



NON-CORE PORTFOLIO IMPAIRMENTS H2/2022

On the 22nd of February 2023, as a Limited Partner and founding investor in the Business Finance Opportunities Fund Limited (“BFO”), the Fund has received a letter that sets out the decisions taken by the Investment Manager of the BFO (“the Manager”) and PFM GP Limited (“the General Partner” or the “GP”) in relation to developments of the last three months.

The letter explains that during the past year, the Manager, in addition to actively monitoring the Portfolio’s holdings, has held discussions and requested detailed information from the Finance Arranger, Capstone Capital Asset Management, Inc and also Capstone Capital Group, LLC (“Capstone Capital”), Capstone Credit, LLC (“Capstone Credit”) and Capstone Credit’s subsidiary Capstone Business Funding, LLC (collectively “Capstone Entities” or individually a “Capstone Entity”, and all Delaware limited liability companies) regarding their ability to settle Capstone liabilities.

Following Capstone’s feedback, in the May 2022 NAV cycle, as explained in detail in the ‘H1/2022 Premium Alternative S.A. (SICAV-SIF) CFO Impairment Letter’, a write down of approximately USD 15 million took place across two assets of the portfolio. One asset was written off in full whilst only part of the second asset was written off based on an indication from the Capstone Entities that it anticipated this would be recovered. However, in the July 2022 NAV cycle the BFO took further action, again based on information from the Finance Arranger and stopped accruing the interest receivable on the remaining portion of this asset (*n.b.* asset equated to USD 19.5 million).

The letter further states that the Capstone Entities have not been able to pay back to the BFO the entire contracted amount of interest due since January 2021 and the outstanding interest amounts to USD 9,613,052.23 as at 31 August 2022. The majority of the investors in the BFO have now requested to redeem their investments, the processing of which is currently not economically viable due to lack of liquidity available. The Capstone Entities advised the Investment Manager of the BFO that they are taking all the necessary actions to recover the non-performing assets in the portfolio, and these recoveries require considerable time in negotiation and/or litigation in the US court system, which will take several years to work through.

Following internal discussions, the Manager has resolved that, due to the circumstances above and due to insufficient information to support the calculation of a monthly Net Asset Value at the end of August 2022, to suspend the right of withdrawals and the payment of withdrawals for all Limited Partners of the BFO. The Manager will continue taking advice from its’ legal counsel on the procedures for a winding up and dissolution of the Partnership with the Capstone Entities, with the intention to immediately proceed with an orderly liquidation of the assets of the BFO.

From the 2020 and 2021 audited financial statements it has come to light that that the Capstone operating companies have suffered recurring losses from operations, have a net capital deficiency, and substantial doubt exists about the Capstone Entities’ ability to continue as a going concern.

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

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Luxembourg Trade and Companies Register Number:

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The Manager has analysed these financial statements and identified that as at 31 December 2021 the Finance Arranger was in a net liability position. The result of this initial assessment is that the Investment Manager has estimated that only 46% of the existing loan balance are deemed to be recoverable.

As a result of this estimation and following previously mentioned May 2022 write-off, the Manager concluded that an additional write-off of 39.85% of the current loan balance of the BFO is required. This is based on the current audited financial statements to 31 December 2021 only. The Capstone Entities advised the Manager of the BFO that they are collating further information regarding 2022, specifically around the bad debt allowances. Upon receipt of this information further assessments will be completed by the Manager and subsequent revisions will be communicated to the Limited Partners of the Fund.

The Manager has stated that they will provide further updates to the Limited Partners of the BFO within 60 days from the date of this letter on developments and the way forward.

Non-Core Portfolio Impairments effect on Commercial Finance Opportunities Fund

Prestige Capital Management, Limited (“PCM” or “the Investment Manager” of CFO) has decided to immediately apply a corresponding 39.85% write-down on the BFO investment. This represents a loss of GBP 7,920,134 to the CFO Fund.

It also decided to utilise Provisions against Bad Debts that have been accrued throughout 2021 and 2022. After the utilisation of these Provisions the loss to the CFO Fund through its direct exposure is GBP 7,357,696.

This means that the write-down on the BFO investment produced an overall loss of -6.89% to the CFO Fund (GBP base currency) and will be reflected in the November 2022 NAV.

Monthly interest on the remaining part of the BFO Investment

Since no information was received and the last published NAV for the BFO was July 2022, the Investment Manager took a conservative approach and decided to stop accruing interest from August 2022 NAV on CFO’s investment in BFO. The Investment Manager feels that this approach needs to continue going forward until further communication is received from the BFO Investment Manager.

Wider Portfolio Realignment

Throughout 2023 and 2024 the CFO Fund will continue to reduce its overall exposures to all non-core satellite portfolios, enabling further liquidity generation and possible redeployment to higher yielding core SME financing. While in the short term this is a frustrating situation, the longer term prospects for core activity remains positive.

