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.

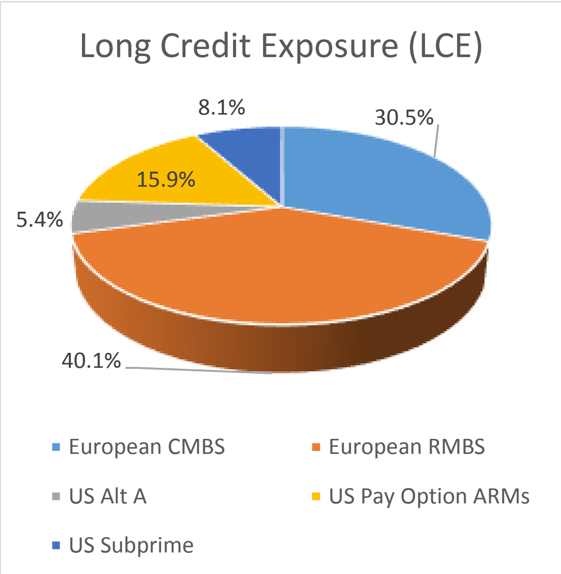
Performance Summary[1]

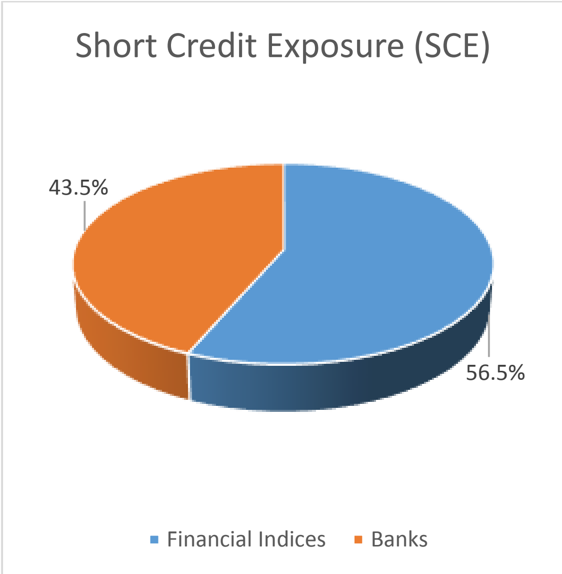
MTD Return – May 2014	2014 YTD Return (April 2014 inception)
1.21%	5.53%

