

# ESG et émissions zéro dans les portefeuilles de dette privée

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DOCUMENT RÉSERVÉ EXCLUSIVEMENT AUX INVESTISSEURS QUALIFIÉS.

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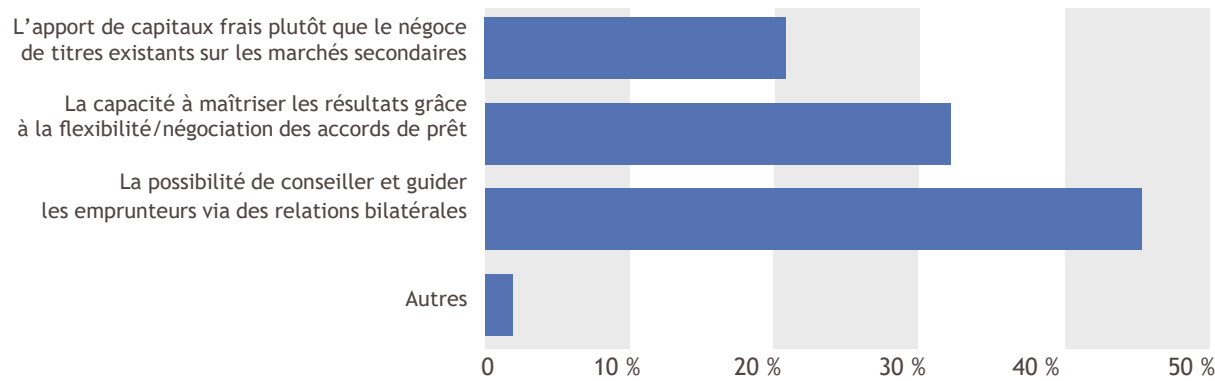
# Les questions ESG sur le marché de la dette privée

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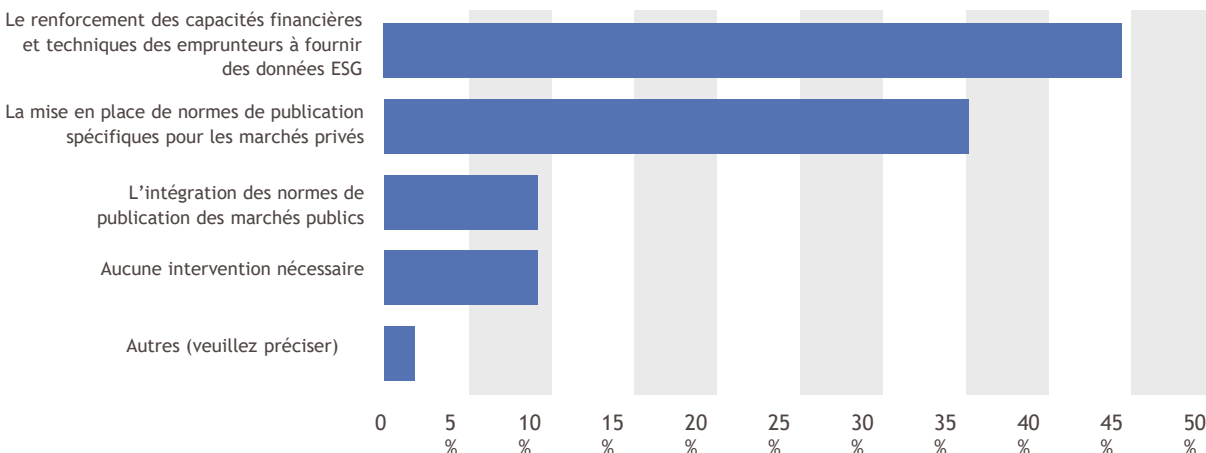
# L'importance des considérations ESG dans la dette privée

Les considérations ESG sont-elles pleinement intégrées dans le marché de la dette privée ?

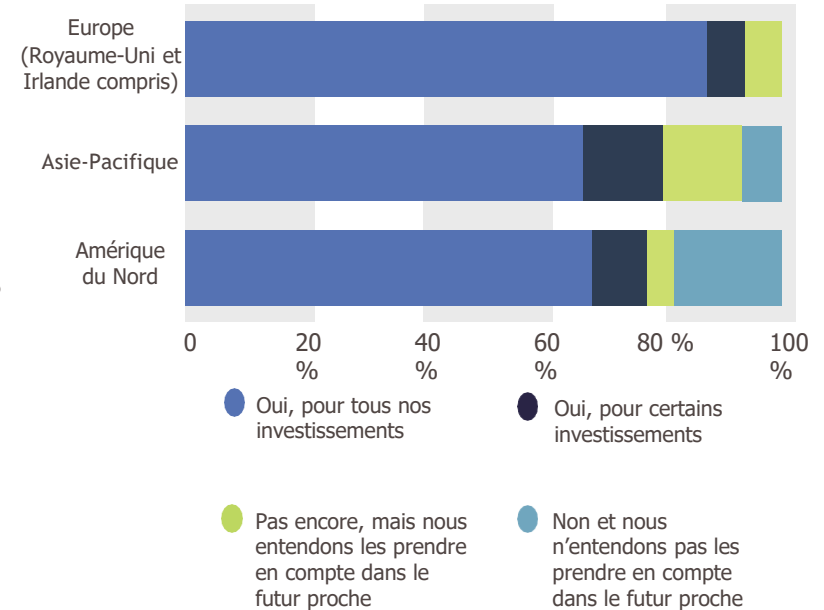
Quelle est, selon vous, la plus grande valeur ajoutée du crédit privé, en termes d'ESG ?



Qu'est-ce qui contribuerait le plus à l'amélioration de la qualité des données ESG des émetteurs/emprunteurs ?



