



IMPORTANT INFORMATION

Staying in Touch

The increased use of platforms like Zoom, Skype, WhatsApp, Microsoft Teams and Houseparty, has really highlighted the human need to communicate and connect in a world now characterised by physical isolation.

At Skybound, we understand this need, and the role it plays when dealing with aspects of our lives that we feel are important.

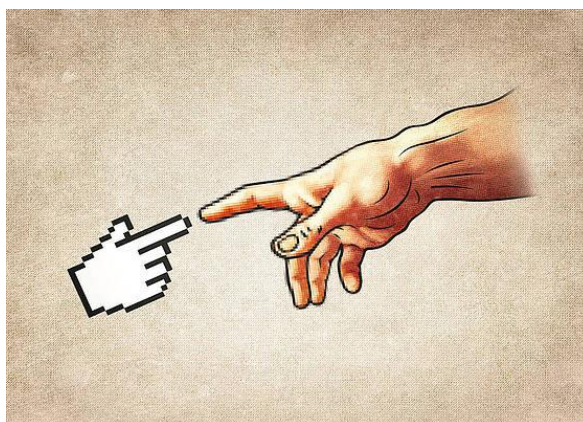
With this in mind, we are committed to keeping lines of communication open with our investors, to reassure you that we are acutely aware of all potential difficulties that the current market environment faces and to demonstrate that capital protection is at the forefront of our focus.

Internally, we have found that communication among our colleagues all over the globe has increased and improved tremendously.

The virtual meetings and discussions have brought us much closer and certainly amplified knowledge and idea-sharing among team members.

In light of the positive effect this has had on our internal teams, we have decided to engage more closely with our investors too, through hosted webinars.

This letter summarises some of the highlights from our latest Webinar discussing Skybound's Prism Income Fund ("the Prism Fund" or "Fund").



HIGHLIGHTS FROM THE WEBINAR'S SPEAKERS

Conrad Amm

"Over \$130m was placed into debt deals during 2019, primarily with existing counterparties."

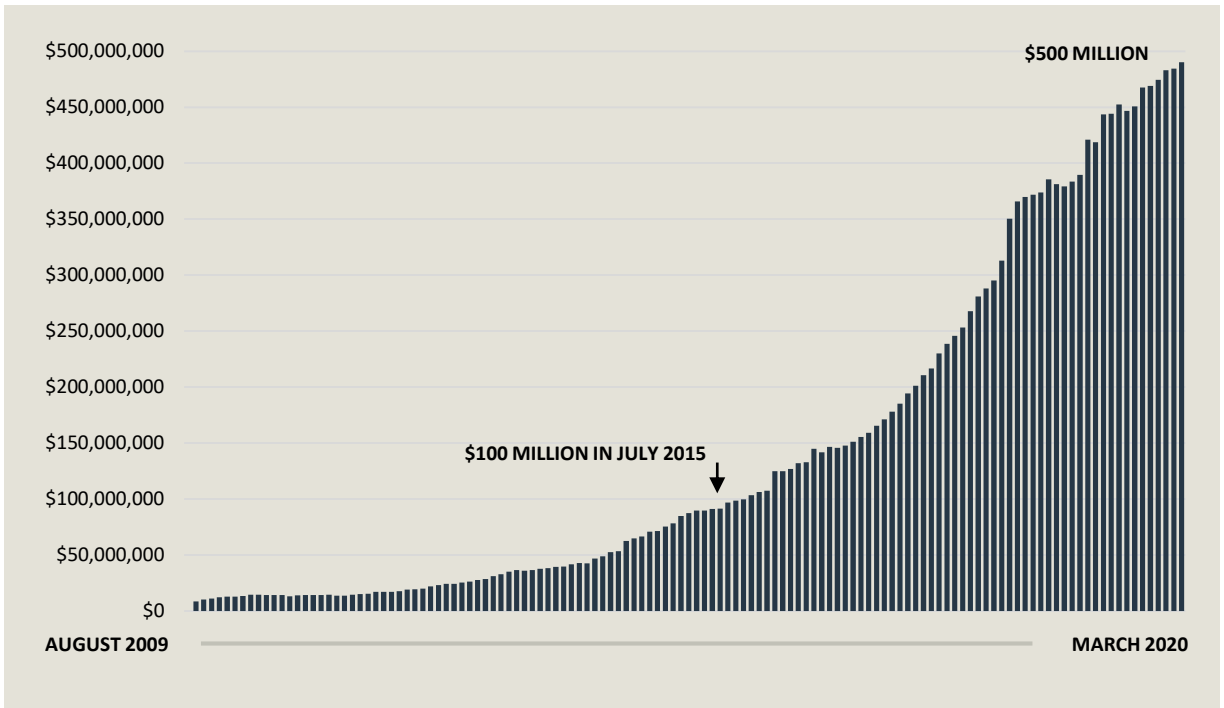
Skybound only provides funding to counterparties known within its global network or referred to it from close contacts. Skybound's analysts don't scan the market for companies paying the highest return on debt.