Assets Under Management

Fund AUM as of 1 May 2014	Firm AUM as of 1 May 2014
$ 84.36mn	$ 84.36mn

Portfolio Summary as at 31st May 2014

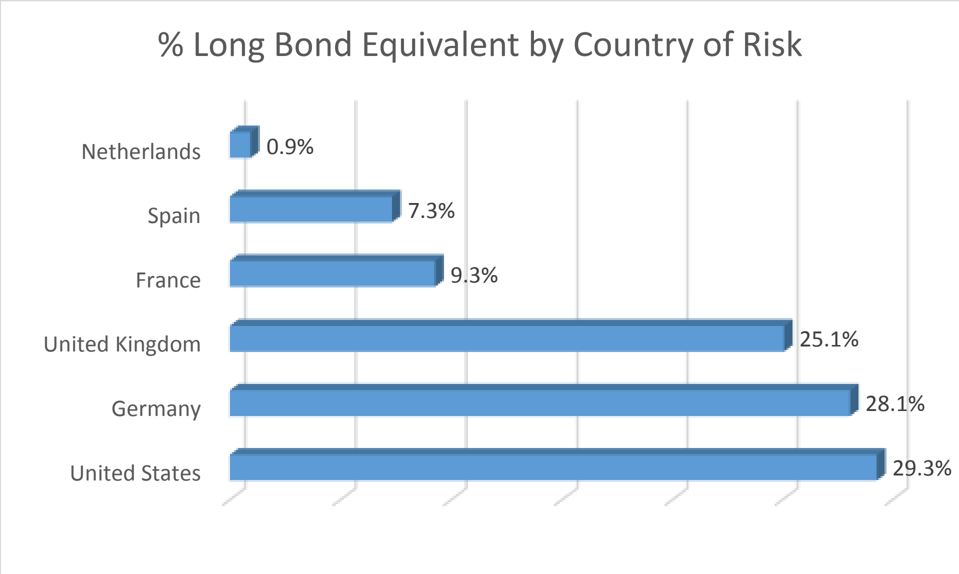


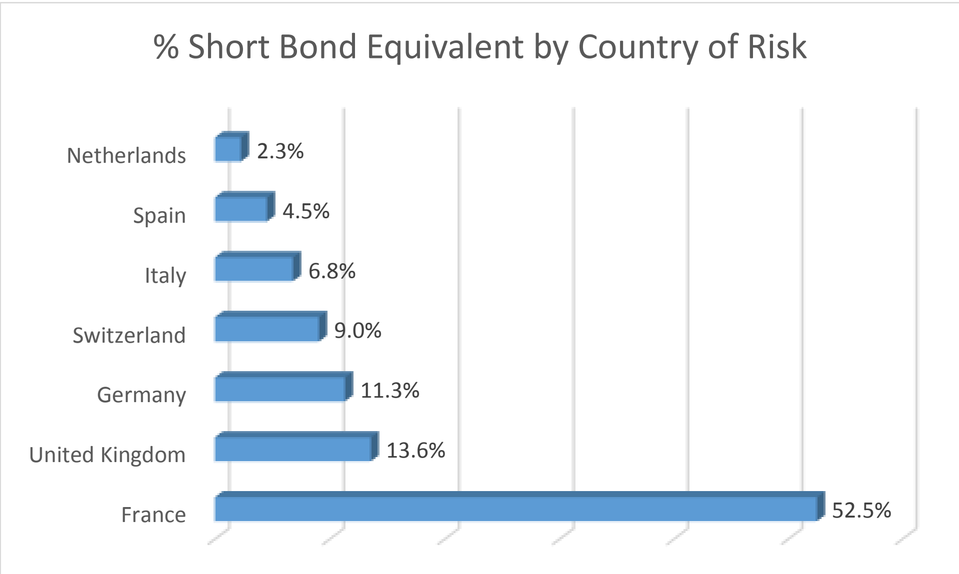


1 Returns are shown net of fees and expenses, please see disclaimer for further details

East Lodge Capital Investor Letter May 2014

Country Analysis as of 31st May 2014



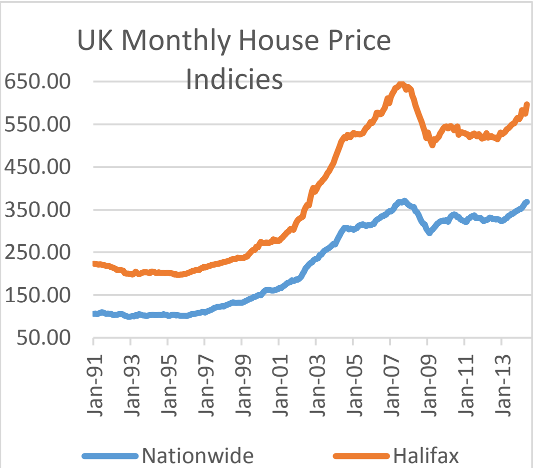


Commentary

We are pleased to provide our second Investor Letter, and as detailed in last month's report, we will now be moving to a quarterly cycle of detailed commentary, along with monthly reporting of portfolio and risk information. We continued to see opportunities in the market, and successfully deployed our first inflows of external capital producing a return of 1.21% for May. We moved closer to our medium-term deployment targets, with European CMBS now representing 30.5% of overall portfolio allocation. We also put in place an option strategy from the short side to carry us through the potential volatility around the June ECB meeting and much anticipated policy announcements.

