

23 March 2020

Dear Investor,

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in the majority of sectors.

The unprecedented circumstances facing commercial real estate as a result of the COVID-19 outbreak has led AREF (the Association of Real Estate Funds) to confirm that valuation firms can no longer make reliable judgements on value. This is known as “material value uncertainty”.

For the March 2020 valuation Cushman & Wakefield (the Fund’s Independent Valuer) have stated the following: *“As at the valuation date, we consider that we can attach less weight to previous market evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.*

Our valuations are therefore reported on the basis of ‘material valuation uncertainty’ as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuations than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review”.

Therefore whilst Cushman & Wakefield are still able to produce valuations and make professional judgements, they are with less certainty than under normal market conditions. This applies to all valuations for all types of commercial property, whether owned by property funds, companies or other types of owner. The FCA has issued a [“Statement on property fund suspensions”](#) which confirms that suspension in these circumstances is likely to be in the best interests of fund investors. Whilst the Charities Property Fund is regulated by the Charity Commission rather than the FCA, we see no reason not to follow their guidance.

The FCA recognises the potential for investors to be treated unfairly when there is material uncertainty about the valuation of the assets in a fund and that suspension of dealing is an appropriate tool to be used in such circumstances.

We have been carefully considering the position of the Fund and what is in the best interests of investors. Having consulted with Citibank Europe plc UK Branch (the Depositary) we have decided to suspend dealing in the Fund’s units until a degree of normalcy returns and the material valuation uncertainty is lifted. At this stage we don’t know how long this will be.

As at the March 2020 quarter, application amounts exceed redemptions. We are not experiencing a liquidity squeeze, indeed on top of being in receipt of net positive subscriptions this quarter we also hold significant additional cash balances which have been deliberately increased in recent years. Therefore we have no issue with liquidity and dearly wish we could remain open as we did during the 2016 referendum crisis, but we simply can't be certain of the correct price for the units at this juncture.

Therefore we are exercising our powers under the scheme particulars to suspend trading for both applications and redemptions in the interests of all investors with immediate effect. Quarterly distributions will continue to be paid in the normal way to all unitholders.

We will, in consultation with the Depositary, keep the position under regular review and will keep investors informed of any material developments.

Recent volatility in the bond, currency and equities markets do reinforce the significant market uncertainty. The FTSE closed at over 7,500 on 31st December 2019 but had dropped to 5,150 by 19th March 2020, down almost 32% this year. The Government has pledged emergency financial support in the region of £330 billion (to date) and The Bank of England has cut the base rate to 0.1%, which is the lowest level in its history.

On a positive note, the long-term case for real estate investment remains strong, it is physically unaffected by viruses and in the long term (and in many cases the short term too) continues to provide income stability and the ability to add value through active asset management. Moreover, property yields continue to offer a healthy and rising margin over UK gilt rates and interest rates.

There are many businesses suffering at the moment particularly in the hospitality industry, with food and beverage operators, airlines, hotels and travel agents being badly affected and this extends to gyms and serviced offices, to name a few. Conversely there are some firms who will be positively affected – supermarkets, discount and convenience retailers, manufacturers of hygiene products and video conferencing providers. We will report again about the likely short term and longer term impact on the dividend once we have had a proper chance to talk to our tenants and analyse our income streams. We are an ethical landlord and want to support our occupiers where possible and this might entail some short term restructuring. However in general we expect the dividend to hold up well. Be assured that both Savills Investment Management and the Charities Property Fund teams commitment is undiminished and whilst we will need to work remotely for a period, we will be in constant dialogue with all our tenants and available to answer any questions you may have.

The landscape is changing by the day and Government announcements and support (removal of business rates for example) will help ease the burden for many businesses.

Generally we believe the Charities Property Fund is well insulated. Where we have retail occupiers they are focused towards food, discount and convenience. We benefit from having a very low void rate and no debt and therefore any fall in capital values does not put it at risk with lenders or have a magnifying effect on performance. We have no indirect property holdings. We do not undertake speculative development and have consistently pursued a

cautious, low risk approach and focused on creating a quality, predominately prime portfolio. This will be particularly important as occupiers will be reticent to risk losing some of these locations despite short term incertitude.

If you have any questions regarding this letter please contact Harry de Ferry Foster or Lucy MacEwan.

Kind regards,



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Further information can be found about the Fund at our dedicated website: www.cpfund.co.uk

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This Fund is a registered charity (number 1080290) and is a common investment fund established by the Charity Commission for England and Wales under Section 24 of the Charities Act 1993. Investment into the Fund is only available to charities within the meaning of section 96 or 100 of the Charities Act 2011.

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