

montello

Private & Confidential | September 2013

- Montello was established in the UK in 2008 to capitalise on the retrenchment in the credit markets by developing a leading short-term lending business in the UK.
- The business originally funded transactions with investors on a deal-by-deal basis. The Montello Income Fund was launched in February, 2010.
- Montello has since captured a significant proportion of the loan referral market. Monthly loan applications are £30m - £100m per month.
- The professional backgrounds of the Montello management team (from top-tier legal, banking and property organisations), and their market experience, sets them apart from the other players in the industry.
- Montello is an active member of the Association of Bridging Professionals (AOBP), the Association of Short Term Lenders (ASTL) and the National Association of Commercial Finance Brokers (NACFB).

Public Profile

Montello has regularly featured in industry publications and the media:

MoneyMarketing

FINANCIAL TIMES

myintroducer.com

fundweb



assetadviser

mortgagestrategy

MORTGAGE
INTRODUCER

“Montello has managed to build a reputable lender in the short-term lending space”

Adrian Bloomfield

Chairman of the Association of Short Term Lenders.

Name	Details
Christian Faes LLB(Hons) <i>Managing Partner</i>	Christian is co-managing director of Montello. He has a number of years experience in the private bridging finance industry. In the two years prior to establishing Montello in the UK, Christian ran a bridging finance business in Australia. He is a qualified solicitor with top-tier experience with Allens Arthur Robinson in Australia, where he was also a non-executive director of Australian fund manager, Scintilla Capital. In London, Christian practiced as a lawyer with Clifford Chance and then as in-house legal counsel for Deutsche Bank.
Ian Sutherland LLB(Hons), LLM (Hons) <i>Partner</i>	Ian is co-managing director of Montello and has significant experience in deal structuring, valuations and real estate financing. He is a dual-qualified US attorney and UK solicitor, with top-tier experience at WilmerHale in London and Washington, Clifford Chance in London and Coudert Brothers in New York and Brussels. Ian also has property development experience in his previous in-house legal role with Ballymore Property Group.
Ian Thomas BSc (Hons) <i>Partner</i>	Ian is director of property and business development at MPF. He is a qualified Chartered Surveyor, with a degree in Investment and Finance in Property. He has prior property valuation, mixed use development and investment acquisition experience in the UK and abroad, having worked for property companies SEGRO Plc and Ballymore Property Group.
Richard O'Toole <i>Special Adviser</i>	Richard O' Toole is currently a director of Goldman Sachs Bank Europe plc, and provides advice and consultancy services to Governments and international companies. He was previously the Assistant Director General of GATT in Geneva, having participated in the Uruguay Round trade negotiations which led to the establishment of the WTO. Richard was subsequently appointed Global Head of Government Affairs with ABB Group. Following this, he was Head of International Government Affairs for Goldman Sachs.

	Montello Income Fund	Montello Development Finance LP	Montello Real Estate Opportunity Fund (Luxembourg SICAV)
Annual return	• 8.5%	• 10%	• 6-10%
Return payable	• Quarterly	• Half-yearly	• Quarterly
Minimum investment	• £25,000	• £50,000	• €125,000 (or less depending on status)
Investor commitment	• Quarterly redemptions (with 2 months notice)	• 2 years • Half-yearly redemptions	• Monthly (Potential redemption penalties apply)
Investment horizon	• Open ended	• Open ended	• Open ended
Fund structure	• UK Limited Partnership and • Exempt Unit Trust (for SIPP & SSAS)	• UK Limited Partnership	• Luxembourg SICAV SIF
Fund invests in	• Short term bridging loans, backed by registered first legal charge against the property. • Primary focus of the fund is on London residential property; lending no more than 75% LTV	• Short term development finance loans, backed by registered legal first and/or second charge against the property. • Primary focus of the fund is on London residential property; small-scale developments and refurbishment projects; and lending no more than 65% GDV.	• Real estate opportunities including financing, joint ventures, direct and co-investment in real estate and associated securities and investments



INCOME
FUND

Annual return:
Return payable:
Investor lock-in:

8.5% pa GBP, 6.5%pa USD etc.
 Quarterly
 Quarterly, with 2 months notice

Term	Details
Loan durations	<ul style="list-style-type: none"> • Maximum 12 months, historical average is c. 6 months
LTVs	<ul style="list-style-type: none"> • Maximum 75% of Loan to Value ratio, historical average = >65% LTV
Loan amounts	<ul style="list-style-type: none"> • Usually £100,000-£1,500,000. Historical average c. GBP500,000
Collateral + Security	<ul style="list-style-type: none"> • Residential and mixed use, including commercial • Focus on SE England, mainly London • 1st charge lending only • Montello also looks to cross-collateralise loans
Interest rate	<ul style="list-style-type: none"> • 1.0 - 1.75% per month
Fees	<ul style="list-style-type: none"> • Borrower pays Montello's legal fees and valuation fees for each transaction • No entry or exit fees • 100% allocation from day 1 • No fund AMC
Types of borrowers	<ul style="list-style-type: none"> • No 'home loan' lending • Borrowers are property professionals, developers who buy and refurbish properties, then sell or refinance
Fund structure	<ul style="list-style-type: none"> • UK domiciled Unregulated Collective Investment Scheme (Limited Partnership & Exempt Unit Trust for SIPP and SSAS investors)



DEVELOPMENT
FINANCE LP

Annual return:
Return payable:
Investor lock-in:

10%pa GBP, 8%pa USD etc.
 Half-yearly
 2 years

Term	Details
Loan durations	<ul style="list-style-type: none"> • Usually 3-18 months
LTVs	<ul style="list-style-type: none"> • Max 75% of Loan to Value; or • Max 65% of Gross Development Value
Loan amounts	<ul style="list-style-type: none"> • Usually £50,000-£1,000,000 at the high end.
Collateral + Security	<ul style="list-style-type: none"> • Residential and mixed use, including commercial • Focus on SE England and mainly M25 area • 1st and/or 2nd legal charge • Montello will seek to cross-collateralise loans
Interest rate	<ul style="list-style-type: none"> • 1.0 - 1.75% per month
Fees	<ul style="list-style-type: none"> • Borrower pays Montello's legal fees and valuation fees for each transaction • No entry or exit fees • 100% allocation from day 1 • No fund AMC
Types of borrowers	<ul style="list-style-type: none"> • No 'home loan' lending • Borrowers are property professionals, developers who buy and refurbish properties, then sell or refinance
Fund structure	<ul style="list-style-type: none"> • UK domiciled Unregulated Collective Investment Scheme (Limited Partnership)

