

Quantrom P2P Lending DAC – Monthly Report

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Share/Note price

EUR 1.171070

Monthly returns and performance

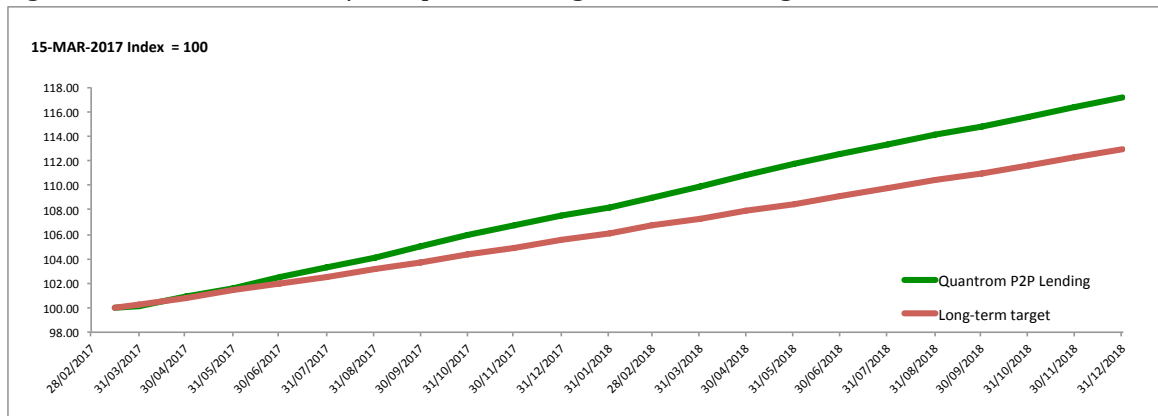
Period	Monthly performance	Share / Note price	Long Term Return Target*)	Relative performance
15 March 2017		1.0000	1.0000	
31 March 2017	0.100%	1.0010	1.0028	-0.177%
30 April 2017	0.819%	1.0092	1.0084	0.254%
31 May 2017	0.694%	1.0162	1.0141	0.128%
30 June 2017	0.866%	1.0250	1.0199	0.301%
31 July 2017	0.810%	1.0333	1.0256	0.244%
31 August 2017	0.765%	1.0412	1.0314	0.199%
30 September 2017	0.864%	1.0502	1.0373	0.299%
31 October 2017	0.819%	1.0588	1.0431	0.253%
30 November 2017	0.746%	1.0667	1.0490	0.181%
31 December 2017	0.759%	1.0748	1.0550	0.194%
31 January 2018	0.679%	1.0821	1.0609	0.114%
28 February 2018	0.730%	1.0900	1.0669	0.165%
31 March 2018	0.826%	1.0990	1.0730	0.260%
30 April 2018	0.874%	1.1086	1.0790	0.308%
31 May 2018	0.749%	1.1169	1.0851	0.183%
30 June 2018	0.723%	1.1250	1.0913	0.158%
31 July 2018	0.766%	1.1336	1.0974	0.201%
31 August 2018	0.635%	1.1408	1.1036	0.070%
30 September 2018	0.639%	1.1481	1.1099	0.074%
31 October 2018	0.662%	1.1557	1.1162	0.097%
30 November 2018	0.684%	1.1636	1.1225	0.119%
31 December 2018	0.642%	1.1711	1.1288	0.077%
Average	0.721%			0.168%

*) 7% return per year or 0.5654% per month

Year-on-Year returns

Period	Share / Note Price	Share Price previous year	Year-on-Year Return
31 December 2018	1.1711	1.0748	8.96%

Figure 1 Performance of Share / Note price and Long-Term Return Target



Comments on the month

In the month of December 2018, the return on the share/note was 0.642%, i.e. an outperformance of the Long-Term Return Target by 0.077%-point for the month.

Since inception, Quantrom P2P Lending has given a return of 17.11% and has outperformed the Long-Term Return Target by 4.23%-points.

Current loans were at the end of December at 73.4% of the portfolio, almost 3%-points lower than the previous month. The increase in non-current loans of course lowered the interest received and thereby the result for the month.

