



## Strand Capital Limited - In Special Administration Update for clients (and all other relevant parties)

The Joint Special Administrators' ("JSA's" or "we") recognise that this is an unsettling time for all parties who are involved in the Special Administration of Strand Capital Limited ("Strand" or "Company"). With this in mind this document may provide a useful update on the process to date and moving forward.

For those who may be unfamiliar with the circumstances surrounding the appointment of the JSAs we have included some background information on the issues that have been arisen so far.

It should be noted that the information provided in this update is generic and that each client's individual position may differ. The note is prepared for information purposes only and whilst the JSAs have tried to ensure its accuracy and applicability, no reliance should be placed on it by any party in respect of individual claims.

### Appointment Background

We understand that the Company ceased providing services to clients on the 22 March 2017, and the Court subsequently appointed the JSA's on the 17 May 2017. At the time of our appointment the Company had no employees, no active IT systems (including limited access to client data) and very limited physical records to rely upon. No regulated activities had been undertaken for over a month and there were potential issues relating to the CASS adherence of operations prior to special administration.

Since the JSA's appointment the JSA's have been working to resolve these matters, as well as to secure all client asset holdings, and in particular cases to undertake physical reconciliations of investments. Unfortunately, such matters take time and it is necessary and required by law to identify every individual client's holdings position, and to verify if these holdings match the investments that the Company was instructed to hold for clients.

### Progress update

A meeting of Creditors and Clients specifically defined in the legal regulation that applies to this case was held on 21 July 2017 ("the Meeting"). Since then the JSA's have taken significant steps towards concluding the client asset reconciliation process ("the reconciliation").

At the Meeting, it was noted that significant work was required to understand and resolve issues relating to the Optima Worldwide Group ("OWG") bonds. Not all clients hold these bonds, however, the OWG bonds account for a sizeable proportion of the client assets / monies which are under the management of Strand. The JSA's are unfortunately unable to begin the process of returning client assets, until the entire reconciliation has been completed therefore the OWG bonds position is relevant to the process.

All cash holdings have had to be pooled and each investment structure has to be reconciled before we can confirm the impact of the special administration on each individual client. With over 3,000 underlying clients; including various different client relationships and / or investment structures, that it is not possible to comment on individual positions at this juncture.

As we regard there as being outstanding issues relating to historic cash interest payments on the OWG investments, meaning that we are unable to confirm that the cash holdings are reconciled. The data available to the JSAs suggests that there is an outstanding balance due on certain

The affairs, business and property of the Strand Capital Limited ("the Company") are being managed by the special administrators Adam Henry Stephens, Henry Anthony Shinnars of Smith & Williamson LLP and Virgil Levy of LA Business Recovery Limited who act as agents of the Company and without personal liability. Adam Henry Stephens and Henry Anthony Shinnars are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. Virgil Levy is licensed as an insolvency practitioner in the UK by the Insolvency Practitioners Association. Strand Capital Limited is authorised and regulated by the Financial Conduct Authority. FCA reference number: 494001. Registered in England, Company number: 03747386. Registered office: 1 Tudor Street, London, EC4Y 0AH. The word partner is used to refer to a member of Smith & Williamson LLP. A list of members is available at the registered office. Registered in England at 25 Moorgate, London EC2R 6AY No OC369631. Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. A member of Nexia International, a worldwide network of independent accounting firms. To the fullest extent permitted by law, neither the Joint Special Administrators, Strand Capital Limited, Smith & Williamson LLP or LA Business Recovery Limited assume any responsibility for the content of this information only update and do not accept any personal liability in respect of this document to any party.





investments and this also has an effect on the interest calculations and its allocation on a per client basis.

The JSA's are mindful of the need to return the assets to clients quickly but they are bound to comply with all appropriate legal requirements including complying with the Financial Conduct Authorities CASS regulation. The JSA's will continue to finalise the reconciliation as quickly as possible.

In light of the above, the JSA's are unable to provide a definitive timeline for completion of this work as they are reliant on parties outside of their direct control. However, with the continued cooperation of the aforementioned parties, the JSAs are reasonably confident that the reconciliation process will shortly reach a close. This is on the basis of the JSAs being satisfied with the cooperation. Once the reconciliation is finalised, clients can expect to see an enhanced level of communication from the JSA's outlining the next steps to achieve a return of client assets as soon as practicably possible.

