

The Charities Property Fund

May 2011





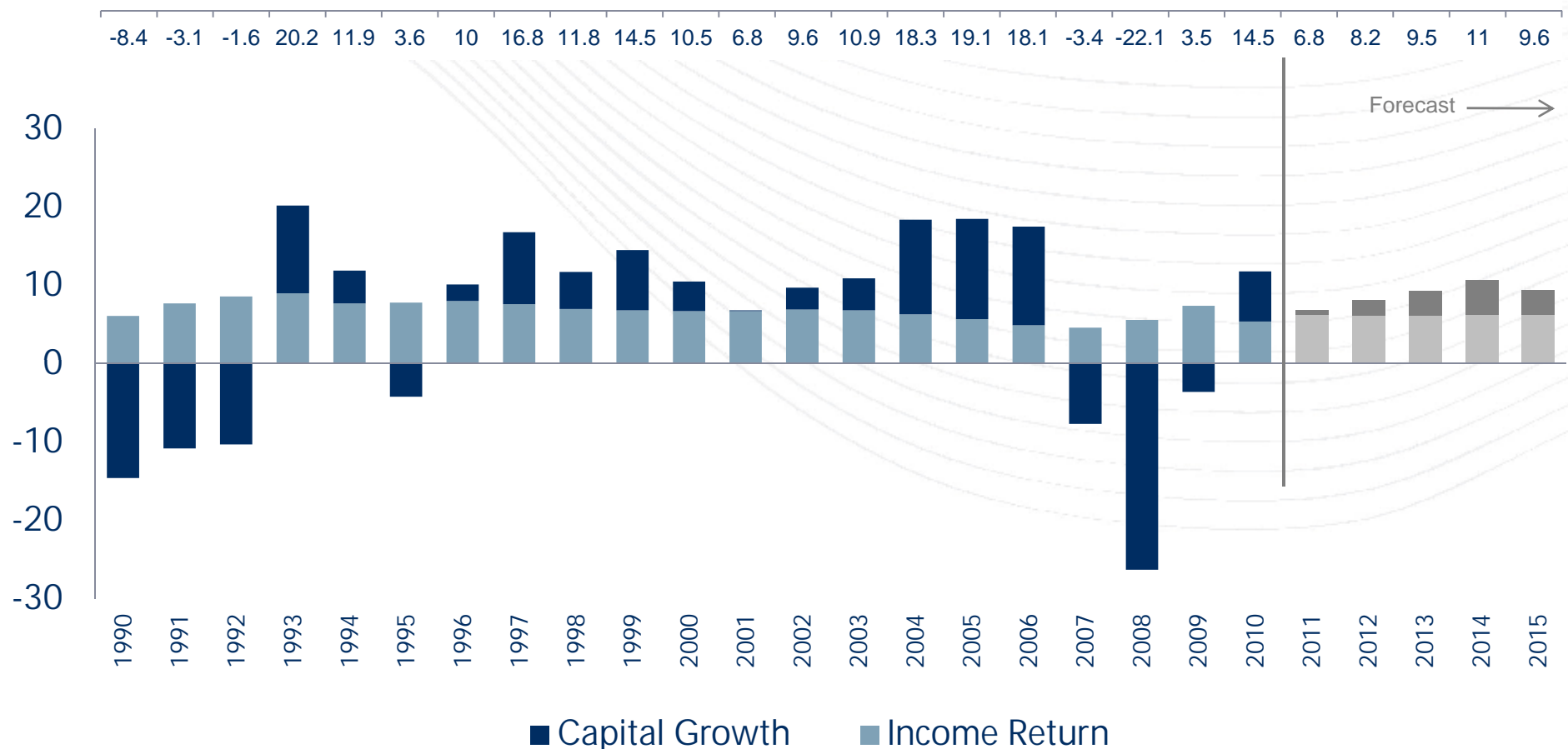
Agenda

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 2010) & Cordea Savills (March 2011) Chart shows total returns with capital growth element as remainder from total return



Charities Property Fund



- Original and largest charity specific property Fund - £418m
- Broad investor base - over 1,200 investors
- 10 year history

- Income – high and secure level of income (currently 6.7% net) with prospect of growth in income
- Capital – maintain capital value
- Target – 8% total return, over the medium term

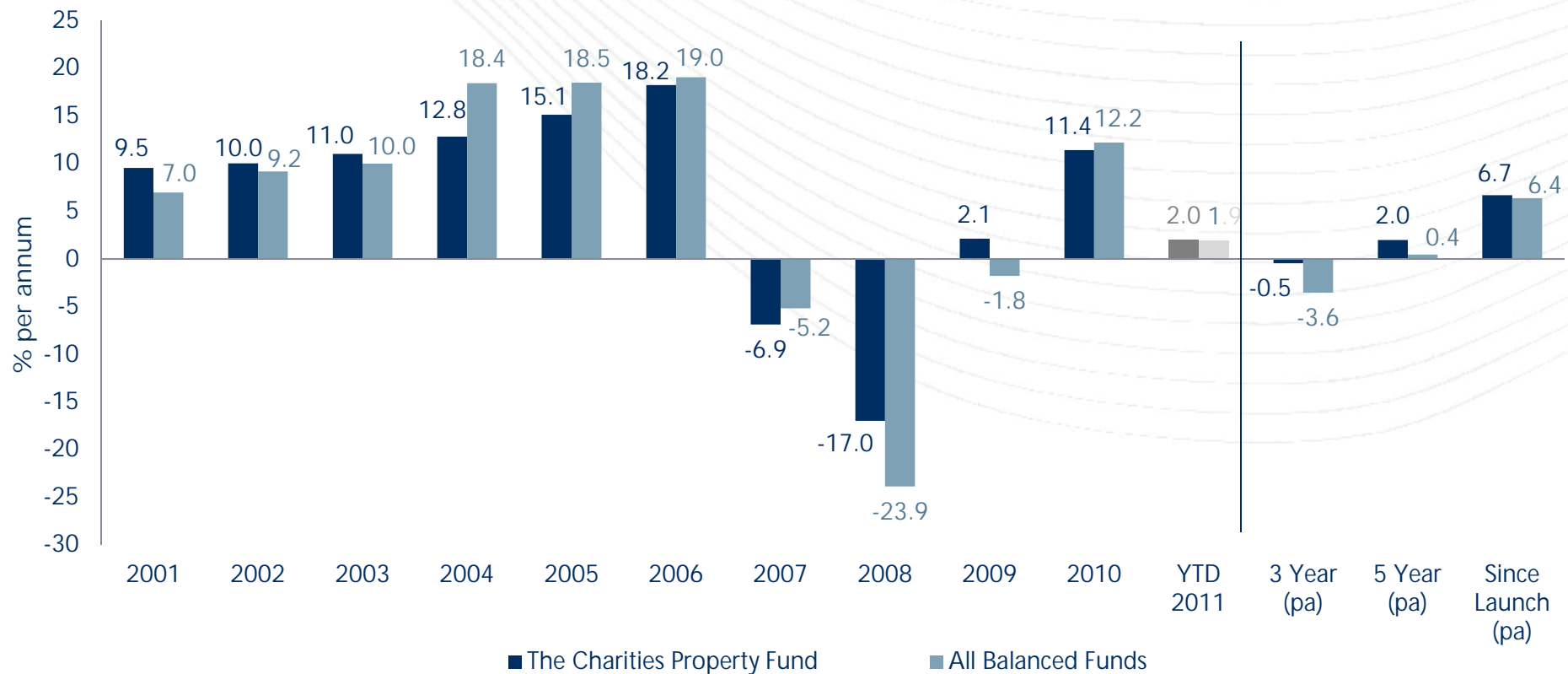
- Experienced advisory committee
- Common Investment Fund (CIF)
- No borrowing; no speculative development

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

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

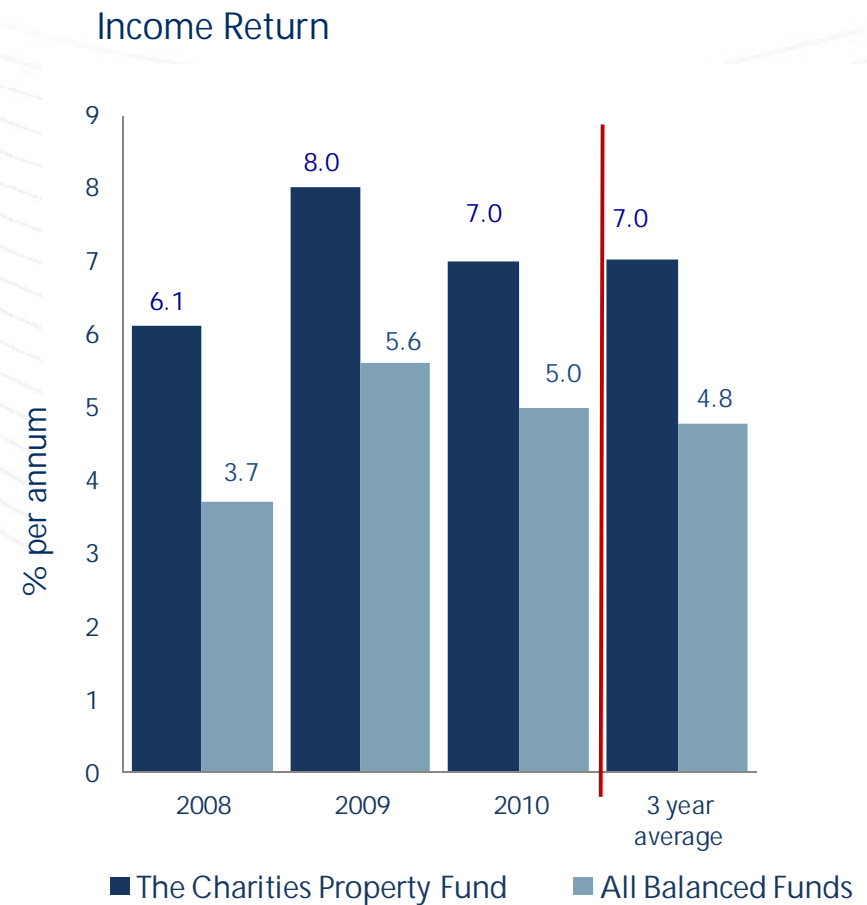
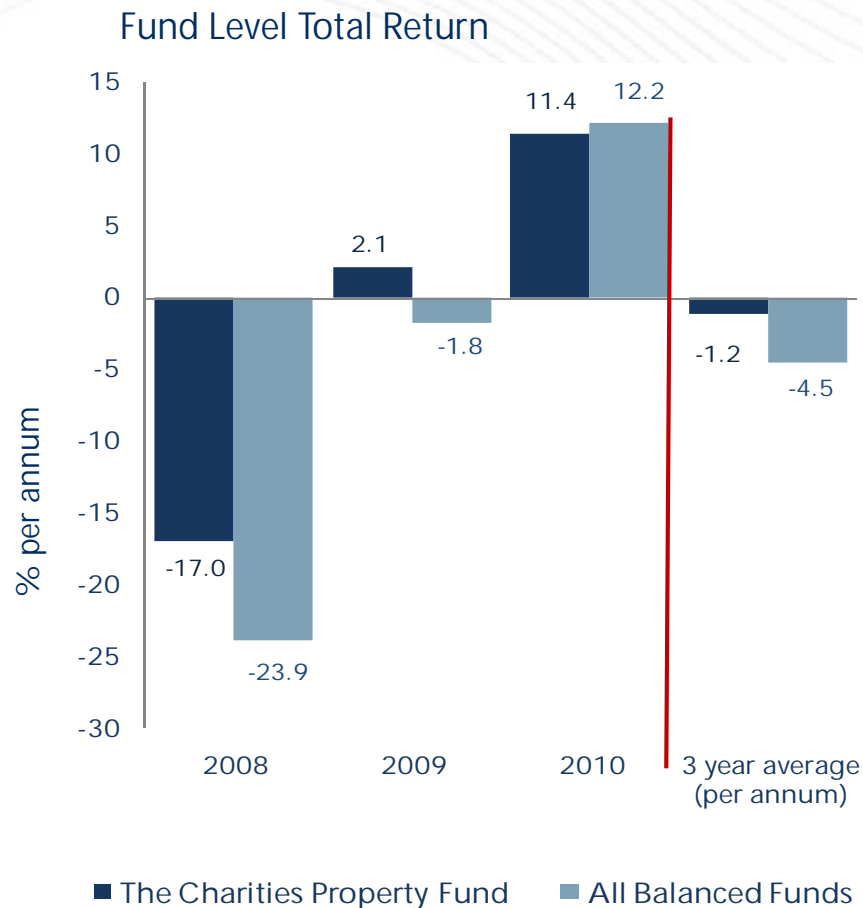
Fund level performance

