

## **MV Dual Credit Fund SICAV-RAIF SCA**

**(the Fund)**

*Société en commandite par actions (SCA) –  
Société d'investissement à capital variable (SICAV) –  
Fonds d'investissement alternatif réservé (FIAR)*

A reserved alternative investment fund in the form of a partnership limited by shares incorporated as an investment company with variable capital

subject to the Luxembourg law of 23 July 2016 on reserved alternative investment funds, as amended

### **Offering Document**

June 2021

**This Fund, qualifying as a reserved alternative investment fund, is an unregulated investment vehicle, which is not subject to the prudential supervision of the *Commission de Surveillance du Secteur Financier*, the Luxembourg supervisory authority of the financial sector (CSSF), or any other Luxembourg supervisory authority, although it qualifies as an alternative investment fund within the meaning of the Luxembourg law of 12 July 2013 on alternative investment fund managers. Consequently, this Offering Document will not be submitted to the CSSF or any other Luxembourg supervisory authority for formal approval of this Fund.**

This confidential Offering Document has been prepared solely for the consideration of prospective investors in MV Dual Credit Fund SICAV-RAIF SCA. Except as otherwise expressly set forth herein, distribution or disclosure of any of the contents of this Memorandum without the prior written consent of the General Partner is prohibited.

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## 1. INTRODUCTION

This Offering Document contains information about **MV Dual Credit Fund SICAV-RAIF SCA** that a prospective investor should consider before investing in the Fund and should be retained for future reference.

The Fund is a partnership limited by shares (*société en commandite par actions*) incorporated under the laws of Luxembourg as an investment company with variable share capital – reserved alternative investment fund (*société d'investissement à capital variable – fonds d'investissement alternatif réservé*) and qualifies as an alternative investment fund (AIF) within the meaning of the AIFMD. The alternative investment fund manager must be an external alternative investment fund manager within the meaning of the 2013 Law. The Fund is subject to the 2016 Law.

The Fund is managed by the General Partner, as indicated in the Directory, acting as managing general partner of the Fund, a private limited company (*société à responsabilité limitée*) incorporated and existing under the laws of the Grand Duchy of Luxembourg, having its registered office at 287-289, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B246980.

The Fund is a single legal entity incorporated as an umbrella fund comprised of separate Sub-Funds. Shares in the Fund are shares in a specific Sub-Fund. The Fund may issue Shares of different Share Classes in each Sub-Fund. Such Share Classes may each have specific characteristics. Certain Share Classes may be reserved to certain categories of investors. Investors should refer to the Supplement for further information on characteristics of Share Classes.

The Fund is registered with the Luxembourg Trade and Companies Register under number B247902. The latest version of the Articles of Association was published in the *Recueil électronique des sociétés et associations* (RESA), the central electronic platform of the Grand-Duchy of Luxembourg on 21<sup>st</sup> October 2020.

The Offering Document is based on information, law and practice at the date hereof. The Fund cannot be bound by an out of date offering document when it has issued a new offering document, and investors should check with the AIFM that this is the most recently published offering document.

The information contained in this Offering Document is supplemented by the financial statements and further information contained in the latest Annual Report of the Fund following the end of the first financial year of the Fund, copies of which may be requested free of charge from the AIFM, once available.

The General Partner has taken all reasonable care to ensure that the facts stated herein are to the best of their knowledge, true and accurate in all material respects and that there are no material facts the omission of which would make misleading any statement herein, whether of fact or opinion. The General Partner accepts responsibility accordingly.

No distributor, agent, salesman or other person has been authorised to give any information or to make any representation other than those contained in the Offering Document and in the documents referred to herein in connection with the offer of Shares and, if given or made, such information or representation must not be relied upon as having been authorised.

The distribution of the Offering Document and/or the offer and sale of the Shares in certain jurisdictions or to certain investors may be restricted or prohibited by law. The Offering Document does not constitute an offer to sell or a solicitation of an offer to buy any Shares in any jurisdiction in which such offer, solicitation or sale would be unlawful or to any person to whom it is unlawful to make such offer, solicitation or sale. It is the responsibility of any persons wishing to make an application for Shares pursuant to this Offering Document to inform themselves of and to observe all applicable laws and regulations of any relevant jurisdictions. No Shares may be acquired or held by, on behalf or for the account or benefit of, Prohibited Persons.

The distribution of this Offering Document in some jurisdictions may require the translation of this Offering Document into the languages specified by the regulatory authorities of those jurisdictions. In case of inconsistency between the translated and the English version of this Offering Document, the English version shall prevail. Please refer to the offering legends at the end of this Offering Document.

An investment in the Shares is only suitable for investors who have sufficient knowledge, experience and/or access to professional advisers to make their own financial, legal, tax and accounting evaluation of the risks of an investment in the Shares and who have sufficient resources to be able to bear any losses that may result from an investment in the Shares. Investors should consider their own personal circumstances and seek additional advice from their financial adviser or other professional adviser as to possible financial, legal, tax and accounting consequences which they might encounter under the laws of the countries of their citizenship, residence, or domicile and which might be relevant to the subscription, purchase, holding, redemption, conversion or disposal of the Shares of the Fund.

This Offering Document is subject to the provisions of the Articles of Association. The provisions of the Articles of Association shall always prevail over the provisions of this Offering Document.

### **Eligible Investors**

The Shares are reserved to Eligible Investors, as further described in section 6.3 (Eligible Investors) of this Offering Document. Eligible Investors domiciled within the EEA must be professional investors within the meaning of Annex II to MiFID. Eligible Investors domiciled outside of the EEA must be Well-Informed Investors (*investisseurs avertis*) within the meaning of article 2 (1) of the 2016 Law. For further details please refer to the definitions “Eligible Investors” “Professional Investor” and “Well-Informed Investor” set out in section 3 Definitions as well as to section 6.3 (Eligible Investors) of this Offering Document. The Shares shall not be offered, advised or sold to retail investors in the meaning of article 4.6 of the PRIIPs Regulation, and therefore no PRIIPs KID will be issued.

### **Prospectus law**

The obligation to publish a prospectus in Luxembourg does not apply pursuant to article 4 and article 18 of the law of 16 July 2019, on prospectuses for securities, as amended, as this offer is restricted to qualified investors within the meaning of such law.

**THE VALUE OF THE SHARES MAY FALL AS WELL AS RISE AND AN INVESTOR MAY NOT GET BACK THE AMOUNT INITIALLY INVESTED. INVESTING IN THE FUND INVOLVES RISK INCLUDING THE POSSIBLE LOSS OF CAPITAL.**

## 2. DIRECTORY

### Registered office of the Fund

287-289, route d'Arlon, L-1150 Luxembourg,  
Grand Duchy of Luxembourg

### General Partner: MV Dual GP S.à r.l.

287-289, route d'Arlon, L-1150 Luxembourg,  
Grand Duchy of Luxembourg

### Board of Managers of the General Partner

Bill Obenshain  
Manager  
United States of America

Billyana Kuncheva  
Manager  
Grand Duchy of Luxembourg

Franck Willaime  
Manager  
Grand Duchy of Luxembourg

### AIFM

MV Credit S.à r.l.  
4, rue Lou Hemmer, L-1748 Senningerberg,  
Grand Duchy of Luxembourg

### Depositary

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., a public limited company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B11937, whose registered office is a at 287-289, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg.

### Administrator

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., a public limited company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B11937, whose registered office is a at 287-289, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg.

### Paying Agent

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A., a public limited company (*société anonyme*) incorporated under the laws of the Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B11937, whose registered office is a at 287-289, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg. Grand Duchy of Luxembourg

### Portfolio Manager

MV Credit Partners LLP 45 Old Bond Street  
London  
W1S 4QT, United Kingdom

### Auditor

KPMG Luxembourg  
39, avenue John F. Kennedy, L-1855  
Luxembourg, Grand Duchy of Luxembourg

### Legal adviser as to matters of Luxembourg law

Arendt & Medernach SA  
41A, avenue J. F. Kennedy  
L-2082 Luxembourg, Grand Duchy of  
Luxembourg

### 3. DEFINITIONS

These definitions shall be applicable to the Fund and its Sub-Funds, unless otherwise defined in a Supplement. Each Sub-Fund may have additional definitions which will only apply to this Sub-Fund.

1915 Law	the Luxembourg law of 10 August 1915 on commercial companies, as may be amended from time to time.
1993 Law	the Luxembourg law of 5 April 1993 on the financial sector, as may be amended from time to time.
2004 Law	the Luxembourg law of 12 November 2004 on the fight against money laundering and terrorist financing, as may be amended from time to time.
2010 Law	the Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time.
2013 Law	the Luxembourg law of 12 July 2013 on alternative investment fund managers, as may be amended from time to time.
2016 Law	the Luxembourg law of 23 July 2016 on reserved alternative investment funds, as may be amended from time to time.
Administration Agreement	the agreement entered into between the Fund, the AIFM and the Administrator governing the appointment of the Administrator and the Sub-Administrator, as the case may be, as may be amended or supplemented from time to time.
Administrator	the central administration, registrar and transfer, domiciliation and corporate agent appointed by the AIFM and the Fund in accordance with the provisions of the 2016 Law and the Administration Agreement, as identified in the Directory. The Administrator may delegate certain administrative services to a sub-administrator, (the " <b>Sub-Administrator</b> "). Any reference to the Administrator in this Offering Document or in a Supplement shall mean, where appropriate, a reference to the Administrator and/or the Sub-Administrator.
AIF	an alternative investment fund within the meaning of the 2013 Law and the AIFMD.
AIFM	the alternative investment fund manager of the Fund within the meaning of the 2013 Law and the AIFMD, being MV Credit S.à r.l. or any successor alternative investment fund manager appointed by the Fund.

AIFM Agreement	the agreement entered into between the Fund and the AIFM governing the appointment of the AIFM, as may be amended or supplemented from time to time.
AIFM Board	the board of the managers of MV Credit S.à r.l. or any delegate thereof.
AIFM Laws and Regulations	the 2013 Law, the AIFMD Level 2 Regulation, any further delegated regulations issued by the European Commission in connection with the AIFMD and any further Luxembourg transposing legislation in connection with the AIFMD and related delegated acts, as well as any applicable direction, policy, circular, guideline, rule or order (whether formal or informal) that is made or given by the CSSF or ESMA in connection herewith, as may be amended from time to time.
AIFMD	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010, as may be amended from time to time.
AIFMD Level 2 Regulation	Commission Delegated Regulation (EU) No 231/2013 of 19 December 2012 supplementing Directive 2011/61/EU of the European Parliament and of the Council with regard to exemptions, general operating conditions, depositaries, leverage, transparency and supervision, as may be amended from time to time.
Annual Report	the report issued by the Fund as of the end of each financial year in accordance with the 2016 Law. A separate Annual Report may be established for each Sub-Fund provided that it contains, in addition to the information on the Sub-Fund concerned, aggregated data of all Sub-Funds, in accordance with the 2016 Law.
Articles of Association	the articles of association of the Fund, as may be amended from time to time.
Brussels I (Recast)	Regulation (EU) No 1215/2015 of the European Parliament and of the Council of 12 December 2012 on jurisdiction and the recognition and enforcement of judgments in civil and commercial matters (recast).
Board of Managers	the board of managers of the General Partner, as identified in the Directory.
Business Day	any day on which banks are open the whole day for non-automated business in Luxembourg and the United Kingdom and in such other countries or cities as may be specified for a Sub-Fund or Share Class in a Supplement.



Brexit	the withdrawal of the United Kingdom from the EU.
Capitalisation Shares	Shares with respect to which the Fund does not intend to distribute dividends.
Conversion Day	has the meaning that may be ascribed to it in the relevant Supplement.
Conversion Fee	has the meaning that may be ascribed to it in the relevant Supplement.
Conversion Form	has the meaning that may be ascribed to it in the relevant Supplement.
Credit Monitoring Team	the team in charge of credit monitoring at MV Credit Partners LLP.
CRS	the Common Reporting Standard, within the meaning of the Standard for Automatic Exchange of Financial Account Information in Tax Matters, as set out in the Luxembourg law on the Common Reporting Standard.
CRS Law	the amended Luxembourg Law dated 18 December 2015 on the Common Reporting Standard implementing Council Directive 2014/107/EU of 9 December 2014 as regards mandatory exchange of information in the field of taxation and setting forth the OECD's multilateral competent authority agreement on automatic exchange of financial account information with effect as of 1 January 2016.
CSSF	the <i>Commission de Surveillance du Secteur Financier</i> , the Luxembourg supervisory authority of the financial sector, or its successor authority.
Circular CSSF 02/77	circular CSSF 02/77 on the protection of investors in case of NAV calculation error and compensation of the consequences resulting from non-compliance with the investment rules applicable to undertakings for collective investment, as amended or superseded from time to time.
Cut-Off Time	has the meaning that may be ascribed to it in the relevant Supplement.
DAC 6 Law	the Luxembourg law of 25 March 2020 implementing into domestic law Council Directive (EU) 2018/822 of 25 May 2018 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation in relation to reportable cross-border arrangements.
Depository	the depository appointed by the Fund in accordance with the provisions of the 2016 Law, the 2013 Law, and the Depository Agreement, as identified in the Directory.

Depository Agreement	the agreement entered into between the Fund, the AIFM, and the Depository governing the appointment of the Depository, as may be amended or supplemented from time to time.
Directive 2014/65/EU or MiFID II	Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.
Directive 2006/48/EC	Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions (recast), as may be amended from time to time.
Distribution Shares	Shares with respect to which the Fund intends to distribute dividends and which confer on their holder the right to receive such dividends, if and when declared by the Fund.
Eligible Investor	an investor who (i) is a Well-Informed Investor domiciled outside of the EEA or (ii) is a Professional Investor domiciled within the EEA, as further described in section 6.3 (Eligible Investors).
EEA	the European Economic Area.
ESMA	the European Securities and Markets Authority.
EU	the European Union.
EUR	the lawful currency of the Member States of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union.
Extraordinary Circumstances	extraordinary circumstances as decided by the General Partner including, but not limited to, extraordinary changes of the legal, market, economic or political environment.
FATCA	the provisions of the United States Hiring Incentives to Restore Employment (HIRE) Act of 18 March 2010 commonly referred to as the Foreign Account Tax Compliance Act (FATCA).
FATCA Law	the amended Luxembourg law dated 24 July 2015 implementing the Model 1 Intergovernmental Agreement between Luxembourg and the United States to improve international tax compliance and with respect to the United States information reporting provisions commonly known as the Foreign Account Tax Compliance Act (FATCA) signed on 28 March 2014.

Fund	<b>MV Dual Credit Fund SICAV-RAIF SCA</b> , a Luxembourg partnership limited by shares ( <i>société en commandite par actions</i> ) qualifying as a RAIF under the 2016 Law, with variable capital, having its registered office at 287-289, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B247902.
General Partner	<b>MV Dual GP S.à r.l.</b> , a Luxembourg private limited company ( <i>société à responsabilité limitée</i> ), having its registered office at 287-289, route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg and registered with the Luxembourg Trade and Companies Register under number B246980, acting as managing general partner of the Fund.
Initial Offer	the first day or period on or during which Shares of a Share Class will be or were available for subscription.
Institutional Investor	an institutional investor as defined for the purposes of the 2016 Law and by the administrative practice of the CSSF.
Investment Advisor	The investment advisor of the Fund as may be appointed from time to time by the AIFM or the Portfolio Manager.
Loomis Sayles	Loomis, Sayles & Company, L.P. (where relevant, together with its affiliates).
Lugano Convention	the Convention of Lugano of 30 October 2007 on jurisdiction and the enforcement of judgments in civil and commercial matters.
Management Fee	the fee payable by the Fund to the AIFM under the AIFM Agreement, as described in section 8.2 (Management Fee) of this Offering Document.
Member State	a State that is a contracting party to the Agreement creating the European Union. The States that are contracting parties to the Agreement creating the European Economic Area, other than the Member States of the European Union, within the limits set forth by such Agreement and related acts are considered as equivalent to Member States of the European Union.
MV Credit	MV Credit Partners LLP (where relevant, together with its affiliates). For ease of reading, the term " <u>MV Credit</u> " is used in this Offering Document to refer to all or any of the General Partner, the AIFM, the Portfolio Manager or the Investment Adviser as the case may be, and any other entities in the MV Credit group (including, where the context requires, any relevant predecessor entities/divisions, but excluding Natixis). However, this does not imply that these entities are not separate and distinct or that there is a single MV Credit entity.

Natixis	Natixis Investment Manager (where relevant, together with its affiliates).
Net Asset Value	as the context indicates, the net asset value of the Fund, a Sub-Fund, or a Share Class determined in accordance with the provisions of this Offering Document.
Net Asset Value per Share	the Net Asset Value of a Share Class in a Sub-Fund divided by the total number of Shares of that Share Class which are in issue as of the Valuation Day for which the Net Asset Value per Share is calculated.
New Shares	has the meaning that may be ascribed to it in the relevant Supplement.
OECD	the Organisation for Economic Cooperation and Development.
Offering Document	this offering document including all Supplements, as may be amended from time to time.
Original Shares	has the meaning that may be ascribed to it in the relevant Supplement.
OTC	means “over-the-counter”.
Paying Agent	the paying agent appointed by the AIFM and the Fund, as identified in the Directory.
Performance Fee	has the meaning that may be ascribed to it in the relevant Supplement.
Portfolio Management Agreement	as the case may be, the agreement entered into between the Fund, the AIFM and the Portfolio Manager governing the appointment of the Portfolio Manager, as may be amended or supplemented from time to time.
Portfolio Manager	MV Credit Partners LLP or any other person as appointed by the AIFM to perform the portfolio management function.
Portfolio Manager Fee	the fee payable by the Fund to the Portfolio Manager, if any, under the Portfolio Management Agreement, as described in section 8.3 (Portfolio Manager Fee) of this Offering Document and as further described in each Supplement.
PRIIPs Regulation	Regulation (EU) No 1286/2014 of the European Parliament and of the Council of 26 November 2014 on Key Information Documents (KID) for Packaged Retail and Insurance-Based Investment Products (PRIIPs).
PRIIPs KID	a key information document within the meaning of the PRIIPs Regulation.

Professional Investor	an investor who is considered to be a professional client or may, on request, be treated as a professional client within the meaning of Annex II to MiFID II.
Profit Share	unless provided otherwise in the relevant Supplement, each Sub-Fund will pay the General Partner an annual profit share of one thousand euro (EUR 1,000) or such greater amount as is agreed between the General Partner and the relevant Sub-Fund from time to time.
Prohibited Person	any person considered as a Prohibited Person in the opinion of the General Partner according to the criteria set out in the Articles of Association and section 6.10 (Prohibited Persons) of this Offering Document.
RAIF	a reserved alternative investment fund subject to the 2016 Law.
Redemption Day	has the meaning that may be ascribed to it in the relevant Supplement.
Redemption Fee	a fee which the Fund may charge upon redemption of Shares, as further described in each Supplement.
Redemption Form	has the meaning that may be ascribed to it in the relevant Supplement.
Redemption Price	has the meaning that may be ascribed to it in the relevant Supplement.
Redemption Settlement Period	has the meaning that may be ascribed to it in the relevant Supplement.
Reference Currency	as the context indicates, (i) in relation to the Fund, the Euro, or (ii) in relation to a Sub-Fund, the currency in which the assets and liabilities of the Sub-Fund are valued and reported, as specified in each Supplement, or (iii) in relation to a Share Class, the currency in which the Shares of that Share Class are denominated, as specified in each Supplement.
Share Class	a class of Shares of a Sub-Fund created by the General Partner, as described in section 6.1 (Shares, Sub-Funds and Share Classes) of this Offering Document and, as the case may be, in each Supplement. For the purposes of this Offering Document, each Sub-Fund shall be deemed to comprise at least one Share Class.
Shareholder	a holder of Share(s).
Shares	shares of a Sub-Fund or Share Class issued by the Fund.

Sub-Fund	a sub-fund of the Fund, as described in section 6.1 (Shares, Sub-Funds and Share Classes) of this Offering Document.
Subscription Day	has the meaning that may be ascribed to it in the relevant Supplement.
Subscription Fee	a fee which the Fund may charge upon subscription for Shares, as further described in each Supplement.
Subscription Form	the forms and other documents, as issued or accepted by the Fund from time to time, which the Fund requires the investor or the person acting on behalf of the investor to complete, sign, and return to the Fund or its agent, with the supporting documentation, in order to make an initial and/or additional application for subscription or commitment to Shares.
Subscription Price	has the meaning that may be ascribed to it in the relevant Supplement.
Subscription Settlement Period	has the meaning that may be ascribed to it in the relevant Supplement.
Supplement	the supplement(s) to this Offering Document for each specific Sub-Fund, which form part of this Offering Document.
Target Sub-Fund	a Sub-Fund into which another Sub-Fund will or might invest in accordance with the provisions of this Offering Document.
UCI	undertaking for collective investment.
UCITS Directive	Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS) (recast), as may be amended from time to time.
US Person or United States Person	<p>unless otherwise specified in this Offering Document, a person described in one or more of the following paragraphs:</p> <p>“United States Persons” or “US Persons” shall be construed accordingly. For the purposes of further clarity, the term US Person shall not include any person whose application has been approved by the General Partner in its sole discretion.</p>
Valuation Committee	the valuation committee of MV Credit S.à r.l., as described in section <b>Error! Reference source not found.</b> (Valuation Process).
Valuation Day	a Business Day as of which the Net Asset Value per Share is calculated, as specified in the Supplement.

Well-Informed Investor a well-informed investor as defined in article 2(1) of the 2016 Law, as described in section 6.3 (Eligible Investors) below.

## 4. INVESTMENT STRATEGY AND RESTRICTIONS

### 4.1 Investment objective

The General Partner has determined the investment objective and investment policy of each of the Sub-Funds as described in the Supplements to this Offering Document. The General Partner may impose further investment restrictions or guidelines in respect of any Sub-Fund from time to time. There can be no assurance that the investment objective of any Sub-Fund will be attained.

Pursuit of the investment objective and investment policy of any Sub-Fund must be in compliance with the limits and restrictions set out in section 4.2 (Investment restrictions) below and the section “Investment policy and specific restrictions” in the Supplement. In case of discrepancies, the rules and limits of the Supplement shall prevail.

### 4.2 Investment restrictions

- a) A Sub-Fund shall not invest more than 30% of its net assets (or subscription commitments, if any) in securities of the same type issued by the same issuer.

However, this restriction does not apply to:

- investments in securities issued or guaranteed by an OECD Member State or its regional or local authorities or by EU, regional or global supranational institutions and bodies, and
- investments in target undertakings for collective investments (UCIs) that are subject to risk-spreading requirements at least comparable to those applicable to reserved alternative investment funds (RAIFs).

For the purpose of the application of this restriction, every sub-fund of a target umbrella UCI is to be considered as a separate issuer provided that the principle of segregation of liabilities among the various sub-funds vis-à-vis third parties is ensured.

- b) Short sales may not, in principle, result in any Sub-Fund holding a short position in securities of the same type issued by the same issuer representing more than 30% of its assets.
- c) When using financial derivative instruments, a Sub-Fund must ensure, via appropriate diversification of the underlying assets, a similar level of risk-spreading. Similarly, the counterparty risk in an OTC transaction must, where applicable, be limited having regard to the quality and qualification of the counterparty.

The restrictions set out above are only applicable after a ramp-up period of twelve (12) months following the launch date of a Sub-Fund, unless set out otherwise in the Supplement.

- d) Each Sub-Fund may subscribe, acquire, and/or hold securities to be issued or issued by another Sub-Fund of the Fund (the “**Target Sub-Fund**”) provided that:
- the Target Sub-Fund does not, in turn, invest in the Sub-Fund invested in this Target Sub-Fund;



- voting rights, if any, attached to the relevant Shares are suspended for as long as they are held by the Sub-Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports;
- in any event, for as long as these securities are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the 2016 Law.

#### **4.3 Borrowing policy**

When provided for in its Supplement, a Sub-Fund may borrow within the limits further described in its respective Supplement. Unless otherwise stated in the Supplement, borrowings may be utilised to fund expense disbursements when liquid funds are not readily available. The assets of a Sub-Fund may be charged as security for any such borrowings.

#### **4.4 Hedging and financial derivative instruments**

Unless provided otherwise in its respective Supplement, each Sub-Fund may invest in financial derivative instruments either for hedging purposes, in particular for the purpose of hedging risks connected to the evolution of stock markets or for the purpose of hedging currency rates, interest rates, or for a purpose other than hedging, as further described for each Sub-Fund in the Supplement.

The financial derivative instruments can include, in particular, options, forward, and futures contracts on financial instruments and options thereon as well as OTC swap transactions on all types of financial instruments. The financial derivative instruments have to be dealt on an organised market or OTC with first rate professionals which specialise in these types of transactions.

The counterparties to financial derivative instruments will be selected among financial institutions subject to prudential supervision (such as credit institutions or investment firms) and specialised in the relevant type of transaction. The identity of the counterparties will be disclosed in the Annual Report.

The AIFM and/or the Portfolio Manager uses a process for accurate and independent assessment of the value of financial derivatives in accordance with applicable laws and regulations.

In order to limit the exposure of a Sub-Fund to the risk of default of the counterparty under financial derivatives, the Sub-Fund may receive cash or other assets as collateral.

Each Sub-Fund may incur costs and fees in connection with total return swaps or other financial derivative instruments with similar characteristics, upon entering into total return swaps and/or any increase or decrease of their notional amount. The amount of these fees may be fixed or variable. Information on costs and fees incurred by each Sub-Fund in this respect, as well as the identity of the recipients and any affiliation they may have with the Depositary, the Portfolio Manager or the AIFM, if applicable, may be available in the Annual Report and, to the extent relevant and practicable, in each Supplement.

#### **4.5 Securities lending**

Securities lending transactions consist of transactions whereby a lender transfers securities or instruments to a borrower, subject to a commitment that the borrower will return equivalent securities or instruments on a future date or when requested to do so by the lender, such transaction being considered as securities lending for the party transferring the securities or instruments and being considered as securities borrowing for the counterparty to which they are transferred.

Where specified in its Supplement, a Sub-Fund may enter into securities lending transactions as lender of securities or instruments. Securities lending transactions are, in particular, subject to the following conditions:

- (A) the counterparty must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law;
- (B) a Sub-Fund may only lend securities or instruments to a borrower either directly, through a standardised system organised by a recognised clearing institution or through a lending system organised by a financial institution subject to prudential supervision rules considered by the CSSF as equivalent to those provided by EU law and specialised in this type of transaction; and
- (C) a Sub-Fund may only enter into securities lending transactions provided that it is entitled at any time, under the terms of the agreement, to request the return of the securities or instruments lent or to terminate the agreement.

#### **4.6 Repurchase agreements and buy-sell back transactions**

Repurchase agreements consist of transactions governed by an agreement whereby a party sells securities or instruments to a counterparty, subject to a commitment to repurchase them, or substituted securities or instruments of the same description, from the counterparty at a specified price on a future date specified, or to be specified, by the transferor. Such transactions are commonly referred to as repurchase agreements for the party selling the securities or instruments, and reverse repurchase agreements for the counterparty buying them.

Buy-sell back transactions consist of transactions, not being governed by a repurchase agreement or a reverse repurchase agreement as described above, whereby a party buys or sells securities or instruments to a counterparty, agreeing, respectively, to sell to or buy back from that counterparty securities or instruments of the same description at a specified price on a future date. Such transactions are commonly referred to as buy-sell back transactions for the party buying the securities or instruments, and sell-buy back transactions for the counterparty selling them.

