



montello

REAL ESTATE
OPPORTUNITY FUND

Private & Confidential | February 2015

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Montello is authorised and regulated by the Financial Conduct Authority (FCA). FRN: 624223

Montello Capital Partners: Overview

- Montello was established in the UK in 2008 to capitalise on the opportunity created in the real estate secured debt market, with borrowers generally unable to obtain short-term property bridging finance.
- Montello has since captured a significant proportion of the market. Monthly loan applications stand at circa £150m per month.
- The business originally funded transactions with investors on a deal-by-deal basis. Montello launched its first fund in 2010, adding the Montello Real Estate Opportunity Fund (its 3rd fund under management) at the end of 2013.
- The management team at Montello hails from top-tier legal, banking, real estate and financial organisations; their robust market experience setting them apart from the other players in the industry.
- Montello is an active member of the Association of Bridging Professionals (AOBP), the Association of Short Term Lenders (ASTL) and the National Association of Commercial Finance Brokers (NACFB).

PUBLIC PROFILE

Montello has regularly featured in industry publications and the media:



'[The Montello Real Estate Opportunity Fund] consolidates Montello's position in the market as a 'one stop shop' for real estate entrepreneurs; funding developers from acquisitions to bridging finance, through development and completion of projects'.

'Montello Launches New Fund (Property Week, 8 January 2014)

Montello Capital Partners: Management Team



CHRISTIAN FAES LLB (Hons)

Managing Partner

Christian is the Managing Partner of Montello. He has a number of years experience in the private bridging finance industry. In the 2 years prior to establishing Montello in the UK, Christian ran a bridging finance business in Australia.

He is a qualified solicitor with top-tier experience with Allens Arthur Robinson in Australia, where he was also a non-executive director of Australian fund manager Scintilla Capital. In London, Christian practised as a lawyer with Clifford Chance and then as in-house legal counsel for Deutsche Bank.



IAN THOMAS BSc (Hons)

Partner

Ian is Director of Property and Business Development at Montello. He is a qualified Chartered Surveyor, with a degree in Investment and Finance in Property. He has prior property valuation, mixed use development and investment acquisition experience in both the UK and abroad, having worked for property companies SEGRO Plc and Ballymore Property Group.



JOSEPH SAMUEL BA (Hons)

Director (Funds Management & Distribution)

Joseph has significant experience in alternative funds distribution globally, with a focus on Europe, Asia and Latin America, having raised capital for a variety of managers and strategies.

He also has experience in fund structuring, having previously set up UCITS, SICAV-SIF and UK regulated NURS and FAIF funds in a variety of jurisdictions.

Montello Real Estate Opportunity Fund

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Annual net return (target): 6-10% per annum
Share classes: GBP, USD, EUR, Institutional
Return payable: Quarterly
Investor liquidity: Monthly, with 30 days' notice

INVESTMENT STRATEGY	<ul style="list-style-type: none">• Real estate opportunities in the UK, with a focus on London and the South East of England• Opportunities include financing, joint ventures, direct and co-investment in real estate and associated securities and investments• 6-10% per annum target net return net of all fees
TRANSACTIONS	<ul style="list-style-type: none">• Transaction sizes are variable; generally ranging from £1-3 million across a range of investments• Transaction durations are generally 3-18 months
CBRE	<ul style="list-style-type: none">• Montello has partnered with CBRE, a multi-billion pound international property services business, for deal sourcing, monitoring and assistance with execution
COLLATERAL & SECURITY	<ul style="list-style-type: none">• Residential and mixed use, including commercial property• Focus on South East England, largely within the M25• 1st and/or 2nd legal charge where appropriate• Montello cross-collateralises investments for extra security
FEES	<ul style="list-style-type: none">• The fund charges an Annual Management fee of 1.95% and a performance fee of up to 25%• Returns are always reported net of all fees and charges
FUND STRUCTURE	<ul style="list-style-type: none">• Luxembourg regulated SICAV-SIF

