

**CCLA**

**The Local Authorities'  
Property Fund**  
Scheme Information

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# Scheme Information

## The Local Authorities' Property Fund

Effective from May 2018

Issued by CCLA Fund Managers Limited

This Scheme Information summarises the terms and conditions on which the Fund operates. For full information as to the terms, reference should be made to the Fund's Scheme. Copies are available on request from the Manager.

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## Definitions

**Administrator** means CCLA Investment Management Limited or such other successor entity appointed as administrator by the Manager from time to time.

**AIF** means an alternative investment fund.

**AIFM** means an alternative investment fund manager and has the same meaning as in the glossary to the FCA Regulations.

**AIFMD Legislation** means the Alternative Investment Fund Managers Directive 2011/61 EU AIFMD, the Alternative Investment Fund Managers Regulations 2013 and the Commission Delegated Regulation (EU) 231/2013.

**Annual Report** means the annual report of the Fund prepared by the Trustee.

**Council** means the members of the Trustee that direct the activities of the Trustee.

**Data Protection Legislation** means Regulation (EU) 2016/679 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, or any successor legislations thereto, and any associated codes, regulation or guidance (as may be amended or replaced from time to time) and any related regulations and guidance and all other laws concerning the processing of data relating to living persons.

**Depositary** means HSBC Bank plc, or such other entity as may be appointed by the Trustee and the Manager from time to time.

**Depositary Services Agreement** means the agreement dated 22 July 2014, between the Depositary, the Trustee and the Manager appointing the Depositary and as amended, supplemented or replaced from time to time.

**Deposited Property** means any Fund Property in respect of which the Trustee has delegated custody to the Depositary in order to comply with the AIFMD Legislation, those assets being financial instruments under the AIFMD Legislation, which are required to be held in custody pursuant to the AIFMD Legislation.

**Exemption Order** means Part IV of the Schedule to the Financial Services and Markets Act 2000 (Exemption) Order 2001.

**External Property Valuer** means such valuer or valuers as the Manager shall select from time to time.

**FCA** means the Financial Conduct Authority of 25 The North Colonnade, Canary Wharf, London E14 5HS or any successor regulatory body.

**FCA Regulations** means the Handbook of Rules and Guidance issued by the FCA, as amended or replaced from time to time.

**FSMA 2000** means the Financial Services and Markets Act 2000.

**Fund** means the Local Authorities' Property Fund, established under the Scheme and consisting of the Fund Property held on trust by the Trustee.

**Fund Property** means the assets, investments and property of the Fund from time to time.

**Investment Management Agreement** means the agreement dated 22 July 2014 between the Manager and the Investment Manager delegating the administration and portfolio management of the Fund Property to the Investment Manager and the Administrator and as amended, supplemented or replaced from time to time.

**Investment Manager** means CCLA Investment Management Limited.

**Local Authority** means Local authority, as defined in chapter 3 of the Local Government Act 2003.

**Manager** means CCLA Fund Managers Limited or such successor body corporate appointed Manager pursuant to the Scheme.

**MiFID II** means Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and includes where applicable reference to any implementing or supporting Regulations, Directives, or other legislative measures.

**Money Laundering Regulations** means The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 as may be amended, updated or replaced from time to time.

**PRA** means the Prudential Regulation Authority of Threadneedle Street, London EC2R 8AH or any successor regulatory body.

**Register** means the register of Unitholders in the Fund maintained by the Registrar on behalf of the Trustee.

**Registrar** means CCLA Investment Management Limited appointed by the Trustee pursuant to a registrar agreement dated 1 October 1998 for the purpose of maintaining the Register.

**Regulatory Rules** means the AIFMD Legislation, FCA Regulations and MiFID II as may be applicable.

**Scheme** means the scheme approved by HM Treasury under Section 11 Trustee Investments Act 1961 together with the trust deed dated 6 April 1972 establishing the Fund, as amended by a supplemental trust deed dated 13 September 1978.

**Scheme Information** means these terms and conditions of the Fund as amended or replaced from time to time.

**Trustee** means the Local Authorities' Mutual Investment Trust.

**Unitholder** means a Local Authority to which Units in the Fund have been, and continue to be, allocated.

**Units** means Units in the Fund, or where the context indicates, an investment which represents the rights or interests (howsoever decided) of the participants in a collective investment scheme.

**Valuation Date** means the end of each calendar month.

References to legislation, statutes or FCA Regulations in this Scheme Information are references to such legislation, statutes or FCA Regulations as amended, updated or replaced from time to time.

## The Fund

The Fund is an open-ended, unregulated collective investment scheme established under a Scheme. The Fund is an AIF and is managed by the Manager as an AIFM in accordance with the FCA Regulations and the AIFMD Legislation.

## Investment Objectives

The Fund aims to provide investors with a high level of income and long-term capital appreciation.

## Investment Policy

The Fund is an actively managed, diversified portfolio of UK commercial property. It will principally invest in UK commercial properties, but may invest in other assets.

## Benchmark

IPD™ Other Balanced Property Fund Index.

## Target Investors

The Fund is suitable for the long-term funds of any local authority seeking exposure to UK commercial property. The Fund is targeted at investors with an understanding or previous history of investing in similar types of fund, with appropriate levels of risk tolerance and ability to bear loss. Please note that the Manager is not required to assess the suitability of the Fund against each investor.

Our investors must be able to be categorised as professional clients.

## Investment Powers

The Fund's powers of investment are not restricted either to particular types of property, or subject to the consent of HM Treasury, to specific parts of the world, but it is the present policy to confine investment to freehold and leasehold commercial and industrial property in the United Kingdom.

