

The Charities Property Fund
Savills Investment Management
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www.cpfund.co.uk

6 August 2018

Dear Investor

We have pleasure in enclosing your copy of the Charities Property Fund's quarterly factsheet for the quarter ending 30 June 2018.

The Fund's total return for Q2 2018 was 1.8% compared to the AREF/MSCI All Balanced Funds Property Index of 2.0%. In the year to June 2018 the Fund produced 10.6%, 0.9% above the Index return of 9.7% and we are pleased to report that this marks our 11th consecutive year of outperformance.

	1 year	3 years (pa)	5 years (pa)	10 years (pa)
The Charities Property Fund	10.6%	8.3%	11.4%	6.9%
AREF/MSCI All Balanced Property Funds Index	9.7%	7.6%	10.6%	4.9%

Source: Savills Investment Management, AREF/MSCI (June 2018)

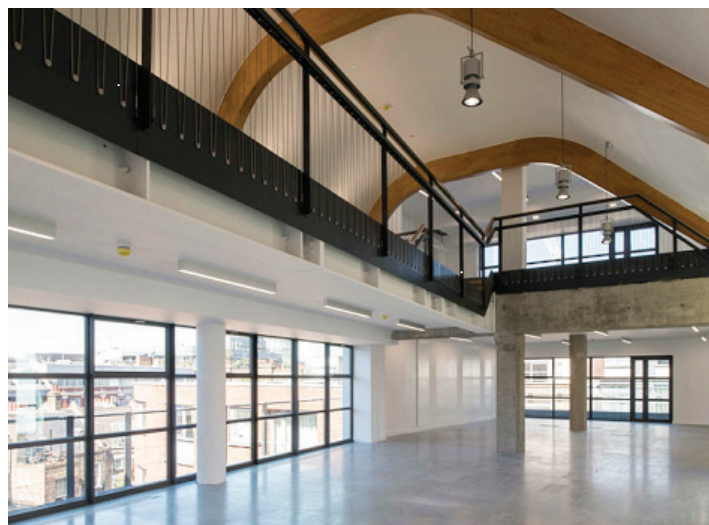
Over the last five years the Fund has returned 11.4% per annum, compared to the index of 10.6% per annum. Over 10 years the Fund is the best performing charity fund and second best performing fund in the AREF/MSCI All Balanced Funds Property Index, returning 6.9% per annum, compared to the index at 4.9% per annum.

We are delighted that the Fund continues to exceed both its objectives and the AREF/MSCI Index and we maintain our focus on sustaining a very high quality portfolio with long leases (12.1 years on average to expiry), strong covenants (almost 82% rated low or negligible risk), a very low vacancy rate (only 2.0%) and almost 40% of income is secured on leases benefitting from primarily RPI linked indexation.

The Charities Property Fund is a registered charity, number 1080290
The Manager is 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. 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.



During the past 12 months we have completed a number of forward funding and refurbishment projects and this asset management has helped to produce over 6% of capital growth to deliver the double digit annual return. One of the largest initiatives has been The Smithson, which is an £11 million refurbishment of a 50,000 sq ft office building close to Farringdon station and the new Crossrail interchange. The works included a new full height reception area, a brand new facade, new windows, mechanical and electrical services and lifts and the addition of some extra floor space. Completion of this project is due on the 8th August this year and we can report that in advance of this we have just signed an agreement for lease to pre-let 80% of the building to a major UK publishing company on a new 15 year lease at an average rent of £65.00 per sq ft. The previous tenant was paying £34.00 per sq ft prior to us surrendering their lease and commencing the works. This building will almost certainly become our largest asset at the next valuation date following the letting and will reduce the vacancy rate on the portfolio to 2.0%. This will fall further when we secure a tenant for the remaining two floors, which we have held back from marketing pending the completion of the construction works.



The factsheet sets out recent purchases and sales on pages 3 and 4, but in addition to this we also completed an in-specie transfer of six assets into the Fund from an existing investor this quarter for a total acquisition price of £6.89 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 town centre retail warehouse. Almost 91% of the portfolio by income is let to tenants with a low or negligible risk of business failure. We were pleased to complete this transfer and we believe the attractive yield and locations twinned with excellent liquidity due to the small lot sizes is highly beneficial to the Fund.

We will provide a broad property market and individual sector commentary in our upcoming Annual Report and accounts.

