

Autumn Newsletter 2010

AUGUSTA



Germany emerged from its deepest post-war recession in the middle of 2009 and the economic outlook still remains optimistic for 2010 and 2011. Due to record growth in Q2 2010, economists believe that overall GDP growth will be approximately 3% this year. The upturn is largely due to a combination of strong monetary and fiscal policy, low inflation and general improved sentiment in the business community. Whilst growth will inevitably slow down towards the end of the year due to weakening global demand, the stimulus package launched by Merkel at the start of 2009 should continue to boost the economy through 2010 and 2011.



The UK recovery is progressing more slowly, but recent gains in the property market and the gradual strengthening of sterling against the euro are very welcome signs for our investments there.

It goes without saying that we have been through tough times and that many European economies are currently still vulnerable. However, the unfavourable market conditions have in fact benefited the Augusta purchasing team, who have been in a position to acquire properties at keen prices and negotiate more favourable terms with banks. Augusta has acquired over €10m in assets over the past 14 months and has a further €15m under negotiation.

The current climate has also allowed Augusta to develop new products to suit our clients needs, one of which is Returns Plus, which is closing at the end of September. It is an income generating investment, returning a quarterly cash repayment to investors, with further potential for capital return at the time of exit. Our Returns Plus marketing campaign has generated unprecedented response, with over 3,000 queries received. Shortly due to close, you can read more about how to invest in Returns Plus inside this newsletter.

Augusta also launched a brand new website (www.augusta.ie) which is packed with information on all our syndicates including property updates, share valuations and company accounts, plus new investment news.

Finally, Augusta welcomes Rachel Gallagher on board as our new marketing communications executive. Rachel comes with a wealth of experience in marketing communications and she will ensure consistency of communication to you our clients, as Augusta continues to grow.

Many thanks for your continued interest in Augusta.

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Syndicate Updates

Augusta UK Commercial Property Fund plc

Property values have improved 5% over 2009 and exchange rates have also improved slightly which is a welcome trend for this property to carry forward through 2010. Since the end of 2008, investor share values have doubled. The tenants of both properties remain successful and high covenant businesses.

Whilst share values are still considerably behind original projections in these properties, the steady growth in share value combined with the gradual strengthening of the UK property market are encouraging for the future exit of this fund.

Fourth Augusta Syndicate— Germany

The Nienhagen (nr.Hannover) nursing home is performing well with tenant Kursana remaining a strong, trouble-free covenant. In the Hohenlockstedt nursing home (nr. Hamburg) we have been approached by a large multiple operator who is interested in expanding. Discussions are still in the initial stages but a possible outcome is that this operator may take over the property which would be welcomed by the Directors as there have been traditional problems with this asset in relation to rental arrears.

Share valuations have increased by 14.5% since last year and remain encouraging, given the latent potential in both sites combined with the economic recovery.

Sixth Augusta Syndicate—Germany

Rostock's Kröpeliners Strasse, a very important shopping street, is well placed to take advantage of the gradual economic recovery in Germany. The three retail properties are all performing well.

In Kröpeliners Str. 10, we are in the process of replacing the anchor tenant (shoe store Schuh Bode) who are currently paying below market rent. In Kröpeliners Str. 60, we have instructed architects to draw detailed plans for converting the upper floors to residential space. This, according to our research, is the most profitable usage of these floors.

2nd Augusta UK Commercial Property Fund plc

It has been an improved year for the Fund with property values up by 8.6% and improved exchange terms between sterling and the euro. Both properties in the Fund are in robust operating health with rising cash flows.

The recession has taken its toll on these properties and there is significant ground still to be regained in terms of recovery of the property values and a rebalancing of the sterling-euro rate but with a planned exit of 2013, the fund has time to breathe as the UK property market recovers and begins to deliver real growth.

Fifth Augusta Syndicate— Germany

The two properties in this portfolio have been valued 6.3% higher than their original combined purchase prices. Their high value is down to their excellent strategic locations and solid mix of blue chip tenants.

The FarlachCenter in Mannheim is fully occupied and performing strongly. The property managers have strengthened the lease with anchor tenant Fitness Park Pfitzenmeier, who has extended to 2016.

