



# Seven Dials European Property Fund

## Q1 2011 Update

### **1. NAV\* Movements in the three months to March 2011**

\*Please note that the NAVs reported below are indicative only. The Fund has suspended dealing and the official calculation and publication of net asset values.

We report small positive changes in the Fund NAVs in the quarter to 31<sup>st</sup> March 2011. There were no property revaluations in March and so NAV movements reflect income and changes in the foreign exchange rates and in the value of interest rate derivatives.

#### **Fund NAVs as at 31<sup>st</sup> March**

Share Class	Bid NAV	Dec 10 NAV
A	5.87	5.71
B	5.97	5.79
C	6.00	5.82
R	5.70	5.54
P	5.78	5.61

### **2. Performance Analysis**

There has been only minor movement in the NAVs of the Seven Dials European Property Fund. There were no revaluations of the underlying property portfolios, which will be next revalued in June 2011.

#### *Nordic Aktiv*

The NAV of the Nordic Aktiv Fund increased slightly as a result of increases in the value of interest rate hedging instruments and currency movements. In recent months, there has been a modest but distinct increase in the activity of occupiers interested in taking new space, which bodes well for future performance. Given the significant void in the portfolio, material increases in value are possible through the letting-up of vacant space.

#### *German Aktiv*

The NAV of the German Aktiv Fund increased slightly as a result of increases in the value of interest rate hedging instruments. The fall in the value of the property portfolio



last year reflected a loss of portfolio income, through the expiry of rental guarantees and further lease expiries. It will take time for the portfolio vacancy to be reduced significantly and in the meantime the portfolio valuation is unlikely to make much progress. However, the continued strong economic growth in Germany will drive increases in occupier activity which may feed through to faster than expected growth in re-letting.

### **3. Outlook**

According to a recent report by Jones Lang LaSalle<sup>1</sup>, European investment volumes increased by 48% in 2010. The most active market was the UK, followed by Germany and France. The Nordic region also saw a strong end to the year. Importantly, a further increase in activity is anticipated in 2011, with the same countries featuring as major destinations for investors' capital. Moreover, the same report anticipates a widening of investors' interest in higher risk investments, driven by a shortage of core investments and an increasing amount of international capital. This is a positive backdrop for the Seven Dials European Property Fund.

On the 29<sup>th</sup> April it was announced that the whole of the Valad business has been sold to Blackstone, subject to shareholder approval. For the funds in which the Seven Dials European Property Fund is invested the key part of the Valad business is the European asset management platform. Given that this is a highly valuable resource and probably a key attraction for Blackstone there is no reason to expect a change in the management resources available to the funds in which the Fund is invested.

Concerning the dealing suspension, the Manager and Fund Adviser continue to explore possible ways forward for the Fund. It is hoped that progress will be made on this within the next twelve months. Should this prove impossible, then ways of winding up the Fund may be considered.

### **Contact**

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<sup>1</sup> European Capital Markets Bulletin – March 2011