

This document comprises a prospectus relating to Alcentra European Floating Rate Income Fund Limited (the “Company”) prepared in accordance with the Prospectus Rules of the Financial Services Authority (the “FSA”) made under section 73A of the Financial Services and Markets Act 2000 (as amended) (the “FSMA”). This Prospectus has been filed with the FSA and has been made available to the public in accordance with Section 3.2 of the Prospectus Rules. The Company has requested the FSA to provide the competent authority in the Netherlands (the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*) (the “AFM”)) with a certificate of approval attesting that this Prospectus has been drawn up in accordance with the Prospectus Rules which implement Directive 2003/71/EC.

Applications will be made to the FSA for all of the Shares, issued and to be issued in connection with the Issue, to be admitted to the premium listing segment of the Official List of the FSA and to trading on the London Stock Exchange’s main market for listed securities (together, “Admission”). Admission to trading on the London Stock Exchange’s main market for listed securities constitutes admission to trading on a regulated market. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence, on 5 March 2012. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Shares to be admitted to listing or dealt with on any other exchange.**

The directors of the Company, whose names appear on page 27 of this document (the “Directors”), and the Company accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information. **Investors are advised to examine all the risks that might be relevant in connection with an investment in the Shares. See “Risk Factors” for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares. Prospective investors should read the entire document and in particular the section headed “Risk Factors” when considering an investment in the Company.**



## ALCENTRA EUROPEAN FLOATING RATE INCOME FUND LIMITED

*(a non-cellular company limited by shares incorporated under the laws of Guernsey with registration number 54200)*

**Placing and Offer for Subscription for a target issue in excess of £150,000,000 worth of Shares at an Issue Price of £1.00 per Sterling Share and €1.00 per Euro Share and admission to the premium listing segment of the Official List and to trading on the main market of the London Stock Exchange**

**Sole Sponsor and Bookrunner**  
*Oriel Securities Limited*

**Investment Manager**  
*Alcentra Limited*

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This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Manager.

The Shares have not been and will not be registered under the Securities Act of 1933, as amended (the “Securities Act”) or with any securities regulatory authority of any state or other jurisdiction of the United States and the Shares may not be offered or sold, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S under the Securities Act (“Regulation S”)) (“US Persons”). There will be no public offer of the Shares in the United States. The Company has not been and will not be registered under the Investment Company Act of 1940, as amended (the “Investment Company Act”) and investors will not be entitled to the benefits of the Investment Company Act.

**Neither the Securities and Exchange Commission (the “SEC”) nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.**

The Shares are being offered and sold outside the United States to non-US Persons in reliance on Regulation S.

In addition, prospective investors should note that, except with the express written consent of the Company given in respect of an investment in the Company, the Shares may not be acquired by (i) investors using assets of (A) an “employee benefit plan” as defined in Section 3(3) of the US Employee Retirement Income Security Act of 1974, as amended (“ERISA”), that is subject to Title I of ERISA; (B) a “plan” as defined in Section 4975 of the US Internal Revenue Code of 1986, as amended (the “US Code”), including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or (C) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the US Code or (ii) a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of



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ASSET MANAGEMENT

ERISA or Section 4975 of the US Code, unless its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

The offer and sale of Shares have not been and will not be registered under the applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Shares may not be offered or sold within Australia, Canada or Japan or to any national, resident or citizen of Australia, Canada or Japan.

**Investors may be required to bear the financial risks of their investment in the Shares for an indefinite period of time. For a description of additional restrictions on offers, sales and transfers of the Shares, see “Selling and transfer restrictions” beginning on page 71 of this document.**

Oriel Securities Limited (“Oriel”), which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting as Sponsor and Bookrunner to the Company in connection with the matters described herein. Oriel is acting for the Company in relation to the Placing and no one else and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to the Placing, the contents of this document or any transaction or arrangement referred to herein.

Prospective investors should rely only on the information in this document. No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied on as having been authorised by the Company, the Investment Manager or Oriel. Without prejudice to the Company’s obligations under the Prospectus Rules, neither the delivery of this document nor any subscription or purchase of Shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on Oriel by the FSMA or the regulatory regime established thereunder, Oriel does not accept any responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Investment Manager, the Shares or the Issue. Oriel accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

The contents of this document are not to be construed as legal, financial, business, investment or tax advice. Prospective investors should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice. Prospective investors must inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of the Shares. Prospective investors must rely on their own representatives, including their own legal advisers and accountants, as to legal, tax, investment, or any other related matters concerning the Company and an investment therein.

In connection with the Placing, Oriel and any of its Affiliates acting as an investor for its or their own account(s), may subscribe for the Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or other related investments in connection with the Placing or otherwise. Accordingly, references in this document to the Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Oriel and any of its Affiliates acting as an investor for its or their own account(s). Neither Oriel nor any of its Affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

The Shares are only suitable for investors (i) who understand the potential risk of capital loss and that there may be limited liquidity in the underlying investments of the Company; (ii) for whom an investment in the Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment programme.

Dated: 9 January 2012

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## SUMMARY

*This summary should be read as an introduction to this Prospectus only. Any decision to invest in the Shares should be based on a consideration of this Prospectus as a whole, including any documents incorporated by reference. Following the implementation of the relevant provisions of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the EEA, no civil liability will attach to the persons responsible for this summary in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the EEA, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before the legal proceedings are initiated.*

### The Company

The Company is a non-cellular company limited by shares incorporated in Guernsey and has been authorised by the GFSC as an authorised closed-ended collective investment scheme. The Company is managed by Alcentra Limited (the “Investment Manager”).

The Company’s share capital will be denominated in Sterling and Euro and will upon Admission consist of Sterling Shares and Euro Shares, subject to, *inter alia*, a minimum amount being raised in respect of each class of shares. At any general meeting of the Company, each Euro Share will carry one vote and each Sterling Share will carry 1.2 votes. The Shares also carry rights to receive all income and capital available for distribution by the Company. Save to the extent attributable to a particular class, income and capital profits of the Company attributable to the Shares will be allocated among the classes of Shares pro rata to the relative Net Asset Value of each class.

### Highlights

The Company and the Investment Manager believe that the key investment highlights of the Issue include:

- (a) **Current market opportunity** – The Company and the Investment Manager believe that loans offer a compelling investment opportunity;
- (b) **High target dividend yield** – The Company will target a dividend yield per Share of 5.5 per cent. in the first year of full investment<sup>1</sup>;
- (c) **Opportunity for capital gain** – The Company expects a significant proportion of the Portfolio to be sourced at a discount to par, allowing the opportunity for capital gains;
- (d) **Investment in a secured asset class** – The Group will invest predominantly in senior secured loans which typically exhibit higher levels of recovery in the event of default than unsecured asset classes;
- (e) **Low secondary market price volatility** – Secondary prices for secured loans are typically less volatile than those of unsecured asset classes like high-yield bonds and equities;
- (f) **Focus on floating rate, short duration investments** – The loans in which the Company intends primarily to invest are floating rate assets and, as a result, the Company expects that any increase in interest rates will result in higher returns on the Portfolio;
- (g) **Focus on European assets** – The Company’s investment policy is for the Portfolio to be invested predominantly in loans to European borrowers;
- (h) **Diversification** – The Company expects the Portfolio, once fully invested, to comprise approximately 60 investments across at least 15 industries;
- (i) **Capital deployed quickly** – The Net Issue Proceeds are expected to be fully invested within four to six weeks of Admission;
- (j) **Experienced investment manager** – Alcentra has been one of the largest institutional investors in the loan market for most of the last 10 years;
- (k) **Track record** – Alcentra has been managing loans in various funds for over 10 years and has been managing a directly comparable strategy in its European Loan Fund since July 2009;
- (l) **Daily NAV** – The Company will calculate and publish NAV on a daily basis; and

<sup>1</sup> The target dividend yield should not be taken as an indication of the Company’s expected future performance or results over any period and does not constitute a profit forecast.

- (m) **Efficient fee structure** – The Company will charge an annual management fee of 0.7 per cent. of the Company’s NAV per annum with no incentive or performance fee. Operating expenses are not expected to exceed approximately 0.3 per cent of the Company’s NAV per annum (excluding the management fee described above) based on a target issue size in excess of £150 million<sup>2</sup>.

### **Investment Objective**

The Company aims to provide Shareholders with regular quarterly dividends and the opportunity for capital growth by utilising the skills of the Investment Manager in selecting suitable investments.

The Group, as advised by the Investment Manager, will invest either directly or, through sub-participation, indirectly in floating rate, secured loans or high-yield bonds issued by European and US corporate entities predominantly rated below investment grade or deemed by the Investment Manager to be of a corresponding credit quality. The Company expects at least 80 per cent. of its investments to be in debt obligations of corporate entities domiciled, or with significant operations, in Western Europe (including the United Kingdom). Investments are expected to be denominated in Euro, Sterling or US dollars.

### **Investment Policy**

The Investment Manager will select, from the primary and secondary markets, investments for the Group in the following asset classes:

- secured loans, including senior loans, mezzanine loans and second lien loans;
- senior secured floating-rate notes; and
- senior secured and senior unsecured high-yield bonds,

in each case that may be considered to be non-investment grade. The Investment Manager will seek to identify investment opportunities that combine an attractive current return with a strong probability of ultimate return of capital.

### *Diversification*

The Company expects to maintain a diversified Portfolio by asset class, issuer concentration, industry concentration and geographical exposure. The Company does not intend to include in its investment policy any exclusions of particular industry sectors. The Portfolio, once fully invested, will comply, as at each date an investment is made by the Group, with the following restrictions:

- at least 80 per cent. of the Company’s NAV in senior loans, senior secured floating-rate notes and cash;
- no more than 20 per cent. of the Company’s NAV in second lien loans and mezzanine loans; and
- no more than 5 per cent. exposure to any single obligor.

In addition, the Group will aim to satisfy the following guideline criteria for the Portfolio:

- no more than 15 per cent. of the Company’s NAV in unsecured floating-rate notes or secured or unsecured fixed rate bonds;
- no more than 20 per cent. exposure to any single industry sector; and
- at least 80 per cent. exposure to corporate entities with significant operations, or which are domiciled, in Western Europe (including the United Kingdom).

### *Borrowing*

The Group will not use leverage to achieve its investment objective, save that it may seek access to a revolving credit facility to allow for short-term borrowing subject, at all times, to a maximum leverage level equal to 20 per cent. of the Company’s NAV at the time of drawdown of any such borrowing.

### *Hedging*

The Company will operate in Euro as its “base currency”. The Company intends to hedge the value of any non-base currency assets into the base currency using spot and forward foreign exchange

<sup>2</sup> Including the proceeds of the issue of Euro Shares converted into Sterling at the prevailing exchange rate.

contracts rolling on a monthly basis. The Company will not use hedging to attempt to enhance investment returns.

### **Target Dividend Yield and Target Total Return<sup>3</sup>**

On the basis of current market conditions as at the date of this Prospectus, the Company and Investment Manager will target:

- a dividend yield of 5.5 per cent. on the Issue Price in the first year of full investment, payable quarterly, with the first dividend payment to be made for the quarter ending 30 June 2012; and
- a total return on investment (net of fees and expenses) of between 7 per cent. and 10 per cent. annualised over the longer term.

### **Directors**

Each of the Directors acts in a non-executive capacity and is independent of the Investment Manager. The Directors are:

- Ian Fitzgerald (also acting as the Chairman);
- Anne Ewing; and
- Jonathan (Jon) Bridel.

### **Discount Control Provisions**

#### *Continuation Resolution*

In accordance with the Articles, the Directors are required to convene an EGM on or before the third anniversary of Admission in order to propose the Continuation Resolution. If the Continuation Resolution is passed, the Directors are required to convene an EGM to propose a further Continuation Resolution on or before the sixth anniversary of Admission. Thereafter, the Directors are required to convene an EGM on or before the anniversary of the date on which the previous Continuation Resolution was passed.

If any Continuation Resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval.

#### *Redemption Offer*

If, as at 31 March, 30 June, 30 September or 31 December in any calendar year, the Shares of a particular class have, on average over the 12 months prior to such date (the "Discount Calculation Period"), traded at a discount in excess of 5 per cent. of the average NAV per Share of that class, the Directors will, subject to any legal or regulatory requirements, implement a redemption offer (the "Redemption Offer") pursuant to which each holder of Shares of the relevant class shall be offered the opportunity to redeem up to 50 per cent. of his Shares of such class.

No more than one Redemption Offer shall be made in respect of any class of Shares in any 12-month period.

#### *Share buy back facility*

The Directors have been granted general authority by the Shareholders for the Company to purchase up to 14.99 per cent. of the Shares of each class in issue at any time following Admission. Share purchases will only be made at a price not exceeding the prevailing NAV per Share of the relevant class as at the time of purchase.

### **Investment Manager**

The Investment Manager is responsible for the discretionary management of the assets held in the Portfolio (including un-invested cash).

The Investment Manager will be entitled to a management fee which shall be calculated and accrued daily at a rate equivalent to 0.70 per cent. per annum based on the NAV of the Company. The management fee will be payable quarterly in arrear. No incentive or performance-based fee will be payable to the Investment Manager.

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<sup>3</sup> Neither the target dividend yield nor the target total return should be taken as an indication of the Company's expected future performance or results over any period and neither constitutes a profit forecast.

## **The Issue**

The target size of the Issue is in excess of £150 million<sup>4</sup>. The Issue will not proceed if the Net Issue Proceeds would be less than £70 million (or such lesser amount as the Company, the Sponsor and the Investment Manager may determine and notify to investors via publication of a supplementary prospectus).

The minimum size of the Sterling Share class will be £20 million and the minimum size of the Euro Share class will be €20 million<sup>5</sup> (the “Class Minimum Amount”).

The target size of the Issue should not be taken as an indication of the number of Shares to be issued.

Applications will be made to each of the UK Listing Authority and the London Stock Exchange, respectively, for all of the Shares to be issued pursuant to the Issue to be admitted to listing on the premium listing segment of the Official List and to trading on the Main Market. It is expected that Admission will become effective and that unconditional dealings in Shares will commence at 8.00am on 5 March 2012.

## **Principal risk factors**

Prior to investing in the Shares, prospective investors should consider the following risks, which could have a material adverse effect on the Company’s business, results of operations, financial condition or prospects, or could impact the NAV per Share, the trading price or liquidity of the Shares, or the Company’s ability to achieve its investment objective:

### **Risks relating to the Company**

- The Company is a newly formed company and investors have no basis on which to evaluate the Company’s ability to achieve its investment objective;
- The target total return and target dividend yield are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies; the actual return and dividend yield may be materially lower;
- Investment in the Company is only suitable for sophisticated investors;
- The Group may be unable to realise value from its investments and investors could lose all or part of their investment;
- Capital gains from the Group’s investments may require significant time to materialise or may not materialise at all;
- Global capital markets have been experiencing volatility, disruption and instability;
- In implementing a Redemption Offer, the Directors may, in their absolute discretion, choose not to allocate cash and non-cash assets to the Redemption Pool pro rata to the proportions of cash and non-cash assets in the Portfolio at the relevant time, which may reduce the value of the Portfolio following the completion of the Redemption Offer; and
- In connection with a Redemption Offer, the Group may be required to realise assets when it would not otherwise have done so, which may adversely affect the prices it can obtain for such assets and, therefore, the redemption proceeds receivable by Exiting Shareholders. Furthermore, the Investment Manager may not necessarily engage in any currency hedging activity in relation to the assets comprised in the Redemption Pool.

### **Risks relating to the Shares**

- The Shares may trade at a discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV;
- The existence of a liquid market in the Shares cannot be guaranteed;
- Individual Share classes may be exposed to currency risk;
- The Company is not, and does not intend to become, registered in the United States as an investment company under the Investment Company Act and related rules; and

<sup>4</sup> Including the proceeds of the Euro Shares converted into Sterling at the prevailing exchange rate.

<sup>5</sup> Or such lower amounts as the Directors may, in their absolute discretion, determine.

- The Shares will be subject to significant transfer restrictions for investors in the United States and certain other jurisdictions as well as forced transfer provisions.

#### **Risks relating to the investment strategy and investment portfolio**

- The success of the Company depends on the Investment Manager's ability to generate investment returns by making investments in accordance with the Company's published investment policy;
- The value of senior loans may be adversely influenced by a number of factors and early prepayment or default by a borrower may affect the value of the Portfolio;
- The Group may acquire different contractual rights depending on the way in which it invests in loans, bonds and other debt obligations;
- In the event of default under a debt obligation, the Group will bear a risk of loss of principal and accrued interest;
- The value of the investments made by the Group in loans, bonds and other debt obligations may be affected by fraud or misrepresentation or omission;
- The value of the Group's investments may be subject to jurisdiction-specific insolvency regimes;
- The Group may be subject to losses on investments as a result of insolvency or clawback legislation and/or fraudulent conveyance findings by courts; and
- The Company's hedging arrangements may not be successful.

#### **Risks relating to the Group's collateral**

- The collateral and security arrangements under a secured debt obligation in which the Group has invested may not have been properly created or perfected, or may be subject to other restrictions; and
- The Group's valuations of collateral are subject to assumptions and factors that may be incomplete, inherently uncertain or subject to change.

#### **Risks relating to the Investment Manager**

- The Company is dependent on the expertise of the Investment Manager and its key personnel;
- The due diligence process that the Investment Manager plans to undertake in evaluating specific investment opportunities for the Company may not reveal all facts that may be relevant in connection with those investment opportunities; and
- The Investment Manager will source all of the Group's investments and affiliates of the Investment Manager may participate in some of those investments, which may result in conflicts of interest.

#### **Risks relating to regulation and taxation**

- Greater regulation of the fund management industry and financial services industry may materially affect the Company's business and its ability to achieve its investment objective;
- The AIFM Directive may result in additional restrictions on the Company and the Investment Manager and may impair the ability of the Investment Manager to manage the investments of the Company;
- Changes in the Company's tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders;
- Failure by the Company to maintain its non-UK tax resident status may subject the Company to additional taxes which may materially adversely affect the Company's business, results of operations and the value of the Shares;
- Individual Shareholders may have conflicting investment, tax and other interests with respect to their investments in the Company; and
- The Company could be subject to FATCA.



## RISK FACTORS

*An investment in the Shares carries a number of risks including the risk that the entire investment may be lost. In addition to all other information set out in this Prospectus, the following specific factors should be considered when deciding whether to make an investment in the Shares. The risks set out below are all those which are considered to be the material risks relating to an investment in the Shares but are not the only risks relating to the Shares or the Company. Additional risks and uncertainties of which the Company is presently unaware or that the Company currently believes are immaterial may also adversely affect its business, financial condition, results of operations or the value of the Shares. No assurance can be given that Shareholders will realise profit on, or recover the value of, their investment in the Shares. It should be remembered that the price of Shares and the income from them can go down as well as up.*

*The Shares are only suitable for investors who understand the risk of capital loss and that there may be limited liquidity in the underlying investments of the Company and in the Shares, for whom an investment in the Shares would be of a long-term nature and constitute part of a diversified investment portfolio and who understand and are willing to assume the risks involved in investing in the Shares.*

*Potential investors in the Shares should review this Prospectus carefully and in its entirety and consult with their professional advisers prior to making an application to subscribe for Shares. Defined terms used in the risk factors below have the meanings set out under the section headed "Definitions" on pages 111 to 116 of this Prospectus.*

### **Risks relating to the Company**

*The Company is a newly formed company incorporated under the laws of Guernsey with no operating history and no revenues, and investors have no basis on which to evaluate the Company's ability to achieve its investment objective*

The Company is a newly formed company with no operating history, and it will not commence operations until obtaining funding through the Issue. Because the Company lacks an operating history, investors have no basis on which to evaluate the Company's ability to achieve its investment objective and provide a satisfactory investment return.

The Company's returns and operating cash flows will depend on many factors, including the price and performance of its investments, the availability and liquidity of investment opportunities falling within the Company's investment objective and policy, the level and volatility of interest rates, readily accessible short-term borrowings, conditions in the financial markets, real estate market and economy, the financial performance of borrowers, and the Company's ability to successfully operate its business and execute its investment strategy. There can be no assurance that the Company's investment strategy will be successful.

*The Company's target total return and dividend yield are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual total return and dividend yield may be materially different.*

The Company's target total return and dividend yield set out in this Prospectus are targets only and are based on estimates and assumptions about a variety of factors including, without limitation, asset mix, value, volatility, holding periods, performance of underlying borrowers, investment liquidity, changes in current market conditions, interest rates, government regulations or other policies, the worldwide economic environment, changes in law and taxation, natural disasters, terrorism, social unrest and civil disturbances or the occurrence of risks described elsewhere in this Prospectus, which are inherently subject to significant business, economic and market uncertainties and contingencies, all of which are beyond the Company's control and which may adversely affect the Company's ability to achieve its targets. These targets are also based on the assumption that the Company will be successful in generating investment returns by making investments in accordance with the Company's published investment policy as well as market conditions and the economic environment, and are therefore subject to change. There is no guarantee or assurance that the total return or dividend yield can be achieved at or near the targets set out in this Prospectus. Accordingly, the actual rate of return achieved may be materially lower than these targets, or may result in a loss, which could have a material adverse effect on the Company's NAV and the price of the Shares.

Potential investors should not place any reliance on the target total return or target dividend yield set out in this Prospectus and should make their own determination as to whether the target total return or target dividend yield is reasonable or achievable in deciding whether to invest in the Company.

The Company does not intend to publish target returns or dividend yields regularly or to update or otherwise revise its target total return or target dividend yield to reflect subsequent events or circumstances. A failure to achieve the target total return or target dividend yield set out in this Prospectus may adversely affect the Company's business, financial condition and results of operations.

*Investment in the Company is only suitable for sophisticated investors*

The Company will invest all of the Net Issue Proceeds in an actively managed portfolio of investments consisting mainly of floating rate senior secured loans in the higher quality category of the sub-investment corporate debt market. Such investments are only suitable for sophisticated, institutional, professional or high net worth investors and/or advised individual investors who can bear the economic risk of a substantial or entire loss of their investment and who can accept that there may be limited liquidity in the Shares and who fully understand and are willing to assume the risks involved in such investments. Potential investors should have regard to this when considering an investment in the Company. To optimise returns, Shareholders may need to hold the Shares on a long-term basis and the Shares may not be suitable for short-term investment.

*The Group may be unable to realise value from its investments and investors could lose all or part of their investment*

Investments that the Group makes may not appreciate in value and, in fact, may decline in value. A substantial component of the Investment Manager's analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the issuer or the borrower. This residual or recovery value will be driven primarily by the anticipated future cashflows of the borrower's business and by the value of the underlying assets constituting the collateral for such investment. The value of collateral can be extremely difficult to predict and in certain market circumstances there could be little, if any, market for such assets. Moreover, depending upon the status of these assets at the time of an issuer's default, they may be substantially worthless. During times of financial volatility, recession and/or economic contraction, there may be little or no ability to realise value on a borrower's business and the value that can be realised may be substantially below the assessed value of the collateral. A default that results in the Group holding collateral may materially adversely affect the performance of the Portfolio and the value of the Shares.

There can be no assurance that the Group's investments will generate gains or income or that any gains or income that may be generated will be sufficient to offset any losses that may be sustained. As a result, investing in the Company is speculative and involves a high degree of risk. The Company's performance may be volatile and investors could lose all or part of their investment. Past performance is no indication of future results and there can be no assurance that the Company will achieve results comparable to any past performance achieved by the Investment Manager or any employee of the Investment Manager described in this Prospectus.

*Capital gains from the Group's investments may require significant time to materialise or may not materialise at all*

There may be a significant period between the date that the Group makes an investment and the date that any capital gain or loss on such investment is realised. A capital return on the Group's investments, therefore, may not be realised for a substantial time period, if at all.

*Global capital markets have been experiencing volatility, disruption and instability. Material changes affecting global debt and equity capital markets may have a negative effect on the Company's business, financial condition and results of operations*

Global capital markets have been experiencing extreme volatility and disruption for more than three years as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market and the failure of major financial institutions. Despite actions of government authorities, these events have contributed to worsening general economic conditions that have materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital.

Continued or recurring market deterioration may materially adversely affect the ability of a borrower to service its debts or refinance its outstanding debt. Further, such financial market disruptions may have a negative effect on the valuations of the Group's investments, and on the potential for liquidity events involving its investments. Depending on market conditions, the Company may incur substantial realised losses and may suffer additional unrealised losses in future periods, which may adversely affect its business, financial condition and results of operations.

In particular, recent concerns regarding the sovereign debt of various Euro Zone countries and proposals for investors to incur substantial writedowns and reductions in the face value of Greek sovereign debt have given rise to new concerns about sovereign defaults, the possibility that one or more countries might leave the European Union or the Euro Zone, and various proposals (still under consideration and unclear in material respects) for support of affected countries and the Euro as a currency. The outcome of this situation cannot yet be predicted. Sovereign debt defaults, and European Union and/or Euro Zone exits, could have material adverse effects on the Group's ability to make investments and the issuers and borrowers comprising the Portfolio, including but not limited to the availability of credit to such issuers and borrowers to support their financing needs, uncertainty and disruption in relation to financing, customer and supply contracts denominated in Euro, and wider economic disruption in markets served by those companies, while austerity and other measures introduced in order to limit or contain these issues may themselves lead to economic contraction and resulting adverse effects for the Group and its investments. The Company will operate in Euro as its base currency, and a proportion of the Group's investments are likely to be denominated in Euro, and legal uncertainty about the satisfaction of obligations to fund commitments in Euro following any breakup of or exits from the Euro Zone (particularly in the case of investors or investments domiciled in affected countries) could also have material adverse effects on the Company, and consequently, returns to investors.

In the event of sustained market improvement, the Company may have access to a reduced number of attractive potential investment opportunities, which also would result in limited returns to Shareholders.

*In implementing a Redemption Offer, the Directors may, in their absolute discretion, choose not to allocate cash and non-cash assets to the Redemption Pool pro rata to the proportions of cash and non-cash assets in the Portfolio at the relevant time, which may reduce the value of the Portfolio following the completion of the Redemption Offer*

If the Company implements a Redemption Offer as described in the section headed "Discount Control" in Part I of this Prospectus, the Directors will allocate to a Redemption Pool assets of the Group worth in aggregate (as at the NAV Calculation Date immediately preceding the Redemption Date) an amount equal to the Net Asset Value (as at the same date) attributable to the Shares to be redeemed pursuant to such Redemption Offer (less 1.5 per cent.). As the Portfolio is expected to consist of cash as well as loans and bonds, the assets allocated to the Redemption Pool will include both cash and non-cash assets.

In selecting the non-cash assets for allocation to the Redemption Pool, the Directors may, in their absolute discretion, determine that a pro rata allocation of such assets between the Redemption Pool and the assets to be retained in the Portfolio is not practicable and may choose an alternative allocation, or subsequently rebalance the Redemption Pool, if they consider that this would be equitable to both Exiting Shareholders and Continuing Shareholders.

As a result of the above factors, the value of the Portfolio following the completion of a Redemption Offer may be reduced by more than the Net Asset Value of the Shares that were redeemed pursuant to the Redemption Offer.

*In connection with a Redemption Offer, the Group may be required to realise assets when it would not otherwise have done so, which may adversely affect the prices it can obtain for such assets and, therefore, the redemption proceeds receivable by Exiting Shareholders. Furthermore, the Investment Manager may not necessarily engage in any currency hedging activity in relation to the assets comprised in the Redemption Pool*

In connection with a Redemption Offer, any non-cash assets allocated by the Directors to the Redemption Pool will be realised by the Investment Manager, and the realised proceeds distributed to Exiting Shareholders, as soon as reasonably practicable. Such non-cash assets may therefore be realised in circumstances in which the Investment Manager's preference would otherwise have been to retain them and/or at times when it is not in the Investment Manager's view possible to achieve an optimal price for such assets. The Investment Manager may not necessarily seek to hedge currency risk between the currencies in which the assets comprised in the Redemption Pool are denominated and the currencies in which the Shares redeemed pursuant to the Redemption Offer were denominated. Exiting Shareholders may therefore be subject to unhedged currency exposure during the period from the Redemption Date until all of the assets comprised in the Redemption Pool have been realised.

As a result, redemption proceeds realised by Exiting Shareholders may fall short of the NAV allocated to the Redemption Pool at the initiation of the Redemption Offer.

## **Risks relating to the Shares**

*The Shares may trade at a discount to NAV and Shareholders may be unable to realise their investments through the secondary market at NAV*

The Shares may trade at a discount to NAV per Share for a variety of reasons, including market conditions or to the extent investors undervalue the management activities of the Investment Manager or discount their valuation methodology and judgments. While the Directors may seek to mitigate any discount to NAV through discount management mechanisms they consider appropriate, there can be no guarantee that they will do so or that such mechanisms will be successful and the Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.

*The existence of a liquid market in the Shares cannot be guaranteed*

The Company will apply for the Shares to be admitted to trading on the Main Market and expects the Shares to commence trading on this exchange on or about 8.00am on 5 March 2012.

The market price of the Shares may rise or fall rapidly; investors should carefully consider, among other things, the following factors before dealing in Shares:

- the prevailing market price of the Shares;
- the NAV per Share, market price volatility and liquidity of the Shares;
- any related transaction costs; and
- the Company's creditworthiness.

In addition, general movement in local and international stock markets, prevailing and anticipated economic conditions and interest rates, investor sentiment and general economic conditions may all affect the market price of the Shares.

The Company has been established as a closed-ended collective investment scheme. Accordingly, Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time, save in connection with, and subject to, the terms of any Redemption Offer approved by the Board. While the Directors retain the right to effect repurchases of Shares and to return capital in the manner described in this Prospectus, other than in connection with a Redemption Offer they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors to do so. Shareholders wishing to realise their investment in the Company will normally therefore be required to dispose of their Shares through the secondary market. Accordingly, Shareholders' ability to realise their investment at NAV or at all is dependent on the existence of a liquid market for the Shares.

The number of Shares to be issued pursuant to the Issue is not yet known and, following the Issue, there may be a limited number of Shareholders. Limited numbers of Shareholders may mean that there is limited liquidity in the Shares which may affect (i) an investor's ability to realise some or all of his investment, and/or (ii) the price at which such investor can effect such realisation, and/or (iii) the price at which such Shares trade in the secondary market.

*Individual Share classes may be exposed to currency risk*

The Shares in the Company will be denominated in Sterling and Euro. Investments made by the Company may be denominated in currencies other than Sterling and Euro. The Company will operate in Euro as its base currency. Therefore, the holders of a specific class of Shares may be subject to foreign currency fluctuations between the currency in which such Shares are denominated and the currency of the investments made by the Company.

The Company intends to hedge the value of any non-Euro assets into Euro using spot and forward foreign exchange contracts rolling on a monthly basis and, in relation thereto, has entered into the Hedging Master Agreement with BNP Paribas Securities Services S.C.A. The Company cannot give any assurance that it will, in all cases, be able to hedge or that the hedges will be completely effective, so while the Company will seek to minimise the exposure, Shareholders may potentially be exposed to some currency risk.

The Investment Manager reserves the right to terminate any hedging arrangement, such as the Hedging Master Agreement, in its absolute discretion, including, without limitation, if it considers it to be in the interests of Shareholders to do so or such arrangements may adversely affect the performance of the Company.

As a result of currency exchange rate exposure and the profits, losses and expenses of hedging transactions being, where relevant, borne by the class of Shares subject to the hedging transaction,

the performance of such Shares may differ from that of the other class of Shares. Furthermore, while the profits, losses and expenses relating to currency hedging transactions, if any, will, where relevant, be specifically allocated to and paid by the class of Shares to which such transactions are related, under the laws of Guernsey, were the assets of the Company attributable to such class of Shares insufficient to pay any of its specific liabilities, including, without limitation, their specific hedging expenses, such liabilities would be borne by the Company.

The use of derivatives and other instruments to reduce risk involves costs. Consequently, the use of hedging transactions might result in lower performance for the hedged Shares than if the Investment Manager had not sought to hedge exposure against foreign currency exchange risk.

In certain circumstances, the Directors, in accordance with the Articles, have the right, at their discretion, to compulsorily convert Shares of one class into Shares of the other class. In such circumstances, investors who have subscribed for Euro Shares may have those Euro Shares compulsorily converted into Sterling Shares, and vice versa. Such conversions will be carried out on the basis of the ratio of the last reported NAV per Share of the class of Shares to be converted (calculated in the currency of the relevant class of Shares less the costs of effecting such conversion and as adjusted to reflect the impact of any currency hedging arrangements) to the NAV of the class of Shares into which they will be converted (each as at the relevant Currency Conversion Calculation Date). The voting rights attached to Shares of each class will, however, remain fixed at the levels set out in this Prospectus. There is therefore a risk that investors in a particular class of Shares may have, as a result such conversion, a reduced level of voting rights in the Company.

In connection with any currency hedging transactions, including those effected under the Hedging Master Agreement, the Group may be required to pledge some of the Group's assets as collateral to the relevant hedging counterparty. Moreover, the Hedging Master Agreement includes, and other agreements which may be entered into in relation to the Group's currency hedging transactions may include, customary termination rights for the counterparty. If such a termination right were to be exercised, the counterparty could be entitled to realise and liquidate pledged assets as collateral, and as a result, the Company's investment return and performance could be materially adversely affected and the Company could incur significant losses. Furthermore, in selecting pledged assets for liquidation, a counterparty will realise the most liquid investments, which could result in the remaining portfolio of investments being less diverse and/or less liquid than would otherwise be the case.

*The Company is not, and does not intend to become, registered in the United States as an investment company under the Investment Company Act and related rules*

The Company has not been, does not intend to, and may be unable to, become registered in the United States as an investment company under the Investment Company Act. The Investment Company Act provides certain protections to investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered, and does not intend to register, none of these protections or restrictions is or will be applicable to the Company.

*The Shares will be subject to significant transfer restrictions for investors in the United States and certain other jurisdictions as well as forced transfer provisions*

The Shares have not been, and will not be, registered under the Securities Act or under any other applicable securities laws and are subject to restrictions on transfer. Moreover, the Shares are being offered and sold outside the United States to non-US Persons in reliance on Regulation S.

In order to avoid being required to register under the Investment Company Act, the Company has imposed significant restrictions on the transfer of the Shares which may materially affect the ability of Shareholders to transfer Shares in the United States or to US Persons. The Shares may not be resold in the United States, except pursuant to an exemption from the registration requirements of the Securities Act, the Investment Company Act and applicable state securities laws. There can be no assurance that Shareholders or US Persons will be able to locate acceptable purchasers in the United States or obtain the certifications required to establish any such exemption. These restrictions may make it more difficult for a US Person to resell the Shares and may have an adverse effect on the market value of the Shares. The transferability of the Shares is subject to certain restrictions as set out in Part V of this Prospectus.

## **Risks relating to the investment strategy and investment portfolio**

*The success of the Company depends on the Investment Manager's ability to generate investment returns by making investments in accordance with the Company's published investment policy*

The success of the Company will depend on the Investment Manager's ability to advise on and manage investments predominantly in the secured debt of borrowers in the sub-investment grade corporate debt market, in accordance with the Company's investment objective and policy. While the Company and the Investment Manager (in accordance with the terms of the Investment Management Agreement) will at all times comply with the published investment policy, there can be no assurance that the Investment Manager will be able to do so successfully or that the Company will be able to generate any investment returns for Shareholders or indeed avoid investment losses.

*The value of senior loans, bonds and other debt obligations may be adversely influenced by a number of factors and early prepayment or default by a borrower may affect the value of the Portfolio*

The market value of debt obligations may vary because of a number of factors, including, but not limited to, the financial condition of the relevant underlying borrower, the industry in which the borrower operates, general economic or political conditions, interest rates, the condition of the debt trading markets and certain other financial markets, developments or trends in any particular industry and changes in prevailing interest rates.

Senior loans generally have maturities ranging from five to eight years, but may have a shorter remaining term when purchased in the secondary loan market. Given that many senior loans are repaid early, the actual maturity of senior loans is typically shorter than their stated final maturity calculated solely on the basis of the stated life and repayment schedule. Generally, voluntary prepayments are permitted and the timing of prepayments cannot be predicted with any accuracy. The degree to which borrowers prepay senior loans, whether as a contractual requirement or at their election, may be affected by general business conditions, market interest rates, the borrower's financial condition and competitive conditions among lenders. Investments in senior loans are also subject to interest rate risk and reinvestment risk. Prepayments of senior loans held by the Group are likely to be made during any period of declining new issue margins. Such prepayments may result in the Group replacing such loans with lower-yielding investments, leading to lower returns on the Portfolio and, consequently, the Shares.

Investments that the Group will make are subject to credit, liquidity and interest rate risk. Any such obligation may become a defaulted obligation for a variety of reasons, including non-payment of principal or interest, as well as covenant violations by the borrower in respect of the underlying documents. A defaulted debt obligation may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and/or a substantial change in the terms, conditions and covenants with respect to such defaulted debt obligation. In addition, such negotiations or restructuring may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such defaulted debt obligation. In addition, substantial costs and resources in such situations may be imposed on the lender, further affecting the value of the debt obligation. The liquidity in defaulted debt obligations may also be limited, and to the extent that defaulted debt obligations are sold, it is highly unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest thereon, which would adversely affect the value of the Portfolio and, consequently, the Shares.

*The Group may acquire different contractual rights depending on the way in which it invests in loans, bonds and other debt obligations*

The contractual rights of the Group, in relation to the loans that it acquires, will depend on the way in which the Company acquires the loans.

It is intended that the Group may acquire interests in loans either (i) directly or (ii) indirectly by way of sub-participation, in relation to both primary and secondary loans. In a sub-participation arrangement, the Group will gain an economic exposure to a loan or group of loans without becoming a lender of record. In these circumstances, a third party, such as a loan trading desk at a financial institution, holds the loan as the lender of record and retains the voting rights in respect of the loan.

Accordingly, the contractual rights acquired by the Group may vary considerably and the Group may be required to adopt particular contractual arrangements and structures in order to satisfy the legal and regulatory requirements of a particular jurisdiction. Additionally, a purchaser by way of transfer

or assignment of a loan typically acquires all the rights and obligations of the assigning institution, becomes a lender under the credit agreement with respect to the debt obligation (although its rights can be more restricted than those of the assigning or transferring institution) and has a direct contractual relationship with the borrower. Acquisition of a sub-participation interest in a loan typically results in a contractual relationship only with the lender which is participating out its interest under the loan, rather than with the borrower. On the acquisition of a sub-participation, the Group will generally not have a right to enforce compliance with the terms of the loan agreement against the borrower, and will be reliant on the lender which is participating out its interest under the loan. As a result, the Group will assume credit risk in relation to both the borrower and the entity which is sub-participating its interest under the loan.

*In the event of default under a debt obligation, the Group will bear a risk of loss of principal and accrued interest*

In the event of any default on the Group's investment in a debt obligation by the borrower, the Group will bear a risk of loss of principal and accrued interest on the debt obligation, which could have a material adverse effect on the Group's investment. In the case of secured loans, restructuring can be an expensive and lengthy process which could have a material negative effect on the Group's anticipated return on the restructured loan. By way of example, it would not be unusual for any costs of enforcement to be paid out in full before the repayment of interest and principal. This could substantially reduce the Group's anticipated return on the restructured loan.

The level of defaults in the Portfolio and the losses suffered on such defaults may increase in the event of adverse financial or credit market conditions.

*The value of the investments made by the Group in debt obligations may be affected by fraud or misrepresentation or omission*

The value of the investments made by the Group in debt obligations may be affected by fraud, misrepresentation or omission on the part of the borrower to which the debt obligation relates, by parties related to the borrower or by other parties to the debt obligation (or related collateral and security arrangements). Such fraud, misrepresentation or omission may adversely affect the value of the collateral underlying the debt obligation in question and may adversely affect the Group's ability to enforce its contractual rights under the debt obligation or the borrower's ability to repay the debt obligation or interest on it or its other debts.

*The value of the Group's investments may be subject to jurisdiction-specific insolvency regimes*

The value of the investments held by the Group may be impacted by various laws enacted for the protection of creditors in the jurisdictions of incorporation of the borrowers thereunder and, if different, the jurisdictions from which the borrowers conduct their business and in which they hold their assets, which may adversely affect such borrowers' abilities to make payment on a full or timely basis.

In particular, it should be noted that a number of continental European jurisdictions operate less predictable insolvency regimes which could result in delays in payments where obligations, debtors or assets thereunder are subject to such regimes. The different insolvency regimes applicable in the different European jurisdictions result in a corresponding variability of recovery rates for senior loans, high-yield bonds and other debt obligations entered into or issued in such jurisdictions.

Jurisdiction-specific insolvency regimes may negatively impact borrowers' or issuers' ability to make payments to the Group, or the Group's recovery in a restructuring or insolvency, which may adversely affect the Group's business, financial condition and results of operations.

