



Seven Dials European Property Fund

Q3 2010 Update

1. NAV* Movements in the three months to September 2010

*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 movements in the Fund NAVs in the quarter to 30th September 2010. Neither underlying portfolio was re-valued in September.

Fund NAVs as at 30th September

Share Class	Bid NAV	Jun 10 NAV
A	5.74	5.68
B	5.81	5.74
C	5.84	5.76
R	5.58	5.53
P	5.64	5.58

These NAVs incorporate the half year external property valuation for the German Aktiv fund. The Nordic Aktiv property portfolio was last re-valued in December 2009. Both portfolios will be re-valued in December 2010.

2. Performance Analysis

With no new portfolio valuations in the underlying funds there have been only minor movements in the NAVs of the Seven Dials European Property Fund.

Nordic Aktiv

The manager of Nordic Aktiv completed a sale of some €78m of assets in the third quarter. The price achieved was marginally below the last valuation but the group of assets were 30% void. The sale enabled the fund to repay some its debt and reduce the LTV to 72.9%. The sale is good news for the fund as it means that it is comfortably on schedule to meet the progressive LTV reductions required as part of the recent re-financing.

As in the second quarter, the manager has had to contend with loss of income through new vacancies in the portfolio. However, there has been a modest but noticeable



increase in the speed of re-lettings. Furthermore, rents in the Nordic region are thought to be bottoming out so overall the outlook in the region for the occupational market may be starting to improve.

German Aktiv

The German economy is performing strongly and this has been reflected in increased take up of commercial space by occupiers. For example, the take up of warehousing space in the 'big 5' conurbations in H1 2010 was 24% higher than in the first half of last year. Business confidence in the logistics sector has also recovered to quite a high level. This is an encouraging backdrop for the German Aktiv fund although it may take some time before there is a noticeable increase in occupational demand for more secondary space.

The major short term challenge for the German Aktiv fund is the significant proportion of its leases expiring in the next year. This has been exacerbated by the expiration of a number of rental guarantees that were in force at the time of acquisition. Although the manager has a good record in retaining tenants and re-letting this situation will likely mean that the portfolio valuation will remain under pressure in the near term. More news on progress will be available following the year end results.

3. Outlook

Institutional investor interest in European real estate appears to be increasing moderately, especially for investments in Northern Europe. This is driven by an encouraging economic performance, greater confidence in the economic outlook and attractive investment yields. Hitherto, the majority of investment activity has been domestic but international investors are becoming more active. There are also signs that occupier activity is picking up, as mentioned in the fund comments above.

The Manager and Adviser of the Seven Dials European Property Fund continue to work on finding a way forward for the Fund. It is hoped that the slowly improving investment environment will lead to an acceptable solution in due course.

Contact

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