Investor Update

The RAW Mortgage Fund

2025

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Introduction

Our mission for 2025 remains the same, to provide an attractive and consistent level of return to investors with strong capital protection. We anticipate that returns will broadly align with any interest rate adjustments made by the Bank of England and meet the Fund's objective.

The year 2024 raised its challenges across the broader credit market with ongoing global and national economic pressures, but we continued to find attractive mortgage lending opportunities to good quality borrowers, secured against high quality residential property, at average loan to property valuations of around 50% underpinning the strong track record we have seen since launch nearly 10 years ago.

Key Highlights for the RAW Mortgage Fund in 2024:

- Positive returns every month and had an average loan of value ratio of 46% with no losses.
- Investor returns remained robust, with a net return of 7.98% for Institutional investors.
- The Fund grew to over £185m in investor assets.
- Loan book continued to grow, now featuring over 670 active loans with an average loan size of £245,000.
- Strong pipeline of new loans and sustained investor interest as we move into 2025.

The RAW Capital Partners team is well placed to serve our investors and our borrowers, and we look forward to strong end to 2024.

Tim Parkes
Chief Executive Officer,
RAW Capital Partners

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Investment thesis and background

Banks have exited parts of the lending space leaving some of the mortgage market underserved. The automation and tick-boxing of mainstream credit checks misses opportunities to lend to credit-worthy borrowers. We believe that by providing a flexible, premium service and a human approach to specialist lending, we can unlock more attractive, stable returns for investors along with high capital security.

The RAW Mortgage Fund ("the Fund") is a real estate-backed debt strategy which stands out as a unique offering in the private debt landscape and consistently delivers strong risk-adjusted returns as well as having a low correlation to other asset classes.

Fund framework:

- **Tailored to an under-served market**: We provide financing for a largely under-served market. Our borrowers are not typically financed by mainstream lenders, despite their low risk, high quality asset security and strong borrower profiles.

- **Robust BTL demand and market growth**: Rental growth in the UK remains strong (Market commentary pg. 11) and is predicted to sustain BTL purchases even in the current interest rate environment.

- **High quality underlying assets and diverse exposure**: RAW Capital Partners ("RAW") only writes mortgages on UK and Channel Island properties, with the majority being high quality new build apartments, privately owned and rented through professional agents. The funding strategy is to have a diversified pool of borrowers and properties, and control exposure with concentration limits.

- **Attractive risk-adjusted returns**: The Fund provides attractive and consistent returns, a high level of capital security, low risk lending and a low correlation with other asset classes.

- **Transparent and liquid**: There are no performance fees, and ongoing charges range from 0.99% pa to 2.3% dependent on investment level and dealing period preferences (monthly, quarterly and semi-annually).

- **No losses**: Over the 9-year lifetime of the Fund, we have experienced no bad debt. Poor performing loans (including capital, interest and fees) have been recovered in full. The low loan to property values, maximum 55%, underpin this excellent track record.

- **Environment Social and Governance (ESG)**: RAW's ESG objectives include measuring and minimising the environmental impact of the firm and the assets it manages. As the Fund predominantly lends against new build apartments, the energy performance is typically high and environmental impact is low.

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Fund Performance

Investment returns

The Fund captures a particular risk premium which is unique. RAW underwrites loans which are at premiums over the Bank of England base (BoE) rate. Therefore, the average premium we charge over base rate to borrowers, minus the Fund fees, is investors' reward for this risk. We believe the reward is very attractive for the limited risk we take.

The Fund provided investors with consistent monthly returns in 2024, having an over 9-year track record of positive returns every month since inception. Despite the challenging market conditions, of higher interest rates and political changes, investors have continued to benefit from strong and consistent performance of our strategy.

For Institutional investors:

- Net return in 2024 was 7.98%
- Risk premium over Bank of England base rate was 2.87%*
- Net return since inception has risen to 60.69%

The 2024 net return was 7.98% for Institutional investors, 7.44% for Quarterly Dealing investors and 6.57% for Monthly Dealing.