In Ludwigsburg (nr.Stuttgart), Deutsche Bank has just taken extra office space. A nationwide bakery chain, Back Factory, has taken retail space with considerably better covenant and lease terms than the outgoing tenant. Share valuations are on a rising trend.

Third Augusta Syndicate— Germany

Both medical centres on Schönstrasse, opposite Weissensee Hospital, are fully let and performing very strongly. The share valuation is over 40% higher than the original value and is on a continued rising trend.

Discussions have been held with architects and planning departments about the feasibility of developing Schönstrasse 9-10 further. The outcome is that the maximum extension footprint that the local government will allow is too small to be economically viable, so the Directors are back to the drawing board to consider whether there are other options.



Myliusstrasse 16 in Ludwigsburg, Stuttgart with Deutsche Bank as anchor

Seventh Augusta Syndicate—Germany

This office property in Munich is valued at 2% higher at 2009 year-end which places the property at 10% higher than the original purchase price.

The letting environment in Munich remains weaker than in previous years and thus we face an intense negotiation period on the lettable area in this property. Furthermore, development plans for extra office space on the site, for which we have secured permissions, are not being put into action until the letting market improves.



Rostock's Kröpeliners Strasse, a prime pedestrian and shopping street at the heart of Rostock

Syndicate Updates

Augusta Promitor Syndicate Invests

Last autumn, Augusta acquired for €4.2 million an office complex located in the city of Kassel, one of the largest commercial and industrial locations in North Hessen. The investment was on behalf of the Augusta Promitor Syndicate.

The main building is a classic office building of 5 floors with a key anchor tenant, the FIDUCIA Group, one of the leading IT service providers in Germany.



The Augusta Promitor Syndicate, incorporated in June 2008, is the second income generating fund launched by Augusta which combines regular income with the opportunity for capital growth over a 5+ year investment period.

The projected return to its bond investors is 6% per annum payable for 5 years with a balloon payment of 15% at exit. There has to date already been an unusually rapid growth in share value for equity investors, achieved by the advantageous purchase price paid and the strength of the tenant lease.

Cash Faktor—€6.4m purchase in Paderborn

Cash Faktor has just purchased for its investors a €6.4 million DIY store in the Salkotten suburb of the city of Paderborn. Built in 2008, this 6400m² store with garden centre is one of the 1000 Hagebau-branded stores in Germany. The solid covenant lease runs to 2023. The asset was acquired at a gross initial yield of 9%, generating a positive cashflow from which to comfortably manage the projected returns of 5.4% per annum to Cash Faktor investors.

Greater Paderborn is an affluent area with good demographics, strong purchasing power and a healthy balance between urban and rural zones. This makes it an ideal catchment for a DIY business. The micro-location is excellent, on the busy B1 road, adjacent to other key retailers for the area.

Cash Faktor's investment objectives are deliverable over three phases:

- 1) 5.4% p.a. of the investment, paid for 7 yrs tax-neutrally, followed by:
- 2) 90% of the investment returned, followed by:
- 3) An annual dividend thereafter to all investors.



The asset lends itself excellently to deliver these objectives for Cash Faktor participants and we are delighted with the addition to the Augusta portfolio.

Augusta Returns Plus Investment—Closing soon!

The credit-crunch has meant that many clients have had to re-evaluate how they invest. Our experience is that as we gradually recover from the recession, clients are still investing but are looking for very different terms of investment.

With this in mind, we launched Returns Plus in June 2010 and structured the investment so that it would generate quarterly income returns from the outset. Returns Plus projects a 5% annual investor payment, a considerably preferential rate to bank deposit rates which are continuing to languish at or below inflation. This is our fourth income generating fund and has proved very successful to date as all our previous three investments of this type are generating quarterly client returns exactly as projected.

The tax-efficient quarterly investor returns are funded out of German assets with contracted income from the German state, an AAA-rate entity.

There is of course the further potential for investors to benefit from an additional capital growth return upon exit, should the assets rise in value during the term of the investment. The initial investment principal will be held for a minimum of three years, after which investors have the opportunity to divest and exit.

