

**REPORT AND FINANCIAL STATEMENTS**  
**MarkitLend US Consumer Finance Fund LP**  
**For the year ended December 31, 2017**  
**with Report of Independent Auditors**

**July 2, 2018**

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## MarkitLend US Consumer Finance Fund

### Partnership Information

<b>General Partner</b>	MarkitLend P2P Investments LLC
<b>Investment Manager</b>	MarkitLend Investment Advisors LLC
<b>Registered Office</b>	850 New Burton Road, Dover, DE 19904
<b>CEO</b>	Fernando V. Sanchez
<b>CIO</b>	Michael A. Sonenshine, CFA
<b>Auditor</b>	PricewaterhouseCoopers Slovensko, s.r.o.

## Directors' Report

The Directors of the General Partner present their report and accounts for the MarkitLend US Consumer Finance Fund LP ("the Partnership") for the year ended December 31, 2017.

### Activity

The Partnership was formed on December 23, 2016 under filing number 626297. The Partnership began operations in April 2017. The General Partner to the Partnership is MarkitLend P2P Investments LLC (the "General Partner") and the Investment Advisor to the Partnership is MarkitLend Investment Advisors LLC (the "Investment Advisor").

The investment objective of the MarkitLend US Consumer Finance Fund is to seek high income and return of principal, taking into account the overall risks of investing, including the possibility of losses due to defaults and volatility of month-to-month and year-to-year returns.

The Partnership invests substantially all of its assets in US Consumer loans or structured instruments linked to such loans. US Consumer loans are loans made to US individuals whose stated purpose in borrowing is to finance or re-finance personal loans.

### Results

At year-end, the net assets were \$104,070. Capital invested into the Partnership was \$100,000. The Partnership's net income for the year was \$4,070.

The General Partner of the Partnership is satisfied that Partnership has been invested in line with its stated objectives. The General Partner believes the financial statements of the Partnership materially represent the true state of affairs of the Partnership.

## Report of the Investment Manager

During 2017, the US Consumer Finance Fund invested in 551 Notes, the performance of each being linked to a particular consumer loan. All consumer loans in the portfolio had contractual terms that call for payment of interest and principal monthly. All notes had term to maturity of 36 months from date of issuance with contractual cash flows being divided into equal monthly amortizing installments of principal and interest. As at December 31, 2017 30 notes had been fully repaid.

The portfolio of outstanding notes consisted of

- 457 loans classified as current and performing (\$99,055 notional principal value)
- 53 notes that had been issued, with contractual payments schedule beginning after December 31, 2017 (\$4,626 notional principal value)
- 8 loans classified as "non-performing" (\$2,644 notional principal value)
- 11 loans "not yet issued" (\$650 committed investment value)

The first investments were made in April 2017. By the end of July 2017 the portfolio had been substantially fully invested. During the year the portfolio generated \$7,424 in cash from interest income, net of service fees and similar charges.

The notional principal value of the portfolio excluding the loans not yet issued as at year end stood at \$106,325. The unrealized loss on the fair value of the investments was \$2,597 and is primarily due to expected loan losses.

As at the end of the year the weighted average gross yield on the portfolio was 15.05%. Adjusting for service fees the weighted average gross yield was 14.05%. The weighted average term to maturity of the portfolio was 30.8 months.

### **Report of the General Partner**

The Directors of the General Partner are Mr. Fernando Sanchez and Mr. Michael Sonenshine. The Directors have served continuously since the Partnership was formed. No Director has resigned or was appointed during the course of the year.

The General Partner is responsible for the maintaining the books and record of the Partnership, setting the investment objectives of the Partnership, determining the policy of the Partnership with respect to setting aside provisions for losses and for monitoring the overall portfolio in relation to the stated objectives.

The General Partner has appointed PricewaterhouseCoopers Slovensko, s.r.o. to audit the Partnership's financial statements for the year 2017.

### **Statement of General Partner's Responsibilities in Respect of the Financial Statements**

The General Partner is responsible for the preparation of financial statements for each financial period which give a true and fair View of the Partnership's state of affairs as at the end of the period and the results of its operations for the period then ended.

In preparing these financial statements, the General Partner is required to ensure that the financial statements comply with the Limited Partnership Agreement to the U.S. GAAP. The General Partner has prepared these financial statements on the going concern basis.

