

4 August 2020

Dear Investor,

CHARITIES PROPERTY FUND Q2 2020 FACTSHEET

We hope this letter finds you well and have pleasure in enclosing a copy of the June quarterly factsheet.

We are very pleased to report that the Charities Property Fund is the top performing fund for the first half of 2020 (out of 30 Funds). Over 12 months the Fund is the 5th highest performer, over 3 years it is also 5th and over 10 years it is 3rd. Whilst no one likes to report negative performance, relatively the Fund has done well and it is gratifying to not only be the top performing fund during the Covid-19 crisis, but also to register top quartile performance over the short, medium and long term. These set of results mark our 13th year of consecutive outperformance to June 2020.

	Q2 2020	YTD	1 year	3 years (pa)	5 years (pa)	10 years (pa)
The Charities Property Fund	-1.9%	-1.7%	-1.2%	4.6%	5.6%	7.9%
AREF/MSCI All Balanced Property Funds Index	-2.0%	-3.3%	-2.6%	3.4%	4.6%	6.6%

Source: AREF/MSCI All Balanced Property Funds Index. NB past performance is not a reliable indicator of future performance. Total return is net of fees and expenses.

The June 2020 valuation did show a reduction of -2.78%, on top of a reduction of -0.77% in March and the NAV has fallen from 127.23 pence per unit in December 2019 to 126.25 ppu in March 2020 to 122.73 ppu in June 2020. However these reductions are partly offset by adding back in the dividends paid.

The Fund

As previously communicated in our letters of 20 March, 30 April and 24 June, whilst the Independent Valuer, Cushman & Wakefield (along with all other valuation firms) are still able to produce valuations and make professional judgements they are with less certainty than under normal market conditions. This has resulted in us temporarily suspending the Fund in line with FCA guidance and in the interests of all unit holders. However, whilst the valuers have included a Material Valuation Uncertainty clause, it doesn't prevent them having an opinion of value and it allows us (and all other property funds) to calculate performance and compare ourselves relative to our peers.

We have been asked whether we think these falls are realistic or whether the Valuers are 'behind the curve' or staring into 'their rear view mirrors' and therefore values are artificially high and should have fallen further. There is certainly a lot of bad news out there, particularly in retail and hospitality and we can see why this could be perceived. Add to this the share price performance of the likes of Hammerson and INTU and the outlook does not inspire confidence. Transaction volumes are also reduced, potentially supporting the view that reality is suspended and further larger falls are to come. However, on the flip side the valuers have already managed to remove the Material Valuation Uncertainty clause on a number of sectors and sub-sectors, the most pertinent to CPF being: Industrial & logistics, annuity income, supermarkets and London offices. Including cash this means

valuation uncertainty has been removed from half of the portfolio already and we are a significant way towards hitting the 80% level necessary to recommence trading.

Also it should be noted that whilst some REIT's have had a dreadful run, this is mainly due to a high percentage of shopping centres and fashion parks, twinned with a heavy dose of leverage. Looking across at some of the other REIT's - a number have completed successful share placings (Supermarket REIT, London Metric, PHP, Warehouse REIT etc) and a number of them are trading at higher levels than pre Covid-19 (SEGRO, Supermarket REIT, etc). It has all come down to individual stock selection and whilst we have not been immune to falls in the Charities Property Fund, the high quality of the portfolio is clearly being backed up by the performance data.

Rent collection

The dividend for Q1 was paid on 15 May and this was 1.30 pence per unit in line with the Q4 2019 dividend. The Q2 dividend to be paid on 15 August will be 1.026 pence per unit. This is 79% of the May level and above the 75% we previously estimated. We think this is a good result particularly as this only takes account of what we have received so far and doesn't take account of any of the agreed deferrals (some of which have already started to be repaid), nor agreements we have reached since the end of the quarter, nor those strong tenants who have as yet refused to pay (but won't be able to avoid doing so forever). Therefore we know this figure will be exceeded.

More good news comes from the Q3 rent collection data. Universally it was anticipated that Q3 rent collection would be worse than Q2. Mainly because as at the March quarter day, although we were already in lockdown, the Government hadn't introduced any of their protection measures for occupiers and some tenants had already paid via standing order. It was expected that at Q3, tenants would have a long run up not to pay and not much incentive to do so, particularly with Government protection.

