



The Charities Property Fund

June 2013



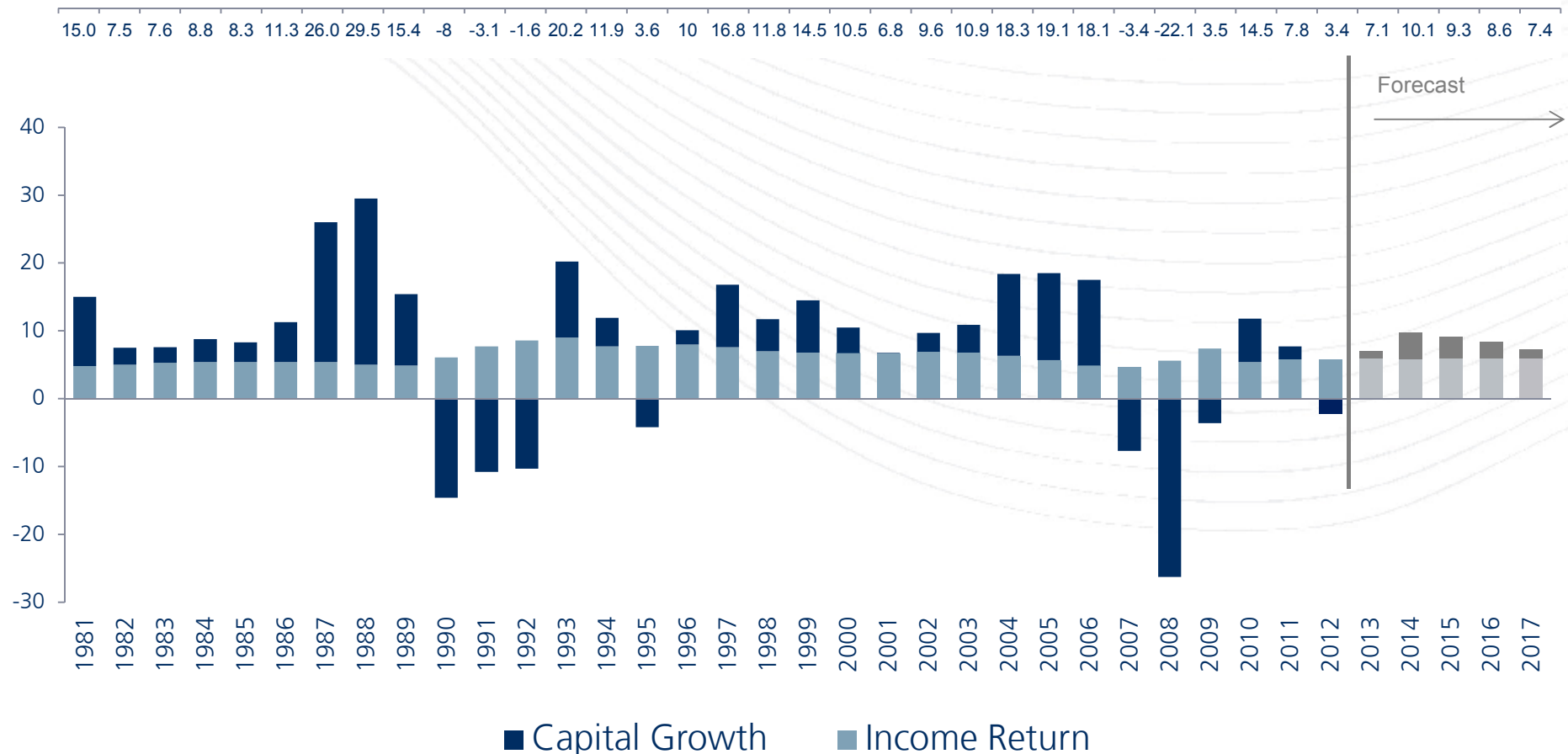
Agenda

Fund Overview & Strategy

Asset Management & Sales

Transactions

UK commercial property returns (% pa) total return

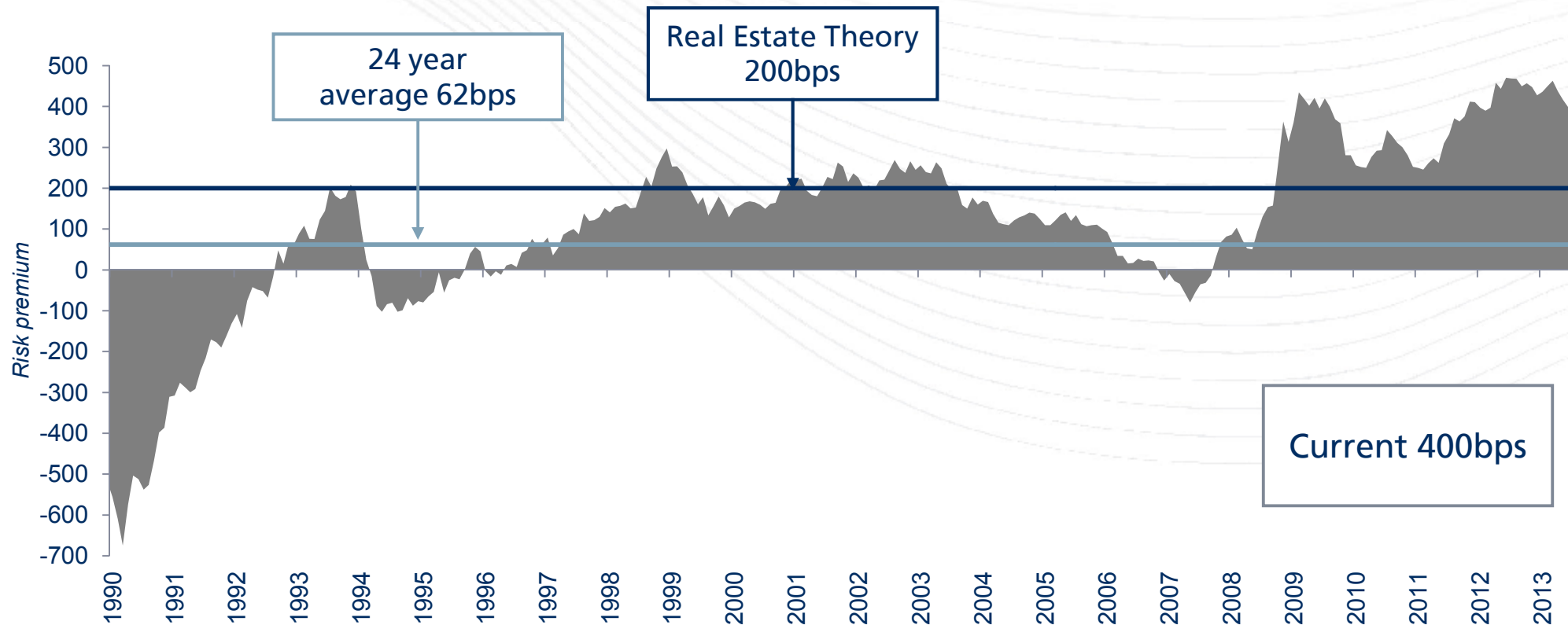


Stability provided by the high income return from property

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

Is Property Undervalued?

