

Rubicon thrives despite sub-prime hurricane

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Gordon Fell's heavily geared Rubicon Europe Trust Group weathered the sub-prime storm yesterday, reporting a 56 per cent jump in first-half net profit to \$54 million.

After stripping out the impact of revaluations on the trust's property assets and derivatives, the trust reported a net operating profit of \$18.9 million – a 77 per cent increase on the previous corresponding period.

But the result did not help the trust's share price, which fell 1¢ to 94¢ yesterday, well below the \$1.03 to \$1.05 issue price when it raised \$246 million through a rights offer and placement in February.

Rubicon Europe, which owns eight commercial properties in the Netherlands, Germany and Austria worth €644 million (\$1.045 billion) and a portfolio of property backed mezzanine loans worth €335 million, has suffered from perceptions it is vulnerable to the credit squeeze prompted by the sub-prime meltdown.

Rubicon Europe, which has gearing of 61 per cent, has seen its shares fall from a February high of \$1.14 to a low of 91.5¢ last week, before it issued a statement last Wednesday saying it

RUBICON EUROPE TRUST

Half year	2007	2006
Revenue (\$m)	102.9	59.9
Pretax (\$m)	79.2	49.9
Net (\$m)	54.0	34.5
EPU	13.34¢	13.34¢
Interim dist*	4.95¢	4.88¢
Units (last)	94¢	(-1¢)
*Payable	Aug 15	

had no exposure to sub-prime lending and that its eight mezzanine loans are secured by commercial property in Europe and being repaid on time.

Rubicon said if it had to mark-to-market the loan portfolio, it could incur a €3 million write-down on its value. However, the company said the potential write-down was more than offset by mark-to-market gains elsewhere in the balance sheet.

“Clearly, the credit market is in a state of high volatility, and liquidity in certain segments has all but vanished,” Mr Fell said.

“This has the potential to damage forced sellers, which we certainly are not. We’ve extended the weighted average lease term to 11.2 years. That’s a massive amount of income security.”