



Directors T.J. Kearns and Declan Kennedy
The Second Augusta UK Commercial Property Fund plc

Equity in Property

This Newsletter updates you on the news since we launched the Augusta UK Commercial Property Fund and introduces The Second Augusta UK Commercial Property Fund plc, ahead of the official launch of the Fund's Prospectus and the opening of the Fund.

Dear Investor,

I am very pleased to announce that the launch of The Augusta UK Commercial Property Fund was a resounding success. In all, we had over 500 subscribers at the closing date of the Fund, investing an average of €6,412 each. With this level of subscription over £8.5 million sterling was available to Augusta to spend.

We have already purchased our first property, in the centre of Birmingham, the second largest city in Britain and one familiar to a lot of Irish people given its huge Irish population. Located just outside the centre of the city, the property, a car park, is let to a large retailer (a FTSE 250 company) for 25 years with fixed rental increases. This property was acquired with exemption from Stamp Duty. When rental increases are factored in, it is believed that this prime property will exceed the projections originally set out in the Prospectus for the Fund.

We are also currently in advanced negotiations on a further investment property. This property is a DIY outlet, let to a multiple retailer, in Stoke-on-Trent, a prime location with a catchment area of over one million people. This property is let on a 25 year lease, with 23 years remaining. The property is available to us at a time when our shareholders can benefit from two rent reviews within the Fund's eight year investment term. We can expect a yield in excess of 7% on this property and it is also expected to sell very easily.

Currently, we are also looking at a number of other opportunities. First, we are in preliminary negotiations regarding a Commercial Property let to a leisure operator on the outskirts of London. We are also pursuing a parade of three retail units in the centre of Leicester. Both these properties are situated in ideal locations offering significant growth opportunities for investors, according to research recently published by a leading firm of UK property consultants.

The important feature which all of these properties share is that they came to our attention because of our close working relationship with Colliers, our partners in Augusta who are responsible for property selection and subsequent management of the property portfolio. For example, in the case of the Birmingham property, Augusta was in exclusive negotiations with the vendor. Our relationship with Colliers means that the availability of interesting and attractive investment opportunities become known to us – often before the properties are officially placed on the open market. This is a very important market advantage for Augusta.

Another feature in common is that all the properties we are considering have two rent reviews within the eight year investment term of the Fund. As the vast majority of UK leases have upward-only rent reviews, this is another significant factor to benefit Augusta investors.

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Invest in the UK Property Market

Asset Backed
Low Risk
Medium Term
Fully Managed Investment

*minimum investment €1,000



EQUITY IN PROPERTY

Who are the Augusta investors?

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The profile of the typical Augusta investor – if there is indeed such a creature! – is as follows: 70% of our investors in the first Fund came from urban areas while 30% lived in rural areas. Perhaps surprisingly, we also had quite a significant number of investors from outside Ireland. This was surprising because the tax structure of the Augusta Fund is designed in such a way as to benefit Irish tax resident investors and as such these people had actively sought out information regarding a low entry Commercial Property fund, proving, beyond doubt, the desire for such a fund.

The majority of investors did so for their own capital appreciation. Others invested for their children and grandchildren. As far as we can estimate, the age of our investors varied greatly but the average investor was between the ages of 38 and 58. Something that was clear was that 66% of our investors were male and 34% female.

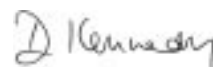
In our direct communications with our investors, it was clear that many were first-time investors in overseas Commercial Property. Several mentioned that they had thought the UK market opportunity existed solely for High Net Worth individuals and investors in “trophy” properties. They were very pleased finally to have a vehicle, designed specifically with the modest investor in mind, which allowed them to enter and benefit from the substantial potential rewards offered by the Commercial Property sector in the UK.

The UK market continues to be very buoyant, with 2004 delivering another good performance. All Commercial Property returns for the calendar year 2004 came in at 11.4%. This signifies purely capital growth and does not include increases in rental income. Despite the obvious attraction of this investment opportunity, the more modest investor is often deterred by, of course, the considerable hurdle of the initial cost and therefore capital outlay to the investor. This is where Augusta comes in!

