

UK AND EUROPEAN FUND

(the "Class Fund")

CUBIC PROPERTY FUND LIMITED

(the "Fund")

SUPPLEMENT

This supplement relates to the following Class of the Fund

The UK and European Sterling Class Shares

to be admitted to the Official List of the Channel Islands Stock Exchange

This Supplement contains specific information in relation to the Class in the Class Fund. The Supplement forms part of and must be read in the context of and together with the Prospectus of the Cubic Property Fund Limited dated 27 July 2006 (the "**Prospectus**"). Terms not otherwise defined in this Supplement shall have the meanings given to them in the Prospectus.

Definitions

In addition to the definitions contained within this Supplement, the following definitions shall apply. Unless the context otherwise requires and except as defined herein, words and expressions in this Supplement shall have the meaning as in the Fund's Prospectus.

"Approved Bank" means any corporate body:-

- (i) which is registered to carry on deposit taking business under the Banking Business (Jersey) Law 1991; or
- (ii) which is designated for the time being by the Directors for the purpose of the Fund Rules and which is an authorised person under the Banking Act 1987 of the United Kingdom; or
- (iii) whose bills are eligible for discount at the Central Bank of the country (being a member of the Organisation for Economic Co-operation and Development) where the principal place of business of such body is situate; and
- (iv) whose capital is not less than three hundred million United States dollars (US\$300,000,000), or its equivalent, in shareholders' Funds, as quoted in the July edition of "The Banker" magazine, published by Financial Times Business Publishing Limited, or as shown by such other publication as the Directors shall with the approval of the relevant custodian determine.

"Articles of Association" mean the articles of association of the Fund.

"Business Day" means any weekday on which banks in Jersey, Channel Islands are open for normal business until 4.00 pm Jersey time.

"CISX" means the Channel Islands Stock Exchange.

"Class Fund" means a separate pool of property maintained in respect of one or more Class.

"Class" means each class of Shares. Details of Classes in the Class Fund are contained in this Supplement.

"Commission" means the Jersey Financial Services Commission.

"Companies Law" means the Companies (Jersey) Law 1991, as amended.

"Continuing Offer Period" means the Offer of Shares from 2 October 2006 or such later date as the Directors may determine.

"Control Criteria" means the criteria determined by the Directors and applied by the Manager when selecting an SPV to hold specific properties or other assets of the Class Fund, including, without limitation, a requirement that the memorandum and articles of association of the SPV contain appropriate protective measures to allow the Fund to control the board of the SPV and protect the Fund's position, with particular regard to the power of the SPV to issue further shares.

"**Dealing Day**" means a Subscription Day or Redemption Day as appropriate.

"**Directors**" mean the directors of the Fund.

"**First Offer Period**" means the Offer of Shares from 27 July 2006 expiring on 31 August 2006 or such later date as the Directors may determine.

"**Fund**" means Cubic Property Fund Limited

"**Funds Law**" means the Collective Investment Funds (Jersey) Law 1988, as amended, together with subordinate legislation made thereunder.

"**Gross Asset Value**" or "**GAV**" means NAV plus capital value of debt finance of property holding SPVs.

"**Manager**" means the manager of the Fund from time to time.

"**Minimum Holding**" means £25,000 or the currency equivalent thereof.

"**NAV**" means the net asset value of the Class Fund and the net asset value per Share, as the context may require, calculated in accordance with the Prospectus and this Supplement.

"**Near Cash**" means money in a current account or money in a deposit account with an Approved Bank which can be withdrawn immediately and without payment of a penalty exceeding more than seven days' interest calculated at ordinary commercial rates.

"**Offer**" means each offering by the Fund of Shares as described in this Supplement.

"**Offer Periods**" mean the First, Second and Continuing Offer Periods for which the relevant Offer is to be made available for acceptance as indicated in this Supplement.

"**Official List**" the official list of the Channel Islands Stock Exchange;

"**Redemption Days**" means the first Business Day of each calendar quarter (and if any such date is not a Business Day then the Redemption Day will be the next Business Day) or such other additional Business Day or Business Days as may be agreed between the Directors from time to time.

"**Redemption Price**" means the price at which Shares will be redeemed, determined by reference to the NAV of the Class Fund calculated on the Redemption Day at the Valuation Point and any redemption charge imposed.

"**Second Offer Period**" means the Offer of Shares from 1 September 2006 expiring on 29 September 2006 or such later date as the Directors may determine.

"**Shares**" means participating redeemable shares in the capital of the Fund.

"**Shareholders**" mean the holders of Shares.

"**SPV**" means a special purpose vehicle established for the purpose of holding specific properties or other assets of the Fund or a Class Fund (directly or indirectly) and "SPVs" shall be construed accordingly.

"Subscription Days" means the first Business Day of each calendar quarter or such other additional Business Day or Business Days as may be agreed between the Directors from time to time.