Where specified in its Supplement, a Sub-Fund may enter into repurchase agreements and/or buy-sell back transactions as buyer or seller of securities or instruments. Such transactions are, in particular, subject to the following conditions:

- (A) the counterparty must be subject to prudential supervision rules considered by the CSSF as equivalent to those prescribed by EU law; and

- (B) the Sub-Fund must be able, at any time, to terminate the agreement or recall the full amount of cash in a reverse repurchase agreement or buy-sell back transaction (on either an accrued basis or a mark-to-market basis) or any securities or instruments subject to a repurchase agreement or sell-buy back transaction. Fixed-term transactions that do not exceed seven days should be considered as arrangements on terms that allow cash or assets to be recalled at any time.

## **5. MANAGEMENT AND ADMINISTRATION**

### **5.1 The General Partner**

The General Partner is vested with the broadest powers to act on behalf of the Fund and to take any actions necessary or useful to fulfil the Fund's corporate purpose, subject to the powers expressly assigned by law or the Articles of Association to the general meeting of Shareholders.

The General Partner is responsible for conducting the overall management and business affairs of the Fund in accordance with the Articles of Association. In particular, the General Partner is responsible for the establishment of a new Sub-Fund, for defining the investment objective and policy of the Sub-Funds and their risk profile, subject to the principle of risk diversification, and for the overall supervision of the management and administration of the Fund, including the selection and supervision of the AIFM and the general monitoring of the performance and operations of the Fund.

For the current composition of the Board of Managers, please refer to the Directory.

### **5.2 The AIFM**

The Fund had initially appointed the MV Credit Partners LLP as its authorised alternative investment fund manager in accordance with the provisions of the 2016 Law and the 2013 Law pursuant to the AIFM Agreement. Further to Brexit, and as the Fund shall be managed by an EEA alternative investment fund manager in compliance with the 2016 Law, the Fund has consequently appointed MV Credit S.à r.l. as its AIFM with effect as of 22 December 2020.

The AIFM is a private limited company incorporated under the laws of the Grand Duchy of Luxembourg, having its registered office at 4, rue Lou Hemmer, L-1748 Senningerberg, Grand Duchy of Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B222088. The AIFM is authorised and regulated in the Grand Duchy of Luxembourg by the CSSF with the reference number A00002885 to act as alternative investment fund manager within the meaning of the AIFMD.

The relationship between the Fund and the AIFM is subject to the terms of the AIFM Agreement. Under the terms of the AIFM Agreement, the AIFM is responsible, in particular, for the portfolio and risk management of the Fund, subject to the overall supervision of the General Partner. This includes in particular the monitoring of the investment policy, investment strategies and performance, as well as risk management, liquidity management, management of conflicts of interest, supervision of delegates, financial control, internal audit, complaints handling, recordkeeping and reporting. The AIFM has authority to act on behalf of the Fund within its function.

In order to cover its professional liability risk resulting from the activities it may carry out, the AIFM maintains professional indemnity insurance against liability arising from professional negligence that is appropriate to the risks covered.

The AIFM has a remuneration policy in place which seeks to ensure that the interests of the AIFM and the investors of the Fund are aligned. Such remuneration policy imposes remuneration rules on staff and senior management within the AIFM whose activities have an impact on the risk profile of the Fund. The AIFM shall seek to ensure that such remuneration policies and practices will be consistent with sound and effective risk

management and with the AIFMD and ESMA's remuneration guidelines. The AIFM shall also seek to ensure that such remuneration policies and practices shall not encourage risk taking which is inconsistent with the risk profile and constitutional documents of the Fund.

The AIFM shall seek to ensure that the remuneration policy will, at all times, be consistent with the business strategy, objectives, values and interests of the Fund and the investors and that the remuneration policy will include measures that seek to ensure that all relevant conflicts of interest can be managed appropriately at all times.

For the purpose of a more efficient conduct of its business, the AIFM may delegate to third parties the power to carry out some of its functions on its behalf, subject to limitations and requirements, including the existence of objective reasons, in accordance with applicable laws and regulations. The delegated functions shall remain under the supervision and responsibility of the AIFM and the delegation shall not prevent the AIFM from acting, or the Fund from being managed, in the best interests of the investors. The delegation to third parties is subject to the prior approval of the CSSF.

The AIFM will delegate the portfolio management functions to the Portfolio Manager.

In conducting its activities, the AIFM shall act honestly and fairly, with due skill, care and diligence, in the best interests of the Fund, its investors, and the integrity of the market.

The AIFM Agreement has no fixed duration and each party may, in principle, terminate the agreement on not less than sixty (60) days' prior written notice. The AIFM Agreement shall terminate immediately on the occurrence of any of the following events (i) the withdrawal of the General Partner as the general partner of the Fund unless the General Partner is replaced by an Affiliate of the General Partner; or (ii) the completion of the liquidation of Fund. The AIFM Agreement contains provisions exempting the AIFM from liability and indemnifying the AIFM in certain circumstances. However, the liability of the AIFM towards the Fund will not be affected by any delegation of functions by the AIFM.

### **5.2.1 Risk management function**

The AIFM employs an appropriate risk management system consisting of mainly two elements: (i) an organisational element in which the permanent risk management function plays a central role, and (ii) a procedural element documented in the risk management policy, which sets out measures and procedures employed to measure and manage risks, the safeguards for independent performance of the risk management function, the techniques used to manage risks and the details of the allocation of responsibilities within the AIFM for risk management and operating procedures.

The central task of the risk management function of the AIFM is the implementation of effective risk management procedures in order to identify, measure, manage, and monitor on an ongoing basis all risks to which the Fund or each Sub-Fund is or may be exposed.

In addition, the risk management function of the AIFM shall ensure that the risk profile of each Sub-Fund as disclosed in this Offering Document is consistent with the risk limits as defined by the AIFM in compliance with the risk profile as approved by the General Partner.

Furthermore, the risk management function shall keep informed the AIFM Board on a regular basis about (i) the consistency between and compliance with the risk limits set and the risk profile of the Fund, and (ii) the adequacy and effectiveness of the risk management process, indicating in particular whether appropriate remedial measures have or will be taken in the event of actual or anticipated deficiencies. The risk management function is responsible for

regularly outlining to senior management the current level of risk incurred by the Fund and any actual or foreseeable breaches of any risks limits set so as to ensure that prompt and appropriate action can be taken.

The AIFM conducts on a regular basis (i) stress tests and scenario analyses to address risks arising from potential changes in market conditions that might adversely impact the Sub-Funds, and (ii) back-tests in order to review the validity of risk measurement arrangements. These tests are then reviewed by the risk management function.

The business unit of the AIFM responsible for the risk management function is functionally and hierarchically separated from the business units performing operating services, including the business unit responsible for the monitoring of the portfolio management. The risk management function reports directly to the AIFM Board.

### **5.2.2 Leverage monitoring**

Furthermore, the risk management function of the AIFM is responsible for regularly monitoring the leverage exposure for each Sub-Fund, if any, as indicated in each Supplement.

Under the AIFM Laws and Regulations, “leverage” is defined as being any method by which the AIFM increases the exposure of a Sub-Fund whether through borrowing of cash or securities, leverage embedded in derivative positions or by any other means. The leverage creates risks for the Sub-Fund. A leverage (as defined by the AIFMD) of 100% means a leverage-free portfolio.

The AIFM Laws and Regulations use two distinct definitions of leverage, both of which are calculated on a regular basis by the AIFM:

- a) Under the “gross method” (as defined by the AIFM Laws and Regulations), the leverage is calculated as the ratio between the Sub-Fund’s investment exposure (calculated by adding the absolute values of all portfolio positions, including the sum of notionals of the derivative instruments used but excluding cash and cash equivalents) and the Net Asset Value; and
- b) Alternatively, the “commitment method” (as defined by the AIFM Laws and Regulations) takes into account netting and hedging arrangements and is defined as the ratio between the Sub-Fund’s net investment exposure (not excluding cash and cash equivalents) and the Net Asset Value.

For a description of the leverage and the authorised maximum of leverage used in each Sub-Fund, please refer to the Supplement. The actual level of leverage used will be disclosed in the Annual Report.

### **5.2.3 Liquidity management**

The AIFM employs an appropriate liquidity management system depending on the investment policy and the profile of the Sub-Fund, as further described in each Supplement.

## **5.3 The Portfolio Manager**

The AIFM shall enter into a delegated Portfolio Management Agreement with MV Credit Partners LLP in order to appoint MV Credit Partners LLP as delegate Portfolio Manager of

the Fund. MV Credit Partners LLP shall perform the portfolio management function within the meaning of the AIFMD.

#### **5.4 The Depositary and Paying Agent**

The Fund has appointed Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. as its Depositary within the meaning of the 2016 Law and 2013 Law pursuant to the Depositary Agreement.

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. is a public company (*société anonyme*) incorporated and existing under the laws of Luxembourg, having its registered office at 287-289, Route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B11937. It is authorised by the CSSF in Luxembourg in accordance with Directive 2006/48/EC as implemented in Luxembourg by the 1993 Law.

The relationship between the Fund, the AIFM and the Depositary is subject to the terms of the Depositary Agreement. Under the terms of the Depositary Agreement, the Depositary is responsible for the safekeeping of all the assets of the Fund, which will be held either directly or through other financial institutions (including any affiliates of the Depositary) to which the Depositary has delegated in accordance with the 2013 Law all or part of its safe-keeping duties according to the Depositary Agreement. The Depositary shall assume its duties and responsibilities in accordance with the provisions of the 2016 Law and the 2013 Law. The Depositary must act honestly, fairly, professionally, independently and in the interest of the Fund and the investors of the Fund.

The Fund has also appointed the Depositary as Paying Agent.

The Depositary Agreement shall continue for an initial period of six (6) months after the effective date of the Depositary Agreement and only thereafter may be terminated by either of the parties thereto by giving ninety (90) calendar days' prior written notice to the other party to the Depositary Agreement. The Depositary Agreement may also be terminated on shorter notice in certain circumstances, for instance where one party commits a material breach of its obligations and has not remedied it within thirty (30) days after the service of written notice requiring it to be remedied. The Depositary shall be liable to the Fund and/or the investors for the loss of a financial instrument held in custody by the Depositary or by a third party to whom the Depositary has delegated custody of such financial instrument. The Depositary's liability is governed by Luxembourg law.

#### **5.5 The Administrator**

The Fund has appointed Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. as administrative, registrar and transfer agent and as domiciliary agent of the Fund (the Administrator) pursuant to the Administration Agreement.

Mitsubishi UFJ Investor Services & Banking (Luxembourg) S.A. is a public company (*société anonyme*) incorporated and existing under the laws of Luxembourg having its registered office at 287-289, Route d'Arlon, L-1150 Luxembourg, Grand Duchy of Luxembourg, and registered with the Luxembourg Trade and Companies Register under number B11937. The Administrator is authorised and regulated by the CSSF in Luxembourg under the 1993 Law.

The relationship between the Fund, the AIFM and the Administrator is subject to the terms of the Administration Agreement. Under the terms of the Administration Agreement, the Administrator will carry out all general administrative duties related to the administration of the Fund required by Luxembourg law, calculate the Net Asset Value per Share, maintain the accounting records of the Fund, as well as process all subscriptions, redemptions, conversions, and transfers of Shares, and register these transactions in the register of Shareholders. In addition, as registrar and transfer agent of the Fund, the Administrator is also responsible for collecting the required information and performing verifications on investors to comply with applicable anti-money laundering rules and regulations.

The Fund has also appointed the Administrator as Paying Agent.

The Administrator is not responsible for any investment decisions of the Fund or the effect of such investment decisions on the performance of the Fund. For the avoidance of doubt, the Administrator has not been appointed by the AIFM as the “external valuer” (within the meaning of the AIFMD) for the assets of the Fund.

The Administration Agreement has no fixed duration and each party may, in principle, terminate the agreement on not less than ninety (90) calendar days’ prior written notice. The Administration Agreement may also be terminated on shorter notice in certain circumstances, for instance where one party commits a breach of its obligations which has not been remedied within thirty (30) days after the service of written notice requiring it to be remedied. The Administration Agreement may be terminated by the Fund with immediate effect if this is deemed by the Fund to be in the interest of the investors. The Administration Agreement contains provisions exempting the Administrator from liability and indemnifying the Administrator in certain circumstances. However, the liability of the Administrator towards the Fund will not be affected by any delegation of functions by the Administrator.

The Administrator may delegate certain administrative services to a sub-administrator, in particular fund administration and transfer agent services with the exclusion of investors’ AML/KYC.

The Fund reserves the right to change the administration arrangements described above by agreement with the Administrator and/or to appoint another service provider in Luxembourg to carry out the functions of administration agent. Investors will be notified in due course.

## **5.6 The Auditor**

The Fund has appointed **KPMG Luxembourg** as its independent auditor (*réviseur d’entreprises agréé*) within the meaning of the 2016 Law. The Auditor is elected by the general meeting of Shareholders. The Auditor will inspect the accounting information contained in the Annual Report and fulfil other duties prescribed by the 2016 Law.

## **5.7 Conflicts of interest**

The General Partner, the AIFM, the Depositary, the Administrator, the Sub-Administrator (if any) and the other service providers of the Fund, and/or their respective affiliates, members, employees or any person connected with them may be subject to various conflicts of interest in their relationships with the Fund.

The AIFM has adopted and implemented a conflicts of interest policy and has made appropriate organisational and administrative arrangements to identify and manage conflicts



of interests so as to minimise the risk of the Fund's interests being prejudiced, and if they cannot be avoided, ensure that the Fund is treated fairly.

## **5.8 Execution of transactions**

The AIFM has adopted a "best execution" policy with the objective of obtaining the best possible result for the Fund when executing decisions to deal on behalf of the Fund or placing orders to deal on behalf of the Fund with other entities for execution. The best execution policy is available through the investor portal.

## 6. SHARES

### 6.1 Shares, Sub-Funds and Share Classes

#### 6.1.1 Shares

The share capital of the Fund is represented by fully paid up Shares of no par value. The share capital of the Fund is at all times equal to the Net Asset Value of the Fund, which is the total Net Asset Value of all Sub-Funds expressed in the Reference Currency of the Fund. The share capital of the Fund must at all times be at least equal to the minimum required by the 2016 Law, which is EUR 1,250,000.

The Shares will be issued in registered form only. Written confirmation of registration will be issued upon request and at the expense of the requesting investor. The registration of an investor in the register of Shareholders of the Fund evidences the investor's ownership right towards the Fund.

The Fund will recognise only one single investor per Share. In case a Share is owned by several persons, they must appoint a single representative who will represent them towards the Fund. The Fund has the right to suspend the exercise of all rights attached to that Share until such representative has been appointed.

The Shares carry no preferential or pre-emptive rights: the Fund is authorised without limitation to issue an unlimited number of fully paid up Shares without reserving to existing investors a preferential or pre-emptive right to subscribe or commit for the Shares to be issued.

Each Share entitles the investor to one (1) vote at all general meetings of Shareholders of the Fund and at all meetings of the Sub-Fund or Share Class concerned.

Fractions of Shares may be issued up to **four (4)** decimal places. Such fractional Shares will be entitled to participate on a *pro rata* basis in the net assets attributable to the Sub-Fund or Share Class to which they belong in accordance with their terms, as set out in this Offering Document. Fractions of Shares do not confer any voting rights on their holders. However, if the sum of the fractional Shares held by the same shareholder in the same Share Class represents one or more entire Shares, such shareholder will benefit from the corresponding voting right attached to the number of entire Shares.

Shares are each entitled to participate in the net assets allocated to the relevant Sub-Fund or Share Class in accordance with their terms, as set out in each Supplement.

Shares redeemed will generally be cancelled unless the Fund decides otherwise.

#### 6.1.2 Sub-Funds

The Fund is a single legal entity incorporated as an umbrella fund comprised of separate Sub-Funds. Each Share issued by the Fund is a share in a specific Sub-Fund. Each Sub-Fund has a specific investment objective and policy as further described in its Supplement. A separate portfolio of assets is maintained for each Sub-Fund and invested for its exclusive benefit in accordance with its investment objective and policy.

With regard to third parties, in particular towards the Fund's creditors, each Sub-Fund shall be exclusively responsible for all liabilities attributable to it. As a consequence, the assets of each Sub-Fund may only be used to meet the debts, liabilities and obligations attributable to that Sub-Fund. In the event that, for any reason, the liabilities arising in respect of the creation, operation and liquidation of a Sub-Fund exceed the assets allocated to it, creditors will have no recourse against the assets of any other Sub-Fund to satisfy such deficit. Assets and liabilities are allocated to each Sub-Fund in accordance with the provisions of the Articles of Association, as set out in section 7.2 (Valuation procedure) below.

Each Sub-Fund may be established for an unlimited or limited duration as specified in its Supplement. In the latter case, upon expiry of the term, the Fund may extend the duration of the Sub-Fund once or several times. Investors will be notified at each extension. At the expiry of the duration of a Sub-Fund, the Fund will redeem all the Shares in that Sub-Fund. The Supplement will indicate the duration of each Sub-Fund and its extension, where applicable.

Additional Sub-Funds may be established by the General Partner from time to time without the consent of investors in other Sub-Funds. A new Supplement will be added to this Offering Document for each new Sub-Fund established.

### **6.1.3 Share Classes**

The Sub-Funds may offer several Share Classes, as set out in the Supplements. Each Share Class within a Sub-Fund may have different features such as the fee structure, minimum subscription or holding amounts, currency, different hedging techniques or distribution policy or other distinctive features, or be offered or reserved to different types of investors. Investors will be able to choose the Share Class with the features most suitable to their individual circumstances.

Additional Share Classes may be established in any Sub-Fund from time to time without the approval of investors. New Share Classes will be added to the relevant Supplement. Such new Share Classes may be issued on terms and conditions that differ from the existing Share Classes. The list and details of the Share Classes established within each Sub-Fund, if any, are set out in the Supplements.

### **6.1.4 Changes to Sub-Funds and Share Classes**

The rights and restrictions attached to Shares may be modified from time to time, subject to the provisions of the Articles of Association. Any changes to the Articles of Association will require a resolution of the general meeting of Shareholders, as further described in section 9.2 (Meetings of Shareholders) below.

Subject to the above, the General Partner may change the characteristics of any existing Sub-Fund, including its objective and policy, or any existing Share Class, without the consent of investors. In accordance with applicable laws and regulations, investors in the Sub-Fund or Share Class will be informed about the changes and, where required, will be given prior notice of any proposed material changes in order for them to request the redemption of their Shares should they disagree. This Offering Document will be updated as appropriate.

## **6.2 Dividend distribution policy**

Each Sub-Fund may offer distributing Shares and non-distributing Shares. The Supplement shall indicate whether Shares confer the right to dividend distributions (Distribution Shares) or do not confer this right (Capitalisation Shares). Distribution Shares and Capitalisation Shares issued within the same Sub-Fund will be represented by different Share Classes.

Capitalisation Shares capitalise their entire earnings whereas Distribution Shares pay dividends. Whenever dividends are distributed to holders of Distribution Shares, their Net Asset Value per Share will be reduced by an amount equal to the amount of the dividend per Share distributed, whereas the Net Asset Value per Share of Capitalisation Shares will remain unaffected by the distribution made to holders of Distribution Shares.

The Fund shall determine how the earnings of Distribution Shares shall be distributed and may declare distributions from time to time, at such time and in relation to such periods as the Fund shall determine, in the form of cash or Shares, in accordance with the dividend distribution policy adopted for such Distribution Shares. The dividend distribution policy may vary between Distribution Shares within the same or different Sub-Funds. Dividend distributions are not guaranteed with respect to any Share Class. In any event, no distribution may be made if, as a result, the total Net Asset Value of the Fund would fall below the minimum share capital required by the 2016 Law which is currently EUR 1,250,000.

Unless otherwise requested by an investor, dividends declared with respect to Distribution Shares will be reinvested in Shares of the same Share Class and investors will be advised of the details by a dividend statement.

No interest shall be paid on dividend distributions declared by the Fund which have not been claimed. Dividends not claimed within five years of their declaration date will lapse and revert to the relevant Share Class.

## **6.3 Eligible Investors**

Shares may only be acquired or held by investors who (i) are Well-Informed Investors domiciled outside of the EEA or Professional Investors domiciled within the EEA, as further described below, and (ii) satisfy all additional eligibility requirements for a specific Sub-Fund or Share Class, if any, as specified for the Sub-Fund or Share Class in the Supplement (an Eligible Investor).

The General Partner has decided that any investor not qualifying as an Eligible Investor will be considered as a Prohibited Person, in addition to those persons described in section 6.10 (Prohibited Persons) below. The Fund may decline to issue any Shares and to accept any transfer of Shares, where it appears that such issue or transfer would or might result in Shares being acquired or held by, on behalf or for the account or benefit of, Prohibited Persons. The Fund may compulsorily redeem all Shares held by, on behalf or for the account or benefit of, Prohibited Persons in accordance with the procedure set out in this Offering Document (see section 6.10 (Prohibited Persons) below).

### **6.3.1 Well-Informed Investors and Professional Investors**

Only Well-Informed Investors (as defined by article 2(1) of the 2016 Law) domiciled outside the EEA and Professional Investors domiciled within the EEA can be Eligible Investors. According to article 2(1) of the 2016 Law, Well-Informed Investors are:

- 1) Institutional Investors;
- 2) Professional Investors; or
- 3) any other investors having confirmed in writing that they are a well-informed investor and either:
  - having a minimum investment in the Fund of at least an amount to be equivalent to one hundred twenty-five thousand Euro (EUR 125,000), or
  - having been the subject of an assessment made by a credit institution within the meaning of Directive 2006/48/EC, by an investment firm within the meaning of MiFID II or by a management company within the meaning of the UCITS Directive certifying his expertise, his experience and his knowledge in adequately appraising an investment in the specialized investment fund.

According to the 2016 Law, the conditions set forth in such article are not applicable to the members of the Board of Managers and other persons who intervene in the management of the Fund.

Each Supplement may provide for additional requirements.

### **6.3.2 Other investor eligibility requirements**

Each Sub-Fund and/or each Share Class may have additional requirements as to the eligibility of its investors. Certain Sub-Funds or Shares Classes may be reserved to specified categories of investors such as Institutional Investors or investors who are residents of or domiciled in specific jurisdictions. Eligibility requirements for each Sub-Fund or Shares Class are set out in the Supplements.

## **6.4 Subscription for Shares**

Each Sub-Fund may accept subscriptions for Shares as further detailed in each Supplement.

### **6.4.1 Subscription application**

In the event that a Sub-Fund accepts subscriptions of Shares, the subscription application procedure will be detailed in its Supplement.

### **6.4.2 Subscription in kind**

The General Partner may agree to issue Shares as consideration for a “contribution in kind” of assets, as further described in each Supplement.

## **6.5 Redemption of Shares**

The Shares may only be redeemed in accordance and subject to the terms of the relevant Supplement.

### **6.5.1 Redemption application**

In the event that a Sub-Fund accepts redemptions of Shares, the redemption application procedure will be detailed in its Supplement.

## **6.6 Conversion of Shares**

The Shares may only be converted in accordance and subject to the terms of the relevant Supplement.

### **6.6.1 Conversion application**

In the event that a Sub-Fund accepts conversions of Shares, the conversion application procedure will be detailed in its Supplement.

## **6.7 Transfer of Shares**

### **6.7.1 Conditions and limitations on transfer of Shares**

Shares may not be transferred without the approval of the General Partner, who reserves the right to accept or refuse any application for transfer at its discretion. The Fund may deny giving effect to any transfer of Shares effected without the General Partner's consent.

Subject to the above, the transfer of Shares will normally be given effect by the Fund by way of declaration of transfer recorded in the register of Shareholders of the Fund following the delivery to the Administrator of an instrument of transfer duly completed and executed by the transferor and the transferee, in a form accepted by the Fund.

The Fund will only give effect to Share transfers that it considers clear and complete. The Administrator may require from the transferor and/or the transferee all of the information and supporting documentation it deems necessary to give effect to the transfer. Investors are advised to contact the Administrator prior to requesting a transfer to ensure that they have all the correct documentation for the transaction. The Fund may delay the acceptance of unclear or incomplete transfer orders until reception of all necessary information and supporting documentation in a form satisfactory to the Fund. Unclear or incomplete transfer orders may lead to delays in their execution. The Fund will not accept liability for any loss suffered by transferors and/or transferees as a result of unclear or incomplete transfer orders.

## **6.8 Special considerations**

### **6.8.1 Minimum subscription and holding amounts**

The subscription for Shares may be subject to a minimum initial subscription amount and/or additional subscription amount, as specified for each Share Class in the Supplement. The Fund may reject any application for subscription for or conversion into Shares of a Share Class which does not meet the applicable minimum initial subscription amount or additional subscription amount for that Share Class, if any.

In addition, the holding of Shares may be subject to a minimum holding amount, as specified for each Share Class in the Supplement. The Fund may treat any application for redemption or conversion of part of a holding of Shares in a Share Class as a deemed application for redemption or conversion of the entire holding of the redeeming investor in that Share Class if, as a result of such application, the Net Asset Value of the Shares retained by the investor in that Share Class would fall below the applicable minimum holding amount. Alternatively, the Fund may grant a grace period to the investor so as to allow him to increase his holding to at least the minimum holding amount.

The Fund may further deny giving effect to any transfer of Shares if, as a result of such transfer, the Net Asset Value of the Shares retained by the transferor in a Share Class would fall below the minimum holding amount for that Share Class, or if the Net Asset Value of the Shares acquired by the transferee in a Share Class would be less than the minimum initial or additional subscription amounts, as applicable. In such cases, the Fund will notify the transferor that it will not give effect to the transfer of the Shares.

Alternatively, the Fund has the discretion, from time to time, to waive any applicable minimum initial subscription amount, minimum additional subscription amount and/or minimum holding amount provided that investors are treated fairly. In particular, the Fund may waive all or part of such requirements for investments made by certain nominees and other professional intermediaries.

#### **6.8.2 Suspension of issue, redemption or conversion of Shares**

Each Sub-Fund may provide that the issue, redemption or conversion of Shares in a Share Class may be suspended, as described in its Supplement.

#### **6.8.3 Deferral of redemption or conversion of Shares**

Each Sub-Fund may provide specific rules on the deferral of redemption or conversion of Shares, as described in its Supplement.

#### **6.8.4 Dilution adjustment (Swing pricing)**

Each Sub-Fund may provide specific rules on dilution adjustment, as described in its Supplement.

#### **6.8.5 Limited redemption procedure in extraordinary circumstances**

Each Sub-Fund may provide specific rules allowing the General Partner to introduce limited redemption arrangements in case of Extraordinary Circumstances or significant redemption requests, whether on a single Redemption Day or when aggregated over a certain period of time, requiring the disposal of parts of Sub-Fund's assets to cover payment of such redemption requests. The introduction of the limited redemption arrangements is subject to the General Partner's assessment of, *inter alia*, the above circumstances as well as the Fund's ability to liquidate investments in an orderly manner, taking into account the interests of all investors.

#### **6.9 Late trading, market timing and other prohibited practices**

Each Sub-Fund may provide specific rules on the late trading, the market timing and other prohibited practices, as described in its Supplement.

#### **6.10 Prohibited Persons**

The General Partner may restrict or prevent the legal or beneficial ownership of Shares at its discretion, in particular, if in the opinion of the General Partner such ownership may (i) result in a breach of any provisions of the Articles of Association, the Offering Document or the laws or regulations of any jurisdiction, or (ii) require the Fund or the AIFM to be registered under any laws or regulations whether as an investment fund or otherwise, or cause the Fund to be required to comply with any registration requirements in respect of any of its

Shares, whether in the United States of America or in any other jurisdiction, or (iii) may cause the Fund, the AIFM or the investors any legal, regulatory, taxation, administrative or financial disadvantages which they would not have otherwise incurred (a Prohibited Person).

Each Supplement may provide additional requirements.

