

Special Report

Skye Shelter Fund

Skye Shelter Fund: 'A profitable alternative'

More money has been made in real estate than all industrial investments combined – Andrew Carnegie, 1902.

What is the Skye shelter fund?

The Skye Shelter Fund ("Skye Shelter") is an alternative investment, which pools funds for the primary purpose of investing in income-generating real estate, such as residential homes, shopping malls, offices, warehouses etc while taking advantage of tax exemptions. A mutual fund/investment vehicle like the Skye Shelter which is set-up for investing in real estate is called a "Real Estate Investment Trust ("REIT")". **Skye Shelter is Nigeria's first publicly quoted REIT.**

Globally, the three most popular asset classes (i.e. types of investments) are Equities, Bonds and Real Estate. The Skye Shelter REIT, like most REITs world-wide bears the unique ability of generating consistent income cash-flows like a bond and capital appreciation like Equity. Notwithstanding the recent decline in various investment types (asset classes) in Nigeria over the last two years, Skye Shelter REIT has shown consistently improving performance and paid attractive 'dividends'. The recent increase in distressed sellers and foreclosures on some properties by banks has created lucrative investment opportunities for the Skye Shelter REIT.

Highlights of the Skye Shelter REIT

• Invests 75 per cent directly in real estate which may include: residential apartments, shopping malls, office blocks, hotels, warehouses and industrial property;

• Invests 25 per cent in real estate related investments which may include: mortgages, real estate backed securities, real estate related equities. This portion includes a 10 percent allocation to cash for liquidity purposes.

• Pays out 80 per cent of Income, which includes rental income, income from fixed income investments and income from sale of properties.

• Maximum of 20 per cent of the fund can be exposed to construction risk.

• Income is exempt from Taxation in Nigeria

• Distributed to its subscribers for every unit held, the sum of N4.65k in 2008 and proposes N7.00k in 2009.

• Upon payment of its 2010 dividend/distribution (interim/final), the Skye Shelter Fund is expected to become an eligible investment for Pension Fund Administrators, under the Pension Fund Act 2004.

• It is organized as a corporate entity/trust which is quoted on the Nigerian Stock Exchange. It has 20,000,000 units of shares at N100.00 per value. It is managed and sponsored by Skye Bank Plc; Its Trustees are PHB Capital & Trust Limited and its external real estate adviser is Ubosi Eleh & Co.

Advantages of the SKYE SHELTER REIT

Cash flow: Consistent and predictable cash flow generated from rents paid, real estate sold and income from fixed income investments (dividend of N4.65k in 2008 and proposes N7.00k in 2009);

Inflation hedging: Real estate tends to act as an ideal hedge against inflation, increasing in value at a rate faster than inflation over the long term;

Capital Appreciation: The listed share of Skye Shelter Fund can appreciate in price, it is also less volatile than traditional equities.

Portfolio diversification:

Real Estate produces returns which behave differently from both stocks and bonds. This low correlation of return provides an added diversification benefit when real estate is added to a multi asset portfolio.

Liquidity: Direct investment in real estate tends to be relatively illiquid. However, this dilemma is resolved by the REIT structure, which enables real estate exposure to be entered and exited freely on the floor of the Nigerian Stock Exchange.

Tax exemption: Recently, the Debt Management Office of Nigeria issued a publication exempting all asset backed securities from tax. The tax exemption is expected to cover Personal Income Tax, Value Added Tax, Capital Gains Tax and Companies Income Tax.

Some Current Investments

Victory Park: 12 units of 3 bedroom flats at Victory Park, Lekki Phase I, Lagos.

Lava Court: Plot of land for development at Onike Road, Yaba, Lagos. The estate is to

Financial performance – **52 percent Growth in Earnings & Dividends**

Profit and Loss Accounts Information	2009E	2008A
Gross Income	251,381	236,106
Net Income after Tax	174,627	114,640
Proposed Distribution	139,702	93,000
Net Income per unit N	8.73	5.73
Proposed distribution per unit N	7.00	4.65
Balance Sheet Information		
Investment Property	1,625,000	1,212,000
Bank Balance	10,753	12
Fixed Deposit	432,885	1,445,843
Deferred Expenses	44,554	59,405
Development Fund Deposit	500,000	-
Total Assets	2,613,192	2,717,260
Liabilities		
Payables and Accruals	(32,723)	(122,845)
Deferred Income	(125,235)	
Net Assets	2,455,234	2,594,415
Unitholder's Equity	2,000,000	2,000,000
Revenue Reserve	234,854	114,640
Revaluation Reserve	220,380	479,775
Unitholder's Funds	2,455,234	2,594,415

comprise of 16 luxury flats and 20 terrace apartments

Harold Shodipo: 6 (No) 3 bedroom flats arranged as 2 flats per floor on 3 floors with a B/Q of 2(No) 3 bedroom flats on 2 floors at Ikeja, GRA, Lagos.

Kabusa Garden: 16 units of 2 bedroom flats, 4 units of 3 bedroom flats and 4 units of 3 bedroom terrace apartments at Dakwo district, Abuja.

Maccido: 12 units of 3 bedroom bungalows at Maccido Royal Estate, Galadimawa District, Abuja.

