The Logistics Centre, Green Lane, Feltham

QUARTERLY REPORT Q1 2015

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)	2.5%	18.6%	12.1%	10.8%
Dorset Direct Portfolio (standing investments)	2.8%	19.6%	13.4%	11.7%
IPD Quarterly Universe (the new benchmark)	2.9%	17.1%	11.1%	10.2%
MSCI All Share	4.0%	6.2%	9.3%	7.3%
5 to 15 Year Gilts	1.8%	11.1%	4.2%	7.0%

Source: IPD Quarterly Universe Benchmark Report.

Portfolio Key Facts	March 2015	Dec 2014	Sept 2014	June 2014
Market Value of Properties	£204.70m	£192.80m	£176.99m	£164.40m
Indirect Portfolio	£24.07m	£34.46m	£34.29m	£32.17m
Exposure to debt[1]	0.0%	0.0%	0.0%	0.0%
Void rate[2]	6.43%	3.15%	3.75%	1.96%
Average Lot Size	£8.19m	£8.03m	£7.70m	£7.47m
No. of Properties Direct	25	24	23	22
Passing Rent (pa)[3]	£11.16m	£11.23m	£10.49m	£10.05m
Open Market Rental Value[3]	£13.76m	£13.08m	£12.27m	£11.51m
Net Initial Yield[4]	5.1%	5.5%	5.6%	5.8%
Equivalent Yield[4]	6.1%	6.1%	6.3%	6.4%
Reversionary Yield[4]	6.4%	6.5%	6.6%	6.6%

Notes:
1. Exposure to debt is based on the indirect holdings with debt.
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 calculated by CBRE Global Investors this quarter in order to include Derwent Shared Ownership Portfolio. From next quarter this will revert to being provided by BNP Paribas, independent valuers to the Fund. These figures exclude the Fund's indirect holdings.

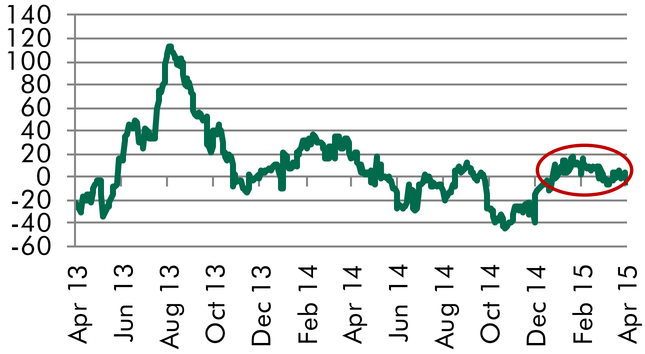
SECTION II – ECONOMIC AND PROPERTY MARKET OVERVIEW

UK PROPERTY MARKET OUTLOOK, QUARTER 2 2015

UK ECONOMIC OUTLOOK

In many ways the first quarter of the year was fairly quiet. Laudable macroeconomic news was less frequent, loose monetary policy continued and commercial property investment volumes tempered from the frenetic levels witnessed at the tail end of 2014. The lull in truly positive activity in the real economy is encapsulated in the CITI economic surprise index (Figure 1), which shows that recent data releases are broadly meeting expectations. And this makes perfect sense in light of the general election and as investors take stock of what many are now considering an increasingly expensive property market.

Figure 1 Citi Economic Surprise Index - UK. Source: Thomson Reuters Datastream

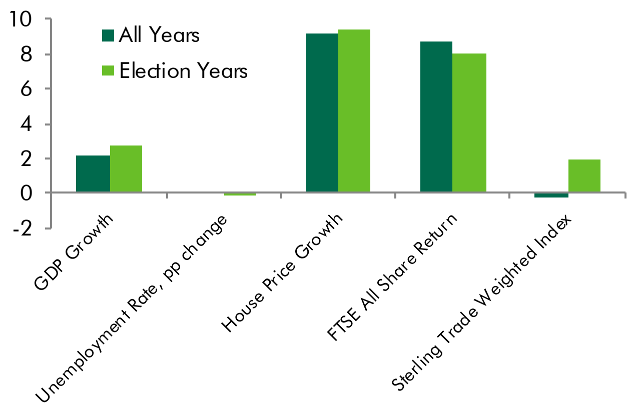


To be fair, the economy remains on fairly sound footing. The recent sharp fall in oil prices and rising wages should ensure that households' real incomes pick up, providing sustainable foundations for growth in spending. Meanwhile, the sustained strength of corporate surveys and firms' balance sheets suggests that the recovery in business investment has further to run. And with exports competitively priced in foreign markets, net trade should begin to support growth. Owing to all of this, we expect the economy to grow at a comparably strong rate as 2014, exceeding trend for a second year running. This should spur business activity, augur well for consumer confidence and help drive demand for commercial real estate.

Politics

Following a period of electoral anxiety, which lead to a seemingly implausible outcome, the near term prospects for the UK economy and its financial markets are little changed. We take a pragmatic view that what really matters to commercial property performance is not political posturing but the underlying strength of the economy as well as the flexibility of monetary policy. From both perspectives we are in an attractive position, irrespective of the election cycle (Figure 2). With the prospect of political instability having receded, policy focus will now be cast to three key areas: a promised referendum on the UK's membership in the European Union, Scotland's role within the United Kingdom and deficit reduction. While it is too early to speculate how each will manifest itself, it is fair to say that all three will come to dictate the direction of the next parliament.

Figure 2 Economic Performance During Election Years (1960-2014), % y/y.



UK PROPERTY PERFORMANCE

The IPD monthly index delivered a 3.0% total return at an all property level in the first three months of the year. While this marked the softest quarterly outturn since December 2013, this is still very strong in a historical sense and indicative of market-level returns being well-above trend for a third successive year. Encouragingly, the components of performance have become less polarising: yield impact is accounting for a less pronounced share of the total return while rental value growth, which we feel the index is understating, remains comparatively healthy. At a sector level, offices delivered the strongest quarterly return at 4.0%. Industrial performance was stronger than the all property average at 3.6%. While retails continue to be the relative laggard having delivered a return of 1.9%.

Occupier Markets

Occupier markets are moving from strength to strength against a backdrop of dwindling modern supply. This has been most pronounced in the Big 6 regional office markets, which are in full recovery mode and benefiting from the rent differential that they offer vis-à-vis Central London. This is best evidenced by HSBC announcing that it will be moving its UK ring-fenced banking operations to Birmingham and Freshfields opening a meaningful back office presence in Manchester. Quite strikingly, we have even begun to see outsourcing activity picking up in Milton Keynes.

