

**7.75%** *p.a*

***RETURN***

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## **CONSUMER FINANCE INVESTMENT OPPORTUNITY**

Cherry Godfrey Finance Limited proposes to sponsor a special purpose vehicle (Cherry Godfrey Consumer Funding III Limited) to be used to issue Loan Notes with which to finance a diversified portfolio of customer loans made up of lending Channel Island and UK resident individuals and companies.

The investment vehicle seeks to raise up to £50m. The loan notes will have an unlimited life with break out options at the end of each issue period of one, three or five years with flexible interest options as follows:

<b>Issue Period</b>	<b>Monthly Interest</b>	<b>Quarterly Interest</b>	<b>Annual Interest</b>
12 Months	5.75% per annum	6.00% per annum	6.25% per annum
36 Months	6.25% per annum	6.50% per annum	6.75% per annum
60 Months	7.25 % per annum	7.50% per annum	7.75% per annum

### **Background**

Cherry Godfrey have been providing consumer funding, mortgage and insurance products in the Channel Islands for the past two decades and have grown to become the largest independent, pan channel island, provider of these services.

The company benefits from a large active database of clients associated with one or more of these product groups.

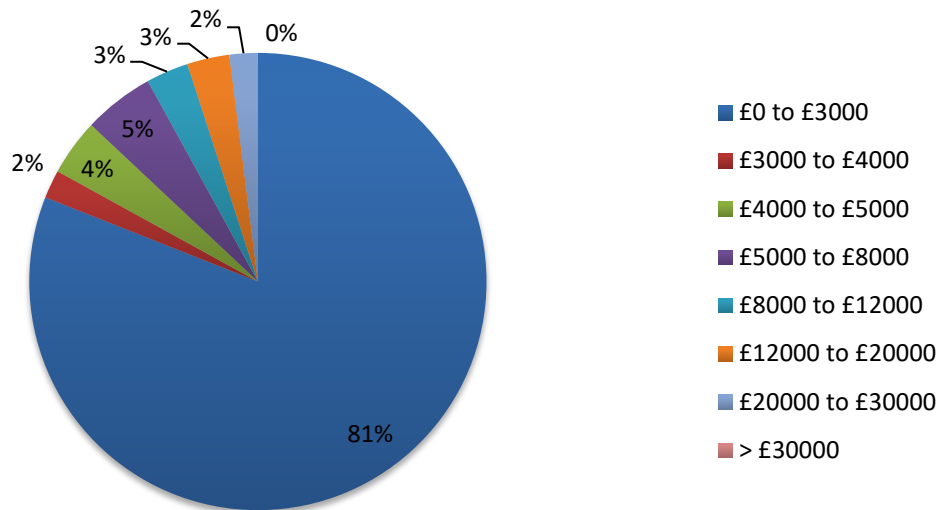
Cherry Godfrey have created a unique route to market through its relationships with State, corporate and retails trading partners who promote Cherry Godfrey services and products alongside their own.

Much of the smaller lending will comprise loans to Cherry Godfrey's insurance clients for the purpose of paying insurance premiums and carries a low risk profile as failure to make loan repayments results in the prompt cancelation of the policy and repayment of the balance of the remaining insurance premium.

It is expected that individual loans will have an average life of 23 months with a large percentage being loans of 12 months.

Based upon £50m of customer advances, it is anticipated that the portfolio might comprise circa 20,000 modest loans.

## Analysis of anticipated portfolio by unit



Loan advantages will be made under the terms of an existing underwriting procedure which has been developed over a number of years and which has been instrumental in the low level of Bad Debt experienced. Cherry Godfrey operate reciprocal agreements with both CI and UK credit reference organisations enabling detailed data sharing of positive and derogatory credit history providing client exposure records which are utilised in the underwriting process.

It is anticipated that 81% of loans forming the £0 to £3000 category will be made up of Insurance Premium Funding and Vendor Introduced customers.

### **CURRENT CONSUMER PORTFOLIO**

Cherry Godfrey manages a current loan portfolio of circa £40m; this portfolio has over the last 12 months experienced bad debt levels of circa 0.35%, significantly below the historical UK average.

An actuarial review of all loan business written by Cherry Godfrey covering the period from 2000 to 2009 was carried out by BWCI Ltd which demonstrates bad debt at 1.35% of loans made during that period. Cherry Godfrey's accounts post 2009 have shown little deviation from the 1.35% bad debt ratio. Cherry Godfrey is not currently aware of any factors that would indicate any likely deterioration in its historically low level of bad debt.

