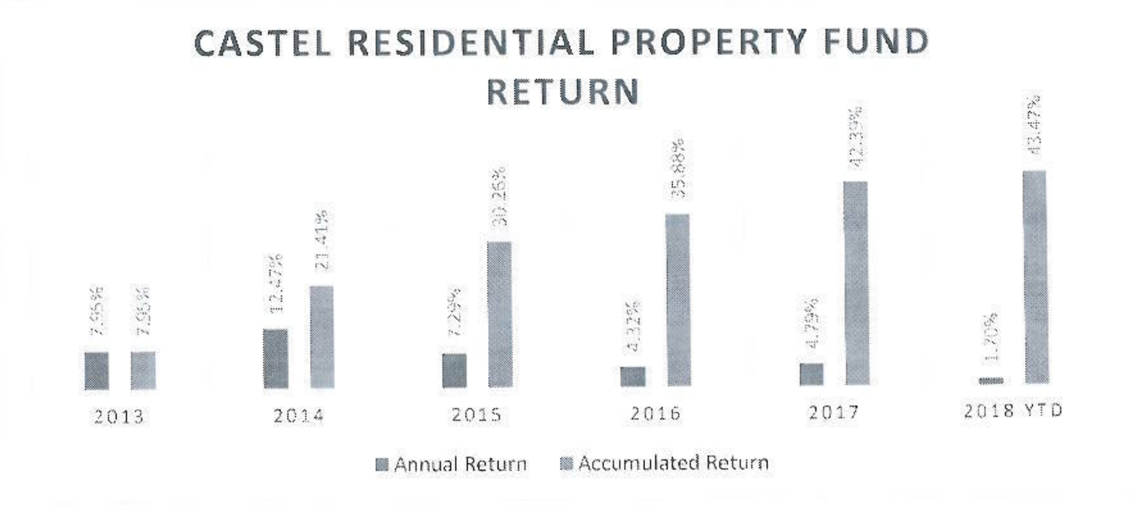
17 January 2019

January 2019 Update on Castel Residential Property Fund (the 'Fund') from the Fund Manager, KMG Capital Markets Ltd

Successful sale of the fund's assets, equitable distribution of the sale's proceeds and plans for new investments for KMG's Castel Residential Property Fund

KMG Capital Markets Ltd, an EU-licensed Alternative Investment Fund Manager, announces the successful sale of Castel Residential Property Fund's portfolio of properties, together with the special purpose vehicles established to profitably acquire and hold properties for the fund. The fund has operated since 2013 and has achieved a total return in excess of 43%, with a peak annual return of over 12%. Investors that requested to redeem their shareholdings have received net proceeds from the sale and remaining and future new investors have opportunity to profit from the property pipeline that is currently under review by KMG, with new property purchases anticipated in the coming few weeks and months.

Since launch, the fund successfully built a portfolio of 67 high-quality properties in over 30 local authorities in England. The fund purchased and adapted the properties to provide suitable long-term supported housing for over 350 individuals with physical and/or mental disabilities or other needs. Working in conjunction with the fund's Investment Advisor and its Property Consultant (Fundamentum Property) and specialist charity organisations regulated by the U.K. Regulator for Social Housing, KMG is proud to have enabled these individuals to live independently in their local communities with appropriate levels of care and support, whilst delivering return on investment for the fund's shareholders.



Note: Performance based on Share Class B GBP

Open to qualifying investors seeking medium to long-term investments, Castel Residential Property Fund invested in illiquid assets and effective management of the fund's stated liquidity strategy throughout 2013-2018 ensured that the fund met redemption requests from investors that unexpectedly needed liquidity. The fund's liquidity strategy made provision for the potential event of an exceptional volume of redemption requests from shareholders and accordingly in November 2017 the fund's board of directors notified shareholders of its decision to defer redemption requests amounting to over 65% of the fund's shares, which had been received in short timescale[1].

This action mitigated the risk that potential buyers would anticipate a "fire sale" of the fund's assets and so afforded opportunity for KMG to proactively pursue sale of the fund's assets without discount to value, in the mutual interests of the fund's shareholders requesting redemptions and its shareholders seeking to remain invested in the fund. After investigating all options to meet the exceptional volume of redemption requests received by the fund (including leveraging the portfolio, a partial portfolio sale and a whole portfolio sale), KMG concluded and announced[2] in May 2018 that best value would be realised for all the fund's shareholders by sale of the whole portfolio.

KMG had sourced several comparable offers for purchase of the whole of the fund's portfolio of assets and an offer was accepted from a cash buyer that evidenced a proven track record of such portfolio acquisitions, in order to maximise likelihood of completing the transaction and hence minimise time to settle redemption requests received from some shareholders and subsequently recommence investing for the benefit of the fund's remaining and future investors. As advised previously to shareholders[3], the agreed sale price was in line with KMG's £36.6m valuation of the fund's properties, as reflected in the fund's NAVs before and since the necessary deferral of redemption requests in November 2017.

KMG successfully managed the sale from heads of terms, through the normal legal and due diligence processes associated with such sizeable transactions that include the purchase of companies' share capital and their underlying real estate assets, to successful exchange of contracts and completion. Corresponding transaction costs were managed within market rates and naturally included services (including from related parties, per the fund's offering document) for sourcing and negotiating best offers, transaction management, legal and tax advice, insurance and SPVs' suppliers termination.

