



2018 Guide to An Alternative to Buy-To-Let

THE DEMISE OF TRADITIONAL INVESTMENTS

For many years, buy-to-let has been the easy way to make money for two decades and investors often sought the highest returns from this market. But recently, the Government has announced a series of changes in the hopes to reduce the sector's attractiveness to investors and tackle the housing crisis all in one.

The tax changes introduced recently include the reduction of mortgage interest tax relief and second home stamp duty. The 3 per cent stamp duty surcharge on second homes has been labelled as a 'war against landlords' and it is evident investors are turning their attentions away from Buy-To-Let as home sales fall 7 per cent (The Guardian, 2017).

Additionally, the Government has scrapped mortgage tax relief. Before, it was possible for landlords to claim every penny of the interest on a buy-to-let mortgage as a tax-deductible expense. However, by 2020-21, no interest will be allowed to be claimed which will reduce the average landlords profit by as much as 83%.

Times have changed and whilst the UK Property Market remains a strong investment opportunity and Fixed Income Assets believes there is suitable alternative in the form of Loan Notes.

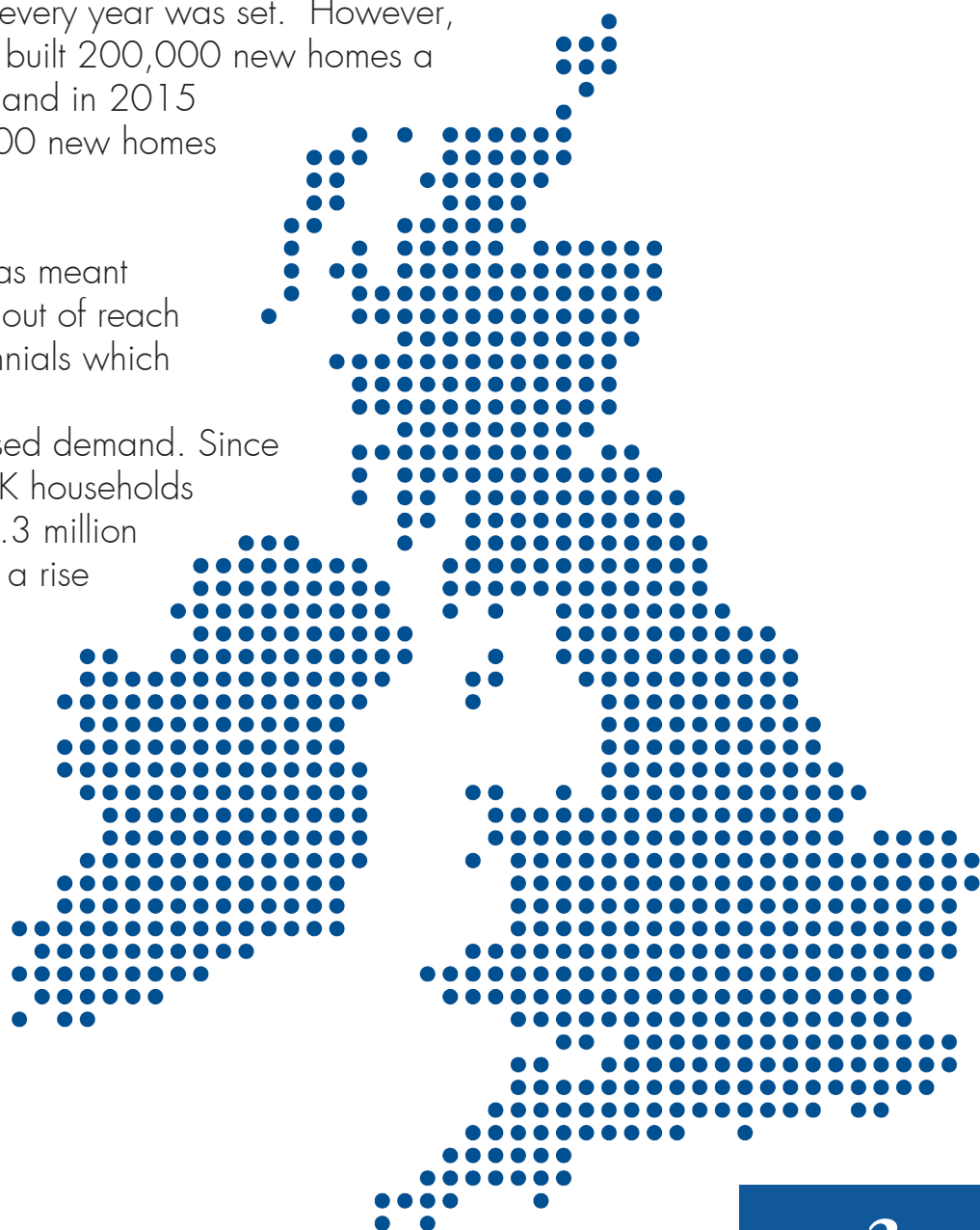


THE UK PROPERTY MARKET

The UK Property Market has undergone a fundamental change in recent years and the Government has made numerous attempts to address the housing shortage. In 2015, a target of building 200,000 new homes in England every year was set. However, the last time the country built 200,000 new homes a year was in the 1970s and in 2015 alone, less than 165,000 new homes were built.

