83 Clerkenwell Road, London EC1

QUARTERLY REPORT Q4 2013

CBRE GLOBAL INVESTORS
DORSET COUNTY COUNCIL PENSION FUND

CBRE GLOBAL INVESTORS

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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)	4.4%	12.1%	8.0%	8.3%
Dorset Direct Portfolio (standing investments)	5.1%	14.0%	9.1%	9.9%
IPD Quarterly Universe (the new benchmark)	4.5%	10.9%	7.1%	7.8%
MSCI All Share	5.0%	18.5%	8.6%	12.9%
5 to 15 Year Gilts	-1.9%	-5.2%	4.8%	4.5%

Source: IPD Quarterly Universe Benchmark Report.

Portfolio Key Facts	Dec 2013	Sept 2013	June 2013	Mar 2013
Market Value of Properties	£152.50m	£138.84m	£127.46m	£125.38m
Indirect Portfolio	£33.21m	£32.74m	£34.82m	£36.68m
Exposure to debt [1]	0.60%	0.65%	0.69%	0.68%
Void rate [2]	0.74%	0.80%	1.04%	0.98%
Average Lot Size	£7.26m	£6.64m	£7.08m	£6.97m
No. of Properties Direct	21	20	18	18
Passing Rent (pa) [3]	£10.28m	£9.26m	£8.61m	£9.17m
Open Market Rental Value [3]	£10.92m	£10.14m	£9.41m	£9.36m
Net Initial Yield [4]	6.4%	6.3%	6.4%	6.8%
Equivalent Yield [4]	6.6%	6.8%	6.9%	7.0%
Reversionary Yield [4]	6.8%	6.9%	7.0%	7.0%

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. The passing rent will increase as the tenant Halfords, in Rayleigh is benefitting from a rent free for a reversionary lease documented in 2010.
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 2014

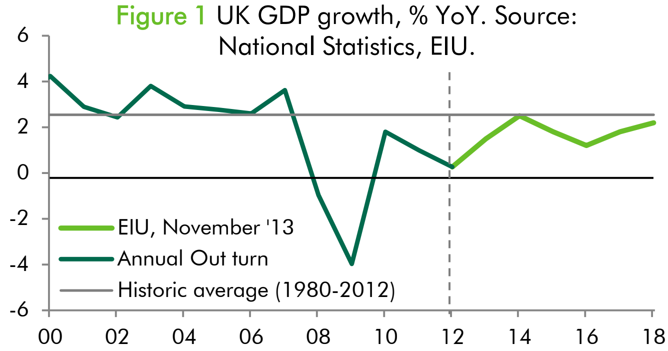
UK ECONOMIC OUTLOOK

What a difference a year makes! In the Q1 commentary issued last January, the tone struck was decidedly downbeat. With the UK economy poised to enter another technical recession, the outlook for commercial property was understandably challenged. We shared a consensus view that occupational markets would remain sluggish and that capital values would decline for a second successive year. However, by mid-year output data affirmed that the economy was on firmer footing than previously thought. Sentiment in the all-important services sector began to strengthen sharply and consumer spending rose due to both a stabilizing employment picture and an improving housing market.

Despite some high frequency data having softened in recent weeks, the prospects for growth in 2014 are still quite encouraging. With employment, real incomes and consumer confidence all likely to improve this year, the environment appears conducive for a mini-boom in economic activity. According to Economist Intelligence Unit – the macro-economic forecasting service used to colour CBRE Global Investors' House View – output growth is expected to rebound to a trend level of 2.5% growth this year, with upside risks to this view.

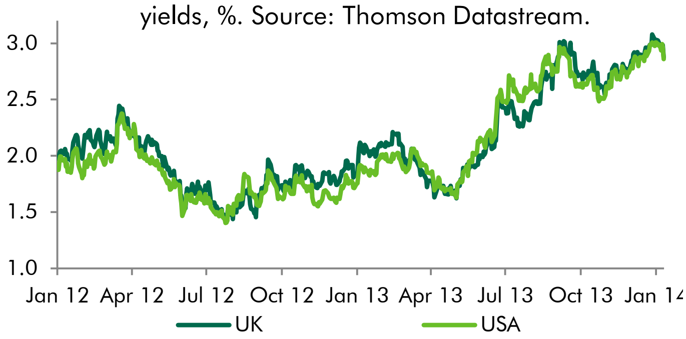
With the recent stream of good numbers, it is tempting to conclude that the UK economy is reaching what the Bank of England Governor has dubbed as "escape velocity". Yet it is important to emphasise that the preconditions for a sustained upturn are not yet assured. After all the economy is still worryingly reliant on debt-driven consumption growth and a short-termist policy approach ahead of the 2015 general election. Britain continues to run a large current account deficit, which is unlikely to narrow meaningfully in the near-term, given prolonged economic uncertainty in the Eurozone and strengthening Sterling. Meanwhile, the government's deficit-reduction programme means that public spending will remain subdued. The sustainability of the recovery may well hinge on a pick-up in business investment but, so far, it is not clear whether business optimism is translating into action. Owing to these factors, our view is that output growth will subside after a fairly robust outturn in 2014 (Figure 1).

Figure 1 UK GDP growth, % YoY. Source: National Statistics, EIU.



A notable development in the final quarter of 2013 was a further rise in UK gilt yields, capping off a year that saw the biggest rise in 10-year yields in almost two decades. The shift coincided with a climb in the benchmark 10-year US government bond yields in the wake of the Fed's decision to begin tapering its quantitative easing programme (Figure 2). It is important to stress that at ca. 3%, gilt yields are low and the spread with commercial property's in-going yield is still historically attractive, certainly one reason why the sector has continued to post net capital inflows. With market interest rate expectations likely to drop back on an improving inflation outlook, gilt yields are expected to hover around their current level for the duration of 2014. This should be supportive of the recovery that is underway in UK commercial property markets.

Figure 2 UK & US 10 year government bond yields, %. Source: Thomson Datastream.