Amounting to £2.3m in total, transaction costs were 6% of the £37.6m sale headline price (£36.5m after deducting the rent/capex contribution required by the purchaser). Therein KMG ensured that agent commissions did not exceed 3%, in accordance with the fund's offering document, and KMG's effective negotiations saved the fund a £1.3m contribution to stamp duty land tax related costs.

[1] Refer the Notice to Shareholders of 30 November 2017 from the board of directors of KMG SICAV-SIF.

[2] Refer the widely-distributed Update on Castel Residential Property Fund of 2 May 2018 from KMG Capital Markets.

[3] Refer the Notice to Shareholders of 24 September 2018 from the board of directors of KMG SICAV-SIF.

Purchase Headline Price	**£37,600,000**
Rent/Capex Contribution	£1,100,000
<u>Less Transactional Costs Associated:</u>	
Legal	£311,548
Advice, including tax	£312,935
Insurance	£168,447
Agent Commissions	£1,128,000
SPV Suppliers' Termination	£251,500
Other Costs	£136,850
Total Costs to be bared by redeemers	**£2,309,280**
Costs Ratio to Purchase Price	6%

The process, from deferral of redemptions at the end of November 2017 through to settlement of redemptions commencing mid December 2018, included five months to investigate options and source and negotiate offers to purchase the fund's assets and five further months to successfully progress the best resulting offer, through legal and due diligence, to exchange of contracts and completion of the transaction. Thereafter KMG secured recovery of amounts retained by the purchaser post-completion (for the benefit of shareholders) and initiated and managed all necessary regulatory and administrative processes to end the redemption deferral period ("lift the gate on redemptions") before diligently producing accurate September 2018 NAV to commence settlement of redemptions. KMG expended extensive resources throughout the efficient and effective process, which resulted in maximising the portfolio's sale price, minimising corresponding transaction costs and thereby maximising redemption amounts paid to shareholders in 2018.

On behalf of the fund's shareholders, further to the fund's 43% total return since its launch in 2013, KMG is pleased to report this very satisfying result for all shareholders from the sale of the fund's assets. The fund's sophisticated investors that requested and received redemption proceeds understand that, notwithstanding the costs of the transaction that necessarily resulted from the exceptional volume of redemption submitted to the fund (which, as communicated to all shareholders in September 2018, have been borne by redeeming shareholders in accordance with the fund's offering document[4], amounting to approximately 9% of gross redemption amounts), net redemption proceeds have nevertheless been maximised and settled in minimum corresponding timescale to realise returns for redeeming shareholders. Shareholders that subscribed to shares subject to charges for early redemption have of course, per the fund's offering document, seen these charges applied where applicable, in addition to their share of corresponding sale transaction costs.

Shareholders remaining invested in the fund have expressed commitment to remain invested for years to come and KMG is currently reviewing multiple new investment opportunities for the fund. Prospective new well-informed and institutional investors may be encouraged by not only the fund's

[4] Refer the fund offering document. ("an amount equal to any duties and charges attributable to the relevant Class or Category of Shares which will be incurred upon the disposal of the Company's investments as at the date of redemption in order to fund such a redemption may be deducted.")

management for past returns but also its management following the exceptional volume of redemption requests received in the latter months of 2018, its accurate historic asset valuations (as evidenced by the recent portfolio sale) and its prospects for future returns under KMG's continued management.

KMG thanks redeemed shareholders for their past investments in Castel Residential Property Fund and the fund's remaining investors for their patience through the portfolio sale process as required to meet other shareholders' redemption requests. Following the fund's successful years to date, KMG looks forward to delivering returns to the fund's remaining and new investors in future years, whilst we together contribute towards establishing and providing suitable supported housing to enable many more individuals to live independently in their local communities, with levels of care and support appropriate to their physical and/or mental disabilities or other needs.

KMG has over 25 years of experience in the financial industry, with an extensive background in fund management, portfolio management and fund construction. The KMG team comprises of multinational seasoned professionals specialised in setting-up, administering and managing regulated investment funds and other investment structures on behalf of private and institutional clients worldwide. KMG was founded by financial specialists with an internationally proven track record in managing hedge funds, private equity, real estate, commodities and forex, alongside the more traditional classes of fund of funds, equities and bonds.

In addition to Castel Residential Property Fund, other socially responsible investment funds managed by KMG include Wren Retirement Fund, for which exciting new plans are now in progress. For further information on KMG's funds and to be included in KMG's mailing list, well-informed and institutional investors and their advisors are invited to contact AVI by email at info@avifundsolutions.com or as appropriate KMG at info@kmgcapitalmarkets.com .

Kevin Mudd, founder and CEO of KMG Capital Markets, commented:

"The sale of this portfolio is part of the overall success of KMG in the home care sector. To date we have bought and sold close to 100 properties, with a combined market value of approximately €100m, for the benefit of our funds' shareholders and we have further acquisitions and exits in progress."

THIS ANNOUNCEMENT IS AN INTERNAL COMMUNICATION TO SHAREHOLDERS OF THE CASTEL RESIDENTIAL PROPERTY FUND AND NOT FOR EXTERNAL DISTRIBUTION.

DISCLAIMER

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