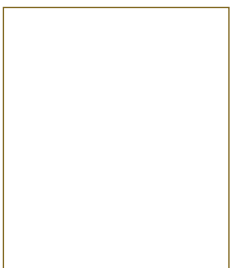
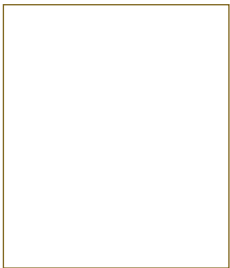
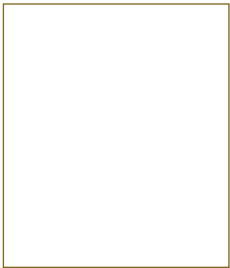
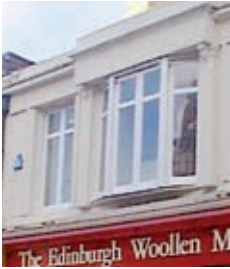


case study:  
acquisition



a new wave  
in property  
investment



# WILKY

FUND MANAGEMENT LTD

**31% rent increase in Ayr**



This retail unit occupies a good mid-terrace position on the pedestrianised section of the High Street, directly opposite the Kyle Shopping Centre entrance.

The property was acquired for the Merchant Navy Ratings' Pension Fund in December 1997 for £660,000. At that time the Fund was seeking to increase its weighting in High Street retail units let to strong covenants and which were perceived to have good rental growth prospects.

The lease with Edinburgh Woollen Mill was due to expire in February 2006. Negotiations with the tenant for a new 20 year lease were concluded well in advance of the expiry date, with the rent increasing by 31% to £83,200pa.

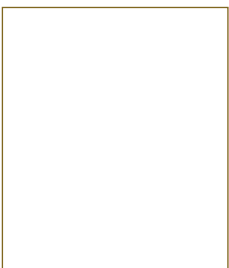
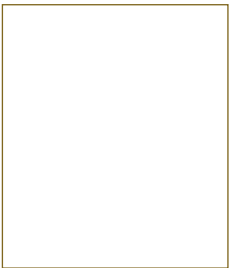
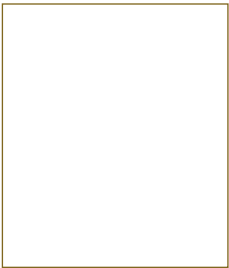
The property is currently valued at £1.26m and since it was acquired it has produced an IRR of 13.4%, thereby fully justifying the original decision to purchase.

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case study:  
acquisition



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investment



# WILKY

FUND MANAGEMENT LTD

IRR of 18%+ in Nottingham



This property is situated in Bridlesmithgate, a good secondary retail location favoured by designer outlets and boutiques. It comprises a mid-terrace period building arranged on basement, ground and three upper floors.

Let to Hobbs Ltd for 25 years from October 1994 the property was acquired for MNOF Trustees Ltd two years later. At that time the Fund was looking to acquire property let to good covenants on long leases where there were good rental growth prospects. The rent passing at the time of acquisition was £85,000pa but this has increased as a result of rent review settlements to a current figure of £203,000pa with the next rent review scheduled for October 2009.

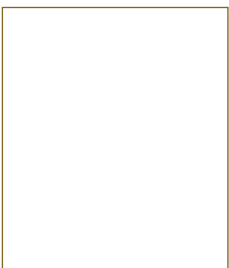
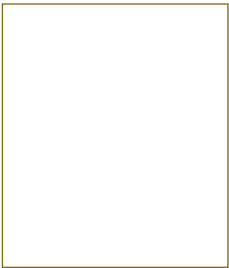
Over the period of ownership the value of the investment has increased from £1,140,000 to more than £3.6m today. Taken together this excellent income and capital growth performance has meant that the property has produced an IRR of over 18% pa since it was acquired, making it one of the best performing properties in the portfolio.

