



Custodian Capital

DIRECT PROPERTY OWNERSHIP

Corporate Brochure



“ A FRESH APPROACH
TO DIRECT PROPERTY
OWNERSHIP ”



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INTRODUCING CUSTODIAN CAPITAL

Custodian Capital is a property investment and management business, authorised and regulated by the Financial Services Authority (FSA). We provide a structure for SIPP, SSAS and private investors to individually build a diversified portfolio of directly owned, institutional-grade, commercial property assets, in small denomination investments. We aim to provide investors with an affordable route to investing in commercial property and an interesting alternative to the institutional property funds.

Over the last nine years, we have developed a nationwide property portfolio with in excess of 60 properties, an aggregate value over £110 million and more than 1,000 individual investors, most of whom are SIPP or SSAS clients.

Whilst operating independently, Custodian Capital is part of the AIM-listed Mattioli Woods group. This provides us with a robust capital structure, stability and track record for both clients and partners alike. We believe that we have a genuinely fresh approach to direct property ownership and we are extending our services to a wider base of IFAs and wealth managers. Most importantly, we do not offer just another property fund. Every property is separately funded, with each investor selecting the properties that individually suit them to build their own bespoke portfolio of directly owned assets.

Current Portfolio

- First property acquired in 2002
- Assets under management
£110 million
- Over 60 assets
- Over 1,000 investors
- Nationwide portfolio
- All property sectors



**£110
MILLION**
CURRENT
PORTFOLIO

Our UK coverage



- 16 shops
- 17 warehouse/distribution
- 10 offices
- 3 retail warehouses
- 3 car showrooms
- 3 day nurseries
- 3 restaurants
- 2 residential
- 1 hotel
- 1 ground rent
- 1 development site

“A DIVERSE NATIONWIDE PORTFOLIO”

“ PRIME PROPERTY
PRODUCING SOLID,
LONG-TERM INCOME ”



DIRECT PROPERTY OWNERSHIP

The case for property

Commercial property has long been an important component of a diversified investment portfolio. As a diversifier, an inflation hedge and a provider of stable and relatively high-income returns, property helps to reduce volatility and provide long-term returns.

Annual income return from commercial property

Why?

Custodian Capital direct property ownership can offer higher-income returns and a greater degree of control than pooled property funds without foregoing the benefits of diversification.

- Property should form part of any diversified investment portfolio
- Property offers a high-income return

Year	IPD Income Return*
2002	6.9%
2003	6.8%
2004	6.3%
2005	5.7%
2006	4.9%
2007	4.6%
2008	5.6%
2009	7.4%
2010	6.4%
2011	6.1%

- Long leases provide a certain cash flow
- Strong tenants provide secure income
- Property should be seen as a long-term asset
- Compound income returns and long-term capital growth deliver performance
- Property can be a hedge against inflation

Property return vs inflation

Annual average metric	1971-2009
UK IPD All Property returns *	11.7%
UK Inflation	6.8%

How?

Custodian Capital, working closely with a nationwide network of leading property agents, identifies suitable property investment opportunities. Distributed through a network of financial advisers, these opportunities are available for investors to select, as appropriate to their individual requirements.

- Direct property ownership via a limited partnership structure
- Small denomination investments of £10,000-£50,000
- High-quality properties
- Low-risk profile tenants
- Income focused model
- Investors select the properties to add to their portfolios
- Diversified portfolio of 10 or more property investments
- Aim to build a portfolio to hold for long-term income in retirement
- Tax-transparent structure
- Open-ended partnerships allow investors to manage exit

Custodian Capital charges an establishment fee of 2% of property value and operates the partnerships for an annual management fee of 0.75% of the property value.

Advisers' fees

- Placing fees and annual investment monitoring fees will be paid to advisers
- Placing fee 2%
- Investment monitoring fee 0.5% pa

*IPD is the benchmark index for commercial property returns



DIRECT PROPERTY OWNERSHIP

Opportunities

Custodian Capital offers three partnership strategies with the common theme of investing for income.

Income partnership

Secure income provision
Year 2 target net income return to the investors 5% to 7%

Deferred income partnership

Up to 30% gearing to enhance medium-term income
Debt fully repaid between years 3 and 7
Fixed rates/caps used to reduce debt risk
Target income return 6% to 9% once debt is repaid

Gearred partnership

30% to 60% gearing
Enhanced capital growth
Long-term income provision
Debt repaid over 10 years +
Target income return 10% + once debt is repaid



Debt:

Custodian Capital aims to minimise debt risk. Debt is used to enhance long-term income rather than boost initial returns. All free cash flow, after costs, is used to meet loan interest and to fully amortise the loan within as short a period as possible, and certainly within the period of the known cash flow from the lease.

