

KCCSF Advisory Indirect Mandate



Quarterly Update—Q2 2013

Please note that the Portfolio was not designed to provide KCCSF with balanced property exposure as KCCSF already had significant property exposure within a discretionary mandate managed by DTZ IM, when the Portfolio was created.

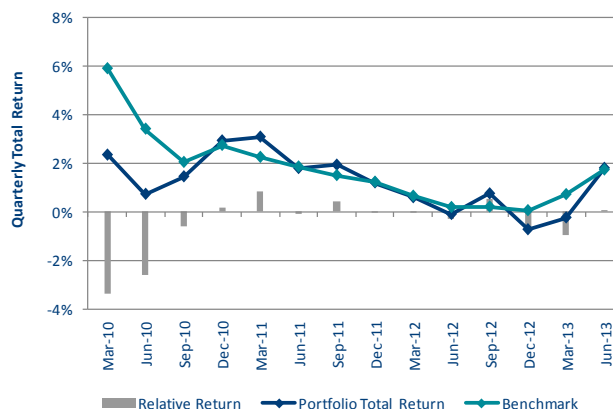
Portfolio performance

		Jun-13	Mar-13	Dec-12	Sep-12	12 months	3 year rolling (p.a.)	Since inception (p.a.)
Portfolio	NAV	38,703,310	48,991,301	49,667,980	50,663,574	-	-	-
	Capital return	0.9%	-1.4%	-2.0%	-0.5%	-2.9%	0.5%	0.7%
	Income return	0.9%	1.1%	1.2%	1.2%	4.5%	4.3%	4.3%
	Total return	1.8%	-0.3%	-0.7%	0.7%	1.5%	4.8%	5.0%
Benchmark	Capital return	0.9%	-0.1%	-0.8%	-0.6%	-0.6%	1.8%	3.7%
	Income return	0.8%	0.8%	0.8%	0.8%	3.3%	3.3%	3.3%
	Total return	1.7%	0.7%	0.0%	0.2%	2.7%	5.1%	7.1%
Portfolio Relative Return	Relative Total Return	0.1%	-1.0%	-0.8%	0.5%	-1.1%	-0.3%	-1.9%

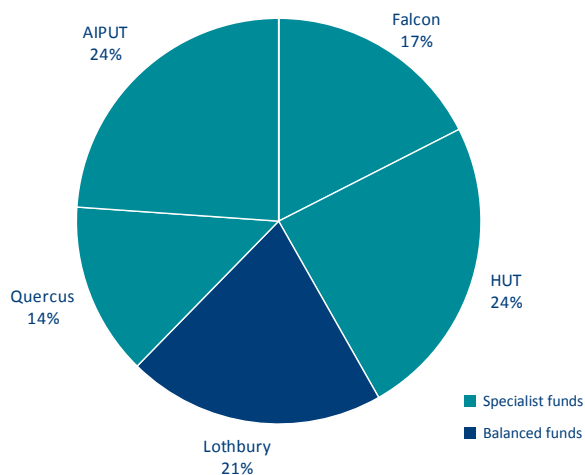
The advisory indirect portfolio (the Portfolio) delivered a total return of 1.8% during Q2 2013 outperforming the IPD All Pooled Funds Index which returned 1.7% over the same period.

During the quarter, KCCSF's holding in WELPUT was disposed of in two tranches: at a 3% discount to the March NAV and a 3.25% discount to the April NAV. This represented a c. 1% discount to the marked to market value KCCSF held WELPUT in its books at. Given the risks associated with the investment, combined with the strong returns KCCSF had seen of 12.5% p.a. since inception, KCCSF decided to dispose of this investment in order to crystallise the strong returns experienced to date.

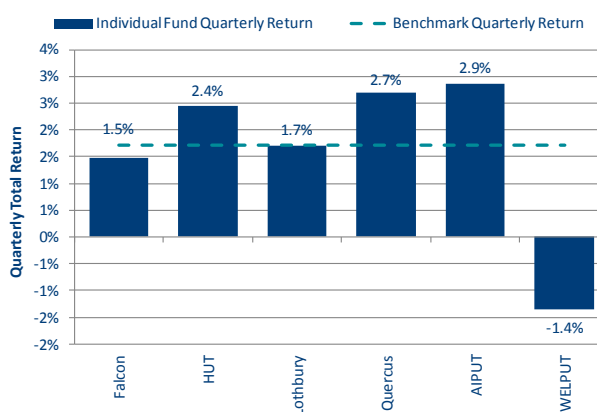
Portfolio quarterly returns vs. benchmark



Breakdown by investment holdings



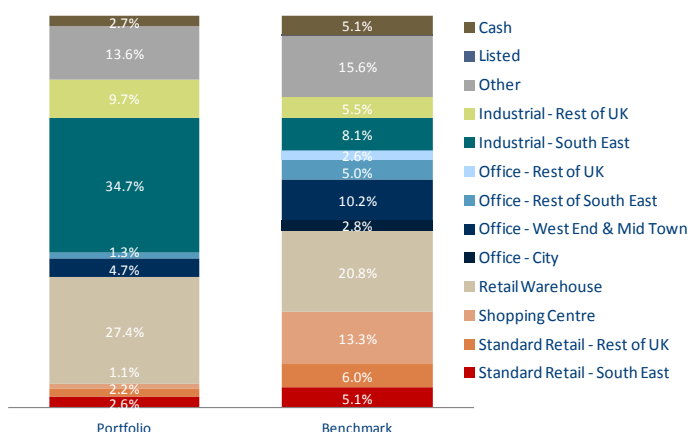
Portfolio quarterly returns vs. benchmark



Please note that this chart is for illustrative purposes only and past performance is not a guide to the future

Breakdown by property sector

Portfolio weighting



Please note that the Portfolio was not designed to provide a stand alone and diversified property exposure.

