

## FUND OBJECTIVES

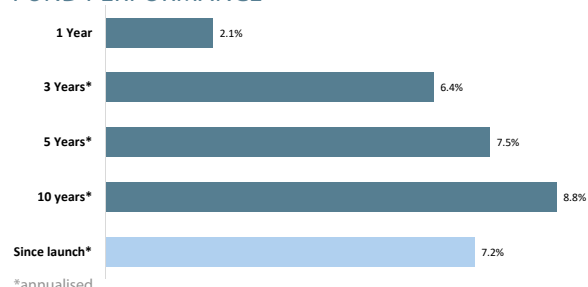
The Charities Property Fund is the original and largest tax efficient pooled property vehicle available to all charities in the UK (AREF/MSCI December 2019). It is a Common Investment Fund regulated by the Charity Commission. The Fund's objective is to invest in property throughout the UK to provide a balanced and diversified portfolio to deliver a high and secure level of income and to maintain the capital value of assets held.

## KEY POINTS - 31 DECEMBER 2019

- Fund size £1.254 billion
- No debt
- Well diversified and balanced portfolio
- 127 properties and 238 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 (4.8% gross and 4.2% net of costs)
- Low vacancy rate (4.2% 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 11.9 years to expiry (9.3 years to break). MSCI: 8.2 years to expiry (7.0 years to break)
- 40.2% of income benefits from fixed or index linked rental increases

The Fund total return for Q4 2019 was 0.0% compared to the Index of 0.3%. Over the last 12 months the Fund produced 2.1%, 0.5% above the AREF/MSCI All Balanced Funds Property Index which returned 1.6%.

## FUND PERFORMANCE



\*annualised

Source: Savills Investment Management, MSCI (December 2019)

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 7.5% per annum, compared to the Index of 6.6% per annum. Over 10 years the Fund returned 8.8% per annum, compared to the Index at 7.5% per annum (source: MSCI).

## PURCHASES

The Fund has recently completed two purchases, a Greater London industrial estate in Chigwell and an office building in Cheltenham.

The **Chigwell** acquisition lies adjacent to Debden underground station and just to the north of Chigwell on the M11. It comprises an extensive 3 acre site and was acquired for £9.0 million, reflecting a yield to the Fund of 4.77%. The asset incorporates one newly constructed and one substantially refurbished industrial unit located off Langston Road, the principal out of town business location.

The entire site is let to Sytner Group Ltd as a storage and service centre for their BMW dealership and is let at a low level of rent on a very long lease, expiring in 2056, with 5 yearly index linked rent reviews. There are break options in 2036 and 2046. The site cover is very low and the



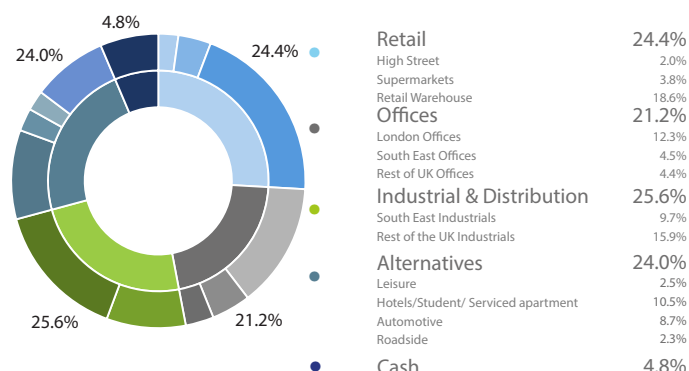
underlying site value is very close to the investment value. The buildings are BREEAM certified and have direct pedestrian access to Debden station.

The second acquisition was a Grade A, town centre office building in **Cheltenham**. The building has recently undergone a comprehensive £2million refurbishment.

The asset is let to Abercrombie & Kent and Outsauce Financing on three new 10 year leases and one new 5 year lease from June 2019 respectively. The average rent is affordable at £22.50 per sq ft, with recent office transactions in Cheltenham approaching £30.00 per sq ft. Demand in Cheltenham has been driven through a loss of office stock to residential through Permitted Development and demand from cyber security related occupiers due to the proximity of GCHQ. The purchase price of £6.8 million, reflected a net initial yield of 6.6% to the Fund.

