

# LPI Income Property Fund

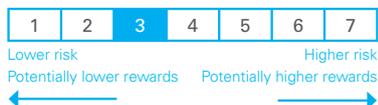
Unit-Linked Life Insurance Reported in GBP (Gross of charges)



## FUND AIM

To provide an income stream that rises annually in line with LPI (RPI between 0% and 5%).

## RISK AND REWARD PROFILE



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as class 3 out of 7, which is a medium-low class. This summary risk indicator is based on historical data which may not be a reliable indication of the fund's risk category in the future.

For more information, please refer to the Key Risks section on page 3.

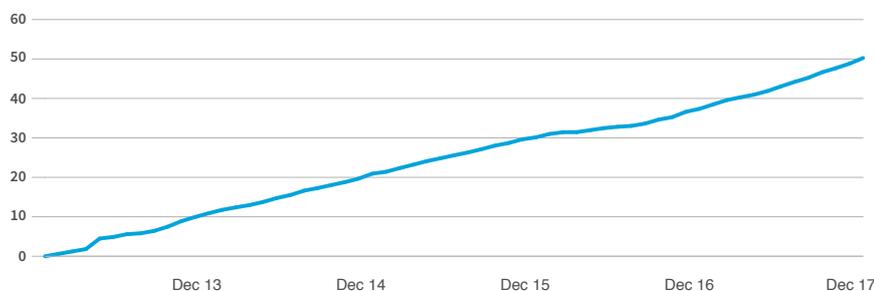
## WHO IS THIS FUND FOR?

- The trustees of UK registered defined benefit occupational pension schemes, which may be classified as either retail clients or professional clients.
- Although investors can take their money out at any time, the recommended minimum holding period is 5 years.
- Please refer to your professional advisor who should be able to advise you on the suitability of this fund for your scheme.

## FUND FACTS

Fund size	Base currency	Benchmark
£1,097.0m	GBP	-
Launch date	Domicile	
Jul 2010	United Kingdom	

## PERFORMANCE (%)



Fund	YTD	3m	6m	1y	3y	5y
Fund	9.39	2.47	5.02	9.39	7.51	8.48

## CALENDAR YEAR PERFORMANCE (%)

	2017	2016	2015	2014	2013
Fund	9.39	5.55	7.61	9.04	10.91

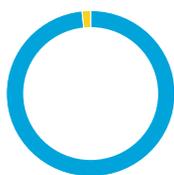
All performance periods over a year will be annualised. Performance based on weekly mid-market prices before the deduction of fees. **Past performance is not a guide to future performance and the value of investments can go down as well as up.**

## FUND CHARACTERISTICS

The fund invests in freehold and leasehold property in the UK with a view to securing long let, secure income streams. In some cases the fund will invest in income strips where the tenant has the option to buy back the freehold from the fund on lease expiry for a nominal amount. The fund does not engage in higher risk activities for example development of unlet property or gearing on directly held assets. The fund may invest selectively in indirect vehicles. The fund may also hold derivatives such as Limited Price Inflation (LPI) swaps to aid efficient portfolio management in line with the FCA permitted link rules. Derivative exposure will be collateralised to protect against counterparty risk.

## PORTFOLIO BREAKDOWN

All data source LGIM unless otherwise stated. Totals may not sum due to rounding.



## ASSET ALLOCATION (%)

■ Direct Property Asset Value	98.4
■ Cash	1.6



## SECTOR (%)

■ Regional Offices	29.4
■ All industrial	14.6
■ Retail Warehouses	12.2
■ Leisure	7.6
■ Other	36.2



## REGION (%)

■ North East	21.8
■ South East	12.7
■ West Midlands	11.6
■ Yorkshire & Humberside	11.3
■ North West	8.9
■ Wales	8.5
■ Scotland	7.8
■ Rest of London	7.4
■ East Midlands	5.8
■ Other	4.0

## TOP 10 HOLDINGS (£M)

Next, Doncaster	75-80
Mitchells & Butlers, Birmingham	65-70
Marston's Portfolio	55-60
Newcastle INTO University	55-60
Sainsbury's, Glasgow	45-50
Aberystwyth University	45-50
Scottish Ministers, Glasgow	45-50
Tesco, Littlehampton	40-45
MHA Portfolio II	35-40
UAL, Elephant & Castle	30-35



## PROPERTY CHARACTERISTICS

No. of assets	62
No. of physical properties	62
Void rate	0.00%
Average lease length	26.25 years
Average lot size	£0.0m

## FUND MANAGER COMMENTARY

The Fund returned 2.5% in Q4 2017 with performance underpinned by income and the capitalisation of RPI linked rental growth. The Fund returned 9.4% for the 2017 calendar year, and has returned 8.9% on an annualised basis since inception.

