

## FUND OBJECTIVES

The Charities Property Fund is the original and largest tax efficient pooled property vehicle available to all charities in the UK (AREF/MSCI September 2022). It is a Common Investment Fund regulated by the Charity Commission and helps c.1,500 charities to invest in commercial real estate in an ethical, responsible and tax-efficient way. The Fund has a strong focus on ESG and looks to improve the environmental credentials of the assets it holds and favours socially beneficial occupiers. The Fund's objective is to invest in property throughout the UK to provide a balanced and diversified portfolio to deliver a high and secure level of income and to maintain the capital value of assets held over the long term.

## KEY POINTS - 30 SEPTEMBER 2022

- Fund size £1.424 billion
- No debt
- Well diversified and balanced portfolio
- 123 properties and 255 tenants
- Negligible exposure to the high street and no shopping centres
- Portfolio weighted to London and the South of England
- High yielding (4.6% gross and 4.0% net of costs)
- Low vacancy rate (3.5% versus MSCI at 10.1%)
- Strong covenants (70% rated low or negligible risk)
- Long average unexpired lease term of 11.2 years to expiry (9.0 years to break)
- 45% of income benefits from fixed or index linked rental increases, two thirds are linked to RPI

The Fund total return for Q3 2022 was -2.2% compared to the AREF/MSCI UK All Balanced Property Fund Index of -4.0%. Over the last 12 months the Fund produced 16.1% against the Index which returned 13.3%.

## ASSET MANAGEMENT

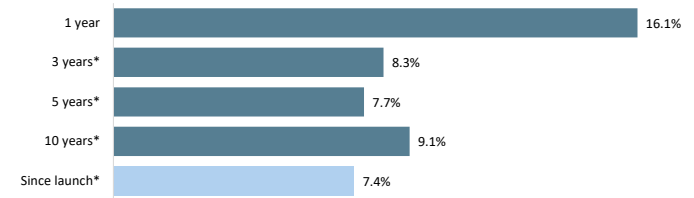
We have completed two large logistics lettings this quarter, securing almost £1.9 million per annum in income for a further 5 and 10 years respectively and eliminating short term vacancy risk.

The largest letting of the quarter was to Waterstones Booksellers at Burton Upon Trent at a rent of £1,072,000 pa, in line with the estimated rental value (ERV). This property extends to 158,000 sq ft and was acquired in March 2011 for £9.5 million, reflecting a yield to the Fund of 9%. It was originally let to Unipart Logistics (running the Waterstone's contract) on a lease expiring in November 2017 at £5.50 per sq ft. We subsequently extended the expiry date until May 2023 at a rent of £6.00 per sq ft and have now completed a further extension to May 2028 at a rent of £6.75 per sq ft, reflecting a 23% increase since purchase.



Burton Upon Trent

## FUND PERFORMANCE



\*annualised

Source: Savills Investment Management, MSCI (September 2022)

Basis: NAV-to-NAV with gross income reinvested

The Charities Property Fund launched in 2000. Total return is net of fees and expenses.

Past performance is not an indicator of future performance

Over the last five years the Fund has returned 7.7% per annum, against the Index of 6.8% per annum. Over 10 years the Fund returned 9.1% per annum, ahead of the Index at 8.1% per annum (source: MSCI).

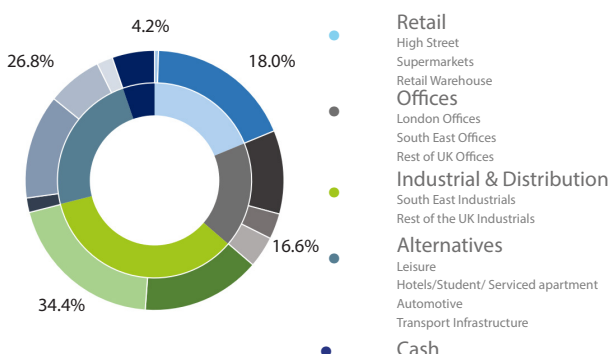
We are also delighted to report that we have signed a new 10 year lease to Hydro Building Systems at a 117,000 sq ft unit in Tewkesbury at a rent of £800,000 per annum, reflecting £6.80 per sq ft. This unit was acquired in 2012 for £8.9 million, reflecting a yield to the Fund of 9.3%. This transaction was slightly more complicated as Hydro currently occupied the building on a sub tenancy and therefore we had to negotiate a surrender with Tata Steel, the headlessee before we could contract directly with the occupier.

