

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.

July 2015	+ 1.01%
2015 YTD	+ 4.37%
2014	+ 3.01%
2013	+ 18.64%
2012	+ 32.34%

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

July 2015	- 0.52%
2015 YTD	- 2.94%
2014	+ 7.26%
2013	+ 5.32%
2012, from June launch	+ 5.55%

USD Share Class

July 2015	- 0.96%
2015 YTD	- 3.10%
2014	+ 2.20%
2013, from April launch	+ 7.15%

EUR Share Class

July 2015	+ 0.52%
2015 YTD	+ 7.55%
2014, from April launch	+ 7.04%

Metreta

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

July 2015	- 0.36%
2015 YTD	- 0.30%
2014	+ 1.69%
2013	+ 0.95%
2012, from March launch	+ 4.60%

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Beware Greek's bearing gifts?

Last month in an article headlined "Hotter than Hades", we referenced the disruption caused to credit markets from the Greek Tragedy / Satyr being very publically played out between the Greek Government and their creditors.

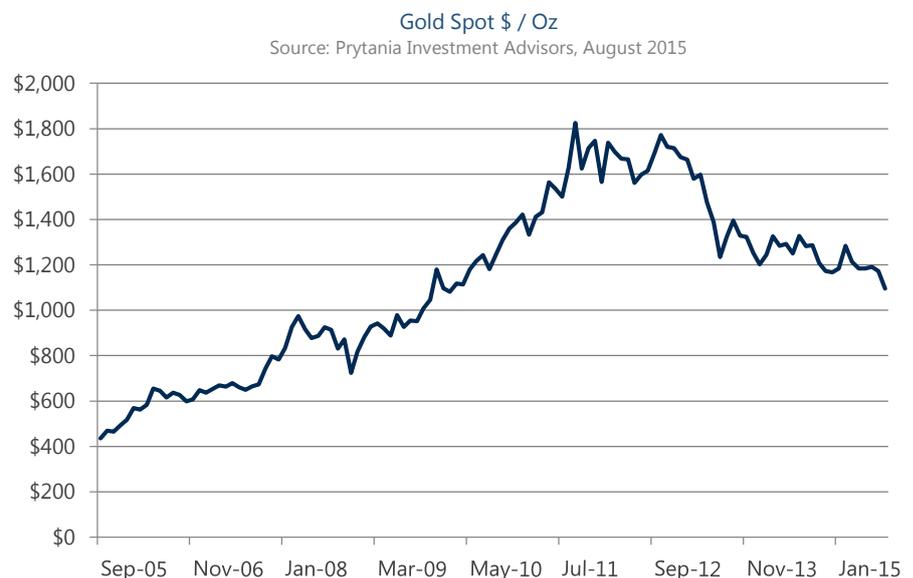
With the additional volatility happening at a time when investors, traditionally, ease back prior to summer vacationing, it was almost inevitable that a number of structured credit deals slated to close in the early part of July were delayed. Whilst we may question the longer term viability of the Greek plan we also thought it inevitable that, once the situation eased, delayed deals would return to the new issue calendar as structuring desks needed to clear lines.

This assumption proved correct and whilst we had positioned our funds to take advantage of an anticipated widening in secondary, the rush of delayed primary deals prior to the start of August actually proved the more abundant source of investment opportunities; good deals priced materially wider than peers and above longer term market trends.

In the last few weeks of July we added 15 separate line items across our three actively managed funds, Metreta, Galene and Athena, 13 of which were sourced from primary issuance. Details of these are provided in the individual fund fact sheets but all deals should be considered as "mainstream" in nature, with standard market structures and collateral types. Accordingly, we believe that the reoccurrence of more normal market dynamics later in the year will see returns from these investments in particular out-perform peers.

Volatile pockets in the macro environment

Gold experienced a losing streak in July, that was unparalleled in 20 years, as a combination of a strong US dollar, looming interest rate rises on both sides of the Atlantic and seemingly improved global economic fortune. After a brief recovery on the back of concerns around the latest market crunch in China, Gold fell again subsequent to the Federal Reserve hinting at a rate rise in the near future which pushed the dollar to new multi-year highs. Currently trading around \$1,090 which is below the symbolic \$1,100 threshold and approaching a 5-year low, it seems pressures on both the up and downside will result in a somewhat volatile market in the short-to-medium term.



Puerto Rico defaulted on some of its debt over the last weekend of July, formally pushing the US territory into default and initiating what could be a long restructuring process for its \$72bn debt pile. Without additional measures it has been suggested that the Commonwealth will run out of cash by November and without significant growth in economic activity in the very short term, a significant haircut will be expected.

