

## **Diversification is Now The Name of The game**

*The Sunday Business Post - 24 October 2004*

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Finding an attractive alternative investment that doesn't require a hefty upfront lump sum is tough for smaller investors trying to build up wealth. Do you consider deposit returns negligible, don't trust stocks and think that Irish property is overpriced?

Then a conservative investment in the Augusta UK Commercial Property Fund might suit your needs. **Augusta UK Commercial Property Fund** This is a new development in the property fund market. Most property funds require a minimum of €25,000 to invest.

Certain funds require minimum investment of €100,000. But the minimum investment amount here is €1,000. This fund should prove highly attractive to investors with perhaps €5,000 to €10,000 to spend as part of their quality-controlled, investment diversification plan. The originators of this fund are Declan Kennedy, co-founder of the Irish Forestry Funds, and Colliers CRE in Britain. Colliers CRE has been appointed to source property, and the group's Irish associate, Colliers Jackson Stops, will manage and value the property assets.

Like other property advisers, Colliers favours north of England property. It believes there is better value there than in central London. Investors can expect the fund to consider commercial properties in Manchester, Birmingham, Bristol, Leeds, Newcastle, and so on.

### **How will the fund work?**

The plan is to buy one to three blue-chip properties with a fund of stg£3 million, which will be leveraged up to over stg£11 million. "We're not interested in trophy properties," said Kennedy. The fund is only interested in government or large, publicly-quoted corporate tenants. Seventy-five per cent of the fund will be borrowed, giving gearing of three times the amount invested. It is expected mainly to target the office or retail property market. The attraction that this is the first fund to cater for smaller investors while still offering leveraged (borrowed) returns.

### **Projected returns**

The estimated returns are 12 per cent per year - which may look initially optimistic. But annual rental yields of about 6 per cent in the commercial sector are expected to grow by 3.5 per cent a year, and expected capital appreciation leads Kennedy, Augusta's managing director, to believe that these projected returns are conservative.

### **Risks for investors**

The risk is that the fund will not perform. This could happen if rental growth projections are overoptimistic or the bottom fell out of the commercial market, causing subsequent declines in capital values. There is no capital guarantee to reassure a risk-averse investor. This fund is also unsuitable for investors who wish to have easy access to their money. This is an eight-year fund with an option to sell the properties in 7.5 to 8.5 years' time.

The fund will not be particularly liquid, so investors should be prepared to leave their money for the full term. Kennedy said that the fund would try to match buyers and sellers, for those wishing to sell their shareholding before the end of the investment term - but it would be wise not to depend on this option. "We expect those with net worths of between €500,000 and €5 million, including the value of their homes, to buy into these funds," he said.

**Charges investors must pay in advance**

Expect to pay up to about 5.75 per cent of your lump sum in upfront charges (stamp duty, solicitors and agents fees) and a management fee of 0.6 to 0.7 per cent per year thereafter. For further information and a prospectus, contact Augusta on [info@augusta.ie](mailto:info@augusta.ie) or telephone 01-2300858.