinned by strong occupier demand and a shortage of good quality stock. Vacancy rates were low and rental growth prospects continued to pull in a range of investor types. 2020 looks set to be a more challenging year.

At the start of the pandemic, the investment market for industrial assets was holding up well. Deals were still taking place and prime assets such as Perivale Park in West London, were attracting bids significantly above asking price. As the crisis worsened, transactions have slowed. With material uncertainty clauses inserted into valuations, this has meant that many UK institutions have seen funds suspend, making transactions more problematic to complete.

Economic indicators linked to the industrial sector have highlighted the impact of the pandemic. Office for National Statistics (ONS) data showed that industrial output fell by a record 20.3% month on month in April. This was the result of many factories having to close under the lockdown measures. The IHS Markit/CIPS UK Manufacturing PMI fell to a record-low of 32.6 in April, but has since recovered back to 50.1 by the end of June. This implies that operating conditions have begun to stabilise and as lockdown restrictions begin to ease, production levels should begin to improve.

Market review – continued

Industrial sector – continued

The industrial sector is not solely reliant on manufacturing though. The pandemic has emphasised the importance of logistics and supply chains. We have witnessed record growth in ecommerce and this is reflected in recent take-up statistics. Focusing on distribution warehouses, Savills report that take-up for H1 2020 has reached 22.4m square feet. This is the best H1 performance ever recorded and is 38% above 2019 and 66% above the long-term average. The data is skewed by Amazon who accounted for 36% of that total, but nonetheless it demonstrates the resilience of occupier demand, in spite of turmoil caused by COVID-19.

Going into the crisis, availability of industrial and logistics units were at historic lows and upon recovery, we feel that the sector should be in a stronger position relative to other property sectors. The latest monthly MSCI index shows that growth in industrial market rents was marginally positive in June at +0.2. Rental growth across all industrial sub-sectors stood at 0.8% on a year to date basis. Yields across the sector on average, have been relatively stable.

Office sector

We were expecting Central London investment volumes to increase during 2020 due to strong occupational fundamentals and a large amount of overseas equity targeting the country. The general election in Q4 2019 provided the certainty that investors were looking for and at the start of the year there was a shortage of openly marketed stock and a depth to demand from buyers which was beginning to result in yield compression. The COVID-19 pandemic has inevitably stalled the market.

This global crisis is expected to drive a fundamental change in how everyone works. The previous way of doing things and what has been considered best practice (or acceptable) has had to dramatically change and this change has raised questions over the need for offices as we currently experience them. The future could mean a very different workplace experience.

Changes to the office workspace were taking place pre-pandemic as progressive businesses (largely in the tech sector) gave thought to the most efficient and productive ways of working in conjunction with recruitment and retention of staff in the 'War for Talent'. This was at a time when ESG, Sustainability and Wellbeing were all moving up everyone's agenda – corporate and personal. The COVID-19 crisis will rapidly accelerate these changes and should encourage a much wider range of businesses to improve the workplace experience of the future.

For businesses to attract and retain quality staff and property owners to attract businesses at high rents it seems clear that the quality of many offices buildings and office fit-outs will need to improve. Such a move was already happening, particularly on the larger new schemes in London but it will have to become much more widespread in terms of location and adapting older buildings.

In terms of what this means for near term investment performance, we have seen that the prime end of the office market, particularly central London appears to have been more resilient in terms of pricing, so too offices with longer term, secure income and it is expected this trend will continue with yields hardening for these assets, over the next 12 months, as investment activity begins to pick up again. Referring to the MSCI UK Monthly Index, values across the office sector on average have fallen by -3.7% this year. Focusing on Central London offices the decline over the same period has only been -2.6%.

According to Colliers, UK office investment volumes stood at just under £5bn at the end of H1 2020, down from £6.8bn in H1 2019 and around 50% below the five-year average of £10.2bn. However, Colliers believe that there is upwards of £1.5 billion in agreed deals that are understood to be pending completion, delayed by the COVID-19 lockdown. The speed and level at which these transaction complete will serve to demonstrate the state of investor sentiment.

When looking at the occupier market, Colliers state that vacancy has begun to rise slowly across the London office market, it still remains below average. They expect 'grey' or 'tenant marketed' space to be key the driver of any rises in vacancy throughout the remainder of 2020 and note that it is still over 20% below the 10-year average. They expect that many occupiers will retain space to accommodate offices redesign strategies in the short- to medium-term, helping to smooth the release of excess space.

Alternative sector

The full effect of COVID-19 pandemic on the alternative sector won't be clear for some time. While the immediate effects are around rent, valuations and a return to tenant trading, future consumer behaviour is not yet known. Customer attitudes toward things such as staying in a hotel, changing residential accommodation, spending money on a new car and where they spend their leisure time will ultimately determine how "alternative" property types will be impacted going forward. An understanding of customer behaviour post crisis will in turn inform operator business models and investor appetite.

