



As the year 2009 comes to a close and so many opportunities and developments have progressed within the Sycamore Funds I thought it would be an ideal opportunity to briefly summarise the last quarter in our end of year newsletter.

THE SYCAMORE STRATEGIC LAND FUND (SYCAMORE I)

At last after 18 months of inactivity due to the recession we are now in the process of arranging development funding for the project at Waterloo Road, Southampton. Following the success of the apartments at Shoreham (Sycamore II) now is the time to build out the Waterloo Road project in time for sale around September 2010.

For those of you who are unaware this is a block of twelve apartments. Do not be put off by the word "apartments" as these are not city centre and are in a very sought after area. We always remember – location, location, location.

We will provide updates by way of quarterly emails and on the 'Sycamore News' pages on the PM Asset Management website.

Q. How will the recession affect the target return of the Sycamore I Fund?

A. We hope by working hard we will still achieve the target return of 21.4% for Investors. Going into a "holding position" for the last 18 months was, we feel, the only alternative. By remaining liquid we have been able to see through the recession and come out the other side fighting. You can be assured we will do our utmost to achieve as high a return for Investors as is possible.

THE SYCAMORE II PROPERTY DEVELOPMENT FUND (SYCAMORE II)

Due to the request from several IFAs the Sycamore II Property Development Fund will remain open until the spring of 2010. This will allow for the application of some delayed investment which should see the Fund very close to our £10m target by the final close.

As of the 10th December 2009 funds raised stand at around £5.5m. New investors may still qualify for the 2.5% uplift which is available until the fund reaches £6m.

This quarter has seen some significant developments from the use of existing monies raised in the fund.

SHOREHAM-ON-SEA

In April Sycamore II purchased an unfinished apartment block from Bovis Homes in Shoreham-on-Sea. This comprised of eight apartments above four B1 office units. The value of the completed block at that time would have been around £1.5m. The intention was to complete the development and rent the apartments out ready to sell in time for the first distributions at the end of year three.



The office units are currently available for rent but we do not anticipate them being rented. We have already been advised by the Local Authority they would look favourably on a change of use application around the middle of next year so we can change them to residential units. This will increase the profit on this project considerably.

A show flat was completed at the beginning of November. In the last three weeks six flats have gone under offer all for approximately £20,000 more per unit than our original valuations.

	Flat	Marketing Price £	Sale Price £	Position
3	1 st floor left	178,500		
4	1 st floor left	175,000		
5	Show flat	179,950	175,000	Offer Accepted
6	2 nd floor left	176,500	176,500	Offer Accepted
9	1 st floor right	172,500	171,000	Offer Accepted
10	1 st floor right	169,950	168,000	Offer Accepted
11	2 nd floor right	173,500	172,500	Offer Accepted
12	2 nd floor right	171,500	169,500	Offer Accepted

Updated Figures for Shoreham	Original	Updated
GDV	£1.52m	£1.86m
Completion Costs	£320k	£320k
Profit	£520k	£860k

Q. What is GDV?

A. GDV is the Gross Development Value of a site, i.e. the sale price of all the completed units – five units at £500,000 each is a GDV of £2,500,000.

SUTTON SCOTNEY

At the beginning of November Sycamore II Property Development Fund entered into an Option Agreement to purchase a two acre site located in the heart of one of the most desirable villages around Winchester which is especially well located for commuters. Taylors Yard being a brownfield site is already a significant way through the planning process with an estimated time to planning of 9 months.

We were not the highest bid for the option, however due to our track record within the industry for delivering what we say we can deliver won us the site and the vendor was impressed with the excellent communication from our Land Director, James Turner. The vendor has previous experience with a couple of major housebuilders on other sites he has sold in the past and finds them very difficult to deal with. A Brief Summary of the project is as follows:

- Option to purchase site for £1.4m – Current Value is estimated at £2.3m
- Vendor requires £20,000 up front, £700k on planning then £700k on completion of whole site
- Total Equity required to purchase and build out the site = £1.5m
- GDV £6.8m = Profit approximately £2m
- Return on Capital Employed = 131%

Our other alternative is to sell on the site once planning is achieved. Whatever choice is made it will be in the best interests of the investors.

