Q2 2023 FACTSHEET

DPFC
Diversified Property Fund For Charities

1st JANUARY 2023 - 31st MARCH 2023

KEY FUND DATA

Portfolio value	£82.4m
Net asset value	£76.2m
Number of assets	12
NAV per unit - FRS102 basis	136.78 p.p.u.
NAV per unit - INREV basis	136.91 p.p.u.
NAV per unit - MSCI/AREF basis	134.86 p.p.u.
Vacancy rate	7.2%
Weighted average lease length to expiry	4.74 years
Weighted average lease length to first break	3.31 years
February 2023 Distribution paid	1.9190 p.p.u.
Distribution for last 12 months	7.6190 p.p.u.
Year end	30-Sep
Total expense ratio (TER)	0.85%
SEDOL number	BXQ9SB8
ISIN number	GB00BXQ9SB85

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.
- Focus on multi-let opportunities to diversify occupier and lease event risk and provide a sustainable income stream from a diverse portfolio in primary real estate sectors.
- Utilise the experienced management team's skill set to actively manage the portfolio and drive returns.

FUND REVIEW

Property values stabilised over the quarter to 31st March with the industrial sector leading the return to growth. 65% of DPFC's portfolio is invested in the multi-let urban industrial sector which has benefited from constrained supply and strong occupier demand leading to rental, and capital growth. DPFC delivered a Total Return over the quarter of 2.3% and -6.9% over a trailing 12 months (AREF/MSCI All Funds -0.2% and -14.1% respectively). The disciplined implementation of DPFC's clear investment strategy and active asset management have driven the Fund's outperformance of the benchmark. The property value correction experienced by the market in the second half of the 2022 calendar year was principally driven by investors reacting to the increase in the cost of debt, as central banks endeavoured to manage high levels of inflation. Whilst Inflation remains stubbornly high, the consensus view is the Bank of England Base Rate at 4.25% is close to its peak. The PMI (Composite) at 52.2 indicates the economy is expanding, suggesting we may narrowly miss a technical recession. Throughout this period of short-term volatility in capital values DPFC's income has been resilient with 97% of rental income collected within 21days of the quarter day. The Fund's growing rental income is supportive of a sustainable and growing distribution.

Distribution

The Fund distribution for the March 2023 quarter, payable in May 2023, is 1.9190p per unit, an annualised 5.61% of the opening NAV.

DPFC's distribution objective is to deliver a sustainable and growing distribution. Since inception the distribution has grown by an average of 2.0% pa and increased or been maintained each year.

Total return

A 2.3% Total Return was delivered by DPFC over the quarter (AREF/MSCI All Funds -0.2% total return). Over the last 12 months DPFC's Total Return was -6.9% (AREF/MSCI All Funds -14.5%). Total returns of 9.5% and 9.0% have been achieved over 3 and 5 years respectively (AREF/MSCI All Funds 2.6% and 2.5% respectively). Since inception DPFC has realised a 10.1% Total Return annualised (93% total return in absolute terms, 56% distributed, 37% NAV growth).

Capital Value Growth

The DPFC portfolio has increased in value over the quarter to 31st March by 1.17% (MSCI All Property Index -1.2%). Over the quarter, DPFC's industrial assets increased in value by 3.0% (MSCI -1.2%), office property values decreased by 4.1% (MSCI -2.7%) and the retail asset values were static (MSCI -0.3%). Over the quarter capitalisation yields have generally stabilised.

Investment Strategy

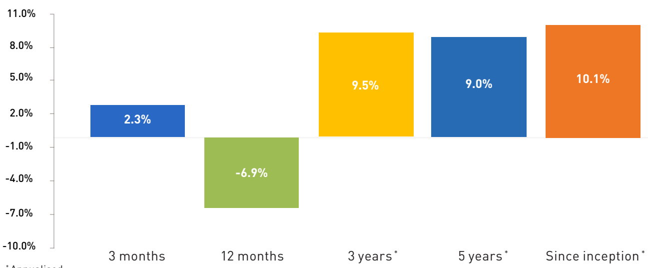
DPFC's investment strategy is clear and targets:

- 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.

