



PRIME ALTERNATIVE FINANCE FUND

Prime Alternative Finance Fund (PRIME) has operated for more than 3 years (since 11/2018) primarily delivering consistent, positive returns for investors that are uncorrelated to traditional bonds and equities. PRIME operates without leverage or performance fees.

As you will be aware, PRIME is not a daily dealing / market based / UCIT / ETF bond or equity fund. Liquidity can often be quite 'variable' from time to time and cannot be guaranteed. Below is a status update of the Funds' non-GBP (base currency) foreign exchange hedging.

CURRENCY SHARE CLASSES

PRIME's base currency is GBP, however, approximately 70% of investors are currently subscribed in non-GBP currencies which usually requires a foreign exchange 'forward' hedge. To maintain this hedge margin, a variation margin must be constantly placed with PRIME's bankers and brokers.

During Q3/2022, PRIME experienced an overall increase in average investor redemption requests and a reduction in average new investor subscriptions causing a short-term reduction of available cash liquidity. Furthermore, several portfolio maturities and re-financings were delayed to Q4/2022. Additionally, PRIME has several ongoing portfolio project funding commitments requiring cash immediately to complete these during H2/2022.

Although the Fund believes the above issues are relatively short term, it continues to take a conservative approach to managing overall liquidity. As a result of the above constraints the board of the Fund and its Investment Manager have initiated a redemption 'gate' pursuant to the Issuing Document limiting individual cash redemption requests to around 5% of their value per month until further notice. Furthermore, the Fund was not currently able to sustain the margin and variation margin required to hedge non-GBP share classes since 08/2022, although it expects to operate up to 50% hedge in September and potentially fully hedged in October when it is able to generate 'excess' liquidity.

We recognise that this situation is frustrating for some investors, but we remain committed to producing positive, consistent, uncorrelated returns for investors. We believe passionately in the space in which we operate and the significant opportunities that exist to provide positive yields and an impact positive investment.

As always, we are more than happy to host individual update calls with interested parties. We thank our investors, clients and stakeholders for their continued support, trust and patience.

Regards,

Prestige



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