

UK AND EUROPEAN FUND
(the "Class Fund")
CUBIC PROPERTY FUND LIMITED
(the "Fund")

SUPPLEMENT

This supplement relates to the following Class of the Fund

The UK and European Sterling Class Shares

admitted to the Official List of the Channel Islands Securities Exchange

This Supplement contains specific information in relation to the Class in the Class Fund. The Supplement forms part of and must be read in the context of and together with the Prospectus of the Cubic Property Fund Limited dated 21 April 2016 (the "**Prospectus**"). Terms not otherwise defined in this Supplement shall have the meanings given to them in the Prospectus.

Definitions

Unless the context otherwise requires and except as defined herein, words and expressions in this Supplement shall have the meaning as in the Fund's Prospectus. In addition to the definitions contained within the Prospectus, the following definitions shall apply.

"Ancillary Assets" means Cash, Near Cash and loans advanced to SPVs on terms approved by the Directors.

"Class Fund" means a separate pool of property maintained in respect of one or more Class, as described in this Supplement.

"Class" means each class of Shares. Details of Classes in the Class Fund are contained in this Supplement.

"Control Criteria" means the criteria determined and applied by the Directors when selecting an SPV to hold specific properties or other assets of the Class Fund, including, without limitation, a requirement that the Fund has the ability (whether by means of appropriate protective measures contained in the memorandum and articles of incorporation of the SPV, or by operation of applicable law, or otherwise) to control the composition of the board of the SPV and protect the Fund's position, with particular regard to the power of the SPV to issue further shares.

"C Shares" means participating non-redeemable shares in the capital of the Class Fund which are designated as C Shares.

"Gross Asset Value" or **"GAV"** means NAV plus capital value of debt finance of property holding SPVs.

"JVV" means a joint venture vehicle which has two or more shareholders or members and which is established for the exclusive purpose of holding real property assets (directly or indirectly) and "JVVs" shall be construed accordingly

"Minimum Holding" means £25,000 or the currency equivalent thereof.

"NAV" means the net asset value of the Class Fund and the net asset value per Share, as the context may require, calculated in accordance with the Prospectus and this Supplement.

"Participating Shares" means participating redeemable shares in the capital of the Class Fund which are not designated as P Shares.

"Permitted Investment" means (1) investment, directly or indirectly, in Property and Property related assets and (2) Ancillary Assets.

"Property" means real property situate in Europe including the United Kingdom, principally but not limited to commercial properties in the retail, retail warehouse, office, industrial warehousing and leisure sectors and also includes acquisition of residential hotels and development land.

"P Shares" means participating redeemable shares in the capital of the Class Fund which are designated as P Shares.

"Redemption Days" means the first Business Day of each calendar quarter (and if any such date is not a Business Day then the Redemption Day will be the next Business Day) or such other additional Business Day or Business Days as may be agreed between the Directors from time to time.

"Shares" means participating shares in the capital of the Class Fund.

"SPV" means a special purpose vehicle established for the purpose of holding specific properties or other assets of the Class Fund (directly or indirectly), but not being a JVV, and "SPVs" shall be construed accordingly.

"Subscription Days" means the first Business Day of each calendar quarter or such other additional Business Day or Business Days as may be agreed between the Directors from time to time.

"Supplement" means this document.

"Valuation Day" means the Business Day preceding a Subscription Day or Redemption Day, as the case may be.

"Valuation Point" means 5.00 pm Guernsey time on the Valuation Day.

CLASS FUND DIRECTORY

The Fund

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Administrator, Secretary and Registrar

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Custodian

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Introduction

The UK and European Fund is a Class Fund of Cubic Property Fund Limited (the "**Fund**"). The Fund is an open-ended investment company registered in Guernsey with registered number 53619 as a non-cellular company limited by shares under the provisions of the Companies Law.

The Commission has authorised the Fund as a Class B Collective Investment Scheme under the POI Law.

The following Shares comprise the UK and European Fund (the "**Class Fund**")

The UK and European Sterling Class Shares

Further details of the Fund are provided in the Prospectus.

The Class Fund comprises three Classes: Participating Shares, C Shares and P Shares. Details of these Classes are set out in the Prospectus under the heading "Corporate Structure".

The Directors of the Fund are Richard van Vliet, Eric Mounier, Michael Fienberg and Kerry Fynn.

Reference Currency

The Class Fund Shares will be denominated and valued in Pounds Sterling.

The Directors' intention is to maximise returns to investors and therefore the Directors may hedge any exposure to assets which are not in the base currency of the Class Fund.

Investment Objectives

The investment purpose of the Class Fund is to provide sophisticated and high net worth investors and institutional investors with a professionally managed means of participating in UK and European real estate markets. It is not intended that the Class Fund will invest in emerging markets in Europe. The primary investment objective of the Class Fund is to achieve appropriate levels of rental income and medium to long term capital growth from a diversified portfolio of property and property related assets. The Class Fund will seek to acquire a diversified portfolio of predominantly commercial properties in the retail, retail warehouse, office, industrial warehousing and leisure sectors. It may also acquire residential, hotels and development land. Investment decisions of the Fund will be made by the Directors, advised by the Investment Adviser, and will reflect the medium to long term objective to maximise total return made up of rental income plus capital appreciation.

