

MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

CHARITIES PROPERTY FUND

Savills Investment Management

ANNUAL REPORT & ACCOUNTS

June 2018





Epsom



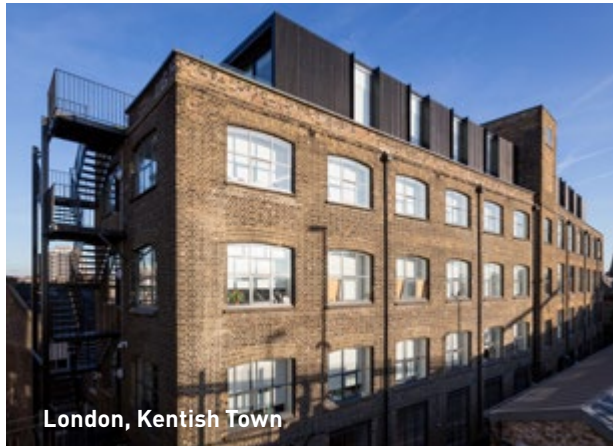
Greenwich



Cambridge



Solihull



London, Kentish Town



Burton-upon-Trent



Chester



Maidenhead

CONTENTS

Manager’s Report

Objectives	9
Strategy	11
Fund Performance	15
Investor Categorisation	16
Fund Growth and Performance	17
Portfolio Report – Purchases	18
Portfolio Report – Sales	20
Outlook for the Market and Sector Positioning	22
Case Study	34
ESG and Responsible Investment	36
Governance, Procedures and Oversight	38
Map of Properties	39

List of Properties

Retail - High Street	40
Retail - Supermarkets	40
Retail Warehouses	41
London Offices	42
South East Offices	42
Rest of UK Offices	43
South East Industrials	43
Rest of UK Industrials	44
Alternatives	45
Portfolio Statement	47
CPF Team	50

Key Fund Data

Expense Ratios	53
Portfolio Turnover Rate	53
Distribution Yield	53
Annualised Performance	53
Change in Net Assets per unit	54
Investor Analysis	55
Fund History	56
Distribution Table	56

Financial Statements

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements	57
Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report	58
Independent Auditor’s Report	59
Statement of Total Return and Change in Net Assets Attributable to Unitholders	61
Balance Sheet	62
Cash Flow Statement	63
Notes to the Financial Statements	64
General Information	76
Trustee, Manager and Advisers	80



MANAGER'S REPORT



The commercial property investment market has proven resilient over the last 12 months with the All Balanced Property Funds Index producing a return of 9.7% for the year and the Charities Property Fund 10.6%.

Our aim is to buy the right buildings in the right locations at the right price and hold them for a long time. Whilst this appears to be a deceptively simple task, in reality it is more complicated. Income is by far the largest component of total return within the commercial real estate market and we prefer to trade little and asset manage a lot. We have retained a focus on strong covenants, long leases, best in class locations twinned with properties that offer excellent alternative use potential and a low vacancy rate.

The head winds in the retail sector specifically and the ever present threat of Brexit do cast a shadow over the year ahead, however we are optimistic that the quality of the portfolio and lack of debt will insulate us. Indeed some interesting highlights from our latest MSCI benchmark report show a vacancy rate of 2% (excluding refurbishment projects) compared to the index of 10.6%, a capital value per sq ft of the entire portfolio of £199 per sq ft, compared to the benchmark of £240 per sq ft and an average lot size of £9.8 million compared to the benchmark of £17.9 million, providing us with a higher percentage of smaller lots and therefore

increased liquidity. Our leases are longer, with a weighted average unexpired lease term of 12.1 years compared to the benchmark average of 8.5 years. We have consistently delivered a higher income return than the benchmark, but have also delivered higher capital growth. Our ability to source the right investment stock at the right price has historically been the biggest driver of performance, and all these factors have combined to produce our eleventh consecutive year of outperformance. The market and sector analysis and outlook are covered in more detail on pages 22-33.



HIGHLIGHTS - FIVE YEARS



MANAGER'S REPORT

Manager's Report

- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Capital NAV

+150%

Unit price

+35%

£223 million

Income distributed

11.4% per annum

Fund total return

£488 million

Net new investment

Investor base

+51%

+62%

Number of properties held



CHAIRMAN OF THE ADVISORY COMMITTEE



The Charities Property Fund has once again outperformed the AREF/MSCI All Balanced Property Funds Index with a total return of 10.6%, and has consistently outperformed its 7.0% per annum objective over the longer term, producing 8.3% pa over the last three years, 11.4% pa over the last five years and 7.6% pa since launch 17 years ago. The Fund has now outperformed the AREF benchmark for eleven consecutive years. Importantly for the investors, the current income element also remains above average, with the Fund continuing to deliver the top quartile income return it set out to do at inception; on average providing 5.0% pa (net of all fees and costs) over the last five years.

Savills Investment Management, and in particular the Charities Property Fund team, deserve credit in ably navigating the market. We believe the portfolio to be well managed and the quality of underlying real estate and its defensive positioning should provide comfort to all investors.

The Charities Property Fund team 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 close working relationship with the management team and review the portfolio and their performance every quarter. We are also invited to comment and advise on all purchases and sales in advance.

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

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

- Aidan Kearney, CIO, The Health Foundation
- Alan Fletcher, Investment committee member, Church of England Pension Board and Chairman of Investment Committee, Leicester Diocesan Board of Finance
- Andrew Chapman, Trustee of KidneyCare UK
- Chris Hills, CIO, Investec Wealth Management
- Nick Downer, Bursar, Selwyn College, Cambridge
- 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

“ The Fund has **outperformed** the AREF/MSCI benchmark for 11 years in a row. Importantly for the investors, the current income element also remains above average, with the Fund continuing to deliver the top quartile income return it set out to do at inception; on average providing **5.0% per annum** (net of all fees and costs) over the last five years.



MANAGER’S REPORT

- Manager’s Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



HIGHLY RESILIENT QUALITY PORTFOLIO

1,972

Investors

44.5%

by value located within
Bath, Brighton, Cambridge,
Harrogate, Oxford and London

2.0%

Vacancy rate*

Well diversified:
123 properties
257 tenancies

38.5%

of annual rent benefits
from fixed or index
linked rental increases

No
debt**

Strong covenants:

82.0%

rated low or negligible risk
by Dun & Bradstreet

Long unexpired
lease terms:

12.1

years to expiry

* Excluding refurbishment projects
** 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 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 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”



MANAGER’S REPORT

- Manager’s Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

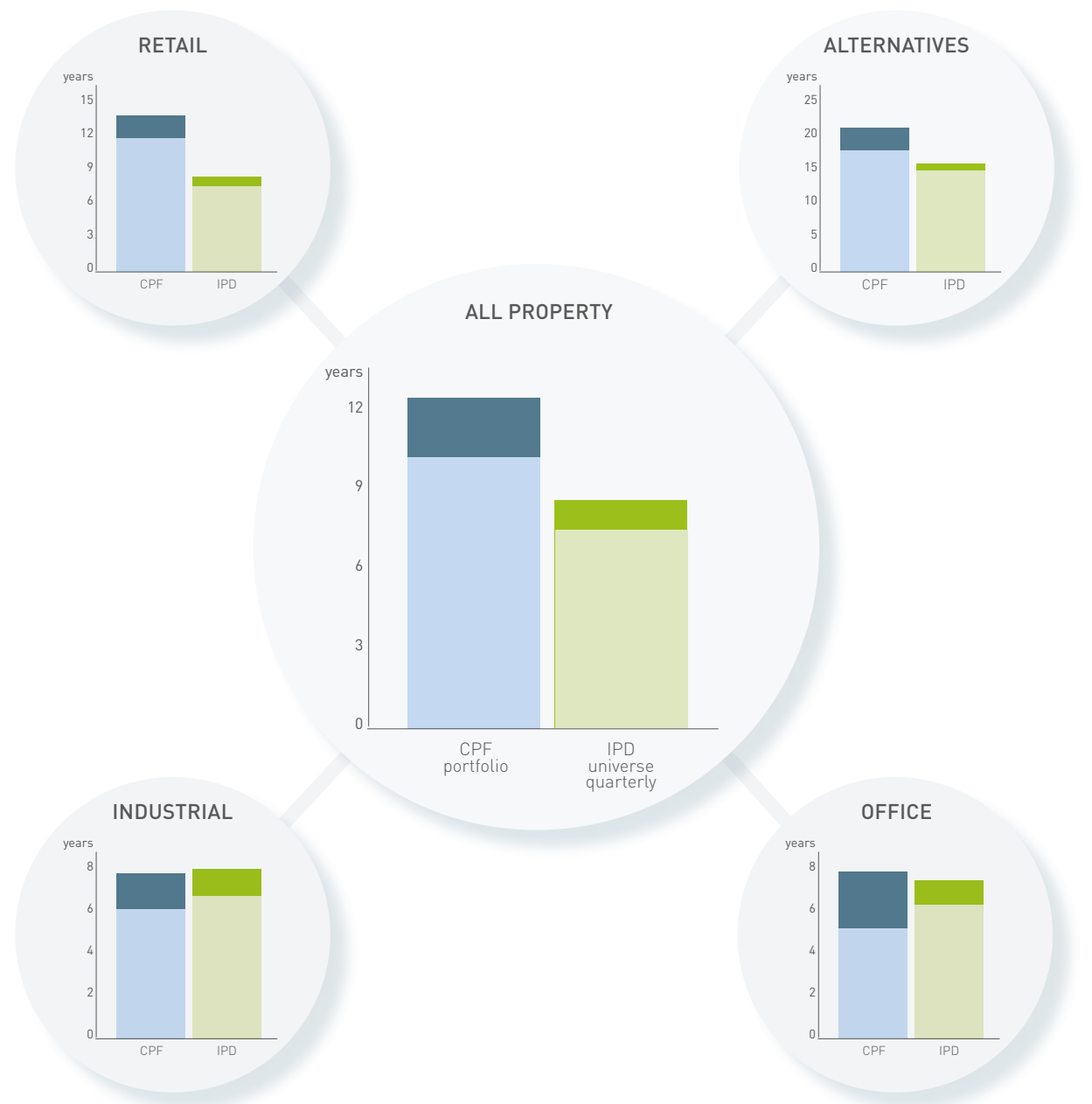
KEY FUND DATA

FINANCIAL STATEMENTS



LEASE EXPIRY PROFILE

The Fund has a significantly longer lease expiry profile than MSCI with income secured on average for 12.1 years - over 40% longer than the market average. Within the office and industrial sectors we have lease lengths broadly in line with the market - but the retail and alternative sectors boast unexpired terms over 50% and 33% longer respectively. This is mainly due to the quality of assets we hold in the sectors where tenants have agreed to longer lease terms in a desire to guarantee their continued occupation.



■ CPF to lease expiry ■ CPF assuming all breaks exercised ■ IPD to lease expiry ■ IPD assuming all breaks exercised
Source: IPD Quarterly Universe, as at 30 June 2018

STRATEGY

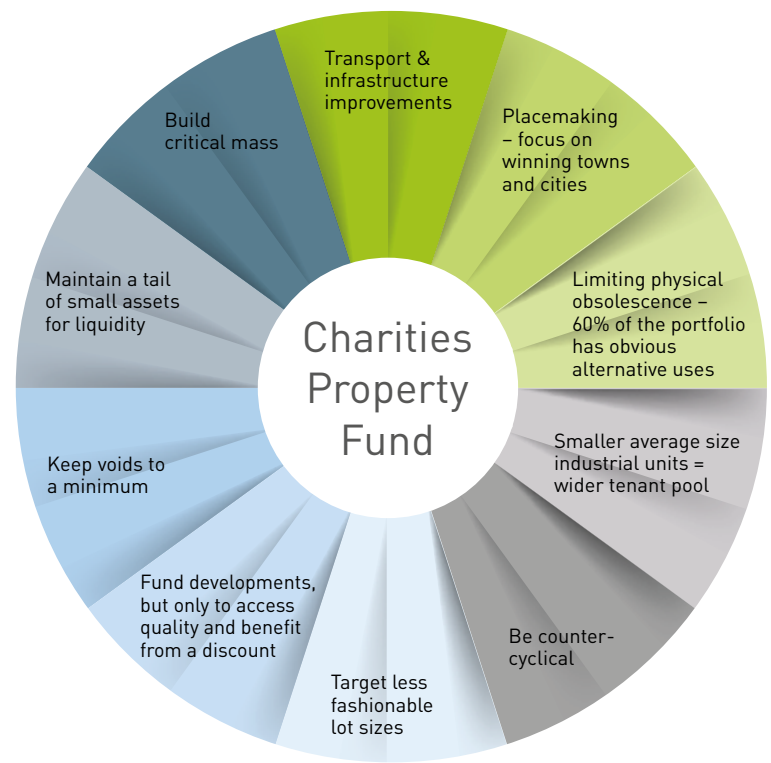
We aim to achieve an above average income return by keeping vacancy and associated costs (such as empty rates, service charges, repairs and insurance) to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings. The vacancy rate is currently 5.0% compared to the MSCI monthly index average of 10.6%, as at June 2018. However, taking into account the pre-let agreed to Macmillan Publishers at the Smithson office building in Farringdon, the underlying vacancy rate has fallen to 2.0%, 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, shopping centre 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 generally providing a higher than average yield. In the case of industrial, assets can be acquired close to replacement costs and our retail and alternative assets provide longer than average leases and a high element of rental indexation.

We have acquired over **130 buildings** in the last nine years, investing almost **£960 million** in assets that are now valued (or have been sold) for a total consideration of almost **£1.24 billion**. Of these acquisitions, we have subsequently sold 25 properties totalling only 10% 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.



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives

Lease Expiry Profile Strategy

- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

PLACEMAKING TO ENHANCE RETURNS

What if you could create somewhere that becomes so attractive that workers, shoppers, residents and visitors with spending power flocked to it? This is the power of ‘placemaking’, a strategy that is central to the Charities Property Fund and has contributed to a decade of fund outperformance, during which time the Fund grew by more than £1 billion.

Placemaking can be achieved either internally – through the acquisition of a series of buildings within an area and coordination of those buildings’ repositioning – or externally, through early movement into an area or sector benefiting from both yield shift and gentrification effects as other investors follow.

The Fund has enjoyed success with both strategies. We have built up significant holdings in core cities with excellent growth prospects, including Brighton and Bath, where the Fund has acquired eight separate buildings in close proximity to each other. These asset agglomerations create economies of scale and enable the Fund to create prosperous new environments. For example, in Bath we have recently completed a conversion of second-hand offices into a new hotel, serviced apartments, student accommodation and a gym, effectively creating a sense of place and improving the amenity as well as mix of uses and tenants.

We have also been able to take advantage of significant falls in the availability of office space due to Permitted Development to residential in these cities. In Brighton alone, around 800,000 square feet of office space has been lost to residential development, and developers are not replacing it, preferring instead to put more resources into residential apartments. The office vacancy rate in the city is now less than 1%. We have seen the same thing happening in Bath and Bristol and have exploited this with office acquisitions in Clifton, Bath and two buildings in Brighton.



PLACEMAKING TO ENHANCE RETURNS



We have also taken advantage of the larger placemaking of Greenwich Peninsula in London, which is rapidly transitioning from a former wasteland to a destination in its own right. At the end of 2017, CPF completed the Brocklebank Retail Park development immediately adjacent to the peninsula. Eventually, the area will have more than 15,000 residential units and a new £1 billion, mixed-use landmark tower sitting close to the O2 Arena concert venue and fast transport links to Central London.

Ikea is also investing £1 billion in their first new London store in 10 years, 200 yards down the road from the new park. All of these elements will serve to gentrify and placemake the area. Greenwich currently boasts a retail catchment population the size of Leeds, yet currently has no dedicated shopping centre. In comparison, Leeds has five.

