



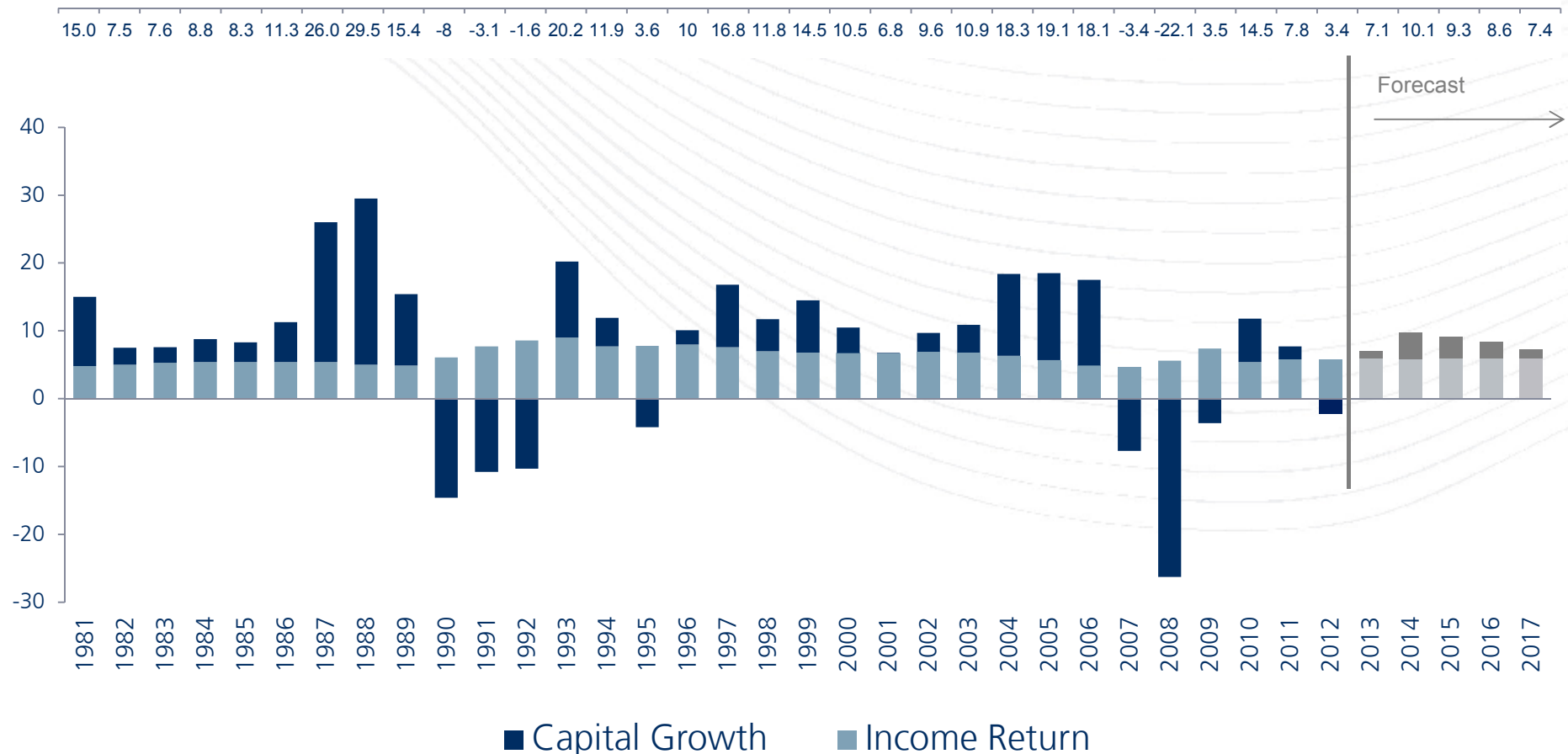
# The Charities Property Fund

December 2013



## Market overview & Strategy

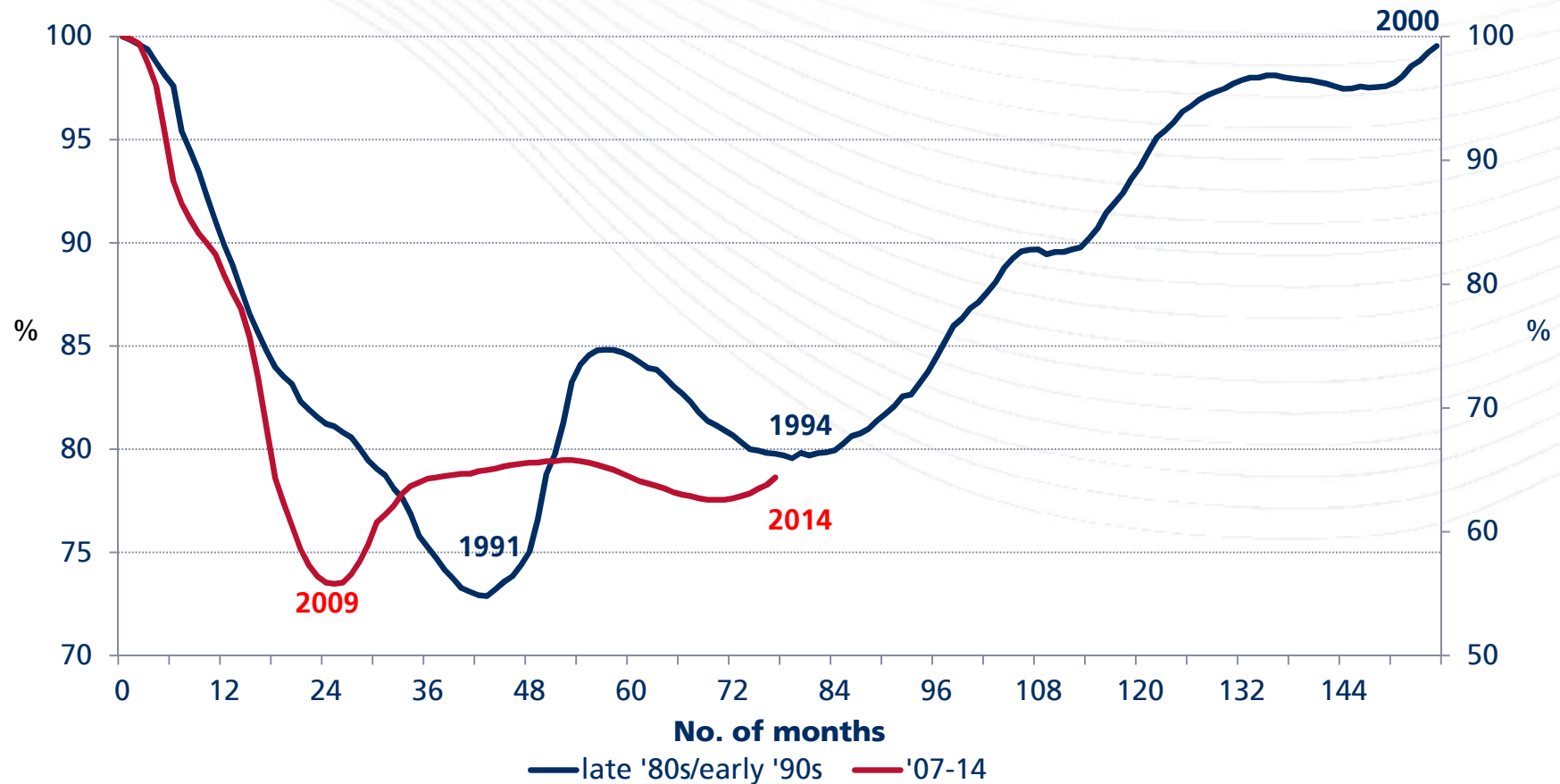
# UK commercial property returns (% pa) total return



Stability provided by the high income return from property

Source: IPD (June 2013) & Cordea Savills (June 2013) Chart shows total returns with capital growth element as remainder from total return

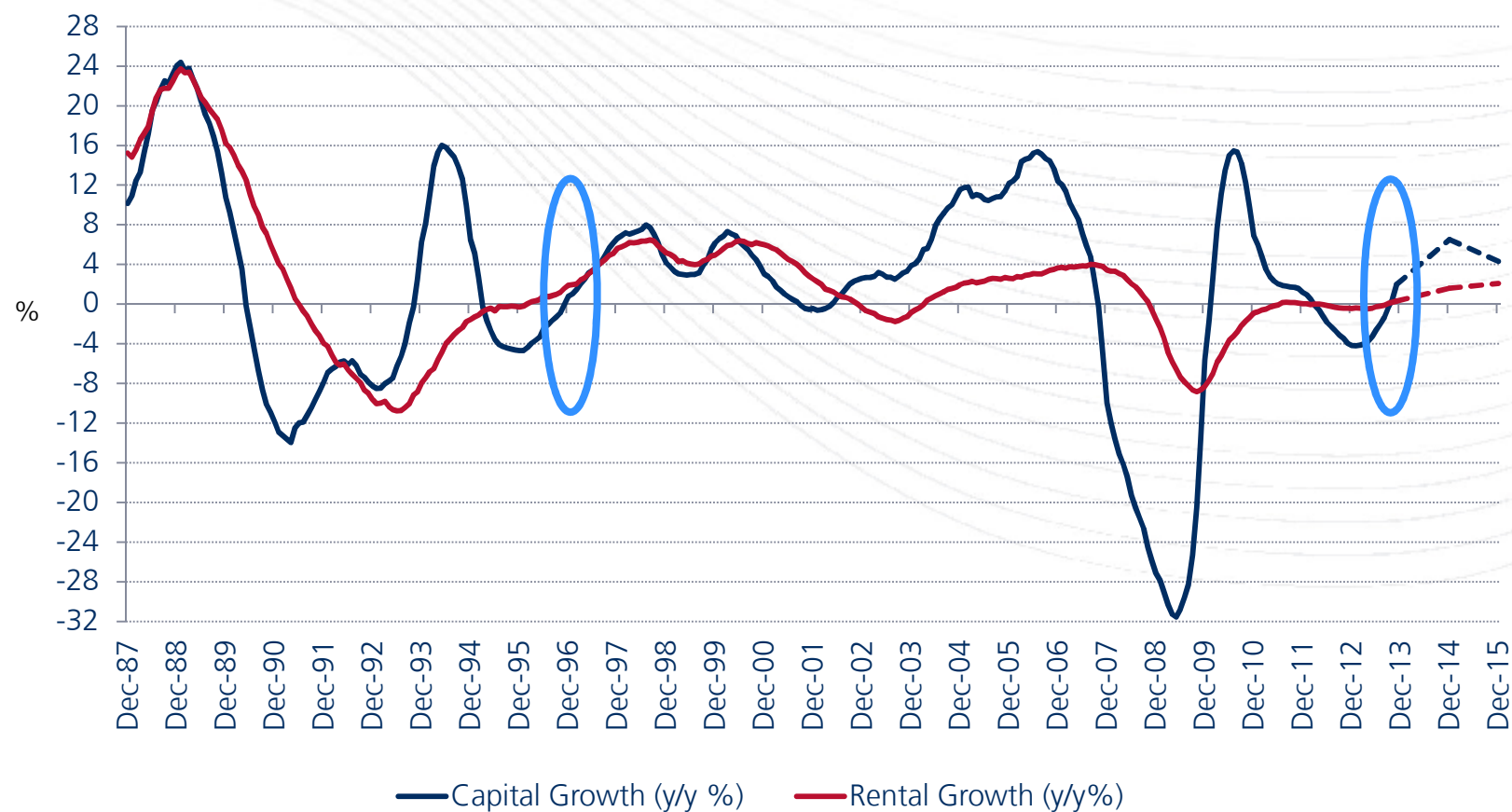
## And property is cyclical: all UK property capital values



