MASECO ASSET MANAGEMENT

Alternative Credit Fund L.P. GBP

Alternative Credit Fund S.P. | Factsheet | Q2 2020

For Sophisticated and Experienced High Net-Worth Investors Only

Fund Description

MASECO Alternative Credit Fund (ACF) is a global multi-manager fund looking to provide high income and other returns by capturing the risk premium in a range of alternative credit and financing segments. The ACF allocates capital to investment pools and financial instruments managed by selected specialist portfolio managers. The ACF intends to offer the advantage of diversification among the sources of return and risk. The underlying portfolio is comprised of litigation financing and private debt assets, including direct lending to small businesses, equipment finance, short-dated real estate loans, insurance finance, asset backed loans, receivables and structured trade finance. The yield and return premiums offered by these market segments is a reflection of litigation risk, duration risk, credit risk and illiquidity of the assets (which are not publicly traded) but is also attributable to inefficiencies in the supply of financing, credit and reduced availability of bank capital due to regulatory capital constraints and consolidation. The ACF seeks to take advantage of these inefficiencies, while mitigating the higher risks through diversification, and by selecting specialist managers with compelling selection skills and conservative approaches.

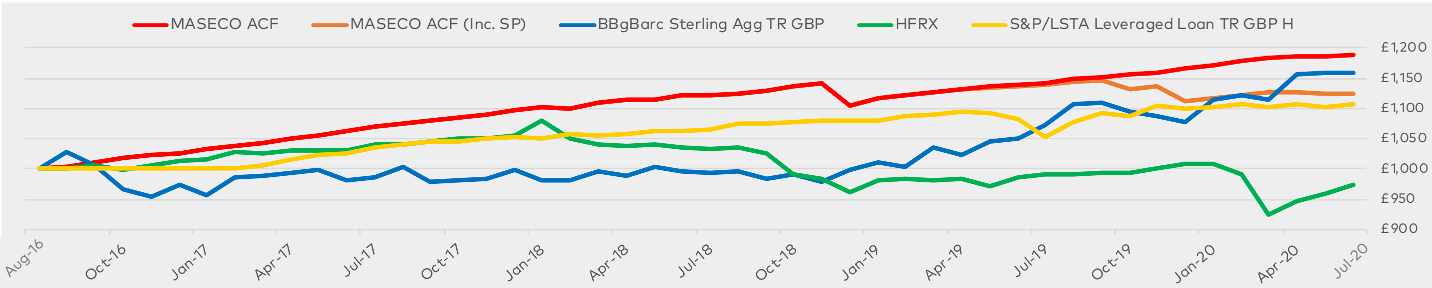
Key Information

Inception Date	01 Aug 2016
Minimum Subscription	USD 100,000
Average Expected Investment Length	16.5 months
Since Inception Cumulative Return	12.42%
Since Inception Annualized Volatility	2.87%
Recommended Investment Holding Period	5 years

Key Facts

Management Fee per annum	0.25%
Hurdle Rate	1.125% per quarter
Performance Fee	12.50%
Administrator	Theorem Fund Services
Legal	Sadis & Goldberg
Auditors	Grant Thornton

Delaware GBP Performance* - Growth of £1000



*August 2016 series

Performance %

MASECO ACF	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-	-	-	-	-	-	-	0.40	0.64	0.68	0.53	0.30	**2.58%**
2017	0.62	0.56	0.56	0.58	0.52	0.71	0.62	0.47	0.55	0.46	0.42	0.62	**6.91%**
2018	0.44	-0.11	0.73	0.46	0.20	0.45	0.13	0.38	0.49	0.52	0.52	-3.23	**0.78%**
2019*	1.08	0.44	0.49	0.43	0.35	0.27	0.21	0.54	0.24	0.43	0.27	0.68	**5.57%**
2020*		Q1 = 1.48			Q2 = 0.36								**1.85%**

*The performance figures from February 2019 onwards are the main fund only and exclude the side pocket. From 2020, the fund only produces quarterly performance figures.

