

20 January 2021

Dear Investor,

CHARITIES PROPERTY FUND Q4 2020 FACTSHEET

Whilst 2020 was undoubtedly a difficult year on many levels, we are pleased to report that the Charities Property Fund has proved highly resilient. We had a stellar final quarter, producing a total net return of +3.1%. Rent collection was high at 93% and we sold six assets during the quarter, all bar none at significant premiums to their September valuations. On average the sales were +12% ahead of valuation.

The Fund was not only the top performing charity specific fund in 2020 but was also the top performing balanced fund (out of 30 funds). It was one of only five funds to post a positive return for the calendar year.

During 2020 we also managed to distribute over 90% of the total dividend paid in 2019. We also begin the New Year with £75 million of cash in the bank and no outstanding redemptions, in fact applications for Q4 exceeded redemptions. Our focus on quality assets and no leverage has once again stood the Fund in good stead.

Performance is highlighted in the table below.

	Q4 2020	1 year	3 years (pa)	5 years (pa)	10 years (pa)	20 years (pa)
The Charities Property Fund	3.1%	1.3%	3.5%	5.3%	7.7%	6.9%
AREF/MSCI All Balanced Property Funds Index	2.1%	-1.0%	2.3%	3.9%	6.4%	-
Relative performance	+1.0%	+2.3%	+1.2%	+1.4%	+1.3%	-

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.

We completed nine sales during 2020 and six of these were during the final quarter. These six comprised a broad selection of assets across multiple different sectors and included two office buildings (one in Central London), a car showroom, a supermarket and two industrial properties. The supermarket was the largest asset and one of the industrial assets the smallest. We managed to identify special purchasers or facilitate very competitive bidding in each instance. The strength of the market and the premiums achieved against valuations may surprise - the combined September valuation of these six properties was £86.1 million and they collectively sold for £96.375 million, a premium of +12%. A number of these assets had been prepared for marketing through the completion of asset management initiatives and would have been sold anyway. The supermarket was marketed to take advantage of the feverish demand for foodstores which materialised in Q4 when investors sought to allocate capital to "essential" income as a reaction to Covid-19 and this enabled us to create competitive tension from bidders and capture a very strong price.

This outperformance would be laudable at any time, let alone during a global pandemic whilst being stalked by the real threat of a no deal Brexit. Equally pleasing was the prime average yield achieved on the six assets of 3.97% and the uplift since purchase - the assets were collectively acquired for £66.375 million, so we have realised a 45% premium over their acquisition prices, not to mention the rental income received over the average eight year hold period.

Rent collection has also held up very well and the distribution payments for 2020 are set out below. We would caveat that Q4 is currently an estimate and it may come in higher than this. The total of 4.82 pence per unit was 8.7% below the 2019 level of 5.28 pence per unit. However these figures are strong as since April 2020 payment of rent has effectively been voluntary due to the Government moratorium on landlords using anything other than persuasion to extract the rent contractually due. We are also confident of collecting the majority of the rents where we allowed tenants to defer, as well as that of those yet to pay. On top of which we will have the benefit of two substantial surrender premiums to distribute in H1 2021. We therefore anticipate being able to distribute a substantially higher dividend in 2021 than 2020.

Date	Distribution payment
Q1 – Paid 15 th May	1.30 pence per unit
Q2 – Paid 15 th August	1.03 pence per unit
Q3 – Paid 15 th November	1.12 pence per unit
Q4 – to be paid 15 th February	1.37 pence per unit (estimated)
	4.82 pence per unit

Turning to active management, we successfully completed 18 new lettings and 16 lease renewals during 2020, protecting and securing £6.4 million of income. Particularly satisfying was that all were on average completed in line with rental value and across all sectors, the largest number in the retail sector and largest by value in the industrial sector. Generally our leases are long, with a weighted average term to lease expiry of 11 years. The percentage of income due to expire in the next five years is only 34%. We ended 2020 with a lower vacancy rate (4.9%) than we began the year with (5.3%).

All of these achievements, be they outperformance, high levels of rent collection or selling assets significantly ahead of valuation are not only an indication of the quality of assets owned, but are also a testament to the work of the team behind the scenes over the year.

I know you will be expecting a ‘but’, and clearly we are still very much in the pandemic with the threat of further lockdowns lasting until the Spring. However an EU free trade deal and two approved vaccines provide a signpost out of the crisis and we have every reason to be optimistic, particularly for the second half of this year.