Capital values set to improve



# All UK property rental growth



Rental growth will help drive capital growth

## Charities Property Fund – 50 months of growth

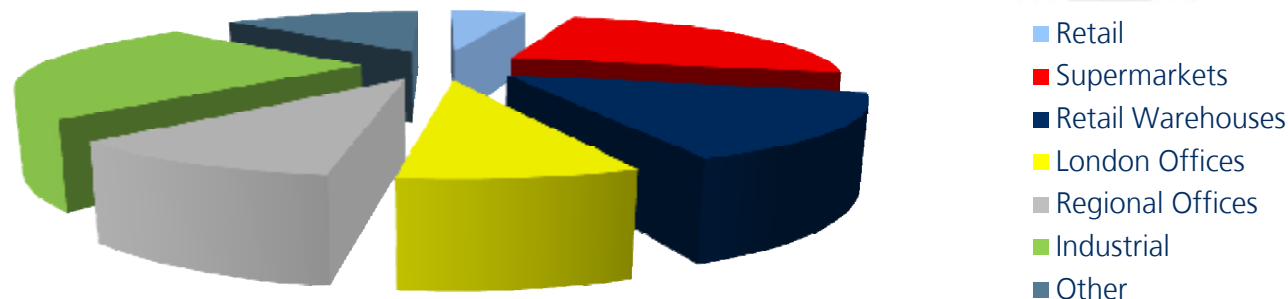
2009 £40 million invested, 11 properties acquired at 8.2% to the Fund

2010 £80 million invested, 8 properties acquired at 6.3% to the Fund

2011 £145 million invested, 17 properties acquired at 7.4% to the Fund

2012 £55 million invested, 8 properties acquired at 8.9% to the Fund

2013 £130 million invested, 15 properties acquired at 6.5% to the Fund



Since 2009: £450 million, 59 properties at 7.2%, 31% RPI or fixed increases

## Top 10 assets – 41.5%



Core portfolio of excellent quality



# Retail – continuing demise of the high street

## Internet taking market share

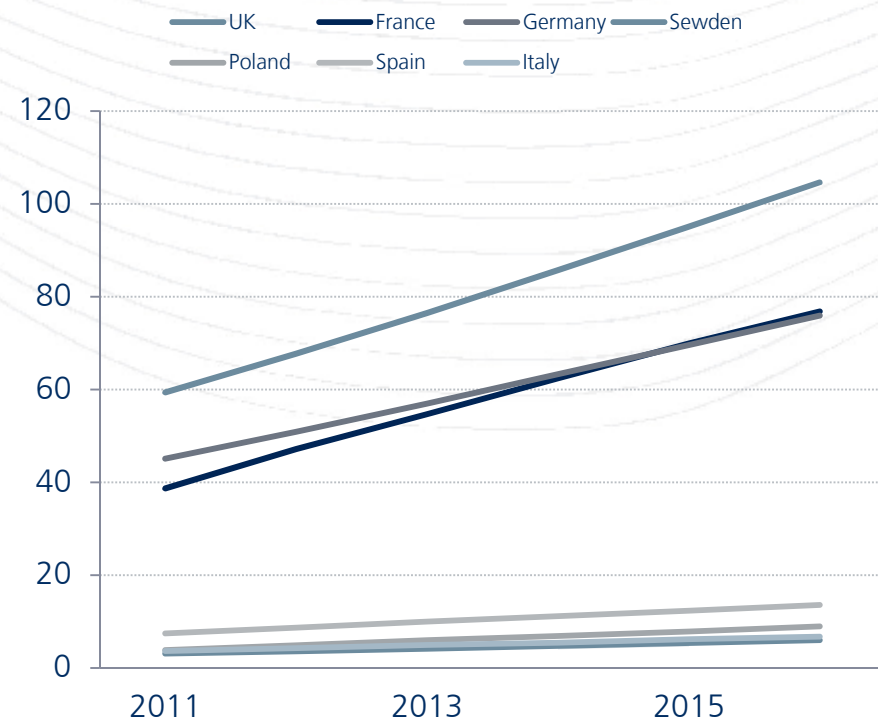
- Retail administrations jump 6% in 2012
- “Up to 40% of shops could close over next five years”
- High street vacancy rate hits 14.6%

	Increase online sales 2011-2012	2012 online share of all retail business
UK	14.0%	13.2%
Germany	13.0%	10.0%
Switzerland	16.0%	9.9%
Denmark	14.0%	9.1%
Norway	17.0%	9.1%
France	22.0%	8.7%
Sweden	18.0%	8.0%
Spain	16.0%	4.1%
Poland	24.0%	3.8%
Italy	18.0%	1.6%
<b>Average Europe</b>	<b>16.1%</b>	<b>8.8%</b>

Source: Deloitte, November 2012

## Forecast growth in online sales (€ bn)

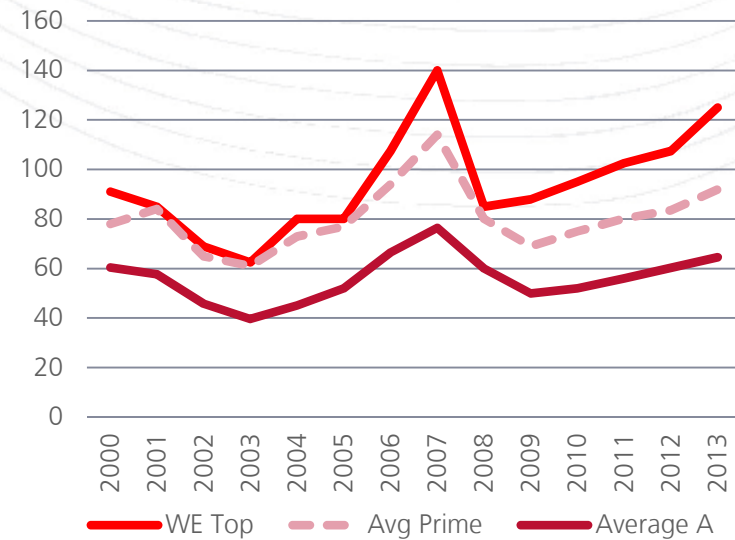
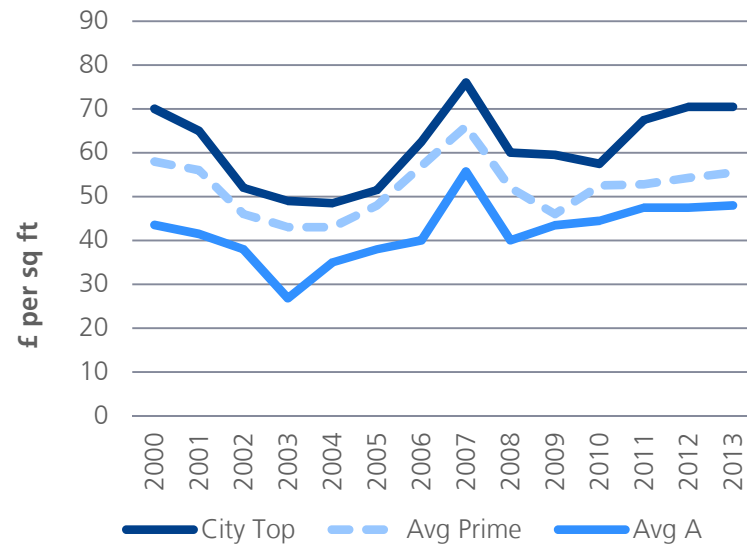
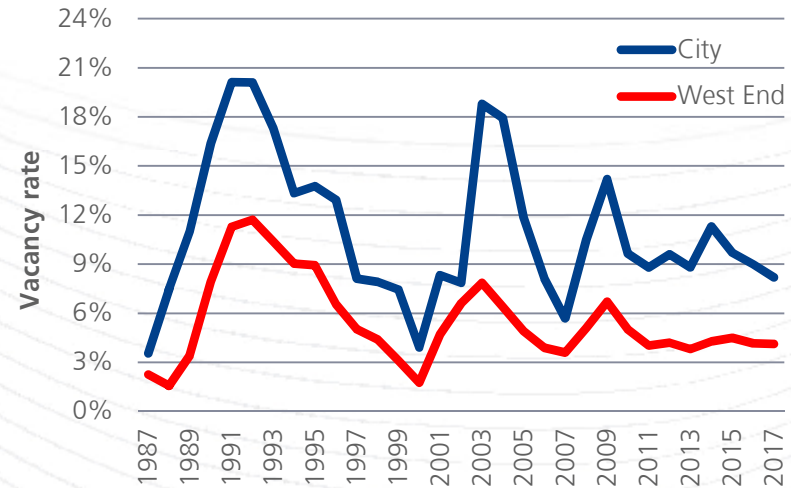
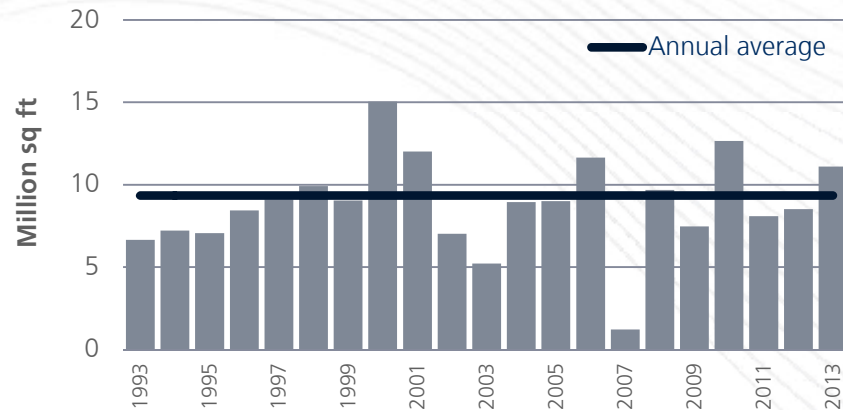
- John Lewis's internet sales up 44% year on year
- Tesco's Christmas sales strongest in three years