For at least a year and a half, the tone with which we described the Central London office market has been unabashedly positive. Rightfully so as the scale of change both from an occupational and investment perspective has been fundamental. However, we take the view that London may well be entering the later stages of the rental cycle. For many occupiers the cost of accommodation and staffing is becoming untenable. The residential market has drifted downwards, meaning that the case for conversion is becoming less compelling. Changes to business rates will have a major impact on tenant costs from 2017. And then of course there is the supply pipeline, which really begins to ramp up in 2018. Taken together, this will likely be the final year that Central London offices handily outperform much of the market.

Demand for industrial space across much of the UK remains robust as Britain's SMEs are finally in expansion mode after years of retrenchment and 3PLs respond to shifting retail patterns. Within our direct portfolios, we are letting space that saw scant interest as recently as a year ago and are able to demonstrate rental growth on more estates. A lack of modern space in key distribution locations is now making speculative development a viable option, something which non-listed funds are actively pursuing.

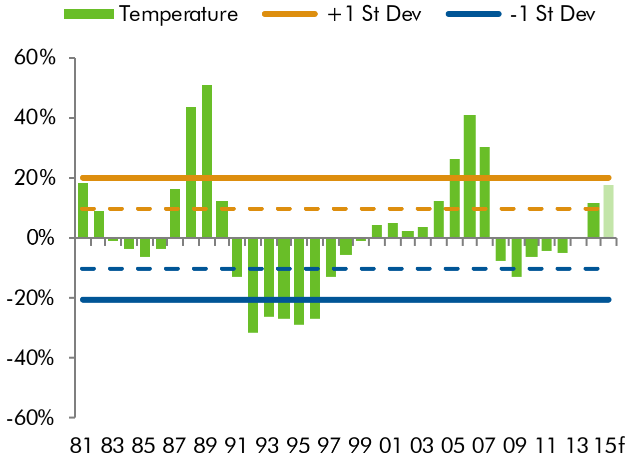
While performance from the retail sector has lagged the broader market, this phenomenon may slowly be reversing as real wages trigger spending growth and property investors become comfortable with a new retailing paradigm. The situation on the high street is not as bad as popular media would have you believe, in fact vacancy rates have fallen to their lowest level since 2010. We are finding that with rents having rebased to economic levels, occupiers are willing to consider new space and renegotiate leases. However, internal consensus suggests that the prognosis is not universal across retail formats. Rents are still under pressure in many retail warehouse parks and valuations have been remarkably flat in the first quarter of the year. While we are witnessing letting interest, occupiers often have the upper hand in lease negotiations and are able to demand generous rent free periods.

Capital Markets

Even with the recent pullback in transactional activity, UK real estate capital markets remain buoyant. In the first quarter of the year £16.1bn worth of property changed hands, which reflects the strongest Q1 on record, and likely positions the market for an historical outturn this year. This suggests that the noise surrounding the general election had little impact on investor sentiment. As previously mentioned, the real issue is a lack of stock. The result is that allocations are either going unspent or, as is often the case, historically strong prices are being paid for core investments. This underscores that it remains an opportune time to de-risk traditional portfolios while possibly considering income streams delivered from alternative property segments.

In terms of pricing, our all property Temperature Chart unsurprisingly is heating up (Figure 3). Currently, real rents are below their long-run trend but this is more than offset by the low level of yields. The result is the perception that real property values are becoming expensive. At the end of 2014 they were 12% above 'fair value' and our forecasts suggest that at the end of 2015 they will be 18% above. Stated differently, if the market progresses as we anticipate then capital values would have to fall ca. 18% to return to the 'fair value' line. It of course needs to be acknowledged that this measure does not address the 'new normal' that many market participants are quick to cite. Our Temperature Chart only compares property values relative to their own history and takes no account of other asset class pricing. With global growth weighing on equity market momentum and monetary policy sustaining low government bond yields, UK property is likely to become more expensive according to this metric.

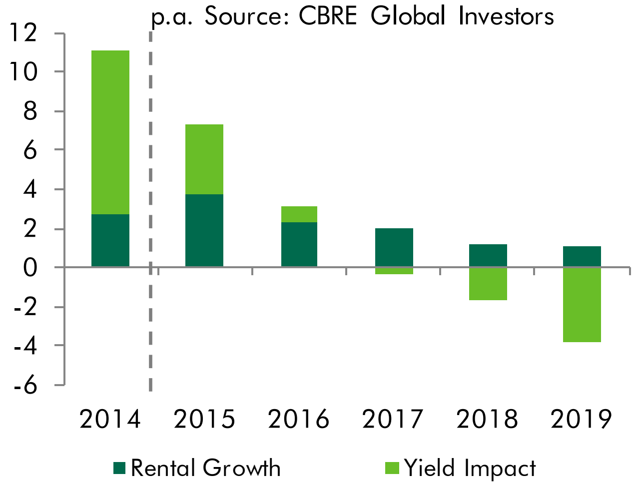
Figure 3 UK All Property Temperature Chart. Source: IPD, CBRE Global Investors



Outlook

Despite mounting concerns about capital market momentum, the supply/demand equation remains broadly favourable, suggesting that 2015 will be another strong year for returns across most UK property segments. Though still notable, our latest forecasts suggest that yield compression will be less pronounced than last year, with rental growth a greater component of capital value appreciation (Figure 4). The result is an expected total return of 12.6%. The outcome of the general election does not offer grounds for a meaningful revision. That being said, given the dearth of stock and weight of money targeting UK property, there are upside risks to our current view. Even considering an environment of downward pressure on property yields, we hold the view that a 5% income return in a low inflationary environment, with rental growth as upside remains an attractive proposition.

Figure 4 All Property Capital Growth, % p.a. Source: CBRE Global Investors



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 2.5% for the quarter, against the benchmark total return of 2.9%, a relative weighted performance of -0.5%*. However, the portfolio continues to comfortably outperform its benchmark over 1, 3 and 5 years.

