CHARITIES PROPERTY FUND

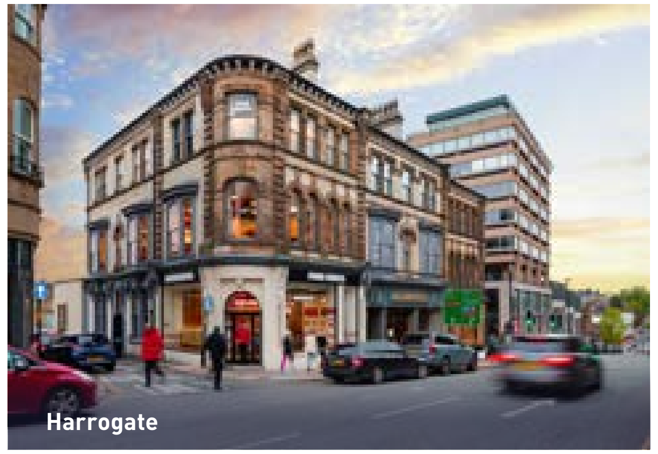
Savills Investment Management

ANNUAL REPORT AND ACCOUNTS

June 2023

Manager and Trustee's Report
List of Properties
Key Fund Data
Financial Statements


Liverpool


Harrogate


Bath


Bristol

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West Malling


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Oxford

Manager and Trustee's Report

At the time of last year's report, commercial real estate markets were riding high having delivered double digit capital growth in the year to June 2022, however storm clouds were gathering with the war in Ukraine proving a catalyst for the inflation already woken from its slumber by high levels of Covid largesse. The subsequent rapid rise in food, energy and input costs, in turn led to rapid fiscal tightening and rising interest rates.

This shifted the economic landscape considerably and quickly. The UK suffered a period of extreme turbulence in the Autumn with gilt rates spiking and the LDI crisis unravelling. We had three different Prime Ministers and four different Chancellors in less than two months at a particularly challenging time and it rattled the financial markets. The ten-year gilt yield hit 4.5% in October, having been less than 1% a year previously and the 'risk premium' that real estate enjoyed over gilts dropped from an average of 460 basis points over the last 14 years to almost zero. Whilst conditions have stabilised since then the gilt rate currently stands at 4.59%[1] - within touching distance of the levels seen last October.

The Bank of England had begun to increase base rates during the first half of last year, but they had only reached 1.25% by June 2022. 12 months on the rate stands at 5.25%. This has heavily impacted Commercial Real Estate as the yield available on cash deposits or gilts effectively matches that on commercial real estate for the first time in 15 years. Yields have moved out to compensate and the market has seen average capital value declines of circa 20% over the last 12 months.

The AREF All Balanced Open Ended Property Funds Index registered a negative total return of -17.4% for the last 12 months, which equates to a capital decline of circa -21% after allowing for the income.

Performance Highlights to 24 June 2023[2]

The Charities Property Fund has returned

4.7% per annum

annualised over a three-year period

The Charities Property Fund has returned

3.5% per annum

annualised over a five-year period

The Charities Property Fund has returned

7.4% per annum

annualised over a ten-year period

The Charities Property Fund has returned

6.6% per annum

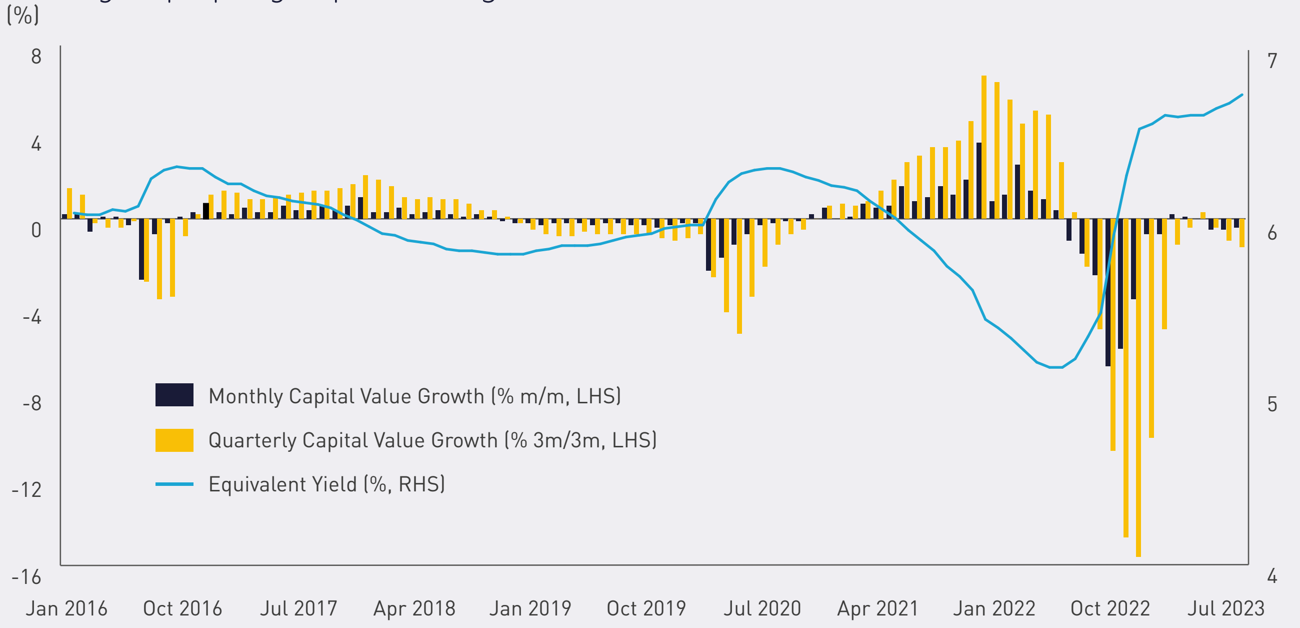
annualised since launch (Dec 2000)

* References to total return in this document are net of all fees, charges and expenses

1 As at 4 October 2023
2 AREF All Balanced Open Ended Property Fund Index

Manager and Trustee's Report

Monthly 'all property' capital value growth



Source: MSCI

The Charities Property Fund registered a negative return of -13.3% for the year to June 2023[2]. Whilst it is always disappointing to post a negative return, it is reassuring that we exceeded the Index by a substantial margin of 4.1%. The Charities Property Fund was the third best performing fund in the entire Index over the 12-month period and the top performing fund over £150 million in size.

The Fund has outperformed the AREF Index over the quarter, the year to date, one year, three years, five years, 10 years and 20 years. It has also outperformed for 15 out of the last 16 individual years.

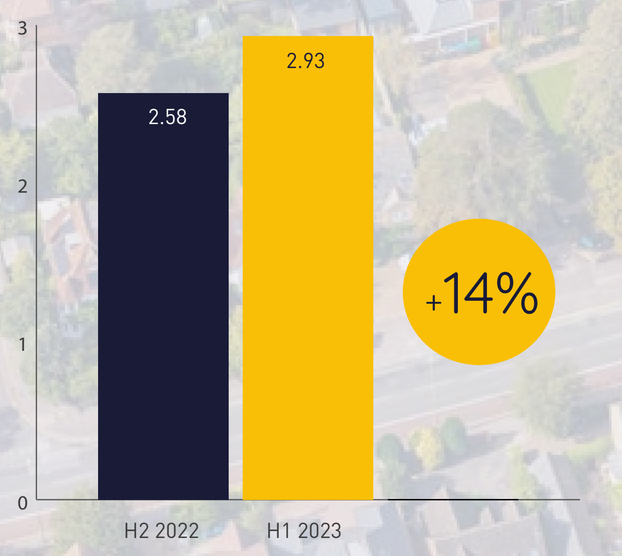
This weakening environment led to several real estate funds registering high levels of redemptions and restricting outflows last year and this year. We are not usually impacted by these events because we trade quarterly rather than daily - which property funds are not well suited to. In fact, during 2022 we received more applications to buy units in the Fund than to sell, however the challenge for us was that the majority of redemptions occurred in the final quarter. We took the difficult decision to defer a small number of redemptions at December, however we cleared the deferral swiftly and returned to normal dealing the following quarter. We remain open with no restrictions on redemptions.

It is often said that inflation is 'good' for real estate, because being a real asset it should hold its value in real terms. However, this ignores the fact that rising interest rates erode its attractiveness, a theme also seen in the housing market. However, inflation in the wider economy is being mirrored in very strong rental growth, particularly in the industrial and logistics markets and most of the alternative sub-sectors. There is also strength in the retail warehouse occupational markets with vacancy levels remaining low. The main areas of weakness are high street and shopping centres and the office market - which is continuing to wrestle with the double hit of occupiers downsizing whilst demanding buildings with ever improved environmental credentials.

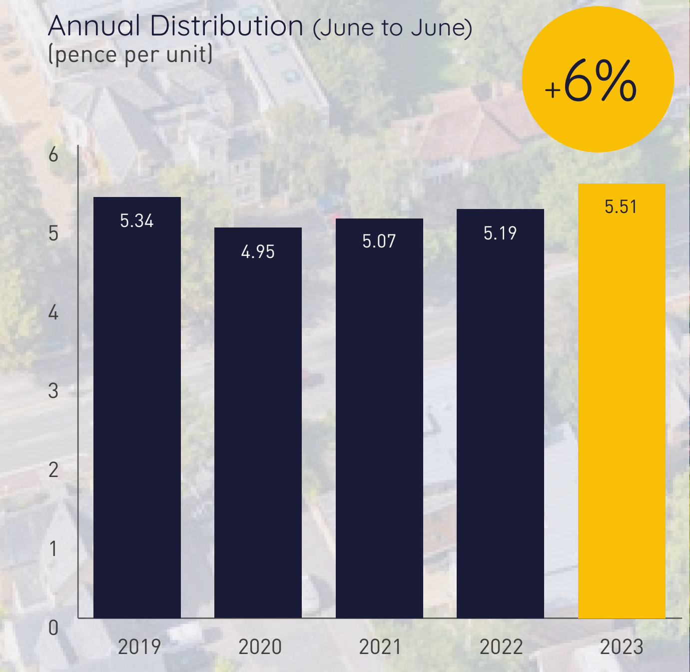
Our exposure to these sectors is limited – we have minimal exposure to the high street or shopping centres and offices remain our smallest sector exposure. Even within our office holdings we have had a successful year undertaking 10 lettings, totalling £1.77 million per annum in income and halving the vacancy rate. We also have zero vacancy within the retail, alternatives and industrial and logistics sectors. Our vacancy rate is only 1.9% overall, compared to the market average of 11%. We have always structured the portfolio to sail with the wind, rather than against it and this is borne out in the performance figures.

The current difficulties obtaining planning permission, combined with rising construction costs and the high cost of debt are likely to restrict the development pipeline. Considering the low vacancy rates in many sectors this could provide an additional tail wind to rental growth.

Distribution (June 2022 to June 2023)
(pence per unit)



Annual Distribution (June to June)
(pence per unit)



Source: Savills IM

Turning to income, the Fund's index-linked investments are delivering strongly this year with a tranche of five yearly review pattern leases to be realised from Bath to Gateshead. We have just documented rent reviews at our hotels in Brighton and Cambridge increasing the rent by 29.4% and 33% respectively and adding almost £950K per annum of income. However, these are eclipsed by industrial units in Basingstoke and Bristol posting increases of 37% and 47% respectively. We have also seen rental growth within the office sector having completed a recent letting in Bath at 15% ahead of the rent previously passing.

These uplifts are flowing through into dividends and the distribution for the last 12 months grew by +6% compared to the previous year. Interestingly the growth is accelerating, with the two most recent dividends +14% ahead of H2 2022 (see chart above). These are significant movements, and it is gratifying to see this growth being realised. Importantly the growth in the dividend has outpaced inflation during 2023. It is being driven by rent reviews, lease renewals and new lettings, but also by our very low void rate. Reducing this from 5% last year has helped to extinguish most of the irrecoverable expenditure that was incurred from maintaining vacant property. The market average meanwhile increased from 9.8% to 11.1% over the last quarter[2].

Clearly headwinds remain – the cost of living crisis continues to bite and inflation remains stubbornly high, although it slowed in July to its lowest reading since March 2022. Despite all this, we maintain that the low risk characteristics of the Fund provide some insulation. Importantly we have no debt and therefore no refinancing risk or covenants to breach. The low office weighting at only 17.4% of the Fund and very low vacancy rate provide additional bulwarks. We believe the growth and the low vacancy rate is indicative of the quality of the portfolio and the strength of the occupational markets - combined with a lack of supply of quality real estate in many of the sectors where we are invested.

Our leases are long - the weighted average unexpired lease term (WAULT) is 11.3 years and importantly 49% of our leases are index-linked or benefit from guaranteed uplifts. This provides security and will help to provide growth in the dividend over the next 12 months.

Harry de Ferry Foster MRICS
Fund Director
Savills Investment Mangement, Charity Trustee

Highly Resilient Portfolio

112 properties

11.3 weighted average unexpired lease term

49% of annual rent benefits from fixed or index linked rental increases

72% of tenants rated low or negligible risk by Dun & Bradstreet

1.9% vacancy rate

c.1,500 investors

Portfolio is weighted to London and the South East of England

No debt*

* There is a fixed revolving credit facility which remains undrawn

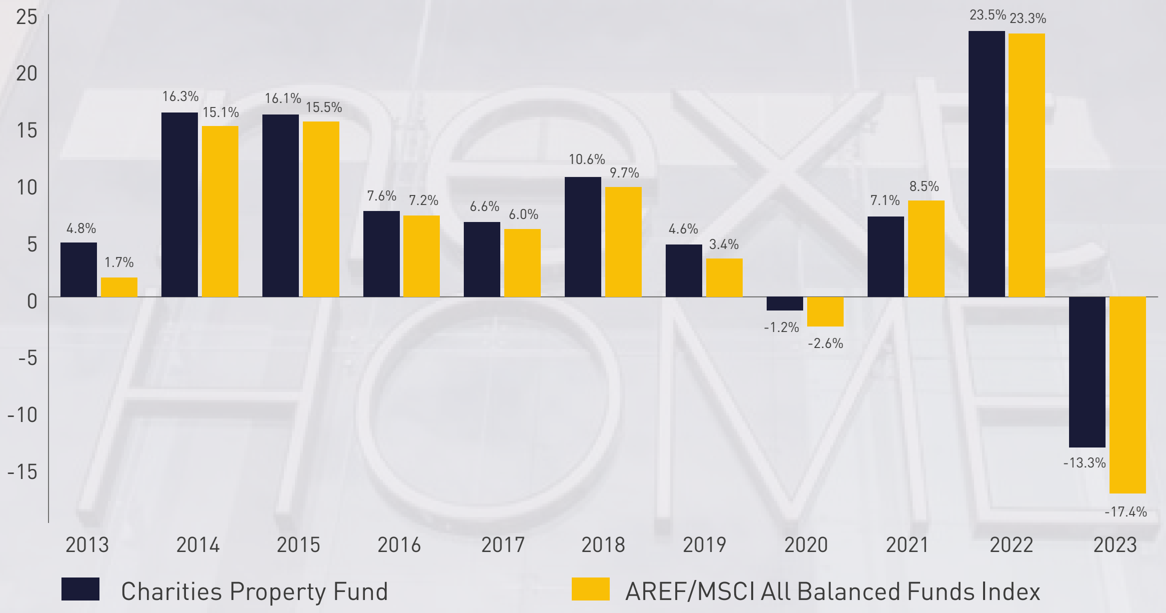
Fund Performance

The total return for the Fund during the 12 months to 24 June 2023 was -13.3% against the AREF/MSCI All Balanced Open Ended Property Funds Index which produced -17.4%.

Over 10 years the Fund has delivered 7.4% per annum on average, compared to the Index of 6.3% per annum. Of this, 4.5% per annum on average has been returned to investors as income.

Whilst the income component of total returns has been relatively stable, capital returns exhibit more volatility. Therefore real estate is best invested into with a medium to long term time horizon as returns in individual years can fall short of or significantly exceed our objectives.

Fund level performance - Total return as at 24 June 2023
(% per annum)



Source: Savills Investment Management/AREF/MSCI All Balanced Property Funds Index

* Past performance is not a reliable indicator of future performance

Chairman of the Advisory Committee

The Charities Property Fund posted a total return of -13.3% over the last 12 months compared to the AREF/MSCI All Balanced Open Ended Property Funds Index average of -17.4%. Commercial real estate markets have been directly impacted by the increasing cost of money and scarcity of debt finance.

Whilst capital values will fluctuate (for example in the year to June 2022 the Fund posted a total return of +23.5%) due to outside influences, the dividend remains key for many investors in the Fund and it is encouraging to see it remains reliable having delivered an average of over 4.5% per annum (net of fees and costs) for the last ten years.

It grew last year by 6% and the velocity appears to be increasing with growth of 14% so far in 2023. The high percentage of index-linked leases should help to maintain this progress over the next 12 months.

Whilst capital values have fallen, it is reassuring to see that the Fund has once again performed relatively well. The Fund outperformed the Index by a considerable margin and has done so for 15 out of the last 16 years. The portfolio has always been defensively positioned, with no debt, long leases and with a balanced exposure across the sectors. The Fund has no shopping centres and very little high street retail exposure. Its lowest sector exposure is to offices - probably the weakest sector currently, outside of the high street.

We continue to be reassured by the transparency and capability of the management team. Savills Investment Management and the Charities Property Fund team have navigated the recent trials brought about by the pandemic, political uncertainty, the cost of living crisis and rising inflation well.

We are clearly facing challenges in the wider economy, so they will not be able to rest on their laurels.

They are aided by the Advisory Committee which provides a sounding board to the investment manager and the comfort of an additional check and balance for investors, on top of Savills Investment Management's own internal processes and procedures. Whilst the Committee is advisory, we have a close working relationship with the management team and review the portfolio and their performance every quarter. We are also invited to comment and advise on all purchases and sales in advance. The Committee remains mindful of the fact that all our investors are registered charities with charitable objectives and responsibilities. We work closely with Savills Investment Management to ensure the Fund's clear ethical policies are observed, and likewise that the Fund invests and manages in accordance with socially responsible investment (SRI) principles, more detail on which can be found later in this report.

I am delighted to welcome three additional members to the Advisory Committee this year. John Wythe, Rory Landman and Birgitta Bostrom. They bring a wealth of both property, charity and wider financial market experience. I would also like to take the opportunity to thank Richard Robinson and Wilf Stephenson for their stalwart service to the Fund. They retired from the committee during the year.

The Committee benefits from the considerable knowledge and experience of the eight additional members listed below:

Aidan Kearney
CIO, The Health Foundation

Alan Fletcher
Chairman of Investment Committee,
Leicester Diocesan Board of Finance

Andrew Chapman
Trustee of KidneyCare UK

Chris Hills
Chief Investment Consul, Investec Wealth Management

Paul Taylor
Latymer Foundation member,
Investment Advisor to the Friends of St Martin-in-the-Fields

John Wythe
Currently serves on Boards and Committees for Norges Bank, DTZI, The Portman Estate, The Pollen Estate and Balanced Commercial Property Trust

Birgitta Bostrom
Advisory Board Member, M&G Charifund and Charibond

Rory Landman

We will endeavour to assist the continued success and strong governance of the Charities Property Fund.

Malcolm Naish

Malcolm Naish MBE

Chairman of the Charities Property Fund
Advisory Committee

CHARITIES PROPERTY FUND

Objectives

The Charities Property Fund aims to provide a high and secure level of income with the prospect of growth in income and to maintain the capital value of the assets held in the Fund, through investing in a diversified UK commercial property portfolio. To meet this objective, Savills Investment Management (UK) Limited (the "Manager") targets a total return of 7% per annum, of which we look to deliver the majority through income. However, this is an aspiration and a guideline, not a guarantee, and the level of income and total return may fluctuate. The Fund has a very strong focus on ESG and Responsible Investment, a stated ethical policy and adapts both positive and negative tenant screening when assessing investments and new occupiers.

The Fund currently invests in the principal commercial property sectors: retail (retail warehouses), industrial (manufacturing and distribution), alternatives (hotels, student accommodation, serviced apartments, car showrooms, educational, medical, roadside and leisure) and offices (both London and regional). Whilst we will undertake refurbishment projects and forward fundings of pre-let investments, the Fund does not undertake speculative developments.

The Fund's operating costs (the Total Expense Ratio) are paid from the income account. Whilst this reduces the quarterly distribution payable, we believe that such expenditure should be financed from current income, rather than from capital.

A number of other property funds either charge some or all of operating costs (such as management fees) to capital thereby artificially inflating their distribution. Investors should be aware of this when making comparisons. The costs charged to capital by the Fund relate to investment in properties, acquisition, disposal or refurbishment costs.

CPF Investors

LifeArc

phf Paul Hamlyn Foundation

The Health Foundation

University of Birmingham

The Church of England Pensions Board

JRF Joseph Rowntree Foundation

"To provide a high and secure level of income with the prospect of growth in income"

Strategy

The strategy for the Charities Property Fund remains unchanged. We set out at inception to construct a high quality portfolio diversified by sector and geography and this remains true today.

The Fund is a 'Balanced Fund' and therefore invests across the property sectors to avoid falling prey to the changing fortunes of any individual sector.

The focus is on prime locations and by this we mean supply constrained towns with good tenant demand. We target buildings that are adaptable, offering protection from obsolescence and multiple alternative uses wherever possible. We seek to hold assets for the long term, but maintain a long tail of smaller assets to meet liquidity needs should investors seek to divest.

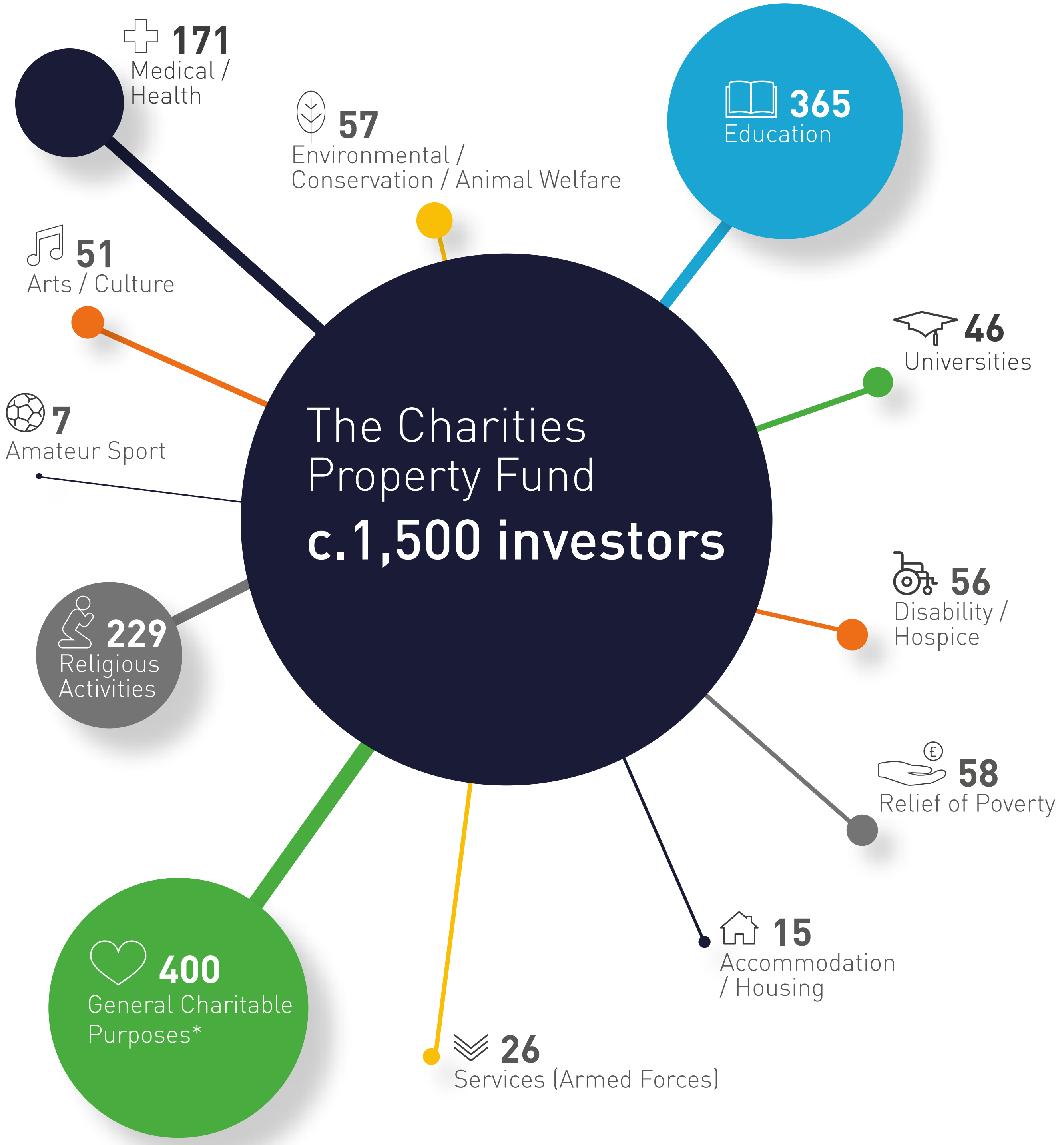
We aim to provide an above average income return, through keeping vacancy and associated costs (such as empty rates, service charges, repairs and insurance) to a minimum and by generating income growth through rental increases, refurbishments, active asset management and new lettings. The vacancy rate is currently 1.9% compared to the industry favoured MSCI quarterly index average of 11%[2].

