

ESG Seminar.

Brussels March 20th 2025

Private Assets for all.

Brussels March 2025

CANDRIAM 
A NEW YORK LIFE INVESTMENTS COMPANY

Marketing communication for
Professional Investors

Agenda

- 1. Private Assets Market overview.**
- 2. Benefits of Private Assets.**
- 3. ELTIF: Access to Private Assets to all.**
- 4. Case study: Constructing a Private Debt ELTIF.**
- 5. Conclusion.**



What we're talking about.

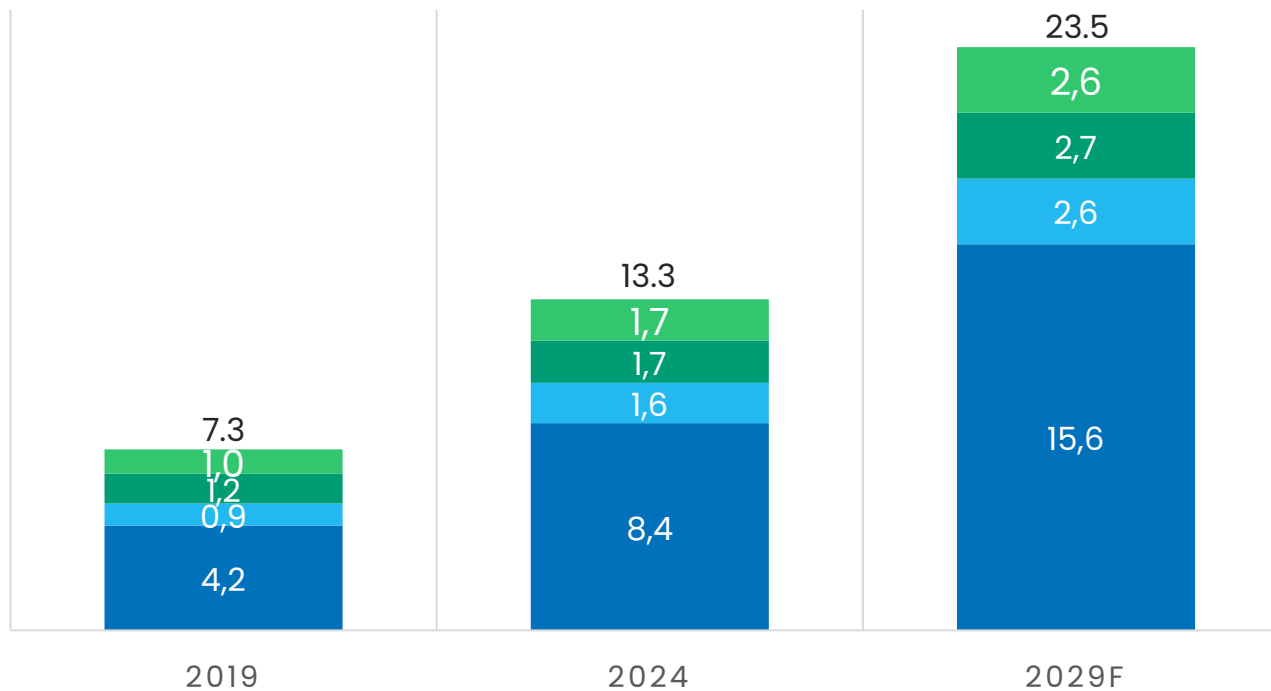


A tremendous growth-oriented market.

Global Private Assets expected to reach \$24tn in 2029

Asset Under Management (\$ tn)

■ Private Equity ■ Private Debt ■ Real Estate ■ Infrastructure & Natural Resources



	2019	2024	2029F	2024 to 2029 % Change
Private Equity	4.2	8.4	15.6	186%
Private Debt	0.9	1.6	2.6	163%
Real Estate	1.2	1.7	2.7	155%
Infrastructure & Natural Resources	1.0	1.7	2.6	160%

Source: Preqin December 2024 – © 2022 Preqin Ltd. All rights reserved



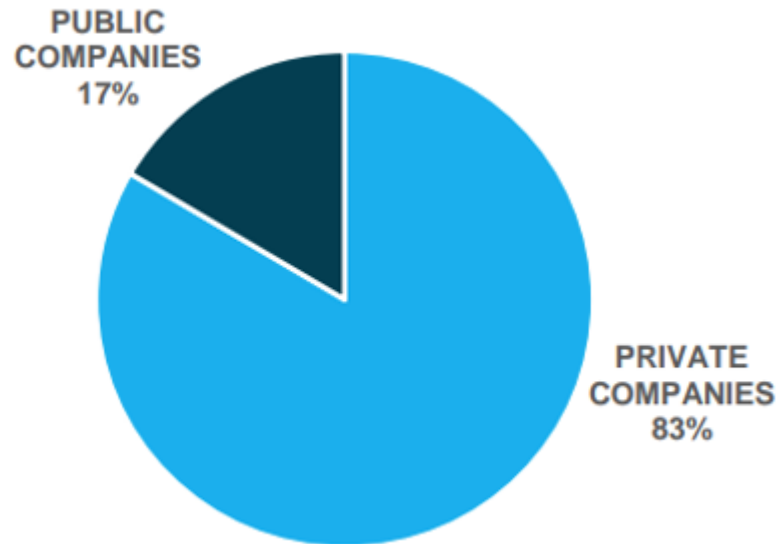


2 Benefits of Private Assets.



The Private Asset Opportunity.

