CHARITIES PROPERTY FUND

Savills Investment Management

ANNUAL REPORT AND ACCOUNTS

June 2021

savills investment management

CHARITIES PROPERTY FUND


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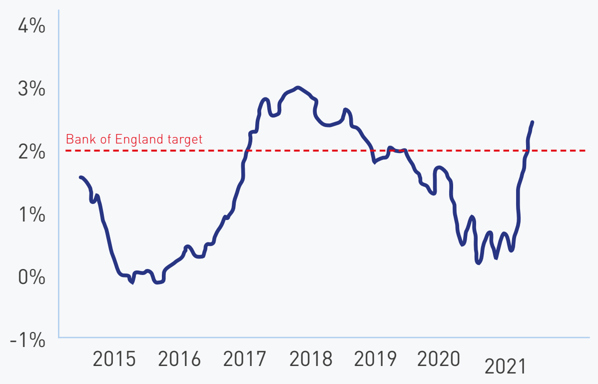
Manager and Trustee's Report

There has been a material improvement in both the economic outlook and in real estate markets over the last 12 months. It is remarkable that a year ago we were in the teeth of the pandemic, with many businesses forced to close, millions of people on furlough and forecasters were making dire predictions for both the UK and World economies.

UK economic output fell by 9.8%, the worst performance in the G7, the unemployment rate increased from 4% to 5.1%, valuations of commercial property were falling and material valuation uncertainty clauses introduced. Despite the Charities Property Fund outperforming the market for a thirteenth consecutive year, both the fund and the market had posted negative total returns for the year ending June 2020 due to material valuation uncertainty clauses (MVU) open-ended real estate funds were effectively forced to suspend dealings. The outlook both for capital values and rent collection was uncertain at best.

A year on and the picture couldn't be more different. UK economic growth surged 4.8% in Q2 2021 and is on course to fully recover its pre pandemic level by the year end. Unemployment which could have risen significantly as the furlough scheme was wound down, has fallen back to 4.7%, a stronger outcome than economists had expected. Employers created 182,000 jobs between June and July and more than 700,000 jobs have been added to the economy since the start of the year. In the real estate markets, investor demand has rebounded fiercely, with strong competition in most sectors. Logistics and life sciences have been the obvious beneficiaries but also supermarkets and retail warehousing that proved highly defensive during the pandemic. London offices continue to trade at very keen yields despite a weaker occupational market

Consumer prices index



Source: Office for National Statistics

Performance highlights to 24 June 2021

The Charities Property Fund has returned **3.4%** per annum annualised over a three-year period

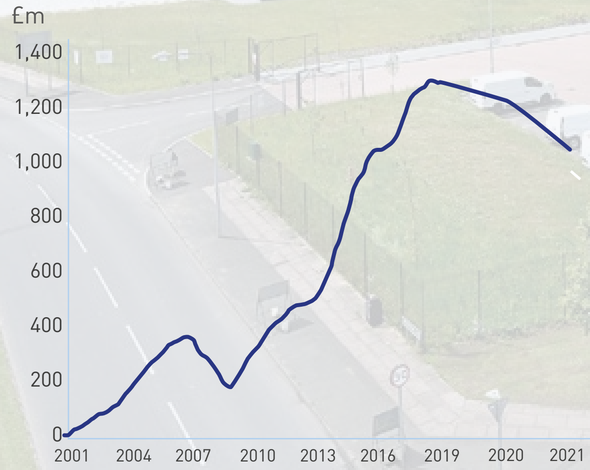
The Charities Property Fund has returned **5.5%** per annum annualised over a five-year period

The Charities Property Fund has returned **7.8%** per annum annualised over a ten-year period

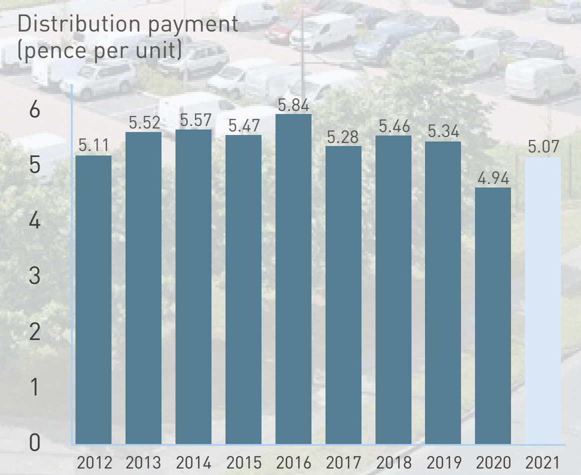
The Charities Property Fund has returned **6.9%** per annum annualised since launch (Dec 2000)

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

NAV



Annual Dividend (paid in financial year)



Source: AREF/MSCI

* Past performance is not a reliable indicator of future performance

and all this is driven by sheer weight of money, chasing too few assets and the continued hunt for income. This strong demand for real assets, particularly income producing ones is unsurprising, considering interest rates remain at a record low of only 0.1% and the consensus suggests they are likely to remain at least until next year. It has even produced an acronym - TINA (there is no alternative). Against this CPI inflation has risen to 3.2% (RPI is 4.8%), its highest level for three years.

The Charities Property Fund posted a total return of 7.1% for the 12 months to June 2021, exceeding its 7% objective and the highest annual June to June return for three years. Performance against the index was mixed. The Fund topped the leader board as the best performing balanced fund (and charity specific fund) out of 30 funds in 2020 and it was one of only five funds to post a positive return for the calendar year 2020. However for the year to June 2021, we have fallen back and our total return was eclipsed by the market average of 8.5%. It is disappointing not to report a 14th consecutive year of outperformance, however we see little reason for this short term under performance and don't believe it is a cause for concern. The void rate remains low, our sector weightings are in line with our targets and the quality of the assets and locations we are invested in remain strong. The Independent Valuation determines performance, but it is subjective - we have sold nine assets in the last eight months realising well over £100 million and all of these assets not only sold ahead of valuation, but sold for an average premium of +12.2%. This disparity between the open market realisation price and the underlying valuations could easily account for the 1.4% underperformance.

Over the last 12 months the dividend held up admirably well, considering all legal remedies for non payment of rent were prohibited due to Government legislation. In the year to June 2021 we distributed 94% of the total dividend paid in the preceding year.

Turning to active management, we successfully completed 41 new lettings and lease renewals during 2021, protecting and securing £7.75 million of income. This is 16% higher by number and 21% higher by rent secured/protected than during the previous year despite the obvious challenges.

We are very well positioned. We have £105 million of cash (8.5%) and no outstanding redemptions, the average lease length weighted by rental income is long at 11.2 years to expiry and 39% of our leases are index-linked and protected from inflation. We benefit from a large diverse portfolio of well over £1 billion of predominately freehold assets and made up of 117 individual assets. Our focus on best in class institutional quality property will continue to reap dividends.

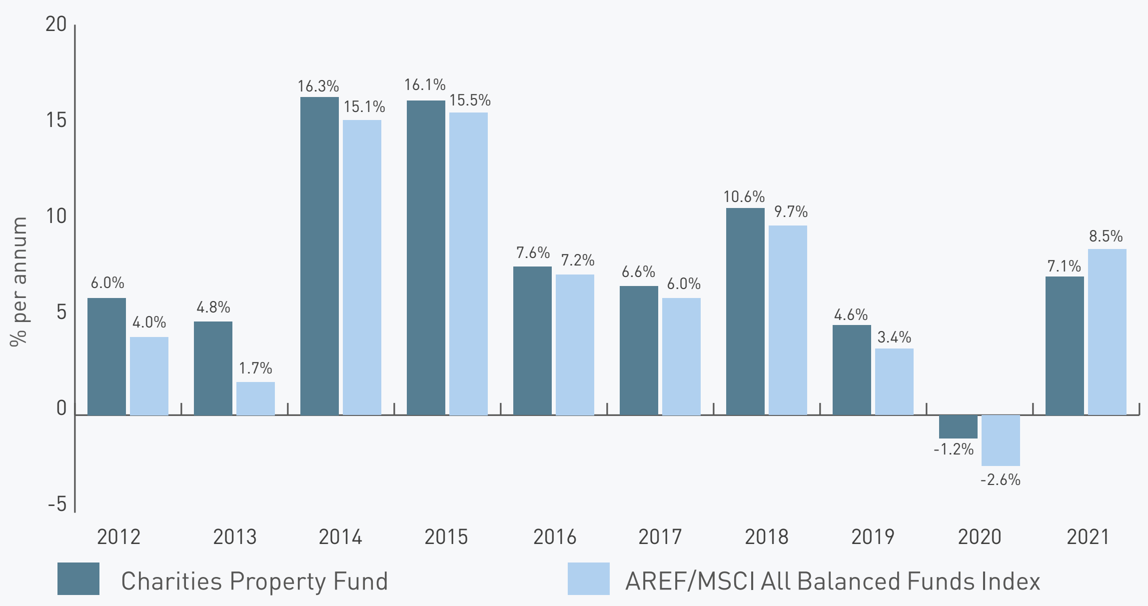
Harry de Ferry Foster MRICS
Fund Director

Fund Performance

The total return for the Fund during the 12 months to 24 June 2021 was 7.1% against the AREF/MSCI All Balanced Property Funds Index which produced 8.5%. Over the last five years the Fund has returned 5.5% per annum, compared to the Index of 4.9% per annum. Over 10 years the Fund has returned 7.8% per annum, compared to the Index at 6.7% per annum.#

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

Fund level performance - Total return as at 24 June 2021



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 posted a total return of 7.1% over the last 12 months, exceeding its 7.0% per annum objective. However, its long running outperformance of the AREF/MSCI All Balanced Funds Index came to an end, with a 1.4% underperformance over the same period. It is thought this is mainly down to a lag in valuations and we will continue to monitor this for the remainder of the year. It should be noted that the fund continues to outperform over 3, 5, 10 and 20 years.

The Covid-19 pandemic has resulted in cuts in interest rates, reduced dividends and the resurgence of inflation. This means that a desire for reliable and sustainable income has become more urgent and at the same time increasingly difficult to find. Importantly for investors the income provided by the Charities Property Fund has held up remarkably well, despite the well publicised Government legislation preventing the legal enforcement of rent collection since March 2020. The dividend of 5.07 pence per unit paid over the last 12 months reflects a yield of 4.13% net of all fees and costs (which are paid from income), only marginally below the average for the last five years of 4.25%. This is reassuring bearing in mind the difficulty in collection and deferrals during multiple lockdowns.

The portfolio has always been defensively positioned, with industrial & logistics the largest exposure and offices and retail the smallest from a sector perspective. Within offices the buildings are generally small and let at affordable rents and 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 capability 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 seven additional members listed below:

Aidan Kearney, CIO, The Health Foundation
Alan Fletcher, 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

The Hedley Foundation is an endowed charity which aims to improve the quality of life of people in the United Kingdom, particularly those from disadvantaged backgrounds. It achieves this by making grants to registered charities for the benefit of young people, disabled people, elderly people, the terminally ill and otherwise disadvantaged people and their carers.

The Hedley Foundation's income is derived from a multiple of sources including from holding units in the Charities Property Fund. The returns generated by our investment in The Charities Property Fund have strongly contributed to our ability to sustain grants at the current level. The Fund is well founded (with no debt and with diverse property holdings generating strong income streams), it is well managed and it is entirely transparent. The Savills team running the Fund are highly motivated and professional in their approach to clients and to their investments and have shown consistently good judgement, especially latterly during the period of the pandemic. The Hedley Foundation's holdings within the Charities Property Fund will continue to be an important part of our portfolio of investments going forward.

Sir Andrew Ford GCVO, Chairman of Trustees, The Hedley Foundation

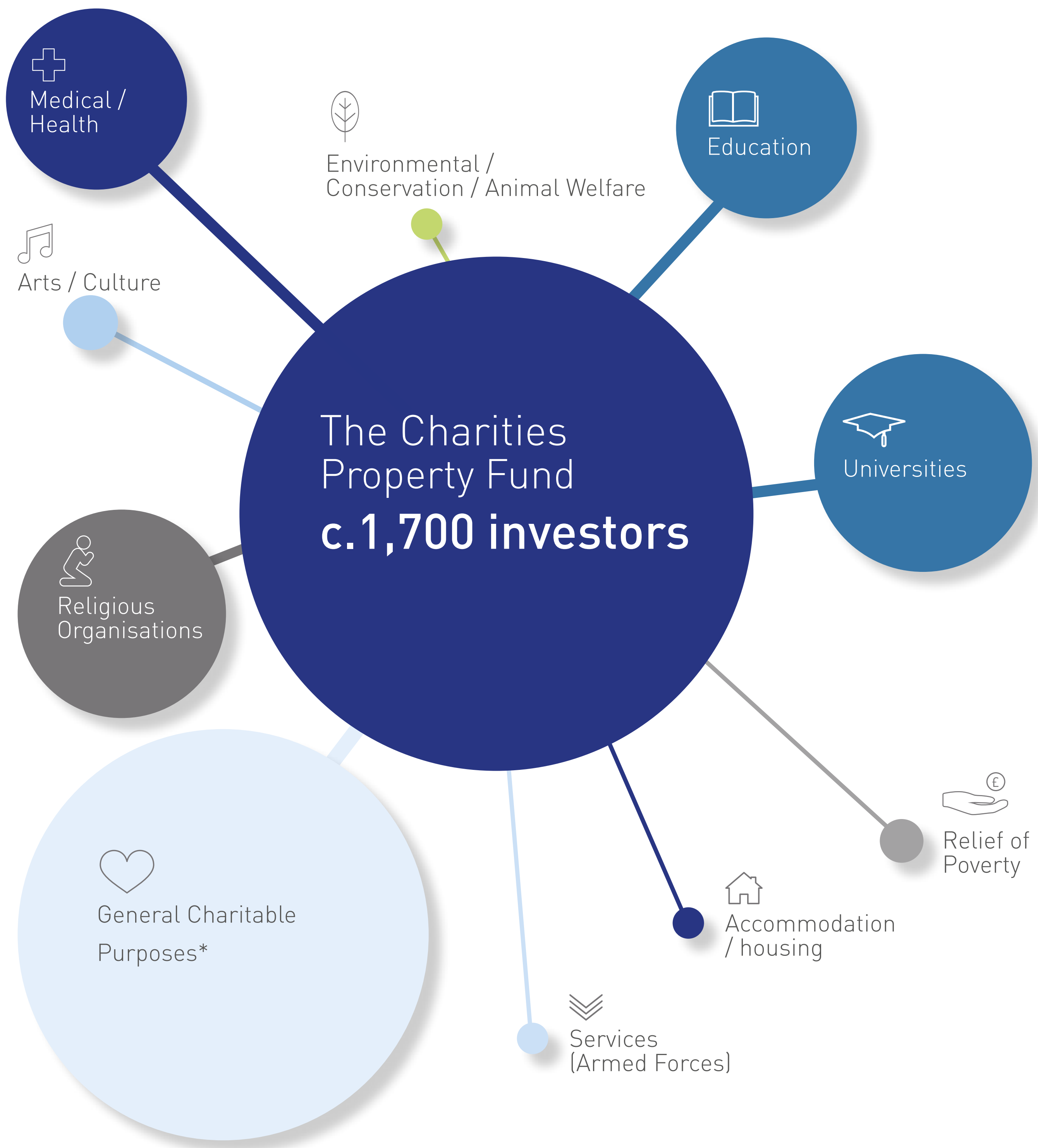
The Duchesne Trust was established in 1983 as a registered charity in the England and Wales. During 2011 its purpose was defined to hold, manage and monitor the central investments of the Society of the Sacred Heart a religious congregation. The Generalate is based in Rome, Italy with operations in 42 countries around the world. The establishment of a central investment fund was to be able to provide for the current and the future requirement of the Congregation that are not sustainable and to allow those parts of the Congregation that had investments to participate in the same investment approach as the Trust.

The Trust in 2011 employed 4 investment managers with a balanced mandates. Following a review of these mandates and the specific investments that each mandate was invested in the Trust noticed that 2 of the 4 managers held the same property asset the Charity Property Fund and the other 2 managers held other property funds. Following an evaluation and a review of the property investments the Trust determined that the Fund was one of the best risk adjusted investment it held in property. As a result of this review the Trust then made the decision to carve out the property from the existing managers and have a direct relationship with the Charity Property Fund.

Once the direct relationship was established at the end of 2019 the Trust had the opportunity to consider property as a separate class of investment rather than it forming part of the general class of Alternatives. In February 2021, a review of the Trust's requirements for the next 5 years was conducted and the likely returns and volatility from the various asset classes assessed. The Investment Committee concluded that increasing the investment in the Fund was a sensible approach due to the consistent annual returns that the Fund had produced as well as the damping of volatility that the Fund provided especially during 2020. The fund will continue to play a key role of providing consistent income and reduction in volatility over the coming years.

