

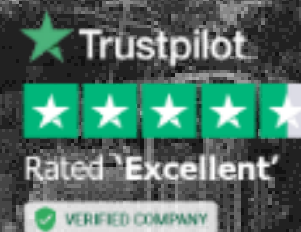


CAPITAL 3PM

Placement Agents | Fixed Income | Alternative Strategies

FREQUENTLY ASKED QUESTIONS

PLACEMENT AGENTS | FIXED INCOME | ALTERNATIVE STRATEGIES



WWW.CAPITAL3PM.COM



WELCOME TO OUR FAQs

The concept of fixed-income investing is often new to our clients – so we’ve put together this document based on the questions we’re most commonly asked.

To make it easier to navigate and digest, we’ve divided it into the following sections:

- ❑ Understanding Fixed Income
- ❑ Security & Due Diligence
- ❑ Practicalities & Process

UNDERSTANDING FIXED INCOME

What is a fixed-income investment?

The term refers to investment opportunities that pay investors fixed interest or coupon payments until the maturity date, when you're repaid the full amount. In the investment sector, fixed-income investments are often referred to as loan notes or corporate bonds.

Providers are normally companies (as our providers are) or governments.

It works like this. You offer the provider a loan. The provider undertakes to pay a fixed amount of interest on the amount borrowed and makes a promise to repay the amount at a fixed date. Unlike with an investment in equities, you know the interest that you'll be paid in advance.

Why don't providers just get a loan from a bank?

Just like other successful businesses, our providers do utilise bank loans. For example, our property developer partners often obtain bank loans at the construction phase of a development.

However, bank loans are not the only source of funding for successful companies, as the prevalence of other strategies (including crowdfunding, private equity and venture capital) demonstrates. While less widely known, fixed-income investments (or loan notes) are an equally effective strategy for raising capital.

Since 2003, we've been developing and growing an extensive network of loyal clients (high net worth or sophisticated international investors) who repeatedly reinvest in our fixed-interest opportunities, thanks to our 100% repayment track record. As a result, our providers enjoy access to a tried and tested strategy for raising capital.





How is Capital 3PM able to offer investors such robust returns? Isn't it all too good to be true?

The main reason that our providers offer such strong returns – between 8 and 12%, depending on the opportunity you select – is that they add value throughout the development cycle. This enables them to repay your loan and the agreed interest on specified dates.

For example, our property developer providers might add value by gaining planning approval, negotiating leases, undertaking construction, and ultimately selling the asset. As an investor, you're involved from an early stage and benefit from the rising value of the project as it progresses – rental yields alone couldn't generate such high returns.

And for our legal finance specialist, the value added comes from the interest charged to legal firms who borrow the money to fund cases.

Ultimately, our providers share a proportionate percentage of the value they've added during the term with you as the investor.

How have your fixed-income opportunities performed throughout the economic and global challenges of the last few years?

Our providers operate in sectors that are counter cyclical – and therefore likely to perform well during a recession. For example, one of our property providers operates in the discount supermarket space, a sector whose revenue increased significantly during the pandemic and continues to grow due to the current cost-of-living crisis.

Fixed-income investments deliver a fixed term and a fixed return. Their performance is not connected to the wider financial or political landscape. As a result, they provide investor security at times of economic downturn and when financial markets are delivering unpredictable results.

SECURITY & DUE DILIGENCE

How am I secured and protected?

We take protection incredibly seriously. To start with, our screening process is rigorous. What's more, we insist on multiple layers of security designed to protect your investment:

- ✓ Providers must have regulated security trustees in place
- ✓ We insist on a first legal charge against the underlying asset
- ✓ There's a debenture against the providers' bank account or balance sheet
- ✓ For our legal financing investments, we also have insurance to protect against corporate failure and cases that are lost

We're committed to protecting the security of your investment. But thanks to our due diligence commitment, our providers have never defaulted on a capital or coupon payment.

How does Capital 3PM approach due diligence?

We take a rigorous approach to due diligence. We've screened over 1000 fixed-income opportunities – only 3 have made it through the process.

As a result, our investments work. We have a 100% track record on all client repayments.

All our provider partners are required to demonstrate:

- ✓ A minimum 10-year track record
- ✓ £1 billion of deliverable assets
- ✓ FCA-regulated security trustee
- ✓ UK onshore banking presence
- ✓ Board of directors with hundreds of years' combined experience

What's a security trustee and what does their role involve?

A security trustee is an independent, regulated organisation that has two central purposes:

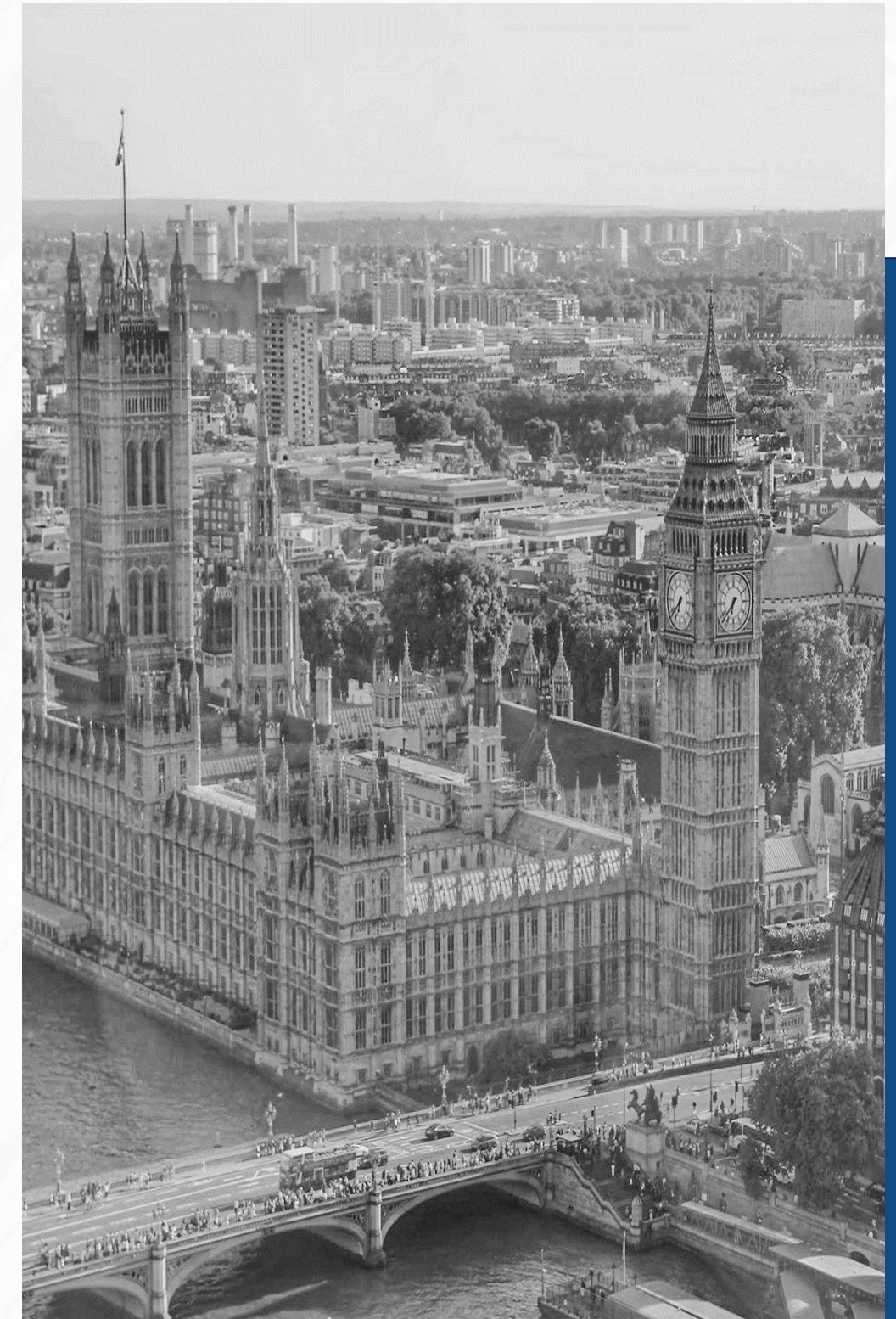
1. To administer security on behalf of investors
2. In the event of a default, to liquidate assets – real estate or cash in the bank – that have been provided as security using first legal charges and debentures

The security trustee holds these securities independently, ensuring that your investments are protected in the event that the provider goes into liquidation. At the risk of repeating ourselves, this has never happened! Our 3 providers have an unblemished track record and have never defaulted on a payment.

What's a first legal charge?

In layman's terms, it's the highest level of security that can be placed against an asset. Essentially, it means that you have the first legal claim against the asset in the event of a default.

To illustrate what we mean, it's simple to think about it in terms of a bank providing a mortgage to a homeowner. If the homeowner defaults on the mortgage repayment, the bank is able to repossess the property. In the event of a default with loan notes the asset would be liquidated to return your investment.



PRACTICALITIES & PROCESS

How is my investment used?

For property providers, your money is generally used either to purchase land outright or fund an existing project, or both.

For legal funding providers, your investment is deployed into funding no-win-no-fee UK legal cases.

Your money is never used to pay off previous fixed-income investment obligations.

How much can I invest?

We have a minimum investment of 25,000 GBP/USD/EUR – though of course, you're welcome to invest more, should you wish. Depending on the opportunity you choose, the term will be for 1 or 2 years.

Who do I transfer my investment to?

Once you've cleared Anti-Money Laundering (AML) processes, the provider will give you their UK onshore bank account details. We don't receive your funds at Capital 3PM – instead, your investment goes directly to the product provider.





Are there any fees?

No! Our products have no entry or exit fee and no annual charge. All your coupon payments are based on the full amount you invest.

What if I need my investment back before the end of the term?

Fixed-income investments have a fixed term. As a result, there isn't an option to get your principal capital back before the end of the term.

How do I receive payments?

Coupon and capital repayments are made into your nominated bank account, typically the account from which you funded the investment.

What currencies do you accept?

GBP, USD and EUR. All non-GBP currencies are hedged, which means your investment isn't exposed to currency risk or fluctuations in exchange rates.

What's the application process?

First up, you need to complete an application form and submit 1 proof of address and 1 proof of ID (clients in some jurisdictions may have to provide 2 proof of IDs). We send this to the provider on your behalf, and they'll conduct their own Anti-Money Laundering (AML) checks.

Once approved, the provider will be in touch directly to give you their UK onshore bank details for you to transfer funds. On receipt, your investment term begins.

We're there at every stage of the process to ensure that everything runs smoothly.

What are the Tax implications of a loan note or fixed-income investment?

Typically, returns are paid gross. Interest received from Fixed Income is essentially "Income from a Loan" and does not fall under Capital Gains Tax, Inheritance Tax, or Income Tax.

What's more, you're not directly holding or owning a property in a way that would create a tax implication.

However, we're not tax advisors and recommend that you seek advice from an expert as this will be different depending on the jurisdiction in which you currently reside and the countries where you also may be liable for Tax.



THANK YOU

We've made this document as comprehensive as possible.
However, if you have questions that haven't been covered, please don't hesitate to get in touch.

