



**Contains Connected
Research***

A Directory of London Listed Overseas Property Funds



This is the third publication of The Oriel Securities Directory Of Overseas Property Funds ('OPFs'), containing commentary on some 62 companies and funds.

With virtually all OPFs trading on discounts to NAV, their very raison d'être is increasingly being questioned by the market. In this context we examine:

Overseas Property Markets. Do the many countries and markets to which OPFs are exposed represent good value to investors when compared to a repriced (still repricing?) UK property sector.

External Management. This management structure, prevalent across much of the OPF sector, is a concern to many investors. We highlight some of the main issues, being recurring management fees, performance fees, contract length and lack of board engagement.

Effecting Change. How might the sector evolve? We highlight the potential for M&A and other corporate/contractual change.

Our top picks include:

- **Unitech Corporate Parks** (Indian business park development)
- **Macau Property Opportunities Fund** (Residential development)
- **Alpha Pyrenees** (French business space specialist - 9% dividend yield)
- **Spazio Investment** (Italian industrial specialist - 10% dividend yield)
- **Plaza Centers** (Highly experienced, internally managed pan-CEE shopping centre developer)

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Priced at 7 March 2008

Overview

This is the third publication of The Oriel Securities Directory Of Overseas Property Funds ('OPFs').

Via the OPF sector, London market investors are able to invest in:

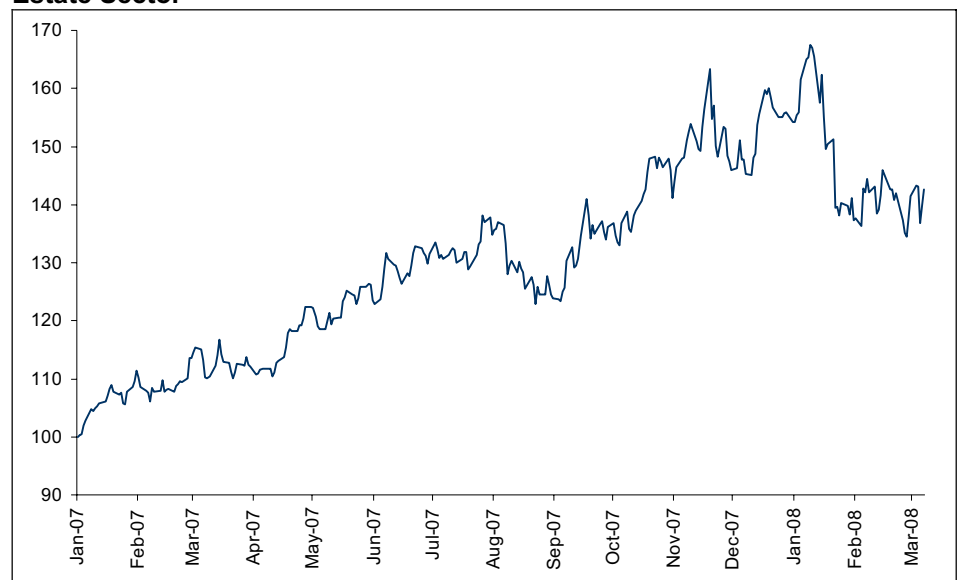
- Western, Northern, Central and Eastern Europe, as well as South Africa, Brazil, Caribbean, India, Japan, Mainland China, Macau, Malaysia and Vietnam
- Retail, office, industrial, marina, resort or residential property
- Investment or development assets

Since we published our last Directory (Summer 2007) equity issuance in the sector has slowed down and has now, seemingly, ground to a halt. Nevertheless, an additional c. £800m has been raised since the beginning of Q3 2007, and a total of 19 new funds are included in this book. Thus since 2005 the OPF sector has now raised (before buybacks) some £9.6bn of equity capital.

The combined market capitalisation of the OPF sector now stands at c. £12bn, being equivalent to c. one third of the value of the FTSE UK real estate sector.

In 2006, the then relatively small OPF sector underperformed the UK quoted sector, only to see this situation reverse in 2007 when OPFs outperformed the UK real estate sector by c. 50%. However, in absolute terms the sector did fall by some 5% over the year, unable to avoid the general negative sentiment surrounding real estate as an asset class. Thus far this year (priced at 7th March 2008) the sector is down 6% in absolute terms, or 8% relative to the UK real estate sector.

The Oriel Securities Overseas Property Fund Index relative to the UK Real Estate Sector



Source: Datastream

Virtually all OPFs are trading on discounts to NAV, and their structure, exposure and raison d'être are being questioned by the market.

The key themes we discuss in the first section of this directory are:

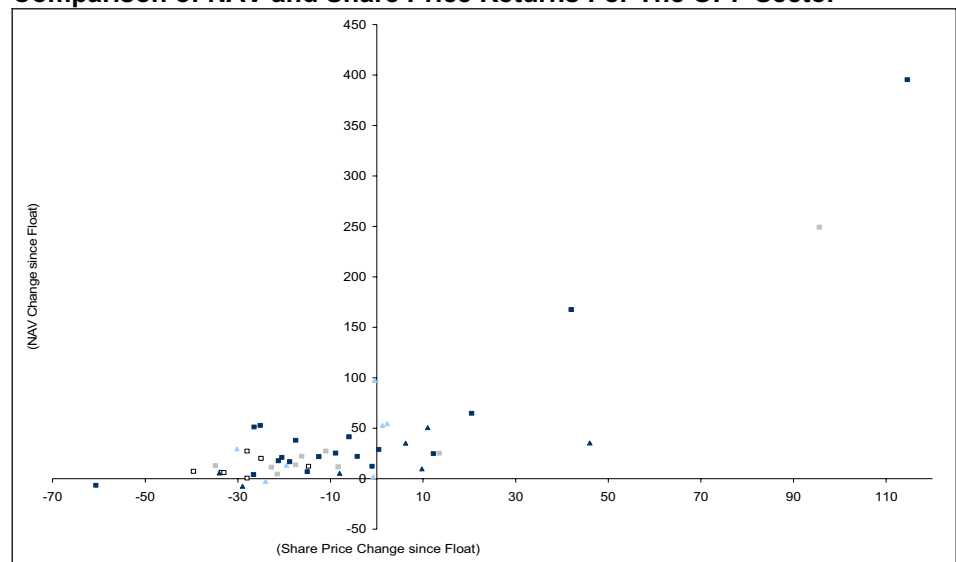
Overseas Property Markets. Do the many countries and markets to which OPFs are exposed represent good value to investors when compared to a repriced (still repricing?) UK property sector.

External Management. This management structure, prevalent across much of the OPF sector, is a concern to many investors. We highlight some of the main issues, being recurring management fees, performance fees, contract length and lack of board engagement

Effecting Change. How might the sector evolve? We highlight the potential for M&A and other corporate/contractual change.

Our stock picks are partly driven by the data in the graph below which compares NAV and share price returns across the whole sector – slightly more legible versions appear on pages 16 and 17!

Comparison of NAV and Share Price Returns For The OPF Sector



Source: company, Oriel Securities

Our top picks include:

- **Unitech Corporate Parks** (Indian business park development)
- **Macau Property Opportunities Fund** (Macau focused residential development)
- **Alpha Pyrenees** (French business space specialist – 9% dividend yield)
- **Spazio Investment NV** – (Italian industrial specialist – 10% dividend yield)
- **Plaza Centers** (Highly experienced, internally managed pan-CEE shopping centre developer)

The second section, as previously, provides tables, graphs and commentary, comparing and analysing OPFs from a sectorwide perspective.

The third section, again as before, comprises individual summary comments for each of the 62 OPFs which we have reviewed.

The table overleaf provides a summary of the OPF universe.

Summary Table

OPF	Currency	Closing price (7 March 08)	Mkt Cap (£m)	Date of last NAV	Last Adj NAV	Discount to Adj Nav (%)
Ablon Group	£	203	221	Jun-07	299	32
Aisi Realty	£	35	58	n/a	n/a	n/a
Alpha Pyrenees Trust	£	79	92	Dec-07	100.1	21
Alpha Tiger Property Trust	£	99	74	Jun-07	97.5	(2)
Argo Real Estate Opportunities Fund*	€	0.99	76	Mar-07	1.08	8
Aseana Properties	US\$	0.92	114	Jun-07	1.01	9
Asian Growth Properties	£	23	199	Jun-07	44.5	49
Atlas Estates*	£	255	115	Dec-07	492	48
AXA Property Trust	£	77	77	Dec-07	109	29
Black Sea Property Fund	£	8	20	Sept-07	17	54
Bulgarian Land Developments	£	74	29	Dec-07	130	44
Bulgarian Property Development	£	60	64	Jun-07	75	20
Camper & Nicholsons Marina Investments	£	61	30	Sept-07	70	14
Canton Property Investment	£	98	399	n/a	n/a	n/a
China Central Properties	£	67	204	n/a	n/a	n/a
China Real Estate Opportunities	£	832	422	n/a	n/a	n/a
Dawnay Day Carpathian	£	88	200	Jun-07	120	27
Dawnay Day Sirius	€	0.72	180	Sept-07	0.97	26
Dawnay Day Treveria	€	0.75	353	Jun-07	1.16	35
Delek Global Real Estate	£	82	213	Sept-07	242	66
Deutsche Land	£	47	92	July-07	68	32
Dev Property Development	£	81	128	Sept-07	108	25
Develica Deutschland	€	0.67	129	Sept-07	1.01	34
Dolphin Capital Investors	£	133	688	Dec-07	227	41
Dragon Ukrainian Properties & Development	£	118	166	n/a	n/a	n/a
Equest Balkan Properties*	£	79	110	Jun-07	113	30
Eredene Capital	£	19	47	Jun-07	23	18
European Convergence Development Company	€	0.91	70	Dec-07	1.05	13
European Convergence Property Company	€	0.23	11	n/a	n/a	n/a
Fabian Romania	€	1.23	48	Dec-07	1.70	28
Hansteen Holdings	£	114	203	Jun-07	123	8
Hirco	£	349	267	Sept-07	614	43
Ishaan Real Estate	£	102	212	Sept-07	147	30
Itacare Capital Investments	US\$	0.95	38	Jun-07	0.95	0
Japan Residential Investment Company	£	71	71	Aug-07	88	19
JSM Indochina	US\$	0.66	81	Sept-07	0.99	34
Kenmore European Industrial Fund	£	89	125	Dec-07	122	27
Lewis Charles Romania Property Fund	£	120	23	n/a	n/a	n/a
Lewis Charles Sofia Property Fund	£	66	32	Jun-07	105	37
Macau Property Opportunities Fund	£	106	112	Dec-07	130	18
Madara Bulgarian Property Fund	€	0.91	26	Jun-07	1.41	36
Metro Baltic Horizons	£	94	25	Jun-07	133	29
Mirland Development Corporation	£	480	497	Dec-07	605	21
Northern European Properties	€	0.88	318	Jun-07	1.21	27
Orchid Developments	£	131	99	n/a	n/a	n/a
The Ottoman Fund	£	85	115	Aug-07	99	14
Pacific Alliance China Land	US\$	0.97	192	n/a	n/a	n/a
Plaza Centers	£	202	591	Jun-07	237	15
Puma Brandenburg	£	85	147	Sept-07	110	22
Raven Russia	£	80	342	Dec-07	115	31
RGI International	US\$	9	532	Jun-07	12.03	29
Rutley European Property	£	41	75	Dec-07	71	42
South African Property Opportunities	£	110	68	Jun-07	106	(3)
Spazio Investment N.V.	€	10.31	240	Dec-07	15.80	35
Speymill Deutsche (Ord Shares)	€	0.87	113	Jun-07	1.47	41
Speymill Macau	US\$	1.11	71	Dec-07	1.42	22
Summit Germany	€	0.72	152	Jun-07	1.21	40
Trikona Trinity Capital	£	101	235	Sept-07	144	30
Unitech Corporate Parks	£	100	358	Sept-07	190	48
VinaLand	US\$	1.46	364	Dec-07	1.31	(12)
West Pioneer Properties	£	116	93	n/a	n/a	n/a
XXI Century Investments	£	1258	470	Dec-07E	2471	49

Source: company, Oriel Securities

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Some Key Issues Facing The Sector

Overseas Property Markets – The Place To Be?

Much of the capital which flooded out of the UK to buy, say, Eastern European real estate, did so on a relative basis. The chase for yield took investors further east, but with UK yields now reversing, we believe much capital previously allocated to Eastern Europe could simply be redeployed back to the UK.

This is as true of property shares, as it is in the direct market. Many investors chose to put money into OPFs as UK property shares had become so expensive (highly rated, with high underlying NAVs). With UK property shares again now trading on big discounts (albeit to still falling underlying NAVs) many equity investors are similarly revisiting UK shares and selling down OPF exposure.

Against this background, below we make brief economic and property market comment regarding some of the major economies in which OPFs are invested.

In the EU, the effects of the credit crisis are now beginning to be felt across its member states, and the tightening of credit in these developed markets will weaken growth prospects, having a knock on effect on emerging central and eastern European economies. The two main Eurozone economies have, so far, weathered the storm relatively well, but Italy and Spain less so.

In Germany, although some sub prime contagion has hit local banks, and liquidity levels are falling, economic fundamentals are relatively strong. Year to date the economic data has been better than expected, and at the start of the year German exports saw their fastest growth for 16 months. Retail sales figures have outperformed, but the underlying data is somewhat confused due to the annualising effects of the previous year's VAT changes, and thus we note consumer confidence has been falling since July 2007. However, the head of the Bundesbank believes that economic growth in 2008 will only be slightly lower than the long run trend rate. Total mortgage lending has turned negative for the first time in Q3 and Q4 2007, so the outlook for the residential market is not particularly rosy. As for commercial property, we believe these markets will remain unexciting (at best) for the foreseeable future.

In France, the Sarkozy regime is trying to push through structural reforms to add some more dynamism to the relatively sluggish, if broadly steady, economy. Although inflation recently reached its highest level since 1996, responding to food and energy prices, and some poor-ish consumer spending figures have emerged, other statistics are more encouraging. Unemployment has fallen to a twelve year low and the national measure of industrial confidence suggests continued strong industrial production growth. Budget cuts for 2008 of c. €9bn should also support steady economic growth. The supply/demand dynamic remains healthy in Ile de France for both office and logistics space, so we anticipate ongoing rental growth, but flat yields.

Of the larger euro-zone economies, Spain has started to slowdown, as the over decade-long credit financed boom has worn out, evidenced by falling house prices in parts of the country and a stagnating construction industry. GDP growth was 3.8% in 2007, despite household spending and investment slowing towards the end of the year, but is expected to decline to 1.9% in 2008. With recent large rises in unemployment, the outlook for Spain's economy is poor.

Growth has been strong in the last few years in the emerging European economies, largely fuelled by access to cheap (and in some cases, foreign) credit and high foreign direct investment inflows. At the same time, some of these emerging economies have developed unsustainably large current account

deficits. These economies will be worse hit by the current crisis, if the debt boom falters and FDI dries up, making their current account deficits harder to fund. Fitch recently downgraded Latvia, Estonia, Bulgaria and Romania, largely because of their current account deficits.

That said some of these countries are much better placed structurally to weather the downturn than others. Poland, for instance, one of the largest eastern European economies, is much less open as an economy than the countries mentioned below, and the current account deficit is much lower. Although the growth rate of Warsaw residential values is now slowing, prospects for residential development in the rest of the country remain good. Warsaw office rental growth is strong, underpinning current pricing.

Along with the Baltic states, the countries that cause the most concern are Hungary, Bulgaria and Romania.

Hungary is in the midst of a self imposed slowdown, which to be fair, is the current government's response to previous administrations allowing fiscal deficits to grow to above 9% of GDP. Real GDP growth in 2007, based on preliminary data for Q4 2007, was only 1.3%. Last year the government imposed tough austerity measures, including tax increases and spending cuts, which have slowed GDP growth, with the loss of public sector jobs and higher unemployment. Hungary has recently relaxed its currency's trading range against the euro, allowing the forint to float freely, which it hoped would make its inflation target easier to meet and help it fulfil its euro entry criteria. Despite its problems, fundamental strengths for the economy include its low wage levels and manufacturing sector export growth. Economic growth is expected to rise this year.

Bulgaria is in one of the weakest structural positions to withstand the external shock imposed by the credit crunch. It has a very open economy, with trade accounting for approximately 60% of GDP. Most exports go to, a now slowing, Europe. The current account has been partly financed by high levels of FDI in the past, and ballooned to c. 20% of GDP (at the end of 2007). For the past three years, the Bulgarian economy has grown at over 6% p.a., again mainly financed by credit which has been growing between 30-80% p.a. in the household sector since 2001. We have never liked the overseas second home market in Bulgaria (both coastal and ski resorts), and continue to prefer the domestic residential market.

Like some other eastern European economies with structural weaknesses, Romania is in danger of overheating, mainly from a debt fuelled consumer boom. There has been a rapid rise in household indebtedness – especially in foreign currency – and the current account deficit was c. 14% in 2007 (up from 5% in 2002). Inflation was running at 6.6% at the end of 2007 (above target), and in response to this (and to the rapidly depreciating currency – down over 20% since the summer) the central bank has increased interest rates three times and by 200bps to 9%. On top of this, the (minority) government has also been running a budget deficit in an election year, with public sector wages taking a large responsibility for wage inflation. Our on the ground experience suggests that prospects for domestic residential development remain good, with very constrained supply of modern accommodation and ongoing strong demand.

Most Balkan cities now face significant retail pipelines of supply. Returns available from retail development in these markets should still be good, but we fear that existing (sub-scale, soon to appear out-dated) schemes will suffer rental decline.

