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11<sup>th</sup> February 2021

Dear Investor,

## The Diversified Property Fund for Charities (DPFC/Fund) Factsheet

I am pleased to attach DPFC's Factsheet for its Q1 20/21 period (October to December 2020).

### Highlights - Q4 period to end December 2020:

- **Distribution of 1.753p to be paid on 11<sup>th</sup> November, distribution maintained at same level as Q4 2020**

- **Rent collection:**

Quarter	Rent Collected	Rent Collected and due through agreed through payment plans
March 2020	94%	95%
June 2020	98%	99%
September 2020	99%	100%
December 2020, 41 days after the quarter day	84%	85%

- **Total return 2.2% comprising 1.4% income and 0.8% capital.**

### Performance Update

Strong levels of rent collection and a modest increase in capital values demonstrate the resilience of the DPFC portfolio and investment strategy in consistently delivering attractive Total Returns:

DPFC	Q1 20/21	6 mths	12 mths	3 yrs	5 yrs	Since Inception
Total Return	2.2%	6.3%	7.4%	8.8% pa	10.6% pa	11.2% pa

The primary sectors of the property market are performing differently in the current environment. Overall, the volume of investment property transactions picked up in the last quarter of 2020 although the annual total of £44bn was 20% down on 2019. With renewed lockdown measures the retail, leisure and hospitality sectors had continued closures creating extremely challenging conditions. The growth of online retailing has reduced demand for physical retail units resulting in lower rental levels and rising investment yields. With the effectiveness of remote working having been tested office occupiers are assessing how they will use office accommodation going forward. This has reduced take up particularly in London although rental levels are holding up regionally. Strong demand for industrial accommodation from logistics and trade suppliers continues to drive rental growth, particularly in urban areas where there is constrained supply and limited scope to develop new space.

The key drivers of DPFC's performance are:

- **Diversification:** DPFC seeks to mitigate property investment risk at a portfolio and property level through diversification of property, tenancies, sector use and location
- **Sector Weighting:** 60% of DPFC's portfolio is industrial warehouse assets, 27% is office assets and just 13% retail warehouse properties with no exposure to retail high streets or hospitality. The strong performance in the industrial sector is evident in the rental growth being achieved on DPFC's industrial properties
- **Quality Financial Covenants:** 72 tenancies with 75.9% of rental income derived from tenants with a D&B risk rating of 'minimal' or 'lower than average' risk
- **Low Vacancy Rate:** The void rate was 2.5% measured by rental value (compared to the AREF benchmark of 9.3%) at the end of December. Letting activity has since reduced this to 1.9% at the time of writing.
- **Active asset management:** Through working with tenants to help solve their property requirements within DPFC's portfolio, the relationships developed have contributed to the strong rent collection by ensuring that tenants who can afford to pay their rent do so.. Additionally, the asset management on the portfolio provides the Fund's independent valuers with transactional evidence of rental levels to reflect in quarterly valuations.

## Rent Collection

The level of rent collected throughout the Covid-19 period provides reassurance that the income is sustainable. 94% of the March 20 quarter rent has been collected which increases to 95% with agreed payment plans. 98% of the June quarter rent has been collected increasing to 99% with agreed payment plans. 97% of the September quarter's rent has been collected increasing to 100% with agreed payment plans.

The September rent quarter (DPFC's Q1 accounting period Oct to Dec) rent collection is as follows:

Sector	Rent Collected	Portfolio Weighting
Industrial (Industrial & Trade)	99%	60%
Office	99%	27%
Retail Warehouses	98%	13%
All Sectors	99%	100%

The December quarter rent payments are being made in a similar pattern to the September payments and 41 days after the quarter day 84% of the rent has been collected. The Government's protection for tenants restricting the actions landlords can undertake for non-payment have been extended to the end of March 2021 but they are having a minimal effect on DPFC's collection rates.

