

MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

# CHARITIES PROPERTY FUND

Savills Investment Management

## INTERIM REPORT & ACCOUNTS December 2017



Burton-upon-Trent



Bath



Brighton



London



Oxford



Harrogate



Wednesbury



West Malling

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# HIGHLIGHTS - FIVE YEARS

Portfolio NAV

+155%

Unit price  
+34%

38

Sales

£216 million

Income distributed

80

Purchases

11.4% per annum

Fund total return

£526 million

Net new investment

Investor base

+54%

£238 million

Capital growth in existing assets

# CHARITIES PROPERTY FUND TEAM

Savills Investment Management is a specialist international property investment management business with c.£14.6 billion of assets under management (as at 31 December 2017) and an experienced team of c.300 professionals located in 18 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. 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.

## PROPERTY



Harry de Ferry Foster  
Fund Director



Angy Benitz  
Fund Manager



Jim Garland  
Assistant Fund Manager



Maggie McQuaid  
Assistant Portfolio Manager

## INVESTOR RELATIONS



Lucy MacEwan  
Marketing Assistant  
Charities Property Fund



Lucy Auden  
Investor Relations



Shalin Syan  
Investor Relations

## FINANCE



Alexandra Heaton  
Acting Fund Finance Manager



Natalie Chrimes  
Assistant Fund Finance Manager



Tammy Thomas  
Fund Finance Manager  
(maternity leave)

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Charities Property Fund Team

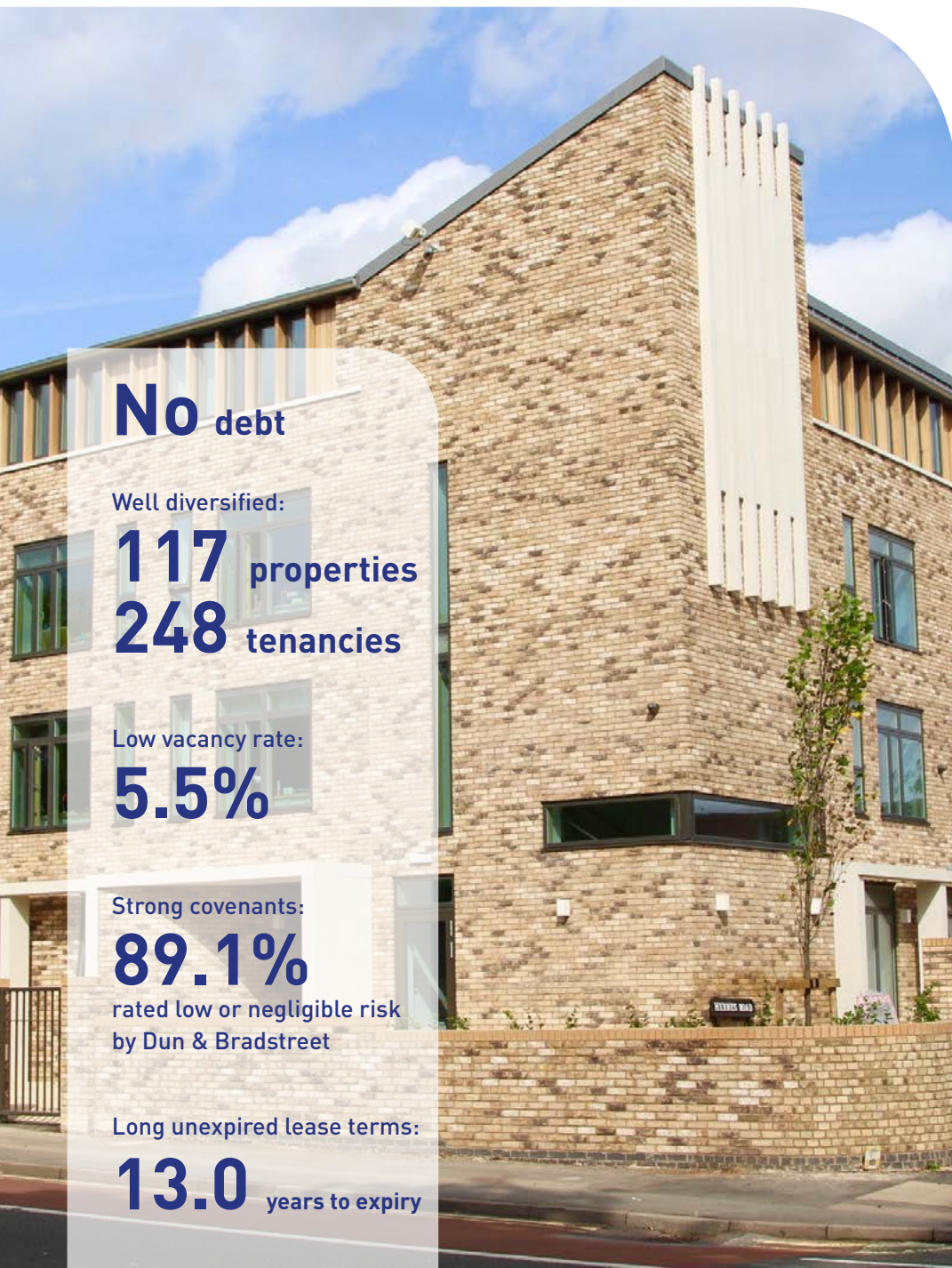
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**No** debt

Well diversified:

**117** properties  
**248** tenancies

Low vacancy rate:

**5.5%**

Strong covenants:

**89.1%**  
rated low or negligible risk  
by Dun & Bradstreet

Long unexpired lease terms:

**13.0** years to expiry

## OBJECTIVES AND STRATEGY

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 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, car showrooms, roadside and leisure) and whilst it will undertake 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.

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 5.5% compared to the MSCI monthly index average of 7.6%, as at December 2017. However, excluding the planned refurbishment of The Smithson office building in Farringdon, the underlying vacancy rate has fallen to 1.0%, the lowest rate for 10 years.

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

We continue to look for interesting growth locations and opportunities, with a bias towards fringe London locations, good quality retail warehousing, alternatives and the industrial/distribution markets. These sectors benefit from providing a relatively high yield. In the case of retail warehouses, assets can be acquired close to replacement costs, and industrials and

alternative assets provide longer than average leases and a high element of rental indexation.

We have acquired **126 buildings** in the last eight and a half years, investing almost **£960 million** in assets that are now valued (or have been sold) for a total consideration of almost **£1.2 billion**. Of these acquisitions, we have subsequently sold 23 properties totalling only 11% 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.



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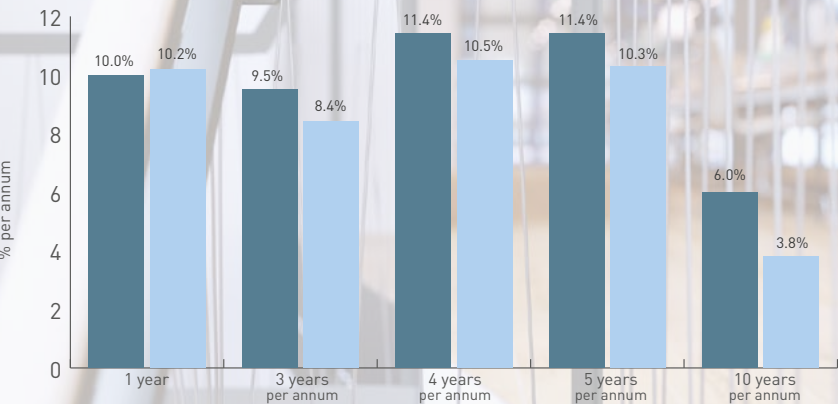
# FUND PERFORMANCE

The total return for the Fund during the 12 months to 24 December 2017 was 10.0% against the Fund's target annual return of 7%. The AREF/MSCI All Balanced Property Funds Index produced a 10.2% total return over the same period. The capital NAV of the Fund has increased by 8.4% during the last 6 months from £1,159 million\* in June 2017 to £1,256 million\* in December 2017. This included £49.2 million of net cash inflow.

