83 Clerkenwell Road, London EC1

QUARTERLY REPORT Q1 2013

CBRE GLOBAL INVESTORS
DORSET COUNTY COUNCIL PENSION FUND

CBRE GLOBAL INVESTORS

TABLE OF CONTENTS

DORSET COUNTY COUNCIL PENSION FUND

SECTION I – KEY PERFORMANCE FIGURES

The Fund Manager's report is produced by CBRE Global Investors (UK) Ltd and CBRE Global Investors (UK Funds) Ltd (CBREGIF) in respect of any opinion given on indirect investments.

FUND OBJECTIVE

To achieve a return on Assets at least equal to the average IPD Quarterly Universe Portfolio Return including Transactions and Developments for a rolling five year period commencing 1 January 2006.

	Quarter	12 months	3-Year p.a.	5-Year p.a.
Dorset Total Portfolio (measured by IPD)	1.4%	4.0%	7.2%	-1.1%
Dorset Direct Portfolio (standing investments)	1.6%	4.8%	7.7%	3.8%
IPD Quarterly Universe (the new benchmark)	1.2%	3.2%	6.8%	1.3%
FTSE All Share	9.7%	15.5%	8.0%	6.3%
5 to 15 Year Gilts	1.0%	6.0%	9.6%	8.3%

Source: IPD Quarterly Universe Benchmark Report.

Portfolio Key Facts	Mar 2013	Dec 2012	Sept 2012	June 2012
Market Value of Properties	£125.38m	£125.21m	£125.06m	£108.74m
Indirect Portfolio	£36.68m	£36.49m	£36.42m	£36.25m
Exposure to debt [1]	0.68%	0.75%	0.76%	0.95%
Void rate [2]	0.98%	1.12%	1.18%	1.34%
Average Lot Size	£6.97m	£6.59m	£6.58m	£6.40m
No. of Properties Direct	18	19	19	17
Passing Rent (pa) [3]	£9.17m	£9.41m	£9.31m	£7.80m
Open Market Rental Value [3]	£9.36m	£9.49m	£9.43m	£7.90m
Net Initial Yield [4]	6.8%	7.1%	7.1%	6.8%
Equivalent Yield [4]	7.0%	7.1%	7.1%	6.9%
Reversionary Yield [4]	7.0%	7.1%	7.1%	6.9%

Notes:
1. Exposure to debt is based on the indirect vehicle's holdings with debt (Hercules Unit Trust).
2. Void rate is based on the total ERV of the Fund's directly held properties.
3. Passing rent and OMRV exclude income from the Fund's indirect holdings.
4. Information provided by BNP Paribas, independent valuers to the Fund. These figures exclude the Fund's indirect holdings.

SECTION II – ECONOMIC AND PROPERTY MARKET OVERVIEW

UK PROPERTY MARKET OUTLOOK, QUARTER 1 2013

UK ECONOMIC OUTLOOK

The UK economy is amidst a prolonged period of subdued activity. This manifests quite strikingly in both the UK's recent loss of its AAA sovereign credit rating and the acknowledgement in the 2013 Budget that deficit reduction targets have been pushed out despite tax rises and substantial capital investment cuts. With the Bank of England continuing to suppress bond yields, this weakness has been expressed in falling Sterling. An evolving risk is that during the UK's first major recession without a global reserve currency, a managed depreciation becomes unmanaged leading to stagflation.

Unsurprisingly, the medium term growth outlook remains challenged. According to Economist Intelligence Unit – the macro-economic forecasting service used to inform CBRE Global Investors' House View – output growth will be a sluggish 0.5% this year. A slightly stronger outturn in 2014 and 2015 (an election year) will be followed by another slowdown, as fiscal retrenchment persists. Growth will average a decidedly below-trend 1.0% in 2014-17. This is of particular concern as the existing real estate stock has been constructed to satisfy a trend level of economic growth; the absence of which is a key factor as to why our property rental outlook, across sectors, is challenged.

Concerns over rising inflation have intensified in recent weeks. This has been precipitated by a fall in Sterling and is causing imported commodity prices to rise. Also, aggressive monetary stimulus coming from Japan has spurred global equity markets while driving yields on safe money to precariously low levels. A barometer of medium term UK inflation expectations is activity in the index-linked gilt market. In mid-April the yield on 10 year "linker" contracts reached an historic nadir of -1.4%. With inflation above its target for almost seven years now, fears are growing that policymakers are unable or unwilling to get it back under control. Against this backdrop, multi-asset investors are likely to remain focused on secure income producing assets, which should continue to include UK property.

UK PROPERTY PERFORMANCE AND OUTLOOK

The performance of UK property is meeting expectations identified at the beginning of the year. According to the March IPD Monthly Index, total returns were 1.1% in Q1 2013, comprising an income return of 1.7% and capital value falls of 0.6%. On an annualized basis, all major segments of the property market have experienced capital value falls, bar offices and high street shops in Central London. Declines have been most pronounced for shopping centres throughout the UK and offices outside of London. In contrast to recent commentaries, our current forecasts suggest that this pattern of performance will begin to reverse.

Specifically, we believe that the period of Central London offices handily outperforming the rest of the market is drawing to a close. While the sector is expected to remain contested by foreign capital, initial yields look low relative to our downwardly revised rental outlook. The result is that total returns will lag the market average over both the next three and five years. This is juxtaposed by South East offices, a sector that we feel has been disproportionally penalized in terms of capital value falls and one that should outperform due to a high income return. Industrials, should also outperform for this same reason.

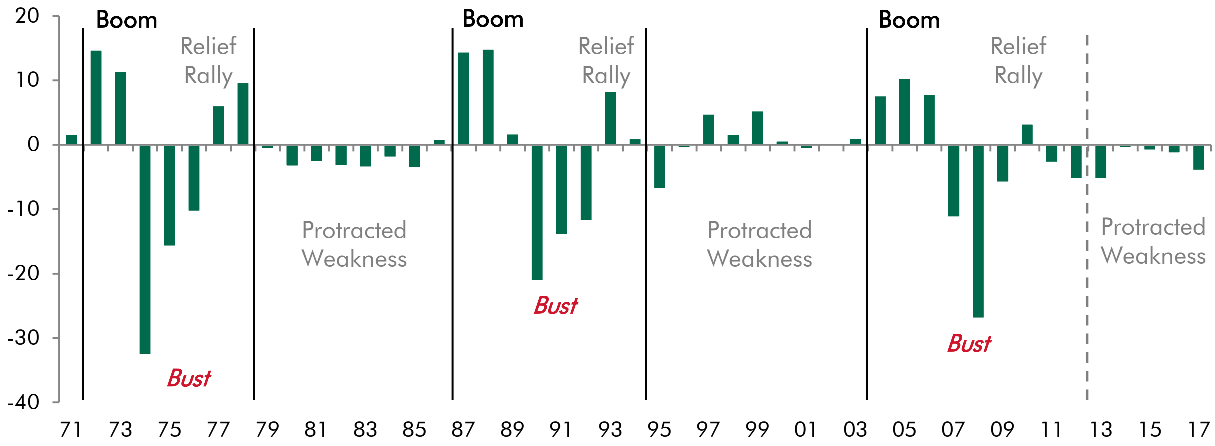
A prevailing theme across sectors and markets has been a widening gap between prime and secondary asset pricing. The fact that certain smaller lot size assets are trading ahead of valuations coupled with the saleability of recently unsalable assets, leads us to believe that this widening yield gap may be culminating. Sentiment conveyed at recent CBRE valuation meetings suggests only a small portion of the market is weighing on the whole and that valuations are in fact playing a game of catch up. We surmise that by this time next year, this current historically wide yield gap will have begun to narrow. This is reflected in our improved All Property capital value outlook for 2013. We now expect year-on-year *declines* of 1.7%, an improvement of around 100bps since last quarter. Value falls are likely to be front-ended, with a stabilization later this year and a gradual improvement coming in 2014.

