East Lodge Capital

Investor Letter July 2014

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]

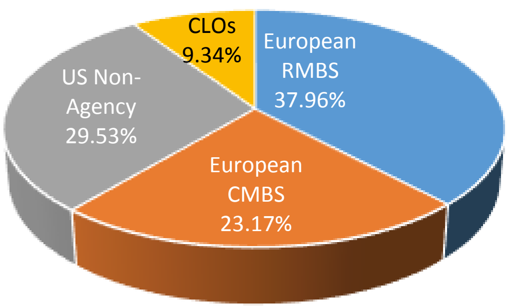
April 2014	May 2014	June 2014	July 2014	2014 YTD Return (April 2014 inception)
4.27%[2]	1.21%	1.81%	0.54%	8.02%

Assets Under Management

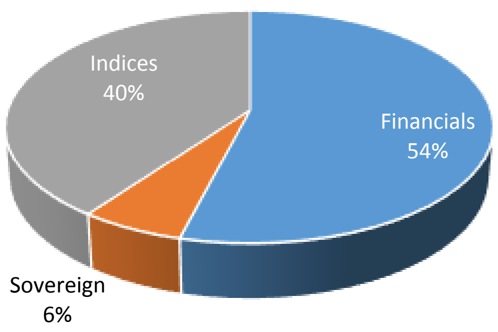
Fund AUM as of 1 July 2014	Firm AUM as of 1 July 2014
$251.4 mn	$251.4 mn

Portfolio Summary as at 31st July 2014

Long Credit Exposure (LCE)



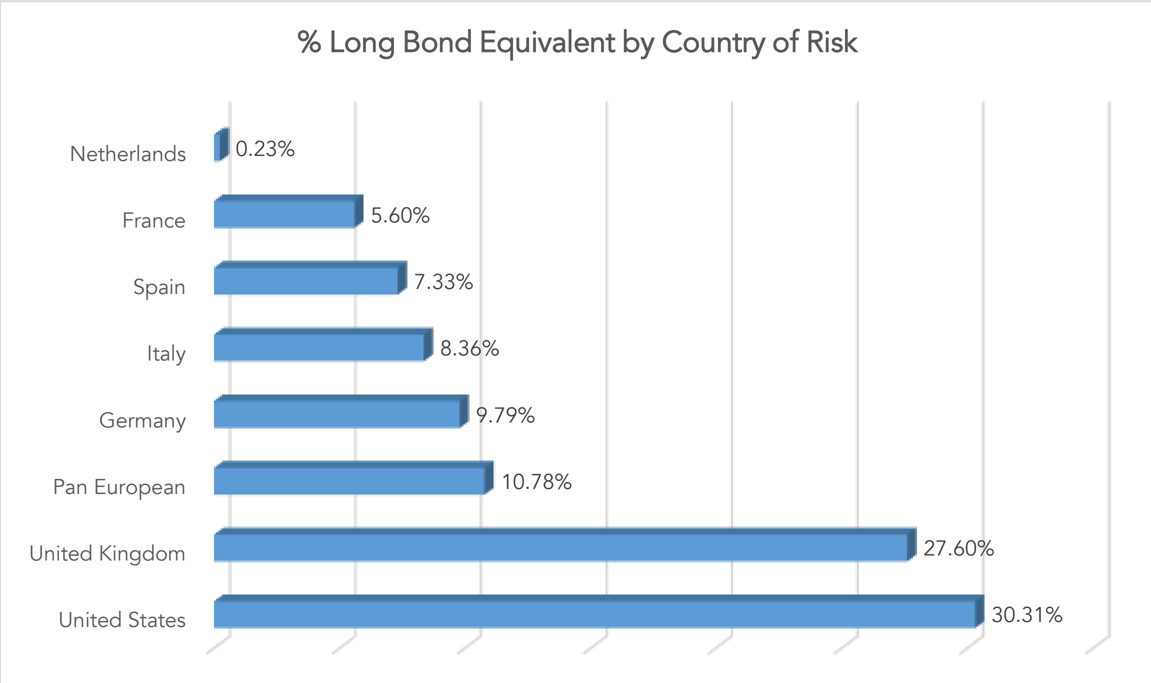
Short Credit Exposure (SCE)