European RMBS Markets

UK



May-14	Halifax	Nationwide Building Society
Annual Change	8.70%	11.10%
Quarterly Change	2.00%	2.30%
Month Change	3.90%	0.70%
Average Price	184,464	186,512
From Peak:	-7.59%	-0.79%

The strength of UK housing market indices in May was unrelenting with the Halifax data showing a sharp move higher (+3.9%) to bring prices since the peak to a single digits drop (-7.59%), whilst Nationwide data edges closer to the peak 2007 levels. The quarterly change in both indices is close and highlights that the three month running average of moves provides a better indication of the market. In terms of affordability, the Nationwide affordability index (based on first time buyer gross house price to earnings ratios) currently reports at 4.7x in Q1 2014 (vs. 5.4x at the peak). Rob Noel of Land Securities, a large UK property developer, came out publically to defend London house prices stating that prices "are where they are because we simply have not built enough housing", something which London Mayor Boris Johnson was in agreement with as he pushed developers to build more homes in the capital. In contrast, the end of May saw Lloyds and RBS/ Natwest curbing income lending ratios on loans in excess of £500,000 to 4x income in an attempt to limit risk given the pricing inflation in London and the South East.

No discussion on the UK mortgage market can be complete without mentioning the Help-to-Buy scheme (see https://www.gov.uk/affordable-home-ownership-schemes for a full explanation of the scheme), which saw figures published for the wrapped mortgage product. During the first 6 months 7,313 homes completed under the scheme, of which 80% were purchased by first-time buyers. 45% of those first-time buyers purchased homes valued at £125,000 or less. The average property purchased through the scheme had a value of £151,597, which compares to a national average house price of £252,000. Only 31 properties worth over £500,000 were purchased via the scheme. These statistics suggest that the scheme has successfully targeted the market segments it was intended to target, and it is hard to argue that Help-to-Buy has been inflating the prime London market.

The UK Non-Conforming mortgage market saw two primary deals price in May; A senior-only deal backed by lending on large balance loans to high net worth individuals and a seasoned legacy loan pool that was securitised and placed as a full capital structure including the residual cashflows. The visibility of demand for the freshly cut full capital stack deal helped drive the market tighter in legacy UK Non-Conforming bonds. We had, and continue to be, positioned for this move by owning seasoned profiles with structural optionality that also benefit from pick-ups in prepayment or default rates rising from their current low base. (Given low loss severities and rising house prices, a pick-up in default rate can actually held the deal).

France

In May Crédit Foncier came to market with their inaugural RMBS transaction that was €907mm in size and saw the entire capital structure placed in the market, including an instrument representing the front end of the residual cashflow. The debt stack was placed at a weighted average liability cost of €L+65.2. This is wider than their covered bond program which for similar duration traded at swaps+32 at the time of the RMBS primary. However, the RMBS deal would appear to be reasonably efficient versus the covered program given the term nature of the funding, the lack of requirement for over collateralisation and the ability to remove the assets from the balance sheet whilst retaining benefit from the excess mortgage interest via the residual.

From a trading perspective, the mezzanine bonds, despite the huge demand, were priced with a significant discount to where equivalent UK Prime RMBS risk would be placed, approximately 25-50 basis points (bps). We have seen the bonds framed substantially higher on the break with the BB rated class approximately 20 bps tighter by month end. We expect further tightening in this sector before any trading in the mezzanine occurs.

Spain

May saw Spanish Q1 GDP rise further into positive territory (QoQ at 0.4% from 0.2% Q4 2013) and registered unemployment drop 110k. In terms of the housing market, Spain's General Council of Notaries reported that home sales rose by more than 45% in Q1 versus Q1 of the prior year. Offsetting this, Fitch reported that house prices in Spain will not bottom in 2014 and a research report from Exane highlighted that average house prices in Spain are currently 5.8x the average salary, which is higher than the UK ratio during the 2007 peak (5.4x according to Nationwide statistics). This suggests that prices need to fall a further 10% to allow for the lingering supply overhang to clear.