Monitoring of Bad Debt is undertaken by daily reporting and verified by the production of system generated reports. Average trend values for 2012 to 2015 have been maintained below the average 1.35%. Cherry Godfrey ascribes its low bad debt levels to four principle factors;

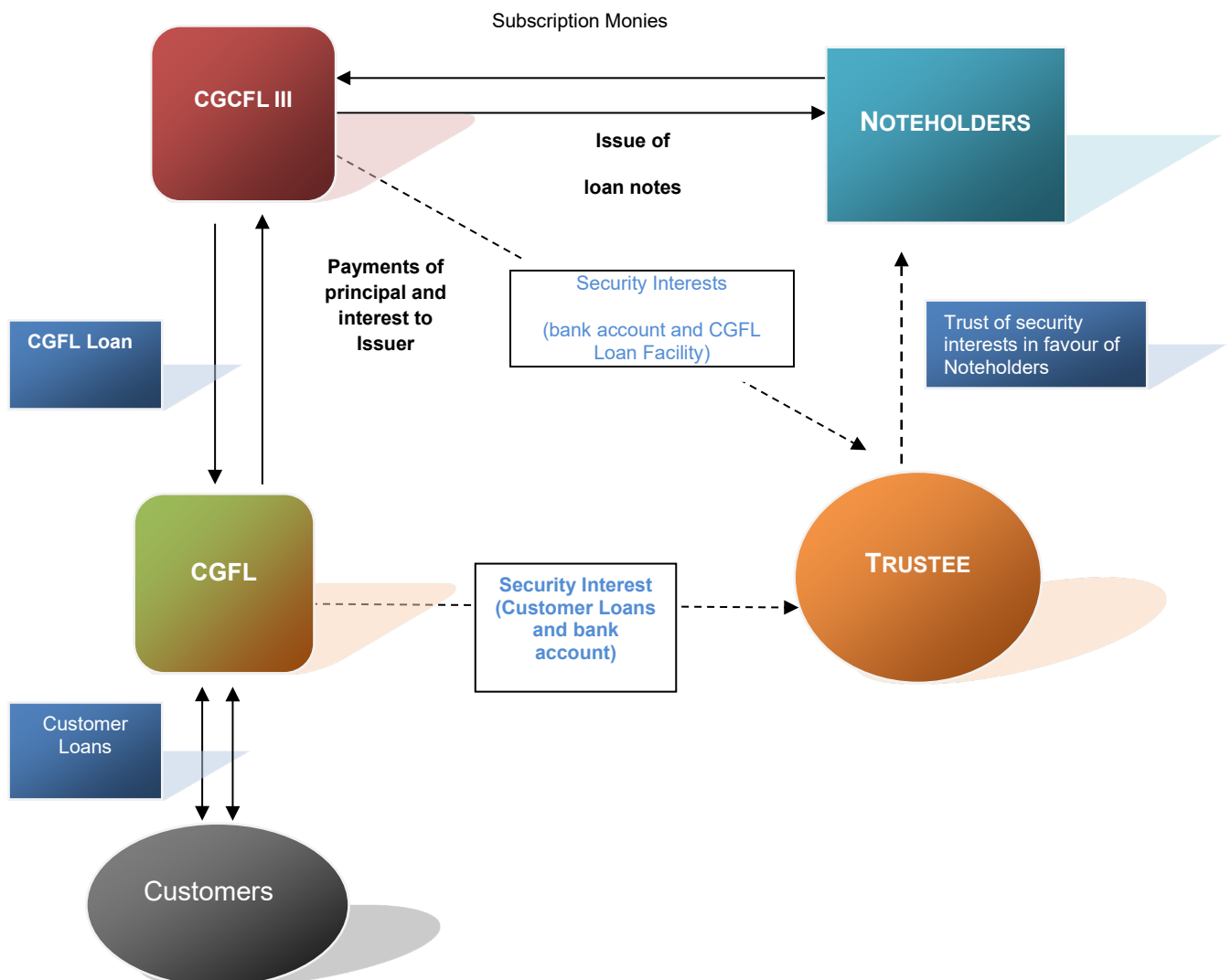
1. Expertise in identifying suitable loan customers, many customers being well known to Cherry Godfrey and have previously borrowed on a regular basis.
2. Sophisticated intelligence based upon historical records and public financial records.

