

evolve All Saints Property LP

SUMMARY DOCUMENT

Fund Name	evolve All Saints ('Fund')
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Fund Manager	evolve Fund Services Limited ('evolve')
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Scheme Summary:

What makes evolve All Saints 'Different'	<ul style="list-style-type: none">• Proven '<u>access to market</u>', stock selection and track record;• '<u>Portfolio approach</u>' mitigates tenant risk, avoids need to warehouse and offer ability to seek extra value from being cash purchaser;• '<u>Cautious level of debt</u>', if any, to be used (max 50% LTV);• '<u>Performance</u>' – evolve stopped buying commercial investments in Q1 2005. Plus Strata, its only other blind pooled fund, was launched in April 2007 at £1,000 per unit. 7% Distributions paid and unit value £1,038 (September 2009);• '<u>Unique exit structure</u>' after 5 years (plus a commitment to extend Investment Period beyond 7 years if Investors so request);• '<u>Discounted annual management charge</u>' on uninvested equity; and• '<u>Website for Investor communications</u>' such as 1/4ly NAVs. Investors and advisers to have secure access.
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Scheme Type (ie: Legal Structure)	<ul style="list-style-type: none">• UK Limited Partnership (with Exempt Property Unit Trust as feeder fund for SIPP, SSASs etc.); and• 5-7 years, with option to extend the Investment Period.
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Brief Scheme Description	<ul style="list-style-type: none">• The Fund is a UK commercial property fund for private investors offering 5-7% Distributions and capital growth;• The Fund will acquire a balanced portfolio of 'prime' property, seeking to spread risk both geographically and between the main property sectors (i.e. retail, office and industrial) whilst considering other more niche sectors (e.g. supermarkets, PCTs, student accommodation etc.). A preference for supply inelastic properties. So as a general rule, offices and distribution warehouses likely to be less appealing to Fund Manager;• Gearing will be limited to 50% of portfolio; and• The Fund will operate over a 5-7 year period incorporating evolve's unique exit structure (plus a commitment to extend Investment Period beyond 7 years if Investors so request).
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Investment Type	UK commercial property.
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<p>Mission Statement</p>	<ul style="list-style-type: none"> • The Fund Manager believes that the 2007-2009 downturn in the UK real estate market has created an opportunity to benefit from unique market conditions – a combination of 40-50% fall in values from the mid 2007 peak, plus comparatively high income potential and low interest rates; • The Fund will seek to acquire a balanced portfolio of ‘prime’ property, but with a priority for supply inelastic property sectors with long leases and strong covenants. It will seek a spread of risk geographically and between the main sectors; and • The investment strategy is to provide a stable 5-7% rate of income plus capital growth upside through astute stock selection and asset management enabling total returns of 10-12% p.a. IRR. <p>The Fund aims to generate maximum returns for Investors with a minimum of risk by acquiring a portfolio of commercial properties at discounted values. The properties will produce rental income and capital growth prior to an anticipated exit after 5-7 years.</p>
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Portfolio Summary:

<p>Number of Properties</p>	<p>Dependant on sum of investment and then identifying those opportunities which meet the investment criteria. To be determined by the Fund Manager</p>
<p>Gross Assets & Gearing</p>	<p>A maximum of 50% debt to be used so GAV will be no more than twice NAV. The Fund may use a Loan Facility up to 50% of Portfolio value (if this can enhance the IRR without affecting the ability to pay Distributions).</p>
<p>Asset Mix & Target Acquisitions</p>	<p><u>Asset Mix:</u> A focus on creating a balanced portfolio of ‘prime’ property – with a priority for strong covenants and supply inelastic property sectors (i.e. neither offices (save for west end of London) nor distribution warehouses surrounded by vacant land). A spread of risk between locations and main property sectors, but also consider mixed use schemes, supermarkets, student, healthcare, other niche sub-sectors as well as indirect investment (e.g. other evolve funds), joint ventures and mezzanine lending.</p> <p><u>Target Acquisitions:</u> The Fund Manager is currently negotiating on a number of potential acquisitions for the Fund including:</p> <ul style="list-style-type: none"> • Whitbread and Travelodge hotels – 20-30 year leases with RPI geared uplifts every 5 years. Initial yields of c6.5-7.0%. c£5-10m; • Mayfair office – a sale and leaseback of a c£7.5m period building. c 6.5%; • Industrial – multi-let estate with road side frontage and asset management opportunities. c 8% and c£6m; and • Retail warehouse – development funding of pre-let store let to strong covenant for 20 years. c 7%. <p>The Fund Manager will endeavour to invest equity as expeditiously as possible. (NB Management fees are reduced to 0.25% when equity uninvested.)</p>



