For professional clients only, not suitable for retail investors.

# Royal London Property Trust

## Annual Report

For the year ended 31 December 2023

Royal London
Asset Management

# Contents



* The Manager's report comprises of these items.

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

# Trust Information

## Trust

The Royal London Property Trust (the "Trust") is an authorised unit trust. The Trust is a feeder fund which has been established to facilitate investment into the Royal London Property Fund (the "Master Fund"). For more details, please refer to general information on pages 31 and 32.

## Authorised Fund Manager (the "Manager")

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

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

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

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## Directors of the Manager

H.I. Georgeson

R.A.D. Williams

A.L. Hunt

J.S. Glen (Appointed 1 April 2024)

R. Kumar

S. Spiller

J.M. Brett (Non-executive Director)

J.M. Jackson (Non-executive Director)

## Investment Adviser

**Royal London Asset Management Limited**

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

Authorised and regulated by the Financial Conduct Authority.

## Trustee

**NatWest Trustee and Depositary Services Limited**

1 Princes Street, London EC2R 8BP

Authorised and regulated by the Financial Conduct Authority.

## Registrar

**SS&C Financial Services Europe Limited**

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

Authorised and regulated by the Financial Conduct Authority.

## Administrator to the Trust

**HSBC Bank plc**

8 Canada Square, Canary Wharf, London E14 5HQ

## Independent Auditors

**PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**

7 More London Riverside, London SE1 2RT

# Authorised Fund Manager's Report

We are pleased to present the Annual Report and Financial Statements for the Royal London Property Trust (the "Trust"), covering the year from 1 January 2023 to 31 December 2023.

## About the Trust

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

## Authorised Status

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

## The financial statements

The information for the Trust has been included in these financial statements. We have provided a detailed description of the strategy that was adopted during the 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**

**Manager**

**J.S. Glen** (Director)

**R. Kumar** (Director)

**22 April 2024**

# Statement of Manager's Responsibilities

Financial statements for the year ended 31 December 2023, and the Manager's Report have been prepared in accordance with the rules of the Collective Investment Schemes sourcebook ("COLL"), published by the Financial Conduct Authority ("FCA"). These require the Manager to prepare financial statements for each accounting year which give a true and fair view of the financial affairs of the Trust and of its net revenue and the net capital losses on the property of the Trust for the year.

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

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

The Manager is responsible for the management of the Trust in accordance with its Trust Deed, Prospectus and the FCA's rules and to use monitoring controls to enable preparation of financial statements free from material misstatements or error.

# Manager’s Investment Adviser’s Report

The investment objective of the Royal London Property Trust (the “Trust”) is to achieve capital growth and income by investing solely in the Royal London Property Fund (the “Master Fund”).

As the Trust’s sole investment are shares held in the Master Fund, the Trust is subject to the same underlying risks and returns of the Master Fund, and as such, the commentary presented on pages 5 to 9 is consistent with those of the Master Fund. Any performance differential between the feeder and master therefore reflects different management charges that may be applicable, rather than any underlying investment reason.

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

## Objective

The investment objective of the Master Fund is to manage a balanced UK property portfolio across business sectors and regions, seeking to balance income from core holdings with active management. The objective is to target a total return over the long term, which should be considered as a period of 7-plus years by investing predominantly in UK commercial properties.

## Strategy

The Master Fund invests across business sectors and regions seeking to balance the income from ‘core’ holdings with active management, taking advantage of opportunities when they arise to enhance the Master Fund’s value. The Master Fund will aim to purchase properties of suitable quality and manage them actively and effectively, until positive market conditions allow them to sell on beneficial terms. The Master Fund’s manager aims to mostly acquire properties which are fully let to tenants of sound financial strength, but can take a measured exposure to development property. Investments will be made in a wide range of UK commercial property, with diversification geographically throughout the UK and across a range of business sectors and tenant covenant.

## Benchmark change

From 1 July 2023, the Master Fund moved to a new benchmark: MSCI/AREF UK All Property Index. This benchmark was chosen because it is a larger, more comprehensive benchmark more representative of the overall property fund’s market. This is considered to be a more appropriate benchmark for the Master Fund as it covers a wider cohort of funds, increasing the overall size of the benchmark which delivers performance more aligned to the wider market and to the Master Fund’s objective of balancing income with capital growth.

The previous benchmark held more active positions and offered more reversionary potential than permitted in the Master Fund’s prospectus, resulting in a greater ability to drive enhanced return. The new benchmark is better aligned with the Master Fund’s investment philosophy.

## Performance

Fund level performance during 2023 recovered from the weakness seen in 2022, but remained marginally negative over the 12 months, with a total return -0.08% (2022: -8.32%). In relative terms the Master Fund’s performance was resilient with the Master Fund outperforming its new benchmark the MSCI/AREF UK All Property Index by 150 basis points which showed a return for the year of -1.59% (2022: -10.02%). Performance was particularly strong in the final quarter of the year, with the industrial portfolio seeing strong rental value growth, which delivered positive capital appreciation. Over the 12 months, the Master Fund’s total return was ranked on the 32nd percentile.

Relative performance at fund level was a combination of a higher income return, stronger capital growth over the year and more resilient movement in NAV. Cash as a percentage of NAV has averaged 8.0% over the last 12 months, which is above the benchmark average over that time (5.8%). In a market with falling capital values, this has helped to preserve fund NAV.

Over the past 12 months the Master Fund’s distribution yield has improved marginally from 3.76% to 3.90%. The total distributable income (net of management fees, gross of tax) totalled £14.53m, which compares to a figure £14.88m in 2022. This reduction in income was driven by the disposal of two assets during the last 12 months and an increase in vacancies. Gross income (before fund charges) was stable at £19.76m.

In comparison against the new benchmark, the Master Fund has outperformed for the fourth consecutive year and is ahead by 77 basis points per annum, when measured over the last five years. Longer term performance (over a ten-year period) shows total returns averaging 4.34% per annum. This is behind the benchmark at 4.62%, due to relatively weaker returns experienced back in 2017 and 2018 prior to the strategic rebalancing of sector weightings that has significantly improved performance.

