THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or the contents of this document, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank, solicitor, accountant, or other appropriate independent financial adviser, who is authorised under the Financial Services and Markets Act 2000 (the "FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

A copy of this document, which comprises a Prospectus relating to Alcentra European Floating Rate Income Fund Limited (the "Company") in connection with the issue of up to 200,000,000 New Ordinary Shares in the Company in one or more tranches throughout the period commencing 3 July 2013 and ending no later than 11 June 2014 (the "Placing Programme"), prepared in accordance with the Prospectus Rules of the UK Listing Authority made pursuant to section 73A of the FSMA, has been filed with the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules.

The New Ordinary 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 New Ordinary 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.

Applications will be made for all New Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to listing on the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities ("**Admission**"). Admission to trading on the London Stock Exchange's main market for listed securities constitutes admission to trading on a regulated market.

The Company and the Directors, whose names appear on page 36 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief 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 does not omit anything 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 New Ordinary Shares. See "Risk Factors" for a discussion of certain risks and other factors that should be considered prior to any investment in the New Ordinary 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 Programme of up to 200,000,000 New Ordinary Shares

Sole Sponsor, Financial Adviser and Placing Agent	*Investment Manager*
Oriel Securities Limited	**Alcentra Limited**

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, New Ordinary 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 New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (the "**US Securities Act**"), as amended, or with any securities regulatory authority of any state or other jurisdiction of the United States and the New Ordinary Shares may not be offered, sold, exercised, resold, transferred or delivered, 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 US Securities Act ("**Regulation S**")) ("**US Persons**"). There will be no public offer of the New Ordinary Shares in the United States, and this document should not be distributed or forwarded into the United States or to US Persons. The Company has not been and will not be registered under the US Investment Company Act of 1940, as amended (the "US Investment Company Act") and investors will not be entitled to the benefits of the US Investment Company Act.

Neither the US 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 New Ordinary 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 New Ordinary Shares may not be acquired by (i) investors using assets of (A) an "employee benefit plan" as defined in Section 3(3) of United States Employee Retirement Income Security Act of 1974, as amended ("ERISA") that is subject to Title I of the ERISA; (B) a "plan" as defined in Section 4975 of the United States Internal Revenue Code of 1986, as amended (the "Code"), including an individual retirement account or other arrangement that is subject to Section 4975 of the 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 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 ERISA or Section 4975 of the Code, unless its purchase, holding, and disposition of the New Ordinary Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

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

Investors may be required to bear the financial risks of their investment in the New Ordinary Shares for an indefinite period of time. For a description of additional restrictions on offers, sales and transfers of the New Ordinary Shares, see "Selling and transfer restrictions" beginning on page 84 of this document.

Oriel Securities Limited ("Oriel"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting as sole sponsor, financial adviser and placing agent to the Company in connection with the matters described herein. Oriel is acting for the Company in relation to the Placing of New Ordinary Shares under the Placing Programme 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 of New Ordinary Shares under the Placing Programme, the contents of this document or any transaction or arrangement referred to herein.

Prospective investors should rely only on the information in this document and the information incorporated herein by reference. No person has been authorised to give any information or make any representations other than those contained in this document and any document incorporated herein by reference 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 New Ordinary 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 accepts no 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 Ordinary Shares or the Placing Programme. 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 New Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the New Ordinary 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 New Ordinary 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 Programme, Oriel and any of its Affiliates acting as an investor for its or their own account(s), may subscribe for the New Ordinary 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 Programme or otherwise. Accordingly, references in this document to the New Ordinary 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 or 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.

In relation to the Placing Programme, the New Ordinary Shares will be issued to Placees at the applicable Issue Price and no commission will be paid to any third parties that advise investors in respect of such issues under the Placing Programme.

This document is dated 12 June 2013.

TABLE OF CONTENTS

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings		
Element A.1	Warning	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, key information in order to aid investors when considering whether to invest in such securities.
Element A.2	Consent by the Issuer to the use of the prospectus for resale or final placement of securities by financial intermediaries	Not applicable; the Company has not given its consent to the use of this document for the resale or final placement of the New Ordinary Shares by financial intermediaries.
Section B – The Company		
Element B.1	Legal and commercial name of the Company	Alcentra European Floating Rate Income Fund Limited.
Element B.2	Domicile and legal form of the Company	The Company is a non-cellular company limited by shares incorporated in Guernsey under the Companies Law on 3 November 2011, with registration number 54200, and has been authorised by the GFSC as an authorised closed-ended collective investment scheme.
Element B.5	Description of the Group and the Company's position within the Group	The Company is the parent company of the Group. The principal activity of the Company and all of the Company's subsidiaries is investment holding. Each of the Company's subsidiaries is, directly or indirectly, wholly or substantially owned by the Company. Alcentra European Floating Rate Income S.A. ("LuxCo") is a Luxembourg-incorporated wholly owned subsidiary of the Company. The Group makes its investments in underlying assets through LuxCo.

<table>
<tr>
<td>Element B.6</td>
<td>Material interests in Shares</td>
<td>
The Companies Law imposes no requirement on Shareholders to disclose their shareholdings to any person.

As at 10 June 2013, insofar as it is known to the Directors from notifications received by the Company in accordance with the provisions of the Memorandum and Articles of Incorporation and the Disclosure Rules and Transparency Rules, the name of each person, other than a Director, who, directly or indirectly, was interested in five per cent. or more of the voting rights attaching to the issued ordinary share capital of the Company, and the amount of such person's interest, is as follows:

<table>
<tr><th>Name</th><th>Number of Ordinary Shares</th><th>% of Issued Ordinary Share Capital</th></tr>
<tr><td>The Bank of New York Mellon Corporation</td><td>30,297,000</td><td>29.74</td></tr>
<tr><td>Henderson Global Investors</td><td>12,108,060</td><td>11.62</td></tr>
<tr><td>Sarasin and Partners LLP</td><td>9,907,346</td><td>9.51</td></tr>
<tr><td>BlackRock Inc</td><td>8,064,022</td><td>7.74</td></tr>
</table>

To the extent known by the Company, the Company is not aware of any person or persons who, directly or indirectly, jointly or severally, exercise control of the Company.

There are no relationships between the Directors and the above mentioned Shareholders.
</td>
</tr>
<tr>
<td>Element B.7</td>
<td>Selected historical key financial information</td>
<td>
Selected historical financial information of the Company as at 30 September 2012 and for the period between 3 November 2011 and 30 September 2012 is set out below. The information has been extracted without material adjustment from the Company's audited financial statements for the period ended 30 September 2012, which are incorporated into this Prospectus by reference. Investors should read the whole of such statements and not rely solely on the selected or summarised information set out in this Prospectus.

<table>
<tr><th></th><th>30 September 2012 (€)</th></tr>
<tr><td>Assets</td><td></td></tr>
<tr><td>Investments, designated at fair value through profit or loss</td><td>98,830,458</td></tr>
<tr><td>Cash and cash equivalents</td><td>7,657,015</td></tr>
<tr><td>Other assets</td><td>4,660,241</td></tr>
<tr><td>Total assets</td><td>111,147,714</td></tr>
<tr><td>Current liabilities</td><td>8,036,823</td></tr>
<tr><td>Net assets</td><td>103,110,891</td></tr>
<tr><td>Net asset value per Ordinary Share (Sterling)</td><td>101.8195p</td></tr>
</table>
</td>
</tr>
</table>

		3 November 2011 to 30 September 2012 (€) **Statement of Comprehensive Income** Total income from investments 7,261,119 Net foreign exchange gain 2,810,398 Total operating expenses (780,552) Operating profit 9,290,965 On 6 March 2012, the Company raised gross proceeds of £80 million in its IPO by way of a placing and offer for subscription of Ordinary Shares. By 5 April 2012, the Company had fully invested its assets, with 47 investments made across 42 issuers[1]. On 12 July 2012, the Company announced its first dividend of 1.06p per Ordinary Share for the period from the IPO to 30 June 2012. On 15 October 2012, the Company declared a second dividend of 1.46p per Ordinary Share for the quarter ended 30 September 2012. The Company's published financial information for the period between incorporation and 30 September 2012 highlighted that the Portfolio had, as at 30 September 2012, been invested in line with the Company's investment policy and was diversified across 49 issuers and across 23 different industry sectors with no individual borrower representing an exposure of more than 5 per cent. of the Portfolio. On 14 December 2012, the Company issued 16,361,386 C Shares pursuant to the C Share Issue, raising gross proceeds for the Company of £16,361,386. On 9 January 2013, the Company announced a further quarterly dividend of 1.52p per Ordinary Share for the quarter ended 31 December 2012 and announced it had invested 94 per cent. of the proceeds from its C Share Issue. On 4 February 2013, these C Shares were converted by way of redesignation, in accordance with their terms, into 15,427,140 Ordinary Shares. Between the start of February 2013 and end of April 2013, pursuant to the Tap Issue, the Company issued a total of 8,072,094 Ordinary Shares through eight separate issues, raising gross proceeds of £8,568,152.85. On 15 April 2013, the Board declared a dividend of 1.42p per Ordinary Shares for the quarter ended 31 March 2013, bringing the total dividend paid since IPO to 5.46p per Ordinary Share.
Element B.8	Selected key *pro forma* financial information	Not applicable; no pro forma financial information is included in this Prospectus.
Element B.9	Profit forecast or estimate	Not applicable; no profit forecast or estimate has been provided in this Prospectus.
Element B.10	Nature of any qualifications in the audit report on the historical financial information	Not applicable; there are no qualifications to the audit reports on the historical financial information.

[1] "Fully invested" means that the Company had, by 5 April 2012, entered into commitments to invest all the proceeds of the IPO (save for amounts retained for working capital and liquidity purposes). Not all such commitments had, by that date, settled and as a result the Company was not, at that date, entitled to interest payments in respect of all such investments.

Element B.11	Qualified working capital statement	Not applicable; there is no qualified working capital statement included in this Prospectus.
Element B.34	Description of investment objective, policy and investment restrictions	*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, including through sub-participation or structured credit instruments, 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 giving exposure to 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, secured or unsecured fixed rate bonds or structured credit instruments; ● 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).
Element B.35	Borrowing and/or leverage limits	The Group does 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.
Element B.36	Regulatory status of 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 not regulated by the FCA. The Company is managed by the Investment Manager which is regulated by the FCA and the SEC.
Element B.37	Profile of typical investors	Typical investors in the Company are expected to be sophisticated, institutional and/or professional investors who understand the risks involved in investing in the Company.
Element B.38	Investments which individually constitute at least 20 per cent. of the gross assets of the Company	Not applicable; the Company does not have any investments which individually constitute 20 per cent. or more of the gross assets of the Company.
Element B.39	Investments which individually constitute at least 40 per cent. of the gross assets of the Company	Not applicable; the Company does not have any investments which individually constitute 40 per cent. or more of the gross assets of the Company.
Element B.40	The Company's Investment Manager and other advisers	The Company's investment manager is Alcentra Limited, a subsidiary of the BNY Mellon Group (the "Investment Manager"). On 9 January 2012, the Company, LuxCo and the Investment Manager entered into an Investment Management Agreement, 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. The Investment Manager is 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 is payable quarterly in arrear. No incentive or performance fee is or will be payable by the Company to the Investment Manager. The Company will reimburse the Investment Manager for the reasonable external costs directly attributable to the Company and LuxCo and their transactions. 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 meets 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.
Element B.41	Identity and regulatory status of the Investment Manager	The Investment Manager was incorporated in England and Wales on 4 March 2003, with registration number 2958399. The registered office of the Investment Manager is: 10 Gresham Street, London, EC2V 7JD, United Kingdom. The Investment Manager is regulated by the FCA and the SEC. Alcentra Limited is a subsidiary of BNY Alcentra Group Holdings, Inc. and part of BNY Mellon Asset Management.
Element B.42	Valuation of the Company's NAV	The Company calculates and publishes NAV on a daily basis. Such NAV per Share is published by RIS announcement and is available on the website of the Company.
Element B.43	Umbrella collective investment undertaking cross liabilities	Not applicable; the Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investments in another collective investment undertaking.
Element B.44	Collective investment undertakings which have not commenced operations	Not applicable; the Company has commenced operations and financial information is included in this Prospectus.
Element B.45	The Company's existing portfolio	As at 7 June 2013, the Portfolio was invested in line with the Company's investment policy and was diversified by obligor and industry with 54 borrowers across 24 different industry sectors and no individual borrower representing an exposure of more than five per cent. of the Portfolio. Portfolio statistics as of 7 June 2013: Current Yield (Floating and Fixed Rate) 6.32% Weighted Average Libor and Margin 5.94% Weighted Average Mid-Price 100.77 Weighted Average Maturity 5.29 (in years) Weighted Average Yield to Maturity (Contractual) 6.25% The Weighted Average Mid-Price has increased from 95.47 as at 5 April 2012 (the date on which the net proceeds of the IPO were fully invested), to 100.77, as at 7 June 2013. The Company believes that this was due to the robust performance of the Company and the underlying sub-investment grade corporate debt market. The Weighted Average Yield to Maturity remains within the target range.
Element B.46	NAV per Share	As at 10 June 2013 (being the latest practicable date prior to the publication of this Prospectus), the Company's NAV per Ordinary Share (unaudited) was £1.049.

Section Ordinary – Securities		
Element C.1	Details of the Placing Programme	Under the proposed Placing Programme, up to 200,000,000 New Ordinary Shares will be issued at such times and in such quantities as the Directors may determine, provided that the proposed Placing Programme will commence on 3 July 2013 and will continue until the earliest to occur of: (i) 11 June 2014; (ii) the date on which Admission has occurred in respect of 200,000,000 New Ordinary Shares issued under the Placing Programme; and (iii) such other date as may be determined by the Directors. The total net proceeds of the Placing Programme will not be known until after the maximum number of New Ordinary Shares available under the Placing Programme have been issued or the Placing Programme has closed. The maximum number of the New Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of New Ordinary Shares to be issued. Applications will be made to the UK Listing Authority and the London Stock Exchange for all of the New Ordinary Shares issued pursuant to the Placing Programme to be admitted to listing on the premium segment of the Official List and to trading on the Main Market. Each Placing of New Ordinary Shares pursuant to the Placing Programme is conditional on: (i) the approval of Ordinary Shareholders having been obtained at the EGM currently scheduled to be held on 2 July 2013 of an extraordinary resolution relating to the disapplication of pre-emption rights in respect of the issue of New Ordinary Shares under the Placing Programme; (ii) the Admission of the New Ordinary Shares pursuant to such Placing; (iii) the Placing Programme Agreement having become unconditional in respect of the relevant Placing and not having been terminated in accordance with its terms before Admission of the relevant New Ordinary Shares; and (iv) the Issue Price determined in respect of the Placing being acceptable to the Directors.
Element C.2	Currency denomination of the New Ordinary Shares	The New Ordinary Shares will be denominated in Sterling.
Element C.3	Details of the Shares	Immediately prior to the publication of this Prospectus, the Company had in issue 104,220,175 Ordinary Shares with no par value (all of which were fully paid or credited as fully paid) and the issued share capital of the Company amounted to £104,220,175.
Element C.4	Rights attaching to the New Ordinary Shares	Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Ordinary Shares, holders of New Ordinary Shares shall have the right to receive notice of and to vote at general meetings of the Company.

		Each holder of New Ordinary Shares 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 New Ordinary Share held by him and, in the case of a general meeting of all Shareholders, have 1.2 votes in respect of each New Ordinary Share denominated in Sterling held by him. As to a winding-up of the Company or other return of capital (other than by way of a repurchase or redemption of New Ordinary Shares in accordance with the provisions of the Articles and the Companies Laws), the surplus assets of the Company attributable to the New Ordinary Shares (as determined by the Directors) remaining after payment of all creditors shall, subject to the rights of any Ordinary Shares that may be issued with special rights or privileges, be divided amongst the holders of Ordinary Shares *pro rata* and such assets shall be divided *pari passu* among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them. Subject to the rights of any Ordinary Shares which may be issued with special rights or privileges, the New Ordinary Shares carry the right to receive all income of the Company attributable to the Ordinary Shares (as determined by the Directors), and to participate in any distribution of such income made by the Company, *pro rata*, and such income shall be divided *pari passu* among the holders of Ordinary Shares in proportion to the number of Ordinary Shares held by them. The New Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid by on the Ordinary Shares by reference to a record date prior to the issue of the relevant New Ordinary Shares).
Element C.5	Restrictions on the transferability of New Ordinary Shares	Not applicable; subject to compliance with applicable securities laws and regulations, there are no restrictions on the free transferability of the New Ordinary Shares.
Element C.6	Application for admission to trading on a regulated market	Application will be made to the UK Listing Authority and the London Stock Exchange for all New Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to trading on the Main Market.
Element C.7	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. To date, distributions on the Ordinary Shares have been paid quarterly in respect of the three months to 30 June 2012, 30 September 2012, 31 December 2012 and 31 March 2013, and have been made by way of dividend. Subject to market conditions, this is expected to continue. The Company may also make distributions by way of capital distributions (or otherwise in accordance with the Companies Law and Articles) as well as, or in lieu of, by way of dividend if and to the extent that the Directors consider this appropriate.
Section D – Risks		
Element D.1	Risks that are specific to the Company	**Risks relating to the Company:** ● the Company's target total return and target dividend are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies; the actual total return and dividend may be materially lower; ● global capital markets have been experiencing volatility, disruption and instability and 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. 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. Capital gains from the Group's investments may require significant time to materialise or may not materialise at all; ● 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 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; ● 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 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; ● 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; and ● 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 New Ordinary Shares.

Element D.3	Risks relating to the New Ordinary Shares	● the Ordinary Shares (including New Ordinary Shares) may trade at a discount to NAV per Ordinary Share and holders of the New Ordinary Shares may be unable to realise their investments through the secondary market at NAV per Ordinary Share.
Section E – Issue		
Element E.1	Proceeds and expenses of the Placing Programme	The Company is bearing costs of approximately £285,000 in relation to the establishment and publication of the documentation of the Placing Programme. These costs are payable on publication of this document. At the time of each Placing, the Company will also bear placing fees and commissions of one per cent. of the gross proceeds of each Placing, together with registration and Admission fees and any other related expenses, including, without limitation, legal, settlement, distribution and advertising expenses. All such expenses will be immediately written off. The total net proceeds of the Placing Programme will depend on the number of New Ordinary Shares issued over the course the Placing Programme, the Issue Price in respect of such New Ordinary Shares and the aggregate Placing Costs. The total net proceeds of the Placing Programme will not be known until after the maximum number of New Ordinary Shares available under the Placing Programme have been issued or the Placing Programme has closed. If the maximum number of New Ordinary Shares available under the Placing Programme were to be issued at an average Issue Price of £1.07[2] per New Ordinary Share, the total gross proceeds of the Placing Programme would be £214 million, the total expenses would be approximately £2.5 million (including costs of establishment and publication of the documentation of the Placing Programme, fees for commissions, and registration and Admission fees), resulting in total net proceeds to the Company of approximately £211.5 million.
Element E.2a	Reasons for the Placing Programme and use of proceeds	The Directors believe that the issue of New Ordinary Shares under the Placing Programme will have the following benefits: ● providing additional capital which will enable the Company to benefit from the continued investment opportunities in the market; ● having a greater number of Ordinary Shares in issue is likely to provide the Ordinary Shares with additional liquidity; ● increasing the size of the Company will make the Company more attractive to a wider shareholder base; and ● the Company's fixed running costs will be spread across a wider shareholder base, thereby reducing the total expense ratio. The Company intends to use net proceeds of the issue of New Ordinary Shares under the Placing Programme 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.

[2] This assumed Issue Price represents the NAV per Ordinary Share as at 10 June 2013 (being the latest practicable date prior to the publication of this Prospectus) together with a premium of two per cent. intended to cover the costs and expenses of the Placing.