The difference between property income and 10 year Gilts is high



Current high risk premium indicates attractive pricing

Source: IPD Monthly Index July 2013, Bank of England, Cordea Savills

Charities Property Fund

Track Record

- Original and largest charity specific property Fund - £541m
- Broad investor base - 1,308 investors
- 12 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

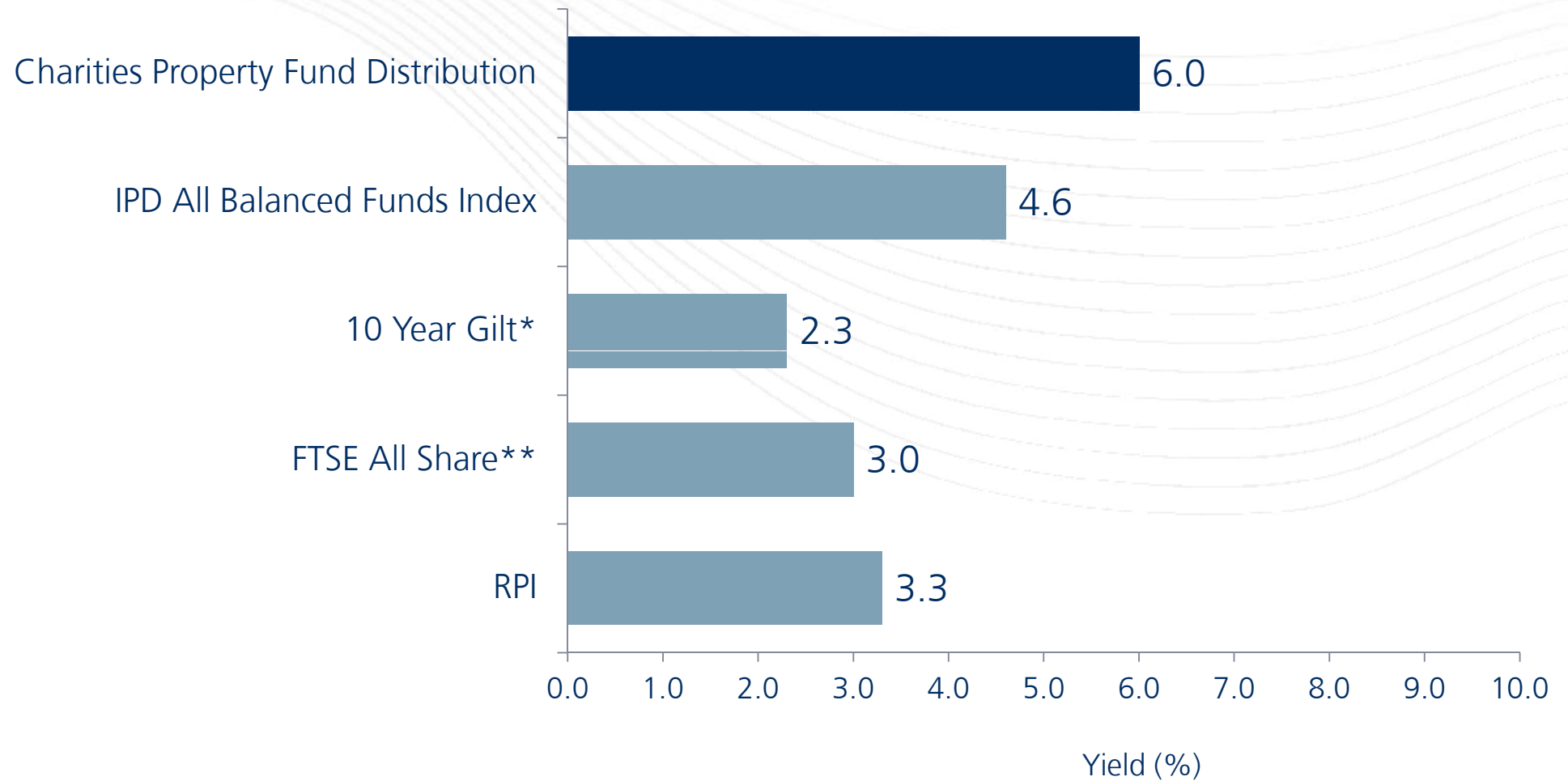
- Experienced advisory committee
- Common Investment Fund (CIF)
- No borrowing; no speculative development

Tax efficient & cost effective

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

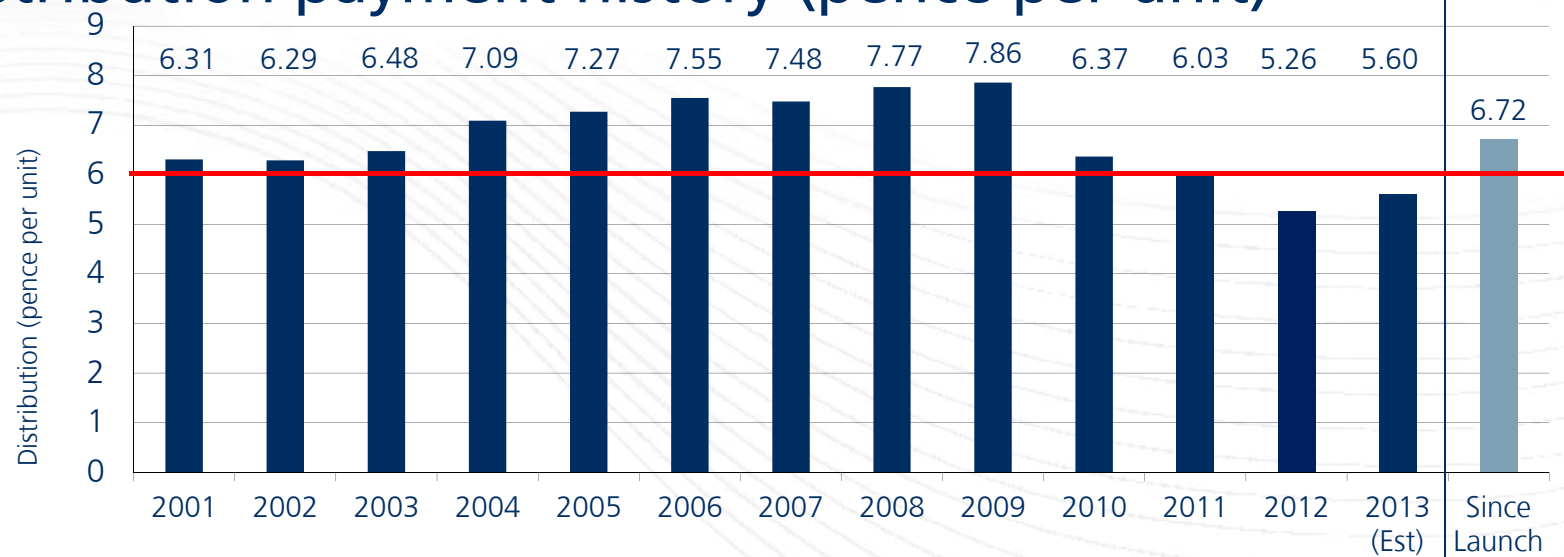
A low risk, diversified property fund delivering high and secure income