BINLEY WOODS

In September a Promotion Agreement was signed for a site in Binley Woods. Once again this is a project that is already significantly through the planning process. The total developable area is 9.3 acres with a total value per acre at today's prices of £750,000. The Fund is set to receive the 10% discount upon final planning which, (at today's prices) equates to a return of £1.2m including the reimbursement of our estimated £500k costs. As a point of interest we always over estimate possible costs in case the Local Authority require more extensive reports than originally expected. In any case, from a profit point of view, it does not matter as we receive those costs back from the landowner.

Q. What is the difference between an option agreement and a promotion agreement?

A. An option agreement is where we enter into a contract to purchase a site subject to planning permission being successful. We pay for all planning costs and, in return, receive a discount on the Open Market Value (OMV) of the land at the point of planning. Of course we can arrange to sell on that site at the point we purchase it and therefore not purchase the site at all. This is called a "back to back" deal.

A promotion agreement is almost the same as an option agreement but, in this case, the site goes on the open market and we receive a percentage of the sale price.

In both cases the costs associated with the planning process are returned to us as well as the "discount", in the case of an option agreement.

JASMINE COTTAGE

October saw a purchase from auction of a small renovation and infill project on the edge of the New Forest. Jasmine Cottage is a 2 bedroom semi-detached cottage in need of comprehensive refurbishment. The cottage sits in 0.2 of an acre with most of the garden located to the side and rear of the property. The title has been split, leaving the cottage with a relatively large garden but more importantly a building plot for two new dwellings. After completing the refurbishment of the cottage and selling on, the Fund can realise the initial investment immediately.

Based on today's prices and valuations the returns are as follows:

Net Profit of GDV - 36%	RoCE% - 58.97%
Net Profit - £320.775	RoCE Annualised - 47.17%

The property was purchased for £212,000 at auction, £28,000 under the maximum budget. The additional plot is large enough for a pair of 3 bedroom semi-detached houses with a detached garage servicing all three properties. There has also been interest from local developers to purchase the land upon planning but it is extremely likely we will build out this site.

Q. Why would you get involved in a small development project such as Jasmine Cottage?

A. Jasmine cottage is a very small development however with the interest rates so low, leaving money on deposit for any length of time is not making best use of monies raised. Jasmine Cottage will be refurbished and on the market for sale by the end of January 2010. From the sale the Fund will recoup its initial investment. The main profit will come from the sale of the new build.

Jasmine cottage is an ideal small project to boost the 3 year distributions.

SANDHURST SCHOOL, SHOREHAM

Back in September we entered into an option agreement to purchase a site comprising of an old school and numbers 2 and 4 Madeira Avenue in Shoreham for £870,000, subject to planning permission being successful.

Numbers 2 and 4 will go through a comprehensive refurbishment programme and then sold on the open market. A planning application is being submitted to construct a pair of 3 bedroom semi-detached houses in the garden of 2 Madeira.

Planning Permission is also being sought to convert the original school building back into a single dwelling making the building a more attractive option to a wider market. Three separate parties have already expressed interest to purchase the old school. A planning application is also being submitted to construct three, one bed apartments adjacent to the original school building. The surrounding area is very sought after and indications from local agents have been very positive.

THE SYCAMORE IV MEZZANINE FINANCE FUND (SYCAMORE IV)

The Sycamore IV Mezzanine Finance Fund received its first investment in September. The Fund should close at the end of January but, due to the printing of the Information Memorandum being delayed and the subsequent delay in commencing the raise, we are investigating extending the close until the spring of March 2010.

Due to the delay it has been agreed between the Asset Manager and the Operator that we will give those Investors investing in the first £1,000,000 an uplift in their investment of 10%, those investing in the second £1,000,000 an uplift of 5% and those investing in the third £1,000,000 an uplift in their investment of 2.5%.

Q. What happened to Fund III?

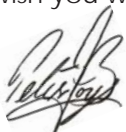
A. Sycamore III is a £500m institutional Fund with a minimum investment of £5m. Due to the recession this has been put on hold.

PM ASSET MANAGEMENT

It has been an exciting and productive quarter for PM Asset Management as a development begins in Sycamore I, a project comes into fruition for Sycamore II and the Sycamore IV Mezzanine Fund officially launches. Alongside the Funds we have also hired an additional Accountant to join the team as well as seeing the promotion of Leila Jundi to Business Development Manager.

Looking forward to the next quarter we hope to have more news of projects and developments in the Sycamore II Property Development Fund and several Mezzanine projects in place within the Sycamore IV Mezzanine Finance Fund.

Until then, on behalf of all of us at PM Asset Management, I would personally like to thank you for your support and wish you well for the New Year.



Peter Boys
Managing Director