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CHARITIES PROPERTY FUND

Savills Investment Management

ANNUAL REPORT & ACCOUNTS

June 2020


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MANAGER'S REPORT
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MANAGER'S REPORT

The last six months have been dominated by the Covid-19 pandemic. Many new words and phrases have entered the lexicon – social distancing, lockdown, flattening the curve and staying alert. From a property perspective it certainly felt that for a while everything revolved around rent collection, working from home and video conferencing.

We have written to you regularly and provided further updates in our quarterly facstsheets explaining the challenges faced by both the industry and the Charities Property Fund so I will try not to repeat myself here. The bad news is that as with the vast majority of businesses, we have been adversely affected - capital values within the fund have reduced, albeit only marginally, and we have granted a number of tenants rental deferrals and indeed have had to write off a small amount of rent for compassionate reasons or through CVAs. We have also had to suspend trading in units in the Fund in line with FCA advice, due to the Material Valuation Uncertainty clause introduced by the Independent Valuer in response to the crisis. This is only the second time we have had to do this is our 20 year history.

However on the positive side, relative to our peers we have performed very well. Our performance of -1.2% for the last 12 months means we were the 5th highest performing fund in the AREF All Balanced Funds Index (out of 30 funds). We are the best performing fund this year to date and 3rd over 10 years producing almost 8% per annum. Over the 20 year life of the fund we have produced 7% per annum – exactly what the Fund was set up to do. A remarkable achievement weathering the dot com crash, the Global Financial Crisis (GFC), Brexit, numerous referendums and Covid-19. By outperforming the Index once again, we registered our 13th consecutive year of outperformance.

Rent collection has also held up well. The Q2 dividend paid in August, was 79% of the May dividend, temporarily reduced because of rent deferrals (and in a small number of cases, write offs), however under the circumstances we think this is high and believe this will increase to 95% once all the deferrals are collected through the remainder of 2020 and during 2021.

PERFORMANCE HIGHLIGHTS TO 24 JUNE 2020

The Charities Property Fund has returned **4.6%** per annum annualised over a three-year period

The Charities Property Fund has returned **5.6%** per annum annualised over a five-year period

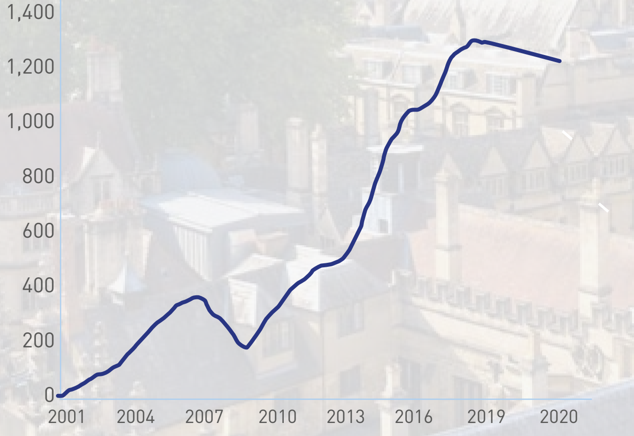
The Charities Property Fund has returned **7.9%** per annum annualised over a ten-year period

The Charities Property Fund has returned **6.9%** per annum annualised since launch (Dec 2000)

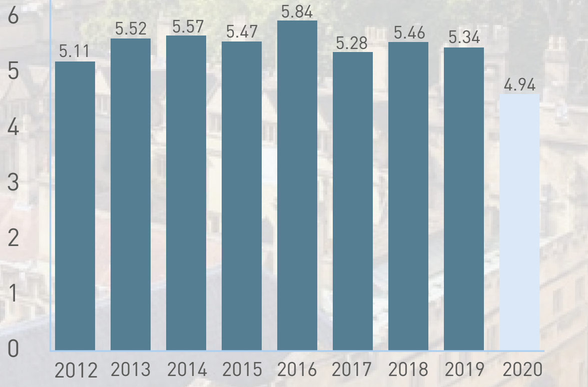
* References to total return in this document are net of all fees, charges and expenses

Bury St Edmunds

NAV



ANNUAL DIVIDEND (paid in calendar year)



Source: AREF/MSCI

* Past performance is not a reliable indicator of future performance

Oxford

We talk at length about the individual property sectors on pages 32-39, the threats, opportunities, prospects and outlook. We continue to believe the Fund remains well positioned. We have long leases, a high percentage of which benefit from index linked increases and our rent collection statistics indicate we have very resilient tenants. The vast majority of our assets are held freehold, and the handful that aren't are secured on very long leases. Importantly we have no borrowings and benefit from a very diversified portfolio both geographically and by sector.

Some sectors have clearly been affected more by the pandemic than others. Offices which were the top of everyone's shopping list not long ago have waned - Schroder's for example, have recently been reported as saying all their staff can work from home indefinitely. Conversely some parts of retail (which had been universally written off) have thrived - food and essential services, most obviously, but also DIY and home furnishings. Industrial and logistics has gone from strength to strength with internet sales surging by 50% to 30% of all retail sales and conversely student accommodation, hotels and hospitality have wrestled with evaporating revenues.

We spend 90% of our lives In buildings, so we'll continue to need them in some shape or form - the question is what will that look like? And can existing buildings adjust.

This Fund owns fantastic assets in a country where space remains restricted and those properties have plenty of inherent value. Our diversification, the quality of locations and the hand picked nature of the assets all helps to protect us and allows the buildings to adapt - the individual properties are suited for alternative uses. We own no shopping centres, no skyscrapers and have a low exposure to fashion retail. We remain confident that the Fund will continue to prosper over the next 12 months and for the years to come.

We are hearing wild predictions every day that Covid-19 will force us to work from home permanently, or have our jobs offshored to places where home-workers are cheaper and more skilled; we will never venture to the shops again when we can hide inside, waiting for the Amazon van; and we'll never, ever travel abroad again. It may take a little while and some things will change, but whilst fashionable to doom-monger, this narrative is in our view too pessimistic.

Harry de Ferry Foster MRICS
Fund Director

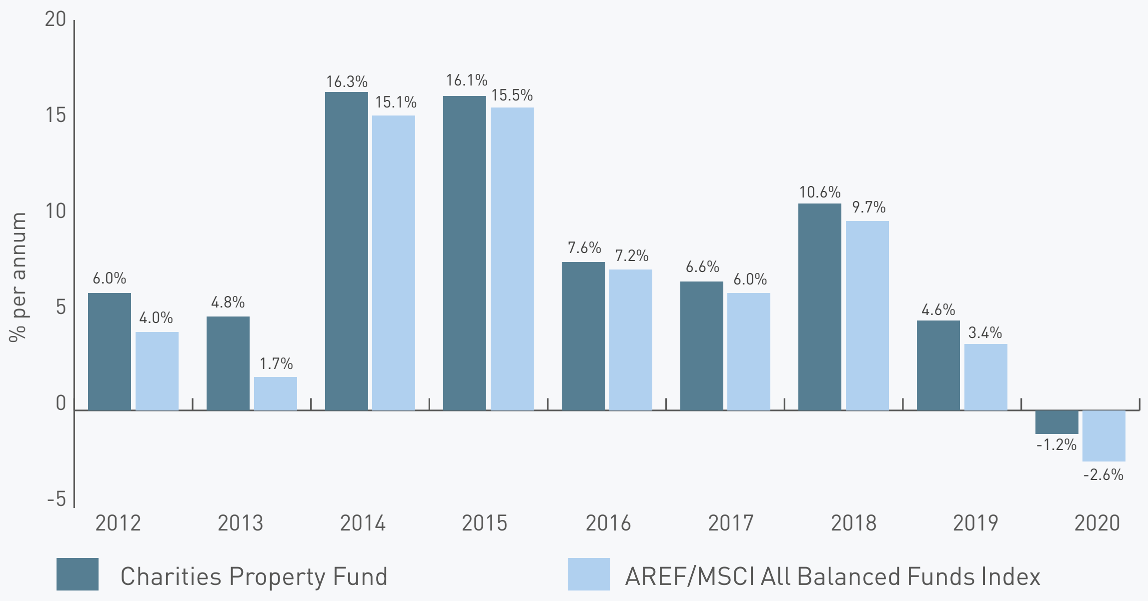
FUND PERFORMANCE

The total return for the Fund during the 12 months to 24 June 2020 was -1.2% against the Fund's target annual return of 7.0%, made up of 4.0% income return (net of all costs and fees) and -5.2% capital return. The AREF/MSCI All Balanced Property Funds Index produced a total return of -2.6% over the same period.

Over the last five years the Fund has returned 5.6% per annum, compared to the Index of 4.6% per annum. Over 10 years the Fund has returned 7.9% per annum, compared to the Index at 6.6% per annum.# These set of results mark our 13th year of consecutive outperformance to June 2020.

References to total return in this document are net of all fees, charges and expenses

FUND LEVEL PERFORMANCE - TOTAL RETURN AS AT 30 JUNE 2020



Source: Savills Investment Management/AREF/MSCI All Balanced Property Funds Index
* Past performance is not a reliable indicator of future performance

CHAIRMAN OF THE ADVISORY COMMITTEE

The Charities Property Fund has once again outperformed the AREF/MSCI All Balanced Property Funds Index. Whilst a negative return is not something to shout about and is below its 7.0% per annum objective on an annual basis, over the longer term the Fund continues to meet or exceed its objective registering 7.9% pa over ten years and 6.9% pa since launch. The Fund has also outperformed the AREF benchmark for thirteen consecutive years.

The Global Covid-19 pandemic has resulted in cuts in interest rates and plummeting dividends - the FTSE 100 has cut dividends by 57% so far this year. Importantly for investors the income provided by the Charities Property Fund has held up well, despite Government legislation preventing the legal enforcement of rent collection from March this year.

The dividend of 4.94 pence per unit paid over the last 12 months is reduced because of the difficulty in collection and deferrals over the last 3 months. However it still reflects a yield of over 4% on the current unit price. On top of this, income that has been deferred will be recovered and distributed over the next 12-18 months, adding to future dividends. This is attractive and rare in the current environment.

The portfolio has always been defensively positioned, with industrial & logistics the largest exposure and offices the smallest, from a sector perspective. Within retail, over half the tenants were classed as essential services and the fund has no shopping centres and very little high street exposure. We continue to be reassured by the transparency and performance of the management team.

Savills Investment Management and the Charities Property Fund team have navigated this uncertainty well. They are aided by the Advisory Committee which provides a sounding board to the investment manager and the comfort of an additional check and balance for investors, on top of Savills Investment Management's own internal processes and procedures. Whilst the Committee is advisory, we have a good working relationship with the management team and review the portfolio and their performance every quarter. We are also invited to comment and advise on all purchases and sales in advance.

The Committee remains mindful of the fact that all our investors are registered charities with charitable objectives and responsibilities. We work closely with Savills Investment Management to ensure the Fund's clear ethical policies are observed, and likewise that the Fund invests and manages in accordance with socially responsible investment (SRI) principles, more detail on which can be found later in this report.

The Committee benefits from the considerable knowledge and experience of the eight additional members listed below:

Aidan Kearney, CIO, The Health Foundation
Alan Fletcher, Investment committee member, Church of England Pension Board and Chairman of Investment Committee, Leicester Diocesan Board of Finance
Andrew Chapman, Trustee of KidneyCare UK
Chris Hills, CIO, Investec Wealth Management
Paul Taylor, Investment committee member, Latymer Upper School
Richard Robinson, Investment Director, Paul Hamlyn Foundation
Wilf Stephenson, Bursar, Oriel College, Oxford

We will endeavour to assist the continued success and strong governance of the Charities Property Fund.

Malcolm Naish
Chairman of the Charities Property Fund Advisory Committee

INVESTOR TESTIMONIAL

Balliol College, founded in 1263, is one of the constituent colleges of Oxford University, and is a place where students of exceptional potential study with academics who are experts in their field. Current tuition fees levels fall far short of the inherent costs of an Oxford education and Balliol, like other Oxbridge colleges, relies on endowment returns to support its academic and charitable objectives.

Balliol's endowment is managed externally by a set of fund managers overseen by the Investment Committee. As the College does not hold investment property of its own, the Charities Property Fund comprises a material and core part of our portfolio. Balliol's endowment has grown considerably in recent years, due to the strong performance of our investments and also to successful fundraising initiatives. The returns achieved by the Charities Property Fund have been a key contributor to our performance. The College seeks to achieve outperformance of its investments over the medium and long term.

Investors face frequent periods of uncertainty. Whilst we acknowledge that there is considerable adverse news around the outlook for commercial property investments, Balliol remains confident that the exposure to the Charities Property Fund will serve it well. The Fund is managed with expertise, asset selection is careful and diversified and as the Fund carries no debt, has low void rates and demonstrable liquidity we believe it will navigate the current environment and be well-positioned for future opportunities.

Balliol aims to generate ideas and educate people who will change the world for the better. It will continue to depend on successful returns from the endowment portfolio to achieve these aims. I am confident that Balliol's holdings in the Charities Property Fund will have a key role to play in the College's financial future.

Dick Collier, Chair, Balliol College Investment Committee, University of Oxford

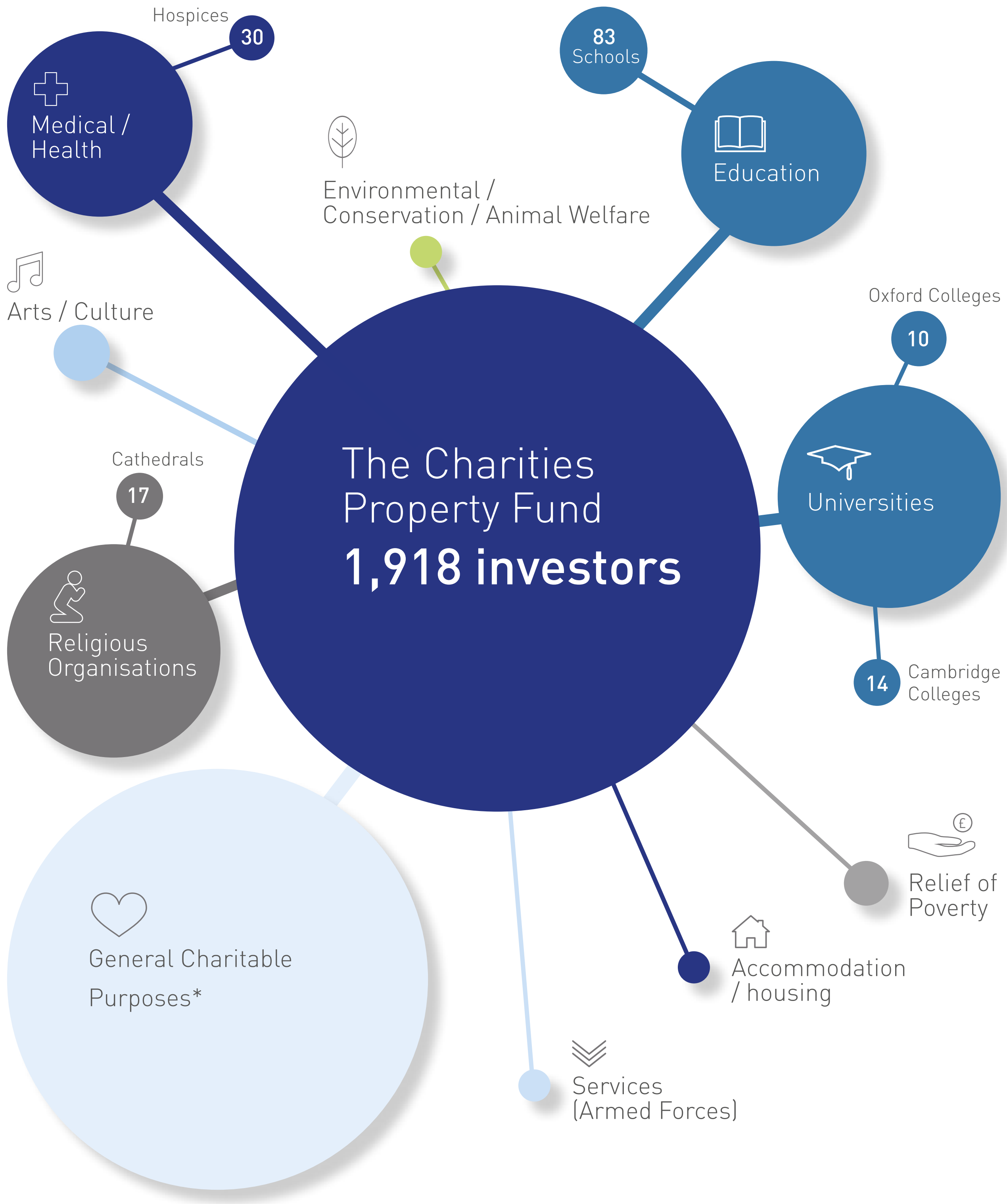
I have been a member of the Unitholder Advisory Board since 2015 and my experience in various financial services roles, including chairmanship of the Investment Committee of the Church of England Pensions Board and the Leicester Diocese Investment Committee, has involved contact with a considerable number of funds and their managers. There is no doubt that the Savills team managing the Charities Property Fund are consistent top performers in the most important attributes required to manage a fund of this type.

Asset allocation is carefully researched and regularly reviewed. Asset selection benefits from the resources and expertise of the wider Savills group and the ongoing knowledge of the assets, tenant covenants and engagement with the tenants are all first class. This also enables sale and asset management decisions to be made which significantly enhance the performance of the Fund.

As a former member of the Church of England Ethical Investment Advisory Group I have been particularly pleased with the way the focus of the management team on sustainability, climate resilience and the wider Environmental, Social and Governance issues has developed. This is shown in various ways including the improvement in the Global Real Estate Sustainability Benchmark score from 22 in 2013 to 62 in 2019. Most importantly, it is clear that these crucial issues are part of the DNA of the Savills team.

Alan Fletcher, Formerly Chairman of the Investment Committee of the Church of England Pensions Board and Chairman of the Leicester Diocese Investment Committee

INVESTOR CATEGORISATION



Source: Savills Investment Management (June 2020)

* This category includes charities with multiple sector beneficiaries or charities who offer a range of services to a set geographical area.

HIGHLIGHTS - FIVE YEARS

+6% unit price

+£250m Fund size

+26% capital NAV

£194m net new investment

+11% properties held

£268m income distributed

OBJECTIVES

The Charities Property Fund aims to provide a high and secure level of income with the prospect of growth in income and to maintain the capital value of the assets held in the Fund, through investing in a diversified UK commercial property portfolio. To meet this objective, Savills Investment Management (UK) Limited (the "Manager") targets a total return of 7% per annum, of which we look to deliver the majority through income. However, this is an aspiration and a guideline, not a guarantee, and the level of income and total return may fluctuate. The Fund has a very strong focus on ESG and Responsible Investment, a stated ethical policy and adapts both positive and negatives tenant screening when assessing investments and new occupiers.

The Fund invests in the principal commercial property sectors: office (both London and regional), retail (high street, supermarkets and retail warehouses), industrial (manufacturing and distribution) and alternatives (hotels, student accommodation, serviced apartments, car showrooms, roadside and leisure) and whilst it will undertake refurbishment projects and forward fundings of pre-let investments it does not undertake speculative developments.

The Fund's operating costs (the Total Expense Ratio) are paid from the income account. Whilst this reduces the quarterly distribution payable, we believe that such expenditure should be financed from current income, rather than from capital.

A number of other property funds either charge some or all of operating costs (such as management fees) to capital and thereby artificially inflate their distribution. Investors should be aware of this when making comparisons. The costs charged to capital by the Fund relate to investment in properties, acquisition and disposal costs or refurbishment.

Governance and Responsible Investment

GOVERNANCE, PROCEDURES AND OVERSIGHT

The Charities Property Fund benefits from the governance, procedures and oversight of the wider Savills Investment Management business.

Savills Investment Management is an income-based investment manager and sees income as the key driver of long-term performance. We use research to identify opportunities and risks across property markets and then combine that with the insights of our fund teams in order to create our forecasts, trend analysis and other outputs integral to investment.

These strategies then filter through to our proprietary investment process, STEMM (Strategy, Tactics, Evaluate, Manage and Monitor). This provides a framework for investment decision making and is applied to all portfolios. It aims to establish the strategy of a fund, identify the opportunities to deliver the strategy, analyse at asset and portfolio level, execute and implement initiatives and monitor risk/return.

We ensure this process is enforced through governance procedures. Our Investment Advisory Committee reviews, considers and endorses or rejects the Fund team's recommendations. It is responsible for making sure transactions are appropriate relative to fund allocation, performing due diligence/analysis of the asset and to identify and mitigate any conflicts of interests. It also reviews proposals made by the Fund team for portfolio management including investment objectives, attribution analysis, portfolio risk management and the review of asset plans.