We managed to secure a surrender premium of £240,000 from Tata and simultaneously signed the new 10 year lease with Hydro. At purchase the ERV for this unit was also £5.50 per sq ft, so again we have witnessed 23% growth since purchase, whilst incurring no void periods at either property.



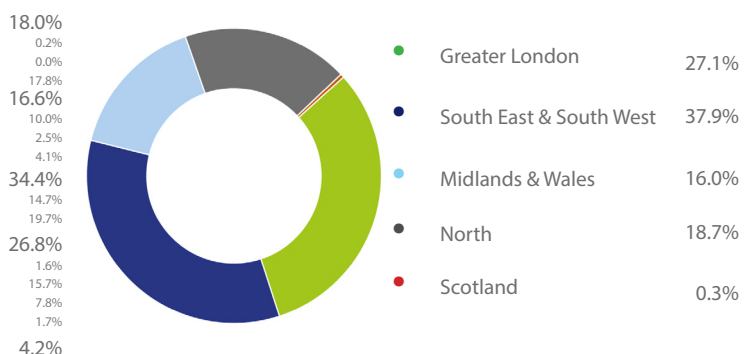
Tewkesbury

## CPF PORTFOLIO SEPTEMBER 2022



Source: Savills Investment Management, September 2022

## GEOGRAPHICAL WEIGHTINGS



Source: Savills Investment Management, September 2022

## FUND INFORMATION - (AS AT 30 SEPTEMBER 2022)

Launch date	September 2000
Fund Size	£1.424 billion
No. of investors	c.1,500
Historic distribution yield	3.9%*
Prospective distribution yield	4.3%**
Fund costs (TER)	0.56% per annum
Unit price	NAV - 145.66 pence
	Bid - 143.63 pence
	Offer - 148.20 pence
Bid spread	1.45%
Offer spread	1.55%
SEDOL	0208075
Next distribution date	15 November 2022
Last distribution rate	1.24 pence per unit
Next dealing date	31 December 2022#

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

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

# 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.

## FIVE LARGEST TENANTS

Travelodge Hotels Limited	5.9%
Macmillan Publishers International Limited	3.6%
Sytner Properties Limited (surety: Sytner Group Limited)	3.5%
Tesco Stores Limited	3.5%
D'Overbroeck's Limited	3.1%
Total (across 12 locations)	19.6%

## 10 LARGEST ASSETS

London EC1 - The Smithson, 6 Briset Street, Farringdon	5.5%
London SE7 - Brocklebank Retail Park, Greenwich	4.2%
Brighton - Jurys Inn Hotel, Stroudley Road	3.1%
London SW11 - Travelodge, Battersea	3.0%
Gateshead - Metro Park West	2.9%
Oxford - 333 Banbury Road	2.4%
Cambridge - Travelodge, Newmarket Road	2.2%
Bury St Edmunds - SP147, Suffolk Park	2.0%
Epsom - Epsom Trade Park	1.9%
Tamworth - Emperor Point	1.9%
Total	29.1%

Source: Savills Investment Management September 2022

## ASSET MANAGEMENT

We have also been very active in both the retail warehousing and office sectors during the quarter and are pleased to report that we have completed a new lease with Home Bargains at Merthyr Tydfil. This enables them to extend from their existing two units, totaling 16,500 sq ft, where their lease expired in 2027 into three units totaling 28,500 sq ft. They have signed a new 15 year lease (no break options), extending their expiry to 2037. Whilst the rent is not challenging at only £8 per sq ft, it secures an excellent anchor tenant for a long time.

We have also signed two lettings with Costa Coffee and Greggs at Uttoxeter. Costa will pay £48,825 pa and Greggs will pay £40,250 pa, both on new 10 year leases. This unit was previously let in its entirety to Frankie & Benny's at a rent of £58,625 pa on a lease expiring in 2032, however they experienced difficulties during the pandemic and went into liquidation. We subsequently surrendered the lease in June 2022.

We are delighted to have been able to grow the rent here by 52%. This illustrates the continuing strength in the out of town retail market.

We have also let a number of offices during the quarter, including St George's House in Cheltenham where we took a surrender of an existing lease after the tenant failed to exercise their break option correctly and simultaneously relet to a renewable energy company at a rent of £30 per sq ft, 33% in excess of the previous passing rent of £22.50 per sq ft.

At Shepherdess Walk close to Old Street, we have signed a new 5 year lease at the 4th floor at a rent of £45.00 per sq ft, again ahead of the ERV which was £42.50 per sq ft. Despite having encountered some vacancy over the last couple of years we are pleased to report that the building is now fully let.



Merthyr Tydfil



Cheltenham

### 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).