3. Loans are well diversified and avoid significant exposure to related borrowers using prudent underwriting criteria.
4. When compared to UK data, the Channel Islands enjoy low rates of unemployment together with above average levels of remuneration and with a significant percentage of residents being unemployed within well diversified finance, administrative and insurance based industries.

Utilising a detailed and sophisticated database of historical client data, which can be cross referenced with CI and UK public records, ensures that appropriate underwriting information is readily available.

Thorough understanding of local law and credit control procedures related to the maintenance of consumer and mortgage facilities helps to ensure the long term security of loan portfolios.

### LOAN NOTE STRUCTURE



A Guernsey Special Purpose Vehicle will be incorporated (Cherry Godfrey Consumer Funding III Limited) which will:

- Issue Loan Notes up to the value of £50,000,000 with a minimum investment of £50,000.
- Enter into a loan agreement with Cherry Godfrey Finance Limited which will use the funding to provide consumer loans of the profile described above.
- Cherry Godfrey Finance Limited will pay interest to the SPV to facilitate payment of interest on the loan notes and will additionally meet any operating costs of the SPV.
- Security of assets will be provided through the appointment of an independent trustee to hold all individual consumer loans written by Cherry Godfrey Finance Ltd under a Declaration of Trust. These loans will be separately designated from any other loans made by Cherry Godfrey Finance. Any funds loaned by the SPV to Cherry Godfrey Finance and not utilised in the making of loans to customers will be held in the separately designated bank account which will also be held under the Declaration of Trust.
- Verification of the loans held under the Declaration of Trust will be carried out by an independent auditor on behalf of the SPV at 3 monthly intervals.

## **SECURITY**

A loan Agreement between the SPV (Cherry Godfrey Consumer Funding III Limited) and Cherry Godfrey Finance Limited will exist to enable the SPV to lend the proceeds raised from the loan notes to Cherry Godfrey Finance Limited. These funds will be used for customer loans as described above and be monitored by the SPV's auditor.

The customer loans will be subject to a Security Agreement in favour of the Trustee. The Trustee will execute the Declaration of Trust to hold the loans and the segregated bank account for the benefit of the Loan Note Holders.

Under the terms of the Loan Note Instrument there will be a number of default triggers. If a default occurs the Trustee will take possession of the loans and the designated bank account and these assets will be held for the exclusive benefit of the SPV Loan Note holders.

The key events of default will be:

1. The Company is declared to be état en désastre or ceases to trade.
2. The Company fails to meet the interest payment to the SPV.
3. Failure of Security as advised by the Auditor.

## **INVESTMENT RETURN**

Returns on the Loan Notes will be based upon the total capital provided by investors, whether fully utilised or not.

Consumer Loans to the customers of Cherry Godfrey Finance will earn interest at circa 14%.

This will provide for;

- Average Loan Note interest payments 6% pa
- Anticipated bad debt of circa 0.35%
- Running costs of the SPV 0.5%
- Cherry Godfrey Finance margin 7.15%

It is possible that further loan notes will be issued in future.

## **REPAYMENT OF LOAN NOTE**

The loan notes will be transferable.

Cherry Godfrey will have the right to repay the loan notes or part thereof (any partial early repayment will be not less than 50% of the value of the loan notes) at any time after the expiry of 24 months following the commencement date.

This information is an advertisement and not a prospectus. It does not constitute an offer, or an invitation to purchase, securities in Guernsey. Investors should not purchase or subscribe for any securities referred to in this advertisement except on the basis of information contained in the prospectus which is available at the registered office of Cherry Godfrey Consumer Funding Limited, 1 Fountain Street, St Peter Port, Guernsey, GY1 4AQ during normal business hours on any weekday.

Investment in Cherry Godfrey Consumer Funding III Limited does not fall within the scope of the Banking Deposit Compensation Scheme (Bailiwick of Guernsey) Ordinance, 2008 and accordingly any loss of investment in Cherry Godfrey Consumer Funding III Limited is not eligible for compensation under that Ordinance.

Loan Note Registered under 5.02 (4) of the Prospectus Rules by the Guernsey Financial Services Commission. Issued by Cherry Godfrey Consumer Funding III Limited reg no 55040. Contact [investment@cherrygodfrey.com](mailto:investment@cherrygodfrey.com)