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**PREMIUM ALTERNATIVE S.A. (SICAV-SIF)**

*Société d'investissement à capital variable – fonds d'investissement spécialisé*

Registered office: 287-289, route d'Arlon

L - 1150 Luxembourg

R.C.S. Luxembourg: B 162.681

(the Fund)

Date: 2 July 2020

Dear Investor

**RE: Creation of a side pocket in “Commercial Finance Opportunities Fund”**

We, member of the board of directors of the Fund (the **Board**), hereby write to you in connection with “Commercial Finance Opportunities Fund” (the **Compartment** or **CFO**). As a result of the illiquidity affecting an asset making up approximately 15 % of the net assets of CFO (TCA Credit Fund, **TCA**), the Board and Prestige Capital Management Limited (**PCM** or the **AIFM**) have decided to create a side pocket segregating this asset from the rest of the portfolio.

The side pocket will involve the creation of a new share class (the **X Class**) to which the investment in TCA (the **TCA Investment**) will be allocated and shareholders invested in CFO will get their existing shares in CFO converted on a *pro rata* basis into shares of the newly created X Class (the **X Shares**). The terms of the side pocket have been approved by the Luxembourg regulator (the CSSF). Further details on TCA, the side pocket terms and related regulatory/reporting considerations can be found below.

**1. ASSET TO BE ALLOCATED TO THE SIDE POCKET (TCA CREDIT FUND)**

Since 2015, one of the portfolios of the Prestige group (**Prestige**) consists in an investment in TCA. Since its launch in 2010, TCA has returned approximately 200% and, since CFO invested, it has returned approximately 87% after payment of fees. TCA was considered as a largely established fund and team with a consistent track record which had completed many hundreds of individual transactions totalling many hundreds of millions of dollars. TCA's team also had a strong track record in dealing with non-performing loans (the **work outs**) since their business model typically consisted of financing many 'non-bankable' customers. These loan work outs appear to have resulted in TCA gaining equity stakes in various underlying borrowers.

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Premium Alternative S.A. (SICAV-SIF)  
**Commercial Finance Opportunities**

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[www.prestigefunds.com](http://www.prestigefunds.com)

**Directors:**  
Mr Robert McGregor (UK), Mr Craig Reeves (UK) and Mr Luc Sunnen (Luxembourg)

**Luxembourg Trade and Companies Register:**  
Number B 162681

The Board considers that it became more of an operating business, resulting in both a more concentrated and long-term illiquid portfolio. It also made the portfolio of TCA far more difficult to value on a monthly and annual basis in an open-ended fund vehicle and since new international accounting standards have been introduced in 2018 (IFRS).

Over the years, various members of the Prestige team (**Prestige**) have visited and have been in contact with TCA as well as its CEO/Founder numerous times. It has also to be noted that Prestige knows of approximately 20 other investor groups which have invested in TCA, including a state operated pension fund.

However, TCA has suspended net asset value (**NAV**) calculation over the last 6 months (latest NAV calculation was in November 2019). At the end of January 2020, CFO received a letter from TCA announcing their intention to start an orderly liquidation of the fund and this was expected to take 12-18 months. The letter also stated that within the next 30 days a more detailed summary around the liquidation process would be provided to registered investors. Unfortunately, despite repeated attempts to contact TCA, nothing further has been received so far.

Subsequently, there have been 'rumours' on the internet and articles in the media around problems within TCA and valuation issues. Yet, from January to mid May 2020, nothing further officially has been provided by either TCA, its independent administrator, its independent auditor, its bank/custodian, its regulators and/or any independent board directors.

Nonetheless, it was announced on 12 May 2020 that the US Government regulator Securities and Exchange Commission (**SEC**) is suing TCA in a civil suit for an alleged fraudulent scheme to inflate asset values and performance returns of funds it managed. The Board further understands that there is now also an investor led class action lawsuit in the USA and that TCA has already settled certain elements of their lawsuit with the SEC, as reported by Reuters on 13 May 2020.

The Board believes this is a positive development since:

- (i) the SEC is now involved and in control of the situation and will therefore be able to exert more power and influence, which can also improve the reporting and the transparency; and
- (ii) this may mean that things will be done more professionally and expeditiously, it may have more influence and credibility when speaking to the underlying borrowers and potentially have a wider network of interested buyers for certain asset.

Prestige further spoke with the CEO/Founder of TCA on the day of the fund suspending its NAV, pending liquidation. The latter told that it was a commercial decision to liquidate because TCA was no longer core to their business with more than 50% of their revenue coming from other sources and much of the portfolio no longer suited the current fund structure and the investor base. Additional commentary was offered around the liquidation of TCA's portfolio: two specific assets within the fund were potentially worth far more than were currently booked in the fund (i.e. an 'aviation' asset and a 'solar' asset). It was further highlighted that much of the portfolio could be 'moved on' relatively quickly although Prestige suggested that clearly some assets would take longer and at a value unknown. Even though none of this can be substantiated and should not be relied upon, the conversation served as a useful final insight into their view of the state of the portfolio.

Currently, the TCA Investment represents approximately 15% of CFO's net assets. The remaining 7 portfolios continue to perform in line with expectations despite recent pandemic disruptions. This can be demonstrated by the overall consistent and positive performance throughout 2019 and so far in 2020.