However we are confident that the collection rate will be broadly the same for Q2 and are therefore optimistic of paying a similar level of dividend in November. Hopefully after this, the situation will normalise, collection levels will recover and we can collect the deferrals and tackle the non-payers and distribute this in addition to the normal dividends during 2021.

We attach a table below setting out the collection rates in the fund across the various sectors. This measures actual rent collected, but not where we have agreed deferrals. If we include deferrals (as some do) then the collection statistics are over 90%:

Sector	Rent Collection Statistics (as at 30 June 2020)	% of portfolio overall rent
Industrial	87%	28.3%
Offices	87%	20.2%
Retail Warehouses	79%	22.8%
Supermarkets	100%	3.5%
High Street	38%	1.6%
Other	38%	23.6%
Total	79% (average)	100%

The most interesting of the collection rates for the fund is retail. This makes up a quarter of our portfolio by value, but at 79% for retail warehousing, collection rates are identical to the portfolio average, whereas across the industry retail collection rates are less than 50%. This is due to the majority of the portfolio being located out of town and a very high percentage exposure to 'value retail' including food operators, essential providers, DIY, discount and convenience stores. Most have remained open throughout the crisis and we have very little exposure to fashion. Whilst retail sales have slowly recovered to pre-lockdown levels, fashion sales are 30% down. Much more is being spent on food and home purchases.

Summary

In terms of managing the portfolio, the office is open and the team are spending 1-2 days a week at the office or on site visits and also continuing to work remotely. We have seen activity within the portfolio and completed one sale last quarter and agreed terms on another. These are detailed in the factsheet. Another sale completed after the quarter end. We are also pleased to report that we have now completed five leasing transactions since lockdown, with another five likely to happen imminently. Whilst these have been small transactions on the whole, they will help to reduce the void rate to 4.3%. We also don't have an issue with liquidity and continue to maintain a significant cash balance of over £70 million.

The portfolio hasn't been immune to tenant failures and Poundstretcher, Travelodge and Frankie & Benny's who have all undertaken CVA's this quarter. However, a number of these assets are unaffected (i.e. the rent and lease terms are unchanged) which illustrates the quality of the locations. With the retail properties some will continue trading as normal and those that don't we are confident of reletting. The average rent on these stores was only £11 per sq ft. In one particular example we have two retailers very keen to split a store between them that will not only increase the rent by c.40% but also give us the opportunity to improve the environmental credentials of the asset. Overall we have only waived 0.7% of rents during Q2, if these CVA's are added, that increases to 1.4%, but we still currently see no reason we can't ultimately collect circa 95% of the rents due.

The Fund continues to benefit from our defensive strategy - we have no debt and therefore any fall in capital values does not put the Fund at risk with lenders or have a magnifying effect on performance. We have no indirect property holdings and we own no listed stocks; all our properties are 100% owned by the Fund - we have no complicated joint ventures or shared ownerships; we do not undertake speculative development and have consistently pursued a cautious, low risk approach and focused on creating a quality, predominately prime portfolio. This is important as occupiers will be reticent to risk losing some of these locations despite short term instability. We continue to benefit from long leases (11.6 years on average); a high percentage of index linked leases (40.3%); we have a very well balanced portfolio (circa 25% in each sector); we have little exposure to fashion, student accommodation, restaurants, serviced offices (those hardest hit) and a higher exposure to logistics and food and discount retail (those least affected). Where we are exposed - hotels and serviced apartments for example, these are generally in excellent locations.

Please do not hesitate to contact us if you have further questions on any of the above.

Yours sincerely,

A handwritten signature in black ink, appearing to read "H. de Ferry Foster".

Harry de Ferry Foster MRICS
Fund Director



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

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This Fund is a registered charity (number 1080290) and is a common investment fund established by the Charity Commission for England and Wales under Section 24 of the Charities Act 1993. Investment into the Fund is only available to charities within the meaning of section 96 or 100 of the Charities Act 2011.

This letter has been prepared for existing investors of the Fund. It has been provided for information purposes only and may not be reproduced in any form without the express permission of the Manager. The opinions expressed here represent the views of the Manager at the time of preparation and should not be interpreted as investment advice.

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. Property can be difficult to sell and it may be difficult to realise your investment when you want to.

