Brent Cross Shopping Centre
[Largest Holding within Standard Life Shopping Centre Trust]

QUARTERLY REPORT Q4 2015

CBRE GLOBAL INVESTORS DORSET COUNTY COUNCIL PENSION FUND

CBRE GLOBAL INVESTORS

TABLE OF CONTENTS

EXECUTIVE SUMMARY
Q4 2015

MARKET

Commercial property has had another strong quarter of performance. Total returns for the 2015 are high by historical standards with double digit perfmormance figures. This performance has been predominantly driven by capital growth while income return remains a stable component of the returns.

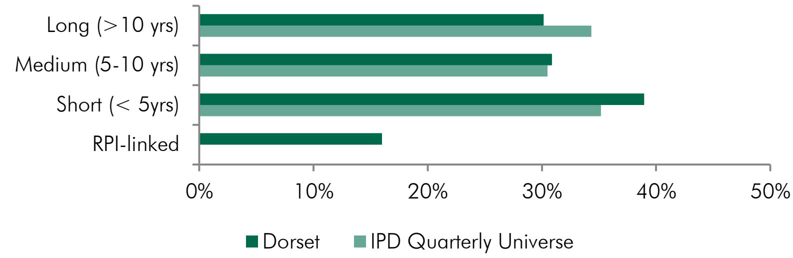
PORTFOLIO

During Q4 2015 there was one part purchase of Ingersley Building, Macclesfield and one part sale of Euroway Industrial Estate, Swindon. Two houses staircased from the Derwent Shared Ownership portfolio.

PERFORMANCE

	Quarter	12 months	3 years p.a.	5 years p.a.
Direct Property Total Return	2.9%	13.9%	15.9%	11.8%
Indirect Property Total Return	2.9%	7.4%	9.5%	8.2%
Benchmark	3.0%	13.3%	14.0%	10.4%

LEASE LENGTH



GEOGRAPHICAL STRUCTURE

London & SE	41%
Eastern	17%
South West	10%
Midlands	11%
North	13%
Rest of UK	9%

Overview

The target is 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.

Portfolio

	Value	Assets
UK Direct	£219.0m	26
UK Indirect	£24.8m	2
Total value of portfolio	**£243.8m**	

NIY / EY	5.1% / 5.7%
Vacancy rate	4.1%
AWULT to expiry (lease break)	10.3yrs (9.7yrs))
Largest asset	Cathedral Retail Park Norwich (£17.65m / 8.1% direct portfolio)
Largest tenant	ACI Worldwide EMEA Ltd (£902,750 / 7.6% of portfolio rent)

Performance

	UK Portfolio	Benchmark	Relative
Q4 2015 %	2.9%	3.0%	-0.1%
1 Year % (2015)	13.2%	13.3%	-0.1%
3 Year % pa (2013-15)	14.9%	14.0%	0.8%
5 Year % pa (2010-15)	11.2%	10.4%	0.7%

Transactions

	Q4 2015
Money available	£0.0m
Purchases	£2.8m
Sales	£2.9m
Committed Equity	£1.0m

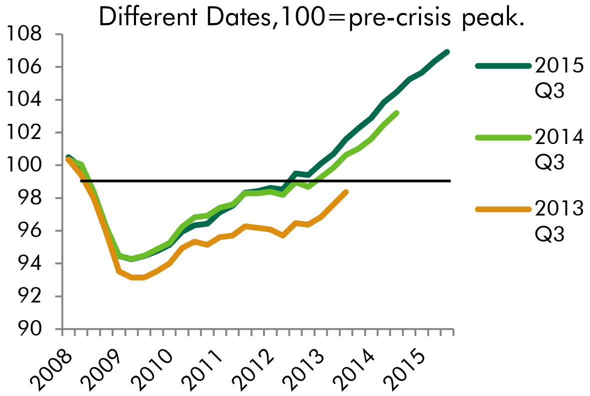
2.0 MARKET COMMENTARY

UK ECONOMIC OUTLOOK

The first few weeks of 2016 have provided no shortage of reasons to be worried about the year ahead: China growth, equity market volatility, the falling price of oil, unwinding of QE, emerging market debt, political risk including the prospect of 'Brexit' and the list goes on. In an ever connected world, fears and anxieties proliferate like never before. So it might come somewhat as a surprise that we remain fairly upbeat about the near term prospects both for the UK economy and its property market. And the reason is good old fashioned fundamentals. A growing economy is spurring demand for commercial real estate while available supply is dwindling.

One of the more important, though admittedly mundane, developments over the past year has been the major revisions to GDP data by the Office for National Statistics. The implications are that the 2008-09 downturn was not nearly as deep as previously thought and that the recovery began much earlier. It also means that we are further along in the economic cycle (Figure 1). To be fair, many of the favourable demand drivers that helped propel the economy during 2015 endure. A low interest rate, low inflationary environment is providing support for business investment and discretionary consumer spending. Employment participation is at an all-time high and wages are growing in real terms. We interpret these signals to mean that occupier markets should be healthy over the coming year.

Figure 1 UK GDP as Reported at Different Dates,100=pre-crisis peak.



In contrast to the previous two years, domestic downside risks overshadow the upside. In particular, the possibility of Britain voting to leave the European Union and questions about the trajectory of the interest rate path mean there are notable uncertainties to the outlook.

A narrowing in opinion polls as to whether Britain should exit the European Union suggests that 2016 could be a year of two halves: one where a spirited debate captivates hearts and minds and another where divorce becomes seemingly inevitable. For commercial real estate occupiers the possibility of 'Brexit' has broadly been ignored. Property investors on the other hand are certainly curious about the implications to commercial real estate, though the prospect has yet to manifest itself in pricing or kerb transactional activity.

The markedly dovish tone of the BoE's latest quarterly assessment of inflation suggests that its view of conditions in the UK economy has moderated. It is, however, now finding itself between a US Fed that is tightening monetary policy and an ECB that is easing. There may be no immediacy for the BoE to follow the US Fed in raising rates, but the prospect of Sterling depreciating further means that inflationary risks should not be dismissed altogether. While "lower for longer" remains the consensus expectation, an abrupt change for interest rates could certainly prove a significant obstacle for property markets.

UK PROPERTY PERFORMANCE

UK commercial property has delivered another year of attractive returns. Capital value growth has remained strong, driven by a fairly equal mixture of yield movement and rental value growth. According to the IPD Monthly Index, the all property total return in 2015 was 13.8%. At a sector level, offices outperformed during the year, having delivered a return of 18.2%. Industrial performance was a close second at 17.3%. Retails continue to be the relative laggard having produced a return of 8.9%.

