The Apsley Centre, London NW2

QUARTERLY REPORT Q1 2014

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)	3.3%	14.2%	8.2%	11.5%
Dorset Direct Portfolio (standing investments)	3.6%	16.3%	9.6%	12.1%
IPD Quarterly Universe (the new benchmark)	3.6%	13.6%	7.6%	10.2%
MSCI All Share	-1.5%	6.4%	7.6%	15.1%
5 to 15 Year Gilts	2.5%	-3.8%	5.9%	4.6%

Source: IPD Quarterly Universe Benchmark Report.

Portfolio Key Facts	Mar 2014	Dec 2013	Sept 2013	June 2013
Market Value of Properties	£155.45m	£152.50m	£138.84m	£127.46m
Indirect Portfolio	£31.65m	£33.21m	£32.74m	£34.82m
Exposure to debt [1]	0.00%	0.60%	0.65%	0.69%
Void rate [2]	1.79%	0.74%	0.80%	1.04%
Average Lot Size	£7.40m	£7.26m	£6.64m	£7.08m
No. of Properties Direct	21	21	20	18
Passing Rent (pa) [3]	£10.24m	£10.28m	£9.26m	£8.61m
Open Market Rental Value [3]	£10.99m	£10.92m	£10.14m	£9.41m
Net Initial Yield [4]	6.3%	6.4%	6.3%	6.4%
Equivalent Yield [4]	6.6%	6.6%	6.8%	6.9%
Reversionary Yield [4]	6.7%	6.8%	6.9%	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 2 2014

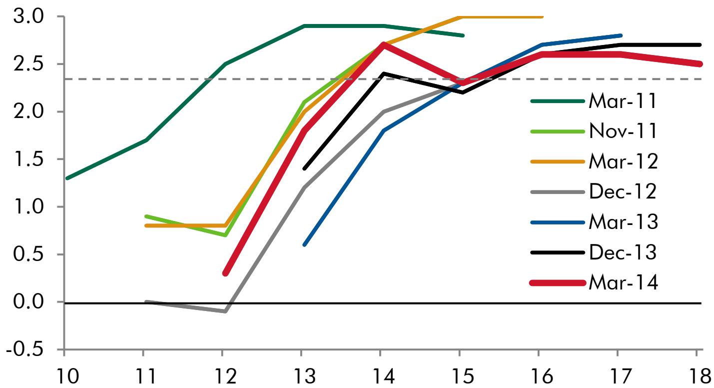
UK ECONOMIC OUTLOOK

Since the beginning of the year, the UK economy has gone from strength to strength. It is now not only positioned for its strongest annual outturn in six years, but stands out as the vanguard amongst major Western economies. Encouragingly, the grounds for growth are becoming broad-based. Confidence levels from the all-important services sector accentuate a recovery that is finally being felt beyond London and the South East. The manufacturing sector has found its stride and notwithstanding sterling's recent strengthening, the overall trade deficit has begun to narrow. The consumer is also lending a hand. Household spending is being bolstered by employment growth, improving credit availability and the wealth effects of accelerating house price rises. And with inflation falling and monetary policy set to remain ultra-loose, conditions are ripe for this momentum to continue, at least over the near term. Given these favourable tailwinds, commercial property is expected to deliver its strongest returns since 2007.

The obvious follow-on question is whether this momentum is sustainable. As has been emphasized in past commentaries, the prospects for a self-sustaining recovery remain far from certain. The growth that the consumer has helped impel comes at the expense of greater indebtedness. Despite inflation having recently subsided, households face a prolonged period of sluggish real earnings growth if weak productivity trends are not reversed. Owing to these countervailing factors we continue to adopt a cautious view of growth prospects after the 2015 general election, one that is evident in our property forecasts.

Since our last commentary, the Chancellor of the Exchequer delivered his 2014 Budget. While generous amendments to individual savings allowances and reforms on annuity rules garnered headlines, there were two resounding messages from our perspective, both echoing the themes identified above. Firstly, and in stark contrast to last year's iteration, official forecasts are now bringing forward growth estimates (Figure 1). Secondly, the UK's fiscal situation remains poor and the massive deficit will not disappear effortlessly. As such, the onus remains firmly on monetary policy to sustain the economic recovery while the fiscal squeeze drags on. Against this backdrop, the Monetary Policy Committee has its work cut out. Whilst recent economic resilience and the scrapping of 'forward guidance' are suggestive of interest rates rising faster than previously thought, we subscribe to the view of accommodative monetary policy for the duration of the forecast horizon. This should complement commercial property's recovery.

Figure 1 UK GDP forecasts, % YoY. Source: OBR



UK PROPERTY PERFORMANCE

A resilient UK economy has resulted in commercial property having had its best start to the year since 2010. On an annualised basis, all property total returns have reached double digits. After years of stagnation rental growth is now percolating through to more segments of the market and capital values have been growing for eleven consecutive months. While London remains a hotbed of activity, regional advances are gaining pace. Manchester and Edinburgh are successfully attracting capital flows, while second-tier cities such as Leeds, Bristol and Glasgow are posting renewed leasing activity. Improving confidence in the regional story is one of the reasons why the gap between prime and secondary asset pricing is narrowing rapidly. Another, unquestionably, is the perception that there is value in an improving market.

Encouragingly, the occupational story is growing more convincing. Buoyed by greater optimism in the domestic outlook, UK businesses are prepared to take decisions on space requirements and expansion plans that they had previously found ample reasons to postpone. As such, office and industrial vacancy rates have been trending downward and the number of towns that retailers are now considering appears to be expanding. Within our own directly held portfolios, we are signing more leases and offering fewer incentives to do so.

