

February 2024

Proposal for a Managed Sell Down

Dear Registered Shareholder,

This letter is to provide an update regarding Prestige Alternative Finance Fund Limited (**PALTF** or the **Fund**) and the proposals being considered by the Directors.

Update

During 2023:

- No new loans or financing projects were approved (although some forward funding commitments remain, on economically viable projects or loans).
- No new subscriptions were received.
- The Fund received redemption requests totalling approximately GBP 13 million, representing approximately 6.3% of the Fund's NAV as at January 2023.
- The Fund received approximately GBP 13.3 million of portfolio maturities and interest enabling GBP 5.3 million of redemptions to be processed and paid during the period.

The Fund currently owes approximately GBP 71 million in redemption proceeds and in addition it has approximately GBP 106 million of redemption requests pending which represents 52% of the Fund's NAV as at January 2023.

Since 2022, the primary objective of the Fund has been to operate with a simpler, consolidated portfolio and to generate greater liquidity. The Investment Manager has continued to assess all assets in the Fund's portfolio (and, in particular, non-performing assets) to establish a view as to their economic viability.

The required liquidity is currently generated only through portfolio trade sales or refinancings. These are slow, complex processes and sales are not always possible at the valuation price.

The proposal: a Managed Sell Down

Due to the volume of redemptions received, the Directors believe it would be in the best interest of all shareholders if the Fund was placed into an orderly process of a managed sell down. The proposal is that subscriptions and redemptions would be formally suspended, including any redemption requests which have not yet been processed, and instead, as and when liquidity becomes available, the Fund would return capital to all shareholders (via compulsory redemptions) on a pro rata basis, until such time as all Participating Shares have been redeemed.

During the managed sell down process, the Fund would look to reduce costs by moving from a monthly valuation to a bi-annual valuation and look to review and minimise the annual management fees with the Investment Manager.

Therefore, the last monthly NAV that will be finalised (and corresponding redemptions processed) would be 31 January 2023, and the first of the bi-annual NAVs would be calculated as at 30 June 2023, with capital being returned by way of compulsory redemptions applicable to all shareholders as liquidity becomes available.

Prestige Alternative Finance Fund Limited**Registered Office:**

Waystone Corporate Services (Cayman) Limited, PO Box 1344, Suite 5B201, 2nd Floor, One Nexus Way, Camana Bay, Grand Cayman, KY1-1108, Cayman Islands

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www.prestigefundmanagement.ky
www.prestigefunds.com

Directors:

Ms Ebony Myles-Berry (Cayman), Mr Iain Fulton (UK) and Mr Craig Reeves (UK)

Cayman Islands Monetary Authority (CIMA) Registration Number:

16040

Company Registration Number:

SH-220502

Timing

Further to the previous investor update in May 2023, one of the Fund's finance arrangers has entered into an agreement with a large private equity group with the intention of selling core assets with an expected transaction completion timetable of Q2 2024.

The Fund's largest non-core asset is a UK based, farm estate which currently represents approximately 13.2% of NAV. This asset operates with a dedicated management team who are pursuing several enterprise value and liquidity generation initiatives potentially resulting in its entire sale during 2025. Other smaller non-core assets include 37 asset finance loans which may be sold during 2024 and several external liquidity funds which are in liquidation and may liquidate during 2024/25.

All of these initiatives are aimed at generating liquidity to fund compulsory redemptions throughout 2024 and 2025. However, it is also expected that certain assets in the Fund will remain illiquid and likely to take several more years to successfully realise.

Directors' recommendation

The Directors believe that an orderly managed sell down as described above will produce the best return for all investors, being paid on an equitable basis as soon as monies become available. Having the process managed by the Fund and its Investment Manager will maintain the current relationship with the Fund's finance arrangers and retain the considerable knowledge the Fund has of the assets and will assist with achieving the maximum return for shareholders. (NOTE: This would not affect redeemed registered shareholders awaiting post NAV cash settlements from September 2021 to January 2023 NAV cycles).

The alternative to an orderly managed sell down would be to place the Fund into a statutory winding up procedure, with its affairs being conducted by a liquidator. The liquidator would need to complete the process of liquidating the assets within a fixed timeframe (typically one year) and would not have the benefit of the in-depth knowledge of the Fund or the Investment Manager. If this alternative was pursued, shareholders would again be in the position of receiving distributions on a pro rata basis, as cash becomes available. However, the Directors and the Investment Manager believe that, although the return of capital may be quicker, the overall return would be far smaller due to the fees charged by the liquidator and the liquidator prioritising speed over value when realising assets.

In the coming weeks the Fund will be in contact with you again regarding this matter. It is likely that the Fund will convene class meetings for shareholders to vote on the adoption of an orderly managed sell down process. It will be our recommendation that shareholders vote in favour of that proposal.

If you have any queries or would like to discuss the above, please contact us on:

E: info@prestigefunds.com

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INTERNATIONAL FUND REFERENCE CODES:

Participating Shares

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	KYG722711028	B3KM0W8	PRAFINU KY	4921586	481945	G72271 102	OGPRAL
EUR	KYG722711101	B3KM0Z1	PRAFINE KY	4921601	481942	G72271 110	OGPRAT
GBP	KYG722711283	B3KM114	PRAFING KY	4921605	481946	G72271 128	OGSPA
CHF	KYG722711366	B66P2J3	PRAFINC KY	12937976	837018	G72271 136	OGALFI
SEK	KYG722711440	B67NW63	PRAFINS KY	12937999	837019	G72271 144	OGALTF

Participating I Shares

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	KYG722711853	BK0S263	PRAFISU KY	23792898	F00000T7LR	G72271 185	OGAABW
EUR	KYG722711937	BK0S252	PRAFISE KY	23793540	F00000T7LS	G72271 193	OGAABX
GBP	KYG722711770	BK00FP9	PRAFISS KY	23793583	F00000T7LT	G72271 177	OGAABY
CHF	KYG722712018	BK0S274	PRAFISF KY	23793744	F00000T7LU	G72271 201	OGAABZ
SEK	KYG722712190	BK0S285	PRAFISK KY	23793811	F00000T7LV	G72271 219	OGAACA

Participating ID Shares

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	KYG722712844	BDGRV79	PRAFIDU KY	CH 30169859	F00000XMUO	G72271 284	
EUR	KYG722712760					G72271 276	
GBP	KYG722712687					G72271 268	
CHF	KYG722712927					G72271 292	

Participating AD Shares

CURRENCY	ISIN Code	SEDOL Code	BLOOMBERG Code	VALOR Code	MORNING STAR Code	CUSIP Code	MEXID Code
USD	KYG722713834	BG07CQ2			F0000104C3	G72271 383	OGFFB
EUR	KYG722713750	BG07CR3			F0000104C2	G72271 375	OGFFC
GBP	KYG722713677	BG07CS4			F0000104C1	G72271 367	OGFFD

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PALTF is an experienced investor fund and not for retail investors. In the UK PALTF is for professional investors and not for retail investors. 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.

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