South Bristol Trade Park, Bristol

QUARTERLY REPORT Q1 2016

CBRE GLOBAL INVESTORS DORSET COUNTY COUNCIL PENSION FUND

CBRE GLOBAL INVESTORS

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Q1 2016

MARKET

This quarter the market was negatively impacted by the increase in SDLT from 4% to 5% on commercial property transactions imposed by the Chancellor in the March budget. This led to capital growth being flat for the quarter. However, the Index still produced a positive return as a result of income yield.

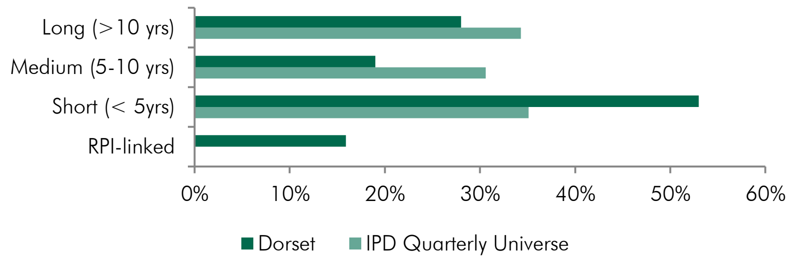
PORTFOLIO

During Q1 2016 there were no purchases. Four properties staircased from the Derwent Shared Ownership portfolio during the quarter.

PERFORMANCE

	Quarter	12 months	3 years p.a.	5 years p.a.
Direct Property Total Return	1.9%	13.1%	16.1%	11.7%
Indirect Property Total Return	2.5%	8.6%	9.8%	8.1%
Benchmark	1.1%	11.3%	14.0%	10.2%

LEASE LENGTH



GEOGRAPHICAL STRUCTURE

London & SE	41%
Eastern	17%
South West	9%
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	£221.1m	26
UK Indirect	£25.2m	2
Total value of portfolio	**£246.3m**	

NIY / EY	5.1% / 6.1%
Vacancy rate	4.1%
AWULT to expiry (lease break)	9.8 yrs (9.4 yrs)
Largest asset	Cathedral Retail Park Norwich (£17.45m / 7.9% direct portfolio)
Largest tenant	ACI Worldwide EMEA Ltd (£902,750 / 7.1% of portfolio rent)

Performance

	Portfolio	Benchmark	Relative
Q1 2016 %	2.0%	1.1%	0.9%
1 Year % (2015)	12.6%	11.3%	1.2%
3 Year % pa (2013-15)	15.1%	14.0%	0.9%
5 Year % pa (2010-15)	11.1%	10.2%	0.8%

Transactions

	Q1 2015
Money available	£0.0m
Purchases	£0.0m
Sales	£0.2m
Committed Equity	£1.0m

2.0 MARKET COMMENTARY

UK ECONOMIC OUTLOOK

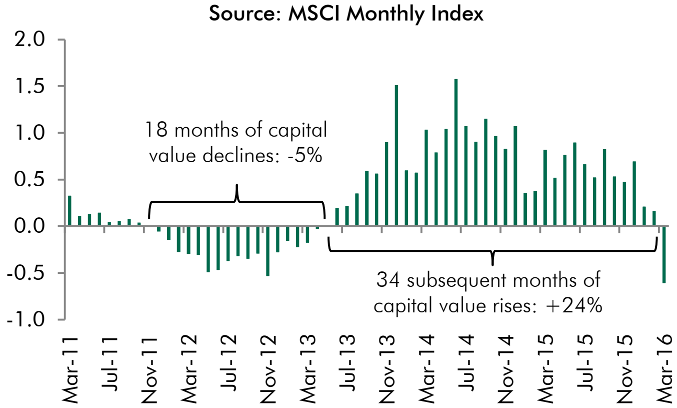
Global financial markets have quieted since the turbulent start of the year. Fears over Chinese growth appear to have been overdone, the tone from the Fed has become increasingly dovish and equity markets have regained lost ground. Domestically, this has enabled the June 23rd referendum on EU membership to dominate discussions and influence decision making. In this quarter's commentary, we have chosen not to dedicate significant space to the topic. Rather we provide a separate whitepaper from our Research team which takes a closer look at the ramifications of a Brexit on UK property. The key take-away is that in the run up to the plebiscite and even in the weeks following a potential exit from the EU, we are not recommending fundamentally altering portfolio strategy.

Turning to the real economy, many of the favourable demand drivers that helped propel economic expansion over the past year endure. A low interest rate, low inflationary, low unemployment environment is providing support for consumer spending, which remains the backbone of the economy. This is one reason why we see improving performance prospects from the retail sector in our forecasts. The 2016 Budget was not favourable for UK commercial property. Specifically, a 1% increase in stamp duty has had a 1% negative impact on property valuations. As a result we have adjusted downward our expectation of commercial property's 2016 total return to 7-8%. Needless to say, the mood in property circles has noticeably cooled.

UK PROPERTY PERFORMANCE

The total return delivered from UK commercial property, while still healthy by historical standards, has begun to moderate from the heady levels witnessed in recent years. For the first time since April 2013, capital growth was negative on the monthly MSCI index. While this is a direct reflection of the increase in stamp duty, a deceleration of rental growth and a flat initial yield feeds investor trepidation and underscores that we are operating in a different environment than the previous three years (Figure 1).

