

CASTEL FUND
RESIDENTIAL

Private & Confidential

AVI Fund Solutions

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CASTEL RESIDENTIAL : OVERVIEW

Fund Objectives

- To provide access to the UK Residential Property Market which is once again offering attractive opportunities to investors whilst adopting a unique approach to mitigate the usual pitfalls associated with property investments.
- To invest in and grow a specialised property portfolio within the supported living sector, allowing investors to capitalise on potential long term capital gain and stable, inflation linked rental yields.
- To acquire and manage quality, freehold, residential properties in suburban locations that are renovated to a high specification in order to be secured by the supported living sector (local authority) on long-term (20-22 years) leases.
- To achieve a net target return of 8% per annum through bringing together complimentary parties with expertise in different pivotal areas which combined, provides vast experience to meet the opportunities in the market.

Property Manager:	 <p>FUNDAMENTUM PROPERTY</p>
Administrator:	 <p>EFA <i>Reliable & Independent</i></p>
Alternative Investment Fund Manager:	 <p>KMG CAPITAL MARKETS</p>
Custodian & Principal Paying Agent:	 <p>KBL EUROPEAN PRIVATE BANKERS</p>
Auditors:	 <p>KPMG</p>



SUPPORTED LIVING : OVERVIEW

Supported Living is a fast-growing feature of the UK retirement and healthcare market with facilities experiencing strong demand. The sector changed dramatically in 2011 when Southern Cross Healthcare (Group PLC) - a leading private provider of health and social care services with more than 750 care home properties - collapsed into administration and opened up the market through a change in legislation.

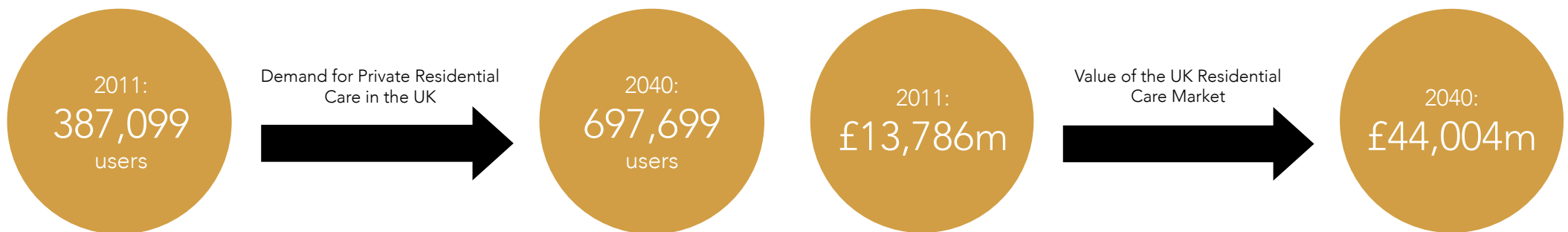
Healthcare is less volatile than commercial property in terms of rental growth because of the use of index-linked characteristically long leases that tend also to have covenant strength supported by government. Conversely, lease lengths in other types of commercial property have been falling over the past ten years. Within supported living, the management is usually handled by a charity or not-for-profit organisation, eliminating the need for ongoing maintenance. The covenant strength of the local government lease means investors need not be concerned over any voids and so returns are steady.

It's undoubtedly a sector-to-watch as we see the emergence of UK Healthcare as an asset class. Within this, supported living provides an attractive option for those looking to incorporate property within their portfolios.

As we've started to see big institutions like Aviva take interest in this sector, there is also a huge opportunities for smaller, more specialist funds to acquire and develop properties to address this demand. The key will be in the quality. It is thought that up to 80% of the UK's care home sector stock is below institutional quality meaning that all investors must ensure investment in future-proofed care facilities.