The Class Fund will invest in properties via SPVs. A single SPV may be used to hold each separate property, or may hold multiple properties. Any finance sought for property acquisitions will be at the SPV level thus endeavouring to ring-fence the finance according to SPV which holds such property or properties. The Class Fund and any SPV may provide guarantees to any other SPV where the Directors consider that it is in the interests of the Class Fund to do so for the purposes of enabling the Class Fund or an SPV to obtain, re-negotiate or maintain the financing of investment properties acquired by or for the Class Fund. It is not the intention of the Directors that the Class Fund or the SPVs should provide cross-guarantees as a

matter of course and the Directors intend that such arrangements will only be entered into in order to resolve issues relating to the financing of investment properties acquired by the Class Fund.

Other assets of the Class Fund

The Class Fund may also invest in property related securities and other property funds in the relevant European jurisdictions. This may only be necessary where surplus cash has been received into the Class Fund and real property investments are not currently available or deemed unsuitable by the Investment Adviser for investment by the Class Fund. In addition, the Class Fund may invest in JUVs which exclusively hold real property assets (directly or indirectly) and where the Fund does not have control over the relevant JUV.

The Directors intend to maintain some liquidity within the Class Fund to meet redemptions. This will usually be in the region of 5% of the NAV of the Class Fund and is intended to be held in cash or cash-equivalent assets.

The Class Fund may, at its discretion, advance loans to the SPVs, on terms approved by the Directors.

Investment Restrictions and Guidelines

In addition to the investment restrictions applicable to the Fund which are set out in the Prospectus the following specific restrictions apply to the Class Fund.

The Fund is intended as a medium to long term investment vehicle. Up to 100% of the assets of the Class Fund may be property assets which shall be principally but not limited to European property assets.

1. The Class Fund should acquire an interest in any real property (whether direct or through an SPV or other vehicle) only:-
 - (a) if the real property is the subject of a report by a professionally qualified property valuer who is independent of the Investment Adviser, the Administrator and the Custodian and who is also not connected with the property or with any transaction relating to the property within the previous two months, or with any person who holds an interest in the property;
 - (b) if, in addition to stating the value of the property, the valuation report (see (a) above) includes the valuer's professional opinion that if acquired for the Class Fund, the interest in the property would be capable of being disposed of reasonably expeditiously at the valuation;
 - (c) if the Directors of the Fund, or the Investment Adviser, are satisfied that there is reasonable right of access to the property;
 - (d) if after the acquisition the value of leasehold property which has an unexpired term of less than 60 years does not exceed 10% of the GAV;
 - (e) if after the acquisition the aggregate value of the Class Fund's interests in any real property held through companies or other vehicles (including JUVs) which do not satisfy the Control Criteria does not exceed 40% of the GAV; and

- (f) if after the acquisition, not more than 75% of the NAV of the Class Fund will be invested in any single property, whether leasehold or freehold or property unit trust.
- 2. The value of the Class Fund's holding in listed transferable securities issued by any single issuer may not exceed 25% of the NAV of the Class Fund.
- 3. An SPV selected to hold specific property or assets of the Class Fund must comply with the Control Criteria.

Where any of the above investment restrictions are breached, immediate corrective action shall be taken SAVE AND EXCEPT THAT it shall not be necessary for changes to be effected where any of the said investment restrictions are breached merely due to appreciations or depreciations or changes in exchange rates or by reason of the receipt of rights, bonuses, benefits in the nature of capital or by reason of any other action affecting every holder of an investment PROVIDED THAT the Directors shall take such action as and when they think appropriate having regard to the best interests of this Class Fund and the holders of Shares as they may in their absolute discretion deem to be prudent to rectify the position.

Where cash forming part of the Class Fund is transferred to an account with the Custodian, it shall be held by the Custodian in its capacity as banker and it shall allow interest thereon in accordance with normal banking practice. Subject thereto, the Custodian shall be entitled to retain for its own use any benefit accruing from cash deposited as part of the Class Fund.

Amendments to Investment Objective and Restrictions

The Directors are permitted to amend the preceding investment objectives, policy and restrictions (including any borrowing and hedging powers) applicable to the Class Fund provided that no material changes shall be made without providing Shareholders with sufficient notice to enable them to redeem their Participating Shares or P Shares before the amendment takes effect. Shareholders are not required to approve the amendment of the preceding investment objectives, policy and restrictions (including any borrowing and hedging powers) applicable to the Class Fund although the Directors reserve the right to seek approval if they consider it appropriate to do so. In seeking approval from the Shareholders as aforesaid the Directors may also request Shareholders to approve a general waiver of the aforementioned requirement to provide a dealing days' notice of the proposed amendments to the investment objectives, policy and restrictions (including any borrowing and hedging powers). Shareholders should note that the waiver, if passed, would apply to all Shareholders regardless of whether or not they voted in favour of the waiver. In any case, such approval(s) would be sought by means of an Extraordinary Resolution of the Fund if the Directors consider it appropriate

Borrowing

SPVs may in exceptional circumstances borrow up to 85% of the value of the purchase price but the gross average borrowing of the Class Fund should not exceed 75% of the total valuation of the property held by SPVs owned by it.

Property Sectors

The Class Fund will principally invest in the following sectors:

Offices – including but not limited to both in-town and out-of-town and business parks.

Residential – including but not limited to both Tower Blocks and individual units.

Industrial – including but not limited to estates and distribution warehousing.

Retail – high street retail, out of town retail and shopping centres.

Leisure

The Class Fund may also invest in other property sectors.

