

The Cubic Property Fund



CUBIC | PROPERTY | FUND

Q2 / 30 June 2016

Highlights

The Brexit subject has dominated European and UK commentaries over the past few months and whilst the outcome remains uncertain, the Fund has maintained its focus on high quality commercial real estate in core locations, which over time is expected to ensure performance in a sector that continues to perform strongly against other asset classes. The Fund has produced NAV Growth of **2.2%** for the quarter (**9.09% year-on-year**), reflecting further value improvement of its European holdings and recovery in some of its European currency exposure. Gross asset value has grown to **£210 million** with gearing and occupancy levels remaining stable at **53%** and **98%** respectively.

During the quarter Cubic redeployed proceeds from the sale of the Louis Vuitton unit in Copenhagen with the acquisition of 5 assets, 4 of which were in core UK South East locations. Strong retailing investments have been secured in Croydon (to be completed in September) and Guildford alongside a modern warehouse unit in Leeds, secured on a 10 year lease to an environmentally progressive manufacturing business. A further investment within the Curzon Cinema partnership was exchanged in Aldgate, in the heart of the City of London, providing two newly built and highly specified restaurant units alongside the new cinema. Completion is due to take place in November.

Post quarter end the fund has disposed of its Ipswich investment with an achieved price of £4.1m. The asset was approaching an unexpired lease term of 10 years, which is often seen as a benchmark in the investment market, so the opportunity was taken to re-cycle capital into further growth assets.

Asset Management initiatives achieved during the quarter include:

- Harborne letting – new 10 year lease to café and tapas operator.
- Norwich letting – new 10 year lease to spa operator with fixed uplifts.
- Terms agreed for letting of Unit 12 at West End Quay to real estate agents on new 10 year lease at £60,000 per annum.
- Provisional terms agreed for reconfiguration of Horneburg asset with new 10 year leases to major German retailers Aldi, KiK and HolAb!.

Key Fund Data

(as at 30 June 2016)

Net Asset Value per share	£3.203
Average Price (incl. 5% initial charge)	£3.363
Gross Asset Value	£209,867,331
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	Channel Islands Securities Exchange
Borrowings LTV (loan-to-value)	53.12%
Occupancy Rate	98%
Weighted Average Unexpired Lease Term	10.72 Years



Guildford



Aldgate, London



Market Outlook

The second quarter of 2016 saw uncertainty weighing on the UK market, but investor appetite remained strong across the UK and Europe. Indeed, the intrinsic attractions of the UK and Europe mean that it looks likely to remain an attractive property investment destination. Commercial real estate transactions in Europe totalled €54.0 billion, slightly up from Q1, though down on the €66.6 billion recorded in Q2 last year.

While Brexit is likely to have political ramifications, economists expect UK and European economies to be resilient. Income returns from prime UK and European real estate still compares favourably and it is believed that it will continue to attract investor interest, whilst the secondary markets may have more exposure to negative impacts, weaker demand and price corrections which could provide further investment opportunities.

The German commercial investment market gained momentum in the second quarter of 2016. Transaction volume was up 11% quarter-on-quarter at €9.4 billion and demand for investment for German property is at a record high. Prime yields declined across the board in Germany as growing risk aversion in response to the EU referendum in the UK increased investment in Germany.

The Spanish economy grew 0.7% in the period of April to June 2016, which is in line with the positive trend of the last two years. Spain experienced higher growth in prime rents with Barcelona's current prime rent at €21.25 per sq m. In Q2 the office market in Barcelona registered more office leases than the previous quarter and the office investment volume totalled €163.5 million.

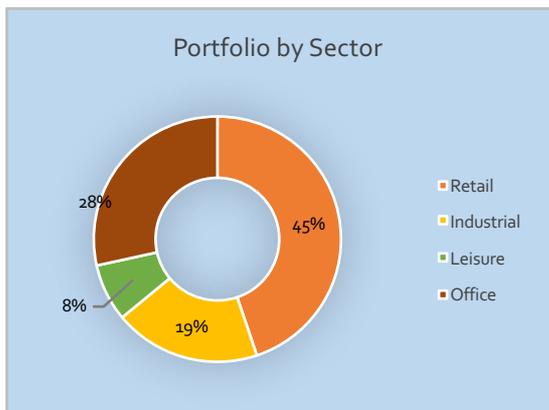
The investment volume in Denmark totalled approximately DKK 14.7 billion (€2.0 billion) in Q2 2016, which represents an 8% growth quarter-on-quarter and a 60% growth year-on-year. Greater Copenhagen attracted 85% of the total Danish Q2 investment volume and on an EMEA city level, performed as the third most significant investment destination. Prime yields remained unchanged in Q2 and the trend for all market segments is stable.

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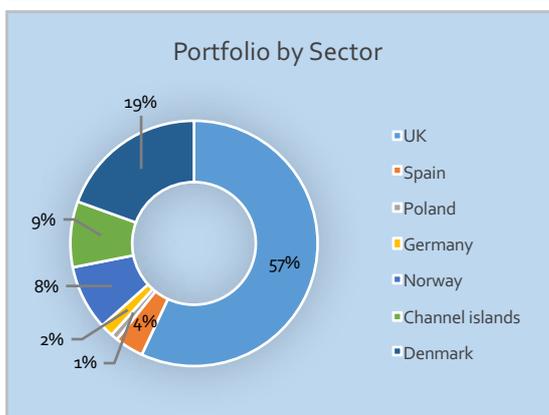


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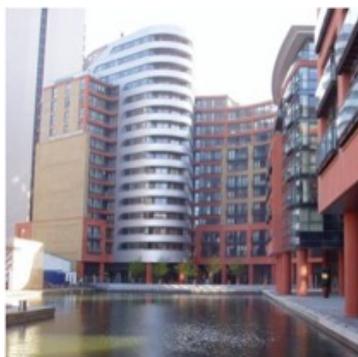


10 Largest Tenants (by income)

Travis Perkins Properties Ltd (TP1)	10%
Travis Perkins Limited (TP2)	9%
Vue Entertainment Ltd	6%
HSBC Bank Plc	6%
NCC Construction AS	5%
Palmer & Harvey McLane Ltd	4%
Colomberie Services Ltd	4%
Superdry	4%
Banc de Sang I Teixits	3%
Benetton	3%



Asset Management



West End Quay

- Terms agreed for letting of Unit 12 to real estate agents on new 10 year lease at £60,000 per annum.



The School Yard, Harborne, Birmingham

- Letting completed to a café and tapas operator in Q2 which replaces Urban Coffee. The new lease term is for 10 years at a rent of £18,000 per annum, reflecting a 12.50% increase on previous rent.



Red Lion Street, Norwich

- Letting of upper floors to local spa / beauty salon operator nearing completion.
- The lease will be for a term of 10 years at stepped rent commencing at £20k per annum a rising to £30k per annum in year 6.

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.

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.

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