Capital Economics note that for hotels, in the short- to medium-term, domestic travel is more likely to revive, but the prospects for overseas travel are less clear. The shock to the travel industry has been severe and there are question marks about future capacity. Given the success of video conferencing during lockdowns, there could be dramatic changes in international business travel in the future.

Investors have been drawn to the alternative sector for a range of reasons. It offers diversification from the traditional sectors. There are structural and demographic drivers, opportunities for both defensive and growth strategies and potentially enhanced returns through operational exposure. Furthermore, many of these property types benefit from longer income streams, not typically available in retail, office and industrial sectors. These attributes are likely to remain popular post-crisis, and so should see the alternative sector continue to attract investors in the medium term.

Portfolio review

As at 30 June 2020, the Company had a net asset value of £52.92m which accounted for the entire value of the Company's portfolio held in collective investment schemes in the Master Fund.

As at 30 June 2020, the Master Fund had a net asset value of £2.85bn. The Master Fund held 89 direct properties including developments which were valued at £2.76bn and accounted for 96.83% of the portfolio value. The Master Fund also held 2.15% of its assets in collective investment schemes made up of indirect property and cash fund investments.

The geographical focus of the Master Fund remains overwhelmingly biased towards properties in strategic locations in London and South East to maintain exposure to assets with limited downside risk.

As at 30 June 2020, the Master Fund's top 10 tenants included well-known corporate names such as Marks & Spencer, Dixons Carphone Warehouse and J Sainsbury PLC.

Portfolio activities

Investments

There were no investment or divestment activities during the period in the Company.

There were three main property investment transactions in the Master Fund for the period.

Petty Cury, Cambridge

In February the Master Fund completed on the sale of a retail unit in Cambridge to a private investor for £5.15m. The offer received from the buyer was slightly above the Q4 2019 valuation.

102 Grey Street, Newcastle

In March the Master Fund sold a retail unit in Newcastle for £6.63m to a private investor. The property offered minimal asset management opportunities in the near term, as it is let as a whole to Lloyds TSB on a lease expiring in June 2026.

85–87 Jermyn Street, London SW1

The Master Fund has bought-in the freehold of 85–87 Jermyn Street from the Maudsley Charitable Trust for £27.51m following two rounds of best bids. The Master Fund's ownership was by virtue of a 99 year unexpired long leasehold interest with a rent payable of 15% of rents received.

During the period, the Master Fund also fully divested £52.40m from The Royal London Cash Plus Fund and £40.48m from The Royal London Enhanced Cash Plus Fund.

Developments

During the period there have been numerous development activities looking to enhance value to the Company portfolio by the Master Fund.

Castlewood House, London

The completed development will provide approximately 140,000 sq. ft. of office accommodation and 20,000 sq. ft. of retail. Despite the COVID-19 pandemic and a slight pause to construction works whilst the appropriate Health and Safety measures were reviewed and implemented, progress has been good during the period. The Castlewood House structure has now been completely demolished. New construction (sub structure) is now underway and the first pile has been installed.

Medius House, London

Medius House demolition is ongoing and all archaeological works are now completed and approved by the relevant authorities. Due to the uncertainty around the pandemic, Q4 2022 is the anticipated practical completion date for the entire development.

Glassfields, Bristol

Construction for the 85,000 sq. ft. hotel, pre-let to Jurys Hotel Management UK Ltd, is ongoing with limited impact from the pandemic. Completion was originally scheduled for December 2020 and a revised completion date is estimated for January 2021. We are also onsite building 90,000 sq. ft. of speculative office space which prior to the pandemic was due to complete in August 2020.

103 Oxford Street, London

This property comprises a retail unit over lower ground and ground floors with 5 floors of offices above. It is situated to the east of Oxford Circus at the corner of Oxford Street and Great Chapel Street, immediately adjacent to the new Crossrail station. The retail unit is poorly configured, the office entrance lacks prominence and the offices benefitted from a restrictive use as a language school.

Planning consent was granted in 2019 for a redevelopment to create a modern retail unit over lower ground, ground and first floors with five floors of offices above, thus increasing the height of the building by the addition of a new floor. The office entrance will be moved from Oxford Street to Great Chapel Street. Vacant possession was obtained with a view to starting on site earlier this year. However, the project was delayed by neighbourly issues and the need to agree site servicing with the Local Authority.

Asset management and lettings

During the period there have been numerous asset management activities looking to enhance value to the Company portfolio by the Master Fund.

Horsted Retail Park, Chatham

The final Unit F Aldi Food Store Shell and Core was completed on 17 February 2020 thus completing the building works. The tenant fit out of Home Bargains has been completed and they are now successfully trading. The tenants of the remaining units were due to commence their fit outs and with the new forecourt will offer a refreshed smart retail experience for new and existing customers.