The Fund is permitted to finance developments of, or improvements to, both freehold and leasehold property or purchase a right or interest in, or over, freehold or leasehold land, or borrow for the purpose of gearing against the Fund Property, provided that the aggregate borrowing does not exceed 25% of the value of the Fund Property on any quarterly valuation date. With the prior written approval of the Trustee, the Manager may borrow for any purpose set out above up to the limit of 50% of the net asset value of the Fund.

The total amount of borrowing and any change to the level of the maximum borrowing permitted by the Manager will be disclosed to the Unitholders in the Annual Report.

## Investment Restrictions

The Fund will maintain a suitable spread between different types of property and geographical location. Importance will be attached to location, standard of construction and quality of covenant with lease terms preferably embodying upwards only rent reviews at intervals of not more than five years.

An amendment to the investment objective or policy of the Fund must be approved by HM Treasury and sanctioned by a special resolution of the Trustee.

## Performance Benchmark

The performance benchmark for the Fund is the Balanced Property Unit Trust Index compiled and calculated by Investment Property Databank (IPD) and published by HSBC and the Association of Real Estate Funds (AREF), calculated on a net asset value basis; or such other performance benchmark as the Manager may agree.

## Leverage (as defined by the AIFMD Legislation)

This section explains in what circumstances and how the Manager may use leverage as defined by AIFMD Legislation in respect of the Fund and the maximum level of leverage permitted.

Leverage means any method by which the Fund increases its exposure whether through borrowing cash or securities or any other means. The sources of leverage which can be used when managing the Fund include:

- cash borrowing.

Leverage will be used to purchase direct property and may also be used to meet redemption requests when appropriate.

The Manager is required to calculate and monitor the level of leverage of the Fund. Leverage is expressed as a ratio between the exposure of the Fund and the Fund's net asset value (Exposure/NAV). The exposure of the Fund shall be calculated in accordance with the commitment method (Commitment Method) and the gross method (Gross Method), as set out below.

Under the Gross Method, the exposure of Fund is calculated as follows:

- 1 include the sum of all assets purchased, plus the absolute value of all liabilities;
- 2 exclude the value of cash and cash equivalents which are highly liquid investments held in the base currency of the Fund, that are:
  - readily convertible to a known amount of cash;
  - are subject to an insignificant risk of change in value; and
  - provide a return no greater than the rate of a three month high quality government bond;
- 3 derivative instruments are converted into the equivalent position in their underlying assets;
- 4 exclude cash borrowings that remain in cash or cash equivalents and where the amounts payable are known;
- 5 include exposure resulting from the reinvestment of cash borrowings, expressed as the higher of the market value of the investment realised or the total amount of the cash borrowed;

6 include positions within repurchase or reverse repurchase agreements and securities lending or borrowing or other similar arrangements.

Under the Commitment Method, the exposure of a Fund is calculated in the same way as under the Gross Method; however, the exposure of derivative or security positions employed in hedging and netting arrangements are not included in this calculation, provided certain conditions are met.

The maximum level of leverage permitted in respect of the Fund is the same regardless of which calculation method is used as no derivative instruments are used in the fund;  
Gross Method: 2.00.

Commitment Method: 2.00.

Further information regarding these different Leverage calculation methods can be found in AIFMD Legislation and the Risk Management Process Document, which is available upon request from the Manager. The total amount of Leverage employed by the Fund will be disclosed in the Fund's Annual Report.

It is not intended that the Depositary or any sub-custodian shall be entitled to re-use for its own benefit and of the Fund's Property it has been entrusted with.

### **Risks associated with Leverage**

The risks associated with Leverage are that a failure by the Fund to perform its obligations under the terms of any loan would permit the lenders to demand early repayment of the finance and to realise any security they have over the Fund's assets.

### **The Trustee**

The Trustee is the trustee of the Fund under the Scheme. The Trustee is a company incorporated under the Companies Act 1948, limited by guarantee and not having a share capital. The Trustee is managed through a Council, the current members of which are detailed in Appendix 1.

The Exemption Order provides that the Trustee of the Fund is exempt from the general prohibition in respect of operating a collective investment scheme. In consequence, the Trustee and its members are not required to be authorised by the FCA or the PRA.

The Trustee is controlled by members and officers appointed by the Local Government Association, the Convention of Scottish Local Authorities, the Northern Ireland Local Government Officers' Superannuation Committee and by the Trustee to represent Unitholders.

The Trustee is responsible, for among other things, the custody and control of the Fund Property.



## The Manager

CCLA Fund Managers Limited is the appointed AIFM of the Fund. The Manager is a limited liability company incorporated in England and Wales, whose address and details are shown in Appendix 1 of this document.

The Manager is authorised and regulated by the Financial Conduct Authority in the conduct of investment business in the United Kingdom and is entered on the FCA's register under number 611707. The Manager has permission from the FCA to act as a full scope AIFM. The only business activity of the Manager is the management of alternative investment funds as an AIFM. The ultimate holding company of the Manager is CCLA Investment Management Limited, a company incorporated in England and Wales.

The Manager is appointed by the Trustee as the AIFM of the Fund and is responsible for the investment management of the Fund, which includes portfolio management and risk management, and the administration and marketing of the Fund. The Manager's appointment may be terminated by the Trustees serving written notice on the Manager.

Subject to the FCA Regulations and AIFMD Legislation the Manager may delegate (and authorise its delegate to sub-delegate) its duties as AIFM. Under such authority the Manager has delegated the portfolio management of the Fund Property and the administration of the Fund to the Investment Manager and the Administrator under the Investment Management Agreement.

### **Duties of the Manager**

The Manager is responsible for all the investment management and administration services in relation to the Fund. These are:

- the day-to-day management of the Fund including power to buy and sell investments and to operate bank accounts and to borrow;
- the preparation of any valuations or other calculations set out in this Scheme Information;
- the receipt of contributions and the satisfaction of withdrawals;
- the decision as to whether any particular asset is to be accepted as a contribution;
- the keeping of such accounts as the Trustee may require;
- company secretarial services to the Trustee; and
- any matters incidental to the above matters.

