RAW
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Investor Update October 2024

The RAW Mortgage Fund

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Introduction

Our mission 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 first part of 2024 has raised its challenges across the broader investment market with ongoing international and political concerns, but we continue to see 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 over 9 years ago. Our lending pipeline is strong as we move into the closing quarter.

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

Background

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 Summary:

- **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 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.

As 2024's economic and political events continue to unfold and characterise world markets and investment opportunities, RAW remains committed to providing investors attractive risk adjusted returns with low volatility and high capital security.

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 has continued to provide investors with consistent monthly returns in 2024, now having a 9-year track record of positive returns every month since inception. Despite the challenging market conditions of 2024, investors have continued to benefit from strong and consistent performance of our strategy.

For larger investors:

- Net return over the last 12 months of 8.34%*
- Year-to-date net return is 5.39%* (8 months to end August 2024)
- H1 net return was 4.04%*

The prior 12 months, ending August 2024, net return is 8.34% for Institutional investors, 7.72% for Quarterly Dealing investors and 6.89% for Monthly Dealing.

Prior 12 months net **returns**

8.34%	7.72%	6.89%
Institutional A shares	Quarterly dealing A shares	Monthly dealing A shares

Prior 12 months net returns include previous fees. Fees increased from 1 October 2023 for shareholders in Quarterly and Monthly Dealing shares. Past performance is not necessarily a guide to future performance and may not be repeated.

The Fund's performance has benefitted from our effort to write consistent average loan margins, and the loan book is currently generating over 4% gross above the Bank of England base rate. The current net prior 12 months risk premium for Institutional investors is 3.11%, 2.49% for Quarterly Dealing investors and 1.66% for Monthly Dealing investors.

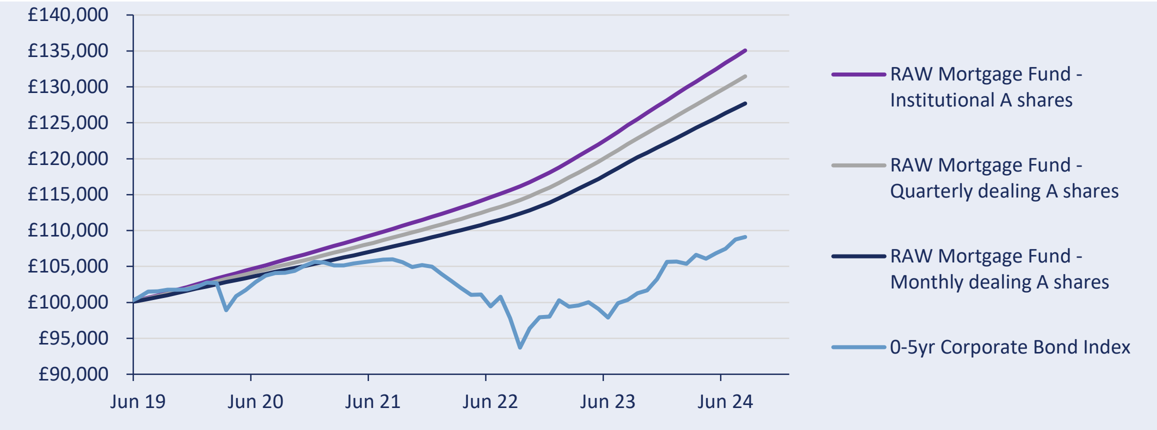
These premiums are based off the prior 12-months average BoE base rate (5.23%). Our specialism in this area is what makes the Fund unique, and we believe it will continue to drive attractive returns with high capital security.

Consistency

Month by month performance remains remarkably consistent (August 2024).

Historical cumulative net return for the prior 5 years

• Institutional A shares	35.06%
• Quarterly Dealing A shares	31.46%
• Monthly Dealing A shares	27.68%
• Benchmark: 0–5-year Corporate Bond Index	9.10%



We successfully raised new capital in H1, with AUM reaching over £185 million. This, combined with high value loan repayments and competitive lending conditions has resulted in the Fund holding more cash than it typically does. Excess cash is invested across AAA Fitch rated money market funds. This has reduced returns slightly compared to the return from the loan book. However, the current lending pipeline is strong and is expected to improve monthly performance in late 2024.