Number of public vs Private US companies over 100M USD in revenue



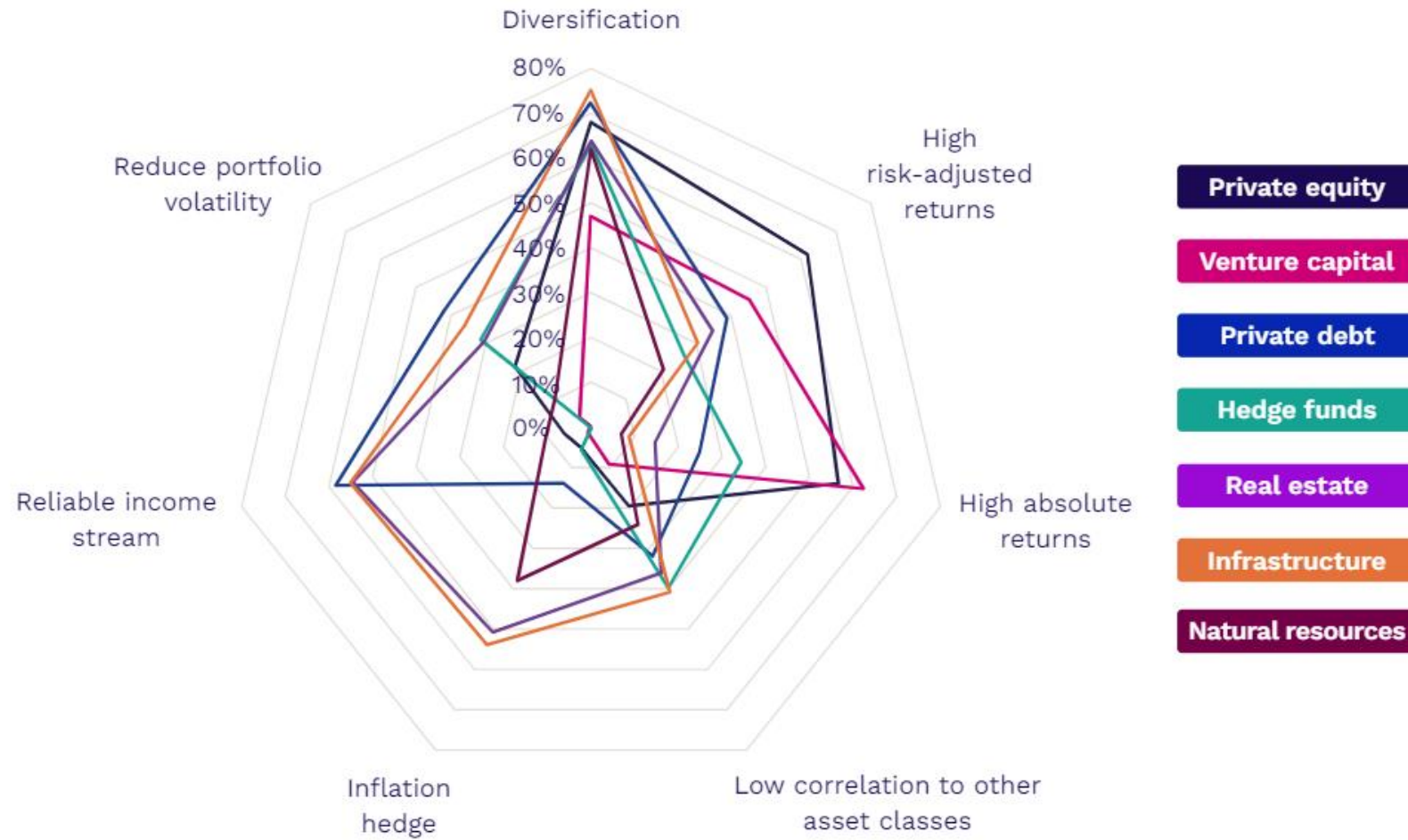
An accelerating trend



Source: LHG - Bow River Advisers. Data sourced from NAICS Association November 2019 and World Bank Federation of Exchanges Database - December 2019, RHG - Data sourced from World Bank World Federation of Exchanges Database - December 2021.



Why do investors select Private Assets?



Source: Preqin

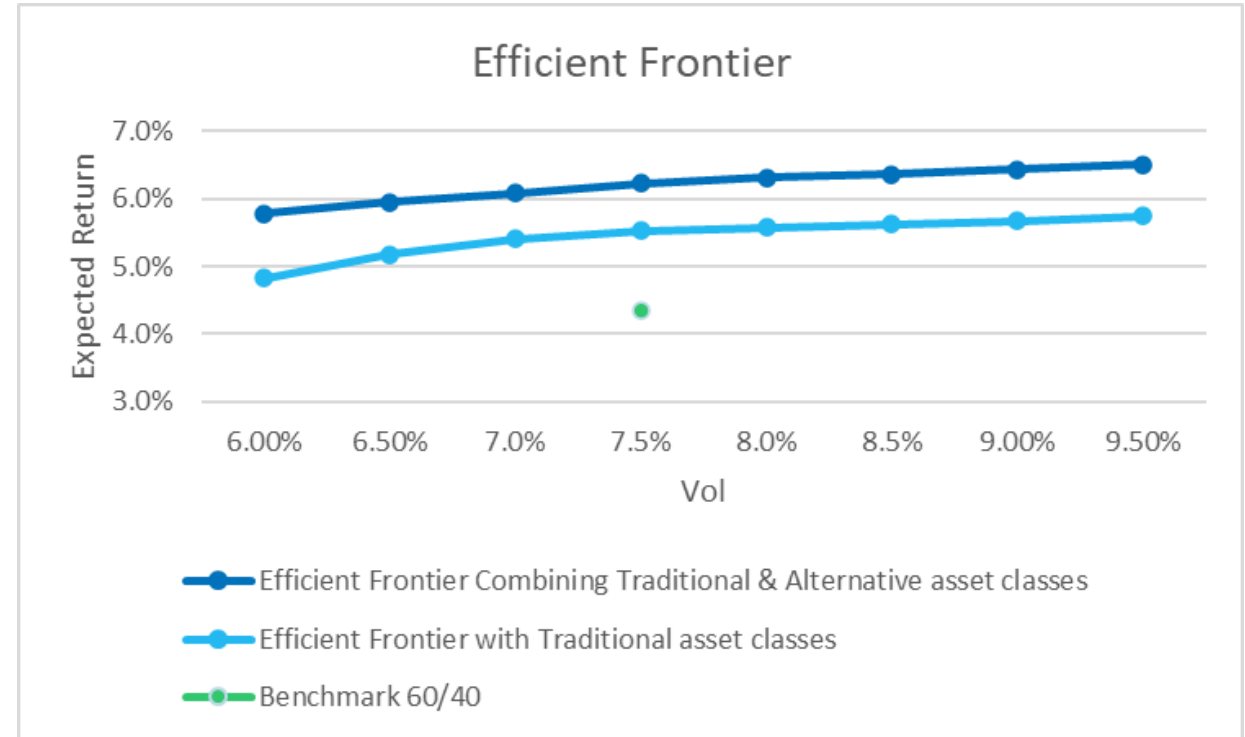


Improving risk-adjusted returns.