The Fund may decline to issue any Shares and to accept any transfer of Shares, where it appears that such issue or transfer would or might result in Shares being acquired or held by, on behalf or for the account or benefit of, Prohibited Persons. The Fund may require at any time any investor or prospective investor to provide the Fund with any representations, warranties, or information, together with supporting documentation, which the Fund may consider necessary for the purpose of determining whether the issue or transfer would result in Shares being held by, on behalf or for the account or benefit of, a Prohibited Person.

The Fund may compulsorily redeem all Shares held by, on behalf or for the account or benefit of, Prohibited Persons or investors who are found to be in breach of, or have failed to provide the abovementioned representations, warranties or information in a timely manner, as further described in each Supplement.

The Fund may also grant a grace period to the investor for remedying the situation causing the compulsory redemption, for instance by transferring the Shares to one or more investors who are not Prohibited Persons and do not act on behalf or for the account or benefit of, Prohibited Persons, and/or propose to convert the Shares held by any investor who fails to satisfy the investor eligibility requirements for a Shares Class into Shares of another Share Class available for such investor.

The Fund reserves the right to require the investor to indemnify the Fund against any losses, costs or expenses arising as a result of any Shares being held by, on behalf or for the account or benefit of, a Prohibited Person or investors who are found to be in breach of, or have failed to provide, the abovementioned representations, warranties or information in a timely manner. The Fund may pay such losses, costs or expenses out of the proceeds of any compulsory redemption described above and/or redeem all or part of the investor's other Shares, if any, in order to pay for such losses, costs or expenses.

#### **6.11 Prevention of money laundering**

Measures aimed toward the prevention of money laundering may require a detailed verification of the investor's identity. At their absolute discretion the Fund, the AIFM and the Administrator each reserve the right to request any such information and or documentation as is necessary to verify the identity of an applicant in line with applicable law and regulations.



## **7. VALUATION AND NET ASSET CALCULATION**

The AIFM is responsible for ensuring that proper and independent valuation of the assets of the Fund and the calculation and publication of the Net Asset Value can be performed.

The Net Asset Value of each Sub-Fund and Share Class is determined by performing a valuation of the assets and liabilities of the Fund and allocating them to the Sub-Funds and Share Classes, in order to calculate the Net Asset Value per Share of each Share Class of each Sub-Fund. The method for the valuation of the assets and liabilities, the allocation to the Sub-Funds and Share Classes, and the calculation of the Net Asset Value is set out in the AIFM's valuation policy, the Articles of Association, and is also described in this section of the Offering Document.

Each Supplement may provide for additional provisions for each Sub-Fund.

### **7.1 Calculation of the Net Asset Value**

The Net Asset Value per Share shall be determined by the Administrator as of each Valuation Day (as specified for each Sub-Fund in the Supplement) under the responsibility of the AIFM. It shall be calculated by dividing the Net Asset Value of the Share Class of a Sub-Fund by the total number of Shares of such Share Class in issue as of that Valuation Day. The Net Asset Value per Share shall be expressed in the Reference Currency of the Share Class and may be rounded up or down to four (4) decimal places.

The Net Asset Value of a Share Class is equal to the value of the assets allocated to such Share Class within a Sub-Fund less the value of the liabilities allocated to such Share Class, both being calculated as of each Valuation Day according to the valuation procedure described below.

The Net Asset Value of a Sub-Fund is equal to the value of the assets allocated to such Sub-Fund less the value of the liabilities allocated to such Sub-Fund, both calculated as of each Valuation Day in the Reference Currency of the Sub-Fund according to the valuation procedure described below.

The Net Asset Value of the Fund will at all times be equal to the sum of the Net Asset Values of all Sub-Funds expressed in the Reference Currency of the Fund. The Net Asset Value of the Fund must at all times be at least equal to the minimum share capital required by the 2016 Law which is currently 1,250,000 EUR, except during the first twelve (12) months following the constitution of the Fund.

### **7.2 Valuation procedure**

#### **7.2.1 General**

The assets and liabilities of the Fund will be valued in accordance with the AIFM's valuation policy and the provisions outlined below.

#### **7.2.2 MV Credit's Valuation Process**

The AIFM has a Valuation Committee which is made up of individuals with a good knowledge of the underlying investments, the markets in which they operate and experience in valuing assets under the required accounting standards and using International Private Equity &

Venture Capital (“IPEV”) guidelines. All Valuation Committee members are not members of the AIFM Board. Valuations are prepared by using:

- Market Multiples
- Observable Pricing (where available and relevant for the asset class)
- Discounted Cashflows

With regard to MV Credits private debt investments, the valuation for each investment is prepared by MV Credit’s investment team members with qualitative and quantitative analysis to assess any impairment on the recoverability of loans. The AIFM Finance Team review these valuations to assess the validity of any assumptions and follow-up requests for information. The draft valuations are then reviewed by the Valuation Committee.

### **7.2.3 Loomis Sayles valuation process**

The AIFM will rely on the valuations performed by the Administrator on behalf of Loomis Sayles with respect to the determination of the net asset value of Loomis Sayles funds.

For purposes of determining the net asset value of Loomis Sayles funds, the securities and other assets acquired by such fund will be valued by Loomis Sayles as follows:

- (i) each security or other investment which is quoted, listed or traded on or under the rules of any recognized securities exchange or market or similar electronic system shall be valued by reference to the last quoted trade price as of the valuation date or if the last quoted trade price quotation is unrepresentative in the opinion of the Loomis Sayles fund such security or other investment shall be valued at such value as shall be determined in good faith by the Loomis Sayles fund, or by a competent professional person approved for such purpose by the Loomis Sayles fund, in the circumstances to be the fair market value thereof. If a security or other investment is normally quoted, listed or traded on more than one recognized exchange or market, the relevant recognized exchange or market shall be the recognized exchange or market which the Loomis Sayles fund determines provides the fairest criterion of value for such investment;
- (ii) a security or other investment which is not quoted, listed or traded on or under the rules of a recognized exchange or market or similar electronic system, shall be valued at its probable realization value as determined in good faith by the Loomis Sayles fund, in most cases by utilization of one or more pricing vendors approved for such purpose by the Loomis Sayles fund, having regard to its cost price, the price at which any recent transaction in the investment may have been effected, the size of the holding having regard to the total amount of such investment in issue and such other factors as the Loomis Sayles fund deems appropriate;
- (iii) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution or, in some cases, by reference to bid and ask prices. If there is no such price, the Loomis Sayles fund may determine the fairest criterion of value for the investment;
- (iv) investments, other than securities, including over-the-counter derivatives contracts, which are not dealt in or traded on a recognized exchange, market or similar electronic system, or through a clearing firm, exchange or financial institution, will be valued on the basis of the latest available valuation provided by the relevant pricing vendor (for some types of

instruments, this may be based on the settlement price or a mid-price), counterparty, or otherwise at its probable realization value as determined in good faith by the Loomis Sayles fund, having regard to such factors as the Loomis Sayles fund deems appropriate;

(v) deposits will be valued at their cost plus accrued interest;

(vi) forward exchange contracts will be valued by reference to a rate that is interpolated from the mean currency exchange rates (between the bid and the ask).

To the extent prices are unavailable from pricing vendors or prices are deemed inaccurate, the Loomis Sayles fund may utilize quotations provided by one or more broker-dealers or counterparties, as applicable. The Loomis Sayles fund may also convert spread prices into dollar amounts with respect to certain debt securities and instruments that are traded in the market at spreads relative to a specific reference security.

The Loomis Sayles fund may, having regard to such factors as the members in their sole discretion deem appropriate (including, but not limited to, applicable rates of interest, maturity, size of position, and liquidity), adopt or permit another method of valuation to be used in respect of any particular investment, or type of investments, if the Loomis Sayles fund considers that such method of valuation better reflects the fair value of such investment or type of investment, and is in accordance with good accounting practice.

The foregoing methods are used unless significant subsequent events (which may include after-hours trading) have, in the judgment of the Loomis Sayles fund, materially altered the valuation. Such valuation would then be reasonably determined by the Loomis Sayles fund taking into account such subsequent events.

Investors may obtain, upon request, the detailed valuation policy of the Loomis Sayles fund from the AIFM.

#### **7.2.4 Assets of the Fund**

Subject to the rules on the allocation to Sub-Funds and Share Classes below, the assets of the Fund shall include the following:

- 1) all cash on hand or on deposit, including any outstanding accrued interest;
- 2) all bills and any types of notes or accounts receivable, including outstanding proceeds of any disposal of financial instruments;
- 3) all securities and financial instruments, including loans, shares, bonds, notes, certificates of deposit, debenture stocks, options or subscription rights, warrants, money market instruments and all other investments belonging to the Fund;
- 4) all dividends and distributions payable to the Fund either in cash or in the form of stocks and shares (which will normally be recorded in the Fund's books as of the ex-dividend date, provided that the Fund may adjust the value of the security accordingly);
- 5) all outstanding accrued interest on any interest-bearing instruments belonging to the Fund, unless this interest is included in the principal amount of such instruments; and

- 6) all other assets of any kind and nature including expenses paid in advance.

### **7.2.5 Liabilities of the Fund**

Subject to the rules on the allocation to Sub-Funds and Share Classes below, the liabilities of the Fund shall include the following:

- 1) all loans, bills or accounts payable, accrued interest on loans (including accrued fees for commitment for such loans);
- 2) all known liabilities, whether or not already due, including all contractual obligations that have reached their term, involving payments made either in cash or in the form of assets, including the amount of any dividends declared by the Fund but not yet paid;
- 3) a provision for any tax accrued to the Valuation Day and any other provisions authorised or approved by the Fund; and
- 4) all other liabilities of the Fund of any kind recorded in accordance with applicable accounting rules, except liabilities represented by Shares. In determining the amount of such liabilities, the Fund will take into account all expenses, fees, costs and charges payable by the Fund as set out in section 8 (Fees and Expenses) below.

Adequate provisions shall be made for unpaid administrative and other expenses of a regular or recurring nature based on an estimated amount accrued for the applicable period. Any off-balance sheet liabilities shall duly be taken into account in accordance with fair and prudent criteria.

### **7.2.6 Valuation principles**

In accordance with the Articles of Association and the AIFM's valuation policy, the valuation of the assets of the Fund will be conducted as follows:

- 1) The value of the Fund's assets will be the probable realisation value estimated with care and in good faith by the AIFM using any valuation method approved by the AIFM, except for assets specifically referenced below.
- 2) The value of any cash on hand or on deposit, bills or notes payable, accounts receivable, prepaid expenses, cash dividends, and interest accrued but not yet received shall be equal to the entire nominal or face amount thereof, unless the same is unlikely to be paid or received in full, in which case the value thereof shall be determined after making such discount as the AIFM may consider appropriate in such case to reflect the true value thereof.
- 3) Transferable securities and money market instruments which are quoted, listed or traded on an exchange or regulated market will be valued, unless otherwise provided under paragraphs 4) and 7) below, at the last available market price or quotation, prior to the time of valuation, on the exchange or regulated market where the securities or instruments are primarily quoted, listed or traded. Where securities or instruments are quoted, listed or traded on more than one exchange or regulated market, the AIFM will determine on which exchange or regulated market the securities or instruments are primarily quoted, listed or traded and the market prices or quotations on such exchange or regulated market will be used for the purpose of their valuation.

Transferable securities and money market instruments for which market prices or quotations are not available or representative, or which are not quoted, listed or traded on an exchange or regulated market, will be valued at their probable realisation value estimated with care and in good faith by the AIFM using any valuation method approved by the AIFM.

- 4) Notwithstanding paragraph 3) above, where permitted under applicable laws and regulations, money market instruments may be valued using an amortisation method whereby instruments are valued at their acquisition cost as adjusted for amortisation of premium or accrual of discount on a constant basis until maturity, regardless of the impact of fluctuating interest rates on the market value of the instruments. The amortisation method will only be used if it is not expected to result in a material discrepancy between the market value of the instruments and their value calculated according to the amortisation method.
- 5) Financial derivative instruments which are quoted, listed or traded on an exchange or regulated market will be valued at the last available closing or settlement price or quotation, prior to the time of valuation, on the exchange or regulated market where the instruments are primarily quoted, listed or traded. Where instruments are quoted, listed or traded on more than one exchange or regulated market, the AIFM will determine on which exchange or regulated market the instruments are primarily quoted, listed or traded and the closing or settlement prices or quotations on such exchange or regulated market will be used for the purpose of their valuation. Financial derivative instruments for which closing or settlement prices or quotations are not available or representative will be valued at their probable realisation value estimated with care and in good faith by the AIFM using any valuation method approved by the AIFM.
- 6) Financial derivative instruments which are traded OTC will be valued daily at their fair market value, on the basis of valuations provided by the counterparty which will be approved or verified on a regular basis independently from the counterparty. Alternatively, OTC financial derivative instruments may be valued on the basis of independent pricing services or valuation models approved by the AIFM which follow international best practice and valuation principles. Any such valuation will be reconciled to the counterparty valuation on a regular basis independently from the counterparty, and significant differences will be promptly investigated and explained.
- 7) Notwithstanding paragraph 3) above, shares or units in target investment funds will be valued at their latest available official net asset value, as reported or provided by or on behalf of the investment fund or at their latest available unofficial or estimated net asset value if more recent than the latest available official net asset value, provided that the AIFM is satisfied of the reliability of such unofficial net asset value. The Net Asset Value calculated on the basis of unofficial net asset values of the target investment fund may differ from the Net Asset Value which would have been calculated, on the same Valuation Day, on the basis of the official net asset value of the target investment fund. Alternatively, shares or units in target investment funds which are quoted, listed or traded on an exchange or regulated market may be valued in accordance with the provisions of paragraph 3) above.

### **7.2.7 Allocation of assets and liabilities to Sub-Funds and Share Classes**

Assets and liabilities of the Fund will be allocated to each Sub-Fund and Share Class in accordance with the provisions of the Articles of Association, as set out below, and the Supplement of the Sub-Fund.

- 1) The proceeds from the issue of Shares of a Sub-Fund or Share Class, all assets in which such proceeds are invested or reinvested and all income, earnings, profits or assets attributable to or deriving from such investments, as well as all increase or decrease in the value thereof, will be allocated to that Sub-Fund or Share Class and recorded in its books. The assets allocated to each Share Class of the same Sub-Fund will be invested together in accordance with the investment objective, policy, and strategy of that Sub-Fund, subject to the specific features and terms of issue of each Share Class of that Sub-Fund, as specified in its Supplement (see section 6.1 (Shares, Sub-Funds and Share Classes) above)
- 2) All liabilities of the Fund attributable to the assets allocated to a Sub-Fund or Share Class or incurred in connection with the creation, operation or liquidation of a Sub-Fund or Share Class will be charged to that Sub-Fund or Share Class and, together with any increase or decrease in the value thereof, will be allocated to that Sub-Fund or Share Class and recorded in its books. In particular and without limitation, the costs and any benefit of any Share Class specific feature will be allocated solely to the Share Class to which the specific feature relates.
- 3) Any assets or liabilities not attributable to a particular Sub-Fund or Share Class may be allocated by the General Partner in good faith and in a manner which is fair to all investors.

Subject to the above, the General Partner may at any time vary the allocation of assets and liabilities previously allocated to a Sub-Fund or Share Class.

### **7.2.8 Additional rules for assets and liabilities of the Fund**

Each Supplement may provide for additional rules for assets and liabilities.

### **7.3 Publication of the Net Asset Value**

Each Supplement may provide for specific details of the Net Asset Valuation publication.

### **7.4 Error in the calculation of the Net Asset Value**

The AIFM has implemented procedures in case of error in the calculation of the Net Asset Value which are compliant, to the extent applicable, with Circular CSSF 02/77. The AIFM shall apply the tolerance thresholds indicated in Circular CSSF 02/77, which for the avoidance of doubt is 0.5%, but may be amended from time to time, in line with Circular CSSF 02/77. For the avoidance of doubt, no communication to the CSSF will be made in case of error in the calculation of the Net Asset Value as the Fund, including all the Sub-Funds, is not supervised by the CSSF.

## **8. FEES AND EXPENSES**

### **8.1 Subscription Fee and Redemption Fee**

Subscriptions for Shares may be subject to a Subscription Fee and redemptions of Shares may be subject to a Redemption Fee both as specified in the Supplement, where applicable.

### **8.2 Management Fee**

The AIFM will be entitled to an annual fee as further described in each Supplement. The AIFM will also be entitled to reimbursement of reasonable out-of-pocket expenses properly incurred in carrying out its duties, as may be further described in each Supplement.

### **8.3 Portfolio Manager Fee**

The Portfolio Manager Fee, if any, will be further described in each Supplement. The Portfolio Manager Fee, if any, shall be deducted from the Management Fee payable to the AIFM.

### **8.4 Performance Fee**

The Performance Fee, if any, will be further described in each Supplement.

### **8.5 Fees of the Depository, the Administrator and the Sub-Administrator**

The Depository Fees, the Administrator Fees and the Sub-Administrator Fees, if any, will be further described in each Supplement.

### **8.6 Profit Share and expenses**

The General Partner is entitled to receive a Profit Share in consideration for its functions, as may be further described in each Supplement.

The Fund will also reimburse the members of the General Partner for appropriate insurance coverage and expenses and other costs incurred by the General Partner in the performance of its duties, including reasonable out-of-pocket expenses, traveling costs incurred to attend meetings of the General Partner, and any costs of legal proceedings unless such costs are caused by intentional or grossly negligent conduct by the General Partner in question, as may be further described in each Supplement.

### **8.7 Operating and Administrative Expenses**

The Fund bears all ordinary costs and expenses incurred in the operation and administration of the Fund or any Sub-Fund or Share Class and allocates them to the relevant Sub-Funds or Share Classes ("**Operating and Administrative Expenses**") including but not limited to costs and expenses incurred in connection with:

- 1) preparing, producing, printing, depositing, publishing and/or distributing any documents relating to the Fund, a Sub-Fund or Share Class that are required by applicable laws and regulations (such as the Articles of Association, this Offering Document, financial reports and notices to investors) or any other documents and

- materials made available to investors (such as explanatory memoranda, statements, reports, factsheets and similar documents);
- 2) organising and holding general meetings of Shareholders and preparing, printing, publishing and/or distributing notices and other communications to Shareholders;
  - 3) professional advisory services (such legal, tax, accounting, compliance, auditing and other advisory services) taken by the Fund or the AIFM on behalf of the Fund;
  - 4) the authorisation of the Fund, the Sub-Funds and Share Classes, regulatory compliance obligations and reporting requirements of the Fund (such as administrative fees, filing fees, insurance costs and other types of fees and expenses incurred in the course of regulatory compliance) and all types of insurance obtained on behalf of the Fund and/or the members of the General Partner;
  - 5) initial and ongoing obligations relating to the registration and/or listing of the Fund, a Sub-Fund or Share Class and the distribution of Shares in Luxembourg and abroad (such as fees charged by and expenses payable to financial regulators, distributors, correspondent banks, representatives, listing agents, paying agents, fund platforms, and other agents and/or service providers appointed in this context, as well as advisory, legal, and translation costs);
  - 6) the determination and publication of tax factors for the EU/EEA Member States and/or any other countries where distribution licences and/or private placements exist, according to the actual expenditure incurred at market rates;
  - 7) memberships or services provided by international organisations or industry bodies such as the Association of the Luxembourg Fund Industry (ALFI);
  - 8) taxes, charges and duties payable to governments and local authorities (including the Luxembourg annual subscription tax (*taxe d'abonnement*) and any other taxes payable on assets, income or expenses) and any value added tax (VAT) or similar tax associated with any fees and expenses paid by the Fund; and
  - 9) the reorganisation or liquidation of the Fund, a Sub-Fund or Share Class.

Unless specifically allocable to a Sub-Fund or Share Class, as determined by the General Partner or set forth in a Supplement, the Operating and Administrative Expenses shall be borne equally pro rata by each Sub-Fund or Share Class based on their Net Asset Value following the launch of the Fund, provided that the maximum amount contributed by a Sub-Fund or Share Class to cover these expenses may be capped to a certain amount as set forth in the relevant Supplement.

## **8.8 Transaction costs**

Each Sub-Fund bears the costs and expenses relating to transaction costs as described in each Supplement.

## **8.9 Extraordinary costs and expenses**

In order to safeguard the interests of the Sub-Fund and its investors, any Sub-Fund may bear any extraordinary costs and expenses, as described in each Supplement.



## **8.10 Formation costs and expenses**

The costs and expenses incurred in connection with the formation of the Fund will be borne by the AIFM. The costs and expenses incurred in connection with the formation of each Sub-Fund and their allocation will be described in each Supplement.

## **9. GENERAL INFORMATION**

### **9.1 Reports and financial statements**

The financial statements of the Fund will be prepared in accordance with IFRS and will contain any material changes to the information listed in article 21 of the 2013 Law during the financial year to which the financial statement refers.

The financial year of the Fund will begin on 1 January of each year and end on 31 December of the same year. Each year, the Fund will issue an Annual Report as of the end of the previous financial year comprising, inter alia, the audited financial statements of the Fund and each Sub-Fund and a report of the General Partner on the activities of the Fund. The first financial year will end on 31 December 2021 and the first Annual Report will be issued as of 31 December 2021.

The Annual Reports shall be made available to investors within six (6) months following the end of the reporting period. Investors may obtain, upon request, a copy of the latest Annual Report from the Fund via the webportal.

The Reference Currency of the Fund is the Euro. The Annual Report will comprise consolidated accounts of the Fund expressed in Euro as well as individual information on each Sub-Fund expressed in the Reference Currency of such Sub-Fund.

### **9.2 Meetings of Shareholders**

The annual general meeting of Shareholders will be held within six (6) months of the end of each financial year in Luxembourg in order to approve the financial statements of the Fund for the previous financial year. The annual general meeting of Shareholders will be held at the registered office of the Fund, or at such alternative location in Luxembourg as may be specified in the convening notice of such meeting.

Other general meetings of Shareholders may be held at such place and time as indicated in the convening notice in order to decide on any other matters relating to the Fund. General meetings of Shareholders of any Sub-Fund or any Share Class within a Sub-Fund may be held at such time and place as indicated in the convening notice in order to decide on any matters which relate exclusively to such Sub-Fund or Share Class.

Notices of all general meetings may be made through announcements filed with the Luxembourg Trade and Companies Register and be published at least fifteen (15) days before the meeting in *the Recueil électronique des sociétés et associations (RESA)* and in a Luxembourg newspaper and sent to all registered Shareholders by ordinary mail (*lettre missive*); alternatively, convening notices may be sent to registered Shareholders by registered mail at least eight (8) calendar days prior to the meeting or if the addressees have individually accepted to receive the convening notices by another means of communication ensuring access to the information, by such means of communication. Notices will include the agenda and will specify the time and place of the meeting, the conditions of admission, and the quorum and voting requirements.

The requirements as to attendance, quorum, and majorities at all general meetings will be those laid down in the Articles of Association and in the 1915 Law. All Shareholders may attend general meetings in person or by appointing another person as his proxy in writing or by facsimile, electronic mail or any other similar means of communication accepted by the

Fund. A single person may represent several or even all Shareholders of the Fund, a Sub-Fund or Share Class. Each Share entitles the Shareholder to one (1) vote at all general meetings of Shareholders of the Fund, and at all meetings of the Sub-Fund or Share Class concerned to the extent that such Share is a Share of such Sub-Fund or Share Class.

Shareholders holding together at least ten percent (10%) of the share capital or the voting rights may submit questions in writing to the General Partner relating to transactions in connection with the management of the Fund.

The General Partner may suspend the voting rights of any Shareholder in breach of his obligations as described in this Offering Document, the Subscription Form or the Articles of Association.

### **9.3 Investors' rights**

Upon the issue of the Shares, the person whose name appears on the register of Shares will become a Shareholder of the Fund in relation to the relevant Sub-Fund and Share Class. The Fund draws the investors' attention to the fact that, where an investor invests in the Fund through an intermediary acting in his own name but on behalf of the investor, it may not always be possible for the investor to exercise certain shareholder rights, such as the right to participate in general meetings of Shareholders, directly against the Fund. Investors are advised to seek advice in relation to their rights.

The Articles of Association are governed by, and construed in accordance with, the laws currently in force in Luxembourg. The Subscription Form is expressed to be governed by, and construed in accordance with, the laws currently in force in Luxembourg, and contains a choice of international competence of the courts of Luxembourg.

There are no legal instruments in Luxembourg required for the recognition and enforcement of judgments rendered by a Luxembourg court. If a foreign, i.e. non-Luxembourg court, on the basis of mandatory domestic provisions, renders a judgment against the Fund, the rules of the Brussels I (Recast) (regarding judgments from EU Member States) or the rules of the Lugano Convention or of the private international law of Luxembourg (regarding judgments from non-EU Member States) concerning the recognition and enforcement of foreign judgments apply. Investors are advised to seek advice, on a case-by-case basis, on the available rules concerning the recognition and enforcement of judgments.

Absent a direct contractual relationship between the investors and the service providers mentioned in section 5 (Management and Administration) above, the investors will generally have no direct rights against service providers and there are only limited circumstances in which an investor can potentially bring a claim against a service provider. Instead, the proper claimant in an action in respect of which a wrongdoing is alleged to have been committed against the Fund by a service provider is, *prima facie*, the Fund itself.

### **9.4 Changes to this Offering Document**

The General Partner, in close cooperation with the AIFM, may from time to time amend this Offering Document, including for the avoidance of doubt its Supplements, to reflect various changes it deems necessary and in the best interest of the Fund, such as implementing changes to laws and regulations, changes to a Sub-Fund's objective and policy or changes to fees and costs charged to a Sub-Fund or Share Class. In accordance with applicable laws and regulations, investors in the Sub-Fund or Share Class will be informed about the

changes and, where required, will be given prior notice of any proposed material changes in order for them to request the redemption of their Shares should they disagree.

## 9.5 Documents and information available

Investors may obtain, upon request during business hours on any full bank business day in Luxembourg, a copy of this Offering Document as well as of the latest Annual Report and the Articles of Association from the Fund via the webportal.

The AIFM has adopted a “best execution” policy with the objective of obtaining the best possible result for the Fund when executing decisions to deal on behalf of the Fund or placing orders to deal on behalf of the Fund with other entities for execution. Further information on the best execution policy may be obtained from the AIFM upon request.

Where available the historical performance of each Sub-Fund may be provided to investors prior to their investment in the Sub-Fund.

The AIFM has procedure for determining when and how voting rights attached to ownership of a Sub-Fund’s investments are to be exercised for the exclusive benefit of the Sub-Fund. A summary of this procedure as well as the details of the actions taken based on this procedure in relation to each Sub-Fund may be obtained from the AIFM upon request.

Copies of the following documents are available upon request by the investor: the AIFM Agreement, the Depositary Agreement and the Administration Agreement.

## 9.6 Data protection

In accordance with the provisions of the EU Regulation n°2016/679 of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the “**GDPR**”) and any applicable national data protection laws (including but not limited to the Luxembourg law of 1st August 2018 organizing the National Commission for data protection and the general system on data protection, as amended from time to time) (collectively hereinafter the “**Data Protection Laws**”), the Fund, as data controller, collects, stores and processes, by electronic or other means, the data supplied by investors or prospective investors (or if the investor and/or the prospective investor is a legal person, any natural person related to it such as its contact person(s), employee(s), trustee(s), nominee(s), agent(s), representative(s) and/or beneficial owner(s)) (the “**Data Subjects**”) for the purpose of fulfilling the services required by them and complying with its legal and regulatory obligations.

The data processed includes in particular the name, contact details (including postal or email address), banking details, invested amount and holdings in the Fund of Data Subjects (the “**Personal Data**”). As part of its compliance with legal obligations such as AML/KYC, the Fund may be required to process special categories of Personal Data as defined by the GDPR, including Personal Data relating to political opinions as well as criminal convictions and offences.

The Data Subject may at his/her discretion refuse to communicate Personal Data to the Fund. In this case, however, the Fund may reject a request for subscription of Shares if the relevant Personal Data is necessary to such subscription of such Shares.