For more exotic OPF locations, such as India, China and the Far East, the immediate economic prospects look better. All of these areas will be affected by the likely US recession and global economic slowdown, but most commentators believe these effects will be relatively shallow. Certainly property markets in India and Macau continue to offer the prospect of ongoing strong returns.

External Management – A Workable Model?

Of the sixty two OPFs covered in this book, only twelve have internal management structures, with the rest run on external lines.

Externally run funds have:

- Wholly non-executive boards
- No full time or executive employees
- Contractual arrangements with managers who supply the company with investment and financial services for a given period in return for a regular management fee and (in most cases) some kind of performance related carry

Of the twelve internally run structures, many either actually have remuneration structures similar to the external model and/or have founder shareholders who dominate the register.

What Investors Don't - or Shouldn't - like About The External Model

Fees - Management

A bug-bear for many, management fees can eat aggressively into shareholder returns. There are many variations (as detailed later in this note) but the majority are calculated as a percentage of either gross assets or net assets/equity capital raised. A 1% of gross assets management fee means an asset bought on a net initial yield of 7%, is really a 6% asset once the management fee is applied – add in the cost of interest if high leverage has been used and there may be very little, if any, income return left for shareholders.

We discuss the lack of shareholder/manager alignment below, but we prefer net asset or equity raised approaches, as gross asset related arrangements can encourage high gearing levels simply to boost the management fee take.

Additionally, for many OPFs there is a lack of clarity as to what costs are covered by management arrangements (i.e. to the account of the investment manager) and what are not. High annual management fees, coupled with additional high “other administration” costs, further erode shareholder returns. Audit and other accountancy related costs have also turned out to be much higher than expected in many cases. This is partly a function of the manifold complications of auditing offshore companies owning SPVs in a variety of jurisdictions, but also partly a function (as we discuss below) of investment managers not committing enough resource to the important area of financial reporting, and consequently placing a large and costly (to shareholders) burden on the auditor.

However, we would also make the following balancing points:

- Managing property effectively, especially if a given portfolio is multi-jurisdictional and/or with a heavy development bias, does have a cost. Internal management teams in the sector have long known how to charge for their services.

- We suspect that there are plenty of OPF investment managers who suffer an annual loss on their management contracts, needing a performance fee contribution (which not all are generating) in order to earn a return.
- In theory if a given fund belongs to a stable of externally managed structures, then the wider management group behind these should be able to provide investment, financial and/or research services more cost effectively and quite possibly to a better standard than a single entity needing to fund all of this from its own activities.

Fees - Performance

In addition to management fees, the majority of OPFs also have performance fee structures in place. Again there are many variations (all detailed later in this book), but most are based on the concept of paying the investment manager a proportion of returns over and above a given hurdle (or additional super-hurdles). Nearly all are driven by accounting returns (change in NAV adjusted for dividends), mostly with a compounding hurdle, and sometimes triggered by realisations rather than simple book increases.

Only a very few link the fee payable to share price return, and thus only a very few truly align the investment manager and shareholders.

Fees – Contract Length

The final aspect of the external structure to note is that of contract length. Full details are laid out in a table later in this note, but in some cases can be for up to eleven years. As discussed in the Effecting Change section below, in circumstances where things go wrong the lack of flexibility in these long contracts can very quickly start to look like liabilities.

In the majority of cases investment managers cannot be removed without being expensively paid off (unless breach can be proved). Certainly, this proved to be the case at Eredene, one of the few examples in the sector where the original investment manager has been removed.

However with some contracts now entering their notice periods, changing the manager of some funds could be relatively cheap.

We also suspect that if boards or investors are so minded, there may be potential to restructure the affairs of some funds in order to reduce or remove any investment management contract related liability.

Lastly, there should be investment management groups or other entities which would be prepared to pay to assume a given or new contract to run a particular OPF. Any payment could be made to the fund/company itself in order to (partially or wholly) cover the costs of parting company with the incumbent. Shareholders may still be exposed to an external structure, but if a better manager is in place, this would be more palatable. Equally, a given management contract might be partially or wholly sold onto a third party.

Role of Wholly Non-Executive boards

The role of any OPF board is to set the agenda, and monitor the investment manager as it implements this strategy as the board's agent.

A systemic weakness of the externally managed structure is that by definition boards are wholly non-executive. Strong, joined-up, experienced boards are required to ensure that high standards of corporate governance are adhered to and that investment managers provide all services that are required of them beyond the "action end" of buying and selling buildings.

Some boards (and investment managers) are better at this than others!

Few OPF chairmen pro-actively make themselves visible to investors. Those that do (Messrs Duggan, Lamb and Henderson spring to mind) are to be applauded. It is important that investors have a board level (rather than just investment manager) contact point.

Obvious areas of weakness in many businesses across the sector include financial management, financial reporting and investor relations.

Effecting Change – How Might The Sector Evolve?

Activist shareholders are beginning to show their mettle in the OPF sector and we believe the coming months will see changes taking place.

But, as discussed above, how great an impediment to change and progress, of whatever type, are the investment management contracts within the sector? They certainly represent a challenge to those wishing to agitate for change.

Hence, practically speaking, what changes can we expect to see in the OPF sector?

Whilst being fully cognisant of the issues surrounding these contracts we set out below a variety of potential outcomes or changes which might come about at various OPFs this year.

Takeovers and Mergers

We are great believers that M&A activity should occur within the UK quoted sector this year. The principal reason that activity has been so muted to date is the lack of debt capital available to fund takeovers.

With many OPFs trading on significant discounts there should similarly be the opportunity for takeover activity within the sector.

Mergers of regionally complementary OPFs could:

- Yield significant cost savings (although to whom will this benefit flow?)
- Create more liquid vehicles
- Provide an event whereby management contracts could be recalibrated to improve manager/shareholder alignment
- Improve the management quality of the sector, on the presumption that the better teams will be backed by shareholders at the expense of the poor performers

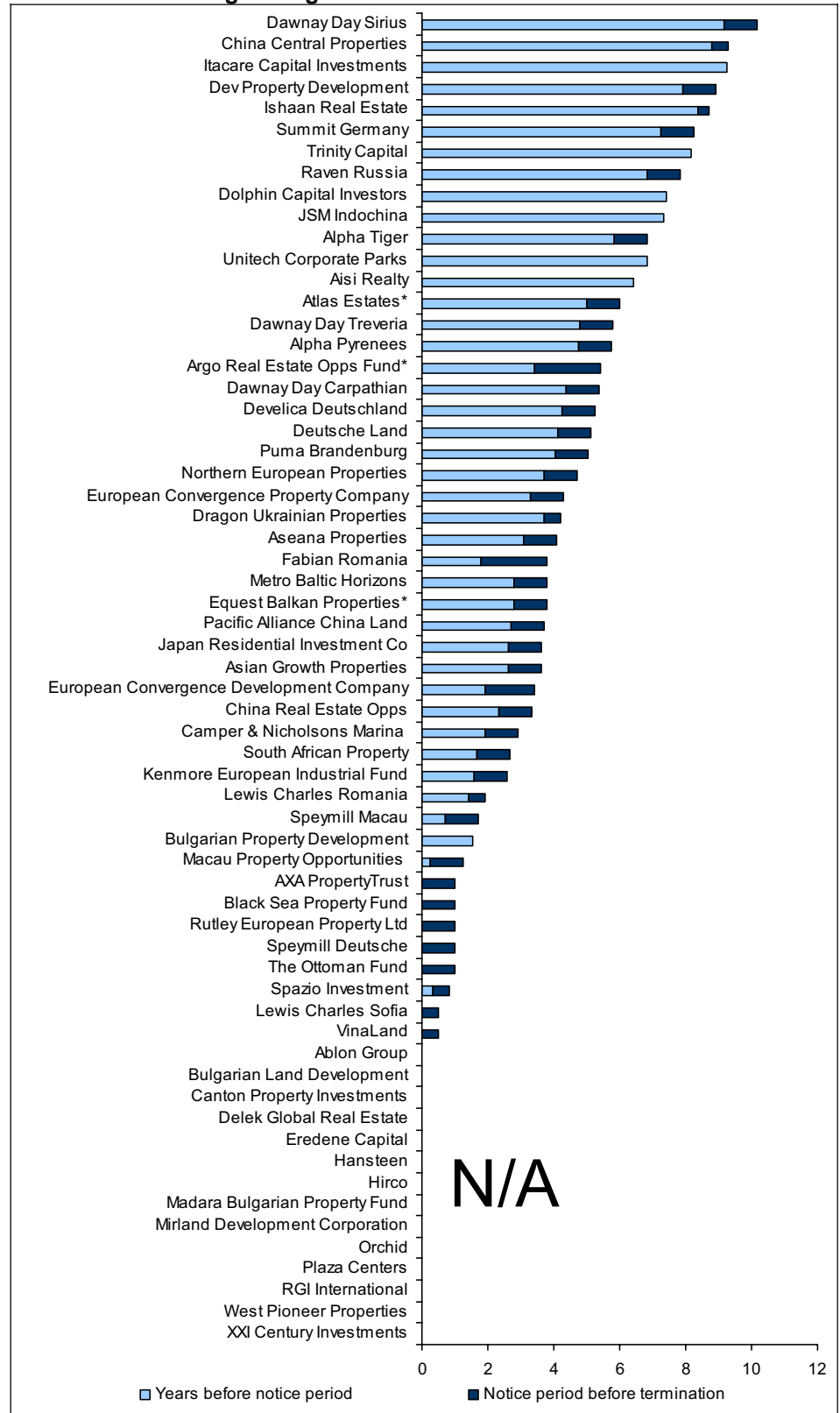
The sector has seen little takeover activity to date, with only Bulgarian Property Developments being the subject of a (unsuccessful) takeover, and the board of Dev Property Development recommending a GDR share for share offer from Indiabulls Real Estate, the development vehicle of the original asset seeding conglomerate.

There is also potential for less capital intensive, but nevertheless significant, changes to take place within the OPF universe as discussed below. That the following changes could potentially be effected without requiring sizeable capital commitments (i.e. access to credit) should be of particular interest.

Change Of Manager

As discussed above removing an external investment manager can be costly and difficult. However with some contracts now entering their notice periods (i.e. those towards the bottom of the graph below) changing the manager of some funds could be relatively cheap.

Minimum Remaining Management Contract Period



Source: company, Oriel Securities

We also suspect that if boards or investors are so minded, there may be potential to restructure the affairs of some funds in order to reduce or remove any investment management contract related liability.

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Internalisation

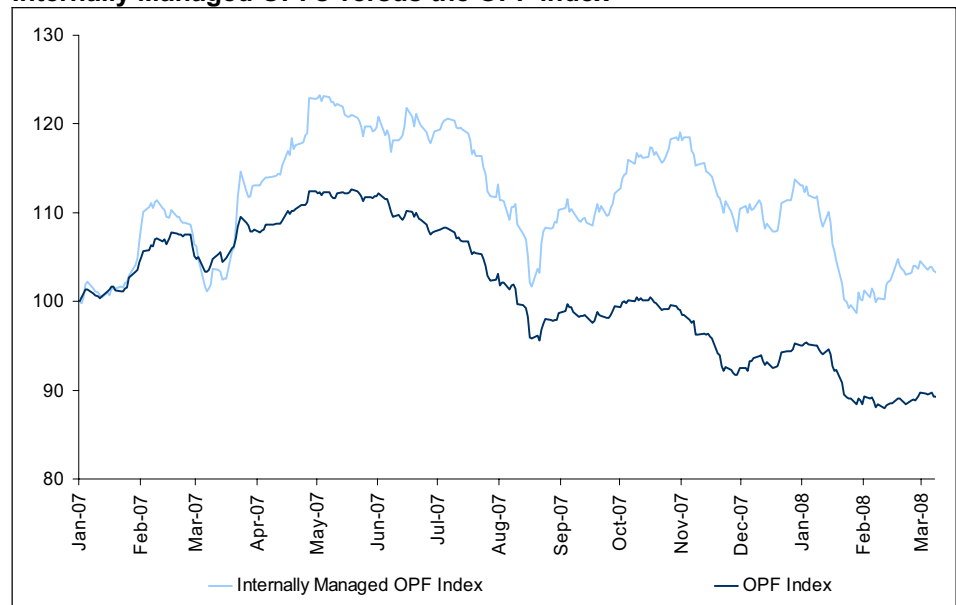
This is something we would like to see happen. Most investors quite rightly prefer internally managed structures, so one strategic change boards should be looking at is the buying in of investment management contracts in order to “normalise” a given company’s affairs.

Pricing such a transaction is not easy, and many shareholders may be surprised at the potential costs involved. Shareholdings in the management companies of both Argo Real Estate Opportunities Fund* and Atlas Estates* have changed hands, but the pricing has not been made public.

Would internalisation really be of benefit to shareholders? We believe the alignment of interests point is compelling, and indeed is born out by the performance comment below.

What is most striking about the top ten performing (since IPO) OPFs is that 60% of them (Hansteen, Orchid, RGI, West Pioneer, XXI Century and Canton Property Investment) are internally managed. Note that out of the total of 62 OPFs in our universe, only 12 (being 20%) are internally managed. The graph below shows the performance of the internally managed companies, versus the wider OPF sector.

Internally Managed OPFs versus the OPF index



Source: Datastream

The internally managed index has substantially outperformed, even though it counts in its number Delek Global Real Estate, which has halved since coming to the market in April 2007.

Return of Capital or Winding Up

With discounts so prevalent in the sector this is clearly an avenue to explore, either by way of share buy backs (of which there have been a few - Dawnay Day Treveria, Alpha Pyrenees, Atlas Estates*), straight capital returns (European Convergence Property Company is in the process of winding itself

up) or tender offers, the latter being a relatively common tactic in the investment trust sector (however, with many OPFs running high gearing levels and property being a relatively illiquid asset, this is not necessarily an option open to all, as excess capital is the last of their problems!).

Stock Performance & Picks

The accompanying graphs on pages 16 and 17 provide some guide as to value and growth within the sector. Both plot (for OPFs which publish updated NAV numbers) change in NAV since IPO (on the y axis) and change in share price (on the x axis).

The higher a company appears, the greater its NAV growth has been since IPO. The further to the right a company is placed the better the share price performance. We have also plotted these graphs (not published) to include dividend returns, but this currently makes little difference to the overall picture, although over time it will do so.

The first graph includes the outliers (being RGI International, Dolphin Capital Investors and XXI Century Investments) which have shown very strong performance, the second strips these out in order to aid comparison within the main cluster.

The graphs suggest that the following offer the best relative value:

- XXI Century – Ukrainian (largely retail) development
- RGI International – Moscow residential development
- Dolphin Capital Investors – Resort development
- Unitech Corporate Parks – Indian business park development
- Atlas Estates* – Pan-CEE residential and commercial development/investment
- Bulgarian Land Development – Bulgarian residential development

Note that the top three are the three ‘outliers’ – whilst their respective share price performances have been very good, they have failed to keep up with the rate of underlying value growth.

We continue to favour prospects for the Indian property market, and **Unitech Corporate Parks** remains our stand out buy amongst the relevant funds.

Another distinct group of shares we like are the high yielders. Many OPF IPOs were promoted on the back of high yield prospects. Whilst many of these promises have turned out to be illusory, some have delivered and offer high (and largely covered) payouts, which off today’s depressed share prices translate into very generous yields. Our pick from this group would include Italian industrial specialist **Spazio** (yielding 10%), and French business space specialist **Alpha Pyrenees** (yielding 9%), both of whose underlying income is largely index linked.