Many will argue research reports are often lagging. Indeed the interest in positioning to take advantage of the housing market recovery has never been stronger, with a chase for wider senior bonds and mezzanine profiles that would benefit from recovery of the housing market in a more asymmetric manner. In addition, details emerged on the €7bn "project Hercules" NPL portfolio from the FROB (Fondo de reestructuración ordenada bancaria – Spanish Bad Bank) which provided the market with fresh snippets of information regarding what is happening on the ground. We added some longer duration senior cash-flows to the book at the start of the month in order to participate in the positive trends in a segment of the market that had lagged during April. The bonds in question benefit from embedded structural protection to offer protection in a deteriorating housing environment, but offer optionality without additional cost given the positive mood of the market at present.

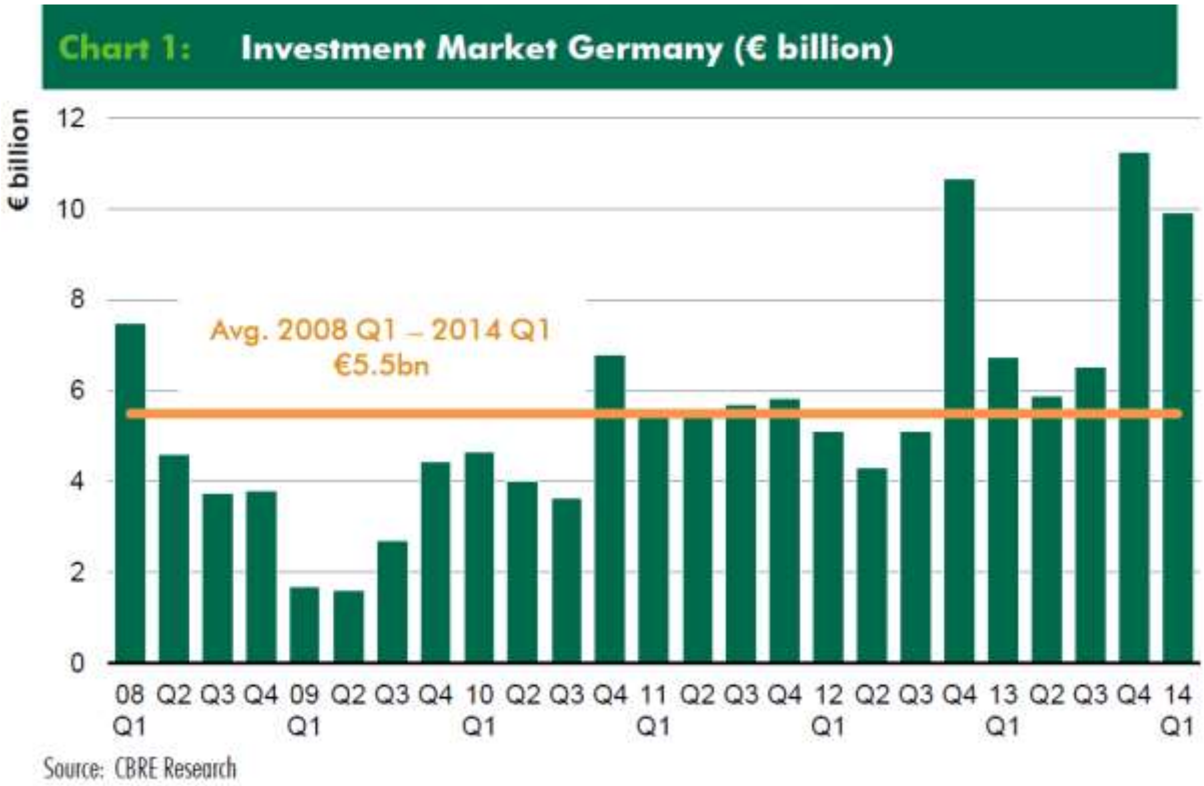
CLO

The European loan market continued to perform well given the continued easy liquidity in the system with a few obvious exceptions (the likes of the French clothing retailer Vivarte down another couple of points below 40px and the Dutch Waste Management company AVR that dropped from mid 80s to an 80 price context). The difference in manager behaviour when a specific credit begins to deteriorate has been made more apparent in the last year and highlights the importance of regular manager contact. The CLO market has seen strong demand at the top and bottom of the capital structure with AAAs 5-10bps tighter in 1.0 issuance and 2-5bps tighter in 2.0 issuance. B-rated tranches and equity remain well bid but the 2.0 issuance BB rated notes leaked 15-25bps wider due to buyer-base technicals and started to present a more interesting opportunity once again.

CMBS

During the month we increased our exposure to all levels of the capital structure within European CMBS. In the secondary markets, senior and "2nd pay" bonds continued to offer good relative value on a risk/return basis and our expectations are for these bonds to continue rallying in the short to medium term with the wider credit markets. We were able to add exposure to mezzanine tranches of CMBS that offer attractive returns to our base case expectations. With the strong technical and spread tightening during the month we were also able to realise some trading gains.

We added exposure to several pan European CMBS transactions. The largest geographic exposures in these deals were to German office and retail markets. Investment volumes in Germany over the last couple of quarters have been strong with more than €9.9bn invested in Q1, up 47% from the same period in 2013, with office and retail properties the most sought-after asset classes. German retail continues to see strong investment sponsorship with good underlying data and an improved consumer climate. The strong demand has caused prime yields to fall to 4.6% in sought after, prime locations and 5.4% for a prime shopping centre in a secondary location. With this yield tightening, and against good underlying macroeconomic data, investors are accepting a greater degree of risk. We expect this to feed through to tighter pricing on our exposures and improved property performance.