Element E.3	Terms and conditions of the Placing Programme	Each Placee that confirms its agreement (whether orally or in writing) to Oriel to subscribe for New Ordinary Shares that are subject to a Placing under the Placing Programme will be bound by the terms and conditions of such Placing and will be deemed to have accepted them. The Company and/or Oriel 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"). Conditional on: (i) Admission occurring and becoming effective in connection with each Placing by not later than 8.00 a.m. (London time) on the day the relevant New Ordinary Shares are issued (or such later time and/or date as the Company, the Investment Manager and Oriel may agree prior to the closing of that Placing); (ii) the Placing Programme Agreement becoming otherwise unconditional in all respects and not having been terminated in accordance with its terms before Admission of the relevant New Ordinary Shares; and (iii) Oriel confirming to the Placees their allocation of New Ordinary Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those New Ordinary Shares allocated to it by Oriel at the applicable 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. Each Placee must pay the applicable Issue Price for the New Ordinary Shares issued to the Placee in the manner and by the time directed by Oriel. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for New Ordinary Shares shall be rejected. By agreeing to subscribe for New Ordinary Shares, each Placee that enters into a placing commitment to subscribe for New Ordinary Shares will (for itself and any person(s) procured by it to subscribe for New Ordinary Shares and any nominee(s) for any such person(s)) be deemed to give certain representations and warranties to each of the Company, the Investment Manager, the Registrar and Oriel (in its capacity as placing agent). An investor applying for New Ordinary Shares under the Placing Programme may elect to receive New Ordinary Shares in uncertificated form, if such investor is a system-member in relation to CREST, or certificated form. Where applicable, definitive certificates in respect of the New Ordinary Shares are expected to be dispatched by post to the relevant holders no later than ten Business Days after the relevant issue date.
Element E.4	Material interests to the Placing Programme	Other than as disclosed in Element B.6, there are no material interests to the Placing Programme.
Element E.5	Selling Shareholders and lock-up agreements	Not applicable; there are no Shareholders offering to sell their Shares as part of the Placing Programme. There are no lock-up agreements.

Element E.6	Dilution resulting from the Placing Programme	If the Placing Programme meets its maximum size of 200,000,000 New Ordinary Shares, the share capital of the Company in issue at the date of this Prospectus will, following the closing of the Placing Programme, be increased by 191.9 per cent. as a result of the Placing Programme. On this basis, if an Ordinary Shareholder does not acquire any New Ordinary Shares, his or her proportionate economic interest in the Company will be diluted by 65.7 per cent.
Element E.7	Estimated expenses charged to the investor by the Company	Not applicable; investors will not be charged expenses by the Company.

RISK FACTORS

An investment in the Company, and the New Ordinary Shares in particular, 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 and all of the information incorporated by reference into this Prospectus, the following specific factors should be considered when deciding whether to make an investment in the New Ordinary Shares. The risks set out below are all those which are considered to be the material risks relating to an investment in the New Ordinary Shares but are not the only risks relating to the New Ordinary Shares, the Ordinary 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 New Ordinary Shares. No assurance can be given that Shareholders will realise profit on, or recover the value of, their investment in the New Ordinary Shares. It should be remembered that the price of New Ordinary Shares and the income from them can go down as well as up.

The New Ordinary 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 New Ordinary Shares, for whom an investment in the New Ordinary 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 New Ordinary Shares.

Potential investors in the New Ordinary Shares should review this Prospectus carefully and in its entirety and consult with their professional advisers prior to making an application to subscribe for New Ordinary Shares. Defined terms used in the risk factors below have the meanings set out in Part XI of this Prospectus.

Risks relating to the Company

The Company's target total return and dividend 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 may be materially different

The Company's target total return and dividend 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 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 Ordinary Shares.

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

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

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 investment 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 Ordinary 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 four 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 operates in Euro as its base currency, and a proportion of the Group's investments are and 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 would also 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 Ordinary 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 p*ro 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 Ordinary 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 Ordinary 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 New Ordinary Shares

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

The Ordinary Shares (including the New Ordinary Shares) may trade at a discount to NAV per Ordinary 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.

Individual Share classes may be exposed to currency risk

The Ordinary Shares (including the New Ordinary Shares) in the Company will be denominated in Sterling. Investments made by the Company are and will continue to be denominated in currencies other than Sterling. The Company operates in Euro as its base currency. Therefore, the holders of Ordinary Shares may be subject to foreign currency fluctuations between Sterling 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., Guernsey Branch. 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, Ordinary 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 Shares subject to the hedging transaction, the performance of Shares of one currency denomination may differ from that of the Shares of the other currency denomination. 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 currency class of Shares to which such transactions are related, under the laws of Guernsey, if the assets of the Company attributable to such currency class of Shares are 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 New Ordinary Shares than if the Investment Manager had not sought to hedge exposure against foreign currency exchange risk.

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 US 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 US Investment Company Act. The US 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 New Ordinary 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 New Ordinary Shares have not been, and will not be, registered under the US Securities Act or under any other applicable securities laws and are subject to restrictions on transfer. Moreover, the New Ordinary 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 US Investment Company Act, the Company has imposed significant restrictions on the transfer of the Ordinary Shares which may materially affect the ability of Shareholders to transfer Ordinary Shares in the United States or to US Persons. The Ordinary Shares may not be resold in the United States, except pursuant to an exemption from the registration requirements of the US Securities Act, the US 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 Ordinary Shares and may have an adverse effect on the market value of the Ordinary Shares. The transferability of the Ordinary Shares is subject to certain restrictions as set out in Part VII 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 Ordinary 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 Ordinary 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 debt obligations that it acquires, will depend on the way in which the Group acquires the loans.

It is intended that the Group may acquire interests in loans (i) directly or (ii) indirectly, including 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.

Accordingly, while the Group has not to date acquired any assets through such indirect sub-participation structures, the Group may in the future use such structures and in such cases its ability to generate returns from the relevant debt obligation so acquired may be weaker than if such asset had been acquired directly.

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 a 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. Any such debt obligation may become defaulted for a variety of reasons, including non-payment of principal or interest, as well as breaches of contractual covenants. A defaulted debt obligation may become subject to workout negotiations or may be restructured by, for example, reducing the interest rate, a write-down of the principal, and/or changes to its terms and conditions. Any such process may be extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the Group's ultimate recovery on the relevant

investment. In addition, significant costs might be imposed on the lender, further affecting the value of the investment. The liquidity in such defaulted debt obligations may also be limited and, where a defaulted debt obligation is sold, it is unlikely that the proceeds from such sale will be equal to the amount of unpaid principal and interest owed on that debt obligation. This would adversely affect the value of the Portfolio and, by extension, the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares.

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 (including jurisdictions in which the Group currently holds investments) operate insolvency regimes which are less favourable to creditors and 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. While the Investment Manager takes into account the relevant insolvency regime when making any investment decision, the operation of such regimes in relation to assets within the Portfolio may adversely affect the Group's ability to generate returns from such assets.

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.

While the Company may benefit from the use of such hedging strategies, 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

Where the Group invests 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 to properly 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 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 Ordinary 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 programme substantially similar to that of the Group (such other clients, funds and accounts, collectively, the "Other Accounts"). The Group will not have an interest in these Other Accounts. Conflicts of interest between the Group 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 Group's investments. The Investment Manager may determine that an investment opportunity is appropriate for an Other Account but not for the Group or that the allocation to the Group 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 Group 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 programmes 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 Group 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 Group 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 Group 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 Group but will be allocated between the business of the Group 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

The AIFM Directive may result in additional burdens being placed on the Investment Manager and the Company, which in turn 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, an "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 (or another entity to whom the Investment Manager's duties are transferred) to seek authorisation under the AIFM Directive or, alternatively, for the Company to amend the terms of its management arrangements such that it is considered to be an internally managed AIF. If the Investment Manager (or such other entity) were to fail to, or to be unable to, obtain such authorisation, the Investment Manager may be unable to continue to manage the Company or its ability to manage the Company may be impaired. In addition, the Investment Manager or another EU AIFM will only be permitted to act as the Company's AIFM if there is a cooperation agreement in force between the relevant authorities in Guernsey (being the place of the Company's incorporation) and the EU Member State where the AIFM is established. On 30 May 2013, the European Securities and Markets Authority ("ESMA") announced that it has approved co-operation agreements under the AIFM Directive between securities regulators from the EU Member States, the EEA Member States and a number of third-country regulators, including, among others, the GFSC. While the Company expects such an agreement to be entered into between the relevant authorities in Guernsey and the United Kingdom, there can be no guarantee that this will be the case.

The Investment Manager (or such other EU AIFM that may be appointed) will need to comply with all provisions of the AIFM Directive, and have obtained authorisation pursuant to the AIFM Directive, by 21 July 2014 at the latest. In order to comply in full, the Investment Manager or the Company may be required to appoint an independent depositary whose responsibility goes beyond that of the Administrator, which may incur additional costs. The AIFM Directive may also limit the Company's ability to market future issuances of its Ordinary Shares, including pursuant to the Placing Programme, and this may materially adversely effect the Company's ability to carry out its investment strategy and achieve its investment objectives.

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

In addition to the AIFM Directive, 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. For example, there are changes currently proposed in respect of the Markets in Financial Instruments Directive 2004/39/EC and the Market Abuse Directive 2003/6/EC. As the proposed amendments to these aspects of the legislative and regulatory regime are currently in draft form and are subject to change prior to their finalisation, the potential impact of such changes on the Company, the Investment Manager and the Company's business is uncertain. Any such changes in laws and regulations may have a material adverse effect on the ability of the Company to successfully 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.

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 treatment, or in taxation law or practice in jurisdictions including Guernsey, Luxembourg or the United Kingdom or any jurisdiction in which borrowers or Shareholders are held to be resident or where the Company or LuxCo operates, may affect the value of the investments held by the Company or LuxCo, the Company's or LuxCo's ability successfully to pursue and achieve its investment objectives, or alter the after-tax returns to Shareholders. Statements in this Prospectus concerning the taxation of Shareholders are based upon current United Kingdom and Guernsey tax law and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect).

In the event of a change in LuxCo's tax status, the Company could elect 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 on-going basis until another tax efficient vehicle could be introduced into the Group structure to hold the Portfolio.

In particular, in respect of the UK offshore fund rules (which were reformed with effect from 1 December 2009), the statements in this Prospectus are based upon the Directors' interpretation of the reformed rules and it is possible that HM Revenue & Customs may ultimately seek to apply the rules in a different way. Should HM Revenue & Customs take a different view that the Company should be regarded as being subject to the offshore fund rules, this may have adverse UK 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 Ordinary 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, inter alia, 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 Ordinary Shares and/or the after-tax return to the Ordinary 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 particular 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 may be subject to a withholding tax of 30 per cent. on certain US source payments made after 31 December 2013, on proceeds from the sale of certain assets that give rise to US source payments made after 31 December 2016, and on "foreign passthru payments" made after 31 December 2016, at the earliest. Additionally, the Company and other non-US financial institutions through which payments on the Ordinary Shares are made may be required to withhold US tax at a rate of 30 per cent. on all, or a portion of, payments made after 31 December 2016. Under existing guidance, in respect of payments made to the Company, this withholding tax may be triggered if the Company is a foreign financial institution ("FFI") (as defined in FATCA) which does not enter into and comply with an agreement with the US Internal Revenue Service ("IRS") to provide certain information on its account holders (making the Company a "Non-Participating FFI") or, in respect of payments on the Ordinary Shares, this withholding tax may be triggered if (i) the Company is a FFI which enters into and complies with an agreement with the IRS to provide certain information on its account holders (making the Company a "Participating FFI"), (ii) the Company or any such intermediary is required to withhold on "foreign passthru payments", and (iii)(a) an investor does not provide information sufficient for the relevant Participating FFI to determine whether the investor is subject to withholding under FATCA, or (b) any FFI to or through which payment on such Ordinary Shares is made is not a Participating FFI or otherwise exempt from FATCA withholding.

The application of FATCA to payments made with respect to the Ordinary Shares and payments made to the Company is not clear. On 29 May 2013, the Chief Minister of Guernsey made a statement to Guernsey's parliament that the States of Guernsey is engaged in final negotiations with the United States to conclude an intergovernmental agreement regarding the implementation of FATCA and that it is anticipated that the agreement would be ready to sign in June 2013. Once signed, an intergovernmental agreement would be subject to ratification by Guernsey's parliament and implementation of the agreement will be through Guernsey's domestic legislative procedure. It is currently anticipated that any such legislation will not come into effect until 2015 at the earliest. The impact of such an agreement on the Company and the Company's reporting and withholding responsibilities (if any) pursuant to FATCA as implemented in Guernsey are not currently known. The Company may be required to report certain information on its US account holders to the Director of Income Tax of Guernsey in order (i) to obtain an exemption from FATCA withholding on payments it receives and/or (ii) to comply with any applicable Guernsey law. It is not yet certain how the United States and Guernsey will address withholding on "foreign passthru payments" (which may include payments on the Ordinary Shares) or if such withholding will be required at all.FATCA IS PARTICULARLY COMPLEX AND ITS APPLICATION TO THE COMPANY, THE ORDINARY SHARES AND THE HOLDERS THEREOF IS UNCERTAIN AT THIS TIME. EACH HOLDER OF ORDINARY SHARES SHOULD CONSULT ITS OWN TAX ADVISER TO

OBTAIN A MORE DETAILED EXPLANATION OF FATCA AND TO LEARN HOW THIS LEGISLATION MIGHT AFFECT EACH HOLDER IN ITS PARTICULAR CIRCUMSTANCE.

The Company could be subject to obligatory disclosure requirements under the UK-Guernsey Intergovernmental Agreement (if adopted)

On 15 March 2013, the Chief Minister of Guernsey announced that Guernsey was in the process of finalising a draft intergovernmental agreement with the UK ("UK-Guernsey IGA") under which potentially obligatory disclosure requirements may be imposed in respect of certain investors in the Company who may have a UK connection. As at the date of this Prospectus, details of the finalised terms and effective date of the UK-Guernsey IGA have yet to be published. Once signed, the UK-Guernsey IGA would be subject to ratification by Guernsey's parliament and implementation of the agreement would be through Guernsey's domestic legislative procedure. It is currently anticipated that any such legislation will not come into effect until 2016 at the earliest. The impact of the UK-Guernsey IGA on the Company and the Company's reporting responsibilities pursuant to the UK-Guernsey IGA are not currently known.

On 29 May 2013, the Chief Minister made a statement to Guernsey's parliament that discussions regarding the UK-Guernsey IGA were still on-going.

IMPORTANT NOTICES

Investors should rely only on the information in this Prospectus and the information incorporated herein by reference. No person has been authorised by the Company, the Directors, the Investment Manager or Oriel to issue any advertisement or to give any information or to make any representations in connection with the Placing Programme 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 Oriel. 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, Oriel 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 Ordinary Shares (including the New Ordinary Shares).

An investment in the Ordinary Shares (including the New Ordinary 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 Ordinary Shares (including the New Ordinary 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 Ordinary Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Ordinary 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 Ordinary 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 New Ordinary 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.

The Company's returns and operating cash flows 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 Group will invest all of the net proceeds of the issue of New Ordinary Shares under the Placing Programme 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 an entire loss of their investment and who can accept that there may be limited liquidity in the Ordinary 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 Ordinary Shares on a long-term basis and the Ordinary Shares may not be suitable for short-term investment.

Restrictions on distribution and sale

The distribution of this Prospectus and the offering and sale of the New Ordinary 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 New Ordinary Shares, see "Selling and transfer restrictions" on pages 84 to 86 in Part VII of this Prospectus.

No Incorporation of Website

The contents of the Company's website at 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 New Ordinary Shares.

Forward-looking Statements

This Prospectus (and certain information incorporated by reference into 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 Group's ability to invest the cash on its balance sheet and the net proceeds of the issue of New Ordinary Shares under the Placing Programme 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 uninvested proceeds of the issue of New Ordinary Shares under the Placing Programme;

(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 VIII 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

Placing Programme opens*	3 July 2013
Publication of Issue Price for each Placing	As soon as possible following the closing of each Placing
Admission and dealings in respect of each Placing	8.00 a.m. on each date New Ordinary Shares are issued
Crediting of CREST stock accounts with uncertificated New Ordinary Shares	8.00 a.m. on each date New Ordinary Shares are issued
Share certificates despatched (where applicable)	Approximately one week following Admission of the relevant New Ordinary Shares
Latest date for New Ordinary Shares to be issued under the Placing Programme	11 June 2014

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

Note:

*The issue of New Ordinary Shares pursuant to the Placing Programme is conditional upon the Shareholders approving the resolution set out at the EGM.

PLACING PROGRAMME STATISTICS

Maximum size of Placing Programme	200,000,000 New Ordinary Shares
NAV per Ordinary Share*	£1.049
Issue Price for each Placing of New Ordinary Shares	Issue Price will represent a premium to NAV per Ordinary Share at the time of allotment
ISIN of New Ordinary Shares to be issued under the Placing Programme	GG00B6116N85
SEDOL of New Ordinary Shares to be issued under the Placing Programme	B6116N8
Ticker	AEFS LN

Note:

* This figure is unaudited and is stated as at 10 June 2013, being the latest practicable date prior to the publication of this Prospectus.

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

Sole Sponsor, Financial Adviser and Placing Agent
Oriel Securities Limited
150 Cheapside
London, EC2V 6ET
United Kingdom

Solicitors to the Company
Linklaters LLP
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London, EC2Y 8HQ
United Kingdom

Advocates to the Company (as to Guernsey law)
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Guernsey, Channel Islands

Solicitors to the Placing Agent
Norton Rose LLP
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London, SE1 2AQ
United Kingdom

Reporting Accountant and Auditor
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20 New Street
St. Peter Port, GY1 4AN
Guernsey, Channel Islands

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

Designated Manager, Administrator, Custodian and Company Secretary
BNP Paribas Securities Services S.C.A.,
Guernsey Branch
BNP Paribas House
St. Julian's Avenue
St. Peter Port, GY1 1WA
Guernsey, Channel Islands

Registrar
Capita Registrars (Guernsey) Limited
Mont Crevelt House, Bulwer Avenue
St. Sampson, GY2 4LH
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 Law 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 subsidiary of the BNY Mellon Group.

The Company's share capital as at the date of this Prospectus is denominated in Sterling and consists of Ordinary Shares. The proceeds of each Placing under the Placing Programme will be pooled by the Company and will not be segregated for the purposes of investment. Application will be made for the New Ordinary Shares to be admitted to listing on the premium segment of the Official List and to trading on the Main Market. The New Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid by on the Ordinary Shares by reference to a record date prior to the issue of the relevant New Ordinary Shares).

The Company intends to use the net proceeds of the issue of New Ordinary Shares under the Placing Programme 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 paragraph 4 in Part VIII of this Prospectus.

General Meeting

The Directors intend to convene an EGM in advance of the commencement of the Placing Programme to ask Ordinary Shareholders to approve the disapplication of pre-emption rights in respect of the issue of the New Ordinary Shares under the Placing Programme.

The issue of New Ordinary Shares pursuant to the Placing Programme is conditional upon the Shareholders approving the resolution set out above at the EGM.

Background to and Rationale for the Placing Programme

Since the initial public offering of the Company in March 2012, the Board has been pleased with the deployment by the Investment Manager of capital in accordance with the Company's investment policy. The Board has also been pleased with the continued interest from investors reflected by both the C Share Issue in December 2012 and the Tap Issue undertaken by the Company between the start of February 2013 and end of April 2013.

The Investment Manager believes that the lack of growth prospects in the global economy continues to make the defensive returns from loans look attractive when compared to other, riskier asset classes and that the accelerating run-off of collateralised loan obligations ("CLOs") and the reduced risk appetite of banks is underpinning a favourable long-term supply/demand dynamic for loans.

The high-yield bond market has rallied strongly in recent months, with the result that yields are at historic lows. By contrast, the European loan market is benefiting from margins near record highs.

The Company believes that US loan fund inflows have driven margins for US loans lower, resulting in better relative margins in Europe which provides continued investment opportunities for the Company.

In response to interest from investors and in light of the continued attractive investment environment currently being seen in the senior secured bank loan market combined with strong performance of the Company since launch, the Directors consider that it would be beneficial for the Company to raise

additional capital through the issue of up to 200,000,000 New Ordinary Shares pursuant to the Placing Programme.

Overview of the Placing Programme

Under the proposed Placing Programme, up to 200,000,000 New Ordinary Shares will be issued at such times and in such quantities as the Directors may determine, provided that the proposed Placing Programme will commence on 3 July 2013 and will continue until the earliest to occur of: (i) 11 June 2014; (ii) the date on which Admission has occurred in respect of 200,000,000 New Ordinary Shares issued under the Placing Programme; and (iii) such other date as may be determined by the Directors.

The Issue Price for each New Ordinary Share issued pursuant to the Placing Programme will be calculated by reference to the estimated cum income Net Asset Value of each then existing Ordinary Share together with a premium intended to cover the costs and expenses of the Placing (including, without limitation, any placing commissions) and the initial investment of the amounts raised. The Issue Price in respect of each Placing will be determined on the basis described above so as to cover the costs and expenses of each Placing and thereby avoid any dilution of the Net Asset Value of the then existing Ordinary Shares held by Ordinary Shareholders.

