For professional clients only, not suitable for retail investors.

Royal London UK Real Estate Feeder Fund

Annual Report

For the year ended 31 December 2023

Contents

* The ACD's report comprises these items.

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

Company information

Company

Royal London UK Real Estate Feeder Fund

Registered in England with Company Number IC001092

Registered office:
80 Fenchurch Street, London EC3M 4BY

Authorised Corporate Director (the "ACD")

The ACD is Royal London Unit Trust Managers Limited

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

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

T: 020 3272 5000

F: 020 7506 6501

Directors of the ACD

R.A.D. Williams

A.L. Hunt

J.S. Glen (Appointed 1 April 2024)

R. Kumar

S.Spiller

J.M. Brett (Non-executive Director)

H.I. Georgeson

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.

Depositary of the ACD

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Registrar and Transfer Agents

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Administrator of the ACD

HSBC Bank plc

8 Canada Square, Canary Wharf, London E14 5HQ

Authorised and regulated by the Financial Conduct Authority.

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

7 More London Riverside, London SE1 2RT

Report of the Authorised Corporate Director

We are pleased to present the Annual Report and Financial Statements covering the year from 1 January 2023 to 31 December 2023.

About the Company

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

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

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

Authorised status

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

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

The financial statements

As required by the OEIC Regulations, information for Royal London Real Estate Feeder Fund (the "Company") has been included in these financial statements. We have provided a detailed description of the strategy that was adopted during the year under review.

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

For and behalf of Royal London Unit Trust Managers Limited

Authorised Corporate Director

J.S. Glen (Director)

R. Kumar (Director)

22 April 2024

Statement of the Authorised Corporate Director's Responsibilities

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

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

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

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

Investment Adviser's Report

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

As the Company's sole investment are units held in the Master Fund, the Company is subject to the same underlying risks and returns of the Master Fund, and as such, the commentary presented on pages 6 to 11 is consistent with those of the Master Fund.

Objective

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

Strategy

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

Performance

Since the Master Fund was launched in October 2017, it has consistently outperformed the MSCI/AREF UK All Balanced Property Fund Index each calendar year and beaten the benchmark by 159 basis points on an annualised basis. Since inception, the Master Fund is ranked in the top quartile, with an annualised total return (net of notional fund management fees of 0.7%) of 4.18%. Over the five years to December 2023, the Master Fund is the top ranked fund in its benchmark.

The Master Fund is comprised of a large and diversified portfolio of assets, with a focus on prime buildings in core markets. This has delivered relative outperformance throughout recent market cycles; during the pandemic in 2020, during the recovery in 2021 and more recently, during the market downturn in 2022 and gradual stabilisation in 2023.

During 2023, the Master Fund's performance has remained resilient, reflecting the quality of the assets and the successful proactive approach to asset management, tenant engagement and mitigating loss of income. During this period, the Fund delivered a stable income distribution and experienced less decline in NAV relative to other funds in the benchmark.

Over the 12 months to 31st December 2023, the Master Fund has outperformed the All Balanced Funds component of the MSCI/AREF UK Quarterly Property Fund Index by 77 basis points delivering a total return of -0.65% (2022: -5.43%). This marks the sixth calendar year in succession that the Master Fund has beaten its benchmark.

Since the Master Fund was launched, the strategy has remained consistent: assets are acquired, managed and developed with a 'best in class' philosophy to reduce risk in an economic downturn whilst using that period to position the assets to maximise the potential for active management and growth in the upturn.

This strategy has continued to deliver positive outcomes from active management during 2023, with letting successes across a number of assets. This has de-risked the portfolio and provided valuation upside in a market that experienced negative capital growth. The asset with the second biggest contribution to performance was the Master Fund's New Bond Street Estate, where the performance was driven by the completion of a surrender of Hush Brasserie's lease and a simultaneous grant of a new 15-year lease with the Soho House Group. There was further leasing activity at The Distillery in Bristol, with 14,800 sq ft let or committed during the year. Deals with PA Consulting Group, SNC Mission UK Ltd, Ramboll, and Teneo provide a diversified tenant mix at the scheme, demonstrating occupier demand for sustainable best in class office space. Another significant contributor was 1-3 Uxbridge Road in Hayes, where the Master Fund successfully completed the letting of an industrial unit to BHW Automotive Limited. Terms were agreed within 4 weeks of the former tenant vacating, with the new rent reflecting a 96% increase on the previous passing rent.

Performance analysis over 5 years

Historically the Master Fund has tended to hold a lower proportion of cash than the benchmark, with capital redeployed into the portfolio via development initiatives and selective acquisitions. This lower cash ratio had benefitted the Master Fund's level performance when the market was experiencing strong levels of capital growth with the Master Fund experiencing less cash drag relative to the benchmark.

In 2022 this position reversed with the Master Fund benefitting from an investor inflow of £185m, which resulted in an overweight cash allocation. This coincided with a market downturn, which has seen property level capital values fall during the latter half of 2022 and through 2023. During this period the Master Fund has retained a relatively higher cash allocation, which has supported the Fund NAV.

