

# RAW Mortgage Fund

Loan Investments backed by UK Residential Property

**ROW**  
CAPITAL PARTNERS

## FUND OVERVIEW

The RAW Mortgage Fund, much like a traditional building society, originates Mortgage Backed Loans secured by a first legal charge against residential property. Property security is located primarily in London and the South East of England.

The Fund benefits from the interest income generated by the loans. Capital security is provided via conservative loan to valuation ratios and rigorous credit assessment of each lending opportunity.

The Mortgage Backed Loans are originated, serviced and actively managed by RAW Capital Partners. All Mortgage Backed Loans are on the basis of floating interest rates. The Fund is aimed at Individuals, Family Offices, Pension Funds, Trustees, Companies and Charities.

## INVESTMENT OBJECTIVE

The investment objective of the Fund is to generate consistent, attractive, risk adjusted returns, from the origination, execution, acquisition and servicing of a diversified portfolio of UK residential Mortgage Backed Loans.

## TARGET INVESTMENT RETURN

The aim of the Fund is to achieve a consistent four to five per cent per annum total return before fees. The target return assumes Bank of England base rate at 0.50%. As and when UK interest rates increase, so will the returns to investors.

## INVESTMENT STRATEGY

The Fund will identify diversified, quality, low risk Mortgage Backed Lending opportunities by disintermediating traditional lenders. It will provide significantly better diversification than typical peer-to-peer lending.

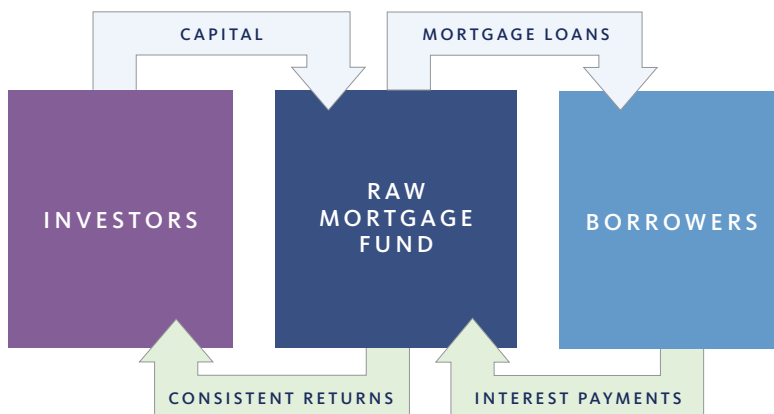
The Fund lends primarily to buy-to-let residential property investors and takes security on quality residential property, focused in the main on London and the South East of England. Risk is managed carefully via conservative lending standards, rigorous credit assessment and ongoing monitoring. The Fund does not lend against high value properties in London or elsewhere in the UK.

## HOW THE FUND WORKS

Mr Smith has a deposit for half the purchase price of a London apartment that he wants to buy and let out. He borrows the other 50% of the purchase price of the property from the Fund, which takes security via a first legal charge over that property. Hence the borrower protects investors from the first 50% of any loss in capital value on an individual property.

Mr Smith pays mortgage interest to the Fund. Mr Smith owns the property and therefore is entitled to 100% of the upside/downside in any change to the property value, plus of course any net rental income arising from the property.

The Fund investors receive the cash flows from the Fund (i.e. the borrowers mortgage interest payments), minus investment management fees.



## Target Gross Annualised Return

**4.50%**

## FEATURES AND BENEFITS



### Opportunity

The Fund offers investors the opportunity to participate in the accumulation of income from Mortgage Backed Loans secured via a first charge against UK residential property. Loan to valuation ratios will be a maximum of 55% at a single dwelling level and 50% in aggregate at the Fund level.



### Growing Rental Demand

Demand by investors for buy-to-let property in the UK continues to grow and with it demand for Mortgage Loans.



### Robust Process

We apply robust lending discipline through a credit committee to ensure a rigorous human assessment of lending proposals which include review of an arms length professional property valuation by a RICS qualified valuer. Loans will only be made once all conditions are satisfied. We engage solicitors to check property Title, oversee execution of the loan and mortgage agreements and register the first charge to the Fund.