The current manifestation of our forecasts does not alter CBRE Global Investors' House Philosophy. We remain cash-flow based investors. More precisely, we favour well-located high street retail for its generally defensive qualities and industrial assets for their attractive income return. The shift of Central London office outperformance to underperformance and vice versa for rest of UK offices, underscores the cyclical and, often times, volatile nature of the office sector. As such we continue to believe that it should be approached tactically and underweighted. Owing to rising inflation expectations, we advocate an appropriate portion of "bond-like" income within a property portfolio.

We note some encouraging developments over the preceding quarter which reaffirm our positive view of UK property. Banks and insurance companies have increasingly been willing to lend to property and we are positively surprised by some of the re-financing terms on offer. Also intention surveys suggest that more investors are looking up the risk curve and beyond Greater London, highlighting a preparedness to deal in secondary property and even value-added strategies. Finally, a dearth of development in certain markets is helping rents reach a floor and in some instances grow.

We continue to have the view that UK property offers good value relative to its history as well as to other asset classes: the spread between property's net initial yield and index-linked gilts is historically attractive, while our proprietary All Property temperature chart signals "fair value." Admittedly the macro-environment remains precarious, but we feel that prime property provides attractive real income. Secondary assets can offer compelling pricing, but their full potential lies 5+ years down the line and in the meantime returns are likely to be uneven. Taken together, we are reminded of a chart that we highlighted in our market commentaries some three years ago. In terms of real total returns, the UK property market is amidst a protracted, fundamentals-driven recovery with weakness remaining a theme (**Figure 1**).

Figure 1 Boom and Bust Patterns in the UK Property Market - Annual Change in Real Capital Values, %. Source: IPD Annual Index & CBREGI forecasts.



In terms of direct property investment, volumes in Q1 2013 were softer than both the previous quarter (-33%) and a year ago (-6%). We believe that this is attributed to a lack of prime stock on the market as well as exceedingly cautious underwriting for secondary assets. Central London offices and shopping centres, the latter being an unloved sector over the last 18 months, saw the heaviest volumes in Q1. Due to lowering risk hurdles, we expect direct investment to pick up over the course of the year, ending up at a comparable level to 2011-12. International capital, the dominant force in the market in 2012, was less active in Q1 2013. While currency fluctuations may have had something to do with this, we believe that this is likely a blip and that the deep and diverse sources of capital will return. Equity investors, irrespective of domicile, continue to have the upper hand.

SECTION III – SOURCES OF FUND PERFORMANCE

The graph overleaf shows the sources of the Fund's relative return for the quarter. The weighted contribution of the properties in each sector is shown, with positive contributions above the line and negative contributions below the line.

The Fund outperformed the IPD Quarterly Universe benchmark at a Fund level with a total return of 1.4% for the quarter, against the benchmark total return of 1.2%, a relative outperformance of 0.2%*.

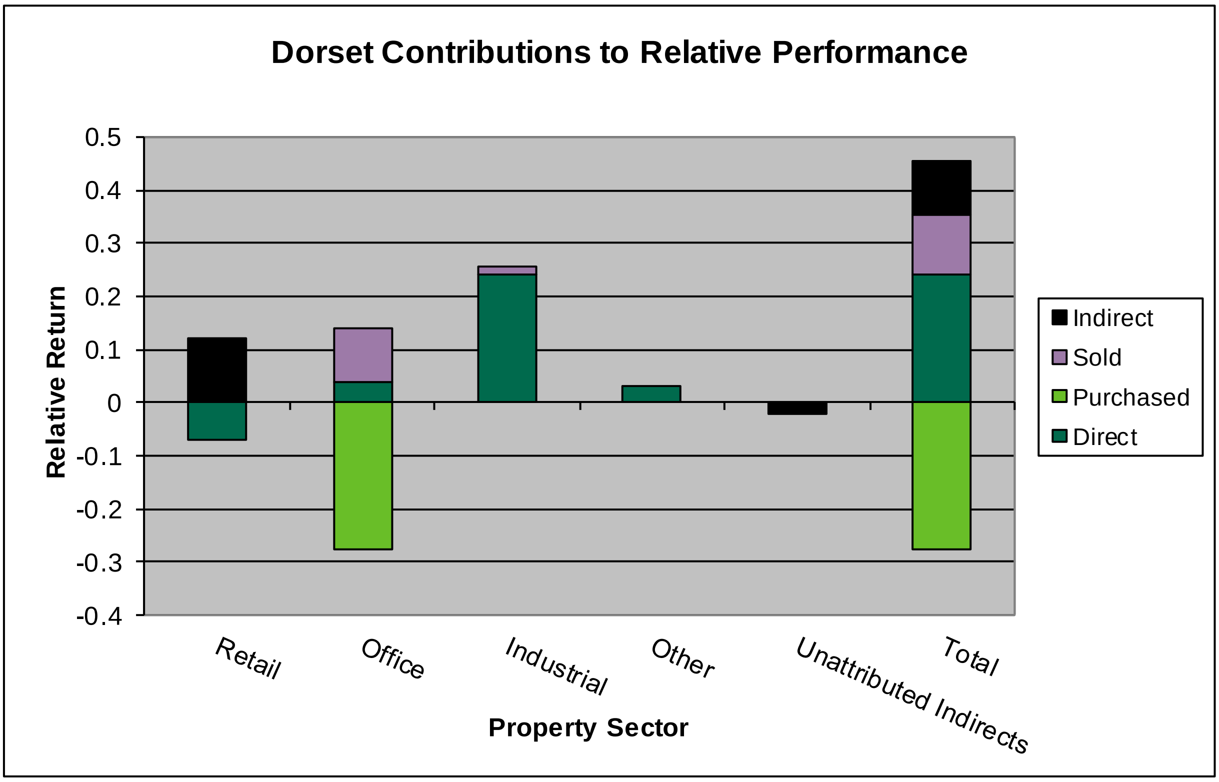
The Fund's retail holdings outperformed the benchmark with a total return of 1.4%, a 0.3% relative outperformance as the benchmark provided a total return of 1.1%. This sector delivered a weighted contribution to the relative return of 0.1%. The relative outperformance was as a result of the indirectly held shopping centre holdings which delivered a total return of 2.4% against the benchmark total return of 1.2%.

The Fund's office holdings underperformed the benchmark with a total return of 0.5% in comparison to the office benchmark total return of 1.6%. This provided a relative contribution of -1.1%. The purchase costs for 83 Clerkenwell Road, London EC1 had a big impact on the office holdings. The Fund's Standard office – West End & Midtown provided a total return of -3.5% in comparison to the benchmark total return of 2.4%. This provided a relative contribution of -0.3%. This was however partly mitigated by the sale of Howard House, Bristol which provided a relative contribution of 0.1%.