Mark E Freeman, Financial Advisor to the Duchesne Trust

Investor Categorisation



Source: Savills Investment Management (June 2021)

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

Highly Resilient Quality Portfolio

117 properties

11.2 years to lease expiry

5.1% vacancy rate

38.7% of annual rent benefits from fixed or index linked rental increases

c.1,700 investors

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

NO debt*

62% of the portfolio is located in London and the South East of England

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

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 negative 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.

"To provide a high and secure level of income with the prospect of growth in income"

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 predominately 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 house views, trend analysis and other outputs integral to investment.

These strategies then filter through to our proprietary investment process, which can be summarised by the acronym STEMM (Strategy, Tactics, Evaluate, Manage and Monitor). This provides a circular 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 that strategy, analyse at asset and portfolio level, execute and implement initiatives and monitor risk/return and other value/risk influencers, like ESG, climate risk, concentration holdings, and tenant covenant strength.

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, stress testing, attribution analysis, portfolio risk management and the review of asset plans.

Investment Process Overview - STEMM

Strategy	Establish the strategy	• House views - market forecasts • Client/Fund objectives and benchmarks • Client/Fund specific strategies; acquisition, asset management, debt, exit • Risk tolerance and exposure ranges
Tactics	Identify opportunities to deliver the strategy	• Identifying tactics • Targeting deal flow • Screening investment opportunities • Sources and use of debt and hedging • Initial appraisals
Evaluate	Analyse at asset and portfolio levels	• Pricing - rent and yields forecasts • Risk assessment and management • Cash flow and total return analysis • Impact of debt and tax structuring • Active management potential / asset plans / exit strategies • Portfolio level analysis
Manage	Execute and implement initiatives	• Creation of portfolio / buy execution • Asset plan implementation • Ongoing management: asset, treasury • Sale execution
Monitor	Monitor risk/return at asset and portfolio levels	• Historic performance analysis • Ongoing risk analysis and return forecasts • Portfolio check against strategy • Check against asset plans • Monitor hold/exit

ESG and Responsible Investment

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 Commitments

Net ZERO

Late last year the Fund team embraced a Net Zero commitment:

by 2030

We have pledged to achieve Net Zero for scopes 1 & 2 by 2030 (i.e. properties where we are in control, multi-let or properties or those that are returned to us at lease expiry).

by 2040

We have pledged to achieve Net Zero for half of held assets for scopes 1,2 and 3 by 2040 (this includes buildings we don't have control of (i.e. single let buildings) and clearly some of our leases expire after 2040).

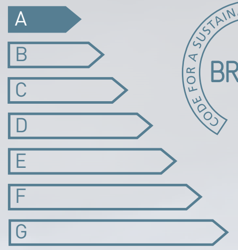
by 2050

Net Zero for all assets for scopes 1,2 and 3 by 2050.

Case Study

Industrial warehouse, Dawson Road, Milton Keynes

Refurbishment targeting operational net zero



Sustainable initiatives:

- EPC A+
- BREEAM Excellent
- PV panels on roof
- New energy efficient LED light fittings throughout
- LED life up to 60,000 hours, PIR sensors and daylight sensors
- Water reducing products
- Anticipated water saving per annum: 261,000 litres
- Water recycling: rain water harvesting, tank size: 5000 litres -> annual CO2 Emission saved 41.6 kg
- Air source heat pump
- Mechanical ventilation with heat recovery
- Encouraging staff to cycle to work by installing cycle shelters and shower / changing facilities
- Reclaim and reuse building materials
- Electric vehicle charging points to encourage staff to use electric power cars
- Low maintenance, drought-tolerant planting is nectar-rich for butterflies, bees and other wildlife
- Planting and habitat is tailored to locality, or Biodiversity Action Plan target species
- Providing a bird and bat boxes, and insect habitat to nest and increase pollination and pest predation
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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 5.1% compared to the MSCI monthly index average of 9.3% (including developments).

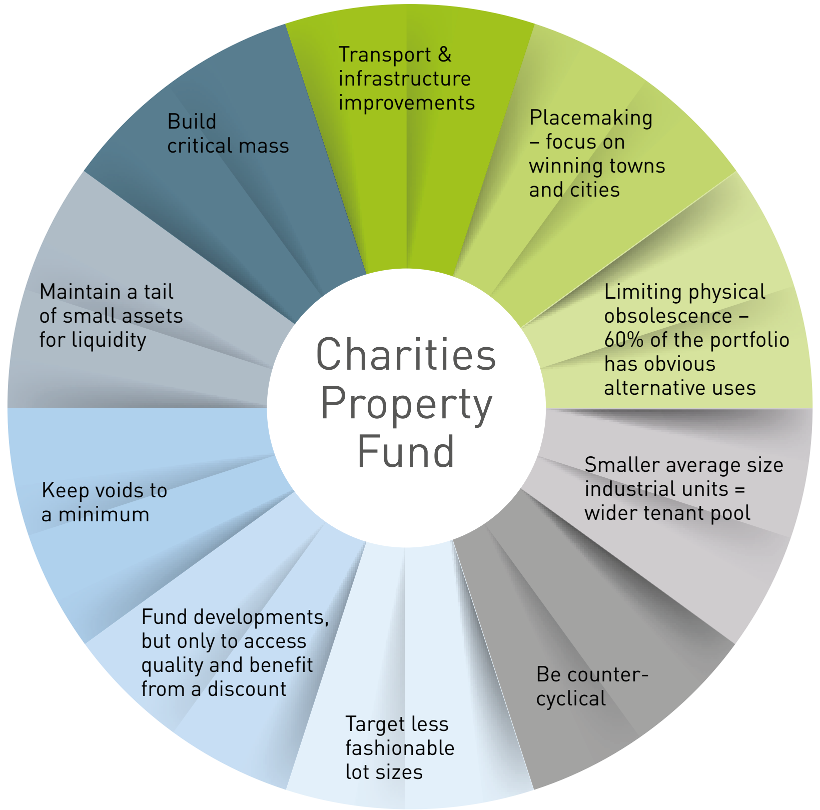
We also believe the Fund's sector weightings deliver a small yield benefit through maintaining a higher weighting to retail warehouses and the industrial and alternative sectors, and a lower weighting to the high street retail, shopping centre and core City and Mayfair office markets.

"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 these sectors and the alternative assets provide longer than average leases and a high proportion of rental indexation.

We have acquired **113 buildings** during the last nine years, investing **over £840 million in assets** that are now valued (or have been sold) for a total consideration of over £1.04 billion. Of these acquisitions, we have subsequently sold **23 properties** totalling only 20% 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 last 12 months have been subdued in terms of new investment. We acquired only one asset, investing **£2.85 million**. Additional capital investment of approximately £1.55 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.

As we have previously reported, due to the material valuation uncertainty clause (MVU) imposed by the Independent Valuer between March and September 2020, we were forced to suspend trading in the fund. This meant we had to turn away new applications into the fund, however all redemptions were honoured. In addition, we wanted to keep a high liquidity buffer within the Fund, due to the heightened uncertainty produced by the pandemic. This left less capital available for new acquisitions and was further complicated by the added difficulty of assessing financial suitability of new tenants during the pandemic.

The year ahead promises to be very different. We had significant inflows of new capital at the June quarter and current cash levels exceed £100 million. Therefore next year's report is likely to include significant numbers of new acquisitions.

The Fund's sole purchase in the last 12 months was:

1. Rochdale

This was an off-market acquisition of an industrial unit let to Royal Mail. The property comprises a large site of 2.25 acres near to the town centre with the benefit of a low site cover of only 25% providing ample opportunity to extend the footprint of the warehouse in the future. The warehouse comprises a sortation and delivery depot for Royal Mail.

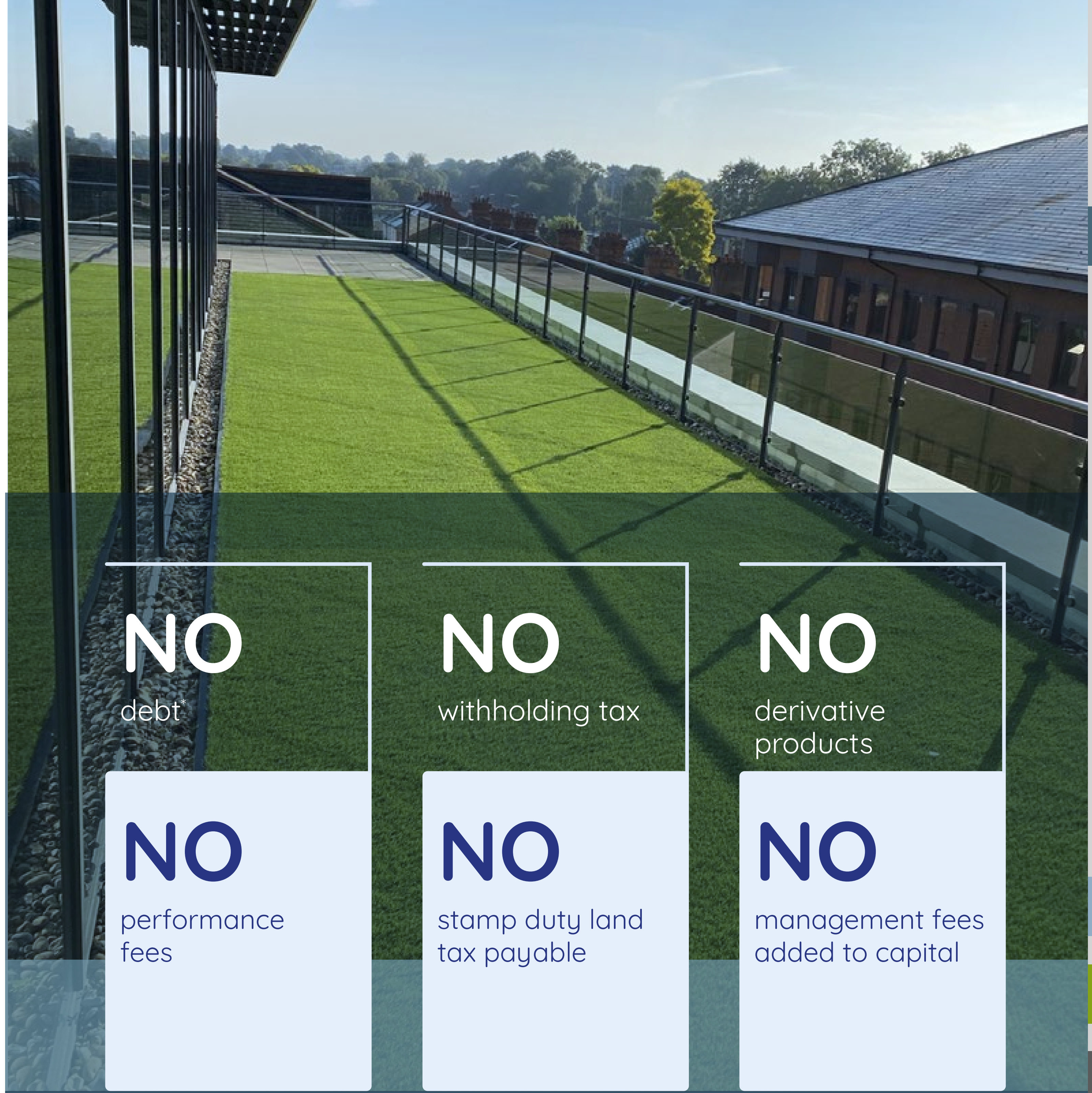
Rochdale
Purchase price: **£2.85 million**
Lease length: **7.5 years**
Yield to the Fund: **5.85%**

The property is let to Royal Mail for a further 7.5 years at a rent of only £5.25 per sq ft which offers reversionary potential. The price was £2,850,000 reflecting a yield to the Fund of 5.85%.

Whist the acquisition is small within the context of the Fund's size, it reflects good value in our opinion and is a simple and efficient asset in terms of management. We will continue to add to our industrial holdings where we can pick off acquisitions out of the glare of the market. Pricing is extremely competitive for these assets that are openly marketed but where we can find value through deliverable off market transactions we will continue to keenly pursue these.

£2.85 million
invested in 12 months

5.85%
average yield to Fund



NO debt*

NO withholding tax

NO derivative products

NO performance fees

NO stamp duty land tax payable

NO management fees added to capital

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

Portfolio Report - Sales

The Fund sold nine properties during the 12 months to 24 June 2021, comprising a broad selection of assets across multiple different sectors and included two office buildings (one in Central London), a car showroom, a petrol station, a supermarket, two industrial and two retail warehouse properties. The supermarket was the largest asset and one of the retail warehouse assets the smallest. We managed to identify special purchasers or facilitate very competitive bidding in each instance.

The combined valuation of these nine properties prior to sale was £96.1 million and they collectively sold for £107.850 million*, a premium of +12.2%.

A number of these assets had been prepared for marketing following the completion of asset management initiatives. The supermarket was launched to take advantage of the feverish demand for food stores which materialised in Q4 when investors sought to allocate capital to "essential" income as a reaction to Covid-19 and this enabled us to create competitive tension from bidders and capture a very strong price.

This outperformance would be welcome at any time, let alone during a global pandemic. Equally pleasing was the prime average yield achieved on the nine assets of 4.1% and the uplift since purchase - the assets were collectively acquired for £76.685 million, so we have realised a 40% premium over their acquisition prices, not to mention the rental income received over the average eight year hold period.

The prices achieved reflected a combined yield of 4.1% NIY.

Feltham
Sale price: **£14.85 million**
Capital growth: **127%**
Net initial yield: **4.73%**

The Fund's sales were:

1. Feltham

This asset was acquired in 2012 for £6.54 million, reflecting a yield to the Fund of 9.8%. At the time the two leases had 5 years remaining and both buildings were let to the Secretary of State as an Immigration Tribunal Court. Over the course of our ownership we have extended the leases twice, initially for 5 years but subsequently for 10 years and increased the rent by 15%. We believe we had maximized the value we could extract here and thought it was an opportune time to bring the property forward for sale.

After a short marketing campaign we received multiple offers and have now sold the asset for £14.85 million, reflecting a net initial yield of 4.73%. This represents a 127% increase on the purchase price and is almost £1 million (7%) ahead of the most recent valuation.

*Including a lease surrender premium of £1.5 million at Thames Ditton

Cowper Street, London, EC2
Sale price: **£9 million**
Capital growth: **105%**
Net initial yield: **4.43%**

2. Cowper Street, London, EC2

We sold an office building in Cowper Street, Shoreditch, EC2, for £9.0 million, reflecting a net initial yield of 4.43% and a capital value of £1,162 per sq ft. We received a speculative approach from an investor in December and this led us to invite interest from some known requirements, one of whom moved very quickly and offered a compelling price.

The lease only had three years remaining and the passing rent of £55 per sq ft overall (£65.00 per sq ft on the best space) is unquestionably overrented today. We estimated the rental value to be some 24% lower. They completed in four working days, buying the asset just before Christmas. We think it is very positive to be able to execute the sale of a central London building at a very strong price so quickly. It was £500,000 ahead of valuation and more than 100% ahead of the purchase price of £4.375 million in 2014.

3. Raunds

This Northamptonshire industrial asset was acquired in July 2011 for a price of £5.3 million, reflecting a yield to the Fund of 9.1%. It comprises an 82,000 sq ft manufacturing unit and was let to Avery Dennison on a lease expiring in March 2020 at a rent of £488,319 (£5.89 per sq ft). At the time of purchase it was undoubtedly overrented but we felt this would reduce over time as the industrial market recovered.

In 2020 we renewed the lease for a further ten years at a rent of £476,589 (£5.75 per sq ft) and having executed the asset management and extended the lease, we took the opportunity to fully market the asset bearing in mind the strength in demand for industrial assets. We received 12 bids in total and sold to Leicestershire County Council in October at a price of £9.225 million, reflecting a yield of 4.85%.

Portfolio Report - Sales

4. Thames Ditton

We sold a car showroom investment in Thames Ditton. Sytner previously operated a Jaguar Land Rover franchise from this property, but had recently moved into a larger facility which has been constructed for them in Sunbury. We were fully aware of this and had been jointly marketing the site with the tenant, after agreeing they would pay the Fund a substantial lease surrender premium.

Again what is reassuring is the level of interest received – we received offers from three food retailers, self-storage operators and a number of residential developers.