## Performance analysis over 5 years

The Master Fund’s performance was driven by the underlying portfolio of directly held assets, which have returned 1.79% per annum. Fund level fees and charges have taken off 72 basis points per annum. This year the Master Fund’s annual management charge was lowered to 60 basis points, so it is projected that this impact will be reduced. Cash has been a marginal drag on performance.

Over the five years to December 2023, the Master Fund’s property portfolio (including the Fund’s indirect investments) has delivered an annualised return of 1.80%, which compares favourably with the benchmark at 1.07%.

# Manager's Investment Adviser's Report (continued)

## Performance analysis over 5 years – continued

This outperformance can be split into income and capital components. Income return over the five years has averaged 4.98% per annum. This is higher than the benchmark average, by 52 basis points. This has been a function of Master Fund's strategy, which has focused on securing income and mitigating voids. In addition to this, the benchmark contains several large, long income specialist vehicles, which have a lower running yield and are bringing down the overall average.

Portfolio level capital growth has been negative over the last five years but has been more resilient than the benchmark average. The Master Fund's portfolio in aggregate has seen capital values decline by 3.03% when the benchmark has seen values fall on average by 3.23% per annum. Breaking down the components of capital growth, we can see that the Master Fund has experienced more rental value growth over the last five years (2.38% vs 1.23%) and also benefitted from more favourable yield movements.

## Economic outlook

In the final quarter of 2023, the UK economy shrank by 0.3% following a 0.1% drop in the third quarter indicating that the Bank of England previous interest rate hikes are having an effect. There were falls in all three main sectors with declines of 0.2% in services, 1.0% in production, and 1.3% in construction output.

The UK is now in a technical recession; however, this is not much different from the weak growth in the first half of the year, with data showing the UK economy barely growing in 2023, only 0.1% higher compared with 2022.

Forecasters, such as Capital Economics, expect a short-term shallow recession from the third quarter of this year to the first quarter of 2024 with weak growth in 2024, 0.2% on an annual basis, as the delayed effect of tighter monetary policy restrains economic activity.

Based on the easing of fiscal policy announced in the Autumn Statement, Oxford Economics are slightly more optimistic, forecasting GDP growth of 0.6% in 2024. The most recent composite Purchasing Managers' Index rose to 52.1 in December from 50.7 in November, suggesting that the economy may improve in the coming months.

UK inflation rose unexpectedly to 4.0% in December from 3.9% the previous month, although it is much lower than its peak of 11.1% in October 2022. Encouragingly, inflation is following the Bank of England's most recent forecast. In its Monetary Policy Report, November 2023, the Bank of England indicated that it expected inflation to fall to around 4.5% and continue to fall towards its 2% target next year. Inflation is expected to fall further allowing interest rate cuts.

Meanwhile, wage inflation also reduced with December's figures showing annual wage growth of 6.2% for basic pay and 5.8% for total pay, including bonuses. This is still too high for the Bank of England, but momentum is at least slowing. Other labour market indicators support this view with the number of vacancies falling for the 19th period in a row, although still above pre-pandemic levels.

On a positive note, total earnings adjusted for inflation increased by 1.4% for the three months to December, the seventh successive period increase. This is good news for the consumer and alleviates some of the cost of living worries and may lead to stronger retail spending in 2024 and stimulate an economic recovery.

Especially relevant to the real estate sector is that the economy continues to create jobs, the UK added 779,000 new jobs over the year to September 2023, a 2.2% increase, while office-based sectors recorded a 3.1% rise resulting in an additional 355,000 jobs.

At its December meeting, The Monetary Policy Committee kept the policy rate at 5.25% for the third time in a row and signalled that "Monetary policy will need to be sufficiently restrictive for sufficiently long to return inflation to the 2% target sustainably in the medium term, in line with the Committee's remit" continuing its higher for longer narrative. On the other hand, markets are anticipating several quarter point cuts next year. We should see cuts to the base rate from the middle of next year, unless inflationary pressures increase again, which will benefit property yields.

## Investment market

Despite the significant drop in values since June 2022, market sentiment is still weak. Investment volumes fell by 44% for 2023 compared with the previous year and 40% lower than the 10-year average.

Unlike previous years, there was no fourth quarter volume surge in 2023. Instead, volumes were 20% lower than the third quarter. All sectors experienced lower volumes, but offices had the largest decline of the traditional sectors, down 52% from the year before.

A distinguishing feature of this cycle is the divergence between office capital values and other sectors. This has become more apparent in the last few months as the fall in office values accelerated. MSCI reports that office capital values decreased by 16.6% in 2023 compared with 5.6% for retail and a 0.1% increase for industrial. Acting as an additional drag on office values is investors' concerns about the capital expenditure to meet net zero carbon requirements and the slow return to work.

# Manager's Investment Adviser's Report (continued)

## Investment market – continued

We expect the investment market to change slowly in 2024. Investment volumes will stay low at the start of the year as investors wait for price stability, but activity will pick up as values reach their lowest point in the cycle.

We anticipate further rises in yields in the first few months before we see yield compression in the second half of the year supported by lower interest rates. The different performance between offices and other sectors will continue due to the obsolescence risk of older stock, while the gap between prime and secondary will persist especially in offices where buildings with strong ESG credentials are most sought after to align with corporate goals and higher quality buildings are used to attract workers back to work.

Debt costs, which have been high since 2022, have been a major constraint on investment volumes. But they have begun to drop, falling from 5.3% in June 2023 to 3.6% at the end of December, and are approaching the level where debt will be advantageous. Since the majority of investment relies on debt to boost returns, we might see more buyers using debt return to the market acting as a boost to investment volumes and pricing although this is more likely to happen towards the end of the year.

## Our market forecasts

A key lesson from previous cycles is that investment volumes can recover quickly when the economy and the financial market become more stable, and investors feel more confident. When investment activity picks up in 2024, it will gradually lead to yield tightening, most likely towards the end of the year.

In the coming five years (2024-2028), we anticipate average annual returns of 6.4%, with higher returns for 2024 and 2025 driven by yield compression as investors re-enter the market. These averages hide significant differences by location, asset quality, sector and ESG credentials. Understanding these is crucial for assessing which parts of the market will experience the strongest performance in future.

