



CUBIC QUARTERLY

Update March 2014



HIGHLIGHTS

Q1 2014 has seen further increase of activity for Cubic Property Fund; New property investments have been completed in the UK and Barcelona, and the strategy of restructuring the fund's debt profile continues. There has also been further asset management initiatives, enhancing the capital value and cashflow of the fund.

The Fund has seen strong NAV growth of 5.75% for the quarter reflecting further rental growth, the purchase back of the German portfolio at significant discount, and continued improvement across European Core markets to which Cubic has invested.

The Fund's gearing is currently 59.5%, cost of debt funds and occupancy levels have remained stable at 4.15% and 98% respectively, and the overall Weighted Average Unexpired Lease Term has increased to over 10.5 years.

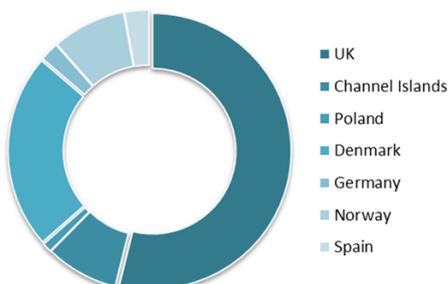
ACQUISITIONS / DISPOSALS

- Acquisition completed of the majority shareholding in the Merchant Properties JPUT holding 35 properties leased to Travis Perkins with 18 years unexpired term with 5 yearly rental uplifts of 3% per annum compounded. Travis Perkins retains a 15% shareholding in the structure and the investment is forecast to provide strong cash returns with ability to enhance capital values through an effective business plan.
- Completed the investment of a 15% stake in the Banc de Sang building in Barcelona. The property is leased to Banc de Sang i Teixits, the Catalunya blood and tissue bank for 46 years with annual cpi linked uplifts and a guarantee from the Government Health Department. The property was built in 2010 and is fitted out to the highest level with extremely strong sustainability credentials. The property was acquired for a NIY of 7.35% providing a very strong cashflow and excellent capital growth potential.
- Terms have been agreed to acquire a 40% stake in 2 UK cinema led Leisure schemes. The properties are leased to Curzon Cinemas on 25yr terms with rent reviews linked to RPI. The acquisitions are due for completion in June 2014.

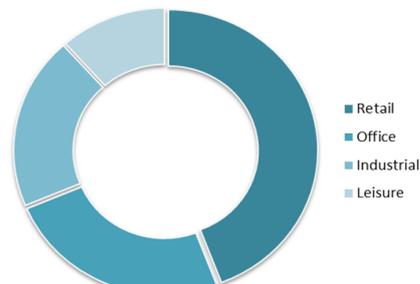
FUND FACTS

Price Date	31 MARCH 2014
NAV Price	£2.417
Av Price (inc. 5% initial charge)	£2.538
GAV	£177,353,372
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	CISE

LOCATION WEIGHTING



SECTOR BREAKDOWN



ASSET MANAGEMENT

- West End Quay 2013 rent review with Headmasters agreed at average of £52,500 (16% growth) and rising to £57,500 (27% growth) at year 5. Reviews with Flight Centre and Tescos are ongoing but we believe we will achieve strong growth, as evidenced by other successful rent reviews.
- New debt facilities have been agreed for the Lincoln and Bristol assets and are due to be completed by the end of the Quarter. Both initiatives within the funds target gearing of 55% - 60% and will provide total annual returns of 12%.
- Kobmagergade 26, Copenhagen business plan is now underway with first 3 proposed residential units to be created from upper parts as office space is taken back. Negotiations are underway with the retailer to surrender the front unit in conjunction with working up interest from other major retailers.
- Contracts are being finalised for the remaining vacant space of 645sqm of Oslo asset (space held under lease from developer) to Akelius, who are owned by Wolters Kluwers on a lease expiring in March 2020 on the same terms as the existing developer lease. The building is now 100% occupied in line with forecast.
- Terms agreed at Bad Munder asset for extended 10 year lease of restaurant unit and terms are being negotiated for a new 5 year term to car rental company of 80 sqm retail unit.
- Contracts are being finalized for a new 10 year lease of Dartford unit to Dreams Ltd (which was created out of the old Dreams business and now owned by SCS Capital) at a rent of £115,000 which equates to 1 years rental incentive.
- Contracts are being finalized for restructure of Subway lease at Hemel asset at a rent of £27,500 pa and no rent free for 5 year secure term. Terms agreed for short term lease of vacant Blockbuster unit to mitigate rates liability and provide flexibility for stronger occupier as market recovery continues.
- Contracts are being finalized for café operator at Worcester asset providing a 10 year term at £20,000 pa. Contracts also being finalised for direct new lease on part of the mail box unit to Subway on a 10 year lease at £7,000 pa in conjunction with an assignment of the remainder of the mailbox unit to a stronger franchise covenant at £14,000 pa with a 10 year secure term.

TOP 10 TENANTS

 Travis Perkins	9.01%	 P&H	4.03%
 ODEON THEATRE AND CINEMA	5.87%	 JEWSON	3.89%
 HSBC The world's local bank	5.31%	 AAH	3.43%
 vue	4.76%	 UNITED COLORS OF BENETTON	3.28%
 Schlumberger	4.55%	 BANC DE SANG I TEIXITS	3.24%

- Sublease completed of 3rd floor offices at Arnold House, Guernsey to Citco Fund Services on a 9 year term.
- Contracts being finalised for sale of roof space to residential unit at Exeter for £10,000 premium.

MARKET OUTLOOK

The UK economy grew by 0.8% in the first quarter of 2014 and 3.1% over the last 12 months, the biggest annual increase since Q4 2007. Off the back of the momentum seen in 2013, the Office for Budget Responsibility have revised their GDP growth forecast up slightly from 2.4% to 2.7% for 2014. It is anticipated that GDP will finally surpass pre-crisis levels this year. In the Eurozone, Germany continued to lead the pack with GDP growth of 0.8% - the fastest rate of growth the country has seen in the last 3 years. In Denmark, the economy returned to growth of 0.9% in the first quarter with consumer confidence now at its highest since 2007.

In the UK, All Property prime rents grew by 1.1% in Q1 2014 and 3% over the last 12 months. All Property prime yields hardened by 10bps during the quarter and currently stand at 5.9%. As a result of continued increasing rents and falling yields, capital values increased by 2.9% over the quarter and 9.7% over the last 12 months.

Following on from the strong start to the year, it is expected that momentum will continue to build. The market is being supported by increased availability of finance with new lenders entering the market. Whilst Central London continues to account for a significant proportion of investment activity, competition for stock is making it increasingly difficult for investors to deploy capital and we will therefore see investors looking for stock further afield. The weight of capital targeting UK commercial property along with the lack of prime availability of prime stock will continue to drive down prime yields across all sectors. As a result of rising demand, we will also begin to see downward pressure on yields in a number of secondary markets.

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