ESKMUIR
GROUP

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14th August 2020

Dear Investor,

The Diversified Property Fund for Charities Factsheet

Highlights:

- **Rent collection for March quarter rents (Q3 period to end June) currently stands at 86% with expectation of collecting a further 7% in the coming months.**
- **Q3 total return 1.3% (1.4% income and -0.1% capital).**
- **Distribution for Q3 of 1.753p to be paid on 14 August (distribution maintained at same level as Q2).**

Fund Update

The Covid-19 pandemic has seen Governments across the globe introduce restrictions on the movement of their people. The UK Government's lockdown guidance has significantly impacted the UK economy with certain sectors more effected than others. The retail, leisure and hospitality sectors have had the most challenging time with all but essential retailers being closed and only essential travel being allowed for three months. The industrial and office sectors have been affected less severely due to some businesses being able to work remotely or socially distanced. DPFC and its occupier base are not immune to these influences and the active management strategy adopted by DPFC seeks to mitigate the adverse effect on the portfolio.

However, DPFC's clear investment strategy, prudent asset management and strong tenant relationships have contributed to the resilient total return performance detailed below;

	Q3 2020	6 mths	12 mths	3 yrs	5 yrs	Since Inception
DPFC	1.3%	1.2%	5.4%	9.2% pa	10.3% pa	10.8% pa

Rent Collection

The full impact of the Covid -19 pandemic was felt just as the March quarter rent payments were due (for Q3 period April to June). As DPFC's tenants' businesses had generally been fully operational in the period up to the quarter day, they were reasonably well placed to pay the March quarters rent (mainly quarterly in advance). As a result 86% of rents have been collected. A further 5% of the rent is due to be collected through payment plans before the end of September and 2% is to be collected through payment plans over subsequent quarters. We are still discussing the collection of the remaining 7% of rent, the majority of which is owed by Go Outdoors who are in administration and have advised they will honour all existing lease commitments for the next 12 months. Go Outdoors, a camping and outdoors activities equipment retailer occupy a unit in Penrith, "the gateway to the Lake District" which they have indicated they wish to continue trading from. We therefore expect most of the March quarter rent to be received, albeit some will be delayed.

The relationship between a landlord and tenant comes to the fore in these uncertain times and the time spent in getting to know tenants and their business has proved invaluable. Where it has been appropriate, and supporting financial information has been supplied, payment plans have been agreed with tenants. However, where tenants are able to pay, but would prefer not to, we have been persistent. The Government has introduced certain protections for tenants on how a landlord may seek payment of rent arrears making it harder to be paid promptly. These restrictions are currently due to expire in October.

The March rent quarter (DPFC's Q3 accounting period) rent collection is as follows:

Sector	Rent Collected	Portfolio Weighting
Industrial (Industrial & Trade)	87%	57%
Office	98%	28%
Retail Warehouses	70%	15%
All Sectors	86%	100%

It was widely anticipated that the rent collection for Q4, the June quarter, covering the period July to September, would be more challenging than Q3 as the UK Government's lockdown guidance saw many businesses close their physical premises for most of this period. The retail, leisure and hospitality sectors have seen their cashflows severely reduced as all but essential retailers and takeaways were closed. 15% of the DPFC portfolio is in the retail sector with the balance, 85%, in the industrial and office sectors. The businesses that occupy office and industrial premises often lend themselves more readily to remote and social distanced working which has enabled businesses to preserve their cashflows and pay their rent. At the time of writing, broadly halfway through the quarter, the Q4 June quarter's rent is 72% collected with a further 11% of payment plans agreed. The Q3, March quarter's rent was collected to a similar level at this stage in the quarter. However, as the recession bites we anticipate businesses cashflows will continue to come under pressure.

Distributions

As a result of the strong rent collection for the March Q3 rent collection, the Q3 distribution is 1.7530p per unit and will be paid on August 14th. This is unchanged from the Q2 distribution (for period January – March 2020) of 1.7530p per unit paid in May.

The level of quarterly distribution is dependent on the level of rental income collected. The rent collection protocol starts a month before the due date with the tenants contacted regularly to ensure prompt payment. Additionally, outgoings are closely managed at a fund and tenant (Service Charges) level to optimise and support profitability.