Communication is frequent, and due diligence never stops. Capital protection and security are at the forefront of our minds when reviewing deals.

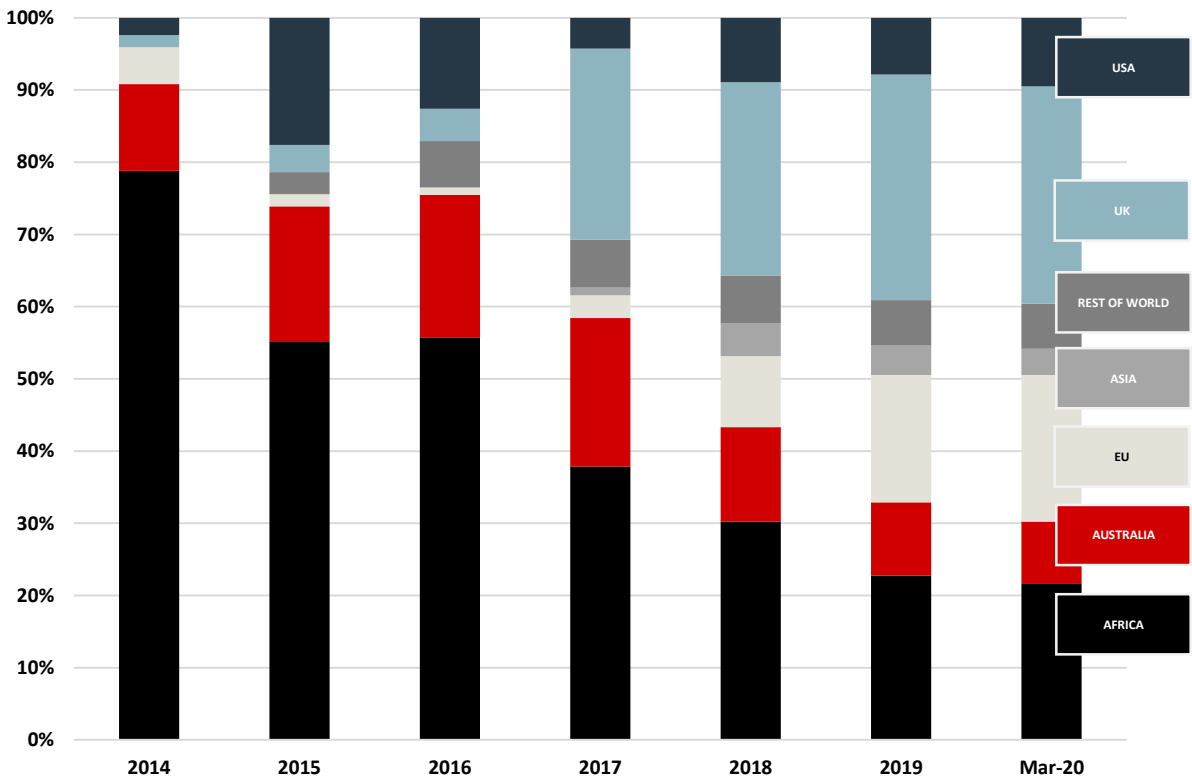
Given the severity of Covid-19 and the uncertainty surrounding the duration and extent of the economic slowdown, the Prism Fund's returns are expected to taper slightly over the next few months while we see better opportunities beyond that.



PRISM INCOME FUND ASSETS UNDER MANAGEMENT



PRISM INCOME FUND GEOGRAPHIC EXPOSURE





Provisioning, in terms of IFRS 9, will be strictly applied across the board. We pay close attention to loans exposed to sectors such as travel and leisure, that are most affected by Covid-19, but these sectors make up a very small component of the Fund.