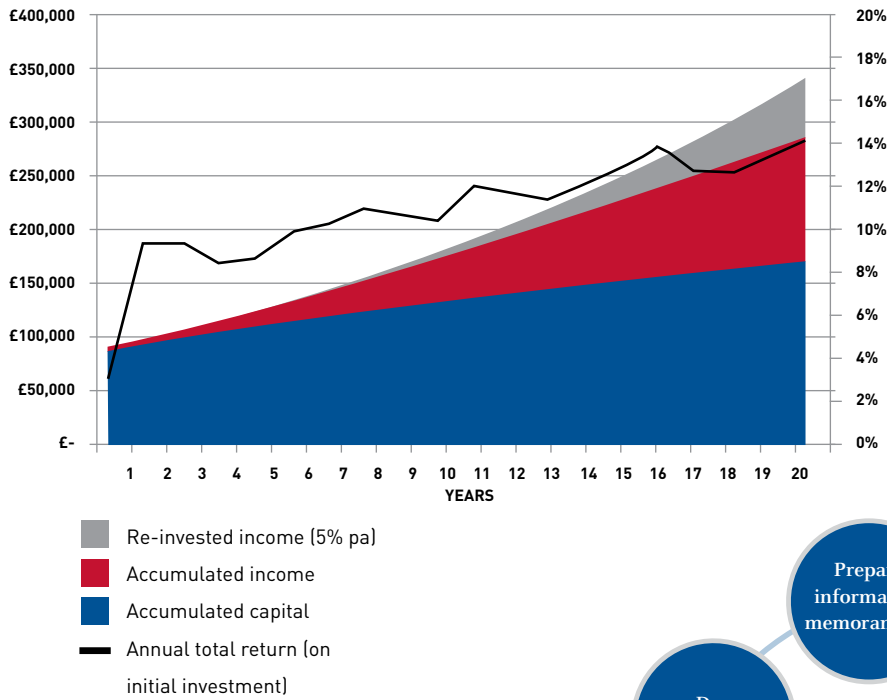
Using fixed-priced or capped-priced debt, a known repayment plan can be matched to the known cash flow, which significantly reduces the debt risk associated with the partnership.

Target returns:

Custodian Capital targets long-run annual equivalent compound returns of over 6% on a base case forecast.



Typical client portfolio

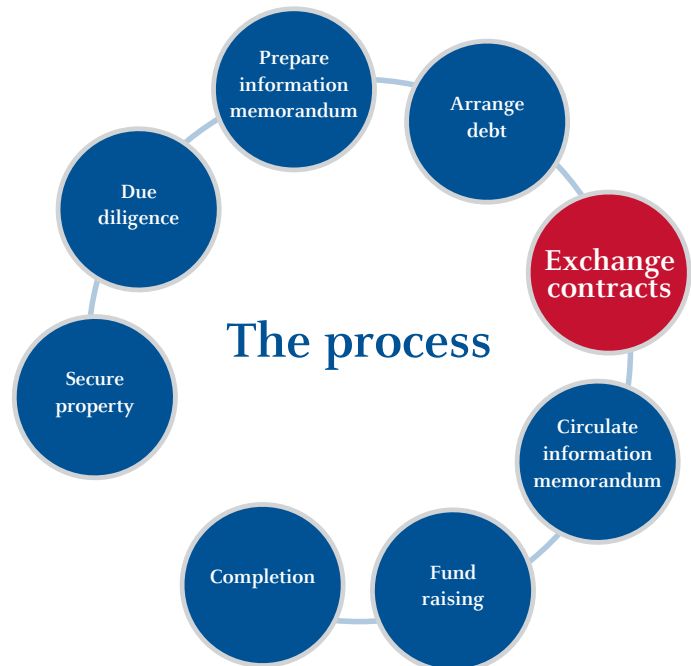


This forecast is based on 10 of our properties and the expected income and capital performance of the properties over 20 years calculated on net income, after all costs, void periods and professional fees. The chart assumes that all distributed income is re-invested at a rate of 5% per annum:

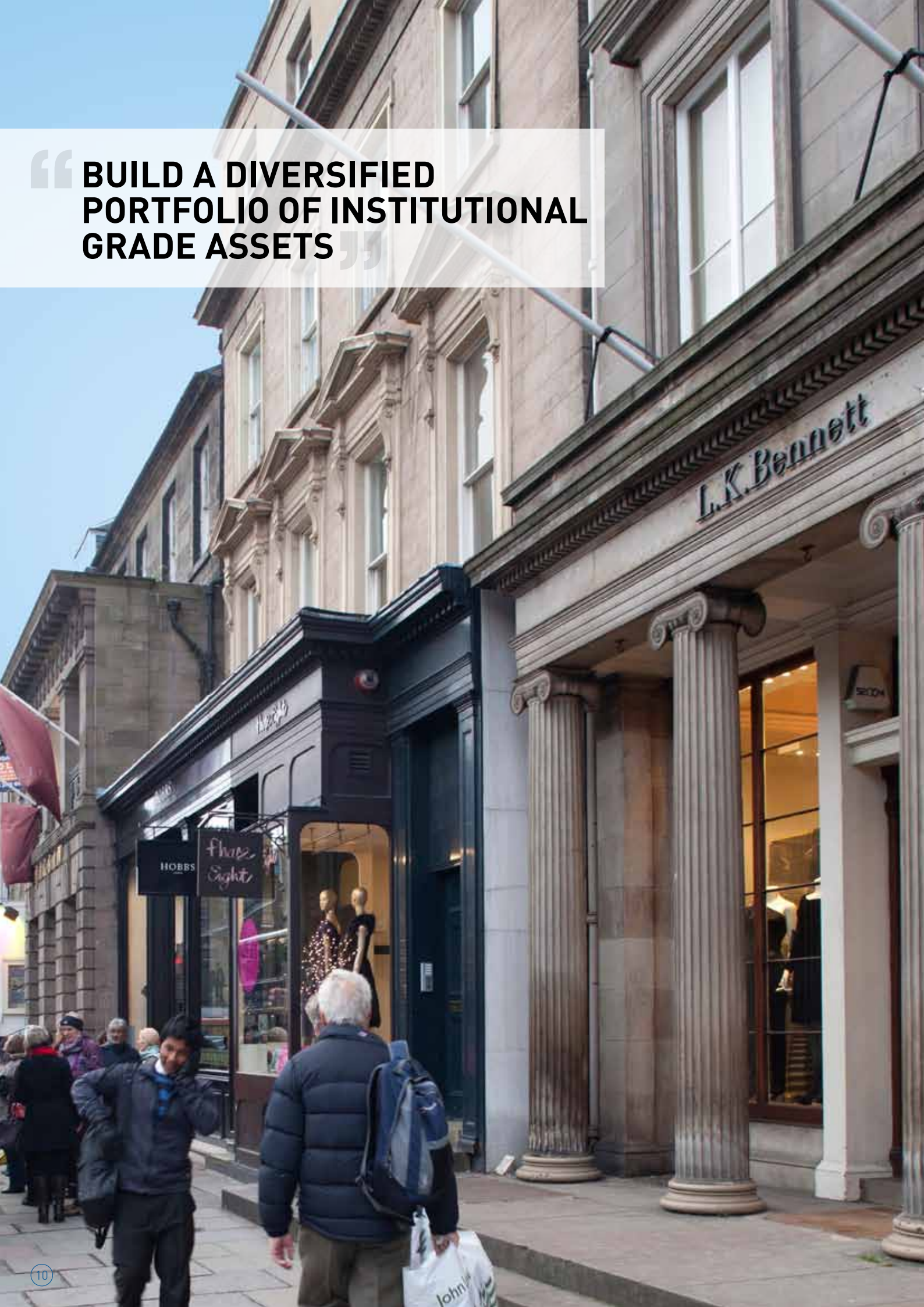
- The chart is based on an initial investment of £100,000 across 10 properties
- 5 properties with no debt
- 5 properties with some gearing
- Average lease length at outset of 11 years

The process

Custodian Capital will secure the property prior to circulating the information memorandum. This allows us to provide investors with a more certain estimate of forecast returns, with a known purchase price and agreed completion date. Furthermore, it demonstrates our commitment to the property and confidence in its investment potential for the partnership.



“ BUILD A DIVERSIFIED
PORTFOLIO OF INSTITUTIONAL
GRADE ASSETS ”



PROPERTY TEAM

Our property team offers years of combined experience in the commercial property investment market and proactively manages all assets with the aim of maintaining cash flow and enhancing long-term income, whilst protecting value. The team consists of eight core members of staff, supported by a compliance officer and an investment committee.



Richard Shepherd-Cross BSc (Hons) MRICS
Managing Director

Richard is a chartered surveyor having graduated from Reading University in 1994 and attaining the MRICS qualification in 1996. Prior to his role at Custodian Capital, Richard was a director at Jones Lang LaSalle in London, running a team focused on portfolios of commercial investment property and while at Mattioli Woods, he had responsibility for the syndicated property initiative, developing the service into the subsidiary, now known as Custodian Capital. He has experience across the national commercial property market and all commercial property types, with a strong focus on investment.



