Ninety One

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Investing for a world of change

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European Credit Opportunities Fund 2

Diversifying private credit portfolio targeting double-digit returns and downside risk management

Portfolio managers	Chris Rust and Lei Lei.
Fund size target	€500 million.
Fund term	Six years: three-year investment and three-year harvest period, subject to two one-year extensions[1].
Return target	15%-17% pa target gross (11% to 13% pa net) unlevered returns (IRR).
Sources of return	Cash coupon target 7%-8% pa, non-cash coupon and fees.
Investment approach	European private credit strategy providing asset-based loans to underserved, non-sponsored[2] borrowers in European lower-mid markets. Differentiated origination network and high barriers to entry allows the team to negotiate favourable lending terms.

Why asset-based private credit to non-sponsored, mid-sized borrowers?

High demand for alternative credit > **Limited supply of alternative credit** > **High 'willingness to pay'**

High demand for alternative credit

Target borrower profile

- Performing companies, non-sponsored, asset-rich
- Western European, medium sized (€5-20m EBITDA)
- Seeking €15-50m flexible growth or other funding

Limited supply of alternative credit

Target borrower challenges

- Too small for capital markets
- Banks retrenching, inflexible and slow
- Not a fit for sponsor-focused lenders
- Equity raise undesired
- Few other alternative lenders due to entry barriers

High 'willingness to pay'

European Credit Opportunities

- Non-dilutive 'enabling capital'
- Speed of execution
- Bespoke loan structures
- Attractive terms

Fund details

Investments	Tailored bilateral private financings for mainly non-sponsored borrowers
Instruments	Senior and subordinated secured credit instruments
Holding periods	Typically two-to-four-year tenor
Markets	Principally Western Europe
Target borrowers	Medium-sized European borrowers (c.€50-€200 million EV; c.€5m-€20m EBITDA)
Collateral	Primarily real and financial assets
Investment tickets	€15 million to €50 million

Targets overlooked markets

Targets may not be achieved; losses may be made.

As at 31 December 2024. [1] First extension at discretion of GP. Second extension subject to consent of investor majority by interest.

[2] Borrowers owned by entrepreneurs, families and shareholders other than private equity funds.

For further information on performance targets, investment process and team please see Important Information section.

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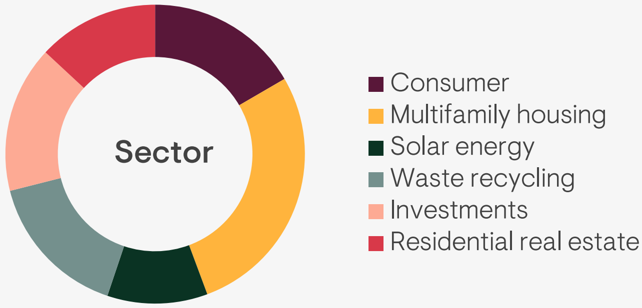
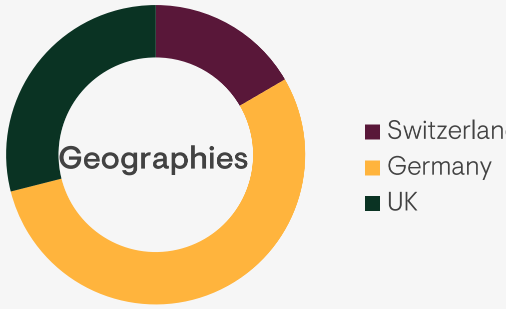
European Credit Opportunities Fund I snapshot and investments

Current portfolio profile

	Gross	Net
Actual IRR (composite return as at 30 Sept. 2024)	18.7%	11.5%
Target IRR	13-15%	10-12%
Amount of committed capital - €m[1]	138.5	
Number of deals committed [1]	6	
Average size of committed deals - €m	23.1	
Sponsorless	100%	