The current COVID-19 crisis has created uncertainty in many areas connected with real estate as well as in the macro-economic environment, including as to valuations and market transaction levels. As a result, all forecasts are subject to further volatility. The information above is provided on a confidential basis to existing and potential investors in the interests of maximum transparency in the current exceptional market environment.

FUND OBJECTIVES

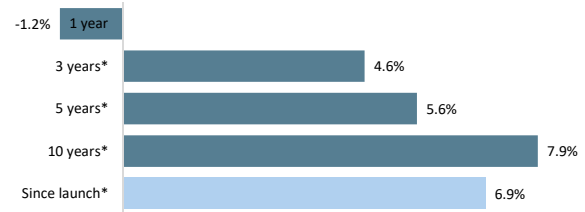
The Charities Property Fund is the original and largest tax efficient pooled property vehicle available to all charities in the UK (AREF/MSCI June 2020). It is a Common Investment Fund regulated by the Charity Commission and helps almost 2000 charities to invest in commercial real estate in an ethical, responsible and tax-efficient way. 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 JUNE 2020

- Fund size £1.208 billion
- No debt
- Well diversified and balanced portfolio
- 125 properties and 252 tenants
- Negligible exposure to the high street and no shopping centres
- 65% of the portfolio located in London and the South of England
- High yielding (4.7% gross and 4.1% net of costs)
- Low vacancy rate (5.1% versus MSCI at 9.3%)
- Strong covenants (85.3% rated low or negligible risk, compared to MSCI at 77.9%)
- Long average unexpired lease term of 11.6 years to expiry (9 years to break). MSCI: 8.2 years to expiry (7.0 years to break)
- 40.3% of income benefits from fixed or index linked rental increases

The Fund total return for Q2 2020 was -1.9% compared to the Index of -2.0%. Over the last 12 months the Fund produced -1.2%, against the AREF/MSCI All Balanced Property Fund Index which returned -2.6%.

FUND PERFORMANCE



*annualised

Source: Savills Investment Management, MSCI (June 2020)
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 5.6% per annum, compared to the Index of 4.6% per annum. Over 10 years the Fund returned 7.9% per annum, compared to the Index at 6.6% per annum (source: MSCI).

SALES

The Fund has recently completed the sale of a car dealership asset in **Salisbury** to the tenant. We have also granted them an option to acquire another asset they occupy in **Poole**.

Salisbury comprises a Mercedes dealership let to Sandown Dorset & Wiltshire Limited for a further 10.5 years at a rent of £396,060 per annum. The price they paid of £5.775 million reflected a yield to the Fund of 6.4%.

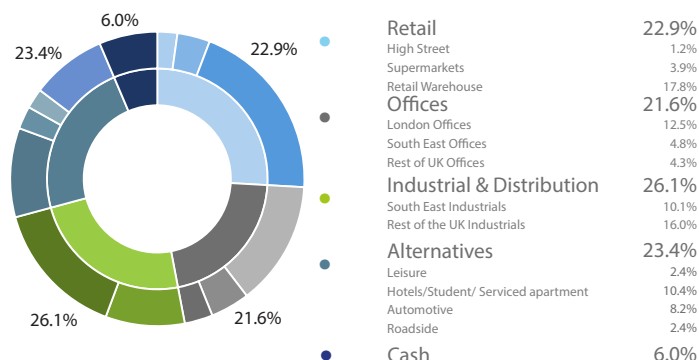
We have also granted them an option to acquire a second asset located in Poole within a two year window between June 2021 and June 2023 at a price of £7.1m, reflecting a yield of 5.2%. Poole is also let for a further 10.5 years at a similar level of £395,000 per annum, but it comprises a larger building and importantly a larger site. This asset could only have 7 years remaining were they to exercise the option in 2023.

We think these prices are materially ahead of those currently achievable in the open market and reflect a premium price given the special purchaser nature of the buyer. The combined price is higher than the 2015 purchase price for these assets and they have delivered more than £4 million in income since they were acquired.

We are also delighted to exit from Salisbury now which is a relatively small site (1.1 acres) and is significantly overrented and therefore carries more risk. Poole is much more defensive and is the asset the tenant indicated they wanted to acquire, however we insisted Salisbury had to come first. Poole comprises a much larger site, is not overrented and therefore we believe has better long term prospects to hold its value. It is also their headquarters.