Investors who are legal persons undertake and guarantee to process Personal Data and to supply such Personal Data to the Fund in compliance with the Data Protection Laws, including, where appropriate, informing the relevant Data Subjects of the contents of the present section, in accordance with Articles 12, 13 and/or 14 of the GDPR.

In accordance with the conditions laid down by the Data Protection Law, each Data Subject has a right to:

- access his/her Personal Data;
- ask for Personal Data to be rectified where it is inaccurate or incomplete;
- object to the processing of his/her Personal Data;
- restrict the use of his/her Personal Data;
- ask for erasure of his/her Personal Data; and
- ask for Personal Data portability.

Each Data Subject may exercise his/her above rights by writing to the Fund at its registered office, as indicated in the Directory. Each Data Subject also has a right to lodge a complaint with the Commission Nationale pour la Protection des Données (the “**CNPD**”) at the following address: 1, Avenue du Rock’n’roll, L-4361 Esch-sur-Alzette, Grand-Duchy of Luxembourg; or with any competent data protection supervisory authority of their EU Member State of residence.

Personal Data supplied by Data Subjects is processed, in order to enter into and execute the subscription in the Fund (i.e. to perform any pre-contractual measures as well as the contract entered into by the Data Subjects), for the legitimate interests of the Fund and to comply with the legal obligations imposed on the Fund.

In particular, the Personal Data supplied by Data Subjects is processed for the purposes of (i) processing subscriptions, redemptions and conversions of Shares and payments of dividends to Shareholders, (ii) account administration, (iii) client relationship management, (iv) performing controls on excessive trading and market timing practices, (v) tax identification as may be required under Luxembourg or foreign laws and regulations (including laws and regulations relating to FATCA or CRS) and compliance with applicable anti-money laundering rules. Data supplied by Data Subjects is also processed for the purpose of (vi) maintaining the register of Shareholders of the Fund.

The “legitimate interests” of the Fund referred to above are:

- (a) the processing purpose described in point (iii) of the above paragraph of this clause;
- (b) the provision of the proof, in the event of a dispute, of a transaction or any commercial communication as well as in connection with any proposed purchase, merger or acquisition of any part of the Fund’s business;
- (c) compliance with foreign laws and regulations and/or any order of a foreign court, government, supervisory, regulatory or tax authority; and

- (d) exercising the business of the Fund in accordance with reasonable market standards.

To this end, Personal Data may be transferred to affiliated and third-party entities supporting the activities of the Fund which include, in particular, the AIFM, the Administrator, the Sub-Administrator (if any) and Paying Agent, the Depositary, the Portfolio Manager, if any, the Auditor, the Legal adviser that are located in the EEA (the “**Recipients**”) and to [other prospective investors]. The Recipients may, under their own responsibility, disclose the Personal Data to their agents and/or delegates (the “**Sub-Recipients**”), which shall process the Personal Data for the sole purposes of assisting the Recipients in providing their services to the Fund and/or assisting the Recipients in fulfilling their own legal obligations.

Personal Data may also be transferred to Recipients located in countries outside of the EEA and whose data protection laws may not offer an adequate level of protection. In subscribing for Shares, each Data Subject acknowledges the transfer and processing of his/her Personal Data to the Recipients referred to above, including entities located outside the EEA and in particular in countries which may not offer an adequate level of protection. In this respect, the Fund will have to enter into legally binding transfer agreements with the relevant Recipients in the form of the European Commission approved model clauses. Each Data Subject has a right to request copies of the relevant document for enabling the Personal Data transfer(s) towards such countries by writing to the Fund.

The Recipients and Sub-Recipients may, as the case may be, process the Personal Data as data processors (when processing the Personal Data on behalf and upon instructions of the Fund and/or the Recipients), or as distinct data controllers (when processing the Personal Data for their own purposes, namely fulfilling their own legal obligations).

The Fund may also transfer Personal Data to third parties such as governmental or regulatory agencies including tax authorities, in or outside the EU, in accordance with applicable laws and regulations. In particular, such Personal Data may be disclosed to the Luxembourg tax authorities, which in turn may acting as data controller, disclose the same to foreign tax authorities.

Personal Data will not be retained for a period longer than necessary for the purpose of the data processing, subject to applicable legal minimum retention periods.

The Administrator may outsource certain functions and systems to service providers established in Ireland, Singapore, Jersey, Guernsey, Canada and/or the United States of America, while retaining full responsibility and overall control of all outsourced tasks and all data stored outside of Luxembourg. The outsourced functions may include fund administration, transfer agency (including maintaining the register of Shareholders of the Fund) and other services. As a result of the outsourcing, personal and confidential data of Shareholders of the Fund, which they have provided to the Administrator may be transferred to service providers that are established in the countries described above. Further information on the Administrator’s outsourcing model may be obtained upon request from the Administrator.

## **9.7 Merger and reorganisation**

### **9.7.1 Merger of the Fund, Sub-Funds or Share Classes**

The General Partner may decide to merge, in accordance with applicable laws and regulations, the Fund, a Sub-Fund or Share Class (the “**Merging Entity**”) with (i) another

Sub-Fund or Share Class of the Fund, or (ii) another Luxembourg RAIF or sub-fund or share class thereof, or (iii) another foreign UCI or sub-fund or share class thereof (the “**Receiving Entity**”) in the event that, for any reason, the General Partner determines that:

- (i) the Net Asset Value of the merging Sub-Fund or Share Class has decreased to, or has not reached, the minimum level for that Sub-Fund or Share Class to be managed and/or administered in an efficient manner,
- (ii) changes in the legal, economic or political environment would justify such merger, or
- (iii) a product rationalisation would justify such merger,

by transferring the assets and liabilities from the Merging Entity to the Receiving Entity, or by allocating the assets of the Merging Entity to the assets of the Receiving Entity, or by any other method of merger, amalgamation or reorganisation, as may be applicable, and, following a split or consolidation, if necessary, and the payment to investors of the amount corresponding to any fractional entitlement, by re-designating the shares of the Merging Entity as shares of the Receiving Entity, or by any other method of reorganisation or exchange of shares, as may be applicable.

Investors of the Merging Entity will be informed of the merger by way of a notice sent prior to the merger in accordance with applicable laws and regulations. The notice will indicate the reasons for and the procedures of the merger, as well as information on the Receiving Entity.

Such a merger does not require the prior consent of the Shareholders except where the Company is the Merging Entity which, thus, ceases to exist as a result of the merger; in such case, the general meeting of Shareholders of the Fund must decide on the merger and its effective date. However, in case the General Partner has decided to merge a Sub-Fund or Share Class into another Luxembourg RAIF or other UCI of the contractual type (*fonds commun de placement*) or sub-fund or share class thereof, or into another foreign UCI or sub-fund or share class thereof, special approval and/or majority requirements may apply in compliance with applicable legal and regulatory requirements.

Notwithstanding the powers conferred on the General Partner by the preceding paragraphs, investors of the Merging Entity may decide on such merger by resolution taken by the general meeting of Shareholders of the Sub-Fund or Share Class concerned. The convening notice to the general meeting of Shareholders of the Sub-Fund or Share Class will indicate the reasons for and the procedures of the proposed merger, as well as information on the receiving Entity.

### **9.7.2 Absorption of another fund or sub-fund or share class**

The General Partner may decide to proceed, in accordance with applicable laws and regulations, with the absorption by the Fund or one or several Sub-Funds or Share Classes of (i) another Luxembourg RAIF or sub-fund or share class thereof, or (ii) another foreign UCI or sub-fund or share class thereof (the “**Absorbed Entity**”). The exchange ratio between the Shares and the shares or units of the Absorbed Entity will be calculated on the basis of the net asset value per share or unit as of the effective date of the absorption.

Notwithstanding the powers conferred on the General Partner by the preceding paragraph, the investors of the Fund or any Sub-Fund or Share Class, as applicable, may also decide on any of the absorptions described above as well as on the effective date thereof by resolution

taken by the general meeting of Shareholders of the Fund or Sub-Fund or Share Class. The convening notice will explain the reasons for and the process of the proposed absorption.

### **9.7.2 Reorganisation of Sub-Funds or Share Classes**

Under the same conditions and procedure as for a merger of Sub-Funds or Share Classes into another Sub-Fund or Share Class of the Fund, the General Partner may decide to reorganise a Sub-Fund or Share Class by means of a division into two or more Sub-Funds or Share Classes.

## **9.8 Liquidation**

### **9.8.1 Termination and liquidation of Sub-Funds or Share Classes**

The General Partner may decide to compulsorily redeem all the Shares of any Sub-Fund or Share Class and thereby terminate and liquidate any Sub-Fund or Share Class, as provided in each Supplement.

Sub-Funds or Share Classes with a defined term will be automatically terminated and liquidated upon the occurrence of their term, as set out in the Supplement where applicable, unless terminated earlier in accordance with the provisions of this section.

The termination and liquidation of a Sub-Fund or Share Class will have no influence on the existence of any other Sub-Fund or Share Class. The decision to terminate and liquidate the last Sub-Fund existing in the Fund will result in the dissolution and liquidation of the Fund in accordance as described in section 9.8.2 (Dissolution and liquidation of the Fund) below.

### **9.8.2 Dissolution and liquidation of the Fund**

The Fund is incorporated for an unlimited period. It may be dissolved at any time with or without cause by a resolution of the general meeting of Shareholders adopted in compliance with applicable laws.

The compulsory dissolution of the Fund may be ordered by the Luxembourg competent courts in circumstances provided by the 2016 Law and the 1915 Law.

As soon as a decision to dissolve the Fund is taken, the issue, redemption or conversion of Shares in all Sub-Funds will be prohibited. The liquidation will be carried out in accordance with the provisions of the 2016 Law and 1915 Law. Liquidation proceeds which have not been claimed by investors at the time of the closure of the liquidation will be deposited in escrow at the *Caisse de Consignation* in Luxembourg. Proceeds not claimed within the statutory period will be forfeited in accordance with applicable laws and regulations.



## 10. TAXATION

The following information is a summary of certain material Luxembourg tax consequences of purchasing, owning and disposing of Shares. It does not purport to be a complete analysis of all possible tax situations that may be relevant to a decision to purchase, own or sell Shares. It is included herein solely for preliminary information purposes. It is not intended to be, nor should it be construed to be, legal or tax advice. This summary does not allow any conclusion to be drawn with respect to issues not specifically addressed. The following description of Luxembourg tax law is based on the Luxembourg law and regulations in effect and as interpreted by the Luxembourg tax authorities on the date of the Offering Document. These laws and interpretations are subject to change that may occur after such date, even with retroactive or retrospective effect.

Prospective investors should consult their own professional tax advisors with respect to particular tax circumstances, the effects of subscribing, purchasing, holding and disposing of the Shares, including the application and effect of any federal, state or local taxes under the tax laws of the Grand Duchy of Luxembourg and each country of which they are residents or citizens.

Please be aware that the residence concept used under the respective headings below applies for Luxembourg income tax assessment purposes only. Any reference in the present section to a tax, duty, levy, impost or other charge or withholding of a similar nature refers to Luxembourg tax law and/or concepts only. Also, please note that a reference to Luxembourg income tax generally encompasses corporate income tax (*impôt sur le revenu des collectivités*), municipal business tax (*impôt commercial communal*), a solidarity surcharge (*contribution au fonds pour l'emploi*), as well as personal income tax (*impôt sur le revenu*). Corporate investors may further be subject to net wealth tax (*impôt sur la fortune*) as well as other duties, levies or taxes. Corporate income tax, municipal business tax, as well as the solidarity surcharge invariably apply to most corporate taxpayers who are residents of Luxembourg for tax purposes. Individual taxpayers are generally subject to personal income tax and to the solidarity surcharge. Under certain circumstances, where an individual taxpayer acts in the course of the management of a professional or business undertaking, municipal business tax may apply as well.

### 10.1 Taxation of the Fund

#### 10.1.1 Income and net wealth taxes

Under current Luxembourg tax law, the Fund is neither liable to corporate income tax and municipal business tax (including the solidarity surcharge) nor liable to net wealth tax (including the minimum net wealth tax) in Luxembourg.

#### 10.1.2 Subscription tax

The Fund is liable in Luxembourg to a subscription tax (*taxe d'abonnement*) at a rate of 0.01% per annum. Such tax is payable quarterly and calculated on the Net Asset Value of the relevant Sub-Fund at the end of the relevant quarter.

An exemption from subscription tax applies in the following cases:

- a) the value of the assets represented by shares or units held in other UCIs to the extent such shares or units have already been subject to the subscription tax provided for by

Article 46 of the 2016 Law, Article 68 of the amended law of 13 February 2007 relating to specialized investment funds or Article 174 of the 2010 Law;

- b) RAIFs, as well as individual compartments of RAIFs with multiple compartments:
  - (i) the exclusive object of which is the collective investment in money market instruments and in deposits with credit institutions;
  - (ii) the weighted residual portfolio maturity of which does not exceed 90 days; and
  - (iii) that have obtained the highest possible rating from a recognized rating agency;
- c) RAIFs, as well as individual compartments of RAIFs with multiple compartments, the securities or partnership interests of which are reserved for (i) institutions for occupational retirement provision, or similar investment vehicles, set up on one or several employers' initiative for the benefit of their employees and (ii) companies of one or several employers investing the funds they own, in order to provide their employees with retirement benefits. The same exemption applies to individual classes created within a RAIF or within a compartment of a RAIF with multiple compartments;
- d) RAIFs, as well as individual compartments of RAIFs with multiple compartments, the main object of which is the investment in microfinance institutions.

### **10.1.3 Withholding tax**

Under current Luxembourg tax law, there is no withholding tax on any distribution, redemption or payment made by the Fund to its investors under the Shares. There is also no withholding tax on the distribution of liquidation proceeds to the Shareholders.

The Fund may however be subject to withholding tax on dividends and interest and to tax on capital gains in the country or origin of its investments. As the Fund itself is exempt from corporate income tax, withholding tax levied at source, if any, would normally not be refundable and it is not certain whether the Fund itself would be able to benefit from Luxembourg's tax treaties network. Whether the Fund may benefit from a tax treaty concluded by Luxembourg must be analysed on a case-by-case basis. Indeed, as the Fund is structured as an investment company (as opposed to a mere co-ownership of assets), certain tax treaties signed by Luxembourg may directly be applicable to the Fund.

### **10.1.4 Other taxes**

No stamp duty or other tax is payable in Luxembourg on the issue of Shares against cash, except a fixed registration duty of EUR 75 upon the Fund's incorporation or any amendment of its Articles of Association.

### **10.1.5 Value added tax**

In Luxembourg, RAIFs have the status of taxable persons for value added tax ("VAT") purposes. Accordingly, the Fund is considered as a taxable person for VAT purposes without any input VAT deduction right. A VAT exemption applies in Luxembourg for services qualifying as fund management services. Other services supplied to the Fund could potentially trig-

ger VAT and require the VAT registration of the Fund in Luxembourg. As a result of such VAT registration, the Fund will be in a position to fulfil its duty to self-assess the VAT regarded as due in Luxembourg on taxable services (or goods to some extent) purchased from abroad.

No VAT liability arises in principle in Luxembourg in respect of any payments by the Fund to its investors, to the extent that such payments are linked to their subscription to the Shares and do not constitute the consideration received for taxable services supplied.

## **10.2 Exchange of information**

### **10.2.1 FATCA**

Capitalized terms used in this section should have the meaning as set forth in the FATCA Law, unless otherwise provided herein.

The Fund may be subject to the so-called FATCA legislation which generally requires reporting to the US Internal Revenue Service of non-US financial institutions that do not comply with FATCA and direct or indirect ownership by US persons of non-US entities. As part of the process of implementing FATCA, the US government has negotiated intergovernmental agreements with certain foreign jurisdictions which are intended to streamline reporting and compliance requirements for entities established in such foreign jurisdictions and subject to FATCA.

Luxembourg has entered into a Model 1 Intergovernmental Agreement implemented by the FATCA Law, as amended or supplemented from time to time, which requires Financial Institutions located in Luxembourg to report, when required, information on Financial Accounts held by Specified US Persons, if any, to the Luxembourg tax authorities (*Administration des contributions directes*).

Under the terms of the FATCA Law, the Fund is likely to be treated as a Luxembourg Reporting Financial Institution.

This status imposes on the Fund the obligation to regularly obtain and verify information on all of its investors. On the request of the Fund, each investor shall agree to provide certain information, including, in the case of a passive Non-Financial Foreign Entity (“**NFFE**”), information on the Controlling Persons of such NFFE, along with the required supporting documentation. Similarly, each investor shall agree to actively provide to the Fund within thirty (30) days any information that would affect its status, as for instance a new mailing address or a new residency address.

The FATCA Law may require the Fund to disclose the names, addresses and taxpayer identification number (if available) of its investors as well as information such as account balances, income and gross proceeds (non-exhaustive list) to the Luxembourg tax authorities for the purposes set out in the FATCA Law. Such information will be relayed by the Luxembourg tax authorities to the US Internal Revenue Service.

Investors qualifying as passive NFFEs undertake to inform their Controlling Persons, if applicable, of the processing of their information by the Fund.

Additionally, the Fund is responsible for the processing of personal data and each investor has a right to access the data communicated to the Luxembourg tax authorities and to cor-

rect such data (if necessary). Any data obtained by the Fund is to be processed in accordance with the applicable data protection legislation.

Although the Fund will attempt to satisfy any obligation imposed on it to avoid imposition of FATCA withholding tax, no assurance can be given that the Fund will be able to satisfy these obligations. If the Fund becomes subject to a withholding tax or penalties as result of the FATCA regime, the value of the Shares held by the investors may suffer material losses. The failure for the Fund to obtain such information from each investor and to transmit it to the Luxembourg tax authorities may trigger the 30% withholding tax to be imposed on payments of US source income as well as penalties.

Any investor that fails to comply with the Fund's documentation requests may be charged with any taxes and/or penalties imposed on the Fund as a result of such investor's failure to provide the information and the Fund may, in its sole discretion, redeem the Shares of such investor.

Investors who invest through intermediaries are reminded to check if and how their intermediaries will comply with this US withholding tax and reporting regime.

Investors should consult a US tax advisor or otherwise seek professional advice regarding the above requirements.

### **10.2.2 CRS**

Capitalized terms used in this section should have the meaning as set forth in the CRS Law, unless otherwise provided herein.

The Fund may be subject to the CRS as set out in the CRS Law.

Under the terms of the CRS Law, the Fund is likely to be treated as a Luxembourg Reporting Financial Institution.

As such, the Fund will be required to annually report to the Luxembourg tax authorities personal and financial information related, *inter alia*, to the identification of, holdings by and payments made to (i) certain investors qualifying as Reportable Persons and (ii) Controlling Persons of passive non-financial entities ("**NFEs**") which are themselves Reportable Persons. This information, as exhaustively set out in Annex I of the CRS Law (the "**Information**"), will include personal data related to the Reportable Persons.

The Fund's ability to satisfy its reporting obligations under the CRS Law will depend on each investor providing the Fund with the Information, along with the required supporting documentary evidence. In this context, the investors are hereby informed that, as data controller, the Fund will process the Information for the purposes as set out in the CRS Law.

Investors qualifying as passive NFEs undertake to inform their Controlling Persons, if applicable, of the processing of their Information by the Fund.

Additionally, the Fund is responsible for the processing of personal data and each investor has a right to access the data communicated to the Luxembourg tax authorities and to correct such data (if necessary). Any data obtained by the Fund is to be processed in accordance with the applicable data protection legislation.

The investors are further informed that the Information related to Reportable Persons will be disclosed to the Luxembourg tax authorities annually for the purposes set out in the CRS Law. The Luxembourg tax authorities will, under their own responsibility, eventually exchange the reported information to the competent authority of the Reportable Jurisdiction(s). In particular, Reportable Persons are informed that certain operations performed by them will be reported to them through the issuance of statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg tax authorities.

Similarly, the investors undertake to inform the Fund within thirty (30) days of receipt of these statements should any included personal data not be accurate. The investors further undertake to immediately inform the Fund of, and provide the Fund with all supporting documentary evidence of any changes related to the Information after occurrence of such changes.

Although the Fund will attempt to satisfy any obligation imposed on it to avoid any fines or penalties imposed by the CRS Law, no assurance can be given that the Fund will be able to satisfy these obligations. If the Fund becomes subject to a fine or penalty as a result of the CRS Law, the value of the Shares held by the investors may suffer material losses.

Any investor that fails to comply with the Fund's Information or documentation requests may be held liable for penalties imposed on the Fund as a result of such investor's failure to provide the Information or and the Fund may, in its sole discretion, redeem the Shares of such investors.

### **10.3 Taxation of the investors**

#### **10.3.1 Tax residency of the investors**

An investor will not become resident, nor be deemed to be resident, in Luxembourg by reason only of the holding and/or disposal of the Shares or the execution, performance or enforcement of his/her rights thereunder.

#### **10.3.2 Resident individuals**

Dividends and other payments derived from the Shares by Luxembourg resident individuals, who act in the course of either their private wealth or their professional/business activity, are subject to income tax at the ordinary progressive rates. Under current Luxembourg tax laws, fifty percent (50%) of the gross amount of dividends received by resident individuals from the Fund is however exempt from income tax.

A gain realised upon the sale, disposal or redemption of Shares by Luxembourg resident individual investors, acting in the course of the management of their private wealth is not subject to Luxembourg income tax, provided this sale, disposal or redemption took place more than six (6) months after the Shares were acquired and provided the Shares do not represent a substantial Shareholding. A Shareholding is considered as substantial Shareholding in limited cases, i.e. if (i) the investor has held, either alone or together with his spouse or partner and/or his minor children, either directly or indirectly, at any time within the five (5) years preceding the realisation of the gain, more than ten percent (10%) of the share capital of the Fund or if (ii) the taxpayer acquired free of charge, within the five (5) years preceding the transfer, a participation that was constituting a substantial participation in the hands of the alienator (or the alienators in case of successive transfers free of charge within the same five-year period). Capital gains realised on a substantial participation more than six (6) months after the acquisition thereof are subject to income tax according to the half-global rate method, (i.e. the average rate applicable to the total income is calculated according to

progressive income tax rates and half of the average rate is applied to the capital gains realised on the substantial participation). A disposal may include a sale, an exchange, a contribution or any other kind of alienation of the Shares.

Capital gains realised on the disposal of the Shares by resident individual investors, who act in the course of their professional/business activity, are subject to income tax at ordinary rates. Taxable gains are determined as being the difference between the price for which the Shares have been disposed of and the lower of their cost or book value.

### **10.3.3 Luxembourg resident corporations**

Luxembourg resident corporate investors must include any profits derived, as well as any gain realized on the sale, disposal or redemption of Shares, in their taxable profits for Luxembourg income tax assessment purposes. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold or redeemed.

### **10.3.4 Luxembourg residents benefiting from a special tax regime**

Luxembourg resident investors which benefit from a special tax regime, such as (i) UCI governed by the 2010 Law, (ii) specialized investment funds governed by the amended law of 13 February 2007, (iii) RAIF treated as specialized investment funds for Luxembourg tax purposes and (iv) family wealth management companies governed by the amended law of 11 May 2007, are tax exempt entities in Luxembourg and are thus not subject to any Luxembourg income tax.

### **10.3.5 Non-resident investors**

Non-resident investors who have neither a permanent establishment nor a permanent representative in Luxembourg to which or whom the Shares are attributable are generally not liable to any Luxembourg income tax, whether they receive payments of dividends or realise capital gains upon disposal of Shares.

Non-resident investors having a permanent establishment or a permanent representative in Luxembourg to which or whom the Shares are attributable, must include any income received, as well as any gain realised upon the sale, disposal or redemption of the Shares, in their taxable income for Luxembourg tax assessment purposes.

The same inclusion applies to individuals, acting in the course of the management of a professional or business undertaking, who have a permanent establishment or a permanent representative in Luxembourg to which or whom the Shares are attributable. Taxable gains are determined as being the difference between the sale, repurchase or redemption price and the lower of the cost or book value of the Shares sold or redeemed.

### **10.3.6 Net wealth tax**

A Luxembourg resident, as well as a non-resident who has a permanent establishment or a permanent representative in Luxembourg to which or whom the Shares in the Fund are attributable, are subject to Luxembourg net wealth tax on such Shares, except if the investor is (i) a resident or non-resident individual taxpayer, (ii) an UCI governed by the 2010 Law, (iii) a securitization company governed by the amended law of 22 March 2004 on securitization, (iv) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (v) a specialized investment fund governed by the amended law of 13 February 2017 (vi) a

family wealth management company governed by the amended law of 11 May 2007, (vii) a professional pension institution governed by the amended law dated 13 July 2005, or (viii) a RAIF.

However, (i) a securitization company governed by the amended law of 22 March 2004 on securitization, (ii) a company governed by the amended law of 15 June 2004 on venture capital vehicles, (iii) a professional pension institution governed by the amended law dated 13 July 2005, as well as (iv) an opaque RAIF treated as a venture capital vehicle for Luxembourg tax purposes remain subject to minimum net wealth tax.

### **10.3.7 Other taxes**

Under Luxembourg tax law, where an individual investor is a resident of Luxembourg for tax purposes at the time of his/her death, the Shares are included in his/her taxable basis for inheritance purposes. No estate or inheritance tax is levied on the transfer of the Shares upon death of an investor in cases where the deceased was not a resident of Luxembourg for inheritance tax purposes at the time of his/her death.

Luxembourg gift tax may be levied on a gift or donation of the Shares if embodied in a Luxembourg notarial deed or otherwise registered in Luxembourg.

## **11. GENERAL RISK FACTORS ASSOCIATED WITH THE FUND**

The performance of the Shares depends on the performance of the investments of the Sub-Fund, which may increase or decrease in value. The past performance of the Shares is not an assurance or guarantee of future performance. The value of the Shares at any time could be significantly lower than the initial investment and investors may lose a portion or even the entire amount originally invested.

Investment objectives express an intended result only. Unless otherwise specified in a Supplement, the Shares do not include any element of capital protection and the Fund gives no assurance or guarantee to any investors as to the performance of the Shares. Depending on market conditions and a variety of other factors outside the control of the Fund, investment objectives may become more difficult or even impossible to achieve. The Fund gives no assurance or guarantee to any investors as to the likelihood of achieving the investment objective of a Sub-Fund.

An investment in the Shares is only suitable for investors who have sufficient knowledge, experience and/or access to professional advisors to make their own financial, legal, tax and accounting evaluation of the risks of an investment in the Shares and who have sufficient resources to be able to bear any losses that may result from an investment in the Shares. Investors should consider their own personal circumstances and seek additional advice from their financial adviser or other professional adviser as to possible financial, legal, tax and accounting consequences which they might encounter under the laws of the countries of their citizenship, residence, or domicile and which might be relevant to the subscription, purchase, holding, redemption, conversion or disposal of the Shares of the Fund.

Investors should also carefully consider all of the information set out in this Offering Document and the Supplement of the Sub-Fund before making an investment decision with respect to Shares of any Sub-Fund or Share Class. The following sections are of general nature and describe certain risks that are generally relevant to an investment in Shares of any Sub-Fund or Share Class. Other risks may be described in the Supplement. This section and the Supplements do not purport to be a complete explanation of all risks involved in an investment in the Shares of any Sub-Fund or Share Class and other risks may also be or become relevant from time to time.

### **11.1 Market risk**

Market risk is understood as the risk of loss for a Sub-Fund resulting from fluctuation in the market value of positions in its portfolio attributable to changes in market variables, such as general economic conditions, interest rates, foreign exchange rates, or the creditworthiness of the issuer of a financial instrument. This is a general risk that applies to all investments, meaning that the value of a particular investment may go down as well as up in response to changes in market variables. Although it is intended that each Sub-Fund will be diversified with a view to reducing market risk, the investments of a Sub-Fund will remain subject to fluctuations in market variables and the risks inherent in investing in financial markets.