Over the last five years the Fund has returned 11.4% per annum, compared to the Index at 10.3% per annum. Over 10 years the Fund has returned 6.0% per annum, compared to the Index at 3.8% per annum.

\* The capital NAV excludes revenue items which are included in the NAV in the Financial Information section

FUND LEVEL PERFORMANCE - TOTAL RETURN AS AT 31 DECEMBER 2017



Charities Property Fund AREF/MSCI All Balanced Funds Index

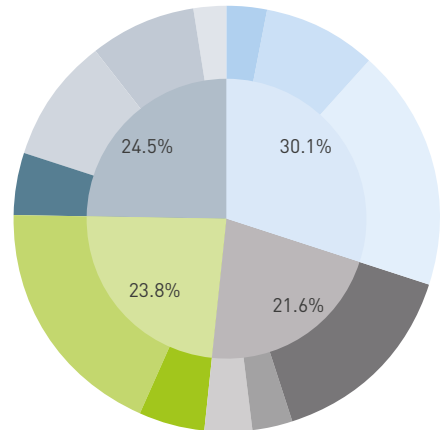
Source: Savills Investment Management/ AREF/MSCI All Balanced Property Funds Index

# SECTOR WEIGHTINGS

The portfolio is well diversified and is not over exposed to any one particular sector. It continues to have a bias towards retail warehouses, London offices, alternatives and the industrial/distribution sectors and it remains underweight (relative to the AREF/MSCI All Balanced Funds Index) to high street retail, shopping centres, regional offices and the core City of London and West End office markets.

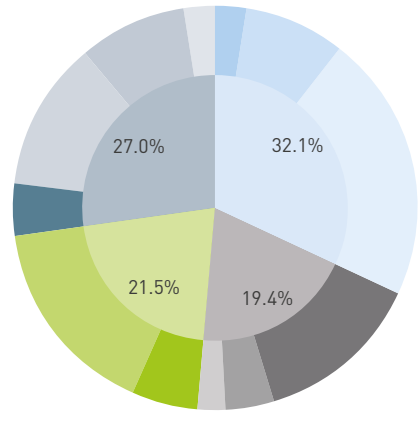
We have increased our exposure to the retail warehousing, south east office and alternative sectors over the last 12 months and reduced our exposure to high street retail, supermarkets, London offices, rest of UK offices and industrials. We remain very positive about the industrial and distribution sector, but due to the high prices being paid we have taken advantage of market conditions to execute opportunistic sales.

CPF December 2016



● RETAIL	30.1%
High Street	3.1%
Supermarkets	8.7%
Retail Warehouses	18.3%
● OFFICES	21.6%
London Offices	15.1%
South East Offices	3.1%
Rest of UK Offices	3.4%
● INDUSTRIAL & DISTRIBUTION	23.8%
South East Industrials	5.0%
Rest of UK Industrials	18.8%
● ALTERNATIVES	24.5%
Leisure	4.5%
Hotels / Student / Serviced Apartments	9.6%
Automotive	8.0%
Roadside	2.4%

CPF December 2017



● RETAIL	32.1%
High Street	2.7%
Supermarkets	8.0%
Retail Warehouses	21.4%
● OFFICES	19.4%
London Offices	13.2%
South East Offices	3.9%
Rest of UK Offices	2.3%
● INDUSTRIAL & DISTRIBUTION	21.5%
South East Industrials	5.3%
Rest of UK Industrials	16.2%
● ALTERNATIVES	27.0%
Leisure	4.1%
Hotels / Student / Serviced Apartments	11.9%
Automotive	8.7%
Roadside	2.3%

Source: Savills Investment Management

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## Fund Performance

### Sector Weightings

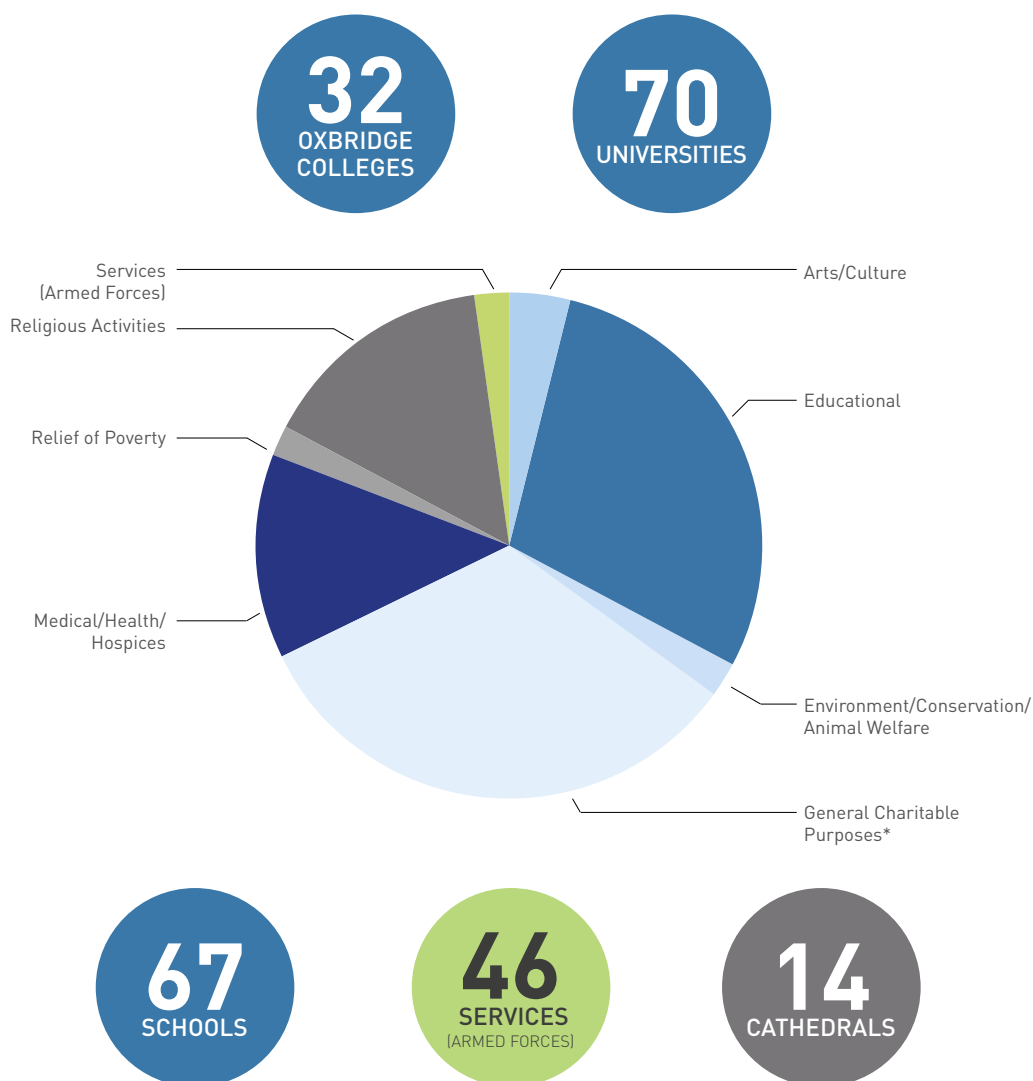
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# INVESTOR CATEGORISATION



Source: Savills Investment Management (December 2017)