OUR POLICY

The Charities Property Fund understands the importance of considering environmental, social and governance (ESG) aspects in its investment and management decisions, and recognises that doing so may help protect and maximise returns. We will not invest in properties whose tenants could potentially cause embarrassment to our unitholders, or be in conflict with the values held by many of our beneficiaries as charitable entities. This would include companies whose primary business is the production or sale of tobacco, arms, pornography or who are involved in animal testing. We provide complete transparency on investments by listing all tenants in the annual and interim report and accounts and on the Fund website.

We take our ethical considerations very seriously and continue to monitor every tenant to ensure that the tenant is acceptable, however, it would be easy to find a reason to not accept a multitude of tenants and so we look at the bigger picture. All proposals and tenants are reviewed by an Advisory Committee which is made up of representatives from six charities that are investors in the Charities Property Fund and we would specifically consult with them for their views on whether a proposed tenant was unacceptable.

The Fund's ESG objectives are implemented at fund and asset level and incorporated into every stage of property transaction: property acquisition, asset management, development / refurbishment / fit-out and disposal.

OUR ESG COMMITMENTS

Pre-Investment (Origination and Due Diligence)	When reviewing potential investments we consider relevant ESG issues including environmental and social risks and opportunities, regulatory compliance, green building accreditation or value-add innovation. During the due diligence process, potentially significant ESG issues and opportunities will be analysed and identified. We also evaluate and manage the impact that sustainability has on investment performance; for example this may include depreciation costs due to additional capital expenditure or the ability to let or sell a property. Our exposure to, and required management of ESG issues will be considered when making the final investment recommendation/decision.
Property development, refurbishment or fit-out	Where appropriate we integrate sustainability and ESG considerations into the earliest stages of design and construction of asset development, refurbishment or fit-out. This creates an opportunity to add tangible value to asset value, future-proof against obsolescence, improve occupancy appeal and results in improved building performance.
Property management	Our focus on integrated sustainability into property management practices ensures we are able to continue to add value, improve and enhance assets in our ownership, reduce operation costs and foster tenant satisfaction.
Asset disposal	When a property is being positioned for sale, sustainability measures can be used to further enhance the property's status and maximize its value. Such features help provide valuable criteria that differentiate the property from other offerings in the market and serve as an indicator of overall quality.

ESG AND RESPONSIBLE INVESTMENT

Our objective is to encourage, promote and enforce good corporate governance and awareness of ESG issues across our investment decision-making process and ownership practices. ESG is a key feature in our reporting to investors particularly in the Annual Report and Annual General Meeting. Additionally, in July 2019 the Fund published a dedicated ESG Document outlining our ethical policies, initiatives and case studies of our ESG objectives in practice. The Fund also reports on sustainability on an annual basis in accordance with INREV sustainability guidelines.

We now have 11 rated BREEAM (Building Research Establishment Environment Assessment Method) buildings (10 years ago we had none). Additionally Savills Investment Management is a signatory of the UN Principles for Responsible Investment (UN PRI) and received an A+ grade for Strategy and Governance in 2019.

It is important to note that almost two thirds of our assets are single let. This means that the tenant is responsible for the property and we are unable to influence how they use the property or make any environmentally positive changes without their agreement. However, we can make a difference at multi-let buildings we control or at lease expiry prior to undertaking new lettings or through mutual agreements with tenants. We are pleased to report that we have been able to make ESG improvements to 40% of our buildings, for example the provision of 2,000 solar panels, 300 bicycle racks, installing LED lighting and hiring apprentices.

In addition, whilst we have always had an ethical policy excluding occupiers we were not prepared to tolerate in your buildings we are now measuring those which we believe provide a social benefit. We now have 17% of our tenants we would class as contributing in some way. For example we have the NHS in four buildings, we have five health and fitness clubs, four charities as tenants, a school and a renewable energy provider. The Fund team has also looked to support local charities where possible through the Fund and have done so in Telford and Bath, and also corporately through volunteer projects with the Canal and River Trust and Spitalfields City Farm. We hope to continue to grow all these areas and initiatives in the coming year.

NO debt*

NO withholding tax

NO derivative products

NO performance fees

NO stamp duty land tax payable

NO management fees added to capital

The Charities Property Fund is the **top performing fund** in 2020. It is the 3rd highest performer over the last 10 years - delivering nigh on **8% per annum every year** on average. Over 20 years the Fund has delivered almost 7% per annum, achieving exactly what it set out to do at inception.

* There is a fixed revolving credit facility which is currently undrawn

STRATEGY

We aim to achieve an above average income return by keeping vacancy and associated costs (such as empty rates, service charges, repairs and insurance) to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings. The vacancy rate is currently 4.5% compared to the MSCI monthly index average of 9.3% (including developments), as at June 2020.

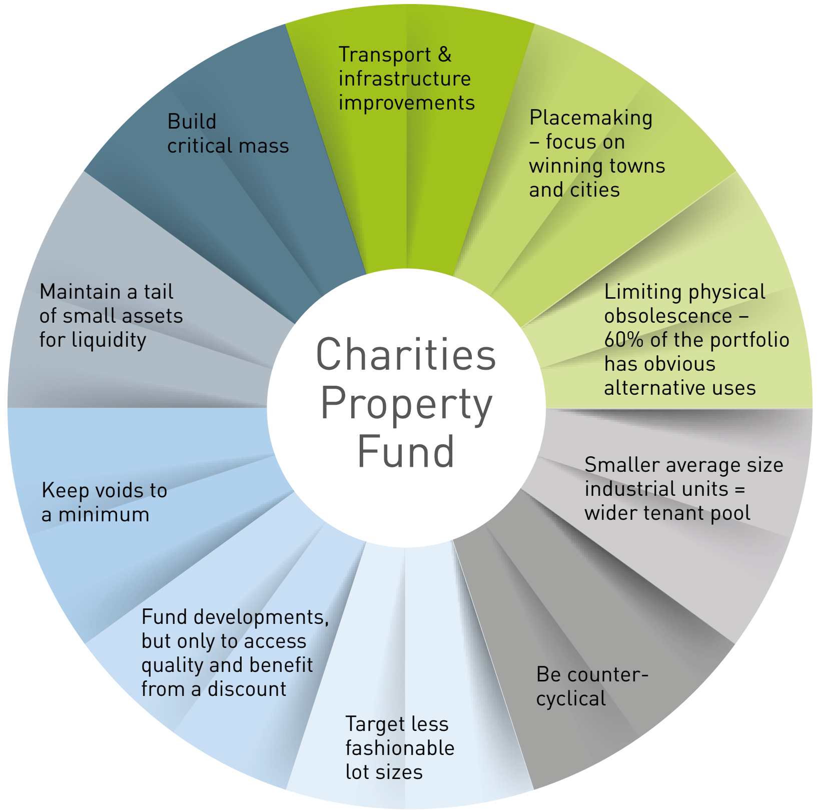
We also believe the Fund's sector weightings deliver a small yield benefit through maintaining a higher weighting to retail warehouses, the London office sector (excluding core City and Mayfair areas) and the industrial and alternative sectors, and a lower weighting to the high street retail, shopping centre and core City and Mayfair office markets.

"Our ability to source the right investment stock at the right price continues to be the biggest driver of performance"

We continue to look for interesting growth locations and opportunities, with a bias towards alternatives and the industrial & distribution markets. These sectors benefit from good demand and supply dynamics and are often underpinned by replacement cost. We have seen significant rental growth in all these sectors and the alternative assets provide longer than average leases and a high proportion of rental indexation.

We have acquired **142 buildings** during the last nine years, investing **£1 billion** in assets that are now valued (or have been sold) for a total consideration of over **£1.25 billion**. Of these acquisitions, we have subsequently sold **30 properties** totalling only 18% of all properties illustrating that acquisitions have generally been made for the long term.

Our ability to source the right investment stock at the right price continues to be the biggest driver of performance.



PORTFOLIO REPORT - PURCHASES

The Fund purchased three individual property investments during the 12 months to 24 June 2020, investing **£20.5 million.**

Additional capital investment of approximately **£3.7 million** was made into existing assets through refurbishments, securing planning permissions, combating obsolescence and funding general improvements within the portfolio to help deliver future income growth.

The purchased properties are of high quality and there is **zero vacancy** (compared to MSCI at 9.3%). The leases have on average **15.5 years remaining** until expiry and 10.0 years on average to earliest break (compared to MSCI at 8.2 and 7.0 years respectively). Over 61% of the contractual rent benefits from fixed or inflation-linked rental increases.

The average yield to the Fund inclusive of acquisition costs is **5.6%**. This compares to the MSCI quarterly index average net initial yield of 4.7%, as at June 2020. Once again we have been able to acquire a collection of very well let properties at a significant yield discount to the market average.

The Fund's purchases were:

1. NEWCASTLE

The Fund acquired Cooper's Studios, an office building in Newcastle at a purchase price of £4.7 million which reflects a yield to the Fund of 6.5%. The building comprises an architecturally significant former horse and carriage repository and continues our strategy of investing in enduring heritage buildings favoured by occupiers, with proven alternative uses. The property is let to Ryder Architecture Limited until 2033. Ryder Architecture is the largest regional architectural practice in the UK and have been in occupation of the property since 2009. The rent reflects £18.72 per sq ft which we believe is low for a major regional city. It is located 200 metres from Newcastle railway station.

Newcastle
Purchase price: **£4.7 million**
Lease length: **13.5 years**
Yield to the Fund: **6.50%**

Chigwell
Purchase price: **£9.0 million**
Lease length: **36 years**
Yield to the Fund: **4.77%**

£20.5 million
invested in 12 months

5.6%
average yield to Fund

2. CHELTENHAM

A Grade A, town centre office building in Cheltenham. The building has recently undergone a comprehensive £2 million refurbishment. The asset is let to Abercrombie & Kent and Outsauce Financing on three new 10 year leases and one new 5 year lease from June 2019 respectively. The average rent is affordable at £22.50 per sq ft, with recent office transactions in Cheltenham approaching £30.00 per sq ft. Demand in Cheltenham has been driven through a loss of office stock to residential through Permitted Development and demand from cyber security related occupiers due to the proximity of GCHQ. The purchase price of £6.8 million reflected a net initial yield of 6.6% to the Fund.

3. CHIGWELL

The Chigwell acquisition lies adjacent to Debden underground station and just to the north of Chigwell on the M11. It comprises an extensive 3 acre site and was acquired for £9.0 million, reflecting a yield to the Fund of 4.77%. The asset incorporates one newly constructed and one substantially refurbished industrial unit located off Langston Road, the principal out of town business location.

The entire site is let to Sytner Group Ltd as a storage and service centre for their BMW dealership and is let at a low level of rent on a very long lease, expiring in 2056, with 5 yearly index linked rent reviews. There are break options in 2036 and 2046. The site cover is very low and the underlying site value is very close to the investment value. The buildings are BREEAM certified and have direct pedestrian access to Debden station.

PORTFOLIO REPORT - SALES

The Fund completed three sales during the 12 months to 24 June 2020, generating gross sales proceeds of **£50.1 million**. Their combined June 2019 valuations were £49.25 million. In addition these three properties contributed almost **£1.2 million** of income during the period from 24 June 2019 to the date of their disposal. An additional sale completed on the 26 June 2020 (after the year end) generating a further £7.35 million.

Two of the sales were to special purchasers – one to the tenant and one to an adjoining owner. They included two retail properties, one office building and a car showroom. One of the retail properties was empty and the office building had one available floor. **This resulted in a high vacancy rate of 31% overall** for these assets and was one of the drivers behind the sales.

The prices achieved reflected a combined yield of **3.25% NIY** and a relatively high capital value of **£412 per sq ft**. Whilst this yield is low due to the high level of vacancy, it would only have increased to 4.25% NIY should all of the vacant space have been relet.

Old Kent Road, SE15
Sale price: **£10 million**
Capital growth: **340%**
Net initial yield: **2.5%**

The Fund's sales were:

1. OLD KENT ROAD, SE15

The property was let to B&M Bargains on a lease expiring in October 2025 and was valued at £6.55 million at the December 2018 valuation. It sold in August last year and the price achieved reflected a 60% increase.

The asset was acquired for £2.3 million in 2001, delivered almost unbroken income during the long hold period and produced an IRR of 15.45% per annum. 40% of our remaining retail warehouse and supermarket weighting is located in Greater London for precisely this reason. The team has worked very hard to achieve this result making representations to the local planning authority to re-zone the site for residential use and petitioning for increased massing on the site over a period of years. We rebuffed multiple off market approaches during this period until we were satisfied we had maximised the potential and took the decision to selectively market the asset capturing this significant premium by selling to an adjoining owner.

2. LONDON, WC2

We also sold 90 Chancery Lane, WC2 for a price of £34 million, reflecting a yield of 3.68%. This building was acquired in December 2004 for £17.1 million at a yield of 7.1%. The property provided uninterrupted income until we took an early lease surrender in 2012 in return for a surrender payment of £2.75 million from the tenant. We then completed a comprehensive Grade A refurbishment, including a new reception, M&E and LED lighting, before reletting the building during 2013 to 12 different tenants on 10 year leases, with breaks at year 5.

We passed all the break dates in 2018 and then carried out the rent reviews to maximise income receivable. Having owned the building for 15 years, fully refurbished and asset managed it, we decided to accept a very strong offer from a wealthy Far Eastern investor. This asset delivered in excess of £17 million in income and a 10% per annum IRR over its 15 year hold period.

Chancery Lane, WC2
Sale price: **£34 million**
Capital growth: **90%**
Net initial yield: **3.68%**

3. SALISBURY

Salisbury comprised a Mercedes dealership let to Sandown Dorset & Wiltshire Limited for a further 10.5 years at a rent of £396,060 per annum. We sold the asset to the tenant and the price they paid of £5.78 million reflecting a yield to the Fund of 6.4%.

We have also granted them an option to acquire a second asset owned by the Fund and located in Poole, within a two year window between June 2021 and June 2023 at a price of £7.1 million, reflecting a yield of 5.2%. They also occupy Poole, which is their headquarters and is let for a further 10.5 years at a similar level of £395,000 per annum, but it comprises a larger building and importantly a larger site. This asset would only have 7 years remaining were they to exercise the option in June 2023.

We think these prices are materially ahead of those currently achievable in the open market and reflect a premium price given the special purchaser nature of the buyer. The combined price is higher than the 2015 purchase price for these assets and they have delivered more than £4 million in income since they were acquired.

Salisbury comprises a relatively small site (1.1 acres) and is significantly overrented and therefore carries more risk. Poole is much more defensive and is the asset the tenant indicated they wanted to acquire, however we insisted Salisbury had to come first. Poole comprises a much larger site, is not overrented and therefore we believe has better long term prospects to hold its value.

4. CHICHESTER

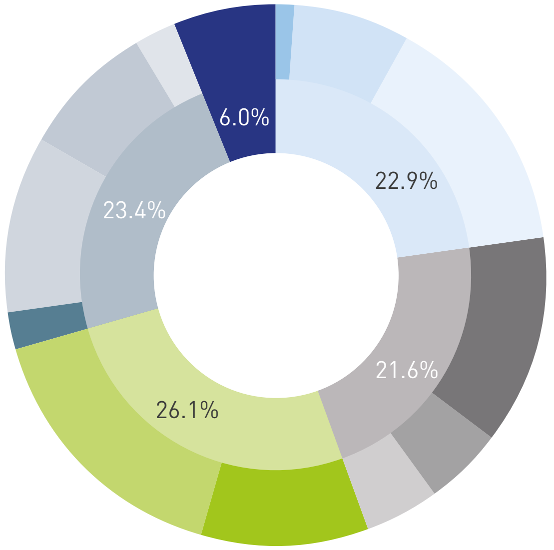
Chichester formally completed after the year end on the 26 June 2020, although contracts had been exchanged in December 2019. The property was vacant following the demise of House of Fraser. The property was sold to a developer who had intended to turn the former department store into a mixed use cinema and residential scheme. The price achieved of £7.35 million was in line with the December 2019 Valuation.

However, bearing in mind the challenges thrown up by Covid-19, it is highly conceivable that they wouldn't have proceeded with the purchase at this price if they hadn't already been legally and financially committed.

SECTOR WEIGHTINGS - THE FUND

The portfolio is well diversified and is not over exposed to any one particular sector. It continues to have a bias towards industrial/logistics (our largest sector exposure), supermarkets, alternatives, London offices and the retail warehouse sectors. It remains significantly underweight (relative to the AREF/MSCI All Balanced Funds Index) to high street retail, shopping centres and offices. The MSCI weightings are shown on the facing page.

CPF PORTFOLIO BY SECTOR
as at 24 June 2020



RETAIL

High Street	1.2%
Supermarkets	7.1%
Retail Warehouses	14.6%

INDUSTRIAL & DISTRIBUTION

South East Industrials	10.1%
Rest of UK Industrials	16.0%

OFFICES

London Offices	12.5%
South East Offices	4.8%
Rest of UK Offices	4.3%

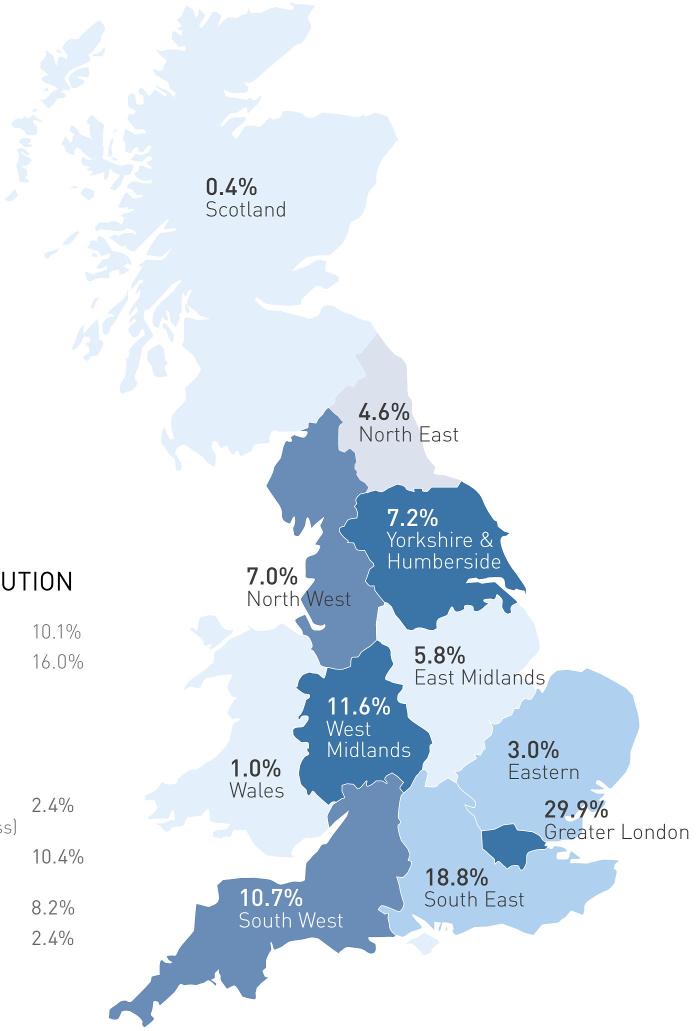
ALTERNATIVES

Leisure (food & beverage / health & fitness)	2.4%
Accommodation (hotels / student / serviced apts.)	10.4%
Automotive	8.2%
Roadside	2.4%

CASH 6.0%

Source: Savills Investment Management

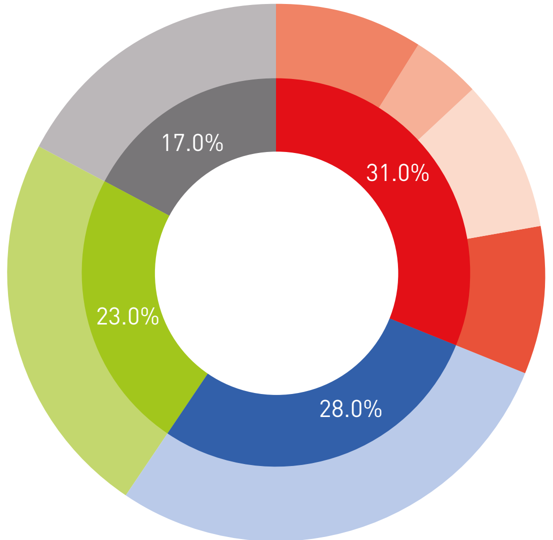
CPF PORTFOLIO BY REGION
as at 24 June 2020



SECTOR WEIGHTINGS - MSCI

Geographically the Fund's weightings are very similar to the MSCI weightings. The main difference being we have almost no exposure to Scotland and less to Greater London, but proportionately more in the South East and South West of England. The Midlands and the North are broadly the same.