DPFC invests in well located multi-let properties in the £3m - £12m range which are receptive to being asset managed. The strength of the property locations, where occupiers need and want to be, supports high occupancy rates and mitigates vacant property cost which in turn enhances the revenues available to be distributed. This underpins the DPFC occupancy rate which, at the end of June, was 97.7% compared to the AREF benchmark of 90.7%.

Asset Management and Net Asset Value

Active asset management and selecting multi-let properties with diversified occupiers and lease events, is a core strategic objective of DPFC. Prior to purchase a bespoke asset plan is devised for each property identifying opportunities to enhance income and capital value. These plans are implemented and regularly reviewed to reflect the dynamic environment we operate within.

As an example, Westerngate in Swindon is an industrial estate of 12 units where, working with existing and new occupiers, the occupancy rate has been consistently high and rental growth has steadily increased the capital value. An existing occupier on the estate PRP Optoelectronic (PRP) required additional accommodation and another occupier had vacated their unit prior to lease expiry. Through agreeing an early surrender of the unoccupied unit and agreeing a pre-letting to PRP ensured the unit was only vacant for a short period whilst refurbishment works were undertaken. As part of the transaction PRP agreed to extend their existing lease. DPFC's valuers increased the property's value as the quantity and quality of rental income has increased. The Funds valuers are cautious in their approach to increasing values whilst astute in reflecting market trends in a timely way. A key reason for DPFC's portfolio value performance is the constant asset management undertaken. The portfolio value is a significant driver for the Fund's Net Asset Value performance.

The Covid -19 Pandemic has significantly reduced the level of commercial property investment transactions. Valuers look to comparable transactions to support their valuations and the lack of evidence during the height of the lockdown saw the introduction of "material uncertainty" clauses in valuations. This in turn led to the FCA guidance to suspend trading in open ended real estate funds. As market activity has begun to pick up, the clauses are being lifted on sectors of the market.

Currently, DPFC's Trustees have guided in the interest of all investors in DPFC, they would act to discourage investors from seeking to redeem units.

Fund Outlook

The ongoing impact of Covid-19 and uncertainty of the Brexit trading arrangements will dominate the UK's economic performance over the coming months and no doubt years ahead. The real estate industry and DPFC will not be immune to these influences. Tenants ability to pay their rent and the increased supply of accommodation as some occupiers reassess their needs will reduce rental levels and capital values in some sectors.

However, DPFC's portfolio is primarily invested in the industrial and office sectors, with only 15% in retail warehousing. The portfolio has no exposure to high street retail, shopping centres, restaurants or hotels. The diversified portfolio by properties, locations and number of tenants, coupled with building strong relations with occupiers has proved relatively resilient to date. Whilst there are significant head winds in the current environment, it is important to focus on real estate being a long-term investment. We believe the DPFC portfolio is reasonably well placed to continue to deliver attractive investment returns into the future.

Yours faithfully

Paul Hodgson, Fund Manager

Q3 2020 FACTSHEET

DPFC
Diversified Property Fund For Charities

1st APRIL 2020 - 30th JUNE 2020

KEY FUND DATA

Portfolio value	£63.1m
Net asset value	£62.8m
Number of assets	10
NAV per unit - FRS102 basis	122.43 p.p.u.
NAV per unit - INREV basis	122.63 p.p.u.
Vacancy rate	2.3%
Weighted average lease length to expiry	5.43 years
Weighted average lease length to first break	3.35 years
Feb. 2020 Distribution paid	1.7530 p.p.u.
Distribution for last 12 months	7.3200 p.p.u.
Year end	30-Sep
Total expense ratio (TER)	0.81%
SEDOL number	BXQ9SB8
ISIN number	GB00BXQ9SB85

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.

FUND REVIEW

COVID-19 has had a huge impact on the economy and everyday life. DPFC has not been immune to this but has been relatively resilient not withstanding the ongoing challenge being faced.

Distribution

The Fund distribution for this quarter, payable August 2020, is 1.7530p per unit, an annualised 5.7% of the opening NAV and is unchanged from the previous quarter's distribution.

