East Lodge Capital Investor Letter November 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]

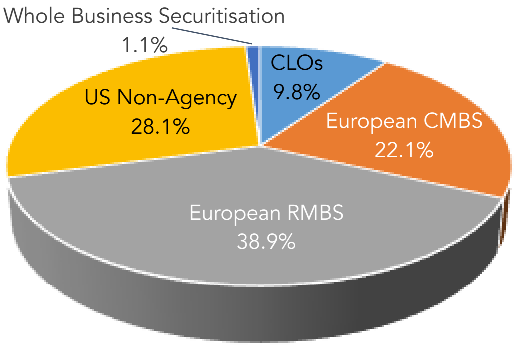
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	YTD*
2014				4.27%[2]	1.21%	1.81%	0.54%	-0.42%	1.05%	-0.55%	-0.39%	7.67%

*Fund launched in April 2014

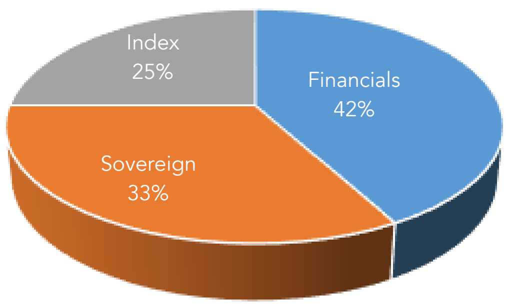
Assets Under Management

Fund AUM as at 1st November 2014	Firm AUM as at 1st November 2014
$545,910,000	$545,910,000

Long Credit Exposure (LCE)



Short Credit Exposure (SCE)



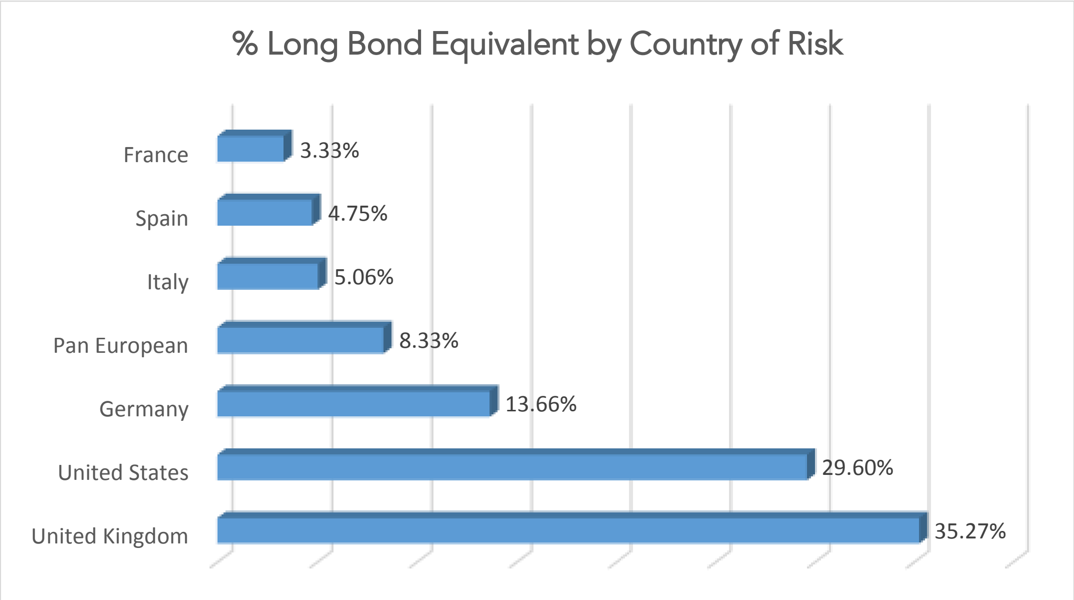
Portfolio Summary as at 30th November 2014

