



The Charities Property Fund

June 2012



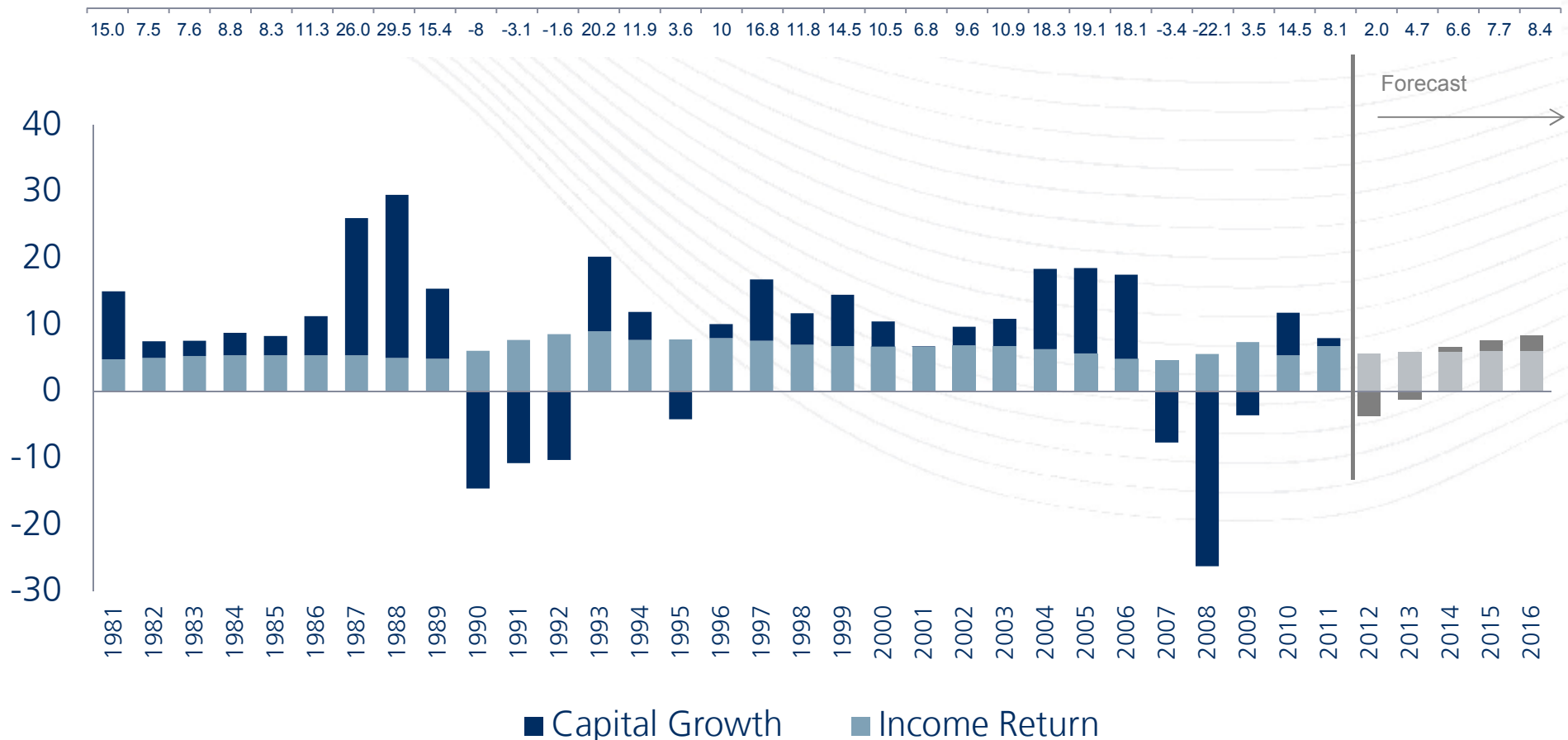
Agenda

Fund Overview & Strategy

Asset Management & Sales

Transactions

UK commercial property returns (% pa) total return



Stability provided by the high income return from property

Source: IPD (December 2011) & Cordea Savills (December 2011) Chart shows total returns with capital growth element as remainder from total return

Charities Property Fund

Track Record

- Original and largest charity specific property Fund - £499m
- Broad investor base - 1,256 investors
- 11 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

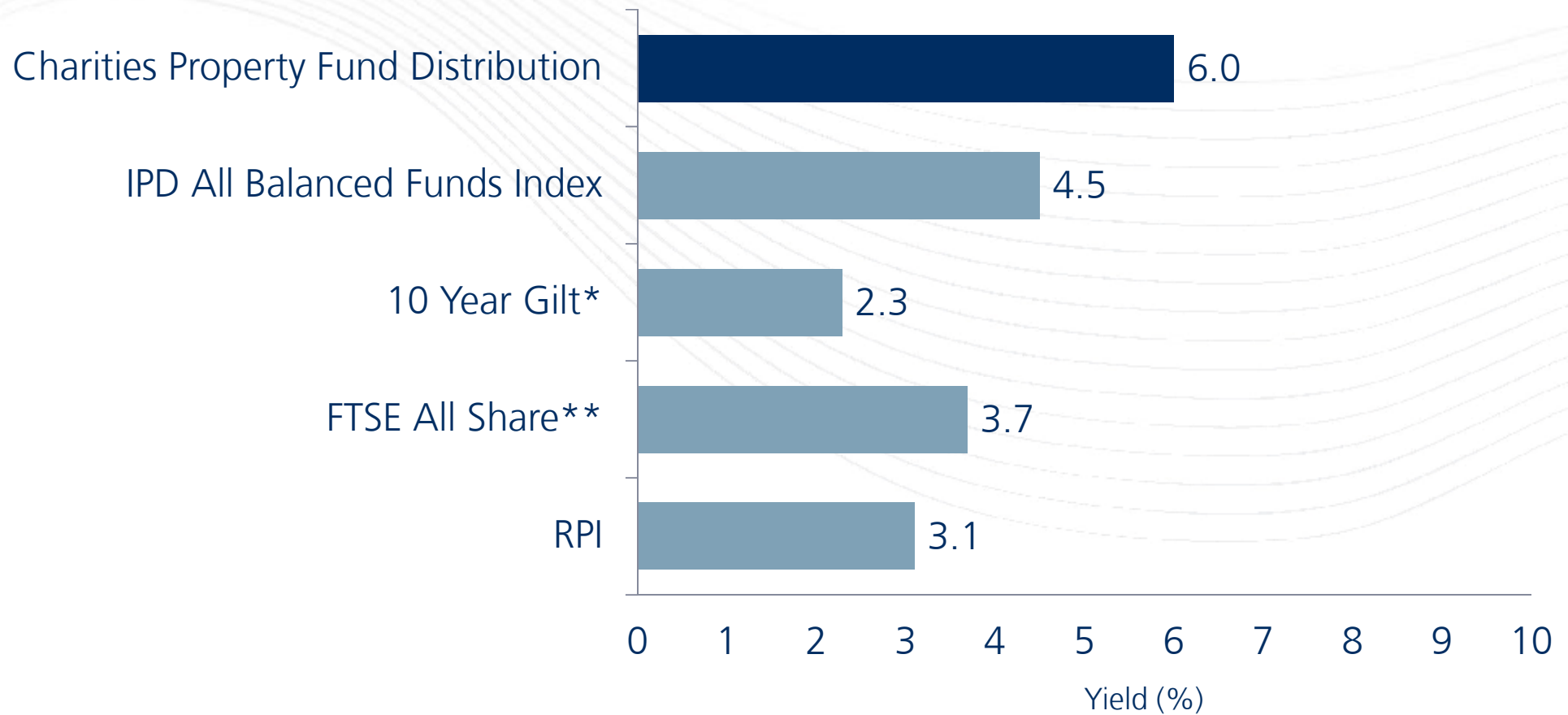
- Experienced advisory committee
- Common Investment Fund (CIF)
- No borrowing; no speculative development

