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Royal London UK Real Estate Feeder Fund

Annual Report

For the year ended 31 December 2022

ROYAL LONDON
ASSET MANAGEMENT

Contents

* The Authorised Corporate Director's report comprises these items.

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

Company information

Company

Royal London UK Real Estate Feeder Fund

Registered in England with Company Number IC001092

Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised Corporate Director (the "ACD")

The ACD is Royal London Unit Trust Managers Limited

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 ACD

R.A.D. Williams

A.L. Hunt

R. Kumar

S.Spiller

J.M. Brett (Non-executive Director)

H.I. Georgeson

J.M. Jackson (Non-executive Director, appointed 1 April 2022)

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.

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

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Administrator of the ACD

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

Report of the Authorised Corporate Director

We are pleased to present the Annual Report and Financial Statements covering the year from 1 January 2022 to 31 December 2022.

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 Company is a feeder fund which has been established to facilitate investment in the Royal London UK Real Estate Fund (the "Master Fund").

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

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 year 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

R. Kumar (Director)

S.Spiller (Director)

25 April 2023

Statement of the Authorised Corporate Director's responsibilities

The Open-Ended Investment Companies Regulations 2001 (SI 2001/1228) (the "OEIC Regulations") and the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("COLL") require the Authorised Corporate Director to prepare financial statements for each accounting year which give a true and fair view of the financial position of the Company for the year and of its net revenue and the net capital losses on the property of the Company for the year.

The financial statements are prepared on a going concern basis unless it is inappropriate to presume that the Company will continue in operation for the foreseeable future. In preparing the financial statements the Authorised Corporate Director is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- comply with the requirements of the Statement of Recommended Practice for Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017 (the "2014 SORP");
- follow UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland;
- comply with the disclosure requirements of the prospectus and instrument of incorporation;
- follow generally accepted accounting principles and applicable accounting standards;
- keep proper accounting records which enable it to demonstrate that the financial statements, as prepared, comply with all the requirements of the Statement of Recommended Practice for Authorised Funds; and
- take reasonable steps for the prevention and detection of fraud and other irregularities.

The Authorised Corporate Director is responsible for the management of the Company in accordance with its Prospectus, the FCA's rules and Instrument of Incorporation and to use monitoring controls to enable preparation of financial statements free from material misstatements or error.

Investment Adviser's report

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").

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 6 to 11 is consistent with those of the Master Fund.

Objective

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

Strategy

The Master Fund will invest in UK real estate across all major property sectors in a balanced portfolio with a strong emphasis towards prime assets in London and the South East. Stock selection will be paramount in acquisition decisions, and to exploit assets through active management and selective developments, while managing risks and void exposure.

Performance

Over the 12 months to 31 December 2022, the Master Fund delivered total returns of -5.43% (2021: +20.63%) finishing ahead of the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index by 403 basis points at -9.46% (2021: +19.14%).

On an annualised basis over the last five years, the Master Fund has delivered a total return of 4.70% per annum, which compares favourably to the benchmark level of 2.92% per annum, a margin of 178 basis points.

Outperformance during the last 12 months has been a function of successfully leasing agreements at key development initiatives as well as more resilient capital value movements in the face of an uncertain economic backdrop and weaker investor demand, which has seen yields rise and values fall. The Master Fund also benefitted from holding a higher cash weighting in the second half of the year than the benchmark.

Since the Master Fund was launched in October 2017, it has delivered consistent outperformance against the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index, delivering outperformance in each calendar year and beating the benchmark by 175 basis points on an annualised basis. Since inception, the Master Fund is ranked in the top decile, with an annualised total return (net of fund management fees) of 5.12%. Of the larger funds in its benchmark (those with a NAV greater than £1bn), the Master Fund is ranked first.

Market review

At the start of 2022, we were relatively optimistic about the outlook for the global economy which appeared well placed to regain the lost ground from two years of disruption caused by the pandemic. At the time, we identified three risks from geopolitical risk, inflation, and elevated asset prices. Nonetheless we had hoped that positive economic momentum would continue and provide a spur to the growth prospects of UK commercial property.

As the year progressed, economic conditions gradually deteriorated, and discussions on the economic outlook are centred around the length and scale of a recession. The war in Ukraine has produced a rapid and sustained rise in inflation and central banks have responded by aggressively tightening monetary policy. Increased volatility has returned to financial markets and prices across many asset classes have seen significant movements over the past twelve months.

At the start of the year, 10-year UK government bond yields were at 1.0%. By October, at the height of the chaos surrounding Liz Truss' brief premiership, they had risen to a high of 4.5%. By the end of the year, they had recovered to 3.7% and at the time of writing were back down to 3.3%. Nonetheless, this represents a profound and sudden shift with ramifications across many areas, including corporate debt and mortgage markets, hitting both business and consumer confidence.

UK commercial property has not been immune to these impacts, with the last 12 months witnessing a clear turnaround in market sentiment. In December 2021, the MSCI UK Monthly Index, which monitors the performance of ungeared real estate investment, saw its highest ever monthly rate as total returns peaked at +3.9%, month-on-month. Strong investor demand was the main driver of this with many sectors – especially industrial and logistics – seeing yields driven to record lows. Momentum inevitably cooled in the first half of 2022 but returns stayed positive. Set against the backdrop of rapidly rising borrowing costs, though, those yields levels proved unsustainable, and since June, investor sentiment has reversed quickly, with allocators reappraising the asset class. Coupled with a more uncertain economic outlook, this has seen the pool of active buyers reduce substantially and those that remain adopting a far more cautious approach.

The latest data from RCA shows that UK investment volumes were £8.8bn in Q4 2022, representing a 64% fall when compared with Q4 2021. All sector yields, as measured by MSCI, have moved out by 108 basis points over the last three months, and have risen by 140 basis points in aggregate, since their lows in Q2. Compared with previous downturns the pace of the correction has been much faster although we might have started to see this slowing as capital values fell by -3.7% in December, marking an improvement from November (-6.0%) and October (-6.8%).