Prior 12 months net returns	7.98%	7.44%	6.57%
	Institutional A shares	Quarterly dealing A shares	Monthly dealing A shares

Past performance is not necessarily a guide to future performance and may not be repeated. The Fund is only available to Professional Investors, Experienced Investors or Knowledgeable Employees

The Fund's performance has benefitted from our effort to write consistent average loan margins. The 2024 net risk premium for Institutional investors was 2.87%, 2.33% for Quarterly Dealing investors and 1.46% for Monthly Dealing investors.

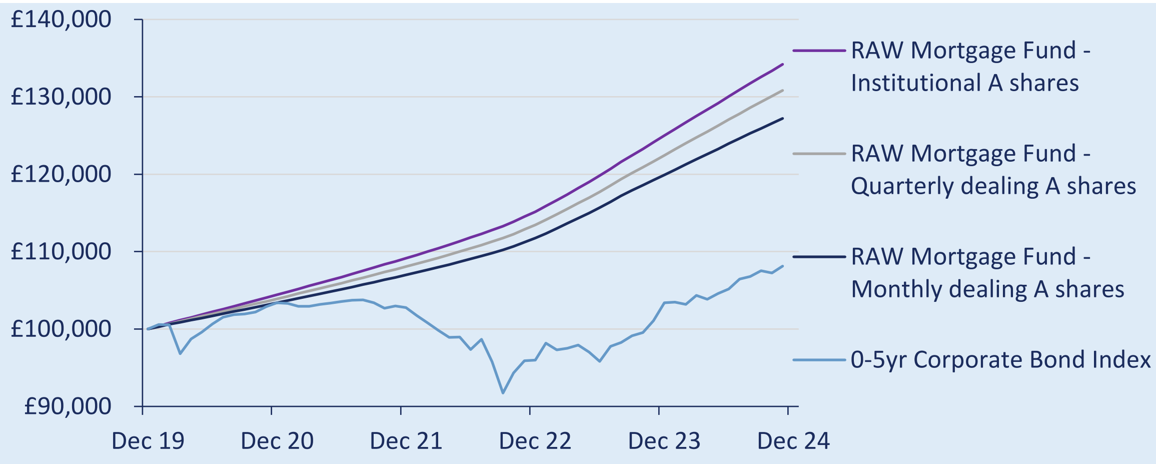
*These premiums are based off the 2024 weighted average BoE base rate (5.11%). Our specialism in this area is what makes the Fund unique, and we believe it will continue to drive attractive returns with high capital security.

Consistent performance of our mortgage loans

Month by month performance remained remarkably consistent in 2024, with average monthly returns for Institutional investors being 0.64%.

Historical 5-year cumulative net return

• Institutional A shares	34.97%
• Quarterly Dealing A shares	31.52%
• Monthly Dealing A shares	27.79%
• Benchmark: 0–5-year Corporate Bond Index	8.42%



Successfully raising new capital in 2024, combined with higher levels of loan repayments and competitive lending conditions has resulted in the Fund holding more cash than usual. Excess cash is invested across AAA Fitch rated money market funds. This has slightly reduced returns compared to the loan book. However, the current lending pipeline is strong, with our team increasing new monthly mortgage commitments in January, a trend which is expected to continue in 2025.

The performance of our underlying mortgage loan book continues to be very resilient, despite having a high-interest rate environment in 2024 and the global economic uncertainty with many elections taking place. This remains a testament to the low Loan to Value (LTV) lending (maximum of 55%), and the careful consideration of security and borrowers by the credit committee. We anticipate this will continue given the conservative nature of our lending. The mortgage loans are expected to continue to perform consistently and positively. The reduction in the Bank of England Base Rate (4.75%) will lower returns due to the underlying nature, largely variable rate loans, in our loan book. However, recently we have been attracting borrowers with initial interest on a fixed rate with the aim of maximising lending and reducing cash held in the Fund.