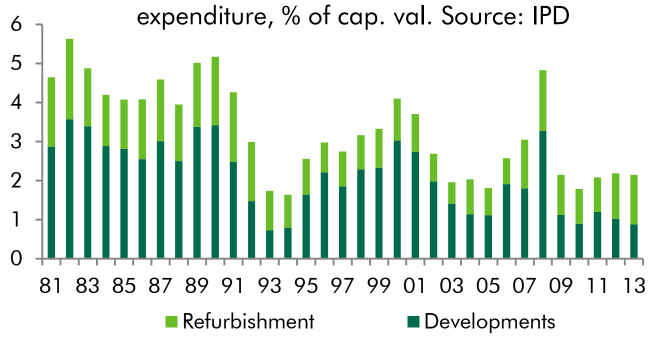
UK PROPERTY PERFORMANCE AND OUTLOOK

Developments in the real economy in the second half of 2013, in particular, have quickly manifest in positive commercial property performance. At an all property level, total returns reached 11.5% for the year according to the December 2013 CBRE Monthly Index. Rental value growth has now turned marginally positive in nominal terms and capital values have been strengthening since April. Encouragingly, the once pronounced "London versus the rest" theme is dissipating as regional advances gain pace. Manchester and Edinburgh are seeing particularly strong investment volumes, while second-tier cities such as Leeds, Nottingham and Sheffield have experienced renewed leasing activity. Improving confidence in the regions is one of the reasons why the gap between prime and secondary asset pricing continues to narrow. The other, unquestionably, is the perception that there is tremendous value to be had in an improving market.

To our mind one of the greatest risks to the UK commercial property market is that capital markets get too far ahead of occupational fundamentals. For the time being, however, occupational markets appear on the mend. And given the strength of business services' sentiment, we are cautiously optimistic that this will ultimately translate into improved leasing activity. Void rates have been retreating at an all property level and we take comfort from diminishing incentive packages that are required to attract new tenants. Against this backdrop, the mind-set toward rental growth is shifting.

At a sector level, industrials are arguably best placed. Voids have subsided to trend while rents have rebased to economic levels, implying a potential for growth. The office market, especially beyond the M25, has seen a complete dearth of new development (Figure 3). Correspondingly, demand for grade A space is intensifying in the UK's most resilient cities, namely Bristol, Manchester and Edinburgh. In Central London, gross take-up strengthened in the second half of the year, led notably by the Technology, Media and Telecom sector. On the investment side, a significant amount of capital from a broad spectrum of investors continues to chase what little stock is available.

Figure 3 Office development & refurbishment expenditure, % of cap. val. Source: IPD



The retail sector is a mixed bag. While the number of towns able to achieve sub-5% yields for prime high street shops is expanding, interest in secondary retail is scant as voids are stubbornly high and near term prospects for real rental growth are effectively non-existent. We are increasingly cautious with the retail warehouse segment, an area of the market having seen consolidation and one starkly polarised between prime assets and everything else. While out of town parks selling bulky goods, in particular, are perceived to be over-rented, recently announced requirements from Dunelm Mill and The Range could temper our concerns of this sub-segment of the market.

Evidence from REIT markets and the non-listed funds space bodes well for near term performance in directly held portfolios. Balanced property unit trusts are seeing net inflows and are now trading at ca. +4% premiums to underlying NAVs, which is a conspicuous shift from the discounts seen just six months ago. Long (inflation-linked) income funds continue to have 12 month queues, underscoring the important theme of gilt reallocations into property; while opportunity funds are successfully raising equity to deploy in niche and recovery strategies. As mentioned last quarter, REITs with perceived exposure to secondary quality assets, irrespective of sector, have seen pricing resilience.

Owing to all of this, the potential for strong growth in the first half of 2014 exists as a widening pool of investors enter the market and move up the risk curve. The appearance of rental growth that is increasingly being priced in will determine if such performance extends to the second half of the year. Given our relatively cautious rental outlook, we expect capital values to rise 4% in 2014 and be front-ended. The anticipated moderation in growth after this year means that income will be the main driver of returns over the forecast horizon. Out-performance should come from high yielding sectors, namely multi-let industrials and regional offices. Whilst assets with inflation-linked leases should remain popular with liability-matching investors, yields are unlikely to fall much further and so returns should be commensurate with the bond income they seek to replicate. In terms of total returns, we hold the view that Central London offices will continue to be keenly contested by a growing wall of overseas money, but that the extent of outperformance is likely narrowing.

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 marginally underperformed the IPD Quarterly Universe benchmark at a Fund level with a total return of 4.4% for the quarter, against the benchmark total return of 4.5%, a relative performance of –0.1%*. The strongest relative weighted performance was driven from the Other Commercial Sector this quarter, with the underperformance mainly as a result of the indirects.

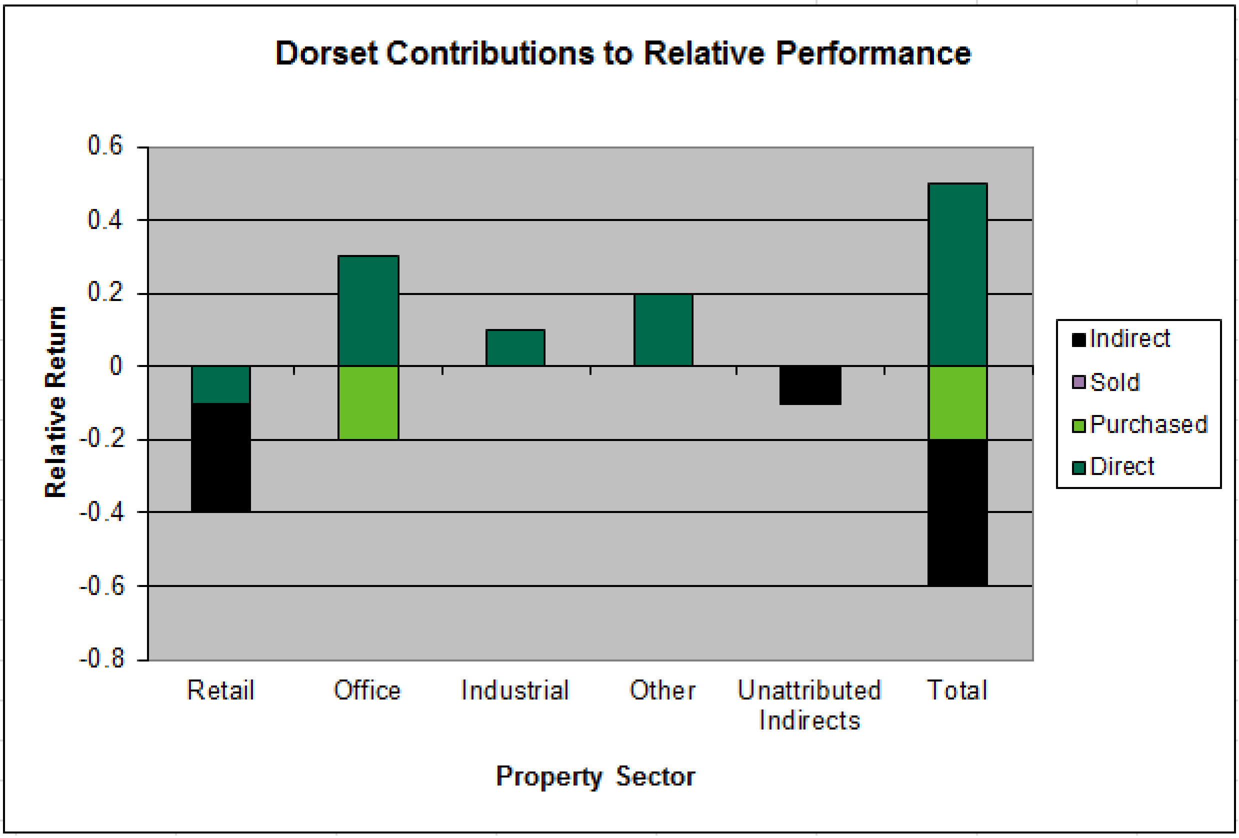
The Fund's directly held retail holdings provided a total return of 3.4% against the benchmark total return of 3.3%, a 0.1% relative outperformance. However the weighted contribution to relative return was -0.4% being dragged predominantly by the Fund's indirectly held shopping centres which produced a total return of 2.6% against the benchmark return of 2.7%, a relative contribution of -0.2%. The retail warehouse holdings in the portfolio produced a total return of 3.7% against the benchmark return of 3.1%. However due to the weighting this was a relative underperformance of -0.2%.