We favour maintaining a longer than average lease length having one of the highest in the index, providing security of income and allowing us to ride out short term economic uncertainty. The Fund also targets a high percentage of index-linked rent reviews, currently comprising 49% of all income, guaranteeing income growth particularly during times of high inflation.

Underlying all of this are our tenant relationships which are paramount. We maintain a strong dialogue and good relationships with our occupiers, and a focus on above average covenant quality.

ESG, net zero and social purpose are major considerations for us. The Fund is a Common Investment Fund and a charity and we continue to operate ethically and champion environmental improvement.

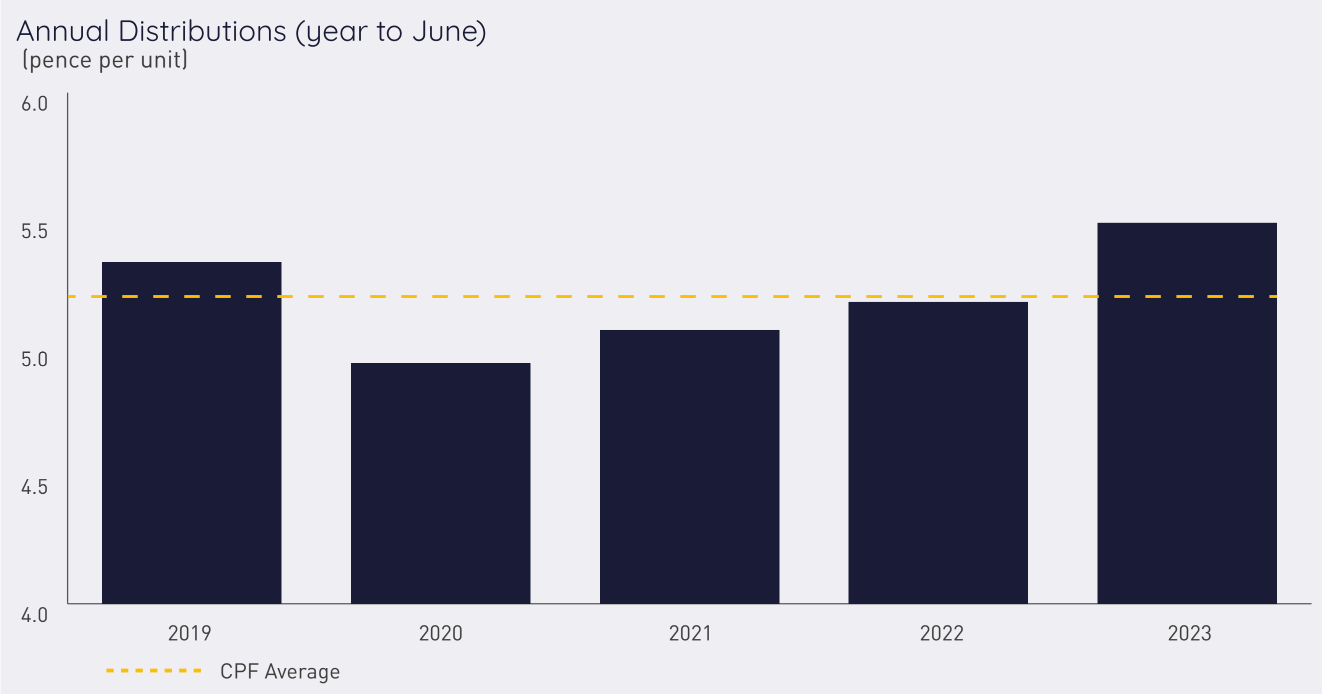
Investor Categorisation



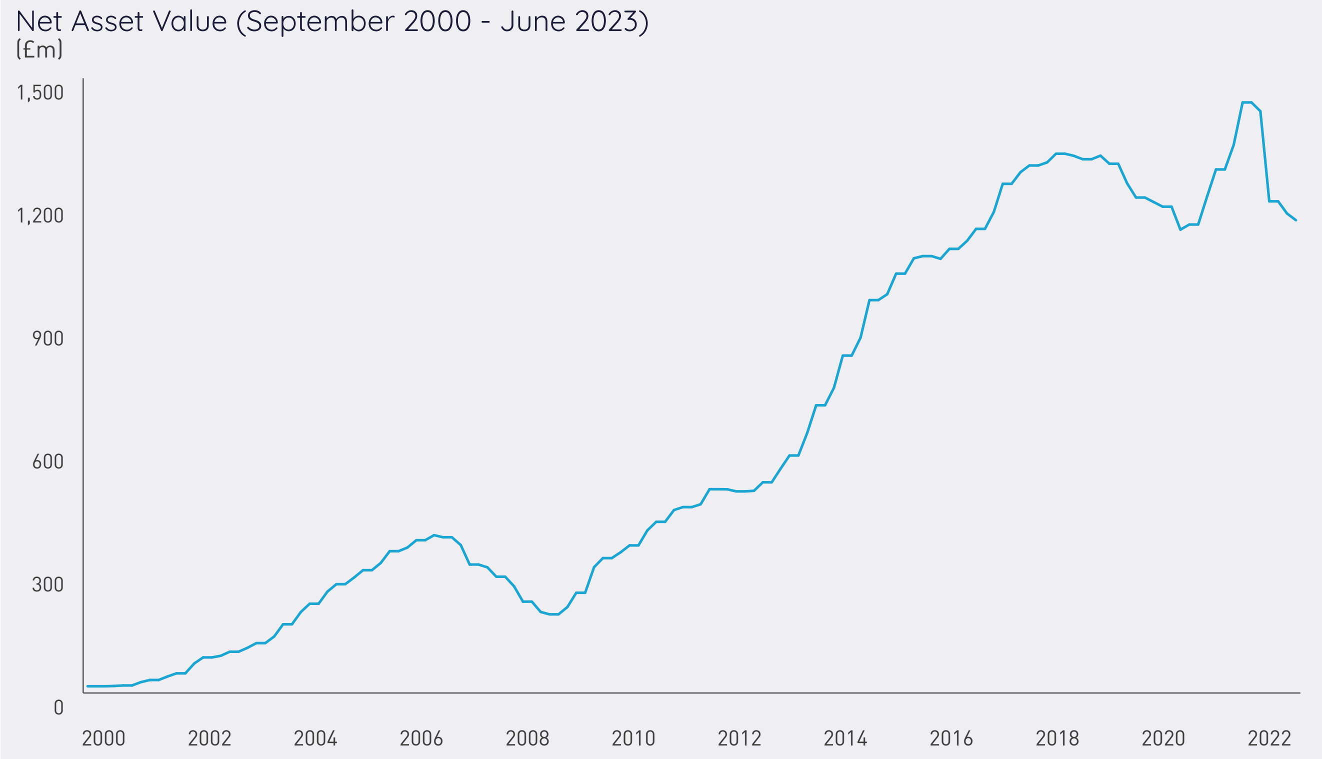
Source: Savills Investment Management (June 2023). Investor categorisation by number of charities.

* This category includes charities with multiple sector beneficiaries or charities who offer a range of services to a set geographical area.

Distribution and Net Asset Value



Source: CPF



Source: Savills

Governance and Responsible Investment

Governance, Procedures and Oversight

The Charities Property Fund (CPF) benefits from the governance, procedures and oversight of the wider Savills Investment Management business.

Savills Investment Management is predominatly an income-based investment manager and sees income as the key driver of long-term performance. We use research to identify opportunities and risks across property markets and then combine that with the insights of our fund teams in order to create our house views, trend analysis and other outputs integral to investment.

These strategies then filter through to our proprietary investment process, which can be summarised by the acronym STEMM (Strategy, Tactics, Evaluate, Manage and Monitor). This provides a circular framework for investment decision making and is applied to all portfolios. It aims to establish the strategy of a fund, identify the opportunities to deliver that strategy, analyse at asset and portfolio level, execute and implement initiatives and monitor risk/return and other value/risk influencers, like ESG, climate risk, concentration holdings, and tenant covenant strength.

We ensure this process is enforced through governance procedures. Our Investment Committee reviews, considers and endorses or rejects the Fund team's recommendations. It is responsible for making sure transactions are appropriate relative to fund allocation, performing due diligence/analysis of the asset and to identify and manage or mitigate any conflicts of interests. It also reviews proposals made by the Fund team for portfolio management including investment objectives, stress testing, attribution analysis, portfolio risk management and the review of asset plans.

Investment Process Overview - STEMM

Strategy	Establish the strategy	• House views - market forecasts • Client/Fund objectives and benchmarks • Client/Fund specific strategies; acquisition, asset management, debt, exit • Risk tolerance and exposure ranges
Tactics	Identify opportunities to deliver the strategy	• Identifying tactics • Targeting deal flow • Screening investment opportunities • Sources and use of debt and hedging* • Initial appraisals
Evaluate	Analyse at asset and portfolio levels	• Pricing - rent and yields forecasts • Risk assessment and management • Cash flow and total return analysis • Impact of debt and tax structuring* • Active management potential / asset plans / exit strategies • Portfolio level analysis
Manage	Execute and implement initiatives	• Creation of portfolio / buy execution • Asset plan implementation • Ongoing management: asset, treasury • Sale execution
Monitor	Monitor risk/return at asset and portfolio levels	• Historic performance analysis • Ongoing risk analysis and return forecasts • Portfolio check against strategy • Check against asset plans • Monitor hold/exit

*NB this does not apply to CPF which has no debt and a charitable tax status

ESG and Responsible Investment

Our Policy

The Charities Property Fund understands the importance of considering environmental, social and governance (ESG) aspects in its investment and management decisions, and recognises that doing so may help protect and maximise returns. We will not invest in properties whose tenants could potentially cause embarrassment to our unitholders, or be in conflict with the values held by many of our beneficiaries as charitable entities. This would include companies whose primary business is the production or sale of tobacco, arms, pornography or who are involved in animal testing. We provide complete transparency on investments by listing all tenants in the annual and interim report and accounts and on the Fund website.

We take our ethical considerations very seriously and continue to monitor every tenant to ensure that the tenant is acceptable, however, it would be easy to find a reason to not accept a multitude of tenants and so we look at the bigger picture. All proposals and tenants are reviewed by an Advisory Committee which is made up of representatives from seven charities, six of whom are invested in the Charities Property Fund, and we specifically consult with them for their views on whether a proposed tenant is unacceptable.

The Fund's ESG objectives are implemented at fund and asset level and incorporated into every stage of property transaction: property acquisition, asset management, development / refurbishment / fit-out and disposal. Further information on our ESG objectives and progress can be found in the Fund's ESG document available to download from the Fund website: www.cpfund.co.uk/esg.

Signatory of:

PRI Principles for Responsible Investment | RACE TO ZERO | The Net Zero Asset Managers initiative

Disclose through:

TCFD | GRESB

Members of:

UK GBC | CRREM | ECORE | BBP

Our ESG Commitments

Pre-Investment (Origination and Due Diligence)	When reviewing potential investments we consider relevant ESG issues including environmental and social risks and opportunities, regulatory compliance, green building accreditation or value-add innovation. During the due diligence process, potentially significant ESG issues and opportunities will be analysed and identified. We also evaluate and manage the impact that sustainability has on investment performance; for example this may include depreciation costs due to additional capital expenditure or the ability to let or sell a property. Our exposure to, and required management of ESG issues will be considered when making the final investment recommendation/decision.
Property development, refurbishment or fit-out	Where appropriate we integrate sustainability and ESG considerations into the earliest stages of design and construction of asset development, refurbishment or fit-out. This creates an opportunity to add tangible value to asset value, future-proof against obsolescence, improve occupancy appeal and results in improved building performance.
Property management	Our focus on integrated sustainability into property management practices ensures we are able to continue to add value, improve and enhance assets in our ownership, reduce operational costs and foster tenant satisfaction.
Asset disposal	When a property is being positioned for sale, sustainability measures can be used to further enhance the property's status and maximise its value. Such features help provide valuable criteria that differentiate the property from other offerings in the market and serve as an indicator of overall quality.

ESG Commitments

Our Net Zero Commitment

To achieve our goal of becoming restorative, we will first need to reduce emissions to absolute zero.

By halving emissions by 2030 we are aligning to the latest climate science with the Paris Agreement goals to halve greenhouse gas emissions by 2030 and reach net zero before 2050.

Our pathway has been developed in line with the BBP NZC Framework, aligns to the UN Sustainable Development Goals and reflects our business core values.

We aim to be transparent in the challenges we face as a business and for the real estate sector and we will report progress towards this pathway annually.

This is the first iteration of our pathway and we expect to review and update our approach as the whole industry progresses on the NZC journey.

As a signatory to the BBP Climate Commitment, Savills Investment Management will also publish our climate resilience plan, in line with the BBP Climate resilience guidance, which is under development in 2023.

Savills IM's goal is to reduce absolute emissions of all assets we manage. We plan to ensure every asset under our management for two years or more will develop a NZC pathway.

2025	2030	2040	2050
By 2025, 25% reduction in emissions intensity compared to 2019 baseline.	By 2030, we will target 50% reduction in emissions and energy intensity for AuM held for more than two years (based on 2019 baseline). By 2030, for corporate emissions we will target net zero operational carbon emissions.	By 2040, we will target net zero emissions based on 2019 baseline.	By 2050, we will target absolute zero emissions as part of our commitment to become a restorative business.* *By absolute zero emissions we mean absolute contraction of GHG emissions, rather than GHG emissions by intensity

In doing this, we will follow an emissions hierarchy of avoid, reduce, use renewables and offset, as follows:

- We will avoid any unnecessary emissions and reduce embodied carbon where possible.
- We will reduce operational emissions through efficiency measures and changing fuel sources.
- We will increase onsite renewables and promote and use renewable energy contracts where available.
- We will offset the remainder of emissions as a last resort, initially only focusing on offsetting residual embodied carbon from developments and refurbishments.

Case Study - Maidenhead

The Challenge

At lease expiry we managed to acquire vacant possession of the entire building. This enabled us to refurbish the building. The accommodation required updating and M&E equipment was nearing the end of projected life.

The Solution

- Review of M&E equipment along with local market requirements for the accommodation.
- Commissioning a Net Zero Pathway report to define future strategy for the building. Implement Net Zero Pathway, BREEAM and SKA objectives.
- Improvements to the building to support rental levels.
- Tender and implement refurbishment work.

The Results

- Refurbishment of the accommodation to allow rent to be increased.
- Net Zero Pathway objectives further future-proofing and alignment with CRREM 1.5°C Paris Agreement trajectory*
- BREEAM Excellent
- EPC A rating
- SKA Gold
- Air source heat pumps replace gas boilers - 9% targeted energy savings*
- Hybrid VRF, heat recovery, improved efficiencies and setpoints - 13% targeted energy savings* and reduced CO_2 depleting gases within installation
- LED lighting, DALI daylight controls and small power reduction - 43% targeted energy savings*
- 8 EV charging points
- 20 cycle racks
- Sedum roof with pollinators
- Bat boxes, bird boxes, bee hotel installation
- Water saving fittings and leak detection for water conservation
- Enhanced metering and BMS controls
- 20kW PV installation - 13% targeted energy savings*
- 88kWh/m2/yr targeted energy savings*
- 60% targeted energy savings over baseline*
- 98% of waste recycled**
- Donating carpet tiles
- Reusing – ceramic floor & wall tiles, plasterboard, wall mirror units and doors, window blinds to part
- 41.8% of workforce travel to site from within 25 mile radius
- 6 apprentices on site during project, 4 work experience, 1 undertaking an NVQ, 1 Foundation Programme

* Targeted energy savings against the modelled performance of the building before the refurbishment works
** Interim figures

Awards

Award: Property Fund Manager of the Year
Winner: Savills Investment Management

We are pleased to report that Savills Investment Management was awarded "Property Fund Manager of the Year 2023" at the Property Week Awards in June. This is one of the most prestigious awards in real estate and we were recognised primarily for our work on the Charities Property Fund.

Other nominations for this category included:

- AXA IM Alts
- Blackstone
- Legal & General Investment Management – Real Assets
- M7 Real Estate
- Newcore Capital
- Resonance
- Student Homes Management
- Valor Real Estate Partners
- Wesleyan

> The Charities Property Fund (CPF), which last year outperformed its benchmark by 5.3% and was the third best-performing fund in the All Balanced Property Fund Index, has now outperformed its benchmark for 12 consecutive years. One judge stated that Savills Investment Management is "such a well-managed business and it's great to see CPF doing so well," whilst another stated, "It was very strong across all the criteria.

The Charities Property Fund | Report & Accounts 2023

Awards

Award: Outstanding Fund Achievement in ESG
Shortlisted: The Charities Property Fund

AREF The Association of Real Estate Funds
Annual Awards 2023
SHORTLISTED
Outstanding Fund Achievement
Charities Property Fund

AREF (The Association of Real Estate Funds) is the respected industry body for real estate funds. They only run four award categories every year and this year we were shortlisted for the "Outstanding Fund Achievement in ESG" award. **We are one of only four funds (out of 50 funds in the Index) to make the shortlist and the only charity specific fund to do so.**

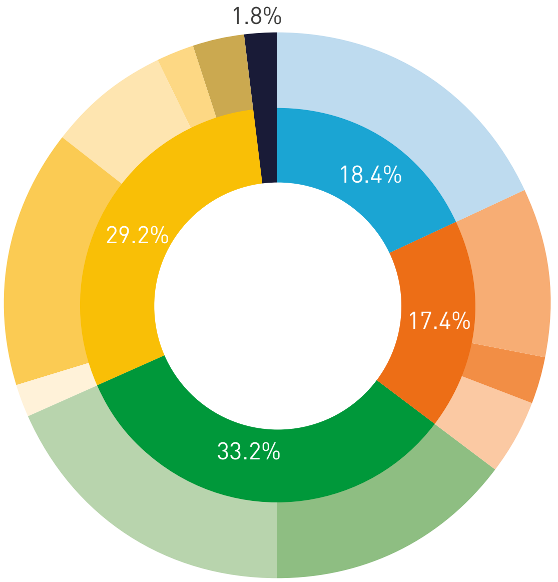
The award asked: What risks have you experienced in your transition plan to Net Zero Carbon? Provide examples of how you have addressed them. For example, how are you going above and beyond managing climate risks within your fund, to actively achieve net-zero ahead of regulation and how you are innovating in this space?

Sector Weightings - The Fund

The portfolio is well diversified and is not overly exposed to any one particular sector. It continues to have a bias towards industrial/logistics (our largest sector exposure), alternatives and the retail warehouse sectors. It remains significantly underweight (relative to the AREF/MSCI All Balanced Funds Index) to offices (our exposure is 24% lower than the MSCI average) and has no exposure to High Street or shopping centres. The MSCI weightings are shown on the facing page.

CPF Portfolio by Sector

as at 24 June 2023



RETAIL

High Street	0.0%
Supermarkets	0.0%
Retail Warehouses	18.4%

OFFICES

London Offices	10.2%
South East Offices	2.8%
Rest of UK Offices	4.4%

CASH 1.8%

INDUSTRIAL & DISTRIBUTION

South East Industrials	12.8%
Rest of UK Industrials	20.5%

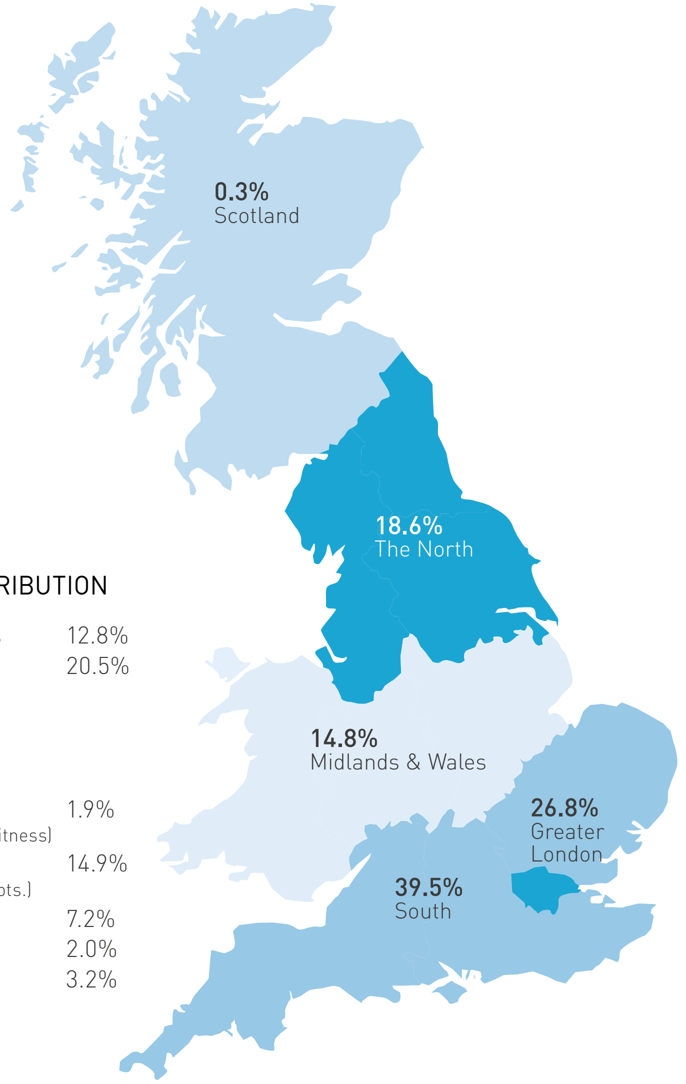
ALTERNATIVES

Leisure (food & beverage / health & fitness)	1.9%
Accommodation (hotels / student / serviced apts.)	14.9%
Automotive	7.2%
Roadside	2.0%
Education	3.2%

Source: Savills Investment Management

CPF Portfolio by region

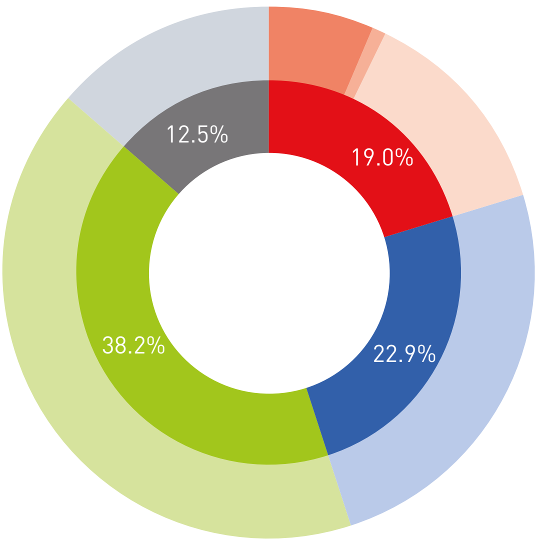
as at 24 June 2023



Sector Weightings - MSCI

Geographically the main differences are that the Fund has a higher weighting in the Midlands, Wales and the North (7% higher) and a higher weighting in the South (7% higher). The Fund has a lower weighting in Scotland (-2%) and London (-12%).

AREF All Balanced Funds Index Sector Weightings as at 24 June 2023



RETAIL

Standard Retail	6.0%
Shopping centres	0.9%
Retail warehouses	12.1%

OFFICES

Offices	22.9%

INDUSTRIAL & DISTRIBUTION

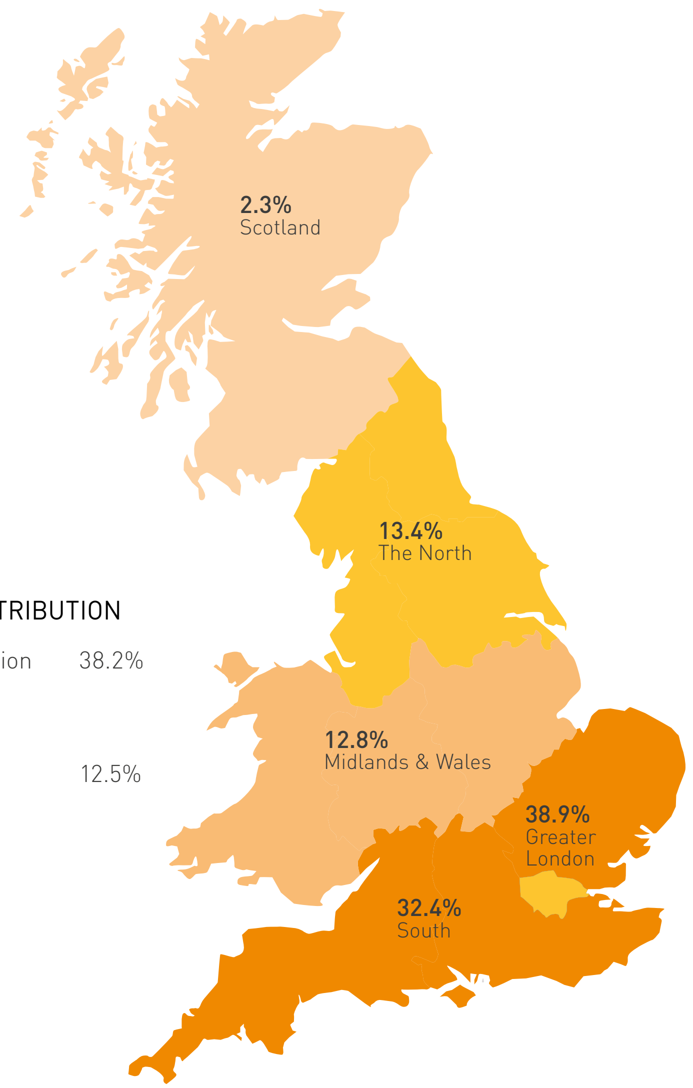
Industrial & distribution	38.2%

ALTERNATIVES

Alternatives	12.5%

Source: MSCI

AREF All Balanced Funds Index Geographical Weightings as at 24 June 2023



Asset Management

It has been a busy 12 months for the Fund with a substantial number of asset management initiatives completed. A total of 55 new lettings, lease renewals and rent reviews were undertaken - more than one a week.