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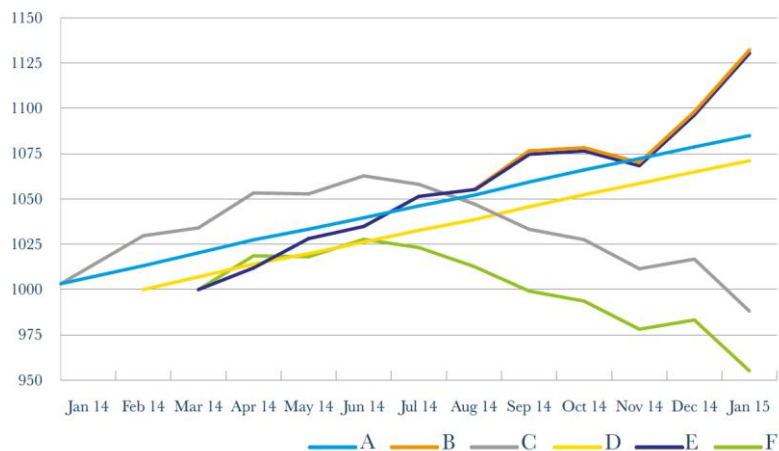
Underlying Asset Profile of the Fund



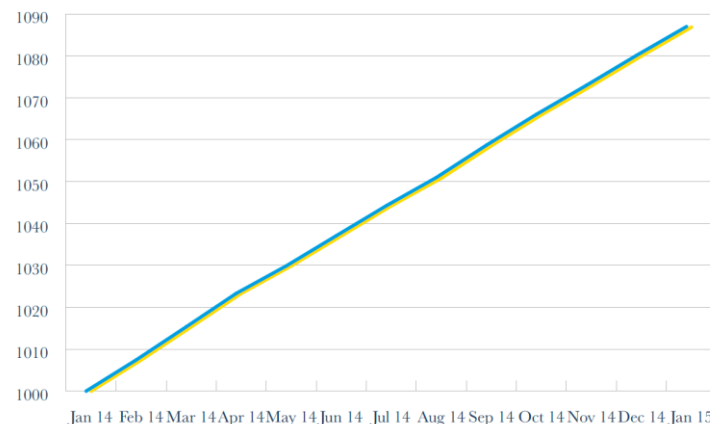
ASSETS UNDER MANAGEMENT	£30m (as at January 2015)
PORTFOLIO	Typically short-term bridging finance, secured by first charge. Additional collateral and personal guarantees taken where appropriate
DURATION	Typically 3 - 18 months (historical average: 5 - 6 months)
ASSET SIZE	Typically £250k – £3m (historical average: £0.65m)
SECTOR FOCUS	UK real estate, with an emphasis on London and the South East of England. Opportunities include financing, joint ventures, direct and co-investment in real estate and associated securities and investments

Montello Real Estate Opportunity Fund: Performance Since Inception

Share Classes A-F



Share Classes I & II



12 MONTH PERFORMANCE 2014

		Class	ISIN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	Since Inception	Annualised
Distribution	GBP	A	LU1004413578	0.6624%	0.7031%	0.7037%	0.5707%	0.6104%	0.6294%	0.5663%	0.6889%	0.6330%	0.5849%	0.6029%	0.5755%	8.4966%	7.8181%
	EUR	B	LU1004413651			1.1932%	1.6019%	0.6536%	1.6021%	0.3526%	2.0276%	0.1650%	-0.7579%	2.6192%	3.1053%	13.2278%	16.0763%
	USD	C	LU1004413735	2.3096%	0.4221%	1.8626%	-0.0491%	0.9475%	-0.4421%	-1.0187%	-1.3371%	-0.5588%	-1.5600%	0.5247%	-2.8289%	-1.1959%	-1.1044%
Capitalisation	GBP	D	LU1004413818		0.6992%	0.7030%	0.5697%	0.6266%	0.6302%	0.5683%	0.6879%	0.6347%	0.5893%	0.6040%	0.5777%	7.1104%	7.7813%
	EUR	E	LU1004413909			1.1932%	1.6019%	0.6546%	1.6041%	0.3547%	1.8445%	0.1682%	-0.7547%	2.6225%	3.1098%	13.0461%	15.8529%
	USD	F	LU1004414030			1.8618%	-0.0481%	0.9438%	-0.4421%	-1.0191%	-1.3387%	-0.5588%	-1.5605%	0.5231%	-2.8660%	-4.4944%	-5.3687%