Garden House 57/59 Long Acre, London WC2

The Master Fund has completed a re-gear with Lululemon of their office lease. The break option on 04/08/2020 has been removed and the rent review, due on the same date, has been settled. The rent review saw an increase from the passing rent of £68 per sq. ft. to £80 per sq. ft. This compares to the valuers ERV of £68 per sq. ft. The successful negotiation has secured a term certain of 5 years, improved the income stream and had a positive impact on the capital value of the asset.

Springfield Park, Chelmsford

The completion and occupation of the DPD development at Chelmsford in April has been very positive and the increasing demand for this type of facility with the increase in e-commerce has fully vindicated our decision to proceed with the development of this building having agreed a pre-letting 12 months ago. There has been additional positive progress at this Chelmsford holding; at Unit 1 Boreham 5 terms have been provisionally agreed with A&M Forklifts Ltd to take a new 15 year lease with rent reviews in years 5 and 10. This deal reflects the lack of local supply and the prime location of the holding adjacent to the A12.

1- 3 St Pauls Churchyard

The rent review from August 2018 with Genesis Oil and Gas has completed at a rent of £3,061,000 pa up from a passing rent of £2,889,685 pa and ahead of the valuation ERV.

Queens Arcade, Leeds

The Master Fund has now completed a new 10 year lease to The North Face on 76 Briggate. The lease included a tenant only break at the end of year five. No incentives were given albeit the unit was handed over in a 'ready for fit out' condition. The transaction has had a positive impact on the net income and capital value of the property.

DIRFT unit at Daventry

We also completed a letting to support the NHS in April. This is a 240,000 sq. ft. refurbished distribution building. The NHS contract is run by Clipper logistics that had a specific budget for the project at that time. Clipper needed to establish a new supply chain for personal protective equipment (PPE) products for the NHS to distribute to those facilities in most need. The letting is for 9/12 months at a rent of £750k pa. Although this is below the current ERV of the building, it is supporting our national effort in fighting this pandemic and we will have the added benefit of saving significant empty building rates and security costs.

Hayes 180, 1/3 Uxbridge Road

Terms have also been agreed to let the last remaining vacant unit at Hayes. A ten year lease (break at year 5) has been agreed on the 64,000 sq. ft. The proposed tenant, a medical research company, is planning for occupation in October. Although this scheme has taken longer to fully let than we had expected, we have achieved higher rents than those set out in our initial development appraisal and this has provided significant additional profit for the Master Fund.

Units 5 & 6 Redbourne Park, Northampton

The Master Fund is planning a major refurbishment of the industrial units to commence following agreement of the specification and the completion of a tender process. The target completion date for the project is Q4 2020 with the letting agents targeting rents of c £7.50psf (above the ERV £7psf). We feel that in the current market, with limited supply and many developments and refurbishments on hold, the timing of this refurbishment should fit well with the demand dynamics in the area.

Portfolio activities – continued

Asset management and lettings – continued

New Bond Street Estate

The Master Fund owns a large mixed use site towards the top of New Bond Street close to the proposed new Crossrail station. This is a prime and incredibly rare piece of real estate. We have for some time been considering ways to improve the asset to maximise value. Until recently it has been fully let. However, we had concerns over the longevity of some of the leisure and retail operators and therefore began a master planning exercise to create a long term plan for the asset. Pre-application discussions were held with the Local Authority last year in respect of a proposed redevelopment scheme for part of the holding.

2 City Place, Gatwick

The Master Fund has completed a new 10 year lease to Shearwater Geoservices Ltd on 12,800 sq. ft. of the Ground Floor suite. The tenant previously occupied 9,300 sq. ft. and through active engagement with the tenant terms were reached to accommodate an additional 3,700 sq. ft. and restructure their existing lease arrangements. The terms on the original lease remained broadly the same; however we were able to negotiate a revised rent on the new space reflecting £27 psf. which represented an 11% increase in rent since the last transaction in August 2019.

Responsible Property Investment (RPI)

The Company continually monitors the progress of its RPI strategy against the annual targets and objectives that are set. We have recently begun a review of the strategy to ensure it continues to be market leading. This will lead to the creation of a new strategic framework and policy, with an Action Plan and KPIs to guide delivery.

The Company is also assessing the impact of signing up to a ground breaking commitment to tackle the growing risks of climate change through the delivery of a net zero carbon real estate portfolio. The commitment highlights the need for buildings to be net zero carbon by 2050 and commits signatories to publish their own pathways to achieving this. These pathways will cover new and existing buildings, both operational carbon and embodied carbon, and critically, include the impact of the energy consumed by the buildings' occupiers. 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.

A new Energy Performance Certificate (EPC) procedure has been accepted by the Company, this has now gone live. This considers the implications of the changing requirements of the Minimum Energy Efficiency Standards (MEES) regulations in 2023. As a result of this, and the monitoring programme that is in place, the Company is in a very good position.