OCCUPIER MARKETS

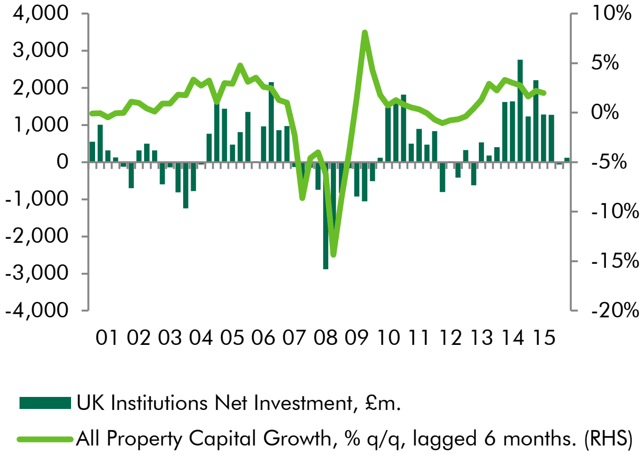
The crux of our near term optimism rests on the strength of occupier markets. Given the health of the economy and a dwindling supply of modern stock, there have been increasing active requirements from a broad range of business segments. Financial services and legal firms, in particular, are in expansion mode and no longer bound to their traditional London confines. Available quality industrial space across much of the UK is becoming tighter as Britain's SME's expand and third party logistics operators adapt to a shifting retail landscape. On the back of this, tenant incentive packages are dissipating and headline rental values are rising for both sectors.

Performance from retail continues to lag the broader market. While we see pockets of genuine growth in top quartile cities and towns like Cambridge, Brighton and Guildford, given the structural factors that beset the sector we do not expect a universal recovery. As a result we are carefully scrutinising the locations where we have retail holdings and selling assets we do not want to hold during the next downturn. Last quarter we cited an improvement in credit conditions and near-record retailer confidence as grounds for a favourable disposition toward the sector. However, when you line up the state of the consumer economy against recent retail property performance, then historic correlations don't stack up. Data from the ONS affirms that consumer spending in the run-up to the all-important Christmas trading season was healthy, yet retailer results were mixed, especially from bricks and mortar stores. This highlights the polarisation that characterises the sector and contributes to our view that retail should be down weighted from relative return mandated portfolios.

CAPITAL MARKETS

While 2015 was an active year for commercial property investment, cumulative deal flow has moderated, and the first few weeks of 2016 feel quieter than normal. While our continued sense is that the tapering of transactional volumes is largely a supply issue, exogenous macroeconomic events and the acknowledgment of where we are in the property cycle are beginning to register with investors. Domestic institutions, in particular, have accounted for very weak net investment activity for the past two quarters. This is of note as historically there has been a strong correlation between sustained negative net investment from UK institutions and capital value declines (Figure 2). While consensus forecasts do not anticipate value falls at an all property level over the coming three years, it is clear that domestic capital is becoming increasingly cautious.

Figure 2 UK Institutions Net Investment & Capital Growth. Source: PropertyData, IPD



Activity by oil-driven sovereign wealth funds is also something we are monitoring. In the past week alone there have been two high profile London purchase and sale announcements by Middle Eastern investors, highlighting the different motivations for entering or exiting the London property market. There are legitimate concerns about how sticky these capital sources are and who they might be replaced by at current pricing. While we believe that the weight of money from an increasingly diverse source of global capital is deep enough to provide liquidity, it remains to be seen whether there is universal comfort at today's pricing for prime product. For the time being, however, prime London property yields are trending stronger.

As highlighted last quarter, the limited amount of quality investment-grade stock is resulting in strong prices being paid for core investments. It continues to be a healthy market to sell into, with most investments attracting multiple offers and rounds of negotiation.

OUTLOOK

For the past two years the UK economy and its real estate market have been standout performers. Yet in absolute terms, property has become expensive. Our often-referenced temperature chart is signalling that relative to its own history, commercial property is c.21% above its perception of long run fair value. This of course does not address relative pricing; an income return of c.5% p.a. remains attractive when compared to gilt yields and is one of the key reasons investors still sense opportunity. The other is the expectation that rental values will continue rising in real terms over the coming year, implying above trend returns across the majority of UK property segments.

But as indicated, downside risks overshadow the upside considering where we are in the economic and capital market cycles. Accepting the historical cyclicality of the UK property market as well as the fact that global asset prices have been rising in unison, we feel that it is important to actively position UK property portfolios for a market correction during the forecast horizon. This includes selling assets with poor return prospects in a timely manner; securing above average lease lengths and convent strengths; limiting exposure to below average quality retail; reducing the number of active projects; and being mindful of lease expiries, especially for Central London offices, during 2018-2020.

3.0 STRATEGY

Information in respect of the strategy for the Fund.

Size	▪ Target portfolio size £230 million. (Currently £243.8m, with a further £1.1m committed to the purchase of Henbury Building, Macclesfield).
Performance	▪ 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.
Income yield	▪ Maintain the portfolio income yield at a higher level than the IPD index net initial yield. ▪ Continue to focus on maintaining a low void rate and a resilient income yield. ▪ Ensure held properties / new acquisitions have strong rental growth prospects or a high income yield.

ALLOCATION

Property type	▪ Target core property holdings in good locations with a proportion of exposure to properties that will allow active management to generate outperformance. ▪ We anticipate maintaining a total of between 25 and 30 properties with an average lot size of c. £8m. ▪ Invest indirectly to gain exposure to sectors or lot sizes that the fund would be unable to achieve through direct investment e.g Shopping Centres.
Geographic allocation	▪ Diversified by location but with a bias towards London and the South East.
Sector allocation	▪ Diversified by sector with a maximum of 50% in any single sector. ▪ Target a lower than average weighting to Offices and Retail and a higher than average weighting to Industrial and Other commercial. ▪ Source suitable HLV* investments that could be available in any sector.

*HLV Property stands for High Lease to Value Property. HLV Property generates long-term predictable cash-flows. It is characterised by long lease lengths (20+ years) often with a link to a reference rate (RPI).

OTHER RESTRICTIONS AND GUIDELINES

Investment size	▪ Target a maximum of 10% in any single asset
Tenants	▪ Maximum rent from any single tenant 10% of rental exposure. ▪ Target financial strength better than the benchmark.
Lease length portfolio	▪ Target new assets where the lease expiry profile fits with the existing profile of the fund. ▪ Seek to maintain expiries in any one year below 10% of the fund's lease income. ▪ Target an average unexpired lease term in excess of the benchmark.
Development	▪ Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it.
Debt	▪ Avoid debt exposure.
Environmental and Social Governance ("ESG")	▪ Energy performance: to improve EPC ratings where it is financially viable and, where applicable, apply for certification.

4.0 PORTFOLIO OVERVIEW

PORTFOLIO COMPOSITION

UK direct*	£219.0m	(89.8%)
UK indirect**	£24.8m	(10.2%)
Total value of portfolio	£243.8m	(100.0%)

*See **Appendix 3** for full property list and performance over the quarter by asset
See **Appendix 2 for more information on the indirect performance over the quarter.