Fund Level Total Return - the return the investor receives



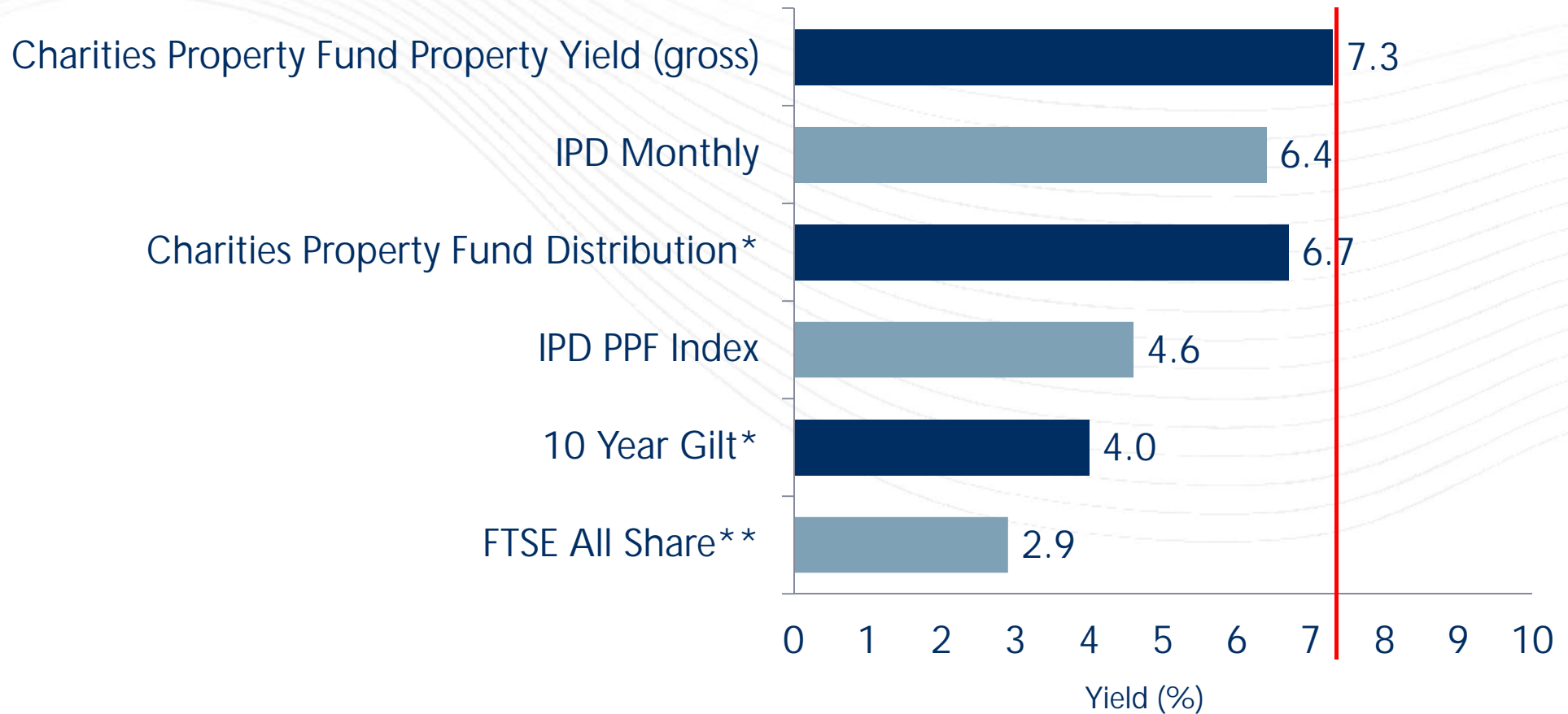
Source: Cordea Savills, IPD (March 2011). *The Charities Property Fund launched in 2000

Fund performance – Last 3 years



Outperformed the average by 3.3% per year

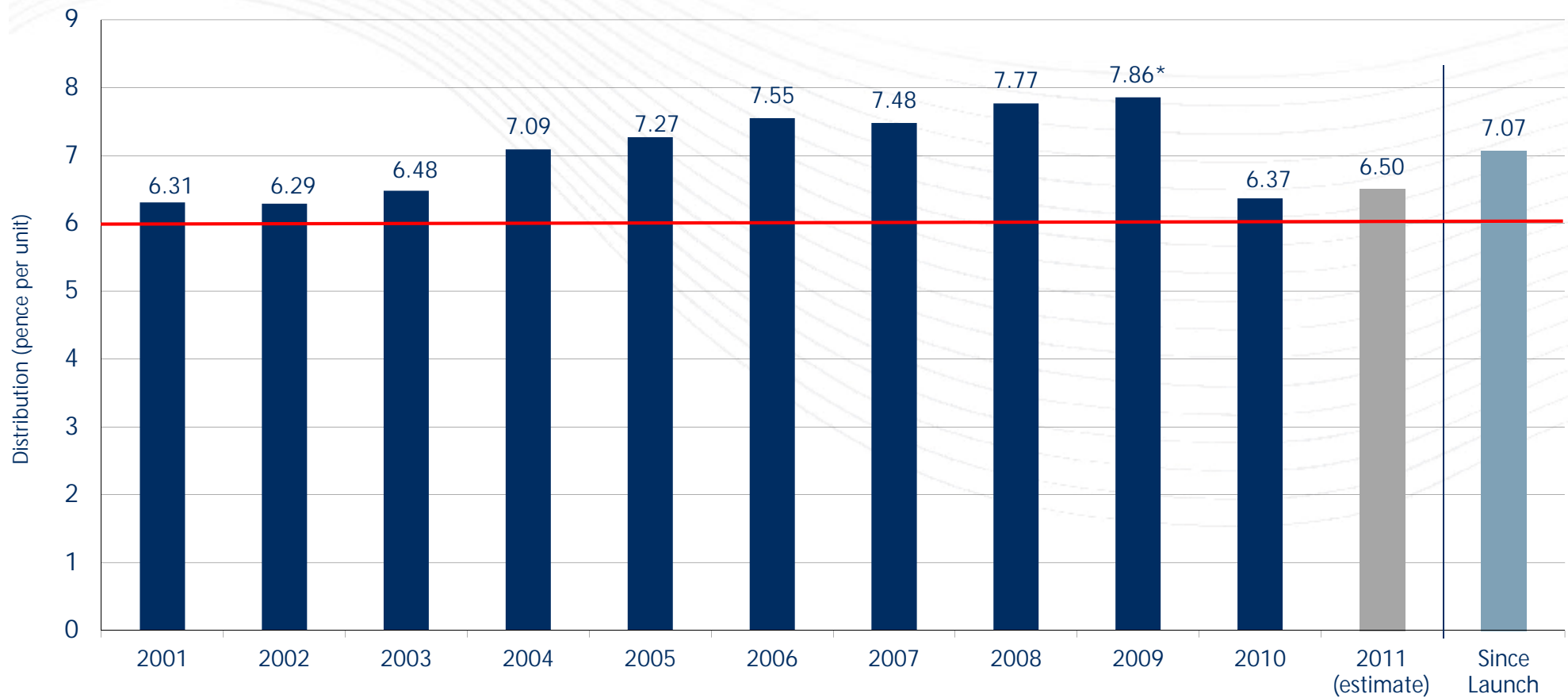
Income returns in perspective



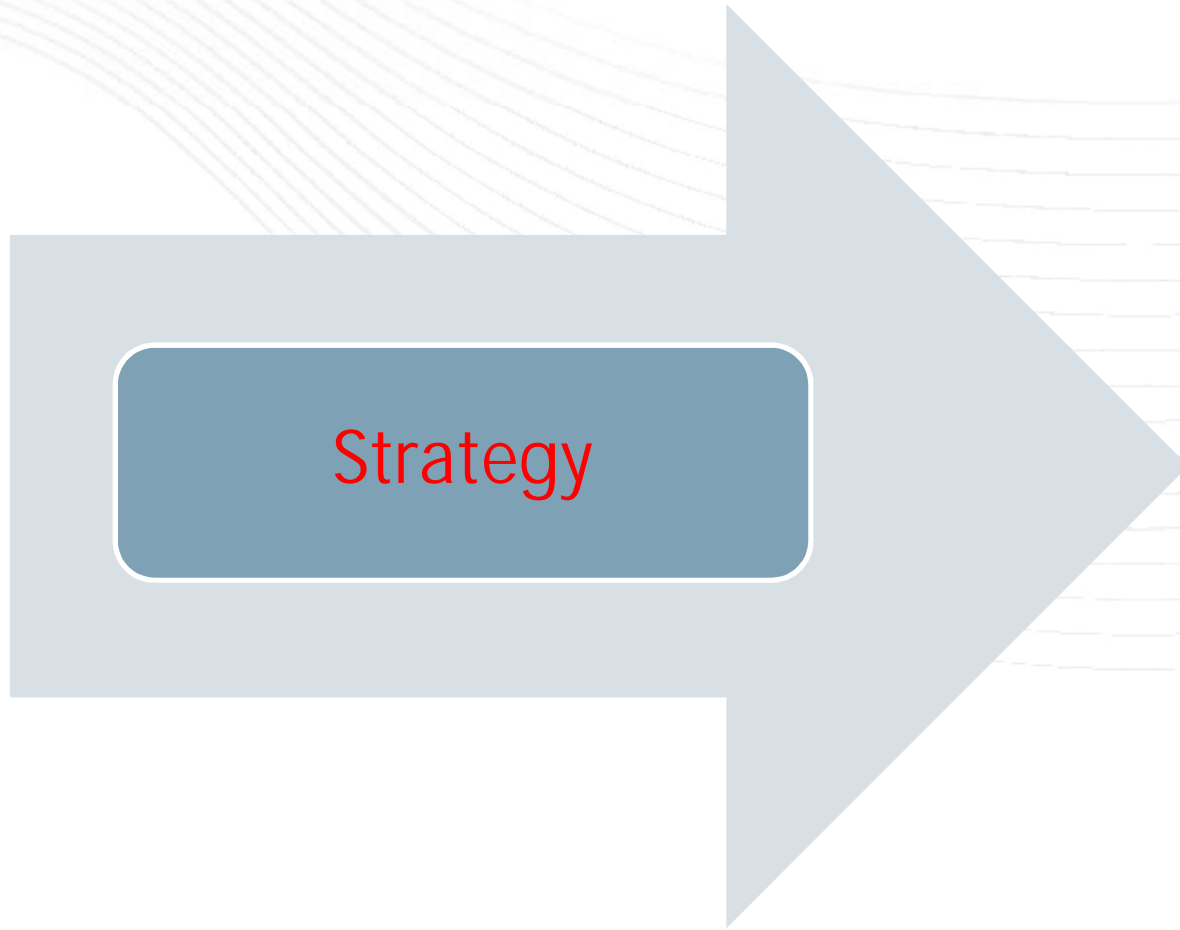
The Fund's property yield and distributed income is significantly higher than other Funds

