East Lodge Capital Investor Letter January 2015

East Lodge Capital Credit Opportunities Fund

East Lodge Capital Partners LLP ("East Lodge") is a London based investment management firm founded by Alistair Lumsden in August 2013. The East Lodge Capital Credit Opportunities Fund ("The Fund") is focused on opportunities across the global structured finance and direct lending markets, with a particular focus on investments in the European space.

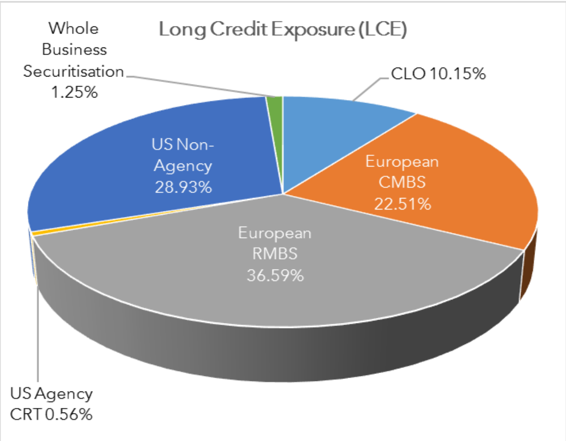
Performance Since Inception[1]

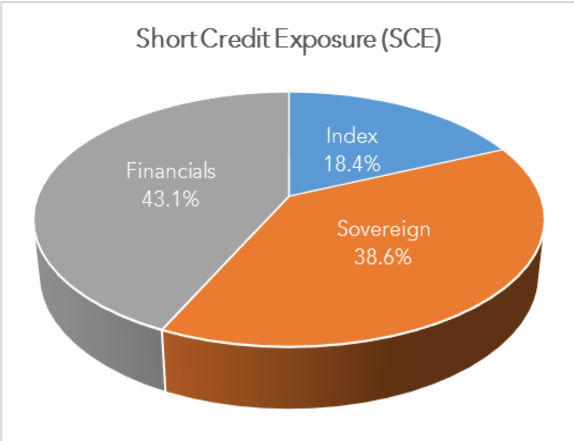
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD*
2014				4.27%[2]	1.21%	1.81%	0.54%	-0.42%	1.05%	-0.55%	-0.39%	-0.48%	7.15%
2015	0.97%												0.97%

*Fund launched in April 2014

Assets Under Management

Fund AUM as at 31st January 2015	Firm AUM as at 31st January 2015
$603,934,000	$603,934,000





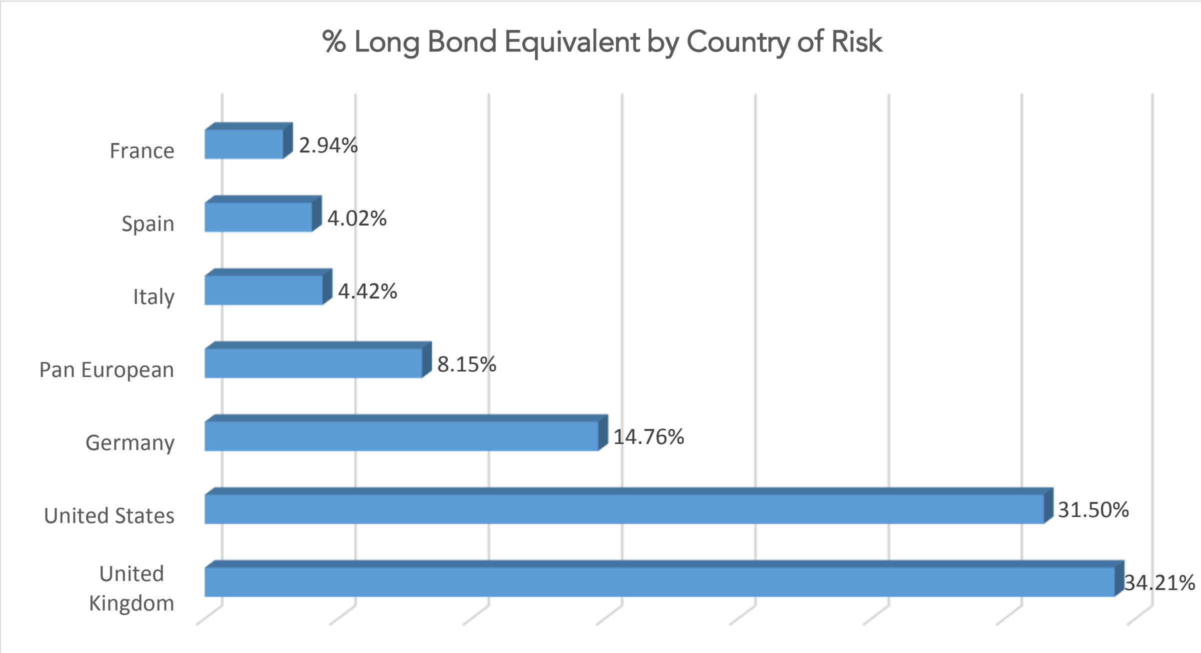
Portfolio Summary as at 31st January 2015