The Fund's industrial holdings outperformed the benchmark with a total return of 2.0% over the quarter in comparison to 1.1% delivered by the benchmark. This was a relative outperformance of 0.9%. The industrial outperformance was displayed in all regions and provided a relative weighted contribution of 0.2%.

The Other Commercial sector, comprising Glasgow, Mercedes Benz Dealership and Newcastle Charlotte House provided a total return of 1.8% over the quarter in comparison to the Other Commercial benchmark total return of 0.9%, a relative outperformance of 0.9%. In spite of the relative outperformance, the Fund's low weighting to this sector has meant that it provided a 0.0% relative contribution to the portfolio performance.

The Unattributable Indirects provided a total return of 1.0% for the quarter, unattributed indirects are not included in this benchmark, so the return is relative to all benchmarked assets. Unattributable Indirects provided a relative contribution of 0.0%.



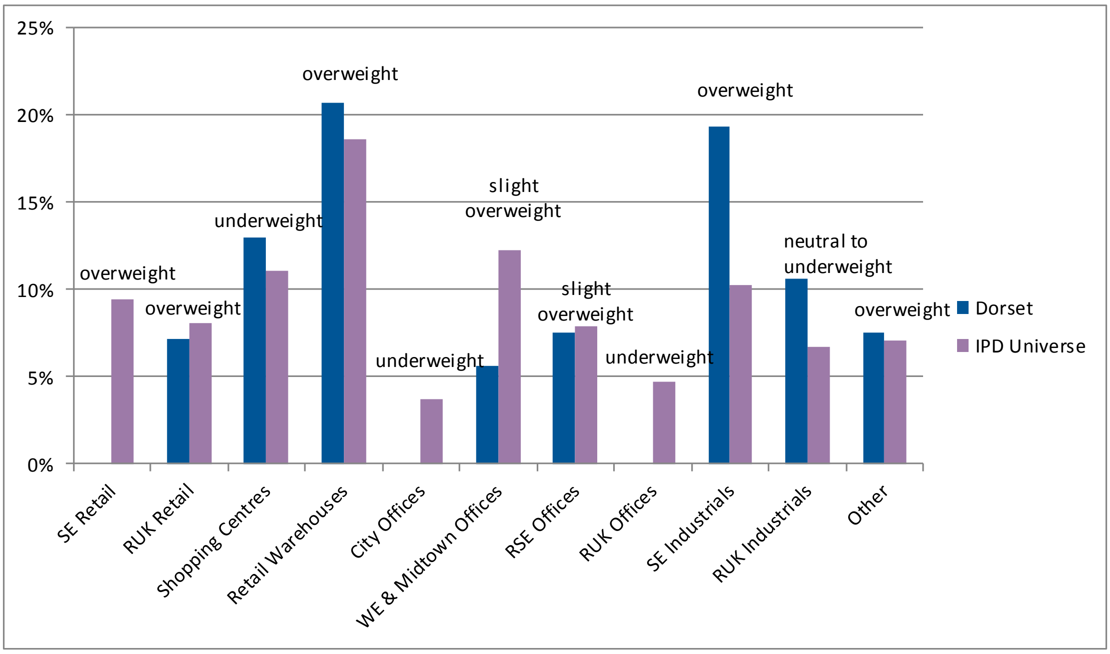
*Relative return is defined as the ratio of the return achieved by the portfolio, segment or individual asset, to that of the chosen benchmark, expressed as a percentage. ((1+Fund TR) / (1+ Benchmark TR) – 1)*100

SECTION IV – FUND STRATEGY

The underlying strategy is to ensure that the structure of the Portfolio provides an advantage relative to the market by overweighting and underweighting specific sectors over the long term. These weightings are designed to optimise performance whilst reducing risk.

SECTOR WEIGHTING ANALYSIS

The graph below shows the Dorset sector weightings as at 31st March* vs. IPD Universe with target weightings above.



*Excludes non sector specific indirect investments (CBRE (UK) Property (Value Added Fund) and inProp UK Commercial Property Fund).

During the quarter the Fund completed the purchase of a Central London Office in Clerkenwell. However, it remains underweight to Central London Offices. The Fund therefore remains at risk of underperformance relative to its benchmark if Central London offices continue to outperform the benchmark. Notwithstanding this, as has been highlighted to Dorset, the Manager does not feel that acquiring expensive Central London property merely to close out benchmark risk is the most appropriate strategy. However, if further office assets in Central London become available at prices that provide sufficient return to the Fund, these will be pursued.

The portfolio is currently invested in a range of assets with a good lease expiry profile and a conservative level of covenant risk. Over the last 12 months the Manager has purchased four properties that will complement the existing asset base in terms of both covenant strength and lease expiry profile. Another key aim has been to raise the net initial yield of the portfolio which has been achieved through the acquisition of two higher yielding assets. As mentioned above, the Fund completed the purchase of a highly reversionary Central London office asset during Q1 2013 which it is intended will be a long term hold to benefit from the ongoing infrastructure improvements close by. This is expected to drive future rental growth. The Manager understands that there is a further c. £30m that has been made available for investment in property during 2013 and is currently pursuing a range of opportunities to invest this cash.

The Manager also identified sales from the portfolio in Q4 2012 of two assets that are anticipated to underperform in the future. During Q1 2013 the sales of the industrial estate at Mead Lane, Hertford was completed for £3.2m. The Fund's office holding at Howard House, Bristol was sold off-market to Bristol University for £5.75m. The University were a special purchaser as they also occupy floors within the building.

The Manager continues to focus on improving the portfolio's income, whilst seeking to maximize its quality and longevity through active management. Within 14 days of the quarter day, 93.7% of collectable rent was collected, this is a slight drop from last quarter. At 28 days post quarter day, the rent collection statistics were at 96.7%. Economic conditions continue to be difficult so tenant's trading positions continue to be monitored closely.

INDIRECT STRATEGY

Indirect assets will be held where they provide the Fund with exposure to a sector or lot size that it would be unable to achieve through direct investment.

Over the quarter, the Fund's indirect holdings marginally underperformed the wider market returning 1.0%. The main contributor to the underperformance was the Hercules Unit Trust and CBRE (UK) Property (Value Added Fund) which both saw capital value falls during the quarter. Lend Lease Retail Partnership was the best performing asset in the portfolio by way of relative contribution to performance as benchmarked by IPD.

The performance of the indirect portfolio over the quarter is detailed in section VI of this report.

