

The Connaught Income Fund, Series 2

Who are Tiuta?

Tiuta PLC specialises in offering short term (bridging) loans. Loans are provided to property developers and investment companies and range from £25,000 to £7million and are secured by a legal charge against the properties.

The company began trading in March 2004 and is a member of the Council of Mortgage Lenders, regulated by FSA and founder member of the Association of Short Term Lenders.

Tiuta was also voted the Best Bridging Finance Provider at the 2009 Business Moneyfacts Awards.

Tiuta has a diversified client base of property developers, investors, individuals and companies. The majority of loans (70%) are to businesses.

Why invest in bridging finance?

Bridging finance offers short term loans that are secured against property and can generate high interest returns.

The demand for short term loans has increased substantially during the past two years, following the sharp reduction in mortgage availability and traditional secured lending streams.

What is their track record?

To March 2010 Tiuta has made 1262 with an average LTV of 62%.

At the 30th June 2010, The Fund had an asset base of 193 loans with a value of £96 million and an average LTV of 64%. In the life of the fund there has been one default. Leading to an arrangement with the borrower and a full repayment of the loan.

Who are Connaught Asset Management (Guernsey) Limited?

Connaught Guernsey is a wholly owned subsidiary of Connaught UK, incorporated in Guernsey, and is the Investment Manager for the Fund. As Investment Manager it is regulated by the Guernsey Financial Services Commission and has the regulatory responsibility for the Fund in that it: appoints the Trustee, Administrator and Investment Advisor; sets the investment criteria for the Fund; and, has responsibility for the overall investment management of the Fund's affairs.

Who are Kleinwort Benson?

Kleinwort Benson (Guernsey) Limited has been incorporated in Guernsey since June 1963 and under the terms of its licence from the Guernsey Financial Service Commission is the Trustee for the Fund. As Trustee Kleinwort Benson is responsible for the custody of the assets of the Fund and for ensuring the Fund is properly managed by the Investment Manager.

Kleinwort Benson (Channel Islands) Fund Services Limited, incorporated in Guernsey in May 1978, is the Fund Administrator.

Who are Connaught Asset Management (Luxembourg) S.a.r.l?

CAM Luxembourg, or LuxCo, is a company incorporated in Luxembourg in which the Fund owns 100% of the shares. The purpose of LuxCo is to manage the revolving credit facility with Tiuta, collect all fees and charges from them and distribute the interest payments to the investors. The tax treaty between Luxembourg and the UK ensures the distribution payments to the investors can be paid gross wherever the investor is domiciled and whatever their personal tax status.

Important Notice

This document is not intended as an offer or solicitation for the purchase or sale of any investment or financial instrument. The investment approach and process described may not be suitable for all investors. Past performance is not a guide to future performance, and the investments discussed may go down as well as up, and all investors may get less money than they originally invested. The opinions expressed are subject to change without notice and no reliance should be placed upon them. Although Connaught Asset Management considers the information in this document to be reliable no warranty is given to its accuracy or completeness. Connaught Asset Management is not authorised or regulated by the FSA or any other regulatory body and is not authorised to give investment advice or undertake any other regulated activities.

How does the Fund secure investor interest?

The Fund is designed as a Class B Guernsey Authorised Unit Trust, with the Trustee having a legal charge registered on the Title deeds for each security property until the loan is discharged. The loan cannot be discharged until the Trustee can confirm that the loan has been, or will immediately be, fully repaid.

In addition, the Fund also has a Debenture and Guarantee Agreement from Tiuta Plc against their assets for both the interest and capital in the event of any default.

What are the Fund charges?

All charges are paid for by Tiuta Plc so investors receive a 100% allocation on their capital and interest payment calculations.

The Fund has an initial charge of 2% and an AMC of 1.5%, with the AMC increasing by 1% from month 13 of the investment term where the introducer receives a trail commission.

The Trustee will receive an annual fee of 0.03% per annum of the Net Asset Value of the Fund, together with a fee of £500 for each loan transaction made between LuxCo and Tiuta.

The Administrator will receive an annual fee calculated as 0.07% per annum of the Net Asset Value of Fund, subject to a minimum of £50,000 per annum.

How liquid is my investment?

There is no initial investment period. Holdings may be withdrawn wholly or in part (part withdrawals are subject to the minimum of £20,000 remaining in the account after the withdrawal is paid) by giving 30 days notice to the Administrator. The redemption will be paid on the monthly dealing day following the expiry of the 30 day notice period.

What is the target Fund return?

The Fund will pay investors a fixed rate return of between 7.15% (APR) and 7.50% (APR), paid quarterly in arrears.

Can the return change?

Interest accrues daily from the first day following draw down into the fund. The Fund cannot reduce the interest rates paid to investors regardless of the BoE base rates being reduced below the current rate.

However, should the Bank of England Base Rate increase the Annualised Interest Rate Payment to investors will increase, if necessary, to ensure investors receive a minimum annualised return of 1.5% over the base rate.

Investors can choose to roll-up or receive their interest payments.

How do I access the Fund?

The Fund will be available through Platforms, for example Transact, Nucleus and Ascentric (quarterly dealing through Ascentric)

Can The Fund be used in Offshore Bonds?

The Fund will be accepted by most offshore bond providers. To check that your proposed provider accepts our Fund, please telephone 0208 971 9720

Can The Fund be used in Pension Funds?

Yes, subject to the rules of the Pension Fund, and distributions will be paid to the Pension Fund without deduction of income tax.

What impact on demand for short term lending will a return to normal bank lending conditions have?

Demand is expected to be sustained irrespective of an increased in traditional secure lending, based on the inherent historical demand for short term.

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Will the Fund accept foreign currency investments?

The Administrator will accept investments in any freely convertible currency and, upon receipt of cleared funds, the Administrator will arrange the necessary currency exchange transaction on behalf of and at the cost of the investor.

What happens if a loan defaults?

The Fund Scheme Particulars document sets out the protocol for loans that default. If a possession is required, the Fund will sell the property on the open market to realise the value of its loan, returning the balance to the borrower. The Fund will not seek to make profits through defaulting loans.

Minimum level of investment & liquidity?

£20,000 through an authorised and regulated investment specialist.

30 day notice period.

What commission rate does The Fund offer?

The Fund offers a 1% annual trail commission paid quarterly in arrears from the first working day in January. Any investments placed during a quarterly period will have the commission paid on a pro-rata basis in the same way investor interest payments are calculated.

Will the Fund be geared?

No. The Fund will not borrow or leverage on any money raised.

- **Quarterly fixed income payment**
- **Short to medium term bridging finance with an average 65% LTV**
- **All loans secured against property with a first legal charge**
- **30 days notice to withdraw**
- **Fund available as an open ended Class B authorized unit trust domiciled in Guernsey**

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