Investment Adviser's report (continued)

Market review – continued

The low levels of recent investment volumes suggest that pricing might fall further the first few months. If forecasters are correct about the UK entering a recession during 2023, then investor sentiment will be dampened by weaker occupational demand as job losses start coming through. The first sign of weaker occupational demand has already emerged, which could lead to rental falls, although we expect prime assets to be much more resilience.

Encouragingly, the latest economic indicators have been more positive than anticipated. Stock markets have had a positive start to the year as signs of an easing in inflationary pressures spurred hopes that we're close to the peak in interest rates and of a soft landing. UK GDP rose unexpectedly in November, up 0.1% month-on-month, after a 0.5% rise in October. Several UK retailers have reported good Christmas sales data. That reduces the chance that the UK is already in a technical recession.

Nevertheless, the UK economy still faces several challenges: household incomes are forecast to fall as earnings fail to keep pace with prices. Against the backdrop of a weaker economic outlook, consumer confidence remains very weak. Recent large increases in mortgage rates are compounding cost of living pressures and reducing activity in the housing market. Fiscal policy will be tightening over coming years, as well as ongoing challenges around Brexit.

Portfolio and activity review

Performance in 2022 was dominated by the declines in value seen during the second half of the year, as yields rose rapidly. The Master Fund's portfolio was impacted by this wider market trend, but reassuringly demonstrated resilience in comparison to its benchmark. The rate of capital growth across of the entire portfolio average -8.45% over the year, which compares favourably with the benchmark level of -12.97%.

Income return over the year was lower than the benchmark, a function of the prime nature of the portfolio and the regional bias towards London, where yields are typically lower. Vacancy rate in the Master Fund increased over the 12 months from 8.9% as at December 2021 up to 10.3% as at December 2022, which brings the Master Fund in line with the market average.

Performance varied across the different market segments, with retail assets on average faring better than offices, which in turn tended to be more resilient than industrial assets, which saw the largest falls in valuation in the second half of the year. The sector hierarchy for Master Fund did not follow this pattern though, as office returns were boosted by development success at The Earnshaw, London. The structure of the Master Fund's retail exposure differs significantly with a bias towards Central London unit shops, whereas the market has proportionally more retail exposure from Retail Warehousing, which outperformed in 2022. The Master Fund's industrial returns were also boosted by very strong returns in the first half of the year from its London portfolio.

Compared to its benchmark the retail portfolio underperformed in 2022 with total returns of -9.13% compared to -5.27%. Much of this shortfall though was down to structural allocation, rather than weak stock selection. The Master Fund's Central London unit shop portfolio was marginally ahead of the benchmark (-12.61% vs -13.65), but accounts for c.56% of the Master Fund overall retail weighting, whereas the benchmark equivalent weighting is closer to 12%. Retail warehousing returns in 2022 were relatively robust at -3% over the year. This was marginally behind the benchmark at -1.39%.

Overall the Master Fund's performance was aided greatly by the agreement for lease with GSK at The Earnshaw, which delivered a total return of 48.84% over the year and in doing so, became the largest asset across the entire portfolio. As a result of this deal, office sector total returns during 2022 outperformed by a wide margin (-4.31% vs -9.40).

The industrial portfolio also delivered returns in excess of the benchmark average, with capital values declining by -7%, compared to -16.46%. The London portfolio was particularly robust and actually saw marginally growth over the 12 month period, whereas assets in the wider South East and Rest of UK markets saw declines more in line with the market average at around -16%.

Rent collection

The Master Fund has a collection rate to date of 97.44% (2021: 95.53%) of the rent demanded for the year. 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 31 December 2022, the Master Fund held £122.88m (2021: £98.33m) in cash (ex. distribution) equating to 3.75% (2021: 2.92%) of the Master Fund's NAV. A further £151.81m (2021: £nil) of cash is invested in Royal London cash funds for an enhanced near cash return.

The Master Fund currently has no gearing.

Acquisition

In June, the Master Fund acquired 0.24 acres of land, adjacent to its existing holding at International Trading Estate Southall, for £5m. The land benefits from a historic right of way over all the estate roads, so by purchasing the land the Master Fund will be able to extinguish these rights of way. The purchase is the last remaining part of the wider estate, so provides the Master Fund with an unfettered development site.

Investment Adviser's report (continued)

Portfolio and activity review – continued

Disposals

In February, the Master Fund completed the sale of Hurlingham Retail Park for £59.35m. In the years leading up to the lease expiry planning permission was obtained to facilitate development for residential and riverside commercial use. With the benefit of that planning permission contracts were exchanged in late September 2021 for a sale to a residential developer. The sale price was significantly in excess of the value of the property as a retail park and demonstrates the strength of the Master Fund's strategy of investing in core assets with a long term investment and active management philosophy.

In October, the Master Fund completed the sale of Central Exchange, Newcastle for £12.68m. The property comprises a Listed Victorian block of high street shops with a central arcade which was very asset management intensive. It would also have been costly and difficult to improve its sustainability credentials.

In November, the Master Fund completed the sale of two high street shops within a Grade II listed building for £2.42m. One unit was let to Mappin & Webb (Watches of Switzerland) with the other being vacant.

Asset management and lettings

Industrial

Six Bridges Industrial Estate, London: Six Bridges Industrial Estate is an established trade and industrial estate located in a prominent position along Old Kent Road in Southwark. The Master Fund has successfully completed the letting of Unit C1 to Glum Tortoise Ltd. The Unit was formally occupied by Jayhawk Ltd, on a lease expiring in 2025, paying significantly less than market rent. The former tenant wished to assign their lease and submitted an application for landlords consent. The Master Fund saw this as an opportunity to capitalise on the lack of supply in the Central London industrial market, which has led to very strong rental growth. It negotiated a suitable surrender with the former tenant and took vacant possession in Q1 2022.

