



Charities Property Fund – Factsheet

Fund Objectives

The Charities Property Fund is the original and largest tax efficient pooled property vehicle available to all charities in the UK (including Scotland and Northern Ireland). It is a Common Investment Fund regulated by the Charity Commission. The Fund's objective is to invest in property throughout the UK to provide a balanced portfolio. It aims to provide a high and secure level of income and to maintain the capital value of assets held.

Key Points

- Fund size £1,053 million
- Well diversified
- 116 properties and 246 tenants
- High yielding (4.75% as at December 2015)
- Low vacancy rate (1.4% versus IPD at 10.0%)
- No gearing
- Strong covenants compared to IPD (85.0% rated low or negligible risk, compared to IPD at 78.0%)
- Allowing for void property, the Fund has a long unexpired average lease term of 12.1 years to expiry (10.5 years to break). IPD: 10.6 years to expiry (9.6 years to break) on the same basis.
- 33.3% of income benefits from fixed rental increases

Applications and Redemptions

£29.7 million (net) of new applications were accepted this quarter. Cash on deposit is £35 million (3.32%).

Purchases

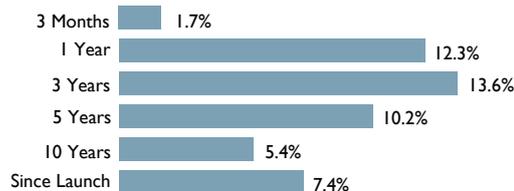
There have been six purchases this quarter, a high street retail unit, a retail warehouse park in Greenwich (see overleaf), an industrial unit and a portfolio of three car showrooms. The purchases totalled £74.0 million and the average yield to the Fund was 5.0%. Excluding Greenwich (which was the largest asset by some margin) the yield was 6.6%. The combined average unexpired lease term for these assets was 14.6 years and the average term to earliest break was 13.1 years.

The high street unit comprised the **Burger King** on Queen Street, Cardiff situated between M&S and Next. It is let to Union Burger until December 2023 at a rent of £325,000 per annum and the price paid of £4.15 million reflected a yield to the Fund of 7.75%. The yield is very attractive for a prime retail asset in a major UK city.

The industrial unit is located in Wakefield and is let to Verhoek Europe on a new 10 year lease. The price of £3.1 million reflected a yield to the Fund of 7.6%.



Fund Performance



Source: Savills Investment Management, IPD (December 2015)
Basis: NAV-to-NAV with gross income reinvested
The Charities Property Fund launched in 2000

The Fund total return for 2015 was 12.3% compared to 12.5% for the IPD All Balanced Funds Property Index.

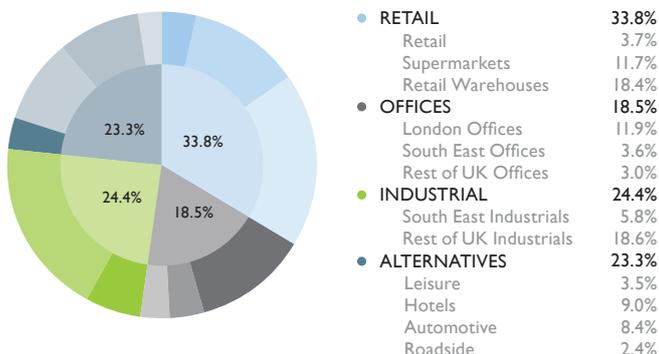
Over the last three years the Fund has returned 13.6% per annum, compared to the Index of 12.9% per annum. Over five years the Fund has returned 10.2% per annum, compared to the Index at 9.0% per annum.

The final three acquisitions comprised a portfolio of **Mercedes car showrooms** in Poole, Salisbury and Dorchester. These all have over 15 years remaining on the leases and were acquired for a price close to £15.0 million reflecting a yield to the Fund of 5.9%, with rent reviews due next year, which will increase the yield to over 6%.

We know this sector well, and all these assets comprise dominant dealerships, with a quality brand in excellent catchment locations.