Tax efficient & cost effective

- The Fund is a charity
- Low TER of 0.62%

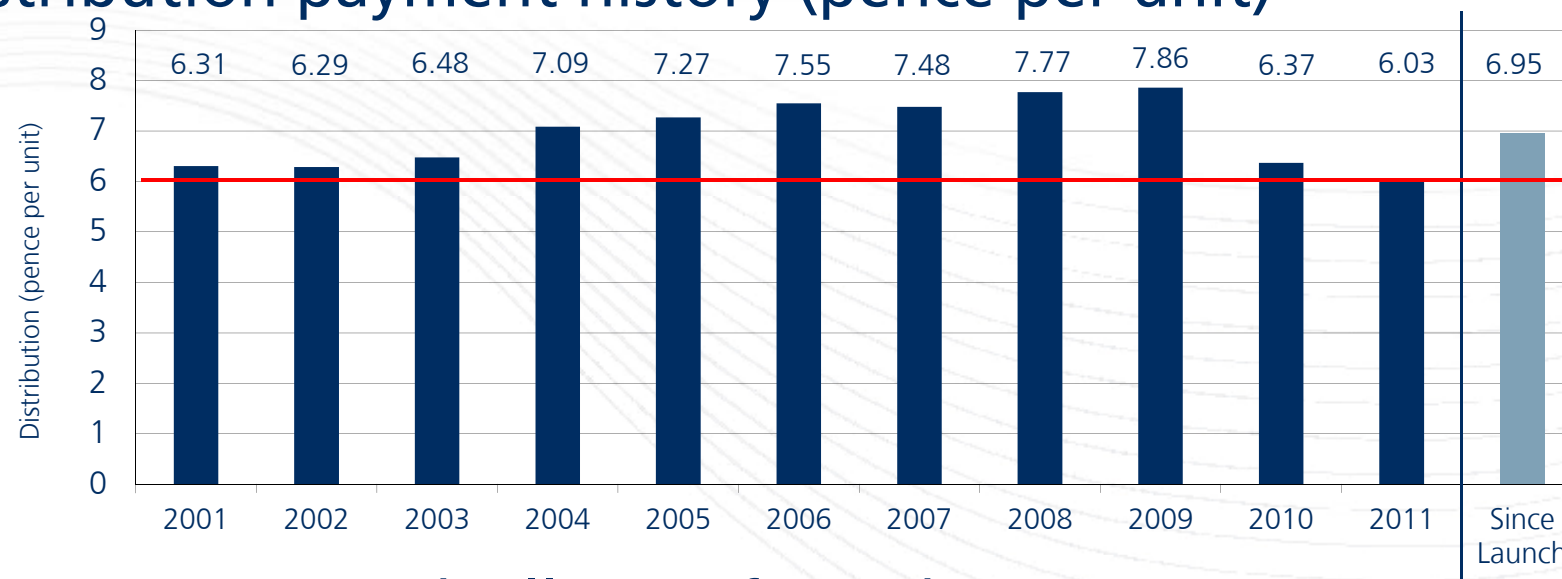
A low risk, diversified property fund delivering high and secure income

Income returns in perspective



Source: IPD PPF Index June 2012; *GRY June 2012, **FT June 2012;
Cordea Savills June 2012, RPI May 2012

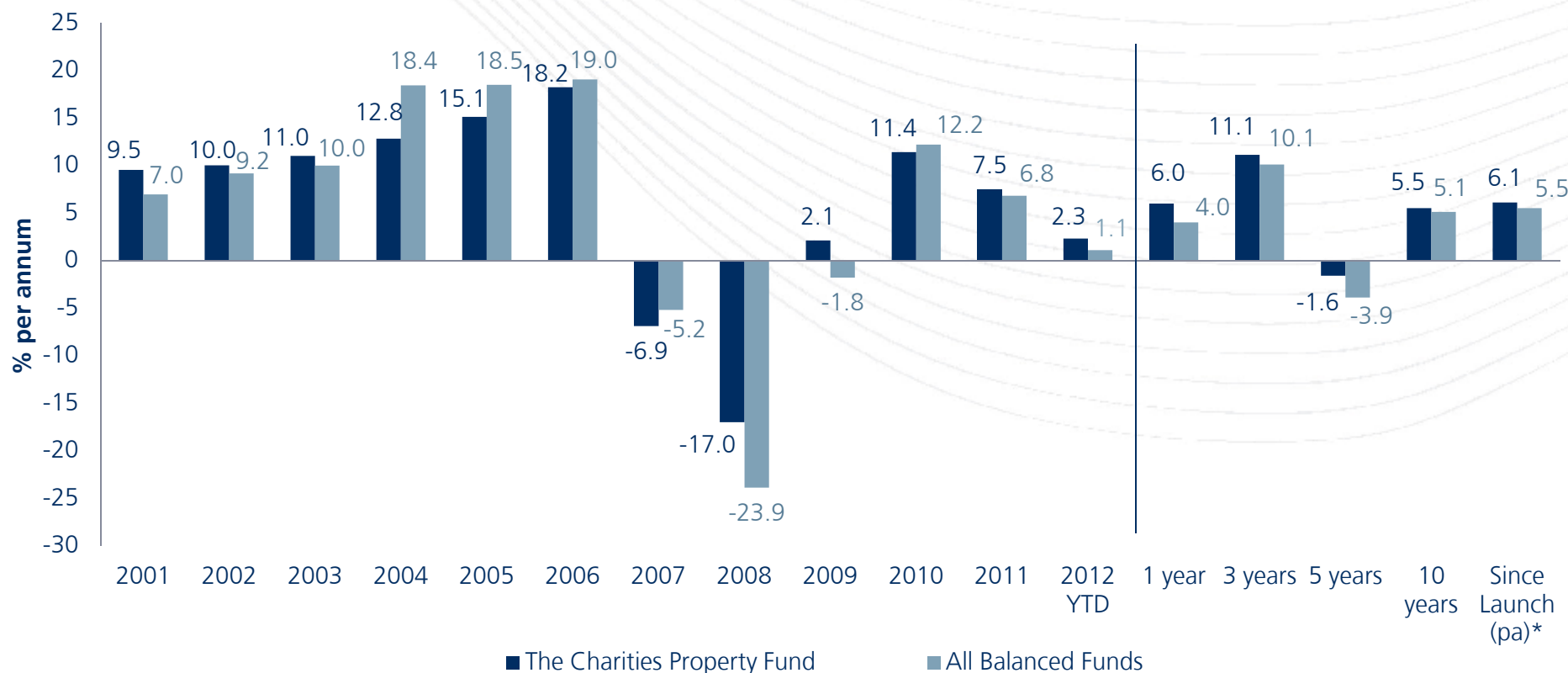
Distribution payment history (pence per unit)