Where New Ordinary Shares are issued, the total assets of the Company will increase by that number of New Ordinary Shares multiplied by the applicable Issue Price. It is not expected that there will be any material impact on the earnings and Net Asset Value per Ordinary Share, as the net proceeds resulting from any Placing are expected to be invested in investments consistent with the investment objective and policy of the Company and it is intended that the Issue Price in respect of each Placing will always represent a premium to the then prevailing Net Asset Value per Ordinary Share.

The net proceeds of the issue of New Ordinary Shares under the Placing Programme will depend on the number of New Ordinary Shares issued and the issue price of each New Ordinary Share issued over the course of the Placing Programme.

Benefits of the Placing Programme

The Directors consider there to be a number of potential benefits to Ordinary Shareholders in issuing New Ordinary Shares under the Placing Programme and increasing the Company's capital available to make further investments.

The Directors expect the issue of New Ordinary Shares under the Placing Programme to have the following benefits:

- providing additional capital which will enable the Company to benefit from the continued investment opportunities in the market;
- having a greater number of Ordinary Shares in issue which is likely to provide the Ordinary Shares with additional liquidity;
- increasing the size of the Company which will help make the Company more attractive to a wider Shareholder base; and
- spreading the Company's fixed running costs across a wider Shareholder base, thereby reducing the Company's total expense ratio.

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, may invest either directly or, including through sub-participation or structured credit instruments, 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 (but are not limited to such denominations).

Highlights

The Company and the Investment Manager believe that the key investment highlights of the Placing Programme 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. Average new issue margins have risen to between 425bps and 550bps over LIBOR or EURIBOR[3], yet leverage has reduced by comparison with before the crisis. The Company and the Investment Manager believe that lenders today are being paid more for taking less risk;

(b) **High target dividend** – The Company is targeting a dividend in the region of 5.5 pence per Ordinary Share on an annualised basis over the medium term[4];

(c) **Opportunity for capital gain** – The Company expects a proportion of the Portfolio to be sourced at a discount to par, allowing the opportunity for capital gains. When combined with the target dividend, the Company aims to deliver total returns to its Shareholders of between seven per cent. and ten per cent. annualised over the longer term (based on current market conditions);

(d) **Investment in a secured asset class** – The Group invests 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 such as high-yield bonds and equities;

(f) **Focus on floating rate, short duration investments** – The loans in which the Group primarily invests 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 to comprise approximately 65 investments across at least 24 industries after the investment of the total net proceeds of the Placing Programme. 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) **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 30 April 2013 managed approximately €8.6 billion of European assets. Alcentra maintains an investment team of 21 in London

[3] Source: LCD European Weekly – 5 April 2013

[4] The target dividend 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.

including 15 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" eight times since 2005, including most recently in 2013 (in respect of calendar year 2012). In October 2012, Fitch Ratings awarded Alcentra an "M1" manager rating, which was renamed "Highest Standards" in 2013. This is the highest manager rating offered by Fitch Ratings and reflects "an asset manager operations demonstrating the lowest vulnerability to operational and investment management failure" in recognition of Alcentra's superior investment management and operational standards. Also in May 2013, Alcentra was recognised in the Creditflux CLO Symposium & Manager Awards 2013 for "Best European CLO Manager: Equity Investors' Choice" in respect of calendar year 2012.

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

(j) **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;

(k) **Daily NAV** – The Company calculates and publishes NAV on a daily basis; and

(l) **Efficient fee structure** – The Investment Manager will charge an annual management fee of 0.7 per cent. of the Company's NAV per annum with no incentive or performance fee. Based on the Company having a Gross Asset Value of £160 million, annual operating expenses (excluding the management fee referred to above) will be in the region of 0.30 per cent. of the Company's total NAV per annum as at the date of this Prospectus.

Investment Policy

The Investment Manager will select, from the primary and secondary markets, investments for the Company giving exposure to 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 loan markets" and "Non-investment grade loans" below.

The manner in which investments in loans are made by the Investment Manager is either directly, with the Company becoming a member of a syndicate of lenders, or indirectly, including by way of structured credit instruments or 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 continue to be effected directly. For information on the meaning of sub-participation arrangements or structured credit instruments, see "Sub-participation arrangements and structured credit instruments" below.

The Investment Manager seeks 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 Ordinary Shareholders to any material change to its published investment policy.

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, secured or unsecured fixed rate bonds or structured credit instruments;
- 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 does not and 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 operates in Euro as its "base currency". The Company hedges 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 is only and will only be used for efficient portfolio management and not to attempt to enhance investment returns.

Primary and secondary loan markets

The Investment Manager selects 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 proceeds of each Placing under the Placing Programme will be invested selectively across both the primary and secondary markets.

Non-investment grade loans

The Group invests 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 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 Group invests in non-investment grade issues with an average credit quality of between BB and B. Many European loans in which the Group intends to invest are not publicly rated. In these cases the Group invests in loans deemed by the Investment Manager to be of a corresponding credit quality.

Sub-participation arrangements and structured credit instruments

The Group generally gains exposure to loans by way of assignment and becomes a 'lender of record'. The Group also, from time to time, enters 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 only has the economic benefit of the loan and has 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 such sub-participations to comprise a minority of the Company's investments and the Investment Manager expects this to continue to be the case. It is expected that any sub-participation agreements will be entered into with various counterparties in order to diversify risk.

The Company may also, from time to time, invest indirectly in its targeted asset classes (in accordance with its stated investment policy) via structured credit instruments, under which the Company will gain exposure to the relevant assets through holding debt instruments issued by a special purpose vehicle holding those assets as collateral.

Target Dividend 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 in the region of 5.5 pence per Ordinary Share on an annualised basis over the medium term, payable quarterly; and
- a total return on investment (net of fees and expenses) of between seven per cent. and ten per cent. annualised over the longer term.

The actual dividend 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 proceeds of each Placing under the Placing Programme are invested and the risks highlighted in the section headed "Risk Factors" in this Prospectus. Furthermore, the dividend 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 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".

Management of Cash

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 proceeds of each Placing under the Placing Programme) will be to fund investments sourced by the Investment Manager, as well as initial expenses related to each Placing, on-going 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 of this Prospectus.

Discount Control

Continuation Resolution

In accordance with the Articles, the Directors are required to convene an EGM on or before the third anniversary of the IPO 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 the IPO. 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 Ordinary 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 Ordinary 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 Ordinary Share of that class (calculated by reference to the middle market quotation of the Ordinary 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 Ordinary 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 Ordinary Shares of the relevant class will be offered the opportunity to redeem up to 50 per cent. of his Ordinary 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 Ordinary Shareholders to request the redemption of Ordinary 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 Ordinary Shareholders request redemption of Ordinary 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 Ordinary Shareholder has requested to redeem (rounded down to the nearest whole number of Ordinary 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 Ordinary 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 Ordinary 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 Ordinary 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 on-going 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, Ordinary 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 Ordinary Shares of each class in issue at any time. The Directors intend to seek annual renewal of this authority from the Ordinary Shareholders at each annual general meeting of the Company. This authority was renewed by the Ordinary Shareholders at the Company's first annual general meeting which was held on 22 November 2012.

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

In the event that the Board decides to repurchase Ordinary Shares, purchases will only be made through the market for cash at prices not exceeding the estimated prevailing NAV per Ordinary Share of the relevant class where the Directors believe such purchases will result in an increase in the NAV per Ordinary 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 Ordinary Share must not be more than the higher of: (i) five per cent. above the average of the mid-market values of Ordinary Shares of the relevant class for the five Business Days before the purchase is made; and (ii) the higher of the last independent trade and the highest current independent bid for Ordinary 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.

Ordinary Shares purchased by the Company may be cancelled or held in treasury up to a maximum of 10 per cent. of the total number of Ordinary Shares in issue of that class at any particular time.

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

Shareholders and prospective Shareholders should note that the purchase of Ordinary 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.

Further Issues of Shares

Under the Companies Law and the Articles, the Directors have authority to allot and issue further Shares (including Ordinary Shares or C Shares and including under the Placing Programme or otherwise) in the share capital of the Company. 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. The Directors are seeking the authority to disapply these pre-emption rights in respect of the maximum number of New Ordinary Shares to be issued from time to time pursuant to the Placing Programme at the EGM of the Company to be held on 2 July 2013.

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; and (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.

To date, distributions on the Ordinary Shares have been paid quarterly in respect of the three months to 30 June 2012, 30 September 2012, 31 December 2012 and 31 March 2013, and have been made by way of dividend. Subject to market conditions, this is expected to continue. The Company may also make distributions by way of capital distributions (or otherwise in accordance with the Companies Law and the Articles) as well as, or in lieu of, by way of dividend if and to the extent that the Directors consider this appropriate.

Reports and Accounts

The first full accounting period of the Company ran from the date of the Company's incorporation to 31 March 2013. All subsequent 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 and, accordingly, it is expected that audited accounts as at and for the period ended 31 March 2013 will be provided to Shareholders before the end of July 2013. 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, at www.aefrif.com.

The financial statements of the Company are and 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 judgements 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 in issue 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

The Group invests primarily in loans, which are 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 sources 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 is then calculated. It should be noted that the bid and offer prices used for the calculation of the mid-market price are 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 are typically 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 determines 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 Ordinary Shares on the Main Market and the listing of the Ordinary Shares on the Official List may also be suspended.

Disclosure of the Portfolio

The Company publishes 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 are made available on the Company's website, www.aefrif.com, within approximately seven Business Days of the relevant month-end and publication on the website will be announced by RIS.

The Monthly Portfolio Disclosures 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.

Selected Financial Information

Selected financial information of the Company as at 30 September 2012 and for the period of 3 November 2011 to 30 September 2012 is set out below. The information has been extracted without material adjustment from the Company's audited financial information for the period that is incorporated into this Prospectus by reference from the C Share Prospectus. Investors should read the whole of such report and not rely solely on the key or summarised information set out in this Prospectus.

	30 September 2012 (€)
Assets	
Investments, designated at fair value through profit or loss	98,830,458
Cash and cash equivalents	7,657,015
Other assets	4,660,241
Total assets	111,147,714
Current liabilities	8,036,823
Net assets	103,110,891
Net asset value per Ordinary Share (in Sterling)	101.8195p

Statement of Comprehensive Income

	3 November 2011 to 30 September 2012 (€)
Total income from investments	7,261,119
Net foreign exchange gain	2,810,398
Total operating expenses	(780,552)
Operating profit	9,290,965

If a Placing of the maximum number of New Ordinary Shares to be issued under the Placing Programme had taken place on 30 September 2012 at an Issue Price of £1.07 per New Ordinary Share (implying that the Company raised total proceeds of £214 million, net of estimated fees and expenses of £2.5 million), the Net Asset Value would have increased by £211.5 million. If such Placing had taken place as at 30 September 2012, the additional funds would have been held in cash and liquid securities over the period reported. The net impact on earnings would have been broadly neutral with the additional interest earned being offset by the additional variable expenses. The actual net impact would have been dependent on the interest rate the Investment Manager was able to obtain on cash and liquid securities.

PART II

THE PORTFOLIO

Portfolio Commentary

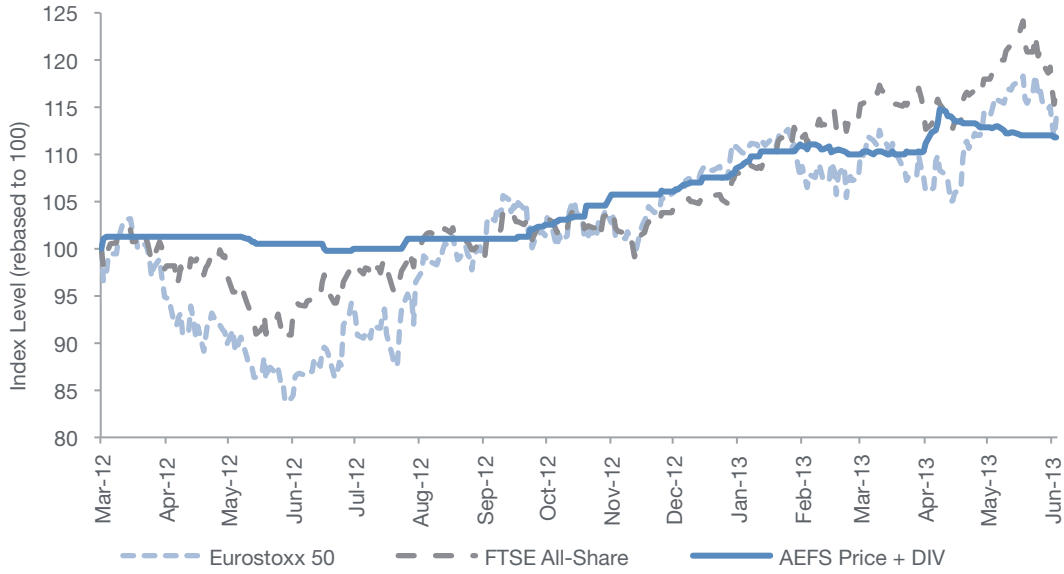
The Ordinary Shares of the Company were admitted to listing on the premium segment of the Official List and the proceeds of the IPO were received on 6 March 2012. The proceeds were fully invested by 5 April 2012[5], with exposure to 47 investments across 42 individual borrowers on that date. Since that date, the Company has raised further proceeds through the C Share Issue and the Tap Issue and, as of 7 June 2013, the Group had exposure to 65 investments across 54 individual borrowers and 24 different industry sectors. The majority of the Group's investments have been made via the secondary market.

The information contained in this Part II of this Prospectus is unaudited.

The Investment Manager believes its strategy of avoiding positions in Irish, Italian, Greek, Portuguese and Spanish borrowers was beneficial to the Company's performance over the period between IPO and 7 June 2013. The Investment Manager believes this strategy remains appropriate as a result of its concerns about the lack of growth prospects in these jurisdictions.

Against a challenging market backdrop, the Company's performance has been strong with low volatility relative to general equity market indices, as shown in Figure 1 below.

Figure 1: Alcentra Floating Rate Income Fund versus general Market Indices



Source: Eurostoxx 50 Total Return Index, FTSE All-Share Total Return Index and the Company's Total Return (calculated as share price plus gross dividends paid) in each case for the period between 6 March 2012 and 7 June 2013.

The Company announced its first dividend on 12 July 2012 of 1.06p per Ordinary Share for the period from IPO to 30 June 2012, its second dividend on 15 October 2012 of 1.46p per Ordinary Share for the quarter ended 30 September 2012, its third dividend on 9 January 2013 of 1.52p per Ordinary Share for the quarter ended 31 December 2012 and its fourth dividend on 15 April 2013 of 1.42p per Ordinary Share for the quarter ended 31 March 2013. This second dividend was the Company's first dividend in respect of a period of full investment, and the second, third and fourth dividend were in line with its previously stated target dividend yield of 5.5 per cent. in the first year of full investment of the IPO proceeds.

[5] "Fully invested" means that the Company had, by 5 April 2012, entered into commitments to invest all the proceeds of the IPO (save for amounts retained for working capital and liquidity purposes). Not all such commitments had, by that date, settled and as a result the Company was not, at that date, entitled to interest payments in respect of all such investments.

The Portfolio

As at 7 June 2013, the Portfolio was invested in line with the Company's investment policy and was diversified by obligor and industry with 54 borrowers across 24 different industry sectors and no individual borrower representing an exposure of more than 5 per cent. of the Portfolio.

Figure 2: Portfolio Statistics as of 7 June 2013

Current Yield (Floating and Fixed Rate)	6.32%
Weighted Average Libor and Margin	5.94%
Weighted Average Mid-Price	100.77
Weighted Average Maturity	5.29 (in years)
Weighted Average Yield to Maturity (Contractual)	6.25%

The Weighted Average Mid-Price increased from 95.47 on 5 April 2012 (the date on which the net proceeds of the IPO were fully invested), to 100.77 as at 7 June 2013. The Company believes that this was due to the robust performance of the Company and the underlying sub-investment grade corporate debt market. The Weighted Average Yield to Maturity remains within the target range.

Figure 3: Portfolio Breakdown by Industry and by Jurisdiction

Geographical Region (April 2013)	%
United Kingdom	50.39%
France	17.55%
Sweden	5.97%
Luxembourg	5.42%
Germany	5.38%
United States	4.83%
Netherlands	4.75%
Belgium	3.18%
Denmark	0.43%

Top 5 Industries	%
Financial Intermediaries	11.67%
Retail (other than food/drug)	10.44%
Business equipment and services	9.17%
Drugs	8.23%
Food Products	7.74%

Figure 4: Portfolio Breakdown by Currency and by Seniority

Currency Breakdown	%
Euro	49.95%
Pound Sterling	44.83%
Swedish Kroner	3.12%

Asset Breakdown	%
Senior secured loans. senior secured floating rate notes and cash	80.85%
Second Lien and Mezzanine loans	6.93%
Unsecured floating rate notes or secured or unsecured fixed rate bond	12.22%

Figure 5 sets out details of the top 15 positions (by percentage of NAV) as at 7 June 2013, representing, in aggregate, 50.50 per cent. of the Group's total NAV.

Figure 5: Top 15 Positions in the Portfolio

Name	*% NAV Currency*	*Country*	*Maturity*	*Margin*
Mercury Pharma*	4.49% GBP/EUR	UK	31/12/2019	5.87%
Birds Eye Iglo**	4.02% GBP/EUR	UK	18/11/2017	5.30%
Alliance Boots	3.74% GBP	UK	05/07/2017	3.00%
Ineos	3.70% EUR	UK	15/02/2019	6.00%
RBS Worldpay***	3.69% GBP	UK	21/11/2019	4.63%
B&M Retail	3.67% GBP	UK	01/03/2020	5.50%
Gala Electric Casinos	3.64% GBP	UK	31/05/2018	5.00%
Iceland	3.25% GBP	UK	08/03/2019	5.00%
Bureau Van Dyck	3.14% EUR	Belgium	17/09/2018	5.00%
Com Hem	3.12% SEK	Sweden	29/03/2018	5.00%
Infor	3.09% EUR	USA	03/06/2020	3.00%
Lecta	2.79% EUR	Luxembourg	15/05/2018	5.50%
Pets at Home****	2.77% GBP	UK	17/08/2017	4.50%
Mediq*****	2.76% EUR	Netherlands	20/02/2020	5.00%
Convatec Healthcare	2.63% EUR	Luxembourg	15/12/2018	10.88%

* Weighted average statistics based on holdings of two tranches of loan with maturities on 31 December 2019.

** Weighted average statistics based on holdings of two tranches of loan with maturities on 31 October 2017 and 31 January 2018.

*** Weighted average statistics based on holdings of two tranches of loan with maturities on 12 November 2019 and 30 November 2019.

**** Weighted average statistics based on holdings of two tranches of loan with maturities on 23 March 2017 and 7 June 2018.

***** Weighted average statistics based on holdings of two tranches of loan with maturities on 20 February 2020.

PART III

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. and six 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.

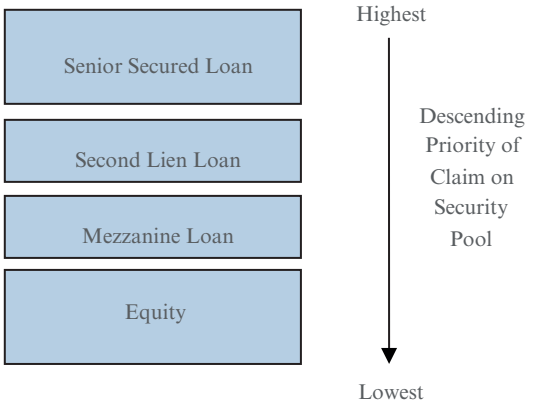
In the majority of cases, loan documentation is governed by industry standards set by the Loan Market Association ("LMA") whose stated aim is to ensure and improve liquidity, efficiency and transparency in both the primary and secondary syndicated loan markets by establishing sound and widely accepted 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 6 shows a typical capital structure of a borrower and the order of priority of secured lenders.

Figure 6: 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 net proceeds of the Placing Programme in senior secured loans.