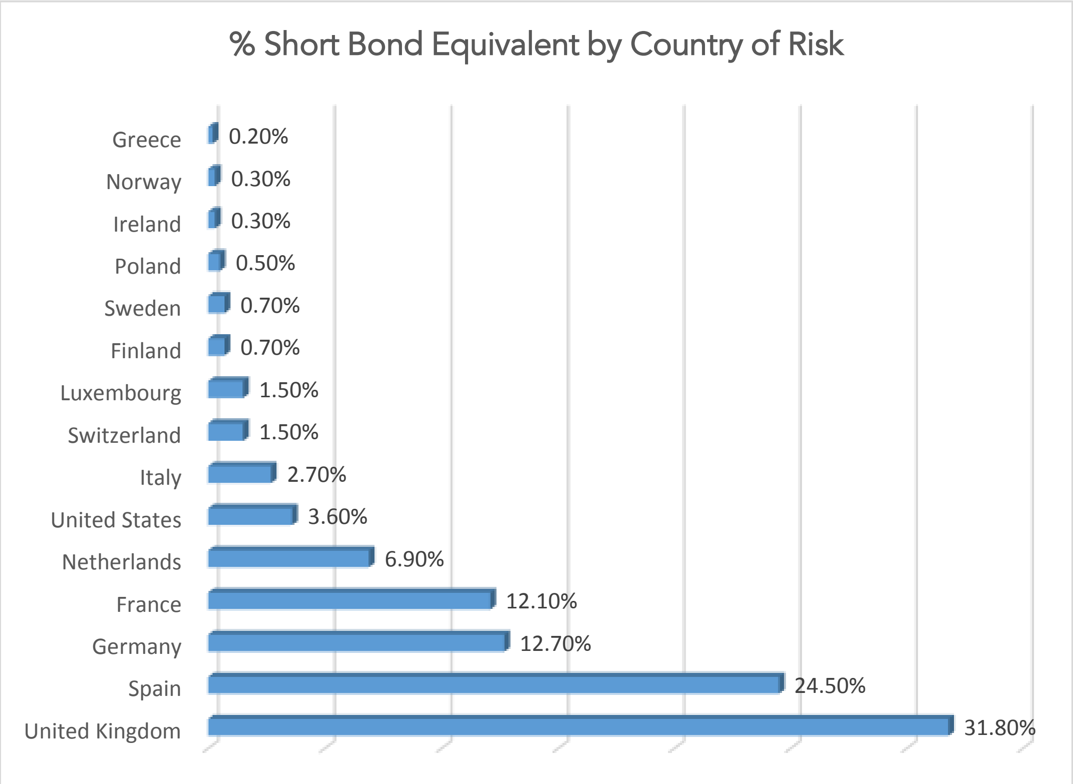
Total Long Credit Exposure as % of NAV	Total Short Credit Exposure as % of NAV
159.6%	50.3%

[1] Performance shown is the weighted average returns of the Class A Shares of the East Lodge Capital Credit Opportunities Fund, Ltd. for April 2014 – June 2014, and the weighted average return of Class B Shares for the Offshore Fund for July 2014 onwards 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 30th November 2014





Commentary

European RMBS

Let's do the Time Warp again - UK mortgages are back to their old tricks: Credit conditions for UK mortgage borrowers showed further signs of easing in November. The Financial Times carried a story that mortgage brokers are predicting the return of Interest-Only (IO) lending over the next two years. IO lending was much maligned for lax underwriting standards in 2006/07, but now as providers jostle for new business and fears of irresponsible lending recede under the new Mortgage Market Review (MMR) regulations, it is natural to expect the available product mix to drift to past products in order to capture previously underserved customers. In more traditional lending, we saw Barclays reducing the rate on its 90% Loan-to-Value (LTV) loans two year fixed at 3.68%, three year fixed at 3.99% and a five year fixed at 4.38% which opens up a reduction in monthly payments on the High Street for clean credit, high LTV borrowers. Finally, a report published by Countrywide Group showed that only 5% of mortgaged households would be unable to pass the post-2008 lending criteria, down from 9% a year ago. Additionally, as S&P noted in their recent sector review, arrears in UK Non-Conforming RMBS have fallen to the lowest level since March 2008. All in all, UK mortgage activity looks set to continue its budding, if not blooming recovery.

Stumbling out of the blocks - A false start for the ECB: November was hotly anticipated by market participants as the moment we would finally see the impact of the ABS Purchase Program (ABSPP). The buying program was set to begin in the final week of the month, but before we got there the market had to endure an abundance of selling, predominately from legacy sellers liquidating senior bonds ahead of the thinner liquidity that traditionally comes with the Thanksgiving holiday period. This selling precipitated weakness in senior spreads, and whilst mezzanine spreads outperformed in the move wider, the greater duration in mezzanine paper caused month end marks to come in weaker. The settled purchases from the first week of the ABSPP totaled €368mm vs €5.1bn for the Covered Bond Purchase program, which was disappointing, but not surprising given the extensive credit process the four purchasing banks need to carry out before they can make a secondary market purchase, and also the fact that the program has been introduced around this traditionally quieter period. We strongly believe this suggests "the only way is up" from here into 2015. Even moderate buying under the ABSPP will lead to reclaimed balance sheet being used to purchase non eligible assets, and the renewed focus on ABS in general will spur a larger investor base that will bring considerably higher amounts in primary activity in 2015.

