

# **Pension Funds webinar**

## **What are the challenges facing investors in 2021?**

Commercial document intended exclusively for Professional Investors

4 February 2021

## **10.00 Welcome and Introduction**

Renato Guerriero, Global Head of Distribution

## **10.05 New SDRII / SFRD regulations**

Kristof Woutters, Global Head of Pensions & Insurance Relations

## **10.30 Poll on SFDR and SRDII**

## **10.40 Illiquid asset classes, an active choice**

Koen Van de Maele, Global Head of Investment Solutions

## **10.55 Kartesia strategy**

Laurent Bouvier, Managing Partner, Kartesia

## **11.15 Poll on illiquid asset classes**

## **11.25 Closing and Q&A**

Olivier Maes, Commercial Director Belgium

# EU SFDR & SRD II Explained

**Kristof WOUTTERS - Global Head of Pension & Insurance Relations**

February 2021



# GLOBAL WARMING

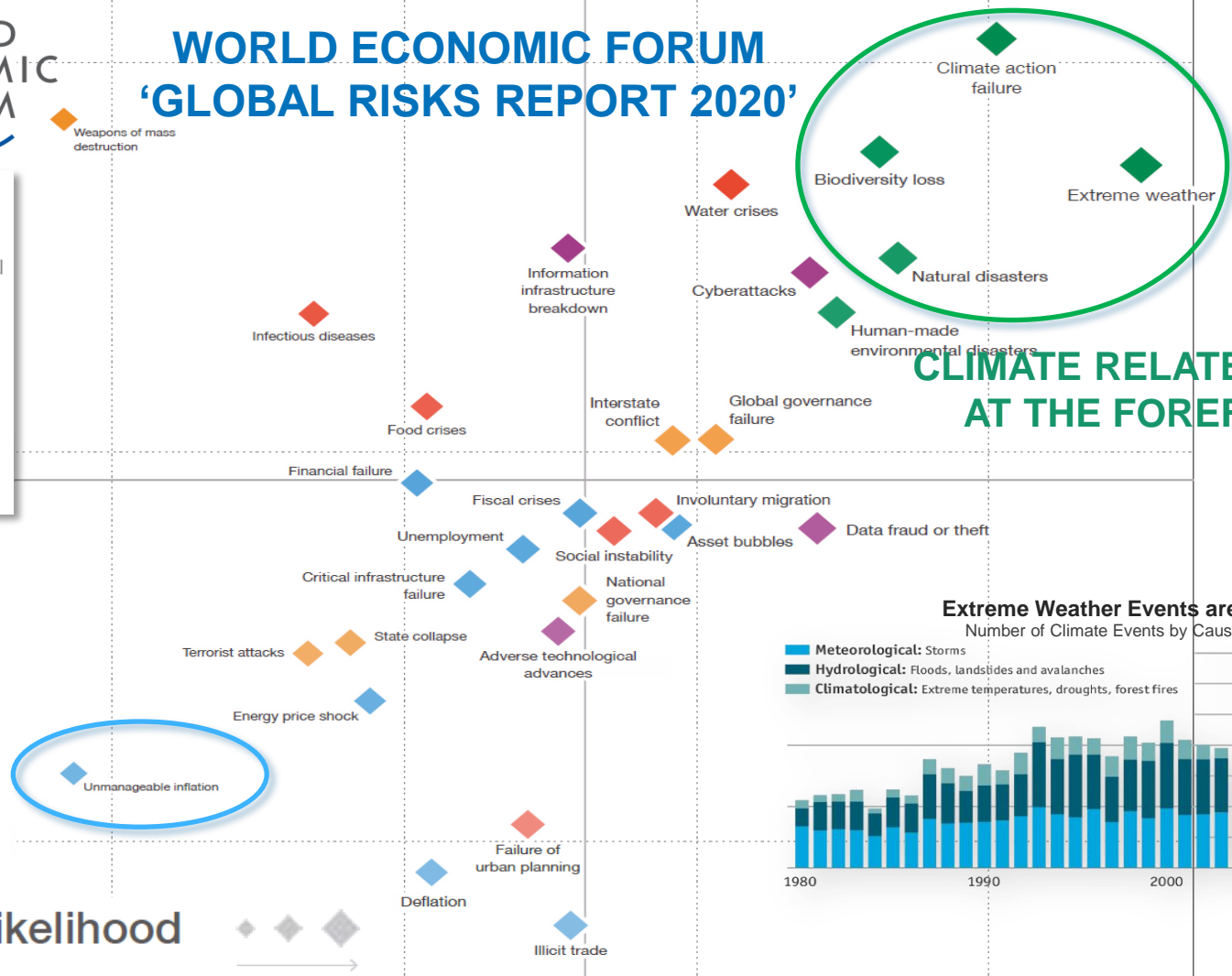


# WORLD ECONOMIC FORUM 'GLOBAL RISKS REPORT 2020'

## GLOBAL RISK REPORT 2020

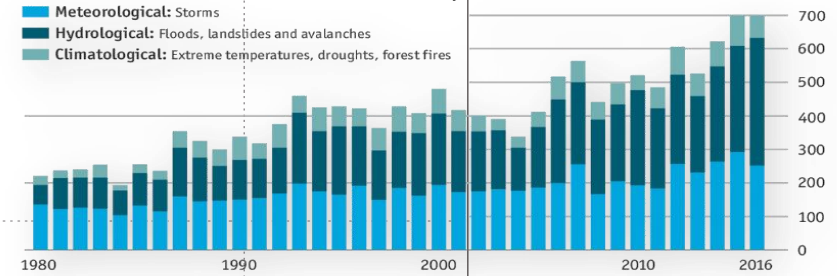
- Economic
- Environmental
- Geopolitical
- Societal
- Technological

Impact  
Likelihood



### CLIMATE RELATED RISKS AT THE FOREFRONT

Extreme Weather Events are Increasing  
Number of Climate Events by Cause, 1980-2016



# Nations Unies

## Conférence sur les Changements Climatique

COP21/CMP11

### Paris, France



# **Green Deal is Europe's Man on the Moon Moment**



# The European Green Deal

## EU targets Climate Neutrality by 2050



# Financing the Transition through Action Plan on Sustainable Finance

**EU targets Climate Neutrality by 2050**

**Climate Neutrality requires major shifts in economic activities**

**EU Action Plan on Sustainable Finance**

# EU Action Plan on Sustainable Finance



PARIS2015  
UN CLIMATE CHANGE CONFERENCE

- ▶ All 28 EU Member States signed 'The Paris Agreement', COP 21 Paris
- ▶ EU Green Deal (2019/2020)



EU targets Climate  
Neutrality by 2050

*To meet Paris targets, the EU needs **between €175 to €290 billion** in additional yearly investment in the next decades. The EC promised one quarter of the EU budget to contribute to climate action as of 2021. Yet, **public money will not be enough**. This is why **the EU has proposed hard law to incentivise private capital to flow to green projects**.*

## ▶ EU Action Plan on Sustainable Finance

- **TAXONOMY** → EU classification system of sustainable economic activities
- **NON-FINANCIAL DISCLOSURE (NFRD)** → aimed at investee companies
- **ESG DISCLOSURE (SFDR)** → aimed at financial market participants
- **BENCHMARKS** → Official Climate Transition and Paris-Aligned benchmarks  
→ Mainstream benchmark's ESG disclosures
- **GREEN BOND STANDARDS**
- **EU ECOLABEL**

NFRD = Non-Financial Reporting Directive  
SFDR = Sustainable Finance Disclosure Regulation



# Sustainable Finance Disclosure Regulation (SFDR)

ESG  
DISCLOSURE  
(« SFDR »)

by  
« **Financial  
Market  
Participants** »

targeting  
the integration of  
ESG factors  
at both  
**Entity**  
and  
**Product**  
level

## Double materiality

- ❑ Material ESG Risks for Investments
- ❑ Impact of Investments on sustainable factors  
« **Principal Adverse Impacts** »

## Disclosures at **ENTITY** level

### ESG Risks

Policy in place to identify, monitor, manage ESG Risks

Disclosure by  
10/03/21

### Principal Adverse (ESG) Impacts

Statement & Due Diligence in place

Disclosure by  
30/06/21

### Remuneration policy

Policy consistent with ESG Risk management & adverse impacts

Disclosure by  
10/03/21

# Sustainable Finance Disclosure Regulation (SFDR)

## Disclosures at **PRODUCT** level

**ART 6**  
Products without ESG  
aspects

**ART 8**  
Products with  
ESG Characteristics

**ART 9**  
Products with  
ESG Objectives

How are ESG  
characteristics  
considered ?

How are objectives  
achieved  
+ impact measure

**ESG Risks**

How ESG risks are taken into account and impact on investment process

**Principal Adverse  
(ESG) Impacts**

If & how adverse Impacts are taken into account

**EU Taxonomy  
Alignment**

Yes (% alignment ) / No (why)



## EU SHAREHOLDER RIGHTS DIRECTIVE (SRD II) IMPACT FOR BELGIAN PENSION FUNDS



# REVIEW OF SRD SPARKED BY THE GLOBAL FINANCIAL CRISIS

## Average Holding Period for Stocks on NYSE



Source: The Wall Street Journal

[www.profitrends.com](http://www.profitrends.com)

"Mr. Rappaport brings an eye-opening look for the serious investing  
investor and speculator, our history will profit as it builds on his best insights."

FROM THE FOREWORD BY **JOHN C. BOGLE**  
FOUNDER OF THE VANGUARD GROUP

# SAVING CAPITALISM

FROM  
SHORT-TERMISM

HOW TO BUILD LONG-TERM  
VALUE AND TAKE BACK OUR  
FINANCIAL FUTURE

## ALFRED RAPPAPORT

BESTSELLING AUTHOR OF *CREATING SHAREHOLDER VALUE*

# EU Shareholder Rights Directive II – SRD II



## Background

The Shareholder Rights Directive II (**SRD II**) is a European Union (EU) directive (**EU 2017/828**) which **sets out to strengthen the position of shareholders** and to **ensure that decisions are made for the long-term stability of a company**.

SRD II, as an amending Directive, requires transposition into each Member State's national law

## Core Objectives

- **Increase the level and quality of engagement of asset owners and asset managers with investee companies**
- Create a better link between pay and the performance of company directors
- Enhance transparency and shareholder oversight on related party transactions
- Facilitate transmission of cross-border information (including voting) across the investment chain in particular through shareholder identification
- Ensure reliability and quality of advice of proxy advisors

## Impacted Stakeholders

- Institutional investors
- Asset managers
- Issuers
- Intermediaries
- Proxy advisers



# EU Shareholder Rights Directive II – SRD II



## Requirements for Institutional Investors & Asset Managers

- *Disclose*  
an engagement policy that is fully integrated in investment process  
and  
report annually on engagement activities (vote / dialogue)
- *Disclose*  
how their equity investment strategy is aligned with the profile, the duration of their liabilities,  
and  
how it contributes to the medium to long-term performance of their assets

## Link with EU Sustainable Finance Disclosure Regulation (SFDR)

- Through the focus on **‘non-financial’** / **‘sustainable’** aspects

# Transposition in Belgium for IORPs



## Transposition

- 'la **loi du 28 avril 2020**' / '**wet van 28 april 2020**'
- through an amendment to article 95 (SIP) of the 'LIRP' / 'WIBP'

## Comply or Explain / Appliquer ou Expliquer / Pas toe of Leg uit

## 1. Engagement Policy / Politique d'engagement / Betrokkenheidsbeleid

### POLICY (SIP)

- ▶ how they monitor investee companies on relevant matters, including strategy, financial and non-financial performance and risk, ESG impact
- ▶ conduct dialogues with investee companies
- ▶ exercise voting rights and other rights attached to shares
- ▶ cooperate with other shareholders
- ▶ communicate with relevant stakeholders of the investee companies
- ▶ manage actual and potential conflicts of interests in relation to their engagement

### DISCLOSURE (ANNUAL REPORT)

- ▶ a general description of voting behaviour,
- ▶ details of actual votes (allowed to exclude details of 'insignificant' votes)
- ▶ an explanation of the most significant votes
- ▶ the use of the services of proxy advisors.

→ **Referral to Policy (link in SIP) and Disclosures (link in Annual Report) of outsourced Asset Managers allowed**

# Transposition in Belgium for IORPs



## 2. Investment Strategy

### DISCLOSE (SIP OR ANNUAL REPORT)

- ▶ how their equity investment strategy is aligned with the profile, the duration of their liabilities, *and*
- ▶ how it contributes to the medium to long-term performance of their assets

Where an asset manager invests on behalf of an institutional investor, whether on a discretionary client-by-client basis or through a collective investment undertaking, the IORP needs to publicly disclose the following information regarding its arrangement with the asset manager:

- ▶ how that arrangement incentivises the asset manager to align its investment strategy and decisions with the profile and duration of the liabilities of the IORP
- ▶ how that arrangement incentivises the asset manager to make investment decisions based on assessments about medium to long-term financial and non-financial performance of the investee company and to engage with investee companies in order to improve their performance in the medium to long-term
- ▶ how the method and time horizon of the evaluation of the asset manager's performance and the remuneration for asset management services are in line with the profile and duration of the liabilities of the IORP, and take absolute long-term performance into account
- ▶ how the IORP monitors portfolio turnover costs incurred by the asset manager and how it defines and monitors a targeted portfolio turnover or turnover range
- ▶ the duration of the arrangement with the asset manager

# Transposition in Belgium for IORPs



## ENTREE EN VIGUEUR / INWERKINGTREDING

- ▶ 16 may 2020
- ▶ No transition period nor measures
- ▶ but **FSMA will show leniency**
  - SIP only needs to be adapted at the next possible revision
  - **But** 2020 annual report will need to contain elements of (at least) the implementation of the Engagement Policy (*and also of the new requirements concerning the Investment Strategy if the IORP has opted not to insert these elements in the SIP*)



**This document is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed.** Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

**Warning:** Past performances of a given financial instrument or index or an investment service or strategy, or simulations of past performances, or forecasts of future performances are not reliable indicators of future performances and are not guaranteed.

Gross performances may be impacted by commissions, fees and other expenses. Performances expressed in a currency other than that of the investor's country of residence are subject to exchange rate fluctuations, with a negative or positive impact on gains. If the present document refers to a specific tax treatment, such information depends on the individual situation of each investor and may change.