RISK CONTROL MEASURES

	Fund (Direct property only)	Aim
Number of assets	26	25-30
Number of tenancies*	76 with a further 2 units void	70-100
Net initial yield	5.1% p.a.	Above benchmark
Vacancy rate (% of rent)	4.1%	Below benchmark
Rent with +10 years remaining	30.2% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	10.9% of total rent	Minimum 10% of total rent
Largest property (% of value)	8.1% (Cathedral Retail Park, Norwich)	Below 10%
Largest tenant (% of rent)	7.6% (ACI Worldwide EMEA Ltd, Watford)	Below 10%
Tenure (Freehold/Leasehold)	78.7% / 21.3%	Minimum 70% freeholds

*The Derwent portfolio is classified as 1 tenancy albeit the underlying income is derived from multiple shared owners.

PROPERTY / TENANT DIVERSIFICATION

AIM – Maintain a diversified tenant base with individual tenancies providing rent rolls in excess of £25,000 pa.

The portfolio is currently well diversified with a range of tenants and a well balanced rental income stream.

ACTION – Continue to maintain a diversified tenant mix.

NET INITIAL YIELD

AIM – Maintain a net initial yield above the benchmark.

The IPD Quarterly Universe net initial yield is 4.8% as at Q4 2015. The portfolio net initial yield as measured by IPD is currently 0.3% above the Benchmark figure. It has marginally increased this quarter, following the successful rent review negotiations at 83 Clerkenwell Road, London EC1. The portfolio yield has reduced in general over the last year due to stronger market conditions and the acquisition of a number of lower yielding properties which deliver secure RPI linked income, including this quarters acquisition of Ingersley Building, Macclesfield. This has added to the quality of the income stream from the portfolio.

ACTION – the portfolio's initial yield currently has a 30 basis point advantage over the Benchmark of ther the IPD Quarterly Universe. In order to increase the gap further our ongoing focus is to enhance the portfolio income, principally by:

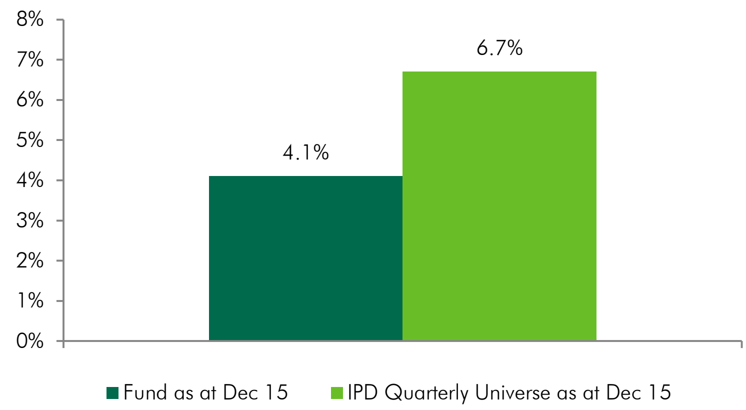
- letting vacant space;
- pursuing lease renewals with existing tenants at the earliest opportunity;
- settling rent reviews where there are outstanding reversions;
- closely monitoring non recoverable expenditure.

	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.1%	4.8%
Equivalent yield p.a.	5.7%	5.8%
Income return over quarter	1.2%	1.1%

VACANCY RATE

AIM – maintain a low void rate through letting vacant space and mitigating future expiry risks.

The Fund's void rate has fallen by a third over the quarter. This drop in the vacancy rate follows the sale of units 12a and b at Euroway Industrial Estate, Swindon (1.3%), and the successful letting of Washford Mills, Redditch (0.8%) to Bensons for Beds. The portfolio void rate remains below the benchmark which currently stands at 6.7%. Unit D, Woolborough Lane Crawley accounting for 2.4% of the void rate is under offer and currently undergoing an extensive refurbishment, it is anticipated that this letting will complete during Q2 2016.



ACTION – seek to let vacant space through using best in class letting agents and proactively manging upcoming lease expiries (see Appendix 1 for the list of void properties).

LEASE LENGTH AND EXPIRY PROFILE

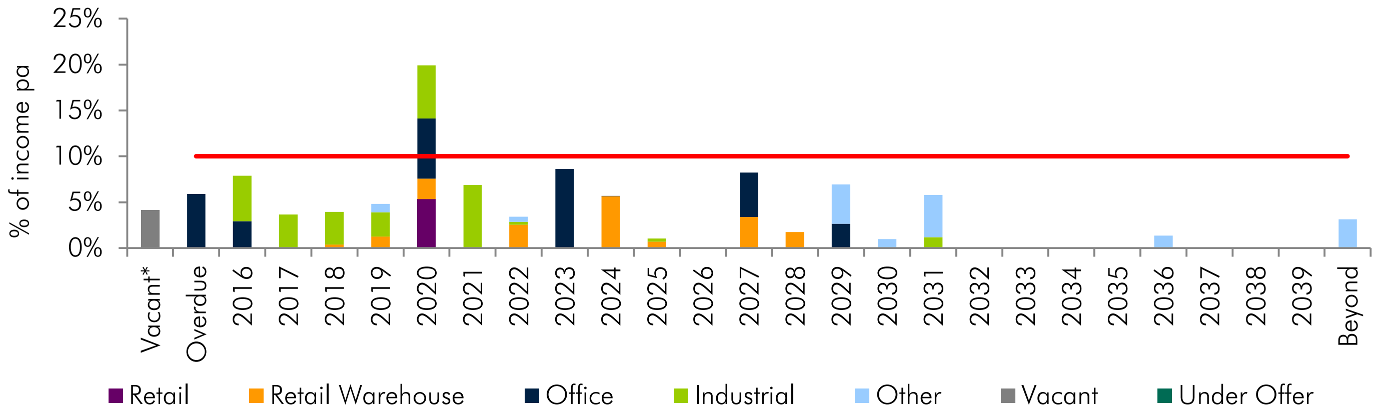
AIM – To maintain a well diversified lease expiry profile and keep the portfolio average lease length in excess of the benchmark lease length.

Unexpired lease term, years

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	10.3	9.7	10.3
Benchmark	11.9	11.1	12.4

*Breaks are assumed to be executed if the lease is overrented and the break is at the option of the tenant or mutual.

The average lease length of the Fund using the PAS assumption is in a reasonable potision in comparison to the benchmark. With the recent purchases of Derwent Shared ownership portfolio and Ingerlsley Building, Macclesfield the lease length of the portolio has improved. The Manager has identified that the lease expiry spike that had presented itself in 2015 has now moved to 2020 following a number of lease renewals and asset management initiatives. A big focus for the year is to tackle the overdue element on the lease expiry chart relating to 270 Cambridge Science Park where the tenant is holding over following lease expiry on 31st December 2015 and negotiations are ongoing regarding a short term lease on their existing building and a new lease on the proposed new building.