Northstar Gardens: 4 units of 3 bedroom semi-

detached houses at Northstar Gardens, Dakwo District, Abuja.

Sapphire Gardens: 6 units of 3 bedroom deluxe flats at Sapphire Gardens, Lekki, Lagos.

Protea Select Hotel, Ikeja: (work in progress) Construction of a three-star, 125 room hotel to be managed by Protea International in Ikeja, Lagos.

Other real estate financing experience of the fund manager

Adkan Estate, Abuja: This is a mixed development of 351 units of houses in

Gwarinpa, Abuja. The estate consists of fully detached and semi-detached duplexes as well as apartments.

Wuse II Terrace, Abuja

This is a 34 unit luxury terrace duplexes well finished with swimming pool for the comfort of the upper-middle class. It is located along the highbrow Olusegun Obasanjo Crescent, Wuse II, Abuja.

Goshen Beach Estate, Lagos

Located along an exclusive beach in Lekki, Lagos, the estate comprises 86 units of high quality finished houses with a 2-bedroom boy's quarter each.

Femi Okunnu Estate, Phase 2, Lekki, Lagos

The estate is an initiative of Lagos State Development and Property Corporation (LSDPC) and Skye Bank. The estate consists of 104 (4-bedroom, all en suite) prototype units of terrace houses.

Femi Okunnu Estate, Phase 3, Lekki, Lagos

The estate consists of 126 flats in 21 blocks. The product offering include: bullet-proof entrance doors, private garden, good road network and well secured environment.

Atlantic Beach Estate, Victoria Island, Lagos

This is a N5.7 billion 72-unit upper income housing estate at Victoria Island extension, Lagos. The estate is on an area of 5.192 hectares of land, comprising 48 units of 4-Bedroom semi-detached houses and 22 units of 4-bedroom fully detached houses.

Capacity buildings for schools, include:

• Greensprings School, Lekki Campus.

• Rainbow College, Lagos-Ibadan Expressway.

• Macdonalds College, Port Harcourt.

• Roberto College Abuja.

In the hospitality sphere, notable hotels delivered include:

• Le Meridien Ogeyi Place, Port Harcourt

• Dennis Hotel, Wuse II, Abuja

• Protea Hotel, Ikeja GRA, Opposite Sheraton, Lagos

• Protea Hotel, Off Adetokunbo Ademola Street, Victoria Island.

Some current projects

include:

• Elegant Court, Ikota, Lekki, Lagos (90 units of 3-bedroom apartments)

• Intercontinental Hotel Lagos, Victoria Island, Lagos (361-room 5-star hotel)

• Protea Hotel Westwood, Ikoyi, Lagos (52-room 3-star hotel)

• Stardust Estate, Gbagada, Lagos (98 units of terrace houses)

• Galadimawa Gardens Phase I, Abuja (100 units of semi-detached bungalows)

• Office Complex at Wuse 5, Abuja (4,500 square metres of lettable space)

• Kanti Towers Project, Adetokunbo Ademola Street, Victoria Island, Lagos (15-storey office complex)

Future Plans of the Skye Shelter Fund

The Fund has the following plans for 2010:

Tranche II: The Fund plans to raise an additional N3 billion to enable it take advantage of the many profitable real estate investment opportunities that have just become available due to the current financial reforms in Nigeria.

Interim Dividend: The Fund plans to pay an interim dividend in 2010.

Pension Fund Administrator (PFA)

Qualification: The Fund expects to become an acceptable investment under the Pension Fund Act in 2010.

How to subscribe

You can purchase units of Skye Shelter Fund through your stockbroker on the floor of the Nigerian Stock Exchange. You may contact the fund manager using the following details:

Skye Stockbrokers

5th Floor, Skye Bank Building 30 Marina

Lagos 01-7349752, 01-7349753

Skye Financial Services Limited

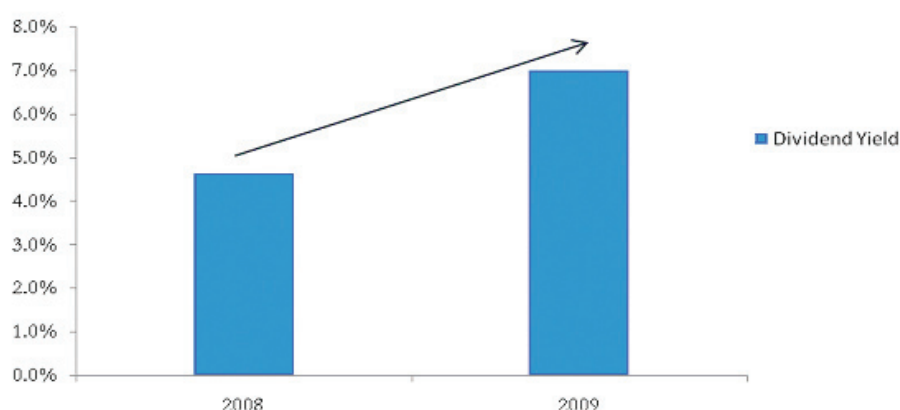
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Skye Shelter REIT has shown consistently improving performance and paid attractive 'dividends'

High dividend yield since inception



Price performance of the Skye Shelter fund in 2009

