Seven Dials European Property Fund

Q2 2012 Update

1. NAV Movements in the three months to June 2012*

*Please note that the NAVs reported below are indicative only and are based on the net asset values of the underlying investments, as reported to us by the managers. The Fund has suspended dealing and the official calculation and publication of net asset values.

We report no material change in the Fund NAVs in the quarter to 30th June 2012.

Fund NAVs as at 30th June

Share Class	Bid NAV	Mar 12 NAV
A	5.20	5.26
B	5.33	5.37
C	5.37	5.41
R	5.02	5.08
P	5.14	5.19

2. Performance Analysis

The barely changed NAVs reflect the fact that the net asset value of the Nordic Aktiv Fund has only changed marginally this quarter, reflecting an unchanged valuation of the property portfolio.

Nordic Aktiv

The main news from the Nordic Aktiv Fund was a partial revaluation of the property assets in June. A partial valuation was undertaken in order to reduce costs when a full valuation was not required for bank purposes. A representative selection of assets was re-valued externally and overall showed very little movement. Investment yields were barely changed and so values only moved in response to changes in income.

The re-financing discussions continue but are not expected to reach any sort of conclusion for some time yet.

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Notwithstanding some near term challenges for the Nordic Aktiv Fund, it is hoped that its well diversified portfolio and majority exposure to Sweden will enable it to weather the difficult market conditions, secure a refinancing deal and ultimately return value to investors.

3. Outlook

There is little new news to report with regard to European property markets. The only positive aspect of the recent increase in concerns over the financial position of Spain is further downward pressure on interest rates. Notwithstanding the continuing high levels of uncertainty and consequent heightened risk aversion, there is some evidence of a growing interest in European property from institutional investors, albeit from a low base. Should this trend continue, it would provide much needed positive support for markets over the next few years.

As previously mentioned, the Board has been working on the preparation of a proposal to present to shareholders for a re-structuring of the Fund. Plans are at an advanced stage but we cannot yet be certain that they will result in a formal proposal. If successful, it is hoped that the re-structuring proposal will be forthcoming before the autumn.

Advisers should be aware that such a proposal necessarily cannot include the possibility for all investors to redeem their holdings. The proposal, should it be forthcoming, is expected to include the possibility for some limited liquidity in the near term and further liquidity in the next couple of years but with a much higher degree of certainty than would be the case without any changes to the Fund.

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