Differences between Secured Loans in Europe and the United States

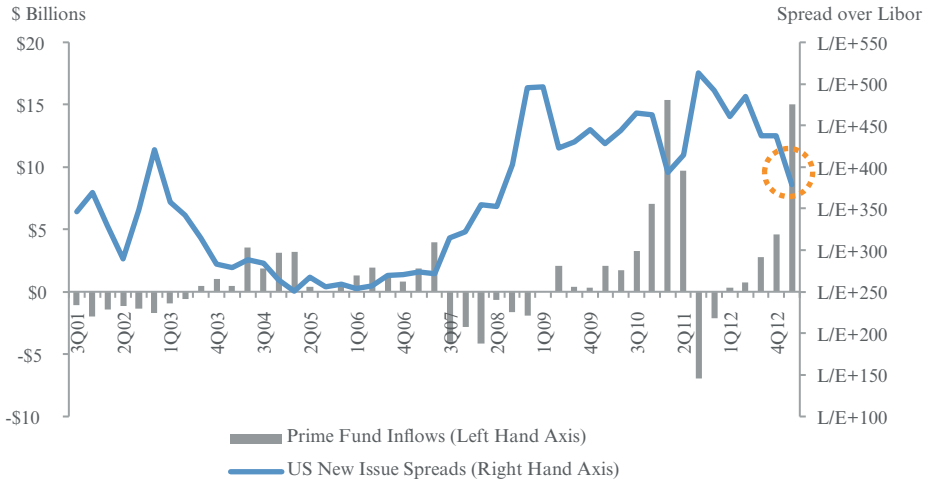
Secured loans are important sources of company financing in both Europe and the United States, yet there are some distinct differences between the two markets.

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". As at 30 March 2013, US prime rate funds represented about 21 per cent. of the demand for new issuance and held about 20 per cent. of all existing loans that remained 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 7). Similarly, during the second half of 2011, prime rate funds experienced significant outflows and new issue margins in the US market widened sharply.

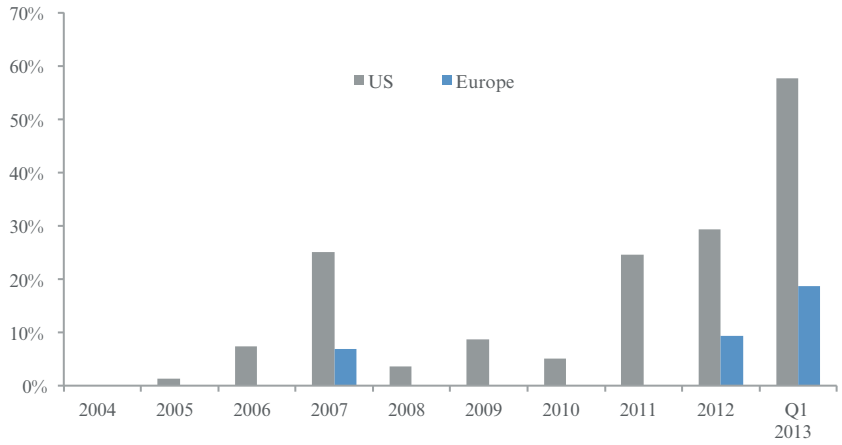
At the same time as margins were tightening as a result of retail inflows, deal structures in the United States became more aggressive. In particular, the incidence of riskier structural features such as "Covenant-Lite" transactions increased (see Figure 8). Covenant-Lite transactions involve a reduced set of lending covenants and therefore a reduced ability of senior lenders to enforce security in the event of a weakening in borrower performance. While there was an increase in Covenant-Lite transactions denominated in Euro in 2012 and 2013, the Investment Manager believes the majority of this increased amount comprised Euro currency tranches of US cross-border syndicated deals.

Figure 7: US Prime Rate Fund Inflows and New Issue Spreads



Source: Standard & Poor's LCD Topical, Monthly Technicals, 10 April 2013 and Standard & Poor's LCD USD Global Leveraged Loan Review – US/Europe, Q1 2013

Figure 8: Covenant-Lite Issuance as % of Total New Issuance – United States vs. Europe



Source: Standard & Poor's LCD European Leveraged Lending Review, Q1 2013 and Standard & Poor's LCD LoanStats Weekly, 16 May 2013

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.

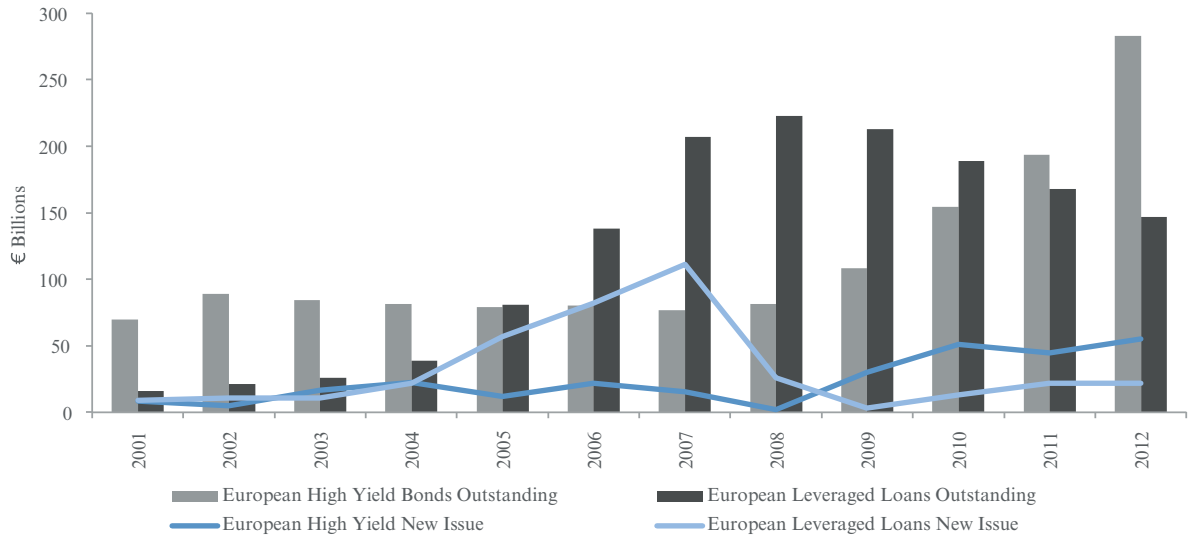
However, in the last few years, issuance of senior secured high-yield bonds has gained popularity. A senior secured high-yield bond shares in the same security pool as a senior secured loan and for that reason is expected to achieve similar levels of recovery. Some of these bonds have been structured 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

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 9), 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 2012 continued to favour high-yield bonds, driven by investors in search for further yield.

Figure 9: Annual New Issuance in Western European Loan and High-Yield Bond Markets



Source: Credit Suisse 2013 Leveraged Finance Outlook and 2012 Annual Review, 18 January 2013

Reasons to Invest in Floating Rate Secured Loans and Bonds

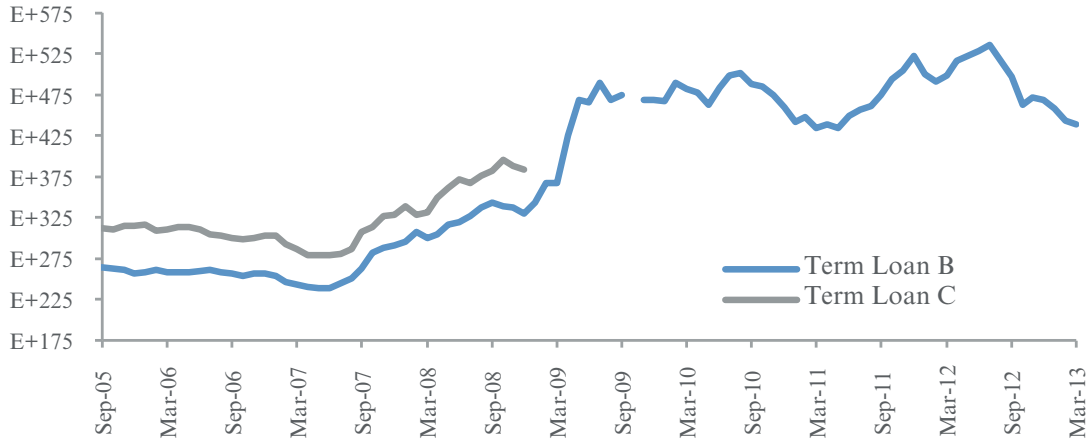
Predictable income

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 10). Currently new issues are offered at margins of approximately between 425 to 550 basis points over LIBOR or EURIBOR. Initial discounts to par of between zero per cent. and five per cent. can be achieved, depending on market conditions. 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 10: Three-Month Rolling Average Institutional LBO New-Issuer Spread



Source: Standard & Poor's LCD "European Leveraged Lending Review", Q1 2013

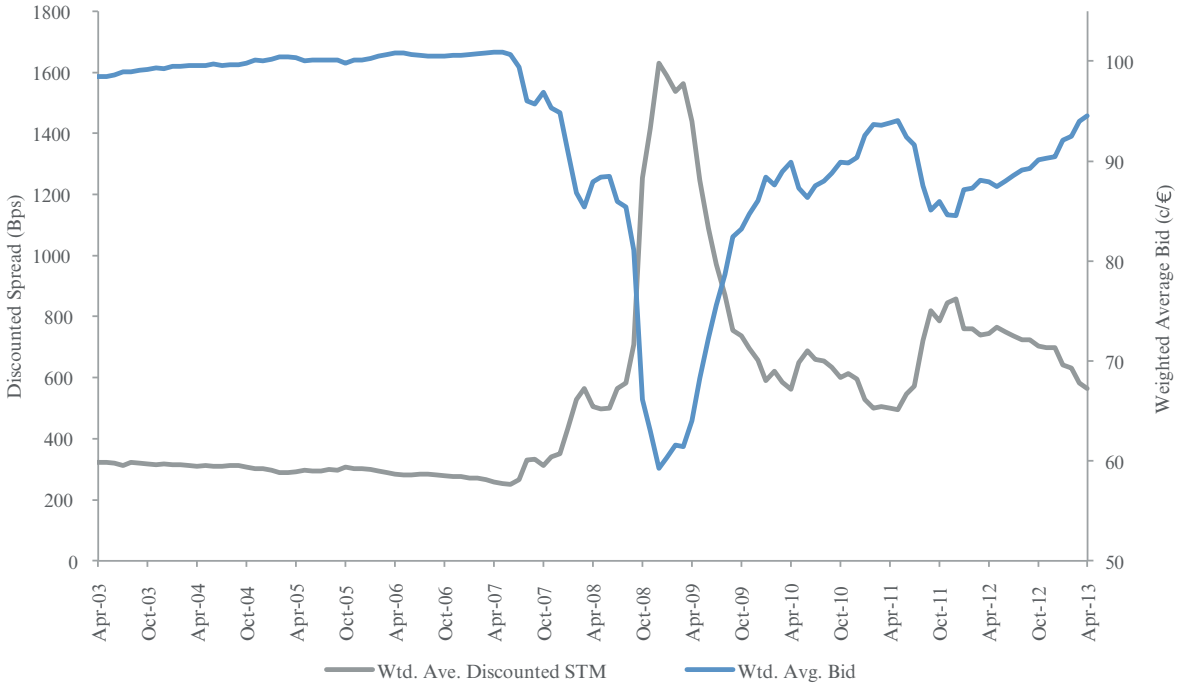
Note: A syndicated loan arrangement typically consists of several separate facilities including a revolving facility, an amortising term loan ("Term Loan A"), a bullet maturity term loan (a "Term Loan B") and, in some cases, an additional bullet maturity term loan (a "Term Loan C") which typically has 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 may 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 spreads-to-maturity reached approximately 16 per cent. in late 2008 and early 2009 and then fell rapidly, as the market rallied, settling at approximately 6 per cent. (see Figure 11).

Figure 11: Discounted Spreads-to-Maturity vs. Weighted Average Bid

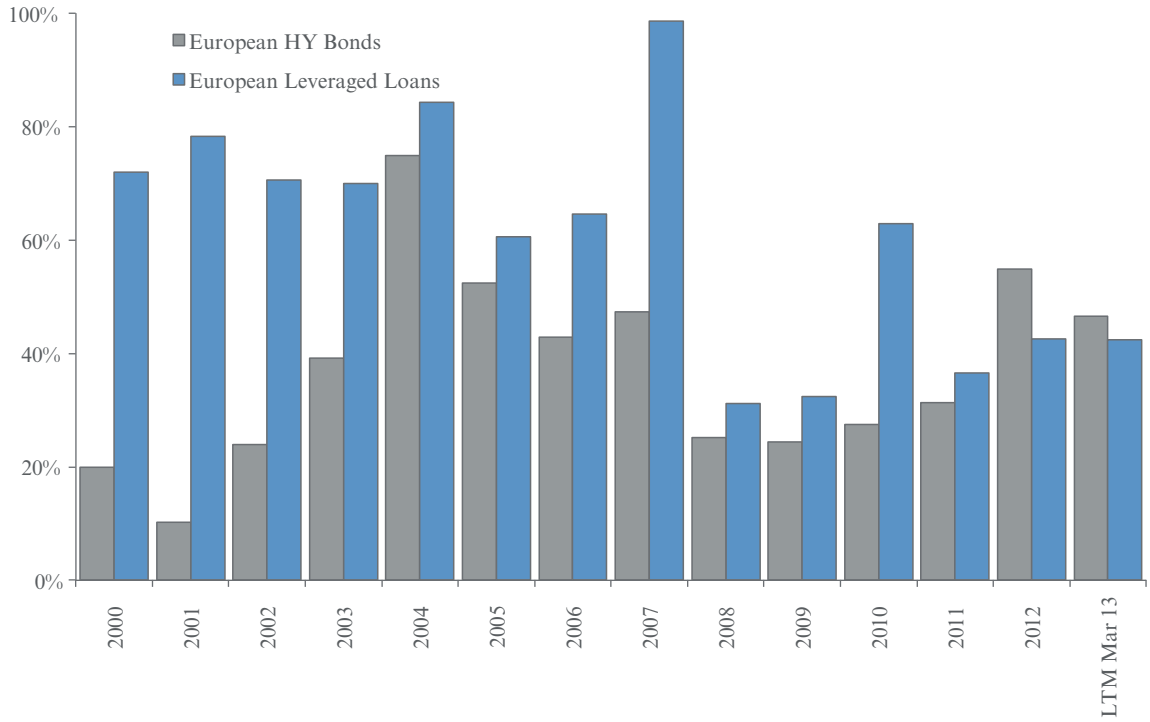


Source: Standard & Poor's ELLI Review, April 2013

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 12 shows average percentage recovery rates on secured loans compared with those on high-yield bonds.

Figure 12: European High-Yield Bonds vs. Leveraged Loans – Average Percentage Recovery Rates



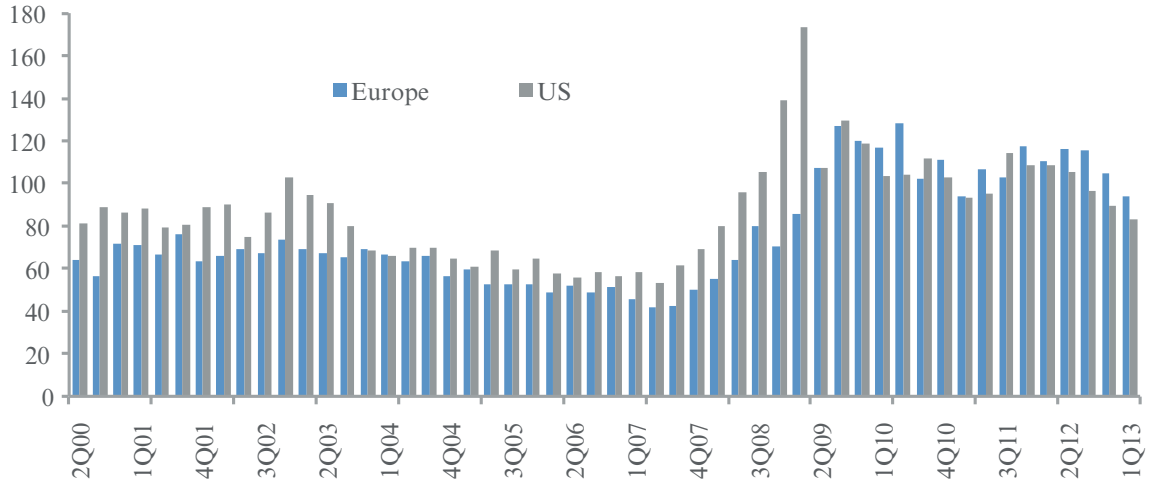
Source: Credit Suisse Leveraged Finance Default Review, Q1 2013

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 in 2007 of 5.9x (in Europe) and 4.9x (in the US) to an average multiple for the first quarter of 2013 of 4.7x (in Europe) and 4.7x (in the US)[6]. In Europe, the average amount of equity that sponsors are prepared to commit to new leveraged buyouts as a percentage of the whole capital structure has risen from 33 per cent. in 2007 to 47 per cent. for the first quarter of 2013[7]. 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 13).

Figure 13: Spread per Unit of Risk



Source: Standard & Poor's "LCD European Leveraged Loan Review", Q1 2013

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.

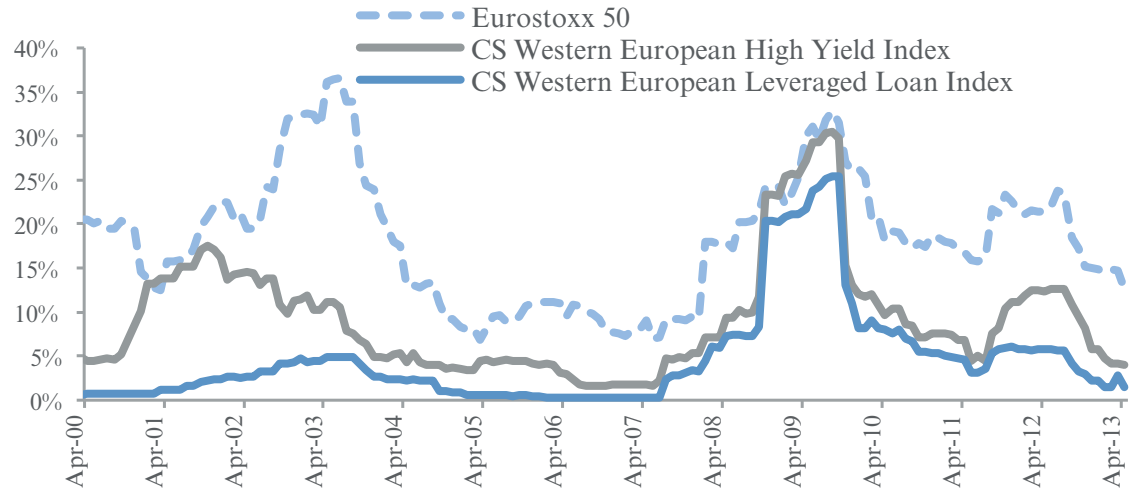
Attractive risk adjusted returns

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 14 shows the 12-month rolling total return volatility of various European asset classes since 2000, 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).

