

Opportunities in European Direct Lending

BlueBay Direct Lending Canadian Feeder Fund III, LP

May 2018

For qualified investors only

RBC Global Asset Management

BlueBay Private Debt
Summary

Opportunity
- Attractive secured senior and subordinated loans to mid-sized European companies
- Focused on high quality, market leading businesses with stable cash flows

Leading European player in private debt, with over €8.5 billion of AuM
- Highly experienced team of investment professionals with 12+ years' average experience
- Over €4.0 billion committed across about 80 transactions, across 10 geographies
- **0.0% loss ratio** across all funds to date

Strong alignment with investors
- Team has substantial investment across all funds
- RBC seed capital

Targeting net IRRs of 8-9%[1]
- Including 6-8% cash yield[2]

Note: (1) The return objective is based on certain facts and assumptions. No representation is being made that the Fund will or is likely to achieve results similar to those shown. (2) Realized proceeds distributed on a current basis. The cash yield could fall outside the range depending on the stage of the funds life (i.e. in the early years the upfront fees increase the annual cash yield considerably). It also assumes there is no restriction of any cash flows by the funds waterfall or obligations placed by the funds leverage provider.

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BlueBay's Private Debt Platform

Market-leading European Private Debt Business

	Direct Lending Fund I	Direct Lending Fund II	Senior Loan Fund I	Direct Lending Fund III
Fund vintage[1]	2011-2013	2014-2015	2016-2017	**2017-2018**
AuM[2]	€955m	€2.8bn	€3.2bn[3]	**€5.0bn[4] (Levered and unlevered)**
Geographical focus	Northern Europe	Europe	Europe	**Europe**
Strategy focus	Mid-market	Mid-market	Upper Mid-market	**Mid-market**
Loan focus	Senior unitranche, subordinated	Senior unitranche, subordinated	Senior Only	Senior unitranche, subordinated
Status	Fully invested 21 transactions	Approaching fully Invested 28 transactions	Investing 12 investments	**Fundraising**

Notes: (1) Fund vintage refers to year of final close or expected final close; (2) Includes parallel, non-parallel vehicles and SMAs; (3) Investable capital, assuming 1:1 leverage is put in place for the levered vehicles; (4) Target Fund size. Direct Lending Fund I is closed to new purchases. Direct Lending Fund II and the Senior Loan Fund I are not available in Canada. As at April 30 2018.

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BlueBay Direct Lending Canadian Feeder Fund III, LP

Proposed Terms

Target return objectives	**Net IRR of 8-9%[1]**
Structure	Private Placement of Canadian limited partnership, fixed term, committed capital with multiple draw-downs to fund investments
Currency	CAD Hedged, CAD denominated
Distribution of proceeds	Target 6-8% cash yield[2]
Term	**7 yrs from Master Fund final closing date, extendable by two 1yr periods if required**
Investment period	**4 years from the final closing date of Master Fund** Recycling of loan principal repayments permitted during Investment Period
Management fee	**1.25% per annum on invested capital** Feeder Fund may realize additional discounts of up to 20bps on stated fee
Carried interest	15% with 5% compounding hurdle with full catch-up
Closings	**Expect first close in late June /early July 2018**; subsequent closes September and November 2018.

Proposed terms are subject to change without notice.
Note: (1) The return objective is based on certain facts and assumptions. No representation is being made that the Fund will or is likely to achieve results similar to those shown. (2) Realized proceeds distributed on a current basis. The cash yield could fall outside the range depending on the stage of the funds life (i.e. in the early years the upfront fees increase the annual cash yield considerably). It also assumes there is no restriction of any cash flows by the funds waterfall or obligations placed by the funds leverage provider.

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BlueBay Direct Lending Canadian Feeder Fund III, LP

Master Fund Investment Strategy

Primarily senior/uni-tranche loans	• Primarily senior secured / uni-tranche loans • Selected subordinated / mezzanine loans • Equity participation where appropriate
Strong loan position/ Partnership approach	• Bilateral loans or small club deals • Effort to obtain meaningful control/ownership of debt tranche • High level of engagement with borrower • Detailed portfolio monitoring
Proprietary origination	• Utilize extensive origination network • 'Shoe leather' versus 'telephone' origination
Deep due diligence/ investment process	• Carry out extensive due diligence • Multi-stage investment review process • Heavily negotiated loan documentation
Business Focus	• Cash flow generative market-leading businesses in attractive industries • High-quality management teams • Medium-sized businesses: Revenues of €50 million - €1 billion
Loan Size/Tenor	• 25–40 deals, • Fund loan hold size: €30–150 million (€30-300mm total loan size) • Tenor: 2–7 years (average 2–3 years life)

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What is Direct Lending?

Alternative lending source to banking system for medium-sized enterprises

- Attractive pricing structure – cash yield, structuring and prepayment fees
- Lender-friendly terms – with covenants (negotiated directly by lender)
- Capture illiquidity premium

Attractive for investors

- Short-term floating rate loans (2-7 year terms, 2-3yrs average life)
- Senior loans: top of the capital structure – get paid first; subordinate loans with strong credit metrics
- Targeting event driven situations – growth, restructure or acquisition capital

Attractive for borrowers

- Flexibility and customization
- Certainty of capital
- Long-term partnership

European Private Debt

Factors Creating an Attractive Investment Opportunity

Reduced availability of credit to medium-sized businesses continues to support private debt markets

Supply side factors	Demand side factors
European lending market dominated by banks	Increasing M&A volumes, though still some way below 2007 peak
Reduced lending by banks through regulation and legacy issues	Increasing demand for credit across European geographies
Limited alternative sources of capital	Increasing recognition of private debt as a genuine financing solution

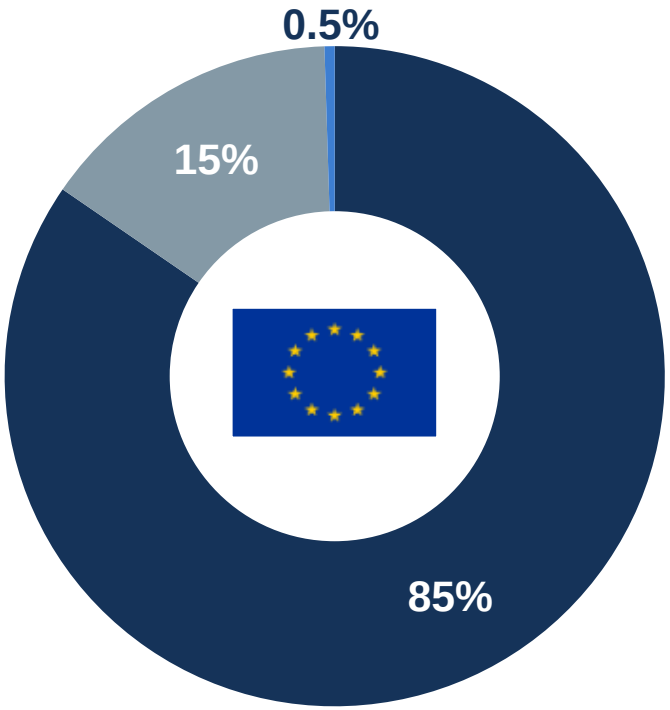
Potential for attractive risk-adjusted returns for private debt fund investors

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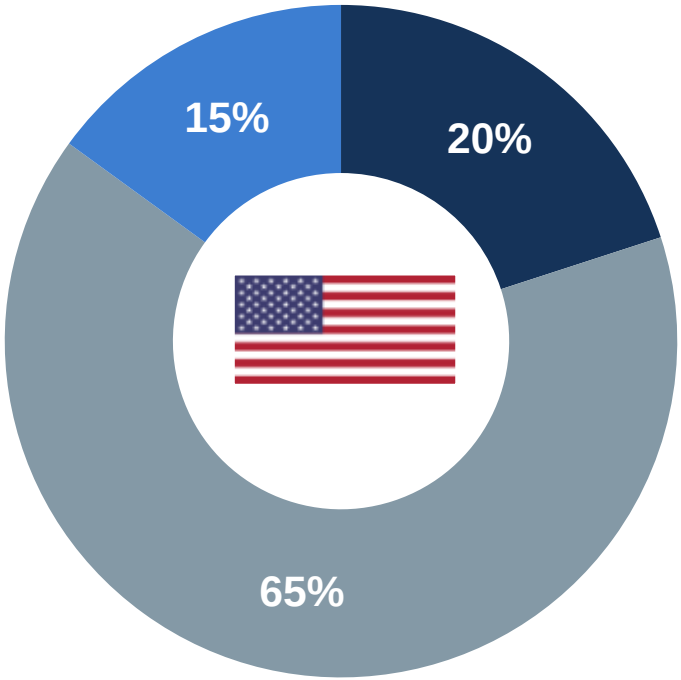
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European Lending Remains Highly Dependent on Banks

High dependence of bank financing in Europe …



… compared to developed US market



Bank Financing

Non-Bank Financing

Direct Lending Funds[1]

Source: AIMA, "Financing the Economy 2016".
Note: (1) Direct Lending Funds includes business development companies in the US (BDCs).