"Subscription Price" means the price at which Shares will be issued, determined by reference to the NAV of the Class Fund calculated on the Subscription Day at the Valuation Point.

"Supplement" means this document.

"Valuation Day" means the Business Day preceding a Subscription Day or Redemption Day, as the case may be.

"Valuation Point" means 5.00 pm Jersey time on the Valuation Day.

CLASS FUND DIRECTORY

The Fund

Cubic Property Fund Limited
Standard Bank House
47-49 La Motte Street
St Helier
Jersey
JE4 8XR

Investment Adviser

Cannon Asset Management Limited
Cannon House
Route Isabelle
St. Peter Port
Guernsey
GY1 3FN

Auditors and Tax Advisor

Ernst & Young LLP
Unity Chambers
Halkett Street
St Helier
Jersey
JE1 1EY

Manager, Secretary and Registrar

Standard Bank Fund Administration Jersey Limited
Standard Bank House
47-49 La Motte Street
St Helier
Jersey
JE4 8XR

Custodian

Standard Bank Jersey Limited
Standard Bank House
47-49 La Motte Street
St Helier
Jersey
JE4 8XR

Jersey Legal Advisers

Carey Olsen
47 Esplanade
St. Helier
Jersey
JE1 0BD

Introduction

The UK and European Fund is a Class Fund of Cubic Property Fund Limited (the "**Fund**"). The Fund is an open-ended investment company registered with limited liability in Jersey on 24 July 2006. The Fund is an unclassified fund for the purposes of the Funds Law and is regulated by the Jersey Financial Services Commission pursuant to the Funds Law and the subordinate legislation made thereunder.

The following Shares comprise the UK and European Fund (the "**Class Fund**")

The UK and European Sterling Class Shares

The Fund was incorporated in Jersey on 24 July 2006 with company number 94101 and has its registered office at Standard Bank House, 47-49 La Motte Street, St Helier, Jersey, JE4 8XR.

The Directors of the Fund are Richard van Vliet, Adrian Cann, Andrew Bennett and Marie du Feu.

Reference Currency

The UK and European Class Shares will be designated by reference to Sterling.

The Directors' intention is to maximise returns to investors and therefore the Directors may hedge any exposure to assets which are not in the base currency of the Class Fund.

Investment Objectives

The investment purpose of the Class Fund is to provide sophisticated and high net worth investors and institutional investors with a professionally managed means of participating in UK and European real estate markets. It is not intended that the Class Fund will invest in emerging markets in Europe. The primary investment objective of the Class Fund is to achieve appropriate levels of rental income and medium to long term capital growth from a diversified portfolio of property and property related assets. The Class Fund will seek to acquire a diversified portfolio of predominantly commercial properties in the retail, retail warehouse, office, industrial warehousing and leisure sectors. It may also acquire residential, hotels and development land. Investment decisions under the supervision of the Directors of the Fund will be made on behalf of the Fund by the Manager, advised by the Investment Adviser, and will reflect the medium to long term objective to maximise total return made up of rental income plus capital appreciation.

The Class Fund will invest in properties via SPVs. A single SPV may be used to hold each separate property. Any finance sought for property acquisitions will be at the SPV level thus endeavouring to ring-fence the finance according to the property to which it pertains. Neither the Class Fund nor any SPV will provide guarantees to any other SPV.

Other assets of the Class Fund

The Manager may also invest in property related securities and other property funds in the relevant European jurisdictions. This may only be necessary where surplus cash has been received into the Class Fund and real property investments are not currently available or deemed unsuitable by the Investment Adviser for investment by the Class Fund.

The Manager intends to maintain some liquidity within the Class Fund to meet redemptions. This will usually be in the region of 5% of the NAV of the Class Fund and is intended to be held in cash or cash-equivalent assets.

The Class Fund may, at its discretion, advance loans to the SPVs, on terms approved by the Manager.

Investment Restrictions and Guidelines

In addition to the investment restrictions applicable to the Fund which are set out in the Prospectus the following specific restrictions apply to the Class Fund.

The Fund is intended as a medium to long term investment vehicle. Up to 100% of the assets of the Class Fund may be property assets which shall be principally but not limited to European property assets.

