

1<sup>st</sup> APRIL 2019 - 30<sup>th</sup> JUNE 2019



## FUND OBJECTIVES



A target distribution yield of 6-7% pa. A target IRR of 7-9% over a rolling five year period through maintaining and increasing rental income and targeting capital value increases over the period at least in line with inflation.

Tax efficient investment in real estate for charity investors.

A clear investment strategy for a diverse portfolio in the primary real estate sectors. Focused on multi-let opportunities to diversify occupier and lease event risk and provide a sustainable income stream.

DPFC utilises the experienced and proven management team's skill set to actively manage the portfolio and drive returns.

## KEY FUND DATA

Portfolio value	£63.3m
Net asset value	£62.7m
Number of assets	10
NAV per unit - FRS102 basis	123.12 p.p.u.
NAV per unit - INREV basis	123.56 p.p.u.
Vacancy rate <sup>1</sup>	1.7%
Weighted average lease length to expiry	5.68 years
Weighted average lease length to first break	3.58 years
February 2019 Distribution paid	1.7996 p.p.u.
Distribution for last 12 months	7.1472 p.p.u.
Year end	30-Sep
Total expense ratio (TER)	0.81%
SEDOL number	BXQ9SB8
ISIN number	GB00BXQ9SB85

<sup>1</sup> 2.5% excluding rent guarantees.

## FUND REVIEW



### Distribution

The Fund distribution for this quarter is 1.8510p per unit, an annualised 6.04% of the opening NAV.

### Total return

DPFC delivered a total return of 1.6% over the quarter (AREF/MSCI All Funds 0.4% total return). Over the last 12 months DPFC's total return is 9.0% (AREF/MSCI All Funds 2.8% total return). The Fund total return since inception is 11.8% annualised (52% total return in absolute terms, 29% distributed, 23% NAV growth).

### Value Growth

DPFC's portfolio increased in value by 0.13% over the quarter benefiting from the funds ongoing lower retail exposure. With 82% of the portfolio in the industrial and office sectors the rental growth in these sectors crystallised at lease renewals and rent reviews has been strong. The MSCI/IPD All Property Index saw values reduce by 0.7% over the quarter.

### Occupancy

The portfolio was 98.3% occupied at 30th June with 1.7% vacant, representing two units across the portfolio (MSCI/IPD All Property Index June vacancy rate 12.4%). The strategy to acquire good quality well located properties attractive to occupiers continues to see high occupancy levels.

### Investment Strategy

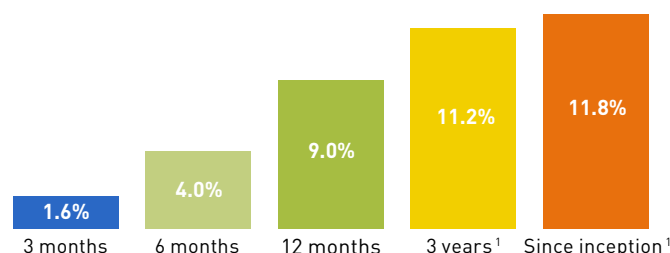
DPFC's investment strategy is clear, targeting:

- Multi-let properties, a sub-sector of the property market often undervalued, with diverse rental income streams diversifying occupier risk;
- Well located properties where tenants want and need to be;
- £3m - £10m properties, a strata of the market too large for most private investors and too small for most institutions resulting in acquisitions at attractive income yields; and
- Assets suitable to being actively asset managed in line with each properties individual 5 year asset plan detailing how to deliver performance.

### Asset Management

- With 75 tenancies in the portfolio there is a robust rental income stream to support the distribution yield. This high level of occupier diversity provides many opportunities to asset manage the rental income streams to enhance values.
- The rental growth from the office and industrial properties is strong. The rental tone on DPFC's office properties in both Cambridge and Watford is now over £30 per sqft more than 20% higher than at acquisition. The most recent letting at DPFC's office building 34, Clarendon Road Watford was at £31.70 per sqft, 33% increase on the rent paid by the previous occupier.
- DPFC's industrial properties in Milton Keynes and Swindon have seen rental growth from c. £4 per sqft to c. £6.50 - £7.00 per sqft. The rental income at Kiln Farm Industrial Estate, Milton Keynes has increased from £342,000pa at purchase in 2015 to £570,000pa today, an increase of 66%.

