



## **PRESTIGE ALTERNATIVE FINANCE FUND LIMITED**

### **Liquidity Update H1/2023**

Prestige Alternative Finance Fund (PALTF) has operated for more than 14 years (since 12/2008) historically delivering consistent, positive returns for investors that are uncorrelated to traditional bonds and equities. PALTF operates without leverage or performance fees.

PALTF 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 further background information around the current liquidity status of the Fund.

The core of PALTF's investment portfolio consists of renewable energy / waste to energy infrastructure finance related 'projects' (often UK government backed) which operate with a 'bullet repayment' (not amortising) at the end of 4-5 years requiring another funder to step in and take over the debt. Indeed, since inception, PALTF and its specialist Finance Arranger has been involved in renewable energy infrastructure finance projects which now power many thousands of homes in the UK.

The global pandemic considerably slowed the decision-making process by larger, cheaper, longer-term banks and wholesale debt providers, and as a result many of the portfolio loan maturities have been delayed and timeframes extended. Therefore, no new projects are expected to be approved this year or next in PALTF as it continues to focus on liquidity generation and portfolio consolidation.

Furthermore, since the beginning of 2022, UK interest rates have risen significantly in an effort to curb inflation caused by post pandemic opening of the economy and more recently by the impact of the Russian invasion of Ukraine. Short term interest rates spiked in October 2022 making some projects that were expected to be re-financed away in Q4/2022 uneconomically viable. However, while short term rates have modestly fallen since then, the Fund's Finance Arranger continues to explore various transactions with wholesale debt based groups, but they have also been actively engaged with equity based groups, where instead of partially or entirely refinancing a core portfolio asset they have been trying to sell these assets to infrastructure groups and private equity groups.

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The Fund's overall liquidity situation remains challenging, although the Investment Manager and Finance Arranger are working hard on several initiatives that it expects to generate considerable liquidity during 2023. This is expected to come from both a combination of actual portfolio asset maturities, portfolio asset trade sales to infrastructure groups and private equity groups as well as a wholesale refinancing facility with a large infrastructure group.

We always have two competing challenges: A large opportunity pipeline often consisting of 'legally committed' financing projects and managing investor liquidity requirements. Over the past 4 years PALTF has seen approximately GBP 175 / USD 212 million of quality performing finance assets mature (getting 're-financed' to alternative cheaper, larger, longer-term funders). The core strategy (renewable energy / waste to energy infrastructure) has seen an increase in funding and acquisition interest from a range of institutional investors, wholesale debt providers and private market groups.

### **Prestige Alternative Finance Fund Limited**

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**Directors:**  
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This is partly driven by the UK's commitment to net zero carbon neutrality and more recently by the dual inflationary effects of the post pandemic economy and the energy crisis caused by the Russian invasion of Ukraine.

Core portfolio asset maturities during H1 2023 are forecast to be in the range of GBP 15-25 / USD 18-30 million but could be significantly higher. However, rather than simply wait for a financing project to mature (which can often be delayed), the Fund's Finance Arranger is actively trying to sell some of these assets (at NAV wherever possible) but despite an overall increase in appetite from such groups the decision-making process of larger, cheaper, longer-term alternative funders remains frustratingly slow given the complexity of some of these projects.

Core portfolio asset trade sales are expected to be in the range of GBP 25-30 / USD 30-36 million but could be significantly higher.

The Fund's Finance Arranger is also working with a large infrastructure group on a wholesale refinancing facility which is expected to refinance up to 50% of between 6-8 different core portfolio assets (completed renewable energy / waste to energy projects) which could generate up to GBP 90 / USD 110 million of liquidity across the group, a significant amount of which will flow into this Fund although exact dates for specific asset transaction completions vary widely.

