The Glanmore Property Fund posted a further loss of -0.456% for the month of October with a new share price of GBP 15.274. In order to maintain communications on all relevant developments on the Glanmore Property Fund, we have a commitment from Deutsche Bank Private Wealth Management to produce a more detailed update on the fund each quarter. The first of these detailed communications is attached for your reference together with an interesting article from PropertyWeek.com by Lord Oakeshott, a property guru of over 30 years standing.

Of particular interest from this article is the assertion, that commercial property offers the best yields across a selection of assets, and is probably the most attractive since the mid-1970's:

Property Now offers the best yields (%):

Asset:	Property	10-year UK Gilts conventional	10-year UK Gilts Index-linked	Equities
Average Yield:	7.5%	2.8%	0.3%	3.1%

(Source: Investment Property Databank / PropertyWeek.com)

Whilst we are not suggesting for one moment that Glanmore is out of the woods, the article does indicate that conditions are moving in the right direction for a swing towards commercial property investment again. And although it is a rather tired comment from all of us, the short term keys continue to lie with; the banks returning to some form of "normal lending" as we knew it pre-2008 and; a general upturn in the outlook in the UK economy that has so far not materialised, as originally expected, in early 2010.

The fall in the Glanmore price this past two months was due to the down valuation of a couple of properties that have to be sold to raise money to keep the Royal Bank of Scotland (Glanmore's primary lender) content in terms of our obligations to continue to reduce debt, together with the continued negative impact of the interest rate hedging instruments, again insisted upon by RBS. While this has been an ongoing process since the capital raising exercise last year, the fund has to continue to strive for its LTV target of 65% and bring its' total borrowing down to the banks insisted levels. RBS continue to be a major thorn in the progress of the Glanmore fund and an enormous amount of management time is consumed in managing the ongoing relationship. The fund has in excess of £20m income which is also being swept up the banks, and which otherwise could be used to pay dividends or meet redemptions.

There have also been comments and queries regarding the issue of fees on Glanmore and it is also important for us to point out that the Fund Manager is not drawing a fee and has not done so for two years now. The fund is allowed to take certain costs to cover the day-to-day running of the fund and other external fees related to the maintenance and upkeep of the properties but otherwise, the managers cannot charge a management fee until such time as the fund meets its target banking obligation of LTV of less than 65%.

A few other important points to note regarding the funds operations:

1. There have been +/-25 new lettings over the past year.
2. Total rental income is up by +/- £2m.
3. The fund has lost approximately 4% growth in the NAV in the past 12 months due to the financial instruments the bank insisted on the fund having in place to manage future interest rate increases. This is very frustrating although the potential growth is not necessarily lost as the instruments can work in our favour in the future.

As always, we hope that the above is of assistance with your clients and helps to provide an accurate insight into the current position on the fund. However, if you have any queries or require anything further please don't hesitate to contact us and we will do our utmost to assist you where we can.

Thanks for your continued patience and support.

Kind Regards

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