

AA4P QUARTERLY REPORT

Amedeo Air Four Plus Limited

LSE: AA4

31st March 2016

THE COMPANY

Amedeo Air Four Plus Limited (“the Company”) is a Guernsey domiciled company, which was listed on the Specialist Fund Market (“SFM”) of the London Stock Exchange on 13 May 2015 upon the admission of 202 million Ordinary Shares (“the Equity”) at an issue price of 100p per share. On 15 December 2015, pursuant to an additional Placing Programme, the Company concluded a first placing, with the admission to trading on the Specialist Fund Market of an additional 47,000,000 New Shares of the Company at an issue price of 100p per New Share. On 15 March 2016, the Company concluded a second placing, with the admission to trading on the Specialist Fund Market of an additional 53,000,000 New Shares of the Company at an issue price of 101p per New Share. The market capitalisation of the Company was GBP 305,775,000 as of 31 March 2016.

COMPANY INVESTMENT STRATEGY

The Company's investment objective is to obtain income returns and a capital return for its Shareholders by acquiring, leasing and then selling aircraft. To pursue its investment objective, the Company will seek to use the net proceeds of placings and/or other equity capital raisings, together with debt facilities (or instruments), to acquire widebody, or other aircraft which will be leased to one or more major airlines.

The Company aims to provide Shareholders with an attractive total return comprising income, from distributions through the period of the Company's ownership of the Assets, and capital, upon the sale of the Assets.

After the acquisition of the Sixth Asset in Q2 2016, the Company's articles of incorporation provide that the Company may only acquire further aircraft with the approval of Shareholders by ordinary resolution in relation to each proposed acquisition. In such circumstances, it is the current intention of the Directors to offer Shareholders the opportunity to participate in the equity financing of such further acquisitions on a broadly pre-emptive basis, although other approaches to the equity financing may also be considered and pursued if the Directors consider it appropriate to do so.

In line with the Company's investment objective, the Company will continue to seek out further investments in widebody aircraft with good credit counterparties.

CURRENT INVESTMENTS

Since the completion of its initial public offering on 13 May 2015, the Company has acquired five Airbus A380 aircraft, the last of which was delivered in February 2016. All five A380 aircraft are leased to Emirates for a period of 12 years with fixed lease rentals for the duration. In order to complete the purchase of the aircraft, subsidiaries of the Company, entered into debt financing agreements with a senior fully amortising loan and a junior balloon loan. The Company used the equity proceeds, in addition to the finance agreements, to finance the acquisition of the five Airbus A380 aircraft. The Company plans to acquire an additional A380 in Q2 2016 using the proceeds from the latest placing, as well as entering into debt financing agreements in order to purchase this aircraft.

INCOME & CAPITAL RETURNS ON CURRENT ASSETS

The Company receives income from the leases and its Directors are currently targeting a gross distribution to the shareholders of 2.0625p per share per quarter, amounting to a yearly distribution of 8.25%, at least until such time as any aircraft other than the Initial Assets are acquired.

The total return for a shareholder investing today at current share price (31 March 2016) consists of future income distributions during the remaining lease durations and a return of capital once the aircraft are sold (assuming no reinvestment agreed by Shareholders). Under the terms of the Leases, Emirates Airlines will bear the cost of repair and maintenance of the Assets and will be required at its own cost to insure each Asset against both damage and third party liability. At the end of the Leases, Emirates Airlines will be required to redeliver the Assets in full-life physical condition or alternatively by a combination of redelivery in a specified minimum physical condition, as set out in each Lease, plus cash compensation (payable by Emirates Airlines) which together with the aircraft sales proceeds amounts to the appraised (forecast) asset value in full-life condition. The sale of the aircraft is subject to the future market value and the respective sales proceeds of the aircraft, which will likely be quoted in US dollars and are subject to the exchange rate to Sterling at that point in time. Three independent appraisers will provide the Company with their future market values for the aircraft at the end of each financial year.