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

# FUND GROWTH

PERFORMANCE HIGHLIGHTS TO 24 DECEMBER 2017

The Charities Property Fund has returned

**10.0%**

year to December 2017

The Charities Property Fund has returned

**9.5%**

annualised over a three year period

The Charities Property Fund has returned

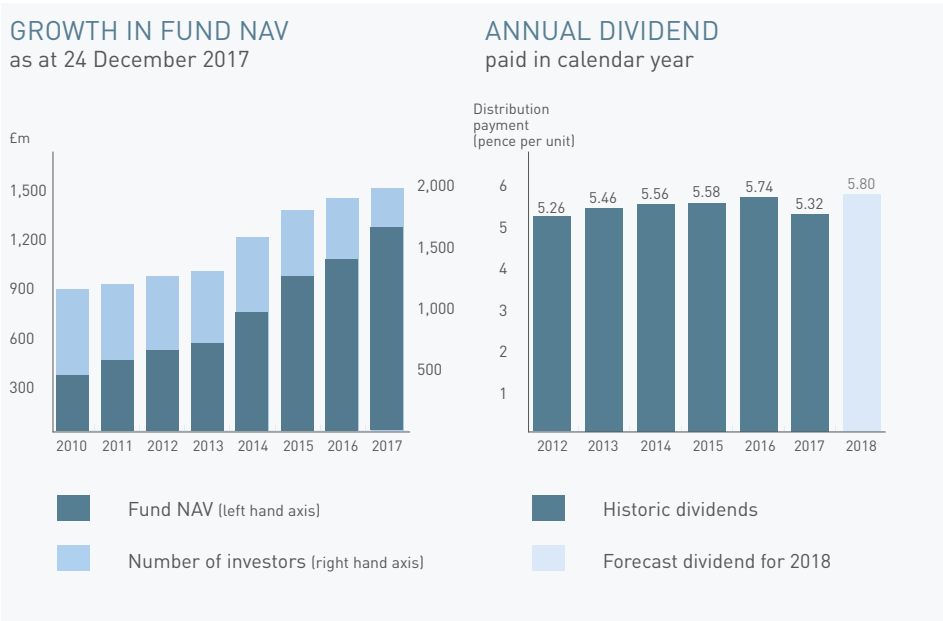
**11.4%**

annualised over a five year period

The Charities Property Fund has returned

**7.5%**

annualised since launch



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# PORTFOLIO REPORT - PURCHASES

The Fund purchased six individual property investments during the six months to 24 December 2017, investing **£36.5 million**.

Additional capital investment of approximately **£22.3 million** was made into existing assets and also through funding pre-let developments, refurbishments, securing planning permissions, combating obsolescence and funding general improvements elsewhere within the portfolio to help deliver future income growth.

The purchased properties are generally of high quality and there is 0% vacancy (compared to MSCI at 10.8%). The leases have on average **16.4 years remaining** until expiry and 12.3 years on average to earliest break (compared to MSCI at 10.6 and 9.8 years respectively). 44% of the income benefits from fixed or inflation linked rental increases.

The average yield to the Fund inclusive of acquisition costs is **5.7%**. This compares to the MSCI Monthly Index average net initial yield of 4.7%, as at December 2017.

### The Fund's purchases include:

**1. Unit 3 Steelmans Road, Wednesbury** – Comprises a c.63,000 sq ft industrial unit located less than one mile from Junctions 9 & 10 of the M6. It is fully let to AF Blakemore & Son Limited until 2024 at a low rent of £4.80 per sq ft. The tenant is a longstanding occupier in the area, having been established in nearby Wolverhampton



Wednesbury

100 years ago. The property was acquired for £4 million in August reflecting a yield to the Fund of 7.45% and a low capital value of £63 per sq ft.

**2. Mercedes Benz, Swindon** – Situated on a very prominent site, adjacent to Greenbridge Retail Park and Duke's Way, this purpose built car showroom occupies a large four acre site and is let to Sytner for a further 22 years with a break option in 2022. The property, which was sourced off-market, was acquired for £8.8 million reflecting a yield to the Fund of 6.0%.

**3. Banbury Road, Oxford** – Situated in the Summertown area of Oxford, this newly constructed boarding house, comprising 67 beds, is let to D'Overbroecks Limited for 30 years with index linked RPI reviews every three years, collared at 1% and capped at 5%. The property was purchased off-market for £8.15 million reflecting a yield to the Fund of 5.0%.



Bath

**£58.8 million**  
invested in six months

**5.7%**  
average yield to Fund of new purchases

**4. 4-5 Westgate Buildings, Bath** – This newly refurbished and reconfigured property provides 17 residential studio apartments let on an overriding ten-year lease to Westgate Apartments Limited. The rent is reviewable every year to RPI, collared and capped at 1% and 3% respectively. Positioned between two of the Fund's existing buildings (1-3 Westgate Buildings & 5-10 Westgate Buildings), it builds on the Fund's strategy of increasing critical mass in prime locations. The purchase price of £3.503 million reflected a yield to the Fund of 5.6%.

**5. Unit F Trident Business Park, Normanton** – Having practically completed in December 2015, this newly constructed 53,494 sq ft industrial unit is let to Kelling Group Limited for a term of 15 years from October 2017. The rent is reviewed every five years to the higher of open market or RPI (collar of 2% & cap of

4% pa). The £6.3 million acquisition price reflected a 4.9% yield to the Fund and is yet another piece of the jigsaw in this prime industrial location adjacent to four of the Fund's existing industrial holdings as well as Junction 31 of the M62.

**6. VW Harrogate** – Located adjoining the Fund's existing Audi dealership, this prominently located car showroom is let to Volkswagen Group (UK) Limited for a further nine years. The rent is reviewed every five years to open market levels. The property has been underlet to Sytner Group; who have just extended their lease in the adjoining premises after investing significantly. The property was purchased in an off-market transaction for £5.75 million reflecting a yield to the Fund of 5.8%.



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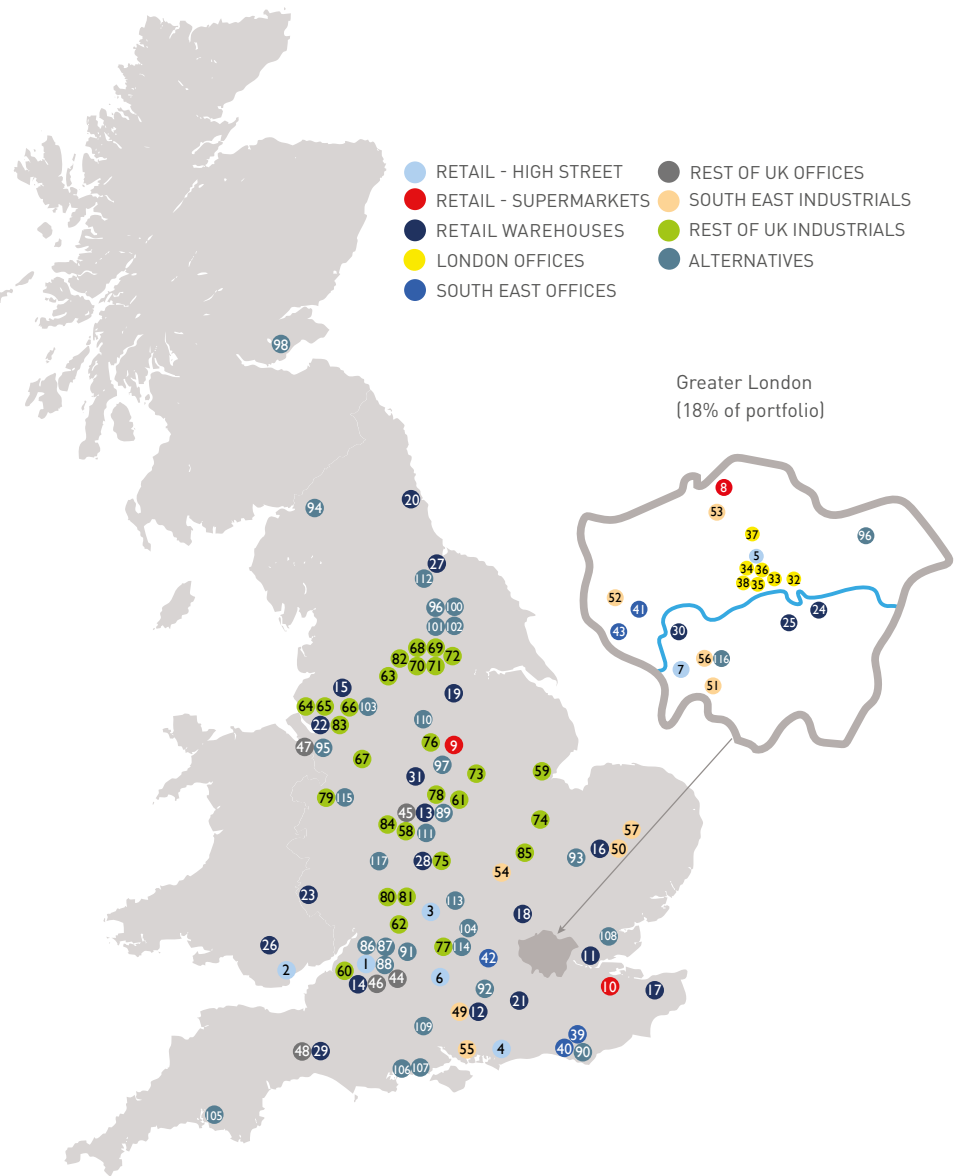
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# MAP OF PROPERTIES