As always, the low point of the cycle is preparing the conditions for the next recovery. A mix of weak market conditions, high construction and debt costs has reduced speculative developments starts, this will increase shortages for the best space from 2025 adding to upward pressure on rents, ultimately feeding through to stronger total returns. Markets, such as industrial, are already starting to see shortages of new space, and competition for space will recommence once the economy is on a sounder footing.

## Key market themes

Against the backdrop of weak economic growth, falling inflation and with interest rate cuts pencilled in for next year, we are close to the bottom of the market for the real estate sector in general, while for certain sectors – industrial and logistics – we might already be there. Our investment strategy is informed by three trends.

Real estate markets are more sensitive to changes in the interest rate than other sectors. As the cost of debt increases, debt is no longer accretive for investors allowing 'fully funded' buyer to take advantage debt. Refinancing challenges will persist in the market in 2024, delaying any recovery until the later part of 2024. We see this as an opportunity to take advantage of market dislocation and acquire opportunities at the low point of the cycle.

Related to the higher debt costs and weak market conditions is the upcoming supply shortage. The development market operates with significant lags leading to too much supply in downturns and not enough new stock in the upswing. With reduced development starts in all sectors, well timed refurbishments and redevelopments can assist outperformance in the recovery phase.

The shift to net zero carbon (NZC) is a new challenge in this cycle. Today, climate change is a key issue for tenants, investors, and policymakers. Consequently, it is a sizeable consideration in most property decisions: evaluating the lifecycle carbon footprint of a building – its embedded carbon, the energy and water efficiency, the potential for on-site renewable energy generation and end-of-life carbon implications – are now a standard part of the development, acquisition, and management process. Investors are placing as much emphasis on impact and sustainability as financial returns in their investment decisions. Being at the leading edge of this allow us to benefit from the outperformance that best-in-class NZC assets will achieve.

# Manager's Investment Adviser's Report (continued)

## Our conviction calls

Investors remain reluctant to invest in offices. High costs to meet NZC targets and lower demand, partly due to the slow comeback to work have reduced values considerably in 2023 and we forecast this will continue in 2024.

Secondary properties and smaller towns in the South East have experienced the biggest value falls. However, no market has avoided investors' risk-averse attitude to offices. Markets like the City of London, which has typically had large lot sizes, have been more affected by the shortage of debt, which has worsened the general market trends.

The office market should reach a stable point by the end of 2024. With values having already dropped by 28% since June 2022, we expect further value declines in the first part of 2024 and then a gradual improvement.

We predict that office property values will decline by 30% or more from the highest to the lowest point, and a rise in distressed sellers will present the opportunity to acquire high-income stable assets in prime locations. Prime regional office locations in Birmingham, Bristol and Manchester will have these opportunities, as well as Edinburgh. In the South East, Cambridge and Oxford will probably outperform the office sector in general, with assets that are focused on life sciences doing the best.

We expect the Central London market to bounce back fastest, with the highest growth in the best quality and located buildings. Development will see the best performance, but a difficult planning system will give an advantage to schemes with planning consent.

Industrial and logistics had a sharp correction in 2022 as values dropped and take-up levels returned to pre-pandemic levels. In contrast, 2023 was varied but ended with values becoming stable and we expect gradual improvement in values in 2024, as anticipated yield tightening and rental growth emerge. Multi-let assets will perform well especially in London and parts of the South East where industrial land is being lost to other uses and causing major shortages along with strong rent growth. In these markets, urban logistics assets are experiencing significant rent growth and present an opportunity.

In markets, such as Oxford and Cambridge, converting industrial to tech boxes is a significant asset management option with a big value upside. Likewise in London and places around the M25, data centre uses might generate higher returns for existing industrial and logistics assets.

The living sector has shown the most durability of all property sectors with only a slight drop in values since June 2022. A shortage of supply has led to strong rental growth at high single digit rates. The high interest environment is making many private landlords sell, making the supply shortages worse, which will support future rental growth. With few construction starts in 2023, this supply situation will not get better soon, leading to strong performance in the build to rent (BTR) sector. Similarly, purpose-built student accommodation (PBSA) has experienced a rise in demand from increasing international and domestic populations, while supply is very tight. A difficult planning framework and high construction costs will keep new supply limited, while a decline of houses for multiple occupation, which many students use, is also reducing supply.

Against the backdrop of weak economic growth and rising interest rates, consumer confidence was generally negative throughout 2023 which translated through to weak retail sales. Although the squeeze on real income eased towards the end of the year, the outlook for consumer spending is likely to remain challenging especially as households face higher refinancing costs.

The difficult environment has led to less investment activity and slightly higher yields. However, rents that had adjusted since the GFC until the pandemic, have grown moderately, helped by lower business rates. Mostly, retailers have escaped major harm, but we witnessed more administrations and CVAs in the last part of the year. Despite this, certain areas have performed well, and we think they will continue to do so in the short-term. Retail parks and food stores should enjoy the economic recovery and lower inflation, and prime shopping centres with yields of 7.75%, according to JLL, will offer strong total returns due to yield compression and rental growth.

## Our investment strategy

The large repricing in capital values represents a rare cycle opportunity. This is especially true with the expected rise in distressed sellers bringing more opportunities to the market in 2024.

In general, high debt and development costs will limit new supply in most markets, while stricter planning controls will bolster this trend in some markets, most notably the West End office market. We will continue to target supply constrained markets, especially the industrial sector, in the expectation of delivering strong returns.

As NZC becomes more important, prime buildings will be in short supply, delivering stronger rental growth and supporting higher capital values. The Fund will target development and repositioning opportunities in this prime space, seeking to continue its theme of outperformance in the expectation of improving real estate returns.

## Portfolio review and activity

At a property portfolio level, total returns for the year were 0.45% (2022: -8.38%) compared to the benchmark of -0.87% (2022: -9.52%) delivering an outperformance of 133 basis points. This was driven by a combination of higher income and capital returns following strong rental growth across all sectors.

