

## Key Note Characteristics

Launch date	07/11/2016	Listing	CISE
Launch price	100.00p	Ticker	SANCUSLN
Senior notes	£10,050,000	Domicile	Guernsey
Senior dividend frequency	Quarterly	Impairment rate	0.00%
Senior dividend yield	8.00%	NAV	£17,541,949
Maturity	08/11/2018	Number of direct loans	18
Denomination	GBP	Equity value	£7,491,949
Average loan size (ex cash)	£685,772	Weighted average days to maturity	297

All data as at 07/02/2017 \*Source Amberton Asset Management Limited

## Investment Objective

The Sancus Loan Note limited is a special purpose vehicle listed on the Channel Islands Stock Exchange. £10,050,000 of Senior Notes were issued and attract an annual interest rate of 8%; 2% is distributed on a quarterly basis. The underlying assets are loans originated within the Sancus BMS Group Limited. Sancus BMS Group Limited own 7,500,000 preference shares in the structure which rank junior to the Senior Note Holders.

## Market Commentary

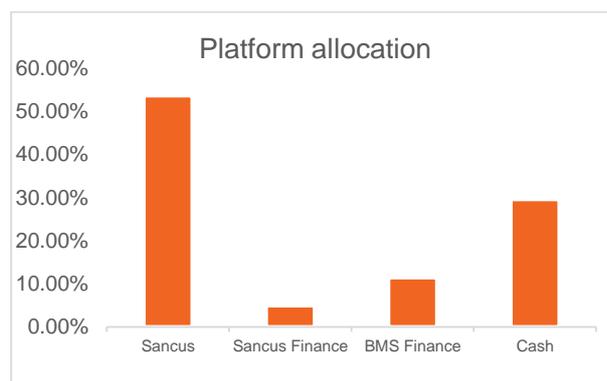
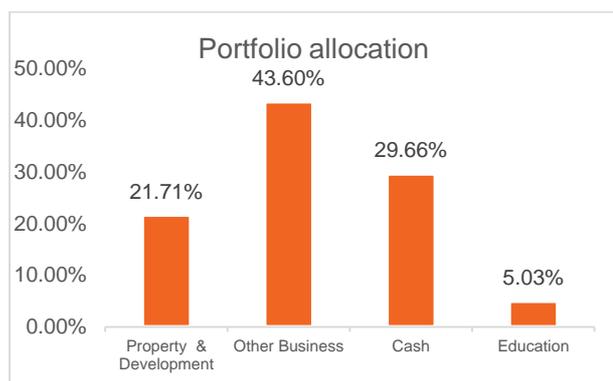
Sancus Loan Note Limited was launched successfully on the 7<sup>th</sup> November 2016 with total assets of £17,550,000, allocated between £10,050,000 in Senior notes yielding 8% per annum, and equity of £7,500,000 provided by the Sancus BMS Group. Demand for the Note was high and reflected the continued appetite amongst investors for alternative income exposure. As measured by AltFi.com, the total volume of GBP denominated debt approached £10 Billion by the end of the year with no signs that demand across both the SME and consumer sector was slowing down. It is clear that the disintermediation of the finance sector continues, assisted and encouraged by global governments. It stands to reason, the “mainstream” banks remain vulnerable to downside shocks in the economy and their available lending capital is a fraction of the levels seen during the mid 2000’s.

Macro data during Q4 2016 and heading in to Q1 2017 surprised on the upside with pricing pressure far from deflationary, indeed, RPI inflation in the UK currently stands at 2.5%, a level last seen during 2014 whilst CPI data is also increasing, currently at 1.6% Year-on-Year. Bank of England Governor Carney reduced the short-term interest rates in August 2016, citing a potential downwards shock to the economy following the Brexit referendum. This has clearly failed to materialize and more recently, the Head of the Central Bank indicated that the next rate move could actually be higher.

The shockwaves have been felt across traditional fixed income markets with the ten-year UK Gilt yield rising from a low of just 0.50% seen in August 2016, “topping out” at 1.52% in January 2017. This translates in to a fall in its capital price of 9%, the UK All-Gilts index has provided investors with a negative total return of 7% from mid-August to the 6<sup>th</sup> February 2017. With the dramatic fall in the value of the Pound which is likely to increase pricing pressures, government fixed rate debt does not seem attractive, even at headline yields in excess of 1%.

