



## Q1 2018 QUARTERLY LETTER

Dear Investor,

During Q1 2018, The Rama Fund, LLC (the “Fund”) was up 1.89% net of fees. Since our inception in September 2008, the Fund has generated a cumulative net return of 138.93%, our average annualized net yield is 9.60% and we have produced 114 consecutive months of positive returns for our investors.<sup>1</sup>

	<u>Q1 2018</u>	<u>YTD</u>
<b>The Rama Fund (Net of Fees)</b>	<b>1.89%</b>	<b>1.89%</b>
Barclays Aggregate Bond Index	-1.46%	-1.46%

### ***Commentary***

While it may seem counterintuitive, rising interest rates are having a positive impact on volume growth for non-prime mortgage originators like ourselves. From 2010 through 2016, interest rates were historically low and as a result there was a refinancing boom within the A-paper or conventional mortgage world. Mortgage brokers were so busy cranking out A-paper loans that were underwritten by software programs, that they didn’t want to work with non-prime borrowers whose loans would require a manual underwrite. Now that interest rates have risen materially over the past eighteen months, and are expected to continue to move higher going forward, refinance volume has fallen considerably. In order to preserve their income streams and lifestyles, mortgage brokers are now motivated to work on non-prime loans which require a little more effort. Therefore, while the overall mortgage market is contracting, the non-prime sub-sector is gaining momentum. In December 2017, Standard & Poors announced their forecast for the non-prime mortgage market to double or triple in size in 2018.

What this means for us is that we have a deeper pool of potential loans to swim through. With more volume available, we can be even more selective about the loans we ultimately choose to own. We continually remind ourselves not to chase yield and to remain disciplined in our lending standards.

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<sup>1</sup> Prior performance is no guarantee of future results.

## Portfolio

The Fund's loan portfolio consists of 346 loans, of which 91.4% are current.

DELINQUENCY SCHEDULE						
	Current	30-60 Days	60-90 Days	90+ Days	Foreclosure	Total
Fund # of Loans	332	2	1	0	11	346
Fund Portfolio Weight	91.4%	0.2%	1.2%	0.0%	7.1%	100.0%

We closed the sale of the Fund's last two remaining REOs during Q1 2018 and both executed at the sales price agreed upon in our initial contracts.

MATURITY SCHEDULE							
	Q2 '18	Q3 '18	Q4 '18	Q1 '18	Q2 '19+	Foreclosure	Total
Fund # of Loans	8	20	19	40	248	11	346
Fund Portfolio Weight	3.7%	6.1%	6.4%	10.5%	66.2%	7.1%	100.0%

The weighted average remaining term to maturity of our Fund's portfolio is 52 months and we have 8 loans maturing in the next quarter.

For more detail into the Fund's portfolio composition, please refer to our monthly performance letters.

## Pipeline

Athas Capital Group is our affiliated mortgage bank that provides The Rama Fund with proprietary deal flow. Athas' current pipeline is as follows:

PIPELINE					
	Number of Loans	Amount of Loans	Avg Loan Size	Wtd Avg LTV	Wtd Avg Coupon
Executed LOIs <sup>2</sup>	184	\$84.1M	\$0.8M	62.1%	8.6%
Pending LOIs <sup>2</sup>	34	\$24.2M	\$4.6M	68.0%	8.0%

Since its launch in July 2008, Athas has successfully closed 3,502 loans totaling \$1.2 billion.

Sincerely,

Alim Kassam  
Co-Chief Executive Officer

Brian O'Shaughnessy  
Co-Chief Executive Officer

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<sup>2</sup> A Letter of Interest ("LOI") is a document executed by our borrowers that details our proposed loan terms.