CLO

Washed wider by a tidal wave of primary supply: The post-crisis European CLO issuance market was flooded with unprecedented supply causing weakness in spreads across the capital structure. Fifteen deals jostled to be priced in November which would have represented almost one third of the total 2015 primary issuance in the penultimate month of the year - a congested month by any measure. Despite the underlying leveraged loan markets recovering from the price volatility of September/

October, the CLO liability structure in Europe moved back to the widest of the year - so wide that new issuance could not be made to work and deals were postponed. Unfortunately, this move in spreads incurred mark-to-market losses. However, given deals are now being postponed on both sides of the Atlantic, we are seeing the glut of supply turn to a drought and expect European CLO spreads to follow the path of US CLO spreads, grinding tighter into the close of the year and benefitting from fresh demand and allocation emerging in January 2015. We do see this widening as a technical and have been taking advantage of this, adding to our exposure during this bout of spread widening.

European CMBS

CMBS is ECB Eligible: The explicit mention of CMBS in the ECB's legal act on the implementation of the ECB purchase programme took the market by surprise.[i] Very few commentators or market participants were expecting this. However, despite having its 15 minutes in the spotlight, the anticipated buying activity by the ECB of CMBS is expected to be limited. No CMBS bonds currently meet the eligibility criteria, and because the level of information required to be eligible is extremely onerous, we don't anticipate many new issues to meet the criteria.

Monthly Performance: The CMBS book was broadly flat on the month. CMBS prices were softer in November as the market appeared to be slowing down for the year and participants were less focused on adding into year end. Sales activity from legacy accounts picked up, but this was in the high cash price/lower return names which we consider less attractive for our portfolio. Several dealers also appeared keen to reduce their books into year end.

Q3 European CRE Activity continues to rise: As we mentioned in earlier commentaries, we are seeing increased activity in European Commercial Real Estate. DTZ, a global property services company, reported that prices rose 7% in Q3 reflecting growing demand for assets in non-core markets. In addition, CBRE, the world's largest commercial real estate services firm, reported that European Commercial Real Estate investment totalled €48.4bn in Q3 2014, a 27% increase on Q3 2013 and 4% higher than the prior quarter.

Loan Activity continues to increase: Commercial Loan sales continue to pick-up in Europe with PricewaterhouseCoppers reporting that €34.5bn of European commercial real estate loans traded within portfolios during the first nine months of 2014. The volume of CRE loan portfolios traded during the nine months of the year was almost double from 2013's total of €18bn, which in turn was up from €13bn in 2012. This demonstrates that legacy owners, particularly banks, are now eager and able to reduce their exposure, and it is indicative of the increase in demand from an international investor base keen to gain exposure to these assets and jurisdictions.

Netherlands CRE on the up: The IPD Netherlands Quarterly Property Index[ii] for Q3 points to a growing improvement in the Dutch real estate market. Total returns over the last three months showed improvements in both the office and industrial property sectors (+1.4% and +0.5% respectively.)

Whole Business Securitisation

UK Government Surprises the Pub Industry: This month the pub sector had a surprise shock. The UK Government passed a bill through parliament requiring pub companies that have tied management agreements (which restrict the purchasing options of the tenants in exchange for reduced rent) to offer tenants an option to pay a market rent instead of remaining on a tied tenancy. It came as a surprise to the industry that the bill passed through parliament and negatively impacted those pub companies that are heavily reliant on these "tied tenancies" as the increase in rent (to market levels) is not sufficient to cover the lost profit from certain regular charges, such as beer and other drinks, that exist under a tied tenancy.

It remains unclear how certain aspects of this bill will be interpreted, and how deep the impact will be. We have seen weakness in prices across the sector. The two main pub companies affected were Punch Taverns and Spirit as both businesses are reliant on tied tenancies. They experienced sharp falls in their equity and bond prices following the passing of this bill. We have specifically avoided these two names. This may prove to be a buying opportunity in names that we do not consider to be impacted if we see significant weakness in bond prices.

US Non-Agency

Rolling down the tracks: The US non-agency market continued to chug along in November, with spreads holding firm to slightly tighter and borrower performance continuing to improve. US economic data was strong and house price appreciation (HPA) remained positive, although it continued to moderate this month.