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)

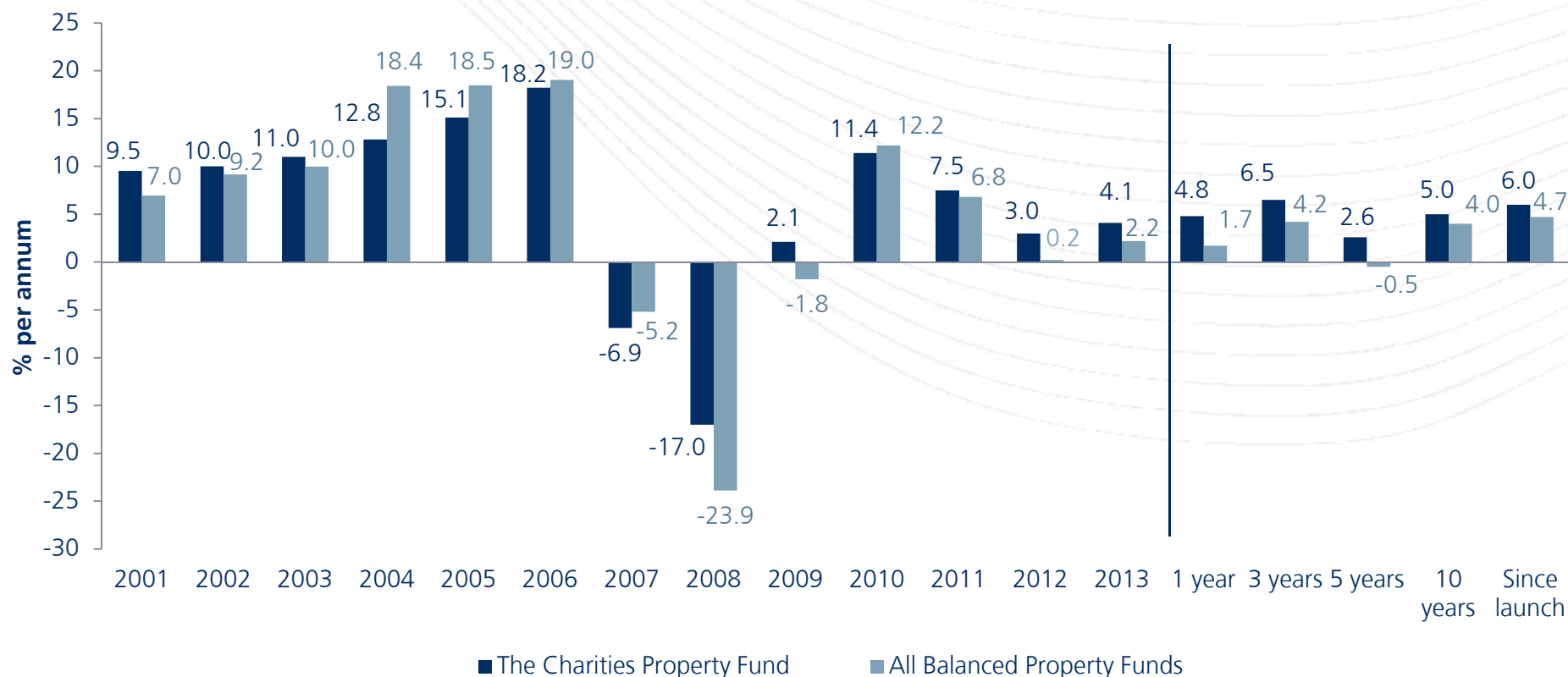
	Redemptions		Applications	
	Units	No of Charities	Units	No of Charities
2009	6,364,375	51	94,976,706	468
2010	11,192,025	86	92,056,235	334
2011	18,102,495	85	88,711,915	285
2012	22,569,804	128	66,347,632	230
2013 (YTD June)	11,960,292	67	58,138,159	241
Total	70,188,991	417	400,230,647	1,558

Top 10 assets – 42%



Core portfolio of excellent quality

Fund level performance - total return



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



Strategy

Retail – continuing demise of the high street

Internet taking market share

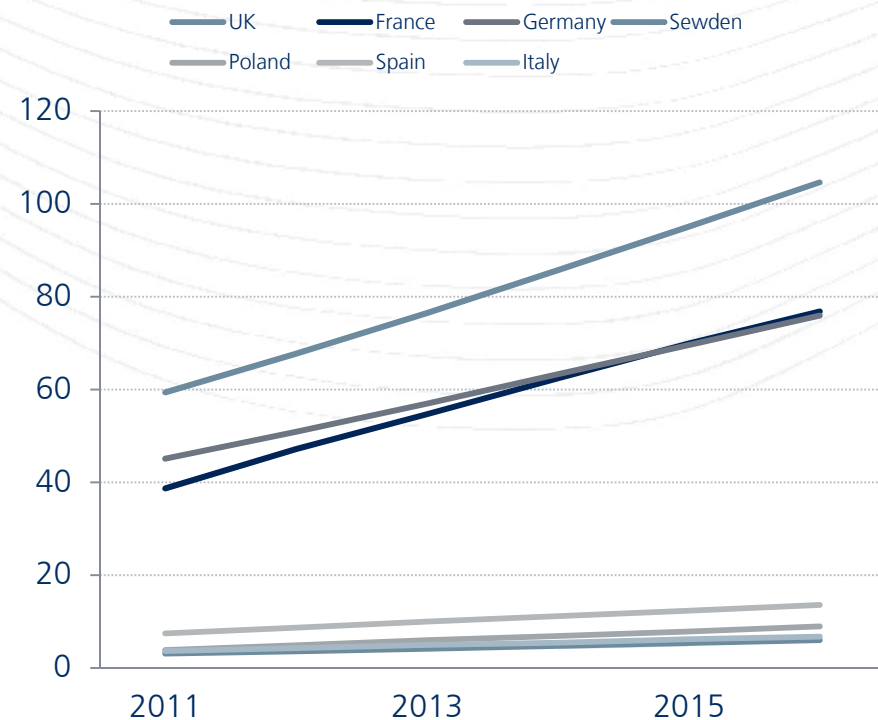
- Retail administrations jump 6% in 2012
- “Up to 40% of shops could close over next five years”
- High street vacancy rate hits 14.6%

	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%
Average Europe	16.1%	8.8%

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

Retail – Administrations during 2012 & 2013

The logo for hmv, featuring the lowercase letters 'hmv' in a bright pink color.The logo for JESSOPS, with 'JESSOPS' in bold black uppercase letters, a rainbow-colored horizontal bar underneath, and the tagline 'Advice for life' in a script font, followed by 'LIVING LITTLE' in a smaller sans-serif font.The logo for PAST TIMES, with 'PAST' and 'TIMES' in a dark red serif font, separated by a small gold-colored floral or cross-like symbol.The logo for ethelaustin, with the name in a white serif font centered within a solid black rectangular box.The logo for PEACOCKS, with the word in a white sans-serif font centered within a solid black rectangular box.The logo for comet, with the word in a bold orange sans-serif font, a thin orange arc above it, and a small orange star at the end of the arc.The logo for Aquascutum LONDON, featuring a royal warrant crest at the top, the brand name 'Aquascutum' in a serif font, and 'LONDON' in a smaller sans-serif font below it.The logo for Clinton CARDS, with 'Clinton' in a large, stylized orange script font and 'CARDS' in a smaller orange sans-serif font below it.The logo for Blacks, featuring a yellow circle with a black upward-pointing arrow on the left, and the word 'Blacks' in a bold black sans-serif font to its right.The logo for La SENZA LINGERIE, with 'La' in a pink script font, 'SENZA' in a pink sans-serif font, and 'LINGERIE' in a smaller pink sans-serif font below it.The logo for ellie louise, with the name in a white sans-serif font centered within a solid teal rectangular box.The logo for JULIAN GRAVES, with the name in a gold-colored serif font centered within a solid dark green rectangular box.The logo for GAME, with the word in a white sans-serif font centered within a solid purple rectangular box.