We also increased exposure to the UK regional office market. The UK office market is seeing an improvement in demand nationally as investors seek out higher yields against an improving economic back drop. Furthermore, with low levels of supply and strengthening occupier demand, rental growth expectations are increasing.

Our exposure to the Netherlands office market reduced this month following a significant repayment to our acquisition in April which was ahead of our base-case expectation.

May marked the release of The UK Commercial Property Lending Report 2013 by Loughborough University which is produced annually. The report highlighted the opportunities available for non-bank lenders as the banks continue to scale back their involvement. According to the research, total loans made against commercial property in the UK during 2013 fell by 9.1 per cent year-on-year to £180bn.

British banks made just 43 per cent of the commercial property sector's new loan originations in 2013, down from 72 per cent of the market in 2008. New lending from banks in other countries has remained relatively steady during the past five years, and they continue to make up a quarter of the market. Alternative sources for lending grew rapidly with non-bank lenders, including hedge funds and private equity investors forming some 11 per cent of new loan originations in 2013, more than double the market share they took in 2012.

As lending activity continues to increase we anticipate that this will fuel a rise in investor activity, which should feed through into capital value appreciation. Indeed, we are already seeing evidence of this trend in play.

On a more general note, we understand that the pipeline for new issuance is increasing. Over the next few weeks and months, we expect a number of deals to be announced with a variety of exposures, ranging from UK secondary shopping centres to Italian and Spanish retail and office properties. Given the recent dearth of new issue it is envisaged that the early transactions will be well received.

US RMBS

In US non-agency, the market continued to see strong support in the context of subdued trading volumes. Supply was generally coming from money managers along with some targeted selling from hedge funds and the GSEs. We expect to observe continued support for the sector given that technicals are strong, and fundamental performance metrics continue to improve.

60+ delinquencies and foreclosure rates were the lowest since the 4th quarter of 2007. Judicial states continues to make up a large share of the severely delinquent buckets (70% of all foreclosures were in judicial states) and liquidation activity in pay option arms and subprime decreased on the May reporting date.

