Q1 2023 FACTSHEET

DPFC

Diversified Property Fund For Charities

1st OCTOBER 2022 - 31st DECEMBER 2022

Swindon Westerngate

FUND OBJECTIVES

- To deliver a sustainable, growing distribution and a target IRR of 7-9% pa over a rolling five year period.
- 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	£81.5m
Net asset value	£76.2m
Number of assets	12
NAV per unit - FRS102 basis	135.56 p.p.u.
NAV per unit - INREV basis	135.71 p.p.u.
NAV per unit - MSCI/AREF basis	133.64 p.p.u.
Vacancy rate	4.9%
Weighted average lease length to expiry	4.68 years
Weighted average lease length to first break	3.28 years
November 2022 Distribution paid	1.9000 p.p.u.
Distribution for last 12 months	7.5883 p.p.u.
Year end	30-Sep
Total expense ratio (TER)	0.85%
SEDOL number	BXQ9SB8
ISIN number	GB00BXQ9SB85

FUND REVIEW

The commercial real estate market saw yields soften over the quarter to 31st December resulting in AREF/MSCI All Funds' total return of -14.1%. DPFC delivered a total return of -9.0% with stock selection and asset management being two key mitigators to the market's reaction to increased interest rates, as central banks endeavour to control inflation. With inflation at 10.5%, after peaking in October 2022 at 11.1%, the Bank of England is focussed on reducing inflation having increased the Base Rate to 4% and guided further increases are likely. The PMI (Composite) has been below 50 for the last 6 months indicating economic contraction, but a technical recession has been narrowly avoided so far. With high employment and inflation, the cost of living crisis is resulting in widespread industrial action as the government seeks not to add to the inflationary pressures with high wage settlements. Capital value movements have been a material part of total returns in the commercial real estate market recently. Whilst DPFC is not immune to the short term volatility in capital values the resilient nature of the Fund's rental income is supportive of the sustainable and growing distribution which has been the same or increased each year since inception.

Distribution

The Fund distribution for the December 2022 quarter, payable during February 2023, is 1.9190p per unit, an annualised 5.09% of the opening NAV.

The DPFC distribution paid has increased on average by 2.0% pa since inception. The historic distribution yield is 5.7% paid over the last 12months as a percentage of the opening NAV.

Total return

DPFC's total return over the quarter was -9.0% (AREF/MSCI All Funds -14.1% total return). A -3.3% total return has been delivered over the last 12 months (AREF/MSCI All Funds -9.5% total return). Total returns of 8.6% and 9.0% have been achieved over 3 and 5 year respectively (AREF/MSCI All Funds 2.2% and 2.9% respectively). Since inception DPFC has realised a 10.1% Total Return annualised (90% total return in absolute terms, 54% distributed, 36% NAV growth).

Capital Value Growth

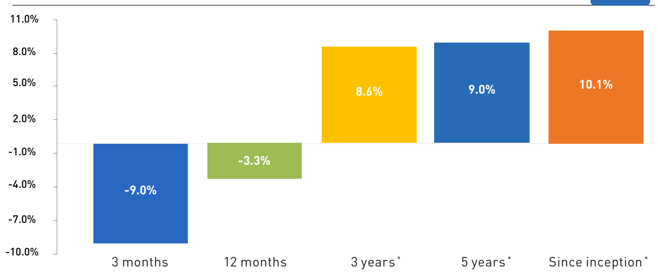
Softening of yields this quarter has seen commercial real estate values reduce in all sectors. The property level market benchmark MSCI/IPD All Property Index saw values reduce by 15.6%. DPFC saw values reduce by 9.5%. 63% of the DPFC portfolio comprises industrial assets which saw values reduce by 9.6%. The MSCI/IPD All Property Index benchmark industrial sector (41%) reduced by 20.3%. The benchmark includes the 100,000sqft plus logistics warehouses where yields had compressed to c. 3.0% prior to Autumn 2022 and were most exposed to the impact of interest rate rises. The values of the multi-let urban industrial asset DPFC invests in are more stable offering resilient supply and demand fundamentals. The robust demand from last mile logistics, traditional industrial and trade counter occupiers is resulting in continued rental growth as supply has been eroded through accommodation being converted to higher value alternative uses. Market rents exceed the passing rents on the DPFC assets by 11% which will be crystalised at lease events. In the months to come yields for DPFC's assets will stabilise which suggests income returns, and how they grow, are likely to be a more dominant part of total returns over the coming months.

