Investments in peer-to-peer lending models have vastly outpaced the alternative equity market, according to the latest research from privately funded lender West One Loans.

Alternative loans outperform alternative equities

In the year to Q1 2013, private investments in short-term secured loans generated an average yield of 11.2%.

Over the same period, FTSE Alternative Investment Market-listed shares provided an average yield of only 0.96% – 11.6 times lower than that of secured alternative lending.

- *Secured peer-to-peer investments overshadow both yields and total return from FTSE AIM*
- *Total return from alternative lending 17 percentage points ahead of AIM-listed equities*
- *Yield on secured peer-to-peer loans (11.2%) over 10 times average AIM dividend yield (0.96%)*

The total annual return generated by secured peer-to-peer investments in short-term loans is 16.9 percentage points above that of the FTSE AIM. Strong yields, and capital secured against real estate, mean that secured peer-to-peer investments provided total returns of up to 11.2% in the year to Q1 2013.

Meanwhile, AIM-listed shares over the same period saw weaker dividend yields and capital depreciation, leaving total return from an alternative equity investment at -5.7%.

Mark Abrahams, director at peer-to-peer lender West One Loans, comments, *"Equity investments of all sorts are an increasingly risky source of income. And many respected fund managers seem to agree. The medicine of quantitative easing is addictive – and not necessarily the best cure.*

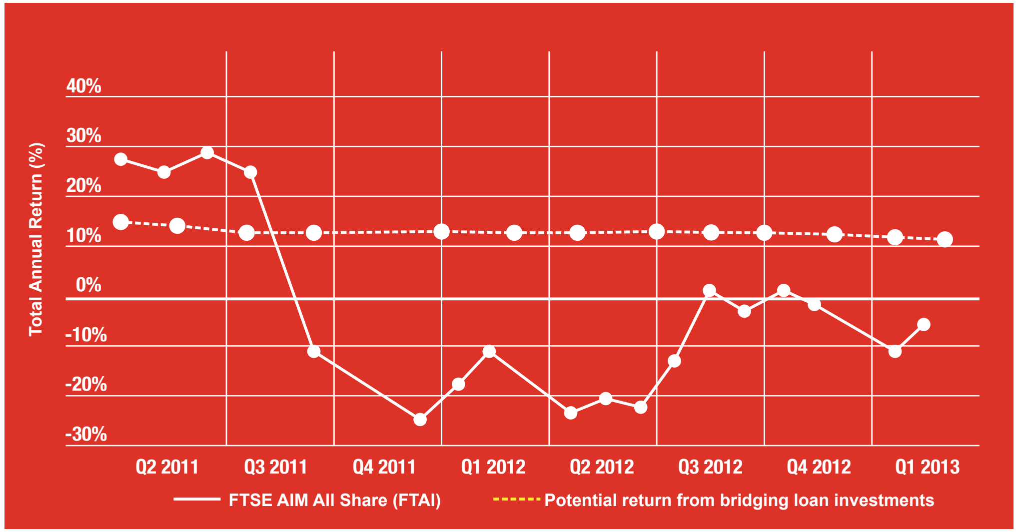
Even the slightest hint that the authorities could re-impose economic reality is met with panic on exchanges across the world.

"In the hunt for yield, peer-to-peer models are the future. Lenders and borrowers no longer need to squeeze economic activity through Victorian high streets. And many sophisticated investors are flourishing in that environment. The trend for disintermediation is accelerating."

During the period shown above, between February 2011 and March 2013, the total returns from secured peer-to-peer loans are not only far higher, but far more stable than their equity equivalents. Over this two year period, returns from secured peer-to-peer loans showed a 3% maximum variation, compared to a 55.5% maximum variation in the total annual return from the FTSE AIM.