*The Group may be subject to losses on investments as a result of insolvency or clawback legislation and/or fraudulent conveyance findings by courts*

Various laws enacted for the protection of creditors and stakeholders may apply to certain investments that are debt obligations, although the existence and applicability of such laws will vary from jurisdiction to jurisdiction. For example, if a court were to find that a borrower did not receive fair consideration or reasonably equivalent value for incurring indebtedness evidenced by an investment and the grant of any security interest or other lien securing such investment, and, after giving effect to such indebtedness, the borrower (i) was insolvent, (ii) was engaged in a business for which the assets remaining in such borrower constituted unreasonably small capital, or (iii) intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature, such court may invalidate such indebtedness and such security interest or other lien as a fraudulent

conveyance, subordinate such indebtedness to existing or future creditors of the borrower or recover amounts previously paid by the borrower (including to the Group) in satisfaction of such indebtedness or proceeds of such security interest or other lien previously applied in satisfaction of such indebtedness. In addition, if a borrower or issuer in whose debt the Group has an investment becomes insolvent, any payment made on such investment may be subject to avoidance, cancellation and/or clawback as a “preference” if made within a certain period of time (which may be as long as two years) before insolvency.

In general, if payments on an investment are voidable, whether as fraudulent conveyances, extortionate transactions or preferences, such payments may be recaptured either from the initial recipient or from subsequent transferees of such payments. To the extent that any such payments are recaptured from the Group, the resulting loss will ultimately be borne by the investors in the Company.

*The Company’s hedging arrangements may not be successful*

In connection with the financing of certain investments, the Company may employ hedging techniques designed to reduce the risks of adverse movements in interest rates, securities prices and/or currency exchange rates. While such transactions may reduce certain risks, they create others. For example, unexpected fluctuations in such rates or prices could cause the corresponding prices of the long and short portions of a position to move in directions which were not initially anticipated. To the extent that rate assumptions underlie the hedging of a particular position, fluctuations in rates could invalidate those underlying assumptions and expose the Company to additional costs and losses, which could have a material adverse effect on the performance of the Company and returns to Shareholders.

The Company intends to hedge the value of any non-Euro assets into Euro using spot and forward foreign exchange contracts rolling on a monthly basis.

The Company may benefit from the use of such hedging strategies; however, such strategies may also result in losses and overall poorer performance than if the Company had not entered into such hedging transactions.

#### **Risks relating to the Group’s collateral**

*The collateral and security arrangements under a secured debt obligation in which the Group has invested may not have been properly created or perfected, or may be subject to other legal or regulatory restrictions*

Whilst the Group will invest in senior secured loans, the collateral and security arrangements in relation to such loans will be subject to such security or collateral having been correctly created and perfected and any applicable legal or regulatory requirements which may restrict the giving of collateral or security by a borrower under a loan, such as, for example, thin capitalisation, over-indebtedness, financial assistance and corporate benefit requirements. If the loans in which the Group invests do not benefit from the expected collateral or security arrangements, this may affect the value of the investments made by the Group.

*The Group’s investments will be based in part on valuations of collateral which are subject to assumptions and factors that may be incomplete, inherently uncertain or subject to change*

A component of the Investment Manager’s analysis of the desirability of making a given investment relates to the estimated residual or recovery value of such investments in the event of the insolvency of the borrower. This residual or recovery value will be driven primarily by the value of the anticipated future cashflows of the borrower’s business and by the value of any underlying assets constituting the collateral for such investment. The anticipated future cashflows of the borrower’s business and the value of collateral can, however, be extremely difficult to predict as in certain circumstances market quotations and third party pricing information may not be available. If the recovery value of the collateral associated with the loans in which the Group invests decreases or is materially and adversely worse than expected by the Group, such a decrease or deficiency may affect the value of the investments made by the Group.

#### **Risks relating to the Investment Manager**

*The Company is dependent on the expertise of the Investment Manager and its key personnel properly to evaluate attractive investment opportunities and to implement its investment strategy*

In accordance with the Investment Management Agreement, the Investment Manager is responsible for the management of the Group’s investments in accordance with the Company’s published



investment policy and is bound by contractual obligations in relation thereto. Neither the Company nor LuxCo has employees and their respective directors are appointed on a non-executive basis. While the directors of the Company and LuxCo will have responsibility for managing the business affairs of the Company and LuxCo, respectively, in accordance with the applicable laws and their respective constitutional documents and have overall responsibility for the activities of the Company and LuxCo, respectively, the Group's investment and asset management decisions will be made by the Investment Manager and, accordingly, the Group will be completely reliant on, and its success will depend exclusively on, the Investment Manager and its personnel, services and resources. The Investment Manager is not required to and generally will not submit individual investment decisions for approval to the Board or to the directors of LuxCo.

Consequently, the future ability of the Group to pursue its investment policy successfully may depend on the ability of the Investment Manager to retain its existing staff and/or to recruit individuals of similar experience and calibre. Whilst the Investment Manager has endeavoured to ensure that the principal members of its management team are suitably incentivised, the retention of key members of the teams cannot be guaranteed. Furthermore, in the event of a departure of a key employee of the Investment Manager, there is no guarantee that the Investment Manager would be able to recruit a suitable replacement or that any delay in doing so would not adversely affect the performance of the Company. Events impacting but not entirely within the Company's and the Investment Manager's control, such as its financial performance, its being acquired or making acquisitions or changes to its internal policies and structures could in turn affect its ability to retain key personnel.

The Investment Manager's strategy is resource and time-intensive. If the Investment Manager is unable to allocate the appropriate time or resources to the Group's investments, the Company may be unable to achieve its investment objective. In addition, the Investment Management Agreement does not require the Investment Manager to dedicate specific personnel to the Group or to require personnel servicing the Group's business to allocate a specific amount of time to the Group.

While the Investment Manager has contractual obligations to the Company and LuxCo under the Investment Management Agreement, the Group is also subject to the risk that the Investment Management Agreement may be terminated and that no suitable replacement for the Investment Manager will be found. If the Investment Management Agreement is terminated and a suitable replacement is not secured in a timely manner or key personnel of the Investment Manager are not available to the Group with an appropriate time commitment, the ability of the Company to execute its investment strategy or achieve its investment objective may be adversely affected.

The obligations of the Investment Manager are not guaranteed by any other person.

*The due diligence process that the Investment Manager plans to undertake in evaluating specific investment opportunities for the Group may not reveal all facts that may be relevant in connection with such investment opportunities and any corporate mismanagement, fraud or accounting irregularities may materially affect the integrity of the Investment Manager's due diligence on investment opportunities*

When conducting due diligence and making an assessment regarding an investment, the Investment Manager will be required to rely on resources available to it, including internal sources of information as well as information provided by existing and potential borrowers, any equity sponsor(s), lenders and other independent sources. The due diligence process may at times be required to rely on limited or incomplete information particularly with respect to newly established companies for which only limited information may be available.

In addition, the Investment Manager will select investments for the Group in part on the basis of information and data relating to potential investments filed with various government regulators and publicly available or made directly available to the Investment Manager by the entities filing such information or third parties. Although the Investment Manager will evaluate all such information and data and seek independent corroboration when it considers it appropriate and reasonably available, the Investment Manager will not be in a position to confirm the completeness, genuineness or accuracy of such information and data. The Investment Manager is dependent upon the integrity of the management of the entities filing such information and of such third parties as well as the financial reporting process in general.

In addition, investment analyses and decisions by the Investment Manager may be undertaken on an expedited basis in order to make it possible for the Group to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Manager may not have sufficient time to evaluate fully such information even if it is available.

Accordingly, due to a number of factors, the Investment Manager cannot guarantee that the due diligence investigation it carries out with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Investment Manager to identify relevant facts through the due diligence process may cause it to make inappropriate investment decisions, which may have a material adverse effect on the Company's business, financial condition, results of operations or the value of the Shares.

*The Investment Manager will source all of the Group's investments and affiliates of the Investment Manager may participate in some of those investments, which may result in conflicts of interest*

The Company is subject to a number of actual or potential conflicts of interest involving the Investment Manager and its affiliates, which are summarised below.

The Investment Manager and/or companies with which it is associated may from time to time act as manager, sponsor, investment manager, trustee, custodian, sub-custodian, registrar, broker, administrator, investment adviser or dealer in relation to, or be otherwise involved with, other clients, including other investment funds and client accounts, including those which follow an investment program substantially similar to that of the Company (such other clients, funds and accounts, collectively, the "Other Accounts"). The Company will not have an interest in these Other Accounts. Conflicts of interest between the Company and these Other Accounts may exist, which include, but are not limited to, those described herein. These Other Accounts may have an investment objective that is similar to, or overlap to a greater or lesser extent with, those of the Company, as well as investment guidelines that differ from those applicable to the Company's investments. The Investment Manager may determine that an investment opportunity is appropriate for an Other Account but not for the Company or that the allocation to the Company should be of a proportion different to that allocated to an Other Account.

It is the policy of the Investment Manager to exercise due care to ensure that investment opportunities are allocated fairly and equitably among client funds. The Investment Manager, however, will have no obligation to purchase, sell or exchange any investment for the Company which the Investment Manager may purchase, sell or exchange for one or more Other Accounts if the Investment Manager believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the Company. The Investment Manager's client funds vary substantially in size, investment objective, acceptable risk levels, return targets, permissible and preferred asset classes and liquidity requirements. The Investment Manager may determine that certain investment opportunities may be appropriate for more than one client fund. Where the aggregate level of interest and capacity from the Investment Manager's client funds in respect of a particular investment opportunity exceeds the level of the investment that is available in that opportunity, the Investment Manager will allocate the relevant investment across its client funds in what it deems to be a fair and equitable manner, taking into account the factors referred to above. In addition, the Investment Manager may also take into consideration other factors such as the investment programs of the accounts, tax consequences, legal or regulatory restrictions, including those that may arise in various different international jurisdictions, the relative historical participation of a client fund in the investment, the difficulty of liquidating an investment for more than one client fund, new client funds with a substantial amount of investable cash and such other factors considered relevant by the Investment Manager. Such considerations may result in allocations among the Company and one or more Other Accounts other than on a *pari passu* basis (which may result in different performances among them).

The Investment Manager and its officers and employees will devote as much of their time to the activities of the Company as they deem necessary and appropriate. The Investment Manager and companies with which it is associated are not restricted from forming additional investment funds, from entering into other investment advisory relationships or from engaging in other business activities, even though such activities may be in competition with the Company and/or may involve substantial time and resources. These activities may be viewed as creating a conflict of interest in that the time and effort of the Investment Manager and its officers and employees will not be devoted exclusively to the business of the Company but will be allocated between the business of the Company and such other activities. Future activities by the Investment Manager and companies with which it is associated, including the establishment of other investment funds, may give rise to additional conflicts of interest.

The Investment Manager may be prevented from taking control positions in certain issuers, or positions adverse to their management, due to other business commitments and relationships of the BNY Mellon Group or decisions of its management. In such cases, the Investment Manager will be compelled to act other than in the best interests of the Company due to conflicts of interest with the BNY Mellon Group, which may adversely affect the Company's ability to achieve its investment objective.

#### **Risks relating to regulation and taxation**

*Greater regulation of the fund management industry and financial services industry may impose additional restrictions on the Company and the Investment Manager which may materially affect the Company's business and its ability to achieve its investment objective*

There are currently a number of initiatives in Europe, the United States and elsewhere which may result in greater regulation of, or may otherwise affect, the fund management industry. There can be no assurance that future regulatory action will not result in additional market dislocation. It is difficult to predict the nature, timing and scope of future changes in laws and regulations applicable to the Company, the Investment Manager, the markets in which they trade and invest or the counterparties with which they do business. Any such changes in laws and regulations may have a material adverse effect on the ability of the Company successfully to carry out its business, to pursue its investment policy and to realise its profit potential, and may include a requirement of increased transparency as to the identity of investors in the Company. Any such event may materially adversely affect the investment returns of the Company.

*The AIFM Directive may result in additional burdens being placed on the Investment Manager and the Company, which may create significant additional compliance costs which may be passed on to investors. In addition, the AIFM Directive may impair the ability of the Investment Manager to manage the investments of the Company, which may materially adversely affect the Company's ability to implement its investment strategy and achieve its investment objective*

European Member States are required to implement the AIFM Directive into local Member State law by 22 July 2013. The AIFM Directive will impose new requirements in relation to funds managed or established in the EU and in certain circumstances to other funds which are marketed in the EU. The AIFM Directive seeks to regulate EU-based alternative investment fund managers (in this paragraph, "EU AIFM") and prohibits such managers from managing any alternative investment fund (in this paragraph, "AIF") or marketing shares in such funds to EU investors unless authorisation is granted to the EU AIFM. In order to obtain such authorisation, and to be able to manage the AIF, an EU AIFM will need to comply with various obligations prescribed under the AIFM Directive, which may create significant additional compliance costs that may be passed on to investors in the AIF.

The AIFM Directive will require the Investment Manager to seek authorisation to manage the Company and/or for Guernsey, as the country of establishment of the Company, to meet certain requirements. If the Investment Manager were to fail to, or to be unable to, obtain such authorisation or if Guernsey were not to meet such requirements, the Investment Manager may be unable to continue to manage the Company or its ability to manage the Company may be impaired.

Any regulatory changes arising from implementation of the AIFM Directive (or otherwise) that impair the ability of the Investment Manager to manage the investments of the Company, or limit the Company's ability to market future issuances of its Shares, may materially adversely affect the Company's ability to carry out its investment strategy and achieve its investment objective.

*Changes in the Company's or LuxCo's tax status or tax treatment may adversely affect the Company and if the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders*

Any change in the Company's or LuxCo's tax status, or in taxation legislation or practice in Guernsey, Luxembourg or the United Kingdom or any jurisdiction in which borrowers are held to be resident, or in the Company's or LuxCo's tax treatment (for example, due to the disposition of equity accepted in settlement for debt) may affect the value of the investments held by the Company or LuxCo or the Company's or LuxCo's ability successfully to pursue and achieve its investment objective, or alter the after-tax returns to Shareholders. Statements in this Prospectus concerning the taxation of Shareholders are based upon current United Kingdom, Guernsey and Netherlands tax law and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect) that may adversely affect the ability of the Company and/or

LuxCo successfully to pursue its investment policy or meet its investment objective, and which may adversely affect the taxation of Shareholders.

In the event of a change in LuxCo's tax status, the Company could elect either for the Profit Participating Bonds to become immediately due and repayable or for all or part of the Portfolio to be transferred *in specie* to it from LuxCo. This could have significant adverse consequences from a tax perspective both at the time of the repayment of the Profit Participating Bonds or the *in specie* transfer of all or any part of the Portfolio (as applicable) and on an ongoing basis until another tax efficient vehicle could be introduced into the Group structure to own the Portfolio. Statements in this Prospectus in particular take into account legislation introduced by the Finance Act 2009, which provided for a new definition of "offshore fund" for the purposes of the United Kingdom offshore fund rules and which took effect from 1 December 2009. Should the Company or any class of Shares be regarded as being subject to the offshore fund rules this may have adverse tax consequences for certain UK resident shareholders.

Potential investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effect of an investment in the Company.

*Failure by the Company or LuxCo to maintain its non-UK tax resident status may subject the Company or LuxCo to additional taxes which may materially adversely affect the Company's business, results of operations and the value of the Shares*

In order to maintain their non-UK tax resident status, the Company and LuxCo are each required to be controlled and managed outside the United Kingdom. The composition of the board of Directors of the Company and of LuxCo, the place of residence of the individual Directors and the location(s) in which the board of Directors of the Company and of LuxCo makes decisions will be important in determining and maintaining the non-UK tax resident status of the Company and of LuxCo. Although the Company and LuxCo are each established outside the United Kingdom and a majority of the Directors of each of the Company and of LuxCo live outside the United Kingdom, continued attention must be given to ensure that major decisions are not made in the United Kingdom or the Company and/or LuxCo may lose its non-UK tax resident status. As such, management errors may potentially lead to the Company and/or LuxCo being considered UK tax resident which may adversely affect the financial condition of the Company and/or LuxCo, results of operations, the value of the Shares and/or the after-tax return to the Shareholders.

*Individual Shareholders may have conflicting investment, tax and other interests with respect to their investments in the Company*

Shareholders are expected to include taxable and tax-exempt entities and persons or entities organised and residing in various jurisdictions who may have conflicting investment, tax and other interests with respect to their investments in the Company. The conflicting interests of individual Shareholders may relate to or arise from, among other things, the nature of investments made by the Group, the structuring of the acquisition of investments, the timing of disposition of investments and the manner in which income and capital generated by the Company is distributed to Shareholders. The structuring of investments and distributions may result in different returns being realised by different Shareholders. As a consequence, conflicts of interest may arise in connection with decisions made by the Investment Manager, including the selection of borrowers in whose debt obligations the Group will invest, which may be more beneficial for one investor than for another investor, especially with respect to investors' individual situations. In selecting and structuring investments appropriate for the Group and in determining the manner in which distributions shall be made to Shareholders, the Investment Manager and the Directors, respectively, will consider the investment and tax objectives of the Company and Shareholders as a whole, not the investment, tax or other objectives of any Shareholder individually, which may adversely affect the investment returns of individual Shareholders.

*The Company could be subject to FATCA*

The Company is subject to regulations imposed by overseas regulators. In March 2010, the United States enacted the Hiring Incentives to Restore Employment Act, containing provisions similar to the former FATCA. FATCA imposes a withholding tax of 30 per cent. on certain US source payments and proceeds from the sale of certain assets that give rise to US source payments, as well as a portion of certain payments by non-US entities, to persons that fail to meet requirements under FATCA. This withholding tax may be imposed on payments to foreign financial institutions (including investment funds) if they do not enter into and comply with an agreement with the IRS

(an “IRS Agreement”) to obtain and report information with respect to the Shares held by US taxpayers and by certain non-US entities that are wholly or partially owned by US persons. Withholding would be imposed from (a) 1 January 2014 in respect of certain US source payments made on or after that date, (b) 1 January 2015 in respect of proceeds from the sale of certain assets that give rise to US source payments, and (c) 1 January 2015 at the earliest in respect of other “pass-through payments” paid to the foreign financial institution. Accordingly, the entity through which the Shares are held will affect the determination of whether such withholding is required. Similarly, dividends in respect of, and gross proceeds from the sale of, the Shares held by an investor that is a non-financial, non-US entity will be subject to withholding at a rate of 30 per cent., unless such entity either (i) certifies that such entity does not have any “substantial United States owners” or (ii) provides certain information regarding the entity’s “substantial United States owners” which the Company will in turn provide to the Secretary of the Treasury of the United States. Investors are encouraged to consult their tax advisors regarding the possible implications of FATCA on their investment in the Shares.

While the final rules on implementation of FATCA are yet to be finalised, it is expected that such implementation would require foreign financial institutions to develop system capabilities and processes to effect such identification and reporting. Developing these capabilities is likely to be a complex process and any failure to meet the requirements of FATCA on this account or otherwise may result in legal and regulatory actions against the Company. If the Company is unable to manage these risks, its business could be adversely affected. The future application of FATCA to the Company is uncertain, and it is not clear at this time what actions, if any, will be required to minimise any adverse impact of FATCA on the Company. If the Company does not enter into an IRS Agreement or fails to comply with an IRS Agreement, and is therefore subject to the 30 per cent. withholding tax, the return to investors may be significantly reduced. If the Company does enter into an IRS Agreement, withholding may be imposed on investors (both US and non-US) that do not provide certain information to the Company. FATCA is particularly complex and its application to investment funds and their shareholders is uncertain at this time. Each prospective investor should consult its own tax adviser to obtain a more detailed explanation of FATCA and to learn how it might affect it in its particular circumstances.

## IMPORTANT NOTICES

Investors should rely only on the information in this Prospectus. No person has been authorised by the Company, the Directors, the Investment Manager or the Sponsor to issue any advertisement or to give any information or to make any representations in connection with the Issue other than the information and representations contained in this Prospectus and, if any other advertisement, information or representations is or are issued, given or made, such advertisement or information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Investment Manager or the Sponsor. No representation or warranty, express or implied, is made by the Investment Manager or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Investment Manager, the Sponsor or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and PR 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company taken as a whole since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult their own solicitor, financial adviser or tax adviser for legal, financial or tax advice in relation to the purchase of Shares.

An investment in the Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in the Shares should constitute part of a diversified investment portfolio. Accordingly, typical investors in the Company are expected to be sophisticated and/or professional investors who understand the risks involved in investing in the Company.

### General

Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Prospective investors must rely upon their own representatives, including their own legal advisers, financial advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Prospectus are based on the law and practice currently in force and are subject to changes therein. This Prospectus should be read in its entirety before making any application for Shares.

All times and dates referred to in this Prospectus are, unless otherwise stated, references to London times and dates and are subject to change without further notice.

### *Restrictions on Distribution and Sale*

The distribution of this Prospectus and the offering and sale of the Shares in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and observe any such restrictions. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or solicitation to purchase, any such securities in any jurisdiction in which such solicitation would be unlawful.

*For a description of restrictions on offers, sales and transfers of Shares, see “Selling and transfer restrictions” on pages 71 to 74 in Part V of this Prospectus.*

### *No Incorporation of Website*

The contents of the Company’s website at [www.aefrif.com](http://www.aefrif.com) do not form part of this Prospectus. Investors should base their decision to invest on the contents of this Prospectus alone and should consult their professional advisers prior to making an application to subscribe for Shares.

## Forward-looking Statements

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company or the Investment Manager concerning, amongst other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, prospects, and dividend policy of the Company and the markets in which it, and its portfolio of investments, invest and/or operate. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual investment performance, results of operations, financial condition, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this Prospectus. In addition, even if the investment performance, results of operations, financial condition of the Company, and the development of its financing strategies, are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause these differences include, but are not limited to:

- (i) changes in economic conditions generally and the Company’s ability to achieve its investment objective and returns on equity for investors;
- (ii) the Company’s ability to invest the cash on its balance sheet and the proceeds of the Issue in suitable investments in accordance with its published investment policy on a timely basis;
- (iii) foreign exchange mismatches with respect to exposed assets;
- (iv) changes in interest rates and/or credit spreads, as well as the success of the Company’s investment strategy in relation to such changes and the management of the un-invested proceeds of the Issue;
- (v) impairments in the value of the Group’s investments;
- (vi) the availability and cost of capital for future investments;
- (vii) the departure of key personnel employed by the Investment Manager;
- (viii) the failure of the Investment Manager to perform its obligations under the Investment Management Agreement or the termination of the Investment Manager’s appointment;
- (ix) changes in laws or regulations, including tax laws, or new interpretations or applications of laws and regulations, that are applicable to the Company or borrowers; and
- (x) general economic trends and other external factors, including those resulting from war, incidents of terrorism or responses to such events.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. Prospective investors should carefully review the “Risk Factors” section of this Prospectus for a discussion of additional factors that could cause the Company’s actual results to differ materially before making an investment decision. Forward-looking statements speak only as at the date of this Prospectus. Although the Company and the Investment Manager undertake no obligation to revise or update any forward-looking statements contained herein (save where required by the Listing Rules, Prospectus Rules or Disclosure Rules and Transparency Rules), whether as a result of new information, future events, conditions or circumstances, any change in the Company’s or the Investment Manager’s expectations with regard thereto or otherwise, investors are advised to consult any communications made directly to them by the Company and/or any additional disclosures through announcements that the Company may make through an RIS.

For the avoidance of doubt, nothing in the foregoing paragraphs under the heading “Forward-looking Statements” constitutes a qualification of the working capital statement contained in paragraph 12 of Part VI of this Prospectus.

**Bailiwick of Guernsey**

The Company is an authorised closed-ended collective investment scheme authorised pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (“POI Law”), and the Authorised Closed-Ended Investment Scheme Rules 2008 issued by the GFSC. Neither the GFSC nor the States of Guernsey Policy Council takes any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it. If you are in any doubt about the contents of this document you should consult your accountant, legal or professional adviser or financial adviser.

**Rating Agencies**

Each of Moody’s Investors Service and Standard & Poor’s has a presence established in the European Union and is registered under EC Regulation 1060/2009 on credit rating agencies.



## EXPECTED TIMETABLE

### Expected timetable of principal events

Latest time and date for receipt of Application Forms under the Offer for Subscription	12.00pm on 27 February 2012
Latest time and date for receipt of placing commitments under the Placing	16.00pm on 28 February 2012*
Results of Issue announced	8.00am on 29 February 2012
Admission and unconditional dealings commence	8.00am on 5 March 2012
Crediting of CREST stock accounts in respect of the Shares	8.00am on 5 March 2012
Share certificates despatched	Week beginning 12 March 2012

The dates and times specified are subject to change without further notice. References to times are London times unless otherwise stated.

\* Or such earlier time as may be notified in writing by the Company to a particular Placee.

## ISSUE STATISTICS

Issue Price*	£1.00/€1.00
Target number of Shares being issued**	Expected to be in excess of 150,000,000
NAV per Share***	£0.98/€0.98

Notes:

- \* The minimum subscription per investor pursuant to the Offer for Subscription is £1,000 (in the case of the Sterling Shares) and €1,000 (in the case of the Euro Shares) and the minimum subscription per investor pursuant to the Placing is £100,000 (in the case of the Sterling Shares) and €100,000 (in the case of the Euro Shares).
- \*\* The target size of the Issue is in excess of £150 million (including the proceeds of the issue of Euro Shares converted into Sterling at the prevailing exchange rate) with the actual size of the Issue being subject to investor demand. The number of Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds and the Net Issue Proceeds, is not known as at the date of this Prospectus but will be notified by the Company via an RIS announcement prior to Admission. The Issue will not proceed if the Net Issue Proceeds would be less than £70 million (or such lesser amount as the Company, Oriel and the Investment Manager may determine and notify to investors via publication of a supplementary prospectus). For the purposes of determining the Minimum Net Proceeds, the proceeds of the issue of Euro Shares shall be converted into Sterling using prevailing currency exchange rates at the relevant time, as determined by the Directors in their absolute discretion. If the Issue does not proceed, application monies will be returned without interest at the risk of the applicant.
- \*\*\* Net Asset Value (unaudited) per Sterling Share and Euro Share immediately following Admission. The maximum costs of the Issue (including the formation of the Company and LuxCo) borne by the Company will be equal to two per cent. of the Gross Issue Proceeds. To the extent such costs exceed an amount equal to two per cent. of the Gross Issue Proceeds, the Investment Manager will bear the excess.

## DIRECTORS, INVESTMENT MANAGER AND ADVISERS

### Directors

Ian Fitzgerald (*Non-executive Chairman*)  
Anne Ewing (*Non-executive Director*)  
Jonathan (Jon) Bridel (*Non-executive Director*)  
All c/o the Company's registered office.

### Registered Office

BNP Paribas House  
St Julian's Avenue  
St Peter Port, GY1 1WA  
Guernsey, Channel Islands

### Investment Manager

Alcentra Limited  
10 Gresham Street  
London, EC2V 7JD  
United Kingdom

### Sponsor and Bookrunner

Oriel Securities Limited  
150 Cheapside  
London, EC2V 6ET  
United Kingdom

### Solicitors to the Company

Linklaters LLP  
One Silk Street  
London, EC2Y 8HQ  
United Kingdom

### Solicitors to the Sponsor and Bookrunner

Norton Rose LLP  
3 More London Riverside  
London, SE1 2AQ  
United Kingdom

### Advocates to the Company (as to Guernsey law)

Carey Olsen  
P.O. Box 98  
Carey House, Les Banques  
St. Peter Port, GY1 4BZ  
Guernsey, Channel Islands

### Reporting Accountant and Auditor

KPMG Channel Islands Limited  
20 New Street  
St. Peter Port, GY1 4AN  
Guernsey, Channel Islands

### Registrar

Capita Registrars (Guernsey) Limited  
Mont Crevelt House, Bulwer Avenue  
St Sampson, GY2 4LH  
Guernsey, Channel Islands

### Receiving Agent

Capita Registrars Limited  
The Registry  
34 Beckenham Road, Beckenham  
Kent, BR3 4TU  
United Kingdom

### Principal Bankers

BNP Paribas Securities Services S.C.A.  
BNP Paribas House  
St Julian's Avenue  
St Peter Port, GY1 1WA  
Guernsey, Channel Islands

### Designated Manager, Administrator, Custodian and Company Secretary

BNP Paribas Fund Services (Guernsey) Limited  
BNP Paribas House  
St Julian's Avenue  
St Peter Port, GY1 1WA  
Guernsey, Channel Islands

# PART I

## INFORMATION ON THE GROUP

### Introduction

The Company is a non-cellular company limited by shares incorporated in Guernsey under the Companies Laws on 3 November 2011, with registration number 54200, and has been authorised by the GFSC as an authorised closed-ended collective investment scheme. The Company is managed by Alcentra Limited, a directly owned subsidiary of the BNY Mellon Group.

The Company's share capital will be denominated in Sterling and Euro and will consist of Sterling Shares and Euro Shares, subject to a minimum amount being raised for each class pursuant to the Issue (see "Currency Classes" in this Part I for more information) and compliance with the requirements of the Listing Rules relating to the minimum number of shares to be held in public hands. The proceeds of the issue of the Sterling Shares and the Euro Shares will be pooled by the Company and not segregated for the purposes of investment. At any general meeting of the Company, each Euro Share will carry one vote and each Sterling Share will carry 1.2 votes<sup>6</sup>.

The Company intends to use the Net Issue Proceeds to invest in Profit Participating Bonds issued by a wholly owned subsidiary incorporated in Luxembourg ("LuxCo"). LuxCo will use the proceeds of the issue of the Profit Participating Bonds to invest in floating rate, secured loans or high-yield bonds issued by European or US borrowers predominantly rated below investment grade or deemed by the Investment Manager to be of a corresponding credit quality. For further information on LuxCo, see the section titled "Subsidiaries" in Part VI of this Prospectus.

### Investment Objective

The Company aims to provide Shareholders with regular quarterly dividends and the opportunity for capital growth by utilising the skills of the Investment Manager in selecting suitable investments.

The Group, as advised by the Investment Manager, will invest either directly or, through sub-participation, indirectly in floating rate, secured loans or high-yield bonds issued by European and US corporate entities predominantly rated below investment grade or deemed by the Investment Manager to be of a corresponding credit quality. The Company expects at least 80 per cent. of its investments to be in debt obligations of corporate entities domiciled, or with significant operations, in Europe. Investments are expected to be denominated in Euro, Sterling or US dollars.

### Highlights

The Company and the Investment Manager believe that the key investment highlights of the Issue include:

- (a) **Current market opportunity** – The Company and the Investment Manager believe that loans offer a compelling investment opportunity. Since the global financial crisis in 2008, corporate balance sheets have strengthened, yet technical factors have driven loan returns higher. Secondary loan prices over this period have been low, offering high discount margins of 550bps to 700bps<sup>7</sup>. Average new issue margins have risen to 500bps from 300bps<sup>8</sup> before the crisis, yet leverage has reduced. Additionally, following recent concerns regarding the delayed resolution of the European sovereign debt crisis, loan prices have reduced further, offering attractive discount margins to investors in the secondary market. The Company and the Investment Manager believe that lenders today are being paid more for taking less risk;
- (b) **High target dividend yield** – The Company will target a dividend yield per Share of 5.5 per cent. in the first year of full investment<sup>9</sup>;
- (c) **Opportunity for capital gain** – The Company expects a significant proportion of the Portfolio to be sourced at a discount to par, allowing the opportunity for capital gains. When combined with the target dividend yield, the Company aims to deliver total returns to its Shareholders of between 7 per cent. and 10 per cent. annualised over the longer term (based on current market conditions);

<sup>6</sup> Euro Shares and Sterling Shares carry different voting rights to reflect the difference in value between the currencies at the time of Admission as estimated and approximated by the Company as at the date of this Prospectus.

<sup>7</sup> Source: LCD Leveraged Loan Review – US/Europe

<sup>8</sup> Source: LCD European Weekly – 28 October 2011

<sup>9</sup> The target dividend yield should not be taken as an indication of the Company's expected future performance or results over any period and does not constitute a profit forecast

- (d) **Investment in a secured asset class** – The Group will invest predominantly in senior secured loans which, as a result of their secured claim on the assets of the borrower in the event of bankruptcy, typically exhibit higher levels of recovery in the event of default than unsecured asset classes such as high-yield bonds or equities;
- (e) **Low secondary market price volatility** – Higher recoveries in the event of borrower default reduce likely losses at times of stress, and, as a result, secondary prices for secured loans are typically less volatile than those of unsecured asset classes like high-yield bonds and equities;
- (f) **Focus on floating rate, short duration investments** – The loans in which the Group intends primarily to invest are floating rate assets and, as a result, the Company expects that any increase in interest rates will result in higher returns on the Portfolio;
- (g) **Focus on European assets** – The Company’s investment policy is for the Portfolio to be invested predominantly in loans to European borrowers. European loans are typically private transactions, offering the lender access to detailed third party due diligence material at initial launch and private monthly management accounting after launch. This allows credit analysts to assess and monitor borrower performance with a greater degree of accuracy than would be possible if their diligence was limited to public information. By contrast, in the Investment Manager’s experience, US loans are generally public deals and analysts may have a more restricted data set to work with when analysing the ability of a borrower to repay its obligations.

European loans are typically structured with robust covenant packages allowing lenders significant control over the borrower when performance deteriorates. The Investment Manager favours the European market over the US loan market where covenants are often weaker and where more deals are structured as “Covenant-Lite” with little or no covenant protection for the lender. In spite of these advantages, European loans currently offer a significant yield premium over their US counterparts;

- (h) **Diversification** – The Company expects the Portfolio, once fully invested, to comprise approximately 60 investments across at least 15 industries. The Portfolio will not have an exposure greater than 5 per cent. to any single borrower and will aim to have an exposure of no more than 20 per cent. to any single industry sector;
- (i) **Capital deployed quickly** – The Net Issue Proceeds are expected to be fully invested within four to six weeks of Admission;
- (j) **Experienced investment manager** – Alcentra has been one of the largest institutional investors in the loan market for most of the last 10 years and as at 31 October 2011 managed €9 billion of European assets. Alcentra maintains an investment team of 17 in London including 11 credit analysts organised by industry and geographical specialisation. Credits are subjected to a rigorous credit selection and review process and are monitored closely after investment. The team includes analysts with specific expertise in workout negotiations. The Investment Manager believes that its scale has historically afforded it superior access to investment opportunities and that the combination of strong credit skills and superior access should allow the opportunity for a higher quality Portfolio.

Alcentra has been recognised in the EuroWeek Syndicated Loan Awards for “Best Non-Bank Investor” six times since 2005, including most recently in 2011 (in respect of calendar year 2010). Also in 2011, Fitch Ratings awarded Alcentra an “M1” manager rating. This is the highest manager rating offered by Fitch and reflects “asset manager operations demonstrating the lowest vulnerability to operational and investment management failure” in recognition of Alcentra’s superior investment management and operational standards.

Additionally, Alcentra is majority owned by BNY Mellon, one of the largest banks in the US, a stable and deeply resourced parent;

- (k) **Track record** – Alcentra has been managing loans in various funds for over 10 years and has been managing a directly comparable strategy in its European Loan Fund since July 2009;
- (l) **Daily NAV** – The Company will calculate and publish NAV on a daily basis; and
- (m) **Efficient fee structure** – The Company will charge an annual management fee of 0.7 per cent. of the Company’s NAV per annum with no incentive or performance fee. Operating expenses are not expected to exceed approximately 0.3 per cent of the Company’s NAV per annum

(excluding the management fee referred to above) based on a target issue in excess of £150 million (including the proceeds of the issue of Euro Shares converted into Sterling at the prevailing exchange rate).

### **Investment Policy**

The Investment Manager will select, from the primary and secondary markets, investments for the Company in the following asset classes:

- secured loans, including senior loans, mezzanine loans and second lien loans;
- senior secured floating rate notes; and
- senior secured and senior unsecured high-yield bonds,

in each case that may be considered to be non-investment grade. For information on the meanings of “primary and secondary markets” and “non-investment grade”, see “Primary and secondary markets” and “Non-investment grade loans” below.

The manner in which investments in loans may be made by the Investment Manager will either be directly, with the Company becoming a member of a syndicate of lenders, or indirectly, by way of sub-participation arrangements between the Company and a loan market participant such as a bank. The Investment Manager expects that the majority of the Company’s investments in senior loans will be effected directly. For information on the meaning of “sub-participation arrangements”, see “Sub-participation arrangements” below.

The Investment Manager will seek to identify investment opportunities that combine an attractive current return with a strong probability of ultimate return of capital. Where assets are sourced in the secondary market at a discount to par, there will also be the opportunity for capital gains. In order to determine whether ultimate return of capital is likely, the selection of an individual investment will be based on a full analysis of the borrower’s credit standing undertaken by the experienced credit analysts employed by the Investment Manager.

The insolvency or restructuring of a borrower, or a work-out or similar arrangement with a borrower, may result from time to time in the Group holding equity or equity-related securities (including shares, warrants, options and convertible securities) in that borrower or entities within that borrower’s group. Such securities may be listed or unlisted. In such circumstances, the Group may sell, deal in or hold such securities as the Investment Manager believes is in the best interests of the Company. Except as contemplated in this paragraph, the Company does not intend to hold investments in equity or equity-related securities.

The Company is required to obtain the prior approval of the Shareholders to any material change to its published investment policy.

For further detailed information on the Investment Manager’s processes and procedures in relation to investments made on behalf of the Company, see Part III of this Prospectus.

### *Diversification*

The Company expects to maintain a diversified Portfolio by asset class, issuer concentration, industry concentration and geographical exposure. The Company does not intend to include in its investment policy any exclusions of particular industry sectors. The Portfolio, once fully invested, will comply, as at each date an investment is made by the Group, with the following restrictions:

- at least 80 per cent. of the Company’s NAV in senior loans, senior secured floating rate notes and cash;
- no more than 20 per cent. of the Company’s NAV in second lien loans and mezzanine loans; and
- no more than 5 per cent. exposure to any single obligor.

In addition, the Group will aim to satisfy the following guideline criteria for the Portfolio:

- no more than 15 per cent. of the Company’s NAV in unsecured floating rate notes or secured or unsecured fixed rate bonds;
- no more than 20 per cent. exposure to any single industry sector; and
- at least 80 per cent. exposure to corporate entities with significant operations, or which are domiciled, in Western Europe (including the United Kingdom).

### *Borrowing*

While the Articles do not place any restrictions on the ability of the Company to borrow, the Company will not utilise leverage to achieve its investment objective, save that it is anticipated that the Company may seek access to a revolving credit facility to allow it to take advantage of opportunities to purchase whole portfolios of assets should these become available. Any such borrowing would be intended to be short-term until such time as it could be repaid through the issuance by the Company of new Shares and will at all times be subject to a maximum leverage level equal to 20 per cent. of the Company's NAV at the time of drawdown of any such borrowing.

### *Hedging*

The Company will operate in Euro as its "base currency". The Company intends to hedge the value of any non-base currency assets into the base currency using spot and forward foreign exchange contracts rolling on a monthly basis for the purpose of efficient management of the Portfolio. The Company cannot give any assurance that it will in all cases be able to hedge or that the hedges will be completely effective, so while the Company will seek to minimise the exposure, Shareholders may potentially be exposed to some currency risk. The Company's hedging policy will only be used for efficient portfolio management and not to attempt to enhance investment returns.

### *Primary and secondary loan markets*

The Investment Manager intends to select investments for the Company in both the primary and secondary loan markets.

The primary loan market relates to new issues of loans by companies and other entities. Typical participants in the primary loan market are syndicates of banks and other financial institutions that underwrite new loan issues. Syndicate members conduct due diligence on the borrower and a lead underwriter, often a loan-originating desk of a bank, will then allocate a share of the loan to each participant in the syndicate. This allocation may depend on many factors including demand for the particular loan issue and the amount a syndicate member wishes to acquire. The Company will, in some circumstances, act as a syndicate member in the primary loan market.

The secondary market refers to the market in which financial institutions and asset managers, such as the Investment Manager, buy and sell loans that have been syndicated and allocated in the primary market. A loan can, by the negotiated agreement of market participants, be bought or sold on the secondary loan market at any time between its initial allocation and its eventual maturity. Dealers, such as the trading desks of banks, typically bid and offer (buy and sell) loans in €1 million to €5 million lots with a bid/offer spread of 50 to 100 basis points, depending on a range of factors such as the market's perception of the creditworthiness of the borrower and the trading liquidity of the bank.

The Investment Manager expects that the Net Issue Proceeds will initially be primarily invested by acquiring loans in the secondary market to enable the Investment Manager to have the Portfolio fully invested within four to six weeks of Admission, although it does not have a specific target portfolio in contemplation as at the date of this Prospectus. Over time, the Investment Manager will look to invest selectively across both the primary and secondary markets.

### *Non-investment grade loans*

The Company will invest in loans that are often non-investment grade. Third party rating agencies, such as Moody's Investors Service and Standard & Poor's, aim to rank the creditworthiness of borrowers using a standardised ratings scale to provide investors with an independent view on how likely a borrower is to default on its debt repayments. Investment grade issuers are rated Aaa to Baa3 by Moody's Investors Service and AAA to BBB by Standard & Poor's. Non-investment grade borrowers are rated from between Ba1 to C by Moody's Investors Service and BB+ to D by Standard & Poor's. A non-investment grade rating reflects, in the opinion of the ratings agencies, the riskier credit profile of a borrower (as compared to an investment grade borrower). The Company intends to invest in non-investment grade issues with an average credit quality of between BB and B. Many European loans in which the Company intends to invest are not publicly rated. In these cases the Company will invest in loans deemed by the Investment Manager to be of a corresponding credit quality.

