

BRANDEAUX UPDATE

HOPE BUILDS AS REASONS FOR OPTIMISM APPEAR

No one raises a flag or sounds a bell at the bottom of a market but there are cautious signs that we may be seeing the turn.

Kay's comments

Most of the world has experienced the worst economic downturn in 50 years which began in mid-2007 and worsened throughout 2008. The downturn has had a devastating effect on property values across nearly all sectors.

The Brandeaux ground rent funds were resilient in the face of turmoil and continued to produce positive ungeared net returns to shareholders in the range of 8% for 2008* continuing into January 2009, and thereby demonstrating their limited correlation to general market conditions and the overall property market.

However, during early 2009, the funds' independent property valuers began to moot having to take into account market sentiment which across most property sectors was by then, without doubt, poor. There was very little actual market evidence (comparable sales), thus valuers considered market sentiment as a factor in determining their valuation.

This was reflected in a modest property valuation decline which caused the share price of Ground Rent Income Fund (GRIF) to fall from its high of £3.13 at the end of January 2009 to £3.08 at the end of February and to £3.03 by the end of March*. This fall in share price of 10p represents a fall of 3.2% from the end of the January 2009 high. The decline in valuation on the ground rent and reversionary portfolio reflected the valuer's opinion rather than being based on actual Brandeaux portfolio sales.

The good news is that it now appears that sentiment is improving. Some top economists are predicting that the UK economy may be one of the first to pull out of the crisis. The value of the ground rent and reversionary portfolio appears to have stabilised. It is concentrated in blue chip areas of central London which many analysts are predicting to be the first area to make a strong recovery.

There is further positive news in that we are starting to make some sales at above valuation. This is important for two reasons: firstly, in order to create liquidity before we can re-open these funds, and secondly, to demonstrate that values are creeping upward. Although the cliché holds true that "one swallow doesn't make a summer", a phrase the valuers are quick to remind us of, we are beginning to see a gathering flock with sale tags saying "sale agreed above valuation".

We are cautiously optimistic that the worst is over. If the positive trend continues and we continue to make sales above valuation, then we should begin to see some increases in the property valuation which will be reflected in the share price over the next few months.

The Brandeaux ground rent and reversionary portfolio is resilient with a 14 year track record of ungeared performance. It has secure and growing income streams and reversionary value which we are confident will enable the ground rent funds to continue to deliver consistent low volatility returns over the longer term.

We cannot give a precise date when we expect the ground rent funds to re-open. We are optimistic that we will be able to increase liquidity sufficiently without making fire sales to safely re-open the funds toward the end of this year. We are committed to protecting investor value whilst re-opening the funds as quickly as possible.

We have successfully re-opened the Brandeaux Student Accommodation Fund, and we hope to follow a similar course of action for re-opening the Brandeaux Sterling, US Dollar and Euro Funds within the next 4-6 weeks, followed by the ground rent funds later in the year.

Adrian Perry is taking some 50 e-mails and phone calls each day and he is a fantastic colleague to work with in answering your queries. His telephone lines may be clogged with calls and his e-mail Inbox at full capacity from time to time, but he will get back to you. We value every call and e-mail so please don't hesitate to contact him.

We are acutely aware that the wealth managers and product providers stand on the front line with investors, and we are endeavouring to give all of the back-up that we can to assist.

Everyone hopes for the mythical bell or flag to signal the turn is here, and although we won't hear or see it literally, the air definitely smells sweeter, summer is here, and we at Brandeaux see daylight appearing at the end of what has been a dark tunnel. We look forward with confidence.

My personal thanks to those of you who have encouraged us with your e-mails, phone calls, and most importantly, your business.

We look forward with good reasons for optimism.



Kay Brandeaux
Chairman

*Share price and performance figures as at 31/12/2008. All returns are net of Brandeaux charges.

	Share Price	One Year	Three Years	Five Years
Ground Rent Income Fund	£3.13	+8.30%	+30.96%	+58.88%
Ground Rent Portfolio	£2.36	+8.26%	+30.39%	+54.25%
Ground Rent Portfolio Plus	£1.85	+7.56%	+29.37%	+54.17%

*Share price and performance figures as at 31/05/2009. All returns are net of Brandeaux charges.

	Share Price	One Year	Three Years	Five Years
Ground Rent Income Fund	£3.03	+1.00%	+23.67%	+46.38%
Ground Rent Portfolio	£2.28	+0.88%	+23.24%	+43.40%
Ground Rent Portfolio Plus	£1.80	+1.12%	+23.29%	+44.00%

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