The General Partner is required to select suitable accounting policies and then apply them on a consistent basis. In doing so the General Partner is required to make judgements and estimates that are reasonable and prudent.

The General Partner is responsible for keeping proper accounting records, for safeguarding the assets of the Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The General Partner hereby affirms that it has undertaken its duties in keeping with its fundamental responsibilities here stated. This report is signed as of July 2, 2018 by Michael Sonenshine, for and on behalf of the General Partner.

Signed for and on behalf of the General Partner



Michael A. Sonenshine



## Report of Independent Auditors

To the General Partner of MarkitLend US Consumer Finance Fund LP

We have audited the accompanying financial statements of MarkitLend US Consumer Finance Fund LP, which comprise the Statement Assets, Liabilities and Partners' Capital, including the Condensed Schedule of Investments as of December 31, 2017 and the related Statements of Operations, of Changes in Partners' Capital, and of Cash Flows for the year then ended.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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The firm's ID No. (IČO): 35 739 347.

Tax Identification No. of PricewaterhouseCoopers Slovensko, s.r.o. (DIČ): 2020270021.

VAT Reg. No. of PricewaterhouseCoopers Slovensko, s.r.o. (IČ DPH): SK2020270021.

Spoločnosť je zapísaná v Obchodnom registri Okresného súdu Bratislava I, pod Vložkou č.: 16611/B, Oddiel: Sro.

The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.



## Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MarkitLend US Consumer Finance Fund LP at December 31, 2017, and the results of its operations, changes in its partners' capital and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers Slovensko, s.r.o.*

PricewaterhouseCoopers Slovensko, s.r.o.  
Bratislava, July 2, 2018

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The firm is registered in the Commercial Register of Bratislava I District Court, Ref. No.: 16611/B, Section: Sro.

**Statement Assets, Liabilities and Partners' Capital**  
**December 31, 2017**

*(expressed in U.S. Dollars)*

**Assets**

Cash and cash equivalents	\$ 479
Investments owned at fair value (cost of \$106,974)	104,378
Total assets	<u>104,857</u>

**Liabilities**

Management fee payable	757
Other payables to the general partner	30
Total liabilities	<u>787</u>

Commitments (Note 7)

<b>Partners' capital</b>	<u>104,070</u>
Total liabilities and partners' capital	<u>\$ 104,857</u>

Units of outstanding partners' capital	<u>10,000</u>
Net asset value (NAV) per unit	<u>\$ 10.41</u>

The accompanying notes are an integral part of these financial statements.



**Condensed Schedule of Investments**  
**December 31, 2017**

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<i>(expressed in U.S. Dollars)</i>	<b>Cost</b>	<b>Fair Value</b>	<b>Fair Value as a % of Partners' Capital</b>
Committed investments	\$ 650	\$ 650	0.006%
Investments in U.S. consumer loans	106,325	103,728	99.7%
Total investments owned	\$ 106,975	\$ 104,378	100.3%

The accompanying notes are an integral part of these financial statements.

**Statement of Operations**  
**Year ended December 31, 2017**

*(expressed in U.S. Dollars)*

**Investment income**

Interest income	\$ 7,661
Other income	3
Total investment income	<u>7,664</u>

**Expenses**

Management fees	757
Loan service fees	240
Total expense	<u>997</u>
Net investment income	<u>6,667</u>

**Realized and change in unrealized gain (loss) from investments**

Net realized gain (loss) from investments	-
Net change in unrealized loss from investments	(2,597)
Net realized and unrealized loss from investments	<u>(2,597)</u>
Net increase in partners' capital from operations	<u>\$ 4,070</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Changes in Partners' Capital**  
**Year ended December 31, 2017**

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*(expressed in U.S. Dollars)*

<b>Partners' capital, January 1, 2017</b>	\$ -
Contributions	100,000
Partner capital withdrawn	-
Net increase in partners' capital from operations	4,070
<b>Partners' capital, December 31, 2017</b>	<u>\$ 104,070</u>

The accompanying notes are an integral part of these financial statements.

