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.

March 2018	+ 0.74%
YTD 2018	+ 6.12%
2017	+ 30.08%
2016	+ 5.71%
2015	- 6.46%
2014	+ 3.01%
2013	+ 18.64%
2012	+ 32.34%
Latest 12 months Distribution	+ 4.28%

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 EURIBOR+300 bps p.a.

GBP Share Class

March 2018	+0.42%
YTD 2018	+1.21%
2017	+8.79%
2016	+ 12.37%
2015	- 1.02%
2014	+ 7.26%
2013	+ 5.32%
2012 (June launch)	+ 5.55%

USD Share Class

March 2018	+0.57%
YTD 2018	+1.75%
2017	+11.83%
2016	- 5.27%
2015	- 6.17%
2014	+ 2.20%
2013 (April launch)	+ 7.15%

EUR Share Class

March 2018	+ 0.34%
YTD 2018	+ 0.97%
2017	+ 6.72%
2016	- 1.08%
2015	+ 5.18%
2014 (April launch)	+ 7.04%

Metreta

An actively managed senior structured credit fund, seeking stable net returns of 1-Week GBP LIBOR+100bps p.a.

GBP Share Class

March 2018	+ 0.15%
YTD 2018	+ 0.73%
2017	+ 3.60%
2016	+ 1.43%
2015	- 0.03%
2014	+ 1.69%
2013	+ 0.95%
2012 (March launch)	+ 4.63%

USD Share Class

March 2018	+ 0.30%
YTD 2018	+ 1.23%
2017 (September launch)	+ 1.03%

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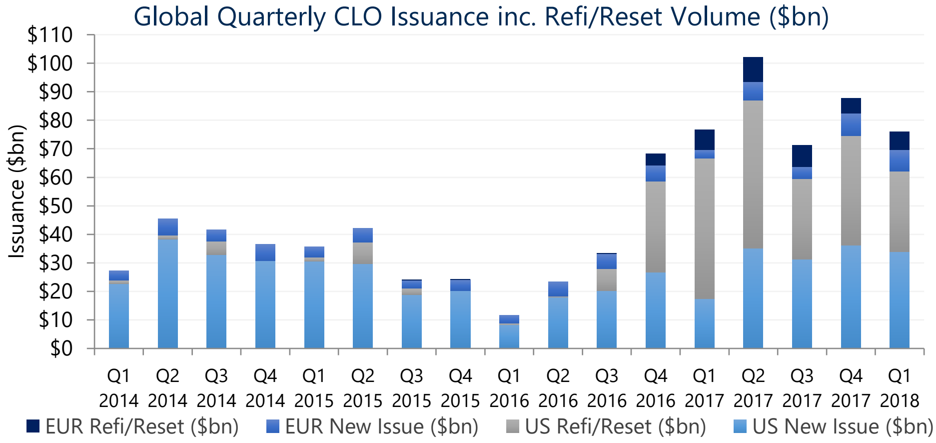
2018 strong CLO supply starts to weigh on markets spread

Continued elevated supply in global CLO markets has begun to weigh on spreads, which combined with volatility in equities/HY and the retracement from a number of anchor investors created the first sign of investor pushback in a market that has experienced technical tightening for more than 12 months. The $33.9bn of new issue US CLOs and $7.5bn of new issue EUR CLOs compares to just $17.4bn and $3.0bn issued over the same period in 2017. Further, whilst headline global issuance looked comparable between Q1 '17 and Q1 '18, 2017 included a much greater percentage of refinancing / reset trades which markets found easier to digest as investors effectively just replaced risk. Continued high supply cannot take sole responsibility for the recent change in spread direction though; it seems wider credit market volatility in global equities and HY, the current dormancy of Japanese investors as they pass through their financial year-end and the current reduction in appetite from one of the largest US AAA investors have all helped. Spreads are almost 10bps wider in AAAs and 90bps wider in BBs than 2018 tights.

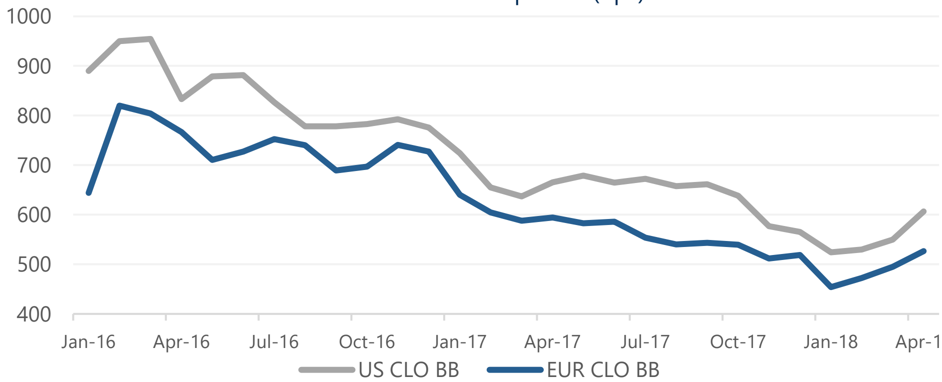
Global Quarterly CLO Issuance inc. Refi/Reset Volume ($bn)