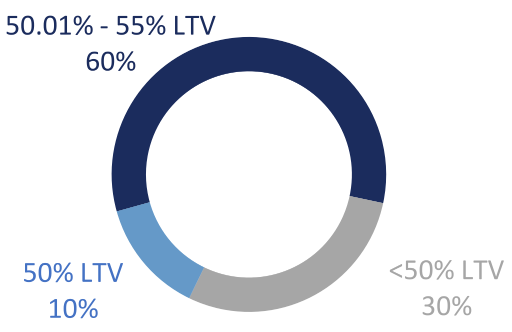
Portfolio

Portfolio

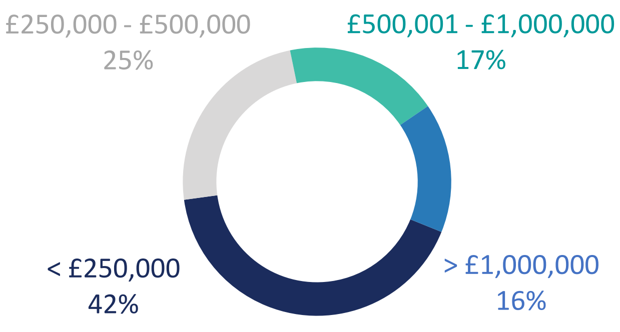
The Fund lends against UK and Channel Island residential property predominately at the lower to mid-range of the market. The typical properties lent against are modern apartments in South East England, within the M25, and key cities like Manchester and Birmingham with values from £200,000 to just over £1,000,000. Properties within these parameters have historically performed better in a property downturn than more expensive property and maintained good rental demand. The market for lower-value properties is also more liquid.

Assets Under Management	£185m
Number of loans	671
Value of loans funded	£164m
Value of security held	£360m
Loan To Value ratio	46%
Average loan value	£245k
Average maturity	3/4 years
Losses	0

Portfolio breakdown: Loan-to-Value



Asset allocation by Loan Value



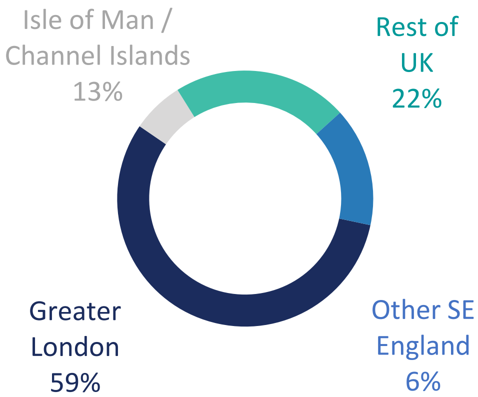
Most of our mortgages by value are secured against properties in London and South East England, where we continue to identify a wealth of high-quality lending opportunities that support the Fund's growth. London remains a thriving city with a growing population. Rental demand is very strong, and rental yields have increased in recent years.

Beyond London, our focus is on loans secured by quality properties in major cities, popular commuter towns, or premium residential areas. We expect continued increased demand for loans on properties in cities like Manchester, where rental yields surpass those in London. Additionally, we engage in a small amount of lending in the Channel Islands where residential property markets have remained strong.

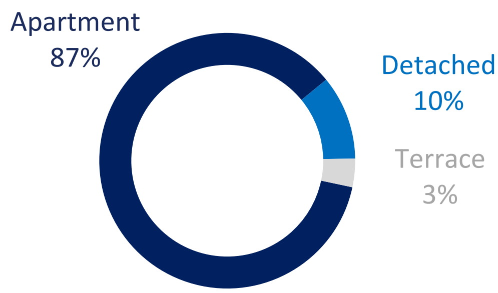
- 65% - of lending by value is in London and South East England
- 67% - of loans are less than £500k in value
- 87% - of loans are secured against apartments

Our strategy is to have a diversified pool of borrowers and properties, and control exposure with concentration limits of maximum LTV of 55%, maximum 5% to a single borrower, and a 10% limit against related properties. Asset allocation limits include a minimum concentration limit of 50% in London and South East England.

Asset allocation by geography



Asset allocation by property



Credit decisions and borrower characteristics

We continue to put a strong emphasis on specific factors of each property on which we are asked to lend. Our Credit Committee consider each loan application on its own merits, and analyse factors including property characteristics such as:

- location and proximity to local amenities, public transport, and places of work
- quality and condition of the subject property and those around it
- value relative to wages and to other properties in the area
- relative marketability in a property market downturn

The security portfolio remains focused on modern one and two bedroomed apartments, mostly newly completed by one of the major developers. Borrowers remain largely non-UK residents, although a good proportion hold a UK passport. They tend to be moderately wealthy individuals who are professionals or business owners, seeking to invest in property in a more politically stable jurisdiction than their residence with a stronger record in property values and legal title.