Source: AXA Investment Management, December 2012

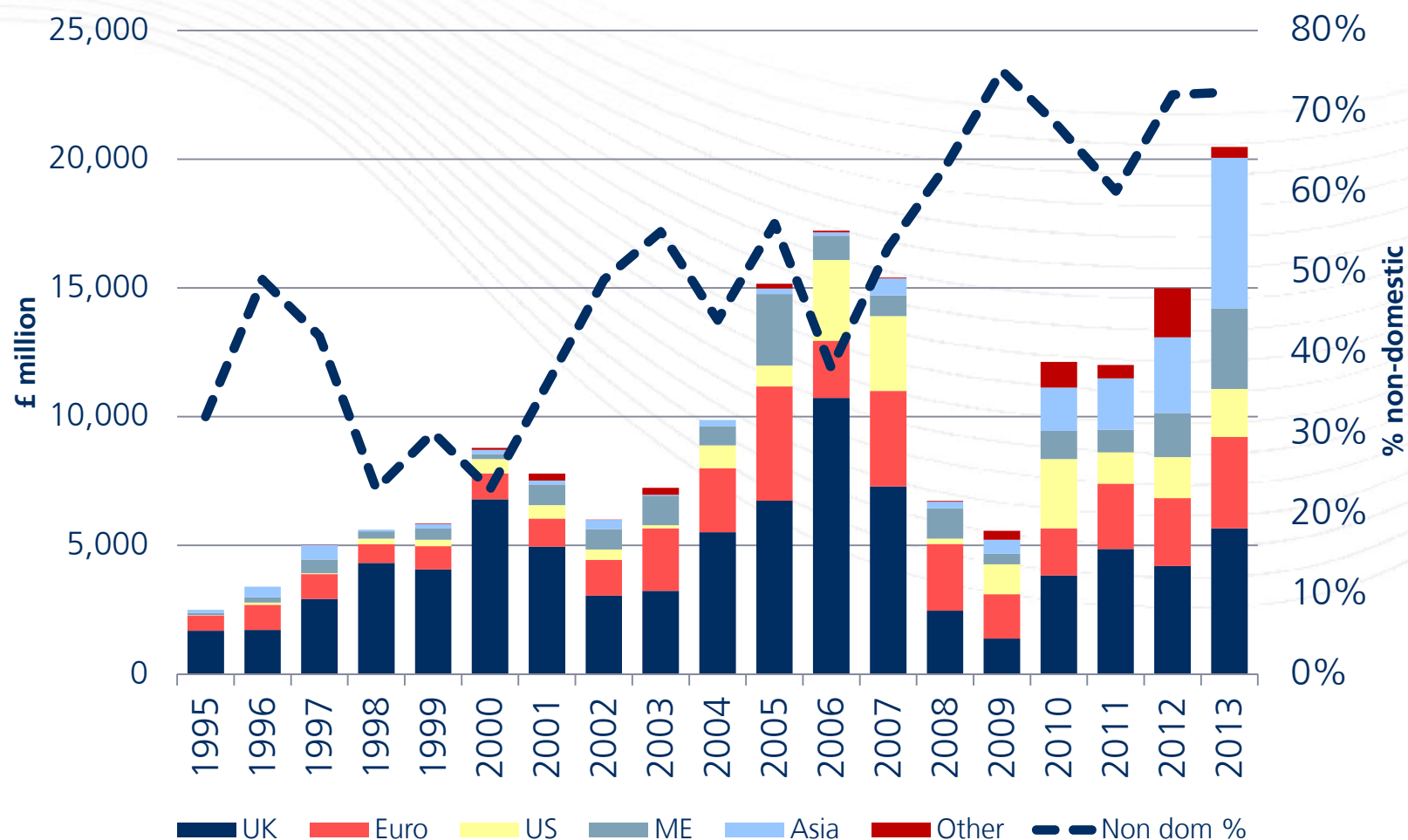
Structural oversupply remains a significant issue for parts of the UK retail market

# London – rents, take up and vacancy rates



Central London's average prime rents rose by 5% in 2013

## London – investment volumes



Demand remains high particularly from overseas buyers



## Industrial – Manufacturing and Distribution

Industrial remains the **highest yielding** commercial sector

**Increase in manufacturing** in the UK – car industry showing 9% pa growth

Removal of empty rates relief for landlords and lack of finance has stalled the development pipeline, leading to **reduced vacancies**

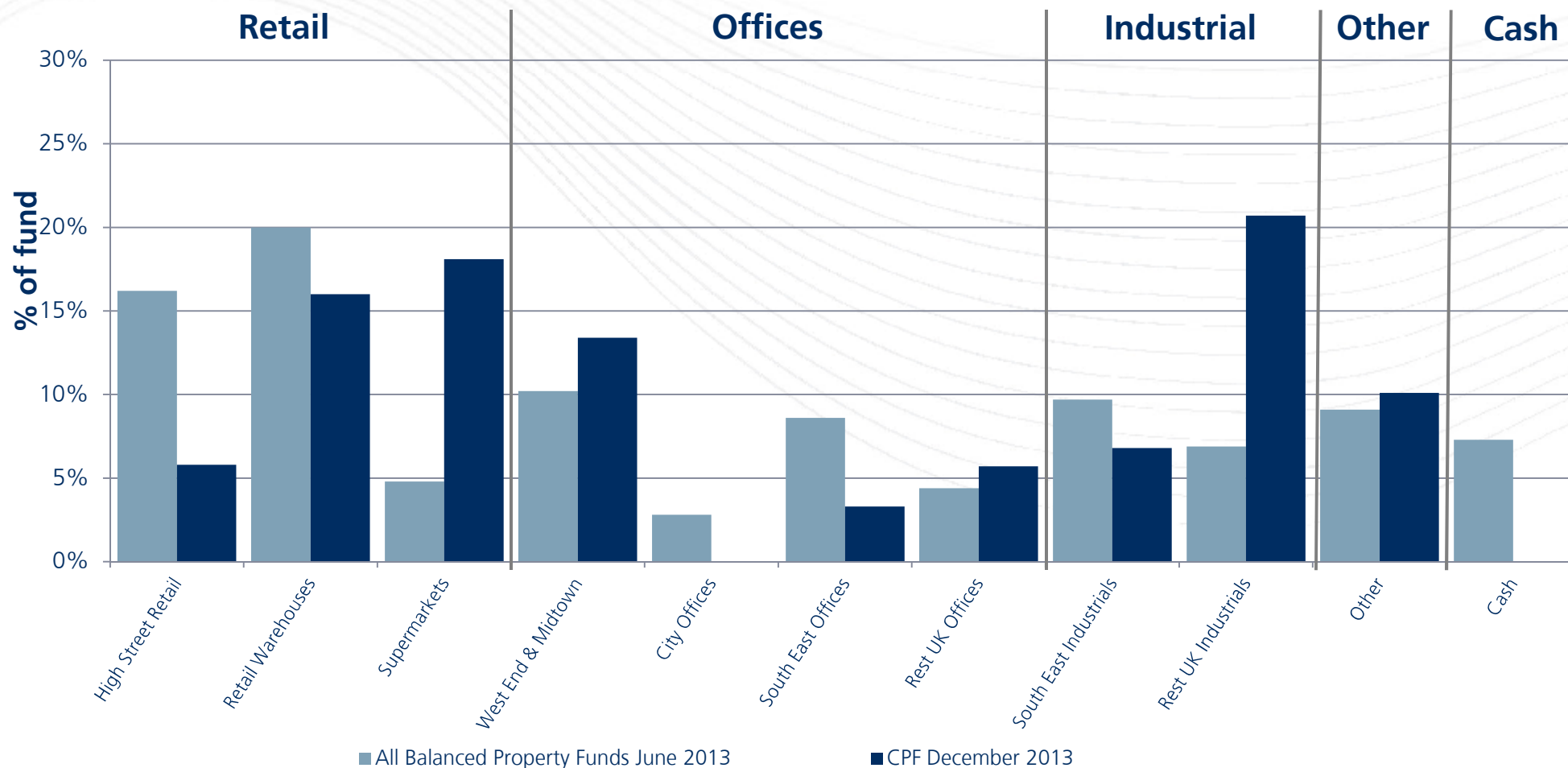
Almost no **speculative development** since 2008; availability of new units is **down 70%**

Internet is **fuelling demand** for warehousing

**Lack of obsolescence** means limited capital expenditure required

Continues to provide high and dependable yields

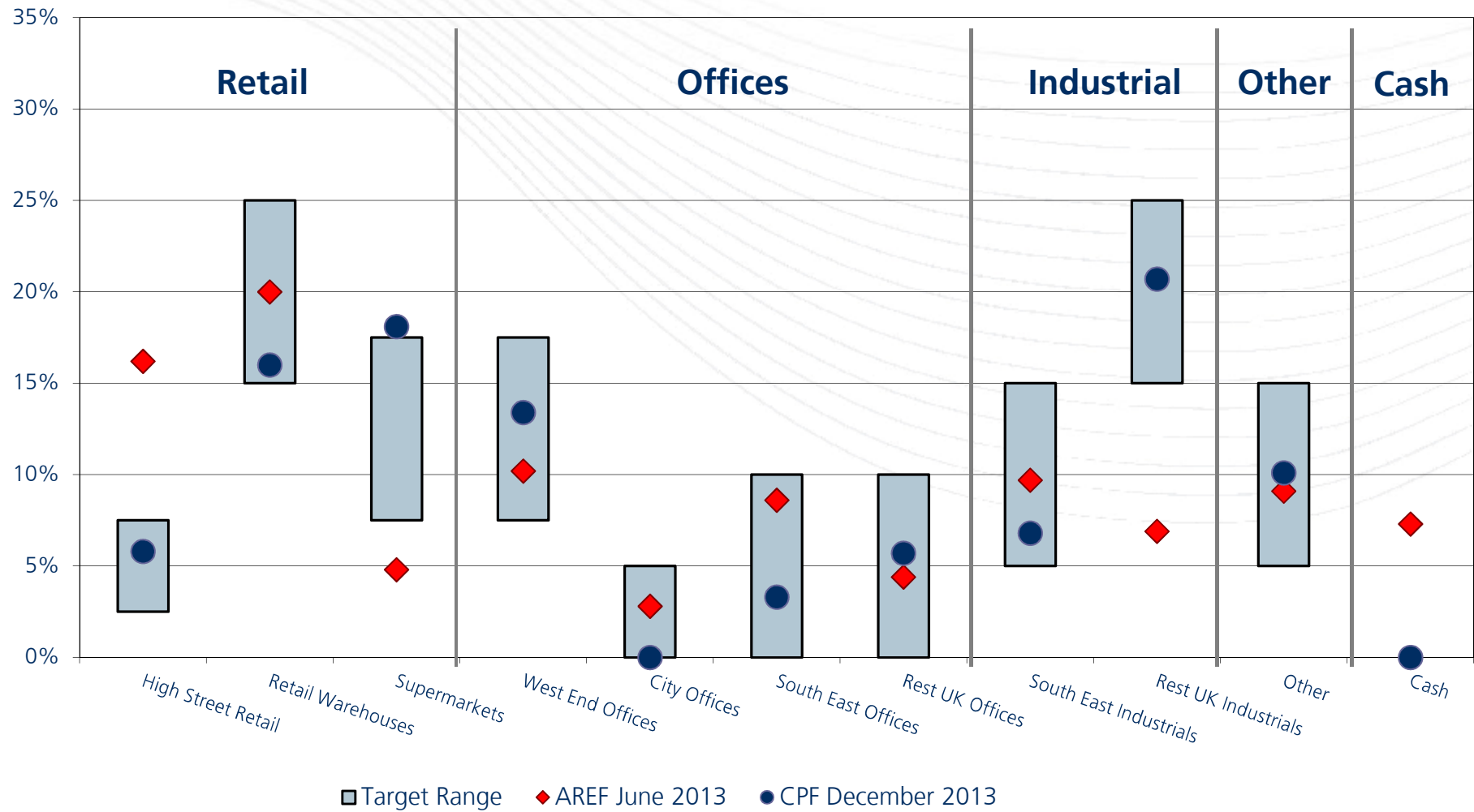
# The Fund – sector weightings



Purposeful bias away from the High Street and City offices



# The Fund – sector weightings including target weightings



Source: Cordea Savills (December 2013)



Financials

# Charities Property Fund

## Track Record

- Original and largest charity specific property Fund - £627m
- Broad investor base - 1,350 investors
- 13 year history