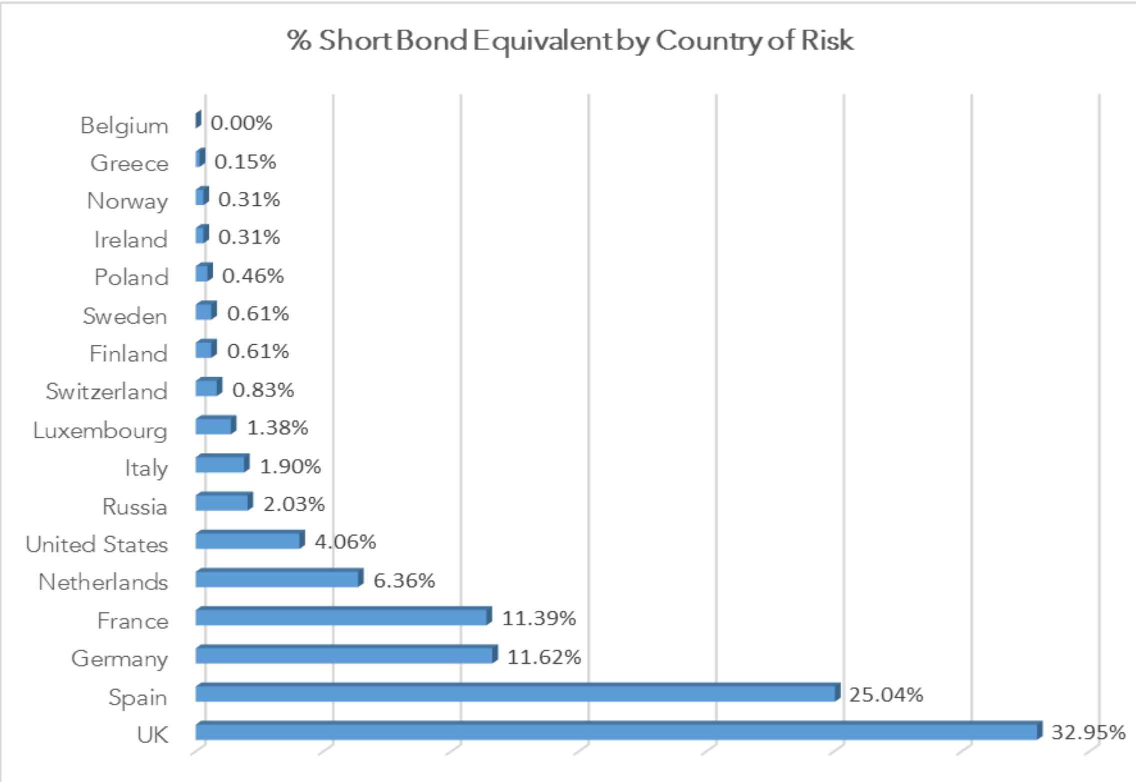
Total Long Credit Exposure as % of NAV	Total Short Credit Exposure as % of NAV
156.7%	41.0%

[1] Performance shown is the weighted average return of the Class A Shares of the East Lodge Capital Credit Opportunities Fund, Ltd. (the Offshore Fund) for April 2014 – June 2014, and the weighted average return of the Class B Shares (USD Non-side pocket share class) of the Offshore Fund for July 2014 onwards. Performance is shown net of fees and expenses and the returns are unaudited. Please see disclaimer for further details.

[2] As only principal capital was invested in the Fund during the month of April 2014, no management or performance fees were charged. In addition, due to the relatively small amount of capital in the Fund as of April 2014, the amount of organisation fees and expenses that would have otherwise been charged to the Fund for such month were capped and performance figures reflect such capping. Such fees and expenses, had they been charged, would have had the effect of reducing the returns shown.

Country Analysis as at 31st January 2015





Commentary

We are excited about the prospects for 2015, and we continue to welcome and implement suggested changes in the way we communicate with our investor base in these monthly and quarterly letters. From January 2015 onward, we are including a section at the beginning of the letter summarizing overall performance and providing additional colour on the contributors and detractors within each part of the portfolio. We hope you find this additional information useful, and as always, we greatly appreciate your feedback.