Please see the website for further information: www.cpfund.co.uk

Yours sincerely



Harry de Ferry Foster
Fund Director



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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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 – 30 June 2018

- Fund size £1.285 billion
- No debt
- Well diversified portfolio
- 123 properties and 257 tenants
- High yielding (5.0% gross and 4.4% net of fees)
- Low vacancy rate (2.0% versus MSCI at 10.6%)
- Strong covenants (82.2% rated low or negligible risk, compared to MSCI at 78.7%)
- Long unexpired average lease term of 12.1 years to expiry (10.1 years to break). MSCI: 8.5 years to expiry (7.4 years to break)
- 38.5% of income benefits from fixed or index linked rental increases

Applications and Redemptions

£18.9 million of new applications and £20.8 million of new redemptions were accepted this quarter. Cash on deposit is £71 million (5.6%).

Purchases

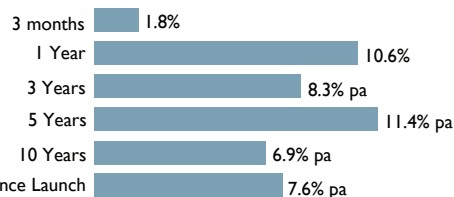
The Fund has recently completed two purchases, a **Greater London** industrial unit and a **Greater Manchester** office building. Both benefit from brand new long leases and provide very attractive yields.

The first is a newly constructed industrial unit in Belvedere close to Abbey Wood in **South East London**. The property comprises 78,500 sq ft on a prominent three acre site and is let to Allied Hygiene Systems on a new 25 year lease with a break at year 15. It also benefits from 5 yearly rent reviews to RPI collared and capped at 2-4% per annum. The price of £10.0 million reflects a very attractive yield to the Fund of 5.9% for this sector and length of lease. Importantly the rent at £7.50 per sq ft is very low for Greater London.



Belvedere

Fund Performance



Source: Savills Investment Management, MSCI (June 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 Q2 2018 was 1.8% compared to the index of 2.0%. Over the last 12 months the Fund produced 10.6%, 0.9% above the AREFI MSCI All Balanced Funds Property Index which returned 9.7%.

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 is the best performing charity fund, returning 6.9% per annum, compared to the index at 4.9% per annum.

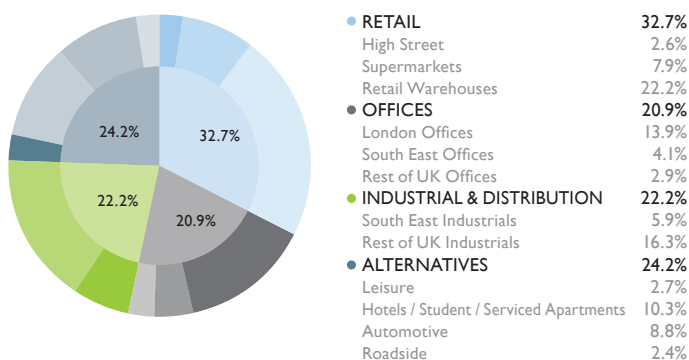
The second acquisition was a newly refurbished office building to the south of Manchester, located close to **Altrincham** town centre and Manchester Airport. The building comprises 21,000 sq ft with 125 car parking spaces and it has been comprehensively refurbished and let on a new 15 year lease (with a break at year 10) to Lookers Plc and will provide their new UK HQ. The price of £5.175 million reflects a yield to the Fund of 7.0%.

These two assets combined produce a total investment of just over £15 million and provide a yield to the Fund of 6.3%. They both occupy excellent locations and the combined weighted lease length is 21 years to expiry and 13 years to break and over 60% of the income is index linked. These headlines provide a compelling story as to why real estate continues to remain a very attractive asset class if you can access the right opportunities.



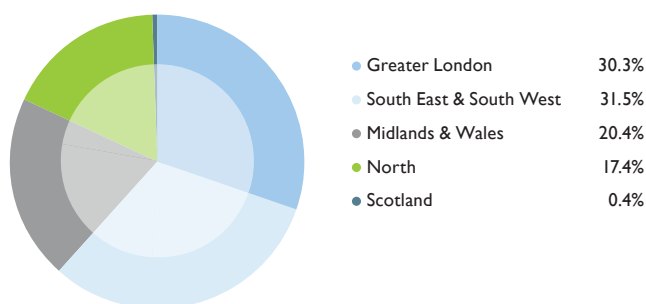
Altrincham

CPF Portfolio June 2018



Source: Savills Investment Management, June 2018

Geographical Weightings



Source: Savills Investment Management, June 2018

Fund Information (as at 30 June 2018)

Launch date	September 2000
Fund size	£1.285 billion
No of investors	1,972
Historic distribution yield	4.2%*
Prospective distribution yield	4.4%**
Fund costs (TER)	0.56% per annum
Unit price	NAV - 128.62 pence
	Bid - 127.19 pence
	Offer - 130.54 pence
Bid/Offer spread	2.5%***
SEDOL	0208075
Next distribution date	15 August 2018
Last distribution payment	1.42p per unit
Next dealing date	28 September 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

Asset Management

Q2 has been another very successful quarter for the Fund across all sectors. At Magna House, **Staines** we completed a 10 year reversionary lease with Givaudan UK Limited, the current tenant, at a rent of £23 psf reflecting an uplift of 23% on the previous rent.

