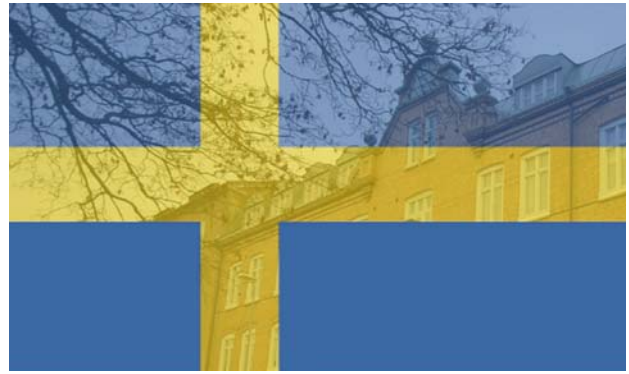


Evanridge Properties LLP



Autumn Newsletter

15th November 2007

Welcome to the Autumn edition of the Evanridge Swedish Property LLP newsletter.

On the following pages you will find:

- Report on Evanridge Swedish Property 2 LP.
- Report on the AGM.
- A management report on the Evanridge Sweden AB property portfolio.
- Our current view on the Swedish property market.

We trust that you find the newsletter informative, but as always, if you have any questions or queries, please don't hesitate to get in touch with either ourselves, or the fund operator Ogier Corporate Administration Ltd. Contact details are at the end of this newsletter.

We would like to thank all of you for your initial participation in the fund and your continued support.

Bill, Huw and Nigel

Evanridge Properties LLP

AGM Report

The first AGM of Evanridge Swedish Property LLP was held at the Bristol Inn, Bristol Road, Falfield, South Gloucestershire, on Thursday the 5th of July 2007 at 11am, with a good number of our co-investors turning up to hear Huw Evans report that in the year ended 31st December 2006 an increase in investor equity of 22% had been achieved in the first year of operation.

This reported increase in equity takes into account all the fees and costs involved in setting up ESP LLP as well as allowing for any contingent tax liabilities that may or may not arise in Sweden if the property portfolio were to be sold at this time. This increase in equity was very much in line with expectations.

One issue that Huw commented on was Evanridge Properties dissatisfaction with the length of time taken by BDO Stoy Hayward to prepare the audited accounts. This was a highly unsatisfactory outcome and in the first instance, EP will be seeking a reduction in the amount invoiced for the preparation of the audited accounts. We will also seek a firm commitment from BDO Stoy Hayward that they will meet the reporting deadlines as laid out in the ESP LLP Information Memorandum.

Copies of the audited accounts for Evanridge Swedish Property LLP were circulated with the notification of the AGM. If you didn't receive a copy and would like one, then please get in touch and we will send a copy on.

Following the review of the audited accounts, Nigel Evans gave a report on the status and management of the current portfolio, plans for future acquisitions, Evanridge Properties views on the property market in Sweden at the present time and the status of Evanridge Swedish Property 2 LP. The content of this report is included below for the benefit of those investors who were unable to attend the AGM.

Report on the Evanridge Sweden AB Property Portfolio

Following the acquisition of 67 fully let apartments in the Gothenburg commuter town of Lilla Edet in September 2006, the Evanridge Swedish Property LLP portfolio currently stands as 3 commercial buildings and 84 apartments.

As can be seen from the accounts, the valuation of the portfolio carried out by the commercial property arm of Price Waterhouse Coopers in Gothenburg at 31 December 2006 was 120 Million Krona (£8,937,010 at the exchange rate prevailing at the yearend).

The initial purchase value of the properties was approximately 108 Million Krona (equivalent to £8,047,690 at the same 2006 yearend exchange rate).