Annualised Since Inception	2.97%	Average Quarterly Return	0.74%
Positive Quarters (%)	81.25%	Highest Quarterly Return	1.93%
Negative Quarters (%)	18.75%	Lowest Quarterly Return	-3.08%

Above figures are calculated including the side-pocket.

MASECO ACF	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2019*	1.08	0.40	0.44	0.39	0.31	0.23	0.17	0.48	0.20	-1.22	0.25	-2.13	**0.56%**
2020*		Q1 = 1.43			Q2 = -0.27								**1.16%**

*The returns above are calculated including the side-pocket. From 2020, the fund only produces quarterly performance figures.

Market indices obtained through Morningstar. Indices are unmanaged and investors cannot invest in an index. The volatility of the indices presented may be materially different from that of the performance of ACF. In addition, the indices employ different investment guidelines and criteria than ACF; as a result, the holdings in ACF will differ significantly from the securities that comprise the indices. The performance of the indices has not been selected to represent an appropriate benchmark to compare to the performance of ACF, but rather is disclosed to allow for comparison of ACF's performance to that of well-known and widely recognized indices. The Bloomberg Barclays US Aggregate Bond Index: covers the USD denominated, investment-grade, fixed-rate, taxable bond market of SEC-registered securities. The index includes government securities, mortgage-backed securities, asset-backed securities and corporate securities all with a maturity of greater than one year. HFRX Global Hedge Fund Index: designed to be representative of the overall composition of the hedge fund universe. It is comprised of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage, and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry. The S&P/LSTA U.S. Leveraged Loan 100 Index is designed to reflect the performance of the largest facilities in the leveraged loan market. Returns are represented in British pound sterling hedged to eliminate currency exposure.

Risk Warnings
2020 performance figures shown as at March 2020 are unaudited, net of all charges and based on estimates. As such, the figures are subject to revision. Past performance should not be seen as an indication of future performance. The value of an investment may fluctuate and investors may not get back the full amount invested. Currency fluctuations may increase or decrease the returns of an investment.

Quarterly Investment Report

This update from MASCO Asset Management Ltd (MAM) is intended for investors in MASECO Alternative Credit Fund LP only.

During the second quarter of 2020, the MASECO Alternative Credit Fund LP GBP class ('ACF") made a return of 0.36% for the main fund excluding side-pockets, and -0.27% including all the side-pockets. This brings the return since inception in August 2016 to 12.4% including all the side-pockets.

The ACF's second quarter performance is lower than our long-term expectations, due to impact of the COVID-19 coronavirus pandemic. Specifically, the lower return is attributable primarily to the COVID-19 related loan loss provision reserves that were taken by several of the underlying funds. At the granular level of the underlying funds' portfolios, the payment holidays requested by some of the underlying borrowers also detracted from the level of interest income. As a result of the lower return, the ACF will not be assessing any performance fee during the second quarter.

Depending on the underlying funds, the amounts provisioned during the second quarter range from c. 5% to 9%. Combined with previous reserves, most managers consider that their current level of provision is now adequate and indicate that their performance is reverting to positive territory in the third quarter.

The communications with the managers during the second quarter indicate that the underlying funds' portfolios are under control despite the disruptions caused by the COVID-19 pandemic. Towards the end of quarter, managers reported that some of the underlying borrowers that were affected early on have started to see their business normalise. The actual losses realized so far are a fraction of the reserves provisioned and some of the reserves may be released in the future leading to higher returns in the ACF.

However, due to the recent resurgence in coronavirus cases in many countries, the outlook remains uncertain in a few of the funds and the underlying fund's managers remain cautious; those who took cash conservation measures are maintaining them. As a consequence, the ACF's restrictions on liquidity will also need to remain in place until we see concrete resolutions which will hopefully be next quarter.

Looking at the portfolio, approximately 38% of the ACF main fund is allocated to non-cyclical strategies: life insurance backed investments, legal financing, including divorce funding and funding of Medicare related claims recoveries. These have not been fundamentally affected by the coronavirus pandemic and its economic fallout.

