East Lodge Capital

Investor Letter August 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]

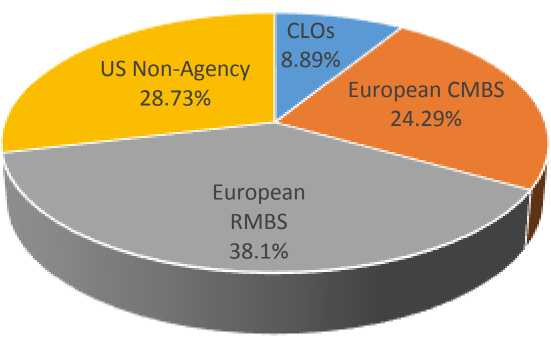
April 2014	May 2014	June 2014	July 2014	August 2014	2014 YTD Return (April 2014 inception)
4.27%[2]	1.21%	1.81%	0.54%	-0.42%	7.56%

Assets Under Management

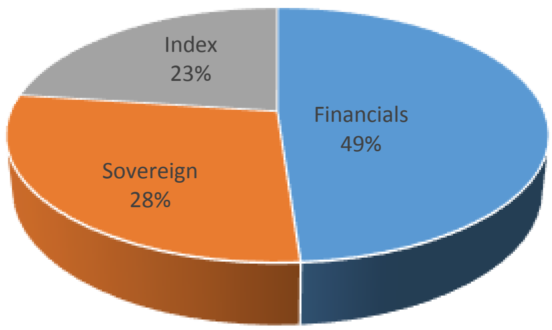
Fund AUM as of 1 August 2014	Firm AUM as of 1 August 2014
$398,561,487 mn	$398,561,487 mn

Portfolio Summary as at 29th August 2014

Long Credit Exposure (LCE)



Short Credit Exposure (SCE)[3]



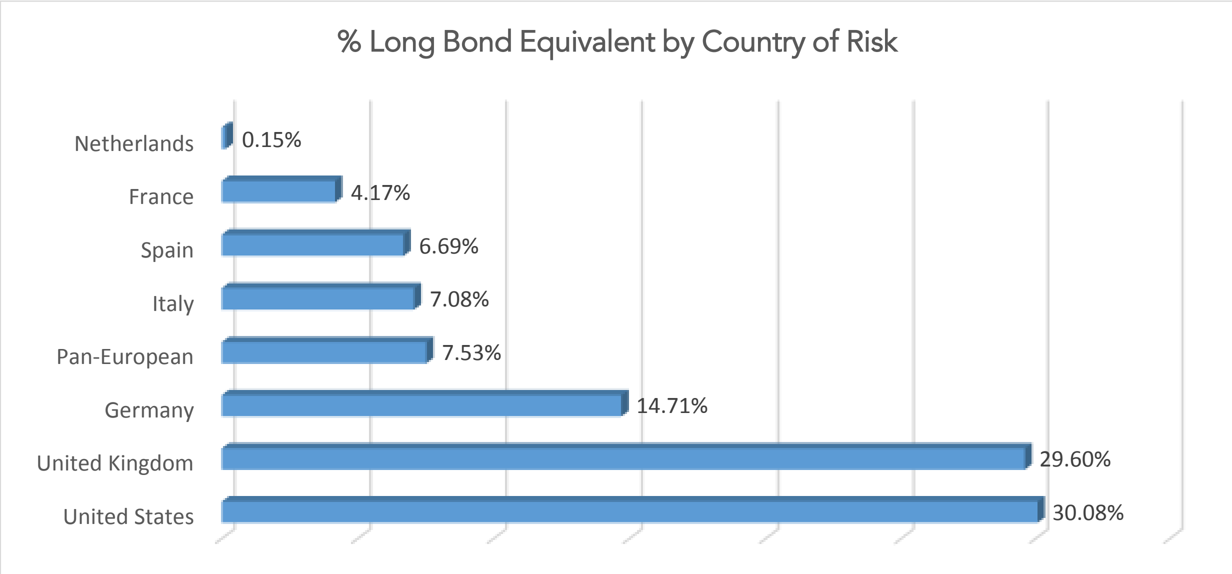
Total Long Credit Exposure as % of NAV	Total Short Credit Exposure as % of NAV
158.3%	35.48%