As a reminder, the Fund’s AGM will be taking place virtually on 3rd February 2021. If you would like to attend, please let us know if you haven’t already.

We wish you all a Happy New Year.

Yours sincerely,



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 letter is issued by Savills Investment Management (UK) Limited (registered in England, number 03680998 at 33 Margaret Street, London W1G 0JD), which is authorised and regulated by the Financial Conduct Authority (firm reference number 193863) and operates as the Manager of the Charities Property Fund ("The Fund").

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.

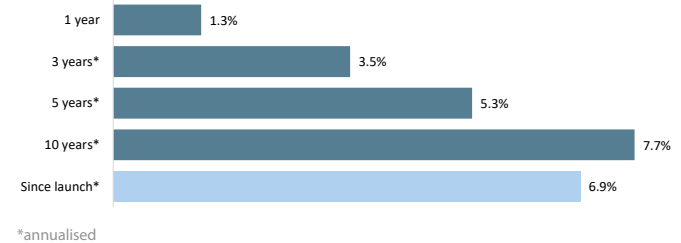
FUND OBJECTIVES

The Charities Property Fund is the original and largest tax efficient pooled property vehicle available to all charities in the UK (AREF/MSCI December 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 - 31 DECEMBER 2020

- Fund size £1.186 billion
- No debt
- Well diversified and balanced portfolio
- 119 properties and 247 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 (5.2% gross and 4.6% net of costs)
- Low vacancy rate (4.9% versus MSCI at 9.3%)
- Strong covenants (85.3% rated low or negligible risk)
- Long average unexpired lease term of 11.0 years to expiry (8.5 years to break). MSCI: 8.2 years to expiry (7.0 years to break)
- 37.3% of income benefits from fixed or index linked rental increases

FUND PERFORMANCE



Source: Savills Investment Management, MSCI (December 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.

The Fund total return for Q4 2020 was 3.1% compared to the Index of 2.1%. Over the last 12 months the Fund produced 1.3%, against the AREF/MSCI All Balanced Property Fund Index which returned -1.0%.

Over the last five years the Fund has returned 5.3% per annum, compared to the Index of 3.9% per annum. Over 10 years the Fund returned 7.7% per annum, compared to the Index at 6.4% per annum (source: MSCI).

SALES

We have sold an office building in Cowper Street, **Shoreditch**, EC2, for £9.0 million, reflecting a net initial yield of 4.43% and a capital value of £1,162 per sq ft. We received a speculative approach from an investor in December and this led us to invite interest from some known requirements, one of whom moved very quickly and offered a compelling price. The lease only had three years remaining and the passing rent of £55 per sq ft overall (£65.00 per sq ft on the best space) is unquestionably overrented today. We estimated the rental value to be some 24% lower. They completed in four working days, buying the asset on Christmas Eve. We think it is very positive to be able to execute the sale of a central London building at a very strong price so quickly. It was £500,000 ahead of valuation and more than 100% ahead of the purchase price of £4.375 million in 2014.

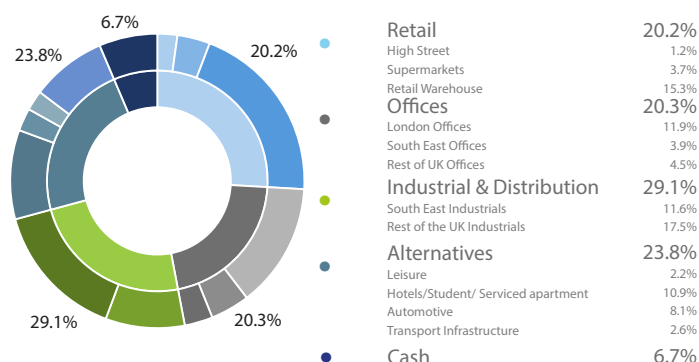
We also sold a car showroom investment in **Thames Ditton**. Sytner previously operated a Jaguar Land Rover franchise from this property, but have recently

moved into a larger facility which has been constructed for them in Sunbury. We were fully aware of this and have been jointly marketing the site with the tenant, after agreeing they would pay the fund a substantial lease surrender premium. Again what is reassuring is the level of interest received – we received offers from three food retailers, self storage operators and a number of residential developers. We subsequently agreed to sell the asset to Aldi and this completed in early December. The combined price and surrender premium received totalled £7.7m, reflecting a net initial yield of 4.16% and was circa £500K (+7%) above the September 2020 valuation. This is a strong price for an asset with only six years remaining on the lease.