The Master Fund then undertook a 3 month refurbishment programme to return the unit to a lettable condition and to improve the EPC rating to a B. Within 3 months of the unit becoming vacant, it went under offer to Glum Tortoise Ltd at a rent of £28 psf, on an 8 year lease, 5th year tenant break and rent review with 4 months' rent free. The newly agreed rent was 37% higher than the last letting undertaken on the estate and as a result of this transaction, the valuation saw a 12% increase on the quarter. The Master Fund also retained flexibility to achieve vacant possession in July 2027 in order to bring forward an industrial led, mixed use development if it wished.

Westminster Industrial Estate, London: The Master Fund completed on a new lease of an 11,000 sq ft unit to Deliveroo in Q3. Deliveroo had previously exchanged an agreement for lease, which was subject to the Master Fund refurbishing the unit. Deliveroo have taken a 10-year lease with a break at year 5. The rent achieved was £165,000 pa (£15.00 psf), which is the second deal at this level for this size of unit. This cements the rental tone at this level and provides valuable evidence, which will assist on other lease renewals and rent reviews.

Retail

Colton Retail Park, Leeds: Unit 4 became vacant in early 2022 when the former tenant, Argos, elected not to renew its lease and vacated. The unit was marketed, and interest was received from The British Heart Foundation. Terms were agreed for a new five-year lease at a rent of £140,350 pa. The rent agreed was 12.9% above the ERV previously being adopted by the valuers. An agreement for lease has been exchanged and the lease will be completed following completion of the landlord's works. A contractor has been appointed and the work has commenced. The property is now fully let.

Capitol Leisure Park, Preston: Unit 8 has been vacant since the start of 2021 when the former tenant, The Restaurant Group, vacated the unit following it undertaking a CVA. The unit was marketed with little initial interest due to the impact of the pandemic. Terms were then agreed with Majestic Wine Warehouse and an agreement for lease was exchanged in Q3 2022. Following completion of the landlord's work, a new 15-year lease has now been entered into with a tenant only break option at the end of year 10. The rent is subject to five-yearly upward only review based on changes in CPI collared and capped at 2% and 4%. The property is now fully let.

Offices

21 Holborn Viaduct, 32 and 34 Farringdon Street, London: The Agreement for Lease with Hogan Lovells International LLP on this 267,000 sq ft redevelopment scheme exchanged during Q1. The transaction is conditional on a number of matters – a Road Closure being the last condition to be cleared.

The Road Closure Stopping Up Order was issued on 26 May and the Judicial Review period finished on 26 July. No application for Judicial Review was received and the Agreement for Lease went unconditional and therefore completed on 3 August.

Over the course of the year, three of the last five tenants, namely Hogan Lovells, Tesco and Subway vacated as planned. It was agreed with Business Law that they would vacate early in mid-September and Willmott Dixon brought forward their date to leave from the longstop date of 16 January to 31 October. Erith the StripOut and Demolition contractor were provided early access in May to undertake various surveys and begin the soft strip. Early access has enabled us to get ahead of the programme.

Investment Adviser's report (continued)

Portfolio and activity review – continued

Asset management and lettings – continued

Offices – continued

The Stage 3 detailed design process completed and the Stage 4 Design process has commenced. The first stage tender documentation is being drawn up and three Tier 1 contractors being Lendlease, Mace and Multiplex have been selected to tender for the construction contract.

The Earnshaw, London: This property is located on a prominent corner site in a prime West End location, benefitting from excellent connectivity and a vast array of amenities. Planning consent was obtained to replace an obsolete 1950s building of 85,000 sq ft with a new 'Best in Class' Office development of 155,000 sq ft. The Master Fund has completed an Agreement for Lease to let the entire building upon completion to Glaxo Smith Kline for 17 years on FRI terms at a market-leading rent. Completion is due July 2023. The development cash flow appraisal for the project shows a development profit of £76.9m (PoC 28.1%) an IRR of 14.0% and a gross development value of £401.3m.

Responsible Property Investment (RPI)

In 2022, the Master Fund's focus has been on implementing our Responsible Property Investment strategy (RPI) and Net Zero Carbon pathway which were both launched in 2021. Throughout the year, we have undertaken a significant number of projects, enabling us to embed these strategies.

- Initiated Net Zero Carbon audits across five of the Master Fund's multi-let offices that need to be Net Zero Carbon by 2030. These audits analyse the performance of the buildings in comparison to the 1.5-degree pathway set out by the Carbon Risk Real Estate Monitor (CRREM). This identifies the interventions required to meet likely decarbonisation targets and energy reduction targets out to 2035.
- Commenced a solar photovoltaic (PV) feasibility study across the Master Fund's retail parks and industrial assets to determine where we can maximise onsite renewable energy generation. This is key to fulfilling our aim of generating 9.5 GWh of onsite renewable energy by 2040.
- Continued expansion of our smart logger programme to collect utility and water consumption data cross our single-let units, along with the deployment of Automatic Meter Readers (AMRs) across all developments and refurbishments.
- Began our programme of undertaking Energy Performance Certificate (EPC) Improvement Cost Assessments across all units with an EPC rating of C, D or E. This is in response to potential legislation requiring all commercial buildings to achieve an EPC B rating by 2030.
- Developed our new Sustainable Acquisition Checklist to ensure that potential investments meet the Investment Adviser's commitments to RPI. This more stringent process helps to mitigate Environmental, Social & Governance (ESG) risks and maximise opportunities for adding value, whilst enhancing sustainability performance.

In 2022, the Master Fund received excellent results across a range of ESG benchmarks and certifications.

- Maintained our rating of four stars within the annual GRESB assessment. GRESB is the leading ESG global benchmark for real estate and infrastructure investments. The Master Fund achieved a score of 82 out of 100, an increase of two points from 2021, ranking 3rd out of 80 peers. The Master Fund also maintained its four star rating across the GRESB development section, achieving a score of 92 out of 100, an increase of two points from 2021, and 5th out of 12 peers.
- Received five Green Apple Awards, highlighting environmental best practice at the asset-level. The Master Fund achieved two Gold, one Silver and two Bronze Green Apple Award. Awards were also received for biodiversity initiatives including the installation of bird boxes and bug hotels, along with an innovative energy saving solution and LED upgrades.
- Achieved a five star rating in the real estate module of the United Nations Principles of Responsible Investment (UNPRI) assessment, scoring 98%, against a median score of 69%.
- Maintained compliance with the ISO 14001 Standard across eight of the Master Fund's largest commercial properties within the Environmental Management System (EMS).