We are led to believe that one key concern raised by some is a belief/concern that clients' holdings are perhaps, in common parlance, "completely" "gone" or "lost" as a result of the special administration. From the available data that does not appear to be the case and detailed below is a condensed overview of the JSAs current understanding of the client asset holding and client cash holdings position. Please also note that this should not be regarded as anything other than an illustrative list.

Asset Name	ISIN	Units as stated in special administrators proposals	Company records state	Units Internally reconciled	- Deficit + Excess
Fidelity I Stg Cr + Bd Gr	GB00B19CHJ19	9,941.840	9,941.840	9,941.840	-
BlackRock NthAmrcn EqTrk D Acc	GB00B7QK1Y37	9,592.346	9,592.346	9,592.346	-
BlackRock Idx LnkD Gilt Trckr D Acc	GB00B83RVT96	17,197.254	17,197.254	17,197.254	-
BlackRock Gbl PrpSecEqTrk D Inc	GB00B848DD97	14,959.672	14,959.672	14,959.672	-
BlackRock NURS II Global Equity D	GB00B88BTNJ16	11,332.897	11,332.897	11,332.897	-
M&G Short Dated Corp Bd I GBP	GB00B8JXBQ82	24,999.518	24,999.518	24,999.518	-
Invesco Perp Corporate Bd NT Gr Acc	GB00B8N46Z18	104,404.770	104,404.770	104,404.770	-
Lazard Emerging Markets S Acc	GB00B8QHFR21	23,936.254	23,936.254	23,936.254	-
Investec Short Dtd Bd I Gr Acc GBP	GB00B94GN522	18,255.368	18,255.368	18,255.368	-
Blueprint Industrial Engineering PLC	GB00BVYY5H66	994,981.000	994,981.000	994,981.000	-
Elaine Securities PLC	GB00BWCH5D02	2,820,174.000	2,820,174.000	2,820,174.000	-
Vernon Property PLC	GB00BWCH5G33	1,608,835.000	1,608,835.000	1,608,835.000	-
The Meredith Property Group PLC	GB00BY4K3J36	3,373,011.000	3,373,011.000	3,373,011.000	-
Euler	GB00BYP4YT17	1,058,983.000	1,058,983.000	1,058,983.000	-
Cherry Homes (Class A)	GB00BYQ65R15	47,722,473.000	47,722,473.000	47,722,473.000	-
Cherry Homes (Class B)	GB00BYQ66013	63,661,234.000	63,661,234.000	63,661,234.000	-
Vanguard Gbl Bd Index Hdg A £	IE00B50W2R13	1,782.910	1,782.910	1,782.910	-
Kames Abslut Rtrn Bd C Acc GBP	IE00B6SLQ646	23,766.120	23,766.120	23,766.120	-
Vanguard UK ST Inv Grd Bd Idx A£	IE00B9M1BB17	2,371.020	2,371.020	2,371.020	-
5alpha Adventurous UCITS	IE00BYX95950	256,642.906	256,642.906	256,642.906	-
5alpha Conservative UCITS	IE00BYX95K61	235,267.816	235,267.816	235,267.816	-
BlackRock GF IEmMkLCBd D3RFH £	LU0995345831	3,049.910	3,049.910	3,049.910	-
Minerva Lending	XS1481211412	2,097.000	2,097.000	2,097.000	-
Optima Worldwide Group PLC 8.0% (Series A)	GB00BCLYDR27	1,281.000	1,263.000	1,281.000	18.000
Optima Worldwide Group PLC 8.0% (Series C)	GB00BNY8CJ32	1,092.000	1,125.000	1,092.000	(33.000)
Optima Worldwide Group PLC 8.0% (Series D)	GB00BY7S2204	10,057,050.000	9,982,050.000	9,435,022.000	(547,028.000)
<b>Total Units:</b>		<b>132,058,711.601</b>	<b>131,983,726.601</b>	<b>131,436,683.601</b>	<b>(547,043.000)</b>
<b>Client cash position</b>		<b>12,484,175.74</b>	<b>12,643,295.74</b>	<b>12,541,843.30</b>	<b>(101,452.440)</b>