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case study:  
development



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in property  
investment



# WILKY

FUND MANAGEMENT LTD

## Waitrose supermarket, Cheadle Hulme, Greater Manchester



In 2000 we advised our client to purchase an office building in the centre of a district shopping area, with good car parking provision and close to a transport interchange. Although the lease had a break in 2004, and therefore the income stream was likely to be short, the Wilky team recognised the site's great potential for alternative retail or residential use.

The site was well positioned to take advantage of government guidelines being introduced at that time relating to sequential tests for new retail developments.

In 2004 the occupier ended the lease and WFM, on behalf of its client, entered into negotiations with Waitrose for the development of their first purpose-built store in the North West.

Construction of the 40,000 sq ft store was completed on time and budget in July 2007 and it is now trading very successfully.

Waitrose have taken a 25 year lease at an initial rent of £759,050pa, subject to five yearly, upward only rent reviews.

After allowing for construction costs, this initiative produced a "profit" for the Fund of around £2.8m.

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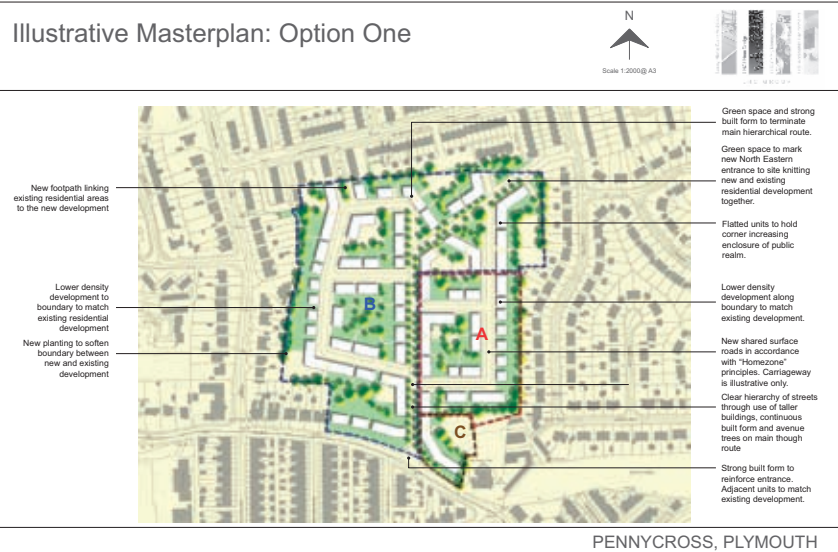
case study:  
development

# WILKY

FUND MANAGEMENT LTD

## Masterplanning and site assembly predicts 280% ROI, Plymouth

### Illustrative Masterplan: Option One



In 1994 we advised our client, the Merchant Navy Officers Pension Fund, to purchase an industrial unit on a 3.5 acre site in a mainly residential part of central Plymouth.

A long term redevelopment was thought likely once the lease ended but in the meantime the Fund has enjoyed a 10.5% return on capital.

Working closely with the Wilky Group's development arm we have provided the necessary in-house expertise to evaluate various redevelopment options. Wilky's experience of master planning on a significant scale has proved invaluable when negotiating with neighbouring landowners to assemble an eventual mixed use site of some 14 acres.

The development is likely to incorporate healthcare facilities and retirement homes, sectors in which Wilky is a specialist, enabling us to address local needs whilst delivering environmental improvements and sustainable communities.

If the project goes ahead the Fund's options are either to sell the site or possibly to continue to receive some income by retaining part of the redeveloped property. As well as receiving a very good rate of annual return on the initial outlay, the client also stands to gain a 280% return on the expected rise in site value.