Overview

January saw a reversal of the widening we experienced into year end. All key long sectors of the portfolio contributed positively to performance, whilst the hedge portfolio was a small detractor. It was an interesting month with the overriding positive of the ECB QE announcement, closely followed by the victory of Syriza in the Greek elections, leading to heightened uncertainty around the Greek bail out situation.

On the long side, European RMBS contributed 41 bps to performance. The European RMBS portfolio experienced strong performance from positions in the UK that benefited from the continuing lower for longer rates environment, and a continued reduction in the delinquency pipeline as loans left the pool at a faster rate than the market anticipated. Detracting from performance in this sector was a remark lower on a French asset due to relative value considerations but overall the sector performed strongly across the board.

The CLO portfolio contributed 38 bps to performance. Within the CLO portfolio, the European book outperformed on strong demand to add risk versus a reduced supply. Detracting from performance, the US CLO book missed out on the tightening due to continued concerns relating to the oil affected sectors.

The European CMBS portfolio contributed 37 bps to performance. Positive attribution came from a transaction that received unexpected cash back to the senior tranches from a loan that had previously been written off. In addition, a second pay bond was a strong contributor to performance. Detracting from performance was a newly added CMBS mezzanine position, as well as a CMBS senior bond that experienced a small amount of selling pressure following the Interest Payment Date where principal receipts were not as high as some market participants had anticipated.

The US portfolio contributed 21 bps to performance. Overall, bonds in the non-agency space continue to benefit from increasing voluntary prepayment speeds, lower liquidations and lower delinquencies, however certain bonds in the POA and subprime books experienced greater than expected improvement, translating to lower loss expectations and higher prices. Specifically, one subprime position has demonstrated consistently higher voluntary prepayments and lower liquidations than forecast and one POA bond has experienced a sharp drop in delinquencies recently. Some small losses occurred in the subprime and POA books where bonds lagged expectations, specifically with either increased modification activity or slower than expected voluntary prepayment speeds.

The hedge portfolio detracted 3 bps from performance in January. Whilst the hedge side of the book was not a large contributor to profit and loss this month, there were some interesting trades on the book. Our sovereign protection was the largest positive contributor, along with Spanish banks. We actively traded around events, taking off half our Spanish position at the start of the month leading up to the ECB QE decision, and then re-establishing the short on the 23rd of January before the results of the Greek Election on the 25th. The biggest negative contributors came from the CLO hedge (s22 cross over) and expiry of options on index out of the money.

European RMBS

Lower for longer – the shift in UK mortgage product: 2015, like 2014 before it, was meant to be the year that the Bank of England would raise the base rate. However, with persistently low inflation, the full force of the move in the Oil price yet to feed through and a highly likely lack of majority at the upcoming UK General Election in May, the market is now pushing back expectations of a rise into 2016. The impact of this change in opinion is good news for those borrowers looking to insulate themselves from any interest rate moves by taking out a long fixed rate product (the UK fixed market is actually equivalent to a US hybrid mortgage, with an initial fixed term of 3-5 years commonly, longer fixes are deemed to be 10 year fixes followed by 15 years of freely floating rates, with no interim caps), as the availability of such products is increasing as rapidly as the rates of borrowing are coming down. The number of 10-year fixed rate products available stood at eight offerings in January 2014 increasing to 22 in October 2014 before swelling to 77 in January 2015. The best headline rate we have seen so far is from Nationwide announcing that they will be offering a 2.94% 10-year fixed rate mortgage for new customers. This represents a change in the lending landscape, given the UK has typically been a short term (two to three year) fix or teaser rate followed by a floating rate (or indeed refinancing to a new loan) before the crisis. These developments, assuming customers can be encouraged to take them, should be a big plus for borrower affordability as rates rise and given the low headline rates, should be tempting for the cleaner credit borrowers in the mortgage pools that we are exposed to, thus prompting higher prepayments which can in turn lead to more positive assumptions applied to valuations.

Continued 'green shoots' – Spanish data remains stable: According to the latest data from the Spanish National Statistics Institute, urban house prices in Spain were up 14% on a year-on-year basis, and total new lending was up 12.2% over the same period. This coupled with a stable unemployment rate, lower in every category versus 2013 levels, suggests that the 'green shoots' of recovery may well be starting to take hold. Indeed this month saw Kutxabank offer a record low mortgage rate of Euribor + 1% to customers taking out other bank products. With the ECB announcing the move into a full blown Quantitative Easing program in January, the attraction of ABS product, offered for purchase at wider spreads despite having better ratings and structural subordination in comparison to their respective Sovereigns, is becoming apparent, and we expect to see compression in spreads between ABSPP-eligible and non-eligible bonds, with an outperformance by the latter.