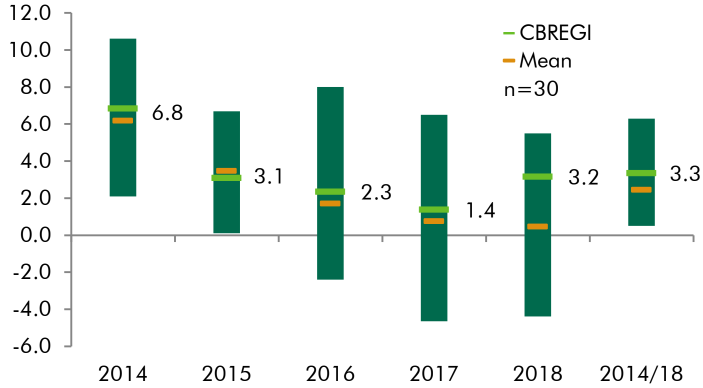
The retail sector requires careful consideration. In a historical context rents are low and yields high, conveying the message of good value. However, the sector remains polarised both by quality and location. While the situation on the UK's high streets is not as bad as the press would have you believe, occupational markets have struggled to find universal resilience. London's prominent shopping streets continue to defy gravity with the rental tones that are being set. Another bright spot under the retail umbrella is leisure. The sub-sector has been expanding at a steady rate, not only helping redefine high street pitches and invigorating tired centres but often offering long inflation-linked leases to investors. However, the positive story does not translate to all centres and rental growth is still reasonably rare, even in many prime locations. Investor interest in secondary retail, especially out of town parks, remains limited as voids are stubbornly high and the occupational story patchy. Given these nuances, we continue to advocate a forensic approach to the retail sector.

Activity in UK REIT markets and the non-listed funds space offers further proof of an entrenched property recovery. Balanced property unit trusts are seeing queues form with many trading at premiums to underlying NAVs. Quite strikingly, the EPRA/NAREIT UK index has been trading at or near all-time high premiums to underlying net asset values. Investors will typically justify some premium in the initial stages of a market recovery and a greater percentage when the growth potential has been clearly established. Companies with perceived exposure to secondary quality assets, irrespective of sector, have sustained sharp price rises while most of the London specialists continue to trade at premiums to underlying NAVs in excess of the index average.

UK capital markets have proved buoyant in recent quarters as an increasingly diverse pool of buyers is active in the market. The final three months of 2013 saw the largest direct investment volumes on record with over £21bn transacted. Year to date, volumes have notably subsided due in large part to a lack of available stock on the market. Correspondingly, competition for assets in most sectors is fierce. This has been most pronounced for South East offices, prime logistics facilities and assets with inflation-linked income streams—segments of the market appealing to different risk/return profiles. However, with property owners taking an opportunistic approach with sales, debt financing becoming more attractive and intention surveys singling the UK for net inflows, we expect 2014 to be a very active year for transactional activity.

Given the anticipated weight of capital trying to enter the market, the potential for heady property performance exists over the coming year. The appearance of rental growth that is increasingly being priced into asset underwriting will determine if performance continues with such vigour beyond the May 2015 general election. Driven by leisure, London offices, South East offices and industrial property, we are forecasting a rental value recovery over the coming two years. Coupled with yield impact, capital values could rise in the high single digits this year, a view which is consistent with the latest consensus forecasts (Figure 2).

Figure 2 Range of IPF consensus forecasts for all property capital value growth. Source: CBRE Global Investors, IPF.



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 underperformed the IPD Quarterly Universe benchmark at a Fund level with a total return of 3.3% for the quarter, against the benchmark total return of 3.6%, a relative performance of –0.4%*. All sectors marginally underperformed their sub-sectors in the benchmark with regard to total return, with the exception of the Other Commercial sector which outperformed. However, in terms of relative return the office, industrial and other commercial sectors had a positive impact on the portfolio performance due to these sectors outperforming the benchmark.

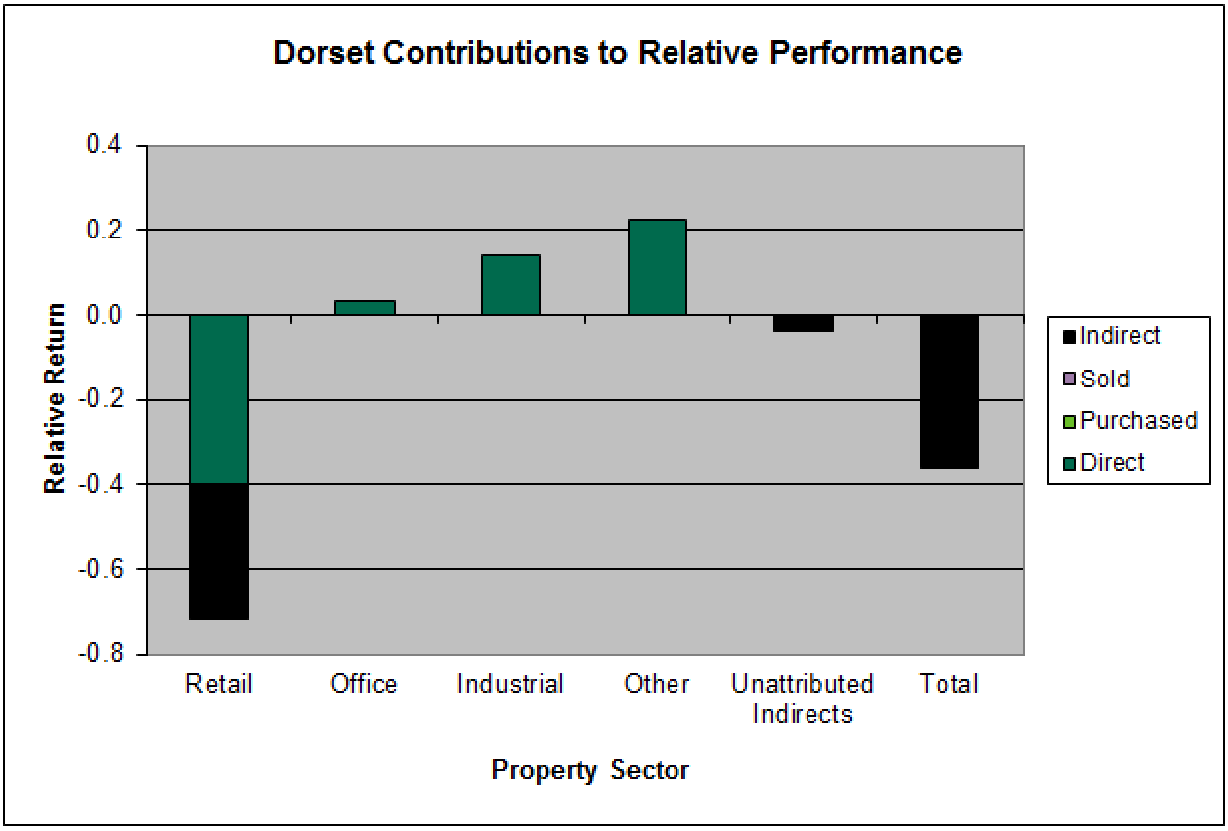
The Fund's directly held retail holdings provided a total return of 1.6% against the benchmark total return of 2.7%, the weighted contribution to relative return was -0.1%. All of the portfolio retail holdings contributed negatively to the portfolio return this quarter, with the worst performing asset in the portfolio Tesco, Sheffield providing a relative contribution of -0.14%, this was purely due to the valuation remaining flat for the quarter when comparable supermarkets in the benchmark have seen capital growth. The Funds two largest indirectly held assets Standard Life and Lend Lease also dragged performance on a relative basis by delivering a 1.4% and 0.7% total return respectively, a -0.15% and -0.13% relative contribution. The Fund's direct and indirectly held assets dragged performance and had a negative contribution to the relative return of -0.7%.