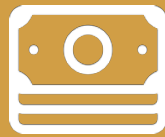
Christian Forbes
Fundamentum Property



KEY FEATURES



Net Target Return:
8% per annum



Currencies:
£ / \$ / €



Minimum Initial
Subscription:
10,000



No rental voids or
maintenance costs



CPI / RPI linked
rental income



2015:
+7.29%



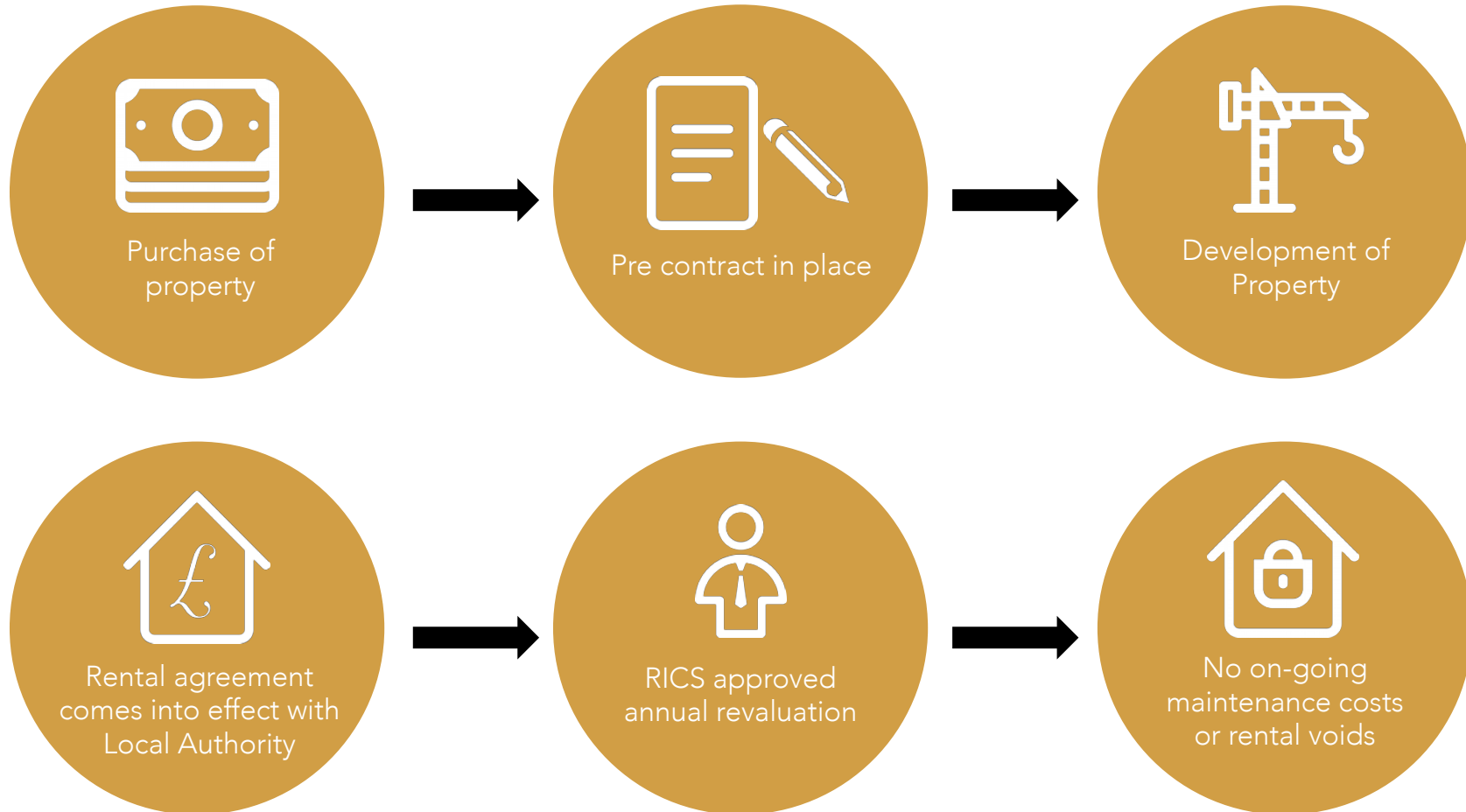
Average Lease Term:
20 Years



Low correlation to
traditional assets



INVESTMENT PROCESS



CASE STUDY

Lakeland House / Leyland / Lancashire / United Kingdom



11 Individual Units (Learning Needs Service Users)

Freehold

Annual uplifts to CPI or 2% (whichever is greater)

Bought at a discount to market value

21-Year Lease

In the picturesque village of Leyland

Running Yield - 5.75%



CASE STUDY

66 Carstairs / Liverpool / United Kingdom



7 individual rooms over 3 floors with staff room and office
Freehold
Supporting young adults with autism
Annual uplifts linked to CPI
23-Year Lease following complete renovation
Generating c£15,000 per annum
Running Yield - 5.75%