CLO

Solid demand vs. anemic supply = spreads tighter for CLOs in 2015: The new issuance pipeline got off to a slow start on both sides of the Atlantic with only two new deals in Europe, one of which was a postponed deal from 2014. This lackluster start to the issuance calendar was met with solid demand for product across the capital structure from new and existing market participants with the (perhaps unsurprising) result of driving spreads in, especially for the deeper mezzanine product. For instance, BB tranches were generically 50bps tighter on the month. Spreads for US CLO were much more stable as market participants continued to digest the impact of oil prices on the underlying corporates and the impact of the Dodd-Frank risk retention framework for the new issue market. Indeed, the US new issue market is expecting only a handful of deals to price before the next industry conference, SFIG / IMN in February 2015, versus the $9bn of deals that priced in January 2014. This suggests even the conservative annual issuance targets of $75-$85bn (vs. $124bn in 2014) are at risk which should lead to a tightening in spreads, especially if oil prices stabilize.

European CMBS

New Issue out of the gates: Two new issue deals were announced during the first month of the year which were both secured by Italian commercial real estate assets. The first, a single loan secured against a prime retail asset, was privately placed, the second was TAURS 2015-IT1. The transaction comprised of three loans secured against offices and retail located predominantly in northern Italy. Pricing was well inside the December transaction we discussed in our December investor letter (DECO 2014-BONX) and confirmed that the pricing of that deal was, as originally thought, cheap due to timing rather than wider market issues. The BBB priced at 250bps for this latest transaction compared to 345bps for the DECO December transaction.

Strong start to the year: The CMBS book was positive on the month. The January rally moved very quickly into the CMBS market following a sluggish November and December. We saw some very strong prints in BWICs and dealers were far more aggressive than they had been for some time. It was clear in January that a number of dealers were keen to add positions and levels quickly rallied on the back of this buying activity. In particular, there was strong demand for new issue paper following the pricing of the TAURS 2015-IT1.

Changing debt landscape: CBRE reported that the total volume of European CRE debt increased by €23 billion over the course of 2014. The main reason for this was a rise in the amount of new lending. They estimate that the amount of new debt issued in 2014 (backing investment transactions) was up by 47% on the same figure in 2013. In absolute terms, however, the figure is still less than half it was in 2007, the peak of the cycle before the financial crisis.

The deleveraging process continues: European commercial real estate loans and real-estate owned sales reached a new peak in 2014, at €80.6bn. Cushman & Wakefield report the volume to be 2.5 times greater than in 2013. Although most of the sales came out of the UK and Ireland, sales picked up in Spain. Bucking the trend, German loan sales dropped by 45% last year compared with 2013.

US money leads the way: The demand for these assets was extremely strong with 77% of all transactions in 2014 involving a buyer based in the US. Cerberus (€17.7bn), Lone Star (€16.1bn) and Blackstone (€8.7bn) were amongst the largest.

Whole Business Securitisation

Strong Christmas Trading: As we had anticipated, Christmas trading was strong amongst the pub groups. Mitchells & Butlers and Marstons both reported trading like for like (LFL) sales during the two week period of +4.8% and Greene King +2%. These figures compared favourably with their peers across the pub sector with JD Wetherspoon experiencing a +2% gain and Coffer Peach rising +2.8%.

US RMBS

It is where you finish that counts: After an uncertain path through much of the month, the US non-agency sector finished January with a positive tone, firmer spreads and slightly higher prices. Trade volumes rebounded from the holiday break, with customers buying an average of almost $800mm per day over the month.[1] Whilst broader issues could still negatively impact the non-agency space, the fundamental and technical aspects of the market remain positive overall.

Do they or don't they? January saw a sharp rally in Treasuries, with the 10 year 53 bp lower, the 5 year 50 bp lower and the 2 year 21 bp lower. Whilst the start of a rate hike cycle still seems likely for 2015, the FOMC had mixed messages in their policy statement. Economic growth was upgraded from moderate to solid and job growth from solid to strong. However, inflation has subsided, at least for the short term, and wage pressure is still not evident. Further, The FOMC added "international developments" to their list of factors for a move on rates. We took advantage of this rally to add some rate hedges against some of our subprime holdings. However, there is some element of an expectation that an improving economy leading to higher rates would somewhat offset any underperformance of this product as rates increase and some of the underlying modified fixed loans fail to fix up. Away from subprime, there is only very limited exposure within the portfolio to higher rates, and indeed in some parts of the portfolio, given its floating rate nature, we would welcome higher rates.