Investment outlook

Economic overview

We are at an interesting point in the recovery. Incoming data releases continue to suggest that the early stages of recovery have been strong (i.e. May and June in Europe and the US), but more recently, at least some of the US high frequency data has started to wobble a bit. If recovery momentum falters somewhat, it wouldn't be much of a surprise considering the US COVID-19 case numbers, which continue to worsen.

The US hasn't been the only reminder that this virus (and its consequences for the economy) very much remains a threat. Australia, which had got case numbers down to very low levels, saw Melbourne go back into lockdown as the outbreak in Victoria has progressed. Even in the UK, we've had a localised lockdown in Leicester.

Against lingering fear of the virus and more generalised worries around 'second waves' in the autumn/winter, at least two things are worth noting as far as the global economy goes:

First, fear matters for economic activity. New lockdowns have generally been localised (as in Australia) or partial (as in some US states which have partially re-imposed social distancing measures). This likely lessens the economic impact. However, some recent research supports the view that there is much more to economic damage than government-ordered lockdowns. Household consumption in Sweden was still down 10.7% year on year in April and South Korea's unemployment rate hit a 10-year high in May in the absence of UK-style lockdowns in both cases.

Second, a second wave of government and central bank policy stimulus may be less impressive than the first wave. Central banks have already cut rates dramatically the world over (where there was room to do so) and rates are at, or close to zero in developed economies (the Bank of England continues to review the case for negative rates). Asset purchase programmes are already widespread. As for fiscal policy, it will likely be hard to agree to new support packages when government deficits are already at, or heading rapidly towards, double digits as a percentage of GDP. In the UK, the £30bn package of time-limited measures announced by Chancellor Sunak in early July was welcome, but the bigger part of the first wave of fiscal support – the coronavirus job retention (or furlough) scheme – is still set to wind down over the period between August and October.

Despite all this, it is worth recognising that much of the data relating to activity in May and June in the US and Europe surprised to the upside. This has included significantly stronger-than-expected ISM business surveys in the US. Non-farm payrolls and the unemployment rate surprised positively again too. China's recovery also appears to have remained solid, judging by the strong PMI business surveys for June.

More policymakers have also been highlighting the better-than-feared early stage recovery, from BoE Chief Economist Haldane ("so far, so V") to the ECB's Schauble and De Guindos. That does not mean that central banks are anywhere close to reversing course. However, just as fear will likely hold back the recovery, so growing confidence in the early stage of recovery can bolster that recovery through its effects on markets and consumer and business behaviour.

However, until any of the following conditions are true: COVID-19 numbers are low and staying low; authorities have proved they can quash any new outbreaks quickly; or a vaccine is ready – and in most of the world, we simply aren't there yet on any of these fronts – the recovery will remain vulnerable to a resurgence of fear. This recovery is set to take some time yet.

UK commercial property

The extra £30bn worth of fiscal measures announced on 8 July by Chancellor Rishi Sunak provides much needed support to the economic recovery. Data had initially signalled towards a solid start to the recovery phase but despite strong retail sales numbers, overall GDP growth in May was only +1.8%, a long way below consensus expectations. This coupled with a weakening underlying labour market suggest an economy in need of further policy support.

The range of measures included a "Job Retention Bonus" of £1,000 for employers for each employee they bring back from the furlough scheme, a cut in VAT from 20% to 5% for the hospitality and tourism sector until 12 January 2021 and the "Eat Out to Help Out" scheme that provides a 50% discount at participating restaurants during August this year. These elements, in particular, should offer some relief to the hospitality sector, as it faces up to the challenge of reopening. Trading conditions will be extremely difficult in the near term, as lockdown restrictions are eased, but not removed entirely.

Footfall in UK shopping centres bounced in the week beginning 6 July, up nearly 10% on the previous week. Overall, retail footfall to all UK destinations rose by almost 5%. Footfall in London's West End remains subdued however. It was circa 25% of the level seen in the same period in 2019 in the first full week of opening and by the end of week three is still at this level. Overall however, UK retail footfall is still down approximately 48% year on year.

INVESTMENT ADVISER'S REPORT (CONTINUED)

Investment outlook – continued

UK commercial property – continued

If fears of the virus persist, then people won't want to go out and spend whatever the price but the latest announcements have been welcomed by the hospitality industry and are designed to encourage a pick-up in spending and prevent widespread business failures. Whether the measures are successful remains to be seen. These are incredibly uncertain times but it is clear the government is prepared to borrow more and suggested that the next phase of spending, which will be laid out in the Budget and Spending Review late this year, would involve more investment in public services, national infrastructure and the regions.

Market sentiment in the property sector remains cautious, although there are signs that conditions are stabilising and confidence is beginning to turn a corner. The most recent investment performance indicator available is the MSCI UK Monthly Index which saw values decline on average by only -0.7% in June. This decline is the gentlest since the onset of the crisis, and largely confined to retail assets.

