

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	£18,034,458
Maturity	08/11/2018	Number of direct loans	32
Denomination	GBP	Equity value	£7,984,458
Average loan size (ex.cash)	£540,231	Weighted average days to maturity	269

All data as at 07/02/2018 *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

During the weekend of 27th / 28th January Sancus BMS Group secured a funding facility with Honeycomb Investment Trust. The facility is for £20 Million, with the potential to grow to £50 Million as and when opportunities arise. As such Sancus Loan Notes Limited ("SLN1") will be redeemed and investors repaid. There is an opportunity to roll the proceeds of SLN1 in to Sancus Loan Note 3 ("SLN3") and whilst the rate payable to investors is lower, this remains an attractive opportunity for investors. The UK Base Rate stands at just 0.50% and is unlikely to climb above 1.0% by the redemption date of SLN3. This, when compared to traditional government fixed income markets that have recently provided investors with a bloody nose, should underline the benefits of holding Alternative Finance exposure as an attractive, inflation beating diversifier within a balanced portfolio of assets.

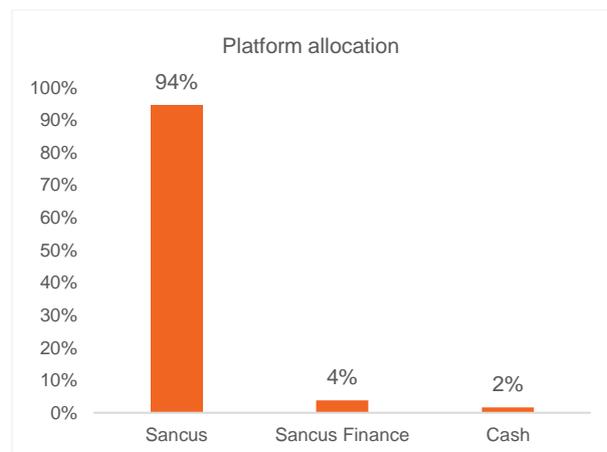
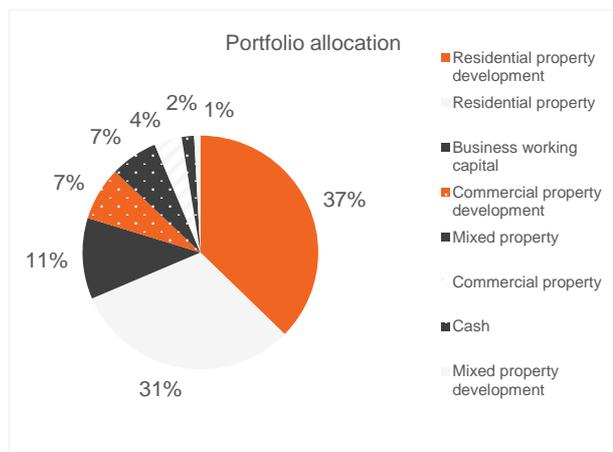
The reporting period saw one new loan for investment, a stunning Gibraltar based property development of 62 apartments with views towards the Upper Rock protected green zone and an expected gross development value of £27 Million. Sancus Loan Note Limited participated with an investment of £1,170,000 of a total loan for £8,300,000 with an interest rate of 10% and a term of 24 months. The investment has seen the structure end the period with a cash level of just 1.7% and a gross yield of 8.8%

Elsewhere, 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.

The ten-year Gilt yield in the UK climbed from a low in September of 0.97%, to end the period at 1.55% (source: Bloomberg) 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. Even more alarming than fixed income yields rising was the turmoil experienced in equity markets. Fears of rapidly rising short-term interest rates spooked investors and the FTSE 100 fell a total of 8% in a matter of days. The market has recovered marginally, however there is speculation that the long-term bull market in equities may be coming to an end.

The fifth coupon of 2% was paid on 7th February 2018.

Portfolio Analytics



Top-Ten Single-Issuer Loan Exposure

Asset	Coupon	Maturity	Weighting	Platform
Loan 1	10.00%	Jun-18	9.26%	Sancus
Loan 2	8.00%	Feb-19	7.52%	Sancus
Loan 3	9.00%	Mar-18	7.38%	Sancus
Loan 4	10.00%	Dec-19	6.77%	Sancus
Loan 5	10.00%	Apr-19	5.88%	Sancus
Loan 6	8.50%	Jul-18	5.78%	Sancus
Loan 7	9.00%	Aug-18	5.06%	Sancus
Loan 8	9.00%	Jun-19	4.92%	Sancus
Loan 9	8.00%	Sep-18	4.66%	Sancus
Loan 10	8.00%	Aug-19	4.54%	Sancus

Source: Amberton Asset Management Limited

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

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