

The Prime London Capital Fund: a smart way to invest?

Interview with Stephen Yorke, CEO and Partner of D&G Asset Management



Q: What is the Prime London Capital Fund?

A: It is a property unit trust that invests solely in the very best Prime Central London (PCL) residential property. It invests in the highest quality Prime London real estate. To acquire the best PCL property directly you need to be wealthy and patient, or both, because the entry point is probably over £500,000 and there is a shortage of good stock. Via this Fund you can gain access to the best Prime London property for only £10,000 and you do not have to worry about acquiring your asset and/or managing it.

Q: How do you define Prime Central London?

A: The high value residential areas of Mayfair, Belgravia, Knightsbridge, Chelsea, Kensington, Holland Park, Notting Hill, St Johns Wood, Regents Park and Hampstead.

Q: If I am worried that the stock market looks topsy should I invest in Prime London Property?

A: The FTSE All-Share and UK equities generally have a very low correlation to PCL. What has tended to happen over the last 20+ years is that when the FTSE has done well PCL has benefited 12-18 months later. But crucially, when the FTSE and global equity markets have gone through one of their periods of volatility and heavy falls, PCL has not fallen too. This has meant that investors in PCL have historically done well when the global equity markets have been strong but have not suffered when those markets have weakened. This is probably down to the fact that owners of PCL either do not need to, or do not want to, sell when the UK economic climate/interest rate outlook worsens.

Q: I keep reading that UK house prices are about to crash – is this really a good time to invest?

A The comments that have been in the press have all related to **UK** house prices, not Prime Central London prices.

1.0 The two markets are totally different and distinct (see D&GIM 'Classic Diversification'). What happens to UK prices has very little relevance to the PCL market. In fact, even those who think that UK house prices will fall soon have concluded that the exception will be Prime London;

2.0 **UK** house prices are moderating and thank goodness after very strong 100% growth since 2003. But Prime London is a totally different market and has only risen by about 40% in that same 4 year period.

Property professionals consider that PCL is set for further price gains:

- Savills residential research forecasts 15% capital growth for 2007 in PCL;
- Knight Frank, in its winter 2006 report, 'we anticipate price growth in prime central London to maintain its strength over the coming months';
- 'We predict double-digit price growth in Prime London sales market over the coming 12 months'. Source: Primelocation.com

Q: What edge will the Fund have?

A: This market is an imperfect one. Not everyone has access to the same information. About 20% of the agents now control 80% of the market and that market is approximately a £6 billion a year one. Some of the very best properties never get marketed openly. Through its contacts, network and strong relationships with top agents, the Fund has access to the best information and properties. This will allow investors in the Fund to benefit from that advantage over the 'normal' PCL buyer.



IMPORTANT NOTICE The Fund is not a recognised collective investment scheme for the purposes of the Financial Services and Markets Act 2000. The promotion of the Fund in the United Kingdom is consequently restricted by law. The information above (which has not been issued by, and whose contents have not been approved by, an authorised person for the purpose of the Act) is directed only at investment professionals as defined in Article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes (Exemptions) Order 2001) and other persons falling within the exemptions set out in that Order. Prospective investors should not treat the contents of this document as advice relating to legal, taxation, investment or any other matters and are recommended to consult their own professional advisers concerning the consequences of their acquiring, holding or disposing of units in the Fund.

'If you invest via this Fund you can gain access to the best Prime London property for only £10,000 and you do not have to worry about acquiring your asset and/or then managing it.'



Q: What else can you tell me about the Fund?

1.0 We have over 50 years of experience in the PCL market as investors, buyers, sellers, managers and valuers. We look for and source high quality PCL investments that we are confident will let well, and produce a good, steady cash yield. This is a labour and time-intensive business and one that non-PCL experts would find too time-consuming and unprofitable;

2.0 The most that the Fund will ever have to redeem in any one quarter is 2% of the Net Asset Value of the Fund. This means that although there is some liquidity for investors (8% a year), the Fund knows what it needs to keep in reserve as cash to meet redemptions. The rest of the Fund will be invested in actual bricks and mortar and those who wish to remain invested will never be disadvantaged because of redemptions.

Q: Can I invest my SIPP in the Fund?

A: Yes but you need to check with your own SIPP Trustees.

Q: How would you define your investment strategy?

A: Keep it simple and stick to what you know. An awful lot of rubbish is spoken about investment and a lot of jargon used. Here is what we will do:

1.0 Use our long experience and contacts to buy the best PCL properties;

2.0 Improve those properties (developing, re-decorating and/or improving the lease length);

3.0 Match rental demand with property supply. Every quarter we can examine the lettings market, see where demand is and try to match it to ensure the best possible yield for the Fund;

4.0 Keep costs and fees to a minimum. A normal buy-to-let PCL investor would have to pay away up to 18% of gross rent to the agent. This Fund will pay no more than 13%.

Q: Is the Fund regulated?

A: Yes. It is a Class B Guernsey collective investment scheme and is regulated by the GFSC. The Fund is not regulated by the UK FSA however, and therefore, anyone interested in investing in the Fund should ask his IFA about it first.

Q: What is the tax position for a UK investor?

A: You will pay income tax on any distribution that the Fund makes but it is the intention of the manager to keep that to a negligible amount each year. You will pay UK Capital Gains Tax on any gains in value of the units but you will be entitled to normal taper relief on those gains. Your SIPP would pay no tax on income or capital gains.

Q: What do I do if I want more information?

A: Either telephone D&GAM on 0207 9634622 or e-mail on info@dnngam.co.uk, or contact your Independent Financial Adviser.