The Manager is also responsible for the risk management of the Fund.

No warranty is given by the Manager as to the performance or profitability of the Fund (or any part of it) or that the investment objectives of the Fund will be successfully accomplished.

## Investment Manager

The Investment Manager is CCLA Investment Management Limited, a limited liability company registered in England, company No. 2183088. The Investment Manager is authorised and regulated by the Financial Conduct Authority in the conduct of its investment business and has permission that covers the provision of investment advice to a local authority about Units in the Fund. The management of the properties held by the Fund itself is outside the scope of FSMA.

The Investment Manager has been appointed by the Manager under the Investment Management Agreement to manage the Fund Property.

## The Administrator

The Manager has appointed the Administrator to carry out certain administrative tasks including the preparation of valuation and other reports together with marketing activities on behalf of the Fund. The Administrator has been appointed under the Investment Management Agreement with the Manager and the Manager meets the fees of the Administrator from the Annual Management Charge.

The Administrator provides the Manager with all administrative services necessary for the management of the Fund. These include:

- the valuation of the Fund Property in conjunction with an appointed External Property Valuer;
- the issue and redemption of Units in the Funds; and
- the payment of dividends and the maintenance of the accounts of the Fund.

The Fund operates on a financial year to 31 March.

## The Depositary

The Trustee and the Manager have appointed HSBC Bank plc as the depositary of the Fund under the Depositary Services Agreement.

The Depositary is a public limited company incorporated in England and Wales with company registration number 00014259 with its registered office at 8 Canada Square, London E14 5HQ.

The Depositary is authorised by the Prudential Regulation Authority and is regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the conduct of its investment business in the United Kingdom.

### **Terms of appointment of the Depositary**

The Depositary has certain duties under the AIFMD Legislation which are to provide safekeeping, oversight, cash monitoring and asset verification services in respect of the Fund Property in accordance with the provisions of the applicable FCA Regulations, the AIFMD Legislation and the Scheme.

In accordance with the FCA Regulations and the AIFMD Legislation, the Depositary may, pursuant to the Depositary Services Agreement, delegate the provision of custody services in relation to the Fund. Safekeeping functions may be delegated to one or more sub-custodians on the terms set out in the Depositary Services Agreement and the Depositary will act with reasonable skill, care and diligence in the discharge of its duties. The liability of the Depositary as depositary under the Depositary Services Agreement shall not be affected by the fact that it has entrusted to a third party some or all of the assets in its safekeeping.

The Depositary has not currently delegated the provision of custody services and therefore the Depositary acts as custodian of any Deposited Property.

The fees to which the Depositary is entitled are set out in this Scheme Information.

Under the Depositary Services Agreement, the Depositary's appointment may be terminated on 90 days written notice, subject to a replacement Depositary being appointed.

### **Liability of the Depositary under the Depositary Services Agreement**

Subject to the paragraph below, pursuant to the Depositary Services Agreement, the Depositary will be liable for loss of Deposited Property or Deposited Property in the custody of any sub-custodian (should such sub-custodian be appointed) unless that loss has arisen as a result of an external event beyond its control, the consequences of which would have been unavoidable despite all reasonable efforts to the contrary, or where the asset which is lost was held by a sub-custodian appointed in accordance with the Depositary Services Agreement and the transfer of liability from the Depositary to the sub-custodian has been expressly agreed.

The Manager will disclose to potential Unitholders before they invest in the Fund any arrangement made by the Depositary to contractually discharge itself of liability in accordance with the AIFMD Legislation. Currently, it is not envisaged that the Depositary will seek to contractually discharge itself of liability under any circumstances, and so it is not expected that this requirement under the AIFMD Legislation will be applicable to the Fund. In the event that there are any changes to the Depositary's liability under the AIFMD Legislation, the Manager will inform Unitholders of such changes without delay.

However, the Depositary shall not be liable for any indirect, special or consequential losses.

### **Depositary Conflicts of Interest**

Potential conflicts of interest may arise from time to time from the provision by the Trustee and/or its affiliates of other services to the Fund, the Manager, the Investment Manager and/or other parties. Where a conflict or potential conflict of interest arises, the Depositary will have regard to its obligations to the Fund and/or the Manager and will treat fairly the Fund, the Manager and the other funds for which it acts, so far as is practicable. Such potential conflicts of interest are identified, managed and monitored in various other ways including, the hierarchical and functional separation of HSBC's depositary functions from its other potentially conflicting roles and by the Depositary adhering to its "Conflicts of Interest Policy" (a copy of which can be obtained on request from the Head of Compliance for the Depositary).

## Title Documents to Fund Property

The Trustee has appointed Hogan Lovells International LLP and DLA Piper (for Scottish Properties) to hold in safe custody the deeds, leases and other documents relating to the Fund Property. The Trustee may review these arrangements from time to time.

## Registrar

The Registrar has been appointed to provide registrar services for the Fund and to operate the Fund's Register.

## Unitholders' Rights against Service Providers

It should be noted that Unitholders will only be able to exercise their rights directly against the Fund and the Manager and that Unitholders will not have any direct contractual rights against the service providers of the Fund appointed from time to time.

This is without prejudice to any right a Unitholder may have to bring a claim against an FCA authorised service provider, the Manager, the Investment Manager or the Depositary under Section 138D of the Financial Services and Markets Act 2000 (as a result of a breach of the FCA Regulations by such service provider, the Manager, the Investment manager or the Depositary), or any tortious or contractual cause of action.

## Units of the Fund

The Fund issues Units which pay dividends quarterly.

## Eligible Contributors

Units of the Fund can only be issued to and owned by Local Authorities in England, Wales, Scotland and Northern Ireland which are entitled to receive distributions from the Fund gross of tax.