The Fund's office holdings provided a total return of 3.8% against the benchmark return of 4.8%. This was a relative underperformance of -1.0 however on a relative weighted basis, they had a marginally positive impact on the portfolio return. 83 Clerkenwell Road, London was the strongest performing office in the portfolio this quarter, delivering a total return of 4.5%, a relative weighted contribution of 0.05%.

The Fund's industrial holdings provided a total return of 4.1% over the quarter in comparison to 4.6% delivered by the benchmark. This was an underperformance of -0.5%, however on a relative weighted contribution the industrial sector provided a positive return of 0.1%. All of the industrial holdings in the portfolio provided a positive or neutral weighted contribution to the Fund's performance, with exception of Heathrow, The Logistics Centre (formerly branded "Skylink"), where the tenant served notice to vacate during the quarter which resulted in a marginal capital value fall.

The Other Commercial sector, comprising Glasgow, Newcastle and The Calls Leeds, provided a total return of 5.8% over the quarter in comparison to the Other Commercial benchmark total return of 2.9%, a relative outperformance of 2.9% at a sector level. The outperformance in this sector was mainly as a result of Charlotte House, Newcastle and Glasgow which contributed the most and third most to the portfolio performance respectively this quarter. The Other Sector overall provided a relative weighted contribution of 0.2%.

The Unattributable Indirects provided a total return of 2.9% 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 0.0%.



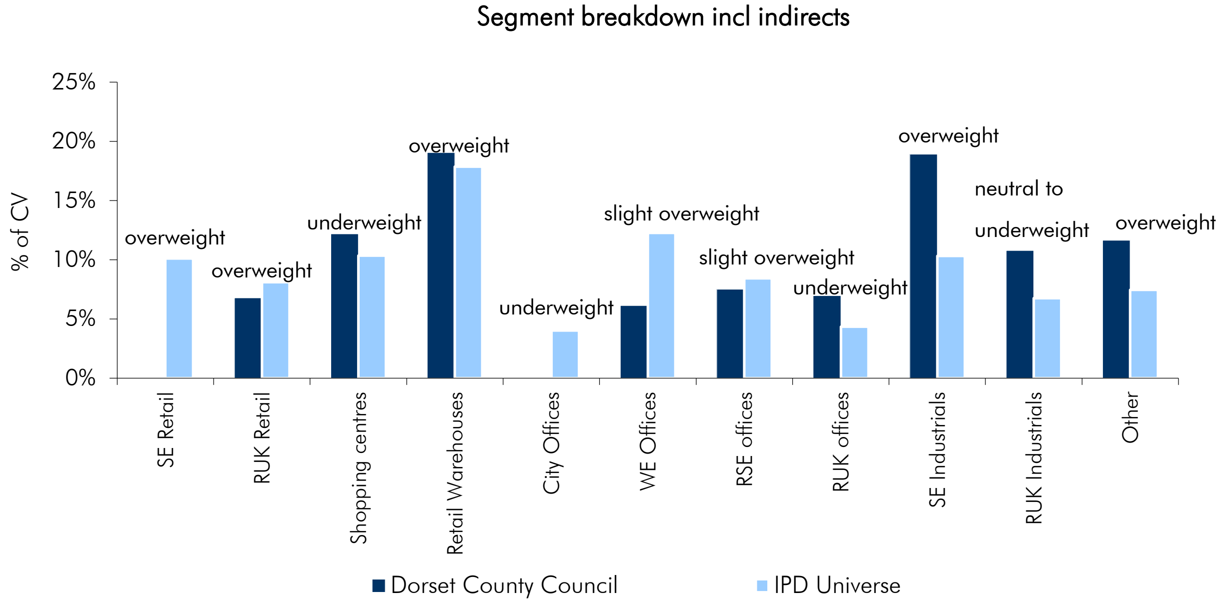
*Relative return is defined as the ratio of the return achieved by the portfolio, segment or individual asset, to that of the chosen benchmark, expressed as a percentage. ((1+Fund TR) / (1+ Benchmark TR) – 1)*100

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.



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. Post quarter end terms were agreed to purchase two central London assets, one is currently classed as industrial; 131 Great Suffolk Street (£2.4m) with a view to reposition to offices in 2017. The other asset 15 Ebenezer Street (£6m), currently benefits from an index linked rent review structure, with the underlying open market rental value being far in excess or the current passing rent.

