

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

31 July 2017

Dear Investor

We have pleasure in enclosing your copy of the quarterly factsheet for the quarter ending 30 June 2017.

The Fund produced a total return of 2.3% for Q2 2017, in line with AREF/MSCI All Balanced Funds Index of 2.3%. For the last 12 months the Fund produced a total return of 6.6%, against the Index of 6.0%.

	3 months	12 months	3 years (pa)	5 years (pa)	10 years (pa)
The Charities Property Fund	2.3%	6.6%	10.0%	10.2%	4.1%
AREF/MSCI All Balanced Property Funds Index	2.3%	6.0%	9.5%	9.0%	2.2%

Source: Savills Investment Management, AREF/MSCI (June 2017)

We are delighted to report that the Fund has outperformed the benchmark by almost double over the last ten years to June 2017 and has also outperformed in each and every year. It remains the second highest performing fund over this timescale and this outperformance reflects the underlying quality of the portfolio.

The Fund saw capital growth of just over 1.2% this quarter and we also received £27 million of net new applications this quarter.

The commercial property market has held up well despite the uncertainty caused by the General Election and Brexit negotiations. We are still seeing good demand for quality assets and competitive bidding when properties come to market. Secondary property has fallen out of favour as investors adopt a more cautious approach.



Excellent progress is being made on a number of pre-let development projects being undertaken by the Fund and information on two of them is set out below.

Greenwich

At Greenwich we are quickly approaching practical completion of this project which will become the Fund's largest asset. On 7 August it will complete and leases will be entered into with Primark (for a 20 year term), Next (15 years), Aldi (15 years) and Mothercare (10 years). Three of the four leases benefit from index linked rent reviews. This has been a very exciting initiative in an excellent location and will further benefit from the regeneration of the entire area, including the construction of 15,000 houses and London's first new Ikea store in 10 years. It will deliver almost £2.4 million per annum in additional income from August this year.



Bath

The change of use and redevelopment of two Grade B office floors to provide a brand new hotel in the centre of Bath is progressing well and is on schedule and budget. Practical completion is anticipated for October 2017, and Travelodge have already entered into an agreement for a new 25 year lease at £450,000 per annum, with five yearly RPI index linked rent reviews. The office tenant was previously paying only £240,000 per annum on a very short

lease before we agreed a lease surrender and lobbied the council for the change in use. This redevelopment has already resulted in a significant valuation impact (the building was acquired for £6.7 million and is currently valued at £13.2 million), and will contribute to enhancing the dividend in Q4 2017.

These two projects will deliver an additional £2.8 million per annum in rent (increasing the rent on the entire portfolio by an additional 5%) when completed.

Yours sincerely

A handwritten signature in black ink.

Harry de Ferry Foster
Fund Director

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 2017

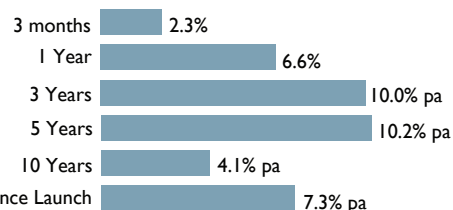
- Fund size £1.159 billion
- No debt
- Well diversified portfolio
- 111 properties and 235 tenants
- High yielding (4.8% as at June 2017)
- Low vacancy rate (5.0% versus MSCI at 7.7%)
- Strong covenants (85.2% rated low or negligible risk, compared to MSCI at 80.0%)
- Allowing for void property, the Fund has a long unexpired average lease term of 11.9 years to expiry (10.4 years to break). MSCI: 8.5 years to expiry (7.6 years to break) on the same basis.
- 36.6% of income benefits from fixed or index linked rental increases

Applications and Redemptions

£26.9 million (net) of new applications were accepted this quarter.

Cash on deposit is £63 million (5.4%).

Fund Performance



Source: Savills Investment Management, MSCI (June 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 Q2 2017 was 2.3% matching to 2.3% for the AREF/MSCI All Balanced Funds Property Index. Over the last 12 months the Fund produced 6.6%, compared to the Index at 6.0%.

Over the last five years the Fund has returned 10.2% per annum, compared to the Index of 9.0% per annum. Over 10 years the Fund has returned 4.1% per annum, compared to the Index at 2.2% per annum.

Purchases

We acquired two retail warehouse assets this quarter totalling £38.0 million and reflecting a yield to the Fund of 6.0%, increasing to 6.6% in August 2018. The average unexpired lease term is 16 years. The first was Metro Park West in **Gateshead**, which is a prime asset situated adjacent to the Metro Centre and next to a large Asda supermarket and Ikea. The Metrocentre is the second busiest shopping destination in the UK, attracting 21 million visitors a year.

The property is let to Tesco plc for a further 31.5 years with a break in 16.5 years and has been fully underlet to the The Range and Sports Direct. It benefits from five yearly RPI linked rent

reviews the next of which is due in August 2018. The price of £33.67 million reflected a yield to the Fund of 5.85%, estimated to rise to 6.6% in August next year.

The second acquisition was a retail warehouse in **Bury St Edmunds**. The asset is let to Matalan Retail for a further 12.5 years at a very low rent of £9.80 per sq ft. The price of £4.3 million, reflected a yield to the Fund of 6.9%. The property benefits from an open AI planning consent, but would be equally valuable if converted into industrial use or as a car showroom, so provides long income underpinned by alternative uses in line with our strategy.