### Uncorrelated Investment Returns

By investing in a diversified pool of Mortgage Loans, backed by quality UK residential property, returns from the Fund are uncorrelated to normal investment strategies that focus on market directionality.

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## Investment Strategy - Overview

Mortgage lending, typically represents 80% of the Net Asset Value of the Fund and is held in the Core Portfolio. In the interests of Fund liquidity

we may also allocate 20% of the Net Asset Value of the Fund in a Liquidity Portfolio consisting of cash and other liquid asset backed investments.

The Liquidity Portfolio provides for redemptions from the Fund and also maybe used prior to deployment of capital in the core portfolio.

## Core Portfolio - Mortgage Backed Loans

The Fund will seek to invest the majority of its capital in a diversified portfolio of Mortgage Backed Loan investments all secured with a first legal charge on residential property in the UK and the Channel Islands. This portfolio will typically represent 80% of the Fund NAV.

### PROPERTY LOCATION AND SECURITY

Loans will primarily be originated by the manager and secured on residential property in London and the South East of England, at conservative loan to valuation ratios.

The vast majority of loans will be secured on properties in core residential districts below a value of GBP 1 million. The Fund has set a maximum for any one loan of GBP 2.5 million against property values of no more than GBP 5 million.

The Fund will always have a first legal charge.

### DIVERSIFICATION

The RAW Mortgage Fund pools investors' capital and sources, assesses and executes Mortgage Backed Loans, diversifying counterparty risk for the whole pool of investors. A conservative lending approach should result in very low levels of default and therefore a consistent return for investors in the Fund.

Investors' capital will be spread across a large number of counterparty loans, with a diverse range of property, in a broad range of locations. Unlike many peer-to-peer lending platforms, this diversification helps limit likely downside and spreads investor risk.

### DIRECT ORIGINATION

The Fund's main focus will be to originate Mortgage Backed Loan investments, although investment opportunities in the secondary market will be considered. Initially, target borrowers are likely to be non-UK residents seeking to buy quality UK and Channel Island property on a buy-to-let basis.

The Fund may also seek to purchase Mortgage Backed Loan investments via platforms.

### RISK MANAGEMENT

The Fund will limit downside risk by focusing on originating Mortgage Backed Loans secured by quality collateral and contractual protection alongside a review of each lending proposal, borrower and property security. Risk will be spread across a diverse range of counterparties with debt secured against a large number of properties. Average loan to property valuation will be no more than 50% with a cap of 55% for individual properties based on an independent

professional valuation of the property at the time the loan is granted.

Higher value properties that tend to have more price volatility will be avoided. A five step process for recovery of any arrears has been established and will be rigorously enforced.

A contingency reserve may be established to help mitigate against any capital losses in the Fund, for example from loan impairments. This reserve may include penalty interest and fees charged to borrowers in arrears.

### LOAN DURATION

The Fund anticipates that the typical loan term will be between three and seven years. Whilst the Fund retains absolute discretion to make investments for either shorter or longer periods, at least 75 per cent of total loans by value will be for a term of seven years or less.

### FUND INCOME

The Fund will receive regular mortgage interest income from each borrower. Interest will ordinarily be charged at a floating rate with a fixed margin above the Bank of England Base Rate. As interest rates rise investors will benefit commensurately from higher returns.



## Liquidity Portfolio - Cash and Asset Backed Investments

In order to maintain liquidity, the Fund will hold a proportion of the portfolio in more liquid assets including cash or near cash investments and liquid asset backed investments. The target is to hold 20% of the Fund NAV in this portfolio although it may also be used prior to deployment in the Core Portfolio.

### CASH

A target of 10% of the Fund may be made up of cash deposits held with banks, investments in cash deposit funds including RAW Sterling Cash Deposit Fund and investments in other near cash assets.

### ASSET BACKED INVESTMENTS

A further 10% may be held in stock market listed investment funds, collective investment schemes or companies invested in secured loans or other tangible assets.