31
new lettings/
lease renewals

24 rent
reviews completed

£7,917,318
of income attributed to those transactions

+19.5%
average increase at review

Average premium to Estimated Rental Value (ERV) across all new lettings/renewals was **+5.0%**

Average premium to ERV at rent review **12.8%**

Asset Management

Asset management activity during the last 12 months demonstrates that the portfolio is healthy, resilient and delivering rental growth. At a portfolio level, the void rate remains deliberately low at only 2% compared to the market average at 11.1% (as at March 2023). Examining this further, we have no vacancy within the Industrial, Retail or Alternatives sectors, leaving the only vacancy with the Office sector. This is telling given the headwinds that the office sector faces, but the sector is not monolithic and we caution against writing off all offices. Our exposure is typically in supply constrained locations such as Bath and Brighton, and our London offices are located in popular sub-markets benefitting from proximity to the Elizabeth Line.

Within the Alternatives sector our occupiers are reporting strong trading in the hotel, serviced apartment and car showroom segments and it is noticeable that, across all sectors, our tenants are investing in the properties, often galvanised by ESG requirements. This gives us reassurance that our property assets are relevant for today's market whether they be retail parks, offices, logistics units or budget hotels.

The two largest lettings we reported on this time last year were in the office sector (London and Birmingham). This year we highlight a multi-let industrial park, a single let logistics unit and activity at a retail park.

At Epsom Trade Park, we completed a new letting to Brewer & Sons at a rent of £60,000 per annum, reflecting £20 per sq ft. The former tenant had outgrown the space and we managed to agree an early surrender of the lease, in exchange for a cash premium. Simultaneously, we relet to the new tenant at a rent almost 60% higher than previously being paid, without incurring any void costs. Establishing this new rental tone will assist us in proving reversion at other units across the estate and we are now targeting a 50-60% increase at an imminent rent review and another potential lease surrender and reletting.


Epsom

We completed a new 10 year lease to Hydro Building Systems at a 117,000 sq ft industrial unit in Tewkesbury capturing a rent of £800,000 per annum, reflecting £6.80 per sq ft. Like Epsom, this was a tripartite transaction because Hydro occupied the building as a sub-tenant meaning we had to negotiate a surrender with Tata Steel, the head tenant, before we could contract directly with Hydro. We secured a surrender premium of £240,000 from Tata and simultaneously signed the new 10 year lease with Hydro meaning that we incurred no void period whilst securing a 10 year term to a good quality occupier with an attractive rent review in five years' time to the higher of open market rental value or RPI. Should we hold this property to lease expiry in 10 years' time, investors will have received a total of £16.8 million in income without incurring any capital expenditure which compares favourably to the purchase price in 2012 of £8.95 million.

Merthyr Tydfil

Following a period of intensive asset management this retail park is in a position of strength being fully let with a recognised and largely "essential" tenant composition anchored by Home Bargains who have spent considerable capex in modernising their unit which now extends to almost 30,000 sq ft and is secured on a new 15 year lease. During the last 12 months we have completed leases with Home Bargains, Pure Gym (replacing Sports Direct) and Jollyes (pet retailer). Collectively these transactions total £440,000 of annual income and after the reporting period we completed a 10 year lease extension with Iceland preserving a further £91,000 of annual income. This property is consistently busy when we inspect to meet with the tenants and is fit for purpose within the local market drawing on a large catchment leading to robust trading for the occupiers.


Tewkesbury

Portfolio Report - Purchases

The Fund completed two portfolio acquisitions in the second half of 2022, a portfolio of car dealerships from Vindis and two further properties as part of the Specialised Supported Housing portfolio. The Vindis Portfolio is a regional East Anglican motor group and was acquired for **£22.3 million** reflecting a yield to CPF of 5.0%.

The Fund also acquired two further properties in Poole and Nailsea as part of the Specialised Supported Housing portfolio.

The Fund's purchases over the last 12 months were:

1. Vindis Portfolio

The five properties are all situated in the South East and operated under the VW marques (VW, Audi, Bentley and Skoda). The five locations comprised VW – Bedford, Audi - Bedford, Skoda – Bury St Edmunds, Bentley – Cambridge and VW Commercial Vehicles – Northampton. The portfolio was acquired on a sale and leaseback basis and each asset is let for a term of twenty years from completion to Vindis Group Limited with rents reviewed five yearly to CPIH collared and capped at 1% and 3% pa respectively.

We were attracted by good micro locations surrounded by other dealerships, retail warehousing, trade counters, industrial and supermarkets providing options for future alternative use. Fundamentally they are let off low rents at only £9.65 per sq ft on average, in line with or below these alternative uses. The properties are in effect a proxy for industrial, occupying prominent sites and let to a good tenant with index linked rents.

Cambridge
Purchase price: **£22.30 million**
Lease length: **20.0 years**
Yield to the Fund: **5.00%**

Poole
Purchase price: **£5.45 million**
Lease length: **20.0 years**
Yield to the Fund: **4.90%**

£27.75 million
invested in 12 months

5.00%
average yield to Fund

2. Specialised Supported Housing

As reported in the Annual Report last year we agreed to fund the acquisition of four Specialised Supported Housing projects in Poole, Nailsea, Dorchester and Shanklin on the Isle of Wight. Shanklin completed in March 2022 and Dorchester is scheduled for completion in late 2023. Poole was acquired in August for £2.395 million reflecting a net initial yield to the Fund of 4.94%. It comprises nine self-contained apartments let in their entirety to Inclusion Housing Community Interest Company for a term of 10 years from 5 August 2022 at a rent of £119,756 per annum, indexed annually to CPI capped at 4%. The landlord has the option to trigger another ten year lease at its discretion. Nailsea was acquired in December for £3 million reflecting a yield to the Fund of 4.94%.

A key attraction of the portfolio is the social impact that comes with the investment – providing a home for life for vulnerable adults with lifelong learning disabilities or mild physical disabilities. An important distinction is that the sub-sector provides independent living for the residents with care provided by the Local Authority or an independent care provider, typically a charity, but the level of care is relatively low intervention whilst being 24/7. The final property in the portfolio, located in Dorchester, will complete once the development works finish in late 2023.

Portfolio Report - Sales

The Fund sold thirteen properties during the year to June 2023, raising just over **£60 million**. The average yield to the Fund was 5.5% and the average unexpired term was 6.7 years. The assets comprised two high street shops, two vacant office buildings, three car showrooms, one retail warehouse and five industrial assets.

The largest asset sold for **£18.4 million**, but outside of this all the other sales were below **£10 million** and the average lot size was **£4.6 million**.

We completed our exit from the high street by selling our last two small shops after completing new lettings and we sold two vacant office buildings where it would have been uneconomic to refurbish and relet them. Again these were both small assets at sub £1 million. The three car showrooms were all sold off market to special purchasers interested in this sector. Poole sold to the tenant and Swindon to a car dealer who had recently disposed of his business. The retail warehouse and industrial units had all benefitted from active management, through extending lease terms and settling rent reviews to maximise the income prior to sale.

On average all of the assets sold ahead of their most recent valuation - the average premium was 3.5%. On average they sold for 9.4% less than their valuation a year ago, but this is a much smaller fall than the wider market which is down 21% over the same period.

The Fund's sales were:

1. Birmingham

This car showroom property was let to VW Group on a lease expiring in October 2027 at a rent of £153,872 per annum, reflecting £15 per sq ft and sublet to Vertu Motors. Following an approach we have sold the property for £2.25 million reflecting a NIY of 6.4%. This property delivered an IRR of 8.4% per annum over the 8 year hold period.

2. Bath

The property was acquired as part of a portfolio of four properties in September 2010. The retail market has been difficult in Bath over the last few years. The original tenant (Dune) vacated in 2018 and we undertook several lettings to temporary traders, before signing a new 10 year lease to Mr Simms Bath Limited. We subsequently marketed the property and it was sold for £950,000 reflecting a yield of 6.47%.

3. Boston

This property was acquired in April 2005 for £10.125 million. At purchase, the asset was let to Fogarty (Filled Products) Limited at a rent of £850,000 per annum for a 20 year term with rent reviews to RPIX realised every fifth year. Fogarty entered financial hardship following the Global Financial Crisis in 2008 and we restructured the lease on three occasions in 2009, 2013 and 2014 to support the tenant who were the largest employer in the town. Despite efforts to turn the business around, Fogarty entered administration in 2018. The administrator handed possession of the site back to CPF on 18 January 2019 and the lease was formally surrendered on 31 January 2019. By the time the tenant became insolvent the rent payable was £400,000 per annum. We explored changes of use in planning and subsequently rotated to maximising the income from the current use with a strategy to sell the property once the income was stabilised. Initially we were concerned about the reletting prospects, but the income generation was strong and since inheriting vacant possession in 2019 we completed nine lettings generating a total current headline rent of £645,292 per annum.

We subsequently completed the disposal to one of the tenants for £6.5 million, a triple net yield of 6.5% after irrecoverable expenses. The sale was motivated partly to crystallise the capital value of this asset following the recent asset management initiatives, but also by a desire to reduce CPF's exposure to what is an outlier within the portfolio in that the quality of the real estate is secondary and the property is located in a secondary industrial location. Part of the rationale for the sale relates to ESG and sustainability: the costs to improve the sustainability credentials of this asset would have been punitive in our opinion and we advocated liquidating the property rather than continuing to hold and potentially leading to a stranded asset from an ESG perspective which would adversely affect liquidity in the future.

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Portfolio Report - Sales

Bury
Sale price: **£6.20 million**
Premium to valuation: 6.00%
Net initial yield: 7.40%

4. Taunton

In December we completed the sale of a small multi-let industrial estate in Taunton. Priorswood Industrial Estate was acquired in March 2018 for £1.5 million as part of an in-specie portfolio transfer. The property comprised three industrial units let to two tenants at a total rent of £140,460 per annum at acquisition. In 2018, the tenant of Unit 3 went into administration and shortly thereafter it was relet to Marshalsea Engineering, at a higher rent of £52,500 per annum. In 2021, rent reviews were carried out on Units 1 and 2, resulting in an average uplift of 30%. Having completed all the asset management we chose to exit in Q4 2022 and secured a price of £2.156 million, a 38% premium to the 2018 purchase price. The asset also delivered over £650,000 in income during the hold period. Whilst a small asset, it made an important contribution and demonstrates the level of detail and strong asset management carried out.

5. Poole

We acquired three Mercedes car dealerships located in Poole, Salisbury and Dorchester in 2015 as part of a portfolio. Dorchester was sold in 2016 at a 20% profit to purchase price. In 2020 we agreed to sell the Mercedes in Salisbury to the tenant and we entered into an option for the same tenant to acquire Poole (where they are also the occupier) at a price of £7.1 million during an option window from June 2021 to June 2023. This suited us well because Salisbury was the inferior asset and the tenant had to keep paying rent on the Poole asset at a rate of £395,000 per annum. In December last year the tenant validly exercised their option and we duly completed the sale of the Poole property in mid-December at £7.1 million. The September 2022 independent valuation of the Poole property was £6.5 million and Knight Frank's draft valuation for December had fallen to £6.15 million prior to it being certain that the tenant was going to exercise their option. The sale price reflected a net initial yield of 5.21%.


Tonbridge
Sale price: **£2.35 million**
Premium to valuation: 0.00%
Net initial yield: 5.62%

Portfolio Report - Sales Continued

6. Burton Upon Trent

The asset was acquired in March 2011 for £9.55 million. At purchase, the property was let for a further 6.8 years at a rent of £869,464 per annum (£5.48 per sq ft). The net initial yield at purchase was 9% and the purchase price reflected a capital value of £60 per sq ft overall.

In November 2017, we agreed a new lease directly with Waterstones Booksellers Limited for a term of 5.5 years, expiring in May 2023, at an increased rent of £950,000 per annum (£5.98 per sq ft). In late 2022, with expiry of the lease approaching, we completed another reversionary lease to Waterstones, for a term of five years until May 2028 at a further increased rent of £1,071,839.25 per annum (£6.75 per sq ft).

Having concluded the lease renewal negotiations in late 2022, in early 2023 we marketed the asset to a select number of credible investors in the market. Offers were guided in excess of £17.45 million reflecting a net initial yield of 5.75%. We received three formal offers; all of which were in excess of the guide price. The sale to Mayfair Capital at £18.4 million, reflecting a yield of 5.45%, completed on 31 March. The sale delivered a 93% increase on the 2011 purchase price and an 8.2% premium to the latest valuation.

Burton Upon Trent
Sale price: **£18.40 million**
Premium to valuation: 8.20%
Net initial yield: 5.45%

7. Taunton

In Q1 this year we completed the sale of a small, vacant office building in Taunton for £820,000. The property comprises a detached office totalling 18,059 sq ft across ground, first and second floors. At purchase the property was let to Lloyds TSB Bank Plc, at a rent of £242,000 per annum on a lease expiring in October 2015. In 2015 we renewed the lease with the tenant until October 2020, at a rebased rent of £185,105 per annum. The tenant vacated at lease expiry in October 2020 and the property has been vacant since.

This reflected a significant fall from the original book cost of £2.6m, reflecting the challenges faced for secondary offices in today's environment. On a positive note £2.6m was received in income and dilapidations over the hold period.

8. Walton on Thames

We completed the sale of a retail unit in Walton on Thames. At purchase the property was let to Waitrose Limited at a rent of £121,451 per annum on a lease expiring 27 October 2025, with a tenant only break option in October 2020. Subsequent to our purchase, Waitrose assigned the lease to Steinhoff UK Group Limited. The tenant invalidly exercised the 2020 break option and due to a historic guarantee to the lease provided by Waitrose, we were able to secure a £400,000 surrender premium from Waitrose to relinquish their ongoing liability.

We completed a short term letting to Heal's in 2021 and continued to monitor alternative occupier interest. In July 2022 we agreed terms with Sofas & Stuff for a more conventional lease term and at an improved rent. The new letting was for a term of 10 years with tenant only break option at expiry of the fifth year. The agreed rent was £85,000 per annum.

Having completed this asset management initiative, we marketed the property and it sold for £1,000,000, reflecting a net initial yield of 8.0%. This was in line with the original quoting price.

9. Tonbridge

We completed the sale of a small multi-let industrial estate in Tonbridge in Q2. Prior to sale we executed a lease renewal increasing the rental tone to £10.50 per sq ft which secured a 44% increase on the prevailing rent. Completing the renewal meant it could be used as evidence for upcoming lease renewals. In early May we sold the estate to a property company, for £2.35 million, reflecting a net initial yield of 5.62% and a 44% premium to the 2018 purchase price. The asset had delivered over £675,000 in income during the hold period.

Portfolio Report - Sales Continued

10. Peterborough

The property comprises a single let industrial unit that was acquired in February 2014 as part of a portfolio of three industrial properties acquired from Clipstone. The apportioned price for Peterborough was £2,230,000.

At purchase the property was let to Sage Publications Limited, at a rent of £182,900 per annum / £4.98 per sq ft on a lease expiring in July 2020. Shortly after the lease expired in 2020 we agreed to a short term extension with Sage taking the lease expiry to 31st July 2022 and increasing the rent to £219,480 per annum / £5.99 per sq ft. Last year we extended the lease once again to November 2025 and increased the rent to £256,060 per annum / £6.99 per sq ft. The rent has increased by 40% since purchase. No rent free has been given away.

Having secured a lease renewal to 2025 and two rent increases during our ownership we marketed the property for sale in Q1 2023 and received good interest from the market with six interested parties and four formal written offers with two rounds of bidding. We completed the sale in May at a price of £4.17 million reflecting a net initial yield of 5.75%.

Swindon
Sale price: **£7.75 million**
Premium to valuation: 0.00%
Net initial yield: 5.50%

11. Huntingdon, Redshank House

The property comprises a standalone two storey office let to Cambridgeshire & Peterborough NHS Foundation Trust until May 2022 at a rent of £102,631 per annum (£12.23 per sq ft). The rent increased to £111,510 per annum (£13.30 per sq ft) at review in 2020. At expiry in 2022, the tenant renewed the lease on a short term basis and vacated in August last year.

The property was openly marketed on both a for sale and to let basis. We subsequently sold it for a price of £720,0000. During the hold period the asset has delivered approximately £475,000 in income and we have also received a dilapidations settlement of £132,000 without having to spend money on the building.

12. Bury, Moorgate Retail Park

The property comprises a retail warehouse park consisting of five units totalling 51,765 sq ft together with 280 car parking spaces. The park is fully let to T J Morris (trading as Home Bargains), Empire Sports Nutrition (trading as Kings Gym), Halfords, Farmfoods and Kentucky Fried Chicken.

The property was acquired in December 2002 for £8.685 million. At purchase the park was fully let producing a rental income of £574,785 per annum.

The asset has had an involved asset management history during CPF's ownership spanning over twenty years. During the 20 year hold period a total of £11.9 million in income has been received. Capital costs over the hold period have totalled £600,000. Due to persistent vacancy at the property, opportunities to sell it have been rare, however after successfully letting the last remaining unit earlier this year we took the decision to market the property for sale with a guide price of £6 million, against a valuation of £5.85 million. There was a good level of interest in the property which resulted in five genuinely interested parties who either submitted written offers or provided an indication on pricing. In June we completed the sale of the property to Home Bargains, a tenant on the park, for £6.2 million. The agreed price is 6% above the March 2023 independent valuation carried out by Knight Frank at £5.85 million.

13. Swindon

This asset was acquired in August 2017 and was let to Sytner Properties Limited, guaranteed by Sytner Group Limited, with an unexpired term of 21.5 years and a term certain of approximately 6.5 years to the tenant's break option in December 2024.

In October 2018, the Fund undertook a lease variation with the tenant, removing the 2024 tenant break option in return for a reduction in the rent to £455,000 per annum, reflecting £12.68 per sq ft. This provided an unbroken term certain of 21 years, substantially improving the length of guaranteed income the investment provided.

Having undertaken the asset management initiatives intended at acquisition, and receiving almost £2.90 million in rental income during the hold period, we opted to sell the asset whilst a long unexpired term remained.

We subsequently sold the asset for a price of £7.75 million, reflecting a yield of 5.50%.

Lease Expiry Profile

The Fund's average lease length to expiry at 11.3 years is almost 75% longer than the market average at 6.6 years[3].

In terms of lease length for Q2 2023, the Fund has 32.2% of income secured on leases for in excess of 10 years, this is double the All Balanced Funds average of 16.5%.

When analysing income in excess of 20 years, the Index has 4.7% secured on average, whilst the Fund again has double this at 9.6%. This level of income security is reassuring during these times of heightened economic uncertainty. The Fund also has the second lowest void rate 1.9% of the All Balanced Funds Index compiled of 27 funds.

% of Income from Leases Expiring after 10 Years[3]

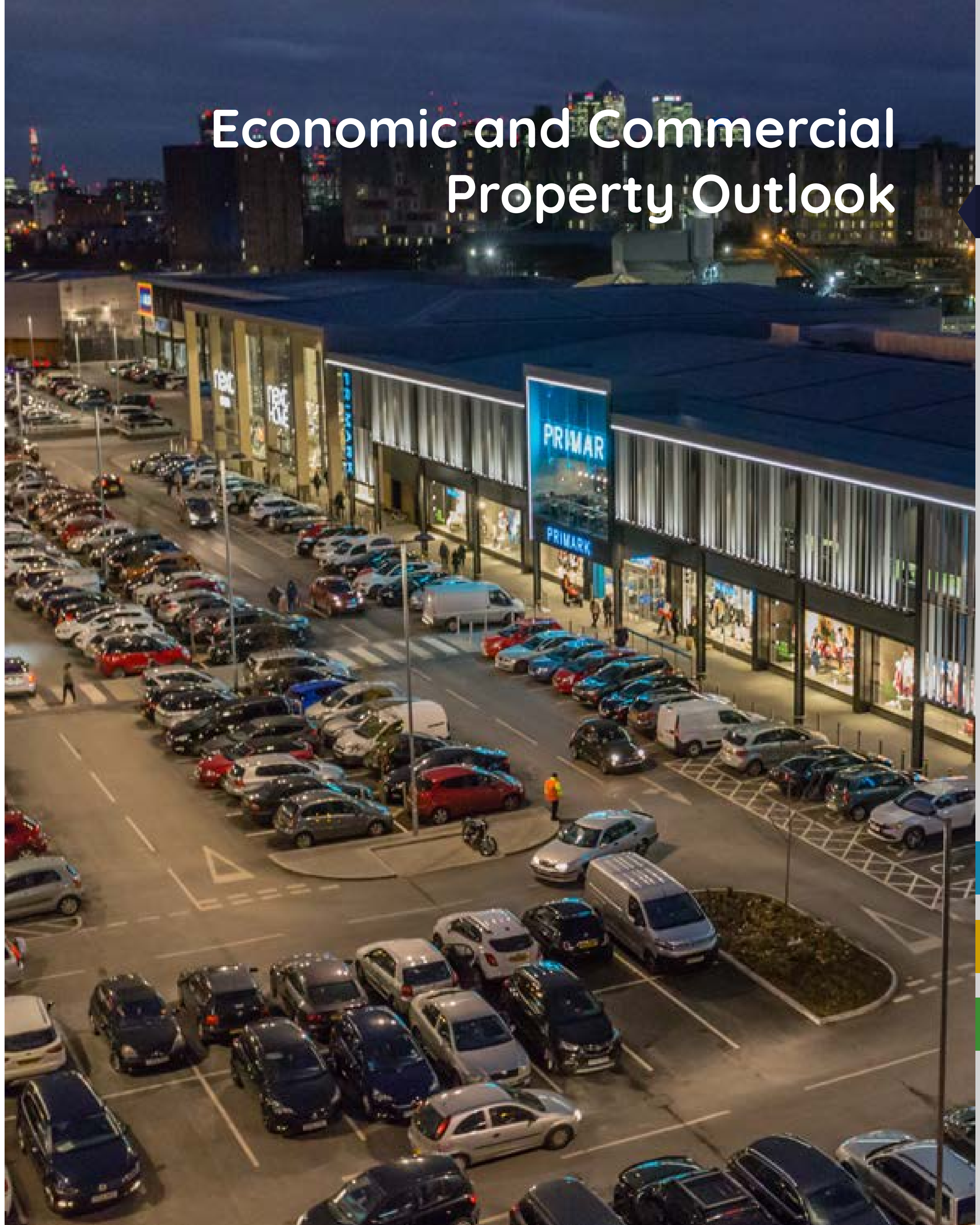
Authorised Property Unit Trusts	
Standard Life Pooled Property Pension Fund	35.5
PATRIZIA Hanover Property Unit Trust	35.5
M&G Property Portfolio	32.3
The Charities Property Fund	32.2
Schroders Capital UK Real Estate	28.8
Tritax Property Income Fund	25.3
Lothbury Property Trust	21.0
AEW UK Core Plus Property Fund	20.7
Legal And General Managed Fund	19.0
Royal London UK Real Estate Fund	17.5
abrdn UK Real Estate Fund	17.4
L&G UK Property Fund	17.0
The Property Income Trust for Charities	15.7
COIF Charities Property Fund	15.7
The Local Authorities' Property Fund	15.3
MC PUT	14.1
Federated Hermes Property Unit Trust	14.0
Threadneedle Property Unit Trust	12.3
CT UK Commercial Property Fund	11.5
Royal London Property Fund	9.5
BlackRock UK Property Fund	9.1
Threadneedle Pensions Ltd	6.8
Triton Property Fund LP	6.7
CBRE UK Property PAIF	5.6
LF Canlife UK Property ACS	4.9
Fidelity UK Real Estate Fund	2.5
Nuveen Real Estate UK Property Fund	-
All Balanced funds (un-weighted/weighted average)	**16.5/17.4%**

% of Income from Leases Expiring after 20 Years[3]