5,000 stores and 60,000 jobs affected

London – technology in the ascendancy



The Telegraph

HOME NEWS WORLD SPORT FINANCE COMMENT BLOGS CULTURE TRAVEL LIFE
Companies Comment Personal Finance Economics Markets Festival of Business You

HOME > FINANCE > NEWS BY SECTOR > BANKS AND FINANCE

City jobs numbers hit eight-year low

The scale of the City's demise has been laid bare by figures that show the number of frontline workers in the banking industry has fallen to an eight-year low.



The City also suffered from a PSA-approved staff reduction in the last eight years. Photo: BBC

- Google acquires 1 million sq ft in King's Cross
- 92% of tech companies forecast expansion in 2013
- Consumer spending on technology - \$130 billion per annum
- 50,000 technology jobs and 3,000 technology firms in East London alone
- 132,000 jobs lost in financial services since 2008

London – development gathering pace

Battersea



Crossrail



Kings Cross



Stratford City



Nine Elms



London remains buoyant



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**

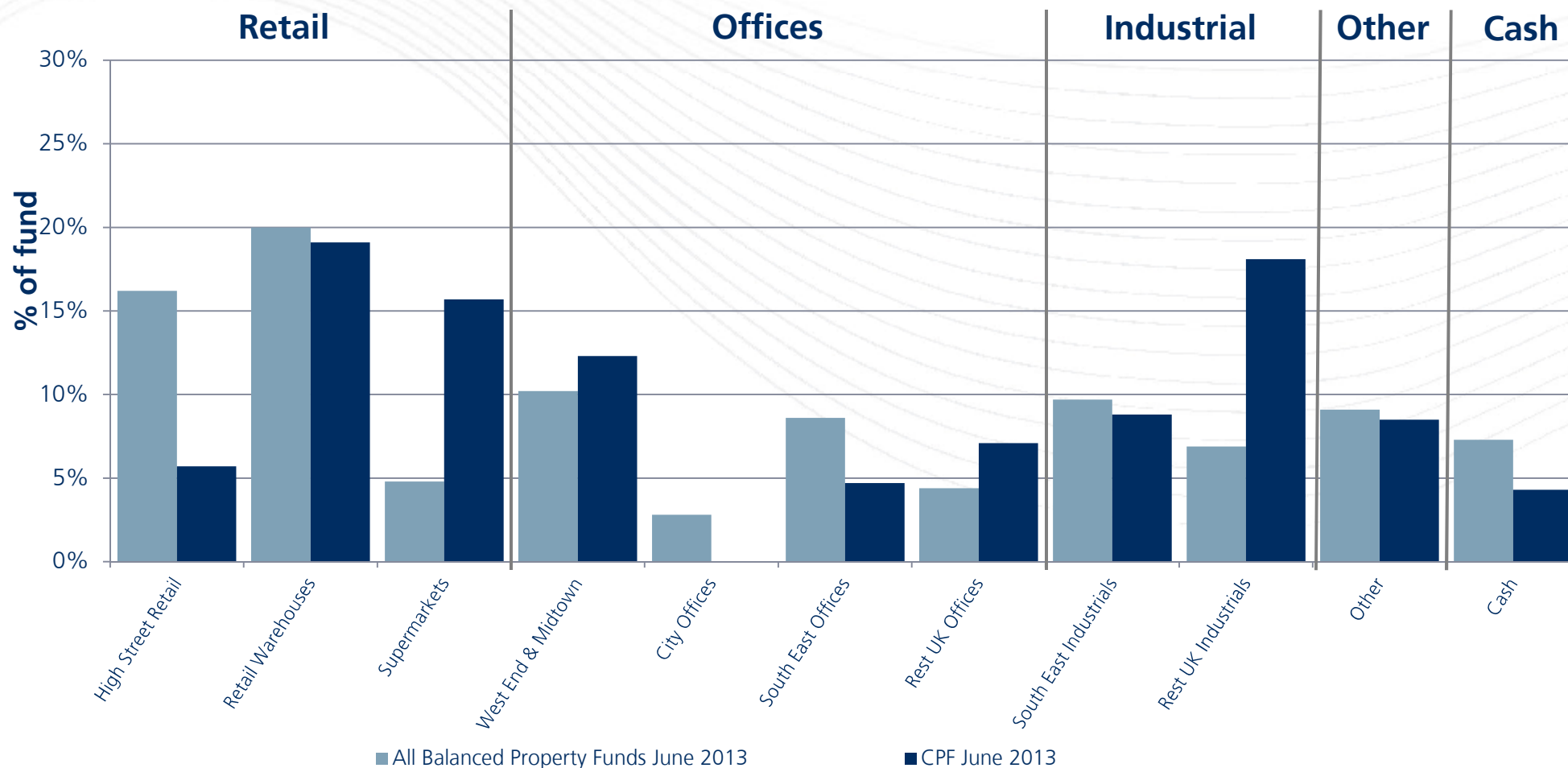
Almost no **speculative development** since 2008; availability of new units is **down 70%**

