

1st OCTOBER 2017 - 31st DECEMBER 2017



FUND OBJECTIVES

- » A target distribution yield of 6-7% pa.
- » Tax efficient investment for charity investors.
- » A clear investment strategy for a diverse real estate portfolio in the primary sectors of industrial, retail and offices.
- » Focused on multi-let opportunities which provide a diverse and sustainable income stream.
- » Delivering a target IRR of 7-9% over a rolling five year period through maintaining and increasing rental income and targeting capital value increases at least in line with inflation.
- » Utilise the experienced and proven management teams skill set to actively manage the portfolio and drive returns.

FUND REVIEW

- » The Fund distribution for this quarter is 1.75800p per unit, equivalent to 6.03% annualised.
- » The Fund return since inception is 12.15% annualised.
- » This quarter DPFC delivered a total return of 2.9% which compares favourably to the AREF/ MSCI All Funds 2.4% total return. On a 3mth and 12mth basis DPFC has out-performed the AREF / MSCI All Index.
- » The DPFC portfolio saw a valuation increase of 1.42% over the quarter. The asset management endeavour implementing each property's bespoke 5 year asset plan has enhanced the portfolios rental income and in turn value. Positive rental increases have been achieved at lease renewals and with lettings.
- » The portfolio has seen the vacancy rate at the start of the quarter of 4.4% reduced to 3.0%, the post quarter end activity has seen the vacancy rate reduce further to 2.1%. The MSCI All Property Monthly Index for December had a vacancy rate of 10.5%. At Ransomes Europark, Ipswich the c. 20,000sqft unit which was vacated at the end of September was refurbished and re-let with a total void period of 3 months. The new letting is at a rental 22% higher than the previous tenancy.
- » DPFC's investment strategy targets principally multi-let property investments in strong locations offering the potential to grow income and in turn capital value enhanced through implementing an individual 5 year asset plan which utilises Eskmuir's asset management skill set. Through targeting assets in the £2m-12m size range, which are too large for most private investors and too small for the majority of institutional investors there is opportunity to purchase properties in a less crowded market place resulting in a higher income yield.
- » At Trimdon Retail Park in Sunderland, as part of the Asset Plan a simultaneous surrender of a lease and pre-letting of a unit subject to undertaking refurbishment works was completed. The unit has been let to JD Gyms extending the term of contracted income enhancing the parks profile and expected footfall.
- » DPFC launched in February 2015 with £18m of Funds under management on behalf of 8 charity investors. The Fund has grown to £53m of funds under management and there are now 15 investors in DPFC. The investor base is drawn from diverse charitable backgrounds including; education, conservation, religious, social welfare and medical. DPFC currently has funds to be invested and is actively seeking property investments that meet the Fund's investment strategy.
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- » The economy performed steadily in 2017 with the Office of Budget Responsibility and the International Monetary Fund both projecting GDP of 1.5% for the year. The December PMI data suggested resilience across manufacturing, construction and importantly services which was consistent with the initial estimate of Q4 GDP growth of 0.5%

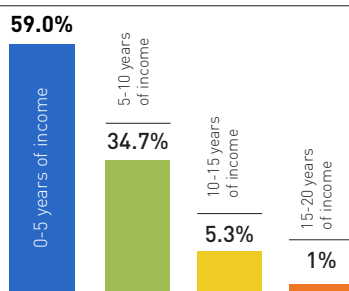
KEY FUND DATA

Portfolio value	£52.4m
Net asset value	£53.8m
Number of assets	9
NAV per unit - FRS102 basis	117.24 p.p.u.
NAV per unit - INREV basis	117.97 p.p.u.
Vacancy rate	3.0%
Weighted average lease length to expiry	4.86 years
Weighted average lease length to first break	3.46 years
August 2017 distribution paid	1.7580 p.p.u.
Distribution for last 12 months	6.9328 p.p.u.
Year end	30-Sep
Total expense ratio (TER) ¹	0.80%
SEDOL number	BXQ9SB8
ISIN number	GB00BXQ9SB85

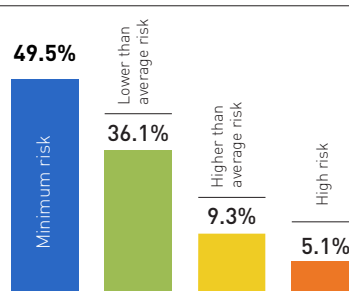
1. TER is calculated as total fund expenses divided by NAV. TER on a stabilised basis assuming £200m fund size, is 0.65%.