Although it took nearly 6 years from inception for the Prism Fund to grow to \$100m worth of assets under management (AUM), in 2019, it grew by almost \$100m in that one year alone.

The Fund currently has an AUM of just under \$480m and is made up of a globally diversified investor base, with the top 10 investors making up less than 25% of the Prism Fund.

Key to the success of the Fund has been its broad geographic and sector diversification, and its good long-term relationships with counterparties built over the past 10 years.

"Thank you to our loyal investors base around the globe".

Devon Olander

"As a Group, our operations have not been interrupted by Covid-19. This is due to sound business contingency plans as well as our global footprint."

Skybound's early adoption of sophisticated communication technology, with the help of cloud computing, amongst other things, has helped fast track the transition from a physical office environment to that of a virtual one.

Strategic planning has included building up cash reserves and a decision not to advance any new loans in the short term. The investment team are, however, reviewing opportunities less sensitive to timing and building up a strong pipeline of investment opportunities for the Prism Fund to act on when the time is right.

We are proud to announce that final Prism Income Fund performance (USD) for March 2020 came in at +0.64%.

Between the team, and their respective investment portfolios, communication has been stepped up considerably. For example, the Australian team is addressing any investments that are under pressure there, with support from Skybound's broader investment committee.

Theodore Shou

"We are experiencing larger than usual flows in and out of the Prism Fund, which is similar to what we saw in previous volatile markets. It is worth noting that not all these flows are one-way. For the redeeming investors, there has been no difficulty in settlement thus far. For subscriptions, we see flows from both existing and new investors, many of whom are looking for uncorrelated returns."

There has been a trend in the overall market for institutions to overweigh private credit. According to the 2020 Deutsche Bank Alternative Investment survey, 20% of investors who are reducing hedge fund exposure plan to shift to private credit. Many Australian super funds are increasingly allocating to private credit.

The consistent returns generated by the Prism Fund has given investors comfort and increased the interest of new investors.

Return of capital has quickly outpaced allocation in the near term, and we do not foresee material issues to liquidity.

UPCOMING WEBINARS

Insights from Australia
with the Australian Executive Team
Tuesday 28 April 2020
9am SA time

***The Covid-19 impact on UK
and European property***
with Newman Leech
Tuesday 5 May 2020
9am SA time

If you were not able to listen to the Webinar this week, please feel free to request a download of the full program from Kate Mapham: kate@skyboundcapital.com

Nyaradzo Chitsike

"Deloitte signed off on our financial statements last month after a rigorous five months of audit work. They didn't take a sampling approach, but rather tested 100% of our loans. Of significance is the fact that they were not only happy with our calculations and numbers but were also satisfied with our process of accounting and the provisioning model which we apply. As such, they issued an unqualified audit opinion and no control deficiencies were reported."

With the build-up of cash in the Prism Fund, cash drag can be expected, and the performance of the Fund is likely to be subdued in the short term in comparison to previous years.

The Prism Fund's investments remain sufficiently over-collateralised, namely the value of the Fund's security exceeds capital invested, so comfort can be taken that capital is secure. The effect of Covid-19 on positions and security is closely monitored.

Siegmund Thetard

"Since our target is to preserve capital, we place a large emphasis on security and ensure that the security offered covers loan capital more than sufficiently."

From the Prism Fund's inception through to 2014, exposure was dominated by Government Payroll Lending in Africa. As the Fund and the capabilities of the team have grown, exposure has grown to span 5 continents, 10 industrial sectors and more than 50 counterparties.

Jabir Sardharwalla

"The co-investment scene is another area presenting great opportunities for us. As existing investors in some very attractive investments, there is an opportunity to raise capital for growth, specifically taking advantage of the current Covid-19 environment - for example, by taking market share from less proactive competitors. We will be showcasing several such opportunities in the weeks ahead to enable investors and potential investors to develop a good understanding of what they are."

There are very few globally diversified private debt funds that are sector and country agnostic and that have a 10-year track record of returns with the same management team in place since inception. Portfolio balance is what separates the Prism Fund from others – duration and dealing matching are important and why some other funds have run into early liquidity issues.

IN CLOSING

We are proud to announce that final Prism Income Fund performance (USD) for March 2020 came in at +0.64%. YTD the Prism Fund is up 1.8% for Q1 2020. Despite the market conditions, it has not had a losing month since inception. This can be attributed to the conservative nature of the Prism Fund and management's focus on capital preservation and security in all deals completed.