Authorised Property Unit Trusts	
PATRIZIA Hanover Property Unit Trust	15.5
Lothbury Property Trust	11.1
The Charities Property Fund	9.6
Federated Hermes Property Unit Trust	9.3
CT UK Commercial Property Fund	7.8
M&G Property Portfolio	7.8
L&G UK Property Fund	7.6
COIF Charities Property Fund	7.3
Standard Life Pooled Property Pension Fund	7.3
abrdn UK Real Estate Fund	7.2
Royal London UK Real Estate Fund	6.8
The Local Authorities' Property Fund	6.4
The Property Income Trust for Charities	4.5
Legal And General Managed Fund	4.1
Tritax Property Income Fund	4.1
Schroders Capital UK Real Estate	3.3
MC PUT	2.4
AEW UK Core Plus Property Fund	1.5
LF Canlife UK Property ACS	1.3
Threadneedle Pensions Ltd	1.2
BlackRock UK Property Fund	0.7
Threadneedle Property Unit Trust	0.3
Fidelity UK Real Estate Fund	0.0
Triton Property Fund LP	-
Royal London Property Fund	-
CBRE UK Property PAIF	-
Nuveen Real Estate UK Property Fund	-
All Balanced funds (un-weighted/weighted average)	**4.7/4.6%**

3 AREF All Balanced Open Ended Property Fund Index June 2023

Economic and Commercial Property Outlook

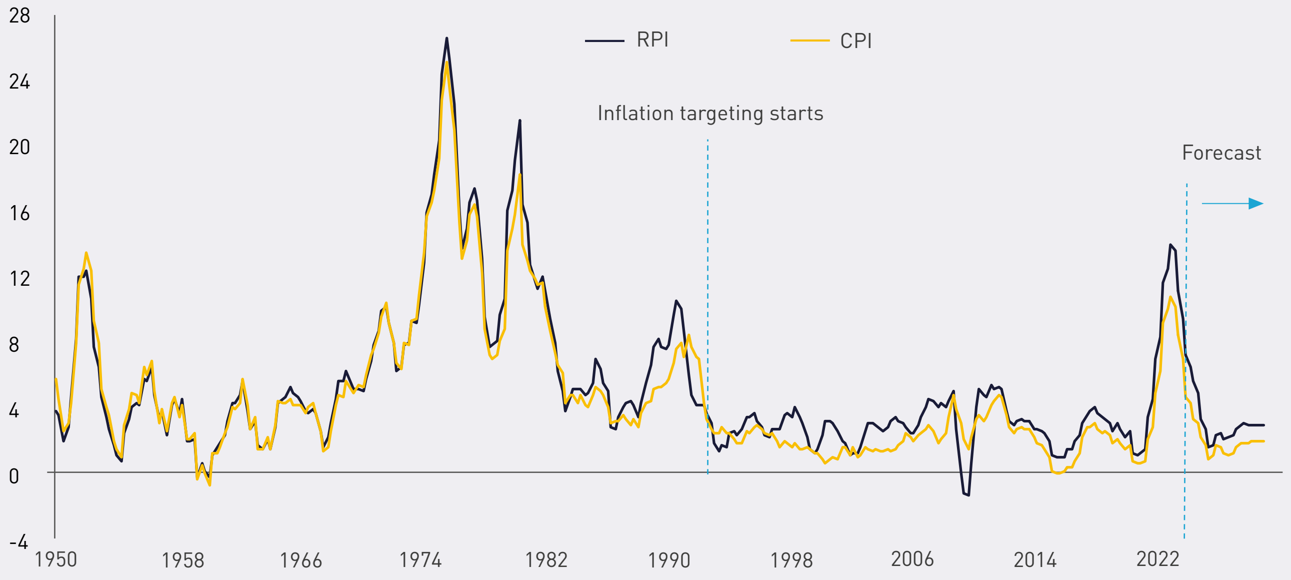


Economic Overview

The UK economy continues to confound the pessimists, posting a 0.2% quarter on quarter rise in GDP for the second quarter of 2023 – the strongest rate of growth for five quarters. This was boosted by a 0.5% rise in June as activity rebounded following the extra bank holiday in May[4]. But while many will point to the economy being more resilient than most forecasters had anticipated, the bigger picture is that growth continues to be pedestrian. What's more, the near-term outlook remains challenging as higher interest rates start to bite. Given the lagged impact on growth from higher interest rates, Oxford Economics have cut their 2024 GDP forecast to 0.4%, from 0.8% previously.

Revised upwards forecasts from the IMF suggest that the UK will avoid recession in 2023 and they also predict growth of 0.4%, a significant upgrade from earlier forecasts which suggested a fall of 0.5%. They did however note that inflation remained "stubbornly high", this was demonstrated by the June announcement from the ONS stating that CPI fell less than expected to 8.7% meaning the UK now has the joint highest inflation in the G7.

Inflation — 2023
(%)



Source: A Millennium of Macroeconomic Data (Bank of England), Oxford Economics, 2023

The Bank of England does seem to be prioritising taming inflation over growth, however it does appear the rate rises are starting to bite and further rises may not materialise. Survey data point to the economy losing momentum. The Composite PMI – a closely watched business survey – has fallen over the past three months, while the labour market is cooling. Q2 also saw the highest number of company insolvencies since Q1 2009. Admittedly, in part this reflects a hangover from the removal of pandemic-related government support, but rising interest rates and inflationary pressures aren't helping.

Regardless, the costs of capital are higher and they impact the market in many ways; higher interest rates and bond yields make property relatively less attractive and serve to depress valuations of commercial real estate; developers will find it harder to fund speculative developments, which will constrain the development pipeline. The pricing aspirations of investors remain mismatched and occupiers will consider their options on financing when it comes to capital expenditure. With the Bank of England not expected to start cutting rates until the middle of 2024, the squeeze on real estate investment and occupier markets looks set to continue for a little longer yet.

4 Office for National Statistics June 2023

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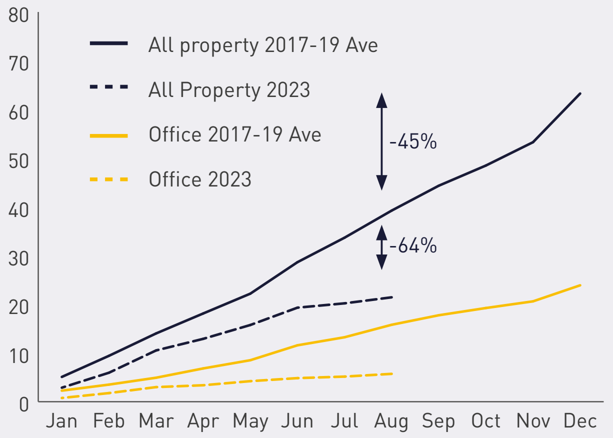
Economic Overview

However, in the midst of all the volatility, unemployment remains historically low and consumer confidence remains surprisingly high, meaning that occupiers still need to consider the suitability of their supply chains for a market that will continue to grow, notwithstanding the challenges in the short term.

Investors continue to take a wait and see approach to real estate as the shift in the interest rate narrative to higher for longer puts further pressure on property values. Not only was Q2 2023 the weakest quarter for transactions since 2011, but investment for the first seven months of the year is around -40% lower than the 2017-19 average, MSCI RCA data show.

As investors ponder the future of the office sector and factor in potential capital expenditure requirements to improve EPC ratings and the overall sustainability credentials of buildings, the sector has taken the brunt of the investment pullback. Across the UK just 64 office assets transacted in the second quarter – the lowest number since the midst of the GFC.

Monthly Cumulative Investment
(£, billion)



Source: Savills IM; MSCI RCA

That said, the re-pricing of assets has opened up buying opportunities, although investors are highly selective. With industrial and logistics values 25% cheaper than a year ago and strong long-term fundamentals, investment in the sector jumped 33% in Q2 – the only sector, along with student accommodation, to see an increase in investment on the quarter[5].

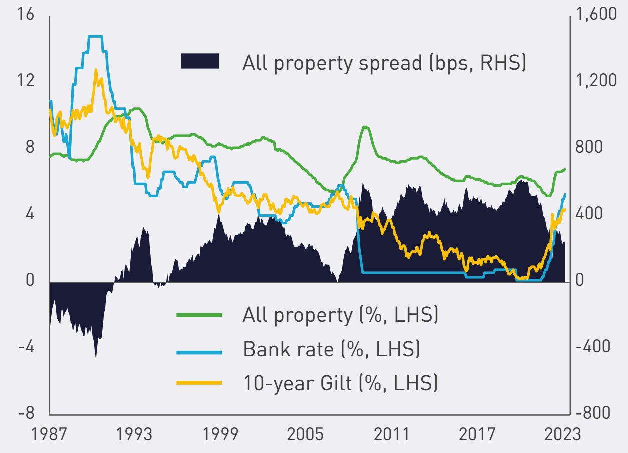
Even so, capital flows are likely to remain weak into 2024 as investors remain risk-off in the face of high borrowing costs and relatively attractive returns from alternative asset classes.

There is a clear divergence between sectors. Industrial and logistics capital values rose by 1% in Q2, supported by solid rental growth. Retail warehouse values were also higher for the second consecutive quarter. In contrast, office values are under the greatest pressure, falling by -3.8% in Q2 2023, according to the MSCI quarterly index. In particular, London City offices are feeling the heat, with values falling by -5.2%, to be -21% lower since last June's peak. Across the UK, 75% of offices saw values fall in Q2, with evidence that even the top 25% of buildings in some markets are under pressure.

As structural changes in tenant demand play out, the polarisation of the office market between the best and the rest is only likely to increase, putting significant downward pressure on capital values of low quality, secondary stock. Moreover, within the office sector, the spread between the best offices and the rest continues to grow.

Any hoped-for H2 recovery in activity has therefore been pushed into 2024. Capital values are also likely to remain under pressure, especially in the office sector. Although signs of market distress have been limited so far, higher borrowing costs and LTV constraints are expected to see more pockets of stress develop as more assets need to be refinanced across the market over the second half of the year.

Yields and Spreads



Source: MSCI, Macrobond, Savills IM

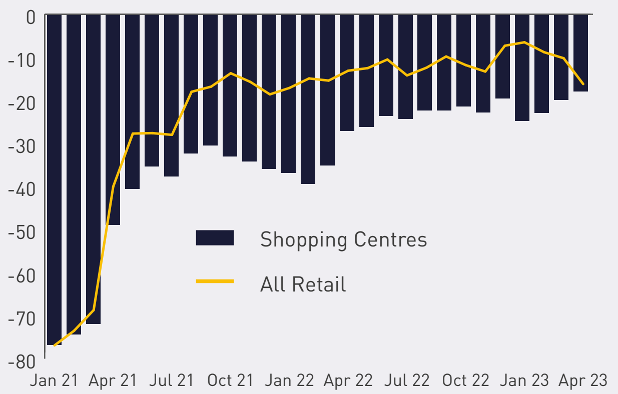
5 MSCI

Retail - In Focus

The high street and shopping centre markets continue to struggle. Research by the Centre for Retail Research found that more than 17,000 shops closed in 2022, the highest total in five years. Similarly footfall in shopping centres still remains 20% below pre pandemic levels and trading conditions continue to be challenging with a number of retailers closing stores and the recent collapse of value retailer Wilko highlighting competitive pressure in this part of the market.

However, recent retail sales data indicates that the worst of the pressure on retailers from the cost-of-living crisis may be starting to dissipate. Despite the prevailing headwinds, consumers were eager to spend in Q2 as confidence improved. Retail sales volumes (ex. fuel) were positive in each of the three months to end June, albeit they were no higher at the end of Q2 than in August last year, highlighting the pressure that the sector has been under.

Shopping Centre Footfall
(% change vs 2019)



Source: BRC, May 2023

New Store Openings 2023 – Top 10

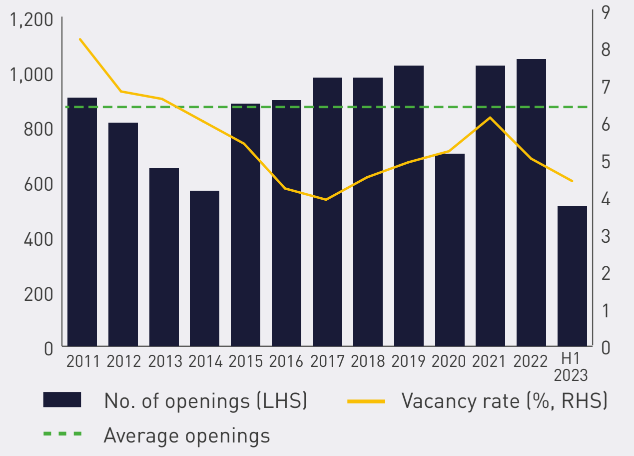
Occupier	Pitch	Units	Total Floorspace
B&M Retail	Value	15	470,700
Home Bargains	Value	19	446,500
Lidl	Value	22	425,300
PureGym	Value	29	325,700
Aldi	Value	15	292,600
Poundland	Value	11	212,600
M&S	Mass	5	121,400
JDGyms	Value	11	118,300
The Range	Value	4	93,300
Farmfoods	Value	5	88,800

Source: Savills Research, April 2023

We have long been bearish on the high street and shopping centres within the Fund and our primary focus has always been the retail warehouse sector.

This market has once again proved its resilience occupationally, despite the increasing strength of the economic headwinds faced by the UK over the last twelve months. With consumer budgets increasingly tightening, we have seen expansion by the discount grocery stores (Aldi and Lidl in particular) – grocery now occupies 31% of all occupied floorspace, up from 18% a decade ago[6].

Retail warehousing new openings



Source: Savills Research, April 2023

Out of the ten largest space takers in 2023, 9 were focused on the value end of the market, M&S being the only exception.

The growth of value-orientated operators in the last decade will also go some way to mitigate the challenges the retail warehouse sector faces in a period of consumer austerity. In 2012, just over a quarter (28%) of the brands in the market were value-based or discount-led. Today, that figure has risen to 38% and is increasing all the time. The vacancy rate in the sector has fallen below 5%[6].

A decline in consumer spend is therefore not expected to impact all occupiers across the market equally. And as inflationary pressures ease and retailers benefit from the revaluation of business rates, this will help further. Retail warehousing is now much more focused on essential product categories so, despite seeing a retraction in discretionary spend, it is operators in this space that are best positioned to mitigate the impact of the economic headwinds and investors remain eager to allocate capital to the sub-sector due to its strong fundamentals (rebased rents, reduced rates, low voids, lack of new development).

6 Knight Frank UK CRE Quarterly Review May 2023

Retail - The Fund

We are still strong believers in the fundamentals of retail warehousing and its ongoing performance. Occupational market indicators remain positive with downward pressure on the current vacancy rate. Retailer performance and covenant strength remain strong in the sector.

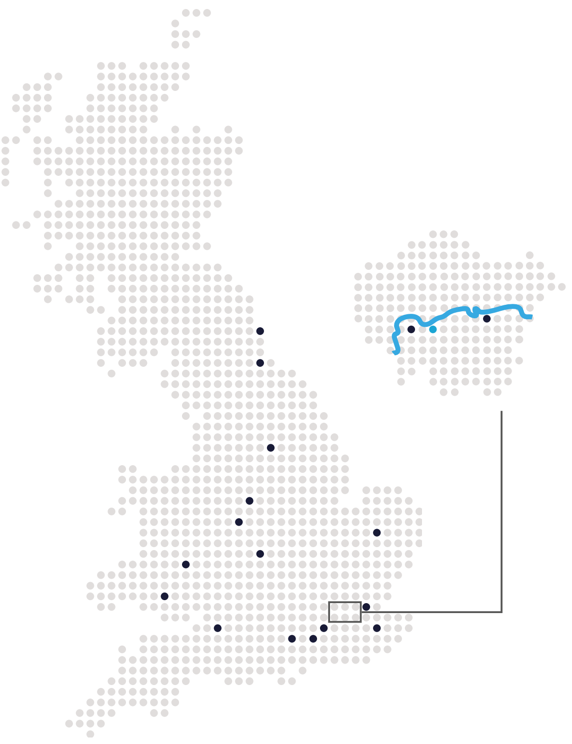
Our main focus within the Fund is the food, discount and convenience sector. The discount retailers have become increasingly popular - in 2008 the market share of discounters in the UK was only 4.6%, today 38% of brands are discount led[6].

Within the Charities Property Fund our exposure to the retail sector is 18.4% of the total fund. We own no high street units, no shopping centres, which have suffered from over supply and shrinking rents for many years. We also own no large format supermarkets where we believe the rents have grown to be far in excess of other comparable sites.

All of our exposure is out of town retail warehousing. The fundamentals for this sub sector remain strong, particularly when facing a cost of living crisis and it has been the top performing sector over the last 12 months.

The average rent per sq ft for the whole portfolio is only £15.60 per sq ft; £20.00 in London and the South East and £12.80 per sq ft across the rest of the UK. These rents are 30% less than the average for the UK retail warehousing and substantially lower than the large format supermarkets. It reflects our focus on value – be that food, discount or convenience.

By value, just over half is located in London and the south east. We have a number of food retailers represented such as Tesco, Aldi, Lidl and Waitrose. The remainder are predominately made up of discounters such as Food Warehouse, B&M and Home Bargains. Where we do have fashion retailers they are best of class and in London where there is a chronic lack of supply.



Our Tenants

0%
vacancy
in retail

£15.60
average rent
per sq ft

CHARITIES
PROPERTY FUND

Manager and Trustee's Report

Manager and Trustee's Report
Fund Performance
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Offices - In Focus

The post-pandemic recovery in leasing activity has come to an abrupt halt as a stagnating economy, higher interest rates and uncertain outlook start to weigh on firms' expansion and re-location decisions. Central London take up eased for the fourth consecutive quarter in Q2. Moreover, net absorption on a 12-month basis turned negative for the first time since the end of 2021.

Where deals are being signed, tenants' focus remains firmly on high quality space, with Savills Research data showing 90%-95% of leasing deals signed during the quarter were for grade-A space.

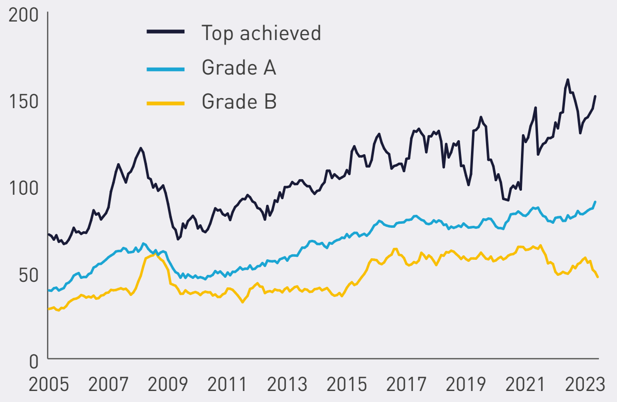
Office demand across the South East also plunged new lows. At 216,000 sq ft, take-up in Q2 2023 hit a new record low, comparing highly unfavourably to the 10-year Q2 average of 658,000 sq ft[7].

Softening demand continues to put upward pressure on vacancy, particularly in Canary Wharf and the South East. A pick-up in completions in the City and Midtown, following Covid-19 related delays, has also underpinned high vacancy levels in these submarkets. The West End is the exception where vacancy continues to sit a touch below its long-term average.

When it comes to rents, the flight to quality continues to increase the wedge between the best and the rest, Savills Research data shows. This is particularly evident in the West End office rents, though the same can be said of the City market. In addition, breaking the MSCI index down reveals that while headline average rents rose in Q2, only the top 20% of buildings saw rental growth

The gap between the best and the rest is only likely to widen, as a result of both structural factors affecting tenant demand and near-term cyclical weakness. This will further exacerbate downward pressure on capital values for low quality, poorly located stock that lack the attributes that make them attractive for occupiers.

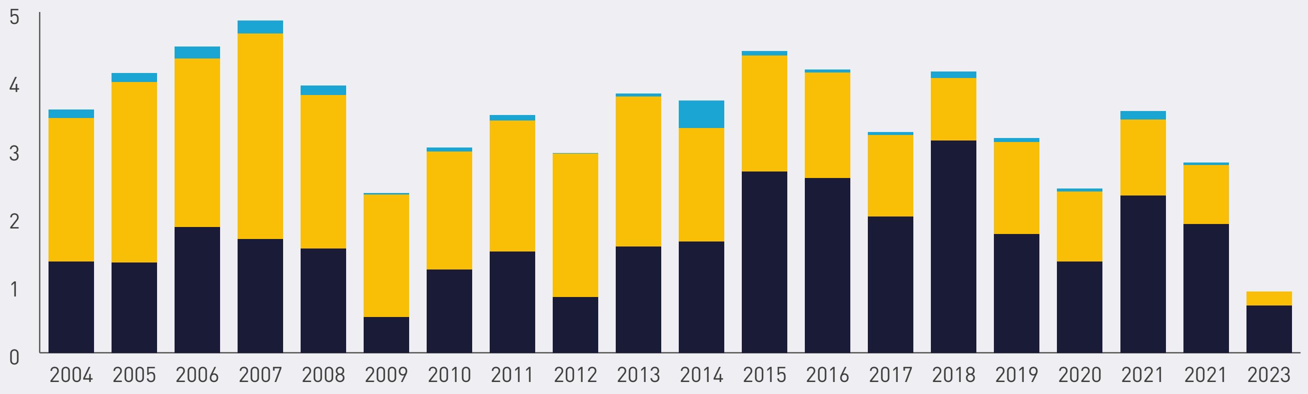
West End office rents
(GBP per sq ft, 6mth MA)



Source: Savills Research, Savills IM, June 2023

Regionally take up is also muted, however certain towns and cities buck the trend and outside of the Thames Valley supply is also more limited. In some towns and cities the conversion of buildings to residential use has put the squeeze on available space. Where a building is best in class we have seen record rents set, for example £45 per sq ft achieved in Birmingham, £50.00 per sq ft achieved in Maidenhead and £62.50 per sq ft in Oxford. Likewise the current economic environment and high interest rates, twinned with building cost increases and a struggling planning system are only likely to restrict supply further in the longer term.

Greater London & South East office take-up
(Take-up m sq ft)



Source: Savills Research

7 Savills Research, June 2023

Offices - The Fund

The office sector is one of the smallest sector exposures represented within the Charities Property Fund portfolio at only 17.3% of the total portfolio, 24% below the Index average of 23%.

Where the Fund owns offices, we have always focused on best in class affordable buildings, with alternative uses. Our London portfolio comprises five buildings collectively making up 59% of our UK office portfolio, but over half of our London exposure is concentrated in one best in class building in Farringdon. This is the type of building that has become increasingly sought after post pandemic.

Across the UK, our buildings are generally located in towns and cities with limited supply and strong underlying value – Bath, Brighton, Bristol and Cheltenham. Therefore whilst demand for offices across the UK may have weakened since the pandemic, the inherent lack of supply in some of these towns enables them to overcome the wider trend. Importantly they are also all on a human scale - the average building size is only 20,000 sq ft, which allows occupiers to have their own front door, they are less energy intensive - windows can be opened and most of them have already been adapted for multiple, alternative uses over their life cycle. The average rent payable is just over £50.00 per sq ft within our London portfolio, compared to average prime market rents of over £100.00 per sq ft. Outside of London our average rent is only £21.00 per sq ft.

The office sector is the only sector within the whole portfolio where we have some vacancy, however the picture is much improved on last year. We have undertaken ten lettings adding £1.774 million per annum in rent. On average these lettings were 2% ahead of the estimated rental value, which is reassuring. These lettings have helped drive the vacancy rate significantly lower to 9.5% in this sector based on estimated rental value. A year ago our vacancy rate within the office sector was 21%.

London, EC1

Last year 58% of all our vacancy within the portfolio was found in London offices, this has been reduced to 15% through five individual lettings. Outside of this, we have completed a further five lettings in Brighton, Bath and Cheltenham. In fact our largest vacancy, equivalent to 53% of all vacant space and 1% of the total portfolio void is an office building in Maidenhead. As discussed in our ESG section we have recently completed a pathway to net zero carbon refurbishment, it hasn't been marketed for long and therefore should be seen in this context. If Maidenhead is excluded, then our vacancy rate within offices would fall to 4% and portfolio vacancy to 0.9%.

Brighton

Industrial & Distribution - In Focus

Occupationally industrial and logistics markets continue to be strong with rising rents and high occupancy levels, but the sector has repriced due to rising interest rates which has reduced capital values by an average of 25% over the last 12 months.

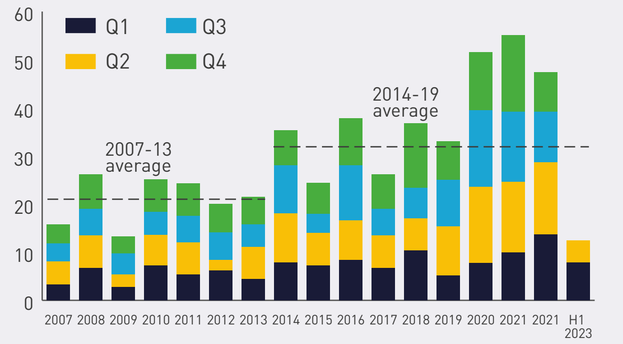
Whilst take-up has fallen due to economic and political uncertainty, the market does remain stable with a limited development pipeline helping keep vacancy rates low. Average rents for UK Industrial also continue to grow, albeit the rate of annual growth in the year to March is 8.6%, down from a peak of 13.2% in the year to August 2022 (Source: MSCI).

