



Seven Dials European Property Fund

Q3 2012 Update

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

*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.

The NAVs are based on the net asset value of the underlying investment (Nordic Aktiv fund), as reported to us by the manager, which has not changed materially over the quarter. However, the net asset value has been adjusted downwards by a discount factor of 50% for the purposes of calculating the NAVs of the SDEPF. On this basis, the Fund NAVs have fallen by approximately 19% in the quarter.

The net asset value of the remaining underlying investment has been adjusted downwards by 50% to be consistent with the liquidity discount applied in the interim financial statements. A liquidity discount was considered necessary to reflect the difficult market conditions for secondary interests in closed-ended property funds. The level of the discount was based on feedback received from a professional market intermediary.

Fund NAVs as at 30th September

Share Class	Bid NAV	Jun 12 NAV
A	4.21	5.20
B	4.32	5.33
C	4.36	5.37
R	4.06	5.02
P	4.16	5.14

2. Commentary

Nordic Aktiv

Market conditions remain difficult for secondary property assets of the sort held by the Nordic Aktiv fund as investors remain highly risk averse and bank financing is very difficult to secure.



In order to reduce gearing levels, the Nordic fund sold some of its smaller assets recently at discounts of 10-15% to the most recent valuations. If the remaining portfolio properties were to be re-valued downwards by a similar amount at the year end then the net asset value of the Nordic fund would fall significantly.

The fund's major challenge is the refinancing of the bank facility which expires next year. Negotiations on this are likely to take some time and consequently the financial position of the fund will remain highly uncertain. In these circumstances it is likely that a liquidity discount will continue to be considered appropriate for the calculation of indicative NAVs for the SDEPF.

3. Outlook

The Board and the Manager are actively exploring options available to the Company following the rejection by shareholders of the recent re-structuring proposal. In this regard, the Company made the following announcement to the Channel Islands Stock Exchange on the 8th November:

“In light of the recent result of the Extraordinary General Meeting of the shareholders rejecting the proposed change of investment objective and policy to become a feeder fund into the European Property Fund of the Kleinwort Benson/Lothbury Qualifying Investment Fund plc, the directors met on 3 October and 5 November to review the future strategy of the Fund. Guernsey legal advice has been sought on the options available and further meetings are planned with Guernsey lawyers and other interested parties which will enable the directors to formalise the appropriate proposals to put to shareholders in due course.”

It is hoped that a further announcement will be made in the next few weeks.

Contact

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