The Credit Committee focuses on borrower circumstances, including consideration of income, outgoings and net assets. Our typical borrowers have strong income, often from multiple sources and a range of other investment assets. Our conservative strategy has served investors well to date, we believe it will continue to do so. Lending process is detailed below:

Initial Review

Submission of application form. Once there is sufficient information, the case is taken to Credit Committee.

Credit Committee

Credit Committee review the case and give a decision in principle within 24 hours. If the case is approved, an offer letter is issued with T&Cs.

Pay Fees

The borrower reviews the terms and pays the valuation fee required to proceed with the loan. Other fees are later deducted from the drawdown.

Valuer & Solicitor

Once fees have been paid, valuers and solicitors are instructed, and we review the DD whilst counterparties are conducting their searches.

Completion

Once the valuation has been completed, and the solicitor has no issues with the property, title or LTV, the loan moves to completion.

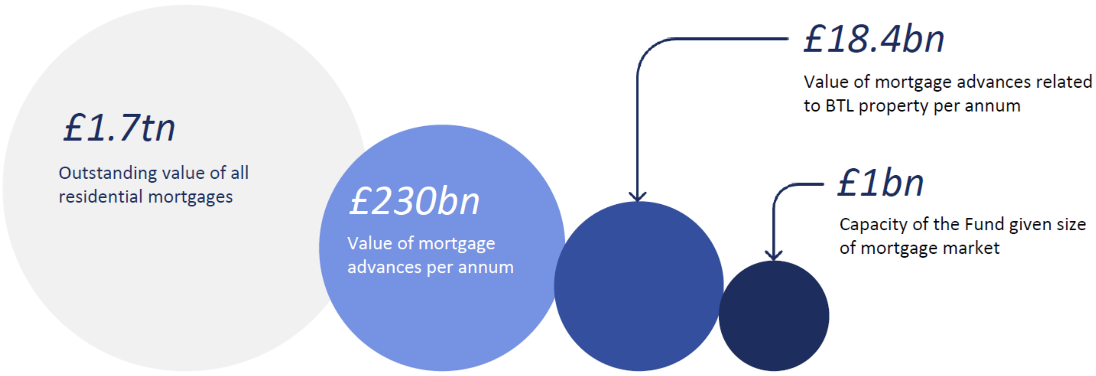
Market Update
Mortgage lending statistics – Q3 2024

The Financial Conduct Authority (FCA) collect mortgage lending data via the Mortgage Lending and Administration Return (MLAR) which is submitted to the FCA by most firms carrying out mortgage lending and mortgage administration.

The outstanding value of all residential mortgage loans increased by 0.6% from the previous quarter to £1,671 billion, the highest stock of outstanding mortgage loans since 2023 Q1, and was 0.8% higher than a year earlier. The value of gross mortgage advances increased by 8.9% from the previous quarter to £65.5 billion, the highest new advances since 2022 Q4, and was 6.7% higher than a year earlier. Lastly, the value of new mortgage commitments (lending agreed to be advanced in the coming months) decreased by 1.3% from the previous quarter to £66 billion but remained 34.2% higher than a year earlier.

The share of gross mortgage advances for buy-to-let purposes (covering house purchase, remortgage and further advance) decreased by 1.1% from the previous quarter to 7.9% but remained 0.5pp higher than a year earlier.

Competition in the mortgage lending sector that we target has increased, particularly with fixed rate lending as interest rates have begun to fall, where a fixed rate may look cheaper than a variable rate to begin with.



Source: FCA, mortgage lending statistics, Q3 2024

UK house price update

The UK property market has remained a pillar of strength for local and foreign investors over the years. In 2025, interest rates cuts are expected however, economists now expect fewer rate cuts given the recent economic and political changes. This means mortgage rates will likely fall slower than initially anticipated.

