

MARCH 2010

MANAGED PROPERTY FUND

FUND CHARACTERISTICS

- Low-medium risk property fund
- Selective investment in indirects
- No gearing on direct assets

KEY FEATURES

Fund Manager: Charles Walker
Launch Date: June 1971

Gross Asset Value: £869.0m
Direct Property Assets: £675.8m
Indirect Property Assets: £35.2m
Cash: £158.0m

Void (%ERV) 1.7%
Income Yield 6.0%
Potential Income Yield* 6.9%
Number of direct properties 60
Number of indirect investments 4
Average unexpired lease term 10.5 years
Average lot size (direct props) £11.3m

Fund Management Fees** 0.45-0.55%
Current mid/offer spread 3.8%

* based on estimated rental value
** includes property management

INVESTMENT OBJECTIVE

To outperform the Russell/Mellon CAPS Pooled Pension Fund Survey median.

INVESTOR CONSTITUENCY

Defined benefit and defined contribution occupational pension schemes. This Fund is a section within the Legal & General Assurance (Pensions Management) Limited managed pooled fund policy, a unit linked life insurance policy. The policy is only available to pension schemes.

Investment criteria

The Fund invests in UK freehold and leasehold property in the UK recognising that superior stock selection is a key driver of outperformance. The Fund does not engage in higher risk activities such as development and does not permit gearing on directly held assets. The Fund may invest in indirect vehicles.

Property market review

Following on from the very strong gains recorded in Q4 2009, there was an easing of momentum in the commercial property market in the first quarter of 2010. Nevertheless, the total return for property of 5.7% was strong by historical standards. Demand for prime assets, particularly in central London, has remained buoyant and yields have firmed accordingly, albeit at a slower rate than in the final quarter of 2009.

At the sector level, retail property delivered the strongest total return of 6.2%, aided by robust investor appetite for retail warehouses and increasingly, shopping centre assets. The office market was the next best performing sector, recording a 6.1% total return driven by central London markets where a return of rental growth steered investor conviction. Industrials delivered a total return of 4.1%, the sector experiencing comparatively less yield compression in the quarter.

While broader occupier market conditions remain subdued there are tentative signs of improvement. Vacancies have reduced in some markets although remain at high levels and the rate of rental decline has eased. However the outlook for core economic growth in the UK, historically the fundamental driver of occupier demand, remained muted. Coupled with high levels of spare capacity in the property sector, this should continue to weigh on rental growth prospects.

The outlook for a tepid economic recovery and a number of issues around the financial backdrop for the asset class (in particular refinancing pressures and the potential for the banking sector to downweight property exposures) is likely to drive a certain amount of volatility in overall market values, with much greater dispersion between property returns than has been the case for much of the past two years.

Fund activity

The Fund delivered strong relative returns during the quarter compared with the CAPS Pooled Property median. Total returns over the quarter of 5.2% (median 4.5%) and over the past twelve months 15% (median -11.7%) were within the top quartile of returns.

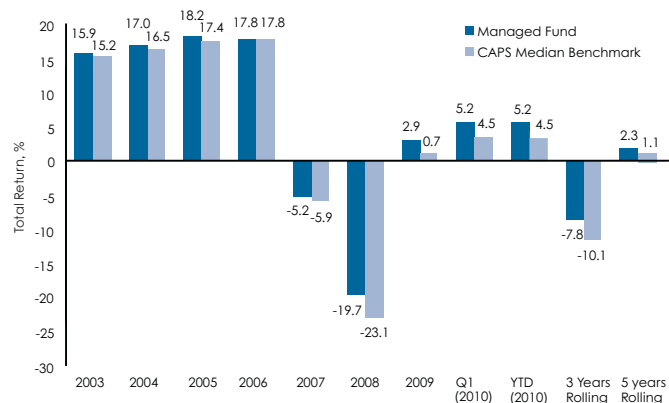
The Fund attracted significant new investment during the quarter and continued its acquisition programme, acquiring £157m of property investments during the 3 months to end of March 2010. 8 properties were acquired in the office, retail and industrial sectors with tenants including Cable & Wireless, Tesco, TK Maxx.

In addition the Fund made a small indirect exposure to the shopping centre sector via an acquisition of units in a UK Shopping Centre Fund. This was in response to the attractive pricing in the sector and prospects for strong capital growth driven by weight of money in the short term.