1. The Class Fund should acquire an interest in any real property only:-
 - (a) if the real property is the subject of a report by a professionally qualified property valuer who is independent of the Manager and the Custodian and who is also not connected with the property or with any transaction relating to the property within the previous two months, or with any person who holds an interest in the property;
 - (b) if, in addition to stating the value of the property, the valuation report (see (a) above) includes the valuer's professional opinion that if acquired for the Class Fund, the interest in the property would be capable of being disposed of reasonably expeditiously at the valuation; and
 - (c) if the Directors of the Fund, or the Manager, are satisfied that there is reasonable right of access to the property.
 - (d) if after the acquisition not more than 15% of the rental income of the Class Fund will be on leases (including tenancies) of less than 5 years outstanding.
 - (e) if after the acquisition the value of leasehold property which has an unexpired term of less than 60 years should not exceed 10% NAV of the gross accumulated property value.
 - (f) if after the acquisition the aggregate value of property which is unoccupied, and non-income producing or in the course of substantial development, redevelopment or refurbishment should not exceed 15% of the NAV of the gross accumulated value.
 - (g) if after the acquisition, not more than 75% of the NAV of the Class Fund will be invested in any single property, whether leasehold or freehold or property unit trust.
2. SPVs may in exceptional circumstances borrow up to 85% of the value of the purchase price but the gross average borrowing of the Class Fund should not exceed 75% of the total valuation of the property held by SPVs owned by it.
3. The value of the Class Fund's holding in listed transferable securities issued by any single issuer may not exceed 10% of the NAV of the Class Fund.
4. An SPV selected to hold specific property or assets of the Class Fund must comply with the Control Criteria.

Property Sectors

The Class Fund will principally invest in the following sectors:

Offices – including but not limited to both in-town and out-of-town and business parks.

Residential – including but not limited to both Tower Blocks and individual units.

Industrial – including but not limited to estates and distribution warehousing.

Retail – high street retail, out of town retail and shopping centres.

Leisure

The Class Fund may also invest in other property sectors.

Development

The carrying out of any development projects or substantial refurbishments will only be undertaken where the level of risk is anticipated by the Manager to be compensated by the predicted returns. The acquisition of pre-let developments or the carrying out of building improvements which enhance value will be considered on a case by case basis.

Funding Redemptions

The Manager has determined that in order to meet redemption requests the Class Fund will where practicable retain in cash or other readily liquid assets such amount as the Manager may from time to time consider appropriate, typically 5% of the NAV of the Class Fund. Investors should be aware, however, that there is no guarantee that such cash may be retained. In the event that the Class Fund does not have sufficient cash to fund redemptions it is not normally intended that property and illiquid assets held by the Class Fund will be sold to meet redemptions unless the Manager considers in their absolute discretion that it would be appropriate to do so. Where the Class Fund does not have sufficient cash to fund redemptions, the Manager at its absolute discretion, may seek finance to enable the Fund on account of the Class Fund to make such redemptions without the necessity to sell property and illiquid assets of the Class Fund. The Manager shall limit such financing to 10% of the Net Asset of the Class Fund. Such 10% of the NAV of the Class Fund shall be calculated at the time of the financing to meet any temporary shortages of liquid assets created by the redemption requests of shareholders for the redemption of their shares and with respect to any timing differences in connection with the purchase and settlement of the property of the Class Fund. Any financing technique used for such financings shall not be taken into account for computing the Class Fund's level of financing for redemption. **An investment in each Share and ultimately in the properties held by the Class Fund must, however, be viewed as a medium to long term investment.**

Offer Periods

Shares in the Class Fund will be offered over phased Offer Periods. The First Offer Period will be to attract initial investment or seed capital for the Fund. During the Second Offer Period existing syndication (SPV) shareholders will be targeted. This will involve the in specie subscription via the transfer of shares in existing property holding SPVs to the Class Fund at a value to be determined by the Directors in accordance with the valuation principals detailed within this Supplement The Continuing Offer Period will be for suitable prospective investors at large. Subscriptions in the Fund during the Continuing Offer Period will be subject to payment of the initial charge of up to 5% of the NAV.

Proceeds raised during the First and Second Offer Periods will not be invested by the Class Fund until after the conclusion of the Second Offer Period. Such proceeds may be invested from the commencement of the Continuing Offer Period onwards, in accordance with the Investment Restrictions and Guidelines.

Initial Offering Prices

The initial price during the First Offer Period is £9.50. The price during the Second Offer Period is £10. Accordingly shareholders investing during the First Offer Period will receive a 5% discount to reflect the liquidity they provide to the Fund which is subsequently shared by Shareholders investing during the Second Offer Period.

The Continuing Offer Period will commence on 2 October 2006 with the first Valuation Day being 31 December 2006 and the first Subscription Day being 1 January 2007. During the Continuing Offer Period and thereafter Shares for a particular Class will be allotted at the relevant subscription price.

Valuation Day

The Valuation Day for Shares shall be the Business Day preceding a Subscription Day or Redemption Day, as the case may be, usually the last Business Day of each calendar quarter. If any such date is not a Business Day then the Valuation Day will be the previous Business Day.

For any assets valued on exchanges that are closed on the Valuation Day, the last available published prices prior to the Valuation Day will be used for valuation purposes. The Manager shall have the discretion to appoint additional Valuation Days.

The valuation frequency and pricing may be varied by the Manager as appropriate for the Class Fund.

Valuations will be notified to the CISX as soon as practicable after calculation.

Subscription Day

The Subscription Days for Shares in the Class Fund will be the first Business Day of each calendar quarter. Three Business Days' notice prior to the Valuation Day will be required to be given by each investor, unless such other notice period is agreed by the Manager from time to time. If any such date is not a Business Day then the Subscription Day will be the next Business Day. The Manager shall have the discretion to appoint additional Subscription Days.

