

# Coast Freehold Income Fund



## Targeted 8% Stable Annual Inflation Hedged Return

- Purchase and management of residential freeholds with long leases
- Targeted 3-4% secured net income from ground rents
- Additional income streams including assignment and consent fees
- Targeted 4% capital gains are based on passage of time and inflation hedge of both income and buildings
- Lease extensions, enfranchisements and sales realise the embedded capital gains
- No property value speculation: freeholds purchased on a multiple of the ground rent
- All freeholds subject to five-yearly independent surveyor valuations
- Monthly mark to market based on each property's survey and published nationwide indices
- Monthly NAV and dealing with up to six months notice; no lock-up

**GROUND RENTS: constitute regular payments required under the lease to the freeholder**  
**GROUND RENTS: rank above any claim on the leasehold, including any mortgage**

### Asset Allocation

Portfolio in England and Wales diversified by geography and price

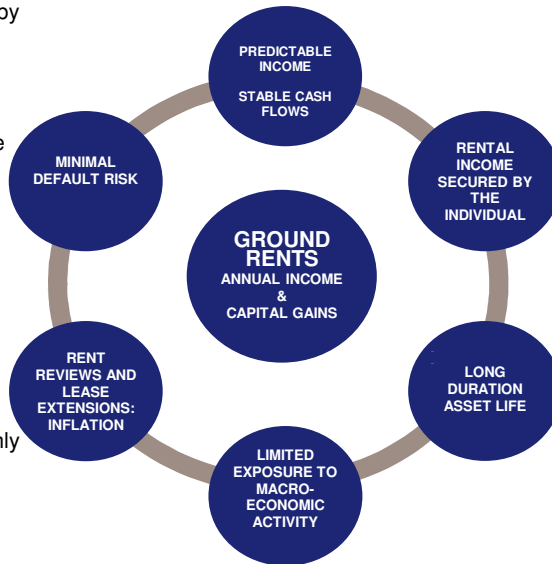
No lease under 95 years at acquisition  
 90% of leases are upwards only reviewable

Underlying properties are residential flats

Freeholds are acquired mainly at -or below surveyors independent valuation

All properties subject to five-yearly formal independent external valuations and monthly index-based book valuations

95-150 year and over 150 year leases provide a growing reversion capital gain component or generate higher yields



### Ground Rent Market

Clear risk / return profile to the asset class in turbulent macro-economic and property markets

The market for ground rents is well established

Existing market value of Fund compliant freeholds is estimated at around £5bn

Future developments provide significant investment opportunities for the Fund

For example, 300,000 new units built create an increase of £1 billion in the overall value of the ground rent market

### Unique Structure

Jersey Property Unit Trust  
 Regulated Expert Fund

Tax transparent

Monthly Index based valuation of the all the assets of the Fund - no Director discretion

Monthly dealing  
 No lock-up period

Semi-annual distribution of income, which may be reinvested through a revocable standing order

### Management

RCP collects the ground rents and deals with all the property issues

RCP and Coast offer investors access to both ground rent and fixed income fund expertise

RCP has an extensive network to source freeholds at the best price and terms

CAP instructs RCP as to the maximum price to be paid on properties

### Experience

The founders of RCP each have over 25 years of sourcing freeholds and managing ground rents in the UK

Coast founder has managed, -structured and sold fixed income assets and funds for over 25 years

Coast Management Ltd is Authorised by the Jersey Financial Services Commission

Capital Advisory Partners Ltd is Authorised by the Financial Conduct Authority

### Commitment

All income from the assets accrue to the Fund

Leases extended only when Notice is served under the Act

No conflict of interest:

Managers will neither purchase from nor sell properties to the Fund

Fund has first right to bid on any eligible property

No existing investments have been transferred to the Fund

# Coast Freehold Income Fund



## Fund Specifications

Jersey regulated structure is a Property Unit Trust Open-Ended Expert Fund

Two unit classes (Qualified and Institutional), offering monthly dealing and redemption with up to six months' notice

The repurchase price is the ending monthly NAV

All rent and other income, less Fund fees, is paid out semi-annually

Capital gains resulting from the passing of time are fully directed to the investors with no performance fees thereon

The Fund will sell freehold assets in the market to match redemptions above subscriptions

The sale of assets may take up to six months to complete, the maximum notice period reflects this