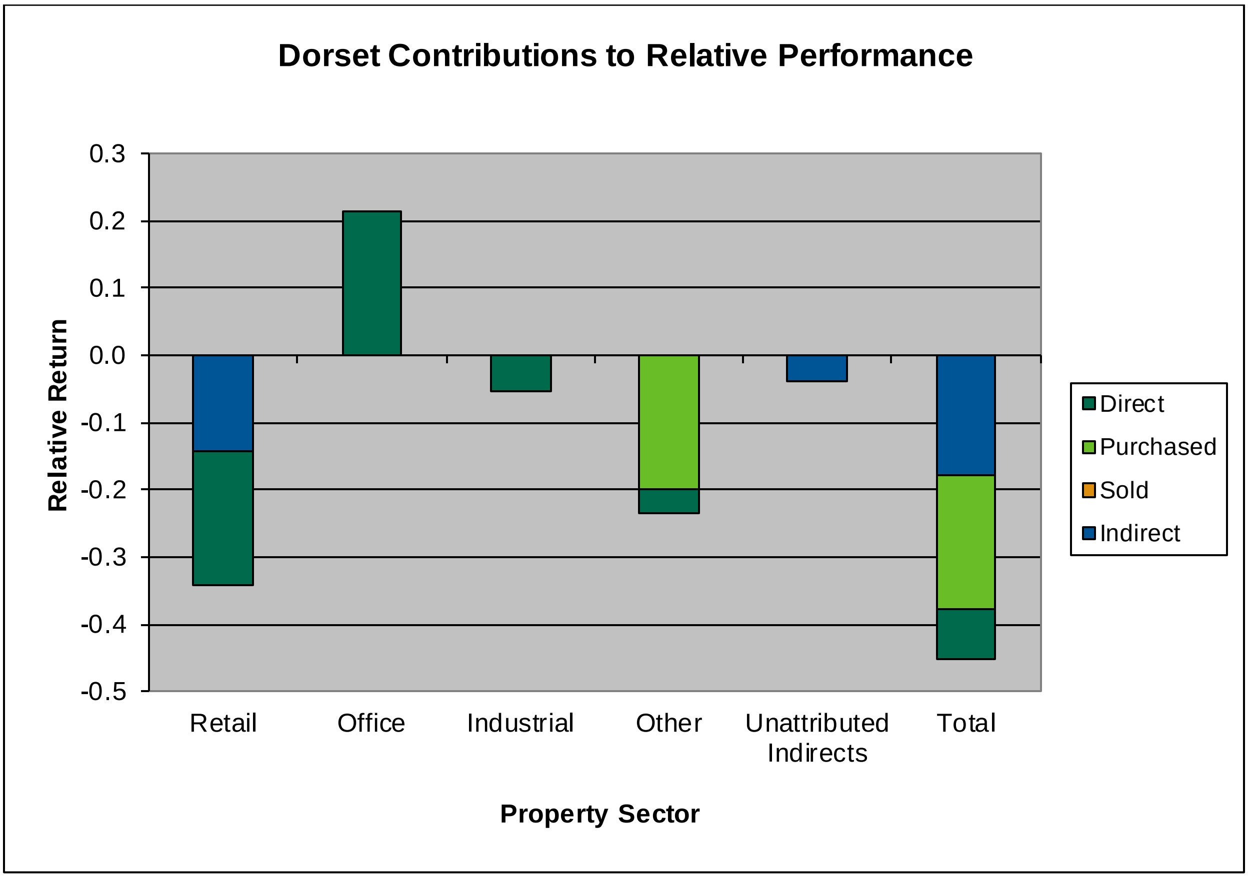
The Fund's retail holdings provided a total return of 1.8% against the benchmark total return of 2.0%, the weighted contribution to relative return was -0.3%. The retail underperformance was driven by both the directly held retail warehousing and indirectly held shopping centre assets in the portfolio. Retail was again the worst performing sector of the benchmark this quarter. The Dorset County Council portfolio has a lower retail weighting to the benchmark by 11.0%, given the lower returns from this sector this has again proven advantageous this quarter.

The Fund's office holdings once again provided the strongest relative weighted contribution to the Funds performance this quarter of 0.2%. The office sector provided a total return of 3.7% against the benchmark return of 3.9%. Watford Clarendon Road closely followed by 15 Ebenezer St, London had the strongest relative contribution to the portfolio performance this quarter aiding the office relative outperformance. Following acquisitions of offices in recent years, the portfolio is now far better balanced against the benchmark weighting to office holdings; almost at a neutral position. Given the performance being delivered from this sector the acquisitions have been very well placed.

The Fund's industrial holdings underperformed this quarter, delivering a 2.7% return against the benchmark return of 3.5%. On a relative weighted basis this had a -0.1% impact on performance. With industrial units becoming vacant at Crawley, Woolborough Lane, and Euroway, Swindon this underperformance was expected.

The Other Commercial sector, comprising Glasgow, Newcastle and The Calls Leeds, provided a total return of 1.1% over the quarter in comparison to the Other Commercial benchmark total return of 3.1%, a relative underperformance of -0.2%. This underperformance results from the purchase of Derwent Shared Ownership portfolio and associated purchase costs.

The Unattributable Indirects provided a total return of 0.0% 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. This is the last quarter that Unattributable Indirects will be in the portfolio, following the disinvestment during the quarter of inProp UK Commercial Property Fund during the quarter.