Une étude récente de l'AIMA montre une prise en compte croissante des facteurs ESG, dans la dette privée



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## L'approche ESG chez Muzinich

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*Muzinich & Co*

# Nous nous efforçons de rendre tous nos investissements réellement durables

## De Responsable à Durable

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- Accent plus marqué sur les effets en matière de durabilité que dans une approche fondée sur les risques
- Objectifs d'impacts environnementaux et sociaux spécifiques sur des thèmes clés tels que le climat, l'eau, les déchets, l'économie circulaire, les droits de l'homme et l'équité sociale

## Objectif zéro émissions

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- Alignement des portefeuilles sur les objectifs de l'accord de Paris et adhésion à l'initiative « Net Zero Asset Managers »
- Définition d'objectifs intermédiaires d'émissions financées
- Objectif net zéro pour Muzinich d'ici 2025

## Reporting ESG exhaustif

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- Au niveau de l'entreprise
- Au niveau des portefeuilles

## Engagement ESG proactif

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- Cadre d'engagement ESG proactif et thématique à l'échelle de l'entreprise

## Participation active aux forums externes

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- Participation aux initiatives sectorielles visant à promouvoir l'ESG auprès des investisseurs, des émetteurs et des décideurs politiques

## Innovation de produits durables

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- Identification des opportunités de produits de crédit durables, thématiques et à impact

Muzinich views and opinions. For illustrative purposes only. Not to be construed as investment advice. There can be no guarantee that the investment strategy will be successful, and the value of the investment may go up as well as down.

## Quatre éléments fondamentaux au cœur de notre stratégie ESG orientent nos activités d'investissement



### Intégration

- Intégration de l'analyse ESG dans le processus de recherche crédit
- Des décisions d'investissement fondées sur des faits objectifs et visant à optimiser les résultats financiers et non financiers.
- Finalisation de la notation ESG interne



### Engagement

- Dialogue constructif avec les entreprises sur leurs principaux défis ESG et proposition de solutions
- Collaboration avec d'autres investisseurs pour en maximiser l'efficacité



### Climat

- Optimisation des risques et opportunités climat dans les investissements
- Nouvelles solutions d'investissement alignées sur l'objectif net zéro d'ici 2050
- Engagement auprès des émetteurs sur leur trajectoire net zéro



### Transparence

- Reporting sur l'action ESG au niveau de l'entreprise et des produits
- Publication en ligne du détail de notre *Politique d'investissement responsable*\*.
- Reporting personnalisé des portefeuilles ESG

# Une Approche ESG sur mesure en fonction des différentes catégories de crédit

Nous privilégions le sur-mesure, car nous estimons qu'il n'existe pas de solution unique pour les obligations, les prêts, la dette titrisée et la dette privée

## Dette privée

## Prêts

## Obligations d'entreprises

### Intégration ESG



- Face au manque de publications ESG sur les marchés illiquides, nous avons développé en interne un formulaire et une fiche d'évaluation ESG
- Nous effectuons une *due diligence* ESG approfondie avant tout engagement et un suivi ESG continu

- Le grand nombre d'émetteurs privés sur le segment des prêts exige une évaluation en interne plus qualitative de la gestion des risques ESG par rapport aux obligations

- La publication d'informations ESG détaillées permet une intégration plus large des facteurs ESG
- L'existence d'indicateurs comparables permet le recours à des overlays ESG *best/worst-in-class*

### Engagement ESG



- Capacité d'influencer les conditions générales et les clauses restrictives (p. ex. exigences spécifiques en matière de publication d'informations ESG)
- Démarche de partenariat à long terme pour l'engagement dans le but d'améliorer le profil ESG de l'emprunteur pendant toute la durée du prêt

- Comme pour les obligations, nous dialoguons avec les émetteurs sur les questions de transparence ESG et/ou de gestion des risques ESG
- Nous travaillons avec l'UNPRI et l'ELFA\* pour contribuer à l'amélioration de la transparence ESG sur le marché des prêts

- Les grands portefeuilles diversifiés exigent une démarche d'engagement très ciblée
- Possibilités de collaboration avec d'autres porteurs d'obligations pour donner plus de poids au dialogue

En tant que prêteurs de capitaux, nous dialoguons activement avec les entreprises via notre dispositif propriétaire de notation ESG

## Le dialogue ESG de Muzinich

- Nos analystes crédit sont chargés de dialoguer en direct avec les entreprises et en collaboration avec d'autres investisseurs
- Le détail des dialogues est enregistré dans une base de données centralisée, partagée avec l'ensemble de l'équipe d'investissement.
- Le détail des dialogues et leurs résultats sont inclus dans les comptes rendus de recherche, le cas échéant
- Les raisons pour ne pas participer à un investissement pour des raisons ESG doivent être communiquées
- Nos initiatives de dialogue combinent une approche *bottom-up* axée sur les risques financiers à court terme et une approche *top-down* axée sur les thèmes ESG macroéconomiques à plus long terme (par exemple, le changement climatique)



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L'intensité carbone des investissements sur les marchés privés nous semble peu élevée en termes absolus et relatifs, par rapport aux marchés publics, mais la lutte contre les émissions de carbone et la recherche de solutions pour résoudre la crise climatique restent néanmoins, des impératifs.