**Candriam consistently recommends investors to consult via our website [www.candriam.com](http://www.candriam.com) the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds.** This information is available either in English or in local languages for each country where the fund's marketing is approved.



## CLIENT RELATION OFFICES

AMSTERDAM  
DUBAI  
FRANKFURT  
GENEVA  
ZURICH  
MADRID  
MILAN  
NEW YORK

## MANAGEMENT CENTERS

LUXEMBOURG  
BRUSSELS  
PARIS  
LONDON

# Adding Private Capital to a portfolio

Capturing the illiquidity premium

Koen Van de Maele, CFA

Commercial document intended exclusively for Professional Investors

February 2021



1

DEFINITIONS

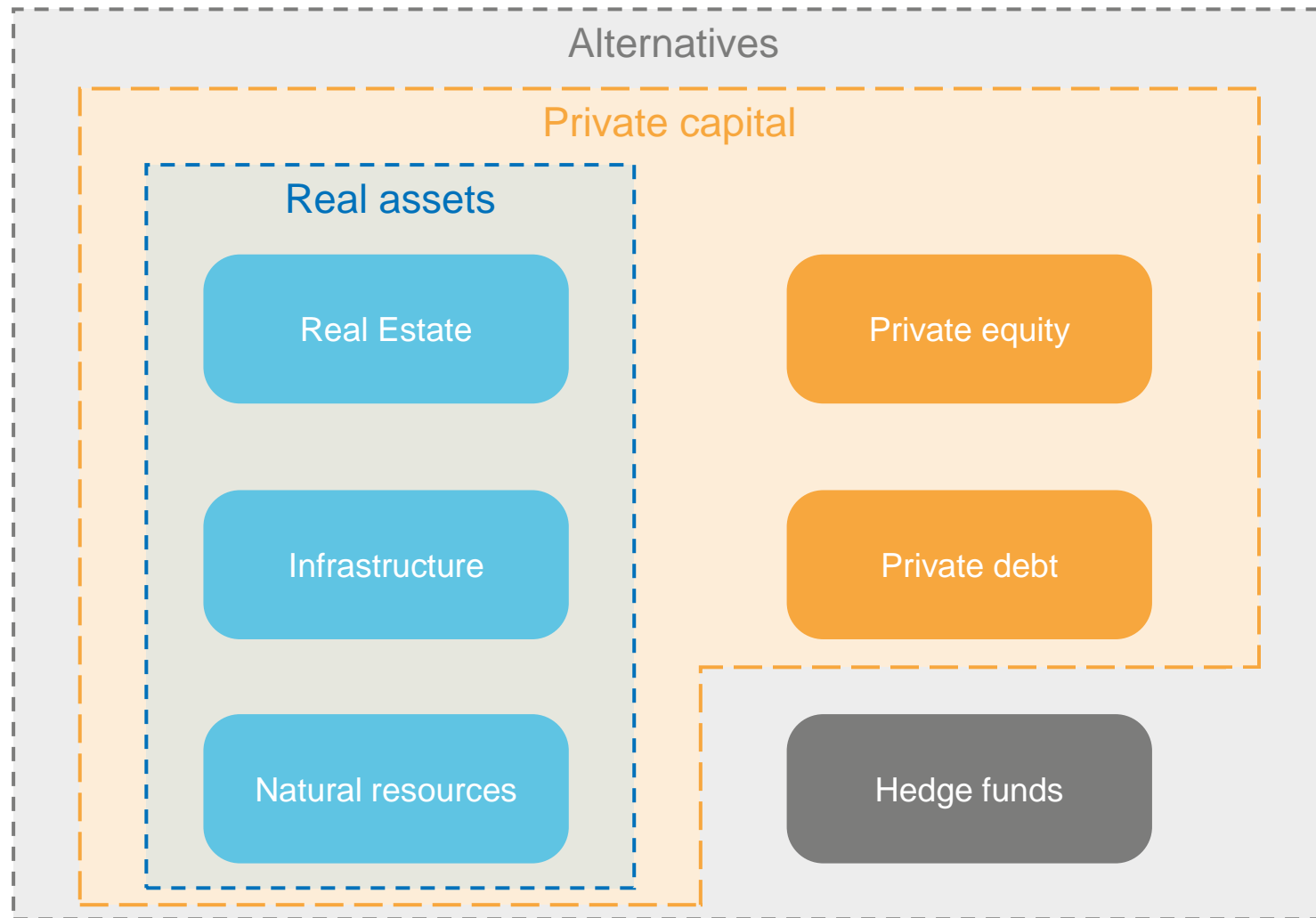
2

PUSHED AND PULLED TOWARDS PRIVATE CAPITAL

3

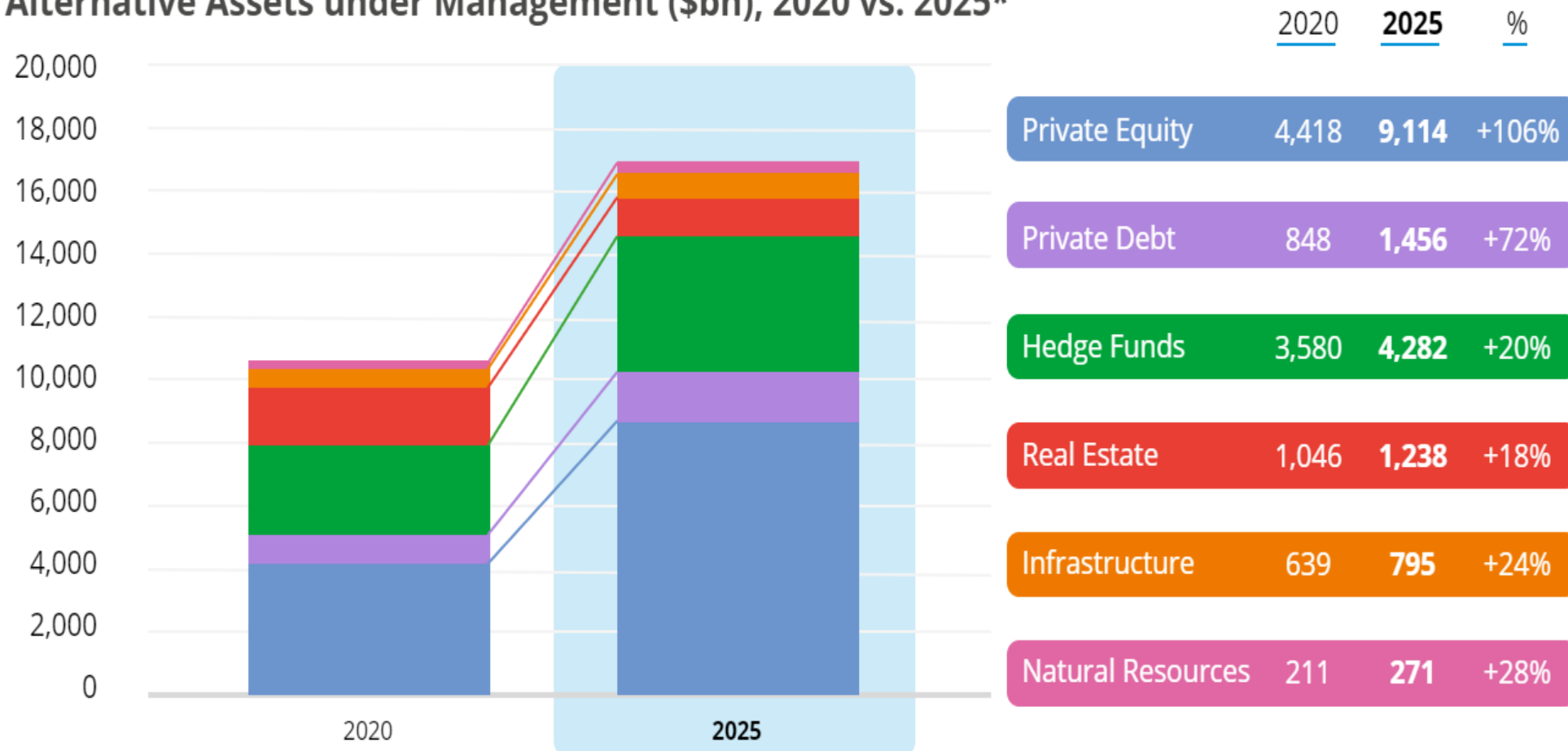
TYPICAL PORTFOLIO OPTIMIZATION

# Alternatives – Private Capital – Real Assets



# Global Private assets expected to reach \$17 tn in 2025

Alternative Assets under Management (\$bn), 2020 vs. 2025\*

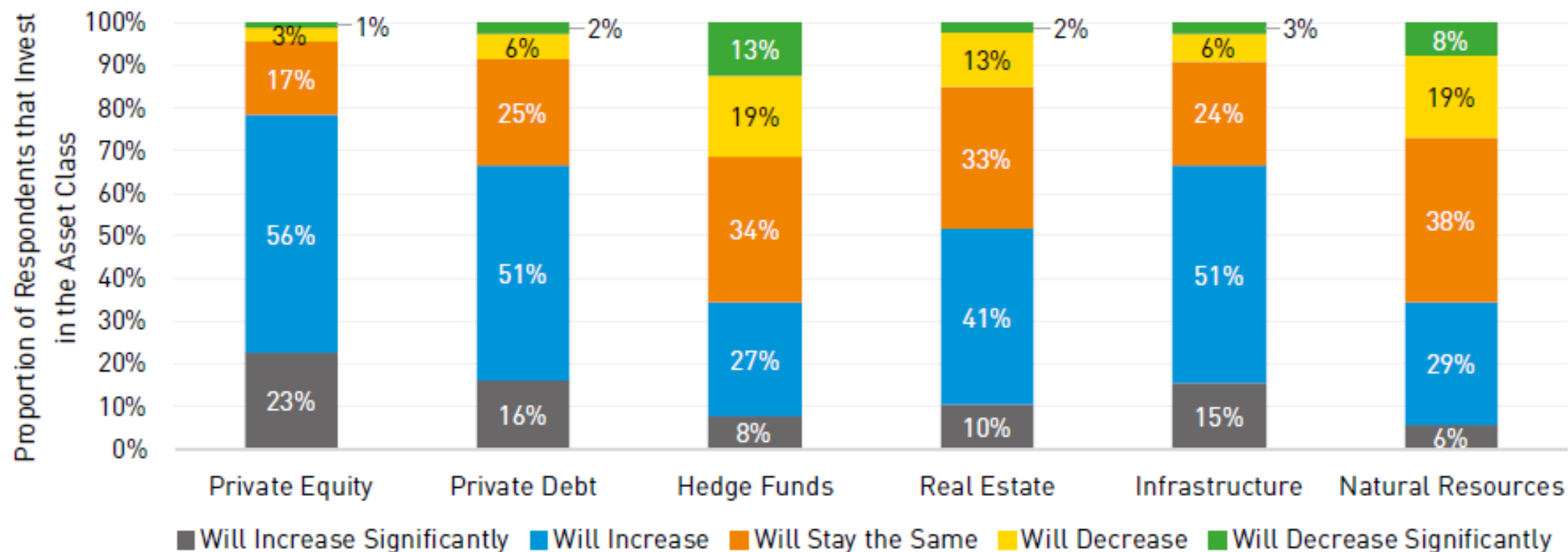


\*2020 figure is annualized based on data to October. 2021-2025 are Preqin's forecasted figures.

Source: Preqin

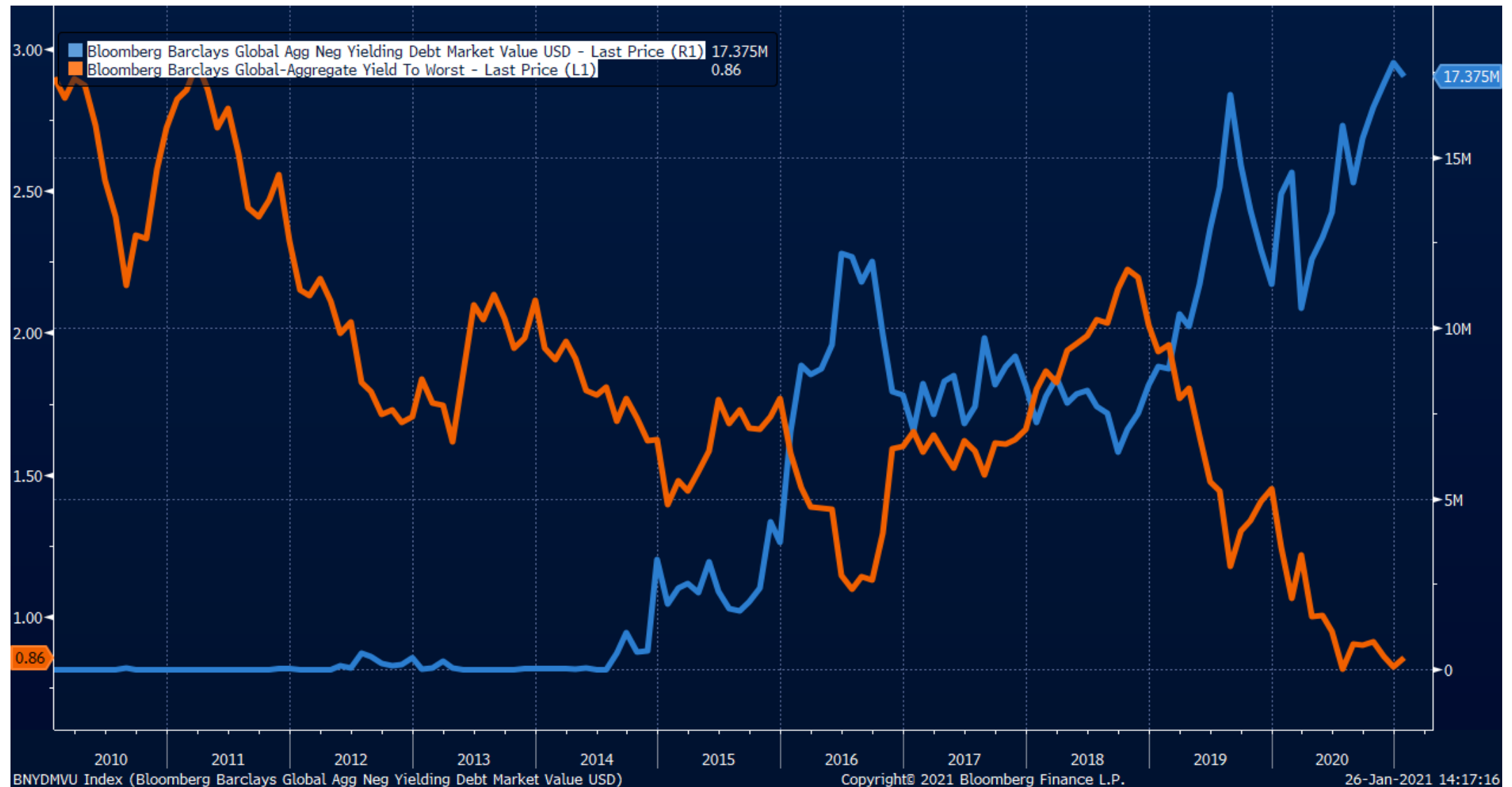
# Investors plan to increase their allocation by 2025

