



FALCO CAPITAL
P A R T N E R S



FALCO
capital

FALCO REAL ESTATE FINANCE FUND

FALCO INVESTMENTS LP

INVESTOR PRESENTATION

JULY 2018

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- A decorative geometric shape in the bottom right corner, consisting of a large triangle pointing upwards, with a smaller triangle pointing downwards inside it, creating a hexagonal-like shape. The shape is filled with a dark olive green color and has a thin blue outline.

RISK WARNINGS

The information in this document has not been approved by the UK Financial Conduct Authority.

Investment in property involves significant risk and is illiquid in nature. The investment value may fall as well as rise. There is a significant risk that an Investor may lose his entire investment in the Funds. There can be no assurance that the investment objectives will be achieved.

Any property market recession would materially adversely affect the value of the Property. The market value of property is generally affected by the overall conditions in the local economy, employment trends, inflation and change in interest rates, which in turn may impact upon the demand for premises. An investment in the Funds will generally be illiquid.

You may not be able to sell your investment at a reasonable price, or at all.

To maximise returns, Investors may need to hold their interest on a medium to long term basis. As a consequence, interests in the Funds are not suitable as short term investments, but Investors should take advice on their personal circumstances.

There is no guarantee that the valuations given on periodic statements will accurately reflect the realisation proceeds that may be obtained. As with all property valuations, the valuations are based only on the valuer's professional opinion on a stated date.

Any figures set out in this document are prepared on the assumptions stated. These are for illustrative purposes only and do not constitute forecasts.

Information regarding taxation is based upon current UK taxation legislation and HM Revenue & Customs practices. Tax law and practice is subject to change which may affect the value of an investment in the Funds and returns to Investors and any changes may be retrospective.

Compensation may not be available under the UK's Financial Services Compensation scheme. In addition, complaints may not be covered by the Financial Ombudsman Scheme.

There are other risks explained in the Risk Factors section of the PPM that may result in Investors losing some or all of their investment.

BACKGROUND

- Falco Capital and its sister company Falco Capital Partners manage two real estate lending Funds respectively, Falco Investments LP (Falco) and Falco Real Estate Finance Fund (FREFF)
- Falco Investments LP is a UK open-ended real estate lending Fund with an FCA regulated Investment Manager (AIFM). FREFF is a Luxembourg CSSF regulated open-ended real estate lending Fund. Both Funds target the same lending space, but with a different private investor base
- The Funds lend across the capital stack providing bridging, stretched senior, mezzanine and preferred equity investments
- £26m raised to date and deployed across 8 active deals
- Investors in the Fund are high net worth and sophisticated investors, with FREFF appealing to offshore investors and with a smaller minimum investment size
- Each transaction is approved and funded on an individual basis
- FREFF was established in 2016 and Falco in 2017. The Funds have invested c. £40m across 12 deals and have exited 4 deals totalling £14m

KEY INDIVIDUALS

Richard Anderson – Managing Director

Richard joined Falco Capital Partners Limited in 2016 and Falco Capital in 2017. He started his career in accountancy and investment banking working for Arthur Andersen, County NatWest and Lazard Brothers before co-founding a property development business, MRP, in 2002. MRP has developed numerous commercial, residential and mixed-use schemes with a GDV in excess of £100M. MRP has also acted as an asset manager to four real estate funds.

Richard is responsible for deal origination, underwriting, transaction structuring, loan management and seeking credit approval from the Investment Committee. He specialises in the financial appraisal of property transactions, property fund management, property project management and property finance.

Richard is a Chartered Accountant and Chartered Tax Adviser with law degrees from Edinburgh and Oxford Universities.

Marianne Logica – Investment Manager

Marianne has over 10 years' experience in real estate. She previously worked for a global asset manager, Schroders, where she was a real estate analyst working within the real estate private equity team, supporting the management of over £400m of value-add assets.

Marianne is involved in all aspects of both onshore and offshore Fund set up, deal execution, transaction management, operation management, accounts and investor reporting. Marianne is an approved person having undertaken the IMC as well as obtaining the IAQ qualification, achieving a credit in the Private Client Advice and Management paper.