## Investment objectives

- Income – high and secure level of income (6.0% net) with prospect of growth in income
- Capital – maintain capital value
- Target – 8% total return, over the medium term

## Strong governance and risk controls

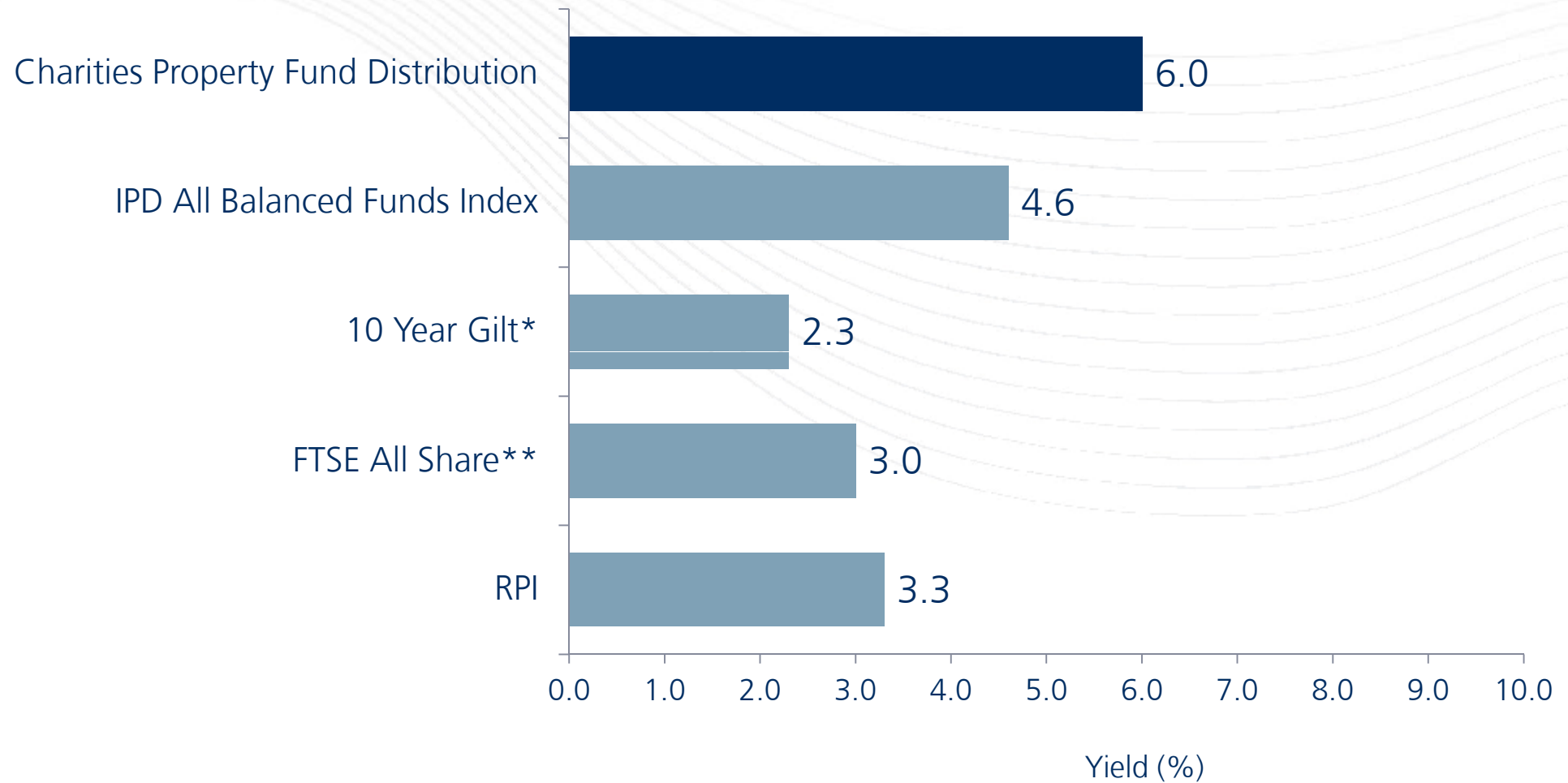
- Experienced advisory committee
- Common Investment Fund (CIF)
- No borrowing; no speculative development

## Tax efficient & cost effective

- The Fund is a charity
- Low TER of 0.63%

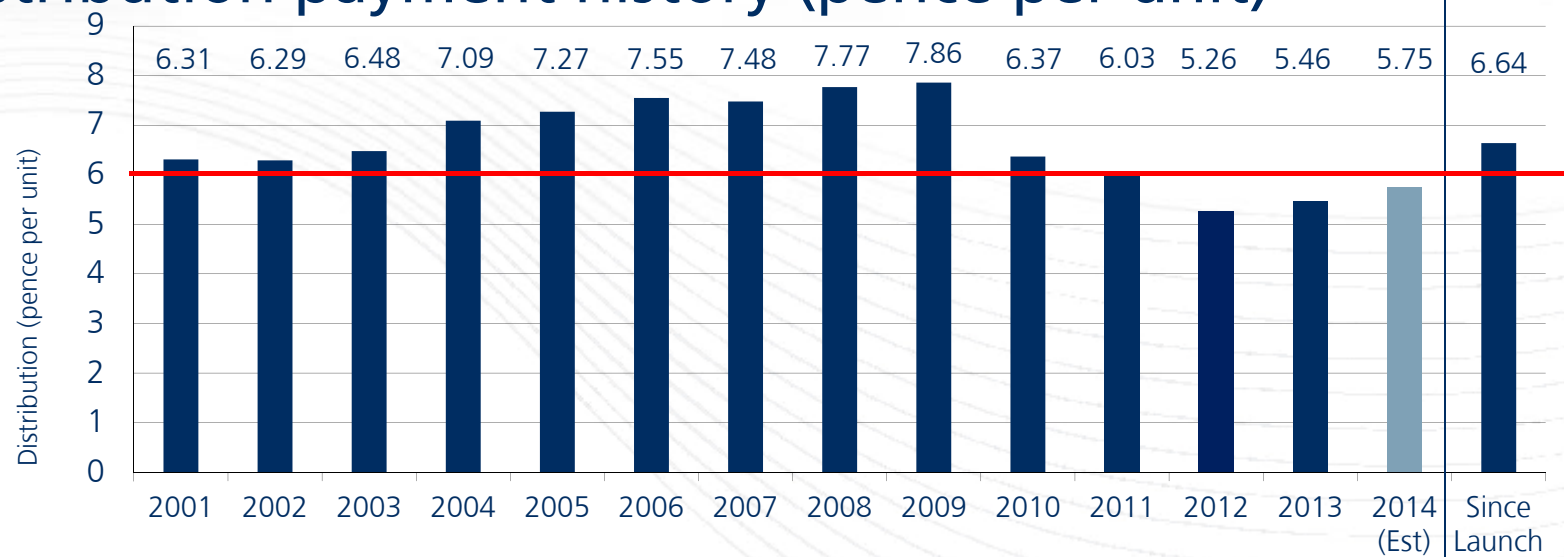
A low risk, diversified property fund delivering high and secure income

## Income returns in perspective



Source: IPD PPF Index June 2013; \*GRY June 2013, \*\*FTSE June 2013; Cordea Savills June 2013, RPI June 2013

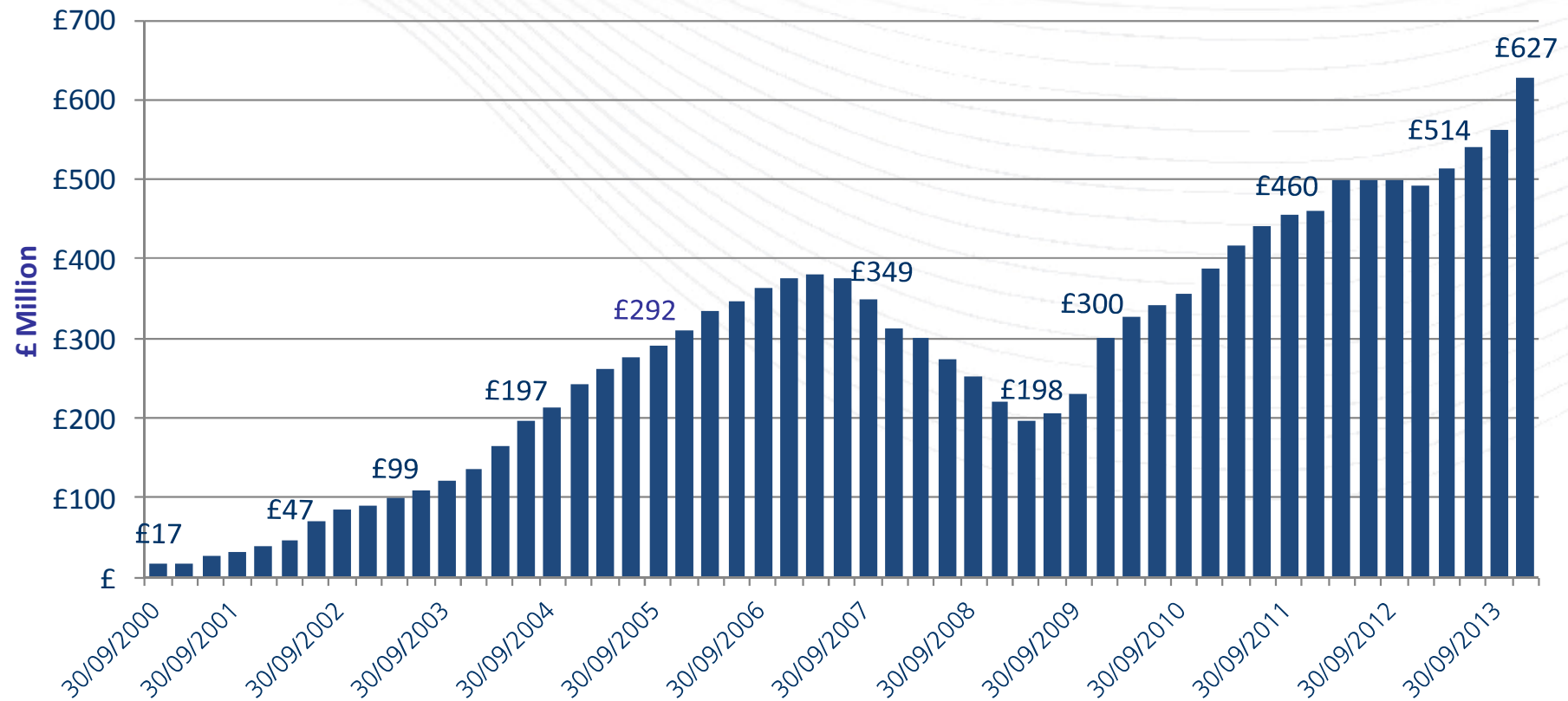
## Distribution payment history (pence per unit)