Investment volumes remain muted as economic uncertainty continues to keep buyer and seller pricing aspirations apart.

Take-up reduced in the second quarter as weak economic conditions and the unwinding of the pandemic-induced spike in occupier demand hit take-up volumes. At 4.7 million sq ft, leasing activity in Q2 fell to the lowest level since Q3 2015, Savills data indicates. This took the 2023 H1 total to 12.5 million sq ft – the weakest H1 since 2013.

To an extent, a lack of large deals has held back take-up averages. Online retailers have also been largely absent from the market as they look to optimise existing space. Accounting for just 6% of space taken in H1, the online retailer share is well-below the 30%-35% share recorded in 2020 and 2021[8]. However, this is unlikely to impact the structural shift in demand for modern space in strategic urban and near-urban locations where supply is known to be constrained.

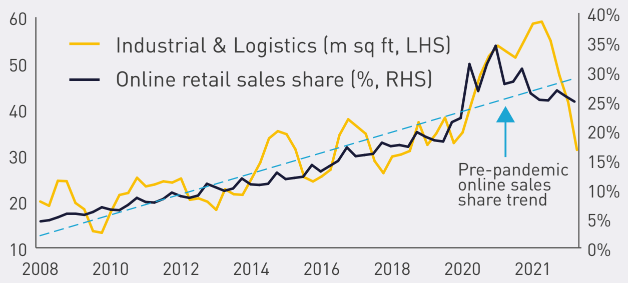
Industrial & Logistics take-up (Take-up m sq ft)



Source: Savills Research, Savills IM, July 2023

Meanwhile the amount of available space jumped by more than 9 million sq ft, to nearly 42 million sq ft – the highest volume of vacant space since 2012[8]. The sharp rise was driven by both newly completed space entering the market and second-hand space being released back onto the market.

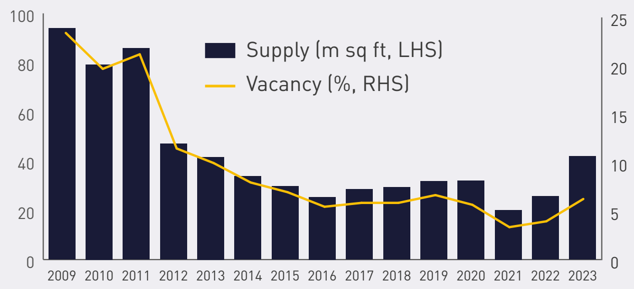
Industrial & Logistics take-up & online retail sales share (12 month take-up)



Source: Savills Research, Savills IM, Macrobond, July 2023

Although vacancy has risen to 6.25%, this is only around the levels recorded at the time of the Covid-19 pandemic. Furthermore, the rise in construction and financing costs is hitting the development pipeline – Savills have logged just 22 speculative developments this year, compared to 39 at the same point last year.

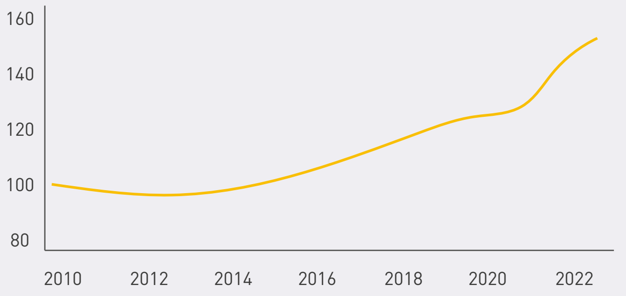
Take-up



Source: Knight Frank Research, June 2023

Despite the softening in demand and supply, market conditions remain favourable for rental growth. Indeed, average industrial and logistics rents rose by 1.7% in Q2, similar to the previous two quarters (MSCI, August 2023). As higher debt costs constrain future development projects, limiting upward supply pressures, rents are expected to remain on an upward trajectory, particularly in already supply constrained urban and near-urban locations.

Average market rental growth



Source: MSCI Monthly Index, Savills IM, August 2023

8 Savills Research June 2023

Industrial & Distribution - The Fund

Industrial & Logistics is our largest exposure within the Fund and has always been our most favoured sector. Our current exposure is 33.2%.

The Fund displays a very well diversified estate of industrial and logistics units extending right across the UK in 42 separate assets providing 59 individual units and covering 3.0 million sq ft. Importantly the majority of this is not "big box" but urban logistics. There is a distinct difference and the unit sizes are generally small benefitting from a much wider pool of potential occupiers. The average rent per sq ft is low at only approximately £6.50 per sq ft and the average capital value per sq ft is below replacement cost, with costs of construction nearing £150 per sq ft.

This is very defensive. We are also not restricted to logistics and the Fund portfolio extends to precision manufacturing, lithium battery production, NHS critical infrastructure, self storage, data centres and temperature controlled storage units.

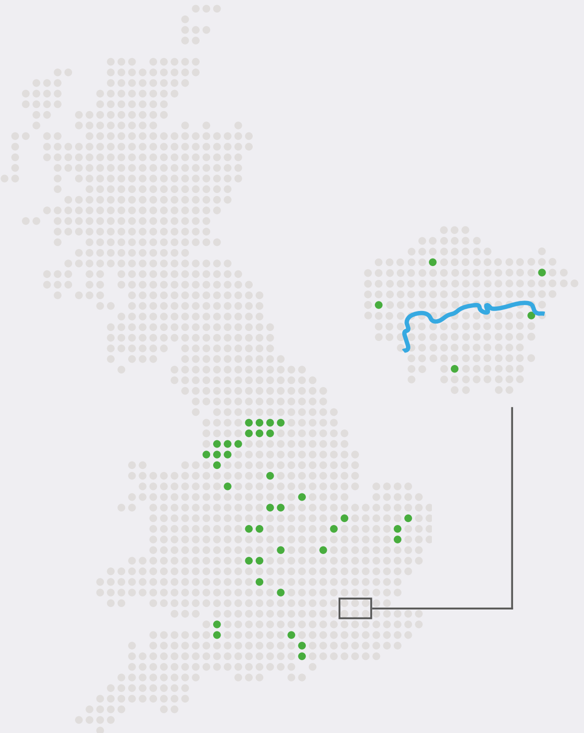
3.0 million sq ft

Units of
2,500 - 180,000 sq ft

Average unit size
50,000 sq ft

Average rent
£6.51 per sq ft

Average capital value
£127.00 per sq ft



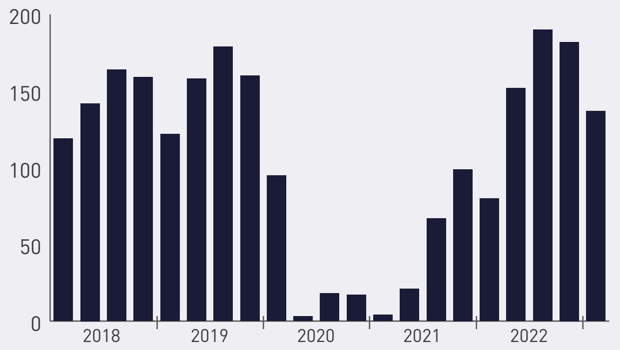
Alternatives - In Focus

The alternatives sector is dominated by long dated, inflation linked income streams. A number of the subsectors provide resilience to economic turbulence, for instance critical infrastructure such as medical, care, life sciences and education, but also student and hotels can defy the wider economic gloom with staycations proving attractive in constrained times. Health & Fitness has rebounded strongly since the pandemic and automotive has been a notable strong performer given the economic headwinds.

The hotel market has shown promising signs of recovery as it navigates the challenges from the pandemic as well as recent headwinds from rising utility and labour costs. On the back of a stronger-than-expected recovery, VisitBritain have upgraded their forecast for in-bound tourists this year to 37.5 million, from 35.1 million previously. If achieved, this would represent 92% of 2019 levels and 15% higher than 2022. The return of international travel has been a particular boost for London and Edinburgh.

With occupancy rates on the rise, hotels are reporting higher average daily room rates and total revenue per available room according to HotStats. Hotel demand has also been supported by households prioritising holiday spend in the face of falling real incomes. In some smaller regional markets, performance has been underpinned by reduced supply on account of stock being let on Government contracts, which Knight Frank estimate to amount to some 33,500 rooms across 320 hotels.

RevPAR in London
(Quarterly £)



Source: HotStats, June 2023

Travelodge reported a 48% rise in profits to £104.5 million, a record first half performance. Premier Inn also reported pre-tax profits had risen from £58 million in the year to March 2022 to £375 million in the year ending March 2023.

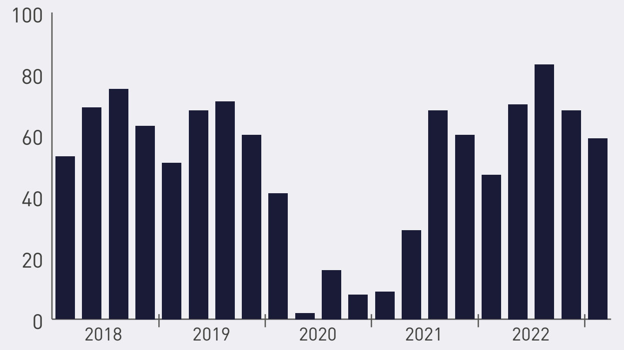
The **automotive** sector is having to reinvent itself once more as the population adjusts to the seemingly inevitable transfer to EVs in the coming decade, along with the associated infrastructure changes required to charge and service the vehicles.

This has provided an opportunity for dealerships and as supply chain pressures have begun to ease, there has been an upward revision of the quarterly market outlook, the first positive revision since 2021, with 1.83 million new car registrations expected in 2023, up from 1.79 million anticipated in January. In August alone the new car market grew 24.4% with 85,657 cars registered, up from 68,858 a year ago[9]. These businesses continue to perform well and the recent £500 million takeover of Lookers by Canadian dealer group Alpha Auto illustrates their attractiveness.

The **PBSA market (Purpose Built Student Accommodation)** is seeing rising rents and increasing levels of demand. Growth in student numbers is down to demographics and near record application rates. The number of UK youngsters turning 18 will increase by 19 per cent by 2030, according to official forecasts[10]. Demand among overseas students remains strong, particularly for postgraduate degrees. Insufficient student housing supply partly reflects problems in the wider buy-to-let sector. Higher interest rates and planned regulatory reforms are pushing landlords to sell.

Developers are also building less due to planning hurdles and financing and supply chain costs. Builds costs have risen 50% in just a few years and this is driving rental growth.

RevPAR in Regional UK
(Quarterly £)



Source: HotStats, June 2023

9 Society for Motor Manufactures and Traders as at June 2023
10 ONS, Population projections as at January 2023

Alternatives - The Fund

The Charities Property Fund was an early mover into this sector and we have built a considerable holding in alternatives comprising 39 assets and close to 30% of the entire portfolio. This is ahead of the MSCI Index at approximately 12.5%. The three largest assets are Leonardo Hotel in Brighton, Travelodge in Battersea and D'Overbroeck's School in Oxford. The weighted average unexpired lease term of our holdings in this sector is 18 years and 85% of the assets benefit from indexation to RPI (56%), CPI (14%) or fixed guaranteed uplift (15%).

The majority, at over 50%, is invested into accommodation assets, namely Hotels, Serviced Apartments, PBSA (Student Housing) and Specialist Supported Housing. Generally these all have alternative uses in the residential sector and therefore a high percentage of the value tends to be underpinned by the land and buildings.

Brighton

The Fund has hotel and serviced apartment assets in Bath, Brighton, Battersea, Manchester, Newcastle, Oxford and Poole Harbour and specialist supported housing in Bristol, Dorchester, Poole and the Isle of Wight. Our exposure here is dominated by quality sites with high underlying land and residential values - these are all strong locations providing multiple income streams across commerce, tourism, conference and events.

A further 10% is invested within the education subsector with last year's acquisition of the school in Oxford. A number of these alternative assets have the benefit of being 'critical infrastructure' and therefore much less cyclical than some other sectors.

Just over 7% of the portfolio (1/4 of alternatives) is invested into the Automotive market. We remain optimistic about this market which despite the economic uncertainty doesn't seem to have adversely affected the dealer groups. We continue to witness reliable tenants with growing revenues. The showroom model links well with internet sales with a physical presence needed for customers to view cars and provide a sales experience and also for servicing and repairs.

A number of the manufacturers appear to provide an underwrite to these dealerships as they need the access to market, meaning that even if an individual dealer or group failed it is highly likely an alternative dealer group would take over the site for the manufacturer.

Bath

Within the portfolio we have seen significant capital investment by the tenants into over half of our assets. Not only does this demonstrate their commitment to the locations, but it demonstrates they are well capitalised and improves the ESG credentials of the assets. Underlying all this once again is the quality of the locations – towns and cities such as Cambridge, Chester, Harrogate and Worcester. The often multiple alternative uses and high underlying site values provide further comfort.

Charities Property Fund Team

Savills Investment Management is a specialist international property investment management business with c.£20.4 billion of assets under management (as at 30 June 2023) and an experienced team of c.400 professionals located in 16 offices across Europe and Asia.

Property

Harry de Ferry Foster
Fund Director

Harry de Ferry Foster is Head of UK for Savills Investment Management and the Fund Director for The Charities Property Fund.

Harry has held these posts for 5 years and 16 years respectively and has been with the business for over 20 years.

Harry's role encompasses leading and setting the investment philosophy for the UK team. This includes equity raising, asset allocation, active sourcing of investments, investment of subscriptions and asset management. He sits on the UK Management Committee, the ESG Committee and the Savills IM Investment Committee.

Harry started his career at Cushman & Wakefield (formerly Healey & Baker) in investment agency before assisting with the establishment of their Fund Management team in 1998 and worked on a number of pension fund and charity accounts. Harry became RICS qualified in 1999 and has over 25 years' experience in property investment and fund management and has transacted over £3 billion during his career. Harry completed the Investment Management Certificate (IMC) exams in 2003.

Angy Benitz
Fund Manager

Angy Benitz is the Fund Manager for the Charities Property Fund. Angy's primary role involves asset acquisition and disposal together with adopting portfolio management initiatives. Angy is also a member of Savills Investment Management's Investment Risk Committee.

Angy joined Savills Investment Management in September 2010 from DTZ where he spent 8 years in a variety of advisory roles, with an emphasis on investment agency representing a range of clients on acquisition and disposal transactions of commercial real estate within the UK.

Angy graduated from Oxford University in 2001 before joining DTZ and becoming RICS qualified in 2005.

Charities Property Fund Team

It has provided investment services for 30 years, comprising separate accounts and investment mandates on an advisory or discretionary basis, and the establishment and management of pooled property funds.

Property

Jim Garland
Portfolio Manager

Jim Garland joined the Savills Investment Management investment team in 2009 where he worked as an analyst in research and strategy contributing to the creation of house views, fund reporting and ad hoc research assignments. Jim moved across to the Charities Property Fund team in 2014. As a Portfolio Manager, Jim supports the Fund Manager and Fund Director with asset management initiatives, acquisitions and disposals.

Prior to joining Savills Investment Management Jim worked at a healthcare strategy and marketing consultancy.

Jim graduated from UCL in 1999 with a degree in Biotechnology and gained an MSc in Real Estate at Cass Business School in 2009. Jim is RICS qualified and has completed the Investment Management Certificate (IMC) exams.

Maggie McQuaid
Portfolio Manager

Maggie McQuaid is Portfolio Manager for the Charities Property Fund. Her day to day role involves asset acquisitions and disposals together with the execution of asset management initiatives.

Maggie graduated from the University of Ulster in 2011 with a degree in Property Investment & Development. She subsequently worked for MSCI prior to joining the Savills Graduate Scheme in 2013. She spent time in hotel valuations, retail investment, property management, commercial valuations and Savills Investment Management prior to becoming RICS qualified in 2015. Following qualification she worked in a hotel valuation advisory role at Savills prior to joining Savills Investment Management in 2017. She has also completed the Investment Management Certificate (IMC) exam.

Charities Property Fund Team Continued

Clients include pension funds, insurance companies, endowments, charities and family offices on whose behalf we invest in office, retail, industrial, residential and alternative sectors in property.

Property Continued

Joe Rosenblatt
Asset Manager

Joe Rosenblatt is an Asset Manager for the Charities Property Fund. His day to day role includes assisting with asset management initiatives, acquisitions and disposals.

Joe graduated from the University of Leeds with a degree in Economics and Philosophy in 2017, before undertaking an MSc in Real Estate from UCEM. Joe completed the APC qualification in May 2021 having previously worked within Valuation, Leasing, Property Management and Investment during his time on the Savills graduate scheme.

Vinod Raj
Investment Analyst

Vinod Raj is the Investment Analyst for the Charities Property Fund. Vinod's primary role involves asset acquisition and disposal, underwriting transactions and performing portfolio analysis.

Vinod joined Savills Investment Management in June 2022 from PGIM Real Estate where he spent 3 years with the portfolio management teams covering core and value-add UK and European Funds assisting with transactions and financial analysis.

Vinod graduated from Imperial College London in 2015 and began his career in corporate finance with internship and full time experience notably with J.P Morgan, Ondra Partners and Mooreland Partners before joining PGIM Real Estate in 2019.

Investor Relations

Georgia Willis
CPF Marketing Manager

Georgia is responsible for the marketing of CPF and investor relations with both existing and potential investors. Her day to day role involves investor communications, fund dealing, reporting and event management. She is also responsible for the Fund website and marketing documents. Georgia joined Savills Investment Management in August 2023 from Rothschild & Co Credit Management where she was an Investor Relations Officer.

Georgia has previous experience as an Investor Relations and Marketing Associate at Arcus Investment, a boutique Investment Manager, and as an Analyst on a Remediation Project at the Royal Bank of Scotland. Georgia graduated from University of Bristol in 2017 with a BSc degree in Economics and Management.

Finance

Tammy Thomas
Senior Fund Finance Manager

Tammy Thomas is a Senior fund finance manager, responsible for providing senior oversight to the financial reporting and administrator process of the Charities Property Fund. She joined Savills Investment Management in 2011 after working for KPMG in the Cayman Islands in Alternative Investment Management. She commenced her career at Deloitte LLP in London, where she trained as a Chartered Accountant (FCA) with the Institute of Chartered Accountants in England and Wales.

Tammy is a graduate of the University of Western Australia and holds a Bachelor of Commerce degree majoring in Corporate Finance.

Charities Property Fund Team Continued

Savills Investment Management is majority owned by the Savills Group, a FTSE 250 company and international real estate consultancy. Savills Investment Management retains operational independence from the wider Savills Group to enable us to act on a best execution basis on behalf of our clients.

Finance

Esme Dowling
Senior Fund Finance Manager

Esme Dowling is a Fund Finance Manager, responsible for financial reporting and analysis, and management of administrators. Esme joined Savills IM in October 2020 and previously worked at Blackrock, AXA IM, CBRE Global Investors and ING Real Estate, managing the fund finance function for a number of UK and European property funds.

Esme is a graduate of Glasgow University and started her career at Deloitte LLP in London, where she trained to became a Chartered Accountant (FCA) with the Institute of Chartered Accountants in England and Wales.

Louise Roberts
Associate Fund Finance Manager

Louise Roberts is an Associate Fund Finance Manager, responsible for financial reporting and analysis, and management of administrators.

Louise joined Savills Investment Management in January 2023 from Langham Hall where she worked within the Fund Accounting and Administration team for various Real Estate funds. Prior to this she worked within the Audit department at Smith & Williamson from 2016 to 2021, where she qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Kathryn Angliss
Fund Finance Manager

Kathryn Angliss is a Fund Finance Manager, responsible for financial reporting and analysis, and administrator management.

Kathryn joined Savills Investment Management in May 2019 from Sanne Group where she worked within the Fund Administration team on various debt funds. Prior to this she worked within the Audit and Tax departments at KPMG Channel Islands, where she qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Kathryn graduated from the University of Warwick in 2013 before starting at KPMG.

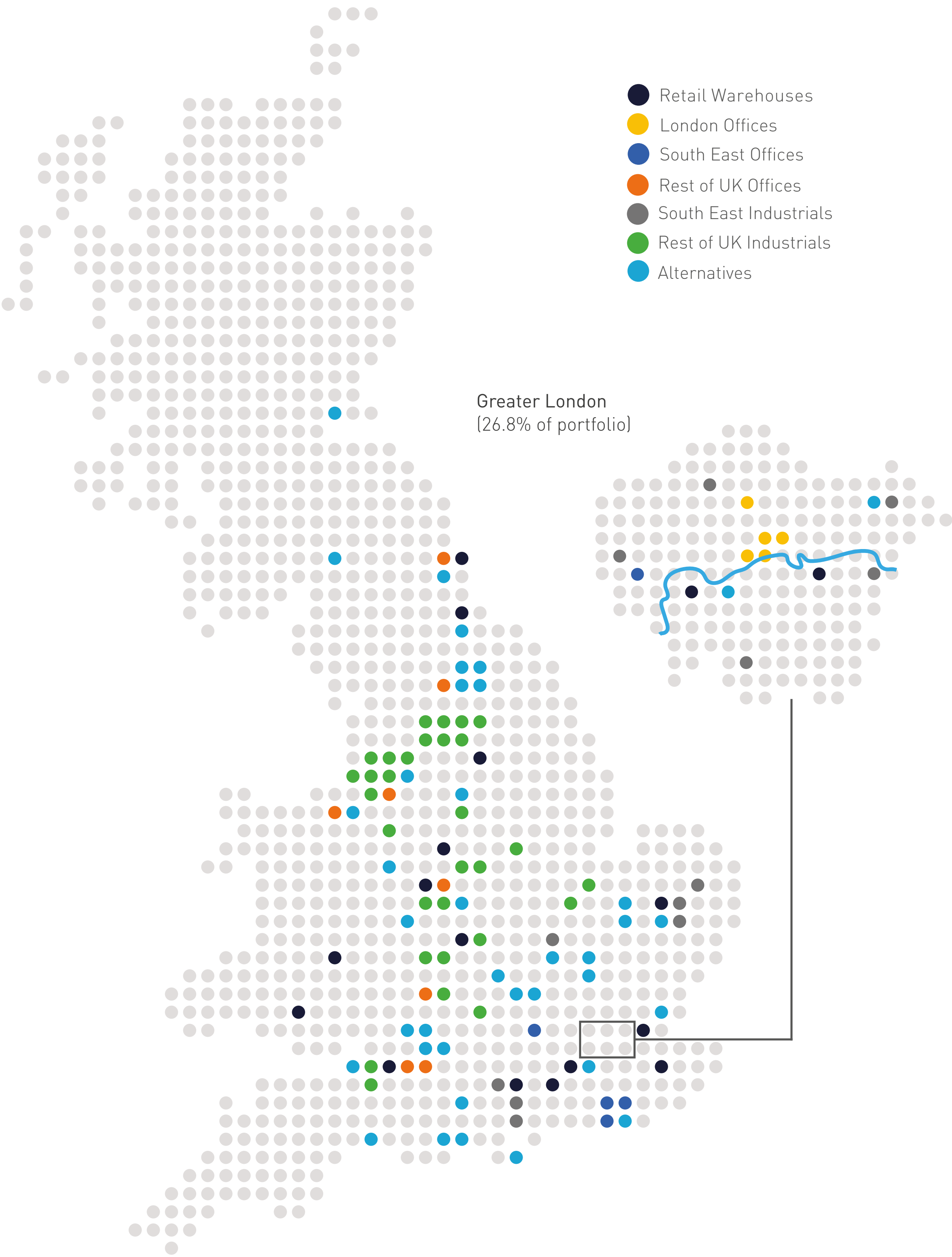
Callum Wrench
Associate Fund Finance Manager

Callum Wrench is an Associate Fund Finance Manager, responsible for financial reporting and analysis, and management of administrators.

Callum joined Savills Investment Management in November 2021. Prior to this he worked at PwC CI where he worked in audit, mostly on private equity clients, and where he qualified as a Chartered Accountant with the Institute of Chartered Accountants in England and Wales.

Callum graduated from Exeter University in 2012 with a BA in Economics.