## Investors' Plans for Their Allocation to Alternatives by 2025 by Asset Class

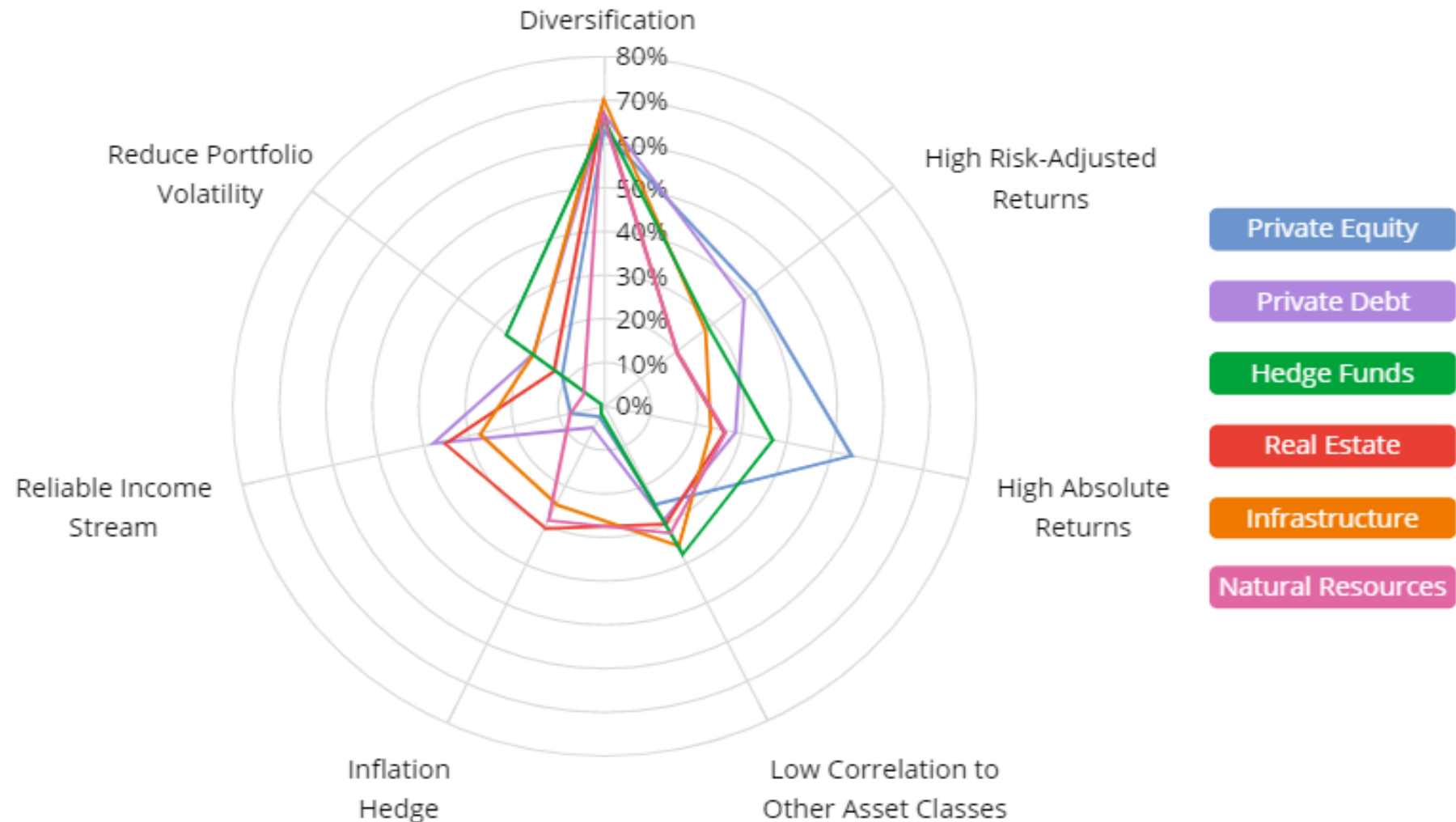


Source: Preqin Investor Survey, August 2020

# Pushed by low yields



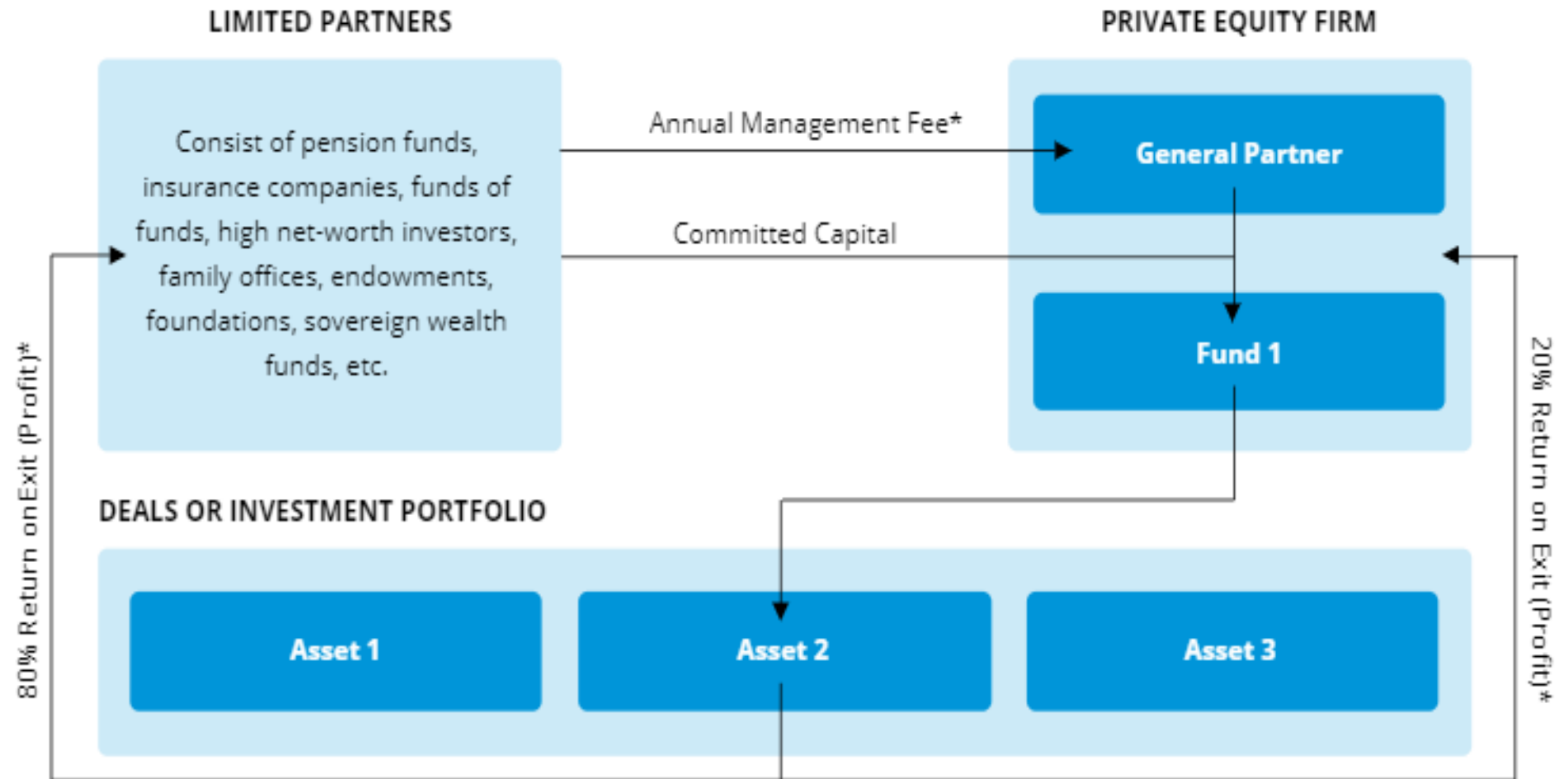
# Pulled by many advantages



# Typical Private Capital process



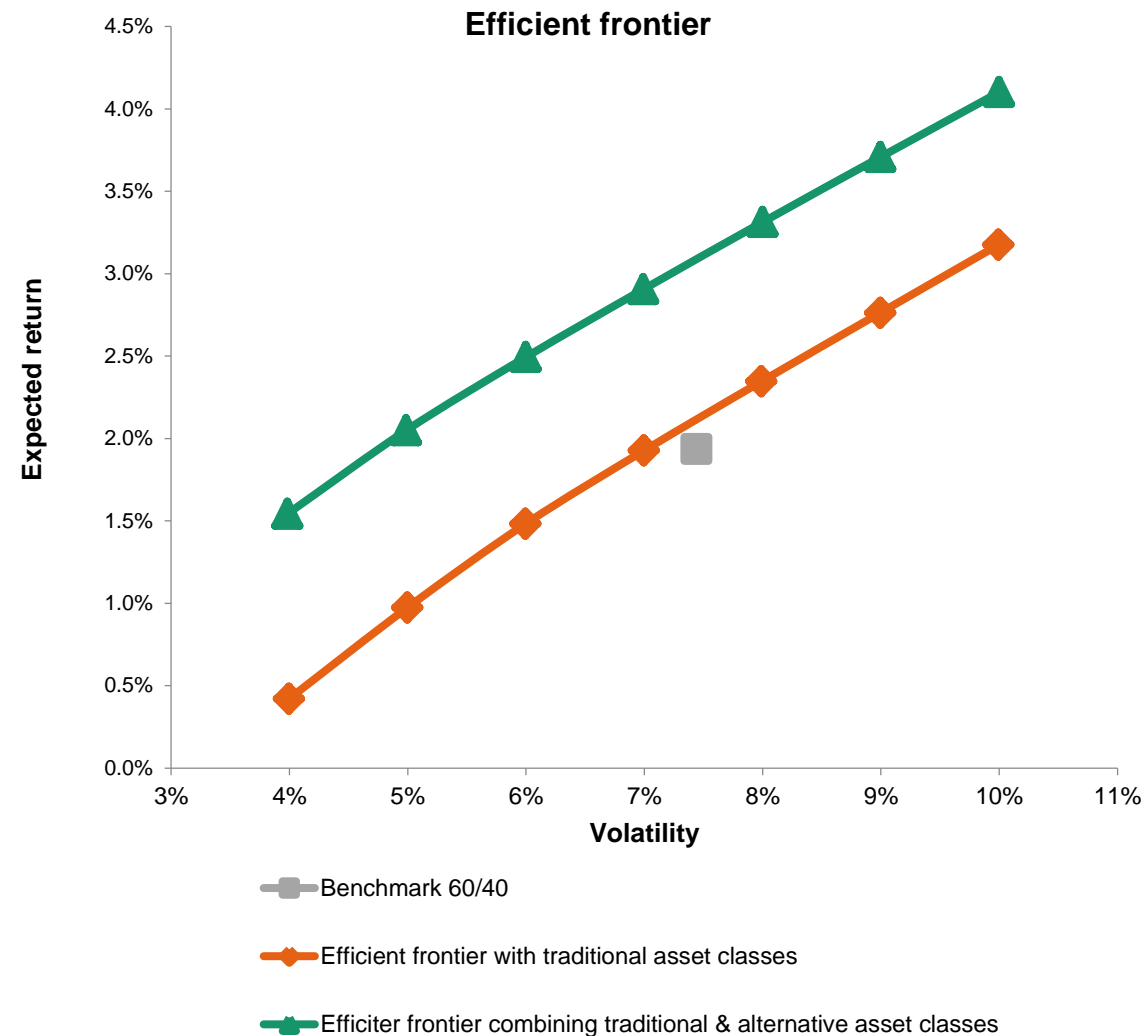
# Typical Private Capital fund structure



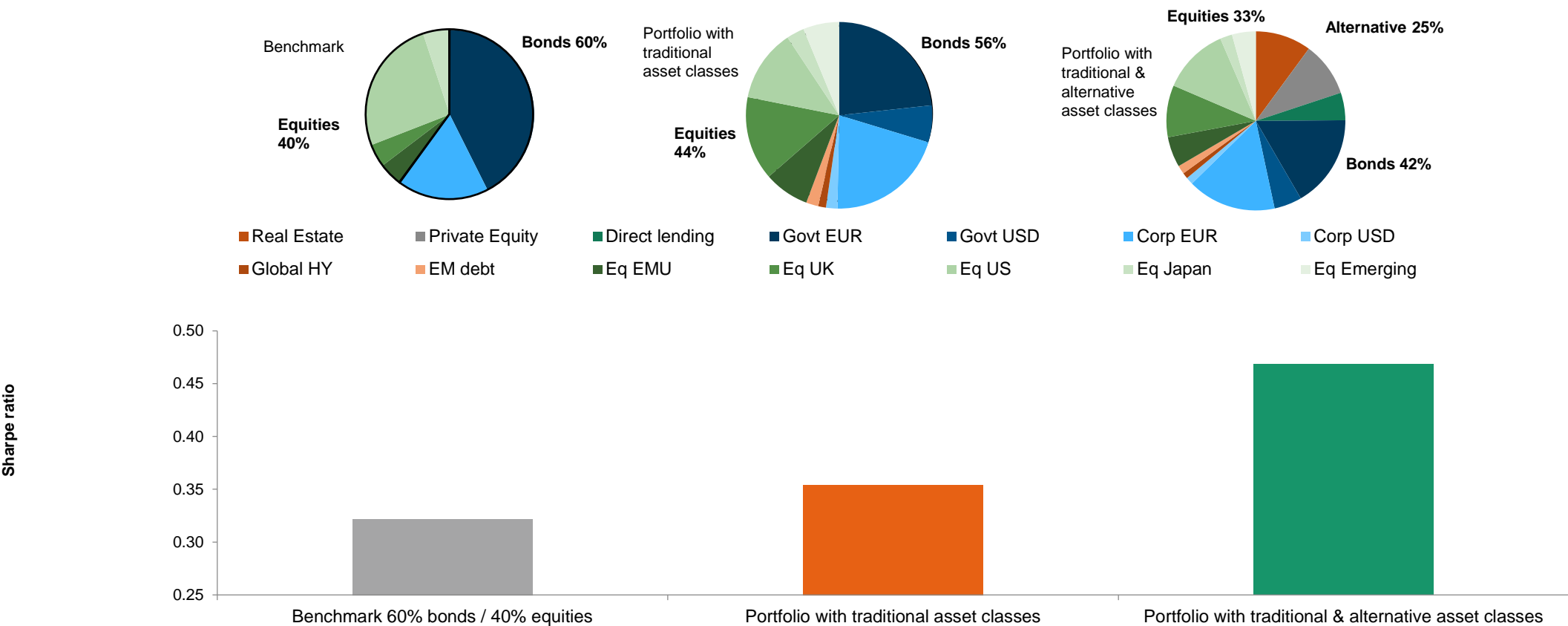
\*Average fees on private equity funds is 2% annual management fee and 20% performance fee on committed capital and profit, respectively.

