PRYTANIA ASSET MANAGEMENT

Market Update

November 2017

Athena

An actively managed global credit opportunities fund, exploiting exceptional value across the structured credit universe, targeting future net returns of 10% p.a. over 3 years.

October 2017	+ 2.35%
2017 YTD	+ 27.00%
2016	+ 5.71%
2015	- 6.46%
2014	+ 3.01%
2013	+ 18.64%
2012	+ 32.34%
Latest 12 months Distribution	+ 5.24%
Inception Date: May 2008	Currency: USD

Galene

An actively managed global fund focusing on investment-grade structured credit assets, targeting net returns in excess of 1M LIBOR+400 bps p.a.

GBP Share Class

October 2017	+0.66%
2017 YTD	+7.39%
2016	+ 12.37%
2015	- 1.02%
2014	+ 7.26%
2013	+ 5.32%
2012 (June launch)	+ 5.55%

USD Share Class

October 2017	+0.84%
2017 YTD	+10.07%
2016	- 5.27%
2015	- 6.17%
2014	+ 2.20%
2013 (April launch)	+ 7.15%

EUR Share Class

October 2017	+ 0.61%
2017 YTD	+ 5.45%
2016	- 1.08%
2015	+ 5.18%
2014 (April launch)	+ 7.04%

Metreta

An actively managed senior structured credit fund, seeking stable net returns of 7-Day LIBOR+125bps p.a.

GBP Share Class

October 2017	+ 0.26%
2017 YTD	+ 3.12%
2016	+ 1.43%
2015	- 0.03%
2014	+ 1.69%
2013	+ 0.95%
2012 (April launch)	+ 4.63%

USD Share Class

October 2017	+ 0.37%
2017 YTD (September launch)	+ 0.44%

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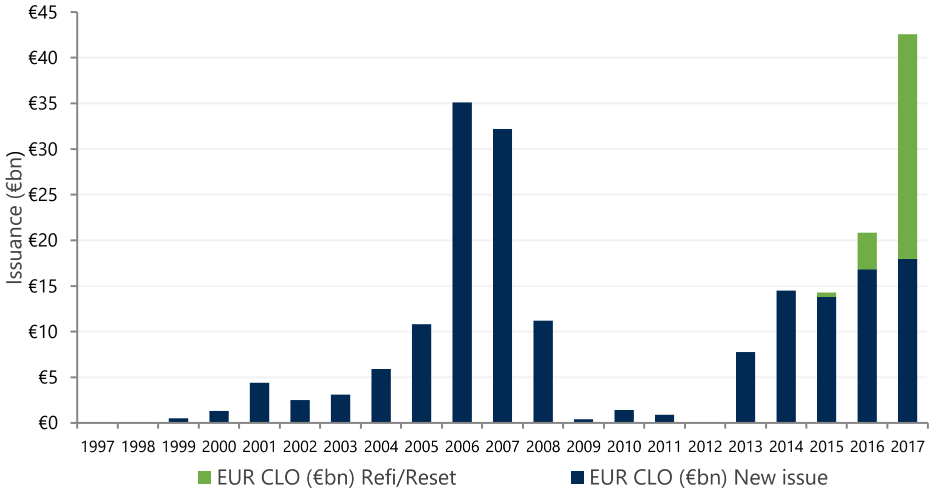
European CLO spreads tightening in the face of booming issuance

The European CLO market is on course to break its post-crisis record for CLO issuance this year as spreads continue to tighten well inside post-crisis tights. Issuance of new issues reached €14.1bn by end of October 2017 and €18bn by mid-November which far passes 2016's €16.8bn total issuance. In terms of spreads, new tights continue to be reached with AAAs printing at +73 in mid-November which is 27bps tighter than where AAA spreads finished in December 2016.

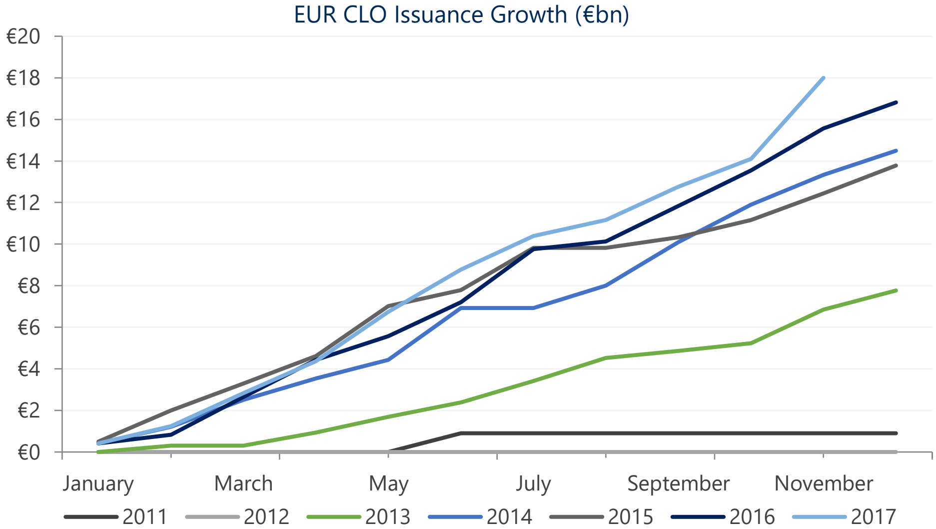
EUR CLO Issuance Including Refinancing/Reset CLOs (€bn)