The retail park development contributes to the placemaking of the Greenwich Peninsula as a next-generation food and fashion retail park, tenanted by Primark, Next and Aldi – some of the standout retailers of the moment. By being involved in the construction process, we were also able to improve its placemaking potential and capture the benefits of future technological innovation with the addition of electric car charging points and almost 1,000 solar panels.

This park is a prime example of the Fund’s strategy of placemaking and insulating the portfolio against technological change by building up significant holdings in core cities with excellent growth prospects.

- 1 Aerial view Bath
- 2 Bath, 5-10 Westgate Buildings
- 3 Bath, 1-4 Westgate Buildings
- 4 Bath, Westpoint
- 5 Greenwich



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

INVESTOR TESTIMONIAL

“

The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK. Our aim is a healthier population, supported by high quality health care that can be equitably accessed. From giving grants to those working at the front line to carrying out research and policy analysis, we shine a light on how to make successful change happen. We believe good health and health care are key to a flourishing society. Through sharing what we learn, collaborating with others and building people’s skills and knowledge, we aim to make a difference and contribute to a healthier population.

We are funded by an endowment - currently around £1 billion making us the second largest endowed foundation in the UK focusing on health. This enables us to have an on-going programme of work, including making significant grants to bring about better health and health care. The size of the endowment means that we do not need to fundraise to generate income.

We see the application of our investment strategy as partnering with our selected fund managers and we find the Charities Property Fund a perfect fit. As a Foundation we do not own any operational property and thus the Fund acts as the cornerstone of our allocation to real estate within the endowment portfolio. Although not restricted to the sole use of investment income and with an annual inflation linked real return target, the stability of yield derived from a diversified portfolio of UK real estate is a strong feature. The quality, experience and long serving nature of the management team understand the needs of their specific unitholder base and have constructed a strong debt free quality portfolio thoughtfully and with consideration to the future and not just the present. In a sector which has in the past exhibited stress from certain participants the Charities Property Fund stands tall.

Aidan Kearney, Chief Investment Officer, The Health Foundation



phf Paul Hamlyn Foundation

On arrival at the foundation, one of the least impressive parts of the portfolio that I as the new Investment Director found myself responsible for was a half completed portfolio of small-lot sized shops, warehouses and offices. With help from our then specialist advisor, PHF directly owned and managed these 10 or 11 buildings with the plan being to build up in the next four to five years a portfolio of three times the size.

In the investment management world I know about a few things, but selecting and managing commercial property was not one of them and nor was administering them as easy as it looked. Managing a direct property portfolio is a complicated, time consuming and nuanced business. There is a fair amount of day to day work, but the real expertise is in balancing the interests of the now with the future values as it is easy to underestimate the capital required in the medium term. We undertook a careful analysis of which investment funds to engage with, which were well run with a dedicated and experienced team and we knew we did not want a fund that employed leverage. The Savills IM team were very straightforward to deal with and I am delighted that, many years on, I am dealing with the same senior management team that I first met nearly a decade ago.

We now benefit from a first class, carefully chosen, expertly managed list of high grade commercial buildings almost entirely located in the geographic parts of this country that are thriving. We benefit from not having to manage the buildings ourselves, we were able to deregister from VAT, and the dividend income rolls in every quarter strengthened by being diversified with a much better quality overall portfolio. We have become one of the largest holders of the Charities Property Fund and I have had the pleasure of watching it closely from a seat on the Advisory Board.

Richard Robinson, Investment Director, Paul Hamlyn Foundation

”

FUND PERFORMANCE



MANAGER’S REPORT

- Manager’s Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns

Fund Performance

- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithsonian
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

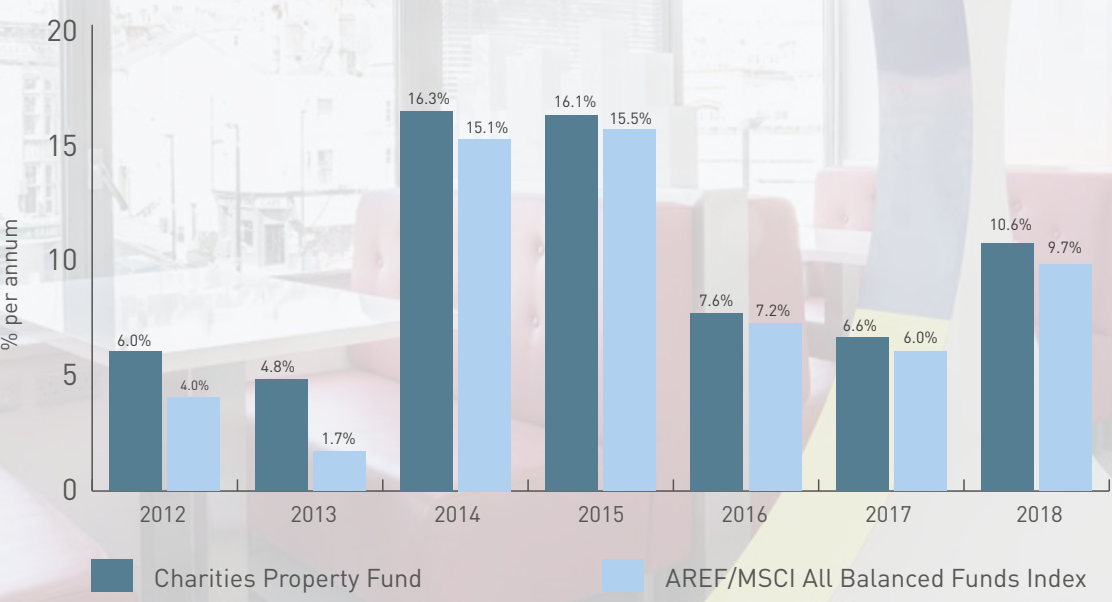
FINANCIAL STATEMENTS

The total return for the Fund during the 12 months to 24 June 2018 was 10.6% against the Fund’s target annual return of 7%. The AREF/MSCI All Balanced Property Funds Index produced a 9.7% total return over the same period. The Fund has increased in size by 10.9% during the last 12 months from £1,159 million* in June 2017 to £1,285 million* in June 2018, including £55.5 million of net cash inflow.

Over the last five years the Fund has returned 11.4% per annum, compared to the Index of 10.6% per annum. Over 10 years the Fund has returned 6.9% per annum, compared to the Index at 4.9% per annum.

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

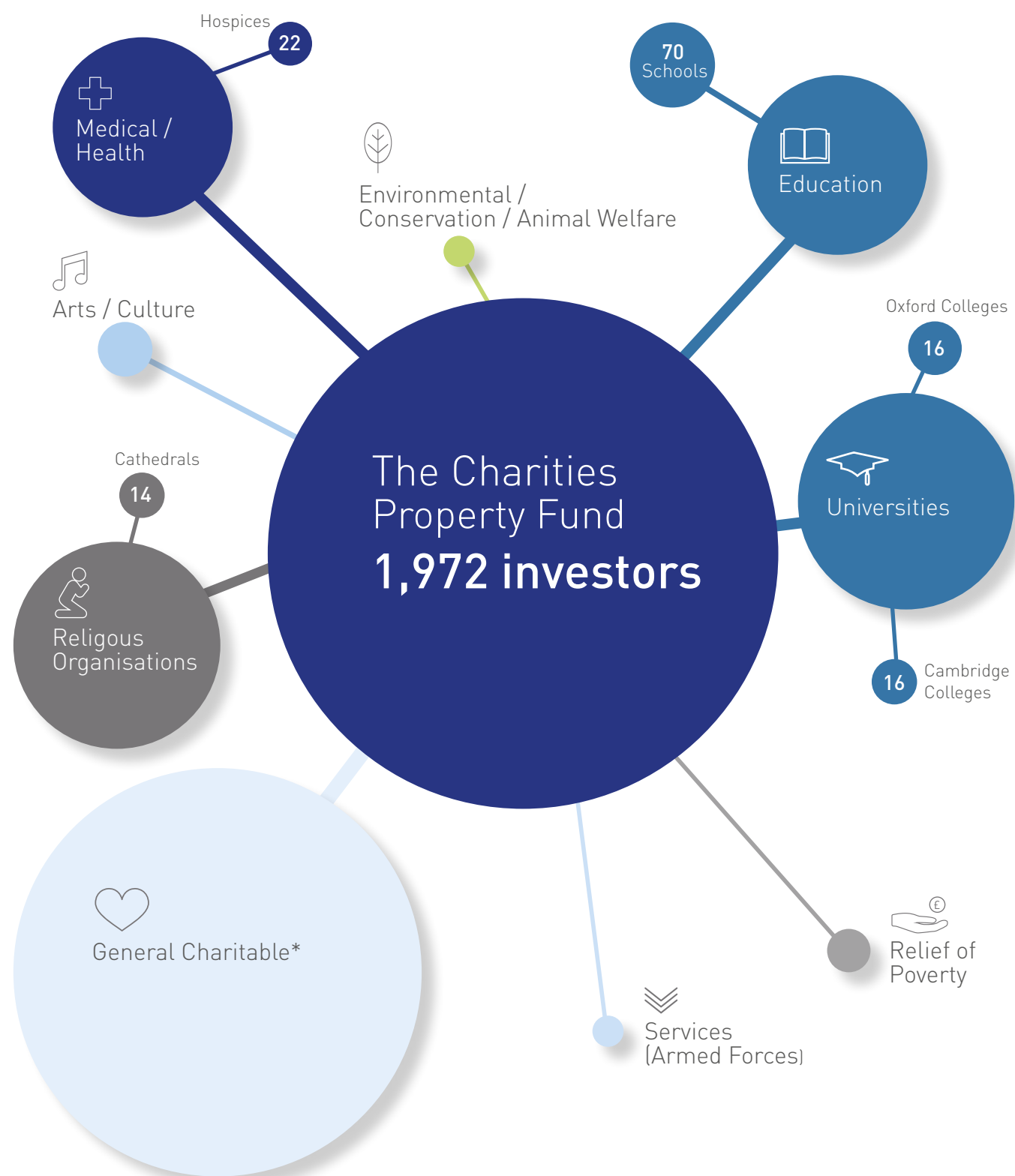
FUND LEVEL PERFORMANCE - TOTAL RETURN AS AT 30 JUNE 2018



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



INVESTOR CATEGORISATION



Source: Savills Investment Management (June 2018)

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

FUND GROWTH AND PERFORMANCE

PERFORMANCE HIGHLIGHTS TO 24 JUNE 2018

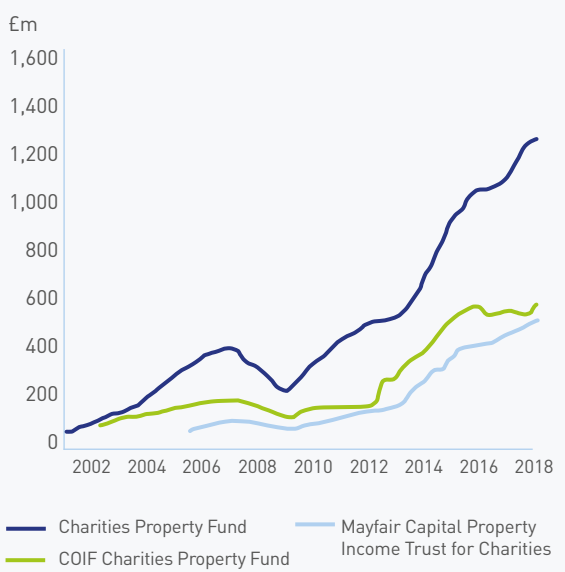
The Charities Property Fund has returned **8.3%** per annum annualised over a three-year period

The Charities Property Fund has returned **6.9%** per annum annualised over a 10-year period

The Charities Property Fund has returned **11.4%** per annum annualised over a five-year period

The Charities Property Fund has returned **7.6%** per annum annualised since launch

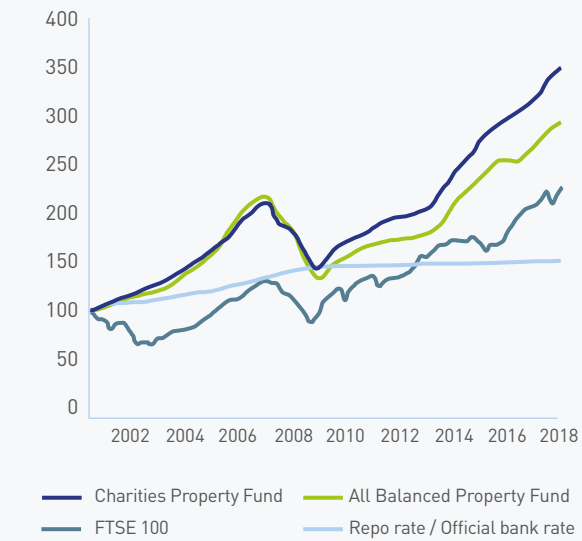
NAV GROWTH



Source: AREF/MSCI

TOTAL RETURNS

from 2000, assuming dividends reinvested



Source: AREF/MSCI, Bloomberg and Bank of England



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation**
- Fund Growth and Performance**
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithsonian
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

PORTFOLIO REPORT - PURCHASES

The Fund purchased 14 individual property investments during the 12 months to 24 June 2018, investing **£55.8 million**.

Additional capital investment of approximately **£28.4 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 0.0% vacancy (compared to MSCI at 10.6%). The leases have on average **13.6 years remaining** until expiry and 10.6 years on average to earliest break (compared to MSCI at 8.5 and 7.4 years respectively). Over a quarter of the contractual rent benefits from fixed or inflation-linked rental increases.

The average yield to the Fund inclusive of acquisition costs is **6.3%**. This compares to the MSCI Monthly Index average net initial yield of 4.6%, as at June 2018. Once again we have been able to acquire a collection of very well let properties at a significant yield discount to the market average.

The Fund’s purchases were:

1. 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 100 years ago. The property was acquired for £4 million in August 2017 reflecting a yield to the Fund of 7.45% and a low capital value of £63 per sq ft.



Oxford

2. Mercedes Benz, Swindon – Situated on a very prominent site, adjacent to Greenbridge Retail Park, 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 independent school 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 £8.2 million reflecting a yield to the Fund of 5.0%.

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 £3.5 million reflected a yield to the Fund of 5.6%.



Harrogate

£84.2 million
invested in 12 months

6.3%
average yield to Fund

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 £5.7 million reflecting a yield to the Fund of 5.8%.

7. Units 1-3 Phoenix Retail Park, Wolverhampton – A retail park located on a prominent site in Wolverhampton just to the north of the city centre. This was pre-let to

Iceland (trading as the Food Warehouse) and JD Sports Gyms on new 10 and 15 year leases at low rents of £12 per sq ft on average. The price of £6.5 million reflected a yield to the Fund of 7.2%.

8-13. Six properties acquired as part of an *in specie* transfer – The Fund completed an *in specie* transfer of six assets from an existing investor for a total acquisition price of £6.9 million, reflecting a yield to the Fund of 7.7%. The assets are fully income producing and are located in Newbury, Redhill, Cobham, Tonbridge, Huntingdon and Taunton. They offer good sector diversification and comprise two multi-let industrial estates, an office let to the NHS, two small high street retail assets in good south east centres and a retail warehouse. 91% of the portfolio by income is let to tenants with a low or negligible risk of business failure.

14. Mayfield Business Park, Ilkley – A recently completed three story office building close to the town centre and railway station, which is let to Smartsearch and Modus UK with an average unexpired term of 13.5 years. The rents are sensible at £16 per sq ft and the price of £5.9 million reflected a yield to the Fund of 7.6% and a low capital value of £216 per sq ft.



MANAGER’S REPORT

- Manager’s Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance

Portfolio Report - Purchases

- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



PORTFOLIO REPORT - SALES

The Fund completed two sales during the 12 months to 24 June 2018, generating £37.3 million.