## Considérations « Net Zero » dans les portefeuilles de dette privée

- ✓ **Dialogue** - Échanger avec les entreprises du portefeuille sur les questions de transparence, de guidance et de gestion des risques climat
- ✓ **Incitation** - Proposer une réduction des coûts de financement moyennant la réalisation d'indicateurs clés de performance ESG et/ou l'atténuation du changement climatique
- ✓ **Réduction** - Réduire l'exposition aux entreprises à plus forte intensité carbone qui ne visent pas le « net zéro »

## Les initiatives de Muzinich

- ✓ **Engagement** - Transition vers le « net zéro » au niveau opérationnel
- ✓ **Reporting** - Publication périodique de l'empreinte carbone de l'entreprise
- ✓ **Achat** - Recours aux énergies renouvelables lorsque possible
- ✓ **Compensation** - Compenser uniquement les émissions les plus difficiles à réduire et seulement en dernier recours



## Intégration ESG dans le processus d'investissement de la dette privée

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# La dette privée peut être alignée sur des résultats durables

L'apport de capitaux au sens large (actions et dette) vise de plus en plus à soutenir les entreprises qui s'alignent sur les Objectifs de développement durable des Nations unies.






Source: United Nations, Sustainable Development Goals, as of May, 2022.

Muzinich views and opinions as of May, 2022. For illustrative purposes only. Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies.

# Cadre ESG du fonds Muzinich Pan-European Private Debt

Muzinich a développé un cadre ESG basé sur 10 thèmes ESG, notés de 0 (absent) à 5 (fort)

Les fonds Pan-EU Private Debt visent (dans la mesure du possible) une exposition de plus de 60 % à des entreprises avec un score ESG supérieur à 2,7

	Thème ESG	Critères	Score
 Environnement	Général	<ul style="list-style-type: none"> <li>• Activités interdites au titre des politiques ou autres obligations ESG de l'entreprise ou du fonds</li> <li>• Présence dans un secteur/juridiction à risque (travail, droits de l'homme, environnement, etc.)</li> </ul>	Oui/Non
	Références ESG du sponsor	<ul style="list-style-type: none"> <li>• Le sponsor est signataire des Principes pour l'investissement responsable (PRI) ou autre équivalent ?</li> <li>• Le sponsor/bénéficiaire effectif dispose d'une expertise ESG (politique, notation par les tiers et DD, etc.)</li> <li>• Évaluation DD ESG indépendante par un fournisseur tiers crédible</li> </ul>	Note de 0 à 5
	Changement climatique	<ul style="list-style-type: none"> <li>• Existence d'une politique climat et/ou d'un plan d'atténuation. Reporting et mesure de la consommation d'énergie</li> <li>• Reporting sur la gouvernance des risques climat, les objectifs et les indicateurs de GES</li> </ul>	Note de 0 à 5
	Utilisation des ressources naturelles	<ul style="list-style-type: none"> <li>• Intégration dans la production des concepts d'utilisation efficace des ressources et d'économie circulaire</li> <li>• Politique de réduction des déchets, programmes de gérance produits (p. ex., recyclage)</li> </ul>	Note de 0 à 5
	Dégradation de l'environnement	<ul style="list-style-type: none"> <li>• Registre d'élimination des déchets matériels et des infractions et incidents environnementaux</li> <li>• Conformité avec les permis, autorisations, etc. en matière d'environnement</li> </ul>	Note de 0 à 5
 Social	Dialogue avec et bien-être des salariés	<ul style="list-style-type: none"> <li>• Existence de politiques d'égalité d'accès à l'emploi, de diversité et d'inclusion</li> <li>• Programmes et plans de formation et de dialogue avec les salariés, dotés de ressources suffisantes</li> </ul>	Note de 0 à 5
	Parties prenantes	<ul style="list-style-type: none"> <li>• Risque de boycott de l'entreprise ou de ses produits par les clients, les communautés locales ou les fournisseurs</li> <li>• Problèmes liés aux chaînes d'approvisionnement/régions dotées de régimes déficients (travail des enfants, mauvaises normes de travail, etc.)</li> </ul>	Note de 0 à 5
	Diversité et inclusion	<ul style="list-style-type: none"> <li>• Absence de statistiques sur la diversité</li> <li>• Absence de statistiques sur l'écart de rémunération entre les sexes</li> </ul>	Note de 0 à 5
 Gouvernance	Gestion, transparence et responsabilité ESG	<ul style="list-style-type: none"> <li>• Protection appropriée des données</li> <li>• Auditeurs réputés, Comité d'audit au Conseil d'administration Reporting public approprié sur les risques ESG significatifs</li> </ul>	Note de 0 à 5
	Lutte contre la corruption	<ul style="list-style-type: none"> <li>• Mesures anticorruption appropriées</li> <li>• Liens commerciaux avec des pays exposés à un risque élevé de corruption ou de blanchiment d'argent</li> </ul>	Note de 0 à 5
	Gestion des risques	<ul style="list-style-type: none"> <li>• Intégration et hiérarchisation des risques ESG dans le registre des risques Prise en compte au niveau du Conseil d'administration de la gestion des risques ESG</li> <li>• Historique des violations de sécurité informatique, plan de reprise après sinistre informatique</li> </ul>	Note de 0 à 5