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. £25m that is available for investment in property and is currently pursuing a range of opportunities to invest this cash. During the quarter terms were agreed for a forward commit to purchase Pilgrim House, Aberdeen for £10m, this is expected to complete in September 2014 when the full purchase price will be due. The Manager intends to continue to invest in order to meet the target Fund size of £200m. If the target Fund size is met before practical completion of Aberdeen is due, then the Manager can disinvest from inProp where a redemption notice of only one month is required.

There were no direct 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, 89.3% of collectable rent was collected, this is a marginal increase from last quarter. At 28 days post quarter day, 99.4% of the rent had been collected, the remainder is due from the tenant at Charlotte House, Newcastle following the RPI linked rent review uplift . 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. During the quarter the final remaining units in Hercules Unit Trust were redeemed at a discount of 3.6%. The actual capital receipt was £1,688,815. This redemption was in agreement with the strategy to disinvest from geared assets. The timing of the exit was agreed to take place 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. This redemption means that the portfolio is now no longer exposed to any gearing.

Post quarter end the final capital distribution was received from CBRE (UK) Property (Value Added Fund). This amounted to £183,657.57. It is again intended that these proceeds will be reinvested into directly held assets.

Over the quarter, the Fund's indirect holdings underperformed the wider market returning 1.6%.

More detailed analysis of 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 £25m 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 agreed terms for the forward commit to purchase an office investment in Aberdeen. Pilgrim House is currently under construction and is due to complete in September 2014 when the agreed purchase price of £10,000,000 will be due. Half of the office building is let to the Scottish Ministers for a 15

year term who will operate as the Food Standards Agency. The remaining space continues to be marketed and the vendor is responsible for guaranteeing the rent and associated void costs for 18 months post completion. Hurdle rates for a new letting have been set at no less than £27psf and a 10 year term certain. In the event that better leasing terms are agreed then there is a calculation for a top up due to the vendor in order to incentivise them to achieve the best deal for the Fund. The purchase price of £10,000,000, reflects a net initial yield of 6.5% (including rental top-up).

- Post quarter end terms were agreed to buy 131 Great Suffolk Street, London SE1 for £2.35m (3.6% NIY). The property is single let to Ripping Image, a printing company until 2017. The tenant's lease is contracted outside the security of tenure provisions of the Landlord and Tenant Act 1954 and therefore has no right of renewal at lease expiry. The tenant is paying an extremely low rent of £13.75psf when taking into account the property's close proximity to Borough London Underground Station (Zone 1). The ERV once refurbished is considered to be £27.50psf on the ground floor and £32.50psf on the first. Therefore there is a strong reversion potential. The projected IRR is 10.5% per annum over the hold period of 5 years.

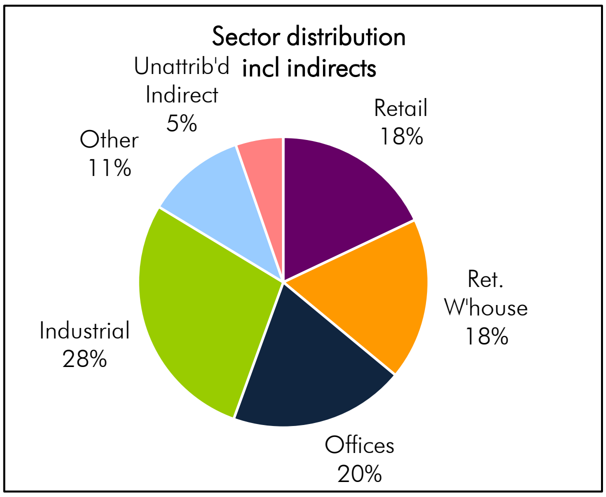
- Post quarter end terms were also agreed to buy 15 Ebenezer Street, London N1 for £6.0m (4.3% NIY). The property is single let to Islington and Shoreditch Housing Trust on a lease expiring in 2027. The tenant is not in occupation of the property and has sub-let to Moorfields Eye Hospital who have a lease expiring in 2018. The rent reflects £17.21 psf, the market rent for the property is £36.00 psf. The lease has five yearly rent reviews to RPI and the base case returns an 8.4% IRR per annum, with further upside if the lease is surrendered and refurbished earlier than the lease expiry.

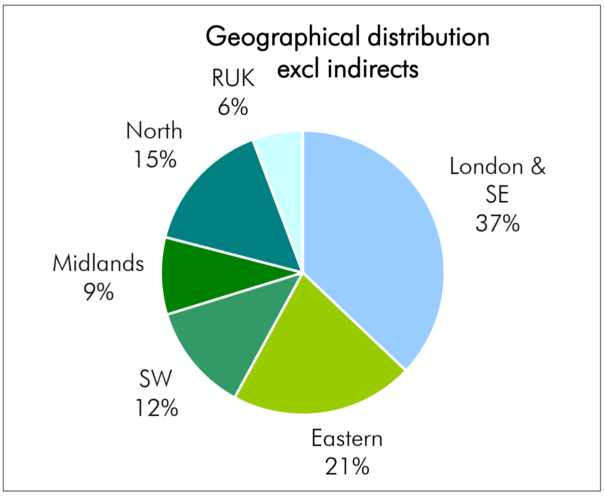
- Terms were agreed also in Q2 to purchase a shared ownership portfolio for £9.26m (4.2% NIY). The property comprises 230 properties. Each unit has a leaseholder(s) that have equity in their property bought through a shared ownership scheme. The tenant pays a rent on the part of the property they do not own which grows annually at RPI +0.5%. Each individual tenant also has the right to buy further equity in the property by "staircasing" at any time. Staircasing provides an additional revenue stream as Dorset CC are purchasing their element at a discount to the open market vacant possession value. Over a 25 year hold period the projected performance is 8.3% IRR per annum.

SALES

- There were no direct property sales made during the quarter.
- The redemption of the remaining Hercules Unit Trust units were redeemed during the quarter at a 3.6% discount to NAV in line with the strategy. This amounted to £1.69m which it is intended will be reinvested into directly held assets.