Figure 1 IPD Capital Growth, % m/m.
Source: MSCI Monthly Index



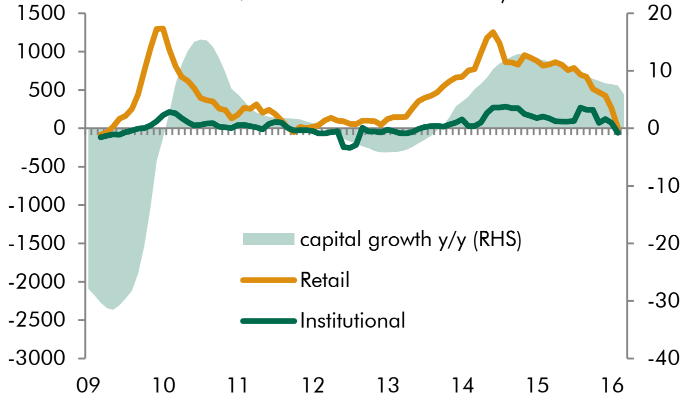
The all property total return in Q1 2016 was 1.1%, it's softest quarterly outturn since Q1 2012. Industrials were the best performing sector, delivering a quarterly return of 1.5%. Office performance was a close second at 1.3%. For structural reasons highlighted in previous commentaries, retail was the relative laggard, having produced a quarterly return of 0.6%.

Occupier Markets

Owing to a relatively stable domestic economic environment and a diminishing supply of modern stock, occupier markets continue to tick along nicely. We are signing numerous new leases and extensions, though we are conscious that is somewhat of a lagging indicator. Whilst vacancy rates for Central London offices hover at cyclically low levels, letting interest especially at the top end of the market appears to be fading. We continue to see a healthy level of active requirements from a broad range of business segments elsewhere. Industrial markets, across formats and geographies are doing particularly well as Britain's SME's expand and third party logistics operators adapt to a shifting retail landscape. Unsurprisingly, the supply side is responding, which is one reason why we believe that we are now moving past the period of peak rental growth for both the office and industrial sectors.

Capital Markets

Figure 2 Retail & Institutional Fund Flows to Property
Source: The Investment Association, MSCI



In terms of deal activity, 2016 has gotten off to a much quieter start than the previous three years. There are fewer active participants in the market and we have seen poorer quality product struggle to find a clearing price. The spectre of Brexit is necessitating inactivity from international capital while domestic investors appear increasingly mindful that we are late in the property cycle. UK institutions have accounted for very weak net investment volumes for the past three quarters, while retail investors have withdrawn more money from property funds in the first two months of the year than at any time since 2008 (Figure 2). The latter is at odds with the behaviour of retail money a decade ago. We suspect that one explanation may be investors rotating into direct buy-to-let residential property before the increased stamp duty came into effect in early April. Regardless of the rationale, it is clear that domestic capital is growing increasingly cautious.

Outlook

While property performance is being supported at the moment by favourable fundamentals and delivering an attractive income yield relative to gilts, downside risks are overshadowing the upside. A potential Brexit is not the only show in town. The domestic economy has been losing momentum in recent quarters and exogenous risks are many. This suggests that any relief rally from a potential resounding mandate to remain in the EU would be muted. As identified at the onset of the year, we feel that it is important to actively position UK property portfolios for much weaker market conditions during the forecast horizon. This specifically includes:

- Disposing of assets in secondary locations with poor letting prospects
- Addressing major lease expiries, especially for London offices, during 2018-20
- Securing above average lease lengths and convent strengths on lease re-gears
- Being highly selective in terms of income quality with new acquisitions
- Reducing the number of active capital expenditure projects

For the past two years the UK economy and its real estate market have been standout performers. Accepting the historical cyclicality of the UK property market now is the appropriate time to adopt to a more cautious portfolio strategy.

3.0 STRATEGY

Information in respect of the strategy for the Fund.

Size	▪ Target portfolio size £230 million. (Currently £246.3m, with a further £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*	£221.1m	(89.8%)
UK indirect**	£25.2m	(10.2%)
Total value of portfolio	£246.3m	(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*	78 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	28.5% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	10.5% of total rent	Minimum 10% of total rent
Largest property (% of value)	7.9% (Cathedral Retail Park, Norwich)	Below 10%
Largest tenant (% of rent)	7.1% (ACI Worldwide EMEA Ltd, Watford)	Below 10%
Tenure (Freehold/Leasehold)	79% / 21%	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 Q1 2016. The portfolio net initial yield as measured by IPD is currently 0.3% above the Benchmark figure. The margin over the benchmark has remained unchanged during the quarter. 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. 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 the IPD Quarterly Universe. In order to increase the gap further our ongoing focus is to enhance the portfolio income, principally by:

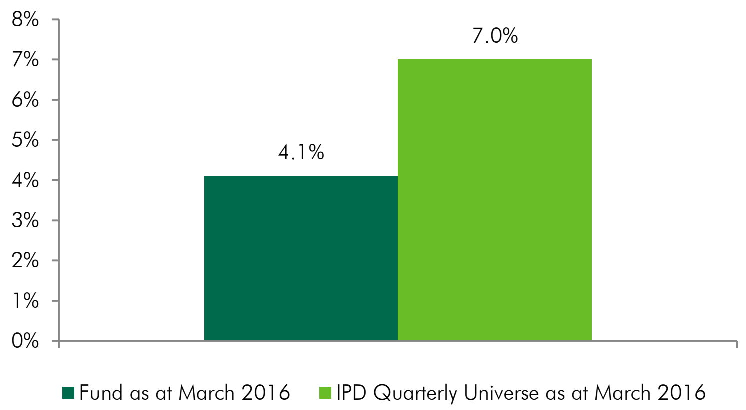
- letting vacant space;
- pursuing lease renewals with existing tenants at the earliest opportunity;
- settling rent reviews where there are outstanding reversions;
- closely monitoring non recoverable expenditure.

	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.1%	4.8%
Equivalent yield p.a.	6.1%	5.8%
Income return over quarter	1.3%	1.2%

VACANCY RATE

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

There was no change to the Fund's void rate during the quarter. The portfolio void rate remains below the benchmark which rose to 7.0% over the period. Lettings of both the vacant units, Unit D, Woolborough Lane Industrial Estate, Crawley and The Logistics Centre, Heathrow completed post quarter end. From Q2 the two vacant office floors at Pilgrim House, Aberdeen will be included in the portfolio vacancy rate, this is anticipated to amount to c. 2.7% as a percentage of ERV.



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

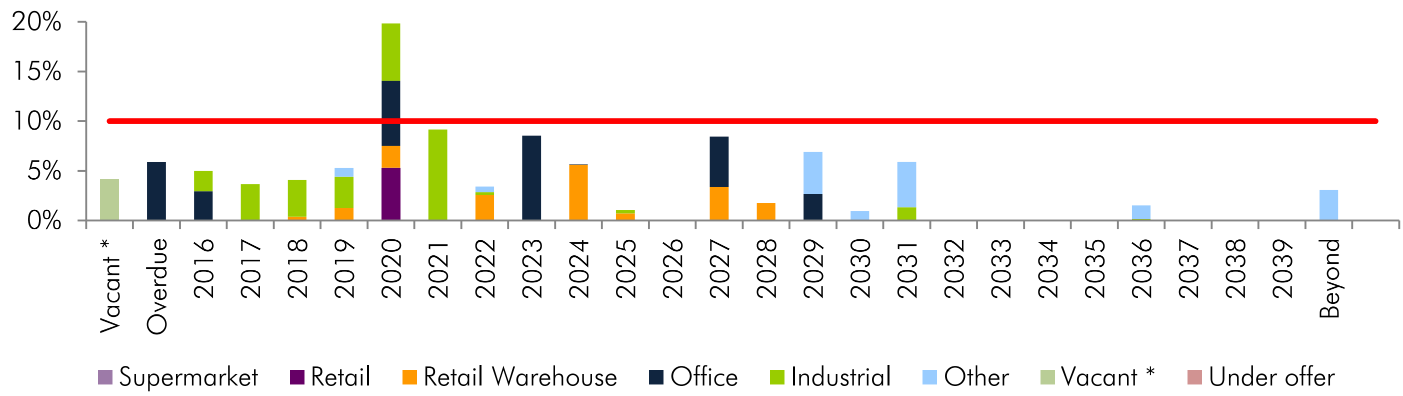
AIM – To maintain a well diversified lease expiry profile and keep the portfolio average lease length in excess of the benchmark lease length.

Unexpired lease term, years

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	9.8	9.4	9.8
Benchmark	12.0	11.2	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. The Manager is conscious that the lease expiry spike that had presented itself in 2015 has 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. Negotiations are ongoing regarding a short term lease on their existing building and a new lease on the proposed new building.

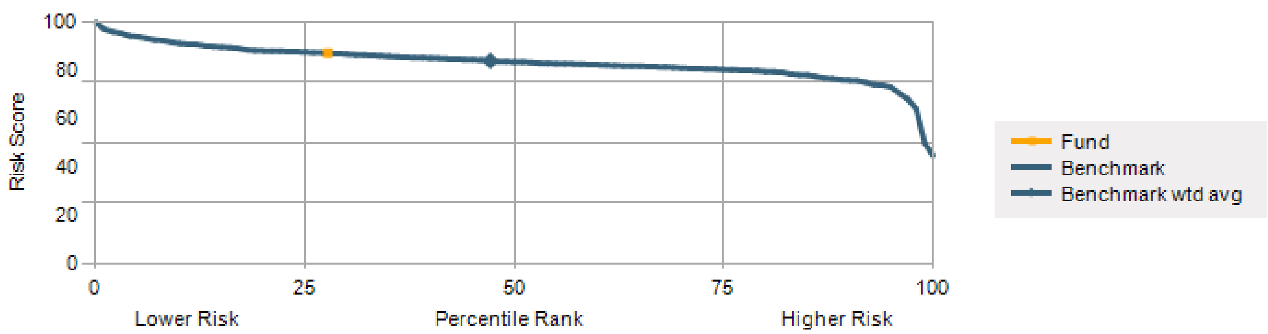


ACTION – seek to maintain the average lease length through the active management of lease events in the portfolio. Aim to create a "dumbbell" shaped expiry profile to allow short term asset management balanced by long term secure income.