2015

		Class	ISIN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	Since Inception	Annualised
Cap. Dis.	GBP	I	LU1004414113	0.7432%	0.7842%	0.7856%	0.6407%	0.6990%	0.6912%	0.6440%	0.7339%	0.6948%	0.6501%	0.6645%	0.6373%	8.6971%	8.6971%
	GBP	II	LU1004414204	0.7432%	0.7842%	0.7856%	0.6408%	0.6970%	0.6912%	0.6323%	0.7369%	0.6948%	0.6498%	0.6640%	0.6373%	8.6846%	8.6846%

Fund Strategy: Key Investor Benefits



Sophisticated investors are increasingly turning to alternative asset classes in order to achieve superior risk-adjusted returns, supporting both portfolio growth and diversification. Below are some key features of the Montello Real Estate Opportunity Fund:

- Low volatility returns underpinned by stable cash flows
- The short-term nature of the underlying assets ensures that the fund is not heavily interest-rate sensitive, in comparison with many fixed income and real estate debt-based investments
- A high turnover of short-dated assets ensures excellent liquidity for investors in a traditionally non-liquid asset class
- Strategy created to generate robust returns and preserve investor capital through all stages of the economic cycle
- Investment decisions are made by a committee, so there is no key-individual manager risk
- The fund is not leveraged and not correlated with public capital markets

Mitigating Risk & Capital Preservation

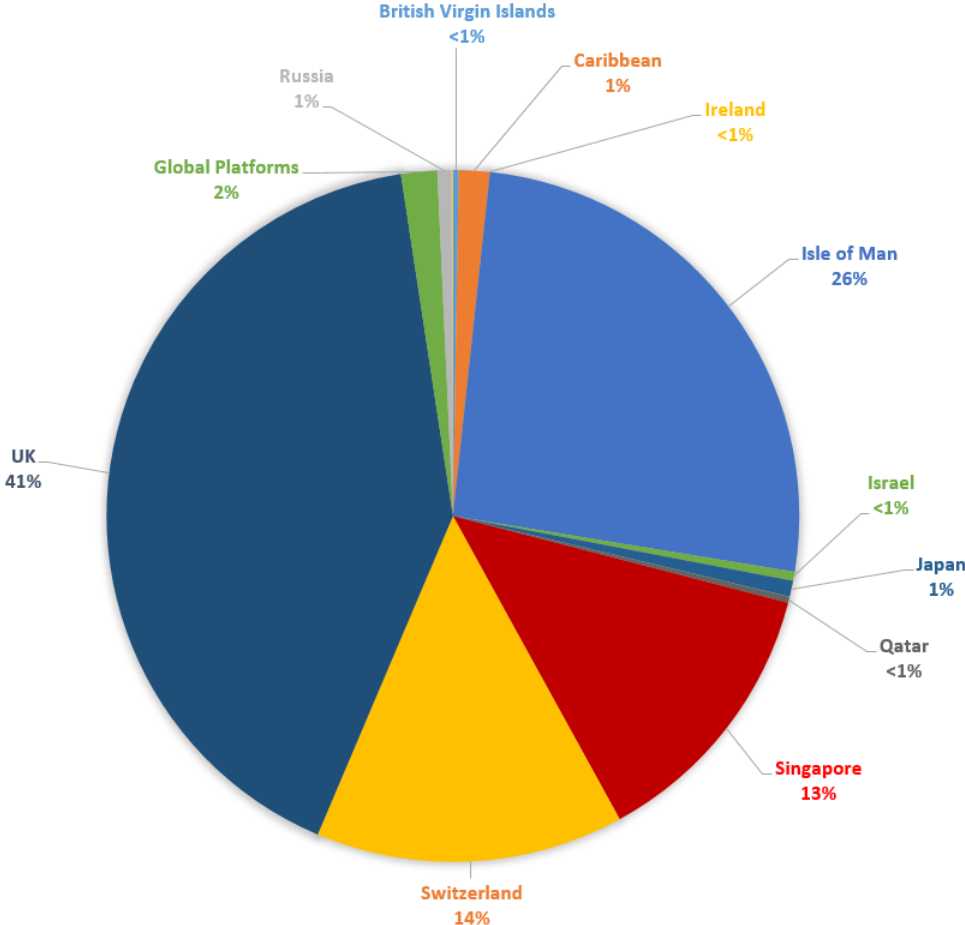


Protecting investor capital is at the heart of Montello's investment strategy.