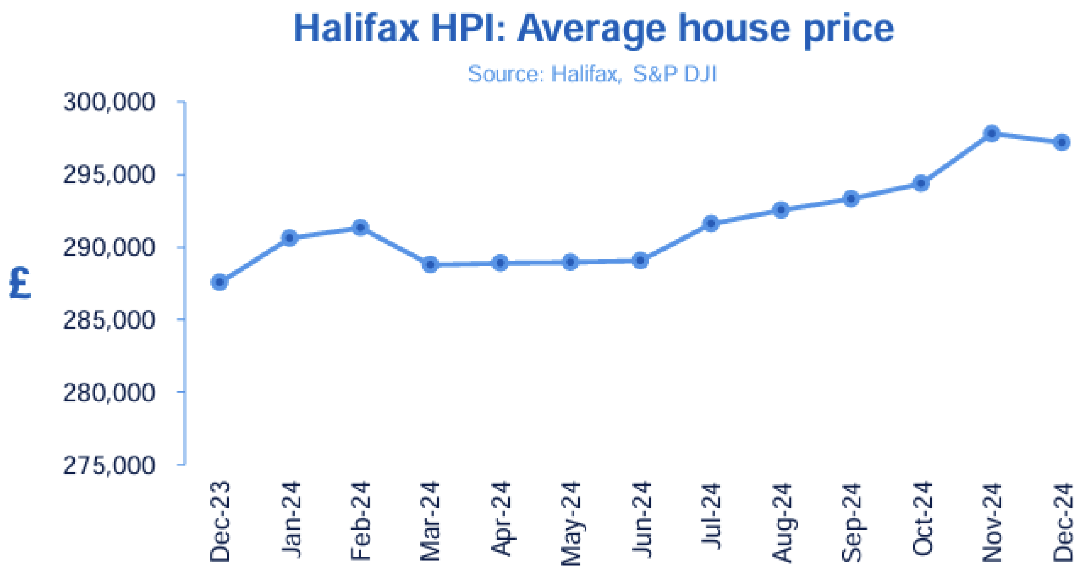
Halifax's findings

According to the Halifax House Price Index the UK average house price had an annual growth rate of +3.3% in 2024. Their findings are as follows:

- 2024 annual house price growth was +3.3%
- Average house prices decreased by -0.2% in December
- Typical UK home now costs £297,166

The housing market was stable at the start of 2024, with house price growth picking up in the summer. In the second half of the year, prices increased due to falling mortgage rates and rising incomes, with easing financial pressures for buyers. Furthermore, anticipated changes to Stamp Duty thresholds, prior to the UK budget speech, also motivated first-time buyers to accelerate their plans. As a result, mortgage demand increased, reaching its highest level in over two years, returning to pre-pandemic levels.

If employment conditions continue to stabilise in 2025, buyer demand should remain relatively strong, with modest house price growth expected throughout the year.



Savill's forecast

Savills' latest forecast displays a similar outlook, with predicted growth for the UK housing market and a steady increase in capital value. The estimated 5-year UK growth forecast is 23.4%, with the North West remining the strongest at 29.4%.

MAINSTREAM CAPITAL VALUE FORECAST

	2025	2026	2027	2028	2029	5 years to 2029
North West	5.0%	7.0%	6.5%	4.5%	3.5%	29.4%
North East	5.0%	6.5%	6.0%	4.5%	3.5%	28.2%
Yorkshire and The Humber	5.0%	6.5%	6.0%	4.5%	3.5%	28.2%
West Midlands	4.5%	6.0%	6.0%	4.5%	3.0%	26.4%
Scotland	5.0%	6.0%	5.5%	4.0%	3.0%	25.8%
Wales	3.5%	5.5%	6.0%	4.5%	3.5%	25.2%
East Midlands	4.0%	5.5%	5.5%	4.5%	3.0%	24.6%
UK	**4.0%**	**5.5%**	**5.0%**	**4.0%**	**3.0%**	**23.4%**
South West	2.5%	5.5%	5.0%	4.0%	3.0%	21.6%
East of England	2.5%	5.0%	4.5%	3.5%	3.0%	19.9%
South East	3.0%	4.0%	3.5%	3.5%	2.5%	17.6%
London	3.0%	4.0%	3.5%	3.0%	2.5%	17.1%

Source: *Savills Research*

UK private rental prices

According to Zoopla, the rents are 3.9% higher over the last year, the lowest in almost 3 years. London's rental inflation was at 1.3% in over the last 12 with the imbalance between supply and demand narrowing. However, it will remain an ongoing characteristic of the rental market in 2025. Average UK rents are expected to rise by 4% in 2025, with larger cities like London lagging compared to an increase in rents rises in more affordable areas.