# Increasing risk-adjusted returns

Asset classes	5-year expected return	Benchmark 60% bonds/40% equities	Portfolio with traditional asset classes	Portfolio with traditional & alternative asset classes
Govt EUR	-1%	43%	23%	17%
Govt USD	0%	0%	6%	5%
Corp EUR	0%	17%	21%	16%
Corp USD	1%	0%	2%	1%
Global HY	0%	0%	1%	1%
EM debt	3%	0%	2%	2%
<b>Total bonds</b>		<b>60%</b>	<b>56%</b>	<b>42%</b>
Eq EMU	6%	12%	8%	5%
Eq UK	7%	10%	15%	9%
Eq US	5%	12%	13%	12%
Eq Japan	6%	2%	3%	2%
Eq Emerging	8%	4%	6%	4%
<b>Total equities</b>		<b>40%</b>	<b>44%</b>	<b>33%</b>
Real Estate	4%	0%	0%	10%
Private Equity	10%	0%	0%	10%
Direct lending	4%	0%	0%	5%
<b>Total illiquid</b>		<b>0%</b>	<b>0%</b>	<b>25%</b>
<b>Portfolio ER</b>		<b>1.9%</b>	<b>2.5%</b>	<b>3.5%</b>
<b>Portfolio volatility</b>		<b>7.4%</b>	<b>8.4%</b>	<b>8.4%</b>



# Increasing risk-adjusted returns



**This document is provided for information purposes only, it does not constitute an offer to buy or sell financial instruments, nor does it represent an investment recommendation or confirm any kind of transaction, except where expressly agreed.** Although Candriam selects carefully the data and sources within this document, errors or omissions cannot be excluded a priori. Candriam cannot be held liable for any direct or indirect losses as a result of the use of this document. The intellectual property rights of Candriam must be respected at all times, contents of this document may not be reproduced without prior written approval.

**Warning:** Past performances of a given financial instrument or index or an investment service or strategy, or simulations of past performances, or forecasts of future performances are not reliable indicators of future performances and are not guaranteed.

Gross performances may be impacted by commissions, fees and other expenses. Performances expressed in a currency other than that of the investor's country of residence are subject to exchange rate fluctuations, with a negative or positive impact on gains. If the present document refers to a specific tax treatment, such information depends on the individual situation of each investor and may change.

**Candriam consistently recommends investors to consult via our website [www.candriam.com](http://www.candriam.com) the key information document, prospectus, and all other relevant information prior to investing in one of our funds, including the net asset value ("NAV") of the funds.** This information is available either in English or in local languages for each country where the fund's marketing is approved.

**Specific information for investors in Spain:** Candriam Luxembourg Sucursal en España has its registered office at C/ Pedro Teixeira, 8, Edif. Iberia Mart I, planta 4, 28020 Madrid and is registered with the Comisión Nacional del Mercado de Valores (CNMV) as an European Economic Area management company with a branch. The following collective investment institutions (IIC) are registered with the CNMV:

Nombre de la IIC	Num. Reg. CNMV	Domicilio de IIC	Forma legal SICAV
Candriam Absolute Return	657	Luxembourg	SICAV
Candriam Bonds	266	Luxembourg	SICAV
Candriam Equities L	233	Luxembourg	SICAV
Candriam GF	1392	Luxembourg	SICAV
Candriam Money Market	644	Luxembourg	SICAV
Candriam Quant	347	Luxembourg	SICAV
Candriam Sustainable	1493	Luxembourg	SICAV
Cleome Index	1275	Luxembourg	SICAV

Nombre de la IIC	Num. Reg	Domicilio	Forma legal SICAV
Candriam Diversified Futures	1532	France	FCP
Candriam Global Alpha	1563	France	FCP
Candriam Index Arbitrage	707	France	FCP
Candriam Long Short Credit	798	France	FCP
Candriam Monétaire SICAV	1472	France	SICAV
Candriam Risk Arbitrage	711	France	FCP
Candriam Sustainable	470	Belgium	SICAV



CLIENT RELATION  
OFFICES

---

AMSTERDAM  
DUBAI  
FRANKFURT  
GENEVA  
ZURICH  
MADRID  
MILAN  
NEW YORK

MANAGEMENT  
CENTERS

---

LUXEMBOURG  
BRUSSELS  
PARIS  
LONDON



4 FEBRUARY 2021

## PRESENTATION TO CANDRIAM WEBINAR







**Private Debt Investor**  
AWARDS 2019  
Lower mid-market lender of the year - Europe



**AltCredit**  
FUND INTELLIGENCE  
EUROPEAN PERFORMANCE AWARDS  
2020  
*Winner*  
Mid-market lending



**Creditflux**  
Manager Awards 2018  
Best European direct lending fund



**Kartesia**  
FEATURED AS ONE OF THE  
Most Consistent Top  
Performing Private Debt Fund  
Managers





2020 PREQIN GLOBAL PRIVATE DEBT  
REPORT



@preqin

Confidential

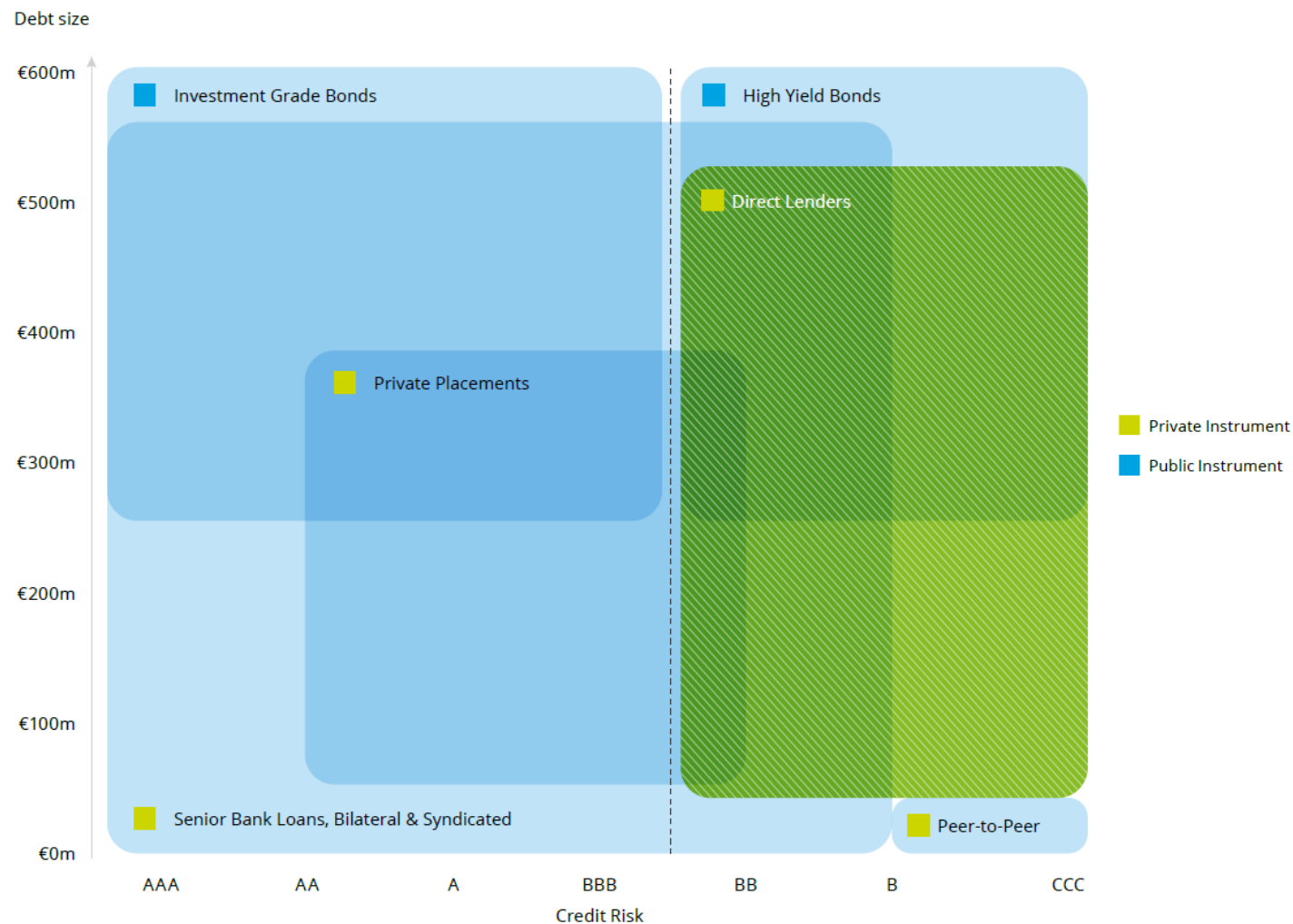
# DIRECT LENDING : CYCLE OR NEW PARADIGM ?

Born with the last 2007-2009 financial crisis, alternative lending has gained traction since in Europe on the back of increased banking sector regulation



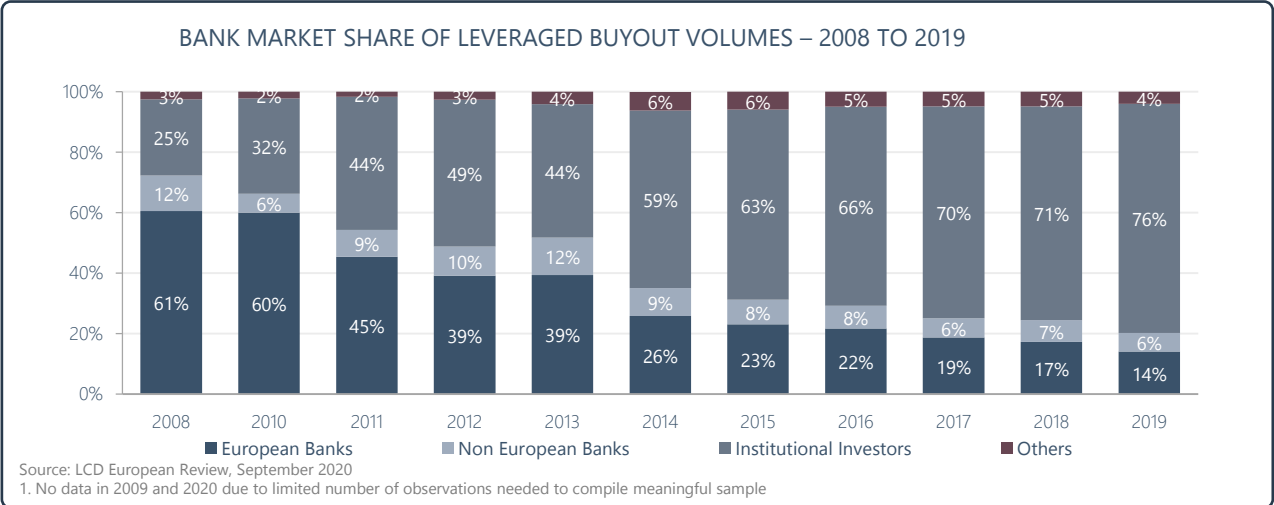
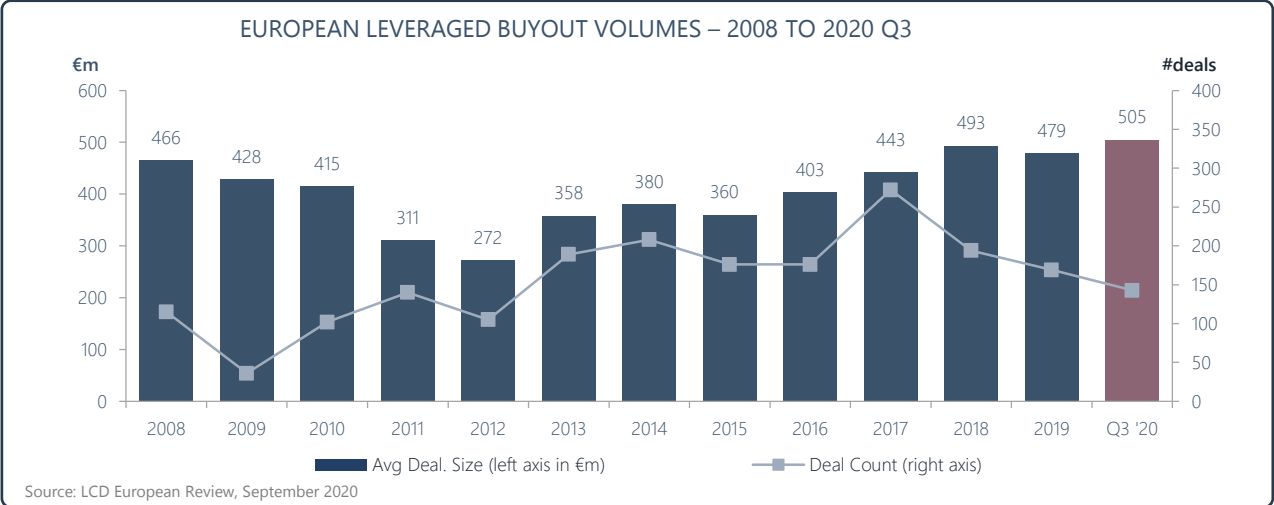
# HOW DOES DL COMPARES TO OTHER CASH FLOW DEBT PRODUCTS ?

