

The Cubic Property Fund



CUBIC | PROPERTY | FUND

Q3 / 30 September 2015

Highlights

Q3 has seen extremely strong growth across Cubic's portfolio reflecting 5.2% NAV growth during the period. This growth has been based upon uplift in values on K26, Copenhagen to reflect the Superdry agreement for lease, initial determination of rent review on K24, Copenhagen, rental uplift on 1/3rd of Travis Perkins portfolio and continued yield compression on the Fund's London and Leisure assets.

Post Quarter end, the Fund completed the sale and lease back of 19 Travis Perkins trade counter units, at a yield of 6.13%. The units are spread across the UK and secured on new 15 year lease with rent reviews linked to CPI. Following the completion of 50% holding in the first Merchant Portfolio in 2014, this is a further step in forging a strong partnership with the FTSE100 company who retain 15% holding in the structure of both portfolios.

Martin Meech, group property director of Travis Perkins, said: *"The sale of this portfolio is in line with Travis Perkins' strategy of recycling its real estate assets but the structure of this particular transaction has allowed us to retain an equity stake in the properties."*

During the quarter the Fund also completed the acquisition of a prime retail unit within Southport, let to Café Nero for a further 8 years with alternative use options on the upper parts.

The Fund has continued to see progress on its asset management initiatives with exchange of contracts with an Italian café operator at West End Quay, London. The Hamptons Rent review was also settled at 10% increase. Terms have been agreed for new lettings at Norwich, Harborne and Poland assets. The second phase of K26, Copenhagen business plan has also be initiated with the first 6 residential units being converted from office accommodation.

The Fund is currently restructuring debt financing on 9 assets with 4 different lenders enabling a further reduction in cost of debt funds and securing longer term hedging against interest rate movements.

Key Fund Data

(as at 30 September 2015)

NAV Price	£2.9963
Av Price (incl. 5% Initial charge)	£3.1461
GAV	£193,950,898
Fund Currency	Sterling
Dealing	Quarterly
Minimum Investment	£25,000 (plus £5,000 top up)
Fund Administrator, Secretary and Registrar	Cannon Asset Management Limited
Investment Advisor	Montreux Advisers Limited
Auditors	Moore Stephens
Listing	CISE
Borrowings (LTV)	51.9%
Occupancy Rate	98%
Weighted Average Unexpired Lease Term	10.3 Years

Market Outlook

UK GDP figures showed growth of 0.7% in Q3 2015, the same as the previous quarter. Forecasts now suggest that full year GDP growth will be in the order of 2.6% for 2015 and 2.7% for 2016/17. This sustained growth is fuelled by strong services output and consumer spending, partly as a result of the large increases in minimum wage (now redefined as the living wage).

However, although the GDP forecasts have recently been revised upwards, unemployment rates are now slightly higher than the Q2 predictions, partly due to the large increases in the minimum wage.

In terms of Europe, Oil prices have declined sharply, the Euro has depreciated and the ECB has decided to expand the size and composition of its quantitative easing programme by adding sovereign bond purchases. The results of these measures are that annual GDP growth in the EU is forecast to accelerate to 1.7% in 2015 and 2.1% in 2016. The sharp fall in energy prices is expected to lower headline inflation over the coming quarters to 0.2%.

Total Returns for all UK commercial property were 1.2% in September 2015, with capital value growth of 0.8% and rental value growth of 0.4% (3.2% for the quarter). In comparison, the IPD Pan-European Balanced Funds Index reported a total return of 1.4% over the quarter.

Despite significant yield compression over the last 12-18 months, UK Property still remains an attractive asset class for investors with reported total returns of 15.8% in the 12 months to Q3 2015, compared with equities returning -2.3% and gilts 9.7%. On the back of the continued performance of the sector, we expect further appetite for investment in Q4 2015.

In Copenhagen, prime retail yields held during Q3 2015 at 3.75% but with downward pressure are still some way from the 10 year low of 3%. Prime rental values improved slightly during the quarter to stand at DKK 18,000 per sq m per annum. Barcelona prime office yields have compressed by 25 bps over the quarter to 4.5% with prime rents increasing slightly to EUR 19.50 per sq m per month. There is still a sizeable spread of c.175bps between prime CBD office yields and prime decentralised office yields.