The demand for privately rented homes will remain strong due to several factors:

1. The continued unaffordability of homeownership for first-time buyers
2. Migration for work and study opportunities
3. Slow growth in the size of social rented sector. While pandemic-related factors that fuelled the rental boom in 2022 are now over, tighter visa regulations are beginning to alleviate some of the pressure from increased migration.

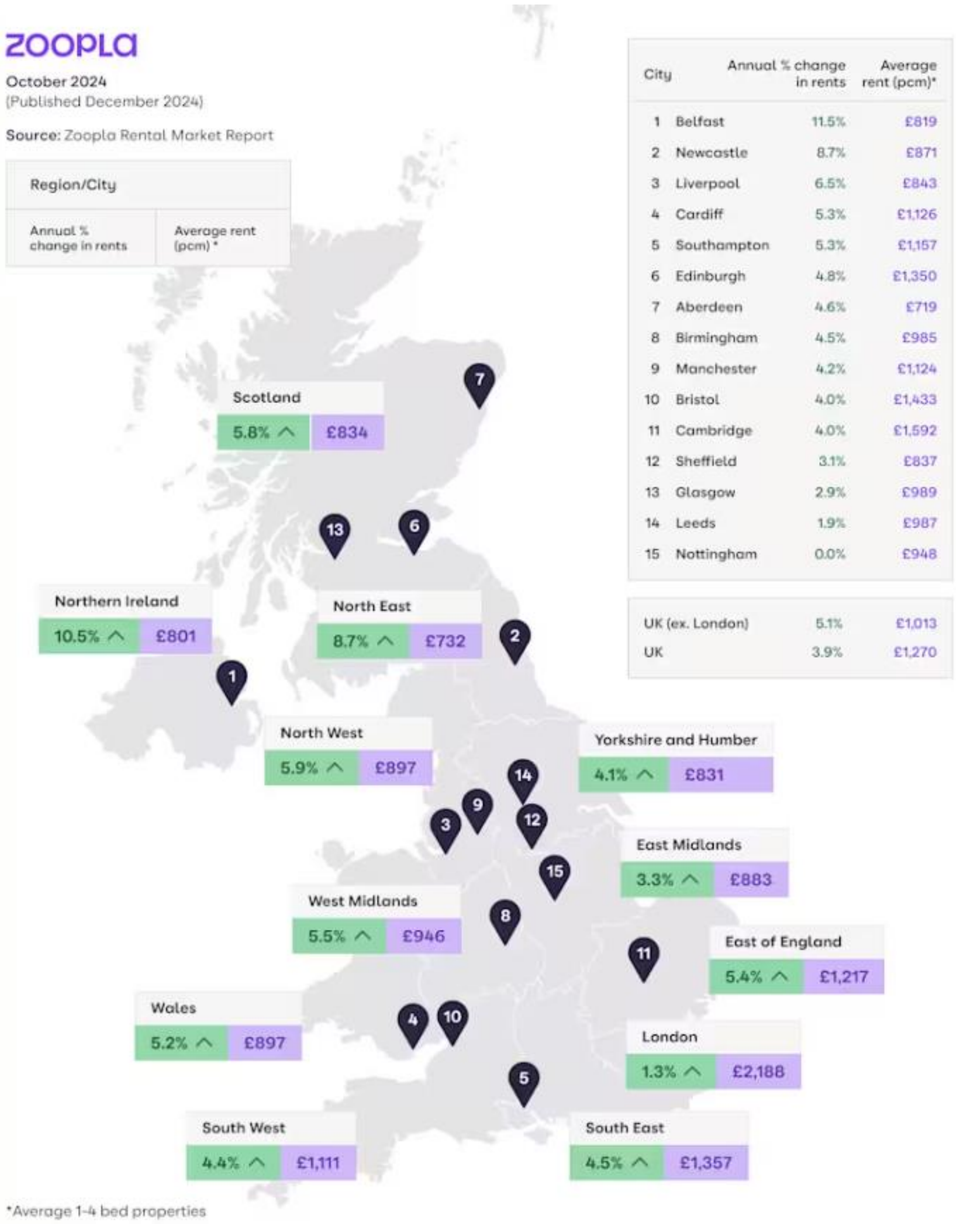
Similarly, Savills rental forecast aligns with Zoopla predicting a steady increase in rental growth going into the new year.