Occupancy

The portfolio was 92.8% occupied at 31st March with 7.2% vacant (AREF/MSCI All Funds 10.3%). The increase from the 4.9% vacancy rate the previous quarter was prinicpally due to an occupier vacating three floors of Medway Bridge House, Maidstone on lease expiry. Lettings which completed after 31st March have reduced the vacancy rate to 6.6%.

HISTORIC TOTAL RETURNS



*Annualised

Asset Management

The active asset management of the properties in the portfolio is rationalised through preparing a bespoke five-year asset plan for each asset which details how the rental income may be enhanced and in turn the capital values. At Westerngate Industrial Estate, Swindon the negotiated early surrender of a lease of a unit with the rent being paid up to expiry and the dilapidations claim being agreed enabled a unit to be refurbished prior to the lease expiry date. The tenant of the adjacent unit went into administration which enabled a combined unit totalling 23,000sqft to be marketed and let to a new occupier with a strong balance sheet at a rental of £7.70 per sqft, 25% higher than the previous passing rent. At 34 Clarendon Road, Watford two refurbished office suites have been let to a single occupier at a rental of £33.30 per sqft which is 11% higher than the market rent in the latest valuation. At Grafton Trade Park, Northampton a vacant unit has been refurbished improving its EPC from an EPC E to an EPC B in line with DPFC's ESG focus of future-proofing the portfolio in anticipation of MEES requirements increasing to an EPC B in 2030. Prior to the quarter end the unit was under offer to be let at a rental of more than £9.00 per sqft which is 35% ahead of the market rental in the valuation. Rent collection rates have returned to their pre-pandemic levels with 97% of the March quarter's rent collected within 21 days of the quarter day.

ESG

DPFC is focussed on minimising the impact on the environment whilst we transfer to a net zero carbon society. As such, DPFC is fully committed to the 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. Through DPFC's GRESB submission it is documenting and evidencing how it is actively enhancing the Environmental, Social and Governance aspects of it's business. 100% of DPFC's centrally sourced energy is from renewable sources and constant improvements are being made to the portfolio's EPC ratings. We anticipate the MEES requirements to let commercial property will increase from the current EPC E, to an EPC C in 2027 and EPC B in 2030. DPFC is 100% compliant with the current MEES requirements. A pilot scheme is underway to establish the viability of installing EV charging points and solar panels at a number of DPFC's properties.

Property Investment Market

- Investment volumes reached a three-month high in March of £3.5bn (five-year monthly average £4.8bn). Q1 2023 saw £7.7bn of transactions, 60% down on the same period in 2022. Across the market the MSCI benchmark data is showing a stabilisation of yields following rising yields over the second half of the 2022 calendar year.
- Office investment volumes increased from £640m in February to £910m in March, 37% behind the five-year monthly average of £1.4bn. Overseas capital accounted for 80% of the transactions in Q1 2023 as yields plateaued after five months of steady increases. Across the UK, prime and top rents continue to increase due to occupiers targeting the best located product with the best ESG credentials, it is the secondary and tertiary office properties which may find it hard to locate occupiers.
- Retail investment volumes increased from £50m in February to £1bn in March, almost double the five-year monthly average. Supermarkets accounted for almost half the March transactions in one large portfolio transaction. The occupational market remains vulnerable to the cost-of-living crisis and stubborn levels of inflation.
- Industrial investment volumes also increased from £110m in February to £650m in March, 33% below the five-year monthly average of £970m. The MSCI data confirmed yields have stabilised and have started to compress. In the multi-let urban industrial market where DPFC invests we have noticed voids reducing and rentals increasing, although the depth of demand is shallower than it has been suggesting rental growth is likely to be more subdued.