We subsequently agreed to sell the asset to Aldi and this completed in early December. The combined price and surrender premium received totalled £7.7 million (£6.2 million plus £1.5 million lease surrender), reflecting a net initial yield of 4.16% and was circa £500,000 (+7%) above the September 2020 valuation. This is a strong price for an asset with only six years remaining on the lease.

5. Newcastle-under-Lyme

This industrial asset was acquired in December 2004 for a price of £6.78 million, reflecting a yield to the Fund of 7.3%. It comprises an 126,000 sq ft industrial unit and was let to John Menzies plc on a lease expiring in November 2015 at a rent of £502,500 pa (£4.00 per sq ft).

Upon expiry we took a substantial dilapidations payment from John Menzies and remarketed the unit. Unfortunately demand was thin and this property remained empty for three years until December 2018 whereupon it was relet to TPBI Paper Limited on a two year lease at £140,000 per annum (£1.10 per sq ft). Importantly at the same time we granted the tenant an option to buy the unit at £4.85 million (which was £1 million ahead of the 2018 valuation), but removed their right to take a new lease. This effectively ensured they would exercise the option, which they subsequently did in December 2020.

Whilst this asset suffered a capital loss over the hold period of £1.9 million, it delivered over £5.8 million in income and a substantial dilapidations settlement of over £600,000, so the average total return was 7% per annum.

6. Barnet

This property was acquired in November 2013 for £37.4 million reflecting a net initial yield of 4.4% and comprised a Sainsbury's supermarket occupying a 2.5 acre site adjacent to New Barnet station on East Barnet Road. It benefitted from a very long unexpired lease of 24 years and from 5 yearly RPI index linked rent reviews, with a minimum "collar" of 2.5% per annum.

In 2019 we increased the rent at review by 13.1% and following our success at Old Kent Road we worked up various proposals for the potential redevelopment of the site.

Having explored the development potential and benefitted from a significant rental increase – the rent had risen to £28 per sq ft – we decided to capitalise on the extraordinary demand for food stores resulting from the pandemic and undertook a full marketing campaign. We received six offers, all ahead of the latest valuation of £44 million and we subsequently sold to a private investor for £51.1 million, a 16% premium to valuation and a yield of 3.57%.

Barnet
Sale price: **£51.1 million**
Capital growth: **36.6%**
Net initial yield: **3.57%**

Portfolio Report - Sales

7. Calne

This property was acquired as part of a portfolio which included Stow on the Wold and Harrogate, which are prime assets and were the driving motivation for the purchase. Calne is non-core principally because it is a small site with little alternative use. It was acquired in 2015 subject to a 20 year lease to BP at an apportioned price of £3,025,000. The lease had a fixed 2.5% pa compound rental uplift in January 2020 with a further fixed increase to come in 2025 and then an open market review in 2030.

BP have sublet the property to Motor Fuel Group on a coterminous lease and the sub-tenant approached us to buy the freehold last year. We subsequently agreed a price of £3,275,000 with the purchaser reflecting a yield of 5.19%.

The property originally exhibited low risk characteristics given the 20 year lease secured to BP when we acquired it, but the lease length had reduced and the ESG risks had increased. The sale removes an asset with a lack of alternative use and over rented income.

8. Taunton

This property was acquired as part of a portfolio acquisition in 2014. The Taunton asset was never a core reason for the portfolio acquisition, but given the low rent, open consent including food and the apportioned price we were satisfied to include it as part of the acquisition. The asset has fulfilled its business plan delivering close to 7% pa return during a difficult time for retail.

The retail sector has been challenged for a few years and Covid-19 has accentuated this – CVAs are prevalent and whilst Matalan has weathered the storm relatively well there remains a risk to the sustainability of the income up to lease expiry. The asset is also likely to require significant capital expenditure in the future should Matalan vacate.

Terms were agreed with a private investor at a price of £2,350,000 reflecting a NIY of 7.00% and a premium to the independent valuation.

9. Chesham

This property was acquired in the same portfolio as the Taunton asset in 2014. Whilst Chesham exhibits less risk due to the location, tenant security and potential for alternative use, it only has approximately five years unexpired and delivering the alternative use would not be easy. Fundamentally, the rationale for sale was that a premium price was achieved significantly ahead of valuation. The property had been openly marketed during Q4 2020 and in October we received four bids ranging from £4,700,000 to £5,100,000 which were short of our strike price to sell. Shortly after this Lidl offered £5,500,000 but failed to achieve board approval. Negotiations continued and the eventual purchaser increased their price from £5,100,000 to the eventual sale price of £5,500,000. Having received 13 bids in total including from a motivated supermarket operator who didn't have representation in the town we are confident that we have extracted the maximum and pushed the pricing as far as possible.

£5,500,000 reflects a NIY of 5.22% and showed a 16% premium to the valuation of £4,750,000. The asset has delivered an IRR of approximately 9% pa.

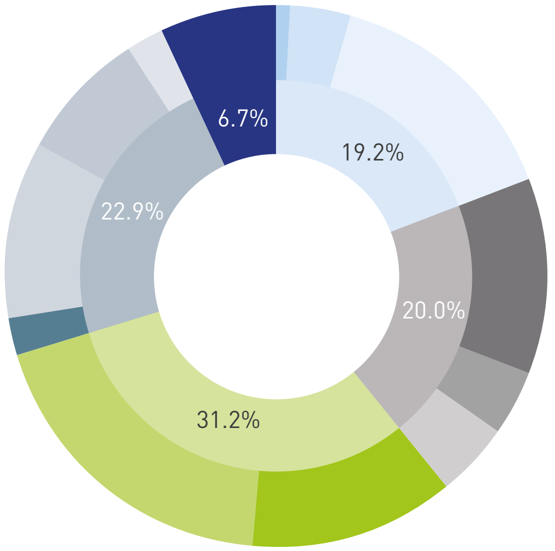
Chesham
Sale price: **£5.5 million**
Capital growth: **18.30%**
Net initial yield: **5.22%**

Sector Weightings - The Fund

The portfolio is well diversified and is not overly exposed to any one particular sector. It continues to have a bias towards industrial/logistics (our largest sector exposure), alternatives 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 2021



RETAIL

High Street	1.0%
Supermarkets	3.7%
Retail Warehouses	14.6%

INDUSTRIAL & DISTRIBUTION

South East Industrials	12.3%
Rest of UK Industrials	18.9%

OFFICES

London Offices	11.6%
South East Offices	3.9%
Rest of UK Offices	4.5%

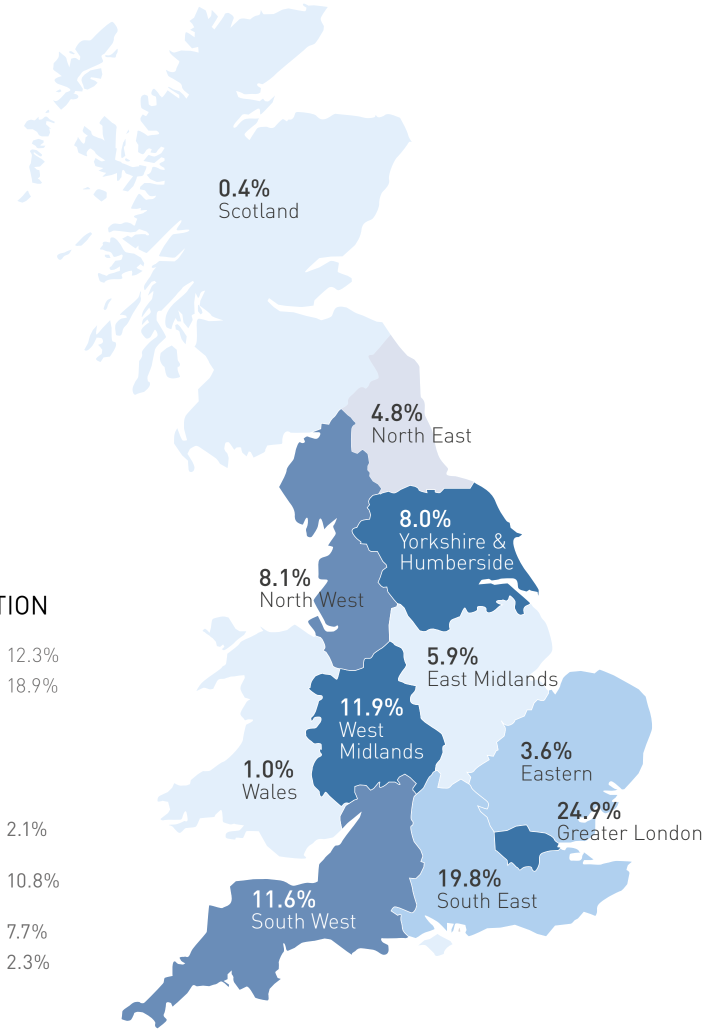
ALTERNATIVES

Leisure (food & beverage / health & fitness)	2.1%
Accommodation (hotels / student / serviced apts.)	10.8%
Automotive	7.7%
Roadside	2.3%

CASH 6.7%

CPF Portfolio by region

as at 24 June 2021



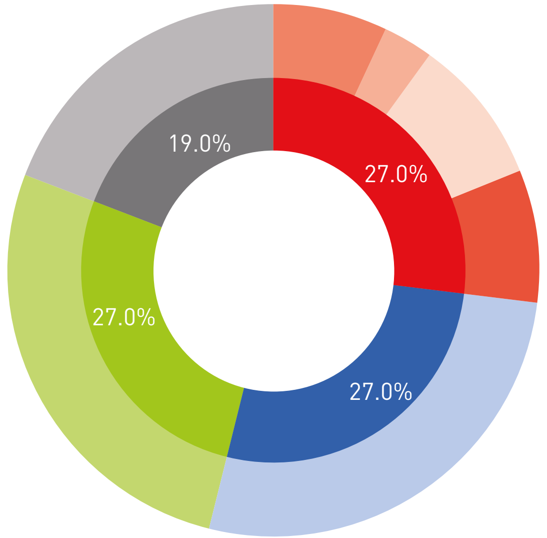
Source: Savills Investment Management

Sector Weightings - MSCI

Geographically the Fund's weightings differ from the MSCI weightings. The main differences being we have almost no exposure to Scotland and less to Greater London, but proportionately more in the Midlands and the North of England.

MSCI Sector Weightings

as at 24 June 2021



RETAIL

High Street	7.0%
Supermarkets	3.0%
Shopping centres	9.0%
Retail warehouses	8.0%

INDUSTRIAL & DISTRIBUTION

Industrial & distribution	27.0%

ALTERNATIVES

Alternatives	19.0%

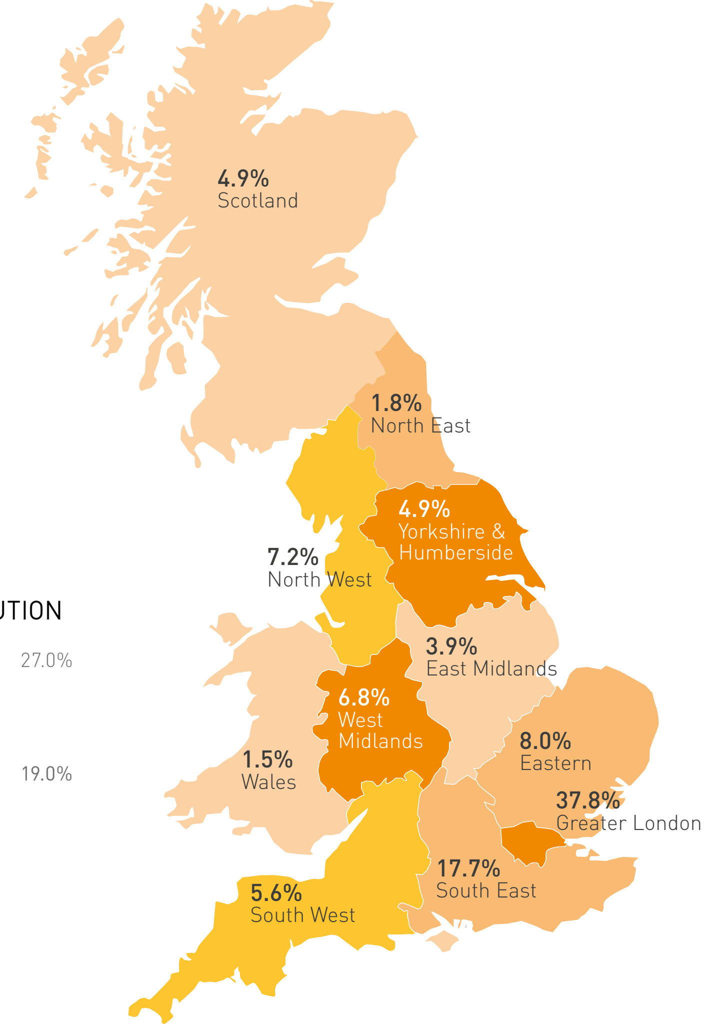
OFFICES

Offices	27.0%

Source: MSCI

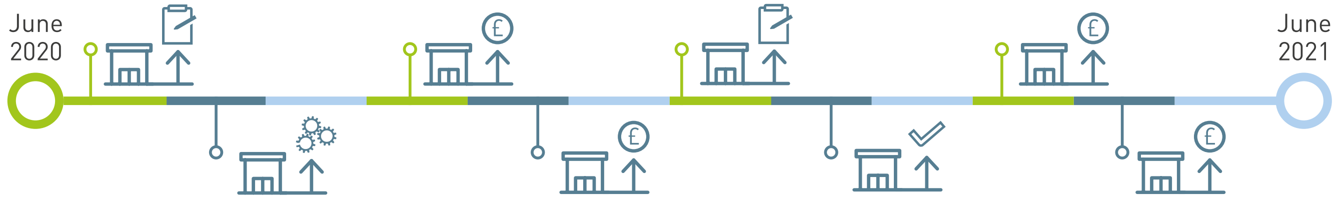
MSCI Geographical Weightings

as at 24 June 2021



Asset Management

Operating conditions for property markets during the 12 months to June 2021 were far from normalised but this did not disrupt our efforts to retain existing tenants and attract new tenants to the portfolio through determined asset management. We are pleased to report a high volume of activity totalling 41 new lettings and lease renewals completed during the year with some valuable lease surrender premiums secured which resulted in additional income being distributed to investors.



41
lettings and lease renewals completed

£7,751,026
attributed to new lettings / lease renewals

3
lease surrenders in return for cash premiums from tenants

£3,725,000
of income distributed to investors from lease surrender premiums

£786,500 pa
the Fund's largest letting (Liverpool industrial)

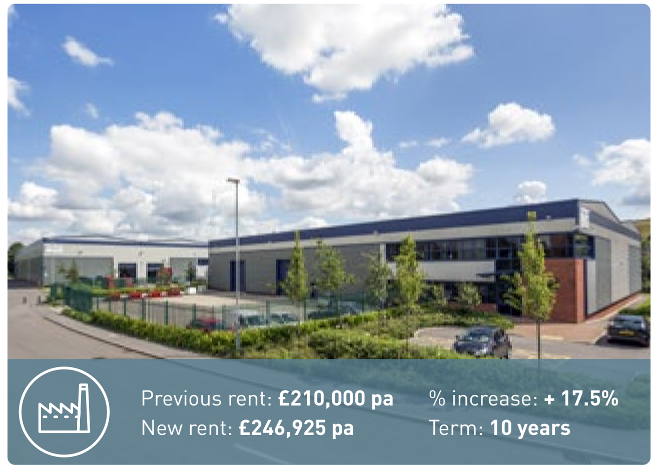
The Charities Property Fund | Report & Accounts 2021

Asset Management

Three examples of new lettings within the industrial sector are set out below. It is noteworthy that for each of these properties terms were agreed with new tenants at increased rents prior to the incumbent occupiers vacating the properties meaning that we were able to immediately replace the income at a higher amount and to minimize the void period.

Previous rent: **£238,400 pa** % increase: **+ 14%**
New rent: **£271,225 pa** Term: **10 years**

Wakefield



Previous rent: **£210,000 pa** % increase: **+ 17.5%**
New rent: **£246,925 pa** Term: **10 years**

Huddersfield

Previous rent: **£715,000 pa**
New rent: **£786,500 pa**
% increase: **+ 10%**

Liverpool

This modern distribution warehouse was acquired in 2013 at a price of £6,775,000 when it was let to Toyota at a rent of £593,450 pa. In 2018 we increased the rent to £715,000 pa at an open market rent review. Last year Toyota approached us seeking to surrender their lease which was due to expire in 2023. In the knowledge that the tenant wanted to vacate the property we found a replacement tenant whilst twin tracking a lease surrender negotiation with Toyota in return for a cash premium. We secured a cash premium from Toyota of £1,650,000 and simultaneously re-let the property at an increased rent of £786,500 pa on a new three year lease to a third party logistics company. The surrender premium of £1,650,000 has been distributed to our investors as income. Since purchase through these asset management initiatives the rent has increased by 32.5% and we have had to invest no additional capital expenditure into the asset. The most recent valuation by the Independent Valuer as at June 2021 was £13,200,000.