The first two strategies, insurance backed and divorce funding, have performed in line or above expectations, the third strategy, Medicare claims, saw positive developments in the legal proceedings, albeit at a slower pace due to the pandemic.

In addition to these non-cyclical strategies, the South Korean receivables-based strategy has returned "back to normal", thanks to the defensive positioning of the underlying fund and the country's handling of the pandemic so far. This brings the currently "normal" proportion of ACF's main portfolio to approximately 54% .

The remaining underlying funds in the main portfolio are the European asset backed special situations manager and the US commercial real estate loan fund, which are seeing disruptions in some of their portfolios. Fortunately, the managers have extensive experience in managing non-performing assets and workouts during previous downturns. Their established processes are crucial, because the breadth of the current disruption is unusual. The other unusual characteristic of the present situation is that operators and projects are often healthy save for the disruption caused by the pandemic. The managers' experience in negotiating mutually practicable arrangements with the counterparties should make a difference.

The same comments apply to the underlying funds that have been side pocketed. They consist of the trade finance strategy in Africa and the receivables-based strategies in Brazil. The course of the pandemic and the economic outlook remains very uncertain in these geographies. The managers have nonetheless made progress in assessing and categorizing the risks per counterparties, granting extensions or enforcing security depending on the cases and provisioning against losses.

Looking at the year to date returns, only two investments had negative returns - the African Trade finance fund and the Spanish asset-backed special situation fund (down 4.19% and 3.15% respectively) - and the remaining seven investments were positive with returns ranging from +1.98% to +7.83% for the year. This excludes residual positions of less than a percent contributing minimally.

In an effort to demonstrate the resiliency of the fund and demonstrate the very recent performance (post-COVID-19 provisions), we have highlighted the performance of the largest holdings in the fund below:

The information presented in the charts is for indicative purposes only. The intent is to provide a representative image of the fund composition and exposures, by aggregating the transparency information provided by the managers. However, the reports used can refer to different point in time, and certain underlying pools evolve rapidly. Therefore the charts are not intended to be an accurate snapshot of any given point in time. Additionally, the definitions can differ between underlying investment managers; the aggregated numbers are therefore approximate.

Unaudited Investment Performance (%)

Fund/Investment	YTD COVID Provision	YTD Return June 30	June	July
Barak Structure Trade Finance Fund (USD)	(9.00)	(4.19)	0.22	0.22
Chapford Diversified Fund (USD)	None	7.83	0.30	0.48
Hopewell SV SCA Fund (USD)	None	2.92	1.07	0.74
Incus Capital Fund II (EUR)	(8.70)	(3.15)	0.82	0.06
Incus Capital Fund III (EUR)	(4.00)	1.98	0.54	0.67
New Chapter Capital Loans (USD)	None	5.00	0.81	0.81
Prudent Diversified Corporate Lending Fund* (USD)	Not Yet	4.77	Not Yet	
Romspen US Mortgage Fund (USD)	None	4.10	0.60	0.60
Virage Recovery Fund (USD)	None	2.78	Not Yet	
Unweighted Average		3.15	0.62	0.51
Unweighted Average (ex-Prudent*)		2.16		

*The fund has provided ACF with an estimated non-tradeable performance of c. 4.77% YTD but this is prior to any COVID provision. As the fund operates in Brazil, MAM believes a provision may be taken at some point.
**Q1 only as Q2 has not been reported yet.
Sources: Underlying fund/investment factsheets and statements

Side pocketed funds (only applicable to investors pre-April 1 2020)

This quarter, some investors have asked to see more details from the managers themselves, so we will stop our own comments here and provide you with some selected comments "from the horse's mouth".

Barak – African Trade Finance

"As things currently stand, that this level [of loan provisions] is sufficient and that no further provisions will need to be raised in light of the COVID-19 disruptions being experienced. The current Fund provision stands at c. 17% of Fund NAV as at end of June 2020, so an additional 9% has been accrued during this COVID-19 disruptive period.