Development

The carrying out of any development projects or substantial refurbishments will only be undertaken where the level of risk is anticipated by the Fund to be compensated by the predicted returns. The acquisition of pre-let developments or the carrying out of building improvements which enhance value will be considered on a case by case basis.

Funding Redemptions

The Directors have determined that in order to meet redemption requests the Class Fund will where practicable retain in cash or other readily liquid assets such amount as the Directors may from time to time consider appropriate, typically 5% of the NAV of the Class Fund. Investors should be aware, however, that there is no guarantee that such cash may be retained. In the event that the Class Fund does not have sufficient cash to fund redemptions it is not normally intended that property and illiquid assets held by the Class Fund will be sold to meet redemptions unless the Directors consider in their absolute discretion that it would be appropriate to do so. Where the Class Fund does not have sufficient cash to fund redemptions, the Directors in their absolute discretion, may seek finance to enable the Fund on account of the Class Fund to make such redemptions without the necessity to sell property and illiquid assets of the Class Fund. The Directors shall limit such financing to 10% of the NAV of the Class Fund. Such 10% of the NAV of the Class Fund shall be calculated at the time of the financing to meet any temporary shortages of liquid assets created by the redemption requests of shareholders for the redemption of their shares and with respect to any timing differences in connection with the purchase and settlement of the property of the Class Fund. Any financing technique used for such financings shall not be taken into account for computing the Class Fund's level of financing for redemption. If financing is not considered appropriate and if redemption requests total or exceed available cash or Near Cash (as determined by the Directors) within the Fund, or if they are such as, in the opinion of the Directors, would or might leave the Fund with insufficient funds to meet any future or contingent obligations, the Directors may delay such redemptions until such time as the asset sale proceeds are available.

An investment in each Share and ultimately in the properties held by the Class Fund must, however, be viewed as a medium to long term investment.

Subscriptions

The Directors may at their discretion impose an initial dealing charge not exceeding 5% of the NAV, which shall be payable to the Investment Adviser.

Proceeds of subscriptions will be invested in accordance with the Investment Restrictions and Guidelines.

Applications for the issue of Shares must be received by the Administrator by 4.00pm (Guernsey time) three Business Days prior to the relevant Valuation Day. Deals received subsequent to the cut-off time of 4.00 pm (Guernsey time) will be dealt with on the next Valuation Day subsequent to the relevant Dealing Day.

Settlement of all sums due on the issue of Shares shall be made in cleared funds in Pounds Sterling for value by 4.00pm (Guernsey time) three (3) Business Days prior to the Valuation Day for such subscription, provided that any applicable money laundering prevention information and other supporting documentation has been received by the Administrator.

The registration of shareholdings will not be carried out until settlement is effected and cleared funds are received by the Administrator.

The minimum initial application amount and the Minimum Holding for Shares is £25,000. Further subscriptions from the same investor must be a minimum of £5,000 (or the currency equivalent) or such amount as the Directors may on a case by case basis determine.

No share certificates shall be issued with respect to Shares. Contract notes will be issued to investors within 30 Business Days following the issue of Shares to such investors.

Subscription Prices

Shares for a particular Class will be issued at the relevant Subscription Price.

Valuation Day

The Valuation Day for Shares shall be the Business Day preceding a Subscription Day or Redemption Day, as the case may be, usually the last Business Day of each calendar quarter. If any such date is not a Business Day then the Valuation Day will be the previous Business Day.

For any assets valued on exchanges that are closed on the Valuation Day, the last available published prices prior to the Valuation Day will be used for valuation purposes. The Directors shall have the discretion to appoint additional Valuation Days.

The valuation frequency and pricing may be varied by the Directors as appropriate for the Class Fund.

Valuations will be notified to the CISE as soon as practicable after calculation.

Subscription Day

The Subscription Days for Shares in the Class Fund will be the first Business Day of each calendar quarter. Three Business Days' notice prior to the Valuation Day will be required to be given by each investor, unless such other notice period is agreed by the Directors from time to time. If any such date is not a Business Day then the Subscription Day will be the next Business Day. The Directors shall have the discretion to appoint additional Subscription Days.

Subscription Policy

The minimum subscription for Shares will be £25,000 or the currency equivalent. Further subscriptions from the same investor should be a minimum of £5,000 or the currency equivalent or such other amount as the Directors may on a case by case basis determine.

Switching between Classes

Shareholders shall be entitled to convert all or part of their holding of one Class into another Class with the Directors' prior written approval.

Switching between Class Funds

Shareholders may not convert all or part of their holding of Shares in the Class Fund into Shares of another Class Fund of the Fund without the Directors' prior written approval, which may be withheld by the Directors at their absolute discretion and which may be granted on such terms as they may determine.

Investors switching between Class Funds will incur a redemption charge, as detailed under "Redemption Charges" below.

Procedure for switching between Class Funds

The procedure for switching between Class Funds is set out in the Prospectus.

Redemption Day and Procedure for Redemptions

The Redemption Day for Shares will be the first Business Day of each calendar quarter. If any such date is not a Business Day then the Redemption Day will be the next Business Day.

Redemption instructions must be lodged with the Administrator by 4.00pm (Guernsey time) at least twenty Business Days prior to the Valuation Day of such redemption and any redemption instructions received after such time shall be treated as being received in respect of the next Redemption Day. All redemption instructions must be in writing and signed by the holder of the Shares subject to redemption, and where two or more persons jointly hold Shares all the joint holders of the Shares must sign the redemption instructions.

In the event of a suspension, the redemption of the Shares will be made on the Redemption Day next following the end of the suspension.