Source: IPD Monthly Index December 2010; *GRY December 2010, **FT December 2010;
Cordea Savills December 2010 / IPD Pooled Property Fund Index December 2010

Distribution payment history (pence per unit)



Source: Cordea Savills (December 2010) *would have been 7.48 pence without the benefit of the Redditch surrender premium



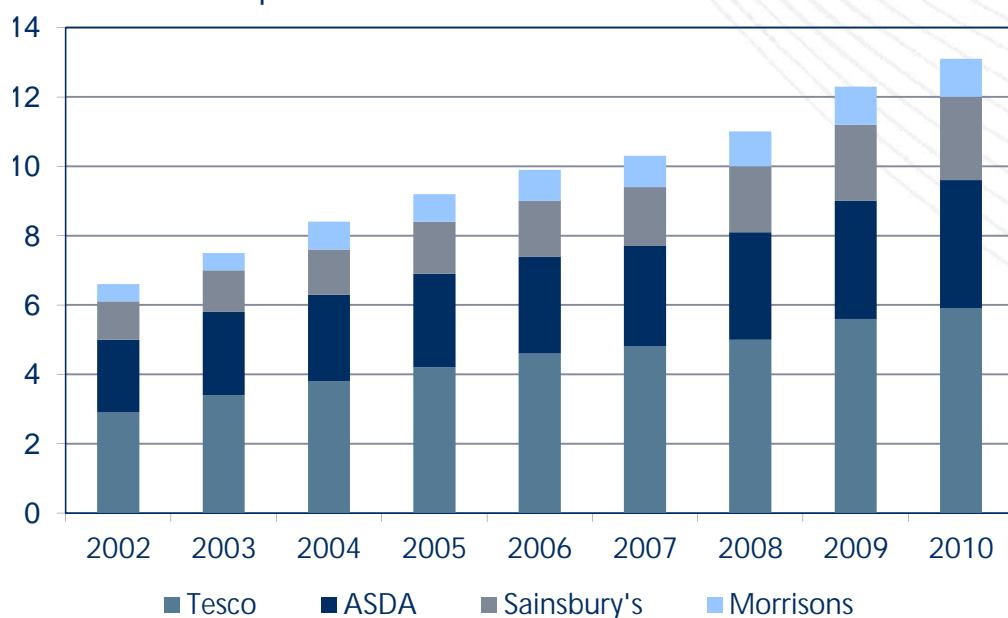
Strategy

Retail – in-town versus out-of-town

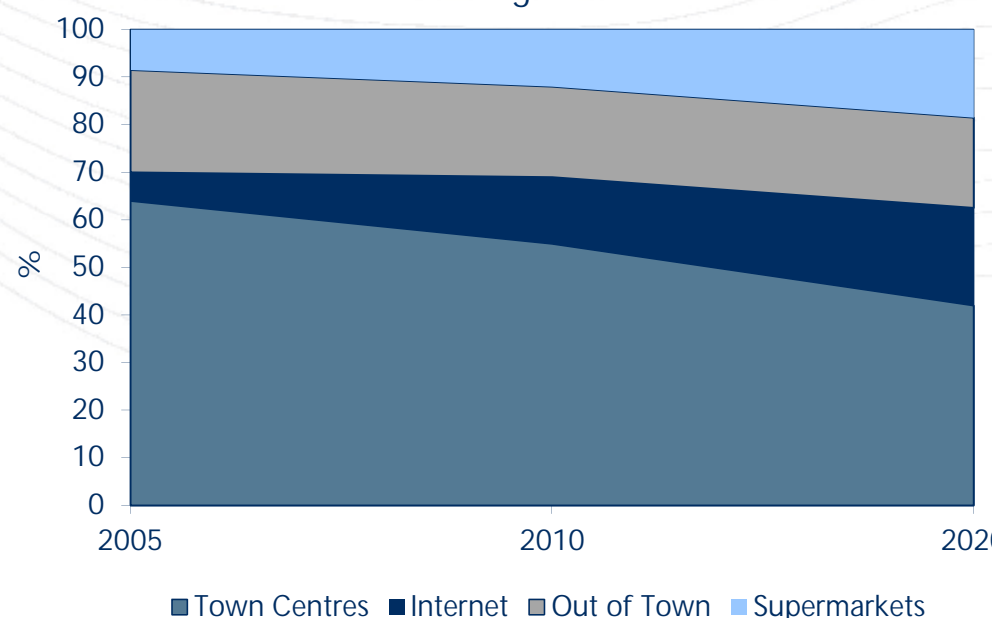
- Supermarkets (expanding into Non-Food)
- Retail Warehouses (relatively low-cost space)

- Shopping Centres (diverting sales)
- On-line (taking trade)

Supermarkets non-food share



Town centres losing market share



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

FINANCIAL TIMES THURSDAY JANUARY 20 2011

High street loses out as retailers move on

GENERAL RETAILERS
News analysis
Familiar brands are
putting up shop
elsewhere, says
Iain Barrett



INVESTORS CHRONICLE

HOME PORTFOLIO ALERTS

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IC ADVANTAGE Invest

Is DIY on the mend?

Created: 1 February 2011 | Written by: John Hughes

Print this article

One of the benefits of the downturn has been that Laurence Sarah Beeny are not quite as omnipresent on our television were. Home makeover shows might not have been killed off national obsession with MDF and magnolia is showing signs housing market ebbs

with low in December
and that's before the
ish out on revamping
a route to riches tha

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Sainsbury leads resilient supermarkets

By Andrea Felsted

Published: January 7 2011 23:01 | Last updated: January 7 2011 23:21

J Sainsbury is set to be the winner among the big four supermarkets this Christmas, according to industry data from consumer research group Nielsen. The data show that Britain's supermarkets proved more resilient in the run-up to Christmas than some high street retailers in the four weeks to December 26.

Offices – London set to outperform

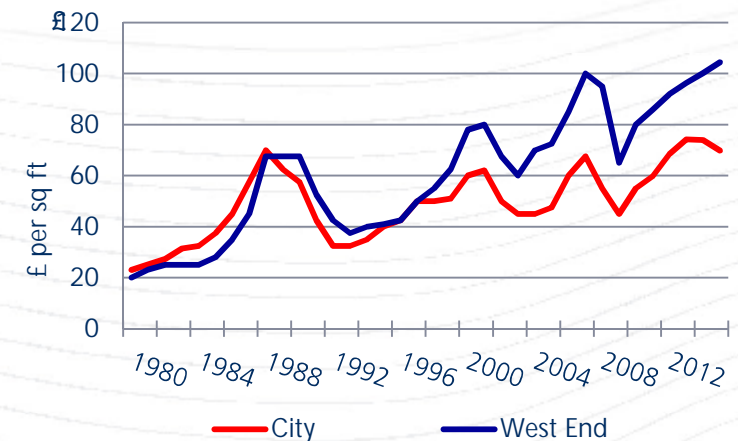
Central London offices

- § Investment demand strong across the markets
- § Rents recovering as financial markets stabilise
- § Belief that London retains position on world stage

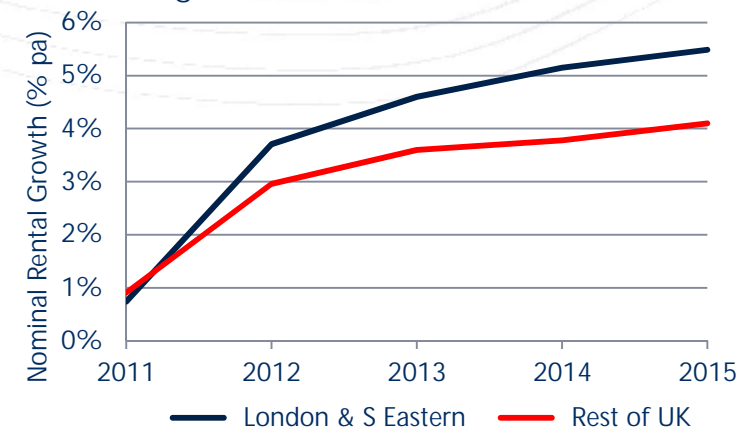
Regional offices

- § Rents challenged in many locations through oversupply but;
- § Opportunistic stock picking possible

Central London Office Rental Forecasts



Regional Rental Growth





Industrial - continues to provide high and dependable yields

Industrial remains **the highest yielding** commercial sector

Increase in manufacturing in the UK due to weak sterling

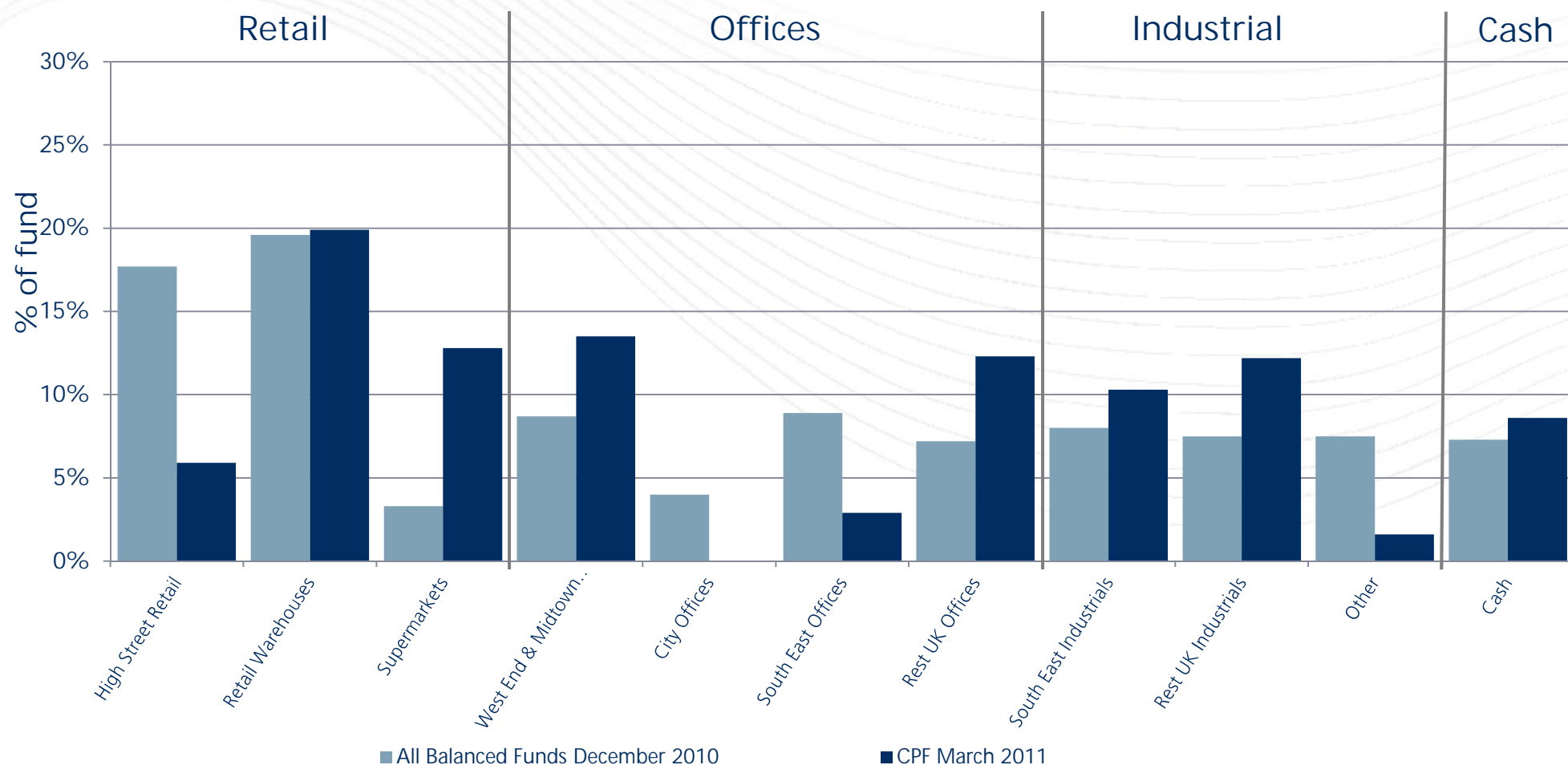
Removal of empty rates relief for landlords has stalled the development pipeline, leading to **reduced vacancies**