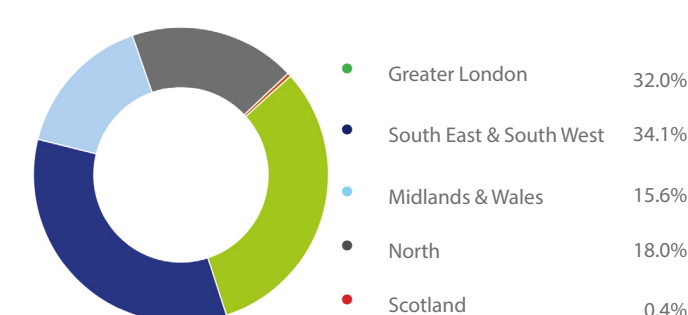


## CPF PORTFOLIO DECEMBER 2019



Source: Savills Investment Management, December 2019

## GEOGRAPHICAL WEIGHTINGS



Source: Savills Investment Management, December 2019

## FUND INFORMATION - (AS AT 31 DECEMBER 2019)

Launch date	September 2000
Fund Size	£1.254 billion
No. of investors	1,926
Historic distribution yield	4.2%*
Prospective distribution yield	4.2%**
Fund costs (TER)	0.57% per annum
Unit price	NAV - 127.23 pence
	Bid - 125.50 pence
	Offer - 129.41 pence
Bid spread	1.45%
Offer spread	1.55%
SEDOL	0208075
Next distribution date	15 February
Last distribution rate	1.32p per unit

\* 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)	4.3%
Macmillan Publishers International Limited	3.7%
Tesco Stores Limited	3.6%
Travelodge Hotels Limited	3.3%
Sainsbury's Supermarkets Ltd (surety: Sainsbury's plc)	3.0%
Total (across 14 locations)	17.9%

## 10 LARGEST ASSETS

London EC1 - The Smithson, 6 Briset Street, Farringdon	5.7%
Barnet - Sainsbury's, East Barnet Road	3.6%
London SE7 - Brocklebank Retail Park, Greenwich	3.4%
Brighton - Jurys Inn Hotel, Stroudley Road	3.4%
Gateshead - Metro Park West	3.1%
London WC2 - 90 Chancery Lane, Midtown	2.7%
Cambridge - Travelodge, Newmarket Road	2.4%
London E1 - 122 Back Church Lane, Whitechapel	1.9%
London EC2 - Rivington House, Shoreditch	1.7%
Twickenham - Apex Retail Park	1.4%
Total	29.3%

Source: Savills Investment Management December 2019

## SALES

The Fund completed one sale over the last quarter, which was a London office building on **Chancery Lane**. The price achieved was **£34.0 million**, reflecting a yield of **3.68%**. This building was acquired in December 2004 for £17.1m at a yield of 7.1%. The property provided uninterrupted income until we took an early lease surrender in 2012 in return for a surrender payment of £2.75 million from the tenant. We then completed a comprehensive Grade A refurbishment, including a new reception, M&E and LED lighting, before reletting the building during 2013 to 12 different tenants on 10 year leases, with breaks at year 5. We passed all the break dates in 2018 and then carried out the rent reviews to maximise income receivable. Having owned the building for 15 years, fully refurbished and asset managed it, we decided to accept a very strong offer from a wealthy Asian purchaser. This asset delivered in excess of £17 million in income during its hold period.



London, WC2

## ASSET MANAGEMENT

There have been a number of asset management initiatives undertaken this quarter. One of the most satisfying was an office building in **Feltham**, West London. The building lies very close to Heathrow and is occupied by HM Government as a court and tribunal facility.

We acquired the building in 2012 for £6.5 million and a yield of 9.5%, with five years remaining on the lease. In 2017, we extended the lease for a further 5 years and increased the rent by 10%. Two years later, we increased the rent again by a further 5%, but importantly extended the lease for a second time, this time adding 10 years, providing us with an unexpired term of 13 years. We also included index linked uplifts at all the rent reviews. As with Chancery Lane, the building is now worth double its original purchase price.



Feltham

### 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).