The Fund's office holdings provided a total return of 4.8% against the benchmark return of 6.2%. While this was an underperformance in terms of total return, due to the low office exposure in the portfolio there was a positive relative weighted contribution of 0.1%. The purchase costs for 270, Cambridge Science Park as expected dragged performance for the quarter, but this was outweighed by yield compression at 83 Clerkenwell Road, London EC1, and Clarendon Road, Watford which provided the best relative contribution to performance this quarter, therefore the sector outperformed the benchmark on a relative weighted basis.

The Fund's industrial holdings provided a total return of 4.7% over the quarter in comparison to 5.6% delivered by the benchmark. This was an underperformance of -0.8%, however on a relative weighted contribution the industrial sector provided a positive return of 0.1% due to the high weighting to the sector compared to the benchmark. Strong performance was again witnessed by Euroway Industrial Estate this quarter as a result of a break being missed at unit 9 and yield compression.

The Other Commercial sector, comprising Glasgow, Newcastle and The Calls Leeds, provided a total return of 6.6% over the quarter in comparison to the Other Commercial benchmark total return of 3.2%, a relative outperformance of 3.3% at a sector level. All three properties provided a positive contribution to the relative outperformance this quarter. The Other commercial sector provided a relative weighted contribution of 0.2%.

The Unattributable Indirects provided a total return of 3.2% for the quarter, unattributed indirects are not included in the benchmark as a separate sub-sector, so the return is relative to all benchmarked assets. The Unattributable Indirect assets provided a relative contribution of -0.1%.



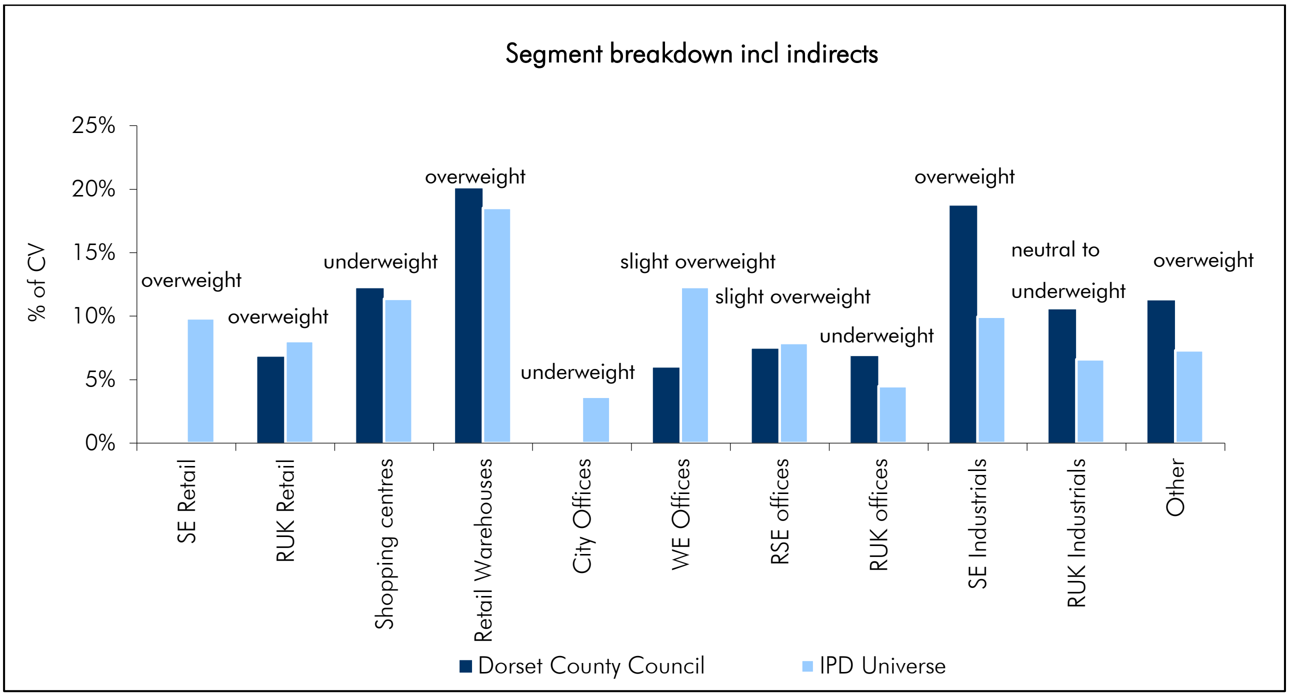
*Relative return is defined as the ratio of the return achieved by the portfolio, segment or individual asset, to that of the chosen benchmark, expressed as a percentage. ((1+Fund TR) / (1+ Benchmark TR) – 1)*100

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 December* 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).