1. Jurys Inn Hotel, King Street, Derby – this hotel was sold for £20 million, reflecting a yield of 5.8%. The asset, which was purchased in June 2015 for a price of £14.85 million and a yield of 8.3%, was primarily acquired for income, but also delivered capital value growth of 35% in less than three years of ownership. This produced an ungeared IRR of almost 19% per annum over the hold period.



The asset continues to benefit from a long unexpired lease term, but the overrenting and planned increase in the supply of hotel rooms in Derby in recent years, led us to conclude that future rental income is vulnerable. Critically the acquisition of this asset also provided an opening for the Fund to acquire the Jurys Inn Hotel in Brighton from the same vendor; a core hold for the Fund, which has increased in value by 44.9% (£12.67 million) since purchase in August 2015.



2. Derry's Cross, Plymouth – this asset, comprising a Travelodge hotel, gym and four leisure units, was sold to Plymouth City Council, for £17.25 million, reflecting a net initial yield of 5.0%. The asset, which was acquired in April 2015 for £13.7 million, produced an ungeared IRR of almost 14% per annum and delivered significant capital growth of 26% during a relatively short hold period. The sale price was at a substantial premium to valuation and in our opinion reflects a premium price paid by a special purchaser.

Whilst the weighted unexpired lease term is attractive at approximately 16 years we had concerns regarding the food and beverage sector at large, overrenting and security of rental income from a number of the occupiers. In particular, one restaurant unit had a break option in 2019 which was subsequently exercised after we sold the building. The property is prominent and adjacent to the Theatre Royal, but there is a threat from competing leisure schemes and Premier Inn who are developing a new hotel opposite, which will act as direct competition to Travelodge.

£37.3 million

total sales proceeds

£2.8 million

increase over June 2017 valuations

Total sales proceeds of **£37.3 million** reflected an increase of **£2.8 million** (+8.1%), exclusive of sales costs, over the June 2017 valuation of **£34.5 million**. These properties also contributed over **£1.6 million** of income during the period from 24 June 2017 to the date of their disposal.

NO
stamp duty land tax payable

NO
debt*

NO
withholding tax

NO
management fees added to capital

NO
investment in other property funds

NO
derivative products

NO
performance fees

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



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales**
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



Outlook for the Market and Sector Positioning

Domestic investors have increased their activity in the UK commercial property market this year thanks to a strong occupational market in both the office and industrial sectors. The level of income remains attractive and fierce competition for prime stock continues to put upward pressure on capital values in most markets. *Beds 'n' Sheds* (accommodation and logistics) assets remain in particularly high demand; the consensus being they represent the best opportunities for tenant demand and rental growth. Greater London retail warehousing has also seen record low yields, contrary to what you may expect from the negative press surrounding the retail sector.

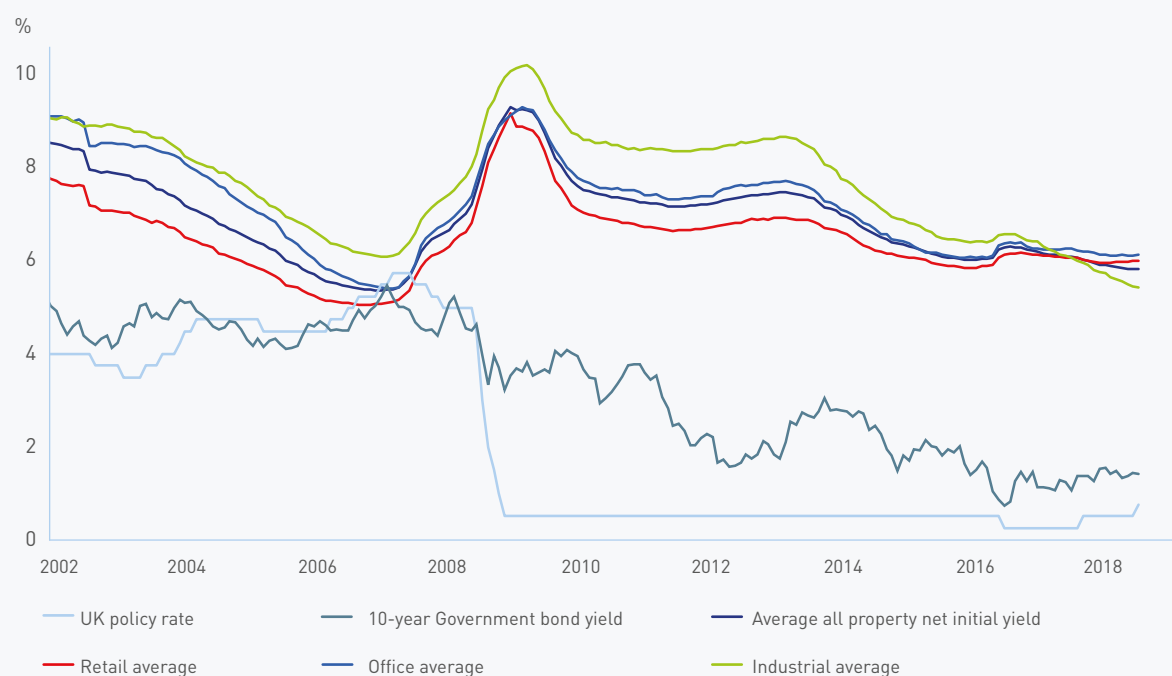
We are often asked the question of whether there is any relationship between the UK bank base rate and property yields. The property yield should offer a premium above the risk-free rate of return and most of the time it has, excepting the last two cycle peaks. However, whilst yields did reduce in 2009/2010 as the interest rate fell, they have retained a much higher margin than we have seen historically, which provides a significant buffer should interest rates and bond yields rise.

The recent increasing speculation around a rising probability of a hard Brexit has caused some non-

domestic investors to question the outlook for the UK, however, as happened after the flash crash post the Brexit vote in 2016, there is a substantial wall of money waiting on the sidelines to invest if pricing reduces, which in itself is likely to provide strong support as it did in 2016. In addition the larger prime assets still predominantly attract non-domestic attention.

The chart below shows how there still remains a very healthy buffer and indicates that a rise in rates should not directly lead to a rise in property yields.

PROPERTY YIELDS COMPARED TO BOND YIELDS AND THE BASE RATE



Source: MSCI/Macrobond, June 2018



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales

Commercial Property Outlook

- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



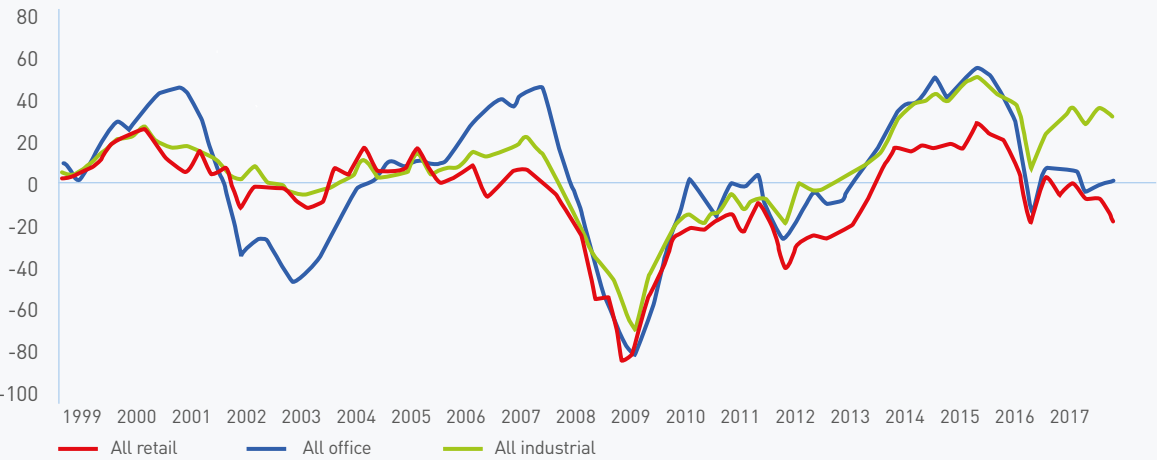
COMMERCIAL PROPERTY OUTLOOK

The Q2 2018 Royal Institution of Chartered Surveyors (RICS) UK Commercial Property Market survey results show the downturn across the retail sector intensifying, with particularly negative rental and capital value

projections for stores in secondary locations. This runs in contrast to the performance of the industrial sector, which continues to attract solid demand from both occupiers and investors.

RENTAL EXPECTATIONS

net balance %



Over the next 12 months, rental growth projections remain strongest for the prime industrial sector, and the survey results show solid expectations for secondary industrials and prime offices. Both prime and secondary retail expectations are negative for

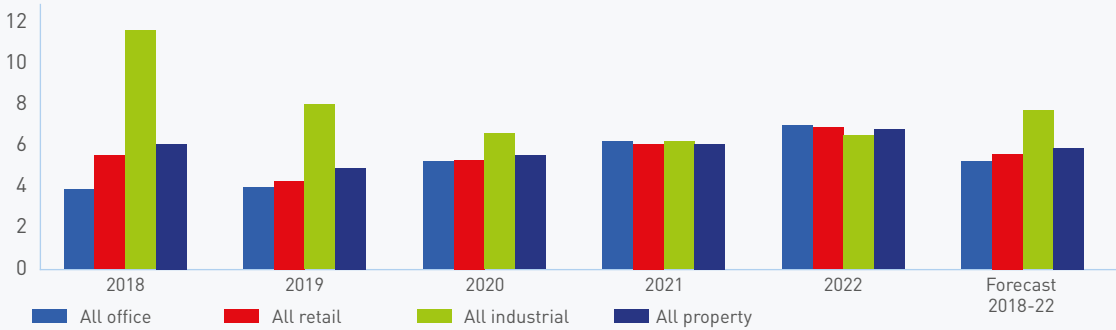
the year ahead, with respondents downgrading their forecasts noticeably relative to last quarter, although it should be noted that some locations and the longer let assets, particularly those with indexation provide much more downside protection.

At Savills Investment Management we forecast the total returns for commercial real estate based on economic forecasts as well as rental growth demand drivers and

expected capital value flows and performance. These are set out in the table below and we are forecasting total returns of circa 6% per annum over the next five years.

TOTAL RETURN FORECASTS

2018-22, %pa



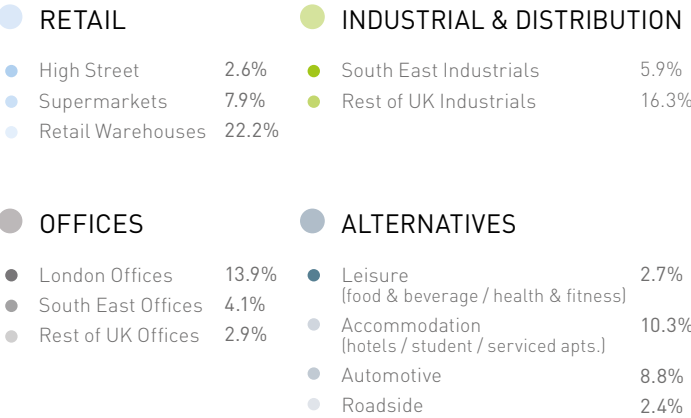
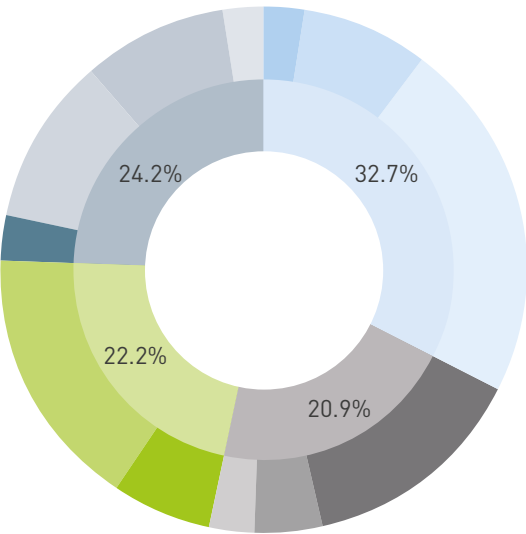
SECTOR WEIGHTINGS

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 City of London and West End office markets.

Over the last 12 months we have increased our exposure to the industrial and distribution sector and to accommodation assets and now have a third of the portfolio in *Beds 'n' Sheds*. We have also increased our weighting to both the south east office and rest of UK office sectors. We have reduced our exposure to the retail, London offices and alternative sectors.

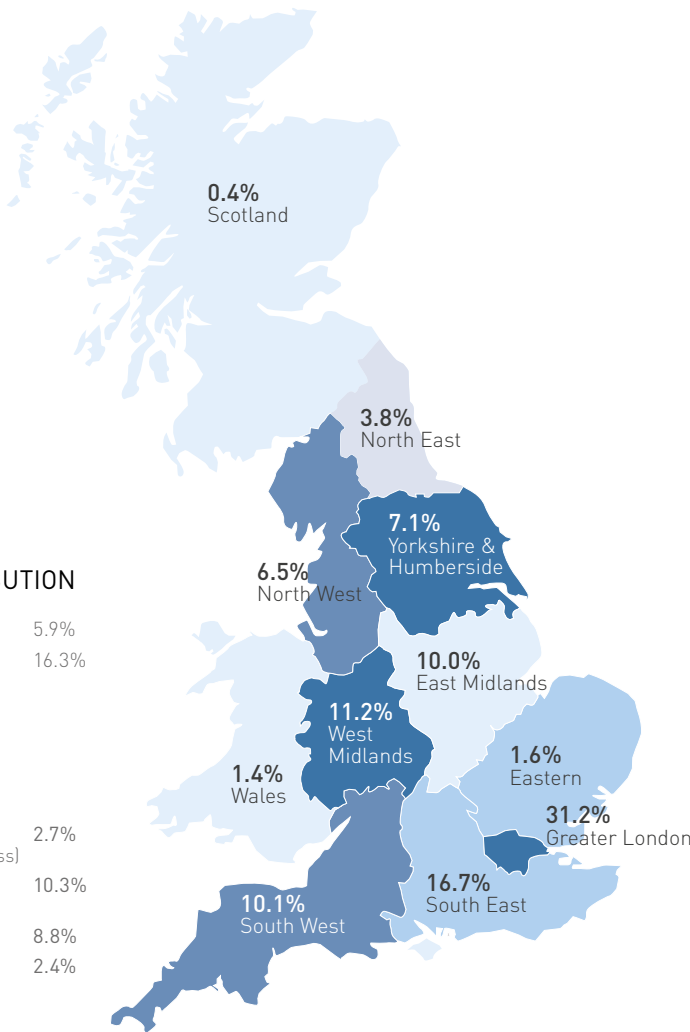
On the following pages we have set out analysis of the four sectors and how the Fund is positioned within them.

CPF PORTFOLIO BY SECTOR as at 24 June 2018



Source: Savills Investment Management

CPF PORTFOLIO BY REGION as at 24 June 2018



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook

Sector Weightings

- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithsonian
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

RETAIL - IN FOCUS

The UK retail landscape is undergoing significant structural change and the sector is suffering from a deterioration in sentiment. During the last 12 months there have been a number of high profile retail failures and Company Voluntary Arrangements (CVAs) including New Look, Mothercare, Carpetright, Toys R Us, Poundworld, Maplin and Carluccio's. Add to this the 'Beast from the East', increasing on-line sales penetration, the disparity between higher inflation and low wage growth twinned with the imbalance in business rates liabilities between on-line and traditional bricks and mortar (Debenhams alone have a rates bill of £80 million pa) and the outlook appears bleak. More than half of BHS's former sites (total estate of c. 5.5m sq ft) remain vacant two years after the retail chain's collapse.