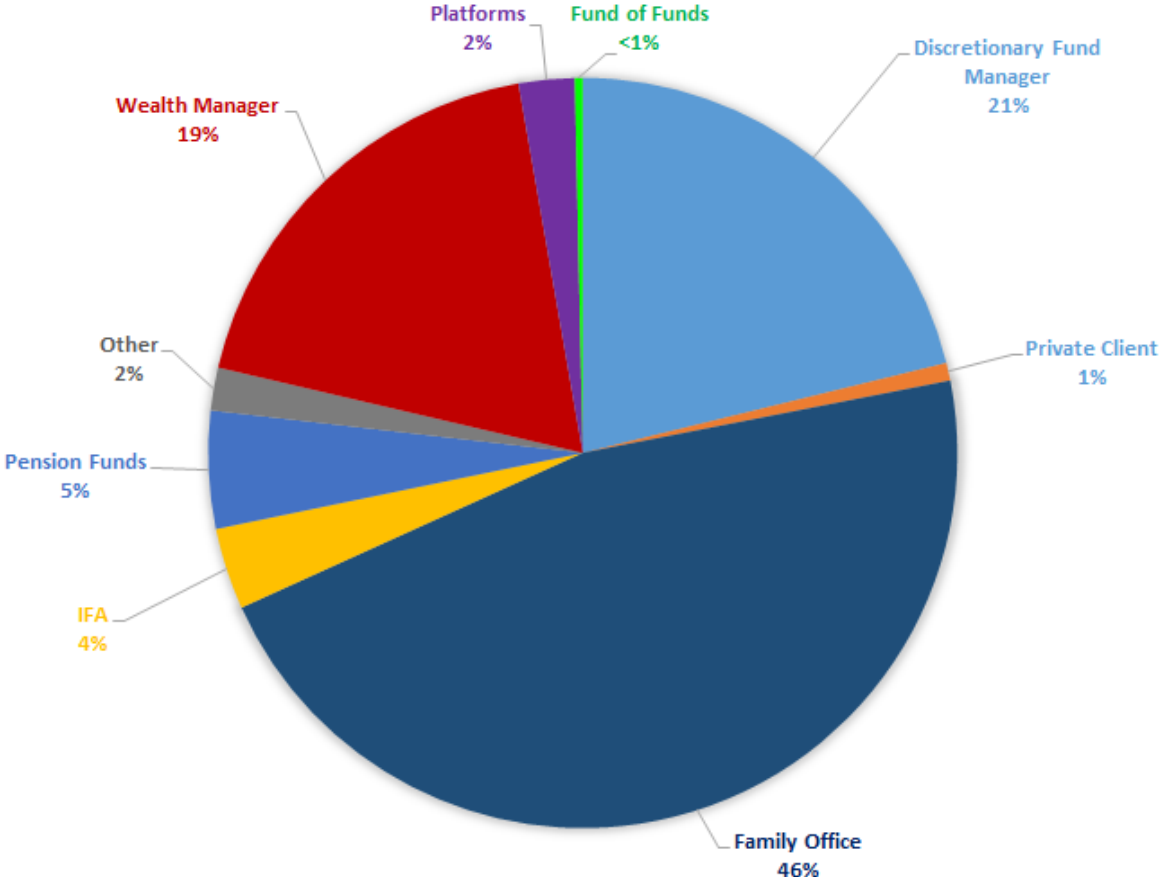
- First legal charge is typically taken over properties as security; personal guarantees and floating charges are taken where appropriate to further mitigate risk
- Many of the counterparties to the fund are repeat partners, many of whom are developers and real estate entrepreneurs. The fund's business relationships remain robust as a consequence, with Montello also having a comprehensive understanding and knowledge of counterparties' business models and exit strategies
- Montello Capital has historically financed at <75% of the value of a project, giving a >25% equity capital buffer in case security needs to be enforced
- Default rates are monitored closely by the fund; the *hard default rate* (any instance in which Montello instructs solicitors to reclaim fund monies) across all of Montello's activity is <3%. There have been no defaults of any kind in the Montello Real Estate Opportunity Fund to date
- No capital or income losses since inception in 2008
- Rigorous due diligence and internal controls process in place in order to safeguard investor capital

