15 Ebenezer & 25 Provost Street, London

QUARTERLY REPORT Q3 2016

CBRE GLOBAL INVESTORS DORSET COUNTY COUNCIL PENSION FUND

CBRE GLOBAL INVESTORS

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EXECUTIVE SUMMARY Q3 2016

MARKET

UK commercial property capital values fell in Q3 2016 as investors digested the UK's decision to leave the EU, albeit not as severely as feared initially. The fall in values has been entirely driven by adverse movements in capitalisation rates, with the net initial yield on the IPD Monthly Index rising by 27 basis points over the quarter. Rental values have remained stable in most sectors of the market.

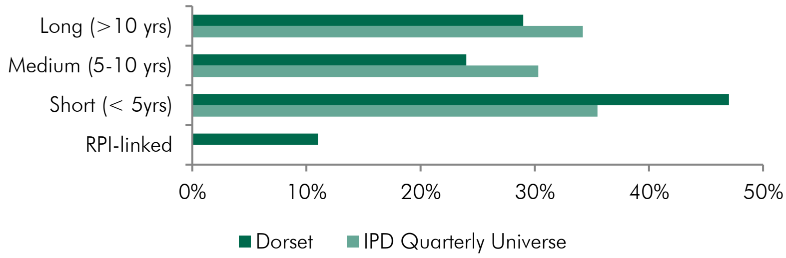
We continue to be cautious about property's immediate prospects. Prices are high relative to past history and the lack of clarity over Britain's future trading relationship with the EU may prompt companies to put occupational decisions on hold, putting pressure on rental values.

We believe the Dorset portfolio is well positioned to weather a downturn due to its structure, particularly with the low exposure to Central London offices in comparison to the benchmark, and the high proportion of income with inflation linked rent review provisions.

PORTFOLIO

During Q3 2016 there were no purchases or sales. Two properties staircased from the Derwent Shared Ownership portfolio during the quarter.

LEASE LENGTH



GEOGRAPHICAL STRUCTURE

London & SE	43%
Eastern	16%
South West	10%
Midlands	8%
North	14%
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	£214.3m	25
UK Indirect	£24.5m	2
Total value of portfolio	**£238.7m**	

NIY / EY	5.1% / 6.1%
Vacancy rate	2.8%
AWULT to expiry (lease break)	10.3 yrs (9.9 yrs)
Largest asset	83 Clerkenwell Road, London & Woolborough Lane IE, Crawley (both £17.65m / 8.2% direct portfolio)
Largest tenant	ACI Worldwide EMEA (£902,750 and 7.9% of portfolio rent)

Performance

	Portfolio	Benchmark	Relative
Q3 2016 %	-0.2%	-1.2%	1.1%
1 Year % (2015-2016)	6.2%	4.4%	1.8%
3 Year % pa (2013-16)	13.4%	12.2%	1.0%
5 Year % pa (2011-2016)	10.6%	9.4%	1.1%

Transactions

	Q3 2016
Money available	£0.0m
Purchases	£0.0m
Sales	£0.1m
Committed Equity	£0.0m

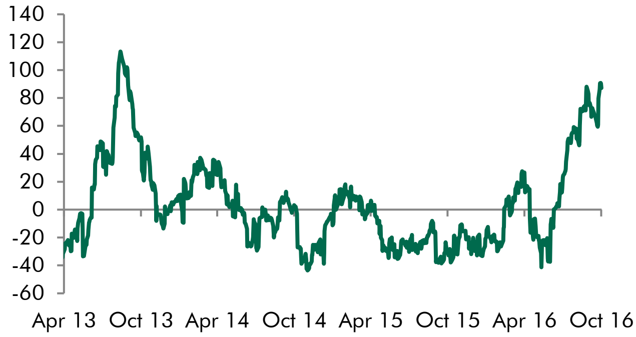
2.0 MARKET COMMENTARY

UK ECONOMIC OUTLOOK

As the third quarter of 2016 progressed, financial markets rebounded from the lows of late June, the domestic political landscape transformed and property investor confidence returned. Some of the much-talked about fears ahead of the EU referendum have yet to materialise and in many ways it is business as usual. However, we counsel against complacency. The medium term outlook is far from certain. Britain's journey to leave the European Union will be arduous, meaning that volatility will likely return to markets and investor confidence will be tested. The watchword is caution.

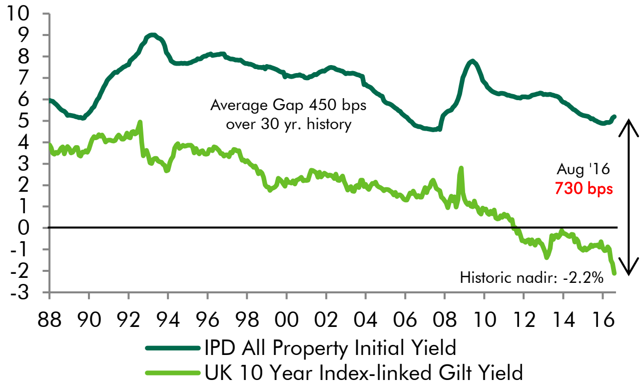
For the time being, the UK continues to do much better than is popularly thought (Figure 1). Data released over the past quarter shows an economy that is on firm footing: employment participation is historically high, real wage growth is supporting consumer spending and business confidence has returned to levels indicative of modest economic expansion in the final quarter of the year. This is consistent with our view that a technical recession should be avoided, at least over the coming quarters. A key reason for this is the powerful stabilising effect of a depreciating currency.

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



While Sterling has lost more than 16% of its value on a trade weighted basis since June 23rd, inflationary pressures have so far been relatively benign. This has enabled the Bank of England to advance a dovish monetary policy stance. As a result, nominal and index-linked gilt yields have sustained tremendous downward pressure. This has taken the spread with commercial property's ingoing yield to an unprecedented high. While a low interest rate environment is expected to endure, certainly one of the greatest threats to the UK property market is a sudden price adjustment to fixed income markets. Catalysts could take the form of rising inflation expectations or fears about the government's ability to satisfy its debt obligations, both of which are plausible in a post-Brexit operating environment.

