

# The Cubic Property Fund



CUBIC | PROPERTY | FUND

Q1 / 31 March 2017

## Highlights

Following a number of acquisitions and disposals in 2016 & early 2017, the Fund is currently acting on its investment strategy for 2017. This includes re-investing back into European core cities following the sale of our assets in Oslo and Copenhagen, as well as expanding assets within our Small Assets Portfolio I and II.

The Fund has recently completed on a newly developed Southampton City Centre leisure scheme consisting of seven restaurant units and a 500 capacity theatre for £8,750,000 reflecting a net initial yield of 6.1%. In addition, the Fund is finalising proposals for a 40% stake in a fifth Curzon led property investment, located in Hoxton. The Fund has also recently exchanged on the sale of 75 North End Road, Croydon for £2,674,000, a 27.3% increase from when the Fund purchased the asset in Q4 2016 at £2,100,000.

Asset management initiatives during the quarter include:

- Terms agreed with RBSi for the refinance of Sadler House, Jersey. New 4 year loan of £5,375,000 at a margin of 2.75%.
- West End Quay in London is now fully let:
  - Completion of a new letting to Hope Montessori (Unit 11 & 11A) on a new 15 year lease at £65,000 pa.
  - Completion of a new letting to F45 (Unit 13) on a new 10 year lease at £65,000 pa.
  - Completion on a lease renewal to Carphone Warehouse (Unit 3) for a new 5 year lease at £51,800 pa.
- Successful completion on the surrender of the Fat Face unit at Turnham Green, London. The unit is being marketed and we have received three strong offers.

Despite the uncertainty following the election in the UK and the looming Brexit negotiations, appetite for core real estate remains strong in the UK and Europe. With a low interest rate environment and stronger than expected economic figures, investors are still provided with attractive returns against other asset classes. The Fund's GAV has been adjusted to £177,066,695 reflecting the asset sales, resulting in a NAV of £3.19 per ordinary share. See below for further information regarding "S Class" (side pocket) shares.

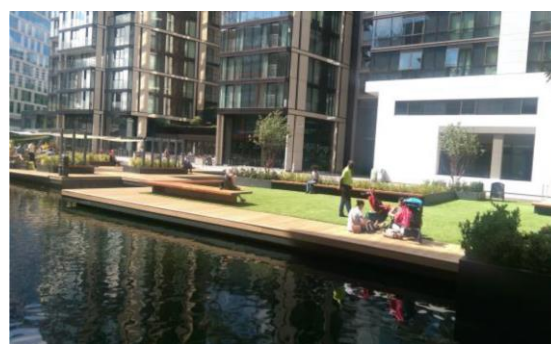
\* - Side Pocket Note - The possibility of a Withholding Tax (WHT) liability, which arises from the successful Danish portfolio sale and recent changes in Danish Tax law, has been fully provided in side pocket shares which will be issued in Q3 2017 to shareholders registered at 31 December 2016. Advice from two leading international accountancy firms is positive but can not eliminate this uncertainty and if the Danish tax position is resolved without any liability, the side pocket shareholders will receive value of 16 pence per share.

## Key Fund Data (as at 31 March 2017)

Net Asset Value per share	£3.1885
Gross Asset Value	£177,066,695
Fund Currency	Sterling
Dealing	Quarterly
Minimum Investment	£25,000 (plus £5,000 top up)
Fund Administrator, Secretary and Registrar	Cannon Asset Management Limited
Investment Advisers	Montreux Advisers Limited
Auditors	Moore Stephens
Listing	The International Stock Exchange (TISE)
Borrowings LTV (loan-to-value)	50.51%
Occupancy Rate	97%
Weighted Average Unexpired Lease Term	10.80 years



The Arts Complex, Southampton



New Floating Garden, West End Quay, London

## Market Outlook

2017 continues to provide political surprises bringing growing concern about political instability and its potential to derail the Eurozone's still fragile economic recovery. The political turmoil of 2016 has been followed by 2017 concern about the national elections in the Netherlands, France and Germany. In the opening quarter of the year, Europe posted an investment volume of €56.1bn which is roughly in line with the same period last year. Trading activity in continental Europe increased despite elections in several notable markets.

After a calm Q1, which reflects a trend from previous years, France will likely benefit from optimism and strong demand for gateway markets in the remainder of the year as investors have clarity on the election results.