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## RETAIL - HIGH STREET

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
1 Bath	Dune	146,000	2018
2 Cardiff	Burger King	325,000	2023
3 Cheltenham	Poundland	128,600	2020
4 Chichester	House of Fraser	752,584	2039
5 London N1 (Chapel Market)	JD Sports, Superdrug	194,000	2020
6 Marlborough	Superdrug	140,000	2020
7 Walton-on-Thames	Benson Beds	121,451	2025 (2020)
Total, High Street		1,807,635	

## RETAIL - SUPERMARKETS

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
8 Barnet	Sainsbury's	1,722,145	2037
9 Mansfield	Tesco	2,347,401	2039
10 West Malling	Waitrose	180,744	2026
Total, Supermarkets		4,250,290	



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## RETAIL WAREHOUSES

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
11 Basildon	McDonald's, KFC, Pets at Home, Farmfoods, Poundland	655,181	2021 - 2035
12 Basingstoke	Homebase	1,113,000	2026
13 Birmingham	Halfords	105,300	2019
14 Bristol	Pets at Home, McDonald's	378,320	2022 - 2027
15 Bury	Carpetright, Halfords, KFC, Home Bargains, Farmfoods	657,041	2021 - 2030 (2026)
16 Bury St Edmunds	Matalan	305,000	2029
17 Canterbury	Dunelm, Poundstretcher	521,000	2026
18 Chesham	Wickes	306,400	2026
19 Doncaster	Wickes	296,327	2028
20 Gateshead	The Range, Sports Direct	1,998,500	2048 (2033)
21 Guildford	Magnet	600,000	2024
22 Halewood	Aldi, Card Factory, Age UK, Home Bargains, Tesco, Iceland, Big Munch, Ladbroke's, Barnardo's, Subway, Shop Express, Halewood Fish Bar, Brunch Box Cafe, Marie Curie Cancer Care	647,024	2022 - 2038 (2019-2023)
23 Hereford	Pets at Home, Lidl, Poundworld, Poundstretcher	378,609	2023 - 2024 (2019)
24 London SE7	Next, Primark, Aldi, Mothercare	2,336,625	2027 - 2037 (2032)
25 London SE15	B&M	263,250	2025
26 Merthyr Tydfil	Halfords, Home Bargains, Sports Direct, Dreams, PC World, Poundstretcher, Iceland, Phillip Evans	820,549	2021 - 2027 (2018)
27 Middlesbrough	B&M	239,180	2023
28 Redditch	Aldi, Pets at Home, Poundstretcher, Iceland, Home Bargains, KFC, Maplin	1,057,118	2019 - 2026
29 Taunton	Matalan	175,185	2029
30 Twickenham	Currys, Wickes	951,500	2019 - 2032
31 Uttoxeter	B&Q, Shoe Zone, Poundland, Pets at Home, Argos, B&M, KFC, Frankie & Benny's, Poundstretcher, Majestic Wine, Scentarea, PR Bason & J Gathercole, Mumfey's Ices	953,351	2018 - 2032 (2022 - 2023)
Total, Retail Warehouses		14,758,460	



Gateshead



Greenwich

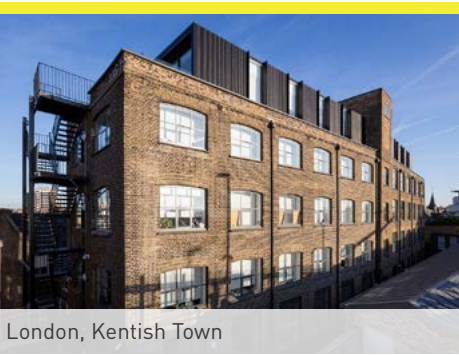
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## LONDON OFFICES

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
32 London E1 (Whitechapel)	The British Diabetic Association	1,126,173	2026 (2023)
33 London EC1 (Farringdon)	Vacant (under refurbishment)	-	-
34 London EC2 (Shoreditch)	Michael J Lonsdale	255,000	2024 (2019)
35 London EC2 (Shoreditch)	LK Bennett	808,013	2030 (2025)
36 London N1 (Shoreditch)	VF Northern Europe, Sunshine Partners, Spiers & Major, Odd London, UK Broadband, Kairos Media	713,217	2018 - 2027 (2019)
37 London NW5 (Kentish Town)	Marketing VF	750,000	2026 (2021)
38 London WC2 (Chancery Lane)	Church Retail, Guido's, PCB Litigation, Konica Minolta Business Solutions, EMW Law, Alliance Automotive, Linkdex, The Lord's Taverners	1,324,451	2019 - 2024 (2018 - 2019)
Total, London Offices		4,976,854	

## SOUTH EAST OFFICES

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
39 Brighton (International House)	Fitness First, Budgens, The Student Group, Hays, Brightwave, Brilliant Noise, Haybury	795,070	2018-2027 (2021-2022)
40 Brighton (Aspect House)	NHS, Bulthorn International, Michael Page, Dehns	569,549	2019 - 2026 (2021)
41 Feltham	The Secretary of State for Communities and Local Government	712,557	2022
42 Maidenhead	Regus, Copper Street Capital	587,301	2021 - 2023 (2019)
43 Staines	Givaudan UK	103,000	2018
Total, South East Offices		2,767,477	



London, Kentish Town



Brighton



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Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
44 Bath	Abel & Imray, Gradwell Communications, Local World, EIP Partnership, Coral, Wickes, Starbucks	488,710	2018 - 2024 (2018 - 2019)
45 Birmingham	Spring Group, Arval UK	584,740	2019 - 2024 (2019)
46 Bristol	Films at 59, Handelsbanken	279,015	2021
47 Chester	The Secretary of State for Communities and Local Government	437,615	2026 (2021)
48 Taunton	Lloyds Bank	185,105	2020 (2018)
Total, Rest of UK Offices		1,975,185	

## SOUTH EAST INDUSTRIALS

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
49 Basingstoke	Vacant	-	-
50 Bury St Edmunds	Vitec Videocom	587,400	2032
51 Epsom	Storage King, Screwfix Direct, Euro Car Parts, Heating and Plumbing Supplies, AWE Europe, HSS Hire Services, Photo Me International	713,326	2018 - 2033 (2019)
52 Hayes	Tempur UK	497,097	2020
53 London NW9	VW Group	228,544	2031
54 Milton Keynes	Ceva	435,085	2020
55 Portsmouth	SMR Automotive Mirrors UK	665,000	2019
56 Thames Ditton	Sytner	316,754	2056 (2026)
57 Thetford	TNT	80,000	2020
Total, South East Industrials		3,523,206	