The Master Fund also continues to be active members participating and contributing to the Better Buildings Partnership (BBP), the UK Green Building Council (UKGBC), the British Property Federation (BPF) and the Investment Property Forum (IPF) Sustainability Interest Group.

Investment Adviser's report (continued)

Economic overview

Business surveys suggest that Q4 2022 was another period of weak global economic activity. Growth in developed economies was constrained by high inflation and central bank tightening, while China's economy continued to be disrupted by Covid outbreaks. However, by the end of the year, surveys reported improving business optimism, likely helped by lower inflation and natural gas prices, improving supply chain problems and the abandonment of China's zero-Covid tolerance policies.

Against this backdrop December's global composite PMI business survey improved to 48.2, but remained at relatively weak levels and still among the weakest readings seen for 15 years (excluding the pandemic). Taken at face value, that signals very subdued global GDP growth in Q4 overall.

Inflation remained at extremely high levels across many developed economies throughout Q4 but showed increasing signs of peaking, especially in the US where headline CPI inflation fell every month in 2022 from June onwards. However, compared with headline inflation, core inflation and services inflation in the G7, which remains a major concern of central banks, showed fewer convincing signs of peaking.

Central banks continued to hike rates. Q4 saw 125bps of interest rate hikes in the US, with more signalled for 2023. The ECB raised rates 125bps over the same period and signalled further "significant" rate increases to come. The Bank of England also hiked rates another 125bps over Q4.

After falling in Q3, real UK GDP rebounded in October and rose unexpectedly in November which might have kept the UK out of recession in Q4 2022. However, the UK economic performance on average over the second half of 2022 was relatively poor. Business surveys pointed to a modest decline in private sector output in December; the UK PMI composite headline measure ended the year at 49.0. However, that was off the lows reached in October during the aftermath of the mini-Budget.

UK consumer price inflation peaked in Q4 in October after a large rise in household energy bills. Energy inflation fell in November and December, as did 'core' goods inflation (likely helped by lower commodity prices and easing supply chain problems). Business surveys pointed to lower input and output price inflation. However, by December, core inflation was only slightly weaker than it was in October and services inflation had risen. Headline regular pay growth recorded 6.4% 3M/Y in November, extraordinarily strong by post-financial crisis standards. All that leaves domestically driven inflation still looking strong at the end of 2023 and is a key reason UK economists expect more rate hikes in 2024 from the Bank of England. We forecast that the base rate will peak at 4.5% although it may peak lower should earnings growth moderate faster than anticipated.

Unemployment rates remained at exceptionally low levels in the US, UK and Euro area and businesses continued to report difficulties in recruitment. However, there were more signs of marginally less tightness. In the UK, for example, job vacancies continued to fall (albeit from still extremely high levels).

UK recession remains a concern in the face of multiple challenges heading into 2023. Cost of living pressures remain intense. The government (under a new Chancellor and Prime Minister) increased the amount of fiscal policy tightening planned for coming years in November's Autumn Statement. Mortgage rates may be off their mini-Budget highs, but by the end of 2022 remained elevated by the standards of recent years. The housing market appeared to slow over Q4. Consumer confidence remained very weak at the turn of the year. Strikes become more disruptive for the economy in Q4, and a poorly performing health service may be dragging on potential growth, alongside Brexit challenges. Against this backdrop, we expect the UK economy will contract by 0.8% in 2023, returning to growth in 2024 with 2.6% penciled in.

Our outlook

As we look ahead into 2023, our expectation is that investment sentiment toward property will remain weak. We are continuing to see relatively low levels of investment volumes, which suggests to us that pricing has further to fall. Compounding this negative investor sentiment will be weaker occupational demand as a domestic and global recession fully takes hold and job losses start coming through. We are already seeing some early signs of weaker occupational demand which will lead to rental falls although we expect prime assets to show more resilience.

To borrow a football analogy, we see 2023 as a year of two halves. The first half should see a continuation of those sentiment-based trends experienced over the last few months, as investors draw back further. However, we expect to see some form of stabilisation in values as we move towards the latter part of the year or the early part of 2024.

There are several themes within property markets that will help lead this recovery phase, where we expect to see increased demand for new, high quality space, against a backdrop of limited supply of such space. For example, the demand for good quality office space will continue to gather momentum.

Post-pandemic, employers have sought to encourage their workforce back to the office by improving the office environment in a process that has been described as 'magnetising the workplace'. This has involved giving employees a higher quality space to work in, making space more flexible and adaptable, enhancing wellness features such as light, air and opportunities for activity, and improving internal connectivity within a building. These outcomes are best delivered through a new or refurbished building.

Investment Adviser's report (continued)

Our outlook – continued

The growing importance of ESG and commitment to net zero carbon targets are translating through to the demand for higher quality and efficient space. For office occupiers, their choice of building is closely aligned with their ESG strategy and is a crucial consideration when seeking to recruit and retain staff. Occupiers now expect buildings to be able to satisfy their firm's corporate responsibility strategies and demonstrate their sustainability and environmental credentials from an operational perspective. This theme is playing out across all sectors and is best satisfied through high quality prime buildings. Investors are similarly focused on investing responsibly with investment decisions guided by ESG global benchmarks such as GRESB. This is partially being reflected in premium pricing as investors look to 'future-proof' new investments. This is only likely to become more critical as we move through the current cycle.

Urbanisation remains another core theme. We believe that major UK cities, including Manchester, Birmingham and Bristol, as well as London, will continue to see their economies outperform relative to the rest of the UK. Agglomeration effects – whereby clusters of business activity and people thrive due to proximity to one another – are one of the main drivers of productivity and economic growth. The competitive advantages of these knowledge hubs will persist and serve as one of the key drivers of outperformance of larges cities over the rest of the UK.