Rental forecasts (2025-2029)

	2024	2025	2026	2027	2028	2029	2025-29
UK rental growth	4.0%	4.0%	3.5%	3.0%	3.0%	3.0%	**17.6%**
London rental growth	1.5%	2.5%	2.5%	2.5%	3.0%	3.0%	**14.2%**
UK Income growth	2.9%	+2.9%	+2.6%	+2.5%	+3.1%	+3.0%	**15.0%**

Source: *Savills, Oxford Economics*

Note: *These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.*



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RAW has continued to see demand for lending focused on London and Manchester, the latter providing considerably stronger rental yields. There is also demand for borrowing on property in other cities, principally Birmingham, Liverpool, Leeds and Bristol and occasionally other locations.

Scenario Analysis: Major UK property shock

Should there be, despite our analysis, a major shock to property prices in the UK, we believe that investors are still well protected. The simplified example below works through a potential 'Black Swan' scenario.

This scenario assumes that the Fund has 600 loans which were written at our average, £250k in value, and at an 50% Loan to Value. Therefore, the Fund's loan book would be valued at £150m.

Assumption: **25%** of our loan book is in default and every property has fallen in value by **50%**

We repossess **150 properties** of average value, and each loan is then impaired by 10% = £25,000 av loss (£250k average x 10%)

These repossessions are expected to lead to an estimated £3.75m loss (£25,000 x 150 properties) if the properties are sold at the discounted, impaired value. Additionally, the Fund stands to forfeit around £3.6m in unreceived interest from those impaired properties.

The repossessions would lead to a total loss of **£7.35m**. However, the Fund generates c£14.5m of gross interest per annum.

Despite this, because the Fund is generating c£14.5m in gross annual interest from its loan book, the net impact would be: **£14.5m - £3.75m - £3.6 = £7.15m in income for the Fund.**

Result, there is still a net positive income of £7.15m, so **no capital losses**, but returns would decrease. No capital losses

The positive outcome to the above 'Black Swan' scenario is due to: Low average LTV ratio with a maximum of 55%, contractual interest payments, borrowers are heavily invested in the properties themselves, and most of our borrowers have multiple sources of income. It's also worth highlighting in its 9-year history of lending, with over 1,082 loans issued, there hasn't been any bad debt or losses.

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Confidence

Moving into 2025, RAW continues to identify attractive mortgage lending opportunities with the team surpassing its target for mortgage commitments in January. We have confidence that we will produce attractive risk adjusted returns to our investors accompanied by high capital security because our loans are secured against quality residential properties with average loan-to-value ratios around 50%, which has been fundamental to our strong track record over the past nine years. We are excited for the opportunities that 2025 holds.

Disclaimer

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The RAW Mortgage Fund is a cell of RAW Alpha PCC Limited, a protected cell company registered with limited liability in Guernsey on the 10th of December 2012 having the registration number 2103625. The Fund is authorised as an open-ended Class B Scheme by the Guernsey Financial Services Commission. The Fund is invested in mortgage loans, secured with a first legal charge (or equivalent) on residential property in the UK and Channel Islands to a maximum 55% loan to valuation ratio, and a portfolio of more liquid assets restricted to cash or "near cash" investments and Money Market Funds. Notice is required for redemption, depending on share class and date of notice, from a minimum of one month. *Net annualised returns are quoted throughout for the GBP Institutional Accumulation Share Class (unless otherwise stated), which has six months minimum notice, more detail on other share classes can be found in the Factsheet and Monthly Performance Report on our website.

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