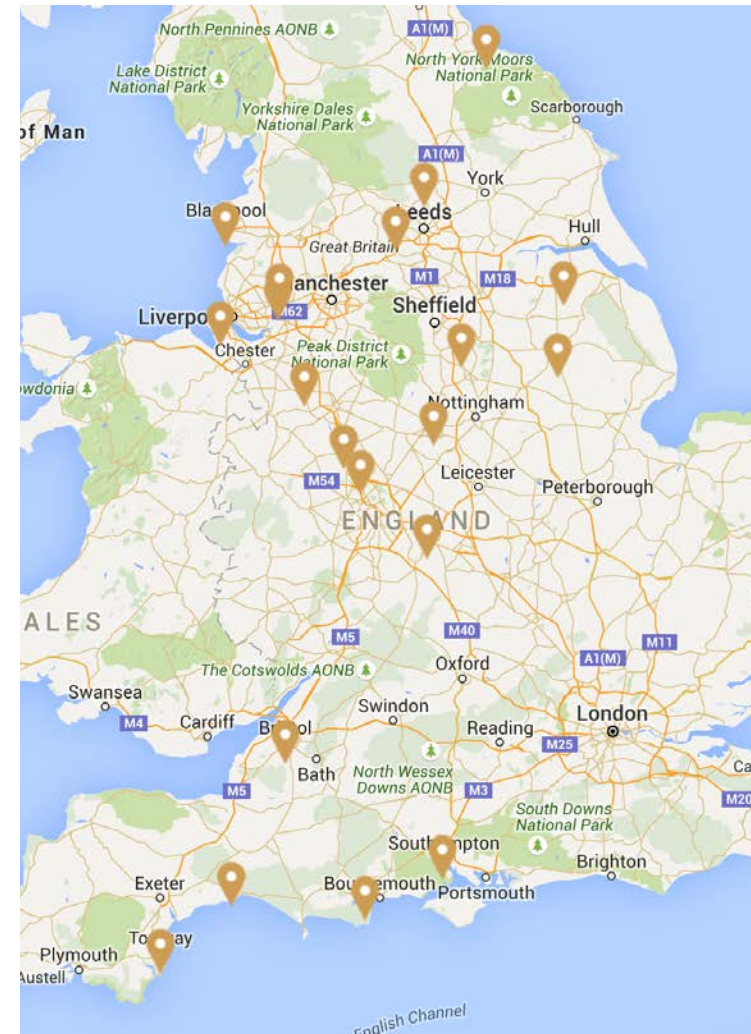
PORTFOLIO OVERVIEW

Active Local Authorities

Hampshire	Merseyside	Northumbria
Gloucestershire	Wigan	Derbyshire
Devon	Yorkshire	Cheshire
Lincolnshire	Staffordshire	Warwickshire
Lancashire	Dorset	South Ribble

Number of Properties:
59

Number of Beds:
299



LATEST PERFORMANCE

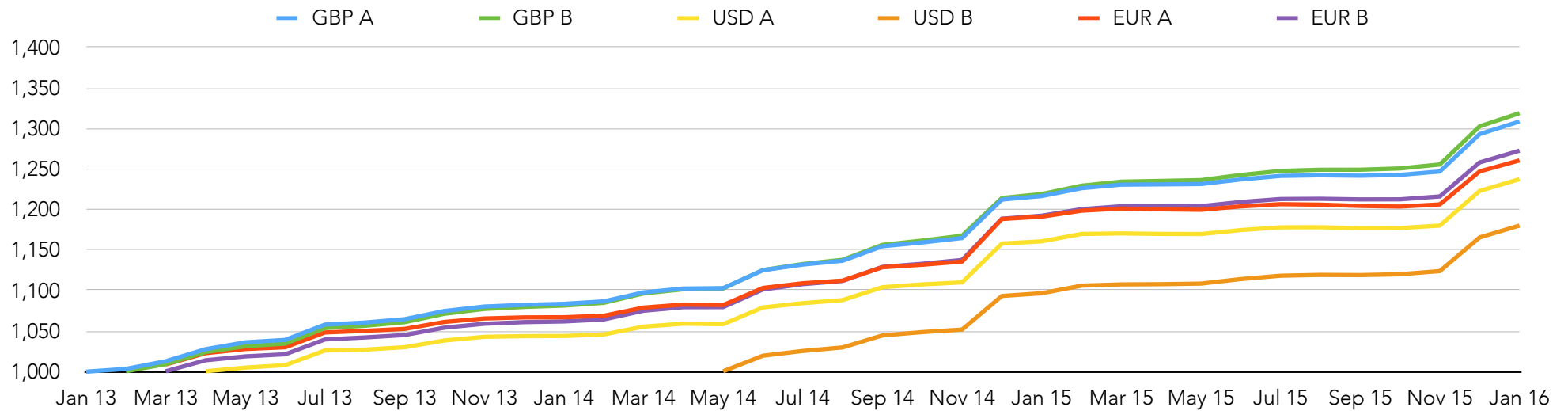
	Class A GBP	Class B GBP	Class A USD	Class B USD	Class A EUR	Class B EUR
NAV	1,315.10	1,326.08	1,242.84	1,186.14	1,265.04	1,277.93
1 Month	+0.50%	+0.55%	+0.45%	+0.52%	+0.36%	+0.43%