Source: Prytania Asset Management, November 2017

Spreads are at the tightest levels across the stack since the crisis with seemingly little obstacles pointing to any reversal of direction before year end. It is also notable that some €24.6bn of refinancing/reset issuance in 2017 has also been readily absorbed. An expanding investor base which includes strong Asian appetite (typically in the senior notes) and the growing disconnect between secondary prices markedly above par versus new issue priced at discount/par only serves to energize the current momentum.

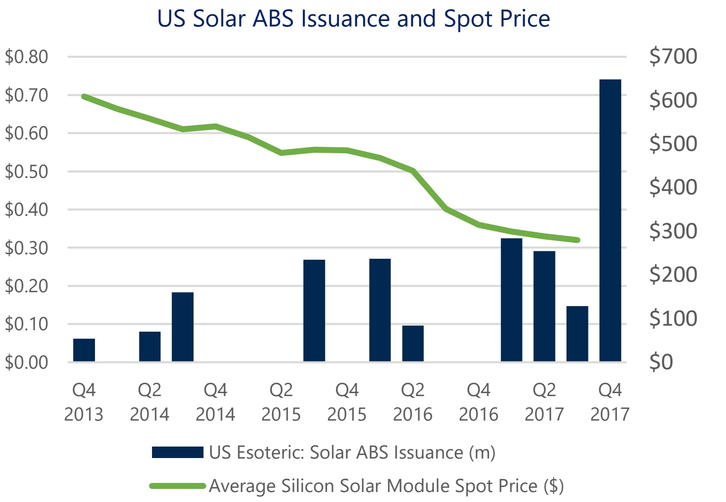
EUR CLO Issuance Growth (€bn)



Source: Prytania Asset Management, November 2017

Sun continues to shine on Solar Energy

GE announced their first dividend cut since 1938. They have been wrong-footed by doubling down on the established energy sector through purchases of Alstom, a coal turbine producer. Siemens has been hit as well, but recognised the seismic shift towards renewable energies early on. In addition, several solar panel companies have gone bankrupt either due to excessive competition caused by state-subsidised Chinese producers or electricity feed-in tariffs ceasing.



Source: Finsight, Bloomberg, November 2017

The stiff competition has been to the benefit of the end client. Over the last few years, cost of solar panels have plummeted and their efficiency increased to such a degree, that they can now be cheaper than fossil fuel generation in many parts of the world. With populous states like California, Texas and Florida blessed with plenty of sun, it makes a lot of sense to finance consumer loans backed by solar panels secured with a lien against a property and supported by the credit quality of a prime borrower.

We have invested recently in the latest Solar Mosaic originated loans (Class A Notes: S+185, B: S+275, C: 5.75%, D: 9.75%). With solar panel projects even starting in the developing world, the challenges to established titans like GE and Siemens is likely to continue. Further analysis from Larzard shows that certain alternative energy generation technologies are now more cost-efficient compared to conventional generation technologies under some scenarios, including Solar PV. (*Source:* *Larzard Levelized Cost of Energy Analysis 11.0*)

UK Consumer Loans upgrade despite overall negative outlook

Zopa brought their second consumer loans securitisation to the market. The tranches priced very tight compared to their first deal (DM of A:+70, B: +125, C:190; WALs of A: 1.1yr, B: 2.7yr, C: 3.0yr). The Class D of the first deal proved to be a good purchase, highlighted by the recent upgrade to fully investment grade (BBB/Baa3) from their initial ratings (BB/Ba3). Zopa is expected to remain active in the wholesale market over the coming years, despite their recent move to augment their funding model by obtaining a banking licence.

Where is the Catalonian risk?

The Northeastern Spanish province declared independence on October 27th through a parliamentary vote, drawing conclusions from the referendum that took place on October 1st (which was denounced by the central government in Madrid as unconstitutional). PM Rajoy's Government then triggered the Article 155 of the constitution to dissolve the Catalan parliament and called for new regional elections on December 21st.

Despite the current short-term status quo and the absence of panic in the markets, there are many imponderables for investors to consider with respect to the 'tail risk' generated by the crisis. Amongst the key issues are: What would be the impact of a separation on the Spanish (and Catalan) economic recovery, and its read-across to the wider European one? How would the Spanish local and national debt load be shared?

What about the stability of the Euro as a common currency and the redenomination risk of Catalan assets?How stable is the central government in Madrid, when it needs support from the Basque nationalists in parliament?

Despite these scary thoughts, credit spreads on Spanish assets are at historical tights currently, including on bonds with a high direct exposure to Catalonia, so there has been little opportunity for 'bargain hunters' to profit from the political turmoil to date.