



COMMERCIAL REAL ESTATE FUNDS

“I’d rather have one percent of the
efforts of 100 people than
100 percent of my own efforts”

Jean Paul Getty,

*Anglo-American industrialist, the founder of the Getty Oil Company,
in 1957 Fortune magazine named him the richest living American.*

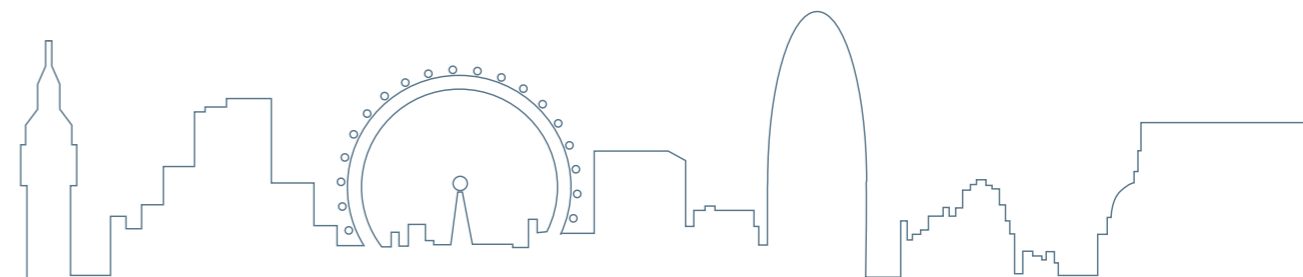
Ideology

A Consulco client may invest alongside other coinvestors in a commercial real estate mutual fund.

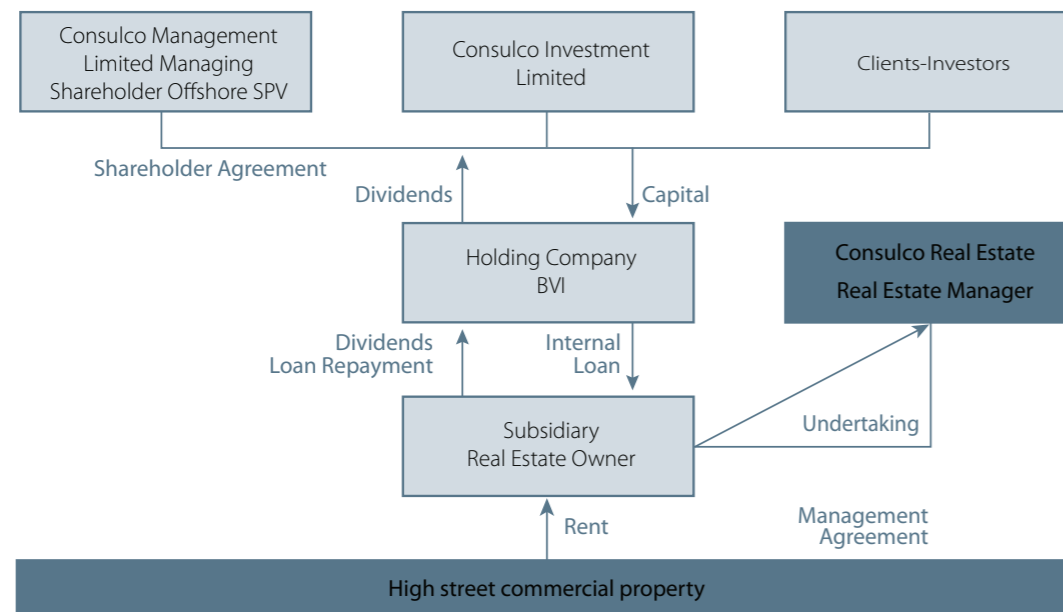
The main purpose of the fund is to pool together assets of like-minded investors, to increase their purchase and diversification capacity. All investors have equal rights to the profits of the fund.

The objective of the fund is to achieve stable net returns from rents and a capital appreciation of the underlying fund assets.

Consulco Real Estate (CRE), a London based company, acts as the manager of the fund properties. Discretion over property selection, price negotiation, tenant relations, timing of the sale and pricing remains with CRE.



Legal Structure



The investment is made through a two tier BVI company structure. The Consulco investor becomes a shareholder of the top holding company, and receives shares in the direct proportion of capital invested to the total capital of the company.