# Manager's Investment Adviser's Report (continued)

## Portfolio review and activity – continued

Vacancy rate in the Master Fund at year-end has increased to 8.2% (2022: 4.3%) and is now in line with the benchmark at 8.2% (2022: 10.1%).

The industrial sector was the biggest contributor to the outperformance delivering total returns of 5.27% compared to the benchmark industrial average of 3.86% over the year. The industrial sector continues to experience yield expansion but has been offset by higher income and rental growth reflecting the strong occupational market in the industrial sector.

The office sector outperformed the benchmark average with total returns of -6.82% compared to -10.18%. Income return was below the benchmark but experienced less yield expansion, particularly across the London West End market.

The retail sector also delivered a positive performance over the year, outperforming the benchmark average by 473 basis points (2.86% vs -1.78%). Retail warehouses accounted for a large proportion of the portfolios retail sector with total returns of 7.79% compared to the benchmark of -0.08%.

### Rent collection

Rent collection rates have continued to improve over the course of the year and have now recovered back to pre-pandemic levels. The Master Fund had a 90 day collection rate of 99.93% (2022: 99.12%) of the rent demanded for the year.

### Balance Sheet management

As at the 31 December 2023, the Master Fund held £32.25m (2022: £26.66m) in cash equating to 8.72% (2022: 6.56%) of the Master Fund's net asset value.

The Master Fund currently has no gearing.

### Acquisition

The Master Fund did not acquire any property investments in the year.

### Disposals

During the year, the Master Fund exchanged and completed on two properties totalling £5.6m. O2, 59 High Street, Guildford, was sold for £2.45m and Badentoy Industrial Estate, Aberdeen, was sold for £3.15m. Both disposals are aligned with the Master Fund's strategy to divest out of small lot sizes and was subsequently identified as a sale candidate as part of the 2023 Strategy. The sale price for both assets was at a level above valuation.

### Asset management and lettings

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

### Industrial

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

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

### Offices

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

Also, the Master Fund has agreed a significant rent review increase on the top two floors of 15 Rathbone Place, totalling 4,629 sq ft.

This has generated a new upper rental tone in the asset and has driven performance in the building in relation to its sub-sector, generating an £100,000 increase in value, at a time when many assets in the West End are falling in value due to outward yield shift.

**41 Eastcheap, London:** The property is a high quality office building of 20,000 sq ft located in EC3, the City of London's insurance district. The offices are arranged over basement, lower ground and six upper floors.

The refurbished 2nd floor has been let to Equiteq Advisors at a rent of £65.00 psf for a term of 5 years with a tenant break option at the 3rd year.

The 6th floor has been comprehensively refurbished to provide fully fitted (CAT A+) office space with works completing in September. An offer has been received for the 6th floor from a potential occupier with negotiations ongoing.

The 4th floor tenant vacated this quarter and we have tendered the CAT A+ refurbishment. The works are due to commence later this year. Demand is strong for CAT A+ space in the City as occupiers for sub 5,000 sq ft do not want to invest significant capex upfront.

# Manager's Investment Adviser's Report (continued)

## Portfolio review and activity – continued

### Asset management and lettings – continued

**Retail**

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

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

## Responsible Property Investment (RPI)

In 2023, we published our Responsible Property Investment (RPI) Report and Net Zero Carbon Pathway Progress Report. These reports detail the progress made against our RPI strategy and net zero carbon targets that were launched in 2021. We have completed and commenced several projects allowing us to embed these strategies.

- Completed Net Zero Carbon audits across four of the Master Fund's multi-let offices that are targeting to achieve net zero carbon by 2030. These audits benchmark the performance of the asset against the 1.5-degree pathway set out by the Carbon Risk Real Estate Monitor (CRREM). These audits identified interventions to decarbonise the asset and work towards achieving net zero carbon. These were followed by mechanical and electrical (M&E) feasibility studies to determine the interventions that are practically implementable at the property to enable the transition to net zero carbon.
- Commenced developing our Social Value Framework which will determine opportunities to maximise societal benefits across our standing investments and developments. A place-based needs analysis was conducted in regions where our assets are most concentrated to ensure that interventions are tailored to address the specific requirements of each community in which our assets are situated. Our framework aims to align with the UK Green Building Council (UKGBC) recommendations as best practice guidance.
- Continued undertaking Energy Performance Certificate (EPC) Improvement Cost Assessments on all units with an EPC rating below a B, in response to the potential legislation requiring all commercial buildings to achieve an EPC B rating by 2030.
- Continued our efforts in collecting occupier consumption data through the installation of utility loggers across our largest single-let properties and Automatic Meter Reading (AMRs) devices on all refurbishments and developments. We have also used two specialist consultancies to access aggregated, anonymous energy data at the building level directly from a national database across 32% of all single-let units to further increase occupier data coverage across the Master Fund.
- Commenced flood risk assessments across all assets to identify those at highest risk of flooding both in the present day and in the future using climate projections. The assessments identify necessary mitigation measures to minimise risk and highlight the potential financial risk related to flooding. In 2024, we will look to deploy these mitigation measures where required and undertake more detailed assessments across our assets at the highest risk to flooding.
- We have consolidated property-level Environmental, Social and Governance (ESG) information across our managed assets into an ESG Database. The database generates an ESG score by aggregating scores assigned to each ESG criteria such as biodiversity, onsite renewable energy and community engagement. The ESG criteria are weighted according to their relative significance to the building typology. The database will be used to identify areas for ESG enhancement at each property.

In 2023, the Master Fund received excellent results across a range of ESG benchmarks certifications.

- Maintained our rating of three stars within the annual GRESB assessment. GRESB is the leading ESG global benchmark for real estate and infrastructure investments. The Master Fund improved its score by three points, achieving 76 out of 100 and ranking 39th out of 100 peers.
- Achieved a five-star rating in the real estate module of the United Nations Principles of Responsible Investment (UN PRI) assessment, scoring 96%. This is 32% higher than the median score of 64%.
- 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 UKGBC, the British Property Federation (BPF) and the Investment Property Forum (IPF) Sustainability Interest Group.