Although the Fund is yet to receive any official material change in value to the last known NAV of TCA, the Board continues to take a conservative view.

Two potential additional positive considerations should be noted. On the one hand, CFO continues to operate with a loan loss/impairment accrual, and this will be applied to the side pocket for the benefit of qualifying investors. As at June 2020, this represents approximately USD 1 million (3.6% of the gross TCA credit fund exposure). On the other hand, CFO was in the process of reducing its gross exposure to TCA and had several rolling redemption requests accepted by its independent administrator prior to being suspended and, in addition, submitted a further 'All Holdings' redemption request in January 2020 once the suspension was finally announced. In further communications with the appointed Joint Official Liquidators, it has been confirmed that our total investment in TCA will be treated as a redeemed creditor. As a creditor, CFO will rank senior to investors in the TCA liquidation process.

Considering the above fact pattern, the Board and the AIFM consider that creating a side pocket to segregate TCA from the rest of the portfolio is in the best interest of investors. Given that approximately 85% of the assets of CFO continue to perform, it would be disadvantageous to the investors to suspend the NAV calculation. In view of the high level of uncertainty around the valuation of the TCA Investment, it does not seem appropriate to carry on valuing this asset at the latest available NAV (as at November 2019). This valuation uncertainty does not make it suitable either to proceed with a NAV "haircut". Such haircut could be highly inaccurate and possibly unfair to investors in due course regarding the timing of investor redemptions and the distribution of assets in TCA. At last, the alternative of suspending the NAV calculation and/or redemptions would hinder liquidity and adversely affect investors.

## 2. SIDE POCKET TERMS

The side pocket will take the form of a new shares class and will operate as follows:

- (i) firstly, the Board will create a dedicated class of shares (the **X Class**) within the Compartment tracking the TCA Investment;
- (ii) secondly, the Board will proceed to a *pro rata* conversion of the shares held by shareholders invested in the Compartment into X Shares, i.e. approximately 15% of your shares in CFO will be converted into X Shares; and
- (iii) thirdly, the Board will make its best efforts to terminate, liquidate or otherwise realise each such X Shares as soon as liquidity of the TCA Investment improves. The proceeds deriving therefrom will be distributed to the shareholders *pro rata* to the number of X Shares held by each of them.

Please note that all investors will qualify for the side pocket and that the Compartment will waive all fees in the context of this side pocket. Note as well that conversion of shares from one class to another is permitted by the issuing document of the Fund.

Investors will receive a separate notification by the Board indicating the number of their existing shares converted as X Shares. The conversion is expected to be approved on 2 July 2020 by the Board of the Fund.

## 3. REGULATORY AND REPORTING ASPECTS

As confirmed above, the creation of this side pocket has been filed for approval with the CSSF and the CSSF did not raise any objection. The present notice serves as notification by the AIFM of the creation of a side pocket as required by article 23 (4) of the Directive 2011/61/EU on alternative investment fund managers (the **AIFMD**).

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The creation of the side pocket will also be notified to the AIFM's regulator (the Maltese Financial Services Authority) in accordance with applicable AIFMD provisions.

The Board and the AIFM will update you on the liquidation process of TCA on a regular basis via reports and you will be notified as soon as the side pocket will be paid out/terminated. Quarterly reports will also be provided to the CSSF.

We trust the above gets you all necessary details with respect to the side pocket and remain available for any question you may have. Please address any questions to [admin@prestigeassetmanagement.co.uk](mailto:admin@prestigeassetmanagement.co.uk) and they will endeavor to get you a response in short order.

**PREMIUM ALTERNATIVE S.A. (SICAV-SIF)**, acting in respect of the sub-fund **Commercial Finance Opportunities Fund**



By: Luc Sünner  
Title: Class A Director



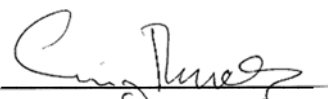
By: Robert McGregor  
Title: Class B Director

**FOR ACKNOWLEDGEMENT AND APPROVAL**

**PRESTIGE CAPITAL MANAGEMENT**, in its capacity as AIFM of the Fund



By: Robert McGregor  
Title: Director



By: Craig Reeves  
Title: Director

NOTE: This document is issued by Prestige Capital Management Limited (PCM) which is the Investment Manager of the Fund and is regulated in Malta by the Malta Financial Services Authority (MFSA). It is not a solicitation or invitation to invest or financial advice. Investors should only rely on the Issuing Document and always seek independent professional financial advice when considering an investment. The Commercial Finance Opportunities Fund (CFO) is part of a Luxembourg-registered SICAV. It is classified as an Alternative Investment Fund (AIF) and is subject to the scope of the Alternative Investment Fund Managers Directive (AIFMD), under which it is managed by a Third Country AIFM.

It is the individual's responsibility to be informed and to observe all applicable laws and regulations of any relevant jurisdiction and to satisfy themselves that their use of this information and any subsequent investment in the investments or services managed, marketed or promoted by Prestige is permissible under the applicable laws, rules and regulations of any government, governmental agency or regulatory organisation where they reside. ©2020

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