RAW
CAPITAL PARTNERS

RAW Mortgage Fund

Investor update


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Executive Summary

The RAW Mortgage Fund ("the Fund") continued to deliver attractive and consistent risk-adjusted returns to investors during 2021, along with a high level of capital security and diversification from other assets classes.

The Fund delivered gross returns of 5.03% and net returns of 4.53% to institutional investors with little volatility and no negative months' performance. For context, the Fund's target net return is 4.25% and its benchmark, a 0-5 year GBP Corporate Bond Index, failed to return investors money during 2021.

The Fund's performance is thanks to its underlying book of loans, which during a busy year for new business has grown to almost 500 individual mortgage loans (+41%) worth £107.34 million (+37%). The Fund has recorded no defaults and has suffered no impairments since launch in May 2015.

Given its track record, we believe the RAW Mortgage Fund will continue to provide attractive and consistent risk-adjusted returns along with a high level of capital security.

5.03%
gross return
(2021)

Share Class	Net annualised return (2021)
Institutional	4.53%
Wholesale	4.01%
Monthly Dealing	3.49%

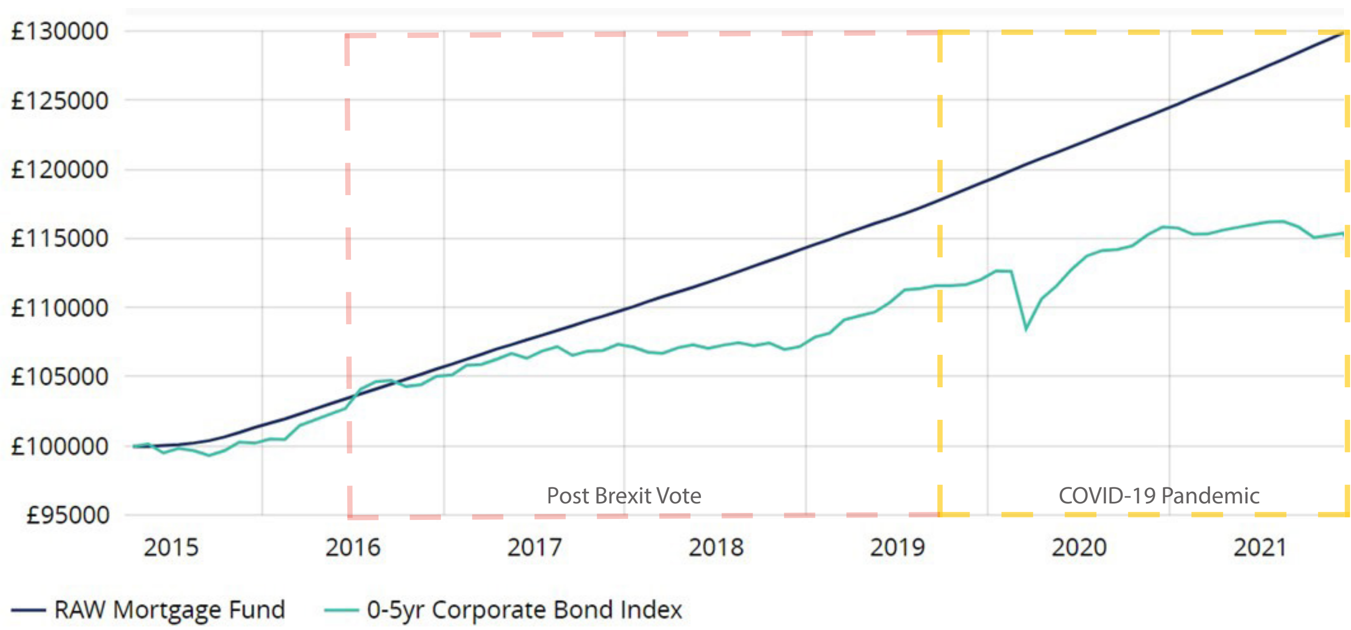

Chart A – performance of the RAW Mortgage Fund since launch vs. its benchmark - 0-5 year GBP Corporte Bond Index

Investment strategy

The Fund's investment objective is to generate attractive and consistent returns with a high level of capital security from the origination, execution, and servicing of a diversified portfolio of mortgage loans – all of which are secured with a first legal charge on residential property in the United Kingdom, Channel Islands and Isle of Man.

Target borrowers are typically relatively wealthy individuals seeking to invest in residential property in the UK in their own names or via a trust or corporate structure. The Fund also offers buy-to-let bridging lending (with a terms of less than 12 months) to UK residents.