# Manager's Investment Adviser's Report (continued)

## Economic overview

The latest business survey data looks consistent with slightly stronger but subdued global GDP growth. The global Purchasing Managers' Index (PMI) composite business survey rose at the end of last year, but only to levels consistent with subdued positive GDP growth. Bank lending conditions and restrictive monetary policy will not have helped sentiment but growing market expectations of interest rate cuts and accompanying looser financial conditions have seen business optimism improve marginally.

The euro area composite PMIs looked consistent with falling private sector output, though in the UK levels strengthened. In the US, business surveys looked consistent with very subdued growth, although broader US data paints a more positive picture, with the Atlanta Fed's Nowcast, for example, indicating relatively robust GDP growth during the fourth quarter.

Consumer confidence during Q4 witnessed a general improvement across the US, UK and euro area, against a backdrop of rate cut expectations, robust pay growth and low unemployment.

The US Federal Reserve kept rates on hold at 5.25-5.50% over the quarter against a still resilient labour market backdrop, but with inflation continuing to cool. As of their December meeting, the median forecast of participants had 75 basis points of rate cuts in it for 2024 with a further 100 basis points of cuts pencilled in for 2025.

Headline US inflation fell from 3.7% year-on-year in September, down to 3.4% in December and from 4.3% to only 2.9% in the euro area. In the UK, inflation fell to 4.0% from 6.7% over the quarter. Pay growth still looked too strong for central bank comfort, especially in Europe. UK regular pay growth slowed but only to 6.6% on an annual basis for the 3 months to November.

Tight labour markets are supporting this strong earnings growth with unemployment rates remaining at low levels in the US, UK and hitting another record low in the euro area. However, there were some further signs of less tightness over the quarter, especially in the UK where vacancies continued to fall.

Back revisions showed that UK GDP contracted slightly in Q3 2023. Monthly GDP figures suggest that the UK is still at risk of having recorded a technical recession in the second half of 2023. PMI business survey data signalled rising private sector UK activity growth by the end of the quarter with the composite PMI indicator rising to 52.1.

Retail sales volume growth weakened considerably in December down 3.2% over the months which dragged volumes to -0.9% for the final quarter compared with the previous quarter. Consumer confidence dipped towards the year end. Mortgage approvals picked up a bit though, likely helped by lower mortgage rates reflecting lower bond yields.

**Stephanie Hacking**
**Portfolio Fund Manager**
**Royal London Asset Management Limited**
**26 February 2024**

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

The Task Force on Climate-related Financial Disclosures Report for Property Funds can be found on our website, at https://www.rlam.com/uk/institutional-investors/our-capabilities/property/responsible-property-investment/. This report has been prepared in accordance with the recommendations of the TCFD, which aims to help the investment community build a more in-depth and consistent picture of the impact of climate change. The views expressed are the author's own and do not constitute investment advice and are not an indication of future Company's performance. Portfolio holdings are subject to change, for information only and are not investment recommendations.

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

# Portfolio Statement

As at 31 December 2023

| Holding | Investment | Fair/Market value (£'000) | Total net assets (%) |
|---|---|---|---|
| **Property Authorised Investment Fund 100.00% (31/12/22 – 100.00%)** | | | |
| 33,421,241 | Royal London Property Fund Class 'A' | 251,832 | 100.00 |
| **Total value of investments** | | **251,832** | **100.00** |
| **Net other assets** | | **–** | **–** |
| **Total net assets** | | **251,832** | **100.00** |

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

# Summary of Material Portfolio Changes

For the year ended 31 December 2023

## Significant Purchases

| | Cost £'000 |
|---|---|
| There have been no purchases during the year | – |

## Significant Sales

| | Proceeds £'000 |
|---|---|
| There have been no sales during the year | – |

# Comparative Table

## Class A Accumulation

| Change in net assets per unit | 31/12/23 (p) | 31/12/22 (p) | 31/12/21 (p) |
|---|---|---|---|
| Opening net asset value per unit | 760.31 | 834.78 | 714.13 |
| Return before operating charges | (6.80) | (74.47) | 120.65 |
| Operating charges | 0.00 | 0.00 | 0.00 |
| Return after operating charges | (6.80) | (74.47) | 120.65 |
| **Closing net asset value per unit** | 753.51 | 760.31 | 834.78 |
| Retained distribution on accumulation units | 23.86 | 23.49 | 20.87 |
| **Performance** | | | |
| Return after charges | (0.89)% | (8.92)% | 16.89% |
| **Other information** | | | |
| Closing net asset value (£'000) | 251,832 | 254,105 | 278,994 |
| Closing number of units | 33,421,241 | 33,421,241 | 33,421,241 |
| Operating charges | 0.00% | 0.00% | 0.00% |
| **Prices** | | | |
| Highest unit price | 751.31 | 888.90 | 823.37 |
| Lowest unit price | 735.23 | 749.69 | 706.05 |

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

# Statement of the Trustee's Responsibilities in Relation to the Financial Statements of the Trust

The Trustee must ensure that the Trust is managed in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook, the Investment Funds Sourcebook, the Financial Services and Markets Act 2000, as amended, (together "the Regulations"), the Trust Deed and Prospectus (together "the Scheme documents") as detailed below.

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

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

The Trustee must ensure that:

- the Trust's cash flows are properly monitored and that cash of the Trust is booked into the cash accounts in accordance with the Regulations;
- the sale, issue, redemption and cancellation of units are carried out in accordance with the Regulations;
- the values of units in the Trust are calculated in accordance with the Regulations;
- any consideration relating to transactions in the Trust's assets is remitted to the Fund within the usual time limits;
- the Trust'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 Trustee also has a duty to take reasonable care to ensure that the Trust is managed in accordance with the Regulations and the Scheme documents in relation to the investment and borrowing powers applicable to the Trust.

# Report of the Trustee to the Unitholders of the Royal London Property Trust

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

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

(ii) has observed the investment and borrowing powers and restrictions applicable to the Trust.