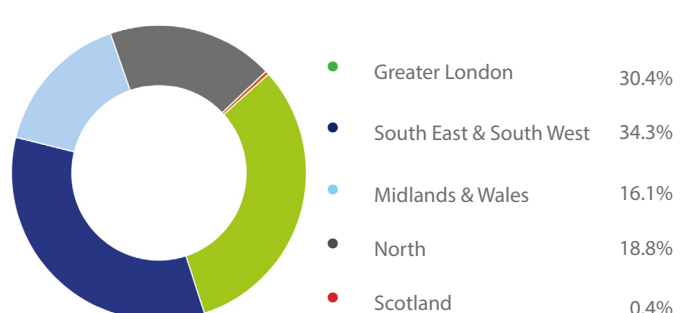


CPF PORTFOLIO JUNE 2020



Source: Savills Investment Management, June 2020

GEOGRAPHICAL WEIGHTINGS



Source: Savills Investment Management, June 2020

FUND INFORMATION - (AS AT 30 JUNE 2020)

Launch date	September 2000
Fund Size	£1.208 billion*
No. of investors	1,918
Historic distribution yield	4.2%**
Prospective distribution yield	4.0%***
Fund costs (TER)	0.57% per annum
Unit price	NAV - 122.73 pence*
	Bid - 121.06 pence*
	Offer - 124.83 pence*
Bid spread	1.45%
Offer spread	1.55%
SEDOL	0208075
Next distribution date	15 August 2020
Last distribution rate	1.30p per unit

*This is an indicative NAV pricing and is published on a non-reliance basis. The underlying valuation of investment properties may be subject to further fluctuation given the unknown future impact COVID-19 might have on the real estate market.

** 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

Sytner Properties Limited (surety: Sytner Group Limited)	4.5%
Macmillan Publishers International Limited	3.8%
Tesco Stores Limited Travelodge Hotels Limited	3.7%
Sainsbury's Supermarkets Ltd (surety: Sainsbury's plc)	3.1%
Travelodge Hotels Limited	2.9%
Total (across 13 locations)	18.0%

10 LARGEST ASSETS

London EC1 - The Smithson, 6 Briset Street, Farringdon	6.1%
Barnet - Sainsbury's, East Barnet Road	3.9%
London SE7 - Brocklebank Retail Park, Greenwich	3.5%
Brighton - Jurys Inn Hotel, Stroudley Road	3.4%
Gateshead - Metro Park West	3.1%
Cambridge - Travelodge, Newmarket Road	2.4%
London E1 - 122 Back Church Lane, Whitechapel	2.1%
London EC2 - Rivington House, Shoreditch	1.6%
Twickenham - Apex Retail Park	1.5%
Telford - Welcome Break Service Station	1.5%
Total	29.1%

Source: Savills Investment Management June 2020

ASSET MANAGEMENT

The Fund team has been enthusiastically liaising with tenants, progressing rent collection, agreeing and documenting deferrals and in some cases negotiating lease restructures or extensions and converting new lettings. We have so far also completed five new leases since lockdown in Hereford, Boston, Wellingborough and Halewood and have agreed terms on a further five in Greenwich, Brighton, Bristol and Boston.

As mentioned in the covering letter we also have experienced three CVA's over the quarter for Travelodge, The Restaurant Group and Poundstretcher. Gaining control of the Restaurant Group unit in Uttoxeter is welcome as we have Costa and Greggs wishing to jointly occupy this unit at effectively twice the current passing rent. It also enables us to substantially improve the environmental credentials of this unit. We have five Poundstretcher

units on retail parks, all of which are small and let off low average rents (£11 per sq ft on average). We are confident they will continue to trade three of them and we have good occupational interest in the other two.

Travelodge was by far the most important CVA as they occupy three hotels owned by the Fund and are a large individual tenant. We are pleased to report that both Cambridge and Poole are Category A hotels and therefore have paid all rent due and will continue to do so. Bath is a Category B hotel, which will suffer a small temporary rent reduction, before reverting to its previous level, assuming we don't take control and let it to another occupier which we are exploring. If they remain in occupation of Bath (which is the worst case), we will receive 88% of all rent due from these three hotels in 2020 and 95% in 2021. Thereafter we will receive 100% of the previously contracted rent.

Bath



Risk Warning

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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).



Uttoxeter