Net Investment (millions of units)

	Redemptions		Applications	
	Units	No of Charities	Units	No of Charities
2008	3,482,504	36	3,486,232	18
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
Total	39,141,399	258	279,231,088	1,105

Fund level performance - total return



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



Strategy



Strategy

Grown to **£460m, 67 assets** (vs £220m in 2008, 37 assets)

20% of income benefits from fixed increases (vs 4.3% in 2008)

Increased weighting to supermarkets and London offices to **29%** (vs 17% in 2008)

Reduced weighting to non-London offices and the high st to **16%** (vs 29% in 2008)

Average unexpired term of **10.4 years** (vs 8.6 years in 2008)

10th percentile for covenant strength (vs 16th percentile 2008)

Underlying vacancy **6.9%** (vs 2.7% 2008)

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

Yield **6.0%** (vs 4.4% IPD)

Risks have been significantly reduced

Retail – in-town versus out-of-town

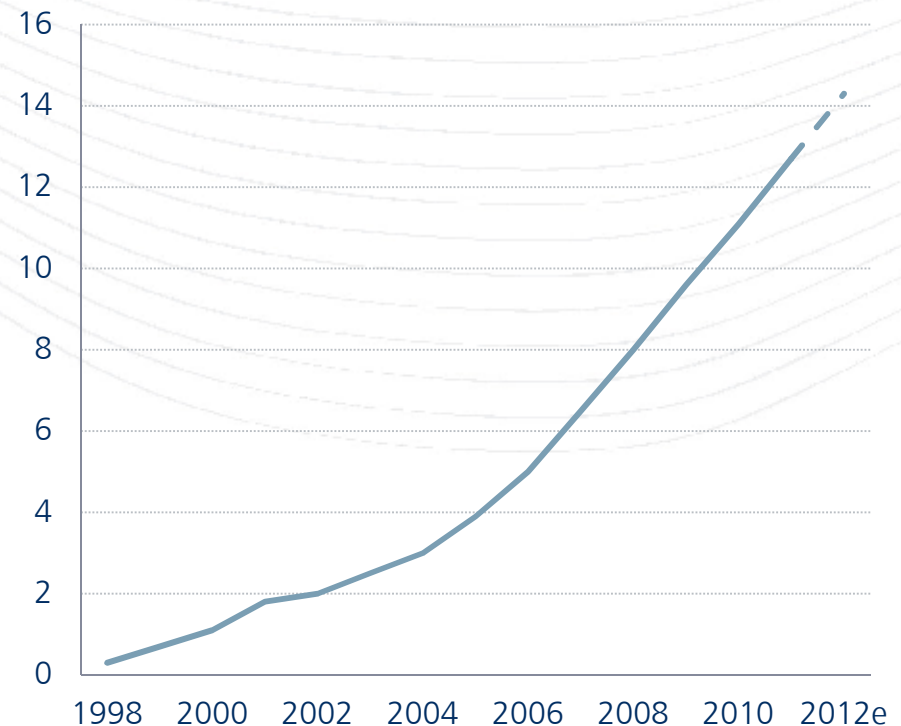
Retail void rates, %

- High vacancies in town-centres
- Retail warehouses offer relatively low-cost space



Internet sales as a % of total retail sales

- On-line taking greater proportion of trade



Source: IPD Quarterly Index, Office for National Statistics

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



Retailers 'face tough time' as consumers cut back

By James Cowling
Business reporter, BBC News

COMMENTS (189)

The UK retail sector faces another tough year in 2012 as consumers continue to cut back, according to a report by Verdict Research.

It claims consumer spending will grow by next year, the third slowest rate in 40 years.

Food sales are expected to rise strongly next year, as more consumers will be on going out

as insolvency firm Beggies T... the retail sector would

1,200
Jobs created as Amazon announced plans to expand its British operations

3,100
retail jobs lost in the second quarter as the high street suffered

Sources: Amazon; BRC-Bond Pearce Retail Employment Monitor

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14 December 2011 Last updated at 11:45

Morrisons to hire 7,000 for new stores and logistics

Morrisons has said it plans to hire more than 7,000 people, mostly to staff new outlets.

The supermarket chain wants to open branches next year.

Half of the jobs at new stores are expected to go to former employees, the firm said. 7000 new jobs are likely to come from the

PropertyWeek.com

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High street retailers closed 909 stores in following administrations

January 2012 | By Kat Spiby

High street multiples closed 909 stores in result of falling into administration - an increase of 144% on the previous year.

Retail Database found these closures resulted in a 210% increase in 2010, in the economy during the second half of

PEOPLE ARE LOSING THEIR JOBS AND FINDING THAT 18 DESIGNER BAGS ARE OF ABSOLUTELY NO USE TO THEM

Offices – London set to outperform



- Investment demand strong across the markets
- Rents recovering as corporate balance sheets improve
- Belief that London retains position on world stage
- Olympics to create positive momentum



Offices – Regions more challenging



- Rents challenged in many locations (Bracknell, Sunderland)
- Some centres bucking the trend (Aberdeen, Cambridge)
- Opportunistic stock picking possible & high yields available
- BUT caution required