**NatWest Trustee and Depositary Services Limited**

**22 April 2024**

# Independent Auditors' Report to the Unitholders of Royal London Property Trust

## Report on the audit of the financial statements

### Opinion

In our opinion, the financial statements of Royal London Property Trust (the Trust):

- give a true and fair view of the financial position of the Trust as at 31 December 2023 and of the net revenue and the net capital losses on its scheme property 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 Trust Deed.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2023; the Statement of Total Return, and the Statement of Change in Net Assets Attributable to Unitholders 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 Trust 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 Trust'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 Manager'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 Trust's ability to continue as a going concern.

Our responsibilities and the responsibilities of the Manager 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 Manager 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 Investment Schemes sourcebook requires us also to report certain opinions as described below.

#### Manager's Report

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

# Independent Auditors' Report to the Unitholders of Royal London Property Trust (continued)

## Report on the audit of the financial statements – continued

### Responsibilities for the financial statements and the audit

#### Responsibilities of the Manager for the financial statements

As explained more fully in the Statement of Manager's Responsibilities, the Manager 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 Manager 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 Manager is responsible for assessing the Trust'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 Manager either intends to wind up or terminate the Trust, 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 Trust/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 Trust. Audit procedures performed included:

- Discussions with the Manager, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes, including those of the Manager'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 Trust's unitholders as a body in accordance with paragraph 4.5.12 of the Collective Investment Schemes sourcebook 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 Unitholders of Royal London Property Trust (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 and returns.

We have no exceptions to report arising from this responsibility.

**PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**London**

**22 April 2024**

# Financial Statements

## Statement of Total Return

For the year ended 31 December 2023

| | Note | £'000 | 31 Dec 2023 £'000 | £'000 | 31 Dec 2022 £'000 |
|---|---|---|---|---|---|
| Income | | | | | |
| Net capital losses | 4 | | (10,248) | | (32,738) |
| Revenue | 5 | 9,688 | | 9,423 | |
| Expenses | 6 | – | | – | |
| Net revenue before taxation | | 9,688 | | 9,423 | |
| Taxation | 7 | (1,713) | | (1,574) | |
| Net revenue after taxation | | | 7,975 | | 7,849 |
| Total deficit before distributions | | | (2,273) | | (24,889) |
| Distributions | 8 | | (7,975) | | (7,849) |
| **Change in net assets attributable to unitholders from investment activities** | | | **(10,248)** | | **(32,738)** |

## Statement of Change in Net Assets Attributable to Unitholders

For the year ended 31 December 2023

| | £'000 | 31 Dec 2023 £'000 | £'000 | 31 Dec 2022 £'000 |
|---|---|---|---|---|
| **Opening net assets attributable to unitholders** | | **254,105** | | **278,994** |
| Amounts receivable on creation of units | – | | – | |
| Amounts payable on cancellation of units | – | | – | |
| | | – | | – |
| Change in net assets attributable to unitholders from investment activities | | (10,248) | | (32,738) |
| Retained distributions on accumulation units | | 7,975 | | 7,849 |
| **Closing net assets attributable to unitholders** | | **251,832** | | **254,105** |

## Balance Sheet

As at 31 December 2023

| | Note | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|---|---|---|---|
| **Assets** | | | |
| Fixed assets: | | | |
| Investments | 14 | 251,832 | 254,105 |
| Current assets: | | | |
| Debtors | | – | – |
| Cash and bank balances | 9 | – | – |
| Total assets | | 251,832 | 254,105 |
| **Liabilities** | | | |
| Creditors: | | | |
| Other creditors | | – | – |
| Distribution payable | | – | – |
| Total liabilities | | – | – |
| **Net assets attributable to unitholders** | | **251,832** | **254,105** |

# Notes to the Financial Statements

For the year ended 31 December 2023

## 1. Significant accounting policies

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

### Basis of preparation

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

### Going concern

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

### Cash flow statement

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

### Basis of valuation of investments

The Trust invests all of its capital in Class A Accumulation Units (institutional) of the Master Fund. This is valued at fair value, which is deemed to be the net asset value per share reported in the comparative table in the Trust's Annual Report and financial statements at the end of the current accounting 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 accrual basis. Distributions received from the Master Fund are in three streams (dividend, interest and property).

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

### Treatment of expenses

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

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

### Taxation

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

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31 December 2023

## 1. Significant accounting policies – continued

### Taxation – continued

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

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

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

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

## 2. Distribution policies

### Basis of distribution

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

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

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

### Expenses

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

## 3. Risk management policies

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

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

### Market price risk and valuation of property

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

# Notes to the Financial Statements (continued)

For the year ended 31 December 2023

## 3. Risk management policies – continued

### Sensitivity analysis

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

| Sector | Equivalent Yield | Risk % by Sector | Value if increase by risk % | NAV impact | Value if increase by risk % | NAV impact |
|---|---|---|---|---|---|---|
| Industrial | 5.96% | 0.25% | 6,122,000 | 1.65% | (5,620,000) | (1.52)% |
| Offices | 5.24% | 0.25% | 5,701,000 | 1.54% | (5,159,000) | (1.39)% |
| Retail | 6.17% | 0.25% | 2,005,000 | 0.54% | (1,848,000) | (0.50)% |
| Others | 6.17% | 0.25% | 1,378,000 | 0.37% | (1,270,000) | (0.34)% |

### Liquidity risk

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

Since the Trust solely invests in the Master Fund that comprises immovable property, which is relatively illiquid and more difficult to realise than most equities or bonds, it can be exposed to liquidity risk surrounding its Master Fund's capacity to maintain sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to meet its obligations to fund its distribution payments and redemptions.

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

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

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

| | Within three months | Over three months but not more than one year | Over one year |
|---|---|---|---|
| **As at 31 December 2023** | **£'000** | **£'000** | **£'000** |
| Cash at bank | – | – | – |
| | **%** | **%** | **%** |
| Unitholding that can be redeemed | – | – | 100.00 |
| Portfolio capable of being liquidated | – | 100.00 | – |
| **As at 31 December 2022** | **£'000** | **£'000** | **£'000** |
| Cash at bank | – | – | – |
| | **%** | **%** | **%** |
| Unitholding that can be redeemed | – | – | 100.00 |
| Portfolio capable of being liquidated | – | 100.00 | – |

### Credit and counterparty risk

Credit risk is the risk that counterparty will default on their contractual obligations resulting in financial loss to the Master Fund. The Master Fund will be subject to the risk of the inability of any counterparty to perform with respect to transactions, whether due to insolvency, bankruptcy or other causes.