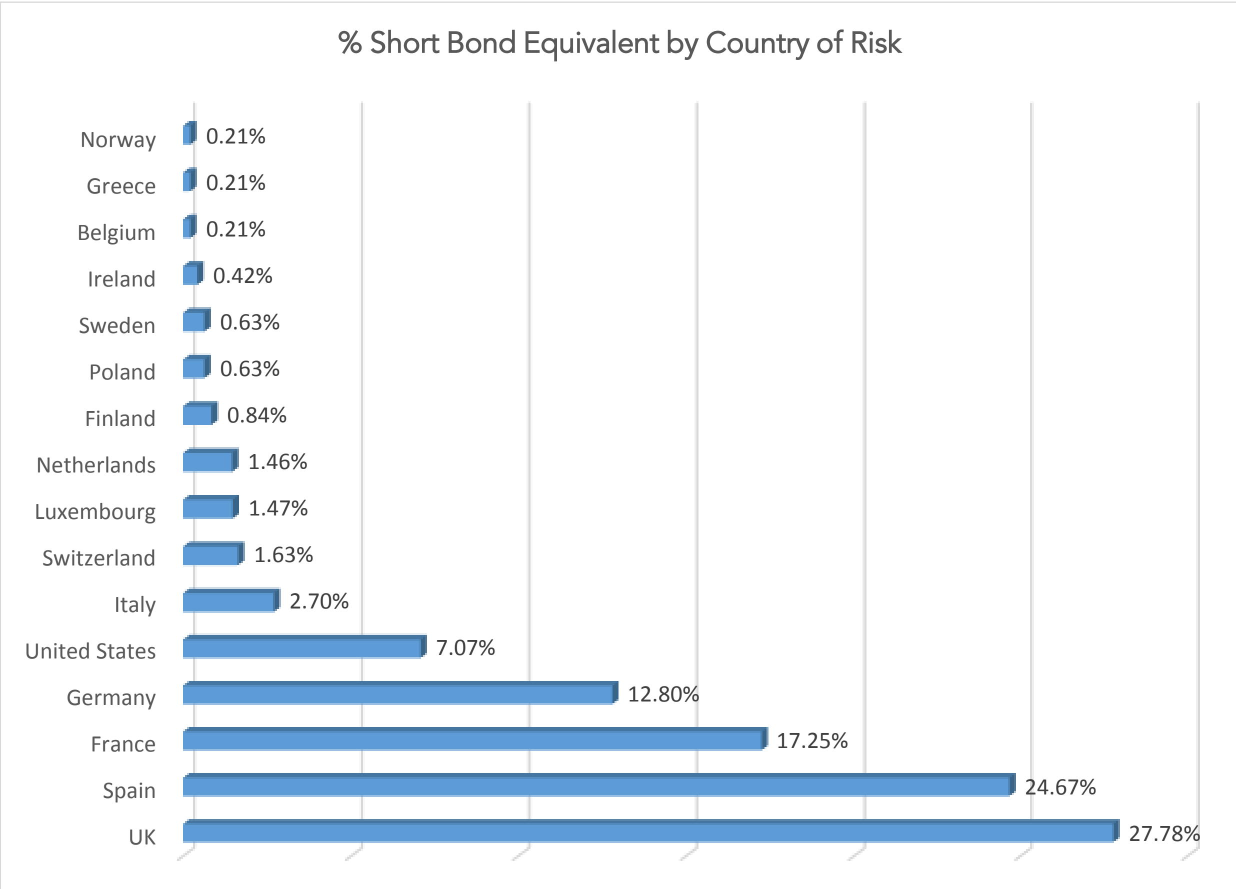
[1]Returns are those of the East Lodge Capital Credit Opportunities Fund, Ltd. and are shown net of fees and expenses. The returns are unaudited. Please see disclaimer for further details.

[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).