Kylie Bentham MSc MRICS
Property Portfolio Manager

Kylie graduated from the University of Sheffield before completing an MSc in Real Estate Management at Oxford Brookes. Her career started at DTZ during which time she qualified as a chartered surveyor. She also worked as a property manager on behalf of ING REIM before joining Custodian Capital. As portfolio manager, Kylie's primary function is to maintain and enhance the value of the existing portfolio.



Ben Aspell BSc (Hons)
Business Development Manager

Ben graduated from the University of Northumbria in 2000 with a degree in property surveying. He started his career at Hays as a recruitment consultant within the surveying team before taking on a role as a surveyor within the newly formed student property division at Knight Frank. Ben joined Custodian Capital in 2011. As business development manager his role will be to identify new clients such as IFAs, wealth managers, accountants and other organisations that advise groups of high net worth or pension investors to build relationships and promote Custodian Capital's property partnership opportunities.



Katie Lane FCCA
Financial Controller

Katie qualified as a Chartered Certified Accountant in 2000 whilst working in accountancy practice as an auditor and senior accountant. Katie joined Mattioli Woods in 2008 following the acquisition of the JB Group where she worked as financial controller to John Bradley Financial Services. As financial controller of Custodian Capital she manages the finance team and is responsible for financial reporting to investors.

LIMITED PARTNERSHIP STRUCTURE

The underlying principle is for a group of investors (but targeting SIPP, SSAS and private investors) to buy a property together via a tax-transparent, limited partnership (LP) structure, in order to gain the benefits of direct property ownership. The LP is defined by the FSA as an unregulated collective investment scheme (UCIS).

The aim of the structure is:

- To give each member of the LP access to better quality real estate for a relatively small individual investment
- To provide as close to direct ownership of property as possible, without day-to-day property management

The recommended investment strategy is for investors to diversify their portfolios across a number of assets in individual investments of between £10,000 and £50,000. An important distinction between this model and a property fund, is that each property is owned (via the LP structure) by a separate group of investors, who have individually selected the assets in which they want to invest. Any debt is arranged on a non-recourse basis with each investor's liability limited to the amount of their investment in the LP.



The general partner (a Custodian Capital limited company) will hold legal title to the property in its capacity as general partner to the LP.

Each investor will be a limited partner in the LP. An investor's interest in the LP and the property will be expressed as a specific percentage of the whole and recorded at Companies House.

The general partner and the operator (Custodian Capital Limited in its capacity as a FSA authorised and regulated operator of UCIS) will be responsible for the operation and management of the LP and its assets.

The limited partners will not take part in the LP's management or operation, although they will be given the right to vote on certain issues, to include:

- Fundamental changes to the strategy set out in the information memorandum
- Fundamental changes to the capital structure of the LP



LIMITED PARTNERSHIP OPERATION

The general partner of each limited partnership (LP) instructs Custodian Capital Limited to establish and operate each LP as a UCIS.

Property management

The properties are professionally managed by Custodian Capital.

Reporting

Each LP is valued twice a year as at 5 April and 5 October.

Each property is inspected annually by our independent valuers; Lambert Smith Hampton, who carry out an open market valuation as defined by the Royal Institution of Chartered Surveyors.

The LP accounts are prepared by Custodian Capital and independently reviewed by our accountants Stephenson Smart & Co.

Cash flow forecasts are re-assessed based on prevailing interest rates, property valuations, rental values and forecast rental growth using a bespoke model built jointly by Ernst & Young and Custodian Capital.

Liquidity

The LP's are open-ended, allowing investors to hold or sell their partnership share to best meet their specific requirements.

Investors can sell their partnership share with the operator's approval. The value is determined by reference to the last open market valuation and resultant net asset value of the partnership. We have managed to provide the liquidity required by our existing investors, typically within two to six months. This is commensurate with any other direct property investment.

Income distribution

Income is paid six-monthly. If there is outstanding debt, all surplus income after partnership and interest costs is used to reduce the loan balance.

Website

www.custodiancapital.com is a bespoke website that allows Custodian Capital and its network of financial advisers and their clients to monitor the performance of their properties and the individual shareholdings in each LP. The site is fully password protected and gives each investor a personalised view, to include:

- Property information
- Current property valuations
- Current net asset value of the partnerships
- Forecast distributions
- Forecast debt repayment date
- Historical performance data

Important

This document is not a financial promotion and does not relate to a specific investment opportunity. It is intended to provide an overview of Custodian Capital and the structure of the investment opportunities on offer. No investment decision can be made on the basis of this document.