Fourteen rent reviews were completed in the quarter; 12 on an upward-only basis in line with RPI and two on a fixed increase basis. The Fund acquired two properties in Q4; a university teaching block in the South West of England to be let to Into, University of Exeter with annual RPI uplifts (0,1), and an office building let to the Scottish Government in Glasgow for 25 years with five yearly reviews to RPI (2,4).

At year end the Fund was under offer on three properties, an industrial property, a student accommodation block in the East Midlands and an office building in the North West. All pipeline assets offer investment grade covenants and are aligned to the Fund strategy of securing off market stock and engineering lease structures to deliver appropriate returns meeting the investment criteria. The Fund is also considering an additional pipeline of assets for investment and engineering lease structures to deliver suitable properties which will meet the investment criteria at advantageous pricing.

## LGIM PROPERTY FUND MANAGEMENT TEAM

A team approach led by Derek Gilby, a Senior Fund Manager with 22 years experience and 16 years at L&G. This team draws upon LGIM's wider platform capabilities in Liability-Driven Investment and Fixed Income, particularly when analysing tenant covenants. Assets are sourced through the team's market relationships, working in conjunction with LGIM Real Assets' dedicated transactions team.

## KEY RISKS

- The value of an investment and any income taken from it is not guaranteed and can go down as well as up. You may get back less than the amount you originally invested.
- The return from your investment is not guaranteed and therefore you may receive a lower or higher return than you anticipated. There will be a variation in performance between funds with similar objectives due to the different assets selected.
- PMC's charges and associated transaction costs are subject to change, with notice for the former and without notice for the latter. Charges and transactions costs deducted from the policy reduce your potential for capital growth in the future.
- Tax rules and the treatment of income and capital gains could change in the future and may be applied retrospectively.
- Inflation reduces the purchasing power of money over time as the cost of purchasing goods and services increases, if the rate of inflation exceeds the rate of return on your portfolio, it will erode the value of your portfolio and its investments in real terms.
- In extreme market conditions it may be difficult to realise assets held for a fund and it may not be possible to redeem units at short notice. We may have to delay acting on your instructions to sell or the price at which you cancel the units may be lower than you anticipated.
- The value of a fund's assets may be affected by uncertainties such as international political developments, market sentiment, economic conditions, changes in government policies, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of countries in which investment may be made.
- PMC seeks to mitigate counterparty risk wherever possible on behalf of its policyholders through a variety of measures which include; each fund's non-cash assets being held with independent custodians, sweeping cash (where appropriate) overnight into the LGIM's range of Liquidity funds (above a de minimus level), using the delivery versus payment system when settling transactions and the use of central clearing for exchange traded derivatives and forward foreign exchange transactions. However, in the event of the failure of a counterparty, custodian or issuer there is a residual risk that a fund may suffer asset losses which are unrecoverable.

For more information, please refer to the Description of Funds [↗](#)



### SPOTLIGHT ON LEGAL & GENERAL INVESTMENT MANAGEMENT

We are one of Europe's largest asset managers and a major global investor, with assets under management of £983.3 billion (as at 31 December 2017). We work with a wide range of global clients, including pension schemes, sovereign wealth funds, fund distributors and retail investors.

Assets under management includes derivative positions and assets managed by LGIMA, an SEC Registered Investment Advisor.

## DEALING INFORMATION

Units can be purchased, sold or switched on a designated dealing day. Funds are offered on a weekly or daily basis as below:

Weekly close	Yes
Daily close	No
Daily midday	No

Further information is available in the relevant operational procedures sheet and the Description of Funds [↗](#)

## TO FIND OUT MORE

 Visit [www.lgim.com](http://www.lgim.com)

 Call **+44 (0) 20 3124 3277**

We may record and monitor calls. Call charges will vary.

## Important information

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**Internal Fund Code: YA**