MSCI SECTOR WEIGHTINGS
as at 24 June 2020



RETAIL

High Street	9.0%
Supermarkets	4.0%
Shopping centres	9.0%
Retail warehouses	9.0%

INDUSTRIAL & DISTRIBUTION

Industrial & distribution	23.0%

ALTERNATIVES

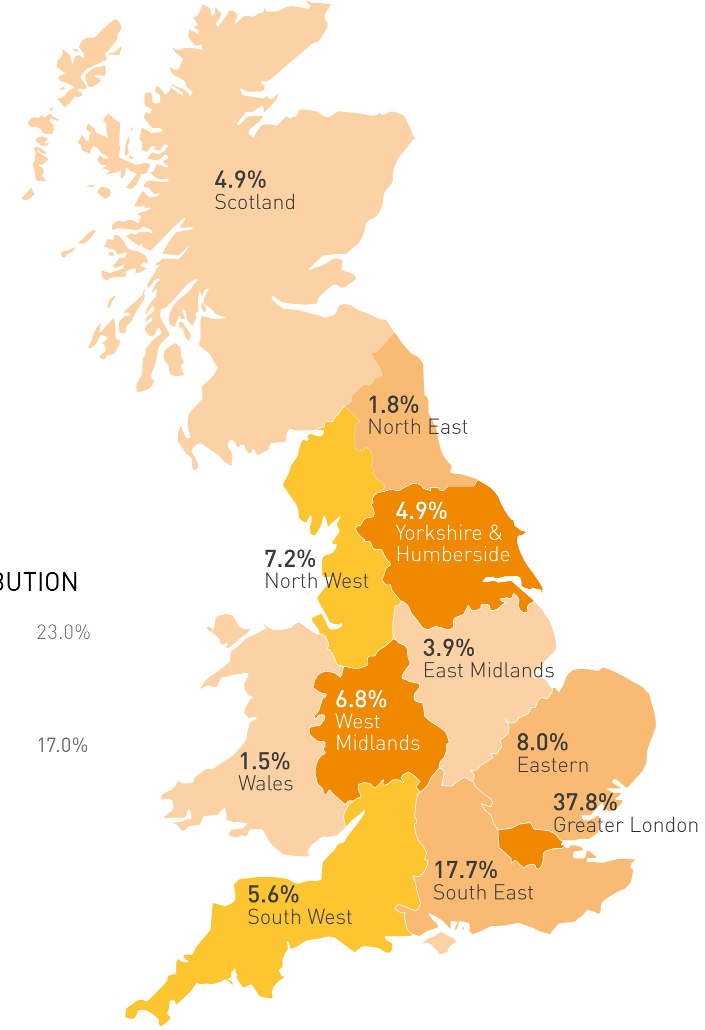
Alternatives	17.0%

OFFICES

Offices	28.0%

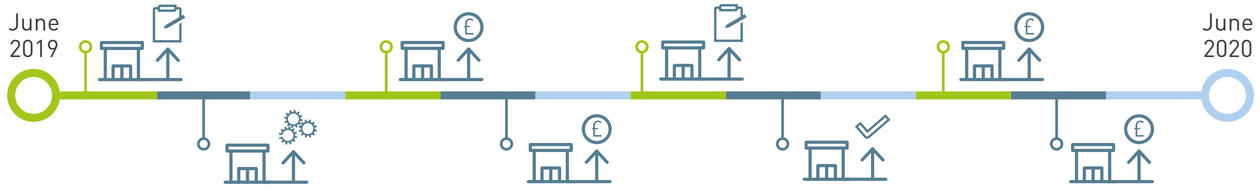
Source: MSCI

MSCI GEOGRAPHICAL WEIGHTINGS
as at 24 June 2020



It has been a busy year for the Fund with 56 new lettings and renewals completed or rent reviews documented.

The average increase at rent review was almost 11.7% adding over £700,000 pa in income over the year to June.



29
lettings completed

£750,060 pa
the Fund's largest letting
(Feltham)

£4,584,660
of lettings / renewals and regears

27
rent reviews completed

11.7%
the average increase at review

£720,095
increase in rent received from rent reviews

ASSET MANAGEMENT

Three examples of lease renewals are set out below. It is satisfying to illustrate our ability to retain tenants and extend leases demonstrating tenant commitment to the Fund's properties. These asset management initiatives support our confidence in the quality of the individual assets owned by the Fund.

CLIFTON

TEWKESBURY

FELTHAM

What attracted us at purchase in 2012 was a low rent, good location near to Heathrow and the potential for residential use. The teams business plan was to regear the lease and as the lease expiry approached in 2017 we extended the lease by 5 years and increased the rent.

Subsequent to the lease extension in 2017, the tenant became anxious to secure their long term future because surrounding land going to resi use. At the end of 2019 we extended the lease again to now have 13 years unexpired and increased the rent. We've long held that buying assets in this lot size range is not only good for liquidity but their full potential often get overlooked by bigger institutions. We acquired this property off one of the big institutions who wanted out of small lot sizes, now that we've doubled the value of the asset, ironically we've created exactly the kind of asset that larger funds are hotly competing for.

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HIGHLY RESILIENT QUALITY PORTFOLIO

125 properties

11.6 years to lease expiry

5.1% vacancy rate

40.3% of annual rent benefits from fixed or index linked rental increases

1,918 investors

85.3% of tenants rated low or negligible risk by Dun & Bradstreet

NO debt*

65% of the portfolio is located in London and the South East of England

* There is a fixed revolving credit facility which is currently undrawn

LEASE EXPIRY PROFILE

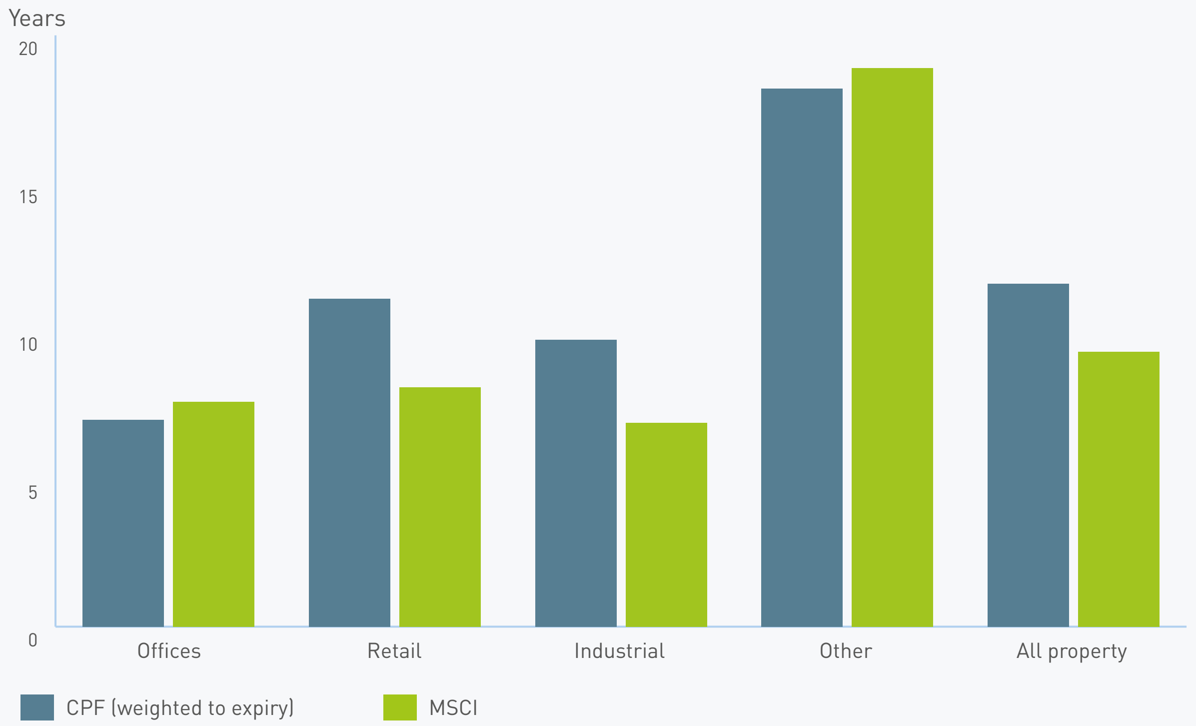
The Fund's average lease length to expiry at 11.6 years is almost 25% longer than the market average at 9.3 years.

The average unexpired terms in the office and alternative sectors are broadly in line with the market average.

The main differences are in the industrial/logistics and retail sectors. In the industrial/logistics sector the average lease length is 40% longer than the market average and in the retail sector it is 37% longer. This demonstrates the quality of the assets we have in these sectors, where tenants have chosen to take long leases to guarantee their future occupation. Many of these leases are index linked to good covenants which insulates the Fund in turbulent times and importantly maintains cashflow.

We believe that the longer average unexpired lease term reflects the quality of the assets owned by the Fund. This is also reflected in our collection statistics overleaf.

LEASE EXPIRY



Source: Savills Investment Management and MSCI

RENT COLLECTION

As part of the Government measures to assist commercial tenants during the Covid-19 pandemic, landlords have been prevented from forfeiting leases for unpaid rent (including service charge payments or other sums reserved as rent) initially until the end of June 2020 but subsequently extended until the end of December. These measures were detailed in the Coronavirus Act to assist all forms of business tenants and not just retailers. This means that for any forfeiture proceedings going through the courts, any order for possession will be delayed until after 31 December 2020 (or later if the Government extends the period).

Therefore we have been working closely with our Property Management teams to monitor rent and service charge collection and agree a firm but fair approach to requests for concessions received. We have reviewed the merits of each request on a case by case basis but generally we have allowed:

- Rent can be paid on a monthly basis for Q2 and in some cases Q3, but on the understanding that the tenant sets up a standing order to do this.
- We will allow rent deferral for 3 months by application for tenants directly affected by Covid-19 with tenants providing a rationale and business case for our consideration. Rent will be deferred and repaid over the following 6-18 months depending on the circumstances.
- Service charge must still be paid as this funding is critical for keeping our properties operational.

All this has meant that it has unsurprisingly been more difficult to collect rent and we have had to agree monthly rents in a number of cases, have granted deferrals and in a few select and mainly compassionate cases have had no choice but to waive payment. However, the dividend for Q1 2020 was paid on 15 May and this was 1.30 pence per unit in line with the Q4 2019 dividend. The Q2 dividend paid on 15 August was 1.026 pence per unit. This is 79% of the May level and above the 75% we previously estimated. We think this is a good result particularly as this only takes account of what we have received so far and doesn't take account of any of the agreed deferrals (some of which have already started to be repaid), nor agreements we have reached since the end of the quarter, nor those strong tenants who have as yet refused to pay (but won't be able to avoid doing so forever). Therefore we know this figure will be exceeded.

More good news comes from the Q3 rent collection data. Universally it was anticipated that Q3 rent collection would be worse than Q2. Mainly because as at the March quarter day, although we were already in lockdown, the Government hadn't introduced any of their protection measures for occupiers and some tenants had already paid via standing order. It was expected that at Q3, tenants would have a long run up not to pay and not much incentive to do so, particularly with Government protection.

However as things stand the collection rate for Q3 is already higher at 83% and therefore we are optimistic of paying a higher level of dividend in November than in August. Hopefully after this, the situation will normalise, collection levels will recover and we can collect the deferrals and tackle the non-payers and distribute this in addition to the normal dividends during 2021. We attach a table below setting out the collection rates in the fund across the various sectors. This measures actual rent collected, but not where we have agreed deferrals. If we include deferrals (as some do) then the collection statistics are over 90%:

Sector	Rent collection statistics (as at 30 June 2020)	% of portfolio overall rent
Industrial	87%	28.3%
Offices	87%	20.2%
Retail warehouses	79%	22.8%
Supermarkets	100%	3.5%
High Street	38%	1.6%
Other	38%	23.6%
Total	**79% (average)**	**100%**

As a result the dividend in the year to June 2020 was 4.94 pence per unit, 7.5% down on 2019. However, not only is this projected to return to a normal level over the next 12 months but we will also be able to collect the deferrals.

ECONOMIC & COMMERCIAL PROPERTY OUTLOOK

The economic situation has been the worst on record. The UK suffered a 20% fall in GDP in Q2 - the worst for a century. Much has been made of this by the economic commentators and the press relish bad news, however it is hardly surprising bearing in mind the circumstances that we are all well aware of and the fact that much of the economy was shut down for a large part of Q2 2020. The surprise is more that it wasn't worse than this.

The larger question is how quickly does it all bounce back, is it V shaped, U shaped, W shaped or L shaped?

The Government measures to help businesses deal with the impact of Covid-19 are substantial and well publicised, including the furlough scheme, loans for businesses, help for the self employed, charities and 100% business rates relief for 12 months for retail, leisure and hospitality occupiers. As the crisis has unfolded, not only have new measures been put in place as further implications reveal themselves, but the emergency measures initially introduced have been updated, or had their remit widened as the Government, businesses and society try to cope with and make sense of a truly extraordinary course of events.

The scheme didn't discriminate, so businesses owned by tax exiles, such as Arcadia and Matalan, have been eligible alongside more strait-laced peers such as John Lewis. There's nothing to block a well-capitalised company furloughing staff as a precaution. There's nothing to prevent a company making staff redundant while on furlough and using state money to pay the notice period. And there's nothing to stop an employer furloughing staff as an option at taxpayers' expense, knowing that they will probably be sacked anyway. The Office for Budget Responsibility reckons about 15% of furloughed workers, or 1.3 million people, will end up on dole queues — hence the bonus scheme.

The furlough scheme was commendably simple. Since March, any company has been able to shelve staff and have 80% of their wages paid. More than a million employers have furloughed nine million employees at an estimated cost of £47bn.

As the UK economy begins to recover, an expected jump in unemployment later this year will be a headwind. The economy is not expected to have returned to pre-Covid-19 levels until early 2022, with interest rates on hold until late 2023.

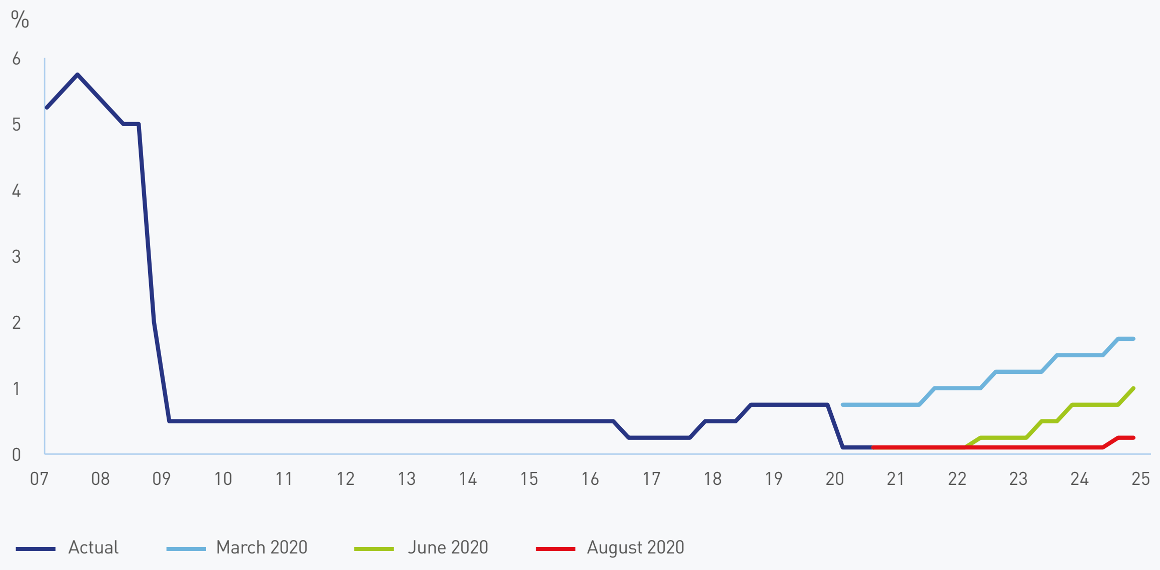
Monthly GDP data shows that most of the hit to GDP was felt in April. As businesses started to re-open in May, economic activity has started to recover, with GDP rising by 2.4% month on month in May and 8.7% month on month in June. With pubs and restaurants opening their doors again in July, this will have helped to give the economy a further boost last month.

But there is a long way to go. To put things into perspective, at the end of June, the economy was still 7.5% smaller than at the lowest point during the financial crisis, and roughly the same size as it was at the start of 2003.

As business activity continues to improve, headline survey data and GDP numbers are unlikely to provide a good gauge of the underlying strength and durability of the recovery for some time. We expect the real test for the economy will come later this year as the level of support provided by the government's furlough scheme is reduced and ultimately comes to an end on 31 October.

Brexit negotiations remain an outstanding issue for the UK, with the failure to reach an agreement likely to hold back the recovery towards the end of year and into 2021. Having decided not to request an extension to the 31 December 2020 transition period end point, time is ticking away fast to find a deal (or not). This is likely to add to the near-term uncertainty for occupier and investment markets.

OXFORD ECONOMICS UK INTEREST RATE FORECASTS



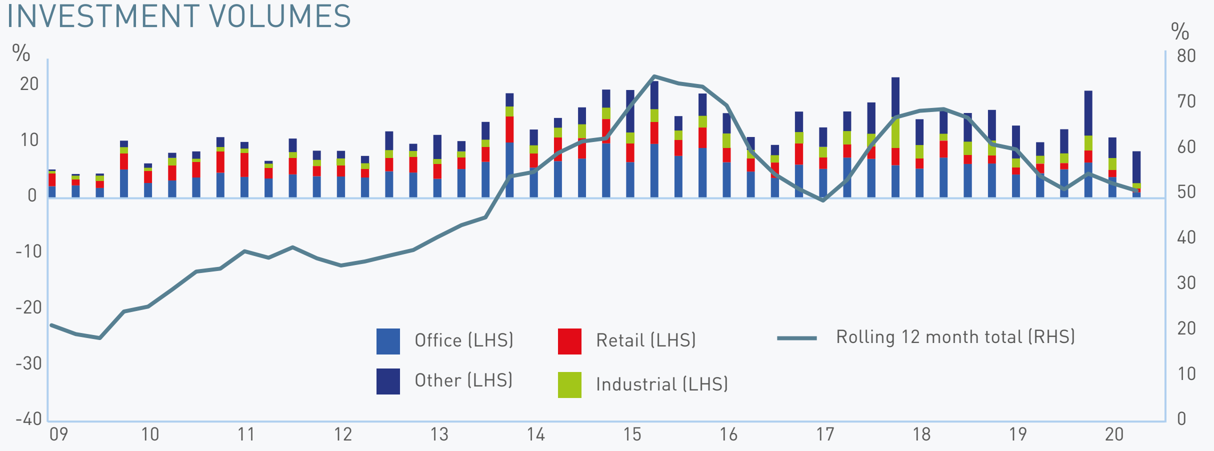
Source: Macrobond, Oxford Economics

One of the major benefits provided by real estate is the continued high income return despite the crisis. Whilst there have been vast differences to how the individual sectors have performed, within the Charities Property Fund we have been able to distribute 80% of Q2 revenues despite all the problems and are confident of receiving the majority of the deferred or unpaid rents that remain outstanding. This compares to the FTSE which has seen a 57% decrease in dividends without any guarantee that any of this will be forthcoming. Interest rates have been reduced to 0.1% and the UK 10 year Gilt rate sits at 0.2%. Against this an income of circa 4% per annum from real estate looks attractive.

ECONOMIC & COMMERCIAL PROPERTY OUTLOOK

Investment activity across the UK office, retail and industrial sectors fell to the lowest level on record in Q2, at just £2.7 billion. Both the office and retail sectors saw record low quarterly investment volumes. Although the industrial sector held up better, it was far from immune as investment totalled just GBP970 million – 45% below the recent five-year Q2 average.

INVESTMENT VOLUMES



Source: Real Capital Analytics

Had it not been for Blackstone's £4.7 billion purchase of the student accommodation portfolio from iQ, total investment would also have slumped to a record low of just £3.72 billion. Thus, the underlying strength of investment is arguably far weaker than the already poor headline total suggests.

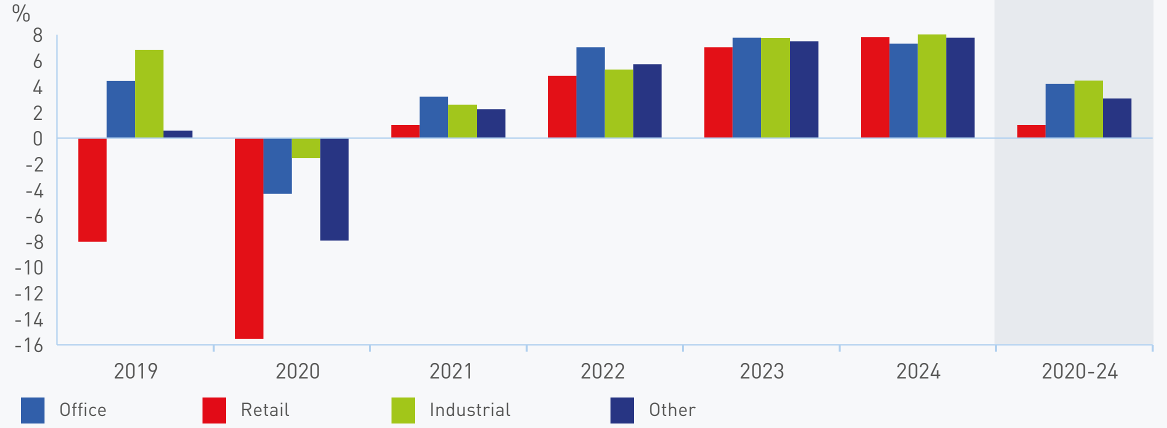
The easing of movement restrictions should provide some support for an increase in deals to proceed over the second half of the year, although various global travel restrictions will still be an impediment. A lack of available assets on the market is also likely to hold back transaction volumes.