## Distributions

DPFC's cashflow has been resilient this quarter enabling the distribution of 1.7530p per unit for Q1 (period October to December 2020) which is unchanged from the previous two quarter's distributions of 1.7530p per unit. This will be paid to investors on 11th February.

## DPFC Outlook

In the near term we anticipate a continuation of the low growth, low inflation, low interest rate environment as the Government endeavours to get the pandemic under control. However, the rapid rollout of the vaccine programme provides optimism for the second half of the year with improved economic growth enhancing DPFC's tenants cashflows. DPFC has invested in properties with strong fundamentals which support high occupation levels, growing rental income streams and improving capital values. Whilst not immune to the impact of Covid-19 DPFC has demonstrated its resilience in the returns it has delivered, and I believe the Fund is well placed to navigate the challenges ahead.

It is proposed DPFC's Annual General Meeting will be held on 6<sup>th</sup> May. Arrangements will be confirmed in the Report and Financial Statements for the year ending 31<sup>st</sup> September 2020 which will be circulated shortly.

Yours faithfully

Paul Hodgson, Fund Manager

1<sup>st</sup> OCTOBER 2020 - 31<sup>st</sup> DECEMBER 2020

## 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	£65.2m
Net asset value	£65.0m
Number of assets	10
NAV per unit - FRS102 basis	126.66 p.p.u.
NAV per unit - INREV basis	126.80 p.p.u.
Vacancy rate	2.5%
Weighted average lease length to expiry	5.44 years
Weighted average lease length to first break	3.27 years
Nov. 2020 Distribution paid	1.7530 p.p.u.
Distribution for last 12 months	7.1240 p.p.u.
Year end	30-Sep
Total expense ratio (TER)	0.81%
SEDOL number	BXQ9SB8
ISIN number	GB00BXQ9SB85



## FUND REVIEW

Covid-19 continues to impact on social, health and economic wellbeing. However, the rapid roll-out of the vaccine programme leads us to be more optimistic about the second half of the year. DPFC has maintained the level of its distribution at 1.7530p per unit as a result of strong levels of rent collection. 97% of the September quarter's rent (covering the period October to December 2020) has been collected and agreed payment plans increase this to 100%. The value of the portfolio has increased again this quarter by 0.7% due partially to rental growth being capitalised.

### Distribution

The Fund distribution for the December 2020 quarter, payable during February 2021, is 1.7530p per unit, an annualised 5.5% of the opening NAV and has been maintained unchanged from the previous quarter's distribution.

### Total return

DPFC's 2.2% total return over the quarter compared favourably to AREF/MSCI All Funds 2.1% total return. The Fund delivered a total return of 7.4% over the last 12 months (AREF/MSCI All Funds -1.0% total return) and an annualised total return since inception of 11.2% (166% total return in absolute terms, 39% distributed, 27% NAV growth).

### Value Growth

The value of the DPFC portfolio increased by 0.7% over the quarter. The MSCI/IPD All Property Monthly Index saw values increase by 0.6% over the quarter. Industrial assets make up 60% of the Fund and continued to be the strongest performers delivering value increases as we crystallise rental growth at lease renewals, lettings and rent reviews. Additionally, the strength of investor demand for industrial assets continues to enhance yields. Retail properties have seen reduced occupier demand, due to the impact of online retailing, which has fed into reduced rents and capital values. The retail warehouse properties in the portfolio have remained open during the latest Covid-19 lockdown as they are either essential retailers or traded as "click and collect" locations. Office occupiers are assessing the impact of remote working on their occupational needs. DPFC is only 13% invested in retail warehouse properties with 27% of the portfolio being invested in offices with 60% in industrial warehouses.

### Occupancy

The portfolio was 97.5% occupied at 31st December with 2.5% vacant, comprising four units. AREF/MSCI All Funds Index December 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 undervalued 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 often too large for most private investors and a little 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 drive performance.