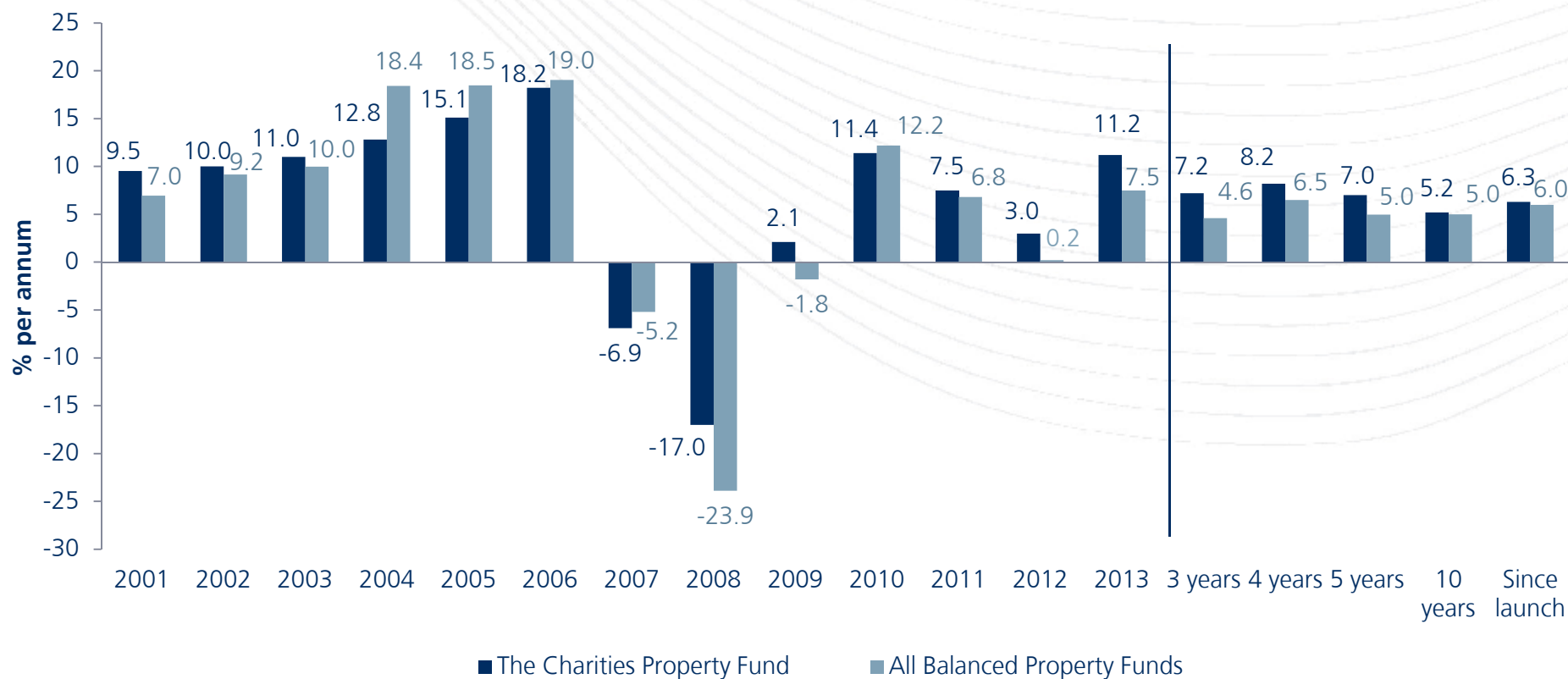
## Net Investment (millions of units)

	Redemptions		Applications	
	Units	No of Charities	Units	No of Charities
2009	6,364,375	51	94,976,706	468
2010	11,192,025	86	92,056,235	334
2011	18,102,495	85	88,711,915	285
2012	22,569,804	128	66,347,632	230
2013	24,596,106	102	130,255,618	617
Total	82,824,805	452	472,348,106	1,934

## Fund Growth (NAV)



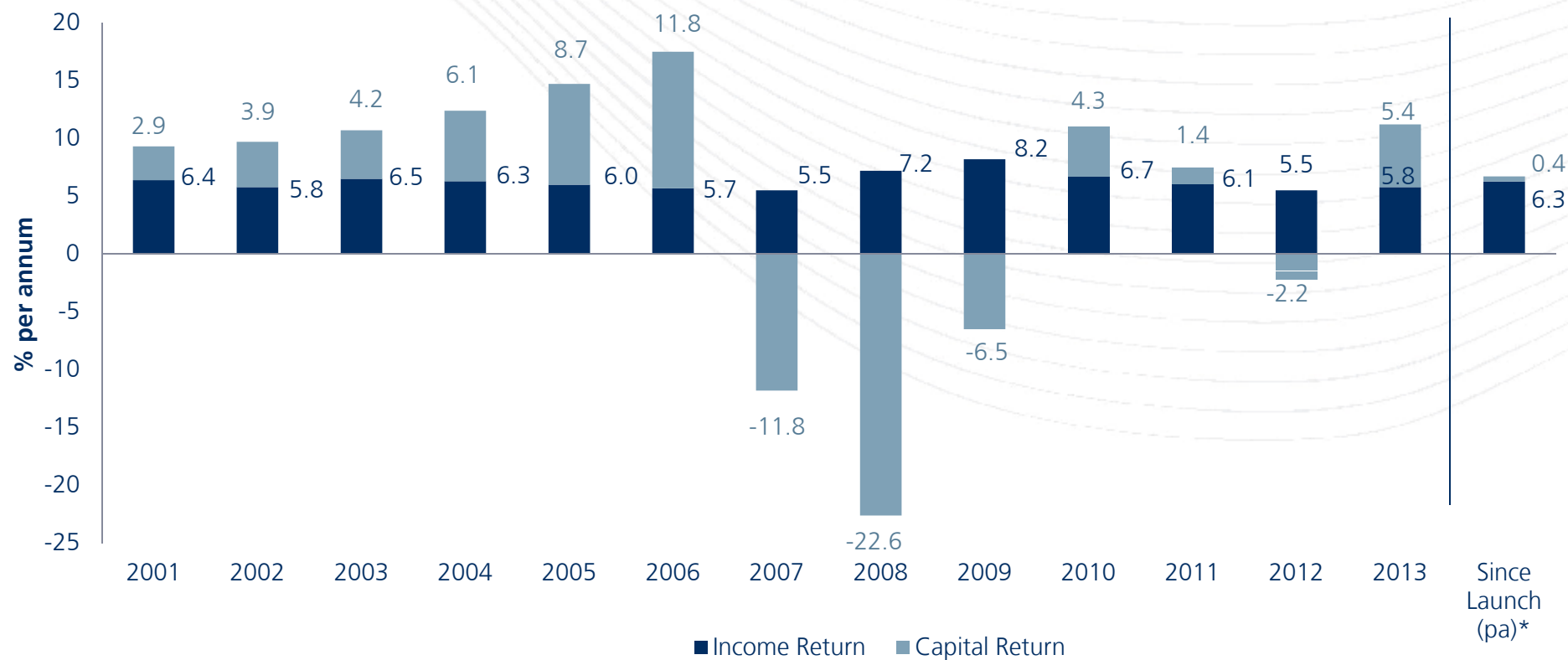
## Fund level performance - total return



**Outperformed the index over 1, 3, 4, 5 and 10 years**

# Fund level performance

## Income and Capital Returns



Source: Cordea Savills, IPD (December 2013). \*The Charities Property Fund launched in 2000



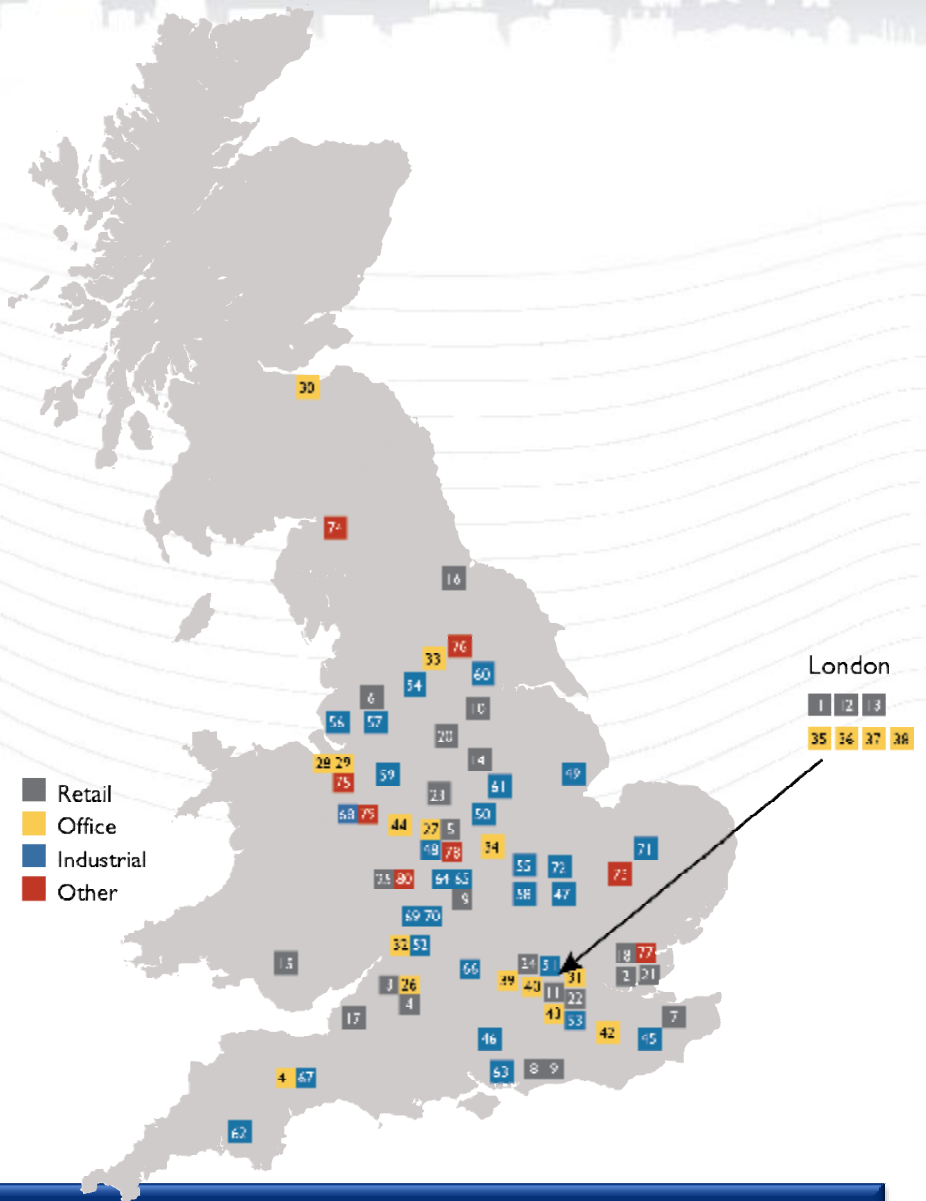


## Asset Management & Sales

# Portfolio summary











## Property summary

- 80 properties (average size £7.6 m)
- 180 tenancies
- Average 10.4 years to lease expiry
- 26% of income benefits from fixed increases
- Vacancy 2.0% of rental value. IPD: 10.5% October 2013
- Strong covenants – 82% secured on low & negligible risk covenants (IPD: 71%)



Diversified Fund with strong covenants, long leases and few voids

# Income and risk management

Tenant	Risk Band (D&B)	% of income	Unexpired term
	Negligible risk	9.0%	17.0 years
	Negligible risk	4.2%	24 years
	Negligible risk	4.0%	2.5 years
	Negligible risk	3.5%	3.5 years
	Negligible risk	3.4%	3.0 years
	Low risk	3.1%	23.25 years
	High risk	2.6%	34.5 years
	Negligible risk	2.2%	14.0 years
	Low risk	2.2%	14.0 years
	Negligible risk	2.1%	9.25 years
Total		36.3%	14.6 years