We are just about to launch ‘The Second Augusta UK Commercial Property Fund plc’ the format of which will be exactly the same as the first Fund. I am expecting it to be another success and hope that you will participate.

I am also pleased to announce that, after less than one year in business, Augusta was short-listed for the Property Investment Company of the Year at the 12th MoneyMate and Investor Magazine Awards. I am supremely confident that given the product we are offering and partners we have, we can win this award next year and for many years to come. Watch this space!

Finally, I look forward to creating real growth prospects going forward into 2005.



Yours faithfully,

Declan Kennedy, FCCA

Managing Director,

Augusta

INVESTMENT IN PROPERTY

Traditionally, high entry costs and lack of accessibility to the market have deterred individual private investors from considering the Commercial Property investment market. However, Commercial Property investment has changed dramatically thanks to dynamic new syndication structures and the emergence of specialist property funds in recent years. This is specifically where Augusta offers an opportunity for modest investors, who may have been deterred previously from considering the opportunities in UK commercial property, due to the hurdle of high initial capital outlay.

Investment in Commercial Property can provide secure long-term income streams and steady capital growth. Not only that, but it can help diversify your investment portfolio from residential property, shares and bonds.

There are substantial advantages to investing in Commercial Property.

1. The cornerstone of Commercial Property investment is the long lease agreements leading to security of income. Properties are leased for 10, 15 and even 25 year terms with upward only rent reviews. Ironically, investors into Residential Property often seek exactly the opposite. Such investors seek short term leases in order to simplify control of their investment and maximise liquidity.
2. Commercial tenants generally accept the custom and practice of full insuring and repairing leases in the UK. This means that the tenant pays all outgoings, providing the investor with an enhanced return.
3. Volatility in returns has been much lower for Commercial Property than in other asset classes, such as equities or bonds.
4. Certain structures can make it possible for investors to leverage their investment. That is, it is possible to borrow for Property, using the assets as collateral, whereas, it is not generally possible to use shares as collateral when trying to borrow for Equities.

Like all investments though, Commercial Property is not without its risks.

1. Firstly, Commercial Property generally needs a larger initial investment than residential properties, when direct investment is the method. However, it is, of course, possible to invest collectively through a syndicate or through a specific investment vehicle such as the Augusta Funds.
2. The property will also need to be managed by experienced professionals. As each property is unique and cannot be moved, proactive property management may well be needed to enhance the return to the investor on certain properties.
3. Finally, while an investor can discard equities in a relatively short time, disposing of Commercial Property can take somewhat longer.

Investment in Commercial Property can help to diversify your investment portfolio from residential property, equities and bonds.



Capital Growth in the UK's retail sector was 14.1% for 2004 according to the IPD Index. The UK retail market is dominated by multiple retailers such as Marks and Spencer, Dixons, JD Sports and Boots. These retailers by signing long leases want security of tenure as we as Commercial Property investors want security of income.

Augusta, as a specialist Commercial Property Fund manager, provides investors with a formal Syndicated investment vehicle. Proactive property management is an intrinsic element of the Augusta ethos, adding value to the investors. Charges for The Second Augusta UK Commercial Property Fund plc are very competitive, representing 0.6% of assets under management. This rate compares favourably with other Irish property funds investing in the UK market, which typically charge between 1% and 1.5% of assets under management. Additionally, Directors of Augusta are not only Property experts but experienced Fund Managers also.

UK COMMERCIAL PROPERTY PERFORMANCE

The Investment Property Databank (IPD) Returns in 2004 showed Capital Growth in the UK Commercial Property market at 11.4%. Returns from UK equities meanwhile were just 7.5% despite the fact that global stock markets posted strong performances over the final quarter of 2004. Returns on equities varied between 26% on the ISEQ Index of Irish Shares to returns of just 3.1% on the Dow Jones, highlighting once again the instability of equities.