**Statement of Cash Flows**  
**Year ended December 31, 2017**

*(expressed in U.S. Dollars)*

<b>Cash flow from operating activities:</b>	
Net increase in partners' capital from operations	\$ 4,070
Adjustments to reconcile net increase in partner's capital from operations	
Net change in unrealized losses from investments	2,597
Purchase of investments	(130,626)
Principle payments received from investments	23,651
Increase (decrease) in operating liabilities	
Management fees payable	757
Payable to general partner	30
Net cash used in operating activities	<u>(99,521)</u>
<b>Cash flow from financing activities:</b>	
Contributions	<u>100,000</u>
Net cash provided by financing activities	<u>100,000</u>
Net increase in cash and cash equivalents	<u>479</u>
<b>Cash and cash equivalents</b>	
Beginning of period	<u>\$ -</u>
End of period	<u>\$ 479</u>

The accompanying notes are an integral part of these financial statements

## Notes to Financial Statements December 31, 2017

### 1. Organization and Business

MarkitLend US Consumer Finance Fund (the "Partnership" or the "Fund") is a Limited Partnership formed under the laws of the State of Delaware, U.S. The Partnership was formed on December 23, 2016 and commenced operations in April 2017.

The General Partner is MarkitLend P2P Investments LLC (the "General Partner"). The General Partner has appointed MarkitLend Investment Advisors LLC as Investment Advisor (the "Investment Advisor"). The General Partner is a wholly owned subsidiary of MarkitLend Investment Advisors LLC. The Partnership has no employees.

The investment objective of the MarkitLend US Consumer Finance Fund is to seek to high income and return of principal by investing in loans made to U.S. consumers or in assets effectively linked to such loans. The Investment Advisor is tasked with the investment of the Fund's assets according to the Fund's stated investment objective. In pursuing the investment objective, the Fund's Investment Advisor takes into account the overall risks of investing, including the possibility of losses due to defaults and volatility of month-to-month and year-to-year returns.

The General Partner is responsible for arranging the affairs of the Fund, determining the Fund's accounting policies, maintaining the books and records of the Fund, establishing accruals for income and expenses and determining the fair value of the Fund's investments. The General Partner's policy is to ensure that all assets of the Fund are held in accounts titled in the name of the Fund. Neither the General Partner nor the Investment Advisor holds assets belonging to the Fund in their own accounts. The General Partner establishes for accounting and record keeping purposes a capital account in the Fund's books for each investor in the Fund as well as for itself. Profits and losses of the Fund are allocated among the capital accounts in proportion to the amount of Fund capital represented by the particular capital account. The General Partner's account receives the same accounting and allocation treatment as all other investors in the Fund.

All of the Fund's assets during the year ended December 31, 2017 were invested in 529 notes issued, or to be issued, by Lending Club, the cash flows of which are linked to the underlying U.S. consumer loans. Each note represents the Partnership's interest in a particular U.S. consumer loan. All notes were purchased upon origination by Lending Club.

### 2. Significant Accounting Policies

#### Basis of Presentation

The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). The Fund is an investment company and follows the accounting and reporting requirements of FASB Accounting Standards Codification ("ASC") 946.

#### Use of estimates

The preparation of financial statements in accordance with U.S. GAAP requires the General Partner to make estimates and assumptions in determining the reported amounts of assets and liabilities, including the fair value of investments, and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

**Notes to Financial Statements**  
**December 31, 2017**

**Foreign Currency**

The books and records of the Fund are maintained in U.S. Dollars. The Fund holds no investments in foreign currencies or entered into any foreign currency transactions.

**Cash and cash equivalents**

Cash and cash equivalents comprises cash on hand and demand deposits. Cash equivalents are short term highly liquid investments with original maturities less than 90 days that are readily convertible to known amounts of cash and which are subject to insignificant changes in value. .

**Investment Transactions and Related Income and Expense**

Realized and unrealized gains and losses from investments owned are reflected in the net realized and change in unrealized gain (loss) from investments in the accompanying statement of operations. Investments are recorded at cost on the trade date. Realized gains and losses on investment transactions are determined using cost calculated on a specific identification basis and occur when an investment is charged-off as being uncollectable and unrecoverable.

Interest income on non-performing loans is generally not recognized until that income is received. A loan in the Fund's investment portfolio is classed as non-performing when it is more than 15 days past due. In General, loans that reach 150 days past due are charged-off as recovery is no longer considered to be probable. The table summarizes the Fund's non-performing loans within the investment portfolio (at cost):

16 - 30 days past due	\$ 878
31- 149 days over due	1,766
Defaulted	-
Total notional value of non-performing loans	<u>\$ 2,644</u>

Non-interest income, such as late payment fees and recoveries of charged-off loans, is recognized when received. During the year ended December 31, 2017 such income amounted to \$3.