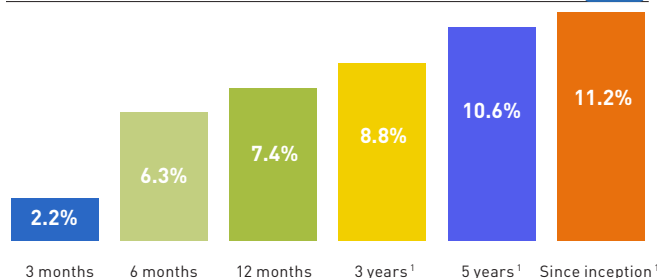
### Asset Management and Rent Collection

- The lockdown brought into place in December has again impacted on businesses cashflow although DPFC is not invested in the worse affected sectors of hospitality, leisure and high street retail. The level of DPFC rent collection is noteworthy. For the March 2020 Quarter 94% of the rent has been collected, and agreed payment plans will increase this to 95%. 98% of the June Quarter's rent has been collected, agreed payment plans will increase this to 99%. 97% of the September quarter's rent is collected, agreed payment plans will increase this to 100% and at the time of writing 84% of the December quarter's rent has been collected. The quality of the financial covenants of the diverse tenant base along with the low retail warehouse weighting and the attention the manager gives rent collection have contributed to these collection rates.
- There are currently 72 tenancies in the portfolio and 76% of the rental income is from tenants with financial covenants D&B rated as "minimal" or "lower than average risk".
- A key part of the stewardship of the portfolio is implementing an individual five year asset plan for each of the properties which provides an objective view of the opportunities and risks at each property and the potential to optimise income and enhance capital values. This process provides DPFC's independent valuers with transactional evidence to capture in the quarterly valuations.
- The asset management of the portfolio is reassuring in its continuity in these uncertain times. At Westerngate Industrial Park, Swindon the lease of a 23,000sqft unit was regeared with an existing occupier extending the lease by a further five years and increasing the rent by 38%. At Kiln Farm Industrial Estate, Milton Keynes, two tenants both occupying double units agreed to extend their leases for five and six years respectively at rents which increased by 60%. Additionally, on the same estate a unit has been let at £7.75 per sqft having been vacant for just two months, at purchase the vendor gave DPFC a £4 per sqft rental guarantee for 12 months on the vacant eight vacant units which were all let up with in the 12 months.

### Property Investment Market

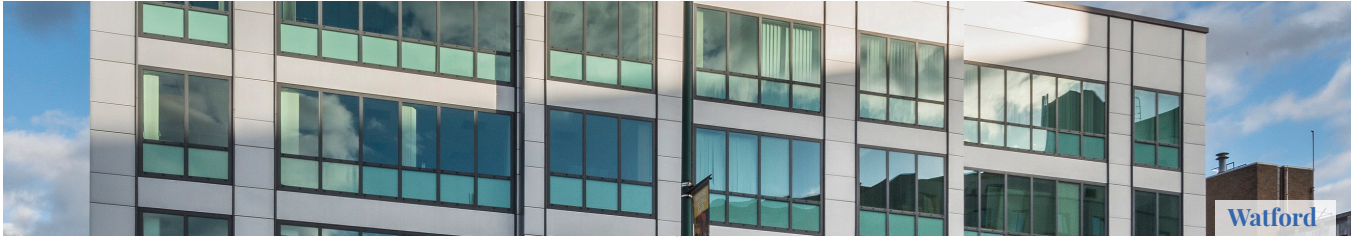
- Investment sales totalled £44bn for 2020, c. 20% down on 2019, with overseas investors accounting for over 50% of all investment. Transaction levels in December reached £6.7bn, c. 30% down year on year.
- Retail investment transaction volumes for 2020 were down 17% year on year and 50% below the 5 year average. There was an increase in retail warehouses being traded, although with the exception of supermarkets, retail yields continue to soften. Pressure on rents is set to continue throughout 2021 due to reduced occupier demand.
- Office investment transaction volumes reached £13bn in 2020, 27% down on 2019 and 42% below the 5 year average. International investors accounted for 62% of the market with a focus on London. Regionally, rental growth is expected to be subdued in 2021 albeit there is currently limited amounts of vacant accommodation.
- Industrial investment transactions amounted to £2bn in December for only the second time on record. Occupier take up remained strong throughout 2020 for both multi-let and distribution warehouses. Take up figures for distribution units were 56% higher than 2019. Rental growth is expected to remain strong in 2021.