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 3.59%, which compares favourably to the benchmark at 2.06%.

This outperformance can be split into income and capital components. Income return over the five years has averaged 3.60% per annum. This is lower than the benchmark average, which is a function of prime assets in the portfolio, focused in lower yielding sectors, as well as a higher level of development activity.

This shortfall has been outweighed by higher rates of capital growth. The Master Fund's portfolio in aggregate has seen flat capital movements, when the benchmark has seen values fall on average by 2.24% per annum.

Investment Adviser's Report (continued)

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.

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.

Investment Adviser's Report (continued)

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.

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.

Investment Adviser's Report (continued)

Our conviction calls – continued

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 continue to identify development and repositioning opportunities, allowing us to access outperformance.

Portfolio and activity review

At property level, the Master Fund's portfolio outperformed the benchmark by 61 basis points, delivering total returns of -0.39% compared to the benchmark of -1.00%.

Capital declines continued into 2023 driven largely by the office sector which have seen falls in office values, accelerating in the second half of the year. The benchmark reports that office capital values decreased by -15.29% in 2023 compared with -5.71% for retail and a 0.03% increase for industrial. In comparison to its benchmark, each sector outperformed during 2023.

The Master Fund's portfolio was impacted by the wider market trend evidenced in the office sector, but reassuringly demonstrated resilience in comparison to its benchmark delivering capital returns of -3.60% compared to the benchmark of -5.40% at an all property level.

On average across the portfolio, equivalent yields rose by 19 basis points and capital values fell by 3.60%. Rental value growth over the year was still strong at 4.17%, with retail, office and industrial sectors all experiencing an increase in rental values.

Retail sector returns were boosted by strong performance at the New Bond Street estate (with a total return of 4.79%) and across most of the retail warehouse portfolio, which saw returns averaging 3.57%.

Office sector performance was more resilient than the benchmark, with the fund recording a total return of -9.55% over the 12 months to December compared with -11.74% for the benchmark. Returns were supported by the sale of Trafalgar Buildings, London and by strong performance at The Distillery, Bristol.

The Master Fund's industrial portfolio also outperformed, driven by more robust yield movements, than those seen in the benchmark. Industrial capital values increased by 2.74%, whereas the benchmark saw values remain flat over the last 12 months, with weakness in yields, offset by positive rental value growth.

The Master Fund still lags on income return at 3.31%, 126 basis points below the benchmark of 4.64%. This reflects the Master Fund's higher exposure to the London market which typically have lower yields but are more resilient in downturns due to the prime nature of the London market. Vacancy rate in the Master Fund's increased over the 12 months from 10.3% as at December 2022 up to 11.7% as at December 2023 above the benchmark of 11.4%.

Stock selection contributed most to outperformance following strong performance across the London standard industrial assets and retail warehouses.

Investment Adviser's Report (continued)

Portfolio and activity review – continued

Performance across all sectors have outperformed their respective benchmark sector averages over the last year. The industrial sector delivered superior total returns of 6.28% compared to the benchmark at 4.29%. The top 3 performing industrial assets are in London which experienced strong rental growth over the year.

The retail sector also contributed positively to the Master Fund's outperformance delivering total returns of 1.79% compared to the benchmark sector average of -0.35%. The Master Fund's retail portfolio is largely made up of Central London prime unit shops and retail warehouses which have both delivered positive returns, contributing 74 basis points to relative outperformance. The new lettings at the prime retail led mixed-use asset in New Bond Street has been accretive to performance, setting a new rental tone across the estate.

The office sector has also outperformed the benchmark sector average by 249 basis point over the year, delivering total returns of -9.55% compared to -11.74%. The sale of Trafalgar buildings and the asset management initiatives at The Distillery in Bristol has helped to boost the performance of the office sector.

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 99.74% (2022: 97.21%) of the rent demanded for the year.

Balance Sheet management

As at the 31 December 2023, the Master Fund held £45.10m (2022: £122.88m) in cash (ex. distribution) equating to 1.42% (2022: 3.75%) of the Master Fund's NAV. A further £285.14m (2022: £151.81m) of cash is invested in Royal London cash funds for an enhanced near cash return.

The Master Fund currently has no gearing.

Acquisition

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

During the year, the Master Fund invested a total of £245.00m and divested a total of £125.00m in Royal London cash funds for an enhanced near cash return.

Disposals

In March 2023, the Master Fund simultaneously exchanged and completed the sale of this industrial asset in Runnymede, Egham for £13.50m. The disposal aligns with the Master Fund's strategy to dispose of assets exposed to environmental risks that have the ability to impact on letting prospects and ultimately liquidity going forward. The property has a history of flooding.

Also in March 2023, the Master Fund simultaneously exchanged and completed the sale of Capitol Retail and Leisure Parks in Preston for a combined price of £51.50m. During the time that the assets were under offer, the pricing was improved, which set against our increasing concerns over the flood risk and the leisure element, especially the cinema.