Any Local Authority applying to participate in the Fund is required to give a declaration of eligibility to participate in the Fund and an indemnity to the Fund for any liabilities arising from such Local Authority's ineligibility to participate in the Fund. The Trustee will require evidence of the Local Authority's eligibility to invest in the Fund and may defer the issue of Units in the Fund until such time as the eligibility of the Local Authority has been confirmed.

Under the Scheme the Trustee has the discretion to refuse to accept any contribution or to refuse to accept any particular asset by way of contribution.

## Inducements

It is the Manager's policy not to enter into any soft commission arrangements with its brokers for the supply of goods and services, in return for an agreed volume of business.

In accordance with the Regulatory Rules, the Manager when executing orders or placing orders with other entities in relation to financial instruments for execution on behalf of the Fund must not accept and retain any fees, commission or monetary benefits from a third party (**Third Party Payments**). If the Manager receives any Third Party Payments, the Manager will return the Third Party Payments to the Fund as soon as reasonably possible and will inform Unitholders of the amount received which will be set out in the annual

reports.

The Manager must not accept any non-monetary benefits when executing orders or placing orders with other entities for execution in relation to financial instruments on behalf of the Fund, except those which are capable of enhancing the quality of the service provided to the Fund, and which are of a scale and nature such that they could not be judged to impair the Manager's compliance with its duty to act honestly, fairly and professionally in the best interests of the Fund.

## Research

Certain brokers provide research services to the Investment Manager, which the Investment Manager pays for out of its own resources. This research is used by the Investment Manager in its fund management process.

## Anti-Money Laundering

The Manager is required by law to maintain procedures to combat money laundering. In order to implement these procedures, proof of identity may sometimes be required either when buying or when selling Units from time to time, even of existing Unitholders. We may freeze or return your investments and/or subscription amounts unless or until the necessary evidence of identity can be obtained. In the case where Units are being sold, the remittance of proceeds may be delayed until proof of identity has been obtained. Electronic identity checks may be undertaken on the persons named within the application form.

## Telephone and electronic communications

The Manager, in accordance with the Regulatory Rules, must take all reasonable steps to record telephone conversations and keep a copy of electronic communications where such conversations and communications relate to activities in financial instruments as required by the FCA Regulations.

## Ceasing to Satisfy Unitholder Eligibility Requirements

If, at any time, a Unitholder ceases to qualify as eligible to be an investor in the Fund:

- the Unitholder must inform the Manager of this fact promptly;
- at the time the Manager becomes aware that the Unitholder has ceased to qualify as eligible to invest in the Fund, the Unitholder will be deemed to have submitted an application for the redemption of all of the Units held by the Unitholder;
- the Unitholder undertakes to indemnify the Fund (on the written demand of the Manager) against all losses suffered by the Fund (including, without limitation, any assessment for tax on capital gains tax or income tax or any other tax to which the Fund would not have been assessed had the Unitholder remained eligible, and all costs and expenses including professional fees incurred in connection with such assessment) as a consequence of the ineligibility of the Unitholder;
- the Unitholder agrees that any redemption monies in relation to the redemption of Units set out above may be retained by the Manager in order to satisfy any losses suffered by the Fund (including, without limitation, any assessment for tax on capital gains tax or income tax or any other tax to which the Fund would not have been assessed had the Unitholder remained eligible, and all costs and expenses including professional fees

- incurred in connection with such assessment) as a result of the Unitholder ceasing to qualify as eligible to invest in the Fund; and
- the Unitholder irrevocably appoints one or more of the directors of the Manager as its true and lawful attorney to execute all instruments and other documentation required to effect redemption of the Units of the Unitholder. The Unitholder agrees to ratify all and any acts of the attorney.

## Issue and Redemption of Units

Instructions for the issue or redemption of Units must be made in writing to the Manager at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Purchases or sales of the Fund's Units can be made on any Valuation Date, subject to a period of notice or delay (or successive periods of notice or delay) of such period (or periods) as the Trustee or Manager may impose to permit properties to be sold to meet withdrawals or to protect the interest of Unitholders in the Fund.

In the event of the suspension of redemption requests in full or part (i) those applications for the redemption of Units first made in respect of an earlier month end Valuation Date will be dealt with in priority to those first made in respect of a later month end Valuation Date (ii) without prejudice to (i) all applications for the redemption of Units made in respect of particular month end Valuation Date shall be treated *pari passu*, irrespective of the time such applications for the redemption of Units were actually received in respect of that month end Valuation Date and (iii) the Manager can accept in part an application for the redemption of Units and, in the event that it does so, such application for redemption of Units (and any other applications for redemption of Units which are to be treated *pari passu* with it) shall be redeemed in part *pro rata*.

Application monies paid by cheque should be drawn on an EEA (European Economic Area) banking institution and made payable to The Local Authorities' Property Fund. They must be received by the Manager not later than 5.00pm on the business day prior to the Valuation Date. Application monies so received will not earn interest and will be paid into a Fund bank account. Cheques made payable to CCLA Investment Management Limited or CCLA Fund Managers Limited will be returned.

Contract notes will normally be dispatched by close of business on the next business day after the issue of the Units. The contract note will show *inter alia*, the number of Units and the issue or redemption price. Units will be issued to the nearest round number.

Redemption instructions must be received by 5.00pm on the business day preceding a Valuation Date and may be subject to a period of notice. Cheques in respect of redemption of Units are issued within four business days after the Valuation Date on which the Units are redeemed.

If a delay is imposed, proceeds of Units redeemed (or the cost of Units issued) will be calculated on the Valuation Date when the Units can be redeemed (or issued) by the Fund and not on the Valuation Date when notice is received.

## Minimum Investment

The minimum sum that can be invested initially is £25,000. Thereafter additions to unitholdings can be made of £10,000 or above.