The song remains the same: Non-agency mortgages posted a solid month for performance. Delinquencies fell by 29, 41 and 19 bps respectively for Alt A, POA and subprime. This leaves delinquencies in these sectors lower by 281, 367 and 318 bps versus a year ago. As of January, 60+ delinquencies stood at 19.49% in Alt A, 24.43% in POA and 27.12% in subprime. Voluntary prepayments rose by 1.4, 1.1 and 1.2 CPR. Following the Treasury market rally, the rate on FHLMC 30-year fixed rate mortgages fell from 3.87% to 3.66%.[2] If rates hold at current levels, it could provide a boost to prepayments for non-agency borrowers.

Finally, some love for CRT: After stumbling through the second half of 2014, The CAS/STACR market rebounded in January. On the back of the strong pricing of the STACR 2015-DN1 new issuance, spreads tightened around 30 bp on the unrated bottom tranches. The new deal featured a modified structure with the M3 gaining additional credit support and a Ba1 rating from Moody's. The new M3 priced 50-60 bp tighter than the earlier unrated versions and tightened an additional 15 bp by month end. This market has been highly technical, but we feel spreads are at the wide end of their range given credit metrics, and we have added exposure to the abovementioned STACR deal at new issue.

Data. Nothing to see here: The Case-Shiller 20 City Home Price Index fell by 0.2% in the most recent release (November data), on a non-seasonally adjusted basis. The negative value is not surprising, since November is part of the lower HPA winter month period. The year-on-year change was 4.3%, versus 4.5% in October.[3] Existing home sales rose by 2.4% on a seasonally adjusted basis, to an annualized rate of over 5 mm. Housing inventories fell to the lowest level since January 2013. Combined with a large increase in household formation in the 4th quarter, this could signal a more positive move in housing prices.[4]

When it rains, it pours: Ocwen was a prominent feature in the news in January. The mortgage servicer was initially hit when the California Department of Business Oversight sought to suspend their servicing license in the state due to Ocwen's failure to respond adequately to information requests concerning California's Homeowner Bill of Rights. California loans represent about 23% of Ocwen's servicing platform, so a loss of that license would have had a substantial impact on the company. This action was later dropped when Ocwen agreed to not accept any additional Californian customers, and also agreed to a third party monitor to review their compliance with the state's laws.[5] Subsequently, Ocwen faced additional legal challenges on two fronts. The first was a notice of default from a hedge fund investor on the HLSS Servicer Advance Receivables Trusts and the second was a Notice of Non-Performance from Gibbs & Bruns on 119 trusts.[6] Ocwen's stock price fell by close to 60% during the month to finish at $6.12, far below their October 2013 high of almost $60. Due to the size of Ocwen's role in the non-agency market and that banks are net sellers of servicing rights, a significant disruption to Ocwen's platform could create broader issues in the non-agency space. However the general market view is that in the worst case, a transfer of Ocwen's servicing would be manageable and not significantly penal to bond profiles, with the likely impact being some reclaim of servicer advancing leading to 2-3 months of principal disruptions.

Financials / Shorts

Markets had a difficult start to the year with Greek politics dominating, oil falling below $50 and all on tenterhooks awaiting QE. The ECB finally delivered, announcing that it would buy sovereign debt. We set out the main points below:

- €60bn of purchases per month comprising sovereign debt, as well as the existing covered bonds and asset backed purchase programmes (CBPP3 and ABSPP respectively.)
- An end date of September 2016 but, in reality, it is left open ended by the inclusion of wording that purchases would continue to be "consistent with our aim of achieving inflation rates below, but close to, 2% over the medium term."
- Purchases will begin in March 2015.
- Securities must be at least investment grade although additional eligibility criteria will allow countries under a programme to be included (including Greece.)
- Purchases will be carried out in line with capital keys.
- Purchase limits are set at 33% per issuer and 25% of any individual issuance (this will cause Greece to be excluded until July when it has large maturities.)
- There is limited risk-sharing due to the need to address the concerns of some "participating countries about unintended fiscal consequences of potential developments in the future" with the ECB taking 8% of sovereign debts and the remainder being held by the national central banks.
- At the same time, the 10bps spread over main refinancing operations (MRO) on the targeted longer-term refinancing operations (T-LTROs) was scrapped.