[3] Short Credit Exposure chart represents credit only, and excludes the equity short and strategic FX positions. Accordingly, the chart does not reflect the impact of an additional 15.76% delta equivalent of FX put options on GBP USD to address concerns around Scottish independence vote on September 18th 2014

Country Analysis as at 29th August 2014





Commentary

While the summer holidays were in full swing and some markets remained relatively quiet, volatility decided to forego a summer break and to charge full steam ahead. Our September quarterly letter will provide a more thorough overview of what has been happening in our markets and our view of things, but so much happened during August and early September that we decided to send out supplementary commentary on the ECB's action and our thoughts around it. Please let us know if you have not received this. We have also extended our "bullet points" this month given the heightened activity, and we have added some additional information to the letter, following some useful feedback from investors as to what you would like to see. We have added the % of NAV long and short on the pie charts on page 1, as well as our top 10 exposures by sector. Going forward, we plan to send around some of our thoughts (a shorter version of the commentary in our investor letter) along with the end of month estimate, so that you will have some insight into what took place during the month sooner. We hope you find this new format helpful, and as always, we welcome and encourage your feedback.

EUROPE

Delayed reactions - ABS lags macro moves: August was a more challenging month with less participants active in the markets amidst a backdrop of continuing geo-political uncertainty and summer holidays. ABS markets in Europe saw increased bid/offer spreads and weaker bids in general, but as expected, lagged the moves in broader markets in both directions. We ended the month with strong positive momentum and buying across the capital stack, setting September up for a significant increase in activity.

Draghi surprises at Jackson Hole: All eyes were on Mario Draghi as we moved towards the ECB meeting on 4th September after his dovish speech at Jackson Hole. The manner in which his off-the-cuff comments differed from the published speech took the market by surprise. It seems the ECB is set to do more to halt falling inflation and to ease credit availability to the economy. We may not see full blown QE at the next meeting, but comments made there and the subsequent announcement of Blackrock as the advisor to the ECB, suggest the ABS purchase program could be real very soon – expectations are for a 'pre-announcement' of a buying program with more solid details if not something more concrete. The Sovereign bond market rallied further on the back of Jackson Hole, and with Spanish 5yr yields well below 1%, the spread on offer from RMBS product looks appealing.

Residential property offers waning – underlying strength remains: There was some noise this month regarding property prices in London with Rightmove suggesting offers fell 5.9% from the previous month and Hometrack reporting that sellers achieved 95.9% of offer price down from 96.8%. Despite suggestions of offers cooling, Nationwide reported the sixteenth successive monthly price rise up 0.8% on the month or 11% on an annual basis. The positive momentum has meant UK Non-Conforming fundamentals continue to improve, and the sector shows signs of speed increases. According to the latest 'UK Non-Conforming RMBS Performance Tracker' from Credit Suisse, 3m CPRs were up 0.38%, 3m CDRs were up 0.19%, arrears dropped 0.19% and excess spread was at 1.94% per annum (note: these are aggregate numbers and significant variation can be seen between deals.)

Commercial property continues its upward march: Commercial real estate activity in the UK continues to increase with prime properties extraordinarily well sought after. The London prime commercial real estate market continues to see records broken. In April, the Church of England put onto the market a 64% stake in central London's Pollen Estate, located in Mayfair. At the time it was expected to be sold for somewhere in the region of £250mm. We understand it had 200 bidders and was eventually sold for £381mm to a partnership between The Crown Estate and Norway's sovereign wealth fund. This reflects a record initial yield (circa 2.5%) with very little reversionary upside in the short to medium term.

Servicers and special servicers in focus: Despite the volatility during the month, CMBS prices remained range-bound. With dealers appearing long in inventory at the beginning of the month and with increased geo-political concerns, there were several buying opportunities with prices moving off their highs and the street reluctant to participate. As the market settled into month-end, prices sprung back to (or close to) their levels at the end of July. The CMBS market has been dominated by prepayment notices, and August was no different. Servicer and special servicer activity continues to be a focus as they actively work out distressed positions. There was greater investor demand with the rise in activity, however special servicers are being increasingly punished for their prior actions, with active noteholders seeking to replace special servicers who may have previously taken decisions that were detrimental to the transaction.