Industrial – Manufacturing and Distribution

Industrial remains the **highest yielding** commercial sector

Increase in manufacturing in the UK due to weak sterling

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

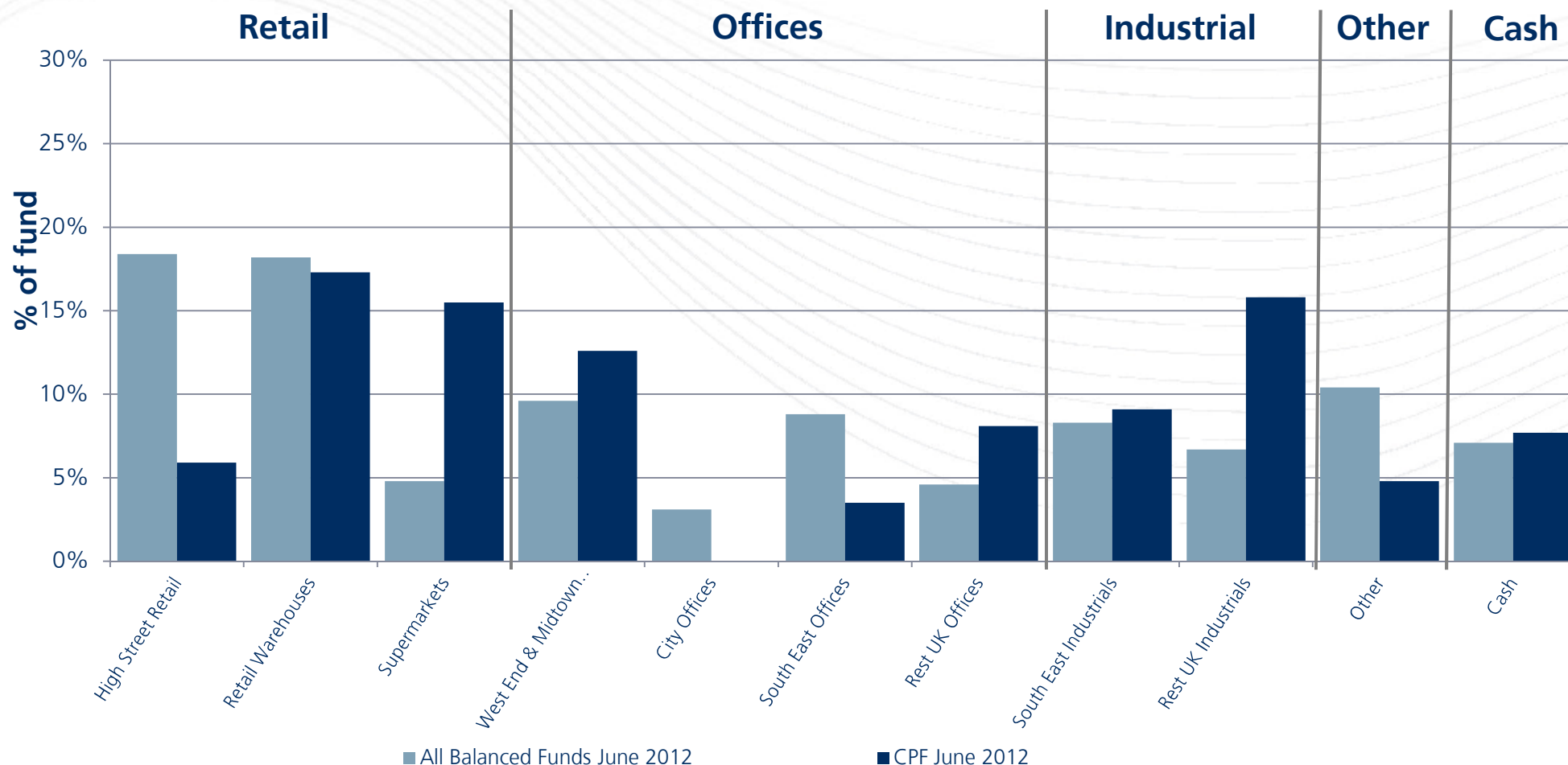
Housing shortages in the UK means **increased interest** in industrial land for its alternative uses

Internet expected to **sustain demand** for warehousing

Lack of obsolescence means limited capital expenditure required

Continues to provide high and dependable yields

The Fund – sector weightings



The Fund strategy has a purposeful bias away from the High Street and City offices