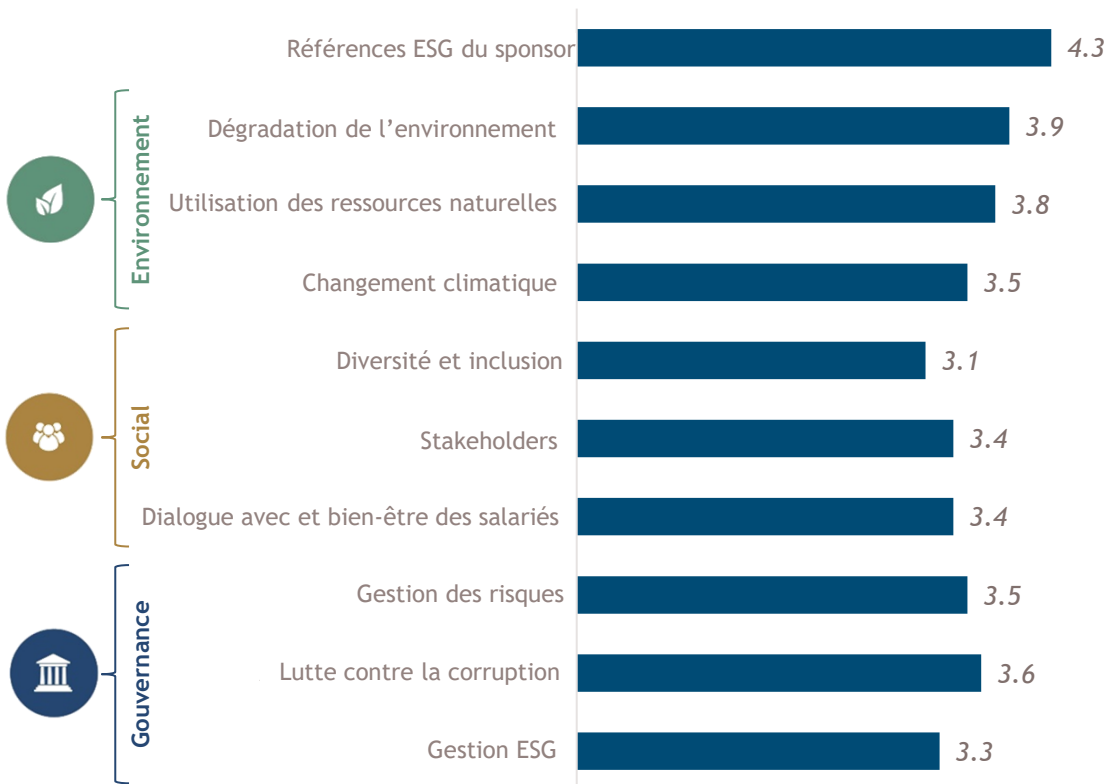
Muzinich views, opinion and data as of March 31<sup>st</sup>, 2022. For illustrative purposes only, not to be construed as investment advice or an invitation to engage in any investment activity. Muzinich has used reasonable skill and care in the preparation of the above, using sources believed to be reliable, but gives no warranties or representations as to the accuracy or completeness of this information.

# Présentation des scores ESG du portefeuille Muzinich Pan-European Private Debt

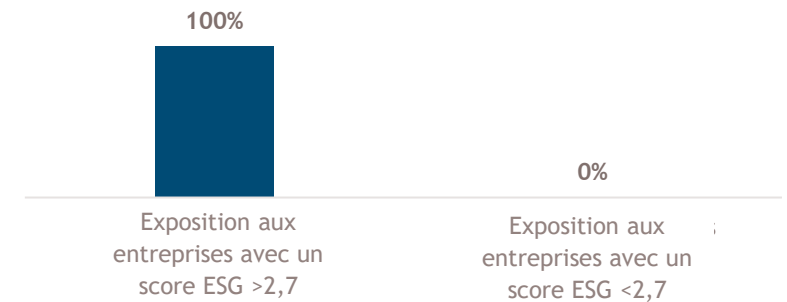
100 % des entreprises en portefeuille ont un score ESG >2,7 (contre un objectif interne Muzinich de >60 %)

Le volet environnement obtient la meilleure note (3,7/5,0), le volet social et le volet gouvernance étant légèrement en retrait (3,3-3,5/5,0)

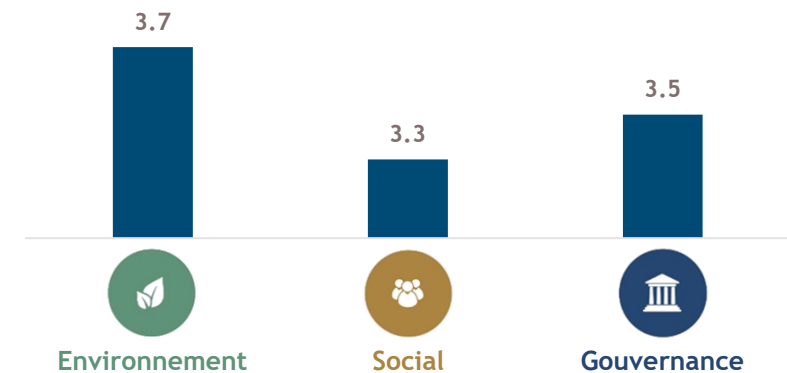
## Détail des notes du portefeuille par thème ESG



## Objectif ESG de Muzinich



## Notes moyennes du portefeuille par thème ESG



# Analyse des scores ESG du portefeuille Muzinich Pan-European Private Debt

Nous avons attribué un score ESG à chaque entreprise du portefeuille conformément à notre cadre ESG

88 % des entreprises du portefeuille obtiennent un score entre 3 (moyen) et 4 (supérieur à la moyenne) et 12 % obtiennent un score entre 4 et 5 (élevé).

