PRYTANIA INVESTMENT ADVISORS LLP

Market Update

July 2015

Athena

An actively managed global opportunities fund, exploiting exceptional value across the structured credit universe, targeting future returns of 8-10% p.a. over 3 years.

May 2015*	+ 3.31%
2015 YTD*	+ 3.11%
2014	+ 3.01%
2013	+ 18.64%
2012	+ 32.34%

*June performance pending

Galene

Actively managed global fund focusing on investment-grade structured credit assets, targeting returns in excess of 1M EURIBOR+300bps p.a.

GBP Share Class

June 2015	- 0.83%
2015 YTD	- 2.44%
2014	+ 7.26%
2013	+ 5.32%
2012, from June launch	+ 5.55%

USD Share Class

June 2015	+ 1.70%
2015 YTD	- 2.16%
2014	+ 2.20%
2013, from April launch	+ 7.15%

EUR Share Class

June 2015	- 1.13%
2015 YTD	+ 6.99%
2014, from April launch	+ 7.04%

Metreta

Senior structured credit assets, seeking stable returns of EURIBOR+100bps p.a.

June 2015	- 0.19%
2015 YTD	+ 0.07%
2014	+ 1.69%
2013	+ 0.95%
2012, from March launch	+ 4.60%

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Hotter than Hades?

On Saturday 27th June the Greek Prime Minister called a national referendum on July 5th, in order to decide on the Eurogroup's latest bailout terms. The Eurogroup refused to extend Greece's current bailout beyond the 30th of June, whilst the ECB froze the Emergency Liquidity Assistance (ELA) to Greek banks at the level of Friday 26th June, triggering capital controls and a bank holiday until the 7th of July. Greece is now in arrears with the IMF, having missed a €1.6bn payment due to the fund on the 30th of June. This action is not classified as a sovereign default as the IMF's bilateral loan does not trigger cross-default to Greek government bonds but the EFSF has the right to accelerate payment on its loans, potentially triggering cross-default to government bonds. With PM Tsipras' government supporting a 'No' vote (i.e. rejecting the latest bailout proposal) it remains to be seen how the referendum will play out. Early polls show that a 'No' vote is in the lead but capital controls seem to be shifting consensus in favour of 'Yes' outcome.

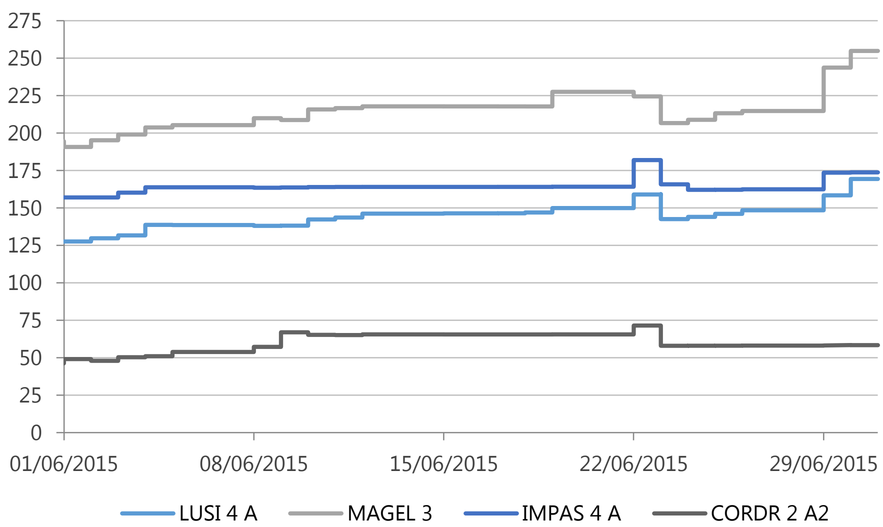
In the meantime the markets had a violent reaction to that surprise announcement: the 2-yr and 10-yr Greek government bond yields jumped on Monday 29th of June to 36% and 15%, from 21% and 10.5%, respectively, from a day earlier. In the ABS markets, the Greek reference RMBS bond GRIF 1 A opened on Monday about 13 points lower (in the low 50s) from Friday's closing, Portuguese senior RMBS were about 5 points lower at opening and Spanish securities were also affected, albeit to a lesser extent. Italian RMBS spreads have remained almost unchanged while "core" European yields seem to have avoided any contagion risk. The EUR has moved lower only marginally, suggesting that, for as long as Greece appears to be "ring-fenced," the effect on other assets has remained muted.

As mentioned in previous newsletters, the situation in Greece has so far played out in line with our base case scenario and, although, we still have zero exposure to the country that could change in the near future if a compelling buying opportunity occurs. We are also actively looking at a range of assets in the safer markets of Europe where prices have dropped in the wake of the Greek default.