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

Internet expected to **sustain demand** for warehousing

Often seen as 'unattractive' by many buyers, yet provides high and dependable yields

The Fund – sector weightings



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

Source: AREF (December 2010), Cordea Savills (March 2011)

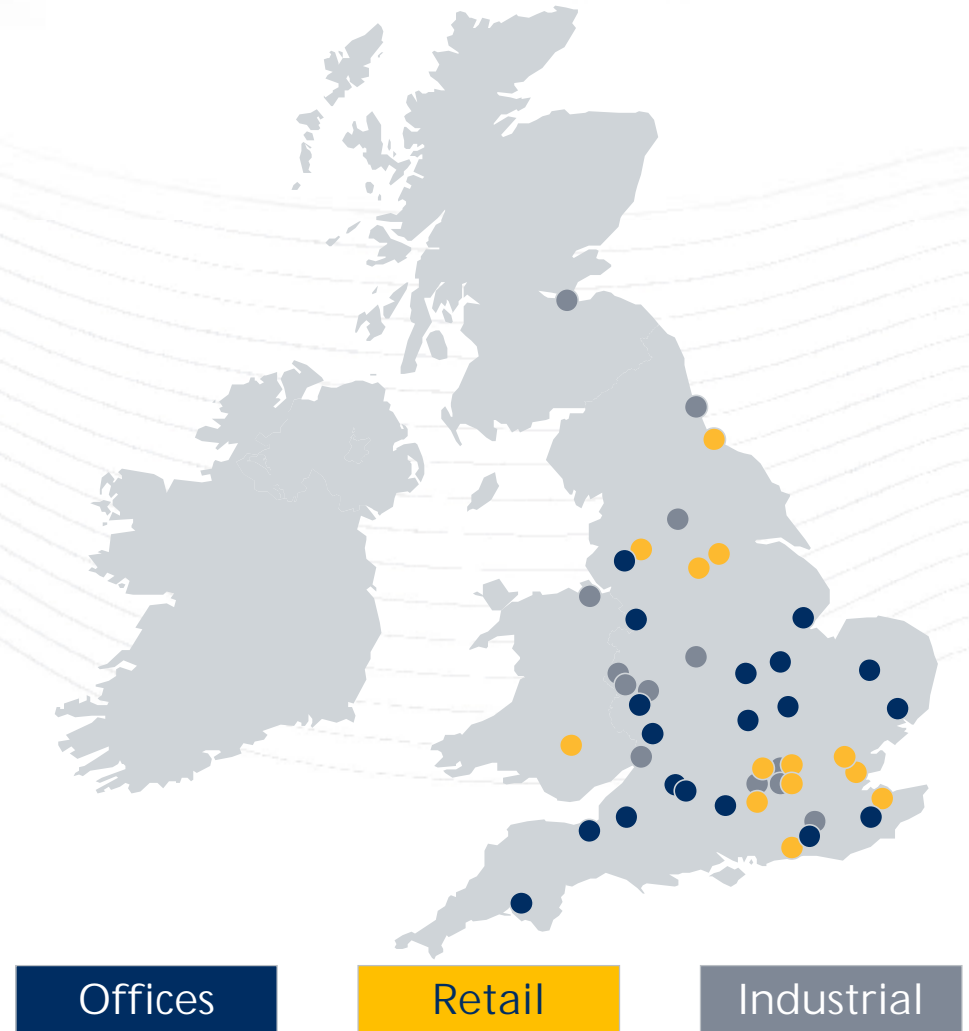
Portfolio summary

Property summary

- n 62 properties (average size £6.1 m)
- n 151 tenancies

Income and risk management

- n Average 9.5 years to lease expiry
- n Vacancies 4.0% of rental value (IPD 10.0% Feb 2011)
- n c.86% secured on low/negligible risk covenants (IPD 70%)



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

Annual property level returns – Year to December 2010



Source: IPD, Cordea Savills (December 2010)

Active management – Illustrations of future initiatives

Chichester



London – Chancery Lane



Plymouth



Guildford



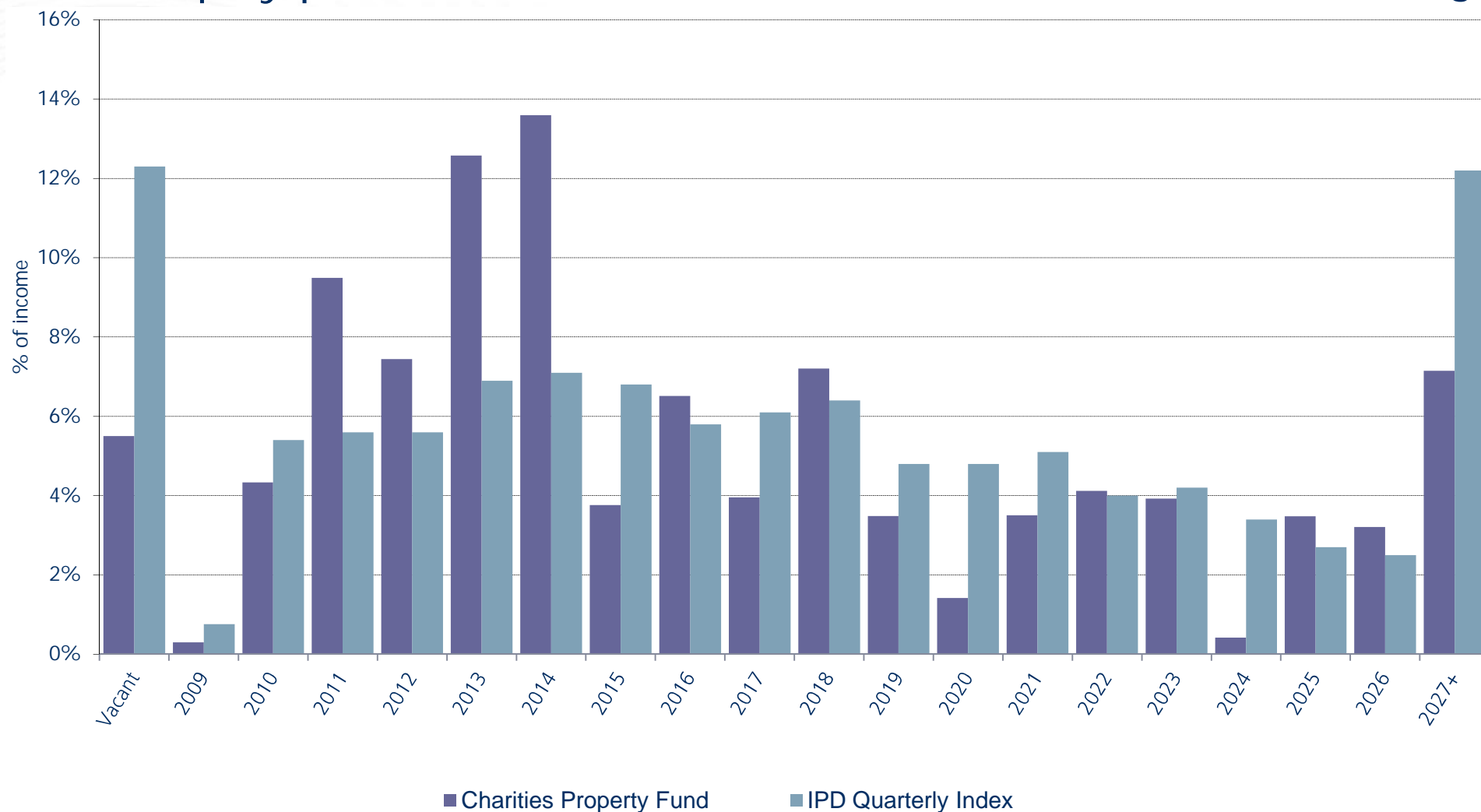
Southend-on-Sea



Active management is key to protecting income and adding value

Source: IPD, Cordea Savills (December 2010)

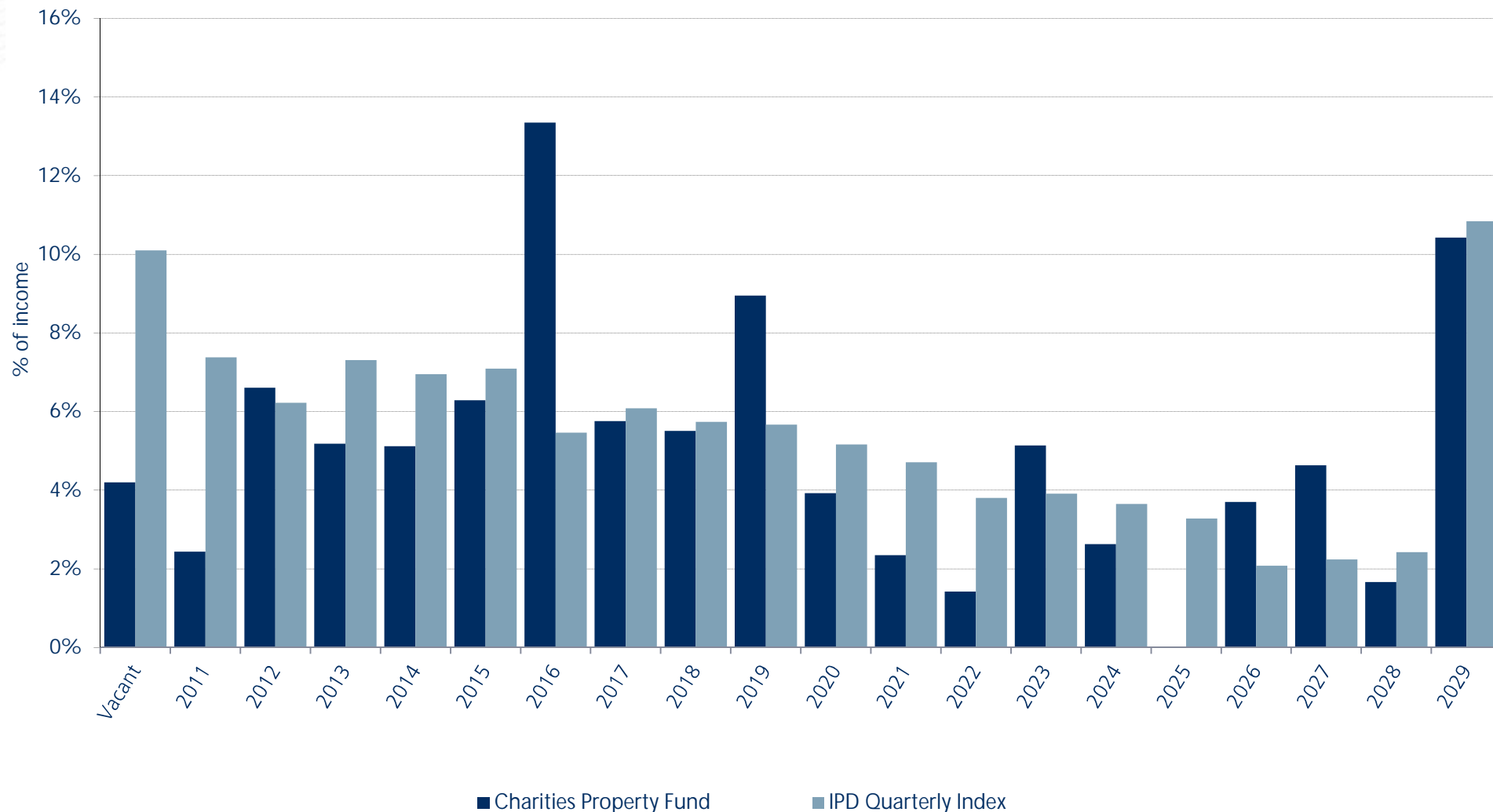
Lease expiry profile December 2009 - The Fund versus market average



