

SEVEN DIALS EUROPEAN PROPERTY FUND LIMITED

1 Le Marchant Street, St Peter Port, Guernsey GY1 4HP, Channel Islands
Tel No: +44 (0)1481 726034 Fax No: +44 (0)1481 712167

4th March 2009

Dear Shareholder

We are writing to inform you that the Principal Manager and Directors of Seven Dials European Property Fund Limited (the "Company" or the "Fund") have, with the agreement of the Company's Custodian, decided to suspend redemptions of shares in the capital of the Company. The suspension will become effective immediately and, consequently, existing and future redemption requests will be suspended until further notice.

The decision to suspend has been taken after careful consideration and in light of, amongst other things, exceptional market conditions. As a result of various factors the Directors and the Principal Manager now believe that circumstances exist which make a suspension desirable and necessary in the interests of shareholders.

The primary duty of the Directors in managing the Fund is to consider and look after the interests of the Company and its shareholders. When there are circumstances, such as we have now, where different groups of shareholders may have conflicting interests, the Directors' duty is to consider the interests of shareholders as a whole.

Whilst the Company has enough cash to honour the redemption requests received to date, discussions with advisers to shareholders of the Company reveal that many more redemption requests would be forthcoming in the event that a limited number of shareholders are allowed to redeem. The Seven Dials European Property Fund is valued and priced based on the net asset value of the underlying investment funds, rather than the secondary market value. To continue to manage the Company's portfolio properly, and to meet forthcoming redemption requests, the Principal Manager would have to sell some of its investments and in today's extraordinary market conditions the Company would have to accept a substantial discount to the latest net asset values of its holdings, if it could sell them at all.

The Directors and Principal Manager consider that allowing a small number of Shareholders to take advantage of the Company's current cash surplus and to exit the Fund at an artificially high price, which could not otherwise be offered to the Company's other shareholders, would not be in the best interests of Shareholders as a whole and that a suspension is necessary and desirable for the purposes of protecting those interests. The Directors have a duty to act fairly when considering the interests of Shareholders and, having considered those interests, are of the view that an immediate suspension is the fairest course of action. Honouring the requests of the first group of investors that have submitted redemption requests would be unfair to the remaining shareholders, possibly very significantly.

Further background information

The cash held by the Company was not accumulated in order to meet redemption requests. The financial crisis in 2008 has meant that the Principal Manager chose to retain the cash it held rather than invest, as it became increasingly apparent during the year that European property markets were likely to be affected and it was prudent to hold back from investing until markets stabilised. The benefit of this decision should accrue to all shareholders not just to those who have chosen to redeem.

Future prospects

The Directors are aware that the suspension of redemptions will very likely cause inconvenience for many investors, especially for those that have already submitted redemption requests and regret the need to take this action.

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Unfortunately a quick restoration of dealing is unlikely but the Principal Manger will closely monitor the potential for realising capital through asset sales without unacceptable loss of value to investors.

The value of the underlying asset base of the Company's investments has suffered a relatively moderate fall in value to date compared with some other property markets. However, the net asset values of the Company's shares have fallen more sharply owing to the impact in the underlying funds of gearing and adverse movements in exchange rates. Whilst a further downward adjustment may take place during 2009, the fundamentals of the underlying property portfolios are sound. As liquidity returns to financial markets and investor demand for European property recovers the assets held within the portfolios are expected to have attractive long term performance prospects. When this happens, the Company should be able to sell some of its assets at a more acceptable price than could otherwise be achieved in the current climate.

Legal process

The decision to suspend was taken by the Boards of Seven Dials Guernsey Limited, the Principal Manager, and Seven Dials European Property Fund Limited with the agreement of the Custodian, Kleinwort Benson (Guernsey) Limited. Brett Robinson, who is a member of both Boards and major shareholder in Seven Dials Financial Limited, the UK based investment adviser, did not vote on the decision to suspend in order to avoid any potential conflicts of interest arising and to ensure that the primary focus of the decision was the interests of Shareholders rather than the interests of the Manager or its associates.

Reinvestment of dividends

Certain shareholders have elected to have their dividends automatically reinvested in the Company. This ordinarily happens on the following Dealing Day after a dividend has been paid. Further to the directors' decision to suspend the calculation of Net Asset Value and the issue and redemption of shares, no further reinvestment of dividends can take place until the directors resolve to lift the suspension. Accordingly, any shareholder monies awaiting reinvestment will be held on the Company's client account, which is non-interest bearing, until a situation occurs where the monies can be re-invested at a price to be determined on the relevant Dealing Day and in accordance with Company's Scheme Particulars.

Should any shareholder, who has previously given the instruction to have their dividend payments reinvested in the Company, now wish to elect to receive the dividend which was paid on the 27th February 2009 and all future dividend payments directly instead, then they should contact the Administrator :

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The Company intends to continue to distribute largely all of its net income by way of dividends and apply for distributor fund status on an ongoing basis.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Brett Robinson', followed by a horizontal line.

Brett Robinson
Director
For and on behalf of the Board

Further enquiries should be addressed to:

***Brett Robinson
Seven Dials Financial Limited
42 Bruton Place
London W1J 6PA***

***020 7892 8310
brett.robinson@7dials.com***