<p>Investment Process</p>	<ul style="list-style-type: none"> • Source suitable properties; • Consider non-recourse debt (not to exceed 50%); • Pay annual 5-7% Distributions out of fund income whilst completing pro-active property management and any available asset management opportunities to enhance capital values and rental income ; and • Option to exit from year 5-7 of the fund. The Fund has evolve’s unique exit strategy which can be summarised as follows: <ol style="list-style-type: none"> 1. Investors will be asked around the end of year 5 if they are 100% sure they will want to exit after 7 years. If they confirm this intention they may be able to receive early redemptions during years 6-7; 2. Investors will then be asked around the end of year 6 as to whether they would like the Investment Period to be extended beyond the end of year 7. If there is sufficient demand then the Operator and Fund Manager will endeavour to extend the Fund for these Investors and any new Investors for a period of 5 years, or whatever period is agreed at the time. <p>Accordingly, it is hoped this exit strategy will afford the Fund Manager the opportunity to manage the Properties in accordance with Investors preferences (i.e. rather than there being a single Fund termination date that may not be a good time to dispose of the Property for market or banking reasons, nor suit everyone’s investment plans).</p>
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Leases & Management:

<p>Leases</p>	<p>It is intended that the Properties in the portfolio will comprise a mix of long leases (i.e. c20 years or more), some with RPI uplifts at rent reviews, that will yield on average 6.5-7.5% plus a smaller number of short leases that offer asset management opportunities.</p> <p>The latter can be expected to be prime located, roadside, multi-let estates with trade or industrial uses yielding 7.5-9%. These estates may have shorter leases that can be re-negotiated to create long leases.</p>
<p>Tenancy Types</p>	<p>Strong covenants for all investments required save for multi-let estates or where the majority of income is well secured (e.g. ground floor coffee shop below a hotel or a retail unit next to a supermarket/DIY store).</p>
<p>Property and Asset Management</p>	<ul style="list-style-type: none"> • Property Management – evolve property manages its portfolio in-house. Since this commenced in mid 2007 not £1 of rent, service charge or insurance is unpaid; • Asset Management – this is also managed in-house, helping to ensure maximum value addition to the portfolio. Examples may include: <ul style="list-style-type: none"> • Planning and development • Managing letting campaigns • Negotiations with existing tenants • Bank financing • Specialist third parties to be employed will include rent review surveyors, letting agents and capital allowance consultants.



Distributions & Tax Treatment:

Estimated Distributions	Year 1: 0-7.0% (will depend upon speed of investment and acquisitions). Years 2 – 7: 5-7.0% Year 7: All equity to be returned at end of Fund, unless extended
Yield Payment - Date of Distributions	Asap after Financial Year End.
Scheme's Domicile	UK.
Tax Position – Income	SIPPs and SSAS – no tax. Individual investing directly – Any income will be taxed at their marginal rate.
Tax Position – Capital Gains	SIPPs and SSAS – No tax. Individuals investing directly – 18% CGT on disposal of Units (after utilisation of annual allowance). CGT will also be payable in the event of a property disposal at a fractional share of gain. In such an event it is expected the Distribution will at least cover the CGT liability.
Tax Position - Stamp Duty	Transfers of Partnership Units may attract stamp duty.

Set-up Costs Payable By Scheme (of monies being raised):

Set-up & Fund Raising	1.5% of funds raised (excluding commissions)
Commission	Up to 3% of Investor's Equity (accounted for at Investor level) assumed in Fund IRR calculation, plus a 0.5% of equity trail commission.

Annual Fees Payable by Scheme

Fund Manager	1.0% p.a. of the GAV. 0.25% of uninvested equity. (Fee to include all asset management and non-recoverable property management fees as well.)
Operator & Trust Manager	0.15% of the Total Capitalisation.
Annual Audit Fee	c£15,000 p.a.
Trustee	£5,000 p.a.
Valuer	0.10% p.a.
Property Management, Letting & Disposals	Fees will be paid by the Fund as appropriate.
Performance Incentive Fee	<ul style="list-style-type: none"> • 0% up to Investor's Priority Return of 10% pa; • Profits in excess of 10% IRR will be split 75:25 between Investors and the Fund Manager respectively; and • The Performance Incentive Fee payable to the Fund Manager will be calculated after 5 years and then annually. However, only 50% of the fee will be payable annually with the remainder payable at the end of the Investment Period or when an Investor redeems, whichever earlier.