The Portfolio has a higher weighting to the retail warehouse and industrial sectors. This reflects the specialist investments made into Falcon, AIPUT and HUT. Quercus, a healthcare fund, provides the majority of exposure to the Other sector. Following the disposal of WELPUT in Q2 2013, the Portfolio is underweight to London Offices.

As a diversified fund Lothbury provides the minor exposure to the remaining sectors.

Investment Updates

Falcon Property Trust—Post quarter end, the proposal to amalgamate Falcon with L&G's Industrial Property Investment Fund was passed by a majority of 94% of units in issue (including KCCSF). Negotiations are now progressing and we hope that the merger, which has been approved by both sets of investors, will take place shortly.

Hercules Unit Trust—HUT completed 29 new lettings, rent reviews and lease renewals on a total of 208,965 sq ft of accommodation during the quarter. New long term lettings accounted for eight of the total transactions on 29,005 sq ft, securing rent of £0.8m p.a. Fourteen rent reviews were completed during the quarter on a total of 134,967 sq ft of space, generating additional rent of £0.5m p.a. This was, on average, 1.6% above the previous passing rent of £2.9m p.a. on the leases affected.

Lothbury Property Unit Trust—In Q2 the team acquired a retail property in Glasgow for £17.4 m, reflecting a net initial yield of 6.5%. This prime property is located in a 100% prime pitch on Buchanan Street, which is the busiest retailing street in the UK outside of London. Two additional acquisitions are currently under offer: a prime leisure investment; and a multi let industrial estate close to Heathrow Airport for £14.35m. The team hope to complete on these purchases in Q3.

The Quercus Healthcare Property Partnership—Quercus saw only modest valuation falls over the quarter when compared to previous periods with a 0.3% fall in value at portfolio level. Pending the completion of planned sales and in the light of anticipated further valuation falls, the Q2 distribution has again been withheld to provide funds if required to pay down debt to alleviate covenant pressures. To date, £11m of distributions have been retained which accounts for the increase in NAV over the quarter. The resolution to extend the life of Quercus was passed post quarter end and KCCSF submitted a retirement notice having been entitled to do so following their vote against the resolution. Although Aviva have indicated that dissenting unitholders are unlikely to be paid out before 2015 because any equity released from property sales before then will be used to pay down debt, dissenting investors will sit ahead of those who vote for an extension now and against an extension at the next termination review date in 2015 so we believe that the submission of a retirement notice could be the quickest exit route from the fund.

Airport Industrial Property Unit Trust—AIPUT's prime portfolio has benefited over the quarter by a strengthening investment market for prime South East industrial property, where pricing for airport related property at Heathrow has improved. This has resulted in capital value improvements for a number of assets in the portfolio. In addition to this, AIPUT has also benefitted from the completion of a 53,000 sq ft letting to DHL Supply Chain at Unit 2, Central Park Estate in Feltham. The terms of this letting were favourable securing a 10 year term and were ahead of ERV by 4%. AIPUT also settled the 2011 rent review with dnata at the 60,000 sq ft SouthPoint facility at £14.75 psf (up from £14.15 psf). This was ahead of expectations and has made a meaningful contribution to performance over the quarter.

Disclaimer

In preparing this Report, DTZ Investment Management ("DTZIM") has relied upon material; supplied by the Fund Managers of the respective underlying investments within the portfolio; or that is available in the public domain. Attention is drawn to the fact that any such information has not been verified by DTZIM and DTZIM gives no warranty and makes no representation as to the accuracy and completeness of the contents of this Report.

This report is issued by DTZIM for the information of the recipient only. The document and its contents are confidential and may not be provided or otherwise communicated to anyone other than to those it is addressed.

The communication of this document in the United Kingdom (if an authorised person) may only be made to persons who are defined as professional clients or eligible counterparties under the unregulated collective exemption scheme exemptions rules made by the FSA (COBS 4.12) or (i) may only be made to persons who fall within the category of "Investment Professionals" as defined in Article 14 (5) of the Financial Services & Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemption) Order 2001 and (ii) persons falling within any of the categories of person described in Article 22 of the CIS Order and in both cases (i) and (ii) to any other person to whom it may lawfully be made. Transmission of this document to any other person in the United Kingdom is unauthorised and may contravene FSMA.

Where funds are invested in property, investors may not be able to realize their investment when they want. Whilst property valuation is conducted by an independent expert, any such opinion is a matter of the valuer's opinion. Property is a specialist sector which may be less liquid and produce more volatile performance than an investment in broader investment sectors.

We would also draw your attention to the following important issues:

- Past performance is not a guide to the future;
- The value of investments can go down as well as up;
- Investments in small and emerging markets can be more volatile than other overseas markets; and
- For funds that invest in overseas markets, the return may increase or decrease as a result of currency fluctuations.

This report is issued by DTZ Investment Management Limited, authorised and regulated by the Financial Conduct Authority in the UK.