## Registration of Units

Units are registered in the name of the Local Authority or in recognised bank nominee names under a designated account. No certificates are issued and the Register is the definitive evidence of title. The Units have no par value and entitle the Unitholder to a proportionate interest in the Fund. Units cannot be assigned or transferred except from one Local Authority to another subject to the payment of Stamp Duty Reserve Tax payable by the Trustee and recharged to the purchaser. The number of Units held will be certified on written request for audit or other purposes.

## Secondary Market Units

From time to time the Manager may become aware of opportunities for Unitholders to trade Units other than via the Manager (the Secondary Market). In which case and at its discretion the Manager may, but is not obliged to, inform other Unitholders and or other Local Authorities.

This can enable investors to transfer holdings on terms set between themselves. The investors should instruct the Registrar to amend the Register to record the transfer of the Units to the new Unitholder.

Local Authorities should note that the Manager does not make a market and, therefore, may not be aware of every opportunity that exists to trade on the secondary market.

## Exchanging Existing Property

The Fund may consider accepting existing properties in exchange for Units of the Fund. However, the Trustee may do so but only if it is judged to be in the best interests of existing Unitholders of the Fund and on the basis of an independent professional valuation. If accepted, the exchange would be made at the open market value of the property at the net asset value of the Units issued. The Trustee has absolute discretion as to which properties it will accept.

## Risk Factors

### General risks

Past performance is not necessarily a guide to the future. The price of Units and income from them may fall as well as rise and a Unitholder may not recover the full amount invested. There can be no assurance that the Fund will achieve its investment objective or that a Unitholder will recover the full amount invested in the Fund. The capital return and income of the Fund is based on the capital appreciation and income on the Fund Property it holds, less expenses incurred. Therefore, the Fund's return may be expected to fluctuate in response to changes in such capital appreciation or income.

The Fund is permitted to borrow up to 50% of the value of the Fund in order to purchase direct properties. A failure by the Fund to perform its obligations under the terms of any

such loan would permit the lenders to demand early repayment of the finance and to realise any security they have over the Fund's Property. Borrowing also increases risk by magnifying capital and income performance, gains and losses.

#### **Diversification risk**

The Fund is invested in direct property and assumes the property related risks outlined under 'Direct Property Risks'. The Fund invests in UK properties only and as such is not as diversified as if it were invested across several asset classes and/or several geographical locations. Any change in legal, tax or regulatory requirements affecting the Fund or its investments may be amplified by this lack of diversification.

#### **Liquidity risk**

Direct property is an illiquid investment relative to other asset classes. The Units are intended only for long-term investment and are not suitable for money to be spent in the near future. Investments are realisable on each monthly Valuation Date but, due to the illiquid nature of the underlying assets, a period of notice may be imposed for the redemption of Units.

#### **Risk associated with investment in other collective investment schemes**

The Fund may invest in one or more collective investment schemes including schemes that are managed by the manager or affiliated companies. In some cases these collective investment schemes may be unregulated. Other collective investment schemes may be illiquid and will likely be exposed to the same risks as the Fund and as described elsewhere in this document.

#### **Direct Property Risks**

Property and property related assets are inherently difficult to value because of the individual nature of each property. As a result, valuations are open to substantial subjectivity. There is no assurance that the valuations of the properties will reflect the sale price achieved even where such sale occurs shortly after a valuation point.

The value of property could adversely be affected by a downturn in the property market in terms of capital value or a weakening of rental yields. The income received is dependent to a large extent upon the occupancy levels of any property and the rents paid by the tenants.

Rental revenues and property values are affected by changes in the general economic climate and local conditions. Property values are dependent in particular on current rental values, prospective rental growth, lease lengths, tenant creditworthiness and the valuation yield (which is itself related to interest rates, the market appetite for property investments in general and with reference to the specific property in question) together with the nature, location and physical condition of the property concerned.

The value of properties can also be negatively impacted by changes in planning laws.

Additional risks may arise in the event that there is a failure by a counterparty to perform its



obligations under a contract or other agreement (including failure arising from the insolvency of a tenant of a property).

Property ownership assumes associated risks including, without limitation, environmental and third party liability risk the value of which may exceed the value of the property itself.

## Risk Management Process and Liquidity Management

The Manager employs a risk management process, including the use of appropriate stress-testing procedures, which enables it to identify measure, manage and monitor at any time the relevant risks of the positions to which the Fund is or may be exposed and their contribution to the overall risk profile of the Fund.

The Manager maintains a liquidity management process to monitor the liquidity risk of the Fund, which includes, among other tools and methods of measurement, the use of stress tests under both normal and exceptional liquidity conditions.

The liquidity management systems and procedures allow the Manager to apply various tools and arrangements necessary to ensure that the Fund is sufficiently liquid to respond appropriately to redemption requests. In normal circumstances, redemption requests will be processed as set out in this Scheme Information.

Other arrangements may also be used in response to redemption requests, including, in extreme cases, temporary suspension which, if activated, will restrict the redemption rights investors benefit from in normal circumstances as set out in this Scheme Information.

## Responsible Property Investment

The Fund is managed in line with the Manager's Responsible Property Investment Policy. This integrates material environmental, social and governance issues into the investment process including pre-purchase due diligence and the ongoing management of properties in the Fund. Copies of the policy are available on request.

The manager is a signatory to the United Nations backed Principles of Responsible Investment (PRI). The annual PRI assessment is available on the Manager's website.

## Valuations

The Fund is valued monthly on the Valuation Date for the issue and redemption of Units and the value of the Fund shall be the value of its assets, including capital cash, less the value of its liabilities. The valuation of Fund property is determined as follows;

- Units in a collective investment scheme – if the scheme is singled priced then that price will be used. If the scheme is dual priced the mid-market price will be used.
- Direct Property – an External Property Valuer is responsible for providing property values for the Fund. All properties are valued at every month end at Open Market Valuation in accordance with the Red Book of the Royal Institute of Chartered Surveyors. Additions to the portfolio are valued externally after acquisition.