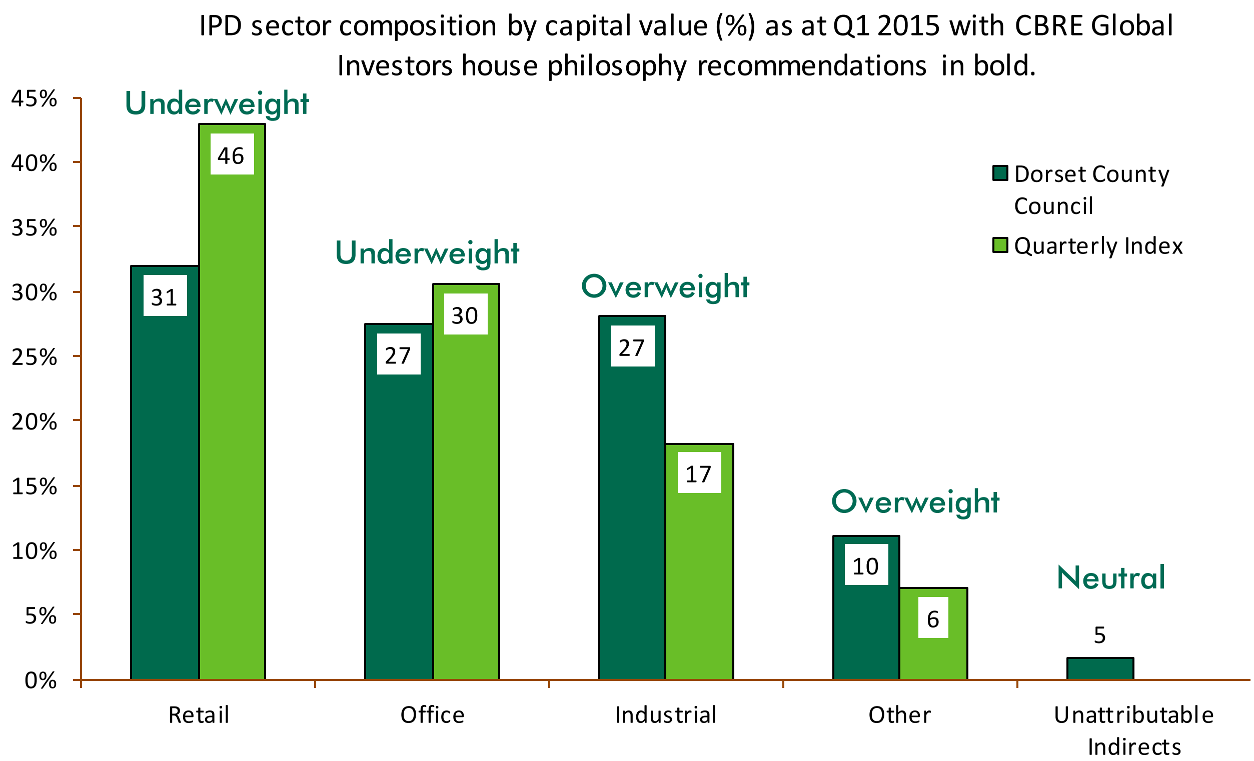
*Relative return is defined as the ratio of the return achieved by the portfolio, segment or individual asset, to that of the chosen benchmark, expressed as a percentage. ((1+Fund TR) / (1+ Benchmark TR) – 1)*100

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 Quarterly Index with target weightings above.



Source: IPD Quarterly Index Q1 2015

The portfolio target size is currently between £225m and £230m. This quarter following the acquisition of the Derwent Shared Ownership Portfolio on 31st March 2015 for £8.9m and the disinvestment from inProp Commercial Class B shares which realised £10.4m, the total portfolio was valued at £228.8m. With the commitment to purchase Henbury and Ingersley Buildings, Macclesfield (£3.9m) later in the year, the manager may seek to sell another asset during Q3 or Q4.

The above segment breakdown chart including indirects remains well balanced against the Quarterly Universe. The portfolio weighting to the Other sector increased this quarter following the acquisition of the Derwent Shared Ownership Properties. The portfolio continues to reflect the Manager's target positions against the benchmark at a broad sector level. The target weightings principally reflect that the portfolio should be underweight to retail sector, overweight to the industrial sector, underweight to offices and overweight to the other sector. These strategic positions by the Manager, are due to concerns about the ongoing changes to the retail sector as a result of the internet, which is driving changes in shopping habits. The Manager's belief in maintaining a higher net initial yield than the benchmark naturally leads to the target of an overweight position in the industrial sector which is generally the highest yielding area of the property market.

The initial yield on the portfolio remains higher than the benchmark by 20 bps at 5.2% versus 5.0%. This is principally due the higher industrial weighting. This yield gap is expected to improve further during 2015 as the newly vacant units are let and the rent review at 83 Clerkenwell Road is settled.

The portfolio is currently invested in a range of assets with a good lease expiry profile and a conservative level of covenant risk. The recent acquisitions have complimented the existing asset base in terms of covenant strength and lease expiry profile. Some of the recent acquisitions have been further up the risk curve in light of the strengthened economic outlook with a view to driving future performance. The Derwent Shared Ownership Portfolio purchase improves the exposure to RPI linked income and provides what should be a long term income stream. The fund remains committed to the purchase Henbury & Ingersley Buildings, Macclesfield (£3.9m) this will also fall into the Other sector.

The redemption of units in the inProp Commercial Property Fund was completed during the quarter, as the portfolio had reached target size and the asset was anticipated to underperform. This asset was purchased as a relatively short term hold to provide a proxy for property returns during the build-up of the portfolio to its target weight. The proceeds of £10.4m were returned on 13th January 2015. InProp sought to track the IPD quarterly benchmark, and over the long run provide results in line with IPD. InProp did not meet its stated objective of tracking the IPD index. As at December 2014 it had a three year tracking error of -2.51%*. This has meant that it has dragged Fund performance. It did however provide some level of proxy for property returns and was significantly better than leaving the £10m in cash over the hold period.

There were no direct property sales during Q1.

The Manager continues to focus on improving the portfolio's income, whilst seeking to maximize its quality and longevity through active management. Rent collection this quarter has improved significantly on Q4 2014 as the new accounting system has bedded in. Within 14 days of the quarter day, 98.2% of collectable rent was collected, and within 28 days 98.8% of the collectable rent was collected. At the point of print 100% had been collected. Tenant's trading positions continue to be monitored closely.

*Source: InProp UK Commercial Property Fund Dorset County Month-end Performance Report. Dec-2014

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. Indirect investment is limited to Lend Lease Retail Partnership and Standard Life Shopping Centre Trust, providing the portfolio with prime shopping centre exposure that would not be possible directly due to lot size barriers.

In Q1 the portfolio redeemed its holding in the one remaining Unattributed indirect vehicle; inProp UK Commercial Property Fund (Class B Shares). As already noted above, the proceeds were returned to the Fund on 13th January 2015. The amount returned was £10,398,199.62.

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

More detailed analysis of the performance of the two remaining indirect assets over the quarter is detailed in section VI of this report.

SALES & ACQUISITIONS

The key objectives are as follows:-

- Maintain exposure to quality assets with a suitable risk profile across all sectors. The focus for 2015 is to ensure that the portfolio is in a strong position to capture rental growth.
- Now that the Fund has reached the target size of between £225m and £230m, with one further acquisition in the pipeline, the Manager will seek to use current market liquidity to sell any assets that are expected to underperform in a market downturn.

