

This document (the “**Supplemental Particulars**”) are supplemental to, and are incorporated into, the scheme particulars for the purpose of giving information with regard to Shelley Investments PCC Limited, a protected cell company incorporated in Guernsey on 10 October 2018 (the “**Company**”) (the “**Scheme Particulars**”).

The information furnished in the Scheme Particulars and these Supplemental Particulars is for use only by a prospective investor for the purposes of evaluating a possible investment in the participating redeemable preference shares (the “**Participating Shares**”) in the Cell of the Company referred to below. If you are in any doubt about the contents of these Scheme Particulars you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser.

The directors of the Company whose names appear herein (the “**Directors**”) collectively and individually accept responsibility for the accuracy of the information contained in the Scheme Particulars and these Supplemental Particulars. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in the Scheme Particulars and these Supplemental Particulars is in accordance with the facts and does not omit anything likely to affect the import of such information.

---

**SUPPLEMENTAL PARTICULARS**

relating to

**SHELLEY UK SECURED LENDING FUND**

(the “**Cell**”)

a cell of:

**SHELLEY INVESTMENTS PCC LIMITED**

(the “**Company**”)

(a protected cell company limited by shares and registered in Guernsey  
under registration number 65600)

---

15 October 2018

Save as provided in these Supplemental Particulars, words and expression defined in the Scheme Particulars shall have the same meanings in these Supplemental Particulars.

Potential investors who are in any doubt as to the risks involved in investment in the Cell are recommended to obtain independent financial advice before making an investment. Investment in the Cell should be made only after consulting with independent, qualified sources of investment and tax advice. The Cell is a speculative investment and is designed only for sophisticated investors who are able to bear the risk of an investment in the Cell, including the risk of capital loss. There can be no assurance that the Cell will achieve its investment objective.

## SHELLEY UK SECURED LENDING FUND

### Investment Objective

The aim of the Cell is to achieve a target of 10% annual return for investors after all Cell operational costs have been met (the "Targeted Return"). The Cell aims to take advantage of current UK market conditions by targeting the gap between the current lack of supply in shorter term secured property finance by mainstream banking and continued growth for secured property finance by property investors and developers. These current conditions have enabled the Cell to operate in a niche area of the UK secured property finance market where there is a significant demand for short-term property funding which is secured via first and second charges against property assets.

The Targeted Return will either be in the form of capital appreciation or in the form of a distributable income. The Cell will therefore offer investors both Accumulation Shares and Income Distribution Shares. Accumulation Shares and Income Distribution Shares will rank *pari passu* in all respects and differ only in respect of the distribution policy.

### Investment Strategy

The Cell intends to achieve its investment objective by providing short-term bridging or development loan finance secured against UK properties. The Cell will use wholly-owned special purpose vehicles to make the secured loans. The Cell will source lending opportunities through direct relationships property investors and via introductions through UK brokers. The Investment Manager will ensure all secured loan opportunities available to the Cell go through robust underwriting controls (as explained in more detail in the "Risks" section below) and will monitor all active loans of the Cell. All lending by the Cell will be secured by a legal charge against the UK property and the maximum loan to value will be 75% of property valuation. The Cell will target an average loan to value of 50% - 60% across all loans. Loans by the Cell will typically be over a 6-9 month period, however some may be of a longer duration.

### Distribution Policy

On the last business day of each Calendar Month, the Cell will allocate to the holders of Income Distribution Shares (as appearing on the Register on such date) any distributable income in accordance with the provisions of the Companies (Guernsey) Law, 2008, as accrued in that month up to the maximum amount of one twelfth of the Targeted Return (a "**Monthly Return**").

Where any Income Distribution Share or Accumulation Share is issued part way through any Calendar Month, such Income Distribution Share or Accumulation Share's participation in the Monthly Return shall be reduced such that its entitlement shall be such fraction of the full entitlement of an Income Distribution Share or Accumulation Share as is equal to the fraction of the Calendar Month for which it has been in issue.

For Shareholders holding Accumulation Shares no dividend will be paid. For Shareholders holding Income Distribution Shares the Monthly Return will be distributed by way of dividend within ten days of the date of allocation of the Monthly Return.

### Management of the Cell

The Investment Manager has been appointed by the Company pursuant to the Investment Management Agreement. In relation to the Cell, the principal activities of the Investment Manager are to source and approve potential investments which includes the full underwriting of each secured loan investment for the Cell. The Investment Manager will monitor these investments and ensure loan performance is maintained and each loan redeems in accordance with the agreed durations. The Investment Manager is authorised and regulated by the Guernsey Financial Services Commission in Guernsey. The Investment Manager is entitled under the terms of the Investment Management Agreement to receive the Management Fee and Performance Fees set out under Fees.

## **Borrowing/Gearing**

The Cell will not borrow money for the purpose of gearing investments.

