OMNI PARTNERS

OMNI SECURED LENDING FUND II LP

Information as of: 31 July 2015 *Fund Status: Open* *Next Scheduled Close: 1 October* *Currency: GBP (Base) & USD (Hedged)*

Firm Overview

Omni Partners LLP ("Omni") serves as the investment manager of the Omni Secured Lending Fund II LP ("OSL II"). Omni is a London-headquartered asset manager founded in 2004. In addition to its UK office, Omni also has an office in the US, in Irvine, California. The firm employs approximately 76 people globally. Omni is authorised and regulated by the FCA and is registered with the SEC and the CFTC. Omni manages three strategies open to external investment: Omni Event (equity event-driven), Omni Macro (discretionary global macro) and Omni Secured Lending (short-term UK property lending). Across its existing strategies the firm manages approximately $800 million.

OSL II held its initial close in April 2015 following the success of Omni Secured Lending Fund I LP (February 2014). Loans for OSL II are originated and underwritten by Omni's subsidiary, Amicus Finance Plc ("Amicus", formerly CBFL). Amicus was set-up in late 2009 to serve as an alternative lender focused on short-term UK property lending. The firm's main operations are conducted from London, and it also maintains an office in North West England (Preston). Since its foundation the firm has underwritten 929 loans with a value of nearly £435 million. To date Amicus' loan portfolio has demonstrated strong credit performance – the firm has suffered a loss of principal on eleven loans (of 929), resulting in a loss of principal of <0.2% of capital lent.

Omni believes that each of its strategies benefits from the firm's institutional infrastructure put in place over the past ten years and its core risk philosophy, which emphasises the achievement of opportunistic returns whilst limiting downside risk via proactive risk control. Omni seeks to accomplish this by tailoring a strict risk management framework to each strategy.

Net Performance

OSL II YTD: **3.12%[e]** **OSL II IRR:** **10.54%[e]** **Vintage II AUM:** **£109m[e]**

OSL I YTD: **5.81%[e]** **OSL I IRR:** **11.54%[e]**

Omni Secured Lending Fund II LP

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	-	-	-	0.56%	0.88%	0.93%	0.72%[e]						**3.12%**

Omni Secured Lending Fund I LP

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2015	0.87%	0.71%	0.73%	0.93%	0.81%	0.80%	0.92%[e]						**5.81%**
2014	-	0.17%	0.65%	0.67%	0.84%	0.99%	0.95%	1.04%	1.06%	1.04%	1.11%	0.97%	**9.49%**

Past results are not necessarily indicative of future results.
e - estimate

Investment Strategy

OSL II offers exposure to short-term whole loans secured against UK real estate. The UK short-term mortgage market grew to an estimated £3 billion during 2014[1]. More borrowers have been left seeking alternative finance as banks have tightened their underwriting requirements and extended their time frames for loan approval. Non-bank lenders have traditionally been more flexible in their transaction review, focusing on approving each loan based upon its merits rather than on spreadsheet underwriting, as is more typical in banks today. In addition, non-bank lenders are able to reach lending decisions quickly, enabling borrowers to close on properties (often purchased at a discount) within tight deadlines. In return for quick execution and certainty of funding, alternative lenders are usually able to obtain an interest rate premium and demand more security than traditional finance providers.

The UK short-term property lending sector has been served by three groups historically: small independent lenders; dedicated alternative lenders; and traditional banks:

- Small lenders tend to have very little infrastructure and limited funding but can reach decisions quickly. They do not usually have dedicated professional underwriting teams and have limited underwriting process in place.
- Dedicated alternative lenders have more scale, including full underwriting teams, more rigorous underwriting processes and institutional infrastructure and systems. Alternative lenders are usually able to offer investors both speed of execution and certainty of execution, without the defined product set and multiple layers of oversight more typical of banks.
- Whilst banks have the largest balance sheets and therefore the ability to provide the most finance, their decision-making processes favour standardised longer-terms loans. Short-term lending requires an increased level of attention and individual underwriting discretion, neither of which is consistent with banks' models. In addition, whilst the margins on short-term lending are attractive, the market is too small to be of wide-scale interest to the banks.