Direct lending mainly fits the sub-investment grade market segment for deals representing more than 50M€ issuance up to over 500M€



# IS THE DIRECT LENDING WAVE A REALITY ?

New-issue volume is ahead of prior year supported by strong PE dry powder. Banks continue to retrench amid continued weakness of covenant framework to the benefit of CLOs and direct lenders

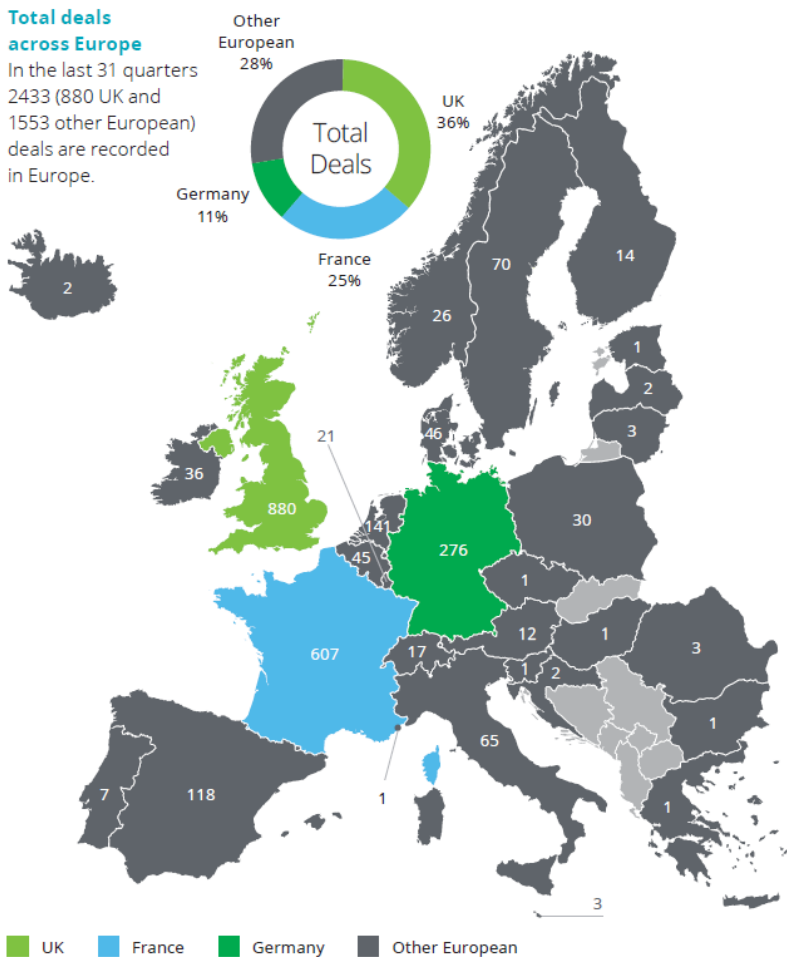


Source: LCD European Review, December 2019

# ARE ALL EUROPEAN MARKETS OPEN TO DIRECT LENDING ?

UK and France lead the pack by far (61% of the 8-year deal flow) with flexibility and bespoke financing structure at the core of the direct lending's USP

Direct Lending Deal Flow – 2012 to 2020



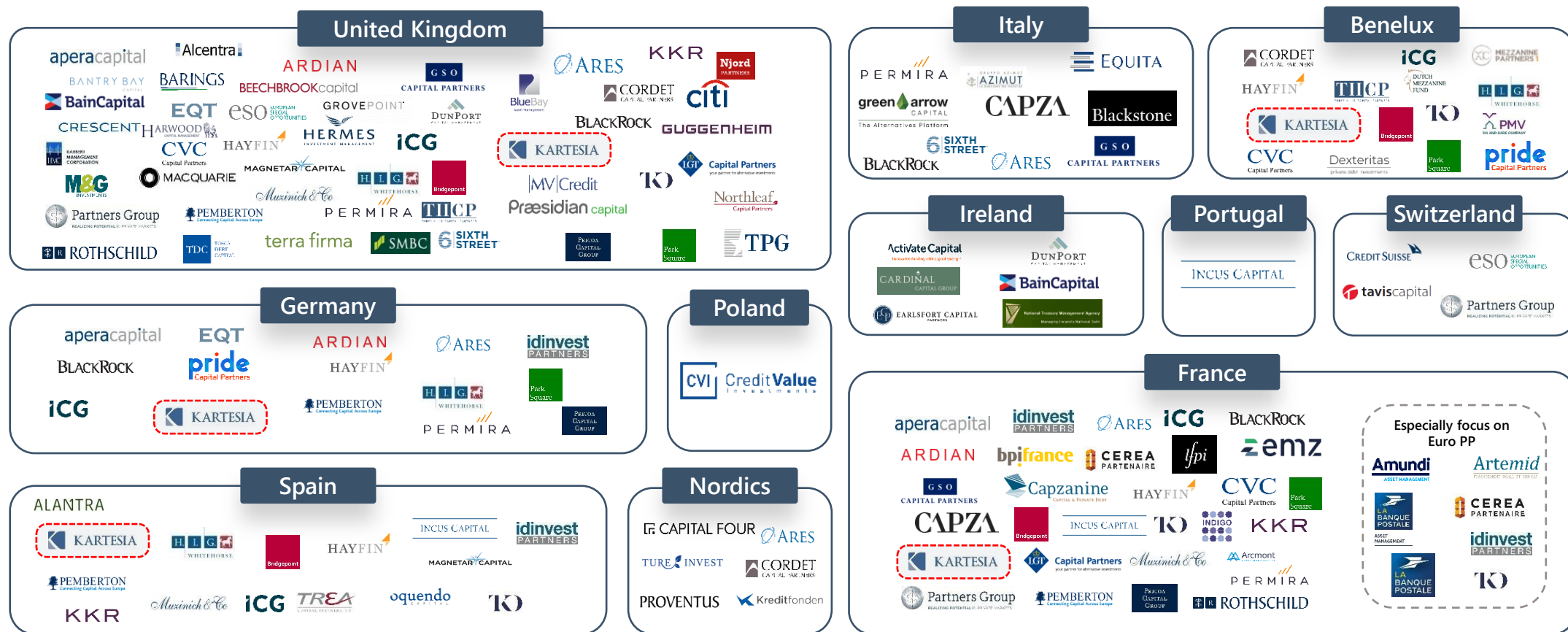
When Do Borrowers Use Direct Lending ?

Situations		Advantages
1 Private Equity acquisitions	▶	✓ Reduce equity contribution and enable more flexible structures
2 Corporates making transformational/ bolt-on acquisitions	▶	✓ Enable growth of private companies with less/no cash equity
3 Growth capital	▶	✓ Enable growth opportunities
4 Consolidation of shareholder base	▶	✓ Enable buy-out of (minority) shareholders
5 Special dividend to shareholders	▶	✓ Enable a liquidity event
6 To refinance bank lenders in highly-levered structures	▶	✓ Enable an exit of bank lenders
7 Raising junior HoldCo debt	▶	✓ Increase leverage for acquisitions/ dividends

Source: Deloitte Alternative Lender Deal Tracker Autumn 2020 (data as of September 2020)

# IS THE EUROPEAN DIRECT LENDING MARKET CROWDED ?

The European direct lending market in 2015 was already composed of over 170 active funds across all strategies, from secondary to primary market



- Geographic diversification with some of the managers that have developed their networks
- Development of the funds focusing on only one country (particularly Spain and Italy, mostly in the UK) as well as the pan European fund

Source: Deloitte Alternative Capital Solutions Spring 2020  
 Note: offices included with at least one dedicated Direct Lending professional.  
 The graph does not necessarily provide an overview of the geographical coverage.

# IS THE MARKET OPPORTUNITY ATTRACTIVE ?

Kartesia believes investors can seek to capitalize on five core investment themes to generate attractive risk adjusted returns relative to other asset classes



## Large and Fragmented

Robust need for financing solutions in a highly fragmented market allowing to select where and when to deploy capital



## Regulation and Volatility

Structural, long-replacement trend of banks and traditional lenders in Europe combined to volatility lead to market opportunities



## Illiquid

Return premium available by sourcing "off-market" opportunities and providing bespoke financing solutions



## Favourable competitive dynamics

Local networks are key to sourcing the right opportunities thereby offering high barriers

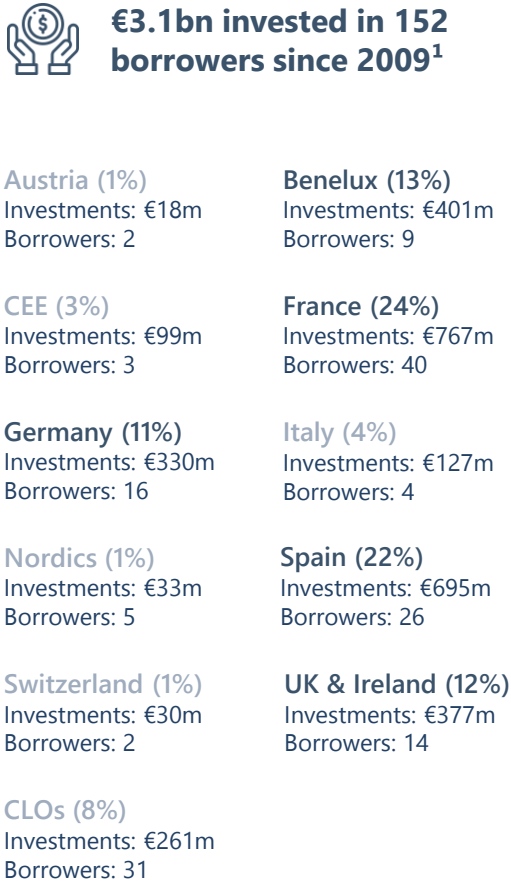
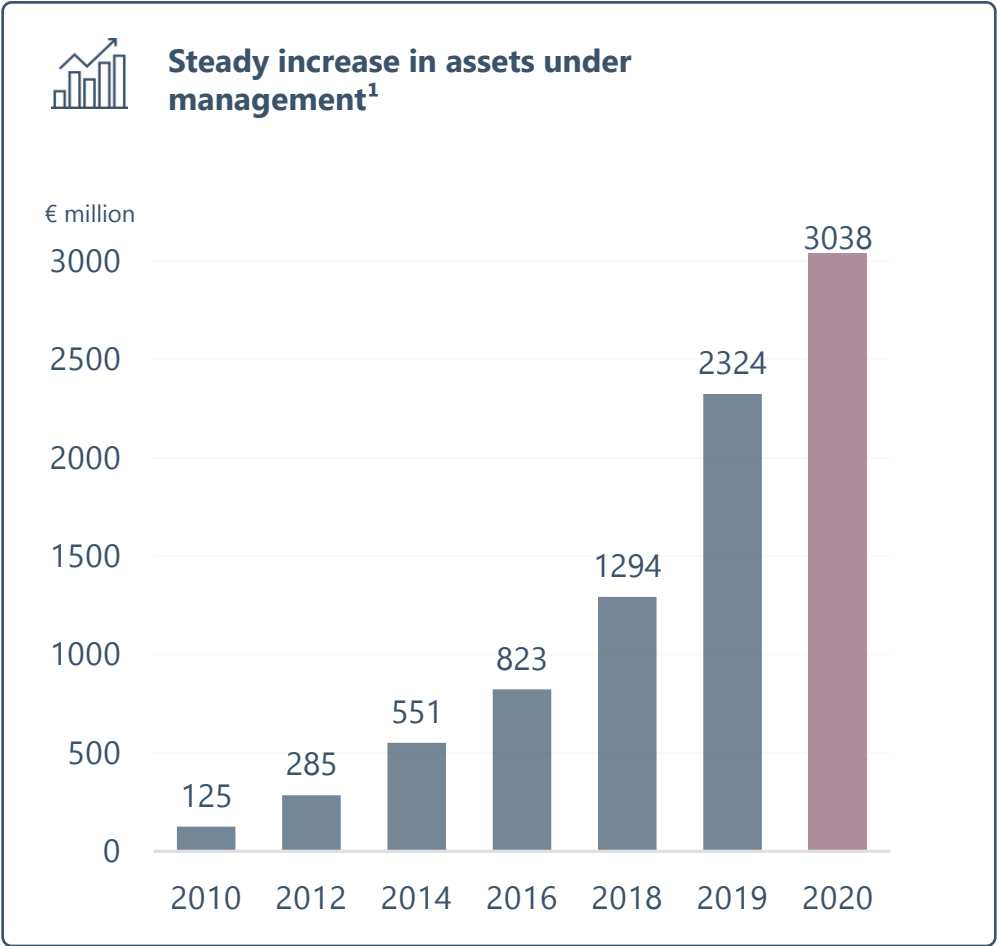
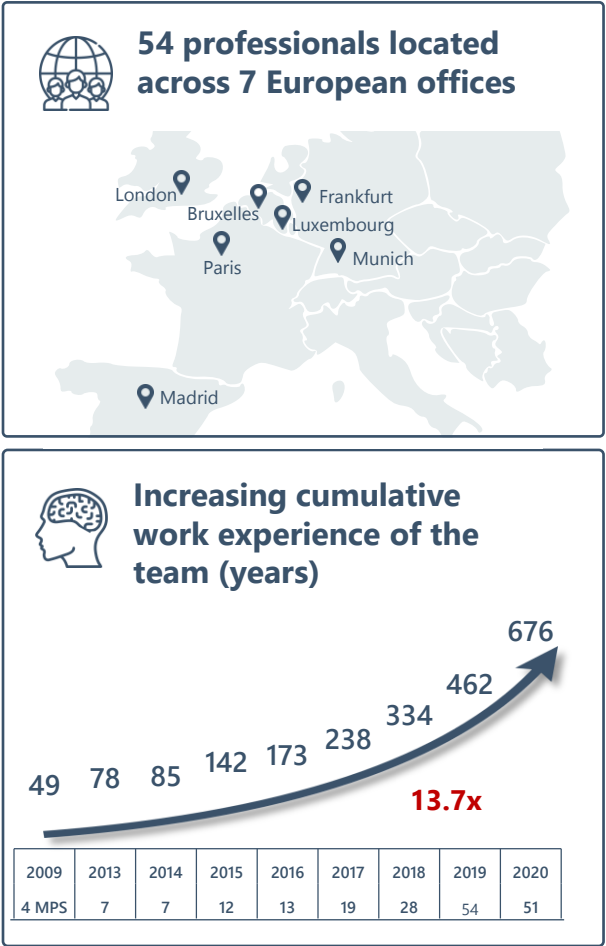