Typical portfolio optimization

Asset classes	10-year expected return	Benchmark 60% bonds/40% equities	Portfolio with traditional asset classes	Portfolio with traditional & alternative asset classes
Govt EUR	2.5%	27%	9%	8%
Govt USD	4.6%	0%	16%	16%
Corp EUR	3.1%	33%	6%	6%
Corp USD	5.6%	0%	27%	14%
Global HY	5.8%	0%	2%	1%
EM debt	7.0%	0%	4%	4%
Total bonds		60%	64%	49%
Eq EMU	7.2%	4%	9%	9%
Eq UK	7.6%	3%	3%	2%
Eq US	6.4%	26%	14%	13%
Eq Japan	5.3%	3%	4%	2%
Eq Emerging	8.1%	4%	6%	6%
Total equities		40%	36%	32%
Real Estate	7.0%	0%	0%	5%
Private Equity	11.0%	0%	0%	8%
Direct lending	8.5%	0%	0%	7%
Total illiquid		0%	0%	19%
	Portfolio ER	4.4%	5.5%	6.2%
	Portfolio volatility	7.5%	7.5%	7.5%

Source: Candriam – February 2025



The scenarios presented are an estimate of performance based on evidence from the past on how the value of this investment varies, and/or past and current market conditions and are not an exact indicator. This example is for illustrative and educational purposes only, it is hypothetical in nature, does not reflect actual investment results and is not a guarantee of future results. It is provided as an example only and is not representative of any specific investment or strategy. There is no guarantee that any investment strategy will be successful.





3

**ELTIF: Access to Private Assets to
all.**



Traditional Funds vs Private Asset Funds.

	Traditional Funds	Private Asset Funds
Asset classes	Listed equity, listed fixed income, multi asset, liquid alternatives	Private equity, private debt, real estate, infrastructure, natural resources
Investors	Broadly used by both institutional and retail investors	Mainly used by institutions Difficult to access for retail investors
Fund structures	Open-ended funds Fully paid-in	Fixed fund-terms (7-10 years) Utilise capital calls
Subscriptions & redemptions	Can usually subscribe and redeem at any time	Fund-raising periods No early redemption options
Performance measurement	Valuations updated daily based on listed prices	Use of IRRs Influenced by timing of cash flows and leverage Infrequent valuations
Other private asset terminology: dry powder, multiples...	Vintage year, carried interest, general partner (GP), limited partner (LP),	

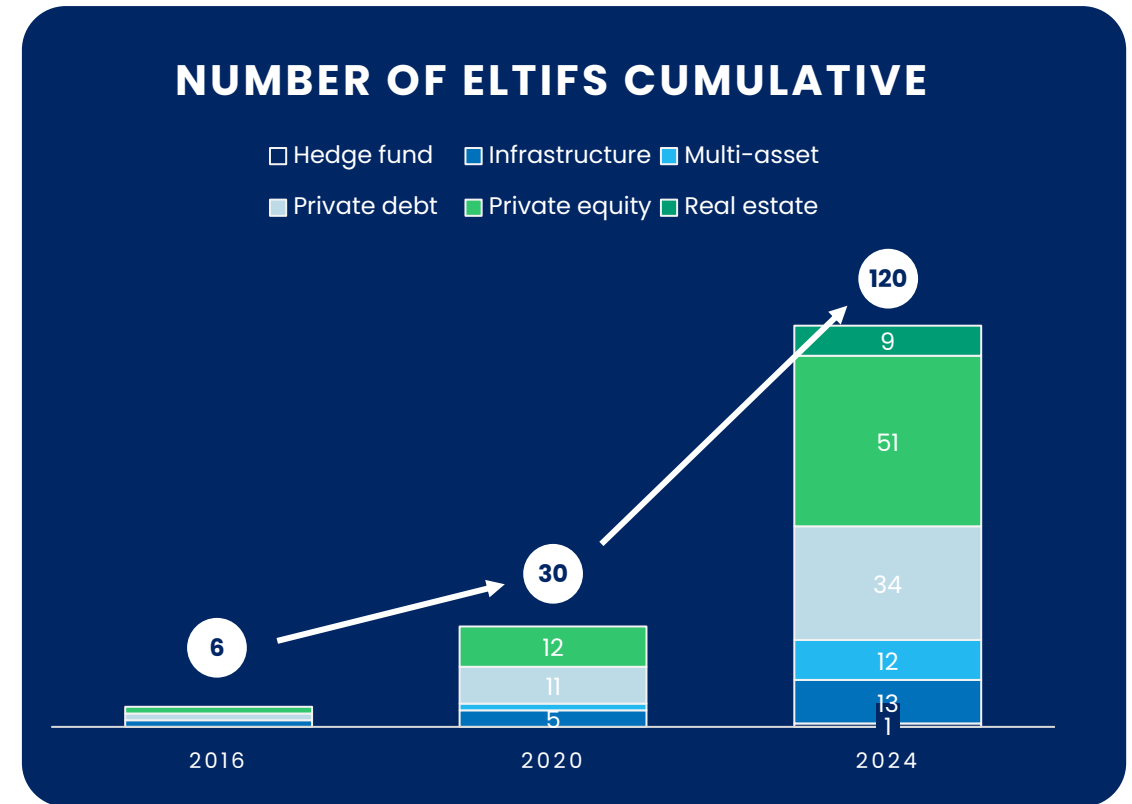
Source: Candriam



What is an ELTIF?

European Long-Term Investment Fund (ELTIF)