December is normally a month with low interest payment as borrowers focus on the holiday season. In December 2018, the number of “normal” working days was very low and that also affected the interest received. We expect this to be normalised during January.

At the end of 2018, a review of our provisions showed that a number of loans have been repaid or borrowers have started to pay interest and principal again. However, we still had to make provision on a small number of loans. The net effect of the adjustments in provisions is a small gain in December 2018.

Comments on the year 2018

Overall, 2018 has to be considered a difficult year for investors. Of the three major asset classes, against which we usually compare the returns in the Quantrom P2P Lending, only the broad Bloomberg Barclay Euro Aggregated index had a small positive return of 0.87%. The High Yield bonds index had a negative return of 4.2%, reflecting that the STOXX 600 index fell more than 12% in 2018.

Return analysis: 2018

	Quantrom P2P Lending DAC	Bloomberg Barclays Euro Agg Total Return Index	Bloomberg Barclays Pan-European High Yield TR Index	STOXX 600
Return	8.96%	0.87%	-4.20%	-12.03%
Average monthly return	0.72%	0.04%	-0.30%	-1.13%
Annualised monthly volatility	0.26%	1.74%	3.35%	10.64%
Maximum monthly drawdown	0.64%	-0.70%	-2.08%	-5.63%

Source: Quantrom Limited, Bloomberg.com, Investing.com and own calculations

In particular the last quarter of 2018 was very painful for equities with October and December each showing negative returns of more than 5%.

Quantrom P2P Lending had a satisfactory return of 8.96% in 2018. The interest rates in the peer-to-peer lending market have come down quite a bit during the year, mainly due to the increased interest from larger investors. The rates dropped over the summer but have since stabilised at current levels.

Volatility in Quantrom P2P Lending remains low with a positive return of 0.64% as the maximum draw down.

Figure 2 illustrates the relationship between annualised return and volatility since the start of Quantrom P2P Lending in March 2017 until December 2018.

Figure 2 Asset classes annualised return vs. volatility



European equities have had a very difficult period especially in the second half of 2018. Wild swings in the monthly returns on equities have driven volatility up, and the overall return has been negative.

The volatility in equities has also had an impact on the volatility of High Yield bonds, which mainly consist of corporate bonds issued by companies with lower credit rating. However, returns have been positive. The Euro Aggregated bond index, which covers all types of bonds, has had a better return and lower volatility.

The volatility in the return of Quantrom P2P Lending is not affected by the overall market volatility since the loans are re-valued on a monthly basis. The volatility in the results arise from the actual cash flows taking place, default rates and the effect of re-investing the received cash flows at different interest rates.

These effects have an impact longer term but do not create high monthly volatility.

Portfolio

At the end of December 2018, the portfolio consisted of more than 7,300 loans. The weighted average interest rate on the portfolio was 11.4% (13.1% in December 2017) with an average weighted maturity of 32.1 months (44.1 Months in December 2017).

During 2018, we have shifted a large part of the exposure from car loans into property loans and business loans in order to achieve a more balanced portfolio. This decreased the weighted average maturity with slightly more than a year. With the current outlook for interest rates, we are very comfortable with this decrease in maturity.

Figure 3 Portfolio December 2018

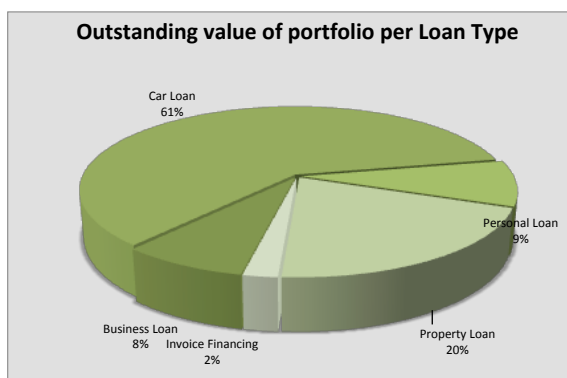
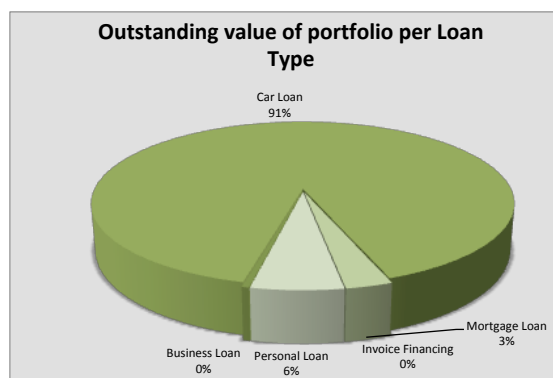


Figure 4 Portfolio December 2017



The main exposure in value is still towards car loans, which has fallen to 61% of the value of the portfolio at the end of December 2018 compared to more than 90% at the end of 2017.

