

25 October 2011

## **The Charities Property Fund acquires five assets in Q3 and reaches NAV of £456 million**

The Charities Property Fund (the "Fund"), which is the first and largest property fund designed specifically for charities, acquired five properties in the third quarter of 2011 and now has a Net Asset Value of £456 million. The Fund returned 2.8% in the third quarter of 2011 and 9.3% over the 12 months to 30 September, compared to the IPD All Balanced Funds Index which returned 1.7% for Q3 and 7.5% over the last 12 months.<sup>1</sup> It has proved very popular with charities and new investment into the Fund was restricted temporarily during the first and second quarters in order to protect returns to existing investors. However dealing has reopened and the Fund is now fully invested.

The five newly-acquired properties were purchased for a total of almost £60 million, reflecting an average yield to the fund of 6.9% and an average lease length of almost 20 years. Over half the income has the advantage of RPI rental increases and all of the tenants are rated negligible risk<sup>2</sup>. The new assets include: a Tesco supermarket in Nailsea just outside Bristol; a retail warehouse park in the Midlands let to B&Q, Brantano, B&M, Carpetright, Pets at Home, Argos, KFC and Frankie & Benny's; the funding of a brand new Travelodge Hotel in Cambridge let on a new 35-year lease with rental increases in line with the RPI Index; and two modern industrial units in Wellingborough and Telford.

Harry de Ferry Foster, Fund Director, commented: "The Charities Property Fund's popularity is primarily due to its strong performance, which has been particularly good over the last three years despite the Fund doubling in size and the associated transaction costs and valuation drag on new purchases. But the Fund also offers outstanding diversification in terms of assets, locations and tenants. We add value through active management (including lease extensions and refurbishments), while preserving a high, sustainable level of income by holding good quality assets in the right sectors. This makes the Fund very defensive, as does our aversion to speculative development projects and gearing."

Minimising voids in the portfolio is a priority for the Fund's management team and its underlying vacancy rate of 2.2% is less than a quarter of the IPD Monthly Index at 9.7%. Covenant quality remains strong and the Fund sits in the 11<sup>th</sup> percentile in terms of covenant strength (i.e. 89% of IPD Funds are considered higher risk). Additionally, over 20% of the Fund income now benefits from RPI increases, thereby securing income growth in a testing economic environment.

The Fund was particularly active in 2010, acquiring eight properties and selling two in seven separate transactions totalling almost £100 million. In 2011 so far, the Fund has acquired sixteen assets and sold three in sixteen separate transactions totalling over £140 million.

The Fund is widely diversified, with 66 properties let on long leases with few voids. Leases in the Fund have an average of 10.7 years to expiry (9.7 to earliest break), which compares favourably with the IPD Index. Around 85% of the Fund's properties are secured on covenants rated as low/negligible risk, (IPD Index: 70.5%).<sup>2</sup> The last four distributions have totalled 6.6 pence per unit which, based on the current unit price NAV of 97.3 pence, produces a net yield of 6.8%. This is above the All Balanced Fund average yield of 4.6% and means that not only is the Fund one of the most secure in the Index it is one of the highest yielding funds in the AREF All Balanced Index.

The Fund now has 1,239 charities as investors. It has no borrowing and aims to deliver a high and secure level of income. The prospective yield of 6.5% makes it highly attractive to charities seeking income.

<sup>1</sup>Source: IPD, Cordea Savills, 12 months to June 2011

<sup>2</sup>Source: Experian, 30 June 2011

**ENDS**

For further information, contact

**Patrick Evans / Stephen Sheppard / Constanze Ullmann**

Citigate Dewe Rogerson

Tel: +44 (0)20 7638 9571

**Notes for Editors:**

- Cordea Savills is an international property fund manager with offices in London, Milan, Munich, Stockholm, Luxembourg, Paris and Singapore
- As at 30 June 2011, Cordea Savills managed £2.9 billion (€3.3 billion) of assets
- Cordea Savills is the brand name for entities in the Cordea Savills group, including Cordea Savills LLP, Cordea Savills Investment Management Limited, Mayflower Management Company Limited; Cordea Savills Fund Managers (Luxembourg) S.à r.l., Cordea Savills Fund Managers (Jersey) Limited, Cordea Savills Advisors Srl, Cordea Savills SGR SpA and Cordea Savills GmbH
- Cordea Savills LLP is a limited liability partnership registered in England No: OC306423