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



* Annualised

Occupancy

The portfolio was 95.1% occupied at 31st December with 4.9% vacant. This is a reduction from the 5.1% vacancy rate the previous quarter (AREF/MSCI All Funds 9.9%). There are a number of units under offer to occupiers and on these lettings completing the vacancy rate will reduce to 3.4%.

Asset Management

All of the properties in the DPFC portfolio have a bespoke five-year asset plan which details the opportunities to enhance the income and in turn capital values. This active approach to asset management provides a clear structured way of rationalising and planning how to convert the opportunities spotted and mitigate risks. The asset plan prepared pre purchase of the recently acquired Woodside Business Park, Swindon spotted an outstanding rent review which has now been settled at a 23% increase on the previous passing rent. As part of the purchase, it was agreed the Fund would retain the back rent on settling the rent review. Rental increases are also being achieved at Grafton Trade Park, Northampton where a February 2023 lease renewal has been agreed with the rental increasing by 52%, from the previous passing rent. As part of this lease renewal works are being completed to improve the unit's energy efficiency, with the EPC improving from an EPC E to EPC B. At Westerngate Industrial Estate, Swindon the early surrender of a tenant's lease of a 12,000sqft unit with the tenant paying the rent up to expiry and settling the dilapidation claim, enabled the unit to be refurbished and marketed prior to the original lease expiry date. There are a number of potential tenants interested in the unit and we expect to agree terms on a new letting soon.

ESG

DPFC is fully committed to the protection of the environment, prevention of pollution and proactive compliance with current and evolving environmental legislation in addition to improving social performance across the portfolio and ensuring the highest level of governance across the business. In a practical context from DPFC's initial submission to GRESB in 2022 a score of 60 plus is being targeted within the next two years. Additionally, the future proofing of the portfolio continues with refurbishments at lease events proving the opportunity to improve EPC scores to an EPC B where possible.

Property Investment Market

- For the 2022 calendar year, investment transactions totalled £56bn, 6% below the 5 year average despite the comparatively strong start to the year.
- Office investment volumes for the 2022 calendar year stood at £14bn which is 30% below the five yearly average. International purchasers accounted for 65% of investment activity. Occupier take up is strong in Central London with lettings up 22% year on year and exceeding the long run average by 8%. Whilst demand for Grade A space continues to be resilient there is a greater supply of second-hand accommodation coming to the market as occupiers seek to upgrade their accommodation. Occupiers and investors are targeting prime quality properties. Tertiary second-hand accommodation is likely to go to alternative uses.
- Industrial investment transactions for the 2022 calendar year totalled £12.6bn, the second highest volume on record but slowing significantly from the £18.4bn reached in 2021. Whilst the occupier market continues to see rental growth, the average rate of growth across all subsectors and locations save for London are becoming more subdued. However, by contrast industrial rents in London grew by 14% year on year.
- Retail investment volumes remain subdued with some investor appetite across the spectrum with high street retail reaching a year high of £480m (albeit £400m was Fenwick's Bond St store), more than twice the five yearly average, and retail warehousing and shopping centre activity totalling £190m and £110m respectively. On the occupational side, despite 49 retailers entering administration in 2022 (affecting over 2,000 stores), retail rents rose in December (+0.2% y/y) for the first time since May 2018. The structural change to retailing is ongoing.