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 31 March 2016. The Fund is in the second quartile with a Weighted Risk Score on the 27.7th percentile. This has improved since the previous quarter (33.5th percentile). The portfolio remains in a good position, with the Fund score ahead of the benchmark average. IPD IRIS risk weightings are as at March 2016. During the quarter Brantano entered into administration, they are the 20th largest tenant in the portfolio. However, this has been off-set by improvements to other tenant covenant risk scores in the portfolio.



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.

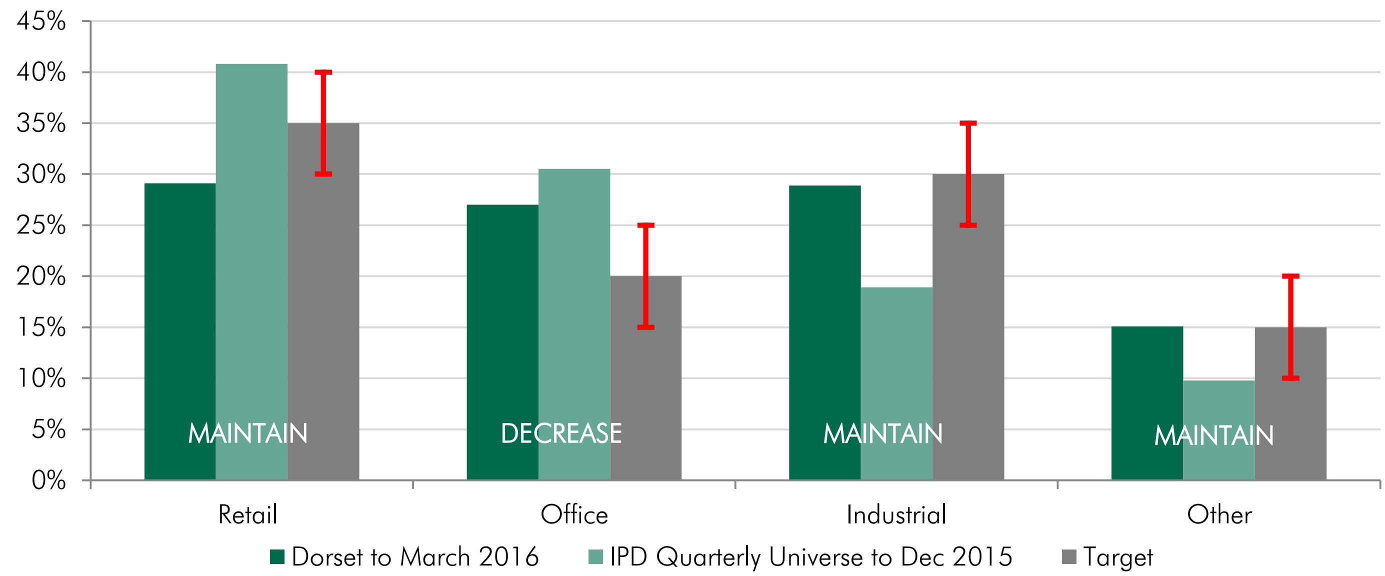
The portfolio is currently achieving the target. The amount of HLV income will increase further in Q2 2016 following the purchase of the Henbury Building Macclesfield.

% of portfolio income	Q1 2016
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 continued to be beneficial with the low retail weighting, given that overall retail has continued to be the poorest performing sector over the past 12 months. Over the longer term 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 over the last year. 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	Ingersley Building, Hope Park, Macclesfield
Sector	Other - Residential
Valuation Q1 2016	£4.0m (4.0% NIY)
IRR	28.0% p.a. since purchase

Ingersley Building, Macclesfield was a strong performer for the portfolio in Q1. The property is small within the portfolio, but having been acquired at 5.5% NIY the yield for this type of property, which is now very sought after in the market has come in sharply.

The property provided a total reutn of 19.0% over the quarter, this was a relative weighted contribution to the portfolio performance of 0.25%.

With the remaining part purchase of Henbury Building, Hope Park, Macclesfield that completed post quarter end, further performance is anticipated as that yield similarly is anticipated to sharpen from the 5.5% NIY acquisition price.

Address	Derwent Shared Ownership Portfolio
Sector	Other – Shared Ownership Housing
Valuation Q1 2016	£9,675,000
IRR	18.9% p.a. since purchase

During the quarter a further 4 properties 'staircased', meaning that they bought themselves out of the shared ownership sceme. That has reduced the amount in the portfolio from 218 properties at the start to 210 properties.

At the point of purchase the rate of staircasings was forecast at 2% per annum, for the year 2015 we saw 2.3% p.a. and for the calendar year to the point of print the staircasing rate from the portfolio was 3.3% p.a.. In the event of more staircasings the IRR over the hold period is actually improved. It is also worth noting, staircasing is considered to be cyclical with more staircasing events taking place in a good economy with fewer taking place in a downturn.