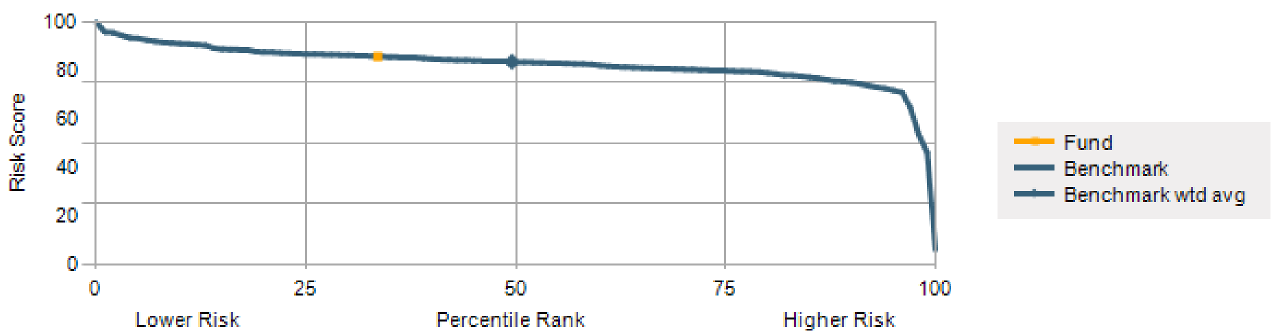
* Vacancy rate expressed as a percentage of ERV

ACTION – seek to maintain the average lease length through the active management of lease events in the portfolio. Aim to create a "dumbbell" shaped expiry profile to allow short term asset management balanced by long term secure income.

TENANT FINANCIAL STRENGTH

AIM – maintain covenant strength better than the benchmark

The graph below compares the covenant risk score of the portfolio compared to the Benchmark as at 30th December 2015. The Fund is in the second quartile with a Weighted Risk Score on the 33.5th percentile. This has improved since the previous quarter (39.8th percentile). The portfolio remains in a good position, with the Fund score ahead of the benchmark average. IPD IRIS risk weightings are as at January 2016. Post quarter end Brantano entered into administration, they are the 20th largest tenant in the portfolio and therefore may have an impact on the portfolio risk score.



ACTION – seek to improve the covenant risk profile of the portfolio through letting activity and ensuring tenants are properly classified by IPD.

INCOME/LEASE TYPE

AIM – maintain the weighting to HLV income in excess of 15% of total portfolio income.

Open market income – this is the standard rent review structure for UK direct property leases and makes up the majority of the portfolio income. It generally involves a five yearly open market rent review, which is upwards only.

HLV income – defined as properties let on leases with inflation-linked rent review structures and those which have defined uplifts (fixed increases) periodically. This type of income is effective in generating a consistent real return.

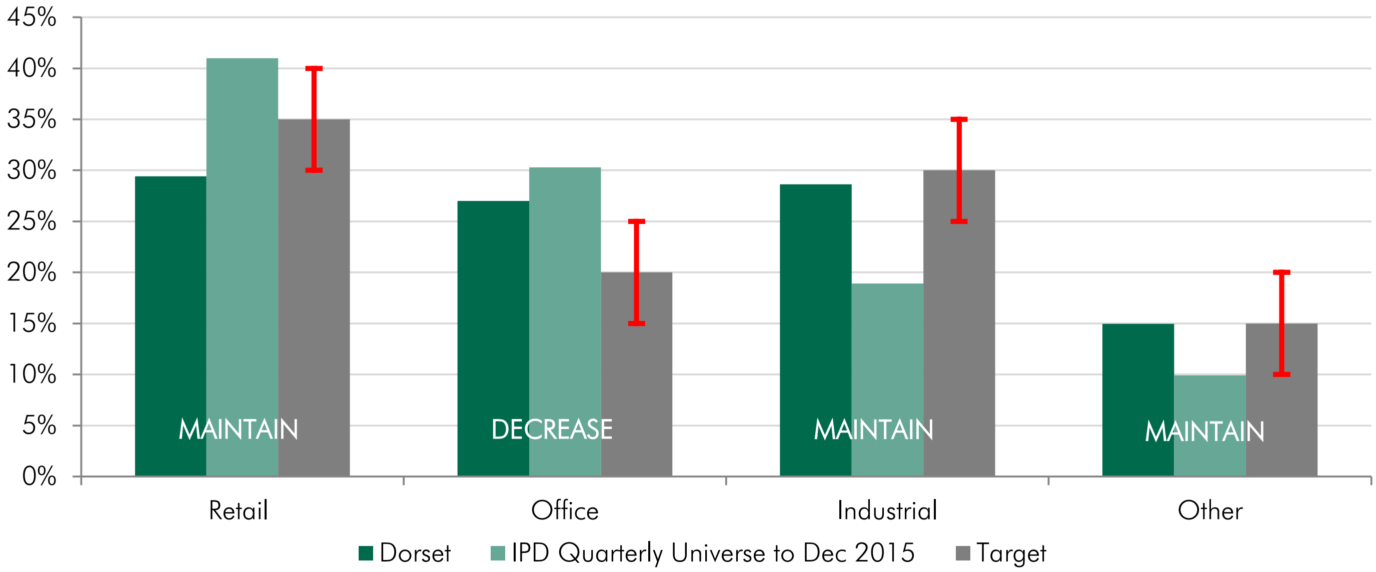
The portfolio is currently achieving the target. The amount of HLV income has increased during the quarter following the purchase of Ingersley Building, Macclesfield from 15% to 16%. It may increase marginally further in 2016 following the purchase of Henbury Building Macclesfield.

% of portfolio income	Q4 2015
Open market income	84%
RPI/Index linked income	16%

ACTION – continue to monitor HLV ratio to Open Market income when considering purchases or sales.

SECTOR AND GEOGRAPHICAL STRUCTURE

AIM – to maintain a well diversified portfolio as part of our overall risk management strategy.



The portfolio sector weightings are displayed above in comparison to the benchmark with a target range depicted in red in line with houseview recommendations. The portfolio sector split has proven very beneficial of late with the low retail weighting, given that retail has been the poorest performing sector over the past 12 months. Over the longer term further proceeds from sales from the office sector may be redistributed into retail, industrial or the other sector. The geographical split as shown on page 1 is well diversified at present. There is a large London and South East weighting which has particularly aided performance for 2015. There is also a large eastern weighting; Cambridge falls into this region albeit it has historically performed more like the South East market and therefore is not considered a significant risk in contrast to IPD.

ACTION – Ensure that purchases and sales maintain the geographical and sector diversity within the portfolio having due regard to the current point in the economic cycle.

DEVELOPMENT

AIM – to maintain a development exposure below 10% of the value of the portfolio.