Montello Real Estate Opportunity Fund: Investor Capital Inflows by Region

The fund benefits from an increasingly international distribution base, with more than half of all investments held by non-UK institutions or individuals:



Montello Real Estate Opportunity Fund: Holdings by Investor Categories



Montello Real Estate Opportunity Fund: Third Party Service Providers



SOCIÉTÉ GÉNÉRALE (Luxembourg) acts as custodian bank and paying agent, providing banking and record-keeping services to the fund.



CBRE acts as transaction adviser to the fund. In addition to advising on transactions with which the Montello Real Estate Opportunity Fund is involved, CBRE will also assist in an ongoing role of portfolio management and, where appropriate, with originating transactions for the fund.



PwC acts as the appointed auditors to the fund, ensuring a robust and transparent governance structure.



Apex Fund Services provides the fund with NAV calculations and associated fund administration services.



PwC Legal LLP is a member of the PwC international network of firms. PwC Legal is a law firm in its own right which provides the fund with specialist legal advice.

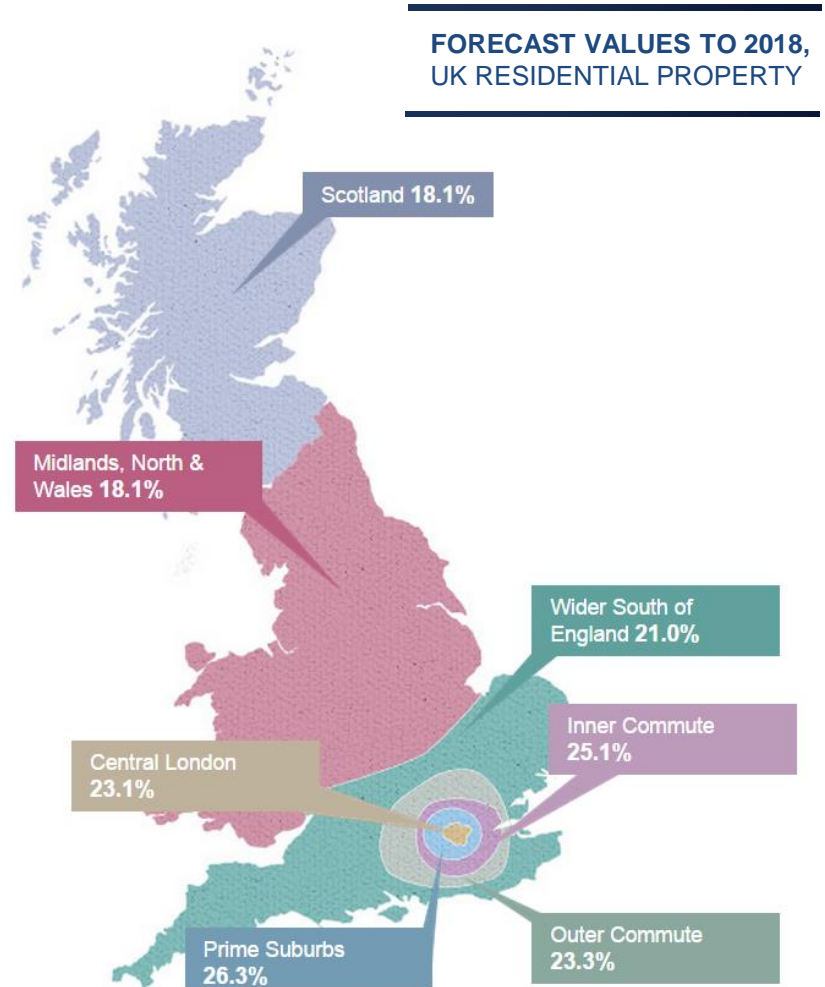


LFP is a fund management company, regulated by the CSSF and operating under chapter 15 of the UCITS law dated December 17th 2010.

LFP supervises the fund, a requirement under Luxembourgish law for funds operating under the SIF regulated framework.