Further Acquisitions

We reported to you in November 2006 that we had commenced negotiations on a portfolio of 93 apartments in the town of Lysekil. In February 2007, we made a decision not to complete on this deal for the following reasons:

- Despite considerable time spent on negotiation, the vendor was not prepared to move on his asking price and as such we felt that it didn't offer adequate value.
- A purchase at the asking price, would have meant that bank financing would have been at the very upper limit of our borrowing criteria. As a result there would have been an inadequate cash reserve for contingencies and our margin of safety would have been substantially reduced.
- We were and continue to be offered more attractive opportunities. We felt that it would be better to wait for a more attractive opportunity than pay over the odds for this deal.

With the launch of Evanridge Swedish Property 2 LP as a co-investor into Evanridge Sweden AB, this offered the opportunity to pool the remaining

- capital with ESP 2 investors and undertake a larger and more financially attractive deal.

At present we do not envisage completing on any deals before the end of October 2007. The market in Sweden is traditionally very quiet during July and August hence the expectation that an acquisition won't happen before October at the earliest.

Property Management Report

General Improvements

- New heating controls have been installed in Lilla Edet apartments which will lower heating costs, with approximate savings of 15-20% anticipated (will know exactly after next winter).
- To ensure that the apartments in Trollhättan remain the most sought after and are able to charge the maximum rents possible, an upgraded Cable-TV system has been installed giving improved TV, broadband and telephone accessibility.
- Overall there have been upgrades applied to the management systems, plus the maintenance and caretaking routines with a view to achieving better value for money compared to what was in place when we acquired the properties.

Cost Reductions

- Insurance costs for the portfolio have been lowered as a result of a change in insurance provider combined with the benefit received from being part of the negotiation process conducted by Hammar Nordic for better terms of business for the whole of the property portfolio under its management.
- We have benefited in similar fashion in a number of other areas relating to landlord costs, notably in the provision of electricity and heating costs with savings in the order of 10 - 15% being made over the contracts in place at the time of acquisition of the Evanridge Sweden AB portfolio.

Occupancy and Lettings

- We received notices to quit from six tenants at the Lilla Edet apartments following an agreement with the tenant association to increase the rents as a result of rises in heating and electricity charges. These apartments have been subsequently let at the new rental values.

- Shortly after the Trollhattan portfolio was acquired in January 2006, one of the seventeen apartments was vacated. The apartment was advertised and following considerable interest was let as a furnished unit at a much increased rent.
- One of the commercial buildings in the Trollhattan portfolio, had a newly developed suite of offices which were vacant when the building was acquired. These offices have been occupied by the main tenant of the building since the beginning of 2006 and are generating additional rental income for the portfolio.
- In addition, the vendor of the Trollhattan portfolio had occupied a portion of each of the commercial buildings within the portfolio. As part of the purchase agreement the vendor was to vacate these areas within six months. This he has done and all the areas he vacated have been let apart from a small amount of office space which is currently under negotiation.

Rental Income

- In addition to rental growth arising from the letting of additional areas within the portfolio in 2006, an increase on the rents charged on the portfolio properties for the 2007 year has been agreed at between 1.2% and 1.5% above 2006 rents. NB. Residential property rents are controlled in Sweden and are directly linked to the growth in the Swedish consumer price index whilst commercial rents are negotiated 'open market rents' but in practice follow trends in CPI. CPI growth in Sweden in 2006 was 1.4%.
- Additionally, as a result of the management efficiencies achieved and the negotiation of lower input costs, the net rental income should grow by approximately 5% in 2007. It should be noted that an element of this increase is a one off event but Evanridge Properties LLP will continue to strive to identify ways in which the net rental income can be enhanced.

Evanridge Properties Market Overview

Sweden continues to attract increasing numbers of international investors who see the Swedish property market as offering one of the better opportunities for above average returns in the next few years. Interestingly, after a few years of taking second place to overseas investors, the Swedes led the way in 2006, purchasing 6 out of 10 of all property transactions. It will be interesting to see if this trend continues in 2007, as the wall of capital from international investors on the hunt for good value assets, increasingly focuses on Scandinavia, and Sweden in particular.