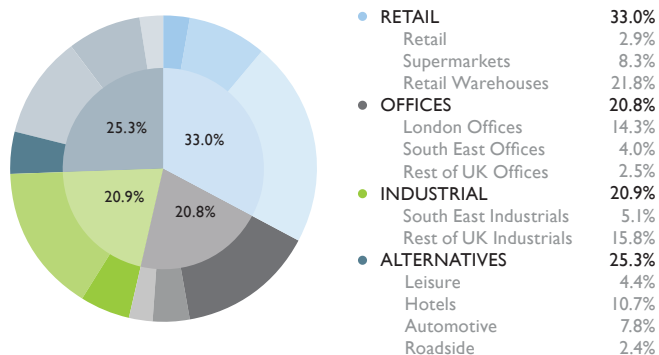


Gateshead



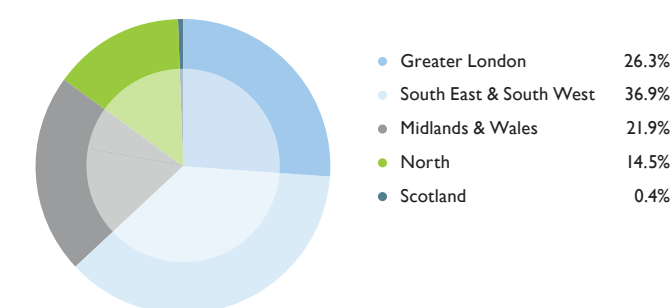
Bury St Edmunds

CPF Portfolio June 2017



Source: Savills Investment Management, June 2017

Geographical Weightings



Source: Savills Investment Management, June 2017

Fund Information (as at 30 June 2017)

Launch date	September 2000
Fund size	£1.159 billion
No of investors	1,937
Historic distribution yield	4.72%*
Prospective distribution yield	4.75%**
Fund costs (TER)	0.54% per annum
Unit price	NAV - 121.35 pence
	Bid - 119.97 pence
	Offer - 123.20 pence
Bid/Offer spread	2.5%***
SEDOL	0208075
Next distribution date	15 August 2017
Last distribution payment	1.30p per unit
Next dealing date	30 September 2017#

* 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

10 Largest Assets

London SE7 - Brocklebank Retail Park, Greenwich	4.7%*
Mansfield - Tesco Store, Chesterfield Rd	4.4%
London EC1 - 6/9 Briset Street, Farringdon	3.8%
Barnet - Sainsbury's, East Barnet Road	3.6%
Gateshead - Metro Park West	3.2%
London WC2 - 90 Chancery Lane, Midtown	3.1%
Brighton - Jurys Inn Hotel, Stroudley Road	3.1%
Cambridge - Travelodge, Newmarket Road	2.3%
London E1 - 122 Back Church Lane, Whitechapel	2.0%
London EC2 - Rivington House, Shoreditch	1.8%
Total	32.0%

* Based on completed value

Five Largest Tenants

Tesco Stores Limited (surety: Tesco plc)	5.5%
Jury's Hotel Management (UK) Limited (surety: Vesway Limited)	5.0%
Travelodge Hotels Limited	3.4%
Sytner Properties Limited (surety: Sytner Group Limited)	3.1%
Sainsbury's Supermarkets Limited (surety: Sainsbury's plc)	3.0%
Total	20.0%

Source: Savills Investment Management, June 2017

Sales

We have completed one sale this quarter which comprised one of our two distribution assets in **Redditch**. The unit was acquired for £15.15 million in 2011, reflecting a yield to the Fund of 9.4% and was let to the John Lewis Partnership until July 2017. The warehouse was operated by iForce, a third party logistics provider (3PL) and we engaged with the tenant in advance of their lease expiry date last summer.

We subsequently agreed a 10 year lease extension with iForce, securing the income until May 2027. Due to the long unexpired term achieved and the strong investor demand currently seen for industrial assets we decided to take advantage of these market conditions to sell the asset. We are very pleased to report that we have now completed the business plan and sold to Royal London at a price of £25.15 million, reflecting a yield of 5.35%. Prior to the lease extension the asset was valued at £21.55 million. This property has delivered an annual return of 17.3% pa in the six years of ownership and capital growth of 65%.



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.

Active Management

We have focused on building a quality automotive portfolio over the last five years and it forms a significant part of our weightings to the Alternatives sector. We are impressed at the investment tenants make into these dealerships and currently works are underway at four dealerships owned by the fund (namely **BMW Chigwell**, **Volvo Chester** and both **Mercedes** and **Audi in Harrogate**). The tenants are investing £15.0 million of their own money upgrading the quality of the facilities, which will require reinstatement upon lease expiry and from a landlord perspective is only to be encouraged.

At the Audi dealership in **Harrogate** we have taken the decision to help fund these works for the tenant (Sytner), in return for a much longer lease and an enhanced rent. Sytner have extended the building by 50% and in return for a capital payment we have increased the rent by 40% and the lease length from 8.5 years to 18.5 years unexpired. This will result in a net capital uplift of £1.6 million to the Fund and will add to the distribution whilst providing enhanced security through a longer lease. Both of these examples show the value we continue to create through active management of the portfolio.