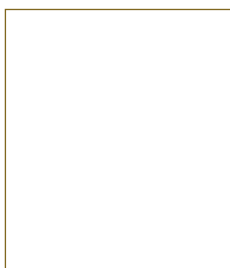
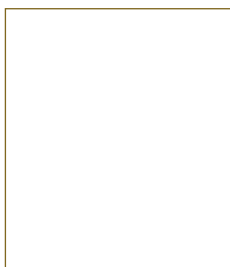
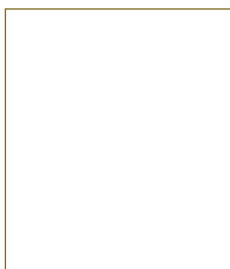
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case study:  
active  
management



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investment



# WILKY

FUND MANAGEMENT LTD

## Musical chairs keeps landlord and tenants in tune



Wooburn Industrial Park in Buckinghamshire was constructed in the late 1970's. As the original 25 year leases were about to expire in 2003/04 a medium term redevelopment strategy was devised and planning consent gained for offices. Meanwhile, to maintain income flow and retain flexibility, new leases with mutual break opportunities were granted.

Occupational demand for offices has not so far justified implementing the new planning consent. In 2006 half the tenants exercised the first break opportunity but WFM transformed a difficult situation by good landlord and tenant relationships, understanding tenants' aspirations and through the effective supervision of an intensive programme of building and legal work.

In what became a game of 'musical chairs' WFM brokered several transactions that allowed tenants of good covenant to remain on the 72,000 sq ft estate in premises better suited to their requirements. One that needed larger premises was helped to acquire the lease of a neighbour who wanted to downsize. In turn, the tenant seeking smaller premises was encouraged by virtue of shrewd dilapidations negotiations, minor estate enhancements and low cost works, to take a temporary unit pending completion of works to their preferred property.

Priority was given to existing tenants with good track records who were offered first refusal on vacant units with small rent reductions, avoiding the rent-free periods normally granted to unproven lessees. This strategy has proved invaluable. One tenant who was helped in this way chose to consolidate his operations on the estate by taking another substantial property when it became available. New tenants were encouraged by the estate's improved appearance and WFM's co-ordination of their work schedules with those of other tenants and contractors.

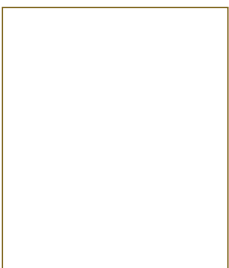
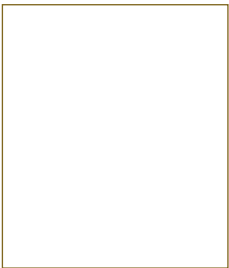
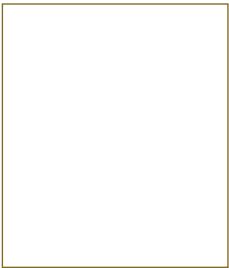
In the event, cash flow was sustained and investment risk reduced, resulting in enhanced value for the client.

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case study:  
active  
management



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in property  
investment

# WILKY

FUND MANAGEMENT LTD

## Increasing footfall and investment value Clwyd Retail Park, Rhyl



The 79,867 sq ft Clwyd Retail Park in Rhyl, with branches of B&Q, Comet, Carpetright, Currys and Halfords, attracts shoppers from a wide area. What it lacked was somewhere for the hungry hoards to eat.

In 2003, we had a preliminary meeting with the local planners on behalf of our client Associated British Foods Pension Fund and identified the opportunity to develop a new restaurant unit in the corner of the car park.

We contacted various restaurant proprietors, narrowing the search down to three main contenders and inviting “best bids”, before eventually agreeing terms with Pizza Hut.

We then appointed architects acting on behalf of Pizza Hut to submit a detailed planning application and were successful in obtaining consent for a 3,189 sq ft restaurant unit in June 2006. Construction began in January 2007 and the restaurant was completed on time and within budget in July of that year.

The restaurant has increased the investment value of the park, which was built in 1996, by upwards of £1m and has further improved “customer draw”.

