

2014 Mid Year Update

St. Kitts and Nevis - Silver Reef Development units D1, D3, H2,
<http://www.silverreefstkitts.com/>

Silver Reef is a thoughtfully designed 'green' condominium development on the unspoilt Caribbean island of St. Kitts, West Indies. Just ten minutes' drive from the island's capital, Basseterre, the site is set amidst lush gardens on the edge of the Royal St. Kitts Golf Course. Its stunning position on a natural rise gives spectacular views of both the Caribbean Sea and the Atlantic Ocean. The picture perfect Frigate Bay is one of the finest and most popular beaches on the island and its soft sands and clear waters are less than a five-minute walk away.

We purchased 6 completed units within the Silver Reef development at an approximate 35% discount to current market prices being achieved in the market for single unit sales. We have proceeded to rent out the units generating attractive returns to the fund.

Purchasers benefit from entitlement to acquire full citizenship (<http://www.stkittsip.org/>) of St. Kitts and Nevis with a Commonwealth, CARICOM passport giving the applicant full tax free residency entailing; no income tax, no capital gains tax, no inheritance and visa free travel to 120 countries including Canada and European Union.



Of the 6 units originally purchased by the fund, three units have been sold with full exit achieved above targeted sales prices and the three remaining units are currently under offer with significant deposits held by CIMCO PCC. While the units remain under offer the fund continues to collect revenue from the active rental program in place with near full occupancy. The timing to achieve full exit from these units is in the hands of the St. Kitts and Nevis Government as there is a significant backlog of requests for citizenship through the tremendous demand of the program.

Renaissance London

<http://www.renaissancelondon.co.uk/>

Renaissance is a contemporary development of 788 stunning new apartments situated at the heart of Lewisham transforming the town centre, with a regeneration which will bring new shops, restaurants, bars, cafés and a new town square and park

Key features

- Lewisham DLR and BR station 2 minutes away
- Central London and Canary Wharf within 15 minutes
- Lewisham shops minutes away - Westfield Stratford nearby
- Close to entertainment at the O2
- Located in zone 2 for travel
- Only 8 minutes to London Bridge and 14 minutes to Waterloo
- Nearby Greenwich offers mixed history and leisure pursuits

We have purchased two finished fully furnished units in the brand new development at discounted price of approximately 160,000 GBP (vs 195,000 GBP asking price) due to their being the last units in the relative phase and the developer being keen to close the sales. Both units have been rented out at 1,000 GBP for a 7.25% yield and have since been sold for circa 190,000 GBP each with a profit to the fund of approximately 19% in 9 months.

The fund has reinvested part of the proceeds into a new 50m2 one bedroom unit for 259,000 GBP with 10% payment upfront and the remaining 90% due on completion on completion in summer 2015. The purchase price equates to GBP 480 per square feet. The fund intends to sell the unit as soon as possible on completion.



Urban Regeneration 21 Apartment project Gibraltar

The fund has provided equity finance side by side with other investors for the construction/renovation over a period of 30 months of 21 apartments ranging from 1, 2 and 3 bedrooms priced from approximately 90,000GBP to 270,000GBP in the regeneration of a group of historic buildings in Gibraltar, as part of the Government of Gibraltar's regeneration of the old town. Completion of the project is scheduled for fall of 2016.

The total cost of the project will be in the region of 2,450,000 GBP with a final exit value of approximately 3,550,000 GBP. The fund has committed 750,000 GBP to the project. All of the units have been presold making the project extremely efficient in terms of return on equity. Bank financing of 50% LTV has been obtained by the general partner following a lengthy application process, in the first development bank financing obtained in the last 5 years in Gibraltar. The return to the fund is expected to conservatively exceed a 25% IRR.

At the time of writing the fund is considering selling on part or all of its position to take advantage of a strong demand for returns from the investing public. It would mean slightly less profit to the fund overall but such a sale would increase the IRR, and allow the fund to ensure its exit from the project well within the investment period time frame and allow the fund to return the investors capital earlier.

- ✓ The entire site is divided in 6 buildings with a total of 21 apartments
- ✓ The housing concept to be developed is 1, 2 and 3 bedrooms
- ✓ Each building is separated from the rest. Elevators are planned in 2 of the buildings
- ✓ The building's common areas have been reduced to maximize the internal area and reduce management costs
- ✓ Site is very close to town centre, 150 meters from Main Street and 250 meters from Casemates Square.

Distressed Prime Freehold Assets purchase Gibraltar

The fund is negotiating the purchase of prime main street freehold buildings (there are three separate buildings) with a valuable tenanted large ground floor commercial space on a long lease and vacant possession residential units above with outline planning permission for conversion to offices and the addition of up to two new floors and potentially a basement. The purchase of the freehold is being negotiated over a lengthy and complicated process from a portfolio of distressed assets.

An exit plan is being studied with local architects and estate agents. The discount to the original asking price of 2,200,000GBP was well in excess of 40%, with the anticipated return following the reorganization and "light refurbishment" of the existing building to be in excess of 50% with 18 months following a successful exit based on conservative estimates.

At the time of writing the fund has not closed the transaction and will only do so on favorable terms with a clear exit strategy within the time frame of the permitted investment period for the fund being by the end of September 2016.

Gibraltar - Ragged Staff Wharf

The fund purchased a 144m² three bedroom unit in Ragged Staff Wharf in May 2014 in an estate sale for GBP 550,000 and has in the meantime negotiated a resale of the unit for GBP 655,000 incurring some minor costs (sub 5,000 GBP) for internal repairs. At time of writing the sale was due to complete within weeks, giving the fund an 18% return in approximately one month.

NAV

The NAV for this year has been relatively flat as the uplift for the St. Kitts and Antigua investments were recognized in previous valuations. The exits confirmed valuations already recognized in previous NAVs. Further uplifts may be anticipated as we continue to exit investments and depreciation on non-fixed assets are recovered at full cost such as furniture packs in each of our units. We hope to continue to increase returns as we maximize remaining exit opportunities and the investment environment continues to improve. The fund remains focused on capital preservation and has avoided the use of leverage to date.

Summary and timing of end of investment period of fund

The Caribbean investment experience has been a difficult one with expected returns achieved, though over much lengthier timelines than originally anticipated and with high transaction costs. Our investments in Europe, specifically London and Gibraltar should be significantly better in terms of exit times with much lower transaction costs translating to a much better bottom line.

The end of the investment period for the fund as voted by the directors will be September 2016. It is the intention of the investment director that all investments, are expected to be fully exited and all capital returned to investors by that date.

As always, we welcome your comments and questions, and thank you for your support.