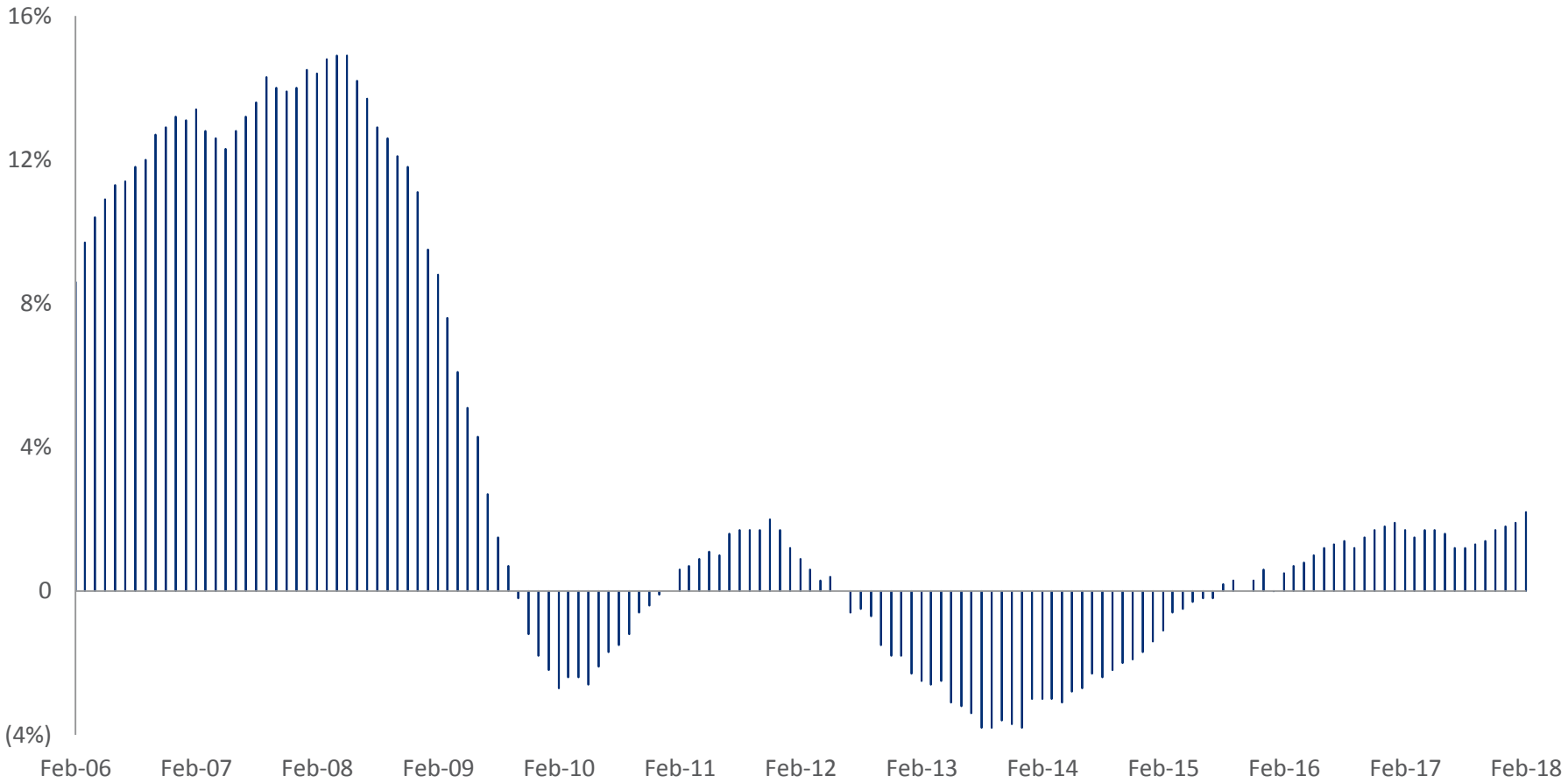
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Bank Lending to European Corporates Remain at Low Levels

Lending to non-financial corporations across the Eurozone [1]

Annual growth %



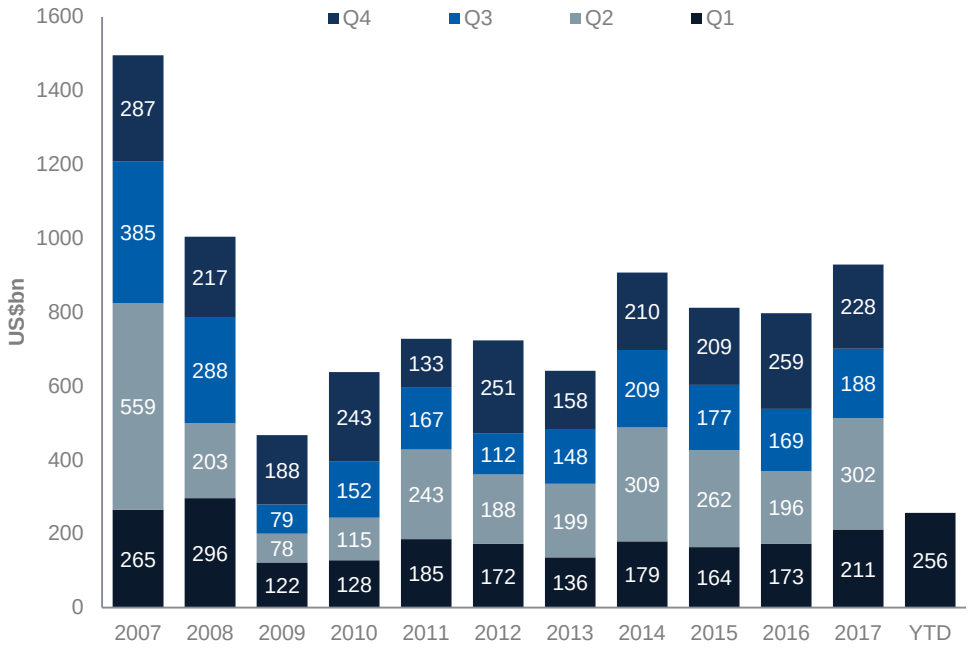
Sources: (1) European Central Bank (ECB); Statistical Data Warehouse, April 2018

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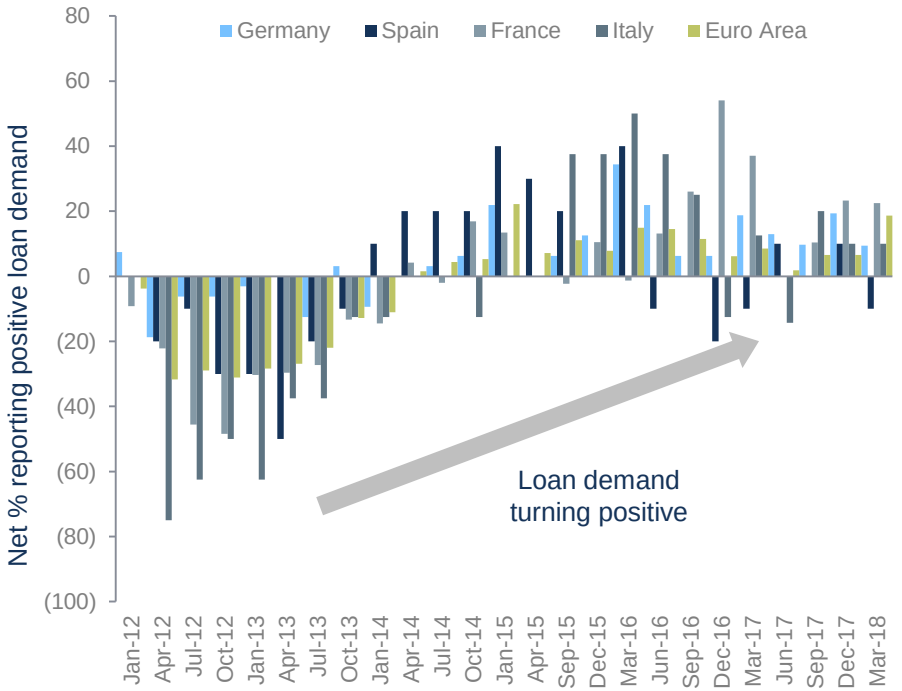
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Demand for Credit Outstripping Supply

Solid M&A volumes in Europe [1]



Eurozone corporate credit demand growing[2]



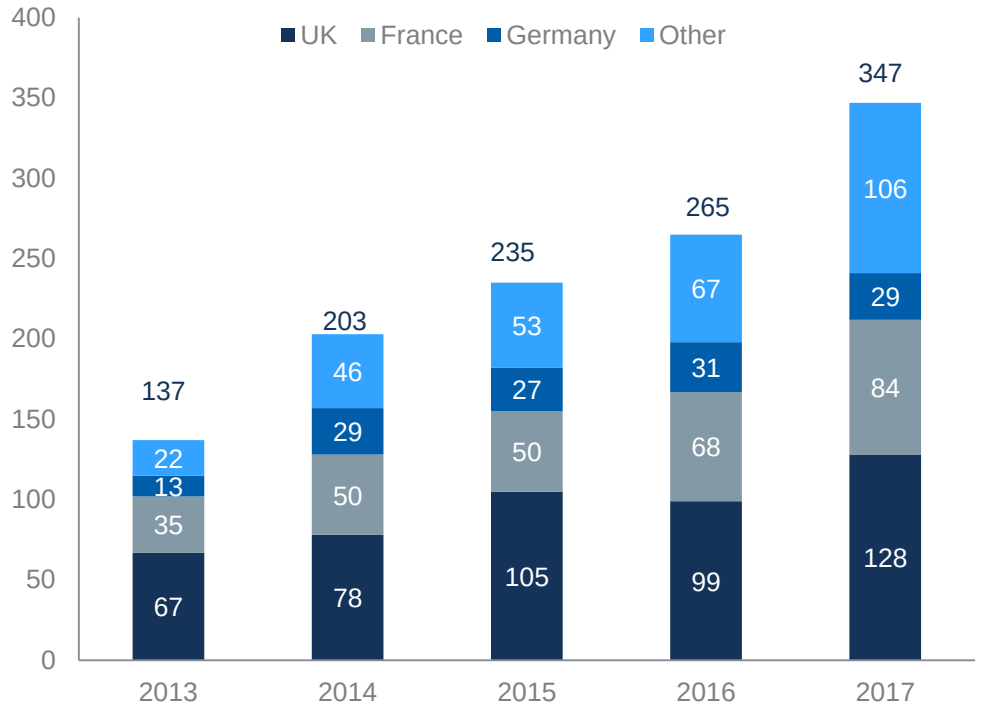
Sources: BlueBay: (1) Mergermarket, Global and regional M&A: Q1 2018; (2) ECB, Macrobond.