montello

Annual return: Target between 6-10% pa

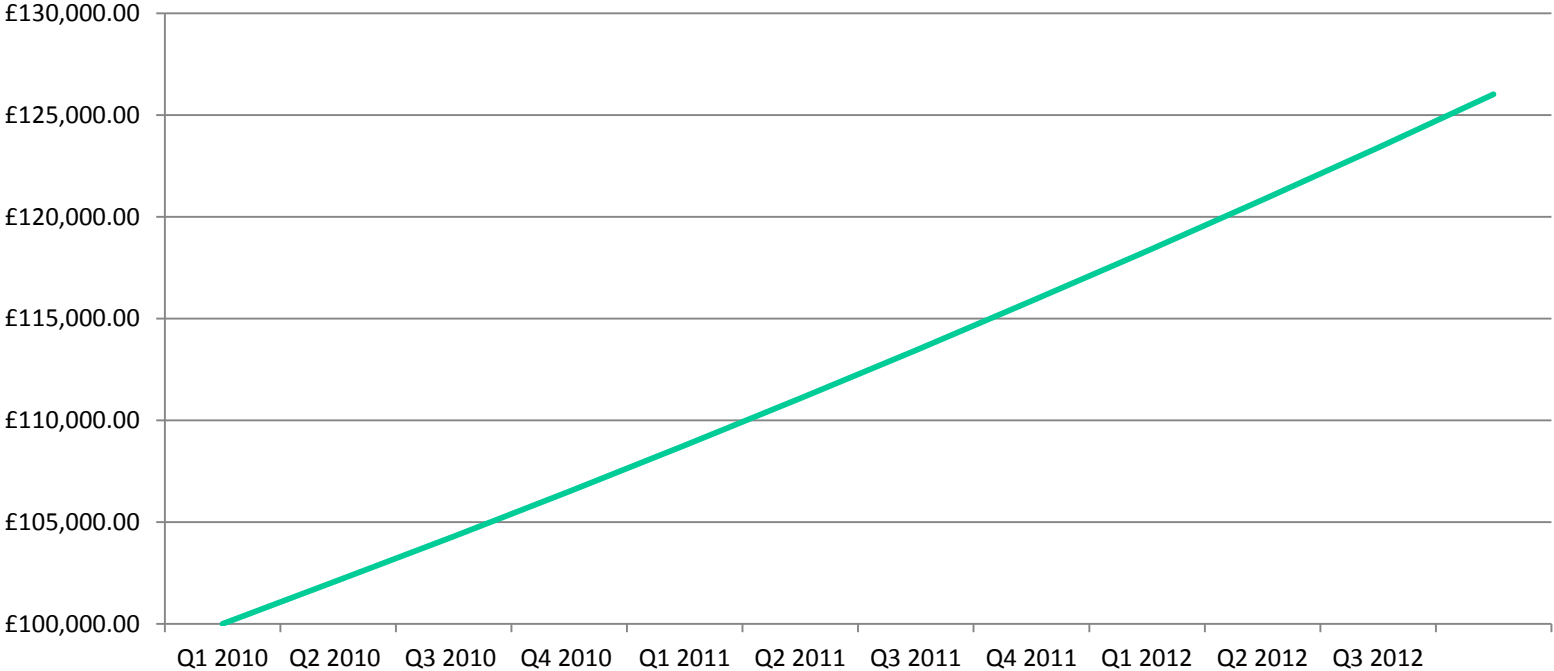
Return payable: Quarterly

Investor lock-in: Monthly; with potential Redemption Penalties

Term	Details
Investment strategy	<ul style="list-style-type: none">• Real estate opportunities with a focus on the UK, and particularly on London and the South East of England• Opportunities include financing, joint ventures, direct and co-investment in real estate and associated securities and investments
Transactions	<ul style="list-style-type: none">• Transaction sizes are variable in relation to the fund's size• Transaction durations are generally 3-18 months.
Collateral + Security	<ul style="list-style-type: none">• Residential and mixed use, including commercial property• Focus on SE England and mainly within the M25• 1st and/or 2nd legal charge• Montello will seek to cross-collateralise investments
CBRE	<ul style="list-style-type: none">• Montello has partnered with CBRE, a multi-billion pound international property services business, for deal sourcing, monitoring and completion
Types of partners	<ul style="list-style-type: none">• Montello only invests with experienced, professional property people.• Partners are property professionals, developers and financiers

Investment performance: Montello Income Fund

Investment



- Montello Income Fund inception February 2010 and has a 100% track record of paying it's targeted returns: **8.5%pa** in GBP, **6.5%pa** in a selection of other currencies, including USD, EUR, JPY, CHF and SGD
- £100,000 invested in Feb 2010, would be £134,230 on October 1, 2013 (with income reinvested);
- This 3.5 year performance represents a return of **34.23%**;

Montello has developed a sophisticated distribution network to ensure a steady supply of high quality deal flow, often generating over £100m a month in opportunities

Channel	% share ^(a)	Comment
Mortgage brokers	65%	<ul style="list-style-type: none"> ▪ Mortgage brokers represent the highest volume of deal-flow for Montello. ▪ Established relationships with good intermediaries are important to secure high-quality deal flow (which is itself a function of Montello’s acceptance rates which depend on the quality of the referrals) ▪ Montello has worked with over 100 brokers since inception, although the bulk of deal flow comes from a core of 10-15 brokers with whom Montello maintains strong relationships
Professional referrers	20%	<ul style="list-style-type: none"> ▪ Montello has used the professional backgrounds of its founders to forge relationships with ‘professional referrers’, which tend to offer better quality deal-flow and less competition with other bridging lenders. These include: <ul style="list-style-type: none"> – lawyers, accountants and other professionals – Independent Financial Advisors – real estate agents and auction houses – insolvency practitioners and consultants
Direct Enquiries	15%	<ul style="list-style-type: none"> ▪ Direct enquiries accounted for 15% of total gross lending in the year to 30 April 2012 ▪ Direct enquiries are generally a less reliable source of new business as intermediaries can filter applications to suit Montello’s lending criteria.

Repeat borrower business is particularly attractive and targeted by Montello:

If Montello has lent to a borrower before, there is a relationship where the borrower knows how Montello works, while Montello is able to be more competitive on pricing (without the need to pay an introducer again). Furthermore, Montello will be more confident with a borrower that has borrowed with it before, and successfully repaid a loan.