Lease Expiry Profile

The Fund's average lease length to expiry at 11.2 years is almost 20% longer than the market average at 9.3 years.

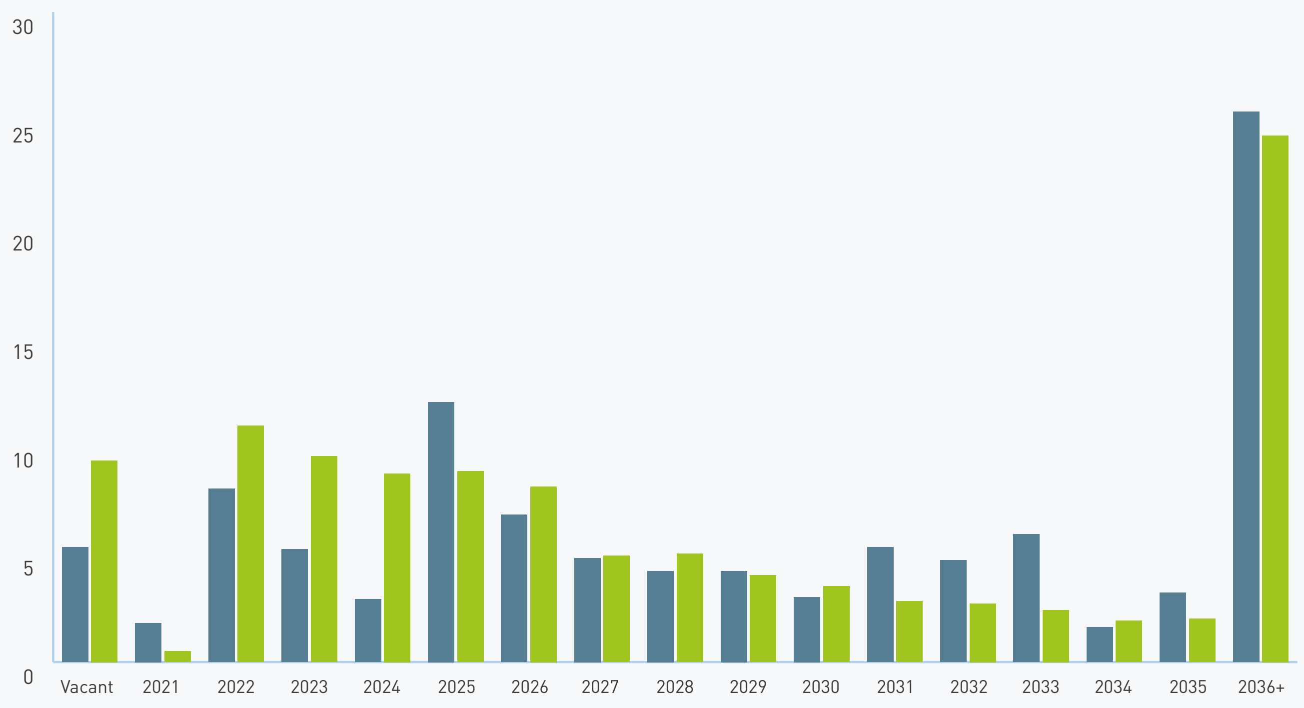
The average unexpired terms in the office and alternative sectors are broadly in line with the market average.

The main differences are in the industrial/logistics and retail sectors - here the average lease length is almost 40% longer than the market average. 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 rent collection statistics overleaf.

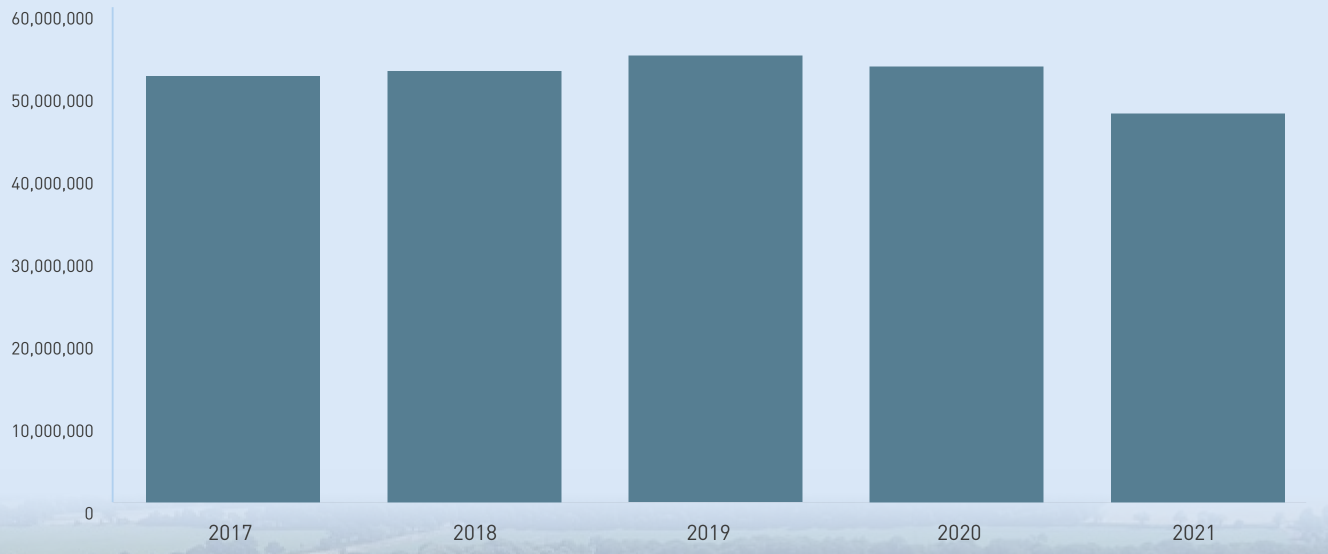
Lease Expiry



Source: Savills Investment Management and MSCI

Distributions – Five Years

Annual Distributions



Source: CPF

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 2021 but subsequently extended until March 2022. 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 March 2022.

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. Generally we allowed for rent to be paid on a monthly basis where tenants requested this, but on the understanding that the tenant sets up a standing order to do this. We also allowed rent deferrals for three months by application, for tenants directly affected by Covid-19 and providing a rationale and business case for our consideration. Rent will be typically 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 the 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 alternative but to waive payment.

However, despite rent being much more difficult to collect, we have been remarkably successful at doing so and the dividend has held up very well. The dividend for Q3 2020 was 1.12 pence per unit, but this then increased to 1.39 pence per unit for both Q4 2020 and Q1 2021 as many of the deferrals were collected. Now that these have flowed through the Q2 2021 dividend reduced to 1.17 pence per unit. Therefore over the last 12 months, distributions totalled 5.07 pence per unit, which was +2.6% ahead of the previous year (24 June 2019 – 24 June 2020).

This means we have effectively collected and distributed 94% of all rents contractually due, which we believe to be a creditable result. The table below sets out the collection statistics for the last four quarters:

Quarter	Total Collection
Q3 2020	90%
Q4 2020	95%
Q1 2021	93%
Q2 2021	94%
Total	**94% (average)**

Sector	Rent collection statistics (Q2 2021)
Industrial	96%
Offices	97%
Retail warehouses	94%
Supermarkets	100%
High Street	74%
Alternatives	88%
Total	**94% (average)**

Economic Overview

A strong 4.8% quarter on quarter rise in GDP in Q2 confirmed hopes that the easing of Covid-19 restrictions spurred a sharp rebound in the economy. The re-opening of non-essential retail and hospitality generated a surge in household spending as consumption rose by 7.3% over the quarter, according to the ONS. GDP is now just -2.2% lower than February 2020's pre-pandemic level.

The increase in the number of people self-isolating in Q3, the 'pingdemic' is likely to have stifled activity at the start of Q3 and as the scope for 'catch-up' gains fades, the pace of the recovery will slow as the economy gets closer to its pre-pandemic level of output. Capital Economics anticipate growth of around 1.5-2.0% per quarter in Q3 and Q4 – still strong rates of growth by historical standards – with the economy back to its pre-Covid size by October. This is ahead of schedule with many gloomsters not predicting this until Spring 2022.

Consumer confidence has rebounded strongly since the start of the year, with British business confidence hitting highs not seen since April 2017 on hopes the economy is recovering strongly to pre-pandemic levels, according to the Lloyds Bank Business barometer. Overall business confidence among UK firms rose by six points in August, driven by improvements in companies' trading prospects and expectations of stronger growth in the year ahead. There was caution among companies about inflation and staff shortages, but firms in manufacturing, services and construction all posted greater optimism that the recovery would continue.

The Bank of England left monetary policy unchanged in August as expected. However, it did indicate that interest rate rises are on the horizon. Market expectations are for interest rates to start rising in mid-2022, but much will depend on how the labour market and wage growth evolves and whether inflation proves stickier for longer than expected. The labour market remains buoyant and despite 1 million employees still on the furlough scheme there are over 1 million published job vacancies.

Households in aggregate have amassed a sizeable war chest of savings throughout the pandemic and consumer spending is expected to drive the economic recovery. Homeowners repaid £1.4 billion of mortgage debt in July, despite economists forecasting a £3.1 billion rise due to the tapering of the stamp duty holiday.

That said, rising inflation will erode household's real income which could weigh on the strength of consumer activity. Inflation hit 3.2% in August. This is the largest ever monthly increase on record. The RPI Index hit an eye watering 4.8% from 2.1% in May and just 0.7% at the start of the year. Capital Economics has increased its expectations for inflation to reach 4.5% towards the end of the year.

Property Market Overview

Agents continue to report a flight to quality, with limited investor appetite for assets with location, leasing and void risks. Given the structural changes affecting the retail and office markets, and a still uncertain outlook, this risk-off approach is likely to continue for some time. Strong competition for industrial assets continues to put downward pressure on yields with Savills cutting their prime multi-let industrial yield to 3.25% in July, from 3.50%. Since the start of the year the yield has come in 50bps. Surprisingly, but perhaps highlighting the nature of strong competition for the best quality assets, both West End and City prime office yields have come in, to 3.25% and 3.75% respectively.

The retail equivalent yield came in for the second consecutive quarter, underpinned by strong performance from the retail warehouse sector. In contrast, shopping centre yields moved out for the fourteenth-straight quarter.

Retail - In Focus

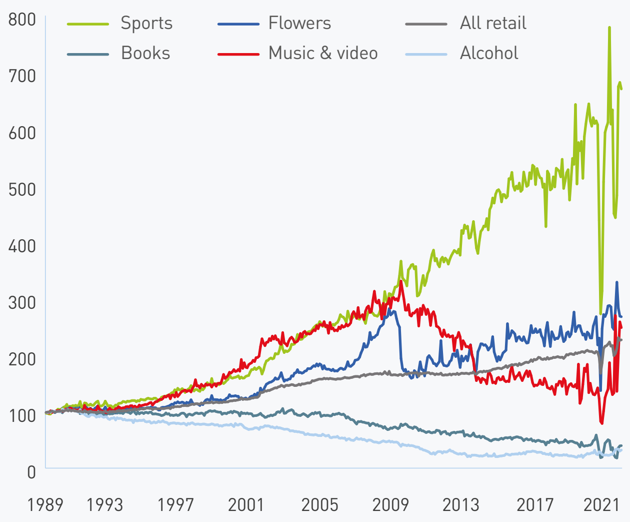
The High Street and Shopping centres have had a dire 12 months, driven by lockdowns, restrictions and social distancing measures.

From a real estate perspective, the high street and shopping centres are struggling. Sales have flatlined whilst the amount of available space risen substantially. Not surprisingly rents have reduced. The UK has lost 83% of its main department stores in the five years since the collapse of the BHS chain. More than two-thirds of these 388 shops remain unoccupied, with 237 big stores yet to be taken over by a new business. There are 78 retail units available on Oxford Street and with high levels of business rates still due it is hard to see any retailer staking a claim to these units for the time being.

Against this it is fascinating to consider some of the ONS figures which show retail sales have more than doubled since 1989 as the choice of what to spend your money on has exploded. Interestingly physical in-store sales haven't reduced – they remain slightly above where they were 13 years ago (despite a fall last year related to the pandemic). The problem is that physical sales have stagnated, whilst the costs have considerably increased – be these rates, labour costs, repairs, insurance, and regulatory costs. This is why rents have fallen and retailers have failed.

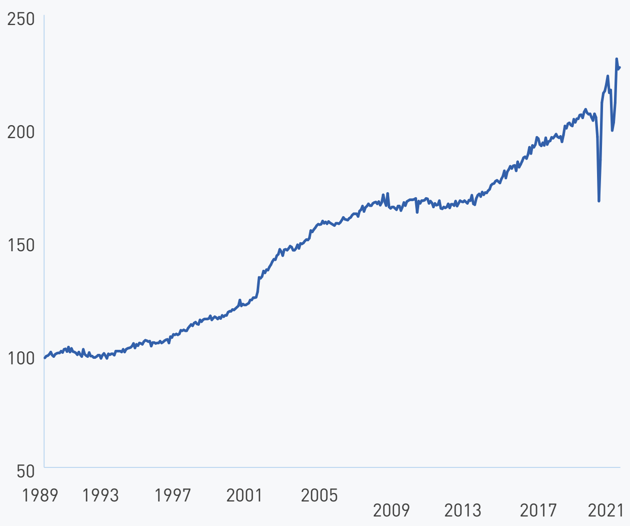
Online sales have grown significantly from 3.4% of total sales in 2007 to 28% last year. The UK is at the front of this wave and with Holland has seen a tenfold increase in online sales over the last 20 years. Interestingly this hasn't happened anywhere near to the same degree in other European countries. Time will tell whether they will experience the same phenomena and if so European high streets may be ravaged in a similar way as the UK.

Retail Sales by Sector



Source: ONS

Retail Sales by Volume in the UK



Source: ONS

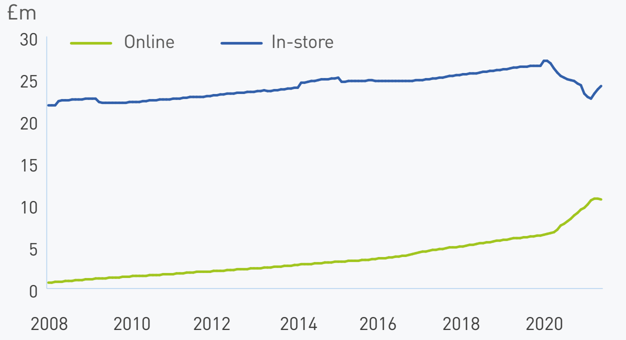
It is also interesting to see the change in shopping habits with sales of sport equipment, games and toys having increased 600% from their 1989 level (think the likes of Sports Direct and JD Sports). The rise of athleisurewear has been the biggest driver of fashion sales over the last five years and accelerated last year. Conversely alcohol and tobacco sales have fallen 76% over the same period. The fall in alcohol sales may be due to more drinking and dining out as household disposable income increased rather than a physical reduction. The population has obviously become more health conscious through greater access to gyms and fitness studios and a reduction in smoking although this has been offset in part by the rise in fast food sales.

Retail - The Fund

"Within CPF 95% of our retail exposure is in the out of town retail warehousing and supermarket sectors which have had an outstanding 12 months."

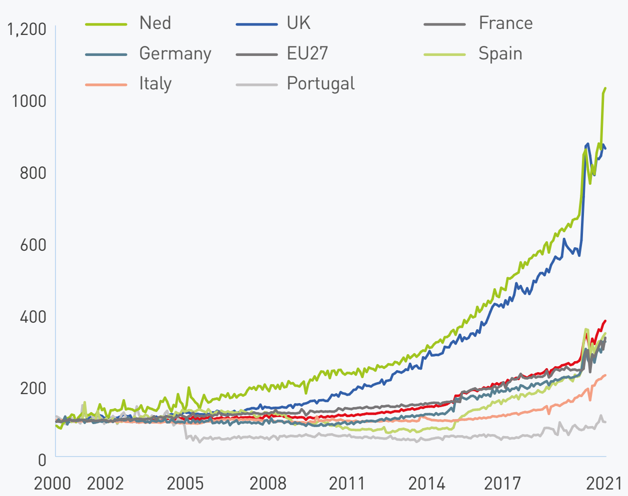
However there is a positive side to this and whilst the logistics sector has benefitted hugely from the growth of online sales, the other big success story of the last 12 months has been out of town big box retailing. These operators have thrived during the pandemic by offering large airy sales areas and a high percentage of essential retailers. The likes of the big supermarkets, plus Aldi and Lidl, but also Home Bargains, B&M, Food Warehouse, Poundland, Pets at Home and the DIY retailers etc. The penny has also dropped with investors that they are different - they offer free parking and lots of it, low rents (£10-£20 per sq ft on average is sometimes 10% the equivalent cost in a city centre. This also results in much lower rates bills. The service charge is also negligible.