Both of these sales illustrate the benefit of holding quality assets within the portfolio and illustrates that in prime locations the inherent value of land is a substantial part of value. It is reassuring that all six sales we completed this quarter were hotly contested and all sold ahead of their most recent valuations.

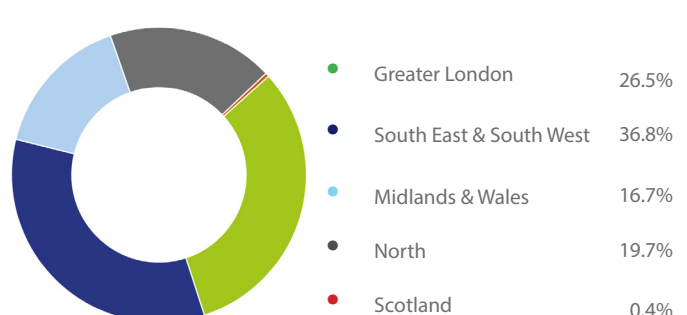


CPF PORTFOLIO DECEMBER 2020



Source: Savills Investment Management, December 2020

GEOGRAPHICAL WEIGHTINGS



Source: Savills Investment Management, December 2020

FUND INFORMATION - (AS AT 31 DECEMBER 2020)

Launch date	September 2000
Fund Size	£1.186 billion
No. of investors	1,693
Historic distribution yield	3.8%*
Prospective distribution yield	4.4%**
Fund costs (TER)	0.59% per annum
Unit price	NAV - 123.95 pence
	Bid - 122.36 pence
	Offer - 125.97 pence
Bid spread	1.45%
Offer spread	1.55%
SEDOL	0208075
Next distribution date	15 February 2021
Last distribution rate	1.118 pence per unit
Next dealing date	31 March 2021#

* 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	4.1%
Tesco Stores Limited	4.0%
Travelodge Hotels Limited	3.2%
Jurys Hotel Management (UK) Limited (surety: Vesway Designated Active Co.)	3.0%
Total (across 11 locations)	18.6%

10 LARGEST ASSETS

London EC1 - The Smithson, 6 Briset Street, Farringdon	6.5%
Brighton - Jurys Inn Hotel, Stroudley Road	3.7%
Gateshead - Metro Park West	3.6%
London SE7 - Brocklebank Retail Park, Greenwich	3.4%
Cambridge - Travelodge, Newmarket Road	2.6%
London E1 - 122 Back Church Lane, Whitechapel	2.1%
Bury St Edmunds - SP147, Suffolk Park	1.7%
Telford - Welcome Break Service Station, M54 Junction 4	1.7%
Tamworth - Emporor Point, Centurion Park	1.6%
Burton-upon-Trent - Fifth Avenue	1.6%
Total	28.5%

Source: Savills Investment Management December 2020

ASSET MANAGEMENT

Liverpool - This 143,000 sq ft industrial unit was let to TT Assembly Systems at a rent of £715,000 per annum on a lease expiring in August 2023, but with a tenant break option in May 2020.

They intended to vacate the property at the break date but failed to exercise it properly, meaning the lease continued. We subsequently identified a new occupier who wished to occupy the unit and therefore engineered a surrender from TT Assembly in return for them paying the fund £1.65 million to be released from their obligations, whilst simultaneously letting the unit to a third party logistics provider at an increased rent of £786,500 per annum.

Therefore the Fund has benefitted from a 10% increase in the rent passing



Liverpool

and a surrender premium of £1.65 million, for spotting and facilitating this switch. This sum will therefore be distributed as income during 2021.

Hayes - This 53,500 sq ft industrial unit in West London is let to Tempur UK on a lease expiring in October 2021 at a rent of £497,000 per annum (£9.20 per sq ft). The tenant had indicated they would like a new lease for some time however with rental values increasing we had previously held off from agreeing terms. Towards the end of 2020 we picked the moment of maximum leverage and subsequently signed a new five year reversionary lease commencing in October 2021 at a rent of £674,638 per annum (£12.50 per sq ft), a +35% increase in the rent receivable and considerably ahead of the ERV, whilst giving away no rent free.



Hayes

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).