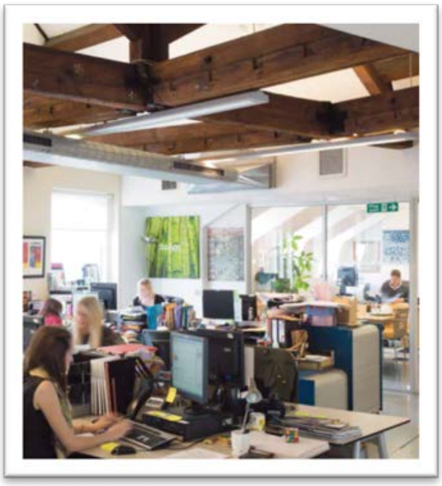
SALES & ACQUISITIONS

The key objectives are as follows:-

- Obtain an exposure to quality assets across all sectors. The focus for 2013 is to continue to increase exposure to direct property. Details of the latest acquisition are provided below.
- Assets may be sold during the remainder of 2013 where business plans have been completed to be replaced by more either more prime properties or "value add" opportunities. However, sales will not be made before suitable replacement assets have been identified and the c. £30m available equity is invested.
- The aim is to maintain an appropriate balance and risk profile across the sectors.

ACQUISITIONS

- During the quarter the Fund completed the purchase of a period office building at 83 Clerkenwell Road, London EC1. The property is located in a prominent corner position at the junction of Clerkenwell Road and Hatton Garden, close to Farringdon Railway and London Underground station to the west of the City of London. It extends to 19,315 sq ft over five floors. The building is let to Westbourne Terrace Management Services Ltd on a lease with an unexpired term of 3 years to the next break at a current annual rent of £477,200. The property is highly reversionary with an ERV of £651,800. The purchase price of £9,020,000 (£467 psf) reflects a net initial yield of 5.0%.



SALES

- During the quarter the Manager completed the sale of Howard House, Bristol for £5,750,000 (£198 psf) to Bristol University who are special purchasers as they occupy 50% of the building. This office property was expected to underperform the market over next five years and was over rented. There were also a number of imminent lease expiries. The Bristol office market has significant levels of void and as a result rents were anticipated to remain under pressure and vacant floors would be difficult to re-let. The sale price reflected a net initial yield of 7.5% and was £150,000 above the December 2012 valuation figure. Over the last 10 years the property returned 9.1% per annum.

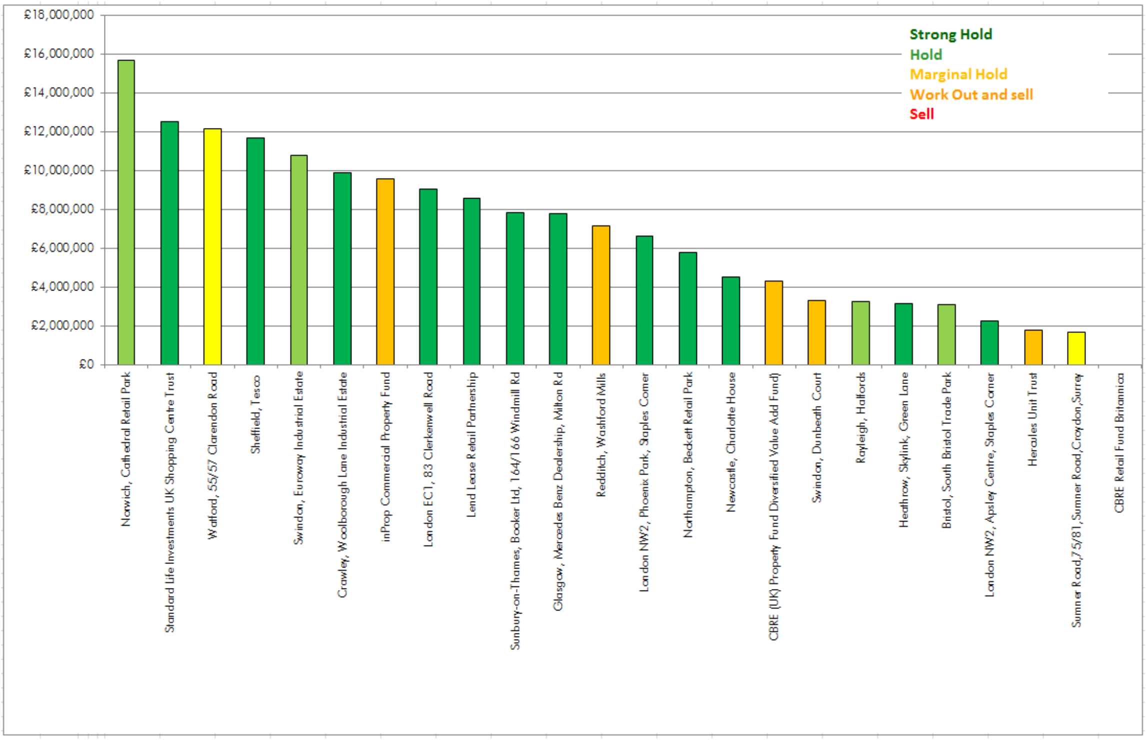
- Mead Lane Industrial Estate, Hertford was also sold during the quarter. The property achieved a sale price of £3,213,000 which reflected a net initial yield of 9.37% and was above valuation. The business plan for the property had been completed as the property was fully let. There have been a number of insolvencies on the estate during the last four years which impacted the rental return. In addition, significant capital expenditure was likely to be required to replace or overclad the roofs over the next five years. Taking these factors into account the property was in the best position it had been in for some time to enable a good price to be achieved. Since purchase in 2004 the property had returned 1.4% per annum.

BAD DEBTS/WRITE OFFS

No bad debts are proposed for write off this quarter.

PORTFOLIO HOLD/SELL ANALYSIS

The graph below shows the Dorset proposed hold sell analysis for each of the portfolio holdings including indirects as at 31st March.



SECTION V – ASSET MANAGEMENT

HIGHLIGHTS

- **83 Clerkenwell Road, London:** the purchase of this office building in the core of midtown completed on 4th January 2013. The property was purchased for £9.02m reflecting a 5.0% net initial yield. The property is let in its entirety to Westbourne Terrace Management Services Limited until 2020 with a break in 2015. Negotiations have already commenced with the tenant to remove the break option in 2015 and improve the covenant strength of the tenant. Heads of terms have been agreed with the tenant post quarter end.
- **Swindon, Dunbeath Court:** a lease renewal to the tenant Swindon Plumbing Supplies completed on units 1 and 2 during the quarter. The new lease is for a term of 10 years with a break at the 5th year. The rent will be: Unit 1 £22,640 per annum (£5.85 psf) and Unit 2 £15,807 per annum (£5.85 psf). The tenant will benefit from the equivalent of a year's incentive; split with 6 months rent free and 12 months half rent. This is one of the key tenants on the estate and good to secure the income for an additional five years with the vacancy of unit 3 shortly returning to the estate.
- **Norwich, Cathedral Retail Park:** a lease regear completed with the tenant trading as TK Maxx over the quarter. The tenant received a capital payment of £350,000 which has been used to remodel and fit out the store and the tenant has signed a new lease to expire in December 2022. This is one of the two anchor tenants for the retail park and really important that a lease renewal was completed to retain this tenant on the estate. Through funding the tenant works the tenant has invested in the store and improved the appearance of the park as a result.
- **Rent Collection:** 92.3% of the March quarter's rent was collected within 14 days of the quarter day. This had moved to a 96.7% collection rate within 28 days of the quarter day. The percentage difference at 14 days was up on last quarter (84.5%). It is marginally reduced at 28 days post quarter day (99.6%) this is as a result of the tenant at Charlotte House, Newcastle having cashflow issues and is expected to be resolved shortly. The outstanding rent is being pursued by the Managing Agents.