The property continues to perform well ahead of expectations, having been acquired for 4.2% NIY and now showing a valuation of 3.8% NIY.

6.0 TRANSACTIONS

TRANSACTIONS OVER QUARTER

PURCHASES

No purchases were comleted during the quarter.

SALES

Address	35 Alexandra Mills, Derby
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 2 bed flat
Completion Date	6th January 2016
Purchase Price*	£16,559 (gross of all fees)
Net Dorset Sale Receipt*	£19,388

*The values reported are the Fund's 25% share.

Address	10 Welland House, Lutterworth
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed flat
Completion Date	28th January 2016
Purchase Price*	£38,638 (gross of all fees)
Net Dorset Sale Receipt*	£56,608

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

Address	10 Castle Close, Borrowash
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 3 bed semi-detached house
Completion Date	16th February 2016
Purchase Price*	£40,478 (gross of all fees)
Net Dorset Sale Receipt*	£51,806

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

Address	11 Blackthorn Drive, Cinderhill, Nottingham
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed house
Completion Date	29th January 2016
Purchase Price*	£38,019 (gross of all fees)
Net Dorset Sale Receipt*	£52,286

*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 exceeeded 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	Q1 2016 Value	Estimated Timescale	Status
Washford Mills, Redditch	Retail Warehouse	£7,300,000	Q2 2016	Under offer at £7.56m with completion expected during Q2 2016.
Total		£7,300,000		

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 and was completed post quarter end. The property comprises 9 flats – 3x 1 bed and 6 x 2 bed apartments.

On completion the property was 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.

*This does not include a retention was also repaid in respect of Ingersley House. This was withheld from the Ingersley purchase price to ensure the developer completed the Henbury Building in good order.

SALES

Address	Washford Mills, Redditch
Sector	Retail Warehouse
Price	£7,560,000
Net initial yield	6.8%

The disposal of this property to Surrey County Council has been agreed and the transaction is expected to complete post quarter end. The proposed sale price is £260,000 ahead of the Q1 valuation.

The property has recently become fully let after a letting to Bensons for Beds following a 2 year void. With the property now fully let and income producing it is an optimum time for disposal of a secondary asset which we expect to struggle to re-let in poorer market.

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.

2016 PERFORMANCE

Q1 2016	Portfolio	Benchmark	Relative
Capital growth	0.7%	0.0%	0.7%
Income return	1.3%	1.2%	0.1%
Total return	**2.0%**	**1.1%**	**0.9%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio comfortably outperformed the benchmark over the last three months. Income return remains ahead of the benchmark. The capital growth of the portfolio was also 70 basis points ahead of the benchmark this quarter driven by outperformance across all sectors except the Industrial assets which performed in line with the Index. 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 Q1 2016	Portfolio	Benchmark	Relative
Capital growth	7.2%	6.3%	0.9%
Income return	5.1%	4.7%	0.3%
Total return	**12.6%**	**11.3%**	**1.2%**

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q1 2016	Portfolio	Benchmark	Relative
Capital growth	8.9%	8.4%	0.4%
Income return	5.8%	5.2%	0.6%
Total return	**15.1%**	**14.0%**	**1.0%**

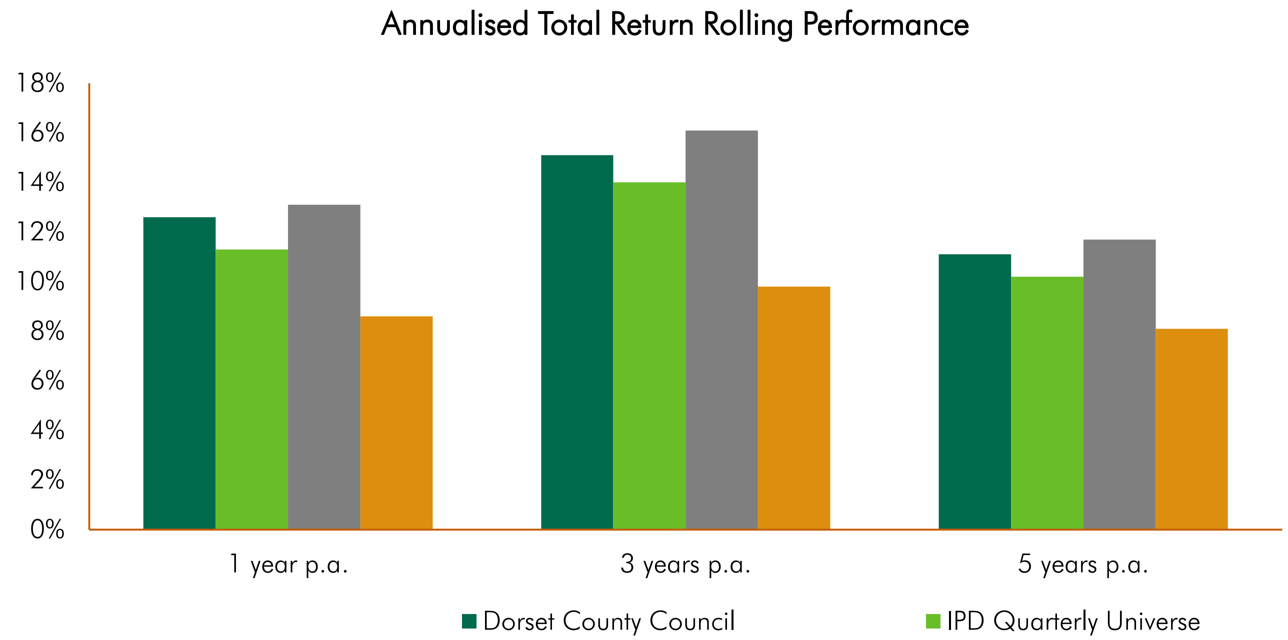
Source: CBREGI and IPD Quarterly Benchmark Report