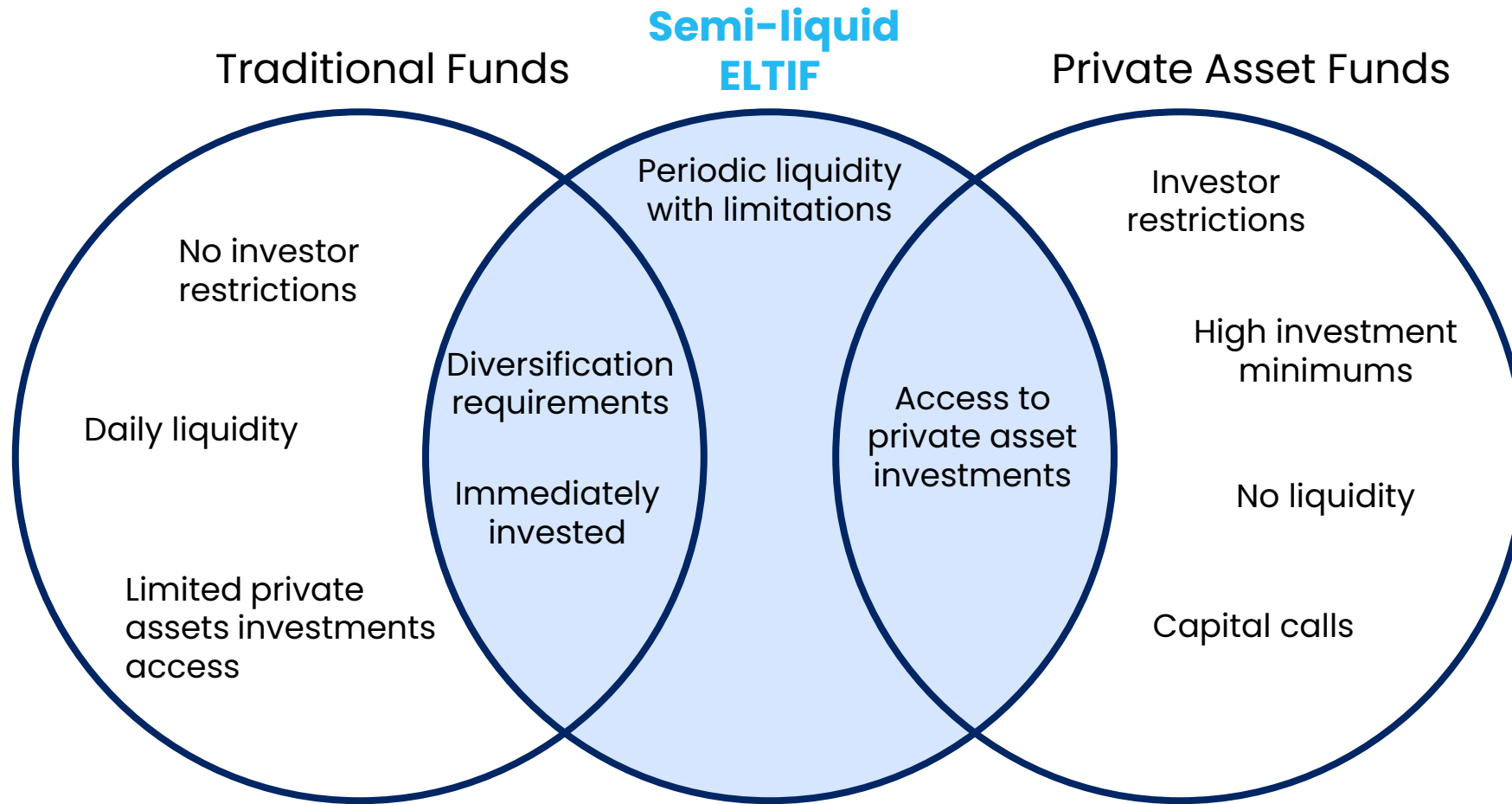
- **EU regulated AIF**
- **Objective : facilitate long-term investments in the real economy**
- **Launched in 2015 (ELTIF 1.0) with the aim to provide broader, protected access to private assets**
- **Investor protection is a key feature**
 - Eligible investments
 - Diversification
 - Transparency
- **Can be promoted more broadly, including to retail**
- **New regulation from January 2024: ELTIF 2.0 for more flexibility**



Source: Novantigo



Semi-Liquid ELTIF Advantages.



Source: Candriam





4 Case study: Constructing a Private Debt ELTIF.

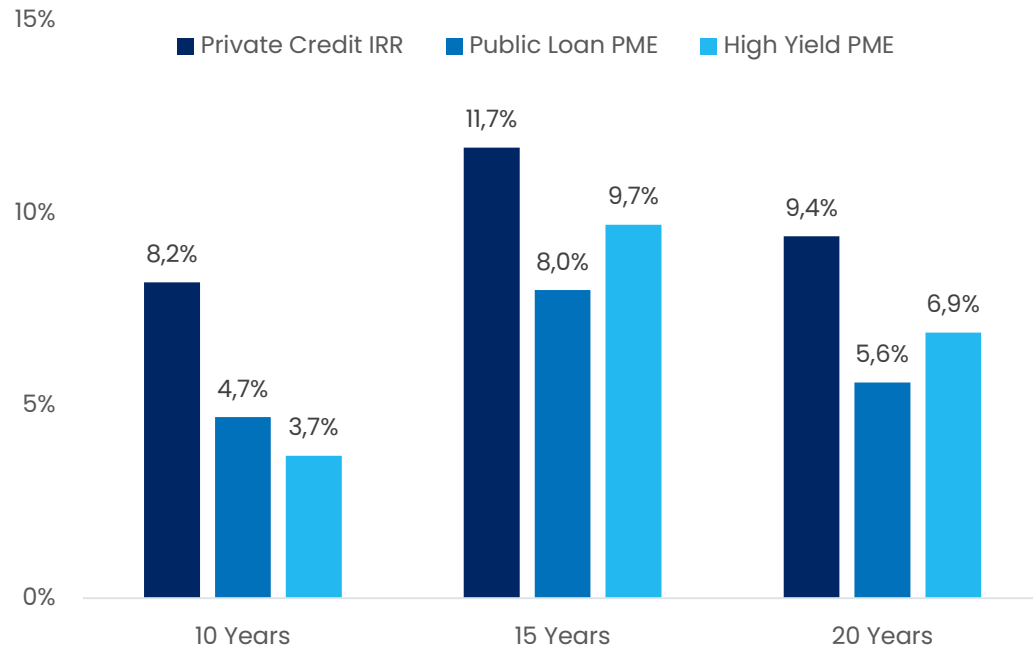
The investment vehicle including the strategy mentioned in this document has not been established yet. The investment strategy has been notified to the CSSF for Pre-Marketing in Luxembourg,



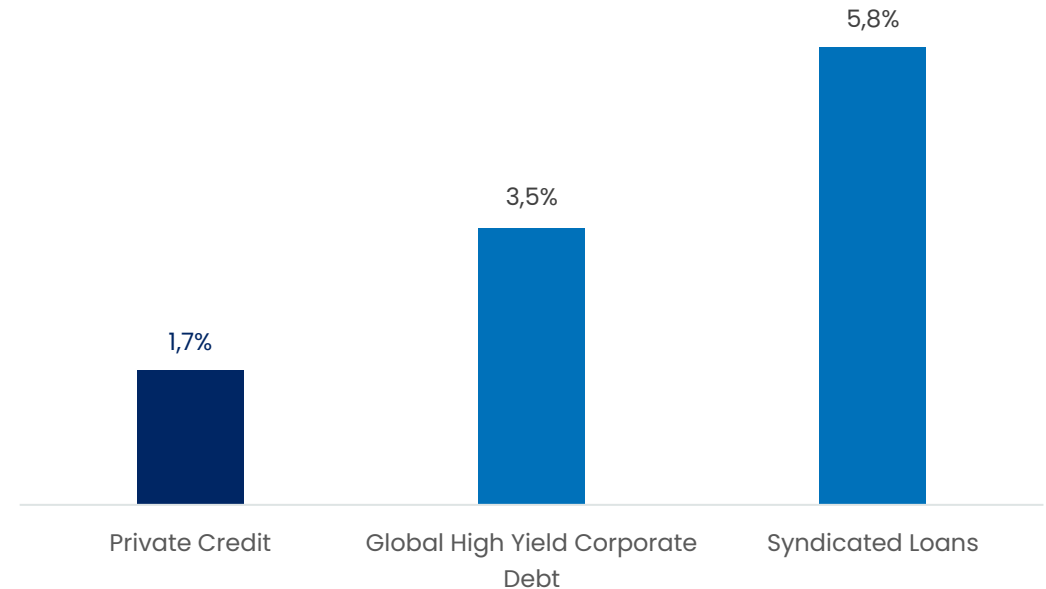
Private Credit versus Public Credit (Global).