FACTS (31 March 2016)

Listing	LSE	Currency	GBP
Ticker	AA4	Dividend Payment Dates	April, July, October, January
Initial Share Price	100p	Launch Date / Price	13 May 2015 / 100p
Share Price	101.25p (Closing)	Incorporation	Guernsey
Second Placing Share Price	101p	Asset Manager	Amedeo Limited
Current Targeted Distribution	8.25% p.a.	Corp & Shareholder Advisor	Nimrod Capital LLP
Market Capitalisation	GBP 305,775,000	Administrator	JTC (Guernsey) Limited
Initial Senior Debt (five aircraft)	USD 814,757,240	Auditor	Deloitte LLP
Outstanding Senior Debt Balance	USD 788,033,086	SEDOL, ISIN	BWC53H4, GG00BWC53H48
Initial Junior Debt (five aircraft)	USD 185,000,000	Year End	31-Mar
Outstanding Junior Debt Balance	USD 185,000,000	Stocks & Shares ISA	Eligible
Current Anticipated Dividend	2.0625p per quarter (8.25% p.a)	Website	www.aa4plus.com
Current Dividend Yield (based on the Current Share Price)	8.1481%		

AMEDEO'S ASSET MANAGEMENT REPORT TO AA4P



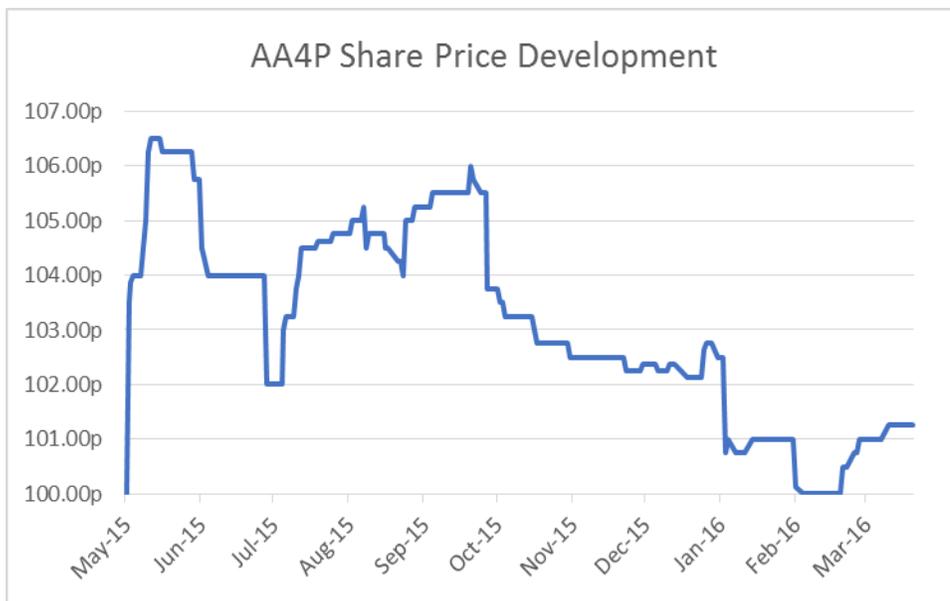
On the invitation of the Directors of the Company, the following commentary has been provided by Amedeo Limited as Asset Manager of the Company and is provided without any warranty as to its accuracy and without any liability incurred on the part of the Company, its Directors and officers and service providers. The commentary is not intended to constitute, and should not be construed as, investment advice. Potential investors in the Company should seek their own independent financial advice and may not rely on this communication in evaluating the merits of an investment in the Company. The commentary is provided as a source of information for shareholders of the Company but is not attributable to the Company.

THE ASSETS

<u>Average Monthly Utilisation</u>			
<u>MSN - Registration</u>	<u>Flight Hours</u>	<u>Flight Cycles</u>	<u>Flight Duration</u>
MSN 157 - A6-EEY	390	61	6.4
MSN 164 - A6-EOB	372	61	6.1
MSN 187 - A6-EOM	456	38	12
MSN 201 - A6-EQQ	359	58	6.2
MSN 206 - A6-EOV	143	28	5.1

All five aircraft are performing in line with expectations. Amedeo will carry out a scheduled inspection of MSN 157 and MSN 164 at the next scheduled inspection interval in approximately 3 months.