We expect investors to take a cautious approach to the UK market over the next six months, focusing on core assets which are likely to outperform, as they digest the strength of the economic recovery and Brexit negotiations. With interest rates forecast to be close to zero for at least another 2-3 years, we expect that this will continue to support capital flows into real estate, and with it, pricing.

Total returns are forecast to be negative across the three main sectors this year, albeit the relative difference between the office and industrial sector compared to the retail sector is stark. Returns in the industrial sector are forecast to be -1.6%, compared to -4.3% for the office sector and -15.5% for retail.

Although capital values could see small falls in 2021, this is not expected to result in negative returns again next year.

TOTAL RETURN FORECASTS



Source: RealFor, Savills IM

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Retail is experiencing its annus horribilis. If you thought things were bad before that seems to have only been the tip of the iceberg. Footfall is down 67% down on Oxford Street and Regent Street from the same period last year, hit by the perfect storm of a sparsity of both office workers and tourists. Waterstones, the bookseller, has reported its sales on Piccadilly are 85% down on the same period last year. Some of the larger businesses can withstand this (for a while), but the smaller ones have no chance. Visits to shopping centres rose by 2.4% week-on-week in July, but footfall was still 37% lower than a year ago.

Marks & Spencer's plans to cut 7,000 roles and this has taken the number of jobs at risk at big British businesses since the pandemic began to 205,000. This is 10% of M&S's workforce and the axe will mainly fall in town centres. Whilst they reported food sales were up 2.5% at their out of town Simply Food Stores, in-town clothing sales are down 38%

Many other retailers are struggling as a result of low footfall and social distancing. The department store Debenhams, which has 14,000 staff, has lined up liquidators if attempts to sell the business fail.

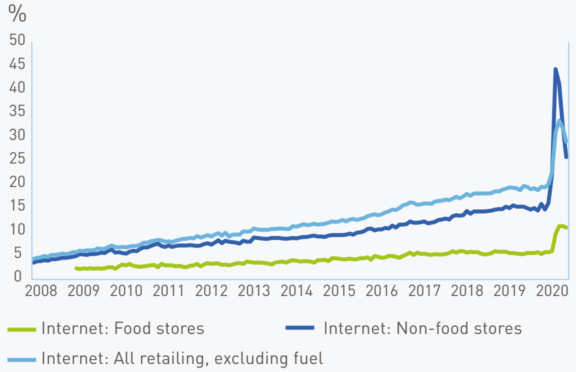
However, on a positive note, total retail sales have now recovered to pre-pandemic levels. Interestingly but perhaps not surprisingly - fashion sales are 30% down. People have been spending less on clothes, on travel (airlines and airports) on accommodation (hotels and travel companies) and on going out generally (restaurants, nightclubs and cinemas). This has resulted in a host of failures and CVA actions.

scheme has also been very successful in encouraging a return to restaurants.

UK CONSUMER CONFIDENCE INDEX AND RETAIL SALES

Source: European Commission, Macrobond, Savills IM

INTERNET SALES AS A SHARE OF ALL RETAIL SALES



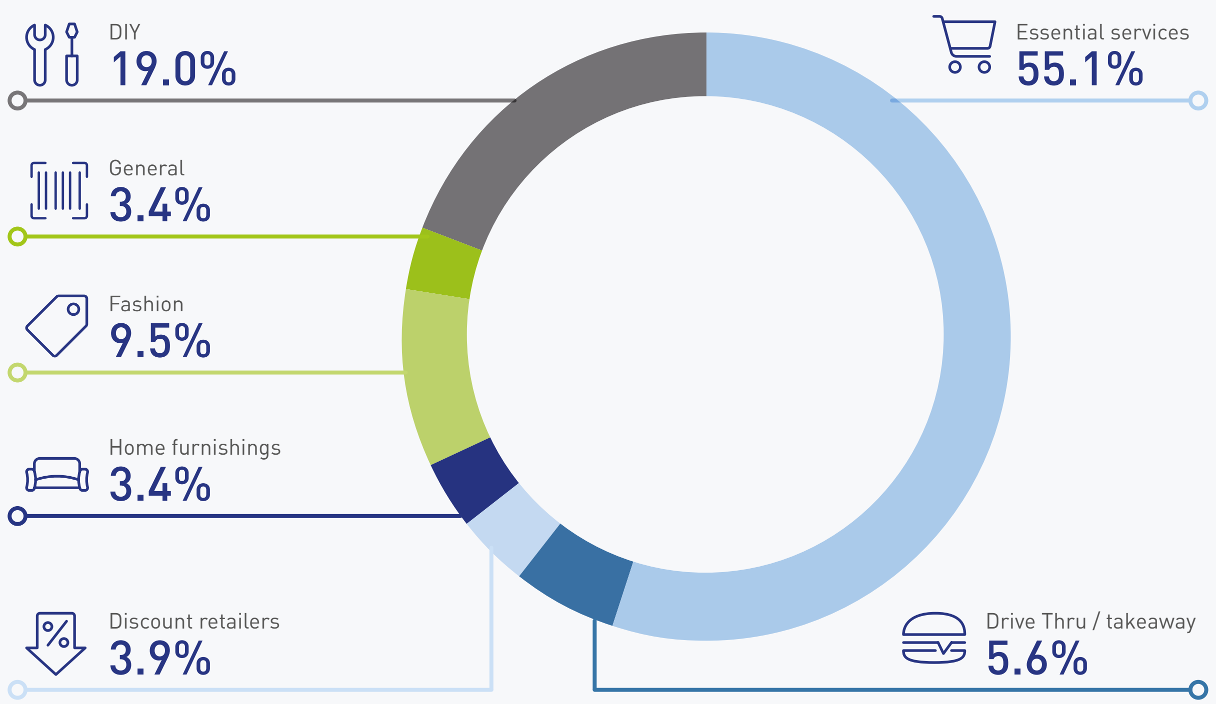
Source: European Commission, Macrobond, Savills IM

However, people have been spending a lot more on eating at home - supermarkets and discount retailers have reported profits up between 10-30%, DIY and furniture - buying BBQs for all the lovely weather we have had or something to wash it all down with – alcohol sales were up by 28.3 per cent in July. The recent eat to help out

Online food shopping hit another new record in the four weeks to August 9, with 13.5 per cent of all sales now ordered online, almost double pre pandemic levels. Total online sales have jumped 50% to 30% of all sales.

Looking at the CPF portfolio, we have no shopping centres and very little High Street exposure – only 1.2% of the total portfolio. The rest is in supermarkets at 7.1% and retail warehouses at 14.6%. What is really interesting is that whilst rental collection rates in our High Street portfolio were only 38% (and this is reflected across the wider industry), within the supermarket sub sector our collection rates were 100% and in retail warehousing 79%. This gives us an overall rental collection rate in retail of just over 80%.

RETAIL PORTFOLIO BREAKDOWN



As can be seen from the above chart 55% of our exposure in retail is to essential services retailers. These have remained open throughout the crisis and have been very dependable payers of rent. Add in DIY, drive thru restaurants, discount and home furnishing retailers – who have all done exceptionally well since lockdown was ended and that accounts for 87% of the portfolio. This explains why our rent collection has been so high and we haven't experienced some of the valuation falls of the major funds and REITs.

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There are two schools of thought as to the future of the office. The first is that Covid-19 is a complete game changer resulting in huge societal change and it's effectively the death of the office. Like Victorian factories, technology has made them redundant in a short space of time.

Covid-19 has resulted in 10 years of economic and social change occurring in a few short months and large amounts of office space are lying empty, which will cause huge short-term damage to the centre of London and other cities. Offices are like coral reefs with many smaller related businesses relying on the life that offices bring to an area. No tourists and far fewer office workers mean some of these businesses will go bust.

Staff in the US and UK are more negative about returning to the workplace than their counterparts in Germany, France, Italy, Singapore and Spain. That nervousness is reflected in the number who have returned to work. A poll last month found only 34 per cent of UK office workers said they had gone back to their usual workplace, compared with 83 per cent in France.

NatWest said last month that its 50,000 staff would stay at home until 2021. The British arm of Google has told its 4,500 employees that they do not need to return to the office until next July. Schroders have allowed staff to only come in when they need to. This example may also encourage other businesses to allow staff to work from home so they can save costs by reducing expensive office space.

Frances O'Grady, general secretary of the TUC suggests that the contract between society and business has changed forever and that the office will become a convening place where you get teams together, but the work will be done in people's homes. "Flexible working should be a day one right that's available to everyone not just for the length of this pandemic. That's why we are calling on ministers to change the law so that people can work flexibly, regardless of what job they do or what type of contract they are on".

However, the second school of thought is that whilst Covid-19 has accelerated change, companies were already allowing for agile working and many staff were already working from home at least one day a week. This might increase to two over a much shorter time frame, but companies will still need offices. People need to bounce ideas off each other, how can we train graduates at home, how can the younger generation put up with working in a cramped flat share with no garden. Fine for those in big houses with a garden but that is not the majority.

The second point is Culture – we have spent years building culture at work and mentoring people – and this has helped us cope with a world of Zoom and Teams, but what happens in 12 months time when new colleagues have joined, including perhaps a new graduate intake. We have been living off this culture during lockdown, but it will deteriorate if it is not cultivated. Endless Zoom calls are ultimately no substitute for face-to-face conversation. Creativity and decision-making have undoubtedly suffered in lockdown and the social side of office life can be understated: the past few months have been little fun for graduates cooped up in one-bedroom flat or house shares.

The other issue is the damage it is doing to our towns and cities. These empty offices are turning our urban centres into ghost towns. If employees don't start drifting back to the office and getting at least some blood circulating around the oxygen-starved small businesses that need white-collar workers to spend money — the bars, cafés, restaurants, dry cleaners and shoe-repair shops, then the damage will be catastrophic. We can't absorb such a change in such a short period of time, the destruction to businesses and property values is too pronounced. PWC and others can let their staff work from home, but there may not be any work for them to do if all these businesses go to the wall. Similar to the "dig for Britain" campaign in the second world war – we are already starting to see a socially driven return to work to save Britain strategy.

So offices and employees will be more flexible. Demand will clearly be impacted in the short term, but good that we went into this with a low level of supply in London (circa 4% vacancy) and in the regions (where supply was at a 12 year low). It is a challenge and rents will undoubtedly fall in the short term, but don't write the entire sector off just yet and let's see what happens when the novelty wears off.

The office sector is the smallest major sector represented within the Charities Property Fund portfolio at 21.6%. The Fund has always focussed on affordability and buildings with alternative uses.

Our London portfolio comprises six buildings collectively making up 58% of our UK office portfolio and 12.5% of the overall portfolio. Our buildings are small, with an average floor plate of less than 5,000 sq ft and are attractive to a wide range of potential occupiers. Importantly all of our office buildings are on a human scale. The average building size is only 20,000 sq ft, which allows occupiers to have their own front door, windows can be opened and lifts are less necessary as none of the buildings are over six storeys high. Due to the small building sizes we have had interest from occupiers looking to downsize, so a reduction in office requirements nationally may conversely have a knock on benefit for smaller self contained buildings, like those in the Fund.

We have six buildings in London, but excluding our largest asset in Farringdon – majority let to Macmillan Publishers for a further 13.5 years the remainder are generally small Victorian Warehouses of 17,000 sq ft on average - not large skyscrapers. The average rent payable is just over £46.50 per sq ft within London, compared to prime rents of over £100 per sq ft and they are eminently sustainable. They use fewer resources and have already been adapted for multiple alternative uses over their life cycle.

Outside London we own a further 17 assets, let at an average of £17.75 per sq ft, again providing buildings of on average only 20,700 sq ft with small average floor plates of 5,500 sq ft and offering affordable space in locations such as Maidenhead, Staines, Cheltenham, Bath, Birmingham, Bristol and Brighton. We again are insulated by the small average size, quality of buildings and diversification of locations and almost all of them benefit from alternative uses should demand evaporate.

INDUSTRIAL & DISTRIBUTION - IN FOCUS

In contrast to the office and retail sectors, industrial demand has shown no signs of stress. Savills Research, report record take-up of close to 15 million sq ft in Q2 2020 – 33% higher than Q2 2019's record and more than double the 10-year second quarter average. As a result, year to date take-up was a record 22.4 million sq ft – 25% higher than the previous January to July record of 18 million sq ft in 2014.

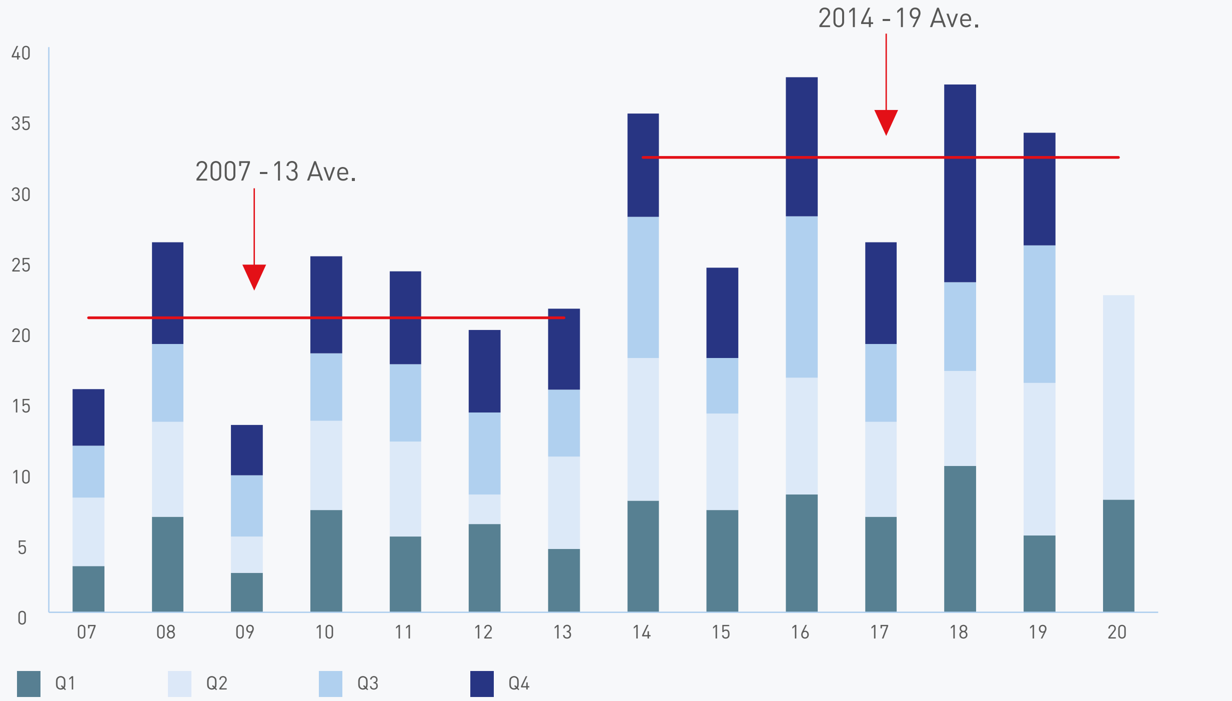
A big surge in online shopping has been a key factor supporting industrial take-up. Amazon was particularly active in the first half of 2020, accounting for 36% of total leasing volumes. Short-term requirements also provided a boost, with 11% of take-up being for leases of less than 12 months.

The Covid-19 induced closing of non-essential stores pushed consumers online. Amazon have reported that this has advanced its business plan by five years. While it is too early to know the extent to which consumer spending habits have been permanently changed, Covid-19 has accelerated what was already a clear trend.

Perhaps the bigger question is whether the point at which the share of online retail sales starts to flatten will happen sooner, and/or if it will now be at a higher level?

With the UK economy not expected to have fully recovered until 2022, there is a risk that the sharp rise in online sales means that occupier demand has been brought forward. Add to that Brexit-related disruption as the UK moves to a new era of trade relations with the EU at the start of 2021 and we perceive that there are some downside risks to the strength of occupier demand ahead. However this is not evident yet.

UK INDUSTRIAL AND LOGISTICS TAKE-UP (MILLION SQ FT)



Source: Savills Research

INDUSTRIAL & DISTRIBUTION - THE FUND

Industrial & Logistics is our largest exposure within the fund and has always been our most favoured sector.

The Fund has a very well diversified estate of industrial and logistics units extending right across the UK in 43 separate assets providing 65 individual units and covering 3.35 million sq ft. The unit sizes are generally small benefitting from a much wider pool of occupiers. The average rent per sq ft is low at only £5.19 per sq ft and the average capital value per sq ft is in line with replacement cost, which is a very defensive position.

3.35 million sq ft

Units of

2,500 - 180,000 sq ft

Average unit size

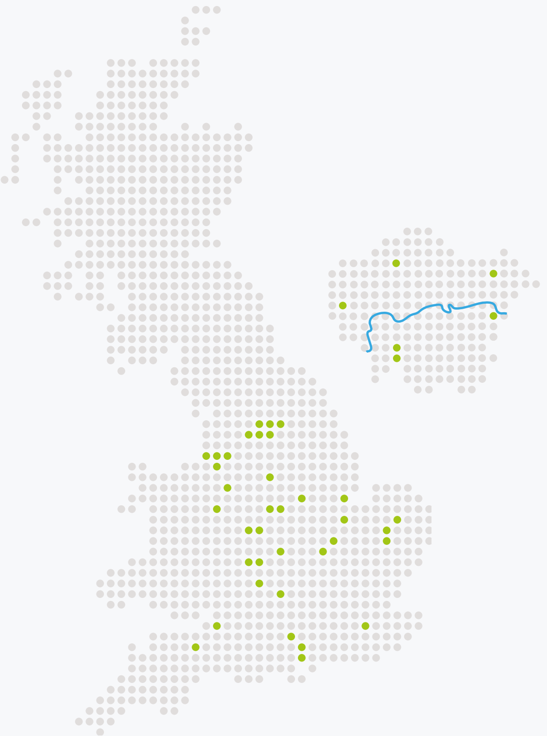
51,500 sq ft

Average rent

£5.19 per sq ft

Average capital value

£94.00 per sq ft

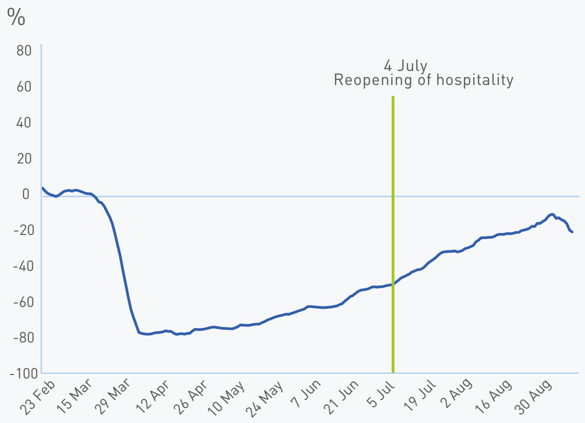


ALTERNATIVES - IN FOCUS

The devastation Covid-19 is causing the ancillary businesses that depend on footfall can hardly be overstated. Pret A Manger, the sandwich chain, has suffered an 80% drop in sales and is closing 30 of its 410 stores. Similarly, the hundreds of thousands of smaller operators who would never have thought they would have to deal with a revenue shortage like this. The reduction in office workers and tourists has had a marked impact on hospitality and hotels. The supermarkets may be outperforming but often at the expense of restaurants.

The chart below looks at hospitality footfall. At the start of August restaurants saw food sales double in a week as the Government's Eat out to Help Out discount scheme kicked in. Food sales on Monday 3rd August were up 100% week-on-week. The staycation tourist season has also provided a boost for Cornwall, Blackpool and the Isle of Wight, but the average is still down 28% for the whole of the UK compared to pre-pandemic.

