Market Update

November 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.

October 2015	- 3.41%
2015 YTD	- 3.49%
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

October 2015	- 1.27%
2015 YTD	- 2.66%
2014	+ 7.26%
2013	+ 5.32%
2012, from June launch	+ 5.55%

USD Share Class

October 2015	- 0.70%
2015 YTD	- 4.76%
2014	+ 2.20%
2013, from April launch	+ 7.15%

EUR Share Class

October 2015	+ 0.04%
2015 YTD	+ 5.20%
2014, from April launch	+ 7.04%

Metreta

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

October 2015	- 0.15%
2015 YTD	- 0.68%
2014	+ 1.69%
2013	+ 0.95%
2012, from March launch	+ 4.63%

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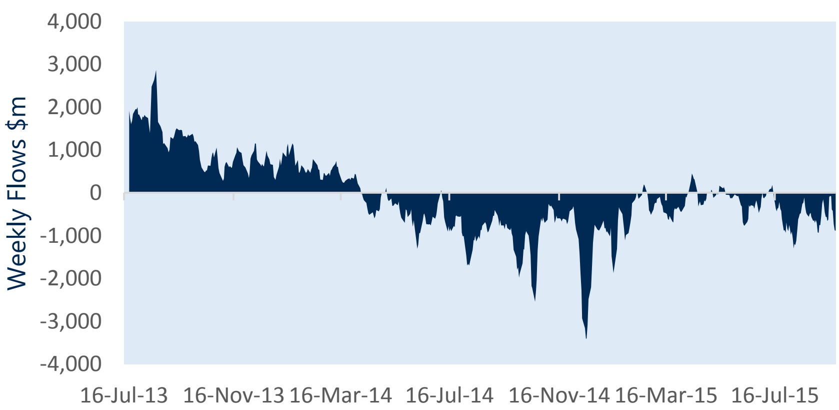
"Getting Overpaid for Risk"

Weaker loan market technicals have combined with macro risk-off sentiment emanating from an uncertain Fed and a slowdown in China to send spreads in CLOs out to 3 year wides. Investors are wondering if the risk has really increased to that degree or whether the opportunity now exists to get overpaid for taking exposure. Prytania thinks the latter and the following summarises our reasoning.

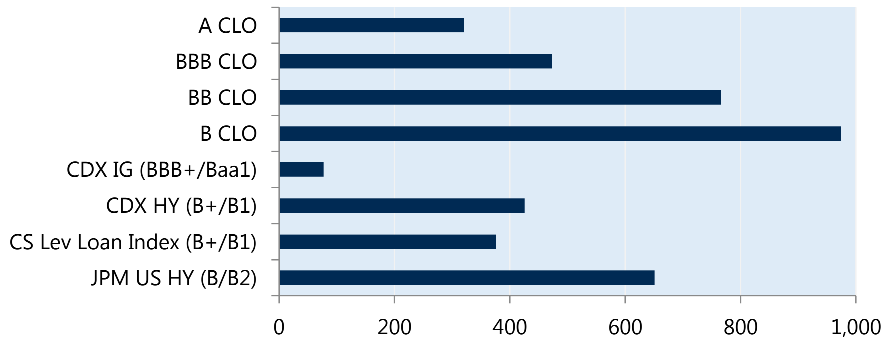
Spread implied default rates are much higher than the c. 1.3% actual rate currently enjoyed in both the US and Europe and we are not seeing the wave of downgrades one might expect if a "crash" was anticipated. Junior par coverage tests in CLOs remain stable and we expect cash flow to continue through to equity in the near to medium-term. Assuming the average junior OC cushion (a test which governs cash flow to equity) and an assumed recovery rate of 50% (historical recovery rates are c. 70%), the average buffer for further defaults and rating downgrades is approximately 8-9%. We continue to have grave concerns over the Oil and Gas sector and Metals and Mining, however the fact that Oil and Gas makes up on average 4% and Metals and Mining just 2% of a CLO portfolio means CLOs are generally well insulated against the anticipated stress. US loan fund inflows and outflows are often seen as driven by expectations around floating-rate loan spreads. Given recent hawkish comments from Fed Chair Janet Yellen we might be about to see this pendulum swing from December 2015 onwards as interest rates are increased leading to likely both loan fund inflows and spread tightening.

US Loan Fund Inflow/Outflows



Higher demand for loans should translate into stronger loan prices, higher levels of market value coverage and CLO spread tightening. Combine that with fresh capital that is available to be put to work in Q1 2016 and regulations constraining supply and there is the potential for strong tailwinds for the CLO market.