For the current location of the aircraft please visit www.amedeo.aero/portfolio/



Source: Bloomberg as of 31-Mar 2016

Q1 2016

- Asia-Pacific dominates the world share of revenue passenger kilometers at 31.5%, followed by Europe and North America
- Passenger load factors are currently at 80.4%, 0.4% above IATA's 2016 forecast
- Airbus estimates that India will require 380 widebody aircraft to keep pace with demand over the next 18 years and will be the next fastest growing emerging market
- ANA (of Japan) ordered three A380s with deliveries beginning in 2018
- Iran signed an acquisition agreement with Airbus for 118 jets including 12 A380s
- Air France substituted two A380s for three A350-900s

Source:
Ascend
© International Air Transport Association, 2015. Economic Performance of the Airline Industry, 2015 End-year report. All Rights Reserved. Available on [IATA Economics page](#)
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Despite uncertainty in the equity markets and deflation across the Eurozone, we are seeing very strong financial results from the airline industry with record high passenger traffic growth in the month of January, an increase from last year of over 7%.

Qatar's recent announcement that it would likely take an additional three A380 aircraft is as a direct result of the dramatic drop in Brent crude prices in the last year. From an industry growth perspective, low oil prices bolster passenger traffic demand which has led to record high passenger load factors in the last month across most markets. In the current economic climate, as well as the unprecedented growth in the airline industry, we are seeing a few key behavioral patterns emerge from the airlines.

The race to establish strong global networks (especially in Asia -Pacific), and partnerships between airlines has reached a fever pitch. The evolution of airline partnerships has been dramatic in the last two decades, starting with consolidation as a survival mechanism to the emergence and strengthening of global alliances. Airline consolidation has its limitations and strategic partnerships can create an even greater capacity for inorganic growth that many airlines have pursued. At first the industry was dominated with transatlantic partnerships. Now that these have been established, the airlines are looking to emerging markets to evolve the model and aggressively form cross- alliance partnerships.

In 2012 Emirates partnered with Qantas in a revenue sharing partnership that allowed Emirates to tap into Qantas's established network and vice- versa. This cross alliance partnership facilitated hub- to -hub traffic and expanded route connectivity.

In the last year, airport connections in Asia- Pacific have increased by over 7%, further facilitating passenger demand. Recently, Emirates announced a codeshare agreement with Malaysia Airlines allowing it to further tap into the Asia-Pacific market. Malaysia Airlines have greatly benefitted from such an arrangement, with increased connectivity into European and North American markets.

Since August 2015, the global network has increased with 21 new routes between Asia and Europe, 19 between Asia and North America, and 24 between Asia and the Middle East. Airlines such as Hawaiian are trying to increase their reach in

the Asia-Pacific market. This is especially true of smaller airlines that need to form strategic partnerships with Asia-Pacific carriers in order to provide customers with the connectivity they demand.

Hawaiian Airline's recent investor presentation highlighted that a focus on deploying their widebody fleet on long-haul routes has facilitated growth in its long-haul network. In the last six years, Hawaiian have increased International passenger revenue by 14%. According to Brent Overbeek of Hawaiian, the Haneda – Honolulu route has load factors of over 90% and highlights the growth potential in the Japanese market. Nearly half of Hawaiian's growth opportunities lie in developing additional routes into Asia with half of those routes in China. All Nippon Airways' recent order of three A380s to be deployed between Tokyo and Honolulu, points to the requirement of very large aircraft being used as a key tool to facilitate growth.

For airlines like Hawaiian to expand operations across Asia-Pacific they need more widebody aircraft and strategic partnerships that allow consolidation on key trunk routes with larger aircraft.

Air traffic doubles every 15 years especially with growth in Asia-Pacific running ahead of the global average. If we consider that infrastructure spending is falling behind passenger growth, we can expect to see more slot constrained airports in the coming years. Demand will grow for larger aircraft, leading to increased demand for the A380. With a limited secondary market supply purchase prices and lease rates will rise.

Source: Ascend

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