

# THE LUCENT STRATEGIC LAND FUND

A Dedicated Fund of the KMG SICAV - SIF

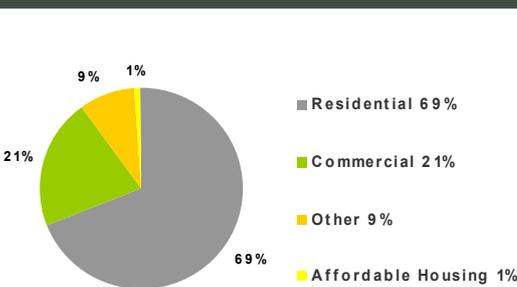


FACTSHEET JUNE 2011

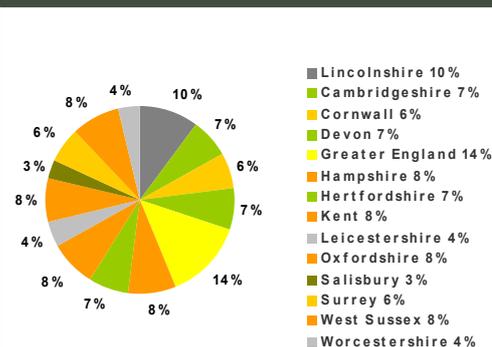
## KEY FACTS:

Launch Date: **17th September 2010**  
 Launch Price: **1000 per share**  
 Base Currency: **GBP**  
 Status: **SICAV - SIF, Lux Domiciled**  
 Shares: **Capitalisation**  
 Dealing: **Monthly**  
 Redemption: **Quarterly**  
 Minimum Initial Investment:  
**Class A:**  
**GBP 10,000, USD 15,000, EUR 15,000**  
**Class B:**  
**GBP 25,000, USD 40,000, EUR 40,000**  
**Class A2: GBP 10,000**  
**Annual Management Charge**  
 Class A and Class A2 = 1.6% pa  
 Class B = 0.85%  
**Subscription Charge**  
 Class A and A2 — no charge: 100% allocation  
 Class B Shares will be subject to a maximum subscription charge of 5%  
**Redemption Charge**  
 Class A – 6% reducing by 1.2% p.a. over 5 years  
 Class A2 – 5% reducing by 1% p.a. over 5 years  
 Class B – no redemption charge but a 12 month tie in on new investment.  
**Performance fee**  
 20% of any net profits after a monthly hurdle of 0.65% is achieved. A high water mark principle is applied. Equivalent to a compounded rate in excess of 8% per annum.

## EXPECTED ASSET ALLOCATION BY LAND USE



## EXPECTED GEOGRAPHICAL ASSET ALLOCATION ON SECOND ANNIVERSARY



## FUND OVERVIEW:

The Lucent Strategic Land Fund (LSLF), is an Open Ended SICAV- SIF domiciled in Luxembourg. LSLF commenced operations in September 2010 with the investment objective of providing capital gains in excess of 12% p.a. through a targeted land acquisition program of land sites in high growth areas throughout England.

The fund will acquire land assets which have been identified for residential development within its relevant Local Plan but prior to the grant of planning permission. This targeted acquisition strategy is aimed at mitigating planning risk while enabling shareholders to benefit from the largest capital gain anywhere within the real estate cycle. Following an intensive acquisition and planning period the fund will begin to deliver ready-to-build sites to the housebuilding market in approximately an 18 – 24 month period as demand for development land peaks and the housing market and the economy resumes an upward trajectory.

## STRATEGY:

Regional and National Housebuilders are increasingly focusing their efforts on housing delivery rather than investing in strategic land for development because of the constraints on their equity resources and the need to increase operating margins. Housebuilders are being forced to adapt to a less capital intensive model, which means finding ways of engineering down building costs and focusing on selling houses. Finding more capital effective means of acquiring land ready for development is essential to them.

This has created a gap in the market where the Lucent Strategic Land Fund is ideally positioned to act as the leading platform in preparing and delivering land ready for construction. Lucent undertakes the acquisition, design, master planning and promotion of strategic sites and then sells consented land on to the housebuilder market. This approach is fully aligned with the government's housing delivery initiatives and Localism agenda.