- » indicating stronger GDP for the year of 1.8%. With unemployment at 4.3% and December's CPI inflation of 3.0% reduced slightly from 3.1% in November, it is expected we will see real wage growth in 2018 which may support household spending, a significant contributor to GDP. In November there was a well signposted move by the Bank of England's Monetary Policy Committee to increase the Base Rate to 0.5%, which in effect reversed the action taken reducing it to 0.25% following the Brexit referendum. Further rate increases are anticipated over the next two years.
- » The property investment market had a busy 2017 with volumes up 15% on 2016. £6bn of the £60bn transacted during the year completed in December. Markets are still equity driven with the appetite from overseas investors undiminished particularly for large trophy assets in Central London, although recent exchange rate movements and the changes to CGT for overseas investors may temper this. UK institutions, REITs and property companies are focussed on the regional markets. The retail sector continues to evolve as the impact of the internet is absorbed. Out of town retail which offers a destination, convenience and forms part of the multi-channel retail model has performed better. Office rents in the regions have performed well with the 'Big Six' CBD's all reporting headline rents above £30 psf. There has been very limited office development outside of London since the financial crisis and permitted development rights are enabling office properties to be converted to residential use, eroding the supply of office space. The demand for industrial accommodation from manufacturing and logistics occupiers continues to grow which is feeding into rental growth and investor demand.

LEASE EXPIRY PROFILE (EXCL BREAK OPTIONS)



TENANT COVENANTS BY D&B RISK RATING



HISTORIC TOTAL RETURNS

Period	%
3 months	2.9%
6 months	7.0%
12 months	13.3%
Since inception Feb 2015 ¹	12.1%

1. Annualised

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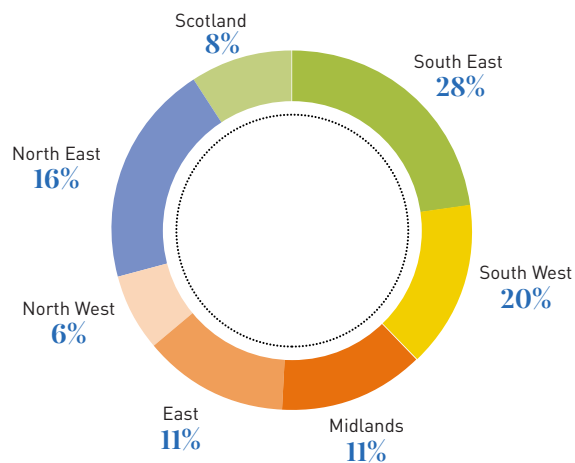
MAJOR TENANTS

Ten largest tenants by income

DSG Retail Ltd	Minimum Risk	8%
Go Outdoors Ltd	Minimum Risk	6%
JDSports Gyms Ltd	Minimum Risk	5%
Halfords Ltd	Minimum Risk	4%
Graham Tiso Ltd	Lower than average risk	4%
Hardware Services Ltd	Lower than average risk	3%
Valutech Ltd	Lower than average risk	3%
Ionic Systems Ltd	Lower than average risk	3%
Gareth John Training Limited	Lower than average risk	2%
Archive Document Data Storage	Minimum Risk	3%
TOTAL		41%

PORTFOLIO ANALYSIS BY LOCATION

CURRENT

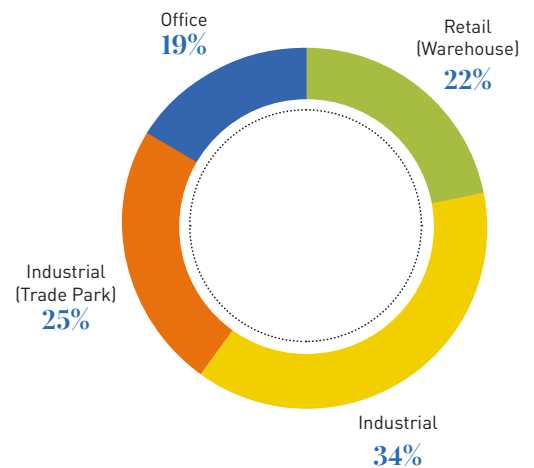


GLOSSARY

NAV per unit	Net Asset Value of the Trust prepared at the reporting date divided by units in issue
FRS102	Accounting basis on which accounts are prepared
INREV	European Association for Investors in Non-Listed Real Estate Vehicles. Utilising their reporting recommendations certain costs related to vehicle setup and property acquisition are added back to net assets and amortised over a five year period
SEDOL & ISIN numbers	UK and International identifier of The Diversified Property Fund for Charities as an investment security
D&B	Dun & Bradstreet provide data and analysis which is used to determine credit worthiness and relative risk of tenants
p.p.u	Pence per unit

PORTFOLIO ANALYSIS BY SECTOR

CURRENT



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