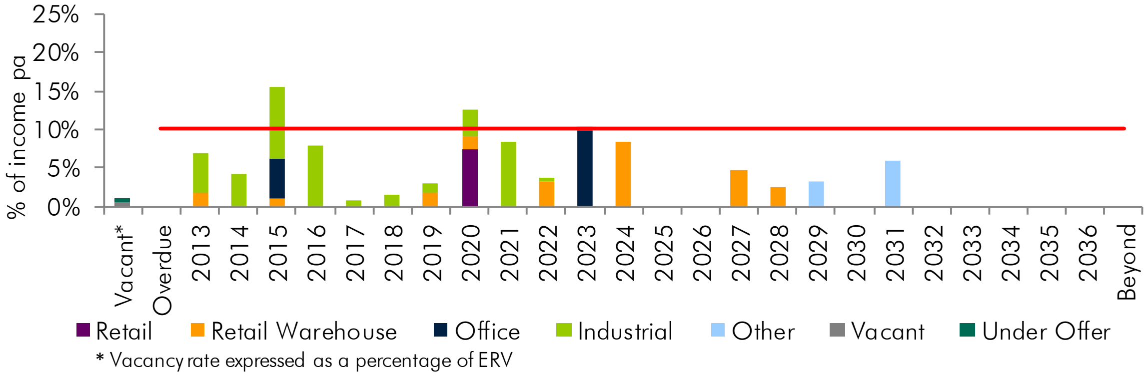
VOIDS WITHIN THE PORTFOLIO – 31ST MARCH 2013

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
Unit 6, Becket Retail Park, Northampton	3,994	0.47%	£43,900	Under Offer post quarter
Unit 5, Phoenix Park, London	4,533	0.51%	£47,600	On Market
TOTAL PORTFOLIO VOID	**8,527**	**0.98%**	**£91,500**	

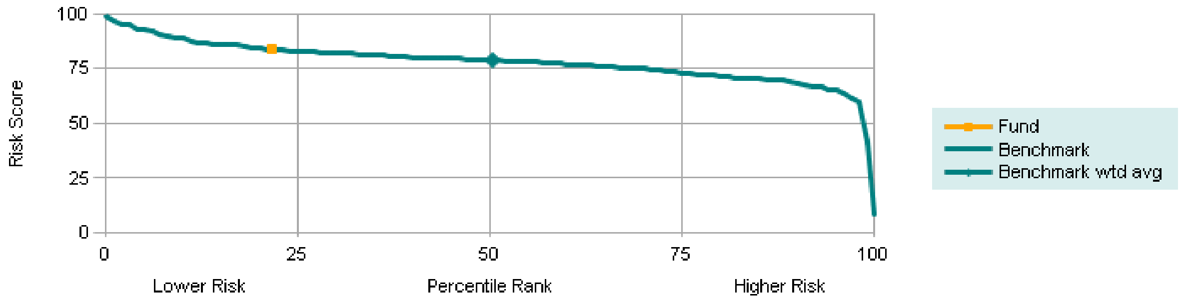
The Fund's void rate has improved this quarter to 0.98% of ERV. This remains significantly lower than the IPD Monthly Index rate which at the end of March increased to 12.2%.

LEASE EXPIRY PROFILE FOR THE PORTFOLIO – 31ST MARCH 2013

The chart below shows the percentage of income expiring in each year as a percentage of portfolio income.



TENANTS' FINANCIAL STRENGTH



The graph above compares the Ranking of Weighted Risk Score of the Benchmark and DCC as at 31st March 2013. The Fund is in the top quartile with a Weighted Risk Score in the 21.5th percentile against the Benchmark Weighted Risk Score in the 50.2nd percentile.

ACTIVE MANAGEMENT PROJECTS

Key Objective: To actively manage the portfolio, identifying new opportunities to increase the performance and add value.

Property	Unit & Activity	Forecast Outcome
83 Clerkenwell Road, London EC1	Whole Building	*Purchased during the quarter.*
Bristol, Howard House	Whole Building	*Sold on 4th January to the University of Bristol for £5.75m.*
Redditch, Washford Mills	DSG - Re-gear	A section 25 notice was previously served on the tenant with a proposal to extend the lease term. The lease is now set to expire on the 15th May 2013. Post quarter end the tenant for the first time has commenced renewal negotiations. The tenant is currently seeking flexible lease terms avoiding committing to the retail park for a long term.

Property	Unit & Activity	Forecast Outcome
Northampton, Becket Retail Park	Unit 1 – HSS	The tenant HSS Hire Service Group Limited (HSS) have applied to assign their lease on Unit 1 to National Tyre Service Limited. HSS will continue to trade from Unit 2. This assignment is expected to complete in Q2.
	Unit 6 - Marketing	A further interested party; Premier Kitchens expressed interest in the retail park during the quarter. While terms were preliminarily agreed with Capitol Tiles, Premier Kitchens are willing to take a lease on more preferential terms and a higher rent, so terms were agreed with this party post quarter end.
Norwich, Cathedral Retail Park	Unit B - Re-gear	During the quarter, the lease extension with TK Maxx completed. The new lease expires in December 2022. The pasing rent under the previous lease has remained at £180,000 per annum exclusive. There is to be a fixed increase to £200,000 per annum on 28/9/2014. This rent will be payable until open market rent review on 28/9/2019. The tenant received a payment of £350,000 exclusive of VAT. As agreed, the tenant has used this capital sum to remodel and fit out the store.
Crawley, Woolborough Lane Industrial Estate	Unit D – Fit-out Works	The tenant Varian Medical Systems UK Limited completed fit-out works during the quarter and have taken occupation of the unit.
Croydon, 75/81,Sumner Road	Unit 2 – Lease Renewal	The tenant, Belron UK Limited t/a Autoglass are on a lease expiring 13th February 2013. The tenant is reviewing occupying opportunities in Croydon and discussions regarding future occupation at the property have commenced. A Section 25 notice has been served on the tenant for a new lease. The expiry date is now 3rd November 2013.
Hertford, Merchant Drive	Whole Property	*Sold 22nd February to Cyan Properties Limited c/o William Pears Group for £3.213m*
London, Apsley Centre	Unit E Lease Renewal	A lease renewal with Wolseley for a term of 5 years at £25,500 per annum with no incentives completed during the quarter.
London, Phoenix Park, Apsley Way	Units 1 & 2 – Rent Review	The rent reviews on units 1 & 2 dated 25th March 2011 were settled during the quarter with the tenant Zeon Limited. The rent on unit 1 increased from £92,000 per annum (£9.90 psf) to £96,000 (£10.33 psf). The rent on unit 2 increased from £50,500 per annum (£9.89 psf) to £53,500 per annum (£10.48 psf).
	Unit 5 – Marketing	Marketing of the unit has been ongoing throughout the quarter, with a number of viewings taking place and terms being issued to many different parties.
	Unit 6 – Lease Renewal	Notice was served on the tenant Star Images Limited, to bring their lease to an end on 11th June 2013. Terms have been given to the tenant for a new lease and they are currently investigating freehold opportunities around the area.