[6] Source: Standard & Poor's LCD EUR Global Leveraged Loan Review – US/Europe, Q1 2013

[7] Source: Standard & Poor's LCD EUR Global Leveraged Loan Review – US/Europe, Q1 2013

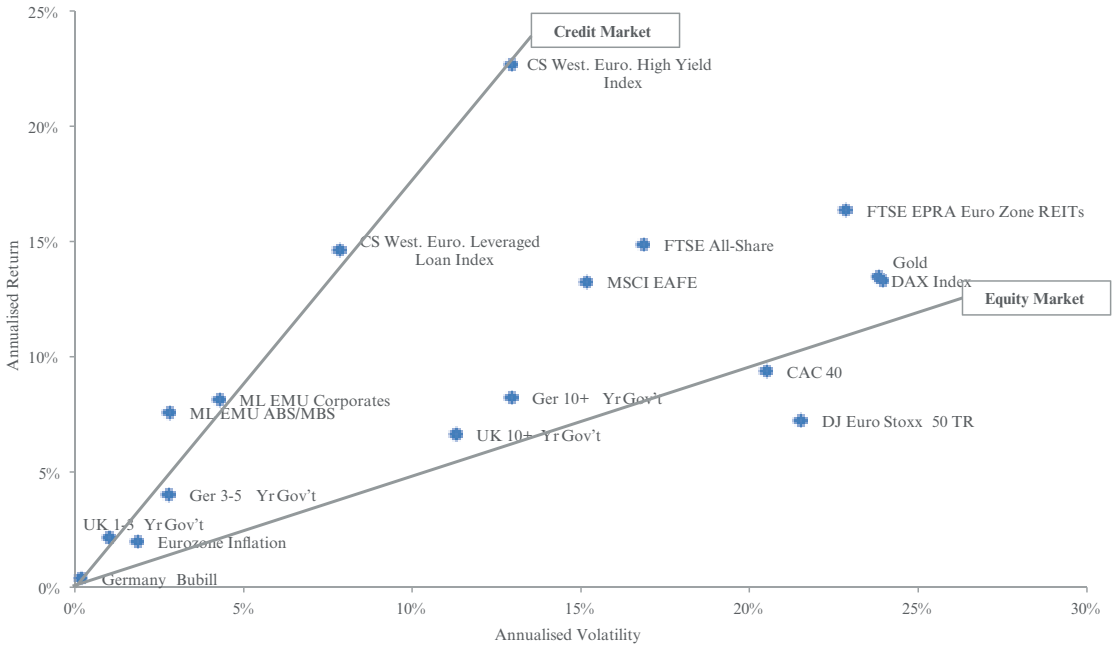
Figure 14: Volatility among Asset Classes – 12-Month Rolling Total Return Volatility (April 2000 – April 2013)



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 April 2013

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 15 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 15: Risk/Reward Characteristics of Various Asset Classes (January 2009 – May 2013)



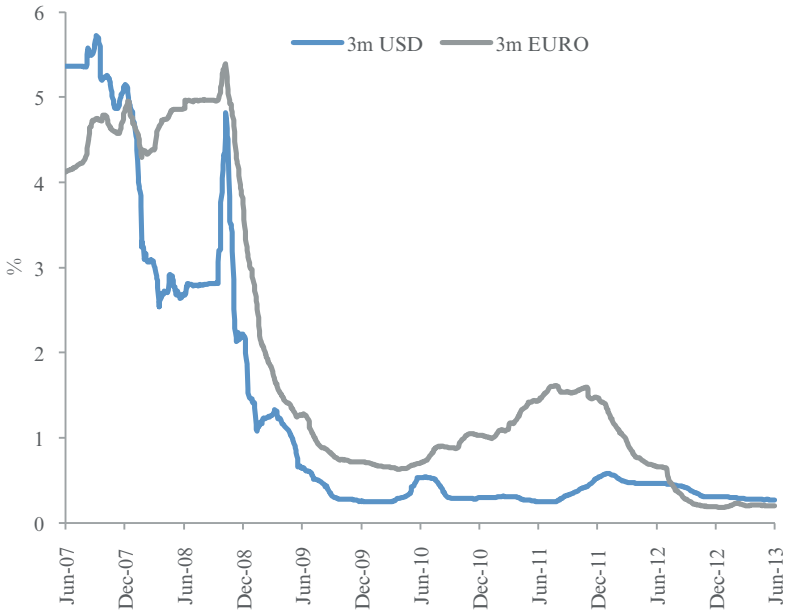
Source: Credit Suisse Research Data (January 2009 – May 2013), June 2013

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

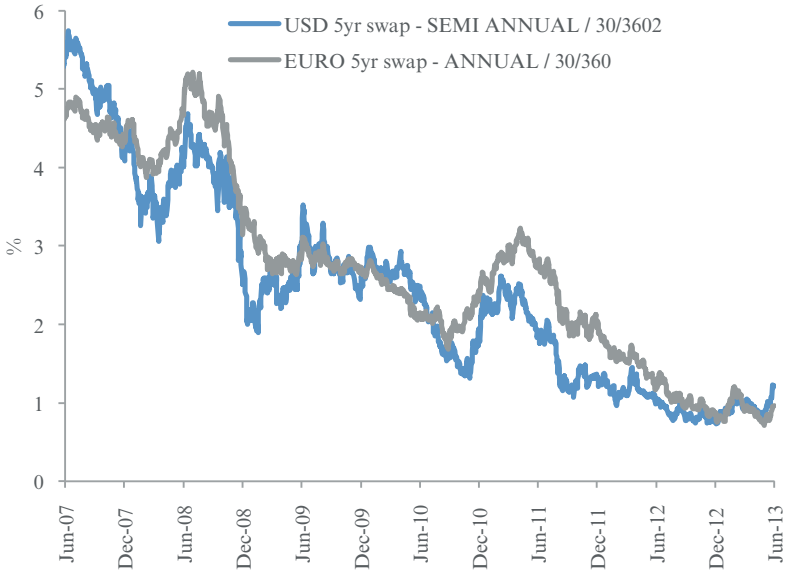
rise. While the weak outlook for growth globally would not indicate any imminent increase in interest rates, the Investment Manager believes that both short-term (see Figure 16) and long-term (see Figure 17) interest rates are towards the bottom end of their cycle and that there is potential value in investing in an asset class that will deliver higher returns as rates do eventually rise.

Figure 16: European and US Short-Term Rates



Source: US Dollar and EURO 3-Month LIBOR Rates, via Bloomberg LLC, as of 3 June 2013

Figure 17: European and US 5-year Swap Rates

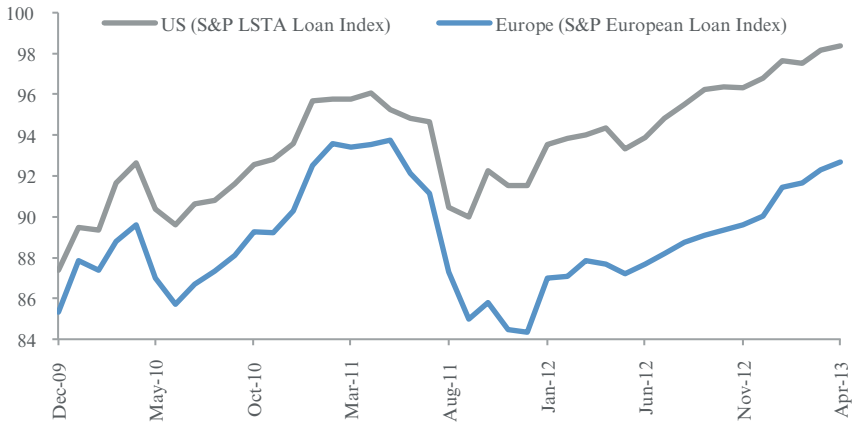


Source: US Dollar and EURO 5-Year Swap Rates, via Bloomberg LLC, as of 3 June 2013

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 noticeable yield advantage over the US market. As of 31 March 2013, the weighted average yield to maturity of the ELLI index was 6.04 per cent. compared with 5.10 per cent. for the comparable US index, the Standard & Poor's LTSA Loan Index. Figure 18 shows the relative pricing of the two indices.

Figure 18: Average Bid Price – United States vs. Europe



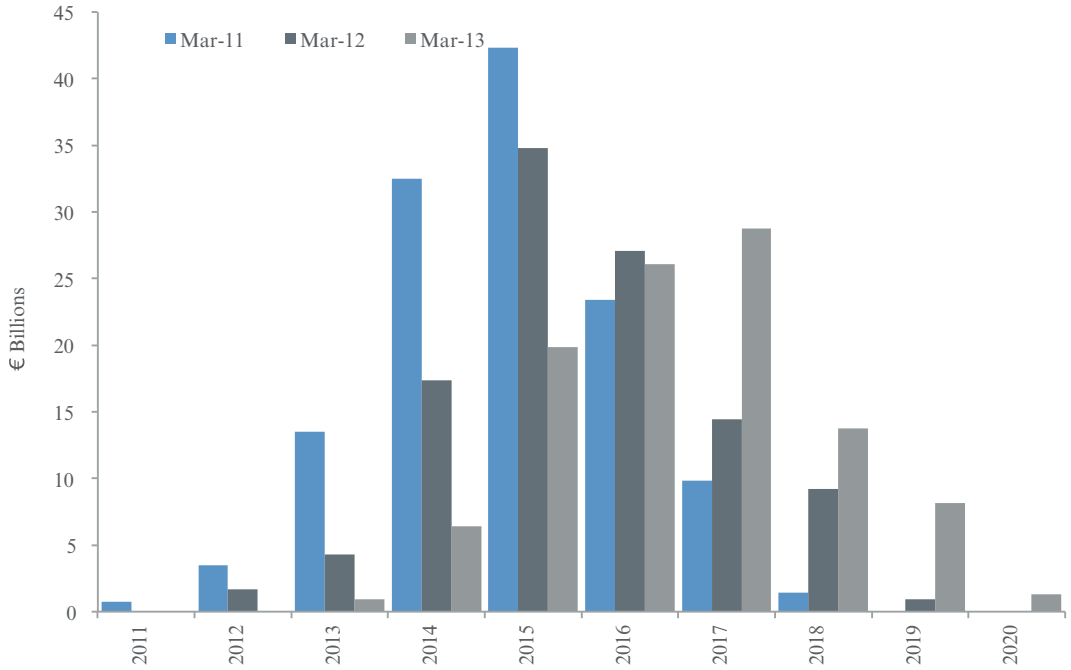
Source: Standard & Poor's LCD Global Leveraged Lending Review Q1 2013

Opportunity to be Sustained by Capital Shortfall

As a result of the significant growth in new European loan issuance between 2004 and 2007, there existed, as at 31 March 2013, a concentration of between approximately €20 billion and €29 billion of annual repayment or refinancing requirements for European loans maturing between 2015 and 2017 (see Figure 19). The approaching demand for refinancing coincides with a reduction of new issues in the market (see Figure 9). 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 reinvestment periods and have not been meaningfully 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 19: European Loans Maturity Profile



Source: Standard & Poor's Global Leveraged Loan Review – US/Europe, Q1 2011, Q1 2012 and Q1 2013

- Denotes loans outstanding as at the specified date.

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, secured and unsecured fixed rate bonds and structured credit instruments when specific relative value opportunities present themselves from these markets.

PART IV

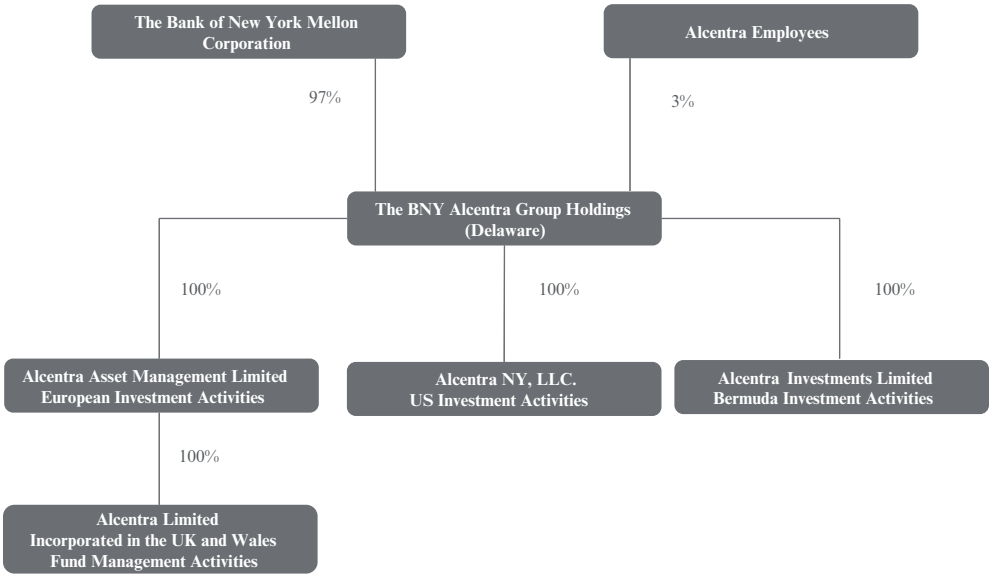
INVESTMENT MANAGER, PROCESS AND STRATEGY

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 FCA and the SEC.

Alcentra Limited is a 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 97 per cent. of the shares of BNY Alcentra Group Holdings, Inc. (as of 23 May 2013), with the remaining three 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 20).

Figure 20: Alcentra Group and its Shareholders



BNY Mellon Corp is one of the largest banks in the US with a market capitalisation, as at 31 March 2013, of approximately US$32.5 billion. It is also one of the largest securities servicing organisations in the US with US$26.3 trillion of assets under custody and administration and boasts a global platform across 36 countries and serving more than 100 markets (as at 31 March 2013). BNY Mellon Group is a substantial player in asset management with approximately US$1.4 trillion of AUM (as at 31 March 2013).

The Alcentra Group was established in March 2003 and is an active manager of sub-investment grade debt, with global expertise in senior floating rate loans, direct lending, mezzanine debt, high-yield bonds, distressed situations and structured credit.

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 approximately €50 million and €150 million in a single opportunity) to the investment opportunities it selects. Alcentra's investment advisory subsidiaries have approximately US$22.5 billion in AUM[8] (including approximately US$11.2 billion in US assets and US$11.3 billion in European assets) across over 50 funds and accounts, including CLOs, direct lending fund, mezzanine debt funds, managed accounts and open-ended funds in both US dollars and Euro with over 300 investors in 30 countries

[8] As at 30 April 2013. For these purposes the value of Euro-dominated assets under management have been converted in US dollars at the prevailing exchange rate on the relevant date.

(as at 30 April 2013)[9]. Alcentra's AUM includes legacy investments dating back more than 10 years. During 2011 Alcentra-managed funds secured allocations of approximately €1.58 billion in the European primary market and acquired approximately €1.60 billion in the European secondary loan market as at 31 December 2011, and for the year ending 31 December 2012, this was €0.55 billion and €1.96 billion respectively[10]. Alcentra has separate US and European credit research teams in London and New York. The Alcentra Group has a team of 80 professionals, including portfolio managers and a dedicated transaction management team for both the US and Europe. In Europe, six portfolio managers are supported by 15 credit analysts who have an average of approximately 12 years of credit experience each.

In January 2013, the Standish Mellon Asset Management Company LLC's Global High-Yield investment team joined the investment team of Alcentra NY LLC, a division of the Alcentra Group.

Alcentra has been recognised in the EuroWeek Syndicated Loan Awards for "Best Non-Bank Investor" eight times since 2005, including most recently in 2013 (in respect of calendar year 2012). Also in October 2012, Fitch Ratings awarded Alcentra an "M1" manager rating, which was renamed "Highest Standards" in 2013. 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. Also in May 2013, Alcentra was recognised in the Credit*flux* CLO Symposium & Manager Awards 2013 for "Best European CLO Manager: Equity Investors' Choice" in respect of calendar year 2012.

The Investment Manager is responsible for the discretionary management of the assets held in the Group's Portfolio (including uninvested 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 V of this Prospectus.

Investment Policy

The Investment Manager will select, from the primary and secondary markets, investments for the Group giving exposure to 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.

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[9] Assets under management are as of 31 March 2013. Assets under management reflect assets of all accounts and portions of accounts managed by Alcentra for itself including Alcentra NY, LLC's division, Alcentra High Yield and its affiliates. Specifically, certain assets under management reflect assets managed by Alcentra personnel as employees of Standish, BNY Mellon and The Dreyfus Corporation under a dual employee arrangement.

[10] Source: Alecantra data, January 2013

Investment Committee

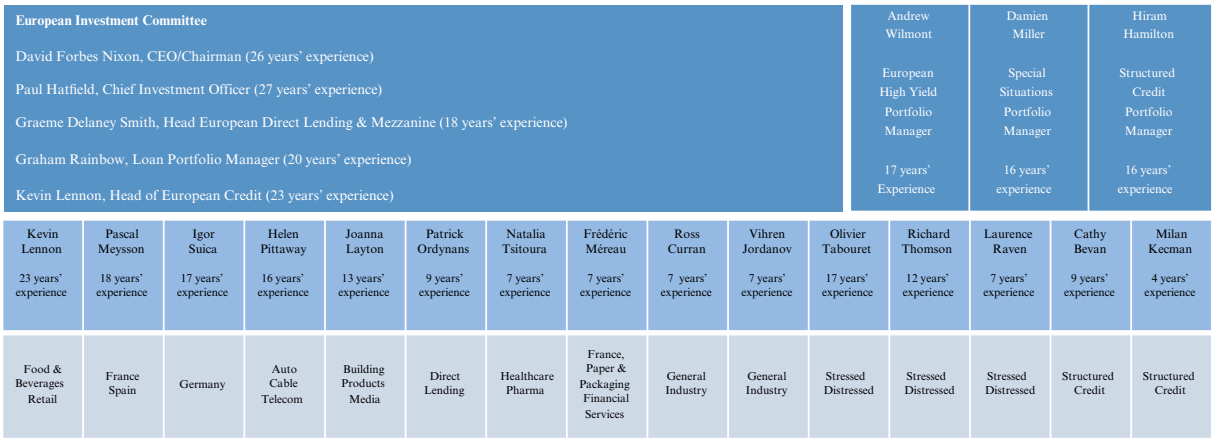
In addition to David Forbes-Nixon, Paul Hatfield and Graham Rainbow, the Investment Committee also comprises Graeme Delaney-Smith, Portfolio Manager for Alcentra's European mezzanine and direct lending business, and Kevin Lennon, Senior Analyst and Head of European Credit.

Credit Analysis Team

The investment management team is supported by 15 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 12 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 21 shows the composition of the Investment Committee and the credit analysis team.

Figure 21: Alcentra's European Credit Team



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 and chairs the Alcentra European Investment Committee. David also sits on the Executive Committee of BNY Mellon Investment Management and the BNY Mellon Operating 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 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 is the Chief Investment Officer and Head of Americas for Alcentra. He sits on both the European and U.S. Investment Committees, and focuses on investment policy, portfolio positioning and risk management across the firm's strategies and funds. His responsibilities also include managing firm and fund level risk as it relates to operational, counterparty and macro/systemic considerations. Paul joined Alcentra in 2003, and has had numerous leadership positions. He was one of the firm's original portfolio managers, successfully developed and launched new strategies, and led Alcentra's integration of BNY Capital Markets' credit funds and Rabobank's CLO business.

  Prior to joining Alcentra, Paul 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) was the leading underwriter of European LBOs. In 1998, Paul was seconded to New York, where he worked on financial 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 Managing 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 the University of Warwick 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) on-going 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 approximately €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 approximately €50 million and approximately €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) On-going 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 three 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 judgement 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 22 below shows the return on the aggregated portfolio across all those funds.

Figure 22: Return on Aggregated Senior Loan Portfolio

Year	AUM € Billion)[1]	Alcentra European Comp Returns (Gross)[1]	ELLI: Multi-Currency[2]	CS Western European Leveraged Loan Index[3]
2003	1.04	5.99%	3.84%	12.22%
2004	1.80	7.64%	5.42%	6.94%
2005	3.18	6.40%	5.88%	5.45%
2006	5.40	7.14%	6.38%	6.03%
2007	9.07	2.35%	-0.59%	0.96%
2008	8.40	-25.50%	-30.20%	-30.24%
2009	8.21	30.46%	43.81%	47.24%
2010	7.79	9.05%	9.85%	8.53%
2011	7.76	1.10%	0.73%	-0.64%
2012	7.31	11.25%	9.75%	10.39%

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 predominately uses Markit Partners to price its assets, but the data in Figure 22 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 2012.
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 2012.