However, this doesn't change the long term outlook for many of the assets held in the Fund. The majority of our retail holdings are within the retail warehouse sector (68% of the total by value) and 60% of this sub-sector is situated within the south east and Greater London. This sub-sector has been far less affected than both the high

street (where we hold only 2.6%) and shopping centres where we have no exposure. Many of these sites are set to flourish with the increase in click and collect retailing (they provide large sites with ample car parking in built up areas) and through intensification of use i.e. adding residential accommodation above.



RETAIL - THE PORTFOLIO

A further 25% of our retail holdings are in the supermarket sector, where we have seen very strong performance from Tesco and Sainsbury's and aggressive store openings from Aldi and Lidl. Our average lease length in this sub-sector is 20 years and all of the income is index linked. The defensive nature of the portfolio is demonstrated through our direct property total return. For the year to June 2018 the Fund's retail holdings returned 9.8%, more than double the MSCI market average of 4.5% for the sector.



It is interesting to note that the Fund owns 35 retail assets but over 50% of the value is in just the top five largest assets, located in Greenwich, Barnet, Twickenham, Mansfield and Gateshead Metrocentre. These properties are generally secured to very good

retailers (80% of the income is secured on Tesco, Sainsbury's, Aldi and Primark alone). The average unexpired lease term is over 20 years to lease expiry and 84% of this income is index linked.



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

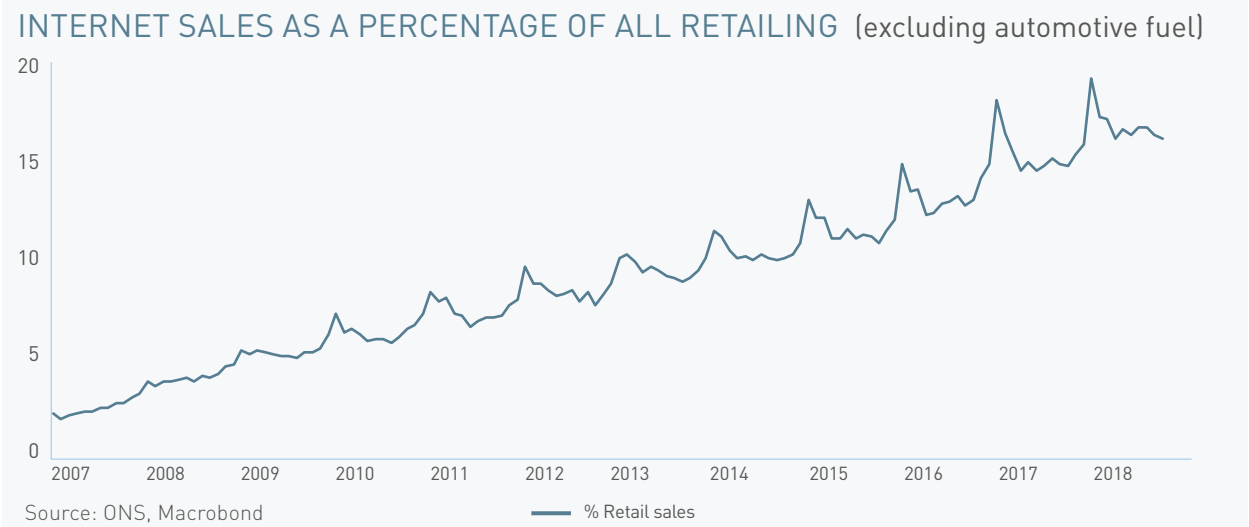
FINANCIAL STATEMENTS

INDUSTRIAL & DISTRIBUTION - IN FOCUS

The industrial and distribution markets have been the strongest performing sector over the last 12 months, with occupational take up of distribution space up nearly 29% in the first 6 months of 2018 alone, compared to the same period last year and 33% higher than the long term average.

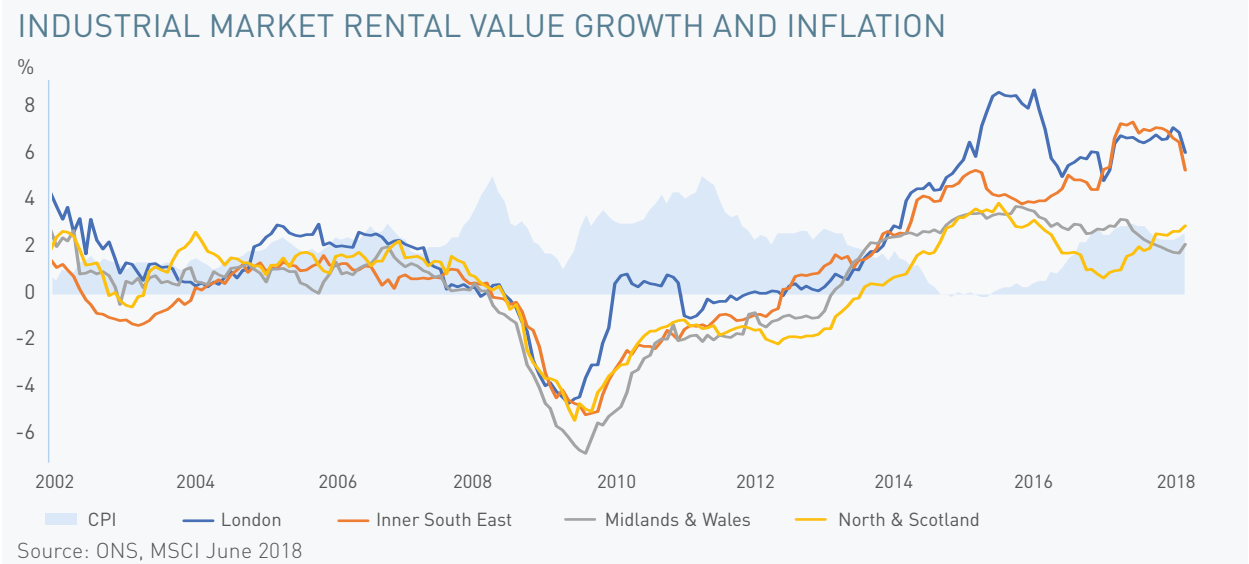
New rental benchmarks continue to be set and prime industrial rents have reached £7.00 per sq ft in Manchester, Bristol and Glasgow. In London and the south east these are even higher with rents of close to £15 per sq ft easily achievable within the M25.

An efficient supply chain is a top priority for retailers and almost 60% of take up has been driven from this sector as on-line sales growth continues and internet sales reach 20% of all retail sales for the first time.



Availability rates in the sector are low at circa 6% and confidence is strong among both developers and investors. However the devil is in the detail and exuberance by some investors has already captured much of this upside. As with the retail sector, some parts are stronger than others and location and local market conditions are increasingly important.

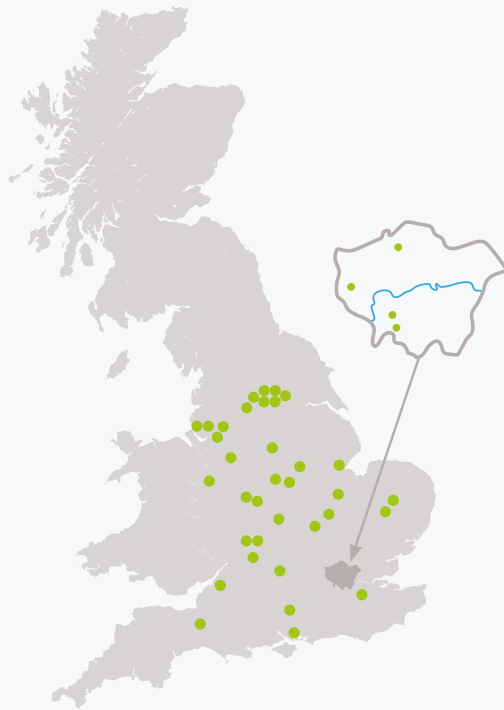
The chart below shows industrial and distribution rental growth rates which remain positive, albeit there are some divisions between regions and specific locations.



INDUSTRIAL & DISTRIBUTION - THE PORTFOLIO

Within the Fund we have already started to capture the benefits of this trend. With nearly a quarter of the portfolio invested in this sector it has been accretive to returns. Over the last 12 months we have signed a new 15-year lease to Vitec Videocom in Bury St Edmunds at a record rent for the town of £8.90 per sq ft on a 66,000 sq ft unit. We also set a record recently for Basingstoke at £10.00 per sq ft, on a 45,000 sq ft unit which we let to Leverton Clarke, also on the basis of a new 15-year lease. The previous occupiers for these two assets were Carillion and Debenhams, therefore the tenant mix has also been considerably improved.

3.3 million sq ft
Units of
2,500 - 160,000 sq ft
Average
60,000 sq ft
Average rent
£4.72 per sq ft
Average capital value
£80.00 per sq ft



Furthermore across the board we have seen increases at lease renewals on smaller units in Epsom for example, and a 10% increase in rent on one of our largest assets in Burton-upon-Trent and a 50% increase on a unit in South Normanton.

Nevertheless it is evident from the headlines above that the portfolio still shows outstanding affordability with low overall rents of £4.72 per sq ft compared to the UK average and a low capital value of £80.00 per sq ft. It is difficult to build small units for less than this especially with the relatively low average unit size of 60,000 sq ft. We only have one empty unit in this entire sector (out of 55) and are close to agreeing terms to let this building.



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus**
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

OFFICES - IN FOCUS

Overseas investors have spent almost £7 billion on London property this year, with £5.6 billion invested in the Capital in the first half of the year, led by buyers from Hong Kong and Korea. Some of the biggest deals this year have included the purchase of the ‘Groundscraper’ at 5 Broadgate by CK Asset Holdings for £1 billion, as well as Singapore-based Ho Bee Land’s move for Ropemaker Place, at £650 million. Earlier this month, Goldman Sachs sold its Plumtree Court scheme in the City for £1.2 billion to South Korea’s National Pension Service. Overseas capital has accounted for more than 70% of total purchases and despite the threat of Brexit London remains the most liquid and transparent real estate market in the world.

In addition, domestic investors are also returning to the City of London, after sitting on the sidelines for two years because of uncertainty over Brexit. When the UK voted to leave the EU there was the spectre of a financial exodus to Frankfurt, however, Q2 2018 take-up of office space stood at over 3 million sq ft. It has held up far better than anyone was expecting and vacancy rates remain at only 4% despite 2 million sq ft of additional stock being added this year.

In the regions, there has been strong leasing activity in Glasgow, Birmingham and Bristol in particular, and occupiers continue to focus on the CBD markets, with the out-of-town markets remaining muted. With low supply and limited speculative construction activity evident across all markets, pre-letting has been, and will remain a key part, of the UK office market.

Sentiment should remain relatively positive for the rest of the year. High levels of space under offer combined with some new larger enquiries, should see take-up at least on a par with 2017. Supply levels



will also remain constrained as limited developments are completed, particularly in the regional markets. Pre-letting will continue to be a key part of the leasing market, the lack of supply rather than demand pressures will support rental growth in most markets.

OFFICES - THE PORTFOLIO

ELIZABETH LINE

Within Greater London the Fund has always focused on value. Our London portfolio comprises seven buildings collectively making up almost two thirds of our UK office portfolio and 14% of the overall portfolio. On average our buildings are small at 23,600 sq ft which reduces the need for expensive plant and machinery, and with an average floor plate of less than 5,000 sq ft they are attractive to a wide range of potential occupiers. As with the industrial portfolio, this increases our potential occupier base.



Without exception all the buildings are recently built or refurbished and 5 out of 7 are period buildings that have already proved their adaptability and ability to be recycled (Kentish Town used to be a piano factory for example). They generally benefit from excellent natural light and almost all occupy locations close to Crossrail (the new Elizabeth Line). Although it was recently announced that Crossrail’s opening would be delayed, it will still open next year and is going to disrupt traditional London office locations and provide 10% additional capacity to the London transport network.

The rent payable on these seven buildings remains below £50.00 per sq ft on average, despite our recent large high profile letting in Farringdon at £65.00 per sq ft, reflecting their inherent affordability.

Outside London we own a further 12 assets, let at an average £18.00 per sq ft, again providing small average floor plates and affordable space in growth locations such as Maidenhead, Staines, Brighton, Bristol and Bath.



MANAGER’S REPORT

- Manager’s Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

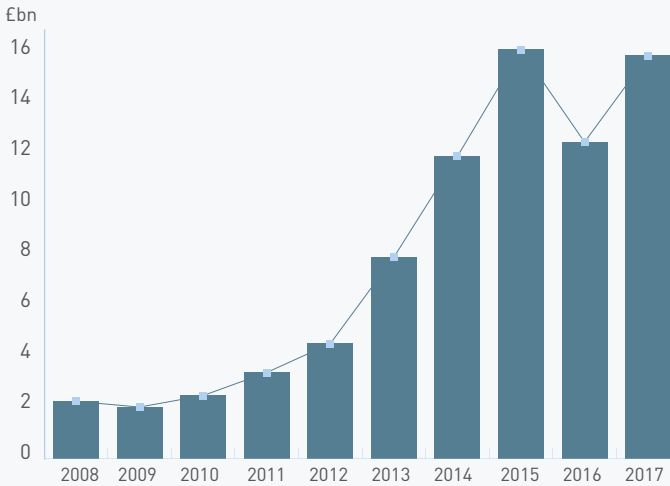
ALTERNATIVES - IN FOCUS

This sector has rapidly established itself as a fourth mainstream sector to sit alongside retail, office and logistics. And consistent with these other sectors it is broken down into a number of smaller sub-sectors, namely accommodation (hotels, serviced apartments, student accommodation), healthcare (private hospitals, doctors’ surgeries, care homes), automotive (car showrooms), roadside (motorway service areas, petrol stations) and leisure (health & fitness and food & beverage).

Alternatives offer diversification benefits to complement the other sectors, and also tend to offer long leases with index-linked rents.

This combination is very attractive and mirrors the total return aspirations of many property and pension funds. Due to the longer leases and guaranteed rental increases it also provides a very attractive risk adjusted return and as can be seen from the chart, the annual investment into this sector has grown from less than £1 billion in 2009 to almost £16 billion last year. In fact 32% of all UK investment volumes last year was in the alternatives market.

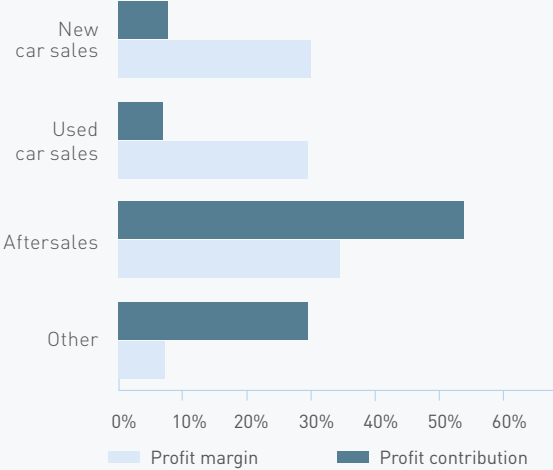
SIZE OF ALTERNATIVES MARKET



Source: JLL

One of the reasons for the much longer leases in this sector is the need for substantial tenant investment and the desire to amortise this investment over a long period of time. We have seen almost £20 million of tenant funded investment across our alternative assets over the last 12 months.

DIVERSIFIED INCOME STREAMS



Source: Knight Frank Automotive

Whether it is the hotel market where rooms need to be regularly refurbished to the car dealership market where manufacturers often insist on consistent branding and layout (for example most Audi and Jaguar Land Rover showrooms have an identical format), tenants are continually investing. Due to the large nature of these sites, a much higher proportion of the value is also inherent in the land. In the car dealership market we have seen a reduction in sales from a record 2016, however it was still the second highest on record and car dealerships make almost 40% of their profits from after sales (servicing and parts) which they predict to be an evergreen revenue stream.