5 yrs to Q1 2016	Portfolio	Benchmark	Relative
Capital growth	4.9%	4.6%	0.3%
Income return	6.0%	5.4%	0.5%
Total return	**11.1%**	**10.2%**	**0.8%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio is outperforming over the last 1, 3 and 5 years, driven by both the income return from the portfolio and capital growth. 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 comfortably outperforming over 1, 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 continues to achieve 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 March 2016	RED	£79,235.00*
	31 December 2015	AMBER	£34,453.25
	30 September 2015	GREEN	£5,285.20
	30 June 2015	GREEN	£9,158.57

*The arrears position was high this quarter due to Charlotte House, Newcastle, where the tenant is in significant arrears. The Manager is taking further action on this.

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 March 2016	AMBER*	(88.7% collected by 6 days, 98.0% by 15th day)
	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)

* Excludes Charlotte House where rent collection is on hold pending forfeiture proceedings.

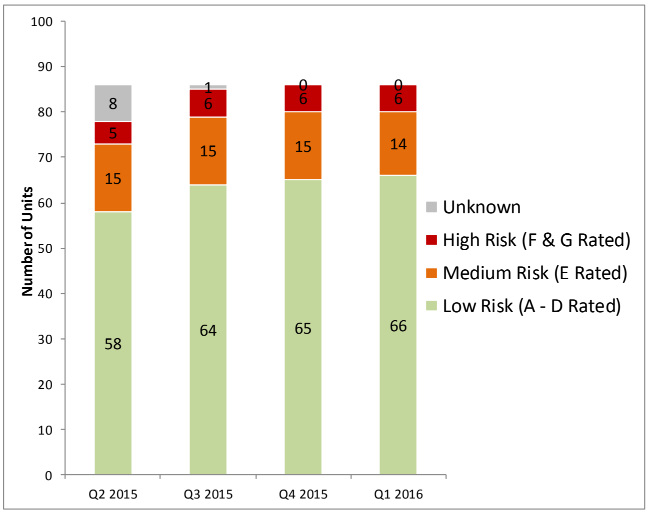
SERVICE CHARGES – ACCOUNT CLOSURE POSITION

Target:	GREEN	all service charge accounts closed within 3 months of the year end
	RED	any account not closed
Result at:	31 March 2016	GREEN (None currently outstanding/overdue)
	31 December 2015	GREEN (None currently outstanding/overdue)
	30 September 2015	RED (Three not closed)
	30 June 2015	RED (Three 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.

CHANGE IN RISK LEVEL



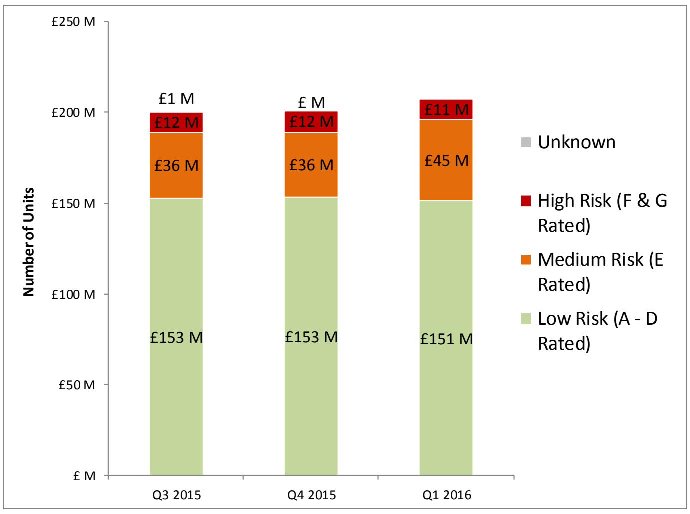


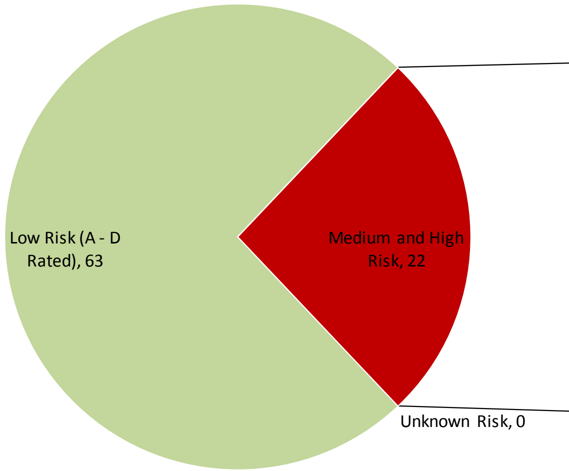
Figure 1: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q2