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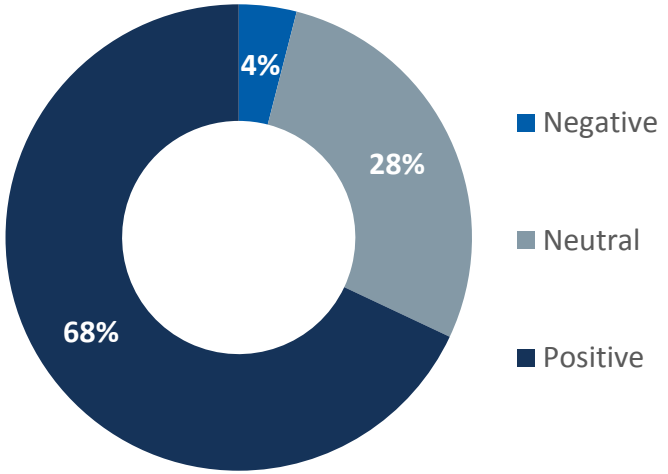
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Alternative Lending Increasingly Accepted As Funding Source

Deals by alternative lenders are increasing[1]



Positive perception of private debt providers[2]



Sources: (1) Deloitte Alternative Lender Deal Tracker, Q3 2017; (2) Preqin investor outlook: Alternative Assets (H1 2017).

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Attractive Yields and Target Return Characteristics

- Borrowers are generally prepared to pay a premium to get better deal deliverability, certainty and flexibility
- A significant pricing premium is available at lower leverage multiples than high yield markets
- Closer company relationship than in public markets provides greater transparency

Illustrative comparison: Direct Lending targets versus the high yield market		
	Direct Lending[1]	**Global high yield[2]**
Expected Net IRR	8-9%	4.5-5.5%
Relative Spread	600-1,000bps	c. 3-4% spread
Arrangement Fees (paid by borrower to investor)	2.0% – 4.0%	0.0%
Company Leverage	4.0x – 5.5x	4.0x – 6.0x

Note: Leverage calculated using total debt quantum through all tranches. Sources: BlueBay internal estimates, High yield returns net of fees assumed to be 50bpos per annum (1) The performance objective and other related Direct Lending Canadian Fund Feeder Fund III (DLF) metrics are based on certain facts and assumptions. No guarantee is being made that the DLF will or is likely to achieve profits or losses similar to those shown. Annual return objectives are target IRRs are hypothetical and have been prepared for illustrative purposes only and do not constitute a forecast. There can be no guarantee that any estimated or targeted returns will be achieved. (2) Global High yield spreads OAS spreads as represented by the BofA Merrill Lynch Global High Yield Index Option-Adjusted Spreadfrom at March 31, 2018. Spread is relative to the government fair value curve.

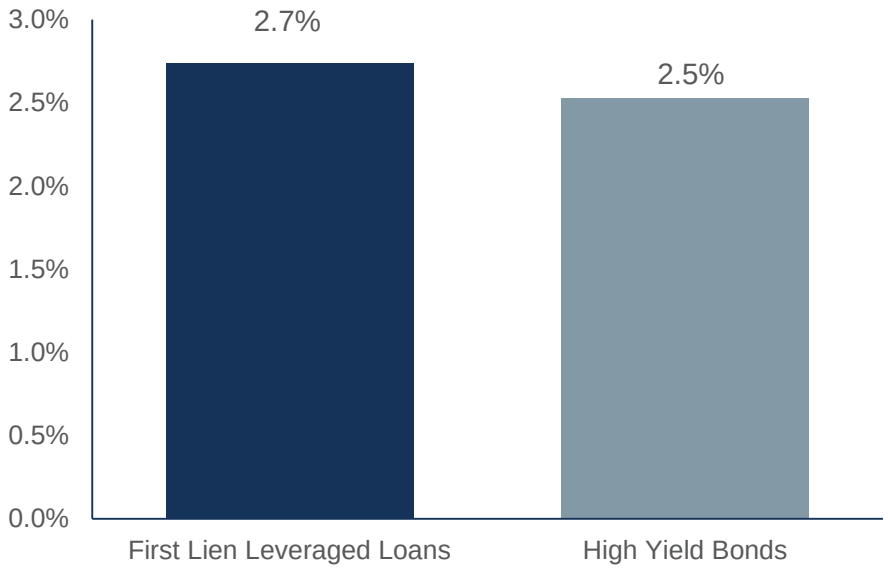
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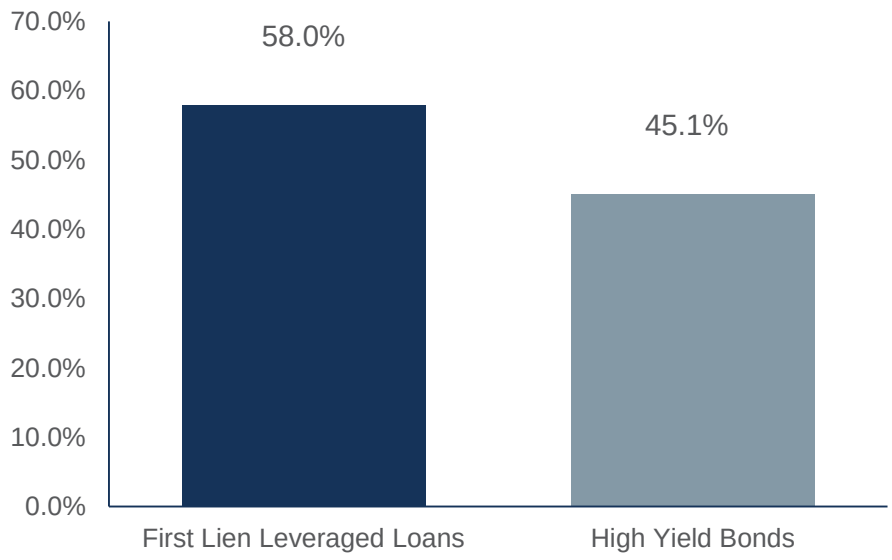
Risk Characteristics of Private Debt

- Similar default history with attractive recovery rates
- Senior Secured nature and close company relationship reduce loss risk

Av. annual European default rates[1]



Nominal av. European recovery rates[1]



Sources: (1) S&P Capital IQ, Credit Suisse. Data from 2003-2015.

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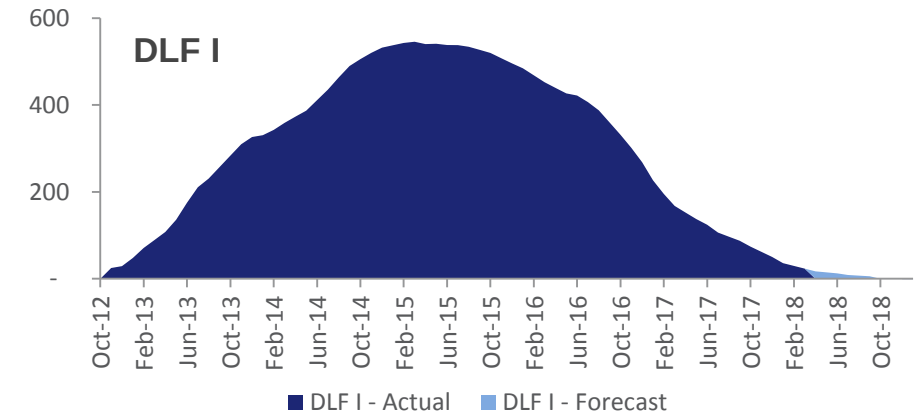
Capital Called Over Time

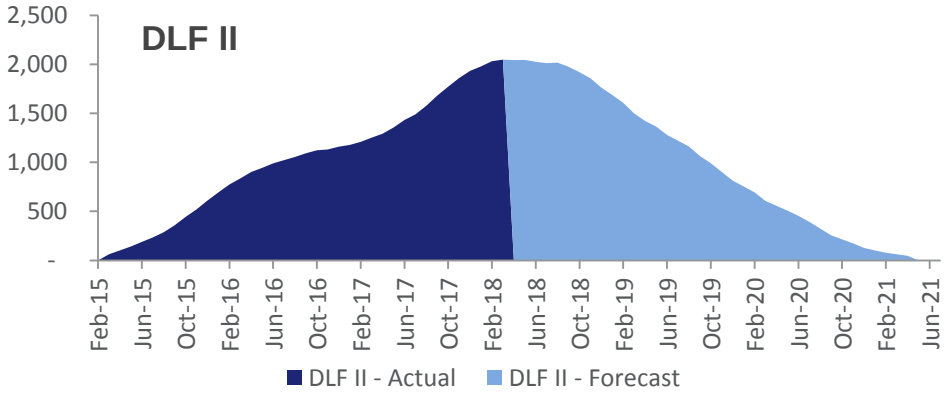
Illustrative Capital Flows

Illustrative Profile:

- **Capital called over time**
  - Expect 15-35% per year[1]
- **Net peak capital called**
  - Often less then 100%
  - Historically 70-80%[1]
- **Average capital employed**
  - Typically 40-60%[1]

Illustrative Capital Flows (EUR MM)





1. Timing and amount of capital calls is very difficult to project and will be affected by deal flow, pipelines, market conditions and other factors outside of the manager's control. These metrics are provided for illustrative use only and may vary materially over the life of the fund.

The Direct Lending Fund I, LP and Direct Lending Fund II SLP are closed to new investors. Information and performance is provided for illustrative purposes to highlight the capabilities of BlueBay Asset Management LLP as the manager of a Private Debt fund. **Past performance is not indicative of future results.** Net capital flows includes only draw downs and repayments of capital / principal. Forecasts based on assumptions and subject to change.