Everyone loves mortgage credit, except for CRT: Trading volumes were robust, with average daily volume over $1.5 billion, as large bid lists continued to trade well and the market showed strong demand for securities. The agency credit risk transfer [CRT] deals, on the other hand, were weaker once again. With the issuance of CAS 2014-C04, spreads widened about 20 basis points at the bottom of the stack with the deal pricing the 1M2 tranche at 490 dm. The CRT market has been plagued by poor liquidity and volatile spreads.

The song remains the same: Overall, borrowers showed increased prepayments and improving delinquencies while liquidations and severities were mixed. Voluntary prepayments were up 0.7 to 4.0 CPR in Pay Option Arms [POA], up 0.8 to 3.7 CPR in Subprime and unchanged at 6.5 CPR in Alt-As. Delinquencies were down across the board by 0.40%, 0.35% and 0.97% in Alt-As, POAs and Subprime, respectively, leaving 60+ delinquencies at 19.76% in Alt-A, 24.96% in POA and 27.42% in subprime. While there are some hints of improvement in certain judicial states, such as Florida, the backlog of delinquent loans in these markets continues to be a concern in deals with higher than average judicial state concentration. In Florida, the percentage of very aged delinquencies is starting to decline.

Rising tide: Steady economic growth in the US should continue to help borrowers, with the US job market adding 214,000 jobs in the November release (October data), consistent with the average of 229,000 per month in 2014. Unemployment dropped to 5.8% for the month, and has fallen 1.4% for the year. The combination of lower unemployment levels and moderate wage growth should lead to further improvements in borrower performance.

House Prices, still rising but winter is coming: The 20 City Case-Shiller Home Price Index showed a 0.1% monthly decline (Non-seasonally Adjusted), while the year-over-year change dropped from 5.6% to 4.9% in the November report (September data). There are conflicting factors regarding future HPA. On a seasonally adjusted basis, FHFA showed housing prices unchanged nationally on the month, with a year over year increase of 4.5%. While the supply of new housing trails population growth, young adults continue to enter the housing market at a fairly slow rate, as many are staying with parents longer than they have done in the past. Looking ahead, we estimate house price increases in the range of 3-4% for 2015.

Financials/Short

To QE or not to QE - that is the question: Structural problems remain, restraining growth, and ECB intervention is not a cure for all ills, however the market eagerly awaits and has positioned itself for fully-fledged quantitative easing [QE]. We had a dovish November press conference from the ECB with more action to be considered in Q1 2015 should inflation projections fall short, and we lost count of the number of articles predicting an announcement of sovereign bond buying at the 4th December meeting. The question is will the ECB buy corporate or sovereign bonds and when, especially given concerns around moral hazard and required consensus. The markets love the idea; the Bundesbank hates it. Thus, we feel there is room for disappointment into December, particularly in light of how long the market is. We also think there is potential for more volatility around Greece which was responsible in large part for the mid-October mini meltdown. We have political parties posturing with respect to the presidential election, and an 8th December meeting of Eurozone ministers to set the parameters for bailout exit.

Earnings season finishes up: European earnings continued along a similar path to those who reported immediately after the stress tests, with most reporting in line or above expectations, thus relatively uneventful in terms of market impact for most. Of interest was that that some European banks chose to take their Asset Quality Review [AQR] adjustments. For example, Societe Generale, who fell short of expectations overall but whose Loan Loss Provisions (LLP) were lower than expected. Monte de Paschi also made adjustments saying the losses resulted from a "Credit File Review using the same criteria applied by the Supervisory Authorities in the AQR (and also) compliant with accounting standards." It did not include other AQR impacts such as statistical and collective provisioning, as the "projections do not meet the necessary analytical requirements" to do so. Over the coming quarters we would expect other institutions to carry out their policy and procedure reviews and to see some adjustments come through in conjunction with 2015 financial planning.

Litigation Mitigation: 2014 has been a big year for litigation and November saw Citi, JPM, RBS, UBS and HSBC settle to the tune of $4.3bn with regulators in the US, the UK and Switzerland regarding

FX misconduct. We believe further fines from others could materialize. Barclays stated that it chose not to settle as it preferred a more comprehensive settlement. Several institutions stated that legal losses could exceed reserves – JPM notably by as much as $5.9bn according to its Q3 10q. It is not the end of litigation and conduct issues, but barring any large surprises, European banks are catching up on progress made by the US banks on existing issues. We continue to watch levels of reserves, leverage and internal capital generation in this context.