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



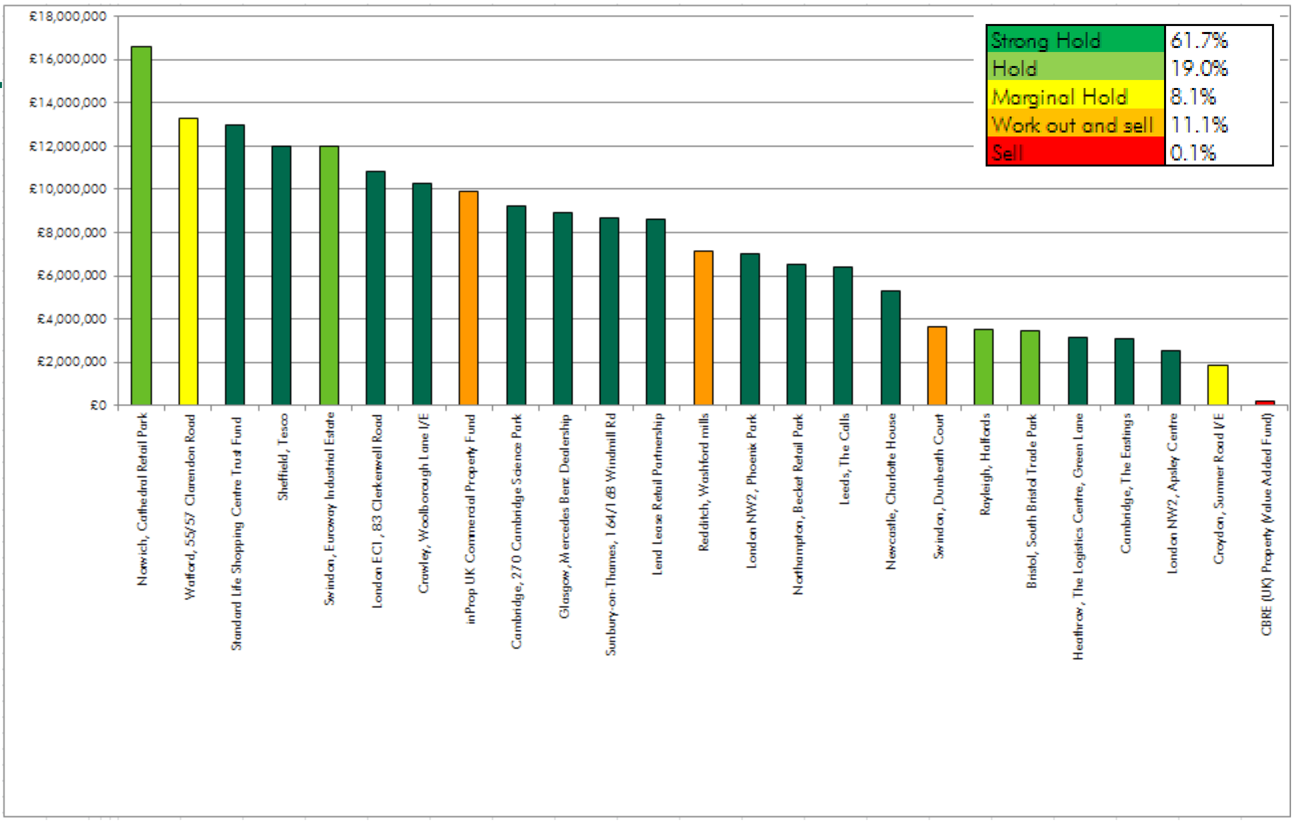


BAD DEBTS/WRITE OFFS

There are no bad debts/write offs 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

- **Swindon, Dunbeath Court:** A new letting to Swindon Plumbing Supplies who are in occupation of units 1 and 2 on the estate completed during the quarter. The new lease is 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. This is a good result for the portfolio and reduced the vacancy rate by 0.30%
- **Newcastle, Charlotte House:** this property delivered a very strong total return of 10.1% over the quarter, the strongest return from a single asset this quarter. The rent is reviewed in line with RPI every 5 years. The rent increased from £304,077 per annum to £365,587 per annum, a 17% increase in passing rent.
- **Swindon, Euroway Industrial Estate:** This was the second largest contributor to the relative return of the Fund this quarter with a total return of 4.8%. Terms were agreed with Business Installations Limited for a new 5 year lease on unit 10. The new lease was contracted outside of the security of tenure provisions of the Landlord and Tenant Act 1954. The rent remained at the previous passing rent of £63,440 per annum (£5.03 psf). The tenant is to benefit from a 7 month incentive period; 2 months rent free followed by 10 months half rent. This deal completed post quarter end.

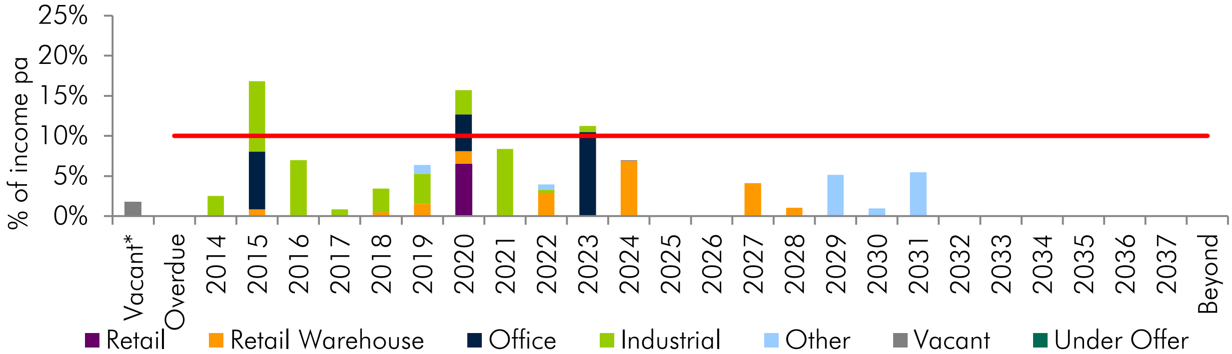
VOIDS WITHIN THE PORTFOLIO – 31ST MARCH 2014