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BlueBay Private Debt Team

Large Team With 12 Years Average Experience

BlueBay Private Debt Group

Head of Private Debt	UK	Germany Switzerland Austria	France Benelux	Spain Italy	Nordic	Portfolio Monitoring	Investor Relations
Anthony Fobel Managing Partner [1] (28)	**Benjamin Harrild** Partner [1] (18)	**Mark Jochims** Partner [1] (14)	**Christophe Vulliez** Partner [1] (18)	**Vincent Vitores** Partner [1] (19)	**Mark Jochims** Partner [1] (14)	**Michael Frame** Head of Fund Management	**Danielle Hootnick** Head of Business Development
	Fred Nada Partner [1] (20)	**Marcus Maier-Krug** Partner [1] (14)	**Arnaud Piens** Principal (10)	**New Hire (Spain)** (Confirmed) Associate (4)		**Jonathan Watson** Junior Portfolio Manager	**Zeeshan Ikram** Director, Business Dev
	Karthi Mowdhgalya Partner [1] (17)	**New hire** (Confirmed) Partner (11)	**Baptiste Vilain** Associate (5)	**New Hire (Italy)** Associate		**New Hire** Junior Portfolio Manager	**Lynn Mazin** Associate Director, Business Dev
	Michael Massarano Associate (6)	**Patrick Schreiber** Analyst (3)	**Fred Nada** Partner [1] (20)	**Giovanni Foglia** Intern			**Wasim Williams** Associate Director, Business Dev
	Leonid Katok Analyst (2)	**New Hire** Analyst (2)	**New Hire** Analyst				**Jami Parisi** Associate, Business Dev

Leveraged Finance

US$9.9bn AuM

19 Investment Professionals

Infrastructure (110 Professionals)

Risk & Performance	Operations	Compliance	Corporate Legal	Finance	Fund Accounting

Source: BlueBay. AuM and People Data as of 28 February 2018. Private Debt Team data as at April 2018.
Notes: (1) Denotes members of the Investment Committee, which includes Lucien Orlovius. Confirmed new hires are expected to commence in H1 2018.

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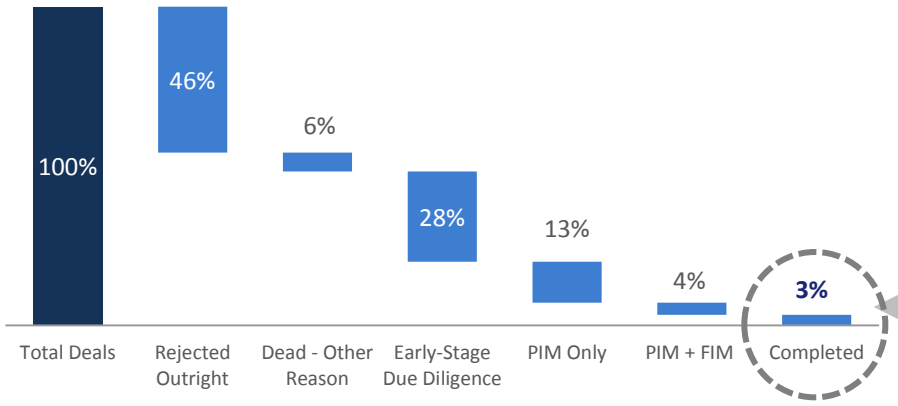
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Building a High Quality Portfolio

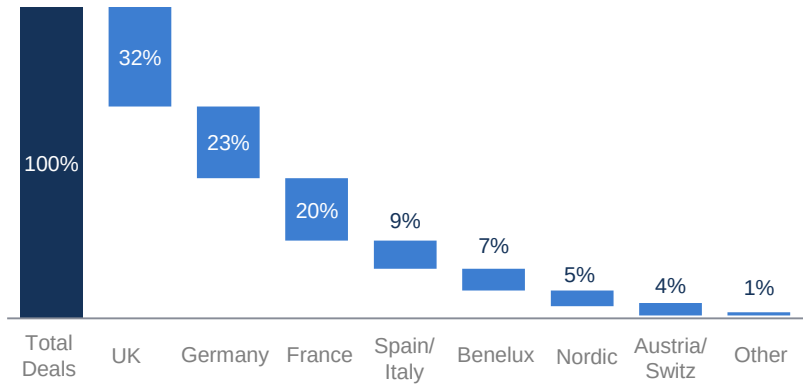
Strong Deal Flow Allows For Disciplined Investing

Reviewed over 2,450 investment opportunities, 2011 to April 2018: same origination network to source deals for DLF III

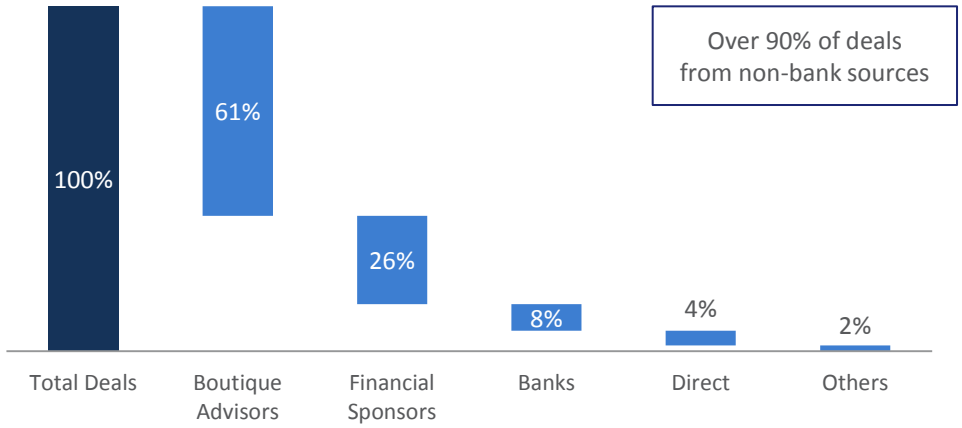
Deals by investment stage/due diligence stage



Deals by geography

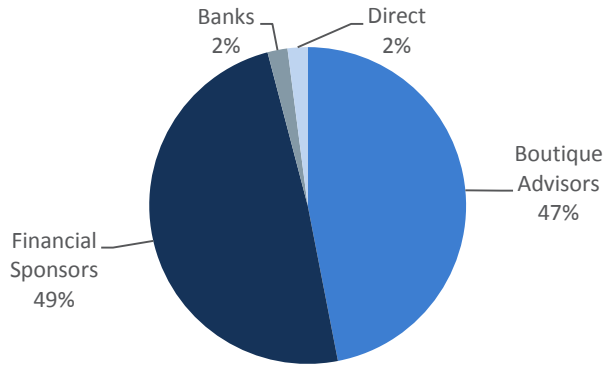


Deals by source



Over 90% of deals from non-bank sources

Completed deals by source



The analysis above is based on 2,350 investment opportunities reviewed from 2011 to YTD 2018. PIM = Preliminary Investment Memorandum; FIM = Final Investment Memorandum. The data above refers to origination in respect of Direct Lending Fund (DLF I), Direct Lending Fund (DLF II) and Senior Loan Fund (SLF I). The DLF I, SLF I and DLFII are closed to new investors. Please note that the numbers above are subject to rounding.