Fund has lower vacancies & fewer lease expiries/ breaks through 2010 than the market

Source: Cordea Savills, (December 2009). Profile assumes all break options are exercised
ERV is the Estimated Rental Value of the whole portfolio

Lease expiry profile March 2011 - The Fund versus market average



Expiry risk has been significantly reduced

Source: Cordea Savills, (December 2010). Profile assumes all break options are exercised
ERV is the Estimated Rental Value of the whole portfolio

Sales during 2010

Sale of Schmidt Unit, Peterborough



- n Tenant not in occupation ("medium-high risk")
- n Active management success
- n £6.683 million (7.5% yield on net costs)
- n Increase over June valuation of £1.2 m (+21.5%)

Sale of Montague Centre, Worthing



- n Short leases
- n 50% of income rated "medium to maximum risk"
- n £8.48 million (7.7% yield on net costs)
- n Increase over June valuation of £130,000 (+1.6%)

Sales on average +9.5% above valuation



Acquisitions

Purchases during 2010

SMR Unit, Portsmouth



- n Unexpired lease term of 9 years
- n £6.975 million (Yield: 9.4%)
- n Tenant rated "Very Low Risk"

TST Unit, Sherwood Park, Nottingham



- n Unexpired lease term of 16.5 years
- n £5.355 million (Yield: 8.0%)
- n Tenant rated "Very Low Risk"
- n Guarantee from Rolls Royce plc

Both tenants have invested significantly in these units

Purchases during 2010

In-Specie Transfers



- n In-specie transfer of 8 properties
- n £14.75 million (Yield: 7.0%)
- n 5 retail units (75% of value),
2 retail warehouses & 1 office
- n 0% vacancy

Tesco Extra, Mansfield



- n Newly constructed Tesco Extra store
- n £43 million (Yield: 5.3%)
- n Let for 20 years with provision to extend
- n Annual rental increases linked to RPI

Purchases during 2011

Unipart Logistics, Burton-upon-Trent



- n Modern distribution warehouse
- n £9.5 million (Yield: 9.0%)
- n Average unexpired lease term of 7.0 years

Longmead Trade Park, Epsom



- n Prime, south east, multi-let industrial estate
- n £8.925 million (Yield: 7.4%)
- n Average unexpired lease term of 9.5 years

Purchases during 2011

Crystal Court, Farringdon, London



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

Virgin Active, Rayleigh



- n Modern health & fitness club
- n £6.3 million (Yield: 7.3%)
- n Average unexpired lease term of 17.5 years
- n Low rent and capital value per sq ft



Over £125 million transacted over last 12 months

Average yield of **6.7%** (vs IPD c6.4%)

0% vacancy (vs IPD c10.0%)

98.4% of income with low or negligible risk tenant rating (vs IPD 70%)

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

30% benefits from annual RPI increases (subject to a minimum of 1% per annum)

Currys

Wickes

It's got our name on it.

TESCO



Rolls-Royce

WHSmith

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



Summary

High income (6.7%)

Significant value added through active management

Long leases (10 years)

Strong covenants

Low voids

Strong governance

No gearing (borrowing)

No speculative development



Appendices

The Charities Property Fund team

The Advisory Committee

The Mayflower Management Company

Supplementary market and Fund information

Contact details



Management and Governance of the Charities Property Fund

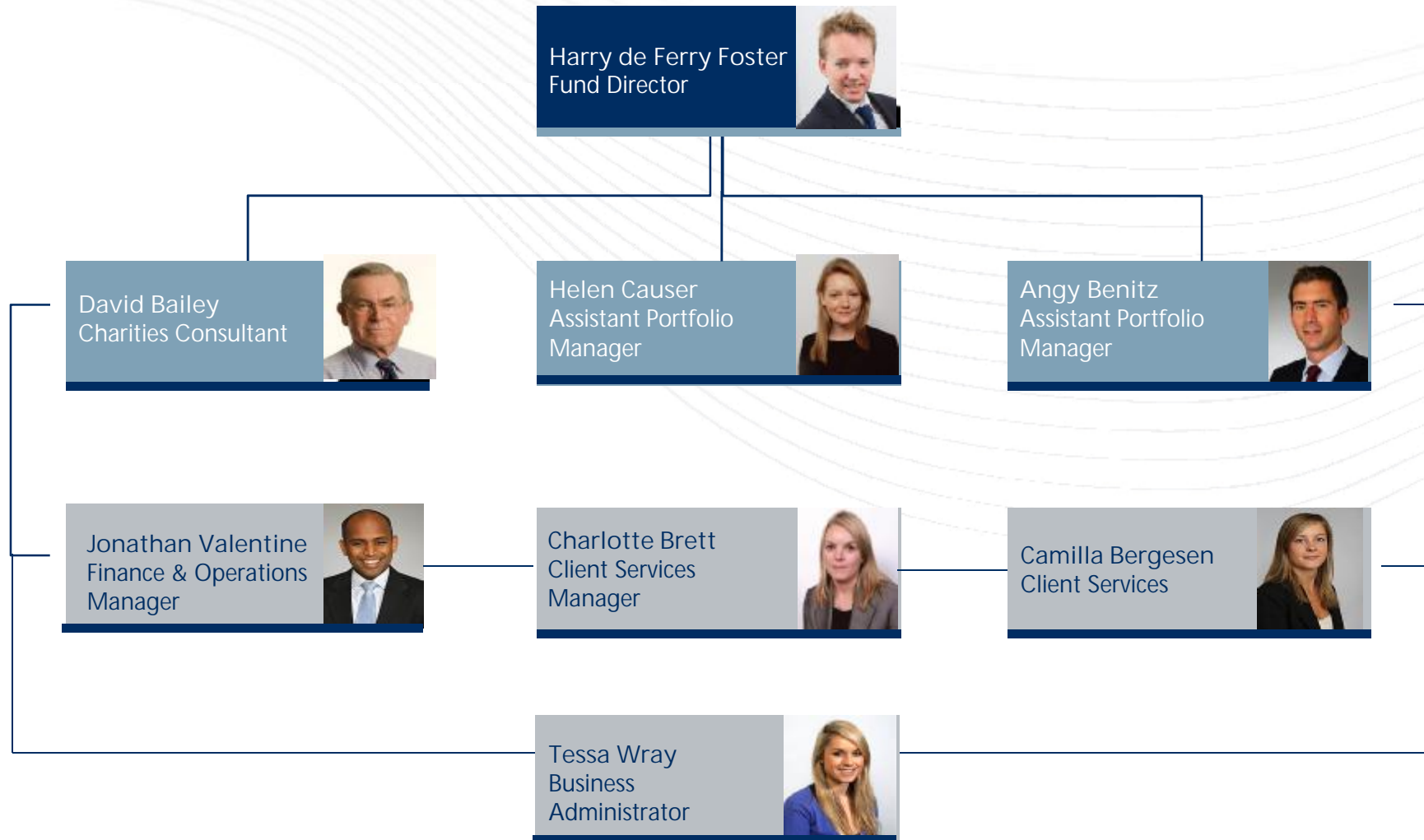
Mayflower Management Company
John Partridge (Chairman)
Justin O'Connor
Bill Hackney

CPF Advisory Committee
Ian Flanagan OBE (Chairman)
Ben Ruck Keene
Miles Jolly
Nick Downer
Chris Hills

Charities Property Fund Team

Harry de Ferry Foster (Fund Director)
David Bailey
Helen Causer
Angy Benitz
Jonathan Valentine
Charlotte Brett
Camilla Bergesen
Tessa Wray

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 and marketing.

Harry's role encompasses portfolio management including strategic and tactical considerations, financial analysis, property acquisitions and sales.

Harry joined Cordea Savills in 2002 from Cushman & Wakefield where he qualified as a Chartered Surveyor, he has 15 years experience in property investment and fund management. Harry completed the Investment Management Certificate (IMC) exams in 2003.



David Bailey is a consultant to the Charities team, his key focus is to assist in the development and to provide support to the Charities Property Fund with a view to broadening its investor base. David has extensive experience both in investment management and as a charity practitioner.

David was previously at Aberdeen Asset Management, where he was Head of Charities. Prior to this David was Vice President, Charities at Deutsche Asset Management and Charities Specialist at Morgan Grenfell Asset Management. From 1994 – 1998 David, a Wing Commander, was Finance Director of the Royal Air Force Benevolent Fund.

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



Jonathan Valentine is the Finance and Operations Manager responsible for financial reporting and analysis, and administrator management.

Jonathan joined Cordea Savills in 2009 from the audit practice of Deloitte where he qualified as a Chartered Accountant. At Deloitte his experience was focussed in the areas of investment managers, real estate and private equity funds.

Jonathan graduated in Chemical Engineering from UMIST and from there he joined Deloitte.



Charlotte Brett is the Client Services Manager for the Charities Property Fund responsible for investor communications, reporting and events.

Charlotte joined Cordea Savills in 2009 from RREEF Alternative Investments where she had a similar role in the real estate team, providing support to several property funds. Prior to this Charlotte was a Marketing Executive at the Institute of Chartered Accountants in England and Wales.

Charlotte graduated from the University of Bournemouth with a degree in Communications

The Charities Team



Camilla Bergesen works alongside Charlotte 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.



Tessa Wray is Business Administrator to the Charities team at Cordea Savills.

Tessa joined Cordea Savills in December 2010 to support the Charities team. She joined from Tribal a Management Consultancy firm where she held a similar role as the Operations Support to a team of Consultants specialising in Government and Society projects.

Tessa's role at Tribal was preceded by various client facing and team administration roles.

Tessa graduated in Classics from the University of Nottingham.

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.



Miles Jolly has had a wide and varied career as a Chartered Accountant within industry holding senior Financial and Board appointments within the Publishing Industry in UK and Europe and as a divisional Financial Director in GEC. Miles founded and owns the Limes Group of Property Development and Investment companies and remains their Executive Chairman.

Miles is a Canon of Lincoln Cathedral, a member of its Governing Chapter and Chairman of Finance. He is a former member of the Board of the Lincoln Diocese, both bodies being substantial early and continuing investors in The Charities Property Fund.