Outlook

The economic headwinds of: stubbornly high inflation, increased interest rates, high levels of employment and the cost-of-living crisis are likely to ease in the second half of the year when inflation is forecast to reduce. Whilst gilt rates have increased slightly in recent weeks, they are some way off the levels reached during the "mini budget" in October last year which suggests a more constant commercial real estate investment environment enabling values to stabilise. The DPFC portfolio has outperformed the benchmarks during this period, and over the longer term. The investment strategy has demonstrated its resilience during both the Covid Pandemic and the current period of economic uncertainty. DPFC has: a low vacancy rate (7.2%), high levels of rent collection (97% within 21 days of the quarter day) from tenants with good financial covenants (72.1% D&B Minimal or lower than average risk) and a 65% weighting in the multi-let urban industrial sector which is forecast to deliver rental growth and attractive returns. The Manager believes the portfolio and the disciplined implementation of the clear investment strategy will support the continued delivery of the Fund's distribution and IRR objectives.

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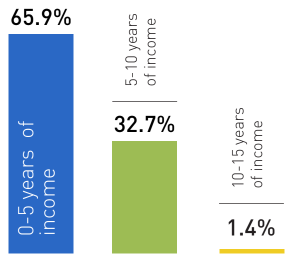
MAJOR TENANTS

Ten largest tenants by income	D & B Category	
Wickes Building Supplies Ltd	Lower than average risk	8%
Telenco UK 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%
Gridserve Holdings Ltd	Lower than average risk	3%
Frost Bodyshop Ltd	High risk	3%
MTD (UK & Ireland) Ltd	High risk	3%
Graham Tiso Ltd	Higher than average risk	3%
PRP Optoelectronics Ltd	Minimum Risk	2%
Total proportion of rent roll		**37%**

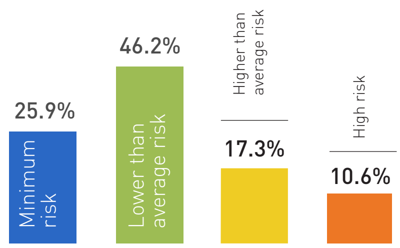
GLOSSARY

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

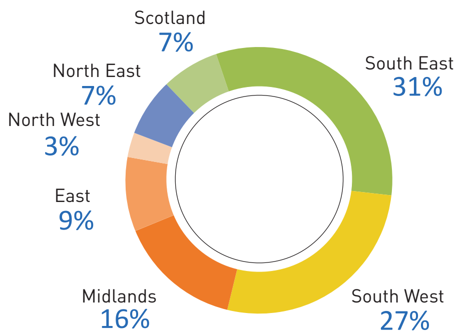
LEASE EXPIRY PROFILE (EXCL. BREAK OPTIONS)



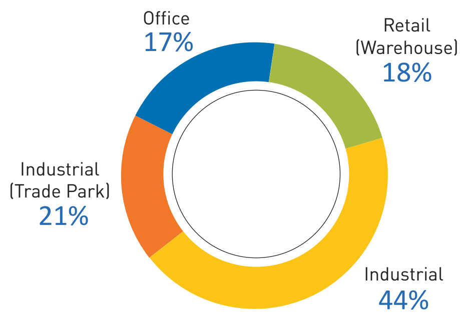
TENANT COVENANTS BY D&B RISK RATING



PORTFOLIO ANALYSIS BY LOCATION



PORTFOLIO ANALYSIS BY SECTOR



Paul Hodgson,
Eskmuir FM Limited
Appointed Representative of Fund Manager

Eskmuir FM Ltd, 8 Queen Anne Street, London, W1G 9LD

T. 020 7436 2339

www.dpfc-eskmuir.co.uk

Prepared by Eskmuir FM Limited, Appointed Representative of Boston & Alexander LLP, Fund Manager to DPFC registered as an AIFM with The Financial Conduct Authority under Firm reference number 543477.

Boston and Alexander LLP, 8-10 HIll Street, London, W1H 5NQ

www.bostonandalexander.com