

Prospect Epicure Japan Value Fund PLC
14 November 2006

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Prospect Epicure J-REIT Value Fund PLC: First Day of Dealings on AIM and Placing

Prospect Epicure J-REIT Value Fund PLC (the “Company”) is pleased to announce its admission to trading today on AIM. The Placing has raised gross proceeds of £101 million. The Company’s share capital comprises 101,000,000 Ordinary Shares (ticker: PEJR) issued at 100p and in addition, 20,200,000 warrants have been issued on a 1 for 5 basis (ticker: PEJW).

The Company

Prospect Epicure J-REIT Value Fund PLC is a newly incorporated Isle of Man company established to invest predominantly in Japanese Real Estate Investment Trusts (“J-REITs”). Its share capital is denominated in Sterling and consists of a single class of Ordinary Shares, with Warrants attached on the basis of one Warrant for every five Ordinary Shares. Each Warrant entitles the holder to subscribe for one Ordinary Share at a price of 110 pence from Admission until 1 March 2010.

In the absence of unforeseen circumstances, the Manager and Investment Adviser currently anticipate that such net proceeds should be fully invested within 6 months of Admission.

The Manager

Epicure Managers Japan Limited has been appointed by the Company as Manager and will be responsible for the management of the Company's assets and in particular, for retaining the services of the Investment Adviser.

The Investment Adviser

Prospect Asset Management, Inc., a limited company incorporated in Hawaii, has been engaged by the Manager and the Company to act as Investment Adviser pursuant to the Investment Advisory Agreement. The Investment Adviser will be responsible for managing and advising the Company as to the management and investment and re-investment of the assets of the Company and to monitor the performance and operation of the same and for managing the borrowings anticipated to be part of the Company's strategy, subject always to the overall policies, direction and control of the Board and the Manager and in accordance with the investment policy and investment restrictions.

The key individuals employed by Prospect are:

Curtis Freeze (Chairman)

Curtis founded Prospect in September 1994. He serves as chairman of Prospect Company Limited, and a director of Prospect Asset Management (Channel Islands) Limited and Prospect Residential Advisors. Prior to 1994, Curtis was portfolio manager for Deutsche Morgan Grenfell Asset Management in Tokyo specialising in Japanese smaller companies. He has also worked with Lehman Brothers and Nikko Securities in Tokyo. Curtis received an MBA from the University of Hawaii in December 1987.

Alex Kinmont (Managing Director)

Alex joined Prospect in April 2005 and is responsible for analysis of real estate securities and physical real estate investments and provides strategic advice to the Prospect Asset Management Investment Committee. He was previously chief strategist in Japan for NikkoCitigroup and also for Morgan Stanley. He began his career as a real estate analyst in Tokyo in the mid 1980's. After becoming a strategist in 1993, Alex maintained consistently high rankings in the most prestigious industry surveys including Greenwich Associates and Institutional Investor. Alex received his BA Litterae Humaniores (Latin and Greek Literature and Ancient History) at Oxford University. He has lived in Japan for 15 of the last 20 years and is fluent in Japanese.

Daniel Kerrigan (Head of Trading)

Dan is CEO and head of trading of Prospect Asset Management, Inc. Dan joined Prospect in June 2005 from UBS Japan, where he was managing director of the Hedge Fund Sales Desk. Prior to focusing on hedge funds, Dan was head of sales trading and execution at UBS, leading a team which was consistently ranked in the Greenwich Associates survey. A 15 year resident of Tokyo, Dan has also worked at NatWest Markets and Credit Suisse. He began his career as a Japanese equity sales trader at Yamaichi Securities in New York in 1987. Dan has a BA in English Literature and an MBA from the University of Notre Dame.

Investment Policy

The investment policy will be flexible, with the Company being permitted to invest in all listed J-REITs and vehicles of a similar type (for instance, listed property trusts in Australia, the assets of which the Investment Adviser believes to be real property exclusively in Japan) which benefit from tax advantages and own physical real estate located in Japan and cash or cash equivalents. The Company will typically invest in listed securities, but will be permitted to invest no more than 10 per cent. of its assets (measured at the time of investment) in unlisted securities which are expected to list within 12 months and may continue to hold securities that cease to be listed. Once the Company is fully invested in accordance with its investment policy, the Investment Adviser anticipates that the initial portfolio will comprise approximately 15 to 20 holdings and between 3 and 5 of these positions will be a particular concentration of the portfolio's investment.