### *Sub-participation arrangements*

The Investment Manager expects that the Company will generally gain exposure to loans by way of assignment and become a 'lender of record'. The Company may also, from time to time, enter into sub-participation agreements in which a party, such as a loan trading desk at a financial institution,

holds the loan as the lender of record and retains the voting rights in respect of the loan; in such circumstances, the Company will only have the economic benefit of the loan and will have no rights to enforce the terms of the credit agreement or vote at any meeting of creditors. As at the date of this Prospectus, the Investment Manager expects that such sub-participations will comprise a minority of the Company's investments. It is expected that any sub-participation agreements will be entered into with various counterparties to diversify risk.

#### **Target Dividend Yield and Target Total Return**

On the basis of current market conditions as at the date of this Prospectus, the Company and Investment Manager will target:

- a dividend yield of 5.5 per cent. on the Issue Price in the first year of full investment, payable quarterly, with the first dividend payment to be made for the quarter ending 30 June 2012; and
- a total return on investment (net of fees and expenses) of between 7 per cent. and 10 per cent. annualised over the longer term.

The actual dividend yield and total return generated by the Company in pursuing its investment objective will, however, depend on a wide range of factors including, but not limited to, general economic and market conditions, fluctuations in currency exchange rates, prevailing interest rates and credit spreads, the terms of the investments made by the Group, the extent to which, and the speed with which, the Net Issue Proceeds are invested and the risks highlighted in the section headed "Risk Factors" in this Prospectus. Furthermore, the dividend yield and total return generated by the Company with respect to each class of Shares will be impacted by the extent to which the Investment Manager and the Group are able to hedge, and are successful in hedging, currency exchange risk between the currency in which the relevant class of Shares is denominated and the currencies in which the assets comprised in the Portfolio are denominated and the costs, profits and losses resulting from any such currency hedging activity.

The target dividend yield and target total return stated above should not be taken as an indication of the Company's expected future performance or results over such period and do not constitute a profit forecast. They are intended as targets only and there is no guarantee that either can or will be achieved. They should not be seen as indications of the Company's expected or actual return. Accordingly, investors should not place any reliance on the target figures stated above in deciding whether to invest in the Shares.

Furthermore, the future performance of the Company may be materially adversely affected by the risks discussed in the section of this Prospectus entitled "Risk Factors".

#### **Initial Investment Period and Management of Cash**

The Company expects to invest the Net Issue Proceeds fully within four to six weeks of Admission. Any uninvested cash will be held on deposit pending investment. From time to time, investments may be redeemed, or otherwise disposed of, resulting in cash being repaid to the Group. This cash will be re-invested as suitable replacement investment opportunities arise. In addition, the Investment Manager may, from time to time, advise the Group to hold cash balances pending future investment opportunities, particularly in relation to identified deals in the primary deal pipeline.

#### **Cash Uses and Cash Management Activities**

In accordance with the Company's investment policy, the Company's principal use of cash (including the Net Issue Proceeds) will be to fund investments sourced by the Investment Manager, as well as initial expenses related to the Issue, ongoing operational expenses and payment of dividends and other distributions to Shareholders in accordance with the Company's dividend policy as discussed in the section headed "Dividend Policy" in this Part I.

#### **Currency Classes**

The Company intends to offer Sterling Shares and Euro Shares pursuant to the Issue, provided that such classes will only be issued pursuant to the Issue if: (i) subscriptions for Shares of such class worth in aggregate (at the relevant Issue Price) at least £20 million (in the case of the Sterling Shares) and at least €20 million (in the case of the Euro Shares) are received<sup>10</sup>; and (ii) the number of Shares of any class in public hands (as such phrase is used in current Listing Rule 6.1.19(4)R)) is not less than 25 per cent. of the total number of issued Shares of that class at the relevant time.

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<sup>10</sup> Or such lower amounts as the Directors may, in their absolute discretion, determine.



## **Discount Control**

### *Continuation Resolution*

In accordance with the Articles, the Directors are required to convene an extraordinary general meeting of the Company (an “EGM”) on or before the third anniversary of Admission in order to propose an ordinary resolution that the Company continue its business as a closed-ended collective investment scheme (the “Continuation Resolution”). If the Continuation Resolution is passed, the Directors are required to convene an EGM to propose a further Continuation Resolution on or before the sixth anniversary of Admission. Thereafter, the Directors are required to convene an EGM on or before the anniversary of the date on which the previous Continuation Resolution was passed.

If any Continuation Resolution is not passed, the Directors are required to put proposals for the reconstruction or reorganisation of the Company to the Shareholders for their approval. These proposals may or may not involve the winding-up of the Company and, therefore, failure to pass the Continuation Resolution will not necessarily result in the winding-up of the Company.

### *Redemption Offer*

The Articles incorporate a discount management provision such that if, as at 31 March, 30 June, 30 September or 31 December in any calendar year, the Shares of a particular class have, on average over the 12 calendar months preceding such date (the “Discount Calculation Period”), traded at a discount in excess of five per cent. of the average NAV per Share of that class (calculated by reference to the middle market quotation of the Shares of that class on the Daily Official List of the London Stock Exchange on each trading day in the relevant Discount Calculation Period and the most recently published NAV per Share of the relevant class for each such trading day), the Directors will, subject to any legal or regulatory requirements, implement a redemption offer (the “Redemption Offer”) pursuant to which each holder of Shares of the relevant class will be offered the opportunity to redeem up to 50 per cent. of his Shares of such class (the “Basic Entitlement”). No more than one Redemption Offer shall be made in respect of any class of Shares in any 12-month period.

The Directors may structure a Redemption Offer to permit Shareholders to request the redemption of Shares of the relevant class in excess of their Basic Entitlement, in which event such excess redemption requests will be satisfied, to the extent that other Shareholders request redemption of Shares of the relevant class in respect of less than the whole of their Basic Entitlement, pro rata to the amount in excess of the Basic Entitlement which each relevant Shareholder has requested to redeem (rounded down to the nearest whole number of Shares).

Any Redemption Offer will be announced via an RIS announcement together with details of the terms of the Redemption Offer and the procedure for redeeming Shares.

In implementing a Redemption Offer, the Directors will allocate to a redemption pool (the “Redemption Pool”) assets of the Group worth in aggregate (as at the NAV Calculation Date immediately preceding the Redemption Date) an amount equal to the Net Asset Value (as at the same date) attributable to the Shares to be redeemed less 1.5 per cent. of such amount (which shall be retained for the benefit of the Company). As the Portfolio is expected to consist of cash as well as loans and bonds, the assets allocated to the Redemption Pool will include a cash element as well as a share of the non-cash assets held in the Portfolio.

The proportion allocated to the Redemption Pool in cash would be pro rata to the cash held in the Portfolio, save to the extent that the Directors may, in their absolute discretion, choose to increase the proportion of cash if they consider that it would be equitable to both the Shareholders participating in the Redemption Offer (“Exiting Shareholders”) and those not participating in the Redemption Offer (“Continuing Shareholders”) to do so. In the event that the Directors, in their absolute discretion, determine it is necessary to retain cash for the Company’s working capital purposes, they may also decrease the proportion of cash allocated to the Redemption Pool.

In selecting the non-cash assets for allocation to the Redemption Pool, the Directors may, in their absolute discretion, determine that a pro rata allocation of such assets between the Redemption Pool and the assets to be retained in the Portfolio is not practicable and the Directors may, in their absolute discretion, choose an alternative allocation, or subsequently rebalance the Redemption Pool, if they consider that this would be equitable to both Exiting Shareholders and Continuing Shareholders to do so.

An initial cash payment (where available) in the relevant currency will be made to Exiting Shareholders following the closing of the Redemption Offer with further cash payments to be made, at the discretion of the Directors, as assets in the Redemption Pool are realised. The time it will take

to realise the non-cash assets contained in the Redemption Pool and therefore to distribute redemption proceeds to Exiting Shareholders will depend on market conditions and how quickly the Investment Manager is able to sell such assets at prices it considers to be reasonable in the circumstances. However, the Directors expect that in normal circumstances it should be possible to realise the assets comprised in a Redemption Pool and distribute the proceeds to Exiting Shareholders within three months of the Redemption Date.

The costs and expenses of implementing the Redemption Offer will be payable out of the Redemption Pool together with the Redemption Pool's pro rata share of the ongoing costs and expenses of the Company until such time as the Redemption Pool has been fully realised and all redemption proceeds have been distributed. The Investment Manager may not necessarily seek to hedge currency risk between the currencies in which the assets comprised in the Redemption Pool are denominated and the currencies in which the Shares redeemed pursuant to the Redemption Offer were denominated. Exiting Shareholders may therefore be subject to unhedged currency exposure during the period from the Redemption Date until all of the assets comprised in the Redemption Pool have been realised.

Notwithstanding the above discount control provisions, Shareholders should not expect that they will necessarily be able to realise any or all of their investment in the Company, nor can they be certain that they will be able to realise their investments on a basis that reflects the value of the underlying investments held by the Group.

### **Share Purchases and Buy Backs**

Pursuant to a written ordinary resolution of the subscribers to the Company's Articles, the Directors have been granted general authority for the Company to purchase in the market up to 14.99 per cent. of the Shares of each class in issue at any time following Admission. The Directors intend to seek annual renewal of this authority from the Shareholders at the Company's annual general meeting.

Pursuant to this authority, and subject to the Companies Laws and the discretion of the Directors, the Company may purchase Shares of a particular class in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Shares of such class, thereby increasing the NAV per Share of that class and assisting in controlling the discount to NAV per Share of that class in relation to the price at which the Shares of such class may be trading.

In the event that the Board decides to repurchase Shares, purchases will only be made through the market for cash at prices not exceeding the estimated prevailing NAV per Share of the relevant class where the Directors believe such purchases will result in an increase in the NAV per Share of the relevant class. Such purchases will only be made in accordance with (a) the Listing Rules, which currently provide that the maximum price to be paid per Share must not be more than the higher of: (i) five per cent. above the average of the mid-market values of Shares of the relevant class for the five Business Days before the purchase is made; or (ii) the higher of the last independent trade or the highest current independent bid for Shares of the relevant class; and (b) the Companies Law, which provides, *inter alia*, that any purchase is subject to the Company passing the solvency test contained in the Companies Law at the relevant time.

Shares purchased by the Company may be cancelled or held in treasury up to a maximum of ten per cent. of the total number of Shares in issue of that class at any particular time.

The Company may borrow and/or realise investments in order to finance such Share purchases.

**Shareholders and prospective Shareholders should note that the purchase of Shares by the Company is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.**

### **Conversions between classes**

The Company offers a quarterly conversion facility pursuant to which holders of Shares of one class may convert such Shares into Shares of the other class. Shareholders wishing to convert Shares may do so by giving the Company not less than 10 Business Days' notice in advance of the first Business Day of January, April, July and October (each a "Currency Conversion Calculation Date"), specifying the number of Shares to be converted and the class or classes into which they are to be converted, either through submission of the relevant instruction mechanism (for Shareholders holding Shares in uncertificated form) or through submission of a conversion notice and the return of the relevant share certificate to the Registrar (for Shareholders holding Shares in certificated form). Such conversion will be effected on the basis of the ratio of the last reported NAV per Share of the class of Shares to be converted (calculated in the currency of the relevant class of Shares less the costs of

effecting such conversion and as adjusted to reflect the impact of any currency hedging arrangements), to the NAV per Share of the class of Shares into which they will be converted (each as at the relevant Currency Conversion Calculation Date).

Shareholders should note that fractions of Shares arising on conversion will be rounded down and hence the aggregate NAV of the converted Shares after conversion may be less than that of relevant Shares before such conversion. Shareholders who elect to convert Shares will be unable to deal in those Shares in the period between giving notice of conversion and the actual date of conversion.

The Directors may amend the process for conversion (including the timing and frequency of currency class conversions and the procedure for giving notice of conversion) in such manner as they see fit including, without limitation, for the purposes of facilitating conversions of Shares in uncertificated or certificated form or to facilitate electronic communications. Any conversion notice, once given, shall be irrevocable without the consent of the Directors. The date on which conversion shall take place shall be a date determined by the Board being not more than 30 days after the relevant Currency Conversion Calculation Date.

Conversion of Shares shall be effected by way of redesignation of Shares of one class (the "Original Shares") into Shares of another class (the "New Class"). If, as a result of the conversion, the Shareholder concerned is entitled to more shares of the New Class than the number of Original Shares, additional shares of the New Class shall be allotted and issued accordingly. If, as a result of the conversion, the Shareholder concerned is entitled to fewer shares of the New Class than the number of Original Shares, the appropriate number of Original Shares shall be cancelled accordingly. Notwithstanding this provision of the Articles, conversion of the Original Shares may be effected in such other manner permitted by law as the Directors shall from time to time determine.

Where a Shareholder converts his Original Shares into shares of a New Class he shall receive all the rights accruing to the New Class, including such number of votes per share of the New Class as is designated to such shares in accordance with the Articles. The ability to convert Shares of one class into Shares of the other class may be suspended at any time that the calculation and publication of the NAV per Share is suspended.

Should either: (i) the aggregate Net Asset Value of the Shares of any class fall below the relevant Class Minimum Amount as at any NAV Calculation Date (or the equivalent in the relevant currency); or (ii) the number of Shares of any class held in public hands (as such phrase is used in current Listing Rule 6.1.19(4)R) fall below 25 per cent. of the total number of issued Shares of that class, the Directors, in accordance with the Articles, have the right, at their discretion, to compulsorily convert the Shares of such class into Shares of the other class. Affected Shareholders will be notified of the fact and the date or dates of such conversions and the New Class or classes of Shares following such conversions by way of an RIS announcement within one month of the relevant NAV Calculation Date. The Directors have the discretion not to operate the conversion facility with respect to any class of Shares or across all classes of Shares from time to time.

#### **Further issues of Shares**

The Directors will have authority to allot and issue further Shares in the share capital of the Company following Admission. Further issues of Shares would only be made if the Directors determine such issues to be in the best interests of Shareholders and the Company as a whole. Relevant factors in making such determination include NAV performance, share price and perceived investor demand. In the case of further issues of Shares of an existing class, such Shares will only be issued at prices which are not less than the then prevailing NAV per Share of the relevant class.

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment and issue of Shares. The Articles, however, contain pre-emption rights in relation to allotments and issues of Shares for cash. Pursuant to a written extraordinary resolution of the subscriber to the Company's memorandum of incorporation, it was resolved to disapply such pre-emption rights in relation to a number of Shares of each class equal to ten per cent. of the Shares of the same class in issue immediately following Admission for a period concluding immediately prior to the first annual general meeting of the Company. The Directors intend to request that the authority to allot Shares for cash on a non-pre-emptive basis is renewed at each subsequent annual general meeting of the Company.

The Articles contain provisions that permit the Directors to issue C Shares from time to time. C Shares are shares which convert into Shares only when a specified proportion of the net proceeds of issuing such C Shares have been invested in accordance with the Company's investment policy (prior

to which the assets of the Company attributable to the C Shares are segregated from the assets of the Company attributable to the Shares). A C Share issue would therefore permit the Board to raise further capital for the Company whilst limiting any dilution of investment returns for existing Shareholders which may otherwise result.

### **Dividend Policy**

In any financial year, the Company will have the discretion to pay dividends to Shareholders subject to the solvency test prescribed by Guernsey law. It is expected that a distribution will be made by way of a dividend with respect to each calendar quarter.

The Articles also permit the Directors, in their absolute discretion, to offer a scrip dividend alternative to Shareholders when a cash dividend is declared from time to time. In the event a scrip dividend is offered in the future, an electing Shareholder would be issued new, fully paid up Shares (or Shares reissued from treasury) pursuant to the scrip dividend alternative, calculated by reference to the higher of: (i) the volume-weighted average mid-market quotation of the Shares of the relevant class as shown on the Daily Official List of the London Stock Exchange for the day on which such Shares are first quoted “ex” the relevant dividend and the four subsequent dealing days; or (ii) the NAV per Share of the relevant class, at the relevant time. The scrip dividend alternative would be available only to those Shareholders to whom Shares might lawfully be marketed by the Company. The Directors’ intention is not to offer a scrip dividend at any time when the Shares are trading at a material discount to the NAV per Share.

### **Reports and Accounts**

The Company is newly incorporated and as such has no previous published accounts. The first accounting period of the Company will run from the date of the Company’s incorporation to 31 March 2013 and, thereafter, accounting periods will end on 31 March in each year. The audited annual accounts will be provided to Shareholders within four months of the year end to which they relate. Unaudited half-yearly reports, made up to 30 September in each year, will be announced within two months of that date. The Company will also produce interim management statements in accordance with the Disclosure Rules and Transparency Rules. The Company will report its results of operations and financial position in Euro.

The audited annual accounts and half-yearly reports will also be available at the registered office of the Administrator and the Company and from the Company’s website, [www.aefrif.com](http://www.aefrif.com).

The financial statements of the Company will be prepared in accordance with IFRS and the annual accounts will be audited by KPMG Channel Islands Limited in accordance with International Standards on Auditing (UK and Ireland). The Company expects that its financial statements, which will be the responsibility of its Board, will consist of a balance sheet, profit and loss statement and cash flow statement, related notes and any additional information that the Board deems appropriate or that is required by applicable law.

The preparation of financial statements in accordance with IFRS requires that the Directors make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Such estimates and associated assumptions are generally based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis of making the judgments about attributing values of assets and liabilities that are not readily apparent from other sources. Actual results may vary from such accounting estimates in amounts that may have a material impact on the financial statements of the Company.

### **Net Asset Value**

#### *Publication of Net Asset Value*

The Company intends to publish its estimate of the NAV per Share of each class on a daily basis, as calculated by the process described below. Such NAV per Share will be published by RIS announcement and be available on the website of the Company.

In order to calculate the NAV of each class of Shares, a separate class account will be established in the books of the Company in respect of each class of Shares. An amount equal to the proceeds of issue of Shares of each class will be credited to the relevant class account. Any increase or decrease in the NAV of the Company arising from the issue, redemption or repurchase of Shares of a particular class or conversions from or into Shares of such class will be credited or debited (as the case may be)

to the relevant class account. Any increase or decrease in the NAV of the Portfolio which is attributable to the Shares (disregarding for these purposes any increases or decreases in NAV arising from issues, repurchases or redemptions of Shares or conversions of Shares from one class into the other class or any designated adjustments (as defined below)) will be allocated to the relevant class account based on the previous relative NAV of each such class account (measured in Euro terms). There will then be allocated to each class account the “designated adjustments”, being those costs, pre-paid expenses, losses, profits, gains and income which the Directors determine relate to a single separate class (for example those items relating to foreign exchange transactions in respect of each class including the cost of converting subscription proceeds from Sterling into Euro and of hedging the resulting foreign currency exposure back into Euro).

#### *Valuation of the assets held in the Portfolio*

It is intended that the Group will invest primarily in loans, which are expected to be valued according to their mid-market price (which, for the avoidance of doubt, is the sum of the bid and offer prices which is then divided by two) as at the close of the relevant trading day as determined by an Approved Pricing Provider. If a price cannot be obtained from an Approved Pricing Provider for any loan, the Investment Manager will source bid and offer prices as at the close of the relevant trading day from third party broker/dealer quotes for any such loan. The mid-market price will then be calculated. It should be noted that the bid and offer prices used for the calculation of the mid-market price will be those that the Investment Manager, in its sole and absolute discretion, believes to be accurate.

The prices for bonds or senior secured floating rate notes will typically be sourced, at the Investment Manager’s sole and absolute discretion, from an Approved Pricing Provider either through bid and offer prices provided by broker messages or the historical price table linked to the investment. Where prices for bonds or senior secured floating rate notes cannot be obtained from these sources, the Investment Manager may seek such prices through contacting a broker directly.

In cases where no third party price is available, or where the Investment Manager determines that the provided price is not an accurate representation of the fair value of the investment, the Investment Manager will determine the valuation through its pricing committee (represented by senior representatives of the Investment Manager) based on the Investment Manager’s fair valuation policy.

#### *Suspension of the calculation of Net Asset Value*

The Directors may at any time, but will not be obliged to, temporarily suspend the calculation of the NAV of the Shares during:

- (a) any period when any of the principal markets or stock exchanges on which a substantial part of the investments are traded are closed, otherwise than for ordinary holidays, or during which dealings thereon are restricted or suspended;
- (b) any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Directors, disposal or valuation of a substantial part of the investments is not reasonably practicable without this being seriously detrimental to the interests of the Shareholders or if, in the opinion of the Directors, the NAV cannot be fairly calculated; or
- (c) any breakdown in the means of communication normally employed in determining the value of the investments or when for any reason the current prices on any market of a substantial part of the investments cannot be promptly and accurately ascertained.

In the event that the calculation of the NAV of the Shares is suspended as described above, an announcement will be made by RIS, and trading in the Shares on the Main Market and the listing of the Shares on the Official List may also be suspended.

#### **Disclosure of the Portfolio**

The Company intends to publish detailed financial information on the Portfolio at each month-end (each a “Monthly Portfolio Disclosure”) in addition to the daily NAV publication. Monthly Portfolio Disclosures will be made available on the Company’s website, [www.aefrif.com](http://www.aefrif.com), within seven Business Days of the relevant month-end and publication on the website will be announced by RIS. The Monthly Portfolio Disclosures will contain a range of data on the Portfolio, including, but not limited to, the number of loans held in the Portfolio, the breakdown of asset types, currency of investments and industries, the weighted average mid-price of the Portfolio, the weighted average spread and the weighted average coupon.

## PART II

### MARKET OVERVIEW

#### **Secured Loans**

Secured loans are debt obligations arranged by banks and other financial entities on behalf of corporations, partnerships and other business issuers in respect of which security is granted to the relevant lenders. Such loans are typically used to finance mergers and acquisitions, private equity-sponsored leveraged buyouts, recapitalisations, refinancings, capital expenditure and for other general corporate purposes. Secured loans are often referred to as “bank loans”, since it is typically banks that arrange them, or “leveraged loans” since they are often used to finance leveraged buyouts. There is a large universe of professional investors in secured loans and an active secondary market.

#### *Syndicated loans*

Secured loans can be bilateral agreements arranged directly between a bank and a borrower, or may be originated by a bank or other financial institution (also known as an “arranger”) and then syndicated to a pool of lenders that collaborate to provide financing for the borrower (loans arranged and distributed in this way are often called “syndicated loans”). Bilateral loan agreements seldom change hands, but there is an active secondary market for syndicated loans. The Group will invest in syndicated loans which it can source in the primary market through the loan arranger, or which it can purchase in the secondary market from another lender. The Group may choose to hold a loan until it is repaid at maturity, or may choose to sell the loan to another lender in the secondary market prior to its maturity date.

#### *Floating rate coupon*

Secured loans to European borrowers usually pay a floating rate of interest consisting of a LIBOR or EURIBOR base rate plus a fixed margin of between two per cent. to five per cent. to compensate the borrower for credit risk. The LIBOR or EURIBOR rate of each loan will typically be set at the market rate for a term of one, three or six months (at the option of the borrower), and then reset at the end of the relevant term. As a result, this component of a lender’s return will fluctuate as interest rates rise and fall. Some loans may defer all or a portion of their coupon through capitalisation (known as a “PIK”, or “payment-in-kind” coupon) and others may also set a minimum level of LIBOR (known as a “LIBOR Floor”).

#### *Security for lenders*

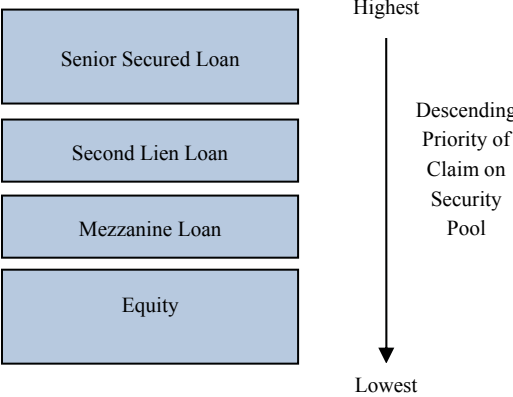
The documentation for a secured loan provides for a security package to protect the secured lenders. The security package will typically give the lenders a charge over the shares and/or assets of the borrower which, in the event of enforcement, gives them some control over the business and its assets including receivables, inventory, bank accounts, property and plant and equipment. The loan documentation will also typically contain covenants, the most important of which require the borrower to maintain a minimum level of interest coverage and set a maximum level of leverage. These covenants are tested regularly. If they are breached, the lenders have the right to demand accelerated repayment of the loan, enforcement of security and potentially the forced disposal of the assets of the borrower to fund repayment of the loan.

In the majority of cases, loan documentation is governed by industry standards set by the Loan Markets Association whose stated aim is to ensure and improve liquidity, efficiency and transparency in both the primary and secondary syndicated loan markets by establishing sound and widely accepted market practice.

Often the financing package will incorporate two or more different debt instruments with different ranking claims on the security pool. Senior secured loans are at the top of the capital structure and benefit from a first ranking claim on the security pool. Second lien secured loans are present in some older vintage loans and rank below the senior secured loans. Mezzanine secured loans typically rank last in the priority ranking of secured lenders. In the event of the enforcement of security over the assets of a borrower following default, the senior secured lenders are typically paid off first. Any remaining proceeds of the liquidation are then allocated to the second lien lenders until they are paid off in full. Next, any further remaining proceeds are allocated to the mezzanine lenders and finally anything still remaining is allocated to any unsecured lenders, followed by the equity holders.

Figure 1 shows a typical capital structure of a borrower and the order of priority of secured lenders.

**Figure 1: Typical Capital Structure Showing Priority of Claims on Security Pool**



The combination of a robust covenant package, allowing secured lenders to take control in the event of weakening borrower performance, and a strict priority of payments has typically allowed secured lenders to achieve high recoveries in the event of default.

The Company intends to invest the majority of the proceeds of the Issue in senior secured loans.

**Differences between Secured Loans in Europe and the United States.**

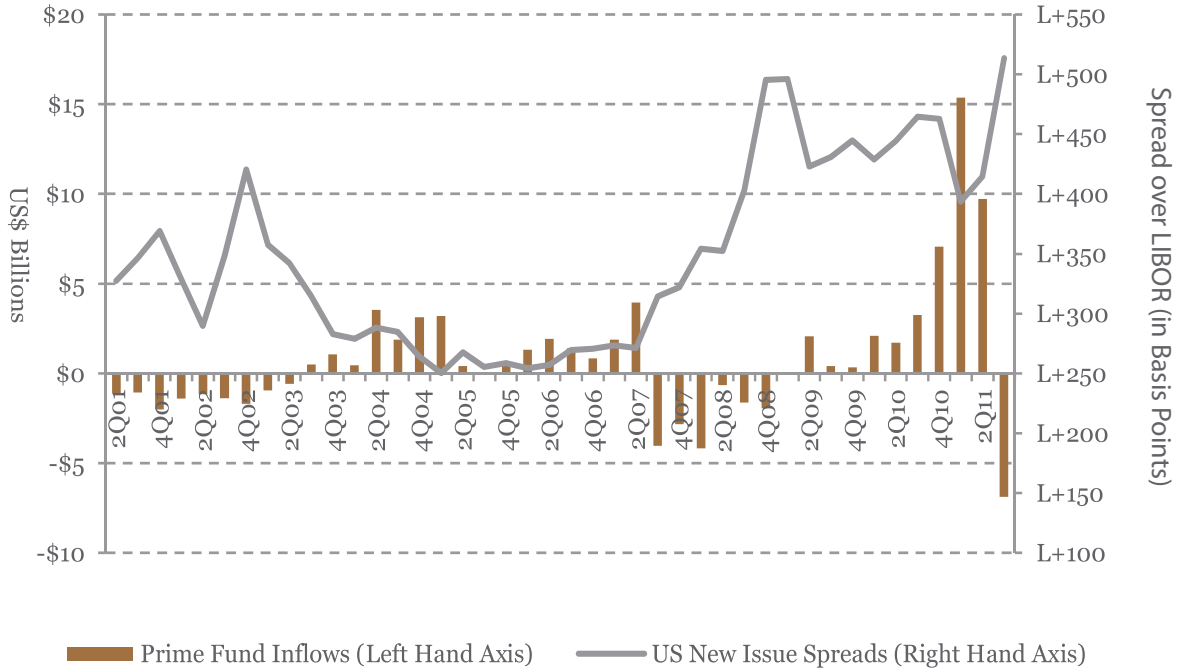
Secured loans are important sources of company financing in both Europe and the United States, yet there are some distinct differences between the two markets.

*US prime rate funds and their impact on the market*

In the United States, retail and small institutional investors can access the loan market through a number of open-ended, daily or weekly liquidity funds known as “prime rate funds”. US prime rate funds represent about 18 per cent. of the demand for new issuance and hold about 16 per cent. of all existing loans that remain outstanding in the US loan market. From the middle of 2009, US prime rate funds started to see significant inflows from retail investors. As the prime rate funds put this money to work, new issue margins on loans in the United States began to tighten (see Figure 2). Similarly, during the second half of 2011, prime rate funds experienced significant outflows and new issue margins in the US market widened sharply.

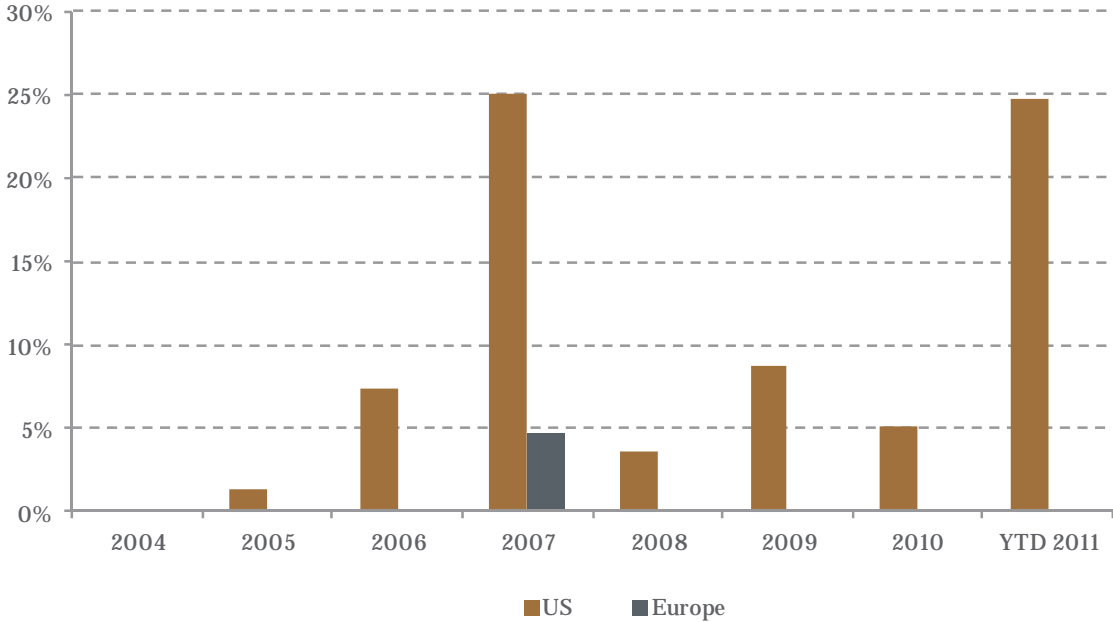
At the same time as margins were tightening as a result of retail inflows, deal structures in the United States became more aggressive. In particular, the incidence of riskier structural features such as “Covenant-Lite” transactions increased (see Figure 3). Covenant-Lite transactions involve a reduced set of lending covenants and therefore a reduced ability of senior lenders to enforce security in the event of a weakening in borrower performance.

**Figure 2: US Prime Rate Fund Inflows and New Issue Spreads**



Source: Standard & Poor's LCD Topical, Monthly Technicals, 10 November 2011 and Standard & Poor's LCD USD Global Leveraged Loan Review – US/Europe, Q3 2011

**Figure 3: Covenant-Lite Issuance as % of Total New Issuance – United States vs. Europe**



Source: Standard & Poor's LCD European Leveraged Loan Review, November 2011, and Weekly Loan Statistics, 1 December 2011. Figures given for 2011 are stated as at 30 November 2011



The Investment Manager believes that the volatility of retail inflows into and out of prime rate funds acts as a destabilising influence on new issuer terms in the US loan market. In Europe, there is no parallel for prime rate funds and retail investors represent a much smaller percentage of the loan market. Institutional investors with a longer time horizon dominate the market and the Investment Manager believes these investors have shown greater discipline in pushing back on the more aggressive deal terms initially proposed by deal sponsors and loan arrangers, resulting in greater stability in new issue terms.

#### *Public vs. Private Information*

In Europe, secured loans are generally private instruments. As a result, lenders typically receive detailed third party due diligence reports and have access to management projections at the time of new issue. Following issuance, they typically receive private management accounting information from the borrower on a monthly basis. This information helps lenders to maintain accurate monitoring of the performance of the borrower from month to month. In the United States, secured loans are typically public instruments and lenders are therefore subject to certain restrictions on the information they can get from borrowers and when they can receive that information.

The Company intends to focus on investments in European senior secured loans, in respect of which it expects to have the benefit of stronger covenants and access to more detailed performance information which would provide it with a greater level of control over its investments.

#### **High-Yield Bonds**

High-yield bonds are debt securities issued by sub-investment grade rated borrowers and usually pay a fixed rate of interest. Typically they will be unsecured and in the event of a default or liquidation, investors in a high-yield bond will rank behind all secured lenders. They will be repaid out of whatever liquidation proceeds remain after all the secured lenders have been repaid in full. As a result, high-yield bonds will typically achieve lower levels of recovery than secured debt following default or liquidation.

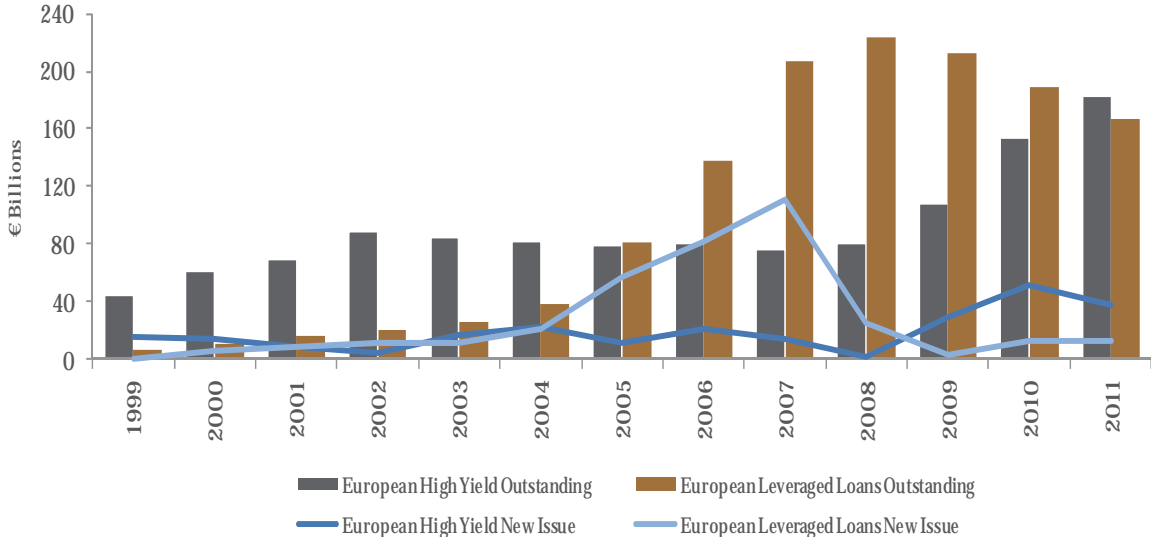
However, in the last few years, issuance of *senior secured* high-yield bonds has gained popularity. A senior secured high-yield bond shares in the same security pool as a senior secured loan and for that reason is expected to achieve similar levels of recovery. Some of these bonds have been structured to pay a floating rate of interest – such bonds are referred to as “senior secured floating rate notes”.

The Company considers senior secured floating rate notes to share many of the attractive characteristics of senior secured loans and will include these instruments alongside secured loans. The Group may also invest in fixed rate (secured or unsecured) high-yield bonds where it sees specific relative value opportunities. Such investments, if made, will be subject to the guideline criteria for the Portfolio as specified under the heading “Diversification” in Part I of this Prospectus.

#### **Market Size**

As at the date of this Prospectus, the European senior secured loan and European high-yield bond markets are of similar size. The period between 2004 and 2007 saw a greater level of loan issuance than high-yield bond issuance by European borrowers (as shown in Figure 4), driven in part by demand from CLOs. Following the financial crisis of 2008, appetite from banks and CLOs for new loans reduced, driven by the perception of better value achievable in the secondary market, and the stronger, less leveraged, corporates increasingly turned to the bond market to satisfy their refinancing requirements. As a result, the volume of outstanding bond issues in the high-yield market caught up with, and then overtook, the volume of outstanding institutional loans during 2008 and 2009. New issuance trends through 2011 continued to favour high-yield bonds, although the differential in volumes narrowed between the two markets.

**Figure 4: Annual New Issuance in Western European Loan and High-Yield Bond Markets**



Source: Credit Suisse Global Leveraged Finance Strategy, “2011 Leveraged Finance Mid-Year Outlook and Review”, 28 July 2011. Figures given for 2011 are stated as at 30 June 2011

**Reasons to Invest in Floating Rate Secured Loans and Bonds**

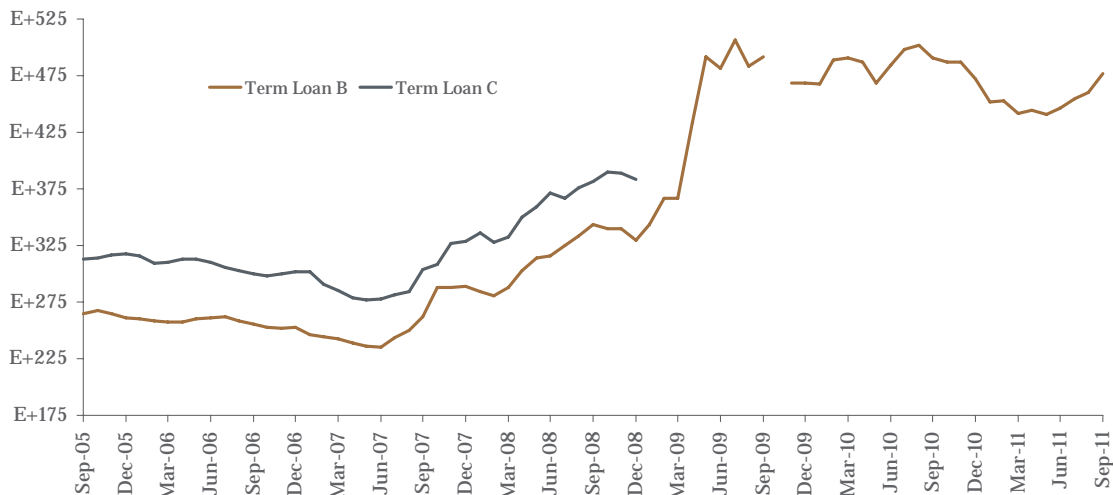
*Predictable Income*

The Investment Manager believes that an investment in secured loans can provide attractive returns when compared to other competing asset classes, but at a lower level of risk than those asset classes, both in terms of lower secondary price volatility and the reduced risk of ultimate loss due to the secured nature of the investment.

*High Margins on Primary Loan Issuance*

Since the depths of the credit crisis in early 2009, new issue margins on secured loans have risen steadily (as shown in Figure 5). Currently new issues are offered at margins of approximately between 475 to 500 basis points over LIBOR or EURIBOR and initial discounts to par of between two per cent. and five per cent can be achieved. Loans sourced at new issue can provide a high level of current return and can also, when sourced at a discount, offer the opportunity for capital gain if they ultimately redeem at par.