We expect June and going forward performance for the Fund to return to positive given this accumulated provision level, as well as an increasing number of portfolio borrowers becoming operational again."

Note: Barak's internal risk metrics on the portfolio have improved over the past few months, but the timing of normalization remains unclear as South Africa is still badly affected by Covid. Also, Barak did report a positive 0.22% return in both June and July.

Chapford Diversified – US Life Insurance Finance

"Despite the global uncertainty, our industry remains strong and active. We continue to see consistent opportunity for investment at attractive returns without any material increase in investment risk, as a handful of market participants have been sidelined. Our cash position (and access to capital) remains strong and we have a strong pipeline for investment."

Hopewell – South Korean Small/Medium Lending and Credit Card Receivables

"Hopewell reports a performance of 1.07% for the month of June, thus a strong month propelled by a fully invested portfolio and welcome FX tailwind... The portfolio remains resilient with scheduled principal repayments effected in July, though some will slide into August."

Incus – Iberian Credit Specialists

"The ramifications of the health pandemic of COVID-19 are being directly felt in our core investment markets. Generally, the portfolio of investments in Fund II and Fund III have been conservatively assembled and we believe that they should withstand this crisis and subsequent economic recession. However, we are vigilant to all potential problems and are actively monitoring and managing each position to mitigate losses in the portfolio.

In the more immediate world of asset sales and asset pricing, what we are seeing is an immediate freezing of liquidity to the market. Property sales, whether they are large or small have been delayed or cancelled for the time being. Infrastructure investments are on hold unless they are at the final most advanced stages. Development projects, whether they are in infrastructure or in real estate are having a mixed result, with a number of projects continuing in the shut down and some projects being closed. There is no standard rule we have seen yet, but all other things being equal, there will be delays to all building projects.

Outside of the disruptions to our business operations and fund portfolios, we are also entering a potentially interesting environment for deployment of capital. We are a liquidity provider to assets and companies that have strong cash flows and clear realisable values. While some of the cash flows are upset short term, and some of the realisable values are less certain, there remains a very large universe of assets that we continue to like in this environment. With the new liquidity constraints of the market, we are in a better situation than before to realise outsized returns for supporting good companies and good projects."

New Chapter – US Divorce Financing

"Despite state court closures in response to the COVID-19 pandemic the last quarter, our business as divorce funders continued to grow and repayments continued to cycle through the firm. Our book grew by approximately 16% in aggregate. During the quarter, we made new advances at an average fee of 18.96% per annum and 7 transactions (22% of portfolio) repaid with 0% defaults. The average tenure of our outstanding funding is approximately 24 months and our pipeline is strong and we have a number of new prospects. The geographical spread of our current loan book is 39% in the NY area, 19% in California, 42% elsewhere. In light of the pandemic, we saw a national increase for our divorce product based on what we perceive to be pent up demand and possible increases in the overall divorce rate due to the strains of the pandemic and family self-quarantine. America's divorce rate is typically near 50%, but as courts reopen the rate is expected to be even higher. Courts are expected to be backlogged which in turn we expect to increase demand for our product as litigants are unable to make timely counsel fees and interim funding requests. While our investments tenure will likely increase in the short term, this is countered by a strong housing market (which is typically the route of repayment). We do not see any pandemic based obstacles in the near or long term."

Romspen – US Commercial Real Estate Alternative Lender

"Non-performing loans in the mortgage portfolio have spiked to 32%, reflecting the challenges borrowers are experiencing in this unprecedented environment. It will require patience during this challenging economic downturn to work these loans through to a successful conclusion versus taking short-term actions, which typically result in sub-optimal outcomes. Our extensive experience in managing these non-compliant loans has typically resulted in lower returns and extended repayment terms but only modest realized losses.