**Net asset value per share**

The net asset value per share is calculated in accordance with the Offering Memorandum and the Limited Partnership Agreement by dividing the net assets included in the assets, liabilities and partners' capital by the number of partnership units outstanding at the time.

**Income taxes**

The Partnership is a pass-through entity for the purpose of U.S. income taxes. Each partner is responsible for declaring and paying taxes on his/her share of the Partnership Income. Unless the Partnership is required to do so, the Partnership does not withhold tax from distributions to Partners. During 2017, there were no taxes withheld from the Partnership nor was the Partnership required to withhold taxes.

## Notes to Financial Statements December 31, 2017

### Organization costs

The Partnership had no organization costs.

### 3. Fair Value Measurements

In accordance with the authoritative guidance on fair value measurements and disclosures under U.S. GAAP, the Fund discloses the fair value of its investments in a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to valuations based upon unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to valuation based upon unobservable inputs (Level 3 measurements) that are significant to the valuation. The guidance establishes three levels of the fair value hierarchy as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that the Fund is able to access.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable either directly or indirectly. These inputs may include: (a) quoted prices for similar assets in active markets; (b) quoted prices for identical or similar assets in markets that are not active; (c) inputs other than quoted prices that are observable for the asset; or (d) inputs derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs that are unobservable and significant to the entire fair value measurement.

The availability of valuation techniques and observable inputs can vary from investment to investment and are affected by a wide variety of factors, including the type of investment, whether the investment is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, determining fair value requires more judgment. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the investments existed. Accordingly, the degree of judgment exercised by the Fund in determining fair value is greatest for investments categorized in Level 3.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information and other factors. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

However, the determination of what constitutes "observable" requires significant judgment by the General Partner. The General Partner considers observable data to be market data, which is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. The categorization of a financial instrument within the hierarchy is based upon the pricing transparency of the instrument and does not necessarily correspond to the General Partner's perceived risk, or liquidity, of that instrument.

**Notes to Financial Statements**  
**December 31, 2017**

When determining fair value, the General Partner uses valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. The valuation techniques used by the General Partner to determine fair value are consistent with the market or income approaches. Investments classified within Level 3 have unobservable inputs, as they trade infrequently or not at all. When observable prices are not available for these investments, the General Partner uses one or more valuation techniques (e.g., the market approach and the income approach) for which sufficient and reliable data is available.

The market approach includes valuation techniques that use prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities. The market approach includes valuation techniques that use observable market data. Observable market data includes current rates of interest available at peer-to-peer platforms where the Fund invests, publicly observable loan loss rates for similar types of loans as reported by the U.S. Federal Reserve Bank and publicly observable data periodically released by the originators of the loans held by the Fund.

The income approach includes valuation techniques that measure the present value of anticipated future economic benefits (i.e. net cash flows). The estimated net cash flows are forecast over the expected remaining economic life and discounted to present value using a discount rate commensurate with the level of risk associated with the expected cash flows. The General Partner uses the income approach to value its investments in loans and peer-to-peer loan notes.

Inputs used under the income approach include annual projected cash flows for each investment through its expected remaining economic life discounted to present value using appropriate risk-adjusted discount rates. Inputs used under the income approach may include an assessment of the credit profile of the loans as of the measurement date, the Fund's experienced prepayment and default rates, the General Partner's experience with similar portfolios and the actual and forecast default rates published by the originators of the loans held by the Fund. There can be no assurance that actual results will not vary significantly from the General Partner's own estimates.

The following table presents the investments owned at fair value on the statement of assets, liabilities and partners' capital by caption and by level within the valuation hierarchy as of December 31, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Committed investments	\$ 650	-	-	\$ 650
U.S. consumer loans	-	-	103,728	103,728
Total investments owned, at fair value	<u>\$ 650</u>	<u>-</u>	<u>103,728</u>	<u>\$ 104,378</u>



## Notes to Financial Statements December 31, 2017

### 4. Related Parties

The Fund pays a management fee to the Investment Advisor monthly in an amount equal to 1/12 of 1% of each partner's capital account as of the last business day of each month. The management fee for the year ended December 31, 2017 is \$757. The General Partner, at its sole discretion, can elect to reduce, waive or calculate differently the management fee with respect to any partner. The General Partner's policy is that all partners will be treated equally with respect to management fees.