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

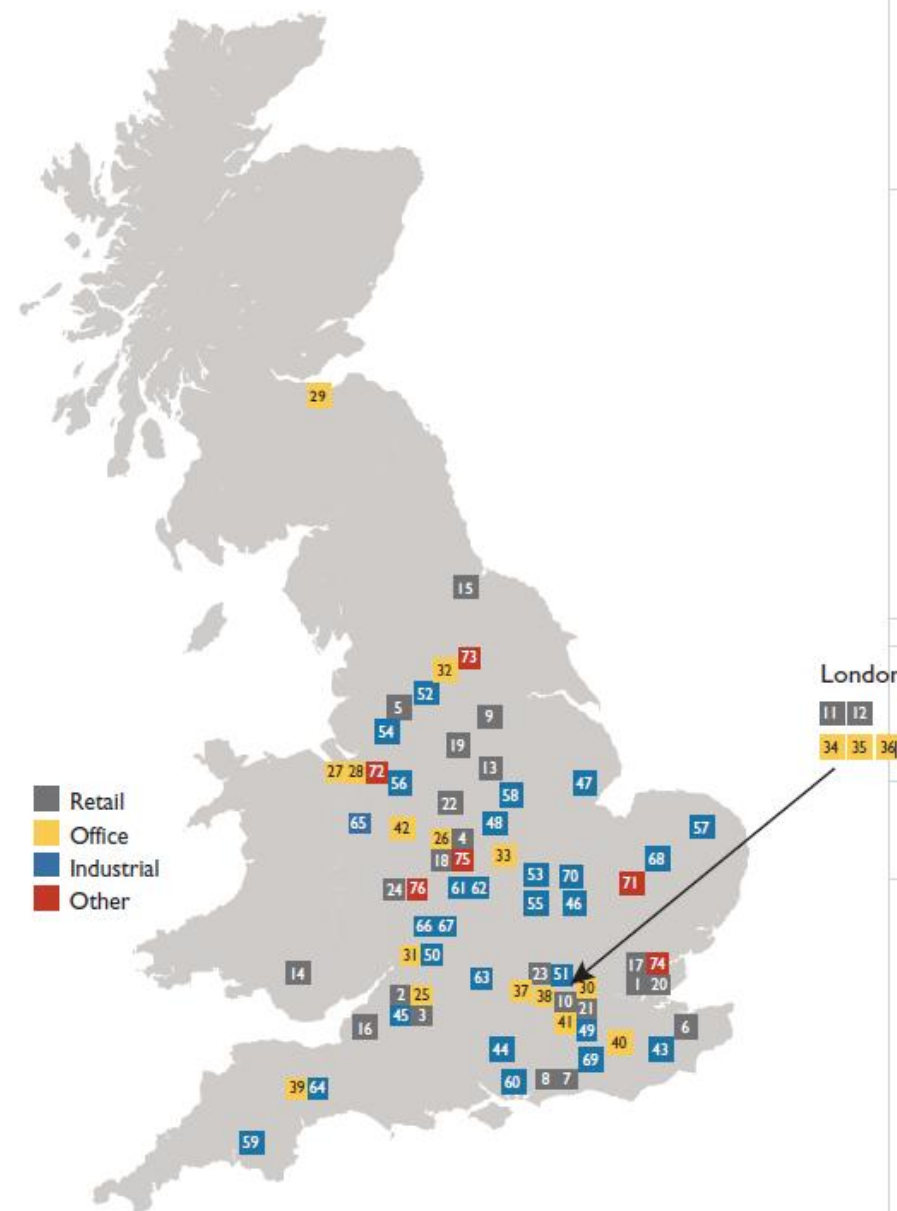


Asset Management & Sales

Portfolio summary











Property summary

- 76 properties (average size £6.8 m)
- 204 tenancies
- Average 9.6 years to lease expiry
- 21% of income benefits from fixed increases
- Underlying vacancy 3.9% of rental value. IPD: 11.9% June 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	10.0%	17.1 years
	Negligible risk	5.1%	7.8 years
	Negligible risk	4.5%	2.75 years
	Negligible risk	3.9%	4.0 years
	Low risk	3.5%	23.5 years
	High risk	3.0%	35 years
	Negligible risk	2.5%	14.1 years
	Negligible risk	2.4%	9.5 years
	Negligible risk	2.4%	4.5 years
	Negligible risk	1.9%	6 years
Total		39.2%	13.3 years

Asset & Portfolio Management June 2012-2013

New lettings: **26** (creating £2.43 million pa of income)

Lease renewals: **8** (protecting £375,000 pa of income)

Lease extensions / re-gears: **1** (protecting £620,000 pa of income)

Rent reviews settled: **8** (increasing income by £310,000 pa)

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

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

Only **7** tenants vacated (reducing income by £335,000)

Break options exercised: **2** (reducing income by £297,000 pa)

Sales: **3** (raising £4.0 million)

Significant value added through active management

Asset Management

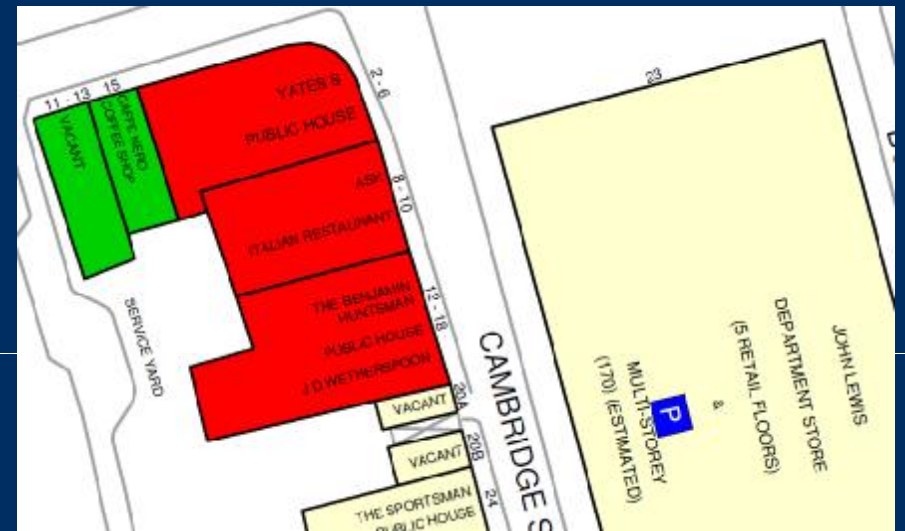
Travelodge, Cambridge



- | | |
|---|---|
| <ul style="list-style-type: none">■ Forward funding of a new 219 bedroom hotel■ 35 year lease to Travelodge■ Uncapped RPI rental increases every 5 years■ BREEAM 'Very Good'■ £17.4 million (6.35%) | <ul style="list-style-type: none">■ Delivered on time and on budget■ Completed valuation of £18.8million (compares to the cost of funding of £16.3 million)■ Adjoining Premier Inn sold for 5.35% (higher rent and shorter lease) |
|---|---|

Asset Management

Cambridge Street, Sheffield

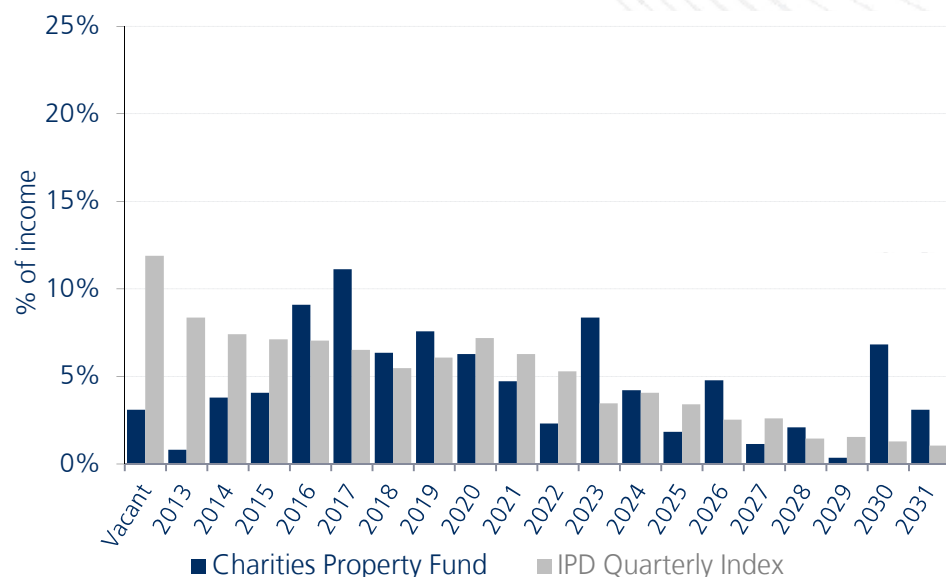


- Four unit holding in Sheffield City Centre
- Excellent A3 location
- Good critical mass
- Frontage onto the City Hall and John Lewis

