

29 June 2017

## **P2P Global Investments PLC**

### **Chairman's AGM Statement**

P2P Global Investments plc (the "Company") is holding its Annual General Meeting at 11.30am today, where the following statement by the Chairman will be read out.

#### **Highlights:**

- The Company achieved positive NAV returns in each month of 2016
- Improving performance during 2017
- Management fees reduced during the year; further performance-based fee revisions to be implemented
- New investment management arrangements agreed to target improved performance

#### **Introduction**

Welcome to the third annual general meeting of P2P Global Investments PLC. My name is Stuart Cruickshank, chairman of the board, and I am here with my fellow independent directors, as well as Lindsey McMurray of Pollen Street joining by telephone and Simon Champ of MW Eaglewood.

#### **Market update from 2016**

In 2016, Sterling depreciated 16.3% against US Dollar, largely due to the Brexit vote and subsequent rate cut by the Bank of England, the US election results and the Federal Reserve's interest rate hikes. This increased the value of the Company's US denominated assets in pound sterling terms, but was fully offset by foreign exchange positions held to hedge currency risk.

The investment manager maintained a large cash position to protect the Company's portfolio from the effects of large FX movements, thus there was less cash available to invest. Lower loan income resulted. Cash balances peaked at around 20% of NAV last June.

Both fixed income and equity indices posted gains in 2016. Fixed income yields moved lower globally. Problems at some US consumer platforms had a negative impact on funding spreads in the middle of the year, improving towards the year-end, and the Company's cost of borrowing increased as LIBOR rose.

By year end, the marketplace lending industry in the US was witnessing significant changes. Investors demanded more from marketplace platforms, including increased focus on operations, tighter credit standards, increased rates and improved servicing.

#### **Company performance highlights from 2016**

2016 was a year of significant challenges for the Company and its markets. Returns were below targets.

Key points to mention are:

- The Company achieved positive NAV returns in each month of 2016.

- It delivered a NAV return of 4.1% and paid 44.5p per ordinary share in relation to the 2016 calendar year.
- The Company's share price total return over the period was -15.97% and the shares traded at discounts to NAV of between -0.13% and -27.71%. The board and MW Eaglewood took action to try and narrow the discount by initiating a share buyback programme. In total during 2016, 2% of the ordinary shares in issue were repurchased at an average price of 813p, which represents approximately a 19% discount to NAV.
- MW Eaglewood volunteered to reduce its management fee charged on leverage by 0.5% in June 2016 (and by another 0.5% in January 2017), taking the total management fee charged on leverage to zero.

### **Investment management review**

The board initiated a review of the investment management arrangements on 4<sup>th</sup> April 2017 and announced conclusion of its review on 24<sup>th</sup> May. An innovative joint proposal was submitted to the board by MW Eaglewood and Pollen Street, and this proposal was chosen. Pollen Street currently manages Honeycomb Investment Trust PLC, and there are useful synergies that have been identified between Pollen Street and MW Eaglewood.

### **Outlook for the industry in the coming year**

Opportunities continue to expand. Pollen Street and MW Eaglewood believe that speciality finance markets continue to offer attractive investment opportunities.

It is likely that the US consumer loan asset class will further decrease as a percentage of the Company's overall portfolio. Whilst unsecured consumer loans in the UK benefit from lower funding costs, there is some competitive tension in the most prime grade bonds in which the Company has traditionally invested. At the same time, new and more attractively priced opportunities are evolving in other parts of the lending market.

In addition, IFRS 9 will be effective as of 1 January 2018. The Board will be working with MW Eaglewood, Pollen Street and the Company's auditors to assess the impact of IFRS 9, including assessing any impairment adjustments which may be required to be made to NAV.

### **Outlook for the portfolio in the coming year**

So far, 2017 has seen the Company deliver more positive returns than the second half of 2016.

In the coming year, the board expects that Pollen Street and MW Eaglewood will implement a revised, more flexible investment strategy, as outlined in the RNS issued by the Board on 24 May 2017 and which include, amongst other changes:

- Progressively transitioning the portfolio into more attractive specialist assets
- Greater exposure to Sterling denominated assets and reducing its US consumer loans, which were primarily included in the portfolio in the early life of the Company
- Continuing to reduce the Company's USD and lower yielding exposures through a combination of natural amortisation and disposals, with a view to adjusting and diversifying the portfolio towards other lending sectors where better risk-adjusted returns may be achieved

In addition, fees will be revised with effect from 1 January 2018 in order to reflect a more performance based structure, comprising a management fee of 1% of net assets, and a

performance fee of 15% of any increase in NAV (taking account of distributions and certain other adjustments), subject to a hurdle of 5% with full catch up.

The board has been committed to working with MW Eaglewood and will continue to do the same with Pollen Street and MW Eaglewood going forward, in order to ensure that the Company benefits from the increased opportunities available to it and in order to ensure that the Company delivers on its investment mandate. The board is confident that the new investment management arrangements, when fully implemented, will improve the performance of the Company.

### **Next steps and close**

We are now happy to take your questions.

### **Contact information**

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