## Asset & Portfolio Management December 2012-2013

New lettings: **36** (creating £2.70 million pa of income)

Lease renewals: **4** (protecting £210,000 pa of income)

Lease extensions / re-gears: **3** (protecting £370,000 pa of income)

Rent reviews settled: **12** (increasing income by £200,000 pa)

Break options not exercised: **4** (protecting £209,000 pa of income)

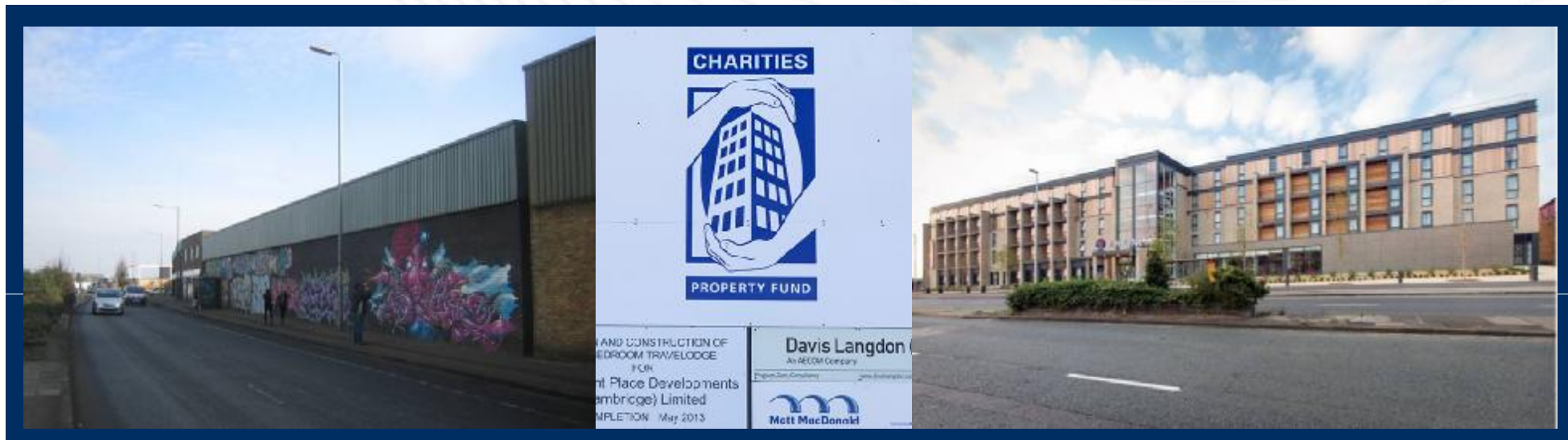
% of rent collected in advance of the quarter day: **84%**

Sales: **4** (raising £13.75 million)

Significant value added through active management

# Asset Management

## Travelodge, Cambridge



- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>■ Forward funding of a new 219 bedroom hotel</li><li>■ 35 year lease to Travelodge</li><li>■ Uncapped RPI rental increases every 5 years</li><li>■ BREEAM 'Very Good'</li><li>■ Cost of funding of £16.3 million (6.35%)</li></ul> | <ul style="list-style-type: none"><li>■ Delivered on time and on budget</li><li>■ Completed valuation of £18.8 million (5.5%)</li><li>■ Improving the built environment</li><li>■ Adjoining Premier Inn sold for 5.35% (higher rent and shorter lease)</li></ul> |
|--|--|

# Active Management

## 90 Chancery Lane, WC2



- Valued at £17.1m pre refurbishment
- £2.90 m received from BNP Paribas to surrender
- £4.25 m refurbishment undertaken
- 9 lettings completed, only 1 floor remaining
- ERV increased by 50%
- December 2013 value £23.0 m (26% profit)

## 10 Dean Farrar Street, SW1

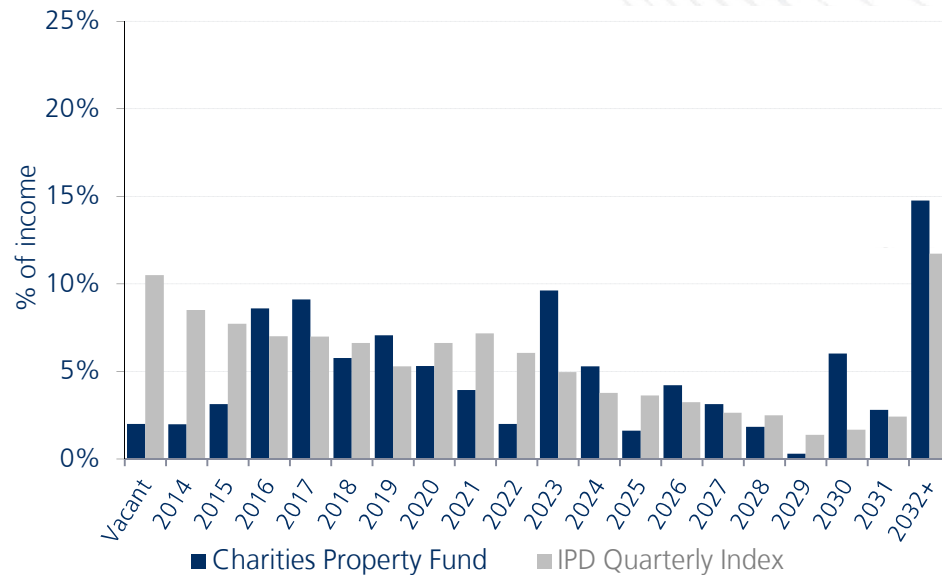


- Valued at £17.8m pre refurbishment
- £0.6 m received from MPA to surrender
- £0.7 m refurbishment undertaken
- 7 lettings completed, fully let
- ERV increased by 30%
- December 2013 value £20.5 m (15% profit)

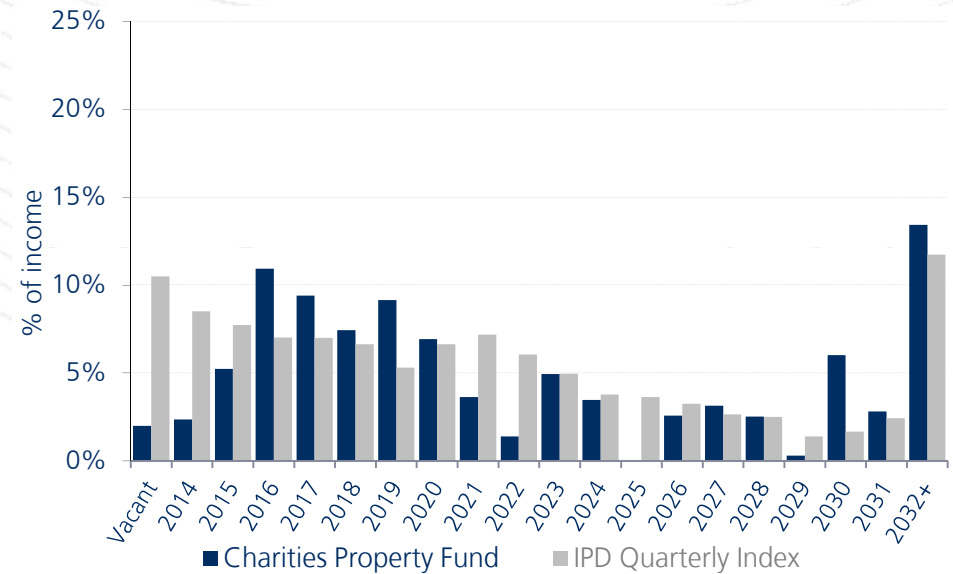


# Lease expiry profile Dec 2013 - The Fund versus market average

Lease expiry only



Including breaks



Limited short term risk and good medium term opportunities

# Sales 2013

## Magnet, Norwich



- Acquired for £1.22m (9.0%) in April 2011 with 3 years unexpired
- Lease extended by 10 years to 13 years
- Sold for £1.48m (7.0%) in July 2013 with 11 years unexpired
- IRR over hold period: 13.4% pa

## Units 1 & 5, Midsomer Norton



- Secondary location
- Poorly specified
- 7.75 years remaining
- Sold for £2.4 million (9.0% yield)
- Better product available at the same price

**Profit taking and removal of risk**



## Sales 2013 cont'd

Ridgewood Industrial Estate, Uckfield



- Secondary location and estate
- Short unexpired leases – 3.4 years unexpired
- 12 tenants – management intensive
- Limited tenant demand
- Sold for £4.725m (8.9%)

Crown Square, Woking



- Secondary office building
- Market underestimating downside risk
- 30 tenants – management intensive
- Short unexpired leases - 1.9 years unexpired
- Sold for £6.0 million (9.0% yield)

**4 sales (45 tenants), £14.6 million, 8.77%**



# Acquisitions

## £130 million acquired in year to December 2013

15 properties acquired

29% supermarket, 11% retail warehousing, 8% London, 25% industrial, 27% other

Average yield of 6.5% (vs IPD c6.2%)

0% vacancy (vs IPD c10.5%)

15.1 years average lease length to earliest break (vs IPD at 10.1 years)

88% of income with low or negligible risk tenant rating (vs IPD 71%)



The properties purchased are high yielding and well let

# Purchases during 2013 – Supermarket

## Sainsbury's, Barnet



- Greater London supermarket
- Large catchment population
- Located next to a transport node
- Excellent future redevelopment opportunities
- Sainsbury's plc guarantee

- Limited competition
- 24.5 years unexpired
- RPI fixed increases (with a collar of 2.5% per annum and a cap of 3.5% per annum)
- £37.4 m (4.55%)

**£37.4 million, 24.5 years unexpired, Yield: 4.55%**



## Purchases during 2013 – London office

### Shepherdess Walk, Old Street



- Newly refurbished building
- Fully let within 3 months of completion
- Multi-let to 5 tenants
- Compliments our existing London holdings
- Exposure to growth area

- Freehold
- Low average rent per sq ft of £35.00 per sq ft
- Low capital value of £586 per sq ft
- £10.0 m (5.65%)

**£10.0 million, 7 years unexpired, Yield: 5.65%**

## Purchases during 2013 – industrial

### Kongsberg, Normanton



- Recently extended modern industrial unit
- Substantial manufacturing facility
- New 25 year lease (break option at year 15)
- Annual 2.5% rental increases
- £4.3 million (8.4%)

### SIG, Birmingham



- Modern industrial unit
- Trade counter distribution unit
- Good edge of City location
- 7 years unexpired to SIG Group
- £3.5 million (8.9%)

### Toyota, Liverpool



- Recently constructed modern industrial unit
- Low rent
- Significant tenant investment in the property
- New 10 year lease (break option at year 7)
- £7.0 million (8.6%)

**Well specified, modern manufacturing and distribution units**

## Purchases during 2013 – industrial cont'd

### Kuehne & Nagel, Bristol



- Well specified modern industrial unit
- Excellent location at the junction of the M4 and M5
- 5.5 years unexpired (plus as option for a further 15 years)
- £6.4 million (7.4%)

### Sage, Peterborough



- Recently constructed
- Well specified unit
- 6.5 years unexpired to Sage Group
- £2.2 million (8.1%)

### SP Group, Redditch



- Modern well specified unit
- Significant tenant investment in the property
- Low site cover and potential to extend the unit
- 7.25 years unexpired
- £9.1 million (7.4%)