Market Environment for UK Real Estate Finance

- Strong market outlook for house price growth over the next four years, supported by a structural supply/demand imbalance and a lack of affordable housing
- Central London residential property to rise by 23% over the next four years
- “(Real estate) investors remain firmly in buying mode” – *UK Real Estate Predictions*, Deloitte 2014
- Interest rates expected to start rising gradually from early 2015 to head off longer term inflationary risks, including overheating in the housing market
- UK overall economy expected to grow by around 3% in 2014 and 2.6% in 2015
- The UK employment rate is now 73%, close to its all-time high of 73.2%

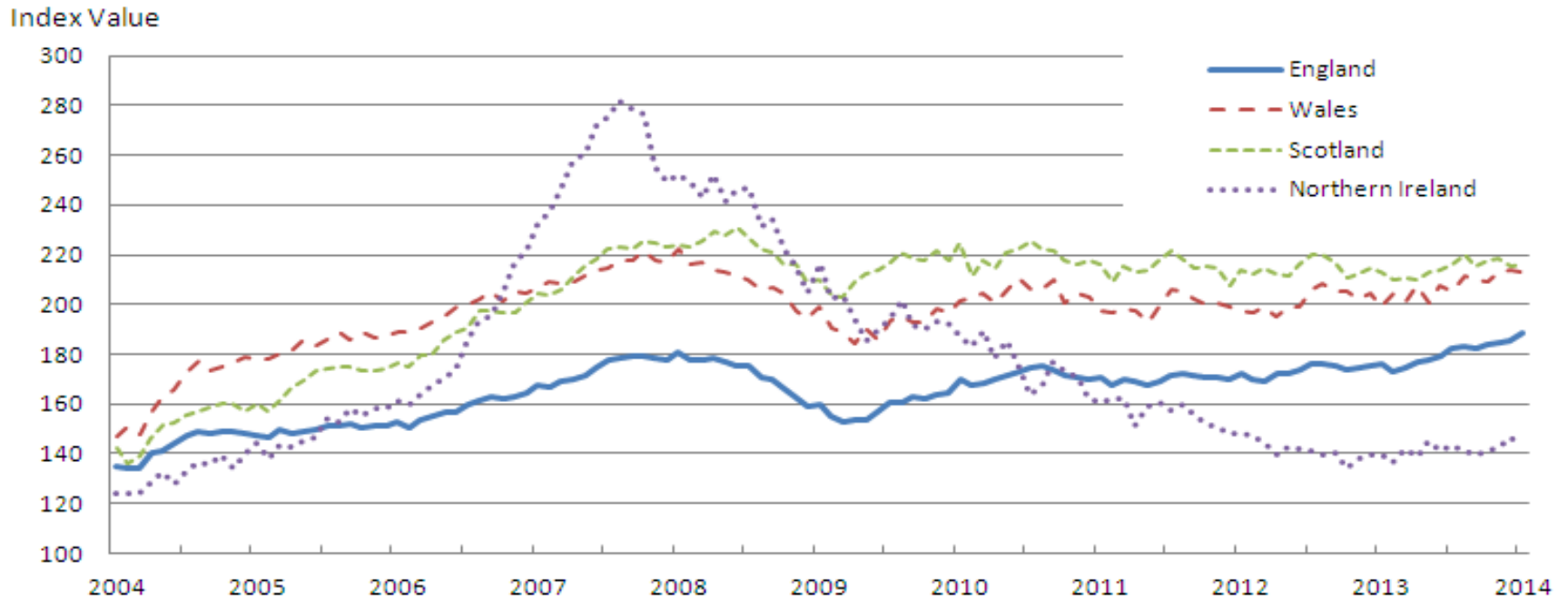


Source: Savills, 2014

UK House Price Index: Historic Trend

Steadily rising real estate markets, underpinned by fundamental economic factors such as the long-standing supply/demand disparity in the UK serves to support Montello's conservative investment strategy.

The chart below demonstrates real estate price trends over the past ten years; prices have recovered steadily since the 2008 crisis, and remain on a conservative upward trajectory.