CLO summer hiatus: Aside from the spillover of the July primary pipeline into the start of August, there was no CLO primary to speak of. Secondary spreads stabilized materially and pulled back 50bps on the back of little to no trading. In general, CLO 1.0 structures continue to prepay faster and to be called more often than might have been expected, whilst the summer softness in the levered loan space has provided more interesting investment opportunities for CLO 2.0 deals that are still reinvesting or indeed ramping. The primary markets are likely to resume in September and European CLO issuance (~€8bn YTD) looks set to surpass 2013 volume (~€8.5bn), however issuance is still significantly net negative and well below the 2007 peak (~€32bn.) Comparably, US CLO issuance

(~$88bn YTD) has surpassed 2013 already ($87bn) and looks set to pass the 2006 record ($94bn). (Source: BAML CLO Research)

US

No adjustment to the Fed's language: In her Jackson Hole speech, Chairwoman Yellen continued to point to the labour market as the key to changes in Fed policy, remarking that the labour market "has yet to fully recover". Importantly, the "considerable time" language first utilized at the December 2012 FOMC meeting was not adjusted, as some had expected, however she did add that if progress in the labor market "continues to be more rapid" or if "inflation moves up more rapidly than anticipated," rate increases could happen sooner and the pace of rate increases could increase.

US economic data was mixed during the month: Data coming out of the US was mixed, although housing data was better with Existing Home Sales up at 5.15 million units and Housing Starts up 15.7% mom. Ten year Treasuries finished the month at 2.34%, down 21 basis points. The 20 City Case-Shiller Home Price Index showed a 1.0% monthly gain while the year over year change dropped from 9.4% in July to 8.1% in August. New York, which had been one of the weaker performing markets, led the way with a 1.6% increase.

…and US structured credit was mixed bag: Spreads on US RMBS were mixed on the month as the lighter August trading and Labor Day holiday provided less price transparency. While TRACE data showed volumes in line to up slightly, significant volume seemed tied to re-remic activity. Voluntary prepayment ticked up slightly for the month, while liquidations and severities were largely unchanged. 60+ delinquencies were up marginally in subprime whilst down in POA and Alt A. Overall modification rates were about the same as the previous month at 0.3% of all loans. Stop advance rates were largely unchanged with the exception of One West/Ocwen deals which continue upward.

FINANCIALS/SHORT

No summer holiday for volatility: August was volatile as financials reeled from the shock of the Banco Espirito Santo result on the last day of July swiftly followed by its restructuring into two parts: the "old bank" (or the "bad bank") and the "new bank" in the form of Novo Banco. As a result of the restructuring, a succession event had occurred, effectively orphaning sub debt, which remained in the bad bank. To add insult to injury, Novo Banco took on the fully provisioned Angolan loans (€3.3bn), and thereby will benefit from any recovery, whilst BES takes the losses. The market accepted BES is an isolated incident and quickly recovered ground before lurching headlong into more volatility on the back of escalating geopolitical tensions a few days later with Ukraine dominating the headlines and causing both stocks and credit to soften substantially for about a week, before regaining strength mid-month. Whilst tensions have eased somewhat, the situation remains fragile. Financials exposed to Russia and Ukraine remain wider than their unexposed peers, and we have seen some narrative on the subject in second quarter results.

Stress tests, regulation…and other exciting topics: The European Banking Authority (EBA) released the final templates for the 2014 EU-wide stress test. These incorporate ~12,000 data points per bank including a fully loaded CRR/CRD4 Common Equity Tier 1 (CET1) capital ratio for every bank for the first time. There was some debate during August over the timing of the results of the stress test (precisely which day they will be released in October) and over the quality of assumptions used. For example, the Handelsblatt reported that shipping loans may be written down by 10-12% and that the European Central Bank (ECB) and the Bafin disagree on the modelling methodology; the Austrian's are concerned over how Eastern European exposure may fare. The European Commission also proposed lowered capital charges for A, AA and BBB securitisation under Solvency II for insurers and pension funds investing in securitisation. On the other side of the pond, there were some difficulties surrounding "living wills" submitted in 2013 by 11 big U.S. and European lenders which the Federal Reserve and Federal Deposit Insurance Corporation rejected as inadequate.

ECB talk and possible action: The ECB's stance proved beneficial to bank spreads during the month. Following the ECB's rate cut, ITRAXX fin-senior tightened back to levels not seen since June. Clearly the market was anticipating a positive outcome on September 4th. Whilst there is potential for further compression in the context of historic levels, we scaled into more liquid hedges where bid offer spreads were tight given geopolitical events over the course of the month and our desire to maintain a reasonable amount of hedge in the portfolio.