Figure 23 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 22. 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 23: Default Data[1]

Year	Alcentra Default Rate[2]	Alcentra Loss Rate[3]	Market Loss Rate[4]
2003	0.00%	0.00%	0.32%
2004	0.00%	0.00%	0.37%
2005	0.49%	0.18%	0.33%
2006	0.00%	0.00%	0.64%
2007	0.00%	0.00%	0.00%
2008	0.69%	0.58%	1.48%
2009	8.23%	3.03%	4.59%
2010	2.83%	0.28%	1.69%
2011	0.00%	0.00%	0.60%
2012	3.05%	1.38%	2.78%
Average	**1.53%**	**0.55%**	**1.28%**

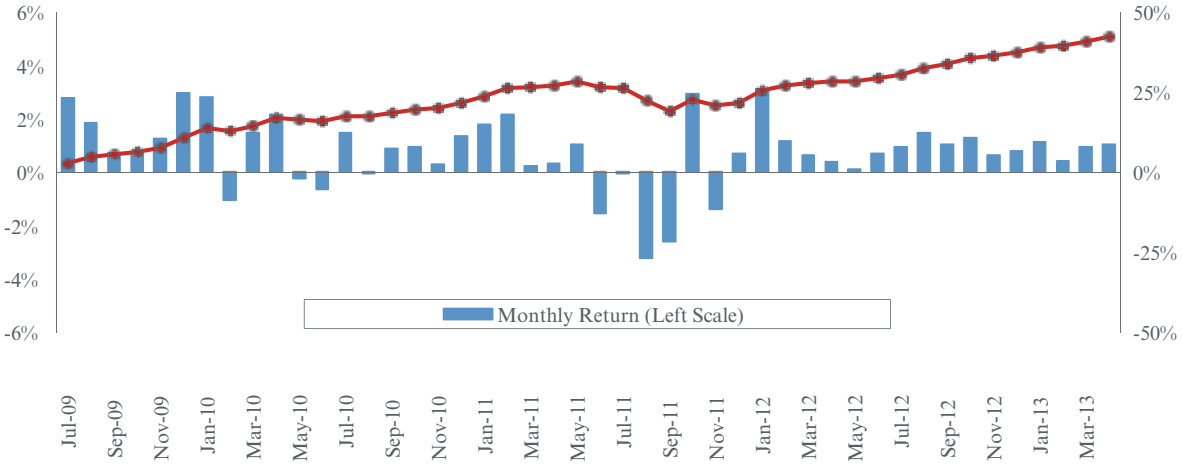
Notes:

1. Alcentra's default rate and loss rate statistics relate to a subset of its assets under management, which excludes its mezzanine and structured credit funds that pursue a different strategy. Alcentra's default rate is calculated on an annual basis and available at the end of the first calendar quarter of the following year.
2. Alcentra defines defaults as assets missing interest payments or undergoing restructuring. Defaulted transactions that did not miss an interest payment or no write down was taken have been excluded. These are generated from its own Wall Street Office internal loan administration system; this has 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. 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.
4. Source: Credit Suisse Leveraged Finance Default Review, Q1 2013

Figure 23 shows that the Investment Manager's peak realised loss rate over the period was 3.03 per cent. in 2009. Current credit spreads of 4.25 per cent. to 5.5 per cent. provide compensation for potential losses arising from a default (as defined in Note 2 of Figure 23) 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 24 below shows that fund's monthly return between establishment and September 2012. Since its inception in July 2012 to 10 June 2013, the Alcentra European Loan Fund suffered no impairments from defaults.

Figure 24: Monthly Returns



	Jan	*Feb*	*Mar*	*Apr*	*May*	*Jun*	*Jul*	*Aug*	*Sep*	*Oct*	*Nov*	*Dec*	*YTD*
2009							2.79%	1.86%	0.72%	0.74%	1.26%	2.97%	10.77%
2010	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%
2011	1.77%	2.14%	0.23%	0.32%	1.05%	–1.54%	–0.05%	–3.21%	–2.61%	2.93%	–1.39%	0.69%	0.12%
2012	3.11%	1.17%	0.63%	0.39%	0.10%	0.71%	0.94%	1.47%	1.03%	1.28%	0.63%	0.78%	12.92%
2013	1.13%	0.41%	0.94%	1.03%									3.55%

Notes:

1. 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.
2. Year to date information for 2013 includes information up to 30 April 2013.

PART V

DIRECTORS, MANAGEMENT AND ADMINISTRATION

Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Companies Law 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:

Name	*Age*	*Position*
Ian Fitzgerald	58	Non-Executive Chairman
Anne Ewing	58	Non-Executive Director
Jonathan (Jon) Bridel	48	Non-Executive Director

Ian Fitzgerald, Non-Executive Chairman

Ian is currently a director and chief executive officer 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, following 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 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., CDC Holdings Limited, Kleinwort Benson Bank (CI) Limited and Kleinwort Benson Holdings (CI) Limited.

Anne was previously an executive director of Dominion Fund Management Limited from 2007 to 2009, and an executive director of Dexion Capital (Guernsey) Limited from 2009 to 2010.

Anne has also served at Rothschild Bank and Asset Management from 1988 to 1993, was appointed as 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 holds an ACCA Certified Diploma in Accounting & Finance, graduated from Bournemouth University with a Master's Degree in Corporate Governance, 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, a Member of the Worshipful Company of International Bankers and a member of the Guernsey Investment Fund Association.

Jonathan (Jon) Bridel, Non-Executive Director

Jon is a Guernsey resident and currently a non-executive director or chairman of several companies, including Starwood European Real Estate Finance Limited, which is listed on the London Stock Exchange.

Jon was previously Managing Director of RBC Investment Solutions (CI) Limited, Royal Bank of Canada's investment business in the Channel Islands and served as a director on other RBC companies' boards, including RBC Regent Fund Managers Limited. Prior to joining RBC, Jon served in a number of senior management positions in banking, specialising in credit, private businesses and other financial institutions in London, Australia and Guernsey having previously worked at PricewaterhouseCoopers Corporate Finance in London.

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 Securities Services S.C.A., Guernsey Branch 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 8 of Part VIII of this Prospectus). In such capacity, the Administrator is 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 Law (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 provides for the safekeeping 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 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

Expenses related to the Placing Programme

It is intended that the Issue Price in respect of each Placing will always represent a premium to the then prevailing Net Asset Value per Ordinary Share.

The Company is bearing costs of approximately £285,000 in relation to the establishment and publication of the documentation of the Placing Programme. These costs are payable on publication of this document.

At the time of each Placing, the Company will also bear placing fees and commissions of one per cent. of the gross proceeds of each Placing, together with registration and Admission fees and any other related expenses, including, without limitation, legal, settlement, distribution and advertising expenses. All such expenses will be immediately written off.

If the maximum number of New Ordinary Shares available under the Placing Programme were to be issued at an average Issue Price of £1.07[11] per New Ordinary Share, the total gross proceeds of the Placing Programme would be £214 million, the total expenses would be approximately £2.5 million (including costs of establishment and publication of the documentation of the Placing Programme, fees for commissions, and registration and Admission fees), resulting in total net proceeds to the Company of approximately £211.5 million.

On-going 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 total 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

Certain other fees and expenses are payable by the Company on an on-going basis. In the period between incorporation and 31 March 2013, the Company paid £1,205,798 in respect of such fees and expenses. Based on the Company having a Gross Asset Value of £160 million, such fees and expenses will be in the region of 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 is 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 are remunerated for their services at a fee of £25,000 per annum. Further information in relation to the remuneration of the Directors is set out in paragraph 5 of Part VIII of this Prospectus.

(iv) *Other operational expenses*

All other on-going 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

[11] This assumed Issue Price represents the NAV per Ordinary Share as at 10 June 2013 (being the latest practicable date prior to the publication of this Prospectus) together with a premium of two per cent. intended to cover the costs and expenses of the Placing.

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 6 of Part VIII 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 are and will be held in Guernsey. The Company held its first annual general meeting on 22 November 2012 and an EGM of the Company in connection with the Placing Programme is expected to be held on 2 July 2013.

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.

The Company's accounts are 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 17 to 30 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 objectives and/or philosophies are the same as, overlap with, or are complementary to, the investment strategies and/or philosophies pursued by the Group, 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 Group 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 Group 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 Group as well as investment guidelines that differ from those applicable to the Group's investments. The Investment Manager may determine that an investment opportunity is appropriate for an Other Account but not for the Group or that the allocation of an investment opportunity to the Group 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 Group 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 Group. 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 programmes 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 Group and one or more Other Accounts of 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.

Squeeze-out and sell-out rules

Other than as provided by the Companies Law, 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 Rules and Transparency Rules, subject to certain limited exceptions, a person must notify the Company (and, at the same time, the FCA) of the percentage of voting rights he or she holds (within four trading days) if he or she 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 or she holds as a shareholder (or, in certain cases, which he or she 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 (a) 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 FCA's website at http://www.fca.org.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 FCA may take enforcement action against a person holding voting rights who has not complied with Chapter 5 of the Disclosure and Transparency Rules.

Corporate governance

The Company is subject to the GFSC Finance Sector Code of Corporate Governance, which applies to all companies that hold a licence from the GFSC under the regulatory laws or which are registered or authorised as collective investment schemes. 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 Rules 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 is a member of the AIC and is classified as a Specialist Debt Company by the AIC.

The Company currently complies 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 are 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 meets 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 are considered before proceeding. Jonathan (Jon) Bridel acts as chairman of the Audit Committee. The principal duties of the Audit Committee are 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 acts as chairman of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee meet, not less than once a year and has responsibility for considering the remuneration of the Directors. It also: (i) identifies 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) determines director nominees for each committee of the Board; and (iii) considers 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 are reviewed annually by the Chairman and the performance of the Chairman is 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 meets 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 VI

HISTORICAL FINANCIAL INFORMATION

Historical Financial Information incorporated by reference

The consolidated financial information of the Group for the period from 3 November 2011 (date of incorporation) to 30 September 2012 (the "Financial Information"), together with the audit report thereon, are incorporated by reference into this document. KPMG Channel Islands Limited of 20 New Street St Peter Port, Guernsey GY1 4AN has issued an unqualified audit opinion to the Directors of the Company on the Financial Information. The Financial Information was prepared in accordance with IFRS as adopted by the European Union.

See Part X for further details about information that has been incorporated by reference into this document.

PART VII

THE PLACING PROGRAMME

The Placing Programme

Under the proposed Placing Programme, up to 200,000,000 New Ordinary Shares will be issued at such times and in such quantities as the Directors may determine, provided that the proposed Placing Programme will commence on 3 July 2013 and will continue until the earliest to occur of: (i) 11 June 2014; (ii) the date on which Admission has occurred in respect of 200,000,000 New Ordinary Shares issued under the Placing Programme; and (iii) such other date as may be determined by the Directors.

The Issue Price for each New Ordinary Share issued pursuant to the Placing Programme will be calculated by reference to the estimated cum income Net Asset Value of each then existing Ordinary Share together with a premium intended to cover the costs and expenses of the Placing (including, without limitation, any placing commissions) and the initial investment of the amounts raised. The Issue Price in respect of each Placing will be determined on the basis described above so as to cover the costs and expenses of each Placing and thereby avoid any dilution of the Net Asset Value of the then existing Ordinary Shares held by Ordinary Shareholders.

Where New Ordinary Shares are issued, the total assets of the Company will increase by that number of New Ordinary Shares multiplied by the applicable Issue Price (less any relevant costs and expenses payable by the Company). It is not expected that there will be any material impact on the earnings and Net Asset Value per Ordinary Share, as the net proceeds resulting from any Placing are expected to be invested in investments consistent with the investment objective and policy of the Company and it is intended that the Issue Price in respect of each Placing will always represent a premium to the then prevailing Net Asset Value per Ordinary Share.

The maximum number of the New Ordinary Shares available under the Placing Programme should not be taken as an indication of the number of New Ordinary Shares to be issued. Each Placing of New Ordinary Shares issued pursuant to the Placing Programme will be announced via an RIS announcement shortly following the deadline for receipt of placing commitments under that Placing. If a Placing of New Ordinary Shares under the Placing Programme does not proceed, subscription monies received will be returned without interest at the risk of the applicant.

If an Ordinary Shareholder does not subscribe under the Placing Programme for such number of New Ordinary Shares as is equal to his or her proportionate ownership of existing Ordinary Shares, his or her proportionate ownership and voting interest in the Company will be reduced and the percentage that his or her existing Ordinary Shares will represent of the total share capital of the Company will be reduced accordingly following each Placing under the Placing Programme.

If the Placing Programme meets its maximum size of 200,000,000 New Ordinary Shares, the share capital of the Company in issue at the date of this Prospectus will, following the closing of the Placing Programme, be increased by 191.9 per cent. as a result of the Placing Programme. On this basis, if an Ordinary Shareholder does not acquire any New Ordinary Shares, his or her proportionate economic interest in the Company will be diluted by 65.7 per cent.

The New Ordinary Shares issued pursuant to the Placing Programme will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid by on the Ordinary Shares by reference to a record date prior to the issue of the relevant New Ordinary Shares).

Proceeds of the Placing Programme

The total net proceeds of the Placing Programme will depend on the number of New Ordinary Shares issued over the course the Placing Programme, the Issue Price of such New Ordinary Shares and the aggregate Placing Costs. The total net proceeds of the Placing Programme will not be known until after the maximum number of New Ordinary Shares available under the Placing Programme have been issued or the Placing Programme has closed. On the basis that the maximum number of New Ordinary

Shares available under the Placing Programme are issued at an average Issue Price of £1.07[12] per New Ordinary Share, the total gross proceeds of the Placing Programme would be £214 million, the total expenses would be approximately £2.5 million (including costs of establishment and publication of the documentation of the Placing Programme, fees for commissions, and registration and Admission fees), resulting in total net proceeds to the Company of approximately £211.5 million.

The Company intends to use the net proceeds of each Placing 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 Programme Agreement

The Company, the Directors, the Investment Manager and Oriel have entered into the Placing Programme Agreement pursuant to which Oriel has agreed to act as sponsor and financial adviser in relation to the Placing Programme, and, as placing agent for the Company, to use its reasonable endeavours to procure subscribers (in certain jurisdictions outside the United States) for the New Ordinary Shares pursuant to the Placing Programme in return for the payment by the Company of placing fees and commissions. A summary of the terms of the Placing Programme Agreement is set out in paragraph 8 of Part VIII of this Prospectus.

The terms and conditions which shall apply to any subscriber for New Ordinary Shares procured by Oriel pursuant to the Placing Programme are contained in Part IX of this Prospectus.

Applications under the Placing Programme must be for a minimum subscription amount of £100,000.

Conditions

Each Placing of New Ordinary Shares pursuant to the Placing Programme is conditional on:

(i) the approval of Ordinary Shareholders having been obtained at the EGM currently scheduled to be held on 2 July 2013 of the Company of an extraordinary resolution relating to the disapplication of pre-emption rights in respect of the issue of New Ordinary Shares under the Placing Programme;

(ii) the Admission of the New Ordinary Shares pursuant to such Placing;

(iii) the Placing Programme Agreement having become unconditional in respect of the relevant Placing and not having been terminated in accordance with its terms before Admission of the relevant New Ordinary Shares; and

(iv) the Issue Price determined in respect of the Placing being acceptable to the Directors as described above.

In circumstances in which these conditions are not fully met, the relevant Placing of New Ordinary Shares pursuant to the Placing Programme will not take place.

The Placing Programme will be suspended at any time when the Company is unable to issue New Ordinary Shares pursuant to the Placing Programme under any statutory provision or other regulation applicable to the Company or otherwise at the Directors' discretion.

Scaling back and allocation

In the event that aggregate applications for New Ordinary Shares under a Placing pursuant to the Placing Programme were to exceed a level that the Directors determine, in their absolute discretion at the time of closing that Placing, to be the appropriate maximum size of that Placing and, in any event, if applications under the Placing Programme were to exceed the maximum number of New Ordinary Shares available under the Placing Programme, it would be necessary to scale back applications under

[12] This assumed Issue Price represents the NAV per Ordinary Share as at 10 June 2013 (being the latest practicable date prior to the publication of this Prospectus) together with a premium of two per cent. intended to cover the costs and expenses of the Placing.

the relevant Placing. The Company and Oriel reserve the right, in their sole discretion, to scale back applications in such amounts as they consider appropriate. The parameters for any scaling back of applications for New Ordinary Shares will be determined at the relevant time.

The Company will notify investors of the number of New Ordinary Shares in respect of which their application has been successful and the results of each Placing (including the number of New Ordinary Shares issued and the Issue Price) will be announced by the Company via an RIS announcement as soon as possible following the closing of each Placing.

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.

General

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

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 in respect of a Placing, 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 Oriel) may, in their absolute discretion, waive the minimum application amounts in respect of any particular application for New Ordinary Shares under each Placing.

Should any Placing 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 New Ordinary Shares in certificated form will be dispatched by post in the week following the Admission of the relevant New Ordinary Shares. Temporary documents of title will not be issued.

Clearing and settlement

Payment for the New Ordinary Shares should be made in accordance with settlement instructions to be provided to Placees by (or on behalf of) the Company or Oriel.

New Ordinary 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 New Ordinary Shares to be issued in uncertificated form pursuant to any Placing, these will be transferred to successful applicants through the CREST system. Accordingly, settlement of transactions in the New Ordinary Shares following Admission may take place within the CREST system if any shareholder so wishes.

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 or before each day New Ordinary Shares are issued to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to New Ordinary Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on the share register of the Company.

The transfer of Ordinary Shares outside the CREST system following any Placing 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 holder of New Ordinary Shares or a transferee requests Ordinary Shares to be issued in certificated form and is holding such Ordinary Shares outside CREST, a share certificate will be despatched either to him or her or his or her nominated agent (at his or her risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Ordinary Shares. Holders of Ordinary Shares (other than US Persons) holding definitive certificates may elect at a later date to hold such Ordinary Shares through CREST or in uncertificated form, provided they surrender their definitive certificates.

Dealings

Application will be made to the UK Listing Authority and the London Stock Exchange for all New Ordinary Shares to be issued pursuant to the Placing Programme to be admitted to listing on the premium segment of the Official List and to trading on the Main Market.

The ISIN number for the New Ordinary Shares is GG00B6116N85 and the SEDOL code is B6116N8.

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

Selling and transfer restrictions

The distribution of this document and the offer of New Ordinary 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 New Ordinary 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 Oriel is making any representation to any offeree, subscriber or purchaser of the New Ordinary Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for New Ordinary 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 distribution of this Prospectus and the offer of the New Ordinary 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 New Ordinary 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 New Ordinary Shares) in any jurisdiction (other than the United Kingdom) where action for that purpose may be required. Accordingly, the New Ordinary 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 New Ordinary 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 New Ordinary 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 New Ordinary Shares may not be made in that Relevant Member State, except that the New Ordinary 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 Oriel 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 New Ordinary Shares shall result in a requirement for the publication by the Company or Oriel of a Prospectus pursuant to Article 3 of the Prospectus Directive. Each person who initially acquires New Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with Oriel 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 New Ordinary Shares to the public" in relation to any New Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Placing and the New Ordinary Shares to be offered so as to enable an investor to decide to purchase or subscribe for the New Ordinary 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 New Ordinary 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 New Ordinary Shares acquired by it in any Placing 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 New Ordinary 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 Oriel has been obtained to each such proposed offer or resale. The Company and Oriel 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 Oriel of such fact in writing may, with the consent of Oriel, be permitted to subscribe for or purchase New Ordinary Shares in any Placing.

United States

The New Ordinary Shares have not been and will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the New Ordinary 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 New Ordinary Shares in the United States. The Company has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of the US Investment Company Act.

Neither the SEC nor any state securities commission has approved or disapproved of the New Ordinary 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 New Ordinary 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 New Ordinary Shares at any time, except with the express consent of the Company given in respect of an investment in New Ordinary 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 New Ordinary 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 (A) or (B) above 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 New Ordinary Shares will not constitute or result in a non-exempt violation of any such substantially similar law.

Subscribers' warranties

Each subscriber of New Ordinary Shares under the Placing Programme and each subsequent investor in the New Ordinary 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 New Ordinary Shares for the account or benefit of a US Person;

(b) it is acquiring the New Ordinary Shares in an offshore transaction meeting the requirements of Regulation S;

(c) it acknowledges that the New Ordinary Shares have not been and they will not be registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may only be transferred in an offshore transaction in accordance with Regulation S (i) to a person outside the United States who is not a US Person, by prearrangement or otherwise; or (ii) to the Company or a subsidiary thereof;

(d) it acknowledges that the Company has not registered under the US Investment Company Act and that 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 US Investment Company Act;

(e) no portion of the assets used to purchase, and no portion of the assets used to hold, the New Ordinary 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 New Ordinary Shares must not constitute or result in a non-exempt violation of any such substantially similar law;

(f) that if any New Ordinary 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 US INVESTMENT COMPANY ACT OF 1940, AS AMENDED (THE "US 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 (THE "US 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, SOLD, PLEDGED, EXERCISED OR OTHERWISE TRANSFERRED 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 New Ordinary Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US 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 New Ordinary 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 New Ordinary Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;

(i) it acknowledges that the Company reserves the right to make inquiries of any holder of the New Ordinary 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 New Ordinary Shares or interests therein in accordance with the Articles;

(j) it acknowledges that the Company may receive a list of participants holding positions in its securities from one or more book-entry depositories;

(k) it is entitled to acquire the New Ordinary 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 New Ordinary Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Manager, Oriel or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Placing Programme or its acceptance of participation in any Placing;

(l) 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 New Ordinary Shares or the Placing Programme into the United States or to any US Person, nor will it do any of the foregoing;

(m) if it is acquiring any New Ordinary 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;

(n) 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 New Ordinary Shares pursuant to any Placing and will not be any such person on the date any such application is accepted;

(o) if the laws of any place outside the United Kingdom are applicable to the investor's agreement to purchase New Ordinary 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 New Ordinary Shares and/or acceptance thereof or any actions arising from such investor's rights and obligations under the investor's agreement to purchase New Ordinary Shares and/or acceptance thereof or under the Articles; and

(p) the Company, the Investment Manager, Oriel and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgements 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 before the closing of a Placing under the Placing Programme, applicants who have applied for New Ordinary Shares in that Placing shall have at least two clear Business Days following the publication of the relevant supplementary prospectus within which to withdraw their offer to acquire New Ordinary Shares in such Placing in its entirety. The right to withdraw an application to acquire New Ordinary Shares in these circumstances will be available to all investors in such Placing. If the application is not withdrawn within the stipulated period, any offer to apply for New Ordinary Shares in any Placing 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

The Articles permit the holding of New Ordinary 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 New Ordinary Shares following Admission may take place within the CREST system if any holder of New Ordinary Shares so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

PART VIII

ADDITIONAL INFORMATION

1. Incorporation

The Company was incorporated as a non-cellular company limited by shares in Guernsey under the Companies Law 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 Law and ordinances and regulations made thereunder. The Company is not regulated by the FCA or by any other regulator (other than by the GFSC).

