

BOONE REAL ESTATE - MIXED FUND (APR - JUN 2017)

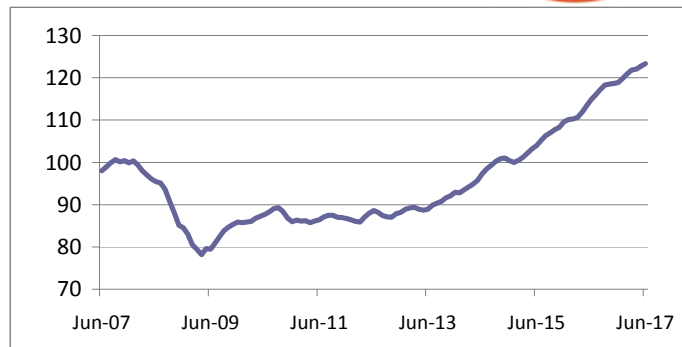


PROPERTY MARKET NEWS

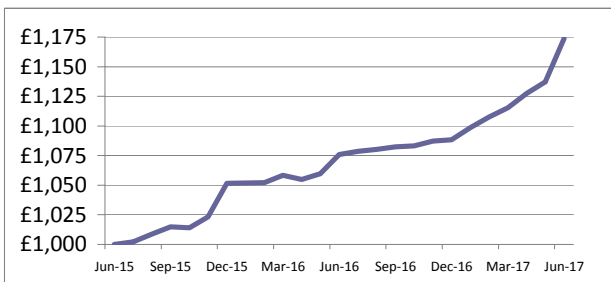
The 2nd quarter of 2017 saw improvement in the market with regional house prices rising by 1.3%. A second quarter rise is not unusual in the UK although this one was curtailed by the UK general election during June 2017. The rise is reflective of all housing prices in the region.

Rental rates and property prices across the region continue to be sustained by consistency in the local supply and demand. Longer term, demand in the region remains strong with Northampton currently number one in the UK for fastest selling properties. Property value increases in-line with expectations are anticipated throughout 2017.

Northampton 10 year House Price Index



SHARE PERFORMANCE



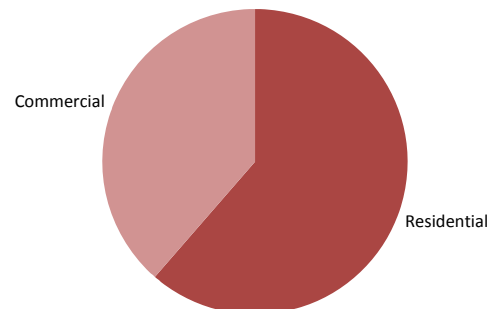
The share price rose by an impressive 5.3% in the quarter. Net income from the properties remained consistent and strong during the quarter with no significant expenditure required.

Quarterly performance contributed to an annual rise of 9.1%, outperforming the aspirational target set by Management. There is continued optimism that, provided that we maintain our existing commercial tenants, the fund will continue to perform at this level. Markets remain steady despite political uncertainty and Brexit and give hope to better times ahead.

PORTFOLIO POSITION

As at 30 June 2017, the Fund saw a shift with residential property making up 61.4% (31 Dec 16: 60.7%) of the entire portfolio. Average gross rental yield decreased slightly to 7.2% (31 Dec 16: 7.4%) as a result of property value rises. The decrease in % does not cause concern to Management as the underlying income increased slightly.

The Commercial interests represent the remaining 38.9% (31 Dec 16: 39.3%) of the assets with rental yield increasing, as predicted, to 8.5% (31 Dec 16: 8.3%).



PROPERTY BREAKDOWN

Property	Value (£'000)	Annual rent (£)	Yield %
Semilong - completed residential development	773.0	48,960	6.3%
Derngate - restaurant and apartments	766.0	67,524	8.8%
Gold Street - restaurant and apartments	879.0	75,660	8.6%
The Old Bakehouse - restaurant	327.0	19,500	6.0%
Total	2,745.0	211,644	7.7%

There was unscheduled repair work at Derngate to both the commercial and residential parts of the building during the quarter. Despite this work, maintenance costs were less than 6% of gross income and improved the underlying property and tenant relations.

During the quarter some of the properties achieved rises in rental income and management plan to continue 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 1.8%, significantly more than the standard 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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