- An example repeat borrower is a small property developer that regularly buys and refurbishes properties. In the current market, such developers are likely to be struggling to obtain mainstream funding required to move quickly and secure a deal.

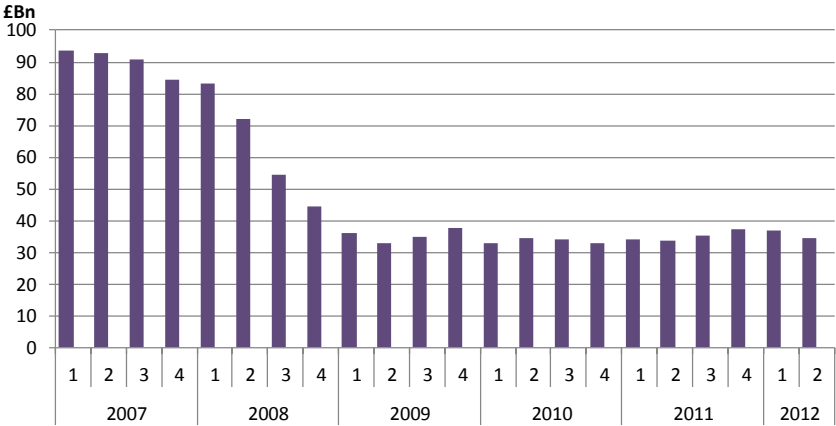
(a) Share of gross lending in the 12 months to 31-Jul-2012.

Montello deploys sophisticated risk management and does much the same due diligence as a high street lender, including:

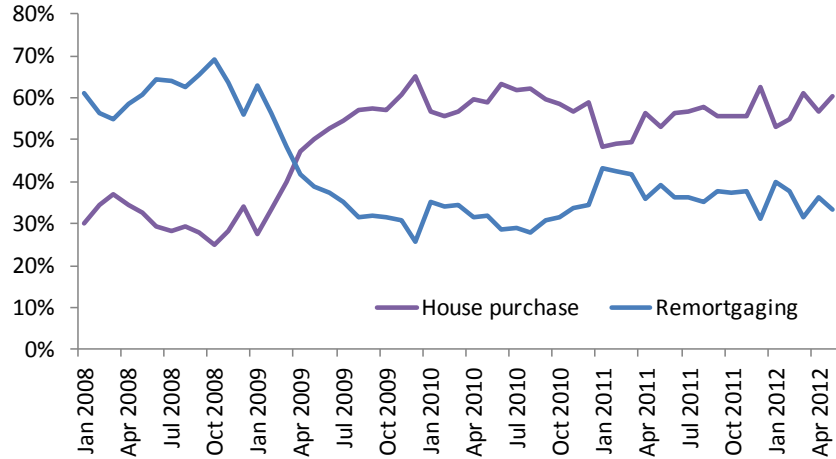
- Extensive searches on borrowers in addition to the comprehensive legal searches that the solicitors will do on the security:
 - Obtaining a credit report on the borrower, and all directors of a corporate borrower/guarantor
 - Searching the Registry Trust for any judgments against any persons involved with the loan
 - Obtain Company Reports concerning any corporate entity involved with the loan
 - Solicitors will do extensive review of the property's title, including looking at easements and any restrictions on title
 - Montello also uses the SIRA fraud detection system, used by most of the mainstream banks in the UK
- Work only with reputable, independent valuers to prepare the valuation
 - Often this also involves an additional site visit by Montello, and internal market comparable research
- Reputable legal counsels are instructed to prepare all loan and charge documentation, and to conduct legal due diligence for each loan
- Ensure that the borrower has their own independent legal advice, and that the borrower's law firm has current registration with the Law Society, professional indemnity cover, and has at least two partners. The borrower's solicitor also signs extensive certification on the borrower's identification, and their understanding of the transaction
- Ensure that where applicable all outsourced work is covered by professional indemnity policies
- Where necessary, Montello have expert 'field agents' that can conduct on the ground background checks on the borrower and in relation to the security property
- Obtain title insurance for each loan, which provides cover for:
 - a mortgage that is valid, enforceable, in correct priority (1st);
 - security over a marketable title (insurance also covers title defects); and
 - protection and cover against fraud (by either the borrower or the borrower's solicitor) and negligence.
- Building insurance for the replacement value of the property, with Montello noted as an interested party.