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INTERNATIONAL FUND REFERENCE CODES:

Accumulation M-Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU2430038732	BNYF294	PRCFOBG LX	116278164	F00001DDJS	L76483 327	PRAAYC
EUR	LU2430038658	BNYF2B6	PRCFOAG LX	116278166	F00001DDJT	L76483 335	PRAAYB
GBP	LU2430038815	BNYF2C7	PRCFOCG LX	116278168	F00001DDJU	L76483 343	PRAAYA
CHF	LU2430038906	BNYF2D8	PRCFODP LX	116051273	F00001DDJV	L76483 350	PRAAXZ
ILS	LU2430039037	BNYF2F0	PRCFOFG LX	116315926	F00001DDJW	L76483 368	PRAAXY

Accumulation IM-Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU2430039201	BNYF2G1	PRCFOIB LX	116048617	F00001DDJX	L76483 376	PRAAXX
EUR	LU2430039110	BNYF2H2	PRCFIAM LX	116316024	F00001DDJY	L76483 384	PRAAXW
GBP	LU2430039383	BNYF2J4	PRCFOIA LX	116316025	F00001DDJZ	L76483 392	PRAAXV
CHF	LU2430039466	BNYF2K5	PRCFOIM LX	116308027	F00001DDK0	L76483 400	PRAAXU
ILS	LU2430039540	BNYF2L6	PRCFIFM LX	116308041	F00001DDK1	L76483 418	PRAAXT

Distribution DM-Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU2430039896	BNYF2M7	PRCFODB LX	116308072	F00001DDK2	L76483 426	PRAAXS
EUR	LU2430039623	BNYF2N8	PRCFDAM LX	116308078	F00001DDK3	L76483 434	PRAAXR
GBP	LU2430039979	BNYF2P0	PRCFDCM LX	116278244	F00001DDK4	L76483 442	PRAAXQ
CHF	LU2430040126	BNYF2Q1	PRCFDDM LX	116278378	F00001DDK5	L76483 459	PRAAXP
ILS	LU2430040399	BNYF2R2	PRCFODF LX	116279380	F00001DDK6	L76483 467	PRAAXO

Distribution IDM-Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU2430040555	BNYF2S3	PRCFOIP LX	116279957	F00001DDK7	L76483 475	PRAAXN
EUR	LU2430040472	BNYF2T4	PRCFIDA LX	116316005	F00001DDK8	L76483 483	PRAAXM
GBP	LU2430040639	BNYF2V6	PRCFIDM LX	116316006	F00001DDK9	L76483 491	PRAAXL
CHF	LU2430040712	BNYF2W7	PRCFIDD LX	116316007	F00001DDKA	L76483 509	PRAAXK
ILS	LU2430040803	BNYF2X8	PRCFOIG LX	116316008	F00001DDKB	L76483 517	PRAAXJ

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Accumulation Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU0960650512	BCRYBR2	COMFOUS LX	22043791	F00000QIAU	L8176P 102	0AAAUG
EUR	LU0960650439	BCRYBQ1	COMFOEU LX	22043761	F00000QHSD	L8176P 110	0AAAUH
GBP	LU0960650603	BCRYBS3	COMFOBP LX	22043792	F00000QIAV	L8176P 128	0AAAUI
CHF	LU0960650785	BCRYBT4	COMFOCH LX	22043799	F00000QICS	L8176P 136	0AAAUI
SEK	LU0960650868	BCRYBV6	COMFOSK LX	22043801	F00000QICR	L8176P 169	0AAAUK

Accumulation Institutional Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU1350417850	BZ4BY34	COMFOIB LX	30561374	F00000X15Z	L8176P 201	0AYXF
EUR	LU1350417777	BZ4BY23	COMFOIA LX	30561373	F00000X15Y	L8176P 300	0AYXB
GBP	LU1350417934	BZ4BY45	COMFOIC LX	30561375	F00000X160	L8176P 409	0AYXC
CHF	LU1350418072	BZ4BY56	COMFOID LX	30562680	F00000X161	L8176P 508	0AYXD
SEK	LU1350418239	BZ4BY67	COMFOIE LX	30562681	F00000X162	L8176P 607	0AYXE

Distribution Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU1808945783						
EUR	LU2050438295						
GBP	LU2152321662						
CHF	LU2152321746						
SEK	LU2152321829						

Distribution Institutional Share Classes

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	LU1974409705						
EUR	LU2050440606						
GBP	LU2152322041						
CHF	LU2152322124						
SEK	LU2152322397						

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CFO 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 Issuing Document of PREM ALT in respect of CFO before making any final investment decisions.

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