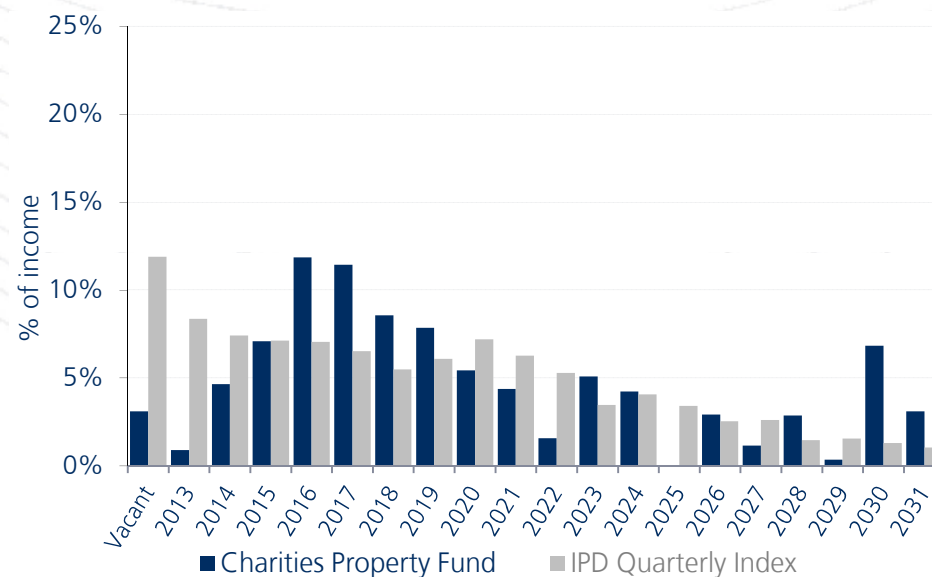
- Surrender taken from Spar for £85,000 (only 1 year remaining on their lease)
- Single unit split into two
- Completed two new lettings on 10 year leases
- Rents increased by 27.5%

Lease expiry profile June 2013 - The Fund versus market average

Lease expiry only



Including breaks



Only 12% vacant or expiring over next 3 years, compared to IPD at 35%

Sales

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



Acquisitions

£58 million acquired in year to June 2013

9 properties acquired

25% retail, 12% offices, 33% industrial, 30% other

Average yield of 8.0% (vs IPD c6.3%)

0% vacancy (vs IPD c11.9%)

14.6 years average lease length to earliest break (vs IPD at 10.2 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 2012 – SE Offices & Distribution

Bell Street, Maidenhead



- Prime office location
- Newly constructed Grade A building
- Close to the station
- Crossrail
- £6.7 million (8.2%)

Severn Drive, Tewkesbury



- Modern well specified unit
- Low site cover
- Tenant recently taken occupation
- Unexpired lease term of 10.5 years
- £9.0 million (9.7%)

£16 million, 10 years unexpired, Yield: 9.0%

Purchases during 2012 – Manufacturing

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%)

Olympus Park, Gloucester



- Well specified distribution warehouse
- Established engineering company
- Considerable investment in the unit
- Unexpired lease term of 8.75 years
- £5.4 million (9.7%)

£10 million, 11.5 years unexpired, Yield: 9.1%

Purchases during 2013 – Retail Warehouses

Trafford Retail Park, Redditch



- Unrestricted open A1 consent
- Includes the sale of food
- Large catchment population
- £14.4 m (7.1%)

- Undersupplied with retail warehousing
- Asset Management opportunities
- Reversionary
- Good unit sizes

£14.4 million, 10 years unexpired, Yield: 7.1%

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%



Summary

Grown to **£541m, 76 assets**

21% of income benefits from fixed increases (4.3% in 2008)

Weighting to out-of-town retail, London offices and industrial **75%** (IPD: 55%)

Average unexpired term of **9.6 years** (IPD: 10.2 years)

13th percentile for covenant strength

Vacancy rate **3.9%** (IPD: 11.9%)

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)

Helen Causer

Angy Benitz

Jhaklyne Hassan

Tammy Thomas

Tory Porter

Camilla Bergesen

Melissa Andreou

CPF Advisory Committee

Ian Flanagan OBE (Chairman)