The Directors shall have the discretion to appoint additional Redemption Days. The minimum redemption amount will be £5,000 or the currency equivalent or such other amount as the Directors may on a case by case basis determine.

Settlement of all sums due on the redemption of Shares will normally be made no later than the thirtieth (30th) Business Day after the Redemption Day upon which the redemption has been carried out provided that any applicable money laundering prevention information has been received by the Administrator. Settlement will be made in Pounds Sterling, unless otherwise indicated by the Administrator.

Redemption Charges

Under normal market conditions the following redemption charges on the proceeds payable on redemption shall be deducted from such redemption proceeds on redemptions of Shares (or switching between Class Funds) made in the respective periods set out below. In all cases, the relevant period shall be from the date on which such Shares were registered in the redeeming shareholder's name on a first in, first out basis. Redemption charges shall be retained for the account of the Class Fund. Redemption charges may be waived or reduced on any one Dealing Day, at the discretion of the Directors.

Period of Holding following Registration of Share	Redemption Charge
Up to 6 months	5%
6 to 12 months	3%
12 to 24 months	2%
24 to 36 months	1%
More than 36 months	0%

The Directors may, in their absolute discretion, impose an additional redemption charge which, when added to the applicable redemption charge set out above, may total up to 10% of the redemption proceeds on all redemptions on any one Dealing Day during any period of holding, following registration of the Shares. It is envisaged that these powers will only be exercised in exceptional market conditions where the Directors are of the opinion that the standard redemption charge will be detrimental to all medium to long term investors in the Fund. The Directors will notify investors in writing of the imposition of an increase in the level of the redemption charge prior to the applicable increase being applied.

Valuation Principles

For the purposes of determining the Subscription Price and the Redemption Price applicable to each Share within a Class the property of the Class Fund will be valued as at a time known as the Valuation Point. The Valuation Point means 5.00 pm Guernsey time on the Valuation Day relevant to the Dealing Day on which Shares are to be issued or redeemed. The Directors may carry out additional valuations and calculations of the Subscription Price and the Redemption Price of Shares if it is considered that circumstances merit such a calculation. In that event, those specially calculated additional valuations and prices will apply for all purposes.

The NAV of the Class Fund is the aggregate value as at the relevant Valuation Point of all the assets less all the liabilities comprised in or attributable to the Class Fund at that Valuation Point. The NAV per Share is calculated by dividing the NAV by the number of Shares of all Classes in issue. The result is rounded to four decimal places. The calculation of the NAV will be carried out according to the same valuation principles for all purposes. These purposes include the determination of the Subscription Price and Redemption Price applicable to each Class, the Administrator's fee, the Custodian's fee and the investment limits.

The assets of the Class Fund shall at each Valuation Point be deemed to include:

1. all cash, whether on loan or on deposit, including any interest accrued thereon;
2. all Permitted Investments;

3. all rights, investments and other assets owned by or contracted for the account of the Class Fund, other than those issued by the Company, of every kind and nature including prepaid expenses as valued and defined from time to time by the Directors;
4. all income, rights and other property to be received by the Class Fund and not yet received by it but declared payable or due to the Class Fund up to the Valuation Point.

The liabilities of or attributable to the Class Fund shall be deemed to include all its liabilities (including taxes and fees payable to functionaries, and such amount as the Directors determine to provide in respect of contingent liabilities) of whatsoever kind and nature except liabilities represented by Shares of this class. In determining the amount of such liabilities the Directors may calculate any liabilities on an estimated figure for yearly or other periods in advance and accrue the same in equal proportions over any such period.

In consultation with the Auditors, the generally applicable valuation principles can be disapplied in favour of a valuation which, in the opinion of the Directors, better reflects the fair value of an asset or liability.

The NAV of the Class Fund is calculated as at the last Business Day of each quarter.

The Directors reserve the right to vary the frequency of the Class Fund valuations as deemed suitable and appropriate for the ongoing management of the Class Fund.

Valuation methodology:

The NAV of each Class will be determined in the reference currency of that Class by the Administrator in accordance with the Prospectus, this Supplement and the Articles of Incorporation, at the relevant Valuation Point. The last available valuation of property and other assets held in the relevant Class will be ascertained from which will be deducted all the liabilities attributable to that Class. The Administrator will base the valuation of shares in a Class on the NAV per Share for that Class and will undertake a valuation of the Shares in the related Class Fund on the same basis.

The acquisition costs of property purchased by the Class Fund will be amortised over a period of five years from the date of acquisition and will be reflected in the NAV per Share and in the Subscription and Redemption Prices of each Share. If a property should be redeemed by the Class Fund prior to the completion of the amortisation period, the balance of acquisition costs amortised will be written off as part of the overall property sale and factored into the resulting gain or loss.

Real property attributable to a Class or the Class Fund will be valued by reference to the RICS Appraisal and Valuation Standards, issued by the Royal Institution of Chartered Surveyors.

All other assets attributable to a Class or the Class Fund will be valued in accordance with the valuation principles set out below:

(i) The value of any cash in hand or on deposit, and accounts receivable, (including accrued interest) shall be valued at their principal amount thereof unless the Directors shall have determined that any such deposit, or account receivable is not worth the full amount thereof in which event the value thereof shall be deemed to be such value as the Directors shall deem to be the reasonable value thereof. Deposits will be valued at their principal amount plus accrued interest from the date of the making of such deposits or from the date on which interest was last credited in respect of such deposits whichever is the later.