The Company's accounting period will end on 31 March of each year, with the first year ended 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 in accordance with IFRS as adopted by the EU.

The Company has no employees.

2. C Share Issue and Tap Issue

Since its IPO, the Company has raised additional capital as follows:

(a) in December 2012, the Company issued 16,361,386 C Shares pursuant to an offer of C Shares described in the C Share Prospectus (the "C Share Issue"). The C Shares were issued at an issue price of £1.00 per C Share, raising gross proceeds for the Company of £16,361,386. On 4 February 2013, these C Shares were converted by way of redesignation, in accordance with their terms, into Ordinary Shares at a conversion ratio of 0.9429 Ordinary Shares per C Share (based on the Net Asset Value attributed to each class of Shares), resulting in the cancellation of the C Shares and the issue of 15,427,140 Ordinary Shares to the holders of C Shares on the specified record date (after the rounding down of fractional entitlements); and

(b) between the start of February 2013 and the end of April 2013, the Company issued a total of 8,072,094 Ordinary Shares through eight separate issue dates, for a weighted average issue price of £1.06145 (the "Tap Issue"). The Company raised gross proceeds of £8,568,152.85 pursuant to the Tap Issue.

3. 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) Ordinary 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 200,000,000 New Ordinary Shares will be issued pursuant to the Placing Programme.

(b) As at the date of incorporation, the Company's issued and fully paid up share capital was €1.00 representing the issue of one Ordinary Euro Share at an issue price of €1.00 to the subscriber to the memorandum of incorporation of the Company (the "Subscriber Share").

(c) Pursuant to a written ordinary resolution dated 29 February 2012, the entire issued share capital of the Company was redenominated from €1.00 of one Ordinary Euro Share into £0.84 divided into one Ordinary Share.

(d) In the IPO, on 6 March 2012, 80,720,940 Ordinary Shares were issued. The Subscriber Share was transferred to an investor pursuant to the placing at the time of the IPO.

(e) On 19 December 2012, pursuant to the C Share Issue, 16,361,386 C Shares were issued. On 4 February 2013, these 16,361,386 C Shares were converted by way of redesignation into 15,427,140 Ordinary Shares. The issued C Shares were permanently removed from trading on the London Stock Exchange's Specialist Fund Market and cancelled by the Company.

(f) Between the start of February 2013 and end of April 2013, pursuant to the Tap Issue, 8,072,094 Ordinary Shares were issued by the Company for a weighted average issue price of £1.06145, bringing the total issued share capital of the Company to 104,220,175 Ordinary Shares.

(g) Subject to the disapplication of pre-emptive rights at the EGM on 2 July 2013, the Directors have absolute authority to allot and issue the New Ordinary Shares pursuant to the Placing Programme under the Articles and are expected to resolve to do so shortly prior to the commencement of the Placing Programme.

(h) The New Ordinary Shares will be issued and created in accordance with the Articles and the Companies Law.

(i) The New Ordinary Shares are in registered form and, from the relevant Admission, will be capable of being held in uncertificated form and title to such New Ordinary Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where the New Ordinary 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 New Ordinary Shares. Where New Ordinary 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 36 of this Prospectus, maintains a register of Shareholders holding their New Ordinary Shares in CREST.

(j) None of the actions specified in paragraph 3(h) above shall be deemed an action requiring the approval of Ordinary Shareholders pursuant to the rights attached to the Ordinary Shares.

(k) No share or loan capital of the Company is under option or has been agreed, conditionally or unconditionally, to be put under option.

4. 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 are 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.

5. Directors' and other interests

General

(a) The Directors and their functions are set out in Part V 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 New Ordinary Shares pursuant to any Placing under the Placing Programme.

(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 was paid out of the assets of the Company,

was £129,970. Each of the Directors is entitled to receive £25,000 per annum, subject in each case to annual review by the Remuneration and Nomination Committee. Jonathan Bridel will be entitled to receive a further £5,000 per annum in respect of his position as chairman of the Audit Committee. Ian Fitzgerald will be entitled to receive a further £5,000 per annum in respect of his position as Chairman. 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 5, 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. The Remuneration and Nomination Committee has also approved additional remuneration of £5,000 for each Director for the establishment of the Placing Programme and any issue of C Shares.

(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 Ordinary 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.

Name	*Current directorships/partnerships*	*Past directorships/partnerships*
Ian Fitzgerald	Loan Syndications Advisory Services Limited Cromabooco Limited	Loan 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. CDC Holdings Limited Kleinwort Benson Bank (CI) Limited Kleinwort Benson Holdings (CI) 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 Hazel Ventures Management (GP) Limited Fusion Capital Asset Management (Gsy) Ltd Balmoral Partners Limited

Jonathan (Jon) Bridel	AnaCap Credit Opportunities GP II Limited AnaCap Credit Opportunities II Limited Altus Global Gold Limited BWE GP Limited MGI (Guernsey) Limited Impax Renewable Power Infrastructure Limited Palio Capital Management Guernsey Limited Palio Capital Founding Partners Limited Starwood European Real Estate Finance Limited Starfin Public GP Limited Aurora Russia 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 GLF (GP) Limited Rhodium Stone PCC Limited FTSE UK Commercial Property Index Fund Limited Perpetual Global Limited

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 New Ordinary 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;

(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; and

(vi) None of the Directors hold any Shares in the Company and none of the Directors intend to acquire any New Ordinary Shares as part of the Placing Programme.

(i) The Company maintains directors' liability insurance on behalf of the Directors at the expense of the Company.

(j) No members of the Administrator or the Investment Manager have any service contracts with the Company.

6. Taxation

General

The information below relates only to United Kingdom and Guernsey 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 (and for the purposes of the United Kingdom summary, domiciled) in the United Kingdom or Guernsey 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 a general summary based on current United Kingdom and Guernsey tax law and published practice of the United Kingdom and Guernsey tax authorities, respectively, which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). The summary is not a

guarantee to any investor of the taxation results of investing in the Company and does not constitute legal or tax advice. 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 will depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject. Prospective investors should consult their own professional advisers on the implications of making an investment in and holding or disposing of the Shares, and the receipt of distributions in respect of such Shares under the laws of the countries in which they are liable to taxation.

United Kingdom

Please note that, for the purposes of the United Kingdom summary below, it has been assumed that the Finance Bill, as ordered to be printed on 9 May 2013, will be enacted without amendment.

(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 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 ("**TIOPA 2010**") should not apply.

(ii) Tax on Chargeable Gains

For so long as the Company is not an "offshore fund", a disposal or deemed disposal of Shares (which will include a redemption) by a Shareholder (i) who is resident in the United Kingdom for United Kingdom tax purposes or (ii) who is not so resident but carries on a trade in the United Kingdom through a branch, agency or permanent establishment and whose Shares are used in or for the purposes of the trade or used, held or acquired for use for the purposes of the branch, agency or permanent establishment, may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable 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 generally be payable on any gain. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which presently exempts the first £10,900 of gains from tax for the tax year 2013-14) depending on their circumstances. For Shareholders that are bodies corporate, any gain will generally 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

The Company will not be required to withhold amounts on account of United Kingdom tax at source when paying a dividend.

According to their personal circumstances, and subject to the points set out below, 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 or other income

distribution from the Company will, provided they own less than ten per cent. of the Shares, be entitled to claim a non-payable tax credit equal to one-ninth of the distribution received (which is also equal to 10 per cent. of the aggregate of the distribution and the tax credit).

The effect of the 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 eligible higher rate taxpayers (who pay tax at the dividend higher rate of 32.5 per cent.) would be to reduce their effective tax rate to 25 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 currently pay the additional dividend rate of 37.5 per cent. (reduced by the tax credit to an effective tax rate of 30.6 per cent. of the cash dividend received).

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 from the charge to UK corporation tax.

Shareholders who are not liable to United Kingdom tax on their income will not be subject to United Kingdom tax on dividends.

United Kingdom resident Shareholders who are not liable to United Kingdom tax on dividends will not be entitled to claim repayment of the tax credit attaching to dividends paid by the Company.

(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 be payable on the issue of the New Ordinary Shares. No UK stamp duty should be payable on a transfer of Shares, provided that all instruments effecting or evidencing the transfer are not executed in the United Kingdom and do not relate to any property situated, or to any matter or thing done or to be done, 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.

New Ordinary Shares acquired directly under the Placing Programme will not be eligible for inclusion in a stocks and shares ISA. Ordinary Shares acquired in the market after Admission should be eligible for inclusion in a stocks and shares ISA.

Ordinary Shares should, where certain conditions are satisfied, 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)

Part 9A of the TIOPA 2010 contains provisions which subject certain United Kingdom resident companies to tax on profits of companies not so resident in which they have an interest. The provisions affect United Kingdom resident companies which are deemed to be interested (whether directly or indirectly) in at least 25 per cent. of the profits of a non-resident company which is controlled by residents of the United Kingdom and is resident in a low tax jurisdiction. The legislation is not directed towards the taxation of chargeable gains.

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

The attention of individuals resident in the United Kingdom is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled abroad, and may render such individuals liable to taxation in respect of undistributed income and profits of the person to whom the assets or income were transferred on an annual basis.

(ix) Other United Kingdom Tax Considerations: Transactions in Securities

More generally, the attention of Shareholders is drawn to the provisions of Part 13, Chapter 1 of the Income Tax Act 2007 and Part 15 of the Corporation Tax Act 2010 which give powers to HM Revenue & Customs to cancel tax advantages derived from certain transactions in securities.

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

The attention of Shareholders resident in the United Kingdom is drawn to provisions of the Taxation of Chargeable Gains Act 1992 which could be material to such a person who, whether alone or together with certain connected persons, is deemed to be interested in more than 25 per cent. of the Company's chargeable gains (for example by holding more than 25 per cent. of the Shares) if, at the same time, the Company is controlled in such a manner as to render it a company that would, were it to be resident in the United Kingdom, be a close company for United Kingdom tax purposes. If applicable, these provisions could result in such a Shareholder being treated for the purposes of United Kingdom taxation as if a proportionate part of any gain accruing to the Company had accrued to that person at the time when the chargeable gain accrued to the Company.

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 Company has applied for and has been granted exempt status for Guernsey tax purposes. The Directors of the Company intend that the Company will continue to apply for and be granted exempt status for Guernsey tax purposes annually. A fee, currently £600, is payable on each application.

If exempt status is granted, the Company will be treated as not resident in Guernsey for Guernsey tax purposes. Under current law and practice in Guernsey, a company that has exempt status for Guernsey tax purposes is liable to tax in Guernsey in respect of income arising or accruing in Guernsey other than from a relevant bank deposit. It is anticipated that no income other than bank interest will arise in Guernsey and therefore the Company is not expected to incur any additional liability to Guernsey tax.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties, save for registration fees and *ad valorem* duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant of Representation.

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

(b) Shareholders

Shareholders who are not resident in Guernsey for tax purposes may receive dividends without deduction of Guernsey income tax. Shareholders who are resident for tax purposes in Guernsey (which includes Alderney and Herm) will incur Guernsey income tax at the applicable rate 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 to the Director of Income Tax in Guernsey such particulars relating to any distribution paid to Guernsey resident Shareholders as the Director of Income Tax may require, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of the payment. The Director of Income Tax can require the Company to provide the name and address of every Guernsey resident who, on a specified date, has a beneficial interest in Shares in the Company, with details of the interest.

Although not a Member State of the European Union, Guernsey, in common with certain other jurisdictions, entered into agreements with EU Member States on the taxation of savings income. From 1 July 2011 paying agents in Guernsey must automatically report to the Director of Income Tax in Guernsey any interest payment to individuals resident in the contracting EU Member States which falls within the scope of the EU Savings Directive (2003/48/EC) (the "**EU Savings Directive**") as applied in Guernsey. However, whilst such interest payments may include distributions from the proceeds of shares or units in certain collective investment schemes which are, or are equivalent to, UCITS, in accordance with EC Directive 85/611/EEC (as recast by EC Directive 2009/65/EC (recast)) and guidance notes issued by the States of Guernsey on the implementation of the bilateral agreements, the Company should not be regarded as, or as equivalent to, a UCITS. Accordingly, any payments made by the Company to Shareholders will not be subject to reporting obligations pursuant to the agreements between Guernsey and EU Member States to implement the EU Savings Directive in Guernsey.

The scope and operation of the EU Savings Directive is currently being reviewed in accordance with the European Council's findings published on 13 November 2008. Any review will affect EU Member States. Guernsey, along with other dependent and associated territories, will consider the effect of any proposed changes to the EU Savings Directive in the context of existing bilateral treaties and domestic law, once the outcome of that review is known. If changes are implemented, the position of Shareholders in relation to the EU Savings Directive as applied in Guernsey may be different to that set out above.

(c) Future Changes

The Company could be subject to FATCA. The application of FATCA to the Company is not currently clear, and its application may be affected by any intergovernmental agreement relating to the implementation of FATCA in Guernsey, into which Guernsey and the US may enter.

US-Guernsey Intergovernmental Agreement

On 29 May 2013, the Chief Minister of Guernsey made a statement to Guernsey's parliament that the States of Guernsey is engaged in final negotiations with the United States to conclude an

intergovernmental agreement regarding the implementation of FATCA and that it is anticipated that the agreement would be ready to sign in June 2013. Once signed, an intergovernmental agreement would be subject to ratification by Guernsey's parliament and implementation of the agreement would be through Guernsey's domestic legislative procedure. It is currently anticipated that any such legislation will not come into effect until 2015 at the earliest. The impact of such an agreement on the Company and the Company's reporting and withholding responsibilities (if any) pursuant to FATCA as implemented in Guernsey are not currently known.

UK-Guernsey Intergovernmental Agreement

On 15 March 2013, the Chief Minister of Guernsey announced that Guernsey was in the process of finalising a draft intergovernmental agreement with the UK ("UK-Guernsey IGA") under which potentially obligatory disclosure requirements may be imposed in respect of certain investors in the Company who may have a UK connection.

On 29 May 2013, the Chief Minister of Guernsey made a statement to Guernsey's parliament that discussions regarding the UK-Guernsey IGA were still on-going. As at the date of this Prospectus, details of the finalised terms and effective date of the UK-Guernsey IGA have yet to be published. Once signed, the UK-Guernsey IGA would be subject to ratification by Guernsey's parliament and implementation of the agreement would be through Guernsey's domestic legislative procedure. It is currently anticipated that any such legislation will not come into effect until 2016 at the earliest. The impact of the UK-Guernsey IGA on the Company and the Company's reporting responsibilities pursuant to the UK-Guernsey IGA are not currently known.

7. 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 Law.

(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 Law 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 Ordinary Euro Share held by him;

(B) 1.2 votes in respect of each Ordinary 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 Law or a capital distribution as described in paragraphs (ii) and (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 Law, be determined by the Directors in their absolute discretion and, once determined, shall be notified to Shareholders by way of an RIS announcement.

(iii) Without restricting the discretion of the Directors described in paragraph (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 C 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 rights to subscribe for, or convert securities into, Shares) or sell (for cash) any Shares held in treasury, unless, subject to certain exceptions, it shall first have offered to allot and issue to each existing holder of Shares, as applicable, on the same or more favourable terms a proportion of those 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 held by such shareholder. These pre-emption rights may be excluded and disapplied 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, Ordinary 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 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 New Ordinary 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 New Ordinary 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 Law 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 Law.

(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 7(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 Law.

(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 Law.

(viii) Any Director may, by notice in writing, appoint any other person (subject to the provisions in paragraph 7(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 appointer, 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 Law 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.

8. 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:

Placing Programme Agreement

Pursuant to the Placing Programme Agreement dated 12 June 2013 between the Company, the Investment Manager and Oriel, Oriel was appointed as sole sponsor, financial adviser and placing agent in relation to the Placing Programme and the application for each Admission.

Under the Placing Programme Agreement, Oriel has agreed (*inter alia*) to use its reasonable endeavours to procure subscribers for New Ordinary Shares made available under the Placing Programme at the applicable Issue Price. The Placing Programme is not being underwritten. Oriel's obligations under the Placing Programme Agreement in connection with each Placing are conditional upon the fulfilment of certain conditions (which may be waived by Oriel) 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 Oriel and the UK Listing Authority and made available to the public in accordance with the Prospectus Rules and the terms of the Placing Programme Agreement prior to the relevant Admission; the relevant Admission occurring by no later than 8.00 a.m. on such date as may be agreed between the Company, the Investment Manager and Oriel; 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 and the Investment Manager as at the date of the Placing Programme Agreement and immediately prior to the relevant Admission, in each case by reference to the facts subsisting at the relevant time.

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

The Company has also agreed to indemnify Oriel (for itself and for each of its affiliates and its 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 Placing Programme, and in connection with such costs and expenses incurred by it in investigating and defending such claims or establishing their right to be indemnified under the Placing Programme Agreement, unless (subject to certain limited exceptions) the loss results, from any indemnified person's finally judicially determined fraud, negligence, bad faith or wilful default.

Under the Placing Programme Agreement, the Company has agreed to pay on each Admission all reasonable costs, charges and expenses properly incurred in connection with each Placing (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 an aggregate amount of £15,000, unless otherwise agreed by the Company acting reasonably).

In consideration for the provision of its services under the Placing Programme Agreement, Oriel is also entitled to an advisory fee of £70,000, plus commission calculated at the rate of 1.00 per cent. of the gross proceeds of each Placing under the Placing Programme.

The Company has undertaken in the Placing Programme Agreement that it will not, without the prior written consent of Oriel, during the period of 90 days from the date of each 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 US 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) of this paragraph 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 any issue or Placing by or on behalf of the Company in respect of New Ordinary Shares pursuant to the Placing Programme.

Oriel may terminate the Placing Programme Agreement if, in the opinion of Oriel (acting in good faith), there has been (*inter alia*) a material breach of any of the warranties contained in the Placing Programme Agreement, a material adverse change in (*inter alia*) 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 Placing Programme Agreement is governed by the laws of England.

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 is 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 is payable quarterly in arrear.

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

No performance fee is 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 the IPO.

(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 Ordinary 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 Investment Management 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.

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 used the net issue proceeds from the IPO (less an amount retained for general working capital purposes) to subscribe for profit participating bonds (the "Profit Participating Bonds") issued by LuxCo. The Profit Participating Bonds are listed on the CISX. The Company will use the net proceeds of each Placing under the Placing Programme to subscribe for additional Profit Participating Bonds.

LuxCo will use the proceeds of the issue of the Profit Participating Bonds to acquire investments in 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 months' written notice. The Registrar 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.

Banking Agreement

The Company and BNP Paribas Securities Services S.C.A., Guernsey Branch (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 terminate. 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 an international forward foreign exchange master agreement dated 9 January 2012 (the "Hedging Master Agreement"), pursuant to which the parties agreed to 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.

9. 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.

10. Related party transactions and other arrangements

Other than: (i) the issue of C Shares (as part of the C Share Issue) to certain related parties of the Company as approved by the Shareholders at the EGM held on 10 December 2012; (ii) as set out in paragraphs 5 and 8 of this Part VIII of this Prospectus; and (iii) as set out in the consolidated financial information of the Group for the period from 3 November 2011 (date of incorporation) to 30 September 2012 incorporated by reference into this Prospectus, the Company has not entered into any related party transactions between incorporation and the date of this Prospectus.

11. General

(a) The Placing of the New Ordinary Shares under the Placing Programme will be carried out on behalf of the Company by Oriel, which is authorised and regulated in the United Kingdom by the FCA.

(b) The Investment Manager may be a promoter of the Company. Save as disclosed in paragraph 8 above of this Part VIII of this Prospectus, 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 New Ordinary 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.