COMPLETED PROJECTS: Q1 2016

SITE/TENANT	UNIT	ACTION	OUTCOME
All units		Data collection	Energy, water and waste data has been collected from the Facilities and Property Managers for each of the properties across the portfolio. This data will be analysed as part of the Responsible Property Investors (RPI) report.
Washford Mills		EPC following refurbishment	Following a refurbishment the EPC rating of the unit improved from an E to a C

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	0
Scottish units under risk	5

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

RISK MITIGATION PROCESS

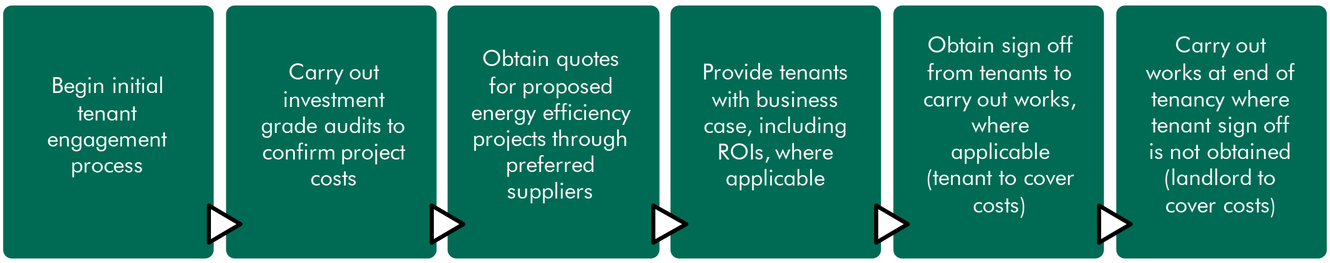


Figure 3: Process for carrying out risk mitigation actions

PLANNED PROJECTS: Q1 2016

SITE/TENANT	UNIT	ACTION	AIM
75-81 Sumner Road	Unit 4	Energy Audit	Investigate the most appropriate works to improve on the unit's current F rating.
All properties		Calculate top consuming sites	Following RPI reporting, an analysis will be carried out to calculate the portfolios top energy consuming sites. These sites will be the priority sites to engage with tenants to reduce energy consumption.
Scottish Properties	All	Legislation update	Following final version of the Scottish energy performance standards being released a risk rating for the Scottish properties in the portfolio will be established.
Euroway Industrial Park	Unit 5	EPC	A recent site visit confirmed that it is likely that the unit will improve on its current EPC rating of a G

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 MARCH 2016

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	Letting completed post quarter end
Skylink,Green Lane, Hounslow, Heathrow	20,613	1.7%	£242,200	Letting completed post quarter end
TOTAL PORTFOLIO VOID	60,758	4.1%	£583,400	

APPENDIX 2 – INDIRECT INFORMATION

LEND LEASE RETAIL PARTNERSHIP

Lend Lease Retail Partnership returned 2.5% over the quarter and 9.0% over the last year.

Performance was driven by capital value uplifts and asset management initiatives at the fund's two shopping centres (Bluewater and Touchwood, Solihull). During the quarter, the portfolio NAV increased by 1.6% due to an increase in valuation of Bluewater at the end of 2015 in line with the wider prime shopping centre market and a number of asset management initiatives completing.

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 3.4%. The fund has a portfolio comprising two prime regionally dominant properties: Bluewater, Kent (25% stake) and Touchwood, Solihull (100% owned).

During the quarter Bluewater completed on six new leases, exchanged on three and had two rent reviews. Net operating income at Touchwood increased as a result of three new leases completing and increased revenues from the car park and commercialisation. Capital value at Touchwood benefitted from a slight yield compression and as the asset has now received planning permission. Further work on the land assembly for the project is ongoing.

The fund manager continues to be in discussion with investors to seek an extension of the fund's life and to modernize its terms. The manager has also engaged an advisor to assist in this process. We expect this to conclude during 2016.

STANDARD LIFE SHOPPING CENTRE TRUST

Standard Life UK Shopping Centre Trust produced a total return of 2.6% over the quarter and 7.6% over the last 12 months. On a like-for-like basis (excluding the impact of SDLT changes), the returns were driven by slight valuation uplifts on assets in Wimbledon and Brighton; whereas, Stirling continued to drag performance.

At quarter end, the trust had a property portfolio valued at £1.6bn 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 the void rate remained unchanged at 2.9% by estimated rental value.

During the quarter, retailers in administration represented 2.0% of passing rent, largely as a result of BHS entering into a CVA. The terms of the CVA had an impact on the Trust's assets at Brighton and Stirling. Across the portfolio, new lettings occurred at Brent Cross, Stirling and Perry Barr.

Two of the largest assets in the fund, Churchill Square, Brighton and Brent Cross, London saw further progress with their respective development programmes. The development agreement for Churchill Square, Brighton remains in negotiation with the council, with completion anticipated in Q3 2016. At Brent Cross, the Manager is progressing negotiations with stakeholders, statutory bodies and the council, and preparing for the May CPO inquiry. In addition, restructuring of the complex leasehold arrangement is likely to complete during H2 2016. In the second half of 2016, the manager will commence discussions with potential funding partners to participate in the redevelopment of Brent Cross.