(ii) In the case of assets listed or dealt in on a securities market stock exchange, money or foreign exchange market, assets will be valued in accordance with the latest available market dealing prices on the principal market or exchange where such investments are listed or dealt in as determined by the Administrator at a bid price.

(iii) In the case of any asset for which no price quotations are available, the fair value thereof shall be determined from time to time in such manner as the Directors shall from time to time determine, having regard to the basis on which investments for which price quotations are available are valued hereunder.

If any asset is realised or contracted to be realised at a known value the net proceeds of such realisation shall be taken into account in lieu of any other method of determining the value of the investment concerned PROVIDED that if the net proceeds are not payable until some future time after the time at which the investments are being valued the Directors may make such allowance as they consider appropriate.

For the purpose of valuing the assets of the Class Fund the Directors may rely upon the opinions of any persons who appear to them to be competent to value assets of this class by reason of any appropriate professional qualification or of experience of any relevant market.

Notwithstanding the foregoing provisions the Directors at their absolute discretion in relation to any Dealing Day may carry out a special calculation of the NAV and a special calculation of the Subscription and Redemption Prices as at that day if in the view of the Directors circumstances merit such a calculation and in such event the specially calculated prices and value shall apply for all relevant purposes on the relevant Dealing Day.

Notwithstanding the foregoing the Directors may permit some other method of valuation of any asset, for example realisation proceeds following a subsequent sale of real property, to be used if it considers that such valuation better reflects the fair value of an investment.

For the foregoing purposes:

1. the price payable in respect of Shares which have been issued (less commission, if any, and less any other Duties and Charges payable by the Company in connection with the issue thereof) shall be deemed to be an asset of the Class Fund as of the time at which such Shares are first deemed to be in issue in accordance with the Companies Law; and
2. the price for Shares which have been redeemed shall, from the time at which such Shares are deemed to cease to be in issue in accordance with the Articles of Incorporation until such price is paid, be deemed to be a liability of the Class Fund.

Subscription and Redemption Prices

Shares are issued and redeemed by the Administrator as agent for the Fund at a forward price.

Shares will be issued at the Subscription Price determined by reference to the NAV of the Class Fund at the Valuation Point.

Shares will be redeemed at the Redemption Price determined by reference to the NAV of the Class Fund at the Valuation Point and any redemption charge imposed.

The Subscription Price and the Redemption Price at which Shares will be issued and redeemed respectively are ascertained by taking the NAV of the relevant Class Fund and dividing it by the number of Shares relating to that Class Fund in issue at the relevant Valuation Point and, in the case of redemptions, to any redemption charge and rounding such resultant amount to four decimal places.

Dilution Levy

No dilution levy will apply in respect of this Class Fund.

Date of admission to CISE and subsequent dealing in Shares

Dealings in newly issued Shares will commence on the CISE as from the date of their admission to the Official List. The UK and European Sterling Class Shares were admitted to the Official List on 19 December 2006 and dealings in the UK and European Sterling Class Shares commenced immediately upon admission.

Distribution Policy

One aspect of the principal investment objective of the Class Fund is to achieve medium to long term capital growth. The Directors intend to make dividend distributions to Shareholders as and when such distributions are, in their view, feasible, but subject always to achieving that aspect of the investment objective.

Tax consequences of investing in the Fund

The Fund is currently classified by H M Revenue & Customs (HMRC) as a reporting Fund for UK tax purposes. In order to qualify as a reporting fund, the following conditions must continue to be satisfied:

- The accounts are prepared in accordance with GAAP.
- There is a computation of reportable income for each period of account. Reportable income is based on the total recognised income and expense for the period as adjusted. The main items which are taken into account to adjust the income are capital items, special classes of income and equalisation arrangements.
- There are regular reports to investors detailing amounts distributed per unit and amounts per unit not distributed.
- A report to HMRC for each period of account detailing inter alia reportable income and amounts distributed.

The principle of the Reporting Funds regime is that a UK resident investor is taxable on distributions plus his/her share of the excess of the reportable income over distributed income. The liability to income tax of a UK resident but non-domiciled investor will depend on whether the investor is taxed on an arising or on a remittance basis. It is recommended that a resident but non-domiciled individual investor consults with their UK tax adviser.

For a UK resident and domiciled individual investor the gain on the disposal of their interest in the Fund is subject to UK capital gains tax. The gain on the disposal of an interest by a UK resident corporate investor is treated as a capital gain.

Investors resident in a country other than the UK should consult with an appropriate tax advisor.

Functionaries

The following are functionaries in respect of the Class Fund:

The Administrator, Secretary and Registrar

The Fund has appointed Cannon Asset Management Limited, a company incorporated with limited liability in Guernsey on 16 May 1997, to act as administrator, secretary and registrar to the Fund on the terms of an administration agreement described in the Prospectus.

Cannon Asset Management Limited will also provide corporate administration services to or make arrangements for the administration of the SPVs of the Class Fund (including the provision of directors and secretary). Cannon Asset Management Limited reserves the right to delegate the provision of such services to third party corporate services providers at any time (in particular in relation to an SPV where an SPV is registered in a jurisdiction outside of Guernsey).

Investment Adviser

The Fund has appointed Montreux Advisers Limited as Investment Adviser in relation to the Fund, to perform certain investment advisory functions on the terms of an investment advisory agreement described in the Prospectus. The Investment Adviser will keep the Class Fund's investments under regular review and will provide full investment advice to the Fund in relation to the investments of each Class and the Class Fund.