**£32 million, 8.5 years unexpired, £64 per sq ft, Yield: 8.0%**

## Purchases during 2013 – Other (car dealerships)

Harrogate, Chester, Solihull & Worcester



Solihull



Worcester

- Portfolio of 4 car showroom investments
- All let to Rybrook Holdings Limited
- Tenant rated Low Risk
- Unexpired lease term of 23.5 years
- £17.4 million (7.2%)

- Excellent locations
- Leases benefit from 2.5% per annum compound increases
- Premium brands (Mercedes, McLaren, Rolls Royce, BMW, Mini, Jaguar, Volvo)

**£17.4 million, 23.5 years unexpired, Yield: 7.2%**



## Purchases during 2013 – other cont'd

Welcome Break, Telford



- Motorway Service Area (MSA)
- Modern purpose built facility
- 14 years unexpired
- 2.5% per annum fixed rental increases
- £13.6 million (6.5%)

DW Fitness, Carlisle



- Modern health & fitness club
- Low rent and capital value per sq ft
- 21 years unexpired
- 2.5% per annum fixed rental increases
- £4.5 million (Yield: 9.3%)

**£18 million, 15.7 years unexpired, Yield: 7.2%**



## Summary

Grown to **£627m, 82 assets**

**26%** of income benefits from fixed increases

Weighting to out-of-town retail, London offices, other & industrial **85%** (IPD: 64%)

Average unexpired term of **10.4 years** (IPD: 10.9 years)

**17<sup>th</sup>** percentile for covenant strength

Vacancy rate **2.0%** (IPD: 10.5%)

Focus on asset management, reducing voids and good quality real estate in supply constrained locations

Yield **6.0%** (IPD: 4.6%)

Secure income with potential for growth

# Appendices

The Charities Property Fund team

The Advisory Committee

Supplementary market and Fund information

Contact details

# Management and Governance of the Charities Property Fund

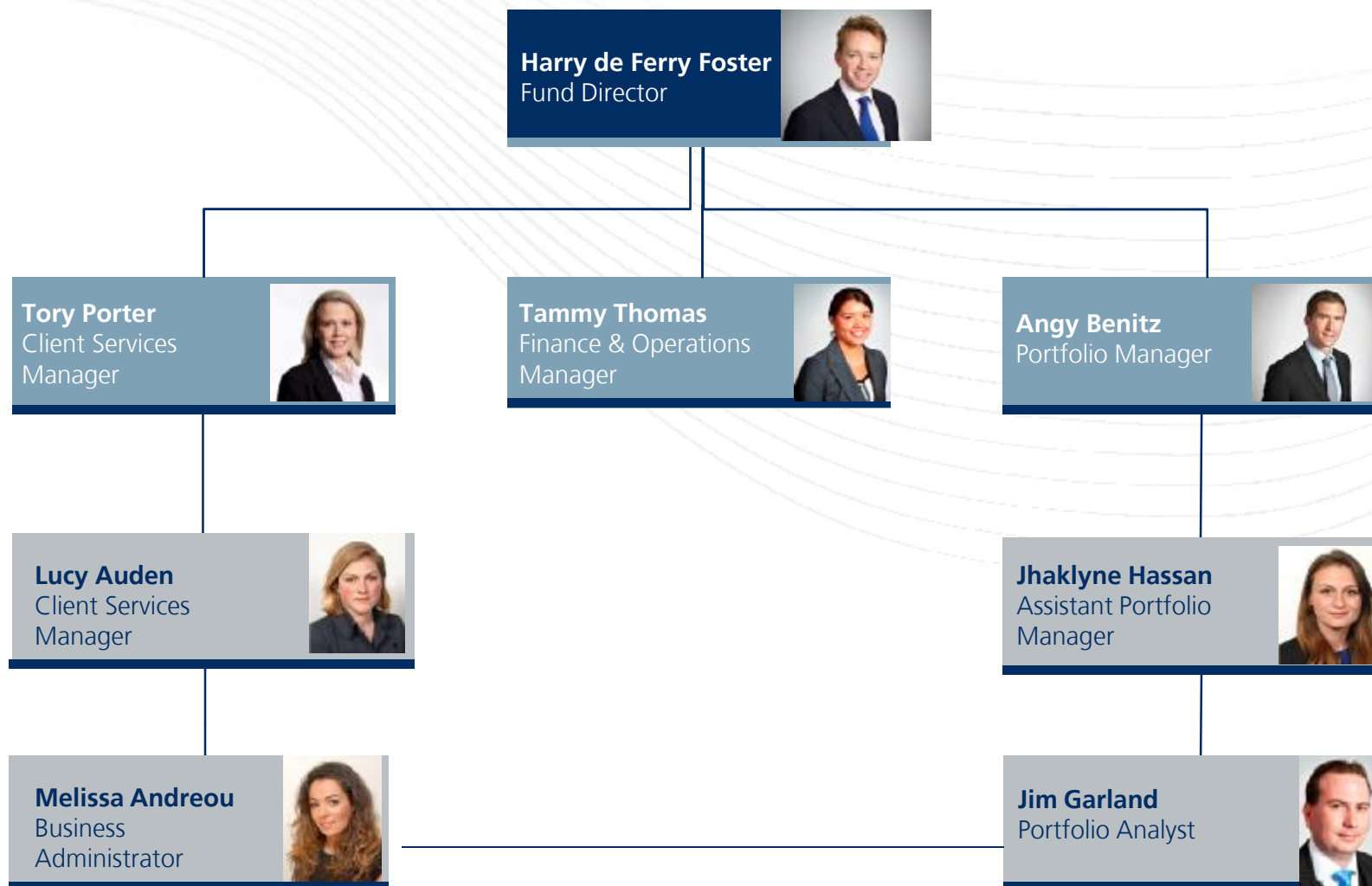
## **Charities Property Fund Team**

Harry de Ferry Foster (Fund Director)  
Angy Benitz  
Jhaklyne Hassan  
Tammy Thomas  
Jim Garland  
Tory Porter  
Camilla Bergesen  
Melissa Andreou

## **CPF Advisory Committee**

Ian Flanagan OBE (Chairman)  
Nick Downer  
Chris Hills  
Richard Robinson  
Wilf Stephenson  
Paul Taylor  
Andrew Chapman  
Malcolm Naish

# The Charities Property Fund Team



# The Charities Team



**Harry de Ferry Foster** is the Fund Director for The Charities Property Fund with responsibility for all aspects of the management of the Fund and for making sure the Fund fulfils its objectives. This includes investing new subscriptions, investor relations and marketing.

Harry's role encompasses portfolio management including strategic and tactical considerations, financial analysis, property acquisitions and sales. He also sits on Cordea Savills' Investment and Risk Committee and it's UK Management Committee.

Harry joined Cordea Savills in 2002 from Cushman & Wakefield where he spent 6 years in a variety of investment agency roles before assisting with the establishment of their Fund Management team in 1998. Harry graduated in 1995 and qualified as a Chartered Surveyor in 1999 and he has over 15 years experience in property investment and fund management.

Harry completed the Investment Management Certificate (IMC) exams in 2003.

## The Charities Team



**Angy Benitz** is also a Portfolio Manager for the Charities Property Fund. Angy's primary role involves asset acquisition and disposal together with adopting portfolio and fund management initiatives.

Angy joined Cordea Savills 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.



**Jhaklyne Hassan** is the Assistant Portfolio Manager for the Charities Property Fund. Jhaklyne's role includes asset management, acquisitions and disposals.

Jhaklyne joined Cordea Savills in June 2013 from Savills where she worked in a variety of positions throughout her training, before specialising as an agent in the National Investment team. Jhaklyne has advised a number of clients on both the acquisition and disposal of Business Space properties across the United Kingdom.

Jhaklyne graduated from Nottingham University in 2008 with a degree in Economics before gaining a Postgraduate Diploma in Real Estate from Southbank University and becoming RICS qualified in 2011.



# The Charities Team



**Jim Garland** is the Portfolio Analyst for the Charities Property Fund.

Jim joined Cordea Savills in May 2010 and worked Property Research team until transferring over to the Fund in December 2013.



**Tory Porter** is the Client Services Manager for the Charities Property Fund responsible for investor communications, reporting and events.

Tory joined Cordea Savills in June 2012. Previously Tory qualified as a Chartered Surveyor at King Sturge and then worked in the Central London Development Team at CBRE for five years.

Tory graduated from the University of Newcastle with a degree in Geography and from the University of Aberdeen with a Masters in Land Economy.

# The Charities Team



**Tammy Thomas** is the Finance and Operations Manager responsible for financial reporting and analysis, and administrator management.

Tammy joined Cordea Savills from KPMG in the Cayman Islands where she worked in the audit practice with a focus on the alternative investment industry. Previously, she completed her chartered accountancy training with Deloitte in London within the real estate team.

Tammy graduated from the University of Western Australia in 2004 where she studied Accounting and Corporate Finance.



**Camilla Bergesen** is the Client Services Manager for a number of UK and European property funds, responsible for fund reporting and investor communications, having joined Cordea Savills in 2010. Camilla monitors the administration and ongoing operations of the Charities Property Fund, including the quarterly dealing processes. She is also the key point of contact for the Transfer Agent and the Third Party Administrator. Prior to joining Cordea Savills, Camilla worked in a client facing role for the Legal and Compliance team at The Corporate Executive Board Ltd, a consultancy specialising in best practice strategic research.

Camilla graduated in Psychology from the University of Nottingham.

# The Charities Team



**Lucy Auden** works alongside Tory dealing in investor queries, applications and redemptions and fund reporting for the Charities Property Fund.

Lucy joined Cordea Savills Client Services team in April 2012 and is responsible for fund reporting and investor communications for a number of Cordea Savills UK funds. Lucy also sits on the Environmental and Social Governance Committee as well as Cordea Savills Charity Committee. Prior to joining Cordea Savills, Lucy worked in a client facing role as a Corporate Account Executive at Number One Health, a private health company specialising in corporate medicals, and then as PA to the CEO of an international executive financial search firm, Execuzen Ltd.

Lucy graduated from King's College, London, with a degree in English Language and Literature.



**Melissa Andreou** is Business Administrator to the Charities Property Fund, responsible for providing support to the Charities team and assisting with the day-to-day functions of the Fund.

Melissa joined Cordea Savills in November 2011, prior to which she held a similar role at Winkworth where she was PA to the Managing Directors and provided sales support to the Lettings & Sales Negotiations team.

Melissa also worked at Global publications house Wolters Kluwer where she was PA to the Senior HR Director and at not-for-profit organisations CBI and the Institute of Mechanical Engineers.

# The Advisory Committee



**Ian Flanagan** (*Chair*) spent his entire professional career as a chartered surveyor with a leading UK practice, Hillier Parker. After 20 years in retail property he then had 15 years in the merged Offices and Industrial Department where he was Senior Partner in charge. From 1988-1991 he was based in New York as CEO and Chairman of Landauer Estates with nine offices across the USA in which Hillier Parker had a majority shareholding. After retiring from practice, Ian advised a number of banks and UK public companies on their commercial property, as well as being a board member of the Black Country Development Corporation. Ian is Trustee of a number of charities and his interest in charity work started on election as an Almoner of Christ's Hospital, then to Childline and Perennial - The Gardeners' Royal Benevolent Society. Ian was awarded an OBE 'for services to horticulture', in the Queen's 2008 New Year's Honours list.



**Wilf Stephenson** joined Oriel College, Oxford in the summer of 2005 as Treasurer and Bursar. Immediately prior to this he was Group Treasurer of Chelsfield plc, a large UK property company.

