

Fund Objectives

The Charities Property Fund is the original and largest tax efficient pooled property vehicle available to all charities in the UK (including Scotland and Northern Ireland). It is a Common Investment Fund regulated by the Charity Commission. The Fund's objective is to invest in property throughout the UK to provide a balanced portfolio to deliver a high and secure level of income and to maintain the capital value of assets held.

Key Points – 31 March 2018

- Fund size £1.279 billion
- No debt
- Well diversified portfolio
- 124 properties and 260 tenants
- High yielding (4.4% as at March 2018)
- Low vacancy rate (5.0% versus MSCI at 10.9%)
- Strong covenants (84.2% rated low or negligible risk, compared to MSCI at 81.0%)
- Excluding void property, the Fund has a long unexpired average lease term of 12.5 years to expiry (10.5 years to break). MSCI: 9.0 years to expiry (8.2 years to break) on the same basis.
- 38.5% of income benefits from fixed or index linked rental increases

Applications and Redemptions

£8.3 million (net) of new applications were accepted this quarter.

Cash on deposit is £60 million (4.7%).

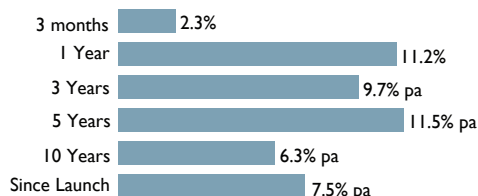
Purchases

We acquired two assets this quarter in **Ilkley** and **Wolverhampton**. Total investment was £12.5 million and this provides a very attractive yield to the Fund of 7.4%. They are both newly constructed and have both been let prior to completion to two different tenants, all on brand new 10 or 15 year leases. The average unexpired term to lease expiry is 12.5 years and a third of the income benefits from RPI linked rental increases.

Mayfield House, Ilkley is a recently completed three story office building close to the town centre and railway station and 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 close to £6 million, reflected a yield to the Fund of 7.6% and a low capital value of £216 per sq ft.



Fund Performance



Source: Savills Investment Management, MSCI (March 2018)

Basis: NAV-to-NAV with gross income reinvested

The Charities Property Fund launched in 2000

Performance is net of fees and expenses

The Fund total return for Q1 2018 was 2.3%, ahead of the 1.9% for the AREF/MSCI All Balanced Funds Property Index. Over the last 12 months the Fund produced 11.2%, compared to the Index at 10.0%.

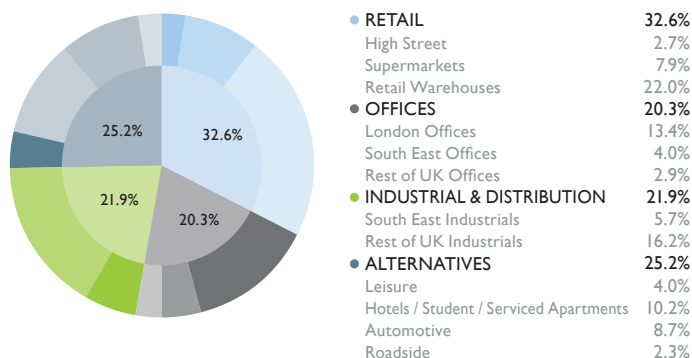
Over the last five years the Fund has returned 11.5% per annum, compared to the Index of 10.5% per annum. Over 10 years the Fund has returned 6.3% per annum, compared to the Index at 4.4% per annum.

The second acquisition was a retail park in Wolverhampton just to the north of the city centre. This again has also just been completed and pre let to Iceland (trading at 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%. This follows our strategy of acquiring discount led schemes in good locations with open planning consents off sustainable rents.

Both of these acquisitions were acquired in exclusivity and the pricing of both seems very attractive for the length of income and recent construction in the current competitive environment.