Drew Watkins
Portfolio Fund Manager
Royal London Asset Management Limited
25 April 2023

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

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

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

Portfolio Statement

As at 31 December 2022

Holding	Investment	Market value (£'000)	Total net assets (%)
Real Estate Authorised Contractual Scheme – 100.00% (31/12/21 – 100.00%)			
521,767	Royal London UK Real Estate Z Inc	57,990	100.00
Total value of investments		**57,990**	**100.00**
Net other assets		**–**	**–**
Total net assets		**57,990**	**100.00**

Summary of Material Portfolio Changes

For the year ended 31 December 2022

Significant Purchases

	Cost £'000
No purchases in the year	–

Significant Sales

	Proceeds £'000
No sales in the year	–

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

Comparative Table

Class J Gross Income

Change in net assets per share	31/12/22 (£)	31/12/21 (£)	31/12/20 (£)
Opening net asset value per share	119.98	102.48	105.67
Return before operating charges*	(5.82)	21.71	1.26
Operating charges	(1.52)	(0.90)	(1.49)
Return after operating charges*	(7.34)	20.81	(0.23)
Distribution on income share	(1.50)	(3.31)	(2.96)
Closing net asset value per share	111.14	119.98	102.48
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	(6.12)%	20.31%	(0.22)%
Other information			
Closing net asset value (£'000)	57,990	62,601	53,470
Closing number of shares	521,767	521,767	521,767
Operating charges excluding property expenses	0.71%	0.71%	0.71%
Property expenses	0.49%	0.14%	0.74%
Operating charges	1.20%	0.85%	1.45%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	136.59	123.58	106.92
Lowest share price	109.47	101.89	99.13

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.

Statement of Depositary's Responsibilities

The Depositary must ensure that the Company is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Open-Ended Investment Companies Regulations 2001 (SI 2001/1228), as amended, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Company's Instrument of Incorporation and Prospectus (together "the Scheme documents") as detailed below.

The Depositary must in the context of its role act honestly, fairly, professionally, independently and in the interests of the Company and its investors.

The Depositary is responsible for the safekeeping of all custodial assets and maintaining a record of all other assets of the Company in accordance with the Regulations.

The Depositary must ensure that:

- the Company's cash flows are properly monitored and that cash of the Company is booked into the accounts in accordance with the Regulations;
- the sale, issue, repurchase, redemption and cancellation of shares are carried out in accordance with the Regulations;
- the values of shares of the Company are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Company's assets is remitted to the Company within the usual time limits;
- the Company's income is applied in accordance with the Regulations; and
- the instructions of the Alternative Investment Fund Manager ("the AIFM") are carried out (unless they conflict with the Regulations).

The Depositary also has a duty to take reasonable care to ensure that Company is managed in accordance with the Scheme documents and the Regulations in relation to the investment and borrowing powers applicable to the Company.

Report of the Depositary to the Shareholders of the Royal London UK Real Estate Feeder Fund

Having carried out such procedures as we consider necessary to discharge our responsibilities as Depositary of the Company, it is our opinion, based on the information available to us and the explanations provided, that in all material respects the Company, acting through the AIFM:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the Company's shares and the application of the Company's income in accordance with the Regulations and the Scheme documents of the Company; and

(ii) has observed the investment and borrowing powers and restrictions applicable to the Company in accordance with the Regulations and Scheme documents of the Company.

This report is given on the basis that no breaches are subsequently advised to us before the distribution date. We therefore reserve the right to amend the report in the light of such circumstances.

HSBC Bank plc

25 April 2023

Independent Auditors' Report to the Shareholders of Royal London UK Real Estate Feeder Fund

Report on the audit of the financial statements

Opinion

In our opinion, the financial statements of Royal London UK Real Estate Feeder Fund (the "Company"):

- give a true and fair view of the financial position of the Company and its sub-fund as at 31 December 2022 and of the net revenue and the net capital losses on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Royal London UK Real Estate Feeder Fund is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the Company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2022; the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders and the Statement of Cash Flows for the year then ended; the Distribution Table; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from the date on which the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Authorised Corporate Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Authorised Corporate Director with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Authorised Corporate Director is responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

Based on our work undertaken in the course of the audit, the Collective Investments Schemes sourcebook requires us also to report certain opinions as described below.

Authorised Corporate Director's Report

In our opinion, the information given in the Authorised Corporate Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent Auditors' Report to the Shareholders of Royal London UK Real Estate Feeder Fund (continued)

Report on the audit of the financial statements – continued

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

As explained more fully in the Statement of Authorised Corporate Director's Responsibilities, the Authorised Corporate Director is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Authorised Corporate Director is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Authorised Corporate Director is responsible for assessing the Company's and its sub-fund's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Authorised Corporate Director either intends to wind up or terminate the Company or its sub-fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Company/industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of the Collective Investment Schemes sourcebook, and we considered the extent to which non-compliance might have a material effect on the financial statements, in particular those parts of the sourcebook which may directly impact on the determination of amounts and disclosures in the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or to increase the net asset value of the Company. Audit procedures performed included:

- Discussions with the Authorised Corporate Director, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Authorised Corporate Director's board of directors;
- Identifying and testing journal entries, specifically any journals posted as part of the financial year end close process; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook as required by paragraph 67(2) of the Open-Ended Investment Companies Regulations 2001 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Independent Auditors' Report to the Shareholders of Royal London UK Real Estate Feeder Fund (continued)

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

In our opinion, we have obtained all the information and explanations we consider necessary for the purposes of the audit.

