EFSI Private Credit

Investor Protection

The AAA-rated European Investment Fund (EIF) helps investors in private debt manage their risk!

The EIF has created a protection product dedicated to institutional investors contemplating investments in private debt funds.

The EIF has been supporting private debt funds in Europe through equity commitments alongside other investors, but now we can do more. We can directly support investors too!

This product is for institutional investors, such as pension funds and insurance companies, who want to diversify their alternative asset allocation with exposure to private debt.

Under the EFSI Private Credit Programme, which has been developed in partnership with the European Commission, we are able to help investors hedge against potential negative fund performance by providing protection on up to **50% of their invested principal.**

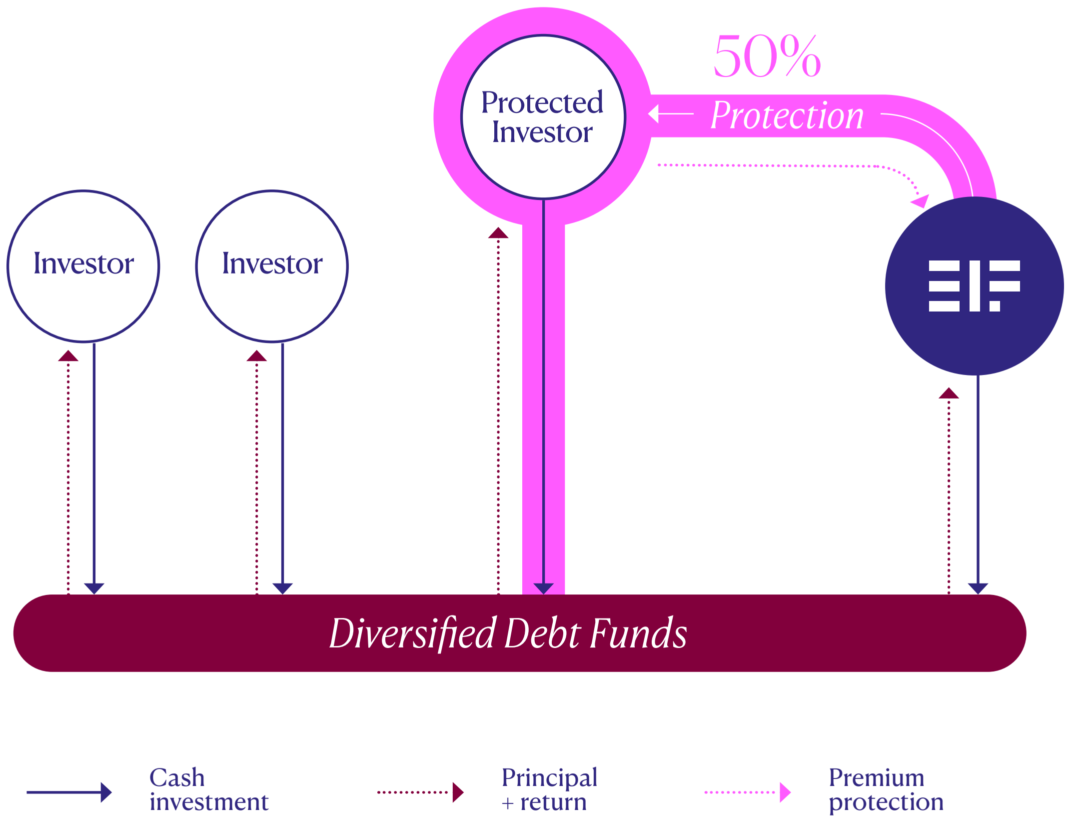
Who is eligible?

Institutional investors who subscribe to a diversified debt fund by making an equity investment in the fund alongside the EIF.

How does it work?

The EIF, a triple AAA rated multilateral development bank, will provide investors with bilateral unfunded investment protection, structured as a derivative. The derivative will hedge (no basis risk) up to 50% of the investor exposure to the fund.

The investor will have a direct claim against the EIF that is irrevocable and unconditional.



Why use the protection product?

1

The protection product makes it easier for investors to enter the private debt asset class or optimise the risk profile thanks to the security it affords.

2

Risk-mitigating protection coverage

- The protection is provided by the EIF, a AAA-rated entity
- The EIF protection is irrevocable and unconditional
- The investor has a direct claim against the EIF once the protection trigger event occurs
- Investors can potentially use the protection as an optimisation tool for their private debt allocations or to generate capital relief.

3

Performance-based fee structure

- The cost of protection is partially offset by the investor running return
- The deferred fee, which will always be higher than the base fee, is subject to fund performance and only payable after the investor receives their principal back

What is the cost?

The cost of the protection will comprise a base fee and a deferred fee in the form of performance participation.

The fee levels will be set based on EIF's assessment of the underlying risk of the fund.

Base fee

The base fee is fixed upfront and payable periodically based on the outstanding net amount paid by an investor into the fund (net paid in).

Deferred fee

The deferred fee is set upfront and accrues over the life of the fund. However, the deferred fee only becomes payable if the fund delivers a positive performance.

Investor returns

The EIF will bear the full investment risk on the protected portion of the investment, but the investor will still be entitled to return as follows:

1. A periodic "running return" on the net paid in (from fund distributions)

and

2. A share of the fund returns in excess of a pre-agreed level.

Geographic coverage Diversified debt funds

15 funds

7 multi-country funds