In April 2023, the Master Fund simultaneously exchanged and completed the sale of the sale of Lidl in Guildford for £17.25m. The disposal aligns with the Master Fund's strategy to dispose of assets exposed to environmental risks that have the ability to impact letting prospects and ultimately liquidity going forward. The property was situated in Flood Zone 3 and experienced significant flooding risk from both river and surface water.

In May, the Master Fund disposed of Trafalgar Buildings in London to a hotel operator for a price of £47.50m, which was substantially ahead of market value. Trafalgar Buildings was a fully consented retained facade office redevelopment. The construction issues were significantly higher risk than a traditional office development. Located on a tight site on Trafalgar Square with underground tunnels, challenging neighbourly matters and higher construction risk as a result of the Grade II listed façade being dismantled before rebuilding, a disposal was considered the optimum strategy.

Asset management and lettings

Industrial

Unit 6 Centre Mead, Osney Mead, Oxford: The Master Fund is currently undertaking a significant refurbishment of several units at the estate with a contract value of c.£3m. The refurbishment includes achieving a B EPC rating having carried out a full redecoration of the internal and external elements, new double-glazed windows, new LED lighting with smart lighting technology PIR sensors and water saving fixtures and fittings in the WC's. Unit 11 was the first to PC and was relet on the same day as completion of the works. The unit was leased to Energy Store Limited who are an existing tenant on the estate at £9 psf having signed up for a 10-year term with a break.

Southampton Mail Centre, Mitchell Way, Southampton: The Southampton Mail Centre is a distribution unit measuring 117,500 sq ft, strategically located off the M27. The property is used by Royal Mail as an automated post centre and remains a key part of the delivery network. The location is arguably one of the best for commercial activity in the Solent region. The September 2022 rent review was successfully concluded in the third quarter of 2023. The newly agreed rent is £1,180,000 per annum showing a 21% uplift on the previous rent (£975,000 per annum). As a result of this rent review and subsequent improvement on the valuers assumed settlement, the Master Fund benefitted from a valuation increase of 9.75% or £1,850,000 on the quarter.

Investment Adviser's Report (continued)

Portfolio and activity review – continued

Asset management and lettings – continued

Retail

Sprowston Retail Park, Norwich and Colton Retail Park, Leeds: Further to previous reports, we can now report the successful completion of the two Costa Drive Thru developments, at Sprowston Retail Park, Norwich and Colton Retail Park, Leeds. Both buildings were handed over to Costa this quarter and the tenant has since commenced fitting out rating to a B. Within 3 months of the unit becoming vacant, it went under offer to Glum Tortoise Ltd at a rent of £28 psf, on an 8 year lease, 5th year tenant break and rent review with 4 months' rent free. The newly agreed rent was 37% higher than the last letting undertaken on the estate and as a result of this transaction, the valuation saw a 12% increase on the quarter. The Master Fund also retained flexibility to achieve vacant possession in July 2027 in order to bring forward an industrial led, mixed use development if it wished.

103 Oxford Street, London: The property comprises a retail unit at ground floor and basement levels with five floors of offices above. Both elements are vacant. An Agreement for Lease has been exchanged with Rituals Cosmetics for the ground floor retail unit. A new 10 year term with a break at the end of the 5th year has been agreed at a rent of £375,000 pa. The tenant was granted an 18 month rent free period. The tenant took the building in its current condition and no landlords works were required. The lease completed subsequent to the end of the period.

Unit E1, Horsted Retail Park, Chatham: An Agreement for Lease was exchanged in Q4 2023 with JD Gyms Limited on a unit that has been vacant for a number of months. This is for a new 15-year full repairing and insuring lease, commencing on the earlier of the lease completion date or the date the tenant takes access to the premises. There is a tenant only break at the end of the 10th year. The rent is £275,000 pa (£15.00 psf). There are five yearly upwards only rent reviews based on the lower of open market rental value or 2.5% pa compounded. The first rent review increase will therefore be capped at £311,137 pa. The Master Fund is contributing a capital sum of £100,000 towards the fit out and the tenant will benefit from a 12 month rent free period. The unit is to be used as a gym and the tenant plans to sublet part of the space to a swimming pool.

Offices

60 Fenchurch Street, London: 60 Fenchurch Street comprises a Grade A office building of 58,000 sq ft across basement, ground and eleven upper floors located adjacent to Fenchurch Street Station in London. Following HSBC vacation of the part ground and basement floors, the Master Fund is undertaking a reconfiguration and refurbishment of the ground and basement floors to deliver a redesigned reception and enhanced amenity.

The new enlarged reception will provide break out and dwell space for occupiers and visitors. At basement level new cycle and shower facilities will be provided with a separate dedicated cycle entrance. The works will reposition the building and maximise occupier engagement and existing tenant retention.