Bristol

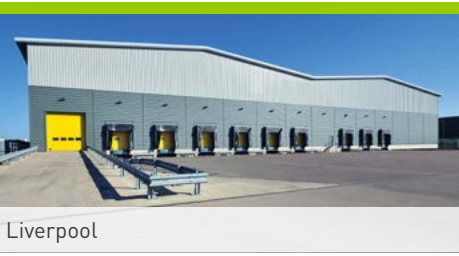


Epsom

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## REST OF UK INDUSTRIALS

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
58 Birmingham	Sheffield Insulation Group	310,005	2020
59 Boston	Fogarty	400,000	2039
60 Bristol	Kuehne + Nagel	480,000	2019
61 Burton-upon-Trent	Waterstones	950,000	2023
62 Gloucester	Severn Glocon	525,000	2021
63 Huddersfield	VTL Group	321,152	2021
64 Liverpool	Amazon UK	577,500	2026 (2021)
65 Liverpool	Toyota Tsusho Assembly Systems	593,450	2023 (2020)
66 Manchester	Royal Mail, Wilkinson Star	318,250	2027-2028 (2022)
67 Newcastle-under-Lyme	Vacant	-	-
68 Normanton	Kelling Group Limited	315,000	2032
69 Normanton	Speedy Hire	199,500	2024
70 Normanton	Kongsberg Actuation Systems	365,654	2038 (2028)
71 Normanton	PNS UK	207,905	2036
72 Normanton	Really Useful Products	270,620	2022
73 Nottingham	Turbine Surface Technologies	433,843	2026
74 Peterborough	Sage Publications	182,900	2020
75 Redditch	SP Group	728,265	2021
76 South Normanton	Recticel	206,925	2031
77 Swindon	Jewson	146,500	2023
78 Tamworth	Speedy Hire	852,500	2029 (2024)
79 Telford	Johnson Controls	715,000	2019
80 Tewkesbury	Sapa Building Systems	879,417	2023
81 Tewkesbury	Oberthur Card Systems	270,000	2020
82 Wakefield	Verhoek Europe	238,400	2025 (2020)
83 Warrington	Eddie Stobart	330,000	2033
84 Wednesbury	AF Blakemore & Son	302,500	2024
85 Wellingborough	CCL Label	552,488	2020
Total, Rest of UK Industrials		11,672,774	



Liverpool



Normanton



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## ALTERNATIVES

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
<b>Leisure</b>			
86 Bath (1-3 Westgate Buildings)	Stable Bar & Restaurant, Westgate Bath	169,500	2039 (2029)
94 Carlisle	DW Fitness	420,035	2034
99 Harrogate	Five Guys, Mitchells & Butlers, Marston's, Moss Bros, Porco Rosso	432,500	2026 - 2041 (2021 - 2031)
105 Plymouth	Travelodge, Bella Italia, Tasty Plc, Revolution, The Gym Group, Bar Fever	936,414	2030 - 2039 (2019)
108 Rayleigh	Virgin Active	464,000	2028
110 Sheffield	JD Wetherspoon, ASK, Stonegate, Caffè Nero, Meaty Fish, Yorkshire Metropolitan Housing Association	416,500	2023 - 2044
	Total, Leisure	2,838,949	
<b>Hotels / Student / Serviced Apartments</b>			
87 Bath (5-10 Westgate Buildings)	Sports Direct, Halfords, Maplin, Sally Salon, Travelodge	788,700	2018 - 2042
88 Bath	Westgate Apartments Limited	200,000	2027 (2022)
90 Brighton	Jurys Inn	1,757,756	2042
93 Cambridge	Travelodge	1,095,000	2048
97 Derby	Jurys Inn	1,250,000	2044
103 Manchester	Serviced Apartment Company (SACO), CDP, K Parry & J Bowden	648,104	2018 - 2046
104 Oxford	D'Overbroeck's Limited	417,000	2047
106 Poole	Travelodge, Costa Coffee, Anytime Fitness, Subway	613,750	2031 - 2051 (2026)
	Total, Hotels	6,770,310	



# LIST OF PROPERTIES

## ALTERNATIVES continued

Property	Principal Tenants	Annual Rent As at 24 Dec 2017 £	Lease Expiry (Break)
<b>Car Showrooms</b>			
89 Birmingham	VW Group - SEAT	153,872	2027
92 Camberley	VW Group - Audi	333,765	2026
95 Chester	Rybrook - Volvo	209,724	2036
96 Chigwell	Sytner - BMW & Mini	696,858	2056 (2026)
100 Harrogate	VW Group - Volkswagen	340,000	2027
101 Harrogate	JCT600 - Mercedes Benz, BP, M&S	423,100	2035 - 2036
102 Harrogate	Sytner - Audi	540,020	2035
107 Poole	Sandown Motors - Mercedes Benz	395,000	2030
109 Salisbury	Sandown Motors - Mercedes Benz	396,600	2030
111 Solihull	Rybrook - McLaren & Rolls Royce	275,000	2036
112 Stockton-on-Tees	VW Group - Audi	350,383	2027
114 Swindon	Sytner Properties Ltd	531,762	2039
116 Thames Ditton	Sytner - Jaguar Land Rover	342,094	2056 (2026)
117 Worcester	Rybrook - BMW & Mini	540,000	2036
	Total, Car Showrooms	5,528,178	
<b>Roadside</b>			
91 Calne	Esso, Spar	160,000	2035
98 Glenrothes	BP, M&S	233,615	2034
113 Stow on the Wold	BP, M&S	185,000	2033
115 Telford	Welcome Break - Shell, Waitrose, WH Smith, Burger King, Starbucks, Krispy Kreme, Days Inn	1,013,810	2027
	Total, Roadside	1,592,425	
	<b>Total, Alternatives</b>	<b>16,729,862</b>	
	<b>Total, portfolio</b>	<b>62,461,743</b>	



## MANAGER'S REPORT

### LIST OF PROPERTIES

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- South East Offices
- Rest of UK Offices
- South East Industrial
- Rest of UK Industrial