There is currently no speculative development ongoing within the portfolio. The proposed development at Cambridge Science Park is intended to proceed only on the basis of an Agreement for Lease with a tenant for the completed building with a fixed price building contract in place. This will mitigate two of the major risks associated with development.

ACTION – Development may be undertaken where the major risks can be mitigated and the risk/reward profile is sufficient to justify it having due regard to local supply/demand dynamics and the point in the economic cycle.

5.0 UK DIRECT PORTFOLIO ACTIVITY

Below are examples of key drivers of performance within the Fund:

Address	83 Clerkenwell Road, London EC1
Sector	Office
Valuation Q4 2015	£17.1m (4.3% NIY)
IRR	25.8% p.a. since purchase

83 Clerkenwell Road was the strongest performer for Q4, delivering a total return of 8.9%, which was a relative weighted contribution to the portfolio performance of 0.38%. The driver for performance for the quarter was the successful conclusion to the rent negotiations for the review dated July 2015.

The rent increased from £477,200 p.a. (£24.71 psf) to £836,000 p.a. (£43.28 psf), a 75% increase.

The property has performed fantastically since purchase in Q1 2013 when it was acquired for £9.0m (5.0% NIY). It has delivered a 25.8% IRR. Further strong performance is anticipated from the property, with the occupational market continuing to move from strength to strength and the infrastructure in the location improving causing further upward pressure on rents.

Address	Redditch, Washford Mills
Sector	Retail Warehouse
Valuation Q4 2015	£7,200,000
IRR	8.9% p.a. since purchase

During the quarter a new letting completed with Homestyle Group Operations Limited t/a Bensons for Beds. This unit had been vacant since Q1 2014 and it is a great result to have the property now fully let to a well known retailer.

The valuation of the property improved over the quarter from £7.15m to £7.2m providing a 0.7% capital growth. However there was a negative income return from this property of -1.0% due to costs associated with the letting. Subsequently the property provided a -0.3% total return for the quarter, resulting in a drag to the relative weighted contribution of the portfolio total return by -0.10%.

As part of the letting a refurbishment of the vacant unit was undertaken and with much input from the CBRE sustainability team, the EPC rating was improved from a low 'E' rating to a high 'C' rating.

This letting completes the business plan for this property. It is now in a good position to be marketed for sale in line with the portfolio strategy. It has provided a strong return since purchase in 1999. However looking forward the asset is not considered to be defensive in the event of a weaker economic climate, and is expected to underperform.

6.0 TRANSACTIONS

TRANSACTIONS OVER QUARTER

PURCHASES

Address	Ingersley Building, Macclesfield
Sector	Other
Price	£2,960,000*
Net initial yield	5.5%

During the quarter the works practically completed and consequently so did the purchase of the property at Ingersley Building, Macclesfield completed. The property comprises 27 flats, 25 x 1 bed apartments and 2 x 2 bed apartments.

The property is let to East Cheshire NHS Trust for a term of 21 years with rent reviews every 3 years on an upward only basis to uncapped RPI.

The purchase price of £2.96m reflects a 5.5% net initial yield. On acquisition the property was valued at £3.4m, reflecting a 4.8% net initial yield. This property provided the second highest contribution to the portfolio performance this quarter. With a total return of 21.6% in the quarter; a 0.22% relative weighted contribution.

*A retention has been withheld to ensure the developer completes the Henbury Building, this will be paid with completion of that building.

SALES

Address	Units 12a and 12b Euroway Industrial Estate, Swindon
Sector	Industrial
Price	£2,750,000
Net initial yield	0% (Vacant)

The disposal of units 12a and 12b complete during the quarter. The purchaser Dick Lovett is the owner of the adjacent car showroom site and is therefore a special purchaser.

The units form part of a larger industrial estate; their location being separate to the remaining industrial estate enabled a clean split of title, so the disposal does not affect the remainder of the estate.

The property provided a 5.5% total return for the quarter; this was the third largest positive contribution to the portfolio performance, providing a weighted contribution to relative performance of 0.12%.

Address	9 Wintergreen Drive, Derby
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 3 bed semi-detached house
Completion Date	20th November 2015
Purchase Price*	£47,838 (gross of all fees)
Q4 2015 Valuation*	£75,000
Price Achieved*	£75,000

*The values reported are the Fund's 50% share.

Address	19 Spinneybrook Way, Derby
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 3 bed house
Completion Date	18th December 2015
Purchase Price*	£58,877 (gross of all fees)
Q4 2015 Valuation*	£82,500
Price Achieved*	£82,500

*The values reported are the Fund's 50% share.

TRANSACTION PLAN

The key objectives are as follows:-

- Maintain exposure to quality assets with a suitable risk profile across all sectors. The focus for 2016 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 part 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.

Our proposed 2016 sales are as follows:

Asset	Sector	Q4 2015 Value	Estimated Timescale	Status
Washford Mills, Redditch	Retail Warehouse	£7,200,000	Q2 2016	Due diligence and marketing of unit being prepared for a sale during Q2 2016.
Total		£7,200,000		

ONGOING TRANSACTIONS

PURCHASES

Address	Henbury Building, Macclesfield
Sector	Other
Price	£1,000,000
Net initial yield	5.5%

The purchase of Henbury Building, Macclesfield has exchanged with completion anticipated in Q3 2016. The property comprises 9 flats – 3x 1 bed and 6 x 2 bed apartments.

On completion the property will be let to East Cheshire NHS Trust for a term of 21 years with rent reviews every 3 years on an upward only basis to uncapped RPI.

SALES

There are no properties currently being marketed or under offer for sale.

7.0 PERFORMANCE

PERFORMANCE OBJECTIVE

The target is 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.

2015 PERFORMANCE

Q4 2015	Portfolio	Benchmark	Relative
Capital growth	1.7%	1.9%	-0.2%
Income return	1.2%	1.1%	0.0%
Total return	**2.9%**	**3.0%**	**-0.1%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio marginally underperformed the benchmark over the last three months. Income return remains an important component of the total return for the portfolio. This remains ahead of the benchmark. The capital growth of the portfolio was 20 basis points behind the benchmark this quarter. The income return of the portfolio remained ahead of the benchmark. The longer term pattern is for income return to be stronger than capital growth, with capital growth anticipated to slow over the next 12 months the Fund's income return will become an increasingly important driver of performance.