Online Sales v Shop Sales



Source: ONS

Rise in Online Sales Globally



Source: ONS

Within the Charities Property Fund our exposure to retail is approximately 20% of the total fund. 95% of this is in the out of town and supermarket sector that has been the darling of the last 12 months. Our average rent in this sector across the UK is less than £15 per sq ft. And this includes London and the south east where rents can reach £20-£30 psf.

Offices - In Focus

A hybrid way of office working looks to be the most likely outcome of the Covid-19 pandemic. As with many other sectors of the economy, retailing being the obvious one, the pandemic has merely accelerated existing trends that were already in evidence. Many employers were allowing flexible working patterns, including days working from home prior to the crisis and this process has been speeded up partly due to improvements in technology. Previously working one day a week from home was probably the norm, now two days a week is likely to be the default.

This is evidenced that despite Government guidance advising people to work from home changing in July, thousands of workers are set to continue with remote working well into the autumn. Business that have decided not to compel workers to return to the office include HSBC, Vodafone, Centrica and Pearson. More than 30 firms surveyed, employing 600,000 office staff between them, said they will now move to a hybrid model, where staff spend part of their week working from home and part in the office. Only six firms said they would require staff to come back in September, but even these were suggesting for only two to three days per week. They were BP, easyJet, Taylor Wimpey, Rightmove, KPMG and PwC.

There is an argument that offices could become redundant and future improvements in technology could reduce the need for offices further. Facebook's development of virtual reality headsets and avatars would allow workers to virtually attend meetings, overcoming some of the issues of Teams and Zoom. Mark Zuckerberg was recently quoted saying "We are very optimistic that in five years from now, people are going to be able to live where they want and work wherever they want".

However tech companies do have a vested interest in promoting this narrative and this is at odds with some, albeit a minority mainly in banking and sales, who predict everything will go back to how it was. Goldman Sachs and JP Morgan, have famously said working from home is an 'aberration' and 'if you can go to a restaurant you can come back to the office. Their argument is that if one company has everyone ready to physically attend meetings whenever a client requires, then they will have a competitive advantage and others will be forced to follow suit. Research and Development is another area where teams can collaborate more successfully when together physically.

Ultimately there are arguments on all sides and no one can be completely certain how it is going to play out. It definitely varies by industry and there are anecdotal tales of companies requiring their staff to return to the office on a certain day only to find 10% immediately resign. Most companies that want a return to the office have attempted to coax back staff with offers of free or heavily subsidised canteens for example. It does seem that the vast majority of companies will offer some sort of flexible working and this is seen as a competitive tool. If Deloitte will allow you to work flexibly, why would you work for a competitor who wouldn't? Goldman Sachs can potentially get away with it, but the list of those who can may be relatively short.

If we agree with the hypothesis and take this a step further, then clearly companies will still require offices. Even if you are allowing people to work from home 2 or even 3 days a week, that still means you need to cater for everyone coming into the office 2 or 3 days a week. Realistically this means the occupational footprint won't be able to reduce significantly.

And the evidence is positive - London office lettings have reached their highest level since the pandemic struck as businesses commit to physical workplace strategies. According to Cushman & Wakefield, 1.8m sq ft of office space was let in the second quarter of 2021 - a 39% increase on the previous quarter and the highest volume since the first lockdown. Office leasing deals in central London reached a record quarterly low of 570,000 sq ft at the end of last year. The 1.8m sq ft of lettings agreed in the second quarter of this year is better, but still lower than the 3.1m sq ft that was let in the second quarter of 2019.

Investors are still betting on London's office market, as shares in Land Securities, British Land, Helical, Derwent London and Great Portland Estates have risen 15-30% in the past six months. There is certainly demand from overseas buyers for UK offices and London in particular.

One thing that also needs to be factored in is obsolescence and ESG. As occupiers reach lease breaks, secondary office stock – which falls below the highest environmental standards, with outdated technology and in poor locations – is in for a harsh reckoning of the kind we've seen in retail.

Offices - The Fund

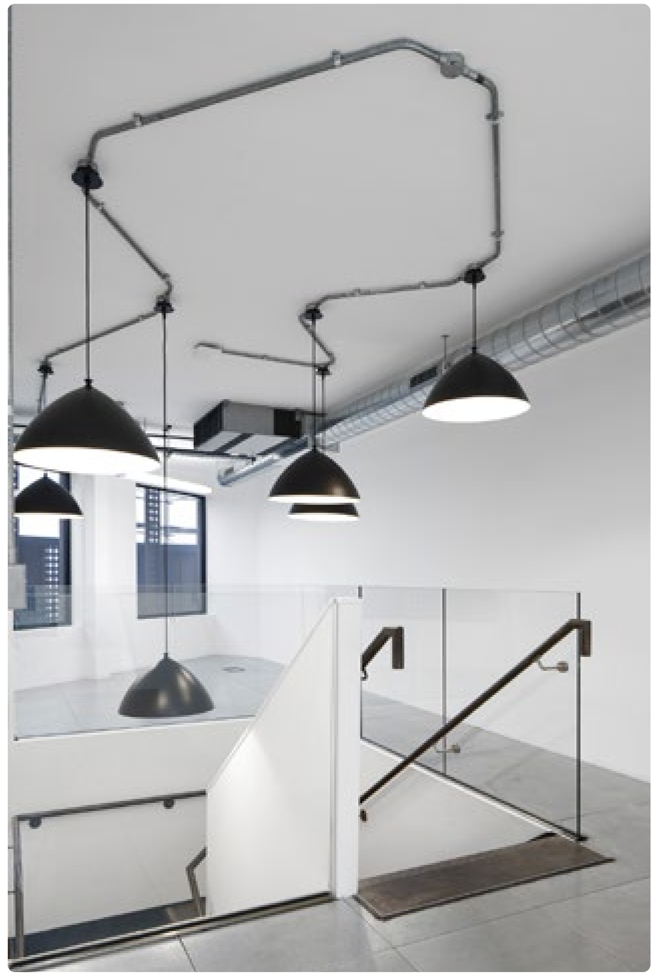
The office sector is one of the smallest major sectors represented within the Charities Property Fund portfolio at 20% of the total portfolio. The Fund has always focussed on affordability and buildings with alternative uses.

Our London portfolio comprises five buildings collectively making up 60% of our UK office portfolio. Two buildings were sold in 2020, one prior to the pandemic in January 2020 and one in December last year. Both sold ahead of valuation and backed up the message of strong investor demand in London.

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 they are all 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.

There is no doubt the office sector like the High Street has suffered considerable headwinds over the last 18 months and three quarters of the vacancy within the overall portfolio falls within the office portfolio. However we do see green shoots, we have recently let the entirety of Rivington Street in Shoreditch at a rent of £52.50 psf on a new ten year lease. The rent is 8% ahead of ERV and 14% ahead of the previous passing rent. This represented almost 40% of our office vacancy.

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. Most of them have already been adapted for multiple alternative uses over their life cycle.



Outside London we own a further 16 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.

Industrial & Distribution - In Focus

The UK is in the midst of a record-breaking boom in the construction of warehouses to support the growth of online shopping. Online sales made up 32% of all retail spending in the first five months of 2021, compared with 19% in 2019.

Almost 37m sq ft (3.4m sq metres) of warehouse space is scheduled for construction in 2021, up from 23m sq ft last year and 21m sq ft in 2019.

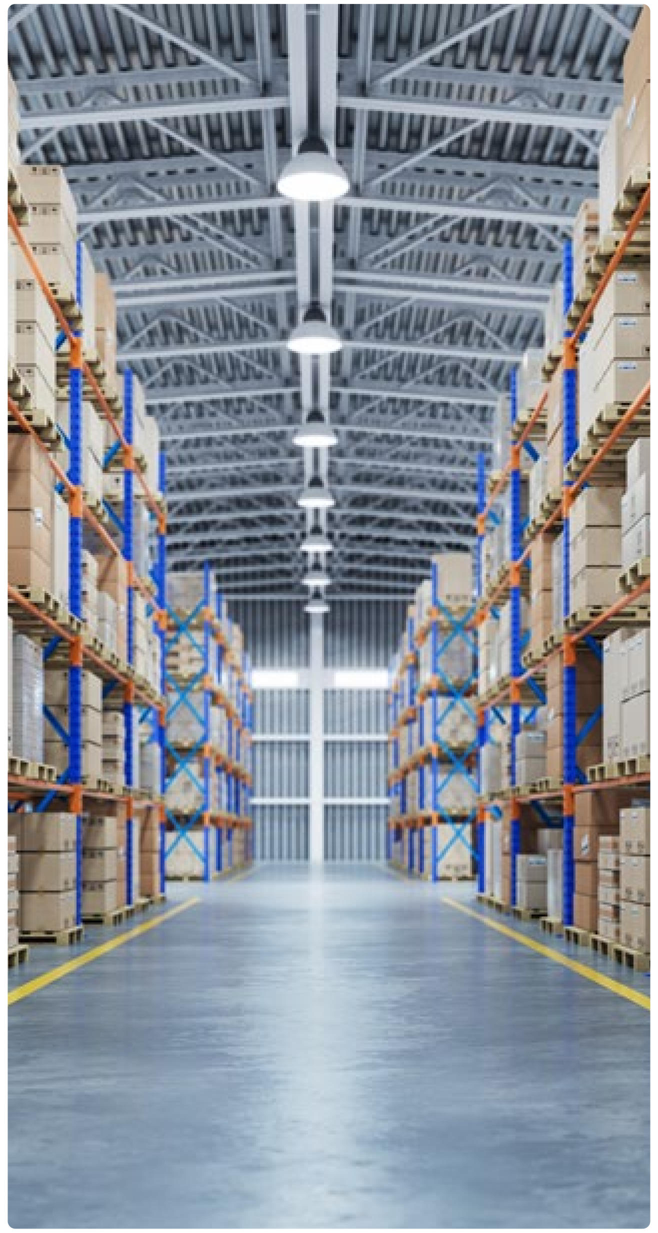
Investment in UK warehouses totalled a record £6bn in the first half of 2021, more than double the £2.7bn recorded in the same period last year, and 54% higher than the previous record in 2018. Overseas investors from the continent, the US, Korea and China accounted for more than half of the total.

Amazon has signed 18 letting deals since the start of the year, compared with 19 for the whole of 2020. Last year's total will soon be met, by the signing of a 20-year lease on a 700,000 sq ft site at Magna Park in Lutterworth, Leicestershire.
This ongoing e-commerce revolution is driving meaningful increases in demand for warehouse space which in turn is driving vacancy levels to historic lows, resulting in market rental growth.

It isn't just about Amazon deliveries, though. Green manufacturing - Britishvolt have recently announced the building of an enormous electric car battery factory in Blyth in Northumberland and data centres are other components of this growing market. The UK has the second-biggest hub of data centres in the world, after Virginia in the US, based all around the M25. Within cities, take up is being driven by the likes of DHL and DPD and start-ups such as Getir, Gorillas, Weezy and Zapp that supply groceries within 10-20 minutes of ordering.

Private equity groups, have been investing heavily in the UK warehouse market, attracted by rapid growth in rents. Blackstone recently clinched a £1.3bn deal to take over the UK industrial developer St Modwen and Sweden's EQT have agreed to buy Exeter Property Group for $1.87 billion. Oxford Properties has also agreed to buy M7, another UK based property company focused primarily on the warehousing sector.

Perhaps the only concern is that there doesn't seem to be a cloud in the sky. Demand is high, rental growth is strong and every investment house has industrial and logistics at the top of their shopping list. There is a danger at some point that supply will outstrip demand and rents will plateau and yields soften, but we don't believe we have yet reached that point. They are also helped by their inherent affordability.



Industrial & Distribution - The Fund

Industrial & Logistics is our largest exposure within the fund and has always been our most favoured sector. Our current exposure is 31.2%.

The Fund has a very well diversified estate of industrial and logistics units extending right across the UK in 42 separate assets providing 63 individual units and covering 3.36 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 £5.47 per sq ft and the average capital value per sq ft is in line with replacement cost, which is a very defensive position.

We are also not restricted to logistics and the CPF portfolio extends to precision manufacturing, lithium battery production, NHS critical infrastructure, self storage, hi-tech manufacturing, data centres and wine storage units to name a few.

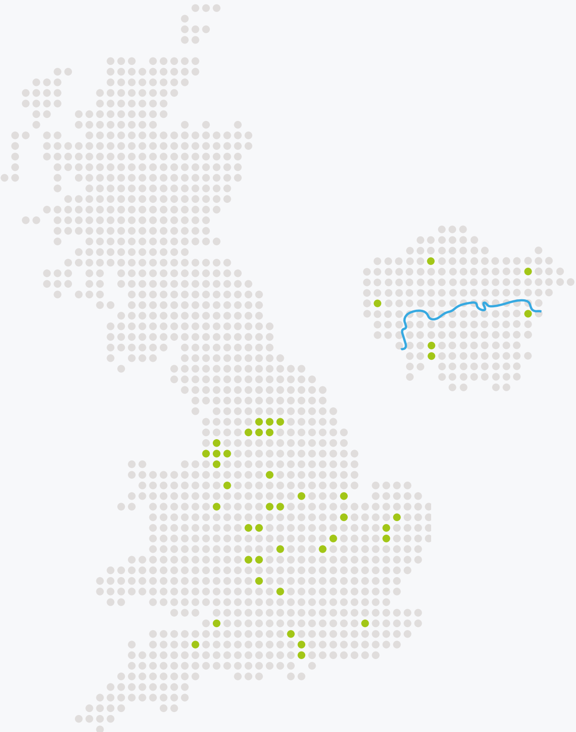
3.36 million sq ft

Units of
2,500 - 180,000 sq ft

Average unit size
51,500 sq ft

Average rent
£5.47 per sq ft

Average capital value
£105.00 per sq ft

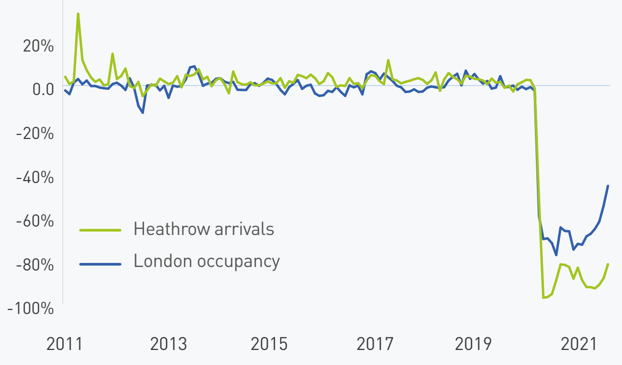


Alternatives - In Focus

The UK alternatives market is dominated by long-income inflation linked income streams. This long-income real estate market is currently worth over £35 billion and continues to grow as investors seek long term, inflation linked income streams to strong creditworthy tenants. The pandemic has been difficult for many of these sectors with Health & Fitness clubs, Hotels, Serviced Apartments, Student Accommodation (PBSA) and car dealerships all forced for close for successive lockdowns. However whilst the pandemic has raised question marks over the sustainability of some high street and office locations, we believe it has had little long term impact on the alternatives sector. Hotels and student Accommodation has rebounded, the Health & Fitness market is resurgent with many occupiers expanding and a host of new entrants and the car dealerships paid 100% of their rent and are seeing very strong cashflow.

We see continued and strong investor appetite throughout the market, with annuity investors in particular seeking product with the same characteristics, but comparably high yielding alternatives to more vanilla instruments such as gilts and corporate bonds. This trend is set to continue, with demand from institutional investors increasing and a flow of new entrants adding to the overall demand within the market. Although supply is currently constrained, as is the case across much of the investment market, the sector continues to grow in sophistication and scale, enabling a wider array of asset classes to be captured and development opportunities unlocked.