Attractive Excess Returns with Lower Volatility and Strong Downside Protections

Return Over Time by Credit Vehicle (FY23)¹



Credit Default Rates (FY23)²

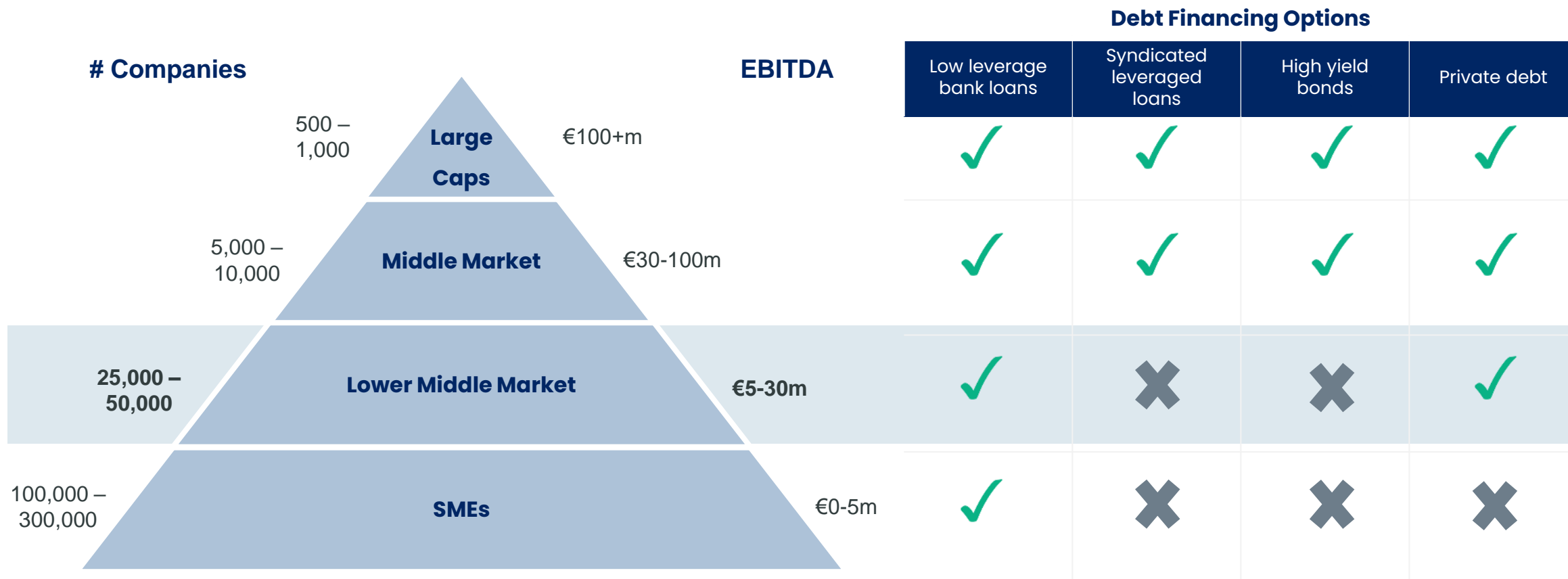


1. Cambridge Associates, as of December 31, 2023. Private credit returns expressed net of fees. Past performance does not guarantee future results, which may vary. Outperformance of public loans on a public market equivalent (PME) basis. PME returns reflect the performance of the S&P LSTA Leveraged Loan index ("index") (for public loans) and the Bloomberg Global High Yield index (for High Yield) expressed in terms of internal rate of return and takes into account the timings of the private credit strategy's cash flows. PME returns do not represent the actual performance of the index. Indices are unmanaged and investors cannot invest in indices. The index returns are gross total return with dividends reinvested and do not reflect the deduction of any fees or expenses, which would reduce returns. For educational purposes only and should not be construed as investment advice or an offer or solicitation to buy or sell securities; 2. KBRA DLD Direct Lending Index 2023. The KBRA DLD Direct Lending index tracks 2,400 companies financed by direct lending loans. KBRA defines a default as bankruptcy, missed payment, a distressed debt exchange or restructuring.



Attractive Supply-Demand Dynamics.

A Deep Pool of Companies with Limited Financing Options Compared to Larger Markets.



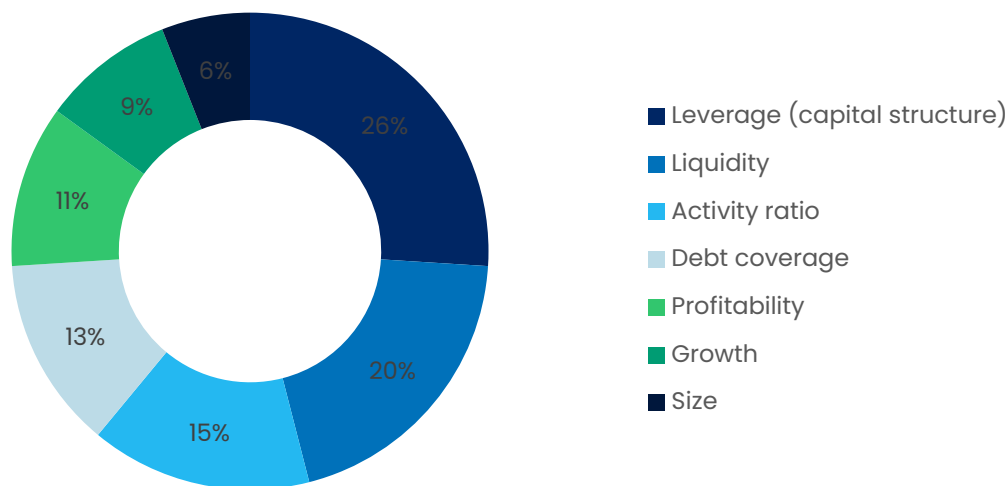
Sources: New York Life Investments, Kartesia, Campbell Lutyens, 2024. Estimates for the number of companies and EBITDA are for either the U.S. or European economies. EBITDA is earnings before interest, tax, depreciation, and amortization.