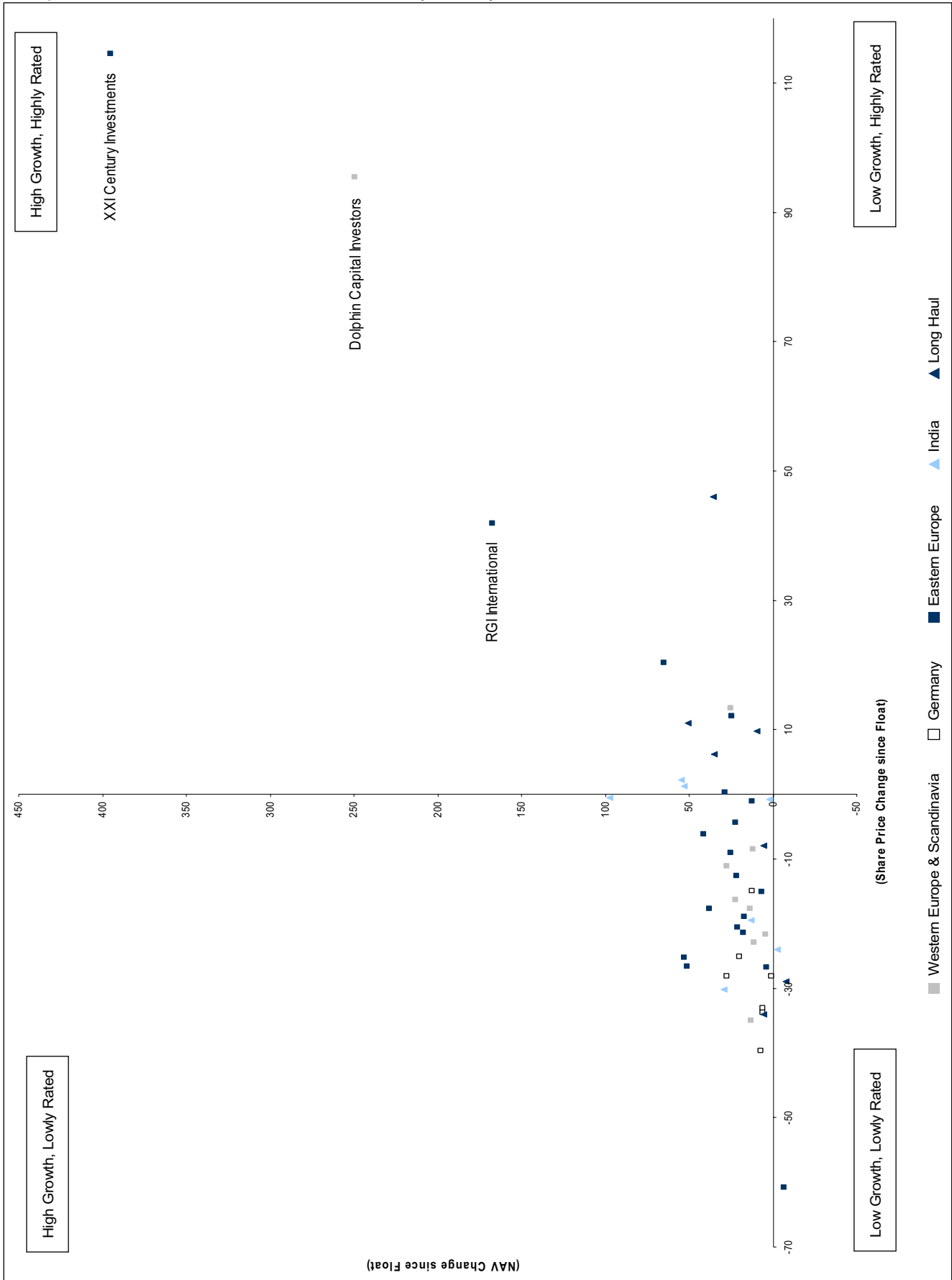
Dawnay Day Carpathian offers an 11% plus yield, but we prefer purer retail developers in Eastern Europe to retail investors. As such we favour **Plaza Centers** (highly experienced, internally managed Pan-CEE shopping centre developer), and **Argo Real Estate Opportunities Fund*** (Romanian and Ukrainian retail development). In Eastern Europe we also like **Fabian Romania** (Commercial and residential development/investment in Romania) and **Ablon** (Pan-CEE Commercial and residential development and investment).

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Our last pick is **Macau Property Opportunities Fund**. The Macau property market remains strong, supported by a high growth economic background (GDP of +31% in 2007) and continued huge growth in gaming revenues (+47% in 2007).

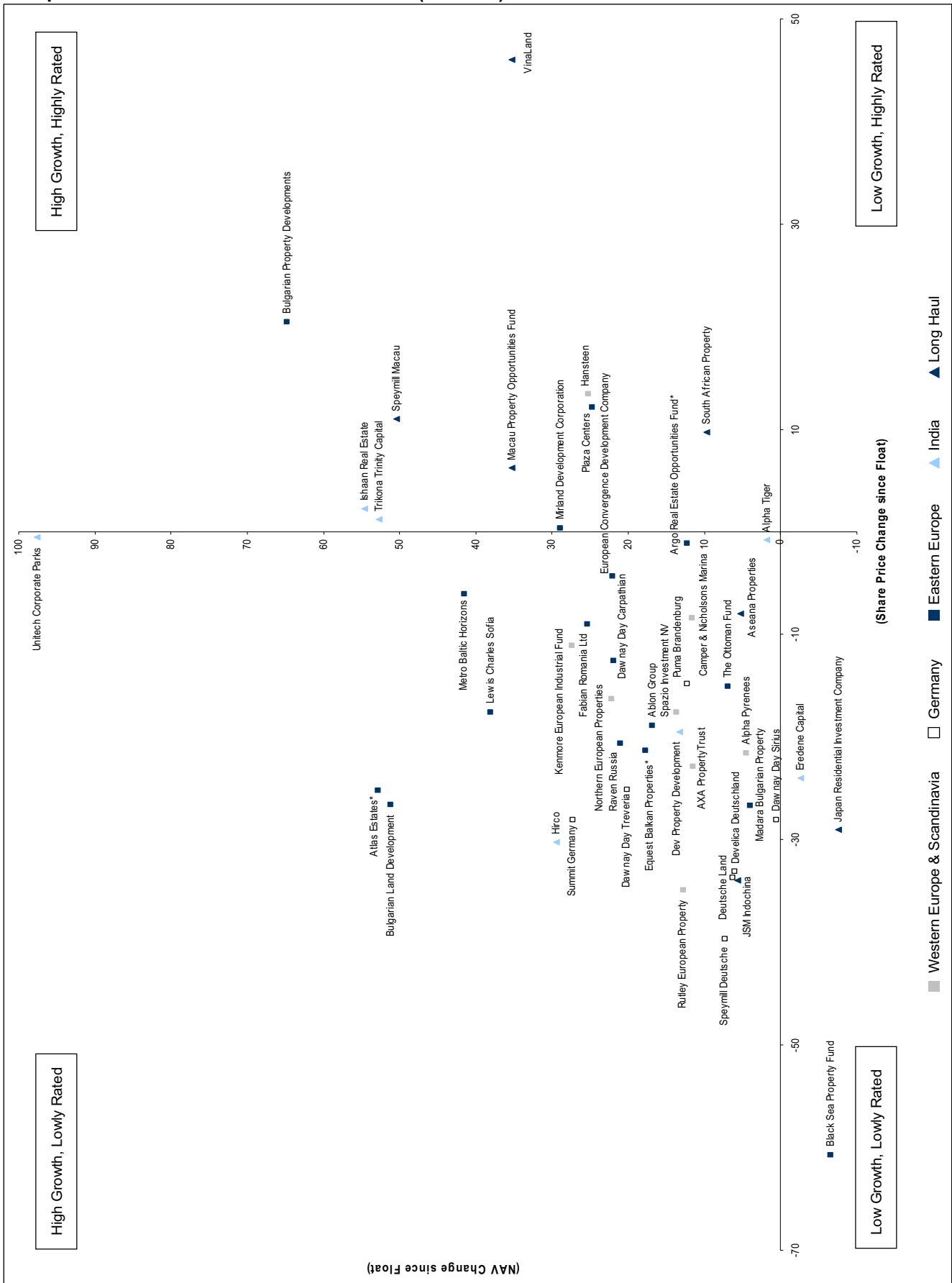
We remain wary of the German funds, not least due to their high gearing levels, and would avoid them despite the large discounts upon which they all trade.

Comparison of NAV and Share Price Returns (Overall)



Source: Oriel Securities

Comparison of NAV and Share Price Returns (Detailed)



Source: Oriel Securities

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Where have they been investing?

The map below illustrates the geographical diversity within Europe available to property investors since the emergence of this £12bn sector.

If a country is shaded, at least one OPF has made at least one investment in that country.

Map of Europe showing where OPFs have invested

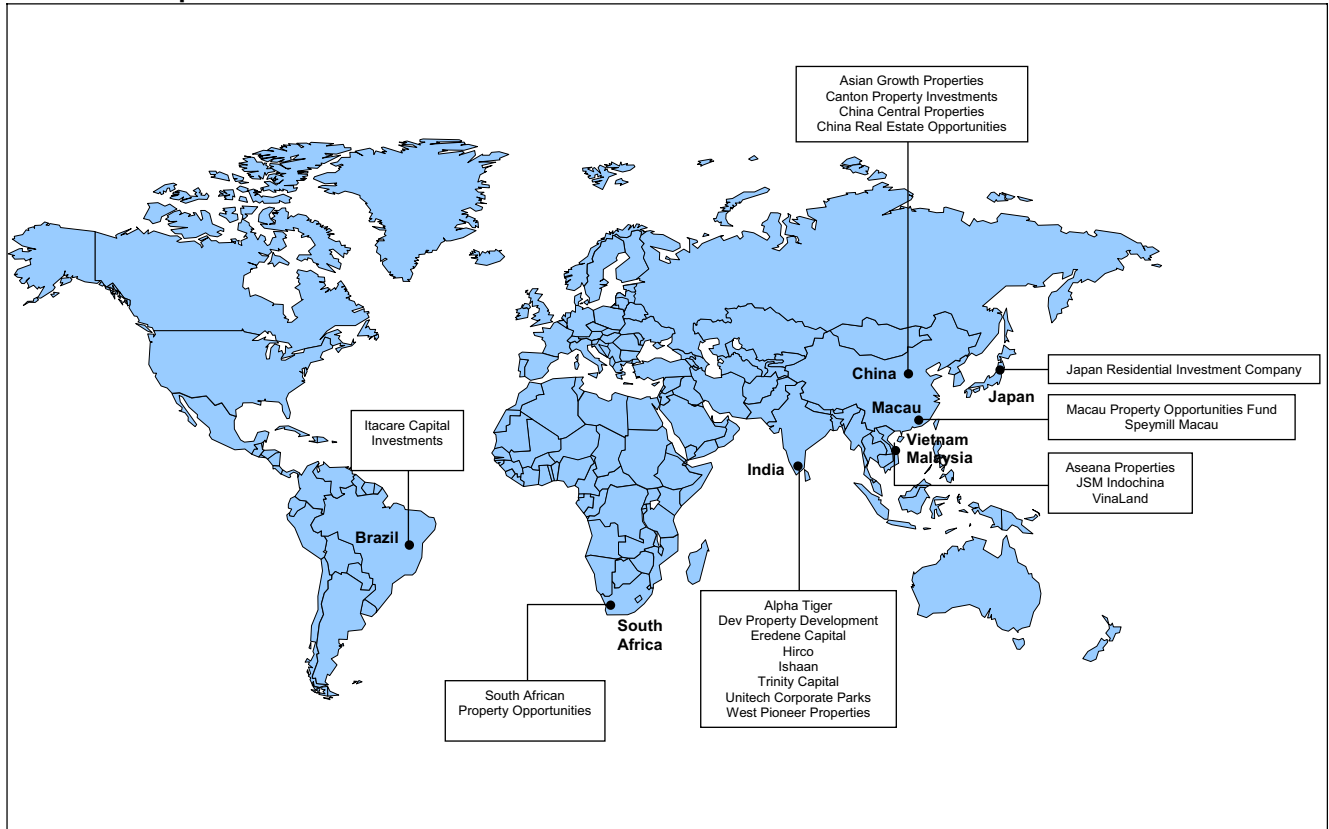


Source: company, Oriel Securities

The London market initially offered exposure to property markets relatively close to home, but now, as the map below illustrates, investors can tap into a range of long haul destinations. As the later equity raised section will make clear, the market for new issuance has dried up over the past year. What new listings there have been, in the latter part of 2007 (none in 2008 so far as we are aware), have primarily been targeting long haul destinations.

In particular the investment story in China saw a flurry of companies list in 2007, following on from a large number of Indian listings towards the end of 2006/start of 2007.

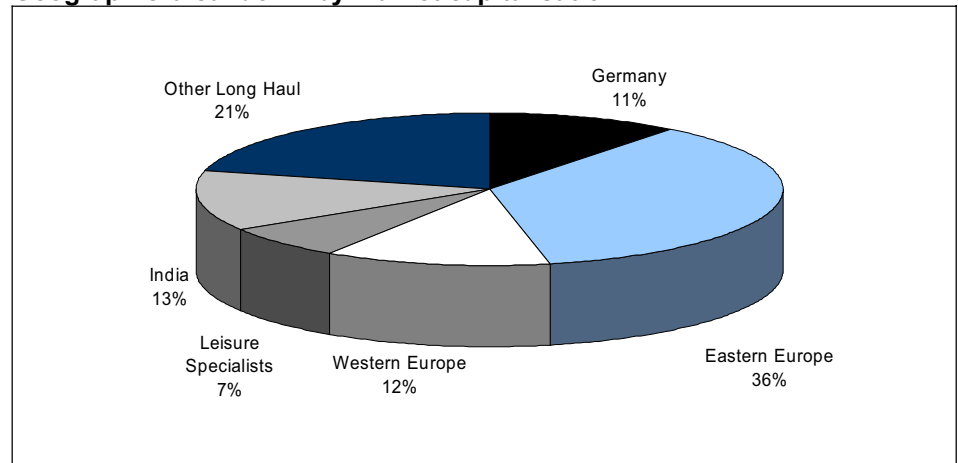
Worldwide exposure of OPFs



Source: company, Oriel Securities

The pie chart below shows how this geographic diversity is weighted.

Geographic breakdown by market capitalisation

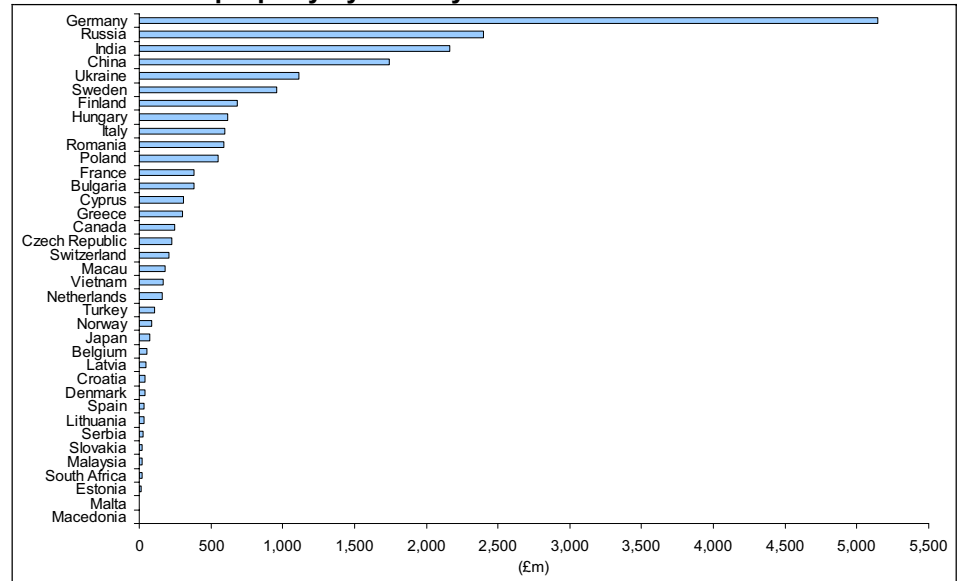


Source: company, Oriel Securities

Central and Eastern Europe is the clear leader in terms of market representation. Western Europe (ex Germany, but including the leisure specialists) and Germany are roughly similar in value, partly being a reflection of how poorly the German funds have performed over the last year. India has remained fairly static as a share of the total at 13% with the big growth area being the 'Other Long Haul' OPFs, who have almost doubled their proportional exposure since the summer of 2007 on the back of several new (and relatively large) issues, mostly in China.

In terms of the value of actual property owned/committed to, the bar graph below shows where we estimate money has been deployed/committed on a country-by-country basis.

Value of owned property by country



Source: company, Oriel Securities estimates

The OPFs we have examined now own or have committed to close to £20bn in real estate assets across 40 countries.

Germany is still the largest recipient of OPF investment, with c. £5.2bn invested in the country - although this is only a c. £1.6bn increase since our last report).

China and Ukraine are the countries which have seen the most significant increases in allocation.

China has emerged, mainly on the back of 2007 flotations, as the fourth largest investment destination for OPFs. Prior to 2007 (and the de-listing of the previous iteration of the China Real Estate Opportunities Fund), the only Chinese OPF was Asian Growth Properties, whose assets are, anyway, predominantly located in Hong Kong rather than the mainland.

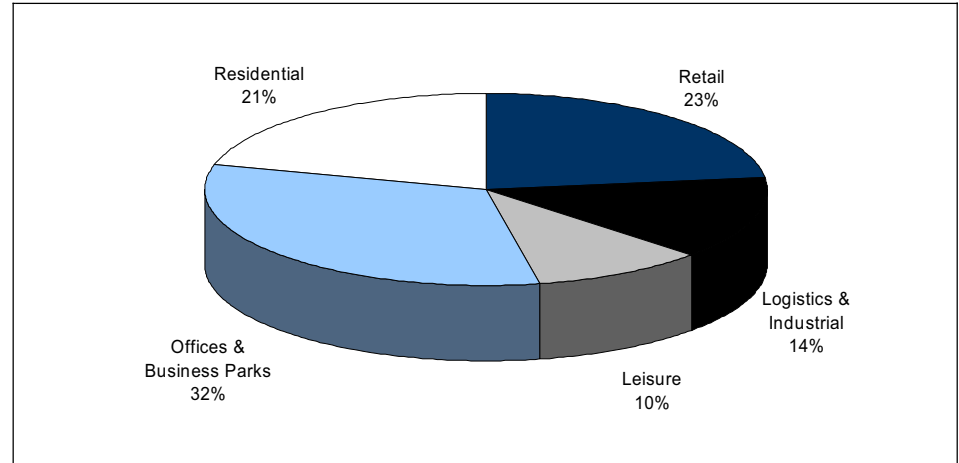
Ukraine now has the fifth largest property exposure in the universe. Much of the total is accounted for by the XXI Century Investments portfolio, but during 2007 there were four more newly listed companies exclusively focused on the Ukrainian market, as well as other established companies, such as Argo and Raven Russia, moving into what they (and we) perceive to be a very attractive market.

New countries not previously available to investors now include Estonia, Switzerland and Brazil, plus Grenada and the Dominican Republic in the Caribbean.

What have they been buying?

The pie chart below shows which sectors OPFs have been spending their money on.