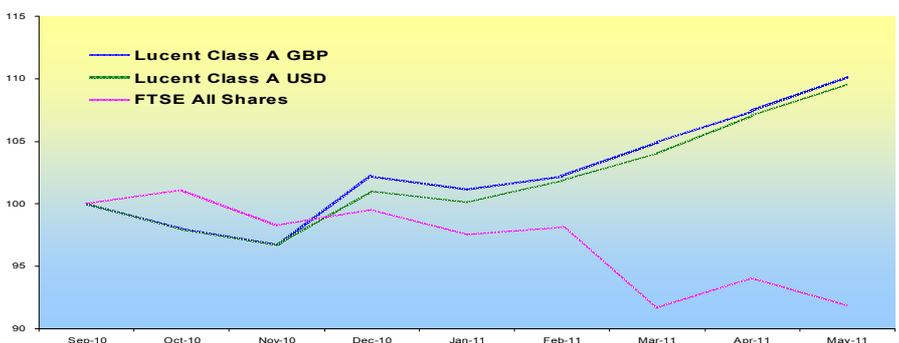
## VALUATION METHODOLOGY:

The value of the land (or the contract to buy land) in land planning projects and the expected appreciation between the Total Cost and the Sale Proceeds is not expected to occur in a straight line over the Time Frame. Instead there is likely to be one or more 'spikes' in the value as and when successful planning steps are achieved. The timing of these will be guided by established planning timeframes within the emerging Local Development Framework which applies to a specific asset. The fact that these planning timeframes are established by government will enable the Investment Adviser to partially anticipate general timeframes in which spikes in value should occur. Independent valuations will be used to verify this increase in value.

## NAV PERFORMANCE PER SHARE AS AT: 31/05/2011

Share Class	Currency	NAV	1 Month	6 Month
A	GBP	1091.86	+2.52%	+13.83%
A	USD	1079.71	+2.35%	+13.33%
A	EUR	1125.07	+2.54%	+12.51%
A2	GBP	1000.00	n/a	n/a
B	GBP	1101.64	+2.59%	+14.85%
B	USD	1086.15	+2.51%	n/a
B	EUR	1000.00	n/a	n/a

## NAV PERFORMANCE :



## MARKET OVERVIEW:

- The UK is witness to an acute housing crisis which has been created by a chronic lack of supply over the last few decades, exacerbated recently by temporary economic factors<sup>1</sup>.
- Official projections show the need for an additional 232,000 homes in England per year just to meet growth in the number of households<sup>2</sup>.
- In 2009 England saw the lowest peacetime house building rate since 1923 – just 118,000 completions; creating a shortfall of well over 100,000 homes in 2010 with a total housing starts of only 87,690.
- A recent YouGov Survey showed that more than 80% of people in the UK think more homes are a necessity<sup>3</sup>.
- 85% of people in England want to be home owners within ten years<sup>4</sup>
- As housebuilding has fallen, household creation has risen leaving a huge gap between demand and supply.
- In all areas of England the need for an increase in housing supply equates to increases of more than 100% of units constructed. \*\*
- In Yorkshire and the Humber (including North Lincolnshire) the Communities need an increase of supply of over 300% from the current very low base to meet current household growth. \*\*
- According to the DCLG in a report published in November 2010, the number of households in England is projected to grow to 27.5 million by 2033, an increase of 5.8 million homes (27%) over 2008<sup>5</sup>
- The New Homes Bonus, the Coalition Government's house building incentive program, offering Local Authorities match funding of council tax on new homes for 6 years, could see additional Government investment of over £1.2 billion annually in meeting the official household projections. \*\*
- England has seen a revival of residential planning approvals in 2010 as house builders gain traction in the market and begin to replenish their stock of land benefiting from planning consent.
- The revival in residential approvals has been strongest across the Midlands and the North of England.
- The number of residential units securing planning approval in the first nine months of 2010 in the Midlands was 41% up on 2009 and 9 across the North of England<sup>6</sup>

## PERFORMANCE:

LSLF has secured its first acquisition which forms phase one of the heralded Lincolnshire Lakes urban extension in North Lincolnshire. The fund has entered into an Exclusivity Agreement with the Local Authority to act as Master Developer for the entire Lincolnshire Lakes area which is aligned with a £5bn investment into the Humber Gateway. The subject site will support up to 3,000 new homes and 25k sq m of commercial space.