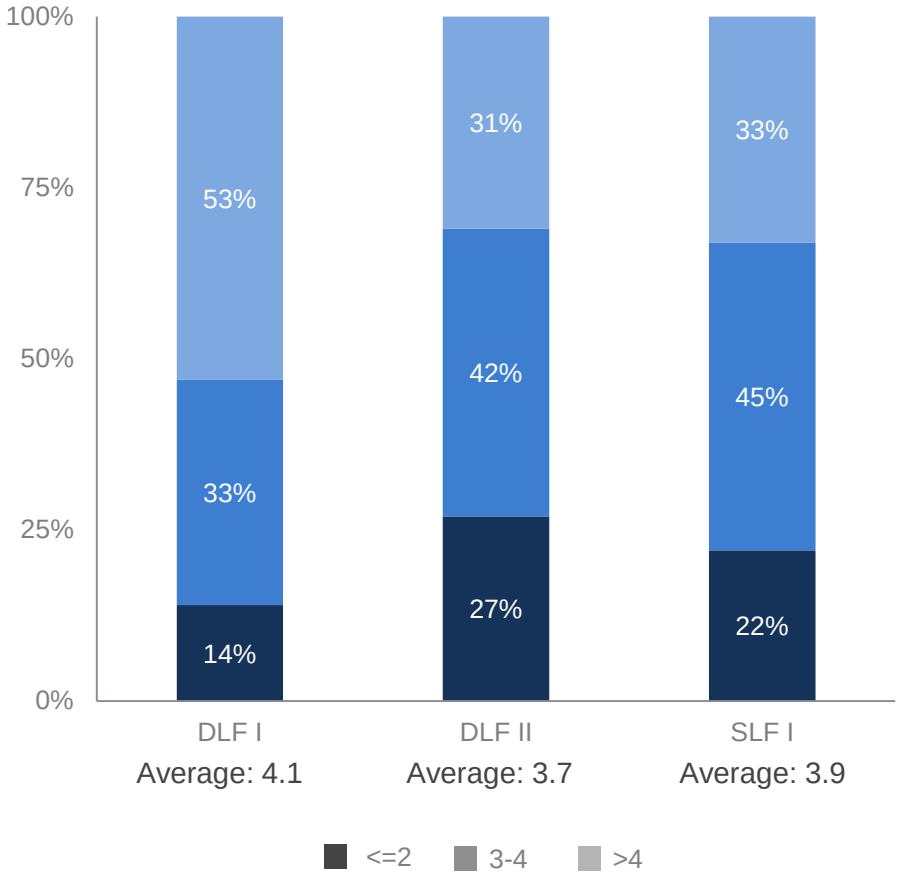
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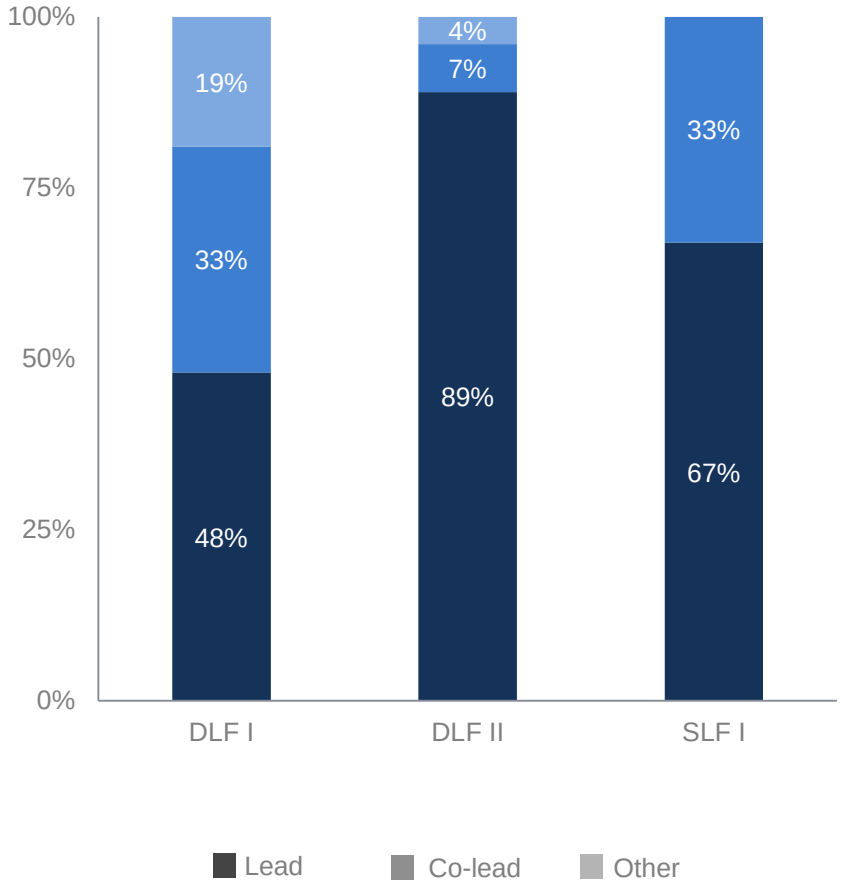
Covenant Policy Remains Disciplined

Takes Lead in Majority of Transactions

Average covenant per company remains stable



Consistently acts as lead or co-lead lender



Source: BlueBay Asset Management. Base on total transactions realized as of February 2018. Covenants include leverage ratio, minimum EBITDA, cash interest coverage, maximum capex, RCF cleardown, control over committed facility and other covenants. Transaction classification based on role undertaken by BlueBay during negotiation and execution of transactions. "Other" refers to situations in which BlueBay was a participant of a small club or group of lenders.

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Overview of Portfolios

Credit Metrics

	Direct Lending Fund I	Direct Lending Fund II	European Lev. Loans[1]
Total pricing	8.9%	7.8%	3.0 – 4.0%
Upfront fees / OID	3.8%	3.6%	0.00 – 1.0% OID
Senior deals[2]	78%	98%	c. 100%
Net opening leverage	4.5x	5.2x	c. 5.0x
Current net leverage	3.4x	4.9x	c. 5.0x
Loan-to-value ("LTV")	56%	51%	45 – 55%
Net performance[2]	8.8% IRR	7.6% IRR	

Notes: (1) S&P LCD as of Q4 2017; (2) EUR vehicle, as of 31 December 2017. (2) Senior deals include senior and uni-tranche.

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Direct Lending Fund I

Portfolio Overview – March 2018

	Security	Date of Investment	Total Loan Size (EURm)	BlueBay Loan Size (EURm)	LTM EBITDA (EURm)	Net Opening Leverage	Net Current Leverage	LTV (%)	Tenor (yrs)	Base Rate/Floor	Margin Over Base	Total Pricing Excl. Fees	Upfront Fees /OID	BlueBay % of Equity
	Key Deal Metrics (1)									Key Loan Metrics (2)				
Realized Investments														
Investment 5	Senior	Apr-13	151.2	27.0	38.8	3.9x	3.7x	40%	6.0	139	583	7.2%	10.0%	-
Investment 9	Subord	Sep-13	82.0	25.0	15.7	4.9x	4.5x	61%	5.0	35	1350	13.9%	4.0%	-
Investment 10	Senior	Dec-13	101.3	44.1	27.0	3.5x	2.7x	50%	5.0	100	844	9.4%	4.0%	-
Investment 8	Senior	Sep-13	212.5	47.3	40.7	5.2x	4.0x	60%	5.0	100	750	8.5%	4.5%	-
Investment 11	Senior	Apr-14	80.0	17.7	52.7	6.1x	5.4x	74%	3.0	100	875	9.8%	0.0%	-
Investment 7	Senior	Aug-13	47.8	36.1	17.0	2.4x	1.0x	42%	5.0	100	800	9.0%	4.0%	-
Investment 20	Senior	Apr-15	85.0	43.0	63.3	5.4x	5.4x	63%	7.0	75	700	7.8%	2.0%	-
Investment 6	Senior	Aug-13	90.0	26.7	24.8	3.6x	1.6x	42%	6.0	100	775	8.8%	4.0%	-
Investment 4[3]	Senior	Apr-13	66.1	56.6	11.7	4.6x	2.5x	58%	5.7	109	784	8.9%	4.0%	-
Investment 19	Senior	Mar-15	72.8	36.4	10.6	4.9x	3.2x	46%	6.0	75	750	8.3%	4.0%	7.6%
Investment 3	Senior	Jul-14	101.0	53.0	16.2	5.2x	3.0x	60%	7.0	50	720	7.7%	3.8%	-
Investment 14	Senior	Apr-13	46.4	46.4	13.2	3.2x	1.9x	47%	5.0	100	900	10.0%	4.0%	-
Investment 16	Senior	Nov-14	n/d	26.9	74.1	n/d	n/d	79%	3.7	-	712	7.1%	13.9%	-
Investment 15	Senior	Dec-14	85.0	44.0	14.5	4.5x	3.3x	55%	5.0	50	750	8.0%	3.5%	-
Investment 17	Senior	Sep-14	76.7	56.6	15.2	4.9x	3.4x	63%	6.0	100	725	8.3%	4.0%	-
Investment 21[4, 5]	Senior	May-15	170.0	59.4	32.5	5.0x	4.3x	71%	5.0	100	725	8.3%	1.8%	-
Investment 18	Senior	Feb-15	49.5	21.3	11.4	3.9x	2.4x	52%	5.0	100	725	8.3%	3.8%	-
Investment 13														
Investment 1 - Debt[1]														
Investment 12[(10)]	Subord.	May-14	38.7	37.0	11.0	6.6x	5.1x	74%	6.0	-	850	8.5%	0.5%	63.7%
Investment 13[(11)]	Subrod.	Jun-14	220.0	28.0	133.7	5.8x	7.9x	89%	6.0	-	1175	11.8%	0.0%	4.7%
Unrealized Investments														
Investment 1 - Equity[(9)]	Senior	Jul-14	10.3	10.3	53.6	0.8x	n.m.	16%	n.m.	n.m.	n.m.	n.m.	n.m.	40.1%
Investment 2	Senior	Mar-13	100.0	25.0	n/d	n/d	n/d	51%	5.0	100	750	8.5%	5.0%	-
DLF I – weighted average			**110.8**	**37.7**	**29.9**	**4.6x**	**3.4x**	**57%**	**5.5**	**80**	**819**	**9.0%**	**3.9%**	
Compared to														
European Leveraged Loan Market							**5.1x**			58	409	4.7%	0.5%	
										Premium		4.3%	3.4%	

See key notes and explanations in BlueBay Direct Lending Fund I: notes to overview of portfolio in the Appendix

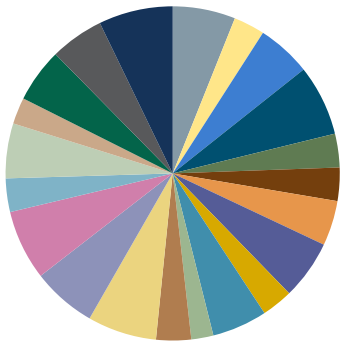
Note: The BlueBay Direct Lending Fund I, LP is closed to new investors. Information and performance is provided for illustrative purposes to highlight the capabilities of BlueBay Asset Management LLP as the manager of a private debt fund. Past performance is not necessarily indicative of future results. (*) European leveraged loan market metrics are based on the LTM Avg. all-in TLB spread of European loans from S&P Capital IQ LCD; leverage levels refer to last quarter available. Projected values with respect to unrealised investments are hypothetical and for illustrative purposes only; there is no guarantee that such figures can be achieved. Portfolio characteristics are subject to change.

