

LUCENT GROUP

Investing in the future today.

Frequently Asked Questions– Lucent Strategic Land Fund

What is the Lucent Strategic Land Fund?

The Lucent Strategic Land Fund (LSLF/the Fund) is a Luxembourg domiciled Open Ended Investment Company (OEIC) and a dedicated fund of the KMG SICAV – Specialised Investment Fund (SIF) whose investment objective is to achieve medium to long term capital growth through investment in strategic land assets in the UK.

Who are the Lucent Group?

The Lucent Group is a land site assembly specialist, incorporating real estate acquisition, planning, development and project management. The Lucent team has an excellent reputation as operational partners acting in multiple joint ventures and co-investments with global institutional partners. The speciality of the Lucent Group is in the delivery of land for residential development.

How is the Lucent Group structured?

The Lucent Group consists of two companies, Lucent Advisors and Lucent Global Distribution, with distinct yet integrated roles.

Lucent Advisers, whose sole business is strategic land selection and the active management of those land assets through the planning process and disposal. Its fortune depends on the performance of its clients' land and real estate portfolio.

Lucent Global Distribution, identifies and raises capital for the LSLF, as well as a select universe of top-tier alternative fund managers from around the world, with an emphasis on opportunistic real estate and infrastructure.

What is the investment objective of the LSLF?

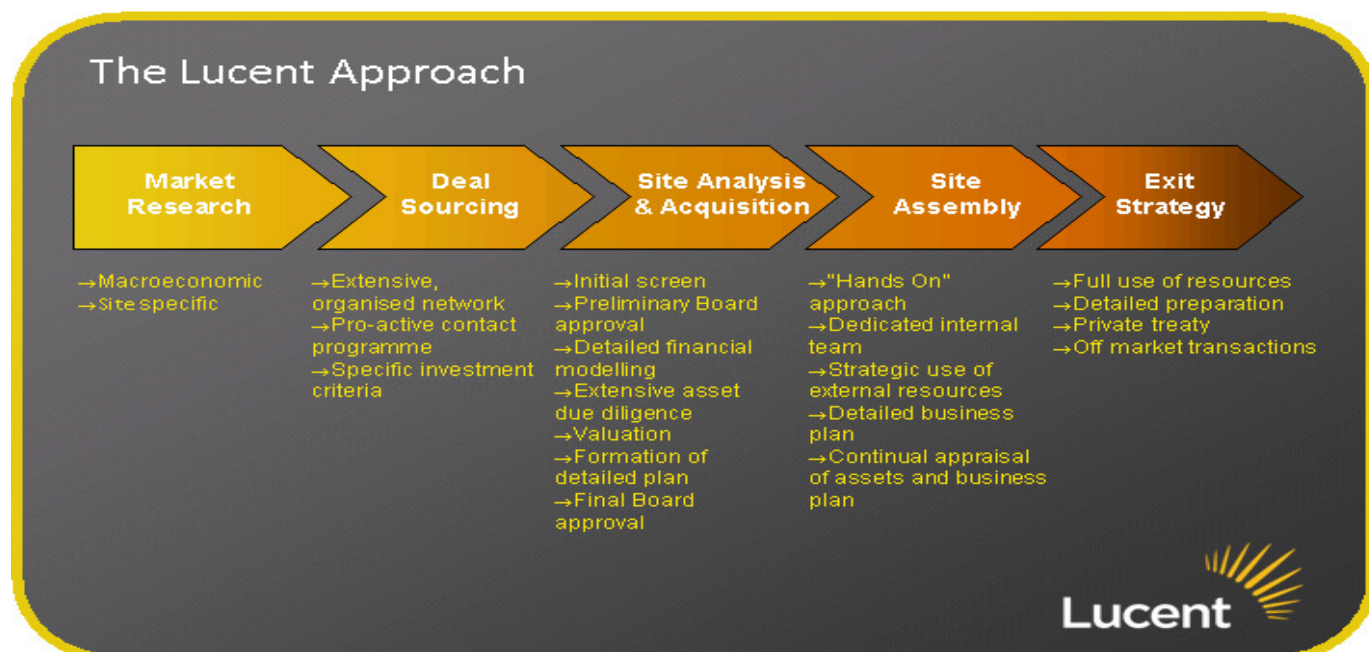
The Object of the LSLF is to achieve medium to long term capital growth in excess of 12% per annum. The primary focus of the fund will be in asset acquisition in high growth areas where demand for new housing stock is most acute. It is intended that the vast majority of investment will be in assets whose primary use will be the creation of new homes, or mixed use sites, where the creation of new residential housing stock is at the heart of the development.