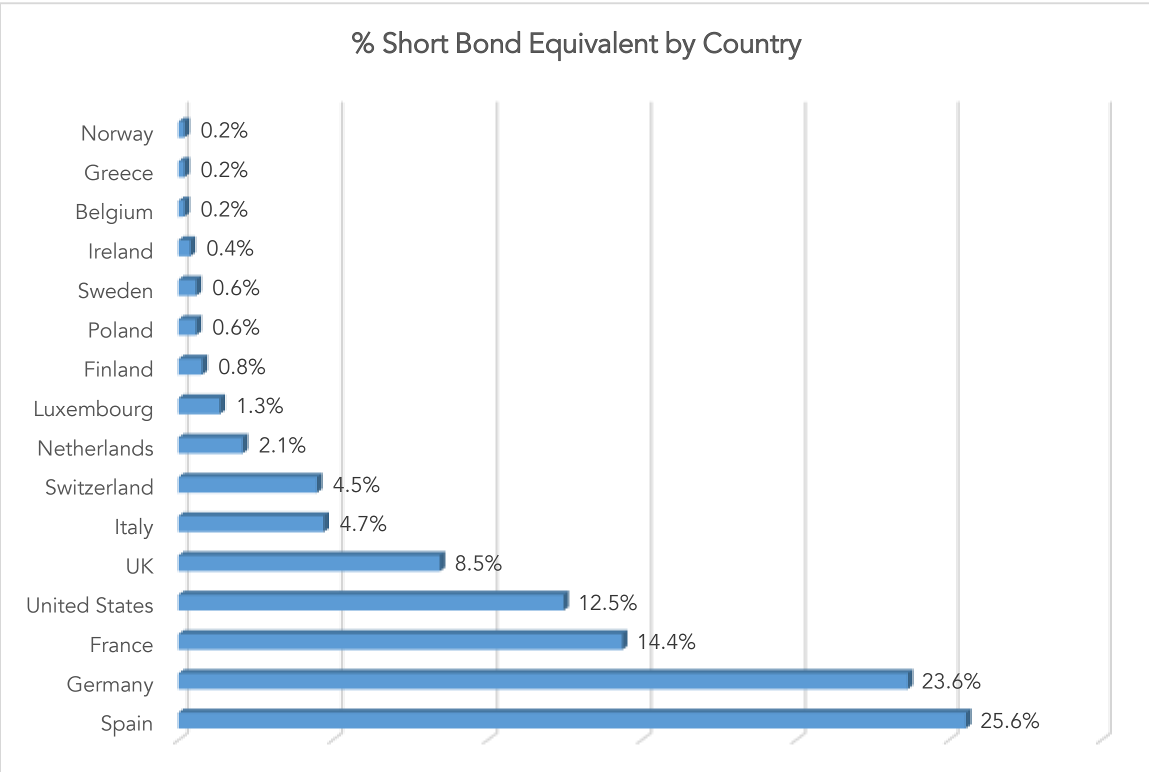


1Returns are those of the East Lodge Capital Credit Opportunities Fund, Ltd. and are shown net of fees and expenses. The returns are unaudited. Please see disclaimer for further details.

2 Performance for April 2014 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 (which fees, had they been charged, would have had the effect of reducing the returns shown).

Country Analysis as at 31st July 2014





Commentary

As previously communicated, we will now be moving to a monthly letter that details risk and performance data along with some commentary on market developments during the month. This will be accompanied by a more extensive quarterly letter that will consist of this data along with an in-depth thought piece on the market highlighting what took place throughout the quarter as well as our forward looking views. As always, we welcome and encourage any feedback on these reports.

Europe

- A Tale of Two Halves – 'Geopolitics meets Summer': ABS spreads were firm into the first half of the month and shrugged off the majority of negative news. The summer lull went into full effect early, in combination with weakness in broader European credit markets in the last week of the month. This led to spread pressure in ABS towards the end of the month.
- UK Non-Conforming Primary: July saw a third UK non-conforming mortgage deal launch in primary, focussed on performing seasoned collateral that had previously traded as two whole loan trades now coming to the capital markets in order to obtain term funding. The timing was challenging as it joined the plethora of deals trying to price on the last day of the month however the deal did get over the line once a small concession was given.
- BES Unravelled: A story that rumbled on during the month was the demise of Banco Espirito Santo in Portugal. Lack of information on the true position of BES led to significant volatility in European equity and credit markets. ABS shrugged off the moves on the whole with the exception of Portuguese RMBS and specifically the LUSI shelf originated by BES which went 30-50bps wider at the senior level whilst other Portuguese names simply tracked the weakness in the sovereign bonds.
- CMBS Continued Tightening: spreads continued to grind tighter during the month with volumes light overall. July is a quarterly Interest Payment Date (IPD) for CMBS bonds, and we observed increased activity in sales and refinancing with greater prepayments at the bond level and, in several instances, ahead of market expectations
- Improving CRE Markets, Mixed Borrower Performance: Several property valuations have been revised upwards reflecting an improving trend in the commercial real estate markets. Borrower performance continues to be mixed. Several loans refinanced at or ahead of their loan maturity date, but a number of loans also failed to repay.
- New Issue in European CMBS: A new Italian CMBS transaction priced and closed. The transaction was heavily over-subscribed and priced at levels tight to initial talk. This is the second Italian CMBS transaction to be issued in recent months. The deal consisted of two loans secured against Italian retail properties located within Northern Italy. The properties had recently been purchased by an international investor. Overall, signs remain positive for improvements in the Italian commercial real estate markets.
- CLO 2.0 Technically Driven: The supply technicals continued in July with three new deals coming to primary markets and targeting pricing on the last day of the month. Two of these deals were from established European Managers, whilst one was from a new entrant. The AAA notes were welcomed with open arms by the market and saw spreads tighten into 135bps (-5bps on the month) whilst the deeper mezzanine paper was met with an absence of bids at the initial talk and widened by as much as 50bps versus the deals that closed at the end of June. Only one of these managed to price their deal before the close of the month,