WTI Oil prices were down 18% month-to-date to below \$49 in July and only \$5 above the post-crisis low in mid-March 2015. The ensuing sell-off in HY and loan markets weighed upon the CLO market and deals with a higher energy concentration traded wider. Although the leveraged loan default rate has remained benign over the past couple of years (excluding the giant defaults of TXU and Caesars) and is expected to remain so over the near term (healthy interest coverage and lack of an imminent maturity wall), idiosyncratic and sector-specific risks i.e. Energy – Oil & Gas have increased.

Resurgence in CRE CDOs

The CRE CDO market was created on the back of a buoyant US CMBS market and picked up in speed after 2004, only to collapse during the credit crunch. New deals did not start originating again until 2012 and by the end of 2014 23 new transactions were brought to the market.

In 2015, investor's appetite for floating rate product, a strong US CRE market and volatility in the US CMBS space has increased issuance significantly with 3 deals printing in the first half of the year and another 3 priced in July and early August.

We believe that the new issue market is currently offering some attractive investment opportunities as the investor base is still rather limited but the new deals are starting to become more commoditised and certain larger managers are committed to regular supply of transactions, which should help attract more buyers to this space.

Greece; the short story for now

Greece has stayed away from headlines in the past couple of weeks as talks with Troika / other institutions are progressing well. The aim is to conclude discussions about the third bailout programme by mid-August in order for the Greek government to repay approximately €3.4bn to the ECB and national central banks on the 20th of August.

In the mean-time the Greek financial system is in urgent need of recapitalisation; the current base case scenario is that the ECB is likely to continue recognising 75% of their deferred tax assets (DTAs) as capital and some rough calculations indicate that the capital shortfall is estimated to be around €20bn. An expected side effect is the consolidation of the Greek financial system but rumours about an early general election around October might push back any decision making.

Risk Retention: A positive regulatory update

The final US risk retention rules were published in the Federal Register in December 2014 mandating compliance beginning December 2016. In short, the rules require "manager" retention of at least 5% of the credit risk of any new CLO issued from December 2016; one concern had been the treatment of refinancings for non-compliant CLOs after the effective date.

The SEC issued a no-action letter in July 2015 stating that US CLOs priced prior to 24th December 2014 would not be subject to risk retention rules even if refinancing after the effective date (26th December 2016). The letter provides much needed clarification to the market with regard to the appropriate pricing of structures and also alleviates concerns of a rush of refinancings in the months prior to the deadline. The letter directly provides refinancing leeway to 510 CLO 2.0 deals that priced prior to December 2014, totalling \$256bn. There is an impact to both debt and equity tranches as a result and the refinancing must adhere to certain conditions i.e. needing to exercise a refinancing within 4 years of closing date to avoid risk retention. This leeway increases the value of the refinancing option to the equity holder whilst in turn increases the call risk premium embedded in CLO debt.

This document provides information about the Prytania Athena Fund ('Athena'), Galene Fund ('Galene'), Metreta Fund ('Metreta') and the services provided by Prytania Investment Advisors LLP ('the manager') as well as a general market update. Opinions, forward looking statements and projections expressed represent the views of the contributor at the time of preparation. The Manager does not accept any liability whether direct or indirect arising from the use of the information contained in this newsletter, which, to the knowledge of the Manager is reliable and accurate but cannot be guaranteed. The Manager is FCA authorized to undertake regulated investment business. The Manager is not currently registered as an investment advisor with the United States Securities and Exchange Commission. This document must not be construed as investment advice or offer to invest in any Prytania fund and has been provided to you solely for your information and may not be copied, reproduced, further distributed to any other person or published, in whole or in part for any purpose. Any other person receiving this document should not rely upon its content. This document is intended for use by Professional Clients, Eligible Counterparties and accredited investors, as defined under Regulation D of the United States Securities Act of 1933, as amended (the "Securities Act") only. Past performance is not necessarily indicative of future results and nothing contained herein shall constitute any representation or warranty as to the future performance of the fund, any financial instrument or other market or economic measure. All returns are net of fees. Only year-end returns are audited. The representative of the Athena and Galene in Switzerland is Hugo Fund Services SA, 6 Cours de Rive, 1204 Geneva. The Paying Agent in Switzerland is Banque Cantonale de Genève, BCGE. The distribution of Shares in Switzerland must exclusively be made to qualified investors. The place of performance and jurisdiction for Shares in the Fund distributed in Switzerland are at the registered office of the Representative.