DIRECT PROPERTY ACQUISITIONS

- On 31st March 2015 the Fund completed the purchase of the Derwent Shared Ownership portfolio for £8.96m. The portfolio comprises 218 properties. Each unit has a leaseholder that has 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 or in excess of RPI depending on the individual lease terms. At a portfolio level the rent will increase at RPI + 0.3% pa. Each individual tenant also has the right to buy further equity in their property by "staircasing" at any time. Staircasing provides an additional revenue stream as Dorset CC is purchasing its element at a discount to the Open Market Vacant Possession Value. Over a 25 year hold period the portfolio is projected to provide a 7.6% IRR. The returns are effectively hedged against inflation.

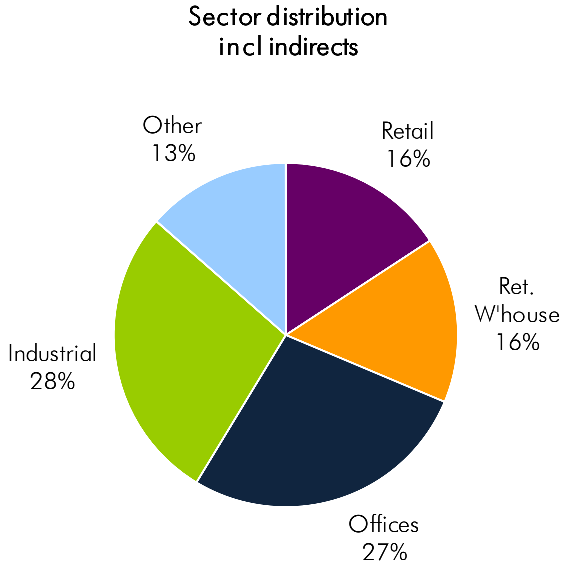
- The Fund is due to complete the forward commit to purchase Henbury & Ingersley Buildings, Macclesfield in Q3 2015. These two buildings are let to the East Cheshire NHS Trust for a term of 21 years with rent reviews every 3 years on an upward only basis to uncapped RPI. This acquisition will cost £3,878,330, reflecting a net initial yield of 5.5%.

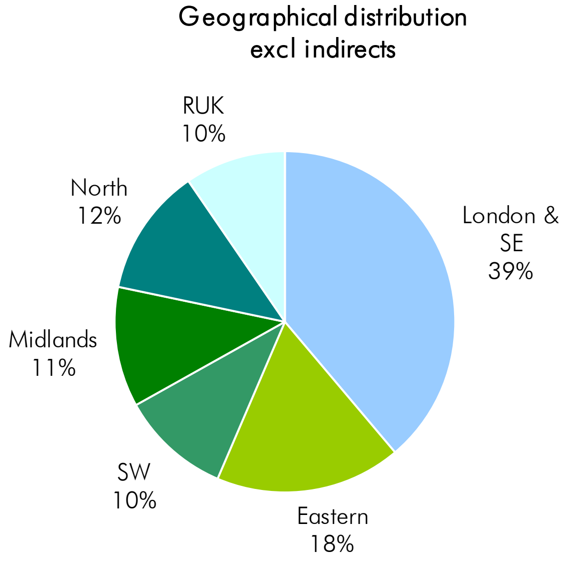
DIRECT PROPERTY SALES

- There were no direct property sales made during the quarter.

- The proposed sale of part of Euroway Industrial Estate, Swindon fell through during the quarter due to the purchaser pulling out. This part disposal was to comprise units 12a and 12b, which became vacant on 25th March 2015. The Manager is now actively marketing the units to potential tenants with a reasonable level of interest.

Following the transactions this quarter, below are the current weightings by sector (including indirect holdings) and geography (excluding indirect holdings) of the portfolio.



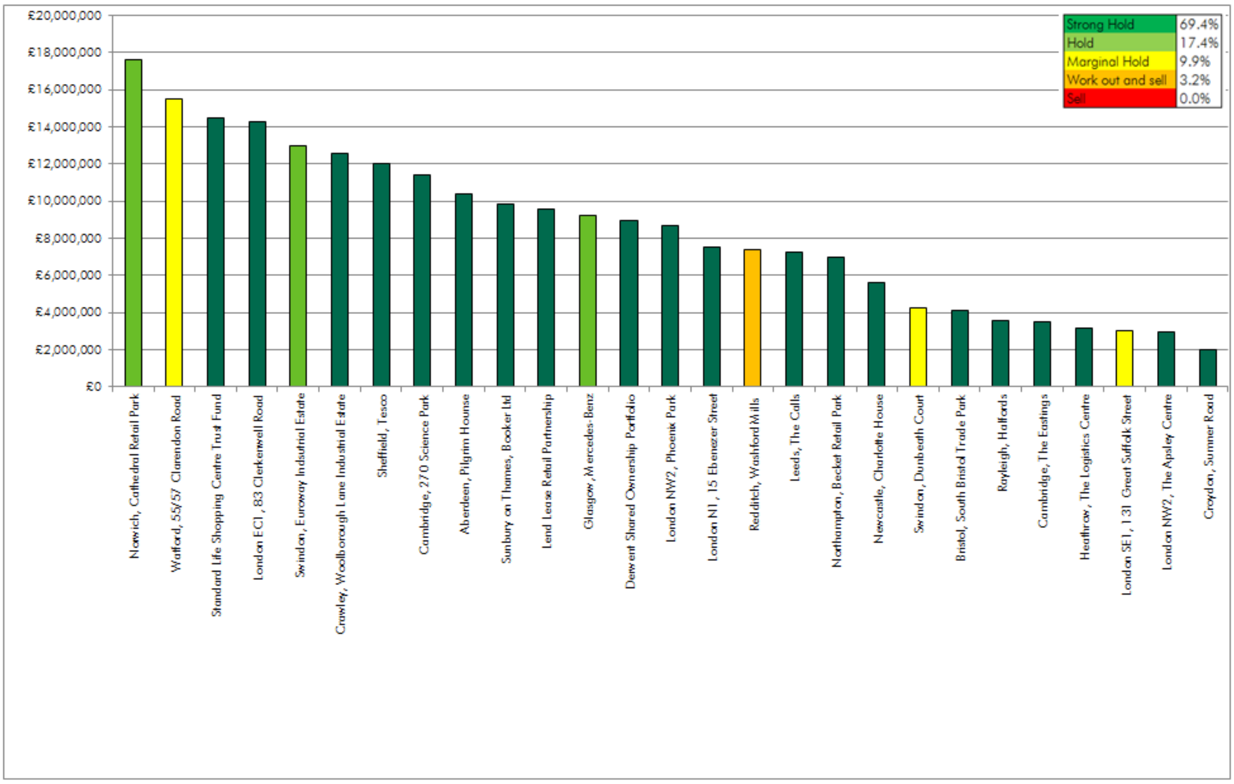


BAD DEBTS/WRITE OFFS

There are no proposed 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 2015.