#### **11.1.1 Economic risk**

The value of investments held by a Sub-Fund may decline in value due to factors affecting financial markets generally, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally. The value of investments may also decline



due to factors affecting a particular, industry, area or sector, such as changes in production costs and competitive conditions. During a general downturn in the economy, multiple asset classes may decline in value simultaneously. Economic downturn can be difficult to predict. When the economy performs well, there can be no assurance that investments held by a Sub-Fund will benefit from the advance.

### **11.1.2 Interest rate risk**

The performance of a Sub-Fund may be influenced by changes in the general level of interest rates. Generally, the value of fixed income instruments will change inversely with changes in interest rates: when interest rates rise, the value of fixed income instruments generally can be expected to fall and vice versa. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities. Negative interest rates can occur either as a result of explicit central bank policy or through market action. Negative interest rates may cause negative yields meaning that holding a fixed income security to maturity may incur a loss. In accordance with its investment objective and policy, a Sub-Fund may attempt to hedge or reduce interest rate risk, generally through the use of interest rate futures or other derivatives. However, it may not be possible or practical to hedge or reduce such risk at all times.

In particular, interest rate changes may affect the value of a debt instrument indirectly (especially in the case of fixed rate securities) and directly (especially in the case of instruments whose rates are adjustable). In general, rising interest rates will negatively impact the price of a fixed rate debt instrument and falling interest rates will have a positive effect on price. Adjustable rate instruments also react to interest rate changes in a similar manner although generally to a lesser degree (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors). Interest rate sensitivity is generally more pronounced and less predictable in instruments with uncertain payment or prepayment schedules.

### **11.1.3 Foreign exchange risk**

Each Sub-Fund investing in securities denominated in currencies other than its Reference Currency may be subject to foreign exchange risk. As the assets of each Sub-Fund are valued in its Reference Currency, changes in the value of the Reference Currency compared to other currencies will affect the value, in the Reference Currency, of any securities denominated in such other currencies. Foreign exchange exposure may increase the volatility of investments relative to investments denominated in the Reference Currency. In accordance with its investment objective and policy, a Sub-Fund may attempt to hedge or reduce foreign exchange risk, generally through the use of derivatives. However, it may not be possible or practical to hedge or reduce such risk at all times.

In addition, a Share Class that is denominated in a Reference Currency other than the Reference Currency of the Sub-Fund exposes the investor to the risk of fluctuations between the Reference Currency of the Share Class and that of the Sub-Fund. This exposure is in addition to foreign exchange risk, if any, incurred by the Sub-Fund with respect to investments denominated in other currencies than its Reference Currency, as described above.

#### **11.1.4 Credit risk**

Sub-Funds investing in fixed income instruments will be exposed to the creditworthiness of the issuers of the instruments and their ability to make principal and interest payments when due in accordance with the terms and conditions of the instruments. The creditworthiness or perceived creditworthiness of an issuer may affect the market value of fixed income instruments. Issuers with higher credit risk typically offer higher yields for this added risk, whereas issuers with lower credit risk typically offer lower yields. Generally, government debt is considered to be the safest in terms of credit risk, while corporate debt involves a higher credit risk. Related to that is the risk of downgrade by a rating agency. Rating agencies are private undertakings providing ratings for a variety of fixed income instruments based on the creditworthiness of their issuers. The agencies may change the rating of issuers or instruments from time to time due to financial, economic, political, or other factors, which, if the change represents a downgrade, can adversely impact the market value of the affected instruments.

In particular, performance and investor yield on the interests may be affected by the default or perceived credit impairment of investments made by a Sub-Fund and by general or sector specific credit spread widening. Credit risks associated with the investments include (among others): (i) the possibility that earnings of the obligor may be insufficient to meet its debt service obligations; (ii) the obligor's assets declining in value; and (iii) the declining creditworthiness, default and potential for insolvency of the obligor during periods of rising interest rates and economic downturn. An economic downturn and/or rising interest rates could severely disrupt the market for the investments and adversely affect the value of the investments and the ability of the obligors thereof to repay principal and interest. In turn, this could have a material adverse effect on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the shares. In the event of a default by a borrower, the Sub-Fund will bear a risk of loss of principal and accrued interest on that investment. Any such investment may become defaulted for a variety of reasons, including non-payment of principal or interest, as well as breaches of contractual covenants. A defaulted investment may become subject to workout negotiations or may be restructured by, for example, reducing the interest rate, a write-down of the principal, and/or changes to its terms and conditions. Any such process may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on the defaulted investment. In addition, significant costs might be imposed on the lender, further affecting the value of the investment. The liquidity in such defaulted investments may also be limited and, where a defaulted investment is sold, it is unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest owed on that investment. This would have a material adverse effect on the value of the Sub-Fund's portfolio, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the shares. In the case of secured loans, restructuring can be an expensive and lengthy process which could have a material negative effect on the Sub-Fund's anticipated return on the restructured loan. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal. This would substantially reduce the Sub-Fund's anticipated return on the restructured loan.

#### **11.1.5 Credit markets risk**

Conditions in the credit markets may have a significant impact on the business of the Sub-Fund. The global credit markets have experienced a variety of difficulties and changed economic conditions in recent years that have adversely affected the performance and market value of many securities and financial instruments. There can be no assurance that the Sub-

Fund will not suffer material adverse effects from broad and rapid changes in market conditions in the future. Among other things, the level of investment opportunities may decline from the AIFM's current expectations. As a result, fewer investment opportunities may be available to the Sub-Fund, although if credit markets remain constrained, the Sub-Fund may have the opportunity to take larger positions in potential transactions. One possible consequence is that the Sub-Fund may take a larger than anticipated period to invest capital, as a result of which, at least for some period of time, the Sub-Fund may be relatively concentrated in a limited number of investments. Consequently, during this period, the returns realised by the investors may be substantially adversely affected by the unfavourable performance of a small number of these investments.

### **11.1.6 Hedging risk**

Certain Sub-Funds may invest directly or indirectly in derivatives in certain circumstances for hedging purposes (e.g. currency or interest rate hedging). The use of derivatives in this way involves additional costs and expenses, as well as certain special risks, including: dependence on the Sub-Fund's ability to predict movements in the value of investments being hedged and movements in interest rates and exchange rates, as well as the ability to time the implementation or the dissolution of hedging transactions; imperfect correlation between the hedging instrument and the investments, securities or market sectors being hedged.

#### **11.1.7 Risks associated with hedging transactions and derivative instruments**

Certain Sub-Funds may, but are not required to, engage in currency rate, interest rate, credit risk or any other hedging strategies in order to manage risk and return trade-offs. While these transactions may reduce certain risks, the transactions themselves entail certain other risks, including counterparty credit risk. Hedging against a decline in the value of a portfolio position does not eliminate fluctuations in the values of portfolio positions or prevent losses if the values of those positions decline, but instead establishes other positions designed to gain from those same developments, thus offsetting the decline in the portfolio positions value. These types of hedging transactions also limit the opportunity for gain if the value of the portfolio position increases. Moreover, it may not be possible to hedge against currency exchange rate, interest rate or public security price fluctuations at a price sufficient to provide protection from the decline in the value of the portfolio position.

Unanticipated changes in interest rates or currency rates or public security prices may result in a poorer overall performance for the Sub-Fund than if it had not engaged in any hedging transaction. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions being hedged may vary. Moreover, the Sub-Fund may not seek or be able to establish a perfect correlation between hedging instruments and the portfolio holdings being hedged. This imperfect correlation may prevent the Sub-Fund from achieving the intended hedge or expose it to risk of loss.

In connection with certain hedging contracts, a Sub-Fund may be required to grant security interests over some of its assets to the relevant counterparty to such hedging contract as collateral. Such hedging contracts typically will give the counterparty the right to terminate the agreement upon the occurrence of certain events. Such termination events may include, among others, a failure by the Sub-Fund to pay amounts owed when due, a failure by the Sub-Fund to provide required reports or financial statements, a decline in the value of the investments secured as collateral, a failure by the Sub-Fund to maintain sufficient collateral coverage, a failure by the AIFM to comply with the investment policy and any investment restrictions, key changes in the Sub-Fund's management or the AIFM's personnel, a signifi-

cant reduction in the value of the assets of the Sub-Fund, and material violations of the terms, representations, warranties or covenants contained in the hedging contract, as well as other events determined by the counterparty. If a termination event were to occur, there may be a material adverse effect on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the Shares.

The AIFM may cause the Sub-Fund to take advantage of investment opportunities with respect to derivative instruments that are neither presently contemplated nor currently available, but which may be developed in the future, to the extent such opportunities are both consistent with the Sub-Fund's investment objectives and limitations and legally permissible. Any such investments may expose the Sub-Fund to unique and presently indeterminate risks, the impact of which may not be capable of determination until such instruments are developed and/or the AIFM determines to make such an investment.

#### **11.1.8 Commodities risk**

Where specified in the Supplements, certain Sub-Funds may invest in instruments providing exposure to the commodities market, including financial derivative instruments referencing commodities indices and financial instruments or funds linked to, or backed by the performance of, commodities. Investments in derivatives related to commodities can be highly volatile: market prices of commodities derivatives may fluctuate rapidly. The price of commodities derivatives may fluctuate based on numerous factors, including changes in supply and demand (whether actual or perceived, anticipated or unanticipated) and other trading considerations generally or in the relevant commodity, domestic and international political, monetary and economic events and policies, and other public or private policies, actions or inactions, natural events such as weather conditions, agricultural factors, diseases, or technological developments. The current or "spot" prices of commodities may also affect the prices of futures contracts in respect of the relevant commodity.

#### **11.1.9 Volatility**

The volatility of a financial instrument is a measure of the variations in the price of that instrument over time. A higher volatility means that the price of the instrument can change significantly over a short time period in either direction. Each Sub-Fund may make investments in instruments or markets that are likely to experience high levels of volatility. This may cause the Net Asset Value per Share to experience significant increases or decreases in value over short periods of time.

#### **11.1.10 Financial market fluctuations**

General fluctuations in interest rates and the market prices of investments may adversely affect the value of the Sub-Fund's investments. Instability and volatility in interest rates and the debt, equity and other relevant markets may also increase the risks inherent in the Sub-Fund's investments. The ability of a portfolio company to refinance debt may depend on the ability to sell new debt and equity in the market, to borrow from banks or otherwise, which may not be achievable on favourable terms or at all. A deterioration of the global debt markets (particularly the European debt market), any possible future failures of financial services companies or a significant rise in market perception of counterparty default risk will likely significantly reduce investor demand and liquidity for investments, which in turn is likely to lead some banks and other lenders to be unwilling or significantly less willing to finance new investments or to only offer financing for investments on less favourable terms than had been prevailing in the past. The Sub-Fund's ability to generate attractive investment returns may

be adversely affected to the extent the Sub-Fund is unable to obtain favourable financing terms for its investments. In the event that the Sub-Fund is unable to obtain debt financing for potential acquisitions or can only obtain debt at an increased interest rate or on unfavourable terms, the Sub-Fund may have difficulty completing otherwise profitable acquisitions or may generate profits that are lower than would otherwise be the case, either of which could lead to a decrease in the investment income earned.

#### **11.1.11 Short positions**

Certain Sub-Funds may use financial derivative instruments such as swaps, futures and forwards in order to obtain a short exposure to certain securities or other assets. A synthetic short position replicates the economic effect of a transaction in which a fund sells a security or asset it does not own but has borrowed, in anticipation that the market price of that security or asset will decline. When a Sub-Fund initiates such a synthetic short position in a security or asset that it does not own, it enters into a derivative-based transaction with a counterparty or broker-dealer and closes that transaction on or before its expiry date through the receipt or payment of any gains or losses resulting from the transaction. If the price of the security or asset on which the synthetic short position is written increases between the time of the initiation of the synthetic short position and the time at which the position is closed, the Sub-fund will incur a loss; conversely, if the price declines, the Sub-Fund will realise a gain. Any gain will be decreased and any loss increased by transactional costs and fees. Although a Sub-Fund's gain is limited to the price at which it opened the synthetic short position, its potential loss may be substantially higher. Stop loss policies are typically employed to limit losses. Each Sub-Fund is required to maintain sufficiently liquid assets to cover any obligations arising from its short positions at any time.

#### **11.1.12 Currency and exchange rate risk**

A substantial portion of the Sub-Fund's assets may be denominated in a currency that differs from the functional currency of the Sub-Fund.

Consequently, the return realised on any investment by the Sub-Fund may be adversely affected by movements in currency exchange rates over the holding period of such investment and the life of the Sub-Fund generally, costs of conversion and exchange control regulations, in addition to the performance of the investment itself. Moreover, the Sub-Fund may incur costs when converting one currency into another. The value of an investment may fall substantially as a result of fluctuations in the currency of the country in which the investment is made compared to the functional currency of the Sub-Fund. The AIFM may (but is not obliged to) endeavour to manage currency exposures in countries that do not use the functional currency of the Sub-Fund as their primary currency, using appropriate hedging techniques where available and appropriate. However there are no assurances that such hedging techniques will be utilised or, if used, will be successful. Additionally, costs related to currency hedging arrangements will be borne by the Sub-Fund. There can be no assurance that adequate hedging arrangements will be available on an economically viable basis.

### **11.2 Liquidity risk**

Liquidity refers to the speed and ease with which investments can be sold or liquidated or a position closed. Liquidity risk refers to the inability of the Sub-Fund 1 to liquidate investments at a price equal or close to their estimated value within a reasonable period of time to meet redemption requests. Private Debt investments in Sub Fund 1 will have a different liquidity profile to the assets held in the Loomis Fund. Private debt which is less liquid in nature and may make it difficult to dispose of these investments at prices the Sub-Fund 1 considers their

fair value. Investments which are in the form of loans are not as easily purchased or sold as publicly-traded securities due to the unique and more customised nature of the debt agreement and the private syndication process. In certain circumstances, investments may become less liquid than initially forecast or illiquid due to a variety of factors including adverse conditions affecting a particular issuer, counterparty, or the market generally, and legal, regulatory or contractual restrictions on the sale of certain instruments. In addition, the Sub-Fund 1 may invest in financial instruments traded over-the-counter or OTC, which generally tend to be less liquid than instruments that are listed and traded on exchanges. Market quotations for less liquid or illiquid instruments may be more volatile than for liquid instruments and/or subject to larger spreads between bid and ask prices. Difficulties in disposing of investments may result in a loss for the Sub-Fund 1 and/or compromise the ability of the Sub-Fund 1 to meet a redemption request.

In addition, credit markets may become less liquid which may impair the Sub-Fund's ability to respond to market movements and the Sub-Fund may experience adverse price movements upon liquidation of such investments. Liquidation of portions of the Sub-Fund's portfolio under these circumstances could produce realised losses. The size of the Sub-Fund's positions may magnify the effect of a decrease in market liquidity for such instruments. Settlement of transactions may be subject to delay and uncertainty. Such illiquidity may result from various factors, such as the nature of the instrument being traded, or the nature and/or maturity of the market in which it is being traded, the size of the position being traded, or lack of an established market for the relevant securities. Even where there is an established market, the price and/or liquidity of instruments in that market may be materially affected by certain factors. Investments which are in the form of loans are not as easily purchased or sold as publicly-traded securities due to the unique and more customised nature of the debt agreement and the private syndication process. As a result, there may be a significant period between the date that the Sub-Fund makes an investment and the date that such investment is realised. Moreover, the sale of restricted and illiquid securities may result in higher brokerage charges or dealer discounts and other selling expenses than the sale of securities eligible for trading on national securities exchanges or in the over-the-counter markets. Further, the Sub-Fund may not be able readily to dispose of such illiquid investments and, in some cases, may be contractually prohibited from disposing of such investments for a specified period of time, which could have a material adverse effect on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the Shares.

### **11.3 Counterparty risk**

Counterparty risk refers to the risk of loss for a Sub-Fund resulting from the fact that the counterparty to a transaction entered into by the Sub-Fund may default on its contractual obligations. There can be no assurance that an issuer or counterparty will not be subject to credit or other difficulties leading to a default on its contractual obligations and the loss of all or part of the amounts due to the Sub-Fund. This risk may arise at any time the assets of a Sub-Fund are deposited, extended, committed, invested or otherwise exposed through actual or implied contractual agreements. For instance, counterparty risk may arise when a Sub-Fund has deposited cash with a financial institution, or invests into debt securities and other fixed income instruments. Counterparty risk may also arise when a Sub-Fund enters into OTC financial derivative instruments, or enters into securities lending transactions, repurchase agreements, and buy-sell back transactions as further described below.

In particular, the Sub-Fund may be exposed to the risk that third parties that may owe the Sub-Fund money, securities or other assets will not perform their obligations. These parties

may include trading counterparties, clearing agents, exchanges, clearing houses, custodians, prime brokers, administrators and other financial intermediaries. These parties may default on their obligations to the Sub-Fund due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from entering into swap or other derivative contracts under which counterparties have long-term obligations to make payments to the Sub-Fund, or executing securities, futures, currency or commodity trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries. Also, any practice of rehypothecation of securities of the Sub-Fund or its portfolio companies held by counterparties could result in the loss of such securities upon the bankruptcy, insolvency or failure of such counterparties. Institutions, such as brokerage firms or banks may hold certain assets of the Sub-Fund in their own name and in non-segregated accounts. Bankruptcy or fraud at one of these institutions or other entities could impair the operational capabilities or the capital position of the Fund or result in its inability to perform its obligations. Certain brokers will have general custody of the assets of the Sub-Fund, and the failure of a broker may result in adverse consequences to the assets held and may in turn have an adverse effect on the value of the Shares.

#### **11.4 Operational risk**

Operational risk means the risk of loss for the Fund resulting from inadequate internal processes and failures in relation to people and systems of the Fund, the AIFM and/or its agents and service providers, or from external events, and includes legal and documentation risk and risk resulting from the trading, settlement and valuation procedures operated on behalf of the Fund.

##### **11.4.1 Valuation risks**

Certain Sub-Funds may hold investments for which market prices or quotations are not available or representative, or which are not quoted, listed or traded on an exchange or regulated market. In addition, in certain circumstances, investments may become less liquid or illiquid. Such investments will be valued at their probable realisation value estimated with care and in good faith by the Fund using any valuation method approved by the Fund. Such investments are inherently difficult to value and are the subject of substantial uncertainty. There is no assurance that the estimates resulting from the valuation process will reflect the actual sales or liquidation prices of investments.

Furthermore, certain Sub-Funds may expect to hold securities, loans or other financial instruments or obligations which are very thinly traded, for which no market exists or which are restricted as to their transferability under applicable securities laws. These investments may be extremely difficult to value accurately. The process of valuing securities for which reliable market quotations are not available is based on inherent uncertainties, and the resulting values may differ from values that would have been determined had a ready market existed for such securities, from values placed on such securities by other investors and from prices at which such securities may ultimately be sold. In addition, third-party pricing information may at times not be available regarding certain of the Sub-Fund's assets. In particular, past disruptions in the credit markets have resulted in a severe lack of liquidity for many securities or other instruments, making them more difficult to value and, in many cases, putting significant downward pressure on prices. Further, because of overall size or concentration in particular markets of positions held by the Sub-Fund, the value of its investments which can be liquidated may differ, sometimes significantly, from their valuations. Certain investments to be held by the Sub-Fund may trade with significant bid-ask spreads and, as a result, the Sub-

Fund may sell or buy investments at a price that overvalues the asset such that the Sub-Fund's business, financial condition, results of operations and/or the value of the shares may be materially adversely affected. Performance information of the Sub-Fund and the other vehicles managed by MV Credit, the performance of which is shown herein, may hold substantial amounts of illiquid or hard to value assets, and is therefore dependent upon the valuation procedures of MV Credit, and such values may not ultimately be realised. In addition, certain cross-transactions and other transactions between parallel vehicles and between the Sub-Fund and other vehicles or clients managed by MV Credit, to the extent permitted, are subject to valuation risk.

A component of the AIFM's analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the obligor. This residual or recovery value will be driven primarily by the value of the anticipated future cash flows of the obligor's business and by the value of any underlying assets constituting the collateral for such investment.

The anticipated future cash flows of the obligor's business and the value of collateral can, however, be extremely difficult to predict as in certain circumstances market quotations and third-party pricing information may not be available. If the recovery value of the collateral associated with the investments in which the Sub-Fund invests decreases or is materially worse than expected by the Sub-Fund, such a decrease or deficiency may affect the value of the investments made by the Sub-Fund. Accordingly, there may be a material adverse effect on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the Shares.

#### **11.4.2 Laws and regulations**

The Fund may be subject to a number of legal and regulatory risks, including contradictory interpretations or applications of laws, incomplete, unclear and changing laws, restrictions on general public access to regulations, practices and customs, ignorance or breaches of laws on the part of counterparties and other market participants, incomplete or incorrect transaction documents, lack of established or effective avenues for legal redress, inadequate investor protection, or lack of enforcement of existing laws. Difficulties in asserting, protecting and enforcing rights may have a material adverse effect on the Sub-Funds and their operations.

#### **11.4.3 Insolvency risk**

In the event of the insolvency of an obligor in respect of an investment, the Sub-Fund's recovery of amounts outstanding in insolvency proceedings may be impacted by the insolvency regimes in force in the jurisdiction of incorporation of such obligor or in the jurisdiction in which such obligor mainly conducts its business (if different from the jurisdiction of incorporation), and/or in the jurisdiction in which the assets of such obligor are located. Such insolvency regimes impose rules for the protection of creditors and may adversely affect the Sub-Fund's ability to recover such amounts as are outstanding from the insolvent obligor under the investment, which could have a material adverse effect on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the Shares. Similarly, the ability of obligors to recover amounts owing to them from insolvent portfolio companies may be adversely impacted by any such insolvency regimes applicable to those portfolio companies, which in turn may adversely affect the abilities of those obligors to make payments to the Sub-Fund due under the investment on a full or timely basis.



In particular, it should be noted that a number of European jurisdictions operate unpredictable insolvency regimes which may cause delays to the recovery of amounts owed by insolvent obligors or portfolio companies subject to those regimes. The different insolvency regimes applicable in the different European jurisdictions result in a corresponding variability of recovery rates for senior secured loans and other debt obligations entered into or issued in such jurisdictions, any of which may have a material adverse impact on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the Shares.

If a court in a lawsuit brought by a creditor or representative of creditors (such as a trustee in bankruptcy) of a portfolio company were to find that (a) the portfolio company did not receive fair consideration or reasonably equivalent value for incurring the indebtedness evidenced by the investments that the portfolio company issued to the Sub-Fund and (b) after giving effect to such indebtedness and the use of the proceeds thereof, the portfolio company (i) was insolvent, (ii) was engaged in a business for which its remaining assets constituted unreasonably small capital or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court could invalidate, in whole or in part, such indebtedness as a fraudulent conveyance, subordinate such indebtedness to existing or future creditors of the obligor or recover amounts previously paid by the portfolio company to the Sub-Fund in satisfaction of such indebtedness.

In addition, upon the insolvency of a portfolio company, payments that it made to the Sub-Fund may be subject to avoidance as a "preference" if made within a certain period of time (which may be as long as one year in the case of payments made to "insiders") before insolvency. There can be no assurance as to what standard a court would apply in order to determine whether the company was "insolvent" or that, regardless of the method of valuation, a court would not determine that the company was "insolvent," in each case, after giving effect to the indebtedness evidenced by the Sub-Fund's investments in such portfolio company and the use of the proceeds thereof.

In general, if payments are voidable, whether as fraudulent conveyances or preferences, such payments can be recaptured either from the initial recipient (such as the Sub-Fund) or from subsequent transferees of such payments, including the investors.

#### **11.4.4 Insolvency proceedings**

When a company seeks relief under the applicable insolvency laws of a particular jurisdiction (or has a petition filed against it), an automatic stay may prevent all entities, including creditors, from foreclosing or taking other actions to enforce claims, perfect security interests or reach collateral securing such claims. Creditors who have claims against the company prior to the date of the insolvency filing will generally require the permission of the court or a relevant insolvency officeholder to permit them to take any action to protect or enforce their claims. Such creditors may be prohibited from doing so at the discretion of the court or the relevant insolvency officeholder. If relief from the stay is not granted, the Sub-Fund may not realise a distribution on account of its claim until a distribution (if any) is made to the Sub-Fund by the relevant court or insolvency officeholder.

Security interests held by creditors are closely scrutinised and may be challenged in insolvency proceedings and may be invalidated for a variety of reasons. For example, security interests may be set aside because, as a technical matter, they have not been perfected properly under applicable law. If a security interest is invalidated, the secured creditor loses the value of the collateral and because loss of the secured status causes the claim to be

treated as an unsecured claim, the holder of such claim will be more likely to experience a significant loss of its investment.

Certain European jurisdictions may present different issues. In the United Kingdom, a lender could be exposed to liability as a “shadow director” of a borrower if the lender exercises a sufficient level of control over a borrower such that the directors of the borrower are accustomed to act in accordance with the lender’s directions or instructions. If a lender is found to be a shadow director of a borrower, among other things the lender may (where the borrower has gone into insolvent liquidation and the lender did not take every step to minimise loss to the borrower’s creditors once the lender concluded or should have concluded that there was no reasonable prospect of avoiding insolvent liquidation) be ordered by the court to make a contribution to the company’s assets.

Insolvency proceedings are inherently litigious, time consuming, highly complex and driven extensively by facts and circumstances, which can result in challenges in predicting outcomes. Insolvency proceedings may have adverse and permanent effects on a company. For instance, the company may lose its market position and key employees or otherwise become incapable of emerging from insolvency proceedings and restoring itself as a viable entity. Further, if insolvency proceedings result in liquidation, the liquidation value of the company may not equal the liquidation value that was believed to exist at the time of the investment. The administrative costs incurred in connection with insolvency proceedings are frequently high and will be paid out of the debtor’s estate prior to any return to creditors. Certain claims, such as claims for taxes, may in certain jurisdictions have priority by law over the claims of other creditors.

In general, the insolvency laws of a particular jurisdiction will affect the Sub-Fund’s position in the event of insolvency of a portfolio company: insolvency laws in certain European jurisdictions (such as France) are more debtor friendly than those in other jurisdictions (such as the United Kingdom), which are more creditor-friendly.

#### **11.4.5 Risks resulting from the United Kingdom’s exit from the EU**

On March 29, 2017, the United Kingdom formally notified the European Council of its intention to leave the European Union. After a number of iterations, the European Commission and the United Kingdom’s negotiators reached agreement on the terms of the United Kingdom’s withdrawal from the EU, and these terms have been approved by the United Kingdom Parliament and the relevant EU bodies. The United Kingdom formally left the EU on January 31, 2020, after which it entered the transition period specified in the withdrawal agreement, which is scheduled to end on December 31, 2020 (subject to any mutual agreement between the parties to extend). During this period, it is expected that the majority of the existing EU rules will continue to apply in the United Kingdom.

The terms of the United Kingdom’s exit from the EU are still uncertain, including the United Kingdom’s access to the EU single market permitting the exchange of goods and services between the UK and the EU. The United Kingdom expects to agree to a deal on a future relationship with the EU by the end of the transitional period, but whether this is possible is subject to disagreement by leaders of certain EU Member States.

The future application of EU-based legislation to the private fund industry in the United Kingdom will depend, among other things, on how the United Kingdom renegotiates its relationship with the EU. There can be no assurance that any renegotiated laws or regulations will not have an adverse impact on the Fund and its investments, including the ability of the Fund to achieve its investment objectives.

The foregoing may impact the Fund's appetite and/or approach to investing in assets located within the United Kingdom and the EU. The terms of the United Kingdom's exit from the EU and/or the United Kingdom's future relationship with the EU are not clear, and the shape of the future regulatory landscape is not yet defined. This uncertainty may also result in an economic slowdown and/or a deteriorating business environment in the United Kingdom and in one or more EU Member States.