The portfolio 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 previously, the Manager does not feel that acquiring expensive Central London property merely to close out benchmark risk is the most appropriate strategy. With the anticipated returns from Central London expected underperform other property sectors over the next few years, it is anticipated that there will be a better entry point in the future.

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 higher yielding assets. The Manager understands that there is a further c. £15m that is available for investment in property and is currently pursuing a range of opportunities to invest this cash. During the quarter the purchase of Building 270, Cambridge Science Park, an R&D/office asset in Cambridge completed for £8.8m. This asset has an unexpired term of approximately 2 years and presents a number of asset management opportunities. Terms have also been agreed to forward commit to purchase an asset in Macclesfield with RPI linked income which is expected to complete in late 2014 for £3.88m.

There were no property sales during Q4.

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, 89.2% of collectable rent was collected, this is a drop from last quarter. At 28 days post quarter day, however, 100% of the rent had been collected. Economic conditions are easing but we continue to be monitor tenant's trading positions 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. Post quarter end the final remaining units in Hercules Unit Trust were redeemed at a discount of 3.6%. This redemption was in agreement with the strategy to disinvest from geared assets. The timing of the exit was agreed for when the discount to NAV was less than 4%. Hercules Unit Trust was invested in Retail Warehousing which the portfolio is exposed to through directly held assets. It is intended that the proceeds of Hercules Unit Trust are reinvested in directly held assets.

CBRE Retail Fund Britannica will no longer be reported on in these reports. The Fund breached its LTV covenant due to the value declines experienced by secondary shopping centres over the past few years. As such the Fund entered into administration during 2012. The assets have been brought to the market for sale and the sale proceeds were repaid to the lenders. The Fund structure will be wound down over the next year by the investment manager but no further income or distribution is likely to be received from the vehicle.

Over the quarter, the Fund's indirect holdings underperformed the wider market returning 2.6%. All of the indirectly held assets provided a negative relative weighted contribution this quarter.

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 exposure to quality assets across all sectors. The focus for 2014 is to continue to increase exposure to direct property.
- No further assets will be sold during the course of 2014 until the £15m available has been invested. New purchases will either be more prime properties, RPI linked income streams or "value add" opportunities.
- The aim is to maintain an appropriate balance and risk profile across the sectors.

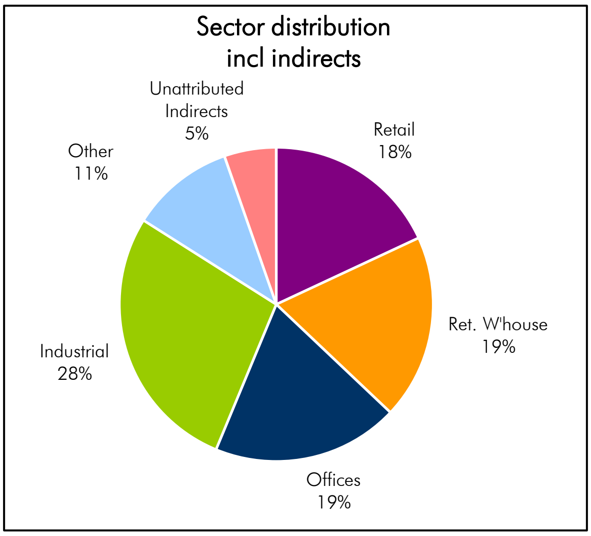
ACQUISITIONS

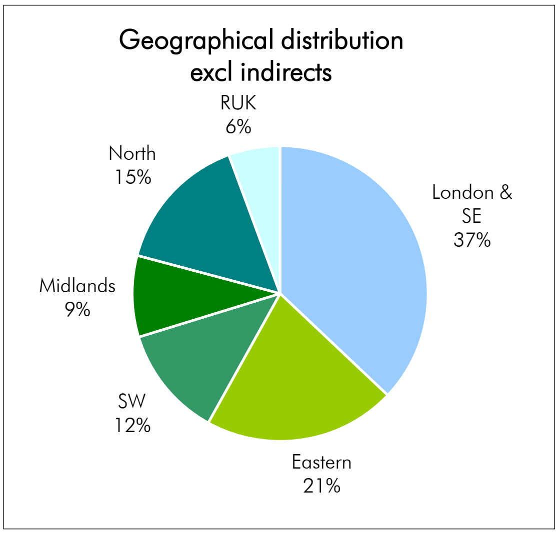
- During the quarter the Fund completed the purchase of an office investment; Building 270, Milton Road, Cambridge. The property, is held on a long leasehold basis with 99 years unexpired. It is located on Cambridge Science Park and is let to a strong covenant; WorldPay until December 2015. There is an opportunity to reposition the asset through the development of a new building on the site, in addition to the existing premises. The purchase price of £8,800,000, reflects a net initial yield of 6.85%.

SALES

- There were no sales made during the quarter.

Following the acquisition this quarter, below is the current sector (including indirect holdings) and geographical (excluding indirect holdings) distributions, of the portfolio.