12 months to Q4 2015	Portfolio	Benchmark	Relative
Capital growth	7.7%	8.2%	-0.5%
Income return	5.1%	4.8%	0.4%
Total return	**13.2%**	**13.3%**	**-0.1%**

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q4 2015	Portfolio	Benchmark	Relative
Capital growth	8.5%	8.3%	0.2%
Income return	5.9%	5.2%	0.6%
Total return	**14.9%**	**14.0%**	**0.8%**

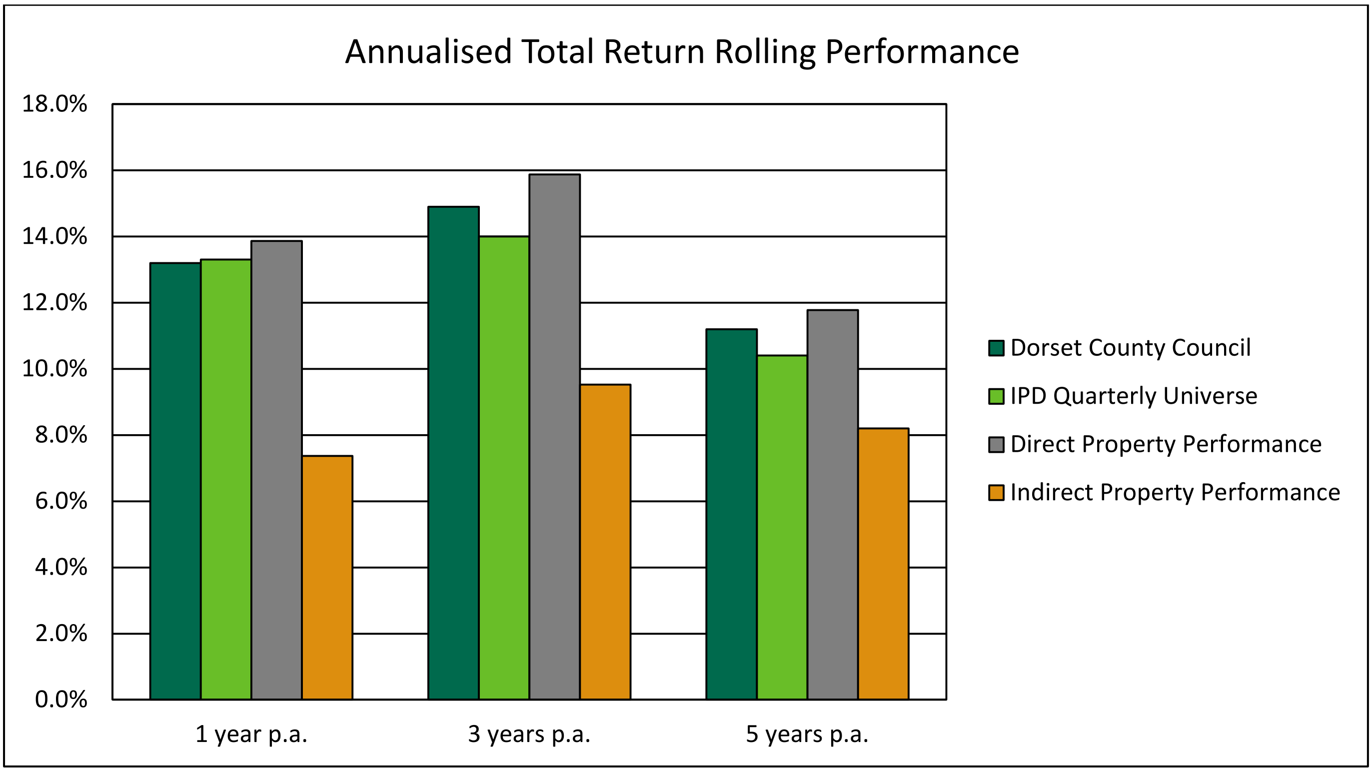
Source: CBREGI and IPD Quarterly Benchmark Report

5 yrs to Q4 2015	Portfolio	Benchmark	Relative
Capital growth	5.0%	4.7%	0.2%
Income return	6.0%	5.5%	0.5%
Total return	**11.2%**	**10.4%**	**0.7%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio is marginally underperforming over 1 year, with outperformance over the last 3 and 5 years, driven by the income return from the portfolio as capital growth was broadly in line with the index. The longer term performance is of particular note given the amount of acquisitions made over this time frame. The figures also demonstrate the advantage over the longer term of running a higher income strategy, provided the quality of the properties within the portfolio is maintained.

ROLLING PERFORMANCE FIGURES



The portfolio is marginally underperforming on a 1 year rolling period -0.1%, but comfortably outperforming over longer term 3 and 5 year rolling periods. This chart includes all benchmarked assets, therefore comprising all direct and indirectly held assets during each time horizon. The direct property performance is outperforming over the 1, 3 and 5 year rolling periods. The indirect property performance over the past year comprises Shopping Centre exposure; the assests in these vehicles are very prime and provide access to a market that could not be obtained directly for a Fund of this size. The portfolio's indirect holdings are considered to be defensive within the portfolio in the event of a weaker economic climate.

The Fund is achieving its key objective on the five year rolling performance measure.

8.0 ACCOUNTING AND ADMINISTRATION

The three measures listed below; the arrears level, speed of rent collection and service charge account closure position, are designed to be "litmus" tests showing the health of the accounting and administration of the portfolio.

The targets are designed to be demanding, however, we would expect to hit GREEN a large proportion of the time.

ARREARS LEVEL (RENT, SERVICE CHARGE, INSURANCE OVER 3 MONTHS OLD)

Target:	GREEN	maximum £25,000, no single item over £10,000
	AMBER	maximum £75,000
	RED	above £75,000

Result at:	31 December 2015	AMBER	£34,453.25
	30 September 2015	GREEN	£5,285.20
	30 June 2015	GREEN	£9,158.57
	31 March 2015	AMBER	£22,188.63

SPEED OF RENT COLLECTION

Target:	GREEN	90% of collectable rent banked by 6th working day after the quarter day, 95% by 15th working day
	AMBER	80% by 6th working day, 90% by 15th
	RED	worse than Amber

Result at:	31 December 2015	AMBER	(87.4% collected in 6 days, 96.5% by 15th day)
	30 September 2015	GREEN	(96.4% collected in 6 days, 97.2% by 15th day)
	30 June 2015	AMBER	(92.3% collected in 6 days, 94.3% by 15th day)
	31 March 2015	AMBER	(90.5% collected in 6 days, 93.7% by 15th day)

SERVICE CHARGES – ACCOUNT CLOSURE POSITION

Target:	GREEN	all service charge accounts closed within 3 months of the year end
	RED	any account not closed

Result at:	31 December 2015	GREEN (None currently outstanding/overdue)
	30 September 2015	RED (Three not closed)
	30 June 2015	RED (Three not closed)
	31 March 2015	RED (Two not closed)

9.0 SUSTAINABILITY

The Encironmental and Social Governance "ESG" Risk Mitigation Programme has been designed to address the risk presented by the Energy Act 2011 which stipulates that from 2018, it will be prohibited to lease a building with poor energy performance.

