



# Seven Dials European Property Fund

## Q3 2009 Update

### **1. NAV\* Movements in the three months to September 2009**

\*Please note that the NAVs reported below are indicative only. The Fund has suspended dealing and the official calculation and publication of net asset values.

We report indicative falls in the Fund NAVs in the quarter to 30<sup>th</sup> September 2009 of around 8%. This movement reflects assumed falls in the underlying property values. Further details are given below.

#### **Fund NAVs as at 30th September**

Share Class	Bid NAV	Jun 09 NAV	Change
A	6.09	6.62	(8.0)%
B	6.12	6.65	(8.0)%
C	6.14	6.66	(7.8)%
R	5.93	6.45	(8.1)%
P	5.96	6.47	(7.9)%

### **2. Performance Analysis**

As in previous quarters, the portfolios of the underlying funds have not been re-valued, but the Manager has assumed a market fall of 10% p.a. Both portfolios will be re-valued in December 2009.

Over the last few months there has been a marked change in sentiment towards UK property as yields have stabilised. A similar pattern is emerging in continental Europe where there is now competition for the best assets being sold. We expect general market yields in Western Europe to have stabilised by the end of the year.

The underlying funds have so far done a good job in maintaining income levels but this is the biggest risk area in the immediate future. Although yields may be stabilising, the occupational market is likely to continue to deteriorate for some time to come, leading to weaker rental growth and higher vacancy levels.



### **3. Outlook**

With regard to the current suspension on dealing, the Directors do not expect to be able to lift it until markets stabilise and a degree of liquidity is evident in the Fund's underlying interests. We are seeing the beginning of the stabilisation phase but it remains very difficult to anticipate how long it will be before a degree of liquidity returns to secondary interests in funds and so, unfortunately, no early resumption of dealing is anticipated.

A more detailed analysis of the Fund's performance and prospects will be possible following the end of year results.

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