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.



Chris Hills is currently the Chief Investment Officer of Rensburg Sheppards, 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 Rensburg Sheppards 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.

The Mayflower Board



John Partridge (*Chairman*) John has overall responsibility for Cordea Savills' strategic direction and is its Executive Chairman. His focus is on the development of new business streams and product lines, and the management of key business relationships. John's previous roles include Chairman of Morgan Grenfell Property Asset Management (latterly Deutsche Property Asset Management) and Director of Global Property at Henderson Global Investors. John was responsible for the creation of both the Morgan Grenfell and Henderson property businesses. Prior to this he spent thirteen years as an equity fund manager, which included the analysis and investment management of quoted property companies.



Justin O'Connor has overall responsibility for the existing business of Cordea Savills as its Chief Executive Officer, with a particular focus on developing innovative funds and overseeing sales, marketing and client services. He was appointed Chief Executive Officer of Cordea Savills in January 2006, having joined Cordea Savills in January 2004 as Head of Business Development. Justin is a director Cordea Savills Investment Management Limited, which is authorised and regulated by the UK Financial Services Authority. He is also Chairman of the Cordea Savills Investment and Risk Committee, a Director of Cordea Savills SGR SpA (authorised and regulated by the Bank of Italy) and joint Managing Director of Cordea Savills GmbH. Prior to joining Cordea Savills, Justin was Director, Property Business Development (Europe) at Henderson Global Investors.



Bill Hackney is Cordea Savills' Chief Operating Officer and responsible for the overall business infrastructure and operations and, including human resources, group finance, compliance and risk management. Bill is the Managing Director of Cordea Savills Investment Management Limited, which is authorised and regulated by the UK Financial Services Authority. Previously Bill was at Deutsche Property Asset Management for 13 years where he gained extensive experience in the structuring, launch and management of pooled property vehicles domiciled in the UK, Jersey and Ireland. He was a director of Deutsche Property Asset Management and sat on the board of a number of UK and offshore joint venture and special purpose property vehicles.

Top 5 assets

London EC1 - 6.3%



London Office

London WC2 - 4.5%



London Office

London SW1 - 4.3%



London Office

Tesco, Mansfield - 12.3%



Supermarket

B&Q, Redditch - 5.1%



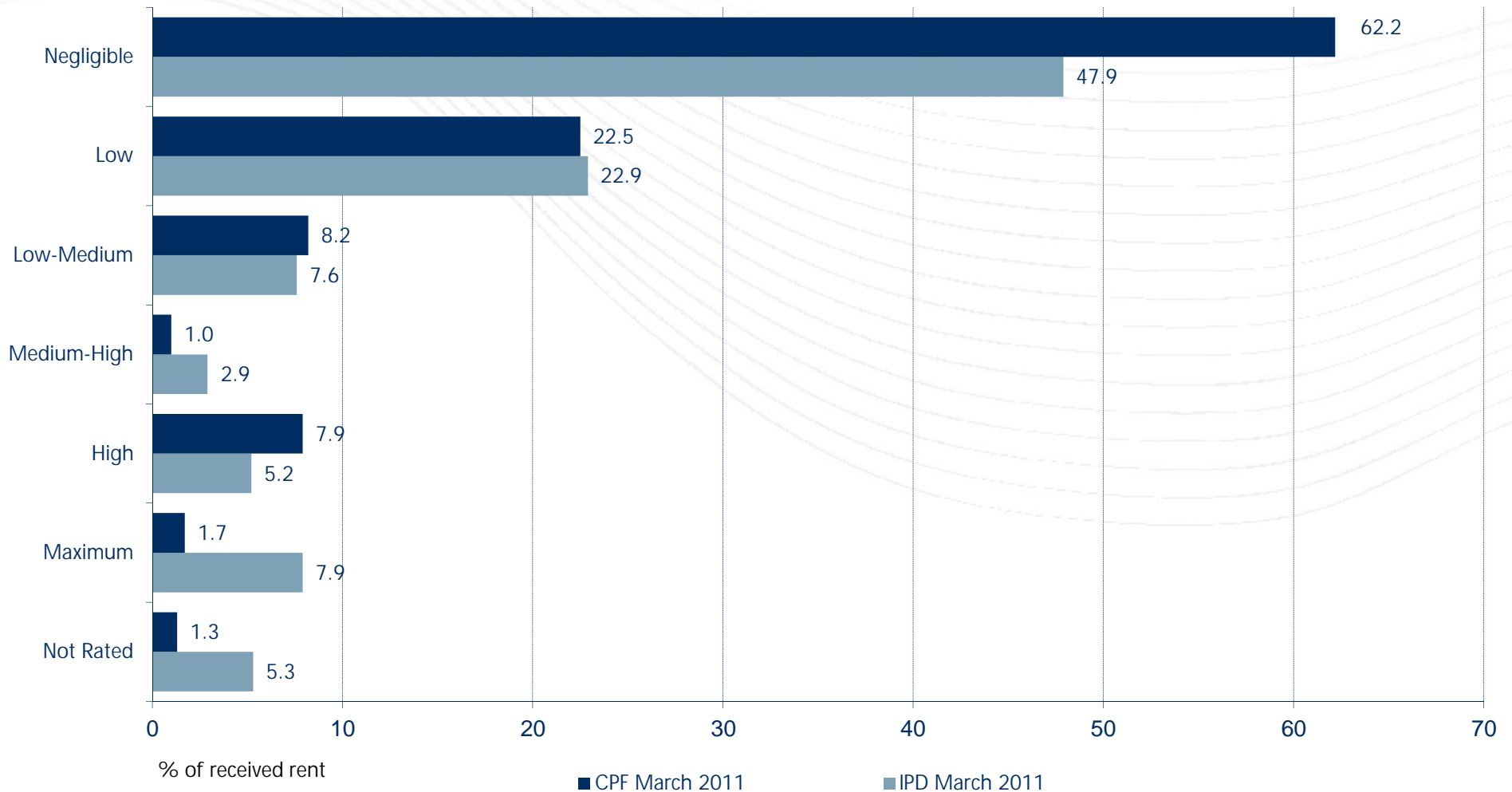
Retail Warehouse



Top 10 tenants (% of total income)

Tenant (surety)	Risk Band (D&B / Experian)	% of Portfolio
Tesco Stores Limited (surety: Tesco plc)	Negligible risk	8.5%
B&Q plc	Negligible risk	6.1%
EHS Brann Limited (surety: Havas SA)	Negligible risk	5.9%
Public Sector	Negligible risk	5.0%
BNP Paribas Real Estate	Negligible risk	4.9%
Magnet Limited	Low risk	3.6%
Wickes Building Supplies Limited (surety: Wickes Holdings Limited)	Negligible risk	3.3%
Unipart Logistics Limited (surety: Unipart Group Limited)	Negligible risk	3.1%
Barclays Bank plc	Negligible risk	2.5%
SMR Automotive Mirrors Limited (surety: Paig International Limited)	Negligible risk	2.4%
Total		45.3%

Financial Strength of The Fund's Tenants - Risk of Tenant Default



85% of Fund tenants are classified as low financial risk

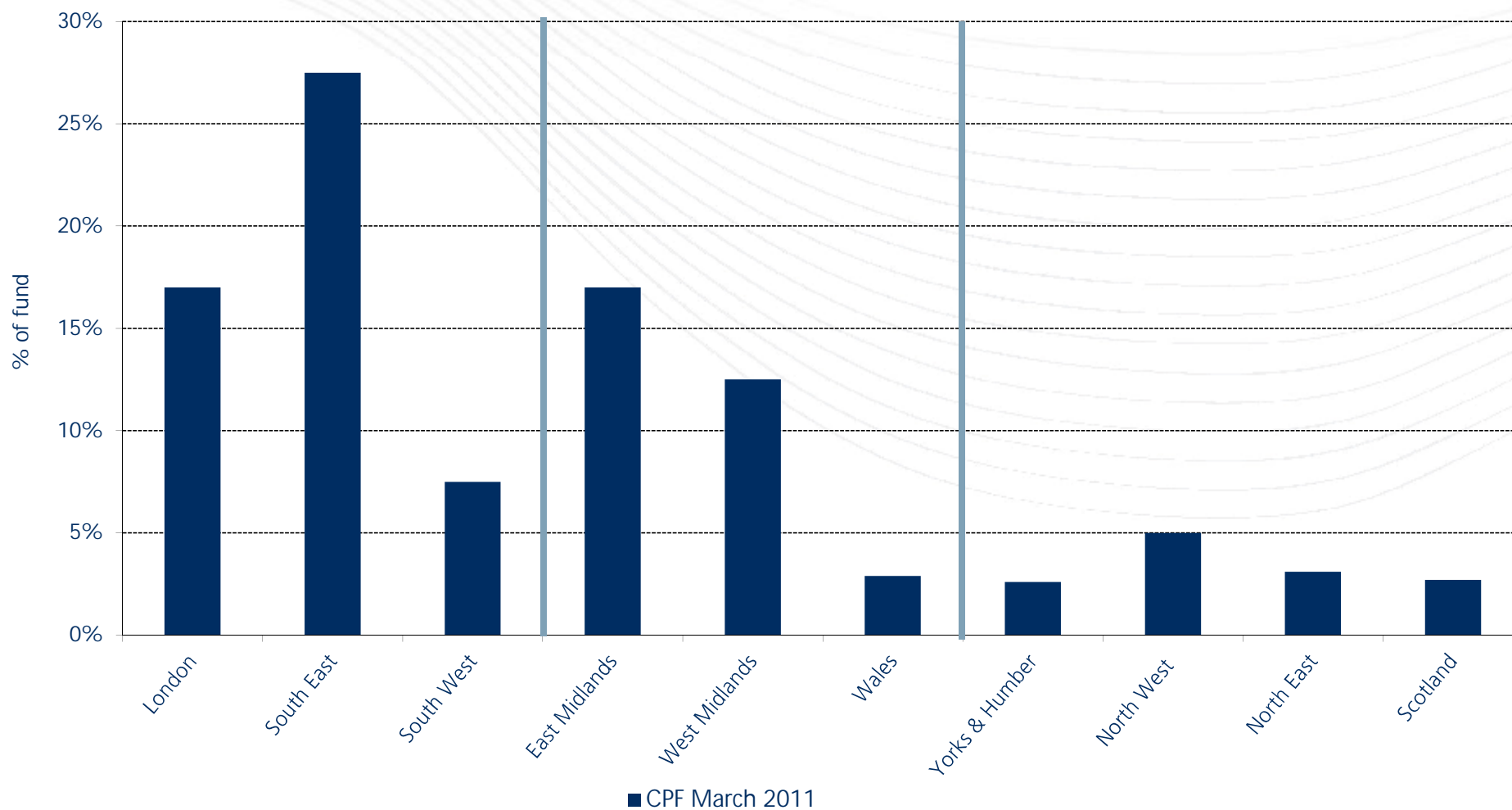
Source: IRIS, Cordea Savills, (March 2011)

The Fund – geographical weightings

South – 52%

Midlands – 32.4%

North – 13.4%



Source: Cordea Savills (March 2011)