Custodian

The Fund has appointed ABN AMRO (Guernsey) Limited to act as custodian of the assets of the Fund, including the Class Fund, on the terms of a custodian agreement described in the Prospectus. This shall include investments and other assets of the Class Fund and for the avoidance of doubt shall include share certificates issued in respect of the SPVs but shall exclude assets of those SPVs.

The boards of each SPV will act as custodian to the assets of the relevant SPV. The boards of the SPVs comprise directors provided by Cannon Asset Management Limited, the corporate services provider described below, or by its delegates.

Fees and Expenses

The following fees and expenses will be payable in relation to the Class Fund:

Administration Fee

The Administrator shall be entitled to receive:

1. an administration fee payable monthly in arrears on the first Business Day of the succeeding month of £75,000 p.a.
2. extra ordinary work will be agreed in advance from time to time; and
3. a CISE listing sponsor fee of £5,000 per annum per listing, in connection with it acting as the CISE Listing Sponsor to the Fund.

In addition, the Fund shall reimburse to the Administrator all reasonable expenses, costs, charges and fees incurred or to be incurred by the Administrator including all reasonable expenses, costs, charges and fees in the relevant categories incurred or to be incurred by any person to whom the Administrator shall have delegated any of its powers and duties in accordance with the Administration Agreement and who is entitled to be reimbursed in respect of such expenses, costs, charges and fees by the Administrator.

The Administrator shall, subject to the Fund meeting certain expenses as set out above, be responsible for the remuneration of its delegates.

Investment Adviser's Fees and Expenses

The Investment Adviser will be paid an investment advisory fee at the equivalent rate of 0.68% per annum of the GAV of the Class Fund or such other fee as agreed from time to time with the Fund.

The above fees and costs will be payable by the Class Fund or associated SPV.

Property Transaction Costs

There will also be the following property transaction costs payable to the Investment Adviser on the acquisition and disposal of property:-

- (i) an acquisition fee of up to 1.5% of the purchase price paid for property;
- (ii) a disposal fee of up to 1.5% of the sale price of property;

In addition, there will be specific fees of external agents engaged by or on behalf of the Class Fund in relation to the acquisition and sale of property including without limitation the fees of surveyors, property agents and other professional advisers. Such fees are expected to be charged at market rates.

The acquisition costs of property purchased by the Class Fund will be amortised over a period of five years from the date of acquisition and will be reflected in the NAV per share of the Class Fund and in the Subscription and Redemption prices of each Class Share.

If a property should be disposed of by the Class Fund prior to the completion of the amortisation period, the

balance of acquisition costs amortised will be written off as part of the overall property sale and factored into the resulting gain or loss.

Performance Fee

The Investment Adviser will be entitled to a performance fee in respect of the Class Fund. The performance fee will be payable quarterly and will be calculated and accrued on each Subscription Day.

The performance fee will be payable on the increase of the NAV of the Class Fund over the previous highest NAV recorded for the Class Fund (after adding an amount equal to all subsequent subscriptions less all subsequent redemptions calculated at the time of the relevant subscription or redemption less the total of all distributions made in respect of the shares in the Class Fund since the date on which the previous highest NAV is recorded for the Class Fund (calculated as at the relevant dates upon which distributions have been made)).

The performance fee will be equal to 20% of the relevant increase in the NAV of the Class Fund (as calculated above) over and above the Hurdle Rate Return (as defined below).

The "Hurdle Rate Return" will be equal to an amount calculated by:-

Applying a compound annual rate of return of 10% to the aggregate of (i) and (ii) minus (iii) where:

- (i) is the highest NAV of the Class Fund as at any previous date upon which the performance fee has been paid;
- (ii) is the total of all subsequent subscriptions less all subsequent redemptions (calculated at the time of the relevant subscription or redemption) made in respect of the Class Fund since the date on which the figure determined pursuant to (i) above is recorded; and
- (iii) is the total of all distributions made in respect of the Shares in the Class Fund since the date on which the figure determined pursuant to (i) above is recorded (calculated as at the relevant dates upon which distributions have been made);

For the purpose of determining the NAV of the Class Fund at the relevant Valuation Point (i) calculations will be made before deducting performance fees and (ii) any issue or redemption of shares in the Class Fund on the relevant Subscription Day shall be disregarded.

The performance fee payable at each quarter represents a definitive charge to the Class Fund, and is not recoverable by the Class Fund in the event that there is a subsequent fall in the NAV of the Class Fund or subsequent under performance when compared to the Hurdle Rate Return.

Custodian Fees

The Custodian will be paid a custodian fee at the rate of 0.05% per annum of the NAV of each Class Fund, with a minimum annual fee of £15,000. The custodian fee will be payable to the Custodian by the Fund monthly in arrears on the last Business Day of each month out of the assets of the Class Fund. The Class Fund will also pay the Custodian a transaction fee of £400 per drawdown or loan repayment conducted in respect of the Class Fund, subject to specific additional charges depending on the nature of the transaction.

The Class Fund will also pay the Custodian such out-of-pocket expenses reasonably incurred by the Custodian together with the costs of any sub-custodian which might be appointed from time to time with respect to the assets of the Class Fund.

In the event of the Directors declaring a suspension of dealing in the Shares, the Fund shall continue to pay the Custodian's fee during the period of such suspension based on the last available NAV.