Total return

DPFC's 1.3% total return over the quarter compared favourably to AREF/MSCI All Funds -2.0% total return). The Fund delivered a total return of 5.4% over the last 12 months (AREF/MSCI All Funds -2.6% total return). 10.8% is DPFC's annualised total return since inception (58% total return in absolute terms, 36% distributed, 22% NAV growth).

Value Growth

The value of the DPFC portfolio increased by 0.12% over the quarter. The MSCI/IPD All Property Monthly Index saw values decrease by 3.7% over the quarter. The industrial properties in the portfolio increased in value as rents increased, letting terms improved and yields marginally improved. The value of retail properties reduced as the impact of the retail trend accelerated and COVID-19 saw all but essential retailers closed for 3 months. The structure of the DPFC portfolio has supported the performance relative to the benchmark having a low retail sector weighting of 15% retail warehouses with the remaining 85% of the portfolio in the industrial and office sectors.

Occupancy

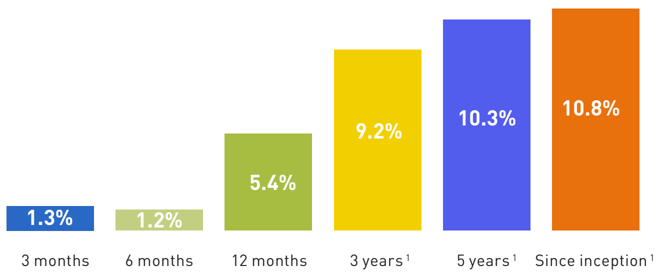
The portfolio was 97.7% occupied at 30th June with 2.3% vacant, comprising three units. One of these units was let on 8 July, increasing the occupancy rate to 98.3%. AREF/MSCI All Funds Index June vacancy rate was 9.3% (90.7% occupied).

Investment Strategy

DPFC's investment strategy is clear and targets:

- Multi-let properties, a sub-sector of the property market often under-valued with diverse rental income streams spreading occupier risk;
- Well located properties where tenants want and need to be;
- £3m - £12m properties, a strata of the market too large for most private investors and too small for most institutions, resulting in acquisitions at attractive income yield; and
- Multi-let assets suitable to being actively asset managed in line with each property's individual five year asset plan detailing how to deliver performance.

HISTORIC TOTAL RETURNS



[1] Annualised

Asset Management

- The COVID-19 pandemic has remained the most significant influence on global economies and DPFC tenants ability to pay their rent. The period being reported in this factsheet is March to June 2020 for which the rent was principally due in March as we headed into the peak of the pandemic in the UK. Over 85% of the March quarter's rent has been collected with over 90% due to be paid through payment plans by the end of September.
  Where appropriate we have sought to support DPFC tenants and agree payment plans, however those occupiers who are able to pay but would prefer not to have been pursued as we are very aware how important the distributions are to DPFC's investors. The June quarter's rents have been demanded and over 70% of the rent has been collected at this stage. The quality and financial strength of the tenants in the portfolio and the strength of the landlord and tenant relationships is evidenced by the level of rent collected.
- An asset plan is prepared for each of the 10 properties in the portfolio optimising the potential to enhance rental income and property value. This endeavour ensures the valuers have numerous value enhancing actions to capture in their valuations. The strategy is to have a financially strong diverse tenant base. There are currently 74 tenancies in the portfolio and 80% of the rental income they generate is from tenants with covenants D&B risk rated as "minimal" or "lower than average".
- The asset management of the portfolio has continued during the Covid-19 lockdown period. Maintaining high occupancy levels optimises rental income and mitigates void costs. At Westerngate Industrial Estate in Swindon an existing tenant, Johan has renewed their lease for five years with stepped rents evidencing a 24% increase over the previous passing rent. At Grafton Trade Park, Northampton the only vacant unit on the park has now been let on a 10 year lease at £7 per sqft to Motorcycle World who relocated from St James Trade Park. Also in Northampton, Motor Parts Direct, who have been a tenant on the park for almost 40 years has agreed to remove their 2023 break option to extend their term certain to 13 years.
- Go Outdoors Ltd account for 5% of DPFC's rental income and they are in administration. They have confirmed they will honour existing leases for 12 months and they intend to continue trading from this store in Penrith going forward.