The quarter end cash level stood at 14.2%, including acquisitions where the Fund has exchanged contracts for purchase, in addition to provisions for specific capital expenditure to cover refurbishment works.

Performance

The Fund has delivered top quartile returns over rolling 1 and 5 year periods against the benchmark.

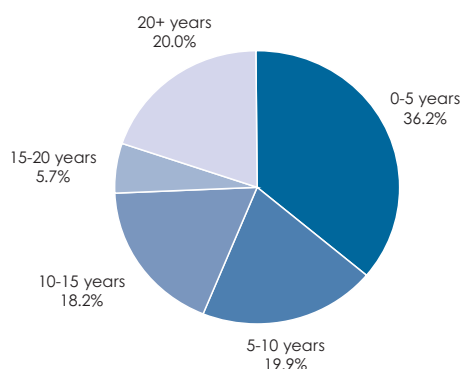


Source: Russell/ Mellon CAPS (returns are calculated on a NAV to NAV basis).

Past performance is not a guide to future performance. The value of property assets can go down as well as up.

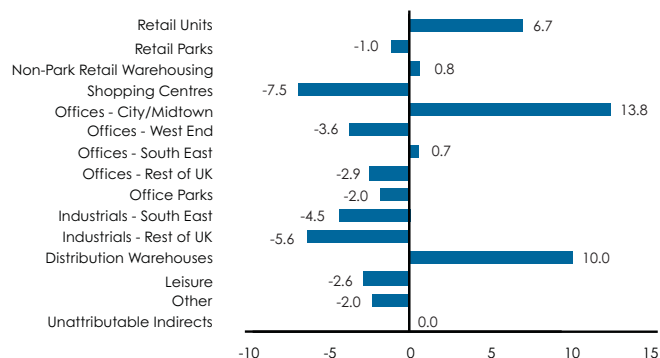
Fund Holdings Data

Income security



Rent by unexpired lease term (calculated to first break), directly held properties

Sector Breakdown relative to IPD Monthly Index, %



Top ten holdings

Asset	Sector	£m
Red Lion Square, London WC1	Offices	55-60
Strand Island Site, London WC2	Offices	55-60
Sainsbury's S'market, Cheltenham	Retail Warehouse	50-55
Tesco Distribution Unit, Widness	Distribution Warehouse	40-45
Plaza House, London NW1	Retail	25-30
Blackpole Retail Park, Worcester	Retail Warehouse	25-30
Lotus Park, Staines	Offices	25-30
Skandia House, Southampton	Offices	20-25
Multi Modal Site, Widness	Other	20-25
Templepoint, Bristol	Offices	15-20

Top ten tenants

Tenant	% total rent
Cable & Wireless Plc	11.1
Tesco Stores Limited	9.2
GE Capital Europe Limited	5.2
Sainsbury's Supermarkets Limited	4.9
Skandia Life Business Services Ltd	4.6
Westlink Holdings Ltd	3.7
Orange Personal Communications Services Ltd	3.4
Wickes Building Supplies Limited	2.7
IBM United Kingdom Limited	2.6
B&Q Plc	2.4

Directly held properties

Indirect holdings

Asset	Sector	£m
Henderson UK	Shopping Centre	5-10
Arlington Business Parks Partnership	Offices	5-10
Standard Life Investments UK	Retail Warehouse	5-10
Leisure Fund Limited Partnership	Leisure	10-15

Investor Queue

The Fund took the decision in March 2010 to limit inflows to £40m per calendar month and has a short term queuing system in place until 1st August 2010. The temporary measure will remain under review and does not affect investors wishing to redeem.

Investment strategy

The Fund strategy reflects anticipated cooling in the investor market in the second half of 2010. Cash will target high quality assets in the first half of the year, continuing its opportunity led approach to securing value. The Fund will target Central London, Multilet Industrials and Shopping Centre markets where a combination of higher yields and, for Central London, rental growth will drive total returns.

For more information

Legal & General Property
One Coleman Street
London
EC2R 5AA
www.lgim.co.uk

Contact: Pete Gladwell
Business Development Manager
Tel: +44 (0)20 3124 2770
Fax: +44 (0)20 3124 2542
Email: propertyfundqueries@lgim.co.uk

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