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# PORTFOLIO STATEMENT

## AT 24 DECEMBER 2017

Portfolio of Investments		
Properties valued at greater than £15m		
Brocklebank Retail Park, London SE7	Rivington Street, London EC2	
Tesco, Chesterfield South Road, Mansfield	Homebase, Winchester Road, Basingstoke	
Sainsbury's, East Barnet Road, Barnet	Apex Retail Park, Hampton Road West, Twickenham	
The Smithson, Briset Street, London EC1	Trafford Retail Park, Redditch	
Jurys Inn, Stroudley Road, Brighton	Welcome Break, MSA, Junction 4, M54, Telford	
Metro Park West, Gateshead	8 Shepherdess Walk, London N1	
90 Chancery Lane, London WC2	5-10 Westgate Buildings, Bath	
Travelodge, Newmarket Road, Cambridge	Unipart Logistics, Barberry 157, Burton-upon-Trent	
Backchurch Lane, London E1	Derry's Cross, Plymouth	
Jurys Inn, Derby	Imperial Works, Kentish Town, London NW5	
Valuation £m (percentage of total net assets)	£537.745	(43.04%)
Properties valued at between £10m to £15m		
Dovefields Retail Park, Uttoxeter	Old Market Retail Park, Station Lane, Pitsea, Basildon	
Emperor Point, Centurion Park, Tamworth	BMW & Mini, Knightsbridge Park, Worcester	
BMW & Mini, Langston Road, Loughton, Chigwell	Audi Harrogate, James Business Park, Knaresborough	
Lifeboat Quay, West Quay Road, Poole	One Bell Street, Maidenhead	
House of Fraser, West Street, Chichester	York & Wellington House, Dukes Green, Feltham	
International House, Queens Road, Brighton	Toyota Tsusho, Hornhouse Lane, Liverpool	
Epsom Trade Park and Units 450A and 450B, Epsom	Moreton Hall Industrial Estate, Bury St Edmunds	
Pentrebach Retail Park, Merthyr Tydfil	Magnet, Ladymead, Guildford	
SP Group, Hedera Road, Ravensbank Business Park, Redditch	Aspect House, Queens Road, Brighton	
SACO, Minshull Street, Manchester	The Lanconite Building, Stafford Park 6, Telford	
Unit 5300, Severn Drive, Tewkesbury	Halewood Shopping Centre, Leather's Lane, Liverpool	
Valuation £m (percentage of total net assets)	£262.975	(21.04%)
Properties valued at between £5m to £10m		
Caxton Point, Printing House Lane, Hayes	Dawson Road, Mount Farm Industrial Estate, Milton Keynes	
Amazon Unit, Hornhouse Lane, Liverpool	Units 1-7, Cambridge Street, Barkers Pool, Sheffield	
Mercedes, Drake's Way, Swindon	200 Rayleigh Road, Rayleigh	
BP, M&S & Mercedes-Benz, Leeds Road, Harrogate	Mercedes Benz, Southampton Road, Salisbury	
17-23 Parliament Street, Harrogate	Kongsberg, Foxbridge Way, Normanton	
Wincheap Retail Park, Canterbury	DW Sports, Currock Road, Carlisle	
376 Banbury Road, Oxford	Brook Retail Park, Commercial Road, Hereford	
Severn Glocon, Olympus Park, Gloucester	Chester Civil Justice Centre, Trident House, Chester	
SMR, Castle Trading Estate, Porchester, Portsmouth	Kelling Unit, Trident Park, Normanton	
Moorgate Retail Park, Bury	593-613 Old Kent Road, London SE15	
Westpoint, James Street, Bath	Appleton Thorn Trading Estate, Warrington	
CCL Label, Warth Park, Raunds, Wellingborough	Pets at Home & McDonald's, Bath Road, Brislington, Bristol	
11 Poplar Way East, Cabot Park, Bristol	Audi, London Road, Camberley	
Units 3010 and 3020, Birmingham Business Park, Birmingham	Volkswagen Harrogate, St James Business Park, Knaresborough	
TST, Little Oak Drive, Sherwood Park, Nottingham	Audi, Brooklime Avenue, Stockton-on-Tees	
Cowper Street, London EC2	Rolls Royce & McLaren, Stratford Road, Solihull	
Mercedes Benz, Holes Bay Road, Poole	Knight's Park, Houndmills, Basingstoke	
Jaguar Landrover, Portsmouth Road, Thames Ditton	Wickes, Townsend Road, Chesham	
Fogarty, Havenside, Fishtoft Road, Boston		
Valuation £m (percentage of total net assets)	£265.808	(21.28%)

# PORTFOLIO STATEMENT

## AT 24 DECEMBER 2017

Portfolio of Investments		
Properties valued at between £2.5m to £5m		
Really Useful Products, Foxbridge Way, Normanton	1-3 Westgate Buildings, Bath	
Units A & B, Wardley Cross Industrial Estate, Manchester	Clover Nook Industrial Estate, Alfreton, South Normanton	
AF Blakemore unit, Steelmans Road, Wednesbury	Unit 1, Rosevale Business Park, Newcastle-Under-Lyme	
Emerald Point, Bell Heath Way, Birmingham	PNS Unit, Trident Park, Normanton	
Jaguar Land Rover Service Centre, Portsmouth Road, Thames Ditton	BP & M&S, Station Road Garage, Stow on the Wold	
BP & M&S, Bankhead Park Service Station, Woodside Way, Glenrothes	Verhoek, Kenmore Road, Wakefield	
78 Queen Street, Cardiff	Speedy Hire, Trident Park, Normanton	
Whiteladies House, Clifton, Bristol	4 Westgate Buildings, Bath	
Wickes, Leger Way, Doncaster	Waitrose, Fortune Way, Kings Hill, West Malling	
54/55 Chapel Market, Islington, London N1	B&M, Parkway Centre, Coulby Newham, Middlesbrough	
Matalan, Easlea Road, Bury St Edmunds	Esso & Spar, Pippen Service Station, Oxford Road, Calne	
Units 1 & 2, Bradley Junction Industrial Park, Huddersfield	Unit 18, Fengate East, Peterborough	
Jaguar & Volvo, Sealand Road, Chester	Dune, 4 Union Street, Bath	
Alexandra Way, Ashchurch Business Centre, Tewkesbury	SEAT, Watson Road, Star City, Birmingham	
Skoda/Volkswagen, 78 Capitol Way, Colindale, London NW9	Matalan, Bindon Road, Taunton	
Valuation £m (percentage of total net assets)	£120.330	(9.63%)
Properties valued at between £0m to £2.5m		
232-234 High Street, Cheltenham	Magna House, 76-80 Church Street, Staines	
134/135 High Street, Marlborough	Sedgemoor House, Deane Gate Office Park, Taunton	
Jewson, Kembrey Street, Kembrey Park, Swindon	Halfords, Watery Lane, Birmingham	
Hepworth Way, Walton-on-Thames	TNT, Fisons Way Industrial Estate, Thetford	
Valuation £m (percentage of total net assets)	£15.450	(1.24%)
Total value of property holdings	£1,202.308	(96.23%)

	Valuation £000	Percentage of total net assets
Portfolio of investments	£1,202,308	96.23%
Other net assets	£47,081	3.77%
Net assets	£1,249,389	100.00%



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- South East Industrial
- Rest of UK Industrial
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# Financial Information

## FINANCIAL INFORMATION

### EXPENSE RATIOS

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
24 December 2017	0.56%	0.15%	0.15%
24 December 2016	0.54%	0.14%	0.13%

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 prior 12 months. 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) includes those costs associated with the assets which are not recoverable from tenants. 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 prior 12 months.

The TER and PER are in line with last year, as these expenses have grown in proportion with the Fund. The TCR is also in line with last year, following an increase in the number of acquisitions during the period which has predominantly been offset by the impact of an increase in the average net assets.

### PORTFOLIO TURNOVER RATE

	Portfolio Turnover Rate
24 December 2017	3.29%
24 December 2016	5.22%

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 prior 12 months. The current year rate is lower than the prior year as there has been a smaller number of asset disposals during the period.

### DISTRIBUTION YIELD

	Distribution Yield
24 December 2017	4.2%
24 December 2016	4.9%

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

### ANNUALISED PERFORMANCE

	1 Year*	3 Years**	5 Years***
24 December 2017	10.0%	9.5%	11.4%
24 December 2016	6.4%	11.9%	9.9%

\* total return year to 24 December 2017

\*\* 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



#### MANAGER'S REPORT

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# INVESTOR ANALYSIS

Holding	Number of beneficial owners	Total percentage holding %
Less than 0.01%	1,073	4.23
0.01% but less than 0.05%	595	13.51
0.05% but less than 0.10%	145	10.11
0.10% but less than 0.50%	129	27.69
0.50% but less than 1.00%	25	18.84
1.00% but less than 2.00%	8	11.30
2.00% but less than 4.00%	5	14.32
Greater than 4.00%	-	-
Total number of investors	1,980	
Total number of units in issue at the end of the period	994,341,676	
Percentage held by the largest investor		3.84

Holding	Total percentage holding %
Top 10 largest investors	22.01
Top 25 largest investors	36.59
Top 50 largest investors	49.66
Top 100 largest investors	63.05

# 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 December 2013	627,033,467	629,731,793	99.57
	24 December 2014	861,549,836	780,413,123	110.40
	24 December 2015	1,050,001,676	890,156,751	117.96
	24 December 2016	1,097,966,540	920,362,074	119.30
	24 December 2017	1,249,388,894	994,341,676	125.65

Price and Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	24 December 2013	101.12	93.75	5.46
	24 December 2014	112.36	99.63	5.57
	24 December 2015	120.08	109.83	5.47
	24 December 2016	121.63	117.46	5.84
	24 December 2017	128.28	118.56	5.28

## DISTRIBUTION

Distribution Number	Distribution Period	2017		2016	
		Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	25 December to 24 March	1.30	15/05/17	1.41	13/05/16
2	25 March to 24 June	1.31	15/08/17	1.50	15/08/16
3	25 June to 24 September	1.26	15/11/17	1.48	15/11/16
4	25 September to 24 December	1.41	15/02/18	1.45	15/02/17
Total		5.28		5.84	

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



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# STATEMENT OF THE MANAGER’S RESPONSIBILITIES IN RESPECT OF THE INTERIM FINANCIAL STATEMENTS

The manager of the Charities Property Fund, Savills Investment Management (UK) Limited (‘the Manager’), has accepted responsibility for the preparation of these interim financial statements for the six month period ended 24 December 2017 which are intended by the Manager to give a true and fair view of the state of affairs of the Fund and of the profit or loss for that period.