Figure 2 IPD All Property Initial Yield and Index Linked Gilt yield, %. Source: MSCI, Datastream



UK PROPERTY PERFORMANCE

Given the sentiment shift witnessed over the quarter, property performance decelerated quite notably, though capital value declines were not as severe as initially feared right after the Brexit decision. According to the CBRE monthly index, the all property total return in Q3 2016 was -2.7%, the softest quarterly outturn since Q1 2009. A closer look at monthly data shows that all of the pain occurred in July, with August and September performance being flat. Industrials proved to be the most resilient sector, delivering a quarterly return of -0.4%. While retail and offices both underperformed the broader market delivering returns of -3.3% and -4.0%, respectively.

Despite a clearer picture that is emerging about the state of the economy and the behaviour of capital markets, valuers have yet to universally remove "uncertainty clauses" from their Q3 certificates. This is especially true for very large lot size assets and property segments, such as regional shopping centres and retail warehouse parks, where transactional levels have been much lower than normal. In conjunction with certain open-ended retail funds imposing capital value declines that ultimately exceeded market moves, we are cautious reading too much into recent index data.

Occupier Markets

Over the course of Q3, occupier markets throughout much of the country have held up well. Supported by a lack of new supply, the vacancy rate at an all property level has subsided to a 12 year low according to the MSCI monthly index. Within our direct portfolios, we have been signing new leases at a pace similar to the first half of the year and very few tenants are referencing the result of the EU referendum in lease negotiations.

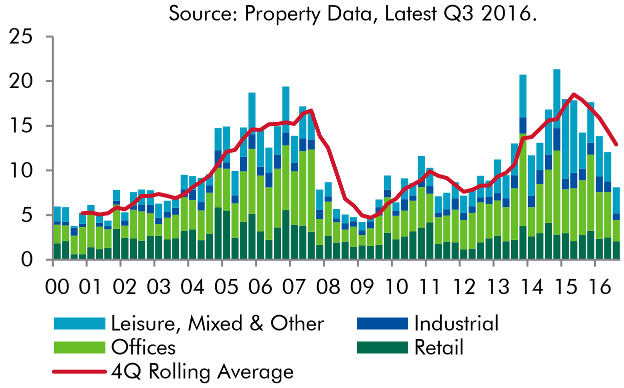
There is, however, anecdotal evidence that we may be reaching the peak of the occupational cycle. We have started to see a dampening of interest at the very prime end of the West End office market and agents are talking about dropping quoting rents. For more prosaic property, tenants are comfortable taking a harder line in rental negotiations. Landlords, mindful of an impending lower growth environment, are becoming more accommodating.

Then of course there is the business rates revaluation, which we now have greater clarity on. Taking effect from April of next year, the fiscal impact will be not be symmetrical across UK property markets: London, top-tier retailing locations and supermarkets will see the largest increases and benefit less from transitional relief. As occupiers become cost sensitive in more uncertain economic times, the tolerance toward rental increases will surely diminish. In a similar vein, we are sceptical that a reduction in rates will prove a catalyst for rental growth in struggling towns and centres.

Capital Markets

Transactional activity, unsurprisingly, took a major pause for breath in the third quarter of the year (Figure 3). Domestic institutions, led by the open-ended retail funds, were net sellers; overseas capital remained highly selective and focused on large lot sizes while private property companies opportunistically chipped at previously agreed prices. This took investment volumes to their lowest quarterly level since Q2 2012, down 33% QoQ and 43% YoY. Despite the pronounced moderation, there is liquidity and lending markets are fully functioning.

Figure 3 Overall Market Transactions by Sector, £bn.
Source: Property Data, Latest Q3 2016.



The evidence emerging from recent transactions illustrates that good quality property with longer income in London and the South East is trading at or near pre-referendum pricing, while secondary product with questionable income streams is struggling to find a depth of interest. Given the heightened uncertainty about the growth outlook, we expect both of these themes to continue for the foreseeable future.

The discounts that were placed on some open-ended retail property funds in the weeks after the EU referendum vote receded during the quarter. This was due to both orderly sales programmes and a rebound in UK REIT prices, which the retail funds own to provide liquidity. Highlighting a reversal of fortunes, retail funds saw marginal net capital inflows in August, after four months of sizeable outflows. Encouragingly, the institutional funds space was relatively unaffected. This is because of functioning secondary markets and fund restructurings that occurred after the GFC which created vehicles that are more robust in times of uncertainty.

Outlook

The past quarter evolved more favourably than we had anticipated, however, our concerns about the medium term outlook have not subsided. It may seem trite repeating, but it remains early days in terms of the potential negative repercussions stemming from Brexit. Rules of engagement between Britain and the EU have not been agreed, meaning there could be adverse changes to regulation over the holding period of an asset. Central Bank policy is supporting exceptionally low gilt yields and holding up property’s relative attraction, but that positon could unwind unexpectedly. While we are encouraged by the current state of occupier markets, a lower growth environment suggests that challenges are likely afoot.

For more than a year we have been highlighting our concerns about UK commercial property pricing in light of being late in the economic cycle. On the back of this we have positioned our portfolios to have better income characteristics than the benchmark, adopted a cautionary approach toward London offices and disposed of assets with poor occupational prospects in a lower growth environment. We believe this strategy will be validated as our portfolios are less exposed to the sectors most vulnerable to Brexit-related distress.

3.0 STRATEGY

Information in respect of the strategy for the Fund.

