

## BRANDEAUX UPDATE

### BRANDEAUX'S STUDENT ACCOMMODATION FUND CONTINUES TO REFUSE TO BE BULLIED BY THE RECESSION

Kay's comments:

#### **Brandeaux Student Accommodation Fund**

The performance of our student accommodation fund over the last eighteen months has proven the limited correlation of the asset class to economic turmoil and the strength of our management team. With top of target performance of +10% per annum throughout the financial hurricanes, we have shown that with our experienced management, we have delivered what it says on the tin, and have done so over the last nine consecutive years.

As a fund and asset manager over more years than I care to admit, I am amazed at how much time I am spending explaining why Brandeaux has held this top performance whilst others have not. I believe that it comes down to a few basic principles embedded in our business model:

- Avoidance of development risk
- Limiting of debt to a modest level
- Concentration on delivering a good service and value for money to the end user (i.e. students and universities)
- Development of the management team ahead of business growth
- Control of a tight operational budget, and keeping of a close eye on the bottom line
- Always trying to be the best

Our accommodation of 15,000 beds is already 93% booked for the 2009/2010 university year commencing this coming September, and we are on track for 100% occupancy, as we have been for the past three years.

Brandeaux Student Accommodation Fund re-opened in March 2009 after a 3-month suspension and new subscriptions from investors are running at a higher level than before suspension. We re-opened for redemption requests in early June, and redemption requests are less than anticipated. So there is life following suspension after all for Brandeaux, who has maintained performance and retained the confidence and support of wealth managers and institutional platforms.

We had hoped to have a US Dollar and Euro version of the student accommodation Fund up and running by the end of July, but the administrative and legal process, along with compliance and regulatory requirements, have led to a short delay, but we are pressing on, and hope to be announcing the launch soon.

#### **Brandeaux Sterling Fund, Brandeaux Euro Fund and Brandeaux US Dollar Fund**

These are the three Brandeaux dual asset funds that invest in both ground rent assets and student accommodation.

All three funds are performing well and, with the ground rent share price showing a bit of an up-tick at the end of June, we would expect this portion of the investment to begin to show upward movement again. At the moment all three funds are biased in their holdings toward the student accommodation asset class.

## Brandeaux Sterling Fund, Brandeaux Euro Fund and Brandeaux US Dollar Fund (continued)

They have performed well in spite of the ground rent investment value being stagnant during April and May following an overall 3% fall in February and March 2009. We are cautiously optimistic that the ground rent assets will now again start to contribute to the overall performance.

We are on course to re-open these 3 funds for new subscriptions within the next few weeks, and although we did not achieve our target July date, we expect this now to happen before the end of August. We are working through the administrative, legal, compliance, and regulatory processes, which during the traditional holiday period does not move with the speed we would wish.

### Brandeaux Ground Rent Funds

Our goal is to re-open these funds with enough liquidity to deal with what we call 'the hump' of redemption requests. We can only do this by creating liquidity through carefully considered property sales and we are quite encouraged with the progress that we are making. We have not had to sacrifice shareholder value to progress this plan and we have made all property sales to date either at valuation or, in some cases, better.

We are selling properties where the business plan for those assets has been achieved, and for the most part, we would have sold as a matter of course during the latter part of 2008 had the overall market been more conducive to doing so. We are not selling what we would term 'core assets', as these are important to the future long term performance of the ground rent funds that has been the norm for the last 14 years.

We don't know how long it will take to achieve a liquidity level whereby we can safely re-open the ground rent funds without risking another suspension, but our best estimate at the moment is that it will be the end of this year, or possibly into 2010. The timing is not 100% in our hands, and we do not think it is fair to long term investors to make sacrificial fire sales, which would result in losses to shareholder value, in order to accommodate those who wish a quick redemption. The portfolio is a strong one, which has taken 14 years to assemble. It has performed well, and with only a slight blip in value in the horrendous market conditions we have recently experienced, we are confident that the portfolio will continue to perform well over the longer term.

As Chairman and founder of the Brandeaux funds, I am acutely aware of the frustration and anxiety the current situation poses, with some funds still suspended. I wish there were a quick fix to get us back to "business as usual" immediately, but we are having to work through a delicate and sensible program that we expect will ultimately endorse the trust that investors have placed in us, and preserve the value that has been created for investors over many years. We have been successful with the re-opening of the Student Accommodation Fund and we are determined to do the same with the other Brandeaux Funds.

On behalf of all of the Brandeaux team, we thank you for your continued support and confidence. It is this confidence and support that gives us the drive to strive to achieve the best result possible for investors.



Kay Brandeaux  
Chairman

*This Update is for information purposes only and is not intended as an offer or solicitation to anyone in any jurisdiction in which such an offer or solicitation is not authorised, or to any person to whom it would be unlawful to make such an offer or solicitation. Persons who receive this Update are required to inform themselves about and observe any such restrictions and should seek professional advice. This Update should be read in conjunction with the Funds' Articles of Association and Private Placement Memoranda. Information and representations herein are based on information available at the date hereof, and are, therefore, subject to change. In particular, past returns are not a guide to future returns and the value of shares may go down as well as up. Brandeaux calculates its returns net of Brandeaux charges.*

*This Update is distributed on behalf of Brandeaux Managers Limited by Brandeaux Administrators Limited, Brandeaux House, 13 Upper Mount Street, Dublin 2, Ireland, which is regulated by the Financial Regulator.*

**Head of Marketing**

Adrian Perry

Tel: +353 877 55 88 50

[a.perry@brandeaux.com](mailto:a.perry@brandeaux.com)