



CUBIC | PROPERTY | FUND

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# 23  
JULY 2012  
QUARTERLY



## FUND FACTS

Price Date	1 July 2012
NAV Price	£3.0619
NAV Price (inc. 5% initial charge)	£3.223
GAV	£130.761 million
Fund Currency	Sterling
Dealing	Quarterly
Minimum Investment	£25,000
Fund Administrator, Secretary and Registrar	Praxis Fund Services Limited
Investment Advisor	Montreux Advisers Limited
Auditors	Moore Stephens
Bloomberg Fund Class	CUBPROP JY The UK and European Sterling Class
Listing	CISX

## CUBIC MAKES STRONG DENMARK ENTRY

Over the past 12 months the Fund has been seeking value in prime real estate within major European markets. The focus has been on countries with strong fundamentals, a capacity for rental and capital growth, and advantageous financing opportunities. Acquisitions have been procured for four prime retail units in the core retail centre of Copenhagen, let to high quality and predominantly international covenants, such as Louis Vuitton and Benetton. The assets are being financed at historically low rates, presenting the Fund with extremely favorable arbitrage off cost of funds, with targeted cash returns of above 6% per annum.

Two assets have been acquired in the first half of the year with contracts being finalized on a further two. As part of the investment strategy for the four transactions Cubic will hold a 50% stake in the ownership of the holding company.

The Cubic Board commented:

'We are delighted to announce Cubic's entry into the Danish prime real estate market which cements the Fund's strategy and focus on high quality assets in strategic locations. We are confident that the ability of the Fund to invest in different European markets will enable it to achieve strong cash flows from initial yield profiles which are advantageous to historical trends.'

Denmark ranks amongst the world's top 20 nations in GDP per capita and has a sovereign debt which is AAA rated. The country is perceived as an economic 'safe haven' where Inflation has remained stable at around 2% over the past decade. From 2008-12 the Economist Intelligence Unit ranked Denmark as the best place in the world to operate a business. It retains a similarly high ranking from Forbes.

Copenhagen is the capital city of Denmark and an important business, cultural and tourism hub, contributing more than 36% to Denmark's GDP. The city has a catchment of 3.5 million people living within a 50 km radius and a core population of 1.9 million. Additionally, Copenhagen had 5.6 million visitor night stays in 2009 and, in 2011, more than 350 cruise ships brought 820,000 passengers into the Port of Copenhagen.



# OVERVIEW

The Cubic Property Fund currently holds interests in 28 assets across the UK and Europe.

The strategies of the Fund have been to achieve growing cash returns and to reduce risk through a focus on both costs of funds and LTV reduction. Market conditions have provided challenges for Cubic over the last 18 months, however these conditions have also provided opportunity for the Fund through debt restructuring initiatives and judicious acquisitions.

In the 12 months up to Q2 2012, the Fund acquired 4 prime assets in the UK and Denmark with 2 further Danish assets to close shortly. These all provide long term income secured against high quality tenants such as Benetton, Louis Vuitton, COS, Body Shop, State Street and Lloyds Bank. The assets produce strong cash flows and have been acquired at historically low levels. Over the same period debt restructuring initiatives have been successfully agreed on 45% of the portfolio debt pre P-Class raise.

The asset manager believes that the UK market may begin to offer more attractive value acquisition opportunities over the next 12 to 18 months. In addition, the asset manager will continue with the strategy of exploring alternative markets in search of value.

Looking forward the asset manager believes that with continued focus the fundamentals of the Fund will continue to improve. However, until market conditions improve we do not anticipate any significant movement in capital values.

## Cubic strategic summary:

Deleveraging – Reducing the LTV ratio of the portfolio

Cash flow – Further enhance fund surplus cash flow

Cost of Funds – Target cost of debt finance of 4.5%

Quality Assets – Continued focus on acquisition of high quality real estate which has rental and capital growth opportunities delivering attractive cash returns