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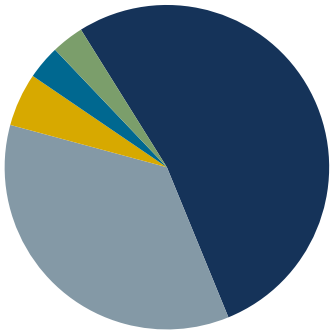
Direct Lending Fund I: key portfolio statistics

Overview of deals by borrower



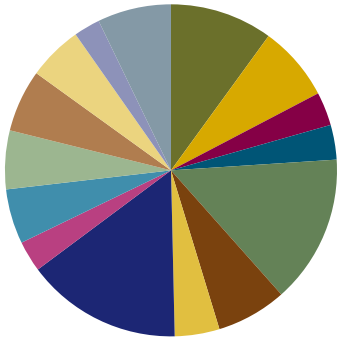
- Investment 1 (6%)
- Investment 2 (3%)
- Investment 3 (5%)
- Investment 4 (7%)
- Investment 5 (3%)
- Investment 6 (3%)
- Investment 7 (4%)
- Investment 8 (6%)
- Investment 9 (3%)
- Investment 10 (5%)
- Investment 11 (2%)
- Investment 13 (3%)
- Investment 12 (7%)
- Investment 14 (6%)
- Investment 15 (7%)
- Investment 16 (3%)
- Investment 17 (5%)
- Investment 18 (3%)
- Investment 19 (5%)
- Investment 20 (5%)
- Investment 21 (7%)

Overview of deals by geography



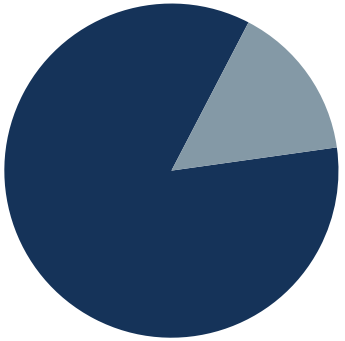
- United Kingdom (53%)
- Germany (35%)
- Netherlands (5%)
- Switzerland (3%)
- Ireland (3%)

Overview of deals by borrower industry



- Business Svcs. (10%)
- Cable (7%)
- Consumer (3%)
- Food / Beverage Svcs. (3%)
- Healthcare Scvs. (14%)
- Industrials (7%)
- Internet Svcs. (4%)
- Leisure (15%)
- Logistics (3%)
- Retail (5%)
- Travel / Transport (6%)
- Waste Management (6%)
- Footwear (5%)
- Speciality Materials (3%)
- Laboratory Products (7%)

Overview of deals by seniority



- Senior (78%)[1]
- Subordinated (22%)

Notes: (1) The senior share is composed of 59% senior and 41% unitranche deals. All statistics are based on total original invested commitments, post sell-downs to co-investors, ahead of repayments and realisations as of February 2018. The Direct Lending Fund I, LP is closed to new investors. Information and performance is provided for illustrative purposes to highlight the capabilities of BlueBay Asset Management LLP as the manager of a private debt fund. Figures are subject to rounding. Portfolio characteristics are subject to change.

For qualified investors only

RBC Global Asset Management

Direct Lending Fund II

Portfolio Overview – March 2018

	Security	Date of Investment	Total Loan Size (EURm)	BlueBay Loan Size (EURm)	LTM EBITDA (EURm)	Net Opening Leverage	Net Current Leverage	LTV (%)	Tenor (yrs)	Base Rate/Floor	Margin Over Base	Total Pricing Excl. Fees	Upfront Fees /OID	BlueBay % of Equity
	Key Deal Metrics (1)									Key Loan Metrics (2)				
Realized Investments														
Investment 1	Senior	Mar-15	74	36.4	10.6	4.9x	3.2x	46%	6	75	750	8.30%	4.00%	7.60%
Investment 5	Senior	Sep-15	120	45	22.7	4.2x	3.1x	58%	6	100	750	8.50%	3.50%	--
Investment 16	Senior	Jul-16	37.5	37.5	6.7	4.5x	3.4x	50%	7	50	725	7.80%	3.30%	--
Unrealized Investments														
Investment 2 (3)	Senior	Apr-15	352.8	88.9	57.9	6.0x	5.2x	61%	7	100	775	8.80%	4.30%	--
Investment 3	Senior	Jun-15	75.7	65.5	16.6	3.4x	4.1x	48%	7	75	700	7.80%	3.30%	--
Investment 4	Senior	Jul-15	124.5	84.9	18.3	5.7x	5.9x	55%	6.8	75	700	7.80%	3.50%	22.80%
Investment 6	Senior	Oct-15	115.4	54.1	30.5	2.8x	2.4x	52%	6	100	725	8.30%	3.30%	--
Investment 7(4)	Senior	Sep-17	245.0	156.1	16.2	5.6x	5.3x	60%	6	15	745	7.60%	3.20%	--
Investment 8(5)	Senior	Nov-15	100.0	62.5	20.7	4.3x	3.6x	55%	7	29	707	7.40%	3.40%	--
Investment 9	Senior	Dec-15	118.6	87.4	21.6	4.4x	5.2x	70%	7	100	750	8.50%	3.50%	--
Investment 10	Senior	Dec-15	45	40	12.6	2.9x	2.7x	47%	6	100	700	8.00%	3.30%	--
Investment 11	Senior	Jan-16	60	48	12.5	5.1x	5.1x	50%	7	75	750	8.10%	3.30%	--
Investment 12	Senior	Feb-16	175	40	31.1	5.5x	4.3x	63%	8	100	800	9.00%	3.00%	--
Investment 13	Senior	Mar-16	91.1	91.1	15.7	5.2x	5.2x	58%	6	100	725	8.30%	3.50%	--
Investment 14	Senior	Apr-16	12.0	120	20.9	4.3x	3.9x	39%	7	50	750	8.00%	3.30%	--
Investment 15	Senior	May-16	N/D	44.5	45.9	4.7x	3.8x	43%	7	-	575	5.80%	17.00%	--
Investment 17	Senior	Jul-16	294.9	137.4	51.8	5.7x	4.6x	52%	7	50	725	7.80%	3.50%	--
Investment 18	Senior	Sep-16	110	68	17.1	5.8x	4.4x	28%	7	50	750	8.00%	3.00%	--
Investment 19(6)	Senior	Mar-17	499.7	103.7	75.8	5.7x	5.9x	65%	8	100	825	9.30%	3.30%	1.00%
Investment 20	Senior	May-17	131	90.2	17.2	5.1x	5.6x	51%	7	-	725	7.30%	3.00%	--
Investment 21	Senior	Jun-17	84.2	84.2	11.4	5.4x	4.5x	66%	6	50	700	7.50%	3.00%	--
Investment 22(7)	Senior	Aug-17	107.5	97.5	13.3	5.4x	5.0x	55%	7	50	675	7.30%	3.00%	16.70%
Investment 23	Senior	Sep-17	263.7	131.8	37.1	7.0x	6.5x	44%	7	50	650	7.00%	3.00%	--
Investment 24	Senior	Nov-17	10.5	105.0	9.5	5.3x	5.3x	26%	7	-	700	7.00%	3.00%	--
Investment 25	Senior	Oct-17	82.5	75.0	11.3	5.1x	5.9x	34%	6	-	700	7.00%	3.00%	19.90%
Investment 26	Senior	Dec-17	66.7	66.7	12.9	4.7x	4.7x	27%	7	-	575	5.80%	3.00%	--
Investment 27	Subord.	Dec-17	33.3	33.3	12.9	7.0x	7.0x	41%	7.5	-	900	9.00%	3.00%	--
DLF II—(weighted) average			**166.5**	**77.6**	**25.4**	**5.2x**	**4.9x**	**50%**	**6.8**	**53**	**722**	**7.7%**	**3.60%**	
Compared to:														
European Leveraged Loan Market*							5.1x			38	347	3.8%	0.0%	
										Premium:		3.9%	3.6%	

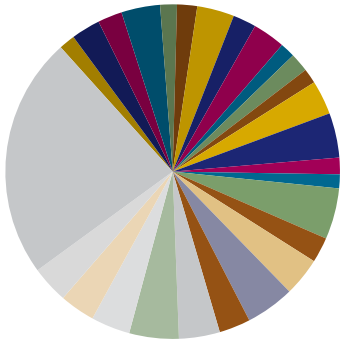
Note: Investment 15 has not been disclosed for confidentiality reasons. The Direct Lending Fund II, LP is closed to new investors. Information and performance is provided for illustrative purposes to highlight the capabilities of BlueBay Asset Management LLP as the manager of a Private Debt fund and there is no guarantee that projected values can be achieved. Committed deals metrics could be subject to change. (*) European leveraged loan market metrics are based on the LTM Avg. all-in TLB spread of European loans from S&P Capital IQ LCD; leverage levels refer to last quarter available. Portfolio characteristics are subject to change.

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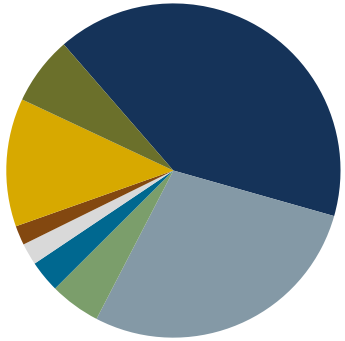
Direct Lending Fund II: key portfolio statistics

Overview of deals by borrower



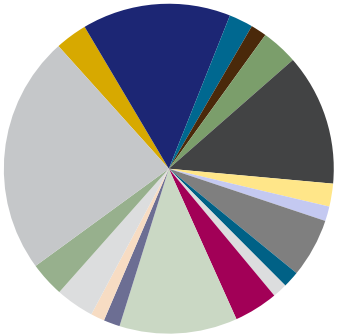
- Investment 1 (2%)
- Investment 2 (3%)
- Investment 3 (2%)
- Investment 4 (4%)
- Investment 5 (2%)
- Investment 6 (2%)
- Investment 7 (4%)
- Investment 8 (2%)
- Investment 9 (3%)
- Investment 10 (1%)
- Investment 11 (2%)
- Investment 12 (1%)
- Investment 13 (3%)
- Investment 14 (4%)
- Investment 15 (2%)
- Investment 16 (1%)
- Investment 17 (5%)
- Investment 18 (2%)
- Investment 19 (4%)
- Investment 20 (5%)
- Investment 21 (3%)
- Investment 22 (4%)
- Investment 23 (5%)
- Investment 24 (4%)
- Investment 25 (3%)
- Investment 26 (4%)
- Undrawn (23%)