At **International House, Brighton**, the Fund completed a five year lease renewal of the second floor with Hays, resulting in a 35% annual increase in rent. This is the fourth successful asset management initiative at this property in the Fund's short period of ownership (February 2017).

At **Westgate Buildings, Bath**, the Fund has continued with its placemaking strategy following the completion of Travelodge in 2017. During Q2, we completed on a new 10 year lease to gym operator F45 at a rent of £16 psf, 46% above the level paid by the former tenant.

We also settled the October 2017 Card Factory rent review at **Halewood Retail Park**, delivering a 56% uplift on the previous rent passing.



Risk Warning

This document is a financial promotion and is issued for information purposes only. It does not constitute the provision of financial, investment or other professional advice. Savills Investment Management (UK) Limited have not considered the suitability of this investment against your individual needs and risk tolerance. To ensure you understand whether our product is suitable, please read both the Fund Factsheet document and the Scheme Particulars. We strongly recommend you seek independent professional advice prior to investing. Investors should consider the following risk factors identified as specific to the Fund before investing: Counterparty/Tenant/Credit Risk (financial institution/tenants may not pay), Market Risk (investment value affected by market conditions), Operational Risk (general operational risks), Expiry/Maturity Profile (timing of maturity of tenancies), Liquidity Risk (investment in non-readily realisable assets), Interest Rate risk (changes to interest rate affecting income), Concentration Risk (need for diversification and suitability of investment), Business Risk (possibility of lower than anticipated profits). Please see the Fund Scheme Particulars for further details.

Disclosures

Investment in the Fund is only available to charities within the meaning of section 96 or 100 of the Charities Act 2011. Past performance is not an indicator of future performance. The value of investments and the income derived from them may fall as well as rise. Investors may not get back the amount originally invested and may lose money. Properties within the Fund are valued by an external property valuer; any such valuations are a matter of opinion rather than fact.

The performance of the Fund may be adversely affected by a downturn in the property market which could impact on the value of the Fund. Any forward-looking statements are based upon our current opinions, expectations and projections. We undertake no obligations to update or revise these. Actual results could differ materially from those anticipated.

The Fund is approved by the Charity Commission as a Common Investment Fund under section 24 of the Charities Act 1993 (as amended or replaced from time to time) and is an Unregulated Collective Investment Scheme and an Alternative Investment Fund.

Investments and deposits in the Fund and the Fund itself are not covered by the Financial Services Compensation Scheme (FSCS). However, the Manager may pay fair compensation on eligible claims arising from its negligence or error in the management and administration of the Fund Savills Investment Management (UK) Limited (registered in England No. 03680998 at 33 Margaret Street, London W1G 0JD) is authorised and regulated by the Financial Conduct Authority and is the manager of the The Charities Property Fund (Registered Charity No. 1080290).

Five Largest Tenants

Tesco Stores Limited (surety: Tesco plc)	5.1%
Sytner Properties Limited (surety: Sytner Group Limited)	3.9%
Travelodge Hotels Limited	3.4%
Jurys Hotel Management (UK) Limited (surety: Vesway Limited)	2.8%
Sainsbury's Supermarkets Limited (surety: Sainsbury's plc)	2.7%
Total (across 14 locations)	17.9%

10 Largest Assets

London SE7 - Brocklebank Retail Park, Greenwich	4.2%
London EC1 - The Smithson, 6 Brisset Street, Farringdon	4.1%
Mansfield - Tesco Store, Chesterfield Road	3.8%
Barnet - Sainsbury's, East Barnet Road	3.4%
Brighton - Jurys Inn Hotel, Stroudley Road	3.1%
Gateshead - Metro Park West	2.8%
London WC2 - 90 Chancery Lane, Midtown	2.6%
Cambridge - Travelodge, Newmarket Road	2.2%
London EI - 122 Back Church Lane, Whitechapel	1.8%
London EC2 - Rivington House, Shoreditch	1.5%
Total	29.5%

Source: Savills Investment Management, June 2018

Sales

We are pleased to report that during Q2 we sold Derry's Cross in Plymouth 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.

The asset comprises a Travelodge hotel, gym and four leisure units. Whilst the unexpired lease term is attractive at approximately 16 years we had concerns regarding the leisure sector at large, overrenting and security of rental income from the leisure occupiers. In particular, one leisure unit has a break option in 2019 which they subsequently exercised since 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 developing a new hotel opposite, which will act as direct competition to Travelodge.