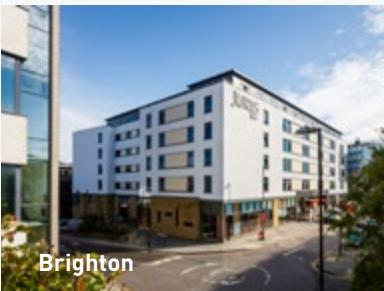
ALTERNATIVES - THE PORTFOLIO

We have built up an exposure to alternatives of almost a quarter of the entire portfolio up from 0% in 2009. We are very positive about this sector as it delivers long leases with a high percentage of index linked income. The average lease length for our holdings is 20 years and 80% of the income generated by your portfolio is either index-linked or benefits from guaranteed rental increases.

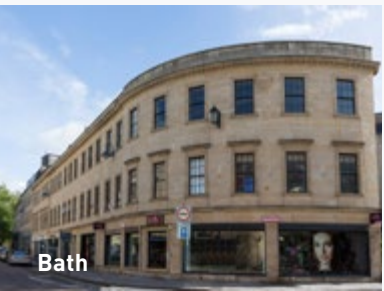
They say a picture paints a thousand words and the photographs here illustrate the quality in terms of buildings and locations, of your investments.



Cambridge



Brighton



Bath



Oxford

40% of our exposure to this sector and 10% of the portfolio as a whole is invested within the accommodation sector, giving us exposure to the rapidly growing residential market. In addition, the quality of our investments in this sub-sector is irrefutable. 80% is located in Bath, Brighton, Oxford and Cambridge alone.



Harrogate



Chigwell

MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus

Alternatives - In Focus

- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



CASE STUDY - THE SMITHSON



This property comprises a **48,000 sq ft office** building located close to Farringdon Station in Central London. It was acquired in March 2011 for £23 million reflecting a yield to the Fund of 7.06% and a capital value per sq ft of £480. At the time it was let to EHS Brann, a Franco-Spanish advertising company for a further five years at a rent of £34 per sq ft. One of the primary reasons for acquiring the building was the benefit that would be bestowed by the delivery of Crossrail in 2018.



Shortly before the lease expiry in 2016 we agreed a short lease extension with the existing tenant and a dilapidations payment, enabling us to undertake a refurbishment in spring 2017.

Planning permissions were applied for and granted to provide a new full height reception area, a brand new facade, new windows, new mechanical and electrical services along with the addition of some floorspace and maximisation of natural light. It also included a strong focus on sustainability, with the provision of 70 bike racks and 7 showers as well as an aspiration to improve the EPC rating from D with a score of 95. We retained the existing structure to reduce using unnecessary resources and producing avoidable waste.

The project was tendered at a total cost of £175 per sq ft and works commenced in Autumn 2017. We are pleased to report completion of this project occurred on the 8th August this year – on schedule and under budget. The EPC score has increased to B with a score of 36 (new builds have an EPC score of 35).Trains are also due to start running on the new Elizabeth Line (Crossrail) next year, further improving transport accessibility of this property.



CASE STUDY - THE SMITHSON



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson**
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

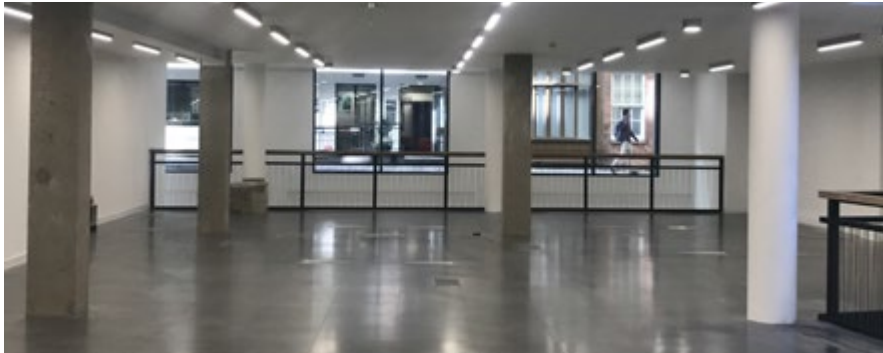
We are also pleased to report that prior to completion of the building works we signed an agreement for lease to pre-let 80% of the building to **Macmillan Publishers Ltd** a major international publishing house. Macmillan was established in 1843 by the Macmillan family in Scotland and authors included Lewis Carroll, Alfred Tennyson, Thomas Hardy, Rudyard Kipling and Ian Fleming. The company is now wholly owned by German media giant Holtzbrinck Publishing Group. Holtzbrinck has annual sales of €1.4 billion and assets of €2.5 billion.

“ Delivered income of over £11 million during its ownership and capital growth of close to £25 million

Macmillan have signed a new **15-year lease** with a break option at year 10 (upon the payment of a penalty) at a rent of £2.36 million per annum, reflecting an average rent of £65.00 per sq ft. This building will almost certainly become our largest asset at the next valuation in the region of £60 million after deduction of the rent-free incentives granted to tenants.

We are about to start marketing the remaining two floors, which we have held back pending the completion of the construction works.

This asset has delivered income of over £11 million during its ownership and capital growth of close to £25 million after deducting the refurbishments costs. This produces an IRR of over **20% per annum** during the seven years of ownership.



ESG AND RESPONSIBLE INVESTMENT

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.


Savills Investment Management (SIM) has had a Responsible Investment policy in place since 2010, which is regularly reviewed and updated by internal parties and third party sustainability consultants to ensure it remains in line with best business practice and guidance. We publish our full policy to stakeholders and the general public on our website, illustrating our

commitment to transparency and accountability in our responsible investment intentions.


Savills Investment Management became a signatory of the UN PRI (UN Principles for Responsible Investment) in October 2014. We have consistently increased our score since 2014, and last year improved our score to an A. Each year we carry out an in depth analysis of our PRI assessment report to identify opportunities for improvement.

Additionally, CPF participates and reports on its sustainability activities and outcomes in the Global Real Estate Sustainability Benchmark (GRESB). GRESB is an internationally recognised sector-specific and leading benchmark, with growing coverage and influence. The Fund has participated in the benchmark since 2013, and has increased its score by 28 percentage points since participation to 2017.


THE FOUR CORE COMPONENTS OF THE SIM RESPONSIBLE INVESTMENT POLICY




Environmental Sustainability: we assess environmental aspects such as water and energy consumption, and production of waste and green house gases (GHGs) at our assets, and identify opportunities for improvement. Improving operational efficiency can lower negative environmental impact, lower running costs, and may mitigate vacancy rates.



Social Equity: recognition that we have social obligations and dependencies and accepting the operation of our business should include consideration of the communities in which we operate.



Responsible Corporate Governance: assurance of fundamental standards of good management and business conduct via our ESG and Transaction Advisory Committees, which specifically consider ESG matters.



Reporting and Disclosure: commitment to transparent monitoring and disclosures of ESG performance via GRESB for the wider business and investment community. Our management of the Fund's standing assets will be informed by a transparent and comprehensive understanding of regulatory requirements and a commitment to comply with relevant legal and other requirements.



ESG AND RESPONSIBLE INVESTMENT

- We are pleased to report that the Fund achieved a **22% increase** in its 2017 GRESB score marking the fifth year of continuous improvement.
- We obtain consumption data for all managed (multi-let) buildings and are continually assessing the buildings for solar panel use. At Greenwich (which was built to BREEAM 'very good') we installed **832 PV panels** on the roofs. We also installed 37 electric vehicle (EV) charging points at this scheme and introduced similar EV charging points at Bury and Twickenham.
- We have completed several energy efficiency projects across our multi-let portfolio including optimisation of Building Management Systems, adjusting boiler operating times and installing **LED lighting** and smart controls across our retail car parks.
- We are actively engaged with tenants through newsletters and engagement surveys, as well as through regular property management meetings.
- We are rolling out a green energy landlord supplies procurement strategy with **Smart meters** (AMR - Automatic Meter Reading) to allow us to identify further efficiency savings.
- An ecology project is planned for the land adjacent to the Telford Services asset, to bring biodiversity improvements to the area. The Fund team is also looking at improving the outdoor area behind Epsom Trade Park, to bring health and wellbeing, and biodiversity benefits to the area.
- We continue to strive to insert 'green' clauses into our leases, to communicate the importance of ESG to the Fund, and encourage the sharing of ESG asset data (waste, water, energy and greenhouse gases) on assets without landlord control (single-let), to improve the environmental performance of buildings.

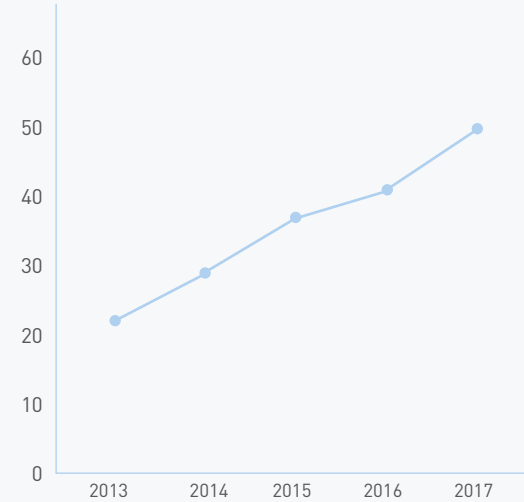
CASE STUDY: THE SMITHSON

- We have installed 70 bike racks and 7 showers in the property.
- The LED lighting is estimated to be 80% more efficient than the previous lighting system.
- The contractor undertaking the works has followed a recycling programme for construction waste.
- Automatic lighting controls are in place to dim lights during day light hours.
- Energy monitoring and sub-metering is in place to monitor tenants' consumption.
- Thermal performance of cladding has been improved to prevent heat loss.
- Use of timber from sustainable sources.
- Segregated waste storage facilities have been provided.
- A light-well has been created to the lower ground floor.
- Natural light at upper floors has been improved through more fenestration.



Telford

GLOBAL REAL ESTATE SUSTAINABILITY BENCHMARK SCORE



Cambridge



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



GOVERNANCE, PROCEDURES AND OVERSIGHT

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



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

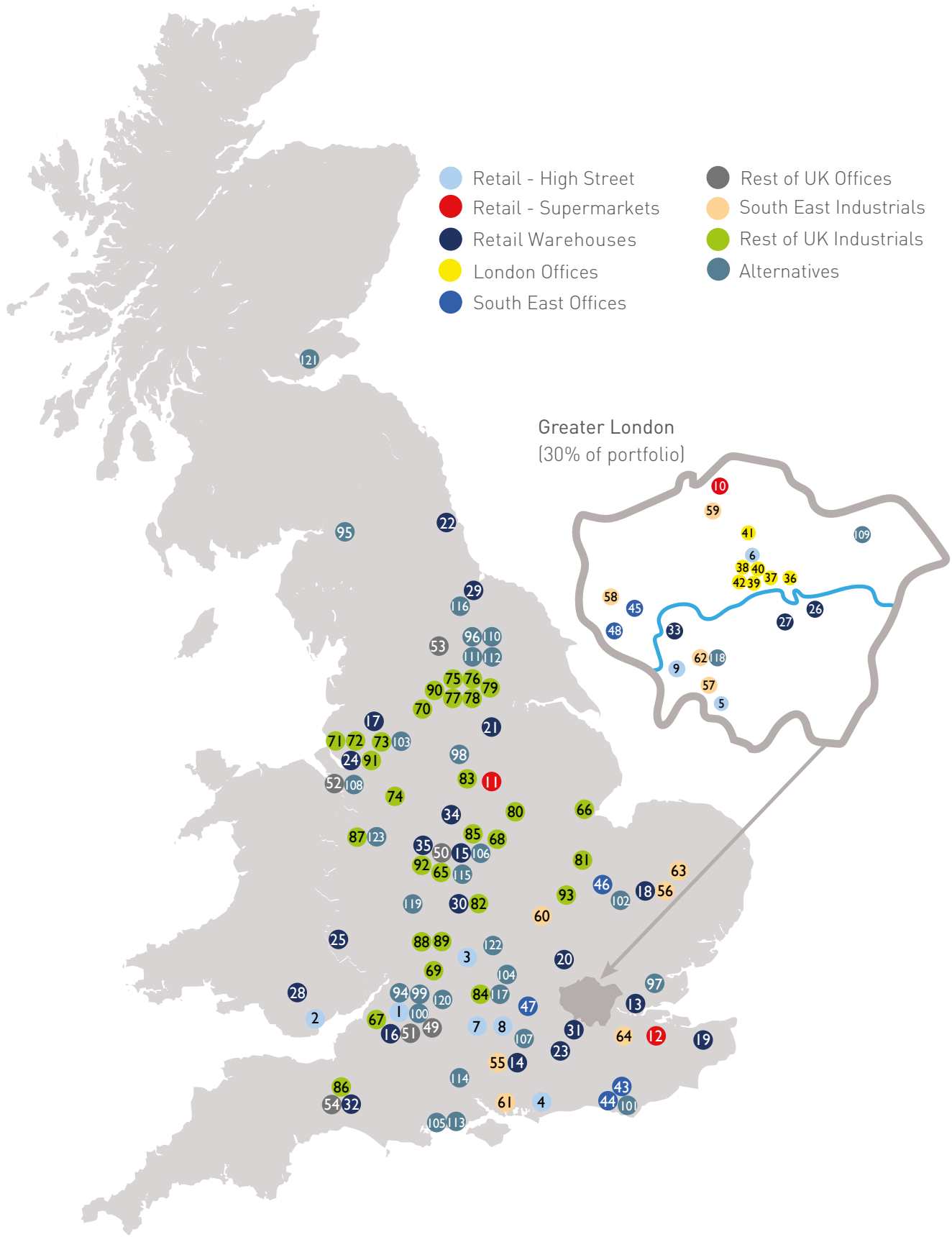
These strategies then filter through to our proprietary investment process, STEMM (Strategy, Tactics, Evaluate, Manage and Monitor). This provides a framework for investment decision making and is applied to all portfolios. It aims to establish the strategy of a fund, identify the opportunities to deliver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

We ensure this process is enforced through governance procedures. Two important committees that ensure this are the Transaction Advisory Committee (TAC) and the Portfolio Management Committee (PMC). The TAC 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. The PMC reviews proposals made by the Fund team for portfolio management including investment objectives, attribution analysis, portfolio risk management and the review of asset plans.

The Fund also benefits from committees such as the Environmental, Social and Corporate Governance group, which develops and implements Savills IM's ESG strategy across funds and the wider firm.