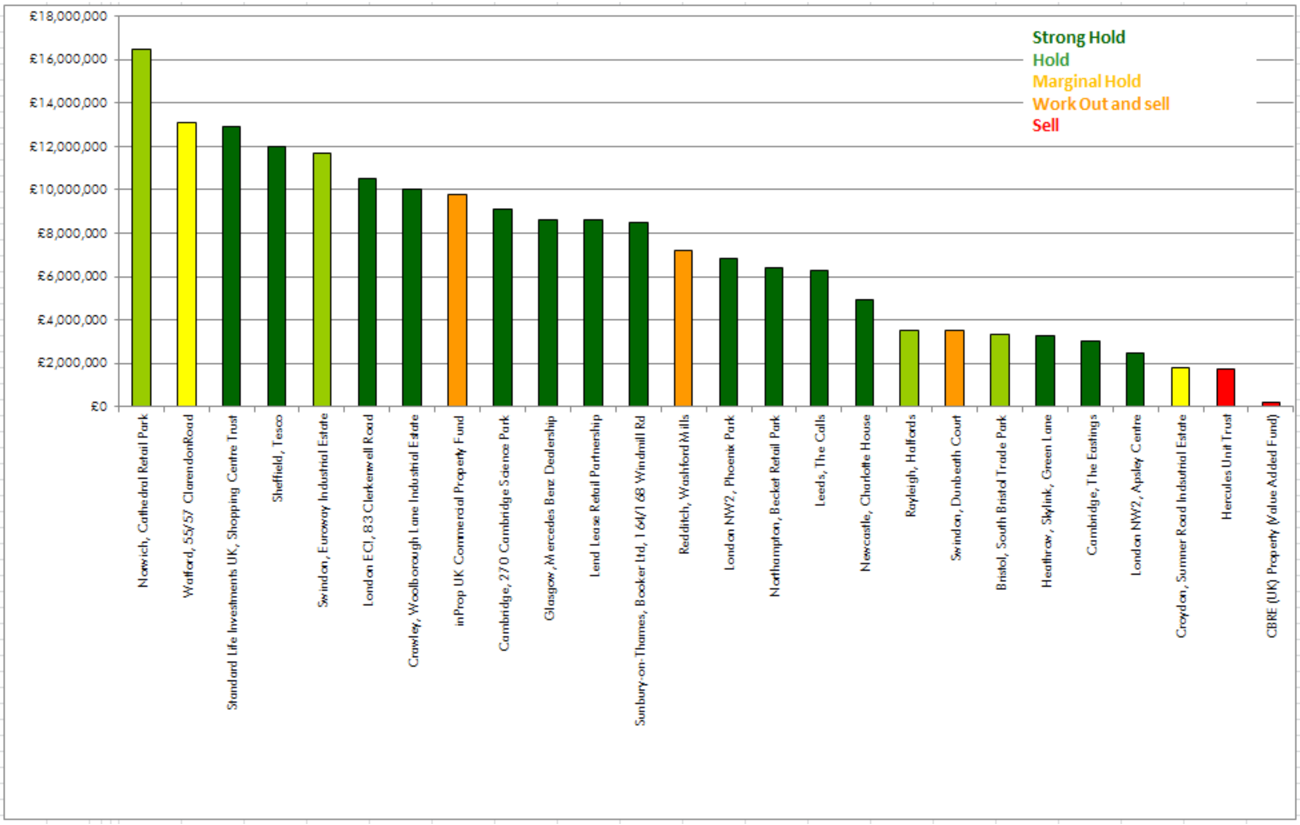


BAD DEBTS/WRITE OFFS

It is proposed that there are two write offs this quarter in relation to Cintamani who were formerly a tenant at Phoenix Park Industrial Estate and The Apsley Centre, London NW2. A breakdown of these arrears is annexed to the report.

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 December.



SECTION V – ASSET MANAGEMENT

HIGHLIGHTS

- **Swindon, Euroway Industrial Estate:** this property was a strong positive contributor to the relative performance of the portfolio this quarter. The tenant Saint-Gobain Building Distribution Limited in occupation of unit 9, did not action their break option dated 29th September 2013 and therefore the lease now expires on 15th July 2017.
- **Glasgow, Mercedes Benz Dealership:** this property delivered a strong total return of 6.7% over the quarter. The rent is reviewed annually on 25th December to the lesser of a mechanical RPI uplift or 102.77%. This rental uplift in Q4 resulted in a capital value improvement during the quarter.
- **London EC1, 83 Clerkenwell Road:** the rent incentive for the removal of the tenant option to break expired during the quarter. The property is once again fully income producing resulting in a strong positive weighted contribution to performance. The property provided a total return of 6.2% over the quarter.

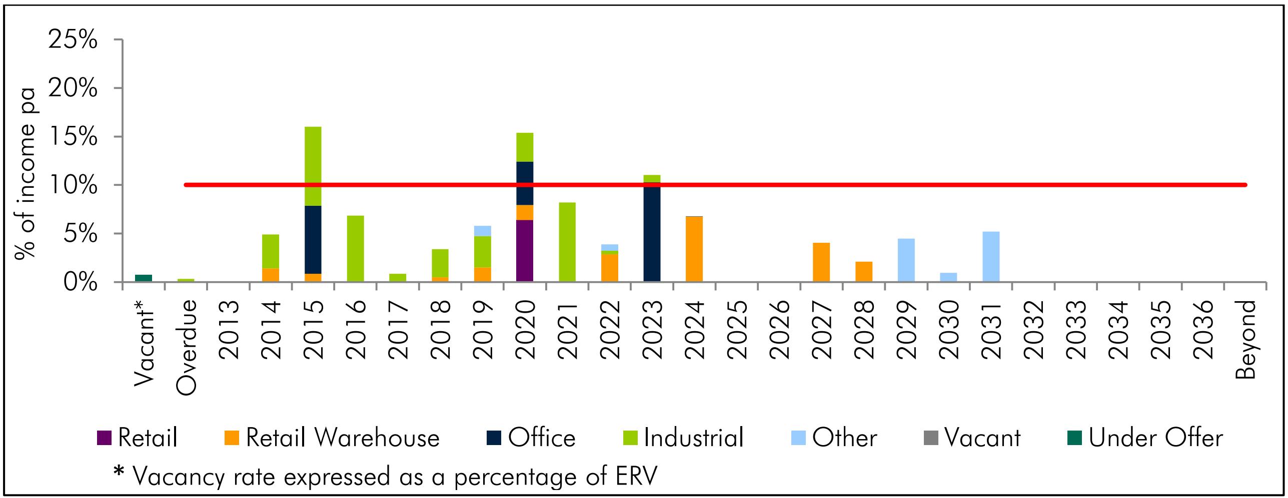
VOIDS WITHIN THE PORTFOLIO – 31ST DECEMBER 2013

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
Unit 5, Phoenix Park, London	4,533	0.44%	£47,600	Under offer
Unit 3, Dunbeath Court, Swindon	6,023	0.30%	£33,100	Under offer
TOTAL PORTFOLIO VOID	**10,556**	**0.74%**	**£80,700**	