Subscription Fee

The Manager may at its discretion impose an initial dealing charge not exceeding 5% of the value of each individual subscription transaction, which shall be payable to the Investment Adviser

Subscription Policy

The minimum subscription for Shares will be £25,000 or the currency equivalent. Further subscriptions from the same investor should be a minimum of £5,000 or the currency equivalent or such other amount as the Manager may on a case by case basis determine.

Switching between Classes

Shareholders shall be entitled to convert all or part of their holding of one Class into another Class with the Directors' prior written approval.

Switching between Class Funds

Shareholders may not convert all or part of their holding of Shares in one Class Fund into Shares of another Class Fund without the Directors' prior written approval, which may be withheld by the Directors at their absolute discretion.

Investors switching between Class Funds will incur a redemption charge, as detailed under "Redemption Charges" below.

Procedure for switching between Class Funds

The procedure for switching between Class Funds is set out in the Prospectus.

Redemption Day and Procedure for Redemptions

The Redemption Day for Shares will be the first Business Day of each calendar quarter. If any such date is not a Business Day then the Redemption Day will be the next Business Day. Investors must give Twenty Business Days' notice, preceding the Valuation Day of such redemption, to the Manager. The Manager shall have the discretion to appoint additional Redemption Days. The minimum redemption amount will be £5,000 or the currency equivalent or such other amount as the Manager may on a case by case basis determine.

On redemption, all monies will normally be paid within twenty Business Days of the relevant Redemption Day on which the redemption is made.

Redemption Charges

The following redemption charges on the proceeds payable on redemption shall be deducted from such redemption proceeds on redemptions of Shares (or switching between Class Funds) made in the respective

periods set out below. In all cases, the relevant period shall be from the date on which such Shares were registered in the redeeming shareholder's name on a first in, first out basis. Redemption charges shall be retained for the account of the Class Fund. Redemption charges may be waived or reduced either generally or in any specific case, in particular those investors who have been investing in an existing SPV for a period in excess of three years, at the discretion of the Directors.

Period of Holding following Registration of Share	Redemption Charge
Up to 6 months	5%
6 to 12 months	3%
12 to 24 months	2%
24 to 36 months	1%
More than 36 months	0%

Valuation Principles

For the purposes of determining the Subscription Price and the Redemption Price applicable to each Share within a Class the property of the Class Fund will be valued as at a time known as the Valuation Point. The Valuation Point means 5.00 pm Jersey time on the Valuation Day. The Directors may carry out additional valuations and calculations of the Subscription Price and the Redemption Price of Shares if it is considered that circumstances merit such a calculation. In that event, those specially calculated additional valuations and prices will apply for all purposes.

The NAV of the Class Fund is the aggregate value as at the relevant Valuation Point of all the assets less all the liabilities comprised in or attributable to the Class Fund at that Valuation Point. The NAV per Share is calculated by dividing the NAV by the number of Shares of all Classes in issue. The result is rounded to four decimal places. The calculation of the NAV will be carried out according to the same valuation principles for all purposes. These purposes include the determination of the Subscription Price and Redemption Price applicable to each Class, the Manager's fee, the Custodian's fee and the investment limits. The valuation principles applicable to assets and liabilities are set out in the Fund Rules relating to each Class. The relevant Fund Rules should be referred to for the detailed provisions concerning valuations.

Liabilities may be calculated on an estimated basis for yearly or other periods in advance and they may be accrued in equal proportions over any such period. The liabilities of the Class Fund include taxes and fees payable to functionaries.

In consultation with the Auditors, the generally applicable valuation principles can be disapplied in favour of a valuation which, in the opinion of the Directors, better reflects the fair value of an asset or liability.

The NAV of the Class Fund is calculated as at the last Business Day of each quarter.

The Manager reserves the right to vary the frequency of the Class Fund valuations as deemed suitable and appropriate for the ongoing management of the Class Fund.

Valuation methodology:

The NAV of each Class will be determined in the reference currency of that Class by the Manager in accordance with the Articles of Association and Fund Rules, at the relevant Valuation Point. The last available valuation of property and other assets held in the relevant Class will be ascertained from which will be deducted all the liabilities attributable to that Class. The Manager will base the valuation of shares in a Class on the NAV per Share for that Class and will undertake a valuation of the Shares in the related Class Fund on the same basis.

Real property attributable to the Class Fund will be valued by reference to the RICS Appraisal and Valuation Standards, Fifth Edition issued by the Royal Institution of Chartered Surveyors. All other assets attributable to a Class or its related Class Fund will be valued in accordance with the valuation principles set out in the Fund Rules as described below:

(i) Cash on hand and deposit and amounts receivable (including accrued interest) shall generally be valued at their principal amounts.