The UK Commercial Property market was not only the top performing asset class in 2004, it has been the top performing asset class over the last three, five and ten years, this despite a supposed recovery in Equities. In fact since the dawn of the new millennium, annualised returns from investment in commercial property have been 12.9% per annum, compared to 1.8% and 6.2% from Equities and Gilts respectively. The key development in UK commercial property was the restoration of double digit returns in the Office sector. Total returns from this sector was 15.2% compared to just 3.2% the previous year. In fact, returns from all sectors of Commercial Property were at their highest in 5 years.

What these figures clearly show is that, while the returns from other asset classes fluctuate, Commercial Property benefits from solid, steady and predictable growth. In this regard investors can retain their confidence in the liquidity and transparency of the UK Commercial Property market.

(Source: IPD, Irish Stock Exchange, FTSE)



Despite the recent upturn in the performance of other asset classes, particularly Equities, Commercial Property has continued to be the top performing asset class over the last decade.

COLLIERS OUTLOOK FOR UK COMMERCIAL PROPERTY

The UK Commercial Property market continued to outperform all other asset classes in 2004 with an overall return of 18.3%. While it may be difficult to sustain such high levels of returns going forward, nevertheless, even UK institutions have recognised that property

is now an essential part of any portfolio and have increased their weightings accordingly. The benign economic outlook in the UK will continue to have a positive effect on property values although stock selection and good advice will become even more crucial.

IRISH INTEREST IN UK COMMERCIAL PROPERTY

Apart from the broad performance of commercial property as an investment class, as outlined previously, what other factors create the allure of the UK Commercial Property Market which is expected to attract an estimated €3 billion of Irish money in 2005? The key factors can be summarised as follows:

Lease Length

- New leases of Commercial Property units are typically at least 15 years in duration, although it is not uncommon for properties to be let for longer. It is the length of UK leases and the related income that allows investors to finance purchases up to 90%.

Upward Only Rent Reviews

- Standard UK property leases allow for the rent to be reviewed to the open market rental value or the current rent, whichever is higher. This protects the landlord from rental decline while allowing them to benefit from any rental growth.

Tenant Responsibility

- Full repairing and insuring (FRI) leases are the norm in the UK market. This type of lease places all the cost and liability of repairing and insuring the property on the tenant, ensuring no deductions to the landlord's rental income. This makes it much easier for "Absentee Landlords" which, explains why, in 2004, overseas investors spent £15.9 billion purchasing UK Commercial Property.

Liquidity

- The UK Commercial Property market is the largest and most established market of its kind in Europe and offers a great deal of liquidity. This liquidity is a big attraction to Irish investors in the UK, ensuring a great deal of transparency in the market, which in turn, allows for properties to be sold with greater ease.

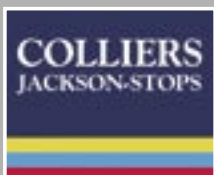
Transaction Costs

- For Irish Investors, UK transaction costs are at a discount to the majority of Europe. Traditional purchaser's costs are 5.5% broken down as 4% Stamp Duty, 1% agent's fees and 0.5% solicitor's fees.



We have recently completed the purchase of a car park in Birmingham, the UK's second largest city. The property is let to a FTSE 250 company for 25 years with fixed rental increases. This property was exempt from Stamp Duty. The Birmingham Metropolitan region has a population of more than 6.5 million people living within its catchment area.

ADDING VALUE FOR AUGUSTA INVESTORS



Colliers Jackson Stops, with its sister company in the UK, Colliers CRE, will manage the property portfolio for The Second Augusta UK Commercial Property Fund plc.

Colliers CRE is one of the top 10 surveying practices in the UK, with 650 staff and turnover in 2003 of stg£60 million. It currently manages stg£6 billion of property for clients and in 2003 were involved in property transactions totalling stg£3 billion in value. Its blue chip client list includes many of the UK's major corporates and institutional investors.

Its resources and expertise will be at The Second Augusta UK Commercial Property Fund plc's disposal. Colliers CRE is part of Colliers International, with 247 offices in 53 countries.

AUGUSTA ADVISORS:

Deloitte.



Contact Details:

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