Entreprise en portefeuille	Secteur	Score ESG moyen	Références ESG du sponsor	Gouvernance			Environnement			Social		
				Gestion, transparence et responsabilité ESG	Lutte contre la corruption	Gestion des risques	Changement climatique	Utilisation des ressources naturelles	Dégradation de l'environnement	Dialogue avec et bien-être des salariés	Parties prenantes	Diversité et inclusion : RH, pratiques d'embauche
Entreprise 1	Éducation	3,3	5	3	4	3	3	3	3	3	3	3
Entreprise 2	Services aux consommateurs	3,5	5	3	3	3	4	4	4	3	3	3
Entreprise 3	Équipements de santé	4,0	5	4	4	4	4	4	4	4	4	3
Entreprise 4	Pharma	3,9	4	3	3	4	4	5	5	3	4	4
Entreprise 5	Santé	3,4	3	3	4	4	3	4	4	3	4	2
Entreprise 6	Produits de construction	3,5	3	4	4	4	3	3	4	4	3	3
Entreprise 7	Éducation	3,3	5	3	4	3	3	3	3	3	3	3
Entreprise 8	Distribution spécialisée	3,6	4	3	3	3	4	4	4	4	3	4
<b>Note moyenne du portefeuille</b>		<b>3,6</b>	4,3	3,3	3,6	3,5	3,5	3,8	3,9	3,4	3,4	3,1

Source: Muzinich & Co., as of December 31<sup>st</sup>, 2021. For illustrative purposes only. Reference to the names of each company mentioned in this communication is merely for explaining the investment strategy and should not be construed as investment advice or investment recommendation of those companies. Not to be construed as investment advice or an invitation to engage in any investment activity. Any forward-looking information or statements expressed in the above may prove to be incorrect. Muzinich gives no undertaking that it shall update any of the information, data and opinions contained in the above.

Notes: For portfolio companies with ESG scoring <2.7, scoring in red



# Muzinich Private Debt Strategies



	Direct Lending		Parallel Lending & Club Lending		Capital Solutions	
	Pan-European PD	U.S. PD	European Diversified Loans	Senior Secured <sup>2</sup>	Capital Solutions	Asia Pacific PD
Strategy launch	May-17	Aug-19	Q3 21	Nov-19	April-21	April-21
Return Objective Overall Strategy Size*	€2.2 -2.5 bn	US\$300 m	€5.0 bn	€400-500 m	€500 m	US\$500-800 m
Current Strategy Size*	€1213 m	US\$155 m	€764 m	€216 m	€168 m	US\$392 m***
Return Objective <sup>1</sup>	9%-11% Gross IRR	10%-12% Gross IRR	4-5% Gross IRR	4-6% Gross IRR	-12.0% Gross IRR	12-14% Gross IRR
Focus Geography	Europe	United States	Continental Europe	Continental Europe	Italy-Europe	Asia Pacific
Sourcing	Direct lending	Direct lending	Direct Lending/ Club Lending	Club lending / Direct Lending	Various	Direct Lending / Secondary Debt
Investment Type	Unitranche, 2nd Lien, Mezzanine, PIK, Preferred Equity	Senior, Unitranche, Mezzanine, Preferred / Common Equity	80% Senior Secured, 20% Senior Unsecured	1st Lien secured Issuer willing to pursue ESG improvement	Super Senior Financing and Secured Loans	Senior Secured, 2 <sup>nd</sup> lien, Mezzanine, Secured Debt
Transaction Types	Buyout / Growth	Buyout / Growth	Growth / Buyout / Capex Financing	Buyout / Growth	Restructuring & Turnaround	Buyout / Growth / Opportunistic Secondary / Turnaround
Target Investment/Deal Size	€ 10-50 m	US\$ 10-20 m	€ 5-20 m**	€ 5-25 m**	€ 10-40 m	US\$ 15-30 m
Target # of Transactions	30-40 (max 10% per issuer)	20-25 (max 10% per issuer)	100+ (max 1.5% per issuer) Low Solvency Capital Ratio; Max RAROC	20+ (max 10% per issuer)	30 (max 10% per issuer)	20-30
Current # of Transactions	36	7	84	24	6	1

The targets presented are an estimate of potential future returns based on a variety of factors and assumptions. The returns will vary based on the performance of the underlying investments and the targets shown above are therefore not an exact indicator

**Risk:** There can be no guarantee that the investment strategy will be successful, and the value of the investment may go up as well as down.

Source: Muzinich internal analysis. Data as of March 31, 2021. For illustrative purposes only, not to be construed as investment advice or an invitation to engage in any investment activity. 1. Return objectives should be viewed as a measure of the relative risk of the Strategy, with higher return objectives reflecting greater risk. They are not intended to be promissory or predictive. Gross return objectives do not account for the effect of fees and other charges associated with investment, which will reduce the figures shown. \*See Notes and Assumptions from page 24 for further details with respect to these return objectives. 2. This fund is now closed for any further investment.

\*Includes committed capital of current strategy. \*\*Typically represents a portion of a larger deal. \*\*\* Funds raised to date which includes US\$306m of committed capital.



# Nos engagements en matière d'investissement responsable

Nous pensons qu'il est de notre devoir, en tant qu'investisseur responsable, de soutenir la croissance de l'investissement responsable et de prendre des engagements fermes envers les initiatives pertinentes du secteur, dans la mesure du possible.

## Étapes importantes

2021

Mise en place d'une classification des fonds en conformité avec le règlement européen sur la divulgation des informations relatives au financement durable (SFDR)\*

2020

Notes d'évaluation du PRI (2020) : Stratégie et gouvernance : A+ Revenu fixe (financières et entreprises) : A, A

2019

Introduction de l'intégration systématique des facteurs ESG dans le processus d'investissement. Mise en place de rapports sur les émissions de carbone pour les principaux fonds communs de placement

2011

Lancement de stratégies de crédit d'entreprise ESG "best-in-class". Partenariat avec Sustainalytics

2010

Signé les Principes pour l'investissement responsable (PRI), soutenus par les Nations Unies pour l'investissement responsable (PRI)

2000

Les premiers comptes embarqués avec des exclusions socialement socialement responsables

## Nos engagements les plus récents

2021

Signataire de l'initiative « Net Zero Asset Managers Initiative (NZAMI)

2020

Soutien à l'initiative Climate Action 100+ en participant à cinq engagements d'entreprises sur le changement climatique\*\*