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

# Notes to the Financial Statements (continued)

For the year ended 31 December 2023

## 3. Risk management policies – continued

### Credit and counterparty risk – continued

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

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

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

The Master Fund adhere to regulatory and fund management guidance and investment strategy and that mitigates any risk of excessive exposure to any particular type of sector or tenant type.

The Master Fund's cash and short term deposits at 31 December 2023 amounted to £32.25m (31/12/2022: £26.66m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

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

At 31 December 2023, taking into consideration any offset arrangements, the largest combines credit exposure by the Master Fund to a single counterparty arising from money market deposits, liquid investments and derivatives was £32.25m (31/12/2022: £26.66m). This represents 8.51% (31/12/2022: 6.80%) of gross assets of the Master Fund.

The deposit exposures are with UK banks.

### Currency risk

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

### Interest rate risk

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

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

### Inflation risk

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

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

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

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

# Notes to the Financial Statements (continued)

For the year ended 31 December 2023

## 3. Risk management policies – continued

### Leverage risk

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

### Climate risk

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

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

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

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

The ongoing conflicts in Ukraine and in the Middle East continue to carry huge risks for the world economy. If geopolitical uncertainties persist, volatility in energy prices and inflation could return. The Company has no exposure to Russian companies as commercial tenants or investment.

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 conflicts on Western economies including the UK with higher inflation, volatile financial markets and adverse economic environment will depend on the extent to which the conflicts, and therefore the severity of sanctions and economic disruption, escalates and how long they last.

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

# Notes to the Financial Statements (continued)

For the year ended 31 December 2023

## 4. Net capital losses

| | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|---|---|---|
| **The net capital losses during the year comprise:** | | |
| Unrealised losses on non-derivative securities | (10,248) | (32,738) |
| **Net capital losses** | **(10,248)** | **(32,738)** |

## 5. Revenue

| | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|---|---|---|
| Property income distribution | 8,564 | 7,868 |
| Dividend income distribution | 827 | 1,509 |
| Interest income distribution | 297 | 46 |
| **Total revenue** | **9,688** | **9,423** |

## 6. Expenses

All fees and expenses of the Trust will be paid by the Master Fund to ensure parity of Unit prices in the Funds and share prices of the relevant classes of the Master Fund. As a result of this arrangement, Unitholders will bear their proportionate share of the fees and expenses of the Master Fund through their indirect investment in the Master Fund. No charges or expenses for their establishment and ongoing administration will be payable by the Trust. In the event that this arrangement is changed, the applicable fees will be set out in this section of the Prospectus.

The audit fee for the Trust was paid by the Master Fund. The audit fee was £8,328 (31/12/22: £7,931) excluding VAT.

## 7. Taxation

### a) Analysis of charge for the year

| | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|---|---|---|
| Corporation tax | 1,713 | 1,574 |
| **Current tax charge** | **1,713** | **1,574** |

### b) Factors affecting total tax charge for the year

The tax assessed for the year is lower (31/12/22: lower) than the standard rate of corporation tax in the UK for authorised unit trusts (AUT) (20%).

The differences are explained below:

| | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|---|---|---|
| Net revenue before taxation | 9,688 | 9,423 |
| Corporation tax at 20% | 1,938 | 1,885 |
| Effects of: | | |
| Revenue not subject to taxation | (225) | (311) |
| **Total tax charge for the year** | **1,713** | **1,574** |

### c) Deferred tax

There was no provision required for deferred tax at the Balance Sheet date (31/12/22: same).

## 8. Distributions

| | 31 Dec 2023 £'000 | 31 Dec 2022 £'000 |
|---|---|---|
| **Accumulation units** | | |
| Interim | 7,414 | 7,040 |
| Final | 561 | 809 |
| **Net distribution for the year** | **7,975** | **7,849** |

Details of the distribution per unit are set out on page 28.

## 9. Cash and bank balances

The Royal London Property Trust does not have a separate bank account. It is an integral part of the Property Authorised Investment Fund (PAIF) structure as corporate investors are required by the FCA and HMRC to invest into the Master Fund via a trust known as a feeder fund.

# Notes to the Financial Statements (continued)

For the year ended 31 December 2023

## 10. Reconciliation of number of units

| | Class A Accumulation |
|---|---|
| Opening units at 01/01/23 | 33,421,241 |
| Units issued | – |
| **Closing units at 31/12/23** | **33,421,241** |

## 11. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the Balance Sheet date (31/12/22: same).

## 12. Related party transactions

The Trust's Manager, Royal London Unit Trust Managers Limited (the "Manager") is a related party to the Trust as defined by Section 33 "Related Party Disclosures" of FRS 102.

The Trust hold units in Royal London Property Fund (the "Master Fund"), the details of which are shown in the Portfolio Statement.

Revenue from the Master Fund is disclosed in note 5. All the fees and expenses of the Trust are paid by the Master Fund, details are disclosed in note 6.

The distribution received from the Master Fund reflect those that are paid out by the Master Fund, the details of which are shown in note 8.

Management fees charged by the Manager are paid by the Master Fund and details of units created and cancelled by the Manager are shown in the Statement of Change in Net Assets Attributable to Unitholders. At the year end, the balance due to the Manager in respect of these transactions was £nil (31/12/22: £nil).

Royal London Asset Management (Nominees) Limited, as a material unitholder, is a related party holding units comprising 100% of the total net assets of the Trust as at 31 December 2023 (31/12/22: 100%).

## 13. Portfolio transaction costs

**For the year ended 31 December 2023**

There were no purchases or sales during the year.

**For the year ended 31 December 2022**

There were no purchases or sales during the year.

At the balance sheet date the portfolio dealing spread was 6.73% (31/12/22: 6.88%).