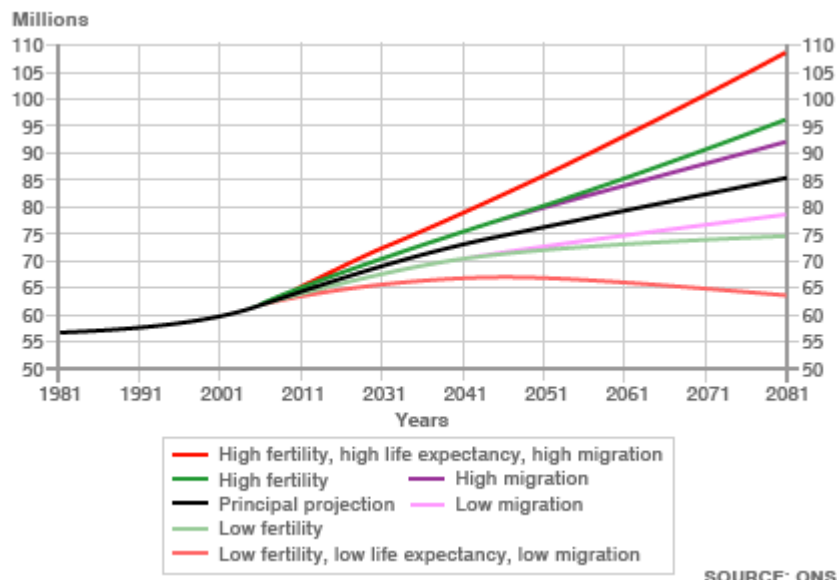
Source: Office for National Statistics, 2014

UK Real Estate: Supply/Demand Imbalance

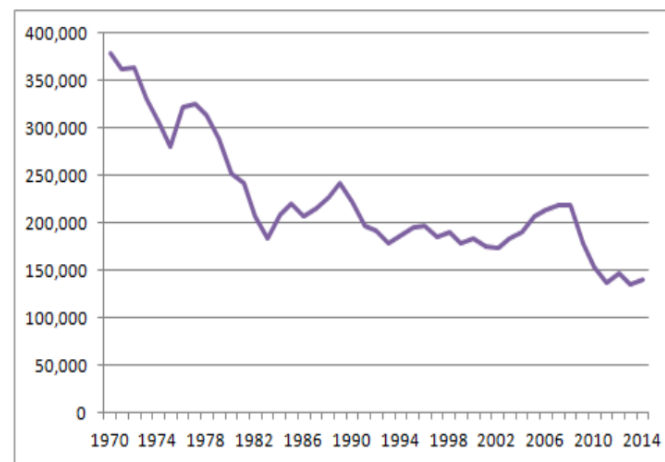
The charts below give an overview of the structural imbalance of supply/demand disparity in the UK housing market, supporting long-term price increases. London price growth continues to be underpinned by this phenomenon; population is soaring, with estimates that it will reach a population of 9.4 million by 2022. This growth in population is creating an overwhelming demand for new homes, well outstripping supply of new properties to the market.

This structural under-supply in the UK market and tight planning policies will serve to support prices. The recent minor market adjustment is not anticipated to lead to a significant fall in prices; it will rather serve to remove some of the froth and over-exuberance from the market allowing prices to settle into a more normal pattern of growth.