Jonathan Lamb – Managing Director

Jonathan set up Falco Capital Partners Limited in 2016 and Falco Capital in 2012. He has worked in the financial services sector and wealth management for the past 18 years. In 2007 he co-founded Lanner Capital, an FCA authorised City-based wealth management firm which specialises in advising high net worth individuals on investment opportunities, pension structures and long-term financial planning.

During the last ten years, he has raised equity and debt capital for a number of specialist alternative investment Funds.

Jonathan is involved in all aspects of deal origination, loan analysis, structuring and risk management. He is a member of the Investment Committee and is jointly responsible for each loan advance.

Jonathan is also the founder of Falco Private Office, a specialist multi-family advisory business for ultra-high net worth individuals.

Jonathan is a member of the Chartered Insurance Institute and the Chartered Insurance Institute and holds a DipPFS in Regulated Financial Planning and a degree in Economics.

KEY INDIVIDUALS

Sven Miserey – Investment Committee Member of Falco Investments LP

Sven is currently the Fund Manager for the Coast Freehold Income Fund and Risk Manager for the Masayume UCITS Funds. Previously, he was a Portfolio Manager at GLG Partners and set up GLG's structured credit portfolio (CDO). He was the co-inventor and is the patent holder of the Chicago Mercantile Exchange's Cleared Interest Rate Swaps. He managed over EUR15 billion in various long-only credit and moneymarket funds for the Commerzbank Group.

Sven holds a BBA in Finance from George Washington University.

Paul Greenslade - Investment Advisory Committee Member of Falco Investments LP

Paul is a shareholder and non-executive director of Falco Capital. He previously worked for Shell International for 11 years before joining the energy trading company Vitol in 1991. There he had a career spanning 23 years before retiring in 2014. Whilst at Vitol, Paul was responsible for the company's world wide crude oil trading operation for almost 20 years; was Managing Director of the London Office for 14 years; was Chairman of Vivo Energy (a pan African oil marketing group previously owned by Shell) and was on the main Board of the Vitol Group of companies when he retired from the oil business.

Andrew Wheldon – Investment Committee Member of Falco Real Estate Finance Fund and Investment Advisory Committee Member of Falco Investments LP

Andrew has over 15 years of experience in property development and finance and is a Director in the Commercial Real Estate team at Lloyds Bank overseeing the bank's relationships with major listed real estate clients. He is also a board director and investment committee member for the Housing Growth Partnership, a social impact equity investor backed by Lloyds Bank and Homes England.

A chartered surveyor by background, Andrew was previously Head of Residential Origination in the Royal Bank of Scotland's real estate finance business and a Senior Director in CBRE's debt and structured finance business.

Andrew is a Fellow of the RICS, holds an MBA and is a member of the Urban Land Institute's Residential Council.

LOAN TYPES

Senior/Mezzanine/Stretched

Senior property loans have a claim on the property that ranks above any other loan against that property. Interest rates payable on senior loans are the lowest of all property loans to reflect that the loans rank first against the property and carry the lowest relative risk.

Mezzanine loans are provided to fill the gap often found between senior debt levels of up to, say, 60% of property value and the borrower's equity, which is normally, say, 20%. Mezzanine loans will therefore occupy the 'tranche' between 60% and 80% of property value. Mezzanine loans rank behind senior loans and the relationship between the two is governed by an agreement between the two lenders (commonly referred to as a deed of priority or inter-creditor deed). Mezzanine loans are secured by way of a second charge over the property which is subordinated to the senior loan first charge. Mezzanine loan rates are higher than senior loan rates, commensurate with the higher risk profile.

The bridging, development and investment loans described below may be either senior or mezzanine loans. There is also the concept of a 'stretched' senior loan, where a single loan encompasses both senior and mezzanine tranches, i.e. the loan is up to 80% of property value, at a price which reflects the higher risk, but in a single loan which has a first charge against the property.