## 14. Fair value of investments

The primary financial instruments held by the Trust at 31 December 2023 were property related investments, cash, short term assets and liabilities to be settled in cash. The Trust 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 Trust'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 Master Fund is dual priced. Valuations of property of the Master Fund for the purpose of the calculation of issue and cancellation and sale and redemption prices will be carried out on both an issue and cancellation basis.

The price of units in the Trust is intended to match exactly the price of shares in the Master Fund. This is because the Trust invests solely in the Master Fund.

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 2023**

| Category | 1 £'000 | 2 £'000 | 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Investments** | | | | |
| Collective Investment Schemes | – | – | 251,832 | 251,832 |
| Total | **–** | **–** | **251,832** | **251,832** |

**For the year ended 31 December 2022**

| Category | 1 £'000 | 2 £'000 | 3 £'000 | Total £'000 |
|---|---|---|---|---|
| **Investments** | | | | |
| Collective Investment Schemes | – | – | 254,105 | 254,105 |
| Total | **–** | **–** | **254,105** | **254,105** |

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

# Notes to the Financial Statements (continued)

For the year ended 31 December 2023

## 15. Events after the end of reporting year

The final distribution for the year ended 31 December 2023 was paid on 13 January 2024.

There have been no significant redemptions since the balance sheet date.

The movement in the Trust's NAV between the end of the reporting period and the latest price available as at the date of which the financial statements were authorised for issue is shown below:

| | Price 31 Dec 2023 (p) | Price 31 Mar 2024 (p) | Movement (%) |
|---|---|---|---|
| Royal London Property Trust, Class A Accumulation | 743.18 | 750.50 | 0.98 |

# Distribution Table

For the year ended 31 December 2023

## Class A Accumulation

### Distributions in pence per unit

| Distribution period | Distribution per unit | Equalisation | Total distribution per unit 2023 | Total distribution per unit 2022 |
|---|---|---|---|---|
| **January** | | | | |
| Group 1 | 1.7849 | | 1.7849 | 1.8311 |
| Group 2 | 1.7849 | – | 1.7849 | 1.8311 |
| **February** | | | | |
| Group 1 | 2.0348 | | 2.0348 | 1.7355 |
| Group 2 | 2.0348 | – | 2.0348 | 1.7355 |
| **March** | | | | |
| Group 1 | 1.9461 | | 1.9461 | 2.0630 |
| Group 2 | 1.9461 | – | 1.9461 | 2.0630 |
| **April** | | | | |
| Group 1 | 1.9662 | | 1.9662 | 2.7503 |
| Group 2 | 1.9662 | – | 1.9662 | 2.7503 |
| **May** | | | | |
| Group 1 | 1.9424 | | 1.9424 | 2.2137 |
| Group 2 | 1.9424 | – | 1.9424 | 2.2137 |
| **June** | | | | |
| Group 1 | 1.3686 | | 1.3686 | 1.6089 |
| Group 2 | 1.3686 | – | 1.3686 | 1.6089 |
| **July** | | | | |
| Group 1 | 2.3899 | | 2.3899 | 1.5091 |
| Group 2 | 2.3899 | – | 2.3899 | 1.5091 |
| **August** | | | | |
| Group 1 | 2.0137 | | 2.0137 | 1.5571 |
| Group 2 | 2.0137 | – | 2.0137 | 1.5571 |
| **September** | | | | |
| Group 1 | 2.0017 | | 2.0017 | 1.9127 |
| Group 2 | 2.0017 | – | 2.0017 | 1.9127 |
| **October** | | | | |
| Group 1 | 2.3330 | | 2.3330 | 2.0820 |
| Group 2 | 2.3330 | – | 2.3330 | 2.0820 |
| **November** | | | | |
| Group 1 | 2.4028 | | 2.4028 | 1.8018 |
| Group 2 | 2.4028 | – | 2.4028 | 1.8018 |
| **December** | | | | |
| Group 1 | 1.6795 | | 1.6795 | 2.4213 |
| Group 2 | 1.6795 | – | 1.6795 | 2.4213 |

# Fact File

## Royal London Property Trust

| | | |
|---|---|---|
| **Launch date** | Class A – Accumulation units (Institutional) | 28 May 2010 |
| **Accounting end dates** | 31 December (Final) | |
| | 30 June (Interim) | |
| **Distribution dates** | 31 January (Final) | |
| | Last business day of every month (Interim) | |
| **Minimum investment** | £100,000 | |
| **Management charges*** | Preliminary charge | 0.00% |
| | Manager's periodic management charge | 0.60% |
| | Performance fee | 0.00% |

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

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

# Remuneration Policy (unaudited)

The Authorised Fund Manager (the "Manager") of the Royal London Property Trust, 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 Manager and the interests of the Royal London Property Trust 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 Manager whose professional activities have a material impact on the risk profile of the Manager 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 Manager, 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 2023, total remuneration of £32,720,486 was paid to 48 individuals whose actions may have a material impact on the risk profile of RLUTM, of which £8,986,030 related to senior management. The fixed element of the total remuneration mentioned above is £10,709,034 and the variable element is £22,011,452. 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 Manager 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

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

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

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

## Pricing and dealing

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

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

## Buying units

Investors should complete an application form available from the Manager and send it to the Manager, on or before the 15th of the month prior to the Dealing Day, at its administration centre with a cheque payable to Royal London Unit Trust Managers Limited. On acceptance of the application, units will be sold at the relevant sale price, and a contract note confirming the sale price and the number of units sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of units will only be deemed to have been accepted by the AFM once it is in receipt of cleared funds for the application.

## Selling units

To redeem units, investors should provide a written instruction, three months in advance of a monthly Dealing Day, to the Manager at its administration centre with instructions to redeem the relevant number (if known) or value of units. The units will be repurchased at the price calculated at the valuation point on the appropriate Dealing Day. Proceeds of redemption (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid no later than the close of business on the fourth business day following receipt of a signed form of renunciation.

## Cancellation rights

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

## Accumulation of income

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

## UK taxation

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

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

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

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

# General Information (continued)

## UK taxation – continued

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

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

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

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

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

## Trust reports and Prospectus

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

## Contact Us

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Ref: SREP RLAM PD 0316

ROYAL LONDON
ASSET MANAGEMENT