## HISTORIC TOTAL RETURNS



<sup>1</sup> Annualised

1<sup>st</sup> OCTOBER 2020 - 31<sup>st</sup> DECEMBER 2020



## MAJOR TENANTS



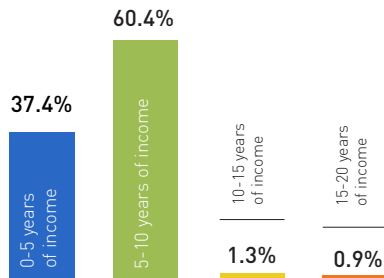
Ten largest tenants by income	D & B Category	
Allianz Management Services Ltd	Lower than average risk	6%
DSG Retail Ltd	Minimum Risk	6%
Go Outdoors Retail Ltd	Lower than average risk	5%
JD Sports Gyms Ltd	Minimum Risk	4%
First Intuition Cambridge Ltd	Minimum Risk	4%
MTD (UK & Ireland) Ltd	High risk	3%
Halfords Ltd	Lower than average risk	3%
Graham Tiso Ltd	Lower than average risk	3%
PRP Optoelectronics Ltd	Minimum Risk	3%
Valutech Ltd	Higher than average risk	3%
<b>Total proportion of rent roll</b>		<b>40%</b>

## GLOSSARY

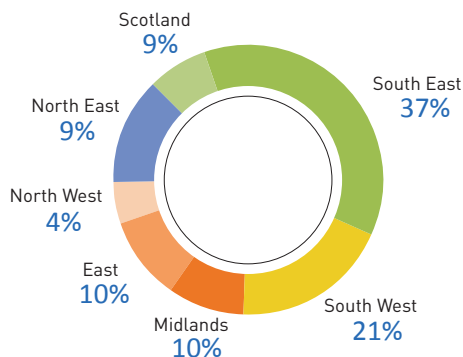


NAV per unit	Net Asset Value of the Trust prepared at the reporting date divided by units in issue
FRS102	Accounting basis on which accounts are prepared
INREV	European Association for Investors in Non-Listed Real Estate Vehicles. Utilising their reporting recommendations certain costs related to vehicle 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

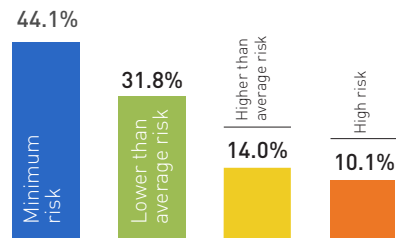
## LEASE EXPIRY PROFILE (EXCL. BREAK OPTIONS)



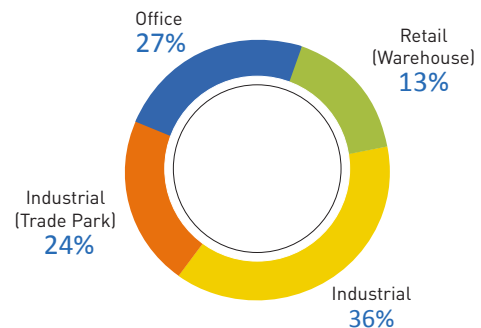
## PORTFOLIO ANALYSIS BY LOCATION



## TENANT COVENANTS BY D&B RISK RATING



## PORTFOLIO ANALYSIS BY SECTOR



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