Development Loans

Development loans are used by borrowers to fund the development costs of a project payable during the development period, typically ranging from 6 to 24 months. In a typical development loan, the loan is drawn down monthly against a pre-agreed schedule to fund the costs arising in that particular month. Interest accrues on the loan and is capitalised periodically (normally monthly) to the loan amount.

The loan and accrued interest are repaid at the completion of the development when the property is sold or, if the borrower wishes to retain the asset, the loan can be refinanced with an investment loan. The development loan may be rolled into the investment loan phase.

Bridging Loans

Bridging facilities are short term loans (typically less than one year) provided to borrowers who have varying strategies – the most common of these is to purchase with a view to obtaining or enhancing planning permission prior to developing or selling for a profit. If the borrower wishes to develop at the end of the bridging phase, the Fund may roll the bridging facility into a senior or mezzanine development loan.

Investment Loans

These are longer term loans against properties which are generating income and held for investment. As the property is generating income, the loan interest will be paid in cash rather than rolled up (typically quarterly in arrears) and there may be an obligation on the borrower to make part repayments of loan capital on the dates that interest is paid. Loans are taken out either to purchase the property or to refinance an existing development or investment facility.

Hybrid Loan/Equity Facilities

Where a borrower is equity restricted and the project is sound, the Funds may advance a senior or mezzanine loan facility and include an additional amount of funding as quasi-equity. The quasi-equity will be repaid after the loan is repaid and will rank ahead of the borrower's equity. In return, the Fund will charge a profit share which will be higher than the loan interest rate to reflect the increased risk profile of the transaction. These deals may be structured as a pure loan facility or as a combination of a loan and a preferred equity instrument.

LOAN EXAMPLES - REPAID

West London



Loan Amount: £915k

Location: West London

Term: 4 months

Security: Second charge, Senior Lender: Close Brothers

Type: Mezzanine bridge facility

LTV: 70%

Interest rate: 18.5% pa

Asset Type: Existing single dwelling

Profile: Single drawdown. Interest capitalised

Investment Completion: Repaid

Woking



Loan Amount: £5.000m

Location: Surrey

Term: 30 months

Security: First charge

Type: Senior bridge/term facility

LTV: 32%

Interest rate: 9% pa

Asset Type: Existing offices with mixed-use planning potential

Profile: Single drawdown. Interest capitalised

Investment Completion: Repaid

Sheffield



Loan Amount: £6.742m

Location: South Yorkshire

Term: 9 months

Security: Second charge, Senior Lender: Titlestone

Type: Mezzanine development facility

LTV: 75%

Interest rate: 15% pa

Asset Type: Development of 437 bed student accommodation

Profile: Single drawdown. Interest capitalised

Investment Completion: Repaid

Leeds



Loan Amount: £2.833m

Location: West Yorkshire

Term: 6 months

Security: First charge

Type: Senior bridge facility

LTV: 75%

Interest rate: 15% pa

Asset Type: Development of 117 bed student accommodation

Profile: Single drawdown. Interest capitalised

Investment Completion: Repaid

LOAN EXAMPLES - CURRENT

Winchester



Loan Amount: £4.850m

Location: Hampshire, South East

Term: 60 months (two phases, development and investment)

Security: Second charge, Senior Lender: Royal Bank of Scotland

Type: Mezzanine development facility

LTV: 65%

Interest rate: 14% pa

Asset Type: Development of 257 bed student accommodation

Profile: Drawdown in tranches. Interest capitalised.

Investment Completion: 2018 (development phase)

West London



Loan Amount: £6.045m

Location: West London

Term: 28 months

Security: Second charge, Senior Lender: OakNorth

Type: Mezzanine development facility

LTV: 70%

Interest rate: 17% pa

Asset Type: Development of 24 residential apartments, car & cycle parking

Profile: Single drawdown. Interest capitalised

Investment Completion: 2020

Edinburgh



Loan Amount: £2.848m

Location: Scotland

Term: 6 months

Security: First charge

Type: Senior acquisition bridging facility with possibility of rolling into a mezzanine development facility