This model has proved very successful as investors prepare to find new homes for funds that have been gaining poor and unreliable return rates from banks and other traditional financial institutions that have fallen under a cloud of mistrust and dissatisfaction in recent times.



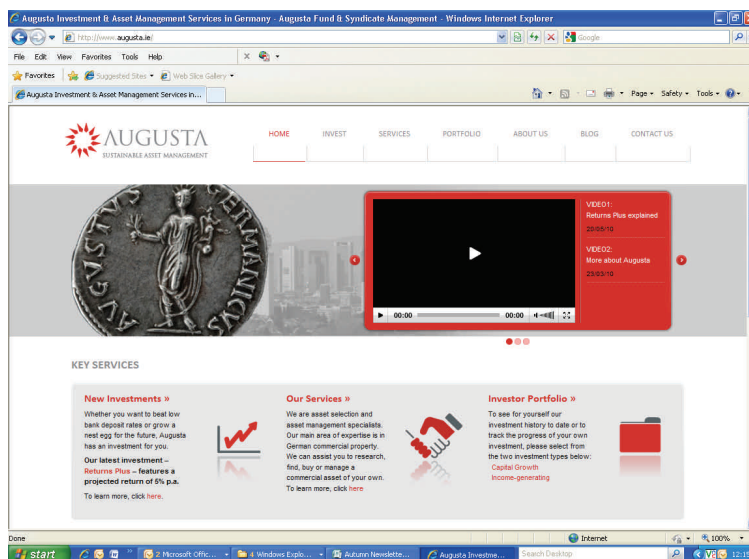
We had an unprecedented response from our online and press campaign which has generated over 3,000 queries. We have therefore extended our closing date to Thursday 30th September 2010.

For the final opportunity to invest, please download an application form from our website or call us at the office on (01) 2300858.

Launch of New Augusta Website!

Augusta is delighted to announce the launch of its new website- www.augusta.ie. Having researched websites of a number of other financial institutions worldwide, we have worked carefully to provide our clients and other users with an interactive platform that is easy to navigate and provides them with the information that they require in a user friendly fashion.

The website has details of all our syndicates under management and each syndicate has property information, regional information as well as fund-specific performance. Now available online for the first time, our investors can access up-to-date information on share valuations as well as the most recent financial statements for download. Investors will require their investment reference number, which is quoted on their nominee certificates, in order to access fund performance details.



As part of the website, Augusta has launched a blog. We'll keep you up to date on any developments with investments and on our own latest news. We invite all our users to submit comments on the various blog entries.

'German economy to grow by 3%'



The German economy is set to grow by around 3 per cent this year, but the rate of expansion will slow following a surprising surge in the second quarter of the year, the Bundesbank reported.

Exports have helped Germany accelerate away from its euro zone peers, with growth surging to 2.2 per cent in the second quarter - the fastest expansion since reunification.

"Signs are increasing that the economic recovery in Germany is increasingly self-supporting," the Bundesbank wrote in its monthly report.

"From today's point of view, one can expect an increase in real GDP in Germany of around 3 percent on average in 2010, after almost 2 per cent in the June forecast", it added.

The forecast is more optimistic than economy minister Rainer Bruederle's view following RECENT GDP data that Europe's largest economy was set for growth "well above 2 per cent" this year. It is in line with the more upbeat end of analysts' expectations.

However, growth was likely to slow from its surprising surge from now on, the Bundesbank, Germany's central bank, said. "An argument for that is that the global economy will likely follow a more moderate path of expansion in the second half of the year," it said, slowing German exports.

However, corporate investments were on the rise, with business sentiment ticking up in recent months....

Germany: Industrial production			
% yoy	2008	2009	2010
Food	0.2	0	1
Textiles	-4.5	-20	-3
Clothing	-15	-14	-10
Chemicals	-3.8	-14	10
Plastics	-1.9	-10	6
Metal engineering	-1.1	-27	13
Mechanical engineering	5	-26	4
Electrical engineering	5.2	-21	6
Automobile	-3.8	-23	9
Manufacturing	1	-19	6

Sources: Federal Statistical Office, DB Research 26