Data from Savills shows that Q2 2020 investment volumes were at their weakest ever level over a quarter. However, month-on-month trends showed a marked rise in turnover in June, which suggests we are past the worst and offers grounds for some optimism. Savills believe the outlook might be for yield hardening on West End offices, industrial multi-lets and distribution, implying a turning point.

In the central London office market, Savills note that the lack of openly available stock is the main reason for the low levels of transactional activity to date in 2020. With very little outward sign of distress (as yet) there are no forced sellers unlike in previous downturns. They anticipate investment activity to remain comparatively subdued in the short term and over the summer, but note that signs of increased market activity are emerging. Material Uncertainty Clauses inserted into valuations at the onset of the crisis have now been removed from the industrial sector and from central London offices, reflecting the increase in recent transaction activity.

Drew Watkins
Portfolio Fund Manager
30 June 2020
Royal London Asset Management

This report covers investment performance, activity and outlook. For a wider look at the ACD, refer to the annual RLUTM Assessment of Value report as at 31 March 2020 published on http://www.rlam.co.uk/RLAM/RLUTM Assessment of Value Report 2020 from July 2020.

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

Source: RLAM, unless otherwise stated.

PORTFOLIO STATEMENT

AS AT 30 JUNE 2020

Holding	Investment	Market value (£'000)	Total net assets (%)
Real Estate Authorised Contractual Scheme – 100.00% (31/12/19 – 100.00%)			
521,767	Royal London UK Real Estate Z Inc	52,920	100.00
Total value of investments		**52,920**	**100.00**
Net other assets		**–**	**–**
Total net assets		**52,920**	**100.00**

SUMMARY OF MATERIAL PORTFOLIO CHANGES

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

Significant Purchases

	Cost £'000
No purchases in the period	

Significant Sales

	Proceeds £'000
No sales in the period	

The purchases and sales detail the material changes in the portfolio during the period.

COMPARATIVE TABLE

Class J Gross Income

Change in net assets per share	30/06/2020 (£)	31/12/2019 (£)	31/12/2018** (£)
Opening net asset value per share	105.67	107.00	100.00
Return before operating charges*	(1.97)	3.75	12.05
Operating charges	(0.58)	(1.38)	(1.54)
Return after operating charges*	(2.54)	2.37	10.51
Distributions on income shares	(1.71)	(3.70)	(3.51)
Closing net asset value per share	**101.42**	**105.67**	**107.00**
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	(2.41)%	2.21%	10.51%
Other information			
Closing net asset value (£'000)	52,920	55,136	55,830
Closing number of shares	521,767	521,767	521,767
Operating charges excluding property expenses	0.72%	0.71%	0.70%
Property expenses	0.39%	0.57%	0.75%
Operating charges	1.11%	1.28%	1.45%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	106.92	109.88	110.21
Lowest share price	99.90	104.09	101.87

** The first issue of shares was on 2 January 2018.

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

FINANCIAL STATEMENTS

Statement of Total Return

for the six month period ended 30 June 2020

	£'000	30 June 2020 £'000	£'000	30 June 2019 £'000
Income				
Net capital losses		(2,347)		(202)
Revenue	1,765		1,809 *	
Expenses	(875)		(757)*	
Interest payable and similar charges	131		–	
Net revenue before taxation	1,021		1,052	
Taxation	–		–	
Net revenue after taxation		1,021		1,052
Total return before distributions		(1,326)		850
Distributions		(890)		(1,052)
Changes in net assets attributable to shareholders from investment activities		**(2,216)**		**(202)**

Statement of Change in Net Assets Attributable to Shareholders

for the six month period ended 30 June 2020

	£'000	30 June 2020 £'000	£'000	30 June 2019 £'000
Opening net assets attributable to shareholders		**55,136**		**55,830**
Amounts receivable on issue of shares	–		–	
Amounts payable on cancellation of shares	–		–	
		–		–
Changes in net assets attributable to shareholders from investment activities		(2,216)		(202)
Closing net assets attributable to shareholders		**52,920**		**55,628**

* The period ended 30 June 2019 comparatives have been restated. Service charge income and service charge expenses of £393,000 are now shown separately in the financial statements. As the amounts have an equal and opposite effect this adjustment has had no impact on the net asset value of the Company.