Investment Philosophy and Approach

The Manager and the Investment Adviser intend to adopt an active management approach in order to exploit opportunities within the Company's investment universe. The Company will seek to maximise total returns to investors by accessing and leveraging three potential sources of return. First, the dividend yield currently available from J-REITs; second, potential appreciation in J-REIT prices as a result of a continued recovery in Japanese property values; and third, the potential closing of the discount of property assets to NAV currently identified by the Investment Adviser.

Hedging

The Company does not intend to hedge the exchange rate risk between Sterling and Yen.

Dividend Policy

The Company's target dividend yield is 7 per cent. of the Placing Price per annum once the net proceeds of the Placing have been converted into Yen and fully invested in J-REITs* and it aims to achieve an IRR in excess of 20 per cent. per annum. The Board anticipates that the Company will pay dividends on a semi-annual basis but will also consider paying other dividends from time to time if they believe that the financial position of the Company justifies it. The income from J-REITs will be denominated in Yen and dividends paid in Sterling, therefore, the Company is likely to have some exposure to variations and currency exchange rates which might affect the Company's ability to achieve its target dividend yield.

* The above returns are illustrative and based on a number of assumptions (including but not limited to the assumption that J-REITs will continue to pay dividends and that capital gains will be generated) which may not materialise or be achieved. There can be no guarantee that the Company will generate the returns set out above. None of the above should be taken as a forecast of profits.

Panmure Gordon acted as nominated adviser, placing agent and broker. Helvetica Wealth Management Partners (Asia) Pte Limited acted as distribution adviser.

Alex Kinmont, Managing Director of Prospect Asset Management, Inc., commented:

“We are delighted with the level of support from investors globally. We look forward to deploying the funds raised in a portfolio of J-REITs and generating value for shareholders. On our numbers, the Japanese real estate market has substantially underperformed almost all other major international property markets over the last 15 years and despite the first sustained signs of recovery, it currently trades at only two thirds the level reached in 1992, and at significant discounts to the UK and US. With the general economic indicators looking more favourable, Japan’s recovery, albeit nascent, underpins rents and capital values. Supply and demand points to asset price rises. The quoted Japanese real estate sector (excluding J-REITS) appears to us to have anticipated a continuation of the recovery, but J-REITs remain priced for continuation of a slump.”

For further information, please contact:

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Defined terms have the meaning set out in the Admission Document dated 9 November 2007

Panmure Gordon (Broking) Limited (acting as nominated adviser, placing agent and broker) and Helvetica Wealth Management Partners (Asia) Pte Limited (acting as distribution adviser) are advising Prospect Epicure J-REIT Value Fund PLC and no-one else in relation to the proposed placing of ordinary shares in the capital of the Company (the "Placing") and the proposed application for admission ("Admission") of the entire issued and to be issued share capital of the Company to trading on AIM and will not be responsible to anyone other than Prospect Epicure J-REIT Value Fund PLC for providing the protections afforded to customers of Panmure Gordon (Broking) Limited or Helvetica Wealth Management Partners (Asia) Pte Limited for providing advice in relation to the proposed Admission.

This announcement does not constitute an offer to sell or issue, or the solicitation of an offer to buy or subscribe for ordinary shares in the Company in any jurisdiction to whom or in which such offer or solicitation is unlawful and, in particular, is not for release, publication or distribution in or into the United States, Australia, Canada or Japan or (including their territories, possessions and all areas or territories subject to their jurisdiction) or to any national, resident or citizen of the United States of America, Canada, Australia or Japan or to any corporation, partnership or other entity created or organised under the laws thereof, or to any persons in any other country outside the United Kingdom where such release, publication or distribution may lead to a breach of any legal or regulatory requirement.

This announcement does not constitute a recommendation concerning the Placing. The value of shares can go down as well as up. Past performance is not a guide to future performance. Potential investors should consult a professional adviser as to the suitability of the Placing for the investor concerned.

This document is not an offer of securities for sale in the United States of America, its territories or possessions (the "United States"). The shares to be offered in the Placing have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and may not be offered or sold in the United States or to any "US person" (as defined in Regulation S under the Securities Act) except pursuant to an exemption from the registration requirements thereof. The Company does not intend to conduct a public offering of shares in the United States.

Certain information contained in this announcement includes forward-looking statements. Such forward-looking statements are not guarantees of future performance. These statements are based on current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements, including the risks to be described in the admission document. The Company does not undertake, nor does it have any obligation, to provide updates or to revise any forward-looking statements except as may be required by applicable law and regulation (including the AIM Rules).