Current performance of mortgage loans

The performance of our underlying mortgage loan book continues to be very resilient, despite having a high-interest rate environment this year and the continued 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 to be the case given the conservative nature of our lending. The mortgage loans are expected to continue to perform consistently and positively. The recent reduction in the Bank of England Base Rate (5%) will potentially lower returns due to the underlying variable rate of our loan book. However, the Fund is currently on track to return circa 8% for Institutional investors in 2024.

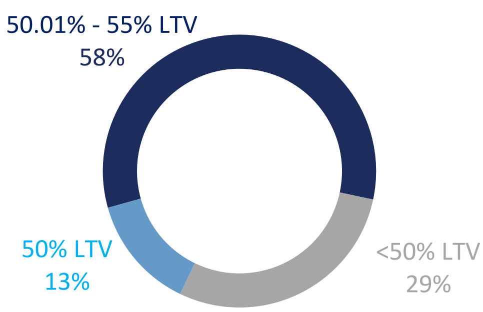
Portfolio

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 Southeast England, within the M25, with values between £200,000 and £1,000,000.

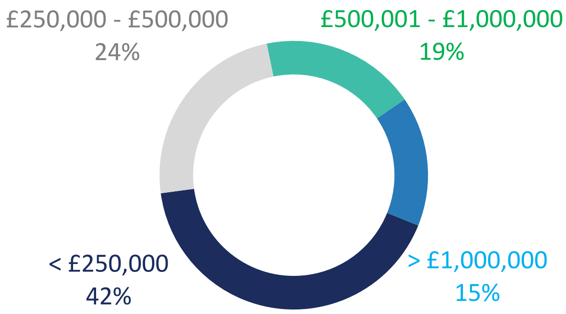
Properties within these parameters have historically performed better in a property downturn than more expensive property and maintained good rental demand. The market for lower-value properties is more liquid.

- Current Assets Under Management (AuM) have increased to £188m (August 2024)
- Current average Loan-to-Value (LTV) of 45.6%, max. LTV of 55%
- Currently there are 666 loans in the portfolio
- Value of underlying security held is over £362m
- Current average loan size in the portfolio is c£247,000
- Over £30m of new lending in the pipeline

Portfolio breakdown: Loan-to-Value



Asset allocation by Loan Value



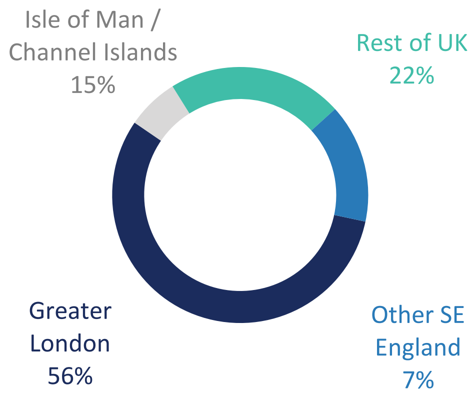
Most of our mortgages by value are secured against properties in London and South East England, where we continue to identify a wealth of high-quality lending opportunities that support the Fund’s growth. London remains a thriving city with a growing population. Rental demand is very strong, and rental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

- 63% - of lending by value is in London and South East England
- 66% - of loans are less than £500k in value
- 85% - 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%, 5% to a single borrower, and 10% against related properties. Asset allocation limits include a minimum concentration limit of 50% in London and South East England. and a maximum concentration limit of 50% in the British Isles.

Asset allocation by geography



Asset allocation by property

Credit decisions and borrower characteristics

RAW has hired Mark Stevens as Head of Credit.

Mark Stevens

Head of Credit,
RAW Capital Partners

Mark brings over 40 years of experience in the banking sector, having held senior roles in both offshore and onshore credit departments at notable organisations such as Northern Trust, Butterfield Bank, and Barclays Bank.

In these positions, he has been a member of multiple credit and risk committees, handling lending propositions related to property, investments and direct loans to funds and hedge funds. His responsibilities also included loan recovery and managing operational risks.