Map of Properties



List of Properties

Retail Warehouses

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
1	Basildon	McDonald's, KFC, Pets at Home, Farmfoods, Poundland	717,535	2024 - 2041
2	Basingstoke	Homebase	1,113,000	2037
3	Bristol	Pets at Home, McDonald's	378,320	2027
4	Bury St Edmunds	Matalan	305,000	2029
5	Canterbury	Dunelm, Dreams	508,745	2026 - 2031 (2026)
6	Doncaster	Wickes	296,327	2028
7	Gateshead	Tesco (sub-let to The Range, Sport Direct)	2,262,843	2048 (2033)
8	Guildford	Magnet	600,000	2024
9	Hereford	Lidl, Pets at Home, Poundstretcher	405,005	2023 - 2046 (2036)
10	London SE7 (Greenwich)	Aldi, Next, Primark, Wren Kitchens	2,349,113	2030 - 2037 (2032)
11	Merthyr Tydfil	Halfords, Home Bargains, Iceland, Dreams, Jollye's, Greggs, Sports Direct, Private Individuals	657,000	2024 - 2037 (2024)
12	Middlesbrough	B&M	239,180	2023
13	Redditch	Aldi, Pets at Home, Poundstretcher, Iceland, Home Bargains, Costa Coffee, Sue Ryder, Burger King	1,027,528	2024 - 2041 (2024 - 2036)
14	Redhill	Majestic Wine	42,500	2025 (2023)
15	Twickenham	Currys, Wickes	951,500	2024 - 2032
16	Uttoxeter	B&Q, Shoe Zone, Poundland, Pets at Home, Argos, B&M, KFC, Majestic Wine, Scentarea, Costa, Greggs, Private individuals	905,568	2023 - 2041 (2023 - 2029)
17	West Malling	Waitrose	209,247	2026
18	Wolverhampton	JD Sports Gyms, Iceland Foods	475,000	2028 - 2032 (2027)
		Total, Retail Warehouses	**13,443,411**	

Gateshead


Merthyr Tydfil

List of Properties Continued

London Offices

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
19	London E1 (Whitechapel)	The British Diabetic Association	1,126,173	2026
20	London EC1 (Farringdon)	Macmillan Publishers International, Projection Artworks	2,815,641	2033 - 2034 (2026 - 2029)
21	London EC2 (Shoreditch)	Work Life	923,527	2031
22	London N1 (Shoreditch)	Sunshine Partners, Spiers + Major, Sharp End Partnership, Capital Integration Systems, Cignal Infrastructure	534,370	2024 - 2027 (2023 - 2025)
23	London NW5 (Kentish Town)	Center on Long-Term Risk, Brinkworth Productions	489,088	2027 - 2028 (2024)
		Total, London Offices	**5,888,799**	

South East Offices

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
24	Brighton (Aspect House)	NHS, Bullhorn International, Football 1X2, Page Group Plc, Jarltech Europe GMBH, Teladoc Health-UK	644,009	2026 - 2032 (2023 - 2029)
25	Brighton (International House)	Fitness First, Booker, Kraken Technologies, Octopus, Hays, Haybury	923,891	2023 - 2028 (2023 - 2024)
26	Brighton (Queens Road)	E-Techzone, NEB Ventures, WRAP Business & Leisure	262,796	2025 - 2031 (2026)
27	Maidenhead	Vacant	-	-
28	Staines	Givaudan UK	127,000	2028
		Total, South East Offices	**1,957,696**	


Maidenhead


London, EC1

List of Properties Continued

Rest of UK Offices

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
29	Altrincham	Bolling Investments	368,567	2033 (2028)
30	Bath	Bath Best Food, Starbucks, Gradwell Communications, Ladbrokes, EIP Europe, Abel & Imray	579,091	2023 - 2032 (2025 - 2026)
31	Birmingham	Secretary of State for Levelling Up, Housing and Communities	891,672	2032 (2027)
32	Bristol	Films at 59	387,550	2026
33	Cheltenham	Abercrombie & Kent, Novus Renewable Services	418,831	2027 - 2029 (2024 - 2025)
34	Chester	The Secretary of State for Communities and Local Government	437,615	2026
35	Ilkley	Modus UK, Smartcredit	519,745	2028 - 2033
36	Newcastle-upon-Tyne	Ryder Architecture	310,245	2033
		Total, Rest of UK Offices	**3,913,316**	

South East Industrials

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
37	Basingstoke	Leverton Clarke	452,336	2033
38	Basingstoke	Vodafone, Berry Bros & Rudd	657,654	2025 - 2027
39	Belvedere	Allied Hygiene Systems	600,000	2043 (2033)
40	Bury St Edmunds	Videndum Production Solutions	679,673	2032
41	Bury St Edmunds	Unipart Logistics	878,435	2044 (2034)
42	Chigwell	Sytner	435,000	2056 (2036)
43	Epsom	Screwfix, Brewers, Eurocell Building Plastics, Euro Car Parts, Betterstone Self Storage, AWE Europe, Photo-Me International	795,095	2023 - 2033 (2024 - 2026)
44	Hayes	Tempur UK	674,638	2026
45	London NW9	VW Group	245,000	2031
46	Milton Keynes	F+F Stores	699,250	2027
47	Portsmouth	SMR Automotive Mirrors UK	600,000	2034 (2029)
48	Thetford	Fedex	99,999	2025
		Total, South East Industrials	**6,817,080**	

List of Properties Continued

Rest of UK industrials

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
49	Birmingham	Tradechoice Distribution	310,005	2025
50	Bristol	GXO Logistics	515,000	2030 (2024)
51	Bristol	Cubico UK, Screwfix, Tastetech, Qualitronics, Mon Motors	453,816	2024 - 2030 (2025)
52	Daventry	G2S, Cummins, Consumer Champion Group	902,495	2023 - 2030 (2026)
53	Gloucester	Severn Glocon	536,700	2028
54	Huddersfield	Hoco Parts UK, Automint	406,731	2031 (2026)
55	Leeds	Yusen Logistics UK	420,000	2031 (2026)
56	Liverpool	Amazon UK	632,206	2026
57	Liverpool	Kammac	786,500	2023
58	Manchester	Royal Mail, Wilkinson Star	318,250	2027 - 2028
59	Normanton	Kelling Group	434,000	2032
60	Normanton	United Autosports	215,107	2024
61	Normanton	Kongsberg Actuation Systems	468,064	2038 (2028)
62	Normanton	PNS UK	236,665	2036
63	Normanton	Really Useful Products	352,750	2027
64	Nottingham	Turbine Surface Technologies	433,843	2026
65	Redditch	Amazon UK Services	754,164	2026 (2024)
66	Rochdale	Royal Mail	166,234	2028
67	South Normanton	Recticel	310,000	2031
68	Swindon	Jewson	172,500	2023
69	Tamworth	Speedy Hire	969,878	2029
70	Telford	Northwood Hygiene Products	730,000	2025
71	Tewkesbury	Hydro Building Systems	800,000	2032
72	Tewkesbury	Idemia UK	270,000	2030 (2025)
73	Wakefield	Wolseley UK	271,225	2031
74	Warrington	Eddie Stobart	350,000	2033
75	Wednesbury	AF Blakemore & Son	371,500	2024
		Total, Rest of UK Industrials	**12,587,633**	

The Charities Property Fund | Report & Accounts 2023

List of Properties Continued

Alternatives

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
	Leisure			
76	Bath (1-3 Westgate Buildings)	Stable Bar & Restaurant, DPL Partnership	186,664	2039 (2029)
77	Carlisle	Sports Direct	160,000	2030
78	Harrogate	Five Guys, Mitchells & Butlers, Marston's, Bar Hidden, Palagander	400,982	2030 - 2041 (2023 - 2031)
79	Rayleigh	Virgin Active	464,000	2033
80	Sheffield	JD Wetherspoon, Stonegate, Cafè Nero, Ask, Sommar Sheff, Yorkshire Metropolitan Housing Association	344,125	2023 - 2044
		Total, Leisure	**1,555,771**	
	Hotels / Student / Serviced Apartments / Supported Housing / Education			
81	Bath (5-10 Westgate Buildings)	Travelodge Hotels, Sports Direct, Sally Salon, Hask45, Creams Café	771,200	2027 - 2042 (2024 - 2025)
82	Bath	Westgate Apartments	211,003	2027
83	Bath	TS Apartments	153,793	2029
84	Brighton	Leonardo Hotels Management UK	2,274,292	2042
85	Cambridge	Travelodge Hotels	1,225,086	2048
86	Dorchester	AFL to Inclusion Housing Community Interest Company	-	-
87	London, SW11	Travelodge Hotels	1,657,738	2049
88	Manchester	Edyn, Private Individuals, CDP	717,347	2023 - 2046 (2025)
89	Nailsea	Inclusion Housing Community Interest	153,140	2032
90	Newcastle-upon-Tyne	easyHotel UK, Big Mussell	529,220	2028 - 2042 (2037)
91	Oxford	D'Overbroeck's	466,814	2047
92	Oxford	D'Overbroeck's	1,581,901	2047
93	Poole	NHS, Trek, Subway, Costa Coffee, Anytime Fitness, Travelodge Hotels	848,986	2031 - 2051 (2026)
94	Poole	Inclusion Housing Community Interest	119,756	2032
95	Shanklin	Vectis Housing Association	89,627	2041
		Total, Hotels / Student / Serviced Apartments / Supported Housing / Education	**10,799,903**	


Warrington

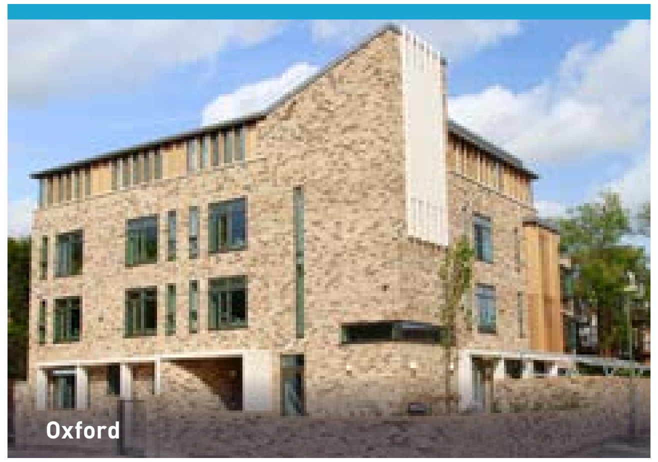

Normanton

List of Properties Continued

Alternatives

	Property	Principal Tenants	Annual Rent As at 24 Jun 2023 £	Lease Expiry (Break)
	Car Showrooms			
96	Bedford	Vindis - Audi	280,000	2042
97	Bedford	Vindis - VW	240,000	2042
98	Bury St Edmunds	Vindis - Skoda	130,000	2042
99	Camberley	Volkswagen - Audi	333,765	2026
100	Chester	Rybrook - Volvo	240,191	2036
101	Chigwell	Sytner - BMW & Mini	788,425	2056 (2026)
102	Fenstanton, Cambridge	Vindis - Bentley	140,000	2042
103	Harrogate	Volkswagen - VW	340,000	2027
104	Harrogate	JCT600 - Mercedes Benz, BP, M&S	482,068	2035 - 2036
105	Harrogate	Sytner - Audi	610,046	2035
106	Northampton	Vindis - VW Commercial	350,000	2042
107	Solihull	Rybrook - McLaren & Rolls Royce	314,949	2036
108	Stockton-on-Tees	Volkswagen - Audi	396,426	2027
109	Worcester	Rybrook - BMW & Mini	618,446	2036
		Total, Car Showrooms	**5,264,316**	
	Roadside			
110	Glenrothes	BP, M&S	264,314	2034
111	Stow on the Wold	BP, M&S	209,311	2033
112	Telford	Welcome Break - Shell, Waitrose, WH Smith, Burger King, Starbucks, Krispy Kreme, Days Inn	1,147,033	2027
		Total, Roadside	**1,620,658**	
		Total, Alternatives	**19,240,648**	
		Total, portfolio	**63,848,583**	


Camberley


Oxford

Portfolio Statement

At 24 June 2023

Portfolio of Investments	
Properties valued at greater than £15m	
The Smithson, Briset Street, London EC1	Rivington House, London EC2A
Brocklebank Retail Park, Greenwich SE7	5 Centurion Way, Belvedere
Leonardo Hotel, Brighton	Welcome Break, MSA, Junction 4, M54, Telford
Metro Park West, Gateshead	333 Banbury Road, Oxford
200 York Road, Battersea, SW11	Caxton Point, Printing House Lane, Hayes
Travelodge Hotel, Newmarket Road, Cambridge	Apex Retail Park, Hampton Road West, Twickenham
Suffolk Park, Bury St Edmunds	Backchurch Lane, London EC2
Emperor Point, Centurion Park, Tamworth	Homebase, Winchester Road, Basingstoke
Epsom Trade Park and Units 450A & 450B, Epsom	
Valuation £m (percentage of total net assets)	£460.850 (40.95%)
Properties valued at between £10m to £15m	
The Crystal Building, Langston Road, Chigwell	5-10 Westgate Buildings, Bath
Hornhouse Lane, Knowsley, Liverpool	Dawson Road, Mount Farm Industrial Estate, Milton Keynes
Sytner BMW, Langston Road, Chigwell	Units 3010 & 3020 Birmingham Business Park, Birmingham
Units 1 & 2 Gemini, Hamilton Close, Houndmills, Basingstoke	Dovetails Retail Park, Uttoxeter Bypass, Uttoxeter
SMR, Castle Trading Estate, Portchester, Portsmouth	BMW & Mini, Knightsbridge Park, Worcester
Knights Park, Houndmills, Basingstoke	Imperial Works, Kentish Town, London NW5
International House, Queens Road, Brighton	Drayton Fields, Daventry
Trafford Retail Park, Redditch	Ravensbank Business Park, Redditch
8 Shepherdess Walk, London N1	Jupiter, Hornhouse Lane, Knowsley, Liverpool
376 Banbury Road, Oxford	Moreton Hall Industrial Estate, Bury St Edmunds
Severn Glocon, Olympus Park, Quedgeley, Gloucester	SACO House, Minshull Street, Manchester
Old Market Retail Park, Pitsea, Basildon	Lifeboat Quay, West Quay Road, Poole
Unit 5300, Severn Drive, Tewkesbury	
Valuation £m (percentage of total net assets)	£301.350 (26.78%)
Properties valued at between £5m to £10m	
Little Oak Drive, Sherwood Park, Nottingham	St George's House, Ambrose Street, Cheltenham
Cross Green Approach, Leeds	Kenmore Road, Wakefield
Mercedez Benz & BP, M&S, Leeds Road, Harrogate	Audi, Brooklime Avenue, Stockon-on-Tees
Pentrebach Retail Park, Merthyr Tydfil	Mayfield Business Park, Ilkley
Kongsberg Unit, Foxbridge Way, Normanton	Volkswagen, St James Business Park, Knaresborough
Westpoint, James Street West, Bath	Whiteladies House, Clifton, Bristol
AF Blakemore unit, Steelmans Road, Wednesbury	Pets at Home & Mcdonalds, Bath Road, Brislington, Bristol
Proctor House, Newcastle	McLaren & Rolls Royce, Stratford Road, Solihull
Clover Nook Industrial Estate, South Normanton	One Bell Street, Maidenhead
Units 1 & 2, Bradley Junction, Station Road, Huddersfield	17-23 Parliament Street, Harrogate
Units A & B, Wardley Cross Industrial Estate, Manchester	11 Poplar Way, Bristol
Wincheap Retail Park, Canterbury	SytnerAudi, St James Business Park, Knaresborough
Really Useful Products, Unit 2 Foxbridge Way, Normanton	Wilverley Trading Estate, Bath Road, Brislington, Bristol
200 Rayleigh Road, Thundersley, Rayleigh	Aspect House, Queens Road, Brighton
Units 1-3 Phoenix Retail Park, Wolverhampton	Kelling Unit, Trident Park, Normanton
Brook Retail Park, Commercial Road, Hereford	Magnet, Ladymead, Guildford
The Laconite Building, Stafford Park 6, Telford	Appleton Thorn Trading Estate, Warrington
Emerald Point, Woodgate Valley, Birmingham	Barkers Pool, Cambridge Street, Sheffield
Chester Civil Justice Centre, Trident House, Chester	Volkswagen Commercial, Gambrel Road, Northampton
Valuation £m (percentage of total net assets)	£257.650 (22.90%)

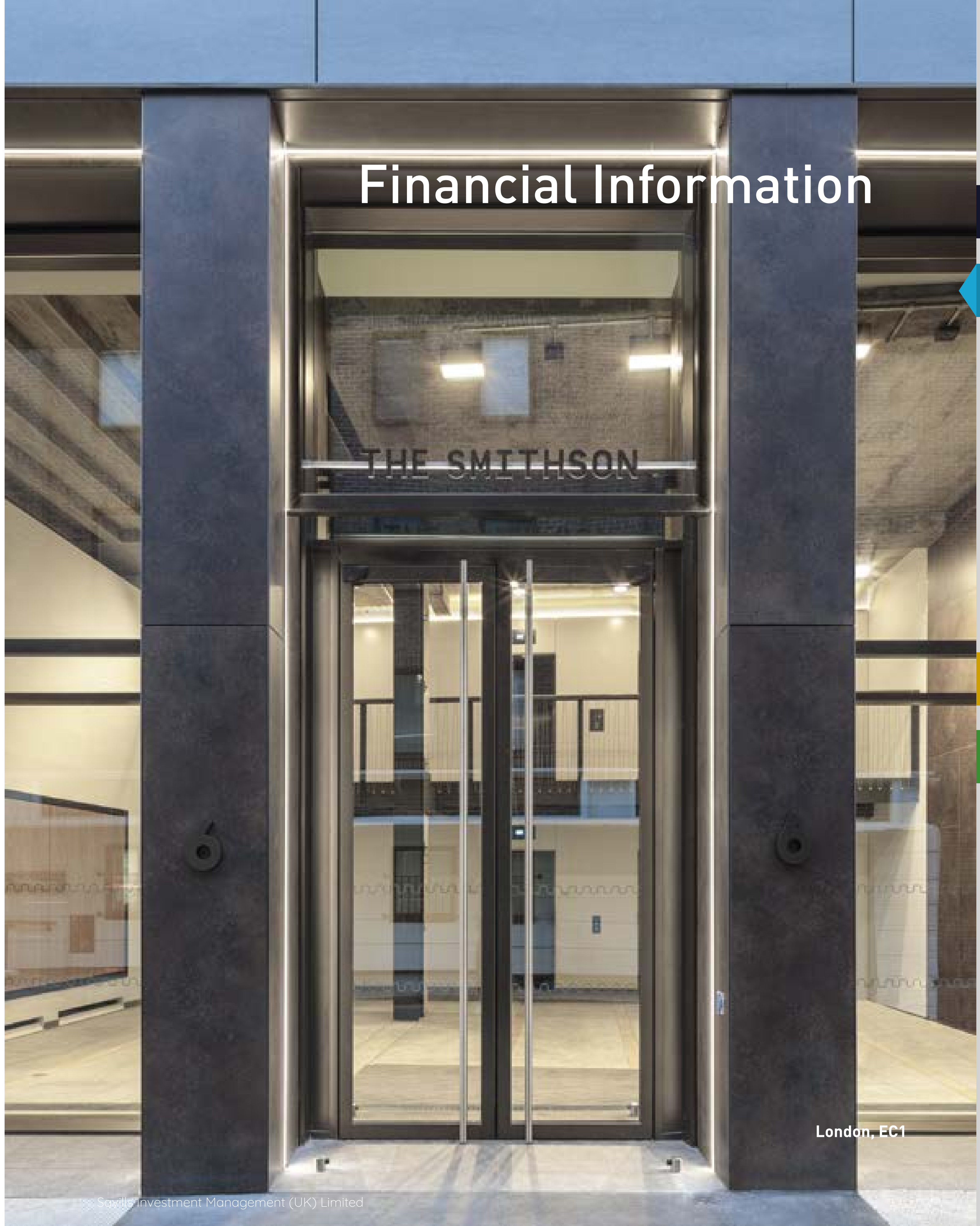
Portfolio Statement Continued

At 24 June 2023

Portfolio of Investments	
Properties valued at between £2.5m to £5m	
United Autosports Unit, Trident Park, Normanton	B&M Bargains, Parkway Centre, Middlesborough
Jaguar & Volvo, Sealand Road, Chester	Jewson Unit, Kembrey Park, Swindon
Bankhead Park Service Station, Bankhead Park, Woodside Way, Glenrothes	Little Waitrose, Fortune Way, West Malling
BP & M&S, Station Road Garage, Stow on the Wold	9-10 Trim Street, Bath
Cooper's Studioes, 14-18 Westgate Road, Newcastle-Upon-Tyne	PNS Unit, Trident Park, Normanton
Royal Mail Hub, Ainsworth Street, Rochdale	Lookers House, Etchells Road, Altrincham
4 Westgate Buildings, Bath	Matalan, Easlea Road, Bury St Edmunds
82-83 Queens Road, Brighton	Citygate Van Centre, Capitol Way, Colindale
Audi, London Road, Camberley	Wickes, Leger Way, Doncaster
1-3 Westgate Buildings, Bath	Alexandra Way, Ashchurch Business Centre, Tewkesbury
Volkswagen, 332 Ampthill Road, Bedford	Clifford House, 59 High Street, Nailsea
Audi, Progress Park, Elstow, Bedford	
Valuation £m (percentage of total net assets)	£83.715 (7.44%)
Properties valued at between £0m to £2.5m	
4 Prince of Wales Road, Dorchester	DW Sports, Currock Road, Carlisle
TNT Unit, Fisons Way Industrial Estate, Thetford	Magna House, 78-80 Church Street, Staines
Vectis Housing, Isle of Wight, Shanklin	Brighton Road, Redhill
80 Fernside Road, Poole	Skoda, Dettingen Way, Bury St Edmunds
Bentley, 2, The Lakes Buisness Park, Fenstanton	
Valuation £m (percentage of total net assets)	£15.050 (1.34%)
Total value of property holdings	£1,118.615 (99.41%)

	Valuation £000	Percentage of total net assets
Portfolio of investments	**£1,118,615**	**99.41%**
Other net assets	**£6,646**	**0.59%**
Net assets	**£1,125,261**	**100.00%**

Financial Information



London, EC1

Financial Information

Expense Ratios

	Total Expense Ratio	Property Expense Ratio	Transaction Cost Ratio
24 June 2023	0.68%	0.26%	0.07%
24 June 2022	0.56%	0.23%	0.16%

The total expense ratio (TER) of the Fund is the ratio of the Fund's total operating costs to its average net assets for the 12 months prior to the balance sheet date. Operating costs are specifically those costs associated with operating the Fund itself (excluding financing costs) and do not include additional costs associated with the day to day ownership of the assets. The property expense ratio (PER) is the ratio of costs associated with the assets which are not recoverable from tenants to its average net assets for the 12 months prior to the balance sheet date. The transaction cost ratio (TCR) of the Fund is the ratio of all professional fees and other costs associated with the purchase and sale of property to the Fund's average net assets for the 12 months prior to the balance sheet date.

The TER has increased as total operating costs for the year have increased, whilst the Fund's average net assets for the 12 months prior to the balance sheet date have decreased, therefore the expenses make up a greater proportion of the ratio when compared to the net assets. The PER has increased compared to the prior year due to an increase in property related costs.

Portfolio Turnover Rate

	Portfolio Turnover Rate
24 June 2023	4.97%
24 June 2022	2.08%

The portfolio turnover rate gives an indication of how frequently the assets are sold by the Fund. It is calculated by dividing the total disposal value over the Fund's average net assets for the 12 months prior to the balance sheet date. The portfolio turnover rate has increased as the number of sales during the period has increased compared to the prior period.

Distribution Yield

	Distribution Yield
24 June 2023	4.5%
24 June 2022	3.5%

The distribution yield has increased compared to prior year as the number of units in issue and the Net Asset Value per unit have decreased, whilst the total distribution per unit has increased.

Financial Information

Annualised Performance

	1 Year*	3 Years**	5 Years***
24 June 2023	(13.3%)	4.7%	3.5%
24 June 2022	24.1%	10.3%	9.1%

* total return for twelve months to 24 June
** total return annualised over a three year period
*** total return annualised over a five year period

Source: AREF/MSCI All Balanced Property Funds Index
Basis: Capital NAV-to-NAV with gross income reinvested

Change in Net Assets Per Unit

	24 June 2023 (p)	24 June 2022 (p)	24 June 2021 (p)
Opening net asset value per unit	148.94	124.92	121.44
Return before operating charges*	(18.62)	30.05	10.00
Operating charges	(1.22)	(0.91)	(1.38)
Return after operating charges*	(19.84)	29.14	8.62
Distributions	(5.59)	(5.12)	(5.14)
Closing net asset value per unit	123.51	148.94	124.92
*after direct transaction costs	0.09	0.21	0.14

The above table is calculated using the average number of units in issue during the year to June.

Investor Analysis

Holding	Number of beneficial owners	Total percentage holding %
Less than 0.01%	759	2.99
0.01% but less than 0.05%	494	11.14
0.05% but less than 0.10%	108	7.49
0.10% but less than 0.50%	85	19.62
0.50% but less than 1.00%	19	14.32
1.00% but less than 2.00%	16	20.70
2.00% but less than 4.00%	5	14.95
Greater than 4.00%	2	8.79
Total number of investors		**1,488**
Total number of units in issue at the end of the year at 24 June 2023		**911,053,010**
Percentage held by the largest investor		**4.58**

Holding	Total percentage holding %
Top 10 largest investors	28.99
Top 25 largest investors	46.81
Top 50 largest investors	62.34
Top 100 largest investors	75.00

Fund History and Distribution

Fund History

Net Asset Value/Fund Size	Date	Net Asset Value (£)	Units in Issue	Net Asset Value Per Unit (p)
	24 June 2019	1,307,115,917	1,008,133,488	129.66
	24 June 2020	1,196,247,120	985,020,241	121.44
	24 June 2021	1,162,871,097	905,961,890	128.36
	24 June 2022	1,451,539,886	959,272,453	151.32
	24 June 2023	1,125,260,973	923,802,080	121.81

Price and Income History	Year Ended	Highest Buying Price (p)	Lowest Selling Price (p)	Net Income Per Unit (p)
	24 June 2019	131.83	127.42	5.34
	24 June 2020	130.77	121.06	4.95
	24 June 2021	128.32	119.94	5.07
	24 June 2022	152.10	128.42	5.19
	24 June 2023	148.20	123.09	5.51

Distribution

		2023		2022	
Distribution Number	**Distribution Period**	**Distribution Per Unit (p)**	**Date Paid**	**Distribution Per Unit (p)**	**Date Paid**
1	25 June to 24 September	1.25	15/11/22	1.27	15/11/21
2	25 September to 24 December	1.33	15/02/23	1.24	15/02/22
3	25 December to 24 March	1.41	15/05/23	1.44	13/05/22
4	25 March to 24 June	1.52	15/08/23	1.24	15/08/22
Total		**5.51**		**5.19**	

The Fund distributes all available income for each quarter and therefore does not need to apply an equalisation policy.