Collective Investment Schemes sourcebook exception reporting

Under the Collective Investment Schemes sourcebook we are also required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

25 April 2023

Financial Statements

Statement of Total Return

For the year ended 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2022 £'000	31 Dec 2021 £'000	31 Dec 2021 £'000
Income					
Net capital (losses)/gains	4		(4,606)		9,133
Revenue	5	2,363		2,399	
Expenses	6	(1,012)		(674)	
Interest payable and similar charges		–		–	
Net revenue before taxation		1,351		1,725	
Taxation	7	–		–	
Net revenue after taxation			1,351		1,725
Total (deficit)/return before distributions			(3,255)		10,858
Distributions	8		(1,356)		(1,727)
Changes in net assets attributable to shareholders from investment activities			**(4,611)**		**9,131**

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2022

	31 Dec 2022 £'000	31 Dec 2022 £'000	31 Dec 2021 £'000	31 Dec 2021 £'000
Opening net assets attributable to shareholders		**62,601**		**53,470**
Amounts receivable on issue of shares	–		–	
Amounts payable on cancellation of shares	–		–	
		–		–
Changes in net assets attributable to shareholders from investment activities		(4,611)		9,131
Closing net assets attributable to shareholders		**57,990**		**62,601**

Balance Sheet

As at 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2021 £'000
Assets			
Fixed Assets:			
Investments		57,990	62,601
Current assets:			
Debtors	9	316	448
Cash and bank balances	10	–	–
Total current assets		316	448
Total assets		58,306	63,049
Liabilities			
Creditors:			
Distribution payable		316	448
Total liabilities		316	448
Net assets attributable to shareholders		**57,990**	**62,601**

Statement of Cash Flows

For the year ended 31 December 2022

	Note	31 Dec 2022 £'000	31 Dec 2021 £'000
Net cash inflow from operating activities	**11**	**1,455**	**1,634**
Distributions paid to shareholders		(1,488)	(1,635)
Interest received	5	33	1
Net cash generated from operating activities		**–**	**–**
Net increase in cash during the year		**–**	**–**
Cash balance brought forward		–	–
Cash and bank balances at the end of the year		**–**	**–**

Notes to the Financial Statements

For the year ended 31 December 2022

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 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 ACD has undertaken a detailed assessment, and continues to monitor the Company'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 Company continues to be open for trading and the Manager is satisfied the Company 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. Accordingly, it is appropriate 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 and Accounts at the end of the current accounting year.

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 accruals basis. The distributions reflect the Company's proportion of distributable revenue due, from its investment in the Master Fund. The revenue is recognised in the Company's revenue and expenses streams on a look-though basis.

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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

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 accruals basis because of lack of information as to how it accrues, transfers between the income and capital account and other matters.

In order to conduct a controlled distribution flow to 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.

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 shares 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.

The risks set out below do not purport to be exhaustive and the ACD may be exposed to risks of an exceptional nature from time to time.

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.

Sensitivity analysis

The only investment within the Company is in the Master Fund and is dependent on the same sensitivities. The values of investment properties are driven by their equivalent yield. At the year end, the ACS's portfolio had an equivalent yield of 4.94% (31/12/21: 4.41%). If the yield of every property within the portfolio increased by 0.25% (31/12/21: 0.50%) it is estimated that the net asset would fall by 4.44% (31/12/21: 9.45%). If the yield decreased by 0.25% (31/12/21: 0.50%) it is estimated that the net asset value would rise by 4.96% (31/12/21: 12.17%). The 0.25% benchmark has been used to measure sensitivity analysis as the ACD believes that it is a good indicator of materiality in yield movements. These estimates are subject to the prevailing conditions at the year end.

The current equivalent 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 by 0.25%.

Sector	Weighted average equivalent Yield	Yield shift by Sector	Change in value if decrease in yield	NAV impact	Change in value if increase in yield	NAV impact
Industrial	4.80%	0.25%	53,896,000	1.65%	(48,396,000)	(1.48)%
Offices	5.09%	0.25%	52,916,000	1.62%	(47,427,000)	(1.45)%
Retail	4.92%	0.25%	46,869,000	1.43%	(41,712,000)	(1.27)%
Others	5.05%	0.25%	8,865,000	0.27%	(7,992,000)	(0.24)%

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3. Risk management policies – continued

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.

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 shareholders on each 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, 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.

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.

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

	Within three months	Over three months but not more than one year	Over one year
31 December 2022	**£'000**	**£'000**	**£'000**
Cash at bank	–	–	–
	%	**%**	**%**
Shareholding that can be redeemed	–	–	100.00
Portfolio capable of being liquidated	–	100.00	–
31 December 2021	**£'000**	**£'000**	**£'000**
Cash at bank	–	–	–
	%	**%**	**%**
Shareholding 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 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.

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 uses an internally generated probability of default based on externally supplied data by MSCI which is derived from Dunn & Bradstreet UK Failure Score to assess the recoverability of the lease receivables.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3. Risk management policies – continued

Credit and counterparty risk – continued

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 cash and short term deposits at 31 December 2022 amounted to £122.88m (31/12/21: £98.33m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 31 December 2022, taking into consideration any offset arrangements, the largest combined credit exposure by the Master Fund to a single counterparty arising from money market deposits, liquid investments and derivatives was £122.88m (31/12/21: £98.33m). This represents 3.75% (31/12/21: 2.92%) of gross assets of the Master Fund.

The deposit exposures are with UK banks.

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 low for the Company 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 Master Fund's ability to raise rents in markets with low vacancy rates, thus outpacing rising inflation and potentially increasing income distribution to unitholders. 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 allows 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 ACD 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 ACD and the Investment Adviser 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.

The ACD assesses the inflation risk as being low and therefore no sensitivity analysis has been performed.

Leverage risk

The Master Fund may from time to time use leverage of up to 20% of the net asset value, 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).

Currently the Master Fund has no borrowings of cash or securities as it does not believe it is needed as this time and as such no disclosure is required under the AIFM Directive.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

3. Risk management policies – continued

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.