**Figure 5: Three-month Rolling Average Institutional LBO New-Issuer Spread**



Source: Standard & Poor's LCD European LBO Report, Q3 2011

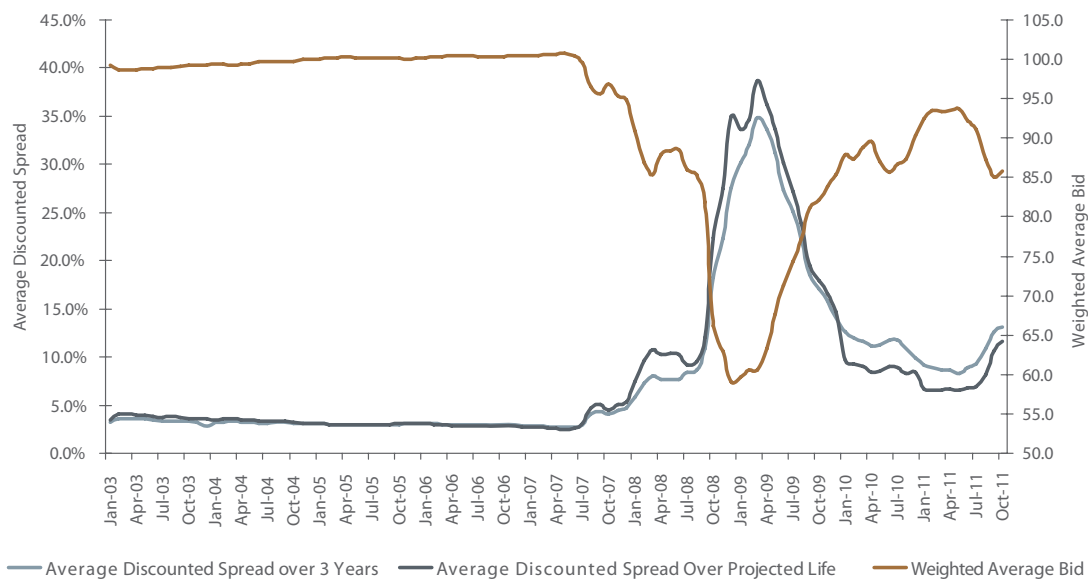
Note: A syndicated loan arrangement typically consists of several separate facilities including a revolving facility, an amortising term loan ("Term Loan A"), a bullet maturity term loan (a "Term Loan B") and, in some cases, an additional bullet maturity term loan (a "Term Loan C") which typically has a maturity date one year after that of the Term Loan B. The Term Loan B and the Term Loan C are often referred to as the "institutional tranches" as the revolving facility and the Term Loan A are typically provided by banks rather than institutional investors. In the experience of the Investment manager, since the end of 2008, the inclusion of a Term Loan C in new deal structures has become less common.

*Attractive Secondary Pricing*

Loans purchased in the secondary market will typically pay lower margins over LIBOR or EURIBOR than recent new issues. If they can be sourced at a larger discount to par, the opportunity for capital gain when the loan either matures or is pre-paid at par can result in an equally attractive investment opportunity.

Secondary discount yields reached 35 per cent. in early 2009 and then fell rapidly, as the market rallied, settling at approximately 7.5 per cent. Recently, market concerns relating to the Euro Zone and European sovereign debt have contributed to driving these discount yields closer to 10 per cent. (see Figure 6).

**Figure 6: Discounted Spread vs. Weighted Average Bid**

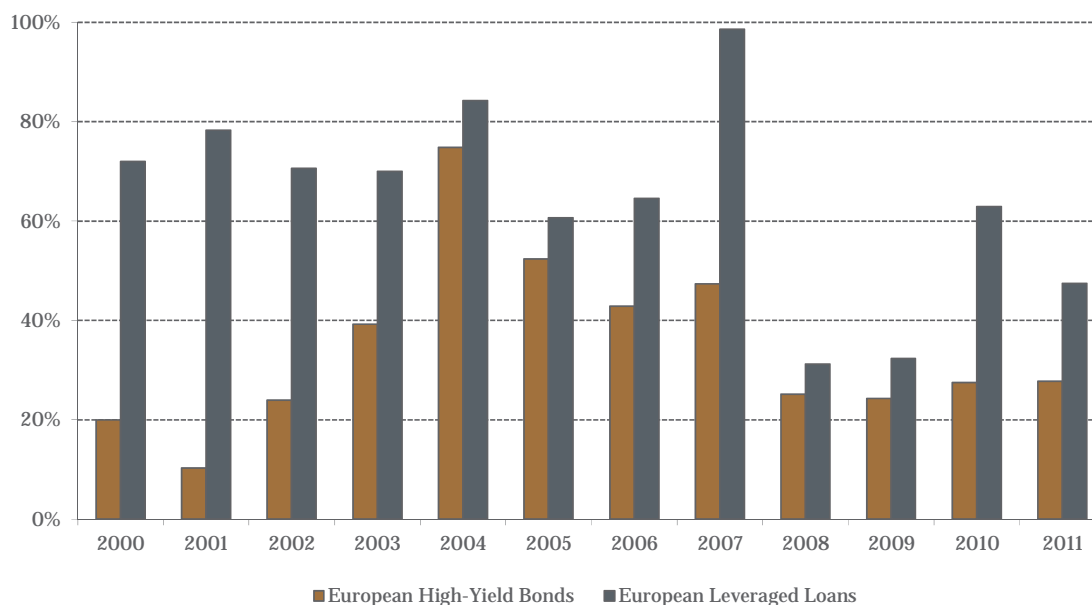


Source: Standard & Poor's ELLI Review, November 2011

### Security of Repayment

The nature of secured loans means that, in the event of default or liquidation, secured lenders are likely to recover a greater proportion of their investment than unsecured lenders. Figure 7 shows average percentage recovery rates on secured loans compared with those on high-yield bonds.

**Figure 7: European High-Yield Bonds vs. Secured Loans – Average Percentage Recovery Rates**



Source: Credit Suisse Global Leveraged Finance Strategy, “2011 Leveraged Finance Mid-Year Outlook and Review”, 28 July 2011

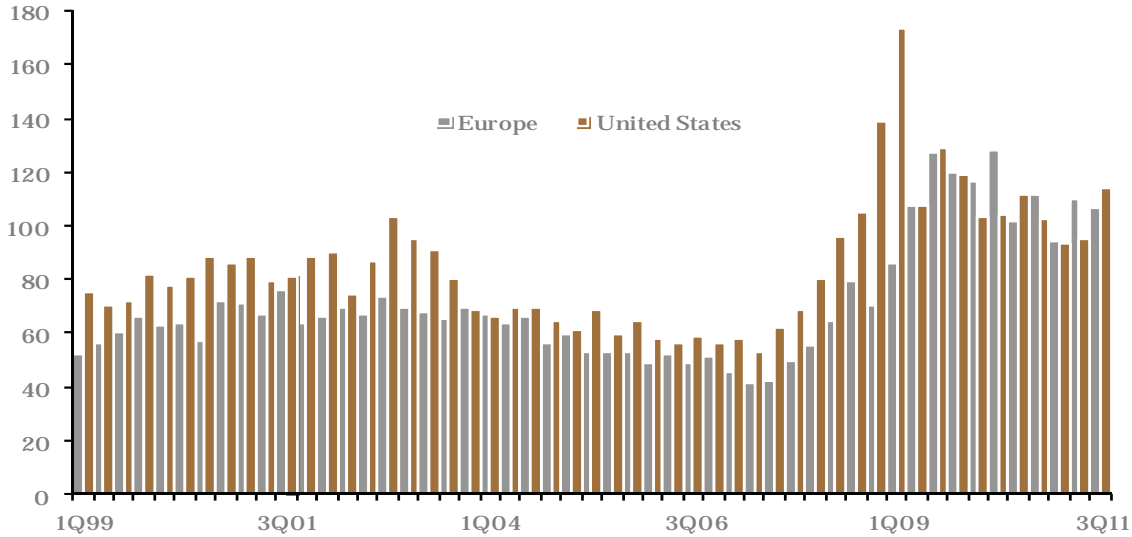
While new issue margins have recently widened, terms for new issue loans have improved for lenders with, in many cases, reduced leverage and stronger covenants. Similarly, while secondary loan prices have fallen, many corporate balance sheets have improved on the back of cost reductions and deleveraging.

### Reduced Leverage

Average new issue leverage levels across Europe and the United States have fallen since 2007, both in terms of leverage as a multiple of EBITDA, which has fallen from an average multiple of 5.9x in 2007 to an average multiple of 4.4x for the first three quarters of 2011, and in terms of the average amount of equity sponsors are prepared to commit to new leveraged buyouts as a percentage of the whole capital structure, which has risen from 33 per cent. in 2007 to 45 per cent. for the first three quarters of 2011<sup>11</sup>. The Investment Manager believes that lenders now receive, on average, a higher spread per unit of risk than has generally been the case over the last ten years (as is shown in Figure 8).

<sup>11</sup> Source: Standard & Poor’s LCD EUR Global Leveraged Loan Review – US/Europe, Q3 2011

**Figure 8: Spread per Unit of Risk**



Source: Standard & Poor's LCD European Leveraged Loan Review, Q3 2011

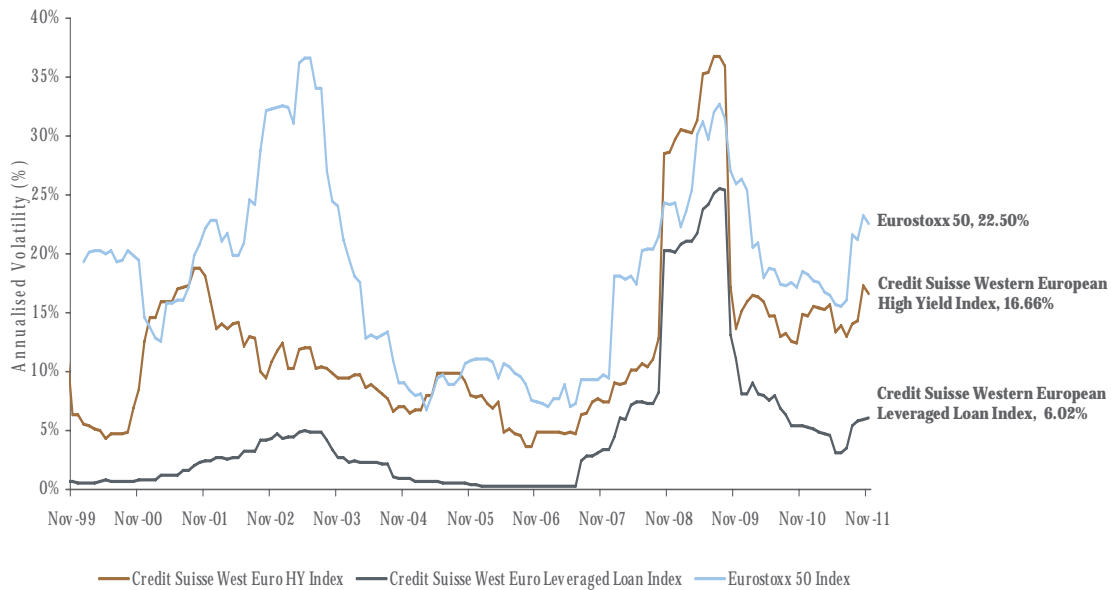
*Corporate Balance Sheets have strengthened*

The Investment Manager believes that many corporate balance sheets are healthy following deleveraging since the 2009 downturn and refinancing of their shorter maturities and that businesses in more defensive sectors have performed well over that period. The Investment Manager believes that it can select investments in defensive sectors whose earnings will be stable and whose ability to service and repay modest levels of debt need not be materially impacted by the economic slowdown. Given this outlook, the reduction in secondary market prices presents an opportunity to invest selectively in defensive assets at much improved yields when compared to early 2011.

*Attractive Risk Adjusted Returns*

The higher recovery rates following default associated with secured loans result in another advantage over unsecured asset classes. As a result of their reduced risk of loss, secondary loan prices tend to be less volatile than the secondary prices of unsecured asset classes. Figure 9 shows the 12-month rolling total return volatility of various European asset classes since 1998, illustrating the lower volatility of the secured loan market (as represented by the Credit Suisse Western European Leveraged Loan Index) when compared to the unsecured high-yield bond market (as represented by the Credit Suisse Western European High-Yield Index) or the equity market (as represented by the Eurostoxx 50).

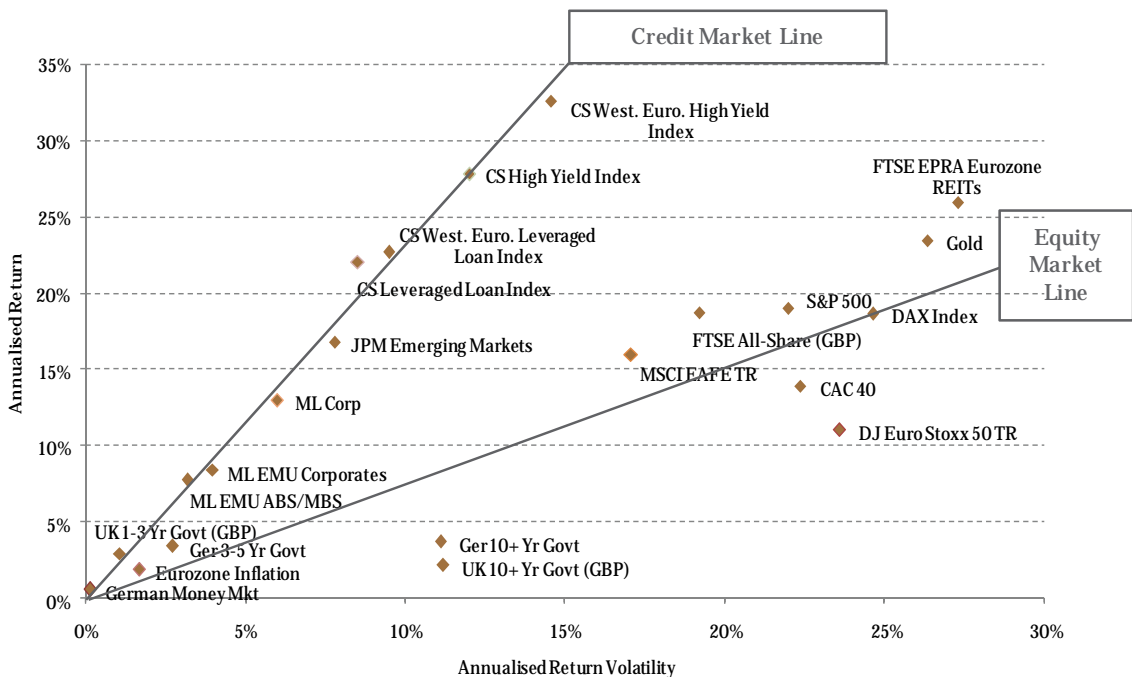
**Figure 9: Volatility among Asset Classes – 12-Month Rolling Total Return Volatility (November 1999 – November 2011)**



Source: Credit Suisse Western European High-Yield Index and Leveraged Loan Index, total returns via Markit Hub; Eurostoxx 50 Index total returns, via Bloomberg LLC, as of 30 November 2011

The Investment Manager believes that higher returns and lower volatility of secondary market prices have historically combined to deliver favourable risk/return characteristics when compared with other competing asset classes. Figure 10 shows the return and volatility of various asset classes since 2009. Two clear lines emerge – the credit markets line and the equity markets line, along which the respective credit and equity markets fall. The greater steepness of the credit markets line indicates that asset classes that fall on this line, such as European leveraged loans (as represented by the Credit Suisse Western European Leveraged Loan Index) have historically returned a greater annualised return for a given level of risk, as measured by price volatility.

**Figure 10: Risk/Reward Characteristics of Various Asset Classes (January 2009 – June 2011)**

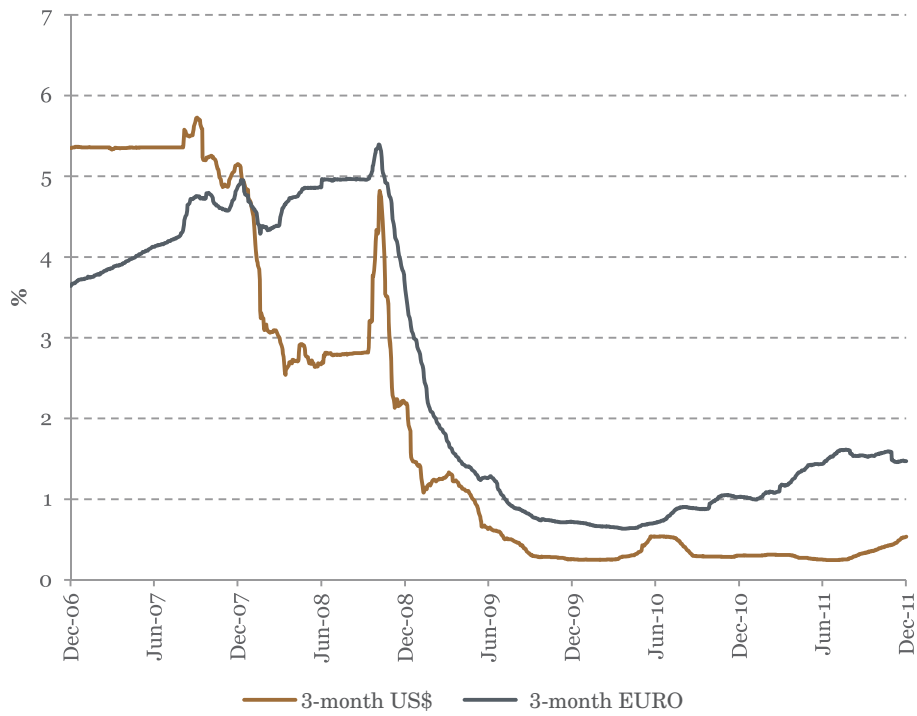


Source: Credit Suisse Global Leveraged Finance Strategy, “2011 Leveraged Finance Mid-Year Outlook and Review”, 28 July 2011

### Low Duration

Secured loans to European borrowers usually pay a floating rate of interest and, as a result, they constitute a “low duration” asset class, meaning that the secondary market prices for such loans typically have a low sensitivity to changes in interest rates, when compared to a fixed rate bond whose coupon is fixed for the life of the asset. Returns to investors in floating rate loans rise as interest rates rise. While the weak outlook for growth globally would not indicate any imminent increase in interest rates, the Investment Manager believes that both short-term (see Figure 11) and long-term (see Figure 12) interest rates are towards the bottom end of their cycle and that there is potential value in investing in an asset class that will deliver higher returns as rates do eventually rise.

**Figure 11: European and US Short-term Rates**



Source: US Dollar and EURO 3-Month LIBOR Rates, via Bloomberg LLC, as of 5 December 2011

**Figure 12: European and US 5-year Swap Rates**



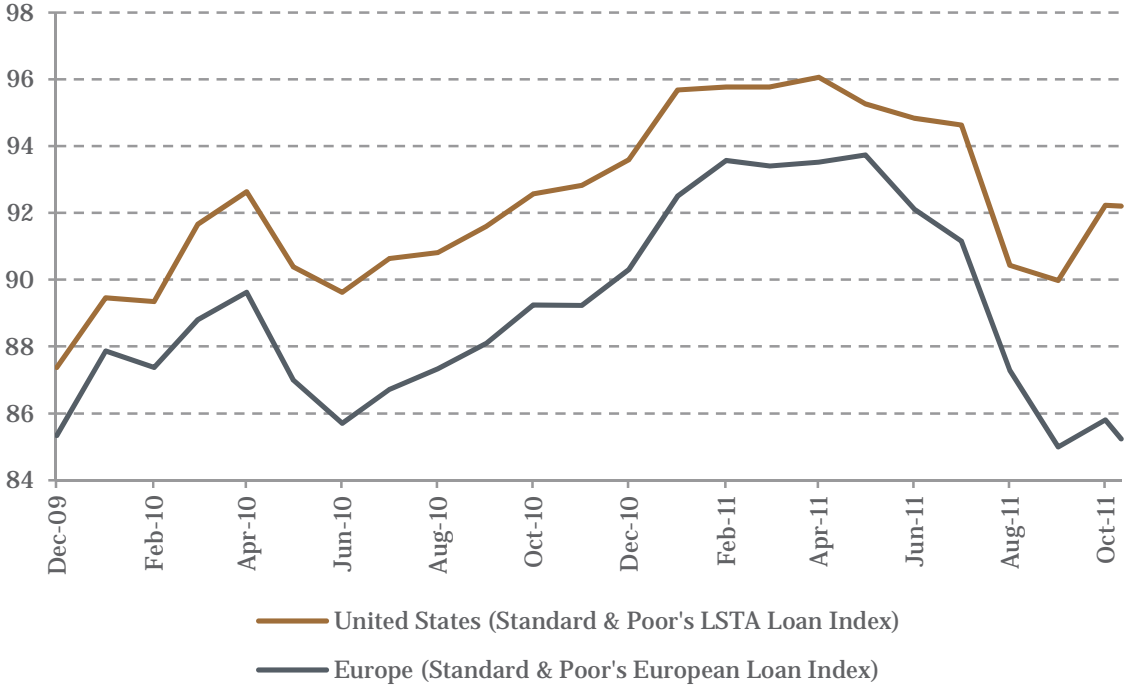
*Source: US Dollar and EURO 5-year swap rates, via Bloomberg LLC, as of 5 December 2011*

**Higher yields on offer in Europe than in the United States**

The Investment Manager believes that the market for European loans is, in comparison with the market for US loans, more disciplined in insisting on greater control over its investments through maintenance covenants and that there is a value attributed to the access to private management accounting information that is typically provided to lenders in a European loan context. In addition, European loan prices have fallen as sovereign debt concerns have returned. As a result, Europe offers a significant yield advantage over the US market. As of 10 November 2011, the average yield to maturity of the ELLI index was 13.5 per cent. as compared to 6.5 per cent. for the comparable US index, the Standard & Poor’s LTSA Loan Index. Figure 13 shows the relative pricing of the two indices.



**Figure 13: Average Bid Price – United States vs. Europe**



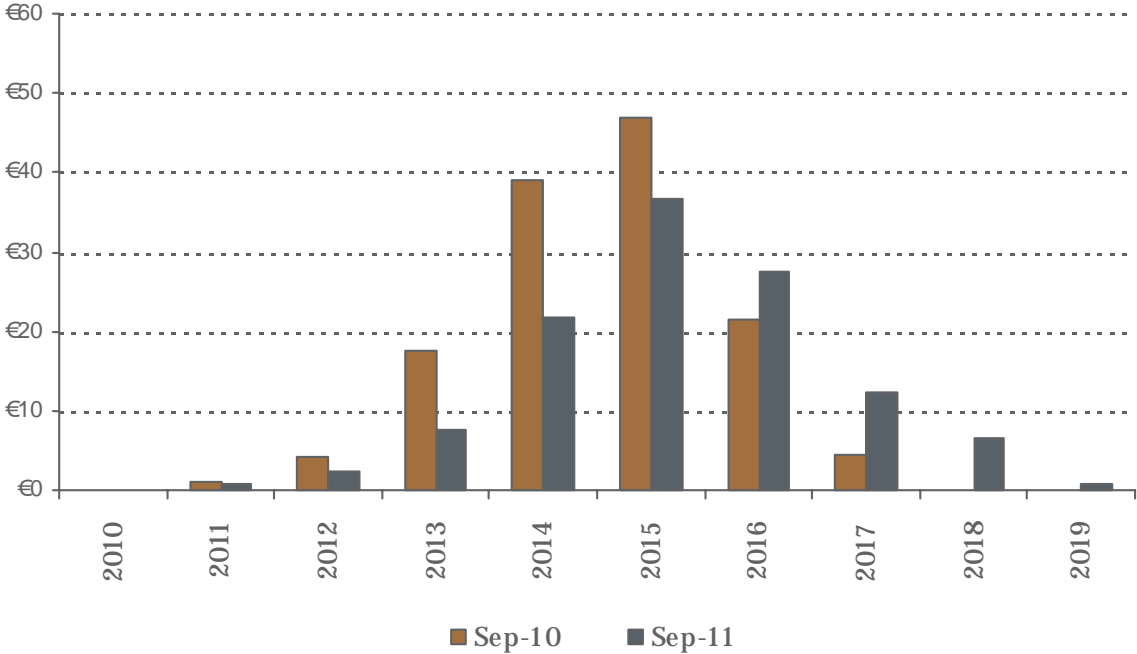
Source: Standard & Poor's LCD Topicals, "US and Europe Gap Comparison", 16 November 2011

**Opportunity to be sustained by capital shortfall**

As a result of the significant growth in new European loan issuance between 2004 and 2007, there exists a concentration of European loan maturities between 2014 and 2016, with between approximately €10 billion and €30 billion per year in repayment or refinancing required during this period (see Figure 14). The approaching demand for refinancing coincides with a reduction of new issues in the market (see Figure 4). The reduction in new issue volumes is linked to a reduced universe of potential investors in loans due to: (i) reduced capacity for risk-taking and balance sheet utilisation by bank lenders; and (ii) the lack of CLO demand for loans as existing deals reach the end of their re-investment periods and are not replaced by new CLO issuance.

Consequently, the Investment Manager believes there is likely to be a significant gap between the requirement for new financing and the demand from established investors to invest in the loan market. While much has been done to smooth out the concentration of maturities in the coming years by refinancing in the high-yield bond market, refinancing in the loan market and the amending of existing transactions to extend their maturity (known as "amend and extend"), a significant concentration remains. The Investment Manager believes that the existence of this imbalance will keep pricing power on new issue loans firmly in the hands of the investor rather than the borrower and will ensure that new issue spreads remain attractive and that deal terms remain favourable. Further, the Investment Manager believes that attractively priced, lower levered investment opportunities will encourage new investors to enter the market, taking up the capacity that the banks and the CLOs once supported.

**Figure 14: European Loans Maturity Profile**



Source: Standard & Poor's LCD EUR Global Leveraged Loan Review – US/Europe, Q3 2010 and Q3 2011

**Conclusion**

The Investment Manager believes that an investment in secured, floating rate corporate debt (through senior secured loans or senior secured high-yield bonds) can provide investors with:

- a predictable and stable level of income relative to other asset classes;
- confidence of repayment due to the secured nature of the asset class, the higher level of control offered to investors through the presence of stronger covenants and the higher visibility of borrower performance resulting from the availability of regular, private management accounting information;
- the opportunity for capital gain when assets sourced at a discount in the secondary market ultimately repay at par; and
- the opportunity to benefit from future rises in interest rates.

In addition to investing in floating rate senior secured loans and senior secured high-yield bonds, the Investment Manager will have some restricted flexibility to invest in second lien loans, mezzanine loans and secured and unsecured fixed rate bonds when specific relative value opportunities present themselves from these markets.

## PART III

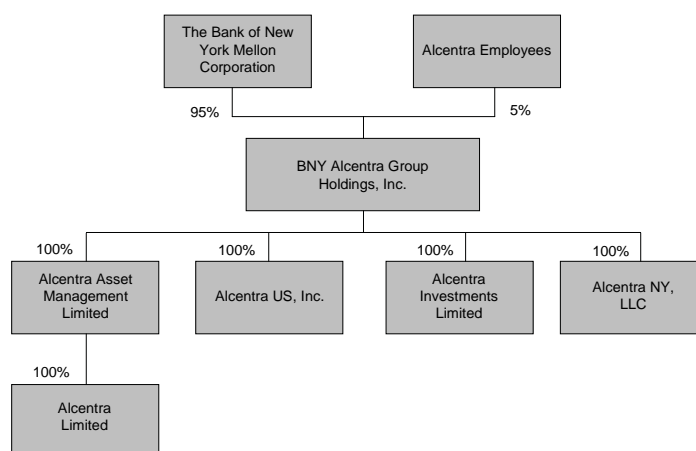
### INVESTMENT MANAGER, PROCESS AND STRATEGY

#### Investment Manager

The Investment Manager of the Company is Alcentra Limited, a company incorporated in England and Wales on 4 March 2003, with registration number 2958399 and with its registered office in London. The Investment Manager is regulated by the FSA.

Alcentra Limited is an indirect subsidiary of BNY Alcentra Group Holdings, Inc. and part of BNY Mellon Asset Management. The Bank of New York Mellon Corporation (“BNY Mellon Corp”) holds 95 per cent. of the shares of BNY Alcentra Group Holdings, Inc. (as of 31 October 2011), with the remaining five per cent. held by Alcentra employees. BNY Alcentra Group Holdings, Inc. and its consolidated subsidiaries and subsidiary undertakings are referred to in this Prospectus as “Alcentra” or the “Alcentra Group” (as shown in Figure 15).

Figure 15: Alcentra Group and its Shareholders



BNY Mellon Corp is one of the largest banks in the US with a market capitalisation, as at 30 September 2011, of approximately US\$37.1 billion. It is also one of the largest securities servicing organisations in the US with US\$25.9 trillion of assets under custody and administration and boasts a global platform across 36 countries and serving more than 100 markets (as at 30 September 2011). BNY Mellon is a substantial player in asset management with approximately US\$1.2 trillion of AUM and services US\$11.9 trillion in outstanding debt and processes global payments averaging US\$1.6 trillion per day (as at 30 September 2011).

The Alcentra Group was established in March 2003 and is one of the world’s top five largest active managers of sub-investment grade debt (by AUM)<sup>12</sup>, with global expertise in senior floating rate loans, mezzanine debt, high-yield bonds and distressed situations.

The Investment Manager is one of the largest institutional investors in the European leveraged loan market with the ability to make large commitments across the capital structure (typically between €50 million and €150 million in a single opportunity) to the investment opportunities it selects. Alcentra’s investment advisory subsidiaries have approximately US\$16.6 billion in AUM<sup>13</sup> (including approximately US\$4 billion in US assets and €9 billion in European assets) across 47 funds and accounts, including CLOs, mezzanine debt funds, managed accounts and open-ended funds in both US dollars and Euro with over 300 investors in 30 countries (as at 31 October 2011). Alcentra’s AUM includes legacy investments dating back more than ten years and in the first eleven months of 2011 Alcentra-managed funds secured allocations of approximately €1.5 billion in the European primary market and acquired approximately €1.5 billion in the European secondary loan market (as at 31 October 2011)<sup>14</sup>. Alcentra has separate US and European credit research teams in London and New York. The Alcentra Group has a team of 55 professionals, including portfolio managers and a

12 Source: Creditflux, “The Rise of the Super Manager”, December 2010

13 As at 31 October 2011. For these purposes the value of Euro-denominated assets under management have been converted in US dollars at the prevailing exchange rate on the relevant date.

14 Source: Alcentra data, 17 November 2011

dedicated transaction management team for both the US and Europe. In Europe, six portfolio managers are supported by 11 credit analysts who have an average of over 11 years of credit experience each. Alcentra has invested over US\$160 million of its own capital into the funds managed by Alcentra Limited and Alcentra NY, LLC.

Alcentra has been recognised in the EuroWeek Syndicated Loan Awards for “Best Non-Bank Investor” six times since 2005, including most recently in 2011 (in respect of calendar year 2010). Also in 2011, Fitch Ratings awarded Alcentra an “M1” manager rating. This is the highest manager rating offered by Fitch and reflects “asset manager operations demonstrating the lowest vulnerability to operational and investment management failure” in recognition of Alcentra’s superior investment management and operational standards.

The Investment Manager is responsible for the discretionary management of the assets held in the Group’s Portfolio (including un-invested cash). The Investment Manager is not required to and generally will not submit individual decisions for approval by the Board.

Details of the fees and expenses payable to the Investment Manager pursuant to the Investment Management Agreement are set out in the section headed “Fees and expenses” in Part IV of this Prospectus.

### **Investment Policy**

The Investment Manager will select, from the primary and secondary markets, investments for the Group in the following asset classes:

- secured loans, including senior loans, mezzanine loans and second lien loans;
- senior secured floating-rate notes; and
- senior secured and senior unsecured high-yield bonds,

in each case that may be considered to be non-investment grade. The Investment Manager will seek to identify investment opportunities that combine an attractive current return with a strong probability of ultimate return of capital. For further information on the Company’s investment policy, see the section headed “Investment Policy” in Part I of this Prospectus.

### **Investment Management Team**

The investment management team consists of: David Forbes-Nixon, Alcentra Chief Executive Officer and Chairman of the Investment Committee; Paul Hatfield, Chief Investment Officer; and Graham Rainbow, Senior Loan Portfolio Manager. Graham Rainbow is a member of the Investment Committee and is responsible for the management of all of Alcentra’s senior loan-focused funds. Graham will also be directly responsible for the day-to-day management of the Portfolio.

#### *Investment Committee*

In addition to David Forbes-Nixon, Paul Hatfield and Graham Rainbow, the Investment Committee also comprises: Graeme Delaney-Smith, Portfolio Manager for Alcentra’s European mezzanine lending business; and Kevin Lennon, Senior Analyst and head of European credit.

#### *Credit Analysis Team*

The investment management team is supported by 11 credit analysts in London (including Kevin Lennon). These analysts are organised into sector and geographical specialisations. Credit analysts are responsible for sourcing and reviewing potential investments for submission to the Investment Committee for approval prior to investment. Each analyst covers on average no more than 20 borrowers and has on average over 11 years of experience. By organising the credit team by industry and geographical specialisation, Alcentra analysts are able to develop in-depth specialist knowledge on their chosen industry sector allowing more effective review of new investment opportunities as they arise. In addition, certain geographical regions, in particular France, Spain and Germany, require specialist skills due to local practices and language. Alcentra has allocated individual analysts to specialise on these regions. The credit team also has a dedicated stressed and distressed credit analyst, Richard Thomson, who has specific experience in workout and restructuring and who will take responsibility for borrowers that are going through complicated and negotiated restructuring processes. The credit team is additionally assisted by a secondee from a major law firm who is available to review new issue and restructuring documentation as required.

Figure 16 shows the composition of the Investment Committee and the credit analysis team.

**Figure 16: Alcentra's European Credit Team**

Investment Committee										
David Forbes Nixon, CEO/Chairman of Investment Committee (24 years of experience)										
Paul Hatfield, Chief Investment Officer (24 years of experience)										
Graham Rainbow, Senior Portfolio Manager (19 years of experience)										
Graeme Delaney-Smith, Mezzanine Debt Portfolio Manager (15 years of experience)										
Kevin Lennon, European Head of Credit (21 years of experience)										
Richard Samuel	Kevin Lennon	Pascal Meysson	Helen Pittaway	Joanna Layton	Natalia Tsitoura	Frédéric Méreau	Igor Suica	Richard Thomson	Laurence Raven	Anushka Rajjiah
Senior Analyst	Senior Analyst	Senior Analyst	Senior Analyst	Senior Analyst	Analyst	Analyst	Analyst	Senior Analyst	Analyst	Analyst
Chemicals	Food & Beverage	France	Telecom	Building Products	Healthcare	France		Stressed	Stressed	
Oil & Gas	Retail	Spain	Cable	Media	Pharma.	Paper & Packaging	Germany	Distressed	Distressed	Structured Credit
			Autos	Aerospace & Defence	Spain	Financial Services				

*Investment Management Team Biographies*

- **David Forbes-Nixon, Chief Executive Officer and Chairman of Investment Committee**

David is the Co-founder, Chairman and Chief Executive of Alcentra. David also acts as senior portfolio manager of Alcentra's European funds and chairs the Alcentra European Investment Committee.

Prior to founding Alcentra, David worked at Barclays Capital from 1995 to 2003 where he was Managing Director, Founder and Chief Investment Officer of Barclays Capital Asset Management, a wholly owned subsidiary of Barclays Group Plc and the predecessor firm of Alcentra. Whilst he was at Barclays he also set up the par loan trading business and served as a Director of the Loan Market Association (LMA) and chaired the LMA Valuation Committee.

David worked at Bankers Trust from 1992 to 1995 where he was a Vice President and head of European leveraged loan distribution and prior to that worked at Chemical Bank from 1987 to 1992 in New York and London in the structured finance and loan syndication departments.

David graduated from Birmingham University with a BSc (Hons) in Chemical Engineering.

- **Paul Hatfield, Chief Investment Officer**

Paul serves as Chief Investment Officer for Alcentra. Paul has 24 years of experience in leveraged finance and, prior to joining Alcentra, was a Senior Analyst for the collateralised debt obligation operations of Intermediate Capital Group. Between 1995 and 2001, Paul worked at Deutsche Bank, originally in London for the leveraged finance team. At this time, Deutsche Bank (Morgan Grenfell) were the leading underwriter of European LBOs. In 1998, Paul was seconded to New York, where he worked on sponsor coverage and latterly in the bank's telecom division.

Paul originally trained as a chartered accountant in the audit division of Arthur Andersen and, before joining Deutsche, built up a successful portfolio of mezzanine and development capital loans with FennoScandia Bank, the London operation of a Scandinavian consortium bank.

Paul graduated from Cambridge University with a BA (Hons) in Economics.

- **Graham Rainbow, Senior Loan Portfolio Manager**

Graham joined Alcentra in August 2008 as Portfolio Manager and Executive Director. Graham is also a member of Alcentra's European Investment Committee. Prior to joining Alcentra, Graham was co-head of the leveraged syndicate desk at Barclays Capital, where he was responsible for underwriting senior, second lien and mezzanine LBO debt.

Graham joined Barclays in 1995 and performed roles in loan trading, credit and sales before joining the leveraged finance team in 1998.

Graham's previous work experience was with a commercial finance consultancy, arranging business mortgages.

Graham has a BSc (Hons) from Warwick University in Management Science and an MBA from Warwick Business School.

### **Investment Process**

The Investment Manager employs a disciplined approach to the investment process. The key components of the investment process employed by Alcentra are as follows: (i) sourcing; (ii) due diligence; (iii) suitability assessment; (iv) ongoing monitoring; and (v) portfolio management.

#### *(i) Sourcing*

The Investment Manager is one of the largest institutional investors in the European leveraged loan market and is a "one stop shop" for debt financing across the capital structure, with the ability to make large commitments (typically between €50 million and €150 million in a single opportunity) to the investment opportunities it selects. As a result, the Investment Manager has developed strong relationships with corporate borrowers, private equity sponsors, advisers, loan arrangers, and secondary trading houses. The Investment Manager believes that these relationships have historically helped, and will continue to help, it to secure large allocations in its most favoured deals.

Typically an investor in the leveraged loan market will source opportunities in the secondary market through relationships with dealers and in the primary market following an invitation from a loan arranger to participate in general syndication. In Europe, sponsors often restrict those invited to participate in the facilities for the companies they own to a pre-agreed list of lenders. Alcentra has not been excluded by any leading sponsor. Some deals are initially shown to a smaller list of larger potential investors in a round of "pre-primary" syndication. Alcentra will typically be on this shorter list of pre-primary investors.

In several cases, Alcentra may be consulted by an arranger, sponsor or borrower before the pre-primary syndication phase in order to test likely market reaction to a particular structure or deal terms. In these cases, the ability to review and in some cases steer the structure of a loan early in its development can be very valuable in reaching an early conclusion as to the attractiveness of the opportunity and can lead to favourable allocations in the final transaction.

The Investment Manager believes that its ability to source non-investment grade investment opportunities at all these levels of the loan and bond markets gives it a key competitive advantage. In particular, Alcentra believes that:

- (a) its close relationships with leading sponsors;
- (b) the "sector specialisation" structure of its analyst team, which promotes strong direct relationships with corporate borrowers; and
- (c) its ability to provide primary market investments of between €50 million and €150 million, provide it with a strong basis for sourcing future investment opportunities and that by maximising the universe of assets from which it can select opportunities, Alcentra can build a portfolio of strong credit quality.

#### *(ii) Due Diligence*

The Investment Manager will employ a rigorous process for reviewing and analysing potential investment opportunities. This process will draw on external, independent due diligence material as well as the work and experience of Alcentra analysts in the relevant industry sector.

##### *Stage 1 – Initial Due Diligence*

An Alcentra industry analyst will prepare an initial report to be submitted to the portfolio manager and Investment Committee in order to determine the suitability of the asset for inclusion in the Portfolio, taking into account various factors including:

- industry position;
- company description and history;
- capital structure and leverage;
- yield, price and potential investment return;
- liquidity;

- trading history;
- situation assessment (including ratings outlook, impending financings, earnings shortfalls, current news or outstanding issues);
- cash flow level, consistency and sustainability; and
- operating ratios.

This first stage will culminate in a preliminary screening by the Investment Committee.

#### *Stage 2 – In-Depth Due Diligence Review*

If the Investment Committee gives its preliminary approval to the potential investment, the responsible analyst will perform more in-depth due diligence as needed to confirm or reject the investment, including:

- detailed review of structure and documentation, including review of collateral, pledge and security agreements and guarantees;
- further industry review;
- comparative credit review;
- management assessment (focusing on reputation, compensation and board oversight);
- full financial analysis including review of projections as necessary;
- field visit to plant or facilities; and
- discussions with outside information sources (such as vendors, customers and private equity investors).

The Investment Manager’s internal rating system is an integral component of the due diligence process and will be used to determine a rating for each security based on proprietary financial analysis. Investment decisions will also be influenced by the investment’s yield compared to its industry sector and the relevant quality rating category assigned by third party credit rating agencies. The rating ascribed to an investment by the Investment Manager is central to the yield comparisons conducted across quality and industry levels.

Following the completion of this in-depth due diligence process, the potential investment will be put before the Investment Committee. All investment ideas must be presented for final approval to the Investment Committee and must receive majority approval (such majority to include the Chairman) before being considered for inclusion in the Portfolio. The Investment Committee will meet as required to consider and review any investment proposals.

#### *Stage 3 – Execution Phase*

Once the decision has been made to invest, the analyst will work with legal counsel to review all loan documentation from a legal perspective. In conjunction with legal counsel, the Investment Manager has developed a “documents checklist” to assist in identifying potentially damaging clauses, often inserted into loan documentation over the years of the bull market between 2004 and 2007, and bring these to the attention of the Investment Committee.

#### *(iii) Suitability Assessment*

In parallel with the due diligence process, the Investment Manager will screen the underlying Portfolio to assess the suitability of the asset for inclusion, taking into account the impact on Portfolio diversity, potential incremental yield to the Portfolio and correlation with similar holdings in the Portfolio, with a focus on seeking opportunities that offer adequate compensation for risk.