Source: Prytania Asset Management, April 2018

We think spreads could still move wider over the short term, providing interesting opportunities, as the market is faced with a large remaining pipeline of both new issue and refinancings/resets (although the influence of the later will self-regulate as refi / reset trades wane in a rising spread environment), accelerated by the removal of risk retention in the US. As supply begins to moderate and assuming demand remains robust, we see the potential for a return to spread tightening given the fundamental backdrop of strong corporate earnings, the low default environment and the relative value that both CLOs and floating rate products continue to offer. Prytania remains well-positioned in the CLO space given the extremely selective nature with which we have invested over the past 18 months and believe both the shorter-dated nature and higher carry of bonds in our funds will mitigate much of the expected near term softness.

US & EUR CLO BB Spreads (bps)



Source: Prytania Asset Management, April 2018

US Financials – deregulation and FED hikes

The US senate passed the "s.2155 bill" which relaxes certain constraints of the Dodd-Frank Act. Much of the change will, we believe, support smaller community banks by easing the overall cost of regulatory compliance and reducing capital requirements. As an example, one key feature is the raising of the asset threshold for the classification of the systemically important financial institutions (SIFIs), from $50bn to $250bn. Banks that have assets in the range of $50-100bn will be immediately exempt from the enhanced prudential standards while institutions with assets in the range of $100-250bn will be exempt in 18 months' time. In addition, the bill mentions that banks with assets below $10 billion will also be exempt from the Volcker rule as long as their total trading assets and liabilities account for less than 5% of total assets. Community banks with assets below $10bn will also be allowed to follow a simplified version of the Basel III requirements.

These regulatory reforms are taking place in the shadow of a strong US economy, with the Chairman of the Federal Reserve suggesting that future rate hikes could be slightly steeper over the coming years than previously anticipated.

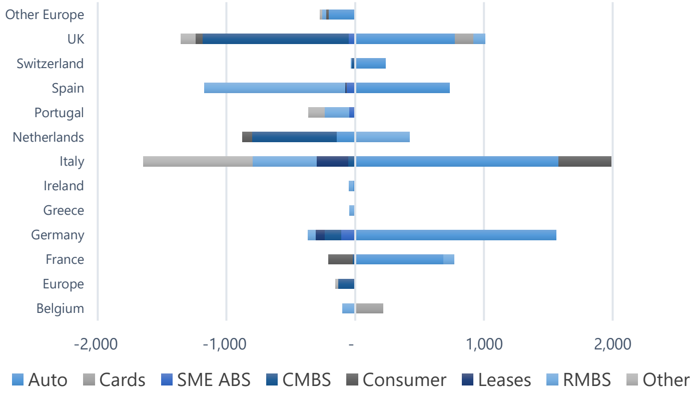
The confluence of these regulatory and economic forces should provide the impetus for further increases in the profitability of US banking institutions and add to the already strong M&A momentum in this space, especially the smaller community banks whose collateral typically backs those Trust Preferred deals favoured by us and owned in the funds.

The European ABS market instills strong confidence for 2018

The first quarter in 2018 generated €57.4bn in securitized issuance in Europe, indicating a more active market with a 44.2% increase compared to Q1 2017 (€39.8bn), [*source: AFME*]. According to JPM research, this is also the first positive net issuance in European ABS (+€289mn) since the Eurozone Crisis.

This uptick in activity also pleasingly bought a diversity of securitized collateral, ranging from Belgian credit card balances to Italian shopping centres. In a climate where the ECB is calling a halt on quantitative easing and the Bank of England has terminated its 'Funding for Lending Scheme' (FLS) and 'Term Funding Scheme' (TFS), investors are showing increasing interest in our market, whilst issuers seem more comfortable utilizing securitization as a core funding source. For example, Dutch RMBS' placed volume increased from zero in Q4 2017 to €3.9bn in Q1 2018.

Q1 2018 Europe Distributed Net Issuance by Collateral Country (€mm)



Source: JP Morgan Research, April 2018

Despite the apparent health of the market, there are still opportunities for experienced asset managers to extract relative value. We anticipate Q2 as being yet another step higher in issuance volumes - on both sides of the Atlantic – although we also see spreads widen marginally in certain asset classes. The slow withdrawal of the central banks' liquidity and rising interest rates should highlight to investors the relative appeal of this asset class compared to alternatives, supporting the argument for allocations from mainstream (as opposed to "alternative") funds.

Prytania in the News

Prytania Asset Management is pleased to announce that Fahd Basir joined the firm on April 2, 2018 as a Managing Director. Fahd's broad structured credit experience over 14 years includes both agent and principal transactions across the capital structure over a wide variety of asset classes. He will be based in Prytania's newly opened New York City office.

Please click here to access Prytania Press Release.

Prytania on the Road

Prytania CIO Mark Hale and the Investment team will present at AFME & IMN Global ABS Conference in Barcelona from Tuesday, June 5th – June 7th 2018.

Please click here to book a meeting with us.