## HISTORIC TOTAL RETURNS



<sup>1</sup> Annualised

### Property Investment Market

- Heightened Brexit and political uncertainty has seen a reduction in investment transaction volumes. For the first five months of 2019 the volumes were 27% lower year-on-year.
- The retail sector continues to be in a period of structural change with the level of CVAs increasing the number of retail units available and reducing the rents achievable. Investor interest in the retail sector is low. DPFC's cautious view of retail (18% of the portfolio) has helped fuel performance.
- Industrial and some office assets are preferred by investors. This is due to the attractive level of occupier demand resulting in rental

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Maidstone

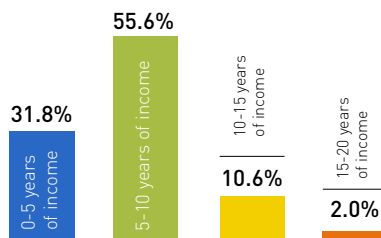
## MAJOR TENANTS

Ten largest tenants by income	D & B Category	
Allianz Management Services Ltd	Minimum Risk	7%
DSG Retail Ltd	Minimum Risk	6%
Go Outdoors Ltd	Minimum Risk	5%
JD Sports Gyms Ltd	Lower than average risk	4%
MTD (UK & Ireland) Ltd	High risk	4%
Halfords Ltd	Minimum Risk	3%
Graham Tiso Ltd	Minimum Risk	3%
Valutech Ltd	Lower than average risk	3%
Frost Bodyshop Ltd	Lower than average risk	2%
Crowe UK LLP	Minimum Risk	2%
<b>Total proportion of rent roll</b>		<b>39%</b>

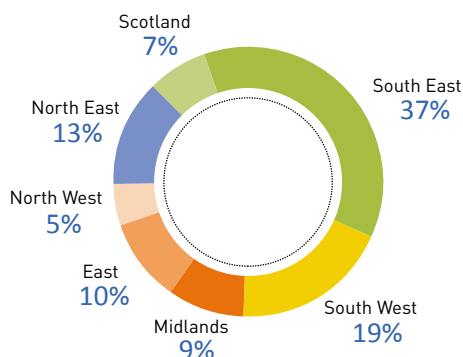
## GLOSSARY

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
Historic Total Returns	Calculated over the reference period as the sum of closing NAV per unit less opening NAV per unit plus distributions per unit all divided by opening NAV per unit

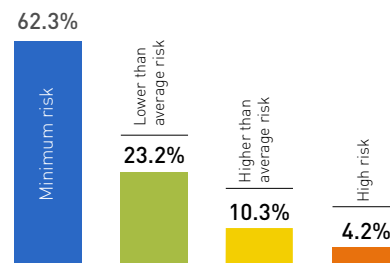
## LEASE EXPIRY PROFILE (EXCL. BREAK OPTIONS)



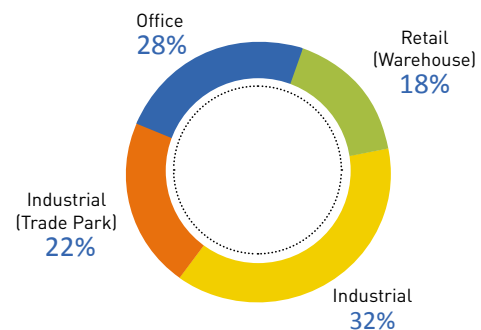
## PORTFOLIO ANALYSIS BY LOCATION



## TENANT COVENANTS BY D&B RISK RATING



## PORTFOLIO ANALYSIS BY SECTOR



**Paul Hodgson,**  
Fund Manager

✉ Eskmuir FM Ltd, 8 Queen Anne Street, London, W1G 9LD  
 ☎ T. 020 7436 2339  
 🌐 [www.dpfc-eskmuir.co.uk](http://www.dpfc-eskmuir.co.uk)

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