Drawing on this extensive experience, Mark will take up a new position at RAW to optimise processes, develop the teams by helping them to better understand and mitigate risks associated with the business, and contribute to the firm's product development.

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.

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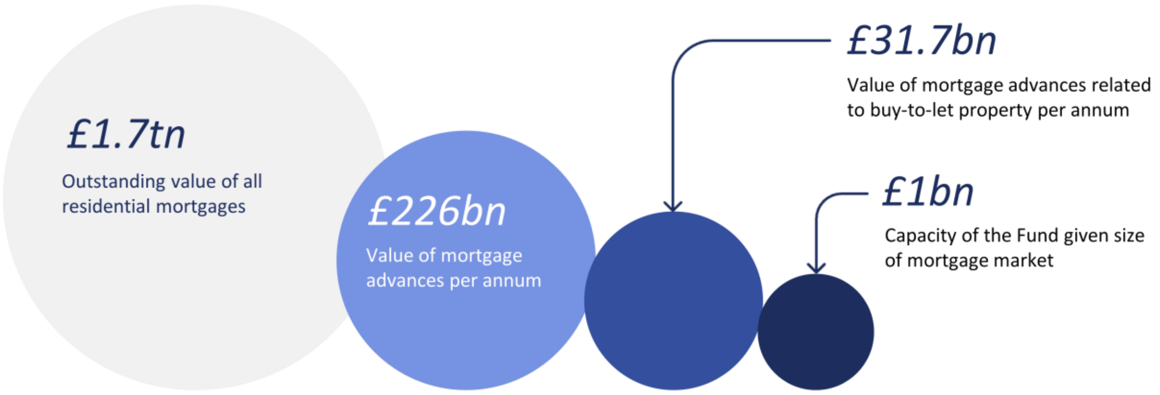
Market Update
Mortgage lending statistics – Q2 2024

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

The outstanding value of all residential mortgage loans increased by 0.4% from the previous quarter to £1,660 billion and was 0.3% higher than a year earlier. The value of gross mortgage advances increased by 16.7% from the previous quarter to £60.2 billion, this was the first increase since 2023 Q3 and was 15.5% higher than a year earlier. Lastly, the value of new mortgage commitments (lending agreed to be advanced in the coming months) increased by 11.3% from the previous quarter to £66.9 billion and was 12.5% greater than a year earlier.

The share of gross mortgage advances for buy-to-let purposes (covering house purchase, remortgage and further advance) increased by 0.7% from the previous quarter to 9.0% and 0.8% higher than a year earlier.



Source: FCA, mortgage lending statistics, Q2 2024

UK house price update

Several factors have contributed to market wide disruptions in recent years, including soaring inflation, aggressive central bank interventions, and the lingering effects of the Covid-19 pandemic. Geopolitical conflicts, particularly in Eastern Europe and the Middle East, have also shaken the stability of the international system. These political and economic headwinds have made the investment landscape increasingly challenging. However, the UK property market remain a pillar of strength for investors.

