



FINANCIAL STRENGTH ASSESSMENT

PM ASSET MANAGEMENT LTD
(SYCAMORE V PROPERTY DEVELOPMENT FUND LP)
FEBRUARY 2012

AKG

Accessible – Comparative – Independent

Analysis by AKG Actuaries & Consultants Ltd

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I. INTRODUCTION

I.1. BACKGROUND

PM Asset Management Ltd (PMAM, the Alternative Provider), is an asset management company based in the UK which specialises in developing and managing a range of unregulated funds, distributed by 'authorised persons'.

An integral part of the process whereby a provider is approved for use by an intermediary or group of intermediaries includes an assessment of the financial strength of the provider.

The Alternative Provider has commissioned AKG Actuaries & Consultants Ltd (AKG) to assess the Alternative Provider against specified criteria (attached as Appendix 1). The focus of the assessment will be on the financial strength and security of the Alternative Provider, in the context of the product proposition. For the purposes of this assessment the proposition considered is the Sycamore V Property Development Fund LP (the Fund).

I.2. RELIANCES AND LIMITATIONS

AKG's original assessment dated January 2011 was based on information supplied by PMAM which included a meeting with Mark Yadegar (now Managing Director of PMAM) and Peter Boys (now Chairman). AKG also spoke with Tony Norris (Director of Gallium Fund Solutions Ltd, the Operator). Updated information has been supplied by Mark Yadegar and Leila Jundi (Business Development Director, PMAM).

AKG has relied upon the accuracy and completeness of this information, and will not accept any responsibility or liability for any inaccuracies or omissions or for any consequences arising. Under no circumstances will AKG accept any liability in respect of the investment decisions of investors or for any loss arising there from. It should be assumed that AKG has not conducted any due diligence investigations to confirm the accuracy of any of the information supplied, unless it is explicitly stated to the contrary herein.

For the avoidance of doubt, AKG has not researched background details, including previous organisations of individuals connected with the Alternative Provider.

No account has been taken of the competitiveness, suitability or otherwise, of the product terms offered by the Alternative Provider.

AKG's assessment and subsequent conclusions has been carried out in the context of an "informed investor" rather than a "cautious investor" and comments and assessment reflect this. The nature of the products offered through PM Asset Management Ltd, namely Unregulated Collective Investments, is such as to require individual investors to be "well informed" or "sophisticated". There is a clear need for advice and a full understanding of the risks involved.

Whilst many aspects underlying AKG's conclusions are likely to change only slowly, the financial services industry is a competitive, dynamic marketplace, with new products and developments being announced regularly. As a result, AKG cannot guarantee that any particular comment will remain appropriate at any future date.

This report replaces any previously issued report and remains current for the period of a year from the cover date, unless otherwise updated. In the event of updating, the new report should be used in replacement of this report. Notwithstanding any updates this report should no longer be used after January 2013.

AKG personnel are available to expand upon the comments in this report, if required.

I.3. CONFIDENTIALITY

This report has been produced for the Alternative Provider's consideration, and for use in accordance with the conditions outlined above.

AKG is happy for the Alternative Provider to reproduce all or part of this report in any internal or external published material, subject to prior written agreement of the content, context, duration and volume of such reproduction and of any reference, explicit or implicit, to AKG's involvement in producing this report.

2. OVERVIEW

Key points evident in AKG's assessment are:

- The Fund is a UK unregulated collective investment scheme.
- The Fund has a sound rationale and appears to have a robust governance structure.
- Being unregulated there is no explicit investor protection.
- The Fund has not been in existence for long enough to be required to file any financial information with Companies' House. No other financial information on the Limited Partnership has been provided. The Provider, PMAM, has a fairly short but reasonably established track record of launching funds and attracting investment, and is trading profitably.
- The Fund is structured as an English Limited Partnership. The General Partner of the Fund, S5PD Fund (General Partner) Ltd, was established specifically to act in this capacity and is not yet required to file any financial reports.
- The Asset Manager, PM Asset Management (Fund V) Ltd, was established specifically to manage Fund assets and is not yet due to file any financial information.
- The Asset Manager has an appropriately experienced management team.
- Administration is carried out by a duly appointed and experienced Operator, Gallium Fund Solutions Ltd.
- There are no fund guarantees.
- In the event of failure of either the Asset Manager or the General Partner, the Operator would appoint replacements.
- Exposure to the loss of significant management personnel is recognised. Keyman life cover is in place.
- There is no contamination of the Fund with any debts of either the General Partner or the Asset Manager.

