



CUBIC | PROPERTY | FUND

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21
JANUARY 2012
QUARTERLY

50 LA COLOMBERIE, JERSEY



FUND FACTS

Price Date	1 January 2012
NAV Price	£3.2328
NAV Price (inc. 5% initial charge)	£3.4029
GAV	£132.970 million
Fund Currency	Sterling
Dealing	Quarterly
Minimum Investment	£25,000
Fund Administrator, Secretary and Registrar	Praxis Fund Services Limited
Investment Advisor	Montreux Advisors Limited
Auditors	Moore Stephens
Bloomberg Fund Class	CUBPROP JY The UK and European Sterling Class
Listing	CISX

COMMENTARY

In this section we are providing a more comprehensive update than usual on the Fund's strategy and progress towards it, in order to provide shareholders with further insight on the status and positioning of the Fund.

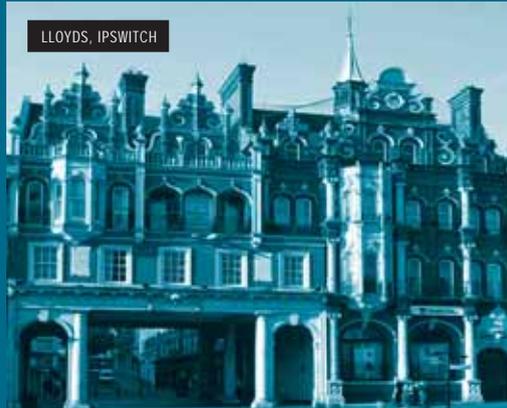
The Fund's strategy over the longer term is to migrate from being a highly geared Fund with returns primarily dependent on property value growth, to a lower geared income Fund that is less dependent on banks and able to pay investors an annual return or dividend out of its cash flow surplus. In order to achieve this, the Fund needs to de-leverage by reducing its borrowing levels and interest costs, while at the same time increasing its rental income stream.

The Fund is making good progress towards this strategy with the key measures being that the overall loan to value (LTV) ratio has decreased by 11% during the 6 months to December 2011, and the overall bank interest charge has reduced by 4%.

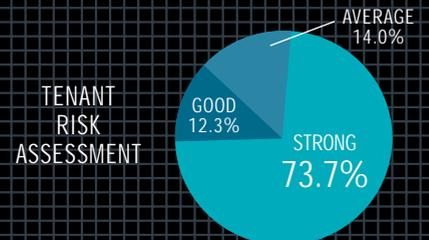
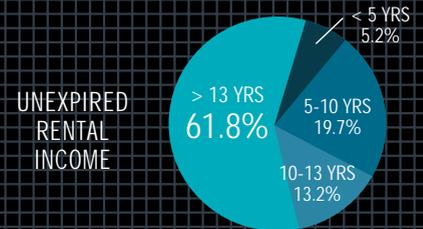
During the quarter, the following asset management activities have assisted with achieving this improvement:

- The acquisition of a prime period retail asset in Ipswich, let to Lloyds TSB for a remaining 14.5 years, was completed. The asset was acquired at a lower gearing than the Fund's average and at a price below its market valuation.
- The bank funding for the new Jersey property has been achieved with a 60% LTV and an interest rate of 4.2%, allowing the asset to produce a cash yield of 8%.
- The Fund made a strategic decision to not support three properties that had negative net asset values as a result of high LTV's, and which would have required additional equity funding without any debt forgiveness by the lender.
- A fixed finance arrangement at one property has been converted to a variable one with a resulting improved cash flow. This involved reaching an agreement with the lender to refinance the asset in return for a 7.5% reduction in the loan balance. New terms were agreed at an interest rate of approximately 4.25% thereby establishing a long term cash flow improvement of over £200,000 pa. and a reduction in gearing to 55%.
- Discussions are progressing to restructure two loans to enable enhanced cash flow and a de-leveraging profile. Refinance terms were also agreed on two further assets that will reduce the cost of borrowing by between 125-175 basis points, and negotiations are being finalized with an existing lender to buy back the debt.
- A 6 year lease was completed with the Castle Insurance tenant of the Hemel Hempstead property.
- The assignment of the existing lease from Mitchells & Butler to Stonegate Pub Company has been completed at the Colchester Property. As part of the negotiation, the lease has been extended to 2037.

LLOYDS, IPSWICH



KEY STATISTICS



NOTES:

- Rental income weighted based on % ownership
- Unexpired rental income takes breaks into account
- Surrendered lease considered occupied as income already received

- Contracts have been agreed for assigning 3 of the 4 property asset leases of the Wolseley Portfolio to Jewson Limited (in addition to Wolseley), thereby improving the covenant security.
- Ernst & Young have been appointed as administrators of the Luminar Leisure tenant of the Milton Keynes Property. The asset management team has implemented contingency strategies in conjunction with discussions with the lender and administrator.
- Rental review activity is progressing on 3 tenants at West End Quay and at the Dartford property. It is also noted that the following rental uplifts have been achieved in the past 12 months:
 - At West End Quay: Superdug up 3% and Flight Centre up 18%
 - Arnold House: up 3%
 - Worcester: Vue Cinemas a up 16%
 - Sidcup: Cooperative Group up 12%

In addition to the progress being made on its strategy, the Fund continues to have over 99% tenancy levels, high levels of unexpired rental income, a strong and diverse tenant base, ring-fenced property investments which have assisted with addressing LTV issues, a diversified portfolio and lender base and a strong capital base to draw on following the recent P share raise of £25.5m.