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 risk

The performance of the Company may be adversely affected by the impact of geopolitical and general economic conditions under which the Company 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 ACS 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 ACS, 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.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

4. Net capital (losses)/gains

	31 Dec 2022 £'000	31 Dec 2021 £'000
The net capital (losses)/gains during the year comprise:		
Non derivative securities unrealised (losses)/gains	(4,606)	9,133
Net capital (losses)/gains	**(4,606)**	**9,133**

5. Revenue

	31 Dec 2022 £'000	31 Dec 2021 £'000
Overseas income	55	34
Property rental income	2,051	2,153
Property insurance commission	6	6
Service charge income	218	205
Bank interest	33	1
Total revenue	**2,363**	**2,399**

6. Expenses

	31 Dec 2022 £'000	31 Dec 2021 £'000
Payable to the Authorised Corporate Director associates of the Authorised Corporate Director and their agents:		
Authorised Corporate Director's fee	465	389
Payable to the Depositary, associates of the Depositary and their agents:		
Depositary's fee	5	5
Other expenses		
Administration fee	1	1
Audit fee*	2	2
Bad and doubtful debts**	11	(94)
Insurance expense	8	1
Legal and lettings fees	33	32
Surveyor's fee	36	32
Valuation fee	5	6
Property repairs and maintenance	3	5
Recoverable service charges	218	201
Head rent	2	2
Void council tax	60	38
Irrecoverable service charges	130	34
Other	33	20
	542	280
Total expenses	**1,012**	**674**

* The Audit fee for the Company is paid by the Master Fund. The Audit fee for the year is £7,931 (31/12/21: £7,296).

** Prior year includes write down of bad debt provision by the Master Fund.

Revenue and expenses from the Master Fund are recognised on a look through basis proportionate to the Company's investment.

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

7. Taxation

The Company qualifies as a Property Authorised Investment Fund (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 corporation 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.

Under the PAIF regulations, the Company makes distributions net of basic rate of income tax for the relevant income streams.

a) Analysis of charge for the year

	31 Dec 2022 £'000	31 Dec 2021 £'000
Corporation tax	–	–
Total taxation	**–**	**–**

Corporation tax has been provided at a rate of 20%.

b) Factors affecting total tax charge for the year

The tax assessed for the year is lower than the standard rate of corporation tax in the UK for Open Ended Investment Companies (20%).

The differences are explained below:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Net revenue before taxation	1,351	1,725
Corporation tax at 20%	270	345
Effects of:		
Revenue not subject to taxation	(270)	(345)
Total tax charge for the year (note 7a)	**–**	**–**

c) Deferred tax

There was no provision required for deferred tax at the Balance Sheet date (31/12/21: £nil).

8. Distributions

	31 Dec 2022 £'000	31 Dec 2021 £'000
Interim distribution	1,040	1,279
Final distribution	316	448
Total distributions for the year	**1,356**	**1,727**

The difference between the net revenue after taxation and the distribution paid is as follows:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Net revenue after taxation	1,351	1,725
Expenses charged to capital	5	2
Total distributions for the year	**1,356**	**1,727**

Details of the distribution per share are set out on page 29.

9. Debtors

	31 Dec 2022 £'000	31 Dec 2021 £'000
Property income receivable	259	420
Interest income receivable	19	–
Dividend income receivable	38	28
Total debtors	**316**	**448**

10. Cash and bank balances

	31 Dec 2022 £'000	31 Dec 2021 £'000
Cash and bank balances	–	–
Total cash and bank balances	**–**	**–**

11. Reconciliation of total (deficit)/return before distributions to net cash flow from operating activities

	31 Dec 2022 £'000	31 Dec 2021 £'000
Total (deficit)/return before distributions	(3,255)	10,858
Add: Net capital losses/(gains)	4,606	(9,133)
Less: Accumulation dividend from non-allowable expenses	5	2
Less: Interest received	(33)	(1)
Net income from operating activities	**1,323**	**1,726**
Decrease/(increase) in debtors	132	(92)
Net cash inflow from operating activities	**1,455**	**1,634**

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

12. Reconciliation of number of shares

	Class J Gross Income
Opening shares 01/01/22	521,767
Shares issued	–
Shares cancelled	–
Closing shares at 31/12/22	**521,767**

13. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the current Balance Sheet date (31/12/21: £nil).

14. Related party transactions

The Company's Authorised Corporate Director and Royal London Unit Trust Managers Limited are related parties to the Company as defined by Financial Reporting Standard 102 section 33 'Related Party Disclosures'.

The Company holds units in the Royal London Real Estate Fund ("the Master Fund") managed by Royal London Unit Trust Managers Limited, the details of which are shown in the Portfolio Statement.

Revenue from the Royal London Real Estate Fund ("the Master Fund") is recognised on a look through basis proportionate to the Company's investment, the details of which are disclosed in Note 5.

All the fees and expenses are paid by the Royal London Real Estate Fund ("the Master Fund"). The look through proportion of such fees and expenses borne by the Company are disclosed in Note 6.

The distributions received from the Royal London Real Estate Fund ("the Master Fund") reflect those that are paid out by the Master Fund, the details of which are shown in Note 8.

Authorised Corporate Director fees charged by the Manager are paid by the Royal London Real Estate Fund ("the Master Fund") and details of shares created and cancelled by the Company are shown in the Statement of change in net assets attributable to shareholders. At the year end, the balance due to the Authorised Corporate Director in respect of these transactions was £117,406 (31/12/21: £103,572).

RLGPS Trustee Limited, as a material unitholder, is a related party holding shares comprising 100% (31/12/21: 100%) of the total net assets of the Company as at 31 December 2022.

15. Financial instruments

The policies applied to the management of the financial instruments are set out in note 3. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 19. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

The Company's financial assets comprise cash, on which interest is receivable. However, no interest is receivable or payable on the Authorised Corporate Director's other assets (debtors) or liabilities (creditors). As at the year ended 31 December 2022, there was £nil (31/12/21: £nil) cash held by the Company.

