

# Underlying Investments & Track Record

## UK High Yield Income Fund

### ABOUT OUR UNDERLYING INVESTMENTS

The Sequince Capital UK High Yield Income Fund raises debt capital for two primary UK funding purposes which are both mature, well-established funding partners:

### SECURED & INSURED LITIGATION FUNDING FOR PPI CLAIMS

#### Litigation Funding will receive 70% of our deployed funds.

The Fund will provide a scalable debt line for use by UK law firms to cashflow a specific type of small claim case in which millions of individual claimants exist, all with the same case type and a specific, repeatable process for achieving a successful outcome.

The litigation claims are made in relation to the overcharging, or undisclosed charging of fees (and/or payments of sales commissions) within financial and insurance products in the UK, which has been verified as prolific and systemic over many decades. Clear legal precedents have been set for these types of claims to be awarded in the customers' (plaintiffs') favour (cases are commonly referred to in the UK as 'Plevin' PPI cases, after the surname of the precedent case). A case win usually results in a refund of fees, commissions and/or bank interest wrongly charged over the life of the product in which the customer held it for.

Using a proprietary auditing technology, owned by our UK counterparts, that has been developed specifically to provide verification of an overcharge or miscalculation to an accuracy rate of 99.99% (verified by leading independent forensic accounting firms), these cases have a win rate greater than 95% and all cases are also fully-insured by way of After the Event Insurance (ATE). This means that even the 5% of cases that may not succeed in court (usually due to inconsistencies in the law firm's process, not accuracy of auditing), legal costs and financing costs are always covered and reimbursed. This insurance component provides for extremely strong capital preservation characteristics for Sequince Capital and therefore its investors.

This type of litigation funding attracts a premium cost of funds that can be charged to the law firm, allowing for an exceptional

yield to be delivered to the fund and in turn, to the fund's investors. This fact, coupled with the sheer size of the case market for this type of litigation, and the capital protection via the After the Event Insurance, makes this debt vehicle a highly lucrative and cornerstone investment component of the Sequince Capital UK High Yield Fixed Income Fund.

Some headline numbers of this specific litigation funding environment in the UK for PPI claims

- The PPI claims saga has been ongoing in the UK since 2014
- As of August 2020, the total claim book to date for PPI is estimated to be GBP 38bn
- Approximately a third of this claim book was funded via Litigation Funding (like the funding we are providing) IE circa GBP 12.7bn
- Across all law firms in the UK, approximately 200-300,000 PPI claims are being run every month, with that volume expected to be maintained for 9+ years. After which time there are many other systemic occurrences of mis-selling and miscalculation of fees/interest that will sustain this type of litigation and funding for much longer.

#### Our UK Litigation Funding Partners' figures over the 3 months to Friday 21st October, 2021:

- Our partner law firms have engaged with 28,465 clients who have instructed them to request data from the insurers/banks and verify whether they have a claim to make
- The estimated conversion rate of those engagements into cases that will go to litigation is approx 20% (circa 5700 cases)
- Average win rate on those cases that proceed to litigation is >95% (with all cases insured against a loss outcome)

#### About this type of Litigation Funding

Article - The Sun (April 2021)

Article - Daily Record UK (April 2021)



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## SECURED & COLLATERALISED DEBT FUNDING FOR FILM PROJECTS - GOLDFINCH MEDIA FINANCE

### Goldfinch Media Finance will receive 30% of our deployed funds.

The Goldfinch group of companies provides a vertically integrated global business model with expertise across finance, production, facilities and management in Film, Television and Video Games. The Company's record includes 300+ projects and direct investments of AUD \$200M+ into the creative industries, generating AUD \$660m+ gross value of production, with many going on to win awards and critical acclaim.

GoldFinch has historically deployed \$AUD\$200m+ into the same type of financing activities and frameworks for which our Fund provides lending capital, and has 0% default rate on their lending activity over 7+ years. Its current pipeline of projects that meet its financing mandate and are awaiting funding is in excess of AUD \$120m.

Goldfinch provides short and medium-term loans to film and TV production companies. Sequince Capital will provide a secured debt line to Goldfinch Media Finance Ltd which will attract premium rates and fees (comparatively) for this kind of debt facility, and will be secured against Government or State creative industry tax credits/rebates, UK VAT reclaims, sales contracts, pre-sale contracts, commissions for TV, minimum guarantees from sales agents, and gap financing.

Sequince Capital will also participate in a profit share of the on-lending and media financing activities that Goldfinch engages in, which will further support its ability to return a high yield to the fund and its investors.

### Goldfinch Website:

[Goldfinch.co.uk](http://Goldfinch.co.uk)

### Goldfinch Track Record

Goldfinch's track record in this space is built on using SEIS & EIS funds out of the UK, private Investor's funds, and institutional finance from a range of banks they have worked with (Coutts, Metro Bank, Arbuthnot Latham, Close Brothers).

In summary, Goldfinch are already highly-experienced and seasoned in running a successful film financing business, and our Fund is providing an additional line of capital for them to take advantage of significant growth and demand in the industry.

### Definitions

- Government Creative Industry Tax Credit Loans: An advance made against the calculated cash amount due back to the production from the Government of the jurisdiction film production has taken place in. This can be a rebate from non-UK states or jurisdictions.
- VAT Re-Claims: VAT due back to the production from expenditure made in the UK alone
- Sales Contracts: An agreement from a distributor who has purchased the rights to screen the production in their territory
- Pre-Sale Contracts: When a distributor agrees to purchase the rights to screen the project in their territory before the project is completed
- Commissions – cash flowing of TV commissions payable on delivery of the product
- Minimum Guarantees: A contractual commitment from the seller of the rights to a minimum level of sales being achieved
- Gap Loans: A loan made against the predicted sales value of the production's rights

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