Other

Cannon Asset Management Limited be paid a fee of in respect of the corporate services which it provides to the SPVs of the Class Fund and such amount per annum is to be agreed between the Fund and Cannon Asset Management Limited in line with market rates in respect of the corporate services which it provides to any SPV of the Class Fund. Disbursements relating to any statutory fees, audit fees, filing fees and other extraordinary costs will be additional costs.

Specific fees and expenses such as survey work in connection with on-going running costs, repairs and improvements of a property, external professional fees for property management, handling rent reviews and new leasing negotiations, as well as external agency fees for letting for empty buildings, may be charged directly to the Class Fund or SPV.

The fees of any property valuer who provides services to the Fund on account of the Class Fund will be payable as determined by the Administrator out of the relevant Class Fund's assets.

Satisfaction of fees by the issue of Shares

The Directors reserve the right to satisfy the payment of fees payable by the Class Fund to the above service providers by the issue of Shares, whether in whole or in part. Any Shares issued for such purposes shall be issued on a Subscription Day at an issue price which is not less than the relevant Subscription Price applicable on that day and in consideration for the satisfaction of an equal amount of fees.

Directors' Fees

The Fund will pay its Directors an annual fee per Director (not exceeding £20,000 per Director) together with reasonable expenses incurred in the course of their duties.

Other Fees

The Fund will be responsible for all normal operating expenses including (but not limited to) audit fees, registration and permit fees, legal fees, charges incurred on the acquisition and realisation of investments, costs of publication and distribution of prospectuses and annual reports, the publication of share prices and the costs and expenses of the Administrator. Where possible such fees and charges will be allocated to the relevant Class to which they relate. Hence the Class Fund will bear these normal operating expenses in relation to its activities where they relate to the investments of the Class Fund.

Fee Increases

Fees which are directly payable by the Fund shall only be increased (and additional expenses shall only be introduced) subject to the Shareholders being provided with sufficient notice to enable them to redeem their

Participating Shares or P Shares before the amendment takes effect. Shareholders are not required to approve increases in fees and expenses payable by the Fund although the Directors reserve the right to seek approval if they consider it appropriate to do so. In seeking approval from the Shareholders as aforesaid the Directors may also request Shareholders to approve a general waiver of the aforementioned requirement to provide a dealing days' notice of the proposed increase in fees. Shareholders should note that the waiver, if passed, would apply to all Shareholders regardless of whether or not they voted in favour of the waiver. In any case, such approval(s) would be sought by means of an Extraordinary Resolution of the Fund if the Directors consider it appropriate.

Taxation Issues

Investors should consult the relevant tax section in the Prospectus.

Distributor status

The Class Fund will be managed with a view to its qualifying as a "distributing fund" for United Kingdom tax purposes and being able to apply to the HM Revenue and Customs for certification as a distributing fund each year. So long as the Class Fund continues to receive certification, then any gains arising on disposals of Shares will be taxed as capital gains and not as income. Subject to their personal circumstances, United Kingdom resident investors should therefore be subject to capital gains tax on them.

Conflicts of Interest

In addition to the conflicts set out in the Prospectus:

Richard van Vliet is a director of the Fund and of Cannon Asset Management Limited, the corporate services provider to each of the SPVs, and a shareholder of the Investment Adviser..

Michael Fienberg is a director of the Fund and the Administrator (which is also the Corporate Services Provider).

Eric Mounier is a director of the Fund and of the Investment Adviser. He is also a shareholder of the Investment Adviser.

Risk Warnings

In addition to the risk warnings set out in the Prospectus, investors are also directed towards the following inherent risks relating to an investment in Shares and ultimately in the real property and other assets to be acquired via the Class Fund.

- (i) The general market for residential and commercial property, both in Europe and worldwide, may during the period of any investment depreciate with the result that the value of the Class Fund's property investment portfolio falls. The value of an individual property may fall, for example, due to location or the insolvency of a tenant, as well as political and economic reasons.
- (ii) Investments in property can be difficult, slow or impossible to realise. The Class Fund will be subject to the general risks incidental to the ownership of real or heritable property, including changes in the supply of or demand for competing properties in an area, changes

in interest rates and the availability of mortgage funds, changes in property tax rates and landlord/tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any properties attributable to the Class Fund will, therefore, depend on many factors beyond the control of the Class Fund and there is no assurance that there will be either a ready market for any properties of the Class Fund or that such properties will be sold at a profit, or will yield a positive cash flow.

- (iii) Other assets purchased by the Class Fund, may not achieve the income and growth characteristics intended to enhance the Class Fund's returns on surplus cash within the Class Fund.
- (iv) Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.
- (v) Financing strategies by any SPV may exacerbate the effect on the value of falls and rises in the value of the Class Fund's property investment portfolio and falls in value may consequently affect the Class Fund's liquidity.
- (vi) The cash resources immediately available to meet redemption applications will be limited and may ultimately necessitate a sale of investment properties in order to redeem Shares having regard to the section in this Supplement headed '*Funding Redemptions*'. Investors should be aware that the Directors may determine that available properties within any categories should not be sold and even where a determination is made to sell a property, investors should note that land and buildings may be difficult to sell and as a consequence there may be times when the Shares cannot be redeemed.
- (vii) The facilities granted by the financiers to an SPV may be terminated in circumstances including the following:
 - (a) the amount of sums drawn exceeding specified proportions of the realisation value of the properties;
 - (b) a change in control of the beneficial ownership of the Fund or the Class Fund or SPV (as appropriate);
 - (c) any event occurs which will adversely affect the business, assets or financial condition of the Fund, the Class Fund or an SPV (as appropriate) or its ability to comply with its obligations to its financier. The availability of the Fund's, Class Fund's or an SPV's financing facilities and its liability to repay sums is, therefore, subject to circumstances beyond the Fund's control, including movements in the value of its assets.
- (viii) A termination of financing facilities as described above may have an adverse effect on an investment in any Shares in the Class Fund and may require properties to be sold prematurely or at discount to market value.
- (ix) An investment of the type offered by Shares may not be suitable for all recipients of the Prospectus or this Supplement. An investment in Shares and ultimately in the assets held via the Class Fund is designed as a longer term investment and consequently may not be