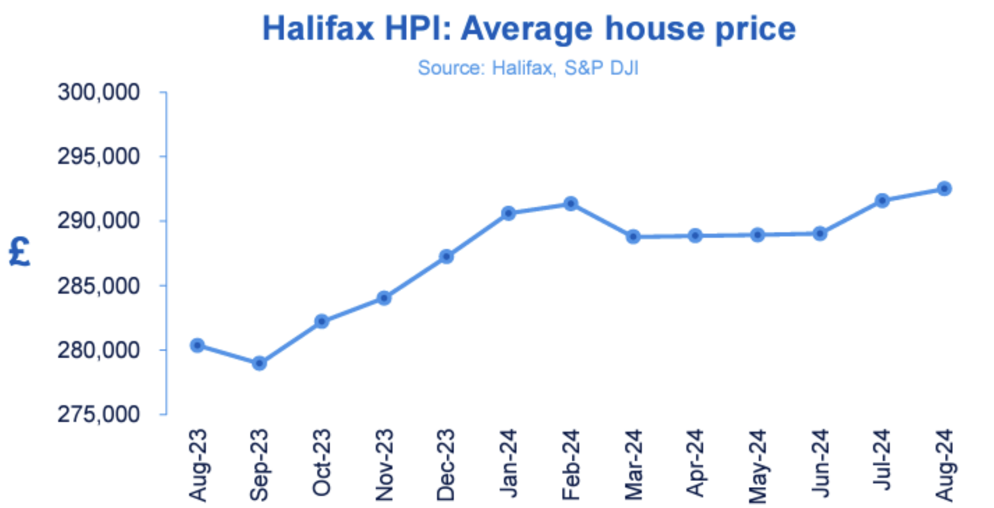
Halifax's findings

According to the Halifax House Price Index the UK average house price has had an annual growth rate of +4.3%, the strongest rate since November 2022. This is due to, in large part, the comparison with weaker growth this time last year. Their findings are as follows:

- Average house prices rose by +0.3% in August, following a rise of +0.9% in July
- Property prices increased by +0.8% compared to the last quarter in 2024
- Typical UK home now costs £292,505
- Southeast England continues to experience the most downward pressure on house prices

Recent price rises build on a largely positive summer for the UK housing market. Prospective homebuyers are feeling more confident thanks to easing interest rates. That optimism is reflected in the latest mortgage approval figures by the FCA, now at their highest level in almost two years.

Therefore, with market activity increasing and the potential for further interest rate cuts, we anticipate that house prices will continue to experience modest growth for the rest of the year.



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Savill's forecast

Savills' latest forecast displays a similar outlook, with strong predicted growth for the UK housing market and a steady increase in capital value. The estimated 5-year UK growth forecast is 21.6% which is higher compared to 17.9% at the end of 2023.

MAINSTREAM CAPITAL VALUE FORECAST

	2024	2025	2026	2027	2028	5 years to 2028
UK	2.5%	3.5%	4.5%	5.0%	4.5%	**21.6%**
North West	4.0%	4.5%	5.5%	6.5%	5.5%	**28.8%**
Yorkshire and The Humber	3.5%	4.5%	5.5%	6.5%	5.5%	**28.2%**
Wales	4.5%	4.5%	5.0%	5.5%	4.5%	**26.4%**
Scotland	4.0%	4.0%	5.0%	5.5%	5.0%	**25.8%**
North East	4.5%	4.5%	4.5%	5.0%	4.5%	**25.2%**
West Midlands	2.0%	4.0%	5.0%	6.0%	4.5%	**23.4%**
East Midlands	2.5%	4.0%	4.5%	5.5%	4.5%	**22.8%**
South West	1.0%	3.5%	4.0%	4.5%	4.5%	**18.7%**
South East	1.5%	3.0%	4.5%	4.5%	3.5%	**18.2%**
East of England	1.0%	3.0%	4.5%	4.5%	4.0%	**18.1%**
London	2.0%	2.0%	2.5%	3.5%	3.0%	**14.2%**