The initial investments within the Note were a series of diversified loans that were transferred in by the Sancus BMS Group. Amongst the investments, a significant proportion is backed by physical property with low loan to values. Since launch the total exposure to loans has been increased gradually to the current value of £12.3 Million, leaving the structure 70% invested across 18 individual loans. With a strong origination pipeline during Q1 2017, we expect the Note to be fully invested in short-order. The first coupon of 2% was paid to Senior Note holders on the 7<sup>th</sup> February, with further coupon payments due in May, August and November.

## Portfolio Analytics



## Top-Ten Single-Issuer Loan Exposure

Asset	Coupon	Maturity	Weighting	Platform
Loan 1	10.00%	Jun-18	9.12%	Sancus
Loan 2	8.00%	Oct-17	9.12%	Sancus
Loan 3	9.00%	Aug-17	7.41%	Sancus
Loan 4	9.00%	Dec-17	6.13%	Sancus
Loan 5	9.00%	Mar-17	5.70%	Sancus
Loan 6	6.00%	Feb-17	2.78%	Sancus Finance
Loan 7	12.00%	Oct-17	2.51%	Sancus
Loan 8	8.00%	Mar-17	2.28%	Sancus
Loan 9	8.00%	Oct-17	2.28%	Sancus
Loan 10	6.00%	Feb-17	2.25%	Sancus Finance

Source: Amberton Asset Management Limited

## For more information, please contact:

Matt Watson  
 Managing Director – Capital Markets  
 Amberton Asset Management Limited, PO Box 296 Suite W5, Sarnia House, Le Truchot, St Peter Port, GY1 4NA

Email [matt.watson@ambertonam.com](mailto:matt.watson@ambertonam.com)  
 Web [www.ambertonam.com](http://www.ambertonam.com)  
 Phone +44 (0) 1481 708240



TERMS AND CONDITIONS

The information contained in this document has been prepared by Amberton Asset Management Limited ("Amberton") in respect of Sancus Loan Note Limited (the "Note"). It has not been verified and is subject to material revision and further amendment without notice.

This document does not constitute or form any part of, and should not be construed as, an offer or invitation or other solicitation or recommendation to purchase or subscribe for any securities. No reliance may be placed for any purpose whatsoever on the information, representations or opinions contained in this document, and no liability is accepted for any such information, representations or opinions. This document does not constitute either advice or a recommendation regarding any securities. Any person who is in any doubt about the subject matter of this document should consult a duly authorised person.

None of the Note or, Amberton, or any other person makes any guarantee, representation or warranty, express or implied as to the accuracy, completeness or fairness of the information and opinions contained in this document, and none of the Fund or Amberton, or any other person accepts any responsibility or liability whatsoever for any loss howsoever arising from any use of this document or its contents or otherwise arising in connection therewith.

In preparing this document, Amberton has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was otherwise reviewed by Amberton. The information presented in this document may be based upon the subjective views of Amberton or upon third party sources subjectively selected by Amberton. Amberton believes that such third party sources are reliable, however no assurances can be made in this regard.

This document includes forward-looking statements. These forward-looking statements include all matters that are not historical facts, statements regarding the Notes's intentions, beliefs or current expectations concerning, among other things, the Note's results of operations, financial condition, liquidity, prospects, growth, strategies, and the sectors in which the Note intends to operate. By their nature, forward-looking statements involve risks and uncertainties. You are cautioned that forward looking statements are not guarantees of future performance and that the Note's actual results of operations, financial condition and the development of the sectors in which the Note intends to operate may differ materially from those made in or suggested by the forward-looking statements contained in this document. No representation, express or implied, is made that any changes to the information herein will be provided to you.

Neither this document nor its contents may be distributed, published or reproduced, in whole or in part, by you or any other person for any purpose. In particular, neither this presentation nor any copy of it may be: (i) taken or transmitted into the United States of America; (ii) distributed, directly or indirectly, in the United States of America or to any US person (within the meaning of regulations made under the Securities Act 1933, as amended); (iii) taken or transmitted into or distributed in any member state of the European Economic Area (other than the United Kingdom), Canada, Australia, the Republic of Ireland or the Republic of South Africa or to any resident thereof; or (iv) taken or transmitted into or distributed in Japan or to any resident thereof. Any failure to comply with these restrictions may constitute a violation of the securities laws or the laws of any such jurisdiction. The distribution of this document in other jurisdictions may be restricted by law and the persons into whose possession this document comes should inform themselves about, and observe, any such restrictions.

By accepting this document or by attending any presentation to which this document relates you will be taken to have represented, warranted and undertaken that: (i) you are a relevant person; (ii) you have read and agree to comply with the contents of this notice; and (iii) you will treat and safeguard as strictly private and confidential all the information contained herein and take all reasonable steps to preserve such confidentiality.