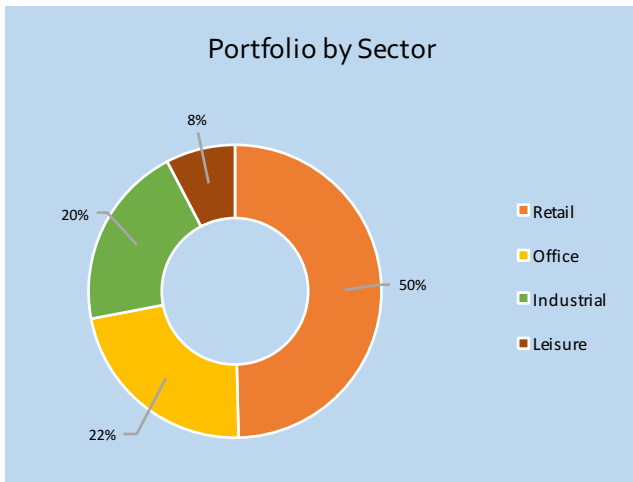


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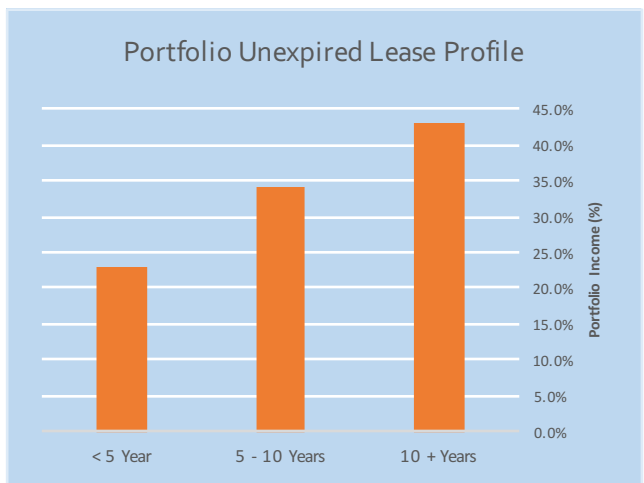
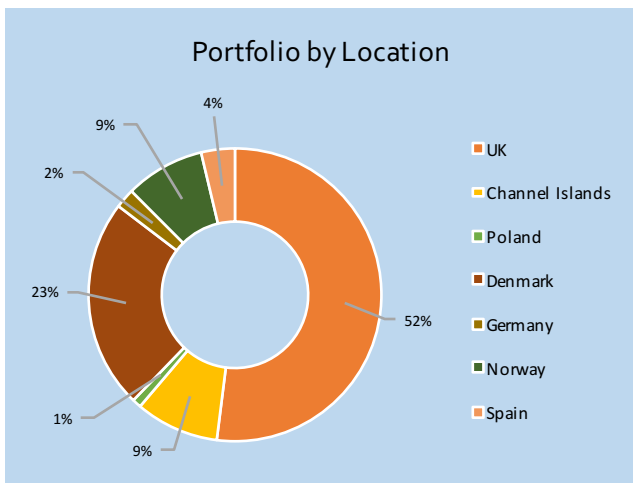
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10 Largest Tenants (by income)

Travis Perkins	11.4%
HSBC	6.7%
NCC Construction	6.1%
Vue Cinemas	6.1%
Palmer & Harvey McLane	5.1%
Banc de Sang I Teixits	4.0%
State Street Corporation	4.2%
Benetton	4.2%
Wolseley	3.9%
Norbert Dentressangle	2.9%



Asset Management



Red Lion Street, Norwich

- New letting of upper floors to local spa / beauty operator. Lease will be for a term of 10 years at a stepped rent commencing at £20,000 rising to £30,000 (year 6).
- Refinance with Lloyds currently progressing through legals. The new loan will be interest only for 3 years at an LTV of 50%.



West End Quay, Paddington, London

- Letting of Unit 12 agreed at initial rent of £55,000 rising to £65,000 in 5 years.
- Hamptons rent review settled at £44,000, representing a 10% increase.
- Carphone Warehouse lease renewal underway, waiting to settle Superdrug review to provide higher evidence.
- Rent Reviews on units 11A and 7 under negotiation.



The School Yard, Harborne, Birmingham

- Terms agreed with a Tapas restaurant to replace Urban Coffee. The new lease term will be for a term of 10 years at a rent of £18,000pa, reflecting a 12.50% increase on passing rent.
- The landlord will be installing an extraction unit for the longer term benefit of the unit at a cost of £10,000.

This Quarterly update is for information purposes for existing Cubic investors and the ir 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.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 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 Cannon Asset Management 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 quote 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 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 16th 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.

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