The investor return of 12% is very attractive. How is it possible?

Through investing in land that has been earmarked for future development and then taking this land through the planning process Lucent is able to capture the largest increase in value in the real estate development cycle while mitigating planning risk, the wealth is in the land! Carefully selected Tier 1 locations ensures that demand for development land is strong and values can be maximised through the design and planning work. Land assets are acquired subject to in depth research which is supported by a panel of independent advisers to the Fund. This panel includes BNP Paribas, King Sturge and Savills, all of whom are suitably qualified and are leading names in their market place.

How are sites selected for acquisition?

Only sites which have been 'allocated' or identified for residential development within the Core Strategy of the emerging Local Development Framework (LDF) or Local Plan (LP) and where there is an identifiable need for increased housing supply as determined by a relevant Urban Capacity Study will be acquired. Planning permission is a case of "when not if".



What are the risks to the investor (Capital and Growth)?

There is no guarantee as to the investor's capital. The fund is not covered by the FSCS. However, prior to investing into a land site an extensive due diligence process is undertaken. Many opportunities that come across our desks do not make it past the initial financial/conceptual stage. Detailed financial modelling follows the initial screen, during which time a 3 month Exclusivity Agreement is required to complete our due diligence. A detailed financial model is created, so that all assumptions can be flexed to present a range of scenarios from the base case to those required to achieve super returns. As a result of the detailed due diligence that we carry out at pre-acquisition our planning experts are able to put together a detailed business plan to ensure that each site is effectively promoted through the planning process and that design efficiency is utilised to maximise profitability.

What is the exit strategy for each site?

The Lucent Strategic Land Fund will not take on development risk. It is expected that the vast majority of sites will be sold once outline planning permission has been secured, however a phased sale which matches the development timetable will be considered if it will achieve a higher return.

Why is the fund situated in Luxembourg?

Luxembourg was chosen, due to the favourable taxation treatment that exists with the UK and is one of the most tax efficient locations in the world for UK land development. In addition, Luxembourg is a highly regulated location and the Fund was subjected to extensive due diligence by the Luxembourg Regulator, the CSSF, providing comfort for investors globally.

Has the Coalition government had an effect on the planning process?

The 'Localism Agenda' embraced by the current government is streamlining the planning process for sites which have been identified for future development by a Local Authority. Indeed Lucent is finding that Local Authorities are more inclined to work in partnership to bring sites forward for development that are identified within their respective Local Plan for residential development.

What about liquidity of the fund?

Specific thought has been given to this issue, prior to launch. The fund offers monthly dealing, and quarterly liquidity. In order to provide good levels of liquidity, the following measures have been adopted:-

- 1) 10% of the Fund's assets will be held in cash, or cash equivalents
- 2) As part of the investment policy, approximately 20% of the Funds assets will have an expected maturity between 12 and 18 months.
- 3) Large plots of land can, if necessary, be broken into smaller parcels of land and sold independently to generate additional liquidity.
- 4) The Fund can arrange borrowings, up to a cap of 20%, of its Net Asset Value to assist liquidity.

What percentage asset allocation would strategic land make up in a typical client portfolio?

This would obviously depend upon the risk profiling of the client. An allocation of 5% of a medium to lower risk portfolio is reasonable. The LSLF should not be seen as an entire solution to the client's investment needs.

What if I require further information?

There are a number of available channels to contact the Lucent Group.

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Fund information can also be find on:

- Bloomberg (www.bloomberg.com, search: "Lucent Strategic Land Fund")
- Finesti (www.finesti.com, search "Lucent Strategic Land Fund")

Initially, contact should be made with Mr Christopher Reynolds, who is Head of Distribution (N,UK) and his contact details are listed below:-

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