The majority of the Fund's loans are secured on new or nearly new properties located in London and the South East of England with a small proportion in other major towns and cities in the UK.

The Fund limits downside risk by focusing on mortgage loans secured on high-quality collateral to a maximum 55% loan-to-value (LTV) ratio based on the lower of purchase price or independent professional valuation of the property.

Portfolio characteristics

The Fund and the loan book grew strongly during 2021, taking advantage of macroeconomic tail-winds in the form of the stamp duty holiday and (new) record-low interest rates which boosted property investment activity. The UK residential property market continued to perform strongly despite the ongoing pandemic.

The net asset value of the Fund grew 30.1% year on year from £80.6 million as of 31 December 2020 to £105.2 million a year later. The Fund broke the £100m milestone in July.

During the same period, the loan book grew from £78.3 million to £107.3 million and from 334 to 486 mortgage loans.

£105.2m
AUM

486
mortgage loans

Conservative lending criteria

While the value of the Fund has grown considerably, the measures of central tendency and variation have been stable – testament to our belief in the Fund's investment strategy.

The average size of loans within the loan book has decreased marginally from £228,000 to £221,000 and there remain only a handful of loans of £1 million or more. The average value of properties against which our loans are secured is £473,000. While our typical mortgage loan is 50% LTV, the average LTV remains below that at only 46.7%.

46.6%
average LTV

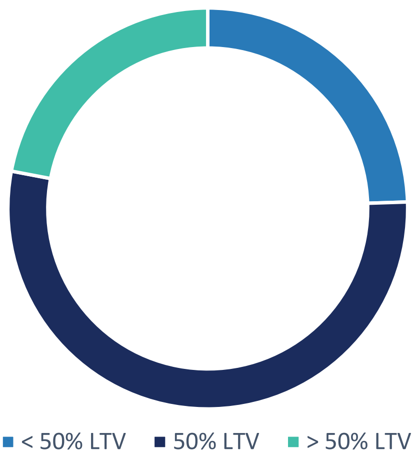

Chart B - loan to value ratio of mortgage loans

High-quality security

Location of security

The majority of our lending (c.75%) is secured on properties in Greater London. In the long-term, we believe that London will continue to prosper, and we continue to see plenty of good quality lending opportunities at low LTV ratios in the city.

Concentrations within London tend to be affluent boroughs such as Merton and Lambeth in south London, where residents have access to outside space.

We also have concentration in Tower Hamlets, where subject properties are smaller but residents benefit from close proximity to work in the City of London and Canary Wharf.

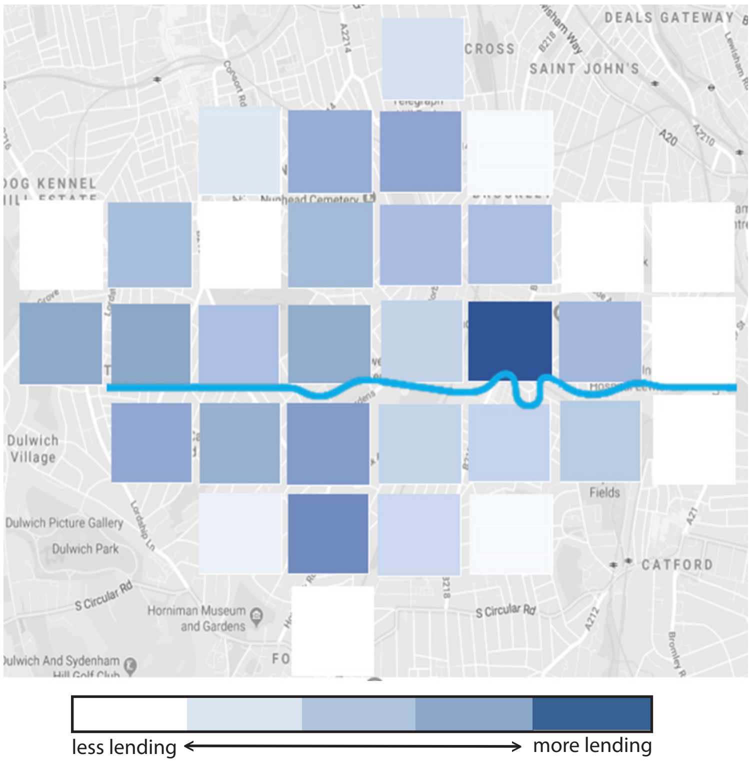

Chart C – concentration of mortgage loans by borough

Outside of London, we continue to see interest focused on Manchester and Birmingham from overseas investors. We attribute this to lower capital values and higher rental yields than are found in London and the South East of England, combined with the prospect of higher speed rail links to the capital.