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
Unit 1, Washford Mills, Redditch	9,622	1.36%	£149,100	Vacant
Unit 5, Phoenix Park, London	4,533	0.43%	£47,600	Vacant
TOTAL PORTFOLIO VOID	**14,155**	**1.79%**	**196,700**	

The Fund's void rate increased from 0.74% this quarter as a result of Curry's vacating their unit in Redditch. One letting did complete of unit 3, Dunbeath Court, Swindon during the quarter. The occupier who was due to take a lease of unit 5, Phoenix Park, London failed to complete so this is now being re-marketed. There will be an additional vacancy in Q3 2014 as the tenant Virgin, at Skylink, Heathrow have decided to consolidate into other premises. This unit currently accounts for 2.11% of the portfolio ERV. The void remains significantly lower than the IPD Monthly Index rate which at the end of March increased to 10.6%.

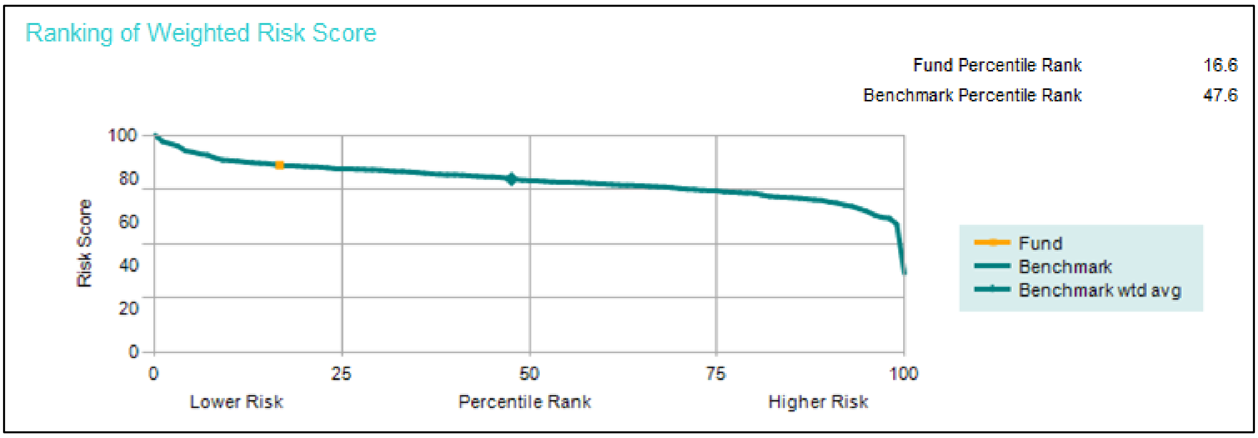
LEASE EXPIRY PROFILE FOR THE PORTFOLIO – 31ST MARCH 2014

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



* Vacancy rate expressed as a percentage of ERV

TENANTS' FINANCIAL STRENGTH



The graph above compares the covenant risk score of the portfolio compared to the Benchmark as at 31st March 2014. The Fund is in the top quartile with a Weighted Risk Score in the 16.6th percentile against the Benchmark Weighted Risk Score in the 48th percentile. This is a slight decrease from the previous quarter (14.4th percentile). This chart 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
Cambridge, 270 Cambridge Science Park	Whole – Lease renewal / development	During the quarter conversations were held with the tenant WorldPay Limited who have a lease on the property until December 2015 regarding their future intentions for the building. It is proposed that planning permission for a 30,000-40,000 sq ft building is sought adjacent to the existing building on the site. As the fees for the architect and contractor will be larger than the OJEU threshold, pre-qualification questionnaires and subsequently invitations to tender will commence in Q2 with the intention for a planning application submitted prior to the year end.
Redditch, Washford Mills	Vacant Unit	During the quarter on the 10th March, DSG t/a Currys vacated their unit following their service of a notice of discontinuation. Letting agents have been appointed and are actively marketing the unit to a range of occupiers.
Northampton, Becket Retail Park	Unit 6 – Rent Uplift	During the quarter the unit let to Premier Kitchens and Bedrooms Limited became fully income producing following a rent free period. The tenant has been in occupation from August 2013 and is trading well from the store.
Crawley, Woolborough Lane I/E	Unit D – Lease Renewal	The tenant Alpha Flight UK Limited have a lease expiring 24th March 2015. A review of the supply and demand in the locale was undertaken during the quarter to identify alternative potential occupiers in the event that the tenant vacates, and to review competing industrial units.
Croydon, 75/81,Sumner Road	Unit– Lease Expiry	The tenant Belron UK Limited t/a Autoglass are due to vacate unit 2 in Q2. Viewings of the unit with potential occupiers are set to commence post quarter end. A terminal schedule of dilapidations has been served on the tenant.
Heathrow, The Logistics Centre (Formerly "Skylink"), Green Lane	Whole	The tenant Virgin Atlantic have served notice to bring their tenancy to an end on 31 May 2014. Post this notice having been received the tenant then requested an additional month in the unit. Terms for the month were agreed at an inclusive rent of £22,242 plus VAT (reflecting over £13 psf, previous rent reflected £11.24 psf) Joint letting agents have been appointed and a number of viewings have already taken place. Planning advisors are reviewing the property as there is currently a restriction on 24 hour use of the property, however current occupiers will require access and use of the property at all times. A financial settlement regarding the dilapidations settlement is being negotiated.