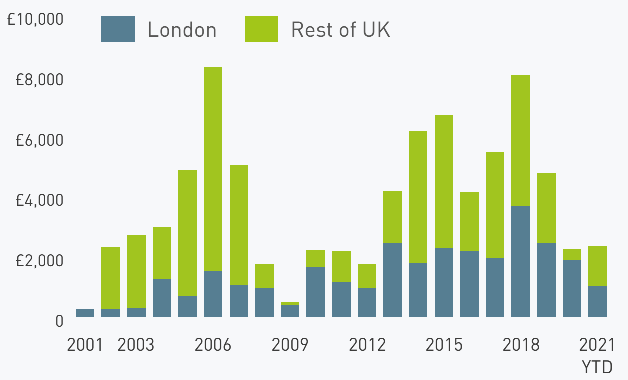
Heathrow Arrivals vs London Occupancy



Source: STA/Heathrow Airport

Looking at the subsectors, there is a strong demand for "living assets", by this we mean institutional residential – be that Purpose Built Student Accommodation (PBSA), Build to rent (BTR), Private Rented Sector (PRS) and retirement. In the first six months of this year, this sub sector has seen over £7.6 billion of investment, this equates to 27% of the total real estate investment market compared to 19% for the same period last year. Along with Logistics (Beds 'n' Sheds) they make up almost two thirds of all investment demand. Even more encouraging is the fact that investment volumes have bounced back strongly, with a 100% increase on H1 2020 for all Alternative investment and 175% for Living. There remains strong demand for residential assets and regeneration/repositioning opportunities, driven by local authority and central government demand to meet housing targets and breathe new life into their town and city centres. There is a broad range of sub-sectors that underpin these structures, reflective of each location's specific needs, be that development of additional affordable housing or creating homes in areas starved of new development.

London and UK Transaction Volume



Source: Savills/RCA/CoStar

As restrictions across the country ease and the market continues to normalise, we are also seeing increased optimism in the recovery of hotel and student markets.

In terms of student housing, the most recent data shows that 70% of all private PBSA beds are leased for the 2021/22 academic year. This is now line with volumes for the same period in 2020 and 2019 despite a much slower start to the year. With Covid-19 restrictions continuing to be relaxed and all over 18s now encouraged to get a second vaccine dose by September, the outlook for the sector is strong. This is supported by the latest UCAS application figures for undergraduates. Total applications are 4% higher year on year, with a record 682,000 applicants as of the end of June 2021. Domestic applicants were the largest component, with a record 43% of 18-year olds now applying to study in higher education.

The Charities Property Fund | Report & Accounts 2021

Alternatives - The Fund

The Charities Property Fund was an early mover into this sector and we have built a considerable holding in alternatives comprising 31 assets and almost 25% of the entire portfolio. This is ahead of the MSCI Index at approximately 19%. Rent collection within the Fund slightly lagged the other sectors (except high street) slightly over the last 12 months at 88%, however it should be noted that this was a moment in time created by enforced lockdowns and we do not think is a structural problem. Restaurants, health and fitness, hotels and serviced apartments were all forced to close, but are thriving upon reopening.

Hotels, serviced apartments and PBSA make up almost half our alternatives exposure. 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 were 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 suffered 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. Jurys Inn at Brighton have now cleared all their arears after we agreed to grant them a

one month rent free period. Interestingly revenue per room in Brighton is 26% up from August 2019 to 2021. In Bath it is up 27% for the same period. It is interesting to compare this to Birmingham (down 20%) and London (down 60%) over the same period.

We have also been impressed by our car dealer groups who make up about a third of our alternatives exposure. They appear very well capitalised and despite agreeing a couple of deferrals last year all of them are 100% up to date with current and historic rent payments. Anecdotally we are assured that business is good and that supports our focus on the premium brands.

We continue to be a strong advocate of holding a large sector exposure to alternatives. The leases are long at 18 years on average and we benefit from a very high percentage of fixed or RPI increases – 85% of the Fund's portfolio benefits from indexation. And as always it all comes back to quality – we have emerged relatively unscathed due to the locations in which our alternative assets are situated.

Charities Property Fund Team

Savills Investment Management is a specialist international property investment management business with c.£18.3 billion of assets under management (as at 30 June 2021) 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 13 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.

Joe Rosenblatt
Asset Manager

Joe Rosenblatt is an Asset Manager for the Charities Property Fund. His day to day role includes assisting with asset management initiatives, acquisitions and disposals. Joe graduated from the University of Leeds with a degree in Economics and Philosophy in 2017, before undertaking an MSc in Real Estate from UCEM. Joe completed the APC qualification in May 2021 having previously worked within Valuation, Leasing, Property Management and Investment during his time on the Savills graduate scheme.

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.

Katie Joyce
UK Business Development

Katie joined Savills Investment Management in June 2020 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

Esme Dowling
Fund Finance Manager

Esme Dowling is a Fund Finance Manager, responsible for financial reporting and analysis, and management of administrators. Esme joined Savills IM in October 2020 and previously worked at Blackrock, AXA IM, CBRE Global Investors and ING Real Estate, managing the fund finance function for a number of UK and European property funds. Esme is a graduate of Glasgow University and started her career at Deloitte LLP in London, where she trained to became a Chartered Accountant (FCA) with the Institute of Chartered Accountants in England and Wales.

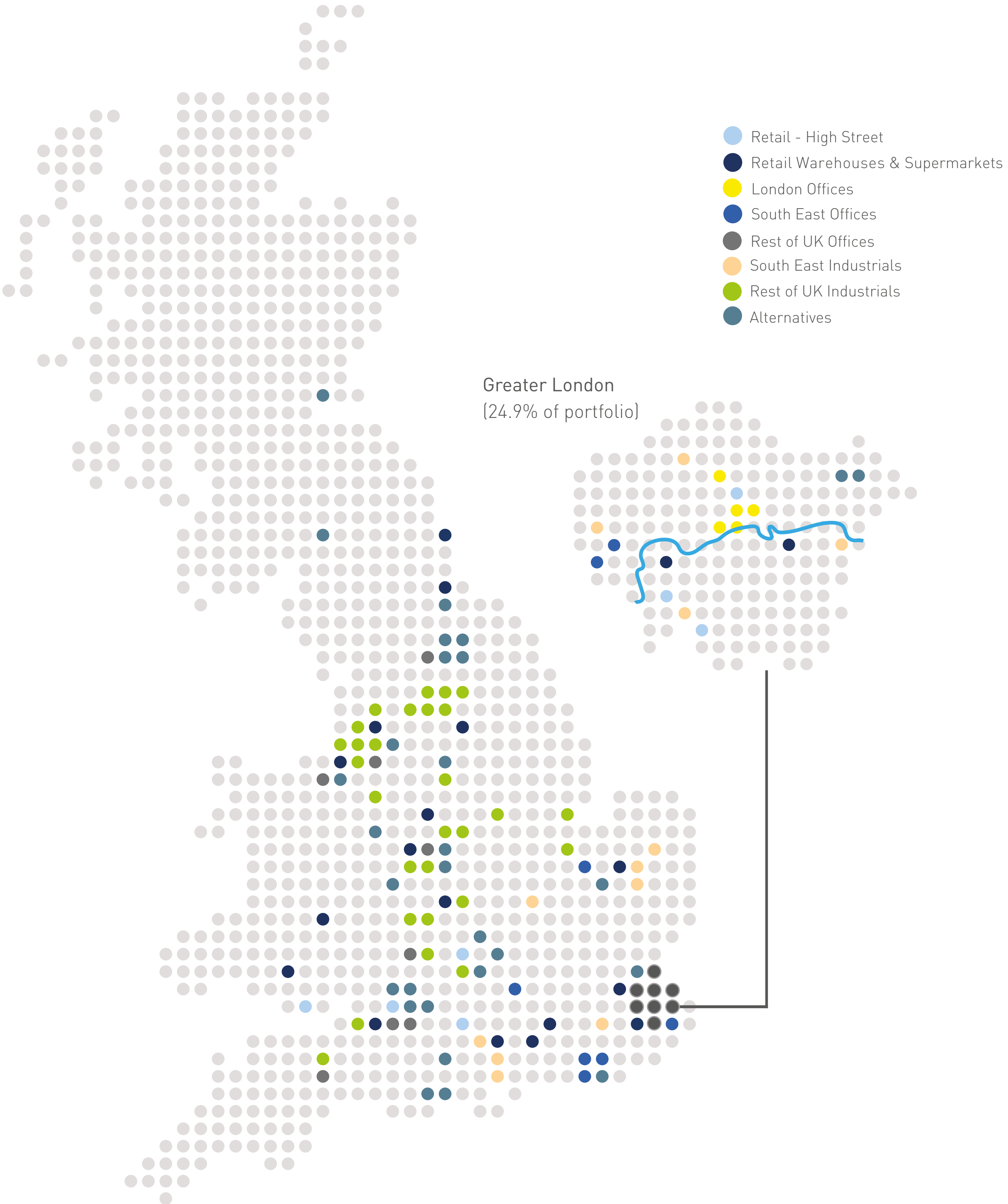
Kathryn Angliss
Fund Finance Associate

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 2021 £	Lease Expiry (Break)
1	Bath	Gadgets Ent (t/a iCrack)	48,000	2021 (2021)
2	Cardiff	Bee World UK	144,000	2036 (2031)
3	Cheltenham	Poundland	85,000	2024
4	Cobham	Lloyds Pharmacy	86,000	2021
5	London N1 (Chapel Market)	JD Sports, Superdrug	192,000	2023 - 2026 (2024)
6	Marlborough	Superdrug	10,000	2026 (2024)
7	Walton-on-Thames	Benson Beds	121,451	2025 (2020)
		Total, High Street	686,451	


Cardiff


West Malling

List of Properties

Retail Warehouses & Supermarkets

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
8	Basildon	McDonald's, KFC, Pets at Home, Farmfoods, Poundland	677,705	2024 - 2035
9	Basingstoke	Homebase	1,113,000	2026
10	Bristol	Pets at Home, McDonald's	378,320	2027
11	Bury	Halfords, KFC, Home Bargains, Farmfoods	489,623	2021 - 2041 (2026 - 2036)
12	Bury St Edmunds	Matalan	305,000	2029
13	Canterbury	Dunelm, Poundstretcher	375,000	2026
14	Doncaster	Wickes	296,327	2028
15	Gateshead	Tesco	2,262,843	2048 (2033)
16	Guildford	Magnet	600,000	2024
17	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)
18	Hereford	Pets at Home, Lidl, Poundstretcher	405,005	2023 - 2046 (2036)
19	London SE7 (Greenwich)	Next, Primark, Aldi, Wren Kitchens	2,191,625	2030 - 2037 (2032)
20	Merthyr Tydfil	Halfords, Home Bargains, Sports Direct, Dreams, Poundstretcher, Iceland, Private Individuals, Gregs	640,531	2021 - 2029 (2024)
21	Middlesbrough	B&M	239,180	2023
22	Redditch	Pets at Home, Poundstretcher, Iceland, TJ Morris, Costa Coffee, Sue Ryder, BKUK Devco	1,027,528	2024 - 2041 (2024 - 2036)
23	Redhill	Majestic Wine	42,500	2025 (2023)
24	Twickenham	Currys, Wickes	951,500	2024 - 2032
25	Uttoxeter	B&Q, Shoe Zone, Poundland, Pets at Home, Argos, B&M, KFC, Frankie & Benny's, Poundstretcher, Majestic Wine, Scentarea, PR Bason & J Gathercole	804,571	2022 - 2032 (2022 - 2023)
26	West Malling	Waitrose	180,744	2026
27	Wolverhampton	JD Sports Gyms, Iceland Foods	475,000	2028 - 2032 (2027)
		Total, Retail Warehouses	**14,158,126**	

Wolverhampton

Twickenham

List of Properties

London Offices

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
28	London E1 (Whitechapel)	The British Diabetic Association	1,126,173	2026 (2023)
29	London EC1 (Farringdon)	Macmillan Publishers International, Houst	3,014,371	2024 - 2034 (2022 - 2029)
30	London EC2 (Shoreditch)	Vacant*	-	-
31	London N1 (Shoreditch)	Lee Wrangler UK, Sunshine partners, Spiers & Major, UK Broadband	552,560	2020 - 2027 (2021 - 2022)
32	London NW5 (Kentish Town)	Vacant	-	-
		Total, London Offices	**4,693,104**	

* Subsequently let to Work.Life Old Street at £923,000 pa on a 10 year lease

South East Offices

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
33	Brighton (Aspect House)	NHS, Bullhorn International, Michael Page	265,829	2020 - 2026 (2021)
34	Brighton (International House)	Fitness First, Booker, The Student Room Group, Hays, Brightwave, Brilliant Noise, Haybury	841,454	2021-2028 (2021 - 2023)
35	Brighton (Queens Road)	E-Techzone, NEB Ventures, WRAP Business & Leisure	262,796	2025 - 2031 (2022 - 2026)
36	Huntingdon	Cambridgeshire & Peterborough NHS Foundation	102,631	2022
37	Maidenhead	Regus, Copper Street Capital	587,301	2021 - 2023
38	Staines	Givaudan UK	127,000	2028 (2023)
		Total, South East Offices	**2,187,011**	

Back Church Lane, London

Maidenhead

Manager and Trustee's Report
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South East Industrial
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Rest of UK Offices

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
39	Altrincham	Bolling Investments	368,567	2033 (2028)
40	Bath	Bath Best Foods, Starbucks, Coral, Gradwell Comms., EIP Partnership, Abel & Imray	566,258	2020 - 2030 (2026)
41	Birmingham	Spring Group, Arval UK	604,246	2020-2024
42	Bristol	Films at 59	246,765	2026
43	Cheltenham	Abercrombie & Kent, Giant Finance	454,206	2024-2029 (2022 - 2024)
44	Chester	The Secretary of State for Communities and Local Government	437,615	2026 (2021)
45	Ilkley	Smartsearch, Modus UK	453,775	2028 - 2033
46	Newcastle	Ryder Architecture	310,245	2033
47	Taunton	Vacant	-	-
		Total, Rest of UK Offices	**3,441,677**	

South East Industrials

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
48	Basingstoke	Leverton Clarke	452,336	2033
49	Basingstoke	Vodafone, Berry Bros & Rudd	483,350	2025 - 2027
50	Belvedere	Allied Hygiene Systems	600,000	2043 (2033)
51	Bury St Edmunds	Vitec Videocom	587,400	2032
52	Bury St Edmunds	Unipart Logistics	878,435	2044 (2034)
53	Chigwell	Sytner	435,000	2056 (2036)
54	Epsom	Eurocell Building Plastics, Euro Car Parks, Heating & Plumbing Supplies, Screwfix Direct, Betterstone Self Storage Properties, AWE Europe, Photome International	772,782	2023 - 2031 (2024 - 2026)
55	Hayes	Tempur UK	497,097	2021
56	London NW9	VW Group	245,000	2031
57	Milton Keynes	Ceva	435,085	2020
58	Portsmouth	SMR Automotive Mirrors UK	600,000	2034 (2029)
59	Thames Ditton	Sytner	316,754	2056 (2026)
60	Thetford	TNT	80,000	2020
61	Tonbridge	NW Autocentres, Kentec Tool Hire, Kentec Training, The Tyre Store	132,050	2022 - 2027 (2022)
		Total, South East Industrials	**6,515,289**	

List of Properties

Rest of UK industrials

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
62	Birmingham	Carpet & Flooring (Trading)	310,005	2020
63	Boston	Dhammatek, Renal Services, VC Logistics & Transport, BA Bush (Tyres), Touch Global	442,292	2022 - 2045 (2025 - 2027)
64	Bristol	Kuehne + Nagel	515,000	2030 (2024)
65	Burton upon Trent	Waterstones	950,000	2023
66	Gloucester	Severn Glocon	525,000	2028
67	Huddersfield	Hocoparts UK, Ryobi Aluminium Casting	363,046	2021 - 2031
68	Liverpool	Amazon UK	577,500	2026 (2021)
69	Liverpool	Toyota TT Assembly Systems	715,000	2023
70	Manchester	Royal Mail, Wilkinson Star	318,250	2027 - 2028 (2022)
71	Normanton	Kelling Group	315,000	2032
72	Normanton	United Autosports	215,107	2024
73	Normanton	Kongsberg Actuation Systems	413,704	2038 (2028)
74	Normanton	PNS UK	207,905	2036
75	Normanton	Really Useful Products	270,620	2022
76	Nottingham	Turbine Surface Technologies	433,843	2026
77	Peterborough	Sage Publications	182,900	2022
78	Redditch	Amazon UK Services	754,164	2026 (2024)
79	Rochdale	Royal Mail	166,234	2028
80	South Normanton	Recticel	310,000	2031
81	Swindon	Jewson	172,500	2023
82	Tamworth	Speedy Hire	969,878	2029
83	Taunton	Rotec Hydraulics, Marshalsea Engineering	142,647	2026 - 2029 (2022 - 2024)
84	Telford	Northwood Hygiene Products	730,000	2025
85	Tewkesbury	Tata Steel	879,417	2023
86	Tewkesbury	Idemia UK	270,000	2030 (2025)
87	Wakefield	Saint-Gobain Building Distribution	271,225	2031
88	Warrington	Eddie Stobart	350,000	2033
89	Wednesbury	AF Blakemore & Son	371,500	2024
		Total, Rest of UK Industrials	**12,142,737**	