FINANCIAL STATEMENTS (CONTINUED)

Balance Sheet

as at 30 June 2020

	30 June 2020 £'000	31 December 2019 £'000
ASSETS		
Fixed Assets:		
Investments	**52,920**	**55,136**
Current assets:		
Debtors	416	463
Cash and bank balances	–	–
Total current assets	**416**	**463**
Total assets	**53,336**	**55,599**
LIABILITIES		
Creditors:		
Distribution payable	416	463
Total liabilities	416	463
Net assets attributable to shareholders	**52,920**	**55,136**

Statement of Cash Flows

for the six month period ended 30 June 2020

	30 June 2020 £'000	30 June 2019 £'000
Net cash inflow from operating activities	**936**	**1,066**
Servicing of finance		
Distributions paid to shareholders	(937)	(1,068)
Interest received	1	2
Net cash outflow from servicing of finance	**(936)**	**(1,066)**
Cash flows from investing activities		
Payments to acquire investments	–	–
Receipts from sale of investments	–	–
Net cash outflow from investing activities	**–**	**–**
Net cash outflow before financing activities	**–**	**–**
Cash flows from financing activities		
Amounts received from creation of shares	–	–
Net cash inflow before financing activities	**–**	**–**
Net increase in cash during the period	**–**	**–**
Cash balance brought forward	–	–
Cash and bank balances at the end of the period	**–**	**–**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

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 Company 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 Instrument of Incorporation. 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 financial statements have been prepared on a going concern basis in accordance with the historical cost convention, as modified by the revaluation of investment property, and in accordance with applicable United Kingdom accounting standards, applicable UK Law and the Instrument of Incorporation.

Following the outbreak and spread of the Coronavirus (COVID-19) and the UK Government regulations announced in March 2020, businesses have restricted employee travel for work and commercial tenants have had to temporarily close operations, a number of whom have subsequently requested a 3-month deferral on their rental payments to the Master Fund. The Prospectus allows the Depository to withhold any unpaid rent from the distribution which allows the ACD to distribute effectively on a cash received only basis. In addition cash can be borrowed from capital proceeds from the purchase of shares if necessary.

The ACD has examined significant areas of possible financial risk and has not identified any material uncertainties which would cast significant doubt on the Company'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 ACD has satisfied themselves that the Company has adequate resources to continue in operational existence for the foreseeable future.

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

Tax transparency

Revenue, expenses, finance lease amortisation and taxation of Royal London UK Real Estate Fund (the "Master Fund"), are recognised on a look through basis proportionate to the Company's investment and are reflected within the Financial statements on account of the Master Fund being a tax transparent fund.

Basis of valuation of investments

The Company invests all of its capital in Class Z gross income share class of the Royal London UK Real Estate Fund (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 Master Fund's Annual Report & Accounts 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. The distributions are into the Company 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.

Taxation

The Company qualifies as a PAIF for tax purposes. Accordingly, the income generated by its Property Investment Business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax. The Company would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made, or a tax charge otherwise arises.

The Company's distributions will be split into up to three streams for United Kingdom tax purposes:

1. Property income distributions, representing income from its Property Investment Business;

2. PAIF dividend distributions representing any dividends received by it; and

3. PAIF interest distributions representing the net amount of all other income received.

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 Master 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

Revenue is generated by the Company'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 share class and deducting the charges and expenses paid or payable out of income in respect of that accounting period. The ACD 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 accrual 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 shareholders, interim distributions will be made at the ACD's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed, at share class level, to the shareholders in accordance with the Company's prospectus.

The distribution policy is to distribute all available 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.

The policy of the Company is to make distribution to shareholders on a quarterly basis each year.

Gains and losses on investments, whether realised or unrealised, are taken to capital and not available for distribution.

2. Distribution policies – continued

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 Company.

Equalisation
All share classes of the Company 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 share class prices.

3. Risk management policies
The sole investment in the Company is units in the Master Fund and is subject to the same underlying risks of the Master Fund. The Company 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 Company's value.

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

Market price risk and valuation of collective investment scheme
The Company invests solely in 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 Feeder Fund invested in a single, qualifying authorised contractual scheme, the aforementioned limit is not applicable to the Company's own investment in the Master Fund.

While it is possible to identify the real estate sectors most exposed over the short term to the outbreak of the COVID-19 pandemic, there is no clear way to identify how significant the downside risks will be and therefore what the ultimate impact on real estate valuations will be.

Sensitivity analysis
The only investment within the Company is in the Master Fund and is dependent on the same sensitivities. The value of the investment properties are driven by their expected yield. At the period end, the Company's portfolio had an effective yield of 4.86% (31/12/19: 5.03%). If the yield of every property within the portfolio increased by 0.50% (31/12/19: 0.50%) it is estimated that the net asset would fall by 8.83% (31/12/19: 10.12%). If the yield decreased by 0.50% (31/12/19: 0.50%) it is estimated that the net asset value would rise by 10.85% (31/12/19: 10.46%). The 0.50% benchmark has been used to measure sensitivity analysis as it is widely used in the fund management industry.

These estimates are subject to the prevailing conditions at the period end.