GOOGLE MOBILITY DATA

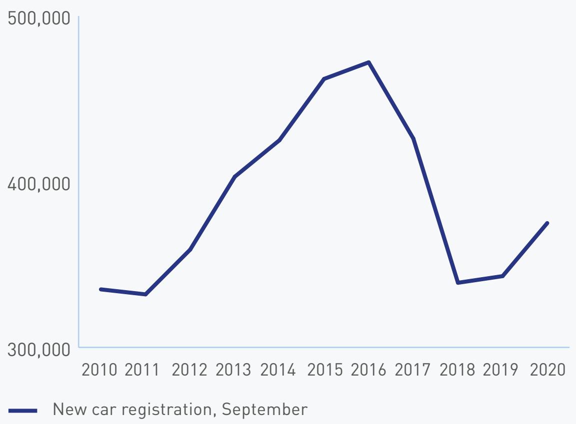


Source: Google

Looking at car dealerships, private car sales were up by more than 20% in July compared to a year earlier, albeit this was simply pent up demand due to the lockdown. If we look at car sales year to date 2020 compared with last year, sales are down from 1.426 million To 828,000; a fall of 41%. Having said that, it is not surprising bearing in mind the showrooms have been shut for almost 60% of this year. Certainly it appears that demand for cars has surged as people eschew public transport. It is easy to social distance and with most people having staycations or unable to take a summer holiday there has been more interest in upgrading the family car. There is even a phrase of "revenge buying", that infelicitous buzzword describing aggressive retail therapy after enforced austerity, is awash in the country's showrooms.

However, whether these levels of sales can be continued throughout the autumn whilst unemployment levels rise remains to be seen.

NEW CAR REGISTRATIONS



Source: SMMT

Elsewhere, hotel occupancy was outlawed under lockdown but has bounced back strongly, although it didn't stop Travelodge taking advantage of the situation to launch a CVA.

Student numbers also dropped back completely and whilst some high profile organisations such as Cambridge University have insisted on virtual courses for a year, students seem unfazed about going back in September.

Likewise gyms have had a torrid time, Virgin Active have lost 70,000 members in lockdown and DW Fitness have recently had to undertake a CVA, being taken over by Sports Direct. However, most operators seem confident of a bounce back with a number of them firmly on the acquisition trail (including Sport Direct and PureGym).

ALTERNATIVES - THE FUND

Hospitality has been the worst affected segment of the portfolio for us from a rent collection viewpoint with only 38% paid for Q2 during the quarter.

This is perhaps not surprising bearing in mind that restaurants, health and fitness, hotels and serviced apartments have been among some of the worst affected areas. However we firmly believe we will collect the majority of these rents over time.

The hotel segment of the portfolio was particularly affected – most notably by the Travelodge CVA. The Fund owns three Travelodge assets but we are pleased to report that both Cambridge and Poole are Category A hotels meaning they are in the top 10% of performers for the firm. Therefore they have now paid all rent due and will continue to do so. Bath is a Category B hotel, which will suffer a small temporary rent reduction, before reverting to its previous level, but it is small and only represents 20% of our exposure to the brand. As a result we will receive 88% of all rent due from these three hotels in 2020 and 95% in 2021. Thereafter we will receive 100% of the previously contracted rent.

We have been impressed by our car dealer groups, who appear very well capitalised. Four out of five of them paid all the rent due during Q2 2020 and whilst we have subsequently agreed deferrals on some, this is already in the process of being repaid. The locations and quality of the brands has undoubtedly helped and 80% of rent for Q2 has been paid.

We have recently agreed terms with Jurys Inn in Brighton where they will pay all the rent due over the next 18 months, we have already agreed full repayment terms with D'Overbroeks School in Oxford and are close to documenting a lease extension with Virgin Active at Rayleigh which is a very good club for them, in return for a short rent free period.

The quality of the locations the Fund is invested in has really helped with this (highlighted by the photographs on this page) and the expected collections of rent due. The high percentage of fixed or RPI increases – 85% of the Fund's portfolio benefits from indexation and 100% from long leases – 18 years on average, have insulated the Fund despite the effects of Covid-19.

Savills Investment Management is a specialist international property investment management business with c.**£18.3 billion** of assets under management (as at 30 June 2020) and an experienced team of c.300 professionals located in 16 offices across Europe and Asia. It has provided investment services for 30 years, comprising separate accounts and investment mandates on an advisory or discretionary basis, and the establishment and management of pooled property funds.

PROPERTY

Harry de Ferry Foster
Fund Director

Harry de Ferry Foster is the Fund Director for The Charities Property Fund with responsibility for all aspects of the management of the Fund and for ensuring the Fund fulfils its objectives. He has held this post for 12 years.

Day to day, Harry's role encompasses setting the strategic framework of the portfolio, equity raising, investor relations and marketing, sourcing property investments and investing new subscriptions and managing the Fund team.

Harry is also head of Savills Investment Management UK business and has been with Savills Investment Management for 17 years. He sits on the UK Management Committee, the Transaction Advisory Committee and the Portfolio Advisory Committee.

Harry started his career at Cushman & Wakefield (formerly Healey & Baker) in investment agency before assisting with the establishment of their Fund Management team in 1998 and worked on a number of pension fund and charity accounts, including The Wellcome Trust and Guy's and St Thomas' Charitable Foundation.

Harry became RICS qualified in 1999 and has over 20 years experience in property investment and fund management. Harry completed the Investment Management Certificate (IMC) exams in 2003.

Angy Benitz
Fund Manager

Angy Benitz is the Fund Manager for the Charities Property Fund. Angy's primary role involves asset acquisition and disposal together with adopting portfolio and fund management initiatives. He sits on the Transaction Advisory Committee and the Portfolio Advisory Committee.

Angy joined Savills Investment Management in September 2010 from DTZ where he spent 8 years in a variety of advisory roles with an emphasis on investment agency representing a range of clients on acquisition and disposal transactions of commercial real estate within the UK.

Angy graduated from Oxford University in 2001 before joining DTZ and becoming RICS qualified in 2005.

Jim Garland
Portfolio Manager

Jim Garland joined the Savills Investment Management investment team in 2009 where he worked as an analyst in research and strategy contributing to the creation of house views, fund reporting and ad hoc research assignments. Jim moved across to the Charities Property Fund team in 2014. As a Portfolio Manager, Jim supports the Fund Manager and Fund Director with asset management initiatives, acquisitions and disposals.

Prior to joining Savills Investment Management Jim worked at a healthcare strategy and marketing consultancy.

Jim graduated from UCL in 1999 with a degree in Biotechnology and gained an MSc in Real Estate at Cass Business School in 2009. Jim is RICS qualified and has completed the Investment Management Certificate (IMC) exams.

Maggie McQuaid
Portfolio Manager

Maggie McQuaid is Portfolio Manager for the Charities Property Fund. Her day to day role involves asset acquisitions and disposals together with the execution of asset management initiatives.

Maggie graduated from the University of Ulster in 2011 with a degree in Property Investment & Development. She worked for MSCI for over a year following her degree after which time she joined the Savills Graduate Scheme in 2013. She spent time in hotel valuations, retail investment, property management, commercial valuations and Savills Investment Management prior to becoming RICS qualified in 2015. Following qualification she worked in a hotel valuation advisory role at Savills prior to joining Savills Investment Management in 2017. She has recently completed the Investment Management Certificate (IMC) exam.

CHARITIES PROPERTY FUND TEAM

Clients include pension funds, insurance companies, endowments, charities and family offices on whose behalf we invest in office, retail, industrial, residential and alternative sectors in property. Savills Investment Management is wholly owned by the Savills Group, a FTSE 250 company and international real estate consultancy. Savills Investment Management retains operational independence from the wider Savills Group to enable us to act on a best execution basis on behalf of our clients.

INVESTOR RELATIONS

Lucy MacEwan
CPF Marketing Manager

Lucy joined Savills Investment Management in 2017. She is responsible for the marketing of CPF and investor relations with both existing and potential investors. Her day to day role involves investor communications, fund dealing, reporting and event management. She is also responsible for the Fund website and marketing documents.

Lucy graduated from University of Exeter in 2016 with a BA degree in Anthropology.

INVESTOR RELATIONS

Katie Joyce
UK Business Development

Katie joined Savills Investment Management in June 2019 and is responsible for UK business development. Prior to joining, Katie was with Mayfair Capital where she began her career. Here she worked on the charities fund in marketing and investor relations.

Katie graduated from University of Exeter in 2014 with a BA degree in Geography.

FINANCE

James Davis
Fund Finance Manager

James Davis is a Fund Finance Manager, responsible for financial reporting and analysis, and administrator management.

James joined Savills Investment Management in May 2019 from Goldman Sachs where he was a financial controller in investment accounting, with a focus on investments in real estate across the UK, Ireland, Netherlands and Luxembourg.

James started his career in the audit practice at KPMG in Adelaide, Australia, where he completed his chartered accountancy qualification (CA), before moving to Ernst & Young in London, UK.

James graduated from the University of South Australia in 2009 where he studied accounting and corporate finance.

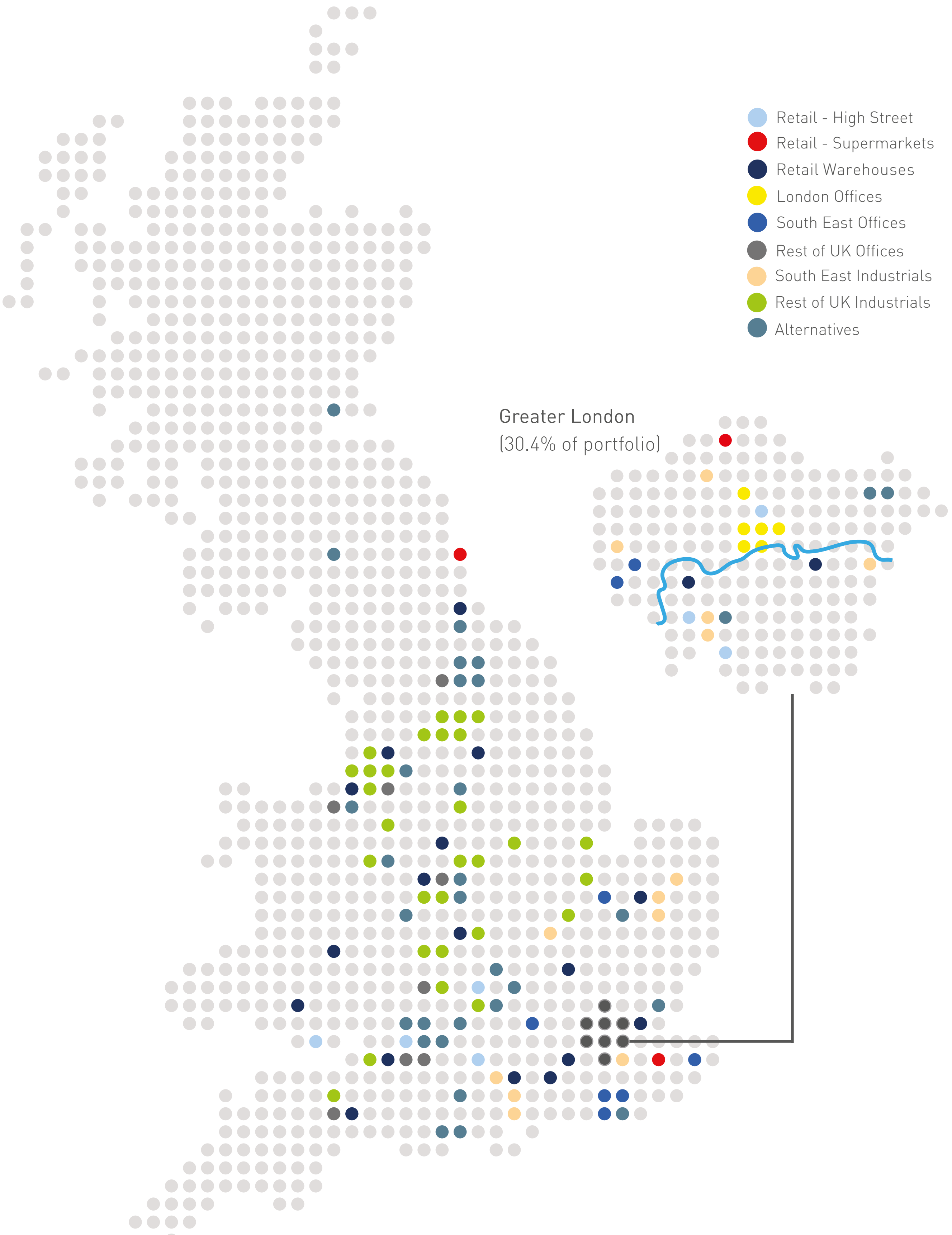
Kathryn Angliss
Fund Finance Associate

Kathryn Angliss is a Fund Finance Associate, responsible for financial reporting and analysis, and administrator management.

Kathryn joined Savills Investment Management in May 2019 from Sanne Group where she worked within the Fund Administration team on various debt funds. Prior to this she worked within the Audit and Tax departments at KPMG Channel Islands, where she qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Kathryn graduated from the University of Warwick in 2013 before starting at KPMG.

MAP OF PROPERTIES



LIST OF PROPERTIES

RETAIL - HIGH STREET

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
1	Bath	Vacant	-	-
2	Cardiff	Burger King	325,000	2023
3	Cheltenham	Poundland	128,600	2020
4	Cobham	Lloyds Pharmacy	86,000	2021
5	London N1 (Chapel Market)	JD Sports, Superdrug	194,000	2020
6	Marlborough	Superdrug	140,000	2020
7	Walton-on-Thames	Benson Beds	121,451	2025 (2020)
		Total, High Street	**995,051**	

RETAIL - SUPERMARKETS

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
8	Barnet	Sainsbury's	1,948,449	2037
9	West Malling	Waitrose	180,744	2026
10	Gateshead	Tesco	2,262,843	2048 (2033)
		Total, Supermarkets	**4,392,036**	

Marlborough

West Malling

CHARITIES PROPERTY FUND

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RETAIL WAREHOUSES

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
11	Basildon	McDonald's, KFC, Pets at Home, Farmfoods, Poundland	677,705	2021 - 2035
12	Basingstoke	Homebase	900,000	2026
13	Bristol	Pets at Home, McDonald's	378,320	2022 - 2027
14	Bury	Halfords, KFC, Home Bargains, Farmfoods	489,623	2021 - 2041 (2026 - 2036)
15	Bury St Edmunds	Matalan	305,000	2029
16	Canterbury	Dunelm, Poundstretcher	521,000	2026
17	Chesham	Wickes	306,400	2026
18	Doncaster	Wickes	296,327	2028
19	Guildford	Magnet	600,000	2024
20	Halewood	Aldi, Card Factory, Age UK, Home Bargains, Tesco, Iceland, Ladbrokes, Specsavers, Subway, Post Office, Sunseekers Sunbeds, Halewood Fish Bar, Brunch Box Cafe, Marie Curie Cancer Care, Private Individuals	702,124	2020 - 2037 (2022 - 2025)
21	Hereford	Pets at Home, Lidl, Poundstretcher	328,609	2023 - 2024
22	London SE7 (Greenwich)	Next, Primark, Aldi	1,816,625	2032 - 2037 (2032)
23	Merthyr Tydfil	Halfords, Home Bargains, Sports Direct, Dreams, Poundstretcher, Iceland, Private Individuals, Gregs plc	721,111	2021 - 2029 (2024)
24	Middlesbrough	B&M	239,180	2023
25	Redditch	Pets at Home, Poundstretcher, Iceland, Home Bargains, KFC, Costa Ltd, Sue Ryder, KFC	1,025,741	2021 - 2029 (2024)
26	Redhill	Majestic Wine	42,500	2025 (2023)
27	Taunton	Matalan	175,185	2029
28	Twickenham	Currys, Wickes	951,500	2024 - 2032
29	Uttoxeter	B&Q, Shoe Zone, Poundland, Pets at Home, Argos, B&M, KFC, Frankie & Benny's, Poundstretcher, Majestic Wine, Scentarea, PR Bason & J Gathercole	875,401	2020 - 2032 (2021 - 2023)
30	Wolverhampton	JD Sports Gyms, Iceland Foods	475,000	2028 - 2032 (2027)
		Total, Retail Warehouses	**11,827,351**	

Basingstoke

Twickenham

LONDON OFFICES

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
31	London E1 (Whitechapel)	The British Diabetic Association	1,126,173	2026 (2023)
32	London EC1 (Farringdon)	Macmillan Publishers International Ltd, Houst Ltd	3,014,371	2024 - 2034 (2022 - 2029)
33	London EC2 (Shoreditch)	Michael J Lonsdale	425,810	2024
34	London EC2 (Shoreditch)	LK Bennett Fashion Limited	300,000	2030 (2025)
35	London N1 (Shoreditch)	Leewrangler UK Ltd, Sunshine Partners, Spiers & Major, UK Broadband	598,560	2020 - 2027 (2022)
36	London NW5 (Kentish Town)	Marketing VF	750,000	2026 (2021)
		Total, London Offices	**6,214,914**	

SOUTH EAST OFFICES

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
37	Brighton (Aspect House)	NHS, Bullhorn International, Michael Page	265,829	2020 - 2026 (2021)
38	Brighton (International House)	Fitness First, Budgens, The Student Room Group, Hays, Brightwave, Brilliant Noise, Haybury	841,454	2021-2028 (2021 - 2023)
39	Brighton (Queens Road)	E-Techzone, NEB Ventures Ltd	56,000	2025 - 2027 (2022)
40	Feltham	The Secretary of State for Communities and Local Government	750,060	2032
41	Huntingdon	Cambridgeshire & Peterborough NHS Foundation	102,631	2022
42	Maidenhead	Regus, Copper Street Capital	587,301	2021 - 2023
43	Staines	Givaudan UK	127,000	2028 (2023)
		Total, South East Offices	**2,730,275**	


London, EC1


Feltham

REST OF UK OFFICES

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
44	Altrincham	Bolling Investments Ltd	368,567	2033 (2028)
45	Bath	Abel & Imray, Gradwell Communications, EIP Partnership, Coral, Starbucks	420,138	2020 - 2024
46	Birmingham	Spring Group, Arval UK	604,246	2020-2024
47	Bristol	Films at 59, Handelsbanken	279,015	2021
48	Cheltenham	Abercrombie & Kent, Giant Finance Limited	454,206	2024-2029 (2022 - 2024)
49	Chester	The Secretary of State for Communities and Local Government	437,615	2026 (2021)
50	Ilkley	Smartsearch, Modus UK	453,775	2028 - 2033
51	Newcastle	Ryder Architecture	310,245	2033
52	Taunton	Lloyds Bank	185,105	2020
		Total, Rest of UK Offices	**3,512,912**	

SOUTH EAST INDUSTRIALS

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
53	Basingstoke	Leverton Clarke	452,336	2033
54	Basingstoke	Vodafone, Berry Bros & Rudd	483,350	2025 - 2027
55	Belvedere	Allied Hygiene Systems Ltd	600,000	2043 (2033)
56	Bury St Edmunds	Vitec Videocom	587,400	2032
57	Bury St Edmunds	Unipart Logistics Ltd	878,435	2044 (2034)
58	Chigwell	Sytner	435,000	2056 (2036)
59	Epsom	Storage King, Screwfix Direct, Euro Car Parts, Heating and Plumbing Supplies, AWE Europe, HSS Hire Services, Photo Me International	761,928	2023 - 2033 (2024)
60	Hayes	Tempur UK	497,097	2021
61	London NW9	VW Group	245,000	2031
62	Milton Keynes	Ceva	435,085	2020
63	Portsmouth	SMR Automotive Mirrors UK	600,000	2034 (2029)
64	Thames Ditton	Sytner	316,754	2056 (2026)
65	Thetford	TNT	80,000	2020
66	Tonbridge	NW Autocentres, Kentec Tool Hire, Kentec Training, The Tyre Store	132,050	2022 - 2027 (2022)
		Total, South East Industrials	**6,504,435**	


Bury St Edmunds


Hayes

REST OF UK INDUSTRIALS

	Property	Principal Tenants	Annual Rent As at 24 June 2020 £	Lease Expiry (Break)
67	Birmingham	Carpet & Flooring (Trading)	310,005	2020
68	Boston	Touch Global (UK) Limited, Dhammatek Limited, Renal Services (UK) Limited	295,146	2022 - 2045 (2025 - 2027)
69	Bristol	Kuehne + Nagel	515,000	2030 (2024)
70	Burton-upon-Trent	Waterstones	950,000	2023
71	Gloucester	Severn Glocon	525,000	2028
72	Huddersfield	Ryobi Aluminium Casting	320,196	2021
73	Liverpool	Amazon UK	577,500	2026 (2021)
74	Liverpool	Toyota TT Assembly Systems	715,000	2023
75	Manchester	Royal Mail, Wilkinson Star	318,250	2027 - 2028 (2022)
76	Newcastle-under-Lyme	Intelipac Paper Manufacturing Ltd	140,000	2020
77	Normanton	Kelling Group	315,000	2032
78	Normanton	United Autosports	215,107	2024
79	Normanton	Kongsberg Actuation Systems	413,704	2038 (2028)
80	Normanton	PNS UK	207,905	2036
81	Normanton	Really Useful Products	270,620	2022
82	Nottingham	Turbine Surface Technologies	433,843	2026
83	Peterborough	Sage Publications	182,900	2020
84	Redditch	Vacant	-	-
85	South Normanton	Recticel	310,000	2031
86	Swindon	Jewson	172,500	2023
87	Tamworth	Speedy Hire	969,878	2029
88	Taunton	Rotec Hydraulics, Marshalsea Engineering Limited	142,647	2026 - 2029 (2022 - 2024)
89	Telford	Vacant	-	-
90	Tewkesbury	Tata Steel	879,417	2023
91	Tewkesbury	Idemia UK Limited	270,000	2030 (2025)
92	Wakefield	Verhoek Europe	238,400	2025 (2020)
93	Warrington	Eddie Stobart	350,000	2033
94	Wednesbury	AF Blakemore & Son	371,500	2024
95	Wellingborough	CCL Label	476,589	2030
		Total, Rest of UK Industrials	**10,886,107**	