List of Properties

Alternatives

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
	Leisure			
90	Bath (1-3 Westgate Buildings)	Stable Bar & Restaurant, Westgate Bath, DPL Partnership	186,664	2039 (2029)
91	Carlisle	Sports Direct	160,000	2030
92	Harrogate	Five Guys, Mitchells & Butlers, Marston's, Bar Hidden	325,000	2031 - 2041 (2023 - 2031)
93	Rayleigh	Virgin Active	464,000	2033
94	Sheffield	JD Wetherspoon, ASK, Stonegate, Caffè Nero, Meaty Fish, Yorkshire Metropolitan Housing Association	422,125	2023 - 2044
		Total, Leisure	**1,557,789**	
	Hotels / Student / Serviced Apartments			
95	Bath (5-10 Westgate Buildings)	Travelodge, Sports Direct, Sally Salon, Hask45, Creams Café	327,300	2021 - 2042 (2021 - 2024)
96	Bath	Westgate Apartments	211,003	2027 (2022)
97	Bath	TS Apartments	153,793	2029
98	Brighton	Jurys Inn	1,757,756	2042
99	Cambridge	Travelodge	1,225,086	2048
100	Manchester	Edyn, Private Individuals, CDP	648,104	2020-2046 (2025)
101	Oxford	D'Overbroeck's	417,000	2047
102	Poole	NHS, Trek, Subway, Costa Coffee, Anytime Fitness, Travelodge	778,614	2031 - 2051 (2026)
		Total, Hotels	**5,518,656**	


Bath


Oxford

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List of Properties

Alternatives

	Property	Principal Tenants	Annual Rent As at 24 June 2021 £	Lease Expiry (Break)
	Car Showrooms			
103	Birmingham	VW Group - SEAT	153,872	2027
104	Camberley	VW Group - Audi	333,765	2026
105	Chester	Rybrook - Volvo	240,191	2036
106	Chigwell	Sytner - BMW & Mini	696,858	2056 (2026)
107	Harrogate	VW Group - Volkswagen	340,000	2027
108	Harrogate	JCT600 - Mercedes Benz, BP, M&S	482,068	2035 - 2036
109	Harrogate	Sytner - Audi	610,046	2035
110	Poole	Sandown Motors - Mercedes Benz	395,000	2030
111	Solihull	Rybrook - McLaren & Rolls Royce	314,949	2036
112	Stockton-on-Tees	VW Group - Audi	350,383	2027
113	Swindon	Sytner - Mercedes Benz	455,000	2039
114	Worcester	Rybrook - BMW & Mini	618,446	2036
		Total, Car Showrooms	**4,990,578**	
	Roadside			
115	Glenrothes	BP, M&S	264,314	2034
116	Stow on the Wold	BP, M&S	209,311	2033
117	Telford	Welcome Break - Shell, Waitrose, WH Smith, Burger King, Starbucks, Krispy Kreme, Days Inn	1,013,810	2027
		Total, Roadside	**1,487,435**	
		Total, Alternatives	**13,554,458**	
		Total, portfolio	**57,378,853**	


Chester


Chigwell

Portfolio Statement

At 24 June 2021

Portfolio of Investments	
Properties valued at greater than £15m	
The Smithson, Briset Street, London EC51	Welcome Break, MSA, Junction 4, M54, Telford
Jury's Inn Hotel, Brighton	Fifth Avenue, Burton upon Trent
Metro Park West, Gateshead	Emperor Point, Centurion Park, Tamworth
Brocklebank Retail Park, Greenwich SE7	Apex Retail Park, Hampton Road West, Twickenham
Travelodge Hotel, Newmarket Road, Cambridge	Ravensbank Business Park, Redditch
Backchurch Lane, London EC2	Epsom Trade Park and Units 450A & 450B, Epsom
Suffolk Park, Bury St Edmunds	International House, Queens Road, Brighton
Valuation £m (percentage of total net assets)	£369.625 (31.79%)
Properties valued at between £10m to £15m	
Rivington House, London EC2A	Aspect House, Queens Road, Brighton
Caxton Point, Printing House Lane, Hayes	Unit 5300, Severn Drive, Tewkesbury
Lifeboat Quay, West Quay Road, Poole	Units 1 & 2 Gemini, Hamilton Close, Houndmills, Basingstoke
Sytner BMW, Langston Road, Chigwell	5-10 Westgate Buildings, Bath
5 Centurion Way, Belvedere	Amazon unit, Hornhouse Lane, Knowsley, Liverpool
8 Shepherdess Walk, London N1	Severn Glocon, Olympus Park, Quedgeley, Gloucester
Homebase, Winchester Road, Basingstoke	BMW & Mini, Knightsbridge Park, Worcester
Trafford Retail Park, Redditch	SytnerAudi, St James Business Park, Knaresborough
Imperial Works, Kentish Town, London NW5	The Crystal Building, Langston Road, Chigwell
Moreton Hall Industrial Estate, Bury St Edmunds	Dovefields Retail Park, Uttoxeter Bypass, Uttoxeter
Hornhouse Lane, Knowsley, Liverpool	376 Banbury Road, Oxford
SACO House, Minshull Street, Manchester	
Valuation £m (percentage of total net assets)	£291.900 (25.10%)
Properties valued at between £5m to £10m	
Knights Park, Houndmills, Basingstoke	Units 1-3 Phoenix Retail Park, Wolverhampton
SMR, Castle Trading Estate, Portchester, Portsmouth	Brook Retail Park, Commercial Road, Hereford
The Laconite Building, Stafford Park 6, Telford	Chester Civil Justice Centre, Trident House, Chester
11 Poplar Way, Bristol	Havenside, Boston
Halewood Shopping Centre, Halewood	Mayfield Business Park, Ilkley
Old Market Retail Park, Pitsea, Basildon	Wincheap Retail Park, Canterbury
Mercedes, Drake's Way, Swindon	Volkswagen, St James Business Park, Knaresborough
One Bell Street, Maidenhead	Whiteladies House, Clifton, Bristol
Pentrebach Retail Park, Merthyr Tydfil	17-23 Parliament Street, Harrogate
Little Oak Drive, Sherwood Park, Nottingham	McLaren & Rolls Royce, Stratford Road, Solihull
Magnet, Ladymead, Guildford	Barkers Pool, Cambridge Street, Sheffield
Kongsberg Unit, Foxbridge Way, Normanton	Sytner Jaguar, Landrover, Kingston House Estate, Thames Ditton
Westpoint, James Street West, Bath	Really Useful Products, Unit 2 Foxbridge Way, Normanton
Appleton Thorn Trading Estate, Warrington	Units A & B, Wardley Cross Industrial Estate, Manchester
Dawson Road, Mount Farm Industrial Estate, Milton Keynes	Lookers House, Etchells Road, Altrincham
Units 3010 & 3020 Birmingham Business Park, Birmingham	Audi, Brooklime Avenue, Stockon-on-Tees
Kelling Unit, Trident Park, Normanton	Moorgate Retail Park, Bury
200 Rayleigh Road, Thundersley, Rayleigh	Emerald Point, Woodgate Valley, Birmingham
St George's House, Ambrose Street, Cheltenham	Mercedez Benz, BP, M&S, Leeds Road, Harrogate
AF Blakemore unit, Steelmans Road, Wednesbury	Units 1 & 2, Bradley Junction, Station Road, Huddersfield
Mercedes, Holes Bay Road, Poole	Bath Road, Brislington, Bristol
Valuation £m (percentage of total net assets)	£288.400 (24.80%)

Portfolio Statement

At 24 June 2021

Portfolio of Investments	
Properties valued at between £2.5m to £5m	
Clover Nook Industrial Estate, South Normanton	United Autosports Unit, Trident Park, Normanton
Alexandra Way, Ashchurch Business Centre, Tewkesbury	Wickes, Leger Way, Doncaster
Cooper's Studioes, 14-18 Westgate Road, Newcastle-Upon-Tyne	4 Westgate Buildings, Bath
Kenmore Road, Wakefield	1-3 Westgate Buildings, Bath
Citygate Van Centre, Capitol Way, Colindale	Little Waitrose, Fortune Way, West Malling
London Road, Camberley	Unit 18, Fengate East, Peterborough
Volvo, Sealand Road, Chester	54 & 55 Chapel Market, Islington, London N1
BP & M&S, Station Road Garage, Stow on the Wold	B&M Bargains, Parkway Centre, Middlesborough
Bankhead Park, Woodside Way, Glenrothes	9-10 Trim Street, Bath
PNS Unit, Trident Park, Normanton	Royal Mail Hub, Ainsworth Street, Rochdale
82-83 Queens Road, Brighton	Jewson Unit, Kembrey Park, Swindon
Matalan, Easlea Road, Bury St Edmunds	
Valuation £m (percentage of total net assets)	£94.710 (8.14%)
Properties valued at between £0m to £2.5m	
5DGYM, Currock Road, Carlisle	Redshank House, Huntington
SEAT, Watson Road, Birmingham	Hepworth Way, Walton-on-Thames
78 Queen Street, Cardiff	232-234 High Street, Cheltenham
Magna House, 78-80 Church Street, Staines	TNT Unit, Fisons Way Industrial Estate, Thetford
Riverdale Industrial Estate, Tonbridge	4 Union Street, Bath
Priorswood Industrial Estate, Taunton	16 High Street, Cobham
Sedgemoor House, Deane Gate Office Park, Taunton	Brighton Road, Redhill
134 & 135 High Street, Marlborough	
Valuation £m (percentage of total net assets)	£22.925 (1.97%)
Total value of property holdings	£1,067.560 (91.80%)

	Valuation £000	Percentage of total net assets
Portfolio of investments	**£1,067,560**	**91.80%**
Other net assets	**£95,312**	**8.20%**
Net assets	**£1,162,872**	**100.00%**

Financial Information

London, EC1

Financial Information

Expense Ratios

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
24 June 2021	0.62%	0.31%	0.11%
24 June 2020	0.60%	0.18%	0.08%

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. Previously the expense ratios have been calculated using the INREV net asset value, however the calculation method has been updated to use FRS 102 definition of the net asset value. The TER of the fund as at 24 June 2020 has been restated as a result from 0.59% to 0.60%.

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 legal and professional fees.

Portfolio Turnover Rate

	Portfolio Turnover Rate
24 June 2021	9.36%
24 June 2020	4.63%

Previously the portfolio turnover rate had been calculated using the INREV net asset value, however the calculation method has been updated to use FRS 102 definition of the net asset value. The portfolio turnover rate of the fund as at 24 June 2020 has been reinstated as a result from 4.49% to 4.63%. 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 2021	4.0%
24 June 2020	4.0%

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.

Financial Information Continued

Annualised Performance

	1 Year*	3 Years**	5 Years***
24 June 2021	7.1%	3.4%	5.5%
24 June 2020	-1.2%	4.6%	5.6%

* total return for twelve months to 24 June 2021
** 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 2021 (p)	24 June 2020 (p)	24 June 2019 (p)
Opening net asset value per unit	121.44	128.19	127.74
Return before operating charges*	10.00	(0.65)	6.65
Operating charges	(1.38)	(1.10)	(0.90)
Return after operating charges*	8.62	(1.75)	5.75
Distributions	(5.14)	(5.00)	(5.30)
Closing net asset value per unit	124.92	121.44	128.19
* after direct transaction costs of:	0.14	0.10	0.09

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

The Charities Property Fund | Report & Accounts 2021

Investor Analysis

Holding	Number of beneficial owners	Total percentage holding %
Less than 0.01%	796	3.17
0.01% but less than 0.05%	519	11.91
0.05% but less than 0.10%	133	9.30
0.10% but less than 0.50%	111	25.06
0.50% but less than 1.00%	25	18.97
1.00% but less than 2.00%	10	13.57
2.00% but less than 4.00%	4	9.61
Greater than 4.00%	2	8.41
Total number of investors	**1,600**	
Total number of units in issue at the end of the year at 24 June 2021	**930,874,828**	
Percentage held by the largest investor		**4.31**

Holding	Total percentage holding %
Top 10 largest investors	24.34
Top 25 largest investors	40.06
Top 50 largest investors	54.71
Top 100 largest investors	68.73

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 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
	24 June 2021	1,162,871,097	930,874,828	124.92

Price and Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	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
	24 June 2021	128.32	119.94	5.07

Distribution

		2021		2020	
Distribution Number	Distribution Period	Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	25 June to 24 September	1.12	13/11/20	1.32	15/11/19
2	25 September to 24 December	1.39	15/02/21	1.30	14/02/20
3	25 December to 24 March	1.39	14/05/21	1.30	15/05/20
4	25 March to 24 June	1.17	13/08/21	1.03	14/08/20
Total		5.07		4.95	

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

Statement of Charity Trustees' Responsibilities in Respect of the Trustees' Annual Report and the Financial Statements

As set out on page four the Charity Trustees under the Charities Act are the Manager and the Corporate Trustee.

Under charity law, the Charity Trustees are responsible for preparing a Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The Charity Trustees are required 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 net revenue and the net capital gains on the property of the Fund for that period.

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

- 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 and 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 Charity Trustees are required to act in accordance with the Scheme and Scheme of Particulars of the Fund , within the framework of trust law. They are responsible for keeping accounting records which are sufficient to show and explain the Fund's transactions and disclose at any time, with reasonable accuracy, the financial position of the Fund at that time, and to enable the Charity Trustees 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 Charity Trustees are 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.

Statement of Charity Trustees' Responsibilities in Respect of the Trustees' Annual Report and the Financial Statements Continued

Statement of the Manager's Responsibilities

In addition to its responsibilities as a Charity Trustee set out above, under the Scheme and Scheme of Particulars of the Fund the Manager is responsible for:

- preparing financial statements which comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014; and
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

Statement of the Corporate Trustee's Responsibilities

In addition to its responsibilities as a Charity Trustee set out above, under the Scheme and Scheme of Particulars of the Fund the Corporate 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.
- 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 of 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.

Citibank Europe plc, UK branch
London
6 October 2021

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 2021 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 2021 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 the Trust Deed;
- 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 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 Fund 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.

Going Concern

The Charity Trustees have 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").

In our evaluation of the Charity Trustees' conclusions, we considered the inherent risks to the Fund's business model and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Charity Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Charity Trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Fund will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud
To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Manager as to the Fund's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading management meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuation. On this audit we do not believe there is a fraud risk related to revenue recognition because the Fund's income primarily arises from operating lease contracts with fixed, or highly predictable, periodic payments.

We did not identify any additional fraud risks.

In determining our audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of the Fund-wide fraud risk management controls.

We also performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included unusual postings to cash and material post-closing journals.
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations
We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the manager (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting (including related charities legislation) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant regulations, property laws, and building legislation, recognising nature of the Fund's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the manager and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation
Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other Information

The Charity Trustees are responsible for the other information presented in the Annual Report together with the financial statements. 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 and Trustee's Report 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.

Charity Trustees' Responsibilities

As explained more fully in their statement set out on page 57 the Charity Trustees are 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 De La Rue
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
8 October 2021

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 2021 £		Year ended 24 June 2020 £	
Net capital gains/(losses)	3		30,869,368		(69,737,678)
Income	4	60,709,044		63,366,864	
Expenses	5	(12,617,732)		(10,772,191)	
Net income before finance costs		48,091,312		52,594,673	
Finance costs – interest and other	6	(542,301)		(609,612)	
Net income			47,549,011		51,985,061
Total return before distributions			78,418,379		(17,752,617)
Finance costs – distributions	7		(47,611,113)		(49,542,006)
Change in net assets attributable to unitholders from investment activities			30,807,266		(67,294,623)
Statement of change in net assets attributable to unitholders					
Opening net assets attributable to unitholders			1,196,247,120		1,307,115,917
Net amount payable on redemption of units			(64,183,289)		(43,574,174)
Change in net assets attributable to unitholders from investing activities			30,807,266		(67,294,623)
Closing net assets attributable to unitholders			1,162,871,097		1,196,247,120

The accompanying notes form part of these financial statements.