MAP OF PROPERTIES



MANAGER'S REPORT

- Manager's Report
- Chairman of the Advisory Committee
- Objectives
- Lease Expiry Profile
- Strategy
- Placemaking to Enhance Returns
- Fund Performance
- Investor Categorisation
- Fund Growth and Performance
- Portfolio Report - Purchases
- Portfolio Report - Sales
- Commercial Property Outlook
- Sector Weightings
- Retail - In Focus
- Industrial & Distribution - In Focus
- Offices - In Focus
- Alternatives - In Focus
- Case Study - The Smithson
- ESG and Responsible Investment
- Governance, Procedures and Oversight
- Map of Properties

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



LIST OF PROPERTIES

RETAIL - HIGH STREET

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	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 Cobham	Lloyds Pharmacy	86,000	2021 (2019)
6 London N1 (Chapel Market)	JD Sports, Superdrug	194,000	2020
7 Marlborough	Superdrug	140,000	2020
8 Newbury	Oxfam	35,500	2022
9 Walton-on-Thames	Benson Beds	121,451	2025 (2020)
Total, High Street		1,929,135	

RETAIL - SUPERMARKETS

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
10 Barnet	Sainsbury's	1,722,145	2037
11 Mansfield	Tesco	2,441,298	2039
12 West Malling	Waitrose	180,744	2026
Total, Supermarkets		4,344,187	



Marlborough



West Malling

LIST OF PROPERTIES

RETAIL WAREHOUSES

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
13 Basildon	McDonald's, KFC, Pets at Home, Farmfoods, Poundland	677,705	2021 - 2035
14 Basingstoke	Homebase	1,113,000	2026
15 Birmingham	Halfords	105,300	2019
16 Bristol	Pets at Home, McDonald's	378,320	2022 - 2027
17 Bury	Halfords, KFC, Home Bargains, Carpetright, Farmfoods	657,041	2021 - 2030 (2026)
18 Bury St Edmunds	Matalan	305,000	2029
19 Canterbury	Dunelm, Poundstretcher	521,000	2026
20 Chesham	Wickes	306,400	2026
21 Doncaster	Wickes	296,327	2028
22 Gateshead	The Range, Sports Direct	1,998,500	2048 (2033)
23 Guildford	Magnet	600,000	2024
24 Halewood	Aldi, Card Factory, Age UK, Home Bargains, Tesco, Iceland, Big Munch, Ladbroke's, Specsavers, Subway, Shop Express, Halewood Fish Bar, Brunch Box Cafe, Marie Curie Cancer Care	674,624	2022 - 2038 (2019 - 2023)
25 Hereford	Pets at Home, Lidl, Poundworld, Poundstretcher	378,609	2023 - 2024 (2019)
26 London SE7	Next, Primark, Aldi, Mothercare	2,336,625	2027 - 2037 (2032)
27 London SE15	B&M	263,250	2025
28 Merthyr Tydfil	Halfords, Home Bargains, Sports Direct, Dreams, PC World, Poundstretcher, Iceland, Phillip Evans	820,549	2021 - 2027
29 Middlesbrough	B&M	239,180	2023
30 Redditch	Aldi, Pets at Home, Poundstretcher, Iceland, Home Bargains, KFC, Maplin	1,057,118	2019 - 2026
31 Redhill	Majestic Wine	42,500	2020
32 Taunton	Matalan	175,185	2029
33 Twickenham	Currys, Wickes	951,500	2024 - 2032
34 Utttoxeter	B&Q, Shoe Zone, Poundland, Pets at Home, Argos, B&M, KFC, Frankie & Benny's, Poundstretcher, Majestic Wine, Scentarea, PR Bason & J Gathercole	953,351	2018 - 2032 (2022 - 2023)
35 Wolverhampton	JD Sports Gyms, Iceland Foods	475,000	2032 (2027)
Total, Retail Warehouses		15,326,084	



Wolverhampton



London, SE7



MANAGER'S REPORT

LIST OF PROPERTIES

- Retail - High Street
- Retail - Supermarkets
- Retail Warehouses
- London Offices
- South East Offices
- Rest of UK Offices
- South East Industrial
- Rest of UK Industrial
- Alternatives
- Portfolio Statement
- Charities Property Fund Team

KEY FUND DATA

FINANCIAL STATEMENTS

LIST OF PROPERTIES

LONDON OFFICES

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
36 London E1 (Whitechapel)	The British Diabetic Association	1,126,173	2026 (2023)
37 London EC1 (Farringdon)	Vacant (under refurbishment) 80% pre-let to Macmillan Publishers at £2,360,000	-	-
38 London EC2 (Shoreditch)	Michael J Lonsdale	255,000	2024 (2019)
39 London EC2 (Shoreditch)	LK Bennett	808,013	2030 (2025)
40 London N1 (Shoreditch)	VF Northern Europe, Sunshine Partners, Spiers & Major, Odd London, UK Broadband, Kairos Media	715,217	2018 - 2027 (2019)
41 London NW5 (Kentish Town)	Marketing VF	750,000	2026 (2021)
42 London WC2 (Chancery Lane)	Church Retail, Guido's, PCB Litigation, Konica Minolta Business Solutions, EMW Law, Alliance Automotive, Linkdex, The Lord's Taverners	1,366,850	2019 - 2024 (2019)
Total, London Offices		5,021,253	

SOUTH EAST OFFICES

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
43 Brighton (Aspect House)	NHS, Bullhorn International, Michael Page, Dehns	569,549	2019 - 2026 (2021)
44 Brighton (International House)	Fitness First, Budgens, The Student Group, Hays, Brightwave, Brilliant Noise, Haybury	795,170	2021-2028 (2021 - 2023)
45 Feltham	The Secretary of State for Communities and Local Government	712,557	2022
46 Huntingdon	Cambridgeshire & Peterborough NHS Foundation	102,631	2022 (2020)
47 Maidenhead	Regus, Copper Street Capital	587,301	2021 - 2023 (2019)
48 Staines	Givaudan UK	127,000	2028
Total, South East Offices		2,894,208	



Staines



London, N1

LIST OF PROPERTIES

REST OF UK OFFICES

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
49 Bath	Abel & Imray, Gradwell Communications, Local World, EIP Partnership, Coral, Wickes, Starbucks	488,710	2018 - 2024 (2019)
50 Birmingham	Spring Group, Arval UK	584,740	2019 - 2024 (2019)
51 Bristol	Films at 59, Handelsbanken	279,015	2021
52 Chester	The Secretary of State for Communities and Local Government	437,615	2026 (2021)
53 Ilkley	Smartsearch, Modus UK	453,775	2028 - 2033
54 Taunton	Lloyds Bank	185,105	2020
Total, Rest of UK Offices		2,428,960	

SOUTH EAST INDUSTRIALS

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
55 Basingstoke	Leverton Clarke	452,336	2033
56 Bury St Edmunds	Vitec Videocom	587,400	2032
57 Epsom	Storage King, Screwfix Direct, Euro Car Parts, Heating and Plumbing Supplies, AWE Europe, HSS Hire Services, Photo Me International	742,325	2024 - 2033 (2019 - 2024)
58 Hayes	Tempur UK	497,097	2020
59 London NW9	VW Group	228,544	2031
60 Milton Keynes	Ceva	435,085	2020
61 Portsmouth	SMR Automotive Mirrors UK	665,000	2019
62 Thames Ditton	Sytner	316,754	2056 (2026)
63 Thetford	TNT	80,000	2020
64 Tonbridge	NW Autocentres, Kentec 8 Tool Hire, Kentec Training, The Tyre Store	132,050	2022 - 2027 (2022)
Total, South East Industrials		4,136,591	



Basingstoke



Tonbridge



MANAGER'S REPORT

LIST OF PROPERTIES

- Retail - High Street
- Retail - Supermarkets
- Retail Warehouses

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

- Rest of UK Industrial
- Alternatives
- Portfolio Statement
- Charities Property Fund Team

KEY FUND DATA

FINANCIAL STATEMENTS



LIST OF PROPERTIES

REST OF UK INDUSTRIALS

	Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
65	Birmingham	Carpet & Flooring (Trading)	310,005	2020
66	Boston	Fogarty	400,000	2039
67	Bristol	Kuehne + Nagel	480,000	2019
68	Burton-upon-Trent	Waterstones	950,000	2023
69	Gloucester	Severn Glocon	525,000	2021
70	Huddersfield	VTL Group	321,152	2021
71	Liverpool	Amazon UK	577,500	2026 (2021)
72	Liverpool	Toyota Tsusho Assembly Systems	593,450	2023 (2020)
73	Manchester	Royal Mail, Wilkinson Star	318,250	2027 - 2028 (2022)
74	Newcastle-under-Lyme	Vacant	-	-
75	Normanton	Kelling Group	315,000	2032
76	Normanton	Speedy Hire	199,500	2024
77	Normanton	Kongsberg Actuation Systems	413,704	2038 (2028)
78	Normanton	PNS UK	207,905	2036
79	Normanton	Really Useful Products	270,620	2022
80	Nottingham	Turbine Surface Technologies	433,843	2026
81	Peterborough	Sage Publications	182,900	2020
82	Redditch	SP Group	728,265	2021
83	South Normanton	Recticel	310,000	2031
84	Swindon	Jewson	146,500	2023
85	Tamworth	Speedy Hire	852,500	2029 (2024)
86	Taunton	Rotec Hydraulics, Kings Road Tyres & Repairs	140,460	2026 (2021)
87	Telford	Johnson Controls	715,000	2019
88	Tewkesbury	Sapa Building Systems	879,417	2023
89	Tewkesbury	Oberthur Card Systems	270,000	2020
90	Wakefield	Verhoek Europe	238,400	2025 (2020)
91	Warrington	Eddie Stobart	330,000	2033
92	Wednesbury	AF Blakemore & Son	302,500	2024
93	Wellingborough	CCL Label	552,488	2020
Total, Rest of UK Industrials			11,964,359	



Swindon



Birmingham

LIST OF PROPERTIES

ALTERNATIVES

	Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
Leisure				
94	Bath (1-3 Westgate Buildings)	Stable Bar & Restaurant, Westgate Bath	169,500	2039 (2029)
95	Carlisle	DW Fitness	420,035	2034
96	Harrogate	Five Guys, Mitchells & Butlers, Marston's, Moss Bros, Porco Rosso	432,500	2026 - 2041 (2021 - 2031)
97	Rayleigh	Virgin Active	464,000	2028
98	Sheffield	JD Wetherspoon, ASK, Stonegate, Caffè Nero, Meaty Fish, Yorkshire Metropolitan Housing Association	416,500	2023 - 2044
Total, Leisure			1,902,535	
Hotels / Student / Serviced Apartments				
99	Bath (5-10 Westgate Buildings)	Travelodge, Sports Direct, Halfords, Maplin, Sally Salon, F45	847,200	2018 - 2042 (2021 - 2024)
100	Bath	Westgate Apartments	200,000	2027 (2022)
101	Brighton	Jurys Inn	1,757,756	2042
102	Cambridge	Travelodge	1,095,000	2048
103	Manchester	Serviced Apartment Company (SACO), CDP, K Parry & J Bowden	648,104	2018 - 2046 (2025)
104	Oxford	D'Overbroeck's	417,000	2047
105	Poole	Travelodge, Costa Coffee, Anytime Fitness, Subway	613,750	2031 - 2051 (2026)
Total, Hotels			5,578,810	



Poole



Stow on the Wold



MANAGER'S REPORT

LIST OF PROPERTIES

- Retail - High Street
- Retail - Supermarkets
- Retail Warehouses
- London Offices
- South East Offices
- Rest of UK Offices
- South East Industrial
- Rest of UK Industrial
- Alternatives
- Portfolio Statement
- Charities Property Fund Team

KEY FUND DATA

FINANCIAL STATEMENTS



LIST OF PROPERTIES

ALTERNATIVES continued

Property	Principal Tenants	Annual Rent As at 24 June 2018 £	Lease Expiry (Break)
Car Showrooms			
106 Birmingham	VW Group - SEAT	153,872	2027
107 Camberley	VW Group - Audi	333,765	2026
108 Chester	Rybrook - Volvo	209,724	2036
109 Chigwell	Sytner - BMW & Mini	696,858	2056 (2026)
110 Harrogate	VW Group - Volkswagen	340,000	2027
111 Harrogate	JCT600 - Mercedes Benz, BP, M&S	423,100	2035 - 2036
112 Harrogate	Sytner - Audi	540,000	2035
113 Poole	Sandown Motors - Mercedes Benz	395,000	2030
114 Salisbury	Sandown Motors - Mercedes Benz	396,600	2030
115 Solihull	Rybrook - McLaren & Rolls Royce	275,000	2036
116 Stockton-on-Tees	VW Group - Audi	350,383	2027
117 Swindon	Sytner - Mercedes Benz	531,762	2039 (2024)
118 Thames Ditton	Sytner - Jaguar Land Rover	342,094	2056 (2026)
119 Worcester	Rybrook - BMW & Mini	540,000	2036
	Total, Car Showrooms	5,528,158	
Roadside			
120 Calne	Esso, Spar	160,000	2035
121 Glenrothes	BP, M&S	233,615	2034
122 Stow on the Wold	BP, M&S	185,000	2033
123 Telford	Welcome Break - Shell, Waitrose, WH Smith, Burger King, Starbucks, Krispy Kreme, Days Inn	1,013,810	2027
	Total, Roadside	1,592,425	
	Total, Alternatives	14,601,928	
	Total, portfolio	62,646,705	



Chester



Harrogate

PORTFOLIO STATEMENT

AT 24 JUNE 2018

Portfolio of Investments	
Properties valued at greater than £15m	
Brocklebank Retail Park, London SE7	Rivington Street, London EC2
The Smithson, Briset Street, London EC1	Apex Retail Park, Hampton Road West, Twickenham
Tesco, Chesterfield South Road, Mansfield	Homebase, Winchester Road, Basingstoke
Sainsbury's, East Barnet Road, Barnet	Trafford Retail Park, Redditch
Jurys Inn, Stroudley Road, Brighton	Welcome Break, MSA, Junction 4, M54, Telford
Metro Park West, Gateshead	5-10 Westgate Buildings, Bath
90 Chancery Lane, London WC2	8 Shepherdess Walk, London N1
Travelodge, Newmarket Road, Cambridge	Unipart Logistics Limited, Barberry 157, Burton-upon-Trent
Backchurch Lane, London E1	Imperial Works, Kentish Town, London NW5
Valuation £m (percentage of total net assets)	£518.100 (40.59%)
Properties valued at between £10m to £15m	
Dovefields Retail Park, Uttoxeter	Old Market Retail Park, Station Lane, Pitsea, Basildon
Emperor Point, Centurion Park, Tamworth	Audi, James Business Park, Knaresborough
Epsom Trade Park and Units 450A and 450B, Epsom	Aspect House, Queens Road, Brighton
BMW & Mini, Langston Road, Loughton, Chigwell	Caxton Point, Printing House Lane, Hayes
Lifeboat Quay, West Quay Road, Poole	House of Fraser, West Street, Chichester
International House, Queens Road, Brighton	One Bell Street, Maidenhead
SACO, Minshull Street, Manchester	York & Wellington House, Dukes Green, Feltham
SP Group, Hedera Road, Ravensbank Business Park, Redditch	Toyota Tsusho, Hornhouse Lane, Liverpool
Pentrebach Retail Park, Merthyr Tydfil	Magnet, Ladymead, Guildford
Moreton Hall Industrial Estate, Bury St Edmunds	The Lanconite Building, Stafford Park 6, Telford
Unit 5300, Severn Drive, Tewkesbury	Halewood Shopping Centre, Leather's Lane, Liverpool
BMW & Mini, Knightsbridge Park, Worcester	
Valuation £m (percentage of total net assets)	£277.800 (21.76%)
Properties valued at between £5m to £10m	
Amazon Unit, Hornhouse Lane, Knowsley	200 Rayleigh Road, Rayleigh
Mercedes, Drake's Way, Swindon	Units 1-7, Cambridge Street, Barkers Pool, Sheffield
BP, M&S & Mercedes-Benz, Leeds Road, Harrogate	Units 1-3 Phoenix Retail Park, Wolverhampton
17-23 Parliament Street, Harrogate	Kongsberg, Foxbridge Way, Normanton
376 Banbury Road, Oxford	Mercedes Benz, Southampton Road, Salisbury
SMR, Castle Trading Estate, Porchester, Portsmouth	593-613 Old Kent Road, London SE15
Wincheap Retail Park, Canterbury	DW Sports, Currock Road, Carlisle
Severn Glocon Ltd, Olympus Park, Gloucester	Brook Retail Park, Commercial Road, Hereford
Westpoint, James Street, Bath	Mayfield Business Park, Ilkley
CCL Label, Warth Park, Raunds, Wellingborough	Chester Civil Justice Centre, Trident House, Chester
Moorgate Retail Park, Bury	Kelling Unit, Trident Park, Normanton
11 Poplar Way East, Cabot Park, Bristol	Appleton Thorn Trading Estate, Warrington
Units 3010 and 3020, Birmingham Business Park, Birmingham	Pets at Home & McDonald's, Bath Road, Brislington, Bristol
Cowper Street, London EC2	Volkswagen Harrogate, St James Business Park, Knaresborough
TST, Little Oak Drive, Sherwood Park, Nottingham	Audi, London Road, Camberley
Knight's Park, Houndmills, Basingstoke	Rolls Royce & McLaren, Stratford Road, Solihull
Mercedes Benz, Holes Bay Road, Poole	Audi, Brooklime Avenue, Stockton-on-Tees
Sytner Jaguar Landrover, Portsmouth Road, Thames Ditton	Wickes, Townsend Road, Chesham
Fogarty Ltd, Havenside, Fishtoft Road, Boston	AF Blakemore unit, Steelmans Road, Wednesbury
Dawson Road, Mount Farm Industrial Estate, Milton Keynes	
Valuation £m (percentage of total net assets)	£278.470 (21.82%)