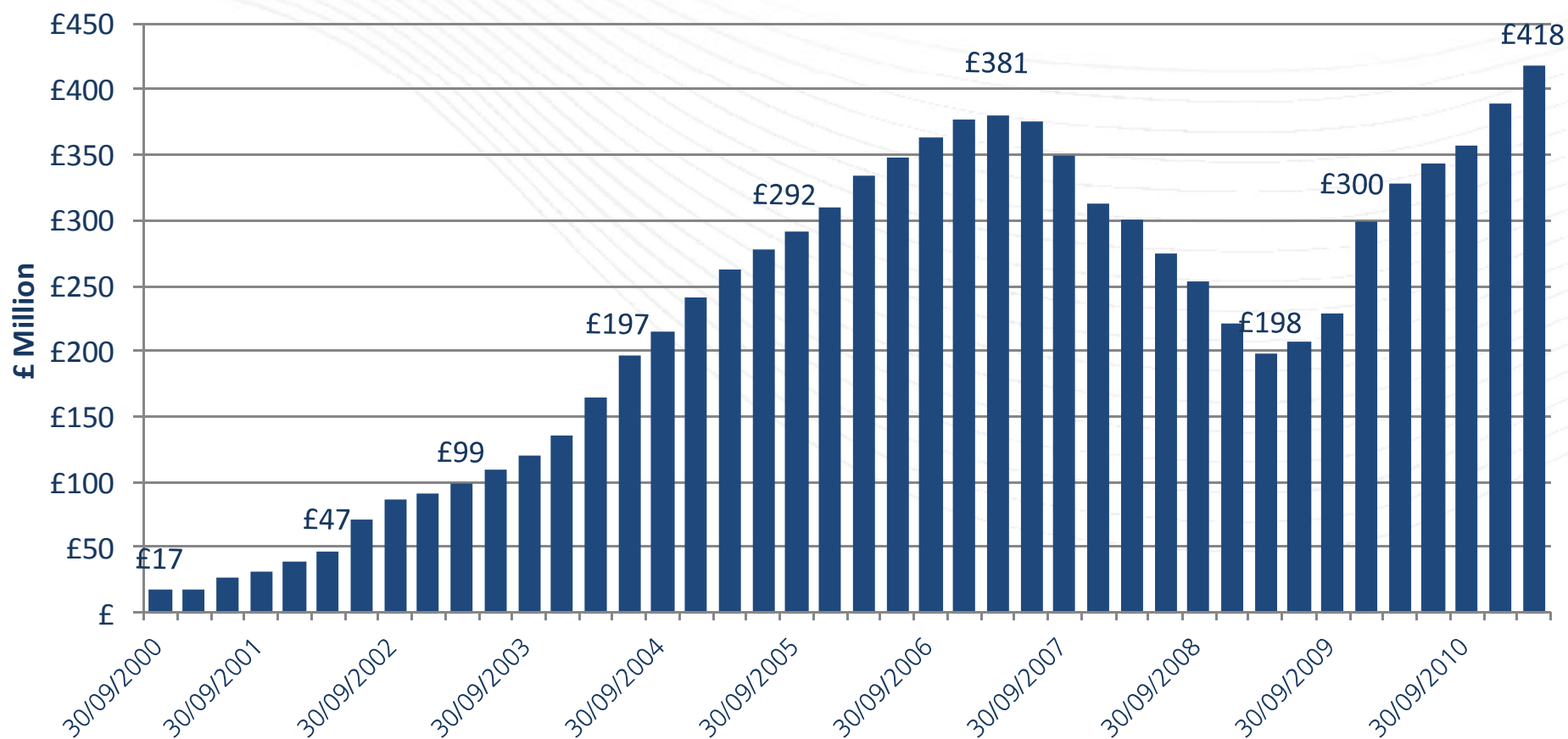


Balance of Redemptions / Applications

	Redemptions		Applications	
	Units	No of Charities	Units	No of Charities
Q1 – Q4 2008	3,482,504	36	3,486,232	18
Q1 – Q4 2009	6,364,375	51	94,976,706	468
Q1 – Q4 2010	11,192,025	86	92,056,235	334
Q1 2011	320,002	16	29,164,013	66
Total	21,358,906	189	219,683,186	886

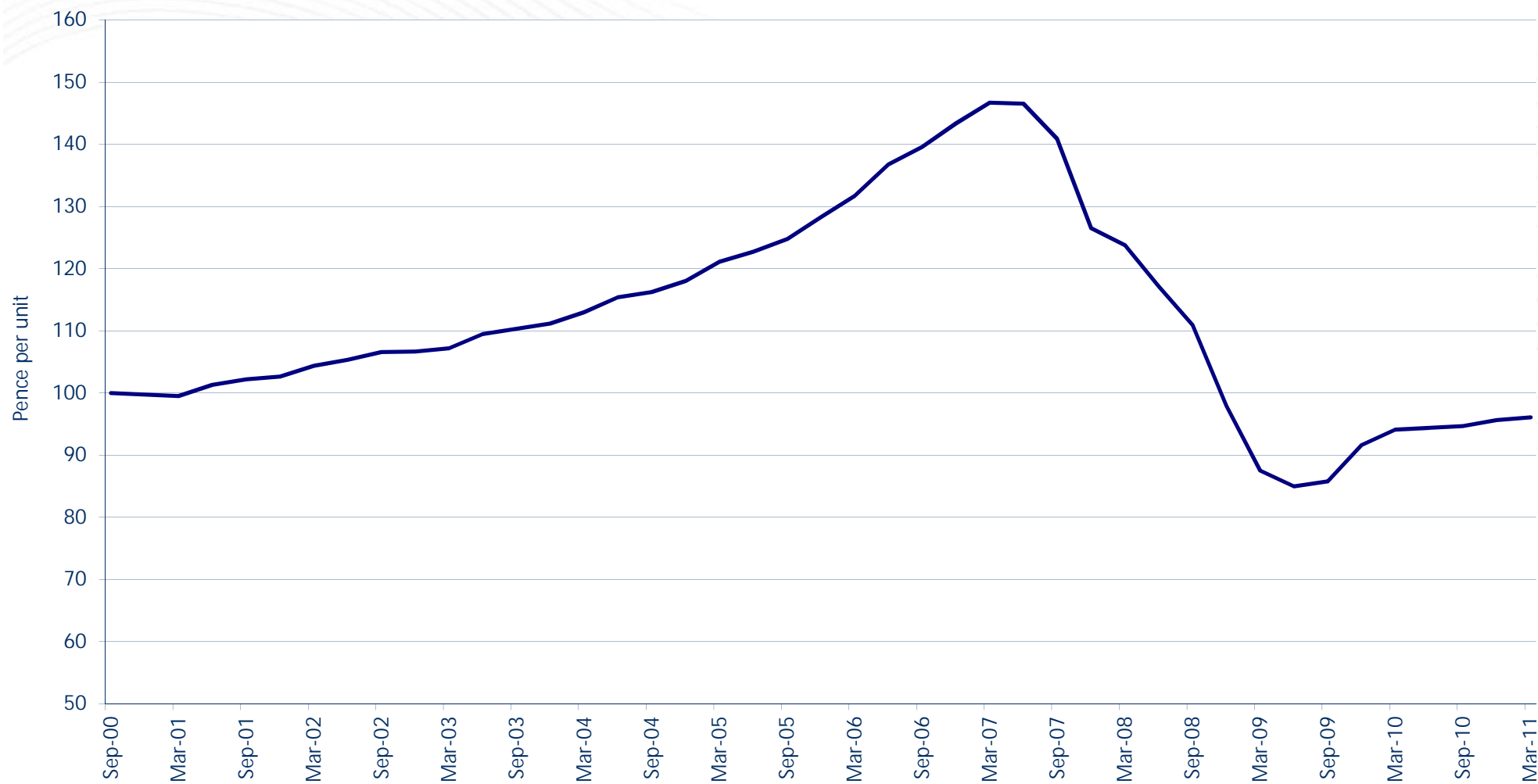
Investor commitment to the Fund has returned strongly

Fund Growth (NAV)



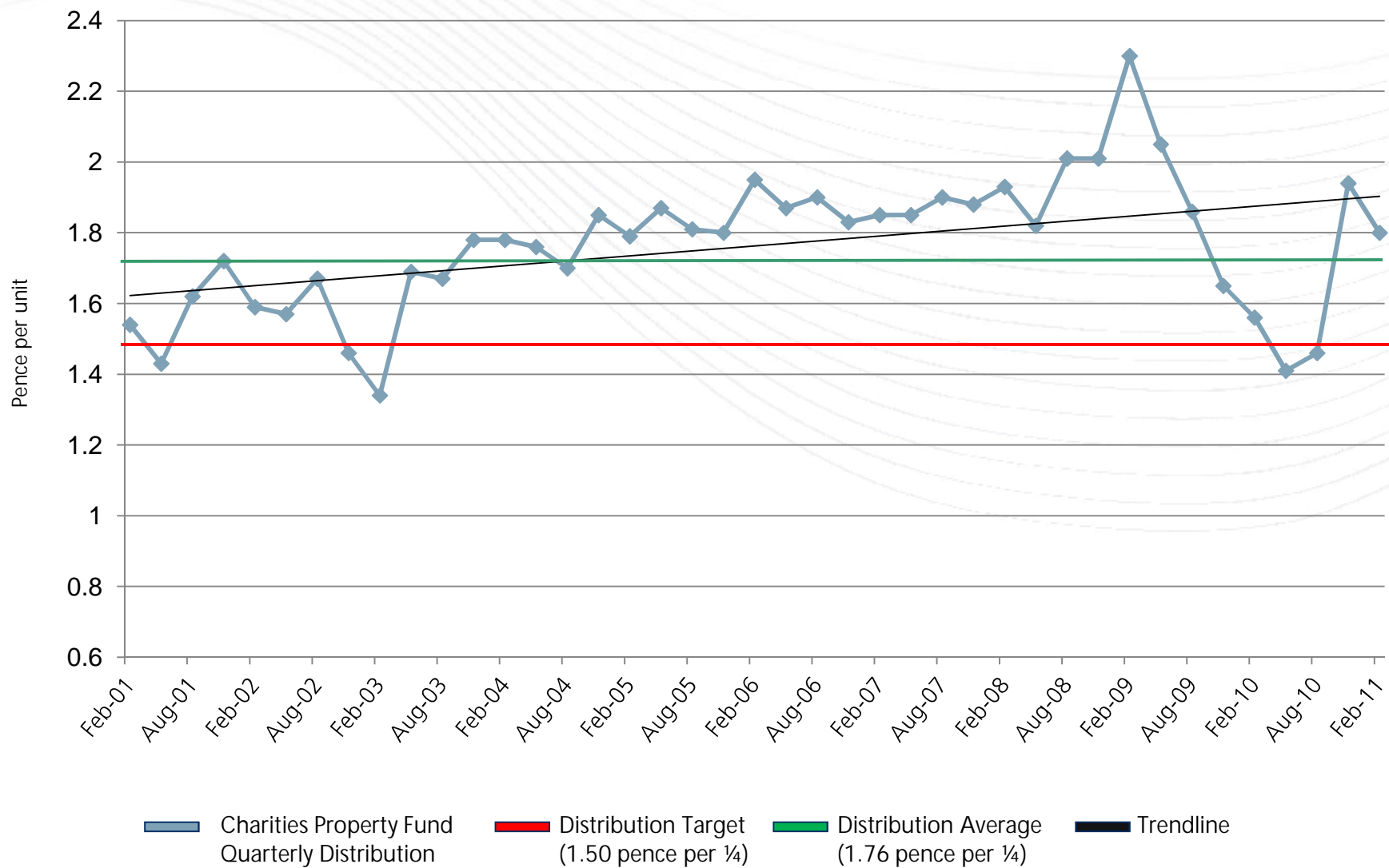
Source: Cordea Savills (March 2011)

Charities Property Fund - Unit Price History (NAV)