The General Partner reimburses the fund for all Fund Expenses that are not directly related to investment activity, including, but not limited to audit and accounting fees, bank charges, registration fees. For the year ended December 31, 2017, fees charge to the Partnership's bank accounts amounted to \$540 and were fully reimbursed by the General Partner. As of December 31, 2017, \$30 in accounts payable to General Partner represents cash deposited in the Fund's account to cover future fees and expenses. Registration and filing fees of \$432 and audit fees of \$17,850 were paid directly by the General Partner.

Neither the General Partner nor the Investment Manager receives an Incentive Fee or an Incentive Allocation of profits.

Michael Sonenshine and Fernando Sanchez are the Directors of the General Partner. The General Partner is a wholly owned subsidiary of the Investment Manager. Mr. Sonenshine and Mr. Sanchez own and control jointly the Investment Manager. Neither the General Partner, nor Mr. Sanchez, nor Mr. Sonenshine received any fees or any remuneration for acting as General Partner to the Partnership.

Mr. Sanchez is currently the only investor in the fund, who purchased 10,000 units in the partnership for \$100,000. His investment carries no terms or conditions that are expected to be different to those of any other investor in the Partnership. The Fund intends to subscribe additional investors during 2018.

### 5. Commitments

In the normal course of its operations, the General Partner, acting for and on behalf of the Fund, enters into contracts that contain a variety of representations and warranties which provide general indemnifications. The Fund's maximum exposure under these arrangements is unknown, as this would involve future claims that may be made against the Fund that have not occurred.

To the date of this report the Fund has not entered into any commitments or contracts that could create any liabilities toward the Fund.

The General Partner bears all liabilities of the Fund per applicable law, but there can be no assurance that a litigant could lodge a successful claim against the Fund. The General Partner expects the risk of loss to be remote in any case.

## Notes to Financial Statements December 31, 2017

### 6. Partnership Terms

The Fund maintains separate capital accounts for the limited partners as well as for the General Partner. The capital accounts represent the amount invested by each of the partners and are increased or decreased as of the end of each fiscal period, generally in proportion to the relative balances in each capital account as of the beginning of the fiscal period.

Capital contributions may be made as at times as the General Partner shall determine. Withdrawals from the Fund are limited in any period to the principal and interest accruing to the limited partner during that period and notice is required. The General Partner, in its sole and absolute discretion, may restrict withdrawals.

Generally, to the extent permitted by applicable law, the Fund allows investors to receive distributions of net investment income at the end of each calendar quarter or as soon as reasonably practicable thereafter; provided, however, that the General Partner or its delegate may determine to make distributions at such other times as it may determine in its sole discretion may allow partners to withdraw amounts greater than the accruing principal and interest in each period, up to the entire capital of the investor. The General Partner may also limit or otherwise bar investors from making withdrawals.

The General Partner, in its sole and absolute discretion, may suspend the calculation of the Fund's partners' capital and/or the withdrawal of capital during the existence of any state of affairs as a result of which the Fund, in the opinion of the General Partner, is unable to value and/or dispose of its assets (or it is not reasonably practicable or would be prejudicial to limited partners to do so). The General Partner may temporarily suspend withdrawals if necessary to liquidate positions in an orderly manner.

### 7. Risk Associated with Investments

The Partnership invests all its assets in credit instruments and therefore is primarily exposed to credit risk, liquidity and liquidity risk.

#### Credit Risk

Credit risk is the risk that the loans Fund invests in will not be repaid in full or on time. Generally, the terms of the notes the Fund purchases indicate that loans past due by more than 150 days will be charged off as being uncollectible and no recovery for the Fund as a noteholder is possible. Loans can also be charged off due to bankruptcy of the debtor.

Cash and cash equivalent balances held at peer-to-peer lending platforms are generally not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The Fund holds substantially all of its cash and cash equivalents at the peer-to-peer platform(s) where the fund invests. If a peer-to-peer platform fails to perform pursuant to its obligations, the Fund may experience delays in gaining access to its cash or suffer losses up to the full amount of cash that is held at the relevant platform.

## Notes to Financial Statements December 31, 2017

Peer-to-peer loan notes have exposure to certain degrees of risk, including interest rate risk, market risk, and the potential non-payment of principal and interest; including default or bankruptcy of the issuer or intermediary in the case of participations.