His previous career included a period as Group Treasurer of Grosvenor, the international property group owned by the Duke of Westminster and his family, and senior roles at two oil companies, Mobil and Amerada Hess. At Oriel, he is responsible for the management of the College's endowment, its day to day finances, buildings, catering and other service functions. His team work closely with the Provost and fellows to create, within their historic buildings in the centre of Oxford, the finest possible living environment for students.

# The Advisory Committee



**Chris Hills** is currently the Chief Investment Officer of Investec Wealth & Investments, one of the UK's leading firms of asset managers for charities and high net worth individuals. In that role, he is the architect of its approach to portfolio management, its internal research department and its investment policy committee. Chris was formerly a director of Baring Fund Management, where he managed a range of institutional mandates and was a member of its strategic investment team. He joined Investec in 1995 in his present capacity.

Chris is also a director of Invesco Income Growth Investment Trust plc (on which he chairs the Management Engagement Committee) and provides investment counsel to a number of charity bodies, including the Cambridge college where he was an undergraduate.



**Paul Taylor** Paul is Director of Property at St John's Hospital, Bath. Paul has overall responsibility for the property that makes up their endowed estate and which generates the income that allows the charity to continue to provide its almshouse accommodation and its provision of grants. Paul is also responsible for the modernisation of their almshouses.

Paul has over 25 years of property fund management as Head of UK Direct Property Investment at Schroder Property Investment Management and prior to that working at Merrill Lynch Investment Managers. Paul brings to the role a personal enthusiasm for historical architecture with a particular interest in Georgian buildings.

# The Advisory Committee



**Nick Downer** has been Bursar of Selwyn College, Cambridge since August 2002. He also serves on the Finance Committee of the University, as a Trustee of the Cambridge Colleges' Federated Pension Scheme and is a former Chairman of the University Board of Scrutiny.

Prior to joining Selwyn, he spent over 20 years as an investment banker advising international corporate clients on initial public offerings, privatisations and other forms of debt and equity capital raising.



**Richard Robinson** is the Investment Director of the Paul Hamlyn Foundation, a £550m endowment fund which was established by the publisher Paul Hamlyn in 1987. It helps young people, principally in the UK, achieve their potential and operates in the areas of performing arts, education and social justice.

Previously Mr Robinson was head of Charities and Foundations at Schroders plc, one of the largest fund managers in the UK. He began working in investment management in 1982 and has a masters degree in Theology from Oxford University.



# The Advisory Committee



**Andrew Chapman** has developed a portfolio of roles including working part-time as the CIO for The Health Foundation and membership of the Global Investment Advisory Committees for T.Rowe Price, the Collier Capital Investment Advisory Committee, and the Property Charity Fund Investment Advisory Committee. He is also a non-exec director of Quiznos and Steadfast Financial and a Special Advisor to Campbell Lutyens. Andrew served for several years on the Investment Council of the National Association of Pension Funds (NAPF) and was Chairman of the Advisory Board for the Pension Fund Investment Forum. He holds both a BA and an MPhil in Economic & Social History, and chairs the BUNAC Educational Scholarship Trust.

Andrew first became a fund manager in 1978. In 1984 he was appointed the Deputy Investment Manager at the British Aerospace Pension Fund. From 1991 to 2000 he was the CIO at United Assurance plc, responsible for asset allocation managing £12 billion in assets. Andrew joined Hewitt Associates as a Senior Consultant in 2001 before being appointed in 2003 as the first in-house Pension Investment Manager for the John Lewis Partnership. At John Lewis, Andrew was responsible for overall investment strategy and the performance of 27 external fund managers across all asset classes.

## Top 10 assets – 41.5%

London EC1 - 4.9%



London Office

London WC2 - 3.8%



London Office

London SW1 - 3.4%



London Office

Tesco, Mansfield - 8.4%



Supermarket

Tesco, Nailsea - 3.9%



Supermarket

## Top 10 assets – 41.5%

Redditch - 2.4%



Retail Warehouse

Cambridge - 3.1%



Hotel

Twickenham - 2.6%



Retail Warehouse

Redditch - 3.0%



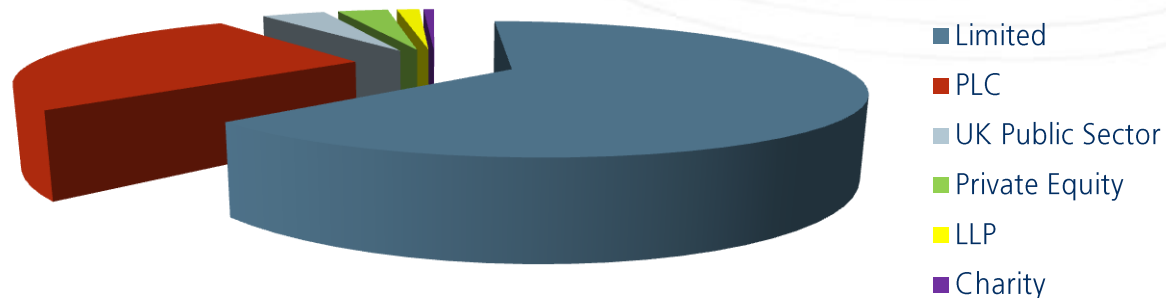
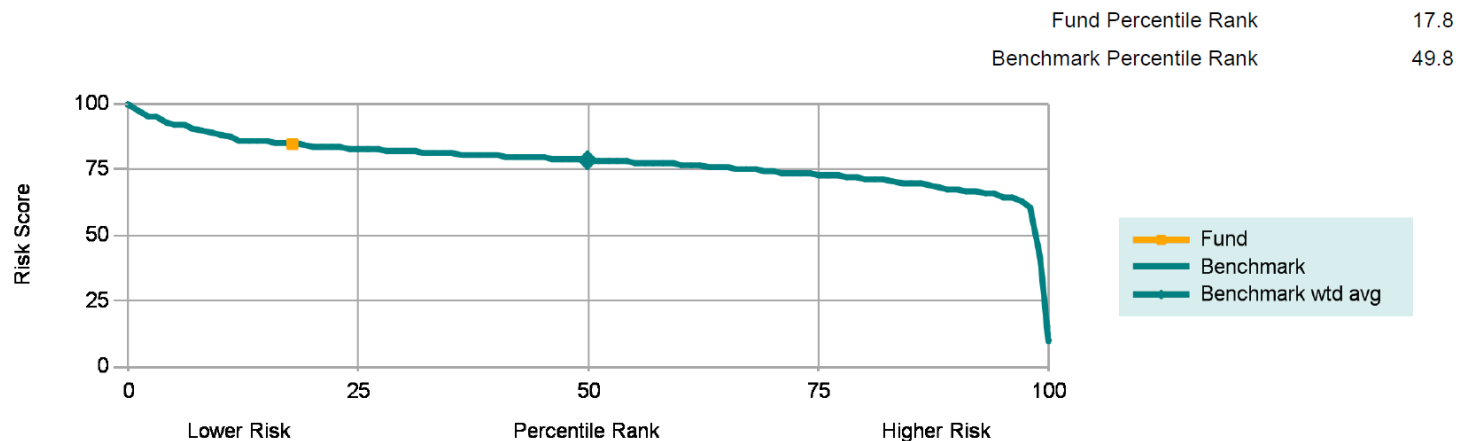
Industrial

Barnet – 6.1%



Supermarket

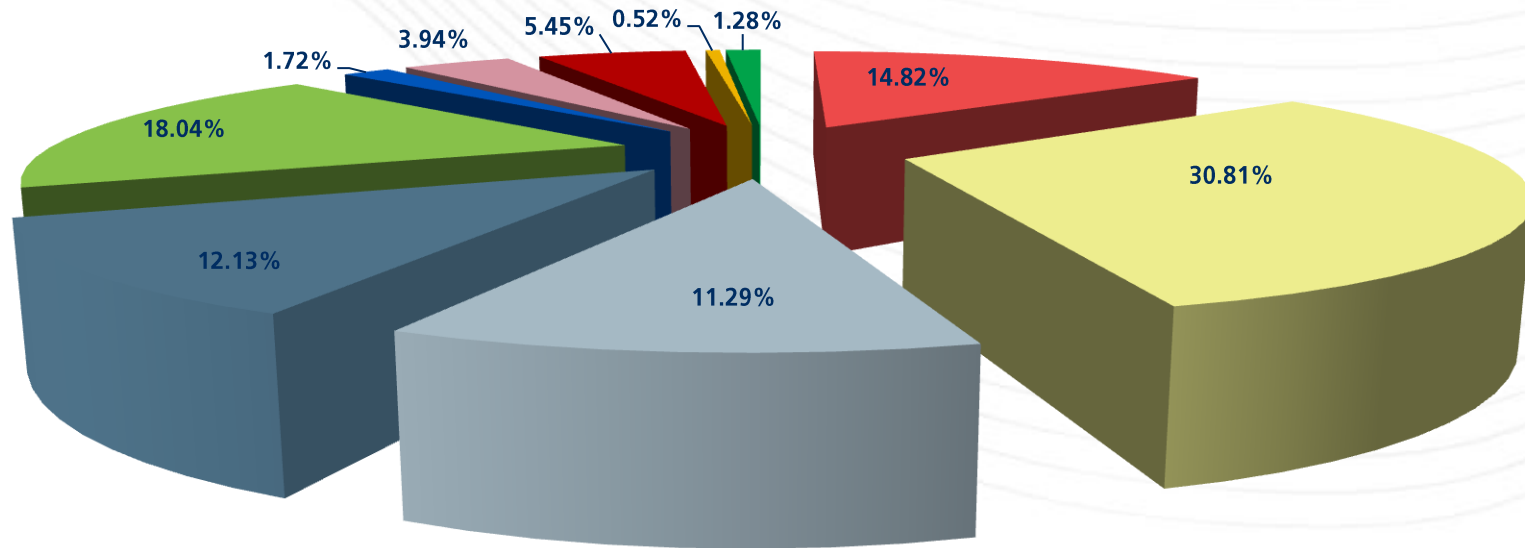
# Financial Strength of The Fund's Tenants



84% of Fund tenants are classified as low financial risk



# The Fund – geographical weightings



■ London	■ South East	■ South West	■ East Midlands	■ West Midlands
■ Wales	■ Yorks & Humber	■ North West	■ North East	■ Scotland

South – 57%

Midlands – 32%

North – 11%



## Contact details

For fund and unit holder related information:

**Tory Porter**

For property related information:

**Harry de Ferry Foster**

### **The Charities Property Fund**

c/o Cordea Savills  
33 Margaret Street  
London, W1G 0JD

**Tel:** 0203 107 5439

**Fax:** 0845 409 1281

**E-mail:** [cpfadmin@cordeasavills.com](mailto:cpfadmin@cordeasavills.com)

Benefits anticipated in the Charities Property Fund may be affected by changes in UK tax legislation. The price and value of investments and the income derived can go down as well as up, and you may not get back the amount you invest. Past performance is not a guide to future performance. There may be times when property held within the fund may not be readily saleable. This can in some cases cause constraints when encashing units.

The Charities Property Fund is a registered charity, number 1080290. The Manager is Cordea Savills Investment Management Limited, registered in England number 03680998, which is authorised and regulated by the Financial Conduct Authority and is a subsidiary of Cordea Savills LLP, a limited liability partnership registered in England. The registered office of both entities is at 33 Margaret Street, London, W1G 0JD.