(ii) Investments listed or dealt in on a securities market stock exchange money or foreign exchange market shall be valued at latest available market dealing prices on the principal market or exchange where such investments are listed or dealt in as determined by the Manager at a bid price price.

(iii) If no price quotation is available for any investment the fair value thereof shall be determined by the Directors in such manner as the Custodian shall approve.

Notwithstanding the foregoing the Manager may with the approval of the Custodian permit some other method of valuation of any asset, for example realisation proceeds following a subsequent sale of real property, to be used if it considers that such valuation better reflects the fair value of an investment.

Subscription and Redemption Prices

After the dealing cut-off time relating to the Subscription Day on which the first application for Shares is accepted, the relevant Shares are issued and redeemed by the Manager as agent for the Fund at a forward price.

Shares will be issued at the Subscription Price determined by reference to the NAV of the Class Fund calculated on the Subscription Day at the Valuation Point.

Shares will be redeemed at the Redemption Price determined by reference to the NAV of the Class Fund calculated on the Redemption Day at the Valuation Point and any redemption charge imposed.

The Subscription Price and the Redemption Price at which Shares will be allotted and redeemed respectively are ascertained by taking the NAV of the relevant Class Fund and dividing it by the number of Shares relating to that Class Fund in issue at the relevant Valuation Point and, in the case of redemptions, to any redemption penalty.

Date of admission to CISX and subsequent dealing in Shares

Dealings in Shares will commence on the CISX as from the date of their admission to the Official List. It is anticipated that the UK and European Sterling Class Shares will be admitted to the Official List on or around 1 September 2006 and that dealings in the UK and European Sterling Class Shares will commence immediately upon admission.

Distribution Policy

The Directors intend to distribute sufficient income per year to ensure that the Class Fund is certified for the purposes of Chapter V of Part XVII of the UK Income and Corporation Taxes Act 1988 (Offshore Funds) as a "distributing fund" in respect of the Class Fund's accounting periods.

Functionaries

The following are functionaries in respect of the Class Fund:

The Manager, Secretary and Registrar

The Fund has appointed Standard Bank Fund Administration Jersey Limited, a company incorporated with limited liability in Jersey on 8 July 1996, to act as manager and administrator to the Fund on the terms of a management agreement described in the Prospectus.

Investment Adviser

The Manager has, with the approval of the Fund, appointed Cannon Asset Management Limited as Investment Adviser in relation to the Fund and has delegated to the Investment Adviser certain of the investment advisory functions on the terms of an investment advisory agreement described in the Prospectus. The Investment Adviser will keep the Class Fund's investments under regular review and will

provide full investment advice to the Manager in relation to the investments of each Class and the Class Fund.

Custodian

The Fund has appointed Standard Bank Jersey Limited to act as custodian of the Fund's, including the Class Fund's, assets on the terms of a custodian agreement described in the Prospectus. This shall include monies, investments and other assets of the Class Fund and for the avoidance of doubt shall include share certificates issued in respect of the SPVs but shall exclude assets of those SPVs.

The boards of each SPV will act as custodian to the assets of the relevant SPV. The boards of the SPVs are comprised of directors provided by Cannon Asset Management Limited, who are also directors of Cannon Asset Management Limited.

Corporate Services Provider

The Investment Adviser will provide corporate administration services to or make arrangements for the administration of the SPVs of the Class Fund (including the provision of directors and secretary). The Manager reserves the right to appoint additional or replacement corporate services providers at any time (in particular in relation to an SPV where an SPV is registered in a jurisdiction outside of Jersey).

Fees and Expenses

The following fees and expenses will be payable in relation to the Class Fund:

Management Fee

The Manager shall be entitled to receive a management fee of £40,000 for the first year and thereafter shall receive an annual fee payable monthly in arrears on the first Business Day of the succeeding month up to 0.10% of the NAV of the Class Fund. In addition to the management fee, the Fund shall reimburse to the Manager all reasonable expenses, costs, charges and fees incurred or to be incurred by the Manager including all reasonable expenses, costs, charges and fees in the relevant categories incurred or to be incurred by any person to whom the Manager shall have delegated any of its powers and duties in accordance with the Management Agreement and who is entitled to be reimbursed in respect of such expenses, costs, charges and fees by the Manager.

The Manager shall, subject to the Fund meeting certain expenses as set out above, be responsible for the remuneration of its delegates.

Investment Adviser's Fees, Corporate Services Fees and Expenses

The Investment Adviser will be paid an investment advisory fee at the equivalent rate of 0.68% per annum of the GAV of the Class Fund or such other fee as agreed from time to time with the Manager. The Investment Adviser will also be paid a fee of in respect of the corporate services which it provides to the Class Fund and such amount per annum is to be agreed between the Fund, the Manager and Investment Adviser in line with market rates in respect of the corporate services which it provides to any SPV of the Class Fund. Disbursements relating to any statutory fees, audit fees, filing fees and other extraordinary costs will be additional costs. The above fees and costs will be payable by the Class Fund or associated SPV.

