

1<sup>ST</sup> JULY 2019 - 30<sup>TH</sup> SEPTEMBER 2019



Swindon

## 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	£63.8m
Net asset value	£63.2m
Number of assets	10
NAV per unit - FRS102 basis	124.18 p.p.u.
NAV per unit - INREV basis	124.56 p.p.u.
Vacancy rate <sup>1</sup>	1.7%
Weighted average lease length to expiry	5.46 years
Weighted average lease length to first break	3.37 years
February 2019 Distribution paid	1.8510 p.p.u.
Distribution for last 12 months	7.2242 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 1.8620p per unit, an annualised 6.00% of the opening NAV.

### Total return

DPFC's 2.4% total return over the quarter compared favourably to AREF/MSCI All Funds 0.1% total return. The Fund delivered a total return of 8.7% over the last 12 months (AREF/MSCI All Funds 1.5% total return). 11.8% is DPFC's annualised total return since inception (54% Total return in absolute terms, 30% distributed, 24% NAV growth).

### Value Growth

DPFC's portfolio increased in value by 0.8% over the quarter. The MSCI/IPD All Property Index saw values reduce by 0.7% over the quarter. The portfolio's value growth can be attributed to lease renewal and rent review activity crystallising rental growth in addition to the lower retail weighting (17%) with 83% invested in the industrial and office sectors.

### Investment Strategy

DPFC's investment strategy is clear and targets:

- Multi-let properties, a sub-sector of the property market often undervalued, with diverse rental income streams spreading 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 an attractive income yield; and
- Assets suitable to being actively asset managed in line with each property's individual 5 year asset plan detailing how to deliver performance.

### Occupancy

The portfolio was 98.3% occupied at 30th September with 1.7% vacant, comprising two units. MSCI/IPD All Property Index September vacancy rate was 13.2%. The strategy of acquiring good quality multi-let properties in strong locations is ensuring robust occupier demand with a smoothing of lease events.

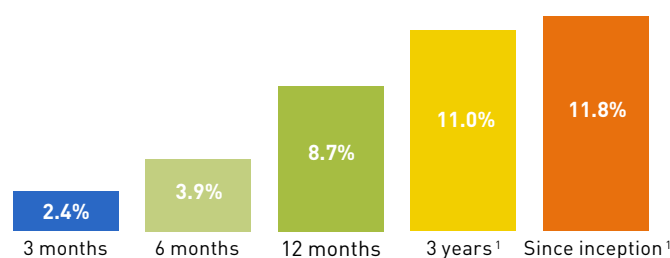
### Asset Management

The portfolio is made up of 75 tenancies, 82% of which have covenants classified by D&B as "Minimal" or "Lower than average" risk. This high level of occupier diversity provides a pipeline of opportunities to enhance income and values. Passing rents have increased by an average of 23% at lease events over the last 12 months. This rental growth was achieved by the office and industrial properties forming 83% of the portfolio. Whilst the internet is challenging the traditional retail model the positive impact of the internet on real estate is the growth of distribution and increased demand for "last mile" logistic units which feature strongly in DPFC's portfolio. In asset managing a property the manager is tasked with identifying and delivering opportunities to enhance income and value. At DPFC's Clarendon Road, Watford property the rental tone has increased to more than £30 per sqft. It is therefore pleasing a planning consent has now been secured to develop 8,600 sqft of additional office accommodation at roof level. The cost and market conditions for implementing this permission will be considered further during the coming year.

### Property Investment Market

- Continued Brexit and political uncertainty has resulted in reduced investment transaction volumes which are down by c.30% over the first 8 months of the year. The Spring and Autumn are traditionally especially active times of the year and the March and October Brexit dates have impacted these periods significantly.
- Overseas investors continue to be particularly active taking advantage of the attractive exchange rate movement and reduced domestic investor demand. Offices, and particularly London offices, and mixed use schemes are their preferred sectors.
- The retail sector continues to evolve and the reduced occupier demand has impacted rental levels particularly on shopping centres and town centre retail units. This has reduced investor sentiment softening capitalisation yields and values. Reduced investor demand is providing very limited transactional evidence for valuers.
- The industrial sector continues to be popular with investors as the rental growth forecasts, although expected to slow, still remain attractive due to strong occupier demand.

## HISTORIC TOTAL RETURNS



<sup>1</sup> Annualised

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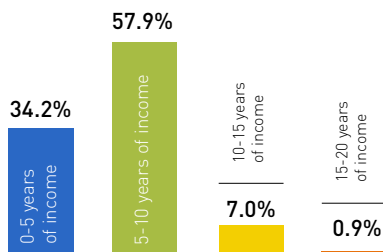
## MAJOR TENANTS

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

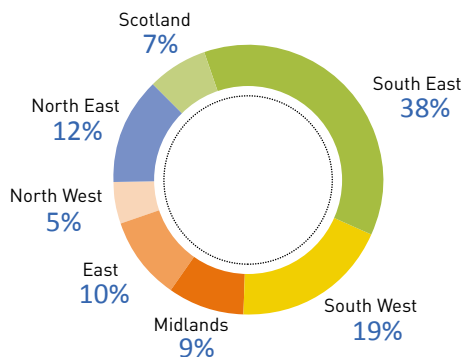
## GLOSSARY

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

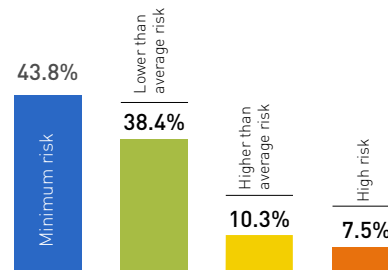
## LEASE EXPIRY PROFILE (EXCL. BREAK OPTIONS)



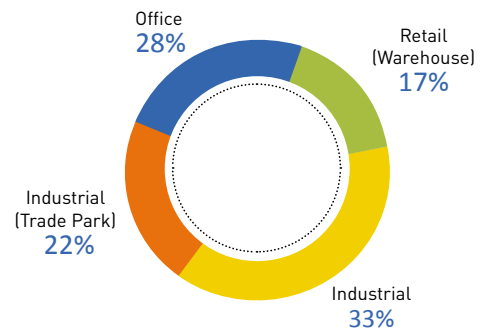
## PORTFOLIO ANALYSIS BY LOCATION



## 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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