To calculate the issue and redemption price (offer and bid prices) of the Units the net capital asset value of the Fund shall be divided by the number of Units in issue. The Trustee may increase the issue price by such a surcharge and reduce the redemption price by such a

deduction as in either case it may think fit with a view to protecting the Unitholders of subsisting Units from being adversely affected in respect of the values of the Units by the effects of contributions and/or withdrawals. The Trustee may vary the amount of the surcharge or deduction at any time.

## **Publication of Prices**

The Fund's Unit price is published on the CCLA website.

## **Management Charges**

### **Fees**

The Manager is entitled to its pro rata fees and expenses as detailed in this Scheme Information to the date of termination of its appointment as Manager of the Fund and any additional expenses necessarily incurred in settling or realising any outstanding obligations. The Manager shall be responsible for paying the fees of the Investment Manager and the Administrator. These fees will be met from the Annual Management Charge.

### **Annual Management Charge**

The Manager makes an annual charge on the assets of the Fund at a fixed rate of 0.65% per annum (plus VAT if applicable and if any). The Annual Management Charge is based on the valuation of the Fund on the last day of the preceding month. The charge accrues daily and is deducted from the income of the Fund on the last business day of each month. The Manager makes no charge in respect of transactions carried out by the Fund.

### **Preliminary Charge**

The Manager makes no preliminary charge on the issue of Units.

### **Depositary Fees, Charges and Expenses**

The Depositary is entitled to a periodic fee which is agreed between the Manager, the Depositary and the Trustee. The Depositary is paid an annual fee of £15,000. This is charged to the Fund and paid on a monthly basis.

## **Costs and Expenses**

The following expenses incurred for the Fund shall be paid either directly by the Fund or by the Trustees and recharged to the Fund:

- legal and other costs associated with obtaining and maintaining any authorisation or registration of the Fund;
- any governmental duties payable in respect of the issue of the Fund's Units;
- cost of property transactions including, but not limited to, stamp duty, agents and survey fees
- External Property Valuer's fees;
- legal fees;
- professional and agency fees;
- audit fees;
- bank charges;

- any rates, taxes, insurance premiums, costs of security, maintenance and repairs and other costs and service charges related to specific properties which cannot be recovered;
- the fee of any external property adviser;
- cost of liability insurance for the Trustee;
- costs incurred in respect of Unitholder meetings or in modifying the constitution of the Fund; and
- such other fees or expenses as may from time to time be agreed with the Trustee.

## Taxation

The Fund is not subject to capital gains tax or income tax. Dividends are paid gross.

This is our understanding of the tax position as at the date of this Scheme Information. The tax position may change in the future. Investors should obtain their own tax advice in respect of their own position.

## FATCA

The UK International Tax Compliance (United States of America) Regulations 2014 (the UK Regulations) came into force on 30 June 2014 and implement the "Agreement between the Government of the United Kingdom of Great Britain and Northern Ireland and the Government of the United States of America to improve International Tax Compliance and to implement FATCA" (commonly known as FATCA). Under UK Regulations, Financial Institutions must identify all reportable accounts and establish the tax residency of all account holders not just in respect of US persons. More background on how FATCA has been implemented in the UK can be found in HMRC's Guidance Notes at <https://www.gov.uk/government/publications/uk-us-automatic-exchange-of-information-agreement/uk-us-automatic-exchange-of-information-agreement>.

In order to comply with the UK Regulations, the Manager may be required to collect certain information about each Unitholder's tax residence(s), and determine whether it is obliged to submit certain account information to UK tax authorities, who may pass it on to other tax authorities.

Unitholders may also be asked to provide additional information to the Manager to enable the Fund to satisfy its obligations. Institutional Unitholders may be required to provide a Global Intermediary Identifications Number (GIIN). Failure to provide requested information may subject a Unitholder to liability for any resulting US withholding taxes, US tax information reporting and/or mandatory redemption, transfer or other termination of the Unitholder's interest in its Units. The GIIN for the Fund is available on request.

By signing the application form to subscribe for Units, each Unitholder agrees and acknowledges that, in certain circumstances, the Manager will be obliged to share this information with UK tax authorities, who may pass it on to other tax authorities. Unitholders are encouraged to consult with their own tax advisors regarding the possible implications of FATCA on their interest in the Fund.

## Dividends

Dividends are paid quarterly to a nominated bank account in respect of the three months to the end of June, September, December and March. They are paid one month after each quarter end. Income is calculated as income receivable by the Fund whether already received or not, less any costs and expenses accrued to date. Income is allocated to Unitholders monthly but is not included in the Unit price.

## Regular Statements

Statements of Units, management expenses and dividends paid are provided as at 30 September and 31 March.

The Manager reserves the right to charge reasonable expenses in relation to printing and postage of any additional documentation required by a Unitholder.

## Accounts of the Fund

The report and accounts of the Fund are prepared at 30 September and 31 March, being the half year and year ends respectively.

The Annual Report, in addition to the regular statements detailed above includes, amongst other things, information on the Fund's;

- assets and liabilities (including the percentage of the Fund Property that is subject to special arrangements arising from its illiquid nature);
- income and expenditure;
- total amount of leverage employed;
- activities of the financial year; and
- risk profile.

The Annual Report will also include details of:

- the Manager's risk management systems;
- details of any changes to the Fund's liquidity management;
- the remuneration paid by the Manager to its staff;
- any material changes to the information in the Scheme Information;
- any change to the Fund's use of leverage, including the maximum level of Leverage the Fund may employ; and
- any further disclosures required by AIFMD.

