

BRANDEAUX UPDATE

GROUND RENT SHARE PRICES INCREASE STEADILY SINCE MAY 2009

RE-OPENING OF FUNDS TARGETED FOR END OF MARCH 2010

GROUND RENT INCOME FUND GROUND RENT PORTFOLIO GROUND RENT PORTFOLIO PLUS ("THE FUNDS")

There are some encouraging signs of a recovery in the property markets from the dire days of 2008 and the first half of 2009. The share price of all three Funds has steadily increased from May 2009.

The slight dip of 3% that the ground rent portfolio suffered in value during the depths of the crisis in February and March 2009 has been regained and the Funds are now moving forward in price.

Since January 2008, during this extremely difficult period, the Funds have continued to perform and up to the end of October 2009, have delivered un-leveraged returns of 7%+ over the 22 month period as follows:

Fund	Share Price As At 01/01/08	Share Price As At 31/10/09	Share Price Increase
Ground Rent Income Fund (Launched 29/02/96)	£2.89	£3.11	+7.6%
Ground Rent Portfolio (Launched 24/03/99)	£2.18	£2.34	+7.3%
Ground Rent Portfolio Plus (Launched 17/08/01)	£1.72	£1.84	+7.0%

All returns are shown net of Brandeaux charges.

In contrast to the Funds' performance, the Estates Gazette has recently reported that £53 billion was wiped off the value from the combined total of the UK assets of the 59 largest UK property fund managers in the 12 months from June 2008 to June 2009. This represents a fall of 29% in asset value*.

To put this fall of 29% into context, a gain of 40% would be required merely to regain the lost value. Brandeaux's risk averse strategies by investing in asset classes such as ground rents and student accommodation, which have proven their limited correlation to the current economic turmoil, have protected investors' value against falls of this magnitude.

*Estates Gazette, 7th November 2009, "Deeper Impact" by Mike Phillips.

Re-Opening of the Funds

In order to re-open the Funds, properties have been sold to create liquidity. However, there are only a limited number of purchasers who are not “bottom fishers”. There is a delicate balance between creating liquidity through property sales and maintaining investors’ value, especially in the continuing fragile property market.

Prices in the central London residential market, in which the Funds have the most concentration of value, have improved against this time a year ago, and the outlook for further improvement during 2010 is encouraging.

We have been successful in making sales at slightly above valuation of over 20 significant properties since April 2009. However, these sales have not created enough liquidity to meet anticipated redemptions once the Funds re-open.

There is no blueprint for steering the Funds through the uncharted waters that we have all experienced over the past 18 months. Brandeaux has always been known for its risk averse strategies, and we are following a prudent path of sensible property disposals to achieve a successful re-opening.

We are acutely aware of the distress caused by the suspension but a suspension combined with losses would be far more distressing for investors. The property sales to date have created liquidity without losses and we are determined to maintain this successful record.

We set the bar too high in trying to achieve a re-opening of the Funds by the end of 2009. With the benefit of hindsight, our timetable in achieving sufficient liquidity through property sales at sensible prices by the end of 2009 was too optimistic.

We are now targeting re-opening the Funds by the end of March 2010. However, this is dependent upon making further successful property disposals over the next few months.

We know that our supporting IFAs and the platforms are on the front line with their clients and we fully appreciate the challenges this can, at times, present.

We thank you for your encouraging words, e-mails and support. Our team, like all of you, are working under tremendous pressure and each positive communication from you is appreciated.

Please keep in touch with us through Adrian Perry. We will issue a Ground Rent Update shortly before the Christmas break to report further progress. We will also shortly issue an Update on the Dual Asset Funds.



Kay Brandeaux
Chairman

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