



# Funds update

## Fourth quarter 2009

Welcome to the first of our quarterly updates relating to Stirling Mortimer Funds that are now closed to new investment.

This newsletter is in addition and separate to the half yearly accounts which will be distributed in the usual manner.

The economic climate has significantly changed since the launch of the Property Funds. However, the Boards have taken steps to adapt to the global 'credit crunch' and developed alternative strategies to ensure the success of each Fund.

Further updates will be issued in February, May, August and November 2010.

### THE SPANISH FUNDS

**Majestic Village No 1 Fund, Majestic Village No 2 Fund, Majestic Village No 3 Fund and Spain No 5 Fund all invested into property in the Casares area of southern Spain.**

The developments consist of town houses and villas which all benefit from sea or golf course views. The Dona Julia development is next to the Finca Cortesin Golf Course which in November 2009 hosted the PGA European Tour "Volvo World Match Play Golf Championship" previously held at Wentworth.

Global property markets suffered during 2008/2009 with Spain particularly hard hit given the oversupply of property resulting in potential buyers expecting some level of discounting.

In light of the above and following receipt of the 15% penalty payments for all four Funds, the Board is discussing marketing the Funds' properties at discounted prices.

These discussions will be ongoing throughout November with the sole aim of enhancing the saleability of the portfolio.

The Directors have begun negotiations with organisations interested in buying quantities of distressed properties and discussions to date have been very



positive. Further talks will be held once the discounted properties' prices have been finalised.

In addition, consideration is being given to creating a financial model that would enable a bulk buy-out of a significant percentage of the properties held.

For Sterling investors there are currently currency gains of between 17.5% to 37%, though these are not guaranteed.

### CAPE VERDE No 4 FUND

The Cape Verde No 4 Fund invested into two developments in Sal - Paradise Beach and Murdeira Beach.



Construction of both sites is well underway and sales to date have provided a return of 26% which excludes currency gains (not guaranteed) for Sterling investors of between 22% and 36%.

The Property Manager has recently returned from Beijing and is continuing negotiations with a Chinese investment house regarding the potential sale of 300 units. If this deal is secured, money may be returned to the original source of investment through a partial redemption.

The 15% penalty payment becomes due to the Fund on any unsold "right to purchase" (RTP) contracts on January 31 2010.

### MOROCCO No 6 FUND

**King Hassan's Vision 2010 initiative has brought major improvements in the infrastructure to support the tourism industry.**

In 2002, when the project was launched, two million tourists visited Morocco. By 2008, this had risen to eight million tourists, up seven per cent from 2007.

Morocco No 6 Fund bought apartments and a four star hotel in the

Maha Beach Resort in the Tetouan region of the country.

So far 12 apartments have been sold at an average premium of 15% and a further 14 reservations have been made.

A major operator has shown considerable interest in taking over the running of the hotel which will make it an attractive prospect for purchasers and significantly enhance the overall saleability of the development.



### CAPE VERDE No 7 FUND

**The first reservation has been received for properties bought by the Cape Verde No 7 Fund while the development is in the early stages of construction.**

The Fund invested into Paradise Beach in Sal and Fortim Mindelo in Sao Vicente.

The Fortim Mindelo development will have Nikki Beach as resort operators and will offer top class facilities associated with this luxury brand.



### CORATINA FUND

**The Coratina Fund was centred on the Flamingo Lakes resort in the Yucatan peninsula in Mexico.**

Investment money was allocated to "cherry pick" villas in the well appointed resort which covers 2,200 acres, with 840 set aside for a private conservation area.

Construction is well underway and details can be found on the development website [www.flamingolakes.com](http://www.flamingolakes.com).

The villas and condominiums in this gated development are being constructed around 27 holes of golf and the resort has its own exclusive beach club a short drive away with direct access on to a white sand beach.

A couple of miles away lays the resort's own Media Luna Marina while other facilities include a Jimmy Connors Tennis Academy and an equestrian centre.

At the outset the Property Manager was able to negotiate significant discounts to the advertised prices and the villas held by the Fund have to be sold on by the developer to future buyers before fresh sales can be made.



### ACCOUNTS

The accounts as at June 30 2009 for all Funds include revised valuations as well as detailed reports from the Chairman and Property Managers.

They were published in early November.