We are happy to consider lending opportunities outside of London, which now makes up c. 25% of the loan book by value.

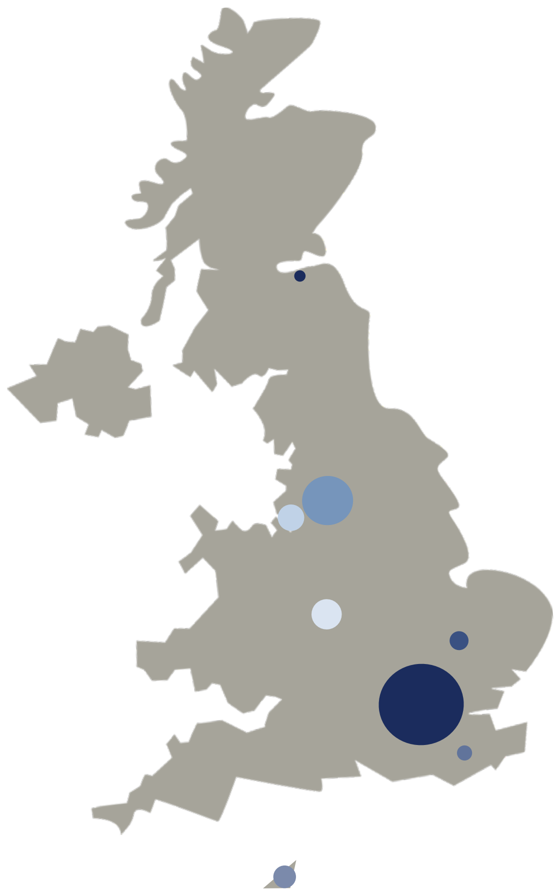

Chart D – concentration of mortgage loans by city

Type of security

The majority of mortgage loans are secured against modern one and two-bedroom apartments in major towns and cities. These are attractive to property investors as they benefit from many potential tenants when the borrower seeks to let the property and many potential buyers when the borrower seeks to exit their investment.

For every ten properties on which the Fund takes security, nine are apartments. We focus on lending on good quality, newly built apartments in decent residential locations with easy commuting of major towns and cities.

Typically properties we lend against have been built by major developers during the last 10 years. They benefit from modern building control standards, planning controls, and new home warranties. They also tend to benefit from higher energy performance and lower environmental impact than older properties.

While we have lent on a high volume of apartments during the previous 5 years, only a small proportion of our lending is against studio apartments or those without access to outside space.

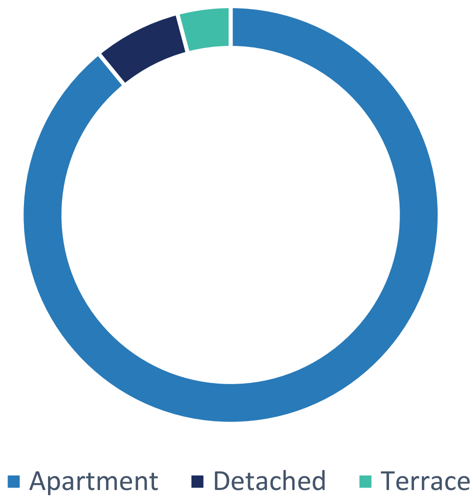

Chart E - security by property type

When we lend against on houses, we assure the quality of the location as well as the property itself. For example, we have secured lending against properties in Kent, Surrey and Hertfordshire which provide a very good quality of life.

What we look for	What we avoid
✔ Loans secured against completed residential properties ✔ Residential properties in major towns and cities, which are more easily sold or let – even during a market downturn ✔ Properties that are new or relatively new and in a decent state of repair	✘ Development property –there is much more risk when properties are being (re)developed ✘ Properties that are less likely to let or sell during a downturn, such as unsightly properties or those surrounded by lower quality housing ✘ Properties likely to be volatile in value, for example those in prime central London

Investment performance

Since inception, the Fund has returned on average more than 4.00% pa net to institutional investors. These attractive risk-adjusted returns have been delivered in all market conditions thanks to the contractual cashflows delivered by the Fund's loan book.

In 2021, the Fund delivered gross returns of 5.03% and net returns of 4.53% to institutional investors with little volatility and no negative months' performance.