Overall AKG's assessment considers PM Asset Management Ltd to be a well managed niche operation with a well constructed set of relationships designed to deliver its 'alternative' investment solution, as part of a portfolio held by informed investors. The companies associated with the delivery of the proposition are held in common ownership and managed under common directorship, which carries potential for conflicting interests, although the directors have a good track record in terms of launching and attracting investment in their Sycamore Funds.

In respect of some of the associated entities, limited or no financial information is available and so a detailed assessment of these cannot be undertaken. PMAM itself is undeniably small and young, and outside of what might popularly be considered the mainstream. It does not have the financial strength which might be seen as inherent in larger, well capitalised, institutions. However, through the structure of its offering, including the administrator being independent of the Fund and the Fund assets held in joint names, and given its target market, the requirement for this is reduced.

3. PROPOSITION / COMPANY DETAILS

The main focus of AKG's assessment has been PMAM, the Provider and Promoter of the Fund. This company, through the knowledge and experience of its directors and senior personnel is central to the proposition – in essence it is this skill and experience that investors are buying into. This is reflected further in the consideration which has also been given to the companies acting as the General Partner and the Asset Manager of the Fund - both of these companies have the same ownership and directorship as PMAM, namely Peter Boys and Mark Yadegar (with M Davis also a director for PMAM).

Furthermore, within the assessment process AKG has also looked through to the other corporate entities which make up the overall proposition. To record these and illustrate their inter-relationship in simple terms, a schematic representation of the main relationships within the overall structure is given in Appendix 2.

3.1. THE PROPOSITION

The Fund is a closed ended English Limited Partnership. It invests and will continue to invest in a range of projects comprising residential developments with planning permission already in place and land sites with an identified development potential. SIPPs and SSAs will have access to the Fund through a feeder fund, the Sycamore V Exempt Property Unit Trust (EPUT)

The Fund is projecting a net Total Return of 22.5% per annum over the life of the Fund (7 years). The Fund may borrow to fund its acquisitions.

There is a Performance Fee payable to the Asset Manager, subject to certain conditions, including a hurdle rate to Investors.

The Fund will have a life of seven years after the final closing date (monthly closing). It will make Distributions to Investors three, five and seven years after final closing and also in each year during the two year project disposal period. The Fund was officially launched in December 2010, with first close taking place on 9 May 2011. The final close is anticipated to take place once subscriptions reach £10m, or by June 2012, if earlier, per the latest IM addendum. The date can be extended by the agreement of the General Partner and the Operator.

The Fund does not carry either capital or income guarantees.

PMAM produces a regular newsletter (half-yearly) to update investors and other interested parties on progress on the various projects within the Sycamore fund structures, including the Sycamore V Fund, and it also provides updates on its own web page, at www.pmassetmanagement.co.uk/funds.

3.2. GENERAL PARTNER

The General Partner is S5PD Fund (General Partner) Ltd, a UK company incorporated in October 2010. It has been operating for well over 12 months but extended its year-end from October 2011 to March 2012 to align with PMAM's year-end, in common with other connected companies. It has not therefore been required to file any report and accounts yet. Its directors are P Boys and M Yadegar.

The General Partner is the legal entity responsible for the management of the partnership receiving deductions from the fund and disbursing commissions and Operator's fees, together with management fees to the Asset Manager. In fulfilling its obligations it has entered into agreements with other entities, including the Operator and the Asset Manager.

3.3. PROMOTER / PROVIDER

The Promoter and Provider of the Fund is PM Asset Management Ltd, an Appointed Representative of Gallium Funds Solutions Ltd (see below). PMAM is owned by P Boys and M Yadegar. It does not provide investment advice.