Size	▪ Target portfolio size £230 million. (Currently £238.7m).
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*	£214.3m	(89.8%)
UK indirect**	£24.5m	(10.2%)
Total value of portfolio	£238.7m	(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	25	25-30
Number of tenancies*	77 with a further 2 units void	70-100
Net initial yield	5.1% p.a.	Above benchmark
Vacancy rate (% of rent)	2.8%	Below benchmark
Rent with +10 years remaining	29.1% of total rent	Minimum 20% of total rent
Rent with +15 years remaining	12.0% of total rent	Minimum 10% of total rent
Largest property (% of value)	8.2% (83 Clerkenwell Road, London and Woolborough Lane IE, Crawley)	Below 10%
Largest tenant (% of rent)	7.9 % (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 5.0% as at Q3 2016. The portfolio net initial yield as measured by IPD is currently 0.1% above the Benchmark figure. The margin over the benchmark has stayed the same 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 is 10 basis points above the Benchmark IPD Quarterly Universe. In order to improve the yield gap further our ongoing focus is to enhance the portfolio income, principally by:

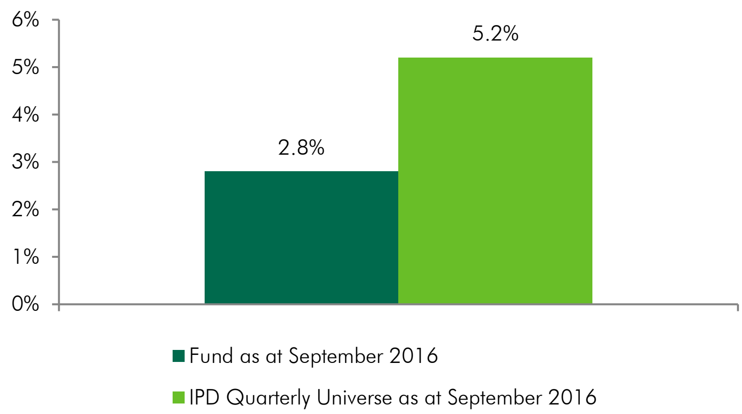
- letting vacant space;
- pursuing lease renewals with existing tenants at the earliest opportunity;
- settling rent reviews where there are outstanding reversions;
- closely monitoring non recoverable expenditure.

	Portfolio	IPD Quarterly Universe
Initial yield p.a.	5.1%	5.0%
Equivalent yield p.a.	6.1%	5.9%
Income return over quarter	1.2%	1.2%

VACANCY RATE

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

The vacancy rate currently amounts to 2.8% of ERV, almost half the amount in the benchmark. There were no additional vacancies during the quarter. The portfolio's void rate comprises an industrial unit at Phoenix Park (Unit 7) and two office floors at Pilgrim House, Aberdeen.



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

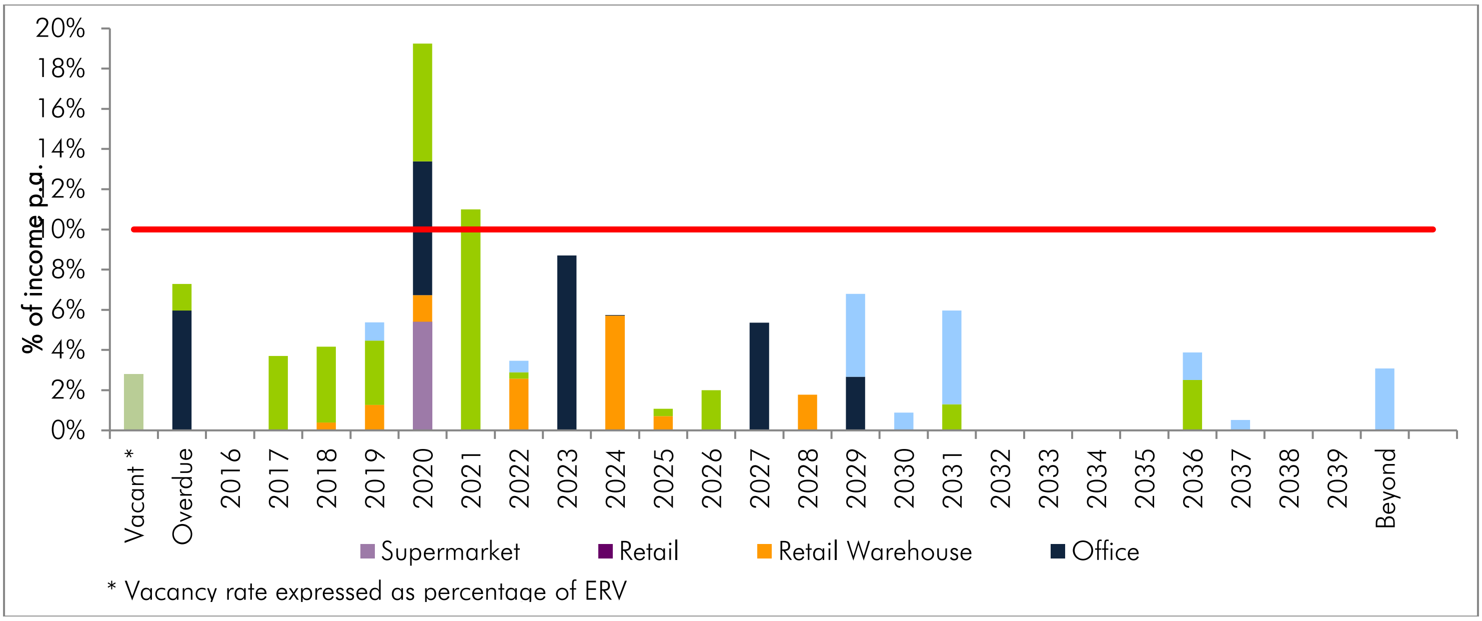
AIM – To maintain a well diversified lease expiry profile and keep the portfolio average lease length in excess of the benchmark lease length.

Unexpired lease term, years

	PAS assumption*	Incl All Breaks	Excl. all breaks
Fund	9.7	9.3	9.7
Benchmark	12.2	11.3	12.6

*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 lease expiry spike that had presented itself in 2015 has moved to 2020 following a number of lease renewals and asset management initiatives. The vast majority of the expiries in 2020 are already being discussed. Worldpay at 270 Cambridge Science park account for 85% of overdue on the lease expiry chart. During the quarter an agreement for lease was signed with this tenant for the new development. This will be for a new term of 15 years with a break in year 10. Thus moving this portion to 2028 following completion of the development.

