

## **BRANDEAUX GROUND RENT INCOME (GRIF)**

### **REDEMPTIONS AND PROPERTY DISPOSAL STRATEGY FOR 2011**

The underlying Brandeaux GRIF fund was reopened on 30 April 2010 (after a 17 month suspension period) with revised redemption terms applying. As communicated to you previously, these give a clear six months prescribed redemption notice period but with Brandeaux directors' granted discretion to extend this should there be insufficient liquidity available.

Brandeaux are mindful of the duty to create liquidity, to protect the interests of all shareholders and not damage the fund performance for remaining shareholders in favour of those wishing to redeem.

The ground rent and reversionary residential properties are relatively illiquid by nature. However all property disposals to date have been made at valuation or above, rather than 'fire sale' prices. Brandeaux are confident that future sales can be made without damaging the performance of the fund while providing the necessary liquidity to meet redemption requests.

FPIL is the largest shareholder in the underlying GRIF fund via the mirror fund (J44) and our Investment Committee continues to be in close consultation with Brandeaux to ensure that this difficult balance is best maintained in light of the current market conditions.

Given that all available liquidity has been used to meet some of the outstanding redemption requests, a number of alternative options have been considered. However both parties are in agreement that the current strategy of continued patience is the correct one.

#### ***IMPORTANT INFORMATION IF YOU HAVE ALREADY REQUESTED A SWITCH/REDEMPTION OF UNITS IN J44***

***Given the level of redemptions received since the mirror fund was reopened, we anticipate that some of the logged requests will now extend beyond the target 6 month notice period to fulfil. As further liquidity becomes available from Brandeaux, we will continue to process these requests fairly on a 'first-in-first-out' basis.***

***We are unable to provide any precise timeline as to when individual mirror fund redemptions can be progressed until further property disposals have been made by Brandeaux and the monies have been cleared. All available liquidity raised will continue be used to meet fund redemption requests.***

***FPIL will continue to receive its fair share of the liquidity when it is made available to us by Brandeaux.***

## **BRANDEAUX LIQUIDITY MANAGEMENT STRATEGY IN 2011**

We fully understand that this continued delay in meeting redemption requests for GRIF will be unsettling for a number of investors in our mirror fund.

Traditionally, the property market for disposals goes quiet from mid-November and interest only tends to return mid-January. Brandeaux are forecasting renewed activity over the next few weeks, particularly overseas investor interest in prime central London residential property.

This positive backdrop creates opportunities for Brandeaux to make further disposals, either via bulk property 'portfolio' disposals or individually. These anticipated disposals will not in the opinion of Brandeaux damage the future performance of the property portfolio, and will provide the liquidity to tackle the redemption queue of the FPIL mirror fund over time.

## **OUTLOOK FOR 2011**

The underlying Brandeaux GRIF fund is completing its 15<sup>th</sup> year as of 28 February 2011. It has continued to deliver positive long term returns to shareholders since launch even through the financial crisis, demonstrating the quality of the property portfolio and its low correlation to the general residential property market.

The portfolio has secure income streams, no debt and long term reversionary value, which leaves the Funds well placed to continue to deliver positive returns. The portfolio is located throughout the UK but with a concentration of value (85%) in the prime affluent London locations of Chelsea, Knightsbridge, Kensington and Mayfair. This market has been particularly advantaged by demand from overseas investors which has helped to increase prices.

FPIL thanks you for your continued understanding and patience in meeting our redemptions back log and we remain committed to keeping you updated on a monthly basis of progress made throughout 2011.