OUTLOOK

Against a backdrop of increasing economic uncertainty and continued constraints on bank funding, commercial property investors appear to have become more cautious in the past quarter with a resulting reduction in activity. The exception to this has been the central London investment market which has remained robust in 2011 with strong demand continuing to be experienced from foreign high net-worth individuals, particularly those from Asia, who continue to see London as the financial capital of the world and a safe haven for overseas money. Many buyers are specifically seeking to take advantage of distressed selling opportunities and the negative sentiment surrounding the financial crisis.

The speed of recovery of the UK commercial property values is to a large extent dependent on the recovery of the UK economy as this will influence the demand for rental space, the availability of funding and the appetite for property investments.

It is difficult to make any reasonable predictions on the timing of a recovery and therefore we have provided the following excerpt from a recent article from the Financial Times:

“Unveiling its outlook for 2012, the National Institute for Economic and Social Research said it had downgraded its forecast for the year to a contraction of 0.1 per cent – a level of output that assumes that nations in the Eurozone “muddle through” the sovereign and banking crisis.

Predicting a slight pick-up in the second half of 2012, NIESR added this would be too mild to offset a sharper fall during the winter and spring. However, it is more upbeat about next year, when growth is likely to rebound to 2.3%.”

CONTACT DETAILS

FUND ADMINISTRATOR, SECRETARY AND REGISTRAR

Praxis Fund Services Limited
PO Box 296
Sarnia House
Le Truchot, St Peter Port, Guernsey, GY1 4NA

Tel: +44 1481 737600

Fax: +44 1481 749829

INVESTMENT ADVISOR

Montreux Advisers Limited
Kingsway House, Havilland Street
P O Box 393, St Peter Port, Guernsey, GY1 3FN

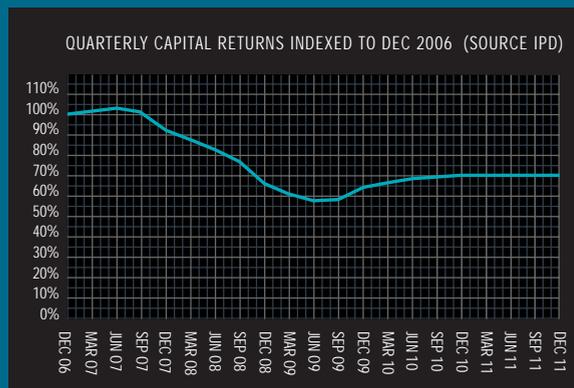
Tel: +44 (0) 1481 726 141

Fax: +44 (0) 1481 726 142

Email: info@cubicfund.net

www.cubicfund.net

The benchmark statistics provided by the Investment Property Databank (IPD) show a capital growth of -0.1% for the quarter ended 31 December 2011, thereby continuing the existing trend, as reflected in the graph below.



IMPORTANT INFORMATION

This Quarterly update is for information purposes for existing Cubic Investors and their advisors and is not an invitation to purchase shares in the Fund. An investment in the Fund should be made solely on the basis of the prospectus relating to the Fund which should be read in full. The prospectus and other information, including contact details, is available on www.cubicfund.net

Investment in the shares of open ended investment funds is generally a medium to long term investment. The value of shares may go down as well as up and investors may get back less cash than originally invested. Past performance is not necessarily a guide to the future. Fluctuations or movements in exchange rates may cause the value of underlying international investments to go up or down. The shares of Cubic are traded at ruling prices and are priced quarterly using the forward pricing method. A schedule of fees and charges and maximum commissions is available on request from Praxis Fund Services Limited, the Administrator, Secretary and Registrar. Cubic is an open ended investment company in that it may issue and redeem participating shares which represent the rights of investors at prices based on the underlying value of the property of the Fund. Commission and incentives may be paid and if so, are included in the overall costs. Performance is quoted in sterling terms. Please refer to the prospectus of this scheme for more details, a copy of which is available on request from the Administrator, Secretary and Registrar, the registered office of which is Praxis Fund Services Limited, PO Box 296, Sarnia House, Le Truchot, St Peter Port, Guernsey, GY1 4NA, Channel Islands.

Praxis Fund Services Limited, is a company incorporated with limited liability in Guernsey on 13 April 2005 and is licensed to carry out controlled investments in the Bailiwick of Guernsey and for the purpose of the POI Law and the Fund rules, is the designated Manager, Administrator, Secretary and Registrar of the Fund.

South African Investors: The Fund is not approved for sale in South Africa by the South African Financial Services Board and is only available in South Africa through policies issued by South African licensed and registered life offices.