Exposure towards property loans was 20% of the value of the portfolio at the end of December 2018. During December 2018 we continued to increase this exposure due to the attractive interest rate on property loans. Compared to a 3% exposure toward

property loans at the end of December 2017, the increase is significant. We have actively chosen to substitute one type of loans with collateral with another.

Likewise, we have increased the exposure to business loans and invoice financing to 10% of the value of the portfolio at the end of December 2018 compared to close to 0% at the end of December 2017.

While car loans are still dominating the portfolio, we have nevertheless achieved a more balanced portfolio of loan types. A similar re-balancing has taken place with our country exposure as seen from figures 5 and 6.

Figure 5 Portfolio December 2018 - per country

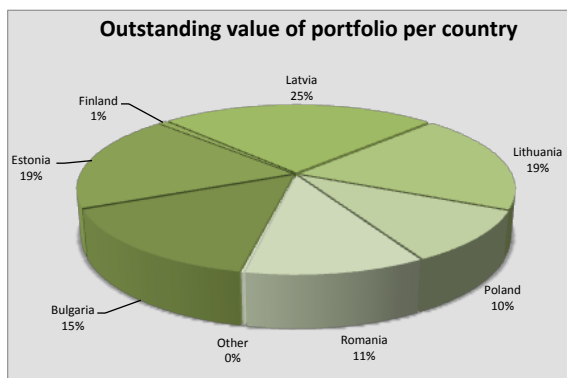
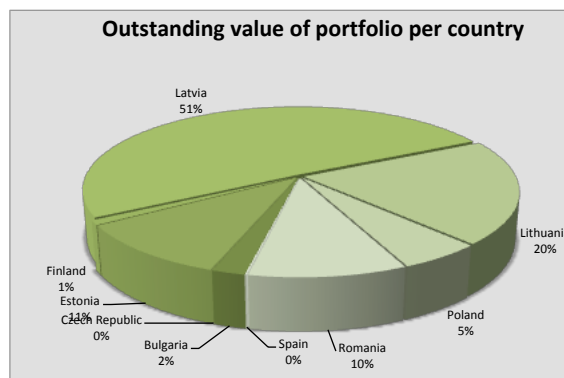


Figure 6 Portfolio December 2017 - per country



At the end of December 2017, Latvia was very dominant in the portfolio with an exposure of more than 50% of the value. This was reduced to 25% at the end 2018.

Exposure towards Lithuania and Rumania are at the same levels at the end of 2018 as at the end of 2017, while exposure towards Estonia, Poland and Bulgaria has increased during 2018 to respectively 19%, 10% and 15% as value of the portfolio.

This reallocation gives a more balanced portfolio and increases robustness.

Figures 7-18 provide more details on the composition of the loan portfolio.