A number of loans have required forbearance terms, some projects have been delayed due to construction logistics, municipal approval delays and slow purchaser uptake, while loan repayments have slowed considerably as economic uncertainty has impacted borrowers' abilities to refinance and sell properties.

The pronounced slowdown in business activity has impacted the normal lending-interest collection-repayment cycle and we are having to adapt our business model to this reality in the short term which has impacted our typical distribution and redemption pattern. This is an expected outcome under the current conditions and will in all likelihood slowly resume a more normal pattern as conditions eventually stabilize.

The impact of COVID-19 on Commercial Real Estate ("CRE") is being felt unevenly across sectors with hospitality, retail, aviation related industries and personal services bearing the brunt of the dislocation. The industrial sector is experiencing the least impact as are single family homes, particularly in the US. Multi-family residential is generally holding up well with some variations across geographies and to date, the office sector has held up well.

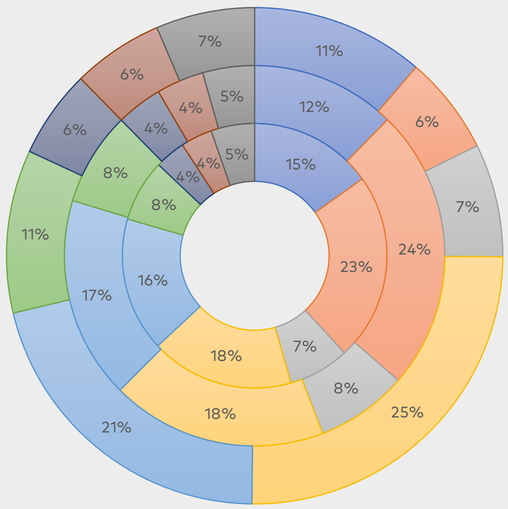
The full impact of the pandemic on CRE prices will not be evident until sometime in 2021 as deferrals and forbearance burn off and the expectations of buyers and sellers are reset. In this environment, very limited transaction volumes, not to mention the inability to travel to inspect properties, make it impossible to ascribe meaningful valuations to properties. As one might expect, no one is selling at a loss in this environment, unless they are forced to, and as is typical in real estate, this process will move at a slow pace, in contrast to public markets.

Many of our borrowers are challenged to make their monthly interest payments which has resulted in decreased distributions. We are also setting aside additional funds for the loan loss reserve as we anticipate that there will be more non-performing loans as a consequence of the recession, and this too leaves less income to fund distributions.

It is during times like this that we are grateful that we have stuck with our rigorous underwriting standards, even as many competitors were willing to lend funds at lower rates with fewer covenants making it difficult for our team to place capital. Having an unlevered, well diversified portfolio of first lien mortgages, underwritten at approximately a 65% LTV in an environment like this, provides a solid position from which to wait the current storm."

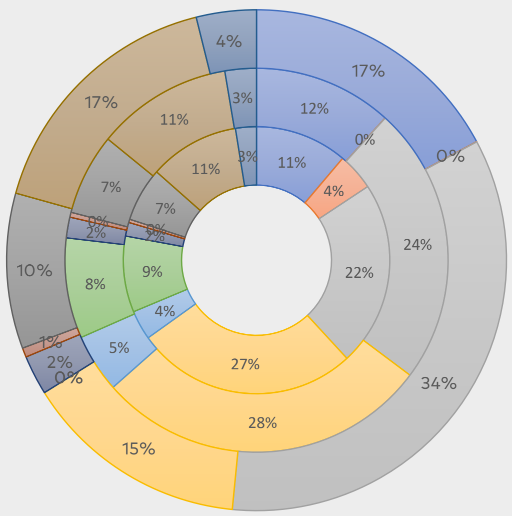
Not all managers are included above. That is because they did not provide extensive write ups, please rest assured that we are in frequent communication with them. We will report on them in the next letter.