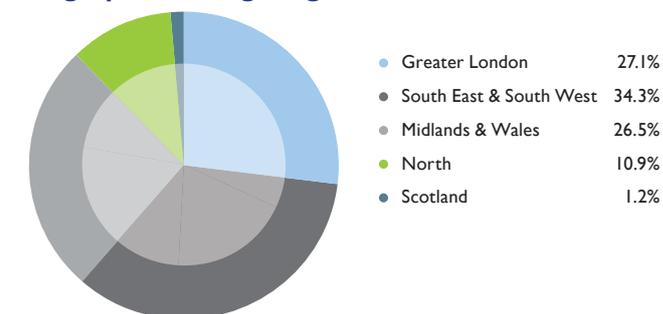


CPF Portfolio December 2015



Source: Savills Investment Management, December 2015

Geographical Weightings



Source: Savills Investment Management, December 2015

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Fund Information (as at 31 December 2015)

Launch date	September 2000
Fund size	£1,053 million
No of investors	1,859
Historic distribution yield	4.65%*
Prospective distribution yield	4.75%**
Fund costs (TER)	0.54% per annum
Unit price	Bid - 116.88 pence
	Offer - 120.08 pence
	NAV - 118.25 pence
Bid/Offer spread	2.5%***
SEDOL	0208075
Next distribution date	15 February 2016
Last distribution payment	1.34p per unit
Next dealing date	31 March 2016 [#]

* Based on the last four distributions declared divided by the current NAV

** Based on the next four estimated distributions divided by the current NAV

*** Assuming Fund fully invested

[#] Applications must be received on the 15th day of the month in which the Valuation Date falls (or if that is not a Business Day the preceding Business Day) for dealing on the next Dealing Date

10 Largest Tenants (by income)

Tesco Stores Limited (surety: Tesco Plc)	6.4%
Jurys Hotel Management (UK) Limited (surety: Vesway Limited)	5.2%
Sytner Properties Limited (surety: Sytner Group Limited)	3.2%
Sainsbury's Supermarkets Limited (surety: Sainsbury's Plc)	3.1%
EHS Brann Limited (surety: Havas SA)	3.0%
John Lewis Plc	2.6%
Travelodge Hotels Limited	2.6%
The Secretary of State for Communities and Local Government	2.5%
Wickes Building Supplies Limited (surety: Wickes Holdings Limited)	2.4%
Rybrook Limited (surety: Rybrook Holdings Limited)	1.8%
Total	32.8%

Source: Savills Investment Management, December 2015

Asset Management

We have agreed to fund the construction of a new open **AI food and fashion park** on the Greenwich peninsula. When complete the property will provide four units totalling 145,000 sq ft, pre-let to **Next, Primark, Aldi and Mothercare**.

The rent of £2.3 million per annum will reflect a yield of 4.4% to the Fund on a total commitment of £52.0 million. This will be the Fund's largest asset when complete and will present a prime dominant retail amenity to a growing and undersupplied catchment area.

The leases are all between 10 and 20 years long and almost 80% of the income benefits from inflation linked rental increases.

Planned regeneration of the surrounding area will further enhance and improve the location.



Sales

There have been two sales this quarter totalling £21.0 million and reflecting a yield of 6.7%. They comprised **two industrial units** in Doncaster and an **industrial estate** in Ashford. The two Doncaster units were acquired in April 2014 for £11.4 million reflecting a yield to the Fund of 8.4%, and one unit was vacant but benefitted from a two year rental guarantee. We subsequently let the empty unit to **Howdens Joinery** and have now sold the asset for a price of £14.0 million reflecting a yield of 6.9%. This produces a 20% per annum IRR over the 20 month hold period.

Ashford was acquired in 2003 and we subsequently acquired an additional unit in 2014. Again we felt we had maximised performance from this asset having acquired both ownerships for a combined price of £5 million, and benefitted from a high income return. It was sold for £6.9 million, reflecting a yield of 6.4%. The IRR over the 12 year hold period was 10.4% per annum.



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