LTV: 75%

Interest rate: 14% pa

Asset Type: Development of 83 bed student accommodation

Profile: Single drawdown. Interest capitalised

Investment Completion: 2018

Buckinghamshire



Loan Amount: £708k

Location: Buckinghamshire

Term: 12 months

Security: First charge

Type: Senior bridge facility to enhance planning

LTV: 70%

Interest rate: 13% pa

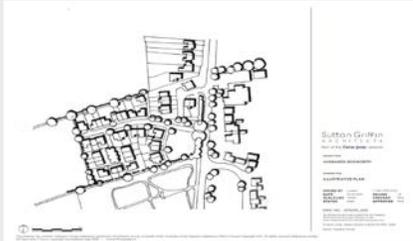
Asset Type: Development of 2 retail units (pre-let) with planning sought for additional 16 apartments

Profile: Single drawdown. Interest capitalised

Investment Completion: 2019

LOAN EXAMPLES - CURRENT

Leicestershire



Loan Amount: £1.467m

Location: Leicestershire

Term: 12 months

Security: First charge

Type: Senior acquisition bridge to discharge reserved matters re outline planning consent. Possible roll to mezzanine development loan

LTV: 75%

Interest rate: 13% pa

Asset Type: Development of 32 family houses

Profile: Single drawdown. Interest capitalised

Investment Completion: 2019

Northampton



Loan Amount: £3.049m

Location: Northamptonshire

Term: 31.5 months

Security: Second charge, Senior Lender: OakNorth

Type: Mezzanine development facility

LTV: 73%

Interest rate: 20% pa

Asset Type: Development of 139 houses, garages and new access roundabout

Profile: Single drawdown. Interest capitalised

Investment Completion: 2021

Dublin



Loan Amount: £5.124m

Location: Dublin

Term: 6 months

Security: First charge

Type: Senior Acquisition bridging facility for period between completion of purchase and forward funding sale to institutional investor

LTV: 60%

Interest rate: 14% pa

Asset Type: Development of 207 bed student accommodation

Profile: Single drawdown. Interest capitalised

Investment Completion: 2018

Windsor



Loan Amount: £1.800m

Location: Berkshire, South East

Term: 12 months

Security: Second charge, Senior Lender: OakNorth

Type: Mezzanine development facility

LTV: 68%

Interest rate: 16% pa

Asset Type: Development of 14 residential houses and apartments.

Profile: Single drawdown. Interest capitalised

Investment Completion: 2019

LOAN EXAMPLES – PIPELINE IN DOCUMENTATION

Andalucia, Spain



Loan Amount: £3.093m

Location: Granada

Term: 4 months

Security: First charge

Type: Senior Acquisition Bridge from completion of purchase to refinancing with full development facility

LTV: 27%

Interest rate: 12% pa

Asset Type: Development of 360 bed student accommodation

Profile: Single drawdown. Interest capitalised

Investment Completion: 2018

Leicestershire



Loan Amount: £1.380m

Location: Leicestershire

Term: 12 months

Security: First Charge

Type: Senior acquisition bridge with possible roll to mezzanine development facility

LTV: 75%

Interest rate: 13% pa

Asset Type: Development of 22 family houses

Profile: Single drawdown. Interest capitalised

Investment Completion: 2019

North London



Loan Amount: £5.030m

Location: North London

Term: 24 months

Security: Second charge, Senior Lender: Greenoak

Type: Mezzanine development facility

LTV: 71%

Interest rate: 17% pa

Asset Type: Development of 35 apartments and houses

Profile: Single drawdown. Interest capitalised

Investment Completion: 2020

Dublin



Loan Amount: £3.000m

Location: Dublin

Term: 9 months

Security: First charge

Type: Senior Acquisition bridging facility for period between completion of purchase and forward funding sale to institutional investor

LTV: 65%

Interest rate: 14% pa

Asset Type: Development of 96 bed student accommodation

Profile: Single drawdown. Interest capitalised

Investment Completion: 2019

INVESTMENT EVALUATION

Investment Process and Due Diligence (for Falco Investments LP – FREFF is similar, but with some regulatory and jurisdictional differences)

The investment process starts with the Investment Adviser (Falco Capital) sourcing an investment opportunity from its contact base of intermediaries and direct relationships. After an internal review, loan modelling, and initial due diligence and assessment, the Investment Adviser will submit the proposal to the Investment Manager for review and the Investment Manager will submit it to the Investment Committee for preliminary approval to proceed to the full due diligence phase. Only a small number of opportunities evaluated by the Investment Adviser make it to this preliminary approval stage.

