

Mill Hill Capital is an investment adviser based in New York.

The firm focuses on market-neutral relative value investments in US Credit. The fund seeks to identify asymmetrical strategies across securitized and corporate bond markets. We concentrate primarily on the following asset classes: CLOs, Esoteric ABS, EETCs and Aircraft ABS, non-agency mortgage-backed securities, credit indices, corporate financials. The firm is led by David Meneret, formerly Head of Securitized Debt and Corporate Financials Trading at Macquarie and Senior Portfolio Manager for Macquarie Credit Nexus Fund. The Mill Hill team is currently comprised of 5 former Macquarie colleagues.

The Mill Hill Strategy relies on the combination of asset-level fundamental analysis, extensive market-implied data-driven proprietary cash flow models identifying long/short opportunities across asset classes, as well as a systematic approach to risk and portfolio management.

THE OPPORTUNITY SET IN 2016

We believe that the current environment of low liquidity in credit markets, increasing default risk in the Energy space, and record leverage for US investment grade firms, set the right tone for more dislocations across asset classes for the next 2-3 years.

CLOs

Growing market, fueled by large demand from unlevered or low-leverage hedge funds hungry for current yield, less demand for mezzanine tranches, poor performance from BDCs and CLO equity recently, as pressure mounts on the leveraged loan market.

AIRCRAFT ABS AND EETC MARKET

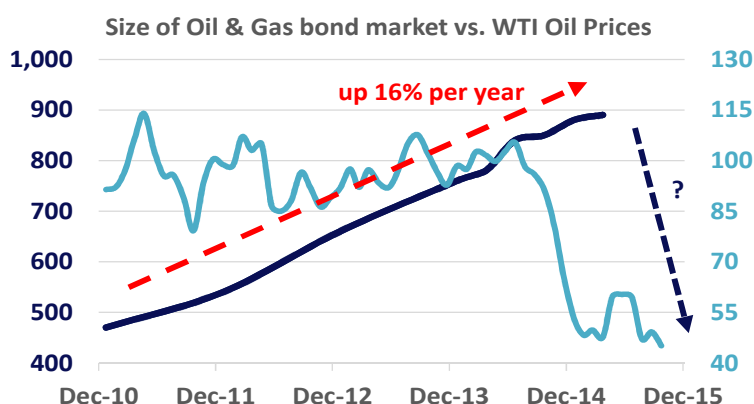
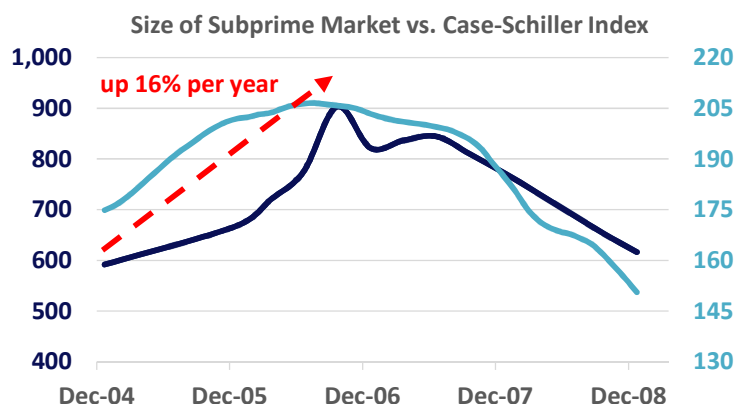
Currently impacted negatively by volatility of the High Yield market caused by expected defaults of Energy, Metals & Mining companies but benefits from lower crude prices, as demonstrated by strong performance of US airlines stocks in the past 2 years.

ESOTERIC ABS

Typically requires equity partners to bring deals to the market, mostly relies on buy-and-hold accounts for investment grade tranches, more repo financing for mezzanine tranches. Solid upside/downside ratios for select transactions in consumer finance, equipment finance, solar finance, and film finance.

FINANCIALS AND RMBS

Accounting for financial industry is still extremely opaque and relies more and more on rating agencies' input rather than market levels, which creates long and short opportunities. Short positions can also be funded by seasoned well-enhanced senior tranches of second lien RMBS.