suitable as a short or medium term investment. Prospective investors should seek advice from their investment adviser before making an investment in Shares.

- (x) Charges and expenses in connection with the Fund, each Class and the Class Fund are not made uniformly throughout the life of the Fund and it is possible that an investor may not receive back the full amount of their investment and in particular, but without limitation, redemption charges of up to a total of 10% of redemption proceeds may be applied, during any period of holding, at the Directors' discretion.
- (xi) In the event that properties held by the Class Fund are sold to fund redemptions, such sale may have an adverse impact on the investors who have not redeemed shares as the selection of available properties to be sold will be subject to the restrictions set out above under '*Funding Redemptions*' and may affect the balance, spread and overall value of properties and income remaining within the Class Fund.
- (xii) The Fund may be required to pledge the Shares related to the Class Fund as security for the obligations of the Fund in respect of any financing arrangements. Any enforcement of such security will have an adverse effect on all Shares and in particular may have a disproportionate impact on those Shares to which the obligations giving rise to enforcement do not relate.
- (xiii) The Fund, via SPVs may have controlling interests in some of its investments. The exercise of control over an entity can impose additional risks of liability for environmental damage, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic (if any) of business ownership may be ignored. If these liabilities were to arise the Fund may suffer a significant loss.
- (xiv) Although investing in SPVs meeting the Control Criteria there can be no assurance that such protective provisions will be effective.
- (xv) Notwithstanding the intention to pay a high and rising level of income distribution commensurate with the market and in keeping with the distributions that can be made by the Shares in accordance with the Companies Law there can be no guarantee that there will be sufficient income generated by Shares, the Class Fund or any SPV to be able to do this.
- (xvi) Risks associated with performance fees: Under any proposed performance fee arrangements, any performance fee paid may be payable on realised gains of the Fund or Class Fund or a combination of realised gains and unrealised gains. The performance fee will at all times only be payable on the basis of gains which have been confirmed by an independent valuation of the assets of the Fund or Class Fund. The Investment Adviser may be compensated for unrealised gains which may never be realised. Any performance fee arrangement may also create an incentive for the Investment Adviser to cause the Fund to make investments that are riskier or more speculative than would be the case in the absence of a performance fee arrangement. Investors may purchase Shares at different times and will, accordingly, recognise different amounts of profit and loss on their investments in the Fund. Any performance fee payable to the Investment Adviser will be calculated on the basis of the return recognised by the Fund as a whole and will therefore

reduce the NAV per Share equally, irrespective of the investment performance of an individual investor's Shares. Where a performance fee may be achieved without a high water-mark this effect may be further exacerbated.

- (xvii) Potential investors are directed to the conflicts of interest sections at page 19 above and page 31 of the Prospectus for details of conflicts that may arise in relation to the structure.
- (xviii) Potential Investors should note that any references to tax concessions are to those currently applying, and these may be subject to change in the future.
- (xix) No representation is, or can be, made as to the future performance of the Class Fund and there is no assurance that the Class Fund will achieve its investment objective.
- (xx) Governmental authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use, zoning and planning restrictions, environmental protection and safety, and other matters. The institution and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the assets of the Class Fund.
- (xxi) The returns to investors may be subject to the risks associated with the development of real estate projects. These risks include:
 - (a) the risk that planning consents are not obtained, or are delayed significantly, or are granted subject to uneconomic conditions;
 - (b) the risk that laws are introduced, which may be retrospective and affect existing building consents, which restrict development in target areas;
 - (c) the risk that a development is significantly delayed or costs exceed budget due to unforeseen factors. The risk of cost over-run can be mitigated, to some extent, through fixed price contract arrangements;
 - (d) the risk of unforeseen construction constraints (including geological and archaeological factors);
 - (e) the risk of title disputes, legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers;
 - (f) the risk that building methods or materials prove to be defective. If a construction company used on a development becomes insolvent, it may prove impossible to recover compensation; and
 - (g) the risk of fraud on the part of service providers or suppliers used on a development.
- (xxii) Property assets are inherently difficult to value due to the lack of marketability and the unavailability of suitable information for determining the current value of investments. This is due to the heterogeneity of property which may cause delays when investments are

realised in difficult market conditions. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price, even where such sales occur shortly after a Valuation Day.

- (xxiii) Under various state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for removal of these substances. The owner's liability as to any property is generally not limited under such laws and could exceed the value of the property or the aggregate assets of the owner, or both. The presence of such substances, or the failure to remediate properly contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Class Fund's return from such investment.
- (xxiv) Although the Shares have been admitted to trading on the CISE there may only be a limited market for the Shares.
- (xxv) The Custodian is only responsible for the assets of the Fund. The boards of each SPV will act as custodian to the assets of the relevant SPV.