They wouldn't be financial institutions without regulatory developments: November brought the Financial Stability Board's (FSB) publication of its list of Global Systemically Important Financial Institutions (G-SIFIs) with Credit Agricole and UBS having their capital buffers lowered to 1% from 1.5%. The Basel Committee on Banking Supervision [BCBS] published a paper entitled "Reducing excessive variability in banks' regulatory capital ratios," assessing banks' risk-weighting of banking and trading book assets. Progress has been slow, but this is an area we believe warrants greater scrutiny.

It was the Total Loss Absorbing Capacity [TLAC] Framework proposal that got the most column inches setting out the basics of what constitutes TLAC and the amount required. Minimum TLAC will be 16-20% of risk weighted assets (depending on the institution) or 2x the leverage ratio, whichever is higher. Regulatory buffers are in addition to TLAC with any Common Equity Tier 1 (CET 1) capital left after TLAC requirements usable towards regulatory buffers. Senior operating company debt is eligible, but must be contractually subordinated (which isn't the case currently for existing Op Co senior). Much of the detail remains unknown and implementation is not until January 2019, so reaction (and new issuance) is likely to be ongoing. There will need to be substantial issuance to meet TLAC requirements, most likely skewed towards subordinated debt. Interestingly, the onus is on the commercial banks such as BBVA who have further to run due to their higher risk weight density versus the investment banks. We also note that European banks do not have the same standard Hold Co/Op Co structure that exists in the US.

European Direct Lending

We continue the due diligence process across a number of opportunities in the UK, the Netherlands and Germany.

Our ability to be nimble and commercial in our approach is proving an attractive facet, with a UK commercial property bridge loan opportunity the most likely to "go on risk" first within the side pocket.

We are aiming for stable, annuity-type return profiles across these opportunities, and we are actively negotiating several deals to have a hybrid structure, involving an element of preferred equity participation that creates upside to the base case yield.

Gross Return Attribution by Strategy as at 30th November

Strategy	Attribution (%)	LCE (%)
CLOs	-0.12%	9.78%
European CMBS	0.07%	22.07%
European RMBS	-0.15%	38.94%
US Non-Agency	0.30%	28.13%
Whole Business Securitisation	-0.01%	1.06%
Hedge	-0.25%	N/A
Financing	-0.08%	N/A
Total Return (%)	**-0.24%[3]**	**100.0%**

Ten Largest Positions by Sector as at 30th November

Position	Sector	Seniority	% of Portfolio
1	European RMBS	Senior	3.68%
2	European CMBS	Senior/Second Pay	2.16%
3	US Subprime	Mezzanine	2.12%
4	European CMBS	Senior/Second Pay	2.12%
5	US POA	Senior	2.11%
6	European RMBS	Residual	2.1%
7	European RMBS	Senior	2.03%
8	European CMBS	Senior/Second Pay	1.99%
9	European RMBS	Mezzanine	1.97%
10	US POA	Senior	1.95%

[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%	-0.61%
Corporate Credit Spreads +25%	0.53%
Equity Volatility –5 pts	0%
Equity Volatility +5 pts	0%
FX -10%	-0.24%
FX +10%	0.24%

VaR

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

Long Equity Delta	Short Equity Delta
0%	0%

ASC 820

Category	% LCE
Level 1	0%
Level 2	97.90%
Level 3	2.10%

Estimated Liquidity

Category	% LCE
< 30 Days	38.50%
30-60 Days	59.39%
>60 Days	2.10%

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

Contacts

Name	Karyn Geringer	Melanie Harington
Position	Head of Business Development	Marketing & Investor Relations Associate
Work	+1 917 338 5085	+44 203 540 8430
Cell	+1 917 971 0084	+44 773 902 6929
Email	karyn.geringer@eastlodgecapital.com	melanie.harington@eastlodgecapital.com

[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. [iii]

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 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 (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 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:
    - < 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.

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[i] Decision can be found at https://www.ecb.europa.eu/ecb/legal/pdf/en_ecb_2014_45_f_sign.pdf.
[ii] A leading provider of real estate performance and risk analysis. Further information can be found at: https://www.ipd.com/about/about-ipd.html.
[iii] We are pleased to announce that Greg Bennett has joined Nick Gaze at Danesmead Partners as at Jan. 1, 2015. To that end, we have terminated our director services agreement with The Harbour Trust Co. Ltd effective Dec 31 2015.