## Private

Information advantages to properly discriminate and choose only the best deals

# ESTABLISHED EUROPEAN PLATFORM SINCE 2009

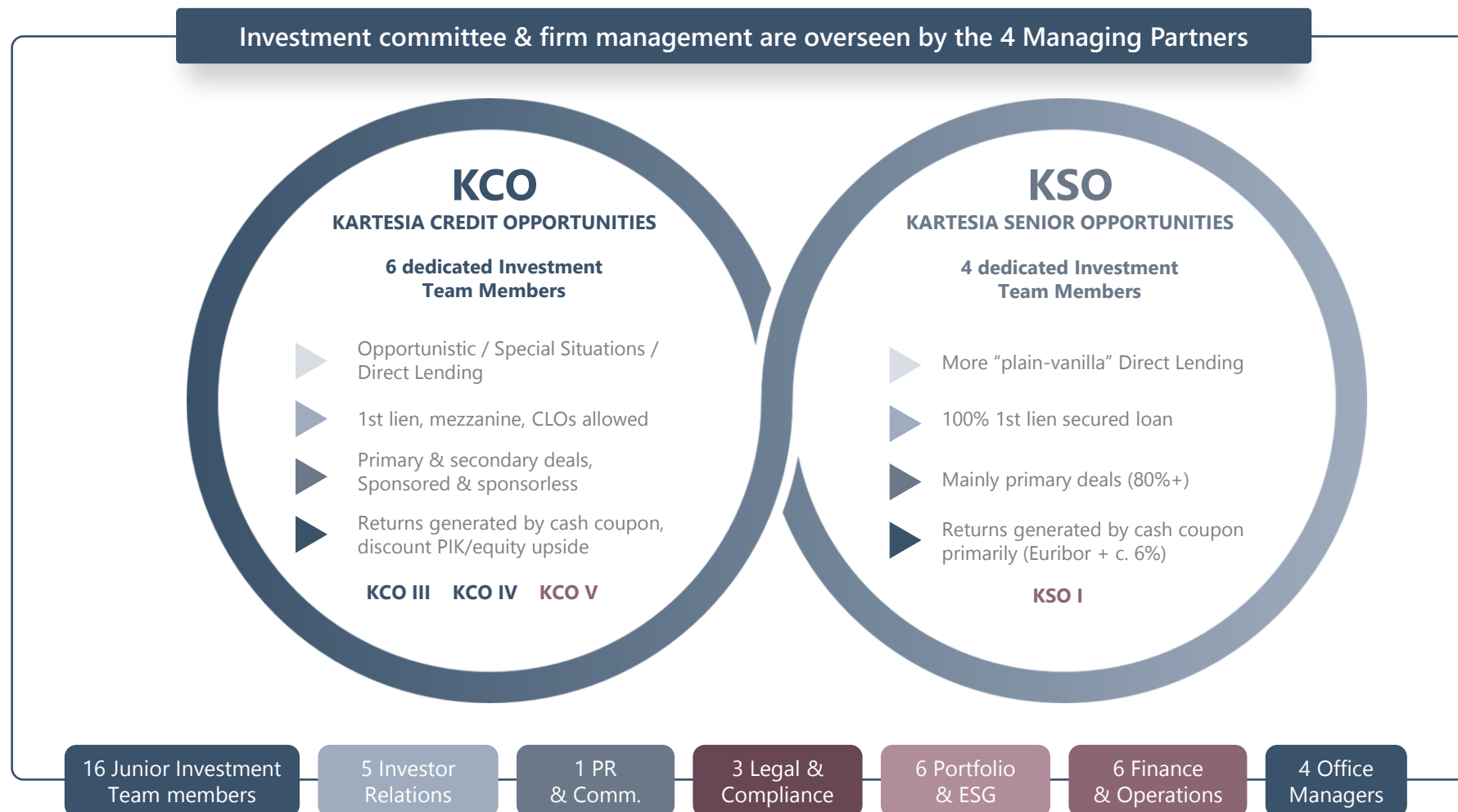
Invested €3.1 billion into 152 SMEs across Europe over the past decade



Source: Kartesia, December 2020  
Includes all funds managed by Kartesia (i.e., Altercap funds, Kartesia Credit Opportunities funds and the Kartesia Senior Opportunities fund) as of 30 December 2020

# KARTESIA STRATEGIES

Two complementary strategies focused on risk adjusted returns



# KARTESIA'S RISK-RETURN OFFERING

Kartesia believes its ability to invest across the capital structure through the last 10-year credit cycles has endowed the firm with unrivalled experience and a unique position

## Typical Investee Companies



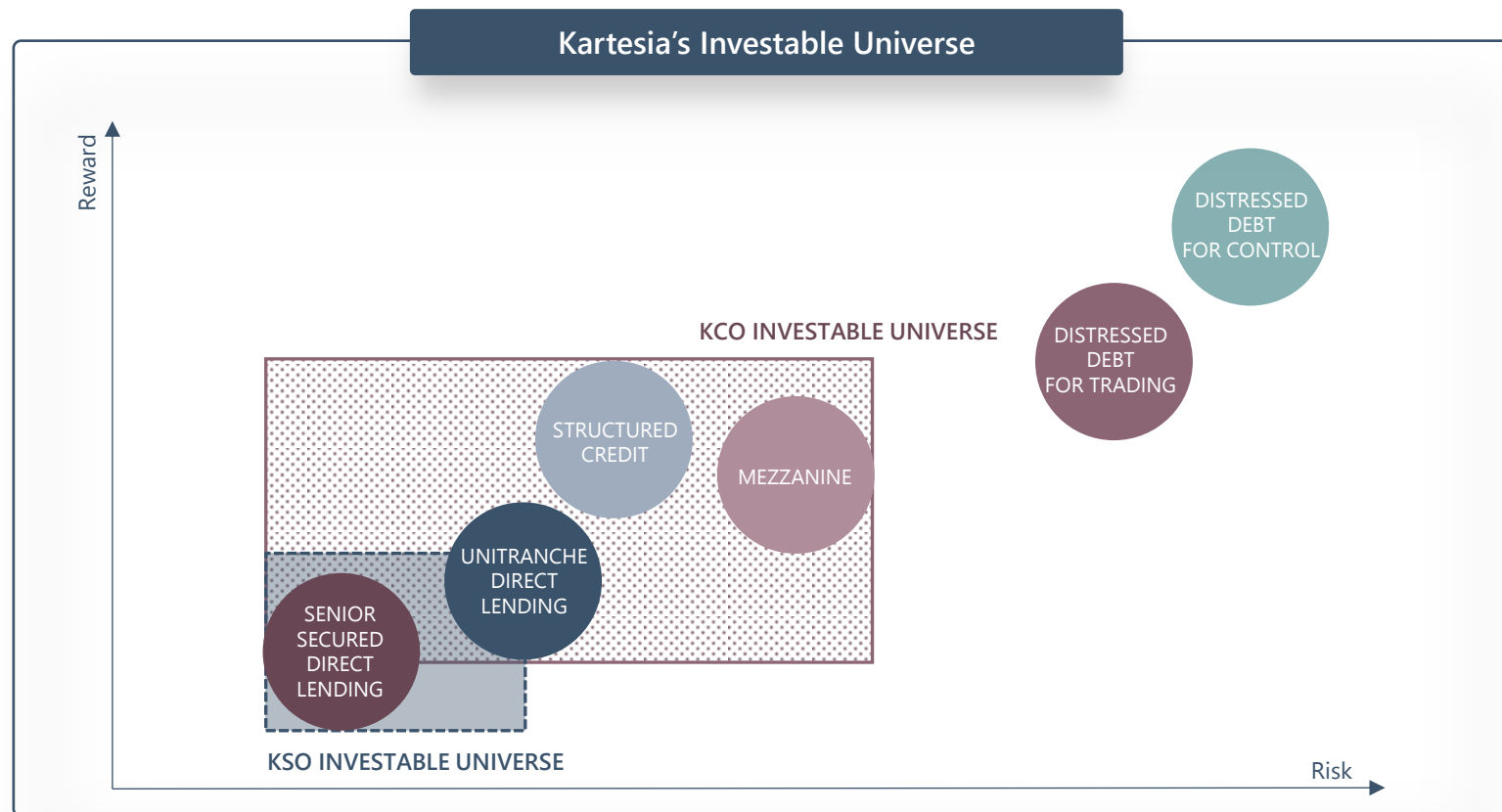
EV: €30-250m  
EBITDA: >€3m



Headquarters: EU



Industry agnostic



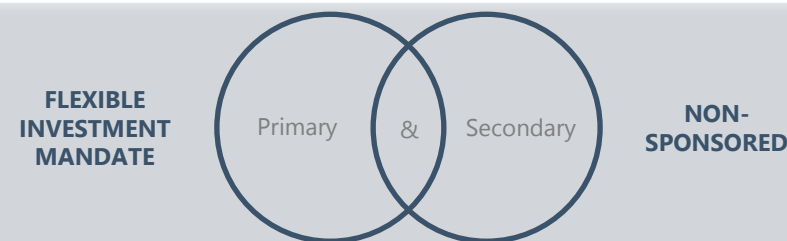
- Our solutions will always include a debt component, but we can blend it with equity in order to address any capital or deal structure
- Remuneration is tuned to the individual financing context and can contain contractual and variable elements, including also PIK toggle features or warrants

# STRONGLY DIFFERENTIATED SOURCING APPROACH

Kartesia has built a strong local presence across Europe, translating to substantial deal flow on primary and secondary markets, both sponsored and sponsorless

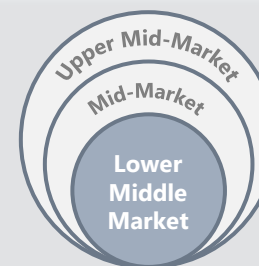
## SPONSORLESS & DUAL-TRACKING ORIGINATION MODEL...

- Flexible dual-track, primary-secondary origination model
- Proven unrivalled access to sponsorless opportunities; 50%+ deals sponsorless in active funds



## ... WITH A FOCUSED LOWER MID-MARKET APPROACH...

- Focused on pan-European corporate credit in the lower mid-market; most illiquid segment with lower levels of competition
- Maximizes deal flow and optimizing deal selectivity



More deal selection;  
better targeted

## ... WITHIN A EUROPEAN INSTITUTIONAL & INDEPENDENT PLATFORM

- Pure-play pan-European independent platform (AIFM and onshore EU regulated) operating from 7 European offices
- Built for purpose with strong local networks

LOCAL PRESENCE



Strong local  
networks

FULLY INDEPENDENT



# ADDED VALUE THROUGH BESPOKE CAPITAL SOLUTIONS

We provide smart and bespoke value-added financing solutions to sponsors, management teams and thereby allowing them to speed up and secure value creation

corporates in all types of situations



# OUTPACING THE NON-SPONSORED TRENDS IN EUROPE

KCO V and KSO I have invested in 15 sponsorless transactions over the last twelve months

## Sponsorless market

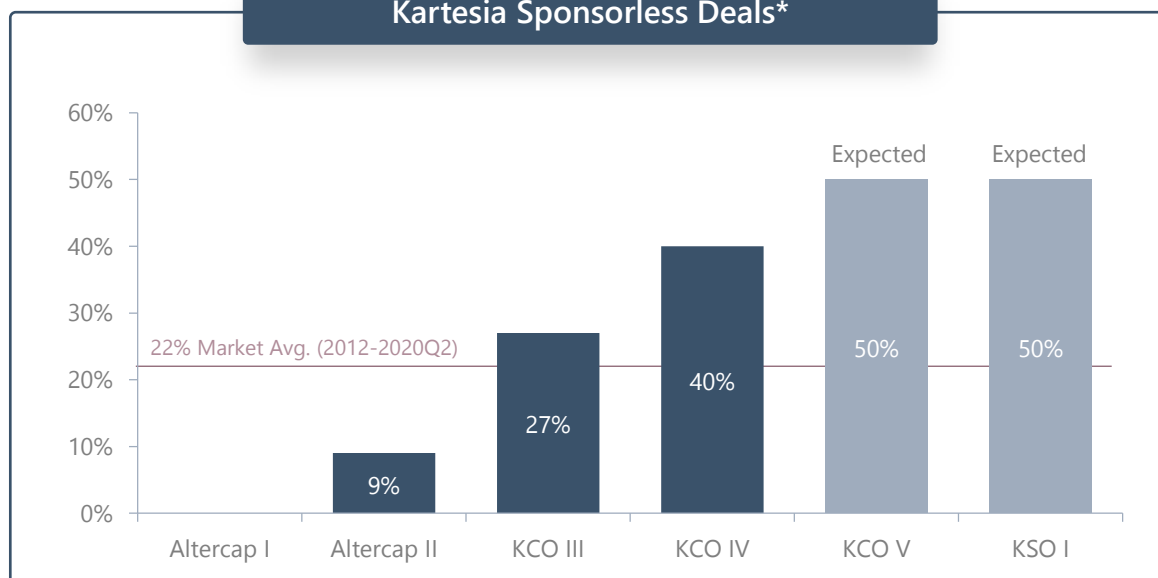
SMEs have turned to Alternative Lenders as a source of financing, particularly as **banks are continuing to retrench** (Basel IV)

**Strong financial covenants and better pricing**

L+10% to L+13% with equity kickers

Kartesia's local approach to **origination enables superior access non-sponsored market**

## Kartesia Sponsorless Deals\*



Sources: Deloitte Alternative Lender Deal Tracker, June 2020; European Commission: SME Performance Review;

\*Based on invested capital of all deals (including realised), as of September 2020