KOBMAGERGADE 22, COPENHAGEN  
Leased to Matas & Synoptik



OSTERGADE 33-35, COPENHAGEN  
Leased to COS & Body Shop



LLOYDS CHAMBERS, IPSWICH  
Leased to Lloyds TSB



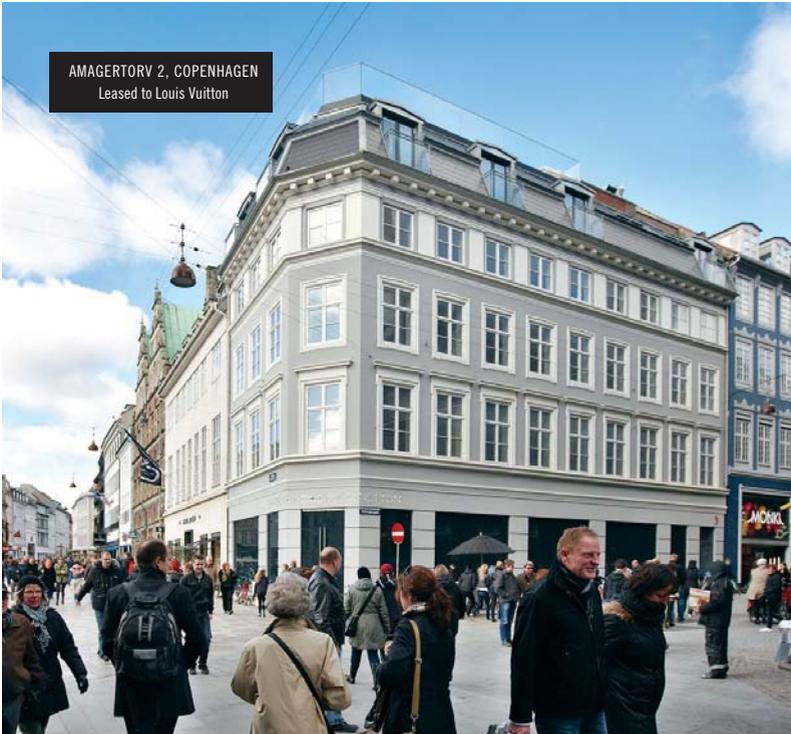
SADLER HOUSE, JERSEY  
Leased to State Street Corporation



## DEVELOPMENTS 2011-2012

- Loan to Value reduced from 85% to 69%
- Cost of Borrowing reduced from 5.92% to 4.8% (18% reduction)
- Interest cover ratio increased from 140% to 195%
- 13 rent reviews averaging 7.9% rental growth, overall portfolio rental growth of 3.5%
- 6 leases restructured and 4 new lettings / renewals
- Portfolio occupancy maintained at 99%
- 6 Prime assets acquired
- 3 assets not supported

AMAGERTORV 2, COPENHAGEN  
Leased to Louis Vuitton



## CONTACT DETAILS

### FUND ADMINISTRATOR, SECRETARY AND REGISTRAR

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### INVESTMENT ADVISOR

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## RECENT ACQUISITIONS

### Sadler House, Jersey

Leased to State Street Corporation

### Lloyds Chambers, Ipswich

Leased to Lloyds TSB

### Kobmagergade 24, Copenhagen

Leased to Benetton

### Ostergade 33-35, Copenhagen

Leased to COS & Body Shop

### Amagertorv 2, Copenhagen

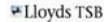
Leased to Louis Vuitton

### Kobmagergade 22, Copenhagen

Leased to Matas & Synoptik

## INCOME SECURITY

OVER 80% OF INCOME SECURED AGAINST SIGNIFICANT NATIONAL AND INTERNATIONAL COVENANTS

TENANT	% OF CUBIC INCOME	TENANT	% OF CUBIC INCOME
 HSBC The world's local bank	7.5%	 Superdrug	1.4%
 TESCO	1.3%	 AAH	4.9%
 LV Louis Vuitton	3.0%	 ODEON	7.5%
 UNITED COLORS OF BENETTON	4.2%	 VUE	6.9%
 Lloyds TSB	3.1%	 Nando's	2.0%
 BARCLAYS	1.1%	 Jack Wills	2.3%
 H&M	1.6%	 JEWSON WOLSELEY	5.1%
 hp	3.3%	 P&H	5.8%
 COFFEE	1.8%	 Mitchells & Butlers	1.5%
 STATE STREET	0.7%	 BETFRED	0.6%
 The co-operative	4.4%	 3	0.6%
 POST OFFICE	3.0%	 SUBWAY	0.4%
 Carphone Warehouse	0.8%	 Schlumberger	6.6%
	0.6%	 roche bobois	1.8%

## 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](http://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.