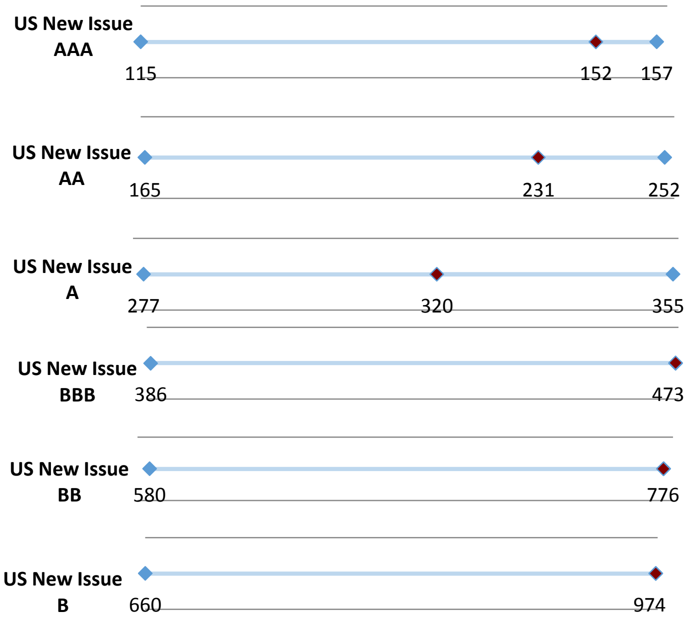
US Mezzanine CLO spreads wider than lower rated underlying



Whilst there is undoubtedly increased risk within the market, with certain sectors experiencing significant stress and CLO paper struggling to find liquidity during the most testing weeks of September and October, we believe structural features such as the credit enhancement embedded within CLOs protects debt investors from all but the most draconian of default scenarios and, even in junior mezz/equity tranches, judicious manager and collateral selection allows investors to find extremely attractive risk adjusted returns.

Whilst spreads can clearly widen further in the near term, Prytania thinks this remains a sector where investors should be ready to capitalise on the emerging opportunity.

US New Issue Average Spread/DM Ranges & Current Levels 2013-Present



Key : red equals latest

Source for all graphs: Prytania Investment Advisors, November 2015

The UK Buy-to-Let mortgage, a monster in our midst?

The UK Government has granted the Bank of England power, via the Financial Policy Committee (FCP), to regulate the Buy-To-Let (BTL) mortgage market. This news comes soon after the BoE's own warning that BTL is an upcoming threat to the UK's financial stability and also follows the Chancellor's announcement in July that private landlords will lose the ability to offset mortgage interest against income over the next five years for income tax.

So, is the BTL sector really at risk of imploding? We believe not.

Usually the rise in competition in a lending market also brings a relaxation in credit standards as originators seek to protect business models; offering higher LTVs, allowing greater income multiples, longer terms, etc. Whilst this is starting to happen in the more saturated prime mortgage market; the increase in BTL lending remains borrower driven, even the new "challenger banks" are offering mortgage loans still well within the expected FCP guidelines.

Accordingly, BTL performance trends remain excellent across the industry, LTVs remain modest at around 75% and debt service minima have not fallen from the 1.25x -1.40x range.

Tax changes are also unlikely to result in the wholesale exit of the private landlord as relatively inelastic demand means that they are likely to pass on any additional tax burden to the tenant via higher rents. The five year implementation phase is also sufficiently long to allow those most affected to shelter assets in a more efficient corporate structure.

We believe that not only is the private landlord here to stay, the industry is mature enough to comfortably adapt to the changing governmental environment. Accepting these dynamics, it seems clear that recent falls in cash bond prices, especially in those longer dated pre-crisis deals where we see increasing prepayment rates, has created some very interesting opportunities to add paper likely to mainly outperform other asset classes over the medium-term.

Call opportunities in Greek RMBS

After a period of relatively slow call activity in EU RMBS, we recently saw the calling of all the Themeleion transactions in Greece. This took market participants by surprise, as indicated by the fact that a few days before the call was announced the THEME 2 B and 3 B bonds traded on a BWIC and covered in the high 70s and low 60s, respectively. The Themeleion transactions were backed by residential mortgages originated by the Greek bank Eurobank and, given the low coupon on those bonds and the high liquidity needs of the parent, market participants were not placing any value to the call option of those bonds.

Although such corporate actions are idiosyncratic, we occasionally see similar positive shocks to different parts of the RMBS market which force market participants to reconsider their credit assumptions but we remain of the belief that bonds with similar mispriced call optionality remain available in other European RMBS and ABS markets.