Q4 2022 FACTSHEET

DPFC
Diversified Property Fund For Charities

1st JULY 2022 - 30th SEPTEMBER 2022

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	£90.0m
Net asset value	£84.8m
Number of assets	12
NAV per unit - FRS102 basis	150.83 p.p.u.
NAV per unit - INREV basis	150.99 p.p.u.
NAV per unit - MSCI/AREF basis	148.93 p.p.u.
Vacancy rate	5.1%
Weighted average lease length to expiry	4.92 years
Weighted average lease length to first break	3.55 years
August 2022 Distribution paid	1.9000 p.p.u.
Distribution for last 12 months	7.5766 p.p.u.
Year end	30-Sep
Total expense ratio (TER)	0.83%
SEDOL number	BXQ9SB8
ISIN number	GB00BXQ9SB85

FUND REVIEW

DPFC has delivered 14.1% total return (AREF 13.3%) for the Financial Year to 30th September 2022. Q4 of the Financial Year has seen a total return of -5.2% (AREF -4.0%) due to a softening of valuation yields as investor sentiment has been impacted by political uncertainty, higher inflation and interest rates. UK GDP declined by 0.3% in the quarter to August. UK PMI (Composite) has been under 50, indicating economic contraction, since August suggesting an increased likelihood of recession. The recent heightened political uncertainty in the UK has now been stabilised with the installation of a new Chancellor and Prime Minister calming investment markets as evidenced by Gilt yields reducing from a peak of 4.6% to current levels below 4.0%. Real estate's total returns have been dominated by capital appreciation in prior quarters and in this challenging economic environment capital values have started to soften with income returns remaining stable. DPFC has a low vacancy rate and rental income is from a diverse tenant base with strong financial covenants. The income returns from the portfolio have demonstrated their resilience with distributions either being maintained or growing year on year since inception. The distribution earned per unit has increased by 2.9% for the 2022 Financial Year.

Total return

DPFC has delivered a total return of -5.2% over the quarter (AREF/MSCI All Funds -4.0% total return). A 14.1% total return has been achieved over the last 12 months (AREF/MSCI All Funds 13.3% total return). Total returns of 12.8% and 11.7% have been achieved over 3 and 5 year respectively (AREF/MSCI All Funds 7.6% and 6.8% respectively). Since inception DPFC has realised a 11.8% total return annualised (103% total return in absolute terms, 52% distributed, 51% NAV growth).

Distribution

The Fund distribution for the June 2022 quarter, payable during August 2022, is 1.9000p per unit, an annualised 4.93% of the opening NAV.

Capital Value Growth

The DPFC portfolio saw negative capital growth this quarter of 5.7% (MSCI/IPD All Property Index -4.1%) this was principally due to yields softening. The market rents (ERVs) in the portfolio exceed the passing rents by 11%, this additional reversionary rental income will serve to enhance values when crystalised at lease events. Multi let urban industrial assets form 63% of the portfolio and demonstrate attractive supply and demand characteristics resulting in rental growth in this sector being forecast to be 12.8% over the next 5 years. Capitalisation rates in this subsector have reduced over recent years and may increase. However, the long term prospects to see rental growth are strong.

Investment Strategy

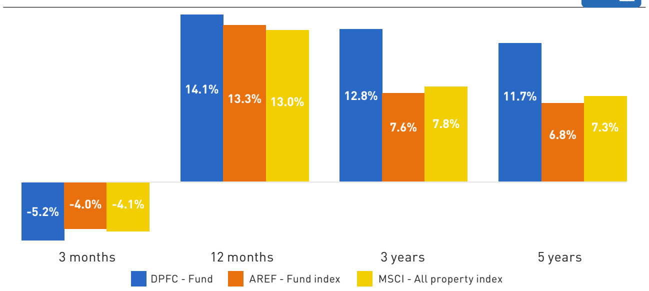
DPFC's investment strategy is clear and targets:

- 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 94.9% occupied at 30th September with 5.1% vacant, falling to 4.9% on completion of the letting of Unit 10 Swindon Woodside shortly after the quarter end. This is an increase from DPFC's 3.6% vacancy rate the previous quarter. (AREF/MSCI All Funds 9.5%).

HISTORIC TOTAL RETURNS



Asset Management

All assets in the DPFC portfolio have asset plans which detail how the rental income and in turn capital values may be enhanced. At Westerngate, Swindon, a 168,000sqft multi-let industrial estate, Unit 5 has been let to Telenco UK Ltd, an existing tenant on the estate at a new high rental for the estate of £7.30 per sqft. An early surrender of the unit from the previous tenant was agreed with them paying 80% of the rent due and a contribution to the refurbishment of the unit which enhanced the EPC (Energy Performance Certificate) rating to an EPC B. At Kiln Farm Industrial Estate in Milton Keynes, a 121,000sqft multi-let industrial estate, Unit 76 has been let at £9.00 per sqft reinforcing the new rental tone for the estate, which will support rental increases when settling future rent reviews. Prior to completing this letting, the unit was refurbished improving the EPC from an EPC D to an EPC B. In August DPFC acquired Woodside Business Park, Swindon a 12 unit industrial estate for £4.8m, 7.1% NIY and 7.6% RY to DPFC. The units vary in size from 2,000 – 5,000 sqft and there is a shortage of this type of accommodation in this location. This has been demonstrated by the one vacant unit on the estate, since the quarter end, being let at £11.00 per sqft (ERV £9.00 per sqft) with tenants competing to take the space. DPFC is seeking to opportunistically acquire additional properties at attractive income yields in the current market where investment volumes have reduced as there are additional investor subscriptions to be placed.