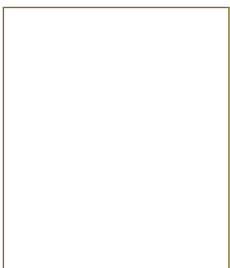
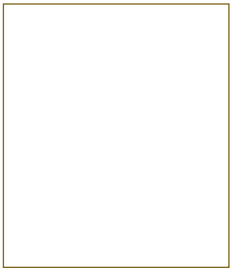
We are now investigating further medical / residential development opportunities on an adjacent site.

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case study:  
consultancy



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# W I L K Y

F U N D M A N A G E M E N T L T D

## Management of head office building, Leatherhead



An existing investment portfolio client asked WFM to take over the management of their vacant, leasehold, former HQ property where a major building refurbishment had already begun.

As a direct result of WFM's appointment this project was altered in several key areas. We also identified and then successfully resolved a complex and long-standing boundary problem – an essential step before any re-letting could occur.

Subsequently we:

- Monitored and advised on all building marketing by the appointed letting Agents
- Advised the client on all letting recommendations, including ensuring that all negotiations accommodated the limited unexpired leasehold term remaining
- Acted as the single point of contact to the client's property solicitors
- Advised on all other day-to-day building management issues, such as rating, property insurance etc.

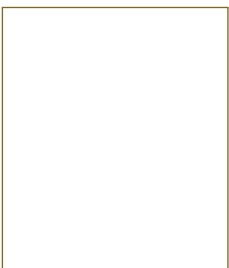
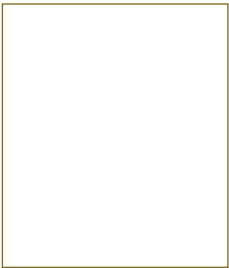
Since our initial appointment successful lettings have been secured for most of the building and all of the remaining space is currently under offer. WFM remains responsible for the day-to-day running of the property, liaising with tenants, appointing contractors and overseeing the operation of the service charge.

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case study:  
disposal



# WILKY

FUND MANAGEMENT LTD

## Exit strategy for investment property, Luton



Due to age and limited rental growth a client's long-held investment property required an exit strategy. The situation was made more urgent because a high percentage of the investment had recently fallen vacant and was not producing income.

All options were considered by WFM who then implemented the chosen strategy of seeking to sell the largest element to a known potential owner occupier, followed by selling the remaining four elements to other owner occupiers/investors.

This resulted in a total sale value in 2005/06 of over £4.6m, against the most recent valuation by external valuers of just £2.05m.

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**case study:  
performance**

# WILKY

## FUND MANAGEMENT LTD

IPD produced a report in October 2007 investigating the characteristics of out-performing property funds over the last 20 years and the successful strategies they had used.

The research covered funds that had been in the IPD Universe for at least 20 years. Wilky-managed funds were not surveyed. However the conclusions endorsed our long held views on constructing a high performing fund and our strategic approach to maximizing performance.

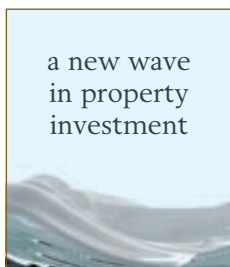
The paper also confirmed many elements of a piece of independent research that we commissioned two years earlier from OPC (now PFR), which highlighted the vital role of stock selection in reducing tracking error and the advantages of smaller lot sizes.

Below we compare the report's conclusions and our approach in more detail. In view of the long term nature of the research, we have concentrated on the two funds that we have managed for the last 17 years.

