

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 December 2017

- Fund size £1.256 billion
- No debt
- Well diversified portfolio
- 117 properties and 248 tenants
- High yielding (4.6% as at December 2017)
- Low vacancy rate (5.5% versus MSCI at 11.7%)
- Strong covenants (89.1% rated low or negligible risk, compared to MSCI at 81.0%)
- Allowing for void property, the Fund has a long unexpired average lease term of 12.3 years to expiry (10.3 years to break). MSCI: 10.6 years to expiry (9.8 years to break) on the same basis.
- 40.6% of income benefits from fixed or index linked rental increases

Applications and Redemptions

£14.2 million (net) of new applications were accepted this quarter.

Cash on deposit is £58 million (4.6%).

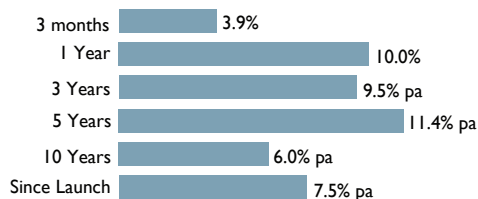
Purchases

We acquired two assets this quarter and exchanged contracts to acquire a third. Total investment was just over £12 million and this reflected a combined yield of 5.4%. The average lease length on these two assets is 12.4 years to expiry and 47% of the income benefits from RPI indexation.

Both of these properties lie adjacent to assets already owned by the Fund. The first was the VW dealership in **Harrogate** which lies next to the Audi dealership owned by the Fund and where the tenant has recently invested £2.4 million facilitating considerable extension to the existing building. It is let to VW Group UK on a lease expiring in March 2027 at a very low rent of £11.00 per sq ft and in fact industrial properties close by are let at similar levels. We now control the Audi, Mercedes and VW within Harrogate.



Fund Performance



Source: Savills Investment Management, MSCI (December 2017)

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 Q4 2017 was 3.9% ahead of the 3.1% for the AREF/MSCI All Balanced Funds Property Index. Over the last 12 months the Fund produced 10.0%, compared to the Index at 10.2%.

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

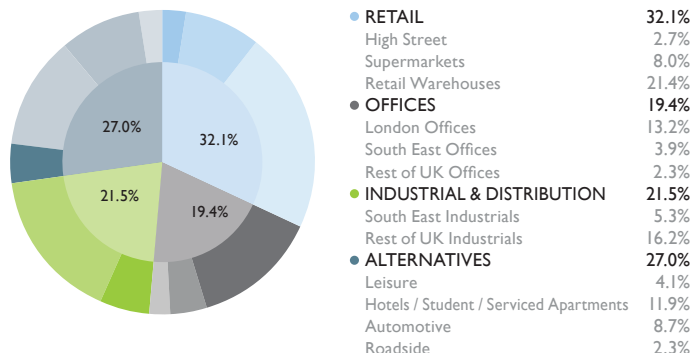
The second asset was an industrial unit located just to the south of **Leeds (Normanton)**, situated on the M1/M62 junction. We own four other assets in the immediate vicinity and this property abuts three of them, completing the jigsaw as outlined in yellow on the photograph below.

The property comprises a recently completed 52,000 sq ft unit, and is let on a new 15 year lease with RPI rent reviews, collared and capped at 2%-4% per annum. It is very well specified having a very low site cover of 24% and a very high eaves height, for a small unit, of 12 metres.

These purchases both follow our strategy of buying multiple smaller assets in excellent locations, where we have unrivalled market knowledge and building critical mass.

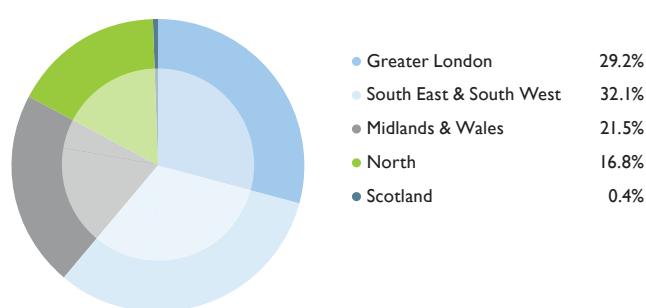


CPF Portfolio December 2017



Source: Savills Investment Management, December 2017

Geographical Weightings



Source: Savills Investment Management, December 2017

Fund Information (as at 31 December 2017)

Launch date	September 2000
Fund size	£1.256 billion
No of investors	1,980
Historic distribution yield	4.2%*
Prospective distribution yield	4.6%**
Fund costs (TER)	0.56% per annum
Unit price	NAV - 126.35 pence
	Bid - 124.90 pence
	Offer - 128.28 pence
Bid/Offer spread	2.5%***
SEDOL	0208075
Next distribution date	15 February 2018
Last distribution payment	1.26p per unit
Next dealing date	30 March 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

Five Largest Assets

London SE7 - Brocklebank Retail Park, Greenwich	4.3%
Mansfield - Tesco Store, Chesterfield Rd	4.0%
Barnet - Sainsbury's, East Barnet Road	3.6%
London EC1 - 6/9 Briset Street, Farringdon	3.6%
Brighton - Jurys Inn Hotel, Stroudley Road	3.4%
Total	18.9%

10 Largest Tenants

Tesco Stores Limited (surety: Tesco plc)	5.0%
Jurys Hotel Management (UK) Limited (surety: Vesway Limited)	4.8%
Sytner Properties Limited (surety: Sytner Group Limited)	3.9%
Travelodge Hotels Limited	3.8%
Sainsbury's Supermarkets Limited (surety: Sainsbury's plc)	2.8%
VW Group UK Limited	2.3%
Wickes Building Supplies Limited (surety: Wickes Holdings Limited)	2.1%
The Secretary of State for Communities and Local Government	1.8%
The British Diabetic Association	1.8%
Homebase Limited	1.8%
Total (across 27 locations)	30.1%

Source: Savills Investment Management, December 2017

Active Management

Work is continuing at pace with the extensive refurbishment of The Smithson building in **Farringdon, EC1**. The works are significantly advanced and we have passed the halfway stage in the construction process. It is due to complete in early July.

Whilst work is under way we would not have expected significant tenant interest, however we have undertaken 24 viewings, have been shortlisted by a number of major occupiers and are very confident of securing a letting this year.

It is also interesting to note that Crossrail, which has been long awaited, will open later this year – which will have a beneficial effect on the majority of our London assets and this one in particular.



We also completed the construction of a 66,000 sq ft industrial unit in **Bury St Edmunds** last quarter. This property was acquired for £1.3 million and comprised a four acre site let to Carillion at a rent of £131,000 pa on a lease expiring in March 2020. We took an early lease surrender (and a premium payment) from them in December 2015 and pre-let the property to Vitec plc on a new 15 year lease with RPI linked rent reviews at a rent of £587,400 per annum (3.5 times the previous rent), subject to constructing them a new warehouse.

Work has now completed and the December valuation has increased to £10.4 million, an increase of £4.4million (73%) after deducting the original purchase price and cost of the works.



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

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