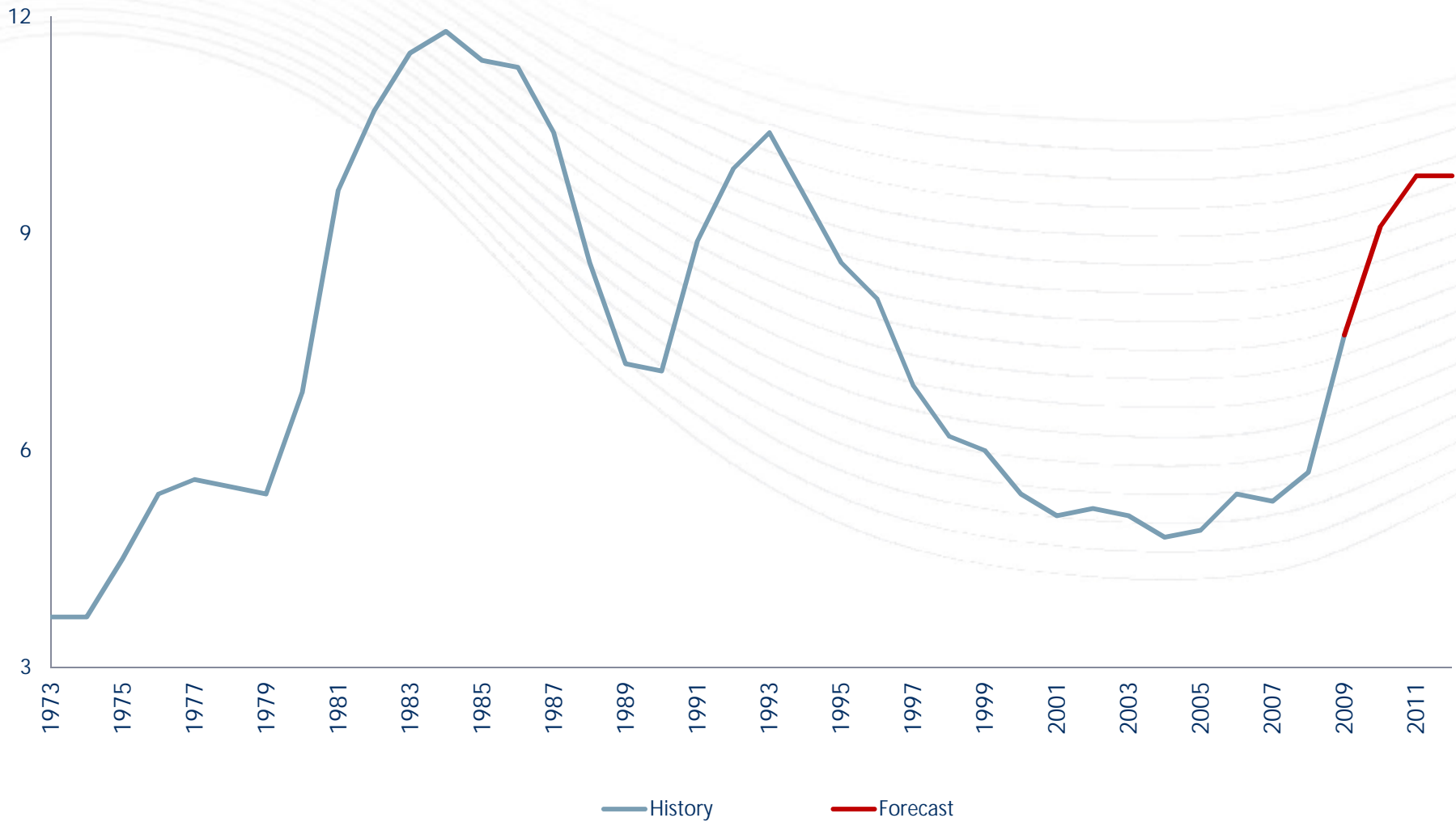


Source: Cordea Savills (December 2010)

Quarterly distribution payment history (pence per unit)

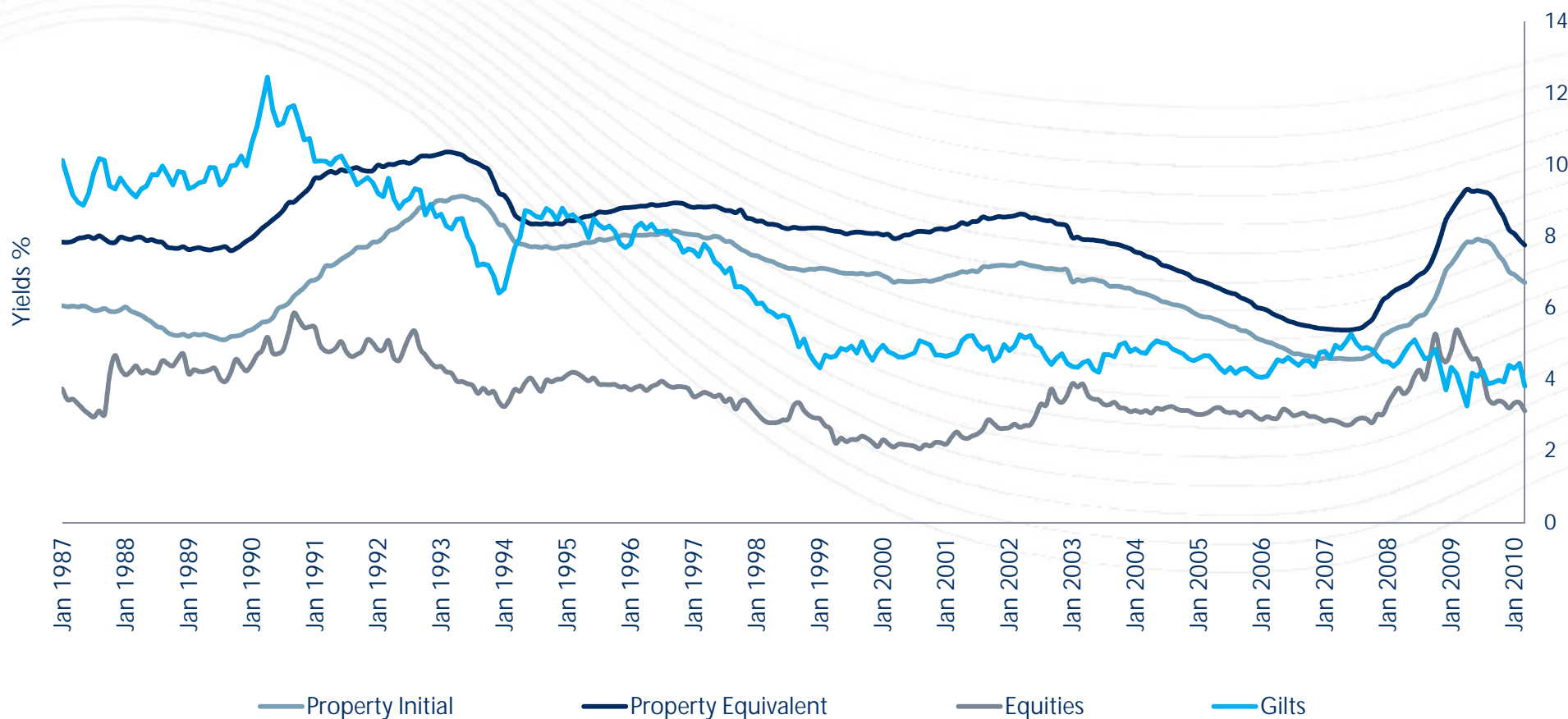


UK Unemployment Rate (ILO)



Anaemic recovery

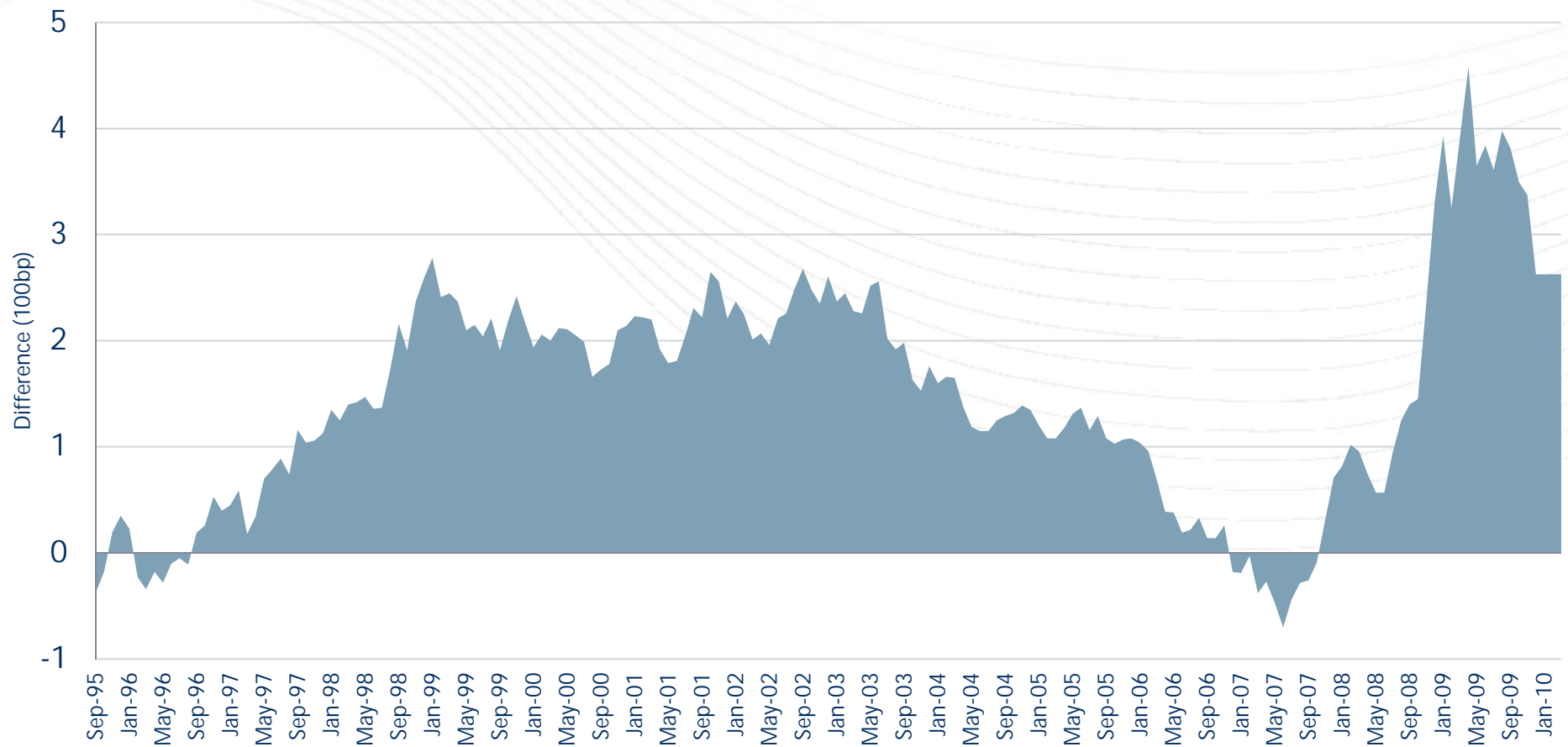
Investment Markets - Yields



UK property provides high yields

Source: IPD monthly Index (March 2010)

Property gilt gap



Property has become relatively cheaper since Summer 2007

Source: IPD Monthly Index (March 2010), Cordea Savills Property Net Initial Yield vs 5 to 15 year Gilt Yield



Contact details

For fund and unit holder related information:

Charlotte Brett or David Bailey

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.