

Delivering robust performance in challenging markets

A review of 2009

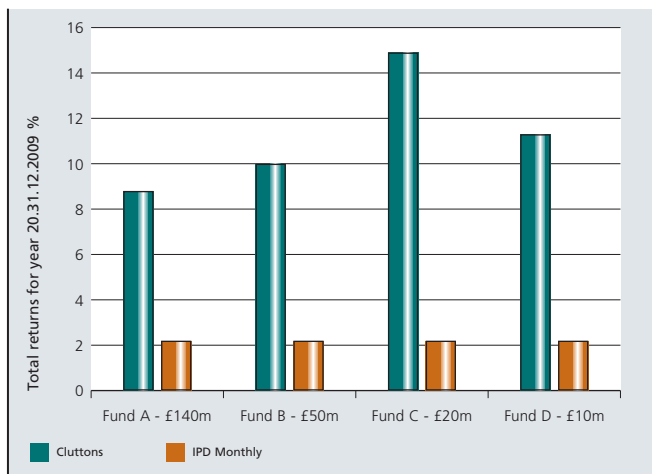
The past few years have been tough for investors and 2009 was a year of exceptional stress and opportunity in the commercial property market.

At the start of the year, capital values continued to decline with institutions forced to sell into a weak market to meet redemptions. The average all property yield reached 9.2% in March, some 5.6% higher than the medium term Gilt rate.

As the year progressed, business sentiment improved and there was a gradual return of risk appetite. The equity market rallied strongly between Q2 and Q3 and in the final quarter there was a strong rebound in commercial property values, as capital flowed back into the sector.

Four of our fund management client portfolios were independently valued at the year end and the total returns achieved relative to the IPD Monthly Index are shown on the chart below. Clearly our managed funds have outperformed the index by a substantial margin. Our three and five year track record is pretty impressive too.

Performance of Cluttons' funds under management



Key drivers to Cluttons' success in 2009

- Our long run focus on property fundamentals in the stock selection process paid off.
- The void rate in our portfolios was significantly lower than the average void rate in IPD.
- We were active investors during the period of market weakness, particularly in the first half of the year.

Outlook for 2010 and beyond

Given strong capital flows into commercial property, we expect average yields to harden further in the coming months and this will provide a boost to capital values. In general terms we do not see much improvement in the occupier markets and

rental values until 2011/2012 linked to a recovery in underlying economic growth.

That said, commercial property is likely to deliver attractive returns and we are forecasting returns of 15.0% this year and an average return of just under 10.0% per annum over the period through to 2013.

Against this background, we see good prospects for property investors but it is clear that professional expertise will have a significant bearing on results in the current market. In particular, we believe that good stock selection will be key to performance in a tough economic environment. We also see London outperforming the wider market and have been positioning our client portfolios with this in mind.

New business for 2010

Our FSA Regulated business, Cluttons Capital Partners, has won a mandate from Apache Capital Partners to promote its Prime Central London Residential Opportunity Fund.

The fund will be investing in Kensington and Chelsea, Mayfair, and Belgravia and will be targeting assets with active value add potential. Investors will gain exposure to a spread of projects and specialist sector expertise. Cluttons is also retained as managing agent for the fund.

If you would like to hear more about this opportunity, we'd be delighted to send you our fund fact sheet.

Third party recognition

It is always nice to get positive feedback. This year, our fund management team was nominated for Property Manager of the Year by Global Pensions - nominations for this award are taken from the pension fund community.

Earlier this month, the Estates Gazette commissioned some research into how clients rate their agents. Investor clients were asked which firms they recognise as being active and also which firms they would recommend. The two scores were amalgamated to give an overall result.

Cluttons was voted into the top 10 firms for investment, ahead of a number of players with far larger teams than our own.

Further information

If you would like to hear more about our investment and fund management services, please contact:

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