By undertaking the works, it will drive rental values on the office floors and align the building with the wider competition. The 4th floor which is vacant is also being refurbished to include CAT plus (fully fitted with furniture). For floorplates of this size, occupier demand is high for fully fitted office space and the void period for the 4th floor is expected to reduce significantly by delivering the space fitted. Works are expected to commence in Q2 2024.

The Distillery, Glassfields, Bristol: Distillery Bristol comprises of an office development totalling 92,000 sq ft across two buildings. Two lettings have been completed over the quarter to PA Consulting and SNC on the 1st and 2nd floors at Distillery 1 respectively. The 2nd floor was delivered fully fitted and the tenant required yearly break options and a higher headline rent of £60 per sq ft (psf) was achieved to reflect these benefits. PA Consulting took a lease of the 1st floor at a rent of £40 psf for a term of five years with a tenant break at the 3rd year. Additionally, the 5th floor in Distillery 1 is under offer to Ramboll at a rent of £41.50 psf for a five year term. This takes the Distillery to 84% let or under offer.

86 Jermyn Street, St James's, London: 6 Jermyn Street is a Grade A mixed use office building located in the prime area of St James's, in London's West End. During the year, there were several significant positive asset management initiatives. The vacant ground floor retail unit was let to a pop-up tenant, producing income on the unit. At the start of the year there were three vacant office suites. The asset management team committed to fit out the suites to a high standard, with a view to achieving higher rental levels on both a headline and net effective basis. The three suites were let quickly (all under offer within 3 months of PC), with one suite achieving £107.50 per sq ft due to competition for the suite and only two months' initial rent free. Furthermore, an early renewal of an additional suite, extended the income to the potential redevelopment block date in 2027. This has protected performance and led to a valuation increase of 3.6% over the course of the year, equating to £2.65m.

Investment Adviser's Report (continued)

Property under development

14-21 Holborn Viaduct: Is an office development project with planning consent to deliver a new 'best in class' 266,000 sq ft office building over 13 floors. This property is pre-let to Hogan Lovells International LLP for a term of 20 years. Demolition commenced in July 2022, with the demolition contractor commencing the foundations and sub-structure in 2023. Construction is expected to be handed over to Multiplex (the main contractor) in Q1 2024 with practical completion due in Q3 2026. During 2023 the valuation for this asset fell significantly, reflecting the outward yield shift seen in the office market and unexpectedly higher construction inflation leading to a significant increase in the finalised build costs. As is standard market practice for developments, the asset is valued by a residual land appraisal and any increases in yield and cost will have large impact on the value.

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 published 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. Where required, 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 producing 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 nearly 82% 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 four stars within the annual GRESB assessment in the Standing Investment Section. GRESB is the leading ESG global benchmark for real estate and infrastructure investments. The Master Fund improved its score by one point, achieving 83 out of 100 and ranking seventh out of 100 peers.
- Maintained our rating of four stars within the annual GRESB assessment in the Development Section. The Master Fund improved its score by two points, achieving 94 out of 100 and ranking third out of six 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 UK Green Building Council (UKGBC), the British Property Federation (BPF) and the Investment Property Forum (IPF) Sustainability Interest Group.

Investment Adviser's Report (continued)

Economic overview

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

Stephanie Hacking replaced Drew Watkins as Portfolio Fund Manager in July 2023.

This report covers investment performance, activity and outlook. The Master Fund'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 indicator of future Master Fund's performance.

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

Portfolio Statement

As at 31 December 2023

Holding	Investment	Market value (£'000)	Total net assets (%)
Real Estate Authorised Contractual Scheme – 100.00% (31/12/22 – 100.00%)			
521,767	Royal London UK Real Estate Z Inc	56,109	100.00
Total value of investments		**56,109**	**100.00**
Net other assets		**–**	**–**
Total net assets		**56,109**	**100.00**

Summary of Material Portfolio Changes

For the year ended 31 December 2023

Significant Purchases

	Cost £'000
No purchases in the year	–

Significant Sales

	Proceeds £'000
No sales in the year	–

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

Comparative Table

Class J Gross Income

Change in net assets per share	31/12/23 (£)	31/12/22 (£)	31/12/21 (£)
Opening net asset value per share	111.14	119.98	102.48
Return before operating charges*	(0.85)	(5.82)	21.71
Operating charges	(1.33)	(1.52)	(0.90)
Return after operating charges*	(2.18)	(7.34)	20.81
Distribution on income share	(1.42)	(1.50)	(3.31)
Closing net asset value per share	107.54	111.14	119.98
* after direct transaction costs of:	0.00	0.00	0.00
Performance			
Return after charges	(1.96)%	(6.12)%	20.31%
Other information			
Closing net asset value (£'000)	56,109	57,990	62,601
Closing number of shares	521,767	521,767	521,767
Operating charges excluding property expenses	0.70%	0.71%	0.71%
Property expenses	0.48%	0.49%	0.14%
Operating charges	1.18%	1.20%	0.85%
Direct transaction costs	0.00%	0.00%	0.00%
Prices			
Highest share price	114.16	136.59	123.58
Lowest share price	105.92	109.47	101.89

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

Statement of Depositary's Responsibilities

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

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

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

The Depositary must ensure that:

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

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

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

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

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

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

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

HSBC Bank plc

22 April 2024

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the financial position of the Company and its sub-fund as at 31 December 2023 and of the net revenue and the net capital losses on the scheme property of the Company and its sub-fund for the year then ended; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), the Statement of Recommended Practice for UK Authorised Funds, the Collective Investment Schemes sourcebook and the Instrument of Incorporation.