Property	Unit & Activity	Forecast Outcome
London, Phoenix Park, Apsley Way	Units 7, 8 and Service Yard	During the quarter rent reviews dated 24th June 2011 were agreed at an uplift. The rent on unit 7 increased from £50,500 per annum (£9.84 psf) to £53,773 per annum (£10.48 psf), and on unit 8 £91,900 per annum (£9.81 psf) to £96,782 per annum (£10.33 psf) with a nil increase on the service yard. These rent review settlements are ahead of the current ERV for the estate and completed post quarter end.
Swindon, Dunbeath Court	Unit 3 & 10 - Break Notice & New Lease	Dormen Foods Ltd currently occupy units 3 & 10 (comprising 19,183 sq ft) of the Dunbeath Court, Elgin Road Industrial Estate. The option to determine the lease was served during the quarter seeking to terminate the current lease on 16th July 2012. The passing rent is £115,090 per annum (£6.00 per sq ft). Further to discussions held between the tenant and landlord, as unit 3 is currently surplus to requirement for the tenant, terms for a new lease on unit 10 were agreed. The new lease will expire on 14th July 2017 at the current passing rent for that unit £69,100 per annum (£5.25 psf). The tenant has been completing dilapidations on unit 3 during the quarter and the new lease on unit 10 is set to complete in Q2 2013.
Swindon, Euroway IE	Units 1, 2, 3 & 5 – Rent Increase	There was a fixed rental increase at the end of the quarter for the tenant Wasdale Packaging Limited from £89,793 to £179,586.
	Unit 4 – Lease Renewal	During the quarter terms were agreed in principle with the tenant BSS Group Plc for a lease renewal with the tenant to seek internal board approval post quarter end.
Tesco, Sheffield	Lease Extension and Development	The tenant, Tesco Stores Plc, agreed to extend the store by an additional 15,000 sq ft, and extend the lease term from expiry in 2020 to 2032. The Agreement for Lease is in an agreed form. Tesco will submit a planning application to Sheffield Council for the extension of the store when the legal documentation is in place. Documents were in an agreed form during Q4 2012 and went to all parties for signature. Tesco then notified the Manager that a further Board approval had to be cleared which would take place in April 2013. An update is continually being chased with no formal response received from Tesco to date.
Glasgow, Mercedes	Whole	Following an interim schedule of dilapidations being served on the tenant for building issues that required rectification, the tenant commenced works on site addressing these. The majority of the more serious works were rectified during the quarter. The remaining works will continue to be monitored.
	Rent Review	The rent review dated 25th December 2012 was completed during the quarter. This was a fixed uplift from £538,558 per annum (£11.41 psf) to £553,820 per annum (£11.71 psf).

GREEN INITIATIVES

At the end of 2011, the UK Government introduced legislation that will prohibit landlords from letting properties that do not meet minimum standards of energy performance. This legislation will be effective from 2018 and therefore it is important to assess and mitigate this risk before any impacts are felt. It is understood that from 2018 'F' and 'G' rated commercial units in England and Wales will be prohibited from being either sold or let. The Energy Performance Certificate (EPC) rating and sustainability measures relating to a property is considered as part of all acquisitions, disposals and large asset management projects. It is a requirement to provide an EPC on the sale or new letting of any property. Below is a table identifying the (EPC) ratings across the portfolio as at 31st March 2013.

EPC Rating	No Of Units
A	0
B	5
C	17
D	20
E	9
F	4
G	2
no EPC	9

The table below shows the 'F' and 'G' rated units across the portfolio, these ratings are predominantly as a result of the tenant fit out in these units which is incorporated as part of the rating. In the event of lease expiry the Manager would seek to reinstate the units to a standard that will enable them to be re-let or sold. Where there are no EPC ratings on units in the portfolio, these will be instructed at the appropriate time.

TOWN	PROPERTY		RATING	NUMERIC
CROYDON	Sumner Road	Unit 4	F	134
GLASGOW	134 Milton Street	Smart Showroom	G (Scotland)	145
LONDON NW2	Apsley Centre	Unit B	F	131
NEWCASTLE	Charlotte House	Whole	F	136
SWINDON	Euroway Industrial Park	Units 1-3	F	130
SWINDON	Euroway Industrial Park	Unit 5	G	168

ACTIVITY DURING 2013

- Disposal of Bristol, Howard House which had an 'F' rated EPC.
- Disposal of Hertford, Mead Lane Industrial Estate two of the units had 'F' rated EPC's.
- Acquisition of 83 Clerkenwell Road, London EC1 which has a 'D' rated EPC.

SECTION VI – INDIRECT INVESTMENTS

A REPORT BY CBRE GLOBAL INVESTORS (UK FUNDS) LTD (CBREGIF)

DEALING RESTRICTIONS ON CBRE FUNDS

Dealing by CBREGIF in House funds on behalf of a Client may be subject to restrictions intended to prevent CBREGIF dealing when it has or might be considered to have information about a House Fund that is not available to others in the market. The restrictions may vary depending on particular circumstances. Dealing in Unregulated Investment Schemes will normally be restricted to a period of 10 business days following the publication of a unit price. In the case of a fund that is priced monthly, the dealing period will be reduced to 5 days. In the case of a listed security, the restrictions will prevent dealing during a period of 60 days prior to the publication of the company's annual and interim results and, in addition, where a company announces a quarterly net asset value, during a period commencing 14 days before the end of the quarter and ending on the announcement of the net asset value. Additional restrictions may be operated at other times. CBREGIF allow for and take account of such restrictions when recommending a stock for purchase or sale.

Name of Vehicle	Number of Units Held	Total Equity Commitment (£)	Current Valuation (£)	Quarter to March 2013 Total Return	12 months to March 2013 Total Return
Hercules Unit Trust	2,755	1,976,095	1,743,915	-1.2%	-5.5%
CBRE Retail Fund Britannica	4,855.925	5,000,000	0	0.0%	-94.7%
Lend Lease Retail Partnership	60	7,014,056	8,577,600	3.8%	9.4%
CBRE (UK) Propery Fund (Diversified Value Add Fund)	7,000	3,241,678	4,281,410	-1.0%	17.5%*
Standard Life Investments UK Shopping Centre Trust	13,853.43	10,000,000	12,526,271	1.7%	4.7%
inProp UK Commercial Property Fund	100,050.03	10,000,000	9,546,774	1.9%	2.6%

*The returns are calculated taking into account the equity distribution of £280,000 in Q3 2012.

Past performance is not a reliable indicator of future results.

Hercules Unit Trust (Specialist Retail Warehouse Fund)*

3 Months %	12 Months %	3 Years % p.a.
-1.2%	-5.5%	+0.4%

- The Hercules Unit Trust returned -1.2% over the quarter and -5.5% over the past 12 months. Portfolio returns have been affected by retailer failures, with the valuation falling £19.8m over the first quarter. Additionally, the fund gearing has been detrimental to performance. The initial yield of the fund remains stable at 5.4%.
- The fund's portfolio comprises 21 property assets of which 18 are retail parks. The void rate remains low at 3.0%, although this rises to 7.2% when tenants in administration are included. The tenant base is well diversified, with the top ten tenants comprising 42.6% of rental income. The fund has an average unexpired lease term (to first break) of 7.8 years. At the quarter end, the fund had a LTV ratio of 41.9%.
- This quarter has seen a marked rise in retail administrations for the portfolio, with Jessops (0.1% of contracted income), HMV (1.2%), Republic (0.4%) and Dreams (0.7%) entering administration. The fund has increased focus on re-letting vacant units and agreeing the most favourable lease terms following corporate takeovers. Additionally, the fund is focusing on improving the provision of complimentary leisure and restaurant offerings at the parks, in a bid to increase customer dwell times, lengthen trading hours, and increase consumer spend.