2020

Soutien à l'initiative de la Task Force on Climate-related Financial Disclosures (TCFD)\*\*

2020

Rejoint l'Investment Company Institute (ICI) Task Force ESG\*\*

2020

Rejoint le groupe de travail pour le développement des marchés volontaires du carbone\*\*

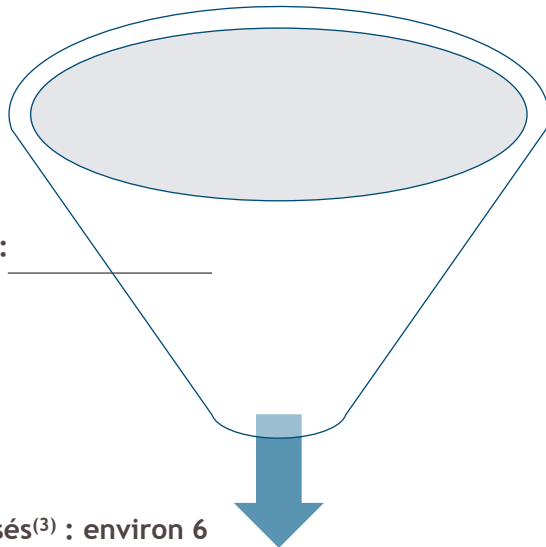
2019

Cofondateur de l'European Leveraged Finance Association (ELFA) et membre du groupe de travail ESG de l'ELFA\*\*

- À titre d'exemple, notre processus d'investissement en dette privée, privilégie l'identification de modèles économiques défensifs
- La durabilité à long terme est une priorité pour le Comité d'investissement de dette privée
- Les risques ESG sont un élément clé pour le Comité d'investissement

## Analyse de la sélection sur les 12 derniers mois

Idées d'investissement<sup>(1)</sup> :  
plus de 420



Due diligence ciblée<sup>(2)</sup> :  
plus de 40

Investissements réalisés<sup>(3)</sup> : environ 6

## Le processus dans la pratique

1. Protocole d'investissement
2. Examen de <i>due diligence</i> initial
3. Questionnaire de <i>due diligence</i>
4. Rapport d'investissement
5. Approbation du Comité d'investissement
6. Liste des points à surveiller
7. Reporting post-investissement

## Principaux critères d'investissement

Meilleures opportunités d'investissement durable
Bonnes pratiques

1) Source: Muzinich As of December 31<sup>st</sup>, 2021.

Note: Total number of new transactions locally reviewed from January 1<sup>st</sup>, 2021 to December 31<sup>st</sup>, 2021. Updated quarterly.

2) Source: Muzinich, Selectivity Analysis As of December 31<sup>st</sup>, 2021.

Note: transactions presented to Muzinich Investment Committee at least through a pre-screen Memo, from January 1<sup>st</sup>, 2021 to December 31<sup>st</sup>, 2021. Updated quarterly.

3) Source: Muzinich, Capital Deployment Report As of December 31<sup>st</sup>, 2021. Updated quarterly.

For illustrative purposes only As of December 31<sup>st</sup>, 2021.

## Priorité aux modèles économiques durables

- Spécialistes du crédit, les équipes d'investissement s'attachent à identifier des modèles économiques durables avec une résistance avérée aux ralentissements économiques.
- Ces entreprises sont généralement pilotées par des équipes dirigeantes ayant démontré leur capacité à gérer le capital humain, financier et physique de manière durable sur des périodes prolongées.

## Évitement des risques significatifs de responsabilité environnementale

- Les équipes veillent à éviter les opportunités d'investissement présentant un risque important de responsabilité environnementale (connu ou non).

## La bonne gouvernance d'entreprise est un critère d'investissement essentiel

- La robustesse des contrôles internes d'un investissement potentiel ainsi que la solidité de sa fonction de reporting sont des points essentiels pris en compte lors de la phase de *due diligence*.
- Notre plateforme investit généralement aux côtés de spécialistes du capital investissement qui apportent une discipline et une expertise supplémentaires en matière de gouvernance. En cas d'absence de capital investissement, Muzinich dispose généralement d'une représentation au Conseil d'administration.

## Évitement des risques de réputation

- Notre processus se concentre fortement sur l'identification d'éventuels risques de « réputation » lorsqu'une entreprise opère dans des domaines susceptibles d'avoir un impact négatif sur la communauté/les parties prenantes.
- Parmi les exemples de modèles économiques évités, on peut citer les prêteurs sur salaire, les fabricants d'armes, les entreprises de jeux d'argent et les fabricants de produits à base de drogues et d'alcool.

**Risk:** Consideration of Sustainability Risks in the investment process may result in the avoidance or exclusion of certain securities. Therefore, results may differ and the investment might underperform or outperform a portfolio that does not consider such risks.

Muzinich views, opinion and data as of March 31<sup>st</sup>, 2022. For illustrative purposes only, not to be construed as investment advice or an invitation to engage in any investment activity. Provided for information and discussion purposes only.

# Intégration des facteurs ESG dans notre processus d'investissement

Composée de spécialistes du crédit, l'équipe Dette privée de Muzinich s'attache à identifier des modèles économiques durables en termes financiers avec une résistance avérée aux ralentissements économiques.

Ces entreprises sont généralement pilotées par des équipes dirigeantes ayant démontré leur capacité à gérer le capital humain, financier et physique sur des périodes prolongées.