Wellingborough


Burton-upon-Trent

CHARITIES PROPERTY FUND

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	Property	Principal Tenants	Annual Rent As at 24 June 2019 £	Lease Expiry (Break)
	Leisure			
96	Bath (1-3 Westgate Buildings)	Stable Bar & Restaurant, Westgate Bath, DPL Partnership Limited	186,664	2039 (2029)
97	Carlisle	DW Fitness	475,231	2034
98	Harrogate	Five Guys, Mitchells & Butlers, Marston's, Moss Bros, Porco Rosso	420,625	2026 - 2041 (2021 - 2031)
99	Rayleigh	Virgin Active	464,000	2028
100	Sheffield	JD Wetherspoon, ASK, Stonegate, Caffè Nero, Meaty Fish, Yorkshire Metropolitan Housing Association	422,125	2023 - 2044
		Total, Leisure	**1,968,645**	
	Hotels / Student / Serviced Apartments			
101	Bath (5-10 Westgate Buildings)	Travelodge, Sports Direct, Halfords, Sally Salon, F45, Creams Café	510,800	2020 - 2042 (2021 - 2024)
102	Bath	Westgate Apartments	211,003	2027 (2022)
103	Bath	TS Apartments Ltd	153,793	2029
104	Brighton	Jurys Inn	1,757,756	2042
105	Cambridge	Travelodge	1,225,086	2048
106	Manchester	Edyn Limited, Private Individuals, CDP	648,104	2020-2046 (2025)
107	Oxford	D'Overbroeck's	417,000	2047
108	Poole	Travelodge, Costa Coffee, Anytime Fitness, Subway, NHS	723,614	2031 - 2051 (2026)
		Total, Hotels	**5,647,156**	

Brighton

Cambridge

LIST OF PROPERTIES

ALTERNATIVES

	Property	Principal Tenants	Annual Rent As at 24 June 2019 £	Lease Expiry (Break)
	Car Showrooms			
109	Birmingham	VW Group - SEAT	153,872	2027
110	Camberley	VW Group - Audi	333,765	2026
111	Chester	Rybrook - Volvo	240,191	2036
112	Chigwell	Sytner - BMW & Mini	696,858	2056 (2026)
113	Harrogate	VW Group - Volkswagen	340,000	2027
114	Harrogate	JCT600 - Mercedes Benz, BP, M&S	482,068	2035 - 2036
115	Harrogate	Sytner - Audi	540,000	2035
116	Poole	Sandown Motors - Mercedes Benz	395,000	2030
117	Solihull	Rybrook - McLaren & Rolls Royce	314,949	2036
118	Stockton-on-Tees	VW Group - Audi	350,383	2027
119	Swindon	Sytner - Mercedes Benz	455,000	2039
120	Thames Ditton	Sytner - Jaguar Land Rover	342,094	2056 (2026)
121	Worcester	Rybrook - BMW & Mini	618,446	2036
		Total, Car Showrooms	**5,262,626**	
	Roadside			
122	Calne	Esso, Spar	181,025	2035
123	Glenrothes	BP, M&S	264,314	2034
124	Stow on the Wold	BP, M&S	209,311	2033
125	Telford	Welcome Break - Shell, Waitrose, WH Smith, Burger King, Starbucks, Krispy Kreme, Days Inn	1,013,810	2027
		Total, Roadside	**1,668,460**	
		Total, Alternatives	**3,637,105**	
		Total, portfolio	**61,609,968**	

Poole

Chester

AT 24 JUNE 2020

Portfolio of Investments	
Properties valued at greater than £15m	
The Smithson, Briset Street, London EC1	Welcome Break, MSA, Junction 4, M54, Telford
Brocklebank Retail Park, London SE7	8 Shepherdess Walk, London N1
Sainsbury's, East Barnet Road, Barnet	5-10 Westgate Buildings, Bath
Jurys Inn, Stroudley Road, Brighton	Fifth Avenue, Burton-Upon-Trent
Metro Park West, Gateshead	International House, Queens Road, Brighton
Travelodge, Newmarket Road, Cambridge	Emperor Point, Centurion Park, Tamworth
Backchurch Lane, London E1	Epsom Trade Park and Units 450A and 450B, Epsom
Rivington Street, London EC2	Imperial Works, Kentish Town, London NW5
Apex Retail Park, Hampton Road West, Twickenham	Suffolk Park, Bury St Edmunds
Valuation £m (percentage of total net assets)	£454.680 (38.01%)
Properties valued at between £10m to £15m	
Lifeboat Quay, West Quay Road, Poole	Toyota Tsusho unit, Hornhouse Lane, Knowsley, Liverpool
BMW & Mini, Langston Road, Loughton, Chigwell	376 Banbury Road, Oxford
Dovefields Retail Park, Uttoxeter	5 Centurion Way, Belvedere
SACO, Minshull Street, Manchester	York & Wellington House, Dukes Green, Feltham
Aspect House, Queens Road, Brighton	BMW & Mini, Knightsbridge Park, Worcester
Ravensbank Business Park, Redditch	Caxton Point, Printing House Lane, Hayes
Moreton Hall Industrial Estate, Bury St Edmunds	Audi, Harrogate, St James Business Park, Knaresborough
Unit 5300, Severn Drive, Tewkesbury	Trafford Retail Park, Redditch
Homebase, Winchester Road, Basingstoke	
Valuation £m (percentage of total net assets)	£207.900 (17.38%)
Properties valued at between £5m to £10m	
Amazon Unit, Hornhouse Lane, Knowsley, Liverpool	Dawson Road, Mount Farm Industrial Estate, Milton Keynes
Units 1 & 2 Gemini, Hamilton Close, Houndmills, Basingstoke	200 Rayleigh Road, Thundersley, Rayleigh
Mercedes, Drake's Way, Swindon	Kongsberg, Foxbridge Way, Normanton
SMR, Castle Trading Estate, Portchester, Portsmouth	Brook Retail Park, Commercial Road, Hereford
Westpoint, James Street West, Bath	Mayfield Business Park, Ilkley
Severn Glocon, Olympus Park, Quedgeley, Gloucester	Appleton Thorn Trading Estate, Warrington
17-23 Parliament Street, Harrogate	Chester Civil Justice Centre, Trident House, Chester
22-24 Cowper Street, London EC2	Kelling, Trident Park,Normanton
11 Poplar Way, Bristol	Volkswagen Harrogate, St James Business Park, Knaresborough
Wincheap Retail Park, Canterbury	Audi, London Road, Camberley
Warth Path Way, Raunds, Wellingborough, NN9 6NY	Rolls Royce & McLaren, Stratford Road, Solihull
Knight's Park, Houndmills, Basingstoke	Bath Road, Brislington, Bristol
Sytner Jaguar Landrover, Portsmouth Road, Thames Ditton	Audi, Brooklime Avenue, Stockton-on-Tees
Units 3010 and 3020, Birmingham Business Park, Birmingham	Lookers House, Etchells Road, Altrincham
Little Oak Drive, Sherwood Park, Nottingham	BP, M&S, Mercedes Benz, Leeds Road, Harrogate
Barkers Pool, Cambridge Street, Sheffield	Sytner Jaguar Landrover, Portsmouth Road, Thames Ditton
Units 1-3, Phoenix Retail Park, Wolverhampton	AF Blakemore unit, Steelmans Road, Wednesbury
Mercedes, Holes Bay Road, Poole	Old Market Retail Park, Station Lane, Pitsea, Basildon
Moorgate Retail Park, Bury	St George's House, Ambrose Street, Cheltenham
Magnet, Ladymead, Guildford	One Bell Street, Maidenhead
Halewood Shopping Centre, Halewood, Liverpool	The Crystal Building, Langston Road, Chigwell
The Lanconite Building, Stafford Park 6, Telford	Pentrebach Retail Park, Merthyr Tydfil
Whiteladies House, Clifton, Bristol	
Valuation £m (percentage of total net assets)	£327.425 (27.37%)

PORTFOLIO STATEMENT

AT 24 JUNE 2020

Portfolio of Investments	
Properties valued at between £2.5m to £5m	
Units A & B, Wardley Cross Industrial Estate, Manchester	PNS Unit, Trident Park, Normanton
Really Useful Products, Foxbridge Way, Normanton	BP & M&S, Station Road Garage, Stow on the Wold
Emerald Point, Woodgate Valley, Birmingham	Verhoek, Kenmore Road, Wakefield
DW Sports, Currock Road, Carlisle	United Autosports Unit, Trident Park, Normanton
Matalan, Easlea Road, Bury St Edmunds	4 Westgate Buildings, Bath
Units 1 & 2, Bradley Junction Industrial Park, Huddersfield	Little Waitrose, Fortune Way, West Malling ME19 4QJ
Unit 1, Rosevale Business Park, Newcastle-Under-Lyme	B&M Bargains, Parkway Centre, Middlesbrough
Jaguar & Volvo, Sealand Road, Chester	82-83 Queens Road, Brighton
54 & 55 Chapel Market, Islington, London N1	Pippen Service Station, Oxford Road, Calne
Bankhead Park Service Station, Bankhead Park, Woodside Way, Glenrothes	9-10 Trim Street, Bath
Clover Nook Industrial Estate, Alfreton, South Normanton	Unit 18, Fengate East, Peterborough
Skoda, 78 Capitol Way, Colindale, London NW9	Wickes, Townsend Road, Chesham
78 Queen Street, Cardiff	Jewson Unit, Kembrey Park, Swindon
Wickes, Leger Way, Doncaster	Cooper's Studios, 14-18 Westgate Road. Newcastle-Upon-Tyne
Alexandra Way, Ashchurch Business Centre, Tewkesbury	1-3 Westgate Buildings, Bath
Havenside, Boston	
Valuation £m (percentage of total net assets)	£123.200 (10.30%)
Properties valued at between £0m to £2.5m	
232-234 High Street, Cheltenham	Riverdale Industrial Estate, Tonbridge
134 & 135 High Street, Marlborough	Priorswood Industrial Estate, Taunton
Magna House, 78-80 Church Street, Staines	Redshank House, Huntington
Hepworth Way, Walton-on-Thames	16 High Street, Cobham
Sedgemoor House, Deane Gate Office Park, Taunton	TNT Unit, Fisons Way Industrial Estate, Thetford
4 Union Street, Bath	Brighton Road, Redhill
SEAT, Watson Road, Birmingham	Matalan, Bindon Road, Taunton
Valuation £m (percentage of total net assets)	£22.100 (1.85%)
Total value of property holdings	£1,135.305 (94.91%)

	Valuation £000	Percentage of total net assets
Portfolio of investments	**£1,135,305**	**94.91%**
Other net assets	**£60,942**	**5.09%**
Net assets	**£1,196,247**	**100.00%**

London, EC1.
Internal shot of The Smithson

Financial Information

London, EC1

EXPENSE RATIOS

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
24 June 2020	0.59%	0.18%	0.08%
24 June 2019	0.57%	0.13%	0.07%

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for the 12 months prior to the balance sheet date. Operating costs are specifically those costs associated with operating the Fund itself (excluding financing costs) and do not include additional costs associated with the day to day ownership of the assets. The property expense ratio (PER) is the ratio of costs associated with the assets which are not recoverable from tenants to its average net assets for the 12 months prior to the balance sheet date. The transaction cost ratio (TCR) of the Fund is the ratio of all professional fees and other costs associated with the purchase and sale of property to the Fund's average net assets for the 12 months prior to the balance sheet date. The expense ratios have been calculated using the INREV net asset value.

The TER and PER have increased compared to prior year as the Fund's average net assets for the 12 months prior to the balance sheet date have decreased compared to prior year and the property costs have increased predominantly due to an increase in non-recoverable insurance costs. The transaction costs have marginally increased due to more transactions compared to prior year.

PORTFOLIO TURNOVER RATE

	Portfolio Turnover Rate
24 June 2020	4.49%
24 June 2019	3.58%

The portfolio turnover rate gives an indication of how frequently the assets are purchased and sold by the Fund. It is calculated by dividing the total disposal value over the Fund's average net assets for the 12 months prior to the balance sheet date. The current year rate is higher than the prior year as the value of properties disposed during the year has increased by £10 million whilst the Fund's average net assets decreased.

DISTRIBUTION YIELD

	Distribution Yield
24 June 2020	4.0%
24 June 2019	4.2%

The distribution yield represents the total distribution per unit over the period as a percentage of the net asset value per unit as at the end of the year.

ANNUALISED PERFORMANCE

	1 Year*	3 Years**	5 Years***
24 June 2020	-1.2%	4.6%	5.6%
24 June 2019	4.6%	7.3%	9.1%

* total return for twelve months to 24 June 2020
** total return annualised over a three year period
*** total return annualised over a five year period

Source: AREF/MSCI All Balanced Property Funds Index
Basis: Capital NAV-to-NAV with gross income reinvested

CHANGE IN NET ASSETS PER UNIT

	24 June 2020 (p)	24 June 2019 (p)	24 June 2018 (p)
Opening net asset value per unit	128.19	127.74	120.80
Return before operating charges*	(0.65)	6.65	13.20
Operating charges	(1.10)	(0.90)	(0.85)
Return after operating charges*	(1.75)	5.75	12.35
Distributions	(5.00)	(5.30)	(5.41)
Closing net asset value per unit	121.44	128.19	127.74
* after direct transaction costs of:	0.10	0.09	0.13

The above table is calculated using the average number of units in issue during the year to June.

INVESTOR ANALYSIS

Holding	Number of beneficial owners	Total percentage holding %
Less than 0.01%	1,019	4.09
0.01% but less than 0.05%	603	13.81
0.05% but less than 0.10%	133	9.21
0.10% but less than 0.50%	123	27.54
0.50% but less than 1.00%	24	17.97
1.00% but less than 2.00%	13	18.49
2.00% but less than 4.00%	3	8.89
Greater than 4.00%	0	0.00
Total number of investors	**1,918**	
Total number of units in issue at the end of the year at 24 June 2020	**985,020,241**	
Percentage held by the largest investor		**3.88**

Holding	Total percentage holding %
Top 10 largest investors	20.00
Top 25 largest investors	35.59
Top 50 largest investors	49.96
Top 100 largest investors	64.19

FUND HISTORY AND DISTRIBUTION

FUND HISTORY

Net Asset Value/Fund Size	Date	Net Asset Value (£)	Units in Issue	Net Asset Value Per Unit (p)
	24 June 2016	1,059,491,941	891,642,752	118.82
	24 June 2017	1,153,789,556	955,139,897	120.80
	24 June 2018	1,276,434,072	999,225,948	127.74
	24 June 2019	1,307,115,917	1,019,690,691	128.19
	24 June 2020	1,196,247,120	985,020,241	121.44

Price and Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	24 June 2016	121.13	116.24	5.53
	24 June 2017	123.20	117.46	5.54
	24 June 2018	130.54	121.48	5.46
	24 June 2019	131.83	127.42	5.34
	24 June 2020	130.77	121.06	4.95

DISTRIBUTION

		2020		2019	
Distribution Number	Distribution Period	Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	25 June to 24 September	1.32	15/11/19	1.32	15/11/18
2	25 September to 24 December	1.30	14/02/20	1.35	15/02/19
3	25 December to 24 March	1.30	15/05/20	1.34	15/05/19
4	25 March to 24 June	1.03	14/08/20	1.33	15/08/19
Total		**4.95**		**5.34**	

The Fund distributes all available income for each quarter and therefore does not need to apply an equalisation policy.

Under the Scheme of Particulars of the Fund and charity law, the Manager is responsible for preparing the Manager's Report, List of Properties and Key Fund Data and the financial statements in accordance with applicable law and regulations. The Manager has elected to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund and of the total returns of the Fund for that period.

In preparing these financial statements, generally accepted accounting practice entails that the Manager:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the Scheme of Particulars, subject to any material departures disclosed and explained in the financial statements;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Manager is required to act in accordance with the Scheme of Particulars of the Fund, within the framework of trust law. They are responsible for keeping proper accounting records, sufficient to disclose at any time, with reasonable accuracy, the financial position of the Fund at that time, and to enable them to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Manager is responsible for the maintenance and integrity of the financial and other information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

THE CORPORATE TRUSTEE

The Trustee is responsible for the safekeeping of all property of the Fund which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.

It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed and operated in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Scheme Particulars, concerning: the pricing of and dealing into the Fund; the application of income of the Scheme; and the Fund investment portfolio and borrowing activities.

REPORT OF THE CORPORATE TRUSTEE TO THE UNITHOLDERS OF THE CHARITIES PROPERTY FUND FOR THE PERIOD TO 24 JUNE 2020

Having carried out procedures and enquiries considered duly necessary to discharge our responsibilities as Trustee of the Scheme, based on information and explanations provided to us, we believe that, in all material respects, the Manager:

(i) has carried out the issue, sale, redemption and cancellation, and calculation of the price of the scheme's units and the application of the scheme's income in accordance with the Sourcebook, Scheme and Scheme Particulars;

(ii) has observed the investment and borrowing powers and restrictions imposed by the Scheme and Scheme Particulars; and

(iii) has, otherwise, ensured the proper operation of the Fund.

Citibank Europe plc, UK branch
London
15 October 2020

INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF THE CHARITIES PROPERTY FUND ('THE FUND')

Opinion

We have audited the financial statements of The Charities Property Fund ("the Fund") for the year ended 24 June 2020 which comprise the Statement of Total Return and Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Cash Flow Statement and related notes, including the accounting policies in Note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Fund's affairs as at 24 June 2020 and of the net revenue and the net capital gains on the property of the Fund for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the charity in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Emphasis of matter – uncertain valuation of investment property

We draw attention to note 2 to the financial statements which states that the independent external valuations of investment properties at the reporting date are reported on the basis of 'material valuation uncertainty' due to the potential economic effect of the coronavirus pandemic.

Consequently, more subjectivity is associated with the valuation of investment property than would normally be the case. Our opinion is not modified in respect of this matter.

Going concern

The Manager has prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease its operations, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the Manager's conclusions, we considered the inherent risks to the Fund's business model, including the impact of Brexit, and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Fund will continue in operation.

Other information

The Manager is responsible for the other information, which comprises the Manager's Report, List of Properties, Key Fund Data and General Information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Manager's Report, List of Properties and Key Fund Data is inconsistent in any material respect with the financial statements.

We have nothing to report in these respects.

Matters on which we are required to report by exception

Under the Charities Act 2011 we are required to report to you if, in our opinion:

- the Fund has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Manager's (Savills Investment Management (UK) Limited) responsibilities

As explained more fully in their statement set out on page 59, the Manager is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

This report is made solely to the Fund's unitholders as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and its unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Richard Long
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
16 October 2020

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

STATEMENT OF TOTAL RETURN AND CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

	Note	Year ended 24 June 2020 £		Year ended 24 June 2019 £	
Net capital (losses)/gains	3		(69,737,678)		1,681,911
Income	4	63,366,864		65,145,090	
Expenses	5	(10,772,191)		(9,070,830)	
Net income before finance costs		52,594,673		56,074,260	
Finance costs – interest and other	6	(609,612)		(289,562)	
Net income			51,985,061		55,784,698
Total return before distributions			(17,752,617)		57,466,609
Finance costs – distributions	7		(49,542,006)		(53,788,184)
Change in net assets attributable to unitholders from investment activities			(67,294,623)		3,678,425
Statement of change in net assets attributable to unitholders					
Opening net assets attributable to unitholders			1,307,115,917		1,276,434,072
Net amount (payable)/receivable on redemption/creation of units			(43,574,174)		27,003,420
Change in net assets attributable to unitholders from investing activities			(67,294,623)		3,678,425
Closing net assets attributable to unitholders			1,196,247,120		1,307,115,917

The accompanying notes form part of these financial statements.