Market Environment for Bridging Lending: Gross Mortgage Lending

Gross Mortgage Lending (quarterly) ^(a)



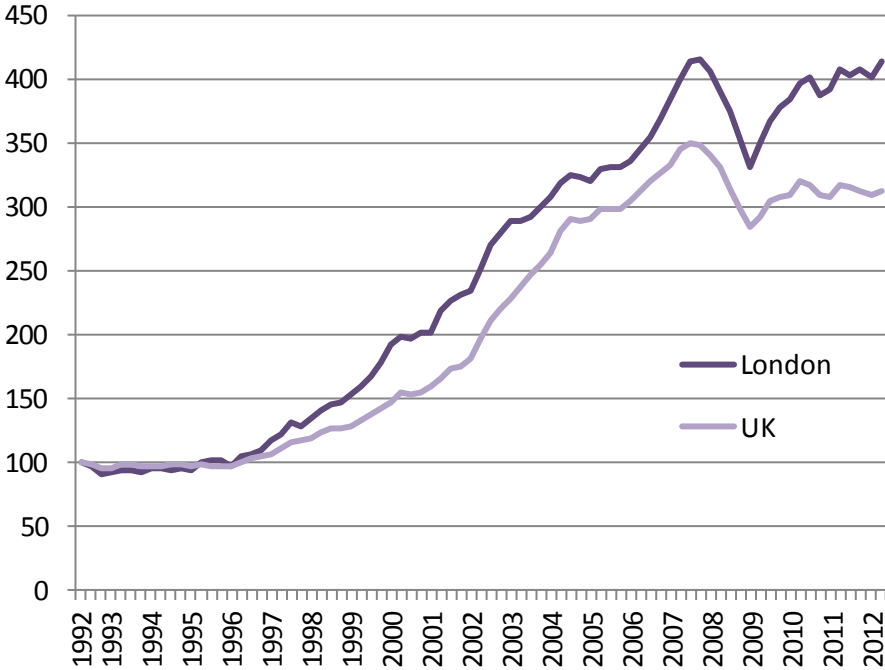
Mortgage lending by type (monthly) ^(a)



- The lending environment in the UK remains constrained. Gross mortgage lending has remained stagnant at ca £30-35bn per quarter in the past 3 years, more than 50% below its 2007 peak. In Q2 2012 it declined by £2.5bn vs. Q1 2012, but was up 2% year-on-year.
- A reduction in interest-only lending and higher SVRs has also had a dampening effect on traditional mortgage lending/demand.
- The current market situation means that:
 - Borrowers looking to capitalise on a residential investment opportunity are often required to look to alternative funding routes such as short term finance;
 - The profile of a bridging finance borrower in the current market is of a higher quality – i.e. not one that may traditionally turn to bridging finance;
 - Pricing and underwriting conditions are positive for lenders.
- Short term finance is a credible alternative, and sophisticated borrowers are prepared to pay a premium for certainty of quick funding.

Sources:
(a) Bank of England

UK House Prices (Nationwide)



- UK-wide house price performance has been held up by strong performance in London and the South East, where prices rose 3.1% in Q2 2012 and are up 1.2% year on year.
- The outlook for house prices is good, with CBRE’s conservative assessment expecting a 15% increase by 2017.
- There is a general consensus that London and the South East will continue to see rising prices.
- Montello is confident that collateral value will continue to provide ample headroom on outstanding facilities during lending periods.

Fund available via:

Platforms

- Ascentric
- Nucleus
- Platform One
- Transact
- AMI e-Portfolio Solutions

Offshore bonds

- Royal London 360
- SEB
- Belvedere International
- Clerical Medical (Scottish Widows)
- AXA International
- Integralife - Transact Offshore Bond
- Lombard
- Prudential

- SIPP/SASS
- Aegon
- Alliance Trust
- Axa Winterthur
- Brooklands Pensions
- Carey Pensions
- DA Phillips
- EPML
- Hornbuckle Mitchell
- I.P.M. Pensions
- James Hay
- Liverpool Victoria
- Origen
- Sippcentre
- Suffolk Life
- XAfinity
- Zurich



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