Source: *Savills Research*

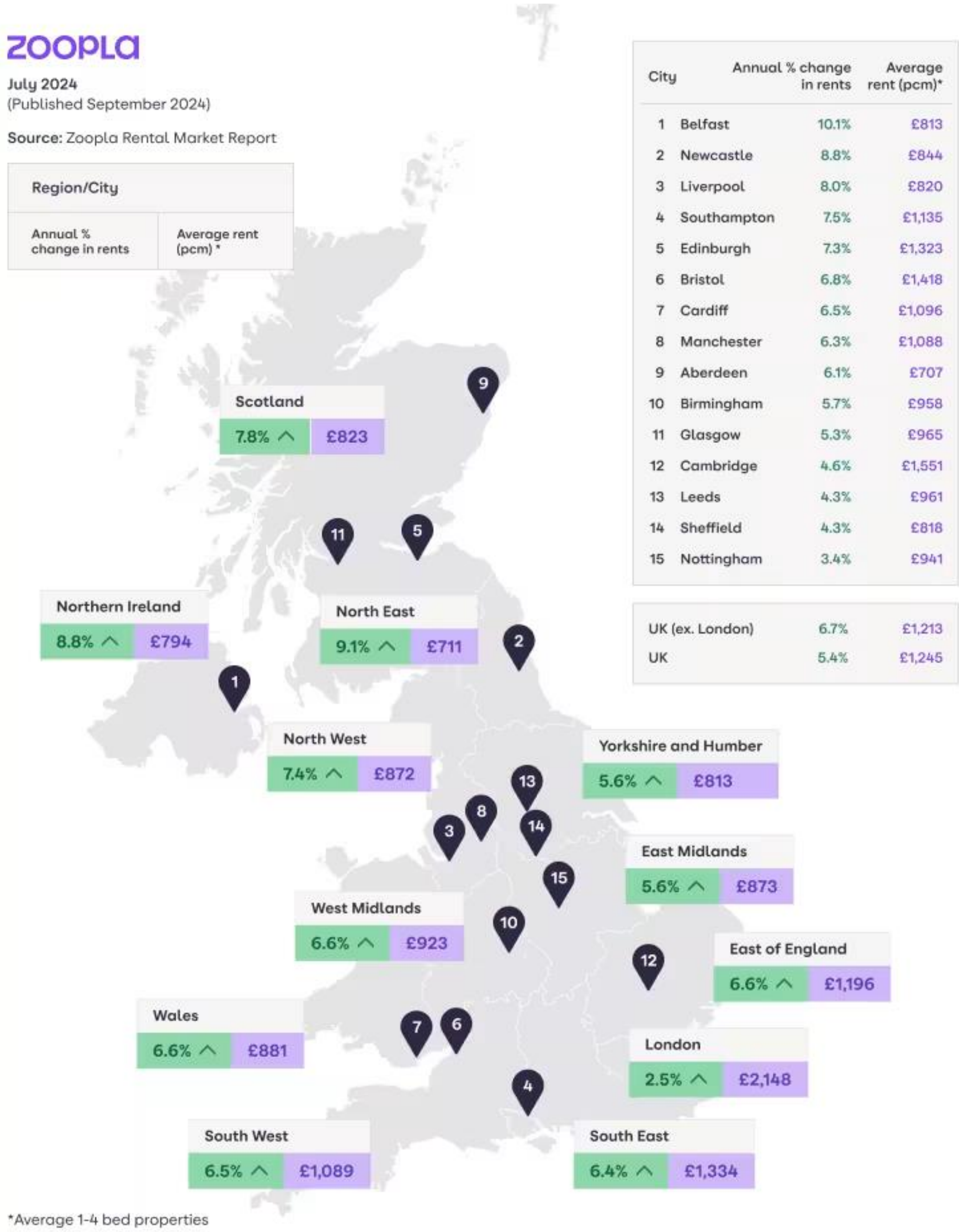
Note: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.

UK private rental prices

According to Zoopla, rental inflation has slowed to 5.4%, the lowest in almost 3 years; however, high demand and a low supply of properties continues to keep rents high. The number of homes available for rent is rising, but there are still 25% less rental properties available in 2024 compared to 2019.

Private rental prices paid by tenants in the UK are expected to rise 3-4% over 2024, with the supply/demand imbalance set to remain into 2025, supporting a continued growth in rents. For our borrowers, an increase in rental income makes the private rental market more attractive. Zoopla's latest outlook for continued growth into 2025 provides RAW with a confident outlook into the last quarter of 2024.

Average rent prices across the UK



Rent increases are slowing, but strong demand from renters and a limited supply of rental properties mean rental inflation is not falling as quickly as consumer prices and wages. While the supply-demand imbalance is beginning to narrow, there is still significant time before it meets an equilibrium.

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Other market commentators, such as Knight Frank, predicted a 5% growth in rent prices at the start of 2024, and continued solid demand for UK buy-to-let property from overseas buyers.

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 forward, RAW continues to identify attractive mortgage lending opportunities and we have confidence that we will produce attractive risk adjusted returns to our investors. These returns are 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. As we enter the final quarter of the year, our lending pipeline remains robust, reinforcing our confidence in sustained growth and stability.

Disclaimer

Registered office address: Carinthia House, 9-12 The Grange, St Peter Port, Guernsey, GY1 2QJ.