Nick Downer

Chris Hills

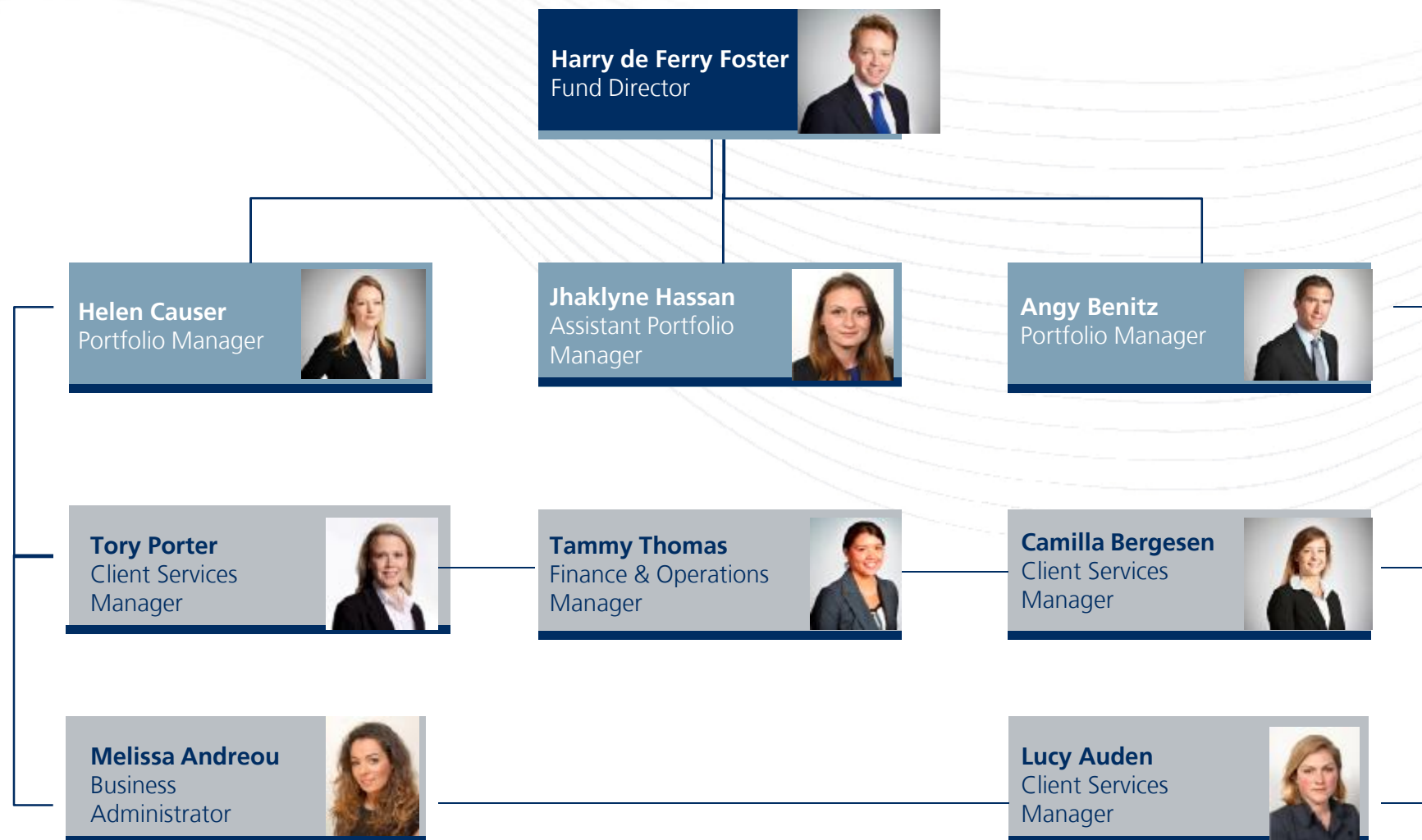
Richard Robinson

Wilf Stephenson

Paul Taylor

Andrew Chapman

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



Helen Causer is a 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 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.

The Charities Team



Jhaklyne Hassan is a Junior Portfolio Manager for the Charities Property Fund. Jhaklyne's role is to support Harry, Helen and Angy in all aspects of the Fund, including 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.



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 – 42%

London EC1 - 4.7%



London Office

London WC2 - 4.1%



London Office

London SW1 - 3.5%



London Office

Tesco, Mansfield - 9.8%



Supermarket

Tesco, Nailsea - 4.6%



Supermarket

Top 10 assets – 42%

Redditch - 2.8%



Retail Warehouse

Cambridge - 3.7%



Hotel

Twickenham - 3.0%



Retail Warehouse

Redditch - 3.3%



Industrial

Uttoxeter – 2.5%



Retail Warehouse



Charities Property Fund - Purchases

2010

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

55% supermarket, 18% retail warehousing, 10% other retail, 17% industrial

2011

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

15% supermarket, 14% retail warehousing, 3% other retail, 16% offices,
35% industrial, 17% other

2012

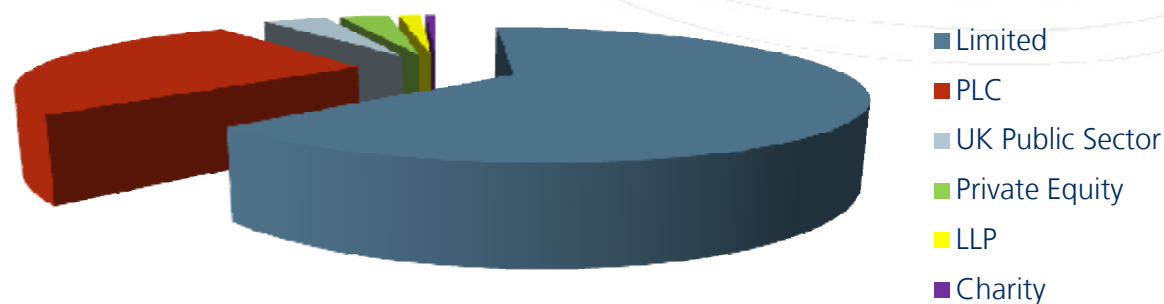
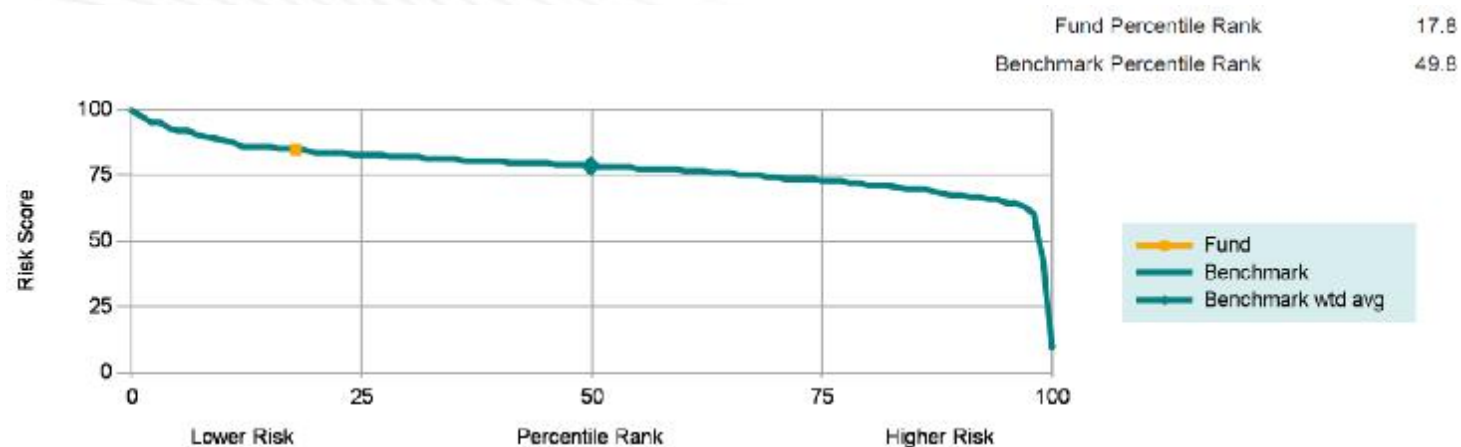
£55 million invested, 8 properties acquired at 8.9% to the Fund

25% retail warehousing, 10% other retail, 28% offices, 37% industrial

Average £280 million, 33 properties at 7.4%, 25% RPI or fixed increases

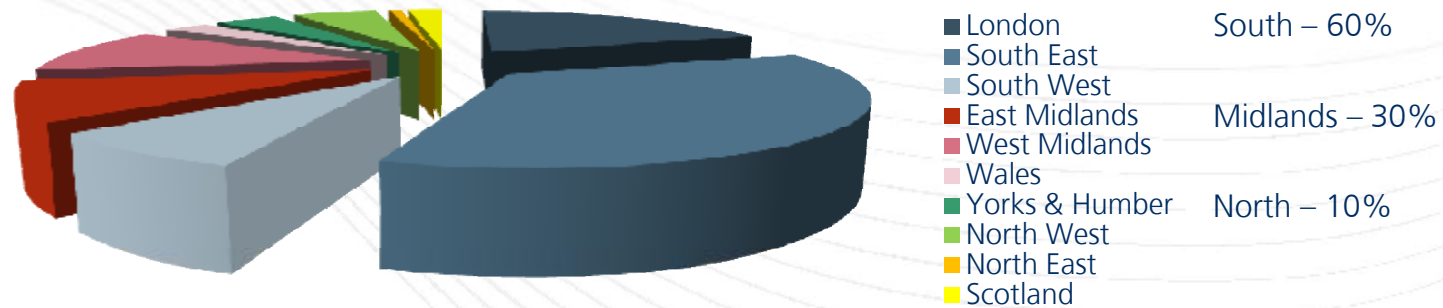
24% supermarket, 17% retail warehousing, 6% other retail, 14% offices, 30% industrial, 9% other