<https://www.prestigefunds.marketing/wp-content/uploads/PALTF-Manifesto-for-Renewable-Energy-from-Waste.pdf>

<https://www.prestigefunds.marketing/wp-content/uploads/PALTF-Finance-Trade-Examples.pdf>

## MANAGING LIQUIDITY

PALTF continues to take a conservative approach to managing liquidity. The reason PALTF is currently operating under extended redemption notice terms is to effectively manage the overall liquidity position. The Directors of PALTF continue to extend the redemption notice periods for all share classes based on several factors:

### a) PROPOSED LARGER PORTFOLIO MATURITIES AND RE-FINANCINGS SET FOR 2021/22 DELAYED UNTIL 2023

Several larger renewable energy / waste to energy financing / projects that were due to be re-financed in 2021/22 were delayed until 2023, although this is something that has occurred often previously during the Fund's long operating history given the size and complexity of some larger assets. The Fund is now focused on both wholesale debt refinancing on both individual and portfolio assets as well as equity based, asset trade sales. These remain key sources of Fund liquidity.

### b) PRE-EXISTING FINANCING COMMITMENTS TO UNDERLYING BORROWERS

PALTF has several 'legally committed' financing requirements on government backed renewable energy / waste to energy infrastructure related projects which will complete during 2023 (some of which have previously been publicly announced) and intends to re-finance or sell these away during 2023/24 providing additional liquidity.

Additionally, PALTF continues to move and reduce some of these remaining forward funding commitments to alternative Prestige Funds and or other debt funders. No new finance / projects were approved in 2022 and it is not anticipated that further approvals will occur in 2023.

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### c) TO ENABLE THE ORDERLY PROCESSING OF REDEMPTIONS FROM Q3/2021

PALTF has operated as an open-ended vehicle processing monthly redemptions and subscriptions for more than 14 years and these are always processed on a 'first received' and 'best efforts' basis. PALTF treats all investors equally and it continues to process some larger institutional investor redemptions over a longer time period with several pre-agreed payment plans.

Furthermore, in light of market volatility caused by the global pandemic and more recently the Russian invasion of Ukraine, PALTF has seen an elevated level of random redemption requests from smaller investors and advisers taking a shorter-term view which continue to be processed on a 'first received', first processed basis. Currently a pending redemption queue exists which extends out to H2/2026. However, this assumes that no 'excess' liquidity is generated before then.

This is an on-going situation and is something the Directors of PALTF and its Investment Manager review regularly. If PALTF is able to advance redemptions sooner than the current dates advised, then it shall endeavour to do so. It should also be noted that unlike some funds, PALTF does not typically operate with partial redemption proceeds (i.e., cash amounts) being held back until the completion of the annual audited financial statements.

### INVESTOR REDEMPTIONS PROCESSED SINCE INCEPTION (2009)

Since inception, PALTF has processed more than USD 1 billion of investor redemptions.

TOTAL REDEMPTIONS		
2009	USD	1,954,127
2010	USD	4,455,566
2011	USD	7,504,804
2012	USD	23,771,124
2013	USD	62,770,627
2014	USD	126,397,067
2015	USD	78,221,362
2016	USD	103,238,106
2017	USD	106,967,287
2018	USD	157,776,640
2019	USD	169,073,680
2020	USD	97,285,208
2021	USD	77,283,468
2022	USD	25,137,177

<b>TOTAL REDEMPTIONS</b>	<b>1,041,836,244</b>
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NOTE: As at 07/2022. All figures are approximate and subject to change without notice. Amounts listed above reflect final NAV redemptions however, some individual 2021/22 redemption amounts may still be awaiting cash settlement and or may not be AML compliant. Past performance is no guide to future results. SOURCE: Prestige Fund Management Limited

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## NON-BASE CURRENCY SHARE CLASSES

The base currency of PALTF is GBP. However, since 02/2021 the Fund has not had enough cash to sustain the hedges for non-GBP currency share classes. Therefore, the USD / EUR / CHF / SEK share classes remain unhedged. This remains a challenge but when PALTF is able to generate 'excess' liquidity it will endeavour to reinstate non-GBP currency share class hedges.

## **LIQUIDITY GENERATION 2018-23**

PALTF continues to prioritise liquidity and the Fund's Investment Management team and specialist Finance Arranger is working hard on several initiatives to develop 'excess liquidity' for both PALTF and the wider agricultural / renewable energy infrastructure finance group.