Royal London UK Real Estate Feeder Fund is an Open Ended Investment Company ('OEIC') with a single sub-fund. The financial statements of the Company comprise the financial statements of its sub-fund. We have audited the financial statements, included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2023; the Statement of Total Return, the Statement of Change in Net Assets Attributable to Shareholders and the Statement of Cash Flows for the year then ended; the Distribution Table; and the Notes to the Financial Statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

Authorised Corporate Director's Report

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

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

Report on the audit of the financial statements – continued

Responsibilities for the financial statements and the audit

Responsibilities of the Authorised Corporate Director for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

Use of this report

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

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

Other required reporting

Opinion on matter required by the Collective Investment Schemes sourcebook

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

Collective Investment Schemes sourcebook exception reporting

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

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

We have no exceptions to report arising from this responsibility.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

22 April 2024

Financial Statements

Statement of Total Return

For the year ended 31 December 2023

	Note	31 Dec 2023 £'000	31 Dec 2023 £'000	31 Dec 2022 £'000	31 Dec 2022 £'000
Income					
Net capital losses	4		(1,879)		(4,606)
Revenue	5	2,475		2,363	
Expenses	6	(958)		(1,012)	
Interest payable and similar charges		–		–	
Net revenue before taxation		1,517		1,351	
Taxation	7	–		–	
Net revenue after taxation			1,517		1,351
Total deficit before distributions			(362)		(3,255)
Distributions	8		(1,519)		(1,356)
Changes in net assets attributable to shareholders from investment activities			**(1,881)**		**(4,611)**

Statement of Change in Net Assets Attributable to Shareholders

For the year ended 31 December 2023

	31 Dec 2023 £'000	31 Dec 2023 £'000	31 Dec 2022 £'000	31 Dec 2022 £'000
Opening net assets attributable to shareholders		**57,990**		**62,601**
Amounts receivable on issue of shares	–		–	
Amounts payable on cancellation of shares	–		–	
		–		–
Changes in net assets attributable to shareholders from investment activities		(1,881)		(4,611)
Closing net assets attributable to shareholders		**56,109**		**57,990**

Balance Sheet

As at 31 December 2023

	Note	31 Dec 2023 £'000	31 Dec 2022 £'000
Assets			
Fixed Assets:			
Investments		56,109	57,990
Current assets:			
Debtors	9	467	316
Cash and bank balances	10	–	–
Total current assets		467	316
Total assets		56,576	58,306
Liabilities			
Creditors:			
Distribution payable		467	316
Total liabilities		467	316
Net assets attributable to shareholders		**56,109**	**57,990**

Statement of Cash Flows

For the year ended 31 December 2023

	Note	31 Dec 2023 £'000	31 Dec 2022 £'000
Net cash inflow from operating activities	**11**	**1,305**	**1,455**
Distributions paid to shareholders		(1,368)	(1,488)
Interest received	5	63	33
Net cash generated from operating activities		**–**	**–**
Net increase in cash during the year		**–**	**–**
Cash balance brought forward		–	–
Cash and bank balances at the end of the year		**–**	**–**

Notes to the Financial Statements

For the year ended 31 December 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 Company have been prepared in compliance with the FCA's Collective Investment Schemes Sourcebook ("COLL") and in accordance with the United Kingdom Accounting Standards, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), the Statement of Recommended Practice (SORP) for Financial Statements of Authorised Funds issued by The Investment Association in May 2014 and amended in June 2017 (the "2014 SORP") and the Prospectus and Instrument of Incorporation. These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of land and buildings and certain financial assets and liabilities measured at fair value through the profit or loss.

Going concern

The ACD has undertaken a detailed assessment, and continues to monitor the Company's ability to meet its liabilities as they fall due, including liquidity, declines in global capital markets and investor redemption levels. Based on this assessment, the Company continues to be open for trading and the Manager is satisfied the Company has adequate financial resources to continue in operation and meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements. Accordingly, it is appropriate to adopt the going concern basis in preparing the financial statements.

Tax transparency

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

Basis of valuation of investments

The Company invests all of its capital in Class Z gross income share class of the Master Fund. This is valued at fair value, which is deemed to be the net asset value per share reported in the comparative table in the Master Fund's Annual Report and Accounts at the end of the current accounting year.

Revenue recognition

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

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

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

Treatment of expenses

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

Taxation

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

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

1. Property income distributions, representing income from its Property Investment Business;
2. PAIF dividend distributions representing any dividends received by it; and
3. PAIF interest distributions representing the net amount of all other income received.