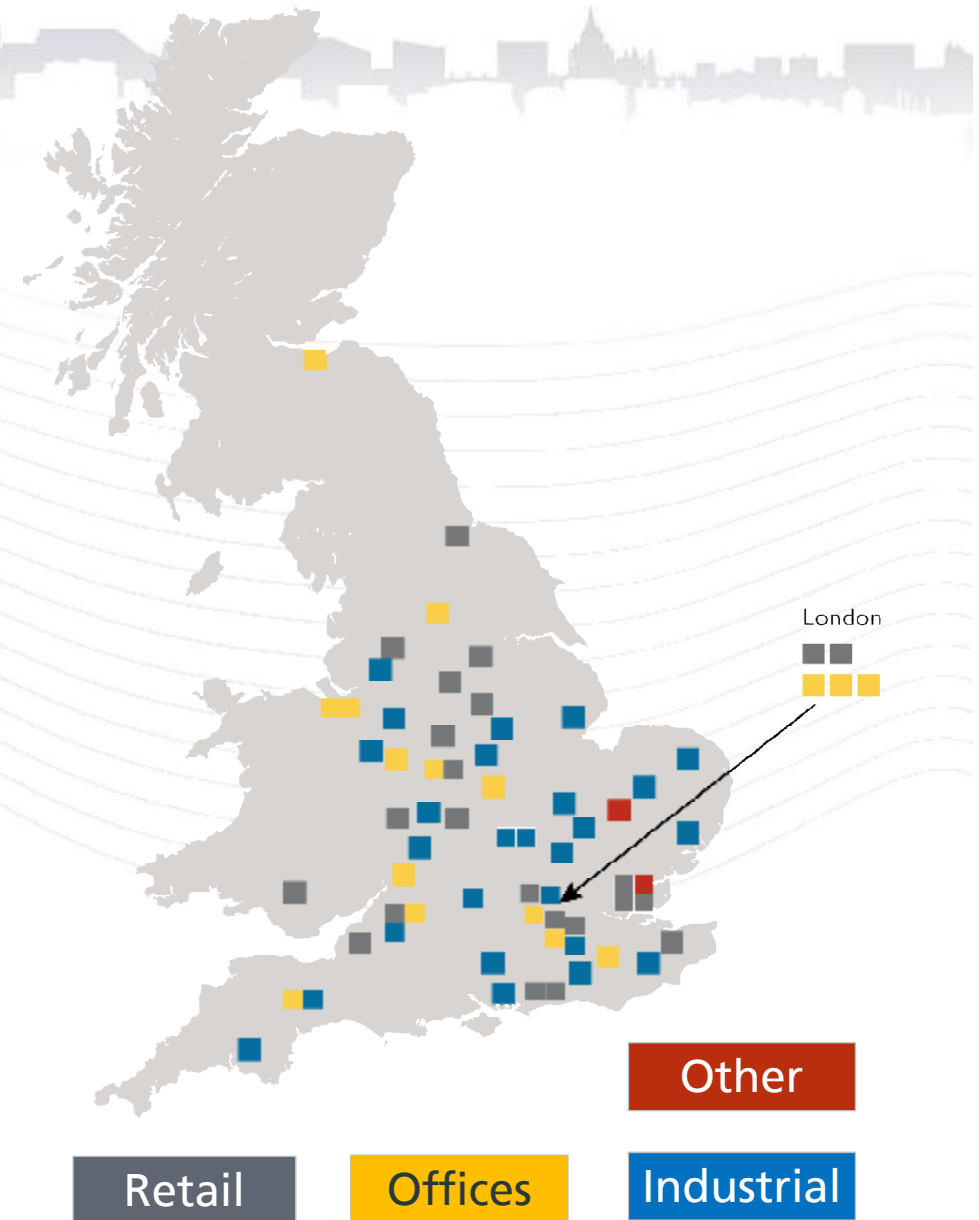


Asset Management & Sales

Portfolio summary

Property summary

- 68 properties (average size £6.8 m)
- 180 tenancies
- Average 9.8 years to lease expiry
- 19% of income benefits from fixed increases



Well diversified Fund, properties let to strong tenants on long leases with few voids

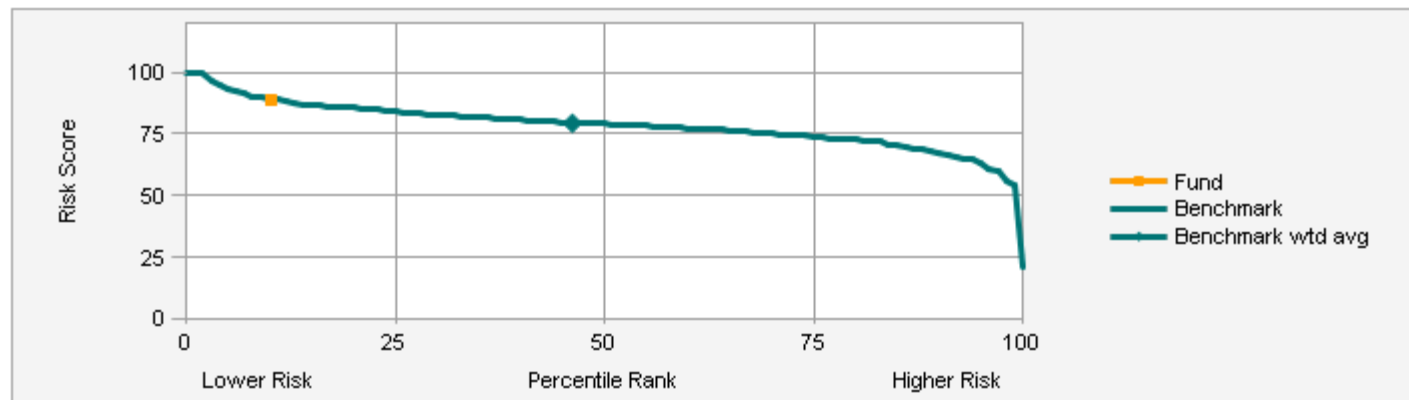
Income and risk management

Risk summary

- Underlying vacancy 6.9% of rental value (3.0% excluding Chancery Lane). IPD: 10.7% June 2012
- c.86% secured on low/negligible risk covenants (IPD 72%)

Covenant Quality

Fund Percentile Rank 10.1
Benchmark Percentile Rank 46.1





Asset & Portfolio Management during 2011

Lease renewals / new lettings: **19** (creating £1.32 million pa of income)

Lease extensions / re-gears: **6** (protecting £1.15 million pa of income)

Rent reviews settled: **14** (increasing income by £190,000 pa)

Sales: **3** (raising £12 million)

% of rent collected in advance of the quarter day: **76%**

Only **6** tenants vacated (reducing income by £463,700)

Several large scale **refurbishments** completed

Significant value added through active management

Asset Management

Pentrebach Retail Park, Merthyr Tydfil



- Open A1 consent
- Low rents (£11 psf)
- Good critical mass
- Prominent park, close to a Co-op supermarket

- Surrender taken from B&Q for £1 million
- Units fully refurbished
- Let on new 15 year leases to 3 tenants

Asset Management

90 Chancery Lane, London WC2



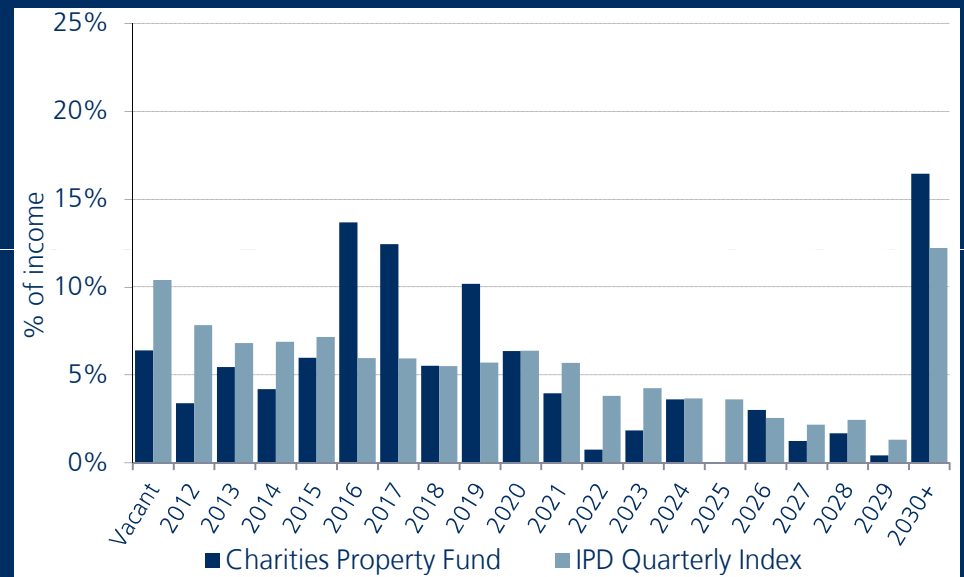
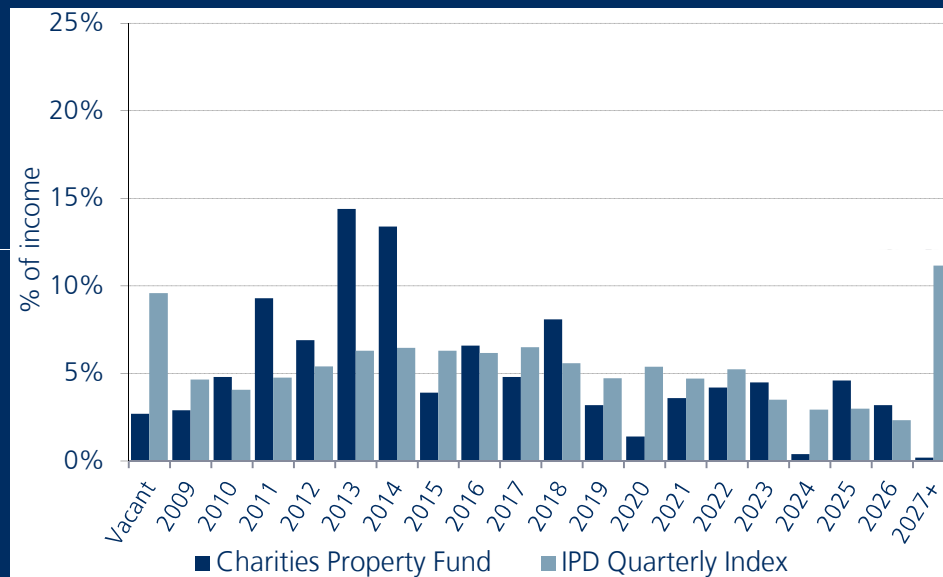
- Prime located Midtown office building
- Limited supply
- Strengthening demand
- Surrender taken from BNP for £2.8 million