Further consultation on Crossrail II (a new rail link across London, later in 2016) will determine the business plan for Centre Court, Wimbledon (the third largest asset in the Fund).

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

Valuation Schedule (UK Property) - Q1 2016

Property Address	Mar-16	Qtr Total Return [1]	Annual Income	OMRV	Net Initial Yield [2]
OFFICES					
Aberdeen, Pilgrim House	£ 9,800,000	-0.4%	£ 691,597	£ 704,214	6.7%
Cambridge, The Eastings	£ 3,550,000	1.3%	£ 190,500	£ 226,000	5.0%
Cambridge, 270 Science Park	£ 12,075,000	7.5%	£ 641,616	£ 893,616	5.0%
London EC1, 83 Clerkenwell Rd	£ 17,150,000	1.5%	£ 836,000	£ 1,034,000	4.3%
London N1, 15 Ebenezer St & 25 Provost St	£ 8,425,000	4.5%	£ 272,588	£ 649,400	3.0%
Watford, Clarendon Road	£ 15,500,000	0.5%	£ 902,750	£ 999,000	5.5%
TOTAL OFFICES	£ 66,500,000	2.4%	£ 3,535,051	£4,506,230	5.0%
RETAIL WAREHOUSE					
Northampton, Becket Retail Park	£ 6,750,000	-2.0%	£ 431,000	£ 429,000	6.0%
Norwich, Cathedral Retail Park	£ 17,450,000	0.4%	£ 1,074,000	£ 1,054,000	5.8%
Rayleigh, Rayleigh Road	£ 3,650,000	1.5%	£ 222,783	£ 222,783	5.7%
Redditch, Washford Mills	£ 7,300,000	2.8%	£ 431,689	£ 422,800	5.5%
TOTAL RETAIL WAREHOUSE	£ 35,150,000	0.5%	£ 2,159,472	£2,128,583	5.8%
SUPERMARKET					
Tesco, Sheffield	£ 11,275,000	0.4%	£ 680,000	£ 680,000	5.7%
TOTAL SUPERMARKET	£ 11,275,000	0.4%	£ 680,000	£ 680,000	5.7%
INDUSTRIAL					
Bristol, South Bristol Trade Park	£ 4,250,000	1.5%	£ 252,757	£ 268,550	5.6%
Crawley, Woolborough IE	£ 15,550,000	2.2%	£ 673,541	£ 1,192,300	4.1%
Croydon, 75/81, Sumner Road	£ 2,550,000	1.3%	£ 137,000	£ 162,200	5.1%
Heathrow, Skylink	£ 3,800,000	-0.3%	£ -	£ 242,200	0.0%
London, Phoenix Park, Apsley Way	£ 10,000,000	1.7%	£ 348,501	£ 557,400	3.3%
London, Apsley Centre	£ 3,325,000	2.1%	£ 165,900	£ 180,100	4.7%
London, 131 Great Suffolk St	£ 4,200,000	8.4%	£ 110,000	£ 293,500	2.5%
Sunbury, Windmill Road	£ 10,700,000	0.5%	£ 599,750	£ 653,250	5.3%
Swindon, Dunbeath Court	£ 4,700,000	0.7%	£ 333,716	£ 331,716	6.7%
Swindon, Euroway IE	£ 12,050,000	0.8%	£ 803,422	£ 817,935	6.3%
TOTAL INDUSTRIAL	£ 71,125,000	1.6%	£ 3,424,587	£4,699,151	4.5%
OTHER					
Derwent Shared Ownership	£ 9,675,000	3.4%	£ 393,711	£ 393,711	4.1%
Glasgow, Mercedes	£ 10,400,000	1.9%	£ 585,500	£ 565,600	5.3%
Leeds, The Calls	£ 7,450,000	0.9%	£ 444,110	£ 491,550	5.6%
Macclesfield, Hope Park	£ 4,000,000	19.0%	£ 172,263	£ 172,263	4.0%
Newcastle, Charlotte House	£ 5,550,000	0.7%	£ 365,587	£ 396,800	6.2%
TOTAL OTHER	£ 37,075,000	3.5%	£ 1,961,171	£ 2,019,924	5.2%
TOTAL DIRECT PROPERTY	£ 221,125,000	1.9%	£ 11,760,281	£ 14,033,888	5.1%
INDIRECT PROPERTY					
Lend Lease Retail Partnership	£ 10,081,200			-	
Standard Life Investments UK Shopping Centre Trust	£ 15,123,928			-	
TOTAL INDIRECT PROPERTY	£ 25,205,128	2.5%	£ -	-	3.5%
GRAND TOTAL	£ 246,330,128	2.0%	£ 11,760,281	-	4.7%

Notes:
1. Total returns for both the direct and indirect properties for the quarter to March 2016 as reported by IPD (Direct Property Standing Investments). Indirect Funds Total returns for the quarter to March 2016 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 February 2016 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
n/a this quarter			
Q1 2016 TOTAL		£0.00	

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