Property Investment Market

- Investment property transaction volumes over the quarter were low with both April and May being sub-£1bn months. June saw £1.4bn of transactions which is low relative to the 5 year monthly average of £5.1bn. The industrial sector proved the most popular with investors with the retail and leisure sectors being most challenged.
- Reduced transaction volumes have resulted in the introduction of a "material uncertainty" clause in valuations. As transaction volumes are starting to pick up the clauses are being lifted sector by sector.
- The Covid-19 Government guidance asking all but essential retailers to close was lifted in June but the already challenged retail sector has been impacted significantly.
- The office sector will evolve as a result of Covid-19 as business have demonstrated remote working can be implemented successfully. It is anticipated office demand is likely to reduce in London as workers prefer not to commute and employers encourage remote working. However for offices outside of London, where there has been limited development since the Global Financial Crisis, the expectation is more positive.
- The industrial sector has seen increased demand from logistics operators endeavouring to satisfy the demand from online retailers. Increased demand along with reduced supply as alternative uses compete from industrial estates, particularly in urban areas, has seen rental growth particularly in southern England.

Q3 2020 FACTSHEET

DPFC
Diversified Property Fund For Charities

1st APRIL 2020 - 30th JUNE 2020

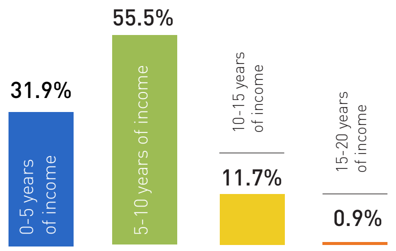
MAJOR TENANTS

Ten largest tenants by income	D & B Category	
Allianz Management Services Ltd	Lower than average risk	6%
DSG Retail Ltd	Minimum Risk	6%
GO Realisations Ltd (in Administration)	High risk	5%
JD Sports Gyms Ltd	Minimum Risk	4%
First Intuition Cambridge Ltd	Minimum Risk	4%
MTD (UK & Ireland) Ltd	High risk	4%
Halfords Ltd	Minimum Risk	3%
Graham Tiso Ltd	Lower than average risk	3%
PRP Optoelectronics Ltd	Minimum Risk	3%
Valutech Ltd	Higher than average risk	3%
Total proportion of rent roll		**41%**

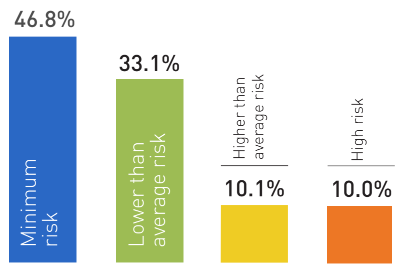
GLOSSARY

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

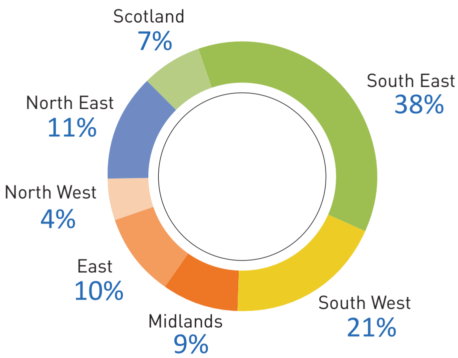
LEASE EXPIRY PROFILE (EXCL. BREAK OPTIONS)



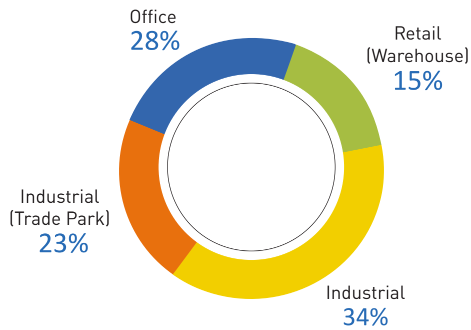
TENANT COVENANTS BY D&B RISK RATING



PORTFOLIO ANALYSIS BY LOCATION



PORTFOLIO ANALYSIS BY SECTOR



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