- Building undergoing full refurbishment
- BREEAM 'Very Good'
- Now completed
- Marketing commenced April 2012

Lease expiry profile - The Fund versus market average

December 2008

June 2012



Expiry risk has been significantly reduced

Sales

Sale of Barclays call centre Sunderland



- Lease extended
- Valuation pre re-gear: £5.45m
- Premium paid to Barclays to extend the lease
- Limited rental growth potential
- Sold for £8.57m (7.74%)
- Net profit from re-gear: 25%

Sale of Ipswich



- Very short lease & risk of void
- Sold for £3.0 million (12% yield) in line with valuation
- Significant structural problems and cap-ex needed

Sale of B&Q, Redditch



- Acquired for £16.3m (7.9%) in Sep 2009 with 18 years unexpired
- Sold for £18.5m (6.6%) in June 2012 with 15 years unexpired
- IRR over hold period: 12% pa

Selling after achieving business plan



Acquisitions

£145 million acquired in 2011

17 properties acquired in 14 separate transactions

Average yield of 7.4% (vs IPD c6.3%)

0% vacancy (vs IPD c10.7%)

12 years average lease length to earliest break (vs IPD at 10.0 years)

30% of income benefits from annual or five yearly fixed increases

94% of income with low or negligible risk tenant rating (vs IPD 72%)

HAVAS.COM

John Lewis

B&Q

TESCO

Johnson
Controls

**AVERY
DENNISON**

Virgin
ACTIVE

Travelodge
Sleep tight

UNIPART
GROUP

TEMPUR

The properties purchased are well let, to strong tenants with long leases

Purchases during 2011 - Retail

Dovefields Retail Park, Uttoxeter



- Modern 10 unit retail warehouse scheme
- Open planning consent
- Unexpired lease term of 14 years
- Prominent site adjacent to a supermarket
- £10.65 million (7.3%)

Tesco Superstore, Nailsea, Bristol



- Modern superstore
- Affluent catchment and limited competition
- 20 year lease to Tesco plc
- Annual rental increases linked to RPI
- £21.35 million (5.2%)

Retail: £32 million, 18 years unexpired, Yield: 5.9%

Purchases during 2011 – Office / Other

Crystal Court, Farringdon, London



- Modern office building
- Located close to Farringdon Station; significant benefits due from Crossrail & Thameslink
- Low rent and capital value per sq ft
- £23.0 million (7.1%)

Travelodge, Cambridge



- Forward funding of a new 219 bedroom hotel
- 35 year lease to Travelodge
- RPI rental increases every 5 years
- BREEAM 'Very Good'
- £17.6 million (6.3%)

1 office, 1 hotel: £40 million, 18.5 years unexpired, Yield: 6.60%

Purchases during 2011 – Distribution

Unipart Logistics, Burton-Upon-Trent



- Well specified distribution warehouse
- 2007 construction
- Unexpired lease term of 7.0 years
- £9.5 million (9.0%)

John Lewis, Redditch



- Well specified distribution warehouse
- 2006 construction
- Unexpired lease term of 5.5 years
- £15.2 million (9.4%)

£25 million, 6 years unexpired, Yield: 9.25%

Purchases during 2011 – Manufacturing

Avery Dennison, Wellingborough



- Modern well specified unit
- Unexpired lease term of 9.0 years
- £5.3 million (9.1%)
- Fixed rental increase to 10.3% in 2015

Johnson Controls, Telford



- Modern well specified unit
- Significant investment in the unit
- Unexpired lease term of 8.0 years
- £5.25 million (13.5%)

£11 million, 8 years unexpired, Yield: 11.0%

Purchases during 2012 – Retail & Office

West gate Buildings, Bath



- City centre location
- Multi-let with a strong tenant line up & low rents
- 75% retail / 25% office
- Potential for alternative uses
- £6.9 million (9.0%)

Asylum & Immigration Courts, Heathrow



- Prime, south east location, close to Heathrow
- Modern well specified buildings
- Significant investment into the building
- Let to HM Government
- £6.5 million (9.8%)

£14 million, 5.5 years unexpired, Yield: 9.4%



Summary

High income (6.5%)

Focus on active management

Well diversified by sector & geographic location

Strong covenants & low voids

Long leases & fixed uplifts

Strong governance

Tax efficient

No gearing (borrowing)

No speculative development



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)

David Bailey

Helen Causer

Angy Benitz

Tammy Thomas

Tory Pannell

Camilla Bergesen

Melissa Andreou

CPF Advisory Committee

Ian Flanagan OBE (Chairman)

Nick Downer

Chris Hills

Richard Robinson

Wilf Stephenson

Paul Taylor

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.

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



Helen Causer is an Assistant Portfolio Manager for The Charities Property Fund. Helen's role is to assist Harry in all aspects of property portfolio management including strategic advice and the preparation and implementation of asset management initiatives, including lease restructuring, surrenders and refurbishment projects.

Helen joined Cordea Savills in 2009 from Savills where she worked in the Landlord and Tenant department specifically working on Investment Management clients, including a key Cordea Savills Fund. Helen graduated from Bristol University before undertaking a Masters in Property Valuation and Law at Cass Business School. She then joined Savills where she qualified as a Chartered Surveyor.



Angy Benitz is also an Assistant 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.

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.



Tory Pannell 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



Camilla Bergesen works alongside Tory dealing with investor queries, applications and redemptions and fund reporting for the Charities Property Fund.

Camilla joined Cordea Savills in April 2010 where she is the Client Services contact for a number of property funds. As such, she is also responsible for fund reporting and investor communications. 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.