Property Transaction Costs

There will also be the following property transaction costs payable to the Investment Adviser on the acquisition and disposal of property:-

- (i) an acquisition fee of up to 1.5% of the purchase price paid for property;
- (ii) a disposal fee of up to 1.5% of the sale price of property;

In addition, there will be specific fees of external agents engaged by the Manager in relation to the acquisition and sale of property including without limitation the fees of surveyors, property agents and other professional advisers. Such fees are expected to be charged at market rates.

The acquisition costs of property purchased by the Class Fund will be amortised over a period of five years from the date of acquisition and will be reflected in the NAV per share of the Class Fund and in the Subscription and Redemption prices of each Class Share.

If a property should be redeemed by the Class Fund prior to the completion of the amortisation period, the balance of acquisition costs amortised will be written off as part of the overall property sale and factored into the resulting gain or loss.

Performance Fee

The Investment Adviser will be entitled to a performance fee in respect of the Class Fund. The performance fee will be payable quarterly and will be calculated and accrued on each Subscription Day.

The performance fee will be payable on the increase of the NAV of the Class Fund over the previous highest NAV recorded for the Class Fund (after adding an amount equal to all subsequent subscriptions less all subsequent redemptions calculated at the time of the relevant subscription or redemption less the total of all distributions made in respect of the shares in the Class Fund since the date on which the previous highest NAV is recorded for the Class Fund (calculated as at the relevant dates upon which distributions have been made)).

The performance fee will be equal to 20% of the relevant increase in the NAV of the Class Fund (as calculated above) over and above the Hurdle Rate Return (as defined below).

The "Hurdle Rate Return" will be equal to an amount calculated by:-

Applying a compound annual rate of return of 10% to the aggregate of (i) and (ii) minus (iii) where:

- (i) is the highest NAV of the Class Fund as at any previous date upon which the performance fee has been paid;
- (ii) is the total of all subsequent subscriptions less all subsequent redemptions (calculated at the time of the relevant subscription or redemption) made in respect of the Class Fund since the date on which the figure determined pursuant to (i) above is recorded; and
- (iii) is the total of all distributions made in respect of the Shares in the Class Fund since the date on which the previous highest NAV is recorded for the Class Fund (calculated as at the relevant dates upon which distributions have been made);

Save for the first quarter following the first issue of Shares in the Class Fund, the Hurdle Rate Return will be equal to 10% of the total of all subscriptions less all redemptions (calculated at the time of the relevant subscription or redemption) made in respect of the Class Fund since the first issue of Shares in the Class Fund and subtracting from the resulting figure the total amount of distributions made in respect of the Shares in the Class Fund since the first issue of Shares in the Class Fund.

For the purpose of determining the NAV of the Class Fund at the relevant Subscription Day (i) calculations will be made before deducting performance fees and (ii) any issue or redemption of shares in the Class Fund on the relevant Subscription Day shall be disregarded.

The performance fee payable at each quarter represents a definitive charge to the Class Fund, and is not recoverable by the Class Fund in the event that there is a subsequent fall in the NAV of the Class Fund or subsequent under performance when compared to the Hurdle Rate Return.

Custodian Fees

The Custodian will be paid a custodian fee at the rate of 0.03% per annum of the NAV of each Class Fund. The custodian fee will be payable to the Custodian by the Fund monthly in arrears on the last Business Day of each month out of the assets of the Class Fund. The Class Fund will also pay the Custodian a transaction fee of US\$50 per trade conducted in respect of the Class Fund together with such out-of-pocket expenses reasonably incurred by the Custodian together with the costs of any sub-custodian which might be appointed from time to time with respect to the assets of the Class Fund.

In the event of the Directors declaring a suspension of dealing in the Shares, the Fund shall continue to pay the Custodian's fee during the period of such suspension based on the last available NAV.

The Fund shall pay the properly incurred and approved out of pocket expenses of the Custodian.

Other

Specific fees and expenses such as survey work in connection with on-going running costs, repairs and improvements of a property, external professional fees for property management, handling rent reviews and new leasing negotiations, as well as external agency fees for letting for empty buildings, may be charged directly to the Class Fund or SPV.

The fees of any property valuer who provides services to the Fund on account of the Class Fund will be payable as determined by the Manager out of the relevant Class Fund's assets.

Directors' Fees

The Fund will pay its Directors a sum not to exceed £20,000 per Director together with reasonable expenses incurred in the course of their duties. Directors' fees at the date of launch will be set at £10,000 per annum.

Other Fees

The Fund will be responsible for all normal operating expenses including (but not limited to) audit fees, registration and permit fees, legal fees, charges incurred on the acquisition and realisation of investments, costs of publication and distribution of prospectuses and annual reports, the publication of share prices and the costs and expenses of the Manager. Where possible such fees and charges will be allocated to the relevant Class to which they relate. Hence the Class Fund will bear these normal operating expenses in relation to its activities where they relate to the investments of the Class Fund.