Balance Sheet

	Note	As at 24 June 2021 £		As at 24 June 2020 £	
Assets					
Fixed assets					
Investment properties	8	1,068,339,033		1,136,084,107	
Investments	9	-		-	
			1,068,339,033		1,136,084,107
Current assets					
Debtors	10	41,705,814		19,786,478	
Cash and bank balances		77,033,453		68,462,211	
			118,739,267		88,248,689
Total assets			1,187,078,300		1,224,332,796
Less: current liabilities					
Creditors	11	12,847,164		17,204,274	
Distribution payable		10,581,091		10,102,368	
			23,428,255		27,306,642
Less: non current liabilities					
Finance lease liability	12	778,948		779,034	
			778,948		779,034
Total liabilities			24,207,203		28,085,676
Net assets attributable to unitholders			1,162,871,097		1,196,247,120

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors of the Manager on 6 October 2021 and were signed on its behalf by

James Bury
Director
6 October 2021

Cash Flow Statement

	Year ended 24 June 2021 £	Year ended 24 June 2020 £
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net income before finance costs	48,091,312	52,594,673
Bank interest received	(54,218)	(323,629)
Dividend income received	-	(160,424)
Decrease/(Increase) in trade and other receivables	881,660	(7,676,016)
(Decrease)/increase in trade and other payables	(3,960,203)	1,674,752
Net cash inflow from operating activities	44,958,551	46,109,356
Cash flows from investment activities		
Purchase of properties and development expenditure	(5,018,184)	(27,879,011)
Sale of properties	112,076,677	49,273,058
Sale of shares	-	11,410,692
Bank interest received	54,218	323,629
Dividend income received	-	160,424
Net cash inflow from investment activities	107,112,711	33,288,792
Cash flows before financing activities	152,071,262	79,398,148
Repayment of obligations under finance leases	(46,836)	(37,500)
Amounts received on creation of units	83,093,855	45,362,113
Amounts paid on redemption of units	(179,165,705)	(73,788,260)
Borrowing costs and interest	(248,944)	(287,568)
Distributions paid	(47,132,390)	(52,804,867)
Net cash outflow from financing activities	(143,500,020)	(81,556,082)
Net increase/(decrease) in cash and cash equivalents for the year	8,571,242	(2,157,934)
Cash and cash equivalents at the start of the year	68,462,211	70,620,145
Cash and cash equivalents at the end of the year	77,033,453	68,462,211

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.

Notes to the Financial Statements as at 24 June

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.

Going Concern

These financial statements have been prepared on a going concern basis which the Manager considers to be appropriate for the following reasons.

The Manager has considered the continued impact of Covid-19 and potential implications on the Fund's future operations. The Fund requires the collection of approximately 20% of rent per quarter to cover property expenses and operational costs. The Manager considers that even in a severe-but-plausible scenario this level of rental income should be exceeded given the diversity of the Fund's property portfolio. At the date of approval of these financial statements 93.8% of the March 2021 billing date rents and 91.9% of the June 2021 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). On 9 September 2020 the valuer lifted the remaining 'material valuation uncertainty' clause.

Unit trading has since resumed as normal. The Manager has also satisfied all outstanding redemption requests received while the Fund was suspended, paying a total of £158m of redemptions in Q3 and Q4 2020. In Q1 2021 there were net redemptions of £5.6m and Q2 2021 there were net applications of £31.8m. Redemptions have mostly been achieved through property sales at, or above, previous valuation. 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. Net applications received in relation to Q2 2021 will be used to find opportunities for acquisitions for the Fund.

In addition, as at 24 June 2021, the Fund holds approximately £73 million of capital cash. The Fund also has a £20 million fixed revolving credit facility which currently remains undrawn and matures in February 2022 and which management intend to renew. The Manager is already in discussions with the lender and this process is underway. (Refer to note 6 in the notes to the financial statements for further details).

Consequently, the Manager is confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements.

Notes to the Financial Statements Continued

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 2021. 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) were shares held in a listed company whose shares which are publicly traded on a regular basis. Such assets were recognised initially at fair value, which is normally the transaction price.

These investments were carried at fair value being the share closing bid market price on 24 June. The changes in fair value were 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 were measured at cost less impairment. As at 24 June 2021 all shares have been sold.

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.

Notes to the Financial Statements Continued

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.

Notes to the Financial Statements Continued

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. As at 24 June 2021 all shares have been sold.

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.

ESG Risk – The Manager is aware of the risks that face the fund in relation to climate change and other ESG risks. These risks are taken into consideration by the Manager when managing and operating the Fund's assets.

Notes to the Financial Statements Continued

3 Net Capital Gains/(Losses)

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

	Year to 24 June 2021	Year to 24 June 2020
a. Investment properties	£	£
Net proceeds from disposal of properties	104,726,677	56,623,058
Carrying value of properties disposed during the year	(96,100,000)	(60,050,000)
Movement in accruals on properties disposed in prior year	25,442	(3,891)
Gains/(losses) realised on properties disposed	8,652,119	(3,430,833)
Unrealised gains on revaluation for the year	56,070,360	10,942,373
Unrealised losses on revaluation for the year	(33,853,111)	(77,300,687)
Net capital gains/(losses) on investment properties	30,869,368	(69,789,147)
b. Investments		
Net proceeds from disposal of investments	-	5,731,687
Carrying value of investments disposed during the year	-	(5,680,218)
Gains realised on investments disposed	-	51,469
Net unrealised (losses)/gains on revaluation for the year	-	-
Net capital gains on investments	-	51,469
Total net capital gains/(losses)	30,869,368	(69,737,678)

Net realised losses/gains on properties disposed comprised £1,315,046 (2020: £4,619,786) realised losses and £9,967,165 (2020: £1,188,953) realised gains on disposal.

Please refer to note 9 for further details on investments.

Notes to the Financial Statements Continued

4 Income

	Year to 24 June 2021	Year to 24 June 2020
	£	£
Rental income	56,840,963	62,785,750
Sundry income	3,813,863	97,061
Bank interest	54,218	323,629
Dividend income	-	160,424
	60,709,044	63,366,864

Sundry income in the current year relates to income received from the surrender of leases.

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

	As at 24 June 2021	As at 24 June 2020
	£	£
Within 1 year	53,926,470	59,187,904
Later than 1 year and no later than 5 years	196,504,589	211,396,416
Later than 5 years	397,859,112	477,267,887
	648,290,171	747,852,207

Notes to the Financial Statements Continued

5 Expenses

	Year to 24 June 2021	Year to 24 June 2020
	£	£
Manager and Property Management Company fees	5,997,644	6,468,750
Corporate Trustee's fees	186,038	203,340
	6,183,682	6,672,090
Other expenses:		
Impairment of rent receivables	2,057,138	1,157,770
Insurance	288,064	219,090
Audit fee	51,823	39,684
Review fee	18,525	15,379
Valuation fee	187,945	206,475
Legal and professional fees	2,179,684	1,152,161
Marketing and communication costs	101,434	68,755
Vacant property and property maintenance costs	1,549,437	1,240,787
	6,434,050	4,100,101
	12,617,732	10,772,191

Included within vacant property and property maintenance costs are £89,323 of service charge rebates (2020: £166,800). 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.

Notes to the Financial Statements Continued

6 Finance Costs – Interest and Other

Finance cost during the year (excluding distributions) comprise:

	Year to 24 June 2021	Year to 24 June 2020
	£	£
Capital expenses		
Credit facility arrangement fee	93,835	61,213
Legal and professional fees	20,110	90,985
Amortisation of capital contribution	246,520	284,544
	360,465	436,742
Revenue expenses		
Non-utilisation fee	135,000	135,370
Finance lease interest	46,836	37,500
	181,836	172,870
Finance costs: interest and other	542,301	609,612

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.

Notes to the Financial Statements Continued

7 Finance Costs – Distributions

Distributions during the year comprise:

	Year to 24 June 2021	Year to 24 June 2020
	£	£
First interim distribution	11,014,989	13,323,017
Second interim distribution	13,324,531	13,089,811
Third interim distribution	12,690,501	12,698,045
Fourth interim distribution	10,572,613	10,014,777
Net distribution from income for the year	47,602,634	49,125,650
Capital distribution	8,479	416,356
Total distribution	47,611,113	49,542,006

Details of the distribution per unit are set out in the distribution table on page 56.

Represented by:	Year to 24 June 2021	Year to 24 June 2020
	£	£
Net income	47,549,011	51,985,061
Less: income from rent straight-lining	(304,988)	(3,293,944)
Add back: capital expenses	360,465	436,742
Provision for bank charges	(1,854)	(2,209)
Distributable capital income	8,479	416,356
Net distribution for the year	47,611,113	49,542,006

The capital distribution relates to rental top-ups from a property acquisition.

Notes to the Financial Statements Continued

8 Investment Properties

Split of investment properties by freehold and leasehold:

	Freehold	Leasehold	As at 24 June 2021	As at 24 June 2020
	£	£	£	£
Value at the beginning of the year	1,026,605,000	108,700,000	1,135,305,000	1,227,165,000
Purchases and capital expenditure during the year	1,480,516	2,919,671	4,400,187	27,979,253
Carrying value of properties disposed during the year	(96,100,000)	-	(96,100,000)	(60,050,000)
Gain on valuation	45,999,904	10,070,456	56,070,360	10,942,373
Loss on valuation	(32,489,213)	(1,363,898)	(33,853,111)	(77,300,688)
Income recognised from rent straight-lining and lease incentives	1,278,793	458,771	1,737,564	6,569,062
Fair value	946,775,000	120,785,000	1,067,560,000	1,135,305,000
Finance lease asset	-	779,033	779,033	779,107
Carrying value at the end of the year	946,775,000	121,564,033	1,068,339,033	1,136,084,107

Lease incentives and straight-lined rent of £15,115,818 (2020: £24,495,538) are included in the carrying value of the investment properties above.

All the properties have been valued by external chartered surveyors, Cushman & Wakefield, at £1,067,560,000 (2020: £1,135,305,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £906,354,660 (2020: £981,598,779).

The Fund holds a leasehold property with annual ground rent payable of £37,500 (2020: £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.

Notes to the Financial Statements Continued

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 2021 valuations by Cushman & Wakefield is provided below:

Sector	Total Valuation Figure	ERV Range (psf)			Equivalent Yield Range		
		Max	Av	Min	Max	Av	Min
Retail - High Street	£24,200,000	£72.50 zone A	£17.50 zone A	£12.50 zone A	7.00%	6.44%	5.00%
Retail - Supermarkets	£3,500,000	£20.00	£20.00	£20.00	4.77%	4.77%	4.77%
Retail - Warehouses	£195,800,000	£35.00	£16.03	£10.00	8.49%	6.61%	5.16%
Warehouses / Industrial	£346,825,000	£15.25	£6.40	£1.00	9.24%	5.25%	4.04%
Offices	£221,350,000	£75.00	£25.76	£10.00	8.00%	5.89%	4.07%
Alternatives	£275,885,000	n/a*	n/a*	n/a*	6.75%	5.47%	4.30%
Total	£1,067,560,000						

* 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.

Notes to the Financial Statements Continued

9 Investments

	As at 24 June 2021 £	As at 24 June 2020 £
Opening fair value	-	5,680,218
Consideration of investments acquired during the year	-	-
Carrying value of investments disposed during the year	-	(5,680,218)
(Losses) / gains on remeasurement to fair value	-	-
	-	-

All investments were 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. As at 24 June 2021 all shares have been sold.

10 Debtors

	As at 24 June 2021 £	As at 24 June 2020 £
Amounts receivable from sale of investment property	-	7,350,000
Amounts receivable for creation of units	31,888,560	-
Net rent receivables	8,126,300	10,376,244
Amounts due from managing agents	932,885	1,102,877
Insurance receivables and prepayments	88,970	141,176
Sundry debtors	118,635	717,513
Loan arrangement fee	17,342	78,215
Sundry prepayments	533,122	20,453
	41,705,814	19,786,478

Net rent receivables are stated after allowances for doubtful rent receivables of £3,214,909 (2020: £1,157,770).

Notes to the Financial Statements Continued

11 Creditors

	As at 24 June 2021 £	As at 24 June 2020 £
Prepaid rent	10,478,730	12,641,023
Purchases awaiting settlement	107,858	504,777
Manager and Property Manager fees	33,000	1,610,967
Corporate Trustee fees	91,620	49,404
Audit fees	50,000	39,300
Valuation fees	46,706	49,991
Credit facility non utilisation fee and debt arrangement fee	31,438	31,438
VAT payable	1,162,847	1,929,063
Other creditors	773,096	169,603
Retentions	71,783	178,635
Finance lease liability	86	73
	12,847,164	17,204,274

Notes to the Financial Statements Continued

12 Finance Leases (Non Current)

	As at 24 June 2021 £	As at 24 June 2020 £
Finance lease	778,948	779,034
Total	778,948	779,034

The future minimum lease payments are as follows:

	As at 24 June 2021 £	As at 24 June 2020 £
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	4,645,248	4,682,747
Total gross payments	4,832,748	4,870,247
Less: Future finance charges	(4,053,714)	(4,091,140)
Carrying amount of liability	779,034	779,107

Total finance lease liabilities amount to £779,034 (2020: £779,107), of which £86 (2020: £73) is considered current liabilities (see note 11). The remaining £778,948 (2020: £779,034) 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 85.

During the year the Manager has received management fees of £5,855,825 (2020: £6,336,641) and the Property Management Company fees of £141,819 (2020: £132,109) thereby totalling £5,997,644 (2020: £6,468,750). These fees can be seen in Note 5, Expenses. The amount outstanding at the year end in respect of those fees was £33,000 (2020: £1,610,967), as can be seen in Note 11, Creditors.

During the year the Property Manager has received transactional fees of £268,646 (2020: £289,090), 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 £584,116 (2020: £137,034). These fees sit within Note 5, Legal and Professional Expenses.

During the year the Facility Manager has received £4,545 (2020: nil) with nil outstanding at year end (2020: nil).

During the year the Corporate Trustee received £186,038 (2020: £203,340). 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 £91,620 (2020: £49,404).

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 £560,216 (2020: £94,667) 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.

Notes to the Financial Statements Continued

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 56 'Fund History'.

		GROSS		
Trading Quarter	**No. Units**	**Applications**	**Redemptions**	**Net Movement**
24 Sep 2020	957,338,998.141	3,935,728.547	31,616,971.528	(27,681,242.981)
24 Dec 2020	910,529,229.567	50,413,748.024	97,223,516.598	(46,809,768.574)
24 Mar 2021	905,961,890.350	12,623,406.870	17,190,746.083	(4,567,339.213)
24 Jun 2021	930,874,828.131	35,232,964.704	10,320,261.911	24,912,702.793
	TOTAL	**102,205,848.145**	**156,351,496.120**	**(54,145,647.975)**

15 Contingent Liabilities

There were no contingent liabilities at the year end (2020: none).

16 Capital and Other Commitments

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

	As at 24 June 2021 £	As at 24 June 2020 £
Contracts for future capital expenditure in investment properties	262,237	-

17 Post Balance Sheet Events

On 14 July 2021, the Fund unconditionally exchanged on the disposal of Halewood Shopping Centre, Liverpool for a sales price of £9,380,000.

General Information

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).

General Information Continued

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.

General Information Continued

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 ("Manager / AIFM"). The Manager has considered the FCA's proportionality guidelines and taking account of size, the lack of complexity and the low risk of the Manager a number of the remuneration rules have been disapplied.

The disclosure covers the remuneration paid in respect of the financial period from 1 January 2020 to 31 December 2020 for Savills Investment Management LLP (the parent of the Manager) 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 Savills IM Group including those of the Manager. 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 Savills IM Group appraisal process. A recommendation regarding salary and bonus levels is made by an individual's line manager and assessed against the Savills IM 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 Manager and the individual. The bonus pool is calculated as a fixed percentage of pre-tax Savills IM Group profits. The fixed and variable elements of remuneration have been developed to attract and retain high calibre staff to ensure the Manager 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 Manager 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 £46,933,000 of which there were 274 beneficiaries. £34,356,000 of this remuneration was fixed and £12,577,000 was variable. 40 of the beneficiaries were identified as remuneration code staff, as defined by AIFM remuneration code, and their total aggregated remuneration was £13,899,000. £6,258,000 of this remuneration was earned by Senior Managers and £7,641,000 was earned by other code staff.

Of the total aggregated remuneration of the code staff, £287,000 can be assumed to relate to the Fund of which £129,000 of this remuneration was earned by Senior Managers and £158,000 was earned by other code staff. £210,000 and £77,000 corresponded to fixed and variable remuneration, respectively.

General Information Continued

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

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

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

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

Customer Due Diligence Administrator
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6th Floor
125 London Wall
London
EC2Y 5AS

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

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

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Property Management Company
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Transfer Agent and Administrator
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