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.

Top 10 assets – 44%

London EC1 - 5.1%



London Office

London WC2 - 4.5%



London Office

London SW1 - 3.8%



London Office

Tesco, Mansfield - 10.3%



Supermarket

Tesco, Nailsea - 4.7%



Supermarket

Top 10 assets – 44%

Merthyr Tydfil - 2.3%



Retail Warehouse

Cambridge - 3.7%



Hotel

Twickenham - 3.2%



Retail Warehouse

Redditch - 3.5%



Industrial

Uttoxeter – 2.4%

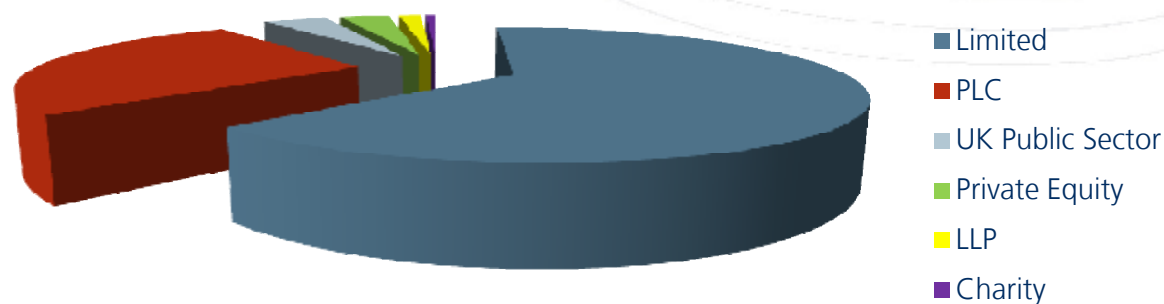
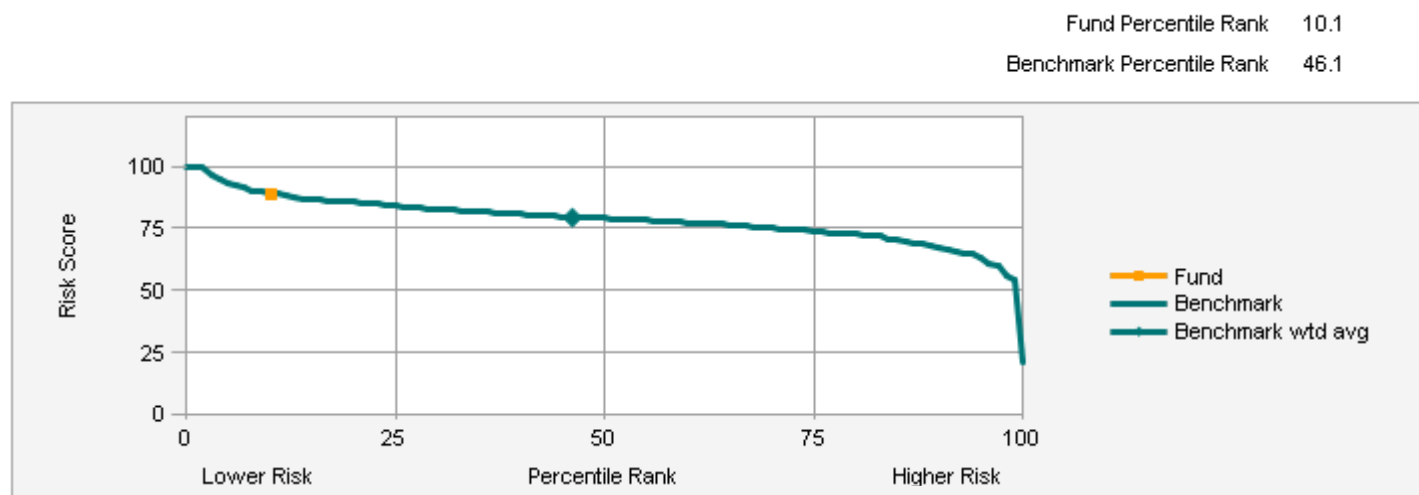


Retail Warehouse

Top 10 tenants (% of total income)

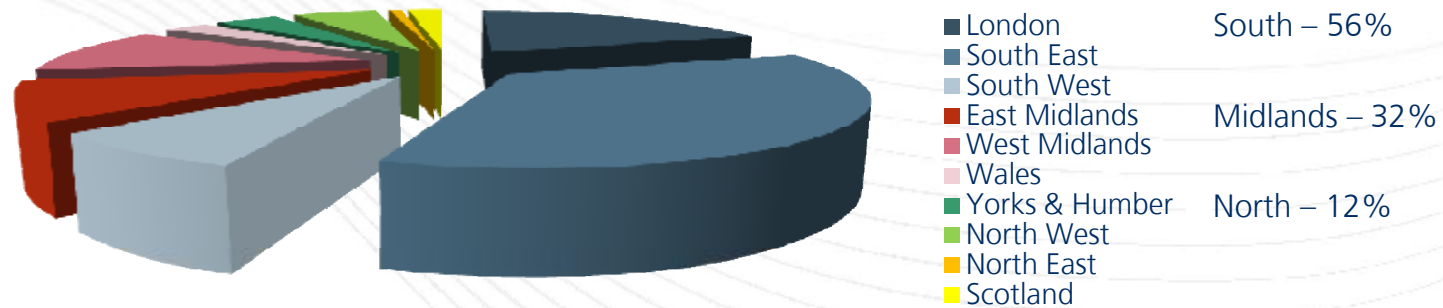
Tenant (surety)	Risk Band (D&B / Experian)	% of Portfolio income	Unexpired lease term
Tesco Stores Limited (surety: Tesco plc)	Negligible risk	11.2%	18.1 years
Public Sector	Negligible risk	5.9%	8.7 years
EHS Brann Limited (surety: Havas SA)	Negligible risk	5.1%	4 years
John Lewis plc	Negligible risk	4.5%	5 years
Travelodge Hotels Limited	Negligible risk	3.4%	36 years
Wickes Building Supplies Limited (surety: Wickes Holdings Limited)	Negligible risk	2.9%	6.9 years
Unipart Logistics Limited (surety: Unipart Group Limited)	Negligible risk	2.7%	5.5 years
Johnson Controls (UK) Limited	Negligible risk	2.2%	7 years
Magnet Limited	Negligible risk	2.2%	12.4 years
SMR Automotive Mirrors UK Limited (surety: Paig International Limited)	Low risk	2.1%	7 years
Total		42.2%	12.1 years