For context, the Fund's target net return is 4.25% and its benchmark, a 0-5 year GBP Corporate Bond Index, failed to return investors money during 2021.

5.03%
gross return
(2021)

£107.3m
loan book

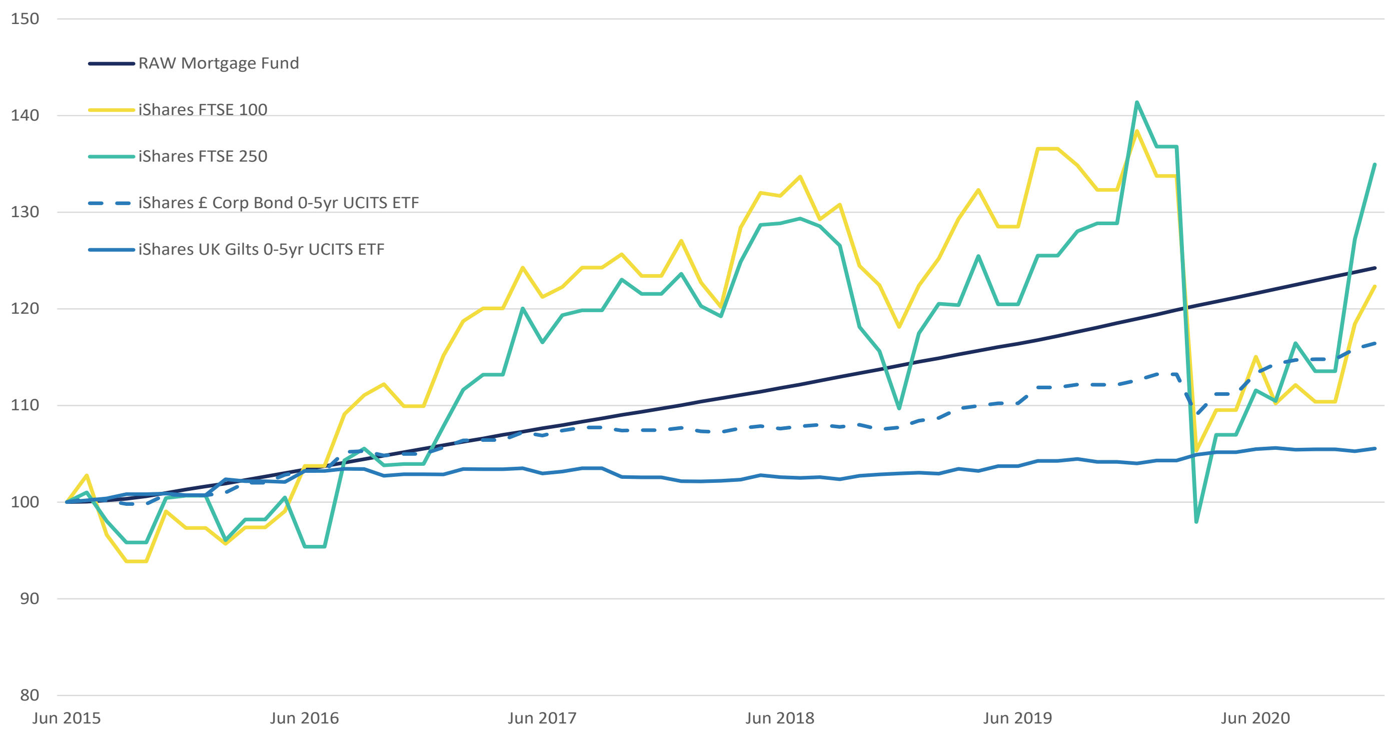

Chart F - investment performance May 2015 to date vs iShares Core FTSE 100 UCITS ETF, iShares FTSE 250 UCITS ETF, iShares £ Corp Bond 0-5 year UCITS ETF, iShares UK Gilts 0-5yr UCITS ETF


Driving your business

Environmental, Social & Governance

In November, the United Kingdom hosted the Council of Parties (COP) 26 in Glasgow during which financial institutions were called to deploy the investment needed to delivery net zero or carbon neutrality targets.

RAW Capital Partners is committed to sustainable development and making a positive contribution to the world we live in.

As part of our commitment to change, we have formalised our responsible investment policy to provide a robust framework for the management of ESG-related risks within the business and the assets it manages.

The financial rationale is clear. Consideration of ESG-related risks belong within a comprehensive risk management framework and deliver enhanced risk-adjusted returns to investors.