	Project Alps*	Project Franky	Project Alpha	Project Blade	Project Rose
Deal	Secured financing for two Swiss entrepreneurs	Secured financing for a German owner of multifamily housing	Acquisition funding for a founder-owned German renewable energy company	Growth financing for a UK waste recycling company	Acquisition funding for a privately held German investment group
Facility	€23.0m 3-year loan facility	€38.4m 3-year loan facility	€15.0m 3-year loan facility	€22.0m 3-year loan facility	€22.0m 3-year loan facility
Debt seniority	Secured	Secured	Senior secured	Senior secured	Secured
Security and asset cover	Residential real estate assets and personal guarantees c. 46% LTV (c. 2.2x asset cover) based on NAV of residential assets. c. 13% total LTV (c. 7.5x asset cover).	First ranking share pledges, first and second ranking mortgages and personal guarantees. c. 68% LTV.	Security over portfolio of 31 solar energy assets, real-estate assets in Germany, and personal guarantees. c. 36% LTV.	Fixed tangible assets including land, buildings and equipment. First-ranking share pledges on all group companies. c. 29% LTV.	Portfolio of private equity investments, real estate, personal guarantee c. 61% LTV
Underwritten modelled return	c. 24% realised IRR (c. 1.5x gross MOIC), net IRR 19% (c. 1.4x net MOIC)	c. 16% expected IRR (c. 1.52x gross MOIC), net IRR 13% (c. 1.48x net MOIC)	c. 16% expected IRR (c. 1.5x gross MOIC), net IRR 12% (c. 1.4x net MOIC)	c. 19% expected IRR (c. 1.6x gross MOIC), net IRR 15% (c. 1.5x net MOIC)	c. 16% expected IRR (c. 1.5x gross MOIC), net IRR 13% (c. 1.5x net MOIC)
Country					
Deal source	German corporate finance boutique	Independent German advisor	German tax and corporate finance advisor	Independent UK advisor	German corporate finance boutique

Past performance does not predict future returns; losses may be made. The type and nature of loans will be similar across Compartments, but the individual loans may differ.

Source: Ninety One, 31 December 2024 for all figures except IRR (30 September 2024).
Internal Rate of Return (IRR) shown is that of the ECO 1 Compartment, in EUR, which is closed. It is not possible to invest in the ECO 1 Compartment.
The IRR presented on a "gross" basis does not reflect any management fees, carried interest, taxes and allocable costs and expenses borne by Limited Partners, which in aggregate will be substantial. The IRR presented on a "net" basis is net of actual and accrued management fees and expenses, and includes the impact of carried interest. The management fee component reflects the weighted average Limited Partner experience which is lower than the highest fee that can be charged to prospective ECO 2 Compartment Limited Partners. The highest management fee for the ECO 2 Compartment is 1.50%. If the highest management fee had been imposed on ECO 1 Compartment, its performance would have been lower.
Inception date: 27 September 2021, the date of the first cash flow.
Subscription facility: The figures presented are inclusive of the impact of a subscription facility, which incurs interest expenses ultimately borne by Limited Partners, and allows the Compartment to manage cash flows more efficiently. Please note that the use of the facility can influence the timing and magnitude of investor drawdowns, which may result in enhanced returns. These returns may differ from those that would have been achieved without the use of a subscription facility. Investors should consider this when evaluating the performance figures, as returns without such facilities might be lower due to the different timing of capital deployment.
1: The amount and number of deals committed includes deals in documentation. There is no guarantee these deals will be included.

No representation is being made that any investment will or is likely to achieve profits or losses similar to those achieved in the past, or that significant losses will be avoided.

* Exited in November 2024.

Summary investment terms

Structure/Domicile	Luxembourg SCSp - RAIF (Compartment)
Compartment name	European Credit Opportunities Fund 2
GP commitment	5% up to €25 million
Management fees	1.5% on acquisition cost of investments
Carried interest	15% (subject to a 7.0% pa investor preferred return and a 100% GP catch-up)

Investment team

Chris Rust
Co-Head of European Credit
Joined the industry in 1998

Lei Lei
Co-Head of European Credit
Joined the industry in 2003

Experienced, specialist team underpinned by a 40-strong alternative credit platform

- Co-heads with c. 40 years of collective experience and prior close collaboration at Oak Hill Advisors.
- €3.1 billion invested since 2000 across several major credit cycles, multiple asset types and all major European markets.
- Dedicated seven-person team with specialist origination, portfolio management and workout skills.