The suitability assessment will aim to maintain a highly diversified Portfolio by considering the impact of the addition of a new asset to Portfolio concentration:

- to a single borrower;
- to borrowers from a single geographical jurisdiction;
- to an individual industry sector;
- to a specific asset class;
- to seniority of claim in the event of default;
- to foreign currency; and
- to collateral paying a fixed rate of interest.

In each case, concentrations will be monitored with reference to the Company's published investment policy.

*(iv) Ongoing Monitoring*

The credit analyst responsible for the relevant industry sector or geographical jurisdiction will monitor investments in that sector. Analysts will screen news services daily for relevant updates on their credits. Typically, Alcentra will receive private, monthly management accounting data from most of the companies to which it lends. The relevant analyst will track monthly data for each borrower using proprietary systems and standardised monitoring reports. In many cases, analysts will regularly meet key executive management in invested companies.

Daily updates will be discussed directly with the portfolio managers and the investment team will meet weekly to discuss developments with Portfolio companies. All credits will be reviewed in detail by the Investment Committee at quarterly Portfolio reviews. During these reviews, which will typically take up about 3 days per quarter, each credit analyst will present a detailed update on each credit in his portfolio to the Investment Committee.

*(v) Portfolio Management*

At any stage of the process, the portfolio manager will consider a sale of an asset if:

- a target return would thereby be achieved;
- credit deterioration has been experienced or is expected;
- relative value is identified elsewhere; or
- diversification may be improved by switching to another investment.

If performance of a particular asset deteriorates, the credit analyst may add the asset to a "Watch List" for more detailed monitoring. A credit may be added to a "Watch List" as a result of:

- anticipation of a covenant breach within the next 12 months;
- a material reduction in revenues or earnings that gives cause for concern;
- a material fall in the secondary market price; or
- a change in market or business dynamics that raises concerns over the long-term earnings prospects for the credit.

The portfolio manager will exercise judgment as to whether to sell a "Watch List" asset ahead of a potential default, to hold in anticipation of selling at a better price later or to hold onto the asset in the expectation of a workout or restructuring and a higher level of recovery over time.

Where required, Alcentra is resourced to take a leading role in the workout process. Most credit analysts have, in the last three years, taken leadership roles in workout steering committees. The team includes an experienced workout practitioner to handle more complex workout negotiations. A rotating secondee from a major law firm sits with the credit analysts to provide day-to-day legal support on workout and restructuring documentation.

**Track Record**

The Investment Manager has a track record in managing European senior secured loans in 24 different funds. Figure 17 below shows the return on the aggregated portfolio across all those funds.



**Figure 17 – Return on Aggregated Senior Loan Portfolio**

	AUM (EURO bn) <sup>1</sup>	Alcentra European Composite Returns (Gross) <sup>2</sup>	ELLI: Multi-Currency <sup>3</sup>	CS Western European Leveraged Loan Index <sup>4</sup>
<b>2003</b>	1.04	5.99%	3.84%	12.22%
<b>2004</b>	1.80	7.64%	5.42%	6.94%
<b>2005</b>	3.18	6.40%	5.88%	5.45%
<b>2006</b>	5.40	7.14%	6.38%	6.03%
<b>2007</b>	9.07	2.31%	-0.59%	0.96%
<b>2008</b>	8.40	-25.62%	-30.20%	-30.24%
<b>2009</b>	8.21	30.69%	43.81%	47.24%
<b>2010</b>	7.79	9.10%	9.85%	8.53%
<b>2011</b>	7.76	0.86% <sup>5</sup>	0.73%	-0.65%

Notes:

1. “AUM” is calculated on the basis of the notional par value of assets at the end of the relevant period.
2. “Alcentra European Composite Returns (Gross)” relate to a subset of Alcentra’s European assets under management which excludes its mezzanine and structured credit funds which pursue a different strategy. Alcentra uses its own Wall Street Office internal loan administration system for calculating these returns. These have not been independently checked or verified. The returns are weighted and reflect realised and unrealised principal and interest gains or losses in the period. Alcentra typically uses Markit Partners to price its assets, but the data in Figure 17 does contain prices that have not been verified by a third party, particularly for those more illiquid assets. These figures represent gross returns and do not contain operating expenses or fees. These figures also do not include unencumbered cash in the portfolios.
3. “ELLI: Multi-Currency” data reflects the total returns of Standard & Poor’s European Leveraged Loan Index: Multi-Currency as stated in S&P ELLI Report, December 2011. 2011 performance data is stated as at 31 December 2011.
4. “CS Western European Leveraged Loan Index” data reflects the total returns of Credit Suisse’s Western European Leveraged Loan Index; hedged to EUR as stated in Credit Suisse Western European Leveraged Loan Index, Excel data via Markit Hub, December 2011. 2011 performance data is stated as at 31 December 2011.
5. “Alcentra European Composite Returns (Gross)” information includes data for the calendar year 2011 up to and including 31 December 2011.

Figure 17 shows that the Investment Manager’s cumulative returns from 2003 to 2011 were 42.33 per cent. Over the same period, the S&P ELLI index returned 36.15 per cent.

Figure 18 below shows the rate of default on investments drawn from the same pool of loans as are included in “Alcentra European Composite Returns (Gross)” in Figure 17. Defaults are expressed as a percentage of total par outstanding in the relevant year. Recovery data shows the ultimate recovery on default experienced in a given year and recoveries consist of cash and par value of restructured securities following a workout, the proceeds of a sale of a defaulted asset and the market value of any defaulted assets retained pending workout.

**Figure 18 – Default Data<sup>1</sup>**

	<b>Alcentra Default Rate<sup>2</sup></b>	<b>Alcentra Recovery Rate<sup>3</sup></b>	<b>Alcentra Loss Rate<sup>4</sup></b>
<b>2003</b>	0.00%	n/a	0.00%
<b>2004</b>	0.00%	n/a	0.00%
<b>2005</b>	0.51%	63.15%	0.19%
<b>2006</b>	0.00%	n/a	0.00%
<b>2007</b>	0.00%	n/a	0.00%
<b>2008</b>	0.75%	15.70%	0.63%
<b>2009</b>	7.12%	75.39%	1.75%
<b>2010</b>	5.45%	94.43%	0.30%
<b>2011</b>	2.33%	100.00%	0.00%
<b>Average</b>	<b>1.80%</b>	<b>N/A</b>	<b>0.32%</b>

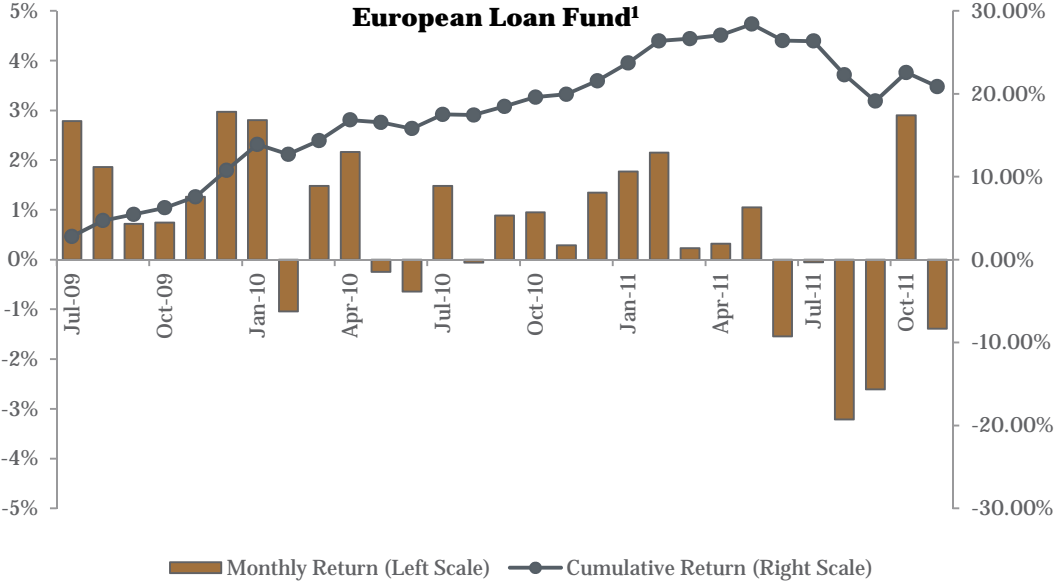
Notes:

1. Alcentra’s default rate, recovery rate, and loss rate statistics relate to a subset of its assets under management, which excludes its mezzanine and structured credit funds which pursue a different strategy.
2. Alcentra defines defaults as assets missing interest payments or undergoing restructuring. These are generated from its own Wall Street Office internal loan administration system and have not been independently verified or audited. The default rate reflects the notional par value of assets when entering default, as a proportion of the total par outstanding at the end of the relevant year. Alcentra does not classify distressed exchanges as defaults.
3. Recovery rates are calculated as the total received, in the form of cash and par value of restructured securities, following a workout, from assets which entered default within that year, as a proportion of the total par value of assets when entering default (although the actual recovery may be realised in a later year).
4. Loss rate reflects the difference between the notional par value of assets (when entering default) and the recovered amount, as a proportion of the total outstanding par value at the end of the relevant year.

Figure 18 shows that the Investment Manager’s peak realised loss rate over the period was 1.75 per cent. in 2009. Current credit spreads of 4.75 per cent. to 5 per cent. provide compensation for potential losses arising from a default (as defined in Note 2 of Figure 18) by a borrower.

The Alcentra European Loan Fund was established in July 2009 and was designed to satisfy the needs of large institutional investors in the loan market. It provides monthly liquidity and adopts a similar investment strategy to that proposed for the Company. Figure 19 below shows that fund’s monthly return between establishment and July 2011.

**Figure 19 – Monthly returns**



<i>Alcentra European Loan Fund<sup>1</sup></i>	<i>Jan</i>	<i>Feb</i>	<i>Mar</i>	<i>Apr</i>	<i>May</i>	<i>Jun</i>	<i>Jul</i>	<i>Aug</i>	<i>Sep</i>	<i>Oct</i>	<i>Nov</i>	<i>Dec</i>	<i>YTD<sup>2</sup></i>
<b>2009</b>	—	—	—	—	—	—	2.79%	1.86%	0.72%	0.74%	1.26%	2.97%	10.77%
<b>2010</b>	2.81%	-1.04%	1.48%	2.16%	-0.25%	-0.65%	1.48%	-0.06%	0.88%	0.95%	0.29%	1.35%	9.74%
<b>2011</b>	1.77%	2.14%	0.23%	0.32%	1.05%	-1.54%	-0.05%	-3.21%	-2.61%	2.90%	-1.39%	—	-0.57%

- Notes:
- Historical performance data relates to the II-A EUR Class. Performance information is stated net of fees and expenses. Past performance is not a guide to future performance.
  - Year to date information for 2011 includes information up to 30 November 2011.

**Illustrative Portfolio Composition**

The following information is intended as an illustration of how the Portfolio might have been constituted had it been in existence and fully invested as at 5 December 2011 (the “Illustrative Portfolio Date”) based on the Company’s investment policy. This should not be regarded as either the final investment portfolio or a target portfolio, but rather as an example of how the Investment Manager might have satisfied its proposed investment policy and guidelines based on assets available and new issue prospects identified on the Illustrative Portfolio Date. It is intended as a guide only and there can be no guarantee that the actual investments made, or the Portfolio constructed, by the Company will resemble the information set out below.

The illustrative portfolio is diversified by obligor and industry with 64 borrowers across 26 different industry sectors and no individual borrower representing an exposure of more than 5 per cent. of the Portfolio.

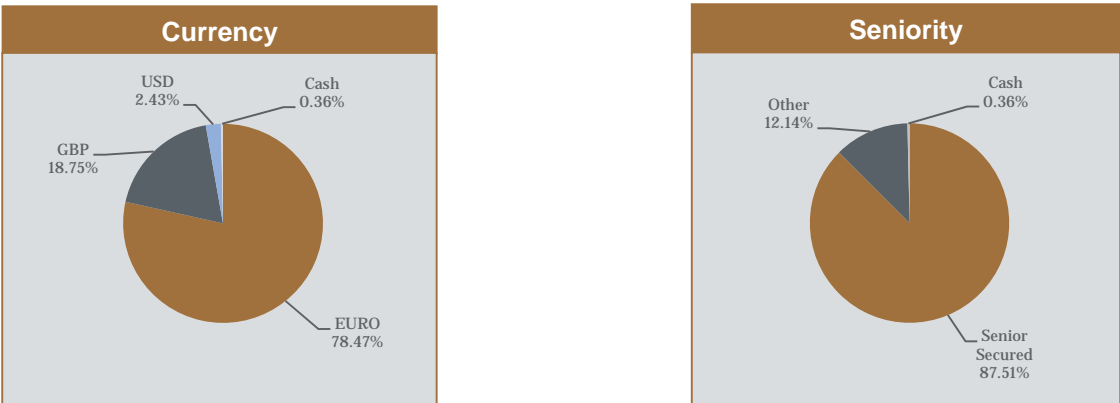
**Figure 20 – Illustrative Portfolio Statistics**

<b>Weighted Average Spread</b>	4.91%
<b>Weighted Average Maturity</b>	4.96 years
<b>Weighted Average Mark</b>	90.75
<b>Portfolio Yield</b>	8.65% yield to maturity
<b>Running Yield</b>	6.50%
<b>Number of Issuers</b>	64
<b>Number of Industries</b>	26
<b>Initial Cash Deployment</b>	4 to 6 weeks

**Figure 21 – Illustrative Portfolio Breakdown by Industry and by Jurisdiction**



**Figure 22 – Illustrative Portfolio Breakdown by Currency and by Seniority**



## PART IV

### DIRECTORS, MANAGEMENT AND ADMINISTRATION

#### Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Companies Laws and the Articles and have overall responsibility for the Company's activities including the review of investment activity and performance and the overall control and supervision of the Investment Manager. The Directors may delegate certain functions to other parties such as the Investment Manager, the Administrator and the Registrar. In particular, the Directors have delegated responsibility for managing the Portfolio to the Investment Manager who is not required to, and generally will not, submit individual investment decisions for the approval of the Board.

The Board comprises three directors, each of whom is independent of the Investment Manager. Details of each of the Directors are set out below.

The address of the Directors, all of whom are non-executive, is the registered office of the Company. The Directors of the Company are as follows:

<b>Name</b>	<b>Age</b>	<b>Position</b>
Ian Fitzgerald	56	Non-Executive Chairman
Anne Ewing	56	Non-Executive Director
Jonathan (Jon) Bridel	47	Non-Executive Director

#### *Ian Fitzgerald, Non-Executive Chairman*

Ian is currently a director of Loans Syndications Advisory Services Limited, a company established to provide specialist loan product business services.

Ian held senior management positions within Lloyds Bank Capital Markets from 1997 to 2011. From 2004 he was managing director and Head of Loan Markets responsible for the bank's primary and secondary loan market businesses globally including all corporate, acquisition, leveraged, project, infrastructure and property-related loan finance.

Ian joined Lloyds from Hill Samuel as Head of Loan Syndication and Distribution, upon Lloyds' merger with Hill Samuel TSB Bank plc in 1997.

Prior to joining Hill Samuel in 1992, Ian held senior lending and syndicate roles at Chemical Bank, Manufacturers Hanover Limited, Bankers Trust International Limited, and other financial institutions.

Ian commenced his banking career with Barclays Bank International in 1975.

Ian was chairman of the Loan Market Association ("LMA") from 2009 to 2011 having been appointed as a non-executive director of the LMA in 2006.

#### *Anne Ewing, Non-Executive Director*

Anne is currently an executive director of Imperium Trust Company Limited and an executive director of Guernsey Bereavement Service LBG. She is also a non-executive director of Global Mena Financial Assets Limited, Financial Assets Mena W.L.L., Financial Assets Bahrain W.L.L., Balmoral Partners Limited, Hazel Ventures Management (GP) Limited, Fusion Capital Asset Management (Gsy) Ltd, Fusion Founder Partners (GP) Limited and CDC Holdings Limited.

Anne was an executive director of Dominion Fund Management Limited from 2007 to 2009, an executive director of Dominion Nominees Limited from 2008 to 2009, an executive director of Dominion Global Finance Fund Limited from 2008 to 2009, an executive director of NX2€ Gteed Policy Holding Co. Ltd in 2009, an executive director of NX2\$ Gteed Policy Holding Co. Ltd in 2009 and an executive director of Dexion Capital (Guernsey) Limited from 2009 to 2010.

Anne has also previously served as a dealer and fund administrator at Rothschild Bank and Asset Management from 1988 to 1993, a treasurer and company secretary at Old Mutual from 1993 to 2001, an assistant director at Rothschild Asset Management from 2001 to 2003 and a senior manager at KPMG (CI) Ltd from 2003 to 2006. She also served as a consultant at Business Performance Solutions in 2011.

Anne graduated from Bournemouth University and is a Chartered Fellow of the Chartered Institute of Securities & Investment, a Fellow of the Institute of Chartered Secretaries and Administrators, a member of the Institute of Directors and a member of the Guernsey Investment Fund Association.

### ***Jonathan (Jon) Bridel, Non-Executive Director***

Jon is currently a non-executive director of GLF (GP) Limited, a non-executive director of AnaCap Credit Opportunities GP II Limited and a non-executive chairman of Altus Global Gold Limited.

Jon was a director of Royal Bank of Canada Investment Management (Guernsey) Limited (which became RBC Investment Solutions (CI) Limited in 2008) from 2005 to 2006, after which he served as its Managing Director until April 2011. Jonathan also served as a director of RBC Offshore Fund Managers Limited from 2008 to 2011, director of RBC Fund Services (Jersey) Limited from 2008 to 2011, a director of RBC Investment Services Limited from 2010 to 2011 and a director of RBC Regent Fund Managers Limited from 2010 to 2011.

Jon served in a number of senior management positions in banking and other financial institutions and private businesses from 1996 to 2002.

Jon graduated from the University of Durham with a degree of Master of Business Administration, holds qualifications from the Institute of Chartered Accountants in England and Wales, the Chartered Institute of Marketing (previously the Institute of Marketing) and the Australian Institute of Company Directors. Jon is a Chartered Marketer and a member of the Chartered Institute of Marketing and the Institute of Directors and a Chartered Fellow of the Chartered Institute for Securities and Investment.

### **Administrator, Secretary, Custodian and Designated Manager**

BNP Paribas Fund Services (Guernsey) Limited has been appointed as Administrator, Secretary, Custodian and Designated Manager of the Company pursuant to the Administration and Custody Agreement (further details of which are set out in paragraph 7 of Part VI of this Prospectus). In such capacity, the Administrator will be responsible for the day-to-day administration of the Company (including but not limited to the calculation and publication of the estimated daily NAV), general secretarial functions required by the Companies Laws (including but not limited to the maintenance of the Company's accounting and statutory records) and certain safekeeping and custody services.

In acting as custodian of the Company's investments the Administrator shall provide for the safe keeping of contracts or other documents of title to the loans and may take custody of cash and other assets. The Company has consented to, and the Administrator is permitted and may delegate the safekeeping function to, BNP Paribas Securities Services London Branch and the custody function to BNP Paribas Securities Services Guernsey Branch or such other associate company of the Administrator. Documents will be registered in the name of the Company and assets will be held in a custody account and registered in the name of the Administrator or its delegate or a nominee as required under the Licensees (Conduct of Business Rules) 2009.

Investors should note that it is not possible for the Administrator to provide any investment advice to investors.

### **Fees and expenses**

#### *Initial expenses related to the Issue*

The initial expenses of the Company are those which are necessary for the Issue (including the incorporation of the Company and LuxCo). The Company will in respect of such expenses bear an amount equal to 2 per cent. of the Gross Issue Proceeds. To the extent such expenses exceed an amount equal to a maximum of 2 per cent. of the Gross Issue Proceeds, the Investment Manager will bear the excess.

These expenses will be paid on or around Admission and will include, without limitation, placing fees and commissions; registration, listing and Admission fees; the cost of settlement and escrow arrangements; printing, advertising and distribution costs; legal fees, and any other applicable expenses. All such expenses will be immediately written off.

On the assumption that the Company achieves its target issue size of £150 million (including the proceeds of the issue of Euro Shares converted into Sterling at the prevailing exchange rate), the NAV of the Company immediately following Admission will be approximately £147 million (in other words, the NAV of the Company will equate to 98 per cent. of the Gross Issue Proceeds).

## *Ongoing Annual Expenses*

### Management Fee

The Investment Manager will be entitled to a management fee which shall be calculated and accrued daily at a rate equivalent to 0.70 per cent. of NAV per annum. The management fee will be payable quarterly in arrear. No incentive or performance fee will be payable by the Company to the Investment Manager.

### Other fees and expenses

The Company will also incur ongoing annual fees and expenses which, based on the Company having a Gross Asset Value of £150 million, are not expected to exceed approximately 0.30 per cent. of the Company's NAV per annum (excluding the management fee payable to the Investment Manager described above).

These expenses will include the following:

(i) *Administration and Custody*

Under the terms of the Administration and Custody Agreement, the Administrator is entitled to various fees, including an accounting fee, annual company secretarial fee, loan administration fee and settlement and custody fees. It is currently expected that these fees will not exceed 0.2 per cent. of Net Asset Value in any year.

(ii) *Registrar*

The Registrar will be entitled to an annual fee from the Company equal to £2 per Shareholder per annum or part thereof, subject to a minimum of £8,250 per annum per class of Shares. Other registrar activities will be charged for in accordance with the Registrar's normal tariff as published from time to time.

(iii) *Directors*

The Directors will be remunerated for their services at a fee of £25,000 per annum (£30,000 for the Chairman). Further information in relation to the remuneration of the Directors is set out in paragraph 4 of Part VI of this Prospectus.

(iv) *Other operational expenses*

All other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including, without limitation, the incidental costs of making its investments and the implementation of its investment objective and policy; travel, accommodation and printing costs; the cost of directors' and officers' liability insurance and website maintenance; audit and legal fees; and annual Main Market fees. All out-of-pocket expenses that are reasonably and properly incurred by the Investment Manager, the Administrator, the Registrar, the CREST agent and the Directors relating to the Company will be borne by the Company.

### **Taxation**

Information concerning the tax status of the Company and the tax treatment of Shareholders is contained in paragraph 5 of Part VI of this Prospectus. A potential investor should seek advice from his or her own independent professional adviser as to the taxation consequences of acquiring, holding, disposing of or redeeming Shares.

### **Meetings and reports to Shareholders**

All general meetings of the Company will be held in Guernsey. The Company expects to hold its first annual general meeting in 2012.

The Company's audited annual report and accounts will be prepared to 31 March each year, commencing in 2013, and it is expected that copies will be sent to Shareholders in July each year, or earlier if possible. The Company will also publish an unaudited half yearly report each year in respect of the period from 1 April to 30 September. The Company's audited annual report and accounts and its unaudited half yearly report will be available on the Company's website, [www.aefrif.com](http://www.aefrif.com).

The Company's accounts will be drawn up in Euro and in compliance with IFRS.

## **Conflicts of interest**

### *Directors*

In relation to transactions or proposed transactions in which a Director is interested, the Articles provide that as long as the Director discloses to the Board immediately after becoming aware of the Director's interest in such transactions or proposed transactions the nature and monetary value or, if such value is not quantifiable, the nature and extent of the Director's interest or the transaction or proposed transaction is between the Director and the Company and the transaction or proposed transaction is or is to be entered in the ordinary course of the Company's business and on usual terms and conditions, a Director may enter into a contract or arrangement with the Company or otherwise be interested in, such contract or arrangement or any contract or arrangement in which the Company is otherwise interested. A Director may not, however, vote in respect of any such contract or arrangement although the Director shall be counted in the quorum.

The Directors are also required by the Authorised Closed-Ended Investment Scheme Rules 2008 issued by the GFSC to take all reasonable steps to ensure that there is no breach of the conflicts of interest requirements of those rules.

### *Investment Manager*

The Company, and an investment in the Company and the Shares, are subject to a number of actual and potential conflicts of interest involving the Investment Manager. The Investment Manager's policy relating to conflicts of interest, as set out below, describes the arrangements in place within the Investment Manager to ensure the fair management of conflicts of interest.

Potential investors should read carefully the Risk Factors set out on pages 9 to 21 of this Prospectus and, in particular, the risks set out under the section headed "Risks relating to the Investment Manager".

## **Allocation of investment opportunities**

The Investment Manager manages Other Accounts (and may in the future manage further Other Accounts) whose investment objective and/or philosophies are the same as, overlap with, or are complementary to, the investment strategies and/or philosophies pursued by the Company, and both the Company and such Other Accounts may be eligible to participate in the same investment opportunities. Additionally, investment opportunities may become closed or limited with respect to new investments due to size constraints or other considerations. Moreover, the Company and/or such Other Accounts may not be eligible or appropriate investors in all potential investment opportunities. As a result of these and other factors, the Company may be precluded from making a specific investment.

The Investment Manager has Other Accounts that may have an investment objective that is similar to, or overlap to a greater or lesser extent with, those of the Company as well as investment guidelines that differ from those applicable to the Company's investments. The Investment Manager may determine that an investment opportunity is appropriate for an Other Account but not for the Company or that the allocation of an investment opportunity to the Company should be of a different proportion than that of an Other Account.

It is the policy of the Investment Manager to exercise due care to ensure that investment opportunities are allocated fairly and equitably among its client funds. The Investment Manager, however, will have no obligation to purchase, sell or exchange any investment for the Company which the Investment Manager may purchase, sell or exchange for one or more Other Accounts if the Investment Manager believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the Company. The Investment Manager's Other Accounts vary substantially in size, investment objective, acceptable risk levels, return targets, permissible and preferred asset classes and liquidity requirements. Certain investment opportunities may be appropriate for more than one client fund. Where the aggregate level of interest and capacity from the Investment Manager's client funds in a particular investment opportunity exceeds the level of investment that is available in that opportunity, the Investment Manager will allocate the relevant investment opportunity across its client funds in what it deems to be a fair and equitable manner, taking into account the factors referred to above. In addition, the Investment Manager may also take into consideration other factors such as the investment programs of the client fund, tax consequences, legal or regulatory restrictions, including those that may arise in various different international jurisdictions, the relative historical participation of a client fund in the investment, the difficulty of liquidating an investment for more than one client fund, new client funds



with a substantial amount of investable cash and such other factors considered relevant by the Investment Manager. Such considerations may result in allocations among the Company and one or more Other Accounts a client fund other than on a *pari passu* basis (which may result in different performances among them).

### **Takeover Regulation**

The City Code on Takeovers and Mergers (the “City Code”) is issued and administered by The Panel on Takeovers and Mergers (the “Takeover Panel”). The Company is subject to the City Code and therefore its Shareholders are entitled to the protections afforded by the City Code.

See the section “Rule 9 Waiver Notice” in paragraph 4 of Part VI of this Prospectus for a further discussion on the application of the City Code to the Company.

### **Squeeze-out and sell-out rules**

Other than as provided by the Companies Laws, there are no rules or provisions relating to squeeze-out and/or sell-out in relation to the Shares.

### **Disclosure requirements and notification of interest in shares**

Under Chapter 5 of the Disclosure and Transparency Rules, subject to certain limited exceptions, a person must notify the Company (and, at the same time, the FSA) of the percentage of voting rights he holds (within four trading days) if he acquires or disposes of shares in the Company to which voting rights are attached and if, as a result of the acquisition or disposal, the percentage of voting rights which he holds as a shareholder (or, in certain cases, which he holds indirectly) or through his direct or indirect holding of certain types of financial instruments (or a combination of such holdings):

- (a) reaches, exceeds or falls below five per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 50 per cent. and 75 per cent.; or
- (b) reaches, exceeds or falls below an applicable threshold in (i) above as a result of events changing the breakdown of voting rights and on the basis of the total voting rights notified to the market by the Company.

Such notification must be made using the prescribed form TR1 available from the FSA’s website at <http://www.fsa.gov.uk>. Under the Disclosure and Transparency Rules, the Company must announce the notification to the public as soon as possible and in any event by not later than the end of the trading day following receipt of a notification in relation to voting rights.

The FSA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

### **Dutch Regulatory Environment**

The Company is subject to the Netherlands Financial Supervision Act (*Wet op het financieel toezicht*) (the “Wft”). Pursuant to Article 2:65 of the Netherlands Financial Supervision Act, it is generally prohibited to offer interests in a collective investment scheme in the Netherlands if the management company of such collective investment scheme or, if the collective investment scheme does not have a separate management company, the collective investment scheme itself, does not have a licence from the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (“AFM”), unless an exception, exemption or individual dispensation applies.

Under the Netherlands Financial Supervision Act, an exemption applies to the Company in respect of the requirement to obtain a licence from the AFM for so long as Guernsey is considered by the Netherlands Minister of Finance (*Minister van Financiën*) to exercise “adequate supervision” over collective investment schemes.

By Ministerial Decree of 13 November 2006, as most recently amended on 16 June 2008, in respect of the accreditation of states as referred to in Article 2:66 of the Netherlands Financial Supervision Act, Guernsey was accredited by the Netherlands Minister of Finance to exercise such adequate supervision over collective investment schemes such as the Company. The Company will remain subject to certain ongoing requirements under the Netherlands Financial Supervision Act relating to, among other things, the disclosure of certain information to investors, including the publication of the Company’s financial statements.

Pursuant to a consultation document containing proposed Netherlands legislation to implement the AIFM Directive into Netherlands law, the Netherlands Minister of Finance has indicated that the adequate supervision exception as set forth above will remain in force until 2018. This would mean that the Company would, until 2018, not be required to obtain a licence from the AFM, although certain ongoing requirements under the Wft would apply.

Prior to the registration of the Company with the AFM, the Shares will not be offered or sold, directly or indirectly, in the Netherlands, other than to qualified investors within the meaning of article 1:1 of the Wft. In relation to such offer of Shares, the Company will not be under the obligation to obtain a licence as an investment institution under the Wft and the Company will not be supervised by the AFM and the Dutch Central Bank (including prudential and market conduct supervision).

### **Corporate governance**

The Company will be subject to the GFSC Finance Sector Code of Corporate Governance, which will apply to all companies that hold a licence from the GFSC under the regulatory laws or which are registered or authorised as collective investment schemes. The GFSC requires an assurance statement from the Company confirming that the Directors have considered the effectiveness of their corporate governance practices and are satisfied with their degree of compliance with the principles set out in the GFSC Finance Sector Code of Corporate Governance, or the alternative codes accepted by the GFSC, in the context of the nature, scale and complexity of the business. As the Company will report against the UK Corporate Governance Code and the AIC Code of Corporate Governance (the “AIC Code”) (both discussed further below), it will be deemed to meet the requirements of the GFSC Finance Sector Code of Corporate Governance.

The Listing Rules require that the Company must “comply or explain” with and by reference to the UK Corporate Governance Code. In addition, the Disclosure and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

The Directors recognise the value of the UK Corporate Governance Code and have taken appropriate measures to ensure that the Company complies, so far as is possible given the Company’s size and nature of business, with the UK Corporate Governance Code, subject to the variations of and derogations from the UK Corporate Governance Code set out in the AIC Code.

The Board has resolved to comply with the AIC Code produced by the Association of Investment Companies (“AIC”). The Company will be a member of the AIC on Admission and is classified as a Specialist Debt Company by the AIC.

The Company currently complies with, and will comply from Admission with, the AIC Code, and in accordance with the AIC Code will be meeting its obligations in relation to the UK Corporate Governance Code.

The areas of non-compliance by the Company with the UK Corporate Governance Code, all of which are permissible for the Company under the AIC Code, are as follows:

- There is no chief executive position within the Company which is not in accordance with provision A.2.1 of the UK Corporate Governance Code. As an investment company, the Company has no employees and therefore no requirement for a chief executive;
- As the Board has no executive directors, it is not required to comply with the principles of the UK Corporate Governance Code in respect of executive directors’ remuneration; and
- As the Company delegates to third parties its day-to-day operations and has no employees, there is no requirement for an internal audit function. The Directors will review annually whether a function equivalent to an internal audit is needed and will continue to monitor its systems of internal controls in order to provide assurance that they operate as intended.

### **Directors’ share dealings**

The Directors have adopted a code of directors’ dealings in Shares, which is based on the Model Code for directors’ dealings contained in the Listing Rules (the “Model Code”). The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

**Audit committee**

The Company's Audit Committee will meet formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual accounts, half yearly reports, interim management statements and to discuss the audit plan with the auditors. Where non-audit services are to be provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. Jonathan (Jon) Bridel will act as chairman of the Audit Committee. The principal duties of the Audit Committee will be to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditors' letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers.

**Remuneration and Nomination Committee**

The Company has established a Remuneration and Nomination Committee, which comprises all the Directors. Anne Ewing will act as chairman of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee will meet not less than once a year and will have responsibility for considering the remuneration of the Directors. It will also: (i) identify individuals qualified to become Board members and select the director nominees for election at general meetings of the Shareholders or for appointment to fill vacancies; (ii) determine director nominees for each committee of the Board; and (iii) consider the appropriate composition of the Board and its committees. In addition, the chairmanship of the Audit Committee, Remuneration and Nomination Committee and Management Engagement Committee and each Director's performance will be reviewed annually by the Chairman and the performance of the Chairman will be assessed by the remaining Directors.

**Management Engagement Committee**

The Company has established a Management Engagement Committee which comprises all the Directors, with Anne Ewing as the chairman of the committee. The Management Engagement Committee will meet not less than once a year. The Management Engagement Committee's main function is to review and make recommendations on any proposed amendment to the Investment Management Agreement and keep under review the performance of the Investment Manager in its role as investment manager to the Company.

## **PART V**

### **THE ISSUE**

#### **The Issue**

The Issue will comprise the Placing and the Offer for Subscription.

The target size of the Issue, including both the Placing and the Offer for Subscription, is in excess of £150 million (including the proceeds of the issue of Euro Shares converted into Sterling at the prevailing exchange rate). The actual number of Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds and the Net Issue Proceeds, are not known as at the date of this Prospectus but will be notified by the Company via an RIS announcement and the Company's website, [www.aefrif.com](http://www.aefrif.com), prior to Admission. The Issue will not proceed if the Net Issue Proceeds would be less than £70 million (or such lesser amount as the Company, the Investment Manager and the Sponsor may determine and notify to investors via publication of a supplementary prospectus). If the Issue does not proceed, subscription monies received will be returned without interest at the risk of the applicant.

The Issue will consist of Sterling Shares and Euro Shares, subject to the Class Minimum Amount being raised for each class and to compliance with the requirements of the Listing Rules relating to the minimum number of shares to be held in public hands. The proceeds of the issue of the Sterling Shares and the Euro Shares will be pooled by the Company and not segregated for the purposes of investment.

The target size of the Issue should not be taken as an indication of the number of Shares to be issued. The actual number of Shares issued pursuant to the Issue will be announced via an RIS announcement prior to Admission.

The Directors have determined that the Shares under the Issue will be issued at a price equal to £1.00 per Share for the Sterling Shares and €1.00 per Share for the Euro Shares.

#### **Proceeds of the Issue**

The Company intends to use the Net Issue Proceeds to invest in Profit Participating Bonds issued by LuxCo. LuxCo will use the proceeds of the issue of the Profit Participating Bonds to make investments in line with the Group's investment policy.

#### **The Placing**

The Company, the Directors, the Investment Manager and the Sponsor have entered into the Sponsor's and Placing Agreement pursuant to which the Sponsor has agreed, as agent for the Company, to use its reasonable endeavours to procure Placees to subscribe for the Shares at the Issue Price in return for the payment by the Company of placing fees and commissions.

A summary of the terms of the Sponsor's and Placing Agreement is set out in paragraph 7 of Part VI of this Prospectus.

The terms and conditions of the Placing which shall apply to any Placee procured by the Sponsor pursuant to the Placing are contained in Part VII of this Prospectus.

Applications under the Placing must be for a minimum subscription amount of £100,000 for Sterling Shares or €100,000 for Euro Shares.

#### **The Offer for Subscription**

The Company is offering the Shares to investors in the United Kingdom pursuant to the Offer for Subscription.

The terms and conditions of the Offer for Subscription are set out in Part VIII of this Prospectus and an Application Form and notes on how to complete such Application Form are set out as an Appendix to this Prospectus.

The terms and conditions of the Offer for Subscription should be read carefully before an application is made. Application Forms must be posted or delivered by hand (during normal business hours only) to Capita Registrars Limited, for the attention of Corporate Actions at The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, so as to arrive by no later than 12.00pm on 27 February 2012. The Offer for Subscription will, unless extended, be closed at that time.

Applications under the Offer for Subscription must be for a minimum subscription amount of £1,000 in respect of applications for Sterling Shares or €1,000 in respect of applications for Euro Shares.

Application Forms should be returned with a cheque or bankers' draft drawn in Sterling for the Sterling Shares or Euro for the Euro Shares on a bank or building society in the UK which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited, or which has arranged for its cheques and bankers' drafts to be cleared through facilities provided by any of those companies or their respective committees. Such cheques or bankers' drafts must bear the appropriate sort code in the top right-hand corner and must be for the full amount payable on application.

Cheques should be drawn on a personal account in respect of which the applicant has sole or joint title to the funds and should be made payable to "Capita Registrars Limited re: Alcentra European Floating Rate Income Fund Limited – Sterling Offer for Sub" if applying for Sterling Shares or "Capita Registrars Limited re: Alcentra European – Euro Offer for Sub" if applying for Euro Shares. The cheques must be crossed "A/C Payee Only". Third party cheques may not be accepted (other than building society cheques or bankers' drafts where the building society or bank has confirmed that the relevant applicant has title to the underlying funds) and will be subject to the Money Laundering Regulations which could delay applicants receiving their Shares. Payments via CHAPS, BACS or electronic transfer will not be accepted, unless otherwise agreed by the Company in its sole discretion.

The Directors reserve the right to refuse applications in whole or in part for any reason.

The Offer for Subscription is being made in the United Kingdom only. Applications received from or on behalf of other persons including any persons in EEA Member States, other than the United Kingdom, may be accepted in limited circumstances at the discretion of the Company where they are capable of being accepted in a manner which would comply with one of the public offer prospectus exemptions recognised in Article 3.2(a), 3.2(b) or 3.2(c) of the Prospectus Directive. No Shares allocated under the Offer for Subscription will be registered in the name of any person whose registered address is outside the United Kingdom except in certain limited circumstances with the consent of the Company.

### **The Main Market**

The Main Market is an EU regulated market. Consequently, upon Admission the Company will be subject to the Prospectus Rules, the Disclosure and Transparency Rules and the Market Abuse Directive (as implemented in the United Kingdom). Upon admission to the Official List, the Company will also be subject to the ongoing requirements of the Listing Rules.

### **Scaling back and allocation**

In the event that aggregate applications for Shares under the Placing and the Offer for Subscription were to exceed a level that the Directors determine, in their absolute discretion at the time of closing the Issue, to be the appropriate maximum size of the Issue, it would be necessary to scale back applications under the Issue. The Company and the Bookrunner reserve the right, in their discretion, to scale back applications in such amounts as they consider appropriate. The Offer for Subscription will not be subject to scaling back in favour of the Placing. Accordingly, applicants for Shares may, in certain circumstances, not be allotted the number of Shares for which they have applied.

The Company will notify investors of the number of Shares in respect of which their application has been successful and the results of the Issue will be announced by the Company on or around 29 February 2012 via an RIS announcement.

Subscription monies received in respect of unsuccessful applications (or to the extent scaled back) will be returned without interest at the risk of the applicant to the bank account from which the money was received. Applicants for any class of Shares where such class does not raise the Class Minimum Amount may elect to apply for Shares of the other currency class.

### **General**

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the United Kingdom, the Netherlands and/or Guernsey, the Company and its agents (and their agent) or the Investment Manager may require evidence in connection with any application for Shares, including further identification of the applicant(s), before any Shares are issued.

In the event that there are any significant changes affecting any of the matters described in this Prospectus or where any significant new matters have arisen after the publication of this Prospectus and prior to Admission, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s).

The Directors (in consultation with the Bookrunner) may, in their absolute discretion, waive the minimum application amounts in respect of any particular application for Shares under the Issue.

Should the Issue be aborted or fail to complete for any reason, monies received will be returned without interest at the risk of the applicant.

Definitive certificates in respect of Shares in certificated form will be dispatched by post in the week commencing 12 March 2012. Temporary documents of title will not be issued.

### **Clearing and settlement**

Payment for the Shares, in the case of the Placing, should be made in accordance with settlement instructions to be provided to Places by (or on behalf of) the Company or the Bookrunner. Payment for the Shares, in the case of the Offer for Subscription, should be made in accordance with the terms and conditions of the Offer for Subscription set out in Part VIII of this Prospectus and in the Application Form.

Shares will be issued in registered form and may be held in either certificated or uncertificated form and settled through CREST from Admission. In the case of Shares to be issued in uncertificated form pursuant to the Issue, these will be transferred to successful applicants through the CREST system. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any shareholder so wishes.

Shares issued under the Offer will be issued to successful applicants in accordance with the terms and conditions of the Offer for Subscription.