It is expected that strong interest from international investors will continue in the Swedish commercial sector, especially retail properties. This sector of the rental market is anticipated to remain stable with marginal improvements in prime rents. We will see high demand from institutional investors for new, modern and efficient premises and Stockholm is expected to maintain, and probably increase its competitive position as the biggest draw for overseas capital in this sector of the market.

So with the hunt on for investment opportunities, are we likely to be able to continue to find them? Several potential investment opportunities could lie in older housing and residential properties with the potential for conversion to condominiums. We keep a watching brief on this potentially attractive market segment, but to date it has turned out to be a very limited and specialised sector of the market with a restricted number of opportunities available, due largely to the localised nature of the demand for this type of conversion.

Investments in properties that demand active management will, we believe continue to be the most interesting. By focusing on investments that require active management, in the form of renovations, project development and leasing, and improvements in general management we expect to generate higher returns. Investments in these properties are affected less by a probable future increase in interest rates as they generate an increase in value from increased income flows. In addition, the market's awareness of these investments is still relatively limited. This allows us the opportunity of identifying and acquiring properties capable of

achieving attractive rates of return before increased competition wipes out the underlying value that is currently present in this sector of the market.

Where do we see potential downside risks in the market at present?

- Increasing interest rates – the Riksbank is following a policy of increasing interest rates to keep the potential for inflation under control. This will have the effect of reducing net yield : interest rate spreads and will lower the basic underlying rate to return
- Increasing competition – both local and international. This will have the effect of lifting vendors price expectations as well as reducing the risk premium that investors will apply to property

investment. As we have maintained from the start, the opportunity that is present in Sweden will be eroded as time passes and we see this is beginning to happen.

- Double digit growth in house prices – house price growth has averaged 10% over the last 3 years. As a result, the Riksbank has stated quite clearly that it will continue to raise interest rates to curb this trend and prevent a bubble developing. In addition, values now offer developers a margin over build costs, so house building will increase, although various reports suggest that it will be 10-15 years before the demand for housing will be met by new development, even if it trebled from its current level.

Where do we see the drivers to the potential upside in the market at present?

- Revision to the Basel 2 banking agreements regarding 'Capital Adequacy' criteria – in most EU countries this will lead to a tightening of the money supply and an increase in lending margins. In Sweden's case the reverse is likely as the government relaxes the far tighter criteria that Sweden has had in place over the last decade or so, thus increasing the supply and affordability of domestic capital in the Swedish market.
- Increasing probability of major reform to regulated residential rental system – Various agencies now believe that major reform is inevitable with suggestions that rents need to rise by as much as 35% to reflect commercial reality. The timing of a decision on this issue is still not known but there is some anecdotal data to suggest that the anticipated up lift in rental values is already being priced into the market.
- Increasing investor demand – The continued attractiveness of the Swedish property market is causing increasing amounts of capital to enter the market. This will lead to further yield compression and continue to lift property values.
- No new rental property development taking place as yet – A continued shortage of rental property will ensure a reliable and growing rental income stream for some time to come and will underpin increases in property values.
- Political changes – A Centre right party has been in power since last September and is committed to tax reforms and other measures to stimulate continued strong economic growth. This will help to underpin strong occupational demand for property and the attendant rental growth will sustain investment fundamentals going forward.

Evanridge Swedish Property 2 LP

When ESP LLP was first established in January 2006, it was not envisaged at that time that investment by the providers of Self Invested Personal Pension Schemes ("**SIPPs**") on behalf of their individual members would be likely to proceed in the Swedish residential property market. This was in part because of uncertainty at that stage of the conditions which would apply under Part IV Finance Act 2004 in respect of HMRC registered personal pension schemes wishing to invest in such property.

Now that those conditions are known (under Finance Act 2006), it has become clear that SIPP investment in Swedish residential property of the kind contemplated is permitted by SIPP investors. Evanridge LLP is advised that ESP LLP is not a suitable vehicle for this purpose because for investors which are exempt from capital gains tax by virtue of their status (as is the case for the Trustees/providers of self invested personal pension plans which are approved by HMRC under Part IV FA 2004), a limited liability partnership like ESP LLP is not a tax transparent vehicle.

