



IMPORTANT INFORMATION

The Path, Untravelled.

Skybound Capital is closely monitoring the developments of COVID-19 which have materially impacted all aspects of our daily lives.

We do not know what the eventual global cost of this pandemic will be. Still, the significant economic impact that it poses makes this a particularly challenging time for us all.

It is too early to understand the full economic impact, but our philosophy of capital protection remains, and we are monitoring the effect on our counterparties daily.

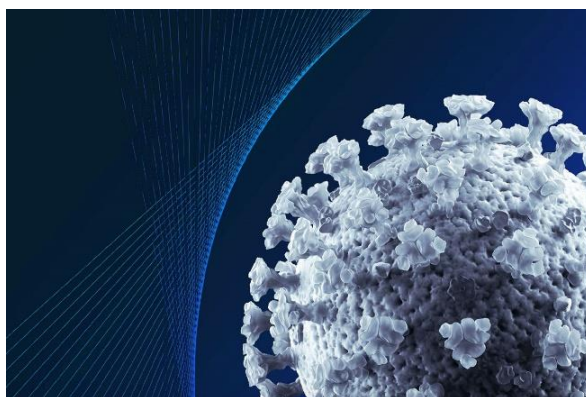
Skybound's infrastructure is designed to allow our teams to work seamlessly from any location, and we are well resourced to operate during these uncertain times. Our business continuity plans have been tested thoroughly and, operationally, we are prepared for the global environment in which we find ourselves.

While all offices will remain open, we have decided to plan for staff to work on a rotational basis, depending on projects or teams. For the time being, client communication will be maintained via email, cellphone or video conferencing, to ensure the health and safety of both our clients and employees.

ECONOMIC UPDATE

Governments are taking the impact of COVID-19 seriously, and financially there is liquidity either currently being injected into the system or, on standby, to be deployed in the near term.

The global strategy to slow the spread of the virus and 'smooth the curve' to relieve the stress on medical services, is to encourage social distancing and improved hygiene.



US

The US has recently seen two sizeable rate cuts totalling 1.5%, with the Fed Fund Rate now at 0%, aimed at keeping liquidity in the system. As of 19 March, the S&P500 was down 25% year to date.

The White House has announced three stimulus packages, given the steep drops in discretionary consumer spending.

The first stimulus package announced was for \$8.3bn in emergency spending. The second, which is still awaiting Senate approval, totals approximately \$100bn in guarantees for sick leave and coronavirus testing. And, the third is expected to be close to a \$1.2 trillion stimulus package. This is aimed at keeping the spending momentum going, supporting the US economy.

Eurozone

As of 19 March, the Stoxx600 was down 30% year to date. Eurozone governments are debating how to bring the European Stability Mechanism (ESM) into play. The ESM is primarily a vehicle for sovereign bailouts providing a permanent backstop for countries that can't tap financial markets to raise funding. Currently, the unused capacity is €410bn.

It is a legally separate entity to the European Union, and its shareholders are the Eurozone's 19 National Governments. Any aid via the ESM comes with strict conditions. In addition, several other initiatives are being rolled out aimed at responding to COVID-19 which amount to c.€100bn.

Germany: The finance ministry has presented a potentially unlimited injection of €550bn (13% of GDP).

Italy: From an initial pledge of €7.5bn (0.6% of GDP), this has risen to €28bn (2% of GDP) to provide for temporary redundancies, bridge loans to SMEs and one-off compensation to firms whose revenue falls more than 25%. A debt suspension, for households and firms, is being considered.

France: A fiscal package of €300bn (11% of GDP) was announced to help household bills (utilities and rents). A €45bn rescue package has also been announced, and alternative measures are being discussed, including nationalising companies.

Spain: A fiscal package of as much as €200bn is being discussed (20% of GDP), which will be split between the Government and the private sectors.

UK
As of 19 March, the FTSE100 was down 32%, year to date. The Chancellor announced a £330bn package of emergency loan guarantees to business and £20bn of fiscal support. The demand for travel services and accommodation has plunged, with the London Underground having reported a 19% drop in passenger numbers.

China
As of 19 March, the Hang Seng was down 20% year to date and the Shanghai Composite down 10%. Industrial production has plummeted 13.5% year-on-year, and output during February fell by 27%. The People's Bank of China has cut the Reserve Requirement Ratio by 50bps to 100bps depending on Banks' lending targets to firms "under-represented".