[1] As per the Association of Short-term Lenders (ASTL): www.theastl.org/News-blog/bridging-finance.html (5 September 2014)

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Fund Characteristics

OSL II loans vary in duration from 6 to 18 months and are split approximately 90 / 10 between residential and commercial properties. The fund takes a lien (generally the senior lien, referred to as a first charge in the UK) against each property and lends at a maximum loan-to-value ("LTV") of 70%. Amicus' historical average LTV has been around 60%. Average loan exposure within OSL II is around £415k, resulting in a fairly granular loan portfolio. The UK property lending market is a full recourse market, which results in enhanced security. The fund's position is assisted further by the relatively creditor-friendly nature of the UK legal system.

Loan Origination

Amicus is responsible for the entire lending process, from loan origination and underwriting through to servicing and recovery. OSL II lends to a diverse set of borrowers, the vast majority of whom are sophisticated property investors. Most borrowers are introduced by brokers, and Amicus engages with both individual and corporate borrowers. The majority of loans funded by OSL Fund II are exited via property sale, with the balance typically exited via long-term refinance (most often a buy-to-let "BTL" mortgage).

Risk Management

Each transaction is priced for risk. Amicus seeks to mitigate risk in the first instance via its robust underwriting process. Underwriting focuses on the security offered, quality of exit, and creditworthiness and experience of the borrower. The underwriting team may seek to further mitigate risk by applying additional terms and conditions to the loan (such as demonstrating progress to exit at certain waypoints during the term of the loan).

All loans funded by OSL Fund II are "asset-backed", with either residential or commercial property in the UK offered as security. This "hard money lending" approach results in an underwriting process that centres on the current valuation of each property. Lending occurs at a maximum LTV of 70%, a calculation that relies on the current open market value provided by an independent valuer.

In reviewing the quality of exit, each exit strategy is assessed for viability. Amicus conducts face-to-face meetings, which are video recorded, with all borrowers (including any majority beneficial owner of a corporate borrower). During this meeting the underwriter verifies and discusses the stated circumstances of each loan and requires a clear explanation of the exit strategy.

Full credit checks are undertaken on each borrower. Amicus appoints reputable third-party valuers and solicitors from its panel on each transaction.

Collections and recovery is the second stage in managing risk. Exit strategies are actively monitored throughout each loan's life. Should enforcement become necessary, recoverability is proactively assessed. The collections team at Amicus has demonstrated an ability to initiate and coordinate loan workouts when necessary. A total of 61 loans (of 929) have required some form of recovery action since the company began lending in 2009. Of the eleven loans that have resulted in a loss of principal, each has required some form of workout.

Key Amicus Team Members

John Jenkins
CEO of Amicus | Partner of Omni
25 years' experience
GE Capital
Lloyds TSB
Chartered Certified Accountant

John Ryan
CFO of Amicus
25 years' experience
BoA Merrill Lynch
Highveld Steel & Vanadium Corp.
Chartered Accountant

James Weaver
COO of Amicus | Partner of Omni
10 years' experience
Pinsent Masons LLP
Solicitor

Fund Terms

Class A (GBP & USD - hedged)

Management Fee:	1.5% (including management fee and origination/servicing fee)
Performance Fee:	10% (above preferred return, with full catch-up)
Preferred Return:	8%

Class B (GBP & USD - hedged)

Management Fee:	1.0% (including management fee and origination/servicing fee)
Performance Fee:	15% (above preferred return, with full catch-up)
Preferred Return:	9%

Structure:	Cayman Islands closed-ended fund (LP)
Vehicle Life:	No more than 36 months from 7 April 2015, with 2 potential 6 month extensions
Commitment Period:	12 months from 7 April 2015
Investment Period:	12 months from 7 Apr 2015
Distributions:	During Investment Period: Net interest, Quarterly During Harvest Period: Net interest plus principal, Quarterly

Additional Notes: *Management and origination/servicing fees charged on capital loaned*

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To obtain a copy of the Fund's Prospectus please contact Investor Relations at Omni Partners LLP at investorrelations@omni.co.uk.

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