1. Change in Risk Level

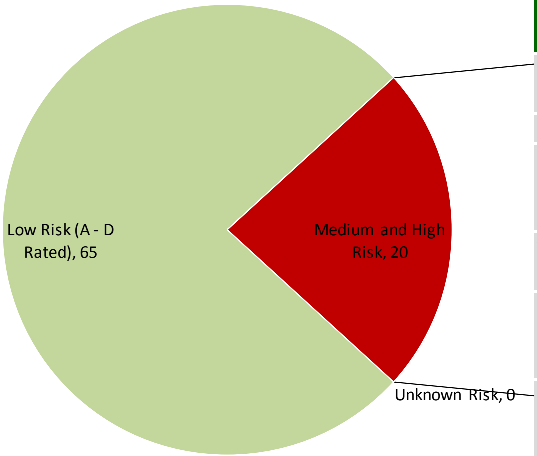
Figure 1: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q2

2. Completed Projects: Q4 2015

SITE/TENANT	UNIT	ACTION	OUTCOME
Washford Mills	Unit A	Refurbishment works	Advise on whether refurbishment works would improve EPC rating.
South Bristol Trade Park	Hilti	Estimate EPC rating	Estimated EPC as a D rating, therefore, low risk
Euroway Industrial Park	Unit 5	Visited site to assess if site would improve on G rating	Tenant looking to consolidate all units on another site so unlikely to extend tenancy. Very recent fit out including LEDs and modern A/C unit. Likely to score an improved EPC rating.
All sites	-	Solar feasibility study	Due to the government's decision to significantly reduce the Feed in Tariff, the project has been suspended

3. Agreed Actions for Mitigating Risk across the Portfolio

Figure 2 outlines the actions that have been identified to improve the EPC ratings of all units with E, F, or G ratings. Managed risk refers to all units that will be upgraded at the end of current tenancies, prior to the legislation taking effect.



Action	Number of Units
High quality EPC	4
Energy Audit	3
Monitor - potential sale	0
Tenant Engagement	10
Consult on current works	1
Scottish units under risk	2

Figure 2: Strategy for risk mitigation for remaining medium and high risk units

4. Risk Mitigation Process

1. Begin initial tenant engagement process
2. Carry out investment grade audits to confirm project costs
3. Obtain quotes for proposed energy efficiency projects through preferred suppliers
4. Provide tenants with business case, including ROIs, where applicable
5. Obtain sign off from tenants to carry out works, where applicable (tenant to cover costs)
6. Carry out works at end of tenancy where tenant sign off is not obtained (landlord to cover costs)

Figure 3: Process for carrying out risk mitigation actions

5. Planned Projects: Q1 2016

SITE/TENANT	UNIT	ACTION	AIM
Washford Mills	Unit A	EPC	Carry out EPC post refurbishment works to improve rating. Post quarter end this EPC was received and has improved from a low 'E' rating to a high 'C' rating
75-81 Sumner Road	Unit 4	Energy Audit	Investigate the most appropriate improvements to improve on the unit's current F rating.

COMPLIANCE

CARBON REDUCTION COMMITMENT COMMITMENT (CRC)

The Carbon Reduction Commitment Energy Efficiency (“CRC”) Scheme is a mandatory carbon trading scheme, requiring qualifying organisations to accurately report their carbon emissions and then purchase "allowances" for these each year.

CBRE Energy & Sustainability Services collate the relevant information and prepare an annual Evidence Pack to support the overall CRC Group’s (Dorset County Council) Annual Report.

ENERGY SAVINGS OPPORTUNITY SCHEME (ESOS)

The Energy savings Opportunity Scheme (ESOS) is a mandatory initiative, requiring large companies to calculate their total energy consumption and conduct energy audits across 90% of this consumption to identify cost-effective energy saving opportunities.

We have been advised that Dorset County Council meets the definition of a contracting authority as set out in the Public Contracts Regulations 2015 that is that "the State, regional or local authorities, bodies governed by public law or associations formed by one or more such authorities or one or more such bodies governed by public law, and includes central government authorities, but does not include Her Majesty in her private capacity". Therefore Dorset County Council is not required to participate in ESOS.

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APPENDIX 1- SCHEDULE OF VOID UNITS

VOIDS WITHIN THE PORTFOLIO – 31 DECEMBER 2015

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
Unit D, Woolborough Lane Industrial Estate, Crawley	40,145	2.4%	£341,200	Under offer
Skylink,Green Lane, Hounslow, Heathrow	20,613	1.7%	£242,200	Vacant
TOTAL PORTFOLIO VOID	60,758	4.1%	£583,400	

APPENDIX 2 – INDIRECT INFORMATION

LEND LEASE RETAIL PARTNERSHIP

Lend Lease Retail Partnership returned 3.5% over the quarter and 7.6% over the last year.

The performance was predominantly driven by asset management initiatives at the fund's two shopping centres (Bluewater and Touchwood, Solihull), increasing rental income and slight valuation gains.

Lend Lease Retail Partnership is a core specialist fund, providing exposure to the prime UK shopping centre market. The fund is ungeared and currently has an annualised distribution yield of 3.3%. The fund has a portfolio comprising two prime regionally dominant properties: Bluewater, Kent (25% stake) and Touchwood, Solihull (100% owned).

During the quarter, Bluewater saw positive capital value uplift as yields on comparable assets in the UK tightened and six new leases and seven rent reviews completed. In addition commercial partnerships and events income increased. The anchor stores reported strong trading results over the Christmas period, particularly John Lewis and House of Fraser which were ahead in sales over last year, particularly in Health & Beauty, Homeware and Accessories divisions.

Net operating income at Touchwood increased as a result of seven new leases completing and increased revenues from the car park. Footfall showed a slight decline during the quarter, as seen in the wider regional market. The impact of Grand Central opening nearby in Birmingham remains to be assessed during 2016. Capital value at Touchwood benefitted from a slight yield compression in line with the wider prime shopping centre market.

The fund manager continues to discuss options for the Partnership with investors and has engaged an advisor to assist in this process. We expect this to conclude during summer 2016.

STANDARD LIFE SHOPPING CENTRE TRUST

Standard Life UK Shopping Centre Trust produced a total return of 2.5% over the quarter and 7.6% over the last 12 months.

Performance over the quarter was mainly driven by capital growth.

The manager successfully met the redemption requests from 2014 in full during the year via secondary market trades. The final trade completed in October 2015.

No significant sales took place during the quarter. One Stop Perry Barr, which was brought to the market in Q3 2015, has now been withdrawn and asset management initiatives planned for the asset will now be pursued. This withdrawal was made as a result of a significant softening of investor demand for the asset, as well as a reluctance from retailers to engage in asset management initiatives whilst future ownership was uncertain.

Three rent reviews were documented during the quarter at Wimbledon, Enfield and Brighton. Furthermore lease renewals were concluded at Brent Cross, Stirling, Perry Barr and Wimbledon. During the quarter, Apple's new 12,000 sqft store opened at Brent Cross.