#### **11.4.6 Sustainable finance risks**

Sustainable finance is a relatively new field of finance. Currently, there is no universally accepted framework or list of factors to consider to ensure that investments are sustainable. Also, the legal and regulatory framework governing sustainable finance is still under development.

The lack of common standards may result in different approaches to setting and achieving environmental, social and governance ("**ESG**") objectives. ESG factors may vary depending on investment themes, asset classes, investment philosophy and subjective use of different ESG indicators governing portfolio construction. The selection and weightings applied may to a certain extent be subjective or based on metrics that may share the same name but have different underlying meanings. ESG information, whether from an external and/or internal source, is, by nature and in many instances, based on a qualitative and judgemental assessment, especially in the absence of well-defined market standards and due to the existence of multiple approaches to sustainable investment. An element of subjectivity and discretion is therefore inherent to the interpretation and use of ESG data. It may consequently be difficult to compare strategies integrating ESG criteria. Investors should note that the subjective value that they may or may not assign to certain types of ESG criteria may differ substantially from that of a Sub-fund.

The lack of harmonised definitions may also potentially result in certain investments not benefiting from preferential tax treatments or credits because ESG criteria are assessed differently than initially thought.

Applying ESG criteria to the investment process may exclude securities of certain issuers for non-financial reasons and, therefore, may forgo some market opportunities available to funds that do not use ESG or sustainability criteria.

ESG information from third-party data providers may be incomplete, inaccurate or unavailable. As a result, there exists a risk of incorrectly assessing a security or issuer, resulting in the incorrect inclusion or exclusion of a security. ESG data providers are private undertakings providing ESG data for a variety of issuers. The ESG data providers may change the evaluation of issuers or instruments, at their discretion and from time to time, due to ESG or other factors.

The approach to sustainable finance may evolve and develop over time, both due to a refinement of investment decision-making processes to address ESG factors and risks, and because of legal and regulatory developments.

#### **11.4.7 FATCA**

The Fund may be subject to regulations imposed by foreign regulators, in particular, the United States laws and regulations known as FATCA. FATCA provisions generally impose a reporting obligation to the US Internal Revenue Services of non-US financial institutions that

do not comply with FATCA and US persons' (within the meaning of FATCA) direct and indirect ownership of non-US accounts and non-US entities. Failure to provide the requested information will result in a 30% withholding tax applying to certain US source income (including dividends and interest) as well as penalties. The Fund will be treated as a Foreign Financial Institution within the meaning of FATCA. As such, the Fund may require all investors to provide documentary evidence of their tax residence and all other information deemed necessary to comply with the above mentioned regulations.

Notwithstanding any other provision of this Offering Document, to the extent permitted by Luxembourg law, the Fund shall have the right to: (i) withhold on any payment to investors an amount equal to any taxes or similar charges required by applicable laws and regulations to be withheld in respect of any shareholding in the Fund, (ii) require any investor or beneficial owner of Shares to promptly provide such personal data as may be required by the Fund in its discretion in order to comply with applicable laws and regulations and/or determine the amount to be withheld; (iii) divulge any such personal data to any tax authority, as may be required by applicable laws and regulations or requested by such authority; (iv) delay payments to any investor, including any dividend or redemption proceeds, until the Fund holds sufficient information to comply with applicable laws and regulations and/or determine the amount to be withheld.

#### **11.4.8 Common Reporting Standard**

The Fund may be subject to the Standard for Automatic Exchange of Financial Account Information in Tax Matters and its CRS as set out in the CRS Law.

Under the terms of the CRS Law, the Fund is likely to be treated as a Luxembourg Reporting Financial Institution. As such, the Fund will be required to annually report to the Luxembourg tax authorities personal and financial information related, *inter alia*, to the identification of, holdings by and payments made to (i) investors that are reportable persons under the CRS Law, and (ii) Controlling Persons (as defined below) of passive non-financial entities which are themselves reportable persons. This information, as exhaustively set out in the CRS Law, will include personal data related to the reportable persons (the "**CRS Information**").

The Fund's ability to satisfy its reporting obligations under the CRS Law will depend on each investor providing the Fund with the required CRS Information, as explained above, along with the required supporting documentary evidence. In this context, the investors are hereby informed that, as data controller, the Fund will process such CRS Information for the purposes as set out in the CRS Law. The investors undertake to inform their controlling persons, if applicable, of the processing of their CRS Information by the Fund.

For the purposes of this section, "**Controlling Person**" means the natural persons who exercise control over an entity. In the case of a trust, the settlor(s), the trustee(s), the protector(s) (if any), the beneficiary(ies) or class(es) of beneficiaries, and any other natural person(s) exercising ultimate effective control over the trust, and in the case of a legal arrangement other than a trust, such term means persons in equivalent or similar positions. The term "Controlling Persons" must be interpreted in a manner consistent with the Financial Action Task Force Recommendations.

Investors are further informed that the CRS Information related to reportable persons within the meaning of the CRS Law will be disclosed to the Luxembourg tax authorities annually for the purposes set out in the CRS Law. In particular, reportable persons are informed that certain operations performed by them will be reported to them through the issuance of

statements, and that part of this information will serve as a basis for the annual disclosure to the Luxembourg tax authorities. Similarly, investors undertake to inform the Fund within thirty (30) days of receipt of these statements should any personal data not be accurate. The investors further undertake to immediately inform the Fund of and provide the Fund with all supporting documentary evidence of any changes related to the CRS Information after occurrence of such changes. Any investor that fails to comply with the Fund's CRS Information or documentation requests may be held liable for penalties imposed on the Fund and attributable to such investor's failure to provide the Information or subject to disclosure of the CRS Information by the Fund to the Luxembourg tax authorities.

#### **11.4.9 DAC 6**

Under the DAC 6 Law, whose provisions should be applicable as from 1 July 2020, Luxembourg intermediaries and, in certain cases, taxpayers will have to report to the Luxembourg tax authorities within a certain timeframe certain information on cross-border arrangements the first step of which was implemented as from 25 June 2018 or which are made available for implementation or are ready for implementation as from 1 July 2020 and containing at least one of the hallmarks set out in the Annex of the DAC 6 Law. The reported information will be automatically exchanged by the Luxembourg tax authorities to the competent authorities of all Member States through a centralized database. As the case may be, the General Partner may take any action that it deems required, necessary, advisable, desirable or convenient to comply with the reporting obligations imposed on intermediaries and/or taxpayers pursuant to the DAC 6 Law.

#### **11.4.10 Segregation of Sub-Funds**

The Fund is a single legal entity incorporated as an "umbrella fund" comprised of separate Sub-Funds. Under Luxembourg law, each Sub-Fund represents a segregated pool of assets and liabilities. By operation of the law, the rights and claims of creditors and counterparties of the Fund arising in respect of the creation, operation or liquidation of a Sub-Fund will be limited to the assets allocated to that Sub-Fund. However, while these provisions are binding in a Luxembourg court, these provisions have not been tested in other jurisdictions, and a creditor or counterparty might seek to attach or seize assets of a Sub-Fund in satisfaction of an obligation owed in relation to another Sub-Fund in a jurisdiction which would not recognise the principle of segregation of liability between Sub-Funds. Moreover, under Luxembourg law, there is no legal segregation of assets and liabilities between Share Classes of the same Sub-Fund. In the event that, for any reason, assets allocated to a Share Class become insufficient to pay for the liabilities allocated to that Share Class, the assets allocated to other Share Classes of the Sub-Fund will be used to pay for those liabilities. As a result, the Net Asset Value of the other Share Classes may also be reduced.

#### **11.4.11 Coronavirus risk**

As of the date of this Offering Document, there is an outbreak of a novel and highly contagious form of coronavirus ("**COVID-19**"), which the World Health Organization has declared to constitute a "Public Health Emergency of International Concern." The outbreak of COVID-19 has resulted in numerous deaths, adversely impacted global commercial activity and contributed to significant volatility in certain equity and debt markets. The global impact of the outbreak is rapidly evolving, and many countries have reacted by instituting quarantines, prohibitions on travel and the closure of offices, businesses, schools, retail stores and other public venues. Businesses are also implementing similar precautionary measures. Such measures, as well as the general uncertainty surrounding the dangers and impact of COVID-

19, are creating significant disruption in supply chains and economic activity and are having a particularly adverse impact on transportation, hospitality, tourism, entertainment and other industries. As COVID-19 continues to spread, the potential impacts, including a global, regional or other economic recession, are increasingly uncertain and difficult to assess.

Any public health emergency, including any outbreak of COVID-19, SARS, H1N1/09 flu, avian flu, other coronavirus, ebola or other existing or new epidemic diseases, or the threat thereof, could have a significant adverse impact on the Fund and its investments and could adversely affect the Fund's ability to fulfil its investment objectives.

The extent of the impact of any public health emergency on the Fund's and its investments' operational and financial performance will depend on many factors, including the duration and scope of such public health emergency, the extent of any related travel advisories and restrictions implemented, the impact of such public health emergency on overall supply and demand, goods and services, investor liquidity, consumer confidence and levels of economic activity and the extent of its disruption to important global, regional and local supply chains and economic markets, all of which are highly uncertain and cannot be predicted. The effects of a public health emergency may materially and adversely impact the value and performance of the Fund's investments, the Fund's ability to source, manage and divest investments and the Fund's ability to achieve its investment objectives, all of which could result in significant losses to the Fund. In addition, the operations of the Fund, its investments, the General Partner and the AIFM may be significantly impacted, or even temporarily or permanently halted, as a result of government quarantine measures, voluntary and precautionary restrictions on travel or meetings and other factors related to a public health emergency, including its potential adverse impact on the health of any such entity's personnel.

#### **11.4.12 Risk of borrowing and potential use of leverage by a Sub-Fund**

A Sub-Fund may employ leverage in connection with its investments. However, the actual use of leverage by a Sub-Fund will depend on a number of factors, including the availability of indebtedness on terms that the General Partner deems are appropriate and the General Partner's decision to use any such available leverage, among others. There can be no assurance that a Sub-Fund will be able to obtain, or will maintain, leverage on favourable terms, leverage that reaches the General Partner's targets/expectations, or any leverage at all.

Leverage will increase the exposure of a Sub-Fund to adverse economic factors such as rising interest rates, downturns in the economy or deteriorations in the condition of the investment.

The Sub-Fund's use of leverage may, amongst others, have the following consequences to investors, including, but not limited to: (i) greater fluctuations in the net asset value of the Sub-Fund's assets; (ii) use of cash flow (including capital contributions) for debt service, distributions, or other purposes; (iii) to the extent that the Sub-Fund's revenues are required to meet principal payments, the investors may be allocated income (and therefore tax liability) in excess of cash distributed; and (iv) in certain circumstances, the Sub-Fund may be required to dispose of investments at a loss or otherwise on unattractive terms in order to service its debt obligations or meet its debt covenants. There can be no assurance that the Sub-Fund will have sufficient cash flow to meet its debt service obligations. As a result, the Sub-Fund's exposure to foreclosure and other losses may be increased due to the illiquidity of its investments.

In addition, the Sub-Fund may need to refinance its outstanding debt as it matures. There is a risk that the Sub-Fund may not be able to refinance existing debt or that the terms of any refinancing may not be as favourable as the terms of the existing loan agreements. If prevailing interest rates or other factors at the time of refinancing result in higher interest rates upon refinancing, then the interest expense relating to that refinanced indebtedness would increase. These risks could adversely affect the Sub-Fund's financial condition, cash flows and the return on its investments.

## 11.5 Indemnification

The Fund shall, to the fullest extent permitted by applicable law and subject to the terms of the Articles of Association and this Offering Document, indemnify (i) the General Partner, the AIFM, the Portfolio Manager, if any, and the limited shareholder(s) of the Fund, (ii) each of their respective current or former partners, shareholders, directors, board observers, officers, employees, consultants, agents, advisors, other personnel and affiliates (and their respective partners, shareholders, directors, board observers, officers, employees, consultants, agents, advisors and other personnel) and (iii) the current or former directors, officers, employees, consultants, agents, advisors and other personnel of the Fund's subsidiaries (collectively, excluding the General Partner, the "**GP Indemnified Affiliates**") against any claims, losses, liabilities, damages, costs or expenses (including attorneys' fees and expenses in connection therewith and, except as hereinafter provided, judgments and amounts paid in settlement thereof) to which the General Partner or any GP Indemnified Affiliate may directly or indirectly become subject in connection with the Fund, or any involvement with a portfolio company (including serving as a manager, officer, director, consultant or employee of any portfolio company), but only to the extent that:

- (a) such claims, losses, liabilities, damages, costs or expenses (including attorney's fees and expenses in connection therewith and, except as hereinafter provided, judgments and amounts paid in settlement thereof) are not covered by applicable insurance policies or subject to prompt and recoverable indemnification from a third party,
- (b) the General Partner or such GP Indemnified Affiliate, as applicable, did not engage in conduct that constitutes bad faith, fraud, gross negligence, wilful misconduct, wilful default or any unremedied material breach of any provision of the Articles of Association, this Offering Document or any ancillary agreement entered into in connection with the Fund and/or a vehicle comprising the Fund in which such material breach was a direct cause of the losses or damages suffered by the General Partner or GP Indemnified Affiliate, as applicable, and
- (c) such claims, losses, liabilities, damages, costs or expenses (including attorneys' fees and expenses in connection therewith and, except as hereinafter provided, judgments and amounts paid in settlement thereof) do not arise from an internal dispute between two or more persons, each of whom would otherwise be indemnified under this section.

An "unremedied material breach" for the purposes of this section shall mean either any material breach that is not capable of remedy or, where capable of remedy, has not been remedied within twenty (20) business days of written notice of the alleged breach.

The Fund may, in the sole discretion of the General Partner, pay the expenses incurred by any person indemnifiable hereunder in connection with any proceeding in advance of the final disposition, so long as the General Partner receives a written undertaking by such person to repay the full amount advanced if there is a final determination that such person did not satisfy the standards set forth in the preceding sentences or that such person is not entitled to indemnification for other reasons. The termination of any action, suit or proceeding

by judgment, order, settlement, conviction, or a plea of *nolo contendere* or its equivalent, shall not, of itself, create a presumption that the General Partner or any GP Indemnified Affiliate was grossly negligent or engaged in wilful misconduct. The Fund shall make a cash payment to the General Partner or any GP Indemnified Affiliate (as applicable) equal to the full amount to be indemnified promptly upon notification of an obligation to indemnify from such person.

The covenants of exculpation and indemnity contained in this section where expressed to be for the benefit of a person or persons who are not shareholders of the Fund are granted to the General Partner for the respective benefit of such person or persons, and the General Partner shall have no duty on to preserve or enhance the value of the received indemnities. The General Partner confirms that any expenses for which the General Partner would not be entitled to indemnification as a result of the application of any of the express carve-outs to indemnification set out in this section shall not be borne by the Fund.

To the maximum extent not prohibited by applicable law, neither the General Partner nor any GP Indemnified Affiliate shall be liable to any limited shareholder and/or the Fund for (a) any action taken, or omitted to be taken, as managing general partner, or on behalf of the General Partner, with respect to the Fund or for any action taken, or omitted to be taken, by such persons in good faith and in a manner reasonably believed to be in or not opposed to the best interests of the Fund and, with respect to any criminal action or proceeding, with no reasonable cause to believe that his or her conduct was unlawful, in each case except to the extent of such persons' bad faith, fraud, gross negligence, wilful default or wilful misconduct or to the extent such action taken or omitted to be taken constitutes a material breach of any provision of the Articles of Association, this Offering Document or any ancillary agreement entered into in connection with the Fund or (b) any action or inaction arising from reliance in good faith upon the opinion or advice as to legal, tax or regulatory matters of legal counsel or as to accounting matters of accountants selected by such persons with reasonable care or (c) the action or inaction of any agent, contractor or consultant selected by such persons with reasonable care.

## **11.6 Side Letters**

The General Partner may enter into a side letter or other similar agreement with a particular investor in connection with its admission to the Fund without the approval of any other investor, which would have the effect of establishing rights under, or altering or supplementing the terms of, the fund documentation and/or such investor's subscription agreement with respect to such investor in a manner more favourable to such investor than those applicable to other investors. Such rights or terms in any such side letter or other similar agreement may include, without limitation, (i) excuse or exclusion rights applicable to particular investments or withdrawal rights from the Fund, including without limitation, as a result of an investor's specific policies or certain violations of federal, state or non-U.S. laws, rules or regulations, such as so-called "pay-to-play" rules with respect to public pension plan investors (which may materially increase the percentage interest of other investors in, and their contribution obligations, for future investments and expenses, and reduce the overall size of the Fund), (ii) reporting obligations of the General Partner, (iii) waiver of certain confidentiality obligations, (iv) management fee discounts or other economic terms, (v) prior consent of the General Partner to certain transfers by such investor or other exercises by the General Partner of its discretionary authority under the fund documentation for the benefit of such investor, (vi) preferential access to, and terms of, co-investment opportunities, (vii) rights or terms necessary in light of particular legal, regulatory or public policy characteristics of an investor (including with respect to limitations on the ability to provide indemnification) or (viii) representations and warranties relating to a particular point in time. Side letter provisions may result in the Gen-



eral Partner or the Fund restricting their discretion or rights with respect to the investors who benefit from such provisions. For instance, the General Partner may, in its discretion, agree with an investor that it need not waive the benefit of sovereign immunity with respect to its dealings with the Fund or the General Partner. This may restrict the General Partner's and the Fund's right to sue such investor in the event of a default by it. Similarly, these side letter provisions may confer benefits on the relevant investor which are at the expense of the Fund or investors as a whole. For instance, the General Partner may, in its discretion, agree that the Fund will provide additional reporting to an investor or a group of them. Such additional reporting may be at the expense of the Fund and the investors as a whole even though they may not benefit from such additional reporting provisions. The General Partner shall provide a description of these preferential treatments to other investors as appropriate in accordance with the AIFMD.

## **11.7 Certain financial instruments and investment techniques**

### **11.7.1 OTC financial derivative instruments**

In general, there is less government regulation and supervision of transactions in OTC markets than of transactions entered into on organised exchanges. OTC derivatives are executed directly with the counterparty rather than through a recognised exchange and clearing house. Counterparties to OTC derivatives are not afforded the same protections as may apply to those trading on recognised exchanges, such as the performance guarantee of a clearing house.

The principal risk when engaging in OTC derivatives (such as non-exchange traded options, forwards, swaps or contracts for difference) is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations as required by the terms of the instrument. OTC derivatives may expose a Sub-Fund to the risk that the counterparty will not settle a transaction in accordance with its terms, or will delay the settlement of the transaction, because of a dispute over the terms of the contract (whether or not *bona fide*) or because of the insolvency, bankruptcy or other credit or liquidity problems of the counterparty. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Fund.

The Fund may enter into OTC derivatives cleared through a clearinghouse that serves as a central counterparty. Central clearing is designed to reduce counterparty risk and increase liquidity compared to bilaterally-cleared OTC derivatives, but it does not eliminate those risks completely. The central counterparty will require margin from the clearing broker which will in turn require margin from the Fund. There is a risk of loss by a Fund of its initial and variation margin deposits in the event of default of the clearing broker with which the Fund has an open position or if margin is not identified and correctly report to the particular Fund, in particular where margin is held in an omnibus account maintained by the clearing broker with the central counterparty. In the event that the clearing broker becomes insolvent, the Fund may not be able to transfer or "port" its positions to another clearing broker.

EU Regulation 648/2012 on OTC derivatives, central counterparties and trade repositories (also known as the European Market Infrastructure Regulation or EMIR) requires certain eligible OTC derivatives to be submitted for clearing to regulated central clearing counterparties and the reporting of certain details to trade repositories. In addition, EMIR imposes requirements for appropriate procedures and arrangements to measure, monitor

and mitigate operational and counterparty risk in respect of OTC derivatives which are not subject to mandatory clearing. Ultimately, these requirements are likely to include the exchange and segregation of collateral by the parties, including by the Fund. While some of the obligations under EMIR have come into force, a number of the requirements are subject to phase-in periods and certain key issues have not been finalised by the date of this Offering Document. It is as yet unclear how the OTC derivatives market will adapt to the new regulatory regime. Accordingly, it is difficult to predict the full impact of EMIR on the Fund, which may include an increase in the overall costs of entering into and maintaining OTC derivatives.

Investors should be aware that the regulatory changes arising from EMIR and other applicable laws requiring central clearing of OTC derivatives may in due course adversely affect the ability of the Sub-Funds to adhere to their respective investment policies and achieve their investment objective.

Investments in OTC derivatives may be subject to the risk of differing valuations arising out of different permitted valuation methods. Although the Fund has implemented appropriate valuation procedures to determine and verify the value of OTC derivatives, certain transactions are complex and valuation may only be provided by a limited number of market participants who may also be acting as the counterparty to the transactions. Inaccurate valuation can result in inaccurate recognition of gains or losses and counterparty exposure.

Unlike exchange-traded derivatives, which are standardised with respect to their terms and conditions, OTC derivatives are generally established through negotiation with the other party to the instrument. While this type of arrangement allows greater flexibility to tailor the instrument to the needs of the parties, OTC derivatives may involve greater legal risk than exchange-traded instruments, as there may be a risk of loss if the agreement is deemed not to be legally enforceable or not documented correctly. There also may be a legal or documentation risk that the parties may disagree as to the proper interpretation of the terms of the agreement. However, these risks are generally mitigated, to a certain extent, by the use of industry-standard agreements such as those published by the International Swaps and Derivatives Association (ISDA).

### **11.7.2 Securities lending, repurchase agreements and buy-sell back transactions**

Securities lending transactions, repurchase agreements and buy-sell back transactions involve certain risks and there can be no assurance that the objective sought to be obtained from the use of such techniques will be achieved.

The principal risk when engaging in securities lending transactions, repurchase agreements and buy-sell back transactions is the risk of default by a counterparty who has become insolvent or is otherwise unable or refuses to honour its obligations to return securities or cash to the Sub-Fund as required by the terms of the transaction. Counterparty risk is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, there are certain risks associated with collateral management, including difficulties in selling collateral and/or losses incurred upon realization of collateral, as described below.

Securities lending transactions, repurchase agreements and buy-sell back transactions also entail liquidity risks due, *inter alia*, to locking cash or securities positions in transactions of excessive size or duration relative to the liquidity profile of the Sub-Fund or delays in recovering cash or securities paid to the counterparty. These circumstances may delay or restrict the ability of the Fund to meet redemption requests. The Sub-Fund may also incur

operational risks such as, *inter alia*, non-settlement or delay in settlement of instructions, failure or delays in satisfying delivery obligations under sales of securities, and legal risks related to the documentation used in respect of such transactions.

### **11.7.3 Collateral management**

Counterparty risk arising from investments in OTC financial derivative instruments and securities lending transactions, repurchase agreements and buy-sell back transactions is generally mitigated by the transfer or pledge of collateral in favour of the Sub-Fund. However, transactions may not be fully collateralised. Fees and returns due to the Sub-Fund may not be collateralised. If a counterparty defaults, the Sub-Fund may need to sell non-cash collateral received at prevailing market prices. In such a case the Sub-Fund could realise a loss due, *inter alia*, to inaccurate pricing or monitoring of the collateral, adverse market movements, deterioration in the credit rating of issuers of the collateral or illiquidity of the market on which the collateral is traded. Difficulties in selling collateral may delay or restrict the ability of the Sub-Fund to meet redemption requests.

A Sub-Fund may also incur a loss in reinvesting cash collateral received, where permitted. Such a loss may arise due to a decline in the value of the investments made. A decline in the value of such investments would reduce the amount of collateral available to be returned by the Sub-Fund to the counterparty as required by the terms of the transaction. The Sub-Fund would be required to cover the difference in value between the collateral originally received and the amount available to be returned to the counterparty, thereby resulting in a loss to the Sub-Fund.

### **11.8 No operating history; relation to prior investment results**

The Sub-Fund has not commenced operations and therefore has no operating history of making investments falling within the scope of the Sub-Fund's investment objectives or of other activities expected to be undertaken by the Sub-Fund upon which prospective investors may evaluate its performance. Past activities of investment vehicles managed or sponsored by MV Credit provide no assurance of future success.

### **11.9 Concentration**

Under the investment guidelines of the Fund and the Sub-Fund, the Sub-Fund could potentially end up with relatively few investments. In addition, in transactions where it is expected that a portion of the capital invested will be repaid through refinancing, there will be a risk that such refinancing may not be completed, which could lead to increased risk as a result of the Sub-Fund having an unintended long-term investment and/or reduced diversification. In addition, because of the time it may take to source appropriate investments, the Sub-Fund's portfolio may not initially be diversified. One risk of having a limited number of investments is that the aggregate returns realised by investors may be substantially adversely affected by the unfavourable performance of even a single investment. With respect to the investments in European private debt, the AIFM expects to generally use an opportunistic approach to investing, which may result in the Sub-Fund's investments being concentrated in a particular issuer, industry, security, structure or geographic region and its investments will become more susceptible to fluctuations in value resulting from adverse economic and/or business conditions with respect thereto. These risks may be further pronounced in cases where an investment is secured by a relatively small or less diverse pool of underlying assets. Certain geographic regions and/or industries may be more adversely affected from economic pressures when compared to other geographic regions and/or industries.

Following its initial investment in a given portfolio company, the Sub-Fund may have the opportunity to increase its investment in such portfolio company. There is no assurance that the Sub-Fund will make follow-on investments or that the Sub-Fund will have sufficient funds to make all or any such investments. Any decision by the Sub-Fund not to make follow-on investments or its inability to make such investments may have a substantial negative effect on a portfolio company in need of such an investment, may result in a lost opportunity for the Sub-Fund to increase its participation in a successful portfolio company, may result in the Sub-Fund's investment in the relevant portfolio company becoming diluted and in circumstances where the follow-on investment is offered at a discount to market value, may result in a loss of value for the Sub-Fund.

#### **11.10 Difficulty and cost of locating suitable investments**

A significant portion of the Sub-Fund's assets may be invested in European private debt. In this respect, there is no guarantee that suitable deal flow will be available so that the Sub-Fund will be able to invest its available capital immediately or that any such investments will be successful. The success of the Sub-Fund depends on the ability of the AIFM to identify, select, effect and realise appropriate investments. Accordingly, the Sub-Fund may only make a limited number of investments. Since these investments may involve a high degree of risk, poor performance by a few could significantly affect the return to investors. To the extent that any of the available capital is not invested, the Sub-Fund's potential for return may be diminished.

The investment industry of European private debt in which the Sub-Fund may be engaged is highly competitive. The activity of identifying, completing and realising on attractive investments that fall within the Sub-Fund's objective is highly competitive and involves a high degree of uncertainty and will be subject to market conditions. Potential competitors include other investment partnerships and corporations, business development companies, strategic industry acquirers, financial institutions (such as mortgage banks and pension funds), hedge funds and investment funds affiliated with other financial sponsors or institutional investors, private equity and debt investors, and credit vehicles. It is possible that competition for appropriate investment opportunities may increase, thus reducing the number of opportunities available to the Sub-Fund and adversely affecting the terms upon which investments can be made. There can be no certainty that the AIFM will identify a sufficient number of attractive investment opportunities to enable the full amount of capital subscribed to the Sub-Fund to be invested. To the extent that the Fund encounters competition from other strategic buyers and investors engaged in activities similar to those of the Sub-Fund, such competition may have the effect of increasing acquisition and other costs and the length of time required to fully invest the Sub-Fund, thereby reducing investment returns.