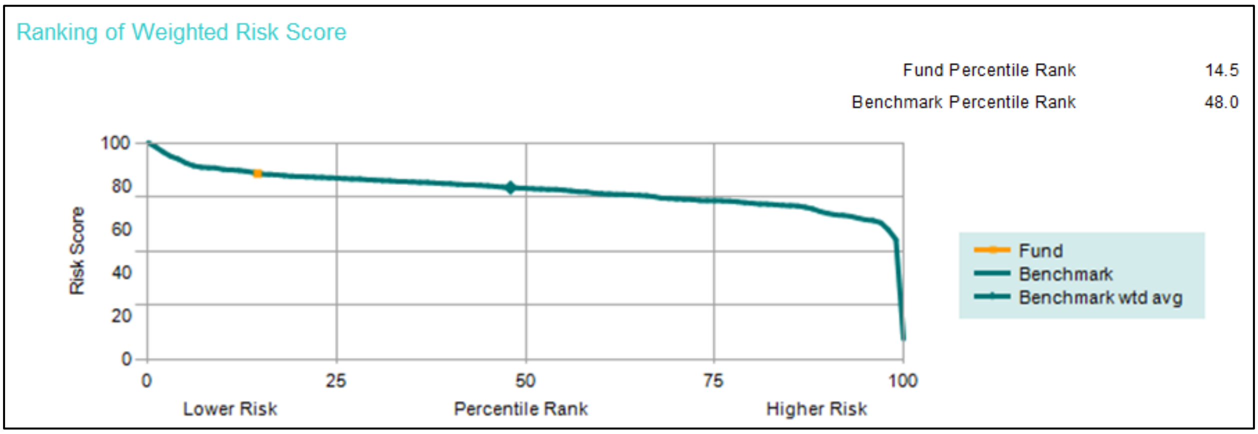
The Fund's void rate has reduced from 0.80% this quarter as a result of the new acquisition reducing the exposure to vacancies. Both of the current vacancies are under offer and the lettings are due to complete on these units in Q1 2014. There will be an additional vacancy in Q1 2014 as DSG at Redditch have served a discontinuation notice on their store. This currently accounts for 1.38% of the portfolio ERV. The void remains significantly lower than the IPD Monthly Index rate which at the end of December reduced to 10.1%.

LEASE EXPIRY PROFILE FOR THE PORTFOLIO – 31ST DECEMBER 2013

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



TENANTS' FINANCIAL STRENGTH



The graph above compares the covenant risk score of the portfolio compared to the Benchmark as at 31st December 2013. The Fund is in the top quartile with a Weighted Risk Score in the 14.5th percentile against the Benchmark Weighted Risk Score in the 48th percentile. This is a decrease from the previous quarter (6.8th percentile) and demonstrates the focus of the manager on high calibre tenants within the Dorset portfolio.

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
London EC1, 83 Clerkenwell Road	Whole	This property is income producing this quarter following the expiry of a rent free on the property in exchange for the removal of the break.
Cambridge, 270 Cambridge Science Park	Whole – Purchase	The property was purchased on 29th November 2013 for a price of £8.8m reflecting a net initial yield of 6.85%. The property is let to WorldPay Limited until December 2015. There are a variety of asset management initiatives with the property including a lease renewal to the tenant and or a potential redevelopment of part of the site.
Rayleigh, Halfords	Whole – rent review	The rent review dated 26th July 2013 completed at a nil increase during the quarter. The tenant is benefitting from an annual half rent. This has been documented in a reversionary lease dated 2010 which extends the lease term from the then expiry in 2013 by an additional 15 years.
Redditch, Washford Mills	Wickes – rent review	The rent review dated 20th October 2012 completed at a nil increase during the quarter.
	DSG - Lease expiry	The lease to DSG expired on 27th October 2012 and the tenant has been holding over since. Legal proceedings in relation to a renewal were commencing, but during the quarter DSG served a notice of discontinuation and their lease will now expire on 10th March 2014. DSG have submitted an interim rent application which is being negotiated but it is likely that a reduction in rent would be agreed by the courts and therefore that DSG should receive some money back for the rent they have paid since the lease expiry on 27th October 2012. A terminal schedule of dilapidations has been actioned. The unit is being actively marketed to other potential occupiers.
Northampton, Becket Retail Park	Unit 5 – rent review	The rent review with Steinhoff UK Group properties t/a Bensons for Beds dated 21st May 2012 completed at a nil increase during the quarter.
Bristol, South Bristol Trade Park	Unit 1– rent review	The rent review with Gemini Accident Repair Centres Limited dated 19th January 2013 completed at a nil increase during the quarter.
	Unit 3A– rent review	The rent review with Sally Salon Services Limtied dated 14th May 2011 completed at a nil increase during the quarter.

Property	Unit & Activity	Forecast Outcome
Croydon, 75/81,Sumner Road	Unit– Lease Expiry	The tenant Belron UK Limited t/a Autoglass will leave unit 2 as they are expanding into other premises, and it has been agreed that the section 25 notice will be extended to the June 2014 quarter day to allow the tenant to complete their dilapidations. Therefore viewings to identify a new tenant for the unit will commence in Q2 2014. A terminal schedule of dilapidations has been served upon the tenant.
Heathrow, Skylink, Green Lane	Whole	The tenant Virgin Atlantic has been in discussions regarding lease regear options over the past 12 months, however post quarter end served notice to vacate the property. The notice received brings the tenancy to an end on 31 May 2014. A terminal schedule of dilapidations has been instructed and joint letting agents have been appointed.
London NW2, Apsley Centre	Unit D – rent review	The rent review to London Wardrobes Limited dated 29th May 2013 completed at a nil increase during the quarter.
London, Phoenix Park, Apsley Way	Unit 5 – Letting	During the quarter terms were agreed with M A Import & Export Limited to take a new 5 year lease on the property at a rent of £48,730 per annum (£10.75 psf). The tenant will benefit from 14 months of half rent on commencement of the lease as an incentive. The property will be used for the wholesale and storage of soft and alcoholic beverages.
	Unit 6 – Lease Renewal	Negotiations with the tenant Star Images with regard to a lease renewal have continued during the quarter. Solicitors have been instructed to progress lease renewal proceedings as an agreement has still not been reached.
Swindon, Dunbeath Court	Unit 3 – refurbishment	Refurbishment works to the unit completed during the quarter.
	Unit 3 – Letting	Terms have been agreed and are in solicitors hands for a new letting to Swindon Plumbing Supplies who are in occupation of units 1 and 2 on the estate. The new lease is to be for 10 years with a break at the 5th year at a rent of £35,300 per annum (£5.85psf). The tenant will benefit from 12 months rent free and then 12 months half rent.
	Unit 7 – break notice	The tenant Dormen Foods Limited who had a tenant option to determine their lease on 9th April 2014 did not action their break. The lease now expires on 15th July 2017.
Swindon, Euroway Industrial Estate	Unit 10 – lease renewal	Negotiations with the tenant commenced during the quarter in respect of a lease renewal. Heads of terms were sent to solicitors post quarter end for a new 5 year term at £5.03 psf with a 7 month incentive period.