Overview of deals by geography



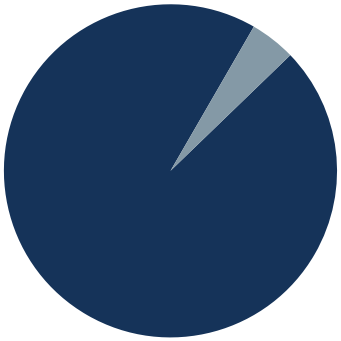
- United Kingdom (41%)
- Germany (28%)
- Switzerland (5%)
- Denmark (3%)
- Netherlands (2%)
- Malta (2%)
- France (12%)
- Spain (7%)

Overview of deals by borrower industry



- Business Svcs. (3%)
- Social Svcs. (15%)
- Retail (2%)
- Healthcare Svcs. (2%)
- Healthcare (4%)
- SaaS (13%)
- Cable Infra. (2%)
- Consumer (1%)
- Industrial Distb. (6%)
- Industrials (2%)
- Cable (1%)
- Leisure (4%)
- Services (12%)
- Undisclosed (2%)
- Education (1%)
- Financial Services (4%)

Overview of deals by seniority



- Senior (96%) [1]
- Subordinated (4%)

Notes: (1) The senior share is composed of 34% senior and 66% unitranche deals. All statistics are based on total original invested commitments, post sell-downs to co-investors, ahead of repayments and realisations as of February 2018. Undrawn capital calculated considering all original commitments since inception. The Direct Lending Fund II SLP is closed to new investors. Information and performance is provided for illustrative purposes to highlight the capabilities of BlueBay Asset Management LLP as the manager of a private debt fund.
Figures are subject to rounding. Portfolio characteristics are subject to change.

For qualified investors only

RBC Global Asset Management

BlueBay Private Debt

Investment Process – Due Diligence and Execution

Stage 1: Preliminary Screening

Time and suitability screening

- Preliminary Investment Memorandum (PIM): industry and company overview, credit analysis (including screening on ESG sensitive sectors)
- Go/no-go and Red Flag analysis
- Agree expenses cap
- Preliminary review by Investment Committee
- Preliminary review by Loan Approval Committee (LAC)

Stage 2: Due Diligence and Interim Review

Substantive analysis

- Review information (financial, commercial, legal , ESG) from company and advisors
- Meetings with management
- Engage external advisors
- Red Flag issues addressed
- Review meetings of Investment Committee

Stage 3: Investment Decision

Final Investment Memorandum (FIM)

- Comprehensive financial, legal , ESG and market analysis
- Investment attractions, risks and mitigants
- Credit analysis and stress tests
- Structure, pricing, returns
- Investment amount and portfolio balancing
- Full Investment Committee decision

Stage 4: Execution

Based on market best-practice

- Transaction documentation focused on achieving strong contractual protections
- Strong credit protections and inter creditor issues
- Negative voting controls over key issues
- Tax structuring and compliance with fund restrictions
- Full Loan Approval Committee decision

Business Review

- Industry overview
- Company analysis and product review
- Suppliers, customers, competitors
- Quality of management
- Third party advisor reports (accountants, lawyers, consultants)

Credit Analysis

- Cash flow analysis
- Asset valuation
- Financial modelling
- Comparable credit analysis
- Legal and accounting review

Risk/Return Analysis

- Stress test downside protection
- Leverage, equity cushion, covenants
- Cash yield
- Equity upside

Environmental, Social & Governance Analysis (ESG)

- Evaluation against ESG checklist
- Reference to ESG briefing documents
- Review related to ESG aspects in conjunction with in-house ESG experts

BlueBay Private Debt

Investment Process – Monitoring and Portfolio Management

Stage 5: Monitoring

Hands-On Approach

- Board representation where appropriate
- Monthly financial information (income statement, balance sheet, cash-flow statement, KPI analysis, covenant compliance)
- Monthly financial performance calls
- Quarterly review meetings
- Continuous informal management team contact
- Ongoing monitoring / management engagement in relation to ESG-related performance and news flow
- Credit evolution and assessment
- Evaluation of repayment / exit strategies

Stage 6: Portfolio Management

Balanced Risk Assessment

- Number of investments: 25–40 investments
- Size of investments: €30–€150 million
- Borrower concentration: Not greater than 10% of fund size
- Geographic concentration: Not greater than 60% for one country
- Subordinated loans: Not greater than 30% of fund size
- Non-senior secured loans: Ability to take warrants or equity
- Average life of loan: 2–7 years (estimated average 2–3 years)

Stage 7: Reporting

Rigorous and Transparent

- Monthly Fund valuations carried out by General Partner
- Internal review carried out by Finance team
- Third party independent annual valuations
- Comprehensive investor reports prepared by Fund Administrator
- Regular ESG-related investment reporting

Why BlueBay?

Key strengths	Why it matters	Advantages
Size and scale	• Few multi-billion AUM Direct Lending funds in Europe • 'One stop shop' – loans up to €300m • Funding gap most acute at larger end of market	• Less competition • Achieve better pricing and terms • Higher quality businesses
Established player	• Developed long-standing relationships over 20+ years • Track record of delivering innovative financing solutions • Trusted partner to Private Equity firms and corporates	• See higher quality deal flow • Often invited into transactions exclusively
High quality investment team	• Highly experienced investment team • Originated and executed deals in multiple jurisdictions • Deep origination network in local markets	• Ability to originate deals throughout Europe • Significant barrier to entry for new participants
BlueBay infrastructure	• Over 80 direct lending investments completed to date • Multiple funds, hedging, subscription and leverage facilities • Complex legal and compliance regimes	• C. 150 person back office • Experienced legal, compliance, fund administration and reporting support
Track record	• Demonstrable track record across 3 vintages of funds • Attractive returns and cash yields being generated • Zero credit losses to date	• High-quality investors globally • Investors investing across the BlueBay Private Debt platform
Investment-led entrepreneurial approach	• Uniquely broad experience of team with credit, private equity, and restructuring expertise • Philosophy of investors in, rather than lenders to, businesses	• Ability to provide creative solutions to meet specific requirements of borrowers and invest across capital structure

BlueBay Private Debt

Overview of selected transactions to date

Accelya Senior Secured / Subordinated Financing **Acquisition Financing**	**A-Gas** Senior Secured Financing **Refinancing**	**Amber Taverns** Subordinated Financing **Acquisition Financing**	**Bibliotheca** Senior Secured Financing **Acquisition Financing**	**Cartonplast** Senior Secured Financing **Acquisition Financing**	**DSD** Senior Secured Financing **Refinancing**	**DFG** Senior Secured Financing **Refinancing**	**Duran** Senior Secured Financing **Acquisition Financing**	**EDM** Senior Secured Financing **Refinancing**	**ESE** Senior Secured Financing **Refinancing**
Fintrax Senior Secured Financing **Refinancing**	**Gabocom** Senior Secured Financing **Refinancing**	**ghd** Senior Secured Financing Term Loan A/B **Acquisition Financing**	**Groupe Bertrand** Senior Secured Financing **Refinancing**	**HKA** Senior Secured Financing **Acquisition Financing**	**Colegios Laude** Senior Secured Financing **Refinancing**	**Marston** Senior Secured Financing **Acquisition Financing**	**Masai** Senior Secured Financing **Acquisition Financing**	**Melita** Senior Secured Financing (Second Lien) **Acquisition Financing**	**NFA** Senior Secured Financing **Acquisition Financing**
OSG Senior Secured Financing **Refinancing**	**Outcomes First** Senior Secured Financing **Acquisition Financing**	**Phase Eight** Senior Secured Financing **Refinancing**	**Primacom** Senior Secured Financing Term Loan C **Acquisition Financing**	**Primacom** Senior Secured Financing (Second Lien) **Refinancing**	**Prospitalia** Senior Secured Financing **Acquisition Financing**	**Prospitalia** Senior Secured Financing **Refinancing**	**Prospitalia** Subordinated Secured Financing **Refinancing**	**Rhenoflex** Senior Secured Financing **Acquisition Financing**	**Rhenoflex** Senior Secured Financing **Refinancing**
Schuberth Senior Secured Financing **Refinancing**	**Selecta** Subordinated Financing **Refinancing/ Recapitalisation**	**SF-Filter** Senior Secured Financing **Acquisition Financing**	**SJD Accountancy** **Nixon Williams** Senior Secured Financing **Acquisition Financing**	**Synexus** Senior Secured / Subordinated Financing **Acquisition Financing**	**Trainline** Senior Secured Financing **Refinancing**	**Tracscare/ Brooksdale** Senior Secured / Subordinated Financing **Acquisition Financing**	**Transporeon** Senior Secured Financing **Acquisition Financing**	**Unlimited Footwear Group** Senior Secured Financing **Acquisition Financing**	**uSwitch** Senior Secured Financing **Acquisition Financing**

For qualified investors only

RBC Global Asset Management

Sample Deals

Direct Lending Fund I: Dennis Eagle

Company	Dennis Eagle	Fund I investment	€56.6 million
Industry	Industrials	Investment date	April 2013/July 2014
Geography	United Kingdom	Ranking	First Lien
Headquarters	Warwick	Security	Senior Secured
Financial sponsor	RosRoca Group	Status	Realised. Gross IRR/MM of 11.4%/1.30x