BALANCE SHEET

	Note	As at 24 June 2020 £		As at 24 June 2019 £	
Assets					
Fixed assets					
Investment properties	8	1,136,084,107		1,227,944,177	
Investments	9	-		5,680,218	
			1,136,084,107		1,233,624,395
Current assets					
Debtors	10	19,786,478		32,156,555	
Cash and bank balances		68,462,211		70,620,145	
			88,248,689		102,776,700
Total assets			1,224,332,796		1,336,401,095
Less: current liabilities					
Creditors	11	17,204,274		15,140,841	
Distribution payable		10,102,368		13,365,229	
			27,306,642		28,506,070
Less: non current liabilities					
Finance lease liability	12	779,034		779,108	
			779,034		779,108
Total liabilities			28,085,676		29,285,178
Net assets attributable to unitholders			1,196,247,120		1,307,115,917

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors of the Manager on 15 October 2020 and were signed on its behalf by

James Bury
Director
15 October 2020

CASH FLOW STATEMENT

	Year ended 24 June 2020 £	Year ended 24 June 2019 £
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net income before finance costs	52,594,673	56,074,260
Bank interest received	(323,629)	(285,653)
Dividend income received	(160,424)	-
Increase in trade and other receivables	(7,676,016)	(2,638,846)
Increase/(decrease) in trade and other payables	1,674,752	(1,808,867)
Net cash inflow from operating activities	46,109,356	51,340,894
Cash flows from investment activities		
Purchase of properties and development expenditure	(27,879,011)	(54,595,321)
Sale of properties	49,273,058	35,491,310
Sale of shares	11,410,692	-
Bank interest received	323,629	285,653
Dividend income received	160,424	-
Net cash outflow from investment activities	33,288,792	(18,818,358)
Cash flows before financing activities	79,398,148	32,522,536
Repayment of obligations under finance leases	(37,500)	(32,646)
Amounts received on creation of units	45,362,113	67,944,248
Amounts paid on redemption of units	(73,788,260)	(58,007,507)
Borrowing costs and interest	(287,568)	(256,916)
Distributions paid	(52,804,867)	(54,112,696)
Net cash (outflow)/inflow from financing activities	(81,556,082)	(44,465,517)
Net (decrease)/increase in cash and cash equivalents for the year	(2,157,934)	(11,942,981)
Cash and cash equivalents at the start of the year	70,620,145	82,563,126
Cash and cash equivalents at the end of the year	68,462,211	70,620,145

The net amounts received on creation of units do not include movements relating to in-specie transfers which do not impact the cash position of the Fund.

The accompanying notes form part of these financial statements.

1 ACCOUNTING POLICIES

a) Basis of accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with the requirement of the Charities Act 2011 and the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in May 2014 (the "SORP"), other than as set out in (d) below.

The Fund is exempt from complying with the Charities Statement of Recommended Practice as per the guidance under paragraph 22.4 of that document.

These financial statements have been prepared on a going concern basis. The Fund's property portfolio is well diversified and in addition to the Fund's cash reserves the Fund has access to a £20 million loan facility expiring in February 2022, to manage short-term liquidity requirements which the Manager believes can be renewed on similar terms. Therefore the Manager believes that the Fund has adequate resources to continue in operational existence for the foreseeable future.

Covid-19

As a result of Covid-19, and in line with UK government requirements, a number of the Fund's tenants closed their premises in March 2020. Following subsequent relaxations of the lockdown requirements, most tenants are now able to reopen although the full impact of Covid-19 on the Fund's tenants and the potential for further local or national lockdowns remains uncertain. The Fund's Property Manager, in the first instance, has proposed a temporary move from quarterly to monthly payment of rental income for tenants most impacted by Covid-19. Further, negotiations with certain tenants are ongoing with any asset management opportunities or concessions that may be beneficial for both the Fund and its tenants. The Fund needs to collect approximately 16% of rent per quarter to cover property expenses and operational costs. The Manager believes even in a severe-but-plausible downside scenario this level of cash receipts will be exceeded given the diversity of the Fund's property portfolio. At the date of approval of these financial statements over 78% of the March 2020 billing date rents, 82% of the June 2020 billing date rents, and 72% of the September 2020 billing date rents, have been collected.

On 20 March 2020, the Fund suspended dealing in units following the Fund's external valuer including a 'material valuation uncertainty' clause in their valuation report. As at 24 June 2020, the Fund's valuer reported 69% of valuations on the basis of 'material valuation uncertainty' (based on property valuations to total portfolio valuation). Since the year end, Valuers have continued to remove the this clause on a number of sectors and from 9 September, lifted the remaining 'material valuation uncertainty' clause . As at the date of approval of these financial statements, unit trading has resumed with the Manager applying its discretion to defer redemptions as deemed necessary.

The Manager has traded all applications of £4.8 million received for 24 September 2020 and satisfied the redemption requests outstanding of £38 million from 24 March 2020. The Manager continues to defer redemption requests from 24 June 2020 and redemption requests received for the 24 September 2020 quarter end. Based on current pricing, these deferred redemptions are estimated at £34.5 million and £29.4 million, respectively.

Investors are able to withdraw their redemption requests if they do not want to proceed. Redemptions are payable in line with the terms of the Scheme Particulars which allows the Manager to defer redemptions for a period of up to 12 months from the Dealing Date or for a period to 24 months from the Dealing Date where the redemption requests sought represent an aggregate value of 10% or more of the Net Asset Value of the Fund.

As at the time of approval of the financial statements, the Fund holds approximately £37 million of capital cash. The outstanding redemption requests will be settled through use of available cash capital, Matched Bargain Trades or by further property disposals. The Manager is confident that given the period until these redemptions are due that funding to settle these requests will be available.

The Fund also has a £20 million fixed revolving credit facility which current remains undrawn and matures in February 2022. Refer to note 6 in the notes to the financial statements for further details.

Taking the above into account, the Manager considers that the Fund is able to meet its liabilities as they fall due and has therefore prepared these financial statements on a going concern basis.

b) Investment properties

The direct property investments, which comprise properties held for rental, are recognised at fair value, being market value as defined in the Appraisal and Valuation Manual prepared by the Royal Institution of Chartered Surveyors, and in accordance with the Scheme Particulars. The interests in property are valued on a quarterly basis and were last valued by Cushman and Wakefield on 24 June 2020. The aggregate surplus or deficit on revaluation is taken to the Statement of Total Return.

Costs capitalised in respect of properties under development include acquisition costs of land and buildings, costs incurred in bringing the property to its present location and condition in accordance with FRS 102. Investment properties in the course of development are also held at fair value.

Properties, for which unconditional exchange of contracts occurs during the period, are accounted for as acquisitions or disposals within that period. Conditional exchanges are accounted for as acquisitions or disposals only when all substantive conditions have been met.

Investment properties acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under finance leases are subsequently carried at fair value plus an adjustment for the carrying amount of the finance lease obligation (see note 8). The corresponding rental obligations, net of finance charges, are included in the creditors balance (see note 12). The associated finance charges are charged to the Statement of Total Return.

c) Basic financial instruments

Investments

All asset investments (as distinct from directly owned properties) are shares held in a listed company whose shares which are publicly traded on a regular basis. Such assets are recognised initially at fair value, which is normally the transaction price.

Subsequently, these investments are carried at fair value being the share closing bid market price on 24 June. The changes in fair value are recognised in the statement of total return, except where investments in equity instruments are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Purchases or sales of investments that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

Debtors and Creditors

Debtors are recognised initially at transaction price. Creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of debtors. These assets/liabilities are discounted where the time value of money is material.

Cash at bank

Cash at bank comprises cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Fund's cash management are included as a component of cash for the purpose only of the cash flow statement. No bank overdrafts were utilised during the year.

d) Transaction costs

The Fund aggregates properties in the portfolio statement on pages 50 and 51 in bands greater than 5% and does not disclose transaction costs separately in order to avoid disclosure of sensitive commercial information and does not therefore comply fully with the SORP.

e) Depreciation

No depreciation is provided in respect of freehold and long leasehold investment properties or in respect of assets in the course of construction.

f) Income and expenses

Investment income, rental income, service charges and other expenses are recognised on an accruals basis. The periodic charge of the Manager is deducted from income.

Rents received in advance are accounted as prepaid rent within creditors.

Lease rental income is recognised over the lease term on a straight-line basis.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the lease term. As this income is not realised, it is not included in the distributions to the investors.

Dividend income is recognised when the Fund's right to receive the payment is established, which is generally when the dividend is declared.

All expenses other than transaction charges relating to the purchase and sale of investments and certain borrowing costs (see point h) are included in 'Expenses' in the Statement of Total Return. Transaction charges are treated as a capital expense and are therefore capitalised.

g) Lease incentives

Benefits to lessees in the form of rent free periods, cash incentives and capital contributions are treated as a reduction in the overall return on the leases and, in accordance with FRS 102 are recognised on a straight line basis over the lease term. The total of the unamortised capital contributions and any lease incentives in place at the period end are included within the carrying value of investment properties rather than held as a separate debtor. Any remaining lease incentive balances in respect of properties disposed of are included in the calculation of profit or loss arising on disposal. See also Note 3.

h) Borrowing costs

Loan arrangement fees payable and legal costs associated with the establishment of the facility are deemed to be costs which are incurred to give the Fund the opportunity to enter into the credit facility agreement. On this basis they are deemed to be capital in nature and excluded from distribution calculations.

Loan interest expense is recognised on an effective interest rate basis. This interest and the loan non-utilisation fee are deemed to be revenue in nature and are included within the distribution calculations. Further detail of these costs is included in Note 6.

i) Interest on development drawdowns

Interest charged to developers on forward funded developments is capitalised and treated as a deduction to costs of the development.

j) Distributions payable and distribution policy

Distributions payable are classified as finance costs and are recognised on an accruals basis. Further details of these distributions are included in Note 7.

Distributions are calculated in accordance with the Scheme Particulars.

k) Taxation

As a charity the Fund is not currently liable to UK tax on gains arising on disposals of investments, nor on income from investments, and is not liable to Stamp Duty Land Tax on purchases of property.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

2 RISK MANAGEMENT

In pursuing its investment objective, the Fund holds a number of properties and financial instruments. The properties comprise of direct property holdings. The following are held in accordance with the Fund's investment policy:

- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Short-term borrowings used to finance investment activity and cash flows associated with the application and redemption process; and;
- Operating leases on freehold and leasehold properties.

The Manager has responsibility for monitoring the portfolio in accordance with the investment objective and seeks to ensure that investments in direct properties and individual securities also meet a risk reward profile that is acceptable.

The typical risks applicable to the Fund are market risks, liquidity risk, credit risk and sector exposure risk.

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's market risks arise from (a) interest rate movements and (b) market price movements.

a) Interest rate risk

The Fund's exposure to interest rate risk mainly arises from any variation in interest income earned on bank balances and interest payable on credit facilities due to volatility in interest rates. The Manager does not consider interest income earned on bank balances to be a significant risk to the Fund as it is not the intention of the Fund to maintain cash balances for the purpose of generating income, but to invest in investment properties when suitable investments become available.

In respect of interest payable on credit facilities, if a credit facility is utilised, the Manager will consider the life of the borrowing and will take appropriate action to mitigate the impact of interest rate fluctuations on a case by case basis.

b) Market price movements

Direct property is independently valued on a quarterly basis. However, such valuations are a matter of the valuer's professional judgement and opinion. Such values may or may not be achieved on a sale of a property.

Considerations of the prospective market impact of Brexit are discussed in the Manager's Report.

To mitigate against market price movements, the Manager of the Fund performs a number of controls, including the following:

Criteria	Risk Control
Rental income	Monitors the proportion of secure or rental income
Term of rental	Verified in advance of an acquisition or lease event (e.g. tenant change) and compared with equivalent fund types or data of the Investment Property Databank (IPD)
Quality of tenants	Verified in advance of an acquisition or lease event (e.g. tenant change) by means of the credit rating from Experian and Dun & Bradstreet and benchmarking against the IPD's Rental Information Services (IRIS)
Diversification of sectors	Monitored and constantly reviewed in advance of each property acquisition or disposal
Geographic diversification	Monitored and constantly reviewed in advance of each property acquisition or disposal

When proposing and considering a disposal, the Property Adviser and Manager will assess each property and consider factors such as current and estimated future prices, Fund liquidity, upcoming redemptions, cash held by the Fund and the portfolio profile before concluding on whether a property should be disposed of and when.

b) Market price movements (CONTINUED)

Covid-19

The economic impact and specifically the valuation and marketability of real estate assets is currently uncertain. As such, there is an increased risk that the marketability and pricing of the Fund's real estate assets may decrease in the future.

Investments

All asset investments (as distinct from directly owned properties) are shares held in a listed company whose shares are publicly traded and the prices are subject to demand and supply conditions. The prices generally reflect investors' confidence in the economy, the property market and its returns, the management of the company, interest rates, and many other factors. These investments are a small proportion of the Fund's fixed assets and therefore the exposure to this risk is limited.

Liquidity risk

The key liquidity risk is the holding of direct property assets. Property by its nature is an illiquid investment and the Fund's investment properties may not be readily realisable for cash. Sales may take a number of months depending on the nature and location of the asset.

A further liquidity risk of the Fund is the redemption of units. The Manager monitors the level of redemptions, and other cash flows, on a regular basis to ensure sufficient funding is available. If insufficient cash is available to fund redemptions, the Fund can dispose of direct property holdings, utilise short term credit facilities, and defer redemptions.

Credit risk

Credit risk is the risk that one party to a financial arrangement will cause a financial loss for the other party by failing to discharge an obligation.

The Fund assesses the credit risk of third parties before entering into business with third parties. Debtor balances are monitored on a regular basis to mitigate the Fund's exposure to bad debts and in addition the ongoing credit strength of third parties is monitored.

Sector exposure risk

The Fund's assets are invested in direct properties. As such the Fund is exposed to sector specific risk as a result of its concentration in the property sector. The underlying risk is the ability to obtain tenants for these properties and tenants being able to fulfil lease commitments.

The Manager mitigates these risks by investing in a diversified portfolio of direct properties in different geographical areas and sectors. In addition, before purchasing a direct property or entering into a new lease, the Manager will examine the covenant strength offered and will aim to let only to tenants with good credit ratings.

Coronavirus risk ("Covid-19")

During December 2019, a new virus ("Covid-19") emerged in China and infections started to occur across Asia and latterly the rest of the world. On 11 March 2020, the World Health Organisation ("WHO") declared Covid-19 a pandemic. Whilst national governments and intergovernmental organisations have acted to implement a range of policies and actions to combat the Covid-19 virus and its economic impact, the full extent and disruption to national markets and specifically the valuation and marketability of real estate assets is currently uncertain. As such, there is an increased risk that the marketability and valuation of the Fund's real estate assets may decrease in the future. Covid-19 has also had an immediate impact on many tenants groups, in particular those in the retail, hospitality and leisure sectors. Refer to tenant default risk below.

The full impact of Covid-19 on property values is still uncertain, and under these circumstances, liquidity and credit risks need to be monitored closely. Key risks to the Fund as a result of Covid-19 are detailed below:

Market risk – As at 24 June 2020, the Fund's valuer has reported 69% of valuations on the basis of 'material valuation uncertainty' (based on property valuations to total portfolio valuation) as per VPS 3 and VPGA 10 of the RICS Red Book Global, due to the unknown impact that Covid-19 might have on the real estate market. The property valuation movement for the 6 month period to 24 June 2020 was a decrease of 3.38% on a like-for-like basis.

Tenant default risk – A reduction in rent collections will impact the Fund's level of quarterly distributions. The Fund has paid the Q2 2020 distribution in August 2020 and has sufficient cash to meet operating costs for the foreseeable future. The Fund's Property Manager is working closely with tenants on rent collections and implementing any asset management opportunities or concessions that may be beneficial for both the Fund and its tenants.

Liquidity risk – As previously noted, to protect the interest of Unitholders, the Scheme Particulars, provides the Manager with the discretion to defer redemptions or suspend the Fund. Refer to note 1(a) and 14 of the financial statements for details on outstanding redemption requests.

3 NET CAPITAL (LOSSES)/GAINS

The net (losses)/gains on investments during the year comprise:

	Year to 24 June 2020	Year to 24 June 2019
a. Investment properties	**£**	**£**
Net proceeds from disposal of properties	56,623,058	46,741,310
Carrying value of properties disposed during the year	(60,050,000)	(50,900,000)
Movement in accruals on properties disposed in prior year	(3,891)	(54)
Losses realised on properties disposed	(3,430,833)	(4,158,744)
Unrealised gains on revaluation for the year	10,942,373	27,196,642
Unrealised losses on revaluation for the year	(77,300,687)	(21,453,851)
Net capital (losses)/gains on investment properties	(69,789,147)	1,584,047
b. Investments		
Net proceeds from disposal of investments	5,731,687	5,667,646
Carrying value of investments disposed during the year	(5,680,218)	(5,624,399)
Gains realised on investments disposed	51,469	43,247
Net unrealised (losses)/gains on revaluation for the year	-	54,617
Net capital gains on investments	51,469	97,864
Total net capital (losses)/ gains	(69,737,678)	1,681,911

Net realised losses/gains on properties disposed comprised £4,619,786 (2019: £4,306,071) realised losses and £1,188,953 (2019: £147,327) realised gains on disposal.

During the year, the Fund sold its remaining shares in Supermarket Income REIT.

Please refer to note 9 for further details on investments.

4 INCOME

	Year to 24 June 2020	Year to 24 June 2019
	£	£
Rental income	62,785,750	64,349,383
Sundry income	97,061	510,054
Bank interest	323,629	285,653
Dividend income	160,424	-
	63,366,864	65,145,090

The future aggregate minimum rentals receivable under non-cancellable operating leases are as follows:

	As at 24 June 2020	As at 24 June 2019
	£	£
Within 1 year	59,187,904	61,041,545
Later than 1 year and no later than 5 years	211,396,416	218,308,578
Later than 5 years	477,267,887	506,103,788
	747,852,207	785,453,911

5 EXPENSES

	Year to 24 June 2020	Year to 24 June 2019
	£	£
Manager and Property Management Company fees	6,468,750	6,545,126
Corporate Trustee's fees	203,340	205,305
	6,672,090	6,750,431
Other expenses:		
Impairment of rent receivables	1,157,770	-
Insurance	219,090	39,838
Audit fee	39,684	32,163
Review fee	15,379	15,379
Valuation fee	206,475	208,013
Legal and professional fees	1,152,161	1,295,027
Marketing and communication costs	68,755	84,116
Vacant property and property maintenance costs	1,240,787	645,863
	4,100,101	2,320,399
	10,772,191	9,070,830

Included within vacant property and property maintenance costs are £166,800 of service charge rebates (2019: £22,558). Vacant property and property maintenance costs have increased compared to the prior period due to a higher number of vacant properties which has increased service charge, utilities and security costs.

6 FINANCE COSTS – INTEREST AND OTHER

Finance cost during the year (excluding distributions) comprise:

	Year to 24 June 2020 £	Year to 24 June 2019 £
Capital expenses		
Credit facility arrangement fee	61,213	68,031
Legal and professional fees	90,985	22,225
Amortisation of capital contribution	284,544	31,660
	436,742	121,916
Revenue expenses		
Non-utilisation fee	135,370	135,000
Finance lease interest	37,500	32,646
	172,870	167,646
Finance costs: interest and other	609,612	289,562

On 20 February 2020, the Fund extended its fixed revolving credit facility (the "Facility") with the Royal Bank of Scotland international ("RBSI") for a further two years to 20 February 2022. The Facility can continue to be utilised within the parameters outlined below:

- a maximum drawdown of £20,000,000 for the purchase of investment properties
- a maximum drawdown of £10,000,000 for redemptions and distributions

At the year end, the Facility was unutilised and the Fund has not entered into any derivative contracts in respect of interest rates.

Legal costs associated with the establishment of the Facility are deemed to be costs which are incurred in entering into the credit facility agreement. On this basis they are deemed to be capital in nature and excluded from distribution calculations.

7 FINANCE COSTS – DISTRIBUTIONS

Distributions during the year comprise:

	Year to 24 June 2020 £	Year to 24 June 2019 £
First interim distribution	13,323,017	13,173,495
Second interim distribution	13,089,811	13,698,333
Third interim distribution	12,698,045	13,551,127
Fourth interim distribution	10,014,777	13,365,229
Net distribution from income for the year	49,125,650	53,788,184
Capital distribution	416,356	-
Total distribution	49,542,006	53,788,184

Details of the distribution per unit are set out in the distribution table on page 58.

Represented by:	Year to 24 June 2020 £	Year to 24 June 2019 £
Net income	51,985,061	55,784,698
Less: income from rent straight-lining	(3,293,944)	(2,116,320)
Add back: capital expenses	436,742	121,916
Provision for bank charges	(2,209)	(2,110)
Distributable capital income	416,356	-
Net distribution for the year	49,542,006	53,788,184

The capital distribution relates to rental top-ups from a property acquisition. There was no capital distribution in the prior year.

8 INVESTMENT PROPERTIES

Split of investment properties by freehold and leasehold:

	Freehold	Leasehold	As at 24 June 2020	As at 24 June 2019
	£	£	£	£
Value at the beginning of the year	1,105,640,000	121,525,000	1,227,165,000	1,213,790,000
Transfer between freehold and leasehold	9,000,000	(9,000,000)	-	-
Purchases and capital expenditure during the year	27,972,997	6,256	27,979,253	54,346,754
Carrying value of properties disposed during the year	(60,050,000)	-	(60,050,000)	(50,900,000)
Gain on valuation	10,132,306	810,067	10,942,373	27,196,642
Loss on valuation	(72,589,235)	(4,711,453)	(77,300,688)	(21,320,849)
Income recognised from rent straight-lining and lease incentives	6,498,932	70,130	6,569,062	4,052,453
Fair value	1,026,605,000	108,700,000	1,135,305,000	1,227,165,000
Finance lease asset	-	779,107	779,107	779,177
Carrying value at the end of the year	1,026,605,000	109,479,107	1,136,084,107	1,227,944,177

Lease incentives and straight-lined rent of £24,495,537.84 (2019: £17,606,536) are included in the carrying value of the investment properties above.