Outlook

The economic challenges of high inflation, increasing interest rates, high employment and the resultant cost of living crisis will prevail in the months ahead although inflation appears to have peaked and interest rate increases are likely to be less severe than initially thought. With 10 year Gilt rates now down to 3.3% from the 4.6% peak in October 2022 values of property investments in the sectors where there are robust occupier fundamentals are stabilising. The low vacancy rate (4.87%) in the DPFC portfolio shows the strength of occupier demand for the assets held. DPFC's very high rental collection rates from occupiers with strong financial covenants (77.8% D&B minimal or lower than aver age risk) evidences the resilience of the rental income and DPFC's ability to continue to deliver a sustainable and growing distribution as income returns become a more dominant element of total returns. The Manager believes DPFC portfolio's, weighted 63% in multi-let urban industrial warehouse assets ensures it is well placed to continue to deliver its distribution and rolling five-year IRR targets which remain appropriate and realistic.

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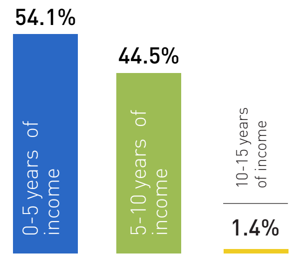
MAJOR TENANTS

Ten largest tenants by income	D & B Category	
Wickes Building Supplies Ltd	Lower than average risk	8%
Allianz Management Services Ltd	Lower than average risk	5%
Go Outdoors Retail Ltd	Lower than average risk	4%
JD Sports Gyms Ltd	Lower than average risk	3%
First Intuition Cambridge Ltd	Minimum risk	3%
MTD (UK & Ireland) Ltd	High risk	3%
Graham Tiso Ltd	Higher than average risk	3%
PRP Optoelectronics Ltd	Minimum risk	2%
Ionic Systems Ltd	High risk	2%
Frost Bodyshop Ltd	Minimum risk	3%
Total proportion of rent roll		**36%**

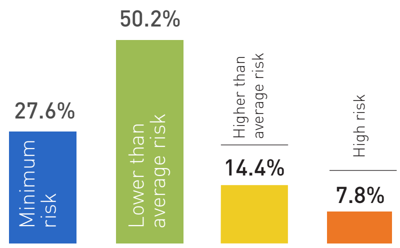
GLOSSARY

AREF	Association of Real Estate Funds
D&B	Dun & Bradstreet provide data and analysis which is used to determine credit worthiness and relative risk of tenants
FRS102	Accounting basis on which accounts are prepared
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
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
MSCI	Morgan Stanley Capital International
MSCI/AREF basis	Adopting this methodology the proposed distribution otherwise payable in the following quarter is deemed paid at the period end and deducted from NAV (FRS102)
NAV per unit	Net Asset Value of the Trust prepared at the reporting date divided by units in issue
NIY	Net Initial Yield
p.p.u	Pence per unit
RY	Reversionary Yield
SEDOL & ISIN numbers	UK and International identifier of The Diversified Property Fund for Charities as an investment security

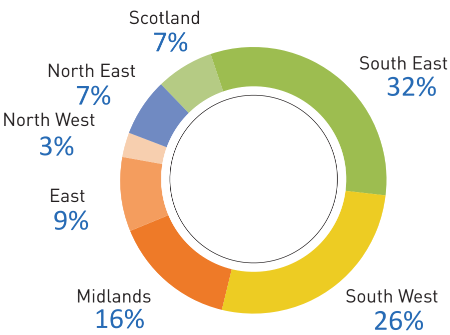
LEASE EXPIRY PROFILE (EXCL. BREAK OPTIONS)



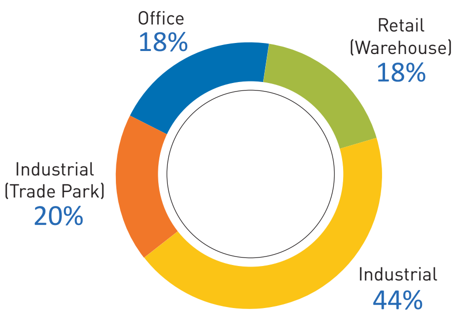
TENANT COVENANTS BY D&B RISK RATING



PORTFOLIO ANALYSIS BY LOCATION



PORTFOLIO ANALYSIS BY SECTOR



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