Let the Games begin…anyone for chariot racing? The ECB's attempt to grease the wheels of macro Europe through the announcement of QE has been offset by developments in Greece (the wrong type of grease?) Here, leftist Syriza, the anti-austerity party, was victorious in elections and teamed up with the right wing Independent Greeks to form the government. The new Prime Minister has stated "Austerity is both irrational and destructive. To pay back debt, a bold restructuring is needed." Such comments unsettle the markets, and the objection to the EU statement on Russia did not help either. Deposits continue to take flight out of the banks, and at least two are reported to have applied for Emergence Liquidity Assistance (ELA) funding. In addition, Greek bank equities have taken a hammering. The response has been equally tough requiring Greece to stick to the programme and that no haircut is on the table. Since then, there have been some signs of a slightly softer rhetoric from all sides, but there continues to be an increased risk of the wheels coming off. There are high political stakes at risk and events in February will be closely watched as we head towards the finish line of February 28th, when Greece's programme expires. Key dates and events are below.

Feb 1st	Greek finance minister Varoufakis meets UK finance minister Osborne in London
Feb 2nd	Greek finance minister Varoufakis meets French finance minister Sapin in Paris
	Greek finance minister Varoufakis meets Italian finance minister Padoan in Rome
Feb 4th-5th	Bi-weekly ECB review of ELA
Feb 4th	Likely t-bill auction to cover €1bn redemption on 6th
Feb 5th	Varoufakis meets Draghi, German finance minister Schaeuble
	Greek parliament opens, elects new speaker of the House
Feb 7-9th	Government presents legislative agenda to parliament,
Feb 9th	Vote of confidence at midnight on Monday the 9th
Feb 11th	Likely tbill auction to cover €1.4bn maturity on 13th
Feb 12th	European Council of EU Leaders, Tsipras likely to meet Merkel on sidelines

Source: Deutsche

Thus far, little contagion has been seen. The QE announcement has been key for this and there is also far less exposure in the private sector to Greece than in 2012. That said, we are mindful of the rise of Podemos, the anti-austerity movement in Spain which roused a throng in the tens of thousands in its Madrid march at the end of the month. The way in which the Greece situation plays out is extremely relevant.

Breaking up is hard to do. Liikanen's Bank Structural Reform and ring fencing has been the subject of many an article in January as the deadline for UK banks to submit their proposals passed. Lloyds is seeking an exemption from separate boards, and together with RBS will have a wide range of operations within the ring-fence. HSBC and Barclays want to put a minimal amount in to help costs of funds. France, the UK, Germany, Sweden and the Netherlands met to discuss potential compromises and we have read much that suggests the final requirements will be watered down or even abandoned. In a similar vein, rumours abound that Deutsche Bank are considering a sale of Postbank, but management remains tight-lipped, pointing out that they are undertaking a strategic review and no decisions have been made. Restructuring is needed, but Postbank was bought to diversify the group and brings important liquidity through its deposit base. Partial disposal could help leverage although there are difficulties here too under Basel 3, such as the need to strip out minority capital. JP Morgan's Q4 14 earnings call was feisty as investors volleyed questions on whether it should break up and the systemic risk of the group in its current form. In contrast, Italy passed legislation to transform the Popolari banks into joint stock companies and to get rid of the "one vote one share" structure, which could lead to consolidation and much needed reform. The Popolari themselves intend to challenge the ruling. Elsewhere in the regulatory sphere, the ECB issued bank-specific capital letters which apparently precipitated Santander's capital raise in the month. They also issued a recommendation for conservative dividends, which could also imply greater scrutiny on other distributions such as Additional Tier 1 coupons.

Earnings season: US earnings were characterised by disappointing FICC revenues on the back of a tough Q4 with respect to credit and commodities, which should come as little surprise given the market dynamics then and the weak close to the year. Citi had a horrid quarter due to its $2.9bn legal charge, but otherwise the figures were fine. European earnings season is now in full swing, and there are lots of one-offs to strip out. Nordea's results were strong, and interestingly showed asset quality resilience in Russia and oil. Spanish banks continue to show improved Net Interest Margins (NIMs) due to cost of funds and their asset quality also broadly improved with sales and recoveries maintaining good momentum. In addition, there was some evidence of better loan growth, although Caixa's was also due to some seasonality and one-off items, and asset quality there remains a work in progress. The ECB's quarterly lending survey also points to some improvement in loan growth.