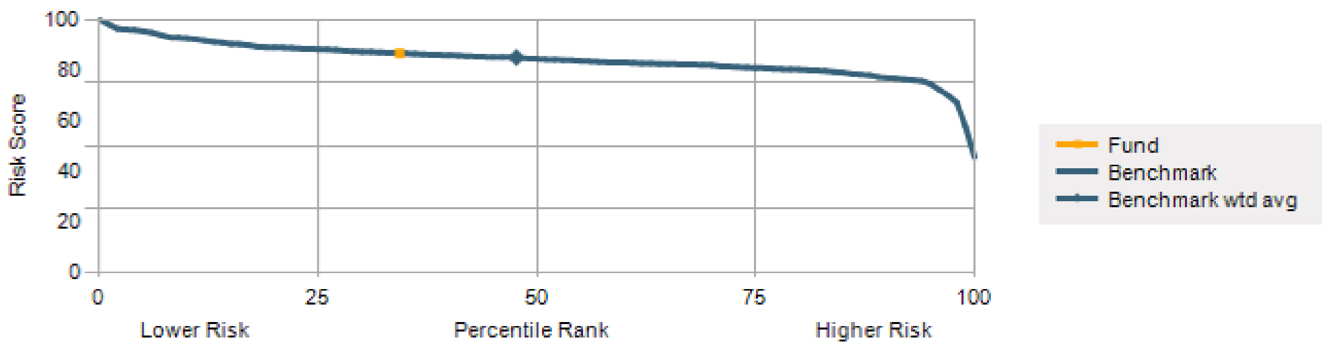


ACTION – seek to maintain the average lease length through the active management of lease events in the portfolio. Aim to establish a "dumbbell" shaped expiry profile to allow short term asset management to be balanced by long term secure income.

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 30 September 2016. The Fund is in the second quartile with a Weighted Risk Score on the 34.3th percentile. This has strengthened since the previous quarter (42.8th percentile). The portfolio remains in a good position, with the Fund score ahead of the benchmark average. IPD IRIS risk weightings are as at September 2016.



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

INCOME AND 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.

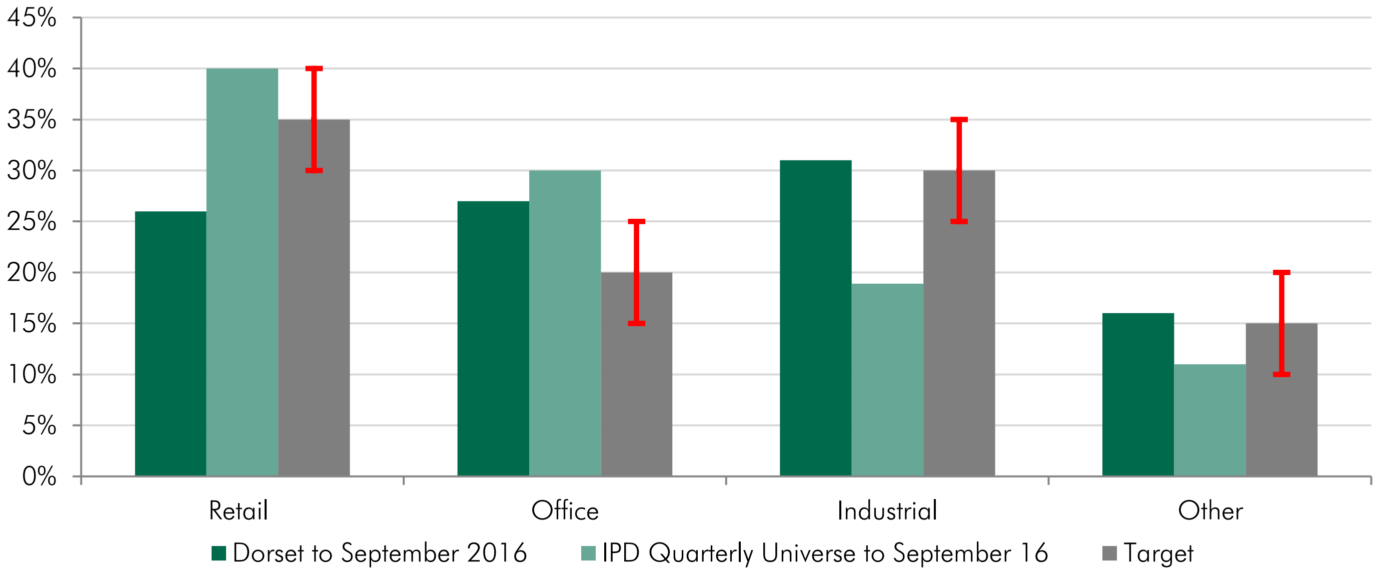
The portfolio was reaching this target, but during Q3 the amount of HLV income drecreased. This was due to the forfeiture of the tenant at Charlotte House, Newcastle so the rent is now on a direct let basis and therefore subject to fluctuations. At an appropriate time with any additional capital sums the manager will seek to increase the portfolio weighting to RPI/ Index linked income.

% of portfolio income	Q2 2016
Open market income	89%
RPI/Index linked income	11%

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 of 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 when compared to the Index.

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 preparation for development at Cambridge Science Park is proceeding. During Q3 an Agreement for Lease with the tenant for the completed building was agreed, mitigating one of the major risks associated with the development. A contractor has been appointed for the fixed building contract, and the second stage tender pricing is anticipated to be received during Q4 2016.

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 over the last quarter:

Address	Phoenix Park, Apsley Way, Staples Corner
Sector	Industrial
Valuation Q3 2016	£10,200,000
Net Initial Yield	4.2%
Total Return	4.1%

This property is performing well due to strong rental growth improving the valuation of the property, and had a total return of 4.1% this quarter.

A lease renewal was agreed during the quarter at Unit 4 for a new term of 15 years at a rent of £13.00 psf. The previous rent was £10.42 psf, an uplift in passing rent of 20%.

