

BOONE REAL ESTATE - MIXED FUND (JAN - MAR 2017)

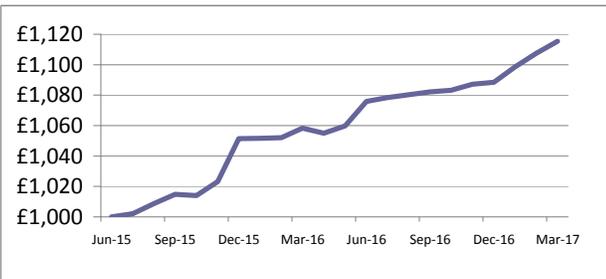


PROPERTY MARKET NEWS

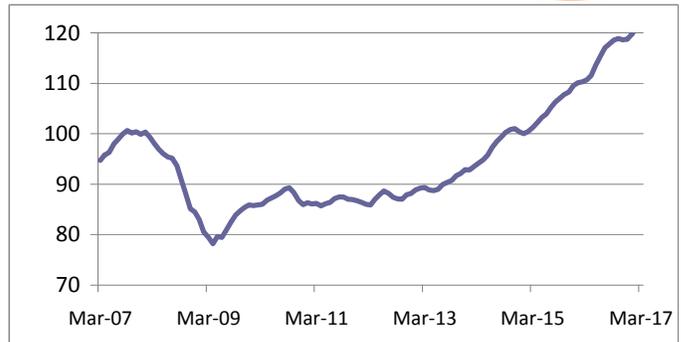
The 1st quarter of 2017 saw strong growth in the market with regional house prices rising by 3.0%. The market followed the traditional pattern of rising after the holiday period slow down and a general optimism regarding the UK macro-economic position following the uncertainty of 2016. The rise is reflective of all housing prices in the region.

Rental rates and property prices across the region remain cautiously optimistic, driven by consistency in the local supply and demand. Longer term, there is still no evidence that the demand in the region will curtail and increases in-line with expectations are anticipated throughout 2017.

SHARE PERFORMANCE



Northampton 10 year House Price Index



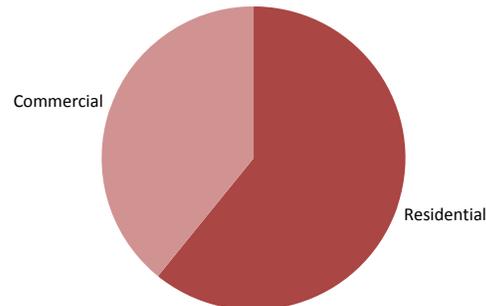
The share price rose by an impressive 2.5% in the quarter. The net income from the properties was consistent and strong during the quarter with no significant expenditure required.

Quarterly performance contributed to an annual rise of 5.4%. Management hope that, provided that we maintain our existing commercial tenants, the fund will continue to perform at this level. Although the UK government have announced an election in June 2017, markets are expected to continue to rise, buoyed by additional political certainty following the vote.

PORTFOLIO POSITION

As at 31 December 2016, residential property continued to make up 60.7% of the entire portfolio. Average gross rental yield was also unchanged, maintaining its level at 7.4% and reflecting the quality of the underlying real estate compared to the local market.

The Commercial interests represent the remaining 39.3% of the assets with rental yield consistent at 8.3%. Commercial yield is expected to increase in the 2nd quarter following an agreement to lease part of the car park of one of the properties.



PROPERTY BREAKDOWN

Property	Value (£'000)	Annual rent (£)	Yield %
Semilong - completed residential development	756.8	48,600	6.4%
Dergate - restaurant and apartments	750.7	67,524	9.0%
Gold Street - restaurant and apartments	870.3	72,960	8.4%
The Old Bakehouse - restaurant	315.6	19,500	6.2%
	2,693.4	208,584	7.7%

There was limited maintenance work carried out during the quarter with no significant work scheduled and only some relatively minor security related work done for the commercial tenant at Gold Street.

During the quarter several of the properties achieved rises in rental income and management see no reason to change the existing strategy of maintaining the properties to a high level in order to have a positive impact on property values. Management meet regularly to review properties and discuss scheduled work, issues are identified early and sufficient contingency established to mitigate emergencies.

During the quarter property values increased by 0.5%, in-line with the Fund policy. The Fund has a valuation policy to increase the carrying values of each property at the rate of 2% per annum in order to calculate the Net Asset Value of the Fund's shares. This reflects the investment objectives of a combination of net rental income plus capital appreciation. At each 6 monthly interval, the Fund will arrange for an independent valuation of the properties by a qualified third party and restate the carrying values of each property accordingly.



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