Q2 2017 may well be an uncertain time for property markets with further volatility in the UK financial and currency markets. However, economic data shows the UK economy is continuing to perform well. Although, UK volumes were down on Q1 last year, an upturn in central London investments is an encouraging sign of improving sentiment. Q1 2017 saw all UK property types record positive capital growth for the first time since Q3 2014.

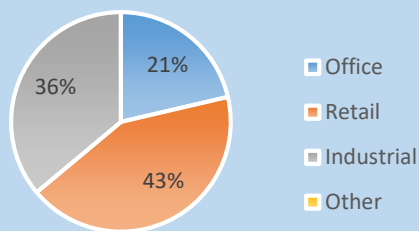
Germany is seen as a safe haven for global capital. Demand for real estate is on the increase and gives reason to expect further high transaction volume in 2017.

Spanish property investment volumes reached €14 billion for the first time and 2017 is expected to be another good year for the retail sector. Spain's GDP growth continues to be the highest in the EU with forecasts of 2.5% compared to 1.6% for the EU.



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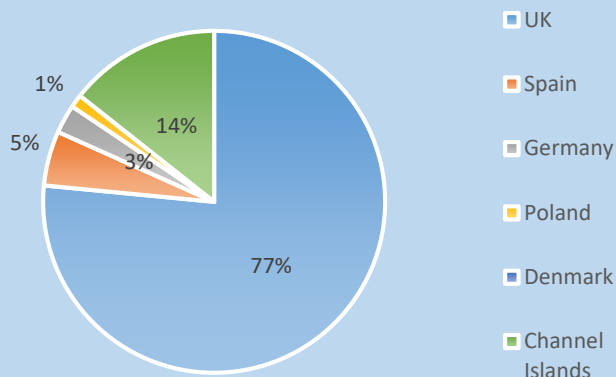
## Portfolio by Sector



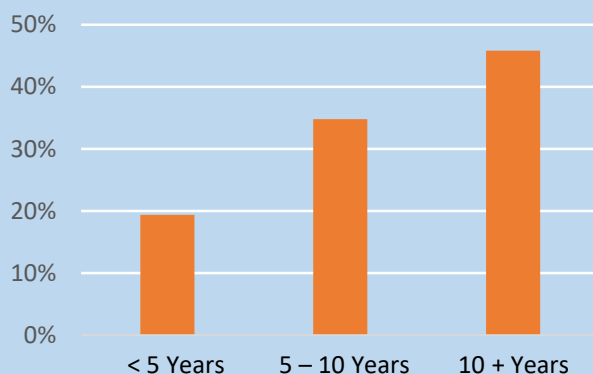
## 10 Largest Properties (by income)

Travis Perkins Portfolio 1 (35)	13%
Travis Perkins Portfolio 2 (19)	9%
West End Quay, London	9%
Arnold House, Guernsey	7%
The Arts Complex, Southampton	6%
Mid Kent Business Park, Snodland	5%
50 La Columberie, Jersey	5%
Banc De Sang, Barcelona	4%
23 - 24 High Street, Kent	3%
Turnham Green, Chiswick	3%

## Portfolio by Location



## Portfolio Unexpired Lease Profile



## Asset Management



75 North End, Croydon

- Croydon exchanged for £2,674,000, a 27.3% increase since purchase in Q4 2016



Curzon Cinema, Aldgate East, London

- The cinema is a centerpiece on the development and the cinema recently opened this quarter.

This Quarterly update is for information purposes for existing 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 of the Fund which should be read in full. The prospectus and other information, including contact details, is available on [www.cubicfund.com](http://www.cubicfund.com).

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 the Fund 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 Cannon Asset Management Limited, the Administrator, Secretary and Registrar. The Fund 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 assets 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 the Fund for more details, a copy of which is available on request from the Administrator, Secretary and Registrar, the registered office of which is Cannon Asset Management Limited, Kingsway House, Havilland Street, St Peter Port, Guernsey, GY1 2QE.

Cannon Asset Management Limited is a company incorporated with limited liability in Guernsey on 16<sup>th</sup> May 1997 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. 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.

FUND ADMINISTRATOR	INVESTMENT ADVISOR
Cannon Asset Management Ltd Kingsway House Havilland Street St Peter Port Guernsey GY1 2QE T: +44 (0) 1481 726 141 F: +44 (0) 1481 726 142 E: <a href="mailto:cannonfunds@cannonhouse.com">cannonfunds@cannonhouse.com</a>	Montreux Advisers Ltd PO Box 393 Kingsway House Havilland Street St Peter Port Guernsey GY1 2QE T: +44 (0) 1481 726 141 F: +44 (0) 1481 726 142