IPD Conclusions	Wilky
The top-performing funds were all significantly smaller than the IPD Universe averaging £218m at the end of 2006 compared to £686m for the Universe as a whole.	The Wilky Funds were valued at approximately £280m and £43m as at 31st December 2007.
These funds invest in smaller value properties. <ul style="list-style-type: none"> <li>• IPD average lot size £14.7m</li> <li>• MNOPF average lot size £4.3m</li> <li>• MNRPF average lot size £1.7m</li> </ul>	The Wilky team has advocated this approach for many years. As the general average lot size has risen for larger investors it has reduced demand for smaller properties, making them better value. The OPC/PFR research advocated buying smaller lot size properties particularly in the industrial, standard high street retail and out of London office sectors.
The income return of these out-performing funds has been consistently higher than the IPD Universe. <ul style="list-style-type: none"> <li>• IPD income returns : 10 yrs = 5.9% pa</li> <li>• 5 yrs = 5.3% pa, 3 yrs = 4.8% pa</li> <li>• MNOPF : 10 yrs 7.1% pa</li> <li>• 5 yrs = 6.5% pa, 3 yrs = 6.0% pa</li> <li>• MNRPF : 10 yrs 7.8% pa</li> <li>• 5 yrs = 7.3% pa, 3 yrs = 6.7% pa</li> </ul>	Given that 6 of the 7 top performing funds were pension funds, this is not surprising. Our approach for our pension fund clients has always been to opt for a higher than average income return, as their ultimate aim is to invest in assets that provide secure income streams to pay members' pensions, whilst preserving capital.
The funds tend to be overweight in industrials. <ul style="list-style-type: none"> <li>• IPD avg industrial weighting 14.6%</li> <li>• MNOPF industrial weighting 28.9%</li> <li>• MNRPF industrial weighting 33.1%</li> </ul>	Again unsurprising because the industrial sector has always tended to provide higher yielding opportunities. WFM advocates being overweight in industrials not only for their relatively high income return but also their relatively low cost of obsolescence (it is easy and fairly low cost to replace the external "tin" on an industrial unit) and potential for alternative use over time.

*Continued overleaf...*

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case study:  
performance

# WILKY

## FUND MANAGEMENT LTD

...Continued

The funds display a degree of expertise in industrial selection.	We have consistently demonstrated this ability and our client's industrial holdings have performed very well compared to the sector average. We are currently involved with applications on a number of industrial investments on behalf of clients with regard to valuable changes of use to office or residential use. Since joining the Wilky Group this expertise has been enhanced because Wilky has been an industrial developer for some 40 years.
The funds have had no exposure to the City.	When we first became responsible for the larger of our three client funds, we inherited a very large office development in the City. This single asset accounted for 22% of the fund's overall investment in property and was completed in 1993 when the City office market was in major decline. This certainly impacted on the fund's performance for a number of years but through the involvement of excellent advisors, prudent letting and management strategies, the property was sold into an improving investment market. Today, neither of our funds has any exposure to the City.
Development has always represented a relatively small proportion of the funds.	The team have also always advocated that speculative development, which is by its very nature inherently risky, represents a level of volatility and risk that is normally unacceptable for small pension funds. However, where risk can be minimized or removed, through a forward sale or pre-let, it can bring significant rewards. We recently negotiated, and completed, a supermarket development on the site of an obsolete office building that brought 60% profit to the fund. Through the Wilky Group, we are also able to arrange the disposal of individual development opportunities at full market value while giving the fund the opportunity to share in superprofits post-completion.
The funds have had a reducing exposure to the West End.	We have sought to reduce our funds' West End exposure because we believe its volatile returns do not meet the need for long-term secure, steady returns.
The funds have proved to be more volatile investors than the IPD Universe, either due to active asset management or fortunate investment timing.	We have always actively managed our clients' assets for "over performance". This strategy is ably demonstrated by recent examples including: obtaining planning consents for change of use from industrial to office and residential use; the supermarket development on the site of an obsolete office block; and the break up and sale of multi-let office and industrial holdings. In each case, the client fund obtained significant financial gain from WFM's positive and active management of its assets.  Stock selection and the timing of investment decisions have long been recognised by WFM as the key drivers of performance. Independent research conducted by OPC/PFR clearly demonstrates our success in these areas.
The funds display a specialisation in retail warehouse and shopping centre investment.	Given the size of the funds surveyed, the relatively small lot sizes involved and the much larger investments required for shopping centres and retail warehousing, it is presumed that the "specialisation" referred to is in the selection of indirect investments rather than direct.  WFM has demonstrated its abilities in direct investment opportunities and the smaller lot size sectors. Moreover, our exclusive research from OPC/PFR clearly demonstrates that combined with appropriate indirect investment in larger lot size sectors, such as retail warehousing and shopping centres, this strategy can provide the optimum portfolio for small to medium size pension funds.