CBRE Retail Fund Britannica (Specialist Secondary Shopping Centre PUT)*

3 Months %	12 Months %	3 Years % p.a.
0.0%	-94.7%	n/a

- The CBRE Retail Fund Britannica is currently in breach of its LTV covenant due to value declines of secondary shopping centres over the past few years, particularly those in the regional locations. As such the fund went into administration during 2012 with all income swept by the lending bank with transfer of management rights from the advisors and managers of the fund to the administrators. The assets were brought to market for sale, with some success, although the capital is being repaid to the lenders.
- Although no meaningful value is likely to be attributed to unitholders, there is potential for a small amount to be realised from stamp duty savings in lieu of transfer of rights for units in the fund to the lending bank(s). The manager will continue regular dialogue with the administrator to progress and maximise the realisation of equity on behalf of investors. Further detail on a resolution of the fund's assets and structure is expected in the middle of 2013.

Lend Lease Retail Partnership (Specialist Prime Shopping Centre Fund)*

3 Months %	12 Months %	3 Years % p.a.
+3.8%	+9.4%	+10.8%

- The Lend Lease UK Retail Partnership returned 3.8% over the quarter and 9.4% over the last 12 months. The return over the quarter was primarily driven by the valuation effect of inward yield movements on both assets held by the partnership. This resulted from investment market evidence, in particular Legal & General's sale of Midsummer Place, Milton Keynes to Intu for £250.5m at a net initial yield of 5.1%.
- The fund has a portfolio of two prime regionally dominant properties: Bluewater, Kent and Touchwood, Solihull; both assets continue to perform well despite a challenging retailer market. The portfolio vacancy rate remained stable at c.4%.
- The valuation of Touchwood increased to £270.8m over the last quarter, largely due to a 25bps inward yield movement to 5.25%. In addition, Bluewater increased in valuation to £1.8bn due to an inward yield movement of 10bps to 5.1%. The fund has had success with the completion of a number of rent reviews during the quarter as well as new lettings at units where the previous tenant was placed in administration. The fund manager, Lend Lease has submitted an outline planning application for a 330,000 sq ft extension to the West Village of Bluewater with a decision expected in spring 2013. Furthermore heads of terms for the land assembly required for the Touchwood II extension have also progressed to a final draft stage.
- Lend Lease Retail Partnership is a core specialist fund, providing exposure to the prime UK shopping centre market. The fund is ungeared.

Standard Life Investments UK Shopping Centre Trust (Specialist Core Shopping Centre Fund)*

3 Months %	12 Months %	3 Years % p.a.
+1.7%	+4.7%	+8.1%

- Over the quarter, the portfolio value remained broadly unchanged at £1,351.1m. The Trust produced a total return of 1.7% which was driven by the income return together with some capital growth. The property portfolio itself returned 1.7% with the initial yield remaining stable at 5.5% whilst the equivalent yield moved in slightly to 6.1%. This inward yield shift was supported by transactional evidence from the prime and good secondary shopping centre sector. The Trust's annual distribution yield remained at 4.9%.
- The portfolio returns were supported by a number of lease re-gears concluded at the Trust's asset in Brighton (Churchill Square). The overall void levels in the portfolio are just under 6.0% of estimated rent value, an increase of 0.5% over the quarter due to recent retailer failures (HMV, Jessops, Blockbuster, Dreams and Republic). The weighted average unexpired lease term over the quarter remains at 7.1 years although there are some rental expiry spikes on two assets – Brighton and Brent Cross, London.
- The Trust's manager continues to explore asset management initiatives to add value to the portfolio, in particular at Brighton and Brent Cross. At Brighton, discussions remain focussed on the conference centre with the Brighton & Hove Council and potential events operators. At Brent Cross, the JV partners (including the Trust) have prepared a revised scheme layout to that which obtained planning permission and are working closely with Barnet Council to work up a new planning strategy.

CBRE (UK) Property Fund (Diversified Value Add Fund)*

3 Months %	12 Months %	3 Years % p.a.
-1.0%	17.5%	28.1%

- The CBRE (UK) Property produced a total return of -1.0% over the quarter.
- Negotiations continued with regard to the disposal of both remaining assets during the quarter and contracts were exchanged for the sale of the office property, Iceni at Warwick Technology Park, Warwick. Post the quarter end the sale of the Iceni building completed. The remaining asset in Glasgow remained "under offer" for sale and negotiations are continuing in order to bring the transaction to a conclusion.
- Subject to the satisfactory completion of the transactions it is the Manager's intention to make additional distributions to investors and seek to wind up the trust.

inProp UK Commercial Property Fund*

3 Months %	12 Months %	3 Years % p.a.
+1.9%	+2.6%	n/a

- The inProp fund was launched in September 2010, and is managed by some of the most experienced property derivative operators in the market. InProp seeks to deliver UK commercial property market returns (in terms of both capital growth and income return) with greater efficiency and liquidity than is possible using traditional direct property or property fund approaches. InProp provides entirely synthetic commercial property exposure in a collateralised structure utilising government bonds, providing increased liquidity and flexibility than typical unlisted real estate funds.
- At the end of Q1 2013, the fund produced total returns of 1.9% and 2.6% over the past three and 12 months respectively. Over the last quarter the total return comprised an income return of 1.5% with a capital return of 0.4%.
- InProp's total returns have underperformed the total returns of the fund's interim benchmark, the IPD UK Annual Estimate Index ("Annual Estimate"), which recorded 2.6% over the last quarter and 3.5% over the last year. The reason for this under-performance was that the Annual Estimate for 2012 of 1.9% significantly under-estimated the actual return from the fund's benchmark, the IPD UK Annual Index, of 3.4% for 2012 which was released in February 2013. As a result, the market had under-priced Eurex futures contracts leading up to the index release, at which point the futures price gapped upwards. However, the fund's returns have significantly outperformed the IPD UK QPFI All Balanced Property Fund Index total return of 0.8% and 0.3% respectively.
- Over the quarter, inProp's NAV fell from £147.4m to £125.8m. This decrease was driven by the repayment of redemptions requested by an investor during this period. Dorset's investment is held in B class shares for the duration of the investment holding period and receives preferential terms such as a 50% discount on management fees with no performance or redemption fees applicable to the other share classes.
- The property derivatives community continues to explore the possibility of moving the settlement of futures contracts to the Quarterly Index reducing year-end uncertainty and to enable earlier derivative settlement.

* Returns stated above reflect returns reported by the Manager and may differ to actual returns achieved due to transactional activity undertaken during the holding period.