Size Is the Smallest Contributor to Company Risk.

Contrary to common belief, the impact of company size on expected default rate is minor compared to leverage

Factor Contribution to Loan Default Frequency



This data set:

- Covers more than 133,000 individual borrowers with over 9,000 defaults
- Includes borrowers in the lower middle market size range and also larger borrowers
- Was provided by large national banks (eg Bank of America, Wells Fargo) and regional banks (e.g. US Bank, Fifth Third Bank, &T Bank, Citizen's Bank, etc.)



› **Seven factors that explain expected loan default frequency (in %):**

1. Leverage (capital structure): 26%
2. Liquidity: 20%
3. Activity ratio: 15%
4. Debt coverage: 13%
5. Profitability: 11%
6. Growth: 9%
7. Size: 6%



› Size ranks as the **least significant factor**.



› **Lending to small companies is attractive if one hold the standards high** on credit fundamentals.

Source: New York Life Investments, Kartesia, Deerpath Capital; Moody's; Campbell Lutyens. The Activity Ratio includes Inventory/Sales, Current Liabilities/Sales, Change in Working Capital/Sales. Debt Coverage defined as EBITDA/Interest Expense.



Kartesia at a Glance¹.

Leading European Private Debt Investment Manager Focused on the Lower-Mid Market



€7bn AUM



Average realized gross IRR of c. 16%²



c. 115 employees



Established since 2009



20 major European awards



€1.3bn LTM deployment



Private Debt Investor

DECADE AWARD

Lower Mid-Market Lender of the Decade: Europe

Lower-mid market (“LMM”) specialist
(€5–25m EBITDA)
with a local approach to address geographies

Partnering with managers to back their companies’ expansion

Consistent track record with strong risk-adjusted returns

ESG embedded in the investment process

Source: 1. Kartesia as of January 2025 – Indicative data which may change over time. – 2. Total realized gross IRR across credit and senior opportunities strategies as per September 2024.



A Truly Pan-European Platform.

Delivering Growth to European SMEs via a Local Approach

UNITED KINGDOM		CAPITAL INVESTED ³
Portfolio companies	34	€1,465m (€337m – 23% LTM)
LTM dealflow ¹	131	
Kartesia FTEs ²	17	

BENELUX		CAPITAL INVESTED ³
Portfolio companies	20	€1,109m (€240m – 16% LTM)
LTM dealflow ¹	95	
Kartesia FTEs ²	45	

FRANCE		CAPITAL INVESTED ³
Portfolio companies	41	€1,783m (€511m – 35% LTM)
LTM dealflow ¹	58	
Kartesia FTEs ²	22	

SPAIN		CAPITAL INVESTED ³
Portfolio companies	31	€1,037m (€269m – 18% LTM)
Dealflow ¹	52	
Kartesia FTEs ²	9	



DACH		CAPITAL INVESTED ³
Portfolio companies	21	€900m (€17m – 1% LTM)
Dealflow ¹	92	
Kartesia FTEs ²	10	

CEE		CAPITAL INVESTED ³
Portfolio companies	6	€286m (€45m – 3% LTM)
Dealflow ¹	11	
Kartesia FTEs ²	–	

ITALY		CAPITAL INVESTED ³
Portfolio companies	5	€269m (€11m – 1% LTM)
Dealflow ¹	50	
Kartesia FTEs ²	2	

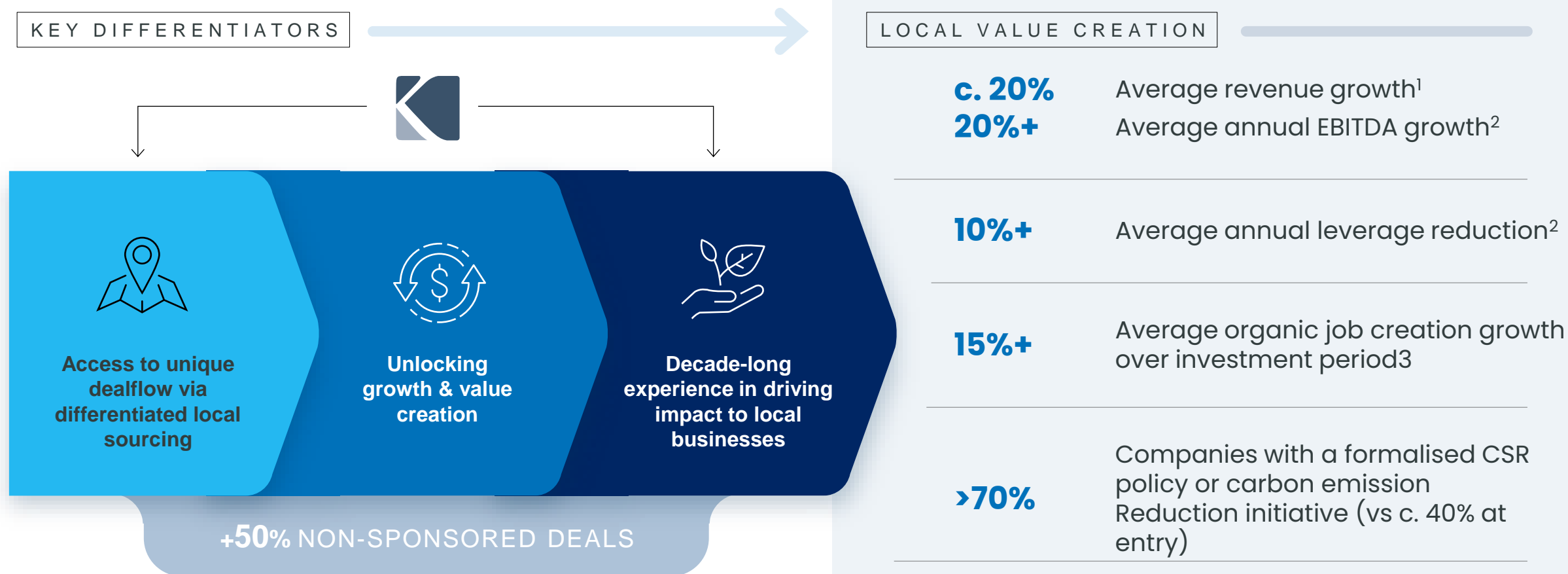
OTHER ⁴		CAPITAL INVESTED ³
Portfolio companies ⁵	116	€618m (€45m – 3% LTM)
Dealflow ¹	16	
Kartesia FTEs ²	–	

Source: Kartesia, June 2024. 1. From Q3 2023 to Q3 2024.; 2. Kartesia and Flexam team at September 2024; 3. Since the launch of Kartesia, i.e. figures refer to KCO III, KCO IV, KCO V, KCO VI, KSO I, KSO II, KIF I, co-investments, parallel vehicles, SMAs and includes CLO's; 4. Other consists of the United States, Switzerland, UK & Ireland; 5. Includes 3 portfolio companies and 113 CLOs 6. Count includes Flexam 4. Q3 2023 to Q3 2024, i.e. figures refer to KCO III, KCO IV, KCO V, KCO VI, KSO I, KSO II, KIF I, co-investments, parallel vehicles, SMAs and includes CLO's



Fuelling Growth in the Real Economy.