If approved, the due diligence undertaken by the Investment Adviser will take a number of weeks and involves many different aspects, including, but not limited to:

- A third party specialist valuation from a qualified valuer and member of the Royal Institute of Chartered Surveyors (in accordance with the RICS Valuation - Professional Standards book known as the Red Book). This is a detailed document with an in depth analysis of the property, the macro and micro economic background, the borrower's strategy, benchmark construction costs and comparable valuations of similar properties. The valuer may value the property as is (known as "Existing Use Value"), taking into account possible future value enhancement, such as the value and likelihood of obtaining planning consent for redevelopment (known as "Market Value") or as a forecast of the completed development value ("Gross Development Value" or GDV")
- Specialist reports, if required, in particular a project monitor's report from a qualified Quantity Surveyor as to the borrower's development assumptions (construction and professional costs, programme, project team, contractor, planning consent etc.) and a planning consultant's report as to the likelihood of obtaining planning consent (if not already obtained)
- Sales and marketing reports from property sales' agents (if required in addition to the valuation)
- Borrower's CV, track record, borrowing history and credit status, including references
- A qualitative assessment of the borrower's proposals using the property experience of the Investment Advisory team
- The quality and experience of the borrower's project team (contractor, architect, engineers and other consultants)
- At least one site visit with the borrower including a walk around of the neighbouring area
- A visit to other current or completed projects by the borrower to assess quality and outcome
- Full legal due diligence by the Fund's legal adviser including a detailed property Report on Title. At the end of the due diligence phase, a final credit approval is sought from the Investment Committee and Investment Manager to enter into the loan in accordance with the loan and security documentation drafted by the Fund's legal adviser and agreed with the borrower and its advisers.

PARTIES

Third Party Service Providers FREFF:

Investment Adviser

Falco Capital Partners Limited

Fund Administrator

Equiom

Fund Management & Board of Directors

Nalu Capital SA

Luxembourg Legal Advisers

Loyens & Loeff Luxembourg SARL

Third Party Service Providers Falco Investments LP:

Investment Adviser

Falco Capital Limited

Investment Manager (FCA regulated AIFM)

Capital Advisory Partners Limited

Fund Administrator

NCM

UK Legal Advisers

Boodle Hatfield LLP



IMPORTANT NOTICE

This document is issued for the sole purpose of providing initial information about an investment in the Funds. Any investments in the Funds must be made on the basis of the offering document only and not on the preliminary details contained in this document. The preliminary terms in this document may differ from the details in the offering document and should be read in the context of the whole of the offering document. This document does not constitute, and may not be used for the purposes of, an offer or an invitation to apply to participate in the Funds.

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We recommend that you seek advice from your own tax and legal advisors in making this assessment. The information contained in this document is based on material we believe to be reliable. However, we do not represent that it is accurate, current, complete or error free. Assumptions, estimates and opinions contained in this document constitute our judgment as of the date of the document and are subject to change without notice. The underlying investments in the Funds consist wholly or substantially of real property; the value of the real property is highly volatile and under certain market conditions investors seeking to redeem their holdings may experience significant restrictions or delays and may be illiquid. Any projections are based on a number of assumptions as to market conditions and there can be no guarantee that any projected results will be achieved. Past performance is not a guarantee of future results. The distribution of this document and availability of this product in certain jurisdictions may be restricted by law.



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For general enquiries, subscriptions and redemptions

E: info@falcocapital.co.uk

Jonathan Lamb

T: +44 (0) 7584 212 840

E: jlamb@falcocapital.co.uk

Richard Anderson

T: +44 (0) 7887 984 160

E: randerson@falcocapital.co.uk