The Fund will focus on high quality lending opportunities, all secured with a first charge, backed by UK residential property.



# The Mortgage and Investment Opportunity

The RAW Mortgage Fund aims to bring investors with savings together with mortgage borrowers in much the same way a Building Society might do, but through a fund structure such that investors benefit from the majority of the return provided from borrowers.

The Fund offers investors the potential to obtain superior returns over bank deposits or fixed interest investments with low risk to capital.

Banks now appear more cautious about lending, sometimes regardless of logical considerations

like length of relationship, age, security or term. These changes have created a significant gap in the market for new lenders as borrowers have become frustrated. Buy-to-let property investors have found it more difficult to borrow and many traditional lenders in this sector have reduced appetite or withdrawn completely.

These changes have helped create the opportunity for the RAW Mortgage Fund to seek niches in the Mortgage market that are no longer filled by traditional lenders but still offer a low risk to capital and a healthy return.

By cutting out traditional lending institutions, the objective of the Fund is to advantage both investors and borrowers by significantly reducing the spread between cash deposit and lending rates. For each unit of investor capital the Fund will lend up to one unit to borrowers.

The Fund will only lend conservatively and it is anticipated the average loan-to-value ratio will not exceed 50% in aggregate across the Funds' portfolio of lending.

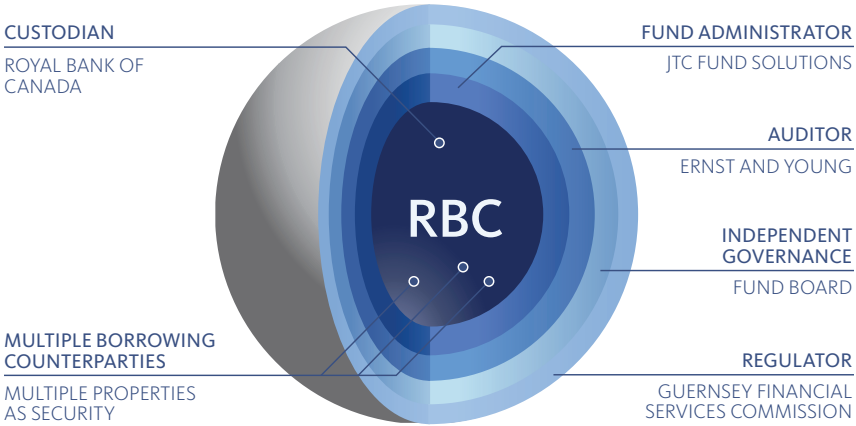
## Multiple Layers of Governance

Properties held as security cannot be sold without Royal Bank of Canada's (RBC's) consent.

In addition to a first legal charge over the properties to which Mortgage Backed Loans relate being registered to the Fund, a restriction will be registered at the UK Land Registry (in respect of property in England and Wales) against the borrower's title to the relevant property in favour of RBC as custodian of the RAW Mortgage Fund.

The property cannot therefore be sold without RBC's consent. RBC will only consent to the sale of the property upon receipt of an undertaking from the seller's solicitors to transfer the outstanding balance of the mortgage, plus any fees and interest due, from the sale of the property into an account controlled by RBC as custodian of the RAW Mortgage Fund.

Repayments of loans will be returned to a designated account in the Fund's name at RBC.



## Lead Fund Manager



TIM PARKES

Tim has more than 25 years experience in banking and financial services with significant experience in the mortgage lending market.

He began his career at Cheltenham and Gloucester Building Society where he was Product Manager for Mortgages and subsequently, as Head of Mortgages, led Barclays thrust in to the UK residential lending; building market share from less than 1% to more than 5% in early 90's. During this time he directed a project building a centralised processing business which employed more than 800 people and worked closely with treasury colleagues in the hedging and securitisation of loans.

Tim was MD of Barclays Wealth International banking business for 5 years developing substantial mortgage lending on London property. More recently Tim has been a director of a multi-jurisdictional fiduciary, fund administration and pensions business and director of a number of property related businesses including two property funds, one listed on AIM, and a significant London redevelopment including high end residential apartments.