The Manager has decided to prepare the interim financial statements in accordance with UK Accounting Standards and applicable law including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

In preparing these interim financial statements, the Manager has:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable UK Accounting Standards have been followed; subject to any material departures being disclosed and explained in the non-statutory accounts; and
- prepared the interim financial statements on the going concern basis as it believes that the Fund will continue in business.

The Manager has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

# INDEPENDENT REVIEW REPORT

## INDEPENDENT REVIEW REPORT TO THE MANAGER OF THE CHARITIES PROPERTY FUND

### Conclusion

We have been engaged by the Manager of The Charities Property Fund (‘The Fund’) to review the interim financial statements in the half-yearly report for the six months ended 24 December 2017 which comprise the Statement of Total Return and Change in Net Assets Attributable to Unitholders, the Balance Sheet, and the Cash Flow Statement, together with related explanatory notes and the Distribution Table of page 27.

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements in the half-yearly report for the six months ended 24 December 2017 is not prepared, in all material respects, in accordance with UK Generally Accepted Accounting Practices.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Manager’s responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Manager.

The interim financial statements of the Fund are prepared in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice) including FRS 102 *The Financial Reporting standard applicable in the UK*.

### Our responsibility

Our responsibility is to express to the Fund’s Manager a conclusion on the interim financial statements in the half-yearly report based on our review.

### The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the Fund’s Manager in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Fund’s Manager those matters we are required to state to it in this 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 company for our review work, for this report, or for the conclusions we have reached.

**Bill Holland**  
for and on behalf of KPMG LLP  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL  
27 February 2018



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

		Unaudited 6 months to 24 December 2017	Unaudited 6 months to 24 December 2016
	Note	£	£
Net capital gains	3	47,011,908	5,197,128
Income	4	30,142,892	27,991,981
Expenses	5	[4,248,102]	[3,844,247]
Net income before finance costs		25,894,790	24,147,734
Finance costs – interest and other	6	[85,427]	[83,168]
Net income		25,809,363	24,064,566
<b>Total return before distributions</b>		<b>72,821,271</b>	<b>29,261,694</b>
Finance costs – distributions	7	[26,401,550]	[25,497,948]
<b>Change in net assets attributable to unitholders from investment activities</b>		<b>46,419,721</b>	<b>3,763,746</b>
<b>Statement of change in net assets attributable to unitholders</b>			
Opening net assets attributable to unitholders		1,153,789,556	1,059,491,941
Net amounts receivable on creation of units		49,179,617	34,710,853
Change in net assets attributable to unitholders from investing activities		46,419,721	3,763,746
<b>Closing net assets attributable to unitholders</b>		<b>1,249,388,894</b>	<b>1,097,966,540</b>

The accompanying notes form part of these financial statements.

# BALANCE SHEET

		Unaudited as at 24 December 2017	Unaudited as at 24 December 2016
	Note	£	£
<b>Assets</b>			
<b>Fixed assets</b>			
Investment properties	8	1,202,308,200	1,041,135,000
<b>Current assets</b>			
Debtors	9	26,509,725	29,916,595
Cash and bank balances		51,617,429	54,822,009
		78,127,154	84,738,604
<b>Total assets</b>		<b>1,280,435,354</b>	<b>1,125,873,604</b>
<b>Less: current liabilities</b>			
Creditors	10	16,704,506	14,820,355
Distribution payable		14,341,954	13,086,709
		31,046,460	27,907,064
<b>Total liabilities</b>		<b>31,046,460</b>	<b>27,907,064</b>
<b>Net assets attributable to unitholders</b>		<b>1,249,388,894</b>	<b>1,097,966,540</b>

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors of the Manager on 27 February 2018 and were signed on its behalf by

  
**Richard James**  
 Chief Financial Officer  
 27 February 2018



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# CASH FLOW STATEMENT

	Unaudited 6 months to 24 December 2017	Unaudited 6 months to 24 December 2016
	£	£
<b>Cash flow from operating activities</b>		
Reconciliation from net operating income to net cash flows from operating activities		
Net income before finance costs	25,894,790	24,147,734
Bank interest received	(19,500)	(36,117)
Decrease in trade and other receivables	192,189	1,136,276
Increase in trade and other payables	1,863,169	60,423
Net cash inflow from operating activities	27,930,648	25,308,316
<b>Cash flows from investment activities</b>		
Purchase of properties and development expenditure	(58,769,027)	(24,711,857)
Sale of properties	18,380	44,223,358
Bank interest received	19,500	36,117
Net cash (outflow)/inflow from investment activities	(58,731,147)	19,547,618
<b>Cash flows before financing activities</b>	(30,800,499)	44,855,934
Net amounts received on creation of units	62,039,773	13,020,820
Borrowing costs and interest	(85,427)	(83,168)
Distributions paid	(24,316,988)	(26,617,672)
Net cash inflow/(outflow) from financing activities	37,637,358	(13,680,020)
Net increase in cash and cash equivalents for the period	6,836,859	31,175,914
Cash and cash equivalents at the start of the period	44,780,570	23,646,095
<b>Cash and cash equivalents at the end of the period</b>	<b>51,617,429</b>	<b>54,822,009</b>

The accompanying notes form part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS AS AT 24 DECEMBER

## 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") as issued in August 2014. 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.

### 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 December 2017. 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 valuation.

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 and are disclosed in the Manager's Report for information.

### c) Basic financial instruments

#### 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 period.



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d) Transaction costs

The Fund aggregates properties in the portfolio statement on pages 22 and 23 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.

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.

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.

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.



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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.

3 NET CAPITAL GAINS

The net gains on investments during the period comprise:

	6 months to 24 December 2017	6 months to 24 December 2016
	£	£
Net proceeds from disposal of properties	-	44,223,358
Carrying value of properties disposed during the period	-	(45,459,998)
Movement in accruals on properties disposed in prior periods	18,380	-
Gains/(losses) realised on properties disposed	18,380	(1,236,640)
Net unrealised gains on revaluation for the period	46,993,528	6,433,768
Net capital gains	47,011,908	5,197,128

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.

4 INCOME

	6 months to 24 December 2017	6 months to 24 December 2016
	£	£
Rental income	30,108,864	27,468,114
Sundry income	14,528	487,750
Bank interest	19,500	36,117
	30,142,892	27,991,981

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

	As at 24 December 2017	As at 24 December 2016
Within 1 year	61,218,849	55,860,652
Later than 1 year and no later than 5 years	225,477,331	193,374,323
Later than 5 years	544,149,014	453,340,135
	830,845,194	702,575,110

5 EXPENSES

	6 months to 24 December 2017	6 months to 24 December 2016
	£	£
Manager and Property Management Company fees	2,937,503	2,730,002
Corporate Trustee's fees	91,726	84,699
	3,029,229	2,814,701
Other expenses:		
Insurance	39,813	81,820
Audit fee	13,186	9,252
Review fee	12,989	12,863
Valuation fee	102,525	89,928
Legal and professional fees	826,581	444,396
Marketing and communication costs	40,230	51,105
Vacant property and property maintenance costs	183,549	340,182
	1,218,873	1,029,546
	4,248,102	3,844,247



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6 FINANCE COSTS – INTEREST AND OTHER

Finance cost during the period (excluding distributions) comprise:

	6 months to 24 December 2017	6 months to 24 December 2016
	£	£
<b>Capital expenses</b>		
Credit Facility Arrangement Fee	24,844	24,861
Legal and professional fees	10,720	8,170
	35,564	33,031
<b>Revenue expenses</b>		
Non-Utilisation fee	49,863	50,137
	49,863	50,137
Finance costs: interest and other	85,427	83,168

On 5 April 2016, the Fund extended its fixed revolving credit facility (the “Facility”) with the Royal Bank of Scotland International (“RBSI”) to the period ending 20 February 2018.