The housing shortage has meant homeownership is now out of reach for the majority of millennials which means the private rental market has seen increased demand. Since 2001, the number of UK households renting has risen from 2.3 million to 5.4 million in 2014, a rise of 134 per cent (RICS).

Investors looking for healthy returns and asset backed security can take advantage of this fundamental change by investing in Loan Notes which allow developers to raise the necessary capital in order to supply the demand in affordable property.



A NEW ALTERNATIVE

Since the financial meltdown of 2008, the global financial industry has undergone a fundamental change and banks have changed the way they lend money. Heightened caution amongst lenders caused them to deem virtually all development financing too 'short term' which has meant that developers have had to seek alternative methods for raising capital.

Additionally, in an era of low interest rates and an unstable bond market, there has been substantial growth in the alternative investment industry. After the 2008 recession, investors realised traditional investment models no longer worked and many now view alternative investments as an essential diversifier in any investment portfolio.

The gap in the development financing market and the change in the traditional investment model has been fulfilled in the form of Loan Notes, which allow developers to raise the necessary capital required and also offer high returns to investors in exchange. Due to this, there has been substantial growth in the number of smart investors investing in Loan Notes due to the enviable yields paid and the security offered.

As an experienced introductory agent, Fixed Income Assets has been introducing investors to high yielding property based investments since 2014.



LOAN NOTES

A Loan Note is a professionally structured financial instrument. Just like an investment bond issued by a bank, a Loan Note pays interest over a predetermined timescale and at the end of the period the original investment is returned plus any interest accrued. Fixed Income Assets has a range of Loan Note investment opportunities available which allow investors to invest in the UK Property Market and become a lender and not a landlord.

- 1 An investor invests in to a Loan Note opportunity.
- 2 Interest is then paid as 'income' bi-annually for the length of the pre-agreed investment term. Alternatively, interest is compounded and repaid at the end of the term which is known as 'growth'.
- 3 During the investment term, the Loan Note is secured via a first legal charge.
- 4 At the end of the investment term, the original investment is returned along with any interest payments.



WHY LOAN NOTES?

Loan Notes are fast becoming the solution to investing in the buoyant UK Property Market. They present a solution for developers, allowing them to raise the necessary capital, and investors, allowing them to earn high returns in exchange.

Fixed Income Assets have a wide range of Loan Note investment opportunities available to certified investors which offer returns of up to 15% per year. It is important to note that whilst generous returns are offered, Loan Notes are still an affordable way for developers to finance their development projects compared to loans from mainstream banks.

Bank loans are typically harder to obtain due to stricter lending criteria and they would cost between 12% and 18% in interest per year with often only 50% of the required capital provided. In comparison, issuing a Loan Note provides

the opportunity to obtain 100% of the capital required along with the freedom, flexibility and the purchasing power which allow them to stay ahead in a very competitive market.

Additionally, there are plenty of advantages for developers who issue Loan Notes. Loan Note capital can be introduced when needed and withdrawn which is much simpler than raising equity capital by issuing shares. For investors, there are big advantages to holding Loan Notes rather than shares, as Loan Note holders rank as creditors therefore they take some form of security over a Company's assets, unlike shareholders.

A recent article in The Times dubbed Loan Notes "an easy way to invest in UK property without the hassle of buying a house."

ABOUT US

Founded in 2014, Fixed Income Assets are an expert property investment consultancy. Our knowledge and expertise allow us to deliver high yielding property based investments that have consistently outperformed traditional assets classes.

We have successfully built a strong client base ranging from professional investors to property enthusiasts who all have one goal in mind, to maximise their income while taking a cautious approach to risk.

We're committed to developing and cultivating relationships with leading property developers, analysts, and oth-

er industry experts which have given us a very unique advantage, enabling us to gain our position as a leading provider of high yielding property based investments.

The opportunities provided by Fixed Income Assets are designed to complement one's investment portfolio rather than dominate it. We understand that diversification is the key to any successful investment portfolio and we always recommend that our clients take a balanced approach when investing.



LOAN NOTES TRACK RECORD

Fixed Income Assets work with a range of successful developers with a proven track record. Empire Property Holdings is currently undertaking a £24 million fund raise for EPH3 whilst Godwin Capital is raising £20 million for their Loan Note funded developments.

Example #1 of a Successful Development by Empire Property Holdings

Globe Works – A former mill to residential conversion via full planning permission which will create 24 one bedroom, 90 two bedroom & 10 three bedroom apartments.

Purchase Price - £1,700,000
Development Costs - £6,200,000
Total Cost - £7,900,000
Rental Income - £1,024,800
2016 Valuation - £12,800,000

Example #2 of a Successful Development by Godwin Capital

Clarendon House – A office to residential conversion whereby planning permission has been granted for 12 apartments and one Penthouse.

Number of Units – 13
Sq. Ft – 12,000
Gross Development Value - £3,000,000
Timescale – 24 Months
Project Status - Completed





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