16. Portfolio transaction costs

For the year ended 31 December 2022

	31 Dec 2022 £'000
There were no transaction costs for the year ended 31 December 2022	
Total purchases	–
Total sales	–

For the year ended 31 December 2021

	31 Dec 2021 £'000
There were no transaction costs for the year ended 31 December 2021	
Total purchases	–
Total sales	–

At the Balance Sheet date the portfolio dealing spread was 4.37% (31/12/21: 4.37%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2022

17. Fair value of investments

The primary financial instruments held by the Company at 31 December 2022 were property related investments, cash, short term assets and liabilities to be settled in cash. The Company did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 2. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 19. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

The fair value of investments has been determined using the following hierarchy:

Category 1 The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Category 2 Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Category 3 Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

For the year ended 31 December 2022

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investments				
Authorised Contractual Schemes	–	–	57,990	57,990
Total	**–**	**–**	**57,990**	**57,990**

For the year ended 31 December 2021

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investments				
Authorised Contractual Schemes	–	–	62,601	62,601
Total	**–**	**–**	**62,601**	**62,601**

At the current and prior year end, the level 3 assets held were the Royal London UK Real Estate Fund ("the Master Fund"). These assets have been included as level 3 due to the possibility of restrictions being imposed on their redemption rights.

18. Events after the end of reporting year

The final distribution for the year ended 31 December 2022 was paid on 20 January 2023.

There have been no significant redemptions since the Balance Sheet date.

The impact of the volatility on the Company's NAV between the end of the reporting period and the date of which the financial statements were authorised for issue are shown below:

	Price 31 Dec 2022 (£)	Price 31 Mar 2023 (£)	Movement (%)
Royal London UK Real Estate Feeder Fund, Class J Gross Income	111.14	110.83	(0.28)

Distribution table

For the year ended 31 December 2022

Class J Gross Income

Distribution in pence per share

Distribution period	Distribution per share	Equalisation	Total distribution per share 2022	Total distribution per share 2021
March				
Group 1	77.4963		77.4963	86.6525
Group 2	77.4963	–	77.4963	86.6525
June				
Group 1	72.4250		72.4250	74.5621
Group 2	72.4250	–	72.4250	74.5621
September				
Group 1	49.3064		49.3064	83.9101
Group 2	49.3064	–	49.3064	83.9101
December				
Group 1	60.5501		60.5501	85.8399
Group 2	60.5501	–	60.5501	85.8399

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%

Remuneration Policy (unaudited)

The Authorised Corporate Director ("ACD") of the Royal London UK Real Estate Feeder Fund, Royal London Unit Trust Managers Limited ("RLUTM"), is subject to remuneration policies, procedures and practices (together, the "Remuneration Policy"), as required under the UCITS Directive ("UCITS V"). RLUTM has appointed Royal London Asset Management Limited ("RLAM") as the Investment Adviser to the Company.

RLUTM and RLAM are wholly owned subsidiaries of The Royal London Mutual Insurance Society, "the Group". The Group maintains a "Group Remuneration Policy" that RLUTM has adopted which is consistent with and promotes sound and effective risk management. It is designed so that risk-taking is not encouraged where this is inconsistent with the risk profiles or the instrument constituting the fund or the prospectus, as applicable, of the UCITS it manages. The Group has appointed a Remuneration Committee which is made up of Non-Executive Directors and is advised by independent remuneration consultants. The Committee considers the advice by independent remuneration consultants and the implications of remuneration policies across the Group, including for RLUTM.

The Remuneration Policy is in line with the business strategy, objectives, values and the interests of the ACD and the interests of the Royal London UK Real Estate Feeder Fund and includes measures to avoid conflicts of interest. The Remuneration Policy adopts performance related pay, with salaries determined by reference to both individual performance and the external market. Total Remuneration comprises of a mix of fixed remuneration (including base salary and benefits), and variable remuneration in the form of incentives. The ratio between fixed and variable pay (both short-term and long-term incentives) is set by the Group to ensure that there is appropriate balance between the fixed and variable remuneration components. The Group Remuneration Policy applies to staff of the ACD whose professional activities have a material impact on the risk profile of the ACD or the Company and ensures that an individual cannot be involved in determining or approving their own remuneration. The UCITS Directive requires RLUTM to identify employees whose professional activities have a material impact on the risk profile of the RLUTM and the Company. Identified staff includes senior management, risk takers, control functions, and any employees receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers.

The Remuneration Policy is updated annually and reviewed and approved by the Remuneration Committee. The most recent review include increases to the maximum incentive opportunities for executive directors of the Group, updates to reflect the Financial Conduct Authority's (FCA) Consumer Duty principle and supporting rules which comes into effect in July 2023, as well as minor wording changes to improve clarity. Details of the Remuneration Policy (provided in the form of the "UCITS Summary Remuneration Policy"), includes a description on the purpose of the policy, how remuneration and benefits are calculated and the identity of persons responsible for awarding the remuneration and benefits. The UCITS Summary Remuneration Policy will be made available for inspection and a paper copy may be obtained, free of charge, at the registered office of the ACD, upon request.

RLUTM has a board of directors (the "Directors"). The Directors of the Company who are also employees of the Group do not receive any remuneration in respect of their services as directors of RLUTM. The other Non-Executive Directors receive fixed remuneration in respect of their services which is set at a level determined by the Group and is not performance related. None of the Directors are currently in receipt of variable remuneration in respect of their services as Directors of RLUTM. RLUTM has no employees and therefore there are no other controlled functions, or senior management employed and paid by RLUTM. However, for the financial year ending 31 December 2022, total remuneration of £27,513,761 was paid to 50 individuals whose actions may have a material impact on the risk profile of RLUTM, of which £6,685,030 related to senior management. The fixed element of the total remuneration mentioned above is £10,370,339 and the variable element is £17,173,422. In addition, the Company does not make any payments directly to any staff of the delegates.

In accordance with the Remuneration Policy and the requirements of UCITS V, staff working for RLAM are not remunerated by the ACD but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. RLAM is also subject to the Financial Conduct Authority's Remuneration Codes.

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 UK time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. 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 UK 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 UK time at the Business Day, four full Business Days prior to the relevant Dealing Day. Redemption settlement is by 17:00 UK 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.

General Information (continued)

UK taxation – continued

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.

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.

Contact Us

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