Company description	RosRoca Dennis RCV Limited (“Dennis Eagle” or “the Company”) is Europe’s largest refuse collection vehicle (“RCV”) producer offering an end-to-end RCV proposition including bodies, chassis, parts and service. The Company generates revenues from selling RCVs to both municipals and private waste collection companies. It benefits from a well-developed aftermarket sales network which accounts for approximately 50% of EBITDA.
Transaction overview	On 22 April 2013, Fund I signed a Senior Facilities Agreement to provide a £42.0 million senior secured loan to support the refinancing of Dennis Eagle and a dividend to its shareholders. In July 2014 Fund I provided an additional €7.5 million senior secured loan.
Investment rationale	• European market leader for low-entry RCVs with a UK market share of approximately 65% • Visible revenues with order book of approximately 3–6 months • Strong aftermarket sales contributing approximately 50% of EBITDA • Good cash flow conversion of approximately 80% over last 3 years • Limited inventory risk—Dennis Eagle builds on orders • Very experienced management team

Direct Lending Fund I: Trainline

Company	Trainline	Fund I investment	€47.3 million
Industry	Travel/Transport	Investment date	September 2013
Geography	United Kingdom	Ranking	First Lien
Headquarters	London	Security	Senior Secured
Financial sponsor	Exponent Private Equity	Status	Realised. Gross IRR/MM of 13.3%/1.20x

Company description	Trainline operates thetrainline.com, which is the UK's leading independent online retailer for train tickets. In addition to selling tickets via its websites (64% of gross profit), Trainline also manages the online retail platforms of train operating companies ("TOCs") such as Virgin Trains (20%) and provides booking solutions for travel management companies (14%). The business generates revenues through commissions charged to the TOCs and booking fees charged to end users on its website. Trainline is a household brand name in the UK and operates its most visited travel website (approximately 17 million visits a month).
Transaction overview	On 6 September 2013, Fund I entered into a £140.0 million Senior Facilities Agreement with three other lenders to support the refinancing of the business. The proceeds were used to repay existing indebtedness and fund a dividend to the principal shareholder. The highly bespoke financing was put in place to cater for a variety of structural complexities, including the Company's ability to run its day-to-day business without disruptions within its regulatory framework.
Investment rationale	• Strong brand name and market position: thetrainline.com is the #1 independent online retailer for train tickets in the UK with a market share of 87% • Attractive market dynamics: the UK rail market has shown year-on-year growth of 7%–8% in passenger volumes and the internet-related channels for train tickets are growing even faster than that • High customer loyalty and high recurring revenues: 83% of ticket sales on thetrainline.com are repeat transactions • Certainty of pricing thanks to contractual agreements: commission rates are set by the Association of Train Operating Companies ("ATOC") and are fixed until 2019 (beyond the term of the existing debt)

Direct Lending Fund II: Schuberth

Company	Schuberth GmbH	Fund II investment	€40.0 million
Industry	Consumer Products	Investment date	December 2015
Geography	Germany	Ranking	First Lien
Headquarters	Magdeburg	Security	Senior Secured
Financial sponsor	Perusa Partners	Status	Unrealised

Company description	Schuberth is a premium head protection designer and manufacturer operating in several distinct segments, including Motorcycle, Military / Police, Industrial Safety / Firefighting and Racing. The brand is well-recognised as the technological leader in helmet design and is known for the very good performance of its helmets within the premium motorcycling segment (typically €400 – 700 per helmet). The Company's success is built on its reputation as a leader in technology, quality and vertically integrated in-house manufacturing capabilities bearing the 'Made in Germany' stamp.
Transaction overview	On 21 December 2015, Fund II signed a Senior Facilities Agreement to provide a senior secured loan to support the refinancing of Schuberth. BlueBay led the refinancing and was the sole lender providing the first lien senior secured facility in the amount of €40.0 million. Schuberth was acquired by Perusa Partners in 2013. This transaction represents the first deal that the Private Debt team has completed with Perusa Partners, a well-respected German private equity firm.
Investment rationale	• Schuberth is a leading premium brand in the head protection market and has a reputation as a technical leader • The relevant markets for Schuberth demonstrate strong resilience to economic downturns and have beneficial tailwinds going forward • Credible sponsor has been successful in implementing operational improvements and recent financial performance has been strong • Conservative capital structure and low leverage • Diversified end markets through exposure to military, police, industrial safety and firefighting segments

Direct Lending Fund II: Accelya

Company	Accelya	Fund II investment	€105.6 million
Industry	SaaS	Investment date	March 2017
Geography	Spain	Ranking	First Lien/Second Lien/Equity
Headquarters	Barcelona	Security	Senior Secured (debt)/Subordinated (equity)
Financial sponsor	Warburg Pincus & Co	Status	Unrealised

Company description	Accelya Holding ("Accelya") is a leading provider of integrated financial, decision support and statistics services to the air travel industry. Headquartered in Spain, the company delivers its services both through managed hosting (SaaS) or fully outsourced solutions to traditional and low cost airlines, as well as travel agents. Accelya's services assist airlines to outsource non-core operations in order to streamline their financial processes and deliver insight on business performance via data analytics.
Transaction overview	In March 2017 Direct Lending Fund II SLP (the "Fund") financed the acquisition of Accelya and subsequent merger with the existing Warburg Pincus & Co's portfolio company, Mercator. BlueBay led the financing, providing an underwriting commitment for 100% of the Second Lien Facility in the amount of $90.0 million. In addition to the Second Lien, the Fund provided $2.5 million in the form of Equity co-investment alongside the Sponsor and a further $20.0 million in the form of First Lien Facility.
Investment rationale	• Sizeable market with good industry fundamentals and strong tailwinds • Leading position in the air travel market with a 21-22% global market share • Globally diversified revenue source and customer base • Strong business resilience and high revenue visibility, thanks to 3-5 years agreements with automatic renewal clauses • Strong financial performance combined with high margins and very strong cash flow generation

Appendix

Notes to overviews of portfolio

Direct Lending Fund I, LP

1. Key Deal Metrics reflect levels at closing and to the level of BlueBay's investment. Net current leverage based on latest monthly figures available (leverage at exit for realised deals). Non-EUR loans converted at actual exchange rates at investment date. Loan-to-value ("LTV") levels reflect the actual value at opening (based on the purchase price in the case of an acquisition) or are based on an estimated equity value based on public market comparables and internal BlueBay calculations. BlueBay Loan Size is defined as BlueBay's investment size including commitments at date of investment. Total Loan Size includes other (non-BlueBay) tranches in the capital structure unless footnoted otherwise.
2. Key Loan Metrics reflect the levels at closing and do not account for any subsequent changes due to an outperformance of the underlying businesses, which could result in a reduction in margin (through a margin ratchet) over time. The BlueBay % of Equity includes warrants over equity. Margin over base includes both cash and PIK margin. Base rate shown in basis points (bps).
3. Shows the total leverage through the subordinated loan. Total loan size represents BlueBay tranche only.
4. The LTV and enterprise value were based on BlueBay's conservative estimates.
5. Actual current leverage was 3.0x (as of November 2014) excluding the Company's £40.3m super senior cash bond.
6. EURIBOR Floor is paid in kind (PIK). Total loan size represents BlueBay tranche only.
7. Total loan size represents BlueBay tranche only.
8. Includes a €7.5 million follow-on financing completed in July 2014; the key loan metrics reflect the weighted average balance of the original investment and the follow-on investment.
9. Opening LTV adjusted for working capital. The total loan size of €76.9 million was made up of a €64.9 million term loan and €12.0 million of acquisition facilities. The BlueBay Loan Size shown includes a €10.3 million investment into warrants over initially 36% of the equity this investment as part of a financial restructuring completed on 7 July 2014. The equity ownership has meanwhile increased through share buy-backs from departing managers and an opportunistic trade with another investor in the business. BlueBay Loan Size does not include cancelled committed acquisition line.
10. In addition to the subordinated debt investment, the Fund invested £15.0 million of equity in exchange for 63.7% of the fully diluted equity of the Company. The total loan size and pricing shown relates solely to the subordinated debt investment.
11. The total PIK loan includes equity warrants for a total shareholding of 37.5%, which means that the Fund has warrants over 4.8% of the fully diluted equity of the business. Total loan size represents BlueBay tranche only.

"N/D" = not disclosed for confidentiality reasons; "N/M" = not meaningful

Direct Lending Fund II SLP

1. Key Deal Metrics reflect levels at closing and to the level of BlueBay's investment. Net current leverage based on latest monthly figures available (leverage at exit for realised deals). Non-EUR loans converted at actual exchange rates at investment date. Loan-to-value ("LTV") levels reflect the actual value at opening (based on the purchase price in the case of an acquisition) or are based on an estimated equity value based on public market comparables and internal BlueBay calculations. BlueBay Loan Size is defined as BlueBay's investment size including commitments at date of investment. Total Loan Size includes other (non-BlueBay) tranches in the capital structure unless footnoted otherwise.
2. Key Loan Metrics reflect the levels at closing and do not account for any subsequent changes due to an outperformance of the underlying businesses, which could result in a reduction in margin (through a margin ratchet) over time. The BlueBay % of Equity includes warrants over equity. Margin over base includes both cash and PIK margin. Base rate shown in basis points (bps).
3. Following the original investment, Fund II has supported a follow on acquisition (closed in August 2016). The metrics shown refer to the combined business.
4. Following the original investment, Fund II executed a follow-on investment, which increased the overall exposure to the deal. The Key Deal Metrics are shown including the follow-on investment. The Key Loan Metrics represent the blended weighted average of the initial deal and follow-on investment.
5. Fund II executed a follow-on investment, which increased the overall exposure to the deal. The Key Deal Metrics are shown including the follow-on investment. The Key Loan Metrics represent the blended weighted average of the initial deal and follow-on investment.
6. The Key Loan metrics refer to the Second Lien only. The First Lien investment of $20.0m is priced at L (0% floor) + 4.25%, with 0.50% upfront fees.
7. The Key Loan metric refer to the Term Loan only. DLF II also provided a €12.5 million equity co-investment alongside the sponsor.

"N/D" = not disclosed for confidentiality reasons; "N/M" = not meaningful

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