BCP LONDON COMMERCIAL PROPERTY FUND

Update 3

JUNE 2011

83 Clerkenwell Road, London

77-79 Farringdon Road, London

Central London Property Market

The UK economy, similar to most economies, has experienced a soft patch in recent months. The sovereign debt crisis, the Japanese earthquake and monetary tightening in Emerging economies like China have all contributed to the current malaise. However, the London economy and its property market, in particular its prime property market, have so far been largely insulated from this economic slowdown. Despite the current uncertainties, fundamental supports for the London property market remain in place; all time low interest rates, reduced supply and availability of office/retail space, and a dearth of overseas cash buyers taking advantage of a weak currency. Although the number of letting transactions has dropped year on year, rental values have continued to tick up with incentives offered by landlords reducing. All the leading firms including CBRE and DTZ are forecasting continued rental and capital growth in 2011, 2012 and 2013. The London Olympics in 2012 is also expected to provide a boost to the greater London area. However, above average inflation, weak employment growth along with Government austerity measures will act as a headwind against property markets.

Fund Investments

BCP London Commercial Property Fund 3 ("the Fund") consists of 2 freehold office properties in the Midtown area of Central London; 83 Clerkenwell Road and 77-79 Farringdon Road. The buildings are fully let with 89% of the rent being generated from plc related tenants on long leases. There are upward only rent reviews for all tenants every 5 years. The key tenants are Timberland, Westbourne Terrace Management Services (a subsidiary of WPP plc) and Steelcase. Both buildings were extensively refurbished to very high standards just prior to purchase. The buildings were purchased off modest rents; £24.60 per square foot for 83 Clerkenwell Road and £34.93 per square foot for 77-79 Farringdon Road.

Bank Loans

The Fund is servicing its debts in accordance with its loan facilities. The current loan facility for 77-79 Farringdon Road expires in October 2011 and tenders from Banks are being reviewed at present. In the meantime, the cashflow of the Fund is being prudently managed to ensure the Fund is best placed to meet its ongoing Loan commitments and to secure its financial position. It should also be noted that BCP Asset Management still has not taken any management fees since inception of the Fund to allow the Fund to repay as much Bank debt as possible.

Unit Price

In the past 6 months the value of the properties in the Fund has increased by 7%. Although this was partially offset by a 4% unfavourable movement in the EUR/GBP rate over the period, the Unit Price increased by over 40% over the same period (albeit a modest increase in absolute terms). We expect further slow but steady growth in the Unit Price in the last 6 months of 2011. We believe that the Fund will be well positioned to benefit from a sustained recovery in property markets and the gearing in the Fund should magnify the impact of any gains in the property values on the Unit Price (as it did on the way down).

Outlook

In the short term, the properties in the Fund should benefit from the completion of various developments in the local vicinity which will improve the tone and facilities of the area, including the redevelopment of Farringdon Road train station which will be completed next year. The citywide boost from the 2012 London Olympics should also have a positive impact. In the medium term, the completion of London's latest rail-line development, Crossrail, is expected to boost the rental values of the areas serviced by this line. Although, the Crossrail project is not due to be completed until 2018, it is expected that there will be tenant demand for the surrounding areas in the lead up to its completion as tenants seek to avail of Crossrail's intercity transport network. Both buildings in the Fund are located in the immediate vicinity of one of the key future stations on the new rail-line (Farringdon). Large Institutional Investment Funds are already starting to purchase properties in the area with a view to capturing some of the expected uplift. We also expect Sterling to strengthen against the Euro over the medium term, which would also provide support to the Unit Price.

Disclosures

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