The Case Shiller 20 City Composite was up 12.4% YOY in the most recent release (March data). Barclay's forecasts 7% growth in 2014. Credit Suisse (CS) forecasts 5% in 2014. CS attributes the slower growth to reduced affordability and a decline in distressed supply. Growth in single family housing starts continues to be modest (0.8% increase April over March). Multifamily starts have rebounded to pre-crisis levels.

Payments from the Rescap bankruptcy finally flowed through to trusts in May remittances. These payments are being made to Rescap securitized trusts to compensate investors for breach of representations and warranties made by various Rescap/RFC entities at the time of securitization. A total of $457 million ($17.65 per unit) were made in May. Further recoveries are being priced in by the market, with the hope that rep and warranty claims against third party originators of loans sold into Rescap securities will pay out to the trust. These payments are expected to be smaller over the short term, and may be spread out over a number of months.

Prepayments were up slightly in subprime, POA and Alt A in the May remittance reports. Liquidations were down in POA and subprime and unchanged in Alt A. Modifications were down slightly. The 60+ delinquency rate fell 33 bps in Alt A, 41 bps in POA and 39 bps in subprime.

As the efforts with larger banks wind down, the federal government has begun targeting midsize banks for their role in the mortgage crisis. The banks mentioned include Fifth Third Bancorp, Suntrust, Regions Financial, US Bancorp and Capital One. (WSJ)

The FHFA is expected to release their guaranty fee proposal soon. There are two major areas of discussion. The first is what the Guarantee ("G") fees should actually be. There seems to be a shift from using the G fees as a means of enticing private capital back into the market to basing the G fee purely on risk and return on capital. The second area of discussion is the cross-subsidizing of weaker borrowers with higher fees on better credit borrowers. One concern is that this could push banks to hold better loans and deliver poorer quality origination into the agency pools.

Side Pocket

With respect to the Side Pocket, we continue to build relationships with several key financial institutions and property funds/companies. We are actively reviewing a number of opportunities both within the UK and mainland Europe and are in negotiations regarding terms and conditions on one particularly interesting opportunity. We continue to take a flexible approach to funding opportunities with compelling business cases, with, where appropriate, some reasonable “kickers” within the structure.

Gross Return Attribution by Strategy

Strategy	Attribution (%)	LCE (%) as of May 31st 2014
European CMBS	0.45%	30.5%
European RMBS	1.12%	40.1%
US Alt A	0.10%	5.4%
US Monoline Wrapped	0.02%	0.0%
US Pay Option ARMs	0.06%	15.9%
US Subprime	0.06%	8.1%
Financials	-0.04%	Short exposure
Total Return (%)	**1.78%**[2]	**100.0%**

Stress Tests

Stress Test	Result % Nav
Equities -10%	0
Equities +10%	0
Corporate Credit Spreads -25 bps	-0.30%
Corporate Credit Spreads +25 bps	0.56%
Equity Volatility –5 pts	0
Equity Volatility +5 pts	0
FX -10%	-0.06%
FX +10%	0.06%

Estimated Liquidity

Category	% LCE
< 30 Days	47.7%
30-60 Days	52.3%
>60 Days	0.0%

ASC 820

Category	LCE (%)
Level 1	0.0%
Level 2	100.0%
Level 3	0.0%

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

VAR

VaR (1 Day 95%) (% of Nav)	0.40%

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) following first 12 months of investment

Lock up	1 year soft lock
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

* Quarterly redemptions following a 1 year Soft Lock subject to a 4% Early Redemption Penalty if redeemed within the first 12 months.

Contacts

Name	Melanie Harington	Nick Gaze
Position	Marketing & Investor Relations	Director: East Lodge Capital Management Ltd.
Telephone	+44 203 540 8430	+1 345 328 0137
Email	melanie.harington@eastlodgecapital.com	nick.gaze@eastlodgecapitalmgmt.com

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 Domestic 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 the Offshore Fund. It is unaudited and is shown net of all fees and expenses, though we note that the April 2014 performance number reflects the capping of certain Fund expenses by the investment manager. 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).

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.