Property	Unit & Activity	Forecast Outcome
London, Phoenix Park, Apsley Way	Unit 5 – Marketing	During the quarter, papers were withdrawn from the interested party MA Import & Export Limited as they repeatedly failed to complete the lease as promised which raised concerns over their covenant strength. Marketing of the unit has recommenced with a number of viewings already taking place.
	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	Units 8 & 9 – Lease Renewal	During the quarter negotiations regarding a lease renewal with DHL who are in occupation of units 8 & 9 continued.
Leeds, The Calls	Unit 2 – Surrender and new letting	During the quarter, the Manager was approached by Busaba who made an offer to take a new 25 year lease on the unit currently let to Ask Restaurants Ltd t/a Zizzi. Zizzi have a 15 year lease and pay £80,000 per annum (£22psf). Busaba's offer reflected £109,050 per annum (£30psf). In order to facilitate the new letting surrender negotiations took place with The Gondola Group acting for Ask Restaurants, and a premium was offered reflecting £280,000, comprising £200,000 from Busaba and £80,000 on behalf of Dorset County Council. The tenant refused to surrender the lease and remain in occupation.
	Unit 2 – Rent Review	An appointment has been made for the rent review dated 24th June 2014. The evidence from Busaba will be presented when seeking an uplift.
	Unit 5 & 31-33 Call Lane	An appointment has been made for the rent review dated 20th September 2014. The tenant Gerard Feltham trades under two different entities from these units; Jake's Bar and Oporto.
Newcastle, Charlotte House	Whole	The tenant has been failing to make rent payments in a full and timely manner in accordance with the lease and the Manager is reviewing alternative occupiers in the event that the tenant is unable to meet the ongoing liabilities of the lease.

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 2014.

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 2014

- The number of units without valid EPC's in the portfolio total 3. These three relate to Crawley Industrial Estate and have been requested from the tenant or the previous vendor and instructed respectively.
- The Manager is reviewing with Savills Energy team the opportunity to install solar panels on the roofs of units in the portfolio, namely with the largest occupier of Euroway Industrial Estate in Swindon – Wasdale Packaging Limited who have expressed interest in the opportunity.

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 Mar 2014 Total Return	12 months to Mar 2014 Total Return
Hercules Unit Trust	0	1,976,095	0	3.7%**	6.8%**
Lend Lease Retail Partnership	60	7,014,056	8,600,160	0.6%	4.1%
CBRE (UK) Propery Fund (Diversified Value Add Fund)	7,000	N/A	175,770	4.5%	-6.1%***
Standard Life Investments UK Shopping Centre Trust	13,853.43	10,000,000	12,957,667	1.4%	8.7%
inProp UK Commercial Property Fund	100,050.03	10,000,000	9,919,960	3.6%	11.5%

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

**The returns stated are at a Fund level and do not take account of the discounted exit price received of £1,688,815 in Q1 2014. Dorset CC's return was -2.3% over the quarter.

***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.
3.7%	6.8%	0.0%

- The returns shown above are Fund level returns for the full quarter.
- During the quarter, the fund's weaker performance relative to the market was due to a combination of falling ERVs on some of the larger retail parks within the portfolio, which had a negative impact on valuations.
- During the quarter, British Land, the fund's property advisor, increased its stake in the fund to 58.6%.

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

3 Months %	12 Months %	3 Years % p.a.
0.6%	4.1%	6.7%

- Lend Lease Retail Partnership returned 0.6% over the quarter and 4.1% 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 3.4%.
- The fund has a portfolio of two prime regionally dominant properties: Bluewater, Kent and Touchwood, Solihull. The portfolio vacancy remained stable at 4.9% over the quarter.
- Lend Lease, the Australian property & construction company, are currently marketing their 30% stake in Bluewater with the sale intended to be agreed before the 30 June. The sale, which includes the freehold and management rights, is expected to provide good pricing support for the NAV.
- The fund is currently investigating alternative options for the Glow conference/convention centre at Bluewater, after poor operating performance and is evaluating the possibility of converting the facility to leisure or further retail uses.

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

3 Months %	12 Months %	3 Years % p.a.
1.4%	8.7%	6.3%

- The Standard Life UK Shopping Centre Trust produced a total return of 1.4% and 8.7% over the past three and 12 months, underperforming its benchmark of 2.3% and 8.8% over the quarter and last 12 months respectively. Since launch in April 2005, the fund has delivered 4.1% p.a. to investors, significantly outperforming the benchmark return of 1.0% p.a. The trust's annualised distribution yield at the end of the quarter remained at 4.6%.
- The quarterly return was mainly driven by the income return of 1.3% whilst capital return was only marginally positive despite positive investment market momentum following a strong Q4 2013 continuing into 2014 with 15 shopping centre transactions totalling £1.8bn completing during the quarter. Both the initial yield and equivalent yield moved inwards over the quarter, by 10bps and 4bps respectively.
- It was a relatively quiet quarter for the delivery of asset management initiatives although significant works remain ongoing at Brent Cross for the creation of new stores for Apple and Victoria's Secret as well as

Top Shop at Brighton. Many of the Q4 2013 lettings became income producing in March, at the end of their rent free periods.

- At the end of the quarter, the trust's property portfolio was valued at £1,296.5m providing exposure to eight assets across the UK. The trust's void rate reduced from 1.8% to 1.1% by ERV, whilst retailers in administration also declined over the quarter to 1.2% from 1.5% previously. 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 increased from 6.0 years to 6.2 years following the successful renewal of a number of significant leases across the portfolio.
- In January, it was announced that Barnet Council had granted outline consent for the extension of Brent Cross, a major achievement enabling the strategy develop to undertake further detailed work ahead of seeking detailed planning consent. Meanwhile, at Brighton, the manager continues to liaise with the council regarding the possible extension of Churchill Square.
- Furthermore, the fund retained its "Green Star" rating, first obtained in 2011, following submission to the Global Real Estate Sustainability Benchmark survey for 2013.

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

3 Months %	12 Months %	3 Years % p.a.
4.5%	-6.1%	1.9%

- Post quarter end, a final distribution was made to investors in Q2 2014 representing the remaining capital held by the Fund and with no further payments now due.
- The Fund structure is subsequently being wound up with the expectation of this completing in Q2 2014 resulting in final termination.
- The Fund produced a return of 2.1% (source: CBREGI) on an annualised basis since inception.