- Since the end of 2018, PALTF has seen approximately GBP 175 / USD 212 million of performing finance projects mature and get re-financed to larger, cheaper, longer-term lenders. PALTF has a significant pipeline of portfolio finance projects that are expected to 'mature' during 2023 and we believe the current portfolio of finance maturities, refinancing and trade sales pipeline could be up to GBP 150 / USD 182 million during the next 2 years.
- Prime Alternative Finance (PRIME) - Luxembourg SICAV launched in Q4/2018 - now holds approximately GBP 217 / USD 264 million AUM. 'PRIME' grew by approximately GBP 69 / USD 84 million during 2020 and by almost GBP 69 / USD 84 million in 2021. PRIME is able to co-fund existing committed finance projects and buy part or whole qualifying existing performing PALTF finance project assets which since inception now stands at approximately GBP 143 / USD 175 million of performing finance projects transferred from PALTF.

## **LIQUIDITY GENERATION 2021/22**

- PALTF - specialist Finance Arranger completed a wholesale debt facility / 'managed account' with a UK based investment bank during Q4/2021 worth up to GBP 90 / USD 109 million over the next two years. As at 12/2022, approximately GBP 25 / USD 30 million has been able to be drawn against this facility.
- Investment Manager successfully launched 'Premium Alziraea Fund' ('PAZ') during Q1/2022 with approximately GBP 16 / USD 20 million of seed investment from a middle east based, institutional investor. This is a dedicated Shariah compliant investment fund and focuses on a similar strategy as PALTF and will potentially co-fund new and existing finance projects and buy part or whole qualifying ones. Subsequently, since launch PAZ purchased approximately GBP 15 / USD 19 million of performing assets from PALTF.

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## LIQUIDITY GENERATION 2023-2024

- PALTF believes that several actual core portfolio asset maturities during H1/2023 are forecast to be in the range of GBP 15-25 / USD 18-30 million but could be significantly higher.
- 18 different core finance project assets (some of which sit in other Prestige Funds) are being actively reviewed and assessed by different groups some of which are likely to be sold entirely and others may be partially co-financed with other Prestige Funds in new refinancing facilities. 1-3 core portfolio assets are expected to be sold during H1/2023 with an approximate value of GBP 25-90 / USD 30-110 million.
- Currently, the most advanced ongoing discussion is with a large institutional infrastructure debt group which has completed physical site visits of 6 renewable energy / waste to energy finance projects for refinancing up to 50% of each of these which could generate GBP 70-100 / USD 85-122 million during H1/2023.
- The second most advanced ongoing set of discussions is with several Private Equity groups and Infrastructure groups to sell several core assets and establish additional funding facilities for new opportunities. Ongoing discussions range from GBP 50-200 / USD 60-244 million transactions and facilities.

NOTE: As at 01/2023. All figures are approximate and subject to change without notice. Past performance is no guide to future results.  
SOURCE: Prestige Fund Management Limited.

Whilst we recognise that this situation is frustrating for investors (and their advisers) looking to exit PALTF in the short term, we remain committed to generating additional liquidity for investors wishing to redeem. We believe passionately in the core space in which PALTF operates and the wider macro environment currently offers a greater level of opportunities for both existing portfolio re-financing and new financing initiatives than at any time in our trading history.

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

Regards,

Prestige

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PALTF is an experienced investor fund, and potential investors should seek professional independent financial advice prior to making any decision to invest. Please also refer to the Information Memorandum of PALTF before making any final investment decisions.

This collective investment scheme may only be offered in Switzerland to qualified investors in accordance with Art. 10 of the Collective Investment Schemes Act (CISA) and Art. 4 para. 3-5, Art. 5 para. 1, Federal Act on Financial Services (FinSA). The representative in Switzerland is OpenFunds Investment Services AG, Seefeldstrasse 35, 8008 Zurich. The paying agent in Switzerland is Società Bancaria Ticinese SA, Piazza Collegiata, 6501 Bellinzona. The prospectus and the Key Information Document (KID), the fund contract as well as the annual and semi-annual reports can be obtained free of charge from the representative in Switzerland. In respect of units offered in Switzerland, the place of performance is at the registered office of the representative. The place of jurisdiction is at the registered office of the representative or at the registered office or place of residence of the investor.

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