

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	£17,896,487
Maturity	08/11/2018	Number of direct loans	30
Denomination	GBP	Equity value	£7,846,487
Average loan size (ex.cash)	£572,825	Weighted average days to maturity	284

All data as at 07/11/2017 *Source Amberton Asset Management Limited

Investment Objective

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

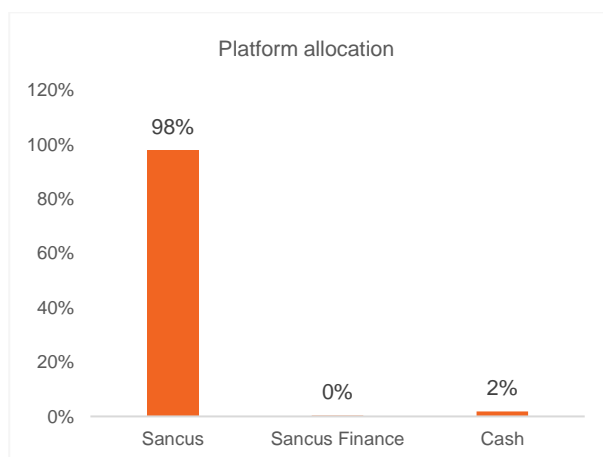
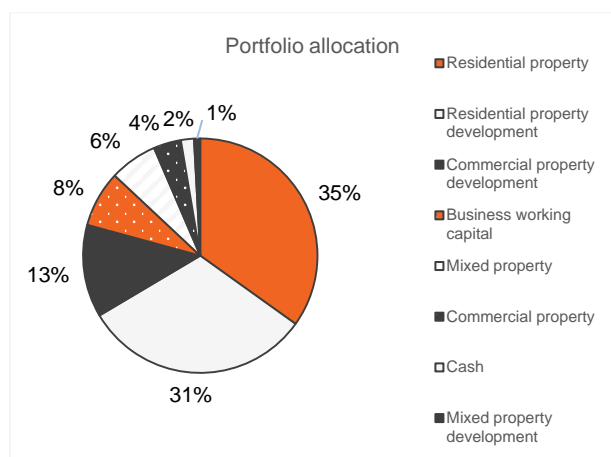
The macro environment throughout the past three months has seen a renewed focus on European central banks moving to a tightening stance. The Bank of England increased the official short-term interest from a low of 0.25% to 0.50% on 1st November and this was the first increase in over ten years. Concerns regarding Brexit remain, however the undeniable fact is that inflation is quickening across many regions. In the UK, UK CPI year-on-year inflation is now running at 3.0%, back to levels last seen in 2013.

Inflation is the arch-enemy of traditional fixed income markets and investors received a “bloody nose” during the past few months as the ten-year Gilt yield in the UK climbed from a low in September of 0.97%, to end the period at 1.22% having touched 1.40% in the last week of October. Rising yields / falling prices is a mantra that we have long warned against and it seems that Fixed Income markets are unlikely to provide positive returns on an outright basis, let alone when one factors in the relatively high inflation rate. Equities in the UK also failed to provide a positive return during the reporting period as the FTSE 100 lurched from 7531, falling in excess of 4%, before staging a recovery in to November ending the quarter almost unchanged. Other equity markets fared better with the broad S&P 500 gaining 4.5%, whilst the Dax rose a spectacular 9.2% in the same period. Geo-political pressure on Prime Minister, Theresa May is likely to increase, coming at a particularly unwelcome time as the Brexit negotiations step up a gear.

With the portfolio of assets backing the Loan Notes including cash of only 5% on 8th August 2017, there was limited investment activity throughout the period. New loans were considered to reduce cash even further and by the 7th November, cash levels stood at 2%. The weighted average interest rates for the new loans considered was 8.9%, providing a health yield for the portfolio. The average loan size of £572,825 across 30 different loans ensures diversification within the product and as we head in to year-end, we would expect only a limited amount of new investment to take place within the structure.

The fourth coupon of 2% was paid on 8th November with the next due in February 2018.

Portfolio Analytics



Top-Ten Single-Issuer Loan Exposure

Asset	Coupon	Maturity	Weighting	Platform
Loan 1	10.00%	Jun-18	8.94%	Sancus
Loan 2	8.00%	Feb-19	7.26%	Sancus
Loan 3	9.00%	Dec-17	7.12%	Sancus
Loan 4	10.00%	Apr-19	5.68%	Sancus
Loan 5	9.00%	Sep-18	5.59%	Sancus
Loan 6	8.50%	Jul-18	5.59%	Sancus
Loan 7	9.00%	Jan-18	4.89%	Sancus
Loan 8	9.00%	Jun-19	4.75%	Sancus
Loan 9	8.00%	Sep-18	4.50%	Sancus
Loan 10	8.00%	Mar-18	4.38%	Sancus

Source: Amberton Asset Management Limited

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

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