Taxation Issues

Investors should consult the relevant tax section in the Prospectus.

Distributor status

The Class Fund will be managed with a view to its qualifying as a "distributing fund" for United Kingdom tax purposes and being able to apply to the HM Revenue and Customs for certification as a distributing fund each year. So long as the Class Fund continues to receive certification, then any gains arising on disposals of Shares will be taxed as capital gains and not as income. Subject to their personal circumstances, United Kingdom resident investors should therefore be subject to capital gains tax on them.

Conflicts of Interest

In addition to the conflicts set out in the Prospectus:

Cannon Asset Management Limited will act as Investment Adviser in relation to the Fund and will also provide administration services to SPVs owned by the Fund. Richard van Vliet and Adrian Cann are Directors of the Fund and of the Investment Adviser. They are also the controlling shareholders of the Investment Adviser.

Cannon Asset Management Limited act as a corporate trustee to trusts which are investors in property syndicates to whom offers will be made during the Second Offer Period. Such offers will be made for the acquisition by the Fund of interests in the property syndicate, in return for issue of Shares in the Fund to such investors. Such investors will not be permitted to hold more than 10% of the Fund following the end of the Second Offer Period.

Cannon Asset Management Limited is also trustee of trusts established for the benefit of its controlling shareholders and such trusts may invest in the Fund.

The boards of each SPV will act as custodian to the assets of the relevant SPV which means that directors of Cannon Asset Management Limited, in their capacity as directors of the SPV, will undertake custody of the SPV assets (generally being assets recommended to the Fund by Cannon Asset Management Limited as Investment Adviser).

Risk Warnings

In addition to the risk warnings set out in the Prospectus, investors are also directed towards the following inherent risks relating to an investment in Shares and ultimately in the real property and other assets to be acquired via the Class Fund.

- (i) The general market for residential and commercial property, both in Europe and worldwide, may during the period of any investment depreciate with the result that the value of the Class Fund's property investment portfolio falls. The value of an individual property may fall, for example, due to location or the insolvency of a tenant, as well as political and economic reasons.
- (ii) Investments in property can be difficult, slow or impossible to realise. The Class Fund will be subject to the general risks incidental to the ownership of real or heritable property, including changes in the supply of or demand for competing properties in an area, changes in interest rates and the availability of mortgage funds, changes in property tax rates and landlord/tenant or planning laws, credit risks of tenants and borrowers and environmental factors. The marketability and value of any properties attributable to the Class Fund will, therefore, depend on many factors beyond the control of the Class Fund and there is no assurance that there will be either a ready market for any properties of the Class Fund or that such properties will be sold at a profit, or will yield a positive cash flow.
- (iii) Other assets purchased by the Class Fund, may not achieve the income and growth characteristics intended to enhance the Class Fund's returns on surplus cash within the Class Fund.
- (iv) Investors are reminded that an investment in a currency other than their own may expose them to a foreign exchange risk.
- (v) Financing strategies by any SPV may exacerbate the effect on the value of falls and rises in the value of the Class Fund's property investment portfolio and falls in value may consequently affect the Class Fund's liquidity.
- (vi) The cash resources immediately available to meet redemption applications will be limited and may ultimately necessitate a sale of investment properties in order to redeem Shares having regard to the section in this Supplement headed '*Funding Redemptions*'. Investors should be aware that the Directors may determine that available properties within any categories should not be sold and even where a determination is made to sell a property, investors should note that land and buildings may be difficult to sell and as a consequence there may be times when the Shares cannot be redeemed.
- (vii) The facilities granted by the financiers to an SPV may be terminated in circumstances including the following:
 - (a) the amount of sums drawn exceeding specified proportions of the realisation value of the properties;
 - (b) a change in control of the beneficial ownership of the Fund or the Class Fund or SPV (as appropriate);
 - (c) any event occurs which will adversely affect the business, assets or financial condition of the Fund, the Class Fund or an SPV (as appropriate) or its ability to comply with its obligations to its financier. The availability of the Fund's, Class Fund's or an SPV's financing facilities and its liability to repay sums is, therefore, subject to circumstances beyond the Fund's control, including movements in the value of its assets.