## **Managing Risks**

### Valuation Risk

All UK properties will be valued by an approved valuation panel. In order for a valuer to be appointed to the panel they must be a firm of RICS approved Surveyors with no less than £2,000,000 PI insurance with no aggregate excess. This panel will be reviewed every 6 months. In addition, every property being lent against will receive a physical inspection by representatives of the Investment Manager and a separate report will be provided to the Cell. The report will include detail on the property and its condition, local market commentary, price comparisons and loan exit routes. This gives assurance over the value of the property being secured against and the expected collection of funds from a swift disposal in the event of the borrower not repaying the loan on time.

### Identity Risk

Part of the underwriting that the Cell requires is that in addition to each property being viewed, each borrower is personally met prior to the drawdown of the loan. The Cell also requires that the legal work includes specific undertakings on the identity of the borrower.

### Liquidity Risk

There will be specific restrictions on individual loan size and the longer duration loans proportional to the total fund size. Bridging loans are by definition short term in duration and loans will have staggered completions so there will be a natural return of secured loans into cash each month. The Cell will also receive monthly interest on the secured loan investments. This will allow the Investment Manager to manage the Cell's cashflow to cover the day-to-day operational expenses of the Cell; manage the recycling of cash from loan completions into new loans; meet future Cell redemptions from investors and meet income distributions to investors.

### Market Risk

The market place for the provision of property finance may change during the life of the Cell. If other providers of finance enter the market place and offer to provide funds at rates lower than those which are obtained by the Cell this may mean the Cell is unable to continue to achieve the target returns to the investors. In addition, whilst current demand for short-term property finance is strong, this may change in the future and could be affected by changes in UK regulation, which may also affect the Cell's ability to achieve the target return. The Cell is also exposed to the risk of a sudden or sustained decrease in UK property prices which could result in loans going into default and the loan advance and any accrued interest not being fully recovered on any subsequent sale of the underlying property security.

## **Ideal Investor**

This Cell is best suited for Eligible Investors who are targeting an absolute return of 10% per annum via capital appreciation or income distribution. Investors should not require funds invested for at least 3-4 months after subscription due to the redemption period of the Cell. Eligible Investors for the purposes of this Cell are persons who are able to evaluate the risks and strategy of investing in the Cell and who can bear the economic consequences of that investment including the possibility of any loss arising from the investment.

## **Investment Restrictions**

The Cell will purchase and hold shares within Special Purpose Vehicles ("SPVs") which will in turn enter into agreements with third parties to loan monies which will be secured via legal charge against UK Property. The below intended exposures of the SPV are indicative only and may be exceeded.

0% to 100% - residential property  
0% to 30% - commercial property  
At any time up to 20% in cash or cash equivalent investments

Investment restrictions of the SPV:

The above intended exposures are indicative only and may be exceeded.

Maximum loan to value on any property is 75% of the valuation of the property.  
Maximum loan size will be 15% of the net asset value of the Cell.  
Maximum amount loaned to any one borrower will be 15% of the net asset value of the Cell.  
Maximum value of loans lent over 12 months or longer will be 10% of the net asset value of the Cell.  
The location of UK properties lent against will only be in the United Kingdom.

The above restrictions regarding loan size and amounts lent to any one borrower will be maintained once the Cell has a Net Asset Value of at least £5 million.

The Cell will not provide loans to the following property asset types: properties less than 10 years old without a 10 year warranty certificate or architects certificate, shared ownership properties, concrete construction properties, 100% timber construction properties, mobile homes, house boats, caravans, petrol stations, trading public houses, night clubs, retirement homes, nursing/care homes, golf clubs, churches and charitable establishments, adult entertainment venues, land and property with environmental problems.

The Cell will not employ leverage and shall not enter into any hedging, gearing or derivative transaction.

**Subscription and redemption information**

The Net Asset Value of the Cell is calculated net of all fees and costs as set out in the section of the Scheme Particulars headed "Subscription, Redemption and Conversion of Shares".

Valuation Point:	5pm Guernsey time on the last Business Day of each month
Offer Price on first Investment Dealing Day:	£1
Investment Dealing Day:	The first Business Day of each month
Redemption Dealing Day:	The first Business Day of each month
Minimum Subscription and Holding:	£10,000
Minimum Top Up:	£1,000
Minimum Aggregate Subscriptions:	£500
Subscription Notice Period:	Two full business days prior to each Investment Dealing Day
Redemption Notice Period:	Three months prior to each Redemption Dealing Day

**Fees**

Initial charge: up to 2% (chargeable at the discretion of Investment Manager).

Investment Management Fee: 0.75% per annum of the Net Asset Value of the Cell (subject to £30,000 per annum minimum fee).

Performance Fee: The Manager will receive a performance fee equal to the 75% of the excess of a 10% annualised Investor Return since the purchase of the Participating Shares. Each Performance Fee is calculated at the end of the financial year for the Cell.

Admin Fee: 0.40% per annum of the Net Asset Value (subject to a £25,000 minimum fee)

Exit fees: No exit fees are levied by the Cell.

Establishment Costs: The costs to establish the Cell will be no more than £50,000. These costs will be amortised over a period of 5 years.