## GOVERNANCE:

Global Investment Manager	<b>KMG Capital Markets Luxembourg S.A.</b>
Independent Auditor:	<b>Deloitte S.A.</b>
Valuer:	<b>BNP Paribas Real Estate</b>
Custodian & Principal Paying agent:	<b>KBL European Private Bankers S.A.</b>
Administrative Registrar and Transfer Agent:	<b>Kredietrust S.A. Luxembourg</b>
Fund Bankers:	<b>Kredietbank S.A. Luxembourg</b>
Legal Advisors:	<b>Global Finance Consult and Elvinger Hoss &amp; Prussen</b>
Domiciliary:	<b>Kredietrust S.A. Luxembourg</b>

1 [http://www.rics.org/site/scripts/press\\_article.aspx?pressreleaseID=346&categoryID=509](http://www.rics.org/site/scripts/press_article.aspx?pressreleaseID=346&categoryID=509). 2 DCLG Live Tables (table 403: Household projections by region, England, 1971 – 2033). 3 YouGov survey for the New Homes Marketing Board – <http://tiny.cc/y1w0s>. 4 YouGov Survey for the CML – <http://www.cml.org.uk/cml/edia/press/2708>. 5 DCLG Live Tables (Table 208 House building: permanent dwellings started by tenure and country). 6 HBF New Housing Pipeline (Quarterly Report, December 2010). \*\* HBF: Building a Recovery (December 2010 ).

## ABOUT THE ADVISER:

Lucent Advisors Limited is a land site assembly business led by a senior professional team with combined real estate experience totalling over 75 years and collective transactions exceeding £1bn, incorporating real estate acquisition, planning, development, banking and project management. The Lucent team has an excellent reputation as operational partners acting in multiple joint ventures and co-investments with global institutional investors. With a base in the Isle of Man, the Lucent team are specialists in strategic land site assembly throughout the UK.

Lucent operates a "Top-down" analysis of macroeconomic trends in the wider economy as well as demographic, social and political trends or influences to identify land opportunities and growth areas throughout England.

Site specific research and analysis of opportunities is carried out by looking at individual assets and specific opportunities to create value through planning and design around that asset in its local market.

Our Land Team in conjunction with the Finance Team carries out an initial financial / conceptual analysis to establish whether an opportunity is worth looking at in more detail.

Detailed financial modelling follows the initial screen. A detailed financial model is created so that all assumptions can be flexed to present a range of scenarios, from the base case, to those required to achieve super-returns. This enables us to see clearly what factors the project returns would be most or least sensitive to.

Before we acquire any land site we carry out extensive due diligence together with our planning and site investigation teams, valuers, legal and tax advisers. This ensures that we are fully aware of the status of the site that we are buying and that we have correctly assessed our investment return and financial exposure as a result of such a transaction.

As a result of the detailed due diligence that we carry out at pre-acquisition, our planning experts are able to put together a detailed business plan to ensure that each site is effectively promoted through the planning process and that design efficiency is utilised to maximise profitability.

Final Lucent Board sign off is required before any recommendation is made to the Global Investment Manager (GIM) of the Lucent Strategic Land Fund, or any indicative or binding offers are submitted on their behalf.

Lucent has comprehensive in house asset advisory capability to oversee all land sites through the planning process, taking control of the site assembly specific opportunities and all strategic decisions such as design work and submitting planning applications. Site assembly projects under management with Lucent have specific returns criteria based on Internal Rate of Return (IRR) expectations. Project expenditure is rigorously scrutinised to ensure that cost savings are accrued throughout the life of each project, always aiming to exceed IRR expectations.

SHARE CLASS	£ / \$ / €	ISIN	BLOOMBERG TICKER
A	EUR	LU0517777438	KMGLDAE LX
A	GBP	LU0517777271	KMGLDAG LX
A2	GBP	LU0517777511	KMGLDA2 LX
A	USD	LU0517777354	KMGLDAU LX
B	EUR	LU0517777867	KMGLDBE LX
B	GBP	LU0517777602	KMGLDBG LX
B	USD	LU0517777784	KMGLDBU LX

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## The Lucent Strategic Land Fund - Disclaimer

The Lucent Strategic Land Fund is a Dedicated Fund of KMG SICAV – SIF, a Luxembourg-registered "Société d'Investissement à Capital Variable" organised under Luxembourg Law of 13th February 2007 relating to specialised investment funds (SICAV-SIF) and regulated by the "Commission de Surveillance du Secteur Financier" (CSSF), the Luxembourg financial services authority. In accordance with the risks associated with KMG SICAV – SIF, the shareholders have to be "well-informed", "institutional/professional" investors. No guarantee is given or intended as to the completeness, timeliness, or adequacy of the information provided herewith.

Past performance of any investment is not always indicative of future performance and investments are subject to fluctuations in exchange rates. The value of the fund and its share classes are calculated without taking into account any placement or redemption fees and assuming constant reinvestments of dividends. The information given on this page does not constitute an offer nor a product recommendation, it is provided for individual information purposes only. This is not a fund offering as specified by law. Such a document is obtainable free of charge at the registered office of KMG SICAV – SIF.