EXCLUSIONS	
Exclusions sectorielles et normatives	<ul style="list-style-type: none"><li>Exclusion de toute entreprise impliquée dans de graves violations des droits de l'homme ou du travail, dans des atteintes à l'environnement ou dans des manquements à l'intégrité des affaires (par exemple, la corruption)</li><li>Divertissement pour adultes, alcool, armes controversées, charbon thermique et autres combustibles fossiles, tabac</li></ul>
DUE DILIGENCE	
Une gouvernance d'entreprise forte est un élément clé	<ul style="list-style-type: none"><li>La robustesse des contrôles internes d'un investissement potentiel ainsi que la solidité de sa fonction de reporting sont des éléments clés de la phase de due diligence.</li><li>La plateforme Muzinich investit souvent aux côtés, mais pas seulement, d'investisseurs en private equity qui apportent une discipline et une expertise supplémentaires en matière de gouvernance. Notre processus de due diligence ESG évalue les références ESG des emprunteurs et des sponsors.</li></ul>
Due Diligence ESG	<ul style="list-style-type: none"><li>Le résultat du modèle d'évaluation ESG propriétaire est inclus dans le mémorandum d'investissement et discuté au niveau du comité d'investissement.</li><li>Les signaux d'alerte ESG et les points de surveillance continue sont discutés au niveau du comité d'investissement.</li><li>Suivi continu de l'évaluation ESG et rapports ESG agrégés aux investisseurs.</li></ul>
CONTRÔLE CONTINU	
L'équipe chargée des investissements	<ul style="list-style-type: none"><li>Mise à jour des fiches d'évaluation ESG sur une base annuelle</li><li>Engagement d'un dialogue continu avec l'entreprise sur les risques et opportunités ESG importants</li></ul>

**Risk:** Consideration of Sustainability Risks in the investment process may result in the avoidance or exclusion of certain securities. Therefore, results may differ and the investment might underperform or outperform a portfolio that does not consider such risks.

\*Norges Bank Investment Management. Guidelines for observation and exclusion from the fund, as of September 20<sup>th</sup>, 2021.

Muzinich views, opinion and data as of March 31<sup>st</sup>, 2022. For illustrative purposes only, not to be construed as investment advice or an invitation to engage in any investment activity. Provided for information and discussion purposes only. There can be no guarantee that the investment strategy can be successful, and the value of the investment may go up as well as down.

## **Pan-European Private Debt Strategy:**

8-year drawdown, 3-year investment period, €506 mm investable committed capital, €35.0 mm average deal size. Blended asset level return of 10.6% (assuming quarterly interest periods), adhering to the 80% Senior Secured @ 8.3% return, 12.5% Junior / Unsecured @ 12.2% return, 7.5% Equity @ 25.0% return. Portfolio weighted average life of 41 months. No portfolio leverage. 0.50% Forex hedging charge on 100% of non-EUR exposure (20% GBP-denominated investments).

## **European Senior Secured Private Debt Strategy:**

10-year drawdown, 3-year investment period, 100% Senior Secured, Blended asset level of return of 4%-5%. No portfolio leverage. 100% EUR exposure. 100% Floating rate debt. Specific ESG diligence / monitoring and Carbon emission footprint report. No UK exposure.

## **US Private Debt Strategy:**

BDC structure. 3-Year investment period and 5-Year harvest period. \$300m equity raised levered 0.5x during private period (asset level; 48% advance rate on sr. secured debt @ L+2.50% +3 month forward LIBOR curve @ 4/1/2019). Blended asset level returns of ~10.1%, adhering to the 70% Senior Secured @ 9.8% return (based on L+7.43% average spread, 2.4% average of 3 month forward LIBOR curve), 20% Jr./Unsecured @ 11.5% total return, 10% Equity @ 20% total return. Portfolio has a weighted average life of 47 months. 1.00% management fee with 12.5% incentive fee subject to 7.00% hurdle, paid on a European-style waterfall.

## **Asia-Pacific Private Debt Strategy:**

Target return assumptions for Proposed Muzinich Asia Pacific Private Debt Strategy: 2-year investment period, 5 year fund life, US\$500m investable committed capital, US\$25m average deal size. Blended unlevered asset level return of 13.4%, assumes no portfolio leverage in the model, adhering to the 60% Direct Lending @ 11.9% return, 35% Special Opportunities @ 14.3% return, 5% Equity @ 20.0% return. Portfolio weighted average life of 4 years. Proposed management fee 1.25% on invested capital. The Fund also charges a 15% incentive fee, subject to a 6.00% Hurdle (100% catch-up). 0.50% Forex hedging charge on 100% of exposure (17% SGD/HKD investments, 33% AUD investments). Inclusive of administrative costs comprised of formation expenses, estimated legal fees, audit expenses, and administrative/depository expenses.

## **Diversified Loan Strategy:**

5-year drawdown, 3-year investment period, €5,000 mm investable committed capital, €15.0 mm average deal size. Blended asset level return of 4.0%-5.0% (including, margin, fees and OID). Portfolio weighted average life of 5.5 years. No portfolio leverage. 100% EUR exposure

## **Capital Solutions Strategy:**

7+1-year term, 3-year investment period, €200 mm investable committed capital, €35.0 mm average deal size. Blended asset level return of 10.5% (adhering to the 80% Super Senior Finance @ 8.0% return, 20.0% Credit Purchased @ 15.0% return, 10.0 Equity @ 20.0% return). Portfolio weighted average life of 4 years.

**The targets presented are an estimate of potential future returns based on a variety of factors and assumptions. The returns will vary based on the performance of the underlying investments and the targets shown above are therefore not an exact indicator**

Source: Muzinich as of March 31, 2021. Targets are for illustrative purposes only and are subject to change. There is no guarantee the above return objectives will be achieved or that the above investment opportunities will be available in the future. Return objectives are gross of fees and expenses; such fees and expenses would reduce the return objectives depicted.