Appendix

Background to the Investment Sector

Japanese economic background

The Japanese economy performed poorly in the late 1990s and early 2000s, but since 2003, appears to have entered a recovery. The subsequent expansion is now – on Japanese measures – the second longest period of economic expansion in the post-War period.

Following the collapse of Japan's asset "bubble" in 1990, the nation drifted between modest growth and recession until lapsing into actual deflation in 1997-8. This homegrown deflation exacerbated the impact of global slowdowns, and Japan experienced unusually deep recessions in both 1998 and 2002. Much of the blame can be placed on what with hindsight appear to be errors in the area of fiscal and monetary policy – both errors of timidity and inaction and actual mistakes such as the tax increases of 1997 and the interest rate increase of 2000. Both 1998 and 2002 were marked by heightened financial sector instability, so serious as to necessitate bailouts or resolutions of financial institutions by the public sector in both periods.

Steps have been taken to deregulate and liberalise protected areas of the economy, but the pace of these positive changes has been overwhelmed from time to time by contractionary domestic policy and/or global recessions. Since 2003, policy has tended to be either expansionary or not sufficiently contractionary to overwhelm basically benign conditions internationally, and economic performance has improved. Estimates of Japan's trend growth have gradually been revised upwards, but a significant body of opinion remains sceptical of Japan's long run potential, given well-known problems in the area of public finances and an ageing society, and the lingering aftermath of financial instability.

The legacy of the 1990s problems is most evident in the financial sector. Following taxpayer-funded bailouts, banks, in particular, have made significant progress in disposing of their overhang of bad loans. Yet bad loan levels remain above the averages for banks operating principally in other G7 countries. In general, financial sector reform has led to the formation of larger financial conglomerates which currently appear more stable than their smaller constituents parts. Nonetheless this new financial structure has not yet been "stress-tested" by a recession. While banks' balance sheets appear cleaner, and conglomeration does represent an effort to diversify revenue streams, earnings power remains more dependent on commercial and industrial lending, and more highly influenced by the level of the stock market, than at banks in other G7 countries.

With a small and protected agricultural sector and a poor endowment of mineral wealth, Japan is highly dependent on agricultural, mineral and energy imports. Consequently, Japan is sensitive to fluctuations in commodity prices and to any interruption in the flow of global trade in such commodities.

While the US is Japan's largest single trading partner, approximately half of Japan's trade is conducted with China and developing nations, most of which are in southeast Asia. Though the largest economy in Asia (at current exchange rates), external events such as

economic difficulties in Japan's neighbours would still raise concerns over both the nation's overall trade position and the profitability of major Japanese exporters. Over the past 10 years the degree to which Japan's corporate sector has integrated with rest of the region, especially China, has increased. This implies that the political stability of southeast Asia, together with strategic tensions between Japan and China and the Koreans, represent risks of potential importance to investors in Japan. Furthermore, the good trade relations with the United States currently enjoyed by Japan may not persist. The history of the bilateral relationship is of alternating periods of trade tension and strategic rapprochement. This history of trade tensions has tended to be associated with bouts of sharp appreciation in the external value of the Yen, and equally with periods of sharp depreciation once trade tensions dissolve. The adverse impact on trade resulting from Yen appreciation represents an important economic risk; while the adverse impact on the US Dollar (or other currency) value of investments in Japan arising out of Yen depreciation, and the possibility that a weaker currency might be associated with an unforeseen rise in interest rates, represent portfolio risks of some magnitude.

Japanese life expectancy is at the highest end of the G7 spectrum; Japanese birthrates at the lowest. The nation is now entering a period during which problems caused by the transition from a relatively young and growing labour force to a relatively old and falling labour force will become increasingly visible as "baby-boomers" retire. While these problems can easily be overestimated, they do raise questions over the sustainability of the fiscal position and in respect of the adequacy of both corporate and public pension provision. The level of public sector indebtedness as a percentage of GDP is at the highest end of the developed country range, while tax receipts as a percentage of GDP remain low. Academic opinion is divided on the question of whether, under the assumption that general economic recovery continues, total tax revenues would rise faster than the average nominal interest paid on Government debt or more slowly. If the nominal interest rate rises faster, then fiscal problems could deepen to a material degree. So far in this recovery, tax revenues have risen both faster than expected and faster than interest rates. There is no guarantee that this benign state of affairs will continue.