1. Initial investment date

2. Total investment size (rounded to nearest €m)

## Kartesia Credit Opportunities Sponsorless Deals

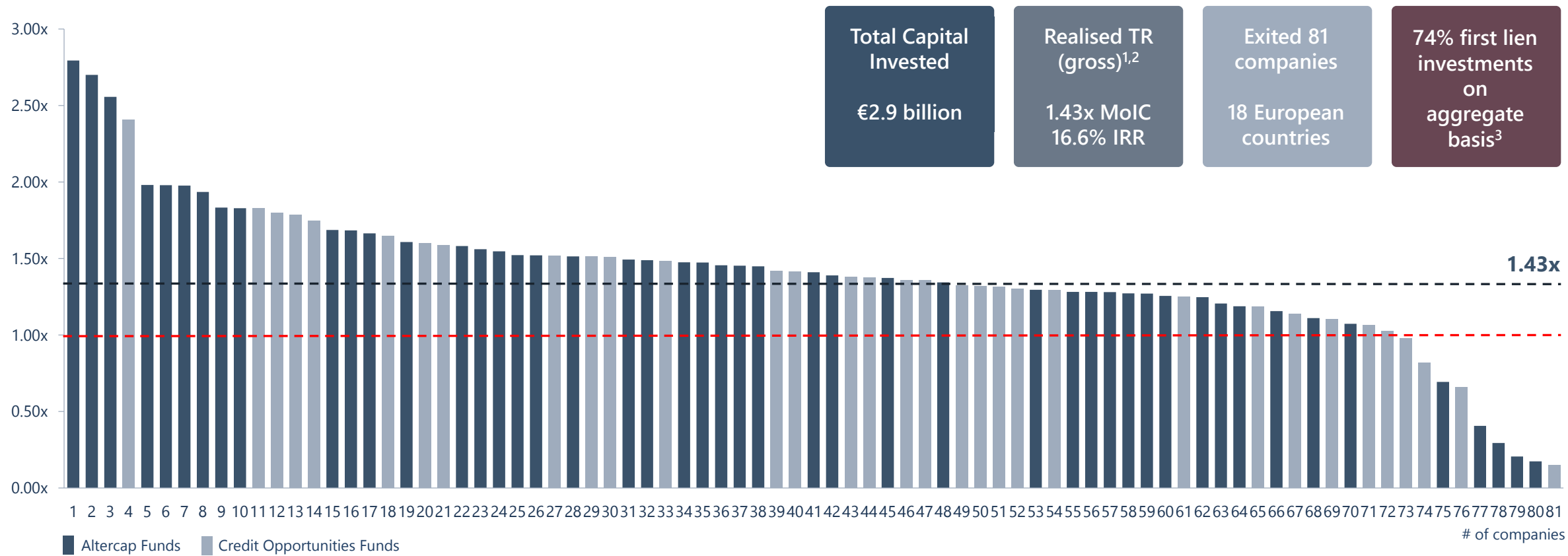
COMPANY	DATE <sup>1</sup>	SIZE <sup>2</sup> (€m)	COUNTRY	INDUSTRY	EQUITY KICKER
HeadFirst	Oct-20	75		HR Services	
Factoria	Sep-20	80		Facility Management	
ORQPI GROUP	Jun-20	64		Commercial services & supplies	✓
Tunstall	Apr-20	31		Telecare & Telehealth	✓
PYREX	Apr-20	57		Consumer Durables & Apparel	✓
desmet ballestra	Mar-20	124		Machinery	✓
RICHARDSON SALES PERFORMANCE	Nov-19	85		Professional Services	✓
comfica	Oct-19	32		Telecom. Services	
sewan	Oct-19	76		Telecom. Services	

## Kartesia Senior Opportunities Sponsorless Deals

COMPANY	DATE <sup>1</sup>	SIZE <sup>2</sup> (€m)	COUNTRY	INDUSTRY	EQUITY KICKER
envisage	Nov-20	36		Healthcare	
UCAM	Sep-20	22		Education services	
firstcom europe	Aug-20	29		Telecoms	
clearway	Jun-20	29		Commercial Services & supplies	
planethOme	Feb-20	60		Diversified Financial Services	
GENSAUREA	Dec-19	21		Specialty Retail	

# THROUGH THE CYCLE TRACK RECORD

Consistent track record focused on capital preservation



Source: Kartesia, September 2020

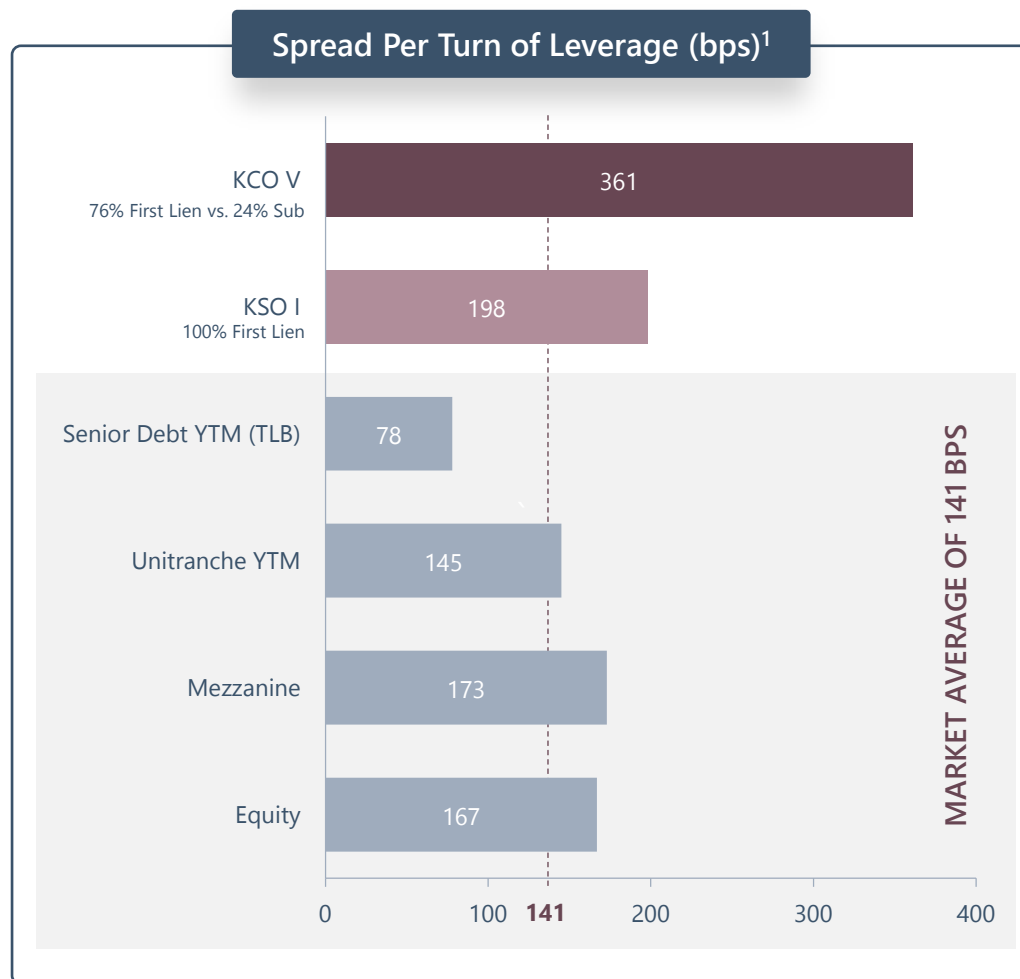
1. Past performance is not indicative of future performance or a guarantee of future results. There can be no assurance that comparable returns will be achieved by any future investments made by Kartesia or any fund managed or advised by Kartesia in the future. Please refer to the track record information on page 24 for further information relating to the calculation of gross IRRs and MoICs, and the contents of the Disclaimer for further information and important disclosures relating to past performance and track record information.

2. In the case of multiple investments in one company the weighted average multiple based on total capital invested is shown. The analysis only takes into accounts the realised investments in a company.

3. Based on total invested capital across KCO III, KCO IV, KCO V, and KSO I

# RECOGNIZED SUPERIOR RISK-ADJUSTED RETURNS

We focus on preserving invested capital and generating the most attractive risk-adjusted returns of the European lending market



Most Consistent Top Performing  
European Private Debt Managers in 2020

- Ranked as number one in Preqin's 2020 list of Most Consistent Top Performing Europe-focused Private Fund Managers across all fund vintages
- Three of Kartesia's funds counted in Preqin's top performance quartile



Best European direct  
lending fund

- One of the most prestigious and selective awards in the industry based solely on quantitative performance methodology
- KCO III chosen based on its best in class leverage-adjusted IRR (net of fees) among 30 comparable funds screened



Best European Direct  
Lending Fund



Best European Direct  
Lending Fund –  
Niche Lending



Best European Direct  
Lending Fund –  
Mid-market Lending

- Judges take account of risk-adjusted performance, AuM and any professional knowledge about the fund

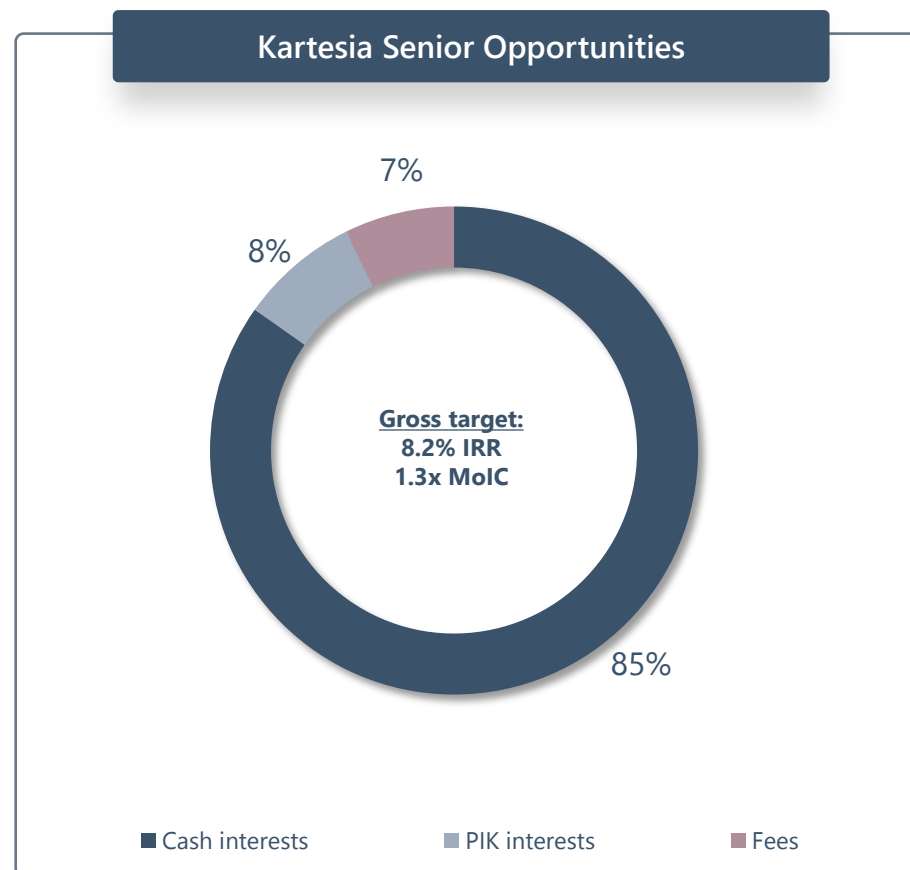
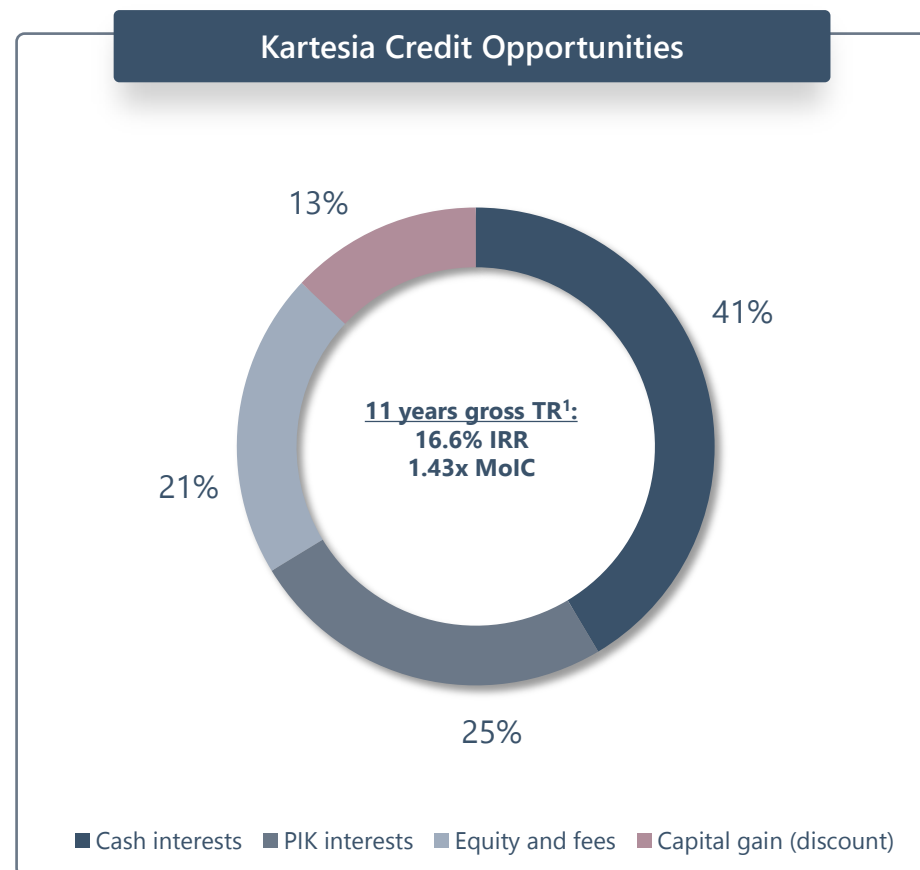
Source: Kartesia, September 2020  
Spread per turn of leverage calculated using expected gross portfolio IRR for KSO I & KCO V



KARTESIA PRESENTATION TO CANDRIAM WEBINAR

# VALUE CREATION DRIVERS

We achieve target returns through several value creation levers, customized to the specific situation of each portfolio company



Funds managed by Kartesia seek to capitalise on 3 value creation drivers

1. Cash interests paid by the borrower
2. Discounts / illiquidity premium negotiated with sellers of debt on the secondary market or borrowers as the case may be
3. Equity kickers and fees typically borne by the shareholders upon the sale of the borrower

1. Past performance is not indicative of future performance or a guarantee of future results. There can be no assurance that comparable returns will be achieved by any future investments made by Kartesia or any fund managed or advised by Kartesia in the future. Please refer to the track record information on page 24 for further information relating to the calculation of gross IRRs and MoICs, and the contents of the Disclaimer for further information and important disclosures relating to past performance and track record information. Chart reflects returns generated across KCO III, KCO IV, and KCO V, as at 30 September 2020.