The affairs, business and property of the Strand Capital Limited ("the Company") are being managed by the special administrators Adam Henry Stephens, Henry Anthony Shinnars of Smith & Williamson LLP and Virgil Levy of LA Business Recovery Limited who act as agents of the Company and without personal liability. Adam Henry Stephens and Henry Anthony Shinnars are licensed as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales. Virgil Levy is licensed as an insolvency practitioner in the UK by the Insolvency Practitioners Association. Strand Capital Limited is authorised and regulated by the Financial Conduct Authority. FCA reference number: 494001. Registered in England, Company number: 03747386. Registered office: 1 Tudor Street, London, EC4Y 0AH. The word partner is used to refer to a member of Smith & Williamson LLP. A list of members is available at the registered office. Registered in England at 25 Moorgate, London EC2R 6AY No OC369631. Regulated by the Institute of Chartered Accountants in England and Wales for a range of investment business activities. A member of Nexia International, a worldwide network of independent accounting firms. To the fullest extent permitted by law, neither the Joint Special Administrators, Strand Capital Limited, Smith & Williamson LLP or LA Business Recovery Limited assume any responsibility for the content of this information only update and do not accept any personal liability in respect of this document to any party.





Please note that the above schedule is a breakdown of the units held by nominal value, it is not an indication of the current value of any holdings.

### Next Steps

Following the completion of the reconciliation, statements will be issued to all clients to agree their client claims. Once the individual statements are agreed we will need to establish the most effective way to return the physical assets (other than cash) to clients. This will very much depend on whether the physical assets are whole or not. Where assets are whole then they can be returned to either the client or transferred to another provider, subject to complying with the legal requirements. In circumstances where a shortfall is identified, the JSAs are required to distribute to clients on a pro rata basis.

As can be seen from the above, we have concerns relating to the OWG bonds (particularly series D) and the interest payments received from OWG January 2017. It is important to note that OWG representatives have been in discussions with the JSAs and there are different interpretations of the position.

At the Meeting referred to above, we also highlighted a discrepancy in the Series A and C bonds, but have subsequently determined that the discrepancy was due to a Company records issue such that the holdings appear complete.

Any eventual shortfall a clients' positions will form a creditor claim against the Company. Further detail of how claims are calculated and proved will follow in due course.

As indicated in our correspondence to date, it is understood that compensation is available to underlying clients' from the Financial Services Compensation Scheme ("FSCS").

The FSCS protects consumers when authorised firms fail or stop trading. In certain prescribed circumstances it protects private individuals and small businesses if an authorised firm becomes insolvent and cannot pay claims against it. The FSCS considers that the Company is in default and that eligible clients will have a claim in the FSCS and are working with the JSAs.

For eligible claims, the FSCS can pay up to £50,000 in compensation per client. If claims are paid by the FSCS, the FSCS will then assume those client claims against Strand. This means the client will assign its rights in the administration to the FSCS.

Clients may receive payment in one of two ways:

- (1) From the FSCS. If you are eligible under FSCS's rules and the FSCS pays compensation to you or your pension, then the FSCS will take over all of your rights against Strand and third parties in accordance with its payment terms: <https://www.fscs.org.uk/investment-payment-terms/>.

The Joint Administrators would then make any payments to the FSCS rather than to you, but the FSCS may be able to pay some of these monies over to you so that you are not disadvantaged (e.g. if FSCS received more than £50,000 in relation to your rights, it would pay the excess over to you).

- (2) From the Joint Administrators. If you are not eligible for compensation from the FSCS, the Joint Administrators would make any payments to you. You may be asked to confirm your bank details in due course.





The JSAs will continue to work with the FSCS as necessary to determine the position. Further updates will be given as this process continues but at present no further information can be given. There is no need to contact the FSCS at this stage. The FSCS will publish more information on its website when the position is clearer.

Please be assured that we are working closely with the FSCS and the Financial Conduct Authority to finalise the position and return client funds and assets as quickly as possible.

The JSA's appreciate that this is unlikely to eradicate all concerns pertaining to the Special Administration process but we hope that the information is helpful.

