

## Connaught investors warned of possible 50% losses on Ucis fund

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Investors in the suspended Connaught Income Series 1 fund could face 50 per cent losses on their investments.

Representatives from Connaught Asset Management, fund operator Bluegate, advisory firm Duff and Phelps and lawyers SJ Berwin met with creditors yesterday, including a number of IFAs, at the National Motorcycle Museum in Solihull to offer further information on the fund which has been suspended since March.

Duff and Phelps, which is acting as independent adviser to the £118m Ucis fund, revealed the possible losses linked to property assets handled by bridging lender Tiuta.

It also emerged at the meeting that Capita, the ACD for the Arch cru range, had been the operator of the Series 1 fund until it was replaced by Bluegate in September 2009.

Duff and Phelps told the meeting it has written to Tiuta calling on it to honour a guarantee to fund any losses on the Series 1 fund. Tiuta is refusing to comment on whether it recognises the validity of the guarantee. During the meeting, Solicitors SJ Berwin said it had no reason to believe the validity of the guarantee should come under question.

At the meeting it was revealed that £105m of the £118m assets from the Series 1 fund had been used to fund the lending book of Tiuta.

An independent review by Duff and Phelps suggests a best case scenario whereby £53.2m might be recovered from the £105m invested. A worst case scenario outlines the prospect of only recovering £46.5m.

The review concluded it would be possible to recover £25.7m in loans that are likely to redeem in full. A further £16.2m in development loans should redeem close to the full amount, although they may require more funding to complete development.

Insolvent borrowers accounted for £29.8m of Tiuta's loan book, with a realisable value of between £5.8m and £11.6m mooted. A further £13m is being pursued through litigation after the property acting as security was sold resulting in a shortfall. A remaining £8.7m could not be accounted for either in terms of security or ongoing litigation.

It is unclear what losses could be suffered by investors in the Connaught Income Series 2 fund, which raised around £18m and was also used to fund Tiuta's lending.

BDO is acting as administrator for Tiuta International, the arm of Tiuta which was responsible for the loan books. Tiuta International [entered administration](#) last month with the loan books sold to Connaught for £1.

BDO will assemble a shareholders' meeting in three to four weeks to determine whether the loan books should be pursued or sold at discount.

The Series 1 fund was [suspended in March](#) and interest payments were not made. A review was commissioned to ascertain its true value. A decision to [wind down](#) the Series 1 and 2 funds was made in June. A Series 3 fund, which was not linked to Tiuta loans and raised around £22m, was [wound down in July](#) due to a spike in redemptions.

Last week, [Money Marketing revealed](#) Tiuta PLC made a pre-tax loss of £37.8m for the 18 months to 30 September 2011 after suffering heavy loan book losses.

The FSA [issued a warning](#) to people who have invested in the Series 1 and 2 funds in May 2011. The regulator said it believed the way they have been advertised could be misleading. They were described as

"very low risk" and "low risk" in product literature, making comparisons with placing money in a high street or building society bank account. Connaught changed the literature after the announcement.

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