AKG has seen the most recently available annual (abbreviated unaudited) accounts of PMAM, as at March 2011. These show that turnover was up by 21% in 2011, to £825k, and the company operated profitably, making Profit before Tax of £200K [2010: £73k]. The company balance sheet was improved as no dividend was paid in 2011 [2010: £6.6k] and Shareholders Funds increased to £208k at the year end March 2011 with the addition of £170k retained profit [2010: £38K].

3.4. ASSET MANAGER

The Asset Manager, PM Asset Management (Fund V) Ltd, is a UK domiciled company established for the purposes of managing the assets that comprise the Fund. It is a related company to PM Asset Management Ltd (common ownership, P Boys and M Yadegar). It has yet to file any report and accounts, having only been established in October 2010 for the purpose of the Sycamore V Fund and having extended its year-end from October 2011 to March 2012 in common with other connected companies.

The key personnel within PM Asset Management (Fund V) Ltd have the requisite knowledge and experience commensurate with the objectives of the Fund, being the same personnel as PM Asset Management Ltd. The Asset Manager is responsible for the acquisition of property assets, project management, and sale. It is paid an initial site valuation fee (4% project value), an annual management fee (2% of the gross value of the Fund assets) and also will receive a Performance Bonus equal to 30% of profits after deduction of the first 10% of profits due to the investors.

3.5. OPERATOR AND TRUST MANAGER

Administration services are provided to the Fund by the Operator, Gallium Fund Solutions Ltd (Gallium), regulated and authorised by the FSA. Gallium is not licensed to hold client money. All acquisitions and borrowing activity require the consent of the Operator to ensure these comply with the constitutional deeds of the Fund.

Gallium Fund Solutions Ltd also acts as Trust Manager to the Sycamore V Exempt Property Unit Trust (EPUT).

Gallium is a relatively new company, founded in July 2008 by Tony Norris and owned jointly with P Dooley. Norris was previously the Managing Director of Partnership Incorporations Ltd, which is the Operator of the Sycamore II Property Development Fund. There is clear continuity in the arrangement together with the requisite knowledge and experience – Gallium Fund Solutions Ltd also acts as Operator to the Sycamore IV Mezzanine Finance Fund LLP.

Gallium's latest set of accounts, for the 12 months to June 2011, show an improved level of pre-tax profit of £53K [2010: £2K], and the balance sheet suggests the company is adequately capitalised (Net Shareholders' Funds £101K – Tier 1 capital for regulatory calculations).

As a BIPRU €50,000 limited licence company, it is required to hold an appropriate level of regulatory capital. The level is calculated on the Fixed Overhead Requirement (FOR) basis and the FOR was calculated as £43k for the year to June 2011. This was covered 234% by Tier 1 Regulatory Capital (£101k). Gallium is not required to hold capital in respect of operational risk but for the sake of prudence does hold capital in excess of its capital resources requirement.

3.6. TRUSTEE

The trustee for the EPUT is the Royal Bank of Canada Trust Corporation Ltd. Its Report and Financial Statements for the year ending 31 October 2010 report a pre-tax profit of £553k [2009: £798k]. No dividend was paid during 2010 or 2009. The company's ultimate parent and controlling party is Royal Bank of Canada. Royal Bank of Canada is one of Canada's largest companies with a market capitalisation of around C\$86bn (as at 26 May 2011).

Royal Bank of Canada is rated AA- by S&P (positive outlook) as at 30 April 2011.

3.7. NOMINEE COMPANY

In respect of acquiring property / projects, the Operator will act on the instruction of the Asset Manager, subject to ensuring all the appropriate Fund criteria for such acquisitions are met. The Operator will then instruct the GP to acquire projects / property assets on behalf of the Fund, and the Operator will act through a nominee company that will hold the title deeds jointly with the GP. There is currently only one such company, SYC5 JV1 CG (ANCHOR ROAD) LLP. In this case, a JV partner is involved and so the Designated Members of the nominee company are the GP and the JV partner.

The Asset Manager has sole discretion, in respect of land or other property assets owned by the Fund, to use those assets to provide income for the Fund, such as by renting the assets out.

