



## Property Funds Update 20 March 2020

Due to the uncertainties caused by the Corona Virus, our key Property Fund investment managers, L&G and Aviva, have taken the decision to suspend trading in their funds. The fund managers are advising that this is not due to any fundamental problem with the underlying investment, it is merely a precautionary measure which reflects the illiquid situation of investing directly into bricks and mortar properties. A similar suspension happened after the Brexit Vote in 2016, whilst managers took stock of the impact of the vote and once things had died down the funds were opened again.

The following is a short statement from Legal and General re their property fund:

*Positioning update: The property portfolio is well diversified across sectors and geography, with assets in locations we believe to be strong and below benchmark vacancy rates. From a sector position the portfolio is overweight to industrial and alternatives which we believe to have better long-term dynamics and underweight to the retail sector, which is currently the weakest part of the market. At present the fund has high levels of liquidity with 24% held in cash and 2% in Real Estate Investment Trusts.*

For Ethical Investors' clients, we believe that exposure to bricks and mortar property, managed by Fund Management groups applying good environmental standards, is a fundamental part of a balanced long-term investment portfolio. Property funds only represent a small proportion of our ethical portfolios. This short-term suspension has not changed our view.

From a practical point of view, most clients will notice very little as a result of the suspension. Those investing new money whilst markets are down will have the amount allocated to property funds held in cash until the suspensions are lifted. Those who wish to withdraw money, or those taking a regular income, will draw funds from the rest of the portfolio rather than the small amount invested in property funds. Where a rebalance is undertaken to ensure the portfolio remains in line with each person's Attitude to Risk, the rebalance will continue but exclude the small amount held in property funds.



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