While global conditions have been supportive of the recovery that has unfolded since 2003, the twin headwinds of a banking crisis and an overcapitalised and unprofitable corporate sector also appear to have dissipated. Nonetheless the evidence that deflation has receded remains equivocal. Moreover, government indebtedness remains a potential longer term problem as an ageing population promises a rise in health and welfare costs over the coming decade, while Japan's dependence on external demand may prove greater than currently believed by most market participants.

Nonetheless the Investment Adviser believes that an important inflection point was reached in 2003 for two reasons: first, the Government chose to underwrite the anticipated final clean-up of the bad debt difficulties of the major banks; and second, an important easing of monetary conditions which accompanied and supported this resolution of non-performing asset problems.

The Investment Adviser believes that the decline in the real trade weighted value of the Yen to levels not seen since prior to the Plaza Accord (by which Japan acceded to demands for a rapid appreciation of her currency) represents a decisive break with the dispensation which prevailed in the 1990s. This decline embodies a loosening of effective monetary conditions in Japan and promises a further elongation of Japan's recovery.

The recovery that has unfolded since 2003 is distinguished, in the Investment Adviser's view, by two features. First, it has been accompanied by a resumption in bank lending growth. Second, it has been accompanied by a fall in the total number of unemployed workers. Neither of these developments were features of the failed recoveries of the 1990s and early 2000s.

Japanese physical real estate

The Japanese physical real estate market has substantially underperformed almost all other major international property markets over the last 15 years. Despite a nascent recovery in property prices which began in 2003, current real estate valuations are still only two thirds of the level they reached in 1992. By way of comparison, London real estate prices have more than doubled over the same period.

These diverse trends have led to a situation whereby Japanese physical real estate is demonstrably cheaper than in most other G7 countries. Prime Tokyo real estate, for example, trades at two thirds of the price of its Manhattan equivalent, and at less than half the price of similar properties in London. These relative price discrepancies are to be found across Japan.

By the same token Japanese commercial real estate is also trading at a steep discount to its international peers. This is most clearly demonstrated by comparing rental yields to the relative cost of funding as measured by the corresponding Government bond yields: Tokyo commercial property yields 200 basis points more than Japanese Government bonds, Manhattan commercial property trades in line with US bonds, and London commercial property yields 50 basis points less than UK Gilts.

Background on J-REITs

Following a revision of the Securities Investment Trust Laws (Investment Trust and Investment Corporation Laws) in November 2000, the TSE created a listing system for J-REITs in March 2001. The first J-REITs were listed in September 2001.

J-REITs are exempt from corporate income taxes in Japan so long as they distribute 90 per cent. or more of their net income to unit holders. Though essentially similar structure to US REITs, they differ from US REITs in that management is "external", that is to say by an asset manager bound by contract to the J-REIT, and in details, such as that they are not allowed to distribute depreciation to unit holders.

In April 2003 transfer tax rates and dividend tax rates for J-REITs were reduced (as part of a general tax revision). In July of the same year fund of funds which invest solely in the securities of both domestic and non J-REITs were allowed as a result of reforms by the Investment Trust Association.

In December 2004 J-REITs were permitted to participate in the shelf registration system for the issuance of both new equity and corporate debt securities.

As a result of restrictions in the Law concerning Investment Trusts and Investment Corporations (Law no. 198 of 4 June 1951, as amended) (the "Investment Trust Law"), J-REITs may not use company spin-offs, equity transfers or equity swaps. Corporate financing actions/events are therefore in effect limited to mergers, acquisitions or

business/asset sales. In general, mergers require a 2/3 majority approval at the unit holders' meeting, but friendly takeovers can proceed more easily because of the *de facto* approval system. In the case of a buy-out and delisting, however, various legal interpretations of the liquidation process have been offered, but, as none have yet been tested, much remains to be explored.

Should a J-REIT own more than 50 per cent. of the outstanding shares of another corporation, it no longer meets the requirements by which it enjoys a corporate tax exemption. Likewise, if three persons own more than a 50 per cent. stake in a J-REIT, it is treated as an affiliated company and as a result no longer qualifies for corporate tax exemption.

In June 2006 the Financial Product Transaction Law was enacted. This put the Financial Supervisory Agency of Japan in charge of regulating securitised real estate products, including those which are private/unquoted. Formerly, the real estate industry had been under the supervision of the Ministry of Land, Infrastructure and Transport.