General risks: The value of investments, and any income generated from them, can fall as well as rise. Past performance is not a reliable indicator of future results. If any currency differs from the investor's home currency, returns may increase or decrease as a result of currency fluctuations. Investment objectives and performance targets are subject to change and may not necessarily be achieved, losses may be made.

Prospective Investors should read the Private Placement Memorandum in its entirety and should conduct their own due diligence and obtain such professional advice including, without limitation, advice on the legal, tax and regulatory consequences to them of an investment, as they deem necessary before deciding whether to invest.

Specific Risks: Currency exchange: Changes in the relative values of different currencies may adversely affect the value of investments and any related income. **Default**: There is a risk that the issuers of fixed income investments (e.g. bonds) may not be able to meet interest payments nor repay the money they have borrowed. The worse the credit quality of the issuer, the greater the risk of default and therefore investment loss. **Derivatives**: The use of derivatives may increase overall risk by magnifying the effect of both gains and losses leading to large changes in value and potentially large financial loss. A counterparty to a derivative transaction may fail to meet its obligations which may also lead to a financial loss. **Interest rate**: The value of fixed income investments (e.g. bonds) tends to decrease when interest rates rise. **Concentrated portfolio**: The portfolio invests in a relatively small number of individual holdings. This may mean wider fluctuations in value than more broadly invested portfolios. **Credit Risk**: Where the value of an investment depends on a party (which could be a company, government or other institution) fulfilling an obligation to pay, there exists a risk that the obligation will not be satisfied. This risk is greater the weaker the financial strength of the party. The Net Asset Value the portfolio could be affected by any actual or feared breach of the party's obligations, while the income of the portfolio would be affected only by an actual failure to pay, which is known as a default. **Borrowing/Leverage**: Borrowing additional money to invest increases the exposure of the portfolio above and beyond its total net asset value. This can help to increase the rate of growth of the portfolio but also cause losses to be magnified. **Private funds**: An investment in the Fund is speculative and involves a high degree of risk. The program is not suitable for all investors. The shares are illiquid with restrictions on transferability and resale. Each investor or prospective investor should be aware that they may be required to bear the financial risk of this investment for an indefinite period of time. An investor may lose all or a substantial part of its investment. There can be no assurance that the investment objectives of the Fund will be achieved. The managers and portfolio structure provided herein is subject to change.

These internal parameters are subject to change not necessarily with prior notification. For further information on investment team, please see the Important information section.

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Telephone calls may be recorded for training, monitoring and regulatory purposes and to confirm investors' instructions

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The Partnership is structured as an umbrella fund qualifying as an investment company with variable capital - reserved alternative investment fund (société d'investissement à capital variable - fonds d'investissement alternatif réservé) governed by the Law of 23 July 2016 on reserved alternative investment funds, as may be amended from time to time (the "RAIF Law") and qualifies as an alternative investment fund (an "AIF") within the meaning of the AIFMD. The AIFMD has been implemented in Luxembourg by the AIFM Law dated 12 July 2013.

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Model return results

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Hypothetical performance returns

Assumptions are based on information available as of the date hereof and the Manager assumes no responsibility to update any hypothetical performance based on a change in underlying assumptions or market conditions. No assurances can be provided that the composition or actual performance of the portfolio, at any time, will resemble or correspond (in any way) to the composition of any hypothetical portfolios or hypothetical performance scenarios used to calculate the target or projected performance herein or in other written materials provided to you, or discussed with you.

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This information is provided for illustrative purposes only. Because there are risks and assumptions involved in connection with reliance upon hypothetical results, additional information about assumptions, methodology and supporting data is available upon request.

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