ESG

DPFC's first published GRESB submission has seen a score of 41, and the award of a "Green Star". We expect the score to increase with each year's subsequent submissions. In a practical context we have seen some excellent EPC improvements as detailed in the Asset Management section where we are targeting EPC B refurbishments to future proof the portfolio.

Property Investment Market

- Monthly investment volumes contracted slightly in August to £2.4bn before rebounding to £3.6bn in September. Office and rented residential assets witnessed the strongest recovery whilst investment in the retail sector remains subdued. Monthly yield data from MSCI shows a softening in yields across the market driven by economic uncertainty and the rising cost of debt. Markets with strong occupier fundamentals are expected to perform well over the medium / longer term.
- Office investment volumes declined steeply from £1.1bn in June to £840m in July and £280m in August, rebounding to £1.4bn in September, broadly in line with the 2021 monthly average of £1.5bn. Occupier demand continues to sustain rental growth for Grade A accommodation. Wimbledon, Windsor, Oxford, Brighton and Richmond have all delivered 4%+ uplifts in prime rents over the year to date with take up in Central London exceeding the 10 year quarterly average for the second successive quarter. However, the fall in demand for secondary stock is expected to accelerate.
- Retail investment volumes fell from £500m in August to £210m in September, the weakest level since April 2020 and noticeably below the 2021 monthly average of £650m. Rental values for shop units continue to decline, albeit at a slower rate, whilst retail warehouse rents are more resilient. Occupier demand is likely to come under pressure from the expected reduction in discretionary spending. DPFC has not invested in shop units and is only 18% invested in retail warehouses.
- Industrial investment activity weakened through August and September with £640m recorded in September, one of the lowest monthly totals over the past 2 years. The year to date volume totals £11bn which is the highest annual total on record with the exception of 2017 and 2021. Big box (100,000 sq ft+) occupier take up fell c. 13% quarter on quarter to the end of September. However, in the urban industrial sub-sector, where DPFC, invests we are experiencing resilient occupier demand when units become vacant. Supply in this sub-sector remains constrained with limited new developments due to build cost inflation impacting viability and rental growth is expected to continue albeit at a more moderate rate that we have seen latterly.

Outlook

Now the UK's political uncertainty has been stabilised, inflation (domestic and global), interest rates, high levels of employment and an increased likelihood of a recession are all factors for our new Prime Minister to contend with. These factors have reduced the depth of the real estate investment market and seen capitalisation rates soften. The active asset management undertaken on the DPFC assets sees rental growth crystalised serving to partially mitigate the impact of softening yields. DPFC has invested in well located assets where tenants need and want to be and this is evidenced by the low void rate. The diverse occupier base of tenants with strong covenants supports sustainable income returns which will be more dominant than capital returns over the coming quarters. Property is a long-term investment asset with long term attractive total returns comprising income and capital returns. Income streams tend to be stable and robust whilst capital values can both increase and decrease in the short term. In the current market there are exciting opportunities to acquire assets at attractive yields which will enable existing undrawn subscriptions to be attractively invested. DPFC's distribution and rolling five-year IRR targets remain appropriate and realistic in the current economic environment.

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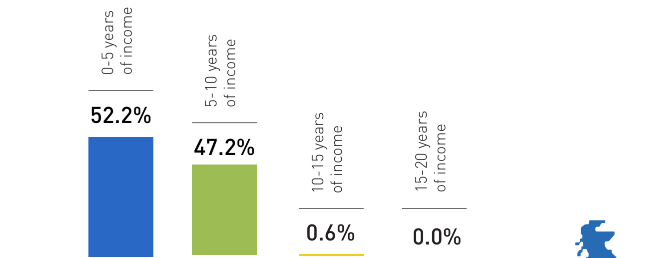
MAJOR TENANTS

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

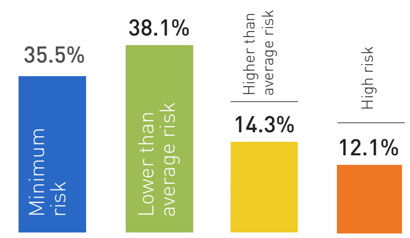
GLOSSARY

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

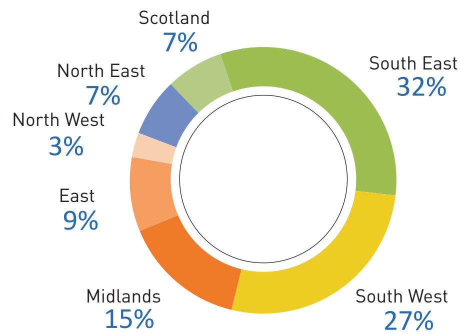
LEASE EXPIRY PROFILE (EXCL. BREAK OPTIONS)



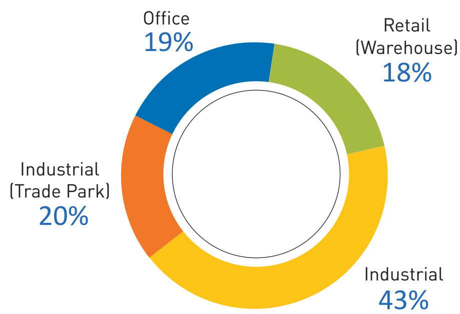
TENANT COVENANTS BY D&B RISK RATING



PORTFOLIO ANALYSIS BY LOCATION



PORTFOLIO ANALYSIS BY SECTOR



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