MANAGER'S REPORT

LIST OF PROPERTIES

- Retail - High Street
- Retail - Supermarkets
- Retail Warehouses
- London Offices
- South East Offices
- Rest of UK Offices
- South East Industrial
- Rest of UK Industrial
- Alternatives

Portfolio Statement

1 2

Charities Property Fund Team

KEY FUND DATA

FINANCIAL STATEMENTS



AT 24 JUNE 2018

Portfolio of Investments		
Properties valued at between £2.5m to £5m		
Units A & B, Wardley Cross Industrial Estate, Manchester	1-3 Westgate Buildings, Bath	
Really Useful Products, Foxbridge Way, Normanton	PNS Unit, Trident Park, Normanton	
Jaguar Land Rover Service Centre, Portsmouth Road, Thames Ditton	BP & M&S, Station Road Garage, Stow on the Wold	
Emerald Point, Bell Heath Way, Birmingham	Unit 1, Rosevale Business Park, Newcastle-Under-Lyme	
Whiteladies House, Clifton, Bristol	Speedy Hire, Trident Park, Normanton	
Matalan, Easlea Road, Bury St Edmunds	Verhoek, Kenmore Road, Wakefield	
Jaguar & Volvo, Sealand Road, Chester	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	
BP & M&S, Bankhead Park Service Station, Woodside Way, Glenrothes	Esso & Spar, Phippen Service Station, Oxford Road, Calne	
78 Queen Street, Cardiff	Unit 18, Fengate East, Peterborough	
Clover Nook Industrial Estate, Alfreton, South Normanton	SEAT, Watson Road, Star City, Birmingham	
Units 1 & 2, Bradley Junction Industrial Park, Huddersfield	Matalan, Bindon Road, Taunton	
Alexandra Way, Ashchurch Business Centre, Tewkesbury	Dune, 4 Union Street, Bath	
Skoda/Volkswagen, 78 Capitol Way, Colindale, London NW9		
Valuation £m (percentage of total net assets)		£116.810 (9.15%)
Properties valued at between £0m to £2.5m		
232-234 High Street, Cheltenham	Halfords, Watery Lane, Birmingham	
134/135 High Street, Marlborough	Priorswood Industrial Estate, Taunton	
Jewson, Kembrey Street, Kembrey Park, Swindon	16 High Street, Cobham	
Hepworth Way, Walton-on-Thames	Redshank House, Huntington	
Magna House, 76-80 Church Street, Staines	TNT, Fisons Way Industrial Estate, Thetford	
Sedgemoor House, Deane Gate Office Park, Taunton	Brighton Road, Redhill	
Riverdale Industrial Estat, Tonbridge	Northbrook Street, Newbury	
Valuation £m (percentage of total net assets)		£22.610 (1.77%)
Total value of property holdings		£1,213.790 (95.09%)

	Valuation £000	Percentage of total net assets
Portfolio of investments	£1,213,790	95.09%
Other net assets	£62,644	4.91%
Net assets	£1,276,434	100.00%



MANAGER’S REPORT

LIST OF PROPERTIES

- Retail - High Street
- Retail - Supermarkets
- Retail Warehouses
- London Offices
- South East Offices
- Rest of UK Offices
- South East Industrial
- Rest of UK Industrial
- Alternatives

Portfolio Statement

- 1
- 2

Charities Property Fund Team

KEY FUND DATA

FINANCIAL STATEMENTS



CHARITIES PROPERTY FUND TEAM

Savills Investment Management is a specialist international property investment management business with c.£14.7 billion of assets under management (as at 30 June 2018) 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.

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 the 11 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 co-head of Savills Investment Management UK business and has been with Savills Investment Management for 16 years. He sits on the UK Management Committee, the Investment and Risk Committee and the Portfolio Management Committee.

Harry started his career at Cushman & Wakefield (formerly Healey & Baker) and occupied a variety of investment agency roles 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 is RICS qualified and has 20 years experience in property investment and fund management. Harry completed the Investment Management Certificate (IMC) exams in 2003.



Jim Garland
Assistant Fund 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 an assistant Fund 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.



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. Angy is also a member of Savills Investment Management's Investment & Risk 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.



Maggie McQuaid
Assistant Fund Manager

Maggie McQuaid is Assistant Fund 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 October 2015. Following qualification she worked in a hotel valuation advisory role at Savills prior to joining Savills Investment Management in October 2017.

CHARITIES PROPERTY FUND TEAM

Savills Investment Management is wholly owned by the Savills Group, a FTSE 250 company and international real estate consultancy. Savills Investment Management retains operational independence from the wider Savills Group to enable us to act on a best execution basis on behalf of our clients.

INVESTOR RELATIONS



Lucy MacEwan
Marketing Assistant /
Investor Relations

Lucy joined Savills Investment Management in 2017 and works alongside Harry and the team assisting with the marketing of CPF and investor relations. Her day to day role involves investor communications, fund dealing, reporting and event management. She is also responsible for the ongoing marketing of the Fund, including updating the website and presentation support.

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



Susannah Corpe
Investor Relations
Manager

Susannah joined Savills Investment Management in February 2018 and is responsible for Investor Relations for a number of UK and pan-European Savills Investment Management funds and segregated mandates. Susannah is the Operations Manager for the Charities Property Fund, providing an overview of the dealing process as well as project work for the Fund.

Prior to joining Savills Investment Managers Susannah was Investor Relations Executive with Henderson Global Investors, within the Equity Partners Investor Relations team. At Henderson Susannah led Investor Relations for existing Private Equity clients invested in Asian Growth Equity, PFI Secondary Infrastructure and Fund of funds. Before joining Henderson, Susannah was a member of BlackRock's Private Equity team within BlackRock Alternative Advisors, the firm's Fund of Funds platform. Based in London, Susannah co-ordinated marketing and investor services across EMEA and Asia Pacific Regions. Susannah studied German and French Studies at Portsmouth University.



Shalin Syan
Investor Relations

Shalin Syan joined the Savills Investment Management Investor Relations team in August 2016 and is responsible for fund reporting and investor communications for a number of UK and pan-European Savills Investment Management funds and segregated mandates. Shalin also provides support for the Charities Property Fund.

Prior to joining Savills Investment Management, Shalin worked as a Mergers and Acquisitions Associate at Colville Partners, a corporate finance boutique focused on the renewable energy sector. She has also held internships with other corporate finance boutiques in the City.

Shalin graduated from King's College, London, with a degree in Mathematics with Management and Finance.

FINANCE



Natalie Chrimes
Fund Finance Manager

Natalie Chrimes is the Fund Finance Manager, responsible for financial reporting, debt and cash management, and ongoing tax compliance of the Fund.

Natalie joined Savills Investment Management in December 2016 from Ernst & Young where she worked in the real estate and construction audit practice.

Natalie is a chartered account (ACA) with the Institute of Chartered Accountants in England and Wales and graduated from the University of Warwick.



Alexandra Heaton
Acting Senior Fund
Finance Manager

Alex Heaton provides senior oversight and review on the Charities Property Fund.

Alex joined Savills Investment Management in 2011 from Taylor Wimpey where she worked as a group management accountant after working for several years in audit practice.

Alex is a member of the Association of Chartered Certified Accountants (ACCA).



Tammy Thomas
Senior Fund Finance
Manager (maternity leave)

Tammy Thomas provides senior oversight and review on the Charities Property Fund.

Tammy joined Savills Investment Management from KPMG in the Cayman Islands where she worked in the audit practice with a focus on the alternative investment industry. Previously she completed her chartered accountancy training with Deloitte in London within the real estate team.

Tammy graduated from the University of Western Australia in 2004 where she studied Accounting and Corporate Finance.



MANAGER'S REPORT

LIST OF PROPERTIES

- Retail - High Street
- Retail - Supermarkets
- Retail Warehouses
- London Offices
- South East Offices
- Rest of UK Offices
- South East Industrial
- Rest of UK Industrial
- Alternatives
- Portfolio Statement
- Charities Property Fund Team

KEY FUND DATA

FINANCIAL STATEMENTS



Financial Information



MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

- Expense Ratio
- Portfolio Turnover Rate
- Distribution Yield
- Annualised Performance
- Change in Net Assets Per Unit
- Investor Analysis
- Fund History
- Distribution Table

FINANCIAL STATEMENTS

FINANCIAL INFORMATION

EXPENSE RATIOS

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
24 June 2018	0.55%	0.13%	0.11%
24 June 2017	0.56%	0.17%	0.19%

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) 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 12 months prior to the balance sheet date.

The TER is in line with last year, as these expenses have grown in proportion with the Fund, while the PER has fallen due to a reduction in costs incurred on vacant properties. The TCR has fallen due to the lower number and value of transactions which have taken place during the year.

PORTFOLIO TURNOVER RATE

	Portfolio Turnover Rate
24 June 2018	2.96%
24 June 2017	7.63%

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 lower than the prior year as there have been fewer asset disposals during the period.

DISTRIBUTION YIELD

	Distribution Yield
24 June 2018	4.2%
24 June 2017	4.6%

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

ANNUALISED PERFORMANCE

	1 Year*	3 Years**	5 Years***
24 June 2018	10.6%	8.3%	11.4%
24 June 2017	6.6%	10.0%	10.2%

* total return for twelve months to 24 June 2018
** 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 2018 (p)	24 June 2017 (p)	24 June 2016 (p)
Opening net asset value per unit	120.80	118.82	115.57
Return before operating charges*	13.20	8.19	9.59
Operating charges	(0.85)	(0.86)	(0.80)
Return after operating charges*	12.35	7.33	8.79
Distributions	(5.41)	(5.35)	(5.54)
Closing net asset value per unit	127.74	120.80	118.82
* after direct transaction costs of:	0.13	0.23	0.26

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

Holding	Number of beneficial owners	Total percentage holding %
Less than 0.01%	1,070	4.24
0.01% but less than 0.05%	587	13.48
0.05% but less than 0.10%	144	9.92
0.10% but less than 0.50%	130	27.24
0.50% but less than 1.00%	26	19.03
1.00% but less than 2.00%	11	14.83
2.00% but less than 4.00%	4	11.26
Greater than 4.00%	-	-
Total number of investors	1,972	
Total number of units in issue at the end of the year	999,225,948	
Percentage held by the largest investor		3.82

Holding	Total percentage holding %
Top 10 largest investors	20.22
Top 25 largest investors	35.20
Top 50 largest investors	48.97
Top 100 largest investors	62.57



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

- Expense Ratio
- Portfolio Turnover Rate
- Distribution Yield
- Annualised Performance
- Change in Net Assets Per Unit
- Investor Analysis
- Fund History
- Distribution Table

FINANCIAL STATEMENTS



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 2014	732,792,627	698,247,010	104.95
	24 June 2015	956,046,559	827,270,497	115.57
	24 June 2016	1,059,491,941	891,642,752	118.82
	24 June 2017	1,153,789,556	955,139,897	120.80
	24 June 2018	1,276,434,072	999,225,948	127.74

Price and Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	24 June 2014	106.81	95.56	5.43
	24 June 2015	117.68	105.39	5.76
	24 June 2016	121.13	116.24	5.53
	24 June 2017	123.20	117.46	5.54
	24 June 2018	130.54	121.48	5.46

DISTRIBUTION

		2018		2017	
Distribution Number	Distribution Period	Distribution Per Unit (p)	Date Paid	Distribution Per Unit (p)	Date Paid
1	25 June to 24 September	1.26	15/11/17	1.48	15/11/16
2	25 September to 24 December	1.41	15/02/18	1.45	15/02/17
3	25 December to 24 March	1.42	15/05/18	1.30	15/05/17
4	25 March to 24 June	1.37	15/08/18	1.31	15/08/17
Total		5.46		5.54	

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

STATEMENT OF THE MANAGER’S RESPONSIBILITIES IN RESPECT OF THE MANAGER’S REPORT, LIST OF PROPERTIES AND KEY FUND DATA AND THE FINANCIAL STATEMENTS

The Manager is responsible for preparing the Manager’s Report, List of Properties and Key Fund Data and the financial statements in accordance with applicable law and regulations.

The Charities Act 2011 requires the Manager to prepare financial statements for each financial year. Under that Act they have elected to prepare the financial statements 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 and Republic of Ireland*.

The Manager must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Fund and of the total returns of the Fund for the year. In preparing these financial statements, the Manager is required to:

- 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 principles set out in the Statement of Recommended Practice for Authorised Funds have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the Scheme Particulars, subject to any material departures disclosed and explained in the financial statements;
- assess the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund, or to cease operations, or have no realistic alternative but to do so.

The Manager is required to act in accordance with the Scheme Particulars of the Fund, within the framework of trust law. The Manager is responsible for keeping adequate accounting records that are sufficient to show and explain the Fund’s transactions and disclose with reasonable accuracy at any time the financial position of the Fund and to enable them to ensure that, where any statements of accounts are prepared by it under section 132(1) of the Charities Act 2011, regulation 6 of the Charities (Accounts and Reports) Regulations 2008 and the Statement of Recommended Practice for Authorised Funds, those statements of accounts comply with the requirements of regulations under these provisions. The Manager is responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Manager is responsible for the maintenance and integrity of the financial 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.



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

- | Expense Ratio
- | Portfolio Turnover Rate
- | Distribution Yield
- | Annualised Performance
- | Change in Net Assets Per Unit
- | Investor Analysis

- | Fund History
- | Distribution Table

FINANCIAL STATEMENTS

| Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

- | Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report
- | Independent Auditor’s Report
- | Statement of Total Return and Change in Net Assets Attributable to Unitholders
- | Balance Sheet
- | Cash Flow Statement
- | Notes to the Financial Statements
- | General Information
- | Trustee, Manager and Advisors



THE CORPORATE TRUSTEE

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

It is the duty of the Trustee to take reasonable care to ensure that the Fund is managed and operated in

accordance with the Financial Conduct Authority’s Collective Investment Schemes Sourcebook (“the Sourcebook”), the Financial Services and Markets Act 2000, as amended, and the Scheme Particulars, concerning: the pricing of and dealing into the Fund; the application of income of the Scheme; and the Fund investment portfolio and borrowing activities.

REPORT OF THE CORPORATE TRUSTEE TO THE UNITHOLDERS OF THE CHARITIES PROPERTY FUND FOR THE PERIOD TO 24 JUNE 2018

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

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

- (ii) has observed the investment and borrowing powers and restrictions imposed by the Scheme and Scheme Particulars; and
- (iii) has, otherwise, ensured the proper operation of the Fund.

Citibank Europe plc, UK branch
London
12 October 2018

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 2018 which comprise the Statement of Total Return and Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Cash Flow Statement and the related Notes to the Financial Statements, including the accounting policies detailed 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 2018 and of the net revenue and the net capital gains on the property of the Fund for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Charities Act 2011.

Basis for opinion

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

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

Going concern

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

Other information

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

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

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

We have nothing to report in these respects.