Decade-Long Experience of Driving Local Value Creation Across Europe



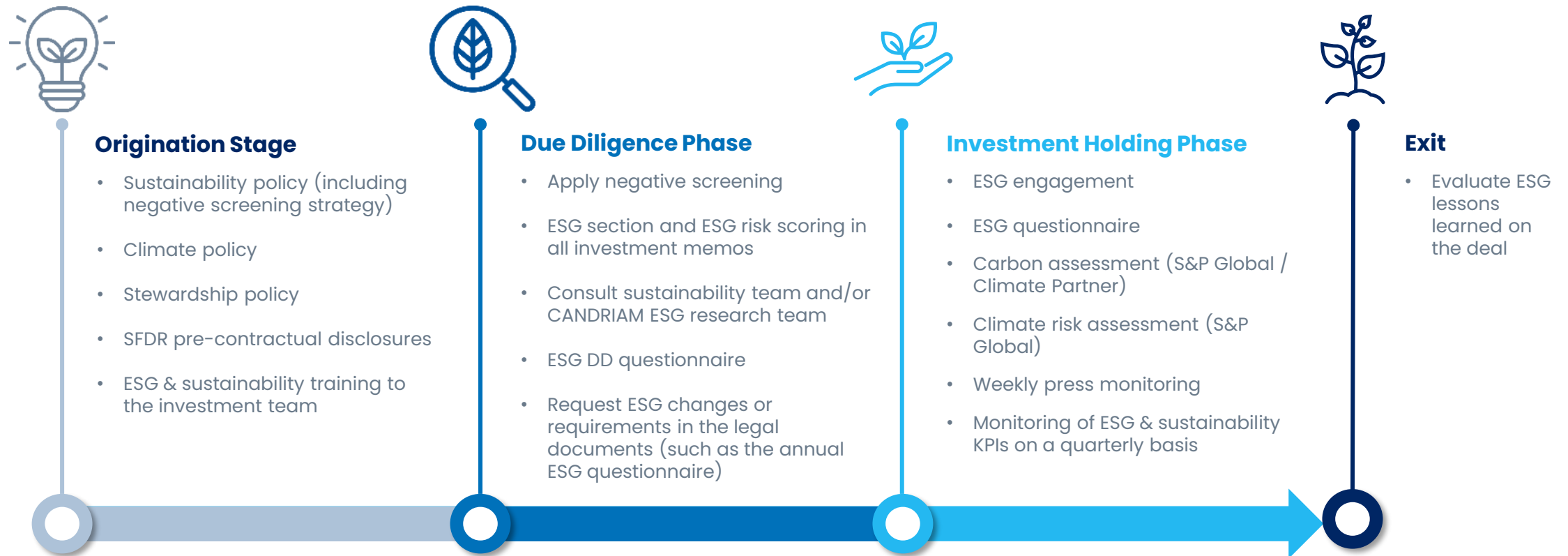
Source: Kartesia September 2023. 1. Kartesia sponsorless deals, realized and unrealized, as of June 2023; 2. Figures relate to Kartesia sponsorless realized transactions as of June 2023. Annualized figures based on average holding period for underlying loans; 3. Based on Kartesia estimates



ESG Embedded at All Stages of Investment.

ESG at the Various Stages of the Investment Process

Systematic ESG Integration Across KSO and KCO Strategies



Target Credit Portfolio.

Opportunistic Credit

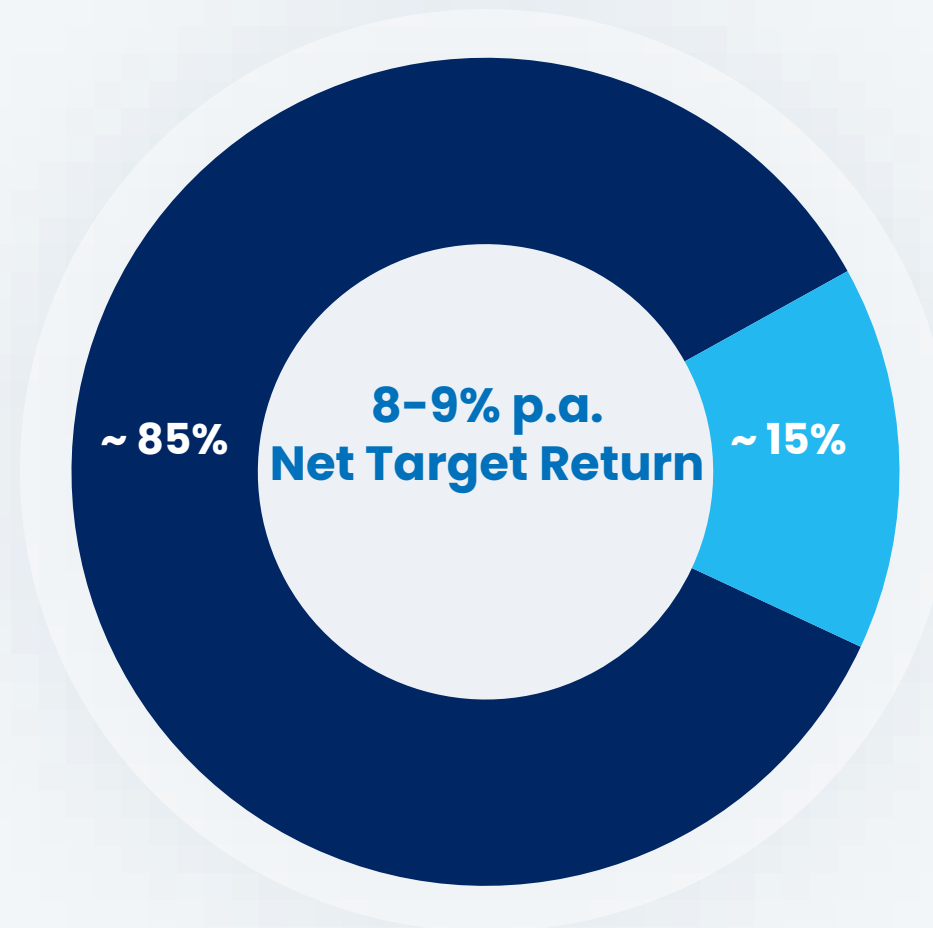
- › Opportunistic / direct lending
- › Primarily 1st lien and upside via sub/mezz./pref. equity instruments
- › Focus on sponsorless transactions
- › Primary & secondary
- › Return generated by cash coupons, discount, PIK / equity upside returns

Complementary strategies
focused on strong risk-
adjusted returns and
downside protection

**PRIVATE
CREDIT**

Senior Lending

- › Direct Lending
- › 100% 1st-lien secured
- › Sponsorless & sponsored
- › Mainly primary deals
- › Return generated primarily by cash coupon (Euribor + 7%)



**LISTED
CREDIT**

- › Liquid short term corporate credit including high yield
- › Money market

Indicative data which may change over time



Candriam Kartesia ELTIF.