3.8. FUND BANKERS

All Fund / LP monies are banked with Barclays Bank plc. Monies flow directly into the partnership bank accounts in the case of direct investors, whilst monies in respect of the EPUT are routed via the trustee accounts held with Royal Bank of Canada.

Access to bank account monies (or payment of any amount that legally binds the Fund) requires signatures from both the GP and the Operator.

APPENDIX I CRITERIA & PROCESS

AKG has reviewed the Alternative Provider in the context, specifically, of understanding the proposition and how this might be affected in the event of failure or other untoward event and the onward impact on investors.

It is important to understand what is meant by Financial Strength. In this, AKG's origins are important. As an organisation AKG comes from the perspective of providing ratings and assessment together with support for the UK intermediary sector in the context of required information on life companies, and other entities which that sector advises on. This focus, together with its use of an actuarial skill set blended with market/distribution knowledge, has created a unique expertise, as distinct from the less specialist global ratings agencies or those providing credit ratings.

This is manifest in the key definition AKG places on financial strength (for both ratings and assessment). Namely, that the objective is to go beyond purely a consideration of solvency (albeit this will always be an important part of the mix) and consider in what format an organisation may be able to survive to meet the reasonable expectations of customers and their advisers. Expectations, which must include the experience encountered by these two groups, will therefore include ongoing operational abilities and performance.

This is often summarised as three key underlying questions relevant to an intermediary and their clients:

- Will a company survive?
- If so, in what form?
- Are expectations likely to be met?

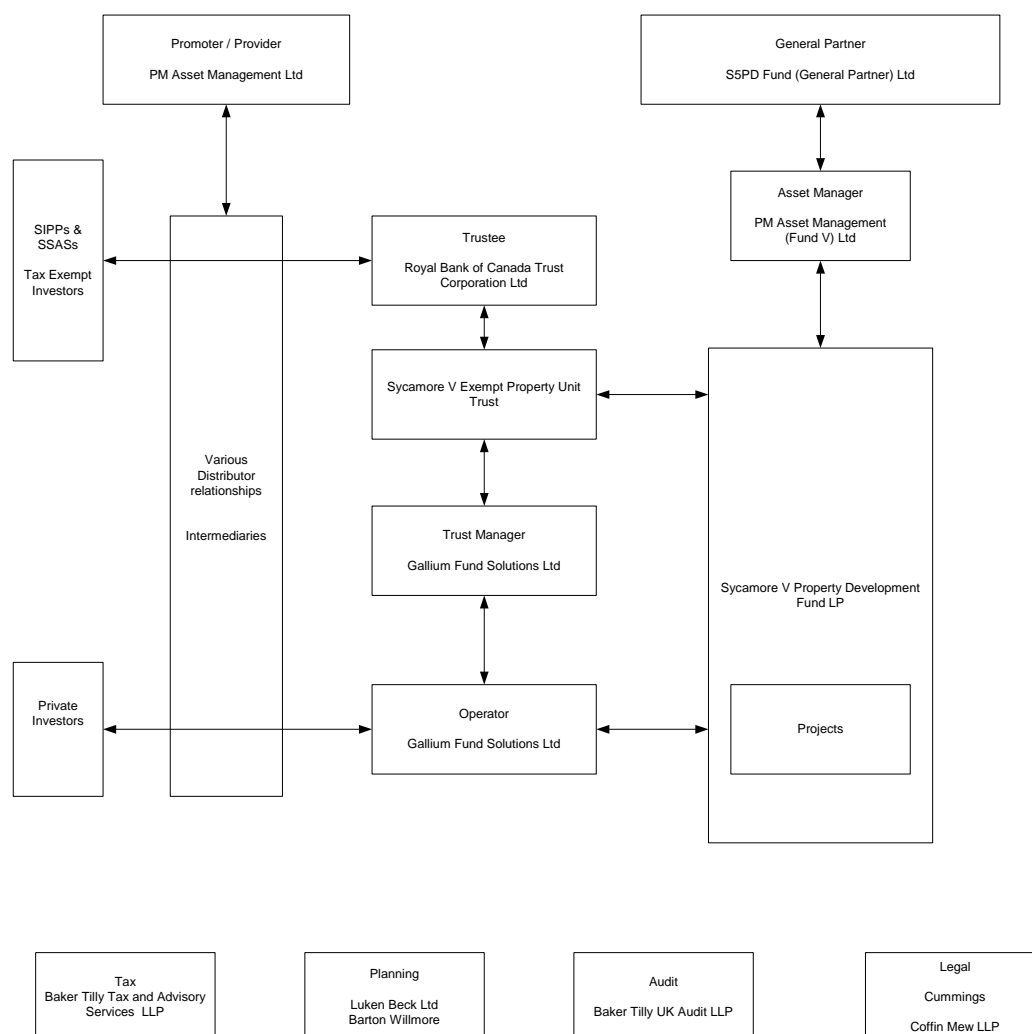
The following listing outlines elements considered within this process, where relevant:

Broad element considered	Areas of focus
Strategic appraisal	<ul style="list-style-type: none"> • Distribution Focus • Process • Competitive Position <ul style="list-style-type: none"> ○ Barriers to entry in segment ○ Competition ○ Areas of sustainable competitive advantage • Company Structure and its fit with strategy • Customer Focus • Performance – Current and Past • Risks and Risk Controls – Strategic, Market and Business Risks
Financial and actuarial appraisal	<ul style="list-style-type: none"> • Company Structure • Capital Structure • Use of Capital / Capital Availability • Solvency Levels (Statutory and Realistic) • ICAs • Realistic Reporting, PPFMs, TCF • Process • Valuation Bases • Expenses • Reinsurance Arrangements • Business Mix • Margins • Customer Focus (TCF) • Risk Tolerance; Risks and Risk Controls

Operational appraisal	<ul style="list-style-type: none"> • Company Structure • Management • Servicing / Administration • Management of / Coordination with Independent Companies, e.g. Outsourcing, Open Architecture • Investment – Philosophy, Matching, Asset Splits, Management • Product Lines • Customer Focus • Risk Control – Operational Risks, including Business Continuity
Analysis of the Group and other entities	<ul style="list-style-type: none"> • Group Structure • Where and how does the company fit in? • Why? Is it core? • Financial Support – Past, Present and in the Future • Capital Availability to Company
Relevant Other Entities – 'Collaborative'	<ul style="list-style-type: none"> • Reinsurers • Outsourcers <ul style="list-style-type: none"> ○ Servicing / Administration ○ Investment ○ Within Group • Counterparties • Process • Distributors • External Fund Managers • MoM Managers • FoF Managers

Note: The above listing outlines elements considered within the process (a number will be more or less appropriate in each case and will depend on entity type.)

APPENDIX 2 RELATIONSHIP CHART SYCAMORE V PROPERTY DEVELOPMENT FUND LP



The table above is provided as a means of representing the various entities present within the proposition and their interrelationships.

APPENDIX 3 ABOUT AKG

AKG is an actuarially based consultancy specialising in the provision of ratings, information and market assistance to the financial services industry.

A wide range of Clients

Within a specialist focus on the financial services industry, AKG has developed a broad, complementary range of clients including: Intermediaries (IFAs), Life Companies, Friendly Societies, IFA Networks, Regulators, Fund Managers, Trade Bodies, Service Providers, Banks, and Building Societies.

Support for Product Providers

AKG assists Providers in:

- Financial Strength Analysis and Presentation
- Data and Information Provision
- Actuarial Consultancy
- Distribution Consultancy

Assistance to Financial Intermediaries

AKG assists Intermediaries in:

- Financial Strength Analysis and Ratings of Product Providers
- Best Advice Panel Services
- Data and Information Provision
- Actuarial and Technical Support

Regular Reports

AKG publishes the following reports to assist providers and intermediaries:

- **AKG Company Profile & Financial Strength Reports**
(covering UK life assurance companies)
- **AKG Offshore Profile & Financial Strength Reports**
(covering Offshore life assurance companies)
- **AKG Platform Profile & Financial Strength Reports**
(covering Platform operations)
- **AKG UK Life Office With Profits Report**
(providing further depth in the assessment of with profits funds)

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