Statement of Charity Trustees' Responsibilities in Respect of the Trustees' Annual Report and the Financial Statements

The Charity Trustees under the Charities Act are the Manager, Savills Investment Management, and Citibank UK Limited. Citibank UK Limited also acts as Corporate Trustee.

Under charity law, the Charity Trustees are responsible for preparing a Trustees' Annual Report and the financial statements in accordance with applicable law and regulations. The Charity Trustees are required to prepare the financial statements in accordance with UK Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

The financial statements are required by law to give a true and fair view of the state of affairs of the Fund, of the net income and the net capital gains of the Fund for the financial year, and of the movements in the net assets of the Fund between their position at the beginning of the financial year and their position at the end of that year.

In preparing these financial statements, generally accepted accounting practice entails that the Charity Trustees:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards and the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association have been followed, subject to any material departures disclosed and explained in the financial statements;
- state whether the financial statements comply with the Scheme and Scheme of Particulars of the Fund, subject to any material departures disclosed and explained in the financial statements;
- assess the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

The Charity Trustees are required to act in accordance with the Scheme of Particulars of the Fund, within the framework of trust law. They are responsible for keeping accounting records which are sufficient to show and explain the Fund's transactions and disclose at any time, with reasonable accuracy, the financial position of the Fund at that time, and to enable the Charity Trustees to ensure that, where any statements of accounts are prepared by them under section 132(1) of the Charities Act 2011, those statements of accounts comply with the requirements of regulations under that provision. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Fund and to prevent and detect fraud and other irregularities.

The Charity Trustees are responsible for the maintenance and integrity of the financial and other information included on the Fund's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

During the year, and in accordance with good commercial practice and independence rules, the Manager and Corporate Trustee carried out a tender process to replace the existing auditors. As a consequence of this KPMG will be resigning as auditors of the Fund following the completion of these Financial Statements. Terms have been agreed with a leading UK audit firm who's appointment will be finalised following KPMG's official resignation.

Statement of Charity Trustees' Responsibilities in Respect of the Trustees' Annual Report and the Financial Statements

Statement of the Manager's Responsibilities

In addition to its responsibilities as a Charity Trustee set out above, under the Scheme of Particulars of the Fund the Manager is responsible for:

- preparing financial statements which comply with the disclosure requirements of the Statement of Recommended Practice for UK Authorised Funds issued by the Investment Management Association in May 2014; and
- keeping proper accounting records which enable it to demonstrate that the financial statements as prepared comply with the above requirements.

Savills Investment Management
12 October 2023

Statement of the Corporate Trustee's Responsibilities

In addition to its responsibilities as a Charity Trustee set out above, under the Scheme and Scheme of Particulars of the Fund the Corporate Trustee is responsible for:

- the safekeeping of all property of the Fund which is entrusted to it and ensuring proper registration of tangible moveable property, and for the collection of income arising from all such scheme property.
- to ensure that the Fund is managed and operated in accordance with the Financial Conduct Authority's Collective Investment Schemes Sourcebook ("the Sourcebook"), the Financial Services and Markets Act 2000, as amended, and the Scheme of Particulars, concerning: the pricing of and dealing into the Fund; the application of income of the Scheme; and the Fund investment portfolio and borrowing activities.

Citibank UK Limited
London
12 October 2023

Independent Auditor's Report

Independent Auditor's Report to the Charity Trustees and Unitholders of the Charities Property Fund ('the Fund')

Opinion

We have audited the financial statements of the Charities Property Fund ('the Fund') for the year ended 24 June 2023 which comprise the Statement of Total Return and Change in Net Assets Attributable to Unitholders, the Balance Sheet, the Cash Flow Statement, and related notes on pages 67 to 84, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the Fund as at 24 June 2023, the net income and the net capital losses of the Fund for the year then ended, and of the movement of the Fund's net assets between their position as at the beginning of the year then ended;
- have been properly prepared in accordance with the Scheme and Scheme of Particulars of the Fund;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Basis for Opinion

We have been appointed as auditor under section 144 of the Charities Act 2011 (or its predecessors) and report in accordance with regulations made under section 154 of that Act.

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), applicable law, and the terms of our engagement letter dated 10 January 2023. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Fund in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going Concern

The Charity Trustees have prepared the financial statements on the going concern basis as they do not intend to liquidate the Fund or to cease its operations, and as they have concluded that the Fund's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the Charity Trustees' conclusions, we considered the inherent risks to the Fund's business model and analysed how those risks might affect the Fund's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the Charity Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the Charity Trustees' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Fund's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Fund will continue in operation.

Independent Auditor's Report

Fraud and Breaches of Laws and Regulations – Ability to Detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of the Manager as to the Fund's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading management meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as investment property valuation. On this audit we do not believe there is a fraud risk related to revenue recognition because the Fund's income primarily arises from operating lease contracts with fixed, or highly predictable, periodic payments.

We did not identify any additional fraud risks.

We also performed procedures including:

- Identifying and selecting certain journal entries made at the end of the reporting period and post-closing entries for testing and comparing the identified entries to supporting documentation
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the manager (as required by auditing standards) and discussed with the manager the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Fund is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related charities legislation) and taxation legislation, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Fund is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: landlord and tenant regulations, property laws, and building legislation, recognising the nature of the Fund's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the manager and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Independent Auditor's Report Continued

Other Information

The Charity Trustees are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge.

We are required to report to you if:

- based solely on that work, we have identified material misstatements in the other information; or
- in our opinion, the information given in the Manager and Trustee's Report is inconsistent in any material respect to the financial statements.

We have nothing to report in these respects.

Matters on Which We are Required to Report by Exception

Under the Charities Act 2011, we are required to report to you if, in our opinion:

- the Fund has not kept sufficient accounting records; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Charity Trustees' Responsibilities

As explained more fully in their statement set out on pages 62 and 63 the Charity Trustees are responsible for: the preparation of financial statements, which give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The Purpose of Our Audit Work and to Whom We Owe Our Responsibilities

This report is made solely to the Fund's Charity Trustees, as a body, in accordance with section 144 of the Charities Act 2011 (or its predecessors) and regulations made under section 154 of that Act, and to the Fund's Unitholders, as a body, in accordance with the requirements of the Fund's Scheme of Particulars. Our audit work has been undertaken so that we might state to the Fund's Charity Trustees and the Fund's unitholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Fund, the Fund's Charity Trustees and the Fund's unitholders as a body, for our audit work, for this report, or for the opinions we have formed.

Richard De La Rue
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square, London, E14 5GL

KPMG LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Total Return and Change in Net Assets Attributable to Unitholders

	Note	Year ended 24 June 2023 £		Year ended 24 June 2022 £	
Net capital (losses)/gains	3		(242,606,397)		223,159,427
Income	4	63,235,653		58,214,347	
Expenses	5	(11,136,307)		(8,483,643)	
Net income before finance costs		52,099,346		49,730,704	
Finance costs – interest and other	6	(551,202)		(697,598)	
Net income			51,548,144		49,033,106
Total return before distributions			(191,058,253)		272,192,533
Finance costs – distributions	7		(52,045,979)		(48,558,042)
Change in net assets attributable to unitholders from investment activities			(243,104,232)		223,634,491
Statement of change in net assets attributable to unitholders					
Opening net assets attributable to unitholders			1,451,539,886		1,162,871,097
Net amount (payable)/receivable on (redemption)/creation of units			(83,174,681)		65,034,298
Change in net assets attributable to unitholders from investing activities			(243,104,232)		223,634,491
Closing net assets attributable to unitholders			1,125,260,973		1,451,539,886

The accompanying notes form part of these financial statements.

Balance Sheet

	Note	As at 24 June 2023 £		As at 24 June 2022 £	
Assets					
Fixed assets					
Investment properties	8	1,119,393,878		1,387,778,959	
			1,119,393,878		1,387,778,959
Current assets					
Debtors	9	19,137,039		37,378,432	
Cash at bank		39,282,556		92,861,347	
			58,419,595		130,239,779
Total assets			1,177,813,473		1,518,018,738
Less: current liabilities					
Creditors	10	37,757,780		53,848,162	
Distribution payable		14,015,925		11,851,811	
			51,773,705		65,699,973
Less: non current liabilities					
Finance lease liability	11	778,795		778,879	
			778,795		778,879
Total liabilities (excluding net assets attributable to unitholders)			52,552,500		66,478,852
Net assets attributable to unitholders			1,125,260,973		1,451,539,886

The accompanying notes form part of these financial statements.

The financial statements were approved by the Board of Directors of the Manager on 6 October 2023 and were signed on its behalf by

Harry de Ferry Foster
Director
12 October 2023

Cash Flow Statement

	Year ended 24 June 2023 £	Year ended 24 June 2022 £
Cash flow from operating activities		
Reconciliation from net operating income to net cash flows from operating activities		
Net income before finance costs	52,099,346	49,730,704
Bank interest received	(132,148)	(5,858)
Tenant incentives	(1,168,151)	(3,029,520)
Increase/(decrease) in trade and other receivables	2,531,818	(4,375,793)
(Increase)/decrease in trade and other payables	(3,799,336)	40,562,183
Net cash inflow from operating activities	49,531,529	82,881,716
Cash flows from investment activities		
Purchase of properties and development expenditure	(64,820,381)	(120,178,115)
Sale of properties	51,301,696	27,054,149
Receipts from tenant for future capital expenditures (Note 10)	4,746,113	-
Bank interest received	132,148	5,858
Net cash inflow/(outflow) from investment activities	(8,640,424)	(93,118,108)
Cash flows before financing activities	40,891,105	(10,236,392)
Cash flows from financing activities		
Repayment of obligations under finance leases	(45,791)	(45,791)
Amounts received on creation of units	86,328,523	139,097,631
Amounts paid on redemption of units	(130,654,205)	(65,360,159)
Borrowing costs and interest (excluding finance lease)	(216,559)	(340,073)
Distributions paid	(49,881,864)	(47,287,322)
Net cash (outflow)/inflow from financing activities	(94,469,896)	26,064,286
Net (decrease)/increase in cash at bank for the year	(53,578,791)	15,827,894
Cash at bank at the start of the year	92,861,347	77,033,453
Cash at bank at the end of the year	39,282,556	92,861,347

The Fund doesn't hold any instrument that qualifies as cash equivalents both in the current and prior period.

The accompanying notes form part of these financial statements.

Notes to the Financial Statements as at 24 June

1 Accounting Policies

a) Basis of Accounting

These financial statements have been prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). The presentation currency of these financial statements is sterling.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, and in accordance with the requirement of the Charities Act 2011 and the Statement of Recommended Practice for Financial Statements of Authorised Funds issued by the IMA in May 2014 (the "SORP"), other than as set out in (e) below.

The Fund is exempt from complying with the Charities Statement of Recommended Practice as per the guidance under paragraph 22.4 of that document.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going Concern

These financial statements have been prepared on a going concern basis which the Manager considers to be appropriate for the following reasons.

The Fund requires collection of approximately 15% of rent per quarter to cover the property and operation costs for the period. The Manager considers that even in a severe-but-plausible scenario this level of rental income should be exceeded given the diversity of the Fund's property portfolio. At the date of approval of these financial statements 98% of the Q2 2023 rents (March – June 2023 rent) have been collected.

Redemptions are payable in line with the terms of the Scheme Particulars which allows the Manager to defer redemptions for a period of up to 12 months from the Dealing Date or for a period to 24 months from the Dealing Date where the redemption requests sought represent an aggregate value of 10% or more of the Net Asset Value of the Fund. There are no deferred redemptions currently outstanding.

As at 24 June 2023, the Fund holds cash of £39 million, of which £9 million is income and £30 million is capital cash. As at the date of approval of these financial statements, the Fund holds £12 million. Post 24 June 2023 the Fund has unconditionally exchanged to sell a property in Guildford for £7.05 million, scheduled to complete in November. No acquisitions are currently planned.

The Fund also has a £20 million fixed revolving credit facility which currently remains undrawn and matures in February 2024. Refer to note 6 in the notes to the financial statements for further details. As the Fund has no drawn down debt, the Fund is to some extent protected from the increase in interest rates. The increase in interest rates has resulted in increased costs, however rental income has also increased as well, resulting in an increased distribution in August 2023.

Taking the above into account, the Manager considers that the Fund is able to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and has therefore prepared these financial statements on a going concern basis.

Notes to the Financial Statements

b) Investment Properties

The direct property investments, which comprise properties held for rental, are recognised at fair value, being market value as defined in the Appraisal and Valuation Manual prepared by the Royal Institution of Chartered Surveyors, and in accordance with the Scheme Particulars. The interests in property are valued on a quarterly basis and were last valued by Knight Frank on 24 June 2023. The aggregate surplus or deficit on revaluation is taken to the Statement of Total Return.

Costs capitalised in respect of properties under development include acquisition costs of land and buildings, costs incurred in bringing the property to its present location and condition in accordance with FRS 102. Investment properties in the course of development are also held at fair value.

Properties, for which unconditional exchange of contracts occurs during the period, are accounted for as acquisitions or disposals within that period. Conditional exchanges are accounted for as acquisitions or disposals only when all substantive conditions have been met.

Investment properties acquired under finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the net present value of the minimum lease payments. The investment properties acquired under finance leases are subsequently carried at fair value plus an adjustment for the carrying amount of the finance lease obligation (see note 8). The corresponding rental obligations, net of finance charges, are included in the creditors balance (see note 11). The associated finance charges are charged to the Statement of Total Return.

c) Basic Financial Instruments

Debtors and Creditors

Debtors are recognised initially at transaction price. Creditors are recognised initially at transaction price less attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of debtors. These assets/liabilities are discounted where the time value of money is material.

Cash at Bank

Cash at bank comprises cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Fund's cash management are included as a component of cash for the purpose only of the cash flow statement. No bank overdrafts were utilised during the year.

Offsetting policy

A financial asset and a financial liability shall be offset and the net amount presented in the statement of financial position when, and only when, the Fund:

(a) currently has a legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

d) Classification of a Puttable Instrument as Liability or Equity

A redeemable unit is a puttable instrument that meets the definition of a liability but is classified as equity under the puttable exception if it represents the residual interest in the net assets of the Fund.

Redeemable units can be put back to the Fund at any time, unless deferred by the Manager in line with the Scheme Particulars, for cash equal to a proportionate share of the Fund's trading net asset value.

The Fund has a policy to distribute income quarterly in accordance with the Scheme Particulars. Consequently, this mandatory distribution obliges the Fund to make payments to unitholders before liquidation and hence, the value of these redeemable units (net assets attributable to unitholders) are classified as liability rather than equity.

Notes to the Financial Statements Continued

e) Transaction Costs

The Fund aggregates properties in the portfolio statement on pages 55 and 56 in bands greater than 5% and does not disclose transaction costs separately in order to avoid disclosure of sensitive commercial information and does not therefore comply fully with the SORP.

f) Income and Expenses

Investment income, rental income, service charges and other expenses are recognised on an accruals basis. The periodic charge of the Manager is deducted from income.

Rents received in advance are accounted as prepaid rent within creditors.

Lease rental income is recognised over the lease term on a straight-line basis.

Rental income from fixed and minimum guaranteed rent reviews is recognised on a straight-line basis over the lease term. As this income is not realised, it is not included in the distributions to the investors.

Dividend income is recognised when the Fund's right to receive the payment is established, which is generally when the dividend is declared.

All expenses other than transaction charges relating to the purchase and sale of investments and certain borrowing costs (see point h) are included in 'Expenses' in the Statement of Total Return. Transaction charges are treated as a capital expense and are therefore capitalised.

g) Lease Incentives

Benefits to lessees in the form of rent free periods, cash incentives and capital contributions are treated as a reduction in the overall return on the leases and, in accordance with FRS 102 are recognised on a straight line basis over the lease term. The total of the unamortised capital contributions and any lease incentives in place at the period end are included within the carrying value of investment properties rather than held as a separate debtor. Any remaining lease incentive balances in respect of properties disposed of are included in the calculation of profit or loss arising on disposal. See also Note 3.

h) Borrowing Costs

Loan arrangement fees payable and legal costs associated with the establishment of the facility are deemed to be costs which are incurred to give the Fund the opportunity to enter into the credit facility agreement. On this basis they are deemed to be capital in nature and excluded from distribution calculations.

Loan interest expense is recognised on an effective interest rate basis. This interest and the loan non-utilisation fee are deemed to be revenue in nature and are included within the distribution calculations. Further detail of these costs is included in Note 6.

i) Distributions Payable and Distribution Policy

Distributions payable are classified as finance costs and are recognised on an accruals basis. Further details of these distributions are included in Note 7. The Distribution policy is consistent with the classification of the units as liabilities.

Distributions are calculated in accordance with the Scheme Particulars.

j) Taxation

As a charity the Fund is not currently liable to UK tax on gains arising on disposals of investments, nor on income from investments, and is not liable to Stamp Duty Land Tax on purchases of property. VAT is recognised as payable upon receipt of cash.

k) Accounting Estimates and Judgements

Key sources of estimation uncertainty are the valuation of investment properties. Please refer further to note 8.

Notes to the Financial Statements Continued

2 Risk Management

In pursuing its investment objective, the Fund holds a number of properties and financial instruments. The properties comprise of direct property holdings. The following are held in accordance with the Fund's investment policy:

- Cash, liquid resources and short-term debtors and creditors that arise directly from its operations;
- Short-term borrowings used to finance investment activity and cash flows associated with the application and redemption process; and;
- Operating leases on freehold and leasehold properties.

The Manager has responsibility for monitoring the portfolio in accordance with the investment objective and seeks to ensure that investments in direct properties and individual securities also meet a risk reward profile that is acceptable.

The typical risks applicable to the Fund are market risks, liquidity risk, credit risk and sector exposure risk.

Market risks

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Fund's market risks arise from (a) interest rate movements and (b) market price movements.

a) Interest Rate Risk

The Fund's exposure to interest rate risk mainly arises from any variation in interest income earned on bank balances and interest payable on credit facilities due to volatility in interest rates. The Manager does not consider interest income earned on bank balances to be a significant risk to the Fund as it is not the intention of the Fund to maintain cash balances for the purpose of generating income, but to invest in investment properties when suitable investments become available.

In respect of interest payable on credit facilities, if a credit facility is utilised, the Manager will consider the life of the borrowing and will take appropriate action to mitigate the impact of interest rate fluctuations on a case by case basis.

b) Market Price Movements

Direct property is independently valued on a quarterly basis. However, such valuations are a matter of the valuer's professional judgement and opinion. Such values may or may not be achieved on a sale of a property.

To mitigate against market price movements, the Manager of the Fund performs a number of controls, including the following:

Criteria	Risk Control
Rental income	Monitors the proportion of secure or rental income
Term of rental	Verified in advance of an acquisition or lease event (e.g. tenant change) and compared with equivalent fund types or data of the Investment Property Databank (IPD)
Quality of tenants	Verified in advance of an acquisition or lease event (e.g. tenant change) by means of the credit rating from Experian and Dun & Bradstreet and benchmarking against the IPD's Rental Information Services (IRIS)
Diversification of sectors	Monitored and constantly reviewed in advance of each property acquisition or disposal
Geographic diversification	Monitored and constantly reviewed in advance of each property acquisition or disposal

When proposing and considering a disposal, the Property Adviser and Manager will assess each property and consider factors such as current and estimated future prices, Fund liquidity, upcoming redemptions, cash held by the Fund and the portfolio profile before concluding on whether a property should be disposed of and when.

Notes to the Financial Statements Continued

b) Market Price Movements (continued)

Liquidity Risk

The key liquidity risk is the holding of direct property assets. Property by its nature is an illiquid investment and the Fund's investment properties may not be readily realisable for cash. Sales may take a number of months depending on the nature and location of the asset.

A further liquidity risk of the Fund is the redemption of units. The Manager monitors the level of redemptions, and other cash flows, on a regular basis to ensure sufficient funding is available. If insufficient cash is available to fund redemptions, the Fund can dispose of direct property holdings, utilise short term credit facilities, and defer redemptions.

Credit Risk

Credit risk is the risk that one party to a financial arrangement will cause a financial loss for the other party by failing to discharge an obligation.

The Fund assesses the credit risk of third parties before entering into business with third parties. Debtor balances are monitored on a regular basis to mitigate the Fund's exposure to doubtful debtors and in addition the ongoing credit strength of third parties is monitored. A detailed review is performed as debtor balances are monitored on an individual basis rather than a portfolio basis to ensure credit risk is minimised. Cash held by the Fund in bank accounts is also considered for credit risk by ensuring the bank used has an ongoing strong credit rating and that there is no risk of this defaulting.

Sector Exposure Risk

The Fund's assets are invested in direct properties. As such the Fund is exposed to sector specific risk as a result of its concentration in the property sector. The underlying risk is the ability to obtain tenants for these properties and tenants being able to fulfil lease commitments.

The Manager mitigates these risks by investing in a diversified portfolio of direct properties in different geographical areas and sectors. In addition, before purchasing a direct property or entering into a new lease, the Manager will examine the covenant strength offered and will aim to let only to tenants with good credit ratings.

ESG Risk

The Manager is aware of the risks that face the Fund in relation to climate change and other ESG risks. These risks are taken into consideration by the Manager when managing and operating the Fund's assets. The Manager continues to monitor and asses the climate and ESG risks that the Fund faces. The assessment analyses the risks posed by multiple hazards including floods, fire, storms, heat stress and water stress for example. The Manager found a low level of risk across all categories. Knight Frank (the Fund's valuers) have also confirmed they have nothing to flag in terms of high flood risk for any of the properties in the portfolio as at 24 June 2023 for the foreseeable future.

When reviewing potential investments CPF considers relevant ESG issues including environmental and social risks and opportunities, regulatory compliance, green building accreditation or value-add innovation. During the due diligence process, potentially significant ESG issues and opportunities will be analysed and identified. The Manager uses data from the Environmental Agency when assessing flood and other environmental risks and would immediately terminate acquisitions if any risks were highlighted. The Manager also evaluates and manages the impact that sustainability has on investment performance; for example this may include depreciation costs due to additional capital expenditure or the ability to let or sell a property. CPF's exposure to, and required management of ESG issues will be considered when making the final investment recommendation and decision.

Notes to the Financial Statements Continued

3 Net Capital Gains

The net gains on investments during the year comprise:

	Year to 24 June 2023	Year to 24 June 2022
Investment properties	£	£
Net proceeds from disposal of properties	58,852,563	27,054,148
Carrying value of properties disposed during the year	(66,675,000)	(23,650,000)
Movement in accruals on properties disposed in prior year	(75,056)	(1,091)
(Losses)/Gains realised on properties disposed	(7,897,493)	3,403,057
Unrealised gains on revaluation for the year	3,312,096	239,552,955
Unrealised losses on revaluation for the year	(238,021,000)	(19,796,585)
Net capital (losses)/gains on investment properties	(242,606,397)	223,159,427

Net realised losses on properties disposed comprised £269,741 (2022: £3,754,848) of realised gains and £8,167,234 (2022: £351,791) of realised losses.

4 Income

	Year to 24 June 2023	Year to 24 June 2022
	£	£
Rental income	62,134,059	57,469,653
Sundry income	969,446	738,836
Bank interest	132,148	5,858
	63,235,653	58,214,347

Sundry income in the current and prior year relates to income received from the surrender of leases.

The future aggregate minimum rentals receivables under non-cancellable operating leases are as follows:

	As at 24 June 2023	As at 24 June 2022
	£	£
Within 1 year	60,963,634	60,036,328
Later than 1 year and no later than 5 years	201,088,784	196,832,085
Later than 5 years	383,224,097	284,714,163
	645,276,515	541,582,576

Notes to the Financial Statements Continued

5 Expenses

	Year to 24 June 2023	Year to 24 June 2022
	£	£
Manager and Property Management Company fees	6,550,416	6,257,863
Corporate Trustee's fees	196,835	202,016
	6,747,251	6,459,879
Other expenses:		
Recoveries from doubtful debts (Note 9)	(172,974)	(1,791,852)
Insurance	21,021	27,847
Audit of these financial statements	143,762	57,075
Audit related assurance – half year review	51,678	26,925
Valuation fee	175,093	229,053
Legal and professional fees	2,374,932	2,043,471
Marketing and communication costs	74,424	79,670
Vacant property and property maintenance costs	1,680,120	1,325,325
Advisory Committee fees	41,000	26,250
	4,389,056	2,023,764
	11,136,307	8,483,643

Included within vacant property and property maintenance costs are £63,940 of service charge rebates (2022: £88,917).

