

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%).

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.
- Please refer to your professional advisor who should be able to advise you on the suitability of this fund for your scheme.

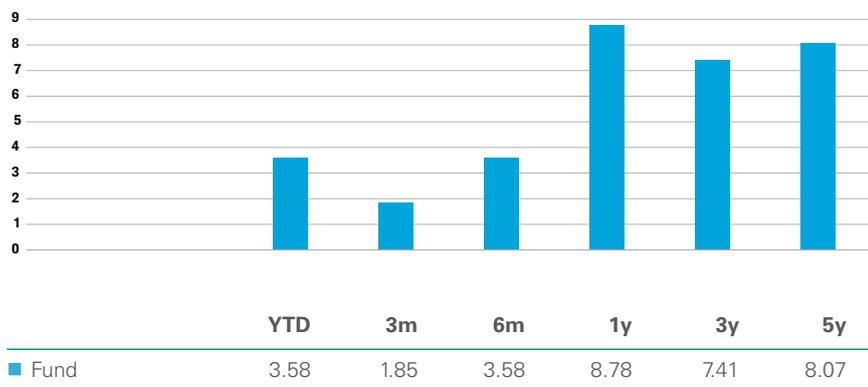
KEY CHARACTERISTICS

No. of assets	66
No. of direct properties	66
Void rate ex. development	0.0%
Average lease length	25.4 years
Average lot size	£18.1m
Cash level	£39.3m
Income return	3.8%

FUND FACTS

NAV	Base currency
£1,227.4m	GBP
Launch date	Domicile
Jul 2010	United Kingdom

PERFORMANCE (%)



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. Source: LGIM. 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.



LEASE LENGTH

<20 years	17.0
20-25 years	36.3
25-30 years	20.9
30+ years	25.8



SECTOR (%)

Regional Office	32.5
Educational Sector	23.1
Supermarket	11.3
Distribution Warehouse	9.0
Other Commercial	7.6
Leisure	7.0
Other Industrial	4.8
Health Care	4.7



REGION (%)

London	6.4
South East	11.8
South West	3.4
Eastern	4.2
West Midlands	10.7
East Midlands	5.6
North West	12.6
Yorkshire & Humberside	9.2
North East	18.4
Wales	7.2
Scotland	10.7

TOP 10 DIRECT PROPERTY HOLDINGS (£M)

Holding	Sector	Valuation
Next, Doncaster	Distribution Warehouse	75-80
Mitchells & Butlers, Birmingham	Offices	70-75
Marston's Portfolio	Leisure	55-60
Newcastle INTO University	Educational Sector	55-60
Sainsbury's, Glasgow	Retail Warehouse, Supermarket	50-55
Aberystwyth University	Educational Sector	45-50
Scottish Ministers, Glasgow	Offices	45-50
India Buildings, Liverpool	Offices	45-50
Tesco, Littlehampton	Retail Warehouse, Supermarket	40-45
MHA Portfolio II	Other	40-45

FUND MANAGER COMMENTARY

The Fund returned 1.8% in Q2 2018 with performance underpinned by income and the capitalisation of RPI linked rental growth.

Eight rent reviews were completed in the quarter. Seven were on an upward only basis in line with RPI, and was one on a blended RPI / fixed increase basis.

The Fund acquired one property in Q2; a student accommodation block in Lincoln, which will be structured as a forward funding. This property offers an A- rated, investment grade covenant, and reflects a lease structure which is in line with the Fund's key investment criteria.

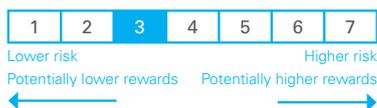
At the end of Q2 the Fund was under offer on an additional property which will be let to a public sector local authority for 35 years with annual rent reviews in line with RPI. This transaction will be structured as an income strip, and meets the Fund's key investment criteria.

The Fund is also considering a further 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

The LPI Fund team is led by Derek Gilby, a Senior Fund Manager with 24 years' experience and 18 years tenure at L&G. The Fund team is supported by LGIM Real Assets' wider platform resources and capabilities, including an in-House Credit team providing analysis on occupier covenants. Assets are sourced through the team's market relationships, working in conjunction with a dedicated Transactions team.

RISK AND REWARD PROFILE



The summary risk indicator does not capture the likelihood of tenants paying their rents on the properties that this fund owns.

The risk indicator assumes you keep the product for 5 years. The actual risk can vary significantly if you cash in at an early stage and you may get back less. You may not be able to sell your product easily or you may have to sell at a price that significantly impacts on how much you get back.

PMC 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 deminimus 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 include 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/realassets

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Internal Fund Code: YA