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**case study:  
IT support**

# W I L K Y

F U N D M A N A G E M E N T L T D

## Investment in IT delivers results

Real estate is a constantly changing and complex business and the challenges it presents require tailored solutions. Wilky Fund Management have chosen to invest in Qube's software as it is one of the most significant suppliers of property and facilities management software in today's marketplace. Tailored to our needs, their solutions have resulted in increased revenue and efficiency for our clients.

Qube is a comprehensive and powerful property database, rental management and accounting tool that enables us to more profitably manage our clients' portfolios. Its comprehensively featured database records property, unit and tenant information, providing fast access to information and flexible reporting, enabling key functionality for the business. This information enables us to make both immediate and long-term strategic judgments based on accurate data. For these reasons it is also used by a wide variety of property companies, fund managers, developers, local authorities and charities.

### The key benefits include:

- Informed decisions on acquisition and disposal
- Accurate income analysis and forecasting
- Streamlined lease administration
- Increased performance on rent and service charge receivables
- Detailed investment appraisal information
- Support for Royal Institution of Chartered Surveyors (RICS) service charge code compliance
- Support for portfolio analysis and benchmarking
- Reporting tools that assist with forecasting and Key Performance Indicators
- Better credit control and debt recovery
- Strong accounting and financial analysis – creates profit and loss and balance sheet by property and portfolio
- Handles capped service charges, varying apportionment schedules, differing balancing periods and apportionment methods.

(Other Qube users include: The British Land Company, Axa Sunlife, GE Capital Corporation, Credit Suisse, CB Richard Ellis, DTZ, Sherry Fitzgerald, City Lofts, Gleeson Homes, Bedford Estates, Duchy of Cornwall, Grosvenor, Cadbury Schweppes, Virgin Retail, Carphone Warehouse.)

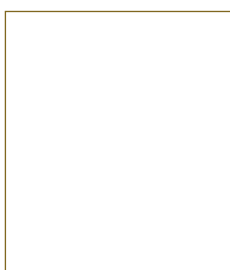
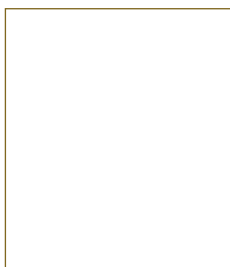
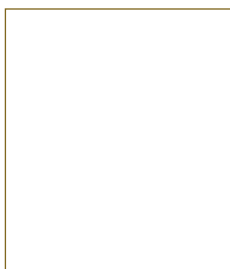
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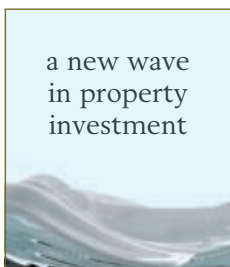
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case study:  
stock  
selection



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in property  
investment



# WILKY

FUND MANAGEMENT LTD

**260% capital growth, 93% rent increase**  
**London, W1**



Charlotte Street in London W1 is recognised as a popular location for bars and restaurants. This property comprises a basement with commercial kitchen, function room and bar, a ground floor restaurant/bar seating 80 – 100, and another bar area on the first floor mezzanine. Offices and staff accommodation are on the second and third floors.

Originally let for 35 years from September 1995 to Regent Inns Plc, it was later assigned to Jamie's Bars Ltd (part of The Food and Drink Group Plc).

The December 2007 valuation of £2,985,000 shows capital growth of 260% since it was acquired in 1995.

The initial rent has been increased via successive 5 yearly rent reviews and since 2005 has stood at £173,500pa – a 93% increase since acquisition.

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