Liquidity risk
Since the Company invests solely in the Master Fund that comprise mainly 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 ACD 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 ACD may defer redemptions where the ACD considers it to be in the best interests of the shareholders. 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 ACD, acting in the best interests of the shareholders, redemption will be deferred in whole or in part by the ACD within this timeline. The ACD must give shareholders notice of the deferral no later than two calendar months prior to the original dealing day. The price at which such shares will be redeemed will be the redemption price on the dealing day on which the shares are actually redeemed. The ACD may cancel the deferral (wholly or in part) by giving notice to shareholders 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 shareholders 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 ACD nor Investment Adviser is aware of any redemption requests pending or any indication that any of the shareholders intend to redeem shares in the Company 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 Master Fund in money-market instruments and/or cash deposits, provided that the ACD satisfies all the rules in the COLL on the types of permitted investments.

Included in the ACD's responsibilities for managing and monitoring the liquidity risk of the Company 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 Company and monitoring and assessing the policies and procedures of the Investment Adviser for the Company in managing the Company's liquidity limits. In determining its risk management policies, the ACD 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.

3. Risk management policies – continued

Liquidity risk – continued

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
30 June 2020	**£000**	**£000**	**£000**
Cash at bank	–	–	–
	%	**%**	**%**
Unitholding that can be redeeemed	–	–	100.00
Portfolio capable of being liquidated	–	100.00	–
31 December 2019	**£000**	**£000**	**£000**
Cash at bank	–	–	–
	%	**%**	**%**
Unitholding that can be redeeemed	–	–	100.00
Portfolio capable of being liquidated	–	100.00	–

Credit and counterparty risk

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

In managing credit risk, rental income from any one tenant or tenants 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 of the Master Fund. Rent is collected from tenants in advance, usually quarterly. The cash of the Master Fund is placed on deposit with reputable financial institutions and is subject to limits as disclosed in the Prospectus.

The Company 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 ACD 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 Company 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 ACD might not be able to recover cash or assets of equivalent value in full.

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

The ACD and Investment Adviser have assessed the recoverability of the Company's assets, including trade and other receivables, recorded as at 30 June 2020 at the date of issue of the financial statements and concluded no material adjustments were required.

Currency risk

All financial assets and financial liabilities of the Company are in sterling, thus the Company 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 distribution receivable by the Company from the Master Fund. The ACD continuously reviews interest rates and the assessment of this may result in a change in investment strategy.

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

Leverage risk

The Master Fund 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 Master Fund) or through leverage obtained by nature of the derivative products in which the Company invests.

Economic and political risk

The performance of the Company 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 Company.

The returns that are likely to be achieved on an investment in the Master Fund, which invests in 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 Company'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)

The United Kingdom formally left the European Union on 31 January 2020. There is now a transition period which will last until 31 December 2020 while the UK and EU negotiate additional arrangements. During this period, the UK remains in the EU single market and customs union. However, the future trading relationshipand implications of Brexit remain uncertain.

It is possible investments in the UK may be more difficult to value, to assess for suitability or risk, harder to buy or sell or subject to greater or more frequent rises and falls in value. In the event that the ACD is unable to accurately value the assets of the Company, or in the event of high levels of redemption, the ACD may use certain liquidity management tools permitted by the FCA Handbook, including deferred redemptions, the implementation of fair value pricing or suspension of dealing in units of the Company. In the longer term, there is likely to be a period of uncertainty as the UK seeks to negotiate its exit from the European Union. The UK's laws and regulations concerning funds may in future diverge from those of the European Union. This may lead to changes in the operation of the Company or the rights of investors or the territories in which the units of the Company may be promoted and sold.

Meanwhile, the ACD continues to prepare for a scenario where there is no deal or no financial service equivalence or recognition. This approach ensures that the ACD and its ACD are well placed for any political eventuality. The ACD identified all supplier relationships where services are provided from the EEA and have received confirmation from all suppliers that services will be unaffected in a no deal scenario. The Company is intended for distribution to professional investors in the EEA so we are evaluating the local requirements on a country by country basis where the existing passport falls away.

DISTRIBUTION TABLE
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2020

Distribution in pence per share

Class J Gross Income

Distribution period	Distributions per share	Equalisation	Total distributions per share 2020	Total distributions per share 2019
March				
Group 1	90.8320		90.8320	106.0571
Group 2	90.8320	–	90.8320	106.0571
June				
Group 1	79.6863		79.6863	95.6530
Group 2	79.6863	–	79.6863	95.6530

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

FACT FILE

Royal London UK Real Estate Feeder Fund

Launch date	Class J – Gross Income Shares	1 October 2017
Accounting end dates	31 December (Final)	
	30 June (Interim)	
Distribution dates	20 January (Final)	
	20 April	
	20 July	
	20 October	
Minimum investment	£50m	
Management charges	Preliminary charge	1.25%
	Annual management charge	0.00%

GENERAL INFORMATION

Pricing and Dealing

For the purposes of determining the prices at which Shares may be purchased from or redeemed by the ACD, the ACD will carry out a valuation of the Company'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 ACD may, at its discretion, value the Company at any other time.