The lease renewal at Unit 8 has also been agreed for a new 10 year lease at a rent of £12.50 psf. The previous rent was passing at £10.33 psf. This reflects a 17% uplift in the rent for the unit.

The marketing of Unit 7 is ongoing with strong interest from a range of tenants.

Before

After

Address	Woolborough Lane Industrial Estate, Crawley
Sector	Industrial
Valuation Q3 2016	£17,650,000 (3.58% NIY)
Net Initial Yield	3.6% (increasing to 4.0% on expiry of rent free)
Total Return	2.4%

This property was the second best performing asset in the portfolio this quarter, providing a 0.26% relative weighted contribution to the Fund's outperformance.

During the quarter the Manager won the 'Asset Management Initiative of the Year Award' at the Industrial Agent's Society for the substantial refurbishment of Unit D. The refurbishment had a positive impact on the valuation for this property - following the £1.8m capital expenditure the valuation improved from £14.4m in December 2015 to £17.7m in September 2016.

The photos to the left show Unit D before and after the refurbishment.

6.0 TRANSACTIONS

TRANSACTIONS OVER QUARTER

There were no purchases during Q3.

SALES

Address	1 Welland House, Leicester Road, Lutterworth
Sector	Residential – Derwent Portfolio
Transaction	Full Staircasing of a 2 bed flat
Completion Date	27th July 2016
Dorset's Purchase Price*	£39,920 (gross of all fees)
Net Dorset Sale Receipt*	£56,608.00

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

Address	19 Blackthorn Drive, Cinderhill, Nottingham
Sector	Residential – Derwent Portfolio
Transaction	Full staircasing of a 2 bed house
Completion Date	17th August 2016
Dorset's Purchase Price*	£38,019 (gross of all fees)
Net Dorset Sale Receipt*	£51,802.50

*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.
- There are no more proposed sales for 2016, and no ongoing transactions.

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

Q3 2016	Direct	Indirect	Portfolio	Benchmark	Relative
Capital growth	-1.3%	-2.1%	-1.4%	-2.4%	1.0%
Income return	1.2%	1.1%	1.2%	1.2%	0.1%
Total return	**0.0%**	**-1.1%**	**-0.2%**	**-1.2%**	**1.1%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio has outperformed the benchmark over the last three months, with a total return of -0.2% against the benchmark return of -1.2%. This was driven by its capital performance which was 100 basis points better than the benchmark. With capital performance anticipated to slow further over the next 12 months the Fund's income return will remain an increasingly important driver of performance.

12 months to Q3 2016	Portfolio	Benchmark	Relative
Capital growth	1.2%	-0.3%	1.5%
Income return	5.0%	4.7%	0.3%
Total return	**6.2%**	**4.4%**	**1.8%**

Source: CBREGI and IPD Quarterly Benchmark Report

3 yrs to Q3 2016	Portfolio	Benchmark	Relative
Capital growth	7.5%	7.0%	0.5%
Income return	5.5%	5.0%	0.5%
Total return	**13.4%**	**12.2%**	**1.0%**

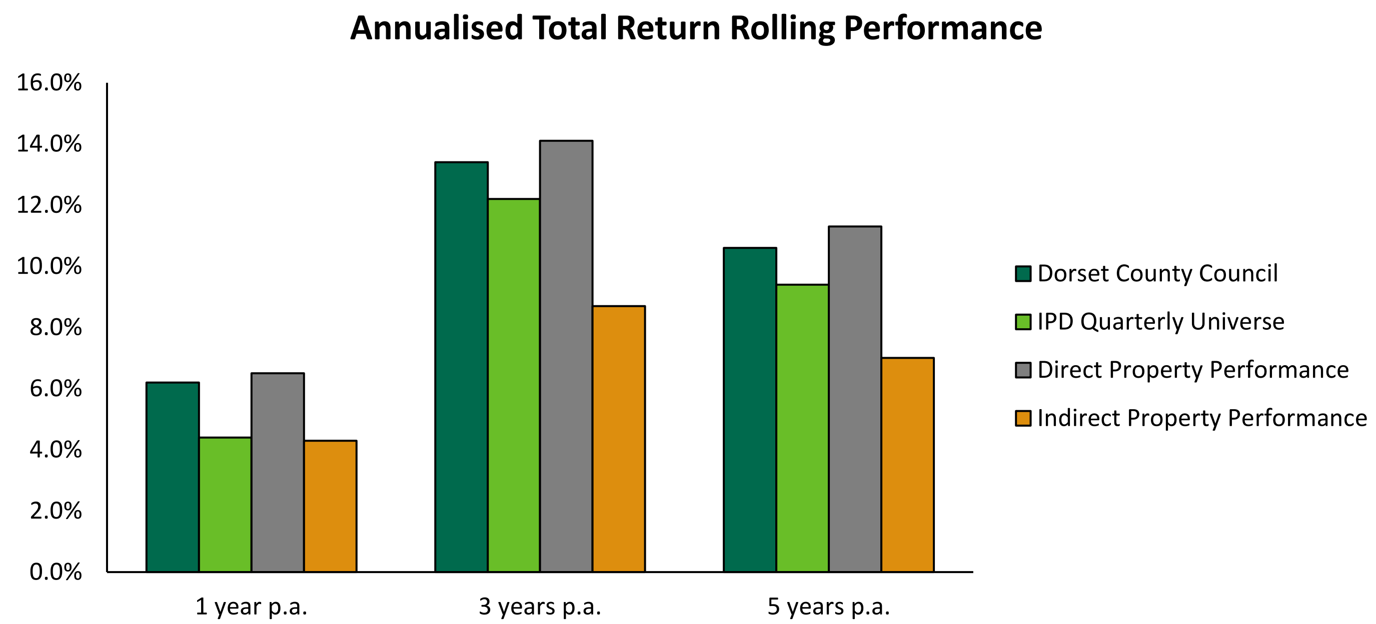
Source: CBREGI and IPD Quarterly Benchmark Report

5 yrs to Q3 2016	Portfolio	Benchmark	Relative
Capital growth	4.5%	3.9%	0.5%
Income return	5.9%	5.3%	0.6%
Total return	**10.6%**	**9.4%**	**1.1%**