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Investors in Private Markets have few investment opportunities, and the investments may be illiquid. The value of illiquid securities may reflect a discount from the market price of comparable securities for which a liquid market exists, and accordingly may have a negative effect on the value of an asset. To meet client requests to withdraw assets, Muzinich may be forced to sell securities at an unfavorable time and/or under unfavorable conditions.

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Exact investment guidelines and restrictions would be included in an investment management agreement.

## Important Information

The Principals of Responsible Investing (PRI) Assessment is based on information provided by PRI signatories, like Muzinich & Co., Inc. If you have any questions regarding the assessment, please contact Muzinich. The PRI Assessments are not validated by a third party and are not indicative of being compared to other advisers. Signatories report on their responsible investment activities by responding to asset-specific modules in the Reporting Framework. Each module houses a variety of indicators that address specific topics of responsible investment. Signatories' answers are then assessed and results are compiled into an Assessment Report. The Assessment Report includes indicator, section, and module scores. Signatories are provided an PRI Assessment Score of A through E on an annual basis. Such assessments are granted by the PRI based on six broad ranges to be assigned based on the score in a specific module. A module score of 95% or higher is A+, 76-94% is A, 41-75% B, 26-50% C, 1-25% D and 0% E. Each module contains core and addition assessed indicators. The Strategy and Governance Assessment Score has the following sections, Responsible Investing Policy, Objective and Strategies, Governance & Human Resources, Promoting Responsible Investing, ESG Issues in Asset Allocation and Assurance of Responses. Fixed Income Corporate (Financials) and Fixed Income Corporate (Non-Financial) Assessment Score has Implementation Processes, Implementation Screening, Implementation Thematic, Implementation Integration, Engagement, Outputs and Outcomes and Communication. For more information on the PRI Assessment see <https://www.unpri.org/signatories/about-pri-assessment>.

Muzinich & Co., Inc. together with its affiliates utilizes Sustainalytics for ESG analysis in its research and investment decisions. Sustainalytics is a company that rates the sustainability of listed companies based on their environmental, social and corporate governance performance.

In 2010 Muzinich & Co., Inc. together with its affiliates became an Investment Manager signatory of the UN-Supported Principles for Responsible Investment: The PRI is the world's leading proponent of responsible investment. It works to understand the investment implications of environmental, social and governance (ESG) factors and to support its international network of investor signatories in incorporating these factors into their investment and ownership decisions. <https://www.unpri.org/signatories/muzinich-and-co/1519.article>

In 2019 Muzinich & Co. Limited joined the European Leveraged Finance Alliance ("ELFA"): ELFA is a trade association comprised of European leveraged finance investors that seeks to create a more transparent, efficient, and resilient leveraged finance market while acting as the voice of its investor community. Muzinich is a founding member of ELFA. <https://elfainvestors.com/who-we-are>

In 2020 Muzinich & Co. Limited joined the Investment Company Institute ("ICI") ESG Task Force: The ICI represents regulated funds globally. ICI's ESG Task Force is focused on engaging on global policymaking activity around issues related to ESG/sustainable investing including regulations on implementation of responsible investment and ESG disclosures by asset managers. [https://ici.org/about\\_ici](https://ici.org/about_ici)

In 2020 Muzinich & Co. Limited joined the Task Force on Climate Related Financial Disclosures ("TCFD") initiative: The Task Force on Climate-related Financial Disclosures (TCFD), created by the Financial Stability Board (FSB) provides a disclosure framework for corporations to identify, monitor and manage climate risks to their business. The objective of the TCFD is to develop voluntary, consistent climate-related financial risk disclosures for use by companies in providing information to investors, lenders, insurers, and other stakeholders. The TCFD recommendations centre around climate risk governance, risk management, metrics and target setting. <https://www.fsb-tcfd.org/about/>

In 2020 Muzinich & Co. Limited joined the Climate Action 100+ initiative: Climate Action 100+ is an investor initiative to ensure the world's largest corporate greenhouse gas emitters take necessary action on climate change. The companies include 100 'systemically important emitters', accounting for two-thirds of annual global industrial emissions, alongside more than 60 others with significant opportunity to drive the clean energy transition. <https://www.climateaction100.org/>

In 2020 Muzinich & Co. Limited joined the Taskforce on Scaling Voluntary Carbon Markets which is a private sector-led initiative working to scale an effective and efficient voluntary carbon market to help meet the goals of the Paris Agreement. <https://www.iif.com/tsvcm>

Best-in-class' or 'positive screening' refers to an investment approach which involves restrictions on a chosen investment universe in order to select entities based on a ranking of their ESG practices".



## Important Information

**SFDR** - Refers to Regulation (EU) 2019/2088 or the Sustainable Finance Disclosures Regulation (SFDR) a piece of European financial sector regulation which sets out obligations for financial market participants to disclose specific details on their approach to sustainability risks in their investment process and other details on the provenance of ESG claims that are used to market their financial products. Further details on Muzinich's SFDR disclosures are available in relevant product documentation such as fund prospectuses and supplements on our website [www.muzinich.com](http://www.muzinich.com).

**NZAMI** - In 2021 Muzinich & Co., Inc. together with its affiliates became a signatory to the Net Zero Asset Managers Initiative. This initiative involves an international group of asset managers committed to supporting the goal of net zero greenhouse gas emissions by 2050 or sooner, in line with global efforts to limit warming to 1.5 degrees Celsius; and to supporting investing aligned with net zero emissions by 2050 or sooner. In signing this initiative, Muzinich commits to publishing rolling five-year targets to decarbonize our investment portfolios relative to a stated base year, and to disclose the percentage of our assets under management to which the decarbonization target applies. The initiative is governed by a group of six investor networks focused on climate action and sustainable finance.

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