Delaware Fund Maturity Breakdown
Outer pie chart: main fund - invested from April 2020
Middle pie: invested from February 2019 to March 2020
Inner pie: invested before February 2019



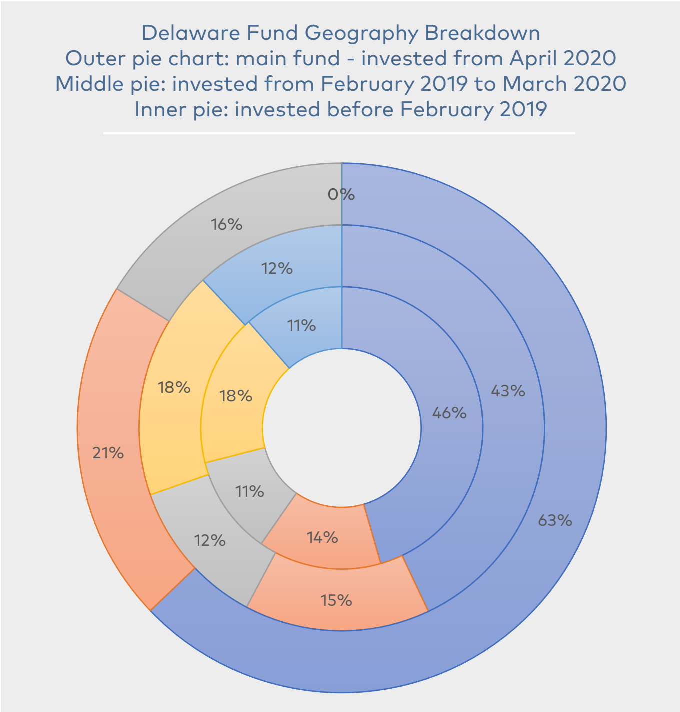
	Pre Feb 2019	Feb 19-Mar 20	Post Mar-20
1 to 3M	15.1%	12.3%	11.3%
3 to 6M	23.0%	24.1%	6.4%
6 to 9M	7.5%	7.8%	7.4%
9 to 12 M	17.5%	18.3%	25.1%
1 to 2 Y	16.4%	17.2%	21.1%
2 to 3 Y	7.6%	7.9%	10.6%
3 to 4 Y	3.7%	3.9%	5.7%
4 to 5 Y	3.9%	4.0%	5.9%
5Y+	5.3%	4.4%	6.4%

Delaware Fund Strategy Breakdown
Outer pie chart: main fund - invested from April 2020
Middle pie: invested from February 2019 to March 2020
Inner pie: invested before February 2019



	Pre Feb 2019	Feb 19-Mar 20	Post Mar-20
Insurance Backed Investments	11.2%	11.7%	17.1%
Platform Consumer Loans	4.5%	0.0%	0.0%
Real Estate Credit	22.4%	23.5%	34.4%
Receivables Financing	27.0%	28.3%	14.6%
Trade Finance Agri, Consumer Staples	3.6%	4.9%	0.0%
Trade Finance Resources, Equipment	9.2%	8.4%	0.0%
Local Authorities Receivables	1.7%	1.7%	2.6%
Leasing	0.4%	0.4%	0.6%
Special Situations	6.5%	6.8%	10.0%
Legal Funding Medicare Claims	11.0%	11.5%	16.8%
Legal Funding Divorce Funding	2.5%	2.7%	3.9%

The information presented in the charts is for indicative purposes only. The intent is to provide a representative image of the fund composition and exposures, by aggregating the transparency information provided by the managers. However, the reports used can refer to different point in time, and certain underlying pools evolve rapidly. Therefore the charts are not intended to be an accurate snapshot of any given point in time. Additionally, the definitions can differ between underlying investment managers; the aggregated numbers are therefore approximate.



	Pre Feb 2019	Feb 19-Mar 20	Post Mar-20
US	45.5%	43.0%	62.9%
Europe	14.1%	14.8%	20.9%
Asia Pac	11.3%	11.9%	16.2%
South America	17.5%	18.3%	0.0%
Africa	11.5%	12.0%	0.0%

Important Disclosures