Source: CBREGI and IPD Quarterly Benchmark Report

The portfolio continues to outperform the benchmark over 1, 3 and 5 year rolling periods. This outperformance has been delivered both by the strong income return and capital growth. The longer term performance is of particular note given the amount of acquisition activity 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 has continued to outperform the benchmark over the rolling timeframes shown above. The indirect property performance over the past year has performed more in line with the benchmark, but been weaker on the longer timeframes shown. The indirect property holdings comprise Shopping Centre exposure; the assests in these vehicles are generally very prime and provide access to a market that we would not purchase directly for a Fund of this size given their scale. 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:	30 September 2016	RED	£153,788.03
	30 June 2016	RED	£189,663.92
	30 March 2016	RED	£79,235.00
	31 December 2015	AMBER	£34,453.25

The arrears position is skewed due to £151,615 of arrears at Charlotte House, Newcastle. The lease was forefeited during Q3 through legal action and the arrears are in the process of being recovered, and have reduced further during Q4. Excluding Charlotte House, Newcastle from the arrears the results are "green".

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:	30 September 2016	GREEN	(97.7% collected in 6 days, 100% by 15th day)
	30 June 2016	GREEN	(96.5% collected by 6 days, 98.69% by 15th day)
	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)

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

SERVICE CHARGES – ACCOUNT CLOSURE POSITION

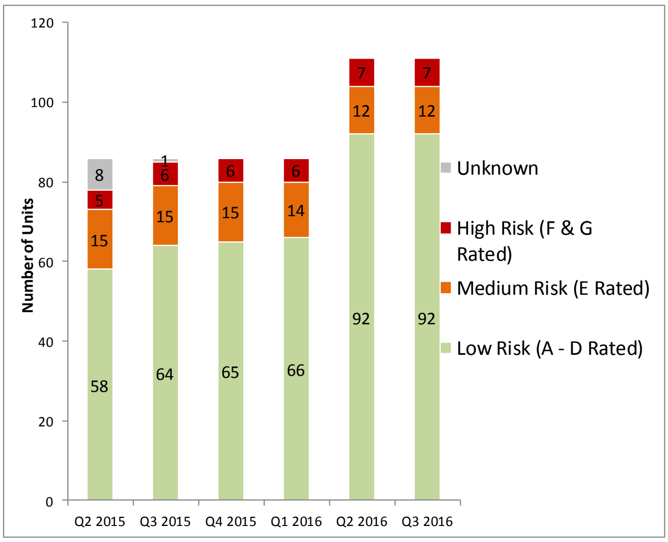
Target:	GREEN	all service charge accounts closed within 3 months of the year end
	RED	any account not closed
Result at:	30 September 2016	RED*
	30 June 2016	GREEN (None currently outstanding)
	31 March 2016	GREEN (None currently outstanding/overdue)
	31 December 2015	GREEN (None currently outstanding/overdue)

*Will be closed on receipt of VAT election certificate for Pilgrim House, Aberdeen. No other accounts overdue.

9.0 SUSTAINABILITY

The 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



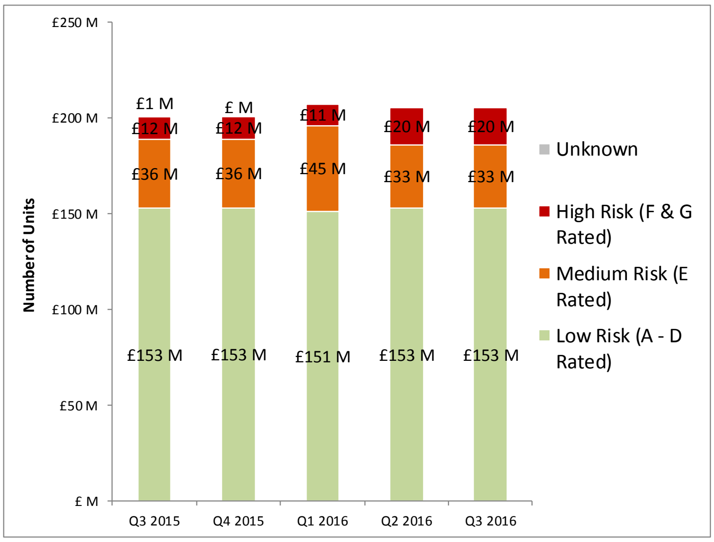


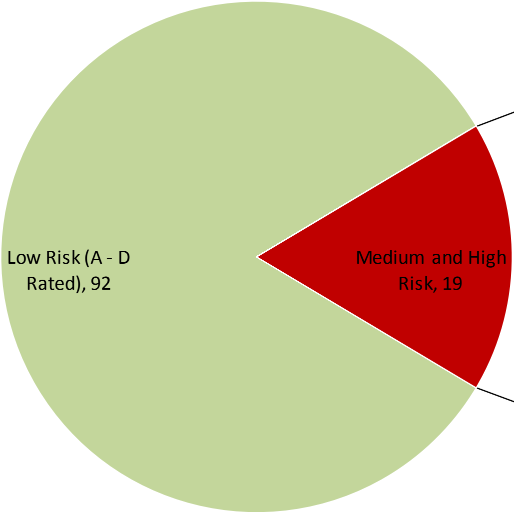
Figure 1: Change in level of risk across all units (left) and value (right) within the fund; Valuation data is updated annually in Q2

2. Completed Projects: Q3 2016

SITE/TENANT	ACTION	OUTCOME
Scottish properties	Assessed risk level	Based on the new Minimum Energy Performance standards for Scotland a risk profile was attributed to each of the Scottish properties in the portfolio.
All sites	Annual ESG report	The annual ESG report has been completed which summarises the fund's progress in the year.
All sites	Green Lease guidance document	A document has been produced and shared with the Fund Management team that outlines the green lease clauses that should be considered in leases going forward to mitigate against environmental risks.
Unit D, Woolborough Lane	Refurbishment	The redevelopment and letting of this unit won the Industrial Agents Society Awards for the best Asset Management Initiative of the year. The refurbishment significantly improved the energy performance of the building through installing new lighting, insulation and a highly efficient boiler. This improved the EPC rating from an E to a C.