Accordingly, it is proposed that those new investors who wish to invest in the Swedish residential property market in line with the investment objectives which are outlined in the ESP 2 LP Investment Memorandum will be invited to subscribe for units in an exempt unauthorised unit trust scheme to be known as the Evanridge Sweden Exempt Pensions Unit Trust. That EPUT will in turn become a limited partner in ESP 2 LP.

With the Swedish property market remaining attractive and a number of potential investors expressing a wish to invest as part of their pension provision, Evanridge Properties LLP took the decision to establish Evanridge Swedish Property 2 LP and EPUT.

Co-Investment by ESP LLP and ESP 2 LP in ESAB

As outlined in the letter to ESP LLP investors dated 29th December 2006, Evanridge LLP as managing member sought investor consent to amend the Members Agreement of ESP LLP to allow ESP 2 LP investors to share joint control and co-invest in shares of ESAB.

It follows that Evanridge Swedish Property LLP and Evanridge Swedish Property 2 LP will in effect be co investing in the relevant Swedish property portfolios (via intermediate property

holding companies owned by Evanridge Sweden AB). This is why certain amendments needed to be made to the Members' Agreement of Evanridge Swedish Property LLP.

The amendment was carried unanimously and ESP 2 LP was established with a first close taking place on the 5th April 2007.

There are a number of benefits to ESP LLP investors of having ESP 2 LP co-invest in Evanridge Sweden AB.

1. With the two funds co-investing in Evanridge Sweden AB, many of the operating costs of the 2 funds would be shared pro rata to the investment capital within each fund. This offered the potential to reduce the operating cost of both funds with a beneficial effect on the return to ESP LLP investors.
2. The increased capital base created by a co-investment with ESP 2 LP would allow larger deals to be undertaken and it would also allow the negotiation of better finance terms for the existing properties, as well as for the proposed acquisitions to be made with the capital raised in ESP 2 LP. This has a potential beneficial effect on ESP LLP investor returns.
3. By having ESP 2 LP co-invest with ESP LLP, we have the ability to use the increased equity of the ESP LLP's existing portfolio to acquire additional properties at an earlier date than would otherwise be possible. By refinancing the existing portfolio and combining the released funds with the additional capital raised in ESP 2 LP, it will be possible acquire more property earlier than if there were two separate investment structures. The net effect of this is to increase the overall potential investor return for both funds.
4. The increased valuation of the property portfolio held in ESAB over the first 12 months of operation is reflected in an increased net asset value of Evanridge Sweden AB shares. As such ESP 2 LP investors will purchase shares in ESAB at a premium to the initial share value of ESP LLP investors to reflect the increased value of ESAB shares. As a result the potential investment return experienced by ESP LLP investors in the first year is effectively "recognised" by ESP 2 LP investors.
5. By having ESP 2 LP co-invest with ESP LLP, a much larger portfolio of properties can be created within Evanridge Sweden AB. This will increase the potential attractiveness of the portfolio to larger institutional investors and allow the marketing of the portfolio to a wider investor base than would otherwise be the case when it comes time to wind up the fund.

Current Status of ESP 2 LP

The continued interest from wealth managers and the IFA community regarding the suitability of ESP 2 LP as an investment for their clients SIPP's is very encouraging. However, Evanridge Properties LLP underestimated the timescales involved in establishing individual client SIPPs and or transferring existing pension monies into a SIPP. As a result ESP 2 LP remains open at present and it is envisaged that it will remain open until later in the year.

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Risk Warning

The attention of members and prospective members is drawn to the fact that the Fund is committing to investments of an illiquid nature in Swedish real estate which may prove difficult to realise in the short term, such investments may be difficult to value and may involve an above average level of risk. Similarly there is no available public market for interests in the Fund and no such market is expected to develop in the future.

The attention of prospective Members is drawn to the risk factors referred to in the Fund's Information Memorandum.