SECTION V – ASSET MANAGEMENT

HIGHLIGHTS

Cambridge Science Park: a detailed planning application for a 40,000 sq ft office and decked car park was submitted during the quarter. An outline planning application was submitted as part of this to for a masterplan of the site. The outcome of the planning application is anticipated during Q2. Significant progress has been made with negotiating terms with the existing tenant to sign up to take the new office space. The proposed scheme is shown below.

- **Norwich, Cathedral Retail Park:** a new lease for a term of 10 years was agreed with the tenant in unit D, Farm Foods, during the quarter. The rent passing remained at the same level of £88,500 pa (£21.60 psf) and the tenant incentive is 8 months rent free.

VOIDS WITHIN THE PORTFOLIO – 31ST MARCH 2015

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
Unit D, Woolborough Lane Industrial Estate, Crawley	40,145	2.11%	£291,100	On Market
The Logistics Centre, Green Lane, Heathrow	20,613	1.69%	£231,900	On Market
Unit 1, Washford Mills, Redditch	9,622	1.08%	£149,100	Under Offer
Unit 12a Euroway Industrial Estate, Swindon	29,700	0.97%	£133,650	On Market
Unit 12b Euroway Industrial Estate, Swindon	10,599	0.35%	£47,696	On Market
Unit 2, Sumner Road, Croydon	3,385	0.23%	£31,500	Under Offer
TOTAL PORTFOLIO VOID	**114,604**	**6.43%**	**£884,946**	

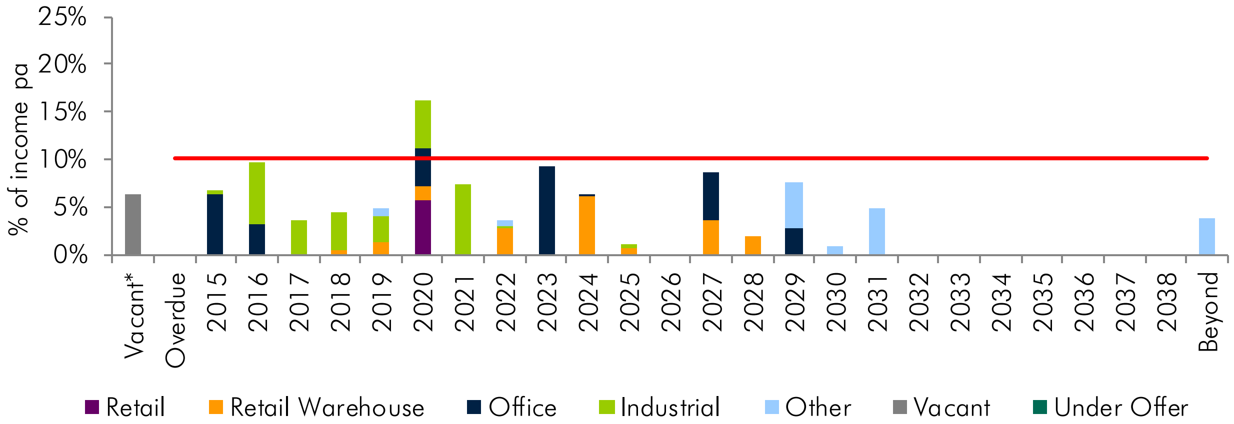
The Fund's void rate rose substantially this quarter from 3.15% to 6.43% as a result of the tenants at Euroway and Woolborough Lane industrial estates vacating. However, two other voids in portfolio are currently under offer and should these complete the void rate will be reduced by 1.31%.

The Manager has identified the year 2015 as having a substantial lease expiry spike for a number of years. However it is confident that this can be dealt with through the active management of the portfolio in what is a very benign letting environment. It is anticipated that the majority of the tenants who were expected to vacate during 2015 have now gone and we are not anticipating further significant voids to occur through lease events.

The void remains lower than the IPD Quarterly Index rate which at the end of March stood at 6.8%.

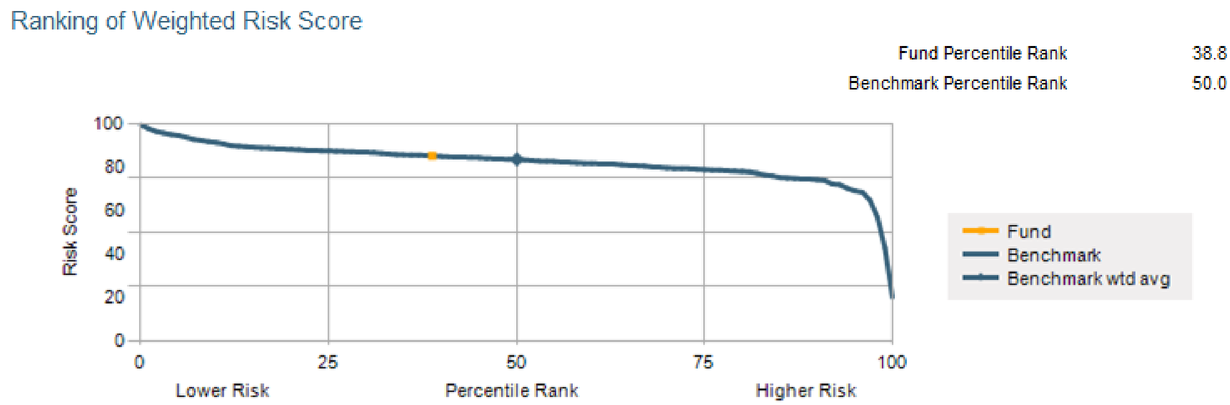
LEASE EXPIRY PROFILE FOR THE PORTFOLIO – 31ST MARCH 2015

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 2015. The Fund is in the second quartile with a Weighted Risk Score on the 38.8th percentile. This has marginally improved from the previous quarter (41st percentile). The portfolio remains in a good position with the Fund score comfortably ahead of the benchmark.