Indicative Fund Features

INVESTMENT MANAGER



For private debt



For liquid assets & allocation

**TARGET
RETURN**
8-9% p.a. net

Currency
EUR

AIFM
Alter Domus

FUND TERM:
Open-end with 99
years fixed maturity

**SFDR
CLASSIFICATION:**
Art.8

Launch date	3 February 2025
Initial subscription period	5 months with possible extension
Initial closing	[3 July 2025]
Legal form	Luxembourg UCI Part II (SCA SICAV) & ELTIF 2.0 label
Target minimum subscription	For retail investors: €1, €5 000, €10 000 For institutional investors: €1 000 000
Lock-up period	2 to 3-year soft lock up period for each subscription Early exit penalties (10%)
Share class Tbc	4 series of share classes: <ul style="list-style-type: none"> • 3 different retail series • 1 institutional series Distribution & capitalisation shares
Dealing frequency	Quarterly NAV, calculated in 75 calendar days after NAV date Quarterly subscription & redemption under conditions
Subscription process	Quarterly, 15 days before NAV date 100% paid-in at each subscription (no capital call)
Redemption process	6 months notice period before NAV date Payment within 3 months of the NAV date Redemption limit: max 50% of liquid assets bucket can be used for redemption
Liquidity management tool	Discretionary gate with a threshold 5% of fund NAV
AUM at start	Target min. 50M€
Management fees	Retail: max. 2.5%-3% (rebate dependent) Institutional: max. 1.6%
Performance fees	20% on <u>excess return</u> above €STR and with permanent HWM
Jurisdictions (ongoing registration)	Austria, Belgium, Germany, Denmark, Finland, France, Italy, Luxembourg, Netherlands, Spain, Portugal and Sweden.



Case Study 1: Senior.

Unitranche – Germany – SI.TEQ

Company Description



- › **SI.TEQ** is a merger of **Siccum** and **Santeq**, – two independent full-service **property damage restoration (“PDR”)** providers.
- › The merger creates a leading **one-stop shop PDR provider (water, mould, fire)** with best-in-class customer service, quality, and speed of response.
- › **Strong presence** in core regions: Northern (Siccum) and Southern Germany (Santeq).

Investment rationale



- › Highly **attractive lending case** based on a **leading position in the German PDR market**, which is **uncoupled from economic cycles** and is experiencing **tailwinds** driven by ageing building infrastructure as well as extreme weather conditions (increasingly severe due to climate change).
- › The merger creates a **sizeable player** in a **highly fragmented market**. Complementary offering of damages sizes and types will allow for **synergies** and **cross-selling**.
- › Attractive risk-adjusted opportunity with **conservative leverage** (3.4x net debt / EBITDA) and **high margin** (730bp).

Performance



- › The group generated combined FY21A **revenues of €28.5m** and **€4.8m in adj. EBITDA** (17.0% margin).
- › **Strong revenue growth of 15% p.a.** and **EBITDA growth of 11% p.a.** since 2019 as a result of organic expansion (opening of new locations, market share gains).

1. KSO II investment; 2. Expected performance at closing



Deal Parameters	
Investment Size (at par) ¹	€14.0m
Deal Type	Primary
Investment Date	October 2022
Country	Germany
Industry	Commercial Services & Supplies
Margin	7.3% cash
Arrangement Fee	2.5%
Expected IRR ²	12,7%
Net debt to EBITDA	3.4x
Board Seats	Yes
Moody's Shadow Rating	Baa1



Case Study 2: Opportunistic.



Unitranche & Preferred Shares – France – Groupe Cair

Company Description



- › Founded in 1987, **French family-owned** and managed group.
- › Manufacturing and distributing **single-use medical devices** (primarily infusion accessories) as well as **organ conservation solutions**
- › Strong position in the French and international markets (present in >60 countries)

Investment rationale



- › **Established market position** (+35 years of experience) controlling each step of the value chain (in-house production & distribution).
- › **Favourable market environment** and **strong barriers to entry**, diversified customer base (65% of revenues are international sales).
- › Strong **growth potential** from **the organ conservation** business.
- › **Attractive risk/return** transaction covering the borrower's full financing needs, with strong immediate **downside protection** thanks to stable medical device business line and **access to upside** via **preferred shares**.

Performance



- › **Sound and resilient** financial profile (2008–2022 sales CAGR at c. +5%, EBITDA margin above 12%)
- › **Robust organic growth** capacity and demonstrated resilience during COVID-19.
- › **Recent significant investments**, Capex but also Opex, gearing the Company to significantly capitalize on future topline growth.

1. Total investment split between €15.0m Unitranche and €30.0m Preferred Shares (o/w €16.9m undrawn at Closing) across Kartesia Credit Opportunities Funds, SMAs and parallel vehicles; 2. Returns expected at exit as of June 2024; 3. At closing, adjusted for minority interests

Deal Parameters	
Investment Size (at par) ¹	€45.0m
Deal Type	Primary
Investment Date	July 2023
Country	France
Industry	Medical Devices
Margin	U: E + 5.00% Cash + 5.00% PIK p.a. Preferred shares
Arrangement Fee	U: 3.00%
Expected IRR ²	22.2%
Expected Multiple ²	1.70x
Expected Maturity	July 2026
Net debt to EBITDA ³	5.4x (incl. Pref. shares)
Board Seat	Yes





5 Conclusion.

Conclusion.

- › **Private Assets are becoming an increasingly popular asset class**
- › **Adding Private Assets can improve the risk/return of a balanced portfolio**
- › **A new regulatory framework enables retail/private/wealth investors to invest in them**
- › **Genuine expertise in liquidity analysis and appropriate product design are essential**





Thank you for your attention.

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