Financial Strength of The Fund's Tenants

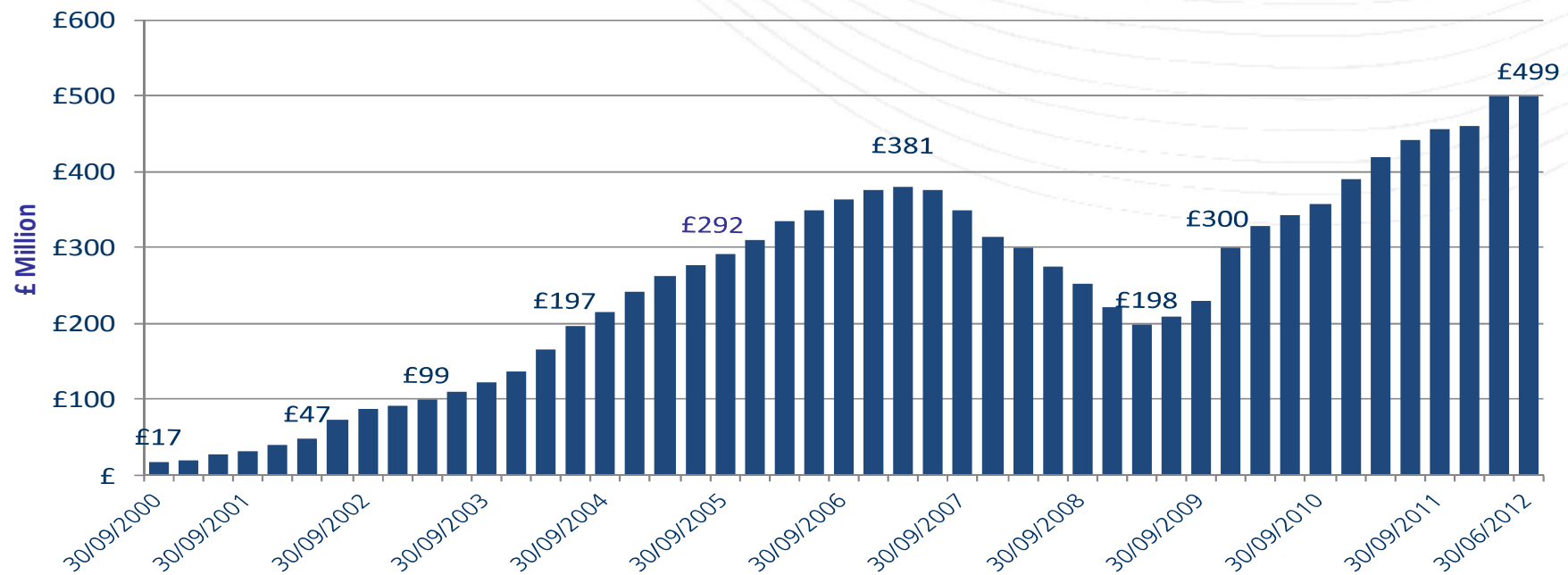


86% of Fund tenants are classified as low financial risk

The Fund – geographical weightings



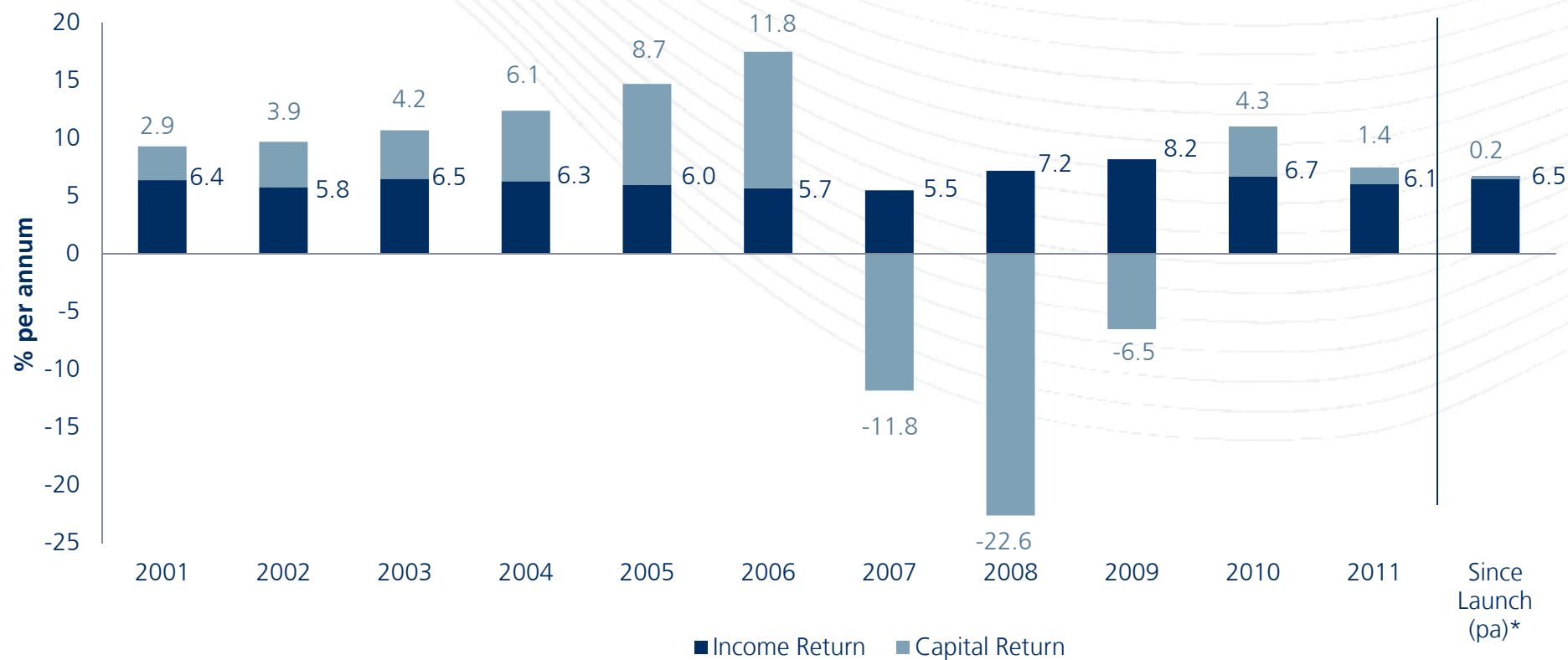
Fund Growth (NAV)



Source: Cordea Savills (June 2012)

Fund level performance

Income and Capital Returns



Source: Cordea Savills, IPD (December 2011). *The Charities Property Fund launched in 2000



Contact details

For fund and unit holder related information:

Tory Pannell

For property related information:

Harry de Ferry Foster

The Charities Property Fund

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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 Mayflower Management Company Limited, registered in England number 966906, which is authorised and regulated by the Financial Services Authority and is a subsidiary of Cordea Savills LLP, a limited liability partnership registered in England. The registered office of both entities is at 20 Grosvenor Hill, London W1K 3HQ.