CBRE Global Investors (UK Funds) Limited is authorised and regulated by the Financial Conduct Authority in the United Kingdom. The communication of the indirect investment section of this report, in the United Kingdom is only made to persons who are defined as professional clients or eligible counterparties under the unregulated collective investment scheme exemptions rules (COBS 4.12 - Category 7). This report does not constitute any form of representation or warranty on the part of CBRE Global Investors, investment advice, a recommendation, or an offer or solicitation, and it is not the basis for any contract to purchase or sell any security, property or other instrument, or for CBRE Global Investors to enter or arrange any type of transaction. CBRE Global Investors expressly disclaims any liability or responsibility therefore. This report should not be regarded as a substitute for the exercise by the recipient of its, his or her own judgement. The figures in this report have not been audited by an external auditor. The value of an investment can go down as well as up and an investor may not get back the amount invested. Past performance is not a guide to future performance. There can be no assurance that the mandate will achieve comparable results, that targeted returns, diversification or asset allocations will be met or that the investment strategy and investment approach will be able to be implemented or that the mandate will achieve its investment objective. Actual returns on unrealized investments will depend on, among other factors, future operating results, the value of the underlying assets and market conditions at the time of disposition, foreign exchange gains or losses which may have a separate and uncorrelated effect, legal and contractual restrictions on transfer that may limit liquidity, any related transaction costs and the timing and manner of sale, all of which may differ from the assumptions and circumstances on which the valuations used in the prior performance data contained herein are based. Accordingly, actual returns may differ materially from the returns indicated herein. CBRE Global Investors and its affiliates accept no liability whatsoever for any direct, consequential or indirect loss of any kind arising out of the use of this report or any part of its contents. The value of any tax benefits described herein depends on your individual circumstances. Tax rules may change in the future. Where funds are invested in property, investors may not be able to realise their investment when they want. Whilst property valuation is conducted by an independent expert, any such opinion is a matter of the valuer's opinion. Property is a specialist sector which may be less liquid and produce more volatile performance than an investment in broader investment sectors.

Past performance is not a reliable indicator of future results.

APPENDIX I – PORTFOLIO VALUATION

Property	Valuation Mar 2013	Valuation Dec 2012	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Offices						
83 Clerkenwell Road, London EC1	£9,050,000	*Purchased £9,020,000*	-3.5%	£477,200	£626,000	5.0%
Bristol, Howard House	*Sold £5,750,000*	£5,600,000	3.2%	-	-	-
Clarendon Road, Watford	£12,150,000	£12,150,000	1.9%	£902,750	£902,750	7.0%
Total Offices	£21,200,000	£12,150,000	0.5%	£1,379,950	£1,578,750	6.2%
Retail Warehouse						
Rayleigh Road, Rayleigh	£3,250,000	£3,250,000	1.7%	£222,783	£222,783	6.5%
Redditch, Washford Mills	£7,150,000	£7,250,000	0.6%	£578,689	£551,100	7.7%
Northampton, Becket Retail Park	£5,750,000	£5,750,000	1.7%	£381,000	£358,000	6.3%
Norwich, Cathedral Retail Park	£15,650,000	£15,650,000	0.4%	£1,054,000	£1,054,000	6.4%
Total Retail Warehouse	£31,800,000	£31,900,000	0.7%	£2,236,472	£2,185,883	6.7%
Industrials						
Bristol, South Bristol Trade Park	£3,100,000	£3,100,000	2.1%	£252,757	£244,314	7.7%
Crawley, Woolborough IE	£9,850,000	£9,850,000	2.1%	£811,541	£924,505	7.8%
Croydon, 75/81,Sumner Road	£1,650,000	£1,650,000	1.7%	£129,965	£128,100	6.0%

Property	Valuation Mar 2013	Valuation Dec 2012	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Heathrow, Skylink	£3,150,000	£3,250,000	-1.3%	£231,750	£231,900	7.0%
Hertford, Mead Lane Industrial Estate	*Sold £3,213,000*	£3,175,000	1.3%	-	-	-
London, Apsley Centre	£2,250,000	£2,200,000	3.9%	£159,500	£164,100	6.7%
London, Phoenix Park, Apsley Way	£6,600,000	£6,600,000	1.6%	£443,845	£493,705	6.4%
Sunbury-on-Thames, 164/168 Windmill Road	£7,800,000	£7,800,000	1.7%	£599,750	£599,650	7.3%
Swindon, Dunbeath Court	£3,300,000	£3,250,000	3.8%	£299,440	£319,137	8.6%
Swindon, Euroway IE	£10,750,000	£10,750,000	2.4%	£1,093,023	£978,121	8.8%
Total Industrial	£48,450,000	£51,625,000	2.0%	£4,021,571	£4,083,532	7.4%
Supermarkets						
Tesco, Sheffield	£11,685,000	£11,685,000	1.5%	£680,000	£680,000	5.5%
Total Supermarkets	£11,685,000	£11,685,000	1.5%	£680,000	£680,000	5.5%
Other Commercial						
Glasgow, Mercedes	£7,750,000	£7,750,000	1.8%	£552,820	£531,200	6.7%
Newcastle, Charlotte House	£4,500,000	£4,500,000	1.7%	£304,077	£304,077	6.4%
Total Other Commercial	£12,250,000	£12,250,000	1.8%	£856,897	£835,277	6.6%
Total Direct Property [1]	£125,385,000	£125,210,000	1.3%	£9,174,890	£9,363,442	6.8%

Property	Valuation Mar 2013	Valuation Dec 2012	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Lend Lease Retail Partnership	£8,577,600	£8,361,900	3.8%	£395,511	-	4.4%
Hercules Unit Trust	£1,743,915	£1,796,260	-1.2%	£105,855	-	5.7%
CBRE Retail Fund Britannica	£0	£0	0.0%	£0	-	n/a
CBRE (UK) Propery Fund (Diversified Value Add Fund)	£4,281,410	£4,326,350	-1.0%	£0	-	0.0%
Standard Life Investments UK Shopping Centre Trust	£12,526,271	£12,495,932	1.7%	£614,538	-	4.6%
inProp UK Commercial Property Fund	£9,546,774	£9,510,756	1.9%	£563,037	-	5.6%
Total Indirect Property[2]	£36,675,970	£36,491,198	1.7%	£1,678,941	-	4.3%
GRAND TOTAL	**£162,060,970**	**£161,889,198**	**1.4%**	**£10,853,831**	**-**	**6.3%**

Notes:

1. Direct property total returns for the quarter to March 2013 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to March 2013 as reported by CBRE Global Investors (UK Funds) Ltd (CBREGIF) / CBRE Global Investors in respect of the indirect portfolio (returns stated reflect returns reported by the Manager and may differ to actual returns achieved due to transactional activity undertaken during the holding period).
2. Net Initial Yields as reported by BNP Paribas (Independent Valuers for the Fund) in respect of the direct portfolio. Net Initial Yields as reported by CBRE Global Investors in respect of the indirect portfolio.

www.cbreglobalinvestors.com

Americas	EMEA	Asia Pacific
Los Angeles (HQ)	Amsterdam (HQ)	Hong Kong (HQ)
Seattle	Madrid	Singapore
Newport Beach	London	Shanghai
Atlanta	Paris	Taipei
Washington, DC	Brussels	Seoul
Philadelphia	Luxembourg	Tokyo
Princeton	Milan	Melbourne
New York	Frankfurt	Sydney
Boston	Prague	
	Stockholm	
	Budapest	
	Warsaw	
	Bucharest	
	Helsinki	
	Dubai	