Tim holds a BSc (Hons) in Geography and Geology, majoring in Economic and Retail Geography, a Diploma in Marketing and the Institute of Directors Diploma in Company Direction. He is a member of the IoD and a Guernsey resident.

## FUND STRUCTURE

The RAW Mortgage Fund is a cell of RAW Alpha PCC Limited, a protected cell company registered with limited liability in Guernsey on 10 December 2012 having registration number 55993.

The Fund is authorised as an open ended Class B scheme by the Guernsey Financial Services Commission.

### KEY FACTS

<b>Name</b> RAW Mortgage Fund	<b>Inception Date</b> May 2015
<b>Investment Manager</b> RAW Capital Partners Limited	<b>Fund Domicile</b> Guernsey
<b>Target Gross Annualised Total Return</b> 4.5%	<b>Subscriptions</b> Monthly
<b>Currency Classes</b> GBP, AUD	<b>Redemptions</b> Quarterly / 90 day notice
<b>Accumulation / Income</b> Both Accumulation and Income	<b>Auditor</b> Ernst and Young LLP, Guernsey
<b>Legal (Guernsey)</b> Bedell Cristin Guernsey Partnership	<b>Administration</b> JTC Fund Solutions (Guernsey) Limited
<b>Custody</b> Royal Bank of Canada (Channel Islands) Limited	<b>Fund Managers</b> Tim Parkes, Richard Avery-Wright
<b>Prime Broker</b> ADM Investor Services International, London	

Note: First Redemption Dealing Day Wholesale Shares 1 April 2016, Institutional Shares 1 July 2016

## MANAGEMENT FEES & CHARGES

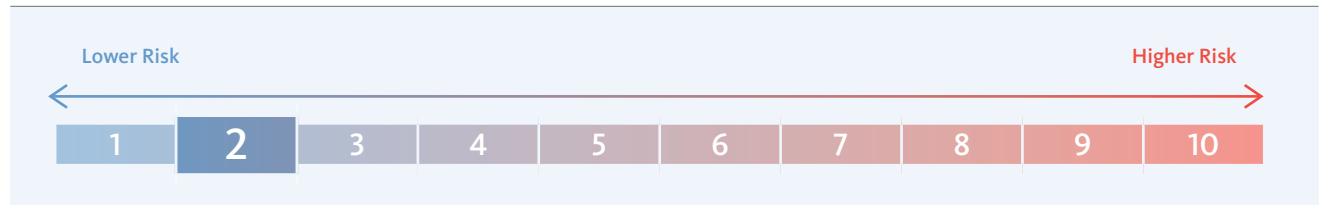
The Investment Manager will charge a single transparent management fee in each share class. The Manager will bare the cost of Administration, Custody, Audit and Directors.

Further details of these management fees and transactional fees are included in the Scheme and Supplemental Particulars for the Fund.

## CORPORATE GOVERNANCE

Assets are held in the name of the Fund and are under the control of its Custodian. The Fund is domiciled in Guernsey and oversight of the Fund is provided by an independent board of directors. RAW Capital Partners Limited is regulated under the Protection of Investor legislation by the Guernsey Financial Services Commission.

## EXPECTED RISK PROFILE



This rating is designed to help investors understand the uncertainties both for loss and for growth that may affect their investment. It is classified in the category indicated above due to its expected behavior. The lowest category does not mean a risk free investment.

## FUND FEES AND EXPENSES

Details of all fees and expenses associated with running the RAW Mortgage Fund can be found in the Supplemental Particulars of the Fund. Please contact [info@rawcapitalpartners.com](mailto:info@rawcapitalpartners.com) for further details.

The RAW Mortgage Fund is a new fund with limited track record. Target returns cannot be guaranteed and the value of an investment may go down as well as up. The information contained in this document does not constitute an offer to sell or a solicitation to buy an investment, nor should it be construed as investment advice. It is recommended that potential investors take appropriate tax and/or investment advice before making any investment.

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