CHF off the peg, Austrian banks don't like the fit: The SNB surprised the market by abandoning the CHF peg against the Euro in an apparent switching of tools to a focus on interest rates. At the same time, it cut deposit rates -0.25% to -0.75% and reset 3m LIBOR to a range of -1.25% to -0.25%. While it said that a weakening of the Franc against the US dollar meant that the peg was no longer required, the expectation for an ECB quantitative easing announcement was probably also a factor. The immediate jump of the CHF caused problems as stop losses could not be executed upon. Clearly there is an impact on Swiss institutions, particularly if costs and revenues are in different currencies, as well as translational effects. Outside Switzerland, there is an important impact for those CHF-denominated loans. Austrian households and corporates reportedly owed €29.5bn in Swiss Franc-loans at the end of November. It has not been a good couple of years for Austrian banks; they also have CHF exposure in Central and Eastern Europe (CEE). Hungary set mortgage FX rates in November 2014 although there will be CHF exposure in other areas, but Poland has taken no such measures and there is also potentially significant exposure in other areas of CEE, such as Romania. Raiffeisen Bank International AG (RBI) looks uncomfortable and while stressing it had adequate capital, it announced plans to cut Risk weighted assets by 20%. We have to wait until later in February to see details of the alterations required.

European Direct Lending

Within the European Direct Lending portfolio, we closed a short-term bridging facility on an office development in the UK. Our focus remains on opportunities within the UK, Ireland, Germany and the Netherlands, and on loan terms ranging from one to four years. As stated earlier, we look to structure opportunities as either outright debt, or a hybrid of debt and equity to capture potential upside achieved through our funding provision.

We continue to experience positive market sentiment, with commercial real estate benefitting from a low to zero interest rate environment (both in terms of funding and also as an alternative higher yielding asset class.) Limitations on bank lending have provided opportunities for those less restricted by traditional bank policies and procedures, while retaining credit discipline.

[1] JP Morgan
[2] JP Morgan
[3] S&P Dow Jones
[4] Citi
[5] Forbes
[6] CS

Gross Return Attribution by Strategy as at 31st January:

Strategy	Attribution (%)	LCE (%)
CLOs	0.38	10.15
European CMBS	0.37	22.51
European RMBS	0.41	36.59
US Non-Agency	0.20	28.93
US Agency (CRT)	0.01	0.56
Whole Business Securitisation	0.02	1.25
Hedge	-0.03	N/A
Financing	-0.09	N/A
Total Return (%)	**1.26%[3]**	**100.0%**

Largest Positions by Sector as at 31st January:

Position	Sector	Seniority	% of Portfolio
1	European RMBS	Residual	3.81
2	European RMBS	Senior	3.18
3	European RMBS	Senior	2.53
4	European CMBS	Senior/Second Pay	2.17
5	US Subprime	Mezzanine	2.11
6	US POA	Senior	2.03
7	US POA	Senior	1.97
8	European CMBS	Senior/Second Pay	1.94
9	European RMBS	Mezzanine	1.87
10	European CMBS	Senior/Second Pay	1.78

[3] Gross return used for attribution purposes. See disclosure notes that follow.

Stress Tests

Stress Test	Result (% NAV)
Equities -10%	0.00
Equities +10%	0.00
Corporate Credit Spreads -25%	-0.45
Corporate Credit Spreads +25%	0.44
Equity Volatility -5 pts	0.00
Equity Volatility +5 pts	0.00
FX -10%	0.21
FX +10%	-0.02

VaR

VaR (1 Day 95%) (% of Nav)	0.34

Long Equity Delta	Short Equity Delta
0%	0%

ASC 820

Category	% LCE
Level 1	0.00
Level 2	96.19
Level 3	3.81

Estimated Liquidity

Category	% LCE
< 30 Days	35.38
30-60 Days	60.80
>60 Days	3.81

Fund Terms

Minimum Investment ($ mn)	1
High Water Mark	Yes
Side Pocket	Optional (subject to 20% limit)
Redemptions	Quarterly
Redemption Notice	90 days[1]
Gate	25% (Investor-level)
Management Fee	2%[2]
Performance Fee	20%[2]

Lock	1 year soft[1]
Prime Brokers	Bank of America Merrill Lynch Barclays Bank Plc
Administrator	Wells Fargo Global Fund Services LLC
Auditor	EY
US/UK Legal Counsel	Schulte, Roth & Zabel International LLP
Cayman Legal Counsel	Mourant Ozannes

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[1] Redemption notice must be provided in writing no later than 90 days prior to the end of the quarter in which a redemption is requested. In the event a redemption is made from the fund within 12 months following an investor's initial investment, a 4% redemption penalty will be applied

[2] Refers to fees for Share Class B

Legal Disclaimer

This document contains general information on East Lodge Capital Credit Opportunities Fund Ltd. (the "Offshore Fund") and East Lodge Capital Credit Opportunities Fund LP (the "Domestic Fund", each a "Fund", and together with the Offshore Fund, the "Funds") which are managed by East Lodge Capital Partners LLP ("East Lodge").