This holding company in turn owns 100% the subsidiary, which owns the real estate assets directly. Full conditions of the participation are set out of the shareholders agreement.

Types of Property

High street commercial property

Although each fund may have a different theme, there are common general features for properties which we focus on.

- Property - high street commercial retail. Shops, restaurants and similar.
- Location - central London, high footfall, high visibility.
- Yield - initial yield upwards of 4%.
- Development potential - properties close to large developments or transport hubs nearing completion, properties, which may be enlarged with planning permission.

Length of Investment Period

The fund usually goes through an “invitation” stage which lasts for a numbers of months. During this time, investors arrange their participation and capital injections, and the fund manager selects and purchases the fund properties. Once the fund is fully invested, it will operate from 5 to 7 years, and then disinvest and distribute the proceeds to the co-investors.

Our Role

I. Co-investor

Consulco usually puts up the initial investment to get the fund started. Unusually for the mutual fund industry, and favorably for the coinvestors, we will remain a major coinvestor for the duration of the fund’s life.

II. Fund manager

Through Consulco Management, Consulco will retain full decision making powers regarding the management of the fund.

III. Real Estate Manager

CRE acts as the manager of the properties, in accordance with the management contract it has with the fund company which owns the properties. CRE undertakes the following:

- Sourcing, selecting and evaluating potential London property investments.
- Full research and analysis of the financial potential of the property investment opportunity.
- Review and preliminary approval by Consulco directors.
- Negotiating the terms of potential property acquisitions.
- Attending to all due diligence work for property investment acquisitions including legal due diligence, independent valuation and structural survey.
- Tax structuring and tax optimization for property investments.
- Review and final approval by Consulco directors.
- Accounting, corporate and financial compliance.
- Active property management to add capital and rental value to the property investments including rent review negotiations, replacing tenants, building and renting extra floor space where applicable, renovations to add value etc.
- Regular visits to the tenants and active relationship management.
- Production of management reports for investors.
- Attending to the promotion and sale of the property: disinvestment and distribution of profits to the investors.

Fee Structure

The fee structure consists of 2 parts.

Part I Administrative fee.

Consulco charges a flat annual percentage fee of the capital invested. This fee is paid quarterly in arrears.

Part II Success fee.

A percentage fee is charged from the total net after tax profit arising from the rental income of the property, and on the net capital gain achieved from the disposal of the property, accumulated over the life of the fund.

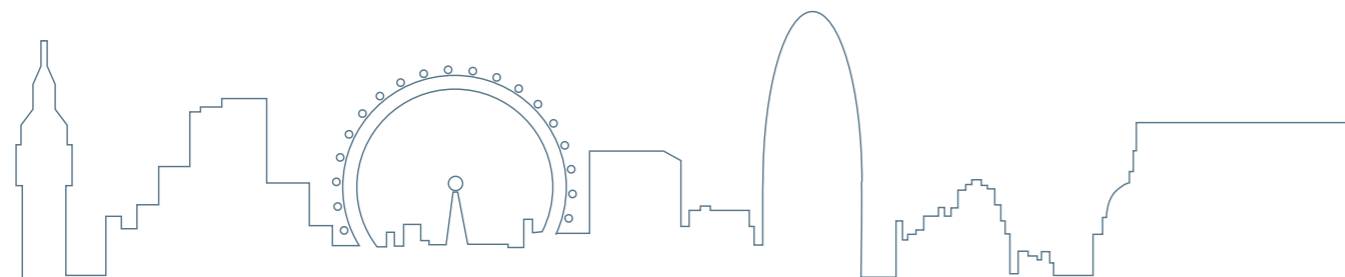
This is paid upon the completion of the sale. In other words, Consulco receives the success fee at the very end of the fund's life, and only if the fund has made a net profit over its duration.

Disclaimer

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Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation and needs. The information contained herein has been obtained from sources that we believe to be reliable, but its accuracy and completeness are not guaranteed. Any examples shown are purely hypothetical and have been included for demonstrational purposes only.

The performance of, or any particular repayment of capital is not guaranteed. Returns linked to currencies may increase or decrease as a result of currency fluctuations. Tax treatments depend on the individual circumstances and may be subject to change in the future.



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