In 2022, we aim to:

- integrate our responsible investment policy into the business' operations;
- monitor, mitigate and price material ESG-related risk factors; and
- receive our certified Carbon Neutral status

We also took it upon ourselves to get involved with local charities and events and became proud sponsors of the Pollinator Project art auction, run to raise funds in collaboration with Les Bourgs Hospice. We will be continuing to extend our support to selected charities in 2022.

Outlook for 2022

To ensure the Fund continues to deliver attractive and consistent returns to investors, each mortgage application is considered by an experienced Credit Committee.

Attractive and consistent returns

At RAW Capital Partners, we operate in a specialist segment of the market where we can source high-quality opportunities that others overlook.

Our typical borrowers are non-UK residents who wish to obtain finance on a buy-to-let property in the UK. Moreover, their circumstances often include another feature that would preclude them from obtaining finance from a mainstream lender, such as:

- their income – they are self-employed or have low/no employment income
- their age – older people are often denied access to credit
- foreign language – due diligence provided is in a language other than English

In place of mainstream lender's tick-box approach, all of our applications are considered on a 'case by case' basis by an experienced Credit Committee who seek to mitigate the inherent risks while pricing the residual risk to create an attrative risk-adjusted return for the Fund's investors.

The risk-adjusted return, or alpha, created by the Fund's investment strategy is clear to see within the Fund's investment performance.

Capital protection

It is our expectation that investor capital and accrued interest could be recovered on all mortgage loans in all but the most extreme circumstances.

Now that the Fund's investment strategy has a 6-year track record during a period which includes Brexit and the COVID-19 pandemic, we to believe strongly that mortgage loans secured against UK residential property at a maximum 55% LTV (and average of 50% or less) and will continue to provide a safe haven for investors.

The UK residential property market

A year ago, we attributed the strong residential property market in the UK and elsewhere to the income effect (falling demand due to a fall in earnings) being more than compensated by the substitution effect (increasing demand for housing as residents spend more time at home). This effect has come to be known as the "race for space".

In December 2021, the Bank of England published a useful piece of attribution analysis for 'drivers of growth over the pandemic'. They found that the 'race for space' explains around half of the growth while the other half was explained by other factors:

- premium paid for houses over flats with similar characteristics (21%);
- reduction in price gap between identical properties in and outside of London (15%); and
- shift in the types of properties traded (11%).

We will be monitoring these effects and, more importantly, their root causes within our underwriting processes during the coming year.

Source: How much of the recent house price growth can be explained by the 'race for space'? | Bank of England

Location, location, location

To supplement the macro-economic environment, we continue to put a strong emphasis on specific factors of each and every property on which we are asked to lend, considering factors including:

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

The Investment Manager's rigorous and disciplined investment process, structured on a 'top-down/bottom-up' basis, is best-suited to providing attractive risk-adjusted returns for investors in the market in which we operate.

UK residential property transactions

	Average 2017-2019 actual	2020 actual	2021 expected	2022 forecast	2023 forecast	2024 forecast	2025 forecast	2026 forecast
Mortgaged first-time buyers	350,000	304,000	400,000	340,000	300,000	290,000	290,000	290,000
Mortgaged home movers	351,000	310,000	460,000	380,000	350,000	330,000	330,000	330,000
Mortgaged buy-to-let investors	75,000	65,000	110,000	80,000	70,000	70,000	70,000	70,000
Cash buyers	420,000	366,000	520,000	450,000	420,000	400,000	400,000	400,000
Total	1,196,000	1,044,000	1,490,000	1,240,000	1,140,000	1,090,000	1,090,000	1,090,000

Chart G - Source: Savills Research, UK Finance, HMRC. Note Figures may not sum exactly due to rounding

Conclusion

The RAW Mortgage Fund continues to deliver attractive and consistent risk-adjusted returns to investors.

The performance of our underlying mortgage loan book has been very resilient through 2021 and is testament to the careful consideration of each opportunity.

We approach 2022 with the same strategy and focus that has served us so well to date.

Evidence shows there is plenty of opportunity to continue to grow this strategy and we have the track record and operational capacity to accept institutional investment and grow the Fund to many times its current size.

To learn more about the RAW Mortgage Fund, contact us on the details below.

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Contact us

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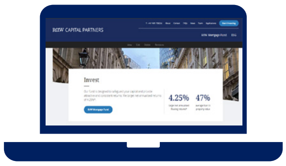

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Disclaimer

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

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Past performance is not necessarily a guide to future performance and may not be repeated. Target returns cannot be guaranteed and the value of an investment may go down as well as up.

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