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
Aberdeen, Pilgrim House	First and Second Floor – Marketing	The two floors where a rental guarantee is being received from the developer were marketed during the quarter.
Redditch, Washford Mills	Vacant Unit	Terms were negotiated with Homestyle Group Operations Limited t/a Bensons for Beds during the quarter. The unit is now under offer for a 10 year term with a break option at year 5 at a rent reflecting £115,704 pa (£12 psf).
Crawley, Woolborough Lane I/E	Unit D – Vacant	The lease to Alpha Flight UK Limited expired on 24th March 2015. Dilapidations are being negotiated. The refurbishment of the unit is set to commence during Q2. The property is being marketed by agents for a new lease.
Croydon, 75/81, Sumner Road	Unit 2 – Vacant	During the quarter a number of parties requested terms on the property with two parties competing for the space. Terms have been agreed with CWH Projects Limited t/a Tapi Carpets and Flooring, for a new 10 year term with a break at the 5th year at £36,000 per annum (£9.57 psf) with 3 months rent free. This is a new high rental level on the estate.
Heathrow, The Logistics Centre	Whole – Vacant	Following the refurbishment of the property, new marketing details were released during the quarter and strong interest has been received from the market. A number of potential occupiers are looking at the property and terms are being negotiated.
Swindon, Dunbeath Court	Units 8 & 9 – Lease Renewal	A lease renewal with DHL International UK Ltd in units 8 & 9 completed during the quarter. The leases are for new 5 year terms with breaks at the 3rd year. The rent passing is £40,572 per annum for unit 8 and £46,908 per annum for unit 9 (£6.00 psf). The incentive reflected 3 months' rent free followed by 3 months half rent.
Swindon, Euroway Industrial Estate	Unit 12 a & b – Marketing	The units became vacant on 24th March, and agents are marketing the units to new tenants. The dilapidations negotiations and refurbishment of the units will commence during Q2.
Leeds, The Calls	Unit 2 – Rent Review	Negotiations with the tenant Ask Restaurants t/a Zizzi for the rent review dated 24th June 2014 continued during the quarter.
	Unit 5 & 31-33 Call Lane – Rent Review	The rent review dated 20th September 2014 was agreed at an uplifted rent with the tenant, Gerard Feltham, who trades as two different fasciae on a single lease from the units; Jake's Bar and Oporto. The previous passing rent has been increased by 3% to £67,000 pa.

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 2015.

No of Properties	24*
No Of Units	74
a	0
b	6
c	20
d	27
e	15
f	4
g	2
no EPC	0

**Derwent Shared Ownership portfolio not included as a property in the above table as the individual units were all built to modern building regulations since 1992, and therefore are unlikely to be lower than an E rated EPC. The EPC rating is only of concern in the event that there is tenant default and the property has to be resold.*

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. All units requiring EPCs across the portfolio now have them.

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 a separate rating system and legislation regarding EPC's.

ACTIVITY PROPOSED IN 2015

Now that there are EPCs in place for all of the properties in the portfolio, it is proposed that a specialist is appointed to review the remaining risks that are in the portfolio. Now that the risks have been identified, a programme of improvement can be implemented for those properties where there are E, F and G rated EPCs. This can be done through both tenant liaisons where there are long leases in place and with the refurbishment of properties when they are vacant.

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 2015 Total Return	12 months to Mar 2015 Total Return
Lend Lease Retail Partnership	60	7,014,056	9,574,500	1.2%	14.8%
Standard Life Investments UK Shopping Centre Trust	13,853.43	10,000,000	14,499,554	1.0%	16.1%

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

Past performance is not a reliable indicator of future results.

LEND LEASE RETAIL PARTNERSHIP (SPECIALIST PRIME SHOPPING CENTRE FUND)*

3 Months %	12 Months %	3 Years % p.a.
1.2%	14.8%	9.6%

The performance during the quarter was attributable to income. The annual performance has been driven by the upwards revaluation of the dominant asset in the fund's portfolio, Bluewater Shopping Centre in Kent after a 30% ownership stake held by Lend Lease (the parent company) was sold in June 2014 for a price that was approximately 15% ahead of valuation. The asset is nearly fully let and accounts for two-thirds of the partnership's gross property assets.

Lend Lease Retail Partnership is a core specialist fund, providing exposure to the prime UK shopping centre market. The fund is ungeared and has an annualised distribution yield of 3.4%.

The fund has a portfolio of two prime regionally dominant properties: Bluewater, Kent and Touchwood, Solihull. The valuation of both assets held flat over the quarter.

The partnership is due to terminate in November 2017. To extend the life of the partnership, unanimous investor approval is required. During the quarter, the fund held a vote to insert a new option term in the fund's documentation to facilitate extension of the fund in the event that the fund does not achieve 100% unanimity by allowing continuing unitholders to purchase outgoing unitholders at prevailing NAV less costs. Whilst this vote was successfully upheld, the fund manager received late legal advice that they would need to seek alternative strategies to achieve a successful extension of the fund and so no change to the fund's documentation took place. Discussions relating to an extension of the fund's life are on-going and we are in dialogue with the fund manager to ensure that our client's interests are reflected in any alternative strategy.

STANDARD LIFE UK SHOPPING CENTRE TRUST (SPECIALIST CORE SHOPPING CENTRE FUND)*

3 Months %	12 Months %	3 Years % p.a.
1.0%	16.1%	9.7%

The **Standard Life UK Shopping Centre Trust** produced a total return of 1.0% over the quarter, underperforming the benchmark return of 2.1%. Despite this short term underperformance, the fund outperformed over the year having delivered 16.1% against a benchmark return of 14.0%. The portfolio continues to outperform the IPD Monthly Index – Shopping Centre Sub-sector by 3.9% (annualised) since inception. The fund provided a 3.9% annual distribution yield and the quarterly return is mainly attributable to the income.

During the quarter, the fund completed the purchase of the Russell Road multi-storey car park in Brighton, reported post a conditional exchange in the Q4 2014 Manager's Report. Additionally, One Stop, Perry Barr is currently being prepared for sale and will be taken to market during Q2.