All accounts are audited. The Manager will make available, free of charge on its website ([www.ccla.co.uk](http://www.ccla.co.uk)) the Fund's Annual Report and Accounts for the period to 31 March (the accounting reference date) and half year report and accounts for the period to 30 September (the interim accounting date).

## Fair Treatment of Unitholders

The Manager has established policies and procedures and made arrangements to ensure the fair treatment of Unitholders. Such arrangements include, but are not limited to, ensuring that no one or more Unitholders are given preferential treatment over any rights and obligations in relation to their investment in the Fund. All rights and obligations to

Unitholders, including those related to subscription and redemption requests, are set out in this Scheme Information.

The Manager has established fair and transparent pricing models and valuation systems and procedures for the Fund Property and endeavours to ensure that there are no undue costs being charged to the Fund and the Unitholders.

The Manager has also established procedures to identify, manage and monitor conflicts of interest and, where applicable, disclose those conflicts of interest to prevent them from adversely affecting the interests of the Unitholders. The Manager has established a process for recognising and dealing with complaints fairly.

## Material Interests

The Investment Manager operates a client relationship management service.

The Trustee owns approximately 14% of the share capital of the Investment Manager.

The Manager is a wholly-owned subsidiary of the Investment Manager.

## Conflicts of Interest

The Manager, the Depositary, the Investment Manager and the Administrator are or may be involved in other financial, investment and professional activities which may, on occasion, cause conflicts of interest in the management of the Fund. In addition, the Fund may enter into transactions at arm's length with companies in the same group as the Manager.

The Depositary may, from time to time, act as depositary of other funds.

Each of the parties will, to the extent of their ability and in compliance with the FCA Regulations and AIFMD Legislation, ensure that the performance of their respective duties will not be impaired by any such involvement.

The Manager and the Investment Manager operate a Conflicts of Interest Policy (Policy) to ensure that their clients are fairly treated. The Policy seeks to avoid circumstances which they consider may give rise to potential conflicts of interest and materially disadvantage their clients. The Policy describes the controls and arrangements for preventing the Manager, the Investment Manager and their staff from:

- favouring one client over another;
- making a financial gain, or avoiding a financial loss, at the expense of the client;
- a member of staff being favoured over a client;
- providing to (or receiving from) a person other than the client, an inducement in relation to a service provided to the client, in the form of a financial interest; and
- favouring the Manager's or the Investment Manager's shareholders over a client.

Full details of the Policy are available on request.

## Authority to Open and Operate an Account

The Manager is entitled to assume that the person(s) signing an Application Form to purchase the Fund's Units in a Local Authority's name are duly authorised. In the case of sales, money is only remitted to the Local Authority or its bank but not to third parties. Where instructions are received in respect of Units held in a nominee name, the written confirmation from the Local Authority may be required by the Manager.

## Trustee Meetings

The Trustee and the Manager meet at least half yearly and the Trustee receives quarterly written reports from the Manager. The Trustee's property sub-committee meets each quarter with the Manager and Investment Manager.

## Winding Up

The Trustee has the power to wind up the Fund in accordance with the Scheme.

## Data Protection

The Manager is a data controller in accordance with the Data Protection Legislation and will hold personal data about each Unitholder's representatives (referred to below as "representatives") that has been supplied to the Manager (whether by the representative, a Unitholder or otherwise) as set out in CCLA's Privacy Notice. Each Unitholder agrees to ensure that the contact details and other personal data provided for it and its representatives to the Manager remains up to date at all times.

The Unitholder acknowledges that the Fund may invest in investment schemes operated and managed by the Manager and/or by third parties (referred to below as "investment schemes") and that the Manager may need to pass data, including personal data regarding the representatives, to those investment schemes. The Manager will not pass on any personal data to any other third party or permit the investment schemes to pass the personal data to third parties except: (i) where, in relation to the performance of its services to the Unitholder, the Manager (or the investment scheme) sub-contracts part of the services or any support services; (ii) as agreed by the Unitholder; or (iii) where required to do so for legal or regulatory purposes as set out in CCLA's Privacy Notice.

The Manager (and the investment schemes) may keep records of all business transactions for at least five years. Unitholders have a right to inspect copies of contract notes and entries in the Manager's books or computerised records relating to their transactions. Their representatives also have certain rights under applicable data protection legislation, including the right to access copies of their personal data and change the permissions given in respect of the processing of it. The Manager will treat all Unitholders' records as confidential and so reserves the right to provide copies of the Unitholder/representative's particular record, rather than allow access to files which may contain information about other Unitholders. Requests to access the above records/personal data or to exercise any other rights under applicable data protection legislation should be directed to The Data Protection Adviser at the Manager's office, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

## Complaints

Complaints concerning the operation or marketing of the Fund should be referred in writing to:

- the Manager at; The Head of Client Services, CCLA Fund Managers Limited, 85 Queen Victoria Street, London, EC4V 4ET; or
- the Investment Manager at; The Head of Client Services, CCLA Investment Management Limited, 85 Queen Victoria Street, London, EC4V 4ET; or
- the Trustee at; The Secretary, Local Authorities' Mutual Investment Trust, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

## Compensation

As the Fund is not an Authorised Unit Trust within the meaning of the FSMA 2000, investments in the Fund are not covered by the Financial Services Compensation Scheme. The Manager will pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund.

Further information is available from the Manager on request or via [www.fscs.org.uk](http://www.fscs.org.uk) or at their address below;

Financial Services Compensation Scheme,  
10th Floor,  
Beaufort House,  
15 St Botolph Street,  
London, EC3A 7QU.

The Manager covers its potential liability risks arising from professional liability by holding appropriate professional indemnity insurance.

## Acceptance of Terms and Conditions

By completing the Application Form, the Unitholder acknowledges and accepts the terms and conditions and agrees to be bound by the provisions of this Scheme Information and of the Scheme.