- (viii) A termination of financing facilities as described above may have an adverse effect on an investment in any Shares in the Class Fund and may require properties to be sold prematurely or at discount to market value.
- (ix) An investment of the type offered by Shares may not be suitable for all recipients of the Prospectus or this Supplement. An investment in Shares and ultimately in the assets held via the Class Fund is designed as a longer term investment and consequently may not be suitable as a short or medium term investment. Prospective investors should seek advice from their investment adviser before making an investment in Shares.
- (x) Charges and expenses in connection with the Fund, each Class and the Class Fund are not made uniformly throughout the life of the Fund and it is possible that an investor may not receive back the full amount of their investment especially if it is redeemed within the first three years where redemption charges apply.
- (xi) In the event that properties held by the Class Fund are sold to fund redemptions, such sale may have an adverse impact on the investors who have not redeemed shares as the selection of available properties to be sold will be subject to the restrictions set out above under '*Funding Redemptions*' and may affect the balance, spread and overall value of properties and income remaining within the Class Fund.
- (xii) The Fund may be required to pledge the Shares related to the Class Fund as security for the obligations of the Fund in respect of any financing arrangements. Any enforcement of such security will have an adverse effect on all Shares and in particular may have a disproportionate impact on those Shares to which the obligations giving rise to enforcement do not relate.
- (xiii) The Fund, via SPVs may have controlling interests in some of its investments. The exercise of control over an entity can impose additional risks of liability for environmental damage, violation of government regulations (including securities laws) or other types of liability in which the limited liability characteristic (if any) of business ownership may be ignored. If these liabilities were to arise the Fund may suffer a significant loss.
- (xiv) Although investing in SPVs meeting the Control Criteria there can be no assurance that such protective provisions will be effective.
- (xiv) Notwithstanding the intention to pay a high and rising level of income distribution commensurate with the market and in keeping with the distributions that can be made by the Shares in accordance with the Companies Law there can be no guarantee that there will be sufficient income generated by Shares, the Class Fund or any SPV to be able to do this.
- (xv) Risks associated with performance fees: Under any proposed performance fee arrangements, any performance fee paid may be payable on realised gains of the Fund or Class Fund or a combination of realised gains and unrealised gains. The performance fee will at all times only be payable on the basis of gains which have been confirmed by an independent valuation of the assets of the Fund or Class Fund. The Investment Adviser may be compensated for unrealised gains which may never be realised. Any performance fee arrangement may also create an incentive for the Investment Adviser to cause the Fund to make investments that are riskier or more speculative than would be the case in the absence of a performance fee arrangement. Investors may purchase Shares at different times and will, accordingly, recognise different amounts of profit and loss on their investments in the Fund. Any performance fee payable to the Investment Adviser will be calculated on the basis of the return recognised by the Fund as a whole and will therefore reduce the NAV per Share equally, irrespective of the investment performance of an individual investor's Shares. Where a performance fee may be achieved without a high water-mark this effect may be further exacerbated.
- (xvi) Potential investors are directed to the conflicts of interest sections at page 14 above and pages 27-28 of the Prospectus for details of conflicts that may arise in relation to the structure.

- (xvii) Potential Investors should note that any references to tax concessions are to those currently applying, and these may be subject to change in the future.
- (xviii) No representation is, or can be, made as to the future performance of the Class Fund and there is no assurance that the Class Fund will achieve its investment objective.
- (xix) Governmental authorities at all levels are actively involved in the promulgation and enforcement of regulations relating to taxation, land use, zoning and planning restrictions, environmental protection and safety, and other matters. The institution and enforcement of such regulations could have the effect of increasing the expense and lowering the income or rate of return from, as well as adversely affecting the value of, the assets of the Class Fund.
- (xx) The returns to investors may be subject to the risks associated with the development of real estate projects. These risks include:
 - (a) the risk that planning consents are not obtained, or are delayed significantly, or are granted subject to uneconomic conditions;
 - (b) the risk that laws are introduced, which may be retrospective and affect existing building consents, which restrict development in target areas;
 - (c) the risk that a development is significantly delayed or costs exceed budget due to unforeseen factors. The risk of cost over-run can be mitigated, to some extent, through fixed price contract arrangements;
 - (d) the risk of unforeseen construction constraints (including geological and archaeological factors);
 - (e) the risk of title disputes, legal disputes with neighbouring land owners and legal disputes with architects, project managers and suppliers;
 - (f) the risk that building methods or materials prove to be defective. If a construction company used on a development becomes insolvent, it may prove impossible to recover compensation; and
 - (g) the risk of fraud on the part of service providers or suppliers used on a development.
- (xxi) Property assets are inherently difficult to value due to the lack of marketability and the unavailability of suitable information for determining the current value of investments. This is due to the heterogeneity of property which may cause delays when investments are realised in difficult market conditions. As a result, valuations are subject to substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales price, even where such sales occur shortly after a Valuation Day.
- (xxii) Under various state and local laws, ordinances and regulations, an owner of real property may be liable for the costs of removal or remediation of certain hazardous or toxic substances on or in such property. Such laws often impose such liability without regard to whether the owner knew of, or was responsible for removal of these substances. The owner's liability as to any property is generally not limited under such laws and could exceed the value of the property or the aggregate assets of the owner, or both. The presence of such substances, or the failure to remediate properly contamination from such substances, may adversely affect the owner's ability to sell the real estate or to borrow funds using such property as collateral, which could have an adverse effect on the Class Fund's return from such investment.
- (xxiii) Although it is intended that the Shares be admitted to trading on the CISX, there is no guarantee that any such application may be made or accepted and even if the Shares are admitted to trading on the CISX there may only be a limited market for the Shares.