

**FUND FACTS**

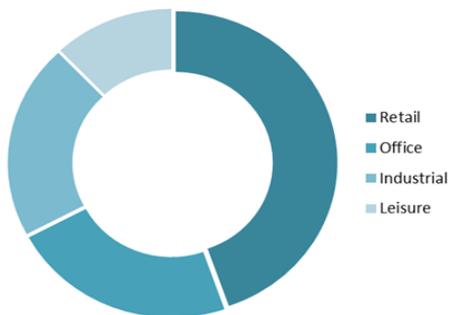
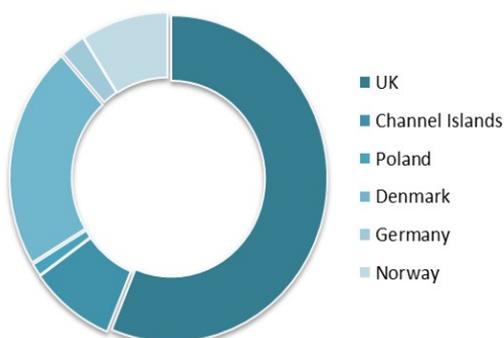
Price Date	31 DECEMBER 2013
NAV Price	£2.288
Av Price (inc. 5% initial charge)	£2.402
GAV	£171,513,548
Fund Currency	Sterling
Dealing	Quarterly
Minimum Investment	£25,000
Fund Administrator, Secretary and Registrar	Praxis Fund Services Limited
Investment Advisor	Montreux Advisers Limited
Auditors	Moore Stephens
Bloomberg Fund Class	CUBPROP JY The UK and European Sterling Class
Listing	CISE

CUBIC QUARTERLY
Update December 2013**HIGHLIGHTS**

Q4 2013 has seen further strong activity for Cubic; New investments have been completed on high quality assets in the UK, Oslo and Copenhagen alongside further restructuring of historic debt profiles.

The Fund has seen continued NAV growth of 3% for the quarter reflecting further rental growth and value gains on the Fund's Danish assets, London holdings and Channel Islands office holdings.

The Fund's gearing is currently 62%, with a cost of funds reduced further to 4.15% and an Interest cover ratio of 275%. Occupancy rates remain stable at 98%, and overall Weighted Average Unexpired Lease Term is just below 10 years.

SECTOR BREAKDOWN**LOCATION WEIGHTING****ACQUISITIONS**

- ◆ Acquisition completed of 34% shareholding in 27 Ostensjoveien, Oslo. The building has been listed as one of the top 100 most sustainable buildings in the world and provides 180,000 sq.ft of Grade A office accommodation with all leases secured for 10 years with annual cpi linked inflation. The asset is forecast to provide strong cash returns and capital growth.
- ◆ Acquisition completed of Kobmagergade 26, Copenhagen. The asset provides significant marriage value with Cubic's existing prime high street holdings and provides an exciting opportunity to enhance value and income stream through refurbishment and extension of the rental offering.
- ◆ During the quarter contracts were finalized to acquire a majority shareholding in the Merchant Properties JPUT holding 35 properties let to Travis Perkins with 18 years unexpired term and 5 yearly rental uplifts of 3% pa 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 established business plan.

ASSET MANAGEMENT

- ◆ Contracts completed for the purchase back of the German retail portfolio for Euros 3m reflecting a 21% gross initial yield and representing a 55% reduction in the outstanding loan balance. The three centers retain over 5.5 yrs weighted unexpired income with a strong tenant mix and opportunities to enhance income further
- ◆ Restructuring of Wolseley / Jewson portfolio debt completed with allocation of £1m providing a cash return of 10% pa.
- ◆ Contracts completed with Blizzard Telecom for new 6 year lease of 3rd floor offices at Hemel Hempstead.
- ◆ Contracts completed for sub-lease of Sommerfield store in Sidcup to Greenwich leisure on a 10yr lease. Sommerfield and Coop remain as headleasee and guarantor for a contractual term of 18 years.
- ◆ Terms agreed for new café at Worcester providing a 10 year term at £20,000 pa. Terms also agreed for direct new lease of part of mail box unit to Subway 10 year lease at £7,000 pa.
- ◆ Terms agreed for new sublease of 3rd floor offices at Arnold House, Guernsey to Citco Fund Services on a 9 year term.
- ◆ Turnover clause of COS lease in Copenhagen reconciled for y/e resulting in further DKK 260k charge for 2013 and representing a total 11% additional turnover rent for the year.



TOP 10 TENANTS



MARKET OUTLOOK

Full year GDP growth in 2013 was the strongest in six years, but the pace of the recovery slowed in the final quarter. GDP grew by 0.7% in the final three months of 2013, a touch down on the 0.8% recorded in the third quarter. That leaves the economy still 1.3 per cent below the level of output achieved in the first quarter of 2008, while the US and Germany have already long surpassed their pre-financial crisis output peaks. The consensus from forecasters is that the recovery will continue to strengthen in 2014, with the Treasury's official forecaster, the Office for Budget Responsibility, expecting growth in UK GDP of 2.4% in 2014.

The improvement in UK economic conditions is increasingly evident in the property markets. In the last quarter of 2013 UK All Property rents grew by 0.5%, resulting in rental value growth of 2.7% for 2013. The average prime yield fell by 9bps over the quarter and stood at 6.0% at the end of Q4 2013. The compression of prime yields was driven by the big jump in UK commercial real estate investment activity in Q4 2013. Rising rents and falling yields both made a significant contribution to the relatively significant uplift in capital values across all sectors.

Looking ahead to 2014, the economic recovery is expected to elevate rental growth in line with the yield compression that started in the second half of 2013. We also envisage that the yield gaps between prime and secondary properties that have emerged since 2008 will start to reverse. However, there are a number of issues still apparent which temper this optimism. These include the sustainability of the economic recovery, the threat from rising government bond yields and the sustainability of growth momentum, which up to now has been primarily driven by yield compression rather than rental growth.

FUND ADMINISTRATOR

Praxis Fund Services Ltd.
PO Box 296, Sarnia House,
Le Truchot, St Peter Port,
Guernsey, GY1 4NA
Tel: +44 1481 737600
Fax: +44 1481 749829

INVESTMENT ADVISOR

Montreux Advisers Ltd.
Kingsway House,
Havilland Street,
PO Box 393, St Peter Port,
Guernsey, GY1 3FN
Tel: +44 1481 726141
Fax: +44 1481 726142
Email: info@cubicfund.net

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.