UK Population Trends and Projections, 1981 to 2081

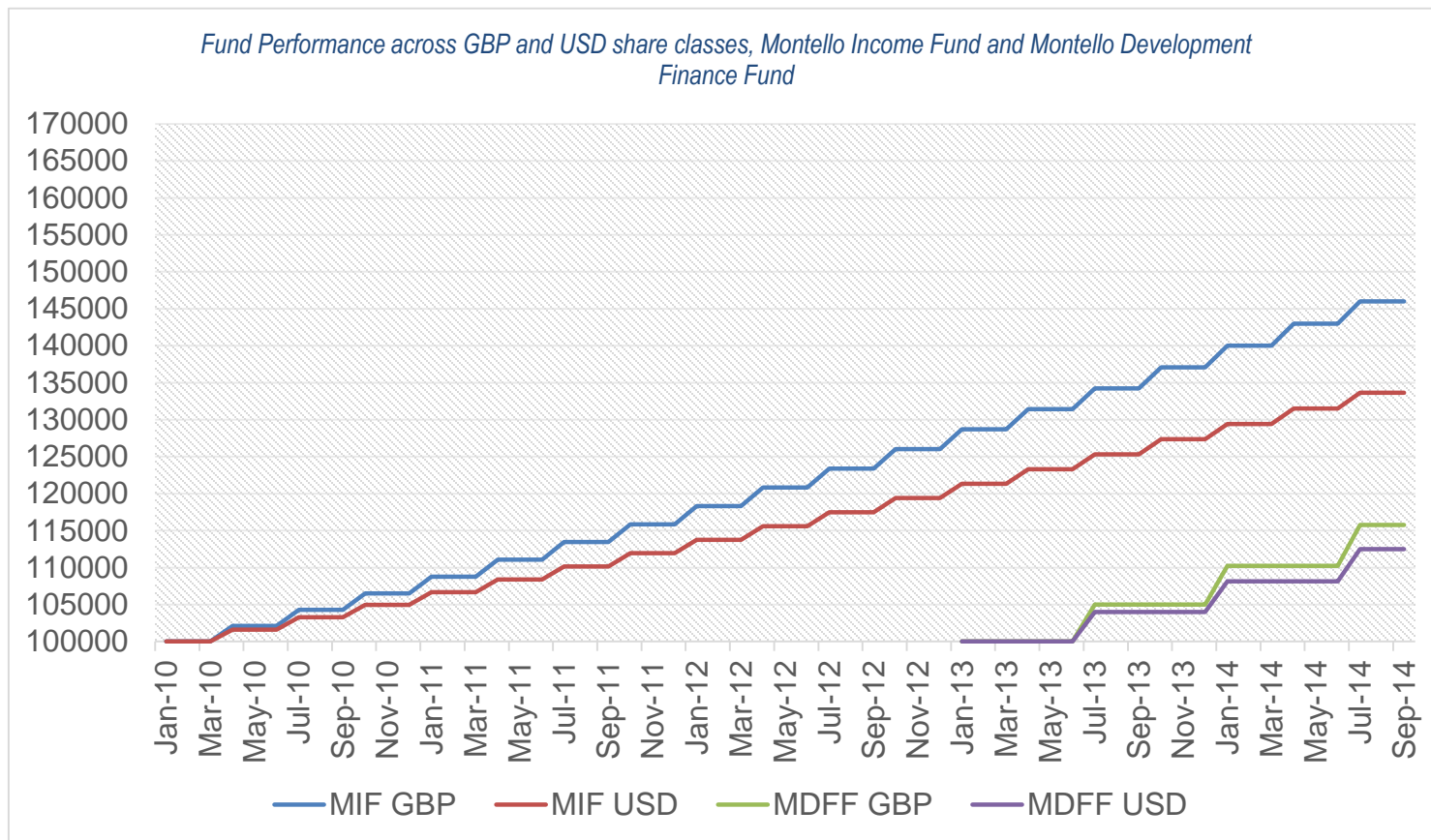


UK house building, permanent dwellings completed financial years 1970 to 2014



Source: Office for National Statistics, 2014

Montello Capital Management: Historic Funds Performance



- All Montello funds have a 100% track record of paying their targeted returns in full without delay
- £100,000 invested with Montello in Feb 2010, would now be worth £149,111;
- This 4 year+ performance represents a cumulative return of more than **49%**

Montello Funds: Investment Accessibility

MONTELLO FUNDS ARE AVAILABLE VIA:

Platforms

- Ascentric
- Nucleus
- Platform One
- Transact
- AMI e-Portfolio Solutions
- FundSettle
- Innovest

Offshore bonds

- Generali
- Friends Life
- Canada Life
- RL360
- SEB
- Legal & General
- Belvedere International
- Clerical Medical (Scottish Widows)
- AXA International
- Innovest
- Integralife - Transact Offshore Bond
- Lombard
- Prudential

▪ SIPP/SSAS

- Aegon
- AXA
- Brooklands Pensions
- Carey Pensions
- DA Phillips
- EPML
- Hornbuckle Mitchell
- I.P.M. Pensions
- James Hay
- Liverpool Victoria
- Origen
- Sippcentre
- Standard Life
- Suffolk Life
- XAfinity
- Zurich





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