

Private Wealth Management

Deutsche Bank

For Existing Investors Only

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Investment Outlook - Glanmore Property Fund

The first quarter of 2010 has seen a continuation of the recovery of the commercial property sector with year on year total return recording 11.1% (IPD Index).

Capital value growth remains the main driver behind these figures with further yield shift anticipated across all sectors in 2010. However, rental value growth remains weak against the backdrop of an uncertain economic outlook.

The IPF total return forecast for the year is predicted at 10% -13% but falling away to between 6.5% and 10% in 2011 before accelerating again in 2012.

Prime still dominates centre stage with yields hardening to 5.9% in recent weeks (JonesLangLaSalle). Demand in the West End and City offices markets remains strong with close to half a billion GBP of City properties being put up for sale in the 3rd week of April as Vendors continue to test the appetite in the marketplace.

The Secondary market is still playing catch-up. Lenders are still reluctant to lend on anything less than Prime. Nick Parker, CBRE analyst, recently commented "While it was prime yields that came back in most aggressively in the latter half of last year, it is the better secondary markets that are slowly starting to attract interest at the beginning of 2010, with investors beginning to look further up the risk curve in a hunt for better returns. It is widely expected that the yield gap between prime and secondary property will slowly narrow over 2010 as competition for good secondary assets becomes more heated" – source *Propertytalk Live*. We are of the same opinion that as this year progresses, and the freeze on lending eases, the good quality Secondary stock will attract more and more attention from investors who are considering dipping their toe in the water.

The Glanmore Property Fund

After two very difficult and turbulent years, we do believe the worst of this market downturn is now over and this has been borne out by the increases in the Glanmore share price in recent months. In March, the Fund saw the first overall increase in the valuation of the portfolio. Albeit marginal, and keeping in mind the economic uncertainty and recent election, we hope this is the start of a more positive trend.

From the Capital Raising exercise during last year, the Fund's debt was reduced from 79% LTV to 72% LTV. Just under £12 million redemptions were met, catering for redemption requests placed during January, February and a portion of March of 2008. Approximately £4 million was put aside for a dividend which was declared on the 31st of December 2009. There still remains a postponement on redemptions of up to a maximum of 48 months although this is being reviewed every quarter by the Fund's Board of Directors in conjunction with the Fund's liquidity position. It is hoped that as the market improves, the Fund's portfolio asset values increase and the debt is reduced further, the Fund's liquidity position will improve substantially and therein the Fund will be in a position to resume normal trading far sooner.



The strategy for the immediate coming months is to continue to pay down the Fund's debt, currently around 70% LTV, until a loan to value ratio (LTV) of below 65% is reached. This will be achieved through a combination of the sale of selected assets, as well as utilising any additional income over and above the general running costs of the Fund. 65% is an obtainable level as well as a trigger point which releases us from the more constraining regulations of the banks. It provides more flexibility in the ongoing management of the Fund.

It is our opinion the Fund's portfolio of properties is well placed for when the Secondary market returns. While the market is still in intensive care, the Fund's rental income stream remains strong with occupancy levels in the region of 94%. Given the overall economic environment, we believe this is more than acceptable.

The Fund's audited accounts are due out in July and will be available to download from the Fund's website www.glanmore.com.

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