

# Real Estate Fund

## Main facts

Full name of the Fund:	Closed-end fund "Nekustamā Īpašuma fonds"
Fund ISIN code:	LV 0000400075
Year of the Fund establishment:	Year 2002
Year of the Fund reorganisation:	Year 2004
Fund share value at the establishment date:	1 USD
Target return:	10%
Number of expert commission members:	6
Listing:	Riga Stock Exchange
Fund liquidation date:	31.12.2009
Regularity of overview reports:	Semi-annual

## Investment strategy

Main target for the fund activity is to secure capital gains in the long-run perspective, doing so via investments in real-estate markets of Latvian and Baltic region utilising market potential. Fund assets may be invested in the following real-estate projects:

- Assets which provide instant or short-term (up to 3 years) projected positive cash flow
- Assets which via development significantly increase in value comparative to the initial investment
- Assets which have a potential of significant value growth in 3-5 year time as a result of a market development

Free cash in between real-estate projects may be invested in financial instruments (see Prospect).

## Results

	At 31.12.2004
Fund value (USD):	2 350 511,44
Share value (USD):	1,06841

	Return (annual)
From 15.07.2004.	11,84%

## Expenses

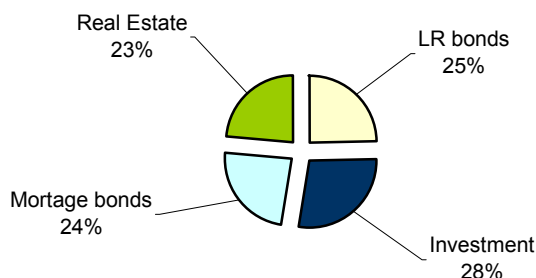
Management fee:	1,50%
Bank fee:	0,27%
Acquisition fee:	Up to 4,5%
Other fees:	10% from the sum exceeding target return (see Prospect)

## Main investments

Investments	Market value (USD)	Percent from total assets
Land *	552 325,58	23,50%
Deposits (Unibanka)	649 875,80	27,65%
LHZB mortgage bonds (15.08.2008)	565 594,40	24,06%
LR bonds (24.03.2005)	582 715,66	24,79%

\* Riga region, Ķekava region, land plot "Strēji" (total space 1,53ha)

## Investment structure 31.12.04



## Message from the Real-estate Fund manager

### Fund results

In the period from 15.06.2004 till 15.10.2004 issue of the fund shares took place at the total sum of 2 000 000 USD. Emission was wholly sold at October 15, framing the assets of the fund and resources to be managed in the next five years. August 2004 was the month when, the first successful real-estate investment was made. Land plot of 1,53 ha near Bauska highway, (0,5 km from the Riga edge). This piece of land has high flow of transport through its territory, which is comparatively the same as Jurmala highway and bit less intensive than Krasta street. Plot is exactly near the road and perfectly suits for a commercial building. As another positive factor, construction of the South bridge, may serve – road to the bridge goes exactly along the land piece. "VP Markets" logistics centre and petroleum station are situated nearby; JSC "Merks" and LLC "Tode" have already begun construction works close to the plot. Another construction company, which specialize in building offices, warehouses, and small production unit along with private houses, may begin works. Having all adjacent land used for constructions, value of the acquired land will drastically increase. It is also evident that region is one of the most vastly developing ones, one the key factors for that is the South bridge project. Currently land prices are comparatively low, looking at the prices of the land near Jurmala and Krasta roads, thus we tend to think that upside potential for the owned land plot is rather high. Beginning from the time of the reorganisation fund earned 11.84% in annual terms, what fully satisfies target return.

### Investment environment forecast

For the last five years Latvian GDP was growing at the fast pace, and economy proved to be one of the most rapid growing in Europe (6-8% per year). Next 2-3 successful years according to our specialists' opinion are also ahead and forecasted GDP growth is limited by 5-8%. It is self-evident that such temp is impossible without foreign direct investment and resident wealth growth. That consequently should influences real-estate market. Overall real-estate prices will not grow at the same pace as it was before, however, still there is potential for 10-15% upside, according to the chosen niche.

### Management strategy for year 2005

This year we plan to use fully all fund resources, thus foresee, drastic change in asset structure. In year 2004 a lot of preparatory work was done, few projects were prepared for year 2005 and 2006. Moreover, analytics conclude that Riga Dome project concerning movement of business centre to the Pardaugava area, is a pivotal vehicle driving prices for the real-estate on the market, as a consequence infrastructure will also expand. In a perfect case our asset portfolio in 1-2 years time will be structured that way: 50-70% in development projects, as newly build houses; 10-30% positive cash flow projects, via rent of "B" and "C" offices; 5-20% investments in assets with a significant upside potential within 5 years period. Other projects are not automatically mutually excluded and we still can take participation in other projects, for instance, industrial park construction and development or a hotel construction. After fruitful negotiations we soon will begin building of multistage living house. With reference to the land plot "Strēļi" we see two potential scenarios: 1) hold land till the moment, when all constructions nearby including South Bridge are finished and sell it afterwards; 2) Invest land as a part of the land project along with financial support and sell land afterwards not only the land but already project

Asset management company Optimus Fondi: "Unicentrs", Valdlauči, Ķekava region, Riga district, LV 1076,

Phone: 7 779925, Fax: 7 215386,

Internet page: [www.optimus.lv](http://www.optimus.lv), e-mail: [optimus@unibanka.lv](mailto:optimus@unibanka.lv)

This overview is prepared as an information material and not in any way should be perceived as a recommendation for any transaction on a real estate and/or financial markets.