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 December 2013.

EPC Rating	No. Of Units
A	0
B	5
C	23
D	22
E	13
F	4
G	2
no EPC	3

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	Car 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

*Scotland has separate rating system and legislation regarding EPC's.

ACTIVITY DURING 2013

- Disposal of Bristol, Howard House and Mead Lane Industrial Estate, Hertford which both had 'F' rated EPC's.
- Acquisition of 83 Clerkenwell Road, London EC1, and 270 Cambridge Science Park which have 'D' rated EPC's. Acquisition of The Eastings, 190-192 East Road, Cambridge and The Calls, Leeds which have 'C' rated EPC's.
- Additional EPCs were obtained during 2013, reducing the number of units with no EPC from 9 to 3.
- The three remaining EPCs required on the portfolio relate to Crawley and have been requested from the vendor and tenants.

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 Dec 2013 Total Return	12 months to Dec 2013 Total Return
Hercules Unit Trust	2,755	1,976,095	1,752,180	0.0%	1.8%
Lend Lease Retail Partnership	60	7,014,056	8,595,600	0.9%	6.7%
CBRE (UK) Propery Fund (Diversified Value Add Fund)	7,000	N/A	194,670	-9.7%	-15.7%**
Standard Life Investments UK Shopping Centre Trust	13,853.43	10,000,000	12,910,011	2.6%	9.0%
inProp UK Commercial Property Fund	100,050.03	10,000,000	9,757,879	2.7%	9.7%

*The figures are to the latest available as reported by CBRE Global Investors UK Funds Ltd (CBREGIF) / CBRE Global Investors

**The returns are calculated taking into account the equity distribution of £2,170,000 in Q3 2013 and £1,680,000 in Q2 2013.

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.
0.0%	1.8%	-0.2%

- Hercules Unit Trust returned 0.0% over the quarter and 1.8% over the past 12 months. The performance was driven by a strong annualised distribution yield of 6.1% offsetting a decline in property values that was primarily caused by reductions in ERV on some of the smaller parks.
- Leasing activity was strong with 10 new lettings and 12 rent reviews completed during the quarter. As a result, the void rate (excluding units in administration) has reduced from 2.1% to 1.6% in Q4.
- The fund has previously stated its intention to sell its non-core/smaller assets and sold the West Cornwall Shopping Centre, Hayle during the quarter for £26m reflecting an initial yield of 5.4%. Dartford Heath Retail Park was also sold for £9.6m reflecting an initial yield of 6.5%. These sales reduced the total number of assets in the fund to 19.
- The tenant base remains well diversified, with the top ten tenants comprising 40.3% of rental income. The fund has had a slight decrease in average unexpired lease term (to first break) from 7.7 years to 7.3 years in Q4. The fund's LTV remains stable at 41.2%.
- The fund offered a redemption window in September 2013, and at the end of December, had outstanding redemption requests amounting to 9.1% of units in issue (c£80.0m). Non-redeeming unitholders had pre-emptive rights to acquire units up until the 4th of February 2014. Post quarter-end, it was announced that British Land, who acts as property advisor to the fund, had acquired approximately half of the of the pre-emption units on offer, totalling c£41.0m.

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

3 Months %	12 Months %	3 Years % p.a.
0.9%	6.7%	8.5%

- Lend Lease Retail Partnership returned 0.9% over the quarter and 6.7% over the last year. The mildly positive performance during the last quarter was due to income as valuations remained broadly flat.
- Lend Lease Retail Partnership is a core specialist fund, providing exposure to the prime UK shopping centre market. The fund is ungeared and has a distribution yield of 3.8%.
- The fund has a portfolio of two prime regionally dominant properties: Bluewater, Kent and Touchwood, Solihull. The portfolio vacancy rate fell slightly from 5.1% to 4.9% over the quarter.
- Bluewater delivered its new 30,000 sq ft Top Shop/Top Man during the quarter which has increased the rent roll by £1.1m per annum, adding £13m to the valuation. The fund has identified two further MSU opportunities at Bluewater to utilize approximately a further 26,000 sq ft of expansion space, which will be constructed once retailer demand is identified.
- At Touchwood, a local plan setting out planning policy for the town centre was adopted by the council which supports a proposal for the extension of the centre. Lend Lease are making progress with negotiations with Solihull Council with a target to complete the Development Agreement by mid-2014, allowing preparation of a planning application.

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

3 Months %	12 Months %	3 Years % p.a.
2.6%	9.0%	6.3%

- The trust produced a total return of 2.6% and 9.0% over the past three and 12 months, underperforming its benchmark of 3.4% over the quarter, whilst outperforming the benchmark return of 6.8% over the year. Since launch, the fund has delivered 4.0% per annum to investors, significantly outperforming the benchmark return of 0.7% p.a. The trust's annualised distribution yield at the end of Q3 was 4.6%.
- The quarterly return was driven by a 1.6% increase in capital values in addition to an income return of 1.3%. Both the initial yield and equivalent yield moved inwards over the quarter, by 14bps and 12bps respectively.
- At the end of the quarter, the trust's property portfolio was valued at £1,290.8m providing exposure to eight assets across the UK. The trust's void rate remained at 1.8% by ERV, whilst retailers in administration declined over the quarter to 1.5% from 1.7% at the end of Q3. A number of rent reviews were settled across the portfolio, the majority at nil uplift whilst retailers continue to review their portfolios. The weighted average unexpired lease term over the quarter reduced from 6.7 years to 6.0 years following the sale of Whiteleys, London.
- The manager has continues to explore asset management initiatives to add value to the portfolio, in particular at Brighton and Brent Cross. Post quarter end, the manager announced that a resolution to grant consent for the regeneration of Brent Cross Cricklewood had been secured. The decision means detailed designed for the extension of Brent Cross Shopping Centre. This announcement is a major achievement, moving the strategy a step closer to realising the asset strategy.