2016	Jan	Feb	YTD
GBP Share A	+1.20%	+0.50%	+1.71%
GBP Share B	+1.25%	+0.55%	+1.80%
USD Share A	+1.19%	+0.45%	+1.64%
USD Share B	+1.26%	+0.52%	+1.78%
EUR Share A	+1.09%	+0.36%	+1.45%
EUR Share B	+1.15%	+0.43%	+1.58%



HISTORICAL PERFORMANCE

Currency	Class	2013	2014	2015	Since Inception
GBP (£)	A	+8.20%	+12.02%	+6.67%	+29.30%
	B	+7.95%	+12.47%	+7.29%	+30.26%
USD (\$)	A	+4.34%	+10.96%	+5.62%	+22.28%
	B	-	+9.31%	+6.62%	+16.54%
EUR (€)	A	+6.66%	+11.40%	+4.95%	+24.69%
	B	+6.07%	+12.05%	+5.85%	+25.80%



CASTEL RESIDENTIAL VS TRADITIONAL PROPERTY FUNDS

Traditional Property Funds	Castel Residential
High levels of leverage/debt	Low levels of leverage/debt
Inaccurate internal valuations	RICS approved annual valuations
Market dependent income	Long-term income secured by UK Government
Highly illiquid assets	Residential stock
High maintenance	No maintenance costs



LIQUIDITY

Rental Income:

The guaranteed, consistent flow of rental income ensures that the Fund always has cash inflows. Whilst this income is currently invested efficiently into new properties, should the need arise it can be used to satisfy demand for liquidity.

Residential Properties:

The Fund purchases and holds only freehold residential properties within desirable suburban locations across the UK making them attractive for resale if required. By holding a high number of these properties the Fund ensures that should the need arise, it can quickly and efficiently sell these assets within a secondary market where demand is ever increasing.

Proving Liquidity:

As awareness of the assisted living sector increases so does institutional demand. With this in mind the Fund may test the liquidity of its assets by selling batched properties to institutional investors. Funds generated, along with any realised profits contribute to the liquidity flow of the Fund before being reinvested.

Cash holdings:

A Luxembourg registered SICAV, the Fund holds 10% in liquid assets such as cash or cash equivalents. Should the need arise this holding can be utilised.

Leveraging:

Castel Residential has not typically borrowed for property investments. Small elements of short term lending can be used at times to facilitate transactions. In addition the Fund may borrow up to 50% loan to value, subject to approval from the Funds management and regulators.



LIQUIDITY

Redemption period:

The Fund operates a 60 business day redemption notice period. This is intentionally set to ensure sufficient time for the Fund management team to assess and select the best option to satisfy a redemption.

Protection from multiple redemptions:

The Fund's key parties work closely with all investors and ensure that they understand its medium to long term objectives and that Castel Residential should be utilised as part of a balanced portfolio. By operating a 60 business day notice period on redemption requests the Fund ensures it has sufficient time to carry out any of the actions described previously to satisfy all ordinary redemption requests.

In extraordinary circumstances and where redemption requests equal 10% or more of the Fund's net assets, the Castel Residential Fund may defer redemption requests for a longer period than the stated 60 business day notice period. This ensures that the Fund can continue to operate as normal and avoid unnecessary panic amongst investors that are completely satisfied with the Fund and its objectives. Sufficient time for the Fund management team to assess and select the best option to satisfy a redemption.