Sectoral breakdown of OPF investments



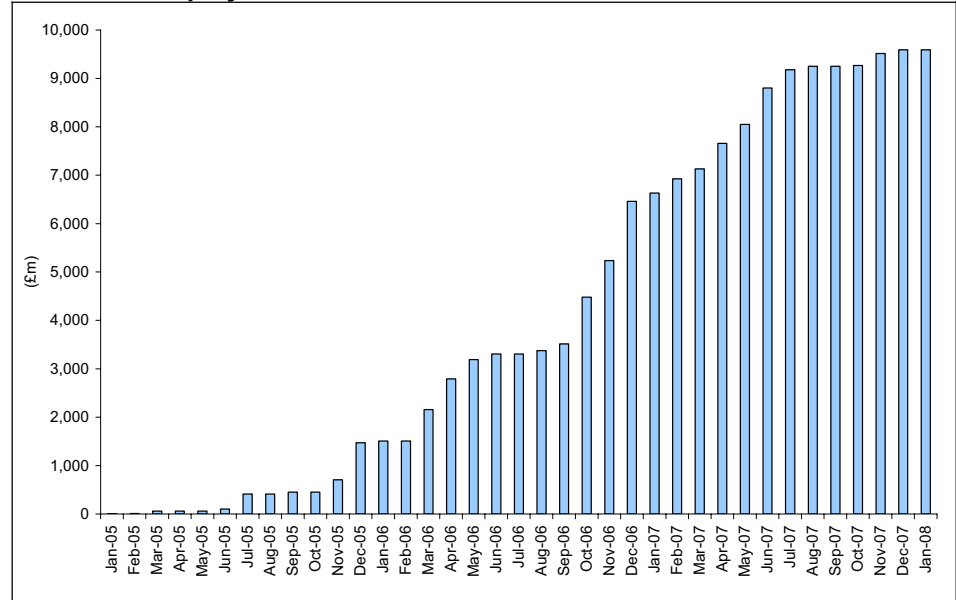
Source: company, Oriel Securities

Initially retail proved to be the most popular sector (45% in November 2006) but since then allocation has become more evenly spread. As compared to our summer 2007 Directory we note that the residential component of the sector has further increased to over 20% (this being the more pronounced when one factors in the 'develop/sell' aspect of this sector) from 16%. Office exposure has increased by 8% to 32%. The main 'faller' has been logistics and industrial down from 23% in Summer 2007 to 14% now, despite gains in commitment levels from the sector's largest player, Raven Russia.

When has the money been raised?

This directory covers some 62 OPFs in detail – a sector which has raised some £9.6bn of equity since 2005. For the purposes of this report, we are ignoring initial shareholder equity, and only looking at what has been raised through AIM or the main market. Furthermore we have not included any GDR issuance.

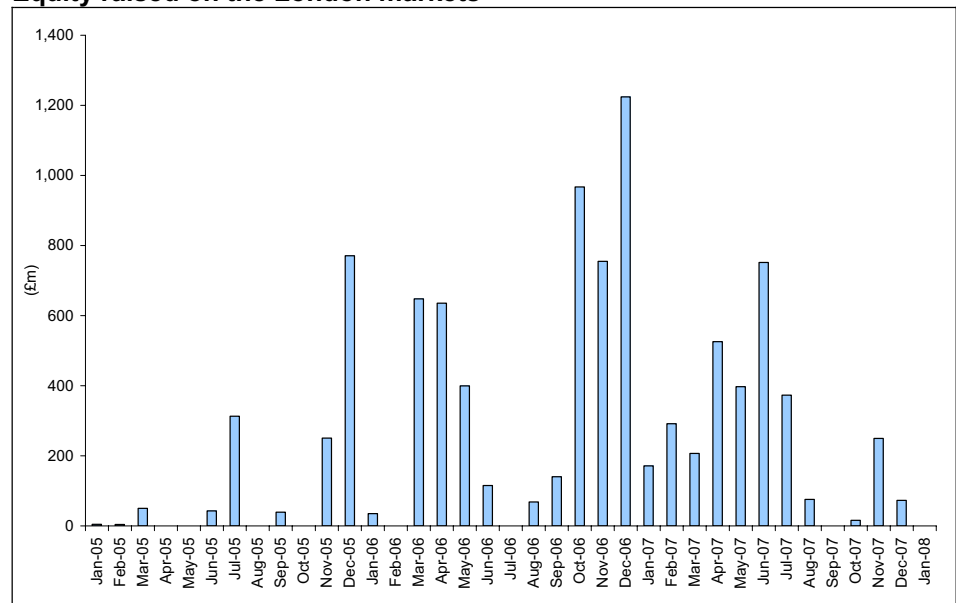
Cumulative equity raised to date on the London markets



Source: company, Oriel Securities

Peak times for fund raising have been at the very end of 2005, the spring of 2006, Q4 2006 and the first half of 2007. The impact of the credit crunch and investor indigestion for overseas property can be seen during the second half of 2007, stretching through into the current year.

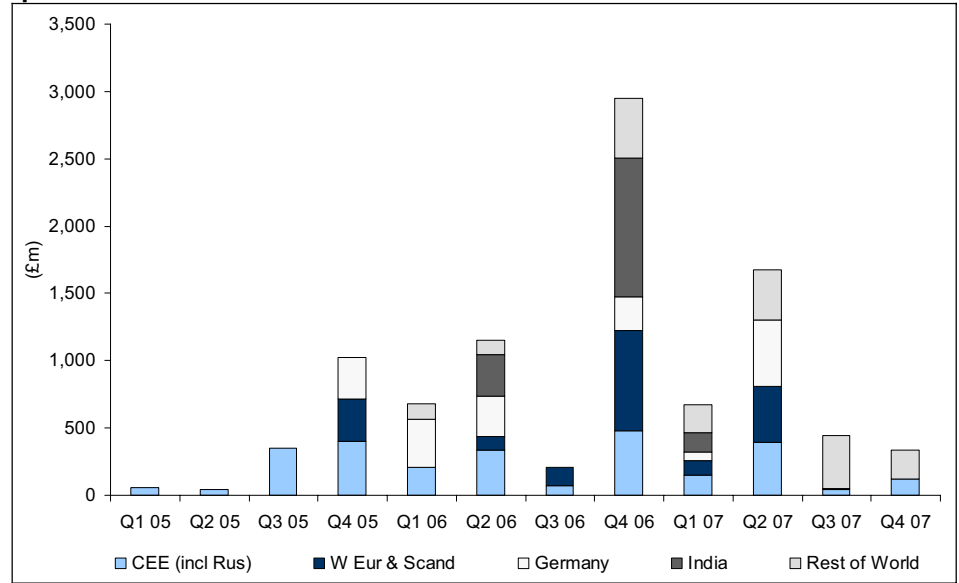
Equity raised on the London markets



Source: company, Oriel Securities

This next graph takes the same equity raised data, but displays it on a quarterly basis, split by geography of intended spend.

Geographic (by intended destination) breakdown of equity raised per quarter



Source: company, Oriel Securities

This highlights the scale of the Asian fundraisings in 2007, (being especially the emergence of China focussed OPFs) and the concentration of Indian focussed fund raisings at the very end of 2006 and the very start of 2007.

Who has come to the market?

The table below now lists 70 OPFs which have raised money or listed on the London market, of which 62 are covered in detail in the back part of this directory. Twenty have come back to the market for secondary (and third) fund raisings.

OPF fundraisings since 2005

Fund/Company (£m)	Market Cap	Date	Money Raised	Date	Add. Money raised	Date	Add. Money raised
Ablon Group	221	Feb-07	97.2				
Aisi Realty Public Limited	58	Aug-07	16.3				
Alpha Pyrenees Trust	92	Nov-05	125.0				
Alpha Tiger Property Trust	74	Dec-06	75.0				
Argo Real Estate Opportunities Fund*	76	Aug-06	68.0				
Aseana Properties	114	Apr-07	82.6				
Asian Growth Properties	199	Jan-06	0.0	Oct-06	267.5		
Atlas Estates*	115	Mar-06	121.7				
AXA Property Trust	77	May-06	100.0				
Black Sea Property Fund	20	Mar-05	50.0				
Bulgarian Land Development	29	Mar-06	23.0	Feb-07	15.0		
Bulgarian Property Developments	64	Jan-05	4.5	Jan-06	35.0	Jun-07	21.9
Camper & Nicholsons Marina Investments	30	Jan-07	33.0				
Canton Property Investment	399	Aug-07	27.1				
China Central Properties	204	Jun-07	179.6				
China Real Estate Opportunities	422	Jul-07	259.0				
Dawnay, Day Carpathian	200	Jul-05	140.0	May-07	100.0		
Dawnay, Day Sirius	236	May-07	223.6				
Dawnay, Day Treveria	462	Dec-05	302.2	Nov-06	202.7		
Delek Global Real Estate Ltd	213	Apr-07	110.6				
Deutsche Land	92	Apr-06	75.3	Feb-07	69.7		
Dev Property Development	128	Jan-07	138.0				
Develica Deutschland	129	May-06	170.0				
Dolphin Capital Investors	688	Dec-05	70.7	Oct-06	202.7	Jun-07	302.6
Dragon Ukraine	166	Jun-07	105.0	Nov-07	47.6		
<i>Eastern European Property Fund</i>	16	Mar-06	20.0				
<i>Engel East Europe</i>	53	Dec-05	30.0				
Equest Balkan Properties*	110	Dec-05	140.0				
Eredene Capital	47	Feb-05	4.0	May-06	57.1		
European Convergence Development Company	70	Jun-07	40.4				
European Convergence Property Company	11	Jun-05	42.6				
Fabian Romania Property Fund	48	Dec-06	27.0				
Hansteen Holdings	203	Nov-05	125.0	Feb-07	70.0		
Hirco	267	Dec-06	370.0				
Ishaan Real Estate	212	Nov-06	207.0				
Itacare Capital	38	May-07	37.7				

Continued ...

OPF fundraisings since 2005 (Continued...)

Fund/Company (£m)	Market Cap	Date	Money Raised	Date	Add. Money raised	Date	Add. Money raised
Japan Residential Investment Company	71	Oct-06	100.0				
JSM Indochina	81	Jul-07	108.0				
<i>KDD Group</i>	306	<i>Dec-07</i>	<i>73.1</i>				
Kenmore Euro Industrial Fund	125	Sep-06	140.0				
Lewis Charles Romania Property Fund	23	Aug-07	27.4				
Lewis Charles Sofia Property Fund	32	Sep-05	38.7				
Macau Property Opportunities Fund	112	Jun-06	105.0				
Madara Bulgarian Property Fund	26	Jun-07	0.0				
Metro Baltic Horizons	25	Dec-06	26.2				
Mirland Development Corporation	497	Dec-06	160.4				
<i>Nanette Real Estate Group</i>	109	<i>Jun-06</i>	<i>10.0</i>	<i>Feb-07</i>	<i>21.9</i>		
<i>New Europe Property Investments</i>	46	<i>Feb-07</i>	<i>17.5</i>				
<i>Nordic Land Limited</i>	15	<i>Aug-07</i>	<i>4.9</i>				
Northern European Properties	318	Nov-06	252.8				
Orchid Developments	99	Jul-05	20.0	May-06	17.1		
The Ottoman Fund	115	Dec-05	150.0				
Pacific Alliance China Land	192	Nov-07	201.6				
<i>Pactolus Hungarian Property</i>	10	<i>Mar-06</i>	<i>9.0</i>				
Plaza Centers	591	Oct-06	166.2				
Puma Brandenburg	147	Mar-06	185.0				
Raven Russia	342	Jul-05	153.0	Apr-06	310.0		
RGI International	532	Dec-06	97.9	Apr-07	128.0		
Rutley European Property	98	Dec-06	87.3				
<i>SGL Vietnam</i>	16	<i>Oct-07</i>	<i>15.8</i>				
South African Property Opportunities	68	Oct-06	30.0	Apr-07	34.2		
Spazio Investment NV	240	Oct-06	201.0				
Speymill Deutsche Immobilien (Ord & C shares)	251	Mar-06	170.0	Apr-07	170.0		
Speymill Macau Property Company	71	Nov-06	42.3	May-07	35.5		
Summit Germany	152	May-06	55.2	Nov-06	50.1	Jun-07	102.0
<i>Taliesin Property Fund Ltd</i>	23	<i>Aug-07</i>	<i>0.0</i>				
Trikona Trinity Capital	235	Apr-06	250.0				
Unitech Corporate Parks	358	Dec-06	360.0				
Vinaland	364	Mar-06	118.8	Mar-07	207.0		
West Pioneer Properties	93	Dec-06	20.4	Jul-07	6.0		
XXI Century Investments	470	Dec-05	78.2				

Source: company, Oriel Securities. Notes: Companies in italics are only included in the sections and graphs concerning the amount of equity raised and the total market capitalisation comments.

The largest amount of money to have been raised overall is by Dolphin Capital Investors, which has brought in c. £576m over three fundraisings, the last one being the £303m June 2007 placing. Dawnay Day Treveria at £505m, and Raven Russia at £463m, have raised the next largest amounts in total.

The largest sums raised at initial offering were by the Indian funds Hirco (£370m) and Unitech Corporate Parks (£360m), both in December 2006.

The largest secondary fundraising was completed by Raven Russia (£310m) in April 2006.

Geographical exposure per fund

The table below shows which funds are invested in which country, and what proportion of each fund's exposure is to that particular country (as per last published accounts/portfolio dates).

Country	Fund/Company's investment in each country (actual or assumed)
Belgium	AXA Property Trust (3%), Kenmore European Industrial Fund (11%), Rutley European Property (3%)
Brazil	Itacare Capital (100%)
Bulgaria	Atlas Estates (1%), Black Sea Property Fund (100%), Bulgarian Land Development (100%), Bulgarian Property Developments (100%), Equest Balkan Properties* (52%), European Convergence Development Company (52%), Lewis Charles Sofia Property Fund (100%), Madara Bulgarian Property Fund (100%), Orchid Developments (100%)
Cambodia	JSM Indochina (50%)
Canada	Delek Global Real Estate (13%)
China	Asian Growth Properties (100%), Canton Property Investment (100%), China Central Properties (100%), China Real Estate Opportunities (100%), Pacific Alliance China Land (100%)
Croatia	Dawnay Day, Carpathian (n/a), Dolphin Capital Investors (4%)
Cyprus	Dolphin Capital Investors (54%)
Czech Republic	Ablon (22%), Dawnay Day Carpathian (9%), Plaza Centers (16%)
Denmark	Northern European Properties (3%)
Dominican Republic	Dolphin Capital Investors (3%)
Estonia	Metro Baltic Horizons (35%)
Finland	Delek Global (6%), Kenmore European Industrial Fund (5%), Northern European Properties (39%)
France	Alpha Pyrenees Trust (89%), Hansteen Holdings (7%), Kenmore European Industrial Fund (41%), Rutley (2%)
Germany	AXA Property Trust (63%), Dawnay Day Sirius (100%), Dawnay Day Treveria (100%), Delek Global Real Estate (10%), Deutsche Land (100%), Develica Deutschland (100%), Hansteen Holdings (47%), Kenmore European Industrial Fund (6%), Northern European Properties (1%), Puma Brandenburg (100%), Rutley European Property (63%), Speymill Deutsche (100%), Summit Germany (100%)
Greece	Dolphin Capital Investors (36%), Plaza Centers (5%)
Hungary	Ablon (70%), Atlas Estates* (15%), Dawnay Day Carpathian (36%), Plaza Centers (21%)
India	Alpha Tiger (100%), Dev Property Development (100%), Eredene Capital (100%), Hirco (100%), Ishaan Real Estate (100%), Plaza Centers (7%), Trikona Trinity Capital (100%), Unitech Corporate Parks (100%), West Pioneer Properties (100%)
Italy	AXA Property Trust (15%), Spazio Investment N.V. (100%)
Japan	Japan Residential Investment Company (100%)
Latvia	Dawnay Day Carpathian (2%), Metro Baltic Horizons (29%), Plaza Centers (4%)
Lithuania	Dawnay Day Carpathian (6%), Northern European Properties (1%)
Macau	Macau Property Opportunities Fund (100%), Speymill Macau (100%)
Macedonia	Equest Balkan Properties* (3%)
Malta	Camper & Nicholsons Marina Investments (87%)
Malaysia	Aseana Properties (60%)
Moldova	Argo Real Estate Opportunities Fund* (16%)
Netherlands	AXA Property Trust (19%), Hansteen Holdings (44%), Kenmore European Industrial Fund (8%), Rutley (6%)
Norway	Kenmore European Industrial Fund (22%)
Poland	Ablon (n/a), Atlas Estates* (65%), Dawnay Day Carpathian (43%), Northern European Properties (1%), Plaza Centers (9%), Rutley European Property (10%)
Romania	Ablon (8%), Argo Real Estate Opportunities Fund* (46%), Atlas Estates* (14%), Dawnay Day Carpathian (4%), Equest Balkan Properties* (39%), European Convergence Development Company (48%), Fabian Romania (100%), Lewis Charles Romania (100%), Plaza Centers (36%)
Russia	Metro Baltic Horizons (36%), Mirland (100%), Northern European Properties (n/a), Raven Russia (93%), RGI International (100%)
Serbia	Equest Balkan Properties* (6%), Plaza Centers (2%)
Slovakia	Atlas Estates* (5%)
South Africa	South African Property Opportunities Fund (100%)
Spain	Alpha Pyrenees Trust (11%)
Sweden	Delek Global Real Estate (1%), Kenmore European Industrial Fund (7%), Northern European Properties (55%), Rutley European Property (16%)
Switzerland	Delek Global Real Estate (11%)
Turkey	Camper & Nicholsons Marina Investments (13%), Dolphin Capital Investors (3%), The Ottoman Fund (100%)
Ukraine	Aisi Realty (100%), Argo Real Estate Opportunities Fund* (38%), Dragon Ukrainian Properties (100%), Raven Russia (7%), XXI Century Investments (100%)
Vietnam	Aseana Properties (40%), JSM Indochina (50%), VinaLand (100%)