Each Fund invests substantially all of its assets in the East Lodge Capital Credit Opportunities Master Fund, Ltd. (the "Master Fund"). This document, which is being provided on a confidential basis, is not an offer to sell nor a solicitation of an offer to buy interests of either Fund. Offers and sales of interests in the Funds may only be made in those jurisdictions permitted by law and once a qualified offeree receives a Confidential Private Placement Memorandum (a "Memorandum") which describes the risks related to an investment in the Funds. This presentation is qualified in its entirety by reference to such documentation. In the case of any inconsistency between the descriptions or terms in this document and the Memorandum, the Memorandum shall control. While all the information prepared in this documentation is believed to be accurate, East Lodge makes no express warranty as to the completeness or accuracy of such information.

This document may not be reproduced or redistributed in whole or in part. Notwithstanding the foregoing, an investor may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the Funds and all materials of any kind (including opinions or other tax analysis) that are provided to an investor relating to such tax treatment and tax structure.

An investment in either Fund is speculative and involves a high degree of risk and there is no guarantee that the Fund's investment objective will be achieved. Opportunities for withdrawal/redemption and transferability of interests are restricted, so investors may not have access to capital when it is needed. There is no secondary market for the interests and none is expected to develop. The Master Fund's portfolio, which is under the sole trading authority of East Lodge, is a credit strategy with a focus on securitized products and this lack of diversification may result in higher risk. Please see the Memorandum for a more detailed description of the risks involved with an investment in the Funds. An investor should not make an investment unless he/she is prepared to lose all or a substantial portion of his/her investment. The fees and expenses charged in connection with this investment may be higher than the fees and expenses of other investment alternatives and may offset profits.

Past performance of the Funds should not be construed as in indicator of future performance.

Any projections, market outlooks or estimates in this documentation are forward looking statements and are based upon certain assumptions. Other events which were not taken into account may occur and may significantly affect the returns or performance of the Funds. Due to market risks and uncertainties, any projections, outlooks or assumptions should not be construed to be indicative of the actual events which will occur.

Fund Net Performance

Performance shown is that of Class A Shares of the Offshore Fund for April 2014 – June 2014, and Class B (US$ non-side pocket participating) Shares for the Offshore Fund for July 2014 onwards. Returns are unaudited and are shown net of all fees and expenses, though we note that the April 2014 performance number reflects the capping of certain Fund expenses. In addition, as only principal capital was invested in the Fund during the month of April 2014, no management or performance fees were charged during that month. In addition, due to the relatively small amount of capital in the Fund as of April 2014, the amount of organisation fees and expenses that would have otherwise been charged to the Fund for such month were capped and performance figures reflect such capping. Such fees and expenses, had they been charged, would have had the effect of reducing the returns shown. Note that an individual investor's rate of return may vary based on the terms of its subscription and the timing of its investment in the Fund.

Portfolio Statistics

Unless otherwise noted, all portfolio statistical information shown is for the Master Fund and is calculated by East Lodge and is unaudited. Portfolio information is as at the date shown; accordingly, the current portfolio of the Fund may vary, sometimes materially, from that shown.

- Long Credit Exposure (LCE): Shows asset class exposure as a percentage of total long credit exposure at month end mark to market.

- Country Analysis: Shows country of risk for each long credit asset as a percentage of total long credit exposure; where a security has more than one country of risk, the largest country of risk for that security is used.

- Gross Return Attribution by Strategy: Shows an estimate of the gross return attribution of the various long and short fund exposures. Any FX and funding costs are assumed to be distributed pro rata amongst the various asset classes based on profits.

- Estimated Liquidity Profile: reflects the liquidity profile of the long credit portfolio using the following methodology used by East Lodge:
    - < 30 days Senior tranches
    - 30-60 days Large exposures >$50m, 2nd lien senior bonds, mezzanine ABS
    - 60-90 days Residuals, CLO tranches rated below BBB

- ASC 820 classifications are unaudited and are estimates assigned solely by East Lodge. East Lodge makes no representation as to the accuracy of such classifications.

- Stress tests are calculated by East Lodge and reflect estimated impacts due to changes in FX rates and the impact of changes in credit spreads on the Funds' financial holdings.

- VaR is calculated by East Lodge using simulations based on historical portfolio price information derived from Markit Partners.

Direct Lending

Please note that the examples discussed are representative of the investment opportunities that are currently available to the Fund; however, there can be no guarantee that such investment opportunities or similar opportunities will be made by the Fund. The Fund's investments may be materially different than the examples discussed.