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	5
Scottish action plan	2
Monitor - potential sale	0
Tenant Engagement	12
Consult on current works	0

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

4. Risk Mitigation Process

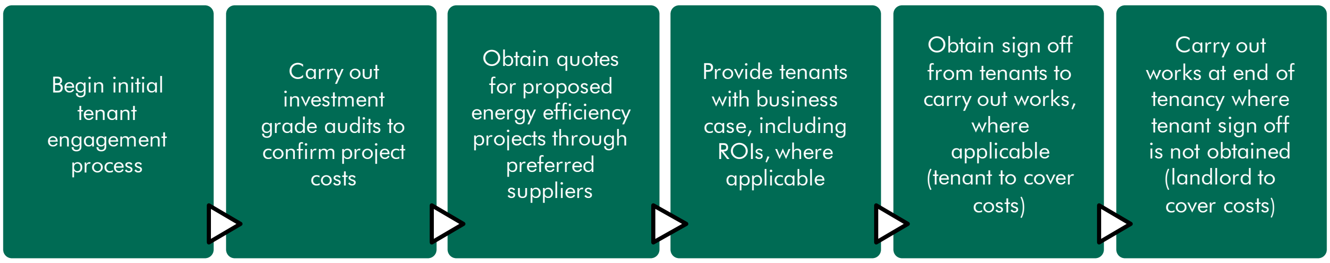


Figure 3: Process for carrying out risk mitigation actions

5. Planned Projects: Q4 2016

SITE/TENANT	UNIT	ACTION	AIM
75-81 Sumner Road	Unit 4	Modelled EPC	Investigate the most appropriate improvements to improve on the unit's current F rating.
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
South Bristol Trade Park	Unit 3B	EPC	The unit does not currently have an EPC but is estimated to achieve a D rating.
Charlotte House	Upper floors	Modelled EPC	Investigate the most appropriate improvements to improve on the unit's current F rating.
The Apsley Centre	Unit B	Modelled EPC	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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Where funds are invested in property, investors may not be able to realise their investment when they want. Whilst property valuation is conducted by an independent expert, any such opinion is a matter of the valuer's opinion. Property is a specialist sector which may be less liquid and produce more volatile performance than an investment in broader investment sectors. CBRE Global Investors Limited is regulated by the Royal Institution of Chartered Surveyors (RICS). CBRE Global Investors (UK Funds) Limited is authorised and regulated by the Financial Conduct Authority (FCA).

APPENDIX 1 – SCHEDULE OF VOID UNITS

VOIDS WITHIN THE PORTFOLIO – 30 SEPTEMBER 2016

Property	Sq.ft. to let	% of Portfolio ERV	Total Void Rent	Status
1st and 2nd floor, Pilgrim House, Aberdeen	13,805	2.3%	£324,400	Marketing
Unit 7, Phoenix Park, Staples Corner, London	5,131	0.5%	£64,100	Marketing
Service Yard, Phoenix Park, Staples Corner, London	n/a	0.0%	£2,500	Marketing – likely to be combined with unit 7 letting
TOTAL PORTFOLIO VOID			£391,000	

APPENDIX 2 – INDIRECT INFORMATION

Portfolio Composition

The Dorset portfolio is invested in the following funds and as at 30 September 2016 had a value of £24.5 million.

The performance of the Dorset indirect portfolio was -1.1% over the last quarter and 4.3% over the last 12 months. This return is based on August prices. The table below reflects the valuations based on these reporting cut-off dates.

Fund Name	Manager	Sector	LTV	Value (£m)
CBRE Retail Property Fund Britannica Unit Trust	CBRE Global Investors	Shopping Centres	-	-
Lend Lease Retail Partnership	Lend Lease	Shopping Centres	-	9.938
Standard Life UK Shopping Centre Trust	Standard Life	Shopping Centres	-	14.513
Total			-	**24.451**

Investment Activity

There was no transactional activity during the quarter.

Commentary

The Dorset indirect property portfolio technically has three indirect holdings, although the holding in CBRE Retail Property Fund Britannica Unit Trust has no value and is in wind down. The other two are specialist funds that provide the portfolio with exposure to the shopping centre sector. The combined indirect investments have a value of £24.5 million and nil look through exposure to gearing.

Lend Lease Retail Partnership

Lend Lease Retail Partnership produced a total return of 0.2% over the quarter and 6.3% over the year.

Performance over the quarter was muted. The portfolio NAV declined by 1.2% over the last 3 months as the yields for the sector were moved outwards following the outcome of the EU referendum. The negative capital value movement was offset by a positive income return. The capital value of Touchwood declined by over 4.0%, whereas Bluewater remained stable. The fund continues to provide a stable income return of 3.5%.

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

During the quarter, there were five new lettings and two lease renewals at Bluewater. There have been eight lease renewals at Touchwood and two new lettings and a number of renewals are in solicitor's hands. Vacancy levels remain low at 3.6% with asset management initiatives at Bluewater likely to reduce this further.

As part of the proposed Touchwood extension, the manager purchased adjacent high street units, The Square and 146-158 The High Street, under the CPO process. Further work on land assembly for the project is ongoing, in preparation for the construction phase of this project.

The fund manager has been in discussion with investors to seek an extension of the fund's life and to modernize its terms as well as facilitate an 'equity rotation' process for those investors wishing to exit the fund. The related process has been extended from end of 2016 to the first half of 2017, following the uncertainty resulting from the outcome of the EU referendum. A vote for the equity rotation mechanism was approved at the end of October 2016; the manager is working with Macquarie Capital to raise the money required to meet the liquidity requirements of investors seeking to exit the fund.

Standard Life UK Shopping Centre Fund

Standard Life UK Shopping Centre Trust produced a total return of -1.9% over the quarter and 3.0% over the last 12 months.