Dealing in Shares 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 Shares

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 ACD and returned by 12:00 midday U.K. 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. On acceptance of the application, Shares will be sold at the relevant sale price, and a contract note confirming the sale price and the number of Shares sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application.

Redemption of Shares

To redeem Shares, an investor should provide a written instruction by 12:00 midday U.K. time on the last Business Day that is at least six months prior to the relevant Dealing Day to the ACD at its administration centre with instructions to redeem the relevant number (if known) or value of Shares. Instructions received after this point will be dealt with on the next applicable Dealing Day. The Shares 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 U.K. time at the Business Day, four full Business Days prior to the relevant Dealing Day. Redemption settlement is by 17:00 U.K. time at the Business Day, five full Business Days prior to the relevant Dealing Day.

Distribution dates

Distribution of income is on the 20th calendar day following the end of the relevant accounting period.

UK Taxation

The tax consequences for each Shareholder of acquiring, holding, redeeming or disposing of Shares in the Company depend upon the relevant laws of any jurisdiction to which the Shareholder is subject and may be subject to change in the future. Prospective Shareholders should seek their own professional advice as to this, as well as to any relevant exchange control or other relevant laws and regulations if they are in any doubt as to their tax position.

The Company is an authorised scheme and so is not liable to tax on capital gains on the disposal of any of its property.

The Company qualifies as a PAIF for tax purposes. Accordingly, the income generated by its Property Investment Business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax. The Company would, however, be subject to tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses and the gross amount of any PAIF interest distributions made, or a tax charge otherwise arises.

The Company's distributions will be split into up to three streams for United Kingdom tax purposes:

1. Property income distributions, representing income from its Property Investment Business;

2. PAIF dividend distributions representing any dividends received by it and certain income; and

3. PAIF interest distributions representing the net amount of all other income received.

Tax-exempt United Kingdom Shareholders: United Kingdom Shareholders who are exempt from tax on income will be able to reclaim from HMRC the basic rate income tax withheld on the payment of property income distributions.

Corporate United Kingdom Shareholders: Property income distributions are generally paid to United Kingdom corporation tax payers without the deduction of tax at source and are taxed as profits of a property business. PAIF interest distributions are also paid gross to United Kingdom corporation tax payers, and are taxed as yearly interest in their hands. PAIF dividend distributions are treated in the same way as dividends paid by United Kingdom companies, and are therefore exempt from corporation tax.

Non-United Kingdom Shareholders: Non-United Kingdom resident Shareholders may be entitled to reclaim part or all of the tax credit on an income distribution or accumulation from HMRC, depending on their personal circumstances and the terms of any double taxation agreement between their country of residence and the United Kingdom.

For all income allocations: A tax voucher showing the amount of the income distributor or deemed to be distributed for United Kingdom tax purposes to the Shareholder and any tax deducted will be sent to Shareholders at the time.

Capital gains: The sale of Shares by a Shareholder will constitute a disposal for the purposes of United Kingdom tax on capital gains. The extent of any liability to United Kingdom tax will depend upon the particular circumstances of the Shareholder. For Shareholders within the charge to corporation tax, net capital gains on Shares should be added to their profits chargeable to corporation tax. Any individual Shareholders resident in the United Kingdom will generally be liable to tax on their capital gains. Non-United Kingdom resident Shareholders may also be liable to United Kingdom capital gains tax (or corporation tax) in respect of post-April 2019 gains realised on the disposal of their Shares, depending on their personal circumstances and the terms of any double tax agreement between their country of residence and the United Kingdom.

GENERAL INFORMATION (CONTINUED)

UK Taxation – continued

SDRT: There is no stamp duty or stamp duty reserve tax (SDRT) payable on issues or redemptions of Shares in the Company or on the subscription for or redemption of units in the Master Fund. SDRT may be payable in certain circumstances when a Shareholder transfers ownership of Shares directly to another person.

International and UK tax reporting: In order to comply with the legislation implementing the United Kingdom's obligations under various intergovernmental agreements relating to the automatic exchange of information to improve international tax compliance (including the United States provisions commonly known as 'FATCA' and the international Common Reporting Standard ('CRS')), the ACD (or its agent) will collect and report information about Shareholders for this purpose, including information to verify their identity and tax status. When requested to do so by the ACD or its agent, Shareholders must provide information to be passed on to HMRC, and, by them, to any relevant overseas tax authorities.

Shareholders who do not supply the requisite information when they apply for Shares will not be issued with any Shares and any Shareholders subsequently refusing to provide the requisite information to the ACD may be reported to HMRC, and, by them, to certain overseas tax authorities including those of the United States. If a prospective investor is concerned about this, he should take appropriate advice.

Authorisation

The Company was authorised by the Financial Conduct Authority on 7 June 2017.

ACD 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.