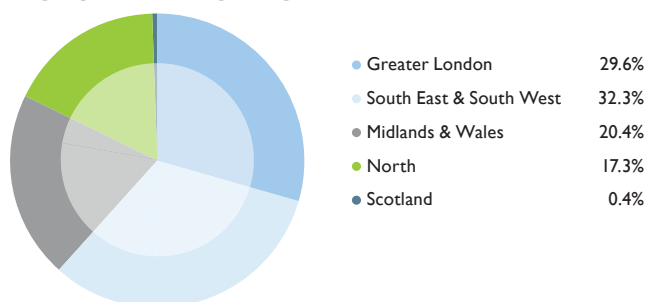


CPF Portfolio March 2018



Source: Savills Investment Management, March 2018

Geographical Weightings



Source: Savills Investment Management, March 2018

Fund Information (as at 31 March 2018)

Launch date	September 2000
Fund size	£1.279 billion
No of investors	1,977
Historic distribution yield	4.1%*
Prospective distribution yield	4.5%**
Fund costs (TER)	0.56% per annum
Unit price	NAV - 127.80 pence
	Bid - 126.37 pence
	Offer - 129.74 pence
Bid/Offer spread	2.5%***
SEDOL	0208075
Next distribution date	15 May 2018
Last distribution payment	1.41p per unit
Next dealing date	29 June 2018#

* Based on the last four distributions declared divided by the current NAV

** Based on the next four estimated distributions divided by the current NAV

*** Assuming Fund fully invested

Applications must be received on the 15th day of the month in which the Valuation Date falls (or if that is not a Business Day the preceding Business Day) for dealing on the next Dealing Date

Reminder:

Please use the NEW Application Form available on our website:
www.cpfund.co.uk/reports-and-documents/fund-documents

Sales

We are pleased to report that during Q1 we sold the Jurys Inn Hotel in **Derby** 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 increase in the supply of hotel rooms in Derby in recent years, lead us to conclude that this capital could be better deployed elsewhere. 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 44.5% (£12.57 million) since purchase in August 2015.



Contact Information

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

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

10 Largest Assets

London SE7 - Brocklebank Retail Park, Greenwich	4.5%
Mansfield - Tesco Store, Chesterfield Road	4.0%
London EC1 - 6/9 Briset Street, Farringdon	3.8%
Barnet - Sainsbury's, East Barnet Road	3.6%
Brighton - Jurys Inn Hotel, Stroudley Road	3.4%
Gateshead - Metro Park West	3.0%
London WC2 - 90 Chancery Lane, Midtown	2.8%
Cambridge - Travelodge, Newmarket Road	2.4%
London E1 - 122 Back Church Lane, Whitechapel	1.9%
London EC2 - Rivington House, Shoreditch	1.6%
Total	31.0%

Five Largest Tenants

Tesco Stores Limited (surety: Tesco plc)	5.1%
Sytner Properties Limited (surety: Sytner Group Limited)	3.9%
Travelodge Hotels Limited	3.8%
Jurys Hotel Management (UK) Limited (surety: Vesway Limited)	2.8%
Sainsbury's Supermarkets Limited (surety: Sainsbury's plc)	2.7%
Total (across 14 locations)	18.3%

Source: Savills Investment Management, March 2018

Active Management

We have had numerous asset management successes this quarter, particularly within the industrial sector. At **Epsom** we have agreed three lease renewals at our industrial estate, increasing the previous passing rents by 8.5% on average, whilst removing any void risk.

In **South Normanton** we have settled the December 2017 rent review with Recticel at £310,000 per annum, which reflects an increase of 50% on the previous passing rent of £206,925 per annum set in December 2012.

Finally we have successfully let an industrial unit in **Basingstoke**. This 45,000 sq ft unit had previously been let to Debenhams at a rent of £317,000 per annum (£7.00 per sq ft) until they vacated last September at lease expiry. We immediately gave the unit a limited refurbishment and have relet the unit to Leverton Clarke Limited on a new 15 year lease at a rent of £452,336 per annum (£10.00 per sq ft), reflecting a 43% increase. Not only is it an excellent result to achieve increases of this magnitude, but also to achieve a new 15 year lease on a building which is already 15 years old. We believe these results all reflect well on the quality of the underlying portfolio.