It is during times, like these, that it remains critical to take a calm approach, rather than being influenced by the noise.

SKYBOUND'S INVESTMENT COUNTERPARTIES - UPDATE

The level of response and planning by our investment counterparties has been very satisfactory, and we continue to monitor developments and plan accordingly. Updates on the possible impact to our counterparties will remain our focus.

While we are aware that our counterparties could undoubtedly be affected in one way or another, we do not expect any of them to face immediate adverse effects, and we are confident that the capital we have invested is well protected.

US
In the US, a counterparty within the property management space has reported several requests from tenants, for rent abatement/financial assistance have been received, given the mandated closures and disruptions in the supply chain.

The most significant impact appears to be on retail tenants and, to a lesser extent, on office tenants. Our counterparties in this sector maintain a constant and direct line of communication with tenants and are working closely with them through this challenging period.

We have also seen counterparties here working with and seeking support, from lenders in the form of interest rate reductions for the short-term.

A counterparty in the multi-family housing space is 86% occupied and has not encountered any negative trends in daily operations in terms of occupancy, rent, debt coverage, or operational expenses.

Multi-family rental housing has historically been one of the most resilient asset classes during bear markets or economic slowdowns, given that people still need a place to live.

EU & UK

In the real estate sector, our investments in prime London locations are focused on the high-end residential apartment sector.

Occupancy is in the 80% to 90% range, although some properties do anticipate a drop (given the high numbers of foreign visitors) in occupancy over the coming two months due to the Covid-19. So far, however, the expected forecast drop is less in comparison to the rest of the market given the quality and location of the properties.

We have also seen minimal impact on construction programmes within the sector, and third-party consultants are prepared to run business continuity strategies to avoid any effect on pre-construction project timing. We expect to see all project milestones and targets here being met.

In the IT services sector, our counterparty is an IT Consolidator which has acquired a range of businesses across the UK, focusing on delivering IT solutions and maintenance.

We draw comfort from the positive performance of our funds, which have been resilient, given our decision to have moved away from listed equity markets.

This counterparty has benefitted operationally, given that with some schools closing this has allowed them to complete changes and updates to servers that can't be done during term time.

Our counterparty here has also used the time to train staff. With less work, contractual payments are lower, but this also allows for important tasks to get done.

Several employees work from home already, so remote working has not been a problem. The business is also evaluating an opportunity which delivers web-based, online internet solutions to communicate to investors.

Australia

For SME lenders, our counterparties have started to increase their credit ratings, making it harder for borrowers to access cash. The result has been a decrease in volumes, which has reduced lending, but this is to ensure that bad debts remain low.

From 31 March, each Australian on pension or benefits will receive a once-off payment of AUD750 - this amounts to approximately 6.5 million people. We believe this could counter a potentially heightened risk of individual borrowers.

In the consumer services sector, we have seen a particular counterparty pivot their marketing initiatives to online channels.

We are also witnessing leases being renegotiated, contractor expenses being stopped, and new hires being put on hold as part of cost-cutting efforts.

One of our counterparties in Australia, a specialised manufacturer, is receiving enquiries from the local governmental authorities for goods manufactured in Australia that are now in short supply due to Covid-19 supply chain constraints.

Africa

We have not, nor do we, expect to see any immediate impact on our counterparties within Africa, given that our exposure relates primarily to the government payroll and SME funding sectors.

We are monitoring the global reaction to COVID-19 and its impact on the flow of international trade, which may affect business SME's. Still, we do not foresee any effect on the government payroll industry.

A counterparty, within credit life insurance, has provided coverage via a relationship they hold with an international insurance company that has subsidiaries in various African countries.

Leading insurance firms have indicated that their assessment on the possible negative impact of individual risk is negligible at this stage. We are, therefore, comfortable that the virus does not pose any material risk to the counterparty in this space.

CONCLUDING REMARKS

It is in these times that we need to remind ourselves that the devastating economic fallout from the virus will not last forever.

It is business as usual for the Skybound team, and we will continue to act with transparency, and provide our clients with as much information as is required during this time.

We remain confident in our ability to continue to deliver and function optimally as a business.