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

3 Months %	12 Months %	3 Years % p.a.
-9.7%	-15.7%	+4.4%

- The Fund is currently being wound up with the expectation of this completing in Q2 2014. The legal process to wind up the two nominee companies is progressing well and once complete the trust structure under the nominee companies will also be wound up.
- Once this has occurred a final distribution to the investors will follow shortly afterwards.

inProp UK Commercial Property Fund (Derivative - Core Diversified Fund)

3 Months %	12 Months %	3 Years % p.a.
2.7%	9.7%	4.7%

- 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 Q4 2013, the fund produced total returns of 2.7% and 9.7% over the past three and 12 months respectively. These returns present underperformance of 1.8% and 2.3% over the quarter and the year respectively against the interim benchmark, being the IPD UK Annual Index Estimate ("Annual Estimate"). The Annual Estimate returns were 4.4% and 12.0% over the corresponding time periods. The total return for the quarter comprised an income return of 1.5% with a capital return of 0.3%.
- The underperformance stems from the fact that the Annual Estimate showed a very strong performance in December which the 2013 futures contract hadn't priced in. On the other hand, these 2013 contracts are expected to respond to the strong December figure giving a boost to both relative and absolute performance of somewhere between 50 and 100bps. Furthermore, the 2013 Annual Index should finish between 50 and 100bp higher than originally expected, further improving absolute returns.
- Over the quarter, inProp's NAV remains broadly static at £129.3m, with no new subscriptions or redemptions occurring during the quarter. The investment continues to be held in 'B-class' and receives preferential terms such as a 50% discount on management fees together a waiver on any performance fees and redemption fees that are applicable to the other share classes.

** Returns shown are the returns published by the Index and may differ to the actually return received by an investor*

APPENDIX I – PORTFOLIO VALUATION

Property	Valuation Dec 2013	Valuation Sept 2013	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Offices						
83 Clerkenwell Road, London EC1	£10,500,000	£10,000,000	6.2%	£477,200	£685,000	4.3%
Clarendon Road, Watford	£13,100,000	£12,450,000	7.1%	£902,750	£902,750	6.5%
The Eastings, Cambridge	£3,000,000	£2,900,000	5.1%	£190,500	£190,500	6.0%
270 Cambridge Science Park, Cambridge	£9,100,000	*Purchased £8,800,000*	-1.2%	£640,927	£775,227	6.7%
Total Offices	£35,700,000	£25,350,000	4.8%	£2,211,377	£2,553,477	5.9%
Retail Warehouse						
Rayleigh Road, Rayleigh	£3,500,000	£3,350,000	6.2%	£111,392	£222,783	6.0%
Redditch, Washford Mills	£7,200,000	£7,150,000	2.7%	£578,689	£551,100	7.6%
Northampton, Becket Retail Park	£6,400,000	£6,250,000	3.9%	£381,000	£401,700	5.6%
Norwich, Cathedral Retail Park	£16,450,000	£16,100,000	3.8%	£1,054,000	£1,054,000	6.1%
Total Retail Warehouse	£33,550,000	£32,850,000	3.7%	£2,125,081	£2,229,583	6.3%
Industrials						
Bristol, South Bristol Trade Park	£3,350,000	£3,300,000	3.4%	£252,757	£244,314	7.1%
Crawley, Woolborough IE	£10,000,000	£9,900,000	3.1%	£811,541	£924,505	7.7%

Property	Valuation Dec 2013	Valuation Sept 2013	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Croydon, 75/81,Sumner Road	£1,800,000	£1,750,000	4.7%	£129,965	£128,100	6.8%
Heathrow, Skylink	£3,300,000	£3,150,000	6.6%	£231,750	£231,900	6.6%
London, Apsley Centre	£2,450,000	£2,350,000	6.0%	£162,000	£164,100	6.3%
London, Phoenix Park, Apsley Way	£6,850,000	£6,700,000	3.7%	£443,845	£493,705	6.1%
Sunbury-on-Thames, 164/168 Windmill Road	£8,500,000	£8,250,000	4.9%	£599,750	£599,650	6.7%
Swindon, Dunbeath Court	£3,500,000	£3,400,000	4.9%	£282,564	£319,137	7.6%
Swindon, Euroway IE	£11,700,000	£11,250,000	6.3%	£1,023,283	£992,435	8.3%
Total Industrial	£51,450,000	£50,050,000	4.7%	£3,937,455	£4,097,846	7.2%
Supermarkets						
Tesco, Sheffield	£12,000,000	£11,685,000	4.2%	£680,000	£680,000	5.4%
Total Supermarkets	£12,000,000	£11,685,000	4.2%	£680,000	£680,000	5.4%
Other Commercial						
The Calls, Leeds	£6,300,000	£6,100,000	5.2%	£453,360	£493,325	6.8%
Glasgow, Mercedes	£8,600,000	£8,200,000	6.7%	£568,133	£566,600	6.2%
Newcastle, Charlotte House	£4,900,000	£4,600,000	8.2%	£304,077	£304,077	5.9%
Total Other Commercial	£19,800,000	£18,900,000	6.6%	£1,325,570	£1,364,002	6.3%
Total Direct Property [1]	£152,500,000	£138,835,000	4.7%	£10,279,483	£10,924,908	6.4%

Property	Valuation Dec 2013	Valuation Sept 2013	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Lend Lease Retail Partnership	£8,595,600	£8,601,480	0.9%	£297,469	-	3.3%
Hercules Unit Trust	£1,752,180	£1,768,710	0.0%	£102,769	-	5.5%
CBRE (UK) Propery Fund (Diversified Value Add Fund)	£194,670	£205,380	-9.7%	£0	-	0.0%
Standard Life Investments UK Shopping Centre Trust	£12,910,011	£12,574,343	2.6%	£547,488	-	4.0%
inProp UK Commercial Property Fund	£9,757,879	£9,582,792	2.7%	£582,952	-	5.7%
Total Indirect Property[2]	£33,210,341	£32,732,705	2.6%	£1,530,678	-	4.4%
GRAND TOTAL	**£185,710,341**	**£171,567,705**	**4.4%**	**£11,810,160**	**-**	**6.0%**

Notes:

1. Direct property total returns for the quarter to December 2013 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to December 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.

APPENDIX 2 – BAD DEBTS AND WRITE OFFS

Property	Unit Description	Tenant / Debtor	Reason for Write Off	Rent	VAT	Service Charge	VAT	Insurance	VAT	Gross Write Off Amount
London NW2, Apsley Centre	Unit A	Cintamani Ltd	Company Voluntary Liquidation	£3.45	£0.58	£2,544.88	£424.15	-£6.63	-£1.11	£2,965.32
London NW2, Phoenix Park	Unit 5	Cintamani Ltd	Company Voluntary Liquidation	£16,313.39	£2,718.89	-£2,669.26	-£444.89	£329.93	£54.99	£16,303.05

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