Financial Strength of The Fund's Tenants

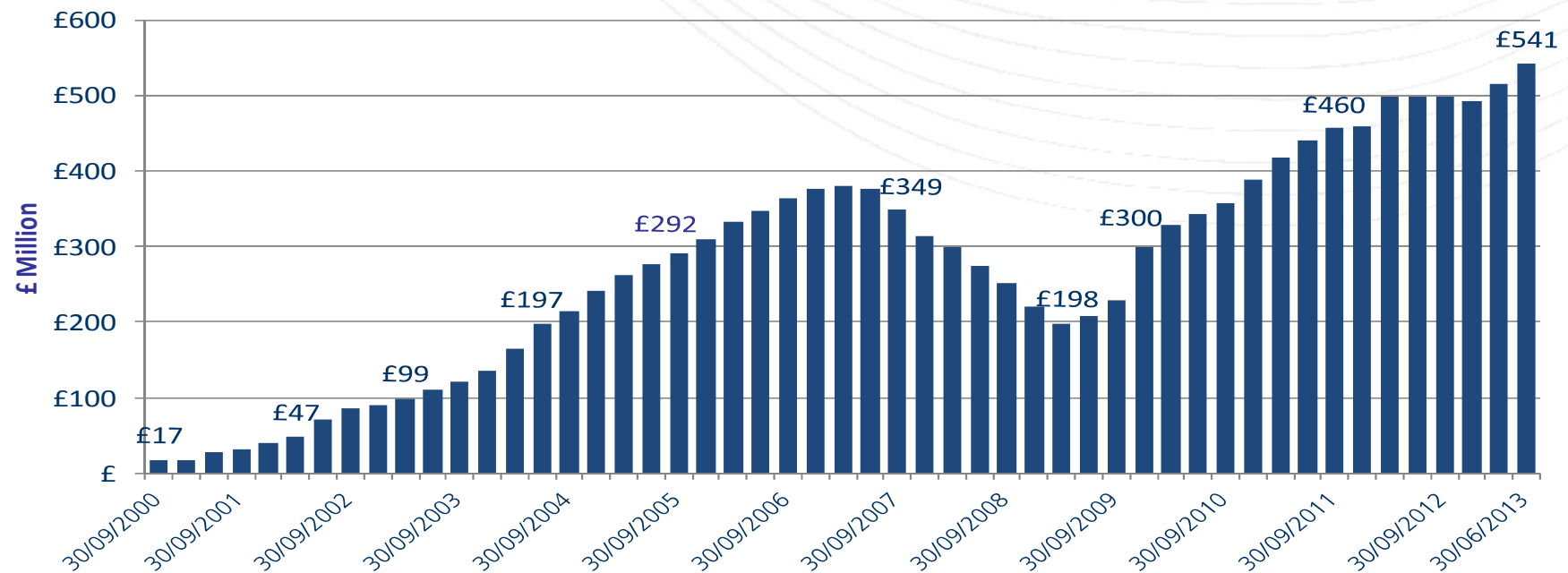


84% of Fund tenants are classified as low financial risk

The Fund – geographical weightings



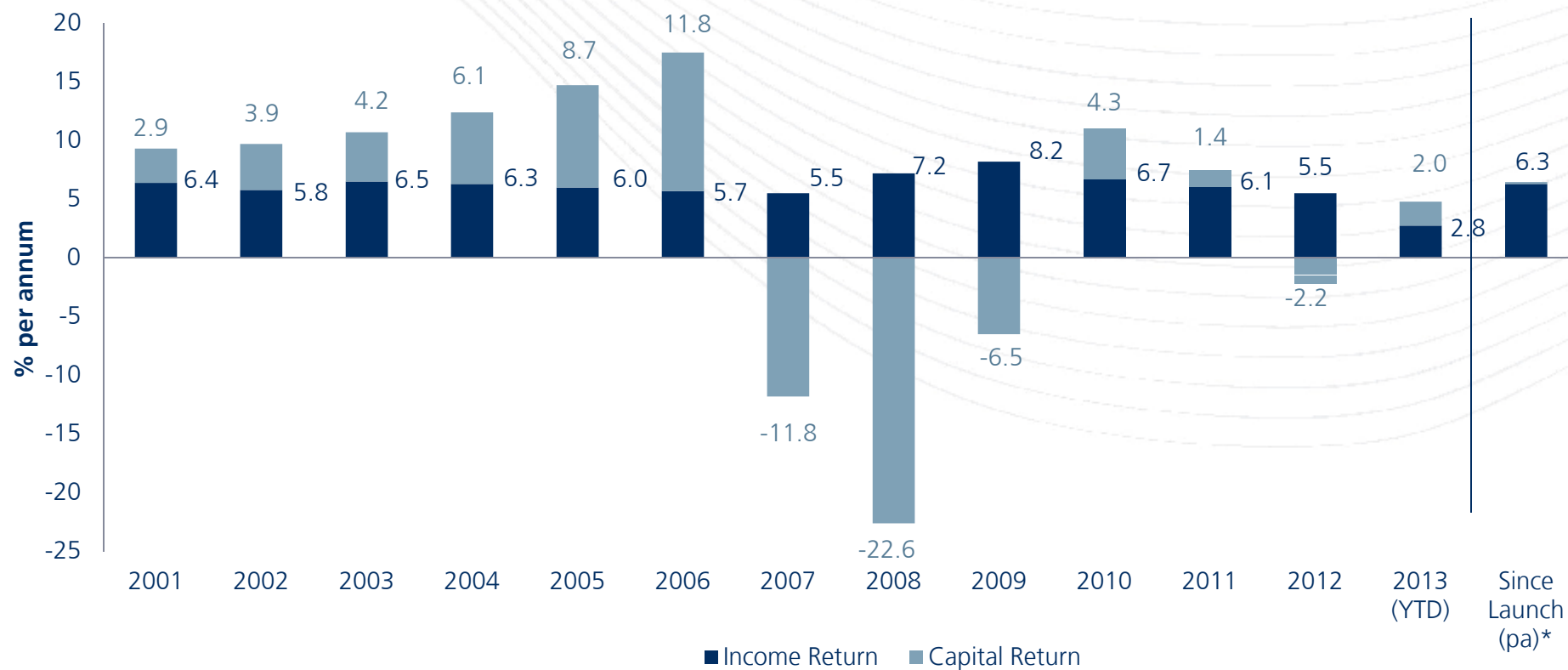
Fund Growth (NAV)



Source: Cordea Savills (June 2013)

Fund level performance

Income and Capital Returns



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



Contact details

For fund and unit holder related information:

Tory Porter

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.

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