### **Interest Rate Risk**

The General Partner may re-value or de-value of the Fund's investments in response to changes in market interest rates, which is a primary input for determining fair value. The procedure for valuing the Fund's investments generally calls for setting a discount rate at which the cash flows of the Fund's investments are to be discounted. A lower rate will cause the stated fair value to rise while a higher rate will cause the stated fair value to fall.

Prepayment risk exists to the extent the Fund invests in notes without call protection terms. Because prepayments generally increase when interest rates fall, the Fund is subject to the risk that proceeds from repayments will have to be reinvested in securities with lower rates. Likewise, since prepayments typically decrease when interest rates rise, the Fund may hold lower yielding securities with longer maturities.

### **Illiquid Securities**

The Fund may hold substantially all its investments in securities that are not readily marketable or that are thinly traded. Although the Fund bases its valuation on market inputs the Fund may not be able to readily sell these investments, and, in some cases, may be legally or contractually prohibited from disposing of such securities for a specified period of time due to a lockup, or other provisions. These limitations on the liquidity of the Fund's investments may prevent, or delay, a sale, and may reduce the amount of proceeds that might otherwise be realized. In addition, when there is changing market conditions, investments that were historically liquid may become illiquid.

### **Legal, Tax and Regulatory Risk**

Legal, tax and regulatory developments may adversely affect the Fund or the markets in which the Fund conducts its trading activities. Such changes may impose additional legal and compliance burdens on the Fund and/or the General Partner or the Investment Advisor. Any regulations which restrict the ability of the Fund to trade and operate may have a material adverse impact on the consolidated financial statements.

### **Documentation Risk**

Transactions relating to many types of financial instruments, including but not limited to over the counter ("OTC") derivatives instruments, bank loans, and other structured notes are subject to documentation risk. This includes the risk that the parties may interpret contractual terms differently when the Fund, or counterparty, seeks to enforce its contractual rights. If that occurs, the outcome may be different than the Fund's interpretation and the impact to the Fund may be material.

**Notes to Financial Statements**  
**December 31, 2017**

**Market Risk**

Market risk is the risk that the value of investments held by the Fund will decrease due to movements in market factors including interest rate risk, foreign currency exchange risk and default risk.

**Geographic Risk**

If several investments are connected in one geographic area, the Fund could be severely impacted by adverse developments affecting that geographic area. All of the Fund's notes are linked to consumers in the United States.

**Leverage Risk**

The Fund does not use leverage and does not intend to use leverage in the future.

**Structured Products Risks**

The Fund is subject to risks associated with investments with contractual cash flows linked to the performance of underlying loans. The value, liquidity and related income of the loans themselves are sensitive to changes in economic conditions, including real estate value, prepayments, delinquencies and/or defaults, and may be adversely affected by shifts in the market's perception of the issuers and changes in interest rates. Furthermore the Fund is exposed to the risk that the issuer originating the loans and issuing the notes may not honor the terms of its commitment to pass through the underlying cash flows.

**8. Financial Highlights**

The Fund's financial highlights shown below consists of the total return, the expense ratios and the net investment income (loss) ratio. These financial highlights are for all partners based on the timing of contributions and other factors. An individual's partnership performance may vary. The following table summarizes the Fund's financial highlights during the year:

Total return ratio	4.02%
Expense ratio	0.98%
Net investment income ratio	7.57%

The total return ratio is determined using a time-weighted rate of return methodology in which monthly rates of return are geometrically linked. Total return is calculated net of all investment related and operating expenses.

The expense ratio is determined by dividing the total investment-related and operating expenses (including management fees) by the average monthly partners' capital.

The net investment income ratio is determined by dividing the net investment income by the average monthly partners' capital.

**Notes to Financial Statements**  
**December 31, 2017**

**9. Subsequent Events**

Events subsequent to year end have been evaluated through July 2, 2018, the date as of which the financial statements were issued.

There have been no additional subsequent events that occurred during this period that would require recognition or disclosure in the financial statements as of December 31, 2017 or for the year then ended, other than those events described below.

Subsequent to December 31, 2017, there were no significant changes to the Partnership's financial affairs. As of June 30, 2018 the Partnership's NAV was \$108,740 or \$10.87 per partnership unit.