CREST is a paperless book-entry settlement system operated by Euroclear UK and Ireland Limited which enables securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

It is expected that the Company will arrange for Euroclear UK and Ireland Limited to be instructed on 5 March to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

The transfer of Shares outside of the CREST system following the Issue should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form. If a Shareholder or transferee requests Shares to be issued in certificated form and is holding such Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Shares. Shareholders (other than US Persons) holding definitive certificates may elect at a later date to hold such Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

### **Dealings**

Application will be made to the London Stock Exchange for the Shares issued pursuant to the Issue to be admitted to listing and trading on the premium listing segment of the Official List and the Main Market, respectively.

It is expected that Admission will become effective and that unconditional dealings in the Shares will commence at 8.00am on 5 March 2012. Dealings in Shares in advance of the crediting of the relevant stock account will be at the risk of the person concerned.

For the Sterling Shares, the ISIN number is GG00B6116N85 and the SEDOL code is B6116N8.

For the Euro Shares, the ISIN number is GG00B73P9V49 and the SEDOL code is B73P9V4.

The Company does not guarantee that at any particular time market-maker(s) will be willing to make a market in the Shares or any class of Shares, nor does it guarantee the price at which a market will be made in the Shares. Accordingly, the dealing price of the Shares may not necessarily reflect

changes in the NAV per Share. Furthermore, the level of the liquidity in the various classes of Shares can vary significantly.

### **Selling and transfer restrictions**

The distribution of this document and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Shares are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable securities laws and regulations. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

None of the Company, the Directors or the Sponsor is making any representation to any offeree, subscriber or purchaser of the Shares regarding the legality of an investment by such offeree or purchaser.

This Prospectus does not constitute an offer to subscribe for or purchase any of the Shares offered hereby to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Investment Manager.

The distribution of this Prospectus and the offer of the Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company to permit a public offering of the Shares or to permit the possession or distribution of this Prospectus (or any other offering or publicity materials or application form(s) relating to the Shares) in any jurisdiction (other than the United Kingdom and the Netherlands) where action for that purpose may be required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes should inform themselves about and observe any restrictions on the distribution of this document and the offer of Shares contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities law of any such jurisdictions.

### ***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) an offer to the public of any Shares may not be made in that Relevant Member State, except that the Shares may be offered to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) by the Bookrunner to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication by the Company or the Bookrunner of a Prospectus pursuant to Article 3 of the Prospectus Directive. Each person who initially acquires Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Bookrunner and the Company that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression “an offer of Shares to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Issue and the Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant

Member State. The expression “Prospectus Directive” means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

In the case of any Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will be deemed to have represented, acknowledged and agreed that the Shares acquired by it in the Issue have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Bookrunner has been obtained to each such proposed offer or resale. The Company, the Bookrunner and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Bookrunner of such fact in writing may, with the consent of the Bookrunner, be permitted to subscribe for or purchase Shares in the Issue.

### ***United States***

The Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Shares may not be offered or sold directly or indirectly, within the United States or to, or for the account or benefit of, US Persons. There will be no public offer of the Shares in the United States. The Company has not been and will not be registered under the Investment Company Act and investors will not be entitled to the benefits of the Investment Company Act.

Neither the SEC nor any state securities commission has approved or disapproved of the Shares or passed upon the adequacy or accuracy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The Shares are being offered and sold outside the United States to non-US Persons in reliance on Regulation S.

### ***ERISA, US Internal Revenue Code and other restrictions***

If an investor holds Shares at any time, except with the express consent of the Company given in respect of an investment in Shares, it shall be deemed to have represented and agreed for the benefit of the Company, its affiliates and advisers that:

- (a) no portion of the assets it uses to purchase, and no portion of the assets it uses to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of: (A) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (B) a “plan” as defined in Section 4975 of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (C) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in preceding clause (A) or (B) in such entity pursuant to the US Plan Asset Regulations; and
- (b) if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding, and disposition of the Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

### ***Australia***

The Company is a foreign body corporate and is not registered in Australia.

The provision of this document to any person does not constitute an offer of Shares to that person or an invitation to that person to apply for Shares. Any such offer or invitation will only be extended to a person if that person has first satisfied the Company that:

- (a) the person is a “Sophisticated” or “Professional Investor” for the purposes of section 708 of the Corporations Act 2001 (Commonwealth of Australia) (“Corporations Act”); and
- (b) the person is a “wholesale client” for the purpose of section 761G of the Corporations Act.

This document is not a prospectus or product disclosure statement under Australian law. It is not required to, and does not, contain all the information which would be required in an Australian



prospectus or product disclosure statement. It has not been lodged with the Australian Securities and Investments Commission (“ASIC”).

As a prospectus is not required to be prepared or lodged with ASIC in respect of any security or related financial instruments referred to in this document, any person to whom any security is issued or sold must not, within 12 months after the issue, offer, transfer, assign or otherwise alienate that security to investors in Australia except in circumstances where disclosure to investors is not required under the Corporations Act.

This document is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. It is being supplied solely for information purposes and may not be reproduced, forwarded to any other person or published, in whole or in part, for any purpose.

The Company does not hold an Australian financial services licence and is not licensed to provide financial product advice. Investors in the Company have no cooling off rights.

The Investment Manager is exempt from the requirement to hold an Australian financial services licence under the Corporations Act. The Investment Manager is regulated by the FSA under laws which differ from Australian laws.

The Bookrunner does not hold an Australian financial services licence and is not carrying on a business in Australia. The Bookrunner is regulated by the FSA under laws which differ from Australian laws.

Any offer of the Shares in Australia may be arranged by a holder of an Australian financial services licence.

#### ***Canada***

The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada. Accordingly, the Shares may not, directly or indirectly, be offered or sold within Canada, or offered or sold to a resident of Canada.

#### ***Japan***

The Shares have not been and will not be registered under the Financial Instruments and Exchange Law, as amended (the “FIEL”). This document is not an offer of securities for sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan) or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines of Japan.

#### ***Switzerland***

The Company has not been approved by the Federal Banking Commission as a foreign collective investment scheme pursuant to Article 120 of the Swiss Collective Investment Scheme Act of June 23, 2006 (the “CISA”). Accordingly, the Shares may not be publicly offered in or from Switzerland and neither this Prospectus nor any other offering materials relating to the Shares may be made available through a public offering in or from Switzerland. The Shares may only be offered and this Prospectus may only be distributed in or from Switzerland to “Qualified Investors” (as defined in the CISA and its implementing ordinance) and to a limited number of other offerees otherwise than through a public offering in or from Switzerland.

#### ***United Arab Emirates***

This Prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose.

By receiving this Prospectus, the person or entity to whom it has been issued understands, acknowledges and agrees that none of the Company, the Shares or this Prospectus have been approved by the United Arab Emirates (“UAE”) Central Bank, the UAE Ministry of Economy and Planning or any other authorities in the UAE, nor has the placement agent, if any, received authorisation or licensing from the UAE Central Bank, the UAE Ministry of Economy and Planning or any other authorities in the UAE to market or sell the Shares within the UAE. No marketing of the Shares has been or will be made from within the UAE and no subscription for the Shares may or

will be consummated within the UAE. It should not be assumed that the placement agent, if any, is a licensed broker, dealer or investment advisor under the laws applicable in the UAE, or that it advises individuals resident in the UAE as to the appropriateness of investing in or purchasing or selling securities or other financial products. The Shares may not be offered or sold directly or indirectly to the public in the UAE. This does not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

An investment in the Company is not intended for, and the Shares are not being offered, distributed, sold or publicly promoted or advertised, directly or indirectly, to, or for the account or benefit of, any person in the Dubai International Financial Centre (“DIFC”). This Prospectus is not intended for distribution to any person in the DIFC and any such person that receives a copy of this Prospectus should not act or rely on this Prospectus and should ignore the same. The Dubai Financial Services Authority has not approved the Company, the Shares or this Prospectus nor taken steps to verify the information set out in it, and has no responsibility for it.

### **Subscriber warranties**

Each subscriber of Shares in the Issue and each subsequent investor in the Shares will be deemed to have represented, warranted, acknowledged and agreed as follows:

- (a) it is not a US Person, is not located within the United States and is not acquiring the Shares for the account or benefit of a US Person;
- (b) it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S;
- (c) the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons;
- (d) the Company has not registered under the Investment Company Act and the Company has put in place restrictions for transactions not involving any public offering in the United States and to ensure that the Company is not and will not be required to register under the Investment Company Act;
- (e) no portion of the assets used to purchase, and no portion of the assets used to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975(e)(1) of the Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Code; or (iii) any other entity (such as an insurance company separate account, group trust or fund of funds) which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 Plan under US Department of Labor Reg. §2510.3-101 et seq., as modified by Section 3(42) of ERISA, or Section 4975 of the Code. In addition, if an investor is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Code, its purchase, holding and disposition of the Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (f) if any Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect unless otherwise determined by the Company in accordance with applicable law:

ALCENTRA EUROPEAN FLOATING RATE INCOME FUND LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE “INVESTMENT COMPANY ACT”). IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE US SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. ACCORDINGLY, THIS SECURITY MAY NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, US PERSONS AND UNDER CIRCUMSTANCES WHICH WILL NOT REQUIRE THE COMPANY TO REGISTER UNDER THE INVESTMENT COMPANY ACT, IN EACH CASE IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS;

- (g) if in the future the investor decides to offer, sell, transfer, assign or otherwise dispose of the Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act and under circumstances which will not require the Company to register under the Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- (h) it is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws;
- (i) the Company reserves the right to make inquiries of any holder of the Shares or interests therein at any time as to such person's status under the US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under the US securities laws to transfer such Shares or interests in accordance with the Articles;
- (j) it is entitled to acquire the Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Shares and it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Manager, the Bookrunner or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Issue or its acceptance of participation in the Issue;
- (k) it has received, carefully read and understands this Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this Prospectus or any other presentation or offering materials concerning the Shares or the Issue into the United States or to any US Person, nor will it do any of the foregoing;
- (l) if it is acquiring any Shares as a fiduciary or agent for one or more accounts, the investor has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account;
- (m) if the investor is a natural person, such investor is not under the age of majority (18 years of age in the United Kingdom) on the date of such investor's application to purchase Shares pursuant to the Issue and will not be any such person on the date any such application is accepted;
- (n) if the laws of any place outside the United Kingdom are applicable to the investor's agreement to purchase Shares and/or acceptance thereof, such investor has complied with all such laws and none of the investors will infringe any laws outside the United Kingdom as a result of such investor's agreement to purchase Shares and/or acceptance thereof or any actions arising from such investor's rights and obligations under the investor's agreement to purchase Shares and/or acceptance thereof or under the Articles; and
- (o) the Company, the Investment Manager, the Bookrunner, and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements. If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

### **Withdrawal Rights**

In the event that the Company is required to publish a supplementary prospectus, applicants who have applied for Shares in the Issue shall have at least two clear Business Days following the publication of the relevant supplementary prospectus within which to withdraw their offer to acquire Shares in the Issue in its entirety. The right to withdraw an application to acquire Shares in the Issue in these circumstances will be available to all investors in the Issue. If the application is not withdrawn within the stipulated period, any offer to apply for Shares in the Issue will remain valid and binding.

Investors wishing to exercise statutory withdrawal rights after the publication of a supplementary prospectus must do so by lodging a written notice of withdrawal by hand (during normal business hours only) at BNP Paribas House, St Julian's Avenue, St. Peter Port, Guernsey GY1 1WA or by facsimile (during normal business hours only) on +44 (0)1481 731 799 so as to be received no later than two business days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received after expiry of such period will not constitute a valid withdrawal.

#### **CREST**

With effect from Admission, the Articles will permit the holding of Shares under the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. Settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

## PART VI

### ADDITIONAL INFORMATION

#### 1 Incorporation

The Company was incorporated as a non-cellular company limited by shares in Guernsey under the Companies Laws on 3 November 2011 with registration number 54200. The Company has been authorised by the GFSC as an authorised closed-ended collective investment scheme pursuant to the POI Law and the Authorised Closed-Ended Investment Scheme Rules 2008 issued by the GFSC. The registered office and principal place of business of the Company is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey GY1 1WA with telephone number +44 (0)1481 750 800. The statutory records of the Company will be kept at this address. The Company operates under the Companies Laws and ordinances and regulations made thereunder. The Company is not regulated by the FSA or by any other regulator (other than the GFSC).

The Directors confirm that the Company has not traded or commenced operations and that, as at the date of this Prospectus, no accounts of the Company have been made up since its incorporation on 3 November 2011. The Company's accounting period will end on 31 March of each year, with the first year end on 31 March 2013.

KPMG Channel Islands Limited has been the only auditor of the Company since its incorporation. KPMG Channel Islands Limited is a member of the Institute of Chartered Accountants of England & Wales.

The annual report and accounts, as well as the financial information contained in the interim management statements, will be prepared according to IFRS.

Since its incorporation, the Company has not carried on business, incurred any borrowings, issued any debt securities, incurred any contingent liabilities or provided any guarantees and has not granted any charges or mortgages.

As at the date of this Prospectus, there have been no changes to the issued share capital of the Company since incorporation.

There has been no significant change in the financial or trading position of the Company since its incorporation.

The Company has no employees.

#### 2 Share Capital

The share capital history of the Company is as follows:

- (a) The share capital of the Company consists of an unlimited number of shares with or without a par value which, upon issue, the Directors may designate as: (a) Shares; (b) B Shares; and (c) C Shares, in each case of such classes and denominated in such currencies as the Directors may determine. Notwithstanding this, a maximum number of 1,000,000,000 Shares will be issued pursuant to the Issue.
- (b) As at the date of incorporation and as at the date of this Prospectus, the Company's issued and fully paid up share capital is €1.00 representing the issue of one Euro Share at an issue price of €1.00. If Admission had taken place on the date of incorporation and assuming that the Company achieved its target issue size of £150 million (including the proceeds of the issue of Euro Shares converted into Sterling at the prevailing exchange rate), the Issue would have increased the net assets of the Company by £147 million and would have been earnings neutral.
- (c) As at the date of this Prospectus, the entire issued share capital of the Company comprising one Euro Share is held by the subscriber to the memorandum of incorporation of the Company (the "Subscriber Share").
- (d) The Directors have absolute authority to allot and issue the Shares under the Articles and are expected to resolve to do so shortly prior to Admission in respect of the Shares to be issued pursuant to the Issue.
- (e) The Shares will be issued and created in accordance with the Articles and the Companies Laws.
- (f) The Shares are in registered form and, from Admission, will be capable of being held in uncertificated form and title to such Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where the Shares are held in certificated form, share

certificates will be sent to the registered members or their nominated agent (at their own risk) within 10 days of the completion of the registration process or transfer, as the case may be, of the Shares. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Registrar, whose registered address is set out on page 27 of this Prospectus, maintains a register of Shareholders holding their Shares in CREST.

- (g) None of the actions specified in paragraph 2(f) above shall be deemed an action requiring the approval of Shareholders pursuant to the rights attached to those Shares.
- (h) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

### **3 Subsidiaries**

Alcentra European Floating Rate Income S.A. ("LuxCo") was incorporated in Luxembourg as a wholly owned subsidiary of the Company in the form of a *société anonyme* on 30 November 2011. The registered office and principal place of business of LuxCo is 33, rue de Gasperich, L-5826, Hesperange, Grand Duchy of Luxembourg. The statutory records of the subsidiary will be kept at this address. LuxCo operates as a securitisation vehicle under the laws of the Grand Duchy of Luxembourg, and in particular the law of 10 August 1915 on commercial companies, as amended, and the law of 22 March 2004 on securitisation, as well as under its articles of incorporation and the terms and conditions of the Profit Participating Bonds. LuxCo has no employees. It has not traded nor commenced operations since its incorporation.

### **4 Directors' and other interests**

#### *General*

- (a) The Directors and their functions are set out in Part IV of this Prospectus.
- (b) As at the date of this Prospectus, none of the Directors or any person connected with any of the Directors, the Administrator, the Registrar or KPMG Channel Islands Limited (the auditor to the Company) has a shareholding or any other interest in the share capital of the Company. Such persons may, however, subscribe for Shares pursuant to the Placing and/or Offer for Subscription. The sole share issued by the Company as at the date of this Prospectus is held by Rock Nominees Limited on trust for the Investment Manager and will be sold by Rock Nominees Limited as part of the Issue.
- (c) The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending on 31 March 2013 which will be payable out of the assets of the Company are not expected to exceed £300,000. Each of the Directors will be entitled to receive £25,000 per annum other than the Chairman, who will be entitled to receive £30,000 per annum, subject in each case to annual review by the Remuneration and Nomination Committee. Additional payments may be made from time to time in the event that a Director is required to commit more time to his or her role with the Company than is anticipated in his or her letter of appointment. Save as disclosed in this paragraph 4, no Director is entitled to any remuneration or benefits in kind from the Company. No amount has been set aside or accrued by the Company to provide pension, retirement or other similar benefits.
- (d) No Director has a service contract with the Company, nor are any such contracts proposed. Each of the Directors has signed a letter of appointment as a director of the Company. The Directors' appointments can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 12 months or more; (iii) written request of the other Directors; and (iv) an ordinary resolution of the Shareholders.
- (e) No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- (f) None of the Directors has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company or which has been effected by the Company since its incorporation.

- (g) Pursuant to an instrument of indemnity entered into between the Company and each Director, the Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all costs, charges, losses, damages, expenses and liabilities arising out of any claims made against him in connection with the performance of his duties as a Director of the Company.
- (h) In addition to their directorships of the Company, the Directors hold or have held the directorships and are or were members of the partnerships, as listed in the table below, over or within the past five years.

<b>Name</b>	<b>Current directorships/partnerships</b>	<b>Past directorships/partnerships</b>
Ian Fitzgerald	Loan Syndications Advisory Services Limited	Loans Market Association
Anne Ewing	Imperium Trust Company Limited Guernsey Bereavement Service LBG Global Mena Financial Assets Limited Financial Assets Mena W.L.L. Financial Assets Bahrain W.L.L. Balmoral Partners Limited Hazel Ventures Management (GP) Limited Fusion Capital Asset Management (Gsy) Ltd CDC Holdings Limited	Dominion Fund Management Limited Dominion Nominees Limited Dominion Global Finance Fund Limited NX2€ Gteed Policy Holding Co. Ltd NX2\$ Gteed Policy Holding Co. Ltd Dexion Capital (Guernsey) Limited Fusion Founder Partners (GP) Limited
Jonathan (Jon) Bridel	AnaCap Credit Opportunities GP II Limited Altus Global Gold Limited GLF (GP) Limited	Royal Bank of Canada Investment Management (Guernsey) Limited (RBC Investment Solutions (CI) Limited since 2008) RBC Offshore Fund Managers Limited RBC Fund Services (Jersey) Limited RBC Investment Services Limited RBC Regent Fund Managers Limited

- (i) As at the date of this Prospectus:
- (i) There are no potential conflicts of interest in relation to the Directors, the Administrator, the Registrar or KPMG Channel Islands Limited (as the auditor to the Company) between any duties to the Company and any private interests and/or other duties. There are no lock-up provisions regarding the disposal by any of the Directors of any Shares;
- (ii) None of the Directors has had any convictions in relation to fraudulent offences for at least the previous five years;
- (iii) None of the Directors was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings;
- (iv) None of the Directors has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years; and
- (v) None of the Directors are aware of any contract or arrangement subsisting in which they are materially interested and which is significant to the business of the Company which is not otherwise disclosed in this Prospectus.
- (j) The Company intends to maintain directors' liability insurance on behalf of the Directors at the expense of the Company.
- (k) No members of the Administrator or the Investment Manager have any service contracts with the Company.

### *Rule 9 Waiver Notice*

Under Rule 9 of the City Code, any person who acquires an interest (as defined under the City Code) in shares which, taken together with shares in which he is already interested and in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, when any person, together with persons acting in concert with him, is interested in shares which in the aggregate carry not less than 30 per cent. of the voting rights of such a company but does not hold shares carrying more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person.

An offer under Rule 9 must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

For the purposes of the City Code, a concert party arises where persons acting in concert pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of a company or to frustrate the successful outcome of an offer for a company. Control means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights of the company, irrespective of whether such interest or interests give de facto control. In addition, a company and its associated companies (for this purpose ownership or control of 20 per cent. or more of the equity share capital of a company is regarded as the test of associated company status) are presumed to be persons acting in concert under the City Code.

The Alcentra Group may, at its sole discretion, subscribe for up to 10 million Shares, either through the Investment Manager or through one or more other entities within the Alcentra Group. In addition, funds managed by affiliated companies of the Investment Manager which, along with the Alcentra Group, form part of the Bank of New York Mellon Group, may also, at their sole discretion, subscribe for Shares in the Offer for Subscription (such funds, together with the relevant subscribing entity or entities within the Alcentra Group, the “Relevant Subscribing Entities”). For the purposes of the City Code, the Relevant Subscribing Entities are deemed to be acting in concert in relation to their potential respective investments in the Company.

Further, depending on the size of the Issue and the amount of Shares subscribed for by each Relevant Subscribing Entity, the Relevant Subscribing Entities’ investment may result in the aggregate voting rights of the Relevant Subscribing Entities in the Company exceeding 30 per cent. following the Issue. In such a case, the Relevant Subscribing Entity would normally be obliged to make a general offer, pursuant to Rule 9 of the City Code, to all other Shareholders to acquire their Shares. However, in this instance, the Panel has agreed to waive the obligation to make a general offer that would otherwise arise as a result of the Issue.

**Following completion of the Issue, the Relevant Subscribing Entities may between them be interested in shares carrying 30 per cent. or more of the Company’s voting share capital following the Issue but will not hold Shares carrying more than 50 per cent. of such voting rights, and (for so long as they continue to be treated as acting in concert) any further increase in that aggregate interest in shares will be subject to the provisions of Rule 9.**

## **5 Taxation**

### *General*

The information below relates only to United Kingdom, Guernsey and the Netherlands taxation and is applicable to the Company and (except in so far as express reference is made to the treatment of other persons) to persons who are resident or ordinarily resident in the United Kingdom, Guernsey or the Netherlands for taxation purposes and who hold Shares as an investment (and not for the purposes of a trade) and who are the absolute beneficial owners of the Shares. It is based on current United Kingdom, Guernsey and the Netherlands tax law and published practice of the United Kingdom, Guernsey and the Netherlands tax authorities, respectively, which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Shares in connection with their employment, may be taxed differently and are not considered.



**The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject. If you are in any doubt about your tax position, you should consult your professional adviser.**

*United Kingdom*

(a) The Company

The Directors intend to conduct the affairs of the Company in such a way that it should not be resident in the United Kingdom for United Kingdom tax purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated therein) and is not centrally managed and controlled in the United Kingdom, the Company will not be subject to United Kingdom income tax or corporation tax other than on any United Kingdom source income.

(b) Shareholders

(i) UK Offshore Fund Rules

The Company should not, and each separate class of Shares should not, be an "offshore fund" for the purposes of United Kingdom taxation and the legislation contained in Part 8 of the Taxation (International and Other Provisions) Act 2010 should not apply.

Accordingly, Shareholders (other than those holding Shares as dealing stock, who are subject to separate rules) who are resident or ordinarily resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may, depending on their circumstances and subject as mentioned below, be liable to United Kingdom tax on chargeable gains realised on the disposal of their Shares (which will include a redemption and on final liquidation of the Company).

(ii) Tax on Chargeable Gains

A disposal or deemed disposal of Shares (which will include a redemption) by a Shareholder who is resident or, in the case of an individual, ordinarily resident in the United Kingdom for United Kingdom tax purposes or who is not so resident but carries on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief. For such individual Shareholders capital gains tax at the rate of tax of 18 per cent. (for basic rate taxpayers) or 28 per cent. (for higher or additional rate taxpayers) will be payable on any gain. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which presently exempts the first £10,600 of gains from tax for the tax year 2011-12) depending on their circumstances. For Shareholders that are bodies corporate, any gain will be within the charge to corporation tax.

Shareholders which are liable to UK corporation tax on any gain will benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index.

(iii) Dividends

Individual Shareholders resident in the United Kingdom for tax purposes will be liable to UK income tax in respect of dividends or other income distributions of the Company. An individual Shareholder resident in the UK for tax purposes and in receipt of a dividend from the Company will, provided they own less than ten per cent. of the Shares, be entitled to claim a non-repayable dividend tax credit equal to one-ninth of the dividend received.

The effect of the dividend tax credit would be to extinguish any further tax liability for eligible basic rate taxpayers (who currently pay tax at the dividend ordinary rate of 10 per cent.). The effect for current eligible higher rate taxpayers (who pay tax at the current dividend rate of 32.5 per cent.) would be to reduce their effective tax rate to 25 per cent. of the cash dividend received and the effect for eligible additional rate tax payers (who pay tax at the current dividend rate of 42.5 per cent.) would be to reduce their effective tax rate to 36.11 per cent. of the cash dividend received.

An additional rate of income tax applies for United Kingdom resident individuals with income in excess of £150,000. Such individuals will pay 42.5 per cent. tax on dividends received (reduced to 36.11 per cent. for eligible taxpayers as a result of applying the tax credit).

Shareholders who are bodies corporate and are within the charge to UK corporation tax may be able to rely on legislation in Part 9A of the Corporation Tax Act 2009, which exempts certain classes of dividends.

(iv) Scrip Dividends

Individual Shareholders resident in the United Kingdom for tax purposes and corporate Shareholders within the charge to UK corporation tax who elect to receive a scrip dividend alternative to any cash dividend declared by the Company should not be liable to UK income tax or corporation tax upon receipt of any bonus shares issued pursuant to the scrip dividend alternative (“Bonus Shares”). Such Shareholders should also not be treated as making a disposal for the purposes of United Kingdom capital gains tax or corporation tax on chargeable gains at the time that such Bonus Shares are issued. Instead the issue of Bonus Shares should be treated as a reorganisation of the share capital of the Company and accordingly the Bonus Shares and the original holding of Shares held by the Shareholder should be treated as the same asset, acquired at the same time and for the same chargeable gains tax base cost as the original holding of Shares.

There will be no allowable expenditure for chargeable gains tax purposes arising in respect of the Bonus Shares. As a result of the issue of Bonus Shares the United Kingdom resident Shareholder’s original base cost in his or her Shares will be apportioned between his or her original holding of Shares and the Bonus Shares by reference to their respective market values on the day on which any of the Shares held by the Shareholder following the scrip issue are disposed of.

(v) Stamp duty and Stamp Duty Reserve Tax

No UK stamp duty or stamp duty reserve tax (“SDRT”) will arise on the issue of Shares. No UK stamp duty will be payable on a transfer of Shares, provided that all instruments effecting or evidencing the transfer (or all matters or things done in relation to the transfer) are not executed in the United Kingdom and no matters or actions relating to the transfer are performed in the United Kingdom.

Provided that the Shares are not registered in any register kept in the United Kingdom by or on behalf of the Company and that the Shares are not paired with shares issued by a Company incorporated in the United Kingdom, any agreement to transfer the Shares will not be subject to UK SDRT.

(vi) ISAs and SSAS/SIPPs

Investors resident in the United Kingdom who are considering acquiring Shares are recommended to consult their own tax and/or investment advisers in relation to the eligibility of the Shares for ISAs and SSAS/SIPPs.

Shares acquired pursuant to the Offer for Subscription (but not the Placing) will be eligible for inclusion in a stocks and shares ISA. On Admission, Shares acquired in the market should be eligible for inclusion in a stocks and shares ISA, subject to applicable subscription limits.

The annual ISA investment allowance is £10,680 for the tax year 2011-2012. Up to £5,340 of that allowance can be invested as cash with one provider. The remainder of the £10,680 can be invested in a stocks and shares ISA with either the same or another provider.

The Shares should be eligible for inclusion in a SSAS or SIPP, subject to the discretion of the trustees of the SSAS or SIPP, as the case may be.

(vii) Other United Kingdom Tax Considerations: Controlled Foreign Companies (CFCs)

United Kingdom resident companies having an interest in the Company, such that 25 per cent. or more of the Company’s profits for an accounting period could be apportioned to them, may be liable to United Kingdom corporation tax in respect of their share of the Company’s undistributed profits in accordance with the provisions of Chapter IV of Part XVII of the Income and Corporation Taxes Act 1988, as amended, relating to controlled foreign companies. These provisions only apply if the Company is controlled by United

Kingdom residents. Investors should be aware that the controlled foreign companies regime is the subject of an ongoing consultation by the UK government. It is now expected that full reform of the regime will be introduced by the Finance Bill 2012.

(viii) Other United Kingdom Tax Considerations: Transfer of Assets Abroad

Individuals ordinarily resident in the United Kingdom should note that Chapter II of Part XVIII of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of assets or income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

(ix) Other United Kingdom Tax Considerations: Close Company Provisions

The attention of Shareholders resident or ordinarily resident in the United Kingdom is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 10 per cent. of the Shares.

If any Shareholder is in doubt as to his or her taxation position, they are strongly recommended to consult an independent professional adviser without delay.

*Guernsey*

(a) The Company

The Directors of the Company intend that the Company will apply for and obtain exempt status for Guernsey tax purposes annually. In return for the payment of a fee, currently £600, an authorised closed-ended collective investment scheme, such as the Company, is able to apply annually for exempt status for Guernsey tax purposes.

If exempt status is granted, the Company will not be considered resident in Guernsey for Guernsey income tax purposes. A company that has exempt status for Guernsey tax purposes is exempt from tax in Guernsey on both bank deposit interest and any income that does not have its source in Guernsey. It is not anticipated that any income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any additional liability to Guernsey tax.

In keeping with its ongoing commitment to meeting international standards, the States of Guernsey is currently undertaking a review of its tax regime with the expectation of implementing any required revisions to the regime in the period between 2013 and 2015. At this point in time, the key features of any revised regime have yet to be determined. It is currently not anticipated that there will be any change to the current exemption for investment funds and as such the Company is expected to be able to apply for and obtain Guernsey tax exempt status.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for an *ad valorem* fee for the grant of probate or letters of administration.

No stamp duty or other taxes are chargeable in Guernsey on the issue, transfer, disposal, conversion or redemption of Shares.

(b) Shareholders

Shareholders, other than those resident in Guernsey for tax purposes, will receive dividends without deduction of Guernsey income tax. Any Shareholders who are resident for tax purposes in Guernsey, Alderney or Herm will incur Guernsey income tax on any dividends paid on Shares owned by them but will suffer no deduction of tax by the Company from any such dividends payable by the Company where the Company is granted exempt status. The Company is required to provide details of distributions made to Shareholders resident in the Islands of Guernsey, Alderney and Herm to the Director of Income Tax in Guernsey.

Guernsey has introduced measures that are the same as the EU Savings Tax Directive. However, paying agents located in Guernsey are not required to operate the measures on payments made by closed-ended investment companies, such as the Company. This is on the basis that the Company should not be regarded as an undertaking for collective investment that is equivalent to an Undertaking for Collective Investment in Transferable Securities (UCITS) in

accordance with EC Directive 85/611/EEC for the purposes of the application in Guernsey of the bilateral agreements on the taxation of savings income entered into by Guernsey with the Member States.

The operation of the EU Savings Tax Directive is currently under review by the European Commission and a number of changes have been outlined which, if agreed, will significantly widen its scope. These changes could lead to the Company having to comply with the EU Savings Tax Directive in the future.

### *The Netherlands*

#### (a) General

The following is a general summary of certain material Netherlands tax consequences of the holding and disposal of the Shares. This summary does not purport to describe all possible tax considerations or consequences that may be relevant to all categories of investors, some of which may be subject to special treatment under applicable law (such as trusts or other similar arrangements), and in view of its general nature, it should be treated with corresponding caution. Shareholders should consult with their tax advisors with regard to the tax consequences of investing in the Shares in their particular circumstances. The discussion below is included for general information purposes only.

Please note that this summary does not describe the tax considerations for:

- (i) Shareholders if such Shareholders, and in the case of individuals, his/her partner or certain of their relatives by blood or marriage in the direct line (including foster children), have a substantial interest or deemed substantial interest in the Company under the Netherlands Income Tax Act 2001 (in Dutch: "*Wet inkomstenbelasting 2001*"). Generally speaking, a holder of securities in a company is considered to hold a substantial interest in such company, if such holder alone or, in the case of individuals, together with his/her partner (statutorily defined term), directly or indirectly, holds: (i) an interest of five per cent. or more of the total issued and outstanding capital of that company or of five per cent. or more of the issued and outstanding capital of a certain class of shares of that company; or (ii) holds rights to acquire, directly or indirectly, such interest; or (iii) holds certain profit sharing rights in that company that relate to five per cent. or more of the company's annual profits and/or to five per cent. or more of the company's liquidation proceeds. A deemed substantial interest arises if a substantial interest (or part thereof) in a company has been disposed of, or is deemed to have been disposed of, on a non-recognition basis;
- (ii) Shareholders that qualify or qualified as a participation for purposes of the Netherlands Corporate Income Tax Act 1969 (in Dutch: "*Wet op de vennootschapsbelasting 1969*"). Generally, a taxpayer's shareholding of five per cent. or more in a company's nominal paid-up share capital qualifies as a participation. A Shareholder may also have a participation if such Shareholder does not have a five per cent. shareholding but a related entity (statutorily defined term) has a participation or if the company in which the shares are held is a related entity (statutorily defined term); and
- (iii) Shareholders who are individuals for whom the Shares or any benefit derived from the Shares are a remuneration or deemed to be a remuneration for activities performed by such Shareholders or certain individuals related to such Shareholders (as defined in the Netherlands Income Tax Act 2001).

Except as otherwise indicated, this summary only addresses Netherlands national tax legislation and published regulations, as in effect on the date hereof and as interpreted in published case law until this date, without prejudice to any amendment introduced at a later date and implemented with or without retroactive effect.

#### (b) Taxes on Income and Capital Gains

##### (i) Netherlands Resident Individuals

If a Shareholder is a Netherlands Resident Individual (including the non-resident individual Shareholder who has made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands), any benefit derived or deemed to be derived from the Shares is taxable at the progressive income tax rates (with a maximum of 52 per cent.) if:

- (A) the Shares are attributable to an enterprise from which the Netherlands Resident Individual derives a share of the profit, whether as an entrepreneur or as a person who has a co-entitlement to the net worth of such enterprise, without being an entrepreneur or a shareholder, as defined in the Netherlands Income Tax Act 2001; or
- (B) the Shareholder is considered to perform activities with respect to the Shares that go beyond ordinary asset management (in Dutch: “*normaal, actief vermogensbeheer*”) or derives benefits from the Shares that are (otherwise) taxable as benefits from other activities (in Dutch: “*resultaat uit overige werkzaamheden*”).

If the above-mentioned conditions (A) and (B) do not apply to the individual Shareholder, the Shares are recognised as investment assets and included as such in such Shareholder’s net investment asset base (in Dutch: “*rendementsgrondslag*”). Such Shareholder will be taxed annually on a deemed income of four per cent. of the aggregate amount of his or her net investment assets for the year at an income tax rate of 30 per cent. The aggregate amount of the net investment assets for the year is the average of the fair market value of the investment assets less the allowable liabilities on 1 January of the relevant calendar year. A tax free allowance may be available. Actual benefits derived from the Shares are as such not subject to Netherlands income tax.

(ii) Netherlands Resident Entities

Any benefit derived or deemed to be derived from the Shares held by Netherlands Resident Entities, including any capital gains realised on the disposal thereof, will generally be subject to Netherlands corporate income tax at a rate of 25 per cent. (a corporate income tax rate of 20 per cent. applies with respect to taxable profits up to c200,000, the bracket for 2011).

A qualifying Netherlands pension fund and a qualifying Netherlands exempt investment institution (in Dutch: “*vrijgestelde beleggingsinstelling*”) are in principle not subject to Dutch corporate income tax. A qualifying Netherlands investment fund (in Dutch: “*fiscale beleggingsinstelling*”) is subject to corporate income tax at a special rate of zero per cent.

(iii) Non-residents of the Netherlands

A Shareholder will not be subject to Netherlands taxes on income or on capital gains in respect of any payment under the Shares or any gain realised on the disposal or deemed disposal of the Shares, provided that:

- (A) such Shareholder is neither a resident nor deemed to be resident in the Netherlands for Netherlands tax purposes and, if such Shareholder is an individual, such Shareholder has not made an election for the application of the rules of the Netherlands Income Tax Act 2001 as they apply to residents of the Netherlands;
- (B) such Shareholder does not have an interest in an enterprise or a deemed enterprise (statutorily defined term) which, in whole or in part, is either effectively managed in the Netherlands or is carried out through a permanent establishment, a deemed permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the Shares are attributable; and
- (C) in the event such Shareholder is an individual, such Shareholder does not carry out any activities in the Netherlands with respect to the Shares that go beyond ordinary asset management and does not derive benefits from the Shares that are (otherwise) taxable as benefits from other activities in the Netherlands.

(c) Gift, Estate and Inheritance Taxes

(i) Residents of the Netherlands

Gift, estate and inheritance taxes will arise in the Netherlands with respect to a transfer of the Shares by way of a gift by, or on the death of, a Shareholder who is resident or deemed to be resident in the Netherlands at the time of the gift or his/her death.

(ii) Non-residents of the Netherlands

No Netherlands gift or inheritance taxes will arise on the transfer of the Shares by way of gift by, or on the death of, a Shareholder who is neither resident nor deemed to be resident in the Netherlands, unless:

- (A) in the case of a gift of Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands; or
- (B) the transfer is otherwise construed as a gift or inheritance made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in the Netherlands.

For purposes of Netherlands gift, estate and inheritance taxes, amongst others, a person that holds the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the 10 years preceding the date of the gift or his/her death. Additionally, for purposes of Netherlands gift tax, amongst others, a person not holding the Netherlands nationality will be deemed to be resident in the Netherlands if such person has been resident in the Netherlands at any time during the twelve months preceding the date of the gift. Applicable tax treaties may override deemed residency.

(d) Other Taxes and Duties

No Netherlands VAT and no Netherlands registration tax, customs duty, stamp duty or any other similar documentary tax or duty will be payable by a Shareholder on any payment in consideration for the holding or disposal of the Shares.

## **6 Memorandum and Articles of Incorporation**

(a) Objects

The memorandum of incorporation of the Company provides that the objects of the Company are unrestricted.

(b) Share rights

Subject to the Articles and the terms and rights attaching to shares already in issue, shares may be issued with or have attached such rights and restrictions as the Board may from time to time determine in accordance with the Companies Laws.

(c) Issue of Shares

Subject to the provisions of the Articles, the unallotted and unissued shares of the Company shall be at the disposal of the Board which may dispose of them to such persons and in such manner and on such terms as the Board may determine from time to time. Without prejudice to the authority conferred on the Directors pursuant to the Articles, the Directors are generally and unconditionally authorised to exercise all powers of the Company to allot and issue, grant rights to subscribe for, or to convert any securities into, an unlimited number of shares of each class in the Company, which authority shall expire on the date which is five years from the date of incorporation of the Company (unless previously renewed, revoked or varied by the Company in general meeting) save that the Company may before such expiry make an offer or agreement which would or might require shares to be allotted and issued after such expiry and the Directors may allot and issue shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

(d) Dividends and other distributions

(i) The Directors may from time to time authorise dividends and distributions to be paid to Shareholders on a class by class basis in accordance with the procedure set out in the Companies Laws and subject to any Shareholder's rights attaching to their Shares. The amount of such dividends or distributions paid in respect of one class may be different from that of another class.

(ii) All dividends and distributions declared in respect of a class will be apportioned and paid among the holders of Shares of such class pro rata to their respective holdings of Shares of such class.

(iii) All unclaimed dividends and distributions may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted as trustee in respect thereof. All dividends unclaimed on the earlier of (i) a

period of seven years after the date when it first became due for payment and (ii) the date on which the Company is wound-up, shall be forfeited and shall revert to the Company without the necessity for any declaration or other action on the part of the Company.

(e) Voting

- (i) Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Shares, Shareholders shall have the right to receive notice of and to attend and vote at general meetings of the Company.
- (ii) Each Shareholder being present in person or by proxy or by a duly authorised representative (if a corporation) at a general meeting shall upon a show of hands have one vote and upon a poll each such Shareholder present in person or by proxy or by a duly authorised representative (if a corporation) shall, in the case of a separate class meeting, have one vote in respect of each Share held by him and, in the case of a general meeting of all Shareholders, have:
  - (A) one vote in respect of each Euro Share held by him;
  - (B) 1.2 votes in respect of each Sterling Share held by him; and
  - (C) in respect of a Share denominated in any currency other than Sterling or Euro held by him, such number of votes as shall be determined by the Directors in their absolute discretion upon the issue for the first time of Shares of the relevant class.
- (iii) B Shares and, save in certain limited circumstances, C Shares will not carry the right to attend and receive notice of any general meetings of the Company, nor will they carry the right to vote at such meetings.