Income tax has been provided for at an appropriate rate for distribution to shareholders and the calculation of the share price is net of tax. Income received from investment in the Master Fund is taxed depending on the income stream. Property Income is taxed at 20%, interest income being taxed at 20% and dividend income at 0%.

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

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

2. Distribution policies

Basis of distribution

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

In order to conduct a controlled distribution flow to shareholders, interim distributions will be made at the ACD's discretion, up to a maximum of the distributable income available for the period. All remaining income is distributed, at share class level, to the shareholders in accordance with the Company's Prospectus.

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

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

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

Expenses

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

Equalisation

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

3. Risk management policies

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

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

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

Market price risk and valuation of collective investment scheme

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

Sensitivity analysis

The only investment within the Company is in the Master Fund and is dependent on the same sensitivities. The values of investment properties are driven by their equivalent yield. At the year end, the ACS's portfolio had an equivalent yield of 5.12% (31/12/22: 4.94%). If the yield of every property within the portfolio increased by 0.25% (31/12/22: 0.25%) it is estimated that the net asset would fall by 4.23% (31/12/22: 4.44%). If the yield decreased by 0.25% (31/12/22: 0.25%) it is estimated that the net asset value would rise by 4.72% (31/12/22: 4.96%). The 0.25% benchmark has been used to measure sensitivity analysis as the ACD believes that it is a food indicator of materiality in yield movements. These estimates are subject to the prevailing conditions at the year end.

The current equivalent yield by sector is shown in the following table, along with the potential impact to values if all the properties in the sector increased or decreased by 0.25%.

Sector	Weighted average equivalent Yield	Yield shift by Sector	Change in value if decrease in yield	NAV impact	Change in value if increase in yield	NAV impact
Industrial	4.95%	0.25%	53,718,000	1.69%	(48,334,000)	(1.53)%
Offices	5.48%	0.25%	44,823,000	1.41%	(40,434,000)	(1.28)%
Retail	4.93%	0.25%	43,461,000	1.37%	(38,674,000)	(1.22)%
Others	5.15%	0.25%	7,466,000	0.24%	(6,768,000)	(0.21)%

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

3. Risk management policies – continued

Liquidity risk

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

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

In exceptional circumstances, such as market uncertainty, the ACD may defer redemptions where the ACD considers it to be in the best interests of the shareholders. The deferral period for any redemption request is a maximum of 12 months from the original dealing day when the request for redemption would otherwise have been processed. When deemed appropriate by the ACD, acting in the best interests of the shareholders of the property of the Master Fund in money-market instruments and/or cash deposits, provided that the ACD satisfies all the rules in the COLL on the types of permitted investments.

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

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

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

Credit and counterparty risk

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

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

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

In the event of the insolvency of a counterparty, the Master Fund might not be able to recover cash or assets of equivalent value in full. The Master Fund uses an internally generated probability of default based on externally supplied data by MSCI which is derived from Dunn & Bradstreet UK Failure Score to assess the recoverability of the lease receivables.

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

3. Risk management policies – continued

Credit and counterparty risk – continued

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

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

The Master Fund cash and short term deposits at 31 December 2023 amounted to £45.10m (31/12/22: £122.88m). Deposits and interest rate deposits were placed with financial institutions with BBB+ or better credit ratings.

At 31 December 2023, taking into consideration any offset arrangements, the largest combined credit exposure by the Master Fund to a single counterparty arising from money market deposits, liquid investments and derivatives was £45.10m (31/12/22: £122.88m). This represents 1.42% (31/12/22: 3.75%) of gross assets of the Master Fund.

The deposit exposures are with UK banks.

Currency risk

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

Interest rate risk

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

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

Inflation risk

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

A key to the effectiveness of managing inflationary risk associated with the fall in real income or returns lies in the Master Fund's ability to raise rents in markets with low vacancy rates, thus outpacing rising inflation and potentially increasing income distribution to unitholders/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 ACD address inflationary risk associated with increased costs by adjusting its cash flows for inflation to prevent changes in purchasing power especially in relation to capital expenditure such as construction and refurbishment costs. The ACD and the Investment Adviser employ various risk management measures such as, the use of fixed price contract sums; inflation contingency in budgets and in appraisals; early procurement of risk packages; and protection against amendments in construction contracts where the contractor may seek to include an exclusion related to material inflation or supply chain issues.

The ACD assesses the inflation risk and has determined that inflation risk is low and therefore no sensitivity analysis has been performed.

Leverage risk

The Master Fund may from time to time use leverage of up to 20% of the net asset value, either in the form of borrowings (for example, for the purposes of funding acquisitions in anticipation of receiving subscriptions or to meet redemption requests as part of the liquidity management of the Master Fund).