Safeguarding Rental Income:

The Government backed rental income received by the Fund is secured on long term (ave. 22-25 year) leases and exempt from any void periods, irrespective of occupancy levels. In addition, these leases may be extended upon agreement of the associated parties, adding additional security to the returns of the Fund, as well as peace of mind for the service users and their families.

In addition all rental terms are recalculated annually in line with the Consumer Price Index, on an upward only basis. Again a key feature of the Fund, this ensures that the real value of rental income is protected and contributes to consistent returns over the long term.



UK REAL ESTATE : OUTLOOK

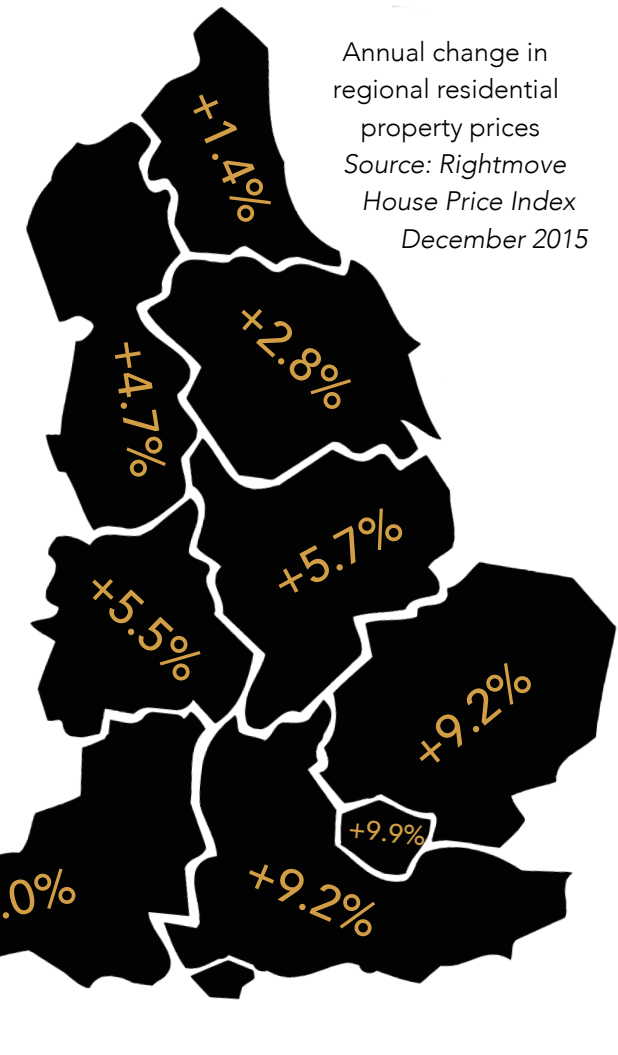
Over the course of 2015 house prices across the UK rose 4.5%, with the average property valued at £196,999. The growth in house prices broadly matched the average salary growth in the UK and is expected to continue at a similar pace throughout 2016 according to Nationwide. The building society's chief economist Robert Gardner forecast that average house prices would accelerate at a modest pace over the next year, despite the likelihood of interest rate rises from the middle of 2016. "Further healthy gains in employment and rising wages are likely to bolster buyer sentiment, while borrowing costs are expected to rise only gradually. However, the main concern is that construction activity will lag behind strengthening demand, putting upward pressure on house prices" he added.

Increased competition in the mortgage lending market, stronger economic growth, demand from cash-only buyers, and a relative lack of appropriate homes for sale in the right locations, have all contributed to the average house price rising in 2015.

However, much stronger house price growth in the more expensive markets of London and the south of England helped increase the total value of residential property by 6.7%. Stronger growth in more expensive markets is a continuation of the geographic pattern seen over the last six years. Since 2009, the value of the UK's housing stock has risen by £1.3 trillion, a 28% increase.

The majority of the value boost has been in London (51% of the £1.3 trillion increase) and the south of England (42% of the increase). The value of London's residential property is now £1.6 trillion, more than the value of all the housing in Scotland, Wales, Northern Ireland and the North of England combined.