IMPORTANT INFORMATION

Promotion and distribution of Custodian Capital limited partnership opportunities

Custodian Capital will produce an information memorandum for each limited partnership opportunity. This document will set out the opportunities, risks, assumptions and forecast returns from the property.

The limited partnership interests in the partnership will not be registered under the securities laws of any jurisdiction. Accordingly, investors will not be afforded the protection any such registration may offer. The distribution of information memoranda and the offer and sale of interests in the partnerships described in the memoranda may be restricted by law in certain jurisdictions. The memoranda do not constitute an offer or solicitation of an offer in any state or other jurisdiction in which such offer or solicitation is not lawful, or in which the person making such offer or solicitation is not qualified to do so.

As a UCIS, the promotion of the partnership and the interests, and the communication of the information contained in the memoranda in the United Kingdom, is restricted by law. The partnership is an unregulated collective investment scheme for the purposes of the United Kingdom's Financial Services and Markets Act 2000 ('FSMA').

The restriction in section 238 of FSMA on the communication of invitations or inducements to engage in investment activity does not apply to memoranda issued by the operator on the ground that they are only being made to and/or directed at the limited classes of

person described below in the United Kingdom, namely only to persons falling within one of the following categories, each such person being an 'exempt recipient':

- Investment professionals falling within article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ('PCISO'), namely authorised firms under FSMA; persons who are exempt in relation to promotions of investments of this nature; persons whose ordinary activities involve them investing in funds; governments; local authorities or international organisations; or a director, officer or employee acting for such entities in relation to engaging in investment activity (provided that all such persons as listed here have professional experience of participating in unregulated collective investment schemes);
- Certified high net-worth individuals falling within article 21 of the PCISO, namely individuals who have signed, within 12 months prior to the date on which memorandum is issued, a prescribed statement to the effect that they recognise that they can lose all of their property or other assets from making investment decisions based on financial promotions and that they (a) had, during the financial year immediately preceding the date of the certification, an annual income to the value of £100,000 or more, or (b) held, throughout the financial year immediately preceding the date of the certification, net assets to the value of £250,000 or more. Net assets for these purposes do not include i) the property which is the individual's primary residence or any loan secured on that residence; ii) any rights of the individual under a qualifying contract of insurance within the meaning of



the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, or iii) any benefits (in the form of pensions or otherwise) which are payable on the termination of the individual's service or on the individual's death or retirement and to which the individual is (or the individual's dependants are), or may be, entitled;

- High-value entities falling within article 22 of the PCISO, namely bodies corporate with called up share capital or net assets of not less than £5 million (except where the body corporate has more than 20 members, in which case the share capital or net assets should be not less than £500,000); unincorporated associations or partnerships with net assets of not less than £5 million; trustees of high-value trusts; or a director, officer or employee acting for such entities in relation to engaging in investment activity;
- A person who is, or has been in the last 30 months, a participant in an unregulated collective investment scheme;
- A person for whom the firm communicating the memorandum has taken reasonable steps to ensure that his investment in the partnership is suitable and who is either an established or newly accepted client of the firm;
- An eligible counterparty or a professional client (as defined in the Financial Services Authority's Handbook of Rules and Guidance); and/or
- A person in relation to whom the firm communicating the memorandum has undertaken an adequate assessment of that

person's expertise, experience and knowledge and that assessment gives reasonable assurance, in light of the nature of the transactions or services envisaged, that such a person is capable of making their own investment decisions and understanding the risks involved. This person must have received a written warning from the firm and replied in writing in a document separate from the contract, that he is aware of the fact that the operator can promote the partnership to him.

- The memorandum is available only to the categories of persons listed above and any invitation or investment activity to which it relates will not be available to, and will not be engaged with, any person who does not fall within one of the categories listed above. Accordingly, any person who does not fall within one of the categories listed above should not rely on or take any action in respect of the memorandum.

If any person who receives the memorandum is in any doubt about any investment or investment activity to which the memorandum relates, they should consult an authorised person specialising in advising on such investments or investment activities.

No prospectus is required under Section 85 of FSMA as the partnership interests do not fall into the definition of 'transferable securities' under S102A of FSMA as they are not negotiable on the capital markets. This is because there are significant restrictions on the transferability of the partnership interests as the operator will be required to consent to the transfer and the transferee will have to fall within certain detailed criteria.



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A Mattioli Woods Company



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