The development projects at Brighton and Brent Cross have not yet commenced. Other major asset management projects at the fund's properties in Brighton, Wimbledon and Stirling are in the pipeline.

At the quarter end, the trust had a property portfolio valued at £1.679bn providing exposure to eight shopping centres across the UK. The fund remains ungeared with a portfolio weighted average unexpired lease term of 7.2 years and a void rate of 2.6% by estimated rental value. The trust's exposure to retailers in administration decreased over the quarter to 0.7% of passing rent. There were no retailer failures during the quarter. However, the manager is monitoring identified risks with certain occupiers including BHS.

Returns stated reflect returns reported by the Manager at a Fund level. These may differ to actual returns achieved by an investor due to transactional activity undertaken during the holding period.

APPENDIX 3 – PORTFOLIO VALUATION

Property Address	Dec-15	Sep-15	Qtr Total Return [1]	Annual Income	OMRV	Net Initial Yield [2]
OFFICES						
Aberdeen, Pilgrim House	£ 10,000,000	£ 10,200,000	-0.4%	£ 691,597	£ 704,214	6.5%
Cambridge, The Eastings	£ 3,550,000	£ 3,500,000	2.8%	£ 190,800	£ 226,000	5.1%
Cambridge, 270 Science Park	£ 11,400,000	£ 11,400,000	-0.2%	£ 641,616	£ 893,616	5.3%
London EC1, 83 Clerkenwell Rd	£ 17,100,000	£ 15,900,000	8.9%	£ 836,000	£ 1,034,000	4.3%
London N1, 15 Ebenezer St & 25 Provost St	£ 8,125,000	£ 8,000,000	2.4%	£ 272,588	£ 617,700	3.2%
Watford, Clarendon Road	£ 15,650,000	£ 15,650,000	1.4%	£ 902,750	£ 999,000	5.5%
TOTAL OFFICES	£ 65,825,000	£ 64,650,000	2.9%	£ 3,535,351	£4,474,530	5.5%
RETAIL WAREHOUSE						
Northampton, Becket Retail Park	£ 7,000,000	£ 7,000,000	1.5%	£ 431,000	£ 429,000	5.8%
Norwich, Cathedral Retail Park	£ 17,650,000	£ 17,650,000	1.4%	£ 985,500	£ 1,054,000	5.3%
Rayleigh, Rayleigh Road	£ 3,650,000	£ 3,550,000	4.4%	£ 222,783	£ 222,783	5.8%
Redditch, Washford Mills	£ 7,200,000	£ 7,150,000	-0.3%	£ 431,689	£ 422,800	5.7%
TOTAL RETAIL WAREHOUSE	£ 35,500,000	£ 35,350,000	1.4%	£ 2,070,972	£2,128,583	5.6%
SUPERMARKET						
Tesco, Sheffield	£ 11,400,000	£ 12,000,000	-3.6%	£ 680,000	£ 680,000	5.6%
TOTAL SUPERMARKET	£ 11,400,000	£ 12,000,000	-3.6%	£ 680,000	£ 680,000	5.6%
INDUSTRIAL						
Bristol, South Bristol Trade Park	£ 4,250,000	£ 4,250,000	1.5%	£ 252,757	£ 268,550	5.6%
Crawley, Woolborough IE	£ 14,400,000	£ 14,200,000	2.2%	£ 673,541	£ 1,192,300	4.4%
Croydon, 75/81, Sumner Road	£ 2,550,000	£ 2,550,000	1.2%	£ 137,000	£ 162,200	5.1%
Heathrow, Skylink	£ 3,800,000	£ 3,800,000	-0.1%	£ -	£ 242,200	0.0%
London, Phoenix Park, Apsley Way	£ 9,900,000	£ 9,550,000	5.0%	£ 498,001	£ 545,800	4.8%
London, Apsley Centre	£ 3,300,000	£ 3,150,000	6.1%	£ 165,900	£ 176,300	4.8%
London, 131 Great Suffolk St	£ 3,900,000	£ 3,725,000	5.4%	£ 110,000	£ 293,500	2.7%
Sunbury, Windmill Road	£ 10,800,000	£ 10,800,000	1.4%	£ 599,750	£ 653,250	5.3%
Swindon, Dunbeath Court	£ 4,750,000	£ 4,750,000	1.7%	£ 316,067	£ 331,716	6.3%
Swindon, Euroway IE	£ 12,150,000	£ 14,350,000	5.5%	£ 803,422	£ 817,935	6.3%
TOTAL INDUSTRIAL	£ 69,800,000	£ 71,125,000	3.1%	£ 3,556,438	£4,683,751	4.8%
OTHER						
Derwent Shared Ownership	£ 9,635,000	£ 9,455,000	4.7%	£ 399,890	£ 399,890	4.2%
Glasgow, Mercedes	£ 10,350,000	£ 9,950,000	5.5%	£ 580,989	£ 566,600	5.3%
Leeds, The Calls	£ 7,500,000	£ 7,250,000	5.2%	£ 437,110	£ 510,100	5.5%
Macclesfield, Hope Park	£ 3,400,000		21.6%	£ 172,263	£ 172,263	4.8%
Newcastle, Charlotte House	£ 5,600,000	£ 5,600,000	1.6%	£ 365,587	£ 365,587	6.2%
TOTAL OTHER	£ 36,485,000	£ 32,255,000	6.0%	£ 1,955,839	£ 2,014,440	5.4%
TOTAL DIRECT PROPERTY	£ 219,010,000	£ 215,380,000	2.9%	£ 11,798,600	£ 13,981,304	5.1%
INDIRECT PROPERTY						
Lend Lease Retail Partnership	£ 9,920,520	£ 9,702,300	3.5%	£ 117,966	-	4.5%
Standard Life Investments UK Shopping Centre Trust	£ 14,890,359	£ 14,670,228	2.5%	£ 146,846	-	3.7%
TOTAL INDIRECT PROPERTY	£ 24,810,879	£ 24,372,528	2.9%	£ 264,812	-	4.0%
GRAND TOTAL	£ 243,820,879	£ 239,752,528	2.9%	£ 12,063,412	-	5.0%

Notes:
1. Total returns for both the direct and indirect properties for the quarter to December 2015 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to December 2015 as reported by CBRE Global Investors (UK Funds) Ltd (CBREGIF) / CBRE Global Investors in respect of the indirect portfolio.
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 November 2015 valuations; these are always marginally in arrears due to early reporting deadlines required by IPD.

APPENDIX 4 – AFFILIATED SERVICES

FEES PAID TO CBRE DURING QUARTER

Company	Property	Fee	Service
CB Richard Ellis	Swindon, Euroway Industrial Esate, A&B	£11,571.11	Building consultancy. Design works for overhaul with refurbishment that were then not required due to sale.
CB Richard Ellis	Portfolio	£7,400.00	EPC Risk Management Report and actions
Q4 2015 TOTAL		£18,971.11	