Beyond Greece and Europe, we expect to see a strong employment report in the US combined with improved Q2 GDP figures which will increase pressure for a FED tightening. Our funds are well placed for such a move since the underlying US holdings are exclusively floating-rate securities.

Discount Margins in EU RMBS Seniors

Source: Prytania Investment Advisors, July '15



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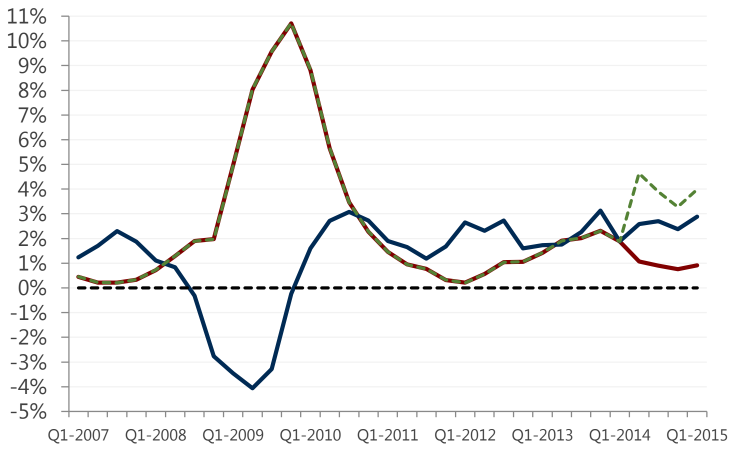
US structured credit: a safe harbour in stormy seas

Whilst the Greece crisis continues to upset European markets, the relative appeal of the stable environment in the US glows ever brighter. Strong US fundamentals underpin a benign outlook for structured credit markets, with low defaults and a renewed pick up in the pace of GDP growth. US CLOs are one example of American structured finance where we have long seen better relative value than in Europe with risk adjusted outperformance seen in terms of both liquidity and yield.

As can be seen in the graph below, after the surge in bankruptcies in the credit crisis through 2009, the leveraged loan default rate has been below the 3.2% historical (17 year) average, albeit we have to caveat that with the fact we have removed the defaults of both TXU and Caesars since Q2 2014. With those names included the default rate would increase as high as 4.6% in Q2 2014 which shows the quantum of size these defaulted names had upon the overall market rate. The fact these companies were long identified as expected defaults meant many CLO managers were able to either avoid the names or trade out and rebuild par long before the actual default affected the CLO. We expect the change in quarterly GDP growth on a year earlier to accelerate over 3% and the default rate to be below 3% through Spring 2016.

US Leveraged Loan Index Default Rate (excl. TXU & Caesars) vs. US GDP Q-on-Q

Source: Prytania Investment Advisors, July '15



New US RMBS asset classes attract investors

Buoyed by the steadily rising US housing market, three new RMBS sectors have emerged in recent years:

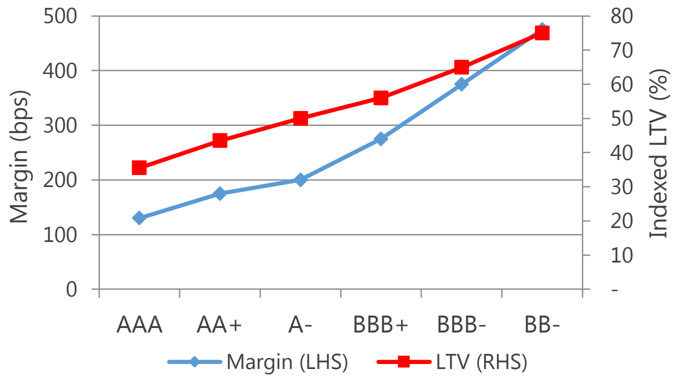
1) agency risk transfer (Freddie Mac: STACR, Fannie Mae: CAS),

2) single family rental deals (SFR) and

3) multi-borrower deals (MTB).

Latest Single Family Rental (IHSFR 2015-SFR 3)

Source: Prytania Investment Advisors, July '15



The issuance volumes of CAS/STACR and SFR deals have increased significantly to $20bn and $12bn, respectively. New issuance in 2015 for those two sectors are seen in the region of up to a $10-15bn for CAS/STACR and $4-6bn of SFR deals. Single family rental deals seem an attractive way of participating in the US housing recovery given senior AAA spreads are currently at +130bps with BBB spread around 275bps. The agency risk transfer deals are considerably more levered, however, they are structured to withstand the historic losses experienced in the past crisis. The multi-borrower RMBS market is nascent, and with the main rating agencies still needing to develop their methodology fully, the wide spreads achieved on the senior notes are not surprising.

LTVs at the AAA note level for SFR deals stands at 35%, which provides ample credit protection. LTV at the BBB+/BBB- level is in the mid 50s to low 60s area. A main concern is the ability to refinance the transactions on their expected maturity dates and, hence, the investor is compensated through wider spreads and more credit enhancement.