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report
Independent Auditor’s Report
1 2

Statement of Total Return and Change in Net Assets Attributable to Unitholders
Balance Sheet
Cash Flow Statement
Notes to the Financial Statements
General Information
Trustee, Manager and Advisors



INDEPENDENT AUDITOR’S REPORT CONTINUED

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

As explained more fully in their statement set out on page 57, the Manager is responsible for: the preparation of financial statements which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor’s responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor’s report.

Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

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

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

This report is made solely to the Fund’s unitholders, as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act. Our audit work has been undertaken so that we might state to the Fund’s unitholders those matters we are required to state to them in an auditor’s report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund and its unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Bill Holland
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL
12 October 2018

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

		Year ended 24 June 2018	Year ended 24 June 2017
	Note	£	£
Net capital gains	3	67,016,470	16,914,095
Income	4	62,498,010	57,973,450
Expenses	5	(8,491,257)	(7,947,930)
Net income before finance costs		54,006,753	50,025,520
Finance costs – interest and other	6	(228,832)	(175,034)
Net income		53,777,921	49,850,486
Total return before distributions		120,794,391	66,764,581
Finance costs – distributions	7	(53,683,202)	(49,727,411)
Change in net assets attributable to unitholders from investment activities		67,111,189	17,037,170
Statement of change in net assets attributable to unitholders			
Opening net assets attributable to unitholders		1,153,789,556	1,059,491,941
Net amounts receivable on creation of units		55,533,327	77,260,445
Change in net assets attributable to unitholders from investing activities		67,111,189	17,037,170
Closing net assets attributable to unitholders		1,276,434,072	1,153,789,556

The accompanying notes form part of these financial statements.



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report

Independent Auditor’s Report

1 2

Statement of Total Return and Change in Net Assets Attributable to Unitholders

- Balance Sheet
- Cash Flow Statement
- Notes to the Financial Statements
- General Information
- Trustee, Manager and Advisors

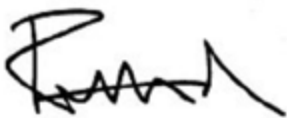


BALANCE SHEET

		As at 24 June 2018	As at 24 June 2017
Note	£	£	
Assets			
Fixed assets			
Investment properties	8	1,213,790,000	1,093,760,000
Current assets			
Debtors	9	12,876,132	42,324,044
Cash and bank balances		82,563,126	44,780,570
		95,439,258	87,104,614
Total assets		1,309,229,258	1,180,864,614
Less: current liabilities			
Creditors	10	19,105,445	14,817,666
Distribution payable		13,689,741	12,257,392
		32,795,186	27,075,058
Total liabilities		32,795,186	27,075,058
Net assets attributable to unitholders		1,276,434,072	1,153,789,556

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors of the Manager on 4 October 2018 and were signed on its behalf by



Richard James
Chief Financial Officer
4 October 2018

CASH FLOW STATEMENT

	Year ended 24 June 2018	Year ended 24 June 2017
	£	£
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net income before finance costs	54,006,753	50,025,520
Bank interest received	(53,013)	(69,246)
Increase in trade and other receivables	(3,131,076)	(5,691,025)
Increase in trade and other payables	2,435,143	359,682
Net cash inflow from operating activities	53,257,807	44,624,931
Cash flows from investment activities		
Purchase of properties and development expenditure	(77,279,206)	(100,217,838)
Sale of properties	36,675,525	80,710,993
Bank interest received	53,013	69,246
Net cash outflow from investment activities	(40,550,668)	(19,437,599)
Cash flows before financing activities		
	12,707,139	25,187,332
Cash flows from financing activities		
Net amounts received on creation of units	77,555,102	47,798,628
Borrowing costs and interest	(228,832)	(175,034)
Distributions paid	(52,250,853)	(51,676,451)
Net cash inflow/(outflow) from financing activities	25,075,417	(4,052,857)
Net increase in cash and cash equivalents for the year	37,782,556	21,134,475
Cash and cash equivalents at the start of the year	44,780,570	23,646,095
Cash and cash equivalents at the end of the year	82,563,126	44,780,570

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.



MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager's Responsibilities in Respect of the Manager's Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee's Responsibilities in Respect of the Financial Statements and Corporate Trustee's Report Independent Auditor's Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

General Information

Trustee, Manager and Advisors



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 June 2018. 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.

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.

d) Transaction costs

The Fund aggregates properties in the portfolio statement on pages 47 and 48 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.

f) Income and expenses continued

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.



MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager's Responsibilities in Respect of the Manager's Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee's Responsibilities in Respect of the Financial Statements and Corporate Trustee's Report Independent Auditor's Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

1 2 3 4 5 6 7 8 9

10 11 12 13 14

General Information

Trustee, Manager and Advisors



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.

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.

3 NET CAPITAL GAINS

The net gains on investments during the year comprise:

	Year to 24 June 2018	Year to 24 June 2017
	£	£
Net proceeds from disposal of properties	36,675,525	80,710,993
Carrying value of properties disposed during the year	(34,500,000)	(79,859,999)
Movement in accruals on properties disposed in prior year	(20,564)	-
Gains realised on properties disposed	2,154,961	850,994
Net unrealised gains on revaluation for the year	64,861,509	16,063,101
Net capital gains	67,016,470	16,914,095

4 INCOME

	Year to 24 June 2018	Year to 24 June 2017
	£	£
Rental income	62,072,213	57,310,076
Sundry income	372,784	594,128
Bank interest	53,013	69,246
	62,498,010	57,973,450

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

	As at 24 June 2018	As at 24 June 2017
Within 1 year	61,648,088	54,480,200
Later than 1 year and no later than 5 years	219,660,521	194,069,843
Later than 5 years	528,054,975	472,803,158
	809,363,584	721,353,201



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report
Independent Auditor’s Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

1 2 3 4 5 6 7 8 9
10 11 12 13 14

General Information

Trustee, Manager and Advisors



5 EXPENSES

	Year to 24 June 2018	Year to 24 June 2017
	£	£
Manager and Property Management Company fees	6,095,469	5,518,484
Corporate Trustee's fees	190,710	171,415
	6,286,179	5,689,899
Other expenses:		
Insurance	102,269	156,547
Audit fee	26,372	27,844
Review fee	12,989	12,672
Valuation fee	216,658	183,579
Legal and professional fees	1,491,306	928,286
Marketing and communication costs	98,390	89,857
Vacant property and property maintenance costs	257,094	859,246
	2,205,078	2,258,031
	8,491,257	7,947,930

Included within vacant property and property maintenance costs are £77,201 of service charge rebates (2017: £144,439).

6 FINANCE COSTS – INTEREST AND OTHER

Finance cost during the year (excluding distributions) comprise:

	Year to 24 June 2018	Year to 24 June 2017
	£	£
Capital expenses		
Credit facility arrangement fee	55,271	49,189
Legal and professional fees	62,684	25,845
	117,955	75,034
Revenue expenses		
Non-Utilisation fee	110,877	100,000
	110,877	100,000
	228,832	175,034

On 23 February 2018, 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 2020. 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.



MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager's Responsibilities in Respect of the Manager's Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee's Responsibilities in Respect of the Financial Statements and Corporate Trustee's Report
Independent Auditor's Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

1 2 3 4 5 6 7 8 9

10 11 12 13 14

General Information

Trustee, Manager and Advisors



7 FINANCE COSTS – DISTRIBUTIONS

Distributions during the year comprise:

	Year to 24 June 2018	Year to 24 June 2017
	£	£
First interim distribution	11,629,951	12,104,112
Second interim distribution	12,957,911	11,980,787
Third interim distribution	13,186,620	11,630,466
Fourth interim distribution	13,689,741	11,783,620
Net distribution from income for the year	51,464,223	47,498,985
Capital distribution	2,218,979	2,228,426
Total distribution	53,683,202	49,727,411

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

Represented by:

	£	£
Net income	53,777,921	49,850,486
Less: income from rent straight-lining	(2,429,607)	(2,388,919)
Add back: capital expenses	117,955	25,845
Balance of income brought forward	13,226	(1,653)
Balance of income carried forward	(15,272)	13,226
Distributable capital income	2,218,979	2,228,426
Net distribution for the year	53,683,202	49,727,411

The capital distribution comprises: £2,005,453 of rental top-ups from property acquisitions and development agreements, and £213,526 of interest on development drawdowns, totalling £2,218,979 (2017: £2,228,426).

8 INVESTMENT PROPERTIES

Split of investment properties by freehold and leasehold:

	Freehold	Leasehold	As at 24 June 2018	As at 24 June 2017
	£	£	£	£
Value at the beginning of the year	959,345,000	134,415,000	1,093,760,000	1,055,460,000
Purchases and capital expenditure during the year	79,120,218	4,951,171	84,071,389	99,883,462
Carrying value of properties disposed during the year	(34,500,000)	-	(34,500,000)	(79,859,999)
Net unrealised gain on valuation	57,593,703	7,267,806	64,861,509	16,063,101
Income recognised from rent straight-lining and lease incentives	5,251,786	345,316	5,597,102	2,213,436
Value at the end of the year	1,066,810,707	146,979,293	1,213,790,000	1,093,760,000

All the properties have been valued by external chartered surveyors, Cushman & Wakefield, at £1,213,790,000 (2017: £1,093,760,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £992,880,804 (2017: £937,756,672).

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.



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report

Independent Auditor’s Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

General Information

Trustee, Manager and Advisors



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 2018 valuations by Cushman & Wakefield is provided below:

Sector	Fair Value	ERV Range (psf)		Equivalent Yield Range	
		Max	Min	Min	Max
Retail - High Street	£31,125,000	£200.00	£75.00	4.00%	6.50%
Retail - Supermarkets	£96,100,000	£24.00	£20.00	3.91%	4.90%
Retail - Warehouses	£269,325,000	£40.00	£8.50	4.15%	6.68%
Warehouses / Industrial	£273,200,000	£12.00	£0.75	4.70%	9.77%
Offices	£253,550,000	£70.00	£10.00	4.25%	8.00%
Alternatives	£290,490,000	n/a*	n/a*	4.40%	6.86%
Total	£1,213,790,000				

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

9 DEBTORS

	As at 24 June 2018	As at 24 June 2017
	£	£
Amounts receivable for creation of units	-	26,981,886
Rent receivable	10,263,007	10,690,653
Interest on development	-	1,878,780
Amounts due from managing agents	800,819	1,444,094
Insurance prepayments	977,058	846,710
Sundry debtors	722,111	449,203
Loan arrangement fee	113,137	32,718
	12,876,132	42,324,044

10 CREDITORS

	As at 24 June 2018	As at 24 June 2017
	£	£
Prepaid rent	12,889,702	12,005,324
Redemption amount due to redeeming units	1,918,652	-
Purchases awaiting settlement	364,613	430,629
Manager and Property Manager fees	1,610,047	1,420,264
Corporate Trustee fees	-	44,242
Audit fees	26,372	25,729
Valuation fees	53,103	47,852
Credit facility non utilisation fee and debt arrangement fee	31,438	-
VAT payable	1,645,498	80,440
Cost to complete on development	269,311	-
Vacant property costs	-	13,384
Other creditors	90,489	569,714
Retentions	206,220	180,088
	19,105,445	14,817,666



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report Independent Auditor’s Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

1 2 3 4 5 6 7 8 9

10 11 12 13 14

General Information

Trustee, Manager and Advisors



11 RELATED PARTY TRANSACTIONS

Details of the Manager, Property Manager and Corporate Trustee can be found on pages 80.

During the year the Manager has received management fees of £5,971,295 (2017: £5,394,268) and the Property Management Company fees of £124,174 (2017: £124,216) thereby totalling £6,095,469 (2017: £5,518,484). These fees can be seen in Note 5, Expenses. The amount outstanding at the year end in respect of those fees was £1,610,047 (2017: £1,420,264), as can be seen in Note 10, Creditors.

During the year the Property Manager has received transactional fees of £479,400 (2017: £387,802), 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 £327,778 (2017: £224,798). These fees sit within Note 5, Legal and Professional Expenses.

During the year the Corporate Trustee received £190,710 (2017: £171,415). Amounts payable to the Corporate Trustee or associates of the Corporate Trustee are shown in Note 5, Expenses. Amounts due are shown in Note 10, Creditors. The amount outstanding at the year end in respect of those fees was £nil (2017: £44,242).

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 £364,218 (2017: 327,331) 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.

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 56 'Fund History'.

Trading Quarter	No. Units	GROSS		Net Movement
		Applications	Redemptions	
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
24 Mar 2018	1,000,734,042.415	18,589,615.962	12,197,249.230	6,392,366.732
24 Jun 2018	999,225,948.362	14,617,620.336	16,125,714.389	(1,508,094.053)
	TOTAL	86,073,077.934	41,987,026.362	44,086,051.572

13 POST BALANCE SHEET EVENTS

There were no post balance sheet events requiring disclosure.

14 CONTINGENT LIABILITIES

There were no contingent liabilities at the year end (2017: none).



MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager's Responsibilities in Respect of the Manager's Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee's Responsibilities in Respect of the Financial Statements and Corporate Trustee's Report
Independent Auditor's Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

1 2 3 4 5 6 7 8 9

10 11 12 13 14

General Information

Trustee, Manager and Advisors



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.

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).

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 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.



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report

Independent Auditor’s Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

General Information

1 2

Trustee, Manager and Advisors



REMUNERATION CODE DISCLOSURE FOR SAVILLS INVESTMENT MANAGEMENT (UK) LTD

April 2018
The Financial Conduct Authority’s (FCA) AIFM remuneration Code applies to Savills Investment Management (UK) Ltd (the firm). The Firm has considered the FCA’s proportionality guidelines and taking account of size, the lack of complexity and the low risk of the firm a number of the remuneration rules have been disapplied.

The disclosure covers the remuneration paid in respect of the financial period from 1 January 2017 to 31 December 2017 for Savills Investment Management LLP and its subsidiaries (“Savills IM Group”).

Decision Making Process

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

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

Link between Pay and Performance

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

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

Staff Remuneration

The total aggregate remuneration for staff was £32,375,803 of which there were 251 beneficiaries. £22,270,063 of this remuneration was fixed and £10,105,740 was variable.

29 of the beneficiaries were identified as remuneration code staff, as defined by AIFM remuneration code, and their total aggregated remuneration was £10,936,059. £4,592,976 of this remuneration was earned by Senior Managers and £6,343,083 was earned by other code staff.

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.



MANAGER’S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager’s Responsibilities in Respect of the Manager’s Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee’s Responsibilities in Respect of the Financial Statements and Corporate Trustee’s Report Independent Auditor’s Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

General Information

1 2

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

Transfer Agent and Administrator

Langham Hall UK Services LLP
5 Old Bailey
London
EC4M 7BA

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.

This document is provided for information purposes only and may not be reproduced in any form without the express permission of Savills Investment Management (UK) Limited. The opinions expressed here represent the views of the fund managers at the time of preparation and should not be interpreted as investment advice. This report is aimed at existing investors in the Fund but it may also be distributed to prospective investors. This report is not an offer to invest in the Fund. Independent financial advice should be sought before investment in the Fund.

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

Handstand Creative
www.handstandcreative.com



MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS

Statement of the Manager's Responsibilities in Respect of the Manager's Report, List of Properties and Key Fund Data and the Financial Statements

Statement of the Corporate Trustee's Responsibilities in Respect of the Financial Statements and Corporate Trustee's Report Independent Auditor's Report

Statement of Total Return and Change in Net Assets Attributable to Unitholders

Balance Sheet

Cash Flow Statement

Notes to the Financial Statements

General Information

Trustee, Manager and Advisors





MANAGER'S REPORT

LIST OF PROPERTIES

KEY FUND DATA

FINANCIAL STATEMENTS



33 Margaret Street,
London W1G 0JD

Telephone: 0203 107 5439
Fax: 0845 409 1281

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