(f) Capital

- (i) As to a return of capital or a winding-up of the Company (other than by way of a repurchase or redemption of Shares in accordance with the provisions of the Articles and the Companies Laws or a capital distribution as described in paragraphs 6(f)(ii) and 6(f)(iii) below), the surplus assets attributable to a class of Shares (as determined by the Directors) and available for distribution shall be paid to holders of Shares of each class pro rata to the relative NAV of each of the classes of Shares calculated in accordance with the Articles and within each such class such assets shall be divided *pari passu* among the holders of Shares of that class in proportion to the number of Shares of such class held by them.
- (ii) The manner in which distributions of capital proceeds realised from investments (net of fees, costs and expenses) (“Capital Proceeds”) attributable to the Shares shall be effected shall, subject to compliance with the Companies Laws, be determined by the Directors in their absolute discretion and, once determined, shall be notified to Shareholders by way of a RIS announcement.
- (iii) Without restricting the discretion of the Directors described in paragraph 6(f)(ii) above, the Directors may effect distributions of Capital Proceeds by issuing B Shares of a particular class to holders of Shares of a particular class pro rata to their holdings of Shares of such class (such B Shares to be fully paid-up out of Capital Proceeds attributable to the relevant class of Shares), which such B Shares shall be compulsorily redeemed, and the redemption proceeds (being equal to the amount paid-up on such shares) paid to the holders of such B Shares, on such terms and in such manner as the Directors may determine.

(g) Pre-emption rights

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment and issue of the Shares. However, the Articles provide that the Company is not permitted to allot and issue (for cash) equity securities (being Shares or C Shares or rights to subscribe for, or convert securities into, Shares or C Shares) or sell (for cash) any Shares or C Shares held in treasury, unless, subject to certain exceptions, it shall first have offered to allot and issue to each existing holder of Shares or C Shares, as applicable, on the same or more favourable terms a proportion of those Shares or C Shares the aggregate value of which (at the proposed issue price) is as nearly as practicable equal to the proportion of the total NAV of the

Company represented by the Shares or C Shares held by such shareholder. These pre-emption rights may be excluded and disappplied or modified by extraordinary resolution of the Shareholders.

(h) Variation of rights

- (i) Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated:
  - (A) with the consent in writing of the holders of more than two thirds in number of the issued shares of that class; or
  - (B) with the consent of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.
- (ii) The necessary quorum shall be two persons present holding or representing by proxy at least one-third of the voting rights of that class (provided that if any such meeting is adjourned for lack of a quorum, the quorum at the reconvened meeting shall be one person present holding shares of that class or his proxy) provided always that where the class has only one member, that member shall constitute the necessary quorum and any holder of shares of the class in question may demand a poll.
- (iii) The rights conferred upon the holders of the shares of any class issued with preferred, deferred or other rights (including, without limitation, Shares, B Shares and C Shares, as the case may be) shall not (unless otherwise expressly provided by the conditions of issue of such shares) be deemed not to be varied by (a) the creation or issue of further shares ranking *pari passu* therewith but in no respect in priority thereto or (b) the purchase or redemption by the Company of any of its shares (or the holding of such shares as treasury shares).

(i) Disclosure of interests in Shares

- (i) The Directors shall have power by notice in writing (a "Disclosure Notice") to require a Shareholder to disclose to the Company the identity of any person other than the Shareholder (an "interested party") who has any interest (whether direct or indirect) in the Shares held by the Shareholder and the nature of such interest or who has been so interested at any time during the three years immediately preceding the date on which the Disclosure Notice is issued. Any such Disclosure Notice shall require any information in response to such Disclosure Notice to be given in writing to the Company within 28 days of the date of service.
- (ii) If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the Shares concerned represent 0.25 per cent. or more in number of the issued Shares of the relevant class), or such other reasonable period as the Directors may determine, the Directors in their absolute discretion may serve a direction notice on the Shareholder (a "Direction Notice"). The Direction Notice may direct that in respect of the Shares in respect of which the default has occurred (the "Default Shares") the Shareholder shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. in number of the class of Shares concerned, the Direction Notice may additionally direct that dividends on such Shares will be retained by the Company (without interest) and that no transfer of the Default Shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.
- (iii) The Directors may be required to exercise their power to require disclosure of interested parties on a requisition of Shareholders holding not less than 1/10th of the total voting rights attaching to the Shares in issue at the relevant time.

(j) Transfer of Shares

- (i) Subject to the Articles (and the restrictions on transfer contained therein), a Shareholder may transfer all or any of his Shares in any manner which is permitted by the Companies Laws or in any other manner which is from time to time approved by the Board.



- (ii) A transfer of a certificated Share shall be in the usual common form or in any other form approved by the Board. An instrument of transfer of a certificated Share shall be signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee.
  - (iii) The Articles provide that the Board has power to implement such arrangements as it may, in its absolute discretion, think fit in order for any class of Shares to be admitted to settlement by means of the CREST UK system. If the Board implements any such arrangements, no provision of the Articles will apply or have effect to the extent that it is in any respect inconsistent with:
    - (A) the holding of Shares of the relevant class in uncertificated form;
    - (B) the transfer of title to Shares of the relevant class by means of the CREST UK system; or
    - (C) the CREST Guernsey Requirements.
  - (iv) Where any class of Shares is, for the time being, admitted to settlement by means of the CREST UK system, such securities may be issued in uncertificated form in accordance with and subject to the CREST Guernsey Requirements. Unless the Board otherwise determines, Shares held by the same holder or joint holders in certificated form and uncertificated form will be treated as separate holdings. Shares may be changed from uncertificated to certificated form and from certificated to uncertificated form, in accordance with and subject to the CREST Guernsey Requirements. Title to such of the Shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST UK system.
  - (v) The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Share in certificated form or (to the extent permitted by the CREST Guernsey Requirements) uncertificated form, subject to the Articles, which is not fully paid or on which the Company has a lien provided that, in the case of a listed Share, this would not prevent dealings in the Shares of that class from taking place on an open and proper basis on the relevant stock exchange.
  - (vi) In addition, the Board may refuse to register a transfer of Shares if in the case of certificated Shares: (a) it is in respect of more than one class of Shares; (b) it is in favour of more than four joint transferees; (c) it is delivered for registration to the registered office of the Company or such other place as the Board may decide, not accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require; or (d) the transfer is in favour of any Non-Qualified Holder.
  - (vii) If any Shares are owned directly or beneficially by a person believed by the Board to be a Non-Qualified Holder, the Board may give notice to such person requiring him either (i) to provide the Board within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Non-Qualified Holder or (ii) to sell or transfer his Shares to a person who is not a Non-Qualified Holder within 30 days and within such 30 days to provide the Board with satisfactory evidence of such sale or transfer. Where condition (i) or (ii) is not satisfied within 30 days after the serving of the notice, the person will be deemed, upon the expiration of such 30 days, to have forfeited his Shares. If the Board in its absolute discretion so determines, to the extent permitted by the CREST Guernsey Requirements, the Company may dispose of the Shares at the best price reasonably obtainable and pay the net proceeds of such disposal to any other person so that the Shares will cease to be held by a Non-Qualified Holder.
  - (viii) The Board of Directors may decline to register a transfer of an uncertificated Share which is traded through the CREST UK system in accordance with the CREST rules where, in the case of a transfer to joint holders, the number of joint holders to whom uncertificated Shares are to be transferred exceeds four.
- (k) General meetings
- (i) The first general meeting (being an annual general meeting) of the Company shall be held within 18 months of the date of the Company's incorporation and thereafter general meetings (which are annual general meetings) shall be held at least once in each calendar year and in any event, no more than 15 months may elapse since the last annual general

meeting. All general meetings (other than annual general meetings) shall be called extraordinary general meetings. Extraordinary general meetings and annual general meetings shall be held in Guernsey or such other place outside the United Kingdom as may be determined by the Board from time to time.

- (ii) The notice must specify the date, time and place of any general meeting and the text of any proposed special, extraordinary and ordinary resolution. Any general meeting shall be called by at least ten clear days' notice. A general meeting may be deemed to have been duly called by shorter notice if it is so agreed by all the members entitled to attend and vote thereat. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the proceedings at the meeting.
- (iii) The Shareholders may require the Board to call a general meeting in accordance with the Companies Laws.

(l) Restrictions on voting

Unless the Board otherwise decides, no member shall be entitled to vote at any general meeting or at any separate meeting of the holders of any class of Shares in the Company, either in person or by proxy, in respect of any Share held by him unless all calls and other sums presently payable by him in respect of that Share have been paid. No member of the Company shall, if the Directors so determine, be entitled in respect of any Share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such Shares has failed to comply with a Disclosure Notice (see paragraph 6(i)(i) above) within 14 days, in a case where the Shares in question represent at least 0.25 per cent. of their class, or within 28 days, in any other case, from the date of such Disclosure Notice. These restrictions will continue until the information required by the notice is supplied to the Company or until the Shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

(m) Appointment, retirement and disqualification of Directors

- (i) Unless otherwise determined by the Shareholders by ordinary resolution, the number of Directors shall not be less than two and there shall be no maximum number. At no time shall a majority of the Board be resident in the UK for UK tax purposes.
- (ii) A Director need not be a Shareholder. A Director who is not a Shareholder shall nevertheless be entitled to attend and speak at Shareholders' meetings.
- (iii) Subject to the Articles, Directors may be appointed by the Board (either to fill a vacancy or as an additional Director). No person other than a Director retiring at a general meeting shall, unless recommended by the Directors, be eligible for election by the Company to the office of Director unless not less than seven and not more than 42 clear days before the date appointed for the meeting there shall have been left at the Company's registered office (or, if an electronic address has been specified by the Company for such purposes, sent to the Company's electronic address) notice in writing signed by a Shareholder who is duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election together with notice in writing signed by that person of his willingness to be elected, specifying his tax residency status and containing a declaration that he is not ineligible to be a Director in accordance with the Companies Laws.
- (iv) No person shall be or become incapable of being appointed a Director, and no Director shall be required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age.
- (v) Subject to the Articles, at each annual general meeting of the Company, any Director (i) who has been appointed by the Board since the last annual general meeting, (ii) who held office at the time of the two preceding annual general meetings and who did not retire at either of them, or (iii) who has held office with the Company, other than employment or executive office, for a continuous period of nine years or more at the date of the meeting, shall retire from office and may offer himself for election or re-election by the Shareholders.

- (vi) A Director who retires at an annual general meeting may, if willing to continue to act, be elected or re-elected at that meeting. If he is elected or re-elected he is treated as continuing in office throughout. If he is not elected or re-elected, he shall remain in office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to elect or re-elect the Director is put to the meeting and lost.
  - (vii) The office of a Director shall be vacated: (i) if he (not being a person holding for a fixed term an executive office subject to termination if he ceases from any cause to be a Director) resigns his office by one month's written notice signed by him sent to or deposited at the Company's registered office; (ii) if he dies; (iii) if the Company requests that he resigns his office by giving one month's written notice; (iv) if he shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of 12 months and the Board resolves that his office shall be vacated; (v) if he becomes bankrupt or makes any arrangements or composition with his creditors generally; (vi) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under the provisions of any law or enactment; (vii) if he is requested to resign by written notice signed by a majority of his co-Directors (being not less than two in number); (viii) if the Company by ordinary resolution shall declare that he shall cease to be a Director; (ix) if he becomes resident in the United Kingdom for UK tax purposes and, as a result thereof, a majority of the Directors would, if he were to remain a Director, be resident in the United Kingdom for tax purposes; or (x) if he becomes ineligible to be a Director in accordance with the Companies Laws.
  - (viii) Any Director may, by notice in writing, appoint any other person (subject to the provisions in paragraph 6(m)(ix) below), who is willing to act as his alternate and may remove him from that office.
  - (ix) Each alternate Director shall be either (i) resident for tax purposes in the same jurisdiction as his appointor, or (ii) resident outside the UK for UK tax purposes, in each case for the duration of the appointment of that alternate Director and in either case shall also be eligible to be a Director under the Companies Laws and shall sign a written consent to act. Every appointment or removal of an alternate Director shall be by notice in writing signed by the appointor and served upon the Company.
- (n) Proceedings of the Board
- (i) The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be two provided that only a meeting at which a majority of the Directors are not resident in the United Kingdom for UK tax purposes shall be declared quorate. Subject to the Articles, a meeting of the Board at which a quorum is present shall be competent to exercise all the powers and discretion exercisable by the Board.
  - (ii) All meetings of the Board are to take place outside the United Kingdom and any decision reached or resolution passed by the Directors at any meeting of the Board held within the United Kingdom or at which no majority of Directors resident outside the UK (and not within the UK) for UK tax purposes is present shall be invalid and of no effect.
  - (iii) The Board may elect one of their number as chairman. If no chairman is elected or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting. For the avoidance of doubt, the chairman shall not have a casting vote in the event of a tie on any resolution.
  - (iv) Questions arising at any meeting shall be determined by a majority of votes.
  - (v) The Board may delegate any of its powers to committees consisting of one or more Directors as they think fit with a majority of such Directors being resident outside of the United Kingdom for United Kingdom tax purposes. Committees shall only meet outside the United Kingdom. Any committee so formed shall be governed by any regulations that may be imposed on it by the Board and (subject to such regulations) by the provisions of the Articles that apply to meetings of the Board.

(o) Remuneration of Directors

The Directors shall be entitled to receive fees for their services, such sums not to exceed in aggregate £300,000 in any financial year (or such other sum as the Company in general meeting shall from time to time determine). The Directors may be paid all reasonable travelling, hotel and other out of pocket expenses properly incurred by them in attending board or committee meetings or general meetings, and all reasonable expenses properly incurred by them in seeking independent professional advice on any matter that concerns them in the furtherance of their duties as a Director.

(p) Interests of Directors

(i) Subject to and in accordance with the Companies Law, a Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose that fact to the Directors (including, if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest, or if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest).

(ii) Subject to the provisions of the Companies Law, and provided that he has disclosed to the Directors the nature and extent of any interests of his, a Director notwithstanding his office:

(A) may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to the tenure of office and otherwise as the Directors may determine;

(B) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;

(C) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;

(D) shall not, by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit;

(E) may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as though he were not a Director of the Company; and

(F) may be counted in the quorum present at any meeting in relation to any resolution in respect of which he has declared an interest (but he may not vote thereon).

(q) Winding-up

(i) If the Company shall be wound up, the Company may, with the sanction of an extraordinary resolution and any other sanction required by the Companies Law, divide the whole or any part of the assets of the Company among the members *in specie* and the liquidator or, where there is no liquidator, the Directors may for that purpose value any assets and determine how the division shall be carried out as between the members or different classes of members and, with the like sanction, may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he or they may determine, but no member shall be compelled to accept any assets upon which there is any outstanding liability.

(ii) Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company, the liquidator may, with the sanction of an ordinary resolution, receive in compensation shares, policies or other like interests for distribution or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.

(r) **Borrowing powers**

The Directors may exercise all the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property (present or future) or assets or uncalled capital and to issue debentures and other securities whether outright, or as collateral security for any debt, liability or obligation of the Company or of any third party.

**7 Material contracts**

The following are all of the contracts (not being contracts entered into in the ordinary course of business) that have been entered into by the Company or another member of the Group and are, or may be, material or that contain any provision under which the Company or another member of the Group has any obligations or entitlement which is, or may be, material to it on the date of this Prospectus:

***Sponsor's and Placing Agreement***

Pursuant to the Sponsor's and Placing Agreement dated 9 January 2012 between the Company, the Directors, the Investment Manager and the Bookrunner, the Bookrunner was appointed as sole sponsor and bookrunner to the Company in relation to the application for Admission and the Issue.

Under the Sponsor's and Placing Agreement, the Bookrunner has agreed (*inter alia*) to use its reasonable endeavours to procure subscribers under the Placing at the Issue Price. The Placing is not being underwritten. The Bookrunner's obligations under the Sponsor's and Placing Agreement are conditional upon the fulfilment of certain conditions (which may be waived by the Bookrunner) which are typical for an agreement of this nature, including without limitation: any supplementary prospectus which may be required pursuant to Section 87G of FSMA or the Prospectus Rules being prepared, approved by the Bookrunner and the UK Listing Authority and made available to the public in accordance with the Prospectus Rules and the terms of the Sponsor's and Placing Agreement prior to Admission; Admission occurring by no later than 8.00am on 5 March 2012 (or such other date as may be agreed between the Company, the Investment Manager and the Bookrunner, being no later than 5 April 2012); there being no material adverse change (*inter alia*) in the condition (financial, operational, legal or otherwise), prospects, financial position, business or general affairs of the Company or any development or event which will or is likely to have a material adverse effect on the ability of the Investment Manager to perform its obligations under the Investment Management Agreement in the manner contemplated therein and in this Prospectus; and that there having been no material breach of warranties and representations given by the Company, the Investment Manager and the Directors as at the date of the Sponsor's and Placing Agreement and immediately prior to Admission, in each case by reference to the facts subsisting at the relevant time.

The Company, the Investment Manager and the Directors have given certain representations, warranties and undertakings to the Bookrunner which are typical for an agreement of this nature.

The Company has also agreed to indemnify the Bookrunner (for itself and for each of its affiliates and its their respective directors, officers, employees and agents) on an after-tax basis from any losses and claims made or threatened against them relating to, arising out of, or in connection with the Issue, and in connection with such costs and expenses incurred by them in investigating and defending such claims or establishing their right to be indemnified under the Sponsor's and Placing Agreement, unless (subject to certain limited exceptions) the loss results from the relevant indemnified person's or the Bookrunner's finally judicially determined fraud, negligence, bad faith or wilful default.

Under the Sponsor's and Placing Agreement, the Company will pay on Admission all reasonable costs, charges and expenses properly incurred in connection with the Sponsor's and Placing Agreement (together with applicable VAT thereon). Such costs will include the costs of the legal advisers to the Company, the Investment Manager and Oriel, which will be agreed in advance with the Company (and in the case of Oriel will be capped at £100,000, unless otherwise agreed by the Company acting reasonably).

In consideration for the provision of its services under the Sponsor's and Placing Agreement, the Bookrunner is also entitled to an advisory fee of £250,000 plus commission calculated as follows:

- (a) if the Gross Issue Proceeds are less than £125 million, commission at the rate of 1.00 per cent;  
or

- (b) if the Gross Issue Proceeds are equal to or exceed £125 million but less than £175 million, commission at the rate of 1.25 per cent; or
- (c) if the Gross Issue Proceeds are equal to or exceed £175 million, commission at the rate of 1.50 per cent.,

multiplied by the Gross Issue Proceeds after deducting therefrom (i) the aggregate amount received by the Company and the Bookrunner, as its agent, through the Placing of the Shares to investors in the Netherlands (“Dutch Offer”) and (ii) the proceeds received under the Issue through the subscription of Issue Shares, as principal, by Alcentra Limited and/or Alcentra Investments Limited.

The Company will also pay commission calculated at the rate of 0.80 per cent. multiplied by the aggregate proceeds received by the Company and the Bookrunner, as its agent, pursuant to the Dutch Offer.

In connection with the Issue, the Bookrunner may, after giving prior notice to the Company and the Investment Manager, appoint one or more sub-placing agent or third party distributor in jurisdictions outside the United Kingdom in those jurisdictions where Oriel is not duly licensed or registered in accordance with applicable securities laws and regulations of these jurisdictions. The Bookrunner may pay any part of the fees it receives from the Company pursuant to the Placing Agreement to any such sub-placing agent and/or third party distributor.

The Company has undertaken in the Sponsor’s and Placing Agreement that it will not, without the prior written consent of the Bookrunner, during the period of 180 days from the date of Admission, directly or indirectly: (i) issue, offer, lend, mortgage, assign, charge, pledge, sell, contract to sell or issue, sell any option or contract to purchase, purchase any option or contract to sell or issue, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any shares in the capital of the Company or any interest in such shares or any securities convertible into or exercisable or exchangeable for, or substantially similar to, shares in the capital of the Company or any interest in such shares or file any registration statement under the Securities Act or file or publish any prospectus with respect to any of the foregoing; or (ii) enter into any swap or other agreement or transaction that transfers, in whole or in part, any of the economic consequences of ownership of shares in the capital of the Company, whether any such swap or transaction described in (i) or (ii) above is to be settled by delivery of the such shares or such other securities, in cash or otherwise. The foregoing undertaking shall not apply to the Issue and offer by or on behalf of the Company of the Shares pursuant to the Issue.

The Bookrunner may terminate the Sponsor’s and Placing Agreement if, in the opinion of the Bookrunner (acting in good faith), there has been a material breach of any of the warranties contained in the Sponsor’s and Placing Agreement, there has been any material adverse change (*inter alia*) in the condition (financial, operational, legal or otherwise), prospects, financial position, business or general affairs of the Company or any development or event which will or is likely to have a material adverse effect on the ability of the Investment Manager to perform its obligations under the Investment Management Agreement in the manner contemplated therein and in the Prospectus or certain adverse changes in financial, political or economic conditions occur prior to Admission.

The Sponsor’s and Placing Agreement is governed by the laws of England and Wales.

#### ***Investment Management Agreement***

The Company, LuxCo and the Investment Manager have entered into the Investment Management Agreement, dated 9 January 2012, pursuant to which the Investment Manager has been given overall responsibility for the discretionary management of the Company’s and LuxCo’s assets and rights (including uninvested cash) in accordance with the Company’s investment objective and policy.

#### **(a) Fees**

The Investment Manager will be entitled to an annual management fee payable by the Company which shall be calculated and accrued daily at a rate equivalent to 0.70 per cent. of the Company’s NAV per annum. The management fee will be payable quarterly in arrear.

The Company will reimburse the Investment Manager for the reasonable external costs directly attributable to the Company and LuxCo and their transactions.

No performance fee will be payable by the Company or by LuxCo to the Investment Manager.

(b) Termination

- (i) The Investment Management Agreement is terminable by either the Investment Manager or the Company or LuxCo by giving not less than six months' prior notice in writing, provided such notice is not given prior to the second anniversary of Admission.
- (ii) The Investment Management Agreement may be terminated earlier by the Company or LuxCo with immediate effect if:
  - A. the Investment Manager breaches any provision of the Investment Management Agreement and such breach results in listing and trading of the Shares on the London Stock Exchange's market for listed securities being suspended or terminated;
  - B. the Investment Manager ceases to hold any required authorisation or licence required to carry out its services under the Investment Management Agreement;
  - C. the Investment Manager has committed a material breach of its obligations under the Investment Management Agreement and fails to remedy such breach (if capable of remedy) within 30 days of receiving notice specifying the breach and requiring it to do so;
  - D. an order has been made or an effective resolution passed for the liquidation of the Investment Manager, or the Investment Manager has a receiver or administrative receiver appointed over it, or passes a resolution for winding-up (other than for the purposes of a scheme of amalgamation or reconstruction), or is subject to an administration, or enters into any voluntary arrangements with its creditors, or otherwise fails or becomes unable to pay its debts as they fall due;
  - E. the Investment Manager ceases or threatens to cease to carry on its business; or
  - F. the Investment Manager ceases to ensure that its obligations under the Investment Management Agreement are carried out by a team of appropriately qualified, trained and experienced professionals who have experience of managing a portfolio of comparable size, nature and complexity to the Portfolio and such breach is not remedied within 90 days of receipt of written notice requiring it to do so.
- (iii) The Investment Management Agreement may be terminated by the Investment Manager with immediate effect if: (a) an order has been made or an effective resolution passed for the winding up of the Company or LuxCo; or (b) a resolution is passed by Shareholders which would make changes to the Company's investment strategy such that the Investment Manager in its reasonable opinion can no longer meet the service standard requirements under the Investment Management Agreement; or (c) the Company and LuxCo have committed a material breach of the Investment Management Agreement and fail to remedy such breach within 30 days of notice requiring them to do so.

(c) Fees and Expenses on Termination

In the event the Investment Management Agreement is terminated in accordance with paragraph (b) above, the Investment Manager shall be entitled to be paid all fees and other monies accrued on a *pro rata* basis to the date of termination but shall not be entitled to compensation in respect of such termination. The Company will pay any additional out-of-pocket expenses necessarily incurred by the Investment Manager in terminating the agreement and will bear any losses necessarily realised in settling outstanding obligations.

(d) Indemnities

The Company and LuxCo have given certain market standard indemnities in favour of the Investment Manager in respect of the Investment Manager's potential losses in carrying on its responsibilities under the Investment Management Agreement.

(e) Governing law

The Investment Management Agreement is governed by the laws of England and Wales.

***Introduction Agreement***

The Company and the Investment Manager have entered into an introduction agreement dated 9 January 2012 (the "Introduction Agreement") pursuant to which the Investment Manager has agreed to seek to identify and introduce to the Company and/or to the Sponsor potential subscribers for the Shares pursuant to the Placing and the Offer for Subscription.

The Company and the Investment Manager have agreed in the Introduction Agreement that the Company will be responsible and liable for the payment of the costs, fees (including commission payable to the Investment Manager under the Introduction Agreement) and expenses incurred in connection with the Issue (including the incorporation of the Company and LuxCo) up to an amount equal to 2 per cent. of the Gross Issue Proceeds and that the Investment Manager will be responsible and liable for the payment of any such costs, fees or expenses in excess of that amount.

The Introduction Agreement is governed by the laws of England and Wales.

#### ***Subscription Agreement and Profit Participating Bonds***

The Company and LuxCo have entered into a subscription agreement dated 9 January 2012 (the “Subscription Agreement”), which sets out the terms on which the Company will use the Net Issue Proceeds (less an amount retained for general working capital purposes) to subscribe for profit participating bonds (the “Profit Participating Bonds”) issued by LuxCo. Application will be made for the Profit Participating Bonds to be admitted to listing on the CISX on or around the date of Admission.

LuxCo will use the proceeds of the issue of the Profit Participating Bonds to acquire the Portfolio. The terms and conditions of the Profit Participating Bonds are included as a schedule to the Subscription Agreement and provide for a variable interest which will accrue on the Profit Participating Bonds corresponding to all income earned and gains realised less all losses suffered by LuxCo on the Portfolio. LuxCo is also obliged to comply with the terms of the Investment Management Agreement.

The Subscription Agreement and the terms and conditions of the Profit Participating Bonds will contain various representations, warranties and covenants given by LuxCo to the Company and by the Company to LuxCo which are customary for agreements of this nature.

Failure by LuxCo to comply with the terms and conditions of the Profit Participating Bonds will constitute an event of default which would permit the Company to elect for all outstanding amounts of the Profit Participating Bonds to become immediately due and repayable.

The terms and conditions of the Profit Participating Bonds also permit the Company to request at any time the repayment by LuxCo of all or part of any outstanding amounts of the Profit Participating Bonds. The Company may make such a request for the purposes of: (a) funding Share redemptions made pursuant to any Redemption Offer; (b) funding purchases of Shares made pursuant to the Company’s buy-back authority; (c) in the event that a Continuation Resolution is not passed; (d) to meet the Company’s obligations under its hedging arrangements; and (e) under any other circumstances in which the Company reasonably considers it to be in the best interests of the Shareholders as a whole to do so.

The Profit Participating Bonds are limited recourse obligations of LuxCo, payable solely out of the assets of LuxCo. To the extent that the assets are ultimately insufficient to satisfy the claims of all holders of Profit Participating Bonds (the “Bondholders”) in full, then the outstanding claims of the Bondholders under the Profit Participating Bonds will be reduced on a pro rata basis by any shortfall arising and no Bondholder shall have any further claims against LuxCo or against any other person with respect thereto. The assets shall be deemed to be “ultimately insufficient” at such time when no further assets are available.

Neither any agent of LuxCo nor the Bondholders will be entitled to take any steps against LuxCo, its officers or directors, to recover any sum and, in particular, neither any agent of LuxCo nor the Bondholders will be entitled to seize or to seek to seize or levy an arrest on any assets of LuxCo. Neither any agent of LuxCo nor the Bondholders will be entitled to petition or to take any other step or action for the bankruptcy, winding up, examiner-ship, liquidation or dissolution of LuxCo or for the appointment of a liquidator, examiner, receiver or other person in respect of, or request the opening of any other collective or reorganisation proceedings against, LuxCo or its assets.

The Subscription Agreement and the Profit Participating Bonds are governed by the laws of the Grand Duchy of Luxembourg.

#### ***Administration and Custody Agreement***

The Company and the Administrator have entered into an administration and custody agreement dated 9 January 2012 (the “Administration and Custody Agreement”), pursuant to which the Company has appointed the Administrator to act as administrator, secretary and custodian of the Company.



The Company has given certain market standard indemnities in favour of the Administrator in respect of the Administrator's potential losses in carrying out its responsibilities under the Administration and Custody Agreement.

The Administration and Custody Agreement may be terminated by either party by giving six months' written notice (or such shorter notice as the parties may agree). The Administration and Custody Agreement may be terminated immediately by a party: (i) in the event of the winding up of or the appointment of an administrator, liquidator, examiner or receiver to the other party or upon the happening of a like event at the direction of an appropriate regulatory agency or court of competent jurisdiction (except if such event occurs for the purposes of reconstruction or amalgamation upon terms previously approved in writing by the parties, such approval not to be unreasonably withheld or delayed) or if the other party is declared 'en desastre'; or (ii) if the other party shall commit any material breach or is in persistent breach of the provisions of the Administration and Custody Agreement and shall if capable of remedy not have remedied the same within 30 days after the service of notice requiring it to be remedied; or (iii) if the continued performance of the Administration and Custody Agreement for any reason ceases to be lawful.

The Company may terminate the Administration and Custody Agreement with immediate effect in the event of the Administrator ceasing to hold the necessary licences, approvals, permits, consents or authorisations required to enable it to perform its duties under the Administration and Custody Agreement.

The Administration and Custody Agreement is governed by the laws of the Island of Guernsey.

#### ***Registrar Agreement***

The Company and the Registrar have entered into a registrar agreement dated 9 January 2012 (the "Registrar Agreement"), pursuant to which the Company appointed the Registrar to act as registrar of the Company. The Registrar will be entitled to an annual fee from the Company equal to £2 per Shareholder per annum or part thereof, subject to a minimum annual fee payable by the Company of £8,250 in respect of basic registration services.

The Registrar Agreement may be terminated by either the Company or the Registrar giving to the other not less than three month's written notice. The Agreement may also be terminated upon giving written notice if a party commits a material breach of the agreement.

The Registrar Agreement is governed by the laws of England and Wales.

#### ***Receiving Agent Agreement***

The Company and the Receiving Agent have entered into a receiving agent agreement dated 9 January 2012 (the "Receiving Agent Agreement"), pursuant to which the Receiving Agent will act as receiving agent in relation to the Issue for a minimum advisory fee of £2,000 and a separate minimum aggregate processing fee of £5,000.

The Receiving Agent Agreement contains certain market standard indemnities from the Company in favour of the Receiving Agent. The Receiving Agent's liabilities under the agreement are limited to the lower of £250,000 or an amount which is five times the fee payable to the Receiving Agent under the agreement. The Receiving Agent Agreement may be terminated by upon giving written notice if a party commits a material breach of the agreement.

The Receiving Agent Agreement is governed by the laws of England and Wales.

#### ***Banking Agreement***

The Company and BNP Paribas Securities Services S.C.A. (the "Bank") have entered into a cash account agreement dated 9 January 2012 (the "Banking Agreement") pursuant to which the Bank will open and operate a bank account on behalf of, and in the name specified by, the Company.

The Banking Agreement contains certain market standard indemnities from the Company in favour of the Bank. The Bank will be liable to the Company for any losses suffered by the Company as a result of any failure by the Bank to perform the relevant services under the Banking Agreement to the extent that such losses arose as a result of the Bank having been negligent, fraudulent or in wilful default of its obligations.

The Banking Agreement may be terminated by a party giving another party not less than 30 days' notice of its intention to notice. The Banking Agreement may be terminated immediately by a party if the other party is in material breach of its obligations under the agreement or the other party is or

becomes the subject of bankruptcy, insolvency, reorganisation, receivership or other similar proceedings or is the subject of any investigations regarding fraud or suspected fraud.

The Banking Agreement is governed by the laws of the Island of Guernsey.

### ***Hedging Master Agreement***

The Company and the Bank have entered into a international forward foreign exchange master agreement dated 9 January 2012 (the “Hedging Master Agreement”), pursuant to which the parties will enter into foreign exchange transactions with the intention of hedging against fluctuations in the exchange rate between the Euro and other currencies.

The Hedging Master Agreement may be terminated, and the transactions underlying the agreement may be closed-out and liquidated, upon the occurrence and continuation of certain typical termination events. The liquidation of the outstanding foreign exchange transactions will be calculated using mechanics set out in the Hedging Master Agreement.

The Hedging Master Agreement is governed by the laws of England and Wales.

## **8 Litigation**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have since incorporation had a significant effect on the Company’s financial position or profitability.

## **9 Related party transactions and other arrangements**

Except as set out in paragraphs 4 and 7 of this Part VI, the Company has not entered into any related party transactions between incorporation and the date of this Prospectus.

## **10 General**

- (a) The Placing of the Shares is being carried out on behalf of the Company by the Bookrunner, which is authorised and regulated in the United Kingdom by the FSA.
- (b) The Investment Manager may be a promoter of the Company. Save as disclosed in paragraph 7 above of this Part VI, no amount or benefit has been paid, or given, to the promoter or any of its subsidiaries since the incorporation of the Company and none is intended to be paid, or given.
- (c) The address of the Investment Manager is 10 Gresham Street, London EC2V 7JD, United Kingdom and its telephone number is +44 (0)207 367 5000.
- (d) As the Shares do not have a par value, the Issue Price consists solely of share premium.
- (e) The Company does not own any premises and does not lease any premises.

## **11 Third party sources**

Where third party information has been referenced in this Prospectus, the source of that third party information has been disclosed. Where information contained in this Prospectus has been sourced from the London Stock Exchange, the Commodities Research Bureau, Bloomberg, Standard & Poor’s or the Credit Suisse Group AG, the Company confirms that such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The Investment Manager has given and not withdrawn its written consent to the issue of this Prospectus with references to its name in the form and context in which such references appear. The Investment Manager accepts responsibility for information attributed to it in this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information attributed to it in this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

## **12 Working capital**

The Company is of the opinion that, on the basis that the Minimum Net Proceeds are raised, the working capital available to the Group is sufficient for the Group’s present requirements, that is for at least the next 12 months from the date of this Prospectus.

### 13 Capitalisation and indebtedness

The following table shows the Company's gross indebtedness as at 3 November 2011 (being the date of its incorporation).

	As at 3 November 2011
<b>Total current debt (€)</b>	
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil
	As at 3 November
<b>Total non current debt (excluding current position of non current debt) (€)</b>	<b>2011</b>
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil

The following table shows the capitalisation of the Company as at 3 November 2011 (being the date of its incorporation):

	As at 3 November 2011
<b>Shareholders' equity (€)</b>	
Share capital	1
Legal reserve	Nil
Other reserves	Nil
Total	<u>1</u>

As at the date of this Prospectus, the Company has nil net indebtedness.

### 14 Investment restrictions

The Company will manage and invest its assets in accordance with its investment policy as disclosed in Part I of this Prospectus and will comply with the following investment restrictions:

- (a) for so long as they remain requirements of the UK Listing Authority the Company will not conduct a trading activity which is significant in the context of the Group as a whole. This does not prevent the businesses forming part of the Portfolio from conducting trading activities themselves; and
- (b) the Company will not invest more than 10 per cent., in aggregate, of the value of its total assets, at the time of investment, in other listed closed-ended investment funds (except to the extent that such listed closed-ended investment funds have published investment policies to invest no more than 15 per cent. of their total assets in other listed closed-ended investment funds).

The Company will, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the investment policy set out in Part I of this Prospectus.

### 15 Documents available for inspection

Copies of the following documents are available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following Admission at the registered office of the Company:

- (a) the memorandum and articles of incorporation of the Company; and
- (b) this Prospectus.

## PART VII

### TERMS AND CONDITIONS OF THE PLACING

#### **Introduction**

Each Placee which confirms its agreement (whether orally or in writing) to the Bookrunner to subscribe for Shares under the Placing will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and/or the Bookrunner may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter (a "Placing Letter").

#### **Agreement to Subscribe for Shares**

Conditional on: (i) Admission occurring and becoming effective by 8.00am (London time) on or prior to 5 March 2012 (or such later time and/or date as the Company, the Investment Manager and the Bookrunner may agree not being later than 5 April 2012); (ii) the Sponsor's and Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before 5 March 2012 (or such later time and/or date as the Company, the Investment Manager and the Bookrunner may agree); and (iii) the Bookrunner confirming to the Placees their allocation of Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Shares allocated to it by the Bookrunner at the Issue Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

#### **Payment for Shares**

Each Placee must pay the Issue Price for the Shares issued to the Placee in the manner and by the time directed by the Bookrunner. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for Shares shall be rejected.

#### **Representations and Warranties**

By agreeing to subscribe for Shares, each Placee which enters into a placing commitment to subscribe for Shares will (for itself and any person(s) procured by it to subscribe for Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Investment Manager, the Registrar and Oriel Securities Limited (in its capacity as the Sponsor and Bookrunner) that:

- (a) in agreeing to subscribe for Shares under the Placing, it is relying solely on this Prospectus and any supplementary prospectus issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company or the Placing. It agrees that none of the Company, the Investment Manager, the Bookrunner or the Registrar, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
- (b) the contents of this Prospectus are exclusively the responsibility of the Company and its Directors and apart from the liabilities and responsibilities, if any, which may be imposed on the Bookrunner under any regulatory regime, neither the Bookrunner nor any person acting on its behalf nor any of its affiliates makes any representation, express or implied, nor accepts any responsibility whatsoever for the contents of this document nor for any other statement made or purported to be made by them or on its or their behalf in connection with the Company, the Shares or the Issue;
- (c) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Shares under the Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its placing commitment in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Investment Manager, the Bookrunner, the

Registrar or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;

- (d) it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Shares and it is not acting on a non-discretionary basis for any such person;
- (e) it agrees that, having had the opportunity to read this Prospectus, it shall be deemed to have had notice of all information and representations contained in this Prospectus, that it is acquiring Shares solely on the basis of this Prospectus and no other information and that in accepting a participation in the Placing it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for Shares;
- (f) it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Bookrunner, the Company or the Investment Manager;
- (g) it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- (h) it accepts that none of the Shares have been or will be registered under the laws of any Excluded Territory. Accordingly, the Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Excluded Territory unless an exemption from any registration requirement is available;
- (i) if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, that it is a person to whom the Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- (j) if it is a resident in the EEA (other than the United Kingdom), it is a qualified investor within the meaning of the law in the Relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive (Directive 2003/71/EC);
- (k) if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- (l) neither the Bookrunner nor any of its affiliates nor any person acting on its or their behalf is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and participation in the Placing is on the basis that it is not and will not be a client of the Bookrunner or any of its affiliates and that the Bookrunner and any of its affiliates does not have any duties or responsibilities to it for providing protection afforded to its or their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertakings or indemnities contained in these terms and conditions or in the Placing Letter;
- (m) where it is subscribing for Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in these terms and conditions or in the Placing Letter; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company. It agrees that the provisions of this paragraph shall survive any resale of the Shares by or on behalf of any such account;

- (n) it irrevocably appoints any director of the Company and any director of the Bookrunner to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- (o) if the Placing does not proceed or the conditions to the Sponsor's and Placing Agreement are not satisfied or the Shares for which valid applications are received and accepted are not admitted to listing and trading on the Official List and the Main Market (respectively) for any reason whatsoever then none of the Bookrunner, the Company or any of their affiliates, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- (p) in connection with its participation in the Placing, it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and countering terrorist financing and that its placing commitment is only made on the basis that it accepts full responsibility for any requirement to identify and verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person:
  - (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing); or (iii) subject to the Guernsey AML Requirements; or (iv) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a county in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- (q) due to anti-money laundering and the countering of terrorist financing requirements, the Bookrunner and/or the Company may require proof of identity of the Placee and related parties and verification of the source of the payment before the placing commitment can be processed and that, in the event of delay or failure by the Placee to produce any information required for verification purposes, the Bookrunner and/or the Company may refuse to accept the placing commitment and the subscription moneys relating thereto. It holds harmless and will indemnify the Bookrunner and/or the Company against any liability, loss or cost ensuing due to the failure to process the placing commitment, if such information as has been required has not been provided by it or has not been provided timeously;
- (r) any person in Guernsey involved in the business of the Company who has a suspicion or belief that any other person (including the Company or any person subscribing for Shares) is involved in money laundering activities, is under an obligation to report such suspicion to the Financial Intelligence Service pursuant to the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 (as amended) and the Disclosure (Bailiwick of Guernsey) Law 2007. Similar disclosures may be required under other legislation;
- (s) the Bookrunner and the Company (and any agent on their behalf) are entitled to exercise any of their rights under the Sponsor's and Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them (or any agent acting on their behalf);
- (t) in the terms of the representations, warranties and acknowledgments set out under the heading "Subscriber Warranties" in Part V of this Prospectus;
- (u) the representations, undertakings and warranties contained in these terms and conditions are irrevocable. It acknowledges that the Bookrunner and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Shares are no longer accurate, it shall promptly notify the Bookrunner and the Company;
- (v) where it or any person acting on behalf of it is dealing with the Bookrunner, any money held in an account with the Bookrunner on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FSA or the GFSC which therefore will not require the Bookrunner to segregate such money, as that money will be held by the Bookrunner under a banking relationship and not as trustee;

- (w) any of its clients, whether or not identified to the Bookrunner or any of its affiliates or agents, will remain its sole responsibility and will not become clients of the Bookrunner or any of its affiliates or agents for the purposes of the rules of the FSA or the GFSC or for the purposes of any other statutory or regulatory provision;
- (x) the allocation of Shares shall be determined by the Company, the Investment Manager and the Bookrunner in their absolute discretion and that such persons may scale down any Placing commitments for this purpose on such basis as they may determine; and
- (y) time shall be of the essence as regards its obligations to settle payment for the Shares and to comply with its other obligations under the Placing.