Source: company, Oriel Securities

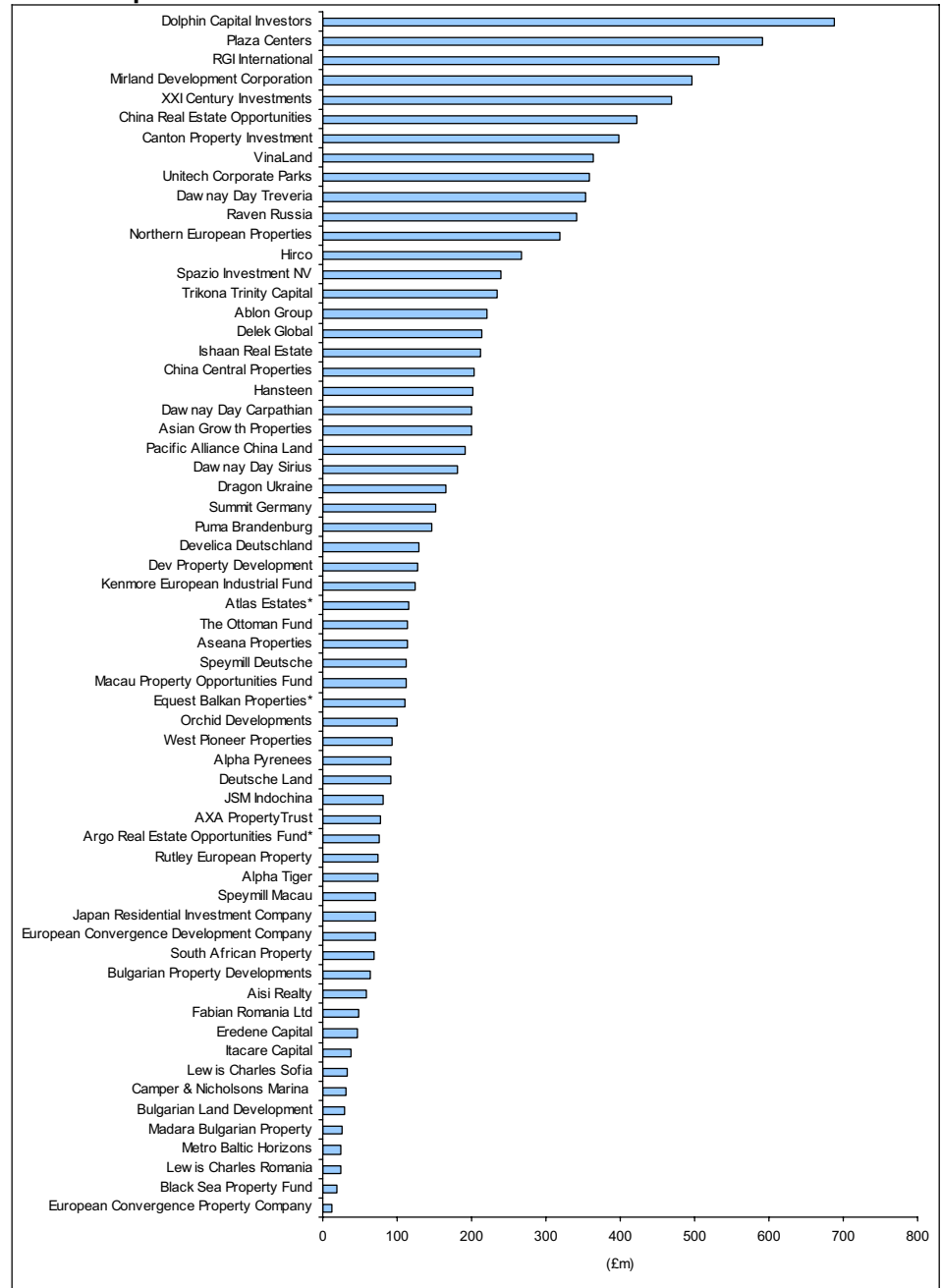
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What size are these funds?

The average market capitalisation of the 62 OPFs we follow is c. £176m, and they range in size from Dolphin Capital Investors, at £688m the largest, down to European Convergence Property Company at c. £11m (following the disposal of the majority of its assets and the return of the proceeds to its shareholders).

The ten largest OPFs all have market capitalisations of over £350m, although note that several of the larger OPFs (eg Mirland, Plaza, Ablon and Northern European Properties) have rather more limited free floats.

Market capitalisation



Source: company, Oriel Securities

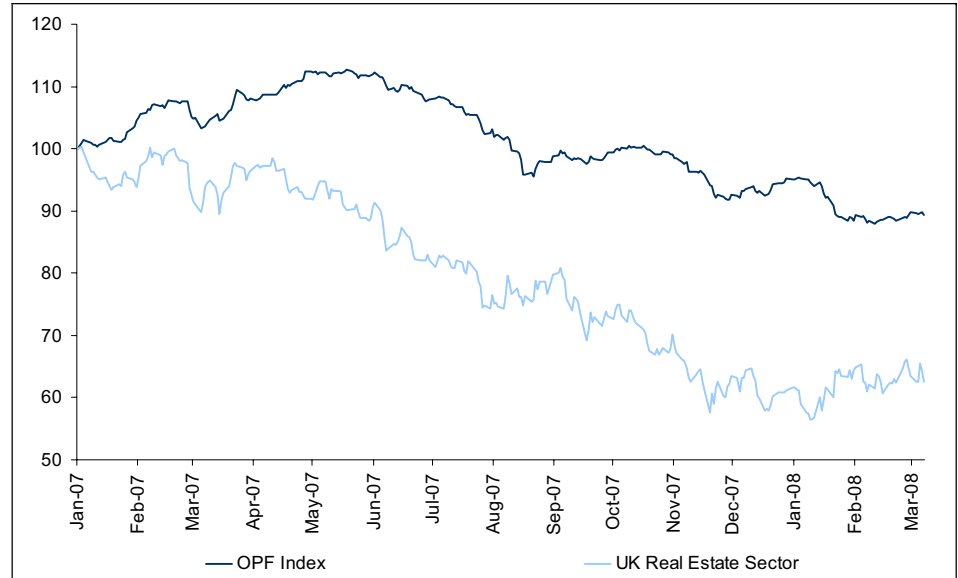
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How have these funds performed?

The Oriel Securities Overseas Property Fund Index, which is weighted by market capitalisation, includes all the funds mentioned in this book.

The graph below compares its performance with that of the UK real estate sector since the start of last year. The OPF sector was not hit by the large share price falls that beset the UK quoted sector in 2007, although the sector was not immune from negative real estate sentiment, and hence ended 2007 down -5% in absolute terms.

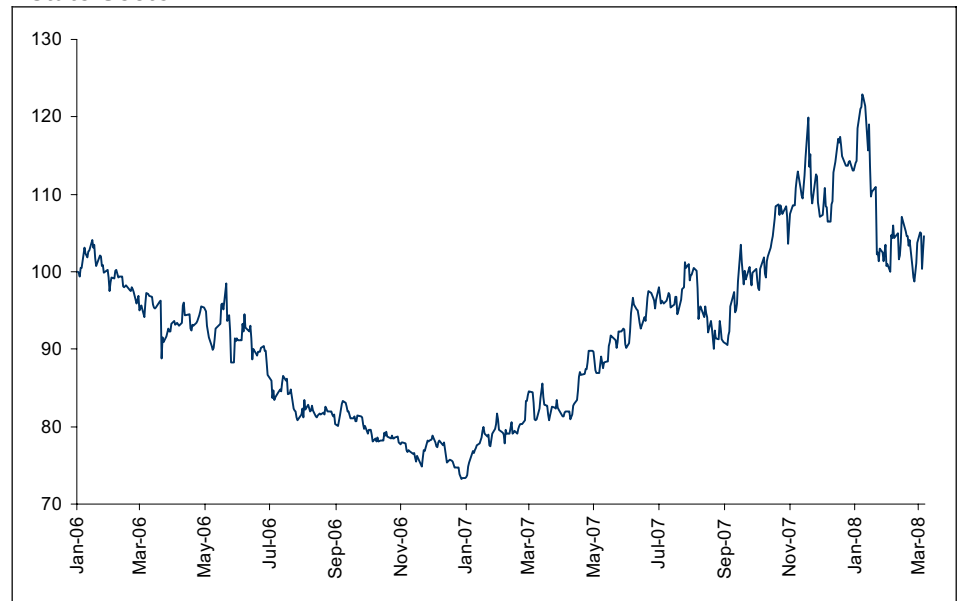
The Oriel Securities Overseas Property Fund Index and the UK Quoted Real Estate Sector



Source: Datastream

As the graph below shows, the OPF sector underperformed the UK sector by c. 27% during 2006, only to outperform in 2007 by 54%. Year to date OPF's have gone down 8% relative the UK sector.

The Oriel Securities Overseas Property Fund Index relative to the UK Real Estate Sector

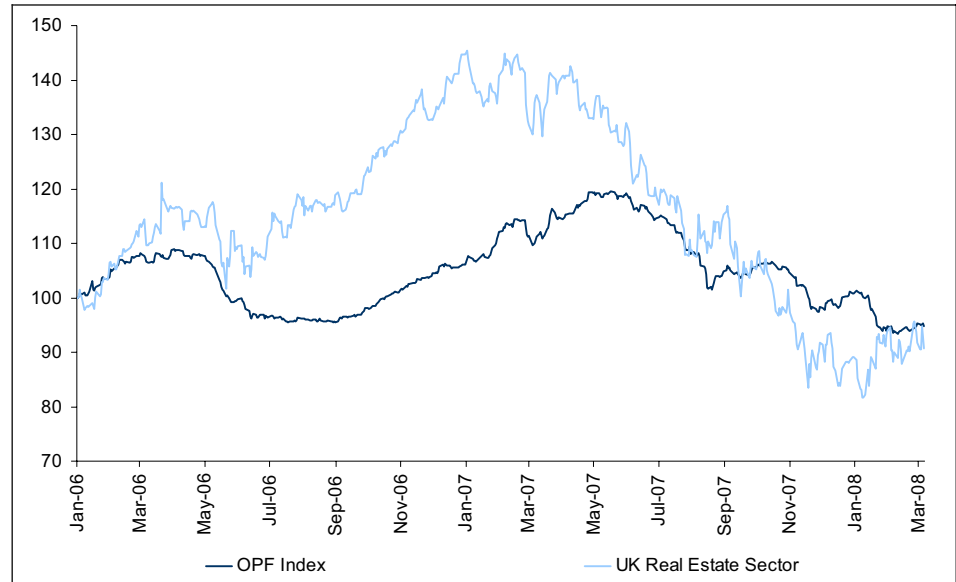


Source: Datastream

Looking at the indices separately over the longer term it becomes clear that much of the relative performance of the OPF sector has been caused by UK sector volatility. Over the period the OPF sector has been relatively flat, moving within a range of +15% and -8% from its start of 2006 base.

(Note that the OPF index was really too small in terms of number of constituents during the first half of 2006 to give an overly meaningful picture.)

The Oriel Securities Overseas Property Fund Index and the UK Quoted Real Estate Sector



Source: Datastream

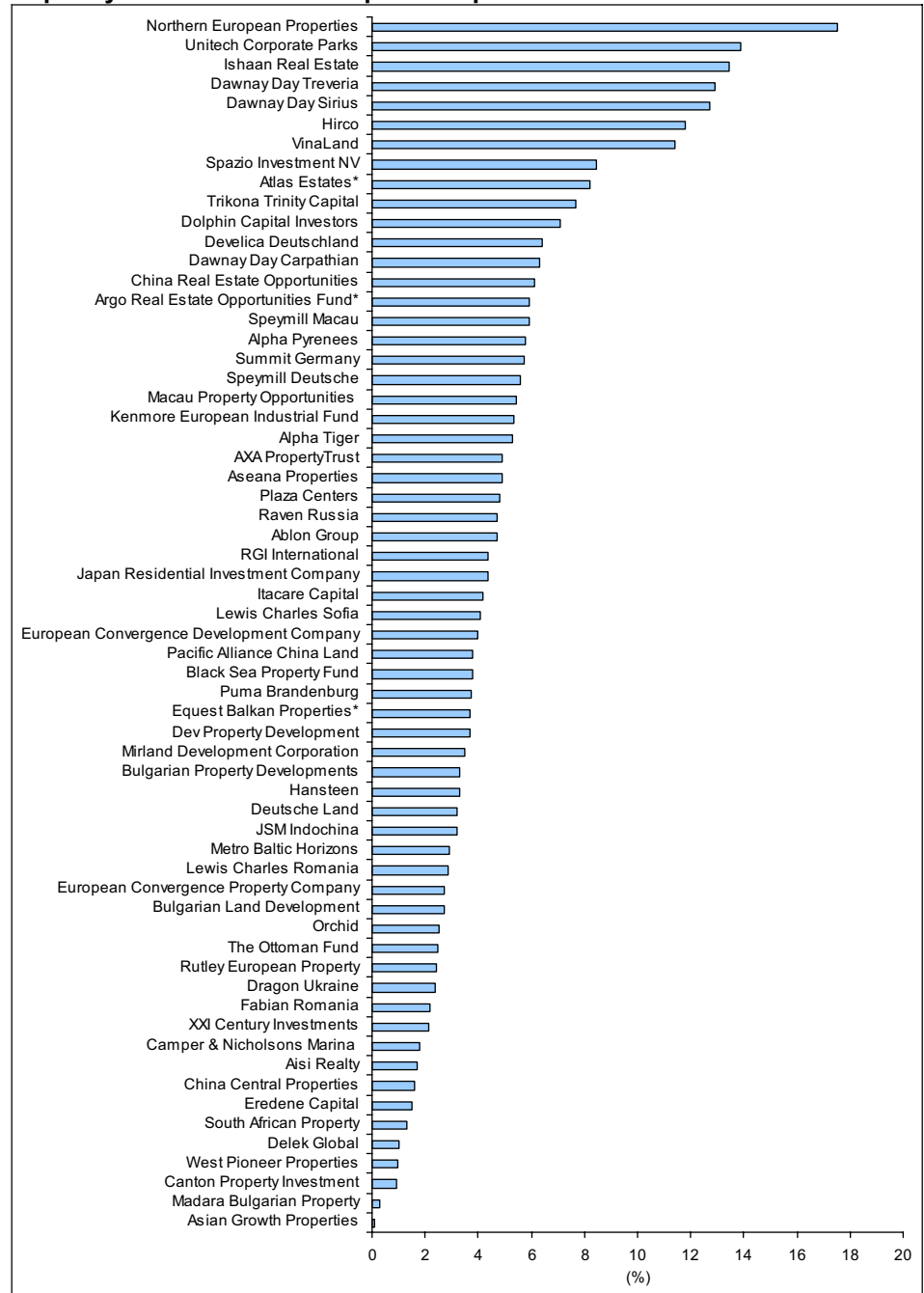
How liquid are they?

Many OPFs are relatively illiquid. Not only are they relatively new funds in a relatively new market sector, with relatively small market capitalisations, but they are often characterised by a few large, particularly founder, shareholders.

We have measured liquidity in two ways.

Firstly, as the average proportion of market capitalisation which has been traded per month since flotation.

Liquidity as a % of market cap traded per month since flotation

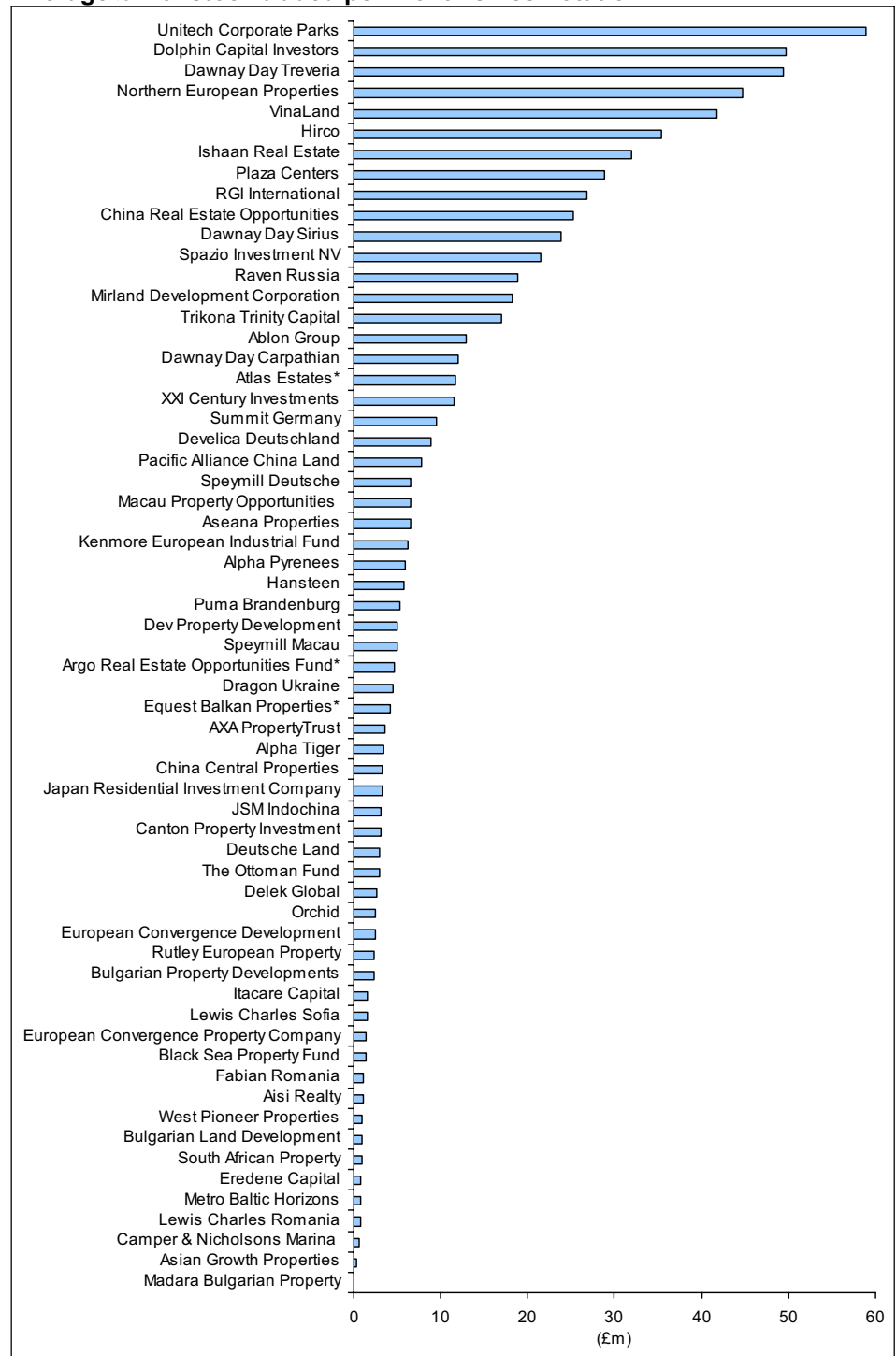


Source: company, Oriel Securities

And secondly the value of shares traded, in £m, on average per month since flotation.