## Amendments

The Trustee and the Manager reserve the right to amend the Scheme Information at any time. Subject, where applicable, to the approval of the Treasury where necessary as set out in the Scheme and this Scheme Information, and in relation to any changes to the investment objective and policy only in accordance with the provisions dealing with such changes as set out in this Scheme Information. Unitholders will be notified of any amendment material to them.

The Manager will endeavour to give Unitholders 90 days' notice of significant changes to the Scheme Information. When changes are required for regulatory or other reasons it may not always be possible to give 90 days' notice.

In certain limited circumstances the Trustee and/or the Manager (as appropriate) may decide that very minor changes to the investment policy and/or objective of the Fund (for example,

those aimed at clarification of the investment objective and/or policy) would be considered a "notifiable change" within the meaning in the FCA Regulations. Such alterations may be made by providing Unitholders with access to an updated copy of these Scheme Particulars. All current schemes are available on [www.ccla.co.uk](http://www.ccla.co.uk) or by request please contact our Client Services department on 0800 022 3505.

### **Applicable Law**

Any agreement to invest in the Fund is governed by English law and subject to all applicable laws, regulations and rules. In the event of a conflict between such agreement and any such laws, regulations and rules, the latter shall prevail.

### **Scheme Information**

Any person relying on the information contained in this document which was current at the date shown, should check with the Manager that the document is the most current version and that no revisions or corrections have been made to the information contained herein. Copies of this document are available free of charge.



## APPENDIX 1 - Directory

### The Council of the Trustee

The Trustee, The Local Authorities' Mutual Investment Trust, is a company limited by guarantee and not having a share capital. The Trustee operates through a Council.

The members of the Council are:

T. Salmon OBE (Chairman)  
T. Beattie  
P. Clokie OBE  
E. Eyre  
P. Findlow  
R. Kemp CBE  
A. Naylor  
S. Pickup OBE  
S. Timoney

### The Manager

The Manager, CCLA Fund Managers Limited, a wholly-owned subsidiary of the Investment Manager, is a limited liability company, registered in England and Wales with Company Number 08735369 and with its registered office at Senator House, 85 Queen Victoria Street, London EC4V 4ET.

Incorporated on 16 October 2013. The directors of the Manager are:

R. Horlick (Chairman)\*  
J. Bevan  
A. McMillan  
R. Norris\*  
M. Quicke  
A. Robinson  
T. Salmon\*  
J. Tattersall\*  
R. Williams\*

(\* indicates a Non-Executive Director)

CCLA Fund Managers Limited is authorised and regulated by the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

## The Investment Manager

The Investment Manager, CCLA Investment Management Limited, is a limited liability company registered in England and Wales with Company Number 2183088 and with its registered office at Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

Incorporated on 26 October 1987. The directors of the Investment Manager are:

R. Horlick (Chairman)\*

J. Bevan

A. McMillan

R. Norris\*

M. Quicke

A. Robinson

T. Salmon\*

J. Tattersall\*

R. Williams\*

\*Non-Executive Director

CCLA Investment Management Limited is authorised and regulated by the Financial Conduct Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS.

The Customer Telephone Helpline Number is 0800 022 3505. Please note telephone calls may be recorded.

## The Depositary

The Depositary of the Fund is HSBC Bank plc, a public limited company registered in England and Wales with its registered address at 8 Canada Square, London E14 5HQ. The Depositary is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## The Custodian

The Custodian of the Fund is HSBC Bank plc, a public limited company registered in England and Wales with its registered address at 8 Canada Square, London E14 5HQ. The Custodian is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

## The Registrar

The Registrar of the Fund is CCLA Investment Management Limited. The Register of Unitholders may be inspected at the registered office of CCLA Investment Management Limited, at Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

## The Administrator

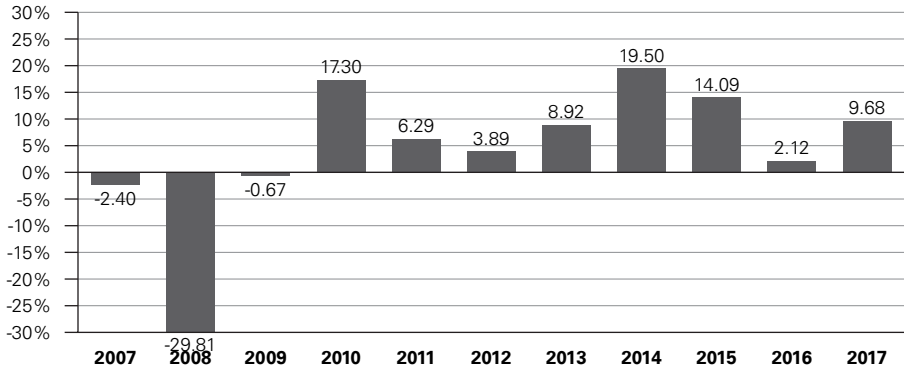
The Administrator of the Fund is CCLA Investment Management Limited, Senator House, 85 Queen Victoria Street, London, EC4V 4ET.

## The Auditor

The Auditor of the Fund is PricewaterhouseCoopers LLP, a limited liability partnership with an office at 7 More London Riverside, London SE1 2RT.

## APPENDIX 2 - Past Net Performance

Net performance shown after management fees and other expenses.



The Fund started on April 1972. Past performance is no guarantee of future returns.



# **CCLA**

CCLA Client Services:  
Freephone: 0800 022 3505  
or visit [www.ccla.co.uk](http://www.ccla.co.uk)

CCLA Investment Management Limited (Registered in England No. 2183088) and CCLA Fund Managers Limited (Registered in England No. 8735639) whose registered address is Senator House, 85 Queen Victoria Street, London, EC4V 4ET are authorised and regulated by the Financial Conduct Authority.