The primary impact on returns was a decline in property values as a result of an outward yield movement over the quarter. This was partially offset by income. Whilst there has been a pickup in transactional volumes in some sectors since the EU Referendum, there remains limited comparable evidence in the shopping centre sector. The fund's valuers have noted that their valuation therefore still reflects a greater degree of judgement than in a normal environment.

At quarter end, the trust had a property portfolio valued at £1.5bn providing exposure to eight shopping centres across the UK. The fund remains ungeared and the portfolio has a weighted average unexpired lease term of 7.2 years. As at the quarter end, the void rate was 3.4% (by ERV). The void rate has increased over the quarter, owing to the surrender of a BHS Unit in Brighton. Retailers in administration represented 0.5% of passing rent.

New lettings were completed at assets in Stirling, Enfield, Brent Cross and Wimbledon in addition to further rent reviews and lease renewals.

Given that BHS moved from a CVA to administration last quarter the manager is in discussions with retailers to let the vacated units and we expect the vacancy to reduce in the coming quarters with space taken in line with ERV.

The manager is continuing to evaluate the fund's development opportunities at Brent Cross and Brighton, including looking at funding options for these schemes. Further detail on development options will be provided to investors from late 2016 with formal engagement on the strategy and equity raise due to commence in early 2017.

APPENDIX 3 – PORTFOLIO VALUATION

Property Address	Sep-16	Qtr Total Return [1]	Annual Income	OMRV	Net Initial Yield [2]
OFFICES					
Aberdeen, Pilgrim House	£ 8,000,000	-14.8%	£ 318,862	£ 610,814	3.8%
Cambridge, The Eastings	£ 3,450,000	-1.5%	£ 190,500	£ 226,000	5.2%
Cambridge, 270 Science Park	£ 11,500,000	0.2%	£ 641,616	£ 952,616	5.2%
London EC1, 83 Clerkenwell Rd	£ 17,650,000	2.7%	£ 836,000	£ 1,034,000	4.2%
London N1, 15 Ebenezer St & 25 Provost St	£ 8,650,000	0.8%	£ 272,588	£ 673,100	3.0%
Watford, Clarendon Road	£ 15,250,000	-0.2%	£ 902,750	£ 1,070,000	5.6%
TOTAL OFFICES	£ 64,500,000	-1.4%	£ 3,162,316	£4,566,530	4.6%
RETAIL WAREHOUSE					
Northampton, Becket Retail Park	£ 6,350,000	-4.4%	£ 431,000	£ 429,000	6.4%
Norwich, Cathedral Retail Park	£ 16,750,000	-2.5%	£ 1,074,000	£ 1,054,000	6.0%
Rayleigh, Rayleigh Road	£ 3,500,000	-2.6%	£ 222,783	£ 222,783	6.0%
TOTAL RETAIL WAREHOUSE	£ 26,600,000	-0.1%	£ 1,727,783	£1,705,783	6.1%
SUPERMARKET					
Tesco, Sheffield	£ 10,600,000	-2.1%	£ 680,000	£ 680,000	6.0%
TOTAL SUPERMARKET	£ 10,600,000	-0.6%	£ 680,000	£ 680,000	6.0%
INDUSTRIAL					
Bristol, South Bristol Trade Park	£ 4,350,000	1.3%	£ 228,757	£ 282,137	4.9%
Crawley, Woolborough IE	£ 17,650,000	2.4%	£ 673,541	£ 1,222,700	3.6%
Croydon, 75/81, Sumner Road	£ 2,550,000	1.3%	£ 137,000	£ 162,200	5.1%
Heathrow, Skylink	£ 4,275,000	-0.1%	£ 125,478	£ 250,957	2.8%
London, Phoenix Park, Apsley Way	£ 10,200,000	4.1%	£ 455,459	£ 581,000	4.2%
London, Apsley Centre	£ 3,400,500	3.5%	£ 165,900	£ 187,500	4.6%
London, 131 Great Suffolk St	£ 4,350,000	0.6%	£ 110,000	£ 297,500	2.4%
Sunbury, Windmill Road	£ 10,700,000	1.5%	£ 599,750	£ 653,250	5.3%
Swindon, Dunbeath Court	£ 4,700,000	1.8%	£ 333,716	£ 331,716	6.7%
Swindon, Euroway IE	£ 12,050,000	1.7%	£ 803,422	£ 817,935	6.3%
TOTAL INDUSTRIAL	£ 74,225,500	2.0%	£ 3,633,023	£4,786,895	4.6%
OTHER					
Derwent Shared Ownership	£ 9,830,000	3.5%	£ 386,426	£ 386,426	3.9%
Glasgow, Mercedes	£ 10,400,000	1.4%	£ 585,500	£ 566,600	5.3%
Leeds, The Calls	£ 7,450,000	1.8%	£ 476,110	£ 484,750	6.0%
Macclesfield, Hope Park	£ 5,550,000	2.0%	£ 236,964	£ 236,964	4.0%
Newcastle, Charlotte House	£ 5,100,000	-6.8%	£ 339,639	£ 339,639	6.3%
TOTAL OTHER	£ 38,330,000	0.0%	£ 2,024,639	£ 2,014,379	5.4%
TOTAL DIRECT PROPERTY	£ 214,255,500	0.0%	£ 11,227,761	£ 13,753,587	5.1%
INDIRECT PROPERTY					
Lend Lease Retail Partnership	£ 9,938,040	-1.0%	£ 473,820		4.5%
Standard Life Investments UK Shopping Centre Trust	£ 14,512,992	-2.9%	£ 581,844		3.8%
TOTAL INDIRECT PROPERTY	£ 24,451,032	-1.1%	£ 1,055,664		4.1%
GRAND TOTAL	£ 238,706,532	-0.2%	£ 12,283,425	£ 13,753,587	4.8%

Notes:
1. Total returns for both the direct and indirect properties for the quarter to September 2016 as reported by IPD (Direct Property Standing Investments). Indirect Funds total returns for the quarter to September 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 May 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

Q3 2016 TOTAL	£0

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