#### **11.11 Second-lien, or other subordinated loans or debt risk**

The Sub-Fund may acquire second-lien or other subordinated loans. In the event of a loss of value of the underlying assets that collateralise the loans, the subordinate portions of the loans may suffer a greater loss than more senior portions suffering a loss. If a borrower defaults and lacks sufficient assets to satisfy the Sub-Fund's loan, the Sub-Fund may suffer a loss of principal and/or interest. If a borrower declares bankruptcy, the Sub-Fund may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, certain of the Sub-Fund's loans may be subordinate to other debt of the borrower. As a result, if a borrower defaults on the Fund's loan or on debt senior to the Sub-Fund's loan, or in the event of the bankruptcy of a borrower, the Sub-Fund's loan will be satisfied only after all senior debt is paid in full. The Sub-Fund's ability to amend the terms of its loans, assign its loans, accept prepayments, exercise its remedies

(through “standstill periods”) and control decisions made in bankruptcy proceedings relating to borrowers may be limited by intercreditor arrangements if debt senior to its loans exists.

### **11.12 Senior Secured Loans Risk**

If a Sub-Fund acquires a senior secured loan in respect of a portfolio company, it generally will have the benefit of a security interest in the available assets of the portfolio company, which should mitigate the risk that the Sub-Fund will not be repaid. However, there is a risk that the collateral securing the Sub-Fund’s loans may decrease in value over time, may be difficult to sell in a timely manner, may be difficult to appraise, and may fluctuate in value based upon the success of the business and market conditions, including as a result of the inability of the portfolio company to raise additional capital. In some circumstances, the Sub-Fund’s lien could be subordinated to claims of other creditors. In addition, deterioration in a portfolio company’s financial condition and prospects, including its inability to raise additional capital, may be accompanied by deterioration in the value of the collateral for the loan. Consequently, the fact that a loan is secured does not guarantee that the Sub-Fund will receive principal and interest payments according to the loan’s terms, or at all, or that the Fund will be able to collect on the loan should it be forced to enforce its remedies.

### **11.13 Unsecured loans or debt**

The Sub-Fund may invest in unsecured loans which are not secured by collateral. In the event of default on an unsecured loan, the first priority lien holder has first claim to the underlying collateral of the loan. It is possible that no collateral value would remain for an unsecured holder and therefore result in a loss of investment to the Sub-Fund. Because unsecured loans are lower in priority of payment to secured loans, they are subject to the additional risk that the cash flow of the borrower may be insufficient to meet scheduled payments after giving effect to the secured obligations of the borrower. Unsecured loans generally have greater price volatility than secured loans and may be less liquid.

### **11.14 Prepayment risk**

The terms of loans in which a Sub-Fund may invest may permit the borrowers to voluntarily prepay loans at any time, either with no or a nominal prepayment premium. This prepayment right could result in the borrower repaying the principal on an obligation held by the Sub-Fund earlier than expected. This may happen when there is a decline in interest rates or when the borrower’s improved credit or operating or financial performance allows the refinancing of certain classes of debt with lower cost debt. The yield of the Sub-Fund’s investment assets may be affected by the rate of prepayments differing from the AIFM’s expectations. Assuming an improvement in the credit market conditions, early repayments of the debt held by the Sub-Fund could increase. To the extent early prepayments increase, they may have a material adverse effect on the Sub-Fund’s investment objectives and profits. In addition, if the Sub-Fund is unable to reinvest the proceeds of such prepayments received in investments expected to be as profitable, the proceeds generated by the Sub-Fund will decline as compared to the AIFM’s expectations.

### **11.15 Strategy risk**

Strategy risk is associated with the failure or deterioration of an investment strategy such that most or all investment managers employing that strategy suffer losses. Strategy specific losses may result from excessive concentration by multiple market participants in the same investment or general economic or other events that adversely affect particular strategies (for

example, the disruption of historical pricing relationships). Furthermore, an imbalance of supply and demand favouring borrowers could result in yield compression, higher leverage and less favourable terms to the detriment of all investors in the relevant asset class. The strategy employed by the Sub-Fund is speculative and therefore there is substantial risk of loss in the event of such a failure or deterioration in the financial markets. The Sub-Fund's success will depend, in part, on the ability of the AIFM and its affiliates to acquire loans on advantageous terms. The level of analytical sophistication, both financial and legal, necessary for successful financing of companies, particularly companies experiencing significant business and financial difficulties is unusually high. There is no assurance that the AIFM and its affiliates will correctly evaluate the value of the assets of the Sub-Fund. As a result, the Sub-Fund's investment strategy may fail, and it may be difficult for the General Partner or the AIFM to amend the Sub-Fund's investment strategy quickly or at all should certain market factors appear, which may have a material adverse effect on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the shares.

#### **11.16 Underlying borrower / issuer risk**

Investments in underlying companies may be affected by force majeure events (i.e., events beyond the control of the party claiming that the event has occurred, including, without limitation, acts of God, fire, flood, earthquakes, war, terrorism and labour strikes). Some force majeure events may adversely affect the ability of a party (including a portfolio company or a counterparty to the Sub-Fund or a portfolio company) to perform its obligations until it is able to remedy the force majeure event. In addition, the cost to an underlying company of repairing or replacing damaged assets resulting from such force majeure event could be considerable. Additionally, a major governmental intervention into industry, including the nationalisation of an industry or the assertion of control over one or more companies or its assets, could result in a loss to the Sub-Fund, including if its investment in such issuer is cancelled, unwound or acquired (which could be without what the Sub-Fund considers to be adequate compensation). To the extent the Sub-Fund is exposed to investments in issuers that as a group are exposed to such force majeure events, the risks and potential losses to the Sub-Fund are enhanced.

#### **11.17 Due diligence risk**

When conducting due diligence and making an assessment regarding a potential investment, the AIFM and the Portfolio Manager, as the case may be, will be required to rely on resources available to it, including internal sources of information as well as information provided by existing and potential obligors, any equity sponsor(s), lenders and other independent sources, and, in some circumstances, third-party investigations. The AIFM and the Portfolio Manager, as the case may be, will typically conduct due diligence that it deems appropriate based on the facts and circumstances applicable to each investment. The due diligence process may at times be required to rely on limited or incomplete information.

Due diligence may entail evaluation of important and complex business, financial, tax, accounting, and legal and regulatory issues. Outside consultants, legal advisors, accountants, investment banks and other third parties may be involved in the due diligence process to varying degrees depending on the type of investment. Such involvement of third-party advisors or consultants may present a number of risks primarily relating to the General Partner's and AIFM's and the Portfolio Manager's, as the case may be, reduced control of the functions that are outsourced. In addition, if the AIFM and the Portfolio Manager, as the case may be, is unable to timely engage third-party providers, their ability to evaluate and acquire more

complex targets could be adversely affected. There can be no assurance that these consultants or experts will accurately evaluate such investments.

The AIFM and the Portfolio Manager, as the case may be, will select investments for the Sub-Fund in part on the basis of information and data relating to potential investments filed with various government regulators and publicly available or made directly available to the AIFM and the Portfolio Manager, as the case may be, by the prospective portfolio companies or third parties. Although the AIFM and the Portfolio Manager, as the case may be, will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the AIFM and the Portfolio Manager, as the case may be, will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The AIFM and the Portfolio Manager, as the case may be, is/ are dependent upon the integrity of the management of the entities filing such information and of such portfolio companies and third parties providing such information, as well as the financial reporting process in general.

The value of an investment made by the Sub-Fund may be affected by fraud, misrepresentation or omission on the part of a portfolio company or any related parties to such portfolio company, or by other parties to the investment (or any related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the investment and/or the value of the collateral underlying the investment in question and may adversely affect the Sub-Fund's ability to enforce its contractual rights relating to that investment or the relevant obligor's ability to repay the principal or interest on the investment. Investment analyses and decisions by the AIFM and the Portfolio Manager, as the case may be, may be undertaken on an expedited basis in order to make it possible for the Sub-Fund to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the AIFM and the Portfolio Manager, as the case may be, may not have sufficient time to evaluate fully such information even if it is available. In addition, the financial information available to the AIFM and the Portfolio Manager, as the case may be, may not be accurate or provided based upon accepted accounting methods.

Accordingly, the due diligence investigation that the AIFM and the Portfolio Manager, as the case may be, carries out with respect to any investment opportunity may be limited and may not reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. The Sub-Fund will often invest on a compressed time-frame with limited ability to conduct due diligence on the portfolio company or the prospective investment. Moreover, such an investigation will not necessarily result in the investment being successful. Additionally, among the other risks inherent in investments, particularly so in companies experiencing financial distress, is the fact that it frequently may be difficult to obtain information as to the true condition of such issuers. There can be no assurance that attempts to provide downside protection with respect to investments will achieve their desired effect and potential investors should regard an investment in the Sub-Fund as being speculative and having a high degree of risk. Any failure by the AIFM and the Portfolio Manager, as the case may be, to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the performance of the Sub-Fund, and, by extension, the Sub-Fund's business, financial condition, results of operations and the value of the shares.

#### **11.18 Credit ratings are not a guarantee of quality**

Credit ratings of assets represent the rating agencies' opinions regarding their credit quality and are not a guarantee of quality. A credit rating is not a recommendation to buy, sell or

hold assets and may be subject to revision or withdrawal at any time by the assigning rating agency. In the event that a rating assigned to any corporate debt obligation is lowered for any reason, no party is obligated to provide any additional support or credit enhancement with respect to such corporate debt obligation. Rating agencies attempt to evaluate the safety of principal and interest payments and do not evaluate the risks of fluctuations in market value; therefore, ratings may not fully reflect the true risks of an investment. Also, rating agencies may fail to make timely changes in credit ratings in response to subsequent events, so that an obligor's current financial condition may be better or worse than a rating indicates. Consequently, credit ratings of any corporate debt obligation should be used only as a preliminary indicator of investment quality and should not be considered a completely reliable indicator of investment quality. Rating reductions or withdrawals may occur for any number of reasons and may affect numerous assets at a single time or within a short period of time, with material adverse effects upon the corporate debt obligation. It is possible that many credit ratings of assets included in or similar to the corporate debt obligation will be subject to significant or severe adjustments downward.

### **11.19 Portfolio company leverage**

Portfolio companies in which the Sub-Fund invests may incur debt financing in addition to the debt instruments issued to the Sub-Fund. Such leverage generally magnifies both the Sub-Fund's opportunities for gain and its risk of loss from a particular investment. The cost and availability of leverage is highly dependent on the state of the broader credit markets, which state is difficult to accurately forecast. During times when credit markets are unfavourable, it may be difficult to obtain or maintain the desired degree of leverage. Leverage often imposes restrictive financial and operating covenants on a company, in addition to the burden of debt service, and may impair its ability to finance future operations and capital needs. The leveraged capital structure of a portfolio company will increase the exposure of the Sub-Fund's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates and could accelerate and magnify declines in the value of the Sub-Fund's investments in a leveraged company in a down market. If a portfolio company cannot generate adequate cash flow to meet debt obligations, the company may default on its loan agreements or be forced into bankruptcy resulting in a restructuring of the company's capital structure or liquidation of the company and the Sub-Fund may suffer a partial or total loss of invested capital. Furthermore, to the extent companies in which the Sub-Fund has invested become insolvent, the Sub-Fund may determine, in cooperation with other debt holders or on its own, to engage, at the Sub-Fund's expense in whole or in part, counsel and other advisers in connection therewith.

### **11.20 Portfolios of investments**

The Sub-Fund may seek to purchase entire portfolios or substantial portions of portfolios from market participants in need of liquidity, though it does not currently intend to do so. The Sub-Fund may be required to bid on such portfolios in a very short time frame and may not be able to perform normal due diligence on the portfolio. Such a portfolio may contain instruments or complex arrangements of multiple instruments that are difficult to understand or evaluate. In addition, the Sub-Fund may be obligated to acquire investments in such portfolios that it would not otherwise have determined to acquire if it were acquiring such investments individually. Such a portfolio may suffer further deterioration after purchase by the Sub-Fund before it is possible to ameliorate risks associated with the portfolio. As a consequence, there is substantial risk that the AIFM will not be able to adequately evaluate particular risks or that market movements or other adverse developments will cause the Sub-Fund to incur substantial losses on such transactions.



### **11.21 Risks regarding disposals of investments**

A Sub-Fund may make investments that may not be advantageously disposed of further to a request for redemption of Shares. Investments in instruments issued by unquoted companies are intrinsically riskier than in quoted companies as the private companies may be smaller, more vulnerable to changes in markets and technology and dependent on the skills and commitment of a small management team. In addition, investments in private companies can be difficult to realise to the extent there is not a liquid market in such instruments. Following a request for redemption of Shares, such investments may be distributed in specie so that investors may then become minority shareholders in a number of private companies. The Sub-Fund may dispose of investments in some circumstances prior to the maturity date of such investments and, in connection therewith, may be required to pay damages to the extent that any representations or warranties given in connection with such investments turn out to be inaccurate. The Sub-Fund may become involved in disputes or litigation concerning such representations and warranties and may be required to make payments to third parties as a result of such disputes or litigation. In the event the Sub-Fund does not have cash available to conduct such litigation or make such payments, it may be required to borrow funds. Any such payments and borrowings could adversely impact the Sub-Fund's ability to make distributions. In addition, if the Sub-Fund is unable to borrow funds to make such payments, it may be forced to sell investments to obtain funds. Such sales may be effected on unsatisfactory terms.

Privately held companies generally have less comprehensive financial information available than listed companies. Therefore, the General Partner and/or the AIFM and/or the Portfolio Manager may make investment decisions, and monitor such investments, after reviewing information which is less comprehensive than that available to an investor in a listed public company.

A public market for investments held by the Sub-Fund may never develop and it may be difficult for the Sub-Fund to liquidate such investments or find prospective buyers in the private market.

### **11.22 Cash and other investments**

A Sub-Fund may invest all or a portion of its assets in cash or cash items for investment purposes, pending other investments or as provision of margin for futures or forward contracts. These cash items include cash deposits, Treasury bills and other short-dated Government securities deemed to be creditworthy by the AIFM and/or the Portfolio Manager. While investments in cash items generally involve relatively low risk levels, they may produce lower than expected returns, and could result in losses. Investments in cash items may also provide less liquidity than anticipated by the Sub-Fund at the time of investment.

### **11.23 Reliance on management**

It is the responsibility of a portfolio company's management to operate the company on a day-to-day basis. There can be no assurance that the management team of a portfolio company or any successor will be able to operate the company in accordance with the Sub-Fund's expectations or that the Sub-Fund will be able to recover on its investments. Additionally, portfolio companies may need to attract, retain and develop executives and members of their management teams. The market for executive talent can be, notwithstanding general unemployment levels or developments within a particular industry, extremely competitive. There can be no assurance that portfolio companies will be able to attract, develop,

integrate and retain suitable members of its management team and, as a result, the Sub-Fund may be adversely affected thereby.

#### **11.24 Reliance on Loomis Sayles**

A Sub-Fund may invest in Loomis Sayles fund(s) and will have no authority to make decisions on behalf of the Loomis Sayles fund. The success of the relevant Sub-Fund may depend in part upon the skill and expertise of Loomis Sayles' professionals and their ability to direct investments. There can be no assurance that such professionals will continue to be associated with Loomis Sayles throughout the life of the Sub-Fund. Competition in the financial services industry for qualified employees is intense, and there is ever increasing competition among alternative asset firms, financial institutions, private equity firms, investment managers and other industry participants for hiring and retaining qualified investment professionals. The Loomis Sayles fund's continued ability to effectively manage its portfolio depends on the Loomis Sayles' ability to attract new employees and to retain and motivate its existing employees. The loss of the services of one or more of such persons could have an adverse impact on the Loomis Sayles fund's ability to realize its investment objectives and therefore the relevant Sub-Fund.

The relevant Sub-Fund will be dependent to a substantial degree on the continued services of certain senior investment professionals employed by Loomis Sayles. In the event of death, disability or departure from Loomis Sayles of such persons, the performance of the Loomis Sayles fund and the relevant Sub-Fund may be adversely impacted.

##### **11.24.1 Cybersecurity risks**

Cybersecurity incidents and cyber-attacks have been occurring globally at a more frequent and severe level and will likely continue to increase in frequency in the future. The alternative investment fund manager, its affiliates and service providers' information and technology systems may be vulnerable to damage or interruption from cybersecurity breaches, computer viruses or other malicious code, network failures, computer and telecommunication failures, infiltration by unauthorized persons and other security breaches, usage errors or malfeasance by their respective professionals or service providers. If unauthorized parties gain access to such information and technology systems, or if personnel misuse their access privileges, such parties may be able to steal, publish, delete or modify private and sensitive information, including non-public personal information related to the partners (and their beneficial owners) and material non-public information. Although the alternative investment fund manager, its affiliates and the service providers have implemented, various measures to manage risks relating to these types of events, such measures may prove to be inadequate and, if compromised, information and technology systems could become inoperable for extended periods of time, cease to function properly or fail to adequately secure private information.

## **12. RISK FACTORS ASSOCIATED WITH THE FUND'S INVESTMENT IN A LOOMIS SAYLES FUND**

### **12.1 Structural risk factors**

#### **12.1.1 Limited power of the Fund as limited partner of the Loomis Sayles fund**

All decisions with respect to the management of the Loomis Sayles fund are made by the general partner and the alternative investment fund manager of the Loomis Sayles fund. The Fund will have no right to participate in the management of the Loomis Sayles fund.

#### **12.1.2 Dependence on the general partner and the alternative investment fund manager of the Loomis Sayles fund and their key persons**

The performance of the Loomis Sayles fund depends upon the ability of its general partner, its alternative investment fund manager and their key persons to develop and implement the appropriate investment strategy that achieve the investment objective. If the agents became unable to advise its general partner or its alternative investment fund manager or if certain key persons became unavailable to participate in the management of the general partner or the alternative investment fund manager, the consequences could be material and adverse and could lead to the premature termination of the Loomis Sayles fund.

#### **12.1.3 Risks linked to the general partner of the Loomis Sayles fund**

The general partner of the Loomis Sayles fund may be a newly established company with no track record upon which the Fund may base an evaluation of the merits of investing in the Loomis Sayles fund.

#### **12.1.4 Limited liability of the depositary of the Loomis Sayles fund**

As the alternative investment fund manager of the Loomis Sayles fund is located outside of the EU, its depositary is not subject to the obligations on cash monitoring, safe-keeping of investments and specific oversight obligations under the AIFMD. The obligations of its depositary are determined in its depositary agreement. In particular, the depositary is not subject to a strict liability on the safe-keeping of financial instruments as required under article 21(8) of the AIFMD.

### **12.2 Legal, regulatory and tax risks**

#### **12.2.1 Legal, regulatory and tax risks in general**

The Loomis Sayles fund must comply with various legal requirements, including 1915 Law and applicable tax laws, as imposed in Luxembourg as well as by laws and regulations imposed in other jurisdictions under which the Loomis Sayles fund operates. Any of these laws or regulations may change the legal, regulatory or tax requirements to which the Loomis Sayles fund and its investments are subject to causing restructuring of the latter to comply with these changes or, as the case may be, the disposition of an investment at unfavourable conditions or before its expected holding period as well as the dissolution and liquidation of the Loomis Sayles fund.

## 12.2.2 Risks related to Securitization Regulation

As of 1 January 2019, Regulation (EU) 2017/2402 of the European Parliament and of the Council of 12 December 2017 laying down a general framework for securitisation and creating a specific framework for simple, transparent and standardised securitisation, and amending Directives 2009/65/EC, 2009/138/EC and 2011/61/EU and Regulations (EC) No 1060/2009 and (EU) No 648/2012 (the “**Securitization Regulation**”) is applicable. The Securitization Regulation repealed and replaced the securitization provisions in a range of sector-specific EU legislation, including the AIFMD. The Securitization Regulation imposes on “institutional investors” rules in respect of their investments in securitizations. This definition of “institutional investor” includes alternative investment fund managers, and constrains the ability of AIFs to invest in securitization positions that are not compliant under the Securitization Regulation (including EU risk retention rules). These requirements apply to AIFs marketed to investors in the EU and/or AIFs managed by EU alternative investment fund managers. While the Securitization Regulation may not per se apply to the Loomis Sayles fund or its alternative investment fund manager, the regulatory practice of the CSSF or any other supervisory authority may apply Securitization Regulation which would limit the ability of the Loomis Sayles fund to invest in transactions that constitute “securitizations” under the Securitization Regulation and which would impose additional obligations on, or potential liability with respect to, such securitizations which may increase the cost of managing the Loomis Sayles fund.

Risk retention and due diligence requirements (the “**EU Risk Retention Rules**”) apply under EU legislation in respect of various types of investors, including credit institutions, investment firms, authorized alternative investment fund managers and insurance and reinsurance undertakings (together, “**Affected Investors**”). The current EU Risk Retention Rules are contained in the Securitization Regulation. Such requirements restrict an investor who is subject to the EU Risk Retention from investing in securitizations issued on or after 1 January 2011 (or securitizations issued before that date to which new underlying exposures are added or substituted after 31 December 2014), unless certain provisions of the EU Risk Retention Rules are complied with, including that the originator, sponsor or original lender in respect of the relevant securitization (the “**Risk Retention Holder**”) explicitly discloses that it will retain, on an ongoing basis, a net economic interest of not less than 5%. Risk Retention Holders must hold the retained net economic interest throughout the life of the securitization, and may not enter into any arrangement designed to mitigate the credit risk in relation thereto. There are material differences between the EU Risk Retention Rules imposed prior to 1 January 2019 and the EU Risk Retention Rules contained in the Securitization Regulation. For example, the Securitization Regulation imposes a direct retention obligation on sponsors and originators of securitizations. Moreover, the Securitization Regulation expands on the types of Affected Investor to which the due diligence requirements apply.

Certain investments by the Loomis Sayles fund may involve the tranching of credit risk associated with an exposure or pool of exposures (such as CLOs) and will then likely to be treated as “securitisations” under the EU Risk Retention Rules. If such investments are “securitisations” within the EU Risk Retention Rules, the alternative investment fund manager or the originator of the transaction may be required to act as the Risk Retention Holder. The requirements in the EU Risk Retention Rules could increase the costs of such investments for the Loomis Sayles fund and, where they act as the Risk Retention Holder, reduce the liquidity of the Loomis Sayles fund and prevent the Loomis Sayles fund from entering into any credit risk mitigation in respect of such investments. Further, the range of investment strategies and investments that the Loomis Sayles fund is able to pursue may be limited by the EU Risk Retention Rules. As a result, the Loomis Sayles fund may be adversely affected and

may not be able to (or may opt not to) invest in opportunities they might otherwise be able to invest in. There may be other adverse consequences for investors in the Loomis Sayles fund as a result of the EU Risk Retention Rules.

The EU Risk Retention Rules and Securitization Regulation may be subject to change, or their application or interpretation may change. Such changes may adversely affect the Loomis Sayles fund, including without limitation that the general partner and/or the alternative investment fund manager of the Loomis Sayles fund may dispose of such investments when it would not otherwise have determined to do so or at a price that is not as advantageous as it would have otherwise. To the extent that there is any lack of clarity regarding the application of such regulations to investments made by the Fund, there may be risks to the Fund of non-compliance, including because the interpretation of the regulations by the AIFM and their Affiliates is ultimately not the same as a regulatory authority's interpretation of the regulations. Investors, including Affected Investors, should consult with their own legal, accounting, regulatory and other advisors and/or regulators to determine whether, and to what extent, the information set out in this Schedule 2 and in any Investor report provided in relation to this offering is sufficient for the purpose of satisfying any of their obligations under the Securitization Regulation and the EU Risk Retention Rules, and such investors are required to independently assess and determine the sufficiency of the information for such purpose. Investors are themselves also responsible for monitoring and assessing changes to the EU Risk Retention Rules, and any regulatory capital requirements applicable to the investor, including any such changes introduced through the Securitization Regulation.

### **12.3 Investment risks**

#### **12.3.1 General investment risks**

The Loomis Sayles fund's success depends on its alternative investment fund manager's ability to implement the appropriate investment strategy. Any factor that would make it more difficult to execute more timely trades, such as a significant lessening of liquidity in a particular market, may also be detrimental to profitability. In making its investment decisions, its alternative investment fund manager will apply its investment techniques and risk analyses, but there is no assurance that the investment strategies or techniques to be employed by the Loomis Sayles fund will produce the intended result or be successful under all or any market conditions. In some cases, investment techniques may be unavailable to its alternative investment fund manager or its alternative investment fund manager may determine not to use them, possibly even under market conditions where their use could benefit the Loomis Sayles fund. The Loomis Sayles fund may miss an investment opportunity if the assets necessary to take advantage of it are invested in less profitable investments.

#### **12.3.2 Credit risk**

This is the risk that the issuer or the guarantor of a fixed-income security, or the counterparty to an over-the-counter transaction, will be unable or unwilling to make timely payments of interest or principal or to otherwise honour its obligations to the Loomis Sayles fund. The Loomis Sayles fund may be subject to credit risk to the extent that it invests in fixed-income securities or is a party to over-the-counter transactions.

Many fixed-income securities receive credit ratings from NRSROs such as Fitch, Moody's and S&P that assign ratings to securities by assessing the likelihood of an issuer and/or guarantor default. Higher credit ratings correspond to lower perceived credit risk and lower credit ratings correspond to higher perceived credit risk. Credit ratings may be upgraded or

downgraded from time to time as an NRSRO's assessment of the financial condition of a party obligated to make payments with respect to such securities and credit risk changes. The impact of any credit rating downgrade can be uncertain. Credit rating downgrades may lead to increased interest rates and volatility in financial markets, which in turn could negatively affect the value of the Loomis Sayles fund's portfolio holdings, its share price and its investment performance. Credit ratings are not a guarantee of quality. Credit ratings may lag behind the current financial conditions of the issuer and/or guarantor and do not provide assurance against default or other loss of money. Credit ratings do not protect against a decline in the value of a security. If a security has not received a rating, the Loomis Sayles fund must rely entirely upon the alternative investment fund manager's credit assessment.

The Loomis Sayles fund may hold lower quality fixed-income securities (commonly known as "high yield securities" or "junk bonds") as a result of a downgrade in credit rating. Such securities are subject to greater credit risk and market risk than higher quality fixed-income securities. Lower-rated fixed-income securities are considered predominantly speculative with respect to the ability of the issuer to make timely principal and interest payments.

The Loomis Sayles fund's investment in securities issued by U.S. Government agencies are subject to security risk. Agencies of the U.S. Government are guaranteed as to the payment of principal and interest of the relevant entity but are not backed by the full faith and credit of the U.S. Government. An event affecting the guaranteeing entity could adversely affect the payment of principal or interest or both on the security, and therefore, these types of securities should be considered to be riskier than U.S. Government securities.

The Loomis Sayles fund also may be subject to credit risk to the extent that it invests in senior loans. In the event of bankruptcy of a borrower, the Loomis Sayles fund could experience delays or limitations with respect to its ability to realize the benefits of the collateral securing a senior loan. Senior loans and other floating rate securities that are rated below investment-grade are considered predominantly speculative with respect to the ability of the issuer to make timely principal and interest payments. The value of loans made to such borrowers is likely to be more sensitive to adverse news about the borrower, markets or economy. The amount of public information available with respect to senior loans may be less extensive than that available for registered or exchange-listed securities.

If the Loomis Sayles fund holds fixed-income securities issued in connection with corporate restructurings by highly-leveraged issuers or in fixed-income securities that are not current in the payment of interest or principal (i.e., in default), it will be subject to greater credit risk because of these securities.

The Loomis Sayles fund may invest in foreign securities. Therefore, it is subject to increased credit risk because of the difficulties of requiring foreign entities to honour their contractual commitments and because a number of foreign governments and other issuers have defaulted in the past.