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

3 Months %	12 Months %	3 Years % p.a.
3.6%	11.5%	5.1%

- 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 2014, the fund produced total returns of 3.6% and 11.5% over the past three and 12 months respectively. These returns present underperformance of 0.4% and 2.1% 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 4.0% and 13.6% over the corresponding time periods. The total return for the quarter comprised an income return of 1.5% with a capital return of 2.1%.
- The underperformance can be attributed to the premium pricing of the 2014 future contracts at the point of purchase in 2013. Current premiums of Eurex IPD futures incorporate current investor sentiment and a liquidity premium inherent with gaining immediate liquid exposure to an illiquid asset class. The fund is now wholly exposed to the March 2015 contracts (2014 calendar year total return of IPD), having acquired the exposure in Q4 2013 at a premium lower than the typical costs associated with acquiring direct real estate assets in the UK.

- Over the quarter, inProp's NAV increased 2.1% to £132.0m (Q4 2013: £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 with 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 Mar 2014	Valuation Dec 2013	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Offices						
83 Clerkenwell Road, London EC1	£10,850,000	£10,500,000	4.5%	£477,200	£685,000	4.2%
Clarendon Road, Watford	£13,300,000	£13,100,000	3.3%	£902,750	£902,750	6.4%
The Eastings, Cambridge	£3,100,000	£3,000,000	4.9%	£190,500	£198,300	5.8%
270 Cambridge Science Park, Cambridge	£9,250,000	£9,100,000	3.4%	£640,927	£775,227	6.6%
Total Offices	£36,500,000	£35,700,000	3.8%	£2,211,377	£2,561,277	5.7%
Retail Warehouse						
Rayleigh Road, Rayleigh	£3,500,000	£3,500,000	0.8%	£111,392	£222,783	3.0%
Redditch, Washford Mills	£7,150,000	£7,200,000	1.0%	£429,489	£549,900	5.7%
Northampton, Becket Retail Park	£6,500,000	£6,400,000	3.3%	£43,000	£401,700	6.3%
Norwich, Cathedral Retail Park	£16,600,000	£16,450,000	2.5%	£1,054,000	£1,054,000	6.0%
Total Retail Warehouse	£33,750,000	£33,550,000	2.0%	£2,025,881	£2,228,383	5.2%
Industrials						
Bristol, South Bristol Trade Park	£3,450,000	£3,350,000	4.9%	£252,757	£244,314	6.9%
Crawley, Woolborough IE	£10,250,000	£10,000,000	4.6%	£811,541	£924,505	7.5%

Property	Valuation Mar 2014	Valuation Dec 2013	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Croydon, 75/81,Sumner Road	£1,850,000	£1,800,000	4.7%	£129,965	£128,100	6.6%
Heathrow, Skylink	£3,150,000	£3,300,000	-2.9%	£231,750	£231,750	7.0%
London, Apsley Centre	£2,550,000	£2,450,000	5.7%	£162,000	£164,100	6.0%
London, Phoenix Park, Apsley Way	£7,000,000	£6,850,000	3.8%	£443,845	£493,705	6.0%
Sunbury-on-Thames, 164/168 Windmill Road	£8,700,000	£8,500,000	4.1%	£599,750	£599,650	6.5%
Swindon, Dunbeath Court	£3,650,000	£3,500,000	6.2%	£282,564	£319,137	7.3%
Swindon, Euroway IE	£12,000,000	£11,700,000	4.8%	£1,023,283	£992,435	8.1%
Total Industrial	£52,600,000	£51,450,000	4.1%	£3,937,455	£4,097,696	7.1%
Supermarkets						
Tesco, Sheffield	£12,000,000	£12,000,000	1.4%	£680,000	£680,000	5.4%
Total Supermarkets	£12,000,000	£12,000,000	1.4%	£680,000	£680,000	5.4%
Other Commercial						
The Calls, Leeds	£6,400,000	£6,300,000	3.4%	£453,360	£493,325	6.7%
Glasgow, Mercedes	£8,900,000	£8,600,000	5.2%	£568,133	£566,600	6.0%
Newcastle, Charlotte House	£5,300,000	£4,900,000	10.1%	£365,587	£365,586	6.5%
Total Other Commercial	£20,600,000	£19,800,000	5.8%	£1,387,080	£1,425,511	6.4%
Total Direct Property [1]	£155,450,000	£152,500,000	3.6%	£10,241,793	£10,992,867	6.3%

Property	Valuation Mar 2014	Valuation Dec 2013	Qtr Total Return	Annual Income	OMRV	Net Initial Yield [2]
Lend Lease Retail Partnership	£8,600,160	£8,595,600	0.6%	£237,498	-	2.6%
Hercules Unit Trust [2]	*(Sold £1,688,815)*	£1,752,180	3.6%	£98,436	-	0.0%
CBRE (UK) Propery Fund (Diversified Value Add Fund)	£175,770	£194,670	4.5%	£0	-	0.0%
Standard Life Investments UK Shopping Centre Trust	£12,957,667	£12,910,011	1.4%	£541,392	-	4.0%
inProp UK Commercial Property Fund	£9,919,960	£9,757,879	3.6%	£581,694	-	5.5%
Total Indirect Property[3]	£31,653,558	£33,210,341	1.6%	£1,459,020	-	4.4%
GRAND TOTAL	**£187,103,558**	**£185,710,341**	**3.3%**	**£11,700,813**	**-**	**5.9%**

Notes:

1. Direct property total returns for the quarter to March 2014 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to March 2014 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. Dorset CC's return this quarter from the asset was -2.3% due to the redemption of its remaining units at a discount to NAV.
3. 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

Los Angeles (HQ)

Seattle

Newport Beach

Atlanta

Washington, DC

Philadelphia

Princeton

New York

Boston

EMEA

Amsterdam (HQ)

Madrid

London

Paris

Brussels

Luxembourg

Milan

Frankfurt

Prague

Stockholm

Budapest

Warsaw

Bucharest

Helsinki

Dubai

Asia Pacific

Hong Kong (HQ)

Singapore

Shanghai

Taipei

Seoul

Tokyo

Melbourne

Sydney

CBRE GLOBAL INVESTORS