

SUMMARY TERMS

Investor return:	8.5% per annum
Return paid to investors:	Quarterly in arrears
Investor redemptions:	Quarterly (after initial 5 month period); 2 month's notice
Assets of the Fund:	Loans secured by first legal charge over real estate. The focus is on residential property (and in particular the London property)
Liquidity buffer:	10% of the Fund remains in cash at all times



“The combination of a bottomed-out property market, low interest rates, a weak pound and illiquidity in high street banking has created a huge market for bridging finance.”

‘Bridging specialist Montello launches property loan fund’ (24 February 2010)



“With illiquidity in the credit markets there is an increased demand for bridging finance. This market has the potential to generate superior risk-adjusted returns for investors.”

‘Like a bridge over troubled waters’ (29 November 2010)

The Montello Income Fund provides **a higher return from a more conservative investment** compared with other bridging finance funds:

- The Fund can only lend on a 1st charge basis (ie. there are no risky loans such as development loans, 2nd charge or mezzanine loans allowed by the Fund).
- The Fund lends direct to end borrowers, not to other bridging finance companies (ie. there is direct control over every loan that the Fund invests in, and all loans are for the direct benefit of the investors in the Fund).
- The Fund is focused on lending primarily against London residential property (ie. the assets of the Fund are generally against prime real estate assets, not loans against property in Scotland, Wales nor Northern Ireland).
- The Fund can not do a single loan with a Loan To Valuation of more than 75% of the ‘current market value’ (Other funds talk about ‘average’ LTVs, and ‘target averages’ etc. This could mean other funds may do some loans at 100% LTVs or more, if there are others at lower LTVs – providing a far riskier loan portfolio).
- The Fund has not had a single loan default to date.
- All loans by the Fund are for a period less than 12 months (average loan is for circa 4.5 months) (ie. there is liquidity in the underlying asset class of the Fund, unlike many other ‘bridging’ funds which seek to provide a liquid investment with longer term underlying loans).
- The Fund hold 10% of the size of the Fund in cash at all times.

The Fund is available through various providers, including:



Montello Private Finance and Montello Bridging Finance are business names of Montello Capital Partners Limited ("MPF") which is the exclusive transaction advisor to the General Partner of the Fund.

MPF is a specialist real estate bridging finance company based in London. MPF has an extensive bridging loan referrer network of professional practices (law firms, accountants and IFAs) and mortgage brokers.

Through MPF's extensive deal-flow networks and due diligence processes, it sources suitable transactions for the Fund.

MPF's directors come from top-tier backgrounds in law and property in the City: Christian Faes *LLB (Hons)*; Ian Sutherland *LLB (Hons), LLM (Hons)*; and Ian Thomas *BSc (Hons) MRICS*.

How investor returns will be achieved

The Fund lends directly to borrowers and charges an interest rate accordingly. The bridging finance interest rate charged by the Fund is usually between 0.75 and 1.5% per month.

Duration of loans

The loans generally have a duration of between 1 and 12 months.

Security type

The Fund will make loans that are all secured on a first legal charge basis against property in the UK (typically England). The Fund will have a particular focus on residential property in London (but will be able to lend up to 25% of the Fund against commercial property).

Security leverage levels

The Fund will lend against the relevant security property up to a maximum Loan To Valuation ("LTV") of 75% of the current market value.

The loans of the Fund are arranged as the loan amount (at a maximum LTV of 75%) less fees and the interest payable for the term of the relevant loan (so the effective exposure for the Fund for each loan is somewhat less than 75%). A reputable independent valuer will be instructed to value each property that the Fund lends against.

The Fund, where possible, will take additional security for its loans (e.g. personal guarantees, fixed and floating charges against company assets).

How we mitigate risk on our loans

We do extensive searches on each borrower (including obtaining credit reports, full company history for corporate borrowers and searches to confirm that there are no outstanding judgments against a borrower etc).

We also obtain insurance against each loan which covers property title issues including security of title, fraud (by the borrower or solicitors) and negligence. Our insurance is underwritten by the largest insurer in the market (for this type of insurance) and rated AA- by S&P.

Property market stabilizing

With the Fund lending to 75% (maximum) of current market values, the investment is seen as providing a superior risk adjusted return. There is various housing market data to show that the residential property market in the UK has stabilised.

Structure of the Fund

The Fund is structured as a dual Limited Partnership and Exempt Unit Trust.

The Limited Partnership will be open to individual investors, UK limited companies, trustees and other investment vehicles such as off-shore bonds.

The Exempt Unit Trust will be open to Self Invested Personal Pensions and Small Self Administered Scheme investors.

Investor reporting

Investors will be sent a quarterly investor letter and a full report (including audited accounts) on the Fund annually.

Advisors to the Fund

Exclusive Transaction Advisor to the General Partner:

Montello Capital Partners

Operator of the Fund: **Park Caledonia Capital Limited**

Solicitors to the Operator and the Fund: **Thomas Eggar LLP**

Trustee of the Unit Trust: **Vistra Trustees (UK) Limited**

Bankers: **Adam & Company plc**

Auditors: **PKF (UK) plc**

montello | INCOME FUND

ISIN: GB00B648C163

SEDOL: B648C16

For further information on the Fund contact
Christian Faes on 0800 130 3388 or cfaes@montello.co.uk

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