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

3. Risk management policies – continued

Climate risk

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

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

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

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

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

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

Economic and geopolitical risk

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

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

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

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 Master Fund 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 Master Fund, which invests in 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:		
Non derivative securities unrealised losses	(1,879)	(4,606)
Net capital losses	**(1,879)**	**(4,606)**

5. Revenue

	31 Dec 2023 £'000	31 Dec 2022 £'000
Property rental income	1,932	2,051
Service charge income	265	218
Overseas income	215	55
Bank interest	63	33
Property insurance commission	–	6
Total revenue	**2,475**	**2,363**

6. Expenses

	31 Dec 2023 £'000	31 Dec 2022 £'000
Payable to the Authorised Corporate Director associates of the Authorised Corporate Director and their agents:		
Authorised Corporate Director's fee	404	465
Payable to the Depositary, associates of the Depositary and their agents:		
Depositary's fee	5	5
Other expenses		
Recoverable service charges	264	218
Irrecoverable service charges	85	130
Void council tax	57	60
Surveyor's fee	45	36
Legal and lettings fees	38	33
Other	19	33
Bad and doubtful debts	16	11
Insurance expense	8	8
Property repairs and maintenance	7	3
Valuation fee	5	5
Head rent	3	2
Administration fee	1	1
Audit fee*	1	2
	549	542
Total expenses	**958**	**1,012**

* The Audit fee for the Company is paid by the Master Fund. The Audit fee for the year is £8,328 (31/12/22: £7,931).

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

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

7. Taxation

The Company qualifies as a Property Authorised Investment Fund (PAIF) for tax purposes. Accordingly, the income generated by its property investment business will be exempt from tax. Any dividend income it receives from United Kingdom companies or, in general, from non-United Kingdom companies will also be exempt from tax.

The Company would, however, be subject to corporation tax in the unlikely event that there should be a net balance of other income, which will generally consist of interest but could include other property income, less deductible expenses.

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

a) Analysis of charge for the year

	31 Dec 2023 £'000	31 Dec 2022 £'000
Corporation tax	–	–
Total taxation	**–**	**–**

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

b) Factors affecting current tax charge for the year

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

The differences are explained below:

	31 Dec 2023 £'000	31 Dec 2022 £'000
Net revenue before taxation	1,517	1,351
Corporation tax at 20%	303	270
Effects of:		
Revenue not subject to taxation	(303)	(270)
Total tax charge for the year (note 7a)	**–**	**–**

c) Deferred tax

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

8. Distributions

	31 Dec 2023 £'000	31 Dec 2022 £'000
Interim distribution	1,052	1,040
Final distribution	467	316
Total distributions for the year	**1,519**	**1,356**

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

	31 Dec 2023 £'000	31 Dec 2022 £'000
Net revenue after taxation	1,517	1,351
Expenses charged to capital	2	5
Total distributions for the year	**1,519**	**1,356**

Details of the distribution per share are set out on page 31.

9. Debtors

	31 Dec 2023 £'000	31 Dec 2022 £'000
Property income receivable	336	259
Interest income receivable	84	19
Dividend income receivable	47	38
Total debtors	**467**	**316**

10. Cash and bank balances

	31 Dec 2023 £'000	31 Dec 2022 £'000
Cash and bank balances	–	–
Total cash and bank balances	**–**	**–**

11. Reconciliation of total deficit before distributions to net cash flow from operating activities

	31 Dec 2023 £'000	31 Dec 2022 £'000
Total deficit before distributions	(362)	(3,255)
Add: Net capital losses	1,879	4,606
Less: Accumulation dividend from non-allowable expenses	2	5
Less: Interest received	(63)	(33)
Net income from operating activities	**1,456**	**1,323**
(Increase)/decrease in debtors	(151)	132
Net cash inflow from operating activities	**1,305**	**1,455**

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

12. Reconciliation of number of shares

	Class J Gross Income
Opening shares 01/01/23	521,767
Shares issued	–
Shares cancelled	–
Closing shares at 31/12/23	**521,767**

13. Contingent liabilities and outstanding commitments

There were no contingent liabilities or outstanding commitments at the current balance sheet date (31/12/22: £nil).

14. Related party transactions

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

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

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

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

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

Authorised Corporate Director fees charged by the Manager are paid by the Royal London Real Estate Fund ("the Master Fund") and details of shares created and cancelled by the Fund are shown in the Statement of change in net assets attributable to shareholders. At the year end, the balance due to the Authorised Corporate Director in respect of these transactions was £101,099 (31/12/22: £117,406).

RLGPS Trustee Limited, as a material unitholder, is a related party holding shares comprising 100% (31/12/22: 100%) of the total net assets of the Company as at 31 December 2023.

15. Financial instruments

The policies applied to the management of the financial instruments are set out in note 3. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 21. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

The Company's financial assets comprise cash, on which interest is receivable. However, no interest is receivable or payable on the Authorised Corporate Director's other assets (debtors) or liabilities (creditors). As at the year ended 31 December 2023, there was £nil (31/12/22: £nil) cash held by the Company.