Meanwhile, a stronger price performance in the south of England has helped push up the value of its housing by £560 billion since 2009 and it is now worth £2.4 trillion.



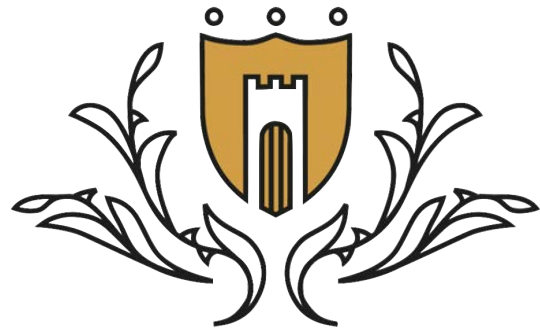
KEY INFORMATION

Fund Registration	Luxembourg
Minimum Initial Subscription	10,000 currency
Dealing Frequency	1st business day of each month
Available Currencies	£/€//\$
Allocation Rate	Class A: 100%
	Class B: 95%

Annual Management Charge	1.25%
Redemption Penalties	Class A: 5/4/3/2/1
	Class B: Nil
Redemption Notice Period	60 business days
Alternative Investment Fund Manager	KMG Capital Markets Ltd
Custodian and Principal Paying Agent	KBL European Private Bankers SA
Auditors	KPMG

Share Class	Currency	ISIN Code	Bloomberg
Share Class A	GBP	LU0871405550	KMGCPAG LX
Share Class A	USD	LU0871405121	KMGCPAU LX
Share Class A	EUR	LU0871405808	KMGCPAE LX
Share Class B	GBP	LU0871405717	KMGCPBG LX
Share Class B	USD	LU0871405394	KMGCPBU LX
Share Class B	EUR	LU0871406103	KMGCPBE LX





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The Castel Residential Property Fund is a Dedicated Fund of KMG SICAV – SIF (the “Company” or the “Fund”), a Luxembourg-registered “Société d’Investissement à Capital Variable” authorised and regulated by the Luxembourg regulator, the Commission de Surveillance du Secteur Financier (CSSF), governed by the Law of 13th February 2007 and qualified as an Alternative Investment Fund (“AIF”) of the specialised investment funds type, managed by KMG Capital Markets Ltd, an external Alternative Investment Fund Manager (“AIFM”), established in the Republic of Cyprus, in accordance with the Chapter II of the Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers (“AIFMD”) and regulated by the Cyprus Securities and Exchange Commission (“CySEC”). By accessing this information you shall be deemed to accept and agree to be bound by the terms of this notice. This communication is directed only at institutional investors and/or professional investors and/or any other authorised financial intermediaries. It should not be distributed to, or relied on by, any other type of investors. The Fund cannot be promoted to investors for whom it has not been deemed appropriate. If you do not fall into this category do not read this document. The information contained herein is confidential and is intended only for the persons to whom it is transmitted by the company or authorised distributors. Any information that is specified in Article 23 (1) of the AIFMD will be delivered by the Distributor and/or the AIFM to the potential investors upon request, before they invest in the Dedicated Fund. This information is not directed at you if we are prohibited by any law of any jurisdiction from making the information in this document available to you and is not intended for any use that would be contrary to local law and/or regulation. This document and its contents are only intended to provide general information about the Castel Residential Property Fund to institutional/professional investors and/or any other authorised financial intermediary as specified in the Directive 2011/61/EU of the European Parliament (AIFMD) and within the meaning of Annex II to Directive 2004/39/EC (MiFID). Neither we nor any third parties provide warranty or guarantee as to the completeness, timelines, or adequacy of the information provided herewith. Past performance of any investment is not always indicative of future performance and investments are subject to many risk factors. The value of the Castel Residential Property Fund and its share classes are calculated without taking into account any placement or redemption fees and assuming constant reinvestments of dividends. The use of any information or materials in this document is entirely at your own risk, for which we expressly exclude liability to the fullest extent permitted by law. It shall be your own responsibility to ensure that any products, services or information available through this document meet your specific requirements. Nothing in this document should be regarded as an offer or solicitation to conduct investment business or buy or sell any investment products, nor does it constitute any form of personal recommendation. This document does not constitute legal advice and is merely intended to raise awareness of issues relating to the Castel Residential Property Fund. We shall not incur liability of any kind should this document be used as a basis for responding to legal questions.