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Average £m of stock traded per month since flotation



Source: company, Oriel Securities

The average monthly value of shares traded for each of the 62 OPFs is just over £11m. The average percentage of market capitalisation traded per month is 4.9%.

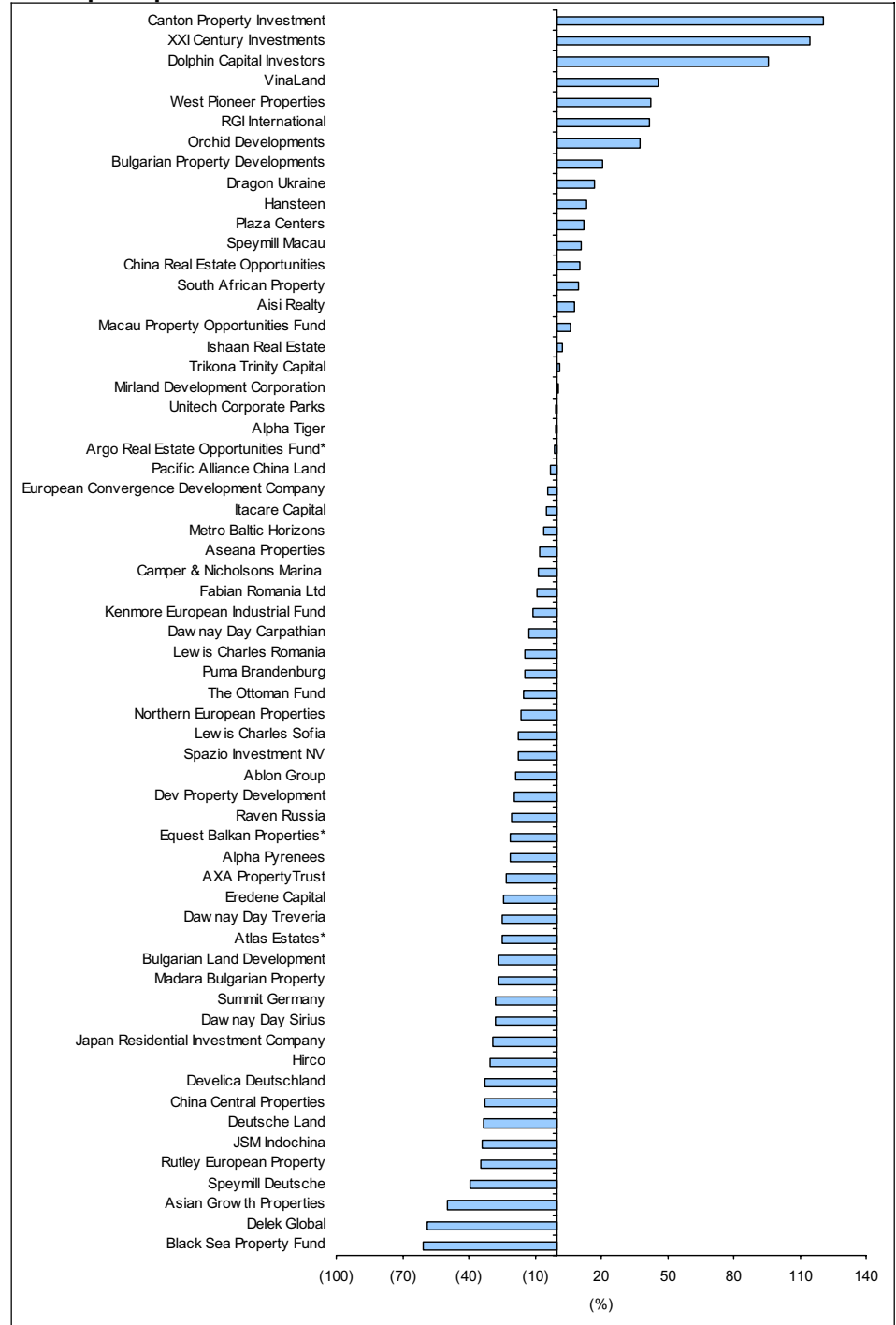
On a value of stock traded basis, Unitech Corporate Parks is the most liquid OPF, whereas Northern European Properties is the most liquid as a proportion of stock traded. The top ten most liquid stocks are roughly interchangeable on both measurements.

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Who are the winners & losers in share price terms?

The share price performance since IPO amongst the OPFs is pretty disparate, with the best, XXI Century and Canton Property Investment, having both more than doubled, with the worst, Black Sea Property and Delek Global, having more than halved. We have removed European Convergence Property Company from this analysis because it is in the process of winding down, having sold the bulk of its investments and returned the cash to shareholders.

Share price performance since float



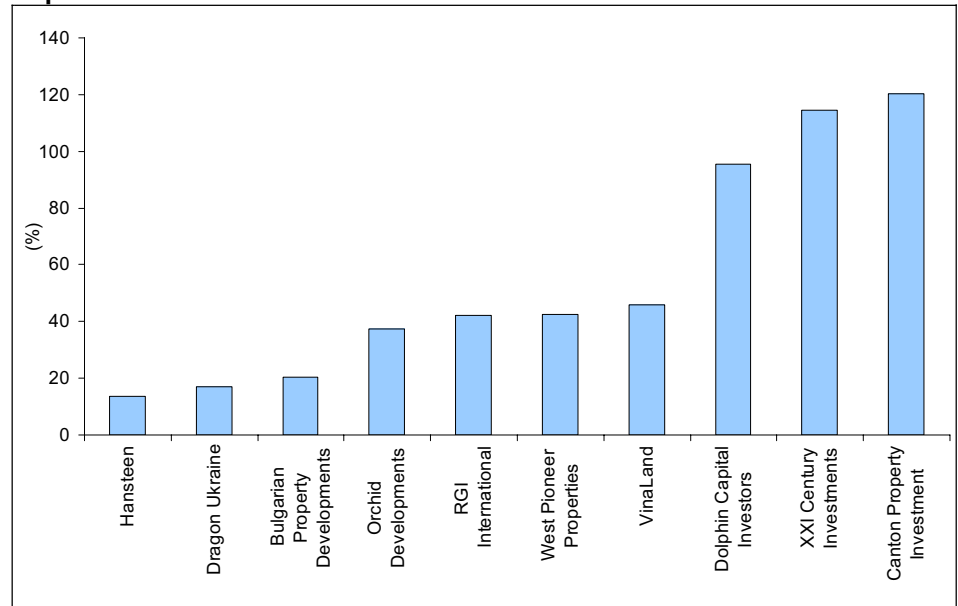
Source: Thomson Financial

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The outperformers

The top ten contains OPFs operating in Western Europe, Eastern Europe, India and the Far East. Most, but not all, have a development bias.

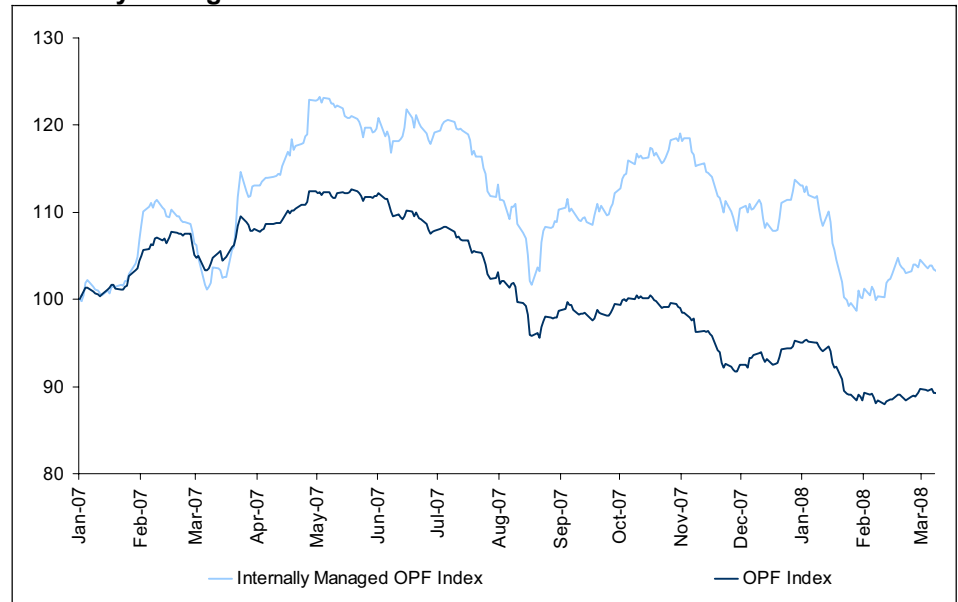
Top Ten Share Price Performances Since Float



Source: Datastream

However, what is most striking is that of the top ten performing OPFs, 60% (Hansteen, Orchid, RGI, West Pioneer, XXI Century and Canton) are internally managed. Note that out of the total of 62 OPFs in our universe, only 12 (being 20%) are internally managed. The graph below shows the performance of the internally managed companies, versus the wider OPF sector.

Internally Managed OPFs versus the OPF index



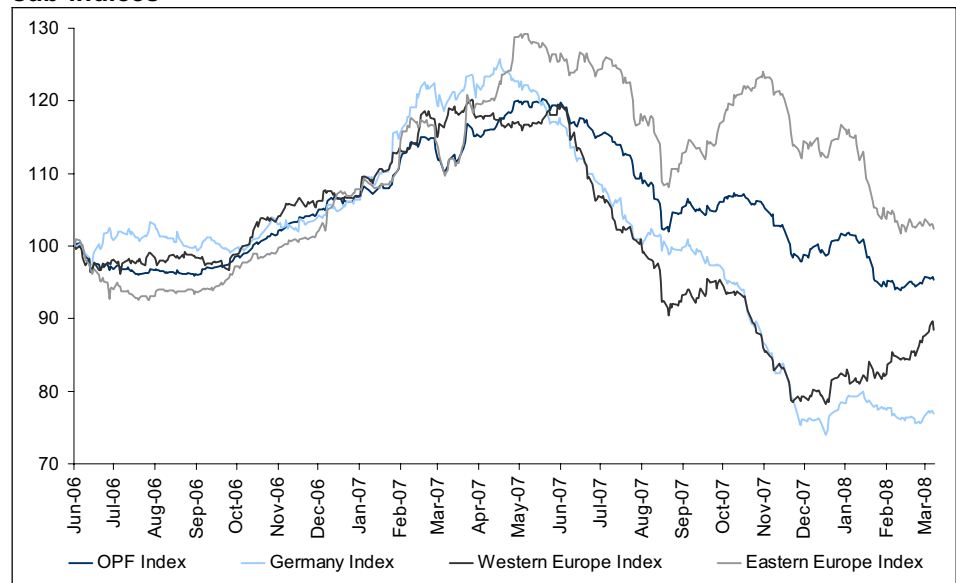
Source: Datastream

The internally managed index has substantially outperformed, even though it counts in its number Delek Global, which has halved since coming to the market in April 2007.

In addition, we have created various geographic sub-sectors of the Oriel Securities Overseas Property Fund Index, being a separate index for German focused funds, a Western European focused index (excluding the German specialists included in the above sub-index), an Eastern Europe index and an index of the Indian OPFs.

Overall Germany has been the single biggest recipient of OPF capital and as the Germany OPF index shows, these funds have shown the worst performance in the OPF sector since starting to underperform other OPF constituents towards the end of April 2007. The Western Europe focused funds have also underperformed the OPF sector, with the Eastern European focused funds being the best European performers.

Oriel Securities Overseas Property Fund Index compared to European sub-indices

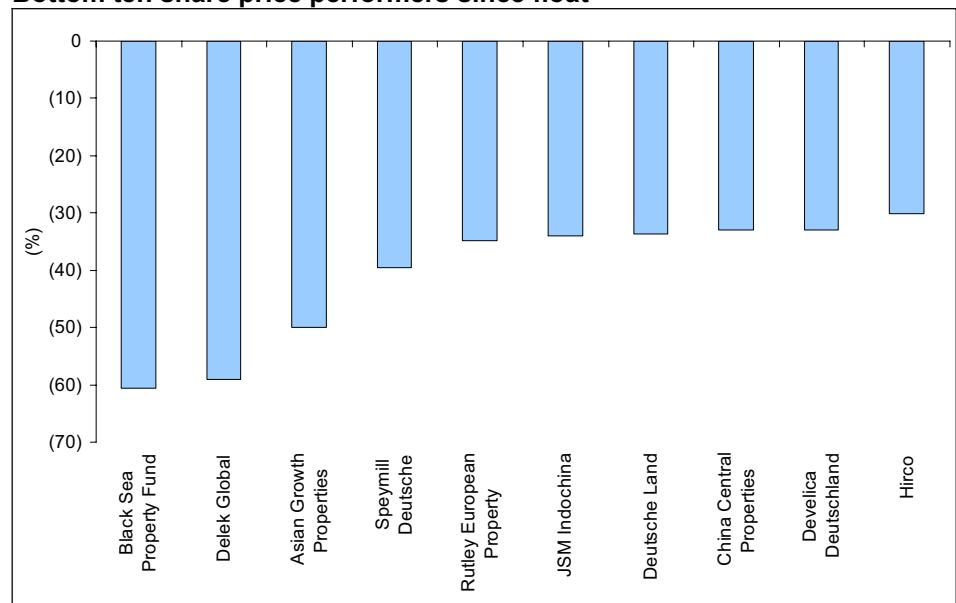


Source: Datastream

The underperformers

The poor performance of the German funds is borne out by some of the constituents of the graph below.

Bottom ten share price performers since float



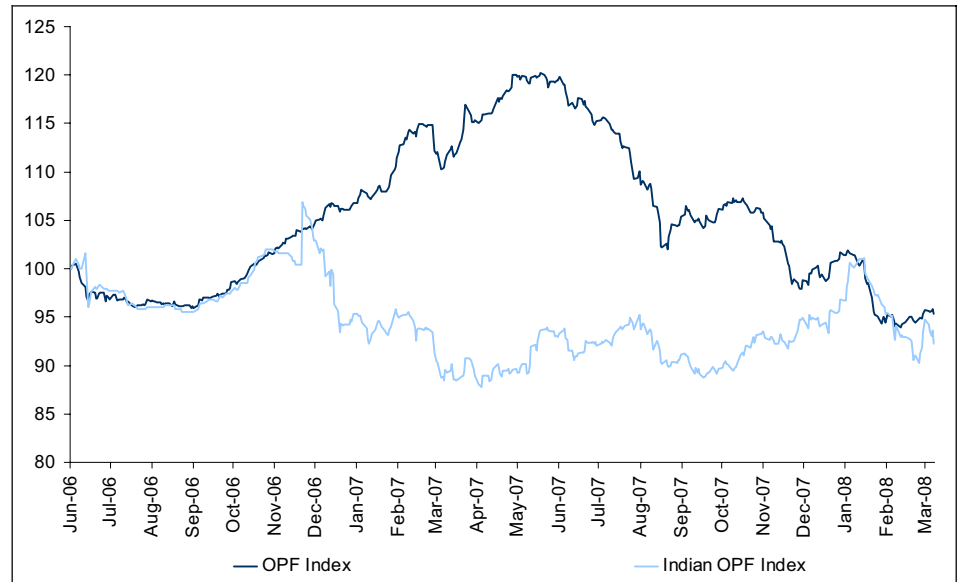
Source: Datastream

Three are German focused (or four if you include Rutley European which is two thirds exposed to Germany). The high gearing levels of the German funds are certainly of concern to investors when coupled with fears of a fading German economic resurgence amid the effects of the credit crunch and outward yield shift. As well as Speymill Deutsche, Deutsche Land and Develica Deutschland all being in the bottom ten performers, in fact no German specialist OPF is trading at a premium to issue price, with all funds down 20% or more.

This is a very different picture to the bottom ten performers in our last directory, when the clearly identifiable common theme was exposure to the Indian market.

Since then, the Indian funds have staged something of a comeback, not least as a result of announcing impressive NAV growth. The graph below shows how severely the Indian funds, as represented by the Indian OPF index, underperformed the rest of the sector in late 2006/early 2007, before starting to make some headway in the latter quarter of the year (whilst the rest of the sector was suffering).

Oriel Securities Overseas Property Fund Index compared to Indian constituents

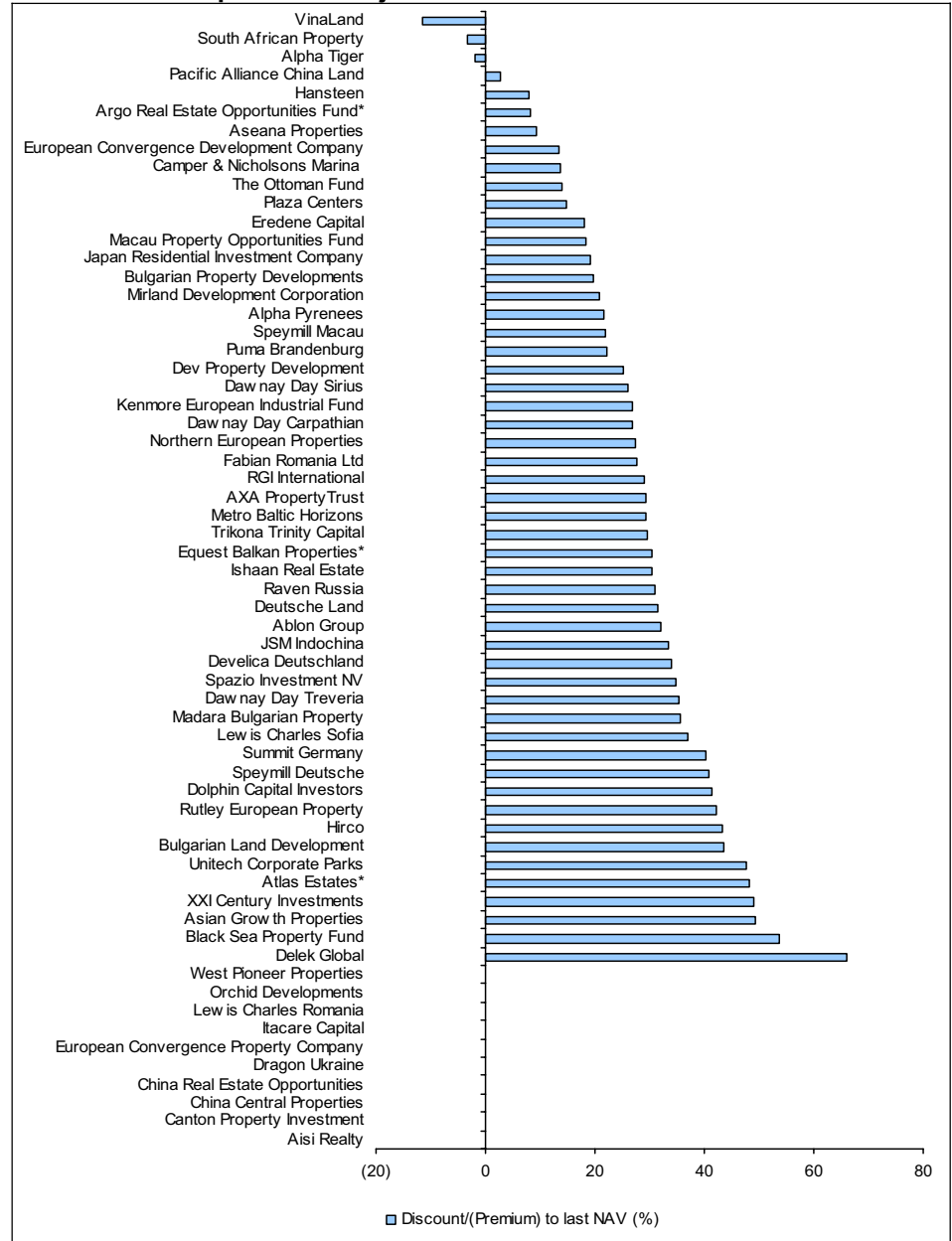


Source: Datastream

Discounts to NAV

The graph below shows discount to last adjusted NAV for those of the 62 OPFs which have published revalued NAV figures.

Discount to last published adjusted NAV



Source: company, Oriel Securities

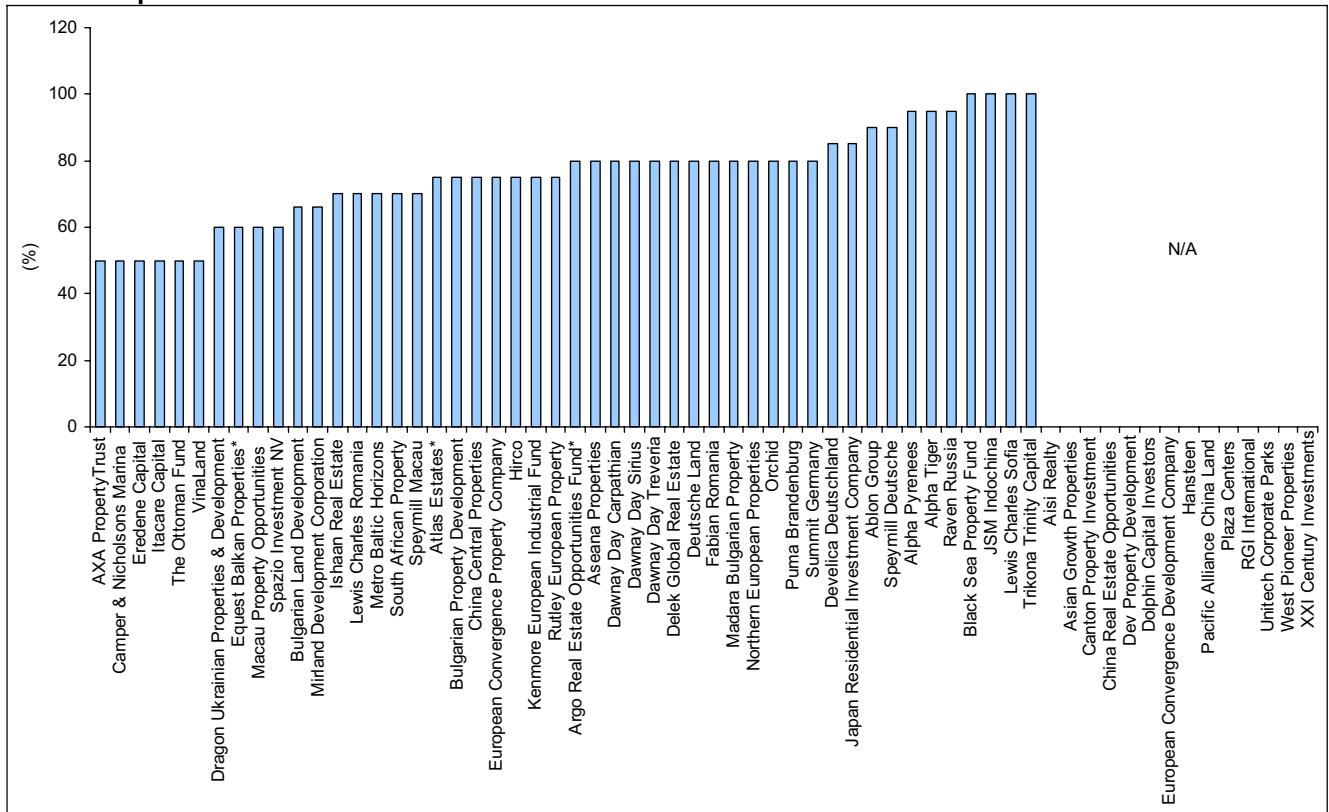
There appears to be no particular pattern to which OPFs are on the biggest discount to historic NAV. Arguably, Delek Global is on the most understandable discount, having over half its portfolio exposure to the UK market, coupled with the potential litigation surrounding it pulling out of the acquisition of the Jemoli Swiss portfolio

Note that this graph shows the discount to the last reported NAV for each OPF, and thus there is a degree of inconsistency between bars due to different period ends being used. That said, virtually every NAV is for a period from between June 2007 and December 2007.

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How much is being borrowed?

Maximum permitted loan to value



Source: company, Oriel Securities

A sometimes forgotten characteristic of the OPF sector is the high “maximum” gearing levels being stipulated in fund raising documents.

Loan To Value (‘LTV’), rather than the more normally applied (in the UK quoted arena) net balance sheet gearing measure, is the main yardstick, although we do note that some UK companies are increasingly talking in terms of LTV rather than balance sheet gearing.

To the unwary an LTV maximum of, say, 60% may seem pretty conservative, but note that in net balance sheet terms this equates to 150% - a gearing level to match the very highest in the UK quoted universe.

We believe that the market should become more cognisant of debt levels within the OPF universe for two reasons. Firstly, the credit crunch has affected the ability of OPFs to refinance their debt. Secondly, falling asset values affect LTV covenants for the most highly geared OPFs.

What does it cost – management fees?

The following table summarises the various management fee structures adopted by the OPF universe.

The range of management fees is wide, although there has been a reduction downwards for later funds compared to earlier listings.

Broadly management fees are paid either as a percentage according to gross assets (from 2% to 0.4%), a percentage of net assets (2% to 1.25%) or a percentage of funds raised (with or without an asset inflator).

In addition to these broad structures, there are several additional fees to watch out for, such as what costs the investment manager or the company is liable for e.g. property acquisition costs, and whether the investment manager gets a fee on uninvested cash (this is rare now).

There are also several cases of funds taking some form of fee to cover sunk costs incurred at or before the time of admission, such as a structuring fee. Other incentive packages, in addition to their performance fees (discussed next), are various option packages and/or free shares awarded or structured at the time of IPO.

Since our last directory a handful of externally managed OPFs have changed their management contract terms. Equest Balkan Properties* reduced its management fee from 1.8% of gross asset value to 1.5% of gross asset value (in exchange for an enhanced performance fee), and Develica Deutschland reduced its management fee from 0.5% of gross asset value to 0.475% (in exchange for an extension to its contract), with effect from 1st April 2008.

Summary of OPF management fees

Management Fee	Number of funds	OPFs
2.5% of gross float proceeds and realised net profits less distributions	1	Aisi Realty
2% of committed assets	1	Raven Russia
2% on NAV	12	Alpha Tiger, Atlas Estates*, Aseana Properties, Bulgarian Property Development, European Convergence Development Company, Fabian Romania, Macau Property Opportunities Fund, Pacific Alliance China Land, Rutley European Property, South African Property Opportunities, Speymill Macau Property Company, VinaLand
2% on NAV of property assets	1	JSM Indochina
2% of Float Proceeds plus capital gains thereafter	1	Black Sea Property Fund
2% of Float Proceeds plus returns from financing	1	The Ottoman Fund
2% of Float Proceeds, plus 2% on net realised undistributed gains on property sales	2	Lewis Charles Romania Property Fund, Lewis Charles Sofia Property Fund
2% of Float Proceeds/Funds Raised	3	Dolphin Capital Investors, Argo Real Estate Opportunities Fund*, Trikona Trinity Capital
2% of committed capital	1	Ishaan Real Estate
2% of Equity Funds	1	Itacare Capital Investments
2% of invested equity capital	3	China Central Properties, Dev Property Development, Unitech Corporate Parks
1.85% on NAV	1	Camper & Nicholsons Marina Investments
1.5% on Gross Property Assets	1	Equest Balkan Properties*
1.5% on Gross Asset Value	1	Dragon Ukrainian Properties
1.5% on NAV	1	Madara Bulgarian Property Fund
1.25% on NAV	1	European Convergence Property Company
1% of gross assets plus 0.5% of Russian capital employed	1	Metro Baltic Horizons
1% on Gross Assets	2	Alpha Pyrenees, Asian Growth Properties
1% on Gross Property Assets	1	China Real Estate Opportunities
0.9% on Gross Assets	1	AXA Property Trust
0.85% on Gross Assets, 0.65% on Gross Assets for C shares, 0.65% following merger	1	Speymill Deutsche Immobilien
0.85% on historic property costs	1	Spazio Investment
0.75%-0.9% on Gross Assets depending on fund size	1	Kenmore European Industrial Fund
0.5%-0.6% on Gross Property Assets	1	Dawnay Day Sirius
0.5% on Gross Assets	2	Japan Residential Investment Company, Summit Germany
0.475% on Gross Assets	1	Develica Deutschland
0.4% on Gross Assets	4	Dawnay Day Carpathian, Dawnay Day Treveria, Northern European Properties, Puma Brandenburg
£650,000 p.a.	1	Deutsche Land
€650,000 p.a.	1	Orchid Developments
Internally/Self Managed	12	Ablon Group, Bulgarian Land Development, Canton Property Investments, Delek Global Real Estate, Eredene Capital, Hansteen, Hirco, Mirland Development Corporation, Plaza Centers, RGI International, West Pioneer Properties, XXI Century Investments

Source: company

What does it cost – performance fees?

The following table summarises the various performance fee structures adopted by the OPF universe.

Performance Fees	Number of Funds	OPFs
20% over 12%; 35% over 20% p.a. total shareholder return	1	Alpha Pyrenees
25% over 12% p.a. compound NAV growth	1	Atlas Estates*
25% over 12% p.a., cumulative NAV growth	2	Metro Baltic Horizons, South African Property Opportunities
25% over 10% p.a. total shareholder return, cumulative	1	Northern European Properties
25% over 8% p.a., 40% over 20% p.a.; cumulative	1	Dawnay Day Carpathian
25% over 8% p.a.; cumulative total shareholder return	1	Summit Germany
25% over 8% p.a. realised PBT; cumulative	1	Dawnay Day Treveria
20% over 15% p.a. total shareholder return	1	Alpha Tiger
20% over 13% p.a. cumulative return on equity funds, on net realised cash profits, with clawback provisions	1	Itacare Capital Investments
20% over 12%, 35% over 25%; total shareholder return	1	Raven Russia
20% over 12% p.a., cumulative total shareholder return	2	Camper & Nicholsons Marina Investments, Spazio Investment NV
20% over 10%, 35% over 25%; p.a. cumulative NAV growth	1	Macau Property Opportunities Fund
20% of any excess realised IRR 10%-20%; additional 30% of any excess IRR above 30%	1	Ishaan Real Estate
20% of net realised cash profits, over a compound 15% p.a. hurdle return after which a catch up split of 40/60 will apply to even out at 80/20 company/investment manager	1	Aisi Realty
20% of realised PBT, subject to 10% cumulative NAV hurdle	1	Argo Real Estate Opportunities Fund*
20% over 10%; 30% over 20%, on per project IRR net cash flow	1	Dev Property Development
20% over 10%; 30% over 20%, net cash flow IRR	1	Unitech Corporate Parks
20% over 10%; 30% over 20%; p.a. cumulative realised returns	1	Trikona Trinity Capital
20% over 10%; 30% over 100%; p.a. cumulative	2	Black Sea Property, The Ottoman Fund
20% over 10%; 25% over 35%; cumulative NAV growth p.a.	1	Dragon Ukrainian Properties
20% over 10%, cumulative NAV, subject to meeting stated dividend policy	1	Kenmore European Industrial Fund
20% over 10% NAV p.a. compound, payable on realisation	3	Aseana Properties, Lewis Charles Romania Property Fund, Speymill Macau Property Company
20% over 10%; cumulative NAV growth p.a.	5	Dawnay Day Sirius, Deutsche Land, Develica Deutschland, Japan Residential Investment Company, Speymill Deutsche Immobilien
20% over 10% p.a., realised IRR	1	Madara Bulgaria Property Fund
20% over 10% of individual project IRR	1	China Central Properties
20% over 10% p.a., cumulative annual total shareholder return, subject to high watermark test	1	Equest Balkan Properties*
25% over 8%; 25% over 20%; cumulative NAV p.a. growth	1	China Real Estate Opportunities
20% over 8% p.a., realised returns on invested capital	1	JSM Indochina
20% over 8% p.a., compound realised total return	1	Fabian Romania Property Fund
20% over 8% realised PBT; cumulative	1	Bulgarian Property Developments
20% over 8% p.a., compound NAV growth on net realised profits	1	Dolphin Capital Investors
20% over 8% p.a.; cumulative	2	Puma Brandenburg, VinaLand
20% over 8% p.a., non compounded	1	Pacific Alliance China Land
20% over 7%, 25% over 23%; p.a. compound NAV growth	1	Lewis Charles Sofia Property Fund
15% over 20%, cumulative NAV growth p.a.	1	European Convergence Development Company
15% of profit after shareholder returns exceed gross subscription proceeds	1	European Convergence Property Company
Zero	3	Asian Growth Properties, AXA Property Trust, Rutley European Property

Source: company

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Management Incentives	Number of Companies	OPFs
20% over 10% p.a. total shareholder return	1	Bulgarian Land Development
Options	2	Orchid Developments, Plaza Centers
Bonuses plus deferred 25% over 10%, cumulative	1	Hansteen Holdings
Back loaded profit participation	1	Hirco
Zero	8	Ablon Group, Canton Property Investments, Delek Global Real Estate, Eredene, Mirland Development Corporation, R.G.I. International, West Pioneer Properties, XXI Century Investments

Source: company

As has been the case with management fees, the market has been exerting downward pressure on these fees at the time of IPO.

All bar one of the performance fee models pays a proportion of returns over a given hurdle.

Base performance hurdles range from 7% to 12%, and these are generally in relation to either cumulative NAV or total shareholder return increases. Some, such as Trinity and Dawnay Day Treveria are only applicable when a property sale locks in the valuation uplift or return. Once these hurdles have been reached, the manager is generally entitled to a proportion of the excess return (say 20% or 25%). Despite there being an overt unpopularity amongst investors, several funds have super-performance fees where the geared return is higher above a higher hurdle rate.

Just two of the traditional fund structures, AXA Property Trust and Rutley European Property, have no performance fee whatsoever.

How long are the management contracts?

Management contracts differ in length from as short as 2 years (VinaLand, AXA and Macau) to up to eleven years. Furthermore most management contracts specify a notice period, which can also differ in length, but which is generally twelve months. A growing number of OPFs with short management contracts which listed early on, are now in the period where notice can be given, and hence the effective length of the contract is down to the notice period.

Dawnay Day Sirius has the longest management contract at eleven years, albeit subject to performance criteria. The OPFs with ten year management contracts are China Central Properties, Dev, Dolphin, Ishaan, Itacare Capital Investments, Raven Russia, Summit Germany and Trikona Trinity Capital, although it should be noted that China Central and Summit's investment manager's tenure is also subject to a performance hurdle.

The table and graph below summarise the original details of the various contracts.

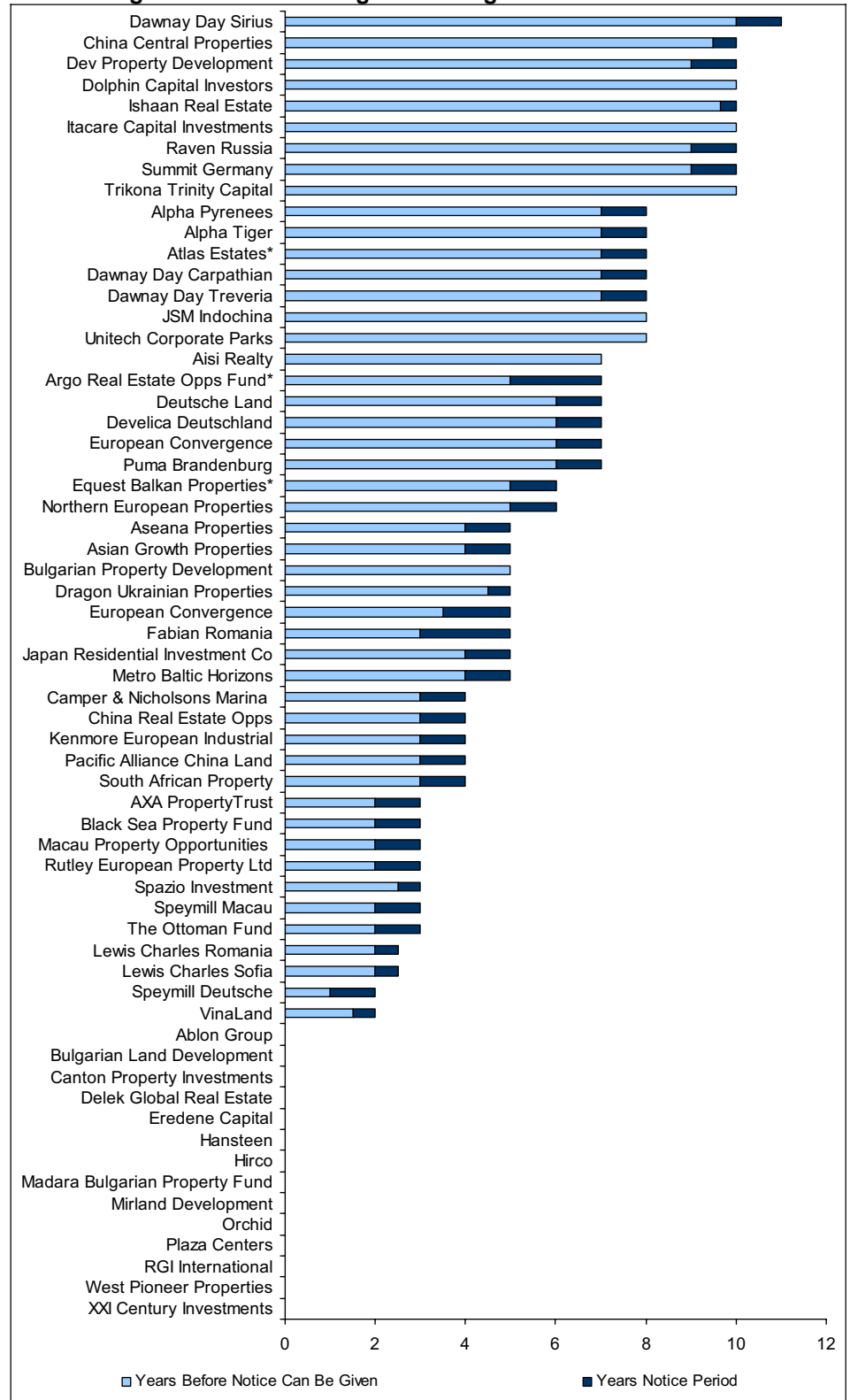
Comparison of OPF management contract lengths from date of IPO

Fund	Contract Length
Speymill Deutsche Immobilien	2 years
VinaLand	2 years
Lewis Charles Romania Property Fund	2.5 years
Lewis Charles Sofia Property Fund	2.5 years
AXA Property Trust	3 years
Black Sea Property Fund	3 years
Macau Property Opportunities Fund	3 years
Rutley European Property	3 years
Spazio Investment N.V.	3 years
Speymill Macau Property Company	3 years
The Ottoman Fund	3 years
Camper & Nicholsons Marina Investments	4 years
China Real Estate Opportunities	4 years
Develica Deutschland	4 years
Kenmore European Industrial Fund	4 years
Pacific Alliance China Land	4 years
South African Property Opportunities	4 years
Aseana Properties	5 years
Asian Growth Properties	5 years
Bulgarian Land Development	5 years
Bulgarian Property Developments	5 years
Dragon Ukrainian Properties & Development plc	5 years
European Convergence Development Company	5 years
Fabian Romania Property Fund	5 years
Japan Residential Investment Company	5 years
Metro Baltic Horizons	5 years
Deutsche Land	6 years
Equest Balkan Properties*	6 years
Northern European Properties Ltd	6 years
Aisi Realty	7 years
Argo Real Estate Opportunities Fund*	7 years
European Convergence Property Company	7 years
Puma Brandenburg	7 years
Alpha Pyrenees Trust	8 years and a further 8 at the discretion of the board
Alpha Tiger Property Trust	8 years and a further 8 at the discretion of the board
Atlas Estates*	8 years
Dawnay, Day Carpathian	8 years, with 12 months rolling notice thereafter
Dawnay, Day Treveria	8 years, 3 year terms thereafter
JSM Indochina	8 years
Unitech Corporate Parks	8 years, but the company can terminate with 12 months notice
China Central Properties	10 years, subject to performance criteria, and then 3 year terms thereafter
Dev Property Development	10 years
Dolphin Capital Investors	10 years
Ishaan Real Estate	10 years
Itacare Capital Investments	10 years
Raven Russia	10 years
Summit Germany	10 years, subject to performance hurdle, and then 3 year terms thereafter
Trikona Trinity Capital	10 years
Dawnay Day Sirius	11 years, subject to performance criteria
Ablon Group	n/a
Canton Property Investments	n/a
Delek Global Real Estate	n/a
Eredene Capital	n/a
Hansteen Holdings	n/a
Hirco	n/a
Madara Bulgarian Property Fund	n/a
Mirland Development Corporation	n/a
Orchid Developments	n/a
Plaza Centers	n/a
R.G.I. International	n/a
West Pioneer Properties	n/a
XXI Century Investments	n/a

Source: company, Oriel Securities

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Total Management Contract Length including Notice Period From Date Of IPO



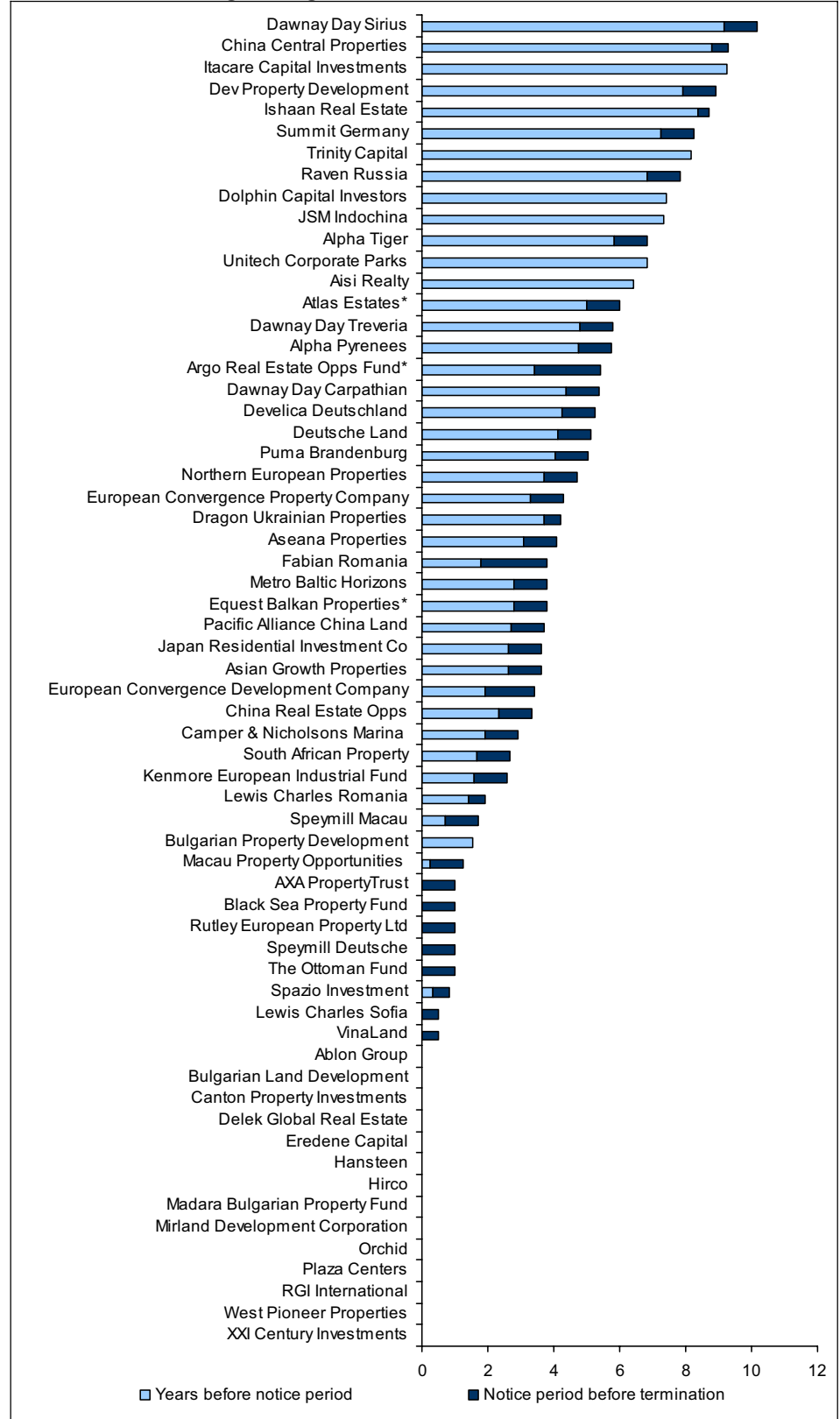
Source: Thomson Financial

The next graph shows the total remaining time for management contracts including their notice period. Where the management agreement is now in the period when notice can be given, we have assumed that notice has not yet been given and hence the minimum remaining management contract length is in fact the notice period. The known exception to this is Black Sea Property

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Fund, where notice was given to the investment manager in September 2007 to start the twelve month notice period, although this was as part of a strategic review process which may or may not result in the termination of the management contract at the end of the notice period.

Minimum Remaining Management Contract Period



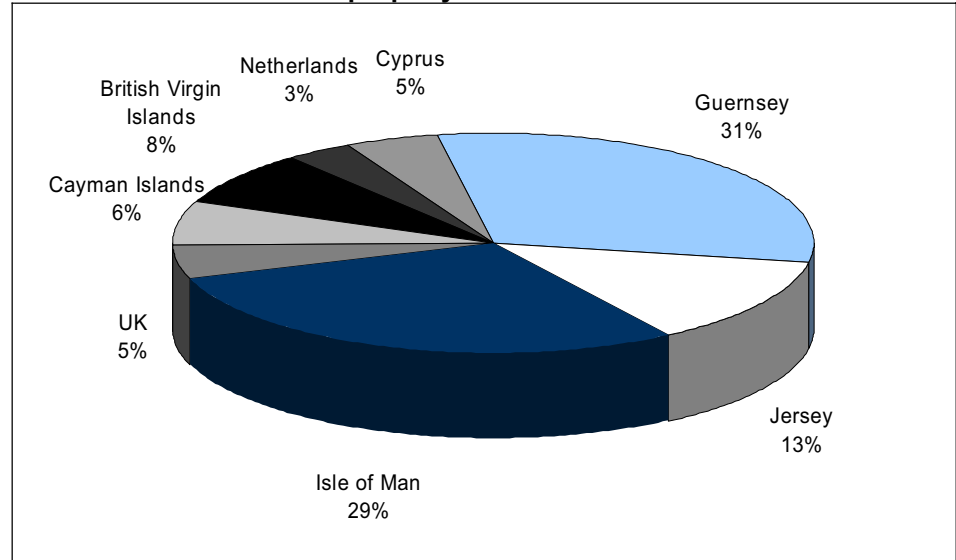
Source: Thomson Financial

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Where are these funds domiciled?

The majority of the OPFs we cover in this note are domiciled offshore, the primary driver being tax efficiency. As the pie chart below shows, the most popular locations are Guernsey and the Isle of Man, the latter's "market share" having now decreased slightly from 37% in our last report in summer 2007, to 31% now.

Domiciles of the overseas property funds

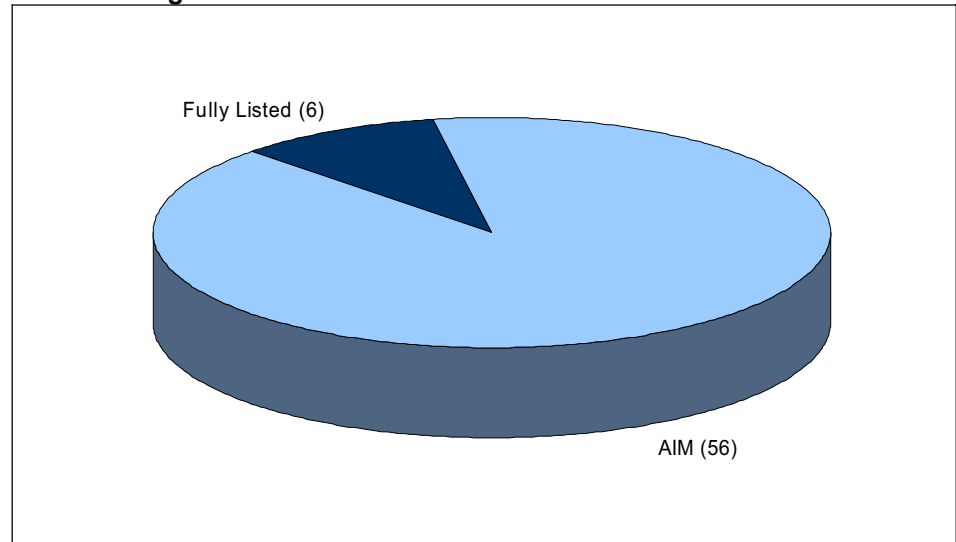


Source: company, Oriel Securities

AIM or full listing?

As the pie chart below illustrates the majority of OPF's have listed on AIM, rather than the main market.

Market listing of OPFs



Source: company, Oriel Securities

Note: The bracketed number indicates number of funds in absolute terms

The bracketed number indicates number of funds in absolute terms

Given the majority of OPFs were new funds at the time of IPO, often with a management track record that did not qualified for a full listing, AIM was the only route open to most.

However, the choice of markets for OPFs to seek a listing in London has changed over the second half of 2007. The FSA has announced more relaxed rules for Chapter 15 listings, which became effective on 6th March 2008. At the same time the FSA has closed the option to list under Chapter 14 for overseas investment entities.

The London Stock Exchange launched the Specialist Fund Market on the 1st November 2007, as a new regulated market aimed at highly specialised investment entities targeting institutional investors. This has been viewed as an alternative to Chapter 14 listing.

The changes to the Chapter 15 listing rules are expected to see a number of investment companies, including OPFs, moving from AIM to the full list. This will be of particular interest to funds wanting to gain entry to the FTSE Index Series.

For example, Raven Russia announced in its recent December 2007 prelims that it intends to do this as 'we feel that the current size, increasing maturity and ambitions of the Company are more accurately reflected by listing on London's main board'.

In addition, two OPFs, Atlas Estates* and Plaza Centers have both gained dual listing on the Warsaw Stock Exchange, in order to increase liquidity in their stock and gain access to Polish investors keen to have exposure to their domestic property market.

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Argo Real Estate Opportunities Fund*

Date	Recommendation
Initiated on 24-Sep-07	BUY

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Equest Balkan Properties*

Date	Recommendation
As at 01-Mar-07	Buy
11-Jul-07	HOLD

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Metro Baltic Horizons*

Date	Recommendation
Initiated on 27-Sep-07	BUY

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