# A CULTURE OF RESPONSIBLE INVESTING

Responsible investment & ESG procedures are an integral part of building value (1/2)

## 1. OUR BELIEFS

- At Kartesia, we believe that companies with high environmental, social and governance standards are typically better run, have fewer business risks and ultimately deliver better value. Responsible investment is into our investment philosophy and process.

## 2. OUR PARTNERSHIPS

- Since 2014, Kartesia is a signatory to the UN-supported Principles for Responsible Investing ("PRI") and reports annually on its progress in integrating ESG in its investment process. Kartesia proudly participated in the first report of the UN PRI on the private debt market published in 2019



- Since 2015 Kartesia teams up with Sustainalytics to annually assess the carbon footprint of its portfolios



- Since 2018 Kartesia is carbon neutral as it offsets its carbon emissions with the help of CarbonFootprint.com



### The 3 pillars of our ESG procedures



#### 1. OUR BELIEFS



#### 2. OUR PARTNERSHIPS



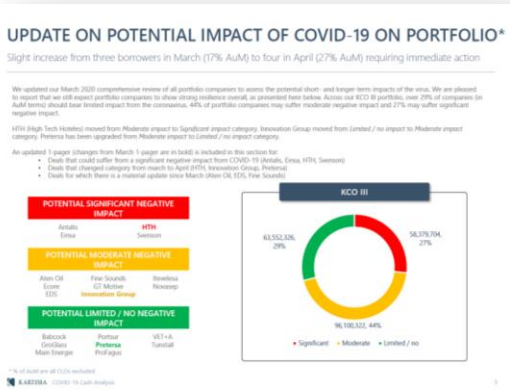
#### 3. OUR TOOLS

# A CULTURE OF RESPONSIBLE INVESTING

We communicate our CSR and ESG work to our LPs through several channels (2/2)

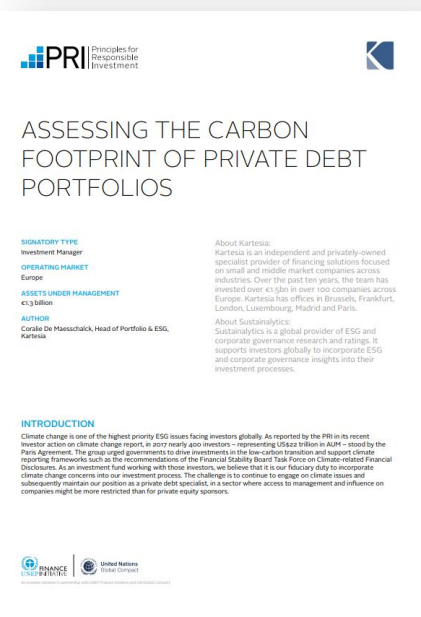
## EXISTING CSR & ESG DISCLOSURE

- Annual ESG Update at the Annual Information Meeting
- Annual CSR & ESG brochure
- Ad-hoc reporting in exceptional situations involving ESG risk (for instance, the COVID-19 analysis communicated to our LPs in March and April 2020)



## ENHANCED REPORTING IN 2021

- Annual Sustainability Report
- CSR & ESG update in our quarterly reporting to investors or "LP Report"



# CONCLUSION

Direct lending is an attractive market in which, unsurprisingly, manager selection will be key to success & performance

---



Favourable strategy supported by long-term, structural trends



Pan-European platform made of highly experienced professionals capable of structuring bespoke financing solutions and dealing with restructuring



Proprietary sourcing of illiquid assets / situations allowing to extract value while preserving downside risk



Outstanding track record across cycles in private debt markets

# DISCLAIMER

1/3

Kartesia Management S.A., Kartesia UK Ltd, Kartesia Credit Opportunities III S.C.A., Kartesia Credit Opportunities IV S.C.S., Kartesia Credit Opportunities V S.C.S., and Kartesia Senior Opportunities I S.C.S. SICAV-RAIF, are hereinafter referred to as "Kartesia". By receiving this document, you confirm your agreement to all of the following terms and conditions without limitation, modification or qualification.

## **No Offer of Securities**

This document is for informational purposes only. No information in this document should be construed as a solicitation, offer, recommendation and representation of suitability or endorsement of any security or investment. Offerings of securities in entities managed or advised by Kartesia are made only by Private Placement Memorandum, limited partnership agreements and/or other final offering documentation (including final subscription documentation) distributed by Kartesia and/or persons authorised by Kartesia. The contents of this document shall not be construed as a prospectus, advertisement or public offering of any interest or security. It is the responsibility of prospective investors in any such securities to comply with the relevant laws and regulations of any territory in connection with any application to participate in any fund or similar vehicle mentioned herein. Any investment in a fund or similar vehicle is subject to various risks, none of which are outlined herein. A description of certain risks involved with an investment in any such vehicle will be set out in any final-form prospectus or similar document relating such vehicle; such risks should be carefully considered by prospective investors once such final document is available and before any investment decision is made.

## **Confidentiality**

This document and all information contained herein are strictly confidential and for the exclusive use of their recipients. They shall not be distributed, published, disclosed or reproduced, in whole or in part, to any person without the prior written consent of Kartesia. Any recipient undertakes to return this document (as well as any copies made and/or extracts) to Kartesia upon request.

## **Limitation of Liability**

Neither Kartesia nor any of its agents or representatives makes any representations about the suitability, reliability, timeliness, comprehensiveness or accuracy of the information, services and other content contained in this document. Kartesia cannot guarantee that this document and its content will always be correct or fault or error free. Neither Kartesia nor any of its agents or representatives shall be liable directly or indirectly in contract, tort, equity or otherwise for any damage whatsoever in connection with this document or any use of content provided in this document, including any direct, indirect, special, incidental or consequential damage (including but not limited to loss of profits, interest, data, business revenue, anticipated savings, business or goodwill).

## **Regulatory Registration**

Kartesia UK Ltd is authorised and regulated by the Financial Conduct Authority in the United Kingdom (FCA registration number 920933).

## **Forward-Looking Statements**

Certain information contained in this document constitutes "forward-looking statements" which speak only as at the date hereof. Due to various risks and uncertainties, actual events or results or the actual performance of any fund or similar vehicle may differ materially from those reflected or contemplated in such forward-looking statements and no reliance should be placed by prospective investors on any forward-looking statement and no responsibility is accepted in respect thereof. Unless otherwise indicated, "gross IRR" shall mean an aggregate, annual, compound gross internal rate of return on investments. Gross IRR's do not reflect management fees, "carried interest," taxes, broken-deal expenses and other transaction costs in connection with the disposition of unrealised investments and other expenses to be borne by investors in any relevant fund or similar vehicle, which will reduce returns and in the aggregate are expected to be substantial.

# DISCLAIMER

2/3

---

## **Performance Data**

Any performance data expressed on this document is an indication of past performance and does not indicate or guarantee future results. This document has been compiled in good faith by Kartesia; however, no representation is made as to the completeness or accuracy of the information it contains. In particular, you should be aware that this information may be incomplete, may contain errors or may have been come out-of-date. Kartesia makes no commitment, and disclaims any duty to update such documents. Kartesia reserves the right to add, modify or delete any information in this document at any time.

## **Track Record**

Investment performance information shown herein is intended solely to provide investors with information about the transactions and performance of investments made by Kartesia through its existing managed fund vehicles.

The performance information includes data about prior investment performance, including gross compounded annual internal rates of return (which are referred to herein as "IRRs") before management fees, organisational expenses and the general partner's allocation of profit, but in some instances (where indicated), net of the underlying general partner's fees and expenses. The net annual rate of return represents the IRR after management fees, organisational expenses and the general partner's allocation of profit. Information about prior performance, while a useful tool in evaluating Kartesia's investment activity, is not indicative of future results, and there can be no assurance that Kartesia Credit Opportunities V will generate results comparable to those previously achieved.

If one or more of the underlying assumptions upon which the targeted returns are based prove to be incorrect, then actual returns may differ materially from the targeted returns. Such specific events that could cause actual returns to differ from targeted returns include overall economic conditions, poor performance within the credit markets, poor performance by underlying funds and companies, the lack of attractive exit options for the Fund's investments, and difficulty in finding attractive investment opportunities. Accordingly, the actual realized returns on these unrealized investments may differ materially from the returns indicated herein and there can be no assurance that all relevant factors have been taken into account in establishing the targeted returns or that the assumptions used herein are accurate in light of actual changes in the market and/or economic conditions affecting the investments.

The information contained in this section is also based in part on the valuation of such investments, determined by Kartesia in accordance with International Private Equity and Venture Capital Valuation Guidelines ("IPEV") and Kartesia's internal valuation policies and procedures. There can be no assurance that the valuations for unrealised investments accurately reflect the amounts for which such investments could be sold.

# DISCLAIMER

3/3

## Campbell Lutyens

Campbell Lutyens & Co. Ltd ("CL") has been engaged by Kartesia, to act as placement agent for the Funds and may use its agents to assist it in its placement activities. CL is authorised and regulated in the United Kingdom by the Financial Conduct Authority. CL holds a Financial Services Provider license (FSP 45696) issued by the Financial Sector Conduct Authority in South Africa. In Australia, CL does not hold an Australian financial services licence ("AFSL"), and is exempt from the requirement to hold an AFSL. CL is regulated by the Financial Conduct Authority of the United Kingdom under UK laws, which differ from Australian laws. In Canada, CL operates under an international dealer licensing exemption in Quebec, Ontario, British Columbia, Alberta, Nova Scotia, New Brunswick, Saskatchewan, Manitoba, Newfoundland and Prince Edward Island. In the United States, Campbell Lutyens & Co. Inc. ("CL Inc."), as agent for CL, is acting as placement agent for the offering of the Interests. CL Inc. is a registered broker-dealer with the U.S. Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority. Campbell Lutyens Asia Pacific Ltd ("CL Asia"), as agent for CL, is acting as placement agent for the offering of the Interests in Hong Kong and elsewhere in Asia. CL Asia is licensed by the Securities and Futures Commission in Hong Kong and holds a Type 2 securities license in Japan (registered number 2604). Campbell Lutyens (Singapore) Pte Ltd ("CL Singapore"), as agent for CL, is acting as placement agent for the offering of the Interests in Singapore. CL Singapore is regulated by the Monetary Authority of Singapore and holds a Capital Markets Services Licence to conduct the regulated activities of advising on corporate finance and dealing in securities as defined in the Second Schedule to the Securities & Futures Act (cap. 289).

In the United Kingdom: CL, being authorised and regulated by the Financial Conduct Authority, is communicating the information in this Document only to prospective investors who are able to demonstrate that they are:

- investment professionals, as defined in accordance with article 14 of the Financial Services and Markets Act 2000 (Promotion of Collective Investment Schemes) (Exemptions) Order 2001 ("the Order"); or
- high value entities of any sort falling within the scope of article 22 of the Order,

which for these purposes includes directors, officers or employees of any person or entity falling within articles 14 or 22 of the Order who are responsible for such entity's investment activities ("Relevant Persons").

Transmission of this Document to any person other than a Relevant Person in the United Kingdom is unauthorised and may contravene the Financial Services Markets Act 2000. Any investment or investment activity to which this communication relates is available only to Relevant Persons and will be engaged in only with such persons.

CL intends to rely, in Canada, on the exemption in section 3A.3 of the Canadian National Instrument 33-105 Underwriting Conflicts ("NI 33-105") from the underwriter conflicts of interest disclosure requirements of NI 33-105 for any relevant distribution in the future of an eligible foreign security, as defined in NI 33-105.

None of CL, CL Inc., CL Asia, CL Singapore nor any of their respective affiliates, directors, officers, employees or agents, (each a "CL Person" and together the "CL Persons") accepts any liability or responsibility for the information contained in this Document. Moreover, the information contained in this Document has not been independently verified by any CL Person and no CL Person accepts any responsibility for independently verifying the information contained in this Document or the information otherwise made available by Kartesia, the Funds or its or their respective affiliates. No CL Person makes any representation or warranty, express or implied, as to the truth, accuracy or completeness of the information contained in this Document. Nothing contained in this Document is to be relied on as a representation or warranty by any CL Person as to the past, present or future and each CL Person expressly disclaims any responsibility for any "forward-looking statements" contained in this Document.

CL is acting for Kartesia and nobody else in connection with the Funds and will not be responsible to anyone other than Kartesia. In particular, CL is not acting for any prospective investor and accordingly will not be responsible to any prospective investor for providing the protections afforded to its clients or for advising any prospective investor on any transaction related to the Funds, including the suitability of any investment in the Funds. CL will receive placement fees from Kartesia, being a percentage of commitments made by certain investors in respect of the Funds.



# KARTESIA

For further questions please contact:

Laurent Bouvier  
Managing Partner  
laurent.bouvier@kartesia.com  
Direct: +32 2 808 02 38  
Mobile: +32 471 644 208

Frantz Paulus  
Head of Investor Relations  
frantz.paulus@kartesia.com  
Direct: +32 2 588 73 39  
Mobile: +32 492 157 028

## United Kingdom

+44 203 700 3330

6 Chesterfield Gardens  
W1J 5BQ London

## Spain

+34 914 197 619

Calle de Alfonso XII, 22  
28014 Madrid

## Belgium

+32 2 808 02 36

Avenue Louise 250,  
BE-1050 Bruxelles

## France

+33 1 70 77 04 60

8-10 rue Lamennais  
75008 Paris

## Luxembourg

+352 27 861 551

19-21, route d'Arlon  
8009 Strassen

## Germany

+49 89 380 368 19

Promenadeplatz 9, 80333 Munich

Bockenheimer Landstrasse 51-53  
60325 Frankfurt

CONTACT US