All the properties have been valued by external chartered surveyors, Cushman & Wakefield, at £1,135,305,000 (2019: £1,227,165,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £981,598,779 (2019: £1,000,695,347).

The Fund holds a leasehold property with annual ground rent payable of £37,500 (2019: £37,500) (subject to five-yearly rent reviews) (see note 12). As the external valuation values properties on a net income basis an adjustment to the valuation equivalent to the lease liability is required.

Property valuations

Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid; however the Fund has sought to mitigate this risk by investing in properties that it considers to be good quality.

Fair values are determined using information from a variety of sources, including:

- Independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Fund's assets;
- Current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

At 24 June 2020, the valuation of investment properties includes a material uncertainty clause by the Valuer given the unknown impact that Covid-19 might have on the real estate market. Refer to note 1 for further detail on significant estimates and assumptions.

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at the reporting date.

Level 1: The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

Level 2: When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level 3: If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

All properties within the portfolio are categorised as Level 3.

Key unobservable inputs

The two key unobservable inputs are ERV (Estimated Rental Value) and equivalent yield. The estimated fair value of the investment properties would decrease if ERV as a percentage of passing rent decreased and increase if ERV as a percentage of passing rent increased. The estimated fair value would decrease if the yield was increased and increase if the yield was reduced.

The range of these two inputs applied in the 2020 valuations by Cushman & Wakefield is provided below:

Sector	Total Valuation Figure	ERV Range (psf)			Equivalent Yield Range		
		Max	Av	Min	Min	Av	Max
Retail - High Street	£22,025,000	£200.00 zone A	£108.57 zone A	£75.00 zone A	4.00%	**6.25%**	7.00%
Retail - Supermarkets	£47,500,000	£24.00	£22.00	£20.00	4.18%	4.48%	4.77%
Retail - Warehouses	£214,625,000	£32.50	£17.37	£8.00	5.16%	6.57%	8.24%
Warehouses / Industrial	£322,255,000	£12.00	£6.60	£0.75	4.85%	5.79%	8.00%
Offices	£260,575,000	£75.00	£33.22	£10.00	4.05%	5.73%	8.00%
Alternatives	£275,675,000	n/a*	n/a*	n/a*	4.46%	5.41%	8.90%
Total	**£1,142,655,000**						

* ERV range has not been provided for the alternatives asset class as the inputs for these properties are assessed on various bases and therefore the range is not considered meaningful.

9 INVESTMENTS

	As at 24 June 2020 £	As at 24 June 2019 £
Opening fair value	5,680,218	-
Consideration of investments acquired during the year	-	11,250,000
Carrying value of investments disposed during the year	(5,680,218)	(5,624,399)
(Losses) / gains on remeasurement to fair value	-	54,617
	-	5,680,218

On 23 April 2019, the Fund sold its investment in the Tesco Mansfield property to Supermarket Income REIT ('SUPR'). The sales proceeds received were cash consideration of £33,750,000 and listed equity shares in SUPR valued at £11,250,000 (10,922,330 newly issued shares at 103p per share). The shares represent less than 5% of the market capitalisation of SUPR.

During the year the remaining shares were sold. The total capital gain recognised on these investments in the year was £51,469 (2019: £97,864), representing the fair value measurement gain of £nil (2019: £54,617) and realised gain on sales of £51,469 (2019: £43,247).

Dividends of £160,424 (2019: £nil) was recognised in income during the period.

All investments are shares held in a listed company whose shares are publicly traded on a regular basis and are therefore Level 1 in the fair value hierarchy.

10 DEBTORS

	As at 24 June 2020 £	As at 24 June 2019 £
Amounts receivable from sale of investment property	7,350,000	-
Amounts receivable for creation of units	-	15,148,027
Net rent receivables	10,376,244	10,082,728
Amounts receivable from sale of investments	-	5,679,005
Amounts due from managing agents	1,102,877	571,664
Insurance receivables and prepayments	141,176	316,434
Sundry debtors	717,513	297,946
Loan arrangement fee	78,215	45,106
Sundry prepayments	20,453	15,645
	19,786,478	32,156,555

Net rent receivables are stated after allowances for doubtful rent receivables of £1,157,770 (2019: £nil).

11 CREDITORS

	As at 24 June 2020 £	As at 24 June 2019 £
Prepaid rent	12,641,023	11,681,054
Purchases awaiting settlement	504,777	116,100
Manager and Property Manager fees	1,610,967	66,000
Corporate Trustee fees	49,404	52,075
Audit fees	39,300	32,163
Valuation fees	49,991	53,688
Credit facility non utilisation fee and debt arrangement fee	31,438	-
VAT payable	1,929,063	1,297,209
Cost to complete on development	-	864,632
Other creditors	169,603	302,781
Retentions	178,635	675,070
Finance lease liability	73	69
	17,204,274	15,140,841

12 FINANCE LEASES (NON CURRENT)

	As at 24 June 2020 £	As at 24 June 2019 £
Finance lease	779,034	779,108
Total	779,034	779,108

The future minimum lease payments are as follows:

	As at 24 June 2020 £	As at 24 June 2019 £
Not later than 1 year	37,500	37,500
Later than 1 year and not later than 5 years	150,000	150,000
Later than 5 years	4,682,747	4,720,248
Total gross payments	4,870,247	4,907,748
Less: Future finance charges	(4,091,140)	(4,128,571)
Carrying amount of liability	779,107	779,177

Total finance lease liabilities amount to £779,107 (2019: £779,177), of which £73 (2019: £69) is considered current liabilities (see note 11). The remaining £779,034 (2019: £779,108) is due after more than 1 year.

13 RELATED PARTY TRANSACTIONS

Details of the Manager, Property Manager and Corporate Trustee can be found on page 86.

During the year the Manager has received management fees of £6,336,641 (2019: £6,409,163) and the Property Management Company fees of £132,109 (2019: £135,963) thereby totalling £6,468,750 (2019: £6,545,126). These fees can be seen in Note 5, Expenses. The amount outstanding at the year end in respect of those fees was £1,610,967 (2019: £66,000), as can be seen in Note 11, Creditors.

During the year the Property Manager has received transactional fees of £289,090 (2019: £378,718), which are capitalised to Investment Property and deducted from realised gains or losses on disposal. The Property Manager has also received fees relating to asset management activity of £137,034 (2019: £308,785). These fees sit within Note 5, Legal and Professional Expenses.

During the year the Corporate Trustee received £203,340 (2019: £205,305). Amounts payable to the Corporate Trustee or associates of the Corporate Trustee are shown in Note 5, Expenses. Amounts due are shown in Note 11, Creditors. The amount outstanding at the year end in respect of those fees was £49,404 (2019: £52,075).

The aggregate monies received through creations and paid through cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. During the year the Manager has received fees of £94,667 (2019: £312,720) as a result of dealing activity in the Fund. Subscription money awaiting investment into The Charities Property Fund is held in a client money account and dealt with in accordance with the FCA's Client Money Rules.

14 UNIT RECONCILIATION

The below table details the movement in application and redemption units over the past 12 months. Please also see the table on page 58 'Fund History'.

		GROSS		
Trading Quarter	**No. Units**	**Applications**	**Redemptions**	**Net Movement**
24 Sep 2019	1,014,971,921.846	5,208,729.879	9,927,499.211	(4,718,769.332)
24 Dec 2019	985,020,241.122	9,582,995.184	39,534,675.908	(29,951,680.724)
24 Mar 2020	985,020,241.122	-	-	-
24 Jun 2020	985,020,241.122	-	-	-
	TOTAL	**14,791,725.063**	**49,462,175.119**	**(34,670,450.056)**

On 20 March 2020, the Fund suspended dealing in units following the Fund's external valuer including a 'material valuation uncertainty' clause in their valuation report. As a result there were no applications or redemptions traded in quarters 24 March 2020 and 24 June 2020.

As at the date of approval of these financial statements, unit trading has resumed with the Manager applying its discretion to defer redemptions as deemed necessary.

The Manager has traded all applications of £4.8 million received for 24 September 2020 and satisfied the redemption requests outstanding of £38 million from 24 March 2020. The Manager continues to defer redemption requests from 24 June 2020 and redemption requests received for the 24 September 2020 quarter end. Based on current pricing, these deferred redemptions are estimated at £34.5 million and £29.4 million, respectively.

15 CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2019: none).

16 CAPITAL AND OTHER COMMITMENTS

At 24 June, the Fund had the following capital commitments:

	As at 24 June 2020 £	As at 24 June 2019 £
Contracts for future capital expenditure in investment properties	-	1,681,758

17 POST BALANCE SHEET EVENTS

Fund trading

The Fund was suspended effective 20 March 2020 following the Fund's external valuer including a 'material valuation uncertainty' clause in their valuation report. As at 24 June 2020, the Fund's valuer reported 69% of valuations on the basis of 'material valuation uncertainty' (based on property valuations to total portfolio valuation). Since the year end, Valuers have continued to remove the this clause on a number of sectors and from 9 September, lifted the remaining 'material valuation uncertainty' clause . As at the date of approval of these financial statements, unit trading has resumed with the Manager applying its discretion to defer redemptions as deemed necessary. Refer to note 14 for further details on trading and deferred redemption requests.

FUND STRUCTURE

The Charities Property Fund is a Common Investment Fund which is an open ended investment vehicle, similar to a unit trust, but designed specifically for charities and established under Section 96 of the Charities Act 2011. Common Investment Funds are themselves charities with schemes approved and regulated by the Charity Commission. As a charity, the Fund is currently exempt not only from Stamp Duty Land Tax but also Capital Gains Tax and Income Tax.

INVESTMENT OBJECTIVES

The Fund aims to provide a high and secure level of income with the prospect of growth in income and to maintain the capital value of assets held in the Fund, through investing in a diversified UK commercial property portfolio. The Fund invests in the principal commercial property sectors: office, retail, industrial and other (alternative uses such as hotels, leisure, car showrooms, and roadside). It does not undertake speculative investments.

The Manager does not intend to hold more than 10% in value of the property of the Fund in cash or Near Cash (as defined in FCA Handbook of Rules and Guidance).

UNIT DEALING

As the Fund is valued quarterly, units can be purchased at the end of March, June, September and December. Normally units will be redeemed with effect from a quarter day though this is subject to cash being available for redemptions. In addition, where there are both subscriptions and redemptions at a quarter day, the Manager may apply a matching process. The Manager may, at its sole discretion, defer the acceptance of applications on a pro rata basis when the value of unit applications exceeds the value of units the Manager believes is prudent to issue. These applications for units which have been scaled back will remain valid in respect of the unallocated element for a further three months, i.e. until the next Dealing Date and will be dealt with in priority to those applications first made at this dealing date.

To protect the overall position of unitholders, there are clearly defined restrictions on the right to redeem; the Manager has a general right to delay redemptions for up to 12 months from the Dealing Date in respect of which the application for redemption of units is first made, and where redemptions sought represent an aggregate value of 10% or more of the Net Asset Value of the Fund, the Manager may delay sales for a period of up to 24 months from the Dealing Date in respect of which such application(s) are made. Full details are set out in the Scheme Particulars.

MINIMUM INVESTMENT

The minimum investment in the Fund for new investors is £25,000, although smaller amounts may be accepted at the Manager's discretion. There is no minimum investment for existing unitholders.

DISTRIBUTION

The income is paid gross on a quarterly basis, six weeks after each valuation point (on or before 15 February, 15 May, 15 August and 15 November).

CORPORATE TRUSTEE

Citibank Europe plc, UK Branch is the corporate trustee and depository of the Fund, as set out in the Scheme Particulars. The Fund acts by and through the Corporate Trustee. When the Fund acquires property, it does so by way of the Corporate Trustee appointing Citiclient (CPF) Nominees Limited and Citiclient (CPF) Nominees No 2 Limited to hold the relevant property of the Fund as nominees and bare trustees for the Corporate Trustee.

The Corporate Trustee will be entitled to receive fees (payable quarterly in arrears) based on the Net Asset Value at the start of the accrual period, on each Valuation Date. The fees (excluding value added tax) are subject to a minimum fee of £15,000 p.a. and will be based on the following annual rates:

- £0 to £200 million – 0.02%;
- above £200 million – 0.015%.

The Corporate Trustee may increase the current rates of fees if:

(i) the Corporate Trustee has given notice in writing to the Manager and to the unitholders of its intention to increase these rates of fees;

(ii) the Scheme Particulars have been revised (subject to the prior written approval of the Commission) to reflect the proposed increase in the rates; and

(iii) 90 days have elapsed since the revised Scheme Particulars became available.

ALTERNATIVE INVESTMENT FUND MANAGER (AIFM)

Under an AIFM Agreement, the Fund appointed the existing manager of the Fund, Savills Investment Management (UK) Limited as its Alternative Investment Fund Manager (AIFM) for the purposes of the AIFM Directive in 2014. The AIFM is admitted and regulated in the United Kingdom by the Financial Conduct Authority (the "FCA").

The AIFM is subject to the requirements set out in the AIFM Directive, the Scheme and the Scheme Particulars. In its capacity as AIFM, it carries out the following tasks under the AIFM agreement:

(i) Asset management of the Fund, including, without limitation, portfolio and risk management; and

(ii) Marketing and distribution of units in the Fund.

In accordance with the provisions of the AIFM Directive and with the approval of the FCA, the AIFM may delegate, at its own responsibility and cost and under its own supervision, tasks to other entities suitable for the relevant purpose and having the necessary qualification, experience and resources. Any such delegation will be disclosed to the investors. The portfolio management of the Fund was delegated to Savills Investment Management LLP by the AIFM. Citibank Europe plc, UK branch was appointed as the depositary of the Fund. To cover potential professional liability risks resulting from negligence in its business activities, the AIFM has appropriate and sufficient professional indemnity insurance, as stipulated by the relevant provisions of the AIFM Directive.

REMUNERATION CODE DISCLOSURE FOR SAVILLS INVESTMENT MANAGEMENT (UK) LTD

The Financial Conduct Authority's (FCA) AIFM remuneration Code applies to Savills Investment Management (UK) Ltd (the firm). The Firm has considered the FCA's proportionality guidelines and taking account of size, the lack of complexity and the low risk of the firm a number of the remuneration rules have been disapplied.

The disclosure covers the remuneration paid in respect of the financial period from 1 January 2019 to 31 December 2019 for Savills Investment Management LLP and its subsidiaries ("Savills IM Group").

Decision Making Process

Savills IM Group has a Remuneration Committee that meets regularly to consider issues relating to the remuneration policy and the structures for all employees of the Group including those of the firm. The Savills IM Remuneration Policy Statement is reviewed and agreed annually by the Savills IM Remuneration Committee. The Remuneration Committee is comprised of two shareholder representatives and the Savills IM Chief Executive Officer and is delegated from the Savills IM Board.

Remuneration is reviewed annually, in conjunction with the Group appraisal process. A recommendation regarding salary and bonus levels is made by an individual's line manager and assessed against the Group as a whole by the Savills IM Global Executive Committee. Salaries are also benchmarked against market averages. The Savills IM Global Executive Committee will recommend salary changes and discretionary bonus payments to the Remuneration Committee for approval and adoption. Interim reviews are undertaken on an exceptions basis only.

Link between Pay and Performance

Remuneration is dependent on both the performance of the firm and the Individual. The bonus pool is calculated as a fixed percentage of pre-tax Group profits. The fixed and variable elements of remuneration have been developed to attract and retain high calibre staff to ensure the firm is in a position to deliver the business plans and maximise return to shareholders. The remuneration policy and incentive structures apply to all code staff, rewarding them only when their goals are achieved.

Employees of the firm received; salary, car allowance, discretionary bonus and incentive shares in the ultimate parent, Savills Plc. Share awards are made in line with the Savills Group policy, in the form of retention or bonus awards, details of which can be found within the Savills plc Report and Accounts.

Staff Remuneration

The total aggregate remuneration for staff was £40,528,000 of which there were 275 beneficiaries. £28,492,000 of this remuneration was fixed and £12,036,000 was variable.

37 of the beneficiaries were identified as remuneration code staff, as defined by AIFM remuneration code, and their total aggregated remuneration was £14,892,000. £5,006,000 of this remuneration was earned by Senior Managers and £9,886,000 was earned by other code staff.

Of the total aggregated remuneration of the code staff, £3,032,000 can be assumed to relate to the Fund of which £1,019,000 of this remuneration was earned by Senior Managers and £2,013,000 was earned by other code staff. £2,132,000 and £901,000 corresponded to fixed and variable remuneration, respectively.

THE MANAGER AND PROPERTY MANAGER

The Manager's fees and the Property Manager's fees are combined into one management charge. This periodic management charge shall accrue on a quarterly basis and will be determined by the Net Asset Value of the Fund at the start of the accrual period. It will be deducted and paid at the end of each quarter out of the Fund's assets. The fees (excluding value added tax) will be based on the following annual rates:

- £0 to £100 million – 0.70%;
- £100 to £500 million – 0.525%;
- above £500 million – 0.45%.

The Manager may increase the current annual management fees and the current preliminary charge (or introduce a redemption charge) if:

(i) the Manager has given notice in writing to the Corporate Trustee and to the unitholders of its intention to increase the rates of annual management fees, or to increase the preliminary charge, or to introduce a redemption charge (as the case may be);

(ii) the Scheme Particulars have been revised subject to the prior written approval of the Charity Commission to reflect the proposed increase in these rates of annual management fees, or to increase the current preliminary charge, or to introduce a redemption charge; and

(iii) 90 days have elapsed since the revised Scheme Particulars became available.

PRELIMINARY CHARGE

The Manager also applies a preliminary charge of 0.25% of the initial price of the units and this is included in the price at which units may be purchased.

This charge may be reduced at the Manager's sole discretion.

BORROWING POWERS

Under the Scheme, the Manager is allowed to borrow money for the use of the Fund in certain circumstances. The Manager intends to use this power when it considers this to be in the best interests of the unitholders, principally either to obtain bridging finance to purchase real property for the Fund in anticipation of the receipt of committed subscriptions from existing or new unitholders or to finance the redemption of units pending the receipt of sales proceeds. Borrowing will not exceed 10% of the Net Asset Value of the Fund on any Business Day.

INSURANCE AND SERVICE CHARGE REBATES

Service charges on properties held by the Fund are generally payable by tenants. To the extent that these are not recoverable (for example, if a unit is not let), the Fund will cover the shortfall. Where there are surpluses in service charge budgets, rebates are received by the Fund. Details of rebates received by the Fund during the financial year can be found in note 5 to the financial statements.

No insurance charge commission is earned by the Fund. Commission is earned by the Property Manager for its services in arranging insurance policies for properties held by the Fund.

TRUSTEE, MANAGER AND ADVISERS

DETAILS

Corporate Trustee and Depository
Citibank Europe plc, UK branch
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Manager / AIFM
Savills Investment Management (UK) Limited
33 Margaret Street
London
W1G 0JD

Investment Adviser
Savills Investment Management (UK) Limited
33 Margaret Street
London
W1G 0JD

Property Manager
Savills Investment Management LLP
33 Margaret Street
London
W1G 0JD

Standing Independent Valuer
Cushman & Wakefield LLP
43-45 Portman Square
London
W1A 3BG

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Legal Adviser
Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

Property Management Company
Savills (UK) Limited
33 Margaret Street
London
W1G 0JD

Performance Measurement
MSCI (formerly IPD)
9th Floor
10 Bishops Square
London
E1 6EG

Transfer Agent and Administrator
Langham Hall UK Services LLP
8th Floor
1 Fleet Place
London
EC4M 7RA

Customer Due Diligence Administrator
Sanne Fiduciary Services (UK) Limited
Asticus Building
2nd Floor
21 Palmer Street
London
SW1H 0AD

This report is issued by Savills Investment Management (UK) Limited (registered in England, number 03680998 at 33 Margaret Street, London W1G 0JD), which is authorised and regulated by the Financial Conduct Authority (firm reference number 193863) and operates as the Manager of the Charities Property Fund ("The Fund").

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.

The value of property is generally a matter of a valuer's opinion rather than fact. Please remember that past performance is not necessarily a guide to future performance. The value of an investment and the income from it can fall as well as rise and investors may not get back the amount originally invested. Taxation levels, bases and if relevant, reliefs can change. Property can be difficult to sell and it may be difficult to realise your investment when you want to.

Handstand Creative
www.handstandcreative.com

33 Margaret Street,
London W1G 0JD

Telephone: 0203 107 5439
Fax: 0845 409 1281

cpf@savillsim.com
www.cpfund.co.uk