Following significant activity in Q4 2014, the quarter has been relatively quiet on asset management delivery. Major initiatives remain in play at Wimbledon and Brighton in particular. Many of the Q4 lettings became income producing in February/March, reflecting the end of rent free periods.

At the end of the quarter, the trust had a property portfolio valued at £1,497.5m; providing exposure to eight assets across the UK. The fund remains ungeared, with a portfolio WAULT of 7.3 years and a void rate of 1.6% by ERV. Exposure to retailers in administration decreased over the quarter to 1.3% of passing rent. There were no retailer failures in the quarter. However Austin Reed has undertaken a CVA (effecting Brent Cross) and speculation remains high concerning BHS following the sale of that business.

No development projects were commenced during the quarter. However, detailed liaison with the council is ongoing at Brighton, and at Brent Cross, the development agreement together with numerous supplemental agreements have now been exchanged with the Council and with Hammerson.

Following completion of the fund extension in September 2014, 12.5% of the units in issue (c. £190m) remain subject to a redemption request, the manager is formalising their liquidity strategy over the coming quarters, the long stop for satisfying the redemptions is Sep 2016.

Past performance is not a reliable indicator of future results.

* *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 2015	Valuation Dec 2014	Qtr Total Return	Annual Income	OMRV	Net Initial Yield[2]
Offices						
Aberdeen, Pilgrim House	£10,400,000	£10,700,000	-1.2%	£708,183	£720,800	6.4%
London EC1, 83 Clerkenwell Rd	£14,250,000	£13,800,000	4.1%	£477,200	£882,800	3.0%
London N1, 15 Ebenezer St & 25 Provost St	£7,500,000	£7,000,000	8.1%	£272,588	£601,800	3.4%
Watford, Clarendon Road	£15,500,000	£14,900,000	5.6%	£902,750	£999,000	5.5%
Cambridge, The Eastings	£3,500,000	£3,450,000	2.8%	£190,500	£226,000	5.1%
Cambridge, 270 Science Park	£11,400,000	£11,000,000	3.1%	£640,927	£892,927	5.3%
Total Offices	**£62,550,000**	**£60,850,000**	**3.7%**	**£3,192,148**	**£4,323,327**	**4.8%**
Retail Warehouse						
Rayleigh, Rayleigh Road	£3,550,000	£3,550,000	1.6%	£222,783	£222,783	5.9%
Redditch, Washford Mills	£7,400,000	£7,150,000	6.2%	£431,689	£553,200	5.5%
Northampton, Becket Retail Park	£7,000,000	£7,300,000	-2.5%	£431,000	£429,000	5.8%
Norwich, Cathedral Retail Park	£17,650,000	£17,475,000	2.6%	£1,074,000	£1,054,000	5.8%
Total Retail Warehouse	**£35,600,000**	**£35,475,000**	**2.1%**	**£2,159,472**	**£2,258,983**	**5.8%**

Property	Valuation Mar 2015	Valuation Dec 2014	Qtr Total Return	Annual Income	OMRV	Net Initial Yield[2]
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%**
Industrials						
Bristol, South Bristol Trade Park	£4,100,000	£4,025,000	3.5%	£252,757	£257,350	5.8%
Crawley, Woolborough IE	£12,600,000	£12,250,000	4.5%	£621,541	£1,055,005	4.7%
Croydon, 75/81, Sumner Road	£2,000,000	£2,000,000	1.2%	£101,000	£142,000	4.8%
Heathrow, Skylink	£3,150,000	£3,150,000	-5.0%	£0	£231,900	0.0%
London, 131 Great Suffolk St	£3,000,000	£2,800,000	8.2%	£110,000	£262,300	3.5%
London, Apsley Centre	£2,950,000	£2,950,000	1.4%	£162,000	£168,700	5.2%
London, Phoenix Park, Apsley Way	£8,650,000	£8,650,000	1.1%	£447,005	£517,600	4.9%
Sunbury, Windmill Road	£9,875,000	£9,800,000	2.3%	£599,750	£599,750	5.7%
Swindon, Dunbeath Court	£4,250,000	£4,000,000	7.8%	£228,587	£331,716	5.0%
Swindon, Euroway IE	£13,000,000	£13,000,000	2.0%	£747,563	£999,235	5.4%
Total Industrial	**£63,575,000**	**£62,625,000**	**2.7%**	**£3,270,203**	**£4,565,556**	**5.4%**

Property	Valuation Mar 2015	Valuation Dec 2014	Qtr Total Return	Annual Income	OMRV	Net Initial Yield[2]
Other Commercial						
Leeds, The Calls	£7,250,000	£7,250,000	1.7%	£455,110	£508,300	5.9%
Glasgow, Mercedes	£9,200,000	£9,200,000	1.6%	£580,989	£566,600	6.0%
Newcastle, Charlotte House	£5,600,000	£5,400,000	5.4%	£365,587	£396,800	5.2%
Derwent Shared Ownership	£8,925,000	*Purchased* *£8,962,745*	-3.6%	£459,395	£459,395	4.9%
Total Other Commercial	£30,975,000	£21,850,000	1.1%	£1,861,081	£1,931,095	5.7%
Total Direct Property [1]	**£204,700,000**	**£192,800,000**	**2.6%**	**£11,162,904**	**£13,758,961**	**5.1%**
Indirect Property						
Lend Lease Retail Partnership	£9,574,500	£9,544,860[3]	1.2%	£331,946	-	3.3%
Standard Life Investments UK Shopping Centre Trust	£14,499,554	£14,385,263[3]	1.0%	£596,806	-	3.9%
inProp UK Commercial Property Fund	*Sold* *£10,398,200*	£10,531,266[3]	0.0%	£526,513	-	n/a
Total Indirect Property[2]	£24,074,054	£34,461,389	1.4%	£1,455,265	-	3.7%
GRAND TOTAL	**£228,774,054**	**£227,261,389**	**2.5%**	**£12,618,169**	**-**	**5.0%**

Notes:

1. Direct property total returns for the quarter to March 2015 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to March 2015 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). The total return figure stated for inProp is as reported by IPD this quarter following the disinvestment from the vehicle.
2. Net Initial Yields as reported by BNP Paribas and Allsop LLP (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.
3. Valuation figures provided by CBRE Global Investors (UK Funds) Ltd (CBREGIF) are the February 2015 valuations; these are always marginally in arrears due to early reporting deadlines required by IPD. The total return figures for the indirect investments relate to the full quarter.