Figure 7

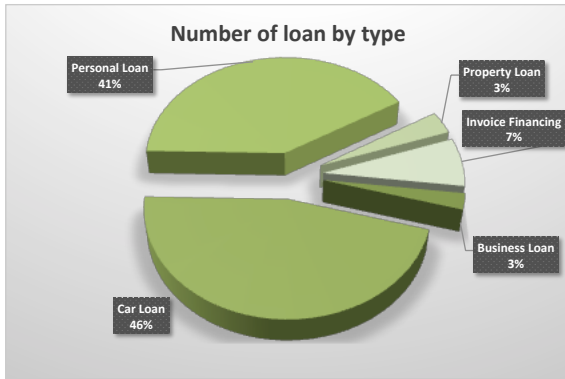


Figure 8

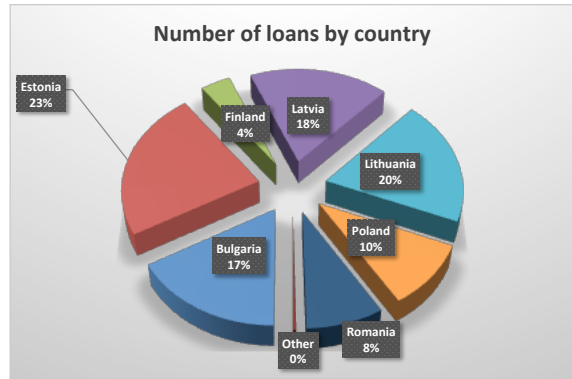


Figure 9

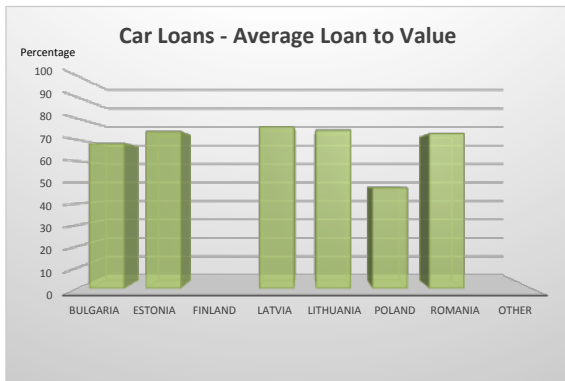


Figure 10

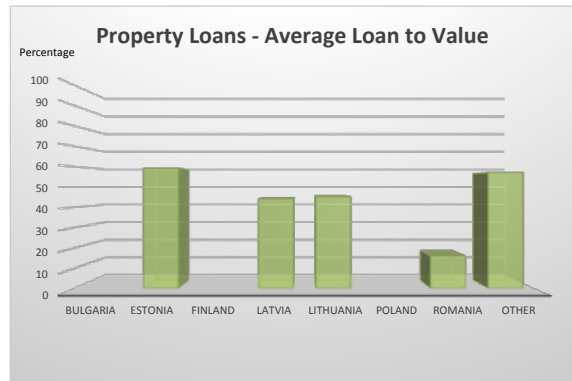


Figure 11

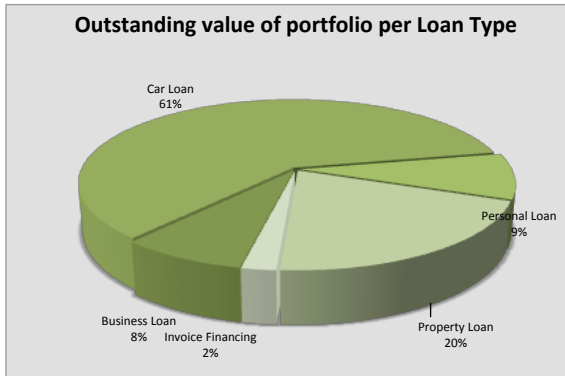


Figure 12

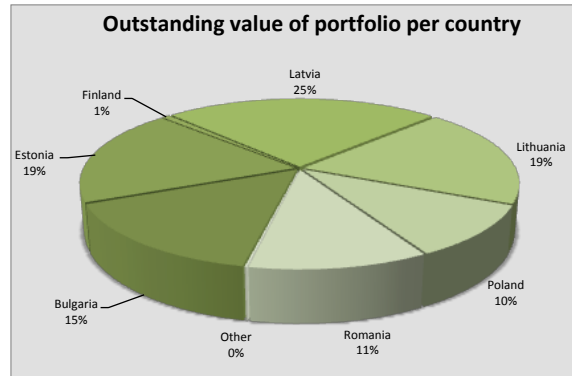