The Japanese economy

It is the opinion of the Investment Adviser that a series of economic indicators point to a continuing recovery in the Japanese economy. Of these, the rise in demand for bank loans and the decline in unemployment are perhaps the most uncontroversial. The former confirms an increase in consumer and industrial expenditure and the latter serves to underpin both consumer confidence and consumer spending. The recent replacement of the Prime Minister is not expected to lead to any changes in Government policy which might materially affect these macroeconomic trends.

Supply and demand point to asset price rises

The Investment Adviser expects that the increase in Japanese economic activity will be accompanied by an increase in migration into Tokyo, which would further underpin both commercial and residential demand. High levels of old office building scrappage have meant that net new demand for office space is running in excess of net supply.

The attractions of Japanese real estate have not gone unnoticed by foreign investors who have invested net new money in the sector of over \$36bn over the last 5 years.

The relative performance of the quoted real estate sector

The Topix Real Estate index measures the performance of the quoted Japanese Real Estate sector, excluding J-REITs. This index has substantially outperformed the overall Tokyo Market (Topix) since H1 2000. The last time such a sustained period of outperformance occurred was between 1985 – 1987, and preceded a subsequent rise in Japanese physical real estate prices.

By contrast, listed J-REITs have lagged both the domestic real estate index and the wider stock market. Indeed, the poor performance of the J-REIT sector has led to a situation where many J-REITs are trading at double-digit discounts to their estimated NAVs.

Prospect believes that this divergence in performance is due to the relative lack of maturity of the J-REIT market. In more developed REIT markets such as the US, for

example, REIT yields have declined below comparable Government bond yields. Indeed, US REITs are currently trading at a 93 basis point yield discount to US Treasuries. This compares with a 200 basis point yield premium which J-REITs currently offer versus Japanese Government bonds.

Accessing the opportunity: the Prospect Epicure J-REIT Value Fund

The Prospect Epicure J-REIT Value Fund has been established in order to exploit this perceived twofold opportunity: an investment in undervalued Japanese physical real estate accessed through financial instruments, J-REITs, which are themselves trading at a discount to their estimated NAVs. The Company will seek to pay an annual dividend of 7 per cent. on the Placing Price in Sterling, derived from J-REIT dividend income and realised capital gains in Yen, and aims to achieve an IRR in excess of 20 per cent. per annum*.

** The above returns are illustrative and based on a number of assumptions (including but not limited to the assumption that J-REITs will continue to pay dividends and that capital gains will be generated) which may not materialise or be achieved. There can be no guarantee that the Company will generate the returns set out above. None of the above should be taken as a forecast of profits.*

The Investment Adviser has compiled a proprietary data base which enables it to highlight value discrepancies in the J-REIT market. Using, as a basis, its in-house estimates of each individual REIT's Net Operating Income ("NOP"), the Investment Adviser then capitalises these NOIs at appropriate Capitalisation Rates (in line with internationally-accepted valuation methodologies) and calculates, for each J-REIT, how much the property portfolio would be expected to command were it offered on the open market. Using publicly available (and constantly updated) data on J-REIT debt, the Investment Adviser then calculates real time NAV estimates which they compare with the current equity market value in order to determine under or overvaluation. Assuming that, as a perfectly transparent ownership vehicle, a J-REIT is worth at least what its assets are worth, the range of under- and over-valuation relative to Net Assets can fluctuate between minus 20 per cent. to plus 30 per cent., according to the Investment Adviser's estimates.

Active management of the portfolio should allow the Investment Adviser to generate both income from J-REIT dividends and exploit market-driven opportunities for capital gains.

Prospect believes that the J-REIT premiums and discounts which are currently obtained are largely a function of market inefficiencies. These include the relatively recent history of the asset class, comparatively poor coverage by brokers (many of whom focus on earnings rather than asset values), and the underdeveloped nature of the regulatory environment. Prospect expects that, as the sector gains critical mass through a combination of new issues and sector consolidation, these valuation discrepancies will gradually diminish. The clarification of, and modification to, the legal framework, widely anticipated within the industry, should facilitate consolidation.

As both a J-REIT originator/operator and investor in J-REITs, Prospect is in a favourable position to pursue "Soft Activism", which should help to accelerate the medium-term process of eliminating J-REIT discounts.

The Company's tax structure aims to reduce the fiscal drag on dividends and capital gains. The Company's use of leverage is designed to enhance investor returns.