although that achievement came at the expense of printing their mezzanine paper wider than the other two deals that waited until the start of August.

US

- Strong Performance in US Non-Agency: US Non-Agency supply was $18.5 billion on the month (source: Trace). Returns were generally positive as a couple of large bid lists from a legacy seller, totalling about $8 billion, pushed an already firm market tighter. The 20 City Case-Shiller Home Price Index showed a 1.1% monthly gain while the year over year change dropped from 10.8% in June to 9.4% in July.
- Borrower Performance Mixed: Borrower performance was mixed in the latest remittances as voluntary prepayment speeds were generally slightly slower but 60+ delinquencies dropped a small amount. Modifications continued to decline, coming in 13% below June. Servicer advance rates were largely unchanged for the month.
- JP Morgan Settlement: JP Morgan's $4.5 billion settlement offer was accepted by trustees for the majority of the loan groups (768) while the offer was rejected on 9 groups and the deadline was extended to October on another 35.
- Credit Risk Transfer Deals Weakened: Fannie Mae and Freddie Mac credit risk transfer deals were hit hard in July with spreads widening by approximately 75 bps on the month. Given the aggressive financing provided and taken on some of these deals (2-3 times leverage) technical support for this sector has been thin.
- Buy-to-Rent Picking Up: There has been a pick-up in issuance of buy-to-rent transactions; however the most recent Invitation Homes deal priced significantly wider than initial price guidance.

Financials/Short

- Second quarter earnings announcements were broadly in line with expectations, although they underperformed year-to-date. Financial institutions had prepared the market for continued weaknesses to such a degree that in some cases they actually outperformed consensus.
- BES was the notable exception with its results finally announced on the 31st showing a net loss of €3.6bn for H1. This meant a capital ratio of 5%, well below minimum levels and facing inevitable recapitalisation/restructuring/bail-in, etc. This led to some interesting shorting opportunities on the back of BES concerns.
- We added some further single name exposure where our overall concerns remained, but only in such cases where we felt there was potential upside to consensus as expectations were fairly low to begin with.
- In view of our ongoing comments on tail risk and the geopolitical issues that continue, we executed more index option during the month.

Gross Return Attribution by Strategy

Strategy	Attribution (%)	LCE (%) as of July 31st 2014
CLOs	-0.03%	9.34%
European CMBS	0.31%	23.17%
European RMBS	0.14%	37.96%
US Non-Agency	0.45%	29.53%
Hedge	0.07%	N/A
Financing	-0.07%	N/A
Total Return (%)	**0.87%[3]**	**100.0%**

ASC 820

Category	LCE (%)
Level 1	0%
Level 2	95.6%
Level 3	4.4%

Estimated Liquidity

Category	% LCE
< 30 Days	40.2%
30-60 Days	55.39%
>60 Days	4.40%

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

Stress Tests

Stress Test	Result % Nav
Equities -10%	0
Equities +10%	0
Corporate Credit Spreads -25%	-0.54%
Corporate Credit Spreads +25%	0.58%
Equity Volatility –5 pts	0
Equity Volatility +5 pts	0
FX -10%	-0.22%
FX +10%	0.22%

VaR

VaR (1 Day 95%) (% of Nav)	0.43%

Long Equity Delta	Short Equity Delta
0	0

Fund Terms

Minimum Investment ($mn)	1
High Water Mark	Yes
Side Pocket	Optional (subject to 20% limit)
Redemptions	Quarterly
Redemption Notice	90 days prior written notice (subject to a 4% penalty if made within first 12 months following initial investment)
Gate	25% (Investor-level)

Lock up	1 year soft lock (4% early redemption penalty if redeem within first 12 months)
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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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.

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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 Shares 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 (which fees, had they been charged, would have had the effect of reducing the returns shown). In addition, 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 of the date shown; the actual portfolio 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:
  - < 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.