

BOONE REAL ESTATE - MIXED FUND (OCT - DEC 2016)

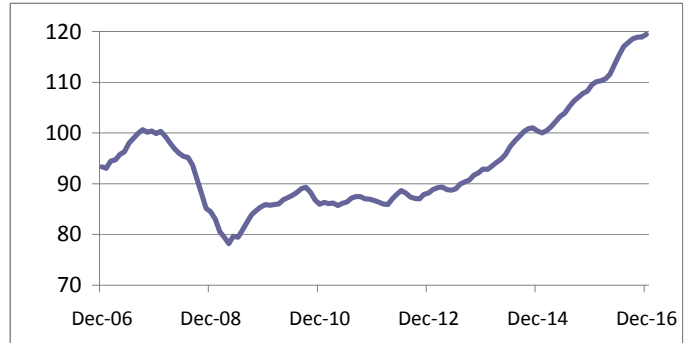


PROPERTY MARKET NEWS

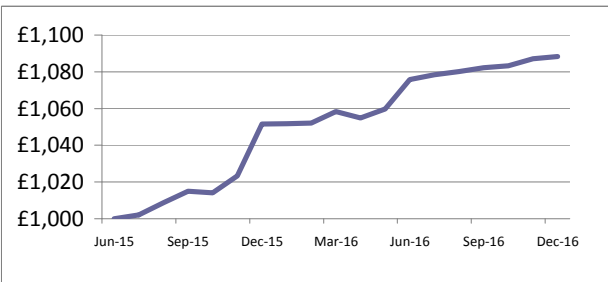
The 4th quarter of 2016 saw a slowing of the upward market trend with regional house prices rising by only 0.7%. The market traditionally slows during the holiday period and that, combined with continued macro-economic uncertainty surrounding the UK's Brexit, and the impact of the US elections resulted in the flattening of prices. The rise is reflective of all housing prices in the region.

Despite the slowing in the market and the subsequent softening of rental increases and property prices the market has remained positive, driven by local supply and demand. Longer term, there is no evidence that the demand in the region will not continue and increases are expected in 2017.

Northampton 10 year House Price Index



SHARE PERFORMANCE



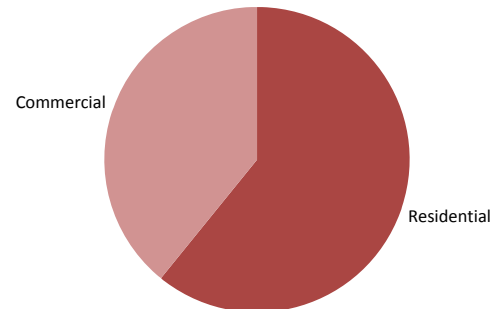
The share price rose by 0.6% for a second quarter. The net income from the properties was consistent and strong during the quarter with no significant expenditure required.

The quarterly performance contributed to an annual increase of 3.5%. Management are optimistic into 2017 that through a combination of market increases and portfolio performance management the fund will continue to perform at a high level. In addition, following the UK Brexit announcement at the end of Q1 2017 the market will once again start to rise.

PORTFOLIO POSITION

The proportion of the portfolio represented by residential property dropped to 60.7% with average gross rental yield across the residential portfolio increasing to 7.4%. The change was caused by uncertainty in the market freezing residential values. Through actively managing the portfolio and working with our local agent to source good tenants however, we have been able to continue to increase the rental income.

The Commercial portfolio represents the remaining 39.3% of value with rental yield increasing to 8.3% as rental from tenants at Dergate and the Old Bakehouse stepped upwards.



PROPERTY BREAKDOWN

Property	Value (£'000)	Annual rent (£)	Yield %
Semilong - completed residential development	753.0	48,240	6.4%
Dergate - restaurant and apartments	747.0	67,524	9.0%
Gold Street - restaurant and apartments	866.0	72,360	8.4%
The Old Bakehouse - restaurant	314.0	19,500	6.2%
Total	2,680.0	207,624	7.7%

During Q4 2016 routine maintenance was carried out at several of the properties, notably for the commercial tenant at Dergate (where a pre-lease commitment was fulfilled) and at No.4 Semilong.

Active management of the rental income from the different properties and consideration of the quality of tenants led to increases in income from both Dergate and Semilong during the quarter. Management continually see evidence that maintaining the properties to a high level has a positive impact on property values. This process is ongoing and management will continue this policy into 2017.

During the quarter property values increased by 0.3%, a total of 2.4% for the year. 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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