

BRANDEAUX UPDATE

BRANDEAUX GROUND RENT FUNDS

GROUND RENT INCOME FUND GROUND RENT PORTFOLIO GROUND RENT PORTFOLIO PLUS (TOGETHER “THE GROUND RENT FUNDS”)

Dear Supporters,

The ground rent and reversionary property portfolio in which all three ground rent funds participate has proved its resilience to downturns in the general property market since its inception 14 years ago.

The last two years, in particular, have emphasised the portfolio’s relatively limited correlation to other property asset classes. However, the brutal effect of the financial crisis did not leave the value of the portfolio completely unscathed. During the nadir of the crisis in early 2009, there was a fall in value of about 3%, but during the last six months of 2009, that fall in value was fully recovered.

The directors’ priority during 2009 has been to maintain portfolio value while at the same time making property disposals into a fragile market in order to create liquidity. There are currently several sales under negotiation and with the successful completion of these, combined with the disposals already completed, we believe that the target date of the end of March 2010 for the re-opening of the ground rent funds is achievable.

The directors intend to propose to the shareholders that the ground rent funds are re-opened with revised share redemption terms similar to those which have been successfully adopted by Brandeaux Student Accommodation Fund (Sterling) Limited. Details of the terms and the process will be communicated in due course.

Outlook for 2010

The increase in the ground rent portfolio value during the second half of 2009 is encouraging and we anticipate that the positive trend will continue well into 2010. We will continue to make further property disposals to create additional liquidity. Once the ground rent funds are re-opened and redemptions requests are satisfied, any surplus liquidity will be used to make opportunistic purchases to enhance the portfolio.

The Brandeaux team is entering 2010 with the same determination and confidence that has made Brandeaux Funds so successful over the last 14 years. 2010 will no doubt present its challenges, and our primary goal remains to re-open the remaining Brandeaux funds as quickly as possible while continuing to deliver their historic consistent strong returns.

Our thanks go to the IFA/broker networks, advisers, and dealing platforms that have encouraged and stood by us throughout the past year. Their support is an invaluable contribution to the success of re-opening the Brandeaux funds.

We wish you all a happy and prosperous New Year.

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