16. Portfolio transaction costs

For the year ended 31 December 2023

	31 Dec 2023 £'000
There were no transaction costs for the year ended 31 December 2023	
Total purchases	–
Total sales	–

For the year ended 31 December 2022

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

At the Balance Sheet date the portfolio dealing spread was 4.37% (31/12/22: 4.37%).

Notes to the Financial Statements (continued)

For the year ended 31 December 2023

17. Fair value of investments

The primary financial instruments held by the Company at 31 December 2023 were property related investments, cash, short term assets and liabilities to be settled in cash. The Company did not hold, and was not a counterparty to, any derivative instruments either during the year or at the year end.

The policies applied to the management of the financial instruments are set out in note 2. The fair values of the Company's assets and liabilities are represented by the values shown in the Balance Sheet on page 21. There is no material difference between the value of the financial assets and liabilities, as shown in the Balance Sheet, and their fair value.

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

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

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

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

For the year ended 31 December 2023

Category	1 £'000	2 £'000	3 £'000	Total £'000
Investments				
Authorised Contractual Schemes	–	–	56,109	56,109
Total	**–**	**–**	**56,109**	**56,109**

For the year ended 31 December 2022

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

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

18. Events after the end of reporting year

The final distribution for the year ended 31 December 2023 was paid on 15 January 2024.

In January there was a £10m redemption in the Class J Gross Income.

The impact of the volatility on the Company'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 (£)	Price 31 Mar 2024 (£)	Movement (%)
Royal London UK Real Estate Feeder Fund, Class J Gross Income	107.54	108.69	1.07

Distribution table

For the year ended 31 December 2023

Class J Gross Income

Distribution in pence per share

Distribution period	Distribution per share	Equalisation	Total distribution per share 2023	Total distribution per share 2022
March				
Group 1	66.4898		66.4898	77.4963
Group 2	66.4898	–	66.4898	77.4963
June				
Group 1	75.2980		75.2980	72.4250
Group 2	75.2980	–	75.2980	72.4250
September				
Group 1	59.7646		59.7646	49.3064
Group 2	59.7646	–	59.7646	49.3064
December				
Group 1	89.4371		89.4371	60.5501
Group 2	89.4371	–	89.4371	60.5501

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

Fact File

Royal London UK Real Estate Feeder Fund

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

Remuneration Policy (unaudited)

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

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

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

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

RLUTM has a board of directors (the "Directors"). The Directors of the Company who are also employees of the Group do not receive any remuneration in respect of their services as directors of RLUTM. The other Non-Executive Directors receive fixed remuneration in respect of their services which is set at a level determined by the Group and is not performance related. None of the Directors are currently in receipt of variable remuneration in respect of their services as Directors of RLUTM. RLUTM has no employees and therefore there are no other controlled functions, or senior management employed and paid by RLUTM. However, for the financial year ending 31 December 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 ACD but they are subject to remuneration requirements which are equally as effective as those in place under the UCITS Directive. RLAM is also subject to the Financial Conduct Authority's Remuneration Codes.

General Information

Pricing and dealing

For the purposes of determining the prices at which Shares may be purchased from or redeemed by the ACD, the ACD will carry out a valuation of the Company's Property at 23:59 UK time each Dealing Day (the "valuation point") on the last Business Day (a day on which the London Stock Exchange Limited is open for business) of each calendar quarter, unless otherwise agreed by the Depositary. However, the ACD may, at its discretion, value the Company at any other time.

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

Subscription of shares

In order for an application to be dealt with at the above Valuation Point on any Dealing Day, an investor should complete an application form available from the ACD and returned by 12:00 midday UK time on the last Business Day that is at least three months prior to the Dealing Day. Instructions received after this point will be dealt with on the next Dealing Day. On acceptance of the application, Shares will be sold at the relevant sale price, and a contract note confirming the sale price and the number of Shares sold together with, in appropriate cases, a notice of the applicant's right to cancel, will be issued. An order for the purchase of Shares will only be deemed to have been accepted by the ACD once it is in receipt of cleared funds for the application.

Redemption of shares

To redeem Shares, an investor should provide a written instruction by 12:00 midday UK time on the last Business Day that is at least six months prior to the relevant Dealing Day to the ACD at its administration centre with instructions to redeem the relevant number (if known) or value of Shares. Instructions received after this point will be dealt with on the next applicable Dealing Day. The Shares will be repurchased at the price calculated at the valuation point on the appropriate Dealing Day. Proceeds of redemption (less, if the proceeds are to be remitted abroad, the cost of such remittance) will be paid no later than the close of business on the fourth business day following receipt of a signed form of renunciation.

Settlements time

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

Distribution dates

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

UK taxation

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

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

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

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

1. Property income distributions, representing income from its Property Investment Business;
2. PAIF dividend distributions representing any dividends received by it and certain income; and
3. PAIF interest distributions representing the net amount of all other income received.

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

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

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

General Information (continued)

UK taxation – continued

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

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

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

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

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

Authorisation

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

ACD reports and Prospectus

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

Contact Us

For further information please contact:

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

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

ROYAL LONDON
ASSET MANAGEMENT