The Facility can be utilised as follows:

- 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 period 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.

On 23 February 2018 (after the period end) the Facility was extended for a further two years to 20 February 2020. The Facility can continue to be utilised within the parameters outlined above, and an arrangement fee of £70,000 was paid to RBSI as part of the extension.

7 FINANCE COSTS – DISTRIBUTIONS

Distributions during the period comprise:

	6 months to 24 December 2017	6 months to 24 December 2016
	£	£
First interim distribution	11,629,951	12,104,112
Second interim distribution	12,957,911	11,980,787
Net distribution from income for the period	24,587,862	24,084,899
Capital distribution	1,813,688	1,413,049
Total distribution	26,401,550	25,497,948
Details of the distribution per unit are set out in the distribution table on page 27.		
Represented by:		
		£
Net income	25,809,363	24,064,566
Less: income from rent straight-lining	(1,231,198)	-
Add back: legal and professional fees	10,720	8,170
Balance of income brought forward	13,226	(1,653)
Balance of income carried forward	(14,249)	13,816
Distributable capital income	1,813,688	1,413,049
Net distribution for the period	26,401,550	25,497,948

The capital distribution comprises: £1,600,162 of rental top-ups from property acquisitions and development agreements, and £213,526 of interest on development drawdowns, totalling £1,813,688 (2016: £1,413,049).



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8 INVESTMENT PROPERTIES

Split of investment properties by freehold and leasehold

	Freehold	Leasehold	As at 24 December 2017	As at 24 December 2016
	£	£	£	£
Value at the beginning of the period	959,345,000	134,415,000	1,093,760,000	1,055,460,000
Purchases and capital expenditure during the period	55,170,850	3,621,848	58,792,698	24,679,430
Carrying value of properties disposed during the period	-	-	-	(45,459,998)
Net unrealised gain on valuation	42,477,798	4,515,730	46,993,528	6,433,768
Income recognised from rent straight-lining and lease incentives	2,636,775	125,199	2,761,974	21,800
Value at the end of the period	1,059,630,423	142,677,777	1,202,308,200	1,041,135,000

Lease incentives and straight-lined rent of £8,800,469 (2016: £3,846,860) are included in the carrying value of the investment properties above.

All the properties have been valued by external chartered surveyors, Cushman & Wakefield, at £1,202,308,200 (2016: £1,041,135,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £996,549,371 (2016: £897,516,871).

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.

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 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	Range	Relationship between key unobservable inputs and fair value measurement. The estimated fair value would increase (decrease) if:
ERV	Generally 75% to 125% of passing rent *assuming not concessionary	Fair value would decrease if ERV as a percentage of passing rent decreased and increase if ERV as a percentage of passing rent increased.
Void periods	Generally 9 to 18 months after the end of each lease	Fair Value would decrease if the void periods were longer and increase if the void periods were shorter.
Occupancy rates	80-100% excluding fully vacant properties undergoing refurbishment and pre-let developments	Fair Value would decrease if the occupancy rate were lower and increase if the occupancy rate was higher.
Yields	Generally in the range 4% -10%	Fair Value would decrease if the yield was increased and increase if the yield was reduced.



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9 DEBTORS

	As at 24 December 2017	As at 24 December 2016
	£	£
Amounts receivable for creation of units	14,121,730	19,210,102
Rent receivable	8,879,539	4,260,899
Interest on development	-	1,161,822
Amounts due from managing agents	2,727,759	4,591,335
Insurance prepayments	130,772	309,469
Sundry debtors	642,051	325,542
Loan arrangement fee	7,874	57,426
	26,509,725	29,916,595

10 CREDITORS

	As at 24 December 2017	As at 24 December 2016
	£	£
Purchases awaiting settlement	454,300	732,577
Prepaid rent	12,576,693	11,709,989
Manager and Property Manager fees	60,000	30,000
Corporate Trustee fees	46,390	84,588
Audit fees	26,175	20,000
Valuation fees	52,601	45,550
Credit facility non utilisation fee and debt arrangement fee	23,562	23,288
VAT payable	1,144,146	1,609,698
Cost to complete on development	1,876,083	-
Vacant property costs	1,971	75,354
Other creditors	141,052	116,444
Retentions	301,533	372,867
	16,704,506	14,820,355

11 RELATED PARTY TRANSACTIONS

Amounts payable to the Manager, Property Manager or associates of both are shown in note 5. Amounts due are shown in note 10.

During the period the Manager has received management fees of £2,877,117 (2016: £2,665,982) and the Property Management Company fees of £60,386 (2016: £64,020) thereby totalling £2,937,503 (2016: £2,730,002).

The amount outstanding at the period end in respect of those fees was £60,000 (2016: £30,000).

During the period the Manager has received transactional fees of £284,965 (2016: £189,300) and fees relating to asset management and dealing activity of £474,711 (2016: £471,047). The majority of these fees sit within the legal and profession expenses line in note 5.

During the period the Corporate Trustee received £91,726 (2016: £84,699).

Amounts payable to the Corporate Trustee or associates of the Corporate Trustee are shown in note 5. Amounts due are shown in note 10.

The amount outstanding at the period end in respect of those fees was £46,390 (2016: £84,588).

Details of the Manager, Property Manager and Corporate Trustee can be found on pages 46 through to 48.

The aggregate monies received through creations and paid through cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. Subscription money awaiting investment into The Charities Property Fund is held in an account in the name of Savills Investment Management (UK) Limited, the Manager. The money will be dealt with in accordance with the FCA's Client Money Rules.

12 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 27 'Fund History'.

Trading Quarter	No. Units	GROSS		
		Applications	Redemptions	Net Movement
24 Mar 2017	933,185,555.022	19,364,388.368	6,540,907.227	12,823,481.141
24 Jun 2017	955,139,896.790	27,189,042.513	5,234,700.745	21,954,341.768
24 Sep 2017	983,305,625.573	33,583,056.850	5,417,328.067	28,165,728.783
24 Dec 2017	994,341,675.683	19,282,784.786	8,246,734.676	11,036,050.110
	TOTAL	99,419,272.517	25,439,670.715	73,979,601.802



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13 POST BALANCE SHEET EVENTS

There were no post balance sheet events requiring disclosure.

14 CONTINGENT LIABILITIES

There were no contingent liabilities at the period end (2016: none).

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 (currently 5% on all property transactions over £250,000) 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.

Further details of the process for buying and selling units is set out in the Scheme Particulars which are available on the Fund’s website (www.cpfund.co.uk). To protect the overall position of unitholders, there are clearly defined restrictions on the right to redeem as 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).



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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
- (iii) 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 depository 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.

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.



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Trustee, Manager and Advisors



# TRUSTEE, MANAGER AND ADVISERS

## DETAILS

### Corporate Trustee and Depository

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

### Manager / AIFM

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

### Investment Adviser

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

### Property Manager

Savills Investment Management LLP  
33 Margaret Street  
London  
W1G 0JD

### Standing Independent Valuer

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

### Auditor

KPMG LLP  
15 Canada Square  
London  
E14 5GL

### Legal Adviser

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

### Property Management Company

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

### Performance Measurement

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

This Report is issued by Savills Investment Management (UK) Limited, registered in England Number 03680998, which is authorised and regulated by the Financial Conduct Authority Number 193863 and is a subsidiary of Savills Investment Management LLP, a limited liability partnership registered in England Number OC306423. Savills Investment Management LLP is authorised and regulated by the Financial Conduct Authority Number 615368. The registered office of both entities is at 33 Margaret Street, London W1G 0JD. A list of members of Savills Investment Management LLP is available from the registered office. The Charities Property Fund is a registered charity, Number 1080290.

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



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