Mark Abrahams, director at West One Loans, comments, *"Equities have their place, but when it comes to funding the most entrepreneurial small businesses, alternative lending has a growing importance too. Peer-to-peer lending is an increasingly popular way to gain access to exciting projects, while secured loans can give investors the guarantee they need that their capital investment is safe."*

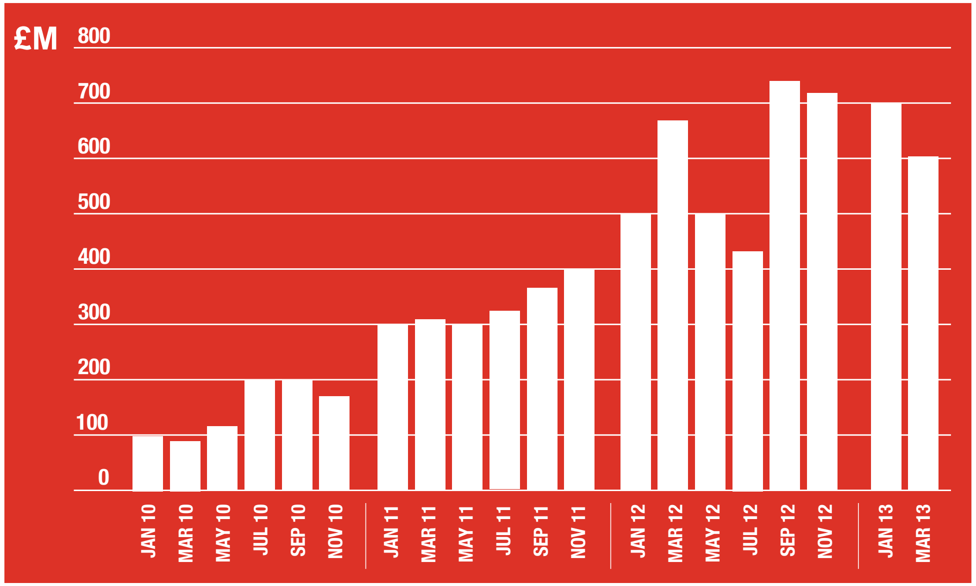
"Short-term secured loans can offer sophisticated investors the chance to chart their own approach to small business and development projects. Critically, this is without the risk of owning a portion of these ventures, as is the case with many, far more volatile alternative equities. Equally, by their very nature secured loans don't expose investors to the risk associated with unsecured peer-to-peer models."



Total Annual Return: Short-term Secured Loan vs. FTSE AIM All share

Scale of Secured Peer-to-Peer Lending

Peer-to-peer funding forms a growing proportion of the wider short-term secured lending market. West One Loans was the first lender to offer sophisticated private investors exposure to this market. Thanks to these private investors, the company has now provided £250 million in total funding to date.



Gross Lending (3 month moving average)

Duncan Kreeger, director at West One Loans, comments, *"While the bridging industry in general is growing at an astonishing pace, peer-to-peer models in particular have clear advantages over other funding models.*

Most importantly, both borrowers and investors get a more personalised product. That's demonstrated in many ways, including the rapid growth of our own business.

For West One Loans as a company, a quarter of a billion pounds is an important lending milestone that underlines the scale of our ambition."

Scale of the Bridging Industry

Aside from the specific expansion of privately-funded loans, short-term secured loans in general have continued to grow their presence in the UK according to the latest West One Bridging Index.

Industry gross bridging lending in the year to Q1 2013 was £1.60 billion. This represents 44% annual growth when compared to the same figure n the first quarter of 2012.

On a quarterly basis, growth slowed slightly. However, gross bridging lending still expanded by 2.5% quarter on quarter, or 10.3% on an annualised basis.

Duncan Kreeger, director at West One Loans commented: *"Last month the business secretary finally acknowledged the role of alternative finance. But unlike almost every mainstream lender, this industry doesn't need government help.*

"However, Vince Cable is right about one thing – mainstream banks are talking rubbish about a lack of demand for funds from SMEs.

Credit-worthy entrepreneurs and small firms are being turned down every day by the more process-driven lenders. That's why the bridging industry as a whole is providing £5 million pounds every day, to get imaginative business plans and development projects off the ground."

Notes for Editors:

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Index Methodology

West One analyses detailed data based on their own Management Information and industry sources to create the index. In some cases, where stated, three-month moving averages are employed to help reveal trends more clearly.

About West One Loans

West One Loans is a specialist provider of short term bridging finance for residential and commercial properties. Established in 2005, the company is now one of the biggest privately funded lenders in the UK, having completed deals in excess of £150 million to date.

The company is authorised and regulated by the FSA for unregulated collective investment schemes, a founder member of the Association of Bridging Professionals, patron of the National Association of Commercial Finance Brokers and member of the Association of Short Term Lenders.

Company registration number: 5385677