



Business Lending Secured Income Fund



BLG update, October 2011

by Stuart Parfitt, Managing Director

Important Dates for the Diary:

All Saints Day - 1st November 2011, the Business Lending Secured Income Fund's 1st Anniversary and declaration date for its 4th quarterly dividend! Dividend payment date 14th November 2011.

QE2, Interest Rates and Stock Market Volatility:

"Sell in May and go away, don't come back to St Leger's Day" (Labor Day if you are American), is an old investment adage and was worthy advice in 2011. The FTSE100 was close to its 12 month peak at the beginning of May trading around 6,000, by the time the tapes went up at the Doncaster Race Track for the St Leger, the market was around 15% lower and has generally traded in a band of 5,000 to 5,400 since and volatility is abound.

At the October Monetary Policy Committee meeting the Bank of England voted for a further round of Quantitative Easing to the tune of another £75 billion. This move, which has been dubbed QE2, continues to apply downward pressure on medium and long term interest rates with 10 year Gilt yields now trading at around 2.51%. Amongst the turmoil, the BLSI Fund has continued to pay the 9.1% p.a. dividend, distributing quarterly.



Project Update



In the fifth issue of Newswire we featured a new development in centre of Tring, Hertfordshire. The development purchase was funded in early August and the developer got on site immediately dealing with the demolition, site clearance and ground works.

The Business Lending team has since visited the site twice with the latest photos showing progress at the 5th October. All the site ground works and sub-structure have now been completed with the main brickwork progressing apace. The houses should be roofed in by the end of October, which is well ahead of schedule, and means that if we do get the hard winter that the Met Office predicts there will be no loss of pace in the build programme.

Other positive news on the site is that there is potential to build a third bedroom in the roof space which would increase the sales values by around 20% with limited additional cost. This would take the Loan to Value exposure of the Fund down to around 54%.



Fun after the games

The recent Athletics World Championships held in South Korea saw the Aviva GB & NI Team surpass their target of 7 medals, when the inspirational Mo Farah returned their second gold of the Championships in a pulsating men's 5,000m final. The team's improved success has been attributed to sound fundamentals adopted by their highly experienced coaching and management team; including meticulous preparation, good team selection and a thorough understanding of the risks faced from other competitors.

Expectations for the 2012 London Olympics are set even higher, not only with regards to medals won by Team GB but also with regard to investor returns through the economic benefits of holding the Olympic Games in London. The economic benefits include significant urban regeneration, improved road infrastructure, better public transport communications, environmental improvements and enhanced City stature resulting in further inward investment and tourism.

Areas of stability and growth: London and the South East

These benefits, when coupled with the current growth in occupier and investor demand in the London residential market, suggest that suitable residential development in this area will lead to good levels of return and reward for those investing in it.

Over the last few months both Nationwide and Halifax have reported little change in the UK-wide house prices but London and the South East continue to outperform the national market, having experienced a 2.1% rise over 12 months. This trend should be set to continue whilst buyer confidence remains strong and housing supply is scarce.

Planning for success: preparation, selection & risk management

Of course, relying on macro market conditions does not guarantee success and in order for the BLSI Fund to consistently pay its regular quarterly dividend at 9.1% pa equivalent, it places a significant emphasis on sound property fundamentals and good lending practices, through its strong risk management process & procedures and by considering in detail the micro market conditions prevalent for each individual scheme.

Like Team GB, the BLSI Fund's highly experienced and seasoned management team adopts the following:

- > **Meticulous preparation** through its comprehensive due diligence processes
- > **A strong team selection** by having strict selection criteria for both the developer and site
- > **A thorough understanding of the potential risks** by undertaking its robust risk analysis.

The BLSI Fund is designed to provide a 9.1% annual income by making short and medium term development loans to experienced property developers, whilst adopting appropriate risk management strategies, ensuring a podium finish with every scheme.



Business Lending Secured Income Fund

A high income fund with principal secured by residential property

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