12. 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.

13. Working capital

The Company is of the opinion that 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.

14. No Significant Change

Save in respect of the C Share Issue and the Tap Issue, each as described in paragraphs 2(a) and 2(b) above of this Part VIII of this Prospectus, respectively, there has been no significant change in the financial or trading position of the Company since 30 September 2012, the date of the Company's historical financial information set out in Section B of Part VI of this Prospectus.

15. Capitalisation and Indebtedness Statement

The following tables set out the capitalisation and indebtedness of the Company as at 31 May 2013, extracted without material adjustment from the Company's unaudited internal management accounts.

	31 May 2013
	€
Current debt	
Guaranteed	3,774,949
Secured	326,303
Unguaranteed/unsecured	–
Total current debt	4,101,252
Non-current debt (excluding current portion of loan-term debt)	
Guaranteed	–
Secured	–
Unguaranteed/unsecured	–
Total non-current	–
Equity	
Share capital	123,857,201
Legal reserve	–
Other reserves	4,177,172
Total capitalisation	128,034,373

The Company has no non-current debt as at 31 May 2013.

The following table sets out the net indebtedness of the Company as at 31 May 2013, extracted without material adjustment from the Company's unaudited internal management accounts[13].

	31 May 2013
	€
Net indebtedness	
Cash	6,547,148
Cash equivalent	–
Trading securities	–
Liquidity	6,547,148
Current financial receivables	
Current bank debt	–
Current portion of non-current debt	–
Other current financial receivables	3,116,940
Other current financial debt	(4,101,252)
Current financial debt	(984,312)
Net current financial receivable/(indebtedness)	5,562,836
Non-current financial indebtedness	
Non-current bank loans	–
Bonds issued	–
Other non-current loans	–
Non-current financial indebtedness	–
Net financial receivables/(indebtedness)	5,562,836

16. 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.

[13] The Company has no indirect or contingent indebtedness as at 31 May 2013.

17. Major Shareholders

As at 10 June 2013, insofar as it is known to the Directors from notifications received by the Company in accordance with the provisions of the Articles and the Disclosure Rules and Transparency Rules, the name of each person other than a Director who, directly or indirectly, is interested in 5 per cent. or more of the voting rights attaching to the issue share capital of the Company, and the amount of such person's interest, is as follows:

Shares	*Number of Ordinary Shares*	*% of Issued Ordinary Share Name Capital*
The Bank of New York Mellon Corporation	30,297,000	29.74
Henderson Global Investors	12,108,060	11.62
Sarasin and Partners LLP	9,907,346	9.51
BlackRock Inc	8,064,022	7.74

There are no differences between the voting rights enjoyed by the Shareholders described above and those enjoyed by other holders of Shares. To the extent known by the Company, the Company is not aware of any person or persons who, directly or indirectly, jointly or severally, exercises control of the Company. There are no relationships between the Directors and these Shareholders.

18. 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 each Admission at the registered office of the Company:

(a) the memorandum and articles of incorporation of the Company;

(b) the consolidated financial information of the Group for the period from 3 November 2011 (date of incorporation) to 30 September 2012 and the audit report thereon of KPMG Channel Islands Limited;

(c) the C Share Prospectus; and

(d) this Prospectus.

PART IX

TERMS AND CONDITIONS OF THE PLACING

Introduction

Each Placee which confirms its agreement (whether orally or in writing) to Oriel to subscribe for New Ordinary Shares that are subject of a Placing under the Placing Programme will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and/or Oriel may require Placees 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 New Ordinary Shares

Conditional on: (i) Admission occurring and becoming effective in connection with each Placing by not later than 8.00 a.m. (London time) on the day the relevant New Ordinary Shares are issued (or such other time and/or date as the Company, the Investment Manager and Oriel may agree prior to the closing of that Placing); (ii) the Placing Programme Agreement becoming otherwise unconditional in all respects applicable to the relevant Placing and not having been terminated in accordance with its terms before Admission of the relevant New Ordinary Shares; and (iii) Oriel confirming to the Placees their allocation of New Ordinary Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those New Ordinary Shares allocated to it by Oriel at the applicable 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 New Ordinary Shares

Each Placee must pay the applicable Issue Price for the New Ordinary Shares issued to the Placee in the manner and by the time directed by Oriel. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for New Ordinary Shares shall be rejected.

Representations and Warranties

By agreeing to subscribe for New Ordinary Shares, each Placee which enters into a placing commitment to subscribe for New Ordinary Shares will (for itself and any person(s) procured by it to subscribe for New Ordinary 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 that:

(a) in agreeing to subscribe for New Ordinary 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 Programme. It agrees that none of the Company, the Investment Manager, Oriel 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 Oriel under any regulatory regime, neither Oriel 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 New Ordinary Shares or the Placing Programme;

(c) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for New Ordinary Shares under the Placing Programme, 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, Oriel, 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 Programme;

(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 New Ordinary 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 New Ordinary Shares solely on the basis of this Prospectus and no other information and that in accepting a participation in any Placing under the Placing Programme it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for New Ordinary Shares;

(f) it acknowledges that no person is authorised in connection with the Placing Programme 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 Oriel, 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 New Ordinary Shares has been or will be registered under the laws of any Excluded Territory. Accordingly, the New Ordinary 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 New Ordinary 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) and any amendments thereto including Directive 2010/73 EU to the extent implemented in the Relevant Member State;

(k) if it is outside the United Kingdom, neither this Prospectus nor any other offering, marketing or other material in connection with the Placing Programme constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for New Ordinary Shares pursuant to the Placing Programme 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 New Ordinary 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) it acknowledges that neither Oriel nor any of its affiliates nor any person acting on behalf of any of them is making any recommendations to it, advising it regarding the suitability of any transactions it may enter into in connection with the Placing Programme or providing any advice in relation to the Placing Programme and participation in any Placing under the Placing Programme is on the basis that it is not and will not be a client of Oriel or any of their respective affiliates and that neither Oriel nor any of its affiliates has any duties or responsibilities to it for providing protection afforded to their respective clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertaking or indemnities contained in these terms and conditions or in the Placing Letter;

(m) it acknowledges the representations, warranties and agreements set out in this Prospectus, including those set out in the "selling and transfer restrictions" section in Part VIII of this Prospectus, and further acknowledges that it is not a US Person, it is not located within the United States and is not acquiring the New Ordinary Shares for the account or benefit of a US Person; where it is subscribing for New Ordinary Shares for one or more managed, discretionary or

advisory accounts, it is authorised in writing for each such account: (i) to subscribe for the New Ordinary Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this Prospectus; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or Oriel. It agrees that the provision of this paragraph shall survive any resale of the New Ordinary Shares by or on behalf of any such account

(n) it irrevocably appoints any of the directors of the Company and Oriel 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 New Ordinary Shares for which it has given a commitment under the Placing Programme, in the event of its own failure to do so;

(o) it accepts that if the Placing Programme does not proceed or the conditions to the Placing Programme Agreement are not satisfied or the New Ordinary Shares for which valid applications are received and accepted are not admitted to listing and trading on the Main Market for any reason whatsoever then none of Oriel the Company or any of their respective 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 any Placing under the Placing Programme, 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, Oriel 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, Oriel and/or the Company may refuse to accept the placing commitment and the subscription moneys relating thereto. It holds harmless and will indemnify Oriel 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 New Ordinary 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) each of Oriel and the Company (and any agent on its behalf) is entitled to exercise any of their rights under the Placing Programme 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's warranties" in Part VII of this Prospectus;

(u) the representations, undertakings and warranties contained in these terms and conditions are irrevocable. It acknowledges that Oriel 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 New Ordinary Shares are no longer accurate, it shall promptly notify Oriel and the Company;

(v) where it or any person acting on behalf of it is dealing with Oriel any money held in an account with Oriel 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 FCA or the GFSC which therefore will not require Oriel to segregate such money, as that money will be held by Oriel under a banking relationship and not as trustee;

(w) any of its clients, whether or not identified to Oriel or any of its affiliates or agents, will remain its sole responsibility and will not become clients of Oriel or any of its affiliates or agents for the purposes of the rules of the FCA or the GFSC or for the purposes of any other statutory or regulatory provision;

(x) the allocation of New Ordinary Shares pursuant to the Placing Programme shall be determined by the Company, the Investment Manager and Oriel 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 New Ordinary Shares and to comply with its other obligations under the Placing Programme.

Supply and Disclosure of Information

If Oriel the Registrar or the Company or any of their agents request any information in connection with a Placee's commitment to subscribe for New Ordinary Shares under the Placing Programme 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, Oriel, 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 Programme 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 New Ordinary 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, its Registrar, or Oriel of any personal data relating to them in the manner described above.

Miscellaneous

The rights and remedies of Oriel, 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 Programme 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 New Ordinary Shares, which the Placee has agreed to subscribe for pursuant to the Placing Programme, have been acquired by the Placee. The contract to subscribe for New Ordinary Shares under the Placing

Programme 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 Oriel, 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 the Placee in any other jurisdiction.

In the case of a joint agreement to subscribe for New Ordinary Shares under the Placing Programme, 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.

Each of Oriel and the Company expressly reserve the right to modify the Placing Programme (including, without limitation, their timetable and settlement) at any time before allocations are determined.

Each Placing under the Placing Programme is subject to the satisfaction of the conditions contained in the Placing Programme Agreement and the Placing Programme Agreement not having been terminated. Further details of the terms of the Placing Programme Agreement are contained in paragraph 8 of Part VIII of this Prospectus.

PART X

DOCUMENTATION INCORPORATED BY REFERENCE

The C Share Prospectus (containing the audited consolidated financial information of the Group for the period from 3 November 2011 (date of incorporation) to 30 September 2012, together with the audit report thereon), is available for inspection in accordance with paragraph 18 of Part VIII of this Prospectus and contains information which is relevant to the New Ordinary Shares. This document is also available on the Company's website at www.aefrif.com.

The table below sets out the various sections of such documents which are incorporated by reference into this Prospectus so as to provide the information required under the Prospectus Rules and to ensure that Shareholders and others are aware of all information which, according to the particular nature of the Company and of the New Ordinary Shares, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Company. It should be noted that other sections of such documents that are not incorporated herein by reference are either not relevant to investors and others or are covered elsewhere in this Prospectus.

Document	*Section*	*Page numbers in such document*
C Share Prospectus	Part VI – Financial Information on the Group – Section A: Accountants report on the Historical Financial Information	74 to 75
C Share Prospectus	Part VI – Financial Information on the Group – Section B: Historical Financial Information of the Company – Consolidated Statement of Comprehensive Income	76
C Share Prospectus	Part VI – Financial Information on the Group – Section B: Historical Financial Information of the Company – Consolidated Statement of Financial Position	77
C Share Prospectus	Part VI – Financial Information on the Group – Section B: Historical Financial Information of the Company – Consolidated Statement of Changes in Equity	78
C Share Prospectus	Part VI – Financial Information on the Group – Section B: Historical Financial Information of the Company – Consolidated Statement of Cash Flows	79
C Share Prospectus	Part VI – Financial Information on the Group – Section B: Historical Financial Information of the Company – Notes to the Consolidated Financial Information	80 to 94

PART XI

DEFINITIONS

Definitions

The following definitions apply throughout this document unless the context requires otherwise:

Administration and Custody Agreement	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 VIII of this Prospectus
Administrator	means BNP Paribas Securities Services S.C.A., Guernsey Branch (previously BNP Paribas Fund Services (Guernsey) Limited)
Admission	means the admission of the New Ordinary Shares to be issued pursuant to a Placing under the Placing Programme to listing on the premium segment of the Official List and to trading on the Main Market
Affiliate	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
AIFM Directive	means the EU Directive on Alternative Investment Fund Managers
Alcentra European Loan Fund	means Alcentra Fund S.C.A. SICAV – SIF – Alcentra European Loan Fund
Alcentra Group	means BNY Alcentra Group Holdings, Inc. and its consolidated subsidiaries and subsidiary undertakings from time to time
Approved Pricing Provider	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
Articles or Articles of Incorporation	means the articles of incorporation of the Company adopted from time to time
AUM	means assets under management
B Shares	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.
Basic Entitlement	has the meaning given in the section headed "Discount Control" in Part I of this Prospectus
Bloomberg	means Bloomberg L.P.
BNY Mellon Group	means BNY Mellon Corporation and its consolidated subsidiaries and subsidiary undertakings from time to time
Board or **Board of Directors**	means the board of directors of the Company

bps or **basis points**	means a unit of measurement equal to 1/100th of 1 per cent. For example, 1 bps is equal to 0.01 per cent.
Business Day	means a day on which the London Stock Exchange and banks in Guernsey are normally open for business
C Share	means a redeemable ordinary share of no par value in the capital of the Company issued and designated as a C Share of such class, denominated in such currency and convertible into such Ordinary Shares, as may be determined by the Directors at the time of issue
C Share Issue	means the issue of C Shares by the Company in December 2012 pursuant to the C Share Prospectus, as further described in paragraph 2 of Part VIII of this Prospectus
C Share Prospectus	means the prospectus published by the Company on 19 November 2012 in relation to the issue of the C Shares
certificated	means not in uncertificated form
CISX	means the Channel Islands Stock Exchange, LBG
CLO	means collateralised loan obligation
Companies Law	means The Companies (Guernsey) Law, 2008, as amended
Company	means Alcentra European Floating Rate Income Fund Limited
Continuation Resolution	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
Continuing Shareholders	has the meaning given in the section headed "Discount Control" in Part I of this Prospectus
CREST	means the UK based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator
CREST Guernsey Requirements	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
CREST Manual	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
Directors	means the Directors of the Company
Disclosure Rules and Transparency Rules	means the disclosure rules and transparency rules made by the FCA under Part VI of the FSMA
Discount Calculation Period	has the meaning given in the section headed "Discount Control" in Part I of this Prospectus

EBITDA	means earnings before interest, taxation, depreciation and amortisation
EEA	means the European Economic Area
EGM	means an extraordinary general meeting of the Company
ERISA	means the US Employee Retirement Income Security Act of 1974, as amended
EU	means the European Union
EU Savings Tax Directive	means the EU Savings Tax Directive (2003/48/EC)
Euro	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
Euro Zone	means the Member States that have adopted the Euro as their common currency and sole legal tender
Excluded Territory	means the United States, Canada, Japan, and any other jurisdiction where the extension or the availability of the Placing Programme and any Placing would breach any applicable law
Exiting Shareholders	has the meaning given in the section headed "Discount Control" in Part I of this Prospectus
FATCA	means Sections 1471 through 1474 of the US Code, any regulations or agreements thereunder or official interpretation thereof
FCA	means the Financial Conduct Authority of the United Kingdom
Fitch Ratings	means Fitch Ratings Inc. and its subsidiaries
FSMA	means the Financial Services and Markets Act 2000, as amended
GFSC	means the Guernsey Financial Services Commission
Gross Asset Value	means the total assets of the Company as determined in accordance with the accounting principles adopted by the Directors
Group	means the Company and its consolidated subsidiaries and subsidiary undertakings from time to time
Guernsey AML Requirements	means 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)
Hedging Master Agreement	means the international forward foreign exchange master agreement, a summary of which is set out in Part VIII of this Prospectus

IFRS	means the International Financial Reporting Standards, as adopted by the European Union
Investment Advisers Act	means the Investment Advisers Act of 1940, as amended
Investment Committee	means the investment committee as described in Part IV of this Prospectus
Investment Management Agreement	means the investment management agreement between the Company, LuxCo and the Investment Manager, a summary of which is set out in Part VIII of this Prospectus
Investment Manager	means Alcentra Limited
IPO	means the initial public offering of the Ordinary Shares and the admission to the Official List on 6 March 2012
IPO Prospectus	means the prospectus published by the Company on 9 January 2012 in relation to the IPO
ISA	means an individual savings account
Issue Price	means the price at which the New Ordinary Shares will be issued to Placees under the Placing Programme, being at a premium to the then prevailing cum income Net Asset Value per Ordinary Share at the time that the proposed issue is agreed, in accordance with Part VII of this Prospectus
LBO	means leveraged buy-out
Listing Rules	means the listing rules of the UK Listing Authority made under section 74(4) of the FSMA
London Stock Exchange	means London Stock Exchange plc
LuxCo	means Alcentra European Floating Rate Income S.A., a company incorporated in Luxembourg as a wholly owned subsidiary of the Company
Main Market	means the London Stock Exchange's main market for listed securities
Member States	means the member states of the EU
Monthly Portfolio Disclosure	has the meaning given in the section headed "Disclosure of the Portfolio" in Part I of this Prospectus
Moody's Investors Service	means Moody's Investors Service, Inc.
NAV Calculation Date	means each Business Day on which NAV is calculated, as described in Part I of this Prospectus
Net Asset Value or **NAV**	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

New Ordinary Shares	means the new Ordinary Shares issued or to be issued pursuant to the Placing Programme
Non-Executive Chairman or **Chairman**	means the non-executive Chairman of the Company
Non-Qualified Holder	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) 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 US 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
Official List	means the Official List of the UK Listing Authority
Ordinary Euro Shares	means those Ordinary Shares issued or denominated in Euro
Ordinary Shareholders	means the holders of Ordinary Shares
Ordinary Shares	means redeemable ordinary shares of no par value in the capital of the Company issued and designated as "Ordinary Shares" denominated in Sterling, and having such rights and being subject to such restrictions as contained in the Articles
Oriel	means Oriel Securities Limited
Other Accounts	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
Placee	means a person subscribing for New Ordinary Shares under the Placing

Placing	means a placing of New Ordinary Shares at the Issue Price pursuant to the Placing Programme as described in this Prospectus
Placing Costs	means the aggregate fees, expenses and costs of the Placing Programme or a Placing (as the context requires)
Placing Programme	means the proposed programme of Placings of up to 200,000,000 New Ordinary Shares in one or more tranches throughout the period commencing 3 July 2013 and ending no later than 11 June 2014, as described in this Prospectus
Placing Programme Agreement	means the agreement entered into between the Company, the Investment Manager and Oriel (in its capacity as sole sponsor, financial adviser and placing agent) in respect of the Placing Programme, as more fully described in Part VIII of this Prospectus
Plan Asset Regulations	means 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
Plan Investor	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
Plan Threshold	means 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
Portfolio	means at any time, the portfolio of assets and investments in which the funds of the Company are invested
Profit Participating Bonds	means the profit participating bonds issued and to be issued by LuxCo which the Company has and will subscribe for in accordance with the terms of the Subscription Agreement. The profit participating bonds are listed on the CISX.
Prospectus	means this document
Prospectus Directive	means EU Prospectus Directive (2003/71/EC), as amended
Prospectus Rules	means the prospectus rules made by the FCA under Part VI of the FSMA

Qualified Investors	means persons who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive
Redemption Date	means the date on which Ordinary Shares are redeemed in connection with a Redemption Offer, such date to be determined by the Directors in connection with any Redemption Offer
Redemption Offer	has the meaning given in the section headed "Discount Control" in Part I of this Prospectus
Redemption Pool	has the meaning given in the section headed "Discount Control" in Part I of this Prospectus
Registrar	means Capita Registrars Limited
Regulation S	means Regulation S under the US Securities Act
RIS	means a regulatory information service
SEC	means the US Securities and Exchange Commission
Shareholders	means the holders of Shares in the capital of the Company
Shares	means Ordinary Shares, B Shares and/or C Shares as the context requires
Similar Law	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
SIPP	means a self-invested personal pension
SSAS	means a small self-administered scheme
Standard & Poor's	means Standard & Poor's, a division of the McGraw-Hill Companies, Inc.
Sterling	means pounds sterling, the lawful currency of the United Kingdom
Subscription Agreement	means the subscription agreement entered into by the Company and LuxCo on 9 January 2012 in respect of the Company's subscription for Profit Participating Bonds
Tap Issue	means the series of issuances of Ordinary Shares by the Company between the start of February 2013 and end of April 2013, as further described in paragraph 2 of Part VIII of this Prospectus
UK or **United Kingdom**	means the United Kingdom of Great Britain and Northern Ireland
UK Corporate Governance Code	means the UK Corporate Governance Code as published by the Financial Reporting Council
UK Listing Authority	means the Financial Conduct Authority as the competent authority for listing in the United Kingdom

uncertificated form	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
United States or **US**	means the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
US Code	means the United States Internal Revenue Code of 1986, as amended
US Investment Company Act	means the US Investment Company Act of 1940, as amended
US Persons	has the meaning given to it in Regulation S
US Securities Act	means the United States Securities Act of 1933.