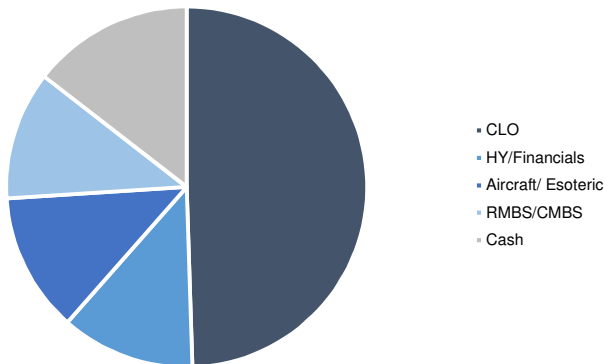


	NO-ARBITRAGE APPROACH	FUNDAMENTAL APPROACH	LONG/SHORT RELATIVE VALUE APPROACH
PROCESS	Looking for market dislocations across various asset classes	Base case cash flow forecast, stressed case cash flow forecast , and Loan-to-value analysis	Constructing an asymmetric payout profile: minimizing the downside, maintaining upside optionality
MODEL	Liquid indices used as an input to the forward looking models: expected loss and distribution of expected losses	Asset-level analysis relying on the characteristics on the underlying portfolio, stress cases	Monte Carlo simulations and regressions between the long side of the trade and the short side of the trade
MILL HILL CAPITAL EDGE	Technology: modeling more than a billion of cash flow simulations every day using Amazon Web Services	Special attention to servicer/manager behavior, legal structure, reinvestment risk, call risk, concentrations	Identifying potential catalysts that can unlock value, constantly monetizing convexity

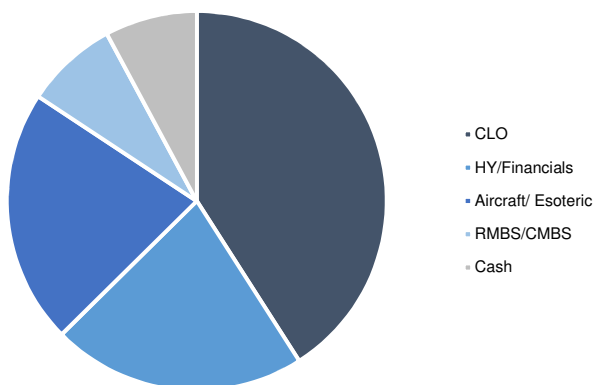
We aim to construct and manage a dynamic market-neutral portfolio of CLOs, Aircraft ABS, Esoteric ABS, RMBS, CMBS, High Yield bonds, Leveraged Loans, Corporate CDS, and Indices by using the following three pronged approach, which has been utilized under David Meneret's management from 2007 until 2014. It relies on a suite of quantitative cash flow models.

		LOW volatility environment	MEDIUM volatility environment	HIGH volatility environment
ADAPTING TO THE OPPORTUNITY SET	TOTAL GROSS LEVERAGE	1.5x/2.0x	1.0x/1.5x	0.5x/1.0x
	INDICATIVE TARGET RETURNS	8 to 12%	14 to 18%	20 to 25%
	HISTORICAL PERIODS	2013-2014	2007/2015	2008/2011
	INDICATIVE TURNOVER	5x	4x	3x
	ALPHA SOURCE	constantly monetizing convexity	funding shorts	magnified dislocations
TARGET AUM ALLOCATION	CLO	60%	40%	25%
	Aircraft/Esoteric ABS	15%	20%	20%
	RMBS	5%	10%	15%
	Financials	10%	15%	20%
	Cash	10%	15%	20%

PROJECTED CURRENT CAPITAL ALLOCATION



PROJECTED CURRENT MARKET VALUE ALLOCATION



CAPITAL ALLOCATION

Opportunity set is the main driver of capital allocation

Emphasis on asymmetric strategies

Balance between high Sharpe ratio strategies and portfolio diversification

RISK MANAGEMENT

Credit risk, aggregation and monitoring of HY Equivalent and convexity

Interest rate risk, monitored and hedged with Treasuries and Swaps

Funding risk, mitigated by the right blend of short and long term funding

Concentration risk, concentration limits determined by "Maximum Loss" (1)

Counterparty risk, exposures and limits determined by "Maximum Loss"

Basis risk, monitored and managed by "Worst Case Loss" (1)

LIQUIDITY MANAGEMENT AND USE OF LEVERAGE

Contingent funding requirement will be managed by the "Worst Case Loss" framework

Portfolio and trading strategy leverage measures/limits are managed through the "Maximum Loss" framework

Prime broker's margin framework and financing relationship will be monitored and managed closely in house

Unencumbered cash balance is held separately away from prime brokers.

(1) Maximum Loss and Worst Case Loss are defined by Mill Hill's internal models and risk measures and the assumptions can be provided upon request

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