### **Supply and Disclosure of Information**

If the Bookrunner, the Registrar or the Company or any of their agents request any information in connection with a Placee's commitment to subscribe for Shares under the Placing or to comply with any relevant legislation, such Placee must promptly disclose it to them.

### **The Data Protection (Bailiwick of Guernsey) Law 2001**

Pursuant to The Data Protection (Bailiwick of Guernsey) Law 2001, (the "DP Law") the Company, the Bookrunner, the Registrar, and/or the Investment Manager may hold personal data (as defined in the DP Law) relating to past and present Shareholders.

Such personal data held is used by those parties in relation to the Placing and to maintain a register of the Shareholders and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when (a) effecting the payment of dividends and redemption proceeds to Shareholders (in each case, where applicable) and, if applicable, the payment of commissions to third parties and (b) filing returns of Shareholders and their respective transactions in shares with statutory bodies and regulatory authorities.

The countries referred to above include, but need not be limited to, those in the European Economic Area or the European Union and any of their respective dependent territories overseas, Argentina, Australia, Brazil, Canada, Hong Kong, Hungary, Japan, New Zealand, Singapore, South Africa, Switzerland and the United States.

By becoming registered as a holder of Shares in the Company a person becomes a data subject (as defined in the DP Law) and is deemed to have consented to the processing by the Company or its Registrar or the Bookrunner of any personal data relating to them in the manner described above.

### **Miscellaneous**

The rights and remedies of the Bookrunner, the Registrar and the Company under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

On the acceptance of their placing commitment, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.

Each Placee agrees to be bound by the Articles (as amended from time to time) once the Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Shares under the Placing and the appointments and authorities mentioned in this Prospectus will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Bookrunner, the Company and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for Shares under the Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

The Bookrunner and the Company expressly reserve the right to modify the Placing (including, without limitation, their timetable and settlement) at any time before allocations are determined.

The Placing is subject to the satisfaction of the conditions contained in the Sponsor's and Placing Agreement and the Sponsor's and Placing Agreement not having been terminated. Further details of the terms of the Sponsor's and Placing Agreement are contained in Part VI of this Prospectus.



## PART VIII

### TERMS AND CONDITIONS OF THE OFFER FOR SUBSCRIPTION

#### Introduction

If you apply for Shares under the Offer for Subscription, you will be agreeing with the Company and the Registrar to the terms and conditions set out below.

#### Offer to subscribe for Shares

Your application must be made on the Application Form attached at Appendix A to this Prospectus or as may be otherwise published by the Company. By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:

- (a) offer to subscribe for such number of Shares at £1.00 per Sterling Share and €1.00 per Euro Share (as the case may be) as may be purchased by the subscription amount specified in Box 1 on your Application Form on the terms, and subject to the conditions, set out in this Prospectus, including these terms and conditions and the Memorandum and Articles;
- (b) agree that, in respect of any Sterling Shares or Euro Shares for which you wish to subscribe under the Offer for Subscription, you will submit payment in Sterling or Euros respectively;
- (c) agree that, in consideration of the Company agreeing that it will not, prior to the date of Admission, offer for subscription any Shares to any person other than by means of the procedures referred to in this Prospectus, your application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or in the case of delivery by hand, on receipt by the Registrar of, your Application Form;
- (d) undertake to pay the amount specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive the share certificates for the Shares applied for in certificated form or be entitled to commence dealing in the Shares applied for in uncertificated form or to enjoy or receive any rights or benefits in respect of such Shares unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Registrar (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Registrar and the Company against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) void the agreement to allot the Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by way of a cheque, in your favour, at your risk, for an amount equal to the proceeds of the remittance which accompanied your Application Form, without interest);
- (e) agree that where on your Application Form a request is made for Shares to be deposited into a CREST Account, the Registrar may in its absolute discretion amend the form so that such Shares may be issued in certificated form registered in the name(s) of the holders specified in your Application Form (and recognise that the Registrar will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST Account or in receiving your remittance in cleared funds);
- (f) agree, in respect of applications for Shares in certificated form (or where the Registrar exercises its discretion pursuant to paragraph (e) to issue Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled or pursuant to paragraph (e) above (and any monies returnable to you) may be retained by the Receiving Agent:
  - a. pending clearance of your remittance;
  - b. pending investigation of any suspected breach of the warranties contained under the heading “Warranties” below or any other suspected breach of these terms and conditions;
  - c. pending any verification of identity which is, or which the Registrar considers may be, required for the purpose of the Guernsey AML Requirements; or

- d. and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;
- (g) agree, on the request of the Registrar, to disclose promptly in writing to it such information as the Registrar may request in connection with your application and authorise the Registrar to disclose any information relating to your application which it may consider appropriate;
  - (h) agree that, if evidence of identity satisfactory to the Registrar is not provided to the Registrar within a reasonable time (in the opinion of the Company) following a request therefor, the Company or the Registrar may terminate the agreement with you to allot Shares and, in such case, the Shares which would otherwise have been allotted to you may be reallocated or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned to the bank account on which the payment accompanying the application was first drawn without interest and at your risk;
  - (i) agree that you are not applying on behalf of a person engaged in money laundering, drug trafficking or terrorism;
  - (j) undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
  - (k) undertake to pay interest at the rate described below if the remittance accompanying your Application Form is not honoured on first presentation;
  - (l) authorise the Registrar to procure that there be sent to you definitive certificates in respect of the number of Shares for which your application is accepted or if you have completed section 8 on your Application Form, but subject to paragraph (d) above, to deliver the number of Shares for which your application is accepted into CREST, and/or to return any monies returnable by cheque in your favour without interest and at your risk;
  - (m) confirm that you have read and complied with the provisions of the section titled “Overseas Investors” of this Part VIII;
  - (n) agree that all subscription cheques and payments will be processed through a bank account (the “Acceptance Account”) opened with the Receiving Agent in the name of “Capita Registrars Limited re: Alcentra European Floating Rate Income Fund Limited – Sterling Offer for Sub” if applying for Sterling Shares and “Capita Registrars Limited re: Alcentra European – Euro Offer for Sub” if applying for Euro Shares;
  - (o) agree that your Application Form is addressed to the Company and the Receiving Agent; and
  - (p) acknowledge that the Issue will not proceed if the Net Issue Proceeds would be less than £70 million (or such lesser amount as the Company, the Investment Manager and the Bookrunner may determine and notify to investors via publication of a supplementary prospectus).

Any application may be rejected in whole or in part at the sole discretion of the Company.

#### **Acceptance of your Offer**

The Receiving Agent may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) by notifying you of such acceptance.

The allocation of Shares shall be determined by the Company, the Investment Manager and the Bookrunner in their absolute discretion. The right is reserved to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these terms and conditions or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these terms and conditions. Each of the Company and Receiving Agent reserves the right (but shall not be obliged) to accept Application Forms and accompanying remittances which are received otherwise than in accordance with these terms and conditions.

The Receiving Agent will present all cheques and bankers' drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payment. The Receiving Agent may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Receiving Agent, to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Receiving Agent plus four per cent. per annum. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.

### **Conditions**

The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional upon:

- (a) Admission occurring and becoming effective by 8.00am on 5 March 2012 (or such later time or date as the Company and the Bookrunner may agree);
- (b) the Sponsor's and Placing Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective; and
- (c) the Minimum Net Proceeds having been raised.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including precontractual representations) at any time after acceptance. This does not affect any other right you may have.

### **Return of Application Monies**

Where application monies have been banked and/or received, if any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest and after the deduction of any applicable bank charges by returning your cheque, or by crossed cheque in your favour, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Registrar in a separate account.

### **Warranties**

By completing an Application Form, you:

- (a) warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- (b) warrant that you are a resident of, and are located for the purposes of the offer in the United Kingdom and no other jurisdiction;
- (c) warrant that you are not a US Person, you are not located within the United States and are not acquiring the Shares for the account or benefit of a US Person;
- (d) warrant, if the laws of any territory or jurisdiction outside Guernsey or the United Kingdom are applicable to your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company, the Bookrunner or the Registrar, or any of their respective officers, agents or employees, acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside Guernsey or the United Kingdom in connection with the Offer for Subscription in respect of your application;

- (e) confirm that in making an application you are not relying on any information or representations in relation to the Company other than those contained in this Prospectus (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this Prospectus or any part thereof shall have any liability for any such other information or representation;
- (f) agree that, having had the opportunity to read this Prospectus, you shall be deemed to have had notice of all information and representations contained therein;
- (g) acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this Prospectus and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the Bookrunner, the Registrar or any of their affiliates;
- (h) warrant that you are not under the age of 18 on the date of your application;
- (i) agree that all documents and monies sent by post to, by or on behalf of the Company, or the Registrar, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first-named holder) as set out in your Application Form;
- (j) confirm that you have reviewed the restrictions contained in the section headed “Overseas Investors” of this Part VIII below and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions therein;
- (k) agree that, in respect of those Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the register of members of the Company;
- (l) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by and construed in accordance with laws of England and Wales and that you submit to the jurisdiction of the courts of England and Wales and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (m) irrevocably authorise the Company, or the Registrar or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by or issued to you into your name and authorise any representatives of the Company and/or the Registrar to execute any documents required therefor and to enter your name on the register of members of the Company;
- (n) agree to provide the Company and Registrar with any information which they may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the Guernsey AML Requirements;
- (o) agree that the Registrar is acting for the Company in connection with the Offer for Subscription and for no-one else and that it will not treat you as its customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of Shares or concerning the suitability of Shares for you or be responsible to you for providing the protections afforded to its customers;
- (p) warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, the Bookrunner, the Registrar or any of their affiliates or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or your application;
- (q) warrant in the terms set out under the heading “Subscriber warranties” in Part V of this Prospectus;
- (r) warrant that the information contained in the Application Form is true and accurate; and

- (s) agree that if you request that Shares are issued to you on a date other than Admission and such Shares are not issued on such date that the Company and its agents and Directors will have no liability to you arising from the issue of such Shares on a different date.

### **Money Laundering**

You agree that, in order to ensure compliance with the UK Money Laundering Regulations 2007 (where applicable) and the Guernsey AML Requirements, the Registrar or the Investment Manager may respectively at their absolute discretion require verification of identity from any person lodging an Application Form.

The Registrar may undertake electronic searches for the purposes of verifying your identity. To do so the Registrar may verify the details against your identity, but may also request further proof of your identity. The Registrar reserves the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.

Payments must be made by cheque or bankers' draft in Sterling or Euros drawn on a United Kingdom branch of a bank or building society. Cheques, which must be drawn on your personal account where you have sole or joint title to the funds, should be made payable to "Capita Registrars Limited re: Alcentra European Floating Rate Income Fund Limited – Sterling Offer for Sub" if applying for Sterling Shares and "Capita Registrars Limited re: Alcentra European – Euro Offer for Sub" if applying for Euro Shares. The cheques must be crossed "A/C payee". Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers' draft by following the instructions below.

The bank account name should be the same as that shown on the Application Form.

Where you appear to the Registrar to be acting on behalf of some other person certifications of identity of any persons on whose behalf you appear to be acting may be required.

Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the dispatch of documents.

In all circumstances, verification of the identity of applicants will be required. If you use a building society cheque, bankers' draft or money order you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, bankers' draft or money order and adds its stamp. The name on the bank account must be the same as that stated on the Application Form.

You should endeavour to have the certificate contained in Box 9 of the Application Form signed by an appropriate firm as described in that Box.

### **Overseas Investors**

This provision is relevant for all investors who are not resident in, or who are not citizens of, the United Kingdom and Guernsey.

The offer of Shares under the Offer for Subscription to persons who are resident in, or citizens of, countries other than the United Kingdom and Guernsey ("Overseas Investors") may be affected by the laws of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to subscribe for Shares under the Offer for Subscription. It is the responsibility of all Overseas Investors receiving this Prospectus and/or wishing to subscribe to the Shares under the Offer for Subscription, to satisfy themselves as to full observance of the laws of any relevant territory or jurisdiction in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities requiring to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this Prospectus in any territory other than the United Kingdom or Guernsey may treat the same as constituting an offer or invitation to him, unless in the relevant territory such an offer can lawfully be made to him without compliance with any further registration or other legal requirements.

Persons (including, without limitation, nominees and trustees) receiving this Prospectus should not distribute or send it to any US Person or in or into the United States, Canada, Australia or Japan, their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares pursuant to the Offer for Subscription if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

#### **The Data Protection (Bailiwick of Guernsey) Law 2001**

Pursuant to the DP Law, the Company, the Bookrunner, the Registrar and/or the Investment Manager may hold personal data (as defined in the DP Law) relating to past and present Shareholders.

Such personal data held is used by the Registrar to maintain a register of the Shareholders and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when (a) effecting the payment of dividends and redemption proceeds to Shareholders (in each case, where applicable) and, if applicable, the payment of commissions to third parties and (b) filing returns of Shareholders and their respective transactions in shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.

The countries referred to above include, but need not be limited to, those in the EEA or the EU and any of their respective dependent territories overseas, Argentina, Australia, Brazil, Canada, Hong Kong, Hungary, Japan, New Zealand, Singapore, South Africa, Switzerland and the United States.

By becoming registered as a holder of Shares in the Company a person becomes a data subject (as defined in the DP Law) and is deemed to have consented to the processing by the Company or the Registrar or the Bookrunner of any personal data relating to them in the manner described above.

#### **Miscellaneous**

The rights and remedies of the Company and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.

The Company reserves the right to shorten or extend the closing time of the Offer for Subscription from 12.00pm on 27 February 2012 (provided that if the closing time is extended this Prospectus remains valid at the closing time as extended) by giving notice to the LSE. The Company will notify investors via an RIS and any other manner, having regard to the requirements of the LSE.

The Company may terminate the Offer for Subscription in its absolute discretion at any time prior to Admission. If such right is exercised, the Offer will lapse and any monies will be returned as indicated without interest.

The dates and times referred to in these terms and conditions may be altered by the Company so as to be consistent with the Sponsor's and Placing Agreement (as the same may be altered from time to time in accordance with its terms).

Save where the context requires otherwise, terms used in these terms and conditions bear the same meanings as used elsewhere in this Prospectus.

The contract to subscribe for Shares under the Offer for Subscription and the appointments and authorities mentioned in this Prospectus will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, the Receiving Agent and the Registrar, each applicant under the Offer for Subscription irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against any such applicant in any other jurisdiction.

## PART IX

### DEFINITIONS

#### Definitions

The following definitions apply throughout this document unless the context requires otherwise:

<b>Administration and Custody Agreement</b>	means the administration and custody agreement between the Company and the Administrator in its capacity as administrator, secretary and custodian of the Company, as more fully described in Part VI of this Prospectus
<b>Administrator</b>	means BNP Paribas Fund Services (Guernsey) Limited
<b>Admission</b>	means the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market
<b>Affiliate</b>	means an affiliate of, or person affiliated with, a specified person; a person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the person specified
<b>AFM</b>	means the Netherland Authority for the Financial Markets (" <i>Autoriteit Financiële Markten</i> ")
<b>AIFM Directive</b>	means the EU Directive on Alternative Investment Fund Managers
<b>Alcentra European Loan Fund</b>	means Alcentra Fund S.C.A. SICAV – SIF – Alcentra European Loan Fund
<b>Alcentra Group</b>	means BNY Alcentra Group Holdings, Inc. and its consolidated subsidiaries and subsidiary undertakings from time to time
<b>Application Form</b>	means the application for use in connection with the Offer for Subscription set out in the Appendix to this Prospectus
<b>Approved Pricing Provider</b>	means a provider of pricing services for debt obligations approved by the Directors for use by the Company and the Investment Manager in valuing the assets in the Portfolio
<b>Articles</b>	means the articles of incorporation of the Company to be adopted upon Admission
<b>AUM</b>	means assets under management
<b>Basic Entitlement</b>	has the meaning given in the section headed "Discount Control" in Part I of this Prospectus
<b>Bloomberg</b>	means Bloomberg L.P.
<b>BNY Mellon Group</b>	means BNY Mellon Corporation and its consolidated subsidiaries and subsidiary undertakings from time to time
<b>Board or Directors</b>	means the board of directors of the Company
<b>Bookrunner</b>	means Oriel Securities Limited
<b>bps or basis points</b>	a unit of measurement equal to 1/100th of 1 per cent.. For example, 1bps is equal to 0.01 per cent.
<b>B Shares</b>	means shares of a particular class issued to holders of Shares of a particular class pro rata to their holdings of Shares of such class.
<b>Business Day</b>	means a day on which the London Stock Exchange and banks in Guernsey are normally open for business
<b>Capita Registrars</b>	means Capita Registrars Limited
<b>certificated</b>	means not in uncertificated form
<b>CISX</b>	the Channel Islands Stock Exchange
<b>CLO</b>	means collateralised loan obligation

<b>Class Minimum Amount</b>	has the meaning given to it under the section headed “The Issue” in the Summary of this Prospectus
<b>Companies Laws</b>	means The Companies (Guernsey) Law, 2008, as amended
<b>Company</b>	means Alcentra European Floating Rate Income Fund Limited
<b>Continuation Resolution</b>	has the meaning given in the section headed “Discount Control” in Part I of this Prospectus as to the continuation of the Company as presently constituted
<b>Continuing Shareholders</b>	has the meaning given in the section headed “Discount Control” in Part I of this Prospectus
<b>Currency Conversion Calculation Date</b>	has the meaning given in the section headed “Conversion between classes” in Part I of this Prospectus
<b>CREST</b>	means the UK based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator
<b>CREST Guernsey Requirements</b>	means Rule 8 and such other rules and requirements of Euroclear UK & Ireland as may be applicable to issuers as from time to time specified in the CREST Manual
<b>CREST Manual</b>	means the compendium of documents entitled CREST Manual issued by Euroclear UK & Ireland from time to time and comprising the CREST Reference Manual, the CREST Central Counterparty Service Manual, the CREST International Manual, CREST Rules, CCSS Operations Manual and the CREST Glossary of Terms
<b>C Shares</b>	means those shares which, when issued, convert into Shares only when a specified proportion of the net proceeds of issuing such shares have been invested in accordance with the Company’s investment policy
<b>Directors</b>	means the Directors of the Company
<b>Disclosure Rules and Transparency Rules</b>	means the disclosure rules and transparency rules made by the FSA under Part VI of the FSMA
<b>Discount Calculation Period</b>	has the meaning given in the section headed “Discount Control” in Part I of this Prospectus
<b>Dutch Offer</b>	has the meaning given in the description of the Sponsor’s and Placing Agreement set out in paragraph 7 of Part VI of this Prospectus
<b>EBITDA</b>	means earnings before interest, taxation, depreciation and amortisation
<b>EEA</b>	means the European Economic Area
<b>EGM</b>	means an extraordinary general meeting
<b>ERISA</b>	means the U.S. Employee Retirement Income Security Act of 1974, as amended
<b>EU</b>	means the European Union
<b>EU Savings Tax Directive</b>	means the EU Savings Tax Directive (2003/48/EC)
<b>Euro</b>	means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty establishing the European Community, as amended
<b>Euro Shares</b>	means those Shares issued or denominated in Euro
<b>Euro Zone</b>	means the Member States that have adopted the Euro as their common currency and sole legal tender



<b>Excluded Territory</b>	means the United States, Canada, Japan, and any other jurisdiction where the extension or the availability of the Issue would breach any applicable law
<b>Exiting Shareholders</b>	has the meaning given in the section headed “Discount Control” in Part I of this Prospectus
<b>Fitch Ratings</b>	means Fitch Ratings Inc. and its subsidiaries
<b>FATCA</b>	means the US Foreign Account Tax Compliance Act 2009
<b>FSA</b>	means the Financial Services Authority
<b>FSMA</b>	means the Financial Services and Markets Act 2000, as amended
<b>GFSC</b>	means the Guernsey Financial Services Commission
<b>Gross Asset Value</b>	means the total assets of the Company as determined in accordance with the accounting principles adopted by the Directors
<b>Gross Issue Proceeds</b>	means the aggregate number of Shares issued under the Issue multiplied by the Issue Price
<b>Group</b>	means the Company and its consolidated subsidiaries and subsidiary undertakings from time to time
<b>Guernsey AML Requirements</b>	The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), and the regulations made thereunder, and the GFSC’s Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing (as amended, supplemented and/or replaced from time to time)
<b>Hedging Master Agreement</b>	means the international forward foreign exchange master agreement, a summary of which is set out in Part VI of this Prospectus
<b>IFRS</b>	means the International Financial Reporting Standards, as adopted by the European Union
<b>Investment Advisers Act</b>	means the Investment Advisers Act of 1940, as amended
<b>Investment Company Act</b>	means the US Investment Company Act of 1940, as amended
<b>Investment Management Agreement</b>	means the investment management agreement between the Company, LuxCo and the Investment Manager, a summary of which is set out in Part VI of this Prospectus
<b>ISA</b>	means an individual savings account
<b>Issue</b>	means the issue of Shares contemplated in this Prospectus, including the Placing and the Offer for Subscription
<b>Issue Price</b>	means the price at which each share is to be issued or sold under the Issue, being £1 per Sterling Share and €1 per Euro Share
<b>LBO</b>	means leveraged buy-out
<b>Listing Rules</b>	means the listing rules of the UK Listing Authority made under section 74(4) of the FSMA
<b>London Stock Exchange</b>	means London Stock Exchange plc
<b>LuxCo</b>	means Alcentra European Floating Rate Income S.A., a company incorporated in Luxembourg as a wholly-owned subsidiary of the Company
<b>Main Market</b>	means the London Stock Exchange’s main market for listed securities
<b>Member States</b>	means the member states of the EU
<b>Minimum Net Proceeds</b>	means £70 million, or such lesser amount as the Company, the Investment Manager and the Sponsor may determine and notify to investors via publication of a supplementary prospectus

<b>Monthly Portfolio Disclosure</b>	means has the meaning given in the section headed “Disclosure of the Portfolio” in Part I of this Prospectus
<b>Moody’s Investors Service</b>	means Moody’s Investors Service, Inc.
<b>Net Asset Value or NAV</b>	means in relation to the Company, the value of the assets of the Company less its liabilities (including accrued but unpaid fees) or, where the context requires, the assets of the Company attributable to a class of Shares less the liabilities of the Company (including accrued but unpaid fees) attributable to such class of Shares, in each case determined in accordance with the accounting principles adopted by the Directors
<b>NAV Calculation Date</b>	means each Business Day on which NAV is calculated, as described in Part I of this Prospectus
<b>Net Issue Proceeds</b>	means the Gross Issue Proceeds less applicable fees and expenses of the Issue
<b>Netherlands Resident Individual</b>	means a private individual who is a resident (or treated as or deemed to be a resident) of the Netherlands for Dutch income tax ( <i>inkomstenbelasting</i> ) purposes
<b>Non-Executive Chairman or Chairman</b>	means the non-executive Chairman of the Company
<b>Non-Qualified Holder</b>	means any person whose holding or beneficial ownership of shares may (i) result in the Plan Threshold being exceeded or cause the Company’s assets to be deemed, for the purpose of ERISA or the US Code, the assets of: (A) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (B) a “plan” as defined in Section 4975 of the US Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the US Code; or (C) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in preceding clause (A) or (B) in such entity pursuant to the Plan Asset Regulations; (ii) result in a Plan Investor holding shares; (iii) may cause the Company to be required to register as an “investment company” under the Investment Company Act (including because the holder of the shares is not a “qualified purchaser” as defined in the Investment Company Act) or similar legislation, or to lose an exemption or status thereunder to which it might otherwise be entitled; (iv) cause the Company to have to (A) register under the Securities Act with any securities regulatory authority of any state or other jurisdiction of the United States, (B) register as an “investment adviser” under the Investment Advisers Act or (C) register under any similar legislation; (v) cause the Company not to be considered a “Foreign Private Issuer” as such term is defined in rule 3b-4(c) under the United States Exchange Act of 1934, as amended; (vi) result in a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time; and (vii) cause the Company to be a “controlled foreign corporation” for the purposes of the US Code.
<b>Offer for Subscription</b>	means the offer for subscription of Shares at the Issue Price pursuant to the terms and conditions set out in this Prospectus and the Application Form
<b>Official List</b>	means the Official List of the UK Listing Authority
<b>Other Accounts</b>	means other clients, funds and accounts in relation to which the Investment Manager acts as manager, investment manager, trustee, custodian, sub-custodian, registrar, broker, administrator, investment adviser or dealer having the same or similar investment strategy as the Company

<b>Placee</b>	means a person subscribing for Shares under the Placing
<b>Placing</b>	means the placing of Shares at the Issue Price as described in this Prospectus
<b>Plan Asset Regulations</b>	the plan asset regulations promulgated by the US Department of Labor under ERISA at 29 C.F.R. section 2510.3-101, as modified by section 3(42) of ERISA
<b>Plan Investor</b>	means (i) an “employee benefit plan” that is subject to Title I of ERISA, (ii) a plan, individual retirement account or other arrangement that is subject to section 4975 of the US Code, (iii) an entity whose underlying assets are considered to include “plan assets” of any plan, account, or arrangement described in preceding clause (i) or (ii), or (iv) any governmental plan, church plan, non-US plan or other investor whose purchase or holding of shares would be subject to any Similar Law
<b>Plan Threshold</b>	Ownership by benefit plan investors, as defined under section 3 (42) of ERISA, in the aggregate, of 25 per cent. or more of the value of any class of equity interest in the Company (calculated by excluding the value of any equity interest held by any person (other than a benefit plan investor, as defined under section 3(42) of ERISA) that has discretionary authority or control with respect to the assets of the Company or that provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person); the term shall be amended to reflect such new ownership threshold that may be established by a change in the Plan Asset Regulations or other applicable law
<b>Portfolio</b>	means at any time, the portfolio of assets and investments in which the funds of the Company are invested
<b>Prospectus Directive</b>	means EU Prospectus Directive (2003/71/EC)
<b>Prospectus Rules</b>	means the prospectus rules made by the FSA under Part VI of the FSMA
<b>Qualified Investors</b>	means persons who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive
<b>Receiving Agent</b>	Capita Registrars
<b>Redemption Date</b>	means the date on which Shares are redeemed in connection with a Redemption Offer such date to be determined by the Directors in connection with any Redemption Offer
<b>Redemption Offer</b>	has the meaning given in the section headed “Discount Control” in Part I of this Prospectus
<b>Redemption Pool</b>	has the meaning given in the section headed “Discount Control” in Part I of this Prospectus
<b>Registrar</b>	Capita Registrars
<b>Regulation S</b>	means Regulation S under the Securities Act
<b>RIS</b>	means a regulatory information service
<b>Securities Act</b>	means United States Securities Act of 1933, as amended
<b>Shares</b>	means redeemable ordinary shares of no par value in the capital of the Company issued as “Ordinary Shares” of such classes (denominated in such currencies) as the Directors may determine in accordance with the Articles, and having such rights and being subject to such restrictions as are contained in the Articles
<b>Shareholders</b>	means the holders of Shares in the capital of the Company

<b>Similar Law</b>	any federal, state, local, non-US or other law or regulation that would have the effect of Title I of ERISA, section 4975 of the US Code or the regulations promulgated under ERISA by the US Department of Labor and codified at 29 C.F.R. section 2510.3-101, as modified by section 3(42) of ERISA
<b>SIPP</b>	means a self-invested personal pension
<b>Sponsor</b>	means Oriel Securities Limited
<b>Sponsor's and Placing Agreement</b>	means the agreement entered into between the Company, the Directors, the Investment Manager and Oriel Securities Limited in its capacity as Sponsor and Bookrunner, as more fully described in Part VI of this Prospectus
<b>SSAS</b>	means a small self-administered scheme
<b>Standard &amp; Poor's</b>	means Standard & Poor's, a division of the McGraw-Hill Companies, Inc.
<b>Sterling</b>	means pounds sterling, the lawful currency of the United Kingdom
<b>Sterling Shares</b>	means those Shares issued or denominated in Sterling
<b>UK or United Kingdom</b>	means the United Kingdom of Great Britain and Northern Ireland
<b>UK Corporate Governance Code</b>	means the UK Corporate Governance Code as published by the Financial Reporting Council
<b>UK Listing Authority</b>	means the Financial Services Authority as the competent authority for listing in the United Kingdom
<b>uncertificated form</b>	means recorded on the register of members as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
<b>United States or US</b>	means the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
<b>US Code</b>	The United States Internal Revenue Code of 1986, as amended
<b>US Persons</b>	has the meaning given to it in Regulation S

## APPLICATION FORM FOR THE OFFER FOR SUBSCRIPTION

If you wish to apply for Shares, please complete, sign and return this Application Form, by post or (during normal business hours only) by hand to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, so as to be received no later than 12.00pm on 27 February 2012.

**IMPORTANT: Before completing this Application Form, you should read the notes set out under the section entitled "Notes on how to complete the offer for subscription Application Form" at the back of this Application Form. All applicants must complete Boxes 1 to 4. Joint applicants should also complete Box 5.**

If you have a query concerning completion of this Application Form, please call Capita Registrars between 9.00am and 5.00pm Monday to Friday on 0871 664 0321 (or, if calling from outside the United Kingdom, +44 (0)20 8639 3399). Calls to the 0871 664 0321 number cost 10p per minute plus your service provider's network extras. Calls to the helpline from outside the UK are charged at applicable international rates. Different charges may apply to calls from mobile telephones. Calls may be recorded or randomly monitored for security and training purposes. The Receiving Agent cannot provide advice on the merits of the Offer nor give any financial, legal or tax advice.

To: The Directors,

Alcentra European Floating Rate Income Fund Limited

### 1 APPLICATION

I/We offer to subscribe for such number of Shares at the value set out below divided by the Issue Price (minimum being £1,000 or €1,000), fully paid subject to the terms and conditions set out in the prospectus dated 9 January 2012 and subject to the Articles.

Number of Sterling Shares	
---------------------------	--

Number of Euro Shares	
-----------------------	--

I/We confirm that the Shares that I/we offer to subscribe for pursuant to this Application Form are to be acquired by me/us:

- (a) for or on my/our own behalf;  
YES  NO
- (b) acting as agent for or on behalf of a third party investor where such investor shall at all times have absolute discretion as to (i) any decision to sell such Shares; and (ii) the exercise of any voting rights attaching to such Shares; or  
YES  NO
- (c) acting as agent for or on behalf of a third party investor where such investor shall not have absolute discretion as to (i) any decision to sell such Shares; and (ii) the exercise of any voting rights attaching to such Shares.  
YES  NO
- (d) and, in the case where the class of Shares containing such Shares that I/we offer to subscribe for does not raise at least £20 million (in the case of the Sterling Shares) or at least €20 million (in the case of the Euro Shares) or such lower amount as the Directors of the Company may, in their absolute discretion, determine ("Class Minimum Amount"), those Shares that I/we offer to subscribe for, forming part of that class of Shares that failed to meet its corresponding Class Minimum Amount, can be deemed instead to be an offer to subscribe for the maximum number of Shares in the other class of Shares that can be subscribed for at the relevant Issue Price on the basis of conversion at the prevailing Euro/Sterling exchange rate.  
YES  NO



**2 AMOUNT PAYABLE**

I/We enclose an amount equal to the value of Shares applied for as set out in Box 1 (the “Application Amount”):

Total Amount of Sterling Shares	
Total Amount of Euro Shares	

**3 PERSONAL DETAILS (PLEASE USE BLOCK CAPITALS)**

Mr, Mrs, Ms or Title	Forenames (in full)
Surname	
Address (in full)	
Postcode	

**4 SIGNATURE**

Dated	Signature
-------	-----------

**5 JOINT APPLICANTS (PLEASE USE BLOCK CAPITALS)**

1.	Mr, Mrs, Ms or Title	
	Forenames (in full)	
	Surname	
	Signature	
2.	Mr, Mrs, Ms or Title	
	Forenames (in full)	
	Surname	
	Signature	
3.	Mr, Mrs, Ms or Title	
	Forenames (in full)	
	Surname	
	Signature	

**6 CHEQUE/BANKER’S DRAFT DETAILS**

By cheque or bankers’ draft: Attach your cheque or bankers’ draft for the exact amount shown in Box 2 made payable to “Capita Registrars Limited re: Alcentra European Floating Rate Income Fund Limited – Sterling Offer for Sub” if applying for Sterling Shares or “Capita Registrars Limited re: Alcentra European – Euro Offer for Sub” if applying for Euro Shares. The cheques must be crossed “A/C Payee Only”.

## 7 IDENTITY INFORMATION

In accordance with internationally recognised standards for the prevention of money laundering the under mentioned documents and information must be provided.

--

7.1 For each holder being an individual enclose:

- |   |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| (a) a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) certified copies of at least two of the following documents which purport to confirm that the address given in section 3 is that person’s residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement or a council rates bill or similar document issued by a recognised authority; and | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) if none of the above documents show the holder’s date and place of birth, enclose a note of such information; and   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) details of the name and address of the holder’s personal bankers from which Capita Registrars may request a reference, if necessary.  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7.2 For each holder being a company (a “holder company”) enclose:

- |  |                          |                          |                          |                          |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| (a) certified copy of the certificate of incorporation of the holder company; and  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) the name and address of the holder company’s principal bankers from which Capita Registrars may request a reference, if necessary; and   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) a statement as to the nature of the holder company’s business, signed by a director; and   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) a list of the names and residential addresses of each director of the holder company; and  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (e) for each director provide documents and information similar to that mentioned in 7.1 above; and  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (f) a copy of the authorised signatory list for the holder company; and  | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (g) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than five per cent., of the issued share capital of the holder company and, where an individual is named, also complete 7.3 below and, if another company is named (hereinafter a “beneficiary company”), also complete 7.4 below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

7.3 For each person named in 7.2(g) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in 7.1

7.4 For each beneficiary company named in 7.2(g) as a beneficial owner of a holder company enclose:

- |   |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| (a) a certified copy of the certificate of incorporation of that beneficiary company; and   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) a statement as to the nature of that beneficiary company’s business signed by a director; and   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) the name and address of that beneficiary company’s principal bankers from which Capita Registrars may request a reference, if necessary; and                                      | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (d) enclose a list of the names and residential/registered address of each beneficial owner owning more than five per cent., of the issued share capital of that beneficiary company. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |



7.5 If the payor is not a holder and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:

- |   |                          |                          |                          |                          |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| (a) if the payor is an individual, for that person the documents mentioned in 7.1; or | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (b) if the payor is a company, for that company the documents mentioned in 7.2; and   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| (c) an explanation of the relationship between the payor and the holder(s).           | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Capita Registrars reserves the right to ask for additional documents and information.

**8 CREST DETAILS (ONLY COMPLETE THIS SECTION IF YOU WISH TO REGISTER YOUR APPLICATION DIRECTLY INTO YOUR CREST ACCOUNT WHICH SHOULD BE IN THE SAME NAME(S) AS THE APPLICANTS IN BOXES 3 AND 5 ABOVE)**

CREST Participant ID	CREST Member Account ID
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**9 RELIABLE INTRODUCER CERTIFICATE**

Completion and signing of this certificate by a suitable person or institution may avoid presentation being requested of the identity documents. The certificate below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the "firm") which is itself subject in its own country to operation of "know your customer" and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom. Acceptable countries include Austria, Belgium, Canada, Denmark, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Kingdom and the United States.

**CERTIFICATE: To the Company and the Receiving Agent**

By completing and stamping Box 9 below you are deemed to have given the warranties and undertakings set out in the section entitled "Warranties" of the accompanying terms and conditions of the Offer for Subscription.

**IFA STAMP**

**Name of Firm**

**FSA Number**

**Signature**

**Print Name**

**Position**

**Date**

**Telephone No**



**10 CONTACT DETAILS**

To ensure the efficient and timely processing of this Application Form please enter below the contact details of a person that Capita Registrars may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in Box 4 on behalf of the first named holder. If no details are entered here and Capita Registrars requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	Telephone no:
Fax no:	
Contact address:	Email address:

**Signature of Applicant**

Signed..... Date.....2012

Authorised Signatory



## **NOTES ON HOW TO COMPLETE THE OFFER FOR SUBSCRIPTION APPLICATION FORM**

Applications should be returned so as to be received no later than 12.00pm on 27 February 2012.

**HELP DESK:** If you have a query concerning completion of the Application Form please call Capita Registrars on 0871 664 0321 or from outside the UK on +44 (0)20 8639 3399. Calls to the 0871 664 0321 number cost 10 pence per minute plus any other network providers' costs. Lines are open from 9.00am to 5.00pm (London time) Monday to Friday. Calls to the helpline from outside the UK will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Capita Registrars cannot provide any advice on the Offer or any tax, financial or legal advice.

### **1 APPLICATION**

Fill in (in figures) in Box 1 the amount of money being subscribed for Shares. The amount being subscribed must be for a minimum of £1,000 in respect of applications for Sterling Shares or €1,000 in respect of applications for Euro Shares. However, the Company may, in its absolute discretion, determine to accept applications in lesser amounts from (i) authorised persons or (ii) persons (including Directors) having a pre-existing connection with the Company. Financial intermediaries who are investing on behalf of clients should make separate applications or, if making a single application for more than one client, provide details of all clients in respect of whom application is made in order to benefit most favourably from the scaling back process should this be required.

Tick either 'Yes' or 'No' under 1(a), 1(b) and 1(c) to confirm how the Shares which you are offering to subscribe for will be held. Only one 'Yes' box should be ticked per Application Form. Any financial intermediary or other applicant proposing to invest on behalf of itself and on behalf of discretionary and/or non-discretionary clients should, if applicable, complete up to three separate Application Forms (one in respect of each proposed holding).

Tick 'Yes' under 1(d) to confirm that in the event your application for the class of Shares of your choosing does not raise the Class Minimum Amount, your application can be deemed to be an application for the maximum number of Shares in the other class of Shares that can be subscribed for at the relevant Issue Price on the basis of conversion at the prevailing Euro/Sterling exchange rate. Any amounts in respect of fractions of Shares will not be returned to applicants and will be retained for the benefit of the Company.

### **2 AMOUNT PAYABLE**

Fill in (in figures) in Box 2 the value of Shares (at the Issue Price) for which you wish to apply. This should be for the value of Shares subscribed for in Box 1 (the "Application Amount") (minimum being £1,000 or €1,000).

### **3 PERSONAL DETAILS**

Fill in (in block capitals) the full name(s) and address of the sole first applicant. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference. A maximum of four joint holders is permitted. All holders named must sign the Application Form at sections 4 and 5 (where applicable).

### **4 SIGNATURE**

All holders named in sections 3 and 5 (where applicable) must sign sections 4 and 5 (where applicable) and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

### **5 CHEQUE/BANKER'S DRAFT DETAILS**

Payment may be made by a cheque or bankers' draft accompanying your application<sup>15</sup>. If payment is by cheque or bankers' draft such payment must accompany your Application Form and be for the exact amount shown in Box 2 of your Application Form. Your cheque or bankers' draft must be made payable to "Capita Registrars Limited re: Alcentra European Floating Rate Income Fund Limited – Sterling Offer for Sub" if applying for Sterling Shares or "Capita Registrars Limited re: Alcentra European- Euro Offer for Sub" if applying for Euro

<sup>15</sup> Or such other method as the Directors may, in their absolute discretion, determine.

Shares. The cheques must be crossed "A/C Payee Only". If you use a bankers' draft or a building society cheque you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the bankers' draft or cheque and adds its stamp. Your cheque or bankers' draft must be drawn in Euros or Sterling on an account at a bank branch in the United Kingdom or the Channel Islands and must bear a United Kingdom bank sort code number in the top right hand corner. Third party cheques will not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers' draft. The funds must be drawn from an account where you have sole or joint title to them.

## **6 IDENTITY INFORMATION**

Applicants need only consider section 7 of the Application Form if the declaration in section 9 cannot be completed. Notwithstanding that the declaration in section 9 has been completed and signed, the Receiving Agent reserves the right to request of you the identity documents listed in section 7 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are requested in section 7, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

## **7 CREST**

If you wish your Shares to be deposited in a CREST Account in the name of the holder(s) given in sections 3 and 5 (where applicable), enter in section 8 the details of that CREST Account. Where it is requested that Shares be deposited into a CREST Account please note that payment for such Shares must be made prior to the day such Shares might be allotted and issued. It is not possible for an applicant to request that Shares be deposited in their CREST Account on an against payment basis. Any Application Form received containing such a request will be rejected.

## **8 RELIABLE INTRODUCER CERTIFICATE**

Applications will be subject to Guernsey's AML Requirements. This will involve you providing the verification of identity documents listed in section 7 of the Application Form UNLESS you can have the certificate provided at section 9 of the Application Form given and signed by a firm acceptable to the Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the certificate provided in section 9 of the Application Form completed and signed by a suitable firm.

## **9 CONTACT DETAILS**

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 4 on behalf of the first named holder. If no details are entered here and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

## **INSTRUCTIONS FOR DELIVERY FOR COMPLETED APPLICATION FORMS**

**Completed Application Forms should be returned, by post or by hand (during normal business hours), to Capita Registrars, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, United Kingdom, so as to be received no later than 12.00pm on 27 February 2012, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.**