Notes to the Financial Statements Continued

6 Finance Costs – Interest and Other

Finance cost during the year (excluding distributions) comprise:

	Year to 24 June 2023	Year to 24 June 2022
	£	£
Capital expenses		
Credit facility arrangement fee	77,264	125,714
Legal and professional fees	13,020	70,797
Interest expense on capital contribution	288,852	311,734
	379,136	508,245
Revenue expenses		
Non-utilisation fee	126,275	143,562
Finance lease interest	45,791	45,791
	172,066	189,353
Finance costs: interest and other	551,202	697,598

On 9 October 2021, the Fund extended its fixed revolving credit facility (the "Facility") with the Royal Bank of Scotland international ("RBSI") for a further two years to 20 February 2024. The Facility can continue to be utilised within the parameters outlined below:

- a maximum drawdown of £20,000,000 for the purchase of investment properties
- a maximum drawdown of £10,000,000 for redemptions and distributions

At the year end, the Facility was unutilised and the Fund has not entered into any derivative contracts in respect of interest rates.

Legal costs associated with the establishment of the Facility are deemed to be costs which are incurred in entering into the credit facility agreement. On this basis they are deemed to be capital in nature and excluded from distribution calculations.

Interest expense on capital contribution relates to the amortisation of the lease incentives to tenants over the life of the lease.

Notes to the Financial Statements Continued

7 Finance Costs – Distributions

Distributions during the year comprise:

	Year to 24 June 2023 £	Year to 24 June 2022 £
First interim distribution	12,118,281	11,779,756
Second interim distribution	12,484,953	11,608,776
Third interim distribution	13,066,153	13,306,090
Fourth interim distribution	13,899,693	11,715,072
Net distribution from income for the year	51,569,080	48,409,694
Capital distribution	476,899	148,348
Total distribution	52,045,979	48,558,042

Details of the distribution per unit are set out in the distribution table on page 61.

Represented by:	Year to 24 June 2023 £	Year to 24 June 2022 £
Net income	51,548,144	49,033,106
Less: income from rent straight-lining	(117,926)	(1,128,556)
Less: income recognised in P&L distributed as capital	(238,440)	-
Add back: capital expenses	379,136	508,245
Provision for bank charges	(1,834)	(3,101)
Distributable capital income	476,899	148,348
Net distribution for the year	52,045,979	48,558,042

The capital distribution relates to rental top-ups from a property acquisition.

Notes to the Financial Statements Continued

8 Investment Properties

Split of investment properties by freehold and leasehold:

	Freehold £	Leasehold £	As at 24 June 2023 £	As at 24 June 2022 £
Value at the beginning of the year	1,233,350,000	153,650,000	1,387,000,000	1,067,560,000
Purchases and capital expenditure during the year	31,814,628	16,125	31,830,753	120,304,110
Carrying value of properties disposed during the year	(64,850,000)	(1,825,000)	(66,675,000)	(23,650,000)
Gain on valuation	3,312,096	-	3,312,096	239,552,955
Loss on valuation	(204,784,449)	(33,236,551)	(238,021,000)	(19,796,585)
Income recognised from rent straight-lining and lease incentives	1,153,885	14,266	1,168,151	3,029,520
Fair value	999,996,160	118,618,840	1,118,615,000	1,387,000,000
Finance lease asset	-	778,878	778,878	778,959
Carrying value at the end of the year	999,996,160	119,397,718	1,119,393,878	1,387,778,959

Lease incentives and straight-lined rent of £17,164,587 (2022: £16,774,121) are included in the carrying value of the investment properties above.

All the properties have been valued by external chartered surveyors, Knight Frank at £1,118,615,000 (2022: £1,387,000,000), in accordance with the Appraisal and Valuation Manual issued by the Royal Institution of Chartered Surveyors. The historical cost of the properties is £970,807,269.28 (2022: £1,000,055,634).

The Fund holds a leasehold property with annual ground rent payable of £45,791 (2022: £45,791) (subject to five-yearly rent reviews) (see note 11). As the external valuation values properties on a net income basis an adjustment to the valuation equivalent to the lease liability is required.

Property Valuations

Property and property related assets are inherently difficult to value due to the individual nature of each property. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price even where such sales occur shortly after the valuation date. Investments in property are relatively illiquid; however the Fund has sought to mitigate this risk by investing in properties that it considers to be good quality.

Fair values are determined using information from a variety of sources, including:

- Independent real estate valuation experts using recognised valuation techniques. These techniques comprise both the Yield Method and the Discounted Cash Flow Method. In some cases, the fair values are determined based on recent real estate transactions with similar characteristics and location to those of the Fund's assets;
- Current prices in an active market for properties of a different nature, condition or location (or subject to different lease or other contracts), adjusted to reflect those differences; and
- Recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of the transactions that occurred at those prices.

Notes to the Financial Statements Continued

The determination of the fair value of investment property requires the use of estimates such as future cash flows from assets (such as lettings, tenants' profiles, future revenue streams, capital values of fixtures and fittings, any environmental matters and the overall repair and condition of the property) and discount rates applicable to those assets. In addition, development risks (such as construction and letting risks) are also taken into consideration when determining the fair value of investment properties under construction. These estimates are based on local market conditions existing at the reporting date.

Level 1: The best evidence of fair value is a quoted price for an identical asset in an active market. Quoted in an active market in this context means quoted prices are readily and regularly available and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted price is usually the current bid price.

Level 2: When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the entity can demonstrate that the last transaction price is not a good estimate of fair value (e.g. because it reflects the amount that an entity would receive or pay in a forced transaction, involuntary liquidation or distress sale), that price is adjusted.

Level 3: If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, an entity estimates the fair value by using a valuation technique. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

All properties within the portfolio are categorised as Level 3.

Key Unobservable Inputs

The two key unobservable inputs are ERV (Estimated Rental Value) and equivalent yield. The estimated fair value of the investment properties would decrease if ERV as a percentage of passing rent decreased and increase if ERV as a percentage of passing rent increased. The estimated fair value would decrease if the yield was increased and increase if the yield was reduced.

The range of these two inputs applied in the 2023 valuations by Knight Frank is provided below:

Sector	Total Valuation Figure	ERV Range (psf)			Equivalent Yield Range		
		Max	Av	Min	Max	Av	Min
Retail - Supermarkets	2,925,000	£20.00	£20.00	£20.00	5.75%	5.75%	5.75%
Retail - Warehouses	206,950,000	£36.75	£16.36	£7.50	7.60%	6.34%	4.61%
Warehouses / Industrial	374,095,000	£21.25	£9.10	£1.50	9.65%	5.89%	4.01%
Offices	197,545,000	£70.00	£33.20	£10.00	9.31%	7.16%	4.62%
Alternatives	337,100,000	n/a*	n/a*	n/a*	9.75%	6.28%	4.44%
Total	**£1,118,615,000**						

* ERV range has not been provided for the alternatives asset class as the inputs for these properties are assessed on various bases and therefore the range is not considered meaningful.

Notes to the Financial Statements Continued

9 Debtors

	As at 24 June 2023 £	As at 24 June 2022 £
Amounts receivable for creation of units	-	23,185,387
Amount receivable on disposal of properties	7,550,867	-
Net rent receivables	9,971,125	11,157,077
Amounts due from managing agents	1,007,237	2,357,697
Insurance receivables and prepayments	56,783	86,449
Sundry debtors	-	101,760
Loan arrangement fee	19,062	21,385
Sundry prepayments	531,965	468,677
	19,137,039	37,378,432

The Amounts receivable for creation of units is presented net of Amounts payable for redemption of units as the applications and redemptions are matched as per Section 5.3 of the Scheme Particulars and therefore would be more representative of the position as at balance sheet date.

Amount receivable on disposal of properties relates to monies receivable of £7,550,867 in relation to the disposal of Mercedes, Swindon. The transaction unconditionally exchanged on 23 June 2023 and completed post year-end on 4 July 2023.

Amounts due from managing agents of £1,007,237 represents rent received from tenants by the Property Manager, Savills (UK) Limited, which had not been transferred to the Fund's bank account by the year end.

Net rent receivables are stated after allowances for doubtful rent receivables of £831,383 (2022: £1,404,985) which is broken down as follows:

	As at 24 June 2023 £	As at 24 June 2022 £
Opening Bad debt provision	1,404,985	3,214,909
Recoveries from doubtful debts (Note 5)	(172,974)	(1,791,852)
Written-off but previously provided for	(400,628)	(18,072)
Closing balance	831,383	1,404,985

Notes to the Financial Statements Continued

10 Creditors

	As at 24 June 2023	As at 24 June 2022
	£	£
Amounts payable for redemption of units	15,663,613	-
Capital expenditure payable	316,970	-
Rent enhancement creditor	4,746,113	-
Prepaid rent received from tenants	12,079,868	13,751,617
Purchases awaiting settlement	511,750	546,678
Manager and Property Manager fees	132,000	66,000
Corporate Trustee fees	92,574	53,095
Audit fees	115,941	84,000
Valuation fees	44,804	59,238
Credit facility non utilisation fee and debt arrangement fee	54,357	49,068
VAT payable	1,940,291	3,583,190
Other creditors	2,042,587	2,574,068
Retentions	16,829	98,315
Finance lease liability	83	80
Acquisitions payable	-	32,982,813
	37,757,780	53,848,162

The Amounts payable for redemption of units is presented net of Amounts receivable for creation of units as the applications and redemptions are matched as per Section 5.3 of the Scheme Particulars and therefore would be more representative of the position as at balance sheet date.

Rent enhancement creditor of £4,746,133 relates to enhanced rent received in relation to Birmingham Business Park offset by capital expenditure works where future committed capital expenditure will continue to offset against this amount. The prior year value was included in Note 15 having been committed but yet to be received for spending. The prior year value was included in Note 15 having been committed but yet to be received for spending.

Acquisitions payable as at 24 June 2022 of £32,982,813 relates to monies payable on the acquisition of a property on Banbury Road, Oxford which unconditionally exchanged on 24 June 2022 and subsequently completed on 29 September 2022.

Notes to the Financial Statements Continued

11 Finance Leases (Non Current)

	As at 24 June 2023	As at 24 June 2022
	£	£
Finance lease	778,795	778,879
Total	778,795	778,879
The future minimum lease payments are as follows:		
	As at 24 June 2023	As at 24 June 2022
	£	£
Not later than 1 year	45,791	37,500
Later than 1 year and not later than 5 years	183,164	150,000
Later than 5 years	5,580,715	4,607,748
Total gross payments	5,809,670	4,795,248

Total finance lease liabilities amount to £778,878 (2022: £778,959), of which £83 (2022: £80) is considered current liabilities (see note 10). The remaining £778,795 (2022: £778,879) is due after more than 1 year.

12 Related Party Transactions

Details of the Manager/Charity Trustee, Investment Manager, Property Manager and Corporate Trustee can be found on page 89.

During the year the Manager has received management fees of £6,427,134 (2022: £6,140,163) and the Property Management Company fees of £123,282 (2022: £117,700) thereby totalling £6,550,416 (2022: £6,257,863). These fees can be seen in Note 5, Expenses. The amount outstanding at the year end in respect of those fees was £132,000 (2022: £66,000), as can be seen in Note 10, Creditors.

During the year the Investment Advisor has received £501,008 (2022: £506,009) of which £246,457 (2022: £388,350) was capitalised to Investment Property and deducted from realised gains or losses on disposal and £254,551 (2022: £117,659) sits within Note 5, Legal and Professional Expenses relating to asset management activity.

During the year the Property Manager has received transactional fees of £784,288 (2022: £388,350), which are capitalised to Investment Property and deducted from realised gains or losses on disposal. The Property Manager has also received fees relating to asset management activity of £141,140 (2022: £141,115). These fees sit within Note 5, Legal and Professional Expenses.

During the year the Facility Manager has received £121,791 (2022: nil) with nil outstanding at year end (2022: nil).

During the year the Corporate Trustee received £196,835 (2022: £202,016). Amounts payable to the Corporate Trustee or associates of the Corporate Trustee are shown in Note 5, Expenses. Amounts due are shown in Note 10, Creditors. The amount outstanding at the year end in respect of those fees was £92,574 (2022: £53,095).

The aggregate monies received through creations and paid through cancellations are disclosed in the Statement of Change in Net Assets Attributable to Unitholders. During the year the Manager has received fees of £232,498 (2022: £512,339) as a result of dealing activity in the Fund. Subscription money awaiting investment into The Charities Property Fund is held in a client money account and dealt with in accordance with the FCA's Client Money Rules.

Notes to the Financial Statements Continued

13 Unit Reconciliation

The below table details the movement in application and redemption units over the past 12 months. Please also see the table on page 61 'Fund History'.

Trading Quarter	No. Units	GROSS Applications	Redemptions £	Net Movement £
24 Sep 2022	950,897,412.427	7,790,577.451	(31,447,312.169)	(23,656,734.718)
24 Dec 2022	937,036,032.783	1,156,978.576	(15,018,358.220)	(13,861,379.644)
24 Mar 2023	923,802,080.144	16,536,916.944	(29,770,869.587)	(13,233,952.643)
24 Jun 2023	911,053,010.487	10,658,777.727	(23,407,847.384)	(12,749,069.657)
	Total	**36,143,250.698**	**(99,644,387.360)**	**(63,501,136.662)**

14 Contingent Liabilities

There were no contingent liabilities at the year end (2022: none).

A contingent liability is either a possible but uncertain obligation or a present obligation that is not recognised because it fails to meet the liability recognition criteria.

15 Capital and Other Commitments

At 24 June, the Fund had the following capital commitments:

	As at 24 June 2023 £	As at 24 June 2022 £
Contracts for future capital expenditure in investment properties	438,994	7,443,901

16 Post Balance Sheet Events

On 29 June 2023 the Fund unconditionally exchanged to sell a property in Guildford for £7.05 million, scheduled to complete in November.

General Information

Fund Structure

The Charities Property Fund is a Common Investment Fund which is an open ended investment vehicle, similar to a unit trust, but designed specifically for charities and established under Section 96 of the Charities Act 2011. Common Investment Funds are themselves charities with schemes approved and regulated by the Charity Commission. As a charity, the Fund is currently exempt not only from Stamp Duty Land Tax but also Capital Gains Tax and Income Tax.

Investment Objectives

The Fund aims to provide a high and secure level of income with the prospect of growth in income and to maintain the capital value of assets held in the Fund, through investing in a diversified UK commercial property portfolio. The Fund invests in the principal commercial property sectors: office, retail, industrial and other (alternative uses such as hotels, leisure, car showrooms, and roadside). It does not undertake speculative investments.

The Manager does not intend to hold more than 10% in value of the property of the Fund in cash or Near Cash (as defined in FCA Handbook of Rules and Guidance).

Unit Dealing

As the Fund is valued quarterly, units can be purchased at the end of March, June, September and December. Normally units will be redeemed with effect from a quarter day though this is subject to cash being available for redemptions. In addition, where there are both subscriptions and redemptions at a quarter day, the Manager may apply a matching process. The Manager may, at its sole discretion, defer the acceptance of applications on a pro rata basis when the value of unit applications exceeds the value of units the Manager believes is prudent to issue. These applications for units which have been scaled back will remain valid in respect of the unallocated element for a further three months, i.e. until the next Dealing Date and will be dealt with in priority to those applications first made at this dealing date.

To protect the overall position of unitholders, there are clearly defined restrictions on the right to redeem; the Manager has a general right to delay redemptions for up to 12 months from the Dealing Date in respect of which the application for redemption of units is first made, and where redemptions sought represent an aggregate value of 10% or more of the Net Asset Value of the Fund, the Manager may delay sales for a period of up to 24 months from the Dealing Date in respect of which such application(s) are made. Full details are set out in the Scheme Particulars.

Minimum Investment

The minimum investment in the Fund for new investors is £25,000, although smaller amounts may be accepted at the Manager's discretion. There is no minimum investment for existing unitholders.

Distribution

The income is paid gross on a quarterly basis, six weeks after each valuation point (on or before 15 February, 15 May, 15 August and 15 November).

General Information Continued

Corporate Trustee

Citibank UK Limited is the corporate trustee and depository of the Fund, as set out in the Scheme Particulars. The Fund acts by and through the Corporate Trustee. When the Fund acquires property, it does so by way of the Corporate Trustee appointing Citiclient (CPF) Nominees Limited and Citiclient (CPF) Nominees No 2 Limited to hold the relevant property of the Fund as nominees and bare trustees for the Corporate Trustee.

The Corporate Trustee will be entitled to receive fees (payable quarterly in arrears) based on the Net Asset Value at the start of the accrual period, on each Valuation Date. The fees (excluding value added tax) are subject to a minimum fee of £15,000 p.a. and will be based on the following annual rates:

- £0 to £200 million – 0.02%;
- above £200 million – 0.015%.

The Corporate Trustee may increase the current rates of fees if:

(i) the Corporate Trustee has given notice in writing to the Manager and to the unitholders of its intention to increase these rates of fees;

(ii) the Scheme Particulars have been revised (subject to the prior written approval of the Commission) to reflect the proposed increase in the rates; and

(iii) 90 days have elapsed since the revised Scheme Particulars became available.

Alternative Investment Fund Manager (AIFM)

Under an AIFM Agreement, the Fund appointed the existing manager of the Fund, Savills Investment Management (UK) Limited as its Alternative Investment Fund Manager (AIFM) for the purposes of the AIFM Directive in 2014. The AIFM is admitted and regulated in the United Kingdom by the Financial Conduct Authority (the "FCA").

The AIFM is subject to the requirements set out in the AIFM Directive, the Scheme and the Scheme Particulars. In its capacity as AIFM, it carries out the following tasks under the AIFM agreement:

(i) Asset management of the Fund, including, without limitation, portfolio and risk management; and

(ii) Marketing and distribution of units in the Fund.

In accordance with the provisions of the AIFM Directive and with the approval of the FCA, the AIFM may delegate, at its own responsibility and cost and under its own supervision, tasks to other entities suitable for the relevant purpose and having the necessary qualification, experience and resources. Any such delegation will be disclosed to the investors. The portfolio management of the Fund was delegated to Savills Investment Management LLP by the AIFM. Citibank UK Limited was appointed as the depositary of the Fund. To cover potential professional liability risks resulting from negligence in its business activities, the AIFM has appropriate and sufficient professional indemnity insurance, as stipulated by the relevant provisions of the AIFM Directive.

General Information Continued

Remuneration Code Disclosure for Savills Investment Management (UK) Ltd

The Financial Conduct Authority's (FCA) AIFM remuneration Code applies to Savills Investment Management (UK) Ltd ("Manager / AIFM"). The Manager has considered the FCA's proportionality guidelines and taking account of size, the lack of complexity and the low risk of the Manager a number of the remuneration rules have been disapplied.

The disclosure covers the remuneration paid in respect of the financial period from 1 January 2022 to 31 December 2022 for Savills Investment Management LLP (the parent of the Manager) and its subsidiaries ("Savills IM Group").

Decision Making Process

Savills IM Group has a Remuneration Committee that meets regularly to consider issues relating to the remuneration policy and the structures for all employees of the Savills IM Group including those of the Manager. The Savills IM Remuneration Policy Statement is reviewed and agreed annually by the Savills IM Remuneration Committee. The Remuneration Committee is comprised of two shareholder representatives and the Savills IM Chief Executive Officer and is delegated from the Savills IM Board.

Remuneration is reviewed annually, in conjunction with the Savills IM Group appraisal process. A recommendation regarding salary and bonus levels is made by an individual's line manager and assessed against the Savills IM Group as a whole by the Savills IM Global Executive Committee. Salaries are also benchmarked against market averages. The Savills IM Global Executive Committee will recommend salary changes and discretionary bonus payments to the Remuneration Committee for approval and adoption. Interim reviews are undertaken on an exceptions basis only.

Link Between Pay and Performance

Remuneration is dependent on both the performance of the Manager and the individual. The bonus pool is calculated as a fixed percentage of pre-tax Savills IM Group profits. The fixed and variable elements of remuneration have been developed to attract and retain high calibre staff to ensure the Manager is in a position to deliver the business plans and maximise return to shareholders. The remuneration policy and incentive structures apply to all code staff, rewarding them only when their goals are achieved. Employees of the Manager received; salary, car allowance, discretionary bonus and incentive shares in the ultimate parent, Savills Plc. Share awards are made in line with the Savills Group policy, in the form of retention or bonus awards, details of which can be found within the Savills plc Report and Accounts.

Staff Remuneration

The total aggregate remuneration for staff was GBP 44,586,000 of which there were 372 beneficiaries. GBP 32,650,000 of this remuneration was fixed and GBP 11,936,000 was variable. 55 of the beneficiaries were identified as remuneration code staff, as defined by the remuneration code, and their total aggregated remuneration was GBP 18,174,000. GBP 6,353,000 of this remuneration was earned by Senior Managers and GBP 11,821,000 was earned by other code staff.

Of the total aggregated remuneration of the code staff, GBP 2,520,000 can be assumed to relate to the Fund of which GBP 881,000 of this remuneration was earned by Senior Managers and GBP 1,639,000 was earned by other code staff. GBP 1,845,000 and GBP 675,000 corresponded to fixed and variable remuneration, respectively.

This information has been audited separately under the Savills Investment Management LLP annual financial statements as at 31 December 2022.

General Information Continued

The Manager and Property Manager

The Manager's fees and the Property Manager's fees are combined into one management charge. This periodic management charge shall accrue on a quarterly basis and will be determined by the Net Asset Value of the Fund at the start of the accrual period. It will be deducted and paid at the end of each quarter out of the Fund's assets. The fees (excluding value added tax) will be based on the following annual rates:

- £0 to £100 million – 0.70%;
- £100 to £500 million – 0.525;
- above £500 million – 0.45%

The Manager may increase the current annual management fees and the current preliminary charge (or introduce a redemption charge) if:

(i) the Manager has given notice in writing to the Corporate Trustee and to the unitholders of its intention to increase the rates of annual management fees, or to increase the preliminary charge, or to introduce a redemption charge (as the case may be);

(ii) the Scheme Particulars have been revised subject to the prior written approval of the Charity Commission to reflect the proposed increase in these rates of annual management fees, or to increase the current preliminary charge, or to introduce a redemption charge; and

(iii) 90 days have elapsed since the revised Scheme Particulars became available.

Preliminary Charge

The Manager also applies a preliminary charge of 0.25% of the initial price of the units and this is included in the price at which units may be purchased.

This charge may be reduced at the Manager's sole discretion.

Borrowing Powers

Under the Scheme, the Manager is allowed to borrow money for the use of the Fund in certain circumstances. The Manager intends to use this power when it considers this to be in the best interests of the unitholders, principally either to obtain bridging finance to purchase real property for the Fund in anticipation of the receipt of committed subscriptions from existing or new unitholders or to finance the redemption of units pending the receipt of sales proceeds. Borrowing will not exceed 10% of the Net Asset Value of the Fund on any Business Day.

Insurance and Service Charge Rebates

Service charges on properties held by the Fund are generally payable by tenants. To the extent that these are not recoverable (for example, if a unit is not let), the Fund will cover the shortfall. Where there are surpluses in service charge budgets, rebates are received by the Fund. Details of rebates received by the Fund during the financial year can be found in note 5 to the financial statements.

No insurance charge commission is earned by the Fund.

Trustee, Manager and Advisers

Details

Corporate Trustee, Depository and Charity Trustee
Citibank UK Limited
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

Manager, AIFM and Charity Trustee
Savills Investment Management (UK) Limited
33 Margaret Street
London
W1G 0JD

Standing Independent Valuer
Knight Frank LLP
55 Baker Street
London
W1U 8AN

Investment Adviser
Savills Investment Management LLP
33 Margaret Street
London
W1G 0JD

Legal Adviser
Farrer & Co
66 Lincoln's Inn Fields
London
WC2A 3LH

Auditor
KPMG LLP
15 Canada Square
London
E14 5GL

Performance Measurement
MSCI (formerly IPD)
9th Floor
10 Bishops Square
London
E1 6EG

Property Manager
Savills (UK) Limited
33 Margaret Street
London
W1G 0JD

Customer Due Diligence Administrator
Apex Group Limited
1 Aldemanbury Square
London
EC2V 7SB

Transfer Agent and Administrator
Alter Domus UK Limited
10th Floor
30 St Mary Axe
London
EC3A 8BF

Manager and Trustee's Report

List of Properties

Key Fund Data

Financial Statements

Fund Level Performance - Total return as at 24 June 2023 (% per annum)

	24 June 2023	24 June 2022	24 June 2021	24 June 2020	24 June 2019
Charities Property Fund	(13.3%)	23.5%	7.1%	(1.2%)	4.6%
AREF/MSCI All Balanced Funds Index	(17.4%)	23.3%	8.5%	(2.6%)	3.4%

This report 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 document is 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. This report is aimed at existing investors in the Fund, but it may also be distributed to prospective investors. This report is not an offer to invest in the Fund and independent financial advice should be sought before considering investment into the Fund.

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

Handstand Creative
www.handstandcreative.com

Manager and Trustee's Report

List of Properties

Key Fund Data

Financial Statements

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