Should auld acquaintance be forgot: With a slow build in column inches and a brace of televised debates, the Scottish independence vote began to capture attention. On September 18th, Scottish residents went to the polls to vote on their independence from the rest of the UK. In the run-up to the vote, the polls consistently showed that the margin between a 'yes' and a 'no' decision could easily be swung by the large number of 'undecided' voters. The markets, including bookmakers, right up to the vote, were still pricing a very low probability of a Yes vote which would have made it a high impact event were it to occur. Throughout most of the month markets remained somewhat apathetic towards the possibility of a yes vote, however the potential for considerable volatility in the lead up to the referendum date led us to put on a range of low cost asymmetric hedges in names particularly exposed to a yes vote in terms of asset and liability performance, revenues (and potential for increased costs) and currency.

Big changes ahead for CDS: The credit derivatives market is gearing up for the introduction of the new 2014 Credit Derivatives Definitions on September 22nd which will substantially change the terms of financial and sovereign CDS. The Protocol to migrate existing non-excluded trades into the new definitions was launched on August 18th. Excluded entities are mainly banks and sovereigns (although there are other entities on the ISDA published list) as these have substantial changes that should have an economic effect on trading levels compared to 2003 definitions. The most substantive changes for banks are the introduction of a Governmental Intervention Credit Event and changes to deliverables to take into account bail-in and other restructuring scenarios. Sub debt bail-in will not trigger senior CDS, and changes with respect to succession will include the split of subordinated and senior debt to determine the successor entity (thus avoiding a repeat of the BES scenario). The changes for subordinated debt clearly make a CDS contract for a protection buyer much more robust and we would expect to see a repricing of the new contract here. Regarding sovereigns, there are also changes to succession (potentially relevant to a UK/ Scotland secession - currency redenomination will no longer be an automatic trigger on its own), and changes to deliverables, thus avoiding situations where restructuring packages cannot be delivered in a credit event. This is far from an exhaustive list, and there are many other changes involved that will affect all standard CDS contracts, including indices, tranches and options. The new definitions, the implementation of the Protocol, CDS and index roll dates (including a new 75 name Crossover index) and the Scottish referendum, is going to make for an interesting roll from the old to the new contract.

Gross Return Attribution by Strategy

Strategy	Attribution (%)	LCE (%) as of August 29th 2014
CLOs	-0.02%	8.89%
European CMBS	0.23%	24.29%
European RMBS	-0.14%	38.10%
US Non-Agency	-0.04%	28.73%
Hedge	-0.26%	N/A
Financing	-0.05%	N/A
Total Return (%)	**-0.30%**[3]	**100.0%**

Ten Largest Positions by Sector

Position	Sector	Seniority	% of portfolio as at August 29th
1	European RMBS	Senior	4.98 %
2	European RMBS	Residual	3.29 %
3	European CMBS	Senior / Second Pay	3.10 %
4	European RMBS	Mezzanine	3.09 %
5	US Non-Agency	Senior	2.94 %
6	European RMBS	Mezzanine	2.59 %
7	European RMBS	Mezzanine	2.59 %
8	European RMBS	Senior	2.52 %
9	European CMBS	Senior/Second Pay	2.50 %
10	European CMBS	Senior/Second Pay	2.39 %

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

Stress Tests

Stress Test	Result % Nav
Equities -10%	0.02%
Equities +10%	-0.02%
Corporate Credit Spreads -25%	-0.26%
Corporate Credit Spreads +25%	0.30%
Equity Volatility –5 pts	0
Equity Volatility +5 pts	0
FX -10%	-0.01%
FX +10%	0.01%

VaR

VaR (1 Day 95%) (% of Nav)	0.37%

Long Equity Delta	Short Equity Delta
0%	0.03%

ASC 820

Category	LCE (%)
Level 1	0%
Level 2	96.71%
Level 3	3.29%

Estimated Liquidity

Category	% LCE
< 30 Days	37.33%
30-60 Days	59.38%
>60 Days	3.29%

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%
Performance Fee	20%

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.

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 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.