Professional Team

Fund Manager	evolve Fund Services Limited – 46 James Street, London W1U 1EZ www.evolvefs.co.uk
Fund Operator, Trust Manager and Liquidating Trustee	Gallium Fund Solutions Limited - 5 th Floor South Tower, Tubs Hill House, London Road, Sevenoaks Kent TN13 1BL www.gallium.co.uk
UK Tax Lawyer	Macfarlanes - 10 Norwich Street, London EC4A 1BD www.macfarlanes.com



Lawyer	Iliffes Booth Bennett – Capital Court, 30 Windsor Street Uxbridge Middlesex UB8 1AB www.ibblaw.co.uk
Auditor & Tax Adviser	LittleJohn – 1 Westferry Circus, Canary Wharf London, E14 4HD www.clblf.com
Trustee	Exempt Property Unit Trustees Ltd - 45 Portland Street, Cheltenham GL52 2NX
Valuers	Cushman & Wakefield - 43-45 Portman Square, London W1A 3BG www.cushmanwakefield.com Savills plc - 20 Grosvenor Hill, London W1K 3HQ www.savills.com

Reporting Schedule

First Reporting Date	31 st March 2011
Form of Report	Annual accounts and report from Fund Operator, after advice from the Asset Manager.
Frequency	Annual (i.e. audit, external values). Quarterly (i.e. unaudited management accounts and activity report from Fund Manager).
Frequency of External Valuations	Annual.
Scheme's Year-end	31 st March.
Approx Date of Annual Report	Within 120 days.
Reports available via	Fund Operator and website www.evolveallsaints.co.uk .

Marketing Information

First Closing Date	30 th November 2009 (monthly thereafter)
Funding Target	£25m.
Amount Raised & Pledged to Date	£5-10m.

Projected Returns

Target Return Period	November 2009 - 2016.
Investor's Priority Return	10% p.a. IRR.
Anticipated Investor's Return	12% p.a. IRR (after all anticipated costs and commissions).
Financial Model Key Assumptions	<p><u>Base Property Investment Assumptions:</u></p> <ul style="list-style-type: none"> • Property yield of 7%; • 50% LTV with cost of debt of 6%; • No yield improvement; • Only 1.5% rental growth (i.e. from RPI rent reviews, lettings, asset management etc.); and • 6% Distribution from Year 1 <p>Results in a 134% return on equity.</p> <p><u>Incorporate other Fund Assumptions:</u></p> <ul style="list-style-type: none"> • 100% of equity invested over 18 month period after Closing Date. 50% of equity re-invested after 4 years; • Standard (i.e. maximum) property acquisition and disposal costs (i.e. stamp duty, agents and legal fees); • All surplus income distributed as Distributions to Investors at 5-7% p.a. (this will be affected in year 1 depending on speed of investment and acquisitions. Assumed only 5.25% from year 2); • Inflation at 2.5% p.a.; • Interest on equity on deposit is 1.0% p.a.; and • Expected capital growth increase producing an IRR exceeding 10% p.a.



<p>Potential Upside</p>	<p>The IRR is 10.23% p.a.</p> <ul style="list-style-type: none"> • Equity may be invested quicker than assumed; • The average property yield is hoped to exceed 7%; • The current cost of debt (30th October 2009) is c5.2%, not 6% as assumed in the model; • It can be expected that over the next 5-7 years the market will improve in sentiment and accordingly there will be some yield improvement; • Rental growth may exceed 1.5% on the portfolio as a whole (e.g. inflation may be significant and the portfolio intends to have some RPI linked rent reviews); • Asset management initiatives will hopefully add value by way of, for example, increasing rental income, adding new accommodation or extending leases etc.; • Bank interest will hopefully exceed 1.0% p.a.; and • Savings in transaction costs. The Fund Manager hopes to save stamp duty on acquisitions that are development fundings, plus source some of the acquisitions itself.
<p>Sensitivity</p>	<ul style="list-style-type: none"> • In the event that the total Investor's Equity is £10m or £50m the IRR changes to 10.16% and 10.25% respectively; • The cash flow has been stress tested. For example (all other assumptions the same), if: <ul style="list-style-type: none"> • Return on equity reduced to 130%; • LTV is 25% and interest rate is 7.5%; and • Inflation is 4.0% Then the IRR is still 9.17%.
<p>Risk Warning</p>	<p>See Information Memorandum dated 30th October 2009. The Information Memorandum should be read by all potential investors before submitting an application form.</p>
<p>Date Summary Compiled:</p>	<p>30th October 2009.</p>