Figure 13

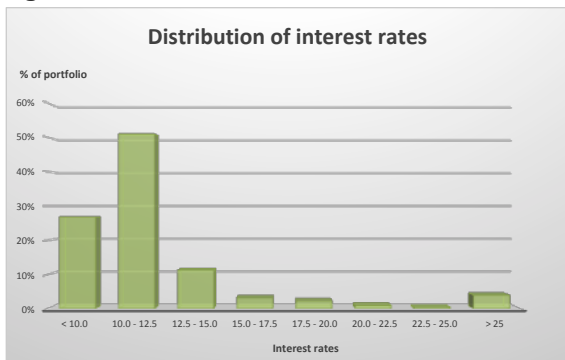


Figure 14

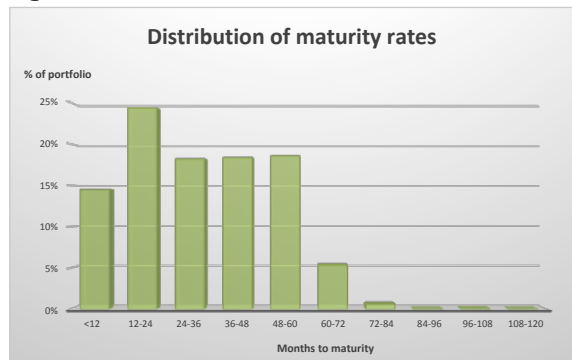


Figure 15

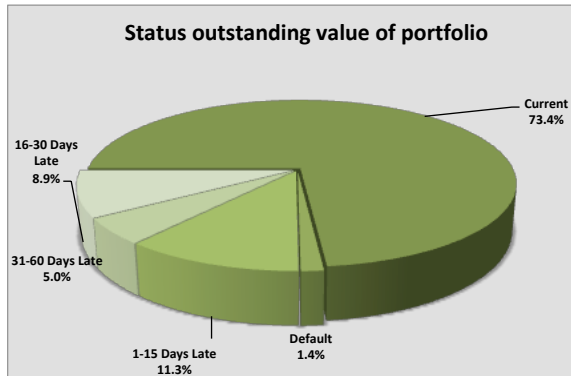


Figure 16

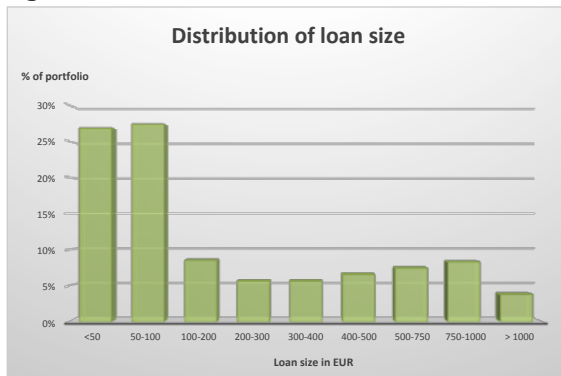


Figure 17

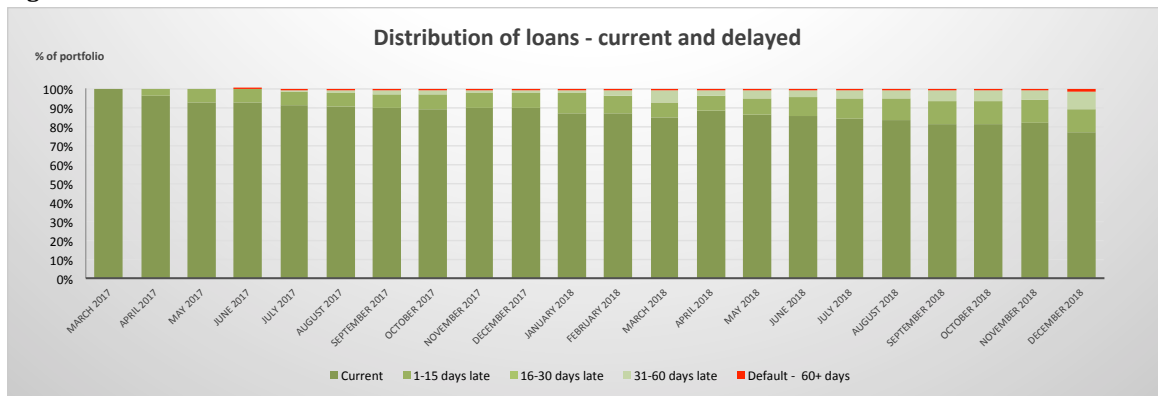


Figure 18

