

Key Note Characteristics

Launch date	07/11/2016	Listing	TISE
Launch price	100.00p	Ticker	SANCUSLN
Senior notes	£10,050,000	Domicile	Guernsey
Senior coupon frequency	Quarterly	Impairment rate	0.00%
Senior coupon yield	8.00%	NAV	£17,622,211
Maturity	08/11/2018	Number of direct loans	26
Denomination	GBP	Equity value	£7,572,211
Average loan size (ex.cash)	£656,000	Weighted average days to maturity	344

All data as at 07/05/2017 *Source Amberton Asset Management Limited

Investment Objective

The Sancus Loan Notes limited is a special purpose vehicle listed on The International Stock Exchange. £10,050,000 of Senior Notes were issued and attract an annual interest rate of 8%; 2% is distributed on quarterly basis. The underlying assets are secured loans and loans to SMEs 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.

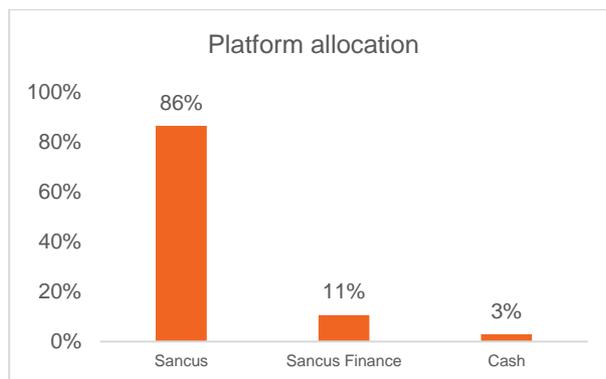
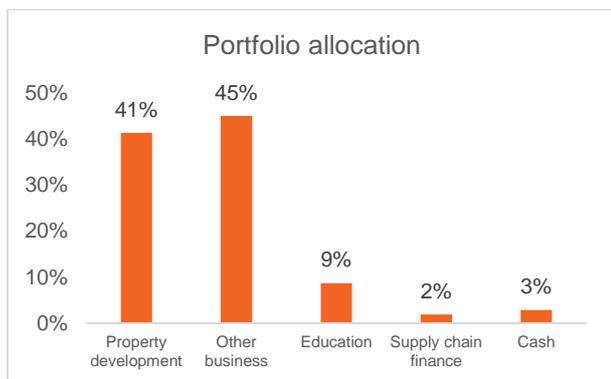
Market Commentary

Six months after the launch of Sancus Loan Notes Limited, investment exposure has reached 97%. Diversification of sector exposure within the company has been achieved and the average loan to value remains at low levels, providing excellent security for the loans. Amongst the sectors a loan was purchased for £880,000 assisting a developer with the capital needed for a theme park. This profitable business has provided security in the form of a debenture and a security interest agreement allowing an LTV of just 60%; the loan constituted approximately 5% of the portfolio. Another loan considered by the Credit Committee was for the redevelopment of an extremely attractive residential area in Liverpool. The loan was for 5% of the portfolio and has an LTV of 60%. The loan attracts an interest rate of 9% and has a first legal charge over the property combined with personal guarantees from the two directors of the business. Loan origination at the turn of the year was relatively slow, a normal occurrence, however the pipeline has built up rapidly leaving the portfolio almost fully invested. This increase in demand for alternative finance secured loans has been witnessed in the broader market with the AltFi UK volume index climbing to almost £11 Billion. With banks under continued balance sheet pressure, this trend is expected to continue.

Within geopolitical news, Theresa May called a snap general election with a date being set as 8th June. Opinion polls are pointing very strongly towards a Conservative victory and the Labour party are not doing themselves any favours in their campaigning. All good news for markets as equities continue to climb towards all-time highs seen during the month of March. Europe teetered on the brink of chaos with the French elections taking place just after the reporting period, 7th May 2017. With Le Pen threatening a strong anti-Europe stance and Macron taking an opposing view, the electorate firmly sided with Macron. The resulting rally in equity markets was impressive with the CAC 40 up 8% from its mid-month low in April. A “minor” event also occurred across the pond as the Federal Reserve again raised their Federal Funds Target Rate from 0.75% to 1.0%. Rhetoric accompanying the rise showed an expected path for short-term rates up to 1.50% by the end of 2017 and to 2.00% by Q3 2018. The coming months and years will be extremely testing times for traditional fixed income investors and given our view that equity market volatility will also rise, the manager believes that investments with no correlation to beta in either asset class, will continue to be attractive.

The second quarterly coupon of 2% was paid on the 7th May 2017, the remaining coupons for 2017 will be paid on 7th August and 7th November.

Portfolio Analytics



Top-Ten Single-Issuer Loan Exposure

Asset	Coupon	Maturity	Weighting	Platform
Loan 1	8.00%	Nov-18	11.32%	Sancus
Loan 2	10.00%	Jun-18	7.80%	Sancus
Loan 3	6.00%	May-17	7.47%	Sancus Finance
Loan 4	9.00%	Aug-17	6.34%	Sancus
Loan 5	9.00%	Dec-17	6.22%	Sancus
Loan 6	10.00%	Apr-19	4.96%	Sancus
Loan 7	9.00%	Sep-18	4.88%	Sancus
Loan 8	7.50%	Dec-18	4.29%	Sancus
Loan 9	9.00%	Jan-18	4.27%	Sancus
Loan 10	8.00%	Sep-18	3.93%	Sancus

Source: Amberton Asset Management Limited

Full underlying portfolio loan analytics are available from Amberton Asset Management upon request.

For more information, please contact:

Matt Watson
Managing Director – Capital Markets

Graham Glass
Managing Director

Amberton Asset Management Limited, PO Box 296 Suite W5, Sarnia House, Le Truchot, St Peter Port, GY1 4NA

Email matt.watson@ambertonam.com
Email graham.glass@ambertonam.com
Web www.ambertonam.com
Phone +44 (0) 1481 708240



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