### **12.3.3 Currency risk**

The Loomis Sayles fund may invest some of its assets in instruments denominated in currencies other than the USD, or the price of which is determined with reference to currencies other than the USD. The Loomis Sayles fund, however, values its securities and other assets in USD. To the extent unhedged, the value of the Loomis Sayles fund's assets will fluctuate with USD exchange rates as well as the price changes of the Loomis Sayles fund's investments in the various local markets and currencies. Thus, an increase in the value of the USD

compared to the other currencies in which the Loomis Sayles fund makes its investments reduces the effect of increases and magnifies the effect of decreases in the prices of the Loomis Sayles fund's securities in its local markets. Conversely, a decrease in the value of the USD has the opposite effect on the Loomis Sayles fund's non-USD securities. The Loomis Sayles fund may utilize options and forward contracts to hedge against currency fluctuations, but there can be no assurance that such hedging transactions will be effective, or that the Loomis Sayles fund will use them at all. The primary risks associated with currency hedging are counterparty risk and the risk that the hedge does not correlate perfectly with the currency being hedged. Cross hedging also carries counterparty risk and, to a greater degree, correlation risk if the hedges are not closely correlated with the currencies being hedged.

The value of the Loomis Sayles fund's assets may be affected favourably or unfavourably by the changes in currency rates and exchange control regulations. Some currency exchange costs may be incurred when the Loomis Sayles fund changes investments from one country to another. Currency exchange rates may fluctuate significantly over short periods of time. They generally are determined by the forces of supply and demand in the respective markets and the relative merits of investments in different countries, actual or perceived changes in interest rates and other complex factors, as seen from an international perspective. Currency exchange rates can also be affected unpredictably by intervention by governments or central banks (or the failure to intervene) or by currency controls or political developments.

#### **12.3.4 Debt securities risk**

Debt securities, such as notes and bonds, are subject to credit risk and interest rate risk. Changes in the financial strength of an issuer or changes in the credit rating of a security may affect its value. Interest rate risk is the risk that market interest rates may increase, which tends to reduce the resale value of certain debt securities, including U.S. government obligations. Debt securities with longer durations are generally more sensitive to interest rate changes than those with shorter durations. Changes in market interest rates do not affect the rate payable on an existing debt security, unless the instrument has adjustable or variable rate features, which can reduce its exposure to interest rate risk. Changes in market interest rates may also extend or shorten the duration of certain types of instruments, such as asset-backed securities, thereby affecting their value and returns. Debt securities may also have, or become subject to, liquidity constraints.

#### **12.3.5 Derivative risk**

The Loomis Sayles fund may use certain derivatives, which are financial contracts whose value depends upon or is derived from the value of an underlying asset, reference rate, or index. As described in greater detail herein, examples of "eligible derivatives" include, but are not limited to, options, futures and swaps. The alternative investment fund manager of the Loomis Sayles fund expects to use futures principally for the purpose of managing the duration, interest rate and yield curve of the Loomis Sayles fund's portfolio and for other risk management purposes (hedging). However, the Loomis Sayles fund also may use derivatives to earn income, enhance yield, or broaden Loomis Sayles fund diversification, if described in its investment objectives or otherwise in its fund documentation. The use of derivatives for these purposes entails greater risk than using derivatives solely for hedging purposes. If the Loomis Sayles fund uses derivatives, it also faces additional risks, such as leverage and liquidity risk, the credit risk relating to the other party to a derivative contract, the risk of difficulties in pricing and valuation and the risk that changes in the value of a derivative may not correlate perfectly with relevant assets, rates or indices. There is no guarantee that the

use of derivatives will be effective or that suitable transactions will be available, or even if they are available, its alternative investment fund manager may choose not to invest in them. There is also the risk that the Loomis Sayles fund may be unable to terminate or sell a derivatives position at an advantageous time or price. When a derivative security is used as a hedge against an offsetting position that the Loomis Sayles fund also holds, any loss generated by the derivative security should substantially be offset by gains on the hedged instrument, and vice versa. To the extent that the Loomis Sayles fund uses a derivative security for purposes other than as a hedge, or, if the Loomis Sayles fund hedges imperfectly, the Loomis Sayles fund is directly exposed to the risks of that derivative security and any loss generated by the derivative security will not be offset by a gain.

### **12.3.6 Emerging markets risk**

Investing in emerging markets companies, which may be smaller and have shorter operating histories than companies in developed markets, involves risks in addition to, and greater than, those generally associated with investing in companies in developed foreign markets. The extent of economic development, political stability, market depth, infrastructure, capitalization and regulatory oversight in emerging market economies is generally less than in more developed markets.

Government actions could have a significant impact on the economic conditions in such countries, which in turn could affect the value and liquidity of the assets of the Fund invested in emerging markets securities. Specific risks that could decrease the Loomis Sayles fund's return include seizure of a company's assets, restrictions imposed on payments as a result of blockages on foreign currency exchanges, unanticipated social or political occurrences, and restrictions on the repatriation of investment income, capital or proceeds from the sale of securities by foreign investors.

The ability of the government of an emerging market country to make timely payments on its debt obligations will depend on many factors, including the extent of its reserves, fluctuations in interest rates, and access to international credit and investments. A country that has non-diversified exports or relies on certain key imports will be subject to greater fluctuations in the pricing of those commodities.

Foreign investors may be required to register the proceeds of sales. Settlement of securities transactions in emerging markets may be subject to risk of loss and may be delayed more often than in the EU or the U.S. Disruptions resulting from social and political factors may cause the securities markets to close. If extended closing were to occur, the liquidity and value of the Loomis Sayles fund's assets invested in corporate debt obligations of emerging market companies would decline.

Foreign investment in emerging market country debt securities is restricted or controlled to varying degrees. These restrictions may at times limit or preclude foreign investment in certain emerging market country debt securities. Certain emerging market countries require government approval before investments by foreign persons, limit the amount of investments by foreign persons in a particular issuer, limit investments by foreign persons only to a specific class of securities of an issuer that may have less advantageous rights than the classes available for purchase by domiciliaries of the countries and/or impose additional taxes on foreign investors. Certain emerging market countries may also restrict investment opportunities in issuers in industries deemed important to national interests.



Emerging market countries may require governmental approval for the repatriation of investment income, capital or proceeds of sale of securities by foreign investors. In addition, if deterioration occurs in an emerging market country's balance of payments, the country could impose temporary restrictions on foreign capital remittances. The Loomis Sayles fund could be adversely affected by delays in, or a refusal to grant, any required governmental approval for repatriation of capital, as well as by the application to the Loomis Sayles fund of any restrictions on investments. Investing in local markets in emerging market countries may require the Loomis Sayles fund to adopt special procedures, seek local governmental approvals or take other actions, each of which may involve additional costs to the Loomis Sayles fund.

### **12.3.7 Extension risk**

An unexpected rise in interest rates will extend the life of a mortgage- or asset-backed security beyond the expected prepayment time, typically reducing the security's value.

### **12.3.8 Foreign securities risk**

This is the risk associated with investments in issuers located in foreign countries. The Loomis Sayles fund's investments in foreign securities may experience more rapid and extreme changes in value than investments in securities of EU or U.S. companies. Investments in emerging markets may face greater foreign securities risk because emerging market countries may be more likely to experience political and economic instability.

The securities markets of many foreign countries are relatively small, with a limited number of issuers and a small number of securities. In addition, foreign companies often are not subject to the same degree of regulation as EU or U.S. companies. Reporting, accounting, and auditing standards of foreign countries differ, in some cases significantly, from the EU or U.S. standards. Nationalization, expropriation or confiscatory taxation, currency blockage, political changes, or diplomatic developments can cause the value of the Loomis Sayles fund's investments in a foreign country to decline. In the event of nationalization, expropriation, or other confiscation, the Loomis Sayles fund could lose its entire foreign investment. Settlement practices for transactions in foreign markets may differ from those in EU or U.S. markets. Such differences include delays beyond periods customary in the EU or the U.S. and practices, such as delivery of securities prior to receipt of payment, which increase the likelihood of a "failed settlement." Failed settlements can result in losses to the Loomis Sayles fund.

Foreign issuers may become subject to sanctions imposed by the EU, the U.S. or another country, which could result in the immediate freeze of the foreign issuers' assets or securities. The imposition of such sanctions could impair the market value of the securities of such foreign issuers and limit the Loomis Sayles fund's ability to buy, sell, receive or deliver the securities.

### **12.3.9 Geographic concentration risk**

The Loomis Sayles fund may concentrate its investments in companies of certain specific parts of the world, which involves more risk than investing more broadly. As a result, the Loomis Sayles fund may underperform funds investing in other parts of the world when economies of its investment area are experiencing difficulty or their stocks are otherwise out of favour. Moreover, economies of the Loomis Sayles fund's investment area may be significantly affected by adverse political, economic or regulatory developments.

### **12.3.10 High yield/lower quality fixed income risk**

This is the risk associated with investing in high yield securities, lower quality fixed income securities and unrated securities of similar quality (commonly known as “junk bonds”), which may be subject to greater levels of interest rate, credit and liquidity risk than other securities. These securities are considered predominantly speculative with respect to the issuer’s continuing ability to make principal and interest payments. In addition, an economic downturn or period of rising interest rates could adversely affect the market for these securities and reduce a Loomis Sayles fund’s ability to sell them.

High yield or lower-quality fixed income securities are below investment grade quality. To be considered below investment grade quality, none of the major rating agencies may have rated the security in one of its top four rating categories at the time a Loomis Sayles fund acquires the security or, if the security is unrated, the alternative investment fund manager must have determined it to be of comparable quality. Analysis of the creditworthiness of issuers of lower rated securities may be more complex than for issuers of higher quality debt securities, and a Loomis Sayles fund’s ability to achieve its investment objectives may, to the extent a Loomis Sayles fund invests in lower-rated securities, be more dependent upon the alternative investment fund manager’s credit analysis than would be the case if such Loomis Sayles fund were investing in higher quality securities. The issuers of these securities may be in default or have a currently identifiable vulnerability to default on their payments of principal and interest, or may otherwise be subject to present elements of danger with respect to payments of principal or interest.

High yield or lower-rated securities may be more susceptible to real or perceived adverse economic and competitive industry conditions than higher grade securities. Yields on lower-rated securities will fluctuate. If the issuer of lower-rated securities defaults, a Loomis Sayles fund may incur additional expenses to seek recovery.

The secondary markets in which high yield or lower-rated securities are traded may be less liquid than the market for higher-grade securities. A lack of liquidity in the secondary trading markets could adversely affect the price at which a Loomis Sayles fund could sell a particular lower-rated security when necessary to meet liquidity needs or in response to a specific economic event, such as a deterioration in the creditworthiness of the issuer, and could adversely affect and cause large fluctuations in the NAV. Adverse publicity and investor perceptions may decrease the values and liquidity of high yield securities generally.

It is reasonable to expect that any adverse economic conditions could disrupt the market for high yield or lower rated securities, have an adverse impact on the value of such securities, and adversely affect the ability of the issuers of such securities to repay principal and pay interest thereon. New laws and proposed new laws may adversely impact the market for high yield or lower-rated securities.

### **12.3.11 Inflation/deflation risk**

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the present value of future payments. Deflation risk is the risk that prices throughout the economy decline over time (the opposite of inflation). Deflation may have an adverse effect on the creditworthiness of issuers and may make issuer default more likely, which may result in a decline in the value of the Loomis Sayles fund’s assets.

### **12.3.12 Information risk**

This is the risk that key information about a security is inaccurate or unavailable. Securities issued in initial public offerings, or IPOs, involve greater information risk than other securities due to the lack of public information.

### **12.3.13 Interest rate risk**

This is the risk that changes in interest rates will affect the value of the Loomis Sayles fund's investments in fixed-income securities, such as bonds, notes, asset-backed securities, and other income-producing securities. Fixed-income securities are obligations of the issuer to make payments of principal and/or interest on future dates. Increases in interest rates may cause the value of the Loomis Sayles fund's investments to decline.

Funds that generally invest a significant portion of their assets in high-quality fixed-income securities are subject to some interest rate risk. However, interest rate risk is greater for a fund that has a material portion of its market value in lower-quality fixed-income securities (junk bonds) and comparable unrated securities. To the extent the Loomis Sayles fund invests in fixed-income securities with longer maturities or durations, its interest rate risk is greater than for funds that invest in fixed-income securities with shorter maturities or durations.

Interest rate risk is compounded for the Loomis Sayles fund if it invests a significant portion of its assets in mortgage-related or asset-backed securities because the value of mortgage-related and asset-backed securities generally is more sensitive to changes in interest rates than other types of fixed-income securities. When interest rates rise, the maturities of mortgage-related and asset-backed securities tend to lengthen, and the value of these securities decreases more significantly than the value of other types of securities. In addition, these types of securities are subject to prepayment when interest rates fall, which generally results in lower returns because funds that hold these types of securities must reinvest assets previously invested in these types of securities in fixed-income securities with lower interest rates.

The Loomis Sayles fund also faces increased interest rate risk when it invests in fixed-income securities paying no current interest (such as zero coupon securities and principal-only securities) interest-only securities and fixed-income securities paying non-cash interest in the form of other fixed-income securities, because the prices of those types of securities tend to react more to changes in interest rates.

Senior loans typically have adjustable interest rates. As a result, it is expected that the values of senior loans held by the Loomis Sayles fund will fluctuate less in response to interest rate changes than will fixed-rate debt securities. However, the interest rates paid by these loans will generally decrease if interest rates fall. This could result in less volatility than would be expected for a fund that invests primarily in fixed-rate debt securities. Senior loans and other fixed-income securities are subject to the risk that borrowers pay off the debts sooner than expected, possibly requiring the Loomis Sayles fund to reinvest in lower-yielding securities.

### **12.3.14 Issuer risk**

The value of the Loomis Sayles fund's investments may decline for a number of reasons which directly relate to the issuer, such as management performance, financial leverage and reduced demand for the issuer's goods and services.

### **12.3.15 Leverage risk**

This is the risk associated with securities or practices that multiply small index or market movements into larger changes in value. Leverage involves investment exposure to positions in excess of the amount actually invested. The Loomis Sayles fund may be exposed to leverage through its use of derivative instruments. Many of the derivatives that may be utilized by the Loomis Sayles fund have minimal cash or collateral requirements. The use of derivatives enables the Loomis Sayles fund to increase its investment exposure significantly beyond its net asset value. This can significantly increase the risk profile of the Loomis Sayles fund and can lead to significant losses. Because the use of leverage effectively compounds investment exposure, it can improve the return on invested capital if the leveraged investments increase in value. However, leverage may involve costs to the Loomis Sayles fund and, through the compounding effect, will proportionally increase the adverse impact to the Loomis Sayles fund if leveraged investments decrease in value. The requirement to post collateral on leveraged assets may also cause the Loomis Sayles fund to liquidate positions at unfavourable times or prices.

### **12.3.16 Liquidity risk**

Liquidity risk exists when particular investments are difficult to purchase or sell, possibly preventing the Loomis Sayles fund from selling these illiquid securities at an advantageous price, at the time desired or at the price at which the Loomis Sayles fund values the security. Derivatives and securities that involve substantial interest rate or credit risk tend to involve greater liquidity risk. In addition, liquidity risk tends to increase to the extent the Loomis Sayles fund invests in securities whose sale may be restricted by law or by contract, such as Rule 144A securities. Illiquid securities may also make it difficult to value the Loomis Sayles fund's investments.

### **12.3.17 Management risk**

Management risk is the risk that the alternative investment fund manager's investment techniques could fail to achieve the Loomis Sayles fund's objective and could cause an investor's investment in the Loomis Sayles fund to lose value. The Loomis Sayles fund is subject to management risk because its alternative investment fund manager actively manages the Loomis Sayles fund. The alternative investment fund manager will apply its investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that the alternative investment fund manager's decisions will produce the desired results. For example, securities that the alternative investment fund manager expects may appreciate in value may in fact decline. Similarly, in some cases derivative and other investment techniques may be unavailable or the alternative investment fund manager may determine not to use them, even under market conditions where their use could have benefited the Loomis Sayles fund.

### **12.3.18 Market risk**

This is the risk that the value of the Loomis Sayles fund's investments will change as financial markets fluctuate and that prices overall may decline. The value of a company's securities may fall as a result of factors that directly relate to that company, such as decisions made by its management or lower demand for the company's products or services. A security's value also may fall because of factors affecting not just the company, but companies in its industry or in a number of different industries, such as increases in production costs. The value of a company's securities also may be affected by changes in financial market or other

economic conditions, such as changes in interest rates or currency exchange rates. A company's stock generally pays dividends only after the company makes required payments to holders of its bonds or other debt. For this reason, the value of the stock will usually react more strongly than bonds and other fixed-income securities to actual or perceived changes in the company's financial condition or prospects. Market risk tends to be greater when the Loomis Sayles fund invests in fixed-income securities with longer maturities.

### **12.3.19 Mortgage- and asset-related securities risk**

Mortgage- and asset-backed securities represent interests in "pools" of mortgages and other assets, including consumer loans or receivables held in trust. In addition, mortgage dollar rolls are transactions in which the Loomis Sayles fund sells mortgage-backed securities to a dealer and simultaneously agrees to purchase similar securities in the future at a predetermined price.

In addition to the risks associated with investments in fixed-income securities generally (for example, credit, liquidity, interest rate and valuation risk), mortgage- and asset-related securities, such as GNMA certificates or securities issued by Fannie Mae, have other risks due to their differences with traditional fixed-income securities. Among the major differences are that interest and principal payments are made more frequently, usually monthly, and that principal may be prepaid at any time because the underlying mortgage loans generally may be prepaid at any time. As a result, if the Loomis Sayles fund purchases these assets at a premium, a faster-than-expected prepayment rate will reduce yield to maturity, and a slower-than-expected prepayment rate will increase yield to maturity. If the Loomis Sayles fund purchases mortgage-related securities at a discount, faster-than-expected prepayments will increase, and slower-than-expected prepayments will reduce, yield to maturity.

The value of some mortgage- and asset-backed securities in which the Loomis Sayles fund may invest may be particularly sensitive to changes in prevailing interest rates, and the ability of the Loomis Sayles fund to successfully utilize these instruments may depend in part upon the ability of the alternative investment fund manager to forecast interest rates and other economic factors correctly. Rising interest rates tend to extend the duration of these securities, making them more sensitive to changes in interest rates. As a result, in a period of rising interest rates, these securities may exhibit additional volatility. This is known as extension risk. Prepayments and resulting amounts available for reinvestment by the Loomis Sayles fund are likely to be greater during a period of declining interest rates. As a result, those amounts are likely to be reinvested at lower interest rates. Accelerated prepayments on securities purchased at a premium may result in a loss of principal if the premium has not been fully amortized at the time of prepayment. These securities will decrease in value as a result of increases in interest rates generally, and they are likely to appreciate less than other fixed-income securities when interest rates decline because of the risk of prepayments. The market for mortgage-backed securities (and other asset-backed securities) has experienced high volatility and a lack of liquidity. As a result, the value of many of these securities has significantly declined. There can be no assurance that these markets will become more liquid or less volatile, and it is possible that the value of these securities could decline further.

The risks of investing in mortgage-backed securities also includes the risks of investments in real estate securing the underlying loans, including the effect of local and other economic conditions and the ability of mortgagees to make mortgage payments. The risk of non-payment is greater for mortgage-related securities that are backed by mortgage pools that contain "subprime" or "Alt-A" loans (loans made to borrowers with weakened credit histories or with a lower capacity to make timely payments on their loans), but a level of risk exists for

all loans. Market factors adversely affecting mortgage loan repayments may include a general economic turndown, high unemployment, a general slowdown in the real estate market, a drop in the market prices of real estate, or an increase in interest rates resulting in higher mortgage payments by holders of adjustable rate mortgages.

Investments in other asset-backed securities are subject to risks similar to those associated with mortgage-related securities, as well as additional risks associated with the nature of the assets and the servicing of those assets.

#### **12.3.20 No control over portfolio issuers**

The Loomis Sayles fund may from time to time acquire substantial positions in the securities of particular companies. Nevertheless, the Loomis Sayles fund does not currently intend to obtain representation on the board of directors or any control over the management of any company in which the Loomis Sayles fund invests and the success of each investment depends on the ability and success of the management of the portfolio issuers in addition to economic and market factors.

#### **12.3.21 Political risk**

This is the risk of losses directly attributable to government or political actions.

#### **12.3.22 Prepayment risk**

Prepayment risk is the risk that principal on fixed income securities may be paid prior to the stated maturity date. This risk is especially acute for those instruments without call protection, such as mortgages and certain other instruments that may be paid at any time. If the Loomis Sayles fund purchases an investment at a premium, a faster than expected prepayment rate will reduce both the market value and the yield to maturity from those which were anticipated. A prepayment rate that is slower than expected will have the opposite effect of increasing yield to maturity and market value. Conversely, if the Loomis Sayles fund purchases an investment at a discount, faster than expected prepayments will increase, while slower than expected prepayments will reduce, yield to maturity and market values. Prepayment of fixed income securities can be expected to accelerate during periods of declining interest rates.

#### **12.3.23 Municipal securities risk**

Weakness in the local or national economy and other economic or regulatory events impacting municipal issuers generally could adversely affect the credit ratings and creditworthiness of the issuers of the municipal securities in which the Loomis Sayles fund invests and the ability of issuers to make principal and interest payments.

#### **12.3.24 State Specific Municipal Securities Risk**

This is the risk that political, economic, regulatory and other factors may affect issuers of a state's municipal securities, their ability to meet their obligations and the economic condition of the facility or specific revenue source from whose revenues payments of obligations may be made. The ability of state, county, or local governments or other issuers of such securities to meet their obligations will depend primarily on the availability of tax and other revenues to those entities. The amounts of tax and other revenues available to issuers of a state's munic-

ipal securities may be affected from time to time by economic, political and demographic conditions that specifically impact the state.

### **12.3.25 Senior loan risk**

The risks associated with senior loans are similar to the risks of investing in high yield/lower quality fixed income securities, although senior loans are typically senior and secured, in contrast to non-investment grade bonds, which are often subordinated and unsecured. Senior loans' higher standing has historically resulted in generally higher recoveries in the event of a corporate reorganization. The senior loans in which the Loomis Sayles fund expects to invest will generally not be rated investment grade by the rating agencies and are therefore considered speculative because of the credit risk of their issuers. Economic downturns generally increase non-payment rates and a senior loan could lose a substantial part of its value prior to default. Senior loans are subject to credit risk, and secured loans may not be adequately collateralized. The interest rates of senior loans reset frequently, and thus senior loans are subject to interest rate risk. Senior loans typically have less liquidity than investment grade bonds and there may be less public information available about them as compared to investment grade bonds. With limited exceptions, the alternative investment fund manager will take steps intended to ensure that it does not receive material non-public information about the issuers of senior loans who also issue publicly traded securities, and therefore the alternative investment fund manager may have less information than other investors about certain of the senior loans in which it seeks to invest. Investing in senior loan participations exposes the Loomis Sayles fund to the credit of the counterparty issuing the participation in addition to the credit of the ultimate borrower.

### **12.3.26 Valuation of bonds and loans**

The alternative investment fund manager normally uses an independent pricing service to value most investments held. The Loomis Sayles fund may use the fair value method to value investments if market quotations for them are not readily available or are deemed unreliable, or if events occurring after the close of a securities market and before the Loomis Sayles fund values its assets would materially affect net asset value. Because the secondary markets for certain investments may be limited, they may be difficult to value. Where market quotations are not readily available, valuation may require more research than for more liquid investments. In addition, elements of judgment may play a greater role in valuation in such cases than for investments with a more active secondary market because there is less reliable objective data available.

### **12.3.27 Credit crisis liquidity risk**

Certain types of credit instruments, such as investments in CDOs, high-yield bonds, debt issued in leveraged buyout transactions, mortgage- and asset-backed securities, and short-term asset-backed commercial paper, became very illiquid in the latter half of 2007. General market uncertainty and consequent re-pricing of risk led to market imbalances of sellers and buyers, which in turn resulted in significant valuation uncertainties in mortgage and credit-related securities and other instruments. These conditions resulted, and in many cases continue to result in, greater volatility, less liquidity, widening credit spreads and a lack of price transparency, with many instruments remaining illiquid and of uncertain value. Such market conditions, and the above factors, may make valuation uncertain and/or result in sudden and significant valuation declines.

### **12.3.28 Investment selection risk**

The alternative investment fund manager may select investments for the Loomis Sayles fund, in part, on the basis of information and data filed by the issuers of such securities with various government regulators or made directly available to its alternative investment fund manager by the issuers of securities or through sources other than the issuers. Although its alternative investment fund manager will evaluate all such information and data and will seek independent corroboration when the alternative investment fund manager considers it appropriate and when it is reasonably available, the alternative investment fund manager will not be in a position to confirm the completeness, genuineness or accuracy of such information and data, and in some cases, complete and accurate information will not be readily available.

## **12.4 Operational risks**

### **12.4.1 Counterparty risk**

Certain markets in which a Loomis Sayles fund may effect transactions are “over-the-counter” or “interdealer” markets, and may also include unregulated private markets. The participants in such markets typically are not subject to the same level of credit evaluation and regulatory oversight as are members of “exchange based” markets. This exposes the investor to the risk that a counterparty will not honour its obligations or otherwise not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Loomis Sayles fund to suffer a loss. Such “counterparty risk” is accentuated for contracts with longer maturities where events may intervene to prevent settlement, or where the Loomis Sayles fund has concentrated its transactions with a single or small group of counterparties. The alternative investment fund manager is not restricted from dealing with any counterparty or from concentrating any or all transactions with one counterparty. The ability of the Loomis Sayles fund to transact business with any one or number of counterparties, the lack of any meaningful and independent evaluation of such counterparties’ financial capabilities and the absence of a regulated market to facilitate settlement may increase the potential for losses by the Loomis Sayles fund.

### **12.4.2 Failure of brokers and banks**

Institutions, such as brokerage firms or banks, may hold certain of the Loomis Sayles fund’s assets in “street name.” Bankruptcy or fraud at one of these institutions could impair the operational capabilities or the capital position of the Loomis Sayles fund. In addition, the Loomis Sayles fund may utilize operational leverage with respect to its assets, including engaging in futures and other derivative transactions, in which case the Loomis Sayles fund will post certain of its assets as collateral securing the obligations or leverage (the “**Margin Securities**”). Margin Securities are generally held on a commingled basis with margin securities of its other customers and the broker may use certain of the Margin Securities in connection with its business, including pledging such Margin Securities. Some or all of the Margin Securities may be available to creditors of the broker in the event of its insolvency. The broker has netting and set off rights over all the assets held by it (which may indirectly include amounts held for the Loomis Sayles fund’s benefit in the special segregated bank account) to satisfy the Loomis Sayles fund’s obligations under its agreements with the broker, including obligations relating to any margin or short positions.

THE FOREGOING DOES NOT PURPORT TO BE A COMPLETE EXPLANATION OF THE RISKS AND CONFLICTS INVOLVED IN THIS SUPPLEMENT OR AN INVESTMENT IN A



SUB-FUND, ESPECIALLY SINCE EACH SUB-FUND HAS THE FLEXIBILITY TO ENGAGE IN A WIDE RANGE OF INVESTMENT STRATEGIES WITH RESPECT TO INVESTMENTS IN A DIVERSE NUMBER OF COUNTRIES, SECTORS AND INDUSTRIES, AND THE FULL RANGE OF STRATEGIES, ASSETS AND MARKETS IN WHICH A SUB-FUND MAY INVEST CANNOT BE SPECIFIED IN ADVANCE. POTENTIAL INVESTORS SHOULD READ THE OFFERING DOCUMENT, THE SUPPLEMENT RELATING TO THE SUB-FUND, THE SUBSCRIPTION FORM AND THE ARTICLES OF ASSOCIATION IN THEIR ENTIRETY BEFORE DECIDING WHETHER TO INVEST IN A SUB-FUND, AND SHOULD CONDUCT THEIR OWN DILIGENCE REGARDING SUCH SUB-FUND, ITS OBJECTIVES AND STRATEGY AND MV CREDIT.