Purchases are subject to stamp duty, survey, legal and potentially agent fees: sales are subject to legal fees and potentially agent fees. Both swinging and dual NAVs reflect these costs above and below the actual open market valuation of the assets in the Fund

## Case Study:

### Ground Rent Valuation For Lease Extensions

Net Present Value Model (LVT)				
£3,166 *				
HPI	-3%	unch	+3%	+6%
1 yr	£3,233	£3,251	£3,268	£3,285
annual	2.1%	2.7%	3.2%	3.8%
10 yr	£4,033	£4,265	£4,571	£4,966
Annual	2.4%	3.0%	3.7%	4.6%
20 yr	£5,522	£6,179	7,344	9,362
Annual	2.8%	3.4%	4.3%	5.6%

\*Annual ground rent of £100, doubling every 25 years, 119 years remaining on the lease and a market value of the flat of £180,000

### Inflation hedge of income

Ground rent portfolio income behaviour vs inflation					
RPI	HPI	10 yr	20 yr	30 yr	60 yr
0%	0%	0.0%	0.9%	0.6%	0.8%
1%	1%	0.4%	1.6%	1.3%	1.3%
2%	2%	0.8%	2.3%	1.9%	2.0%
3%	3%	1.3%	3.1%	2.7%	2.7%
5%	5%	2.3%	4.9%	4.3%	4.4%
8%	8%	3.9%	7.7%	6.8%	7.1%
3%	6%	2.1%	4.8%	4.1%	4.4%



### RCP: Clive and Paul Rayden

Clive and Paul Rayden entered the ground rent and service charge management business in 1986. They founded County Estate Management in 1991 and in 2006 integrated the company with AIM-listed Solitaire Group. By March 2008 it became the UK's third largest residential manager with 55,000 units under management. The Raydens sold their shares in the Group in 2008 and set-up RCP with new IT systems.

The operational side of the group is based in Wiltshire and manages property portfolios on behalf of clients with a value in excess of £50m.

In 1997 the Raydens set up ventures with external investors to invest in portfolios of tenanted pubs. More than £200m has been invested, over 1,200 pubs bought and 700 sold. A vehicle continues to manage tenanted pubs.



### Coast: Sven Miserey

Sven Miserey is an investment professional with over 25 years experience. He is the named co-inventor of the Chicago Mercantile Exchange's Cleared Interest Rate Swap product. He previously managed in excess of €15bn for the Commerzbank Group in credit and money market funds and set up the structured credit portfolio of GLG Partners.

Coast Management Ltd is the Jersey Financial Services Commission Authorised fund manager under the supervision of the administrator. Capital Advisory Partners Ltd is the Financial Conduct Authority Authorised and Regulated Investment Advisor, set up in 2006 and specialising in investment solutions for institutional investors.

Summary of Terms:			
Structure:	Jersey Property Unit Trust, Expert Fund	Subscription:	Monthly
Minimum Initial Investment:	£1m Institutional; \$100k equivalent Qualified	Dual NAV:	Offer: OMV +5.75%, Bid: OMV -0.75%
Annual Management fee:	1.25% Institutional; 1.50% Qualified	Swinging NAV:	Single NAV: OMV [-2% : +8%]
Performance Fee:	20% of annual net income above 4.50%, subject to a 10 yr UK Gilt yield +1% floor; 20% on realised annual capital gains from book value	Administrator:	Sanne Fund Administration Limited
Currency:	GBP	Trustees:	Sanne Trustee Services Limited
Standing Independent Valuer:	Keningtons LLP	Auditor:	Grant Thornton
Property Investment Adviser:	RCP Capital Ltd	Redemption:	Monthly, up to 6 months' notice
Ground Rent Manager:	RCP Ground Rent Management Ltd	Investment:	Coast Management Ltd (JFSC Regulated)
ISIN Institutional	JE00B9J98Y01	Investment Adviser:	Capital Advisory Partners (FCA Regulated)
ISIN S-Institutional	JE00BQZJ4Y54	ISIN Qualified	JE00B9JHVH86
		ISIN S-Qualified	JE00BQZJ4Z61

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The Investment Manager of the Coast